

# Weak economic recovery?

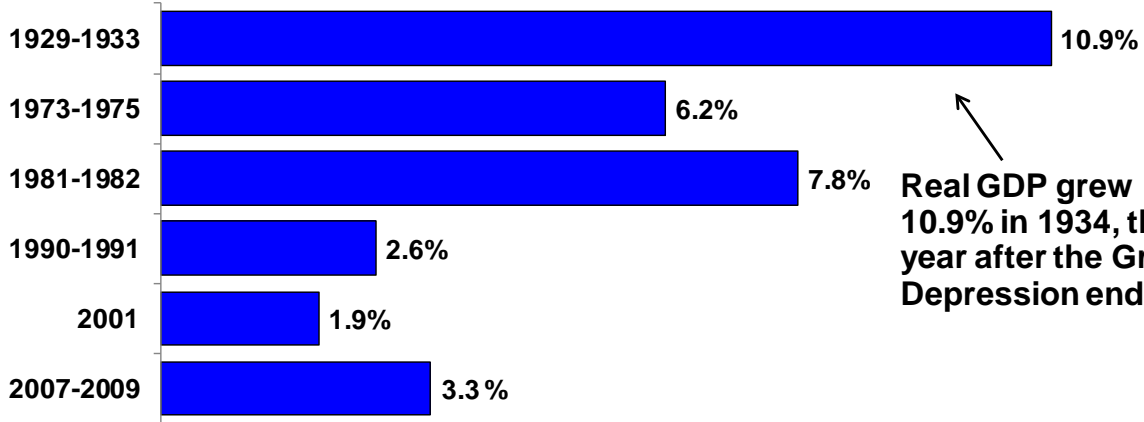
*Compared with previous recoveries*



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Average real GDP growth rates (%) in the four quarters following each recession

Periods of Recession



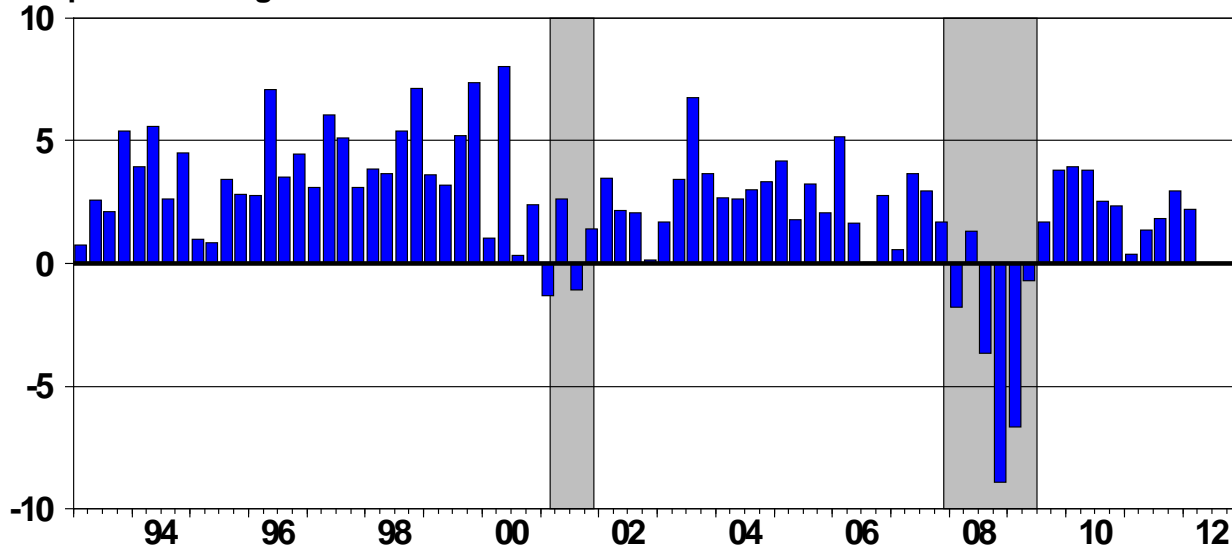
# GDP growth continues to post moderate gains

*U.S. real gross domestic product*



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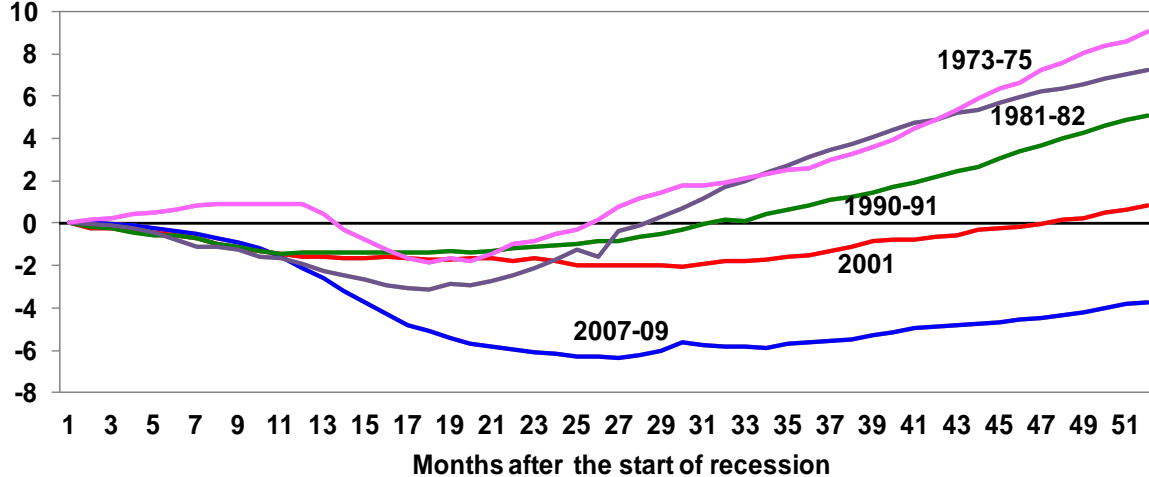
Compound annual growth rate



# Weak recovery compared with previous recoveries



Percent change in total nonfarm employment from the start of recession

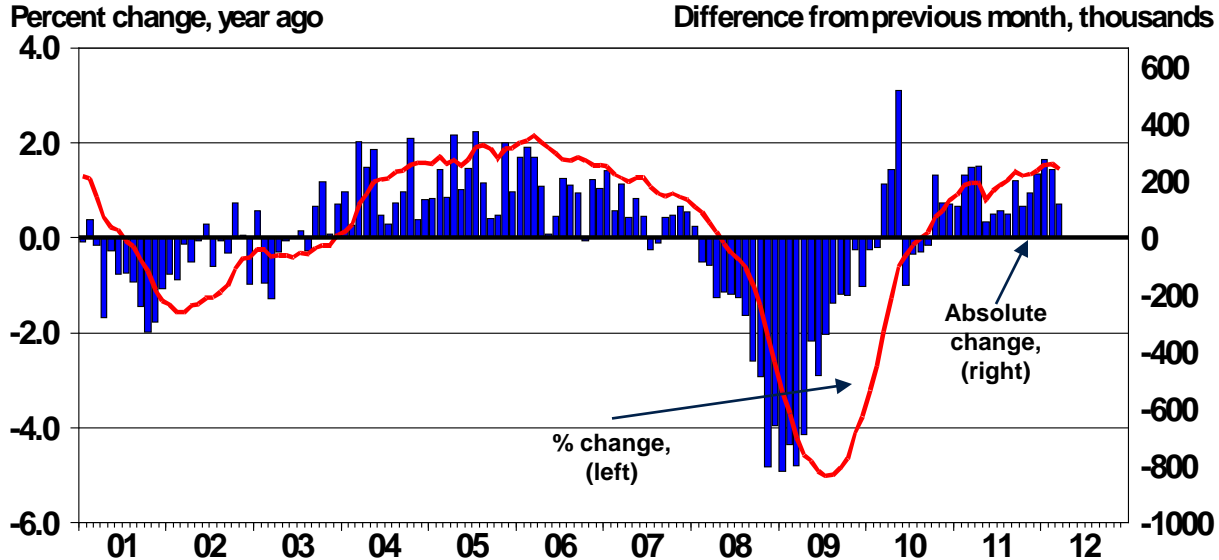


# Labor market showing improvement

## *Non-farm employment, United States*



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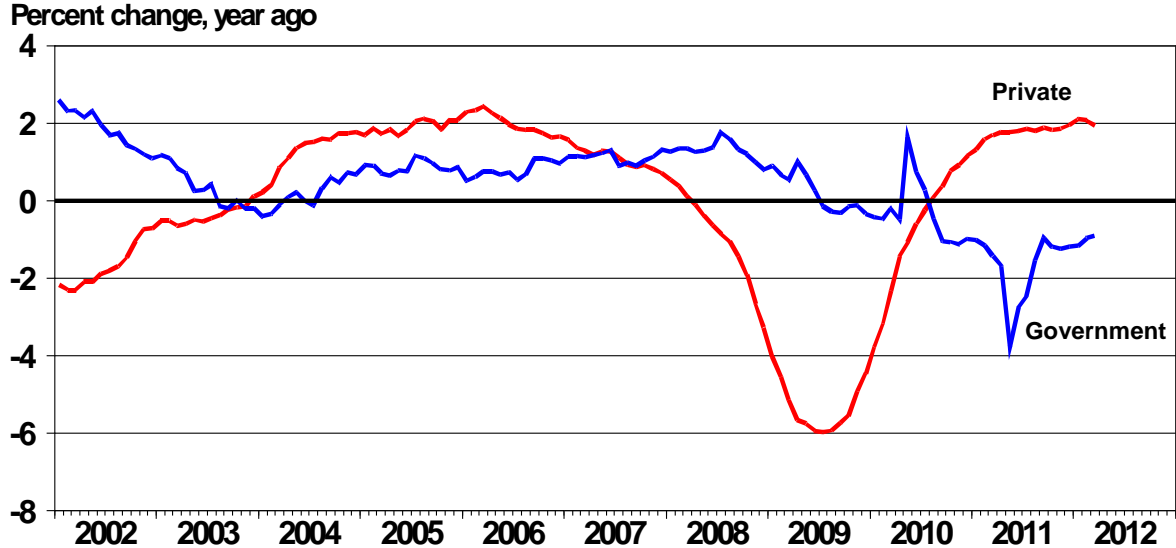
Sources: Bureau of Labor Statistics, IHS Global Insight.

# Private sector carries employment gains

*United States*



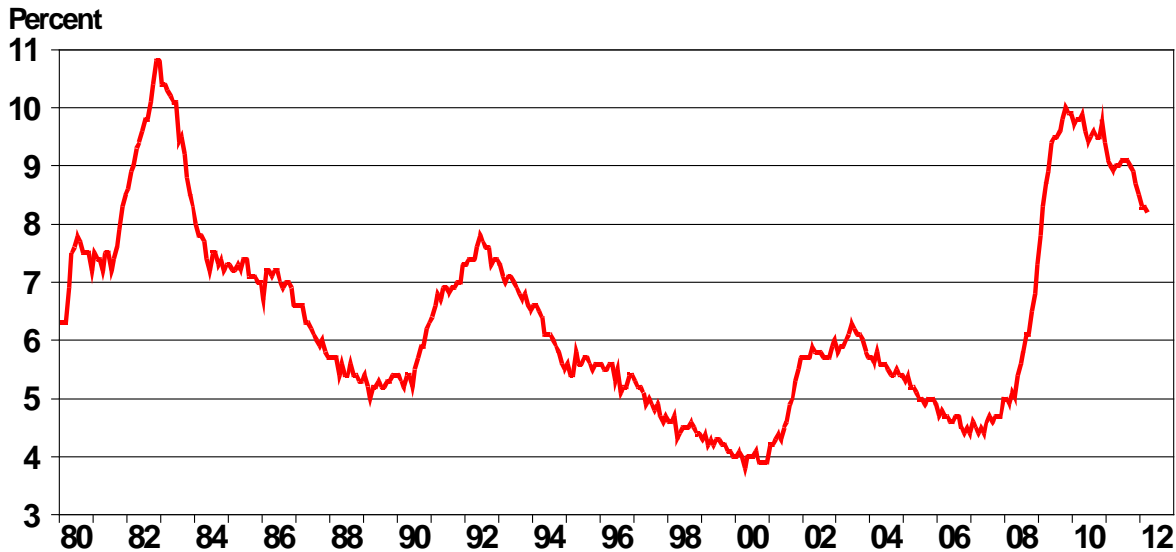
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Sources: Bureau of Labor Statistics, IHS Global Insight.

# Unemployment rate falls to 8.2%

*Civilian unemployment rate*



Sources: Bureau of Labor Statistics, IHS Global Insight.

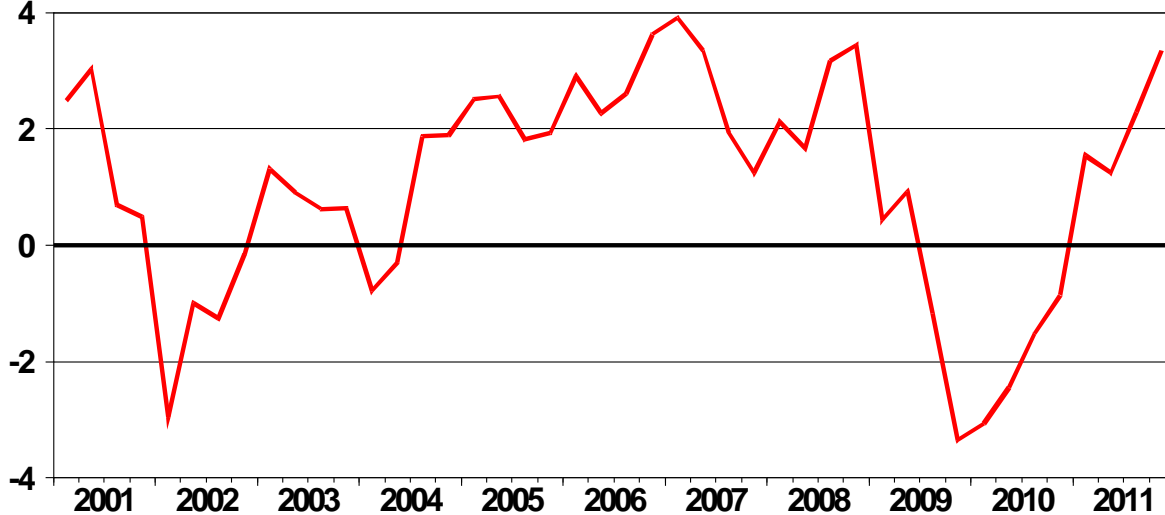
# Unit labor costs spike

*United States*



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Percent change, year ago

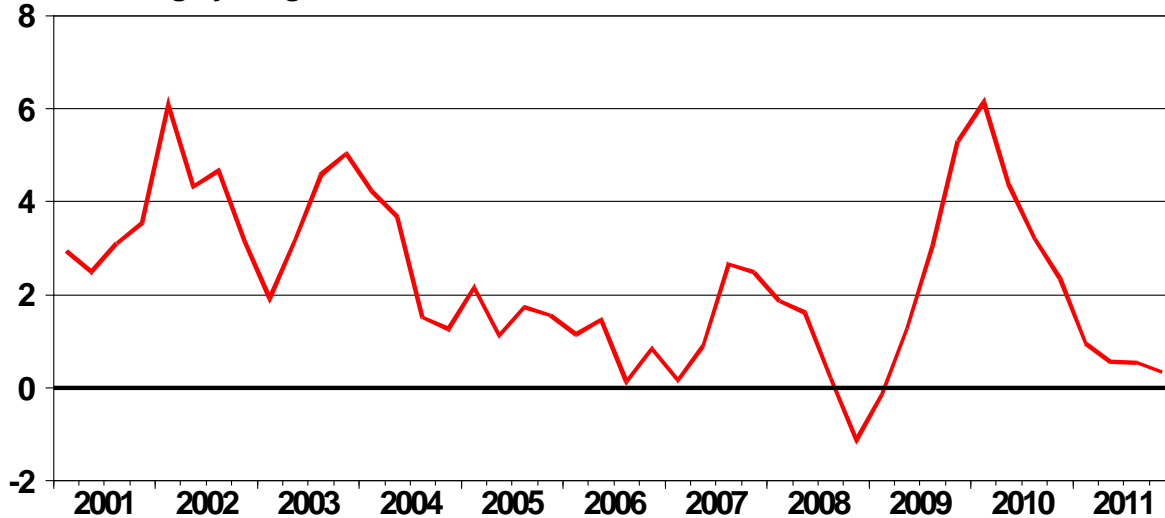


Sources: Bureau of Labor Statistics, IHS Global Insight.

