



FEDERAL RESERVE BANK
OF PHILADELPHIA

The Outlook for the US Economy

GVFHRA

October 20, 2009

Herb Taylor



FEDERAL RESERVE BANK
OF PHILADELPHIA

Today's agenda

- Overall economic performance
- Financial conditions
- A regional perspective
- More discussion

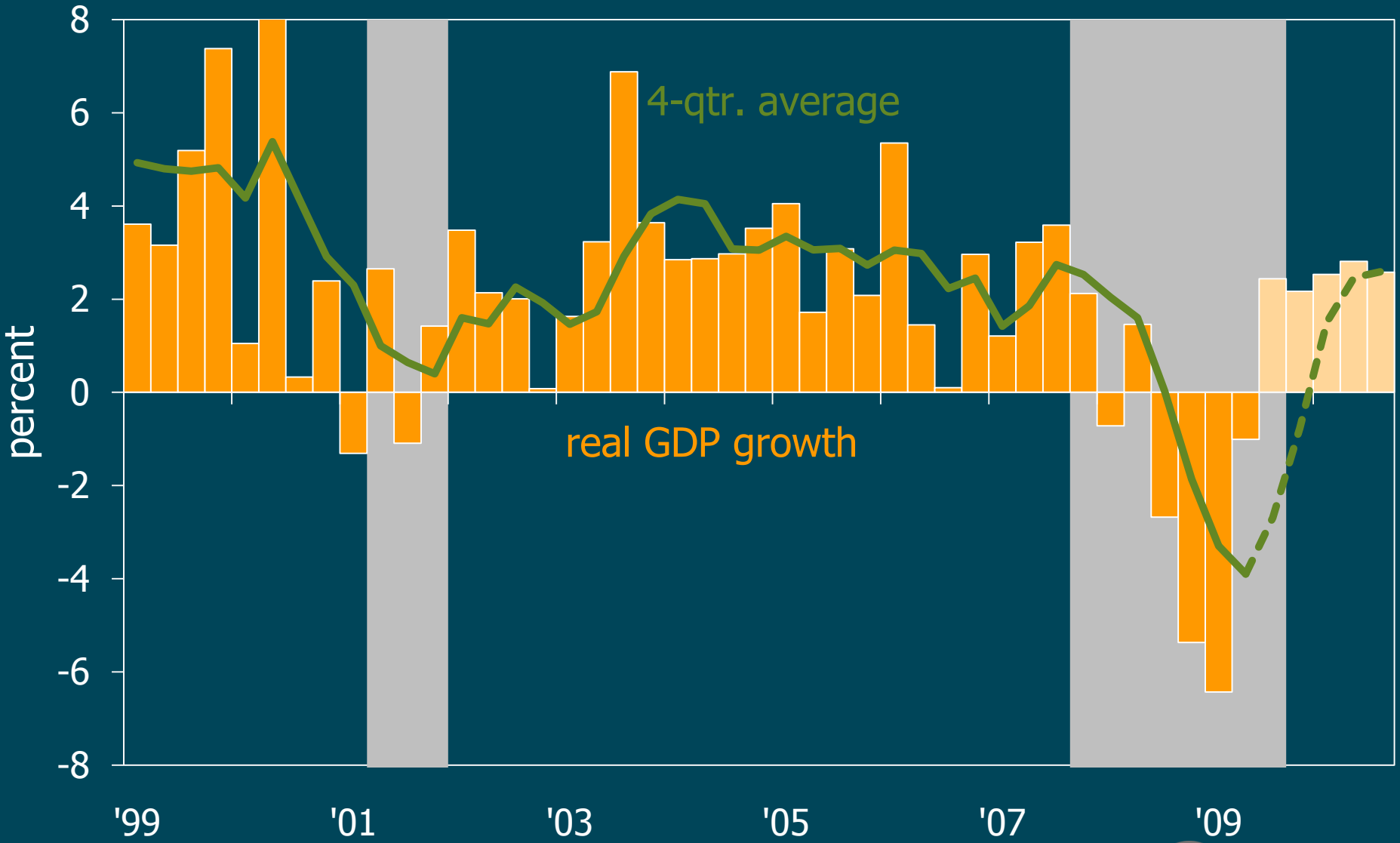


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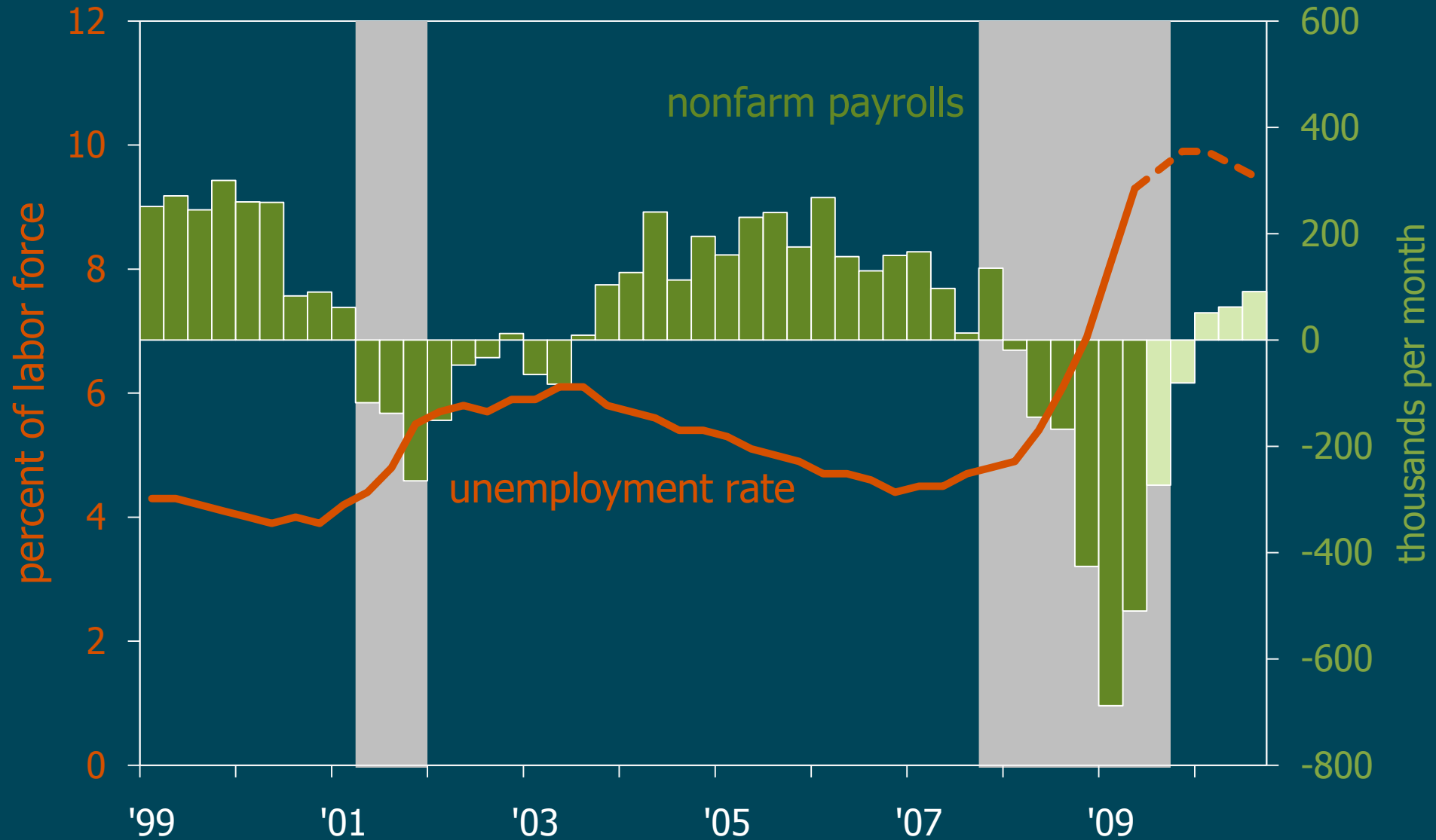
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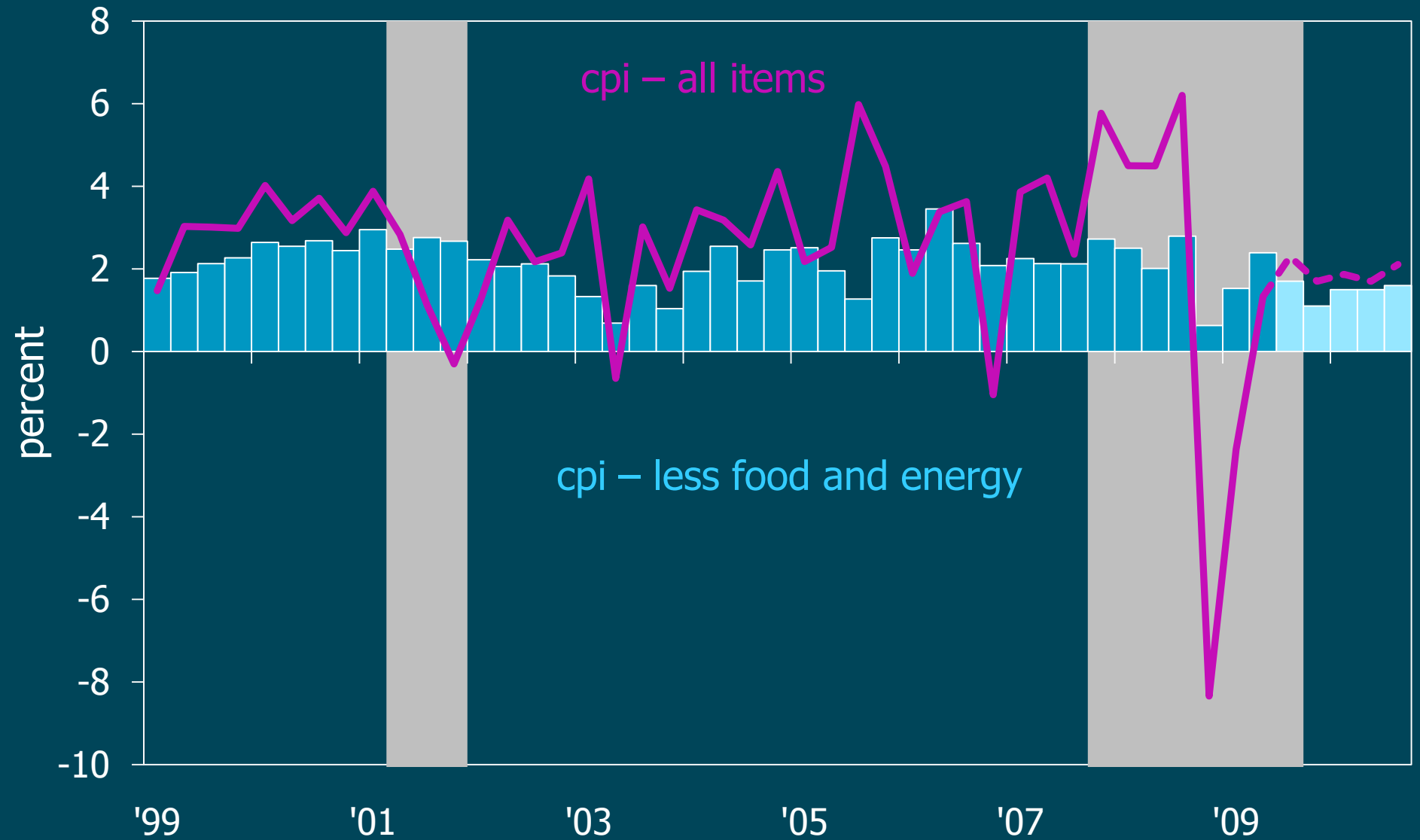
SPF: Economic activity is now beginning to recover



