



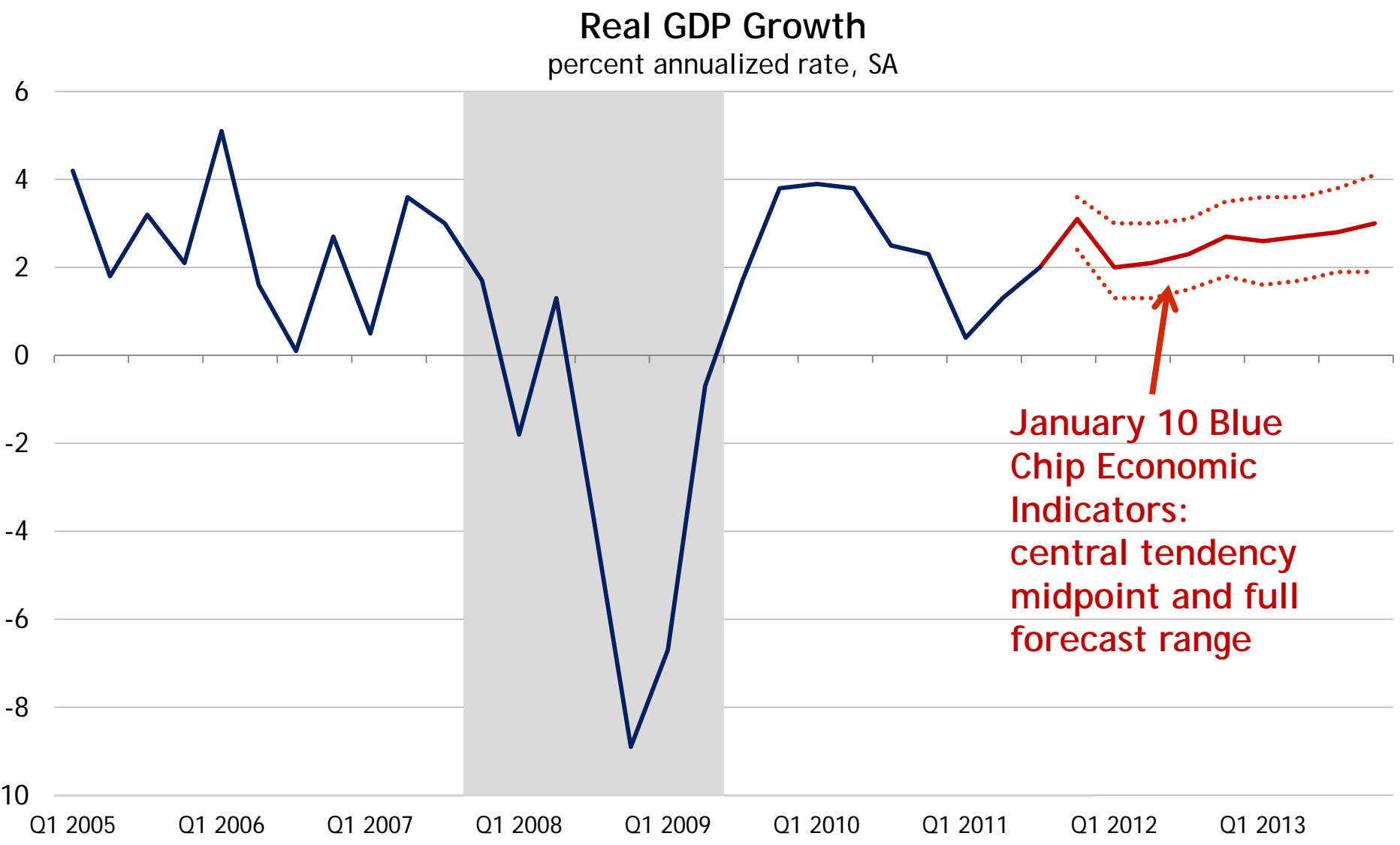
The economy: *A View from the Fed*

2012 Economic Outlook Conference
Montgomery, AL
January 11, 2012

The views expressed here are not necessarily those of the Federal Reserve Bank of Atlanta or the Federal Reserve System



The current forecast -- growth only slowly improving through next two years



January 10 Blue Chip Economic Indicators: central tendency midpoint and full forecast range

Actual data through Q3 2011; Forecast through 2013

2011 by the (too many) numbers

	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter (Projected)
Top Line Real GDP Growth	0.4%	1.3%	2.0%	3.3%
Consumer Spending	2.1%	0.7%	1.7%	2.6%
Equipment and Software	8.7%	6.2%	16.2%	-1.5%
Residential construction	-2.4%	4.2%	1.3%	7.3%
Government spending	-5.9%	-0.9%	-0.1%	0.0%
Exports	7.9%	3.6%	4.7%	6.8%
Imports	8.3%	1.4%	1.2%	2.9%
Inventory accumulation	\$49.1 B.	\$39.1 B.	\$-2.0 B.	\$29B.

Out of the gate slow, an *apparent* kick in the stretch

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Government spending - at best, not a player

