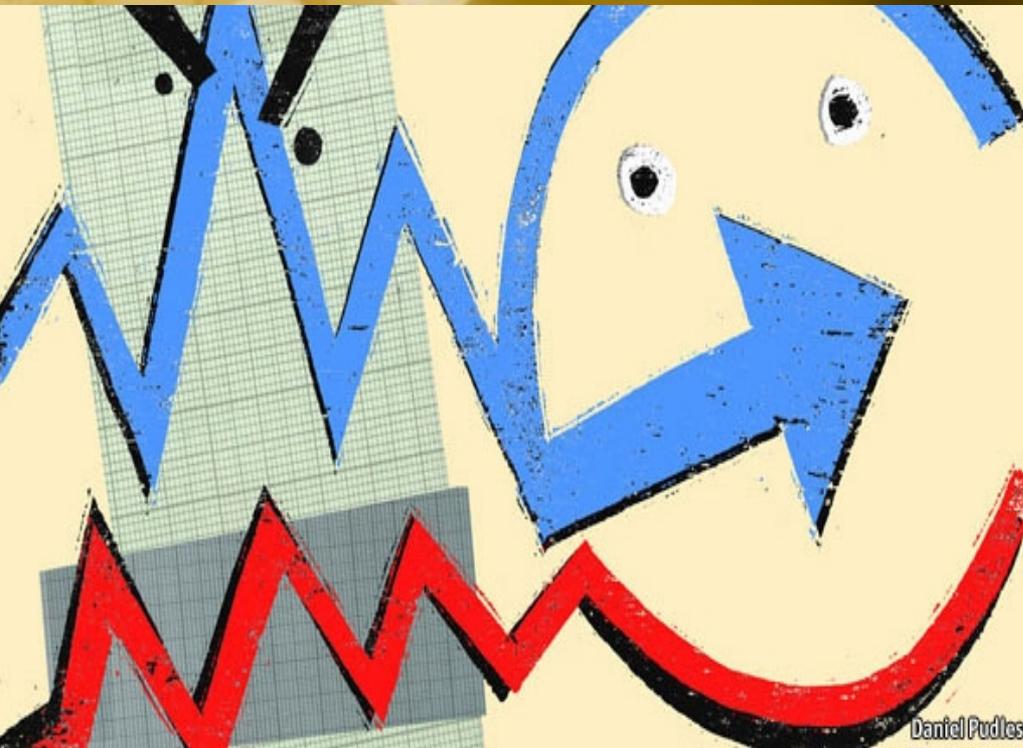




# Fortunately...Unfortunately: What's the Economic Story?



**Thomas F. Siems, Ph.D.**  
Assistant Vice President  
and Senior Economist  
Federal Reserve Bank of Dallas

New Mexico State University  
Las Cruces, NM  
October 18, 2013

The views expressed are those of the speaker and should not necessarily be attributed to the Federal Reserve Bank of Dallas or the Federal Reserve System.

# The Adventure...



- **National Economic Snapshot**
- **National Economic History**
- **Potential Economic Headwinds (Risks)**
- **Economic Forecasts**

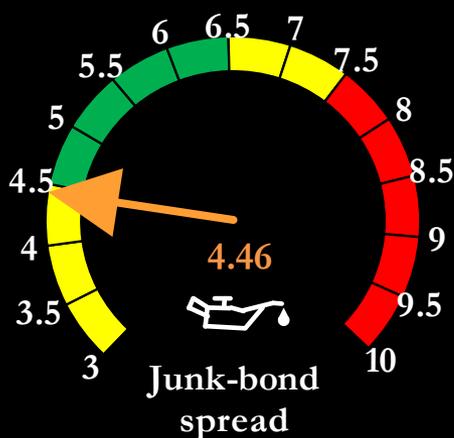
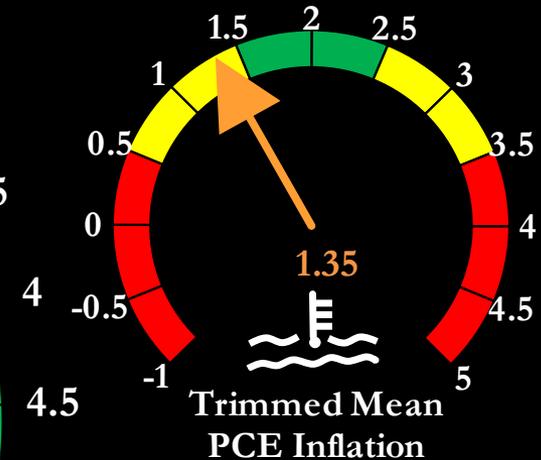
# The Adventure...



- **National Economic Snapshot**
- National Economic History
- Potential Economic Headwinds (Risks)
- Economic Forecasts



# Economic Dashboard



Warning



Engine stall



Unemp. jump



Yield curve



Oil shock

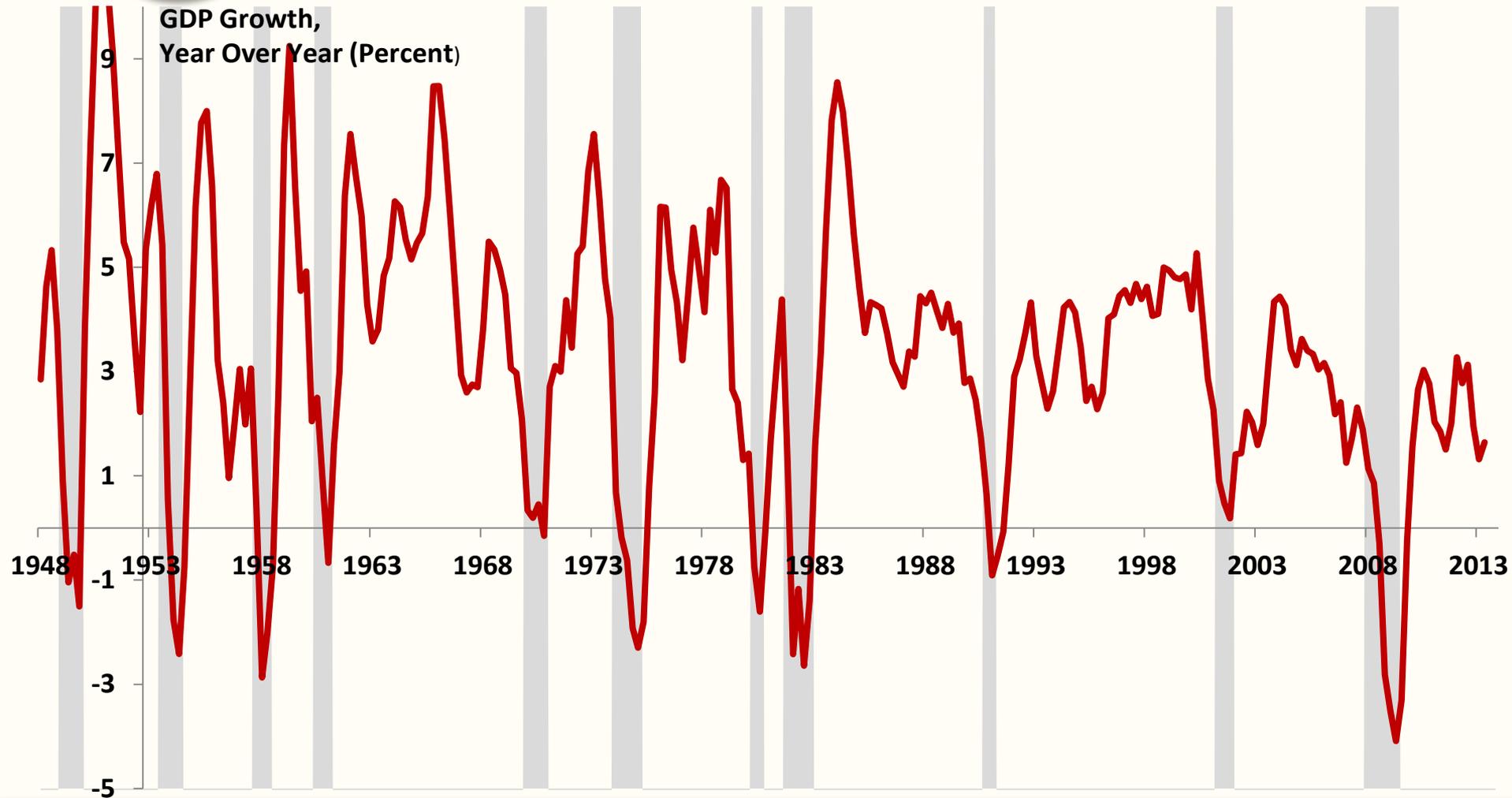
# The Adventure...



- National Economic Snapshot
- **National Economic History**
- Potential Economic Headwinds (Risks)
- Economic Forecasts