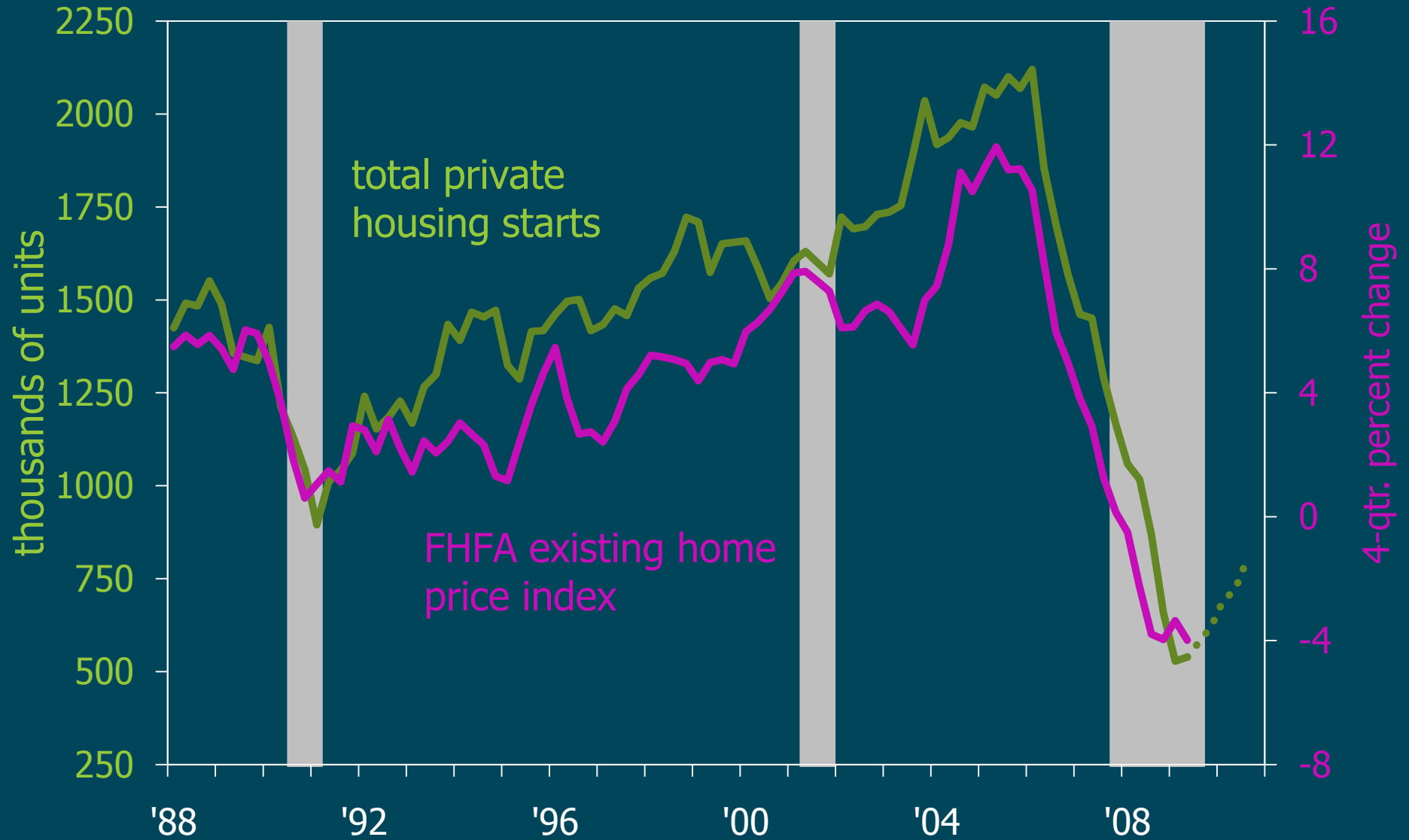
Job gains will come next year but unemployment will linger



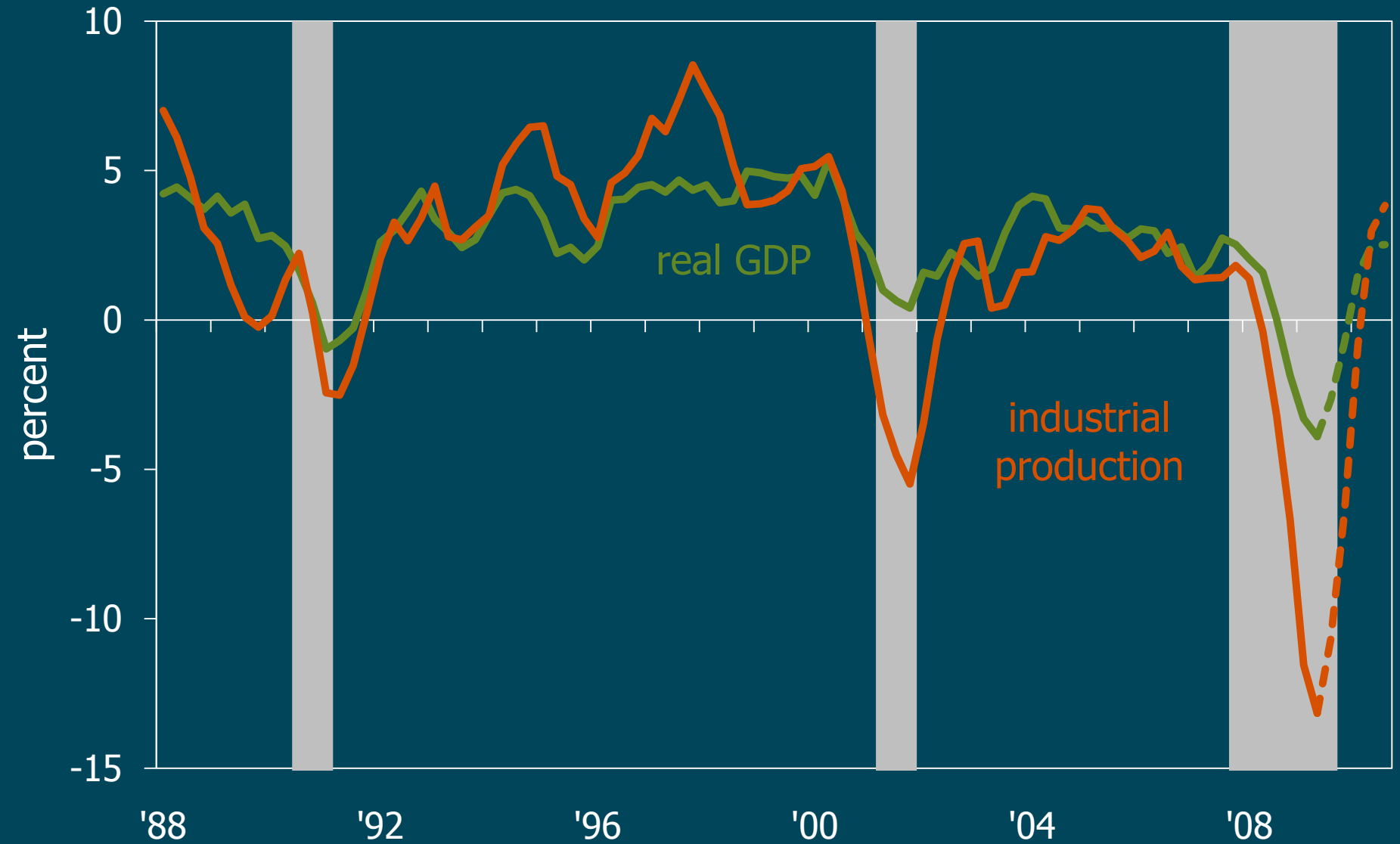
Inflation stabilizes at a low rate in the near term



