

US Economic Challenges

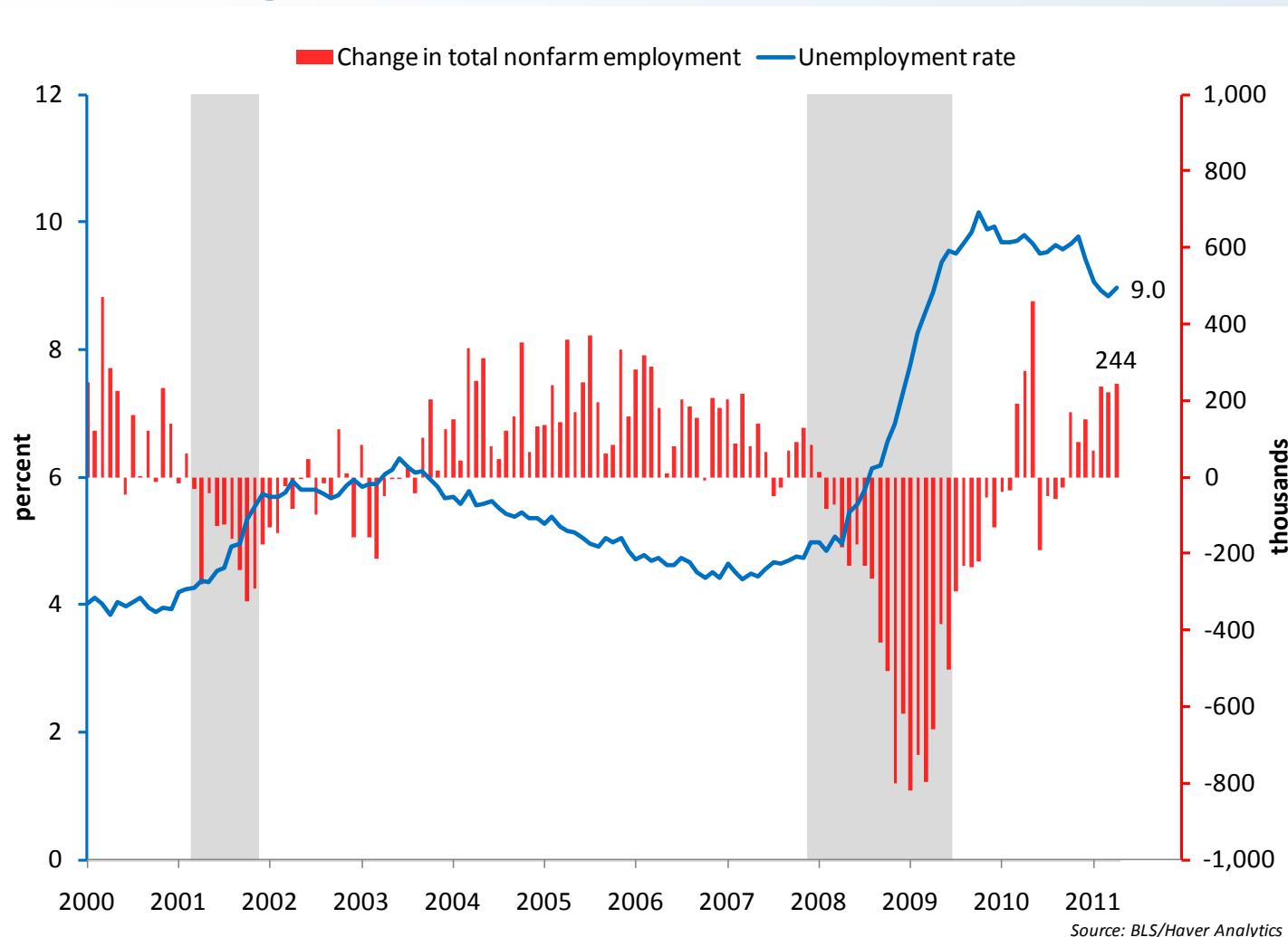
Ted Gayer

Brookings Institution

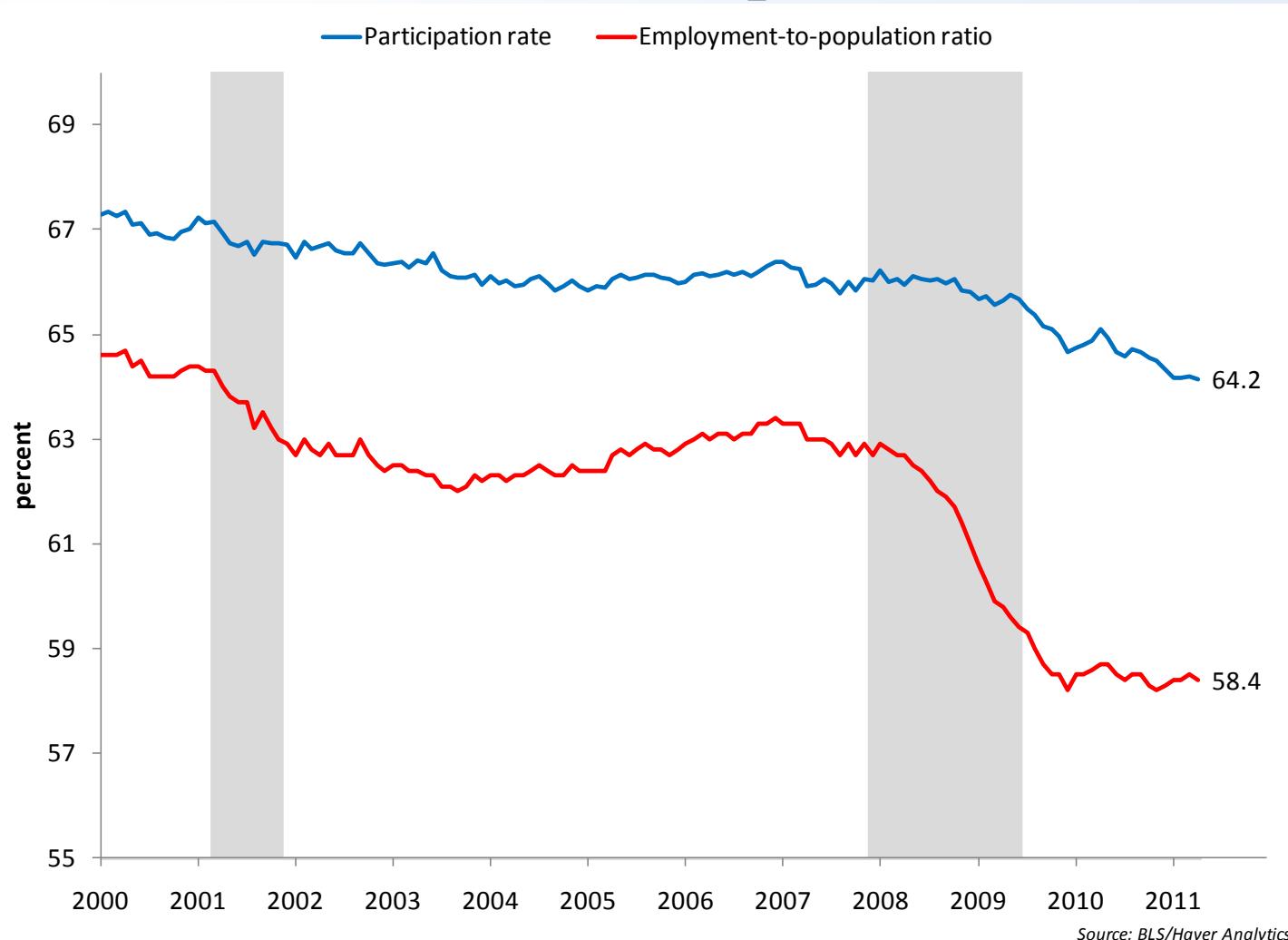
The United States and China: The Next Five Years