# Productivity growth slows

*Output per hour among non-farm businesses, United States*

Percent change, year ago



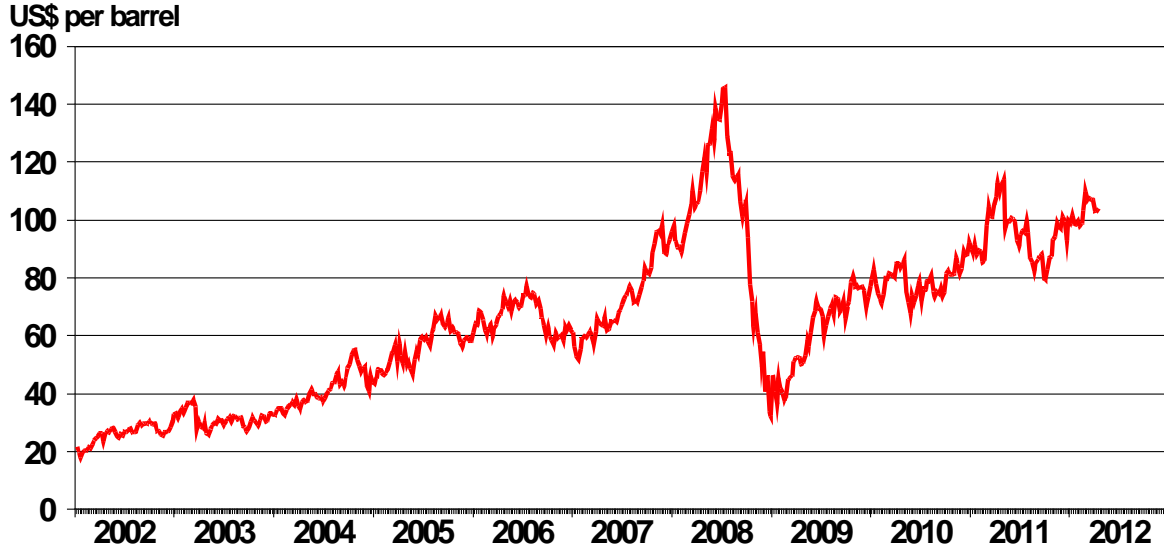


# Oil prices remain at high levels

## *West Texas Intermediate Crude*



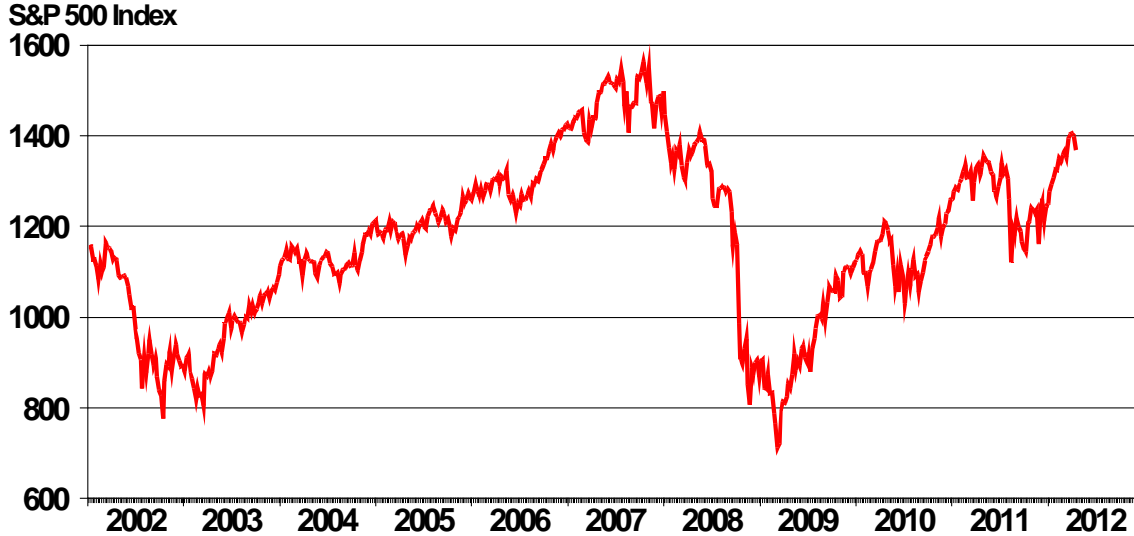
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Sources: Wall Street Journal, IHS Global Insight.

# U.S. stock market is doing well

*S&P 500 composite, price index*



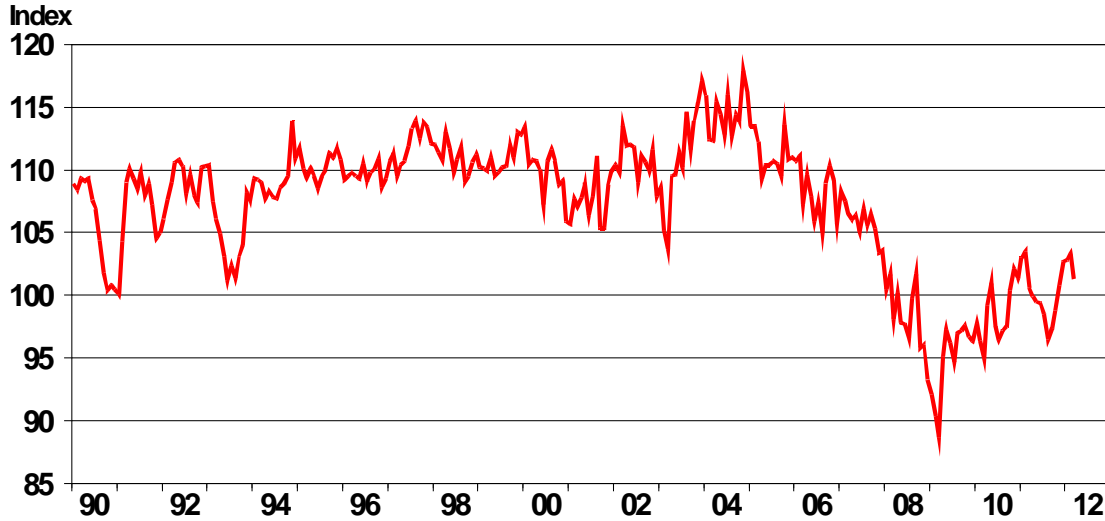
Sources: S&P, IHS Global Insight.

# U.S. small businesses mood still gloomy

## *Small Business Optimism Index*



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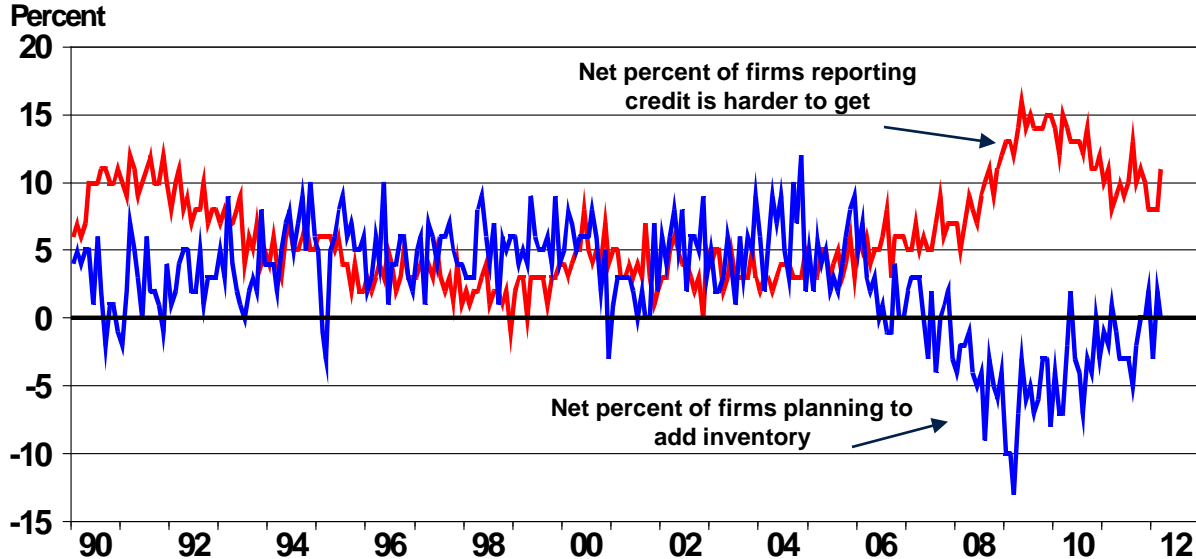
Sources: National Federation of Independent Business, Moody's Analytics.

# U.S. small businesses still find difficulty accessing credit



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## *Small Business Optimism Index*



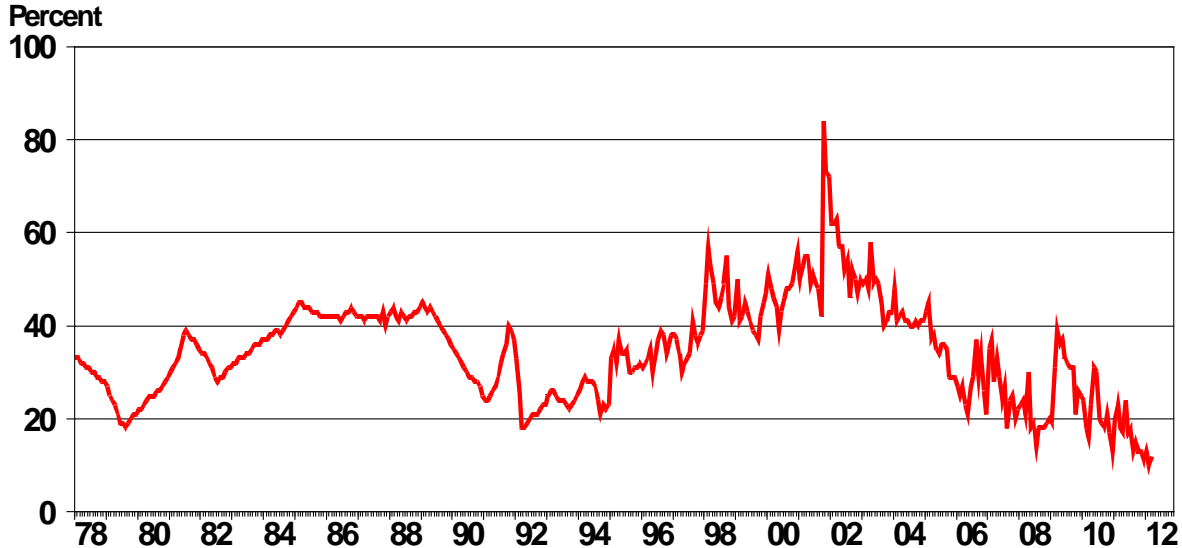
Sources: National Federation of Independent Business, Moody's Analytics.

# U.S. Congressional job approval rating

*Gallup poll*



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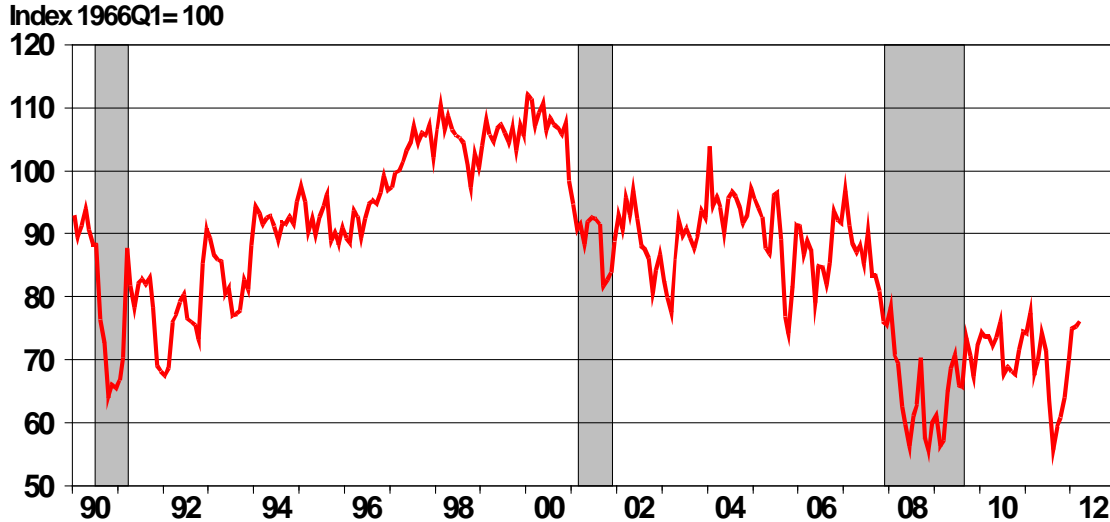
Source: Gallup News Service.

