

Federal Reserve Bank of Kansas City

Economic and Monetary Policy Developments

As of May 10, 2012



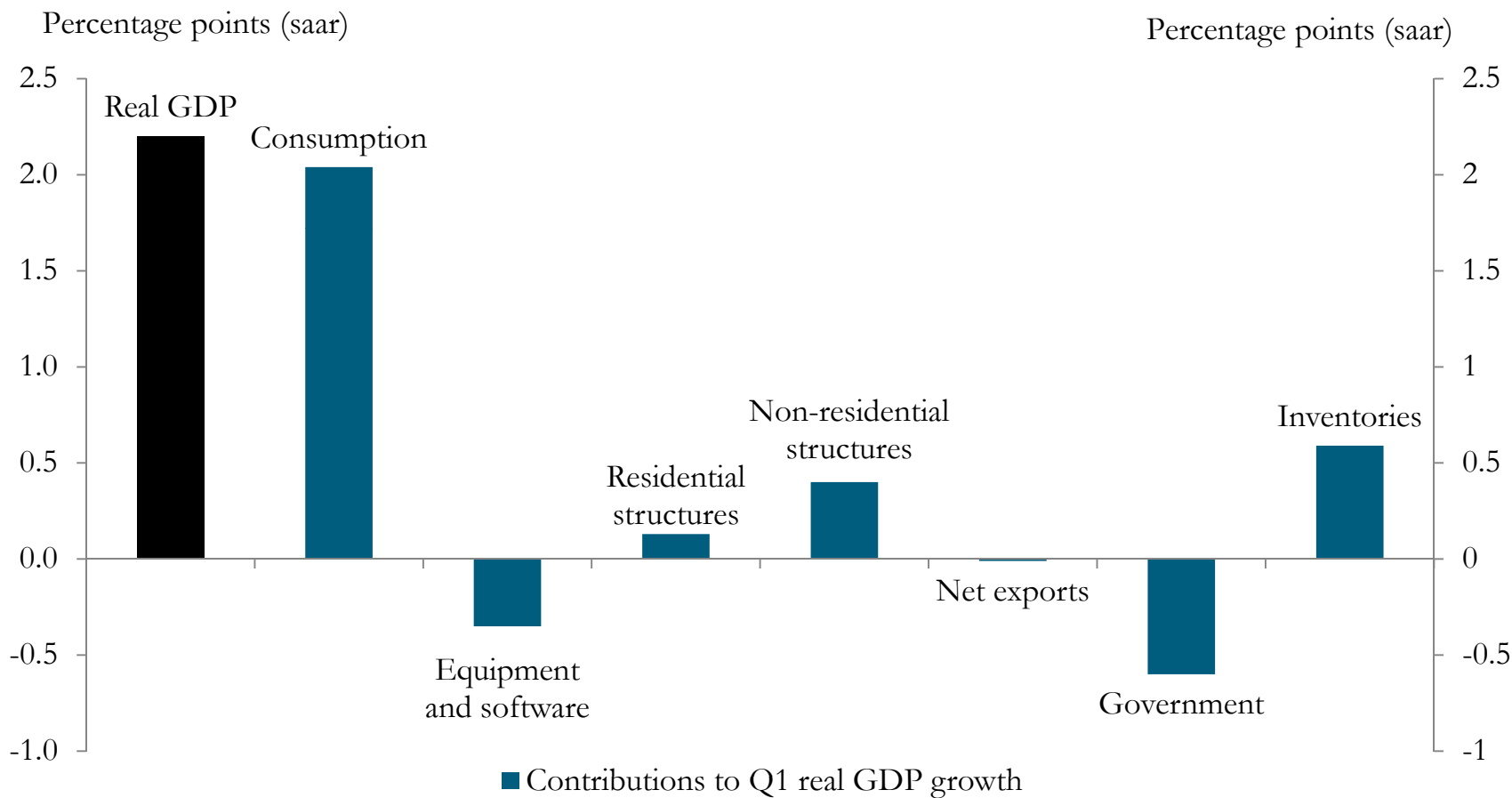
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Overview of economic developments

- Recent data continues to point to moderate growth in the year ahead, though very recent labor market indicators have been a bit softer than expected
- Inflation is running at about the 2% goal
- The European sovereign debt crisis remains the clearest near-term risk

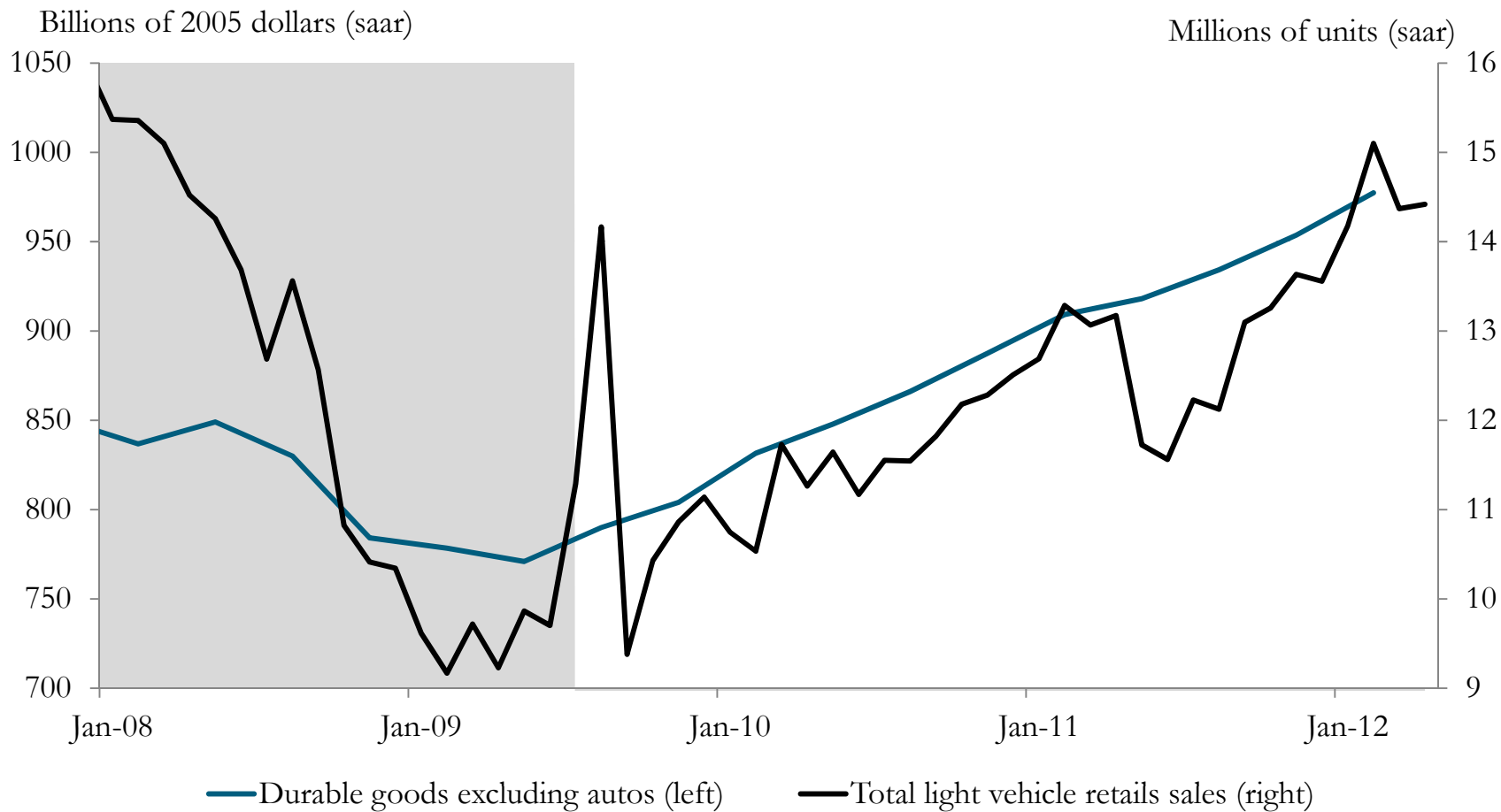


GDP grew at 2.2% in Q1, driven by consumption and inventories



Source: Bureau of Economic Analysis

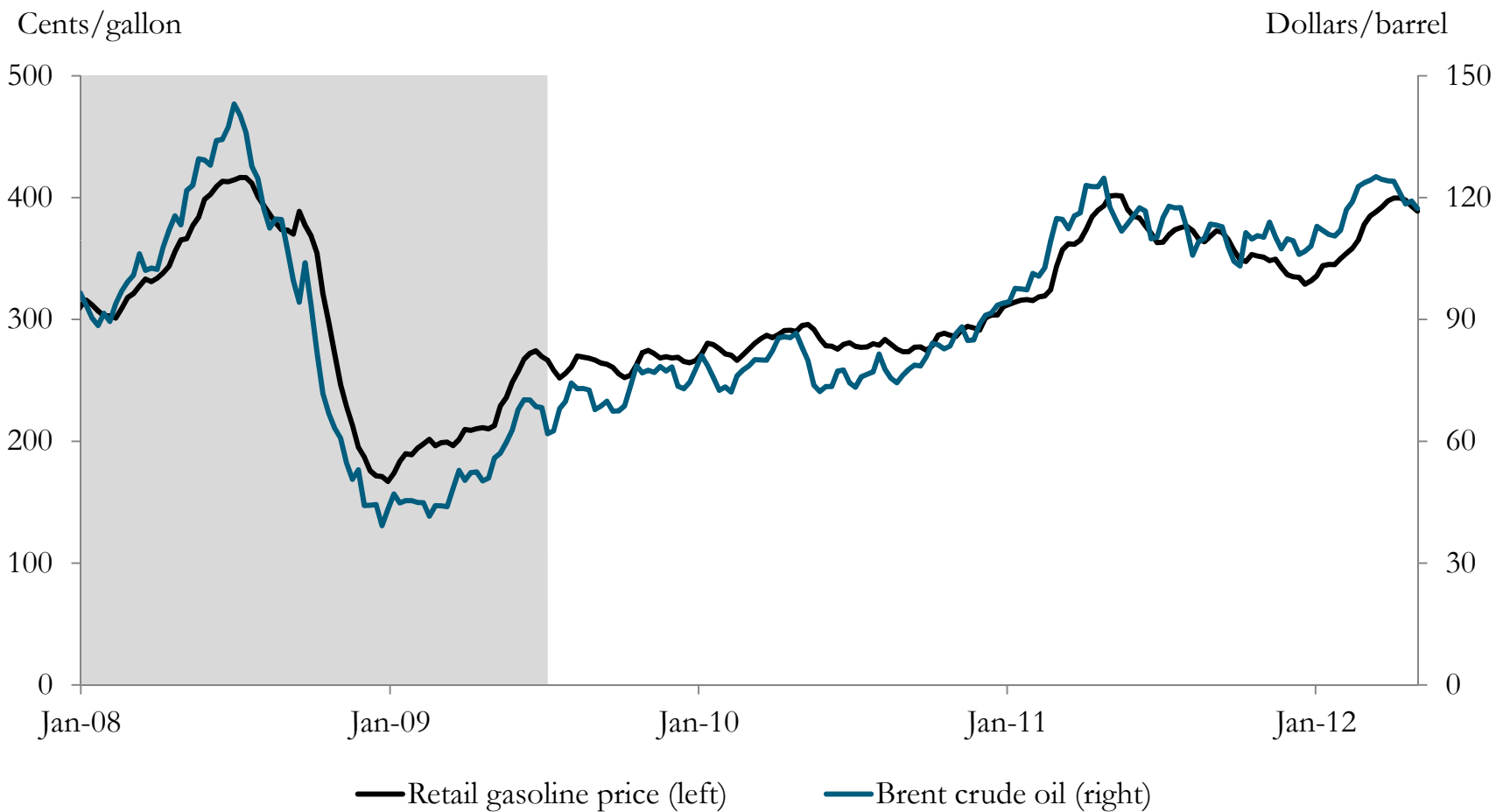
Consumers are continuing to increase purchases of durable goods



