

National Economic Overview

Alan D. Viard

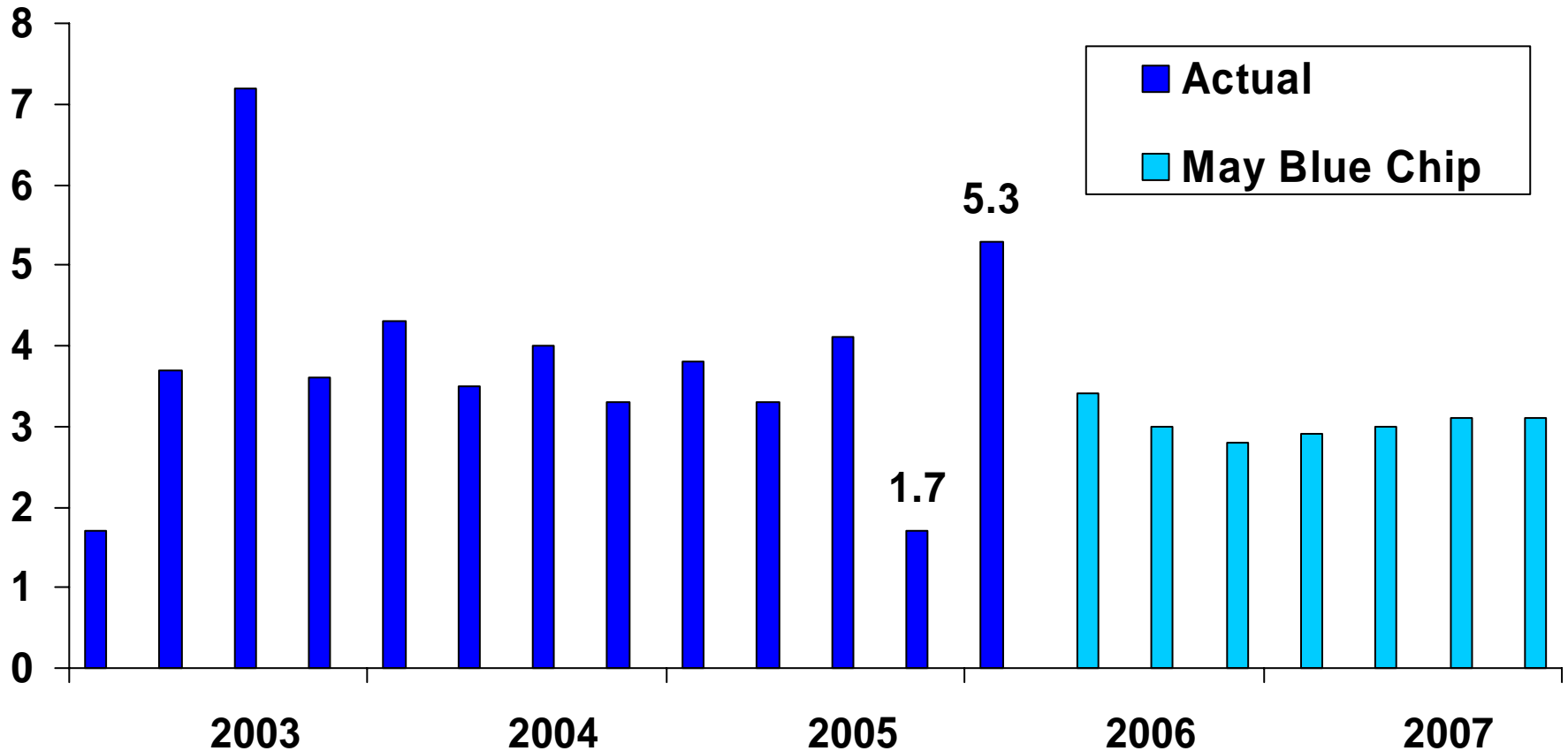
Federal Reserve Bank of Dallas

National economic overview

- Soft patch in Q4, rebound in Q1
- Pace of growth may moderate
 - Consumer spending growth may be slowing
 - Housing market cooling
 - But, business investment picks up steam
- Mixed signals on inflation
- Long-term fiscal challenge