May 18, 2011

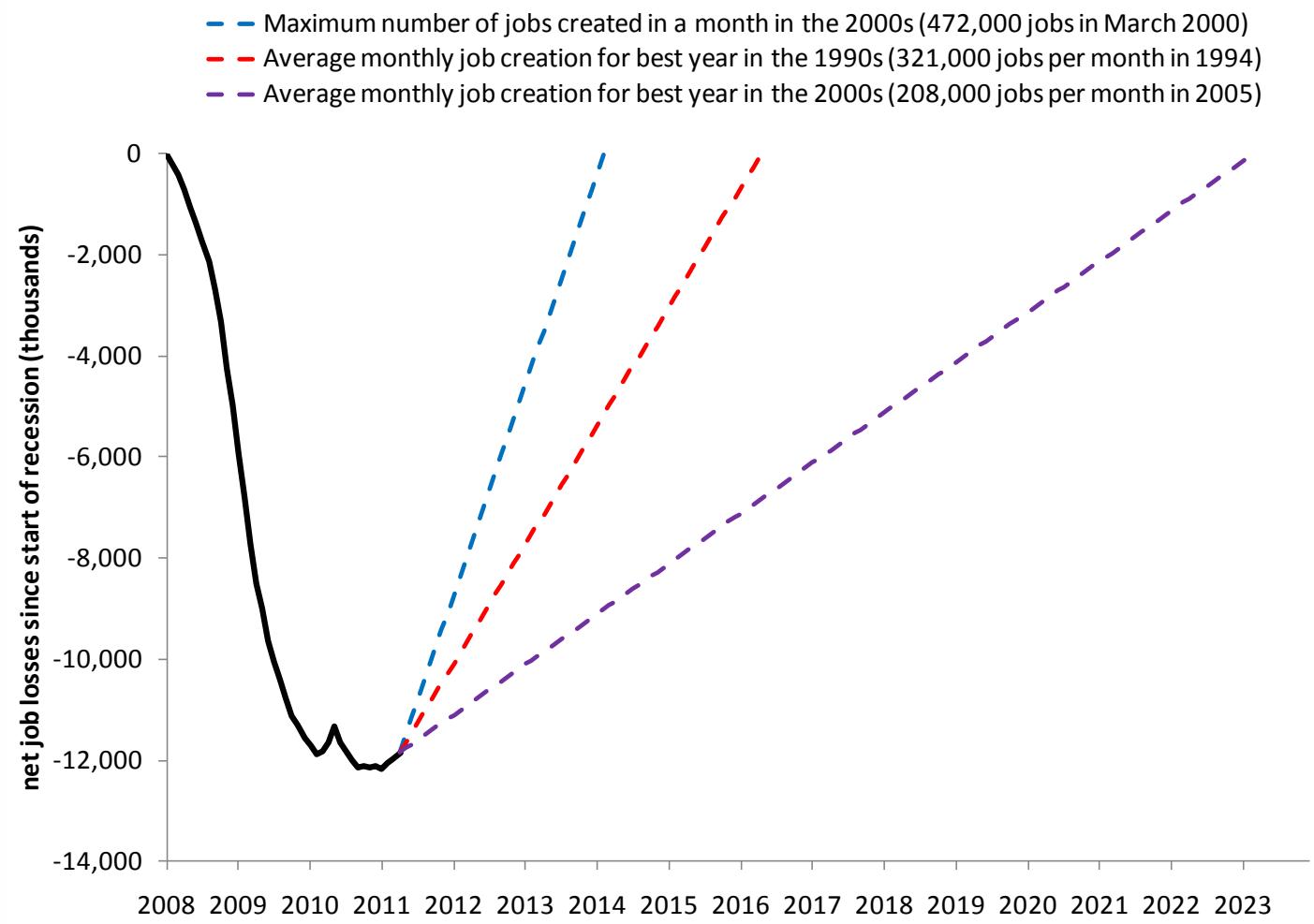
Labor Market: Recent Progress



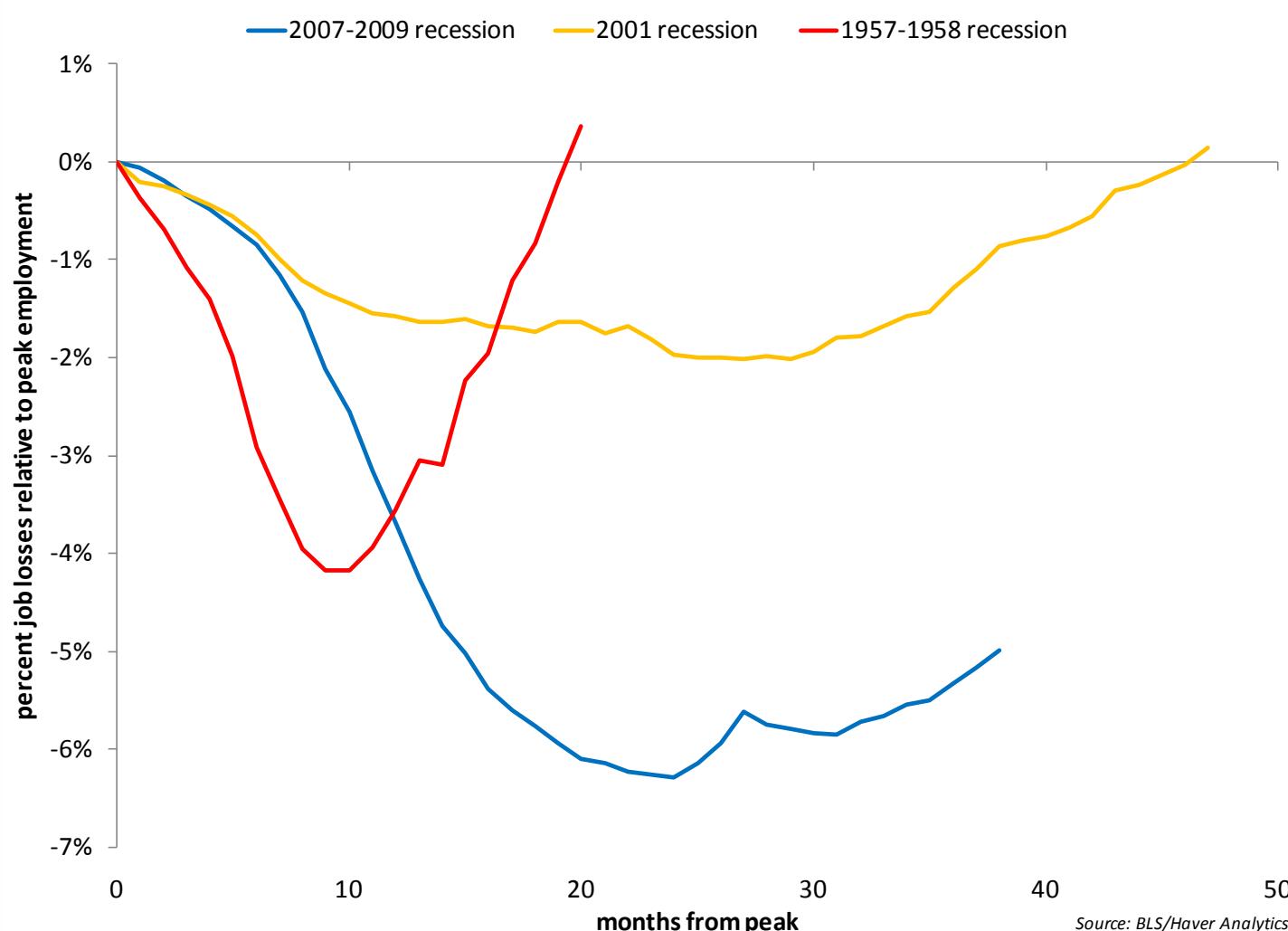
Labor Market: Weak Labor Force Participation