Source: Bureau of Economic Analysis, Autodata



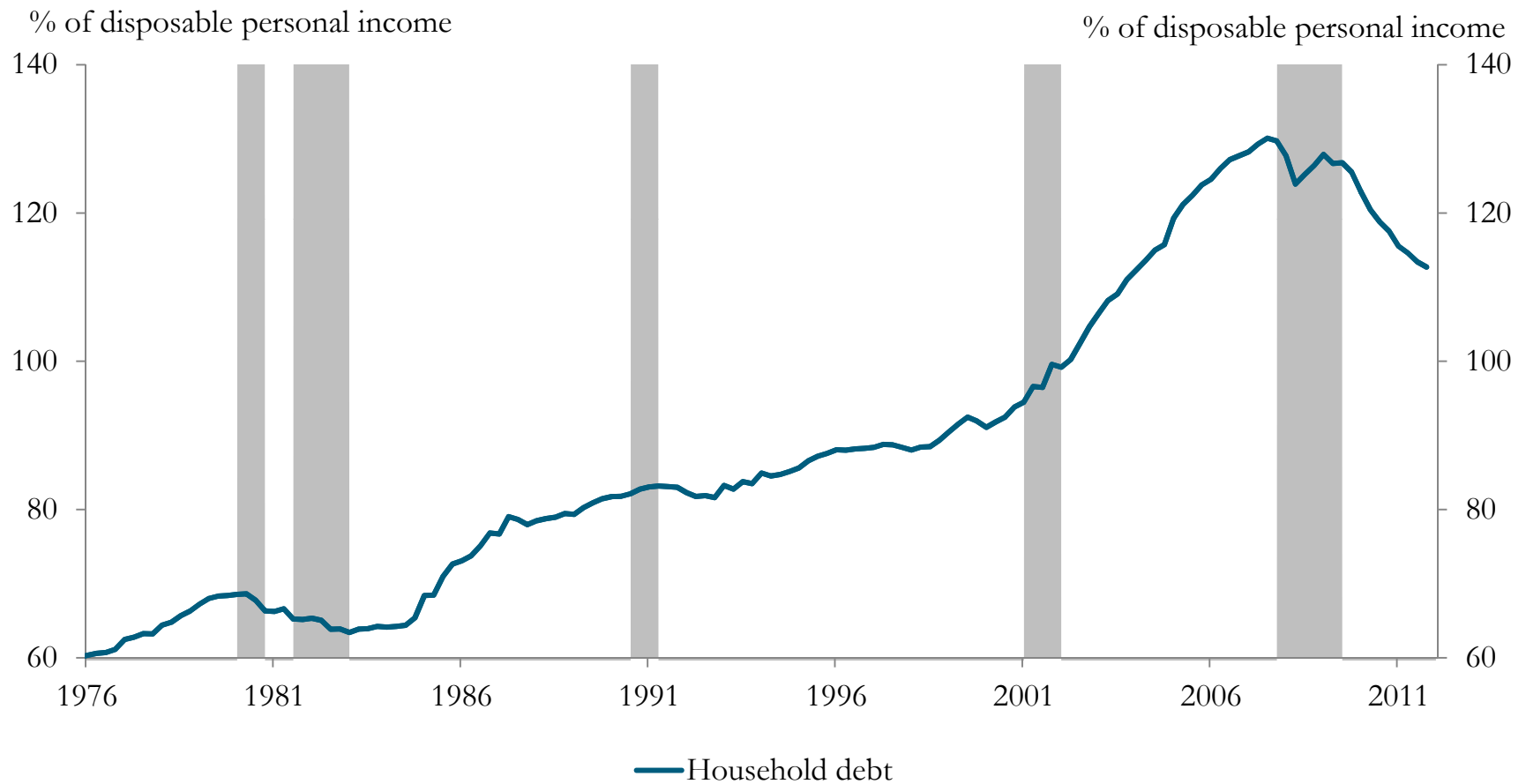
Gasoline prices appear to have hit their seasonal peak, so lower gasoline prices should help support consumer spending



Source: Energy Information Administration , Bloomberg



Consumers still remain heavily indebted, but have made substantial progress in deleveraging the past few years



Source: Federal Reserve Board, Bureau of Economic Analysis

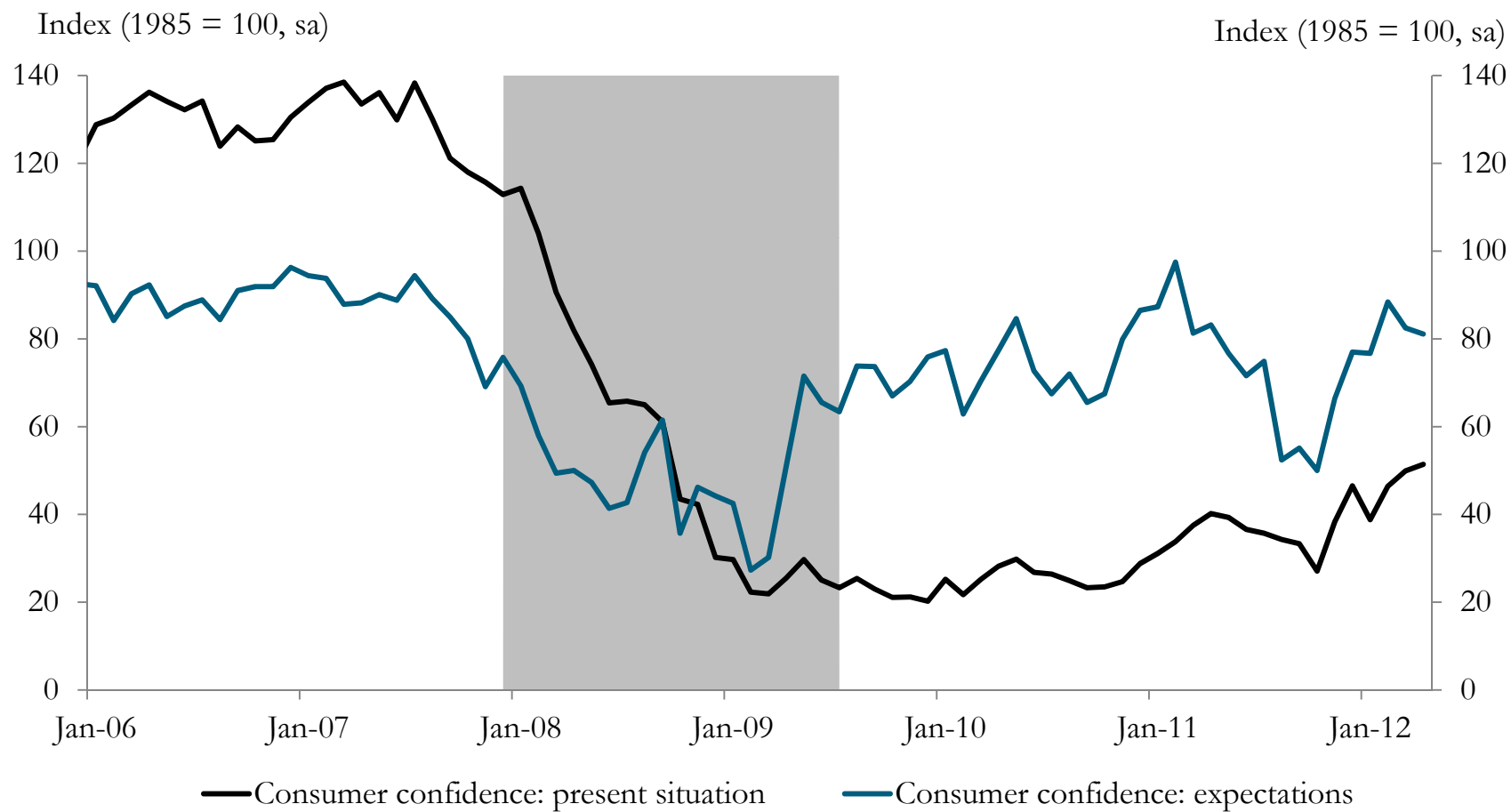
Household wealth has fluctuated wildly over the past 15 years, but remains above its level from 1985-1995



