



FEDERAL
RESERVE
BANK
of ATLANTA

The National Economic Outlook

2013 Arkansas Economic Forecast
Conference

Little Rock, Arkansas

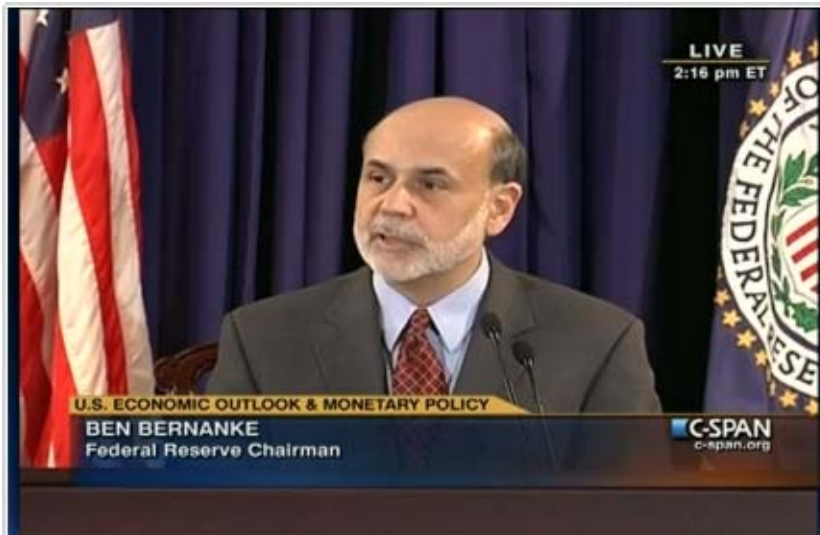
November 6, 2013

Monetary Policy: SOSO

... the Committee decided to continue purchasing additional agency mortgage-backed securities at a pace of \$40 billion per month and longer-term Treasury securities at a pace of \$45 billion per month.

FOMC statement; October 30, 2013

“**We have a three-part baseline** projection which involves increasing growth..., continuing gains in the labor market, and inflation moving back towards objective... **we’ll be looking to see if the data confirm that basic outlook.**”



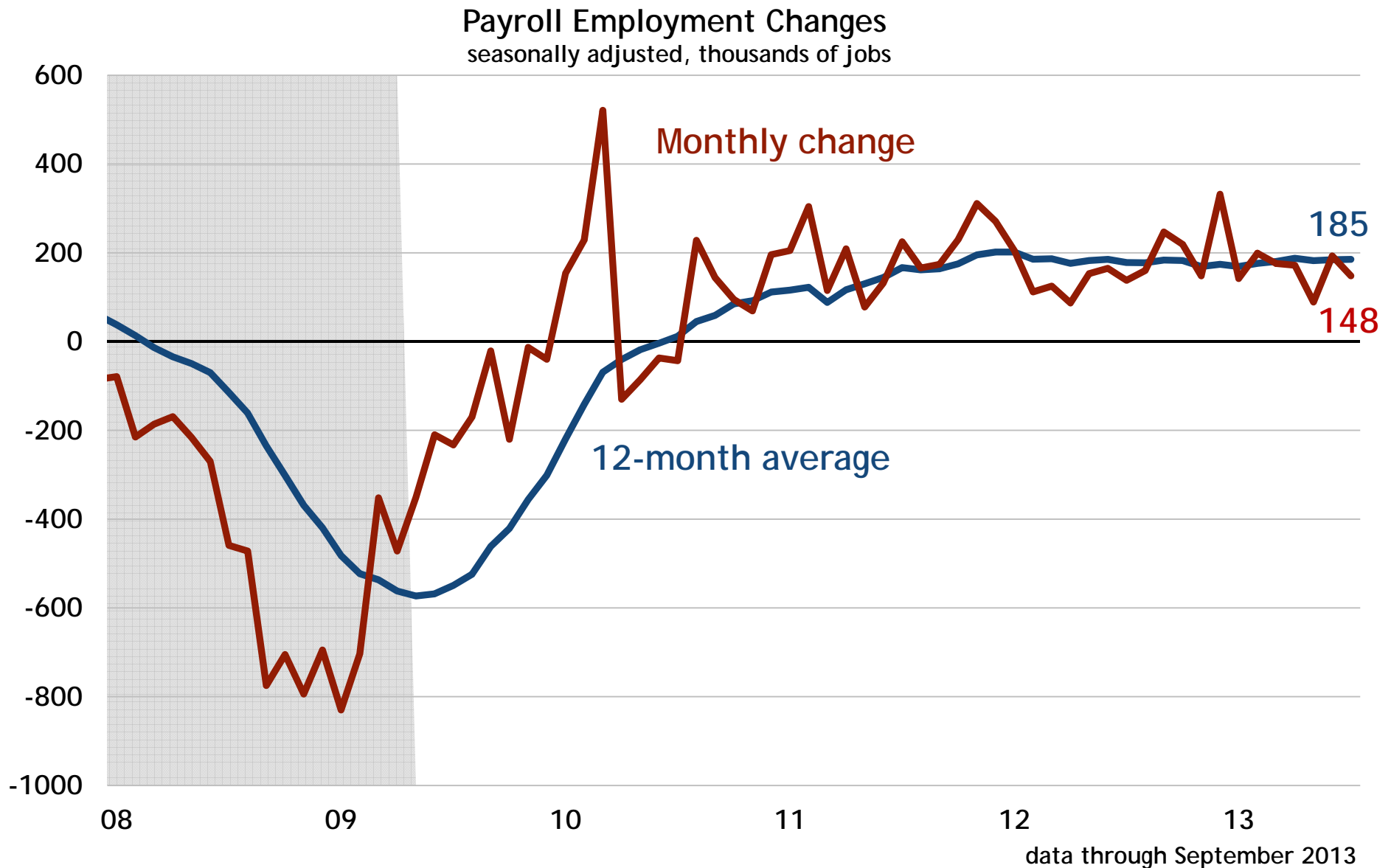
Chairman Ben Bernanke
September 18, 2013

“We have a three-part baseline projection which involves increasing growth..., **continuing gains in the labor market**, and inflation moving back towards objective... we’ll be looking to see if the data confirm that basic outlook.”