# Consumer sentiment gaining momentum

*University of Michigan Consumer Sentiment*



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Sources: Thomson Reuters/University of Michigan, ECONODAY.

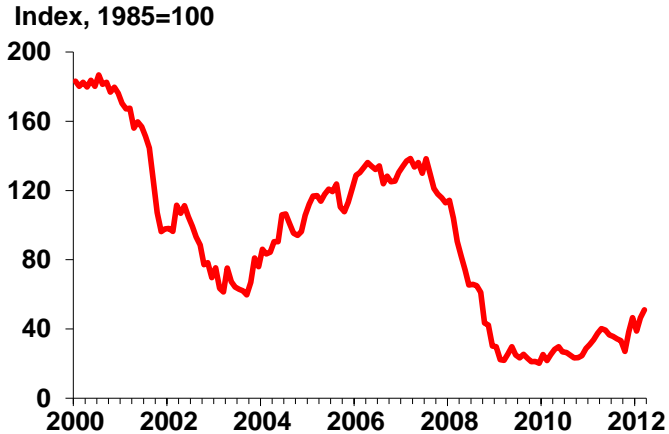
# Tomorrow will be better?

## *U.S. consumer confidence indices*

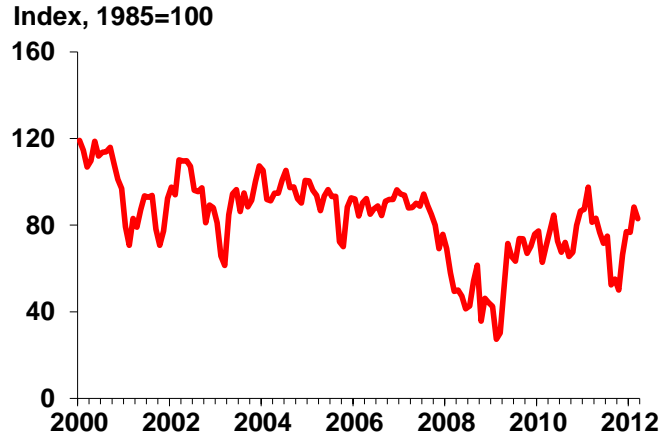


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Present situation



Expectations



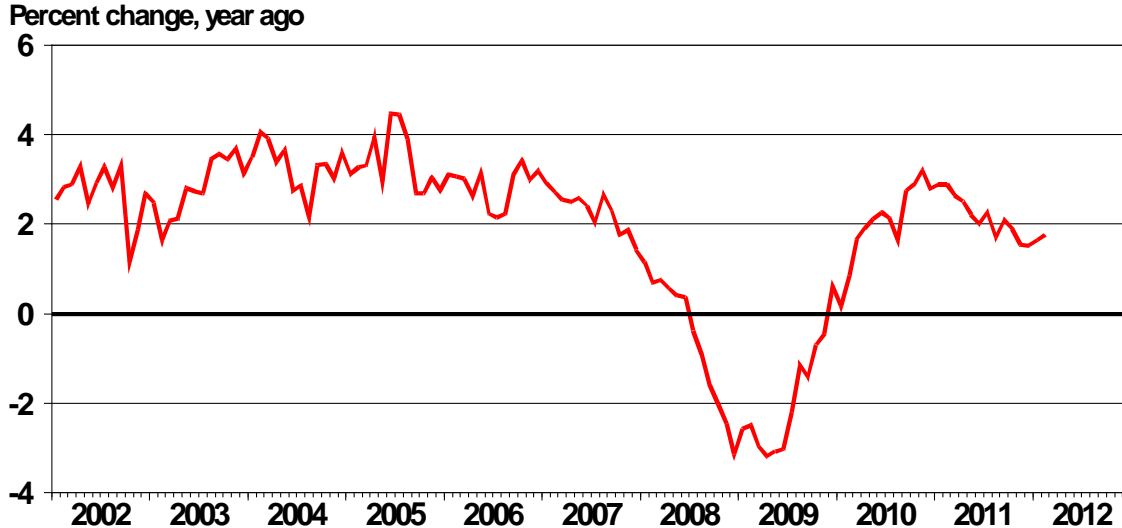
Sources: Bloomberg, Conference Board.

# Consumers continue to spend despite weak sentiment

*U.S. real personal consumption expenditures*



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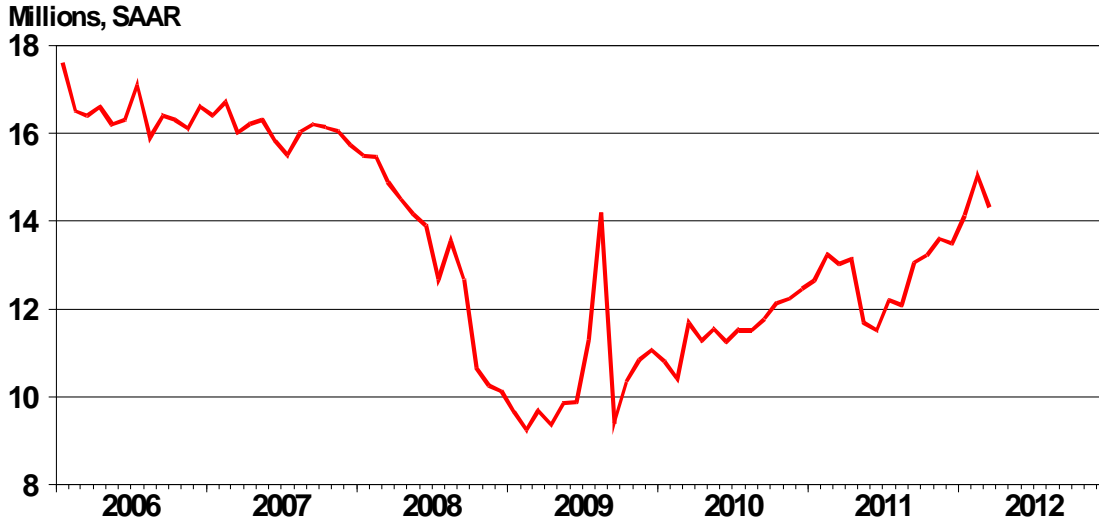


Sources: Bureau of Economic Analysis, IHS Global Insight.



# Auto sales show strong recovery

## *Light vehicle sales*



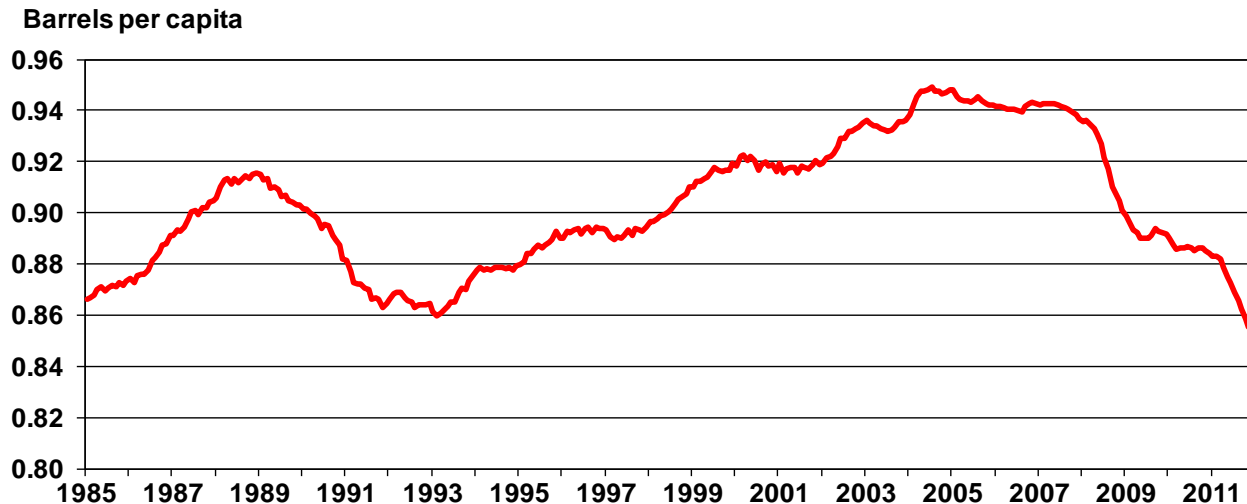
Sources: Bureau of Economic Analysis, IHS Global Insight.

# Annual gasoline consumption per capita

*Motor gasoline supplied, United States*



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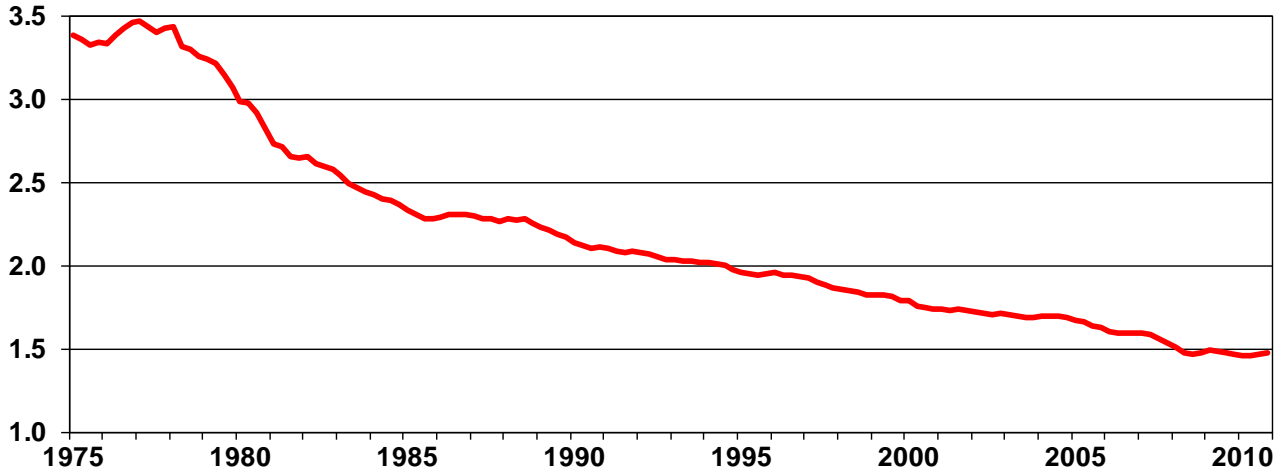
# Oil consumption per unit of real GDP

1975-2010, United States



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Barrels per \$1 Million Real GDP



# Impact of \$10 increase in oil prices

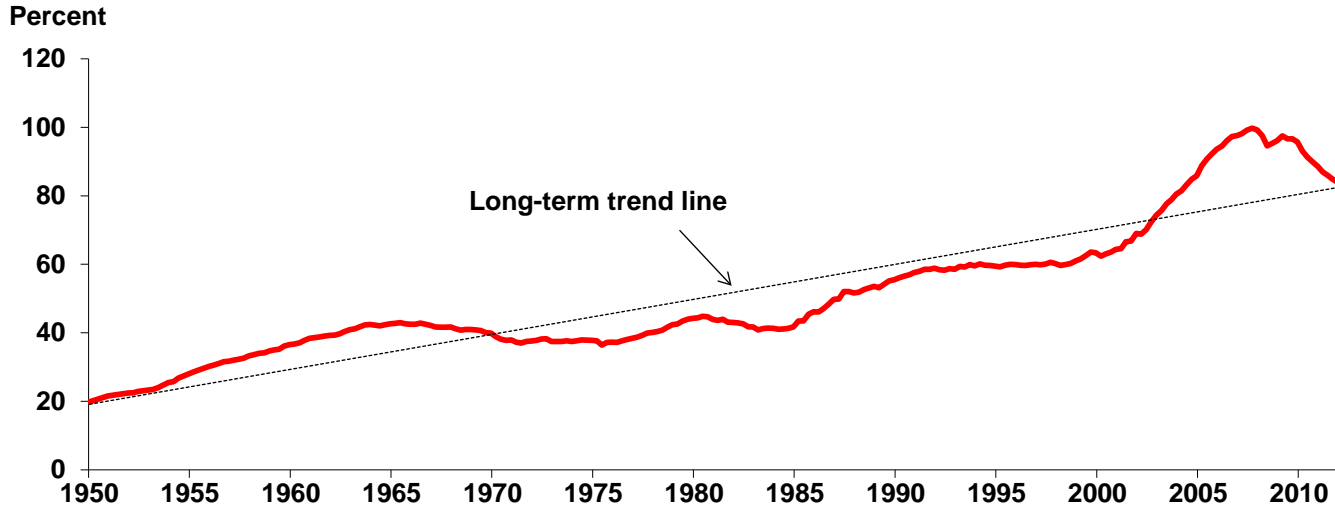
*Over next four quarters, United States*



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<b>Category</b>	<b>Percent change</b>
<b>Real gross private residential investment</b>	<b>-1.4</b>
<b>Consumer spending on all goods and services</b>	<b>-0.4</b>
<b>Real gross private fixed nonresidential investment</b>	<b>-0.2</b>
<b>Exports</b>	<b>-0.3</b>
<b>Total non-farm</b>	<b>-0.1</b>
<b>Civilian unemployment rate (DIFF)</b>	<b>0.1</b>
<b>Real gross domestic product</b>	<b>-0.2</b>

# U.S. household debt-to-income ratio is still high



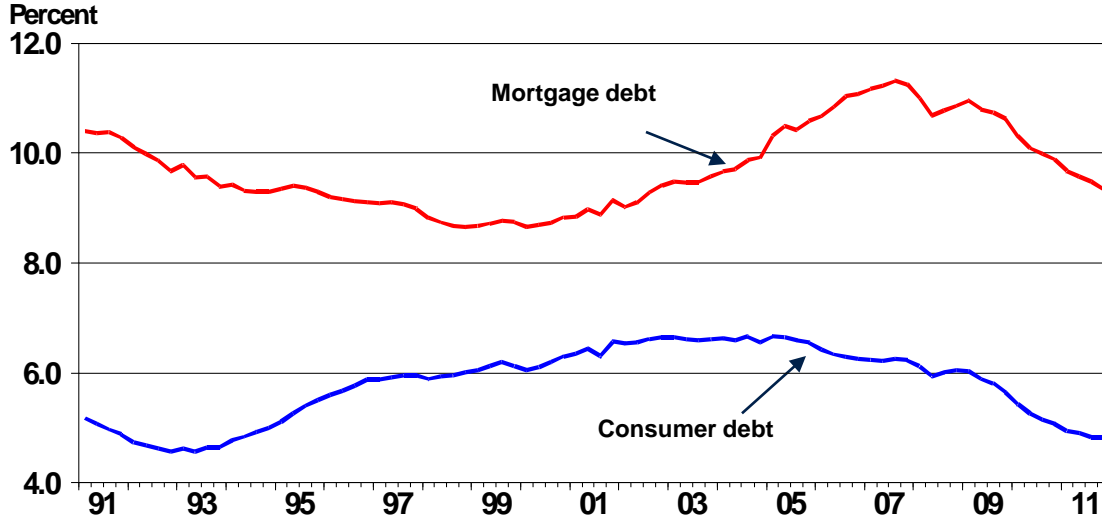
Source: Federal Reserve.

