

The Federal Reserve Bank of St. Louis Presents:



## “First Quarter Economic Update”

Recorded on Friday, February 14, 2014

**William R. Emmons**

Assistant Vice President and Economist  
Division of Banking Supervision and Regulation  
Federal Reserve Bank of St. Louis

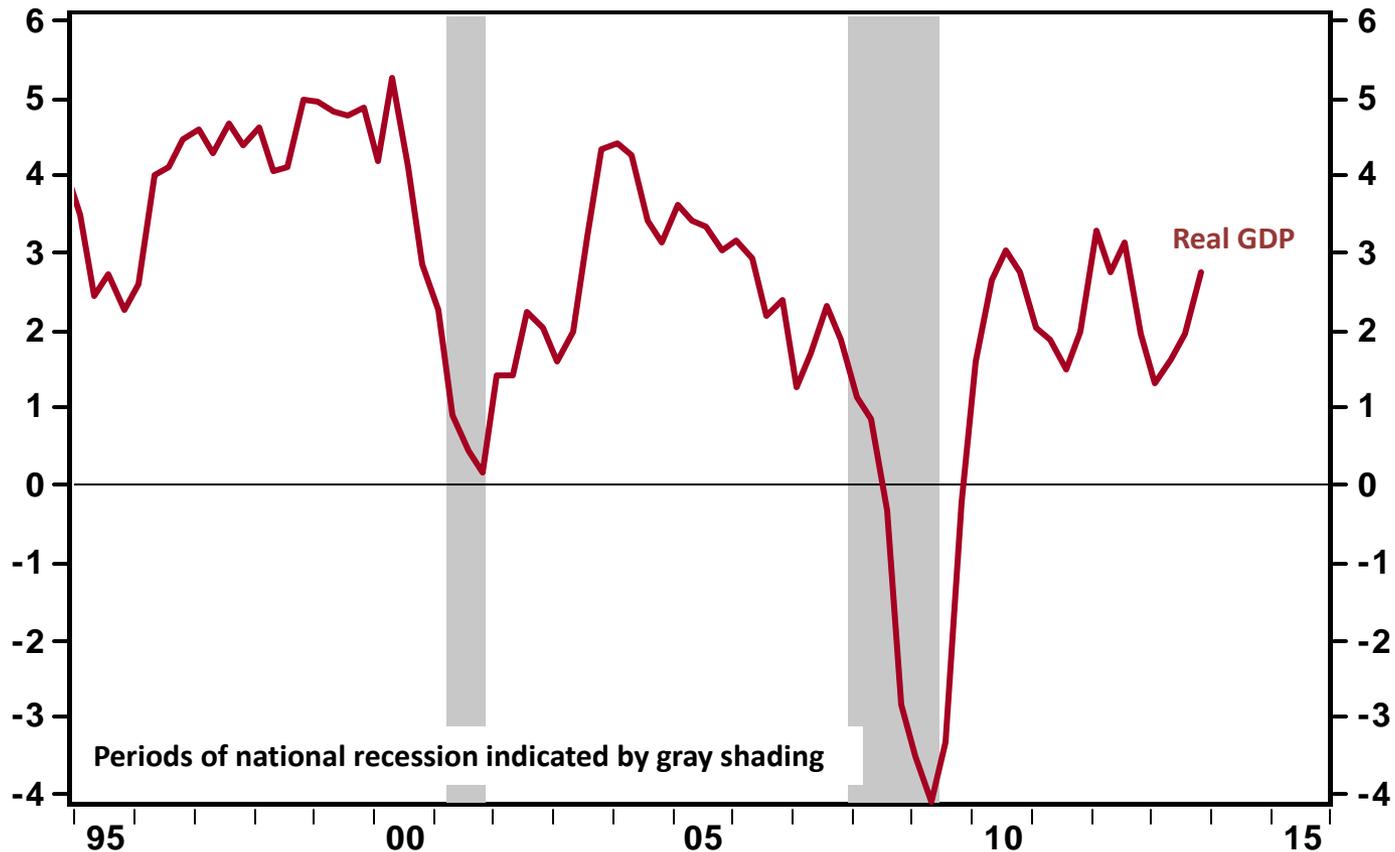
# First Quarter Economic Update

- Economy looked strong at end of 2013
- Unfortunately, momentum has faded (again)
- Fed expects significant economic acceleration, 2014-16
- Bond market remains skeptical

