

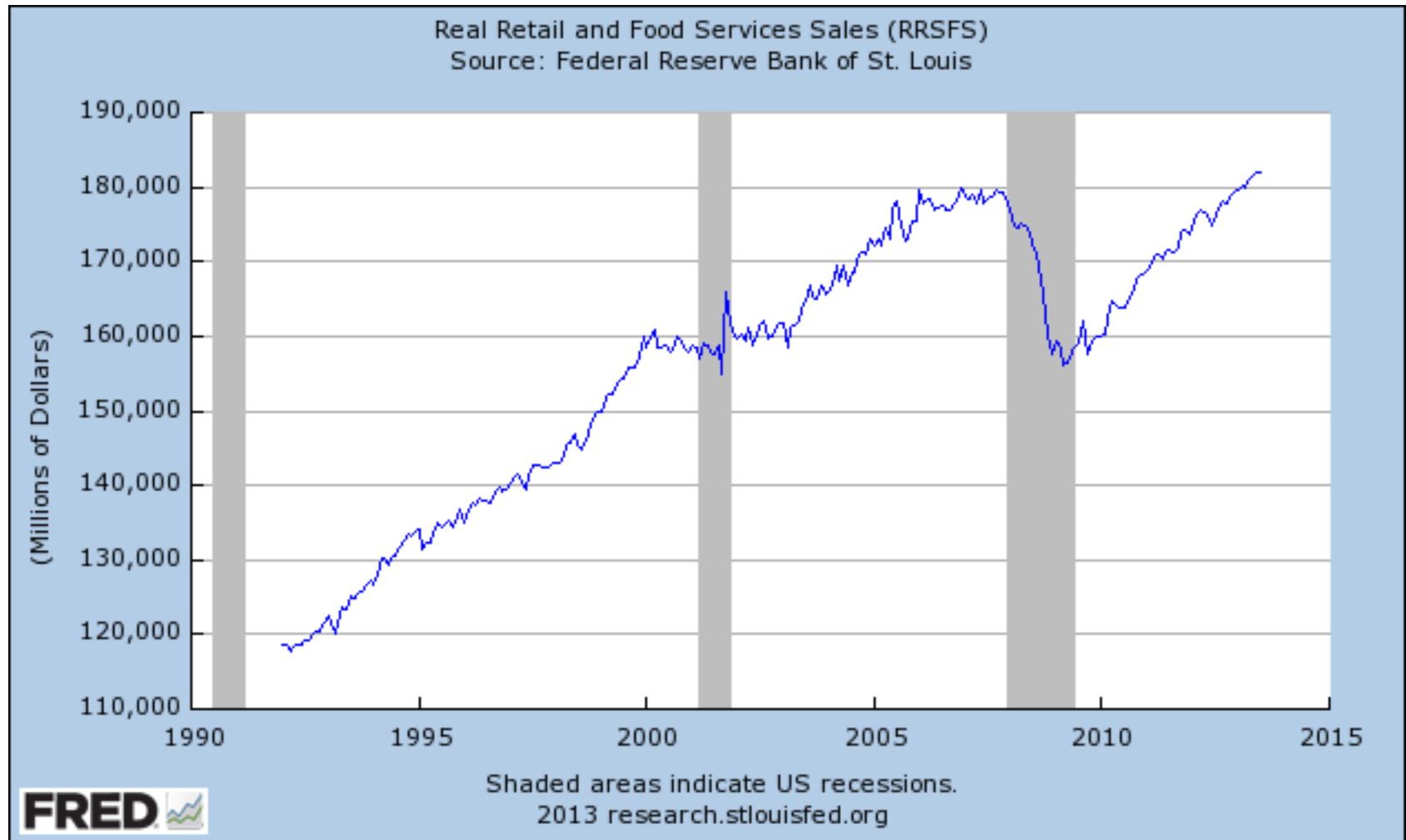
Macroeconomic Outlook for The U.S.