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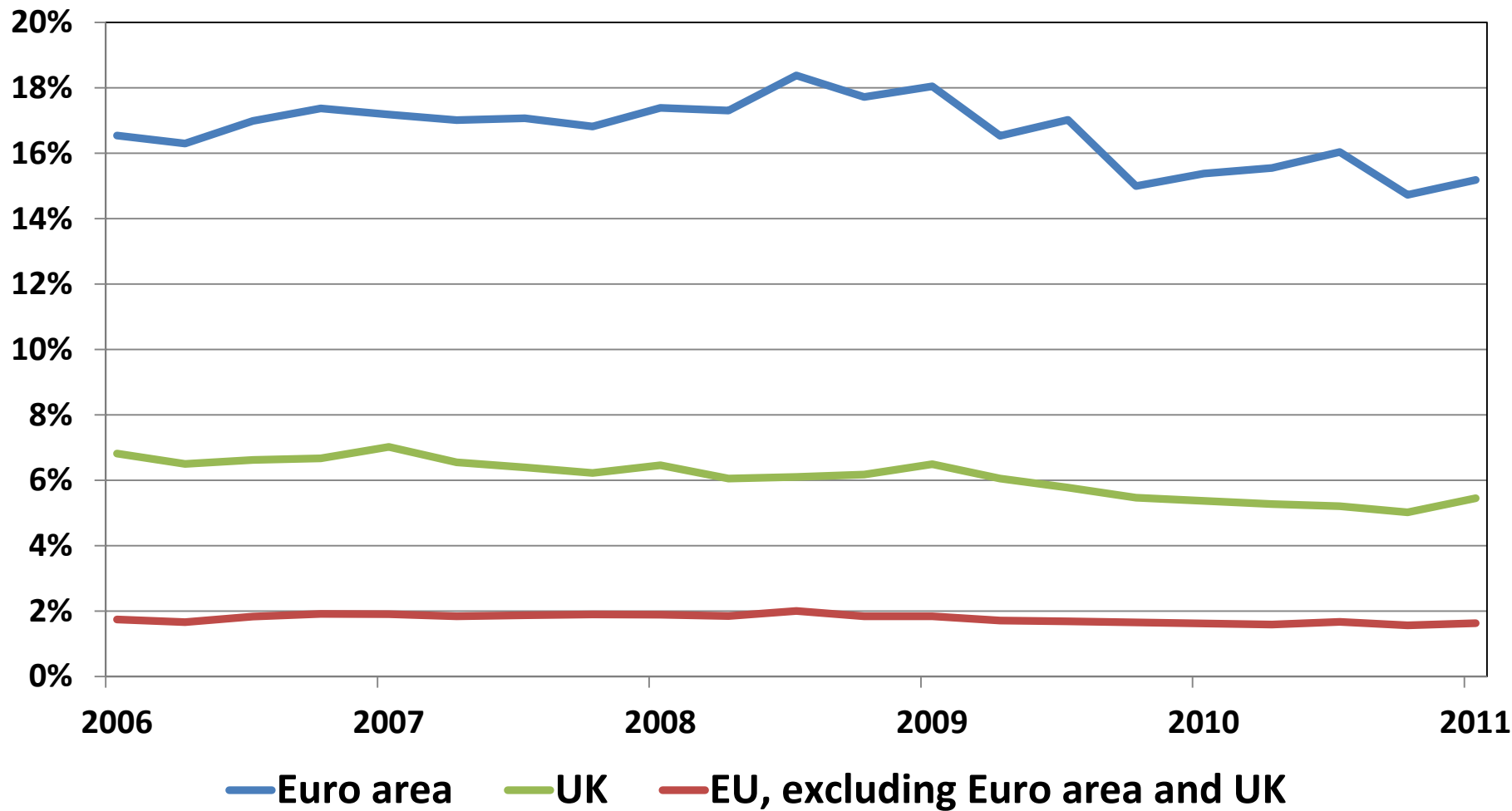
Can the export boom continue?

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In total, Europe accounts for about 25% of all US exports

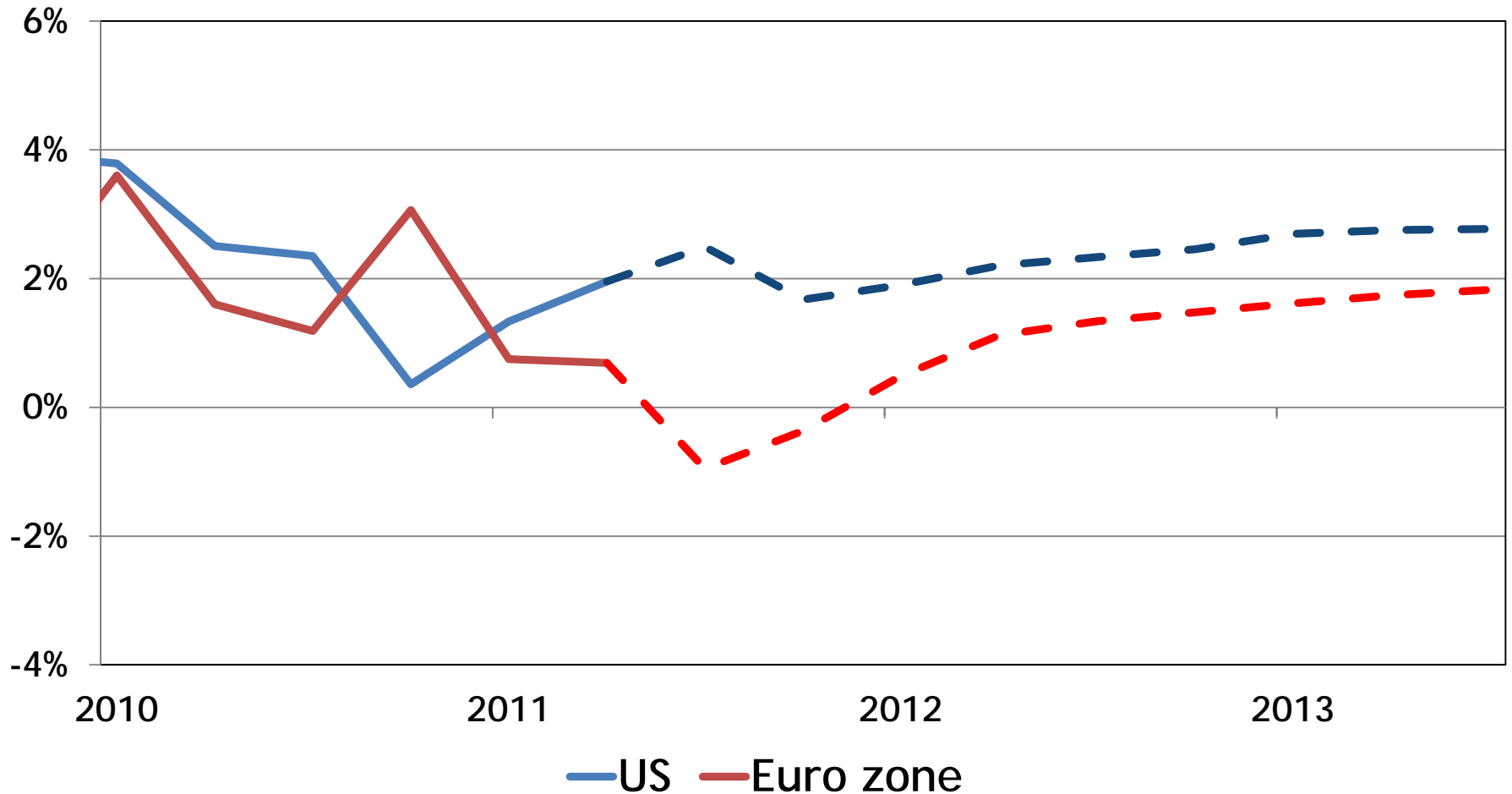
Share of US Exports of Goods and Services