# U.S. households reduce financial debt obligations

*Debt service payments as a percent of disposable income*



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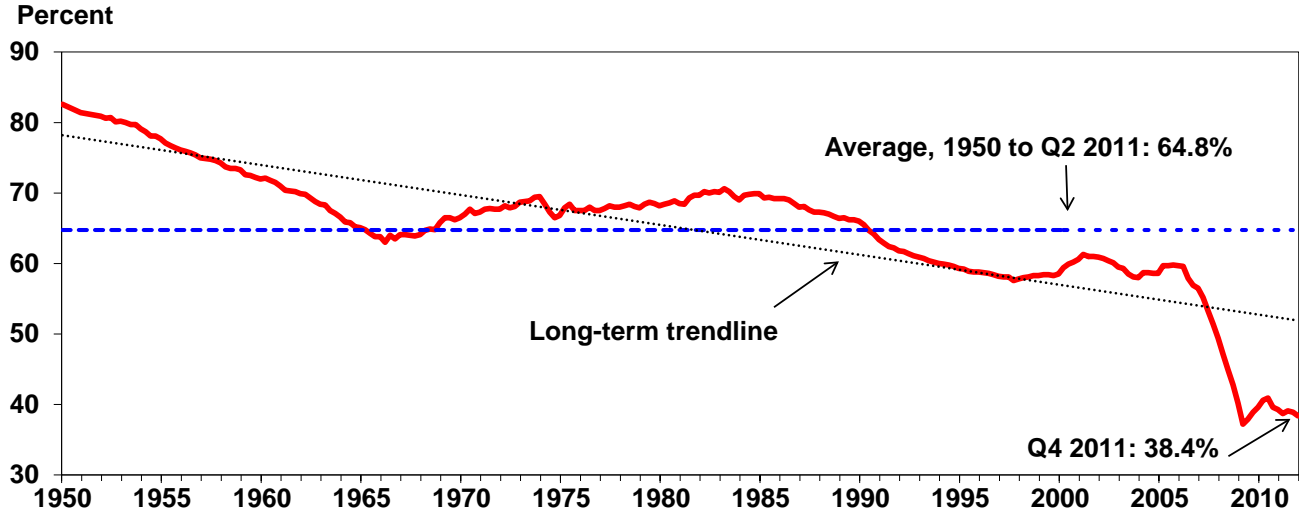
Sources: Federal Reserve Board, Moody's Analytics.

# U.S. homeowners' equity as a percent of real estate asset



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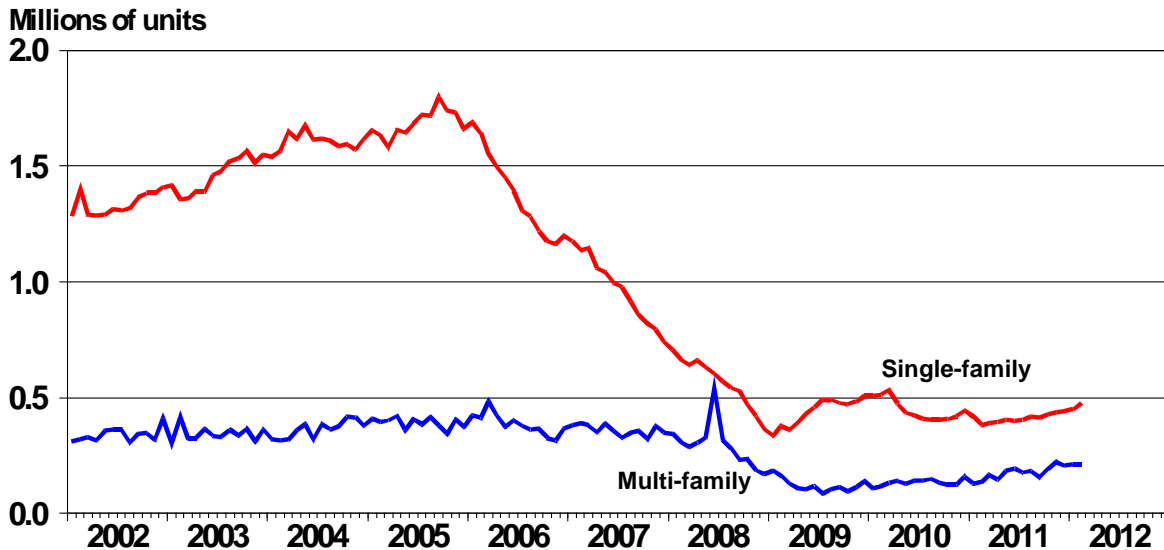
1950 to 2011



Source: Federal Reserve, Flow of Funds.

# Housing starts remain flat

*United States*



Sources: U.S. Census Bureau, IHS Global Insight.



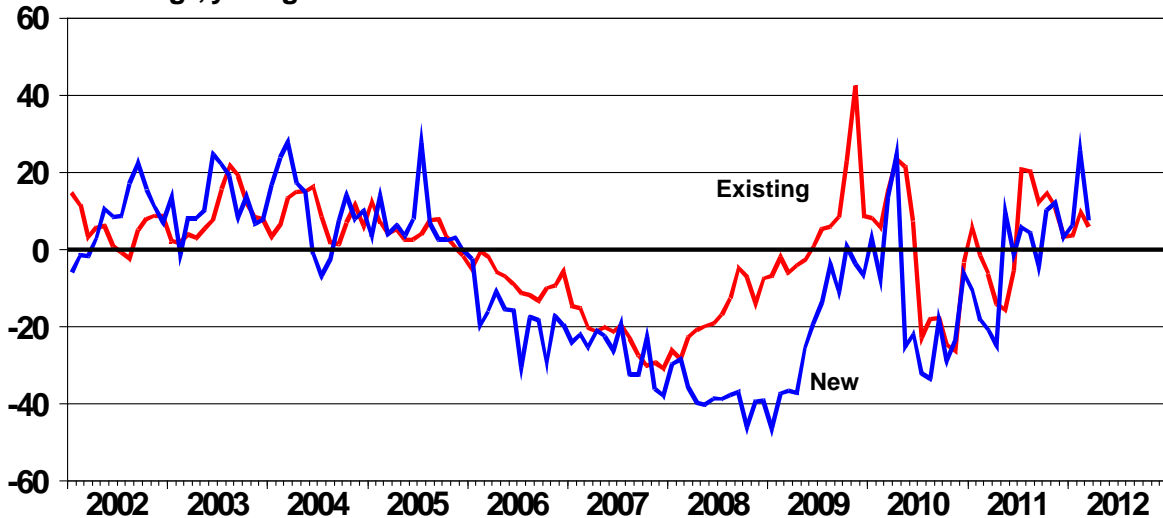
# U.S. home sales picking up

## Single-family home sales



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Percent change, year ago

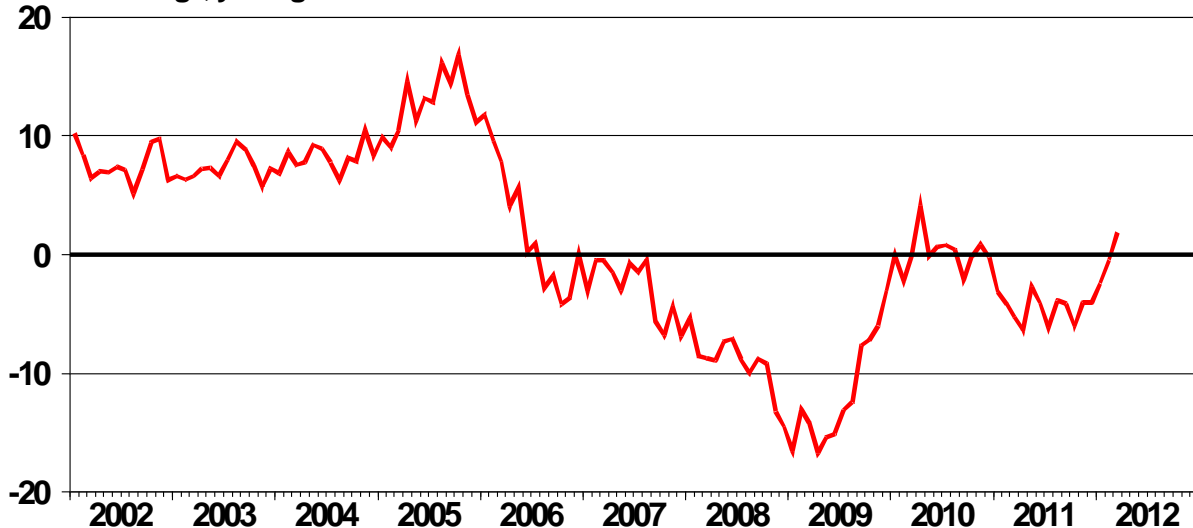


Sources: National Association of Realtors, Moody's Analytics.

# U.S. home prices begin to stabilize

*Median existing single-family home price*

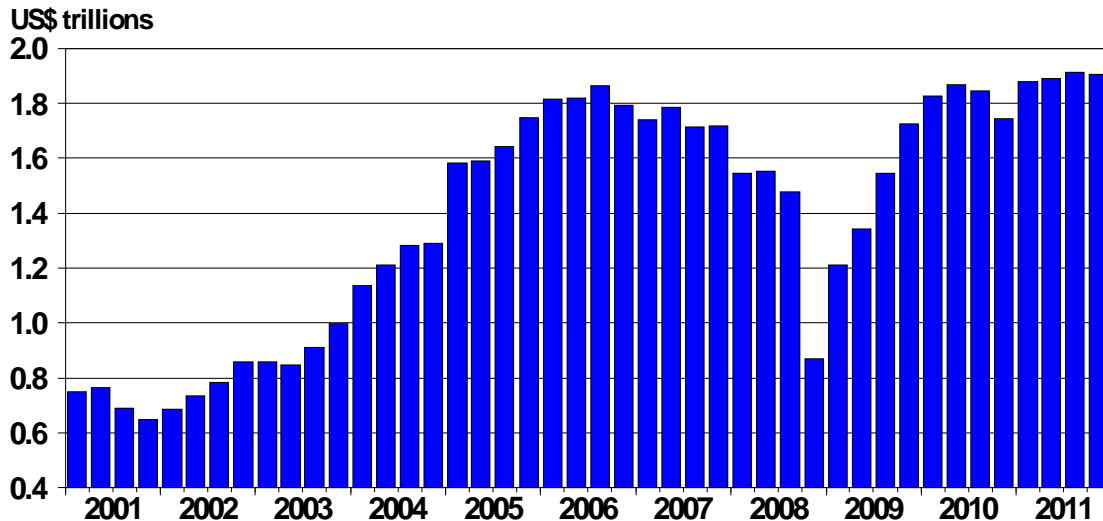
Percent change, year ago



Sources: National Association of Realtors, Moody's Analytics.

# U.S. corporate profits

*Profits before tax (without IVA and CCadj.)*



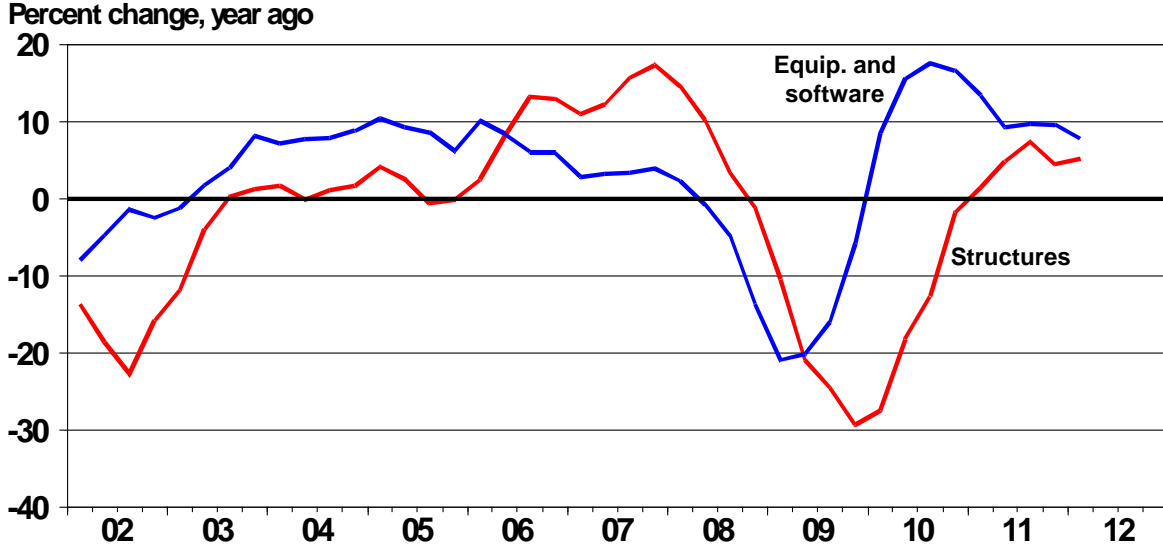
Sources: Federal Reserve Board, IHS Global Insight.

# Business investment fuels recovery

*U.S. fixed nonresidential private domestic investment*



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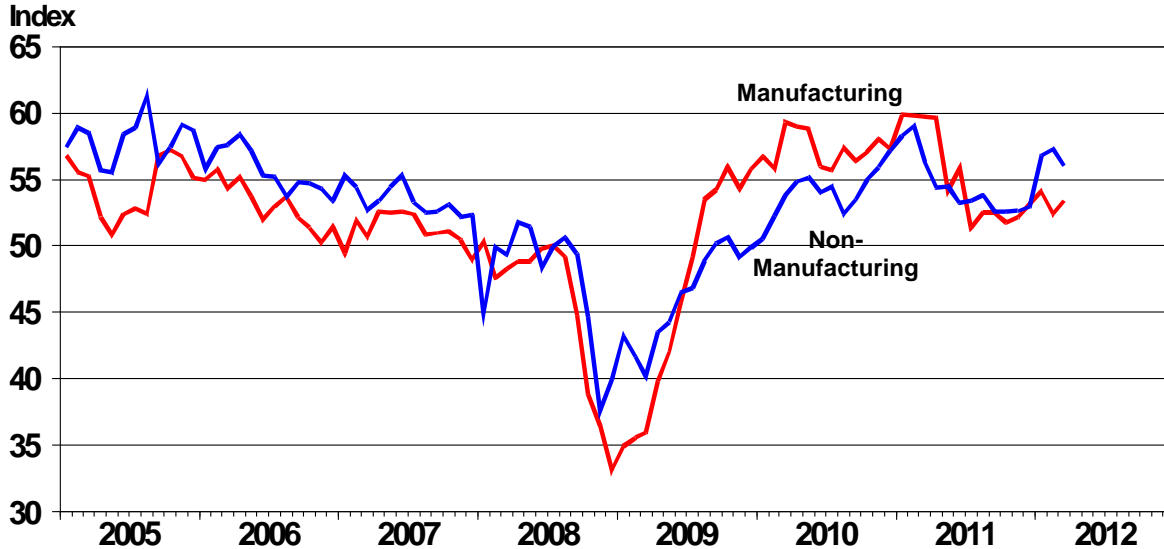
Sources: Bureau of Economic Analysis, IHS Global Insight.