Jeffrey H. Dorfman

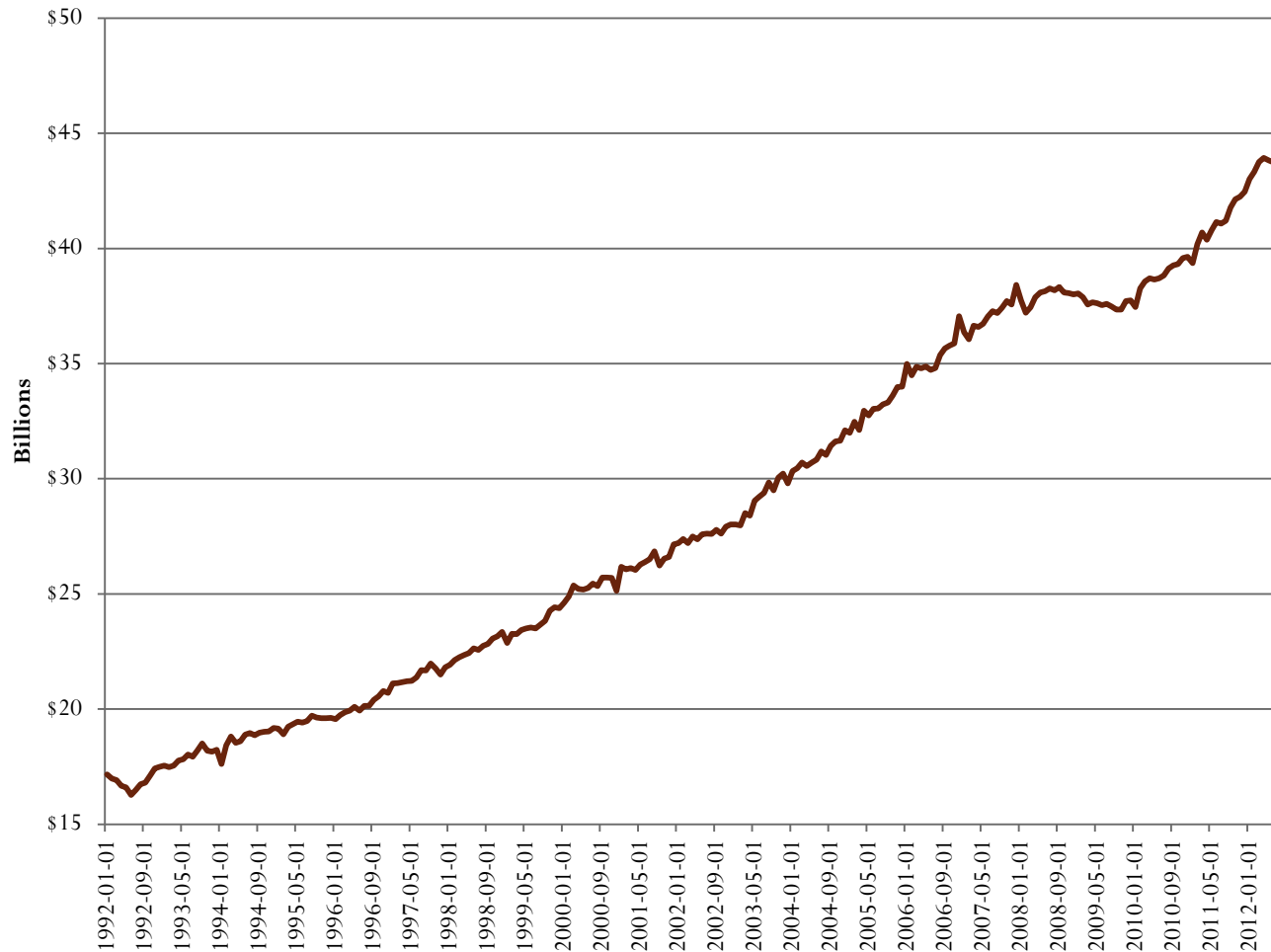
The Current State of the US Economy

- Retail sales are growing.
- Incomes are creeping upward.
- Debt is expanding again.
- Many agricultural commodity prices are rising.
- Mostly, the economy is growing slowly while waiting to see a political solution (if any).