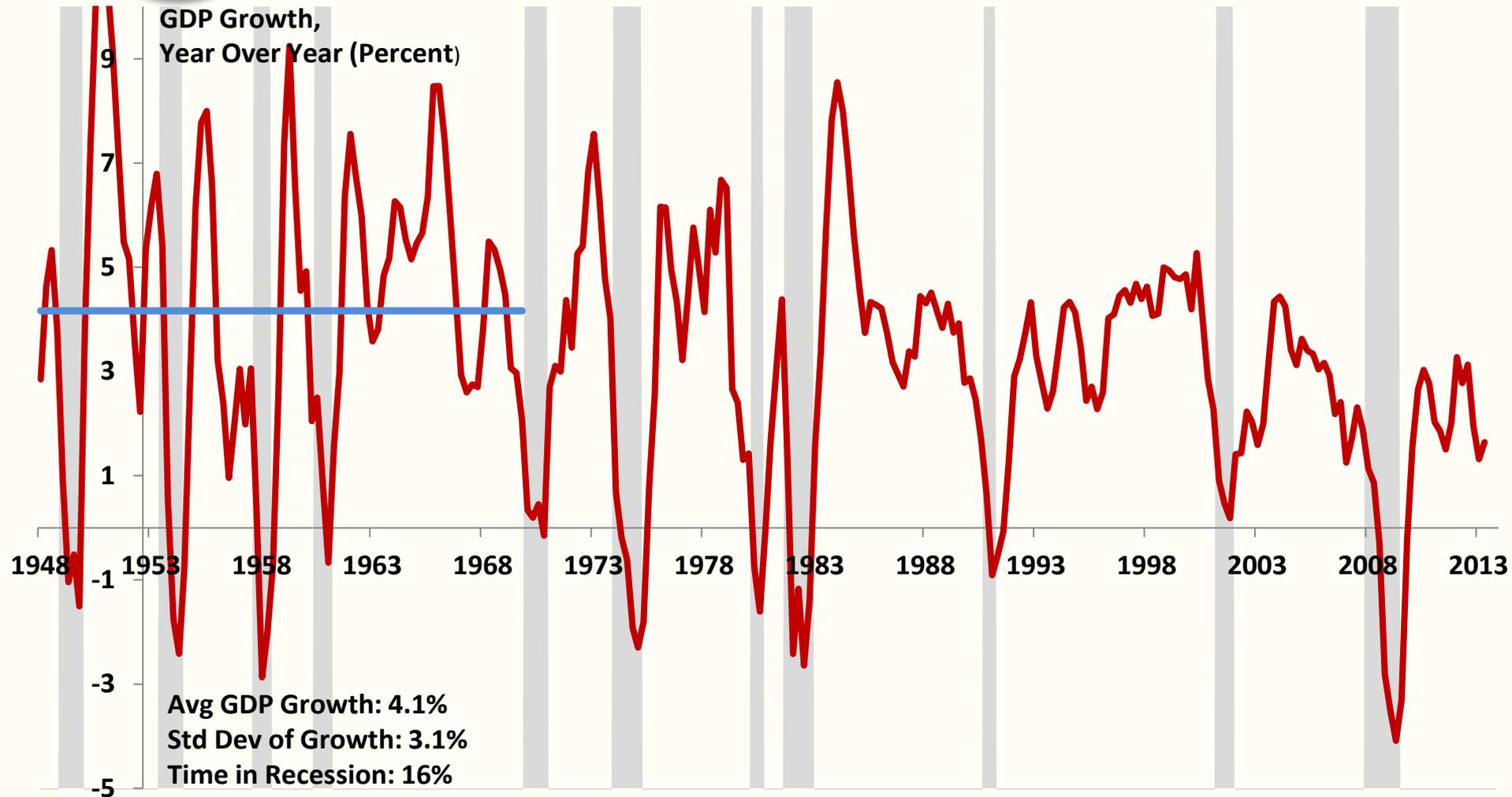


# Unfortunately, GDP Growth Is Generally Declining...



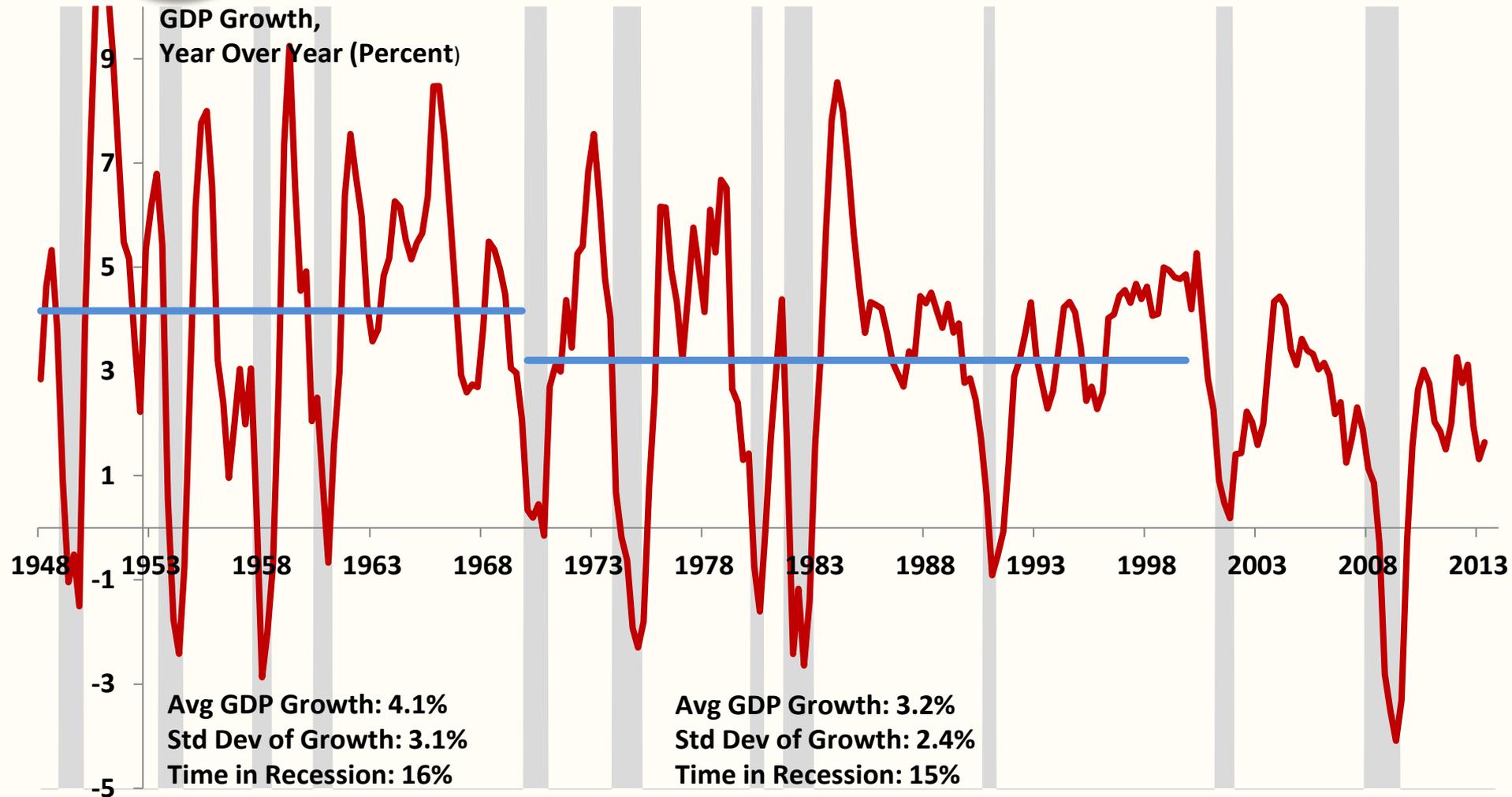


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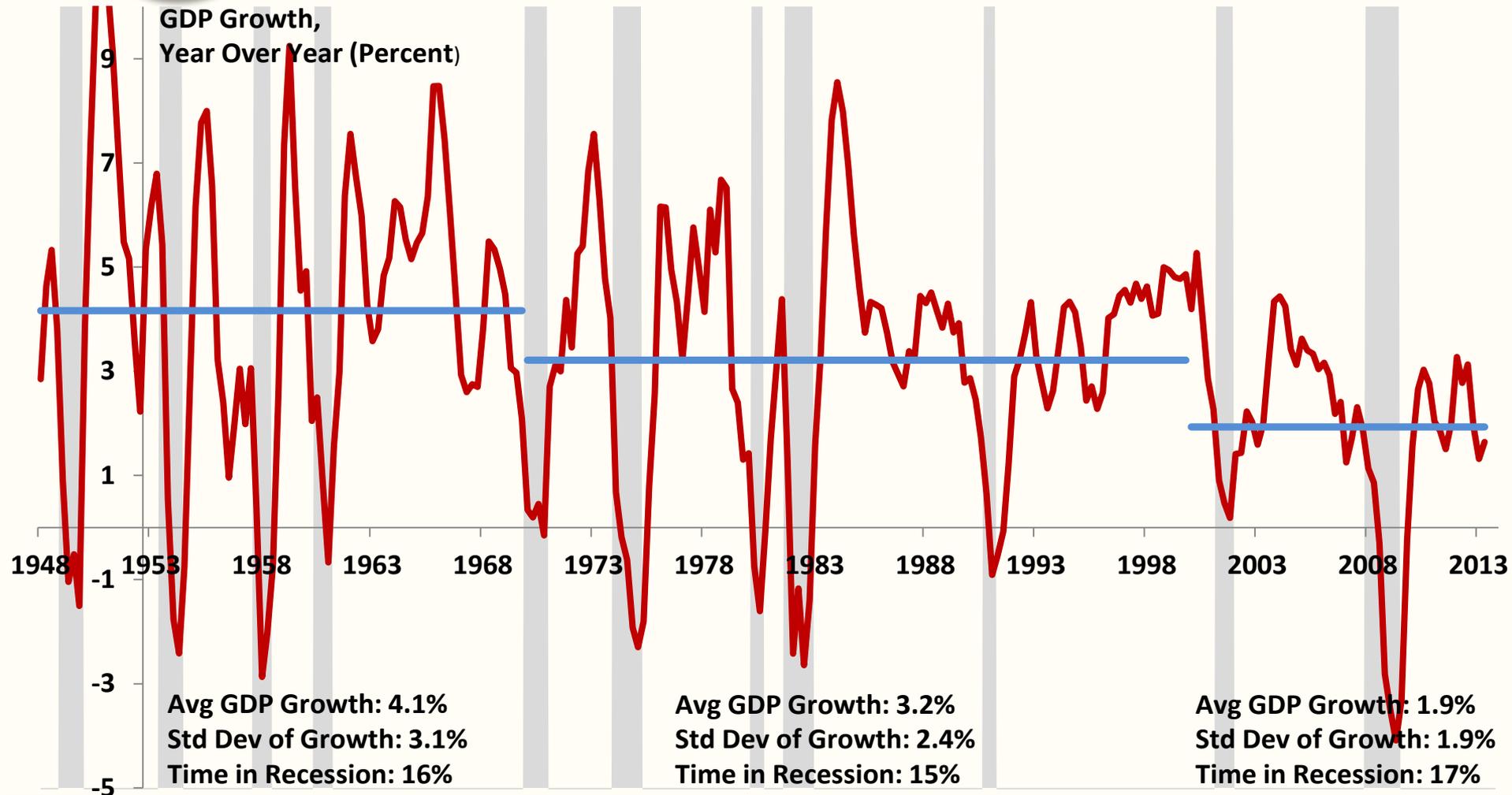


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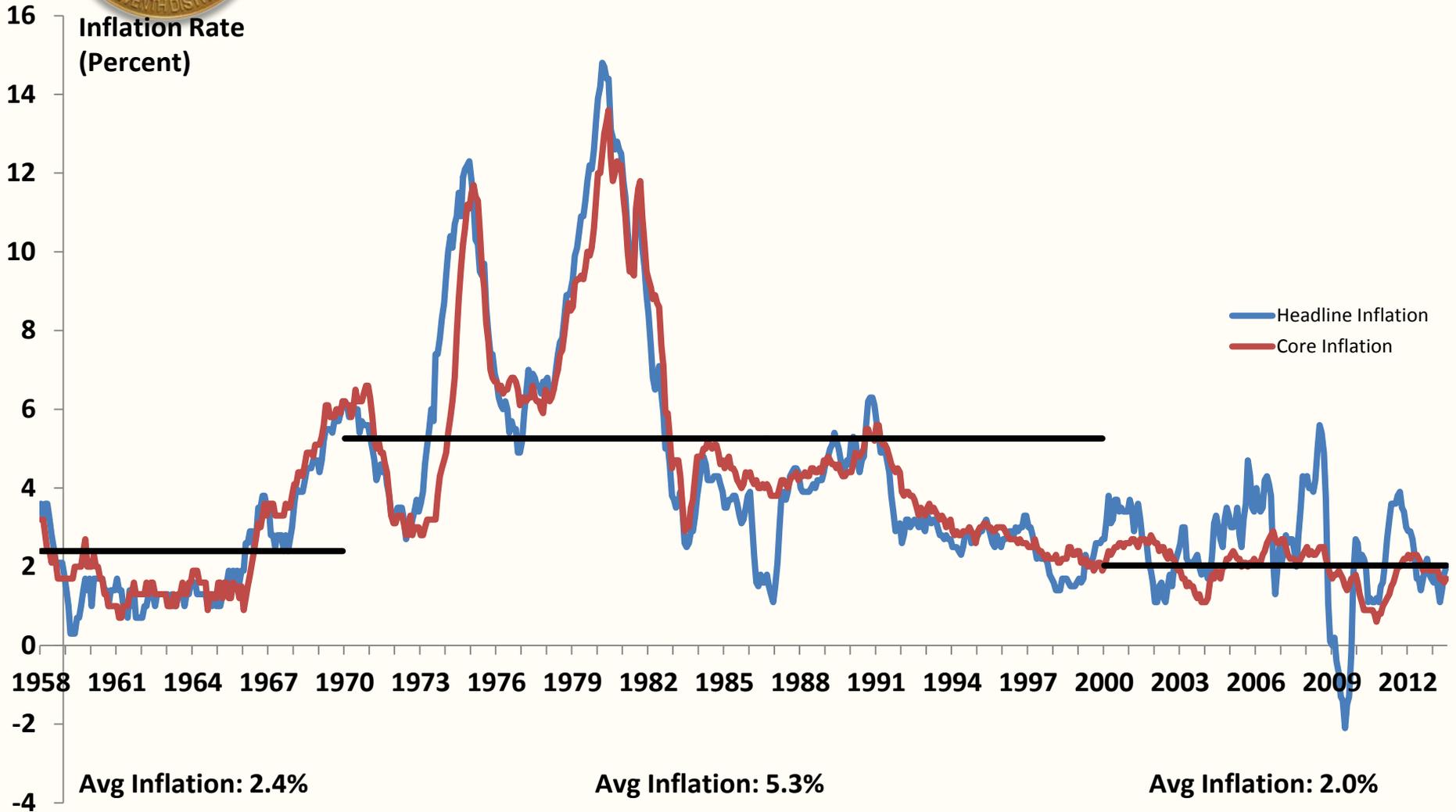