Source: Federal Reserve Board, Bureau of Economic Analysis



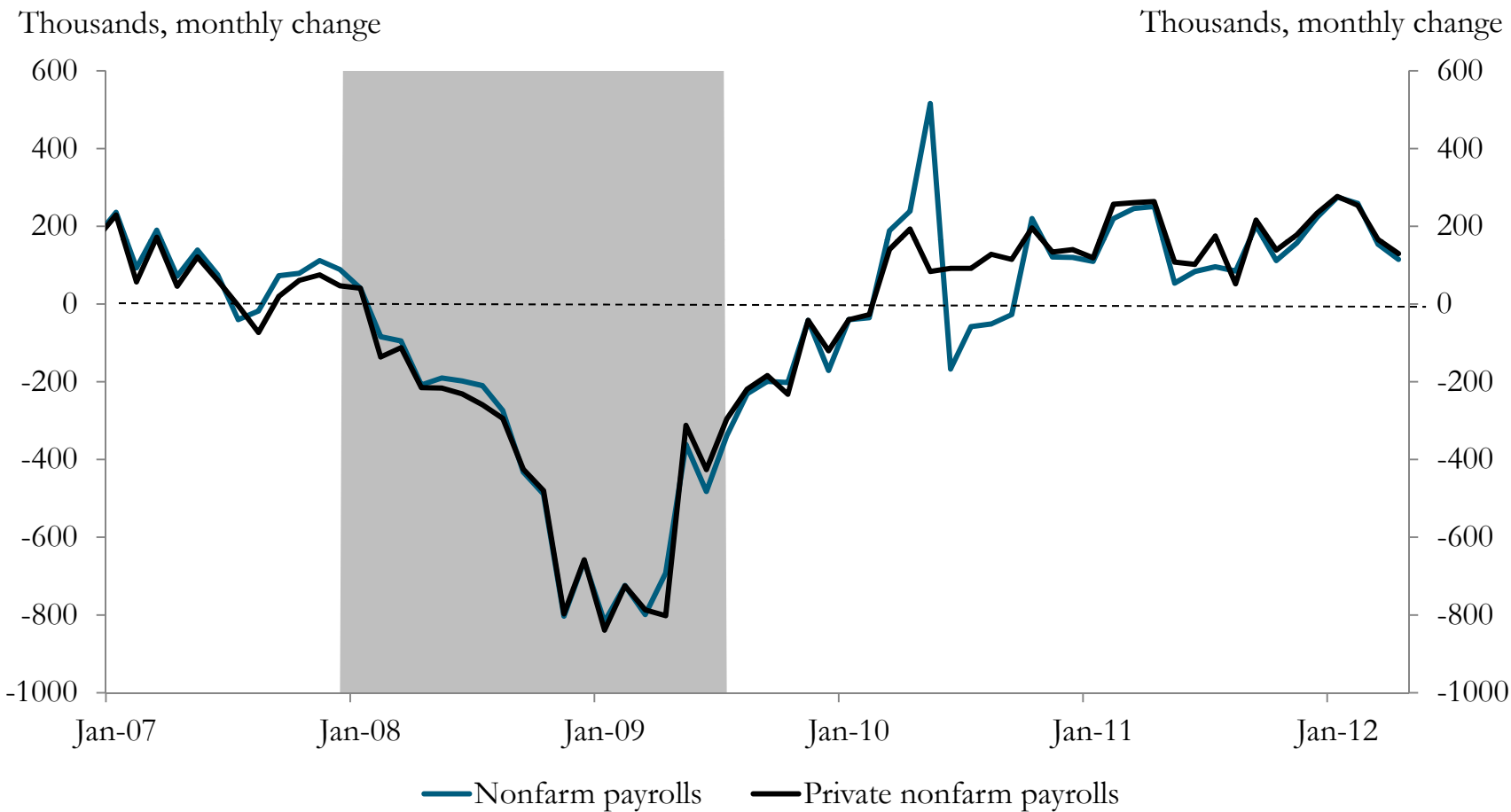
Consumers' assessment of their present situation stands at a post-recession high



Source: Conference Board



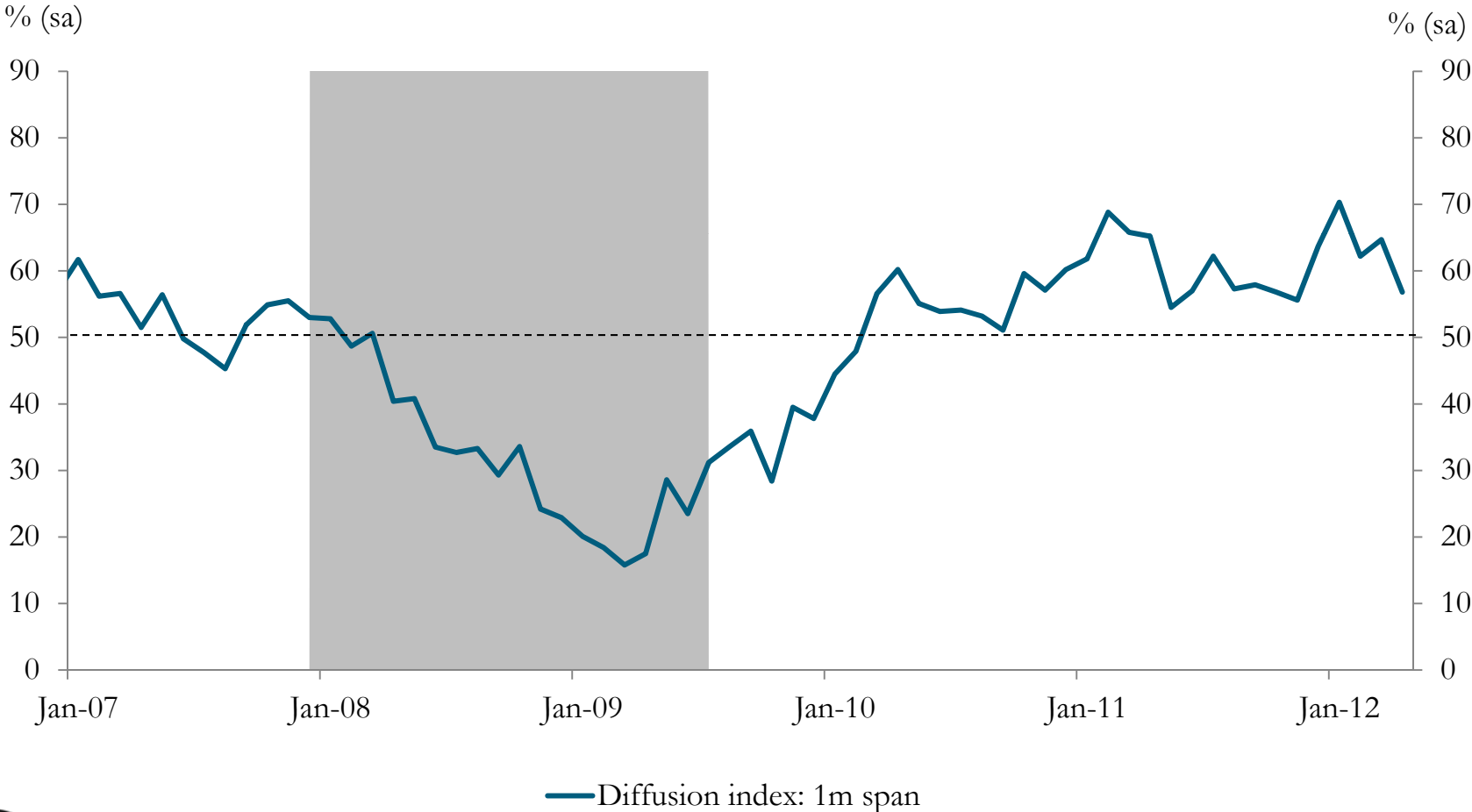
The labor market recovery continues, though at an uneven pace