Retail has been recovering

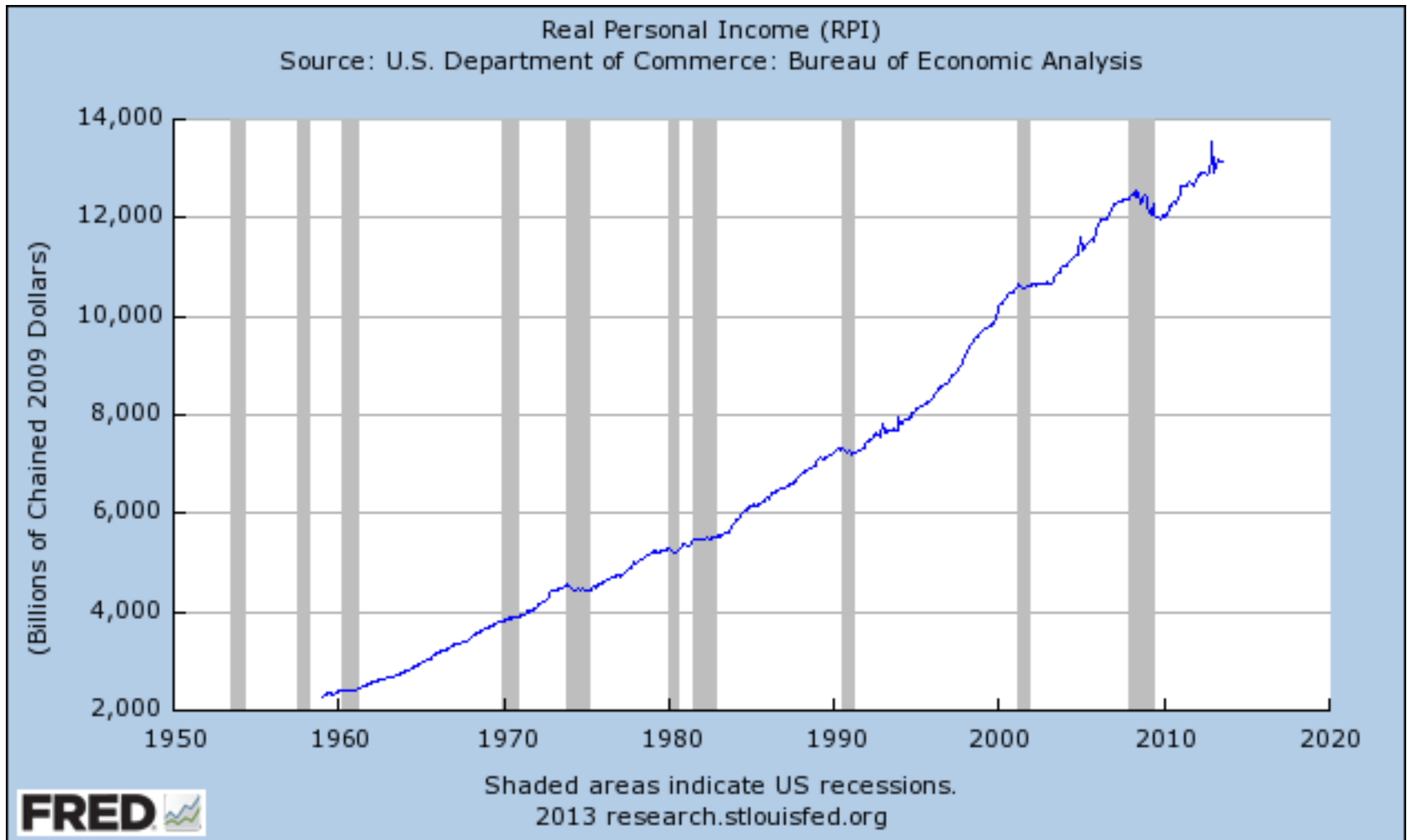


Food retail also rising

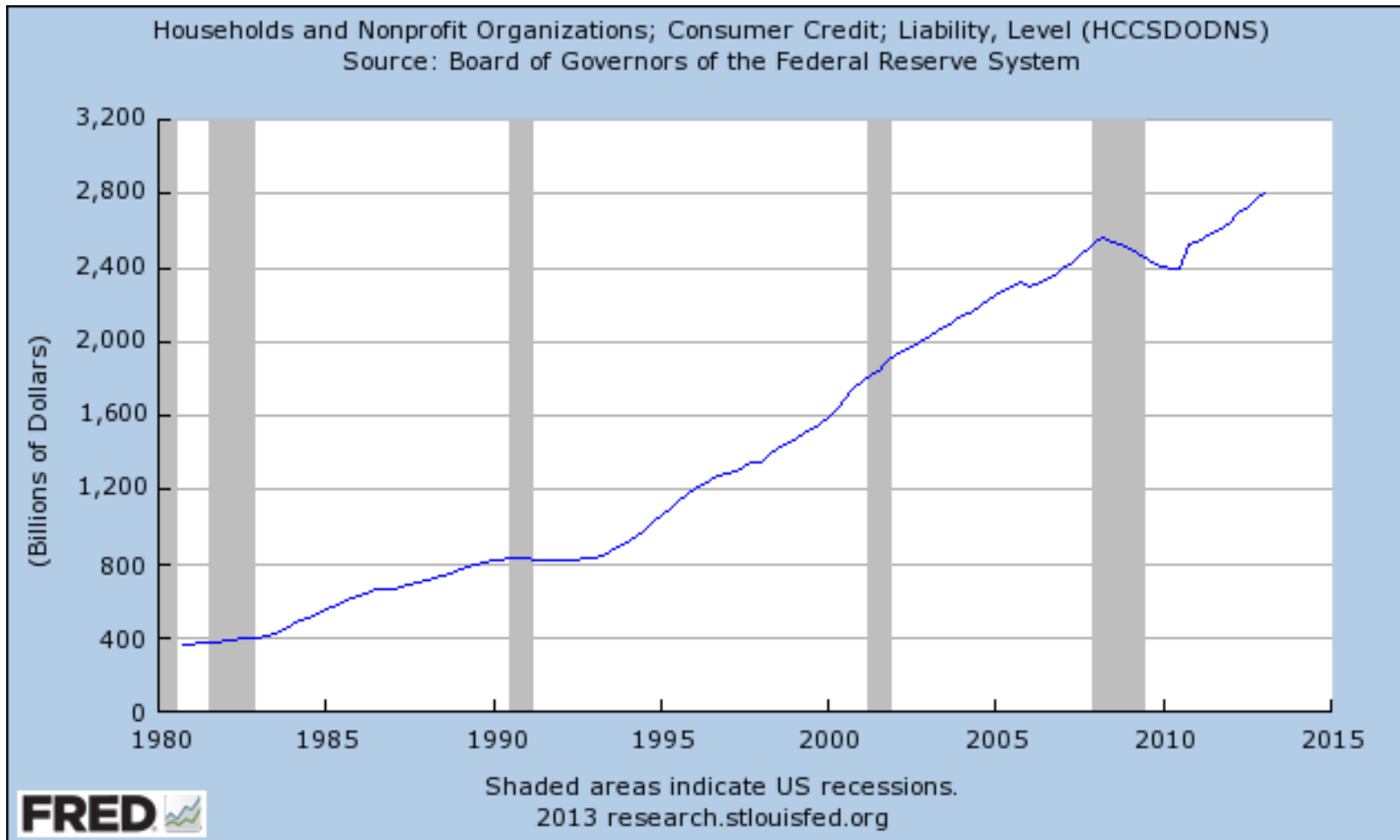


Source: Federal Reserve series and author calculations.