GDP growth rapid in Q1, expected to moderate

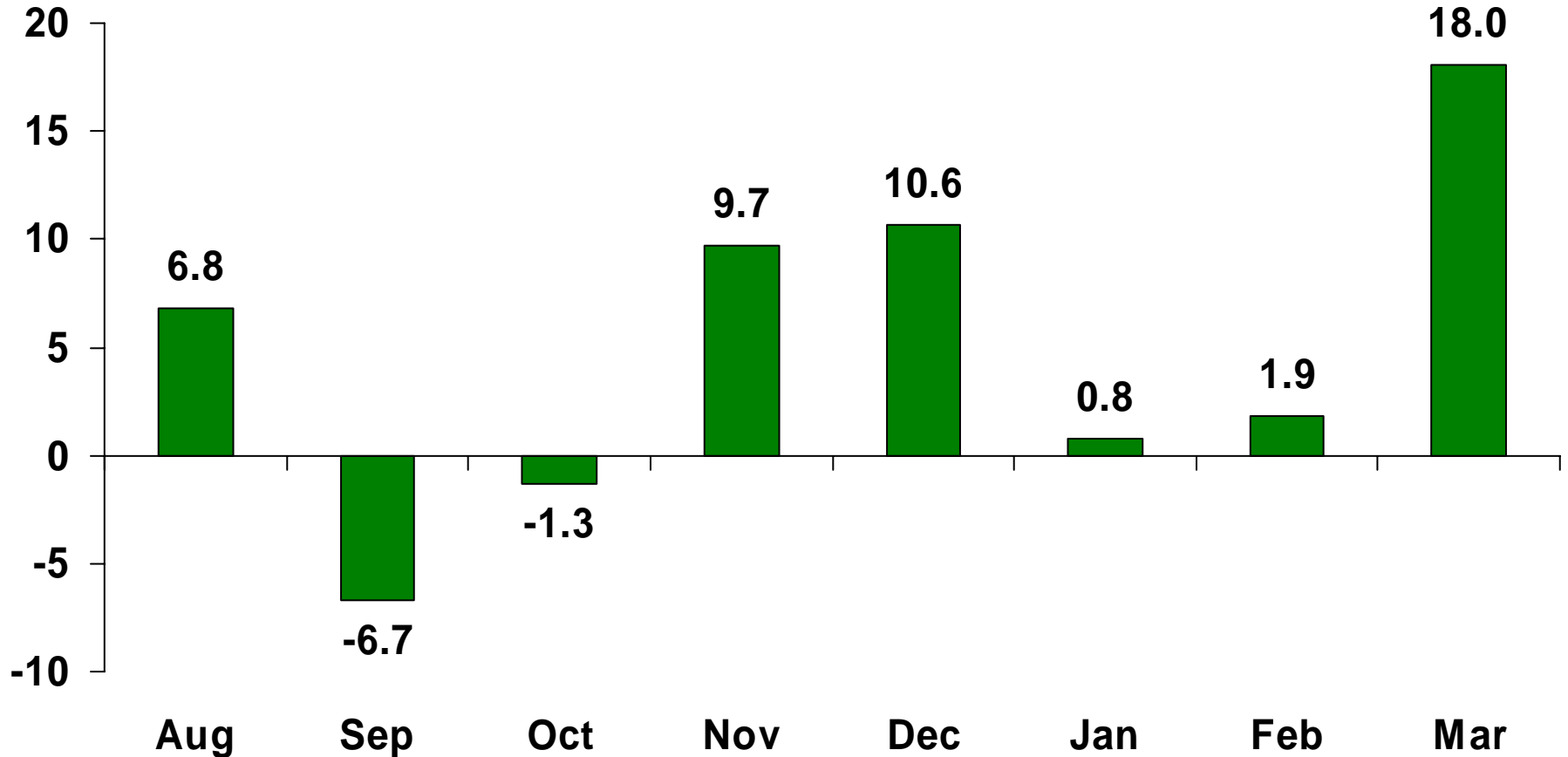
SAAR,
percent change



GDP believed to have surged in March

(Macroeconomic Advisers May 15 monthly real GDP estimate)

