

Quarterly Economic Update

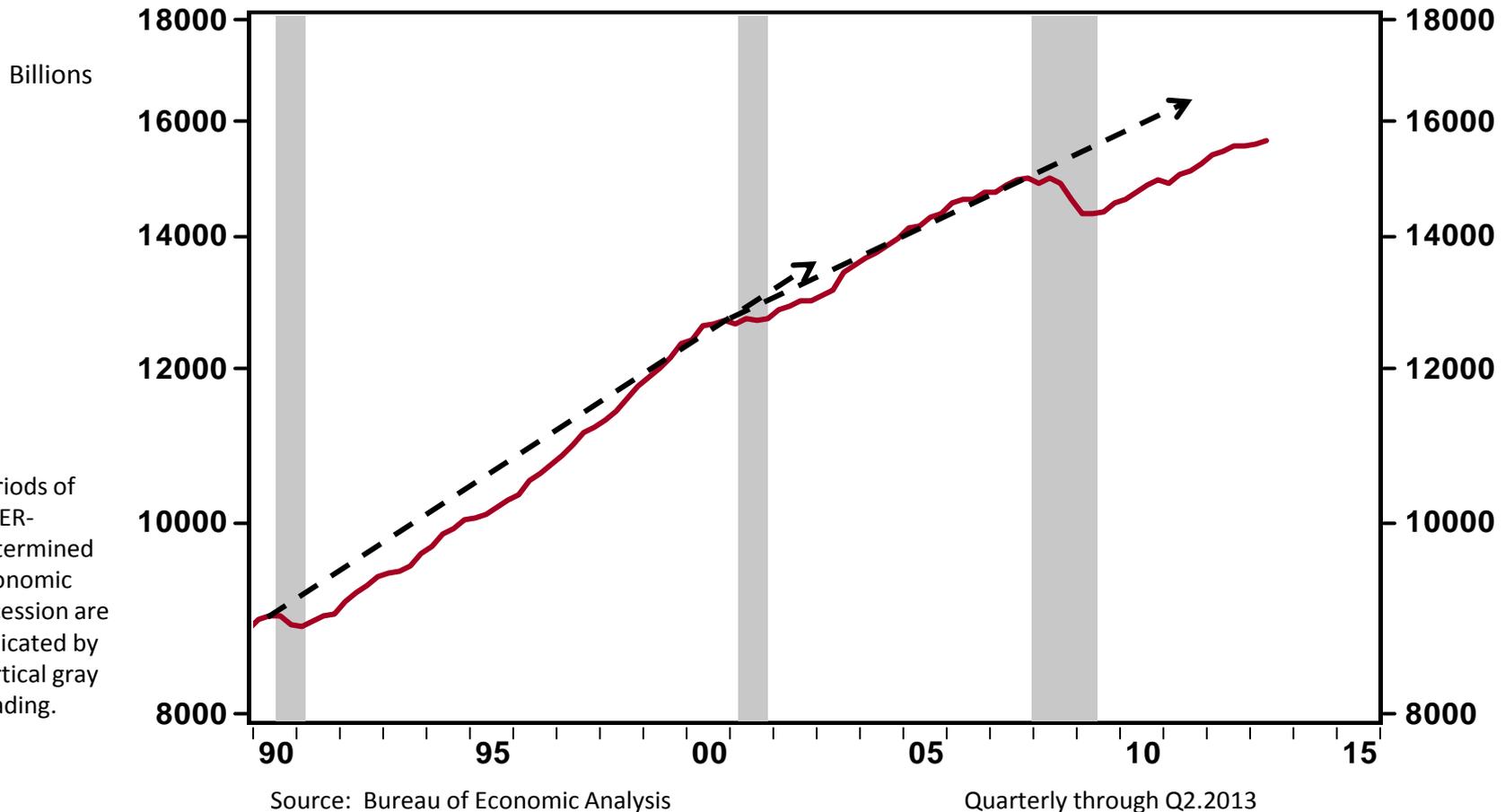
- As the economic recovery begins its fifth year...
- ... are we finally ready for take-off?



