

U.S. Economic Outlook and Monetary Policy



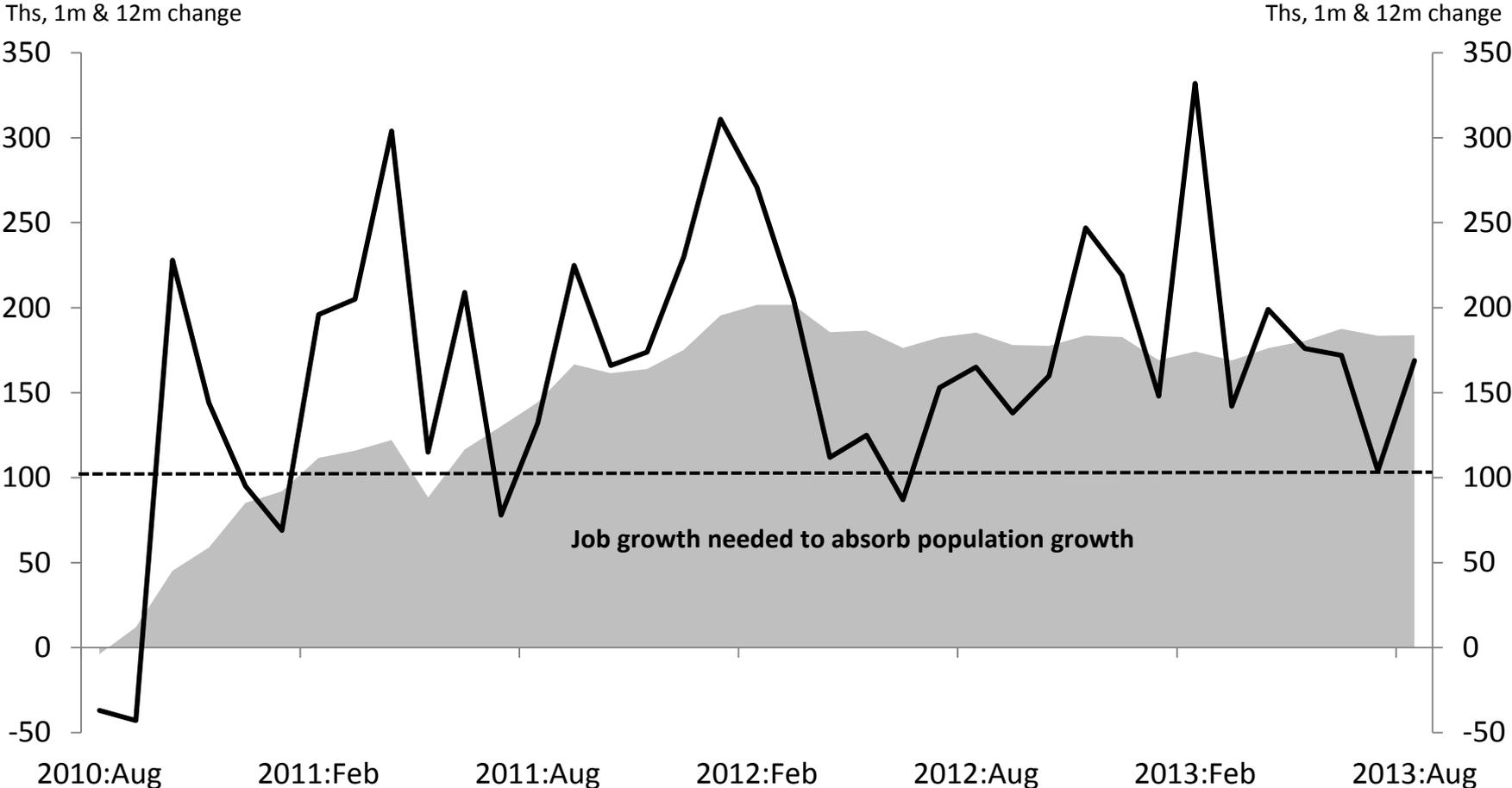
Oklahoma Economic Forums September 2013

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U.S. Summary

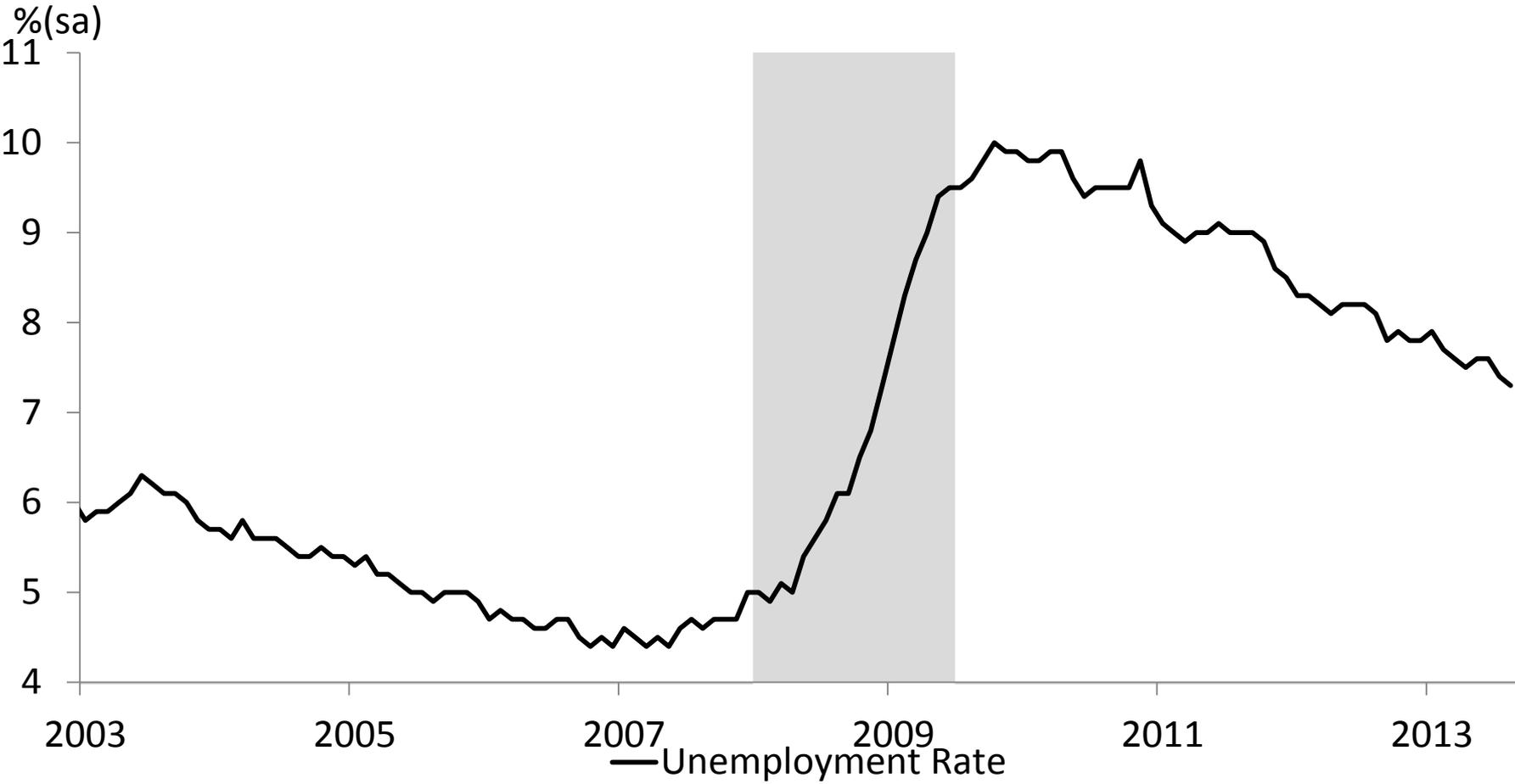
- Moderate growth continues, driven by improving labor markets and rising household wealth (stock market and home prices), and unwinding of headwinds.
- Fiscal policy, including uncertainty about a CR and debt ceiling, is restraining economic growth.
- Inflation remains below the 2 percent goal.

