



# **(When) Will The Recovery Take Off?**

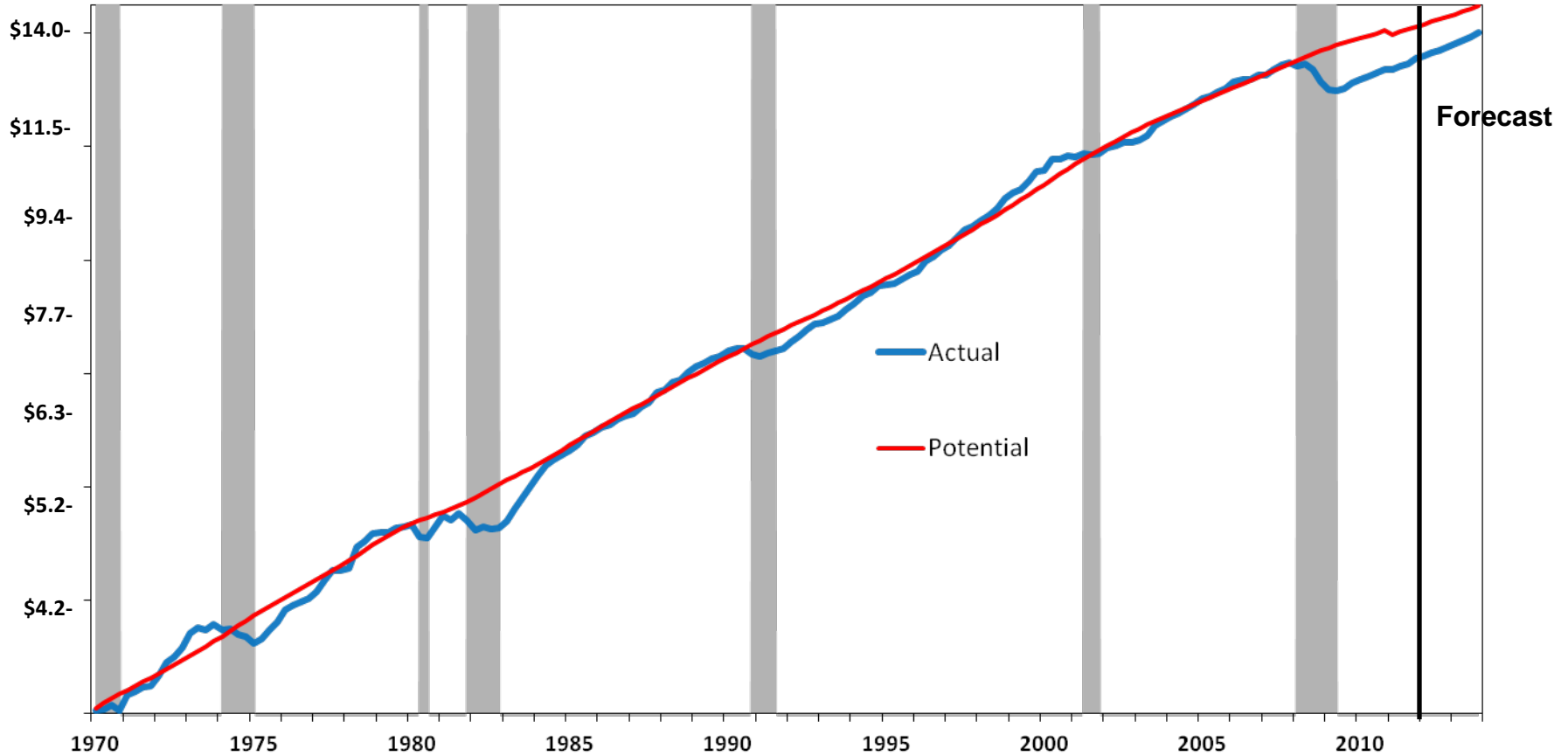
## **July 2013**

**Economic Policy Division**

# U.S. GDP Actual and Potential

Quarterly, Q1 1970 to Q4 2011

Real GDP Trillion 2005 Dollars Log Scale



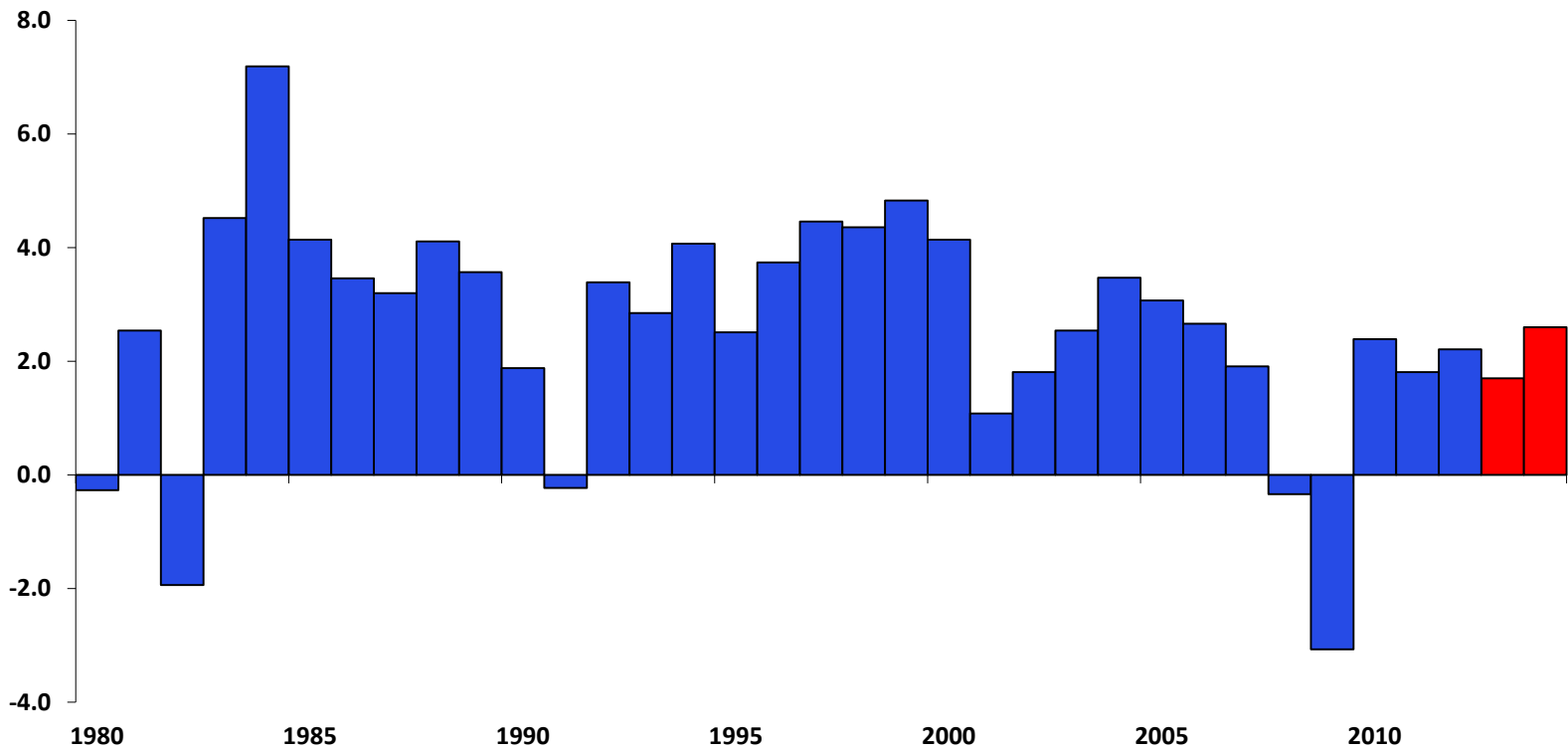
Potential GDP estimated by Congressional Budget Office



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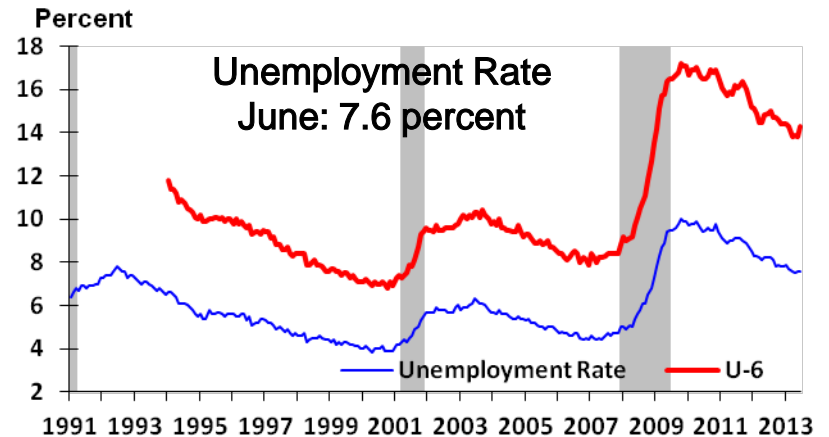
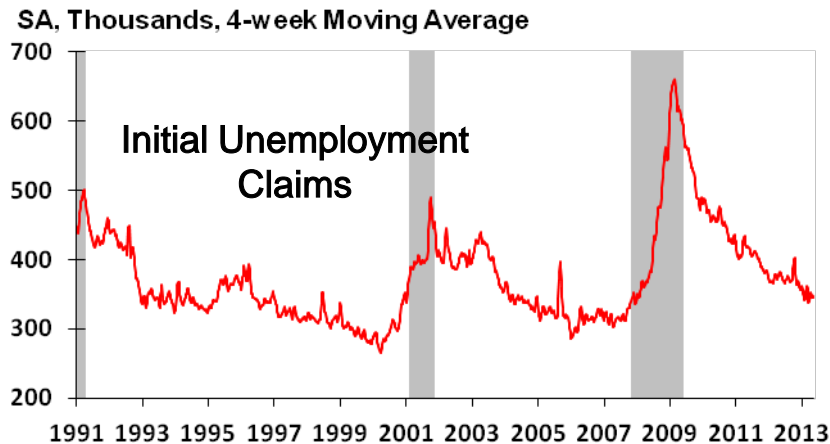
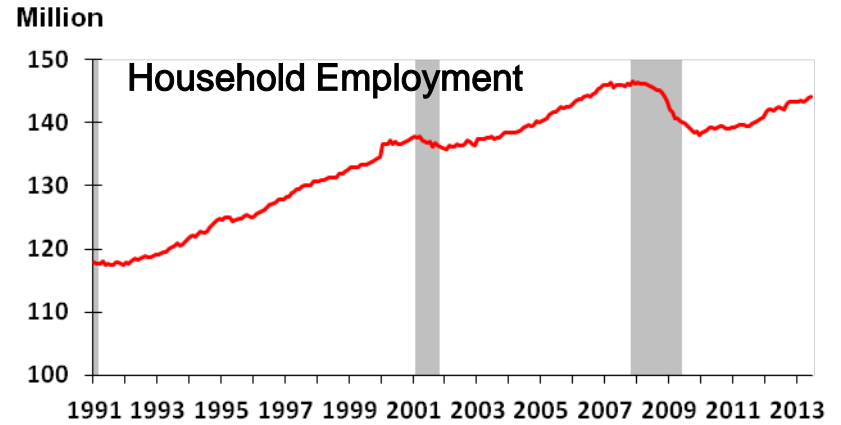
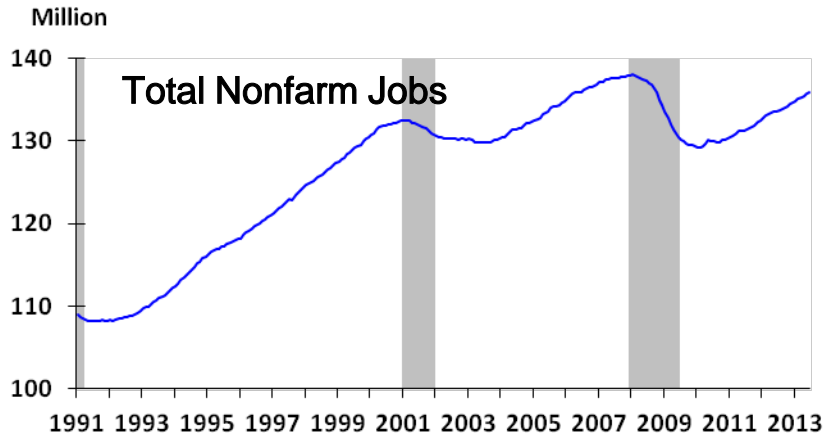
# Real GDP Outlook

Percent Change, Annual Rate



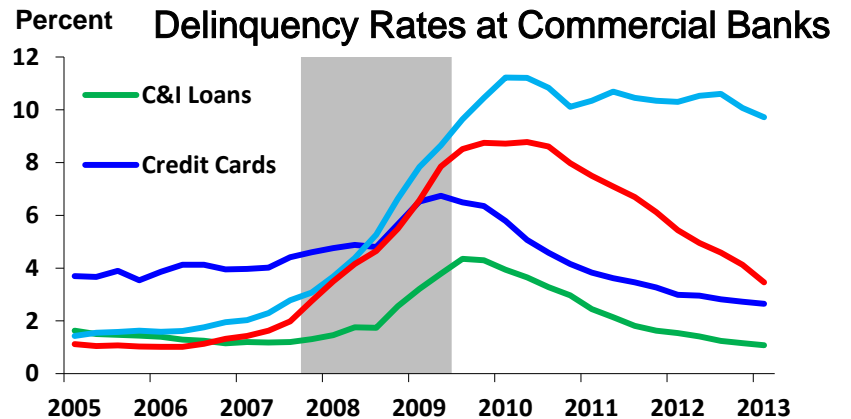
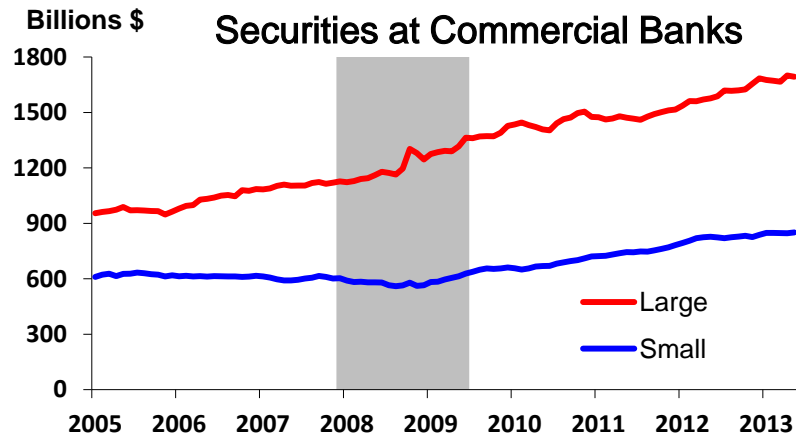
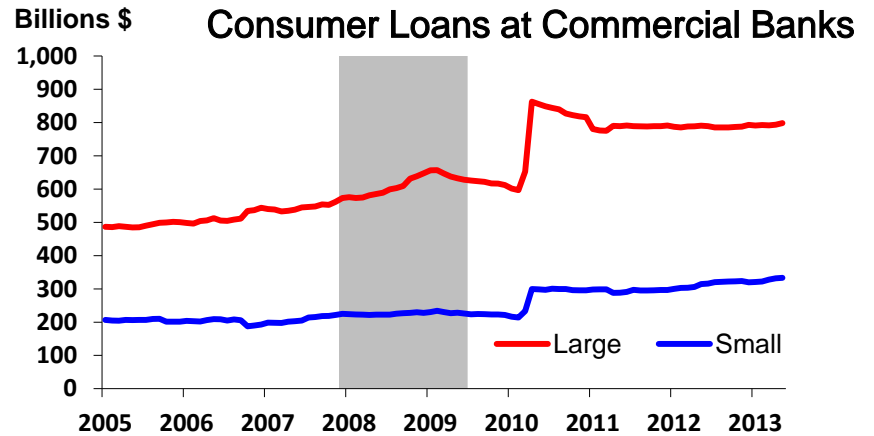
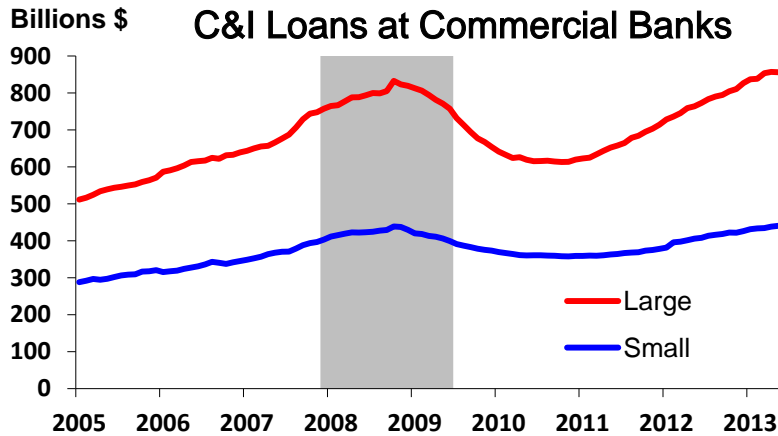
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# Labor Market