Source: Bureau of Labor Statistics

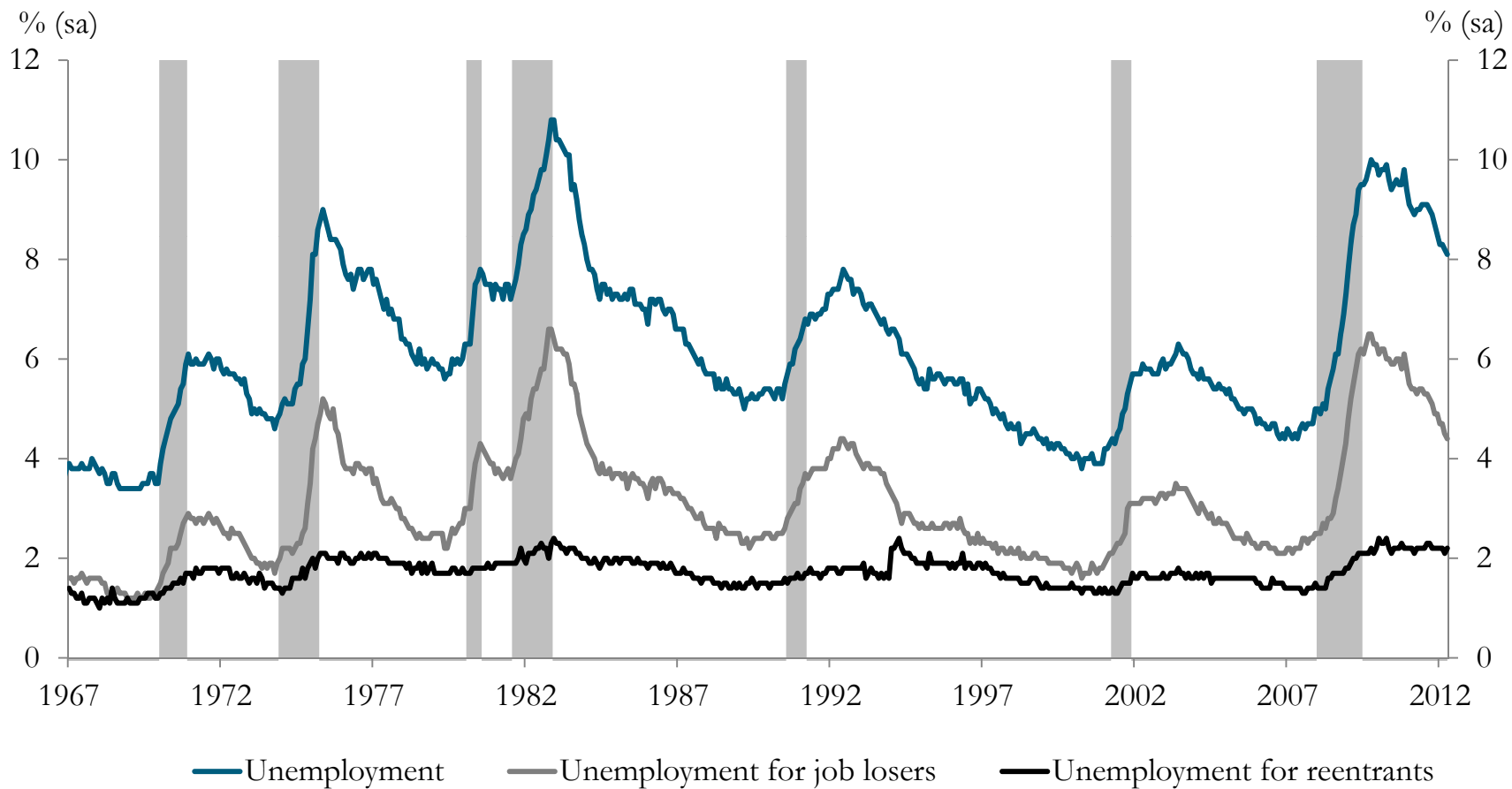


The breadth of hiring across sectors has moderated

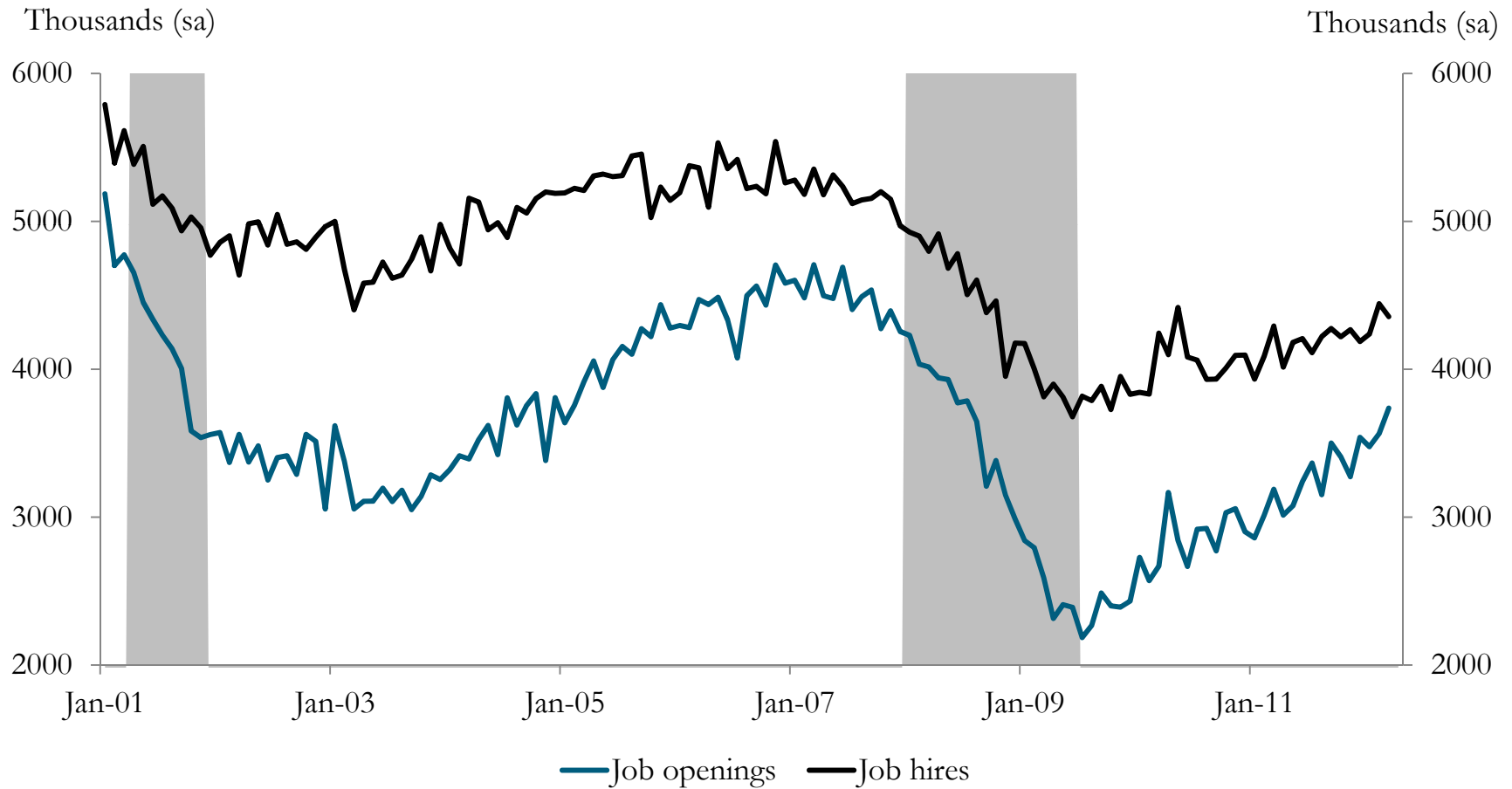


Source: Bureau of Labor Statistics

The unemployment rate continues to trend lower