Employment growth continues at about a 185k monthly pace



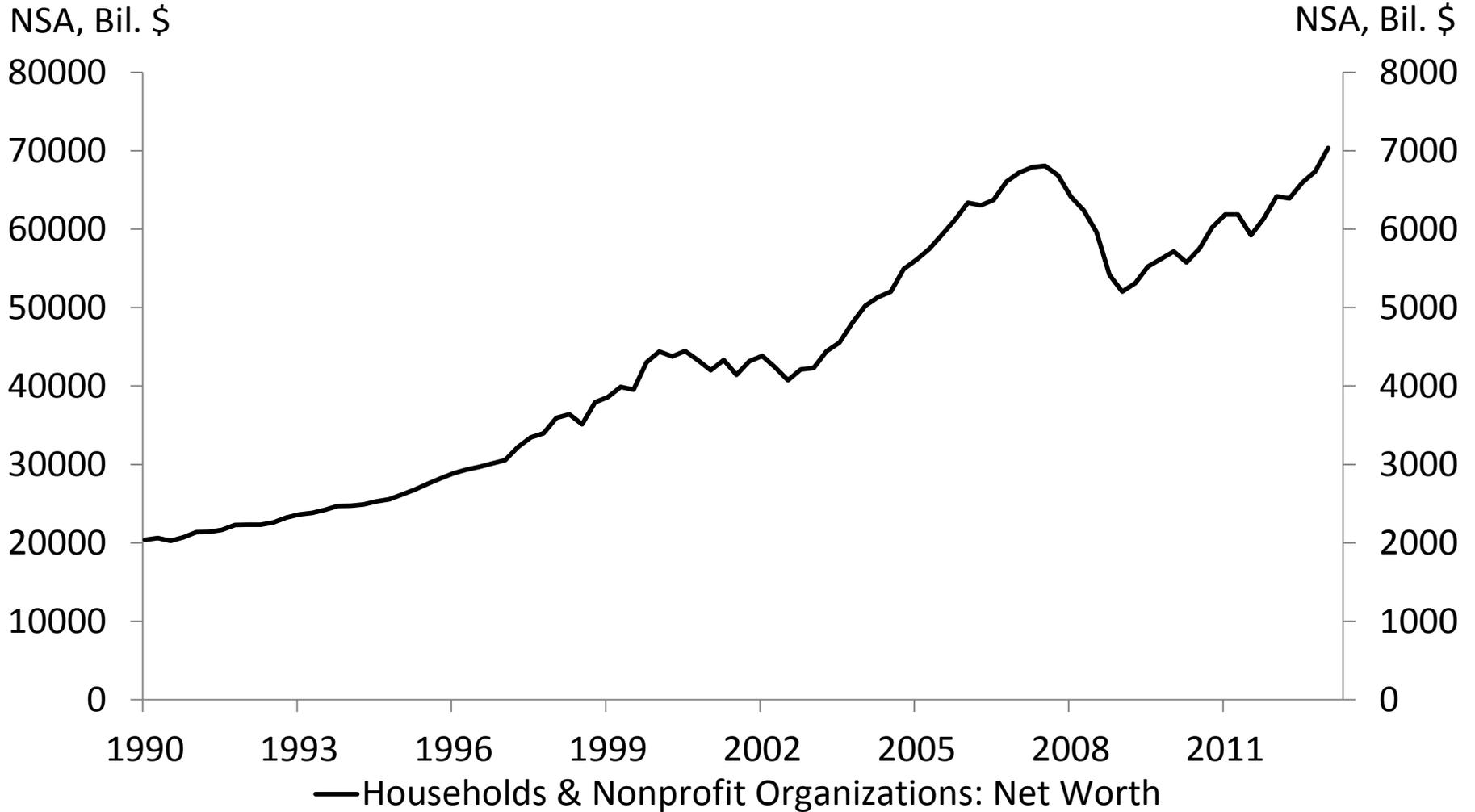
Source: Bureau of Labor Statistics, Haver Analytics

The unemployment rate continues to decline



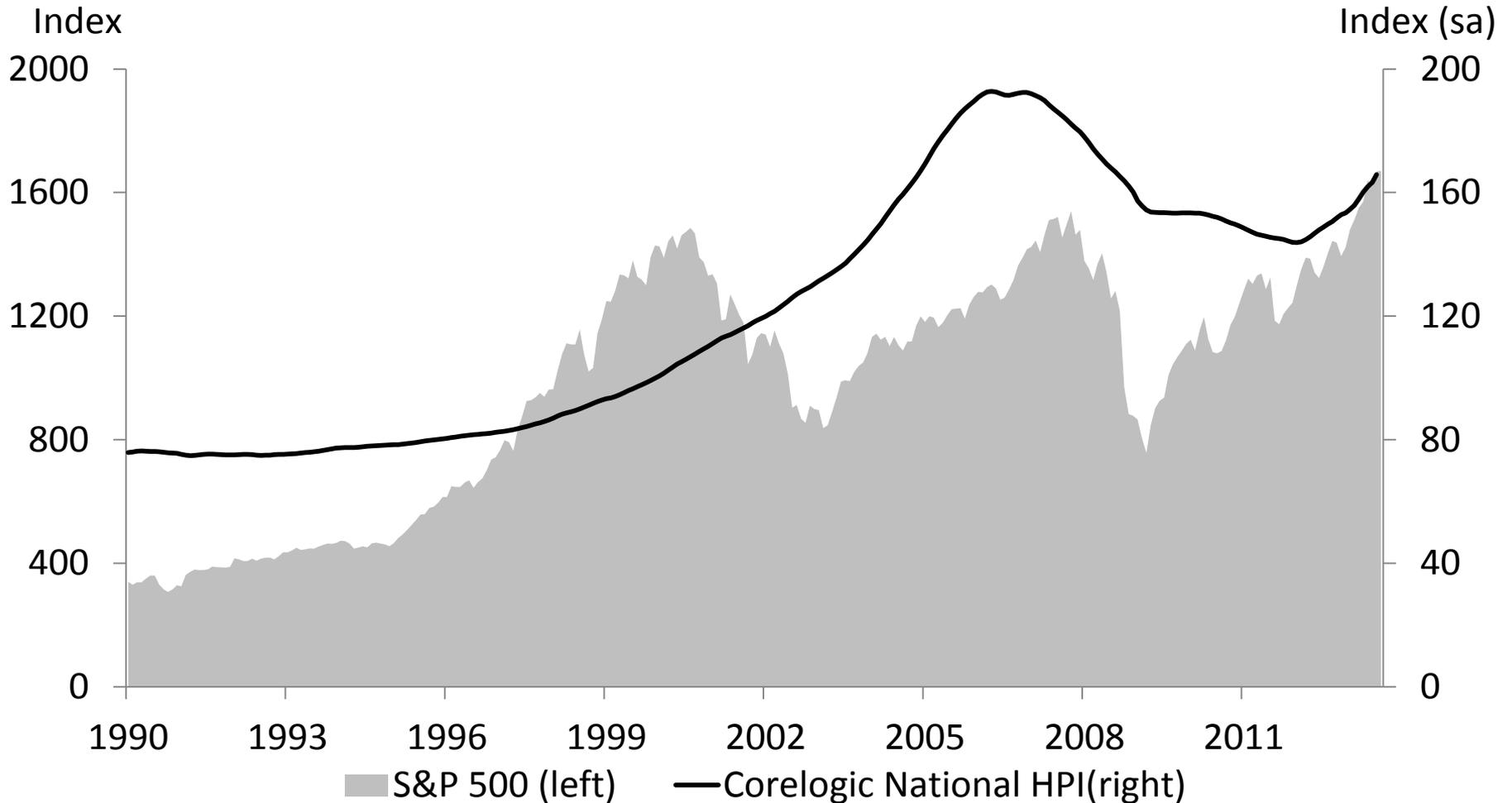
Source: Bureau of Labor Statistics, Haver Analytics

Household wealth has been rising ...