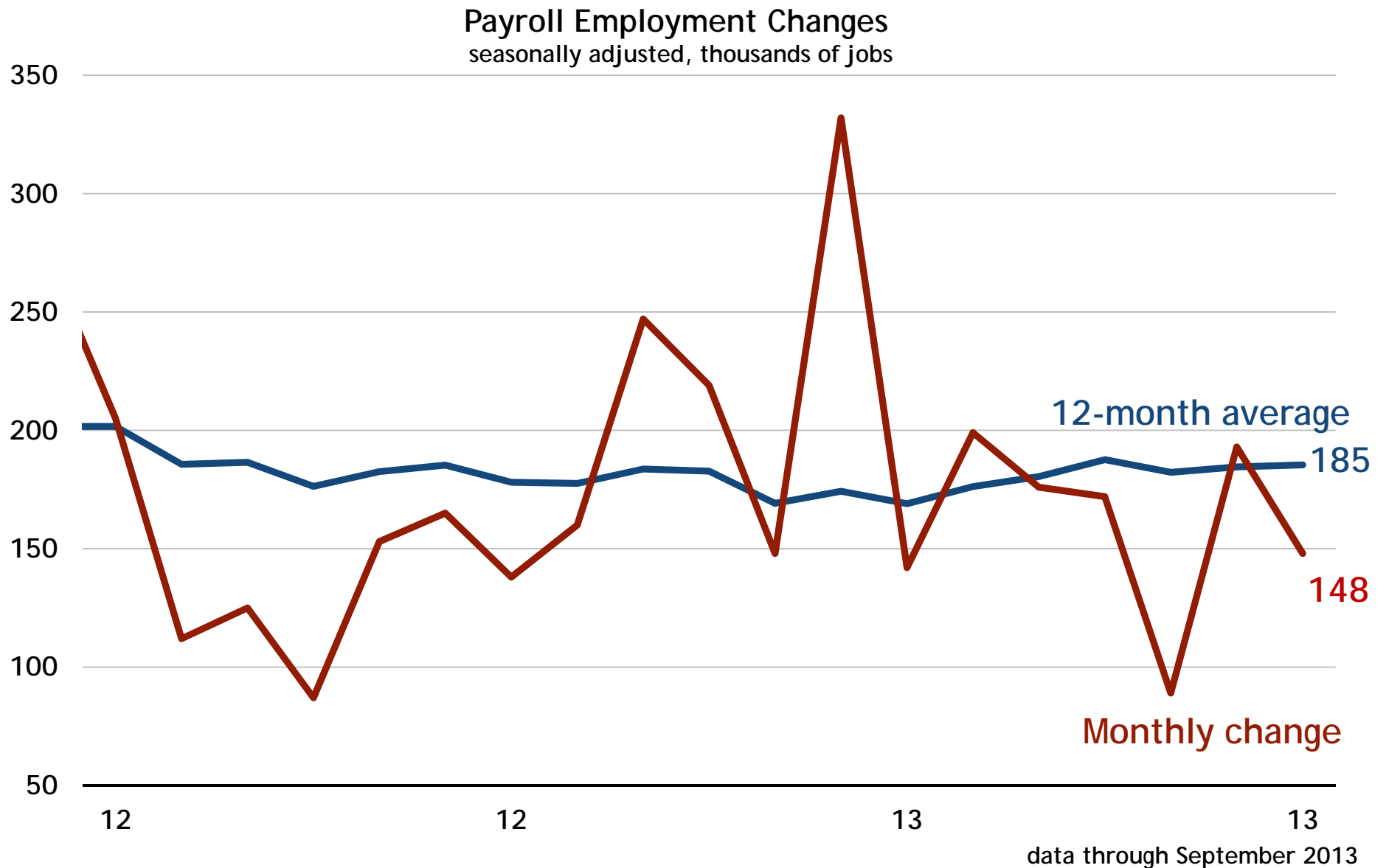


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The longer-term average of monthly employment growth continued near its two-year trend....

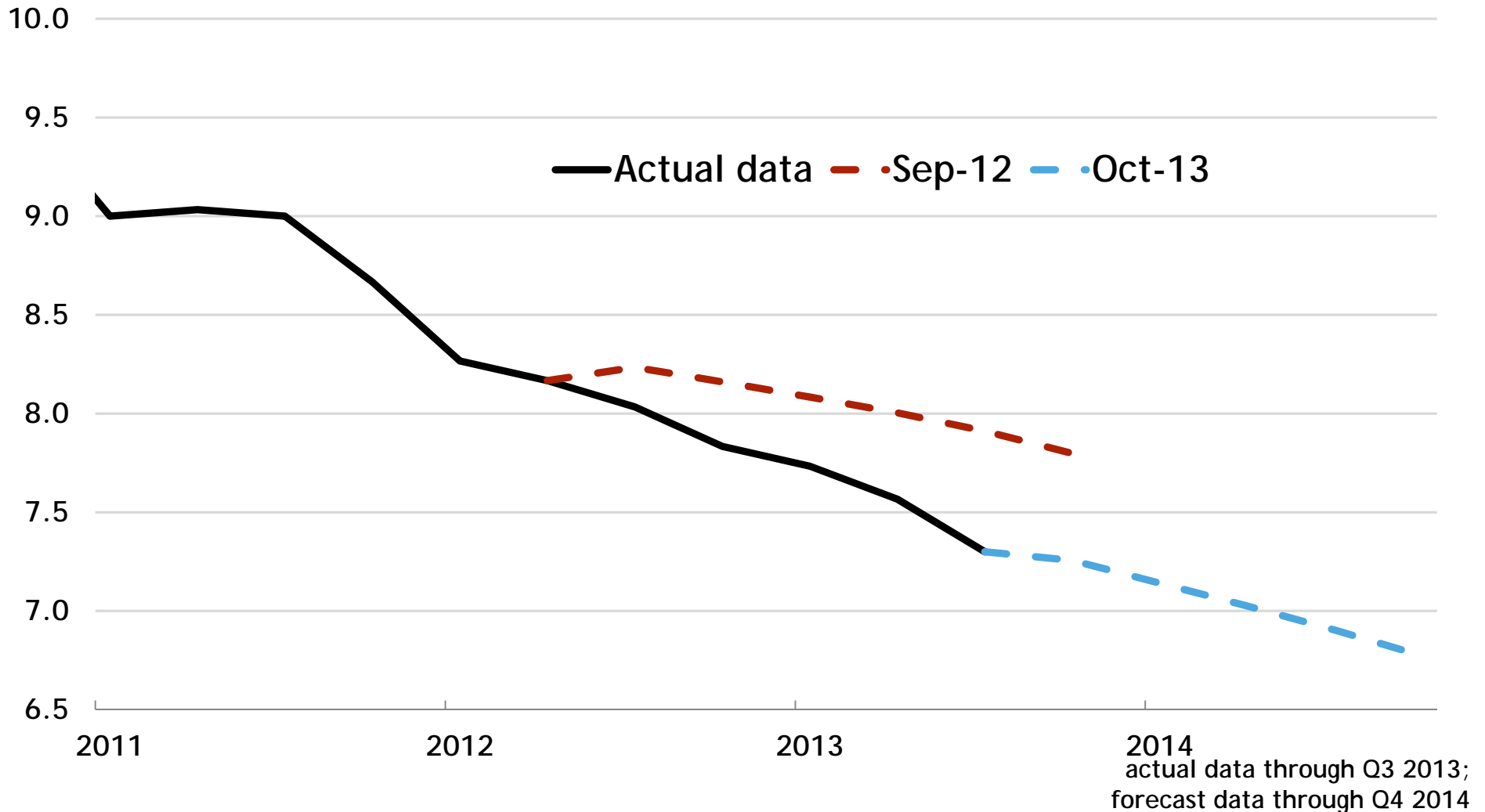


...but recent months have generally fallen short of that trend.



Job growth has been sufficient to drive the unemployment rate down beyond expectations.

Unemployment Rate: Actual and Blue Chip Consensus Forecasts
Percent, quarterly averages



Sources: Bureau of Labor Statistics; Blue Chip Economic Indicators, September 10, 2012 and October 10, 2013

The improving unemployment rate *has* been accompanied by continued declines in labor force participation.



Atlanta Fed Labor Market Progress Spider Chart

Leading
Indicators

Employer
Behavior

Utilization

Confidence

Leading Indicators

Temporary help services employment

Payroll

Vacancies (JOLTS)

Employer Behavior

Difficult to fill (NFIB)

Hires (JOLTS)

Initial claims

NFIB Hiring Plans

Work part time for economic reasons

Conference Board Job Availability

Job finding rate

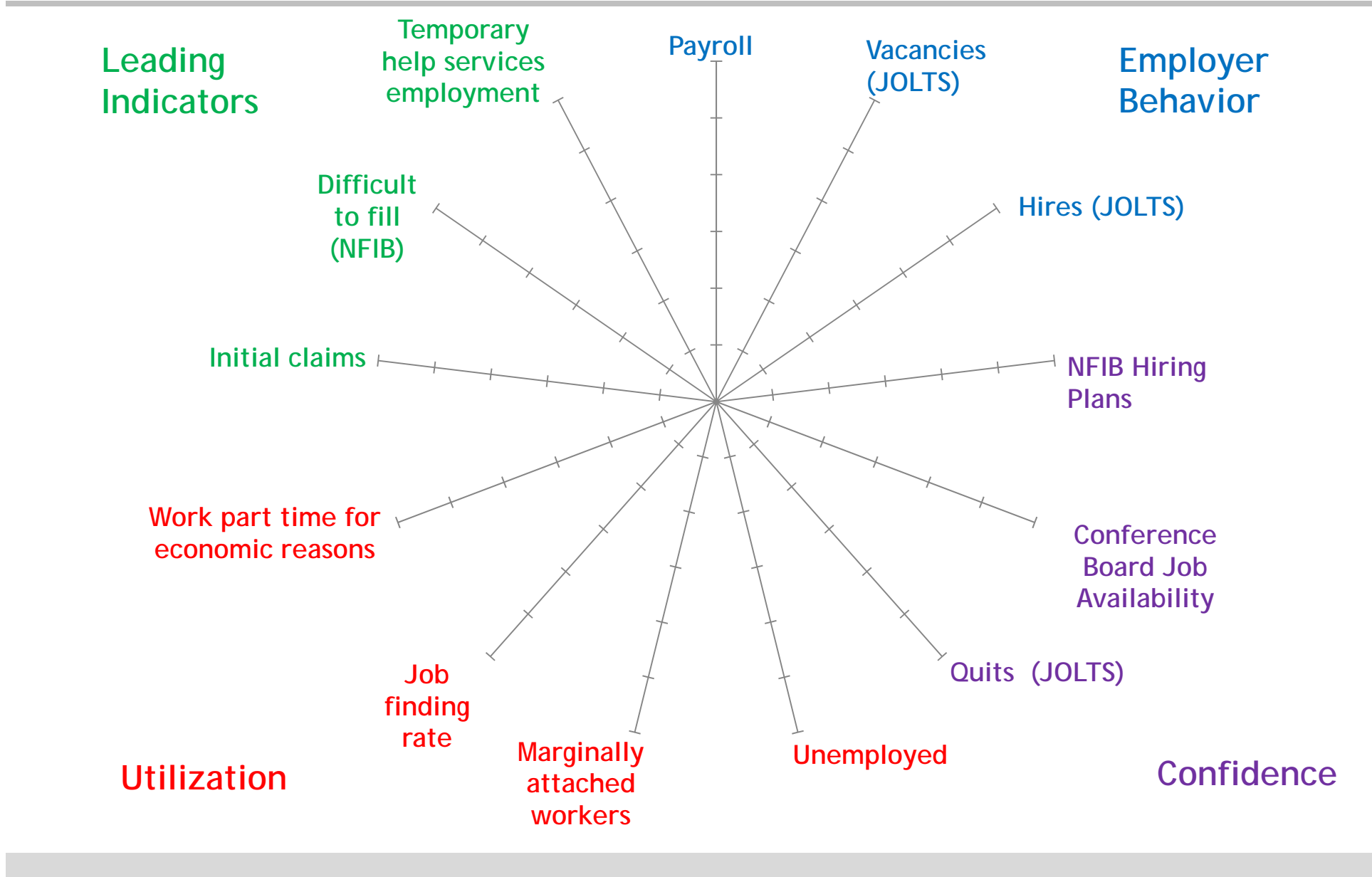
Quits (JOLTS)