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# Domestic Bank Lending



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# Comparing Recessions

<b>Trough</b>	<b>GDP Loss (Peak to Trough)</b>	<b>Duration of Recession</b>	<b>GDP Growth in the following year</b>	<b>GDP Growth in the following 2 years</b>	<b>GDP Growth in the following 3 years</b>	<b>Average monthly payroll employment growth in 3 years following trough (thous.)</b>	<b>Months from end of recession until we reached prior employment peak</b>
May 1954 (II)	-2.5 (%)	10 (months)	7.9 (%)	5.0 (%)	4.0	116	13
April 1958 (II)	-3.1	8	9.6	5.7	4.2	72	12
February 1961 (I)	-0.5	10	7.5	5.6	5.8	117	10
November 1970 (IV)	-0.2	11	4.5	5.7	5.2	103	6
March 1975 (I)	-3.2	16	6.2	4.7	4.5	245	9
November 1982 (IV)	-2.6	16	7.7	6.7	5.8	268	12
March 1991(I)	-1.4	8	2.6	3.0	3.2	128	23
November 2001 (IV)	+0.7	8	1.9	2.9	2.9	36	39
June 2009 (II)	-4.7	18	2.5	2.2	2.2	86	N/A



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# A High Tech Image of the Modern Economy



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# Recovery Inhibitors

- Financial Crisis?
- The Policy Uncertainty Pause?
- Tax Policy?
- Austerity?
- Self-fulfilling Lowered Expectations?

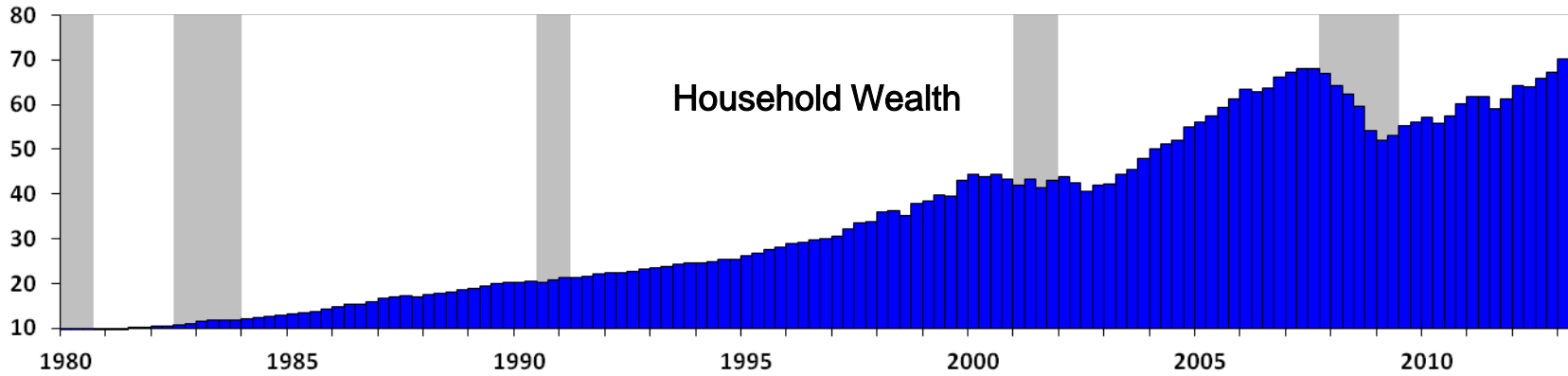


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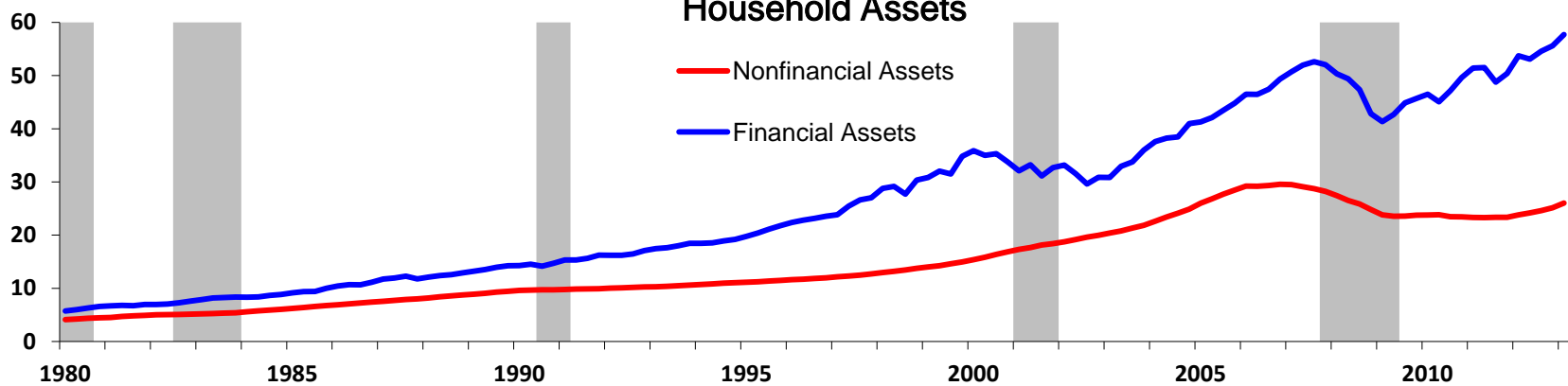


# Household Balance Sheet

Trillion \$

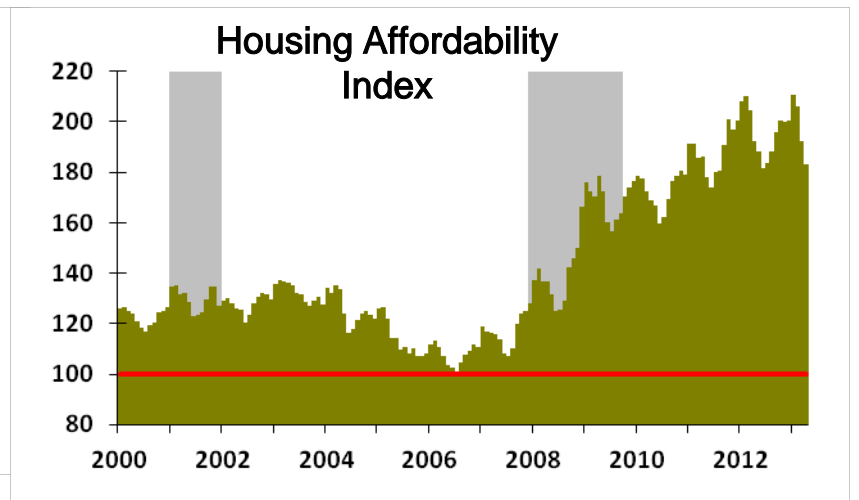
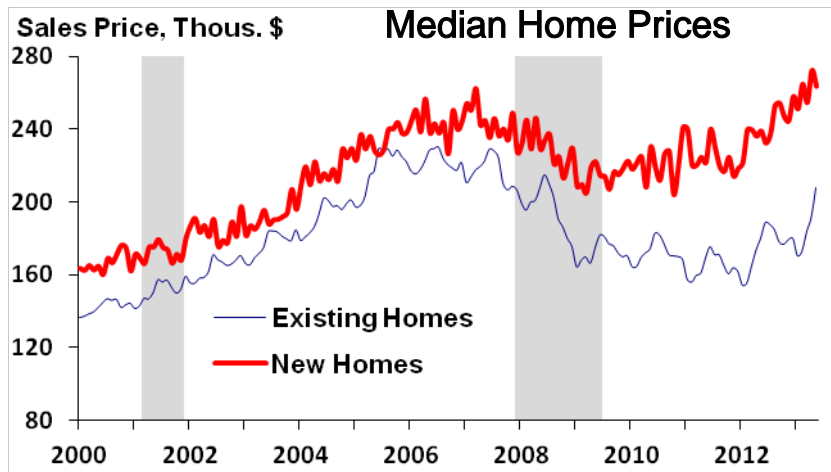
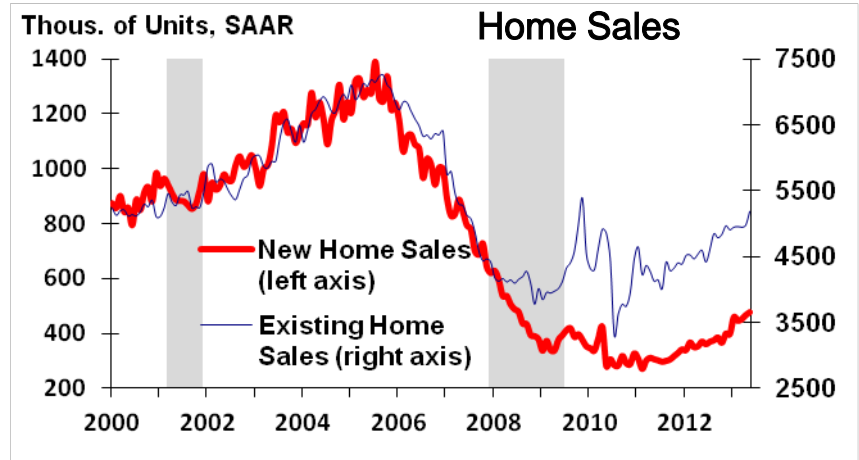
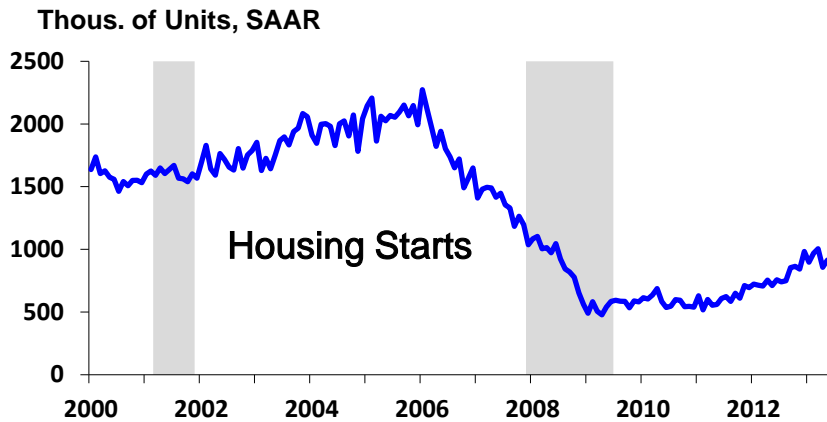


Trillion \$



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# Housing Market Trends

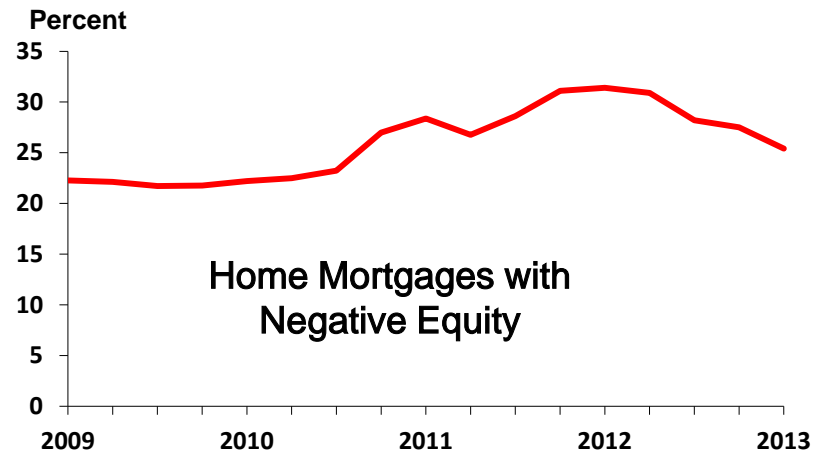
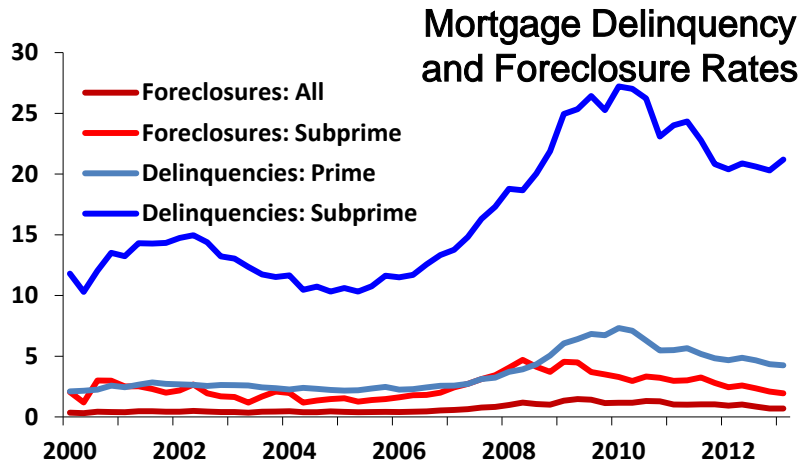
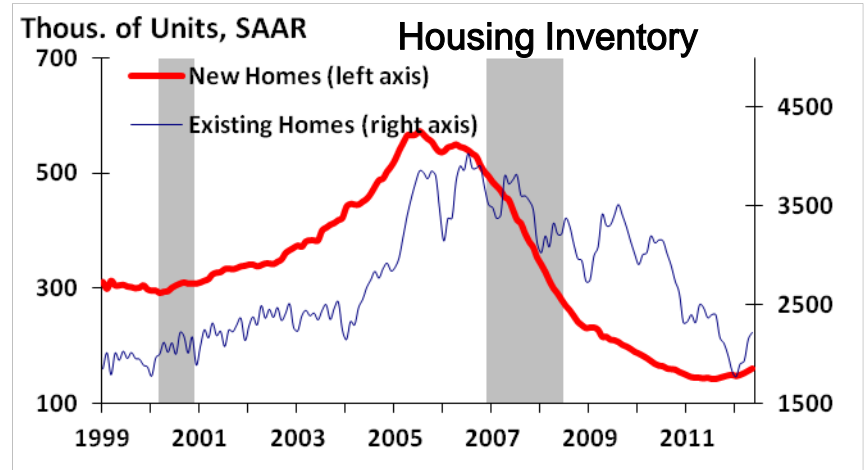
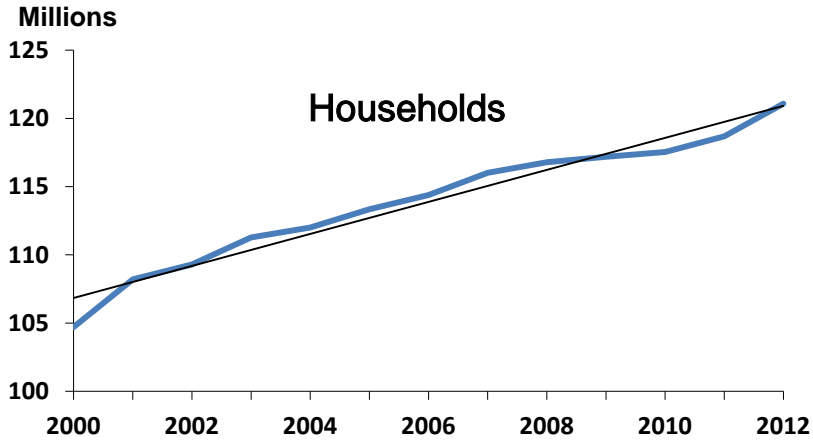