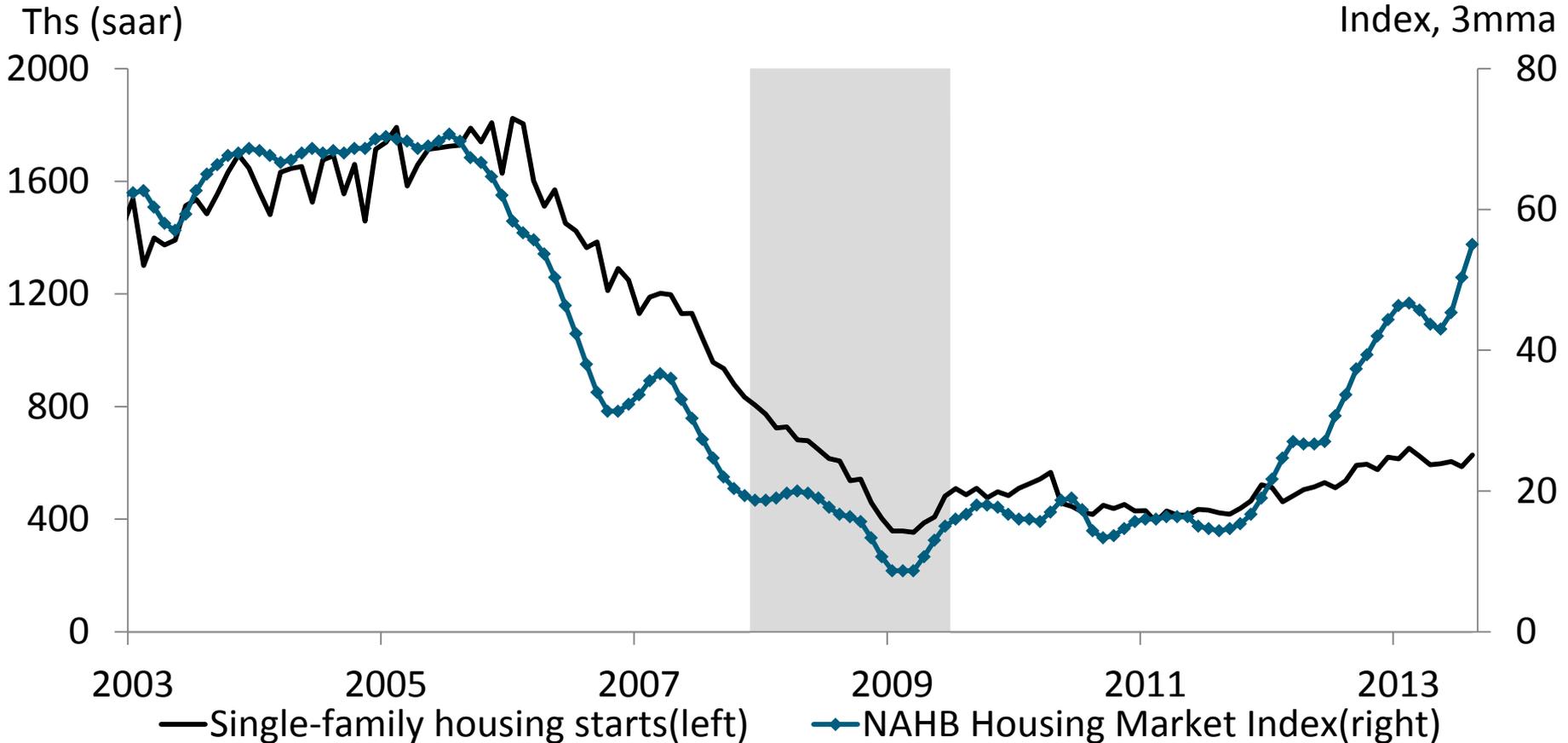
Source: Federal Reserve Board, Haver Analytics

... driven by a rebound in stock prices and home prices



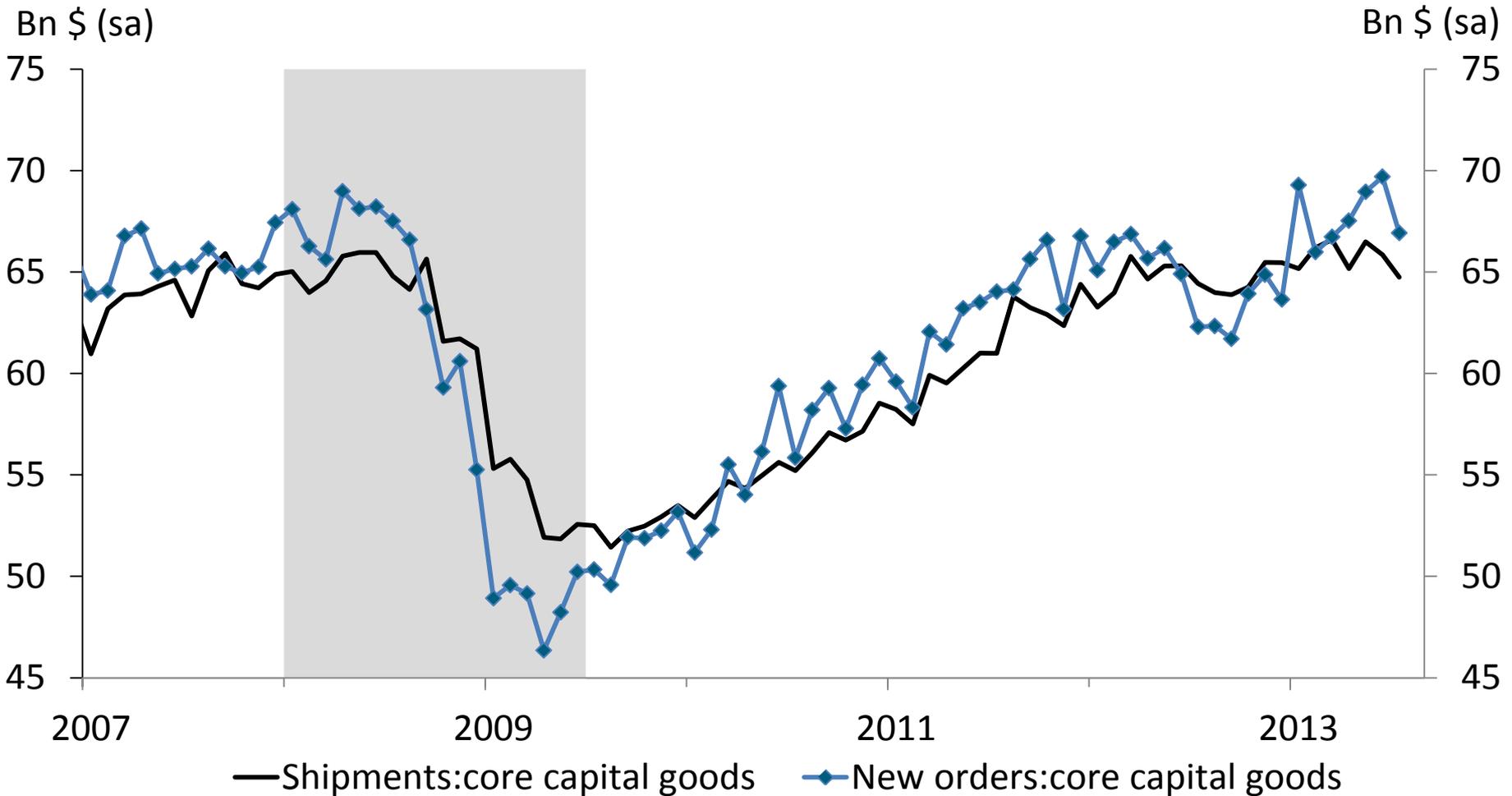
Source: Freddie Mac, Haver Analytics

Home builder confidence continues to rise, though single-family building activity remains flat



Source: Census Bureau, National Association of Home Builders, Haver Analytics

As a positive sign for investment, new orders for capital goods continue to outpace shipments