Utilization

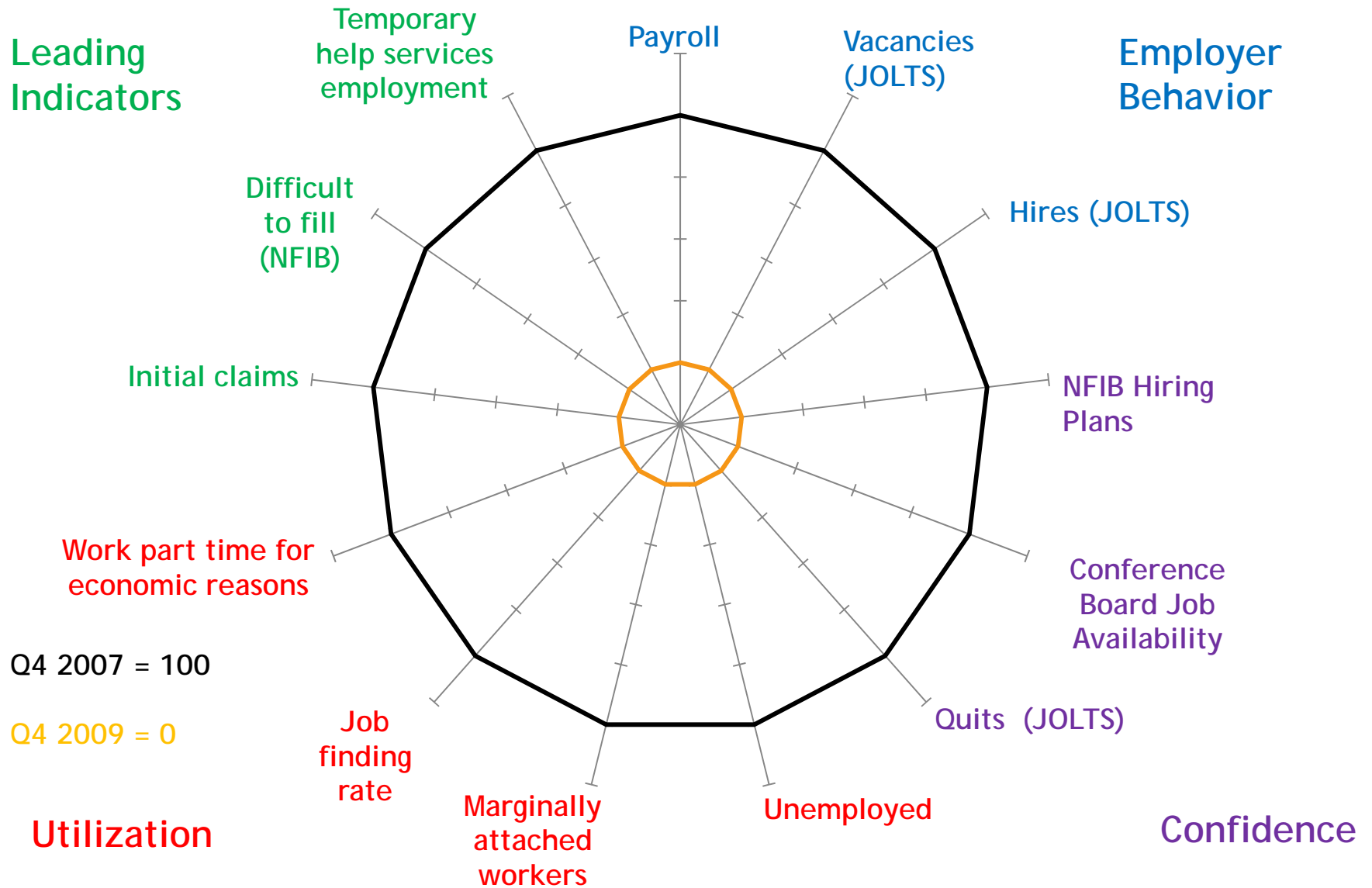
Marginally attached workers

Unemployed

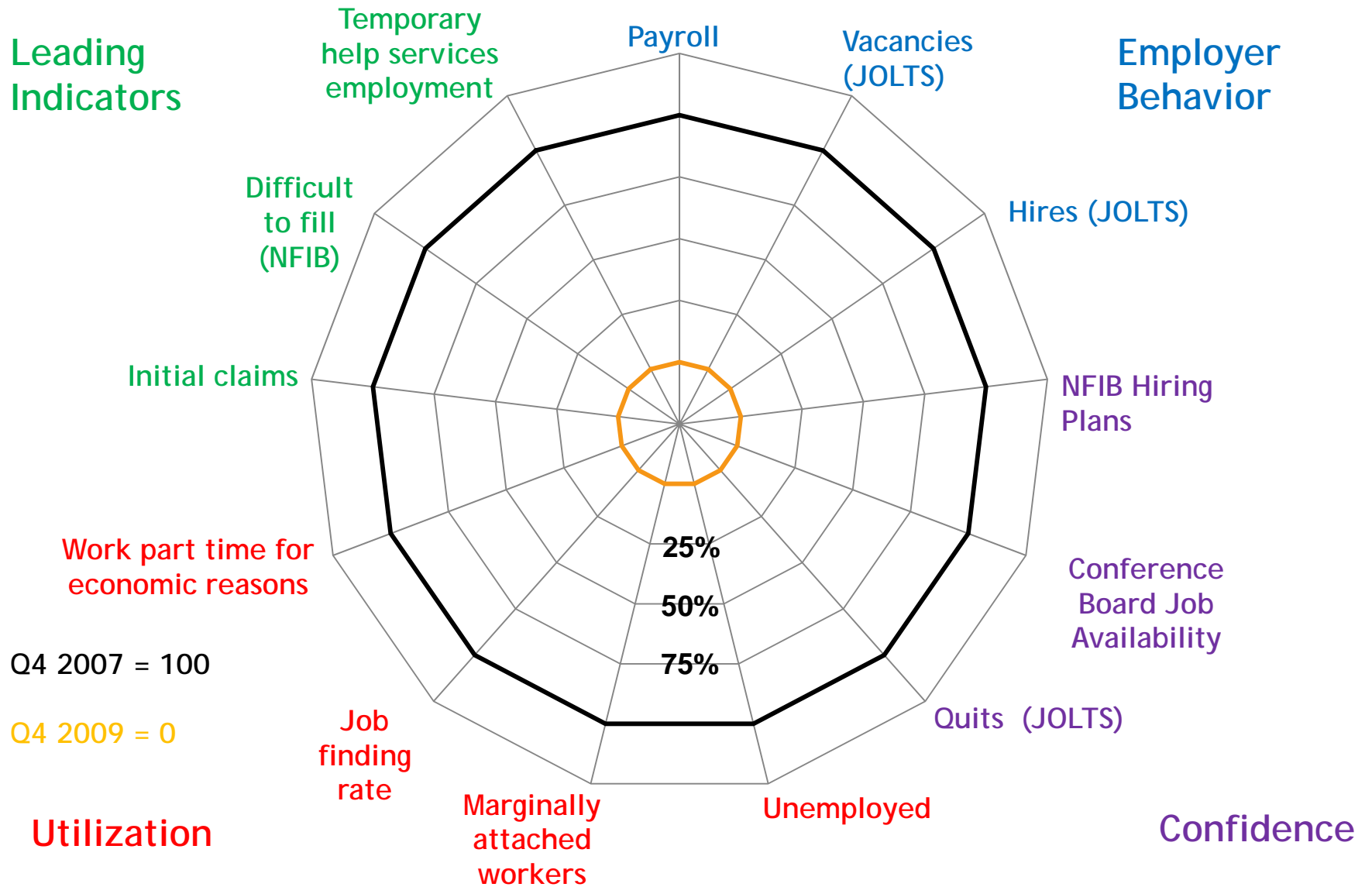
Confidence



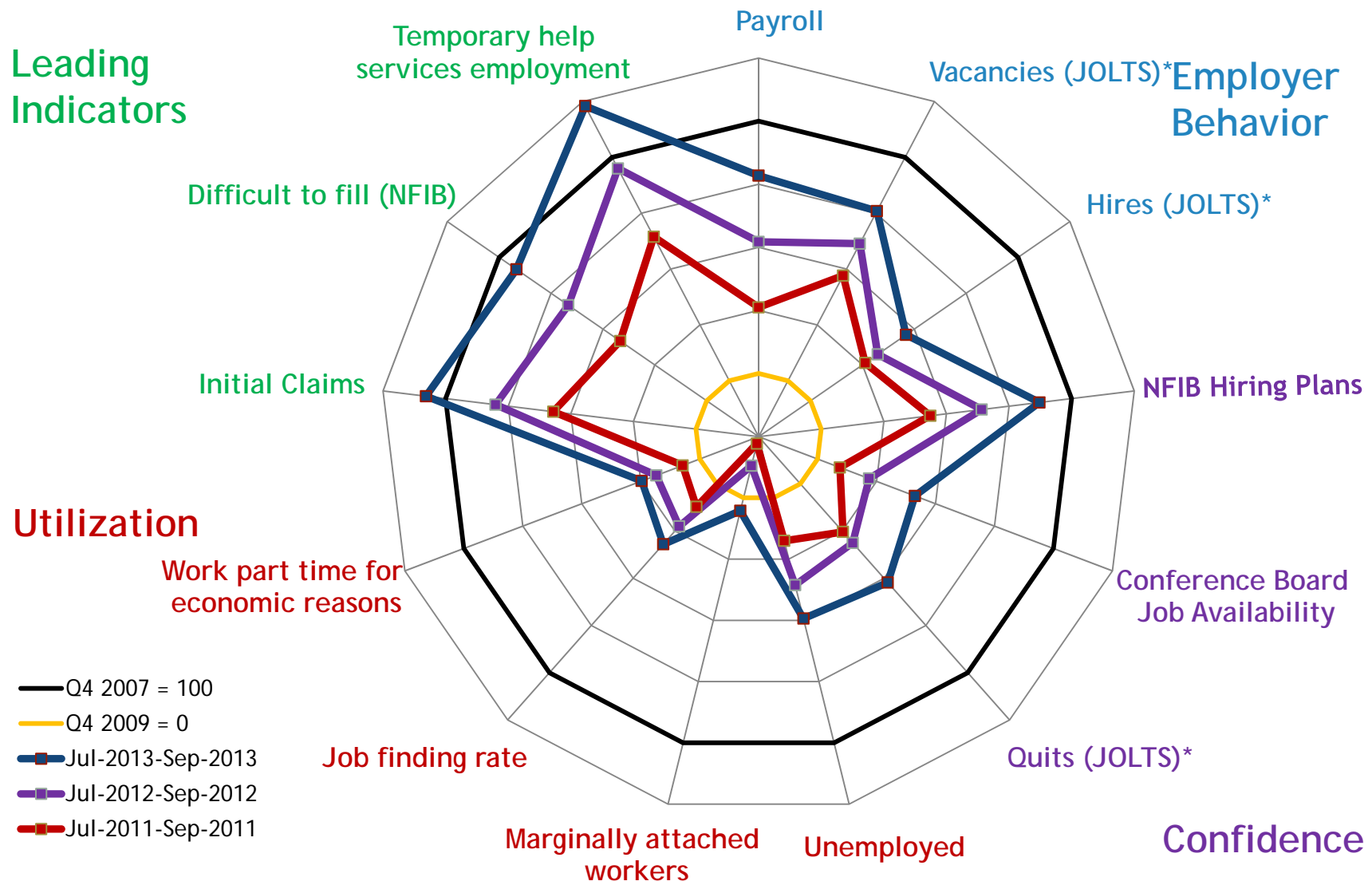
Atlanta Fed Labor Market Progress Spider Chart



Atlanta Fed Labor Market Progress Spider Chart



Labor market improvement: A mixed bag.



*Apr - June 2013 value is Mar - May 2013. **Apr - Jun 2013 value is Feb - Apr 2013.