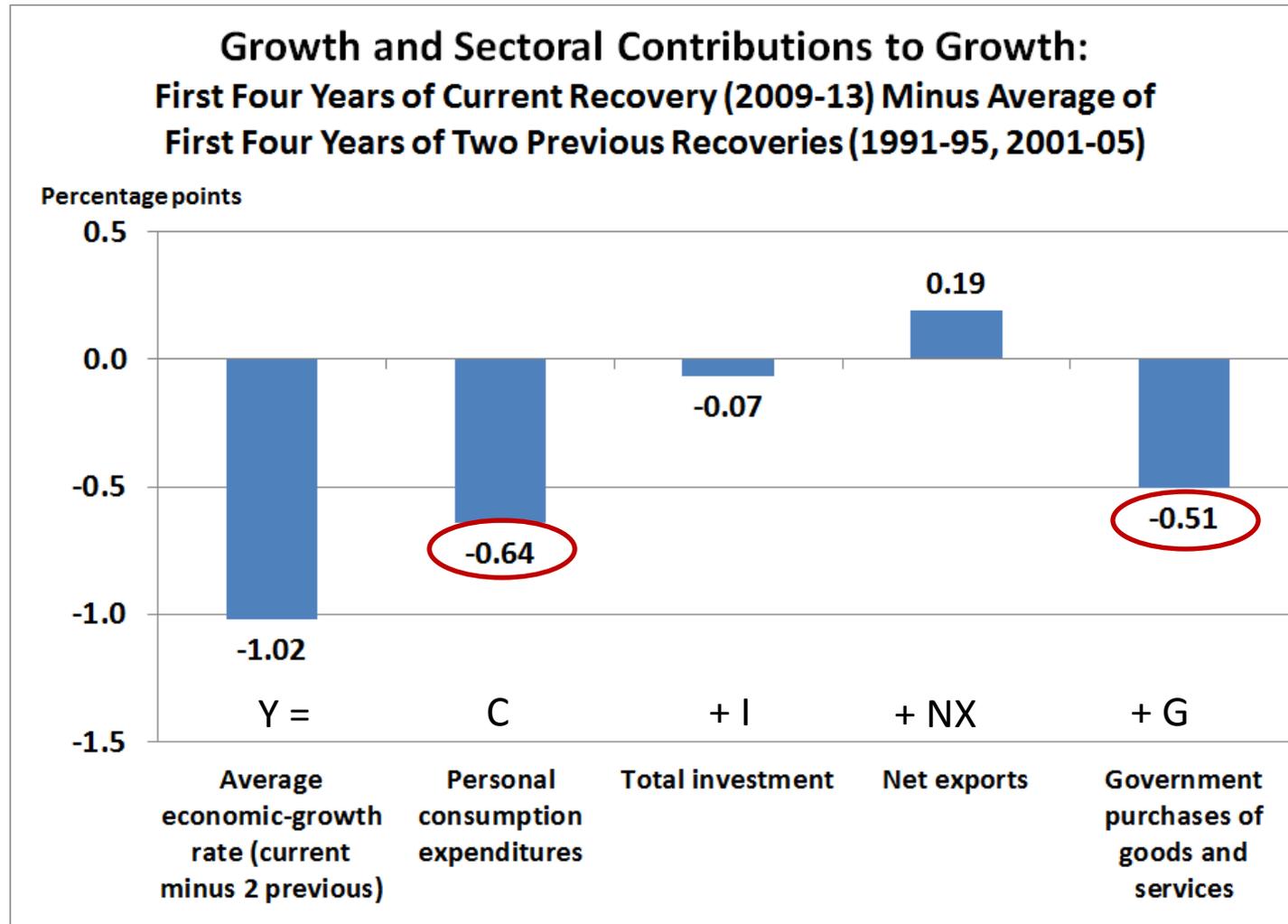
The Economy has Grown but Not Recovered

Real Gross Domestic Product (GDP)