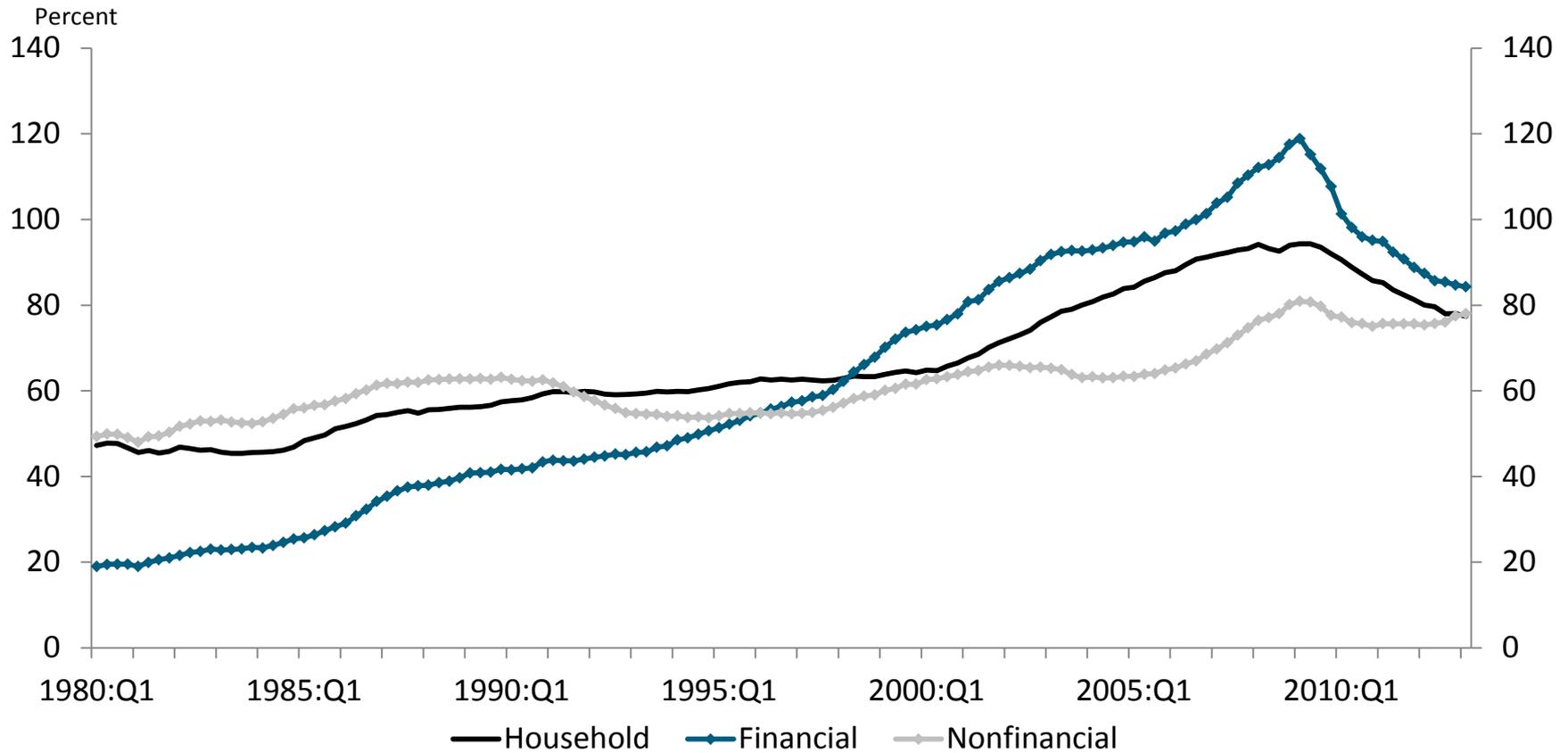
Source: Census Bureau, Haver Analytics

Reduction of headwinds

- Fiscal drag
- Deleveraging

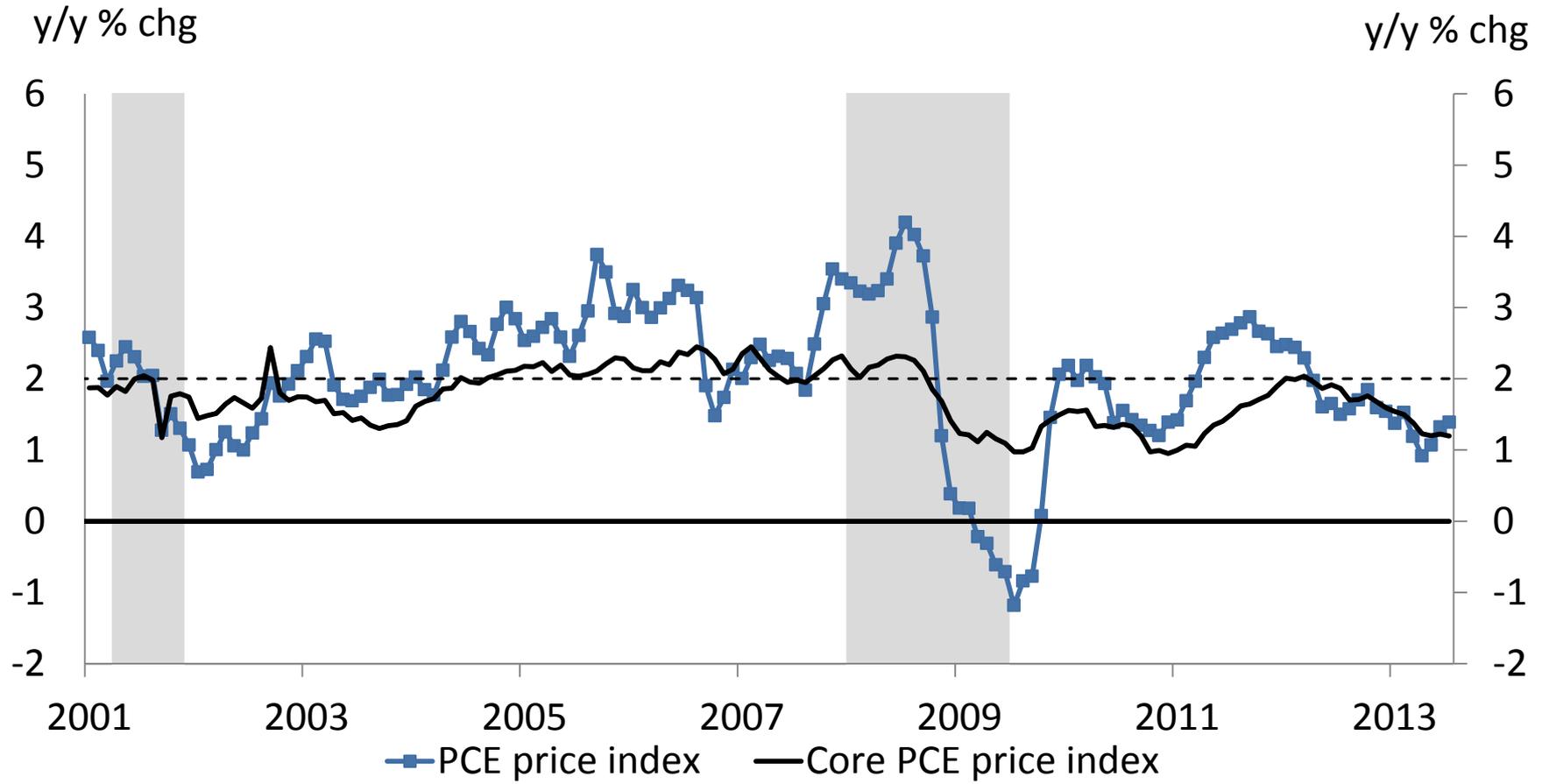
We have made progress in deleveraging

Debt to GDP



