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Global Uncertainty and U.S. Exports

By Nicholas Sly

In recent years, demand for U.S. exports has been soft, dragging down U.S. economic growth. Some of the reduced demand for U.S. exports can be attributed to changes in foreign income levels and the value of the dollar. But another, less obvious factor influencing the demand for U.S. goods is uncertainty about foreign growth and financial volatility.

Nicholas Sly constructs a measure of uncertainty for U.S. trading partners and estimates how changes in foreign uncertainty influence foreign demand for U.S. exports. He finds that periods of greater uncertainty and financial volatility are associated with substantially lower demand for U.S. goods. Moreover, he finds that changes in uncertainty and volatility have been relatively more important determinants of U.S. exports in recent years. The results suggest that if foreign growth expectations stabilize—even if they remain relatively weak—U.S. export activity will likely increase.

Consumption Growth Regimes and the Post-Financial Crisis Recovery

By Andrew Foerster and Jason Choi

The financial crisis and recession of 2007–09 hit household balance sheets hard. Even as the economy began to recover, diminished income, a stagnant labor market, and tight credit conditions made it difficult for households to increase their consumption as rapidly as they had a few years earlier. Indeed, consumption has grown more slowly after the Great Recession than in recoveries from previous recessions, suggesting a fundamental shift in the economy.

Andrew Foerster and Jason Choi compare consumption growth's historical behavior with its behavior during the most recent recovery. The authors find that the recent period of slow consumption growth was due not to new or transitory factors but rather the persistent influence of factors unusual to see outside recessions. They find that durables and nondurables consumption behaved much as they did during previous recoveries; total and services consumption, however, grew more slowly than usual throughout the expansion.

Has the Relationship between Bank Size and Profitability Changed?

By Kristen Regehr and Rajdeep Sengupta

In recent years, community bankers and industry analysts have become concerned that small banks may need to grow larger to be successful. New electronic banking platforms—along with new regulations introduced after the 2007–09 financial crisis and recession—have increased fixed costs for all banks, which could place smaller banks at a competitive disadvantage relative to their larger competitors.

Kristen Regehr and Rajdeep Sengupta examine whether the relationship between bank size and profitability has changed since the financial crisis. They find that the relationship has remained stable over time: both before and after the crisis, profitability increased with bank size but at a decreasing rate. Moreover, they find that banks need not grow larger to be successful: in achieving higher profitability, small differences in bank- and market-specific factors are equivalent to large differences in size.

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