SPF: Homebuilding finds a bottom



...and the industrial sector begins to come back

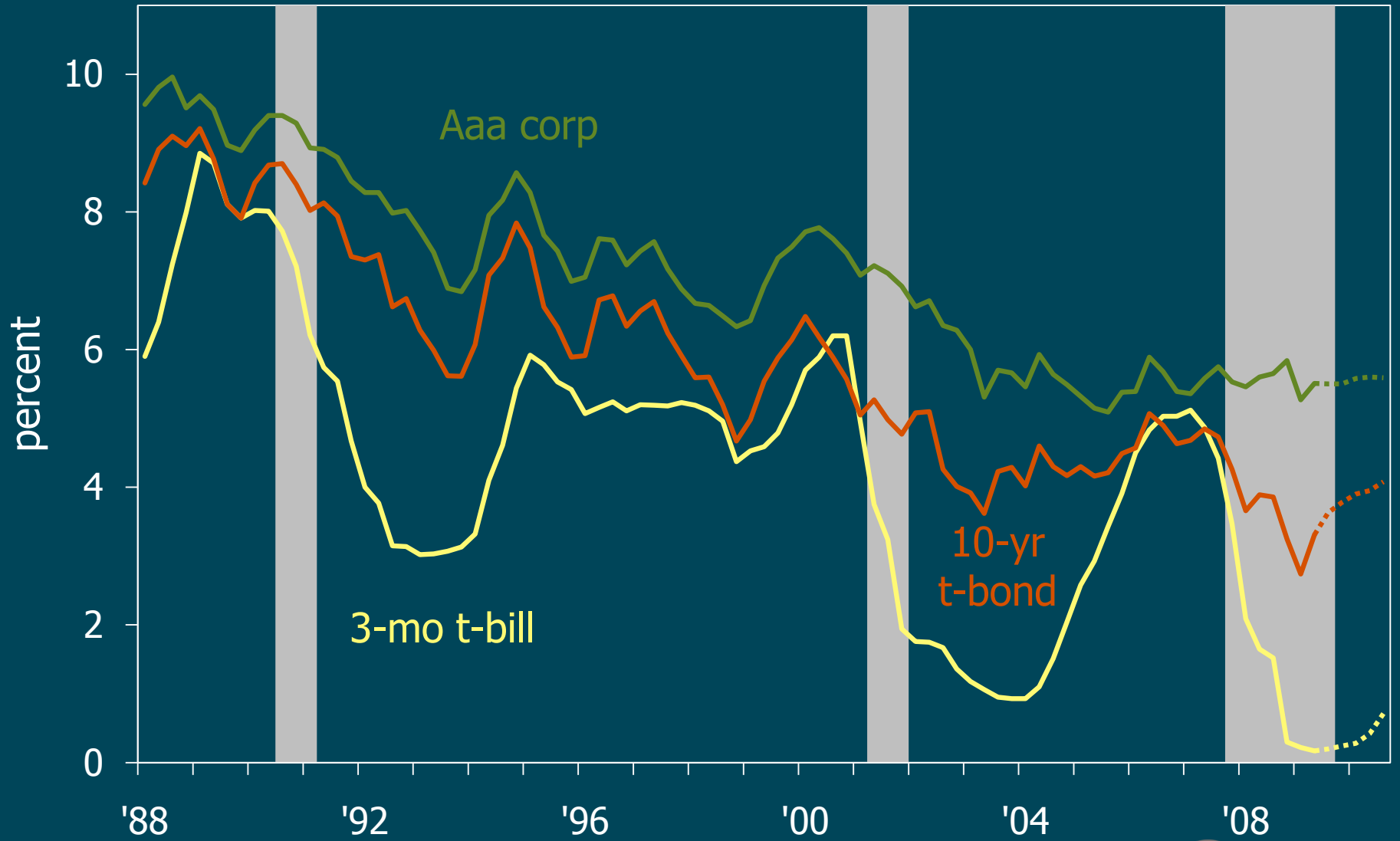


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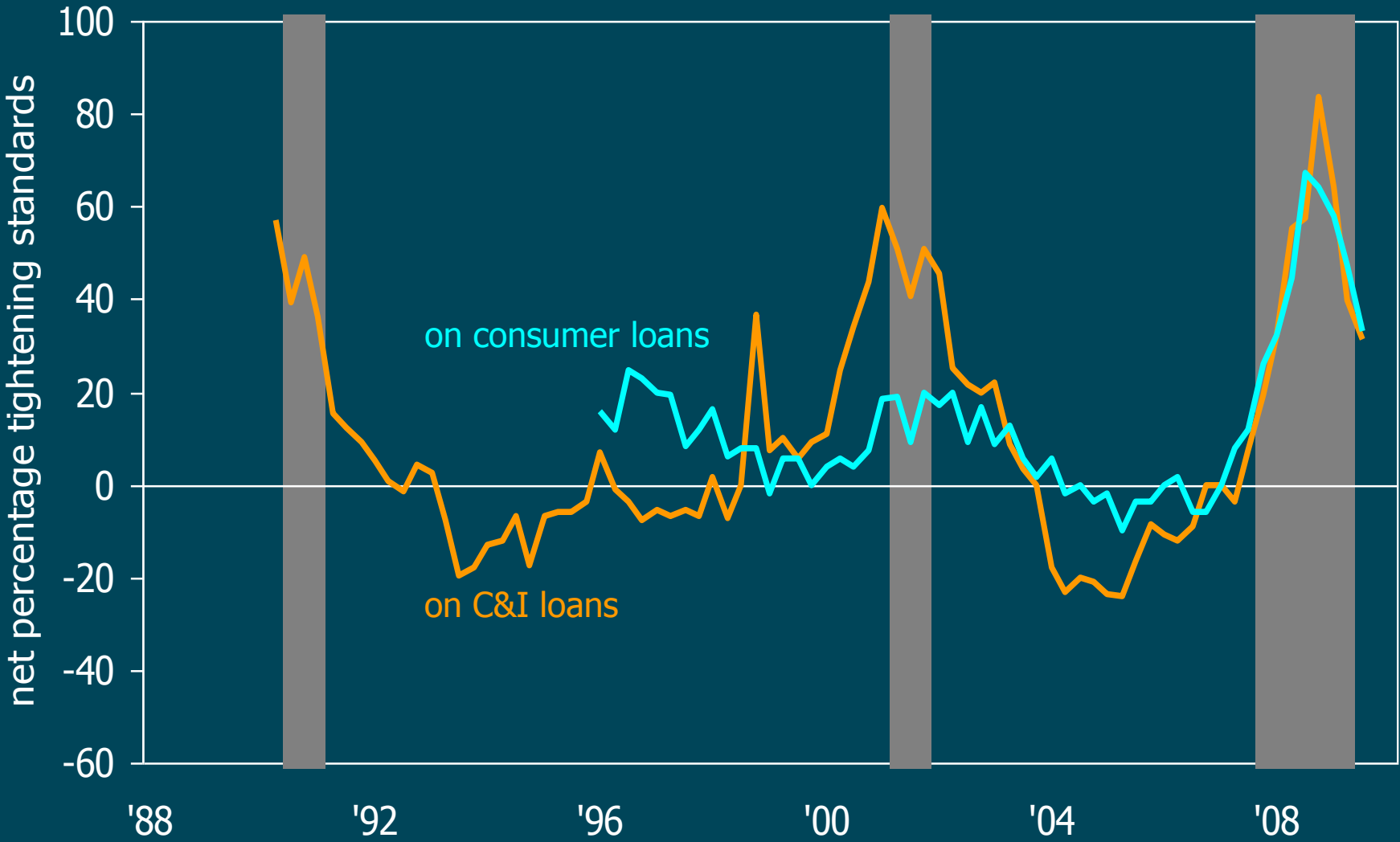
SPF: Treasury yields move up



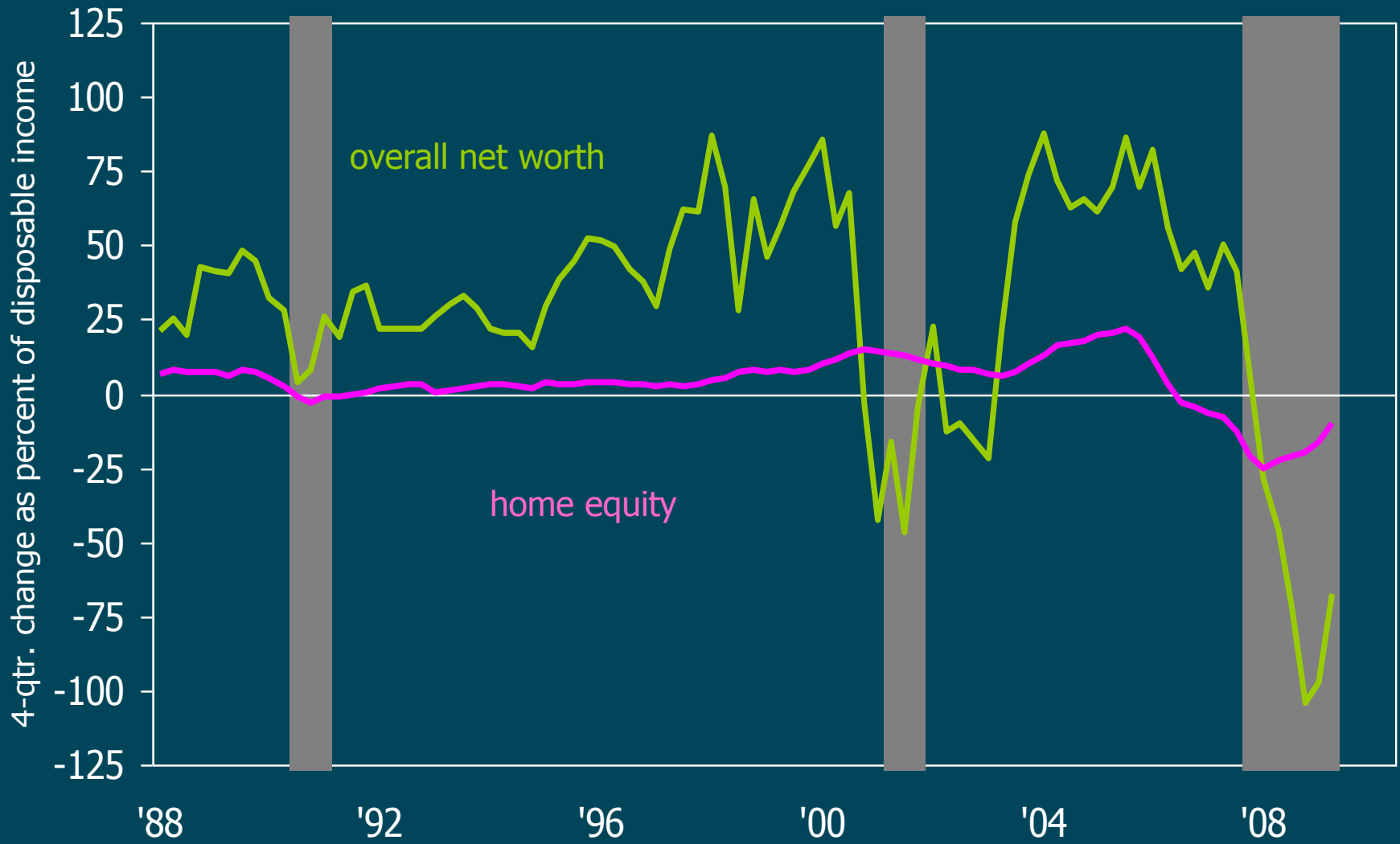
Bond yield spreads have come off their extreme highs



