



FEDERAL RESERVE BANK *of* NEW YORK

Prospects for the Economy and Monetary Policy

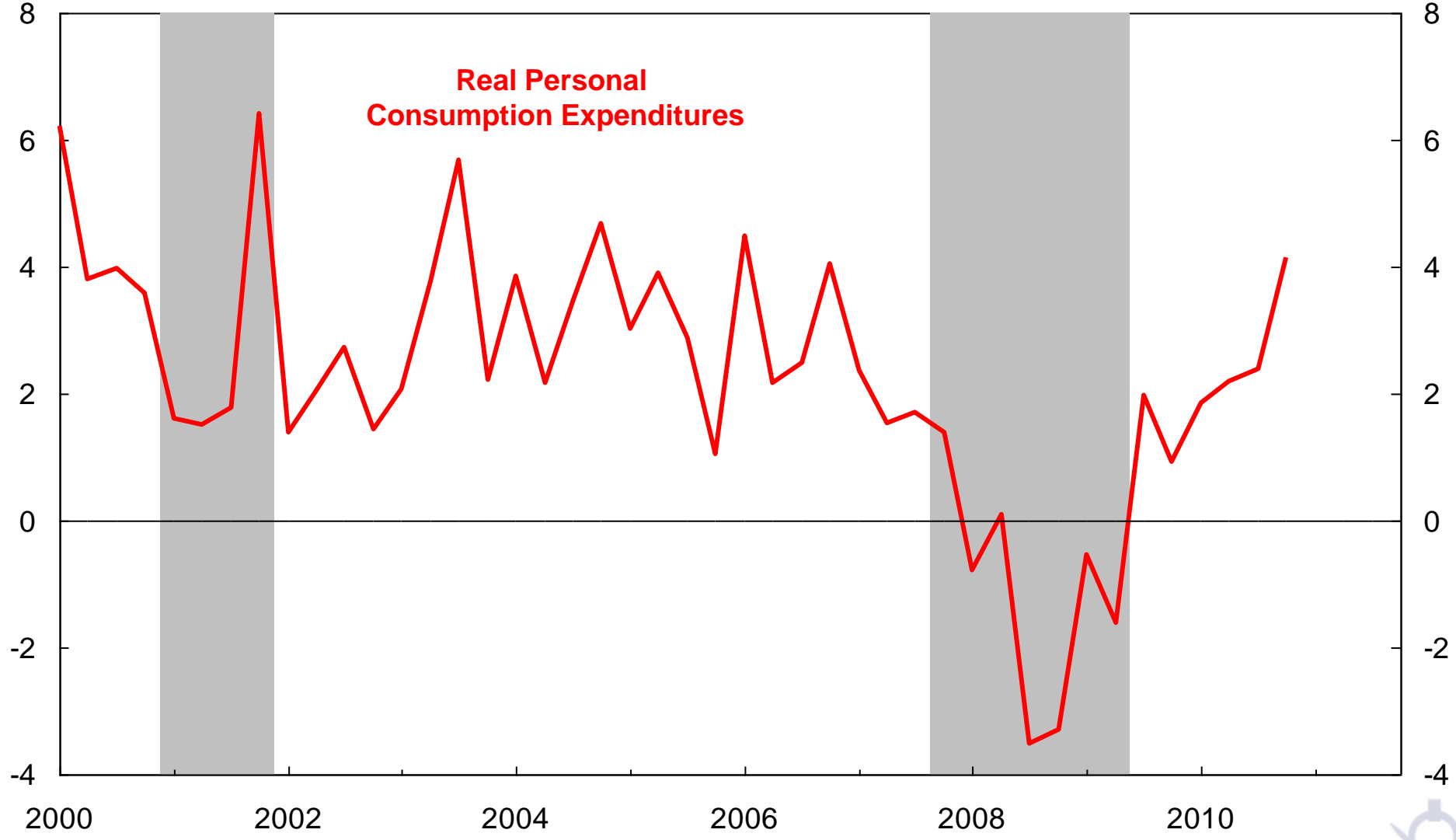
Remarks by President William C. Dudley at New York University's School Business,
New York City