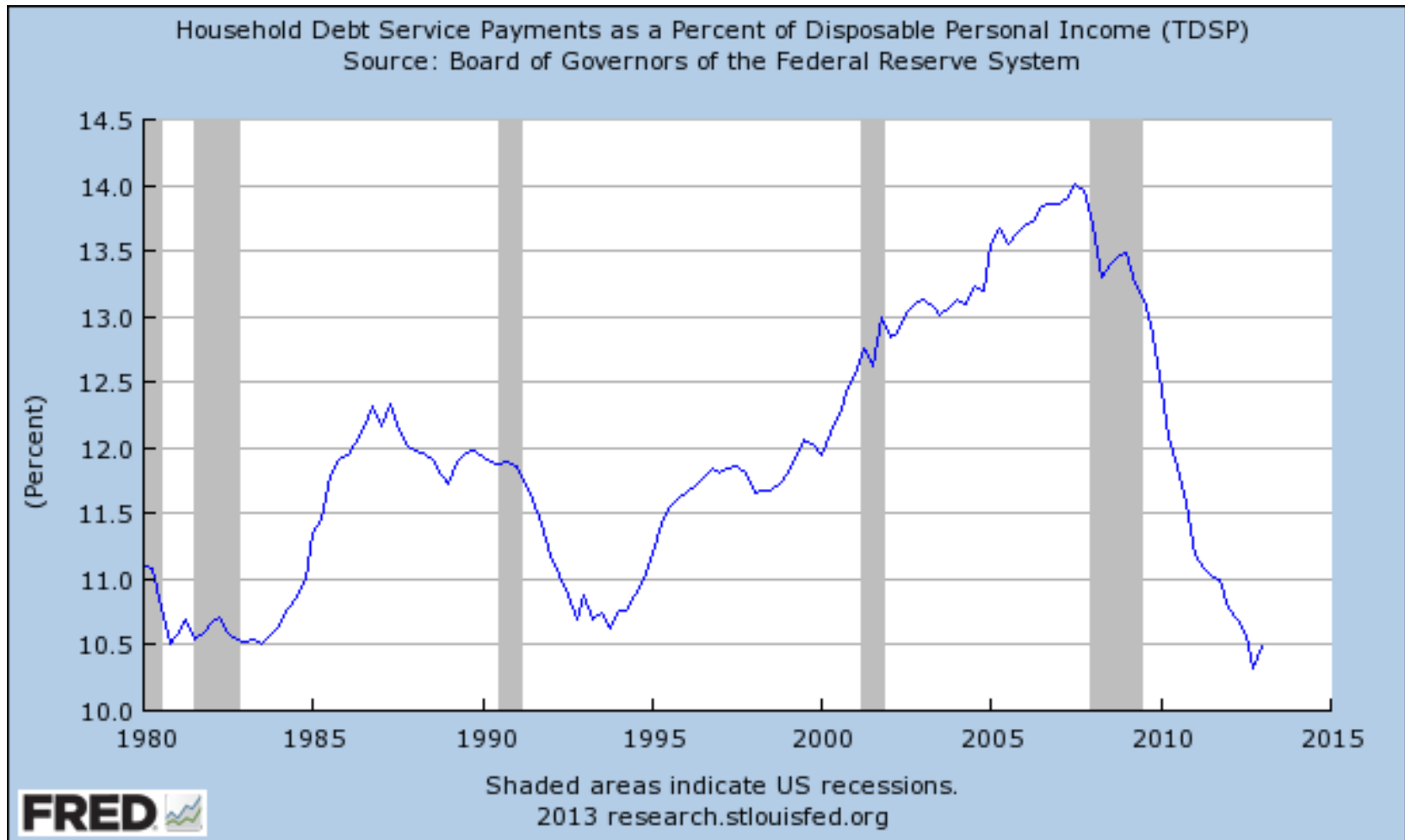
Incomes are rising



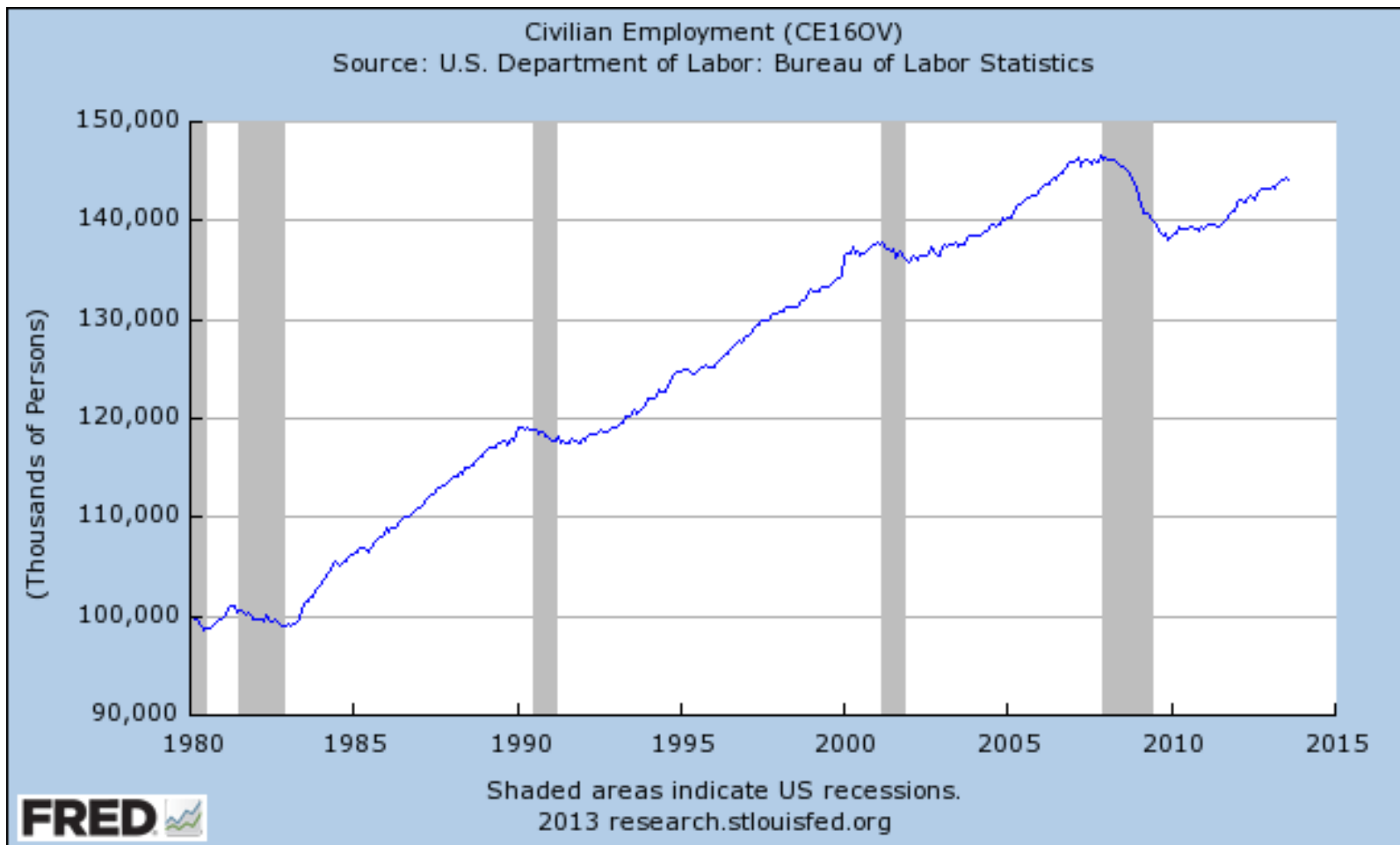
Consumer debt is rising, too