Fed's SLOOS: Fewer banks are tightening credit now



Fed's FOF: The plunge in household wealth may be over

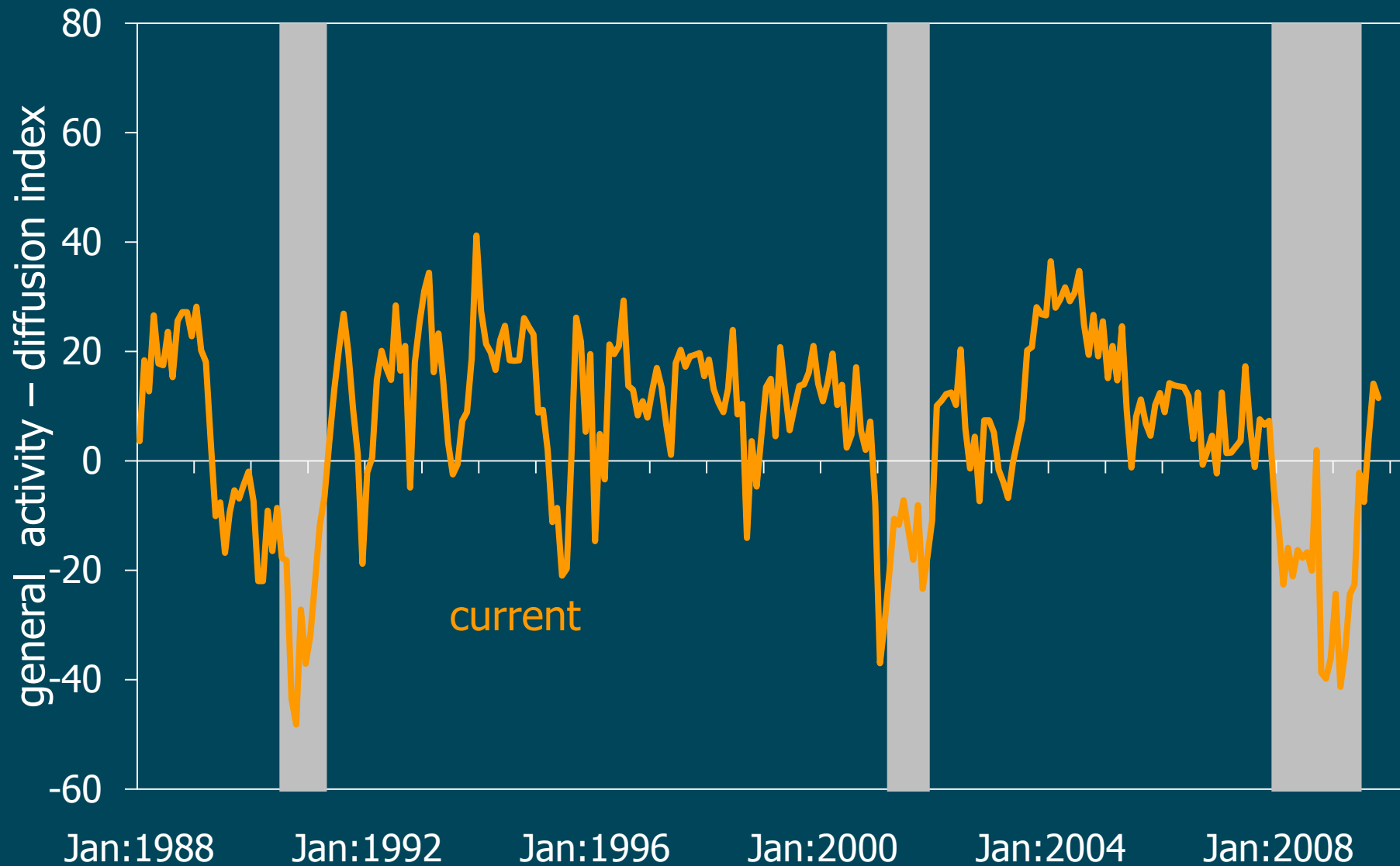


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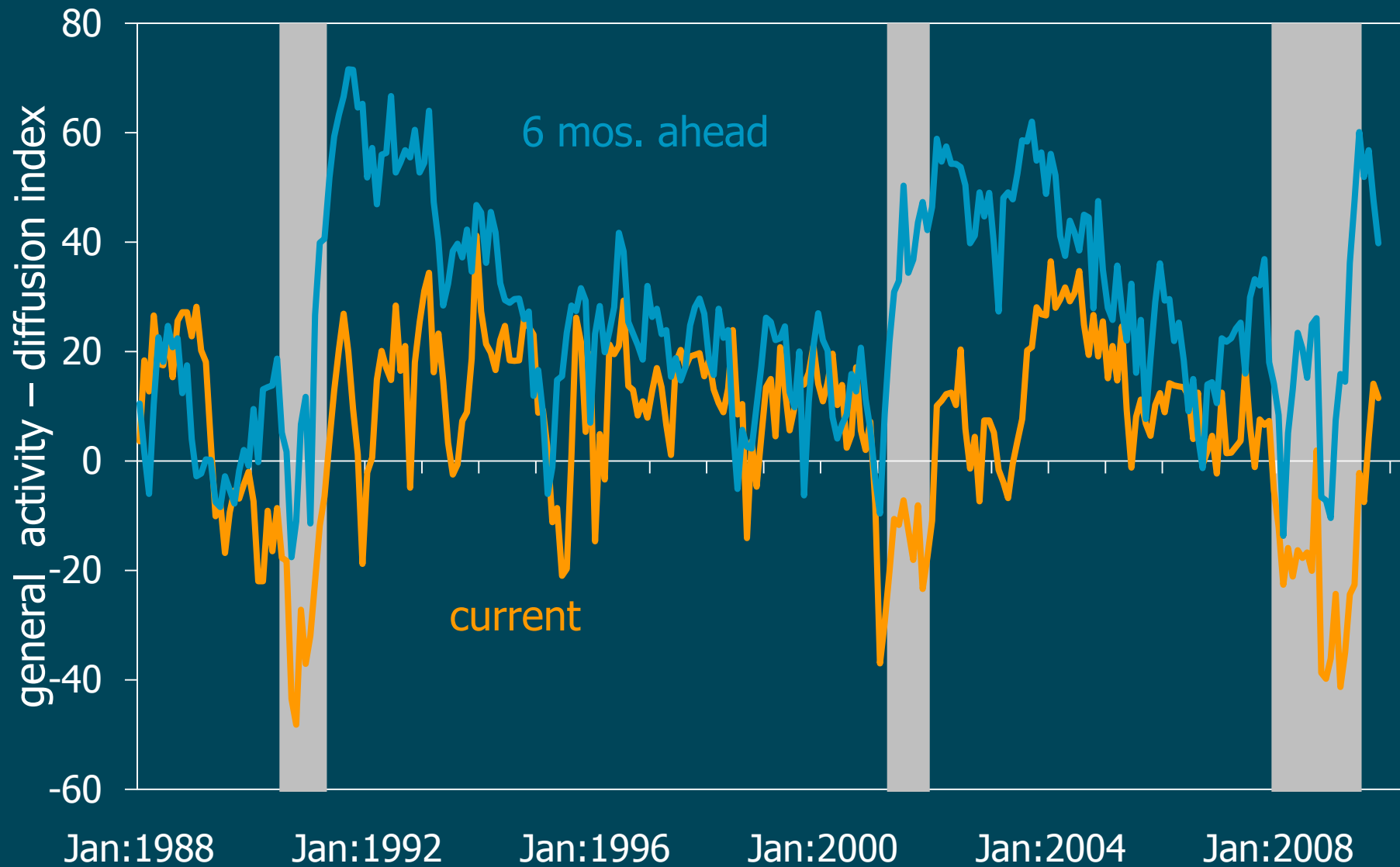
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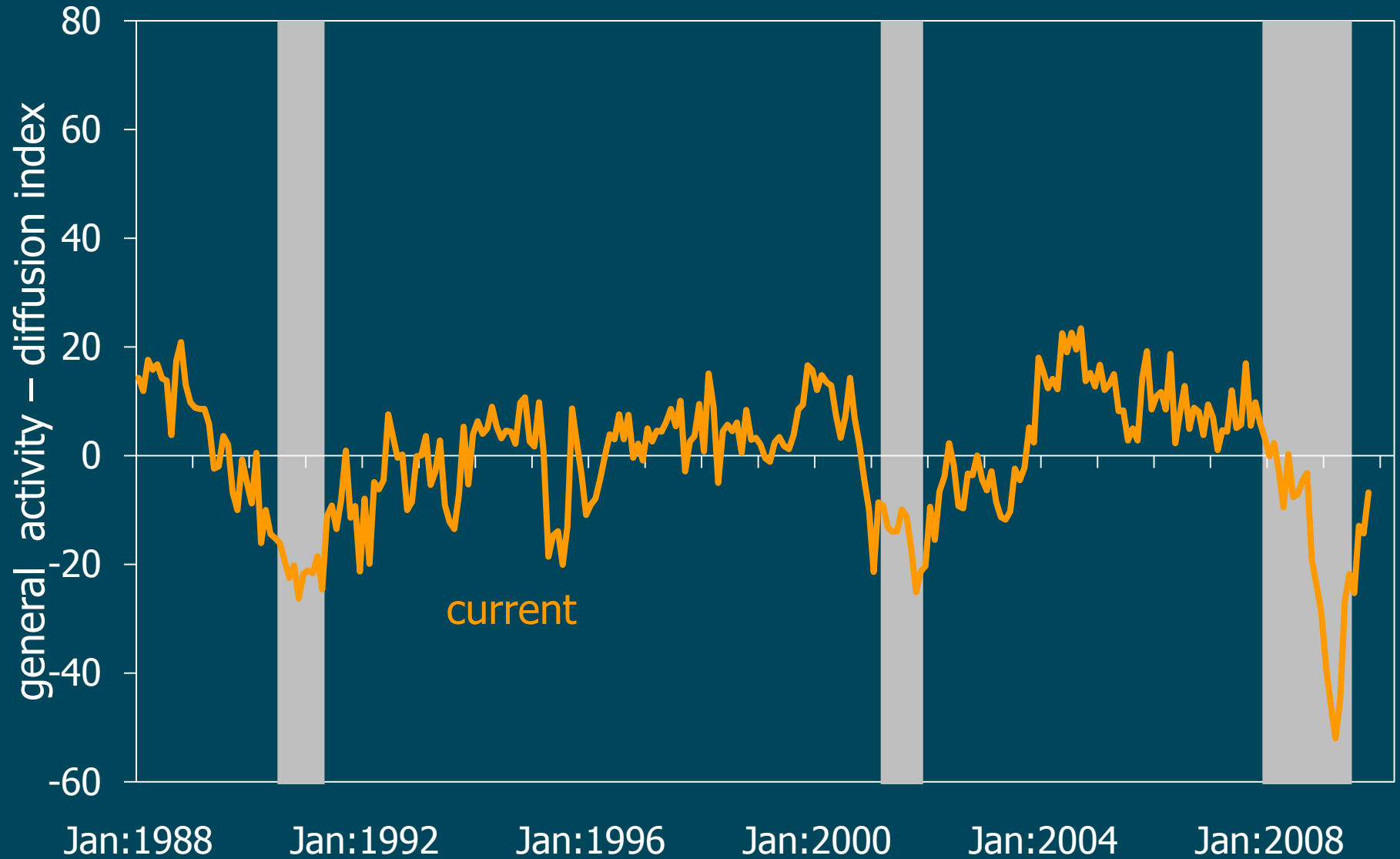
BOS: District manufacturing seems to be expanding...