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# Housing Market Trends

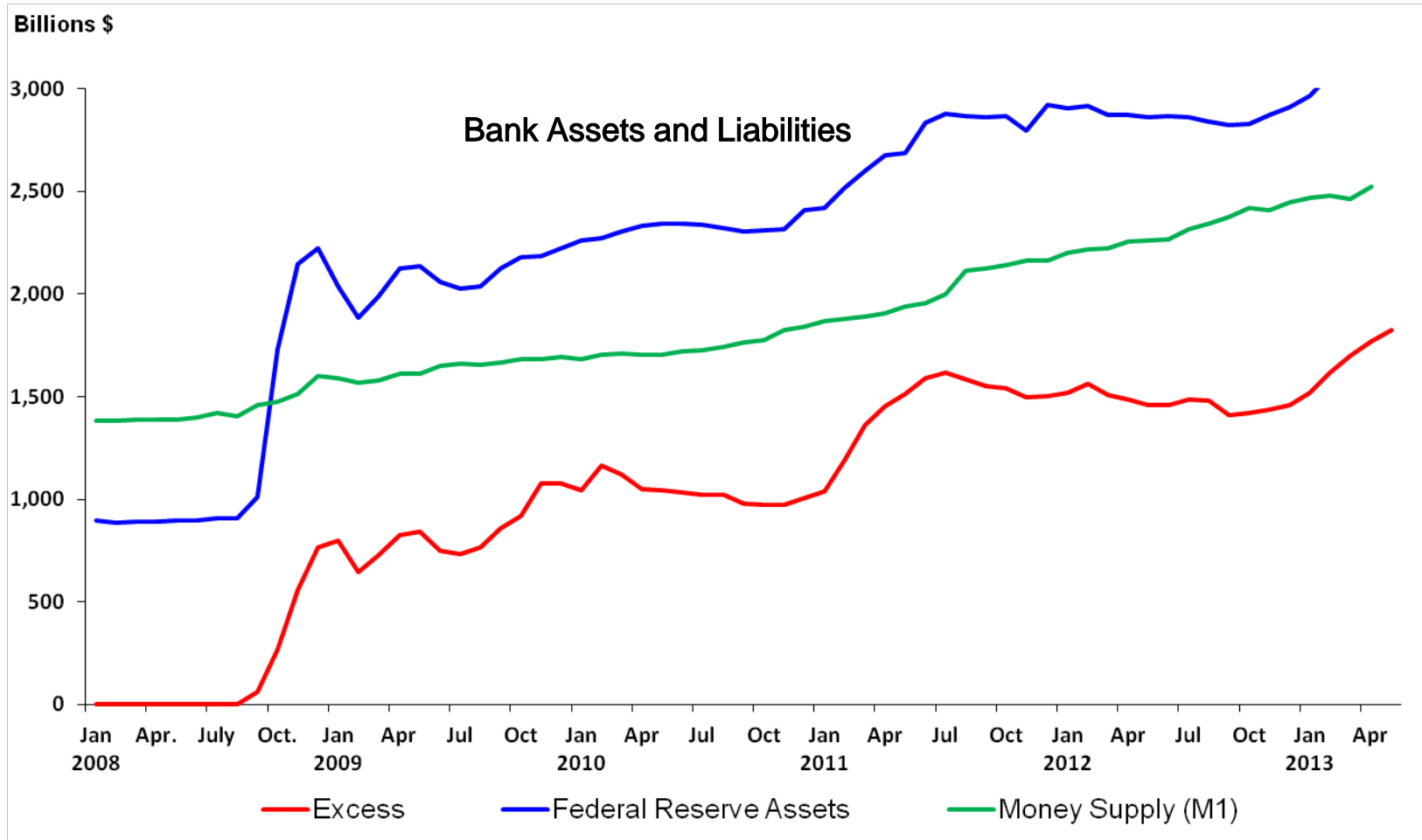


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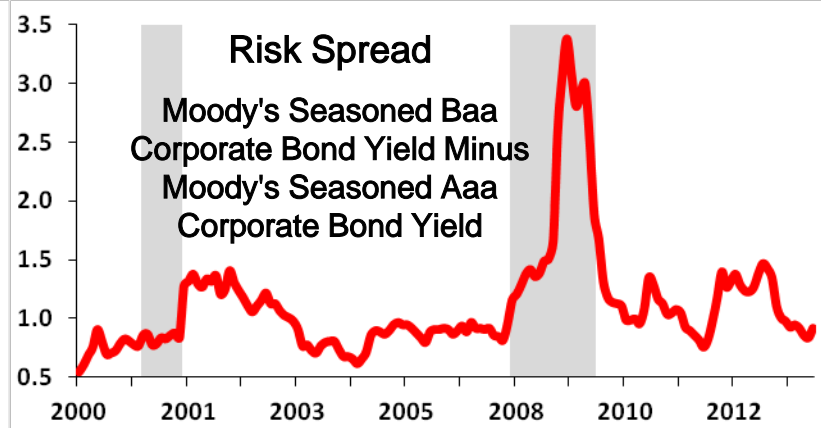
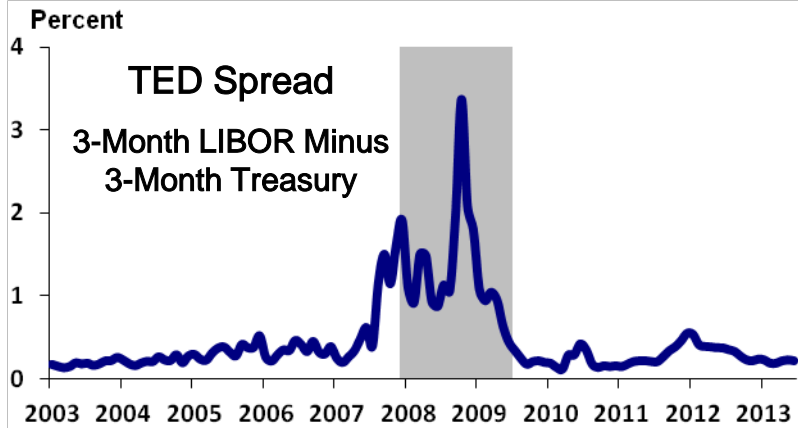
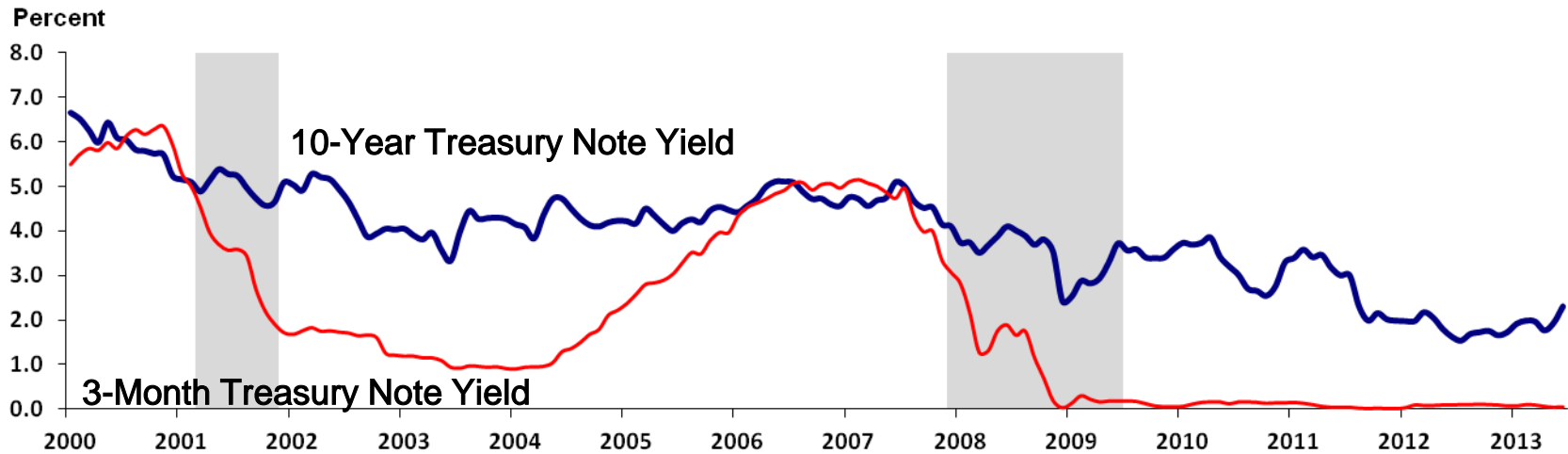
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# Fed Policy



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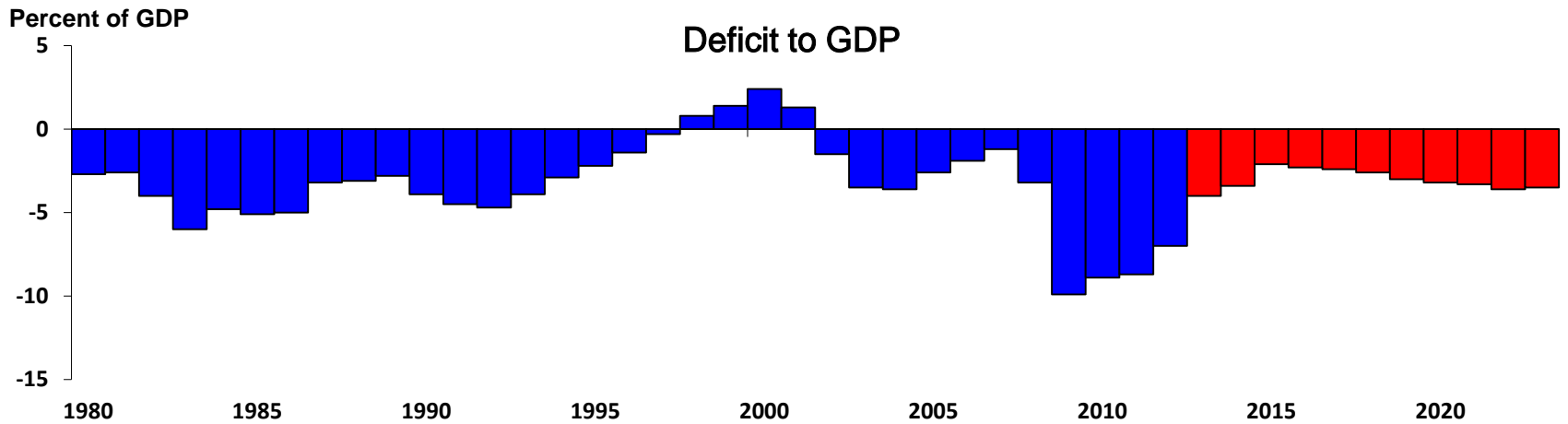
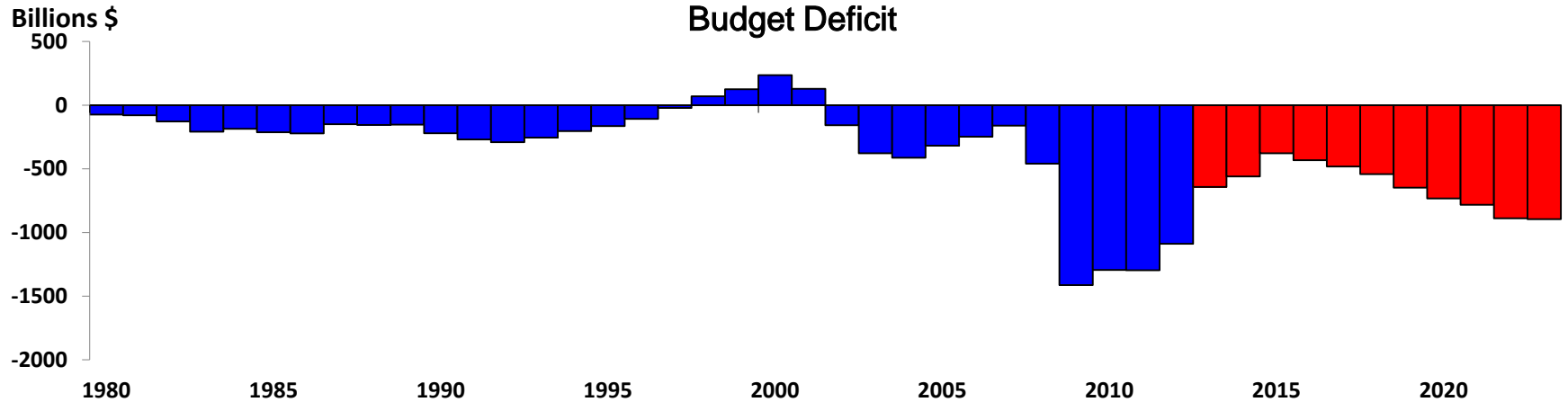
# Interest Rates & Spreads



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# CBO's Baseline Deficit

(May 2013)