# Real GDP Accelerated Through 2013

Year-over-Year Growth in Real GDP

Percent

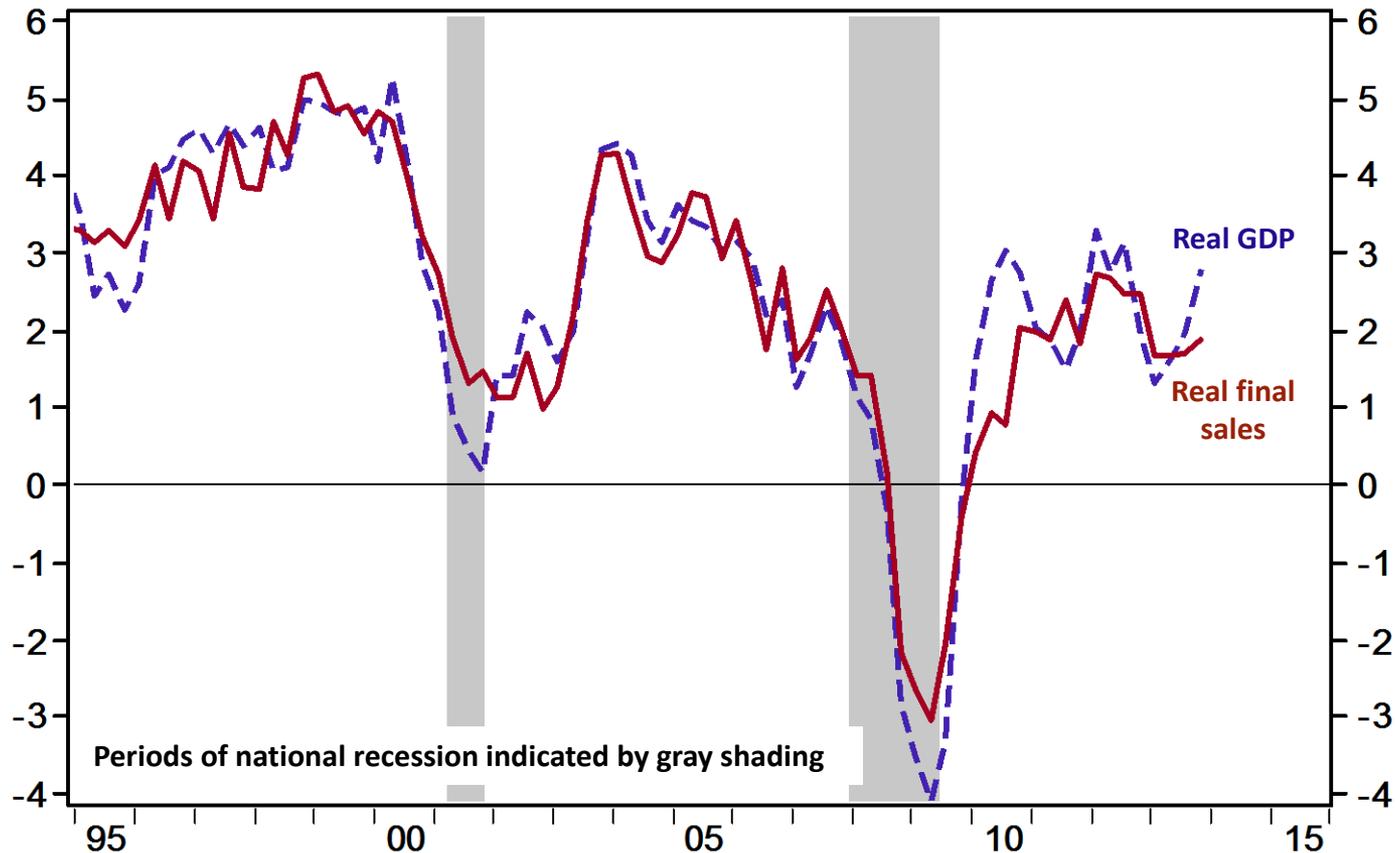


Source: Bureau of Economic Analysis /Haver Analytics

# But Underlying Momentum is Weak

Year-over-Year Growth in Real Final Sales (excluding Inventory Investment)  
Percent