SA, Quarterly, % of Total Exports of Goods and Services



The OECD now predicts that the euro zone countries will suffer an outright contraction in 2012

OECD: Real GDP Growth Projections
percent (q/q, SAAR)



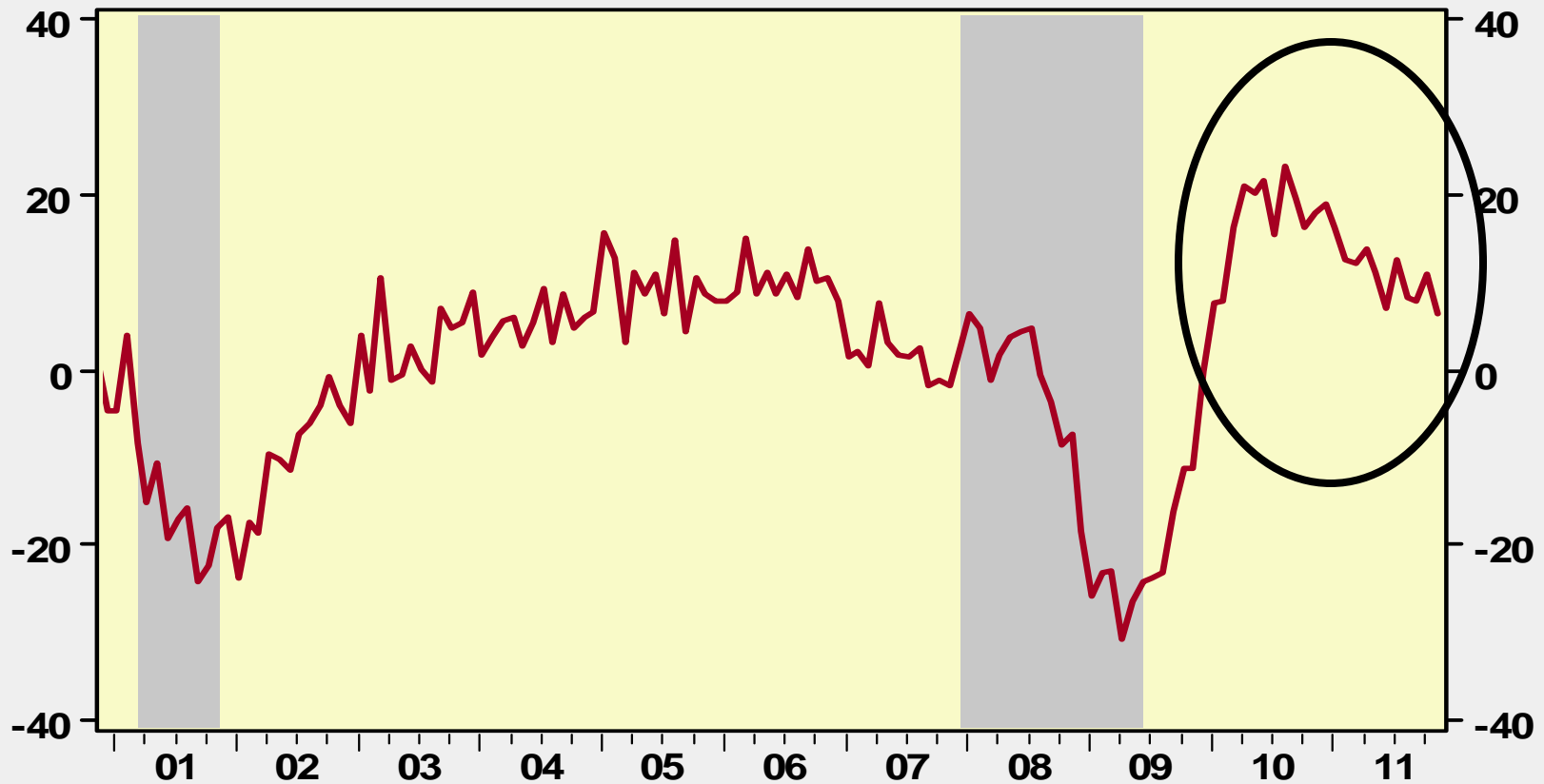
Is business investment fading?

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Growth in new orders for core capital goods has been drifting lower