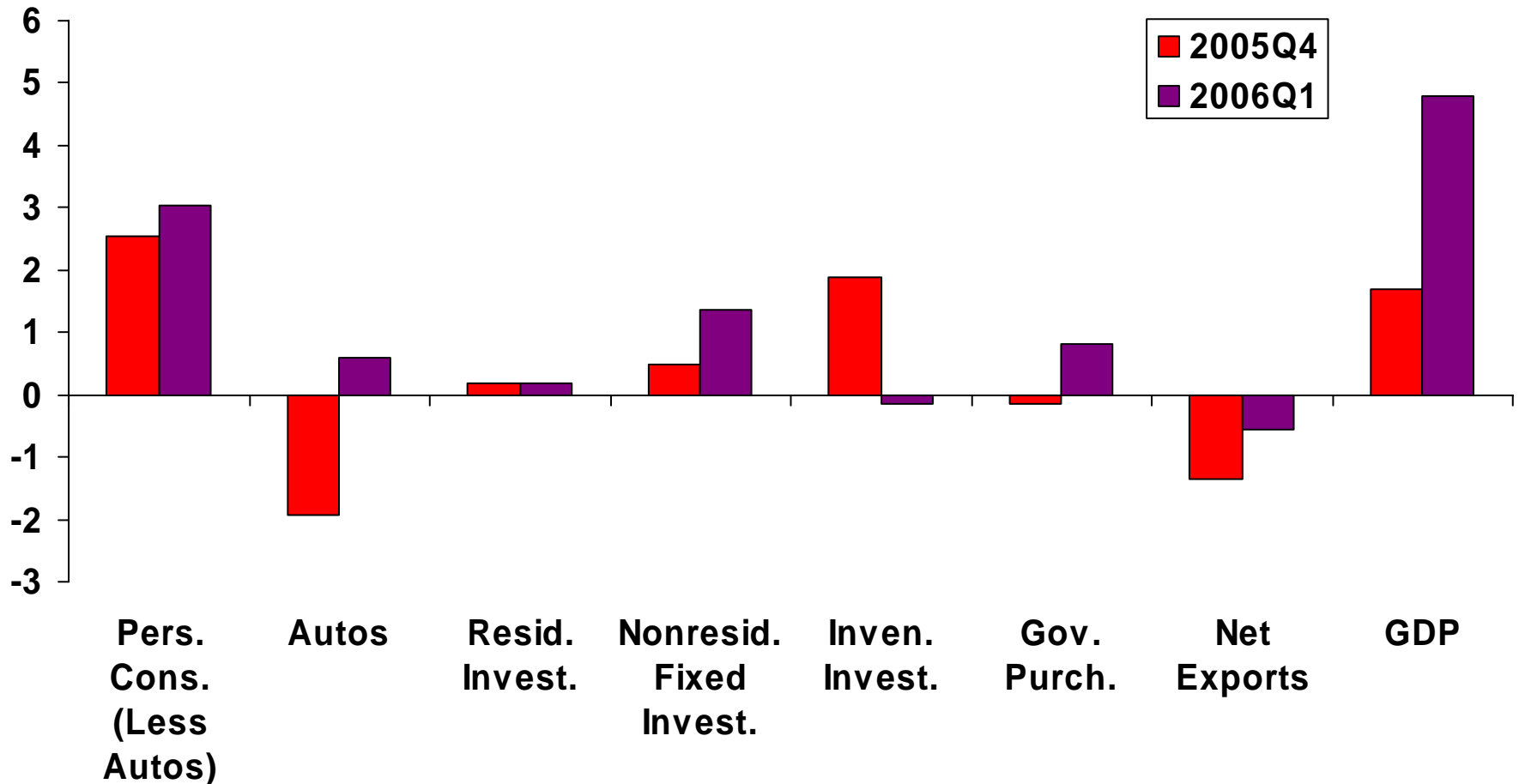
SAAR,
percent change



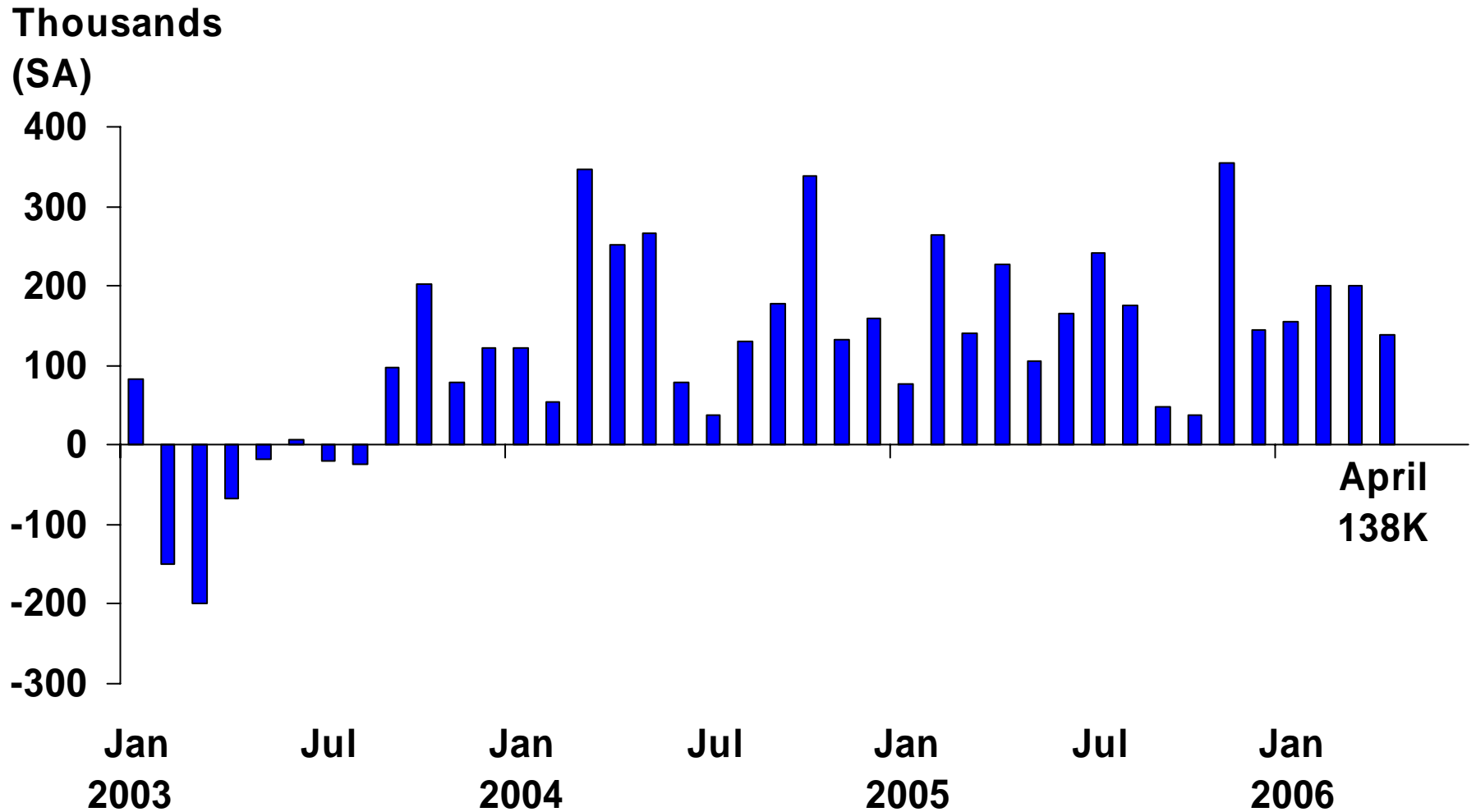
Non-auto consumption, business investment add to growth in Q4, Q1

(contributions to change in GDP)