# Unfortunately, GDP Growth Is Generally Declining...



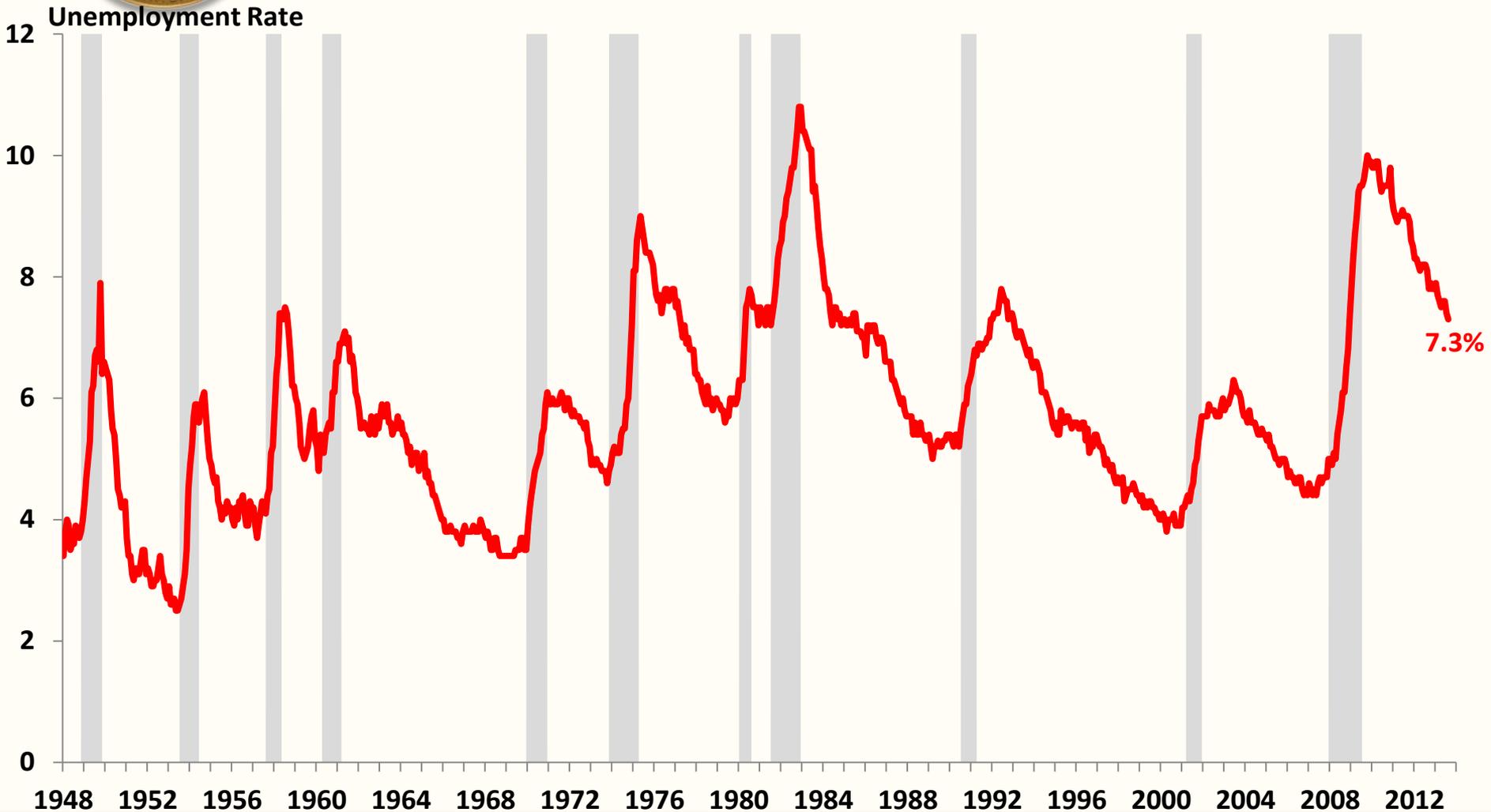


# Fortunately, Inflation is Low and Stable...



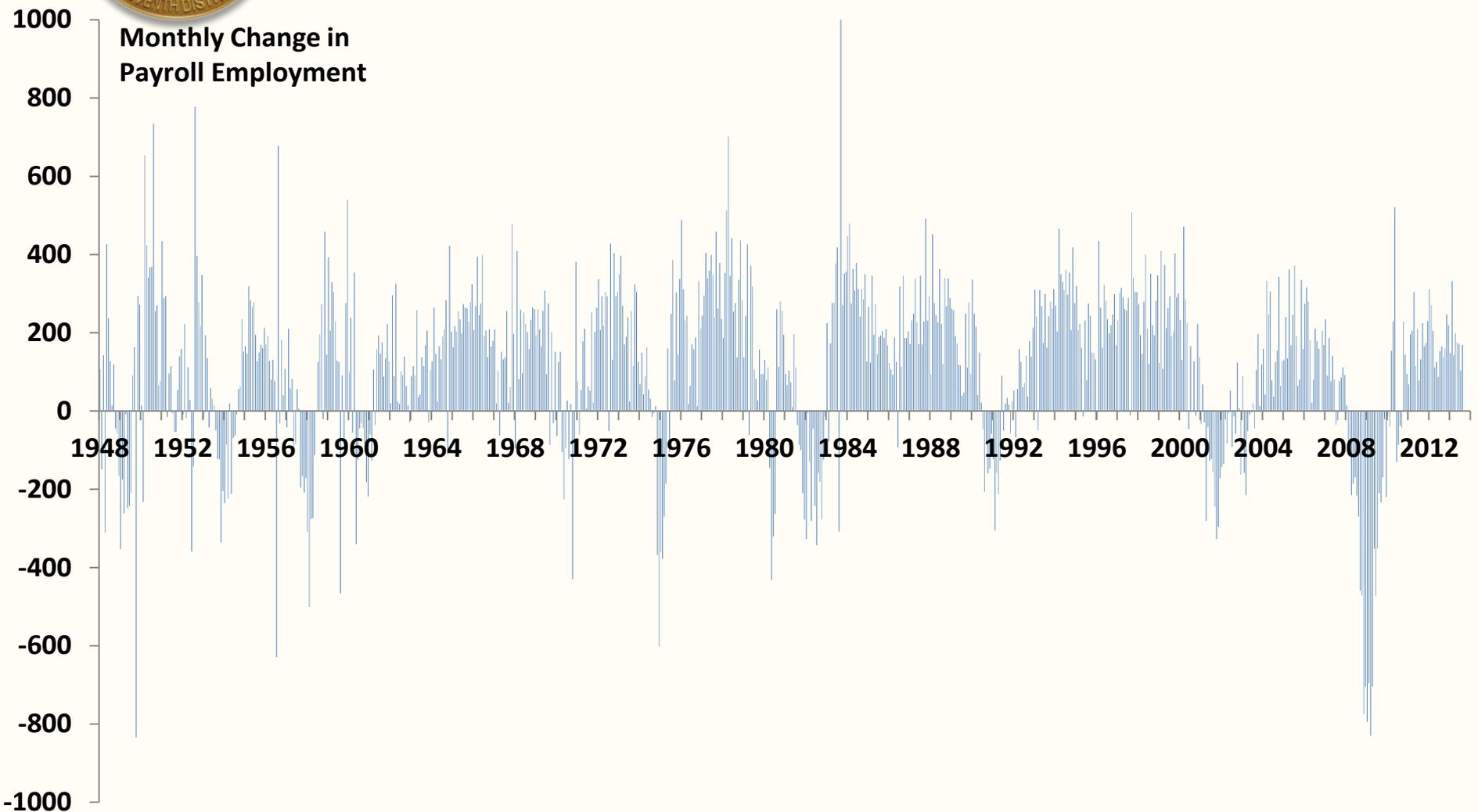


# Unfortunately, Unemployment Remains Elevated...



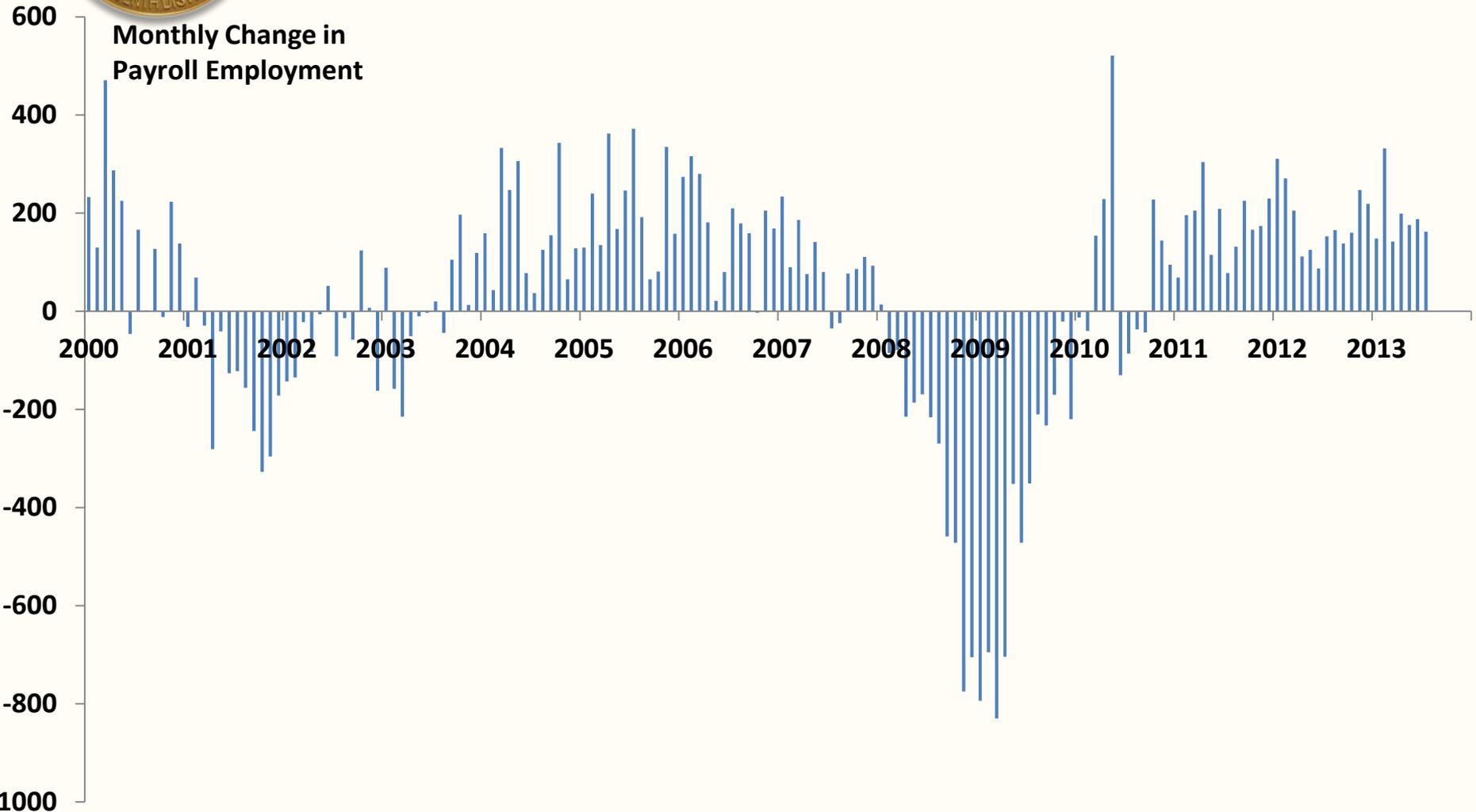


# Fortunately, Jobs Are (Slowly) Returning...





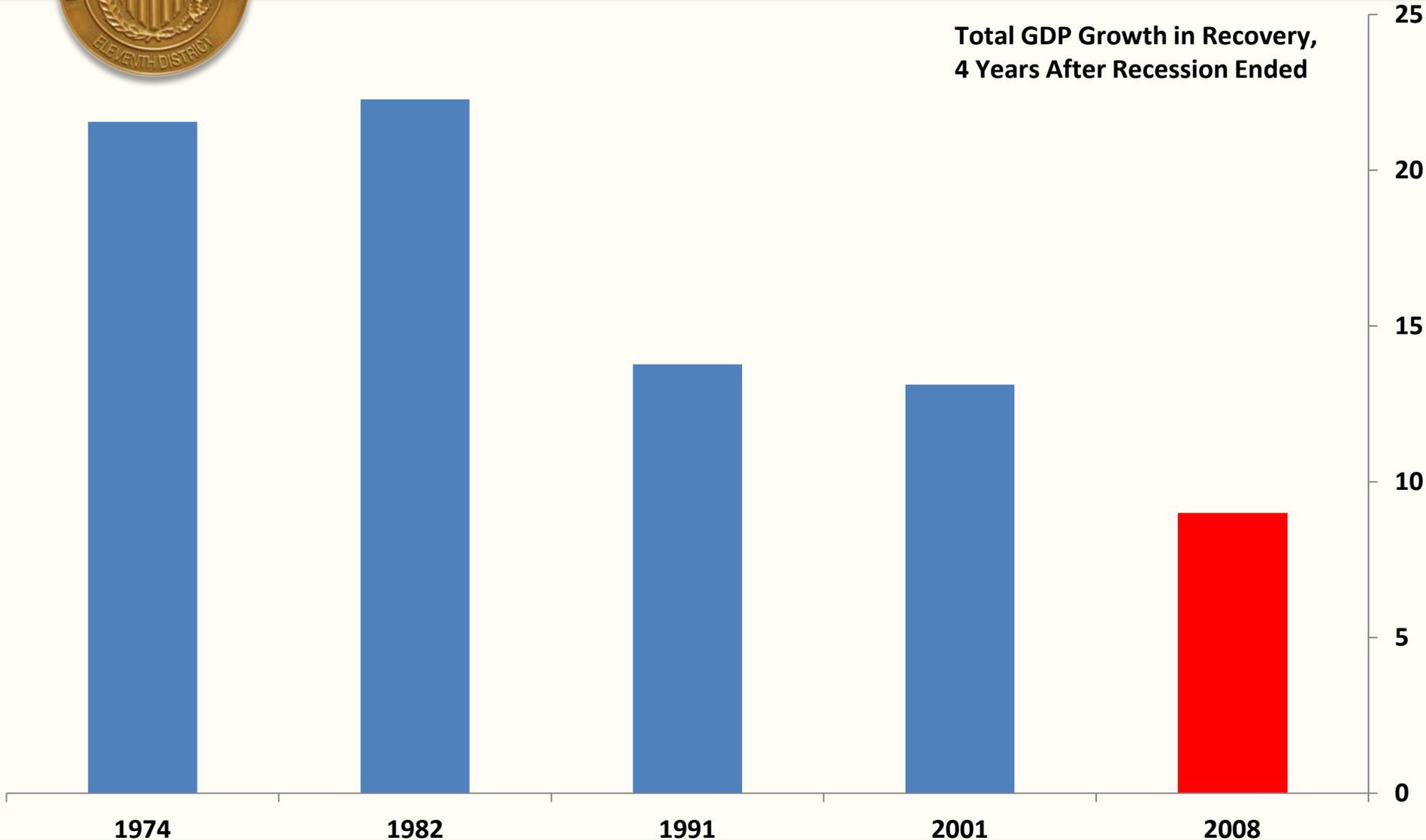
# Fortunately, Jobs Are (Slowly) Returning...





# Unfortunately, This Recovery Has Been Weak...

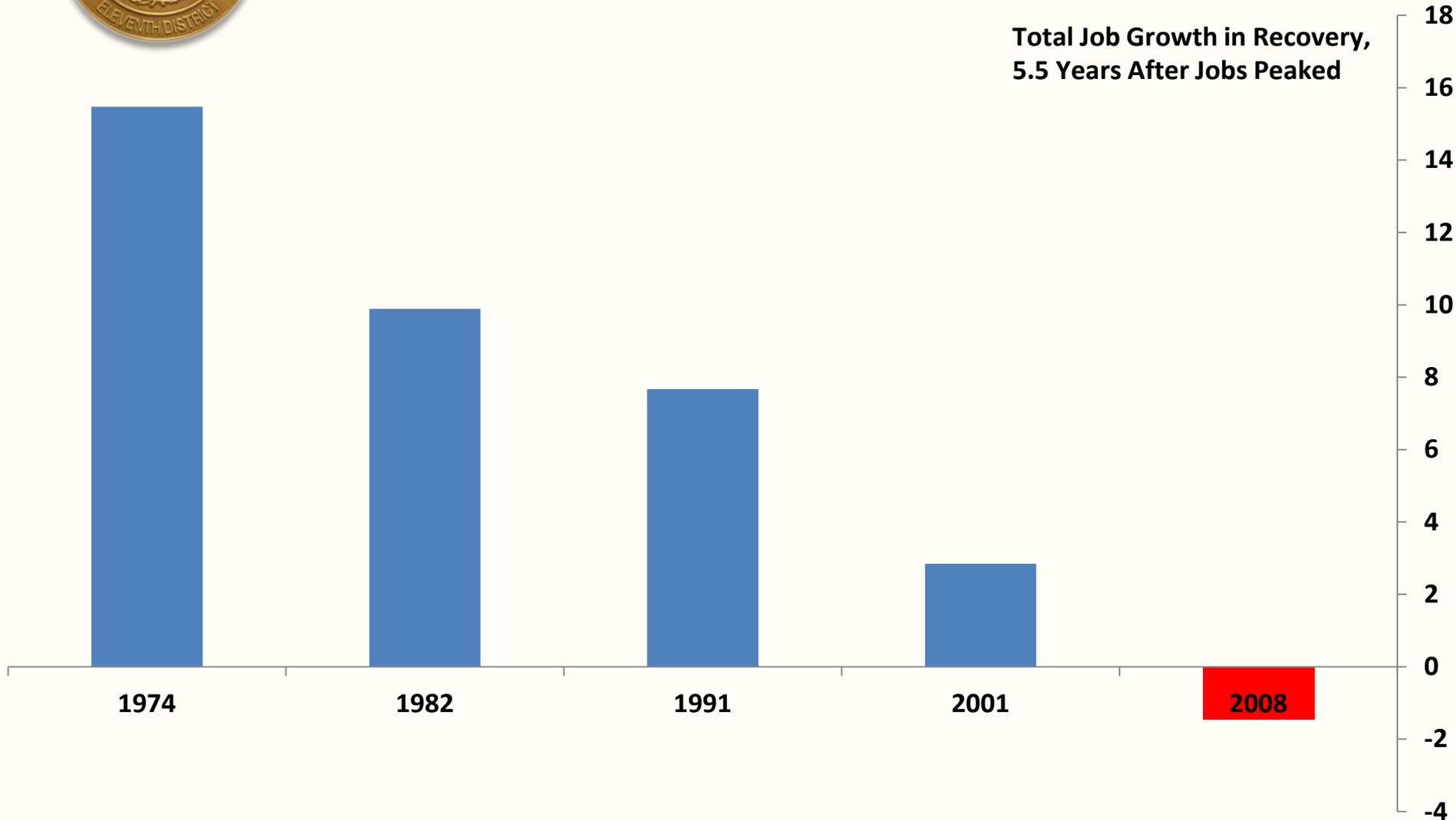
Total GDP Growth in Recovery,  
4 Years After Recession Ended





# Unfortunately, This Recovery Has Been Weak...

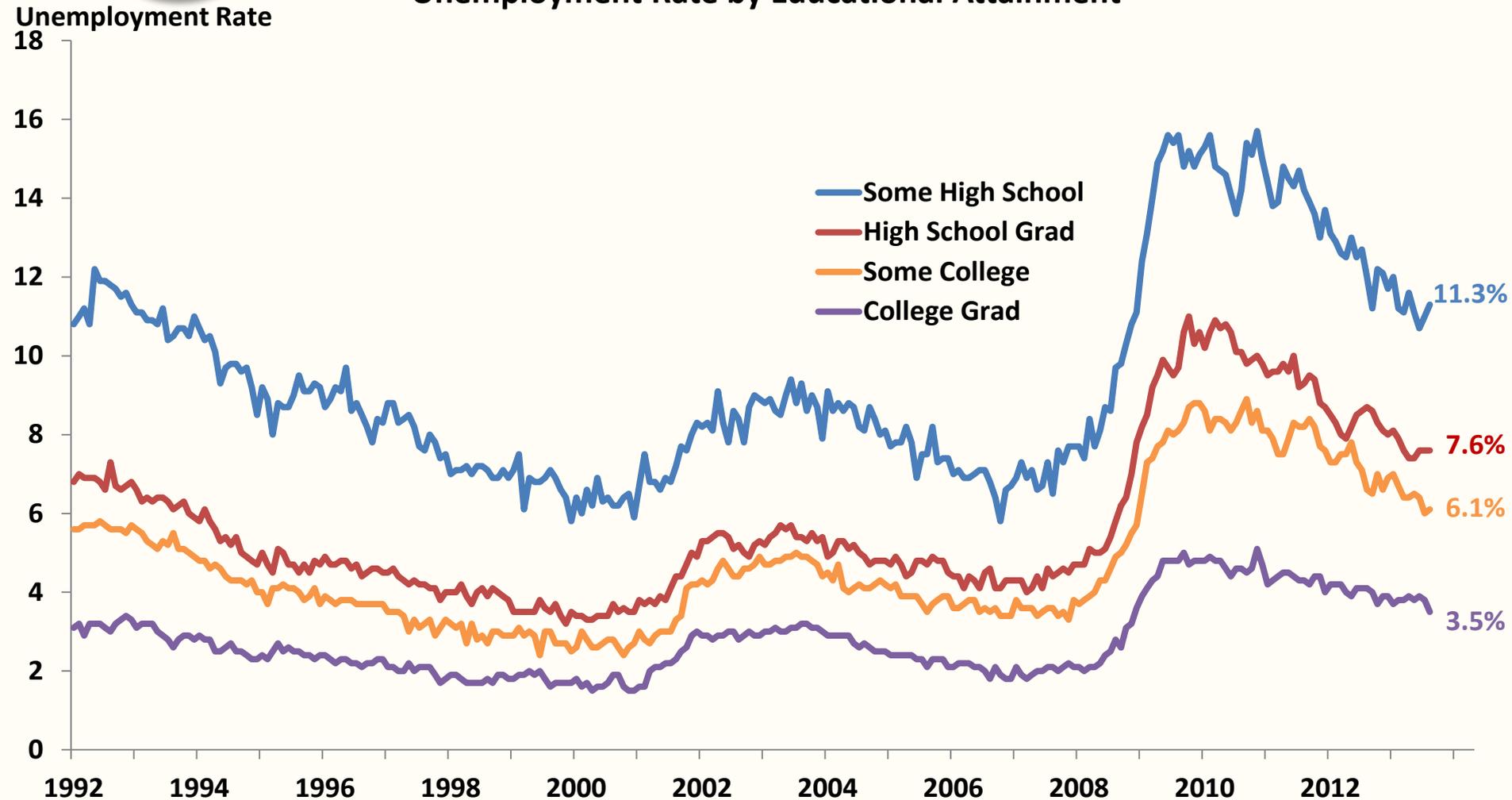
Total Job Growth in Recovery,  
5.5 Years After Jobs Peaked