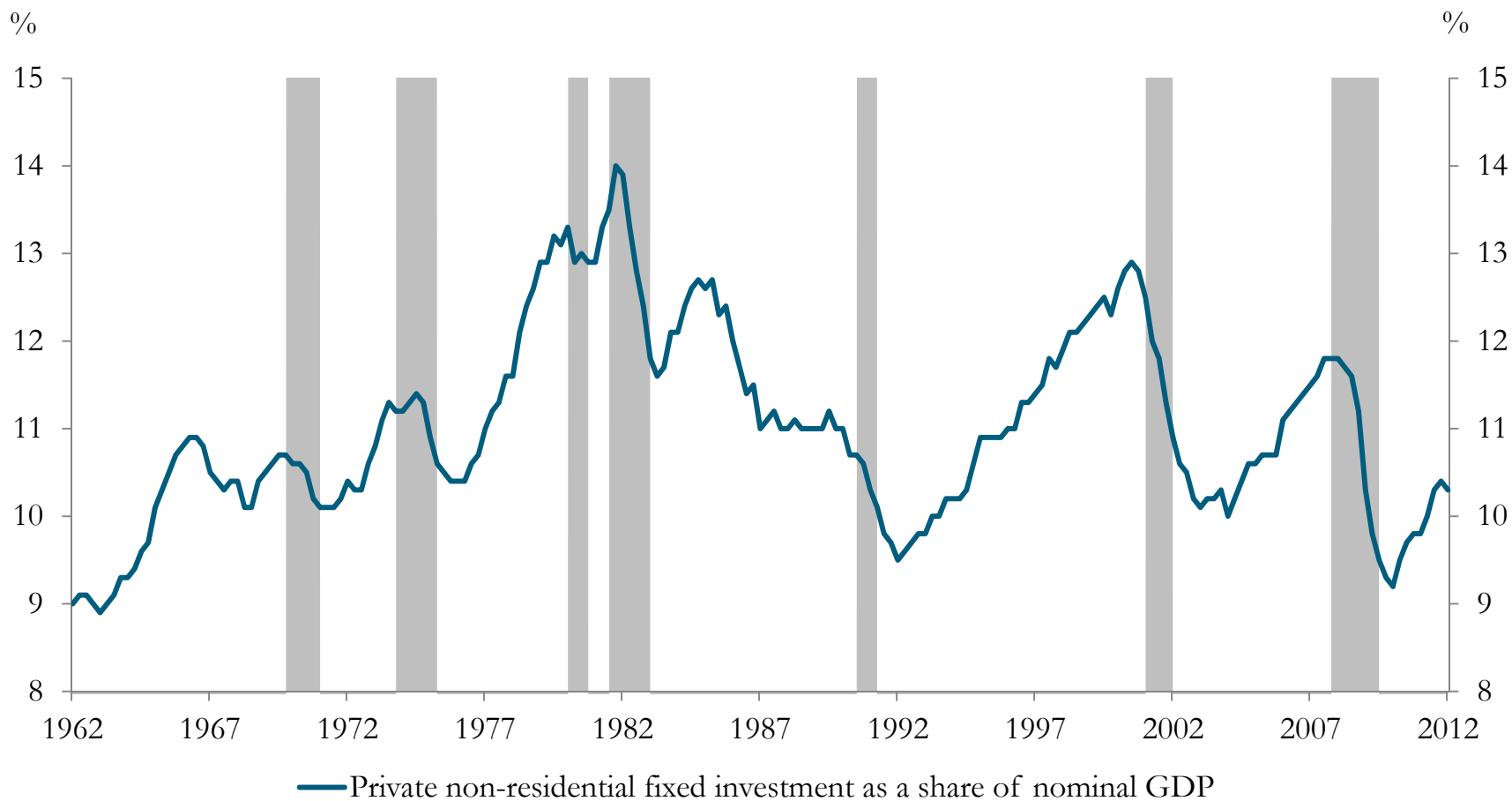


Job openings continue to outpace hiring



Source: Bureau of Labor Statistics

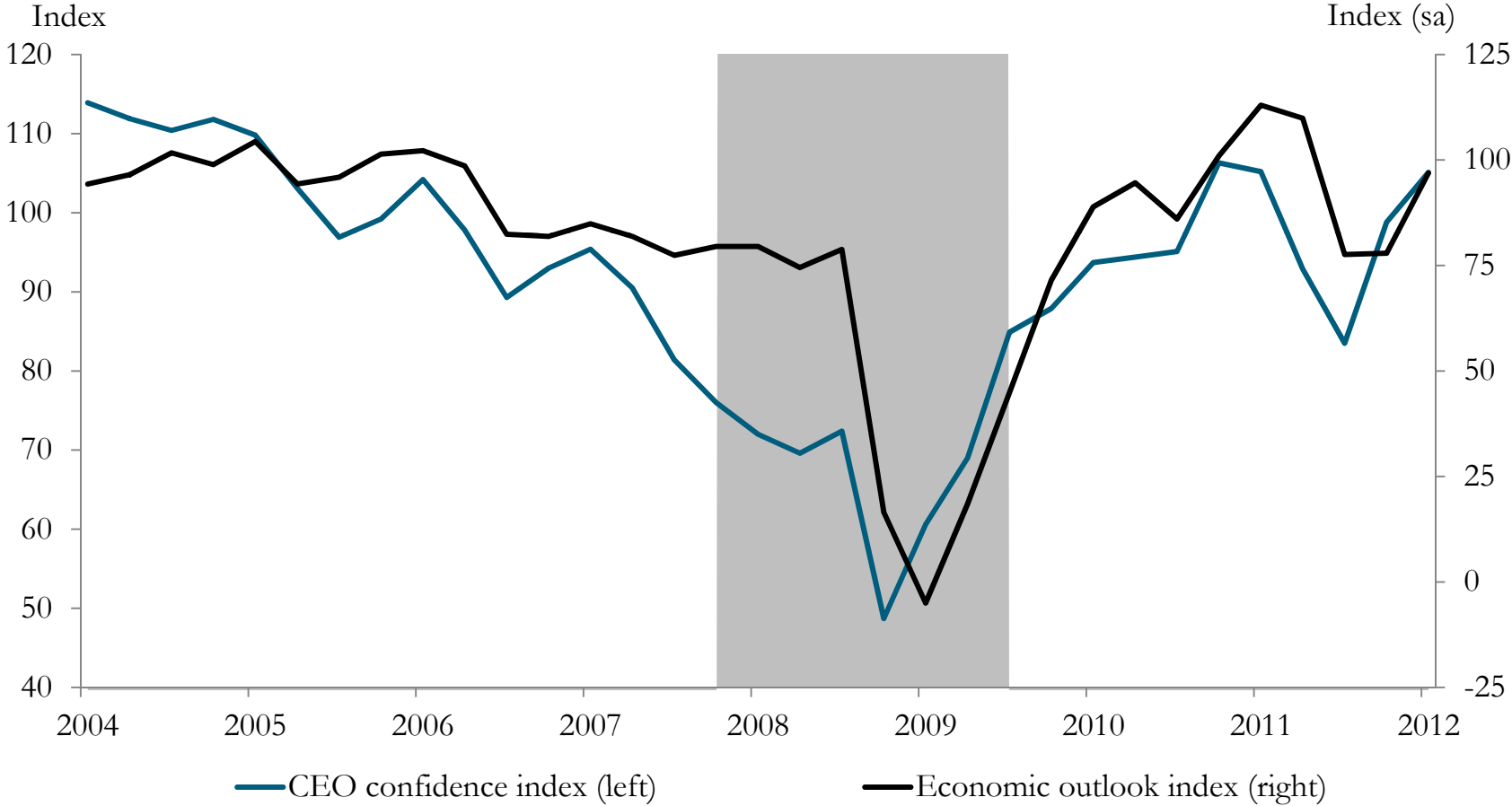
Investment continues to recover, but remains low as a share of GDP



