

# Economic Update



FEDERAL RESERVE BANK *of* KANSAS CITY

Board of Directors Meeting  
September 16, 2010

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# Recent Economic and Financial Developments



- Recent economic developments suggest the recovery continues at a moderate pace. ←
- Private payrolls edged up through the summer, supporting moderate gains in consumer income and spending. ←
- Manufacturing continues to lead the recovery, and credit conditions are supportive. ←
- Overall, the outlook points to continued moderate growth with low inflation. ←

The economy was on 'roids!

Free money drives spending

Debt is available as long as you don't need it

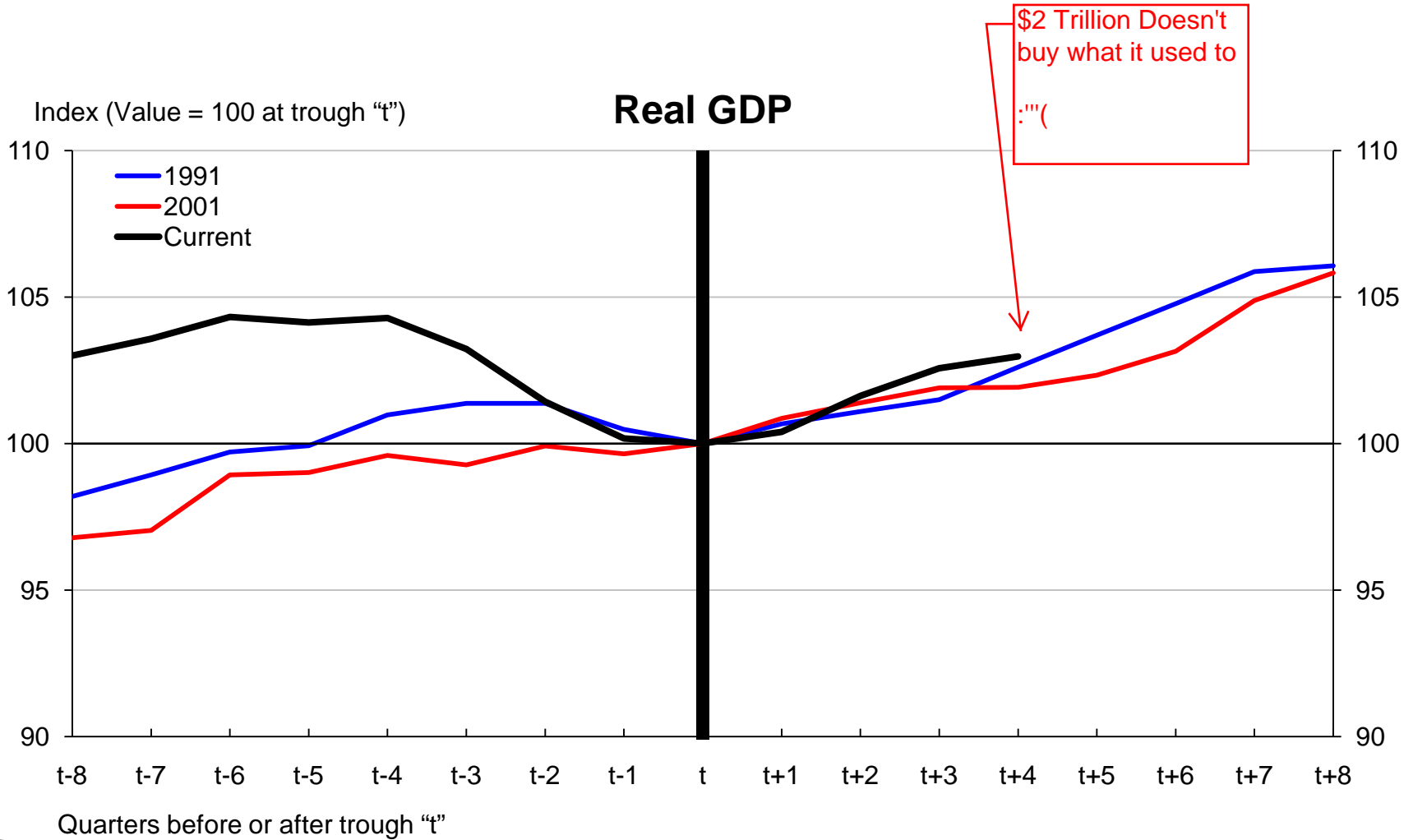
We're in year 3 of our 'Japanese recovery'