# Unfortunately, the Nature of Work Has Changed...

## Unemployment Rate by Educational Attainment

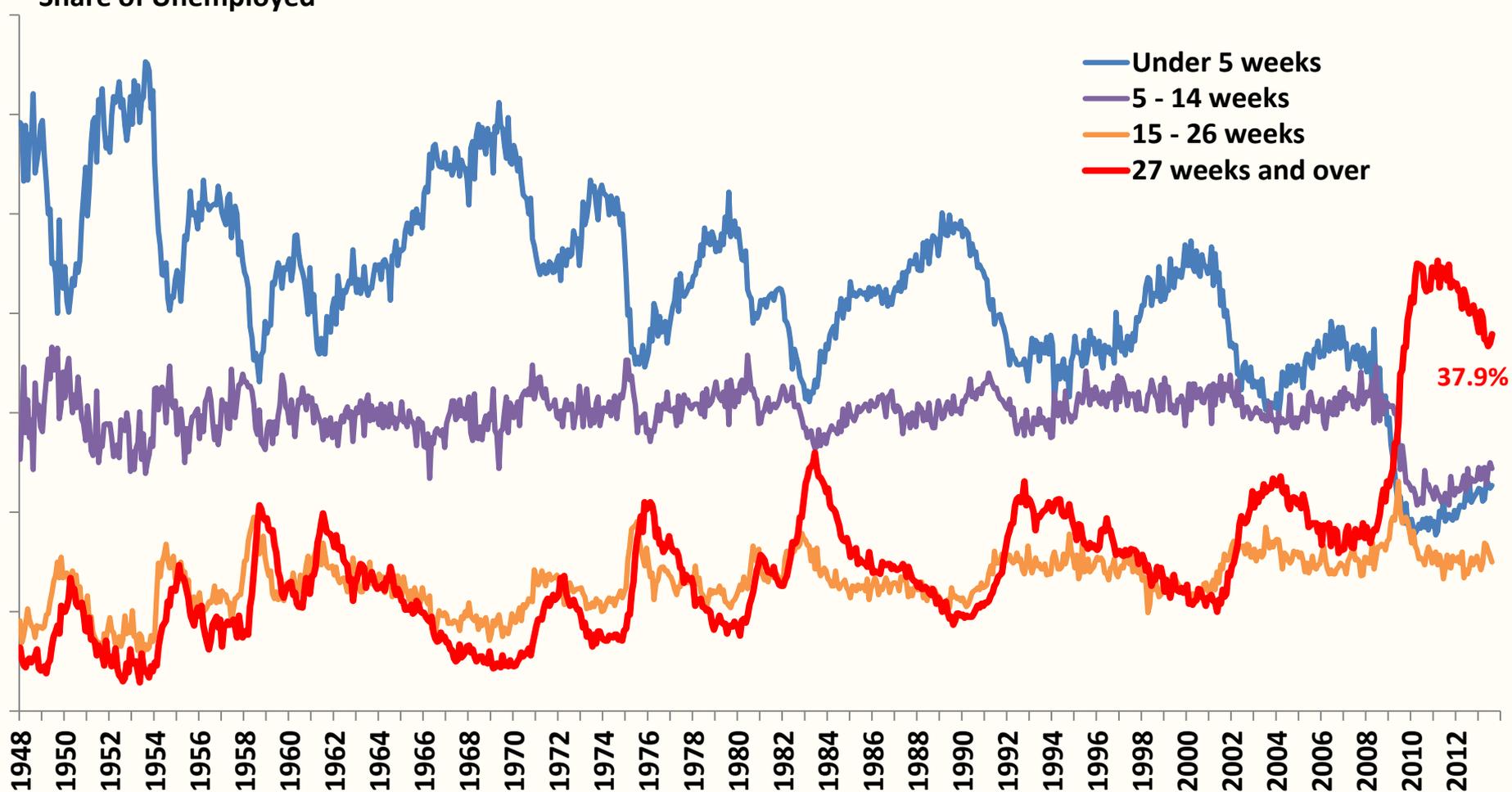




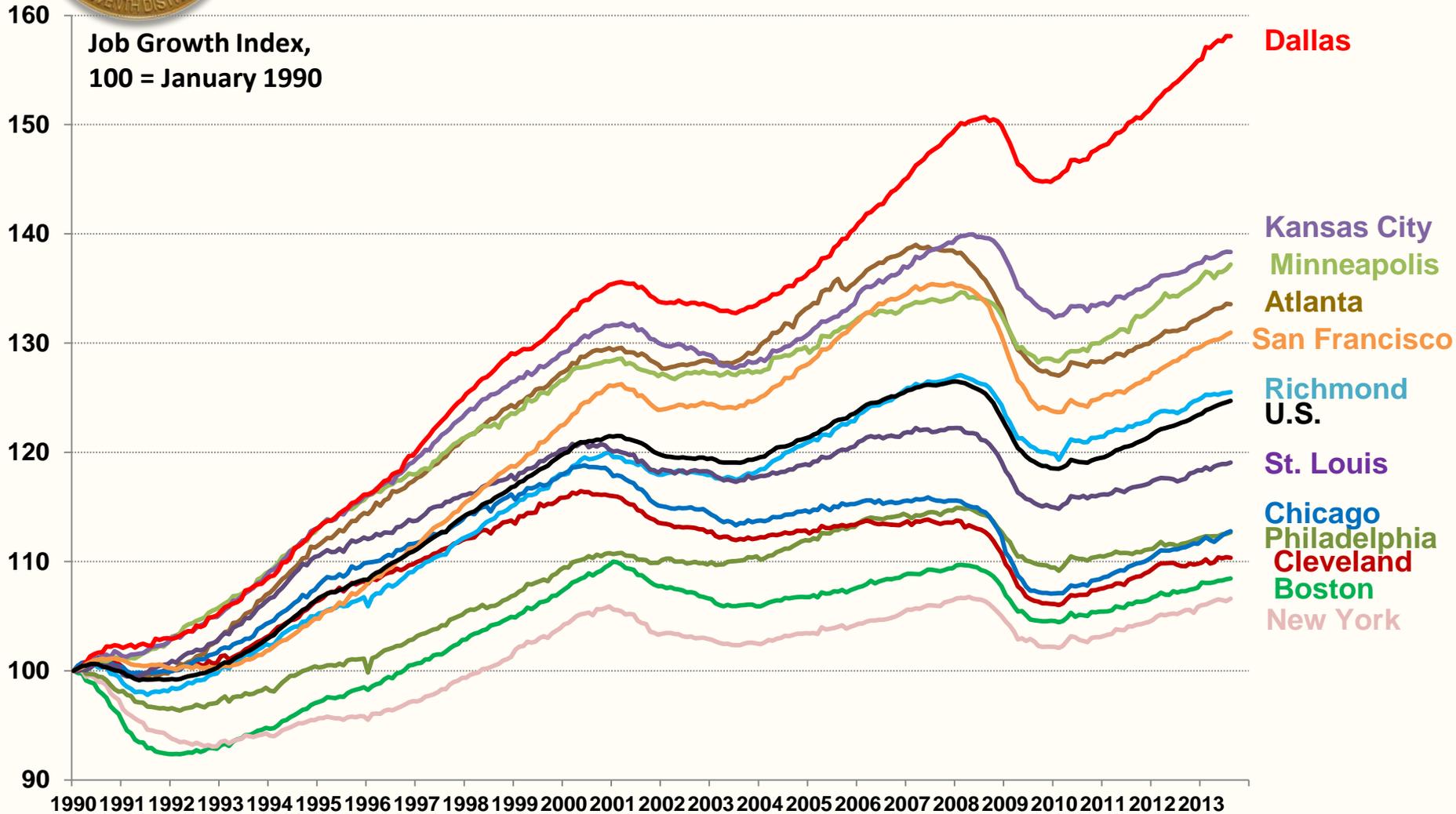
# Unfortunately, the Nature of Work Has Changed...

## The Long-Term Unemployed are a Growing Problem (Percent of Unemployed by Duration of Unemployment)

Share of Unemployed



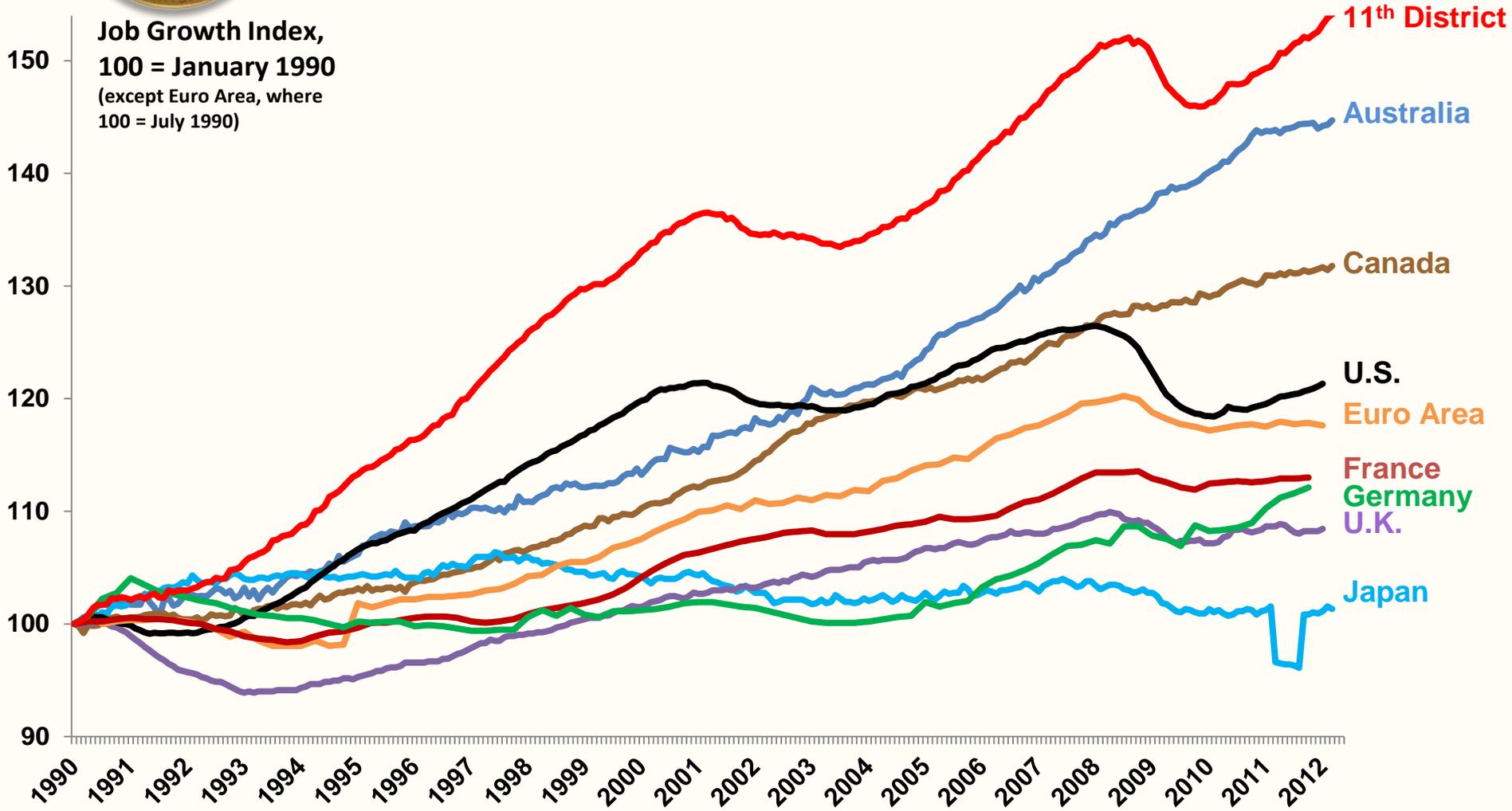
# Fortunately, the Eleventh District Is Bucking Many Trends...



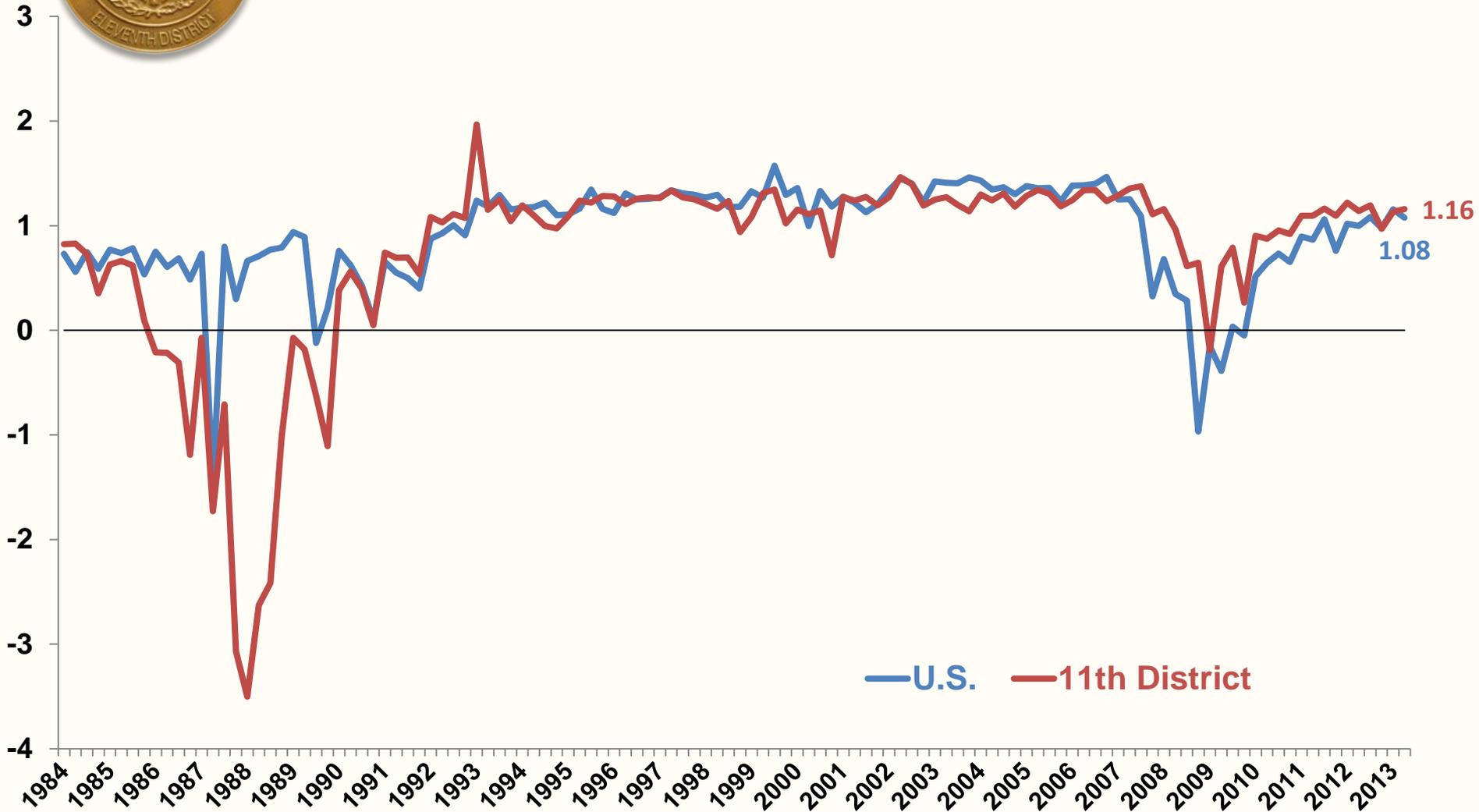


# Fortunately, 11<sup>th</sup> District Is Bucking Many Trends...

**Job Growth Index,**  
**100 = January 1990**  
(except Euro Area, where  
100 = July 1990)



# Fortunately, Bank Profitability is Rising...



# The Adventure...



- National Economic Snapshot
- National Economic History
- **Potential Economic Headwinds (Risks)**
- Economic Forecasts