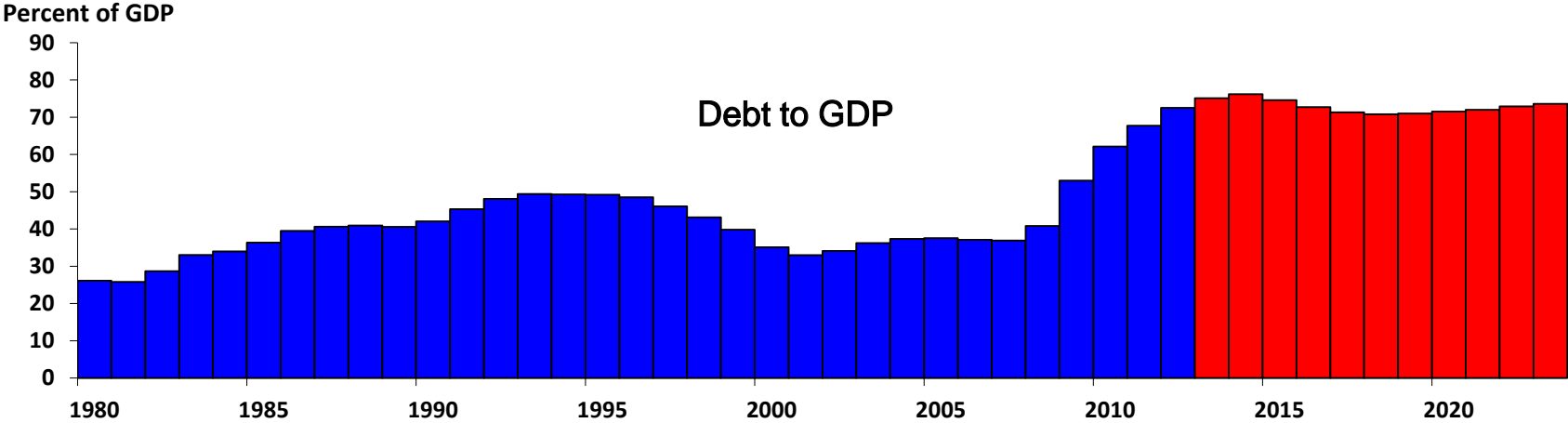
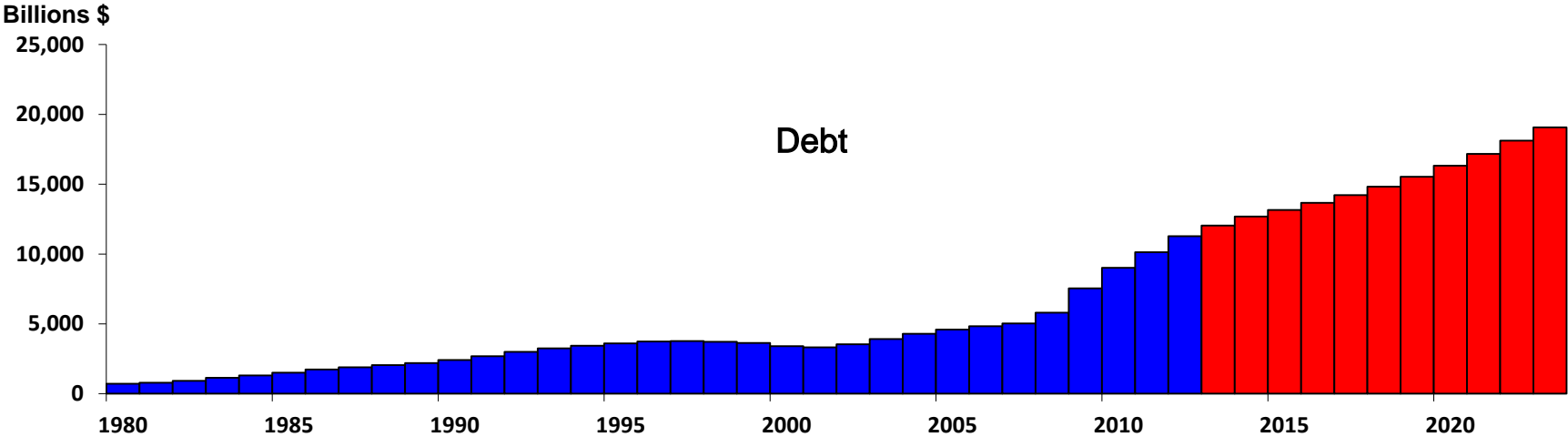


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# Government Baseline Outside Debt

(CBO's Baseline – May 2013)



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# Near-Term Fiscal Threats

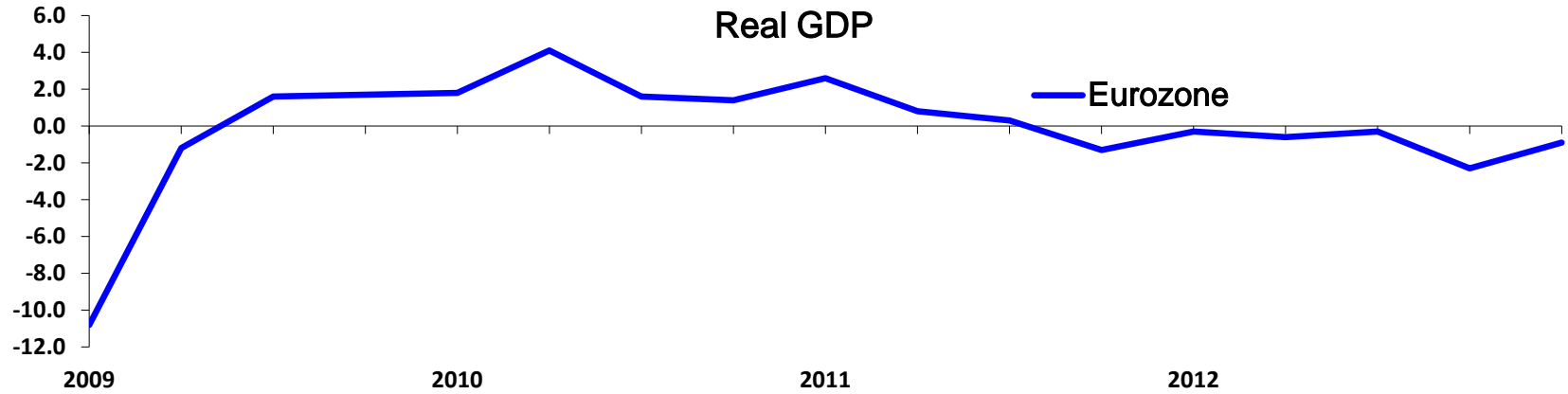
- Debt limit
- No budget, and so no guidance on spending
- Another hit from sequestration
- Deficit and debt still too high
- Some House Republicans talking “shut down”



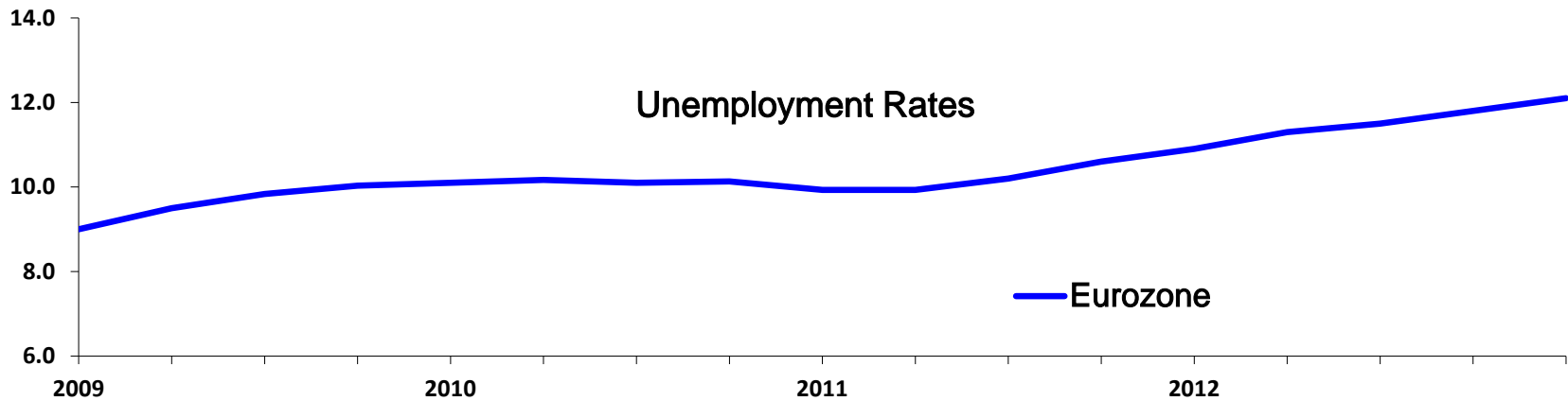
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# Europe

Percent Change, Annual Rate



Percent



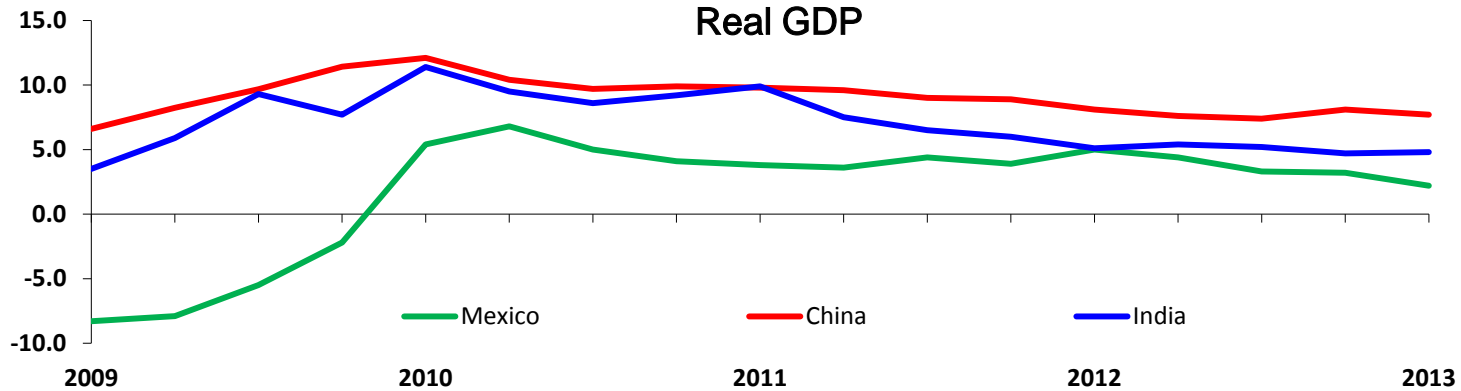
Source: Oxford Economics



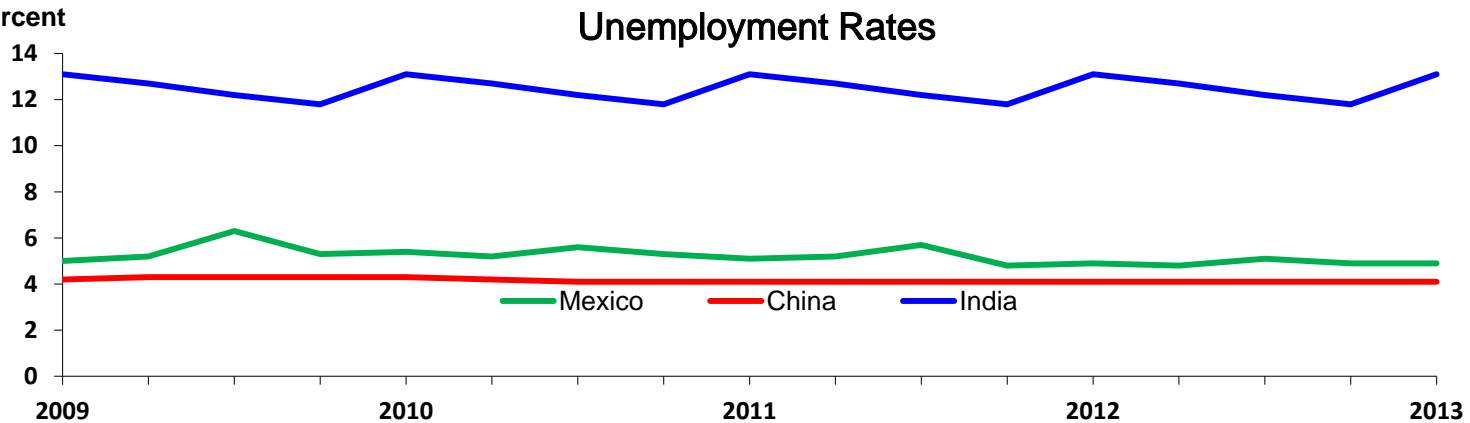
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# Emerging Markets

Percent Change, Year to Year



Percent



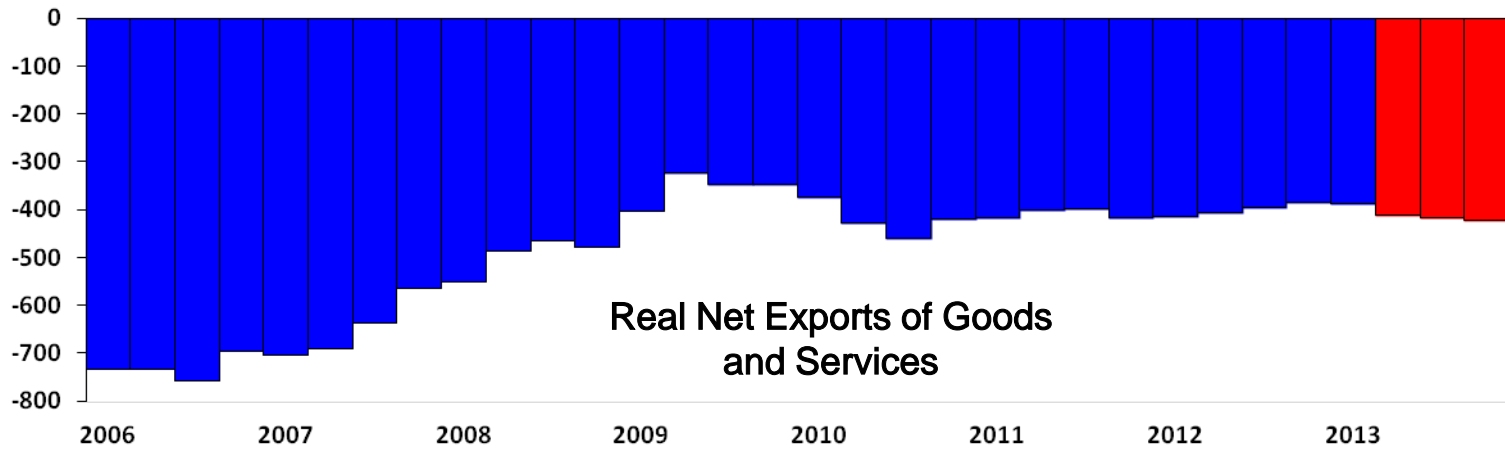
Source: Oxford Economics



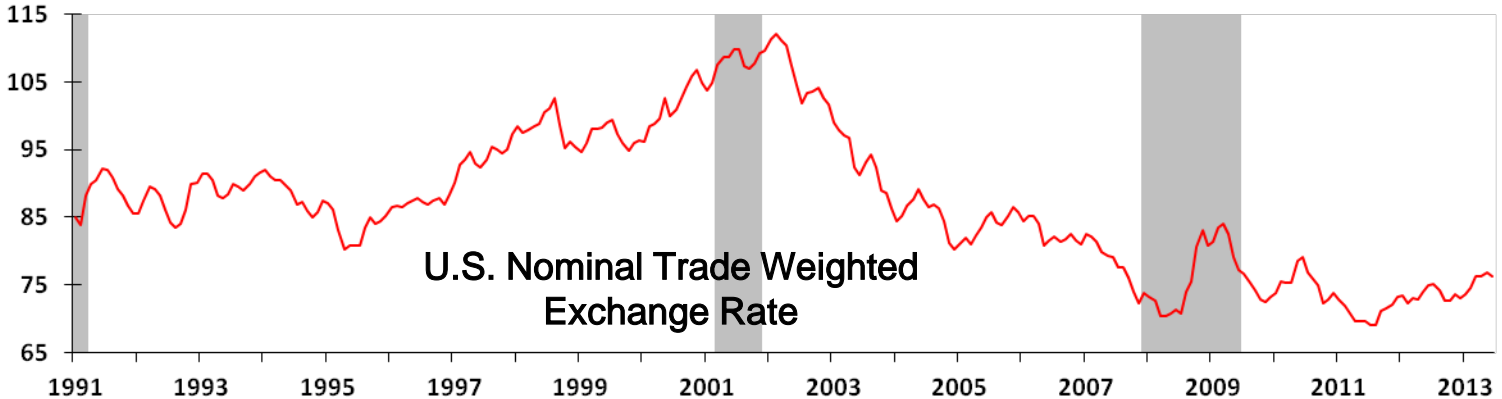
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# U.S. Trade