Source: Bureau of Economic Analysis

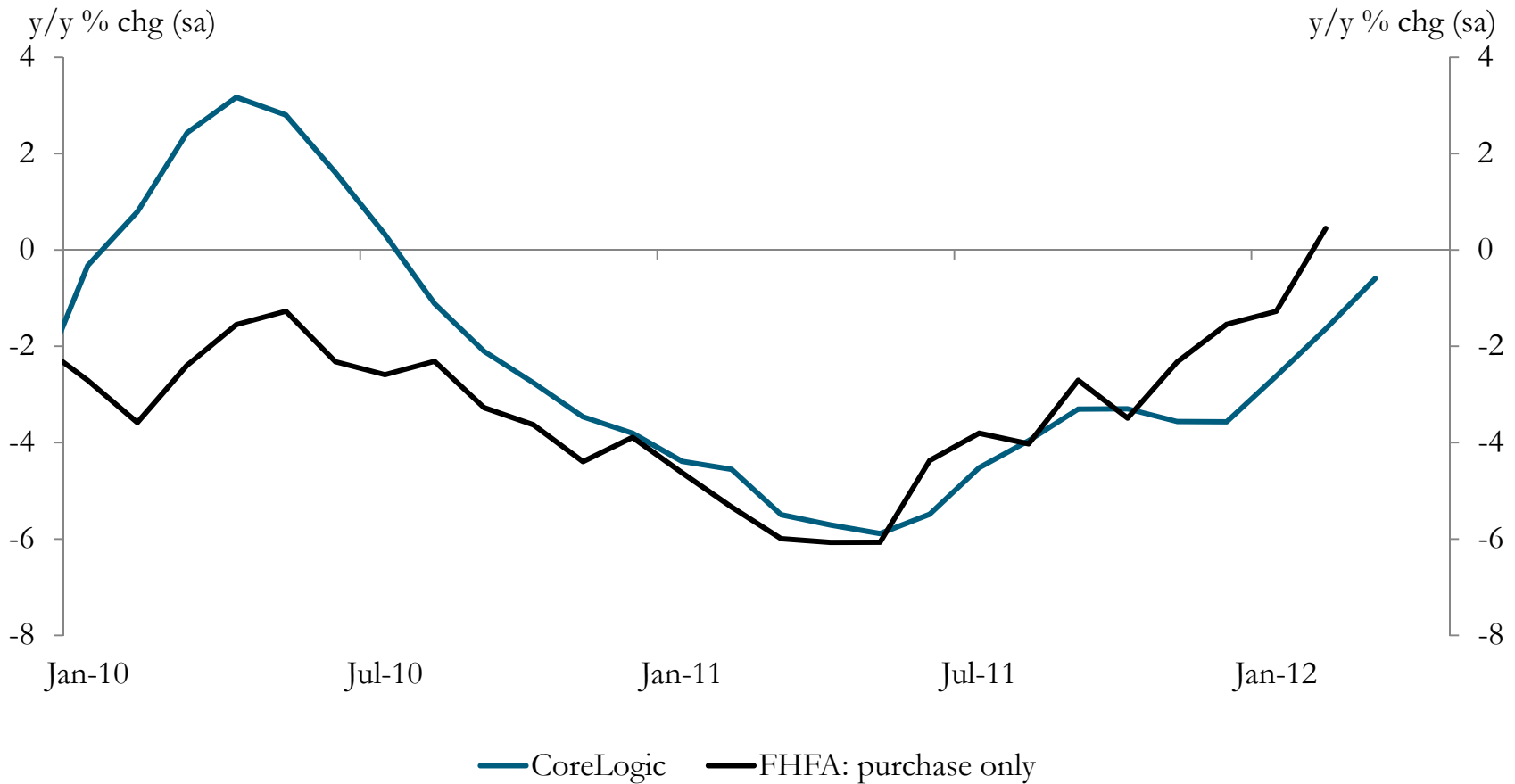


CEO confidence indices have rebounded



Source: Vistage International, Business Roundtable

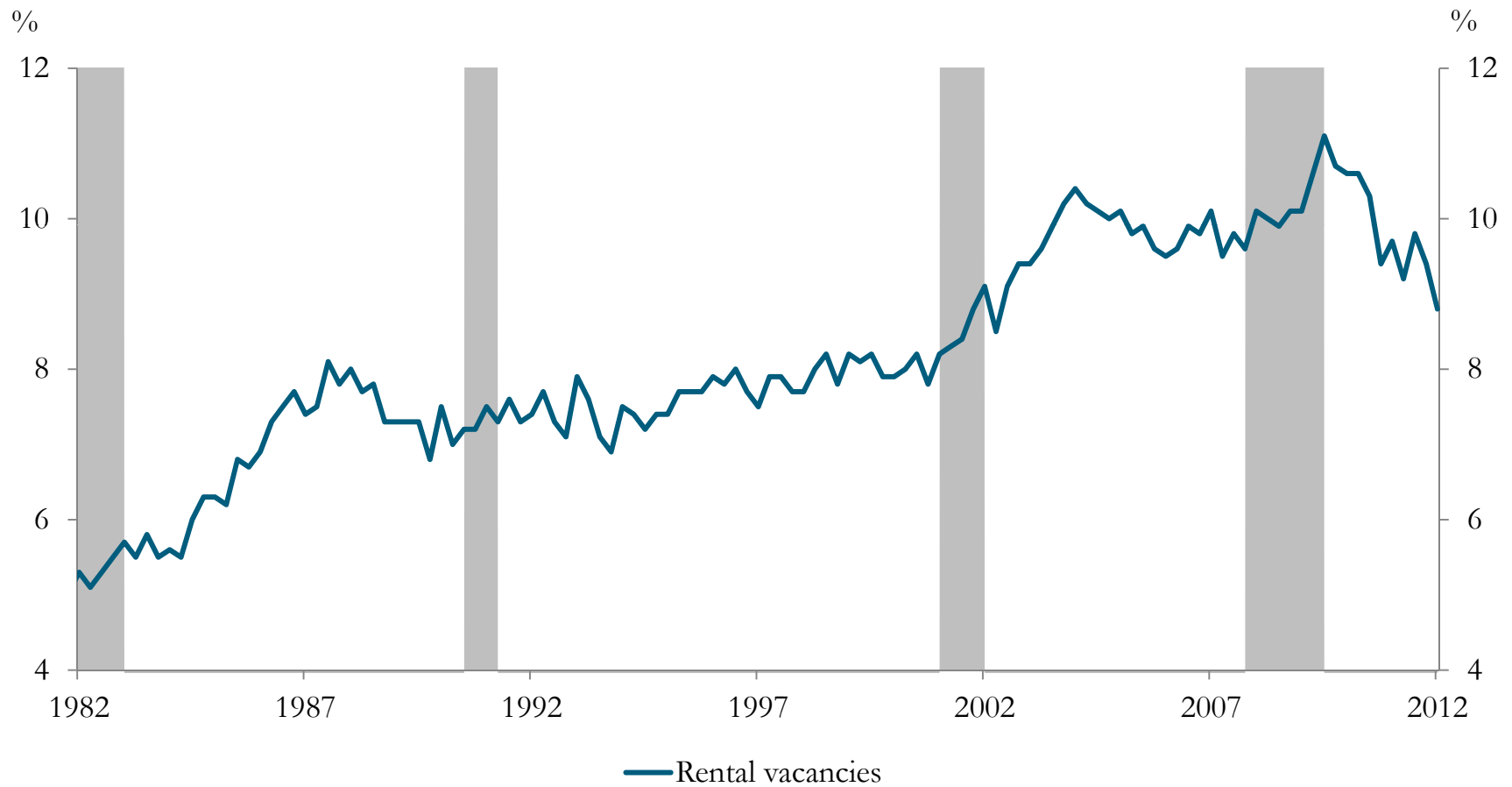
House prices continue to stabilize



Source: CoreLogic/ Haver Analytics, Federal Housing Finance Agency

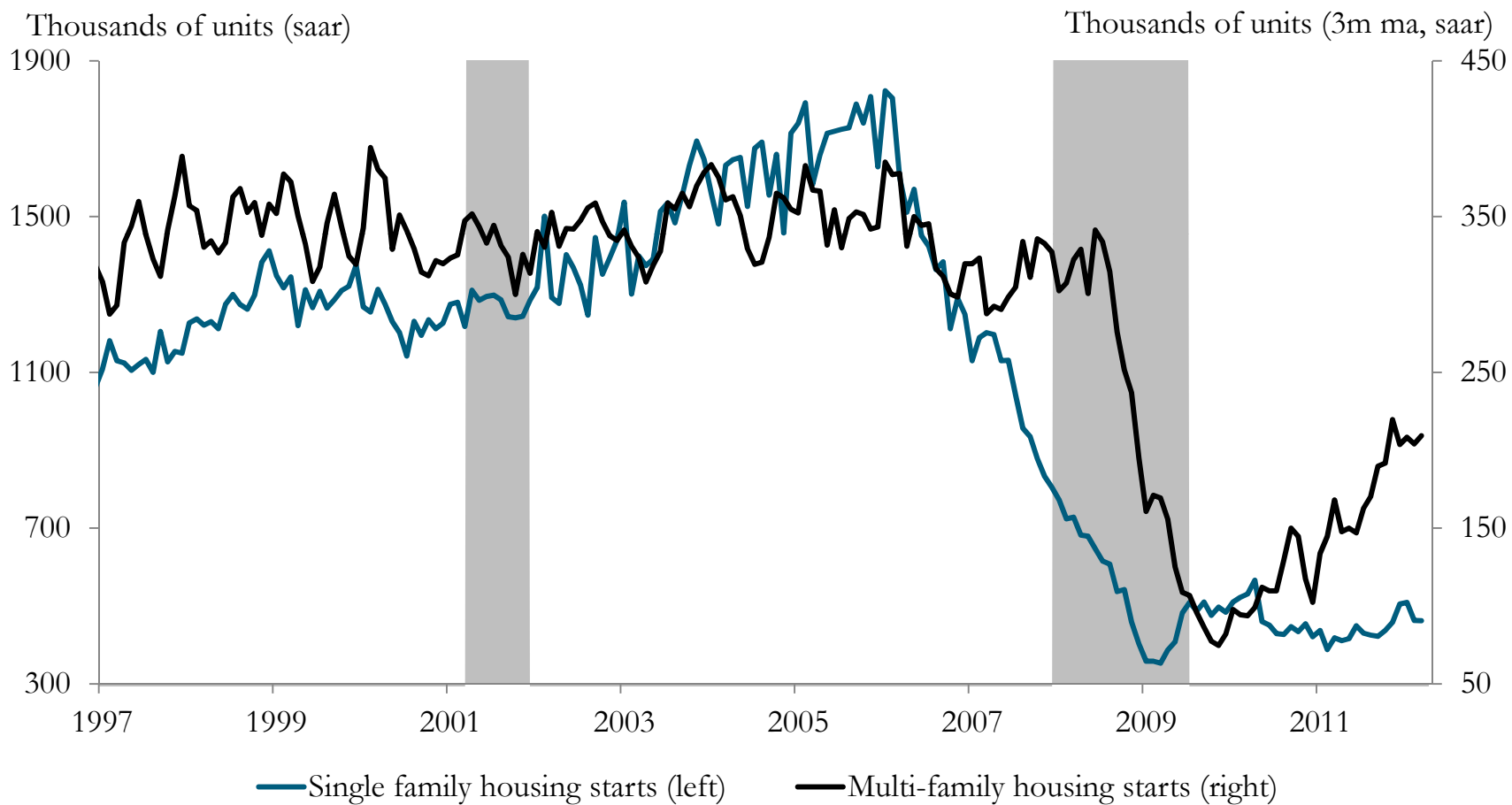


Vacant rental housing is continuing to decline



Source: Census Bureau

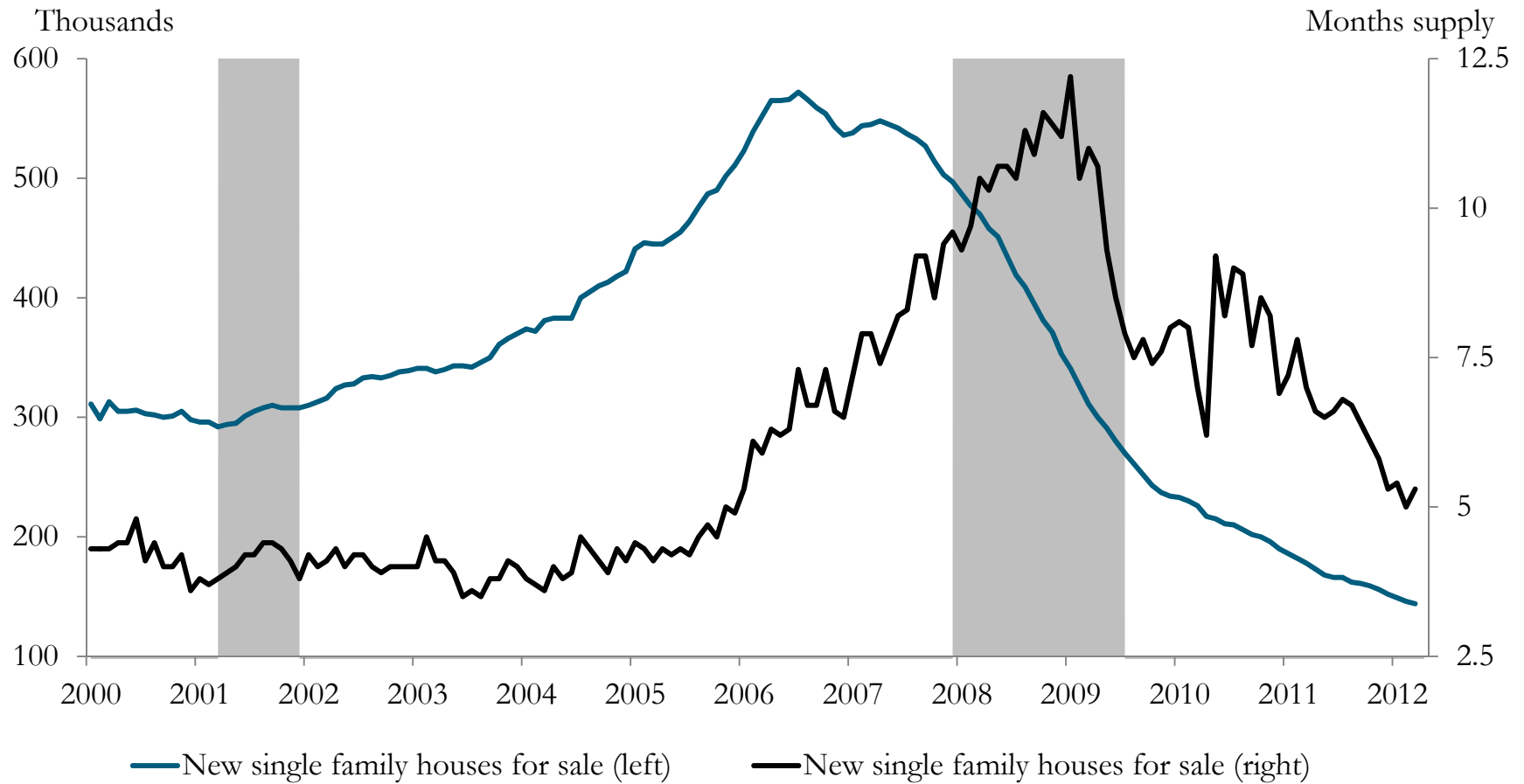
Construction of multi-family housing units continues to rise



