

# Economic Outlook

FIU Metro Forum

October 17, 2011

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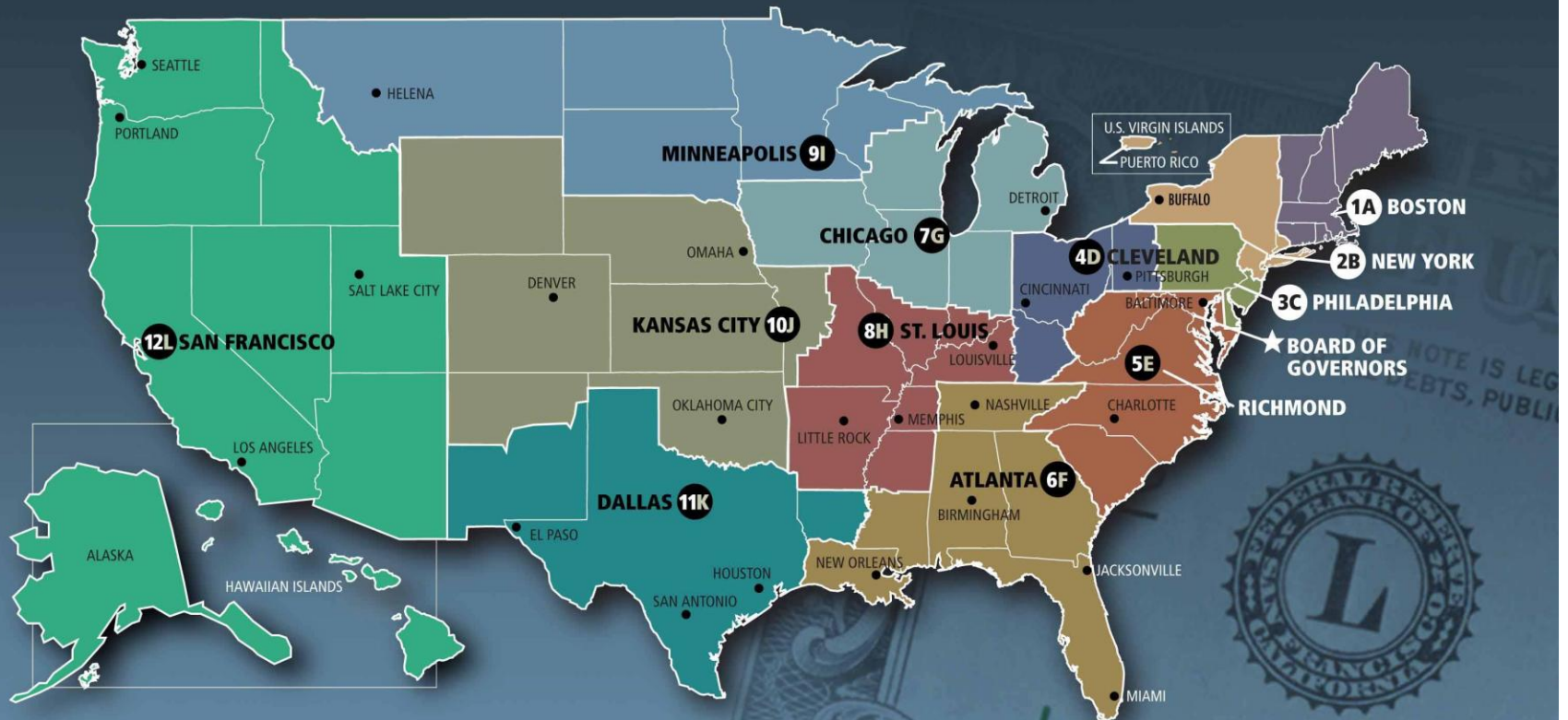
*The views expressed here are not necessarily those of the  
Federal Reserve Bank of Atlanta or the Board of Governors*



## AGENDA:

- Thanks for this opportunity today.
- We are interested in your input.
- My presentation.
- But first... a disclaimer.

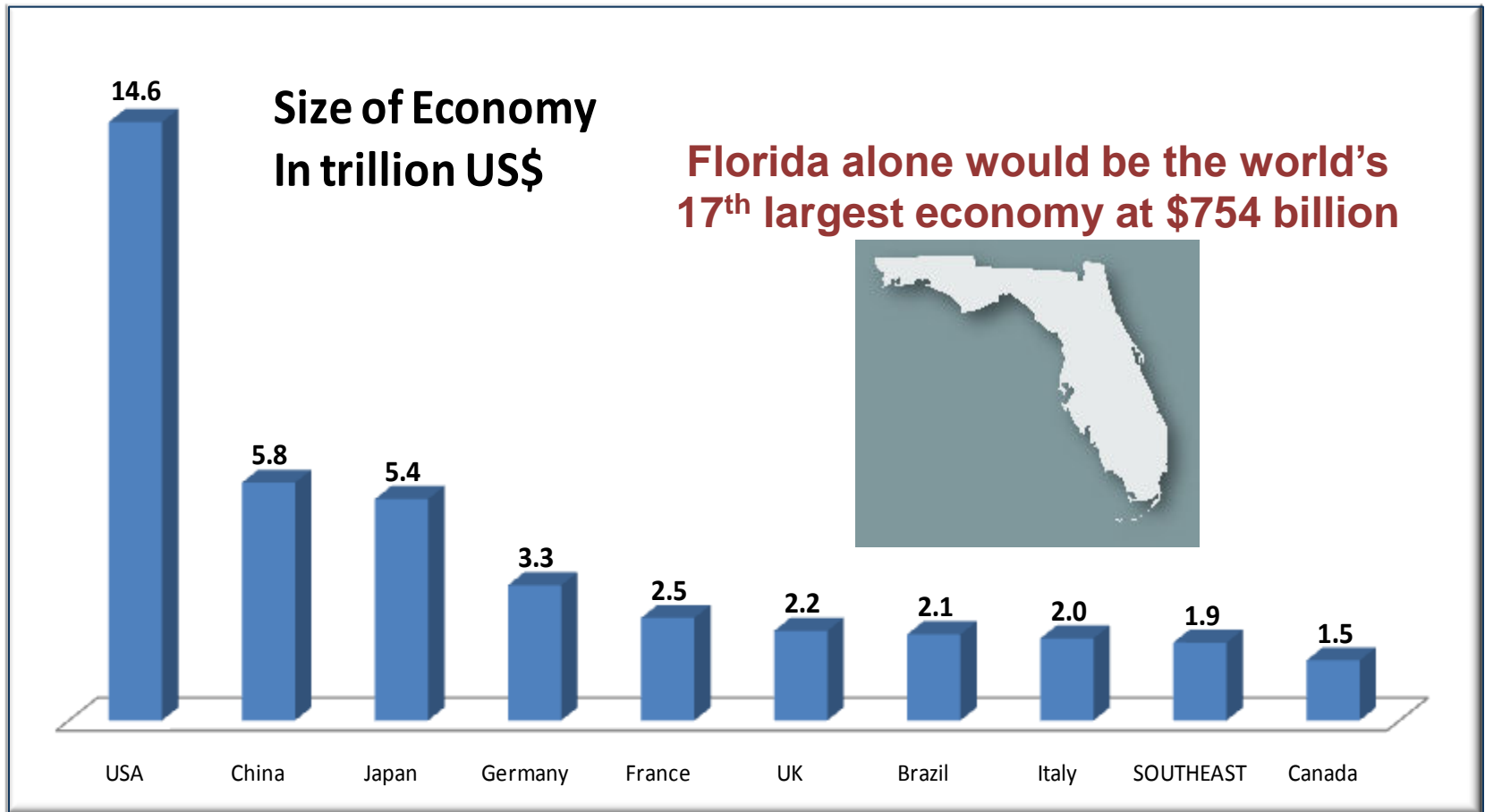
# The 12 Federal Reserve Districts



- Each district has a **corresponding letter and number**.
- These letters and numbers **appear on the \$1 bill**.
- Many districts also have **regional branches or offices**.

# The Southeast (and Florida) economy in perspective

**If the Southeast was an independent country, its GDP would make it the 9<sup>th</sup> largest in the world.**



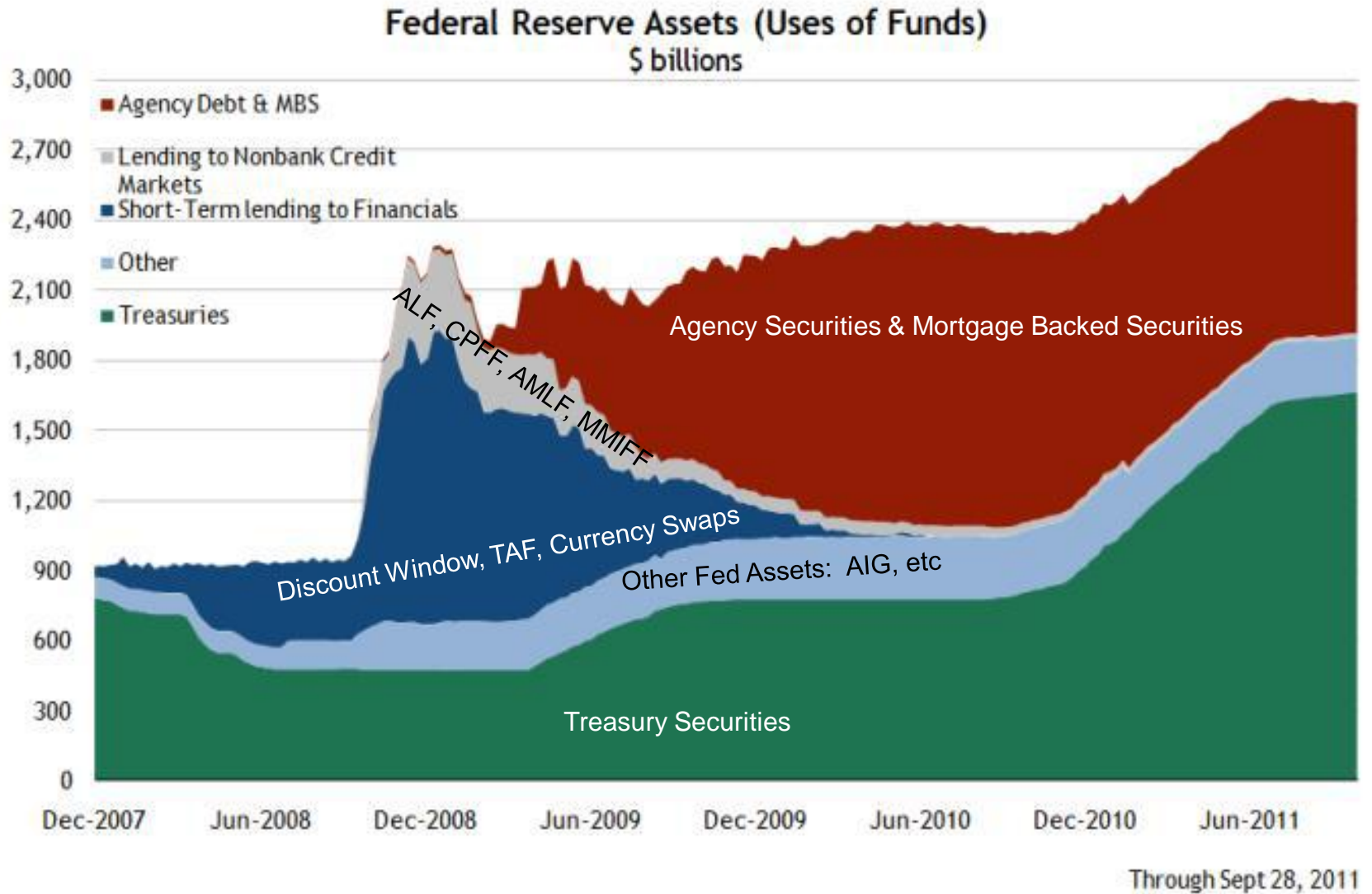
South Florida's economy is significant for many reasons. Size is one of them.



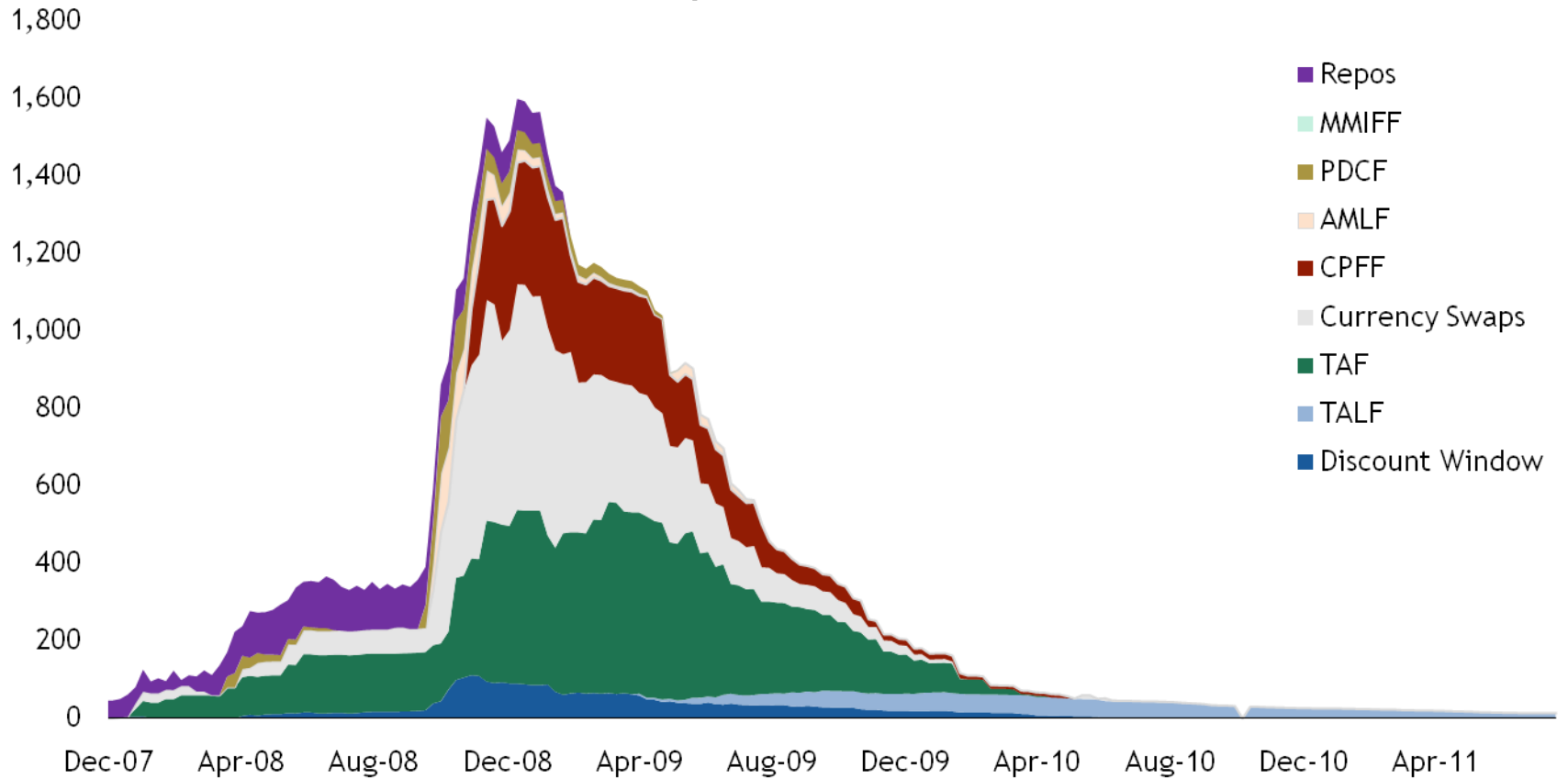
- Miami – Ft. Lauderdale Metro Area is the 41 largest economy, roughly the size of Singapore
- Miami Branch Zone (13 Southernmost counties in Florida) is the 32 largest economy, roughly the size of Thailand



# What the Fed did to stem the crisis in 2008 and the current plan



## Federal Reserve Liquidity Programs \$ billions



Through July 20

## OPERATION TWIST

At the September 20-21 FOMC Meeting the Committee decided to extend the average maturity of its holdings of securities through these actions:

- Purchase \$400 billion of Treasury securities with remaining maturities of 6 years to 30 years. Average maturity ranges from 20-30 years.
- Sell an equal amount of Treasury securities with remaining maturities of 3 years or less. This is “The Twist.”
- Reinvest principal payments from agency and MBS securities into agency mortgage-backed securities.
- Continue the policy of rolling over maturing Treasury securities at auction.

These actions are aimed at putting downward pressure on longer-term interest rates and will not increase the size of the balance sheet.