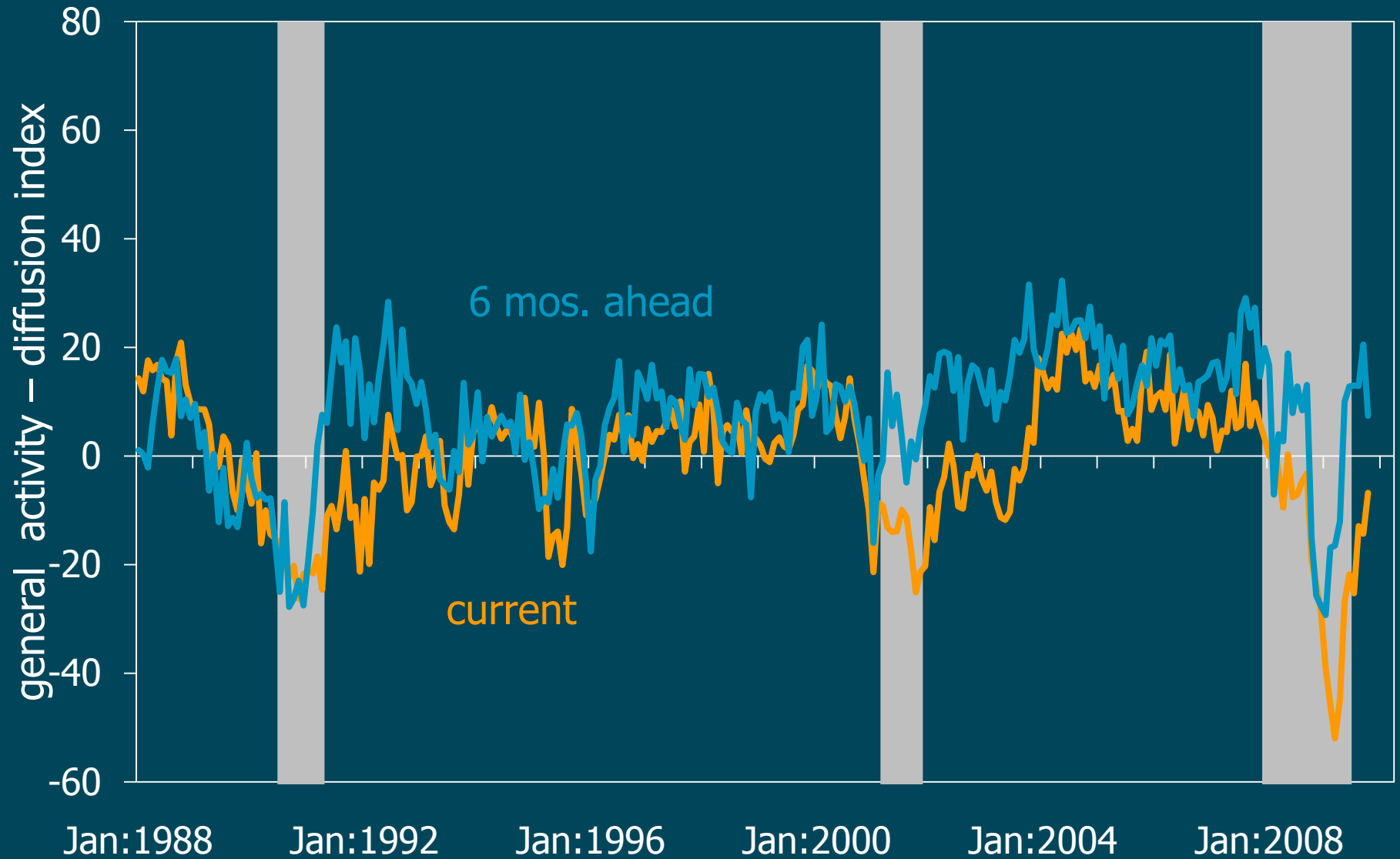
...and that is expected to continue



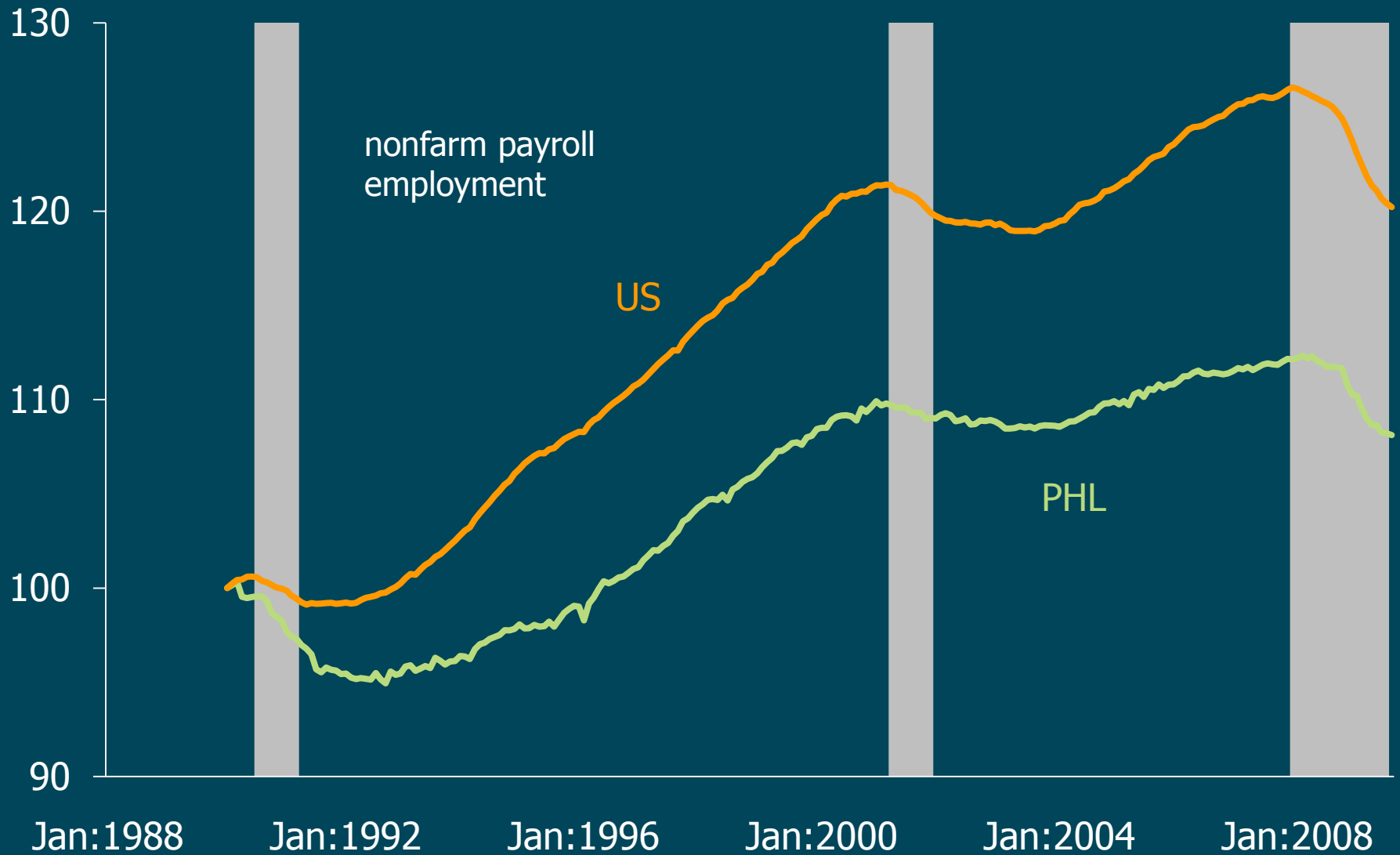
BOS: Manufacturing employment is still contracting...



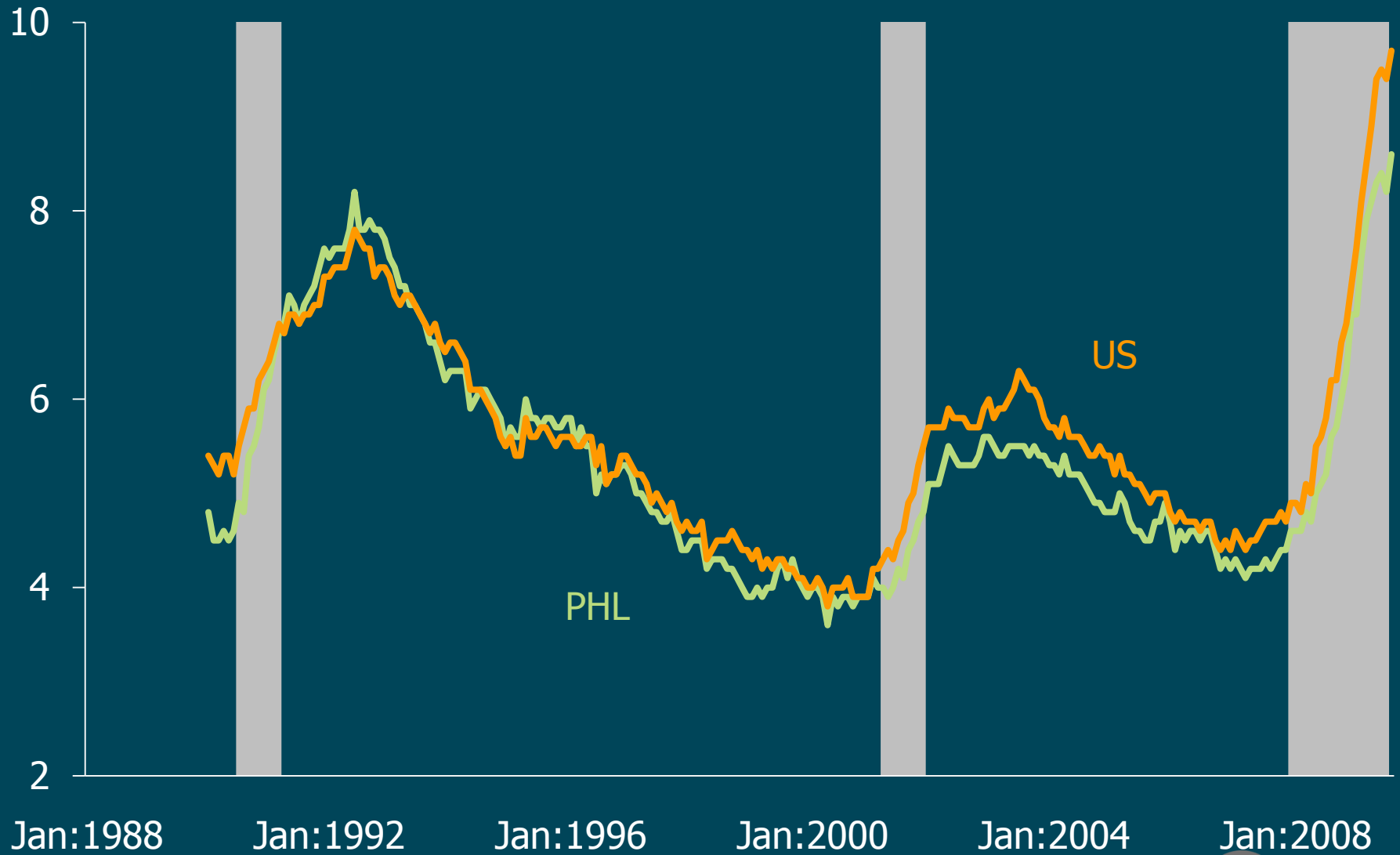
...but should begin to increase next year