Source: Census Bureau

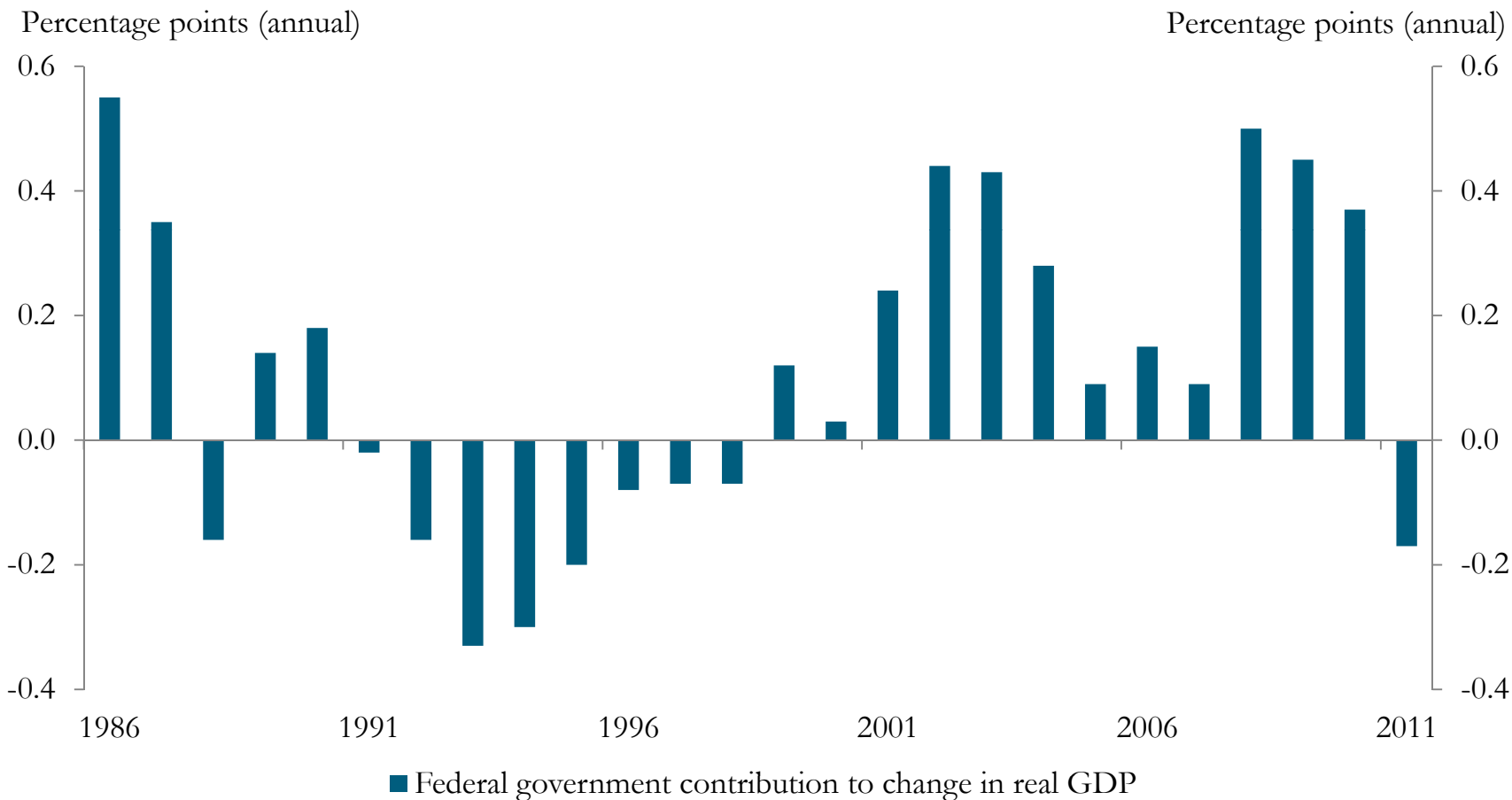


New housing inventory stands at historic lows



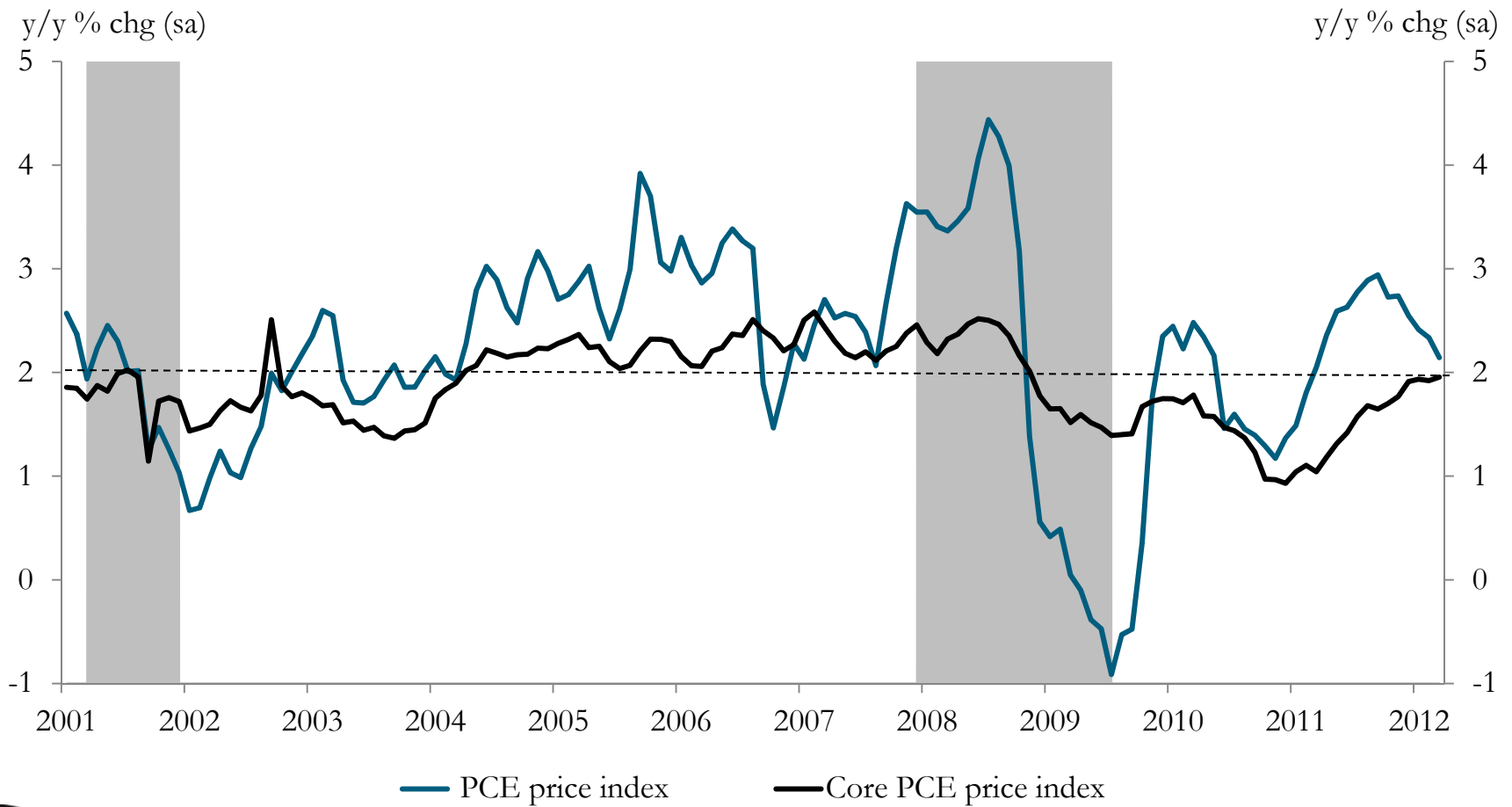
Source: Census Bureau

Federal government purchases are set to be a drag on GDP growth



Source: Bureau of Economic Analysis

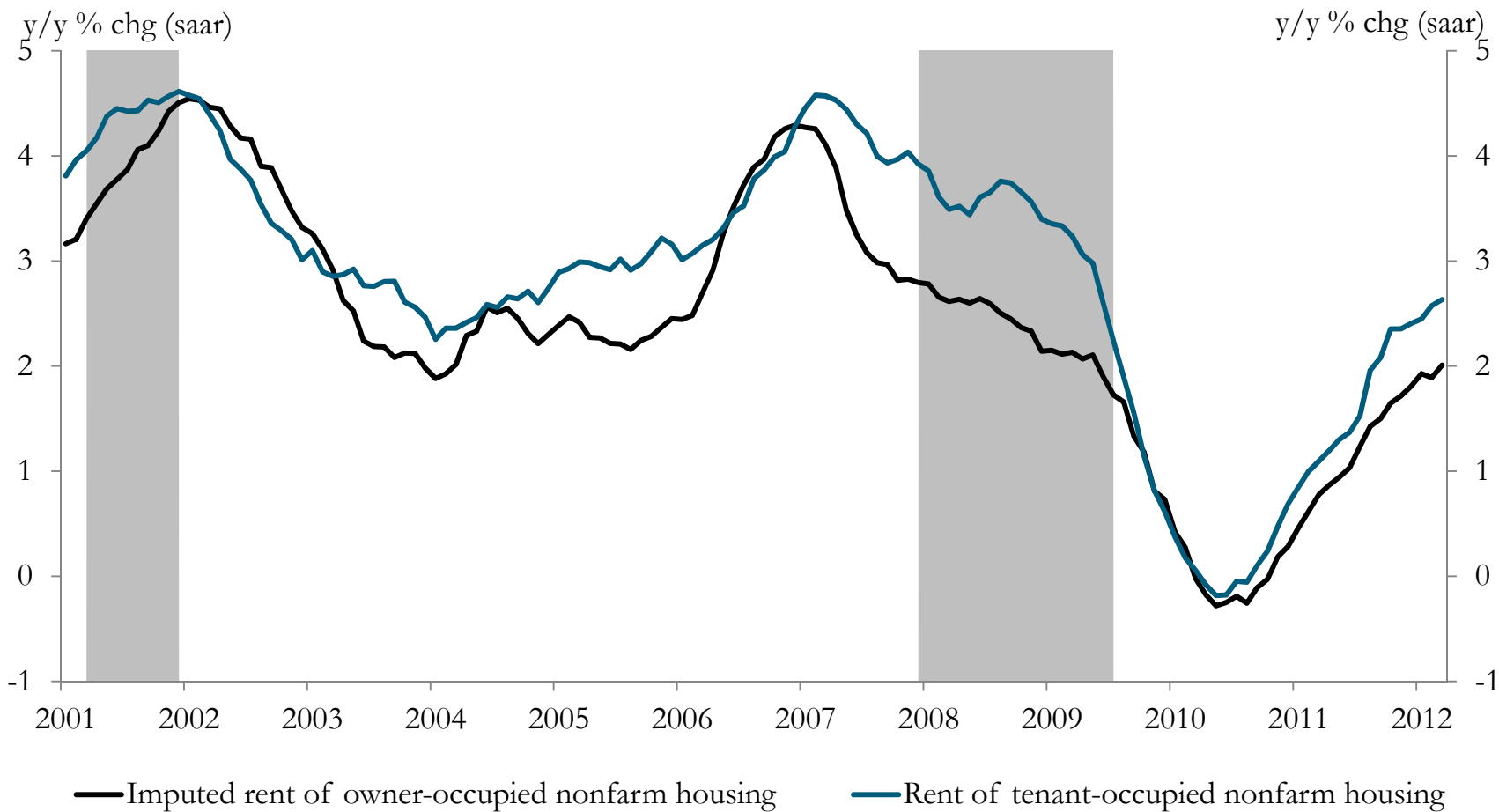
Inflation is running at about 2%



Source: Bureau of Economic Analysis



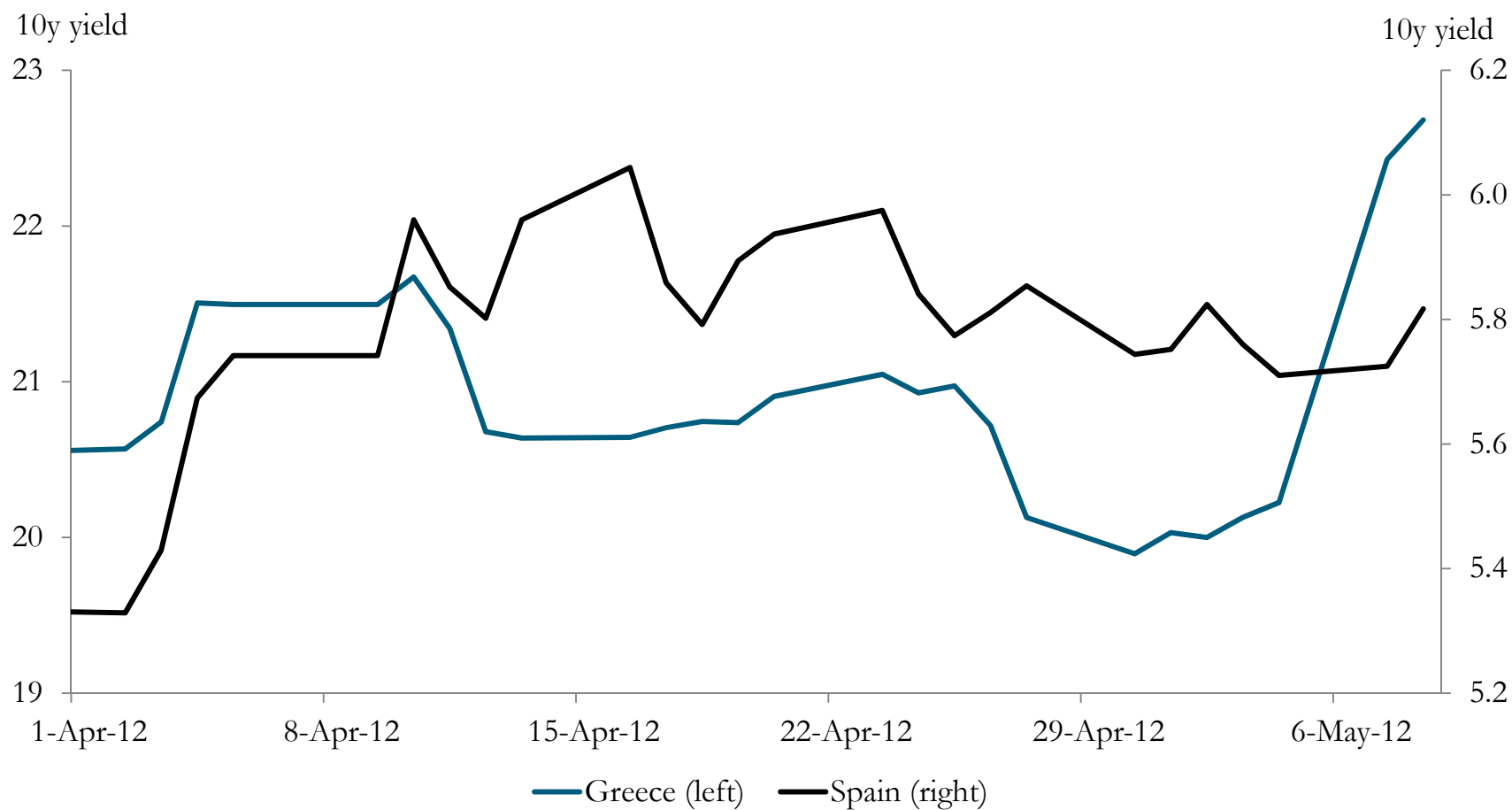
Rental prices are putting upward pressure on inflation