Mfrs' New Orders: Nondefense Capital Goods ex Aircraft

12-month %Change SA, MI.\$

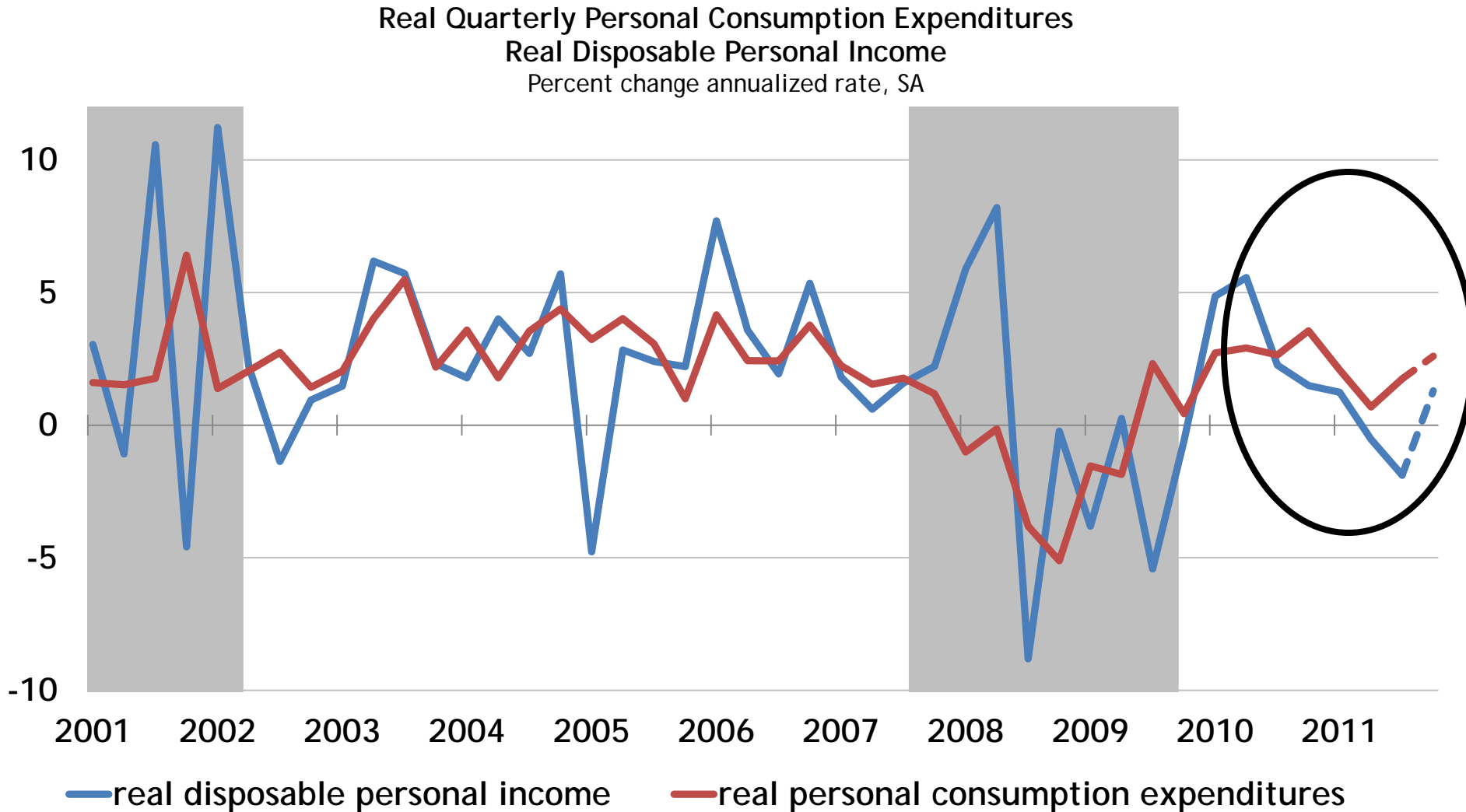


Source: Census Bureau /Haver Analytics

The big question: Can the consumer hang in?

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Recent income growth is *not* supporting the recent pace of consumer spending

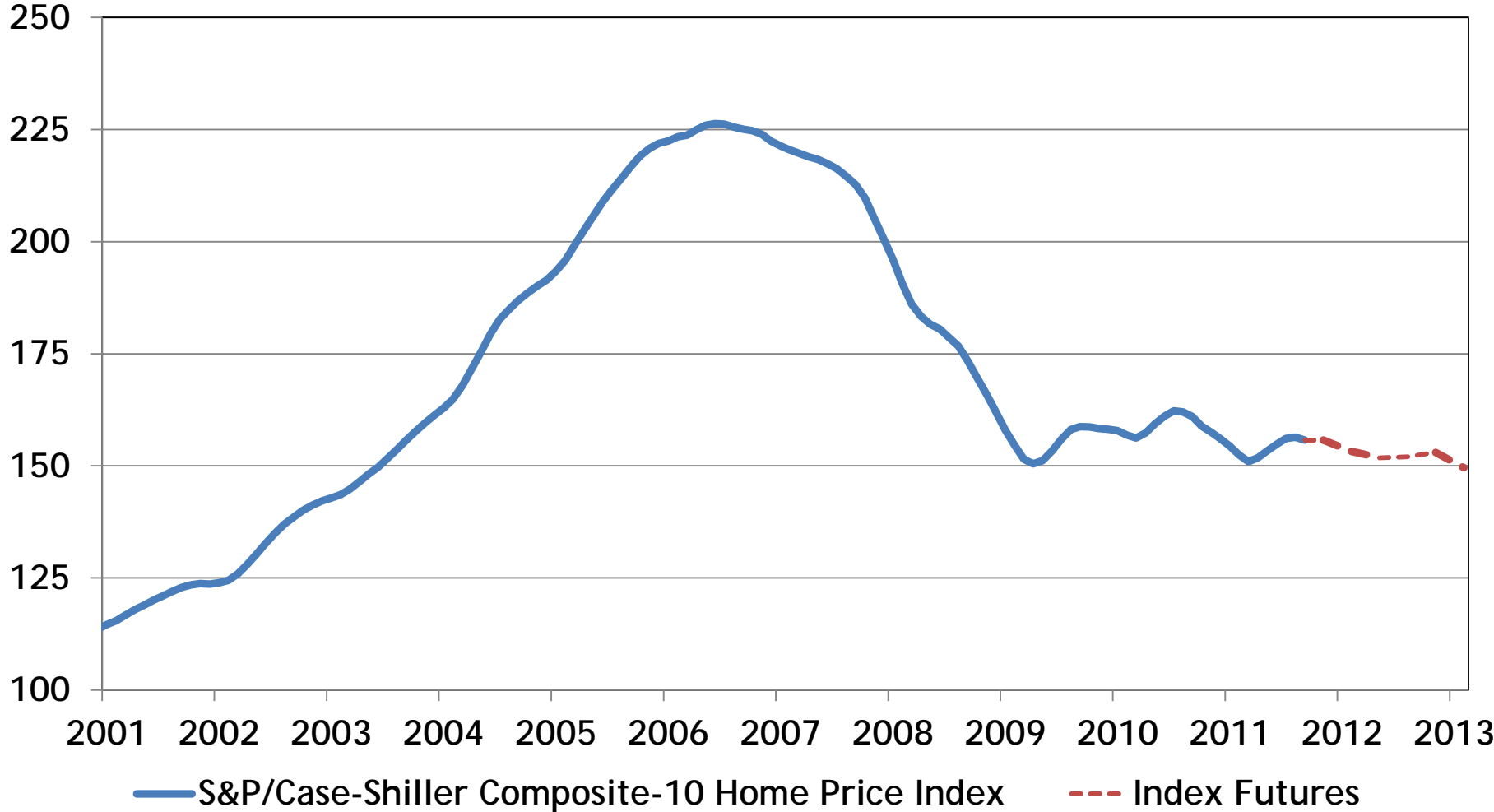


Actual data through Q3 2011, * Q4 projected using November levels

Home prices turned slightly lower through the third quarter, futures prices indicate more (small) declines through early 2013

