The “Great Recession” ended in June 2009 and the economy expanded by 2.8% over the past year.

During the first five quarters of the recovery, the change in inventories have accounted for 62% of the growth in real GDP.

Final sales had been increasing at a slow pace.

The liabilities side of the Fed’s balance sheet shows large amount of excess reserves.

Lending standards for commercial and industrial loans have begun to loosen.
Lending standards for credit cards and other consumer loans also begun to loosen

Personal savings rate has increased

Existing home prices fell by over 25%

The stock market has improved since March 2009, but remains well below previous levels

Debt service payments have been falling quite sharply

GDP is forecast to grow slightly above trend in 2011 and 2012
The forecast path of the current recovery is relatively muted compared with past deep recession recovery cycles. Employment fell by over 8.7 million jobs between December 2007 and February 2010, but it began to rise in March 2010, adding 1.3 million jobs over the past 12 months.

The unemployment rate had only edged lower through November 2010, although since then it declined by 1 percentage point over the past four months. Michigan has fallen from having the highest state unemployment rate to number four, after Nevada, California and Rhode Island.

For first time since December 2002, the unemployment rate in the Midwest matches the nation. The unemployment rate is forecast to edge lower.
Inflation has been moderating over the past year.

Adjusted for inflation, current oil prices are well below the levels that existed thirty years ago.

Expenditures on energy are currently well below the historical average.

Removing the volatile food and energy components from the PCE, “core” inflation remains very low.

Inflation expected to rise 2.8% this year and 2.2% in 2012.

Industrial output in manufacturing fell quite sharply during the recession, but has risen strongly over the past twenty months, averaging 7.9% and has recovered 52.4% of the loss during the recession.
Manufacturing capacity utilization has been rising since June 2009.

Midwest manufacturing production has been performing better than the nation.

Industrial production is forecast to rise at a strong pace through the end of 2012.

Consumer attitudes about buying a vehicle have surged.

Light vehicle sales have been steadily rising.

Increases in new domestic production share has offset losses in Detroit-3 market share.

Midwest manufacturing production has been performing better than the nation.
Vehicle sales are expected to improve at a moderate pace

Vehicle sales

Housing starts fell to a post WWII low

Housing starts

Housing starts have been cut-back sharply

Housing starts

Mortgage rates remain very low

Mortgage rate - 30-year fixed

Home price declines have been large, but appear to be close to a bottom

Median sales price - existing single family home

Housing affordability improved dramatically

Composite housing affordability index
Consumer attitudes for buying a home had been very low, but they have increased over the past few months.

The forecast calls for a very slow recovery in housing.

Credit spreads between Corporate High Yield securities and Corporate Aaa securities have been edging lower.

Monetary policy has been very aggressive, lowering the Fed Funds rate by nearly 525 basis points and keeping them near zero since December 2008.

The asset side of the Fed’s balance sheet has expanded in size and in composition.

The Fed’s expansion of the monetary base has allowed the money supply to continue rising, compared with what took place during the 1930s.

Economic Outlook for 2011 and 2012
Summary

- The outlook is for the U.S. economy to expand at a solid pace this year and next year.
- Employment is expected to rise moderately over the next two years with the unemployment rate edging lower.
- Slackness in the economy will lead to a relatively contained inflation rate.
- Manufacturing is forecast to have grow at a solid pace in 2011 and 2012.
- Auto sales are anticipated to continue improving at a moderate pace.
- The housing market should edge higher.