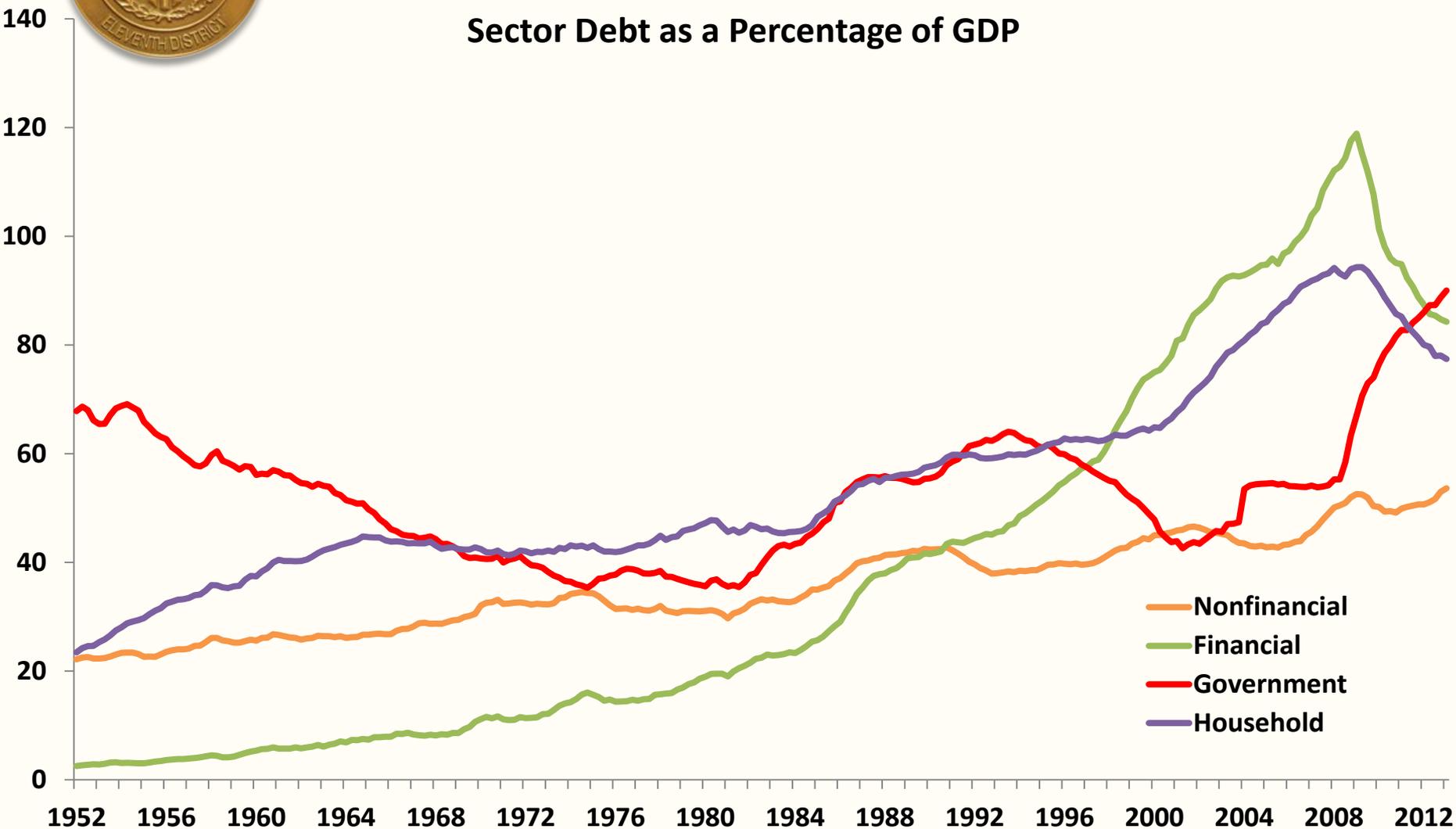
# Unfortunately, Many Economic Risks Exist...

- **National debt and federal government budgeting**
- **TBTF Banks and the competitive banking landscape**
- **European debt crisis and recession**
- **China**
- **The Middle East**
- **Consumer and business confidence (uncertainty)**



# Unfortunately, Government Debt is Exploding...

## Sector Debt as a Percentage of GDP





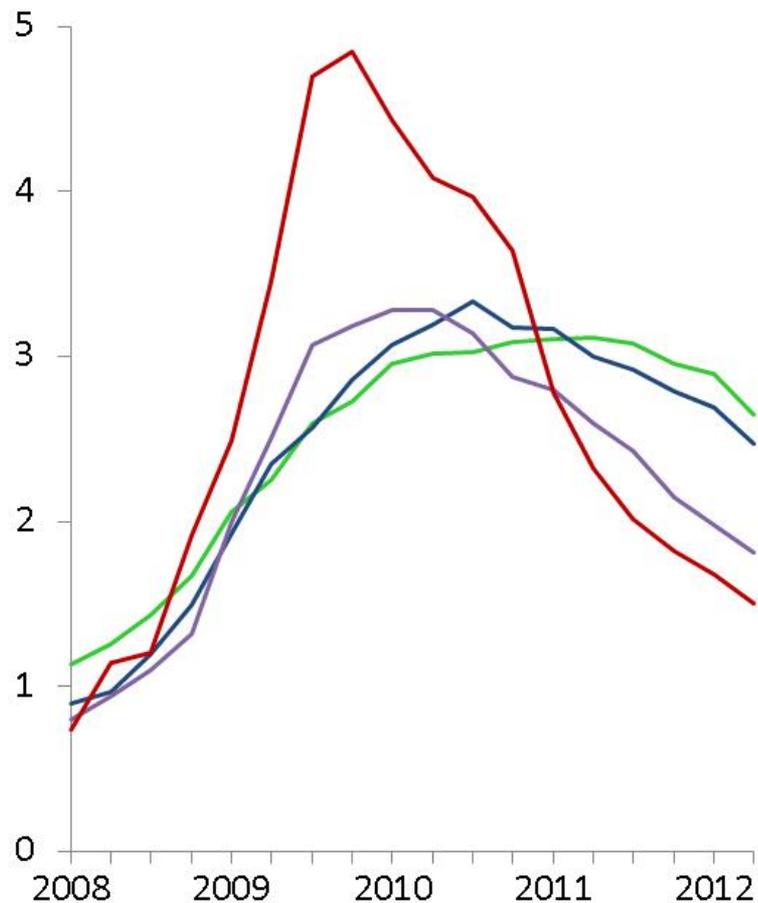
# Unfortunately, TBTF Banks Lack Discipline...

- **5,500 small community operations**
  - ✓ Assets less than \$10 billion
  - ✓ Threat of closure
  - ✓ Owner discipline
- **70 midsized, regional institutions**
  - ✓ Assets of \$10 to \$250 billion
  - ✓ Threat of closure
  - ✓ Creditor discipline
- **12 largest banking institutions**
  - ✓ Assets over \$250 billion
  - ✓ Insufficient regulatory discipline
  - ✓ Lack of market discipline

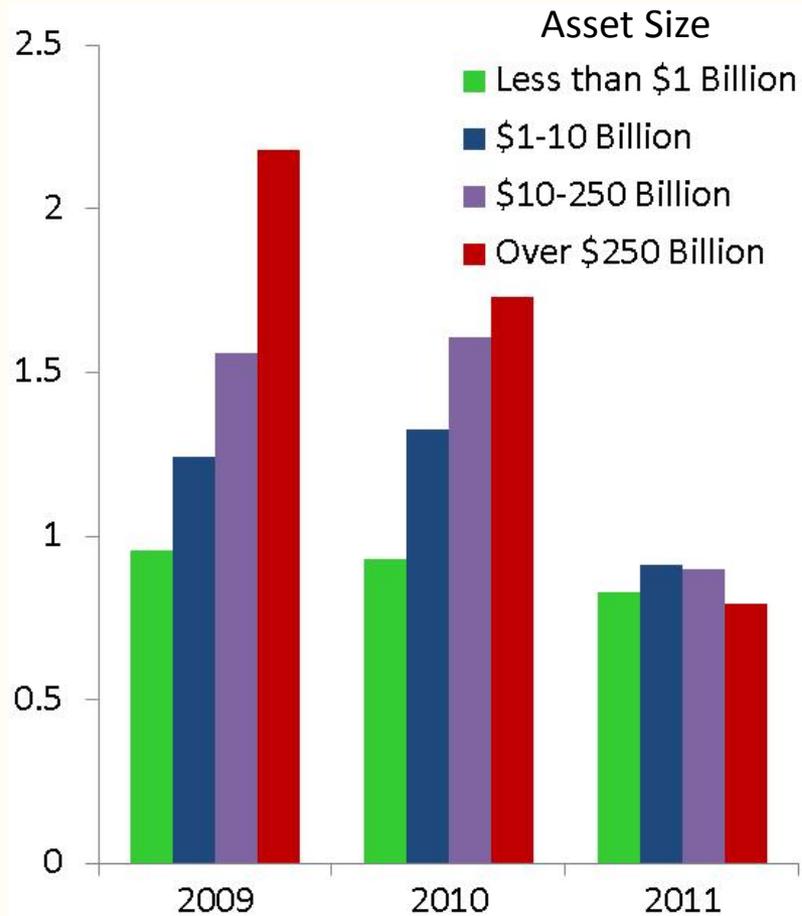


# Community Banks Maintain Business Loan Quality 2007 – 2009 Recession

### Percent of loans noncurrent



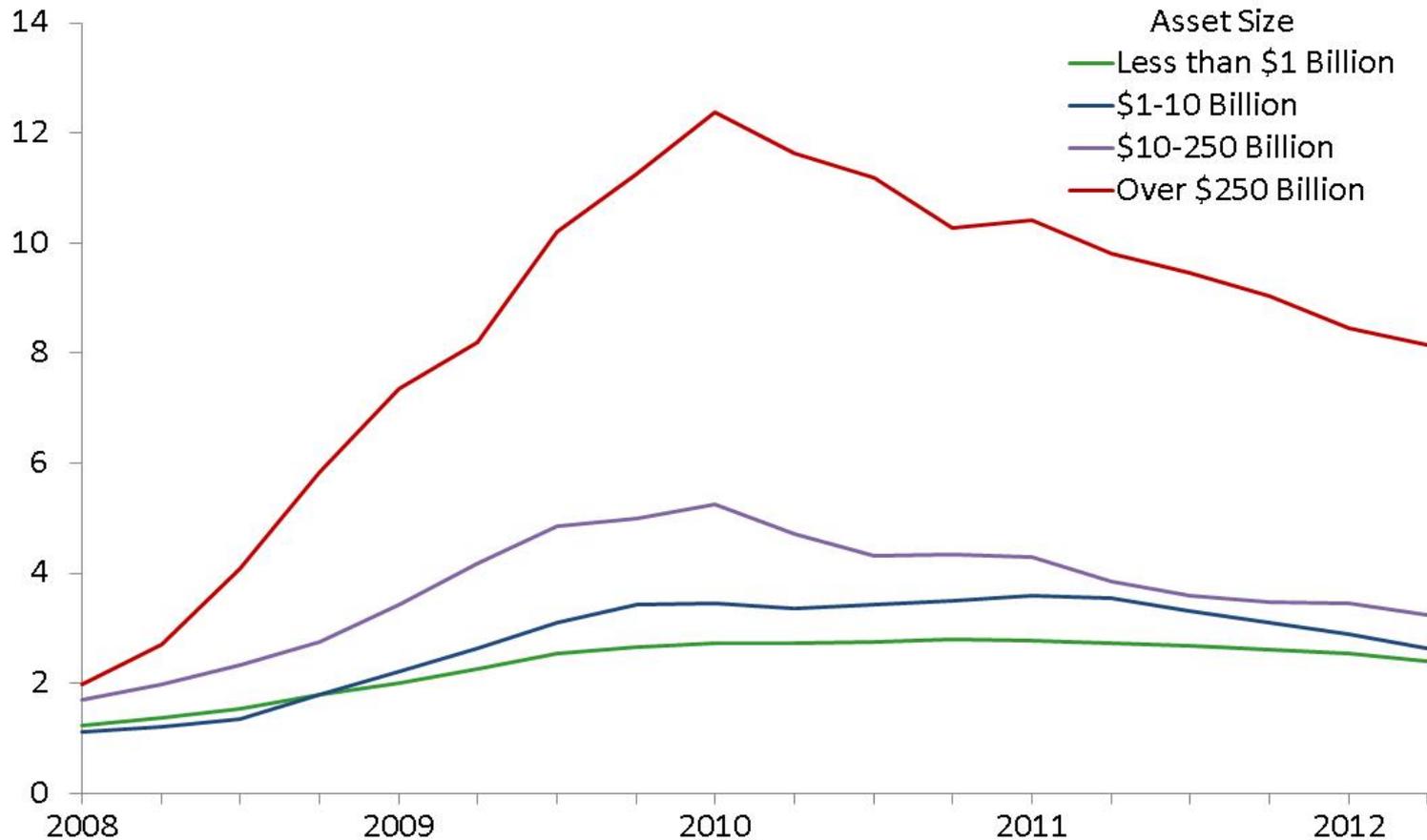
### Percent of loans charged off





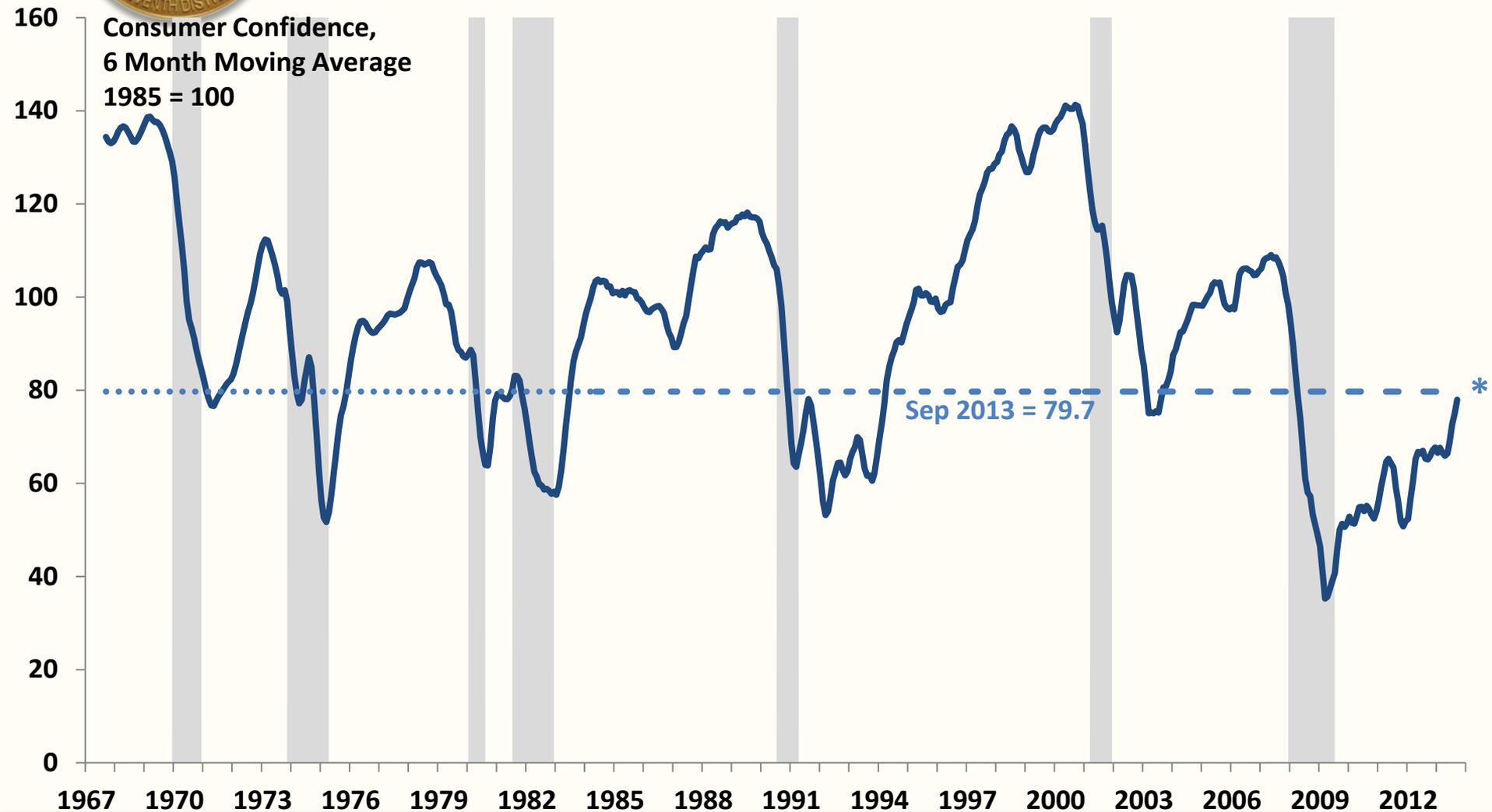
# Community Banks Maintain Residential Real Estate Loan Quality