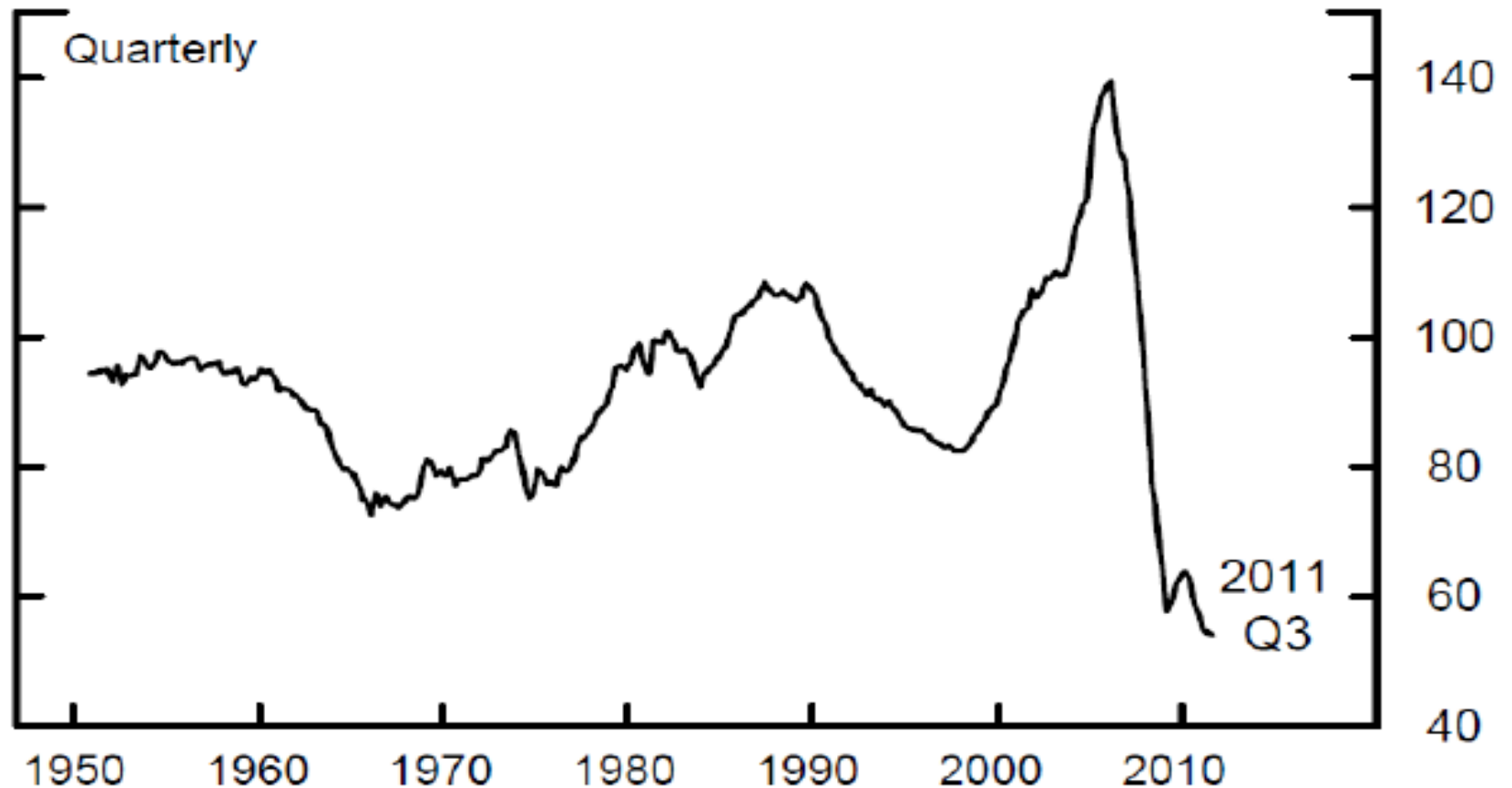
S&P/Case-Shiller Home Price Index and Futures

Index: Jan 2000=100 NSA, actual through September, forecast through February 2013



Relative to income, home equity is at extraordinarily low levels

Fig. 2: Ratio of Home Equity to Disposable Personal Income



Source: Flow of Funds Accounts of the United States.

Some key impediments to recovery in the housing market: The Fed White Paper

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--- Better HARP?

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Some key impediments to recovery in the housing market: The Fed White Paper

1. Obstacles to exploiting the low interest rate environment
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3. Foreclosures - how to stop (or manage) the bleeding
 - HAMPs, DILs, and speed