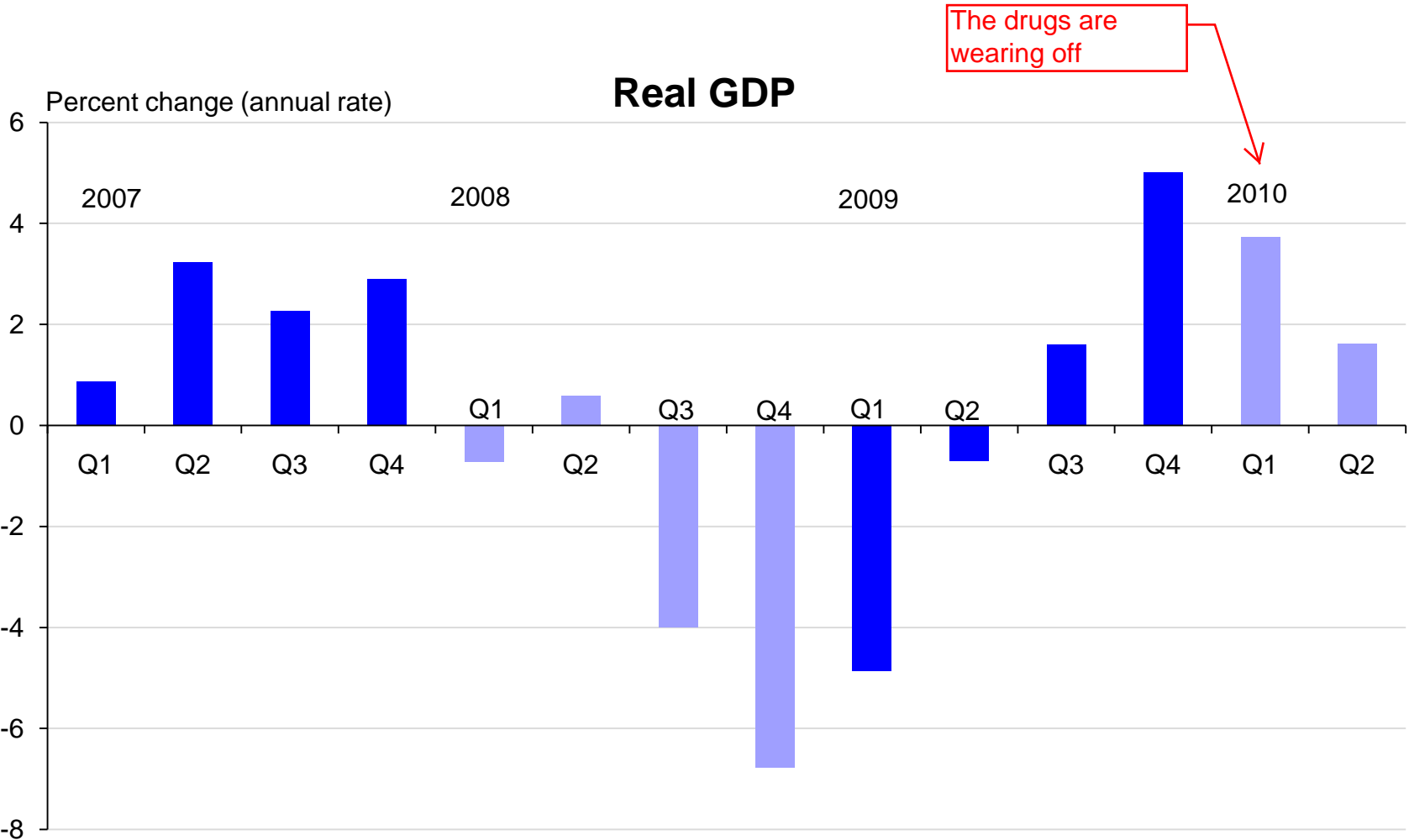
PRE APPROVED!