## Closed-End, First-Lien, 1-4 Family Mortgages, Percent Noncurrent





# Unfortunately, Consumer Confidence Wanes...





## CALENDAR OF EVENTS

### May 29

Economic Insights:  
Conversations with the  
Dallas Fed  
Webcast

### May 30

Economic Roundtable  
Amarillo, TX

### June 6-7

Economic Roundtable  
Lubbock, TX

### June 18

Economic Roundtable  
Houston, TX

### July 10

Economic Roundtable  
Plano, TX

### August 1-2

Economic Roundtable  
San Antonio, TX

### August 7

Economic Insights:  
Conversations with the  
Dallas Fed  
Webcast

### August 21-22

Economic Roundtable  
Roswell, NM

### August 28-29

Economic Roundtable  
Dallas, TX

## Restoring Confidence and Growth

by Thomas F. Siems

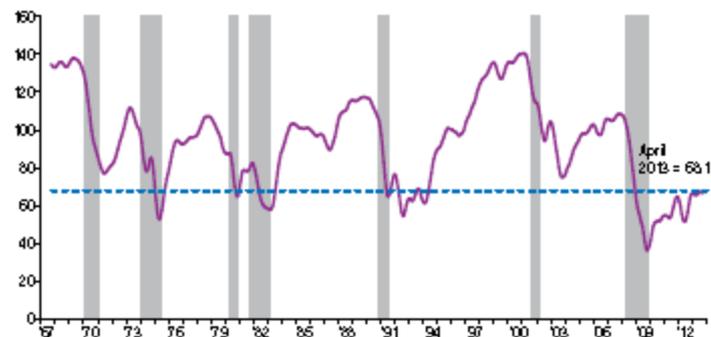
**W**hat is your assessment of current business and employment conditions? What are your expectations regarding business, employment and your family's income six months from now? The Conference Board's Consumer Confidence Index (CCI) was created in 1967 to gather responses to these questions and ultimately measure consumers' perceptions about the health of the U.S. economy.

Chart 1 shows that while the CCI has increased recently, a confidence crisis seems to continue to plague U.S. consumers. The good news is that the CCI has improved from its deep trough during the recent Great Recession.<sup>2</sup> The bad news is that the rebound has been drawn out and sluggish. The latest CCI reading, at 68.1 (1985 = 100), is lower than 88 percent of the observations computed between 1967 and the start of the Great Recession.

Chart  
1

U.S. Consumers Still Lack Confidence

Consumer Confidence Index, 1985 = 100 (six-month moving average)



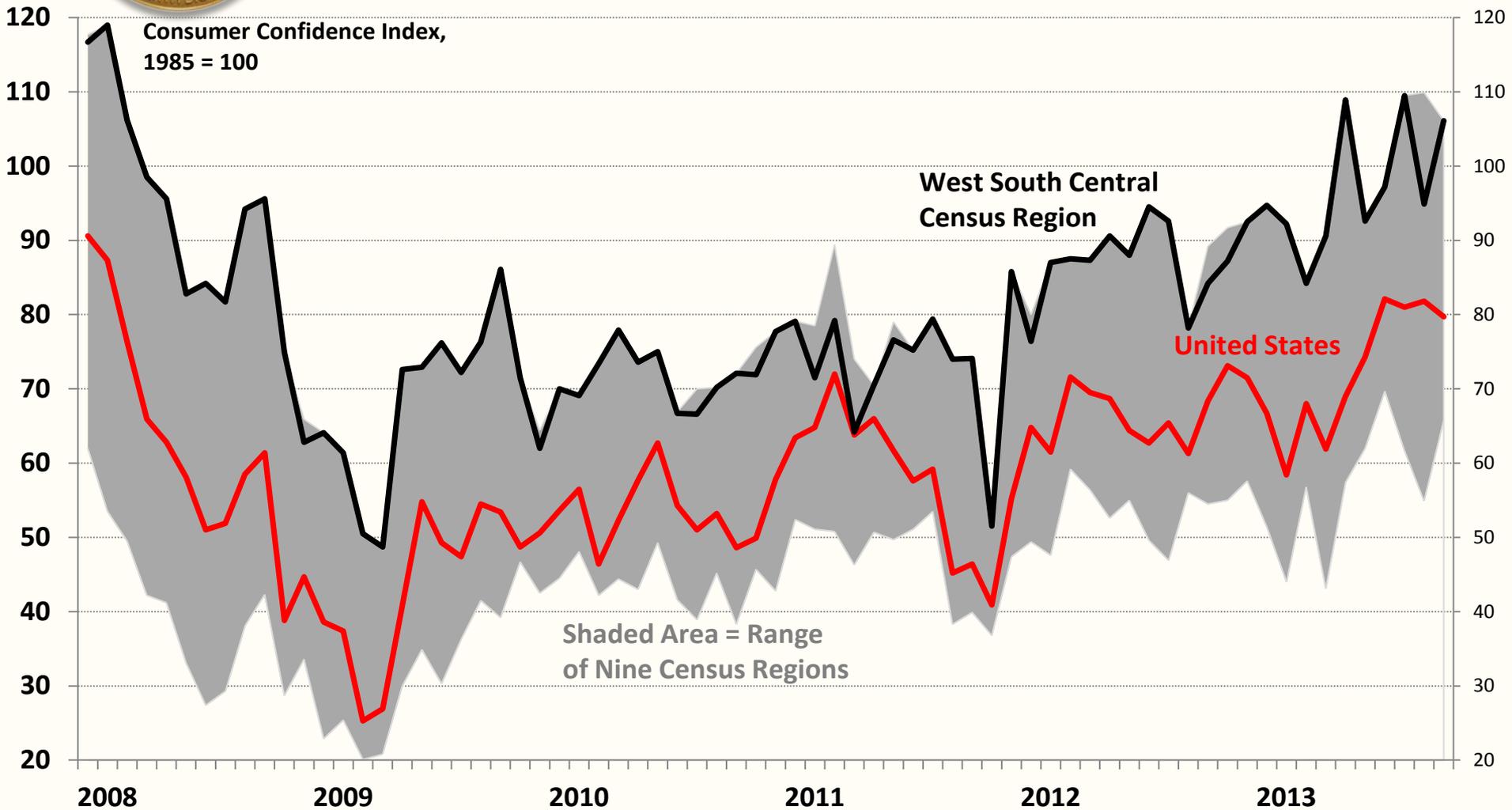
NOTE: Shaded bars indicate recession.

SOURCE: The Conference Board.



# Fortunately, Our Region is More Optimistic...

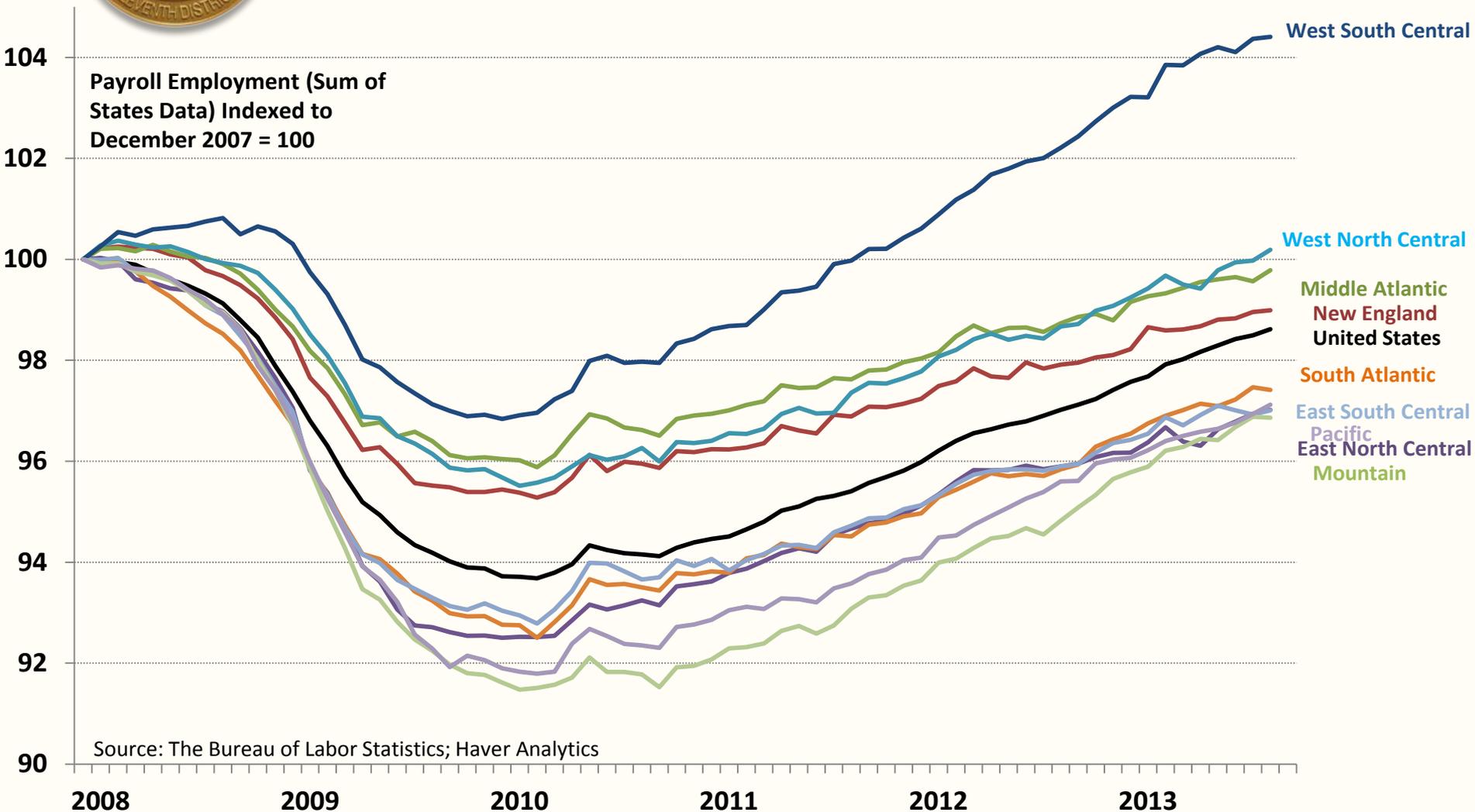
## The West South Central Region of the U.S. is Far More Optimistic





# And Job Growth is Stronger in the Region...

## Job Growth Increased Most in the West South Central Region



# The Adventure...



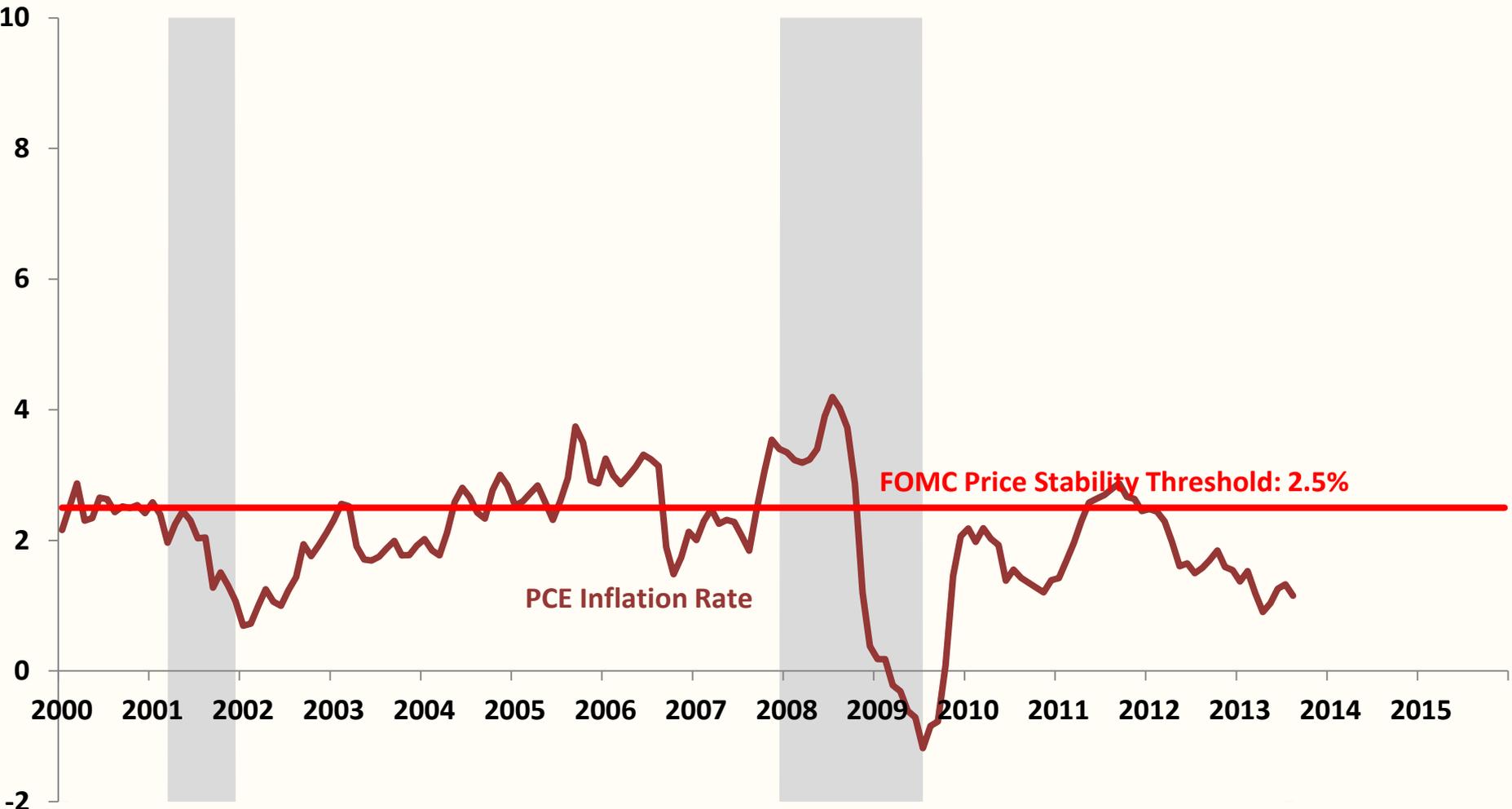
- National Economic Snapshot
- National Economic History
- Potential Economic Headwinds (Risks)
- **Economic Forecasts**