SAAR, percent

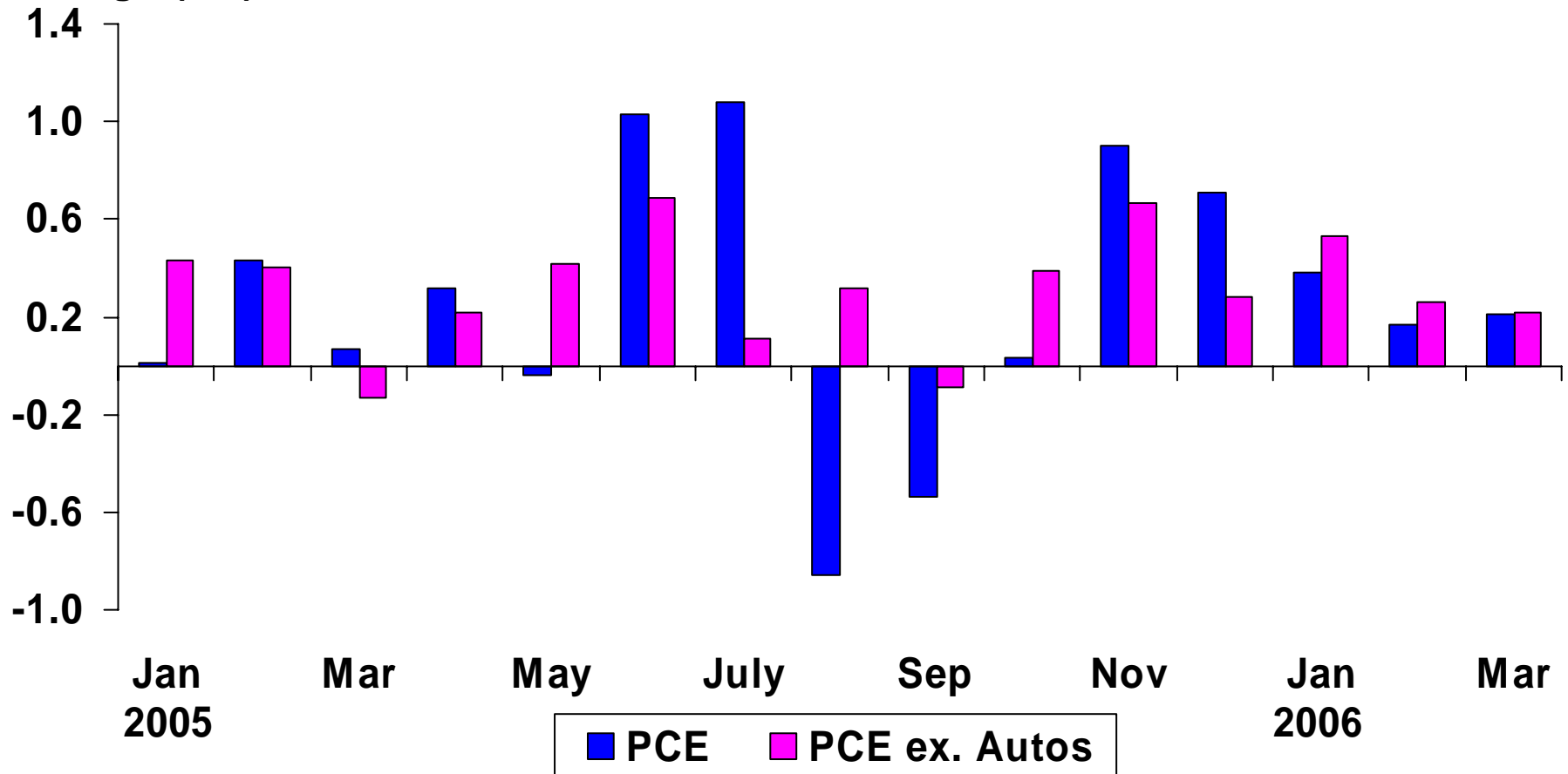


Job growth continued in April, but at slower pace

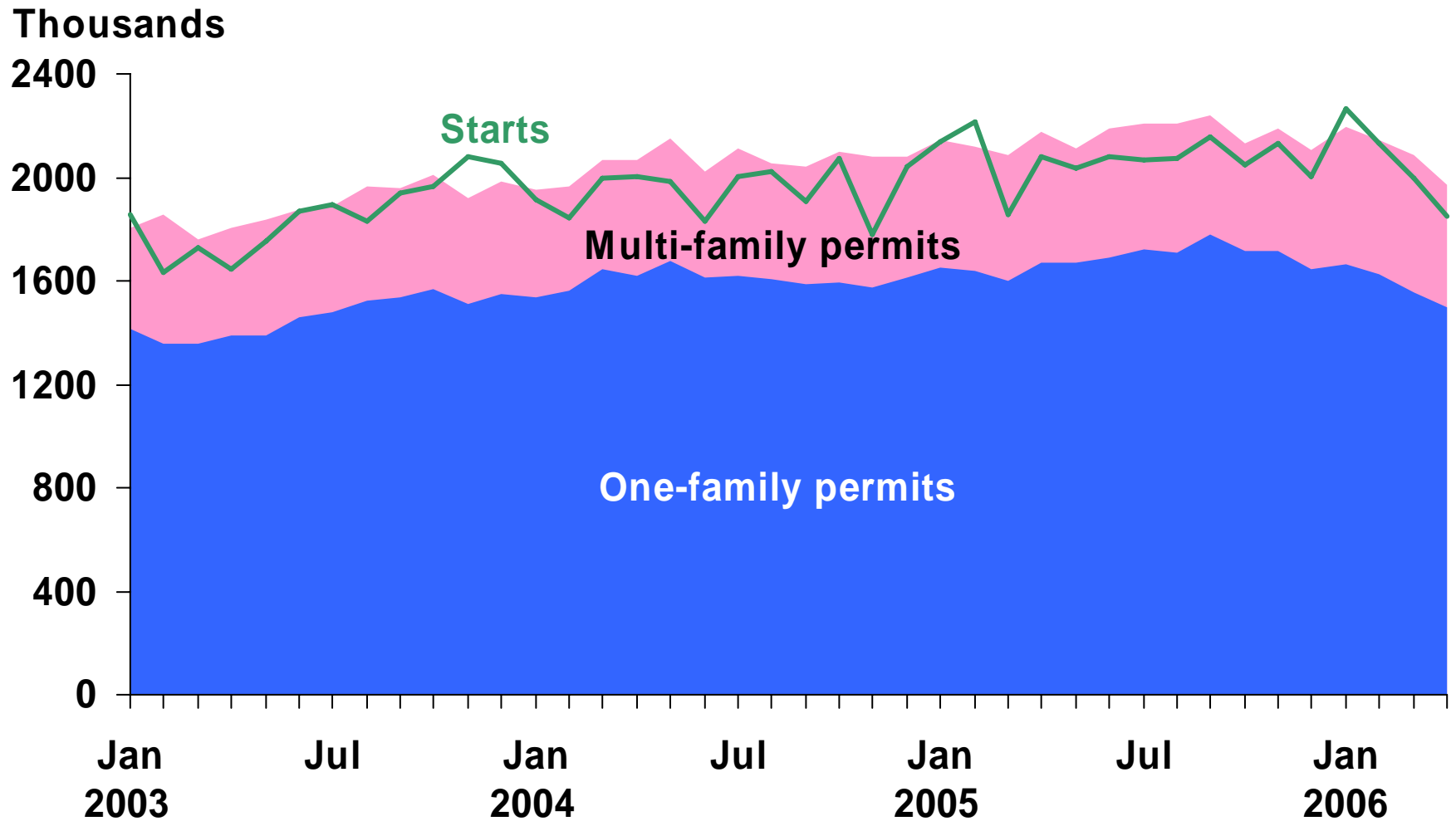


Consumer spending continues to grow, but more sluggishly