Billions of chained 2009 dollars, seasonally adjusted annual rates



Weakest Engines of Growth: Consumer and Government Purchases



Source: Bureau of Economic Analysis

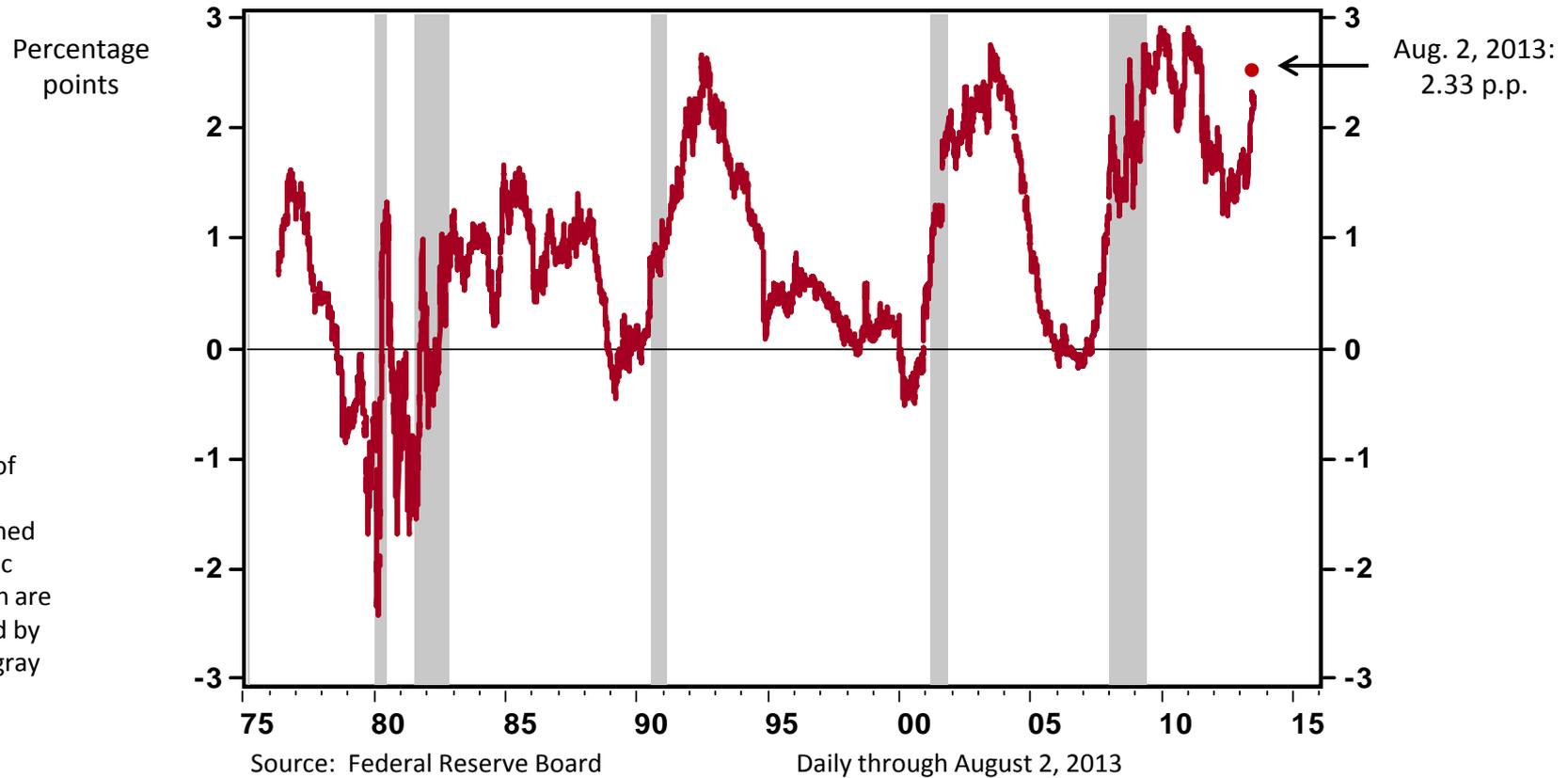
Quarterly annualized averages, report of July 31, 2013