# The first year of recovery was stronger than in 1991 and 2001



# Growth slowed in the second quarter



# A sharp decline in net exports partially offset other second quarter gains

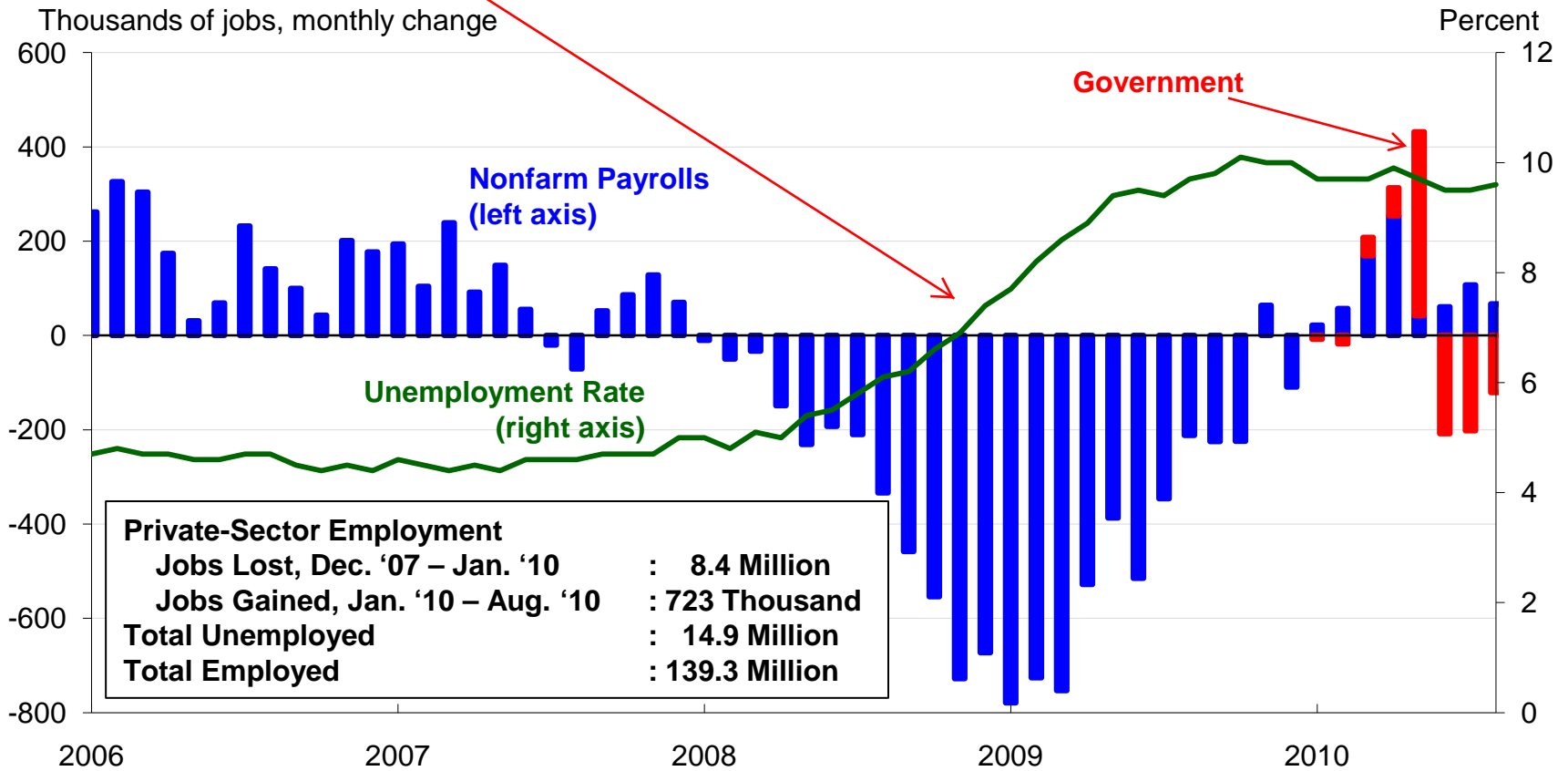
## Contribution to GDP growth



Private payrolls grew through the summer,  
as temporary government employment fell