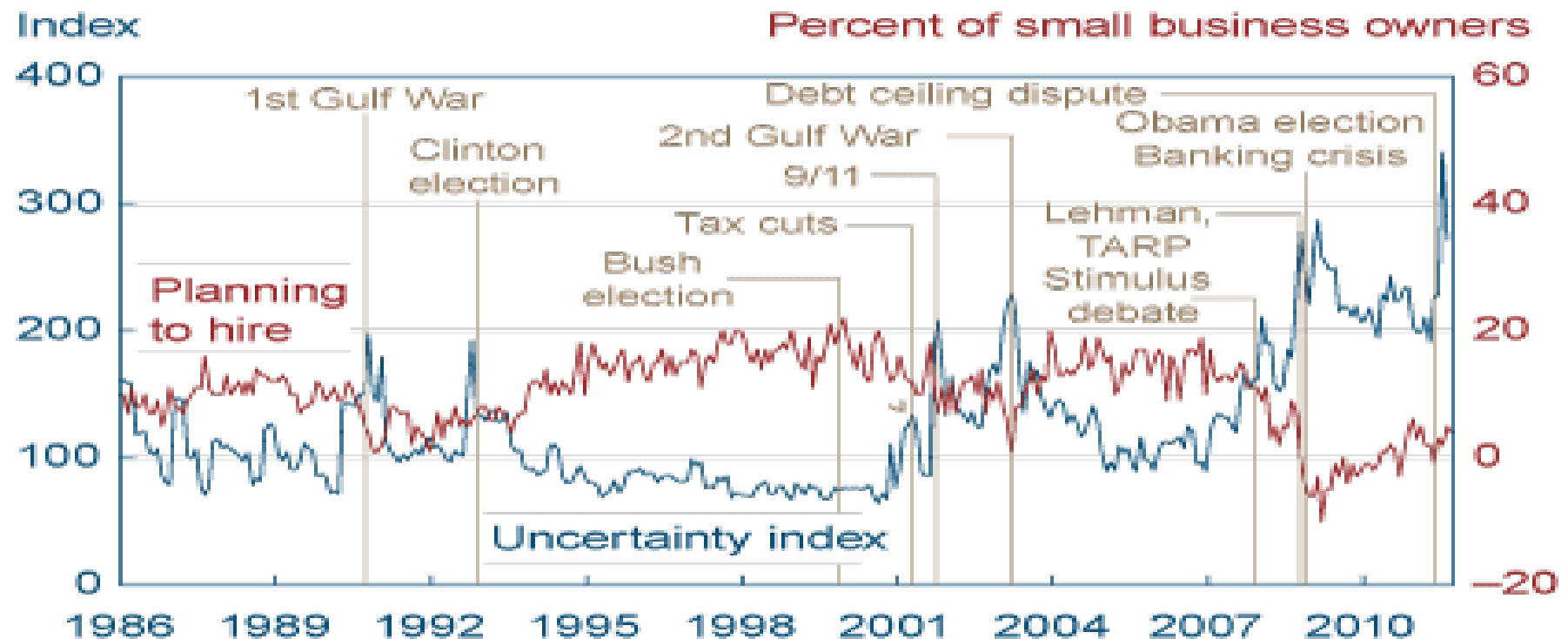
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All roads eventually lead to Fannie, Freddie, and the GSEs - what social tradeoffs are we willing to accept?

There does seem to be a relationship between measures of uncertainty and business resource decisions

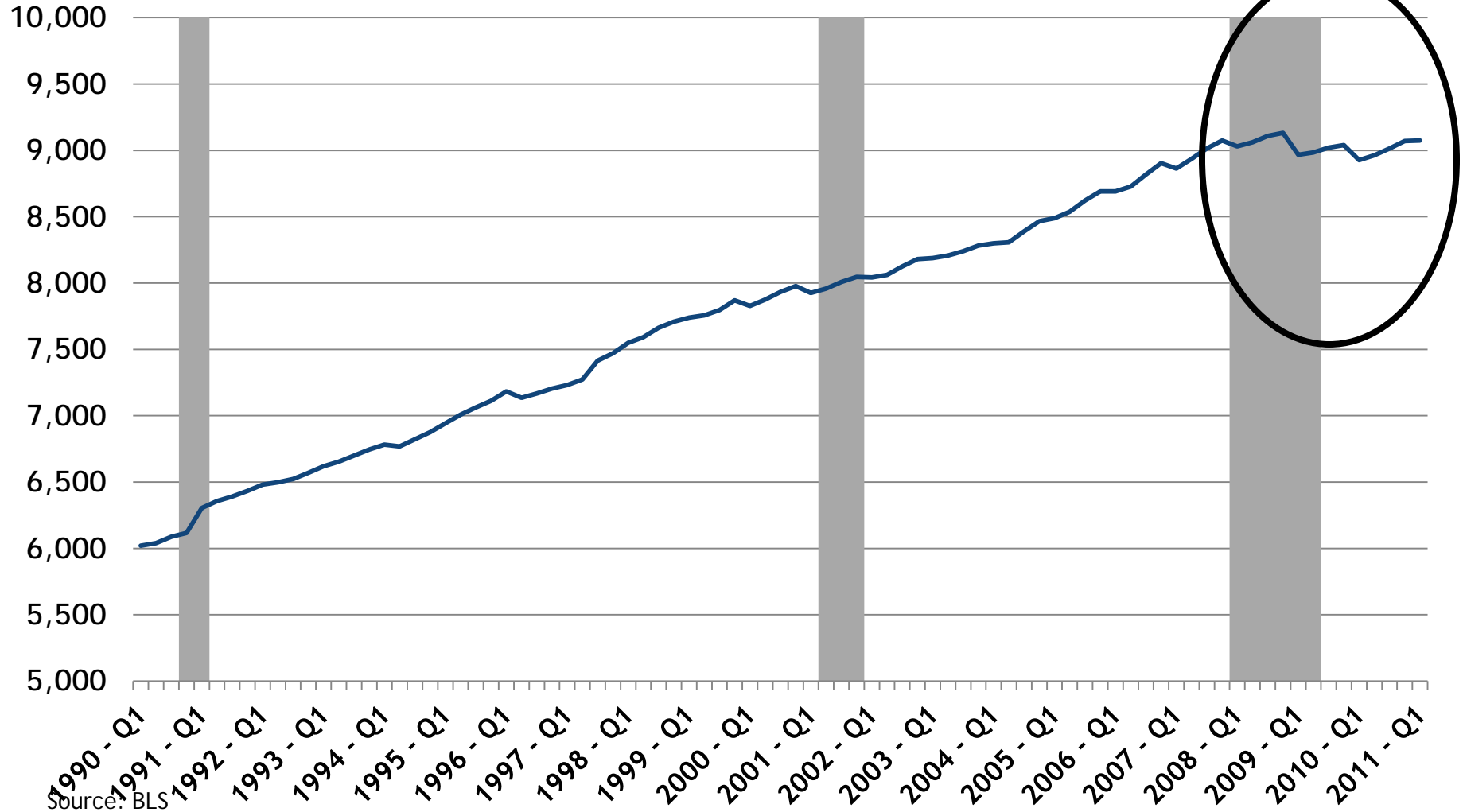
Figure 1. Policy Uncertainty and Small Business Hiring Plans



Source: Created by the authors from data from the National Federation of Independent Business and Baker, Bloom, and Davis (2011).