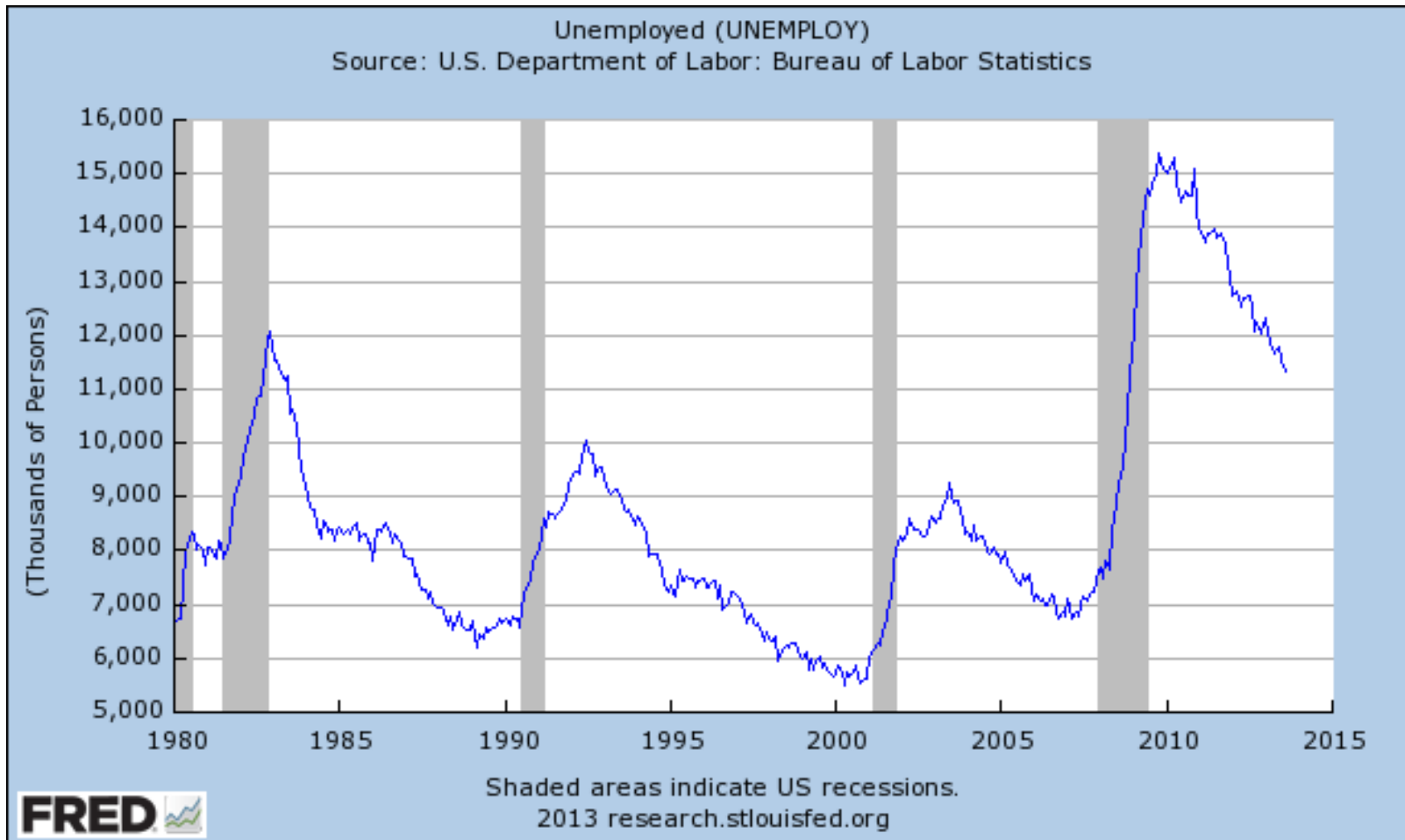
Consumer debt is manageable



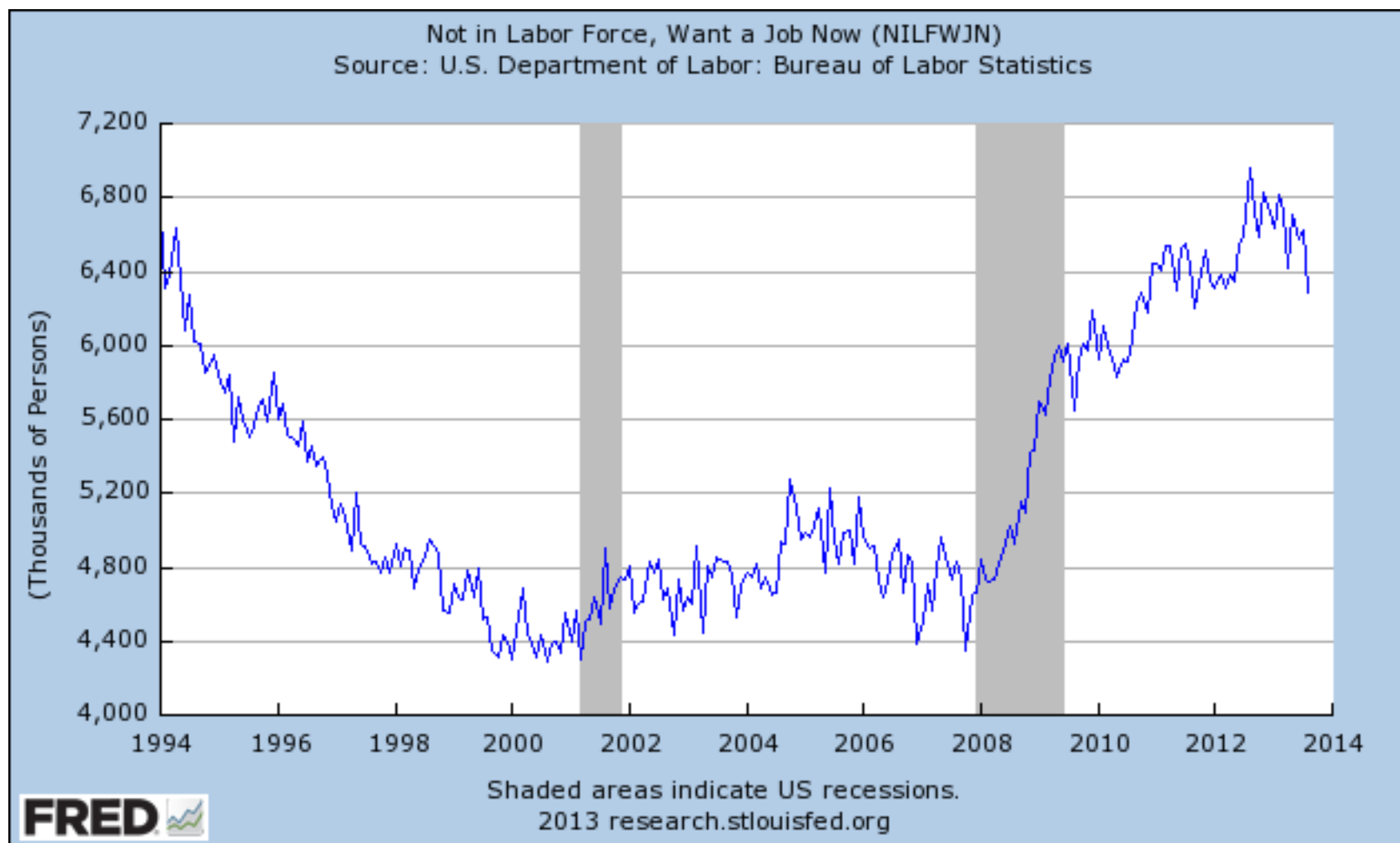
Are We Slowly Going Back to Work?