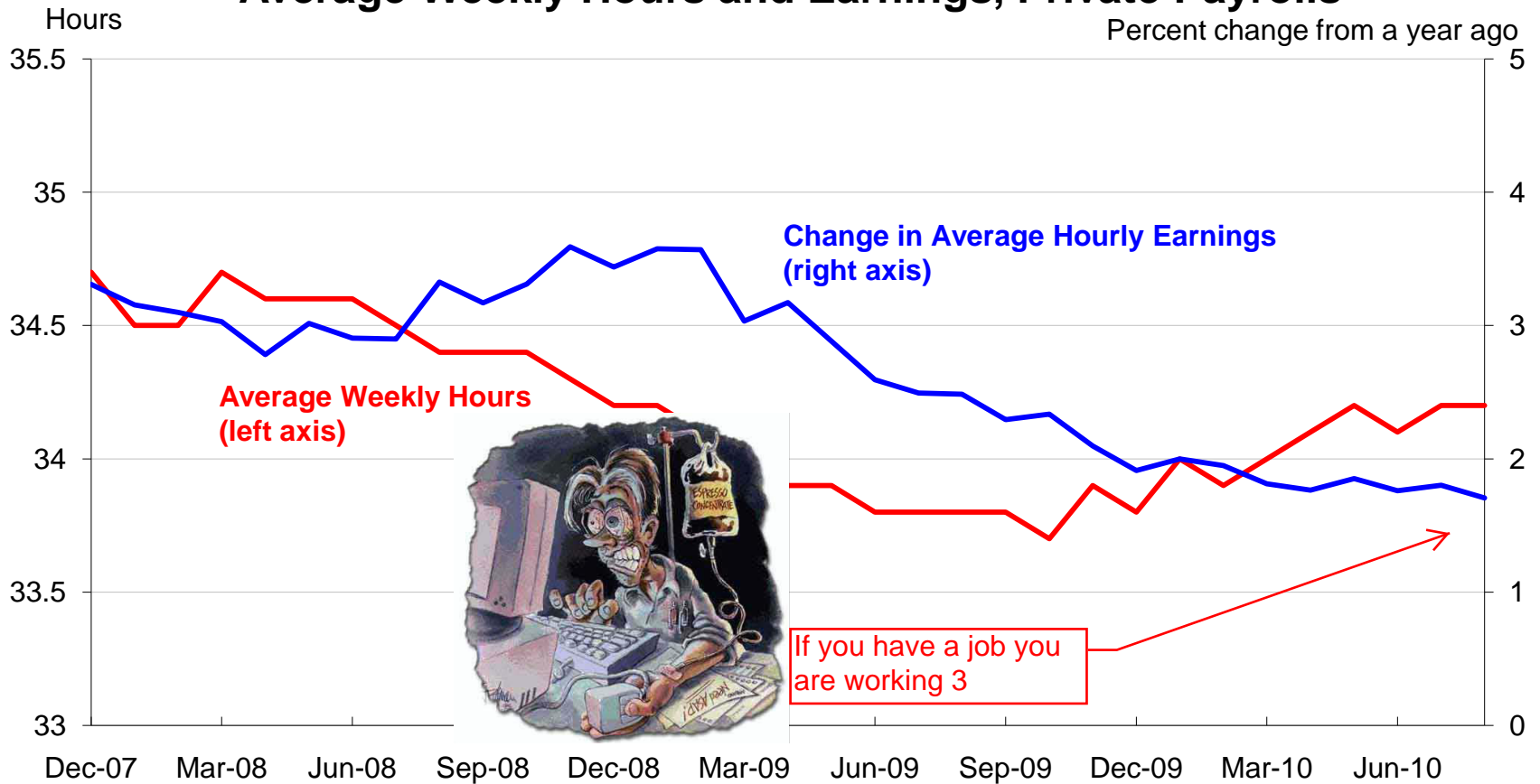
Large companies over-cut

## Unemployment and Nonfarm Payroll Employment



Labor earnings are edging up,  
supporting modest growth in consumer spending

## Average Weekly Hours and Earnings, Private Payrolls

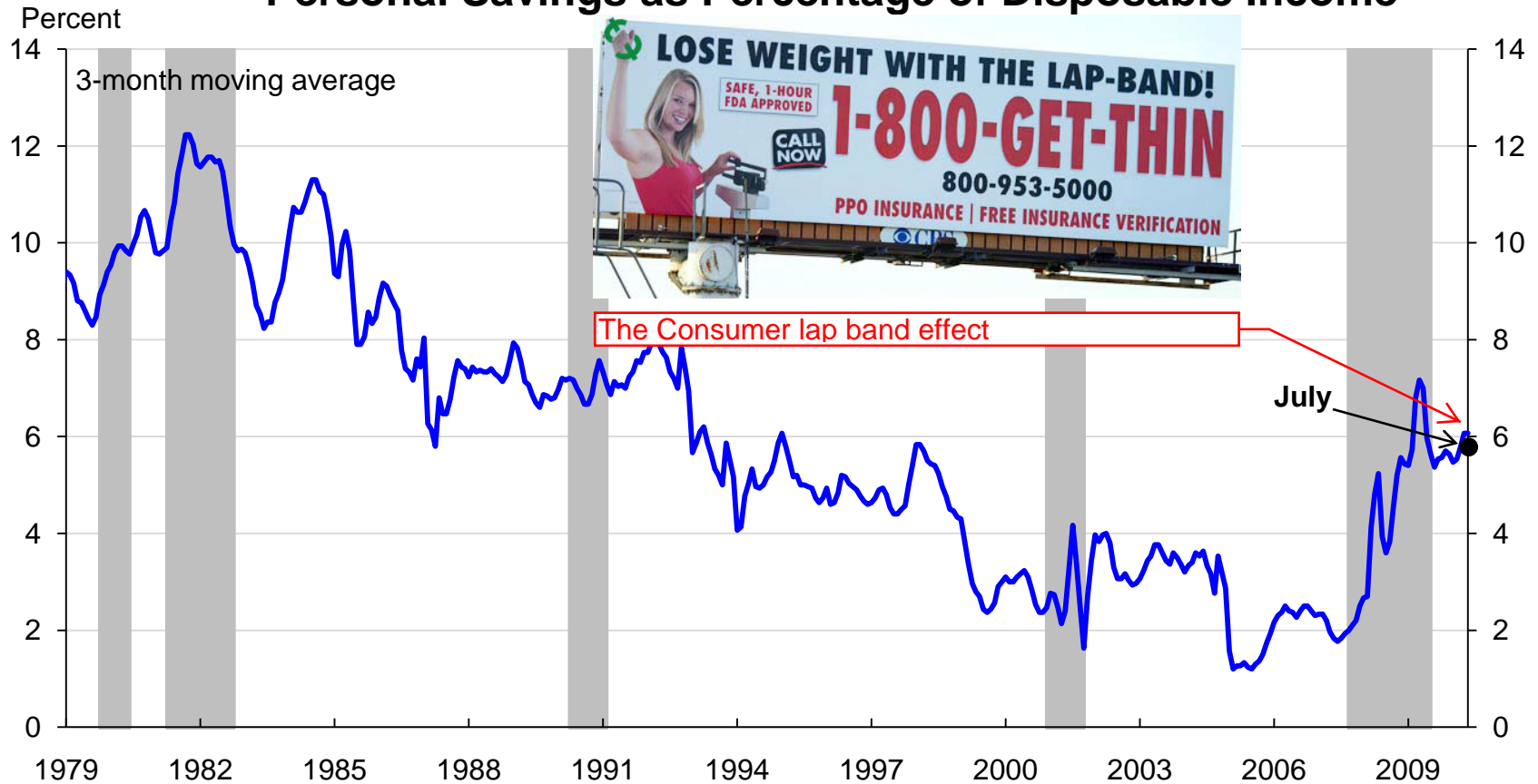


If you have a job you are working 3



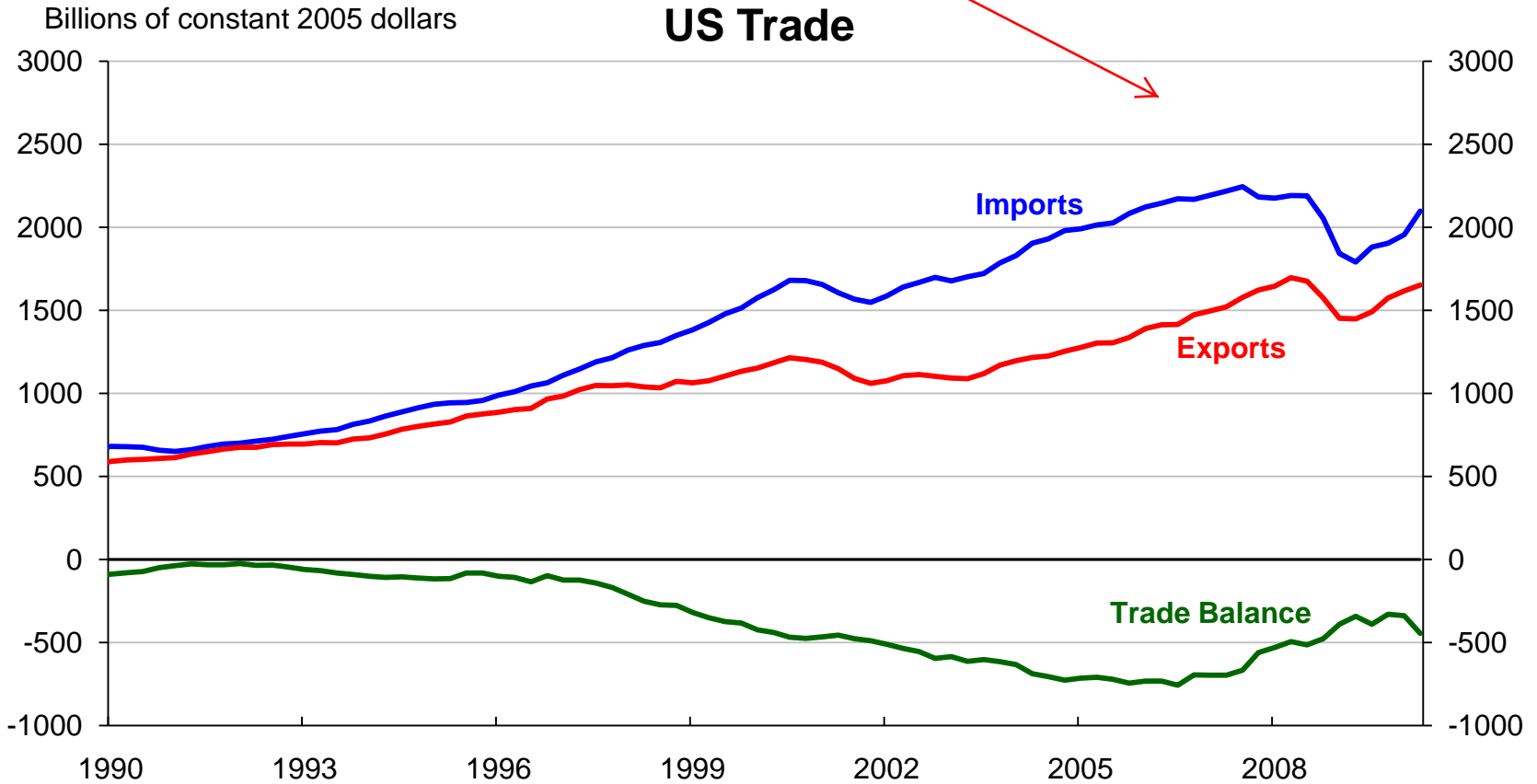
# Consumers have boosted their savings, rebuilding a financial cushion