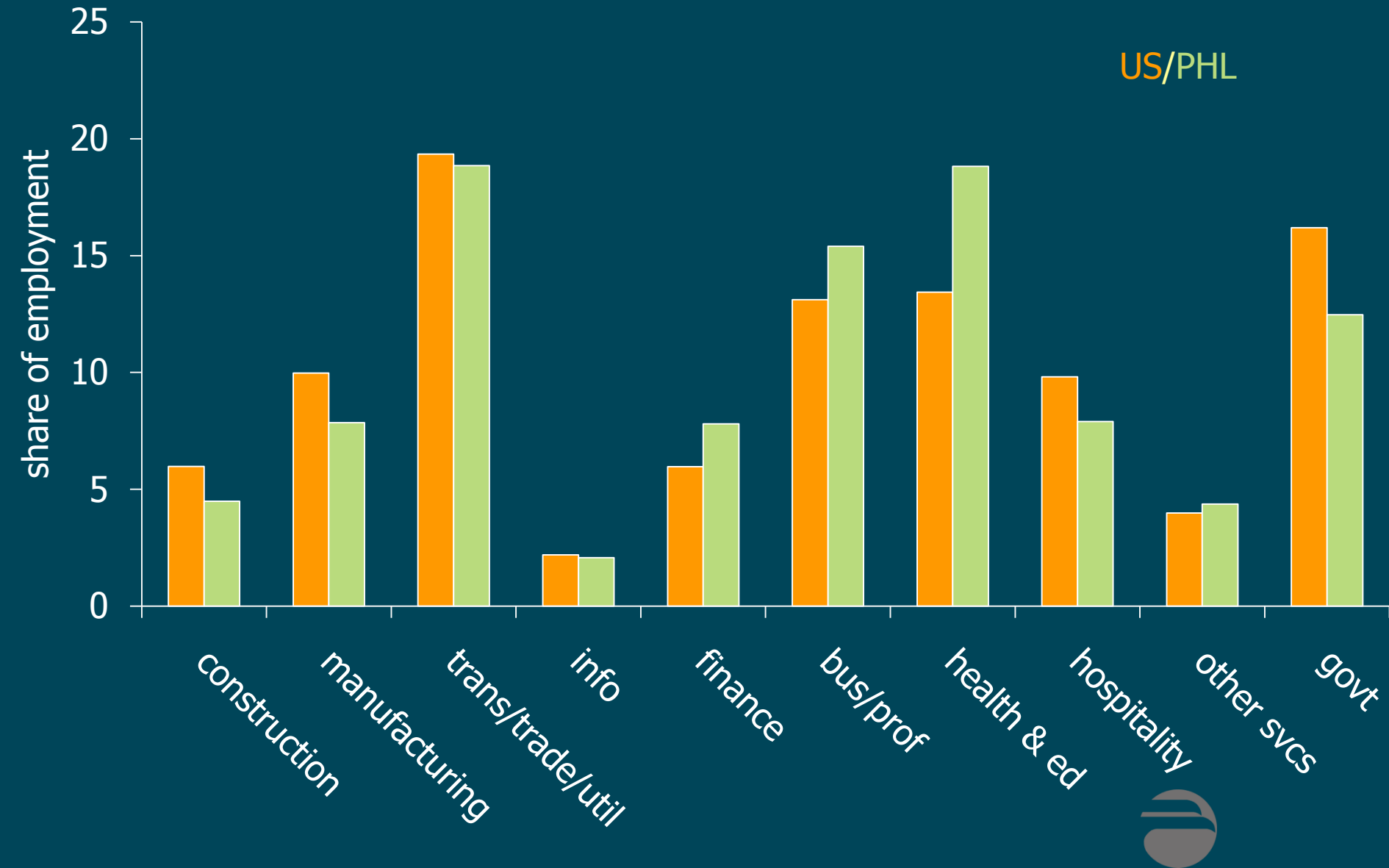
We are in a "slow growth" region



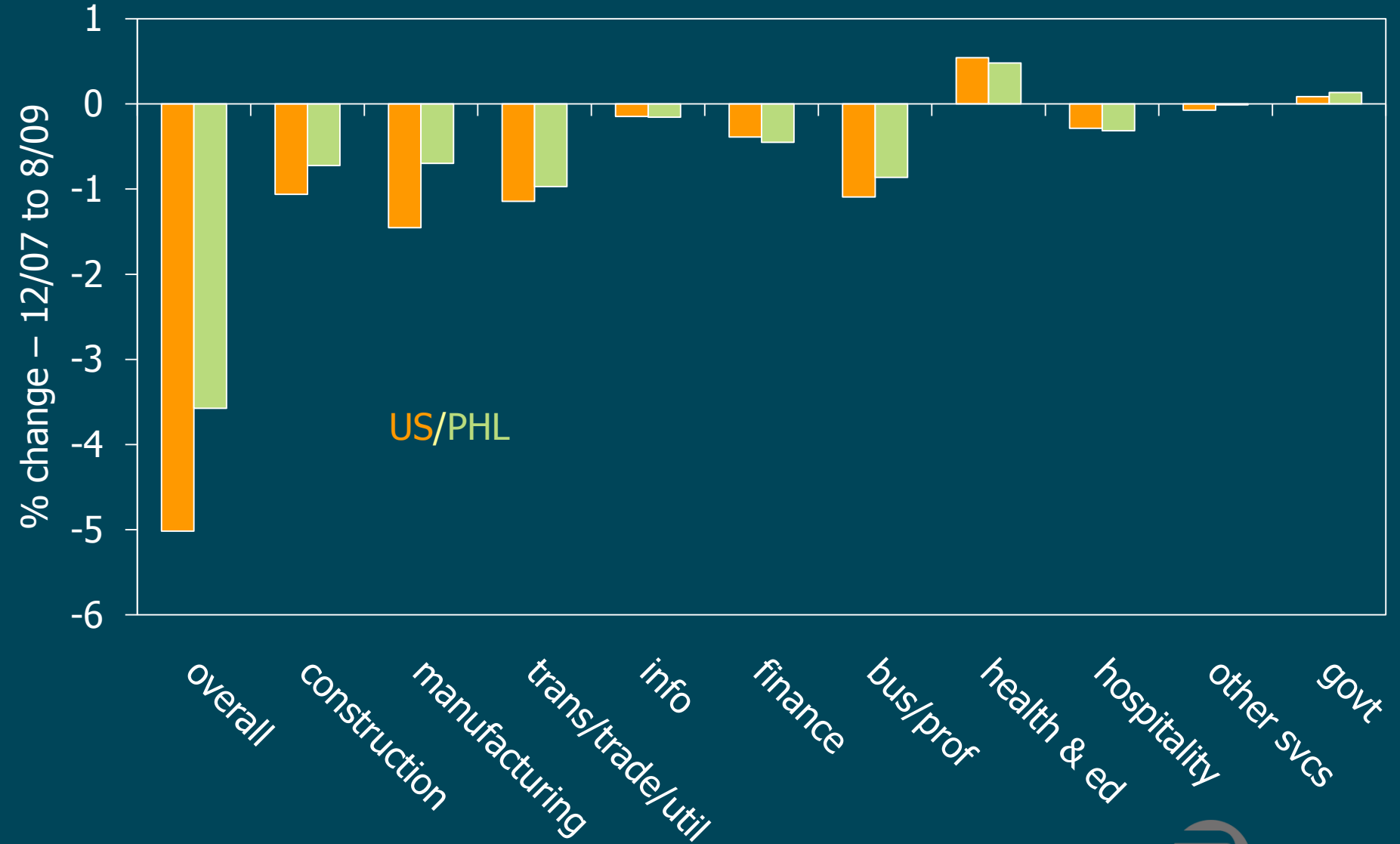
Unemployment has not risen quite as sharply here



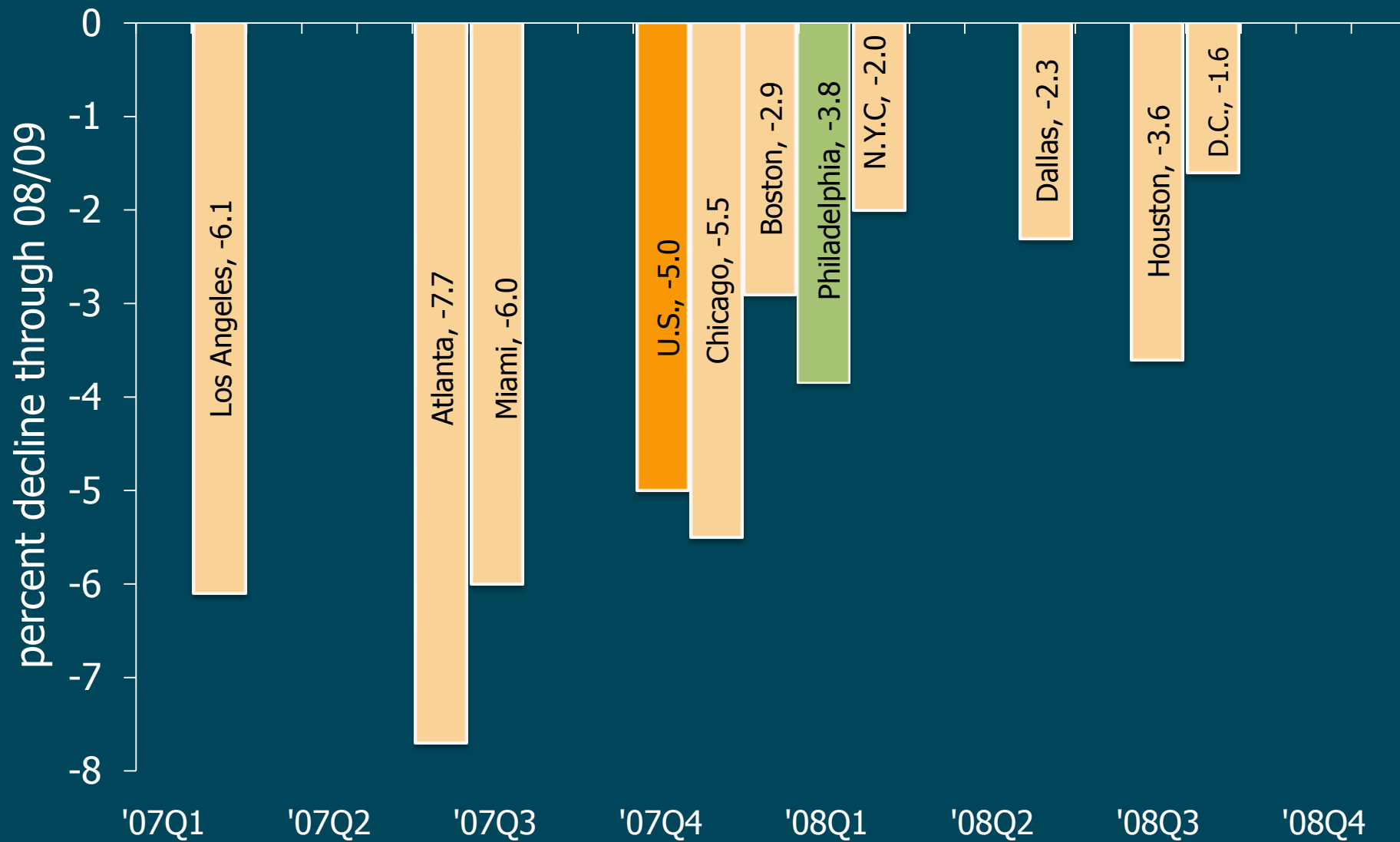
Our employment profile is much like the nation's...



...but the goods sectors held up a bit better here



Philadelphia's job losses are comparable to other major cities'



Bar position represents month of peak employment

Bar value represents total percentage decline in nonfarm payrolls from that month to Aug. '09



For more information from the Federal Reserve Bank of Philadelphia

- Go to www.philadelphiafed.org
- Next SPF: November 16
- Next BOS: November 19
- Links to Board of Governors & other Reserve Banks



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When the Fed acquires assets, it creates bank reserves

Fed Balance Sheet

Assets		Liabilities	
Treasury securities	+	Bank reserves	+



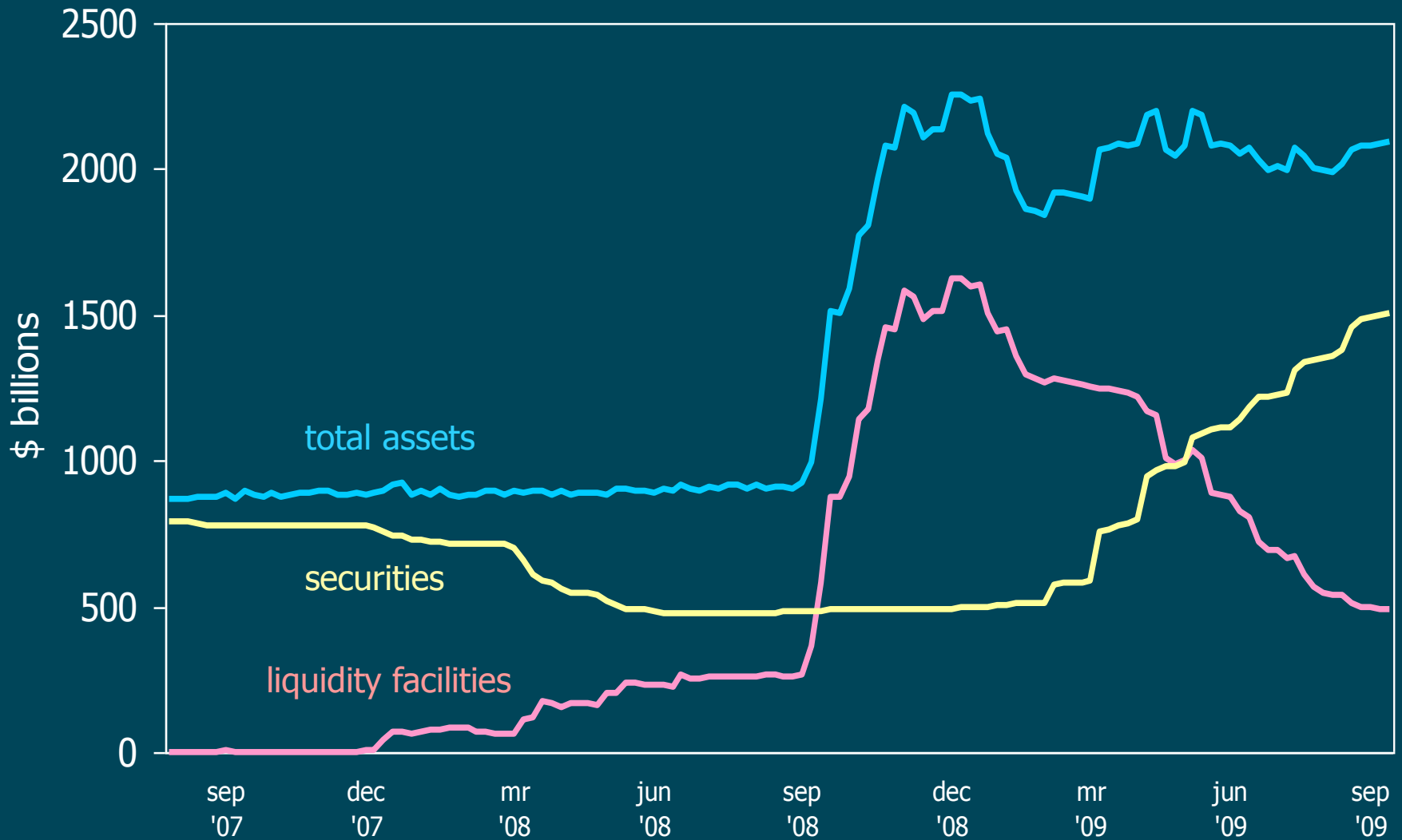
When the Fed acquires assets, it creates bank reserves