A key thing to watch: Business formation/expansion slowed dramatically

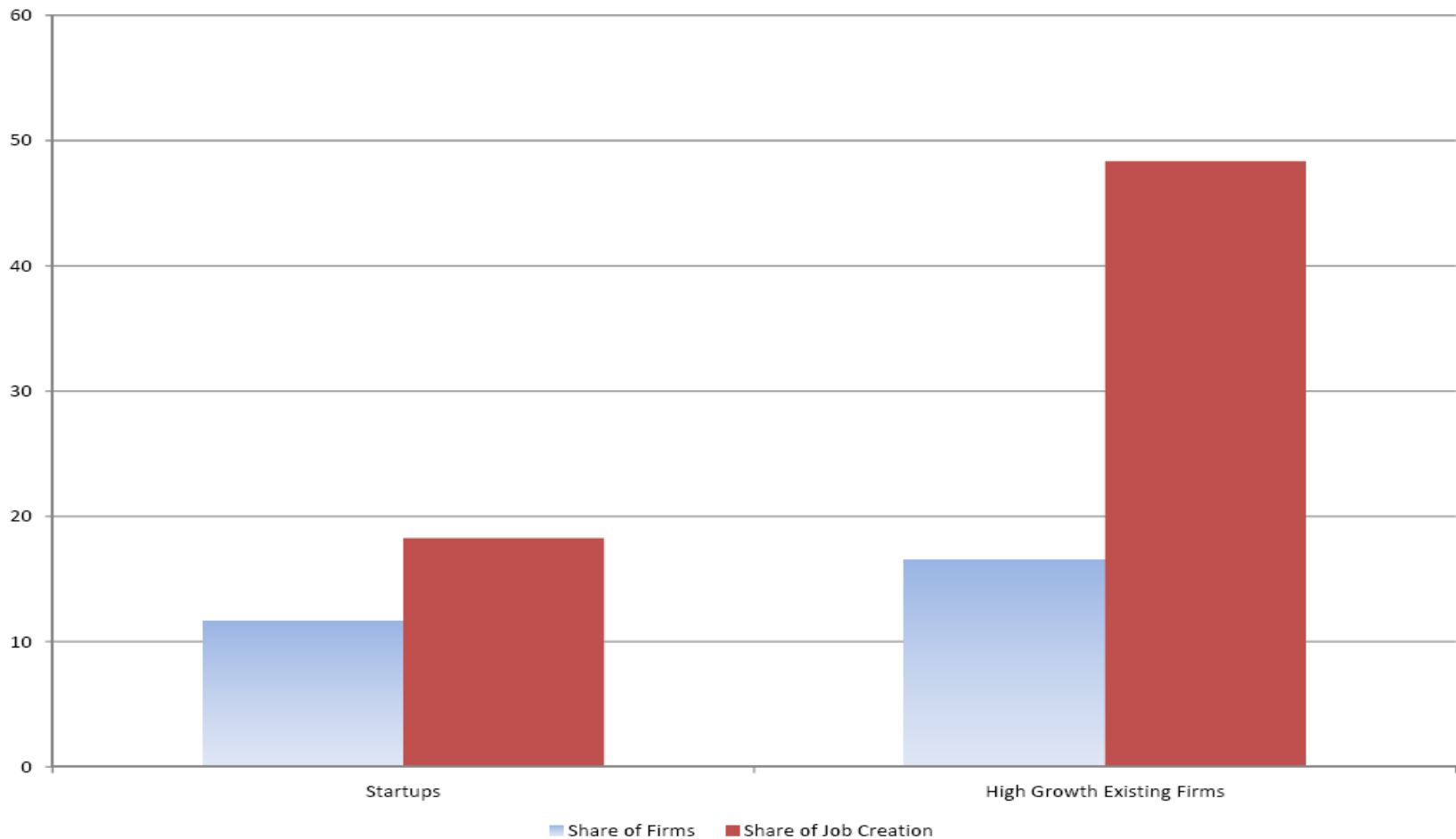
Number of Business Units (Establishments)



Source: BLS

New and the high growth firms carry the load in terms of job creation

Startups and High Growth (Annual Growth >25 percent) Existing Firms Disproportionately Create Jobs, U.S. Private Sector



Source: Tabulations from Firm-Level Data Used in Haltiwanger, Jarmin and Miranda (2011)

What are the main impediments facing small firms as a source of job creation?

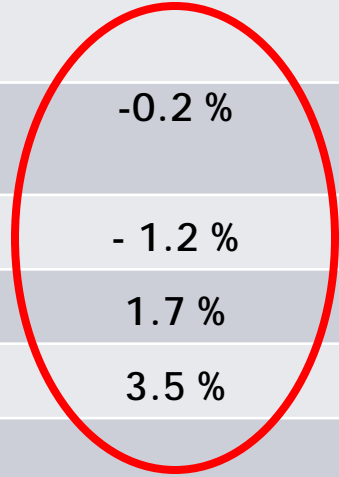
- A matter of perspective: high growth firms vs. small firms

The most important impediment to growth of your business	Kauffman Poll of Inc 500 firms	NFIB survey of small businesses
Finding qualified people	40%	5%
Managing fast growth	21%	--
Accessing capital	16%	3%
Sluggish economy	13%	25%
Regulatory uncertainty	3%	19%
Taxes	4%	19%

For the recovery overall, the job winners were older, more educated males

Net Change in Employment January 2010 to December 2011

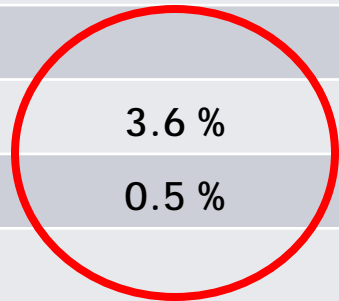
	Net Change	Percent Change
Total Employment (age 16 and older)	2,290,000	1.7 %
By Level of Educational Attainment (age 25 and older)		
Less than high school diploma	- 16,000	-0.2 %
High School graduate, no college	- 404,000	- 1.2 %
Some college or associate's degree	581,000	1.7 %
Bachelor's degree and higher	1,517,000	3.5 %
By gender (age 16 and older)		
Men	2,591,000	3.6 %
Women	-301,000	0.5 %
By age		
Ages 16 - 24	650,000	3.8 %
Ages 25 - 54	- 228,000	- 0.2 %
Age 55 and older	1,971,000	6.8 %