## Personal Savings as Percentage of Disposable Income



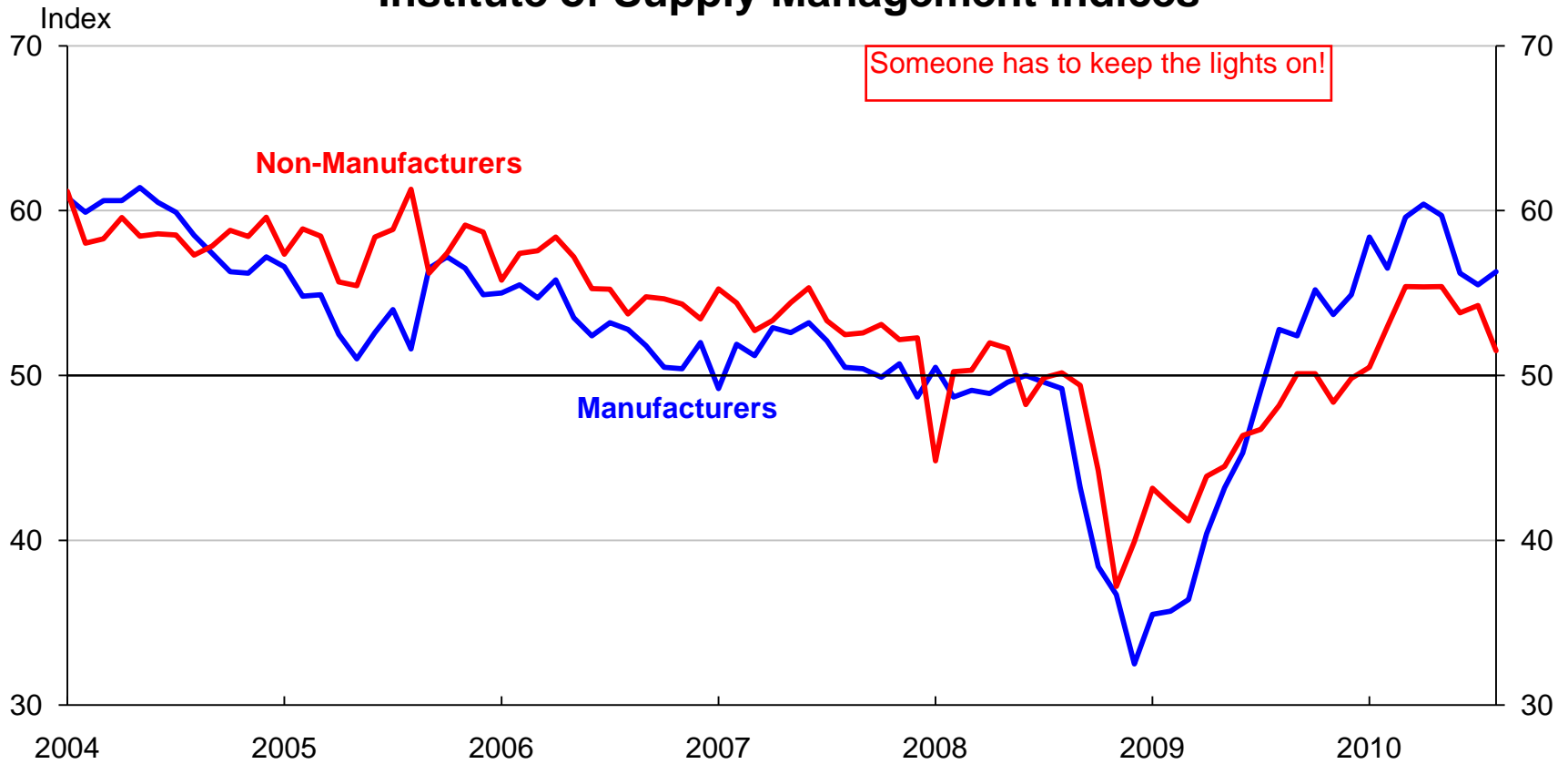
# Growing imports have swamped export gains