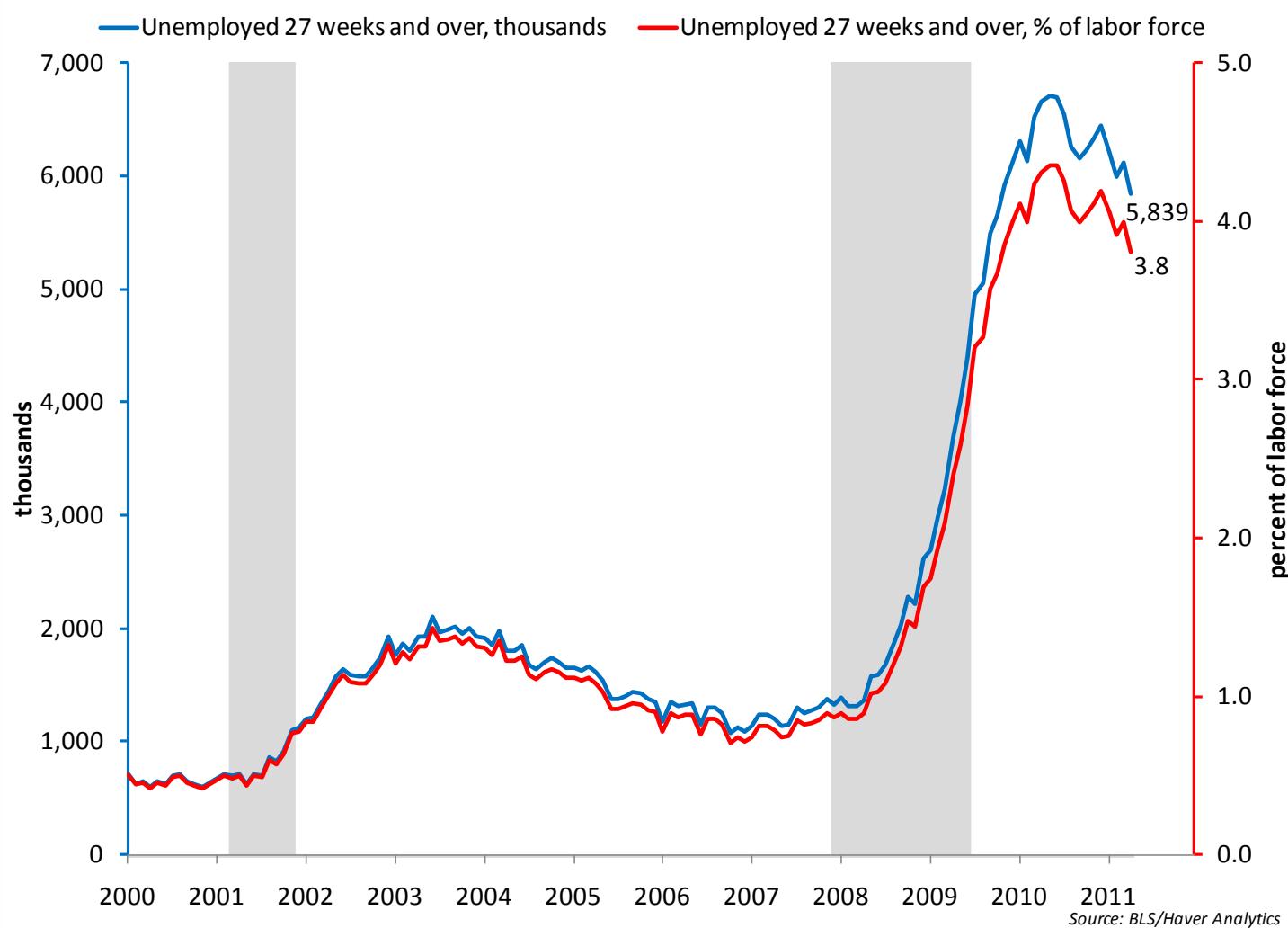
Labor Market: A Long Way to Recovery



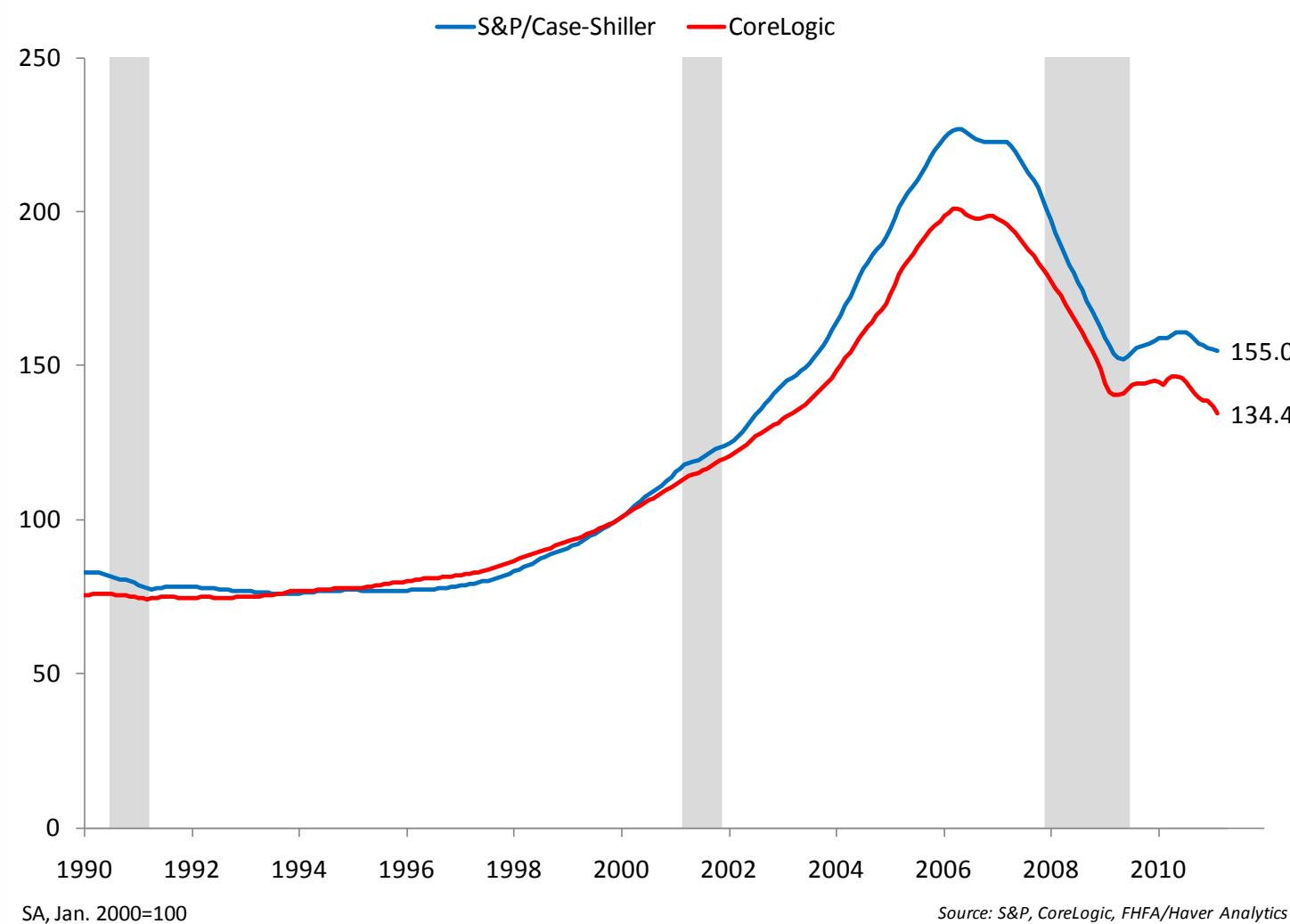