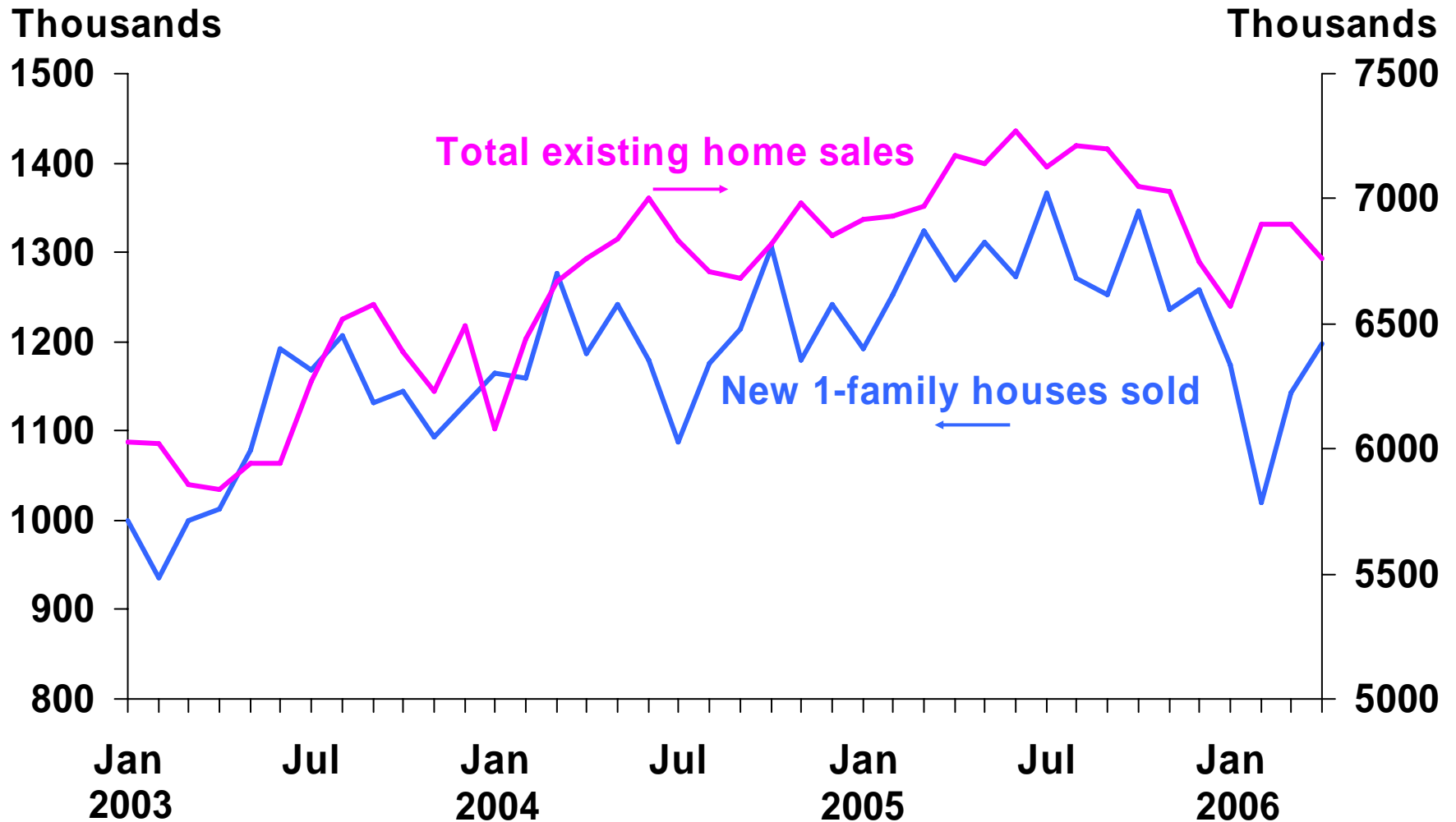
Monthly percent change (SA)



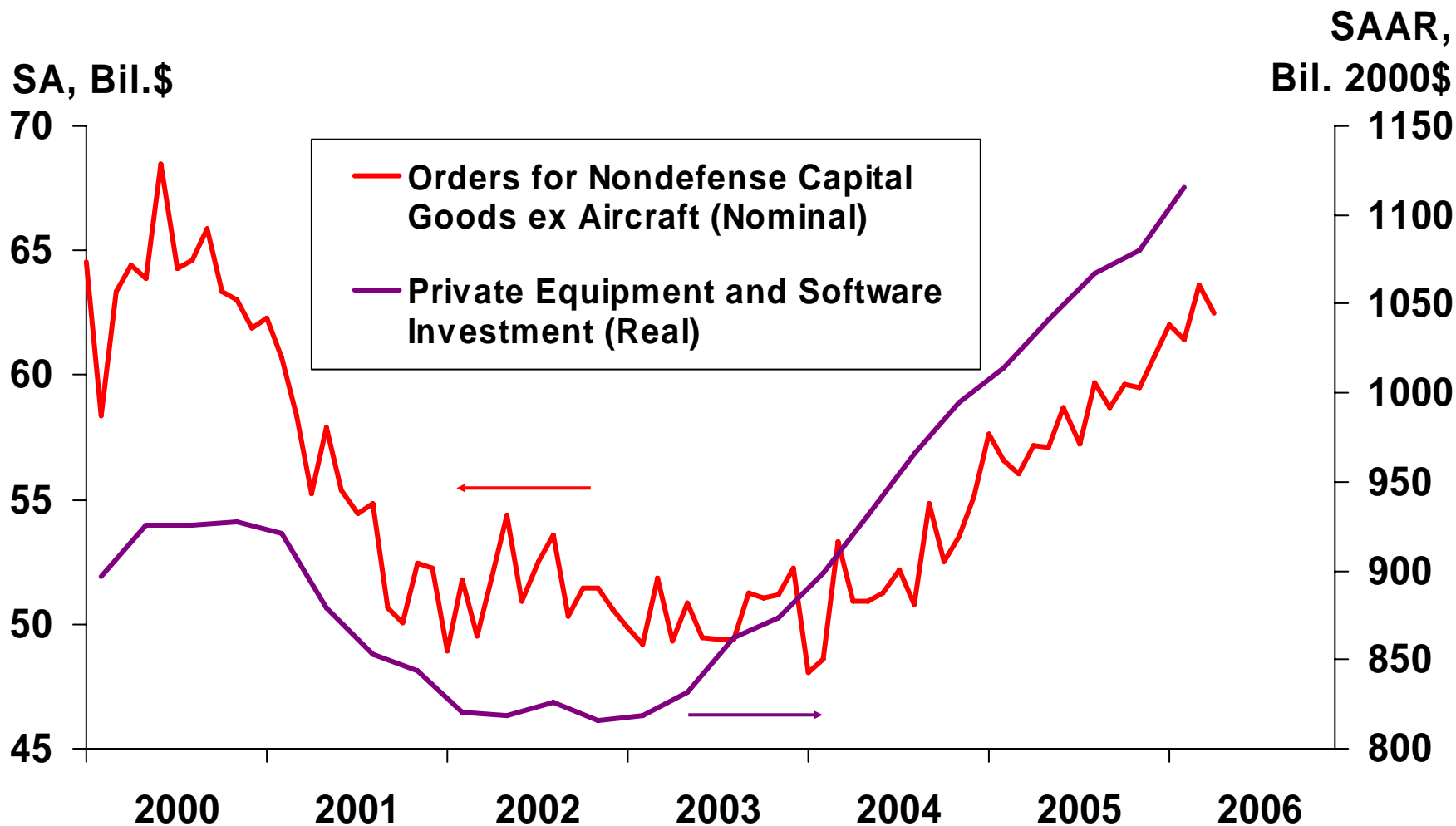
Housing permits and starts continued to decline in April



