The Outlook for the U.S. Economy

Larry DeBoer
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September 2011

Real GDP Growth

Real Consumption Spending Growth
Manufacturing Employment

Source: U.S. Department of Labor, Bureau of Labor Statistics

State Income Growth, Great Recession, 2007IV - 2009II

Nevada
Connecticut
Idaho
California
New York
New Jersey
New Hampshire
Illinois
Michigan
Arizona
Colorado
Florida
Minnesota
Arkansas
Delaware
Massachusetts
Ohio
Tennessee
Indiana
Georgia
Utah
Wisconsin
Nebraska
North Carolina
Oregon
Rhode Island
Missouri
Washington
Vermont
Pennsylvania
Hawaii
Alabama
Montana
Mississippi
South Carolina
Maryland
Virginia
Iowa
South Dakota
Maine
Kansas
Oklahoma
Kentucky
New Mexico
Louisiana
Wyoming
Texas
Alaska
North Dakota
West Virginia

Percent Income Growth
-6 to 0
0 to 2
2 to 8

State Income Growth, Recovery, 2009II - 2011 I

Nevada
New Jersey
Florida
Arizona
Hawaii
Maine
Missouri
Connecticut
Georgia
New York
Alabama
New Hampshire
Oregon
Rhode Island
Illinois
Maryland
Massachusetts
Mississippi
Michigan
West Virginia
Louisiana
Ohio
Pennsylvania
Delaware
Iowa
South Dakota
Virginia
California
South Carolina
Vermont
Arkansas
North Carolina
Nebraska
Washington
Idaho
Utah
Kansas
Colorado
Indiana
Kentucky
Tennessee
Wyoming
Wisconsin
Montana
Minnesota
New Mexico
Alaska
Texas
North Dakota

Percent Income Growth
0 to 5
5 to 7
7 to 20

Real Government Purchases Growth

Source: U.S. Department of Commerce, Bureau of Economic Analysis
Federal Budget Balance as Percent of GDP

Federal Government Debt as Percent of GDP

Federal Budget, 2010
“The Committee also decided to keep the target range for the federal funds rate at 0 to 1/4 percent and currently anticipates that economic conditions—including low rates of resource utilization and a subdued outlook for inflation over the medium run—are likely to warrant exceptionally low levels for the federal funds rate at least through mid-2013.” FOMC, September 21, 2011

Voting against the action were: Richard W. Fisher, Narayana Kocherlakota, and Charles I. Plosser.

“The Committee intends to purchase, by the end of June 2012, $400 billion of Treasury securities with remaining maturities of 6 years to 30 years and to sell an equal amount of Treasury securities with remaining maturities of 3 years or less. This program should put downward pressure on longer-term interest rates and help make broader financial conditions more accommodative.” FOMC, September 21, 2011

Treasury 10-Year Bond Interest Rate, daily, 1/2/07 to 9/23/11

Shaded areas indicate 10 recessions.
Exchange Rates, Euro and Yuan per Dollar

Euro per Dollar Exchange Rate, daily, 1/4/07 to 9/23/11
Yuan per Dollar Exchange Rate, daily, 1/4/07 to 9/23/11

Inflation in China

Some Macroeconomic Forecasts for 2012

<table>
<thead>
<tr>
<th>Forecast &amp; Date</th>
<th>GDP Growth</th>
<th>Inflation (CPI)</th>
<th>Unemployment</th>
<th>Int. Rate 3-mo. T</th>
<th>Int. Rate 10-yr. T</th>
</tr>
</thead>
<tbody>
<tr>
<td>Congressional Budget Office January 2011</td>
<td>3.1%</td>
<td>1.0%</td>
<td>8.4%</td>
<td>1.1%</td>
<td>3.8%</td>
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<tr>
<td>RSQE</td>
<td>3.1%</td>
<td>1.3%</td>
<td>8.7%</td>
<td>0.2%</td>
<td>3.3%</td>
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<tr>
<td>Univ. of Michigan 6/16/2011</td>
<td>3.1%</td>
<td>1.3%</td>
<td>8.7%</td>
<td>0.2%</td>
<td>3.3%</td>
</tr>
<tr>
<td>Survey of Professional Forecasters Philadelphia Federal Reserve 8/12/2011</td>
<td>2.6%</td>
<td>2.0%</td>
<td>8.6%</td>
<td>0.4%</td>
<td>3.5%</td>
</tr>
<tr>
<td>DeBoer, August 2011</td>
<td>2.5%</td>
<td>1.5%</td>
<td>9.0%</td>
<td>0.3%</td>
<td>3.6%</td>
</tr>
<tr>
<td>Current, August 2011</td>
<td>1.6%</td>
<td>3.4%</td>
<td>9.1%</td>
<td>0.4%</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

KEY:
- 3-mo. T: Three month Treasury Note
- 10-yr. T: Ten year Treasury Bond
- CPI: Consumer Price Index
- RSQE: Research Seminar in Quantitative Economics

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