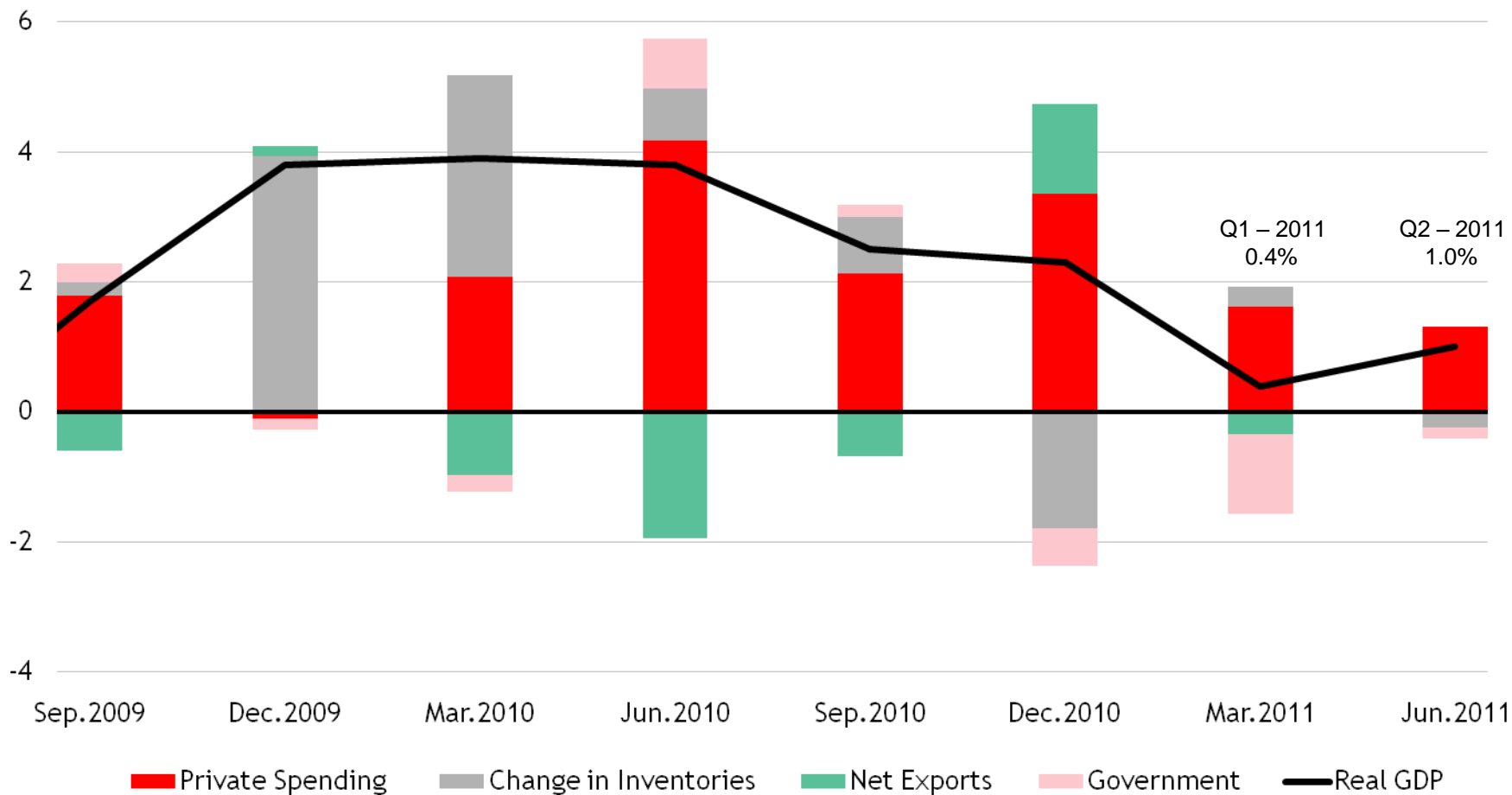
# *Statement from the August 9, 2011 FOMC Meeting*

*“To promote the ongoing economic recovery and to help ensure that inflation, over time, is at levels consistent with its mandate, the Committee decided today to keep the target range for the federal funds rate at 0 to 1/4 percent. The Committee currently anticipates that economic conditions--including low rates of resource utilization and a subdued outlook for inflation over the medium run--are likely to warrant exceptionally low levels for the federal funds rate at least through mid-2013. The Committee also will maintain its existing policy of reinvesting principal payments from its securities holdings. The Committee will regularly review the size and composition of its securities holdings and is prepared to adjust those holdings as appropriate.”*

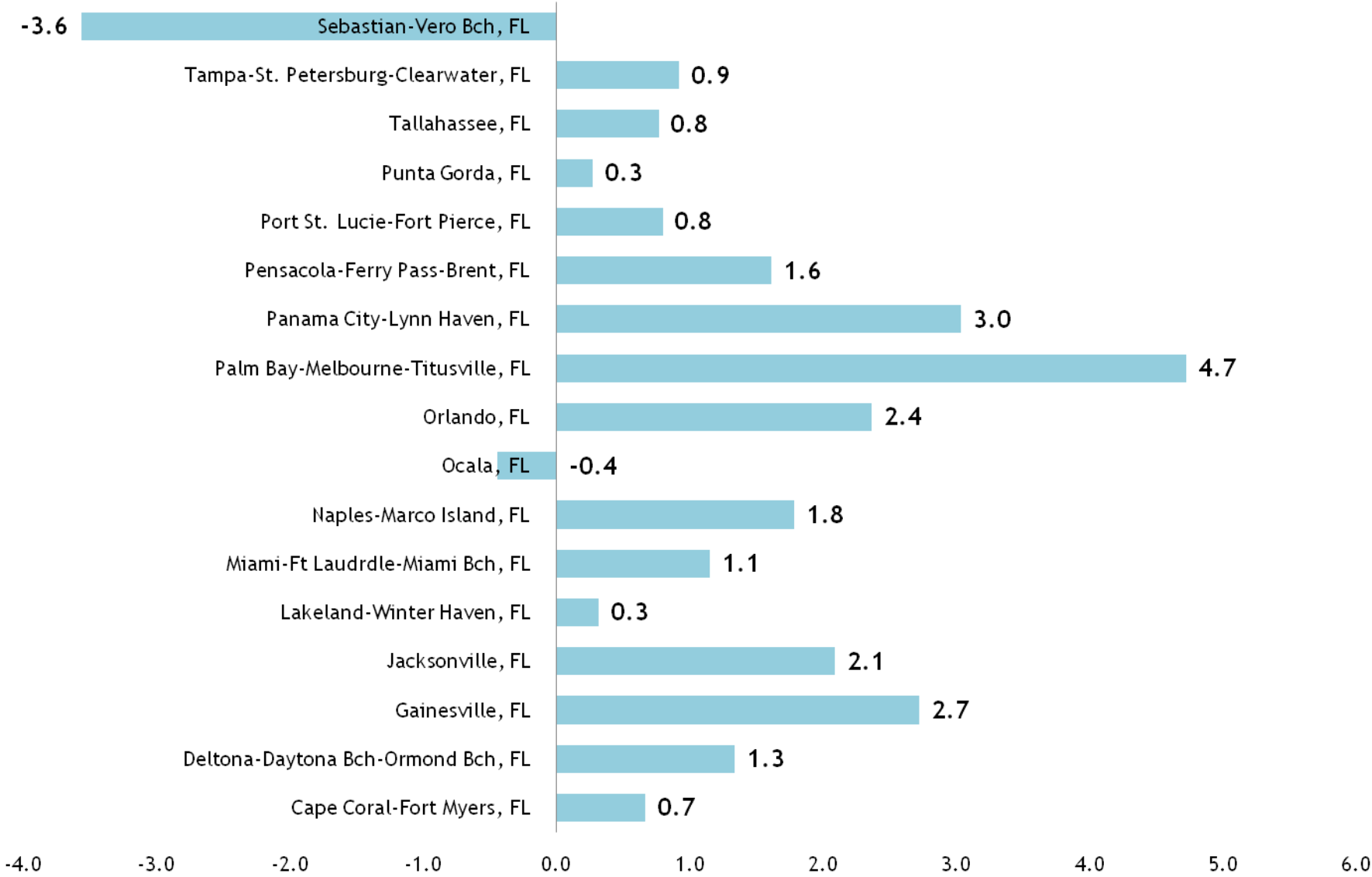
## KEY POINTS CONSIDERED

1. The economy appears to be growing at an extremely slow pace and forecasts for the balance of 2011 and 2012 continue to be revised lower.
2. Labor markets have shown essentially no net improvement since April.
3. Consumer spending has slowed sharply and, in light of soft labor markets, deteriorating sentiment, and weakened wealth positions, household spending is projected to remain soft in the medium term.
4. The increases in industrial activity appear to have leveled off.
5. To promote economic recovery, the FOMC announced it will keep the federal funds rate at exceptionally low levels at least through mid-2013.

## Contributions to Real GDP Growth quarterly, annualized % change

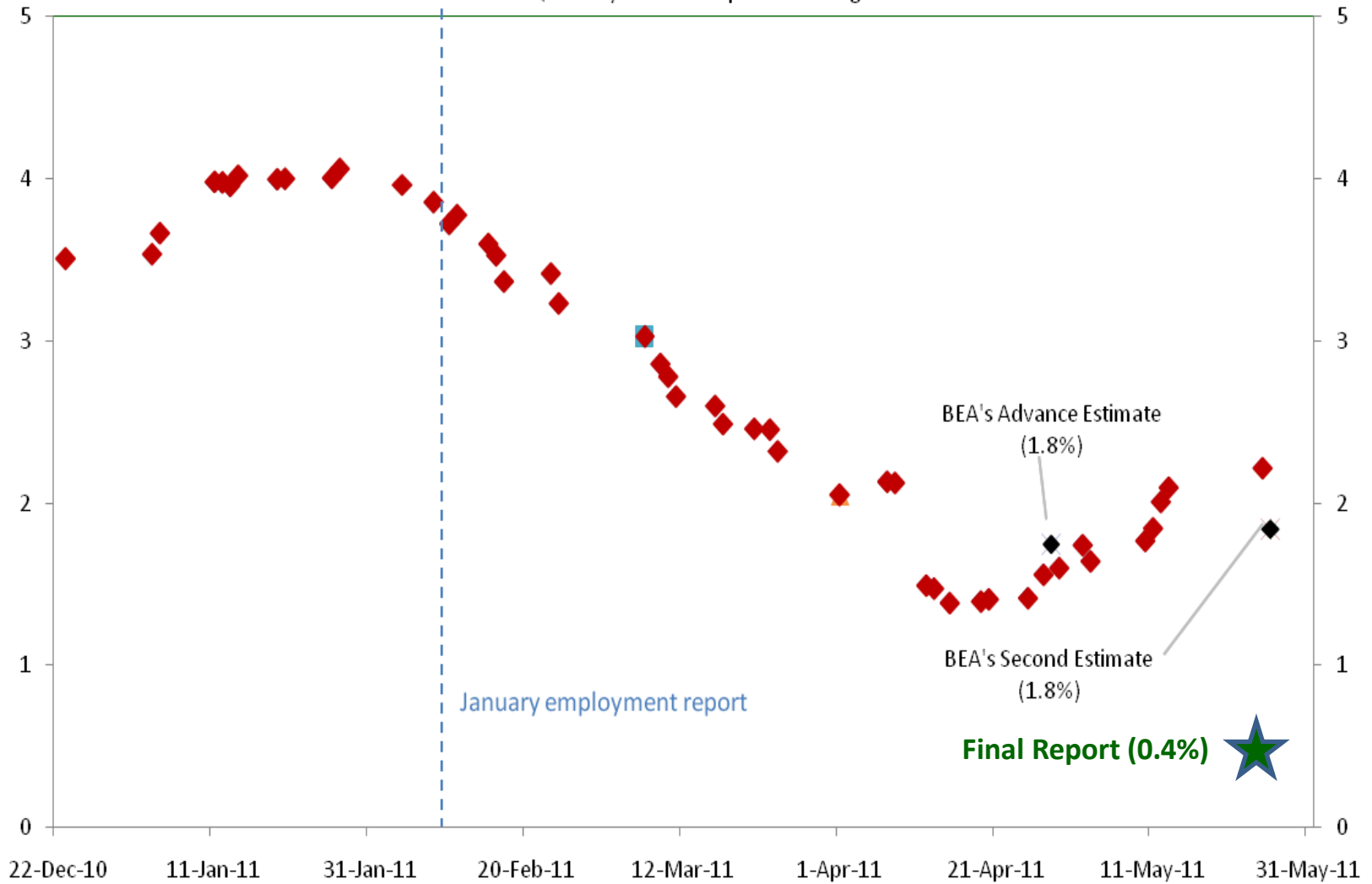


# 2010 Real GDP Growth, Florida Metro Areas



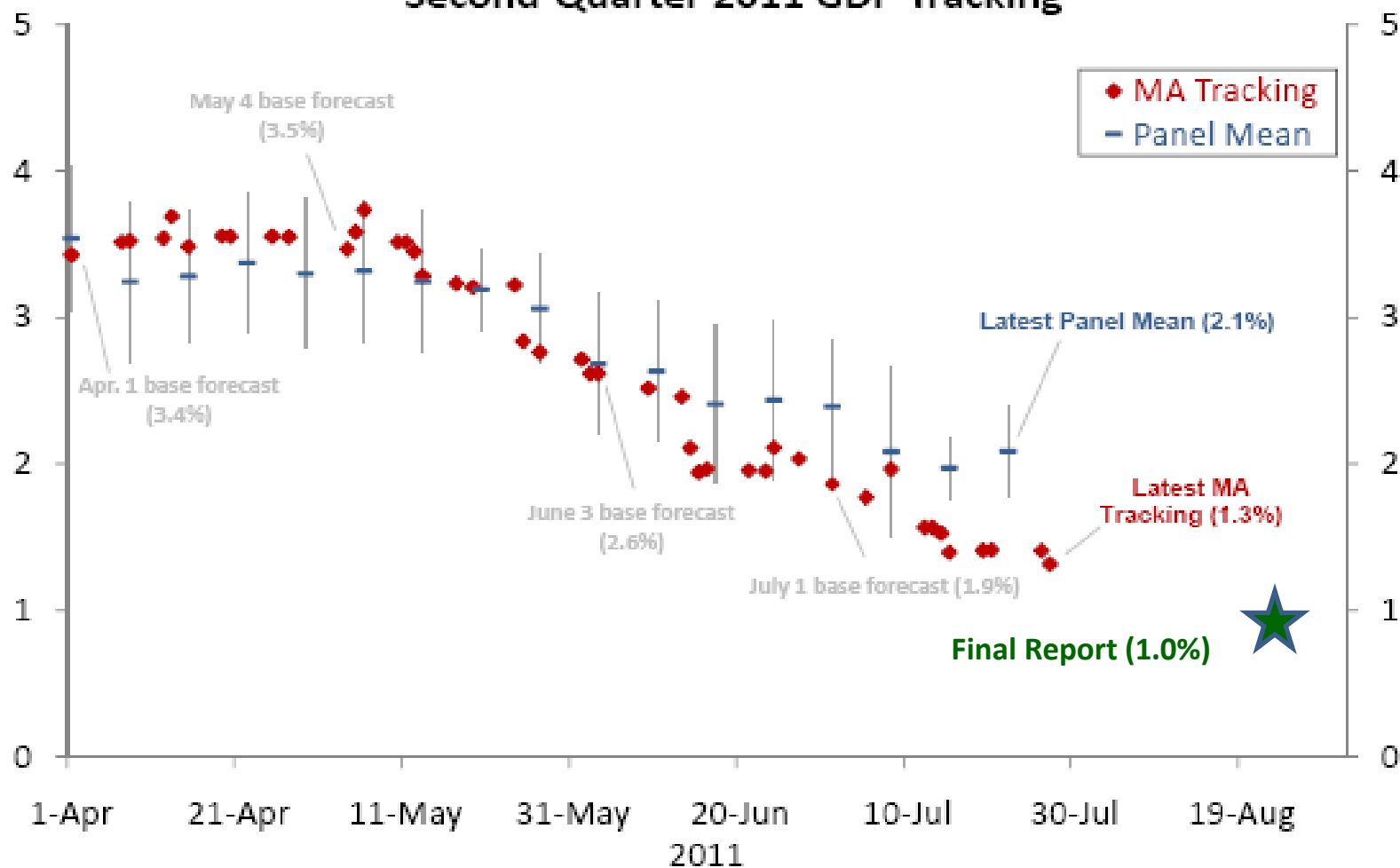
# GDP Tracking Forecast Q1-2011

Quarterly annualized percent change



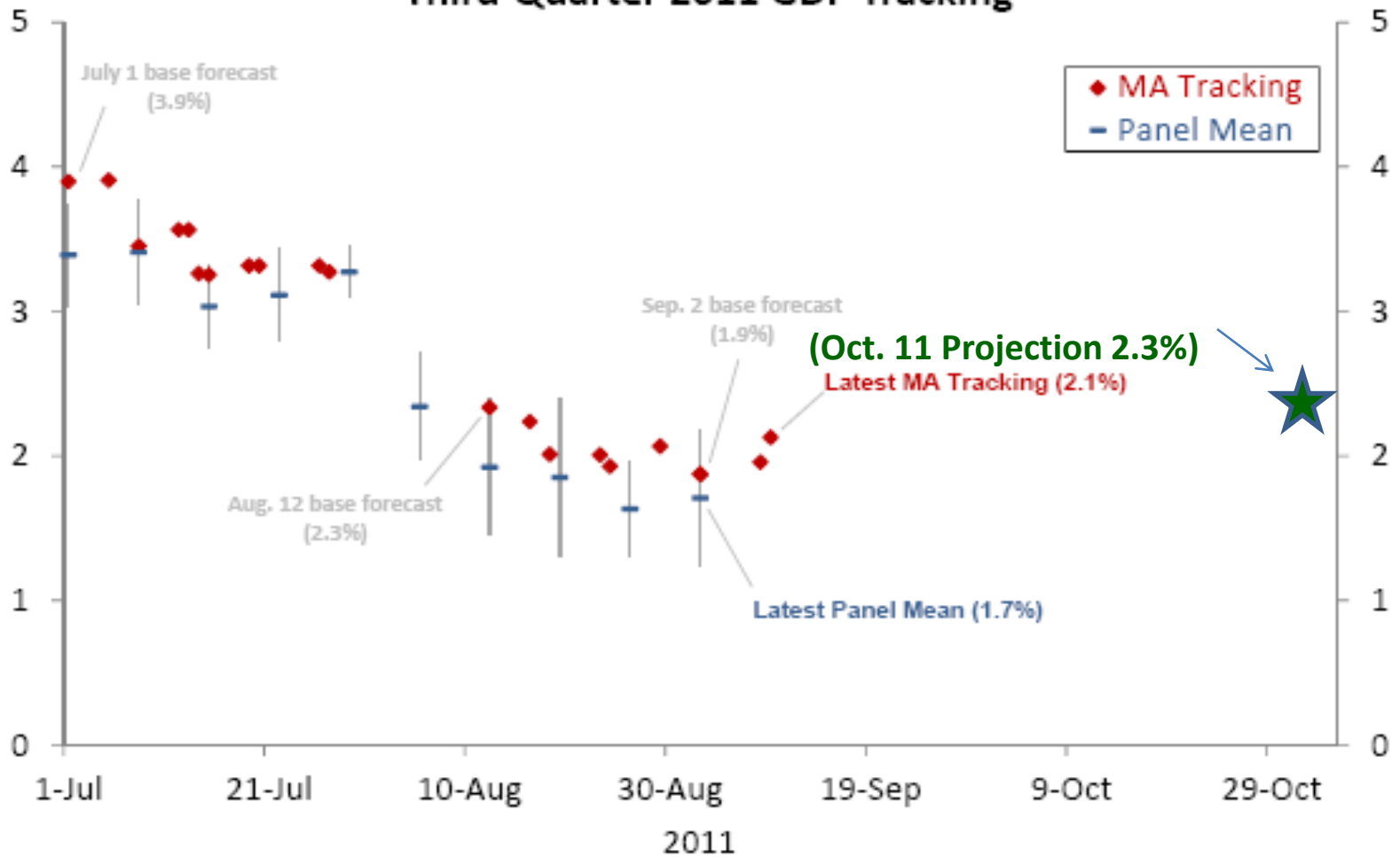
Source: MacroeconomicAdvisers, BEA

## Second-Quarter 2011 GDP Tracking



Shown is the history of our GDP tracking for the indicated quarter. Also shown is the history of the mean estimate of our Consensus Panel, along with a +/- 1 standard deviation range.

