

2013 Annual Report

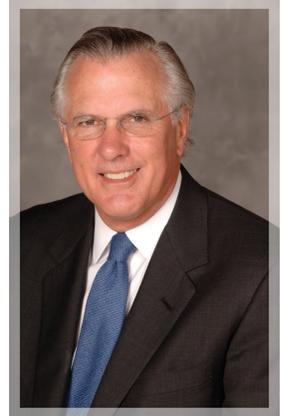
The Long-Awaited Housing Recovery

Letter from the President

Richard W. Fisher

2013 was a historic year for the Federal Reserve and for the United States economy. The Federal Reserve System commemorated the centennial of the signing of the Federal Reserve Act and 100 years of operating the third central bank in the nation's history—the other two each lasting only 20 years.

Additionally, 2013 provided strong evidence that the recovery from the severe economic downturn following the financial panic of 2007-09 was proceeding steadily—data reported during the third quarter and at year's end were particularly encouraging. Production finally exceeded prerecession levels, consumer spending increased at a better-than-forecasted pace, job creation advanced at an improved rate and inflation has leveled out at a low—but still positive—rate. In sum, 2013 proved wrong the dismal projections of what I often call the “Eeyore faction” of economists.



The driving force behind the severe economic downturn from which we are now recovering was the housing market and the financial excess that accompanied it. The most precious of any family's assets, its home, is the foundation of economic security. The Federal Reserve has endeavored to spark a recovery in the housing markets and the economy by conducting an aggressively accommodative monetary policy: It has added \$1.55 trillion of mortgage-backed and federal agency securities to its portfolio, as well as \$1.75 trillion of U.S. Treasury notes and bonds, while holding short-term interest rates near zero.

Given the importance of the health of the housing sector to our economy, our 2013 annual report essays are written by our associate director of research, Vice President John Duca. John is widely recognized as one of the nation's foremost experts on housing, and we are pleased to present three essays containing insights that John is uniquely qualified to provide.

One essay traces housing nationally and how it arrived at what appears to be a sustainable rebound. Another discusses differences across regions and major metropolitan areas, with particular emphasis on Texas. And one reviews the main, less-predictable factors that will likely shape the path of the housing sector over the next several years.

With a durable housing recovery at hand and the broader U.S. economy poised to further improve, we are confident that 2014 will bring new opportunities for the country and the Eleventh District, whose economic performance has led the nation forward from one of its toughest periods.

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(Continued from Letter from the President)

In addition to recommending the reports on the housing recovery, I encourage you to read the “Year in Review” for 2013, a period of great accomplishment. I am tremendously proud of the women and men of the Federal Reserve Bank of Dallas and salute their contributions to the Federal Reserve System and the Eleventh District—an area covering 360,000 square miles in Texas, northern Louisiana and southern New Mexico that is home to 27 million hard-working people. We remain committed to keeping up with the constantly changing nature and demands of the globalized economy, while serving the ever-increasing needs of our dynamic regional economy.



Richard W. Fisher
President and CEO
Federal Reserve Bank of Dallas