Bond Market is Signaling Strength

Difference Between 10-Year Treasury Yield and 2-Year Treasury Yield

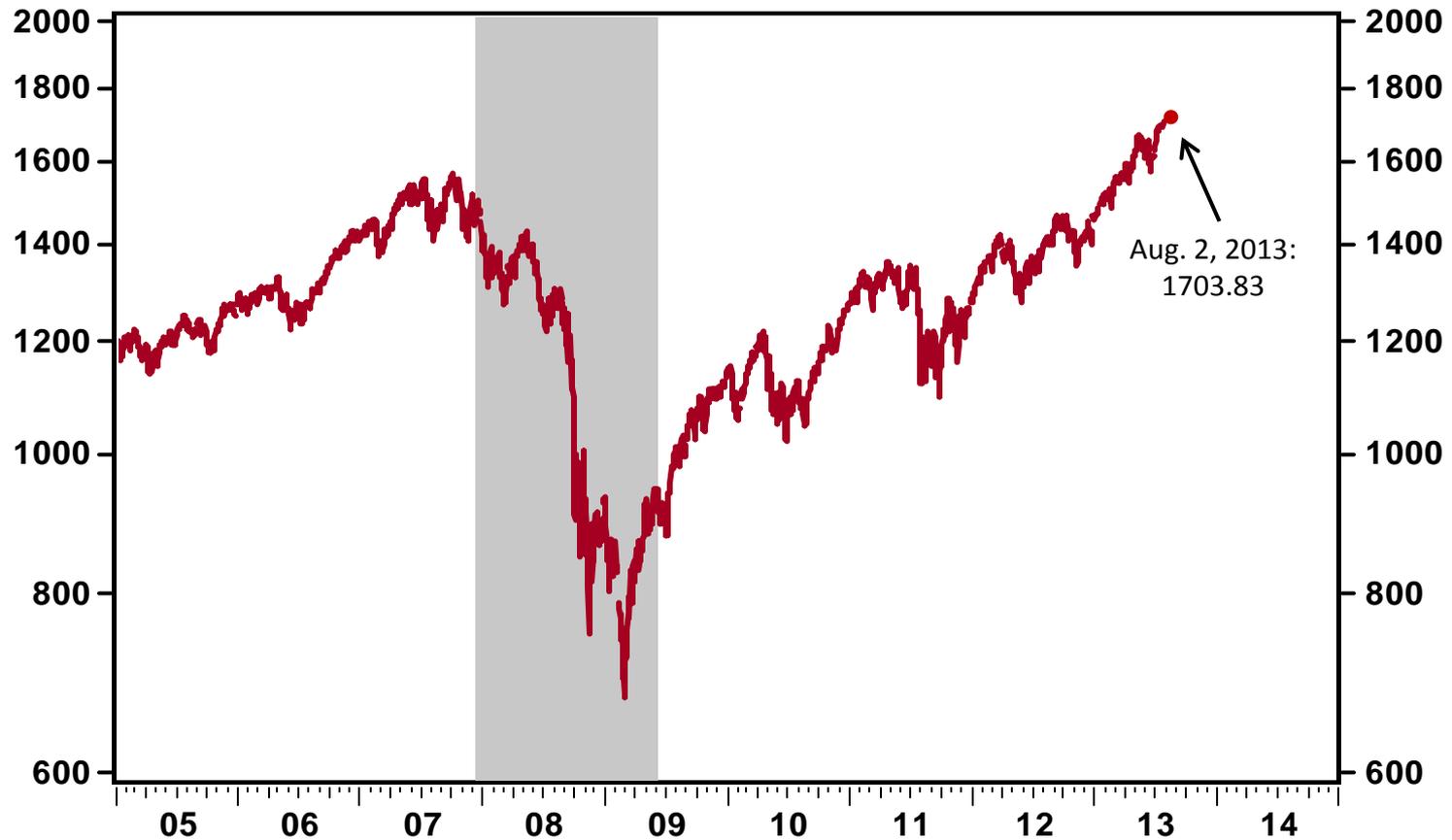
Percentage points



Stock Market Also Reflecting Strong Profits

Standard & Poor's 500 Stock-Price Index

Average level in 1941-43 equals 10



Aug. 2, 2013:
1703.83

Periods of NBER-determined economic recession are indicated by vertical gray shading.