Fed Balance Sheet

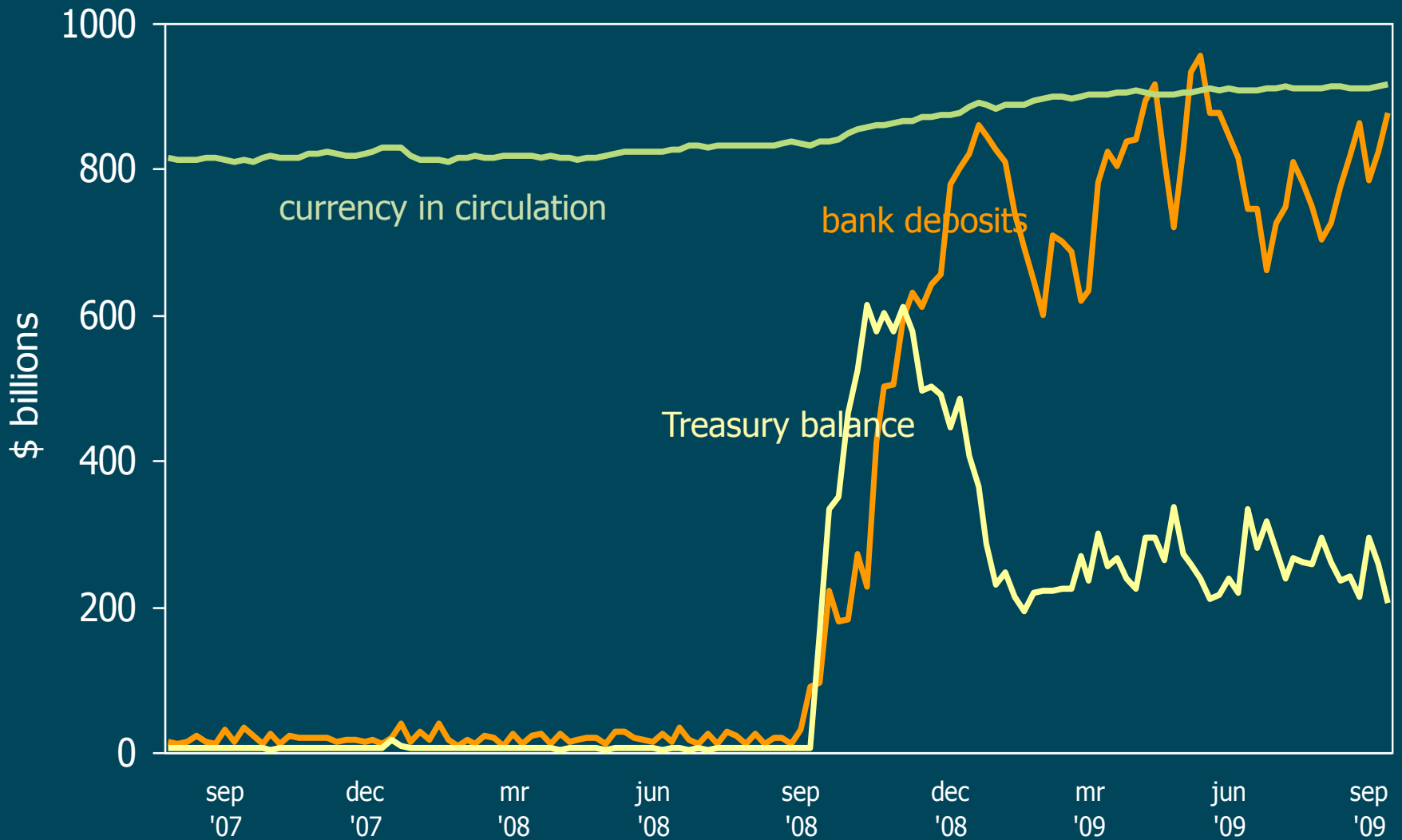
Assets		Liabilities	
Treasury securities	+	Bank reserves	+
Loans & other asset purchases	+	Bank reserves	+



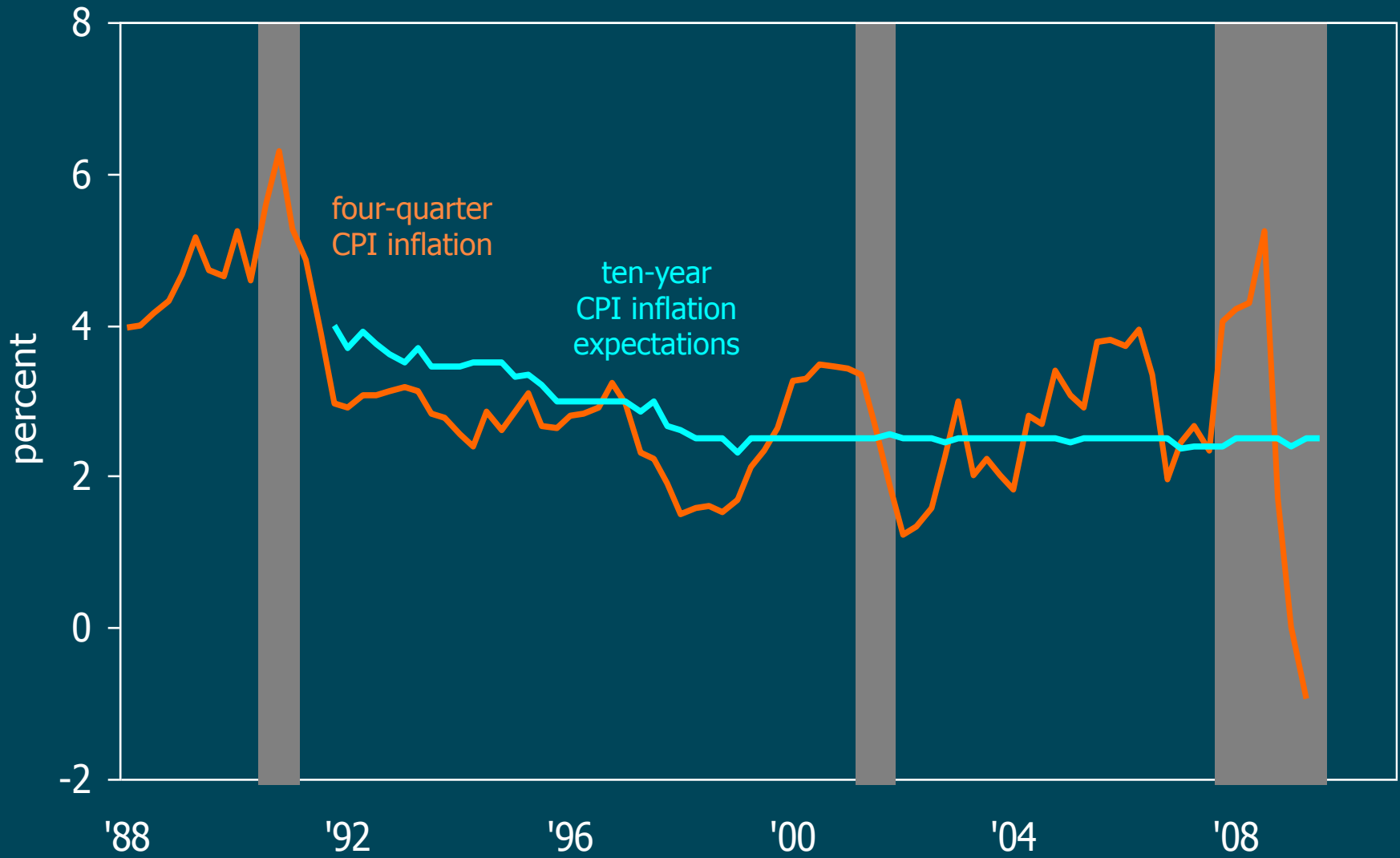
The Fed's special programs have swelled its asset portfolio



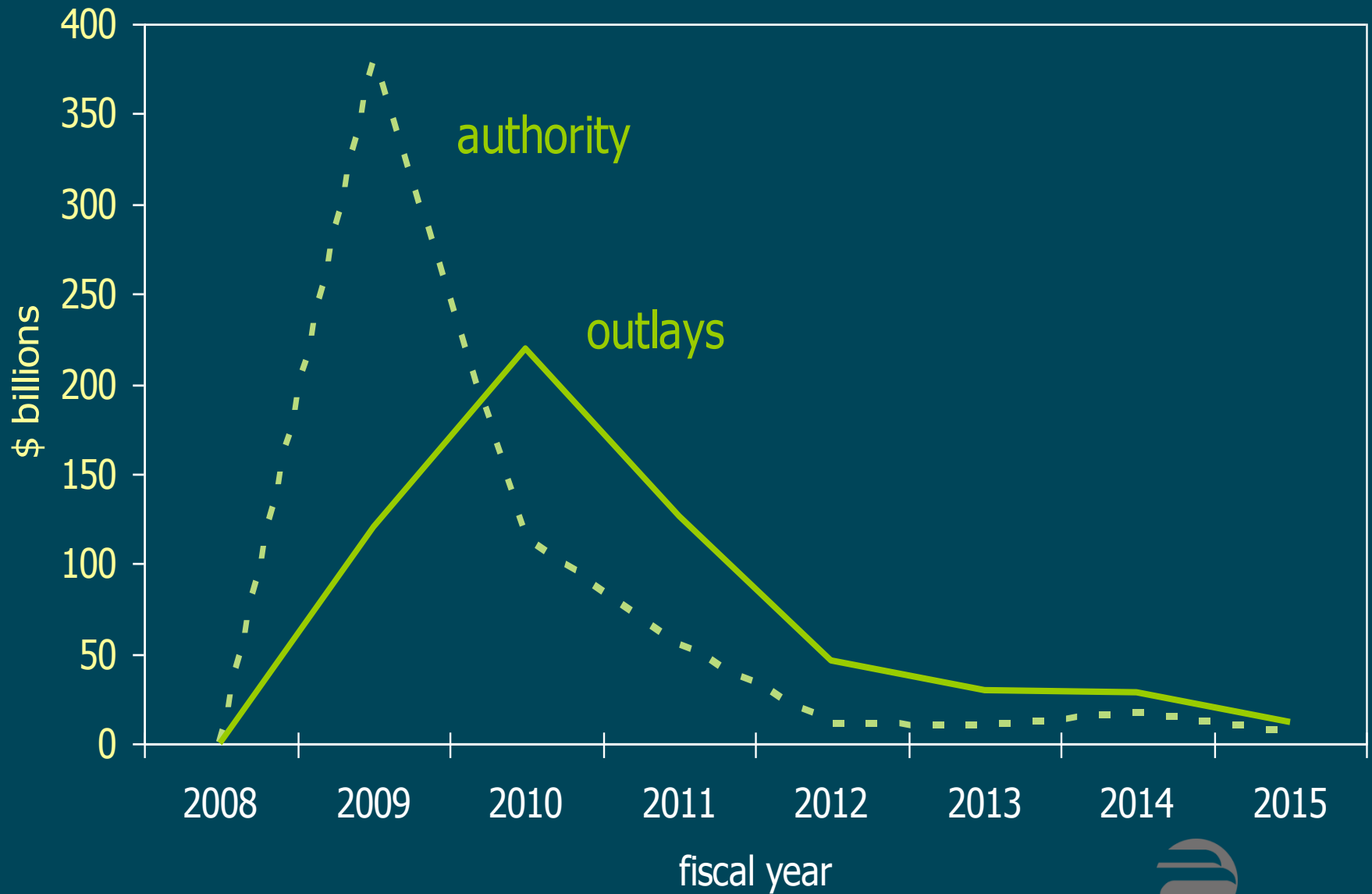
...and on the liabilities side, bank deposits have risen sharply