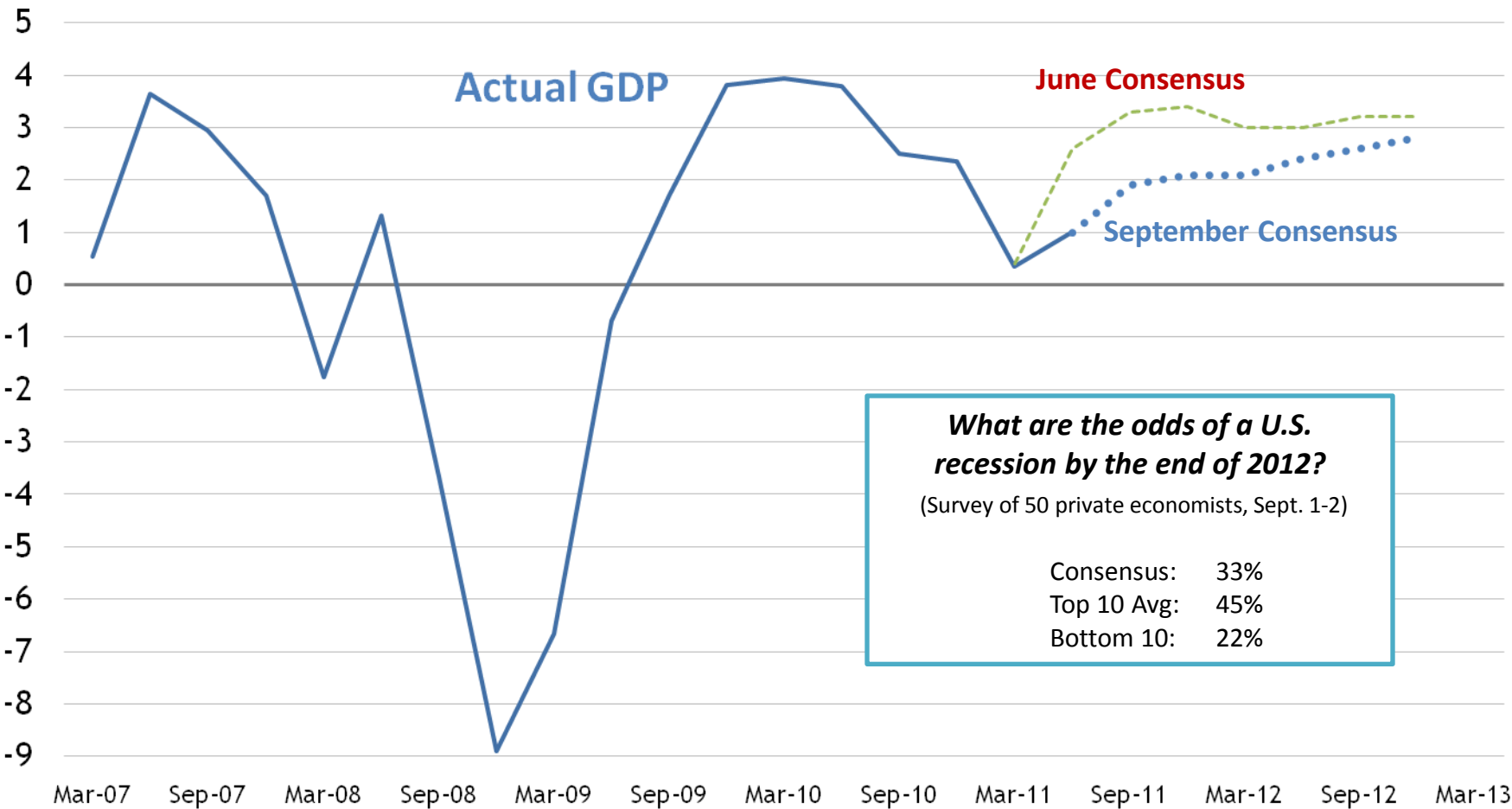
### Third-Quarter 2011 GDP Tracking



Shown is the history of our GDP tracking for the indicated quarter. Also shown is the history of the mean estimate of our Consensus Panel, along with a +/- 1 standard deviation range.

**Downwardly revised data show an economy that grew a mere 1 percent last quarter. The soft incoming data have prompted economists to again adjust their growth projections sharply lower. The current FRBA outlook is broadly similar to the private consensus.**

## Blue Chip Real GDP Growth Forecast

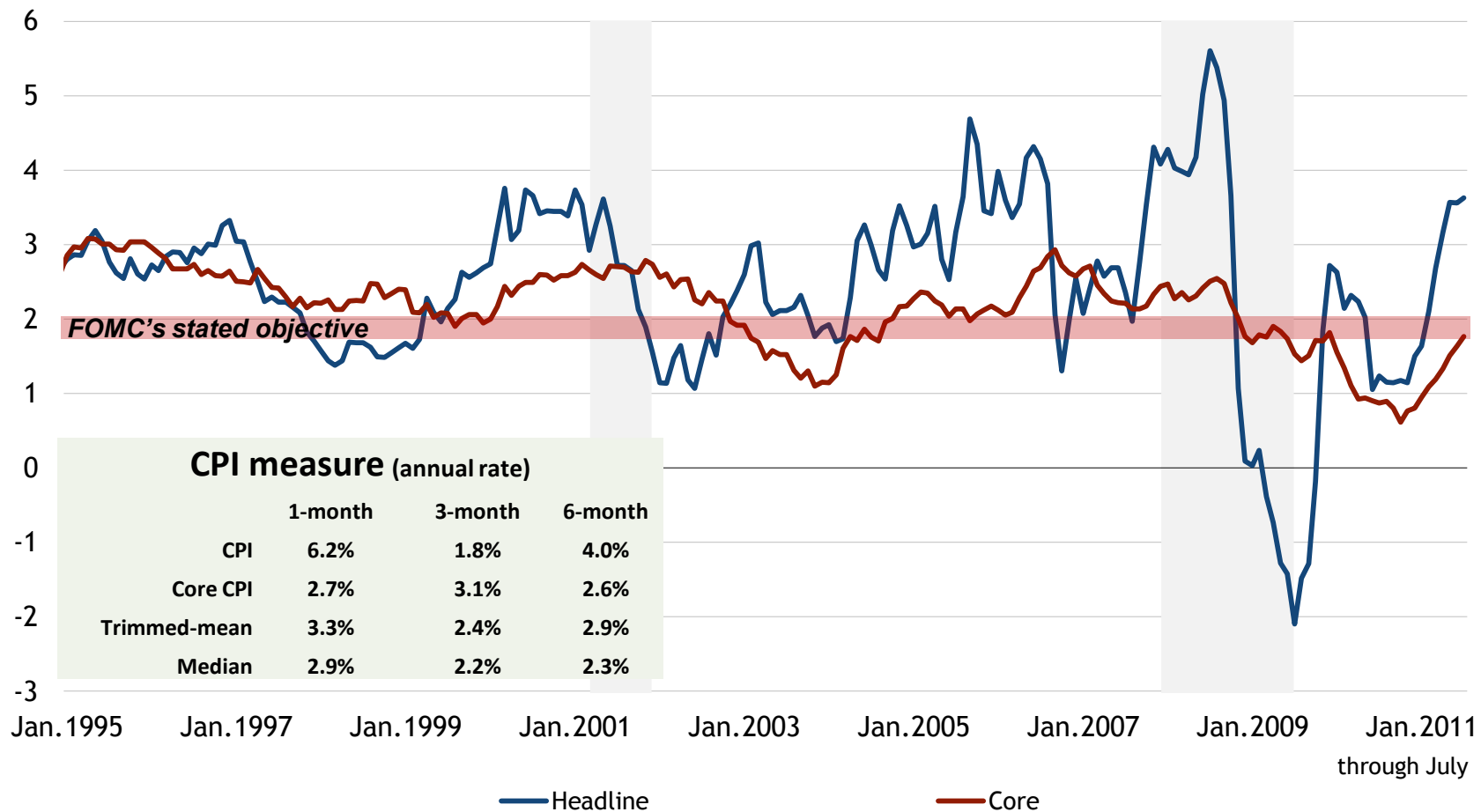


Source: Blue Chip Economic Forecasts, June, September 2011



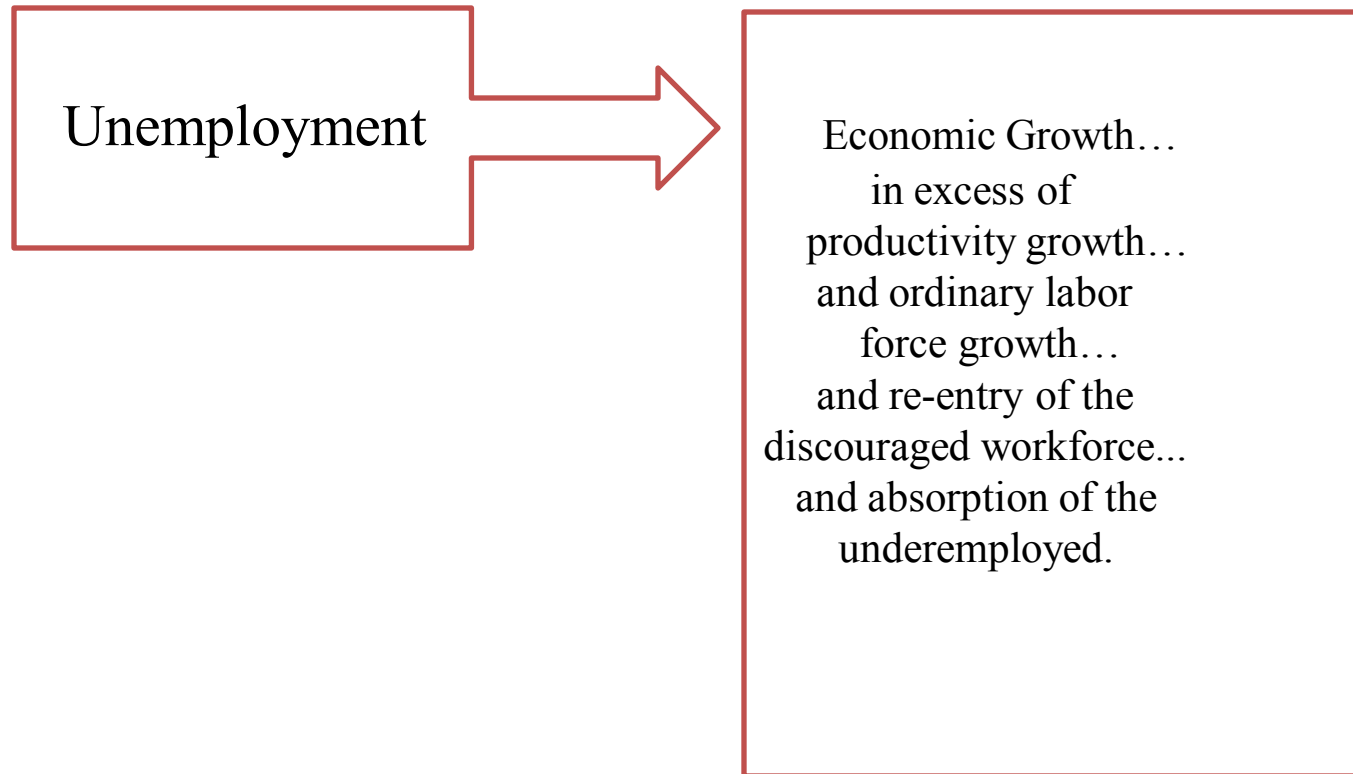
**Retail inflation, on both a headline and core basis, inched still higher in July. Over the past six months, all of the major measures of retail inflation have shown increases above the FOMC's stated longer-term objective.**

### Consumer Price Index percent change year-over-year



Source: Bureau of Labor Statistics, FRB Atlanta, FRB Cleveland

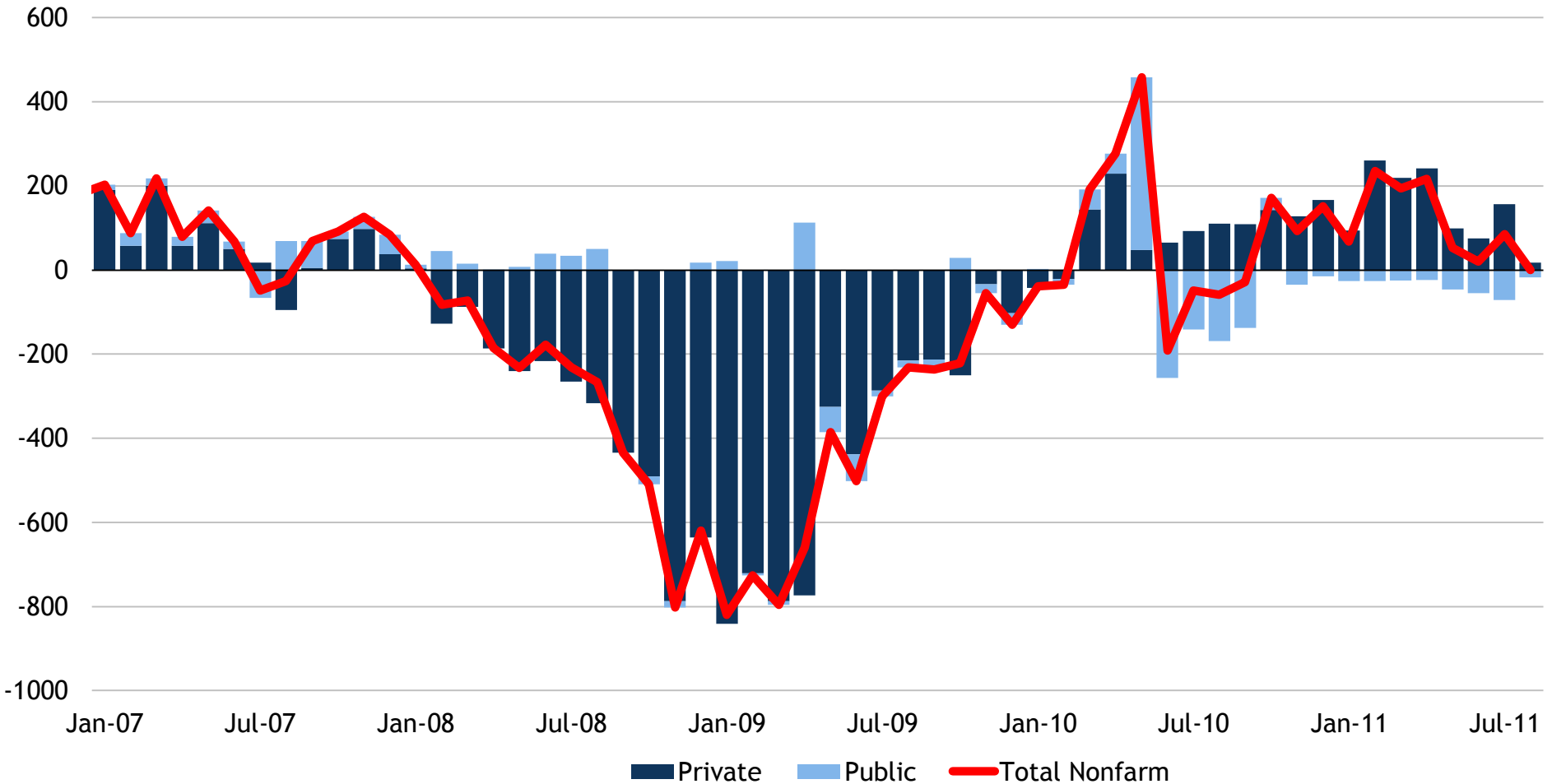
# WHAT KIND OF GROWTH IS IT GOING TO TAKE TO MAKE A SERIOUS DENT IN THE UNEMPLOYMENT RATE?