# Purchasing manager's index indicates expansion

*U.S. ISM diffusion indices*



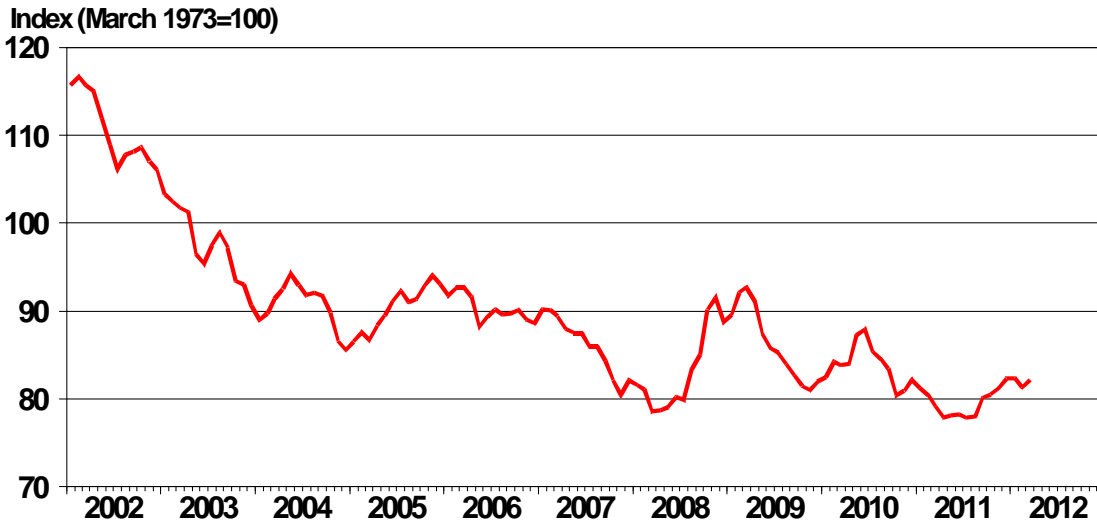
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Sources: Institute for Supply Management, Moody's Analytics.

# Weighted average exchange value of U.S. dollar

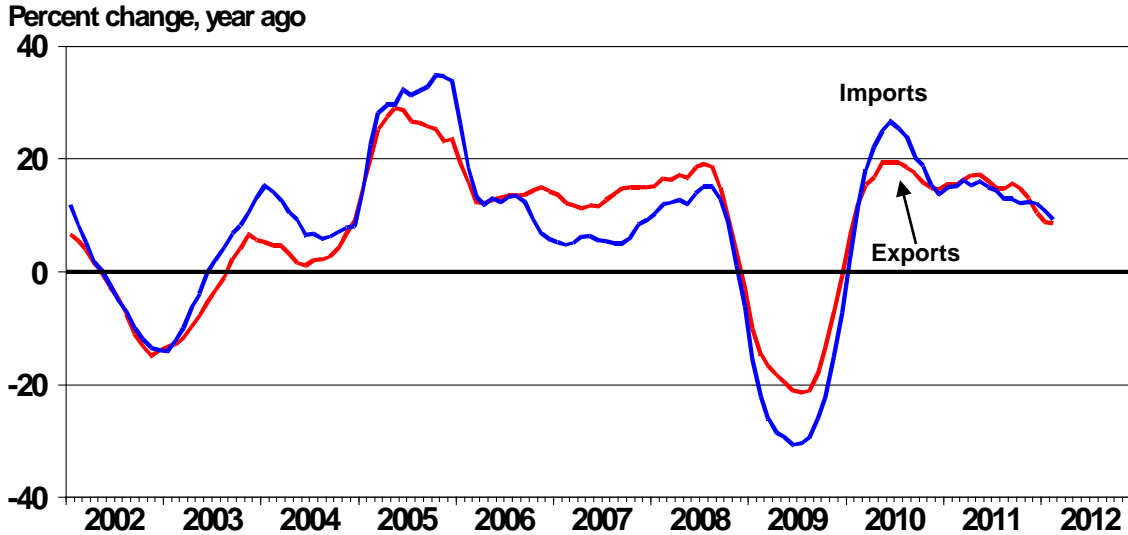
*Major Currencies Index, In real terms*



Sources: U.S. Board of Governors of the Federal Reserve System, Moody's Analytics.

# U.S. international trade

*Exports vs. imports (goods and services)*



Sources: U.S. Census Bureau, IHS Global Insight.

# U.S. trade in goods and services

*Merchandise exports by region, 2011*



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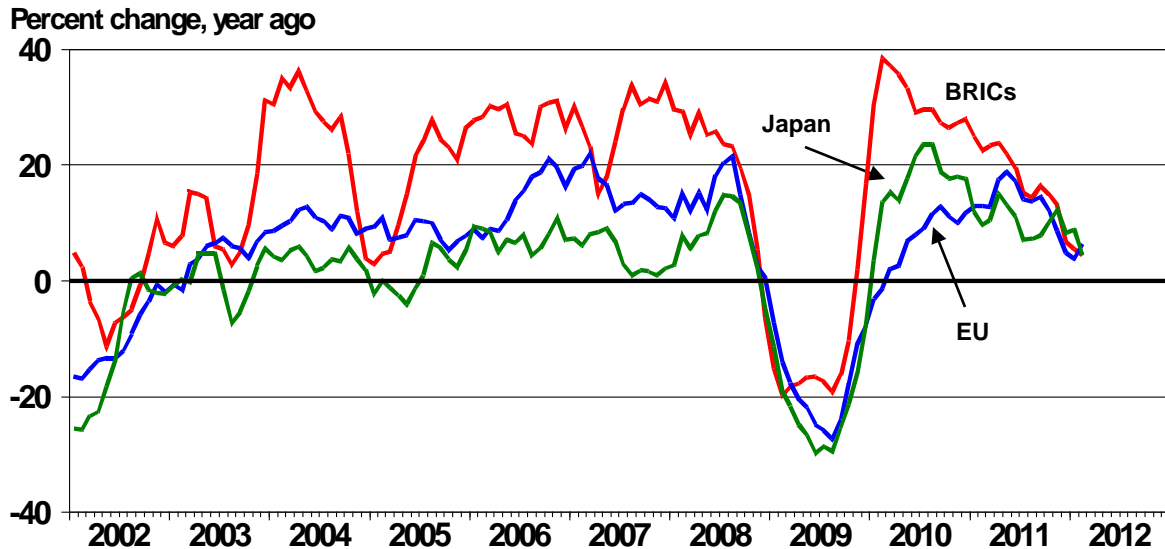
	Value (\$ bil.)	Share of U.S., exports
Canada	280.8	19.0%
EU	268.6	18.1%
Mexico	197.5	13.3%
South America	114.5	7.7%
China	103.9	7.0%
Japan	66.2	4.5%
United Kingdom	56.0	3.8%
Germany	49.1	3.3%
South Korea	43.5	2.9%

Source: U.S. Census Bureau.



# U.S. exports to BRICs, Japan and EU

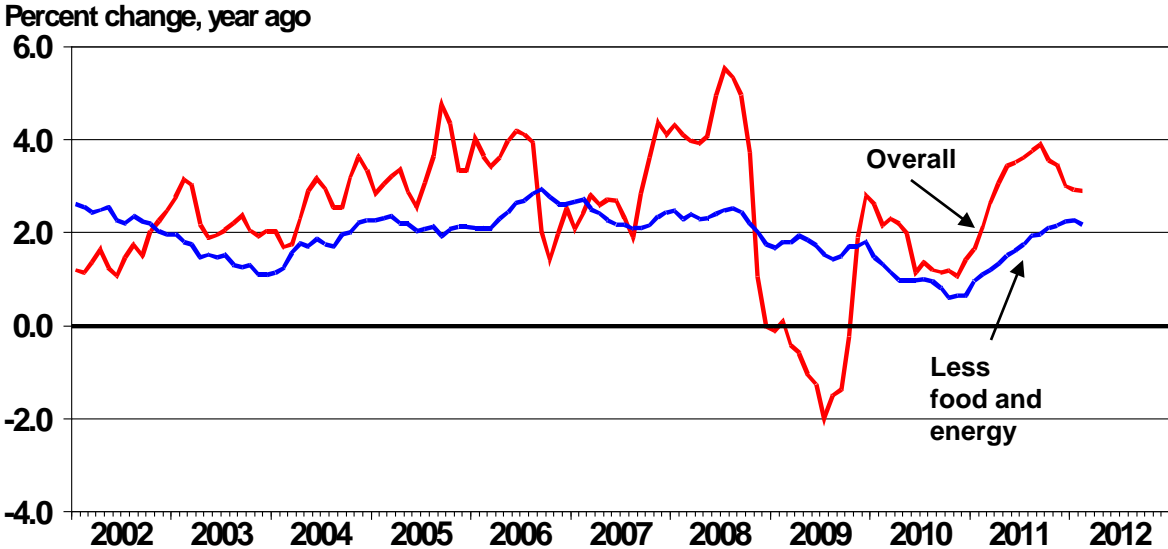
## Merchandise exports



Sources: U.S. Census Bureau, IHS Global Insight.

# Headline CPI inflation eases despite rising energy prices

*Overall vs. core Consumer Price Index*



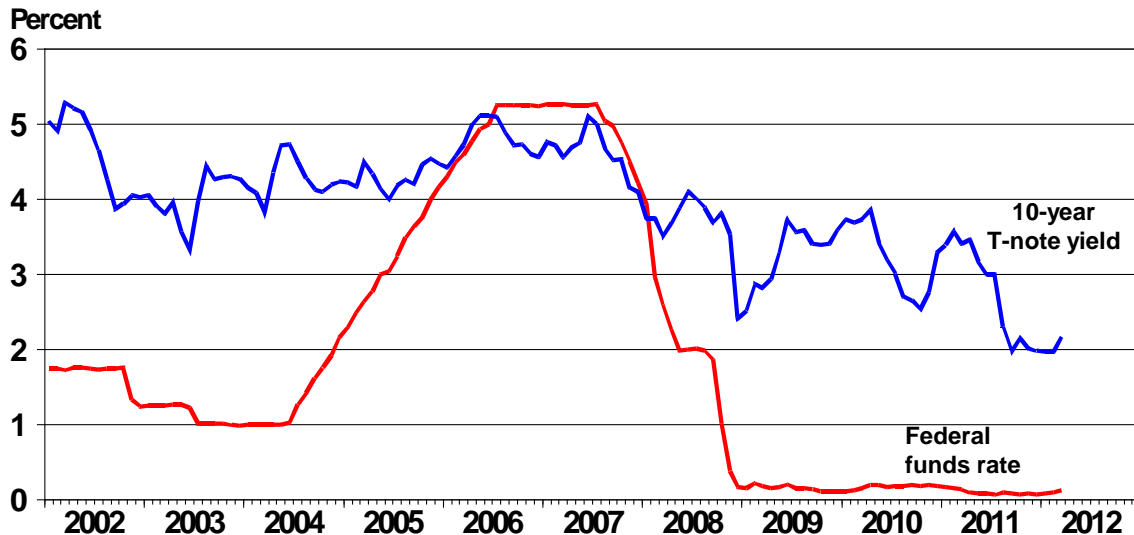
Sources: Bureau of Labor Statistics, IHS Global Insight.

# Interest rates



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## *Fed funds rate vs. 10-year bond yield*



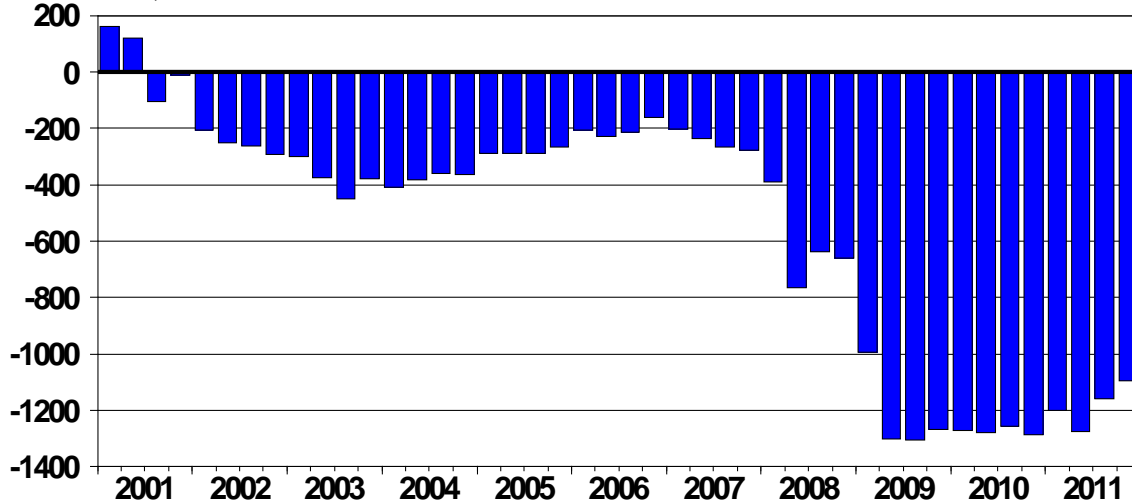
Sources: Federal Reserve Board, IHS Global Insight.