Disappearing from Unemployment

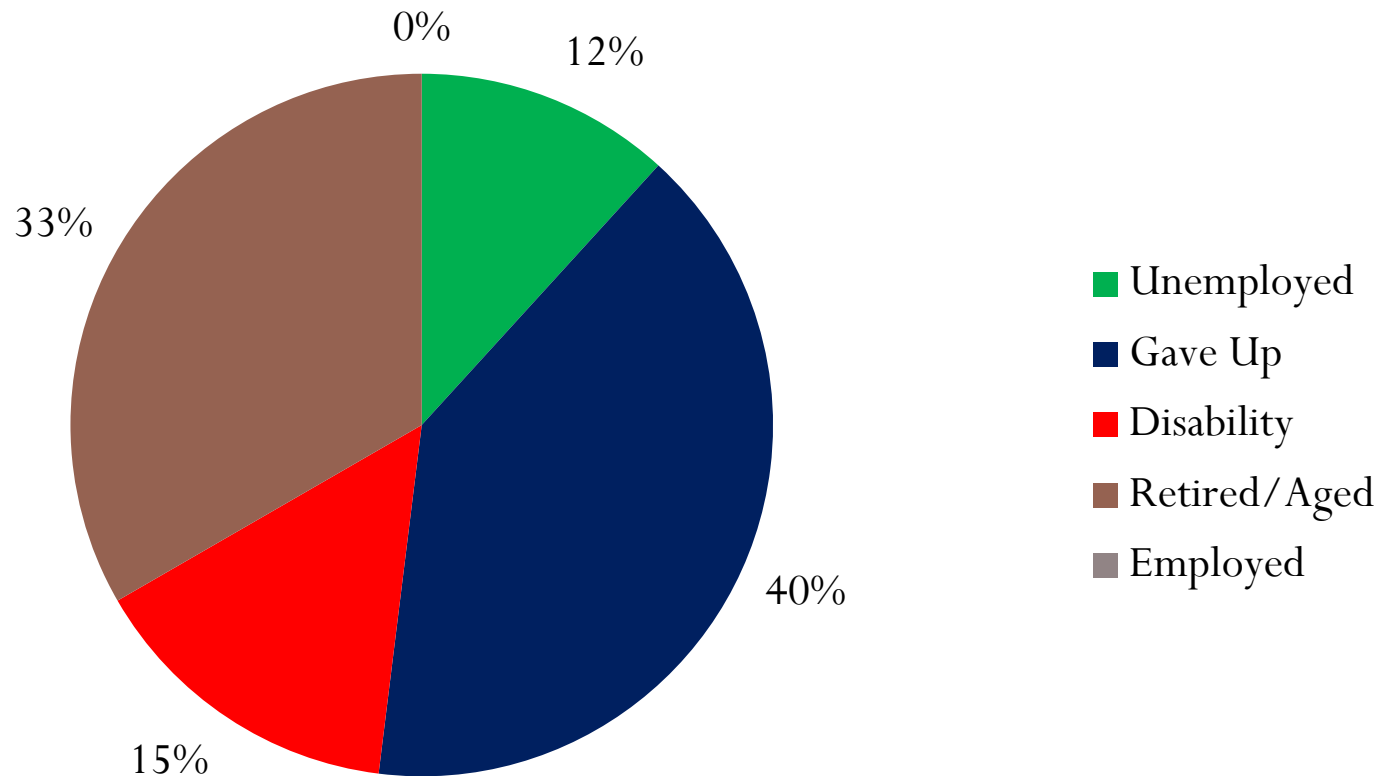


But ... Many Didn't Go Back to Work



So ... Where Have People Gone

Population Composition Changes



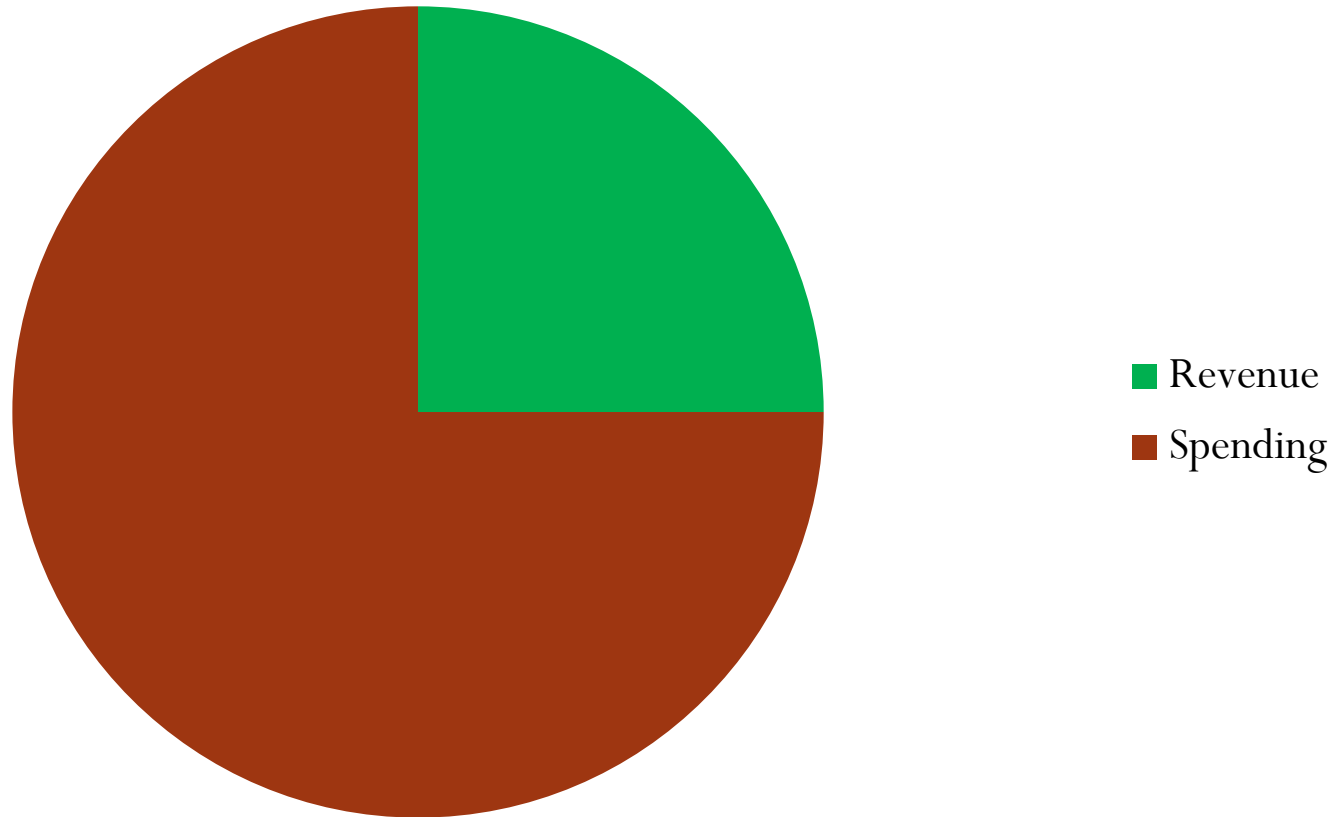
Adult population growth = 9.3 million from Dec. 2008 to Dec. 2012

So... Employment Picture

- Business is producing more with the same or fewer people