SAAR, Bil. Chn. 2000\$



Exchange Rate (Major Currencies/US\$)



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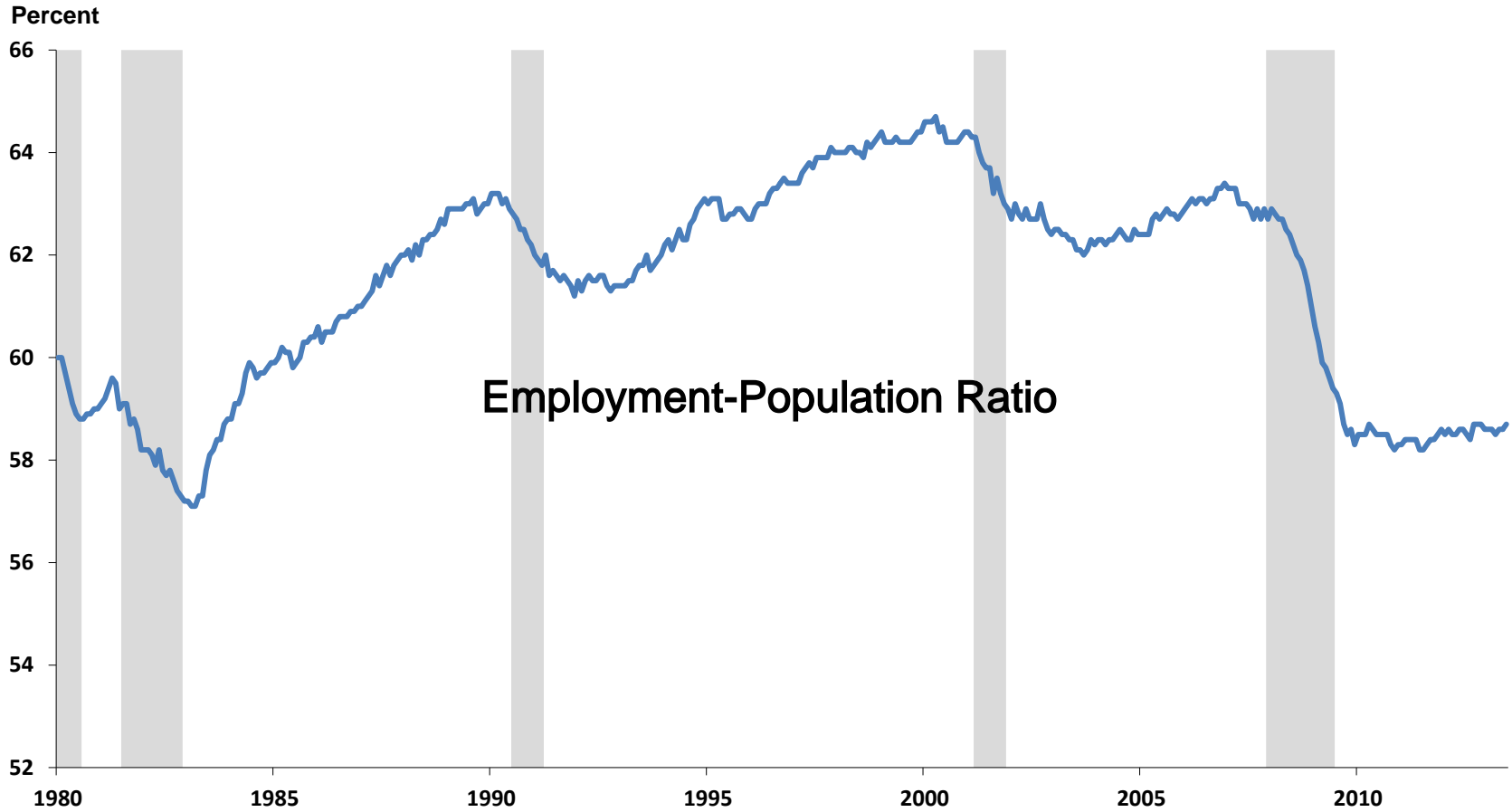


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## **July 2013**

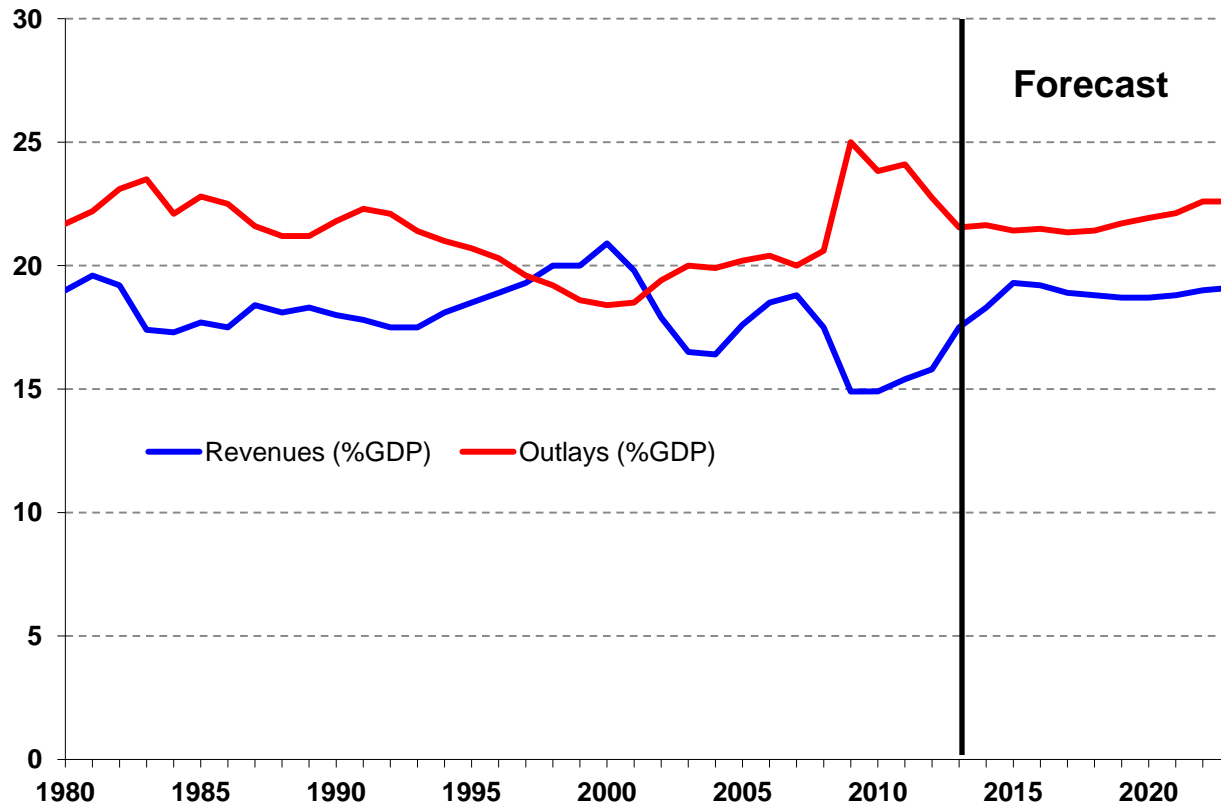
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# Labor Market



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# Government Revenues and Outlays ( percent of GDP)



Source: CBO Baseline (May 2013)



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# Debt Stabilization Scenarios

Growth Rates	Interest Rates			
	1.0%	3.0%	5.0%	6.0%
9.5%	-8.0%	-6.1%	-4.2%	-3.3%
4.5%	-3.4%	-1.5%	0.5%	1.5%
4.0%	-3.0%	-1.0%	1.0%	2.0%
2%	-1.0%	1.0%	3.0%	4.0%

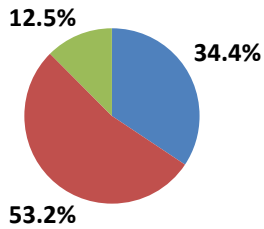
Source: Wells Fargo Securities, LLC, *U.S. Fiscal Primer I: The Deficit and Debt*



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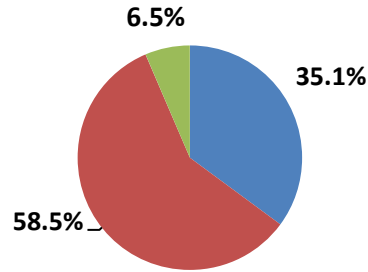
# Government Outlays

**FY 2000**  
(% of total)



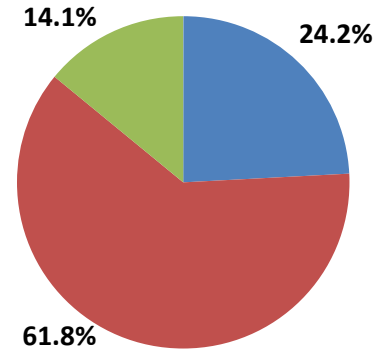
Total Outlays: \$1.8 trillion

**FY 2013**  
(% of total)



Total Outlays: \$3.5 trillion

**FY 2023**  
(% of total)



Total Outlays: \$5.9 trillion

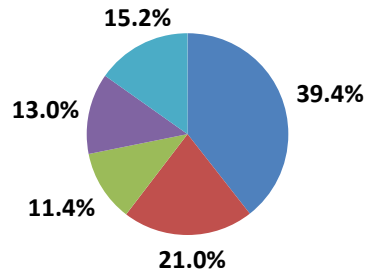
■ Discretionary   ■ Entitlements   ■ Net Interest



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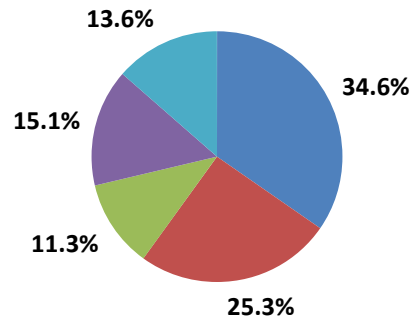
# Mandatory Spending

**FY 2000**  
(% of total)



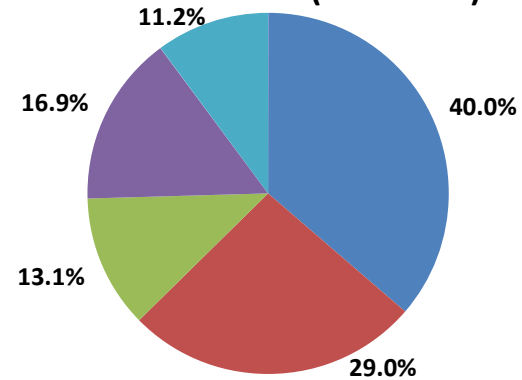
Mandatory Outlays: \$950 billion

**FY 2013**  
(% of total)



Mandatory Outlays: \$2.0 trillion

**FY 2023**  
(% of total)



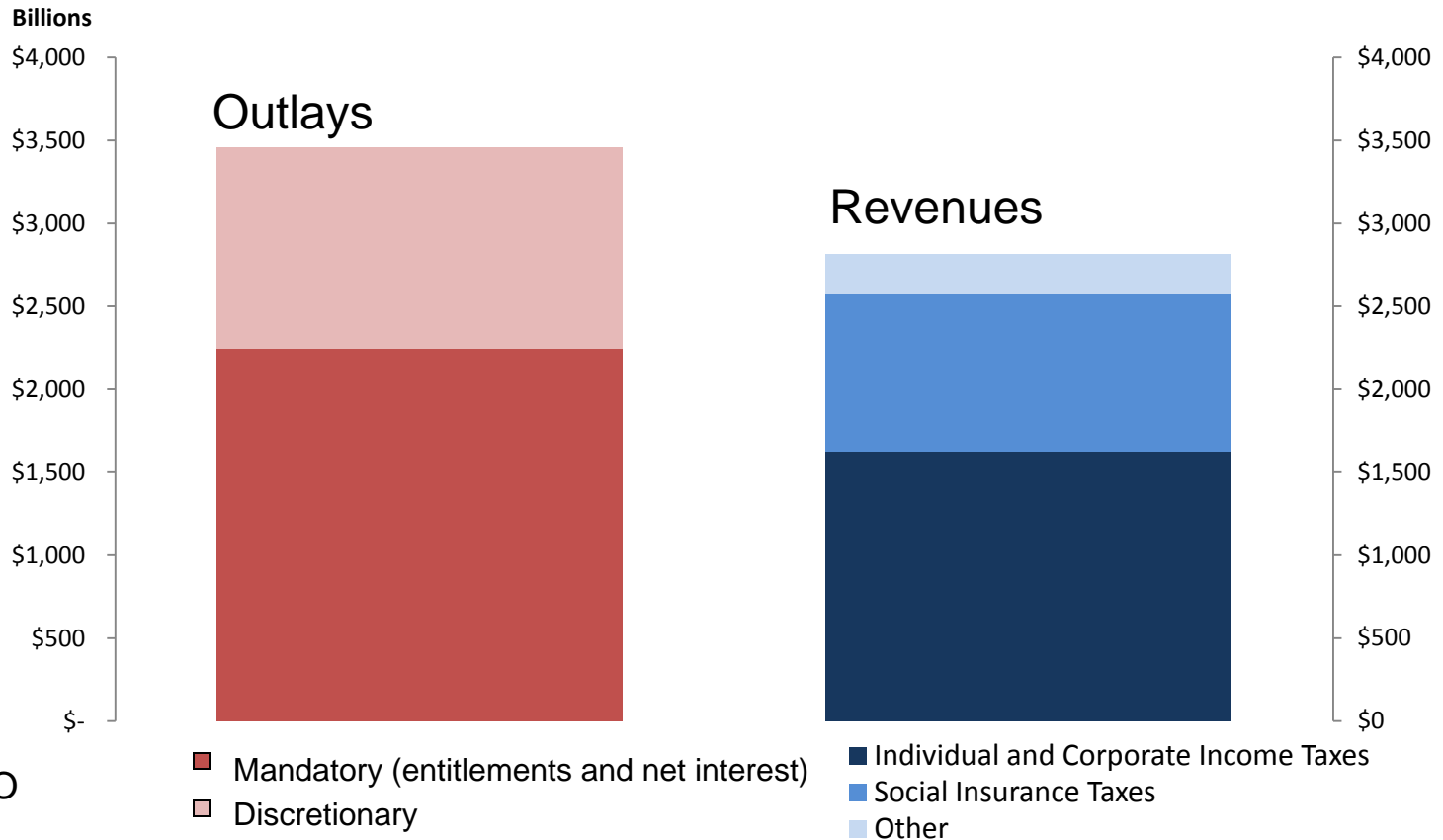
Mandatory Outlays: \$3.6 trillion

■ Social Security   ■ Medicare   ■ Medicaid   ■ Income Security   ■ Other Spending