Home sales remain below previous levels

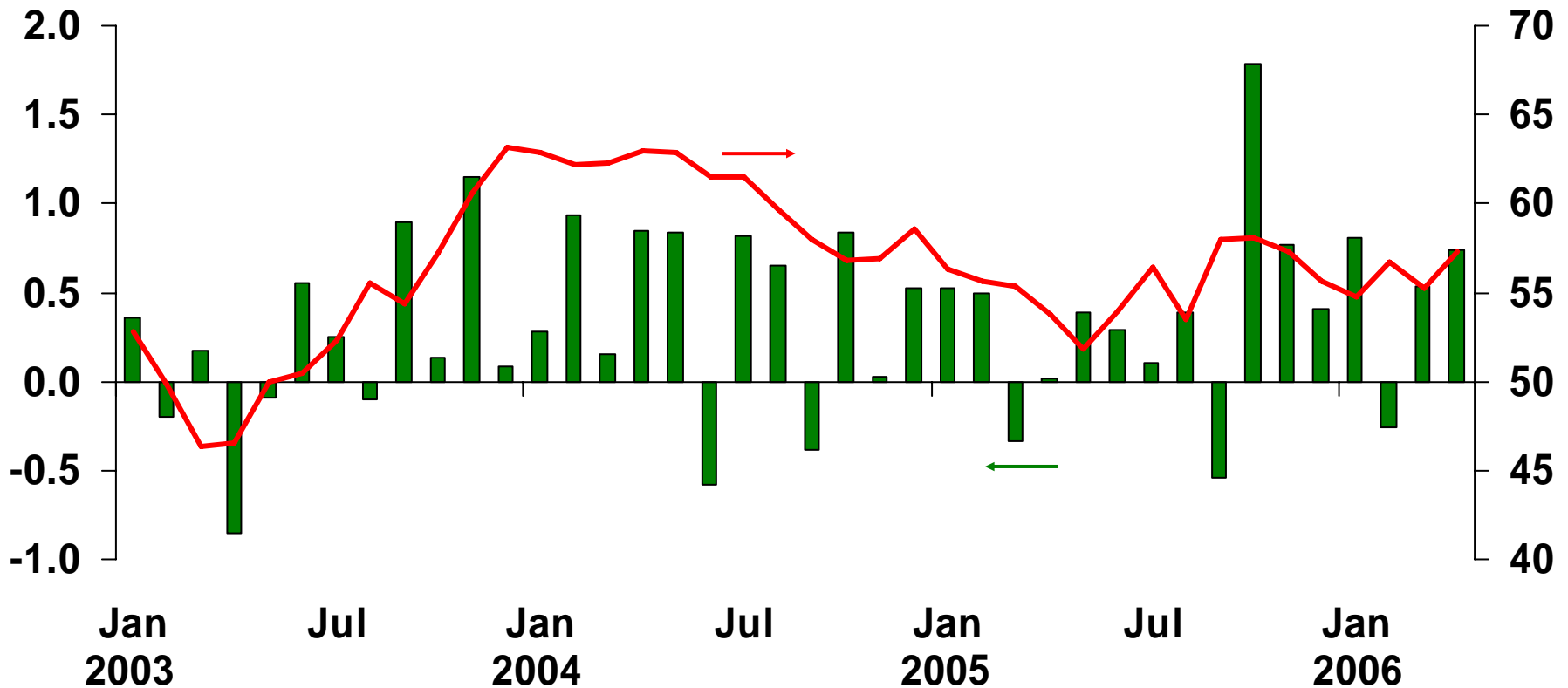


Core capital goods orders trend upward



Manufacturing output has risen in six of last seven months

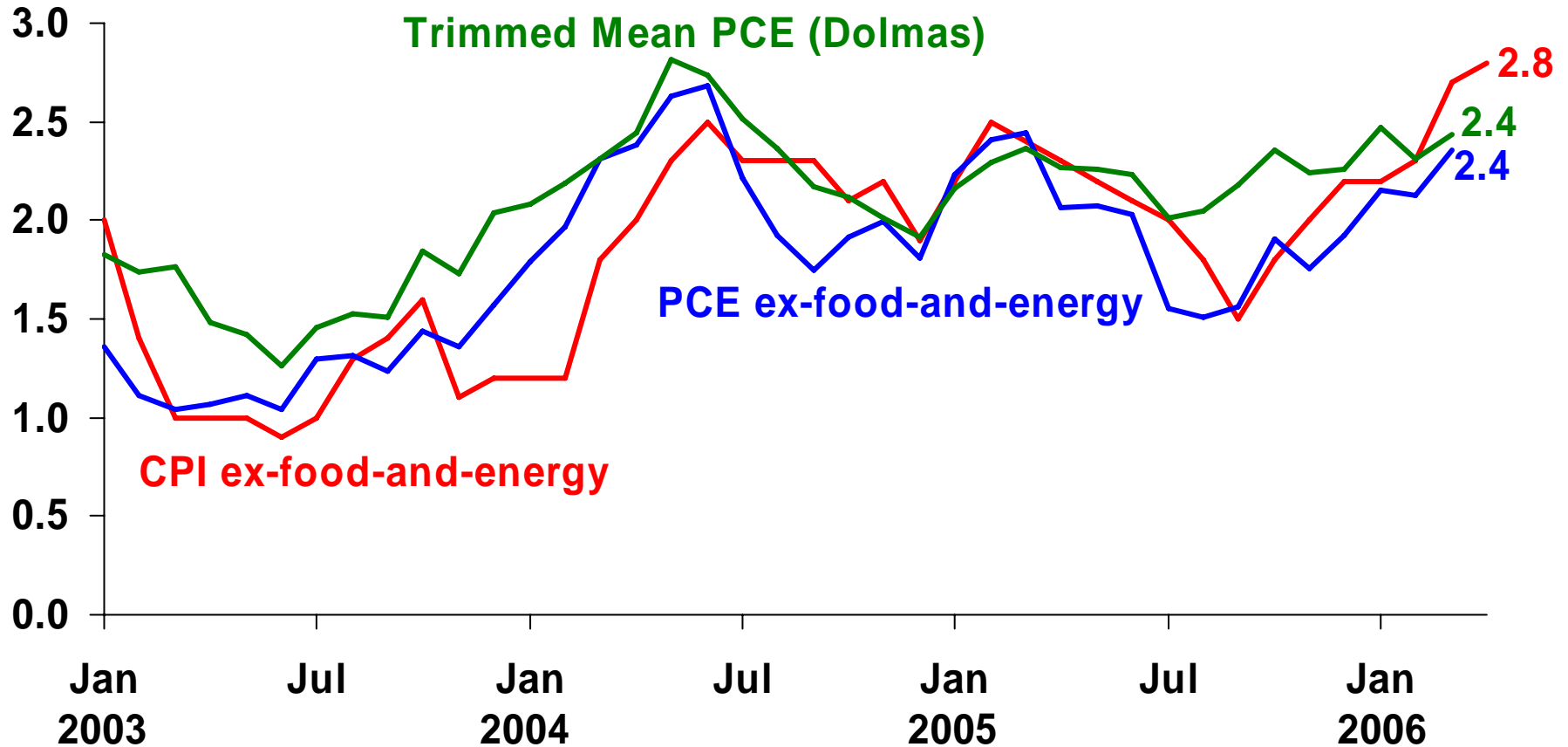
Monthly percent change (SA)