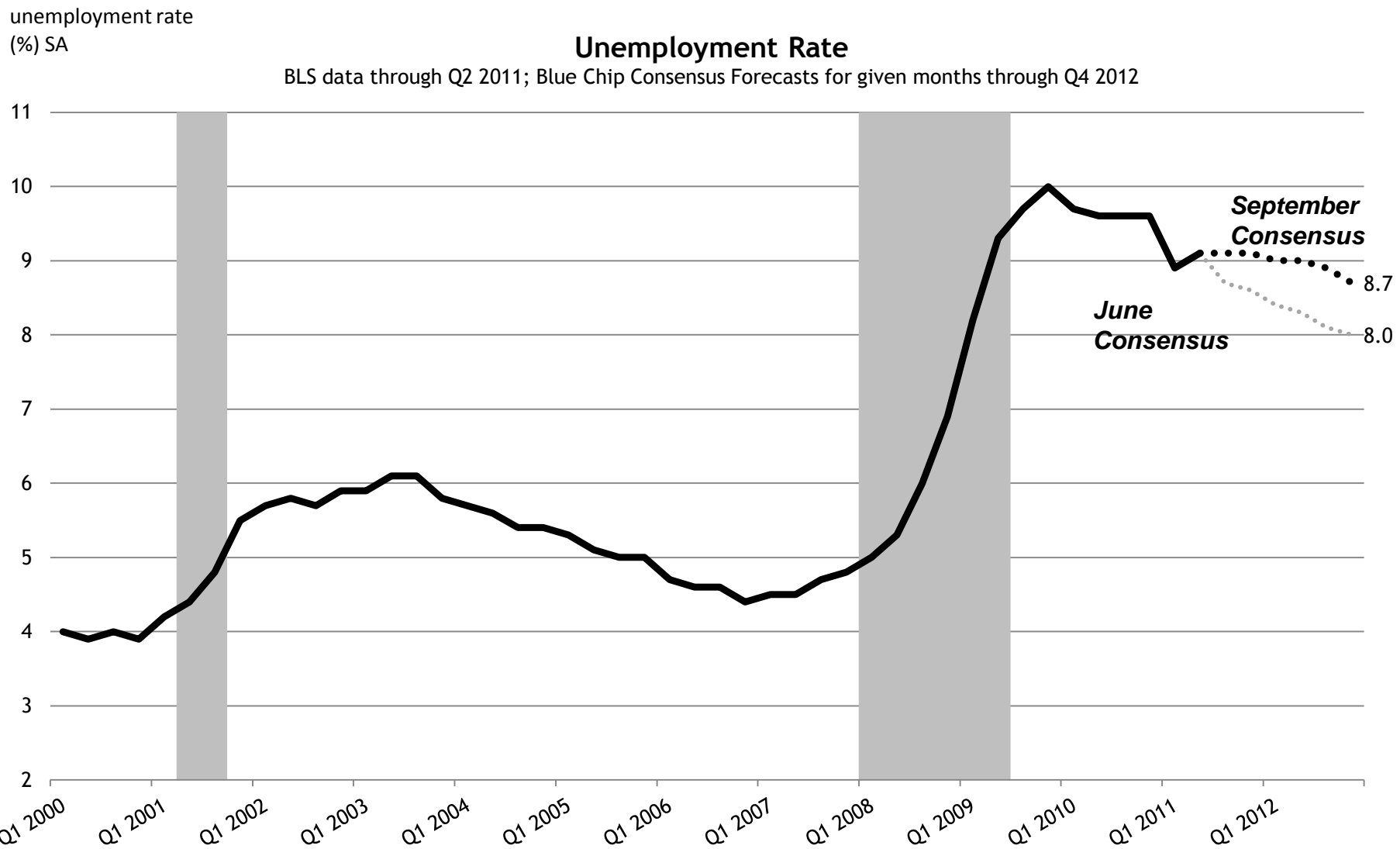
There was no net new jobs growth in August with public and private payrolls essentially unchanged.

## Monthly Change in Payrolls

SA, thousands, through August

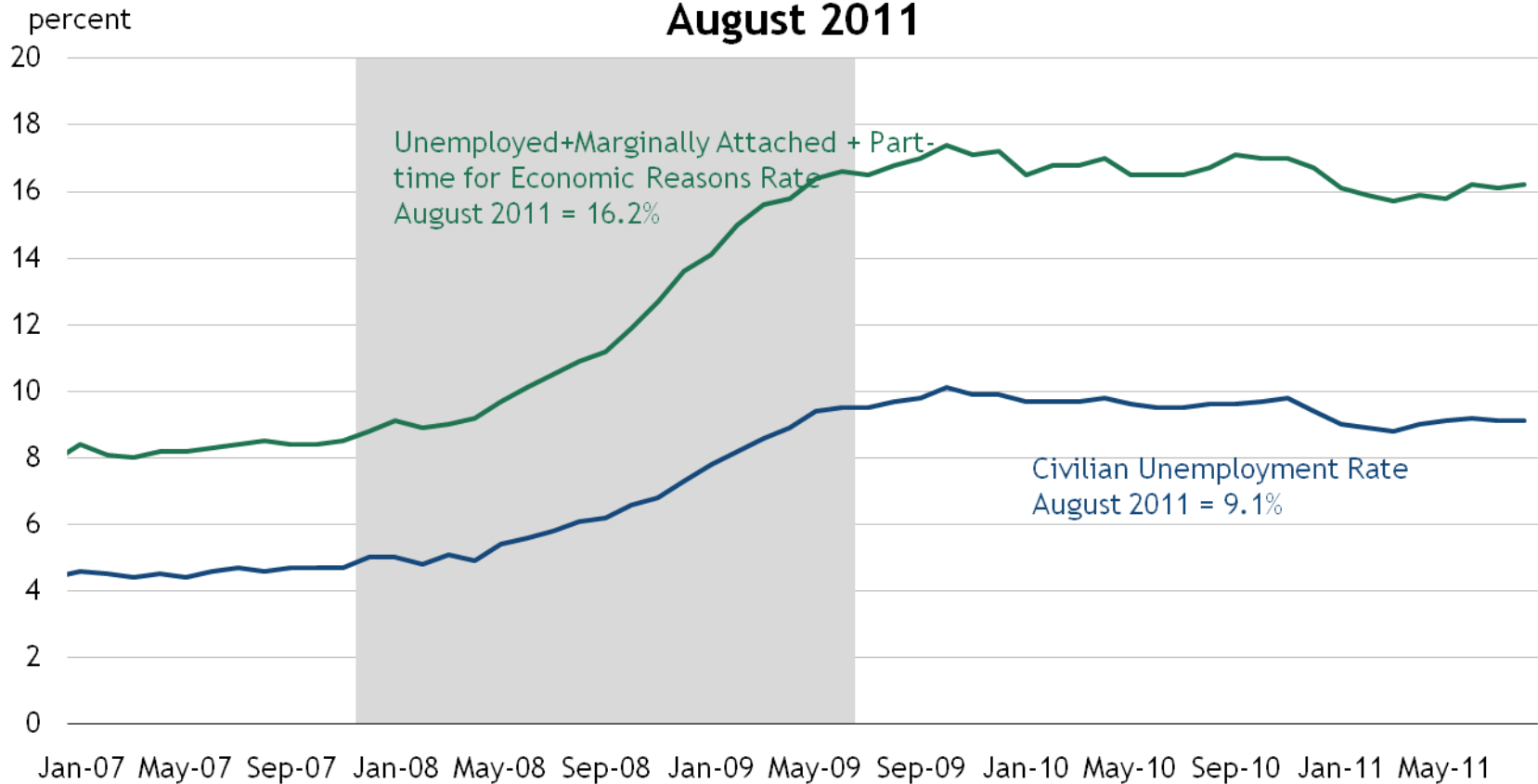


The rate of joblessness held steady at 9.1 percent in August. The deteriorating outlook for the economy prompted economists to significantly revise their projections for unemployment higher.



Source: Bureau of Labor Statistics and Blue Chip Economic Forecasts

## Unemployment Rates August 2011

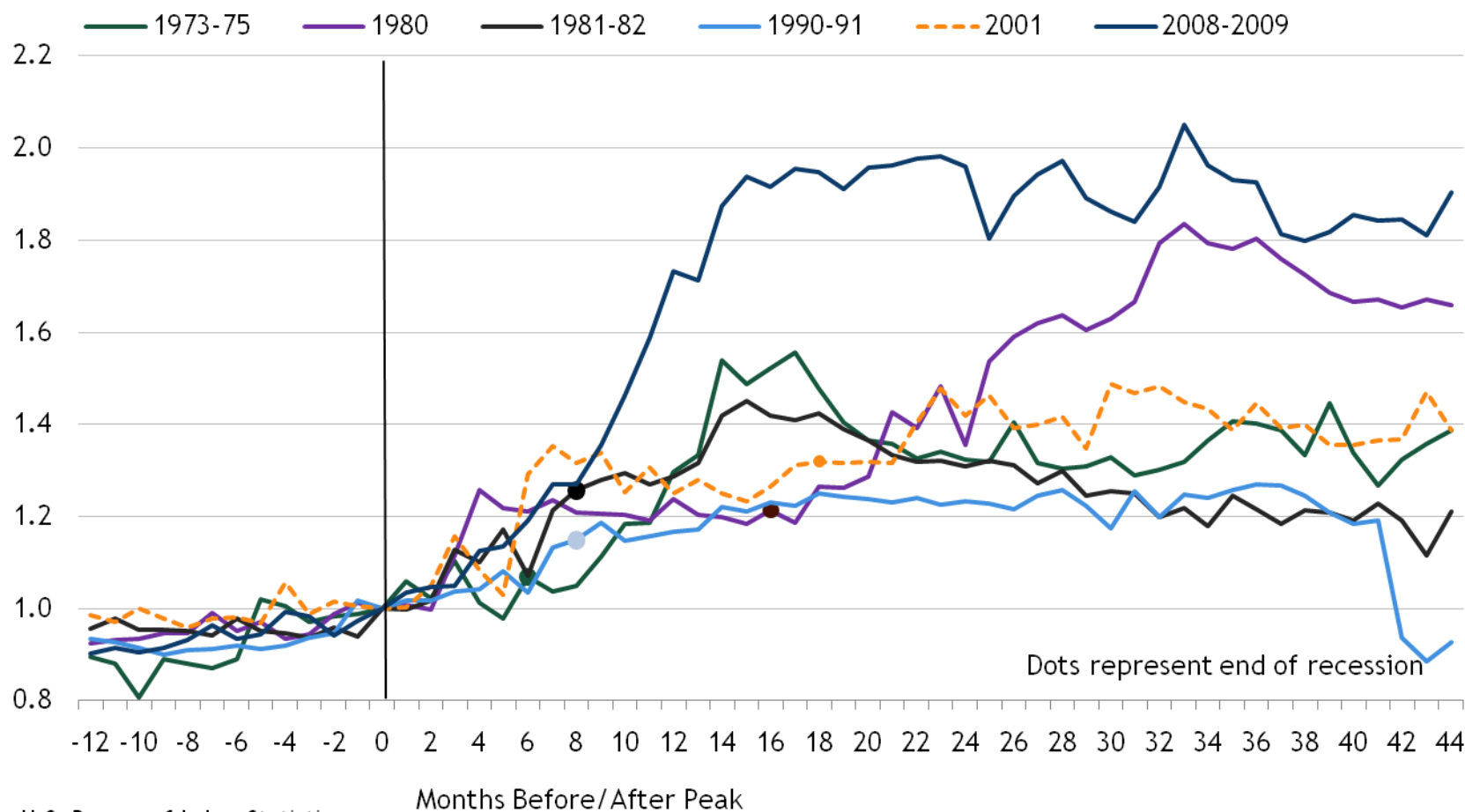


Source: U.S. Bureau of Labor Statistics

\*Note: **Marginally attached** workers currently want a job and have looked for work within the last 12 months. This primarily includes *discouraged workers* (those not currently looking for work because they believe no work is available given their circumstance), and persons not now working due to family responsibilities, ill-health, or are in school.

# Underemployment is significantly higher than in past recessions.

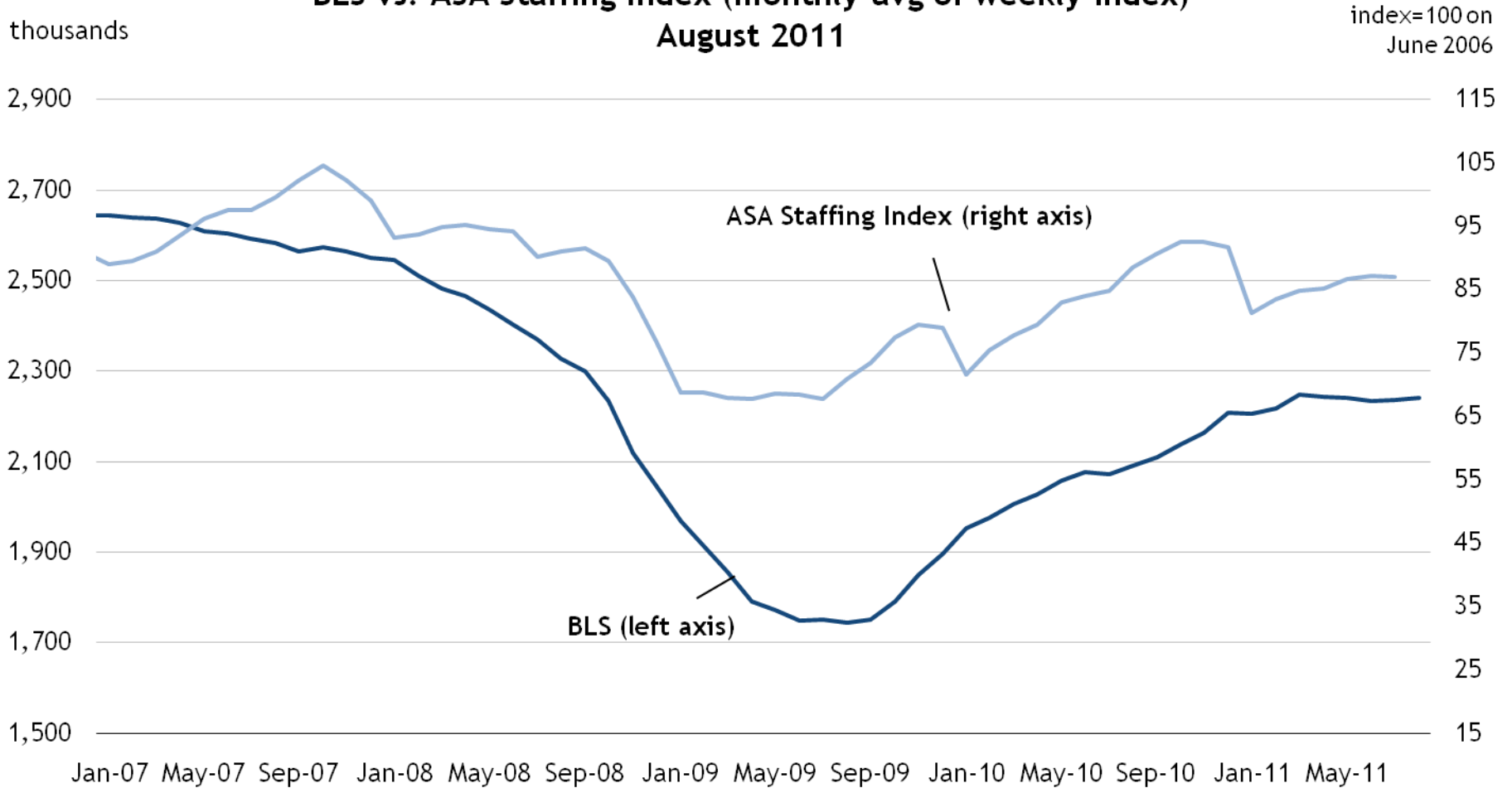
## Part-Time for Economic Reasons Indexed to Start of Recession=1