Source: Bureau of Economic Analysis

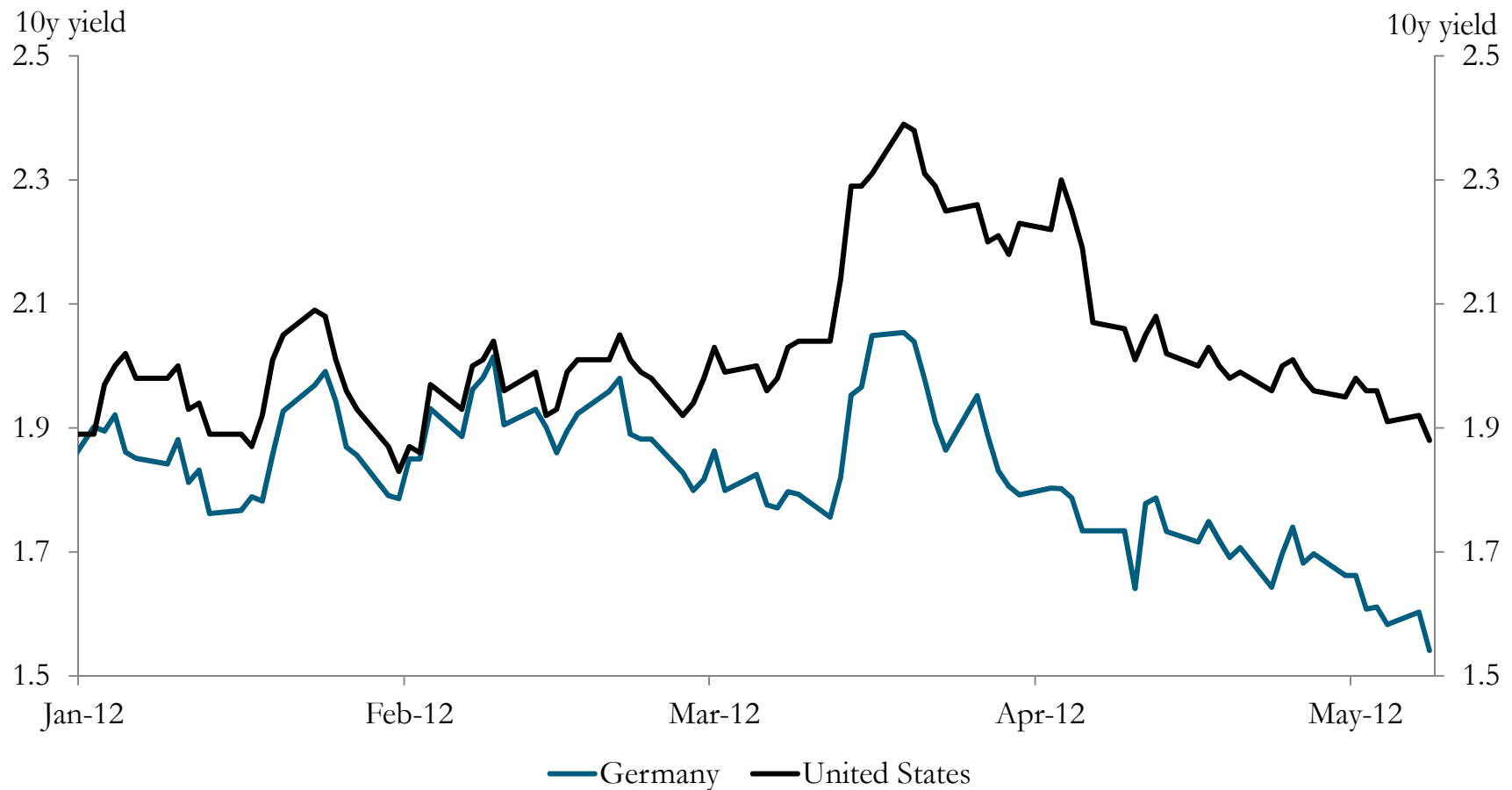


Strains in Europe are resurfacing



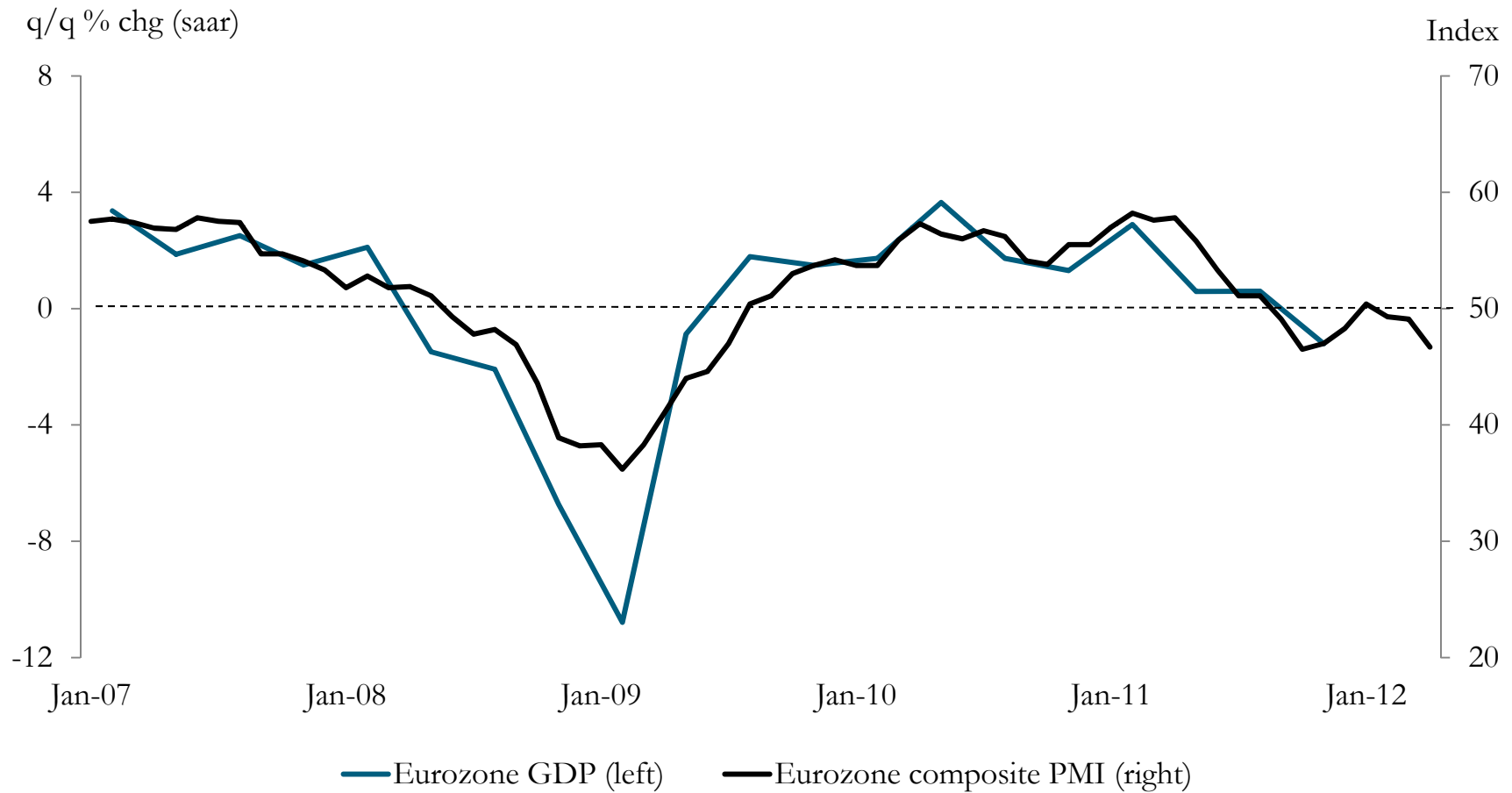
Source: Bloomberg

Demand for safer assets are pushing down longer-term rates in the US and Germany



Source: Bloomberg

The Eurozone remains one of the primary risks to the outlook



Source: Statistical Office of the European Communities, Markit Economics





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