# Fortunately, Monetary Policymakers Are Optimistic...

## FOMC Economic Projections and Policy Thresholds

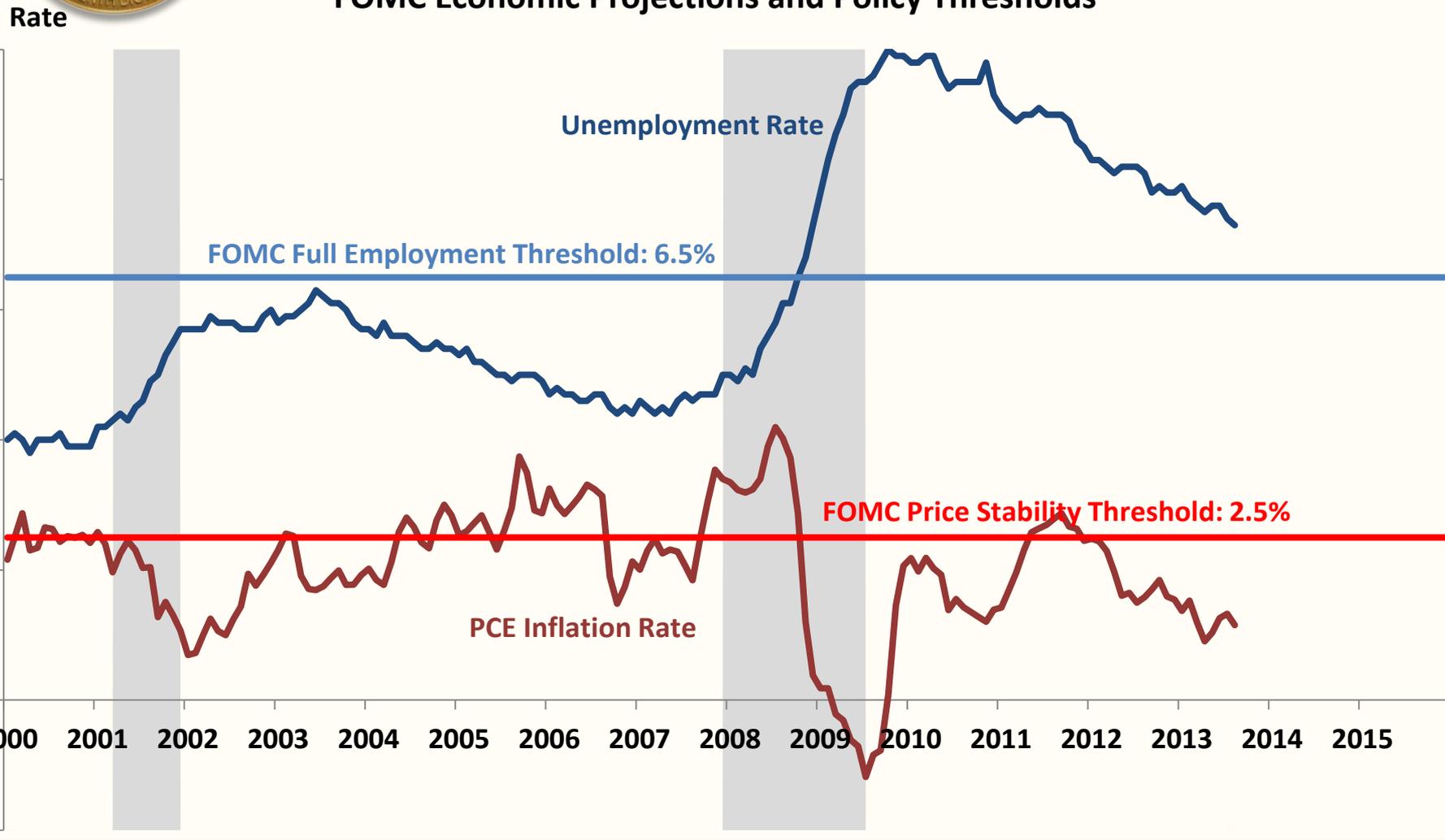
Rate





# Fortunately, Monetary Policymakers Are Optimistic...

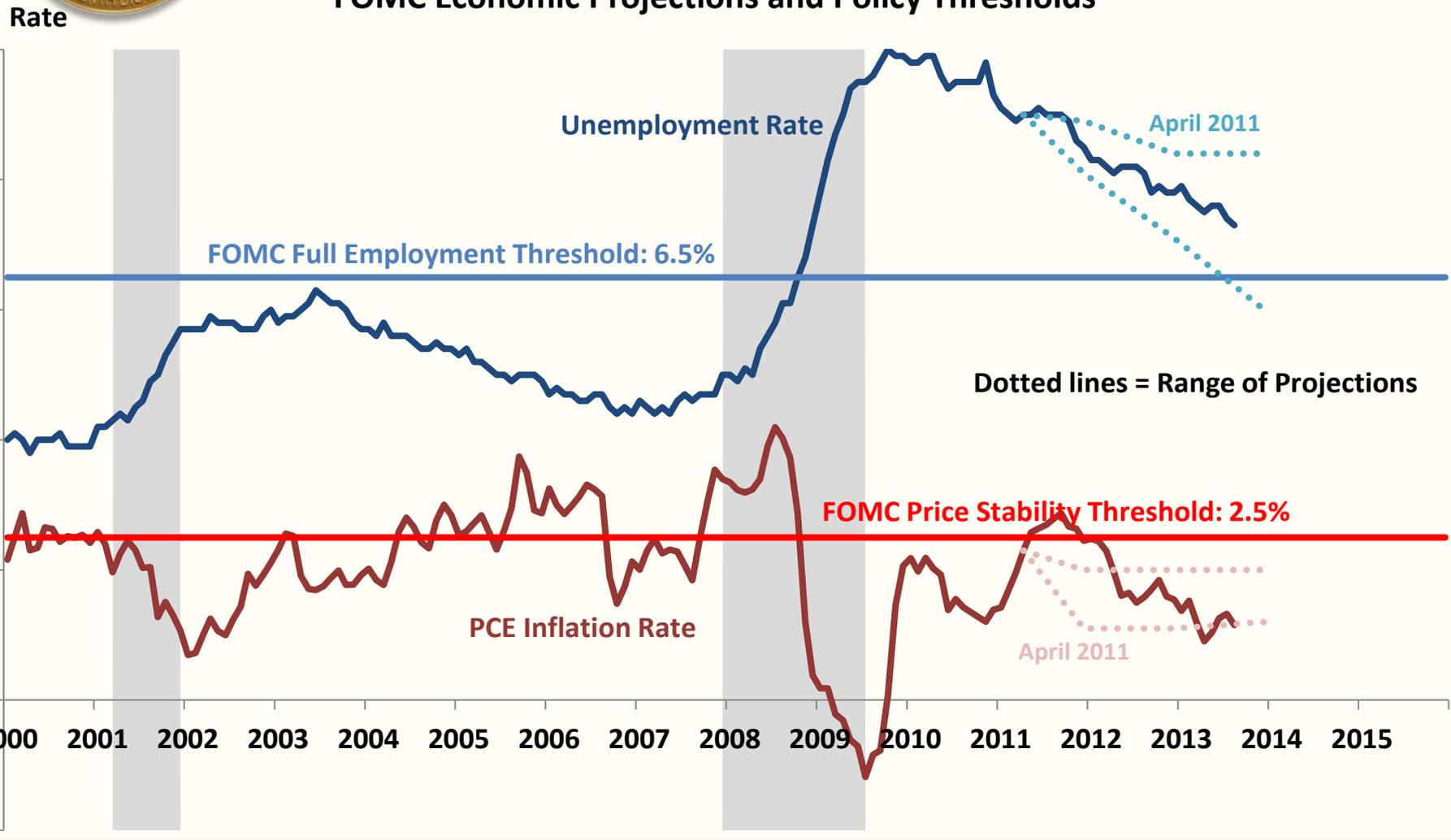
## FOMC Economic Projections and Policy Thresholds





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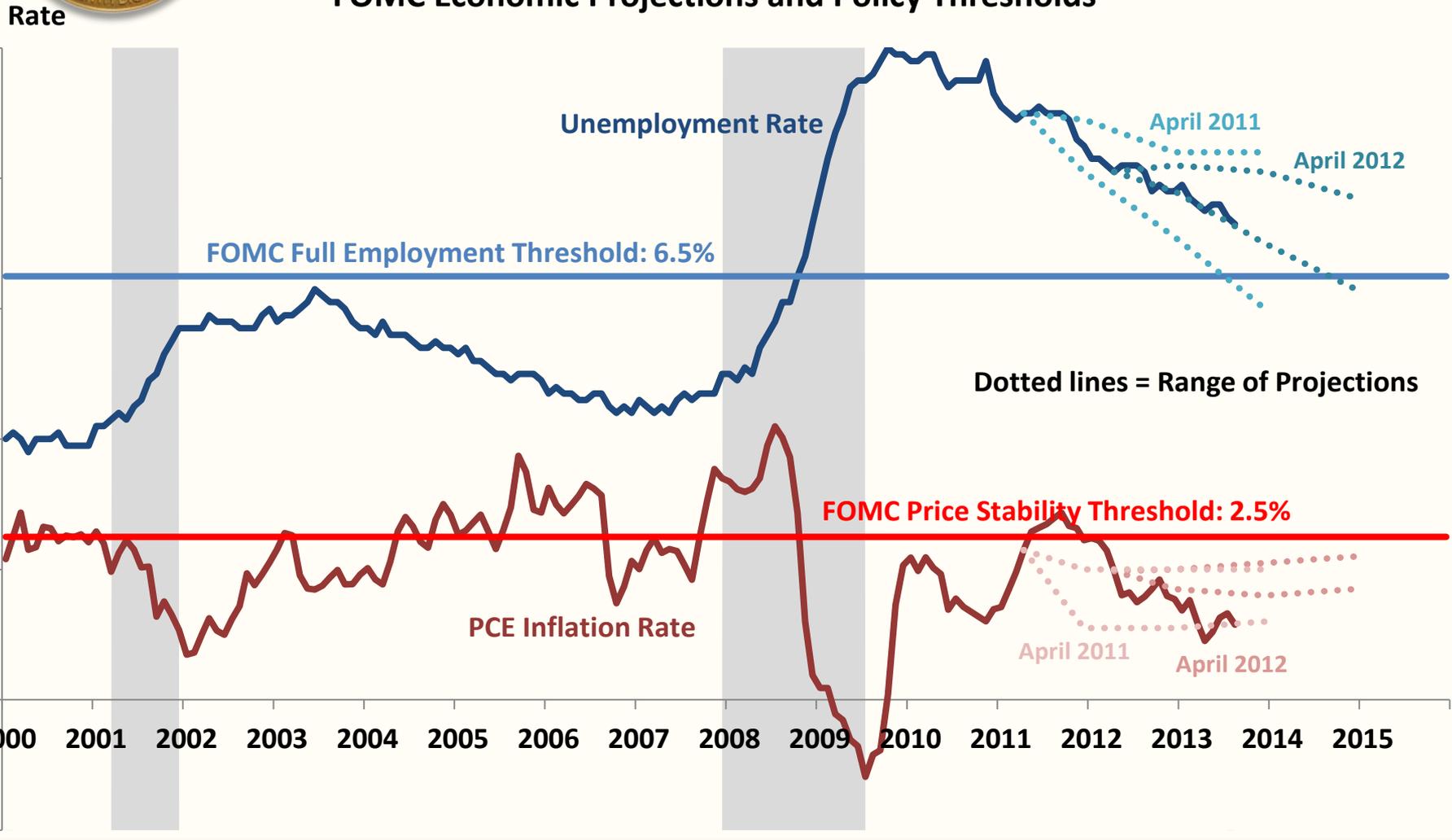
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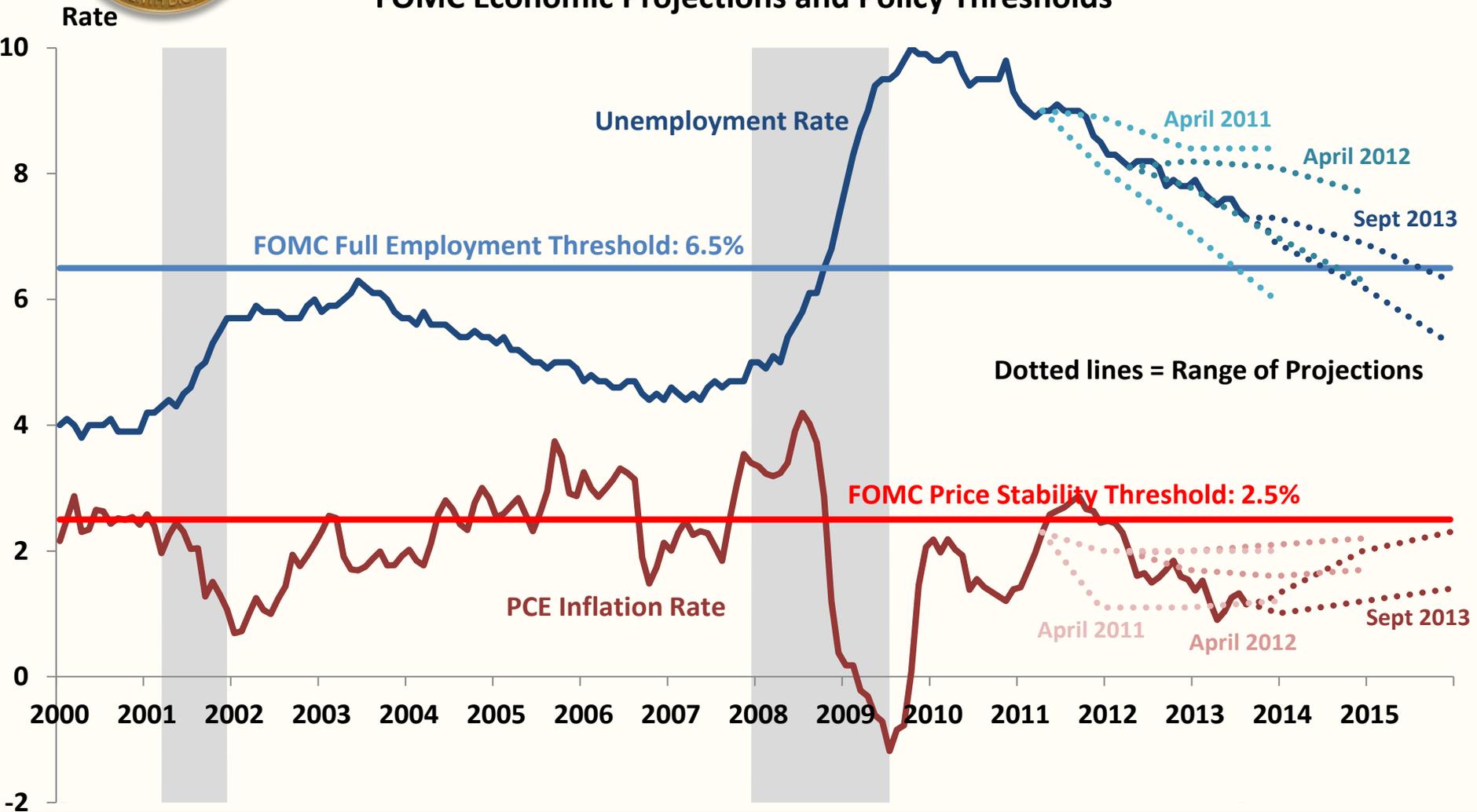
## FOMC Economic Projections and Policy Thresholds