# Employment in Temporary Help Services

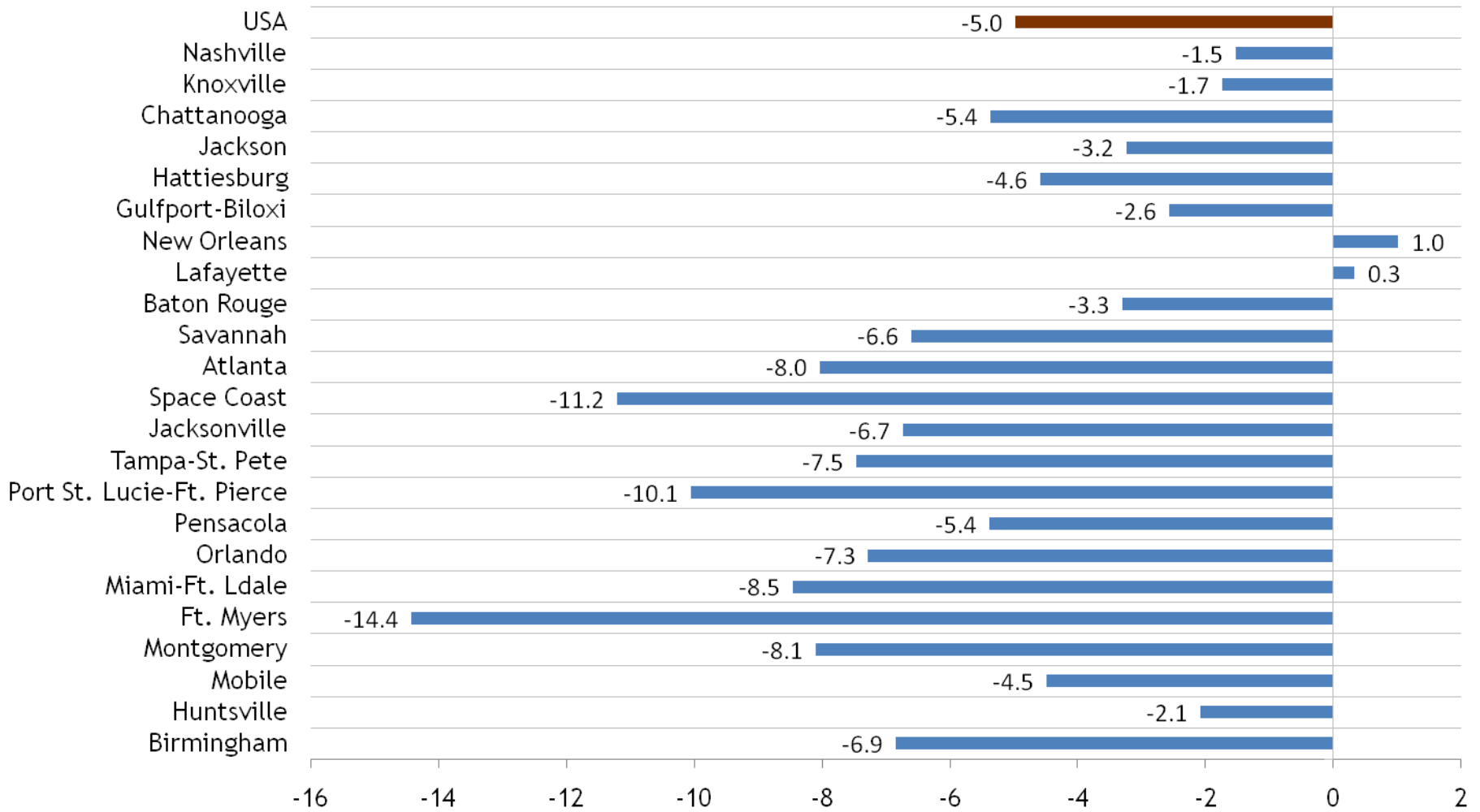
## BLS vs. ASA Staffing Index (monthly avg of weekly index)

August 2011



Source: Bureau of Labor Statistics (BLS), American Staffing Association

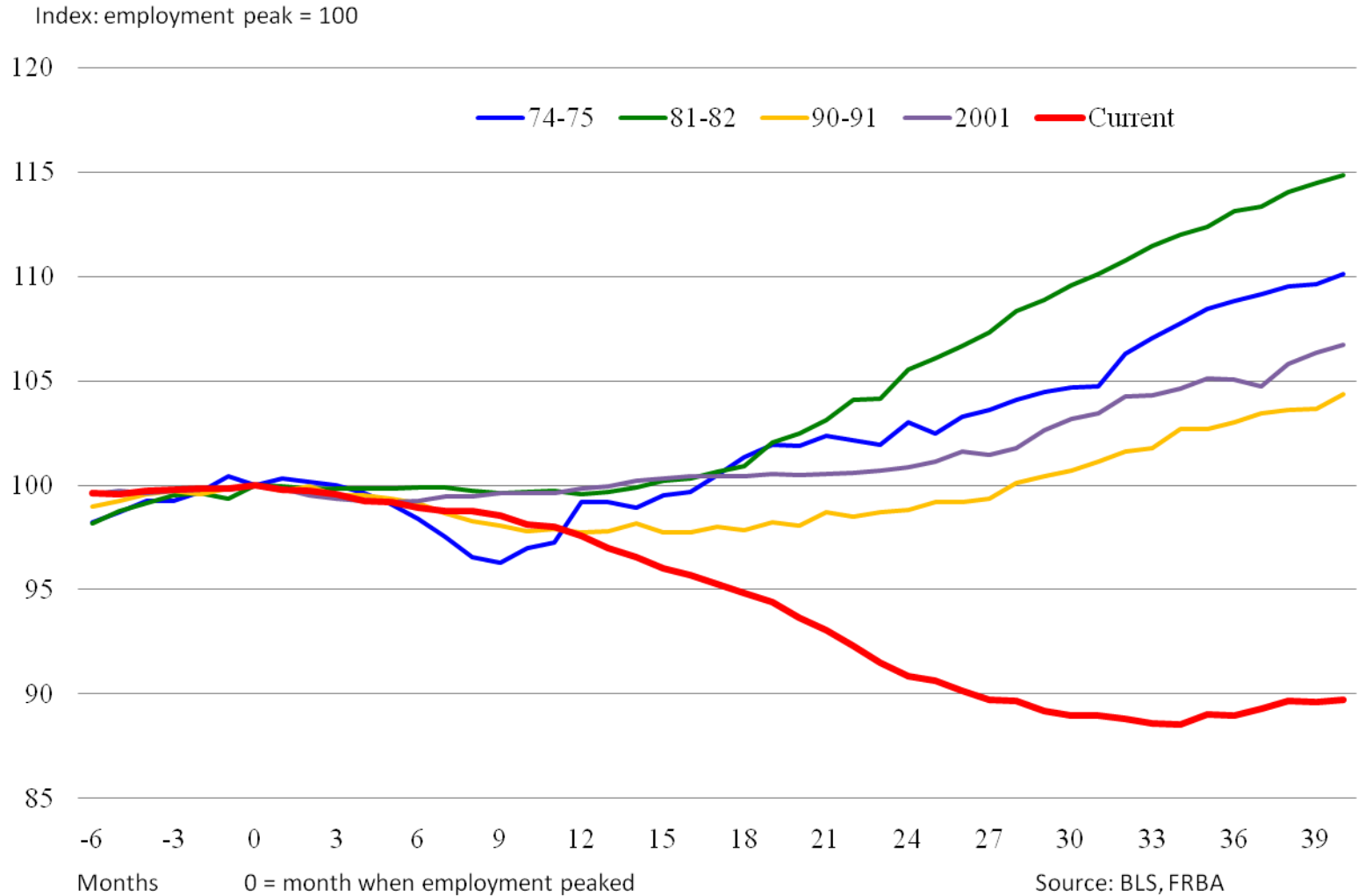
## Percent Change in Total Employment Since December 2007



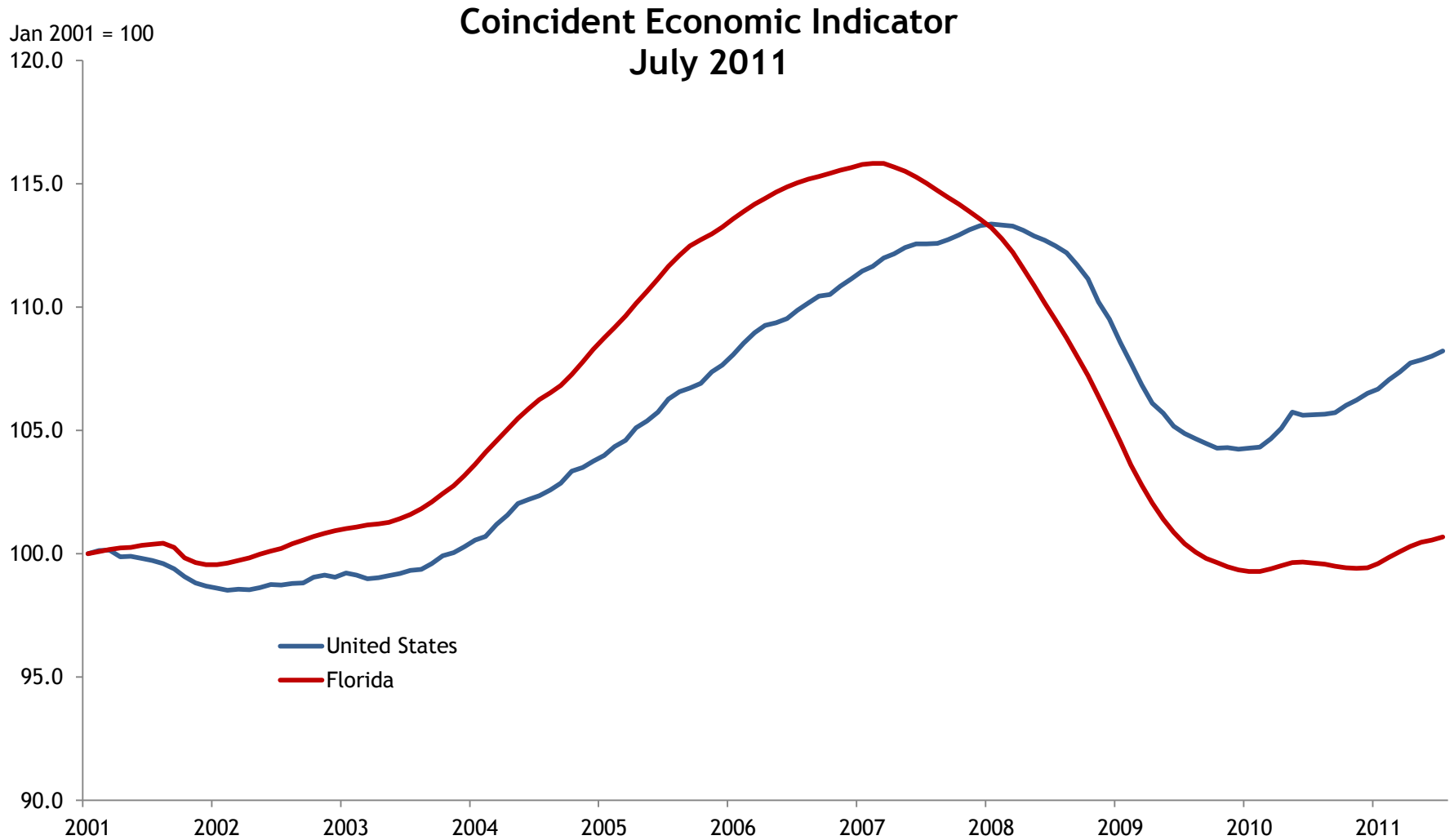


The depth of employment loss is substantial compared to previous recessions.

## Nonfarm Payroll Employment in Florida

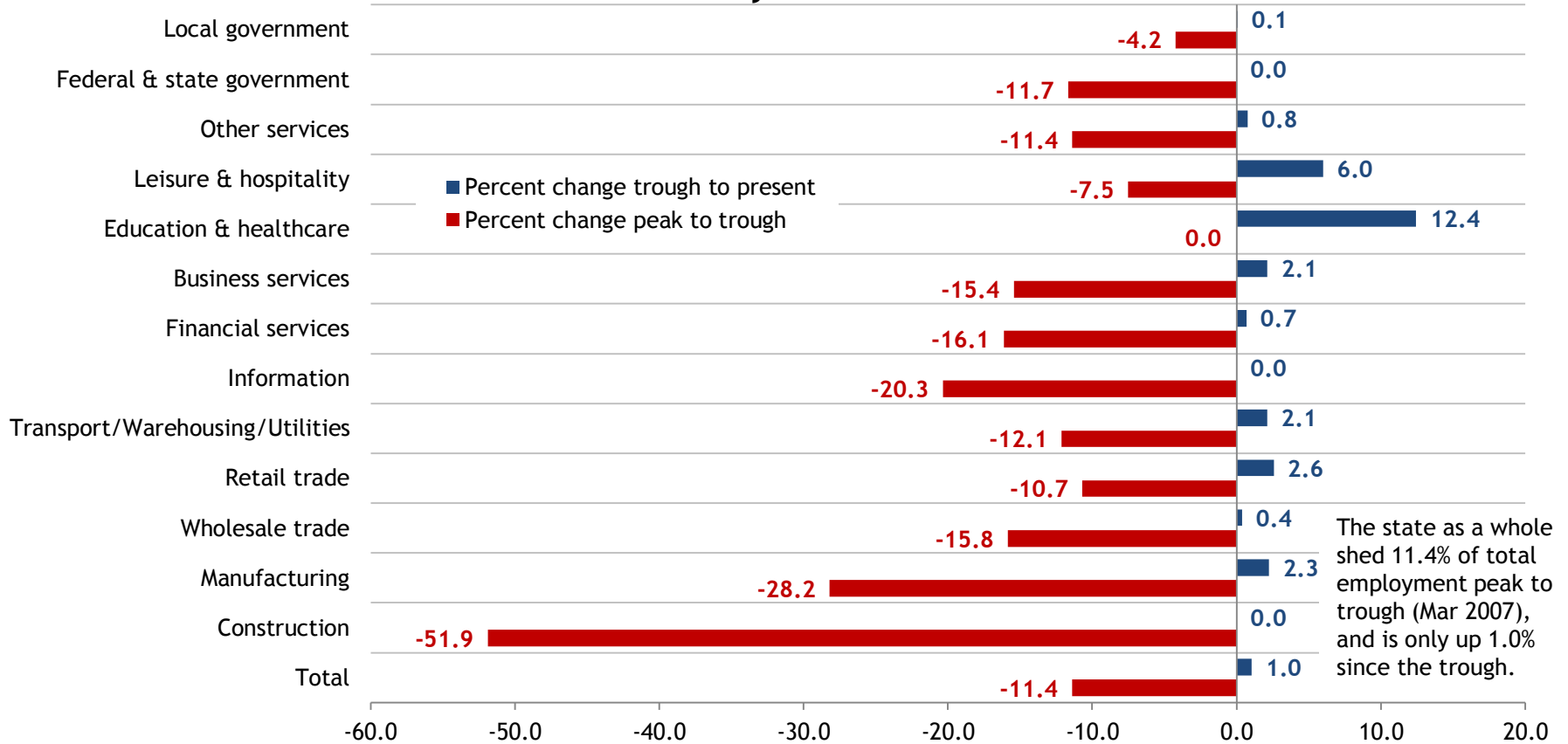


# Florida's economic performance continues to lag the nation.



Source: Federal Reserve Bank of Philadelphia

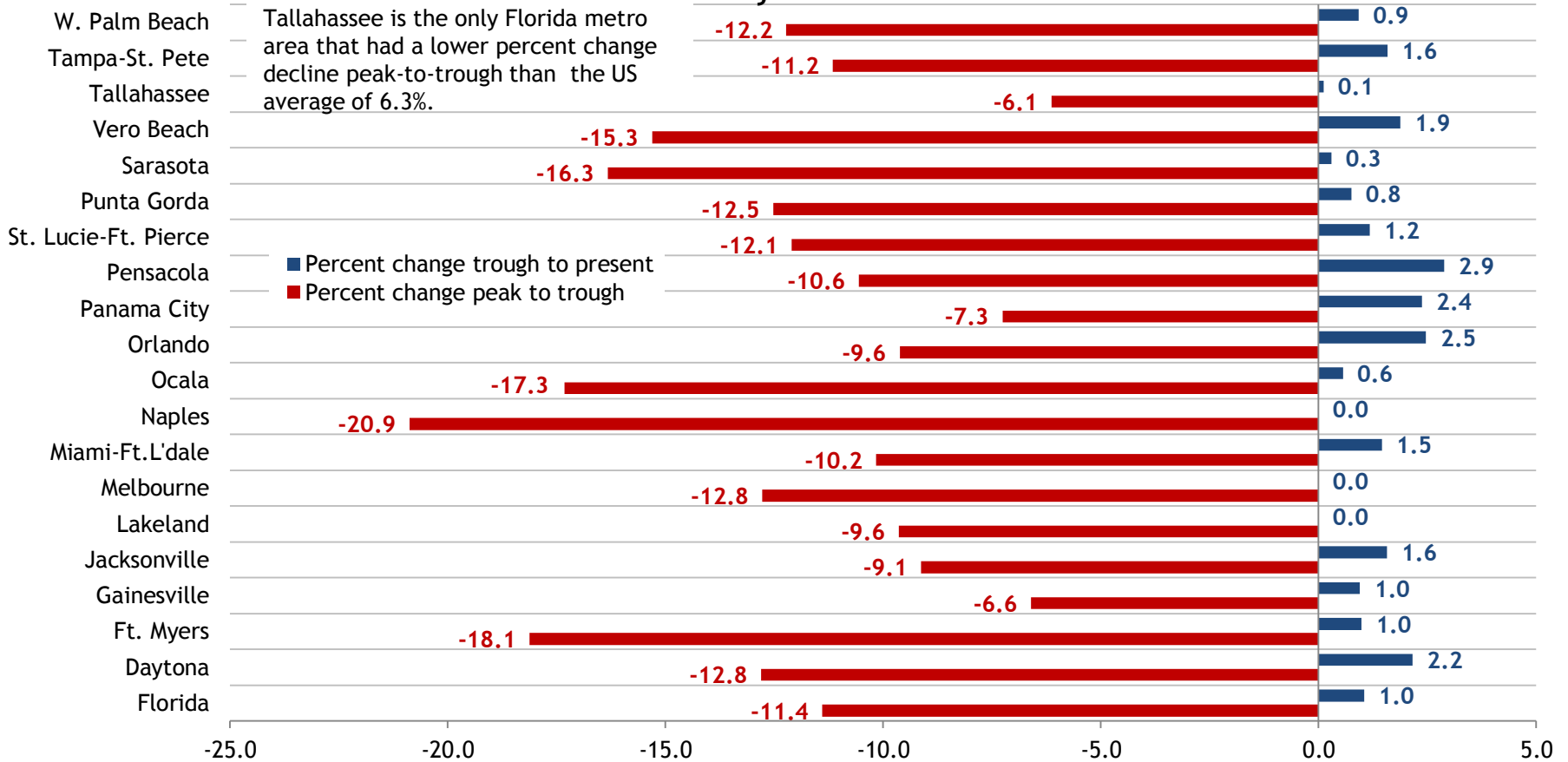
## Employment Loss and Gain by Industry: Florida July 2011



Note: A reading of 0.0 in the "trough to present" measure indicates that employment continues to decline in these industries. Likewise, a reading of 0.0 in the "peak to trough" measure indicates the employment continues to increase in these industries.