Labor Market: Historically Weak Recovery



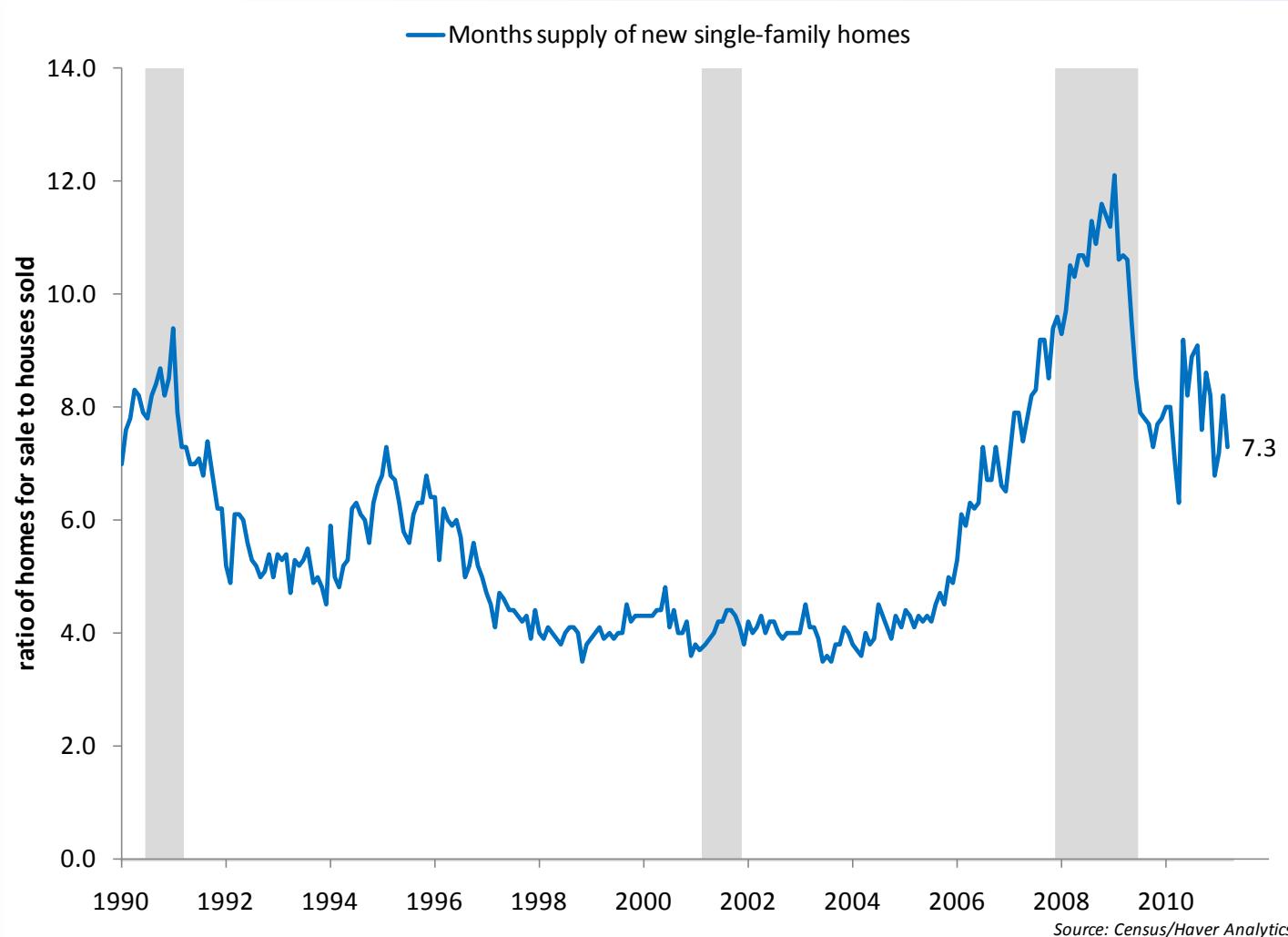
Labor Market: Critical Problem of Long-Term Unemployment