Sources: FRB Atlanta, Bureau of Labor Statistics, National Federation of Independent Businesses, The Conference Board, and Department of Labor

through September 2013

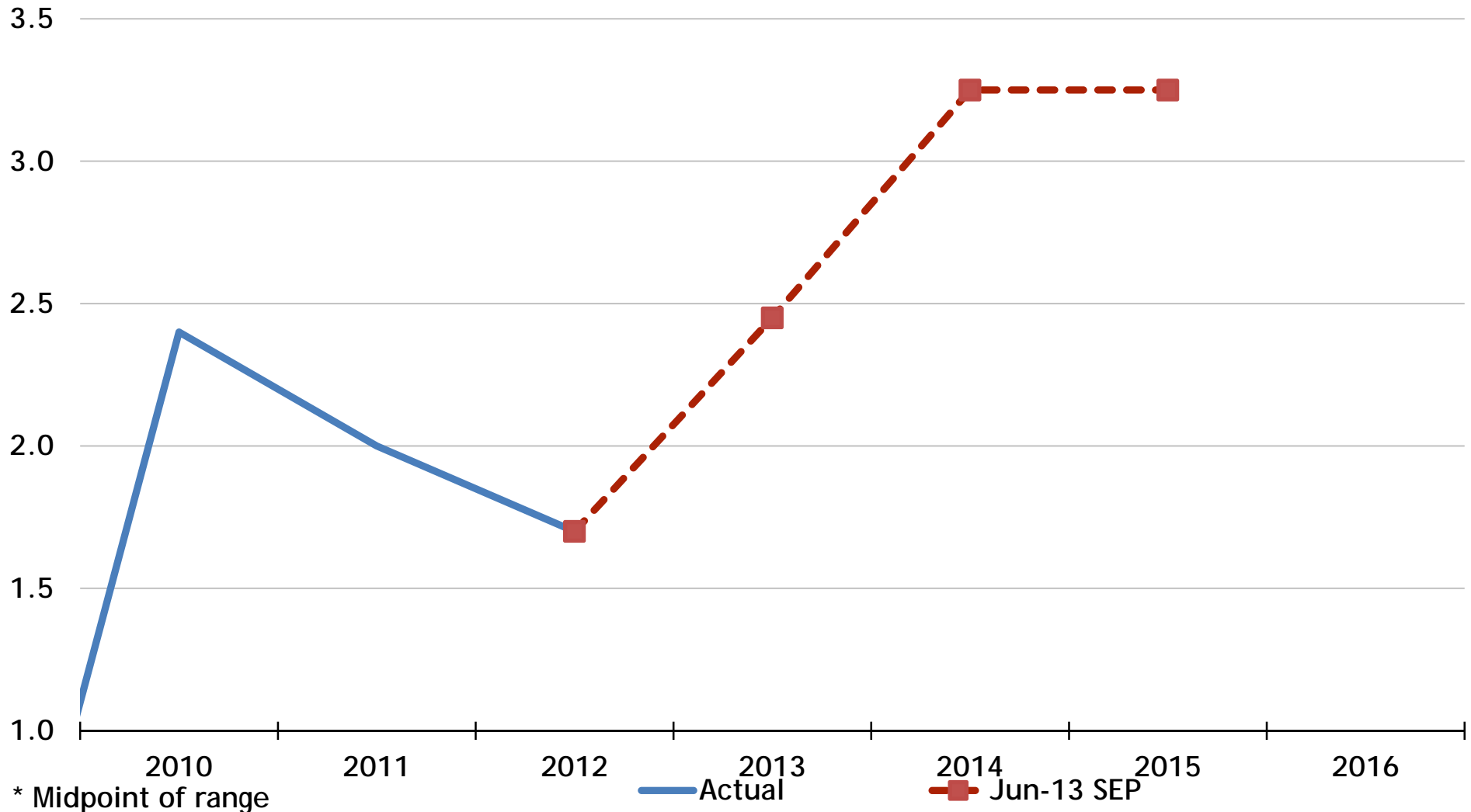
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The June *Summary of Economic Projections*: An anticipated bump in growth.