Source: U.S. Bureau of Labor Statistics, Haver Analytics, Federal Reserve Bank of Atlanta

## Employment Loss and Gain by Metro Area: Florida July 2011

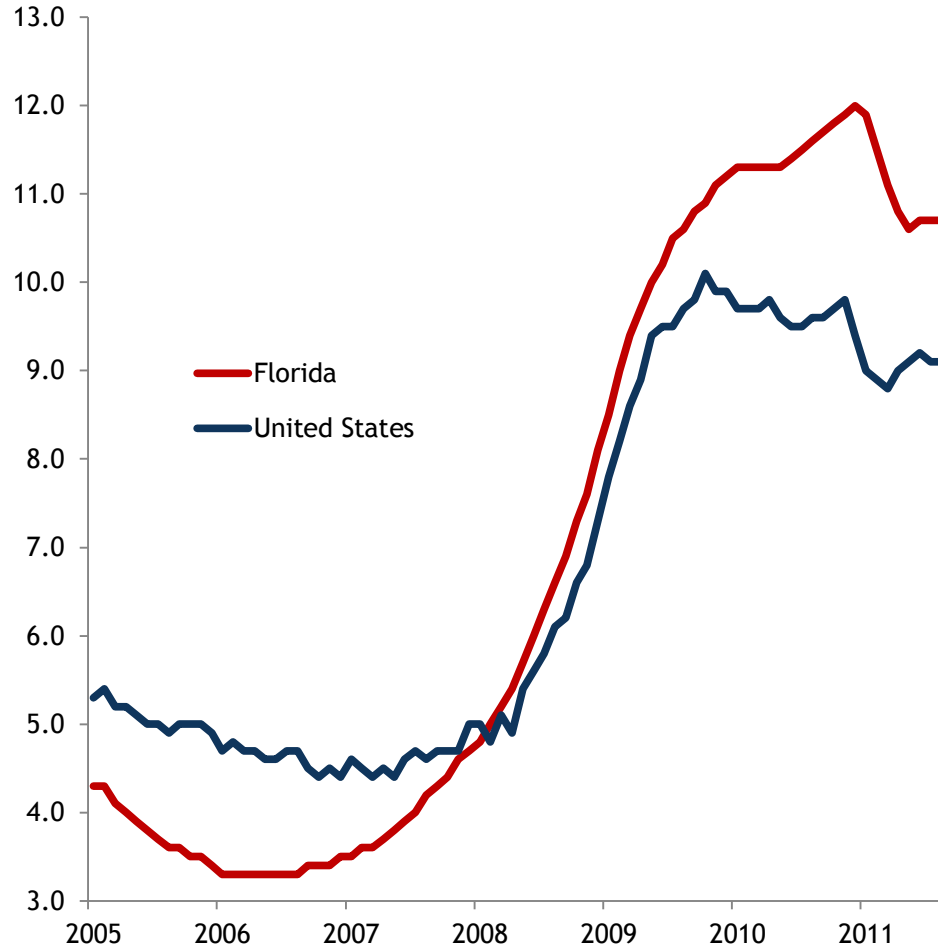


Note: A reading of 0.0 in the “trough to present” measure indicates that employment continues to decline in these metro areas. Likewise, a reading of 0.0 in the “peak to trough” measure indicates that employment continues to increase in these metro areas.

Source: U.S. Bureau of Labor Statistics, Haver Analytics, Federal Reserve Bank of Atlanta

## Unemployment Rate August 2011

Percent of labor force



Source: U.S. Bureau of Labor Statistics, Haver Analytics

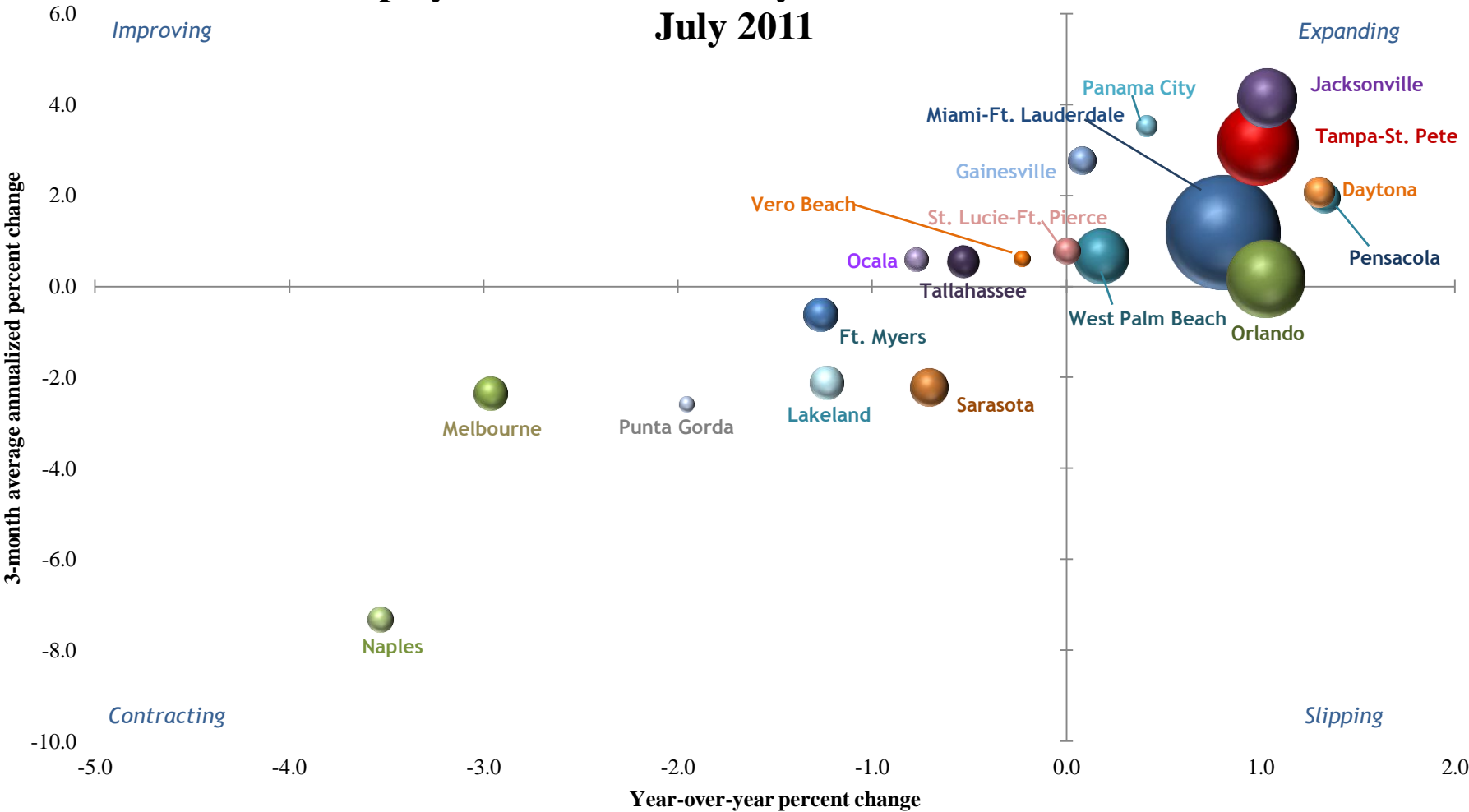
Unemployment Rates			
	Current	Year Ago	Jan 2007
United States (Aug)	9.1	9.6	4.6
Florida (Aug)	10.7	11.6	3.5
Ft. Myers	11.6	13.1	3.4
Daytona	11.0	12.2	3.8
Gainesville	8.7	9.1	2.8
Jacksonville	10.4	11.6	3.6
Lakeland	12.1	13.1	3.9
Miami-Ft. Lauderdale	11.3	11.9	3.6
Naples	11.9	13.0	3.1
Ocala	12.8	13.9	4.0
Orlando	10.4	11.6	3.4
Melbourne	11.3	11.4	3.9
Panama City	9.5	9.4	4.0
Pensacola	10.4	10.9	3.5
Punta Gorda	11.0	12.5	3.9
Sarasota	11.0	12.4	3.6
Vero Beach	13.8	15.1	4.5
Tallahassee	9.0	9.2	3.1
Tampa-St. Pete	11.1	12.3	3.8

The table shows unemployment rates for metro areas. Current = June 2011. Year ago and Jan 2007 are included for comparison.

Orlando, Tampa-St. Pete, Jacksonville, West Palm Beach and Miami-Ft. Lauderdale and several other areas show positive employment momentum, while smaller metro, such as Melbourne, Sarasota, Naples, and Lakeland remain very weak.

[About Employment Momentum](#)

## Employment Momentum by Metro Area: Florida July 2011

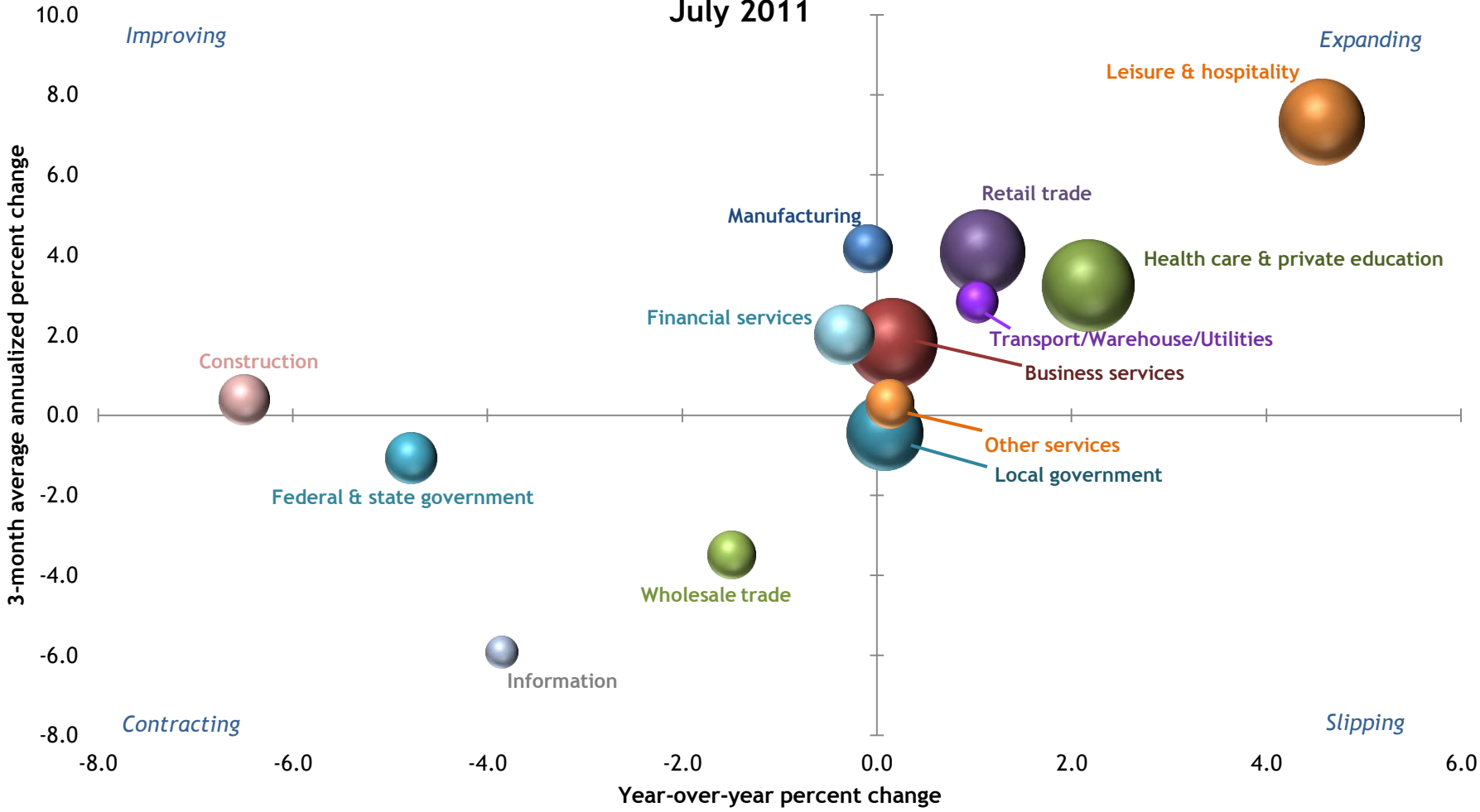


Source: U.S. Bureau of Labor Statistics, Haver Analytics, Federal Reserve Bank of Atlanta

Leisure and hospitality, healthcare and private education, and retail trade show positive employment momentum; while information, wholesale trade, and federal and state government employment remain very weak.

[About Employment Momentum](#)

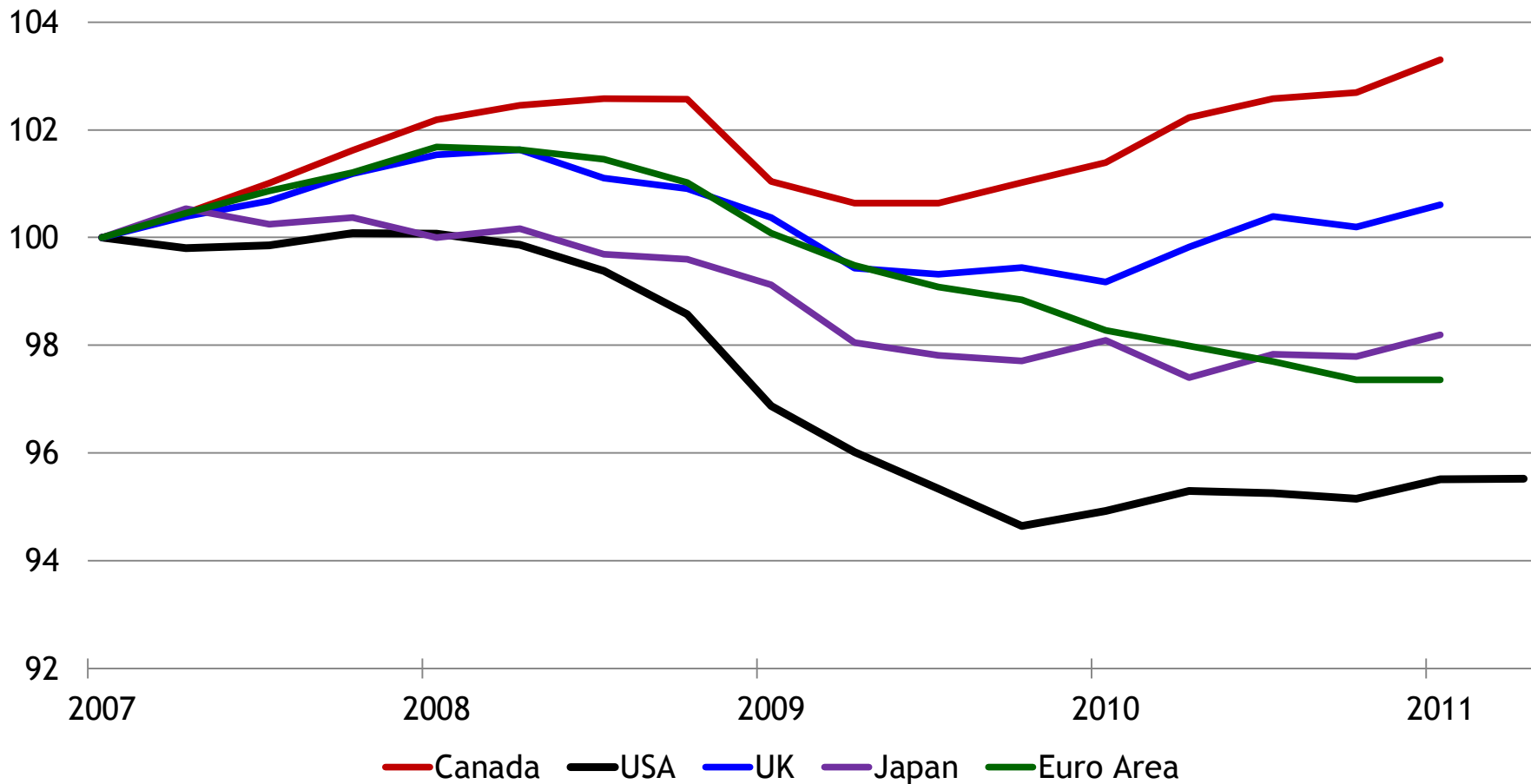
### Employment Momentum by Industry: Florida July 2011



Source: U.S. Bureau of Labor Statistics, Haver Analytics, Federal Reserve Bank of Atlanta