Housing Market: Double-Dip in Prices



Housing Market: Excess Supply Persists

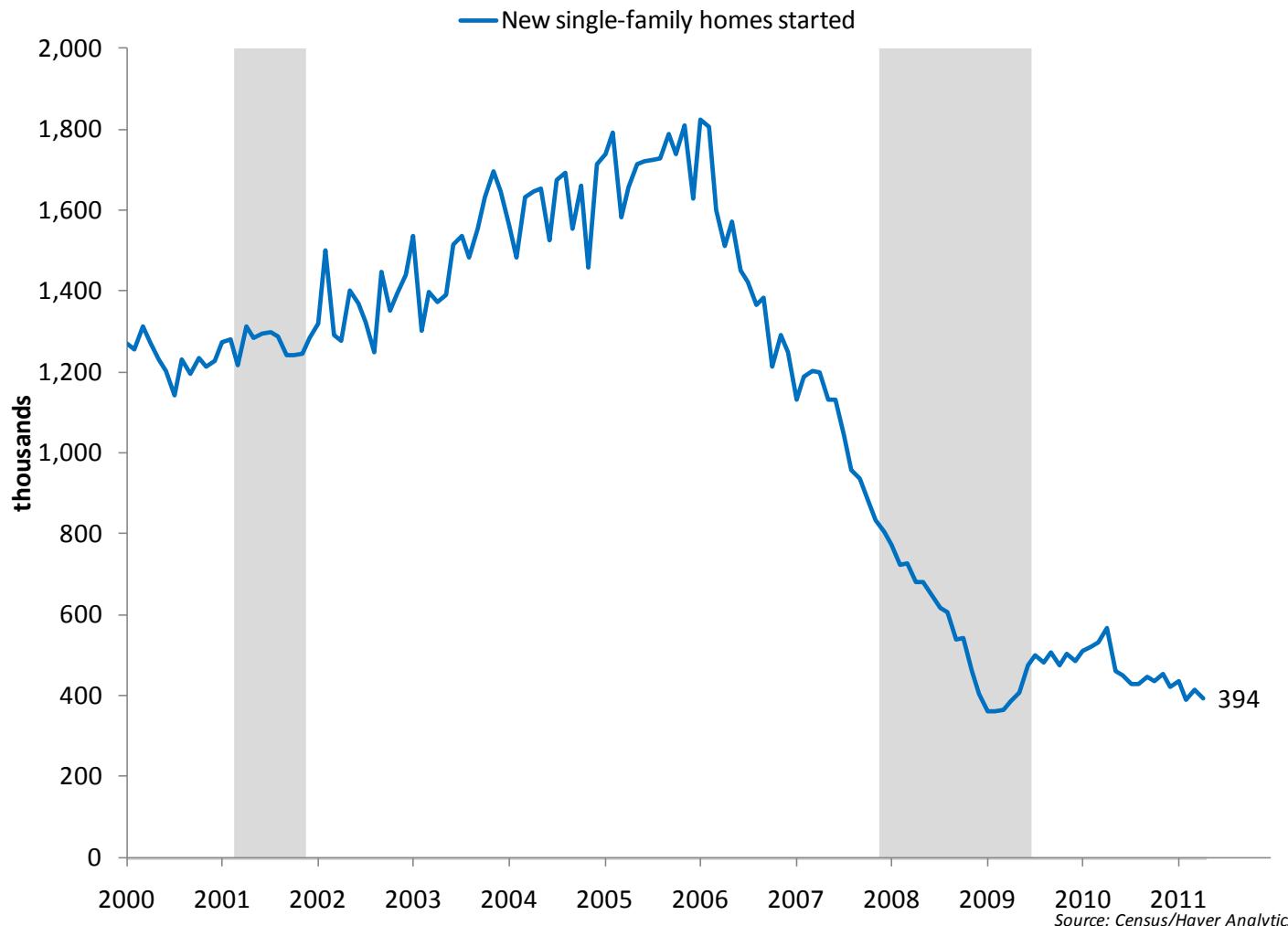


Housing Market: Foreclosures to Come?

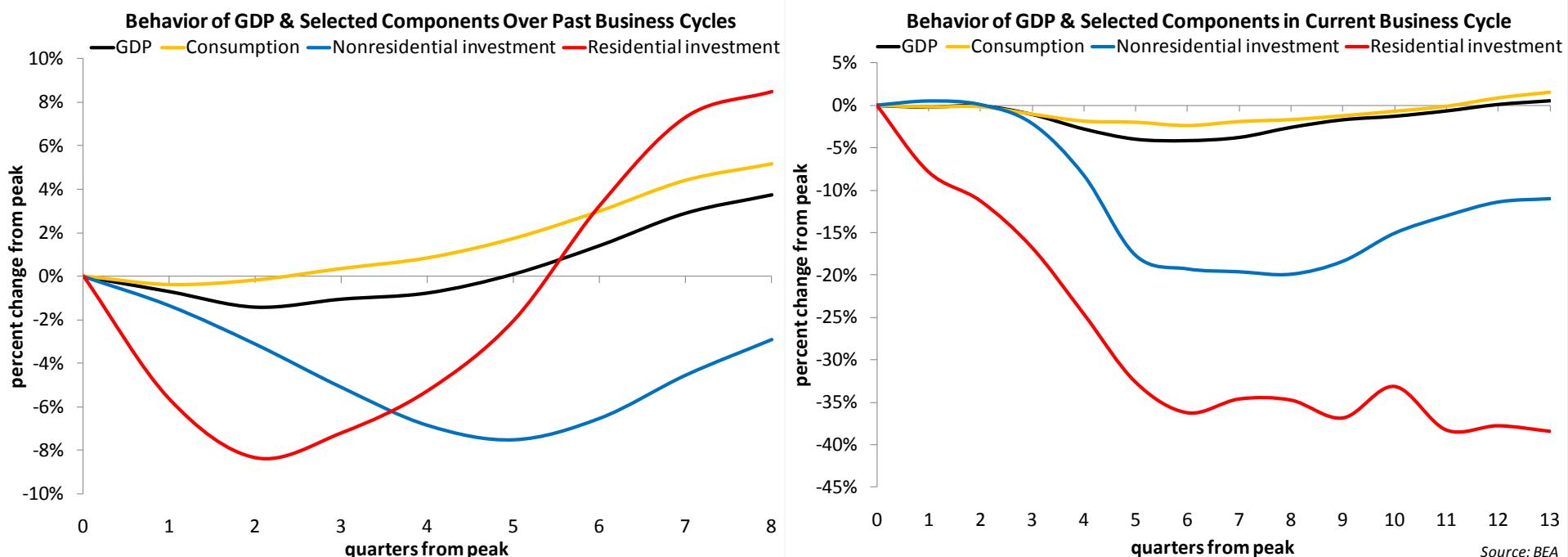
	Percent of mortgaged property underwater	Loan to value ratio
California	32%	71%
Florida	47%	91%
Arizona	51%	95%
Nevada	65%	118%
Michigan	36%	84%
New York	7%	50%
Nation	23%	70%