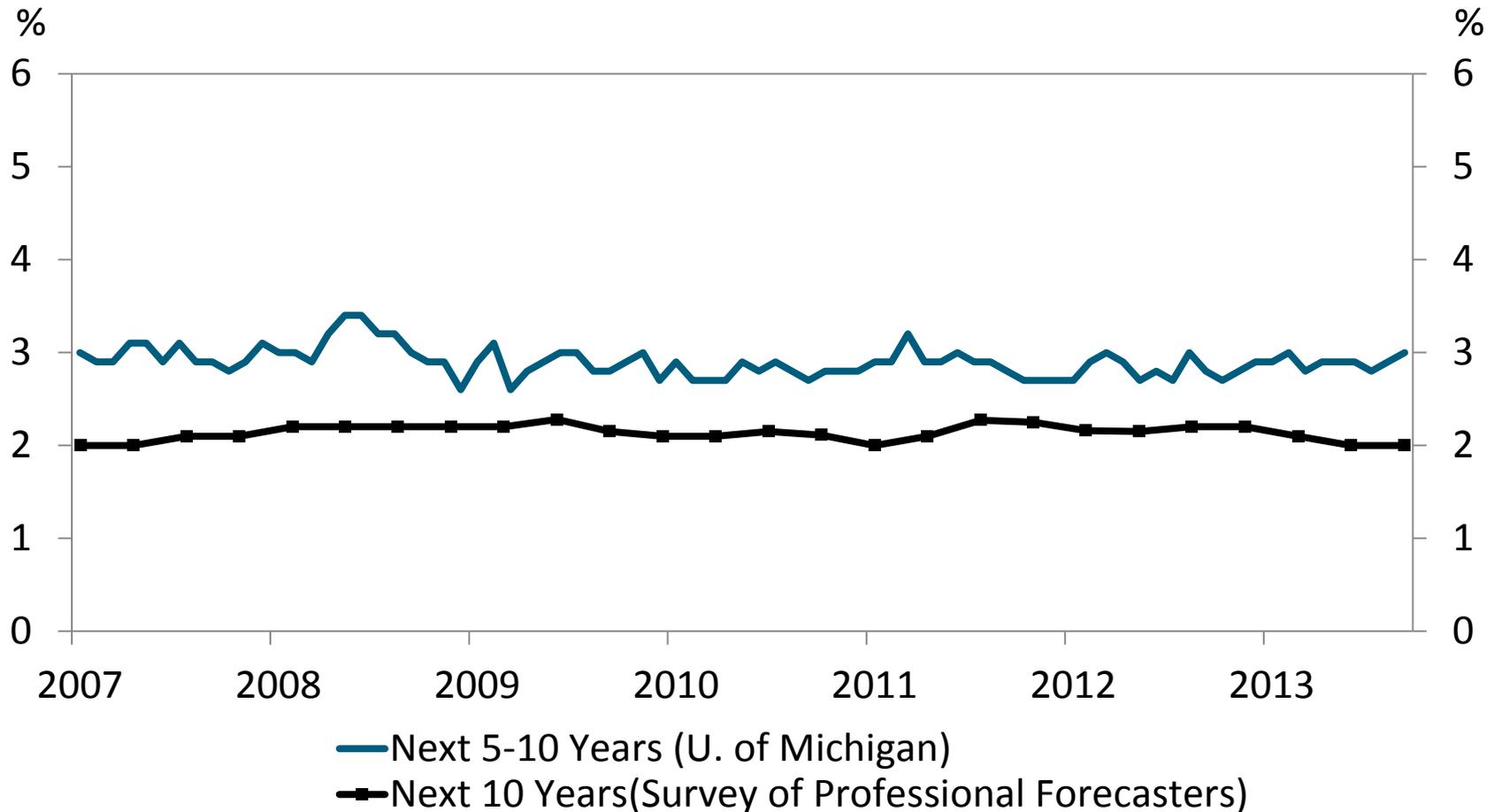
Source: Federal Reserve Board, Haver Analytics

Inflation remains below the FOMC's 2% objective.



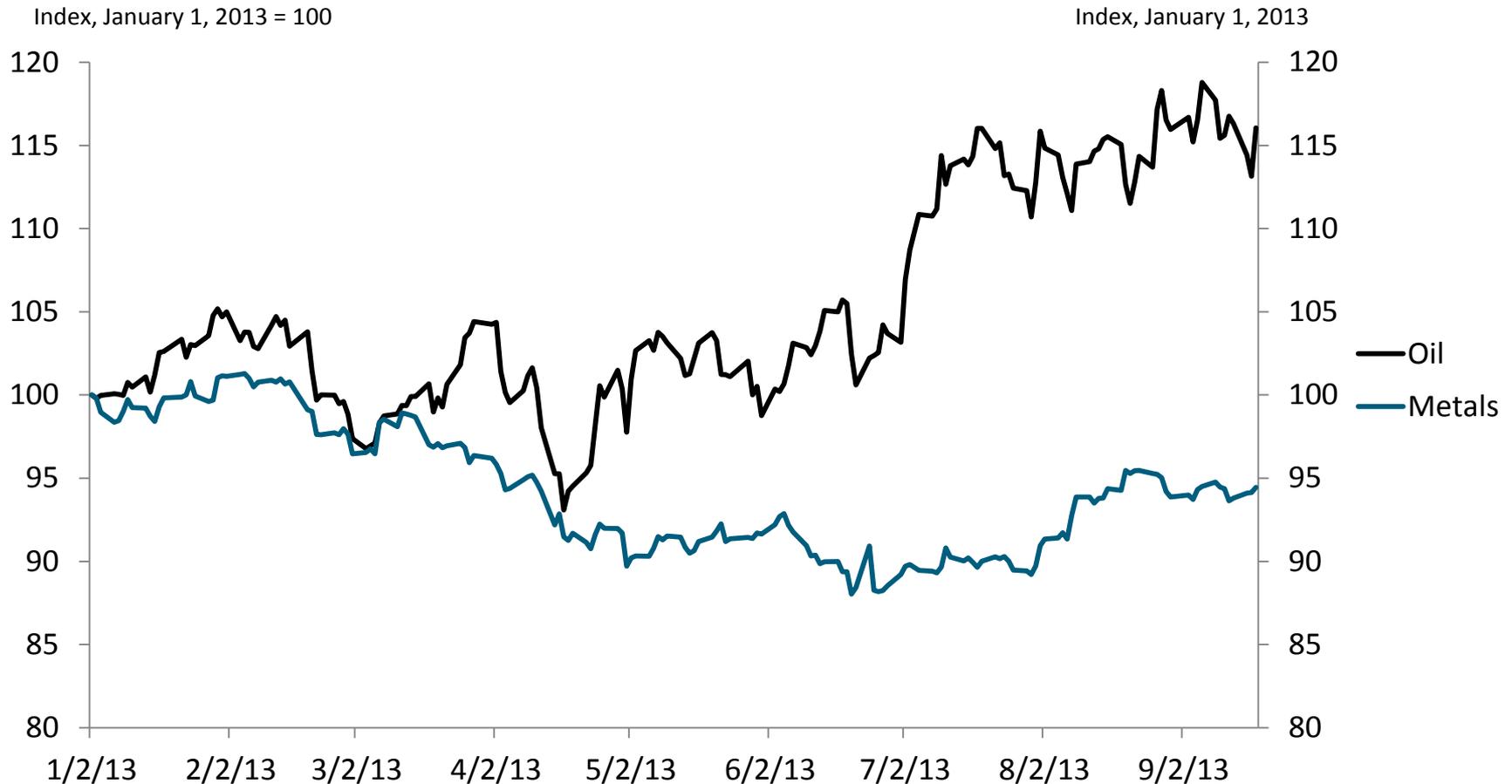
Source: Bureau of Economic Analysis, Haver Analytics