# Federal government net saving

## United States



US\$ billions, SAAR



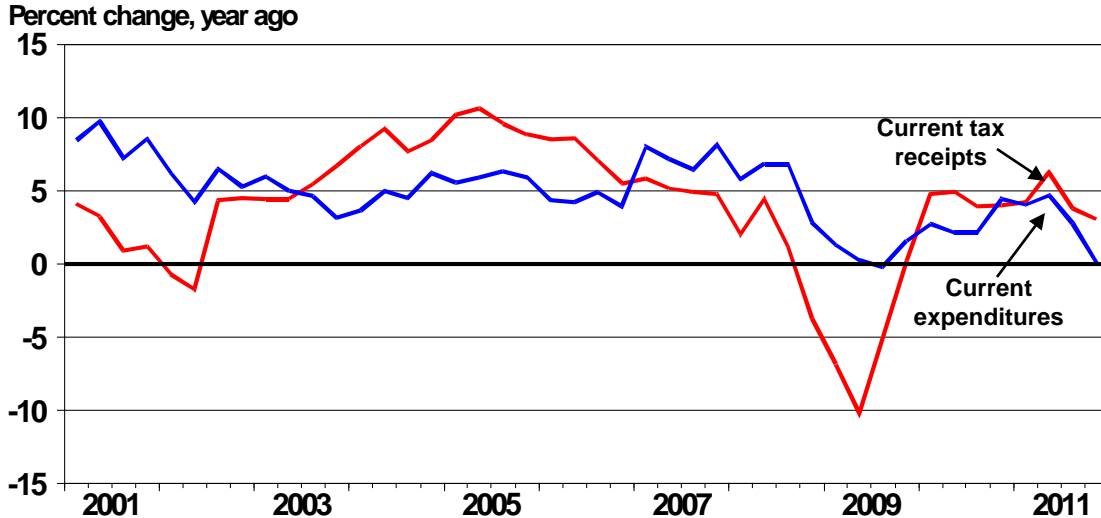
Sources: Bureau of Economic Analysis, IHS Global Insight.

# State and local government sector improving but still weighs down growth

*United States*



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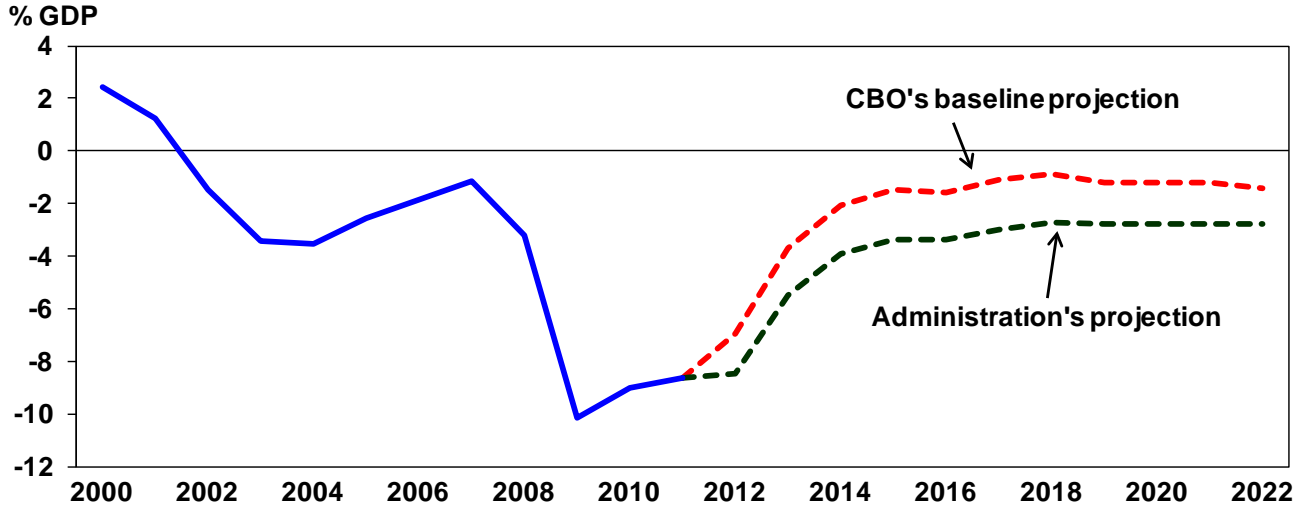
Sources: Bureau of Economic Analysis, IHS Global Insight.

# U.S. budget deficits/surpluses

## *CBO versus Administration projections*



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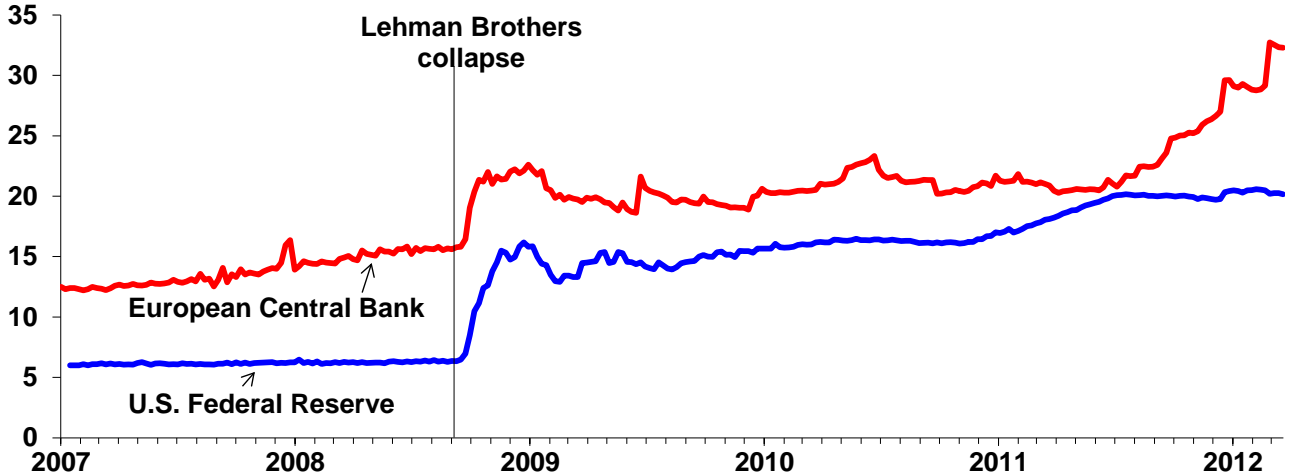


Sources: U.S. Congressional Budget Office, Office of Management and Budget, White House.

# The expansion of central bank balance sheets after 2009

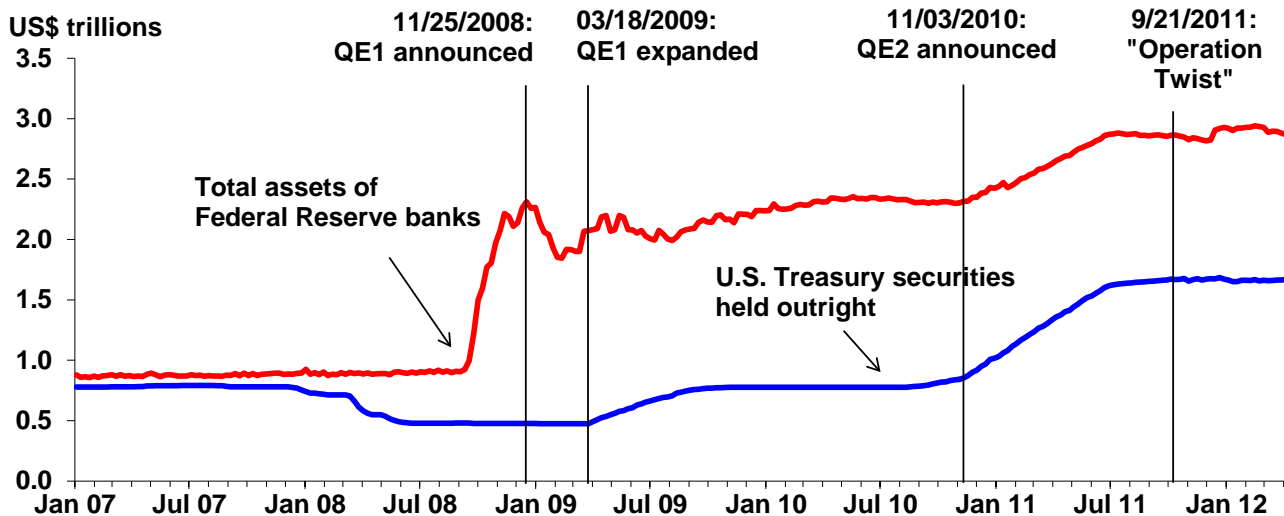


Central bank total assets (percent of 2008 GDP)



Source: International Monetary Fund.

# The Fed engages in quantitative easing



Sources: Federal Reserve, Milken Institute.

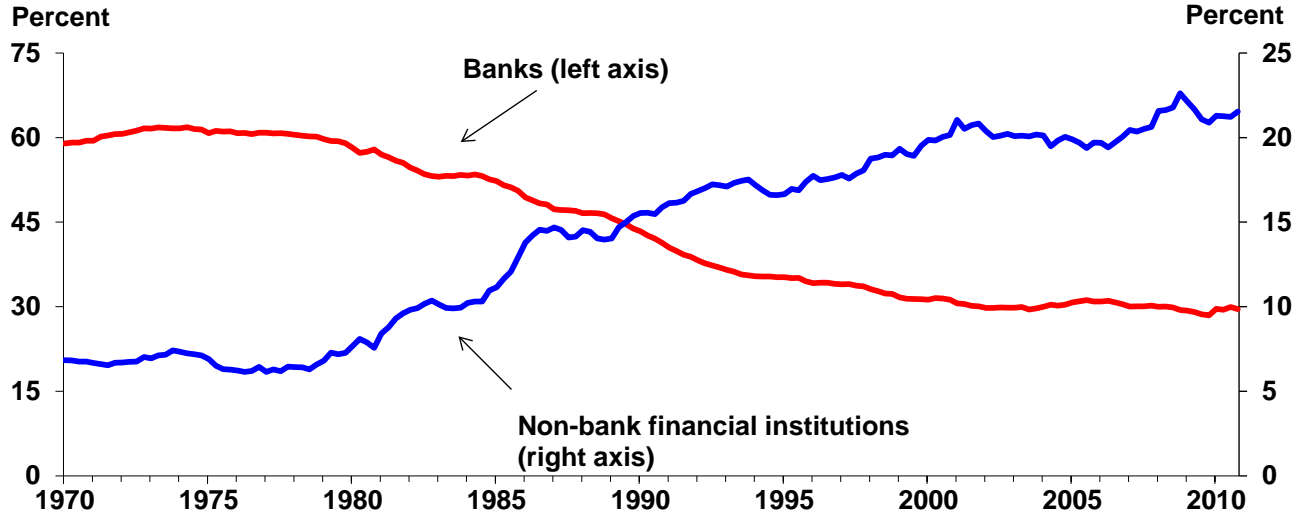


# Non-bank institutions are playing an ever-larger role in U.S. financial sector



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*Share of financial sector assets, 1970 to 2011*



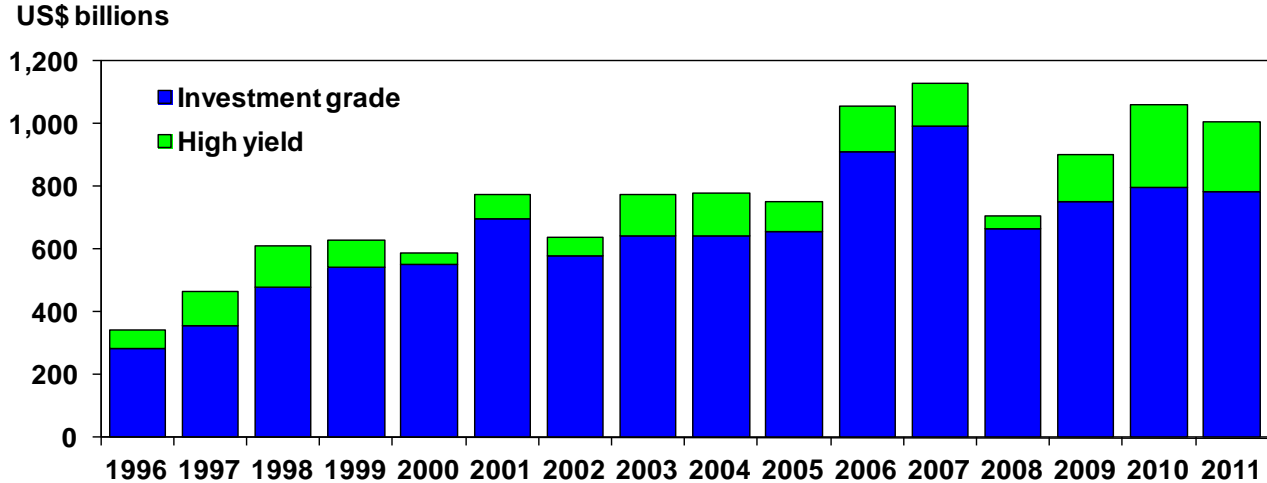
Source: Federal Reserve.

# Corporate bond issuance in the United States



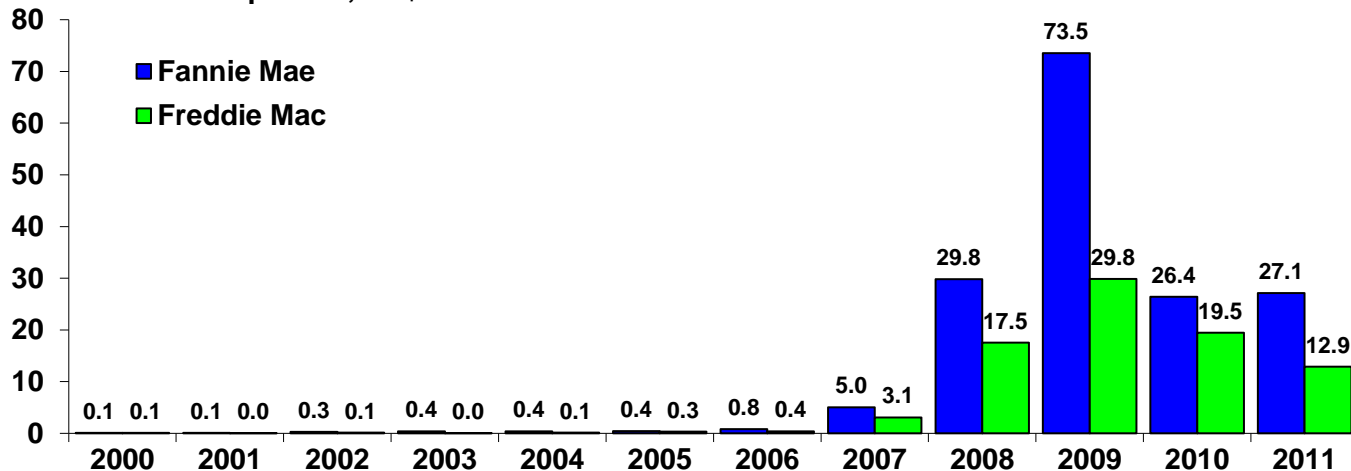
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1996 to 2011



# Elevated credit expenses at GSEs

Credit-related expenses, US\$ billions



Sources: Fannie Mae, Freddie Mac, FHFA, Inside the GSEs.