Source: CoreLogic

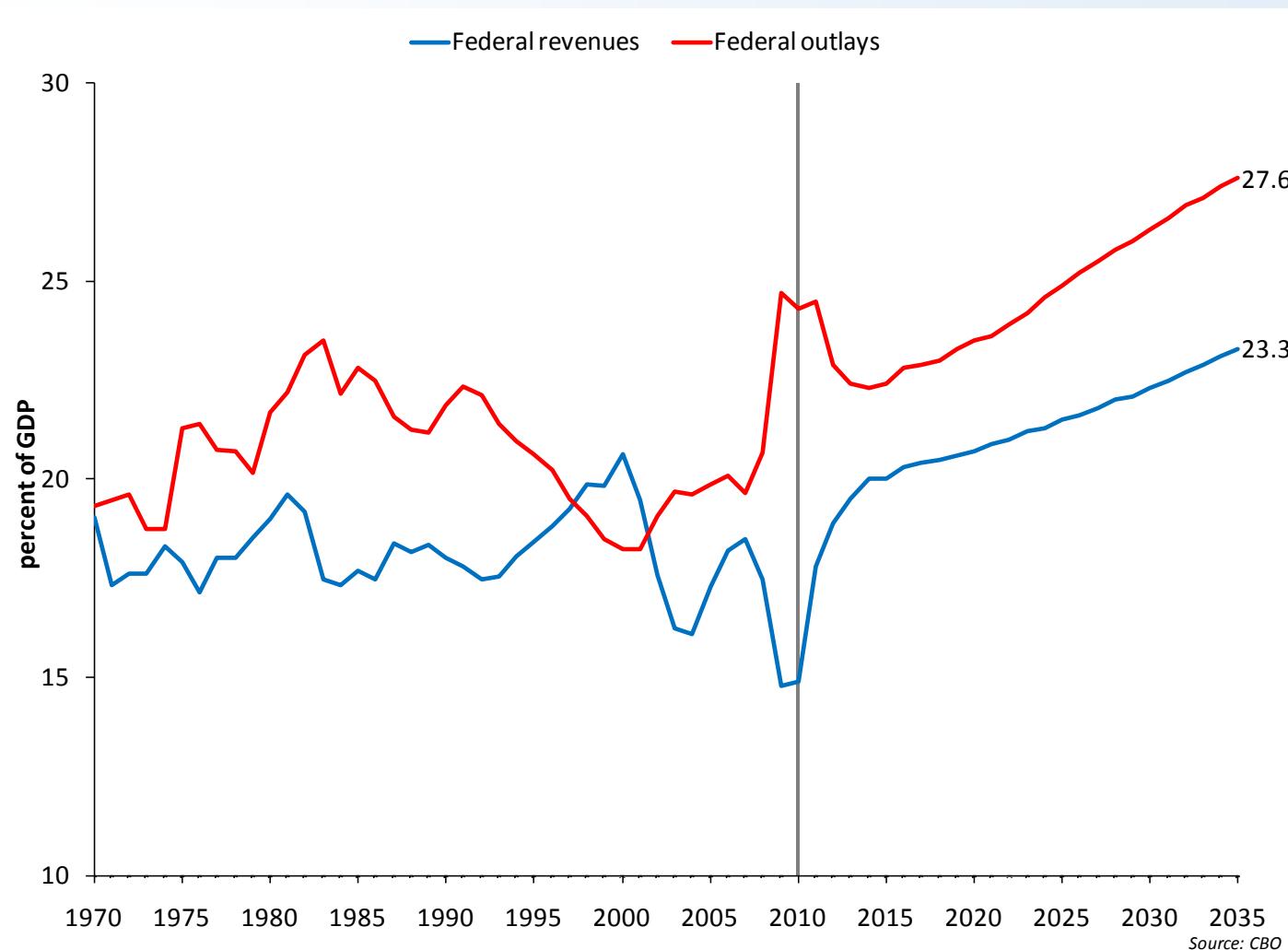
Housing Market: Hampering Recovery



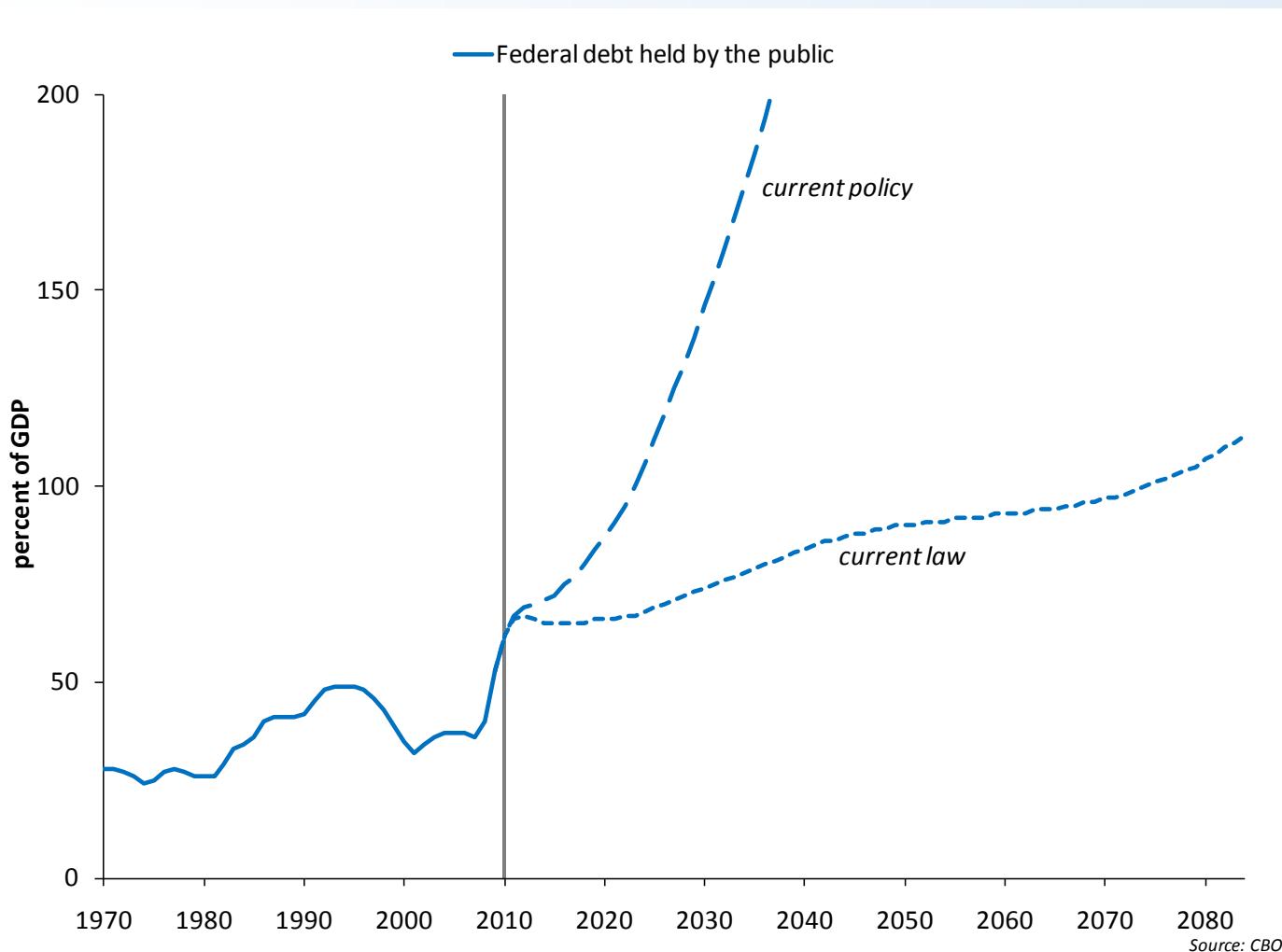
Housing Market: Hampering Recovery



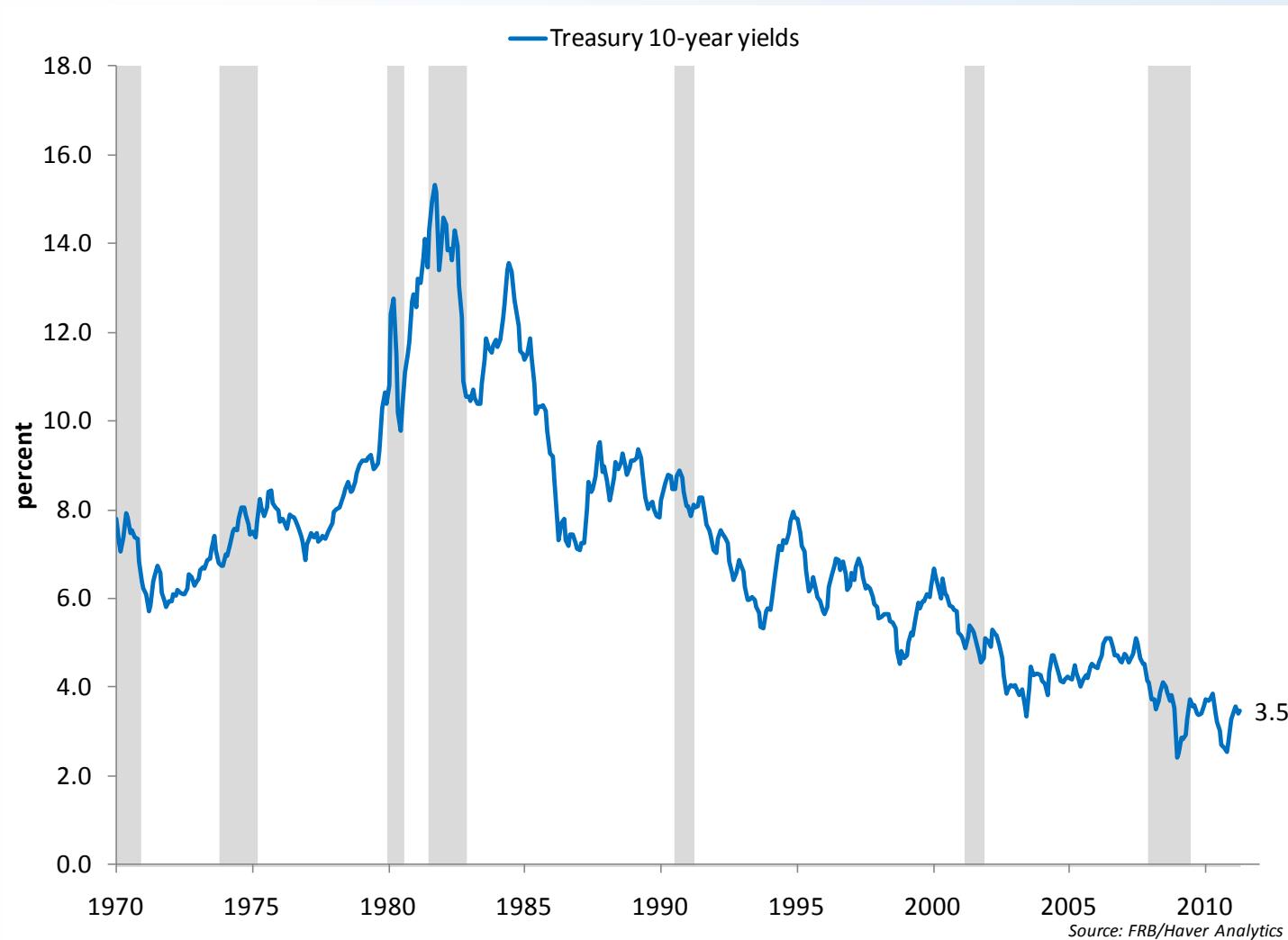
Fiscal Situation: Medium Term Problems



Fiscal Situation: Long-Term Unsustainable

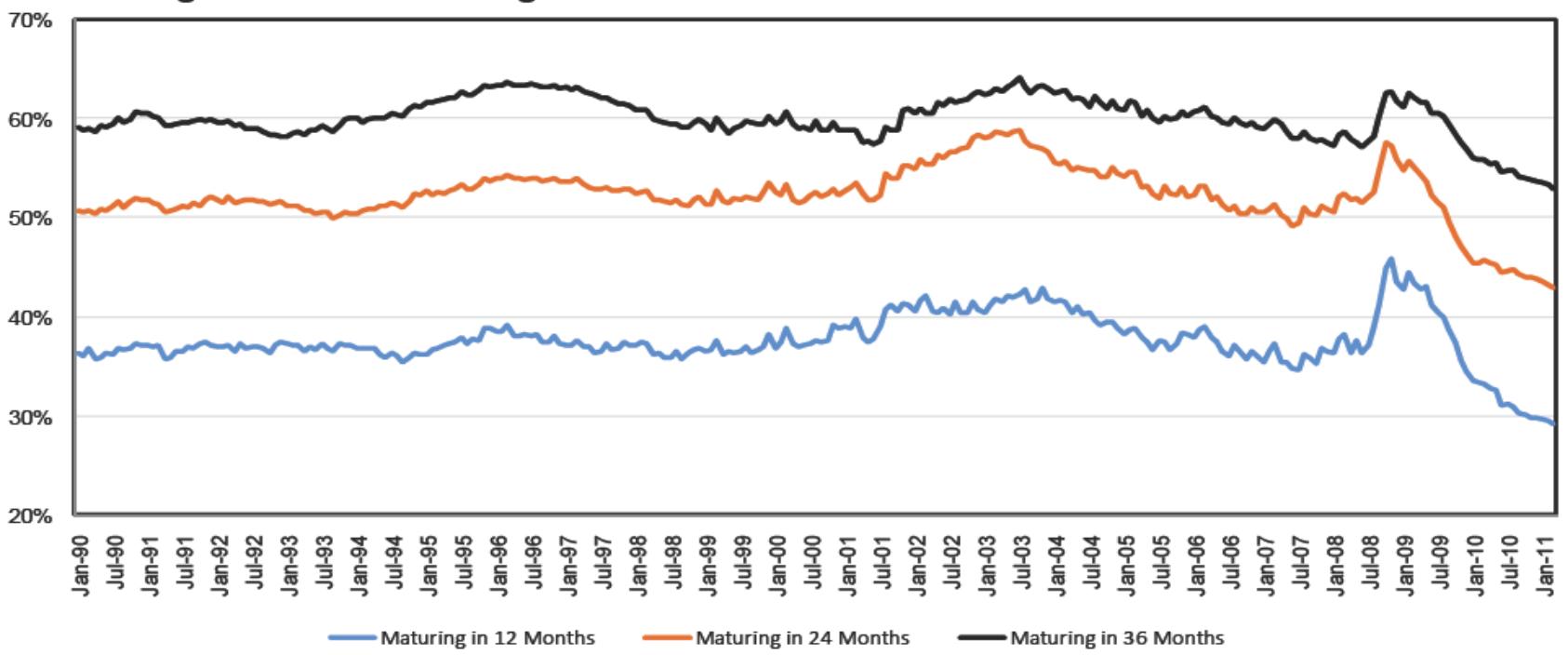


Fiscal Situation: Bond Market Calm



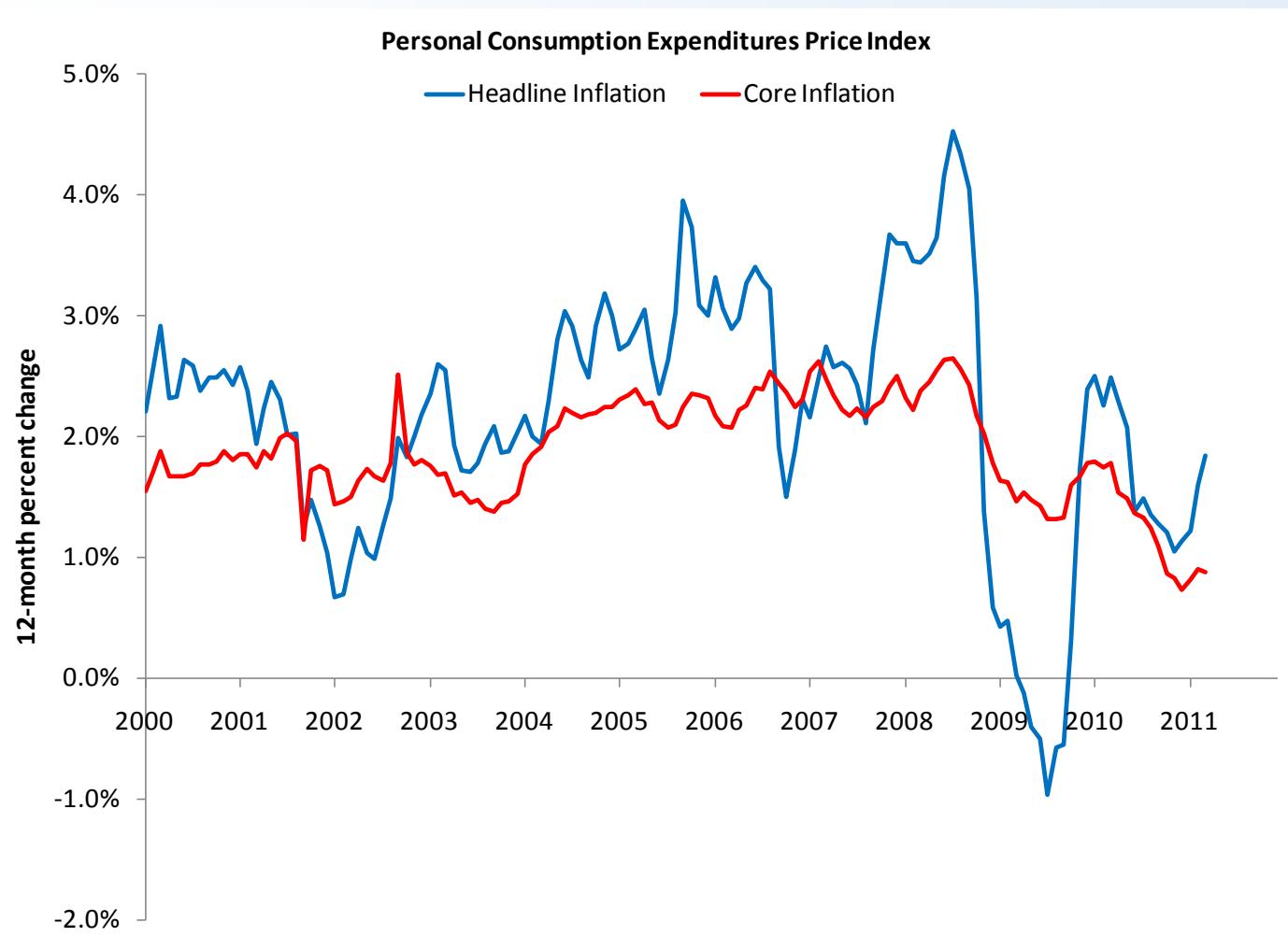
Fiscal Situation: Debt Maturity

Percentage of Debt Maturing in Next 12 to 36 Months



Source: Treasury

Inflation: Headline v. Core