Year-over-Year Growth in Real GDP  
Percent

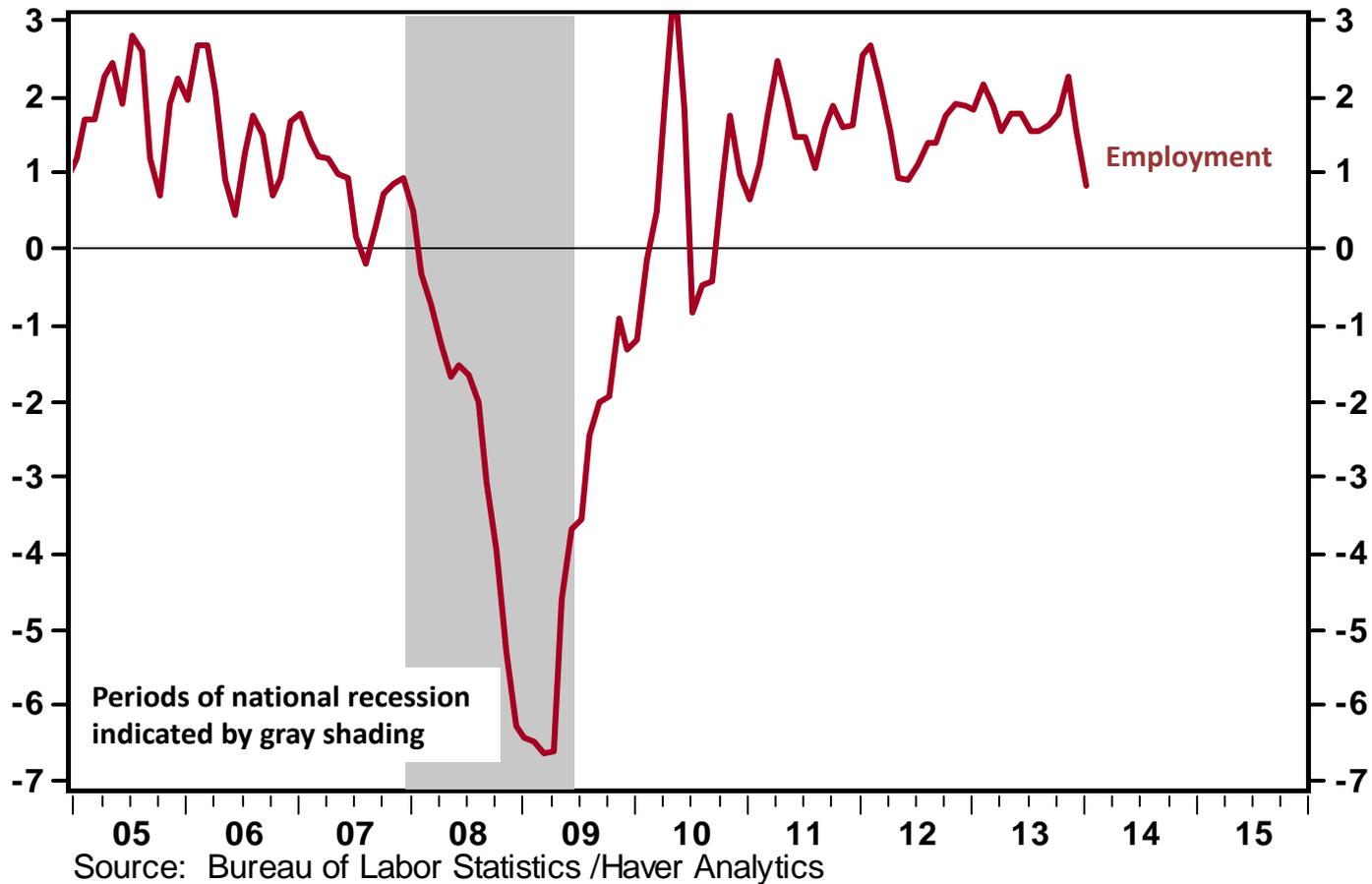


Sources: Bureau of Economic Analysis /Haver Analytics