Longer term inflation expectations remain well-anchored



Source: Federal Reserve, University of Michigan, Haver Analytics

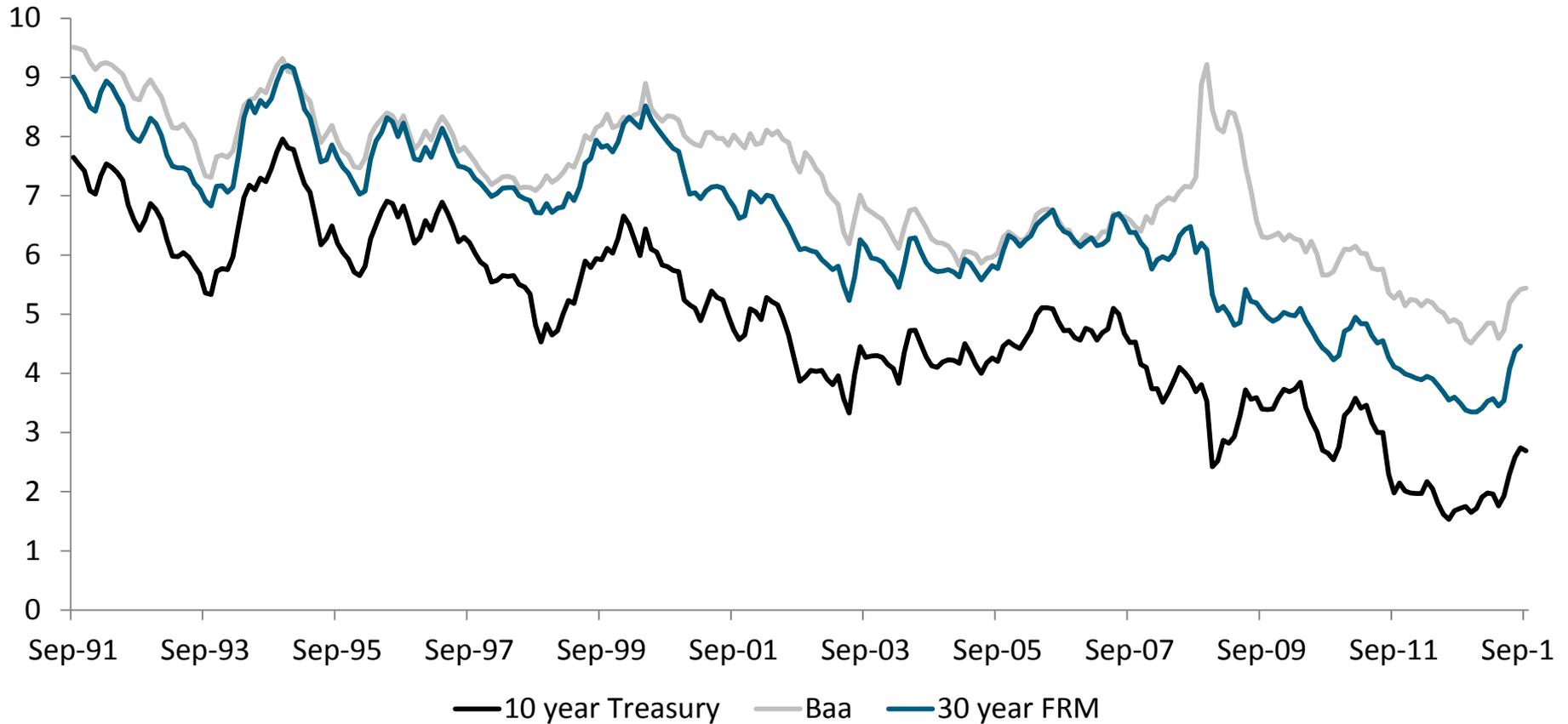
Global tensions have put upward pressure on oil and commodity prices.