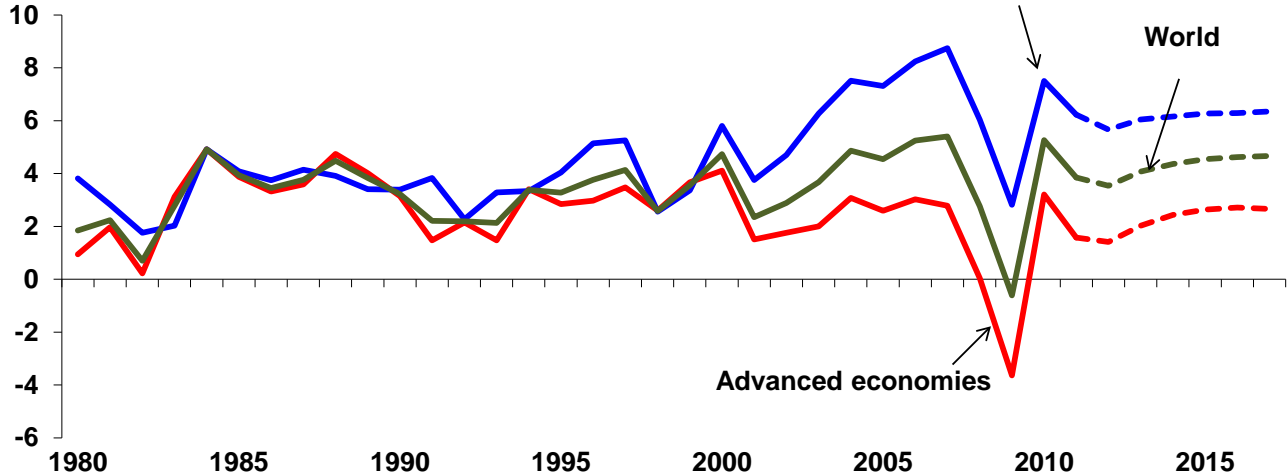
# Two-speed recovery

*Projections after 2011*



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Real GDP growth, percent



Source: International Monetary Fund.

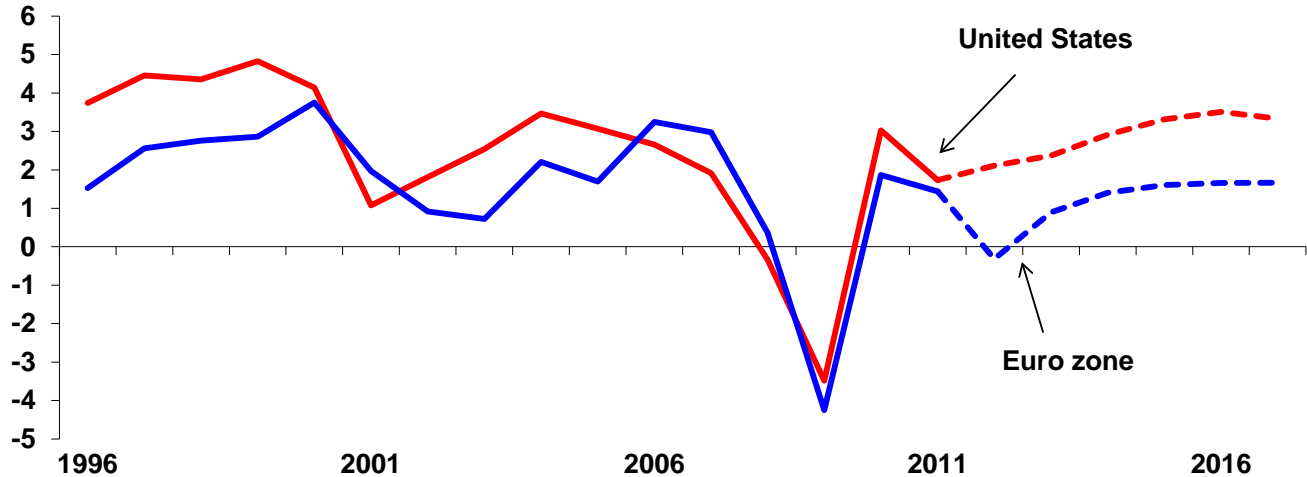
# Europe and U.S. decoupling

*Projections after 2011*



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Real GDP growth, percent



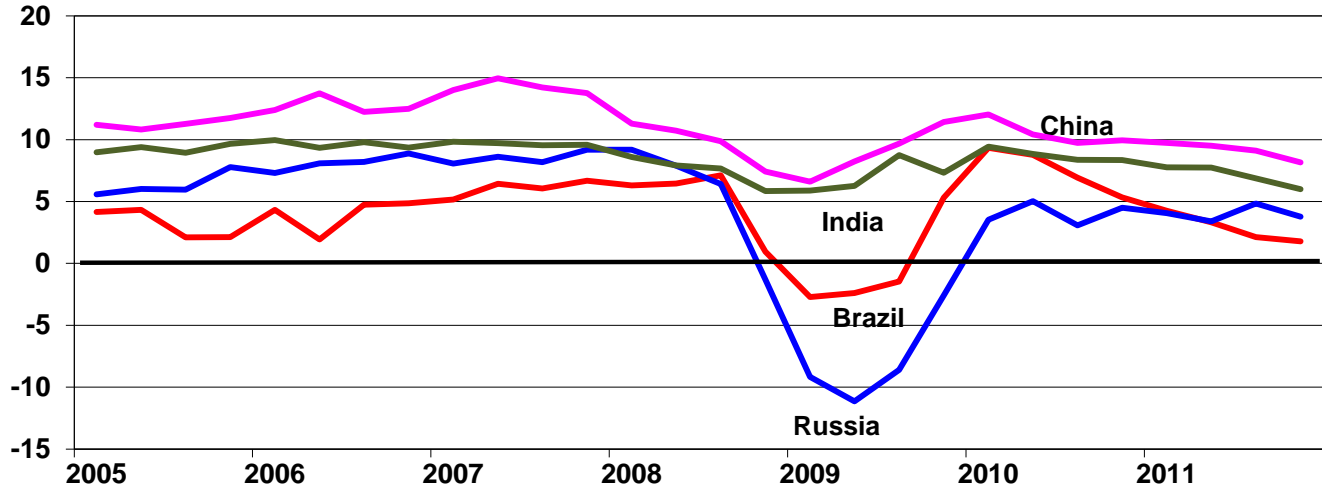
Source: International Monetary Fund.

# BRICs: Real GDP growth



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Percent change, year ago



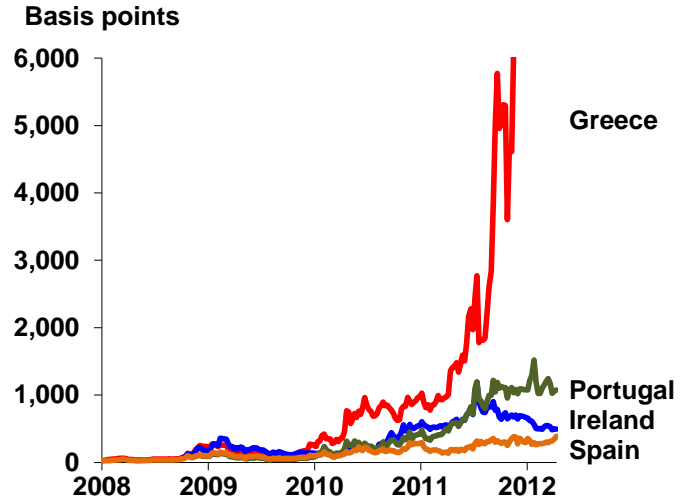
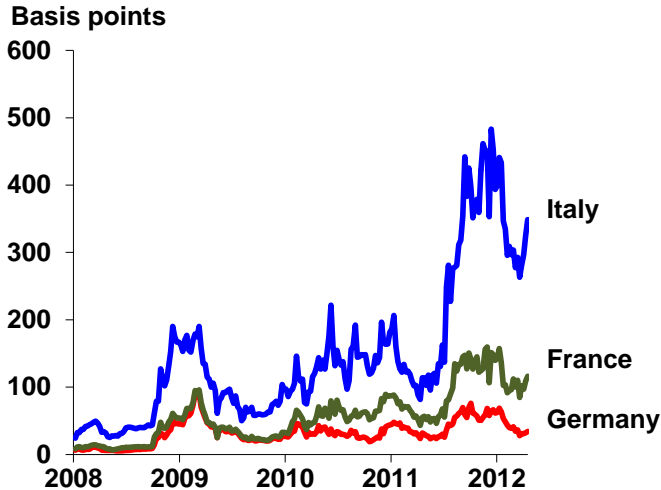
Source: Oxford Economics.

# Sovereign risks heightened after 2009



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*Credit default swap spreads, five-year government bonds*



Source: DataStream.

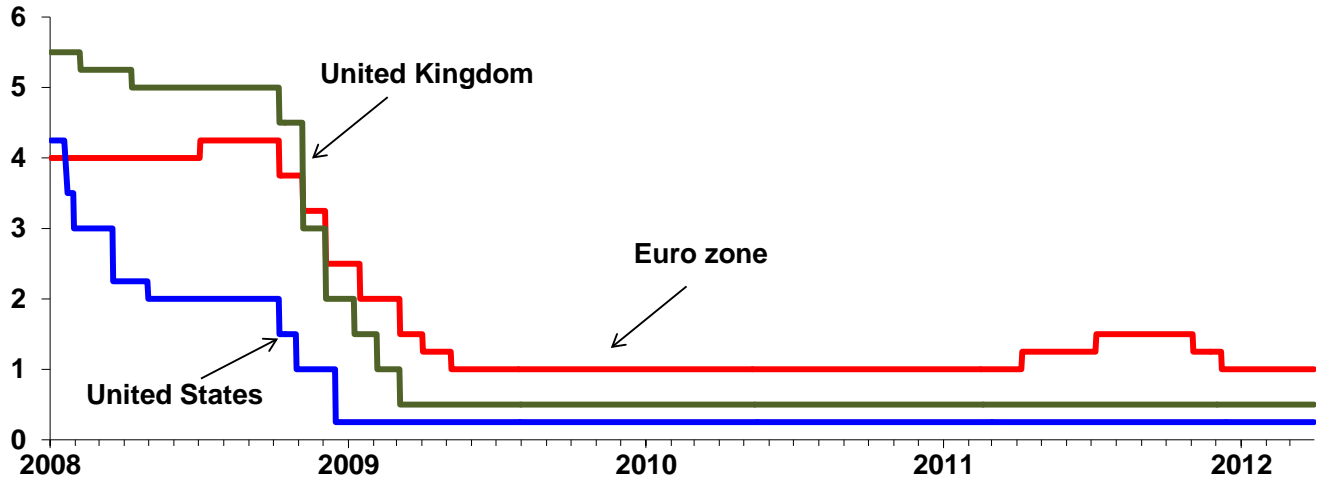
# Interest rates for advanced economies

## Target interest rates of central banks



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Policy interest rates, percent



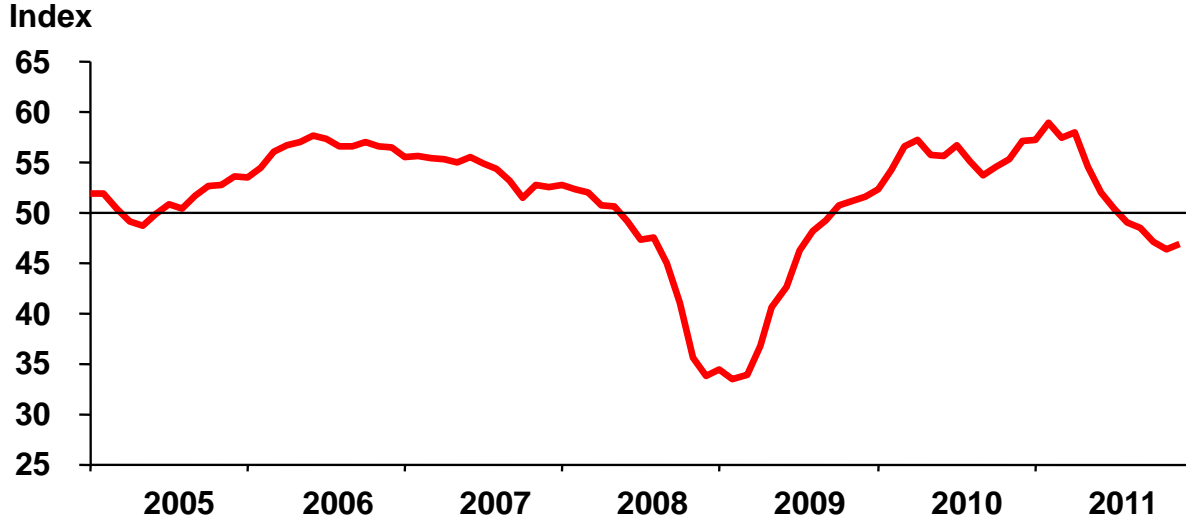
Source: Bloomberg.



# Euro zone PMI: pointing toward mild recession



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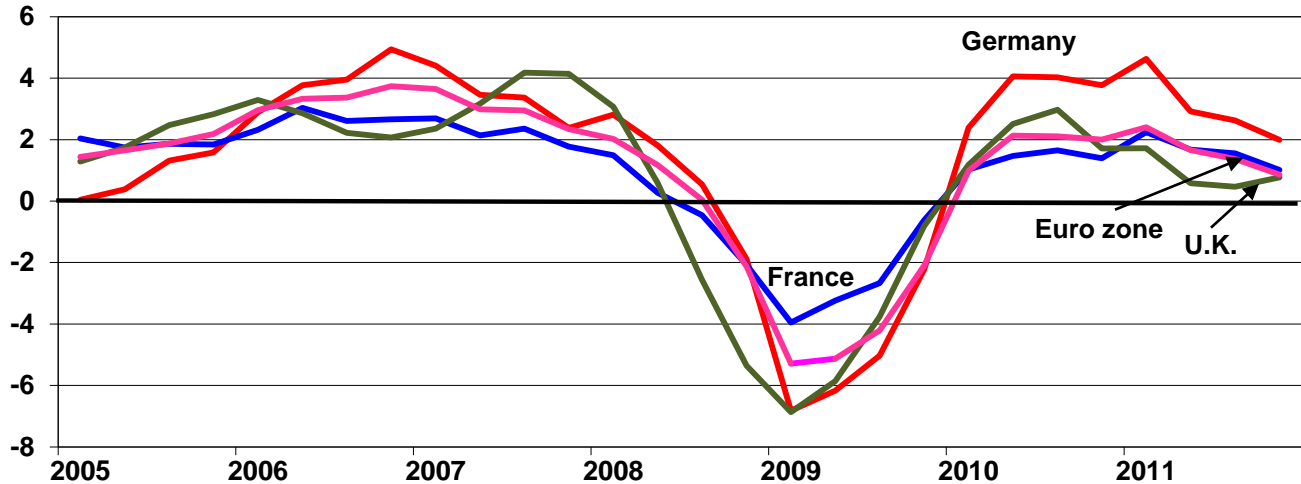


Source: Oxford Economics/Markit.