# Weakest Dec.-Jan. Job Growth in 3 Years

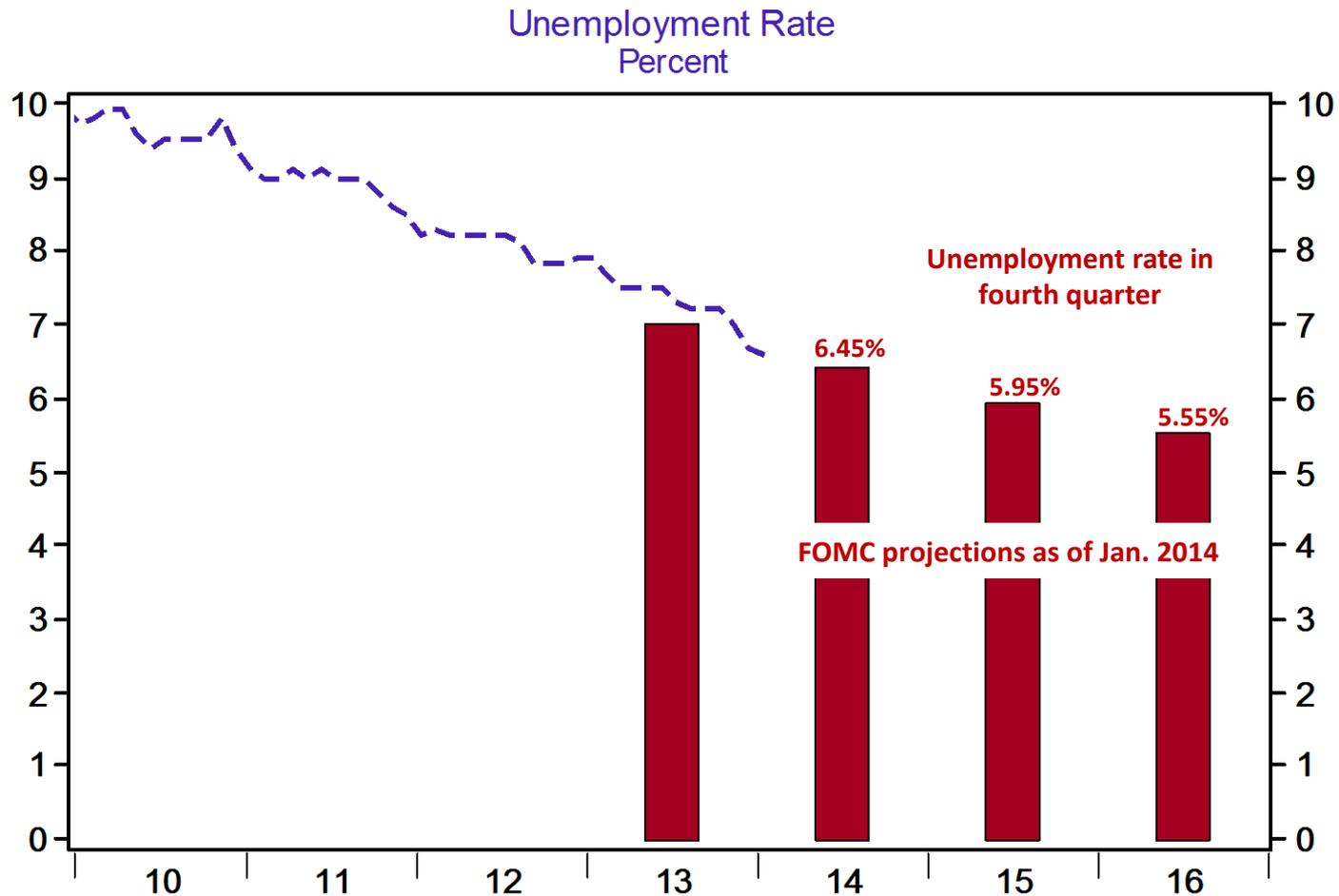
Total Nonfarm Employment: Change from Two Months Ago