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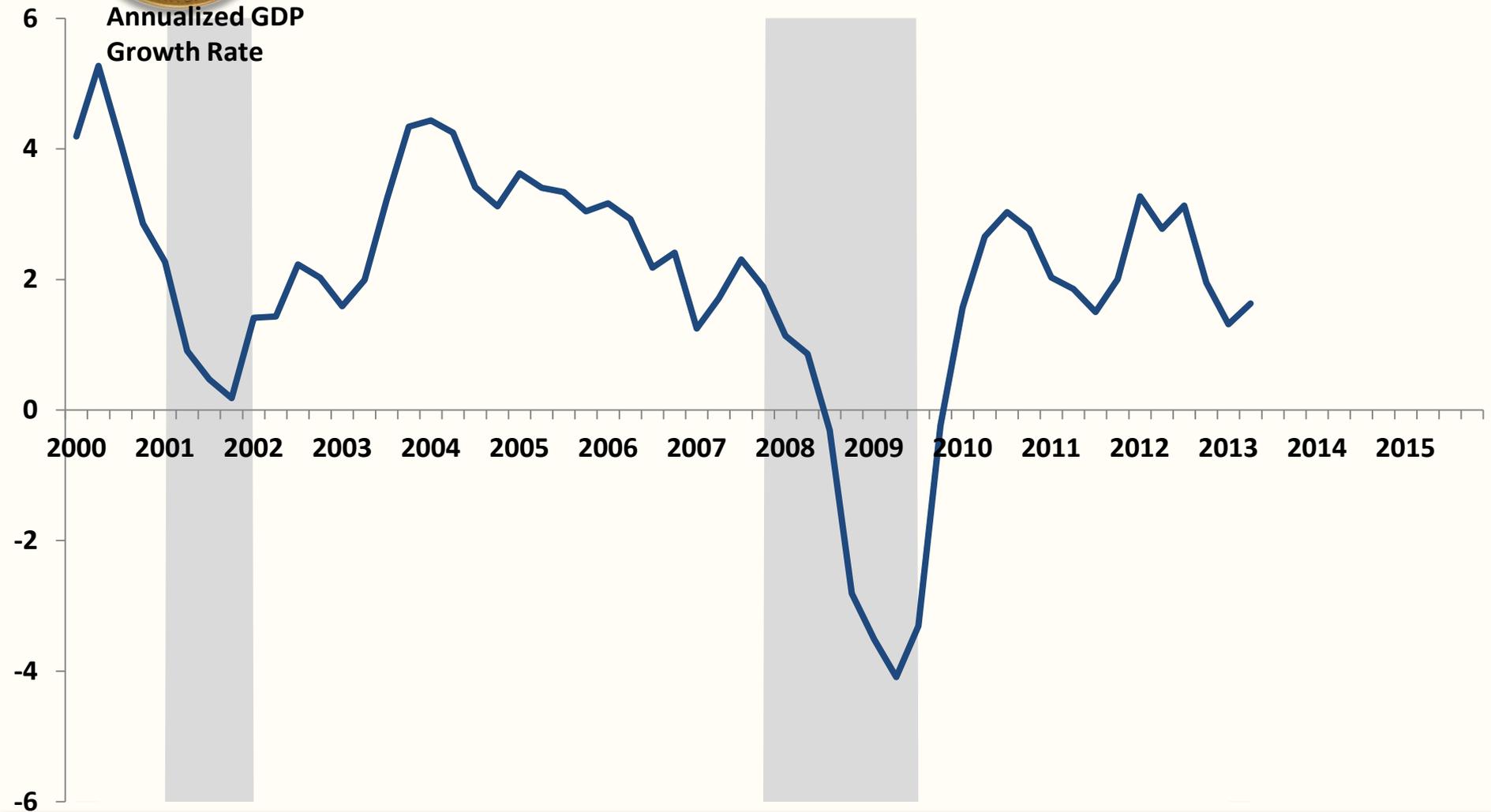
## FOMC Economic Projections and Policy Thresholds



# Unfortunately, Monetary Policymakers Too Optimistic on Growth Projections...



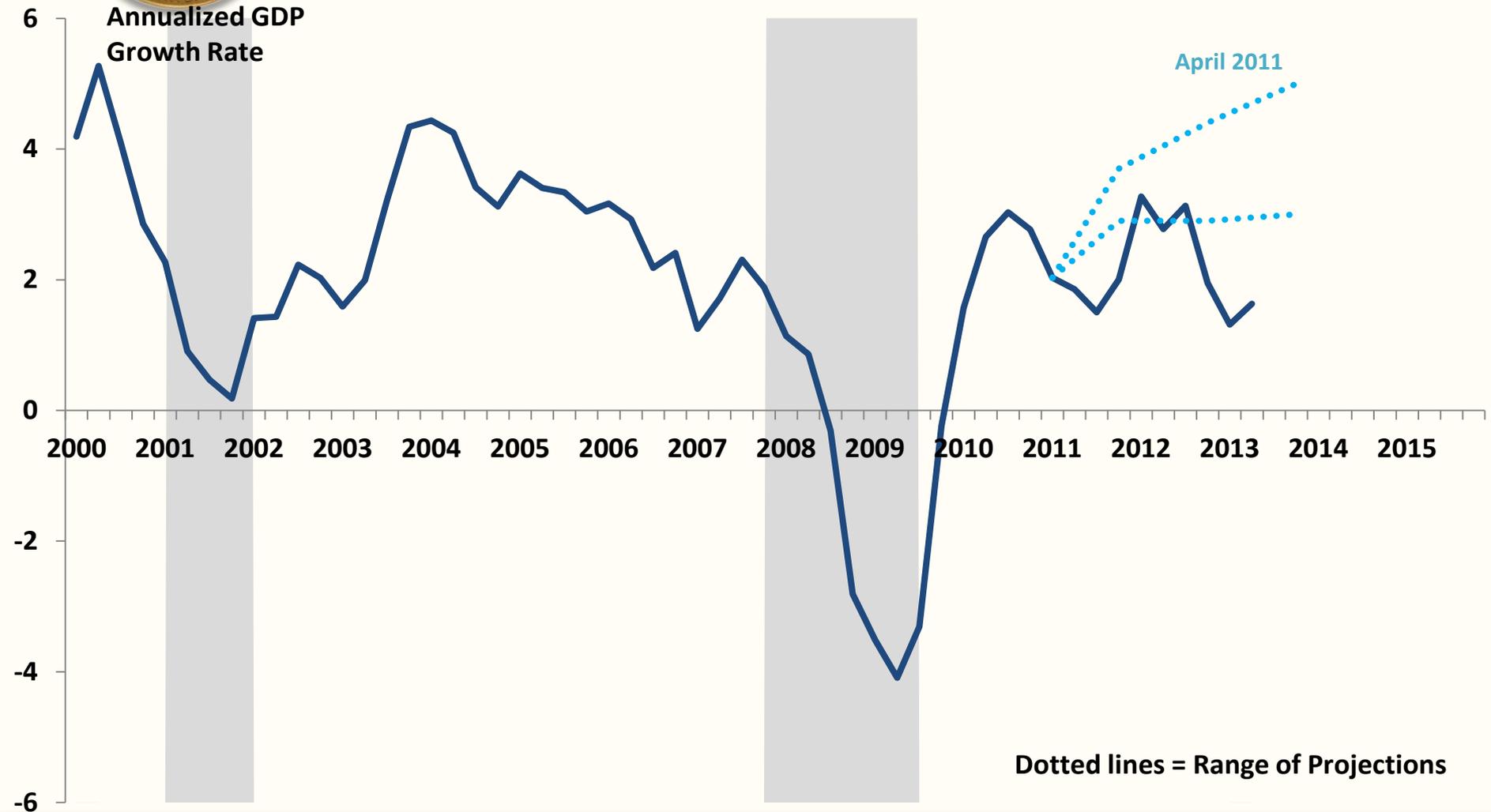
## FOMC Economic Growth Projections



# Unfortunately, Monetary Policymakers Too Optimistic on Growth Projections...



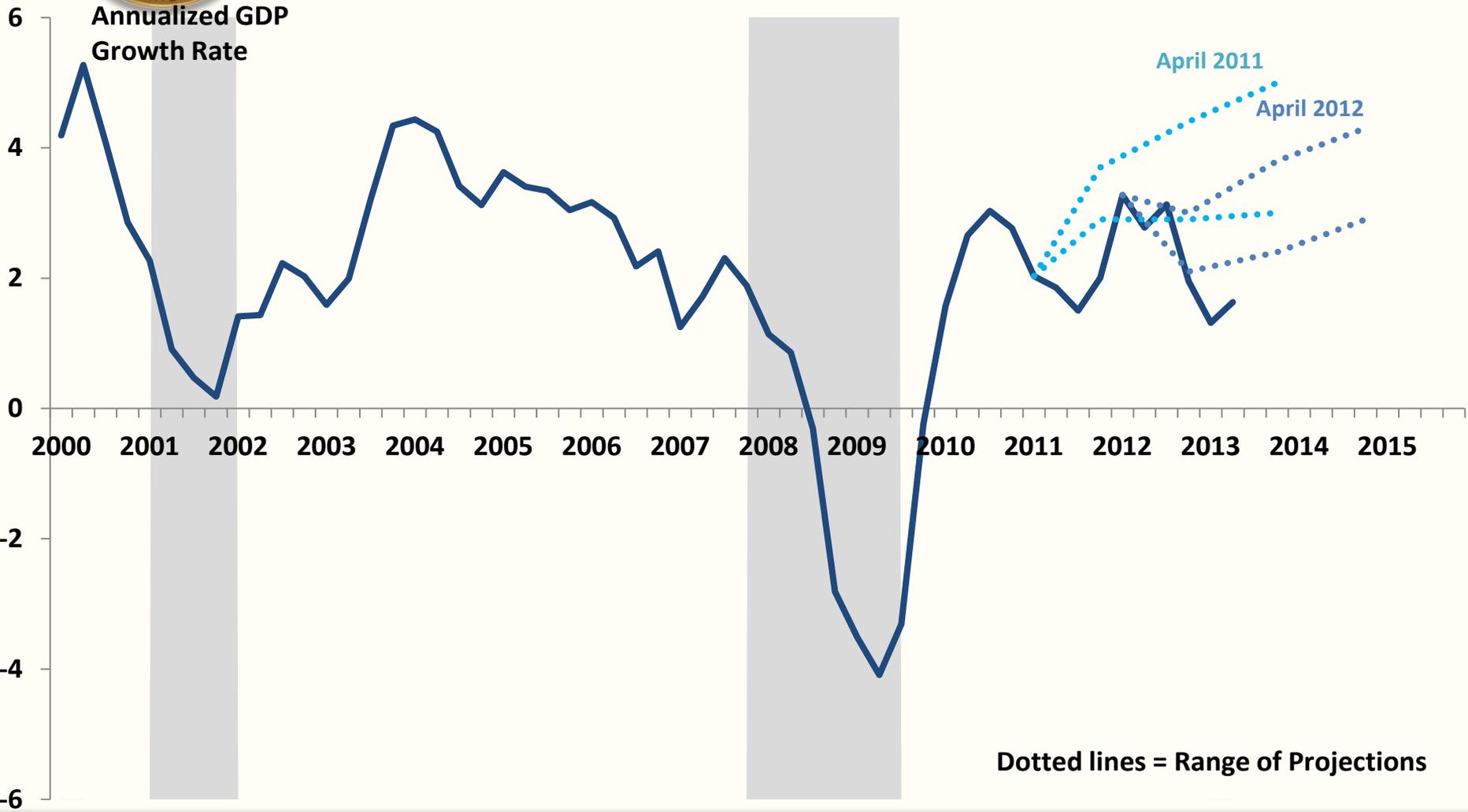
## FOMC Economic Growth Projections



# Unfortunately, Monetary Policymakers Too Optimistic on Growth Projections...



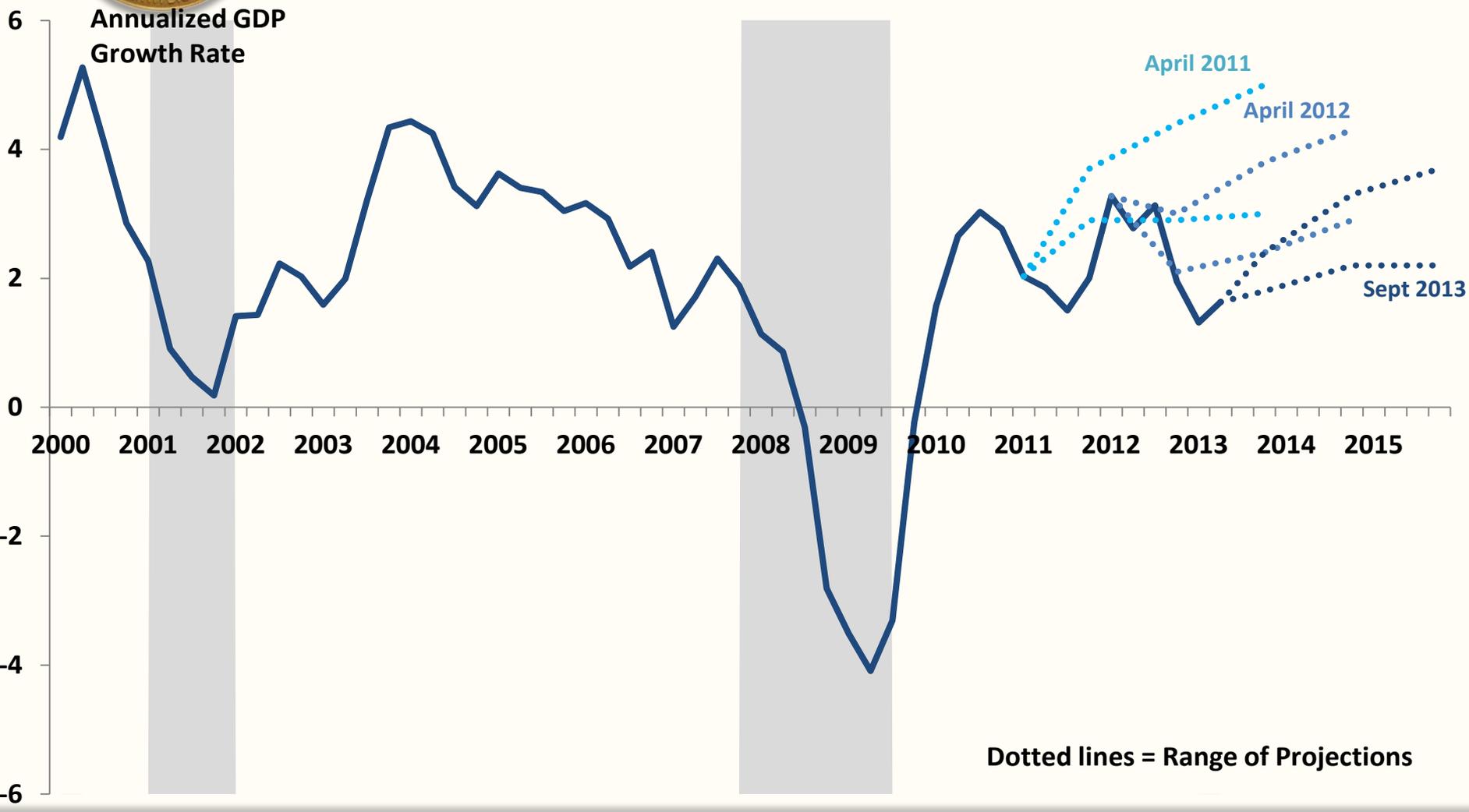
## FOMC Economic Growth Projections



# Unfortunately, Monetary Policymakers Too Optimistic on Growth Projections...



## FOMC Economic Growth Projections





## Fortunately...

- **The national economy is slowly improving**
- **The U.S. still has time to address her problems and there appears to be momentum to do so**
- **The U.S. continues to be the “land of opportunity” as the “land of the free and the home of the brave”**