# Major European economies recover with uncertainties



Percent change, year ago



# Exports to the euro zone

*Percent of total exports, 2010*



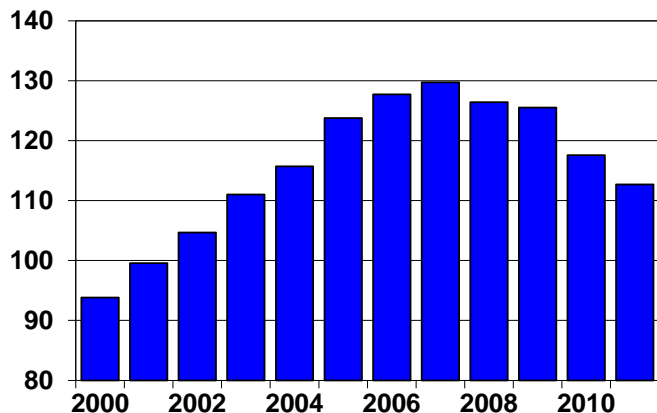
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	Share of total exports going to euro zone
<b>U.K.</b>	<b>50.3%</b>
<b>Central and Eastern Europe</b>	<b>48.6%</b>
<b>China</b>	<b>14.8%</b>
<b>India</b>	<b>14.5%</b>
<b>U.S.</b>	<b>13.9%</b>
<b>Latin America</b>	<b>10.4%</b>
<b>Emerging Asia</b>	<b>9.2%</b>

# Euro zone has a long way to go in deleveraging

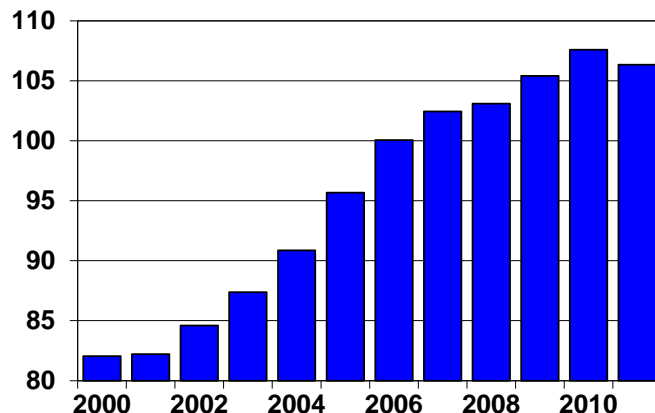
## United States

Household debt-to-income ratio



## Euro zone

Household debt-to-income ratio



Sources: International Monetary Fund.

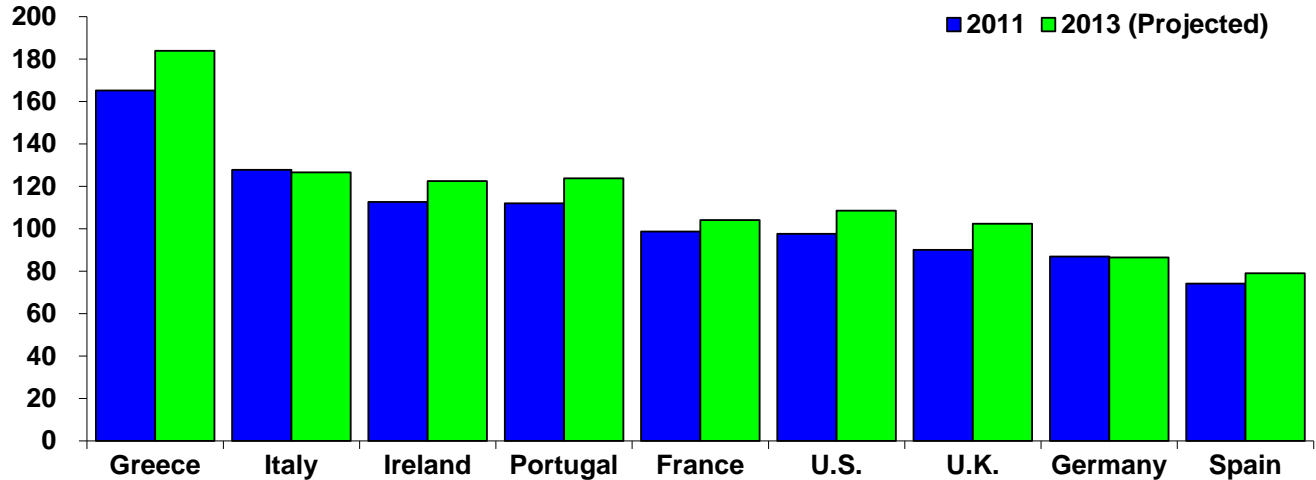
# Government debt-to-GDP ratios still rising

2011 vs. 2013 (projection)



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Gross debt, percent of GDP

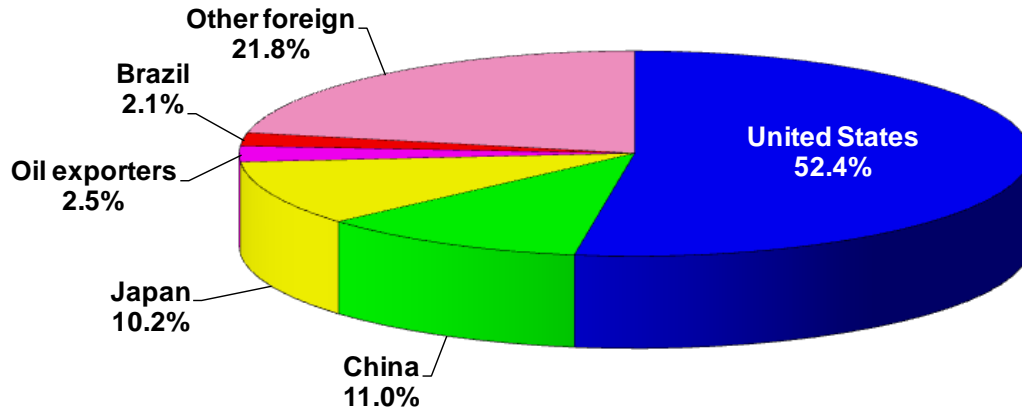


Source: OECD.



# Ownership of publicly held U.S. debt

Total federal debt held by the public = US\$10.7 trillion (February 2012)



Source: Treasury Department.

# Fiscal space

*Difference between actual debt-to-GDP ratio and debt-to-GDP ratio that results in a default*

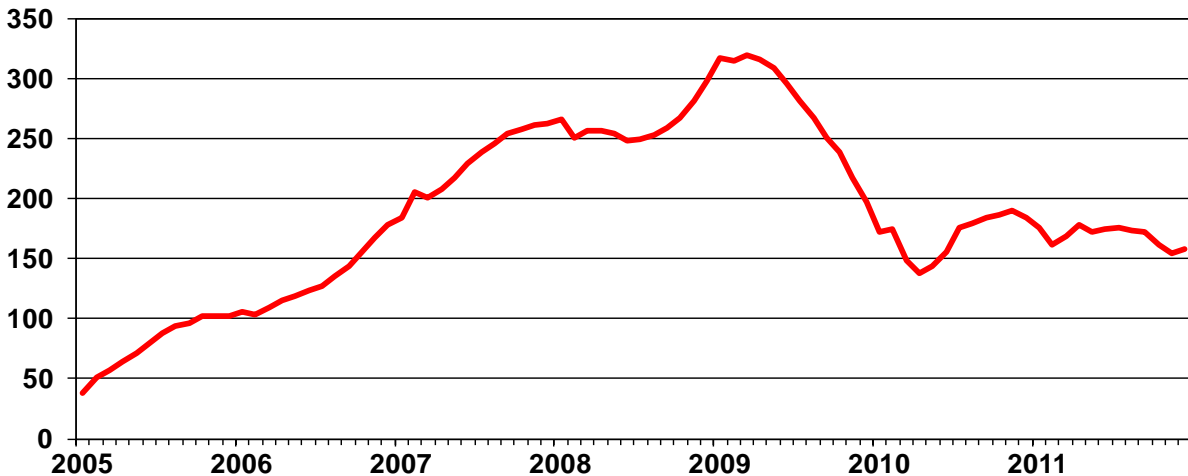


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Country	Space	Country	Space
South Korea	252	Germany	149
Luxembourg	235	Great Britain	142
Norway	225	France	134
Singapore	222	Belgium	134
Australia	221	Spain	125
Sweden	209	Greece	No space
Finland	181	Ireland	No space
U.S.	153	Italy	No space
Canada	151	Japan	No space
Austria	141	Portugal	No space

# China: Trade balance reaches a plateau

US\$ billions, SAAR

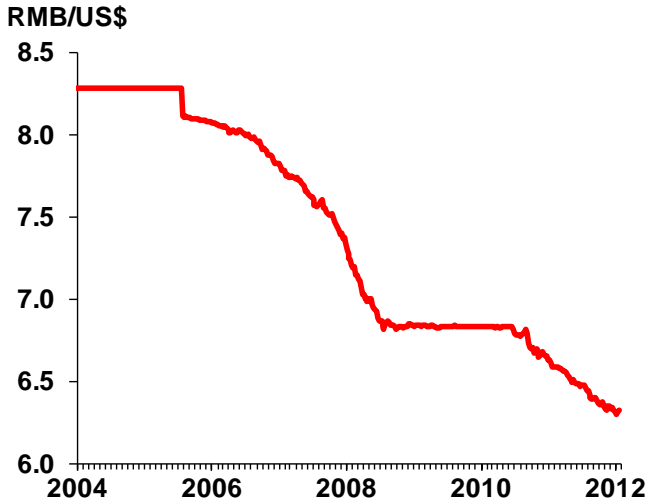


Source: National Bureau of Statistics, Milken Institute.

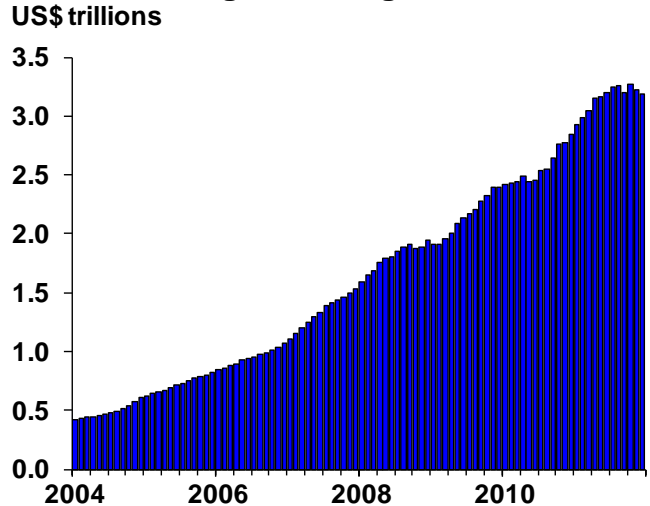


# Will the renminbi further appreciate?

## Renminbi exchange rate



## Foreign exchange reserve



# International economic forecast

*GDP, year-over-year percent change*

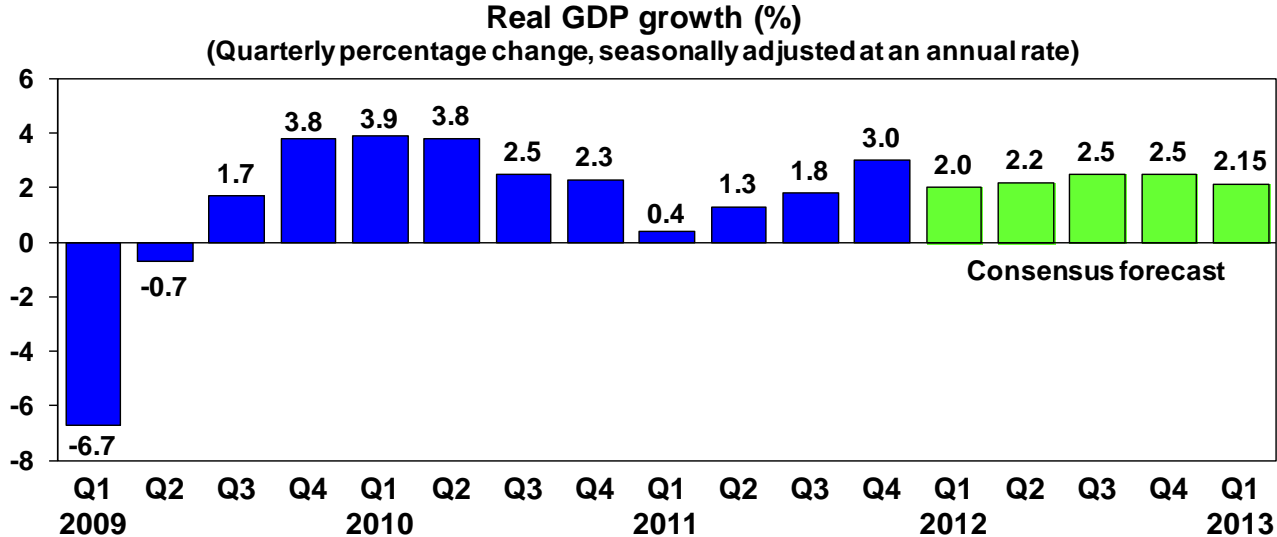


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	2010	2011	2012*	2013*
<b>Global (2005 PPP weights)</b>	4.6	3.7	3.1	3.7
<i>Advanced economies**</i>	2.9	1.6	1.7	2.2
U.S.	3.0	1.8	2.6	2.7
Euro zone	1.8	1.6	-0.4	1.1
U.K.	2.1	1.0	0.4	1.8
Japan	4.5	-0.9	1.6	2.5
Korea	6.2	3.6	3.0	4.5
Canada	3.2	2.5	2.2	2.5
<i>Developing countries**</i>	7.3	6.0	5.3	6.1
China	10.4	9.3	8.3	8.9
India	8.7	7.3	6.8	8.3
Mexico	5.4	3.9	3.8	4.5
Brazil	7.5	2.9	3.2	4.3
Russia	4.0	4.1	3.7	3.8



# U.S. economy expands at a slow rate



## Polling question:

*What is your projection for U.S. real GDP growth in 2012?*

- A. **3.0 percent or above**
- B. **2.5 - 2.9 percent**
- C. **1.5 - 2.4 percent**
- D. **0 - 1.4 percent**
- E. **-0.1 or below**