The Dollar is getting a free ride... for now



# Indices of business activity continue to signal expansion, with manufacturing in the lead

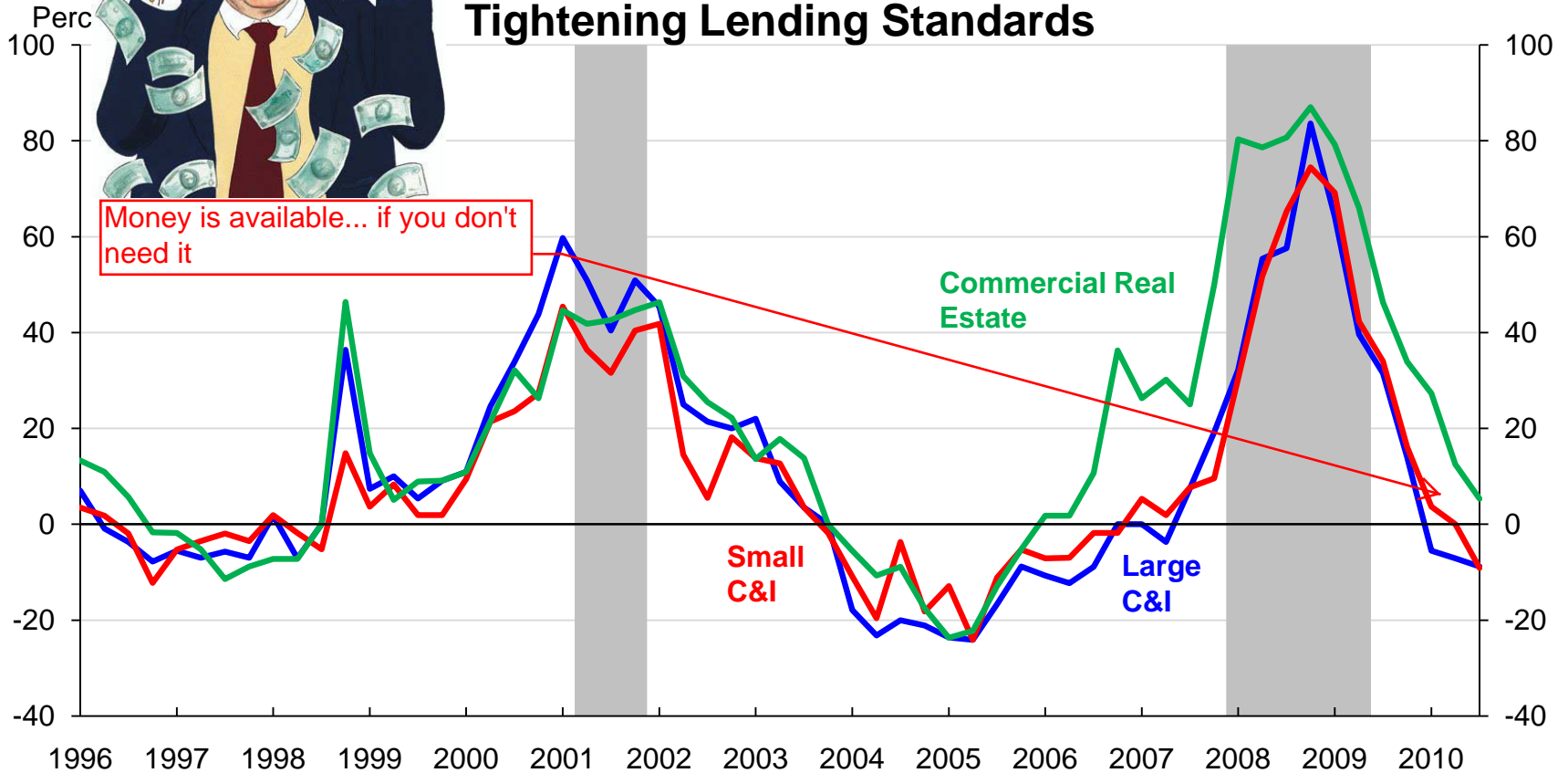
## Institute of Supply Management Indices