U.S. 4Q GDP Growth
year-over-year, percent change

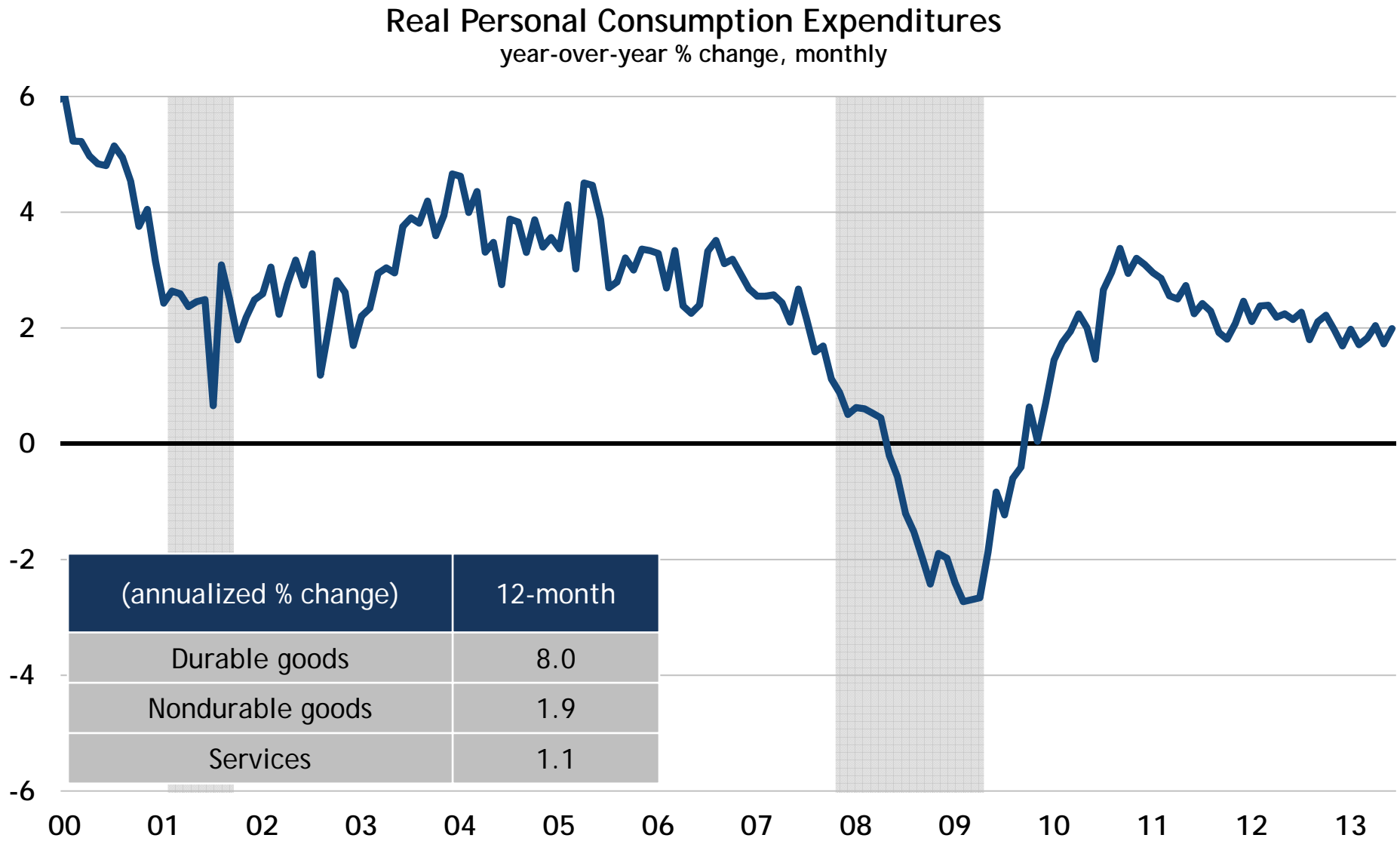


Tracking estimates for real GDP do not yet suggest an acceleration in growth.

2013Q3 Tracking Forecasts

Reported Real GDP and 2013:III,IV Forecast				
	Q1 actual	Q2 Actual	Macroeconomic Advisers 3 rd Quarter Tracking Model Forecast	Macroeconomic Advisers 4 th Quarter Tracking Model Forecast
Annualized Real GDP Growth	1.1	2.5	2.6	1.7

The trend growth in overall consumer spending remains near 2%--just a shade under its recovery average.

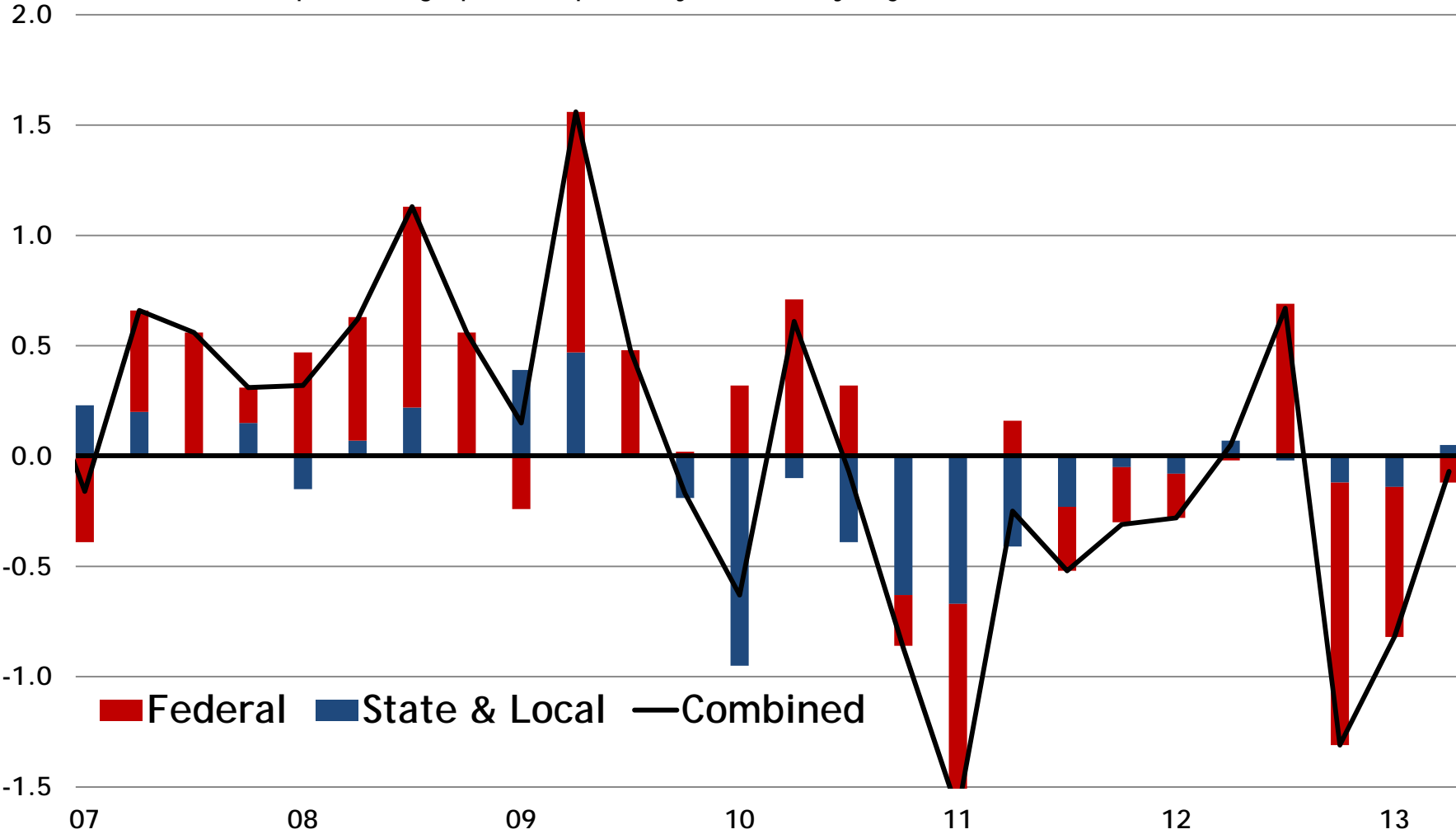


Source: Bureau of Economic Analysis

through August 2013

Since the end of the recession, the government sector has subtracted an average 0.32 percentage points from GDP growth each quarter.