# THE EMPLOYMENT LOSS HAS BEEN MORE SEVERE IN THE U.S THAN IN OTHER COUNTRIES

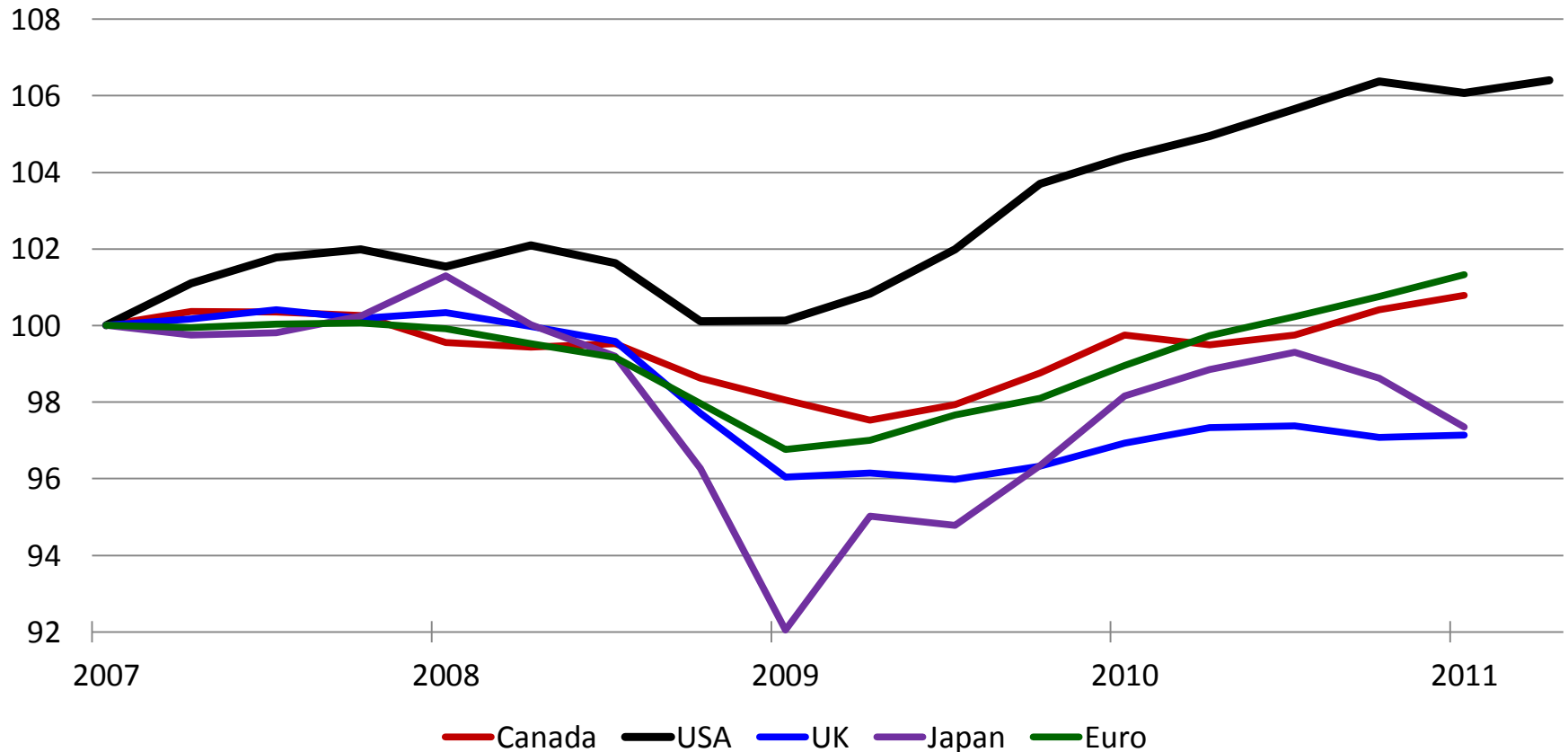
## Employment 2007 Q1 = 100



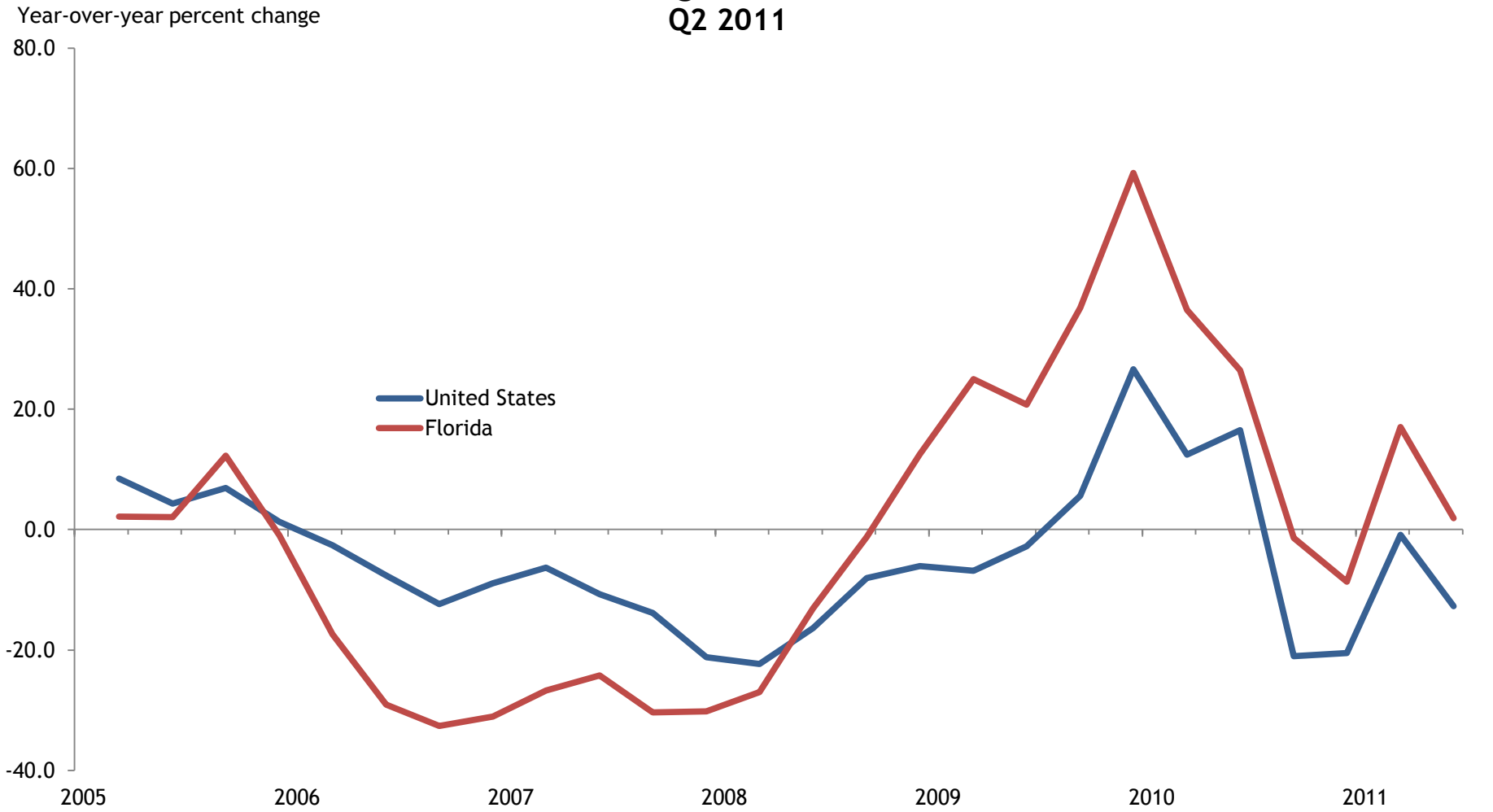


# PRODUCTIVITY UP IN THE U.S, DOWN EVERYWHERE ELSE

## Output per Employed Person 2007 Q1 = 2007

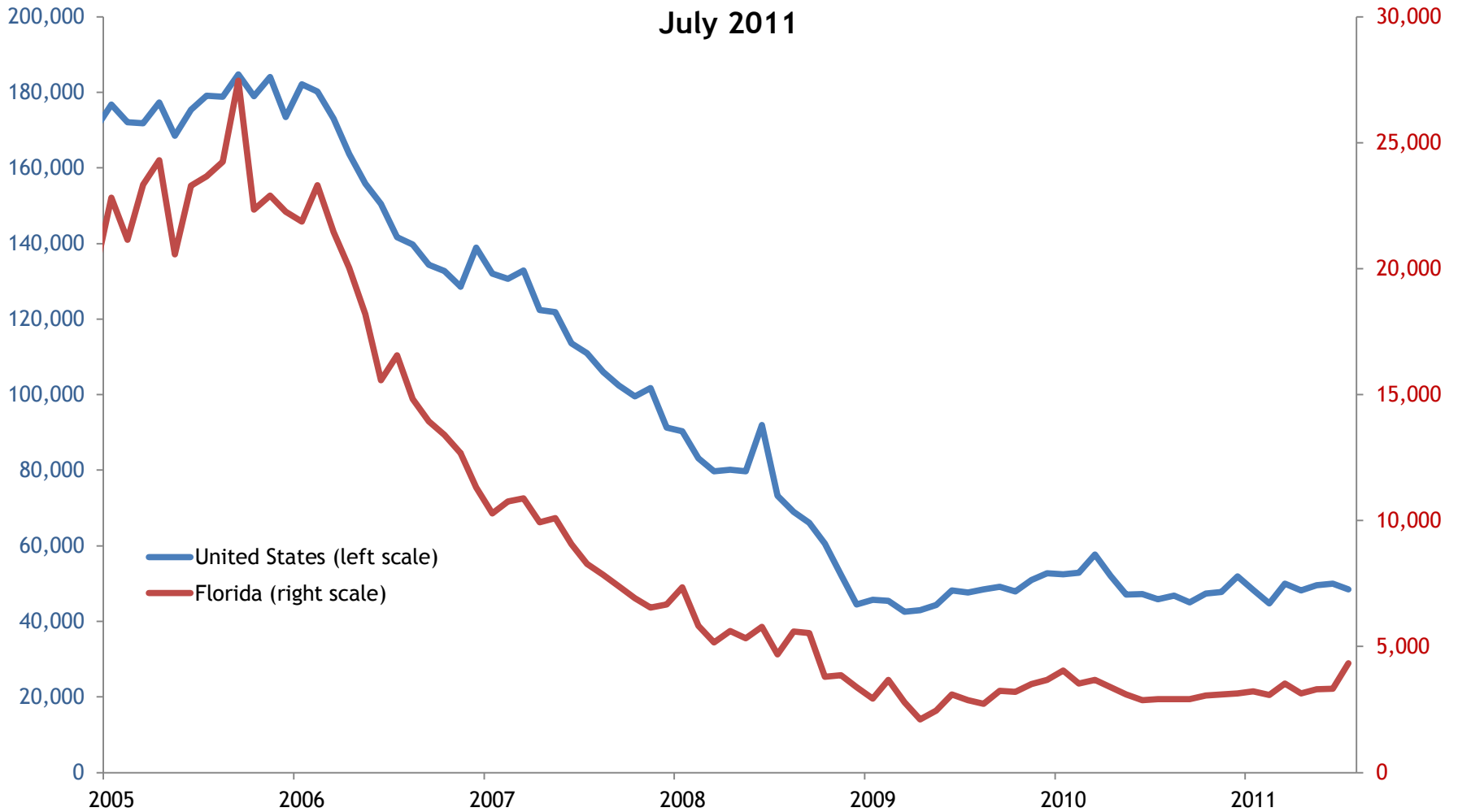


# Existing Home Sales Q2 2011



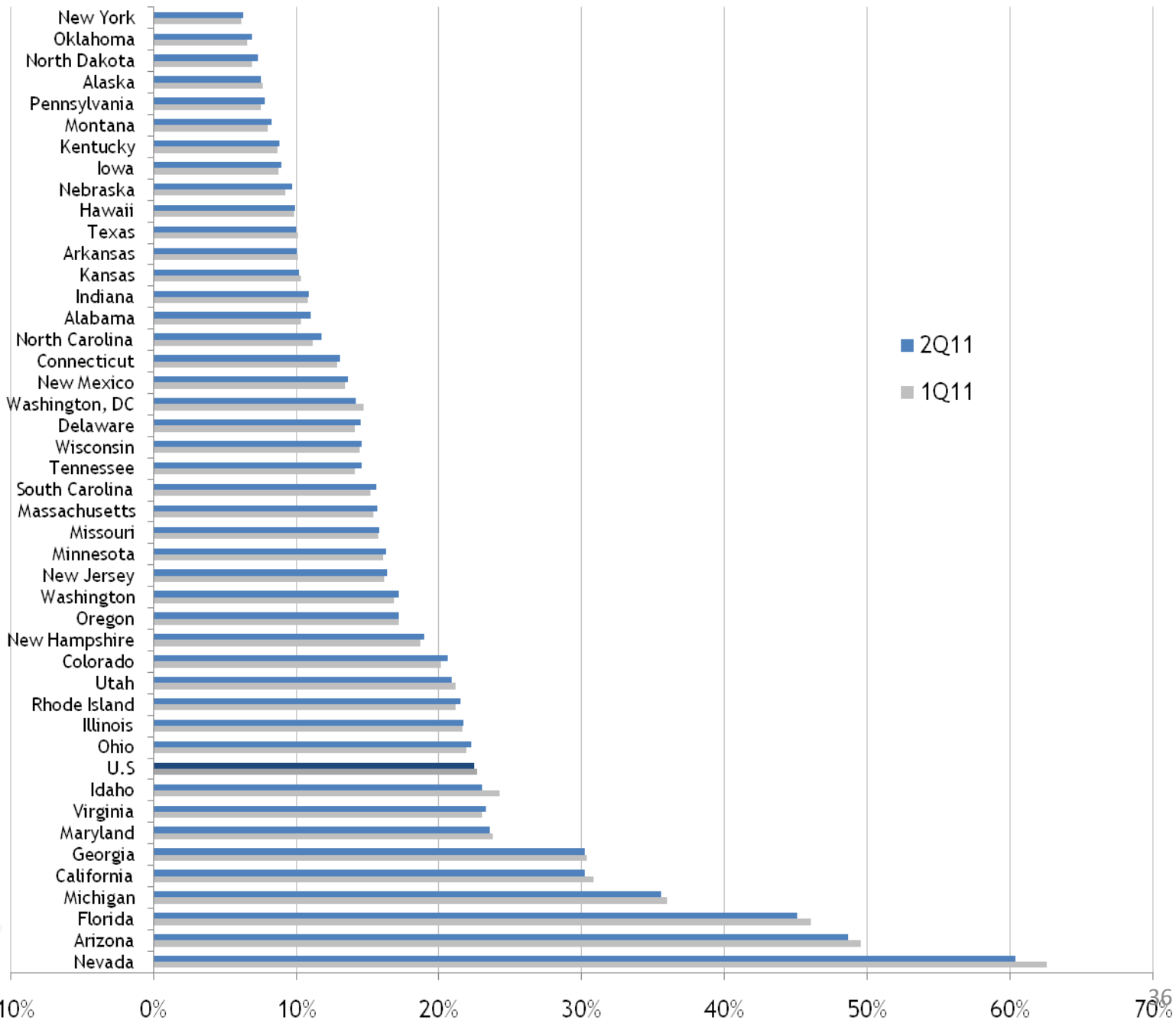
Source: National Association of Realtors, Haver Analytics, Federal Reserve Bank of Atlanta

# New Residential Home Construction Permits July 2011



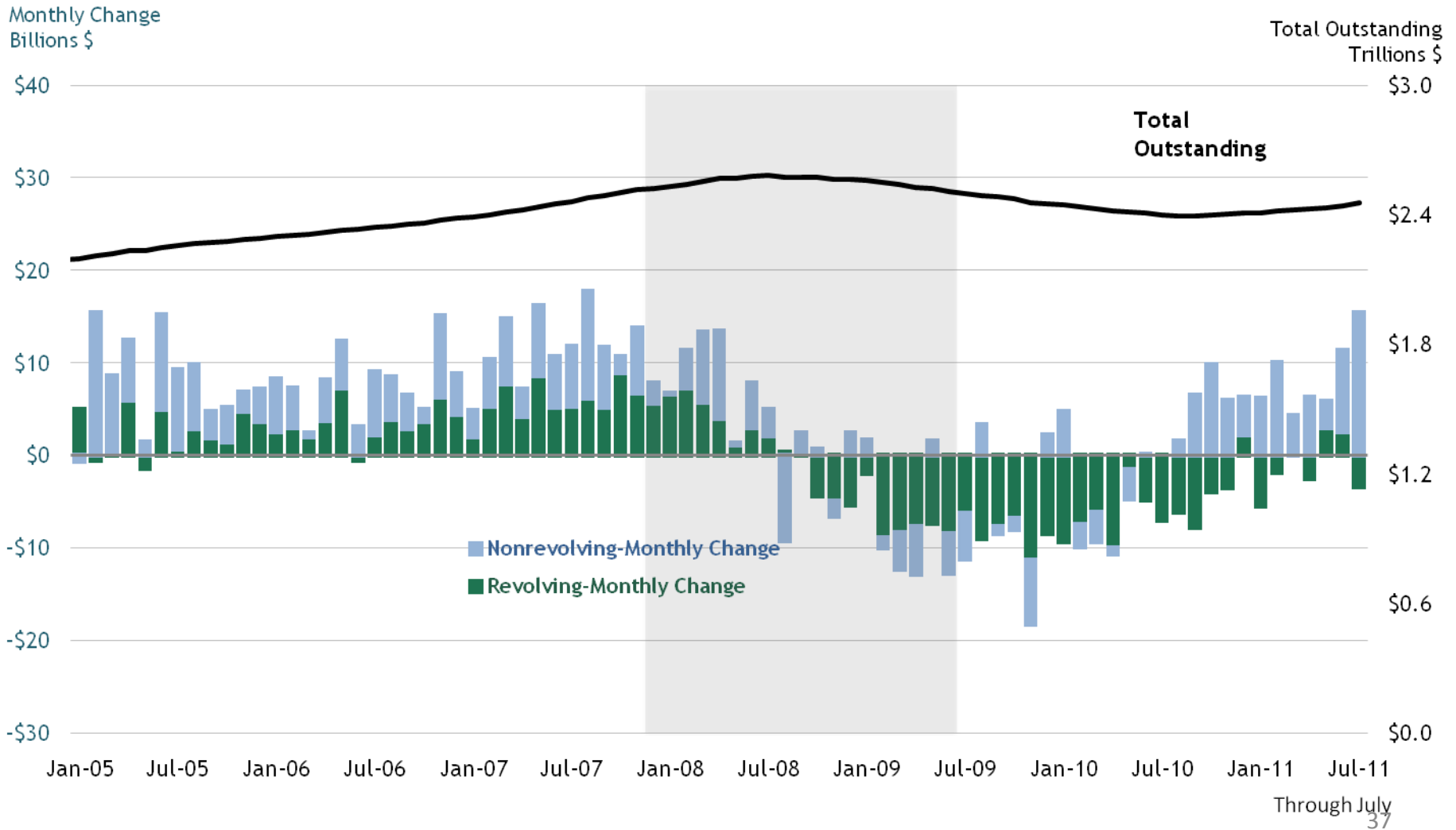
Source: U.S. Bureau of the Census, Haver Analytics