- Business growth is not enough to grow employment
- Instead, people are giving up, getting on disability, or collecting unemployment.
- Even those who have aged out are collecting benefits, so
- 9 million more adults are not working than 4 years ago.

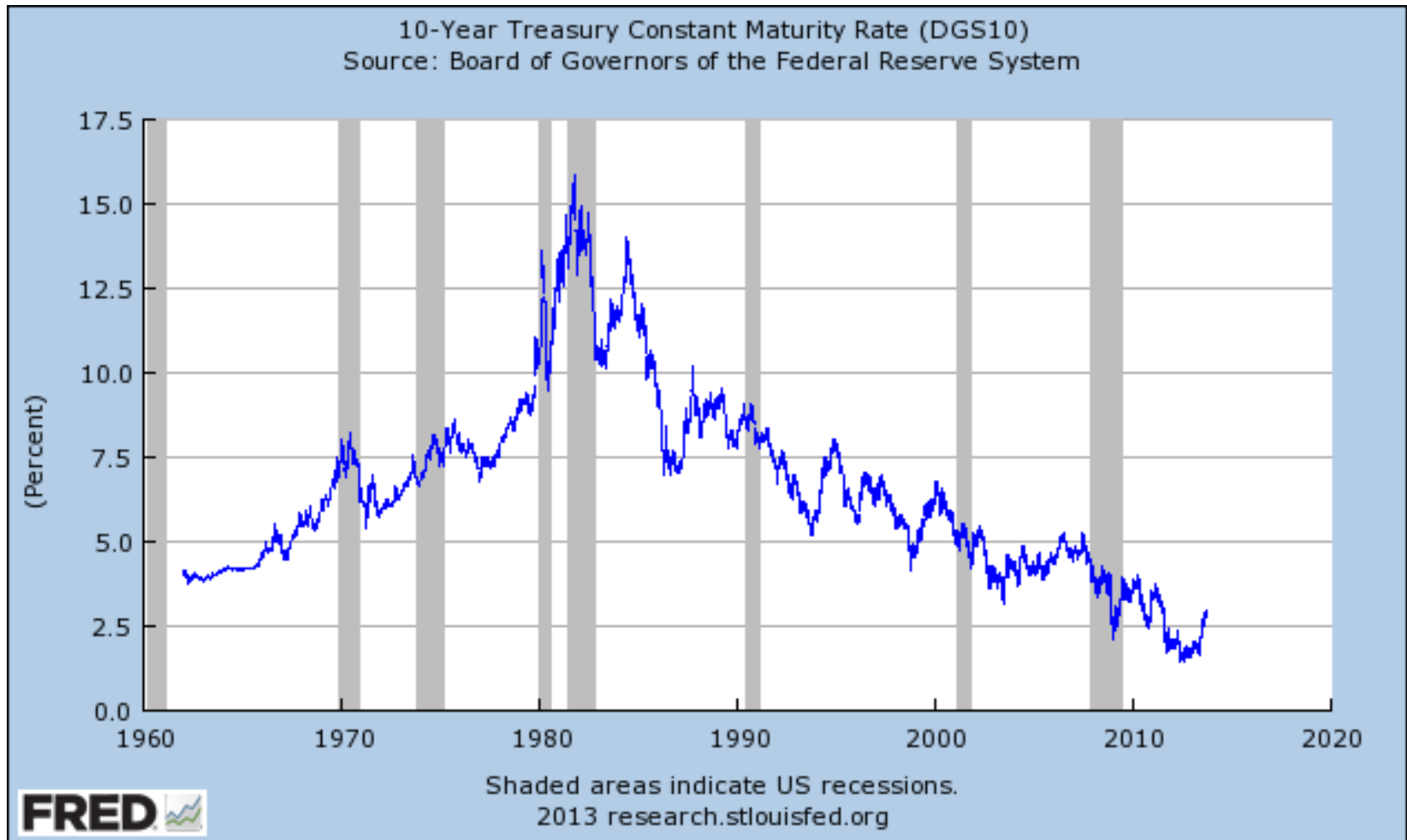
US Budget Picture – What Changed?