Contributions from Federal and State & Local Government to GDP Growth
percentage points, quarterly, seasonally adjusted annualized rate



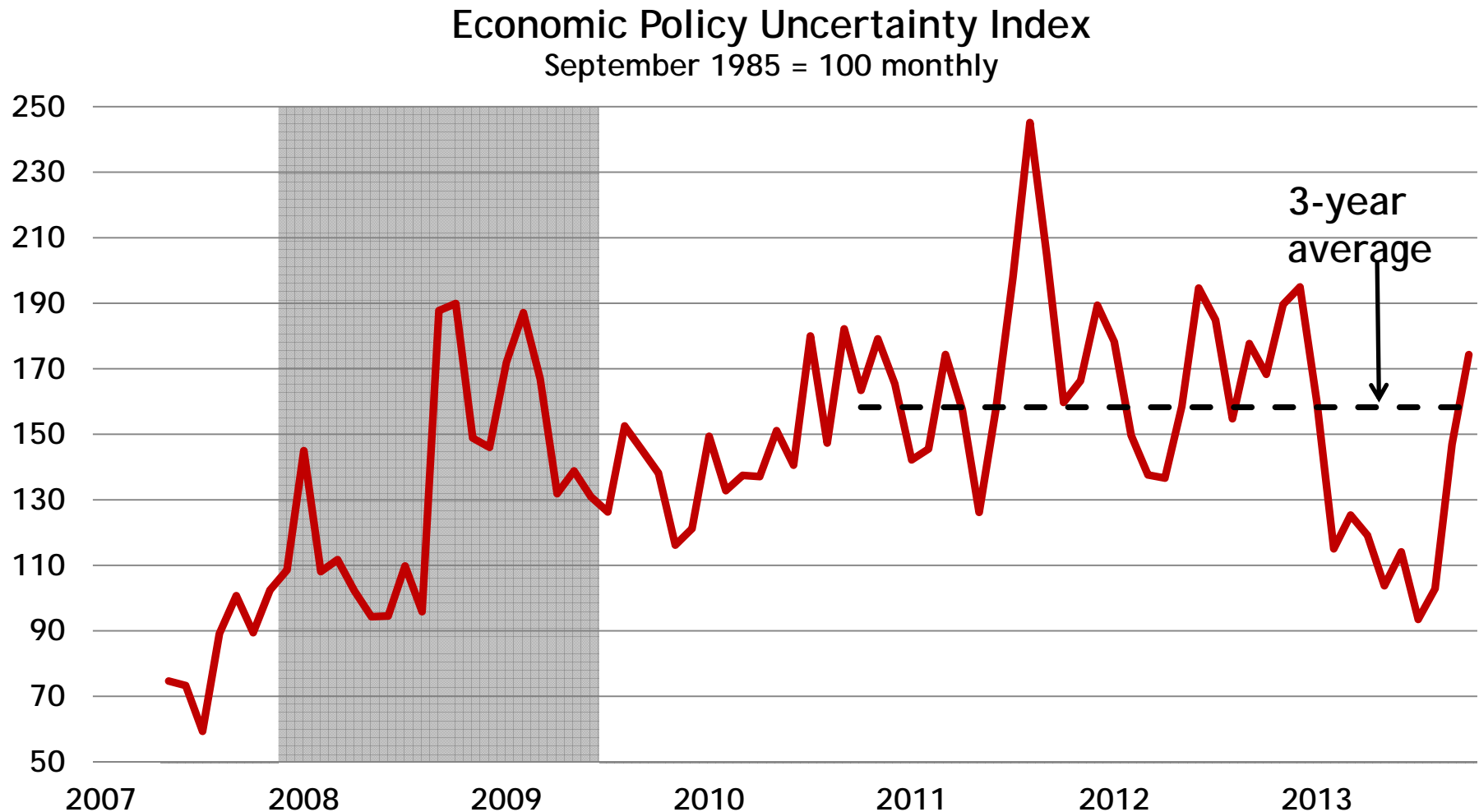
Source: Bureau of Economic Analysis

through Q2-13

Question: What is the largest source of uncertainty affecting business decisions?



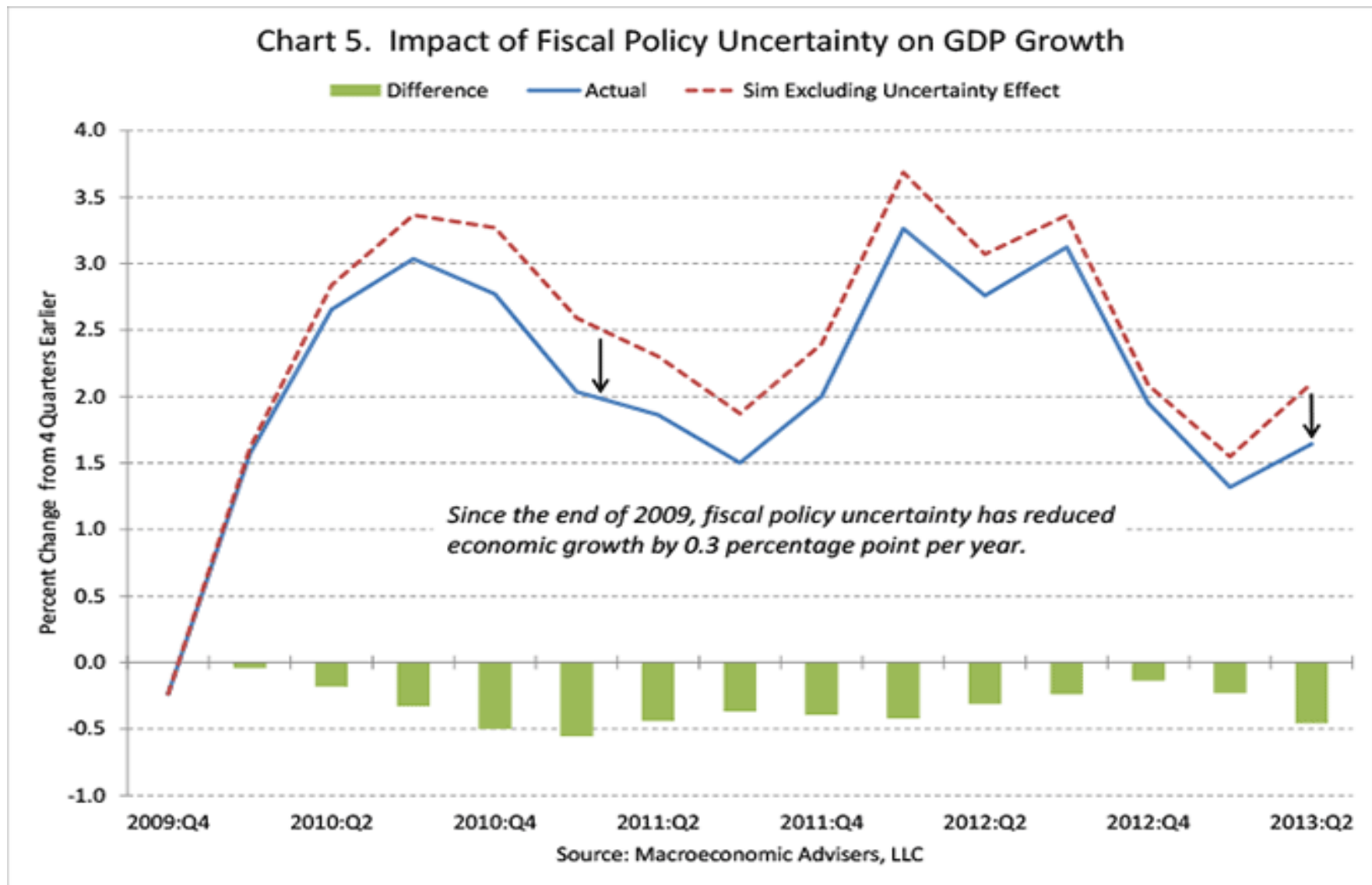
The Economic Policy Uncertainty Index was approaching pre-recession levels until September 2013, when it increased to the highest point since December 2012.