Percent annualized



# Unemployment

FOMC Projections of Unemployment Rate (Q4)  
Percent

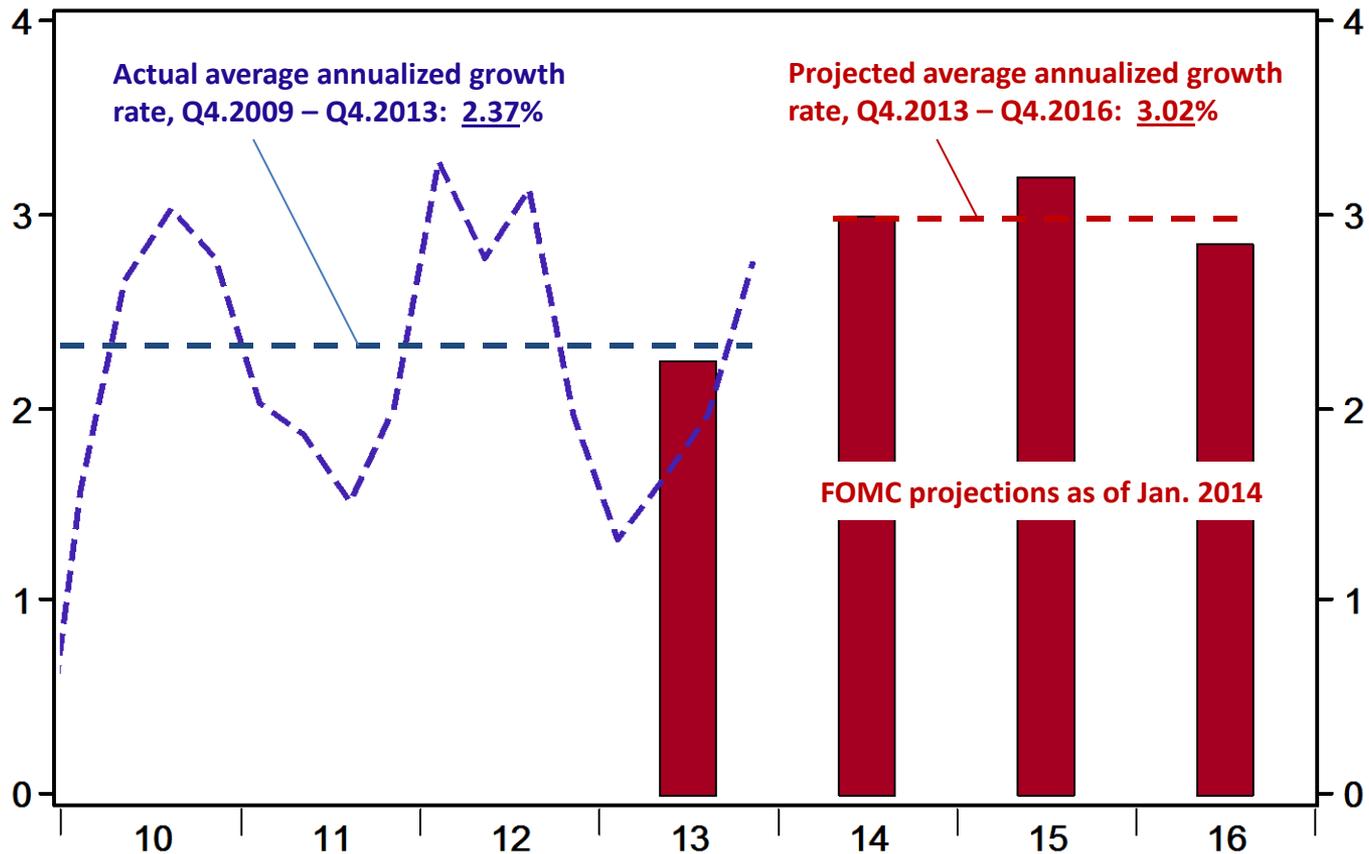


Sources: FRB, BLS /Haver

# Fed Expects Significant Acceleration

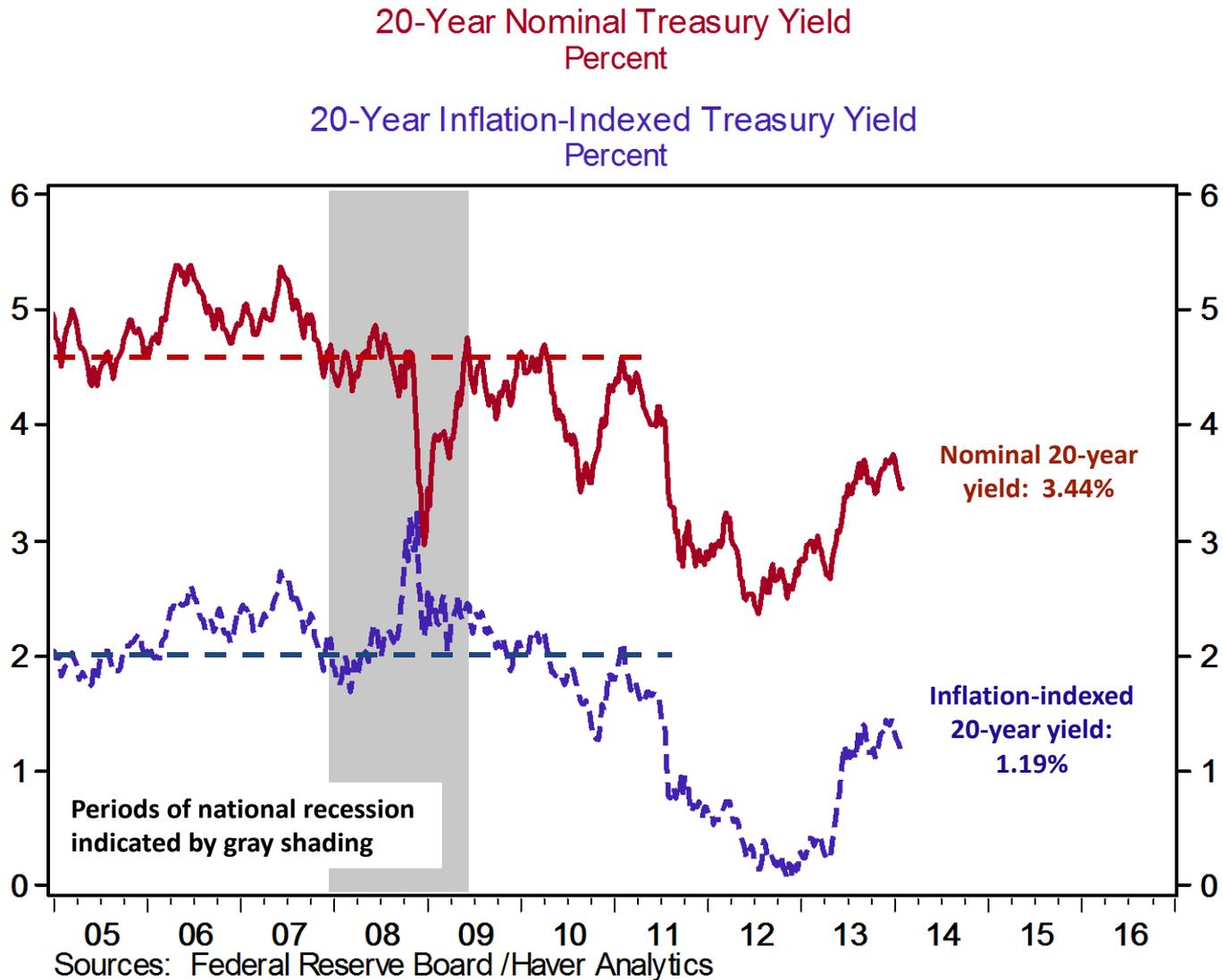
FOMC Projections of Real GDP Growth (Q4 over Q4)  
Percent change from year ago

Actual Real GDP Growth  
Percent change from year ago



Sources: FRB, BEA /Haver

# The Bond Market Signals Slow Growth



# Summary: First Quarter Economic Update

- Fed expects real growth of 3% in 2014, up from 2¾% in 2013 (all Q4 over Q4)
  - If true, 2014 would be the best year since 2005
  - Unemployment rate would fall below 6.5%
- Continuing low bond yields suggest some skepticism about future growth