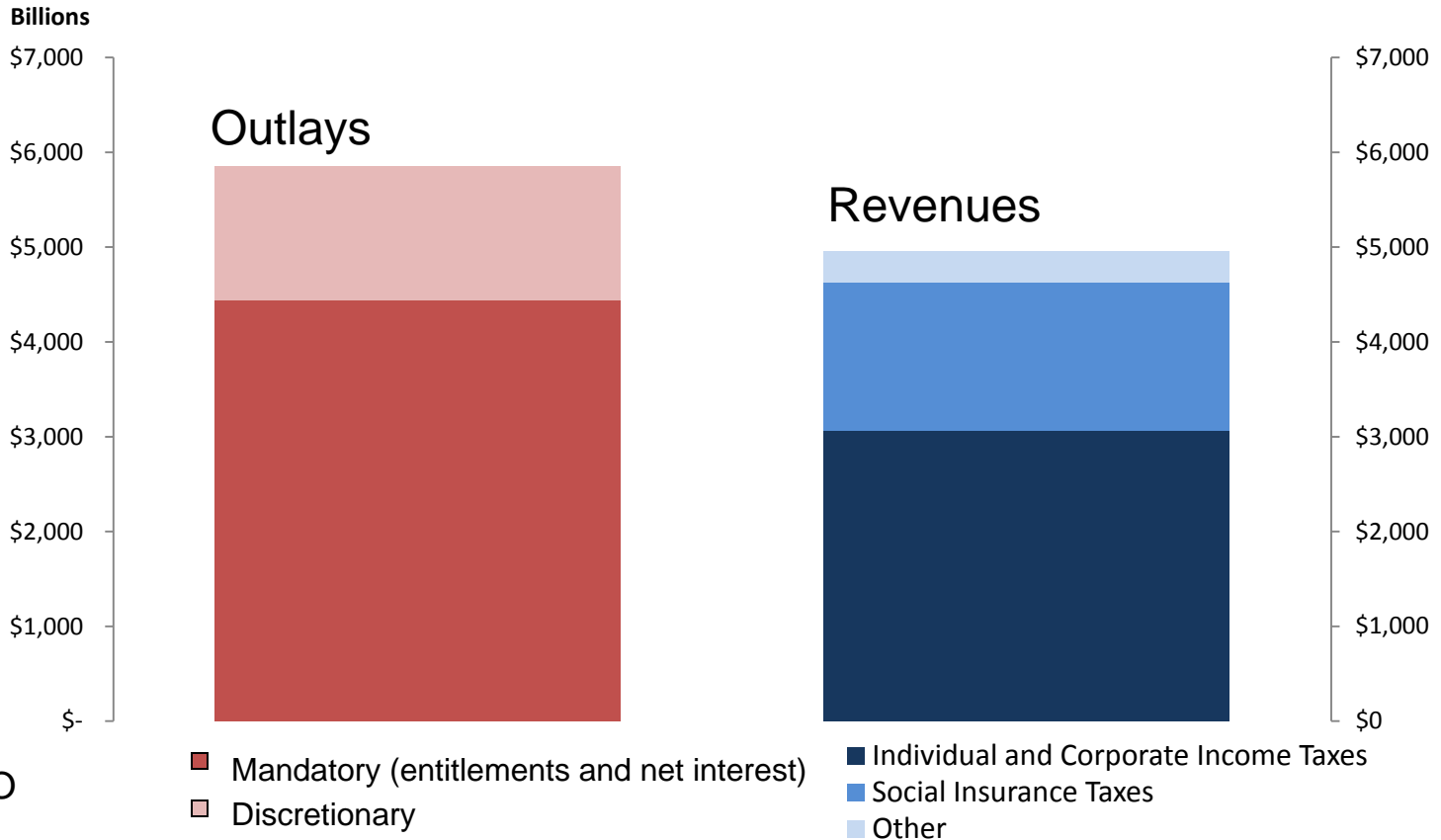
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# FY 2013 Revenues and Outlays



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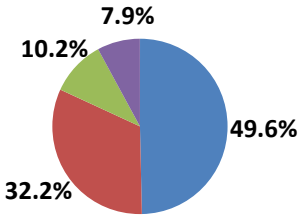
# FY 2023 Revenues and Outlays



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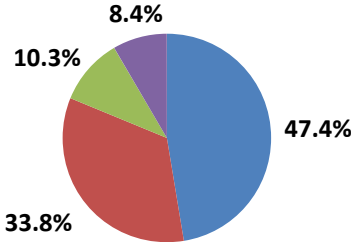
# Government Revenues by Source

**FY 2000**  
(% of total)



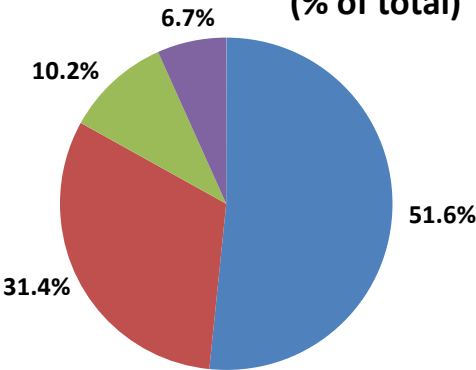
Total Revenues: \$2.0 trillion

**FY 2013**  
(% of total)



Total Revenues: \$2.8 trillion

**FY 2023**  
(% of total)



Total Revenues: \$5.0 trillion

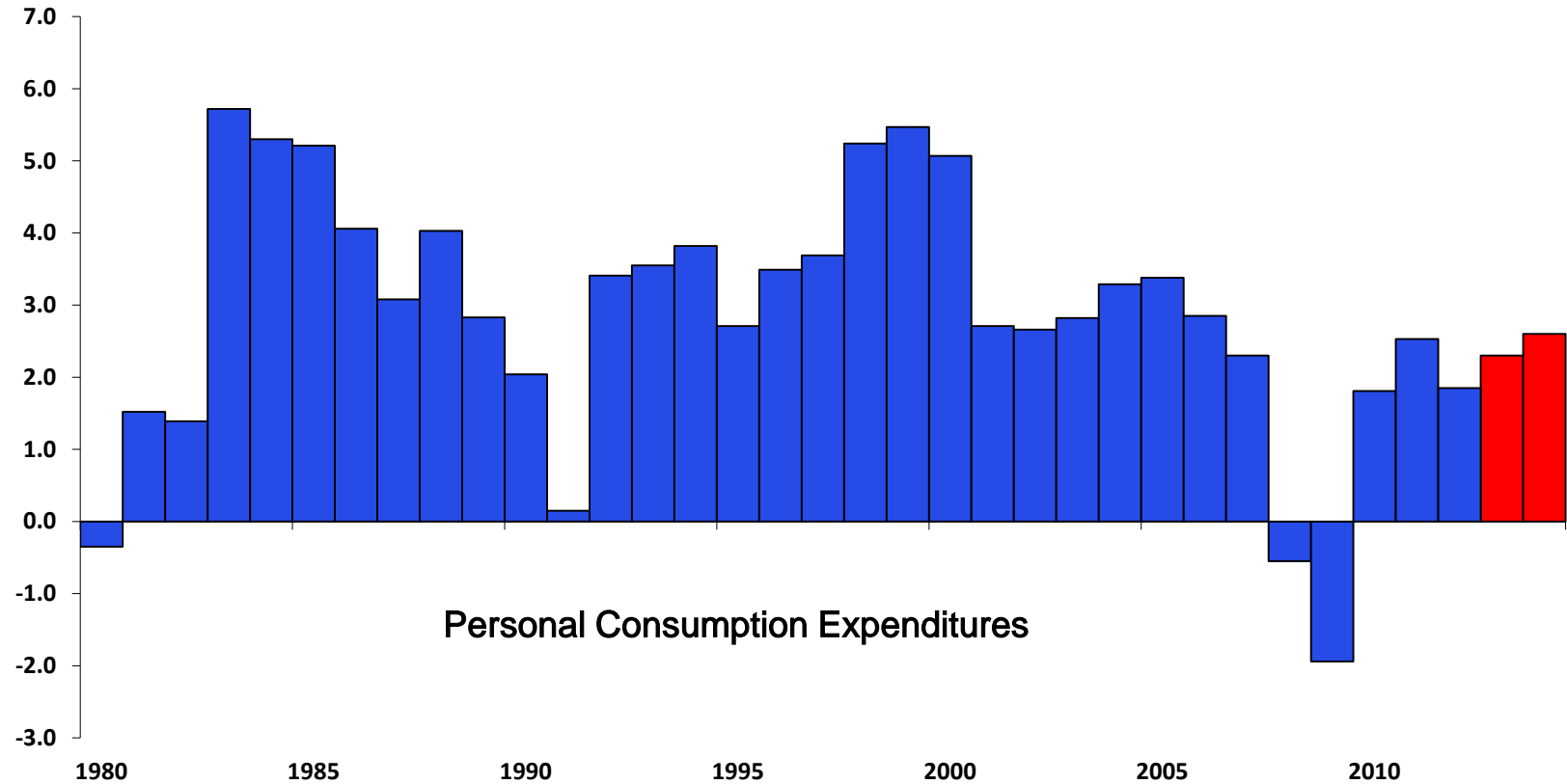
■ Individual Income Tax  
 ■ Social Insurance Taxes  
 ■ Corporate Income Tax  
 ■ Other Taxes



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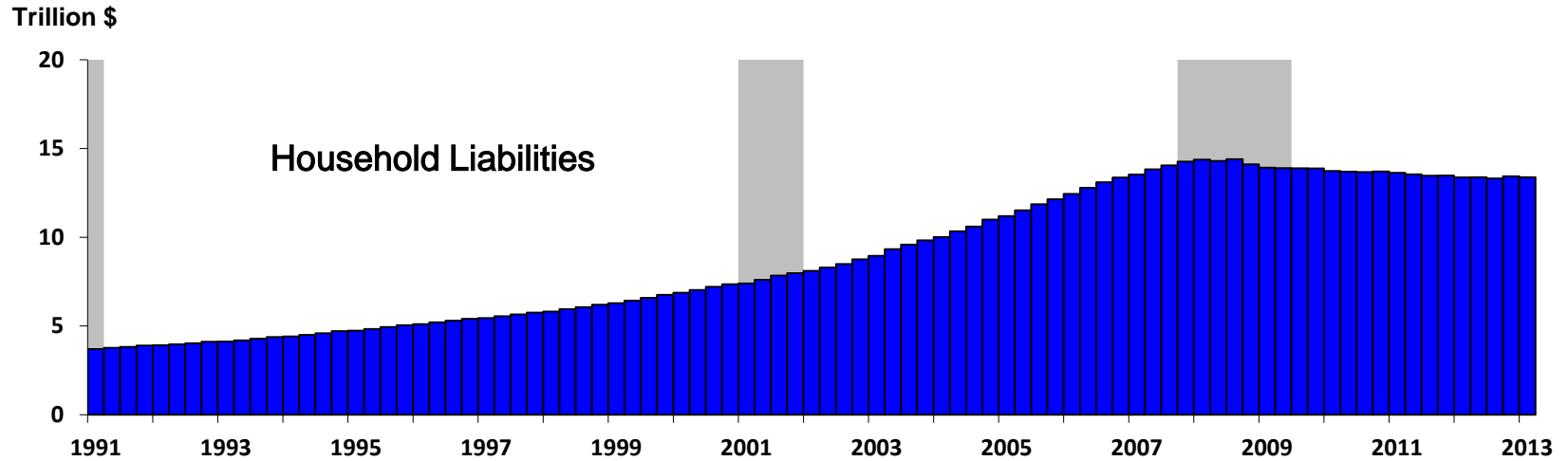
# Real Consumption Outlook