Source: PolicyUncertainty.com

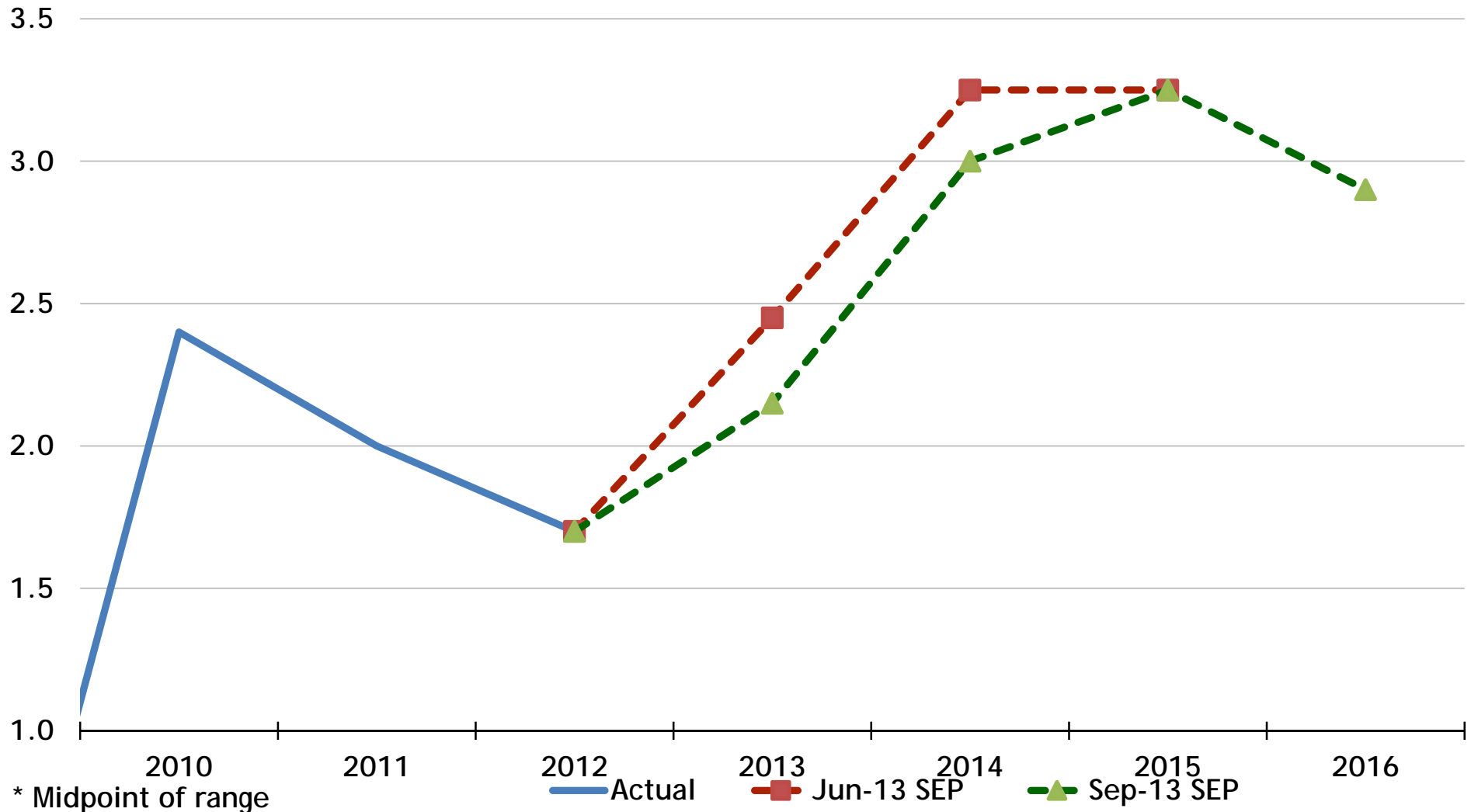
through October 2013

Estimates suggest a significant negative impact of uncertainty on GDP growth.



The September *Summary of Economic Projections*: A downward revision

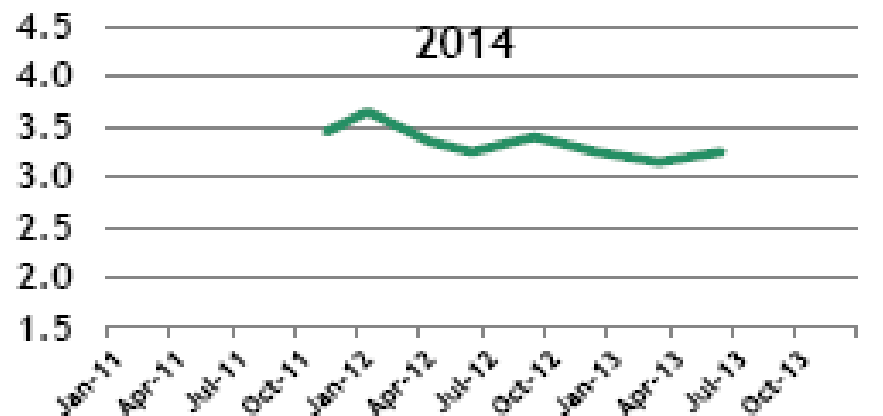
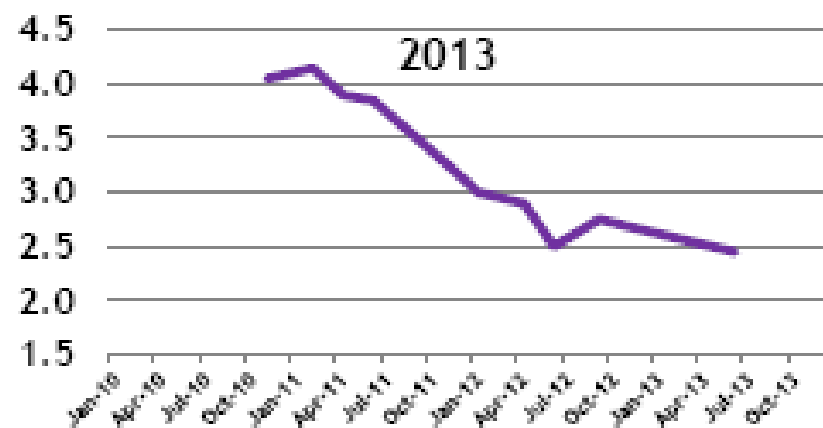
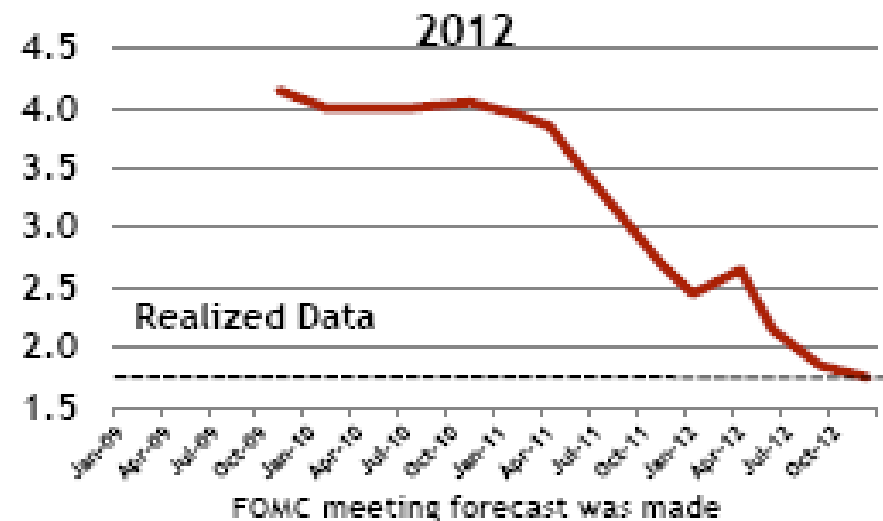
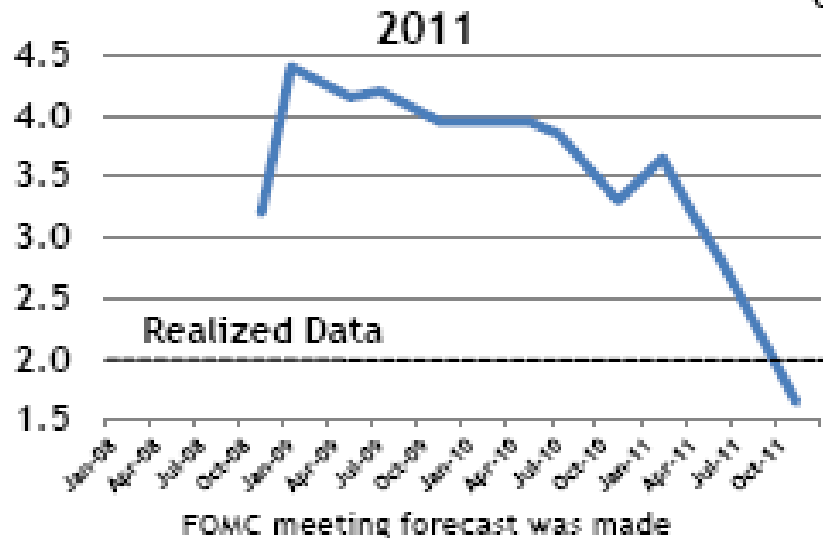
U.S. 4Q GDP Growth
year-over-year, percent change



The definition of insanity: A clear record of overly optimistic growth forecasts.