Source: Wall Street Journal, Commodity Research Bureau
Haver Analytics

Financial conditions have tightened

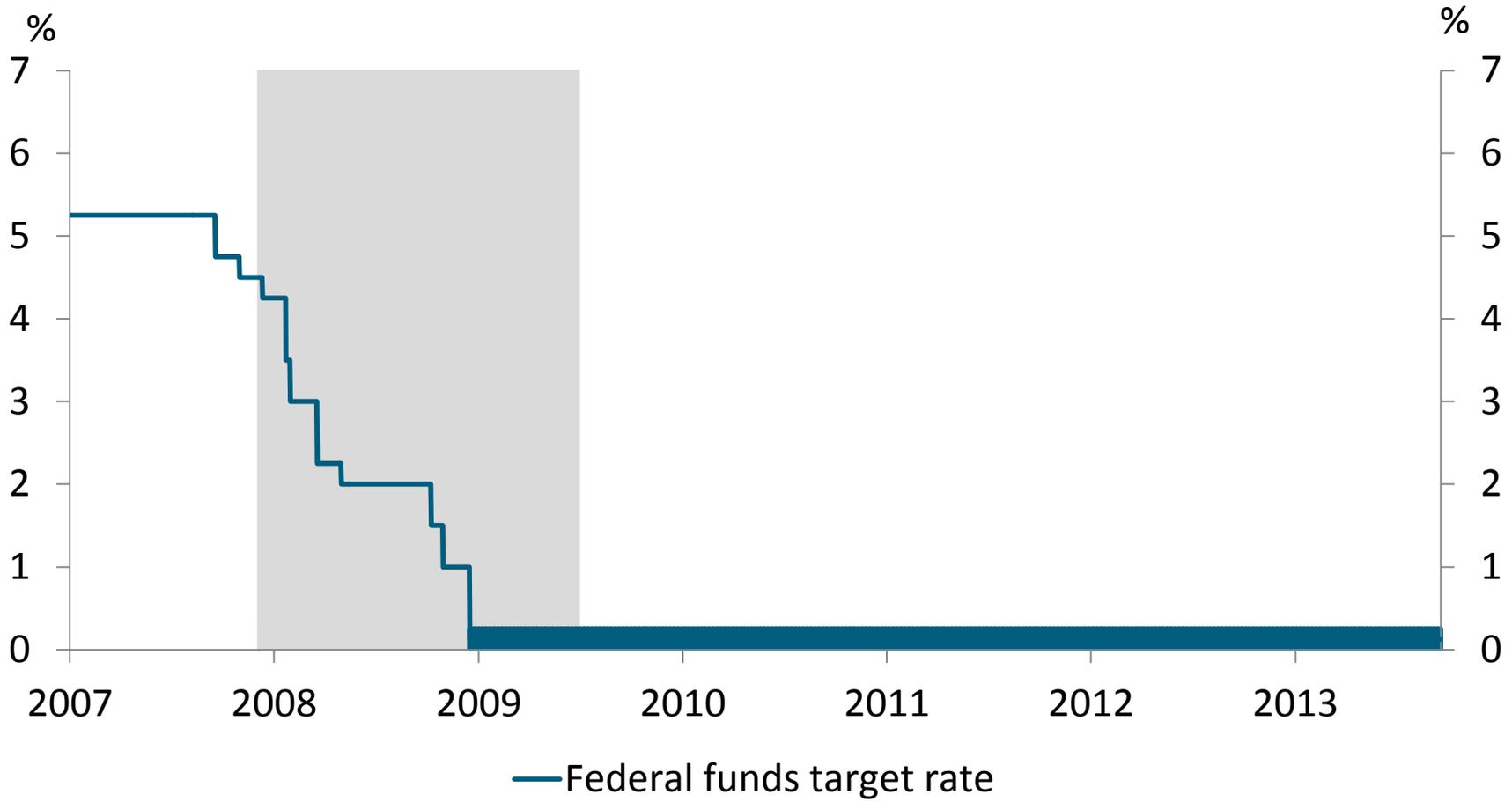
Long-term Interest Rates



Source: Federal Reserve Board, FHLMC, Haver Analytics

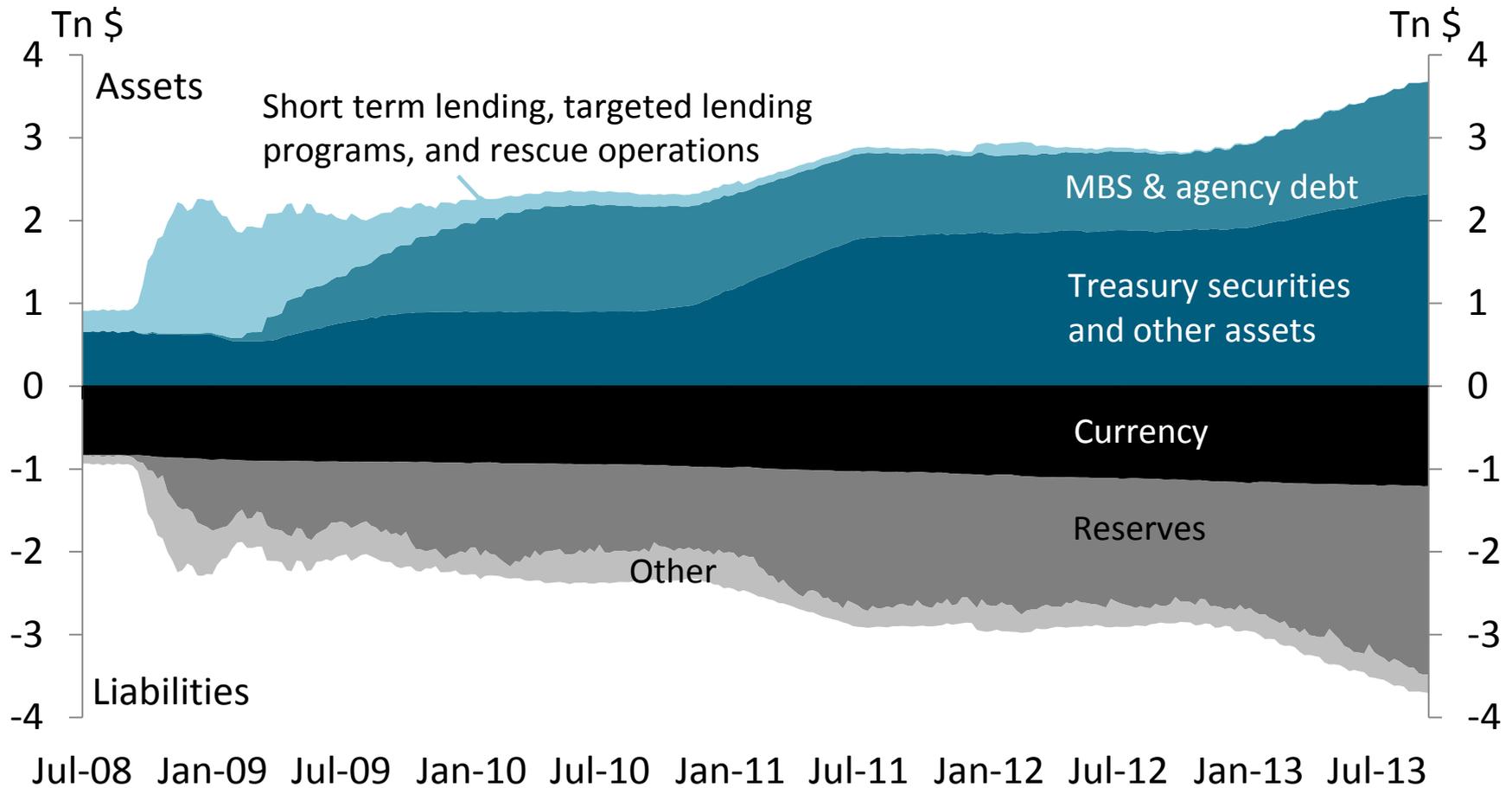
Monetary Policy

Monetary policy remains highly accommodative



Source: Federal Reserve Board, Haver Analytics

The Fed's balance sheet is increasing



Source: Federal Reserve Board, Haver Analytics

Unconventional Monetary Policy: Forward Guidance

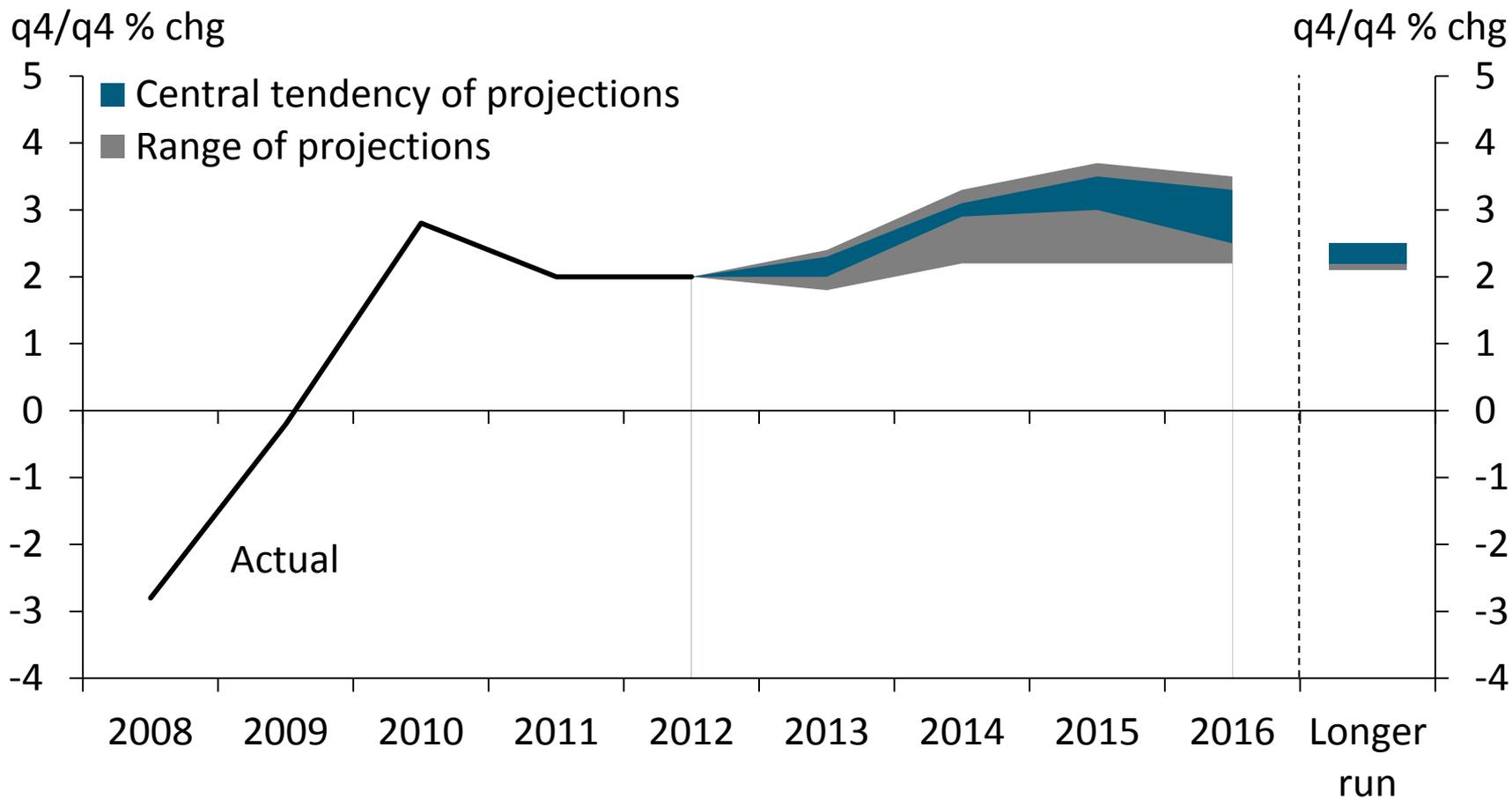
- The FOMC anticipates keeping the federal funds rate near zero
 - “as long as the unemployment rate remains above 6-1/2 percent”
 - “inflation between one and two years ahead is projected to be no more than” 2 ½ percent
 - “longer-term inflation expectations continue to be well anchored.”