# Lenders are gradually unwinding lending restrictions

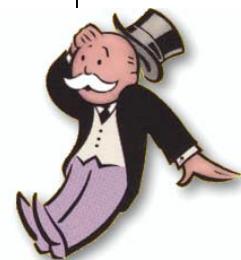
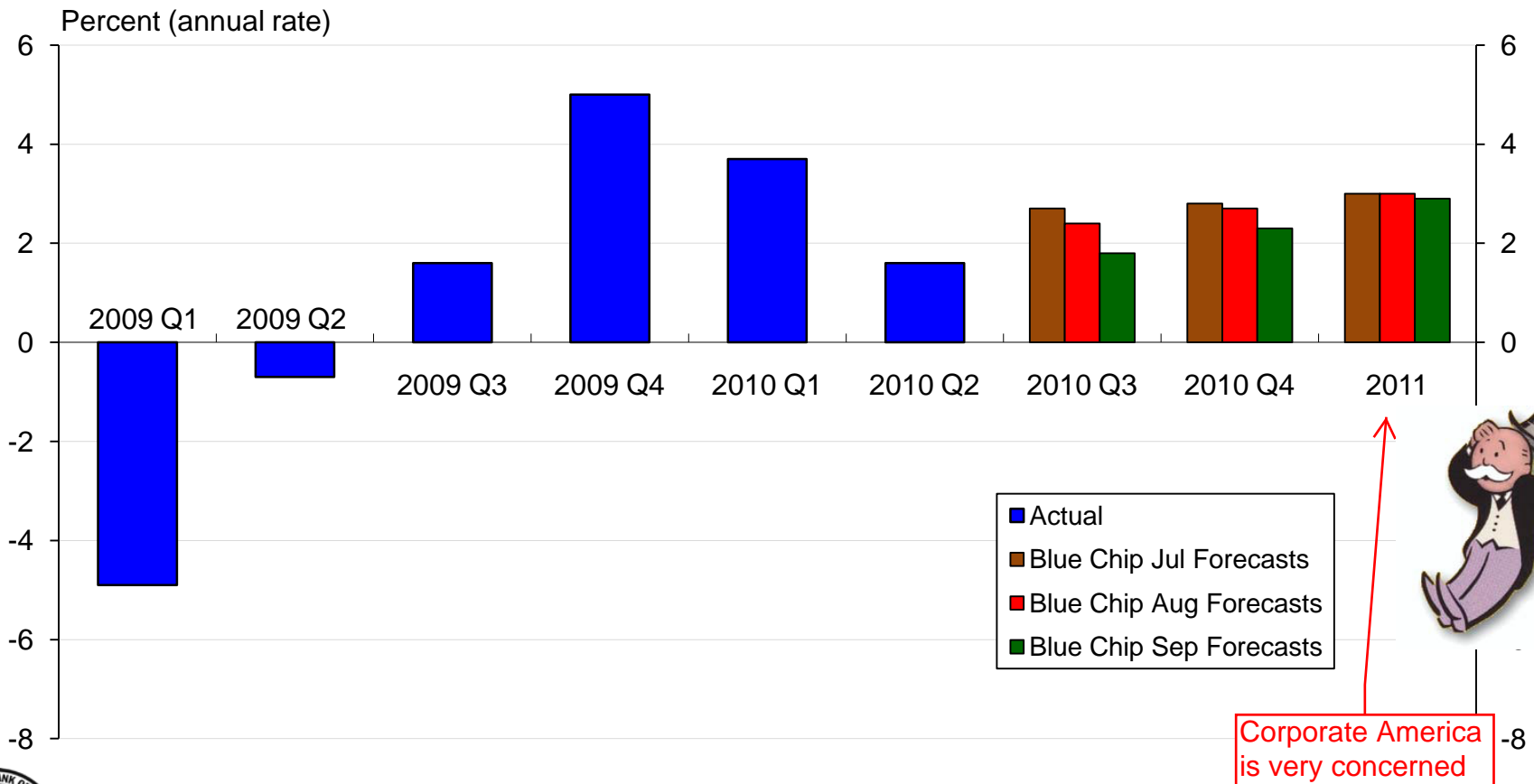


## Net Percentage of Respondents Tightening Lending Standards



Private growth forecasts have declined for 2010, while signaling a sustained recovery of moderate pace