FOMC* Real GDP Forecasts

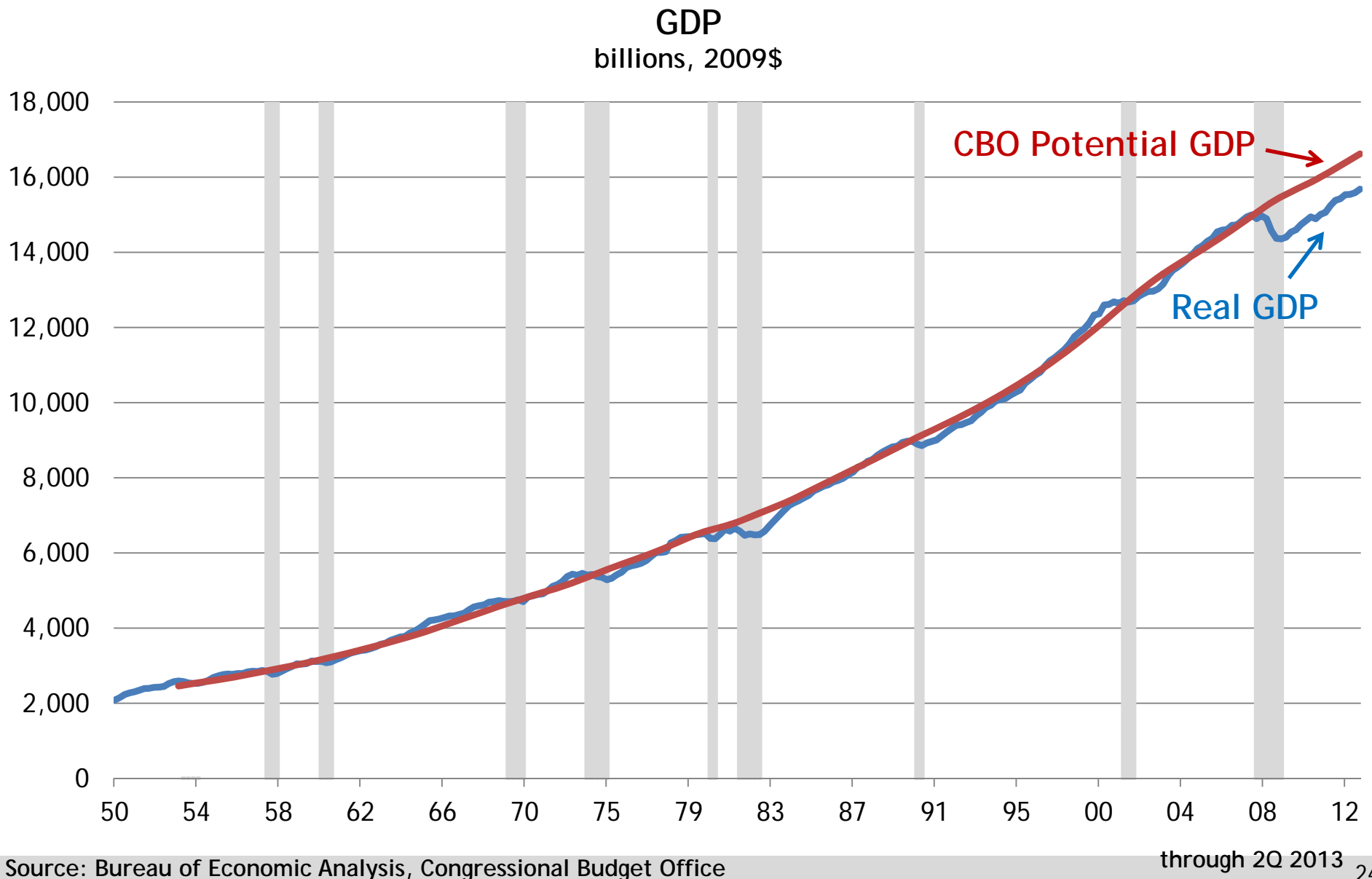
Q4/Q4 % change



* Midpoint of range

Source: Federal Open Market Committee

The gap that won't go away: Time for a different storyline?



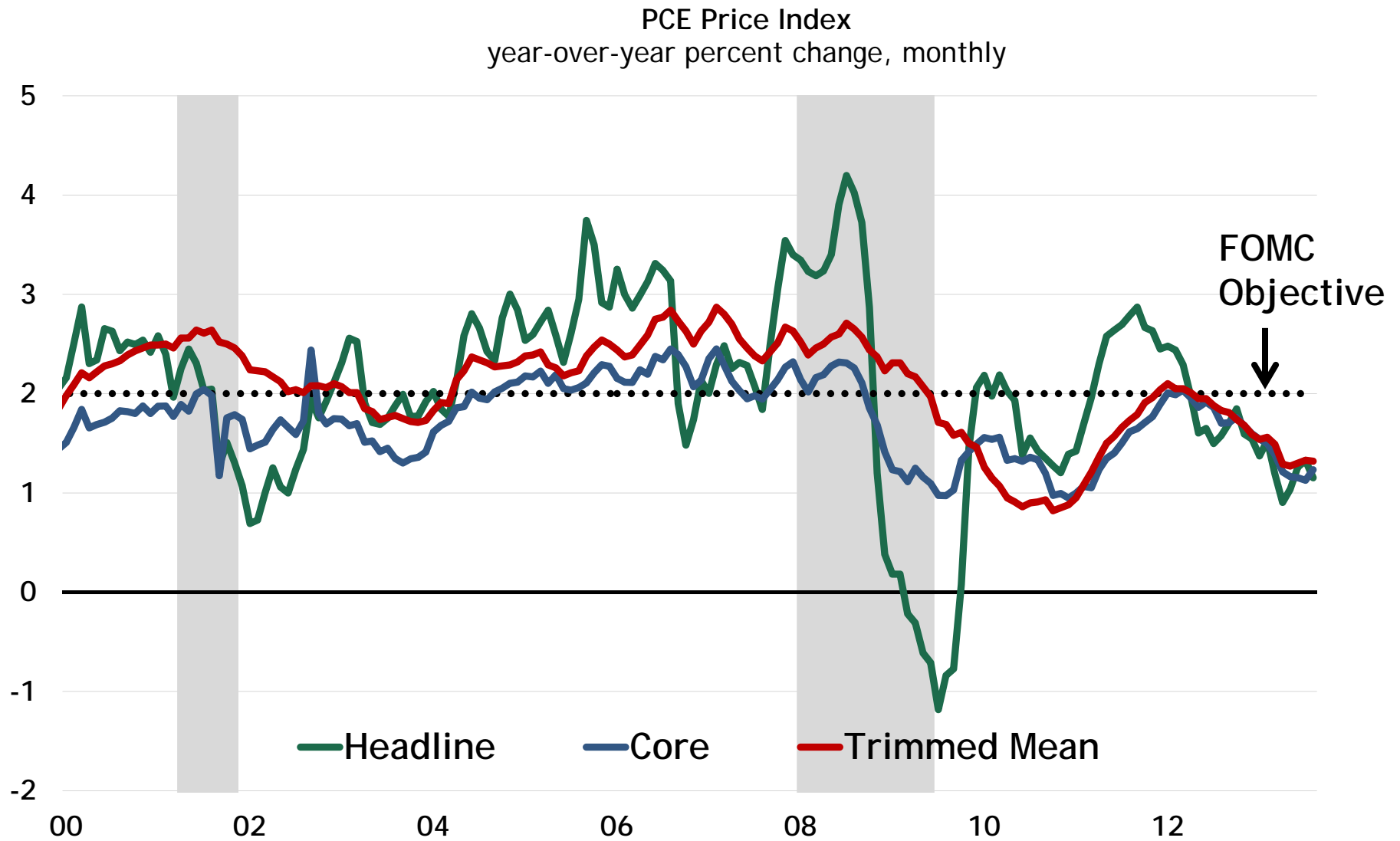
Source: Bureau of Economic Analysis, Congressional Budget Office

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The inflation trend remains well short of 2%.



Sources: Bureau of Economic Analysis and Dallas Fed

through August 2013



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