Deficit Change



From 2001 to 2012, all figures adjusted for inflation and population growth. Total change = \$1.32T

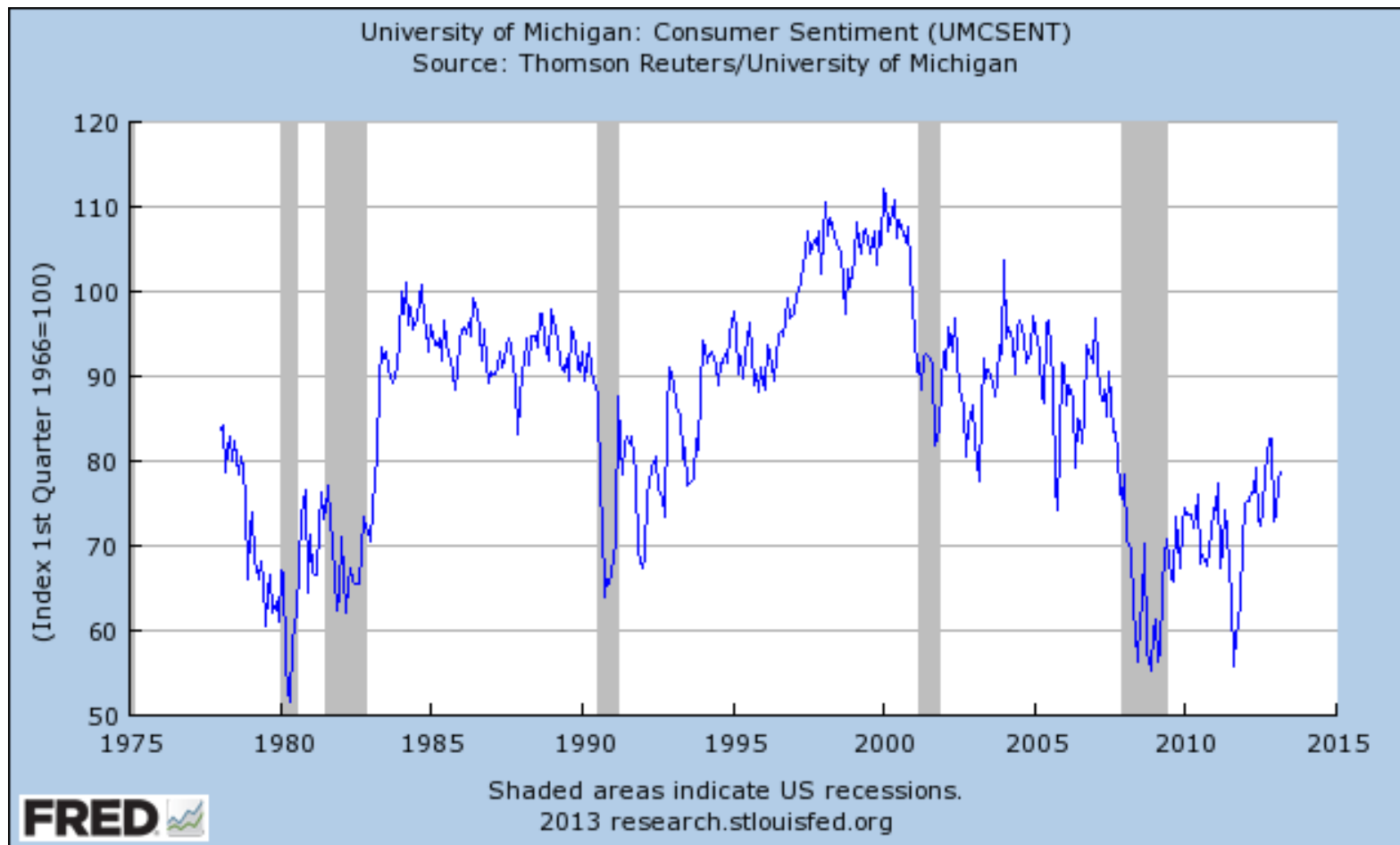
Why Can the Government Afford This?



If Interest Rates Were Normal ...

- Should probably be paying 3x as much interest on debt
- In FY2012, US paid \$435 billion in interest
- At normal rates, we would be paying over \$1 trillion
- Federal deficit would be twice as big.
- **That means: interest rates are not going back up to “normal” for a long time.**

Consumer confidence is still AWOL



US Budget Outlook

- Republicans and Democrats will continue to make last minute compromises.
- Spending cuts by sequester (\$85 billion this year) probably continue.
 - This was a very modest (2%) cut in spending.
- Democrats will push for more tax revenues, but probably won't get much if any.
- We will continue with deficits that are 2-3 times what used to be the historical record.

Bringing it Home to Your Community

- Sales tax collections should grow at good rate.
- Property taxes should be recovering.
- Local gov't revenue should be back to “normal” or close to it in 2014.

And now ... questions

- Ask me stuff that would be too risky to put on the slides.