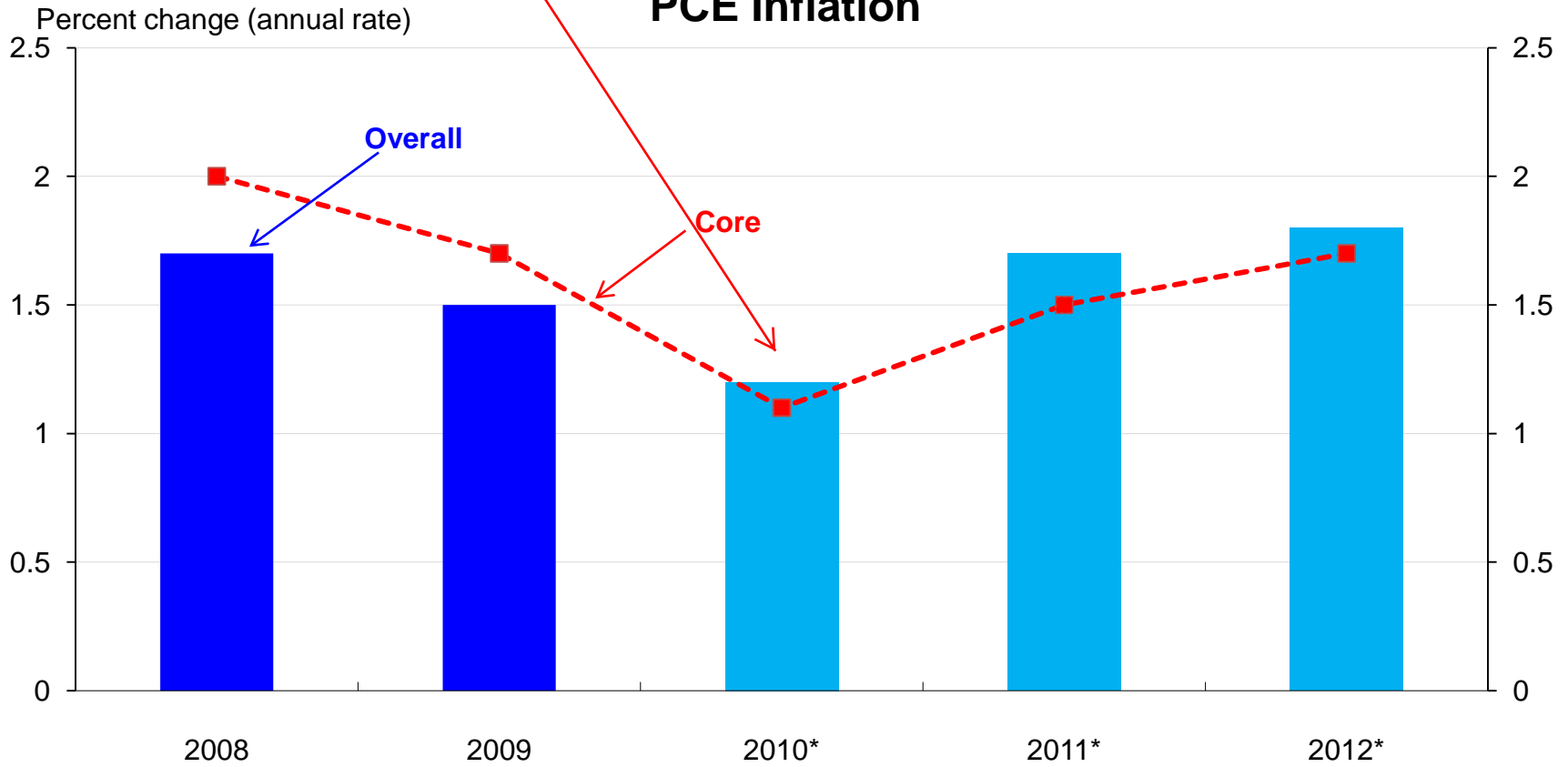
### Real GDP Growth



Excess capacity is trumping cheap money...for now

# Inflation remains modest with an upward tilt expected

## PCE Inflation

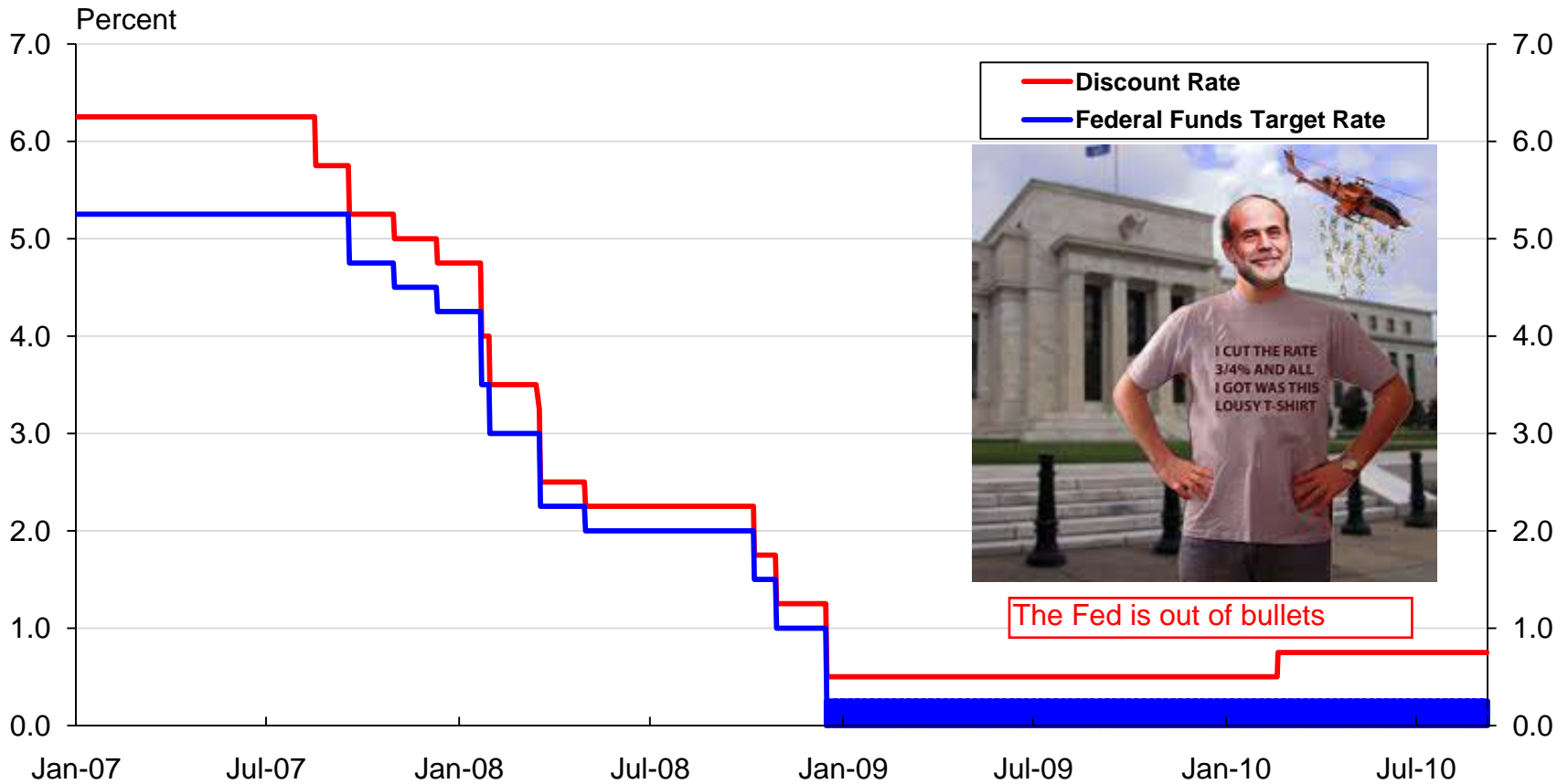


\* Survey of Professional Forecasters



# Policy settings remain highly accommodative

## Federal Funds Target Rate and Discount Rate





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