Economic Forecast

FOMC Economic Projections						
Central Tendencies	2010	2011	2012	2013	Longer Run	
Real GDP Growth	Apr 2011	-	3.1 to 3.3	3.5 to 4.2	3.5 to 4.3	2.5 to 2.8
	Jan 2011	-	3.4 to 3.9	3.5 to 4.4	3.7 to 4.6	2.5 to 2.8
	Nov 2010	2.4 to 2.5	3.0 to 3.6	3.6 to 4.5	3.5 to 4.6	2.5 to 2.8
	Jun 2010	3.0 to 3.5	3.5 to 4.2	3.5 to 4.5	-	2.5 to 2.8
Unemployment Rate	Apr 2011	-	8.4 to 8.7	7.6 to 7.9	6.8 to 7.2	5.2 to 5.6
	Jan 2011	-	8.8 to 9.0	7.6 to 8.1	6.8 to 7.2	5.0 to 6.0
	Nov 2010	9.5 to 9.7	8.9 to 9.1	7.7 to 8.2	6.9 to 7.4	5.0 to 6.0
	Jun 2010	9.2 to 9.5	8.3 to 8.7	7.1 to 7.5	-	5.0 to 5.3
PCE Inflation	Apr 2011	-	2.1 to 2.8	1.2 to 2.0	1.4 to 2.0	1.7 to 2.0
	Jan 2011	-	1.3 to 1.7	1.0 to 1.9	1.2 to 2.0	1.6 to 2.0
	Nov 2010	1.2 to 1.4	1.1 to 1.7	1.1 to 1.8	1.2 to 2.0	1.6 to 2.0
	Jun 2010	1.0 to 1.1	1.1 to 1.6	1.0 to 1.7	-	1.7 to 2.0
Core PCE Inflation	Apr 2011	-	1.3 to 1.6	1.3 to 1.8	1.4 to 2.0	-
	Jan 2011	-	1.0 to 1.3	1.0 to 1.5	1.2 to 2.0	-
	Nov 2010	1.0 to 1.1	0.9 to 1.6	1.0 to 1.6	1.1 to 2.0	-
	Jun 2010	0.8 to 1.0	0.9 to 1.3	1.0 to 1.5	-	-

April 2011 numbers are BNPP forecasts of the FOMC projections

Source: BNPP