Percent Change, Annual Rate

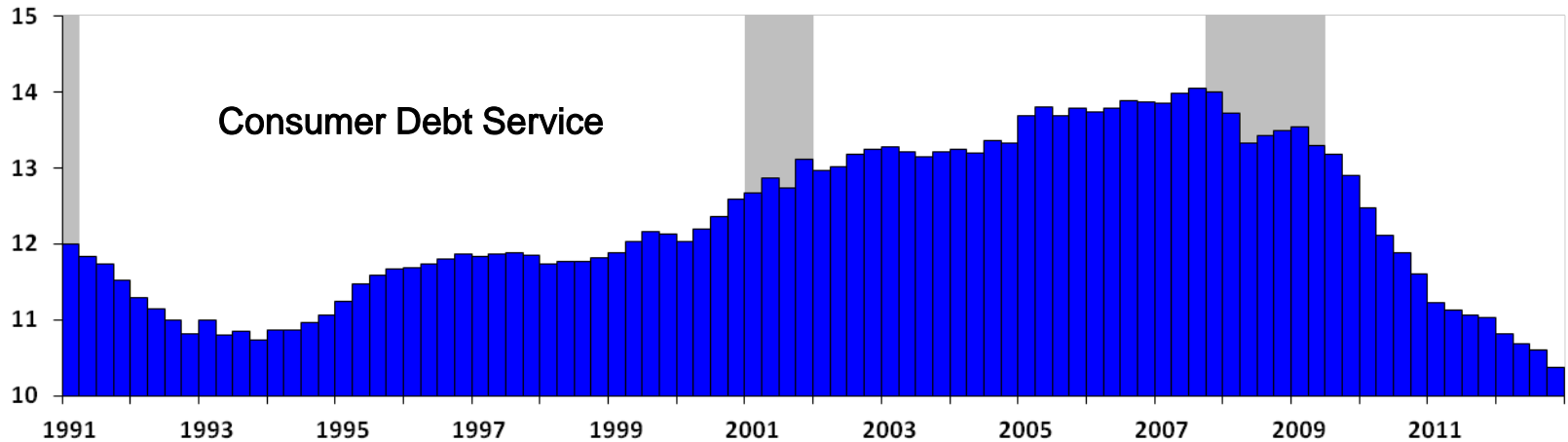


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# Household Balance Sheet



Percent of Disposable Personal Income

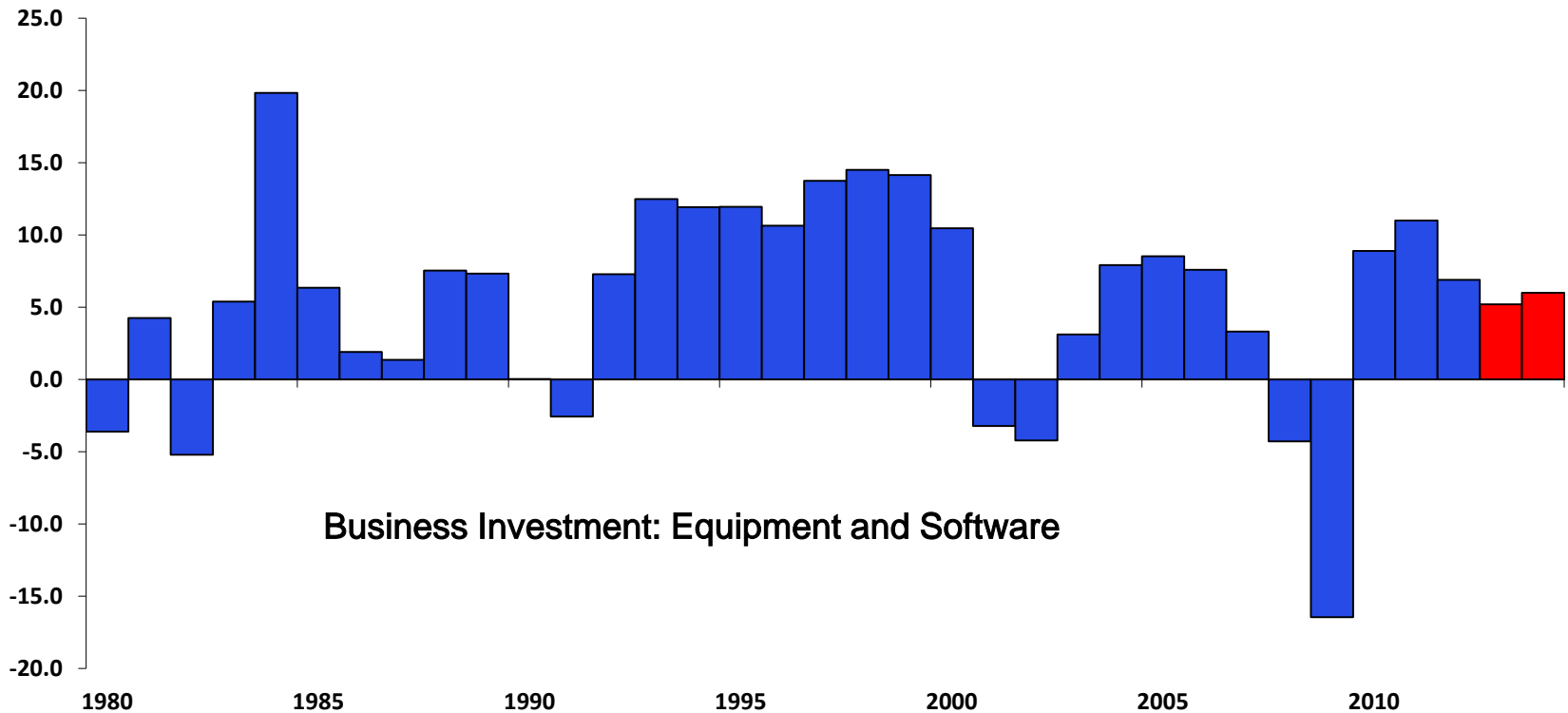


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# Real Business Investment Outlook

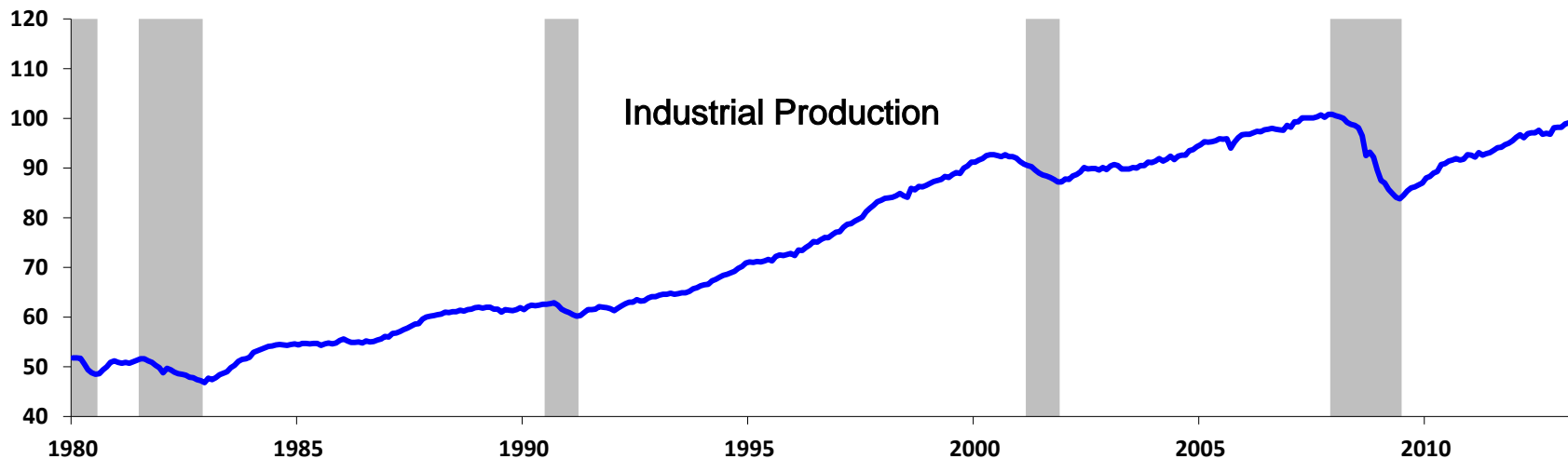
Percent Change, Annual Rate



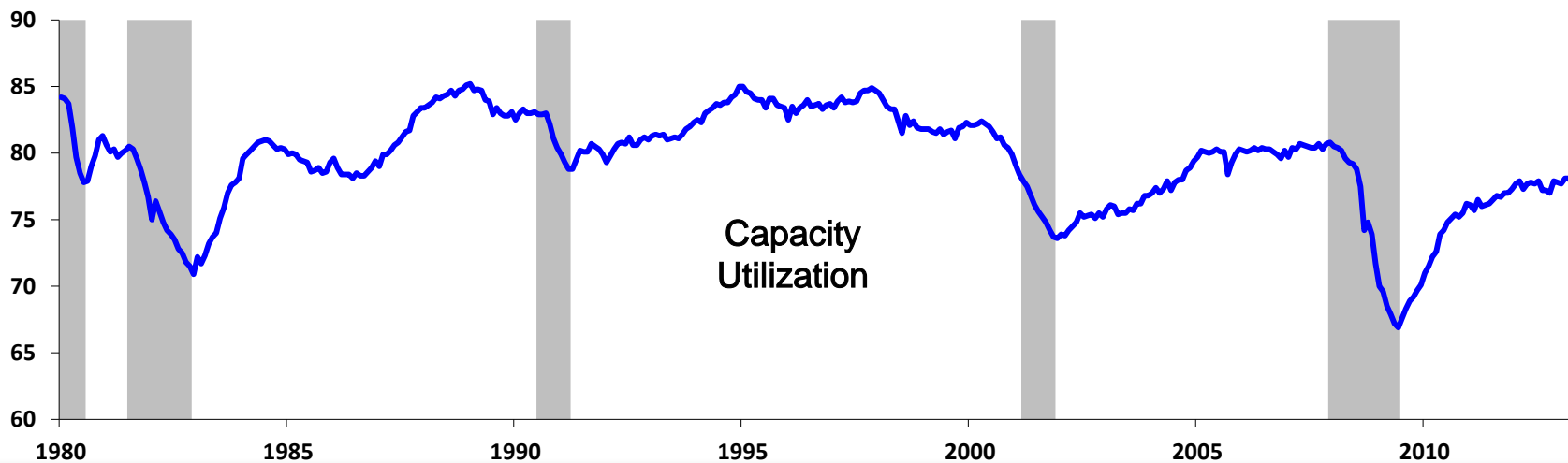
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# Investment

Percent of Capacity



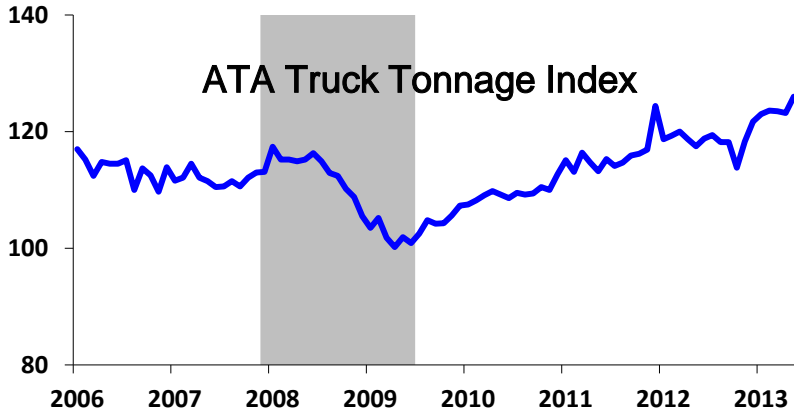
Percent of Capacity



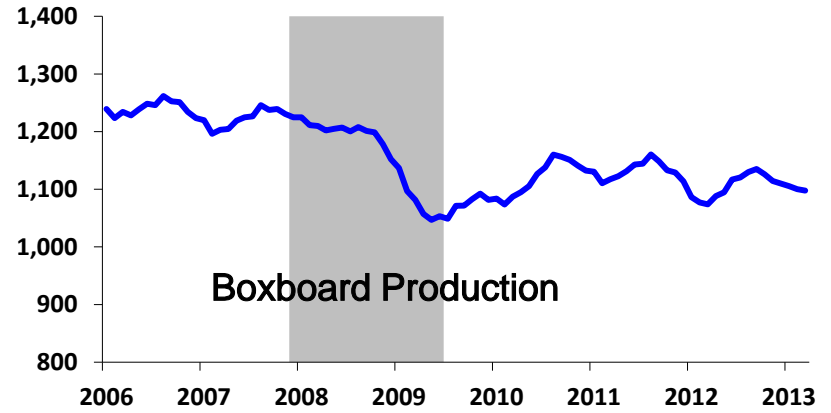
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# Sector Indicators

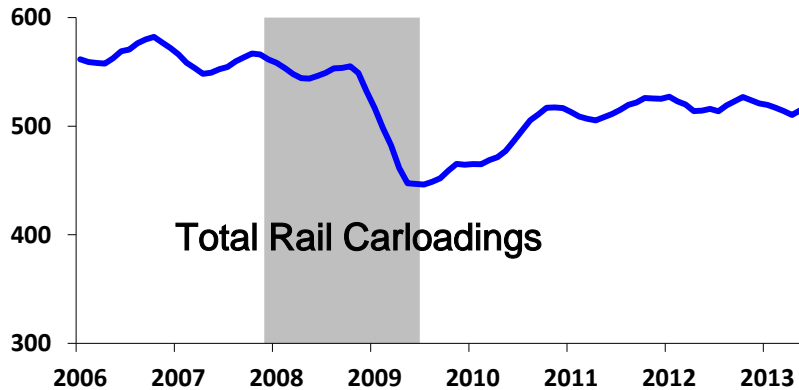
SA, 2000=100



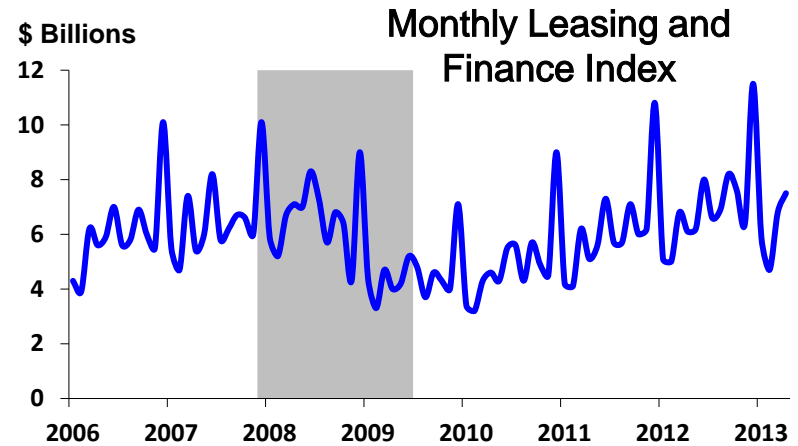
6 month moving average; thous. tons



thous, 6-month moving average

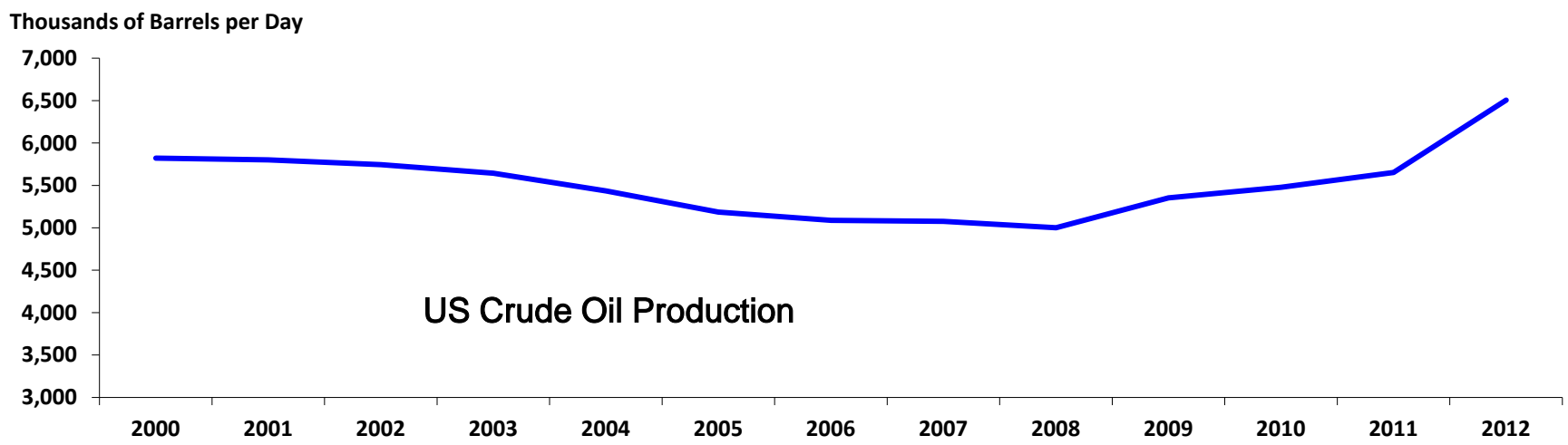
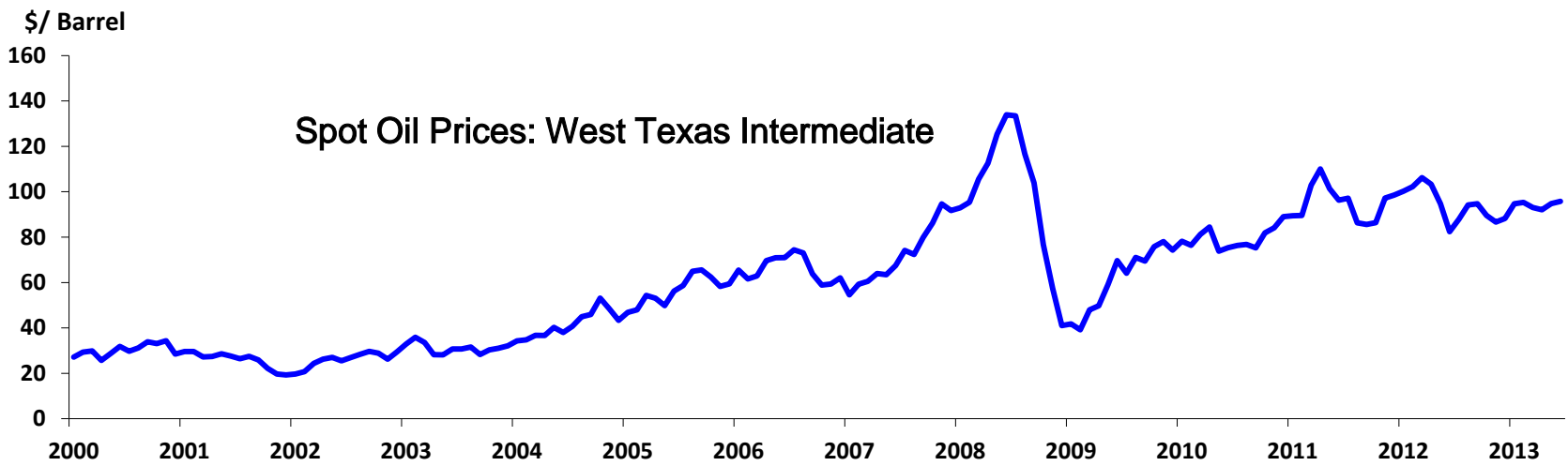