Economic Outlook

Summary of FOMC Economic Projections

September 2013 SEP

Change in Real GDP

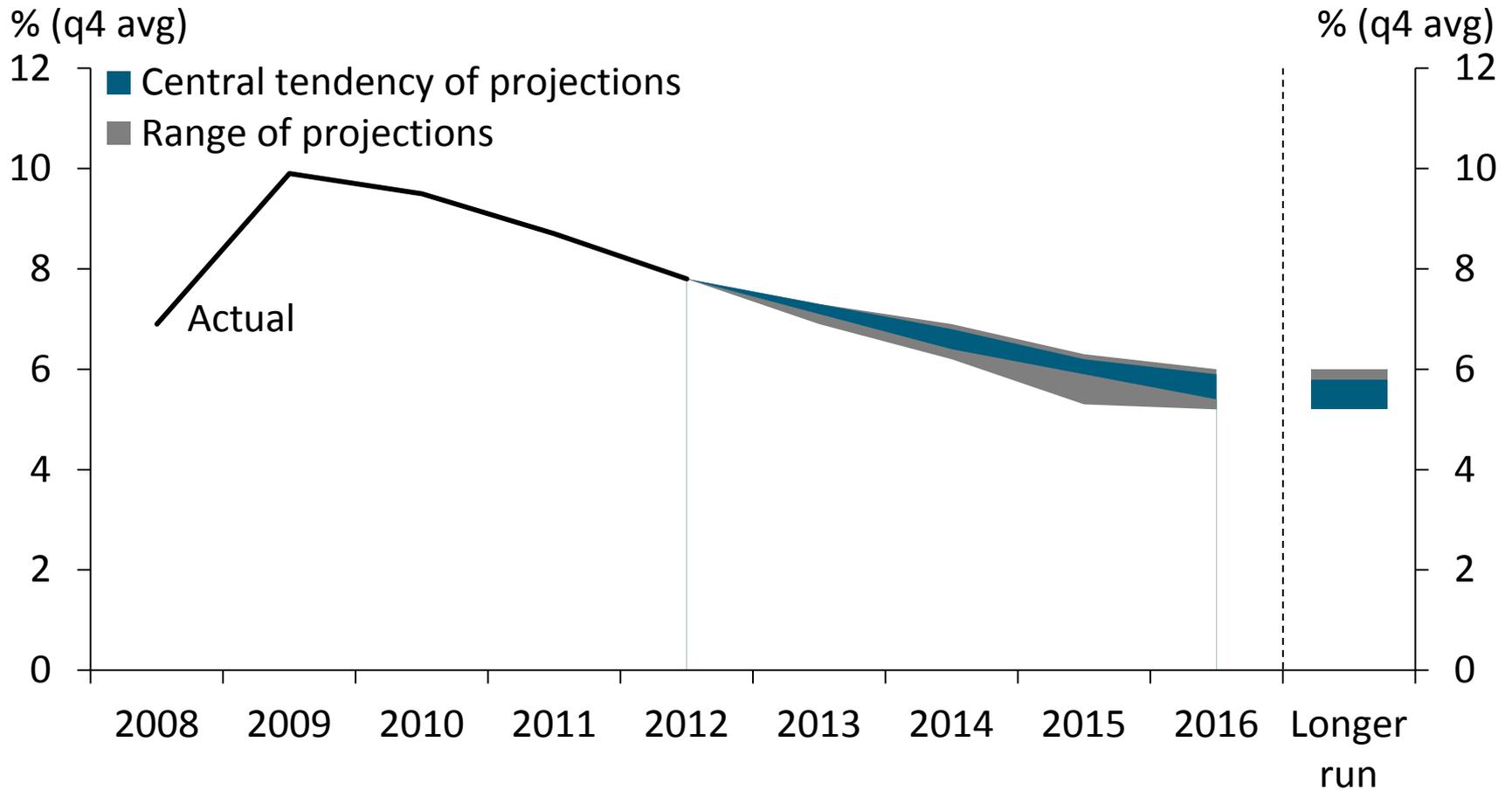


Source: Federal Reserve Board

Summary of FOMC Economic Projections

September 2013 SEP

Unemployment Rate

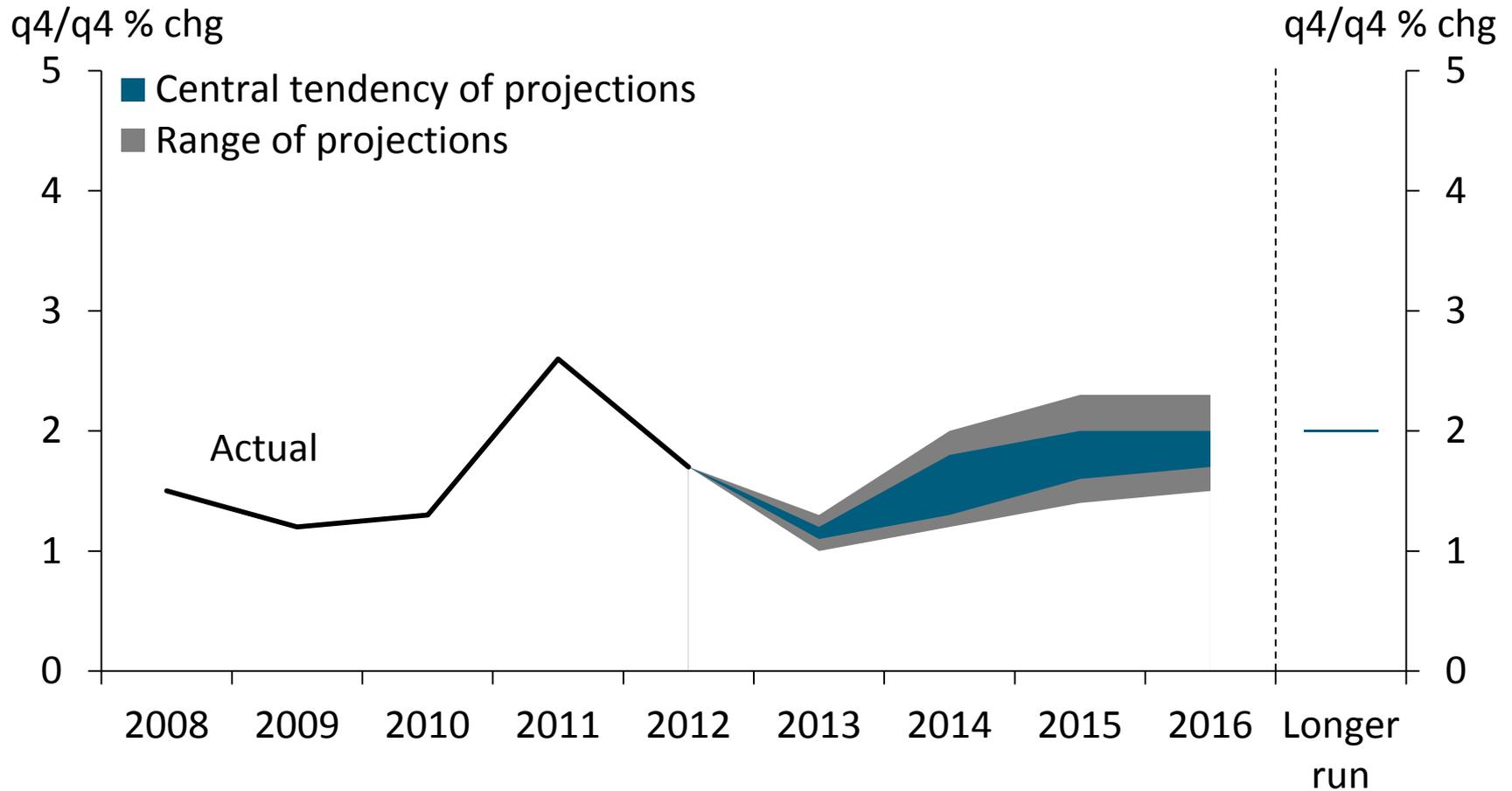


Source: Federal Reserve Board

Summary of FOMC Economic Projections

September 2013 SEP

PCE Inflation



Source: Federal Reserve Board



FEDERAL RESERVE BANK *of* KANSAS CITY