■ Manufacturing Output — ISM manufacturing index

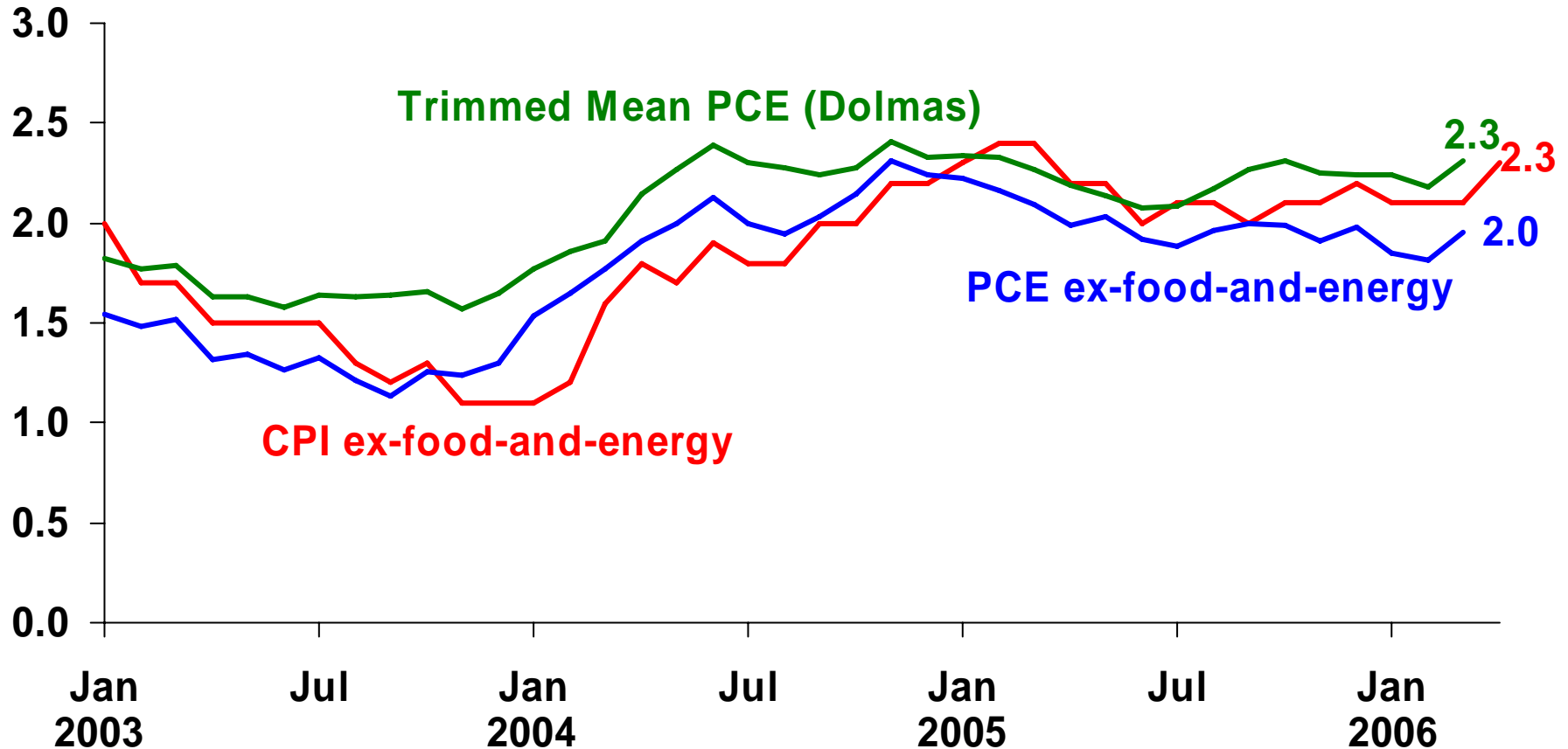
6-month core inflation rates have risen significantly ...