\$ Billions



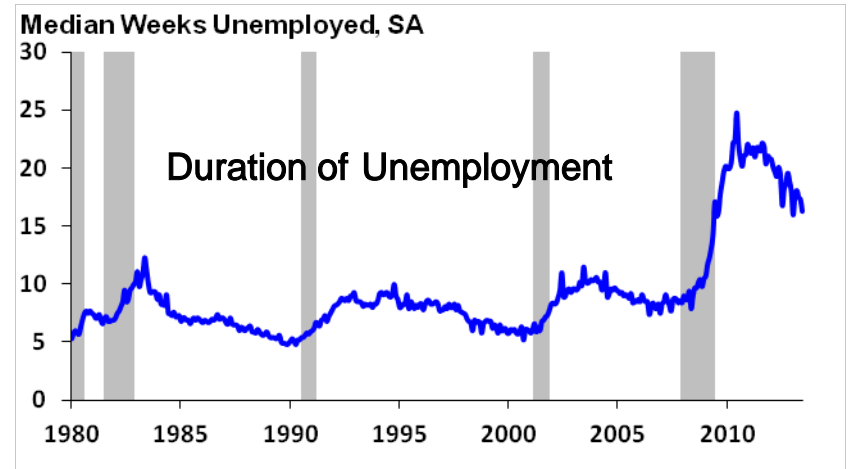
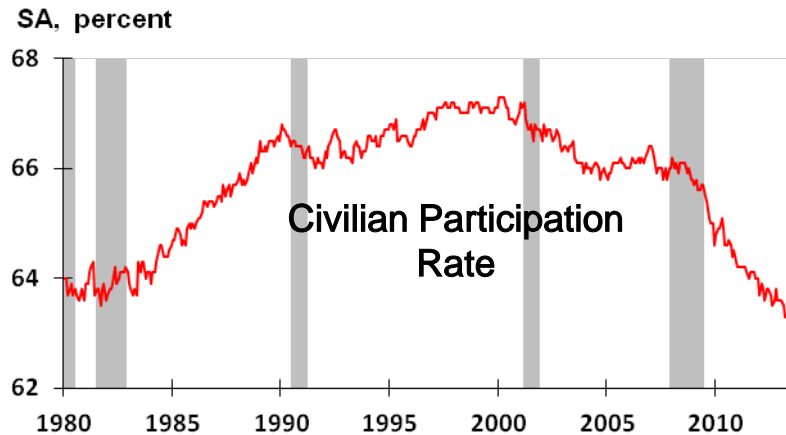
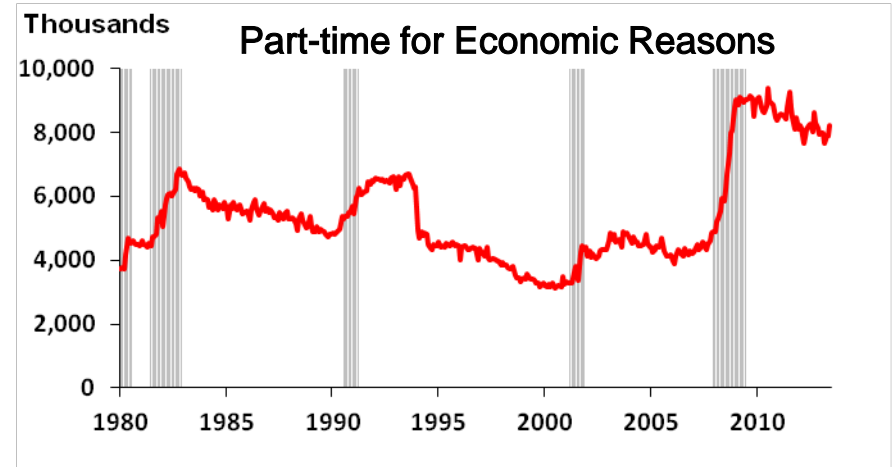
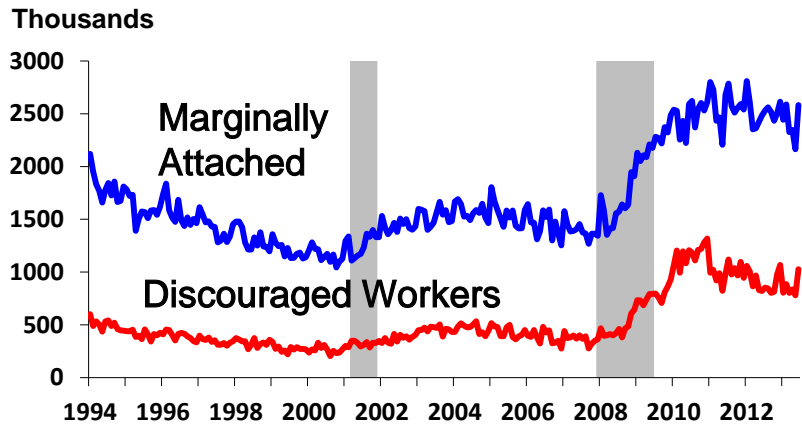
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# Energy



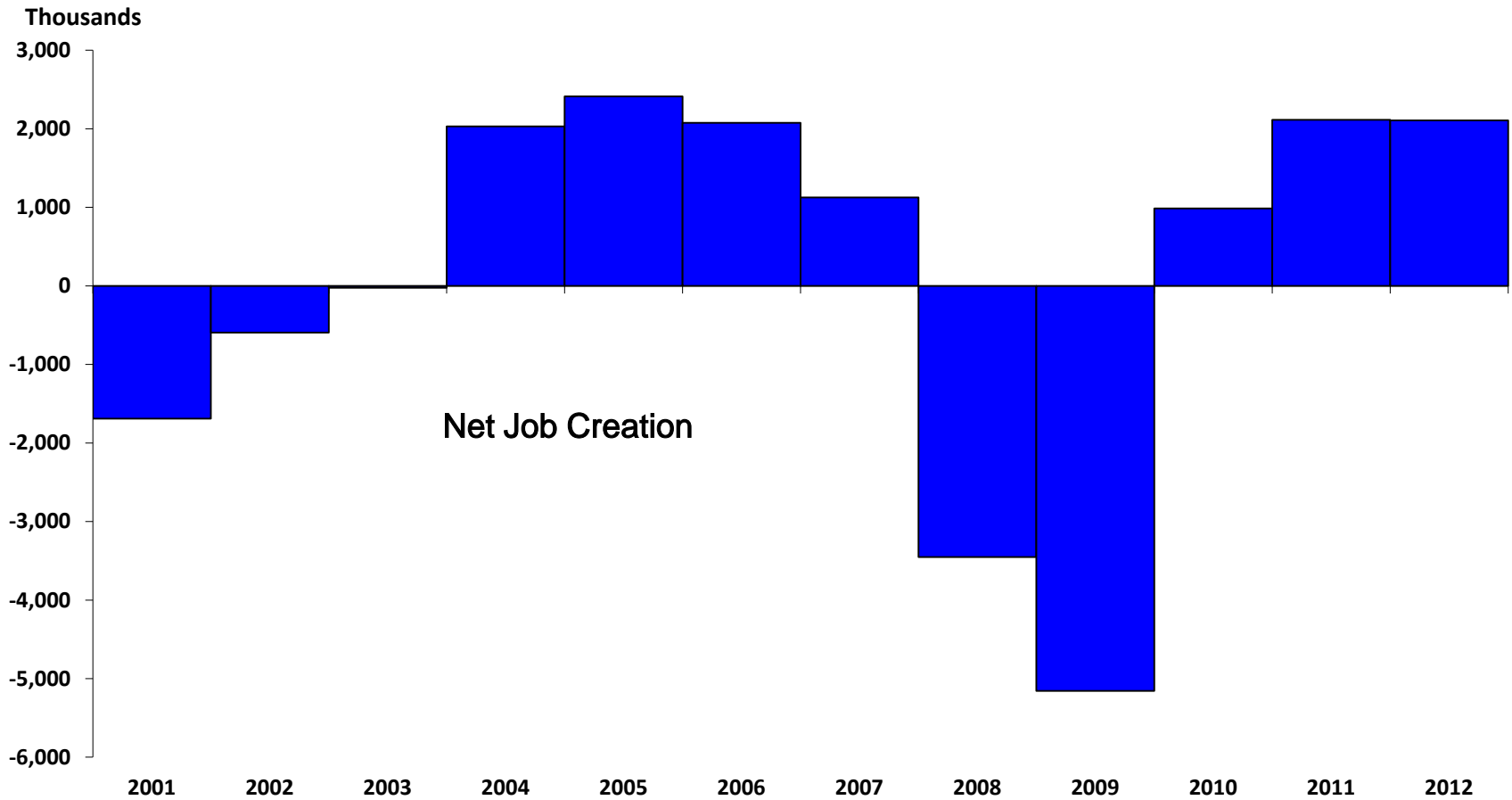
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# Labor Market



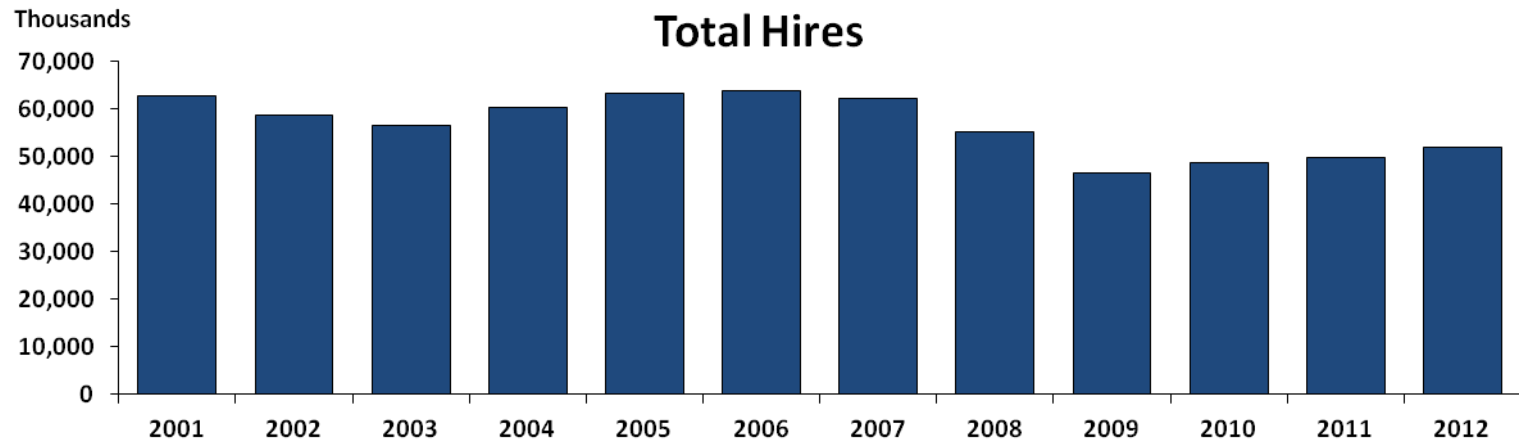
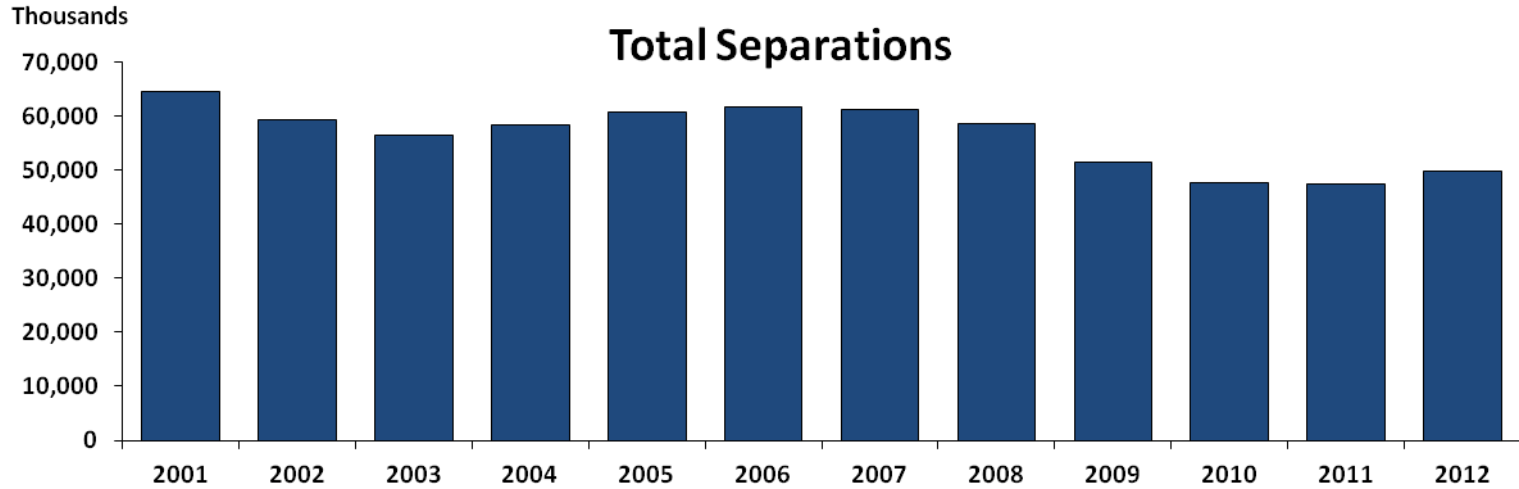
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# Labor Market



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