



# The 2012 Economic Outlook in the Eighth District

- Despite a good finish to 2011, forecasters expect the U.S. economy to struggle throughout 2012.
  - The Blue Chip consensus is for only 2.2 percent real-GDP growth in 2012.
  - Consumers are still hampered by slow job growth and poor housing markets.
- It will feel almost like a new recession in some parts of the Eighth District.
  - All seven states likely to trail the national growth rate.
  - Missouri and Illinois remain the weakest economies.



# Economic Growth Rates

	2005	2006	2007	2008	2009	2010	2011 Est- imate	2012 Fore- cast	<i>Average growth rate during last full business cycle, 2000-2007</i>
USA	3.0%	2.6%	1.9%	-0.3%	-3.5%	3.0%	1.7%	2.2%	2.3%
AR	2.8	2.7	0.7	-0.1	-1.5	2.3	0.2	1.5	2.4
IL	0.7	2.3	1.5	-0.9	-2.7	1.9	1.6	0.6	1.4
IN	0.3	1.1	2.7	-1.7	-4.1	4.5	0.3	1.1	1.6
KY	2.5	2.3	-0.2	0.4	-1.9	3.2	1.7	1.1	1.5
MS	1.3	1.9	4.6	1.4	-2.5	1.1	1.3	1.4	1.9
MO	0.8	0.2	1.1	1.4	-3.9	1.4	1.7	0.5	1.0
TN	2.2	2.7	0.1	0.1	-4.5	3.5	1.9	1.7	2.2

Green numbers = State growth rate is higher than U.S. growth rate

Red numbers = State growth rate is lower than U.S. growth rate

Sources: Bureau of Economic Analysis, Blue Chip Economic Indicators, own calculations



# Why Is the Recovery so Slow?

- Blue Chip forecasters expect 2.6 percent growth in 2013—better, but still far short of what we need.
- Eighth District states will improve in 2013 but remain weak.
- What's the problem?
  - The economy cannot make up lost ground and return to normal growth until housing markets and household balance sheets stabilize.
  - Unfortunately, the housing and mortgage corrections have another few years to run.



# More on Bill's Perspective:

- “Don’t Expect Consumer Spending To Be the Engine of Growth It Once Was”, Federal Reserve Bank of St. Louis Regional Economist, January 2012,  
[www.stlouisfed.org/publications/re/articles/?id=2201](http://www.stlouisfed.org/publications/re/articles/?id=2201)
- “Economic Hangover: Recovery is Likely to Be Prolonged, Painful”, Federal Reserve Bank of St. Louis Regional Economist, April 2010,  
[www.stlouisfed.org/publications/re/articles/?id=1944](http://www.stlouisfed.org/publications/re/articles/?id=1944)