Source: Standard and Poor's

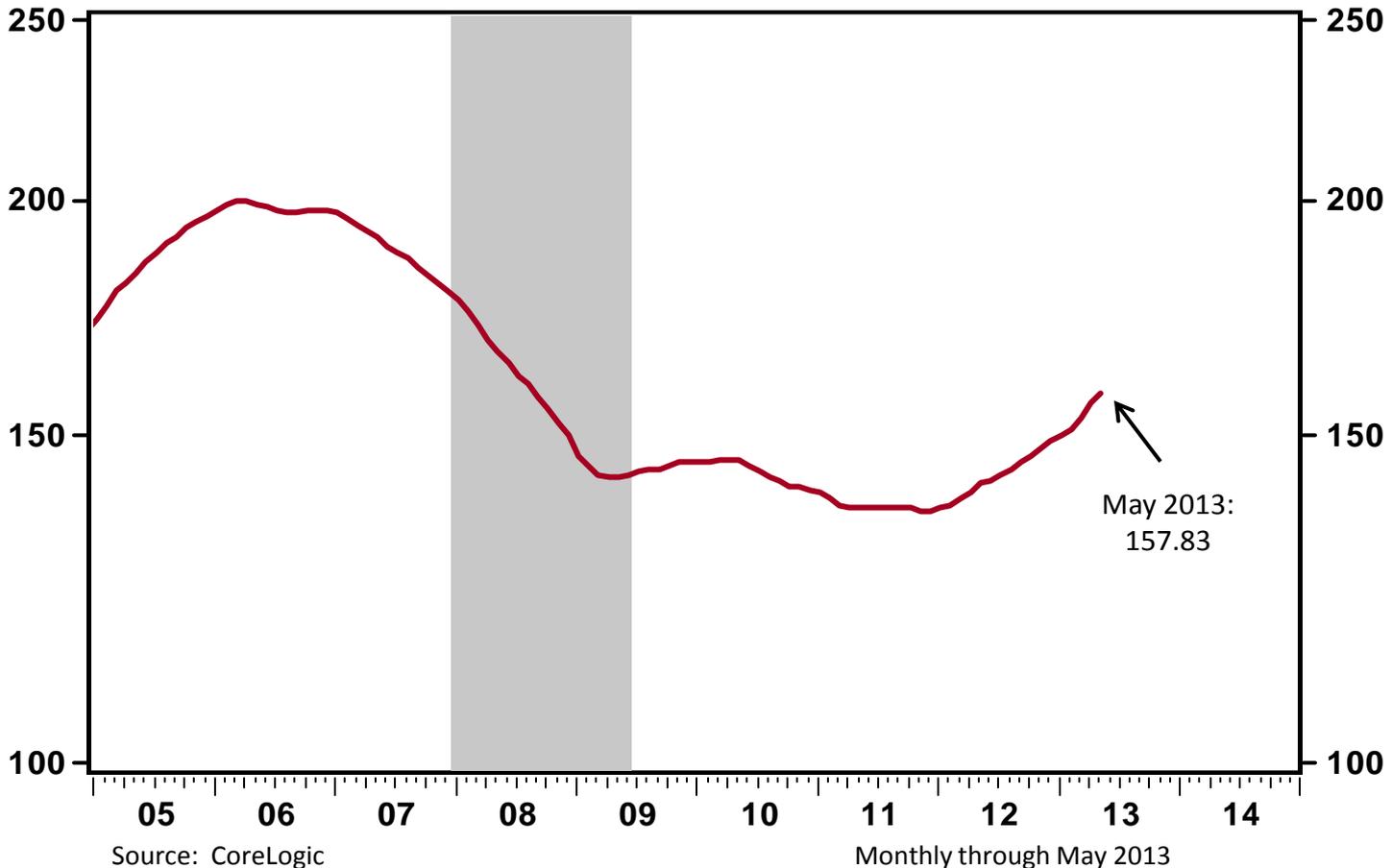
Daily through August 2, 2013



Housing Markets are Healing

CoreLogic National House-Price Index

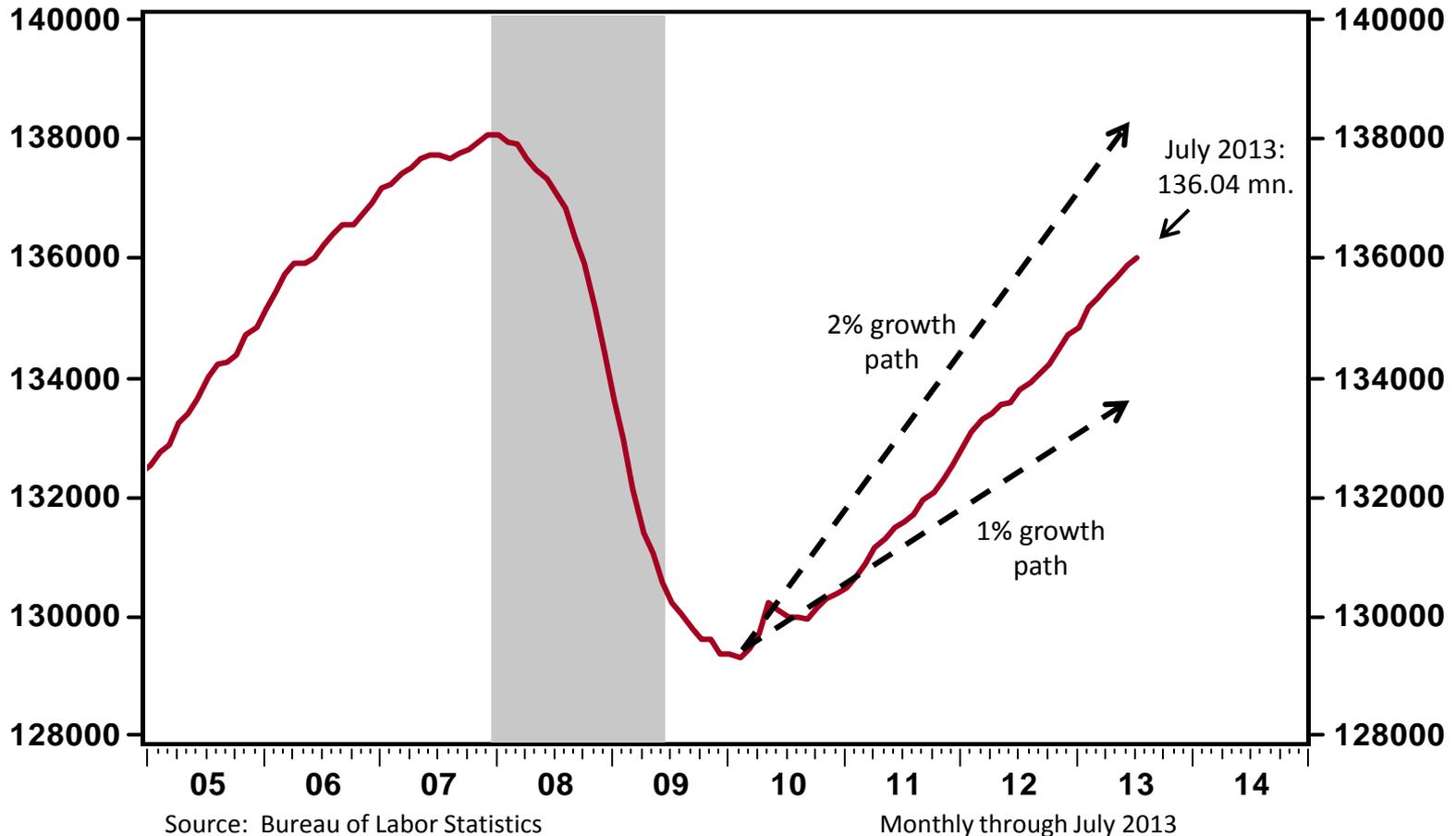
Index level equals 100 in Jan. 2000



Employment is Growing—but Not Very Fast

Total Nonfarm Employment

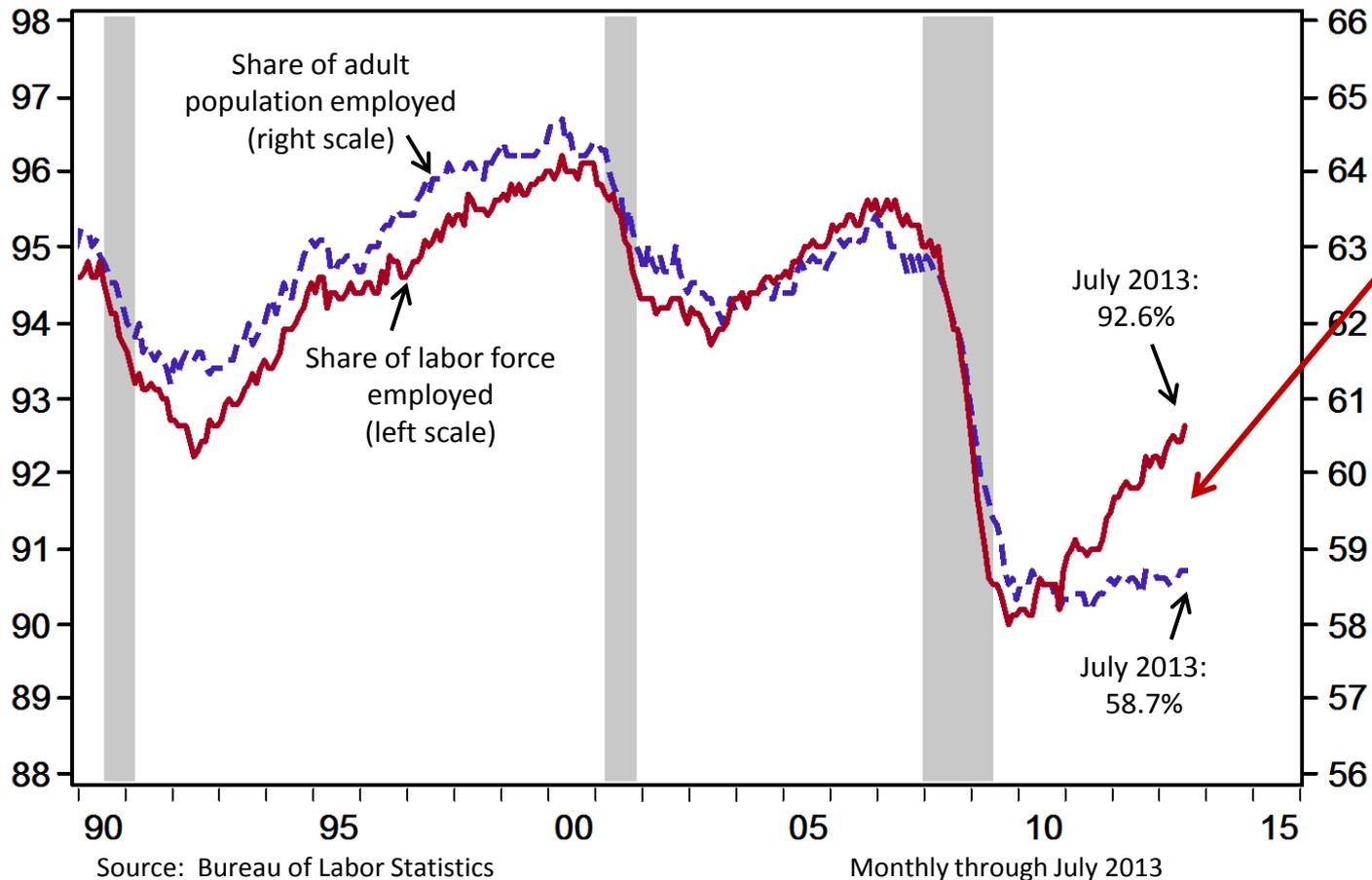
Thousands



Is Weak Job Recovery the “New Normal”?

Share of LABOR FORCE Employed
Percent (solid red line on left scale; equals 100 - Unemployment Rate)

Share of ADULT POPULATION Employed
Percent (dashed blue line on right scale; equals 100 - Non-employment Rate)



Growing gap reflects:

- 1) Aging of the Baby Boomers;
- 2) Lack of opportunity for low-skill workers;
- 3) Reversal of women's movement into the job market.



So, Can the Economy Take Off in 2014?

- Financial and housing markets say yes
- Labor market is growing moderately
- Growth likely to be lower than in the past
- Risks: Fiscal stand-off, Europe, China



Future Take Five Topics

- Inland transportation networks
- Fiscal showdown—again?
- Student debt
- Quarterly economic update