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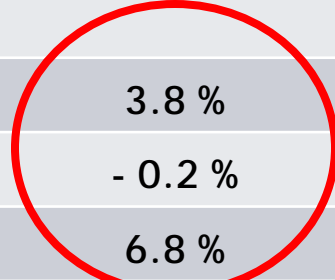
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... through some things are changing

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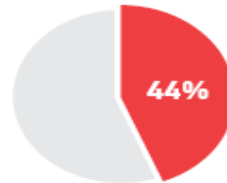
	Net Change	Percent Change
Total Employment (age 16 and older)	1,460,000	1.0 %
By Level of Educational Attainment (age 25 and older)		
Less than high school diploma	319,000	3.3 %
High School graduate, no college	-274,000	- 0.8 %
Some college or associate's degree	340,000	1.0 %
Bachelor's degree and higher		2.4%
By gender (age 16 and older)		
Men	857,000	1.9 %
Women	1,450,000	2.0 %
By age		
Ages 16 - 24	271,000	1.6 %
Ages 25 - 54	121,000	0.1 %
Age 55 and older	1,045,000	3.7 %

The skills gap: Manufacturing

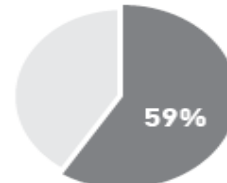
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HIGH EDUCATION GROUP

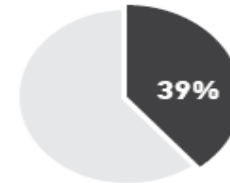
Examinees who Met or Exceeded Manufacturing Skill Requirements



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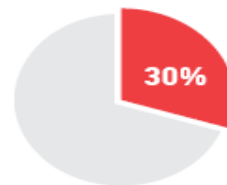


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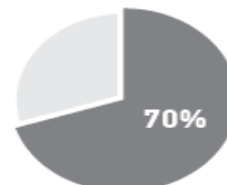
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MIDDLE EDUCATION GROUP

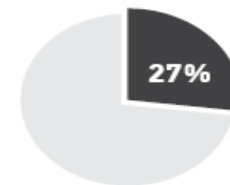
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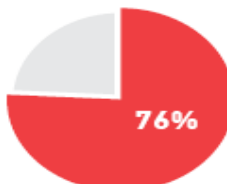


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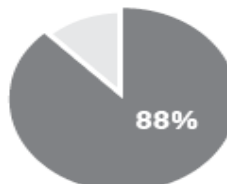
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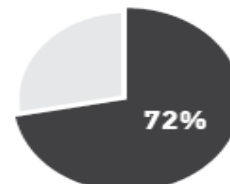
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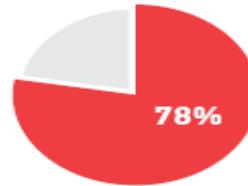
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The skills gap: Healthcare

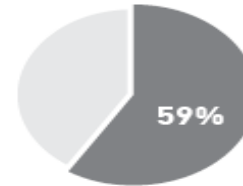
U.S. EXAMINEES

HIGH EDUCATION GROUP

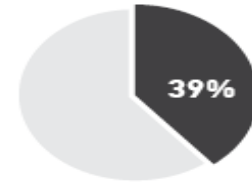
Examinees who Met or Exceeded
Healthcare Skill Requirements



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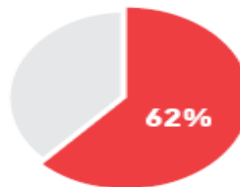


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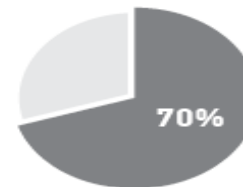
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MIDDLE EDUCATION GROUP

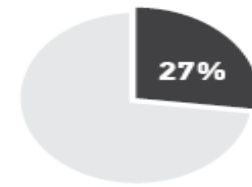
Examinees who Met or Exceeded
Healthcare Skill Requirements



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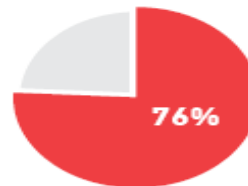


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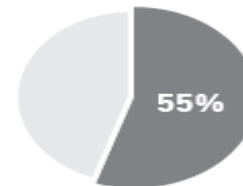
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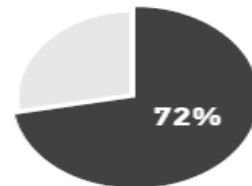
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The skills gap: Energy

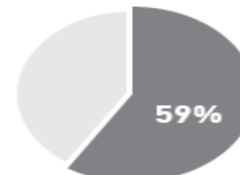
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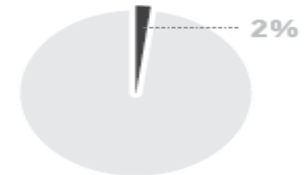
Examinees who Met or Exceeded Energy Skill Requirements



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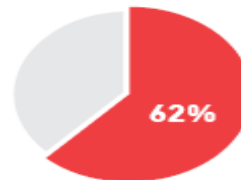


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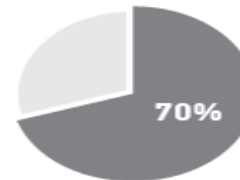
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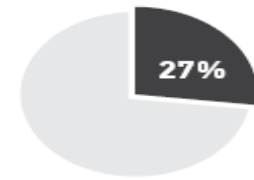
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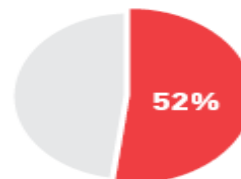


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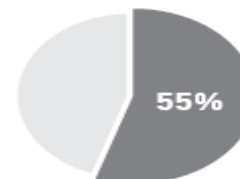
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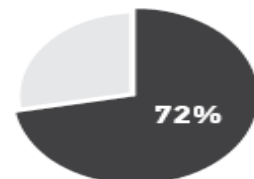
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