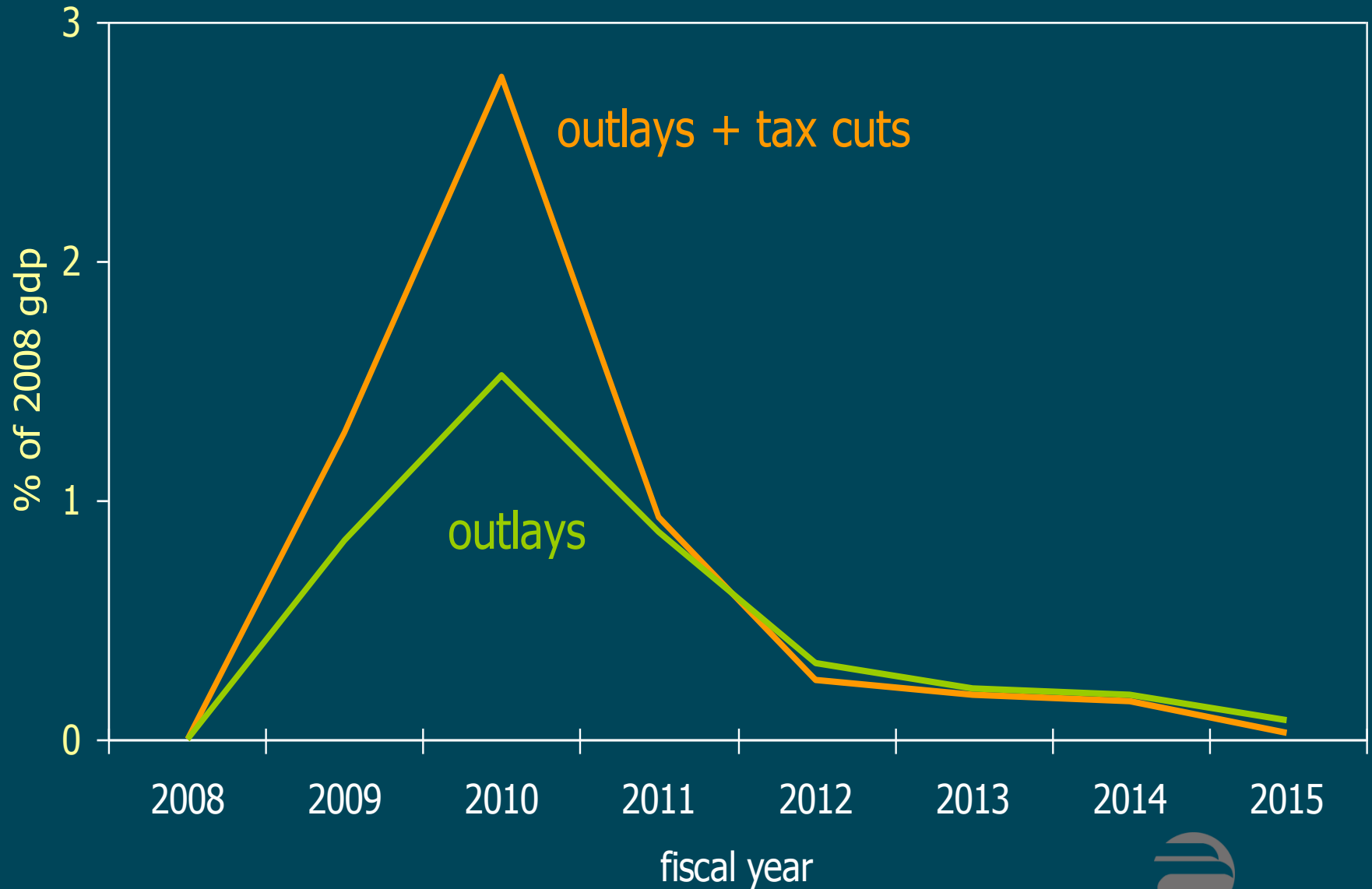
SPF: Inflation expectations "anchored" at 2-1/2 %



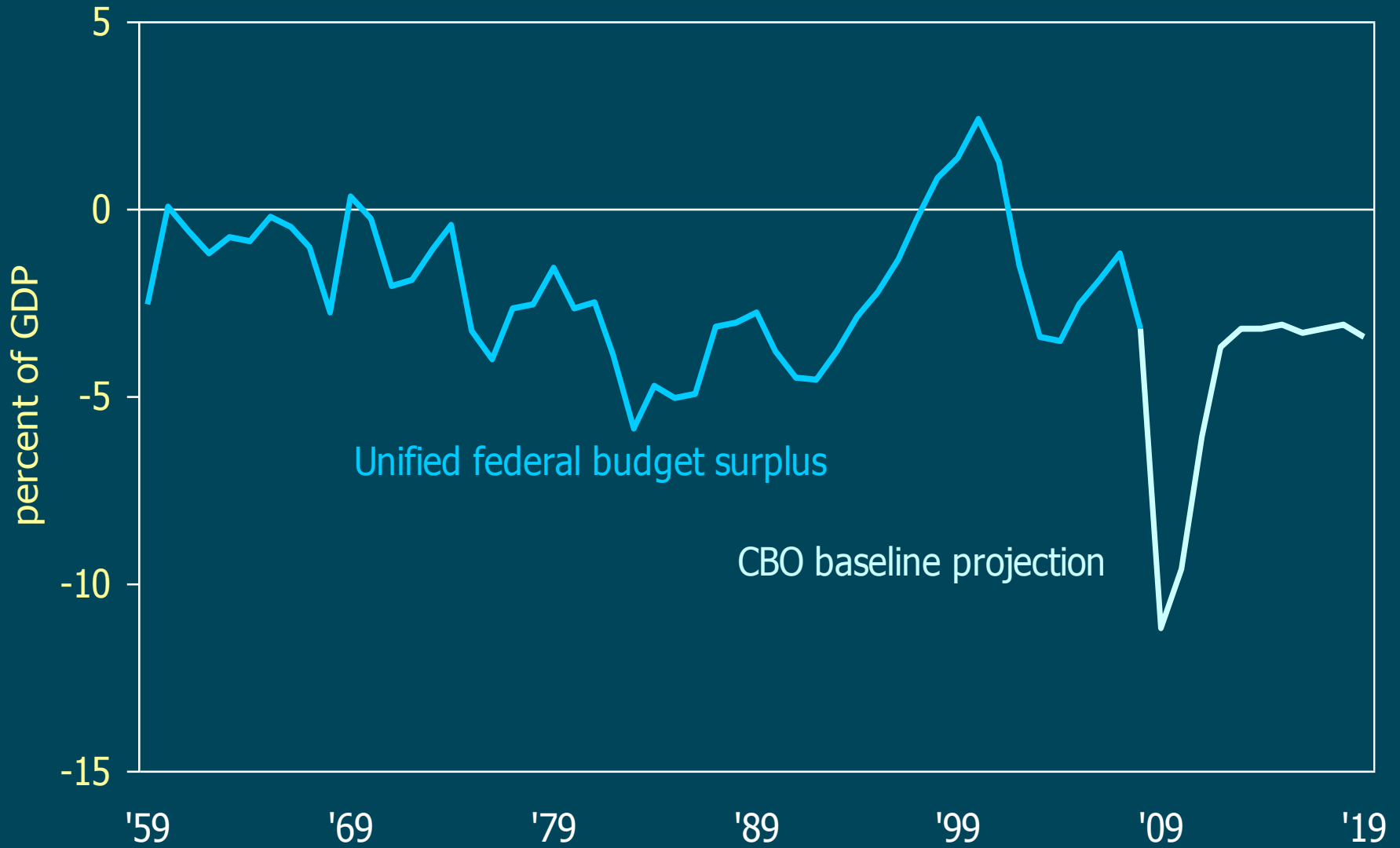
CBO: Stimulus spending peaks in FY 2010



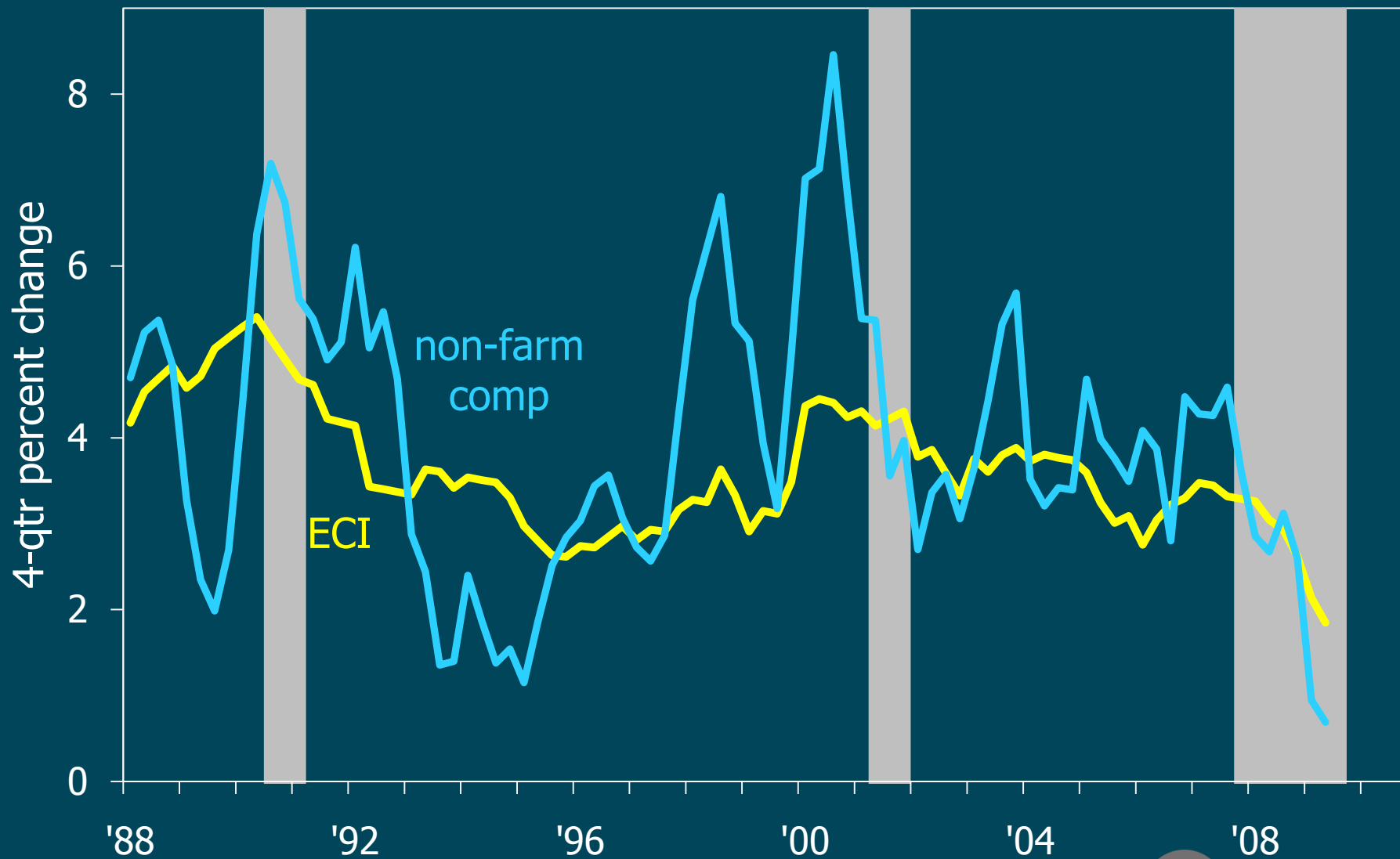
...and tax cuts show a similar profile



CBO: Deficits persist in the decade ahead



Increases in workers' compensation have fallen sharply...



...as growth in both wages & benefits has slowed dramatically