# CoreLogic® Negative Equity Share



# Overall consumer debt is on the rise

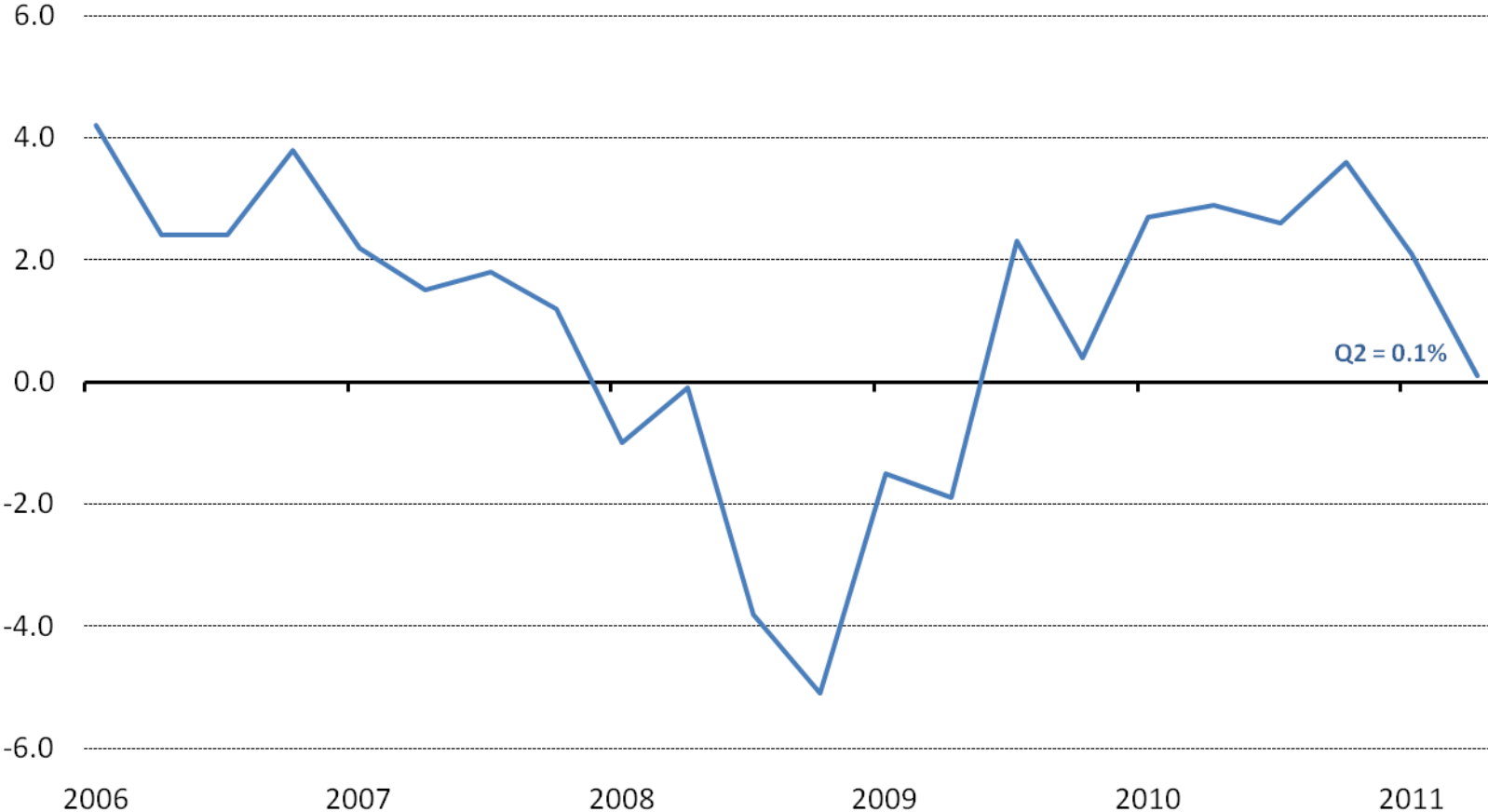
## SA Consumer Credit Monthly Change & Total Outstanding



# Consumer spending has decelerated markedly

## Real Personal Consumption Expenditures

seasonally-adjusted quarterly annualized percent change



Source: Bureau of Economic Analysis

# Personal Savings Rate

As a percentage of disposable income

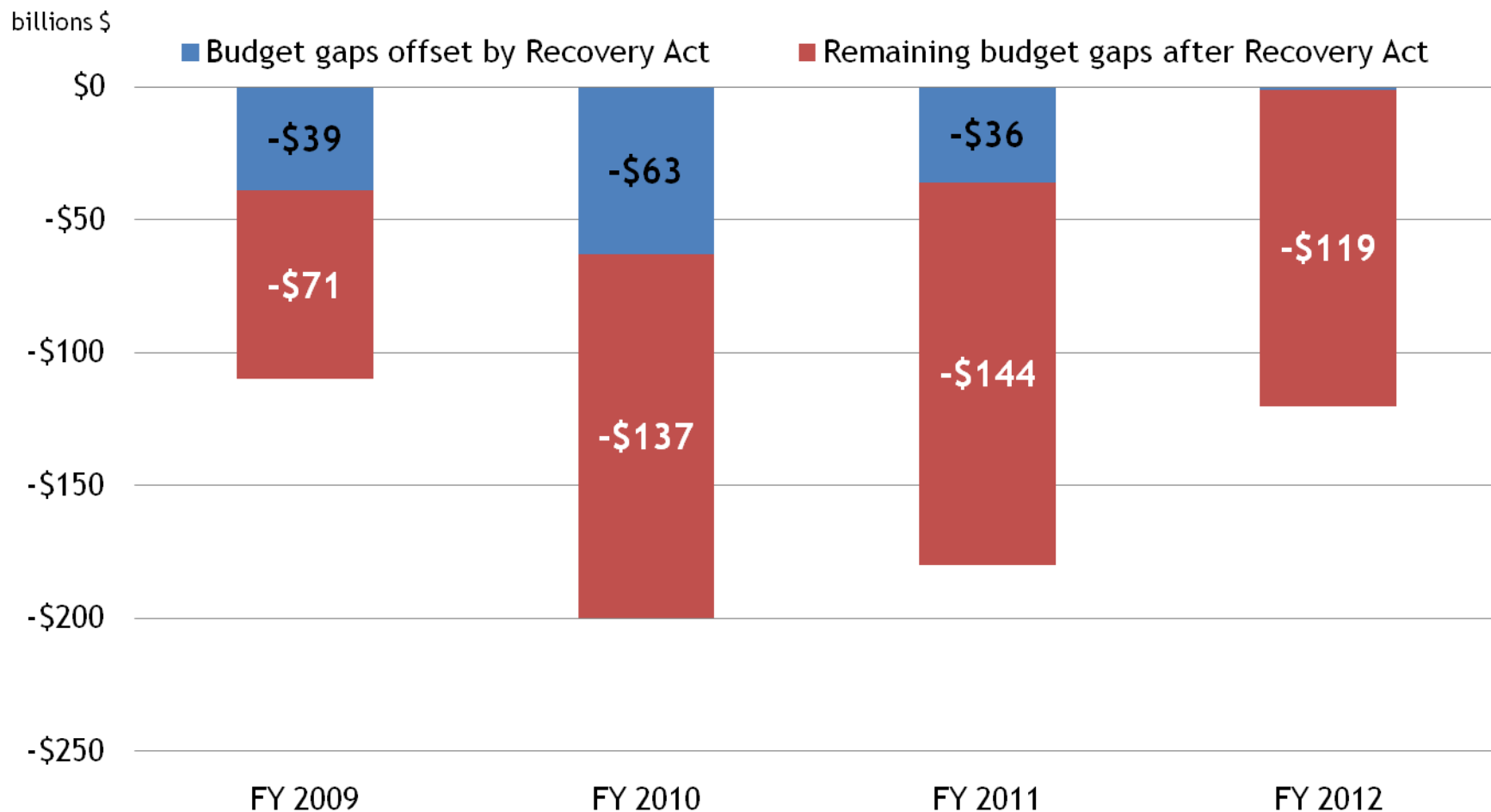


Source: Bureau of Economic Analysis

Through August  
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# AS STATE BUDGET GAPS REMAIN HIGH, OFFSET FROM FEDERAL SUPPORT WANES.

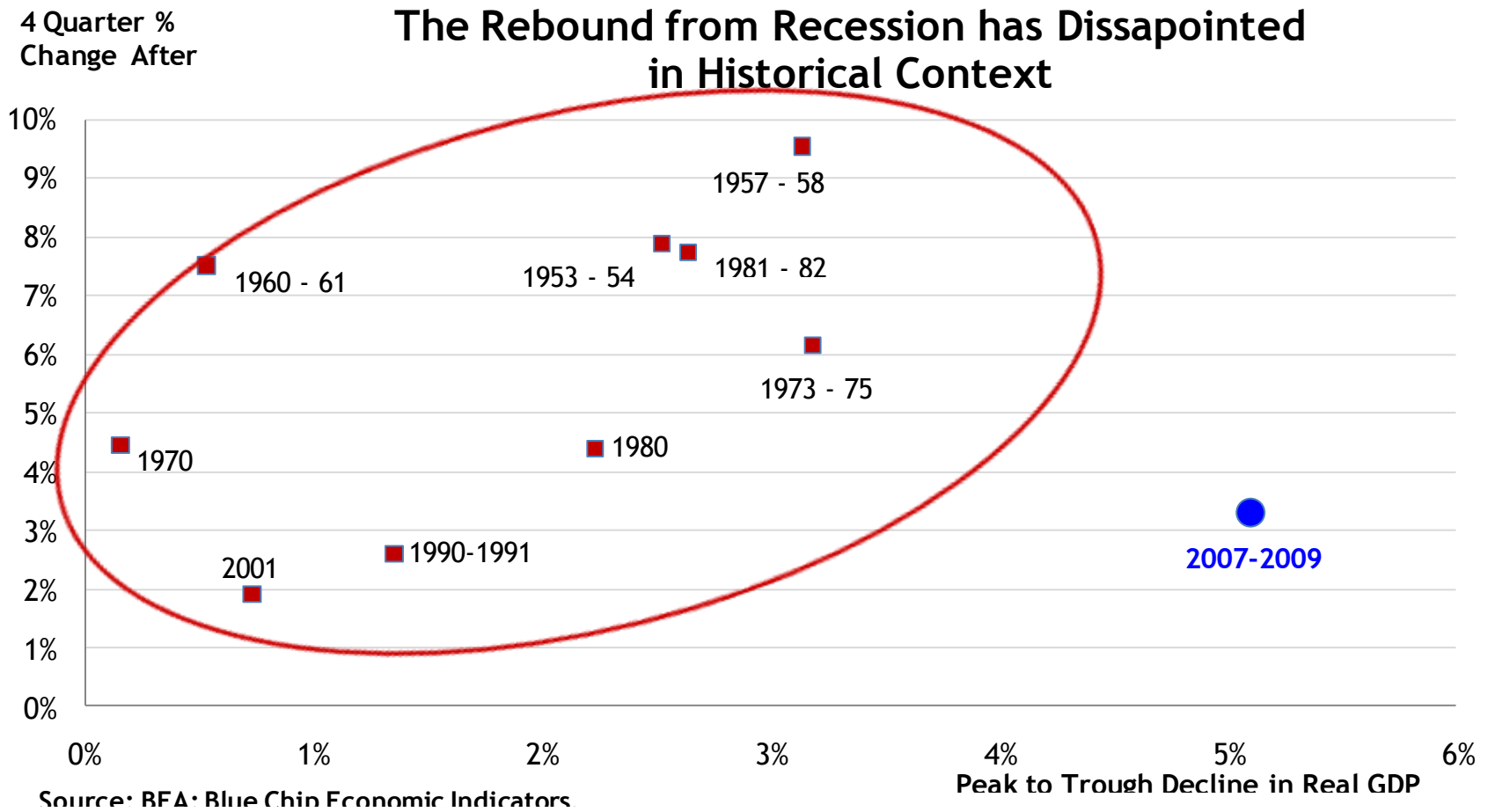
## Recovery Act Reduces State Budget Gaps, but Large Deficits Remain



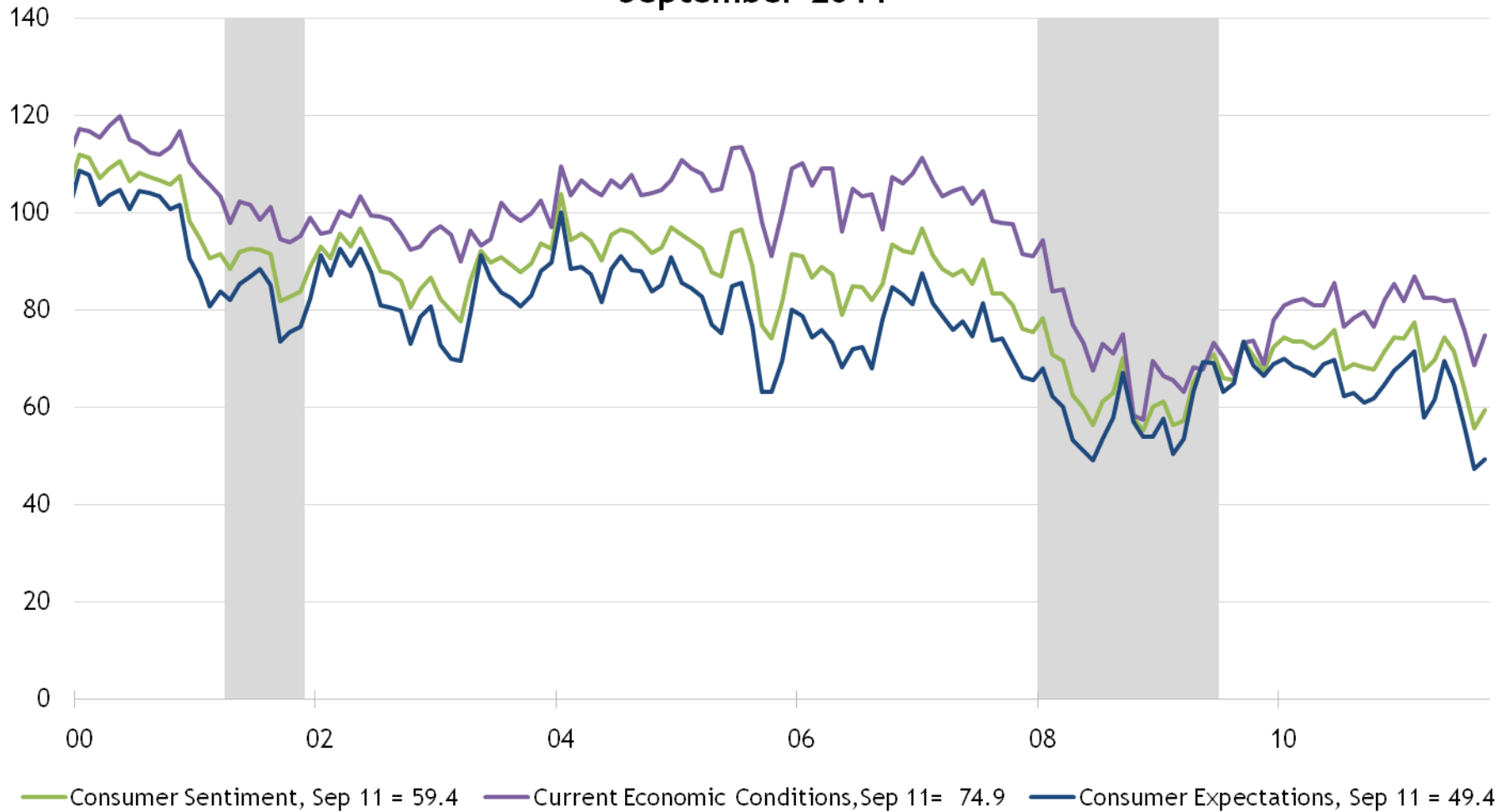
Source: CBPP analysis using data from U.S. Department of Health and Human Services, state budget documents



# THE RECOVERY HAS BEEN MODEST RELATIVE TO THE MAGNITUDE OF THE RECESSION.



## Reuters/University of Michigan Consumer Sentiment Index September 2011



Source: Reuters/University of Michigan

# Recap: for the U.S. Economy

- The recovery has lost momentum in 2011 and downside risks to growth have increased. The economy is expected to grow at a very slow pace and unemployment is likely to decline very gradually.
- Strength: exports.
- Weakness: very slow employment growth, deteriorating consumer confidence, depressed housing market, decline in equity values.
- Risks: escalating sovereign debt crisis in Europe, persistent uncertainty, sustained stress in financial markets, protracted weakness in the housing market, domestic fiscal problems.
- The FOMC has indicated that given its economic projections, the federal funds rate will likely remain exceptionally low at least through mid-2013 and recently employed “Operation Twist.”



# Questions