SAAR, 6-month percent change

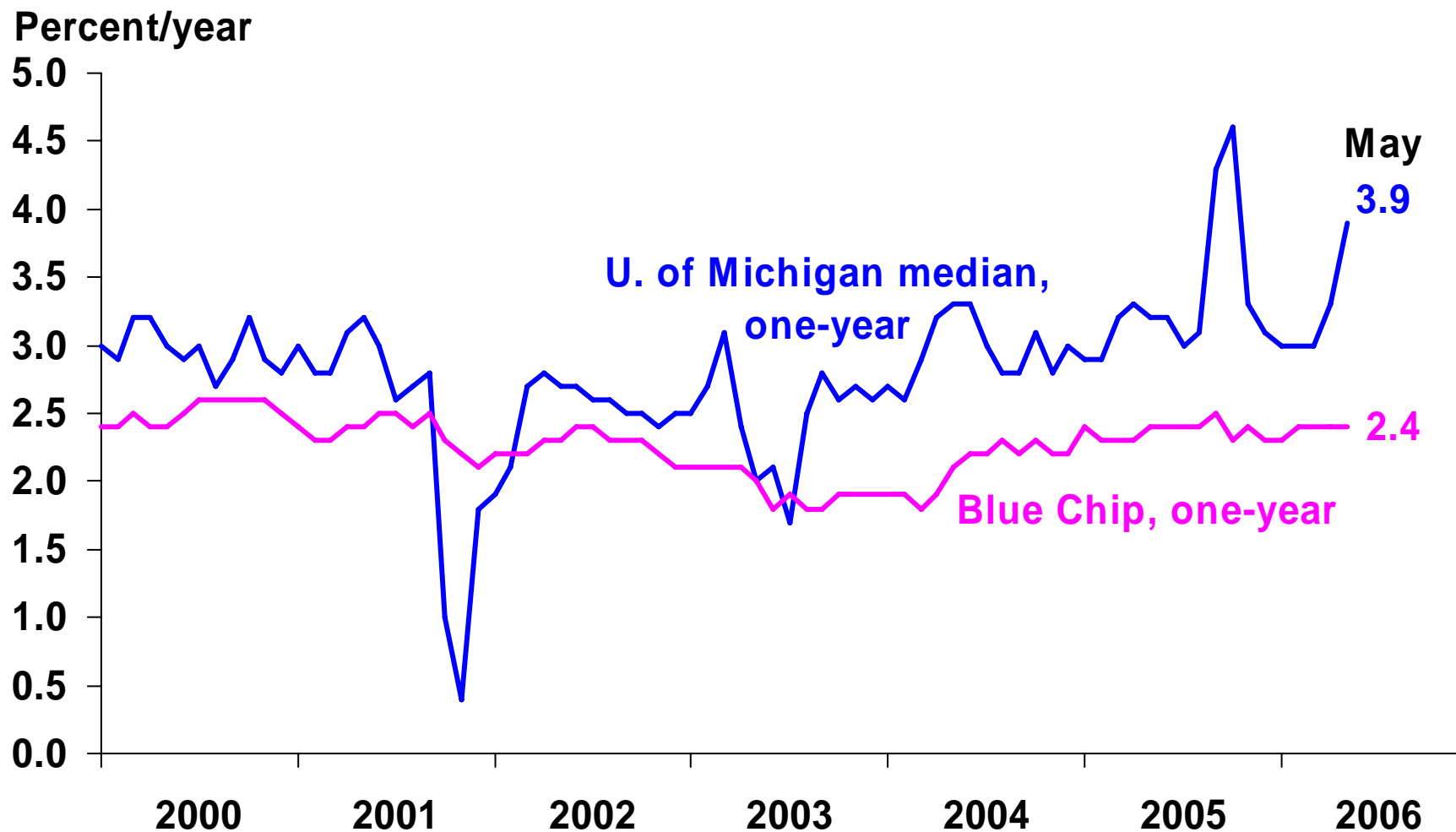


... but 12-month rates have shown less of an increase

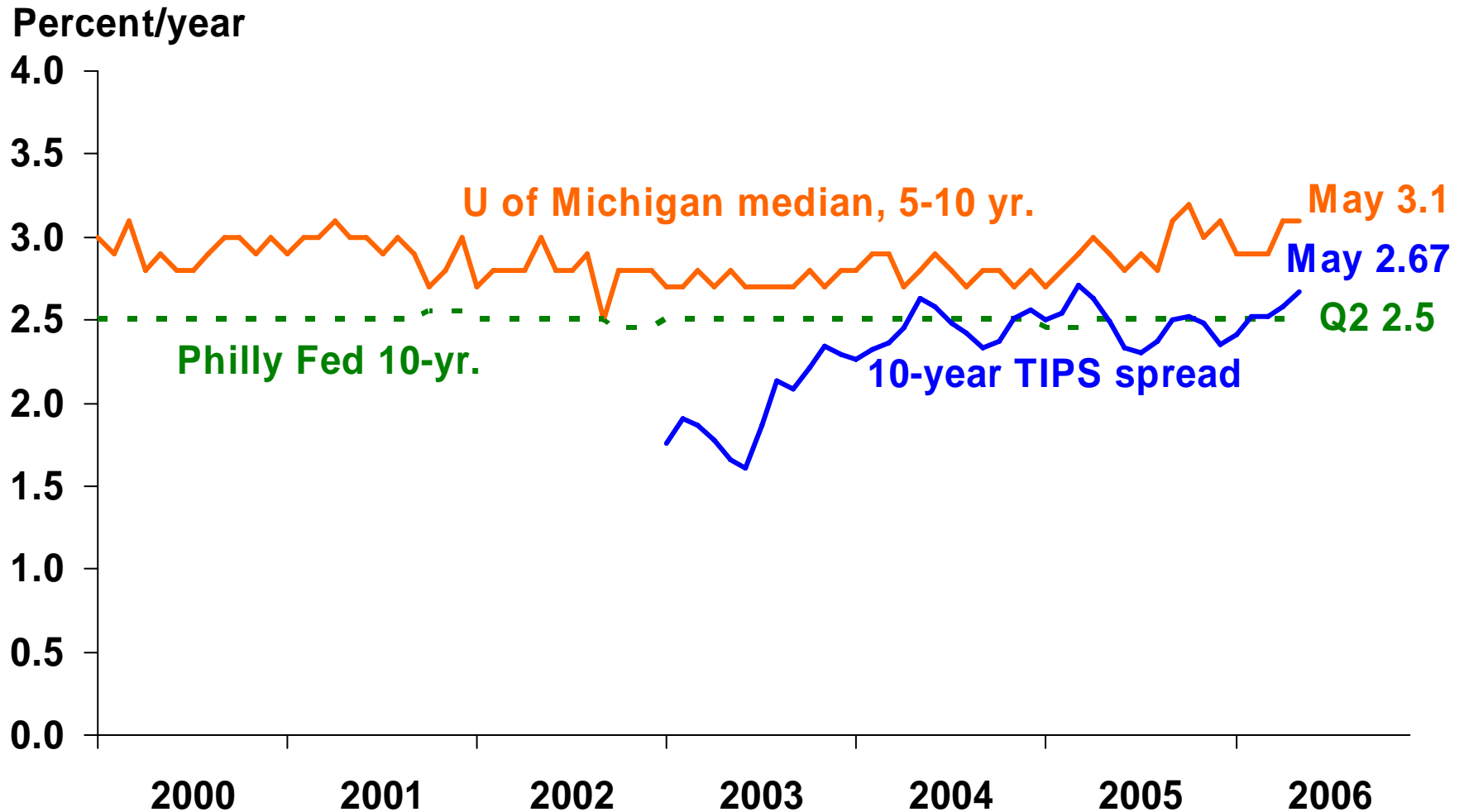
12-month
percent change (SA)



Short-term inflation expectations rise for households, but not forecasters



Long-term inflation expectations may have edged up



Trustees report large Social Security and Medicare shortfalls

\$ Trillions
(Present Value)