February 28, 2011

Consumer Spending Rebounds in 2010Q4

% Change – Annual Rate

% Change – Annual Rate



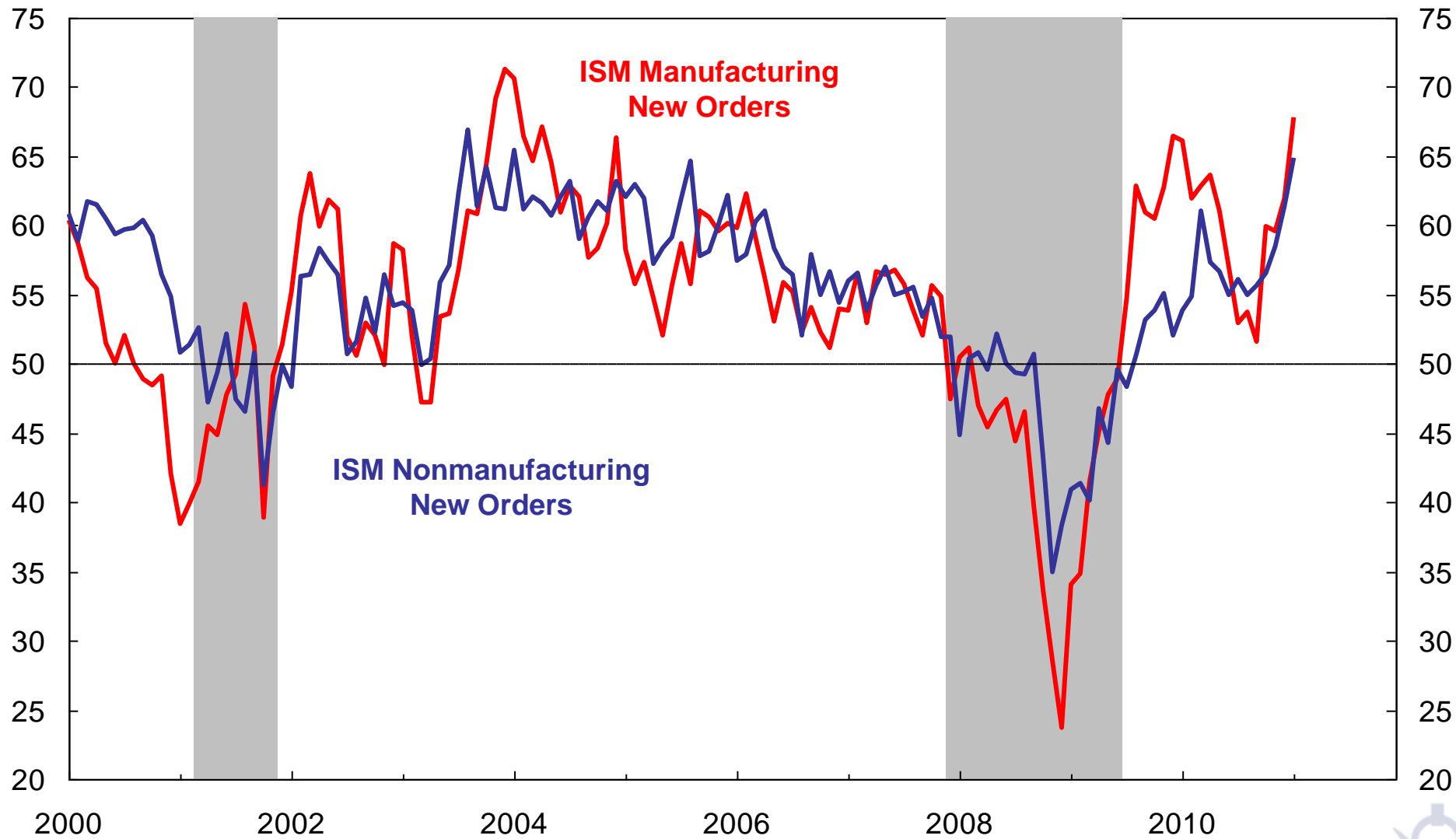
Source: Bureau of Economic Analysis



New Orders Rise Sharply

Index, Above 50 = Expansion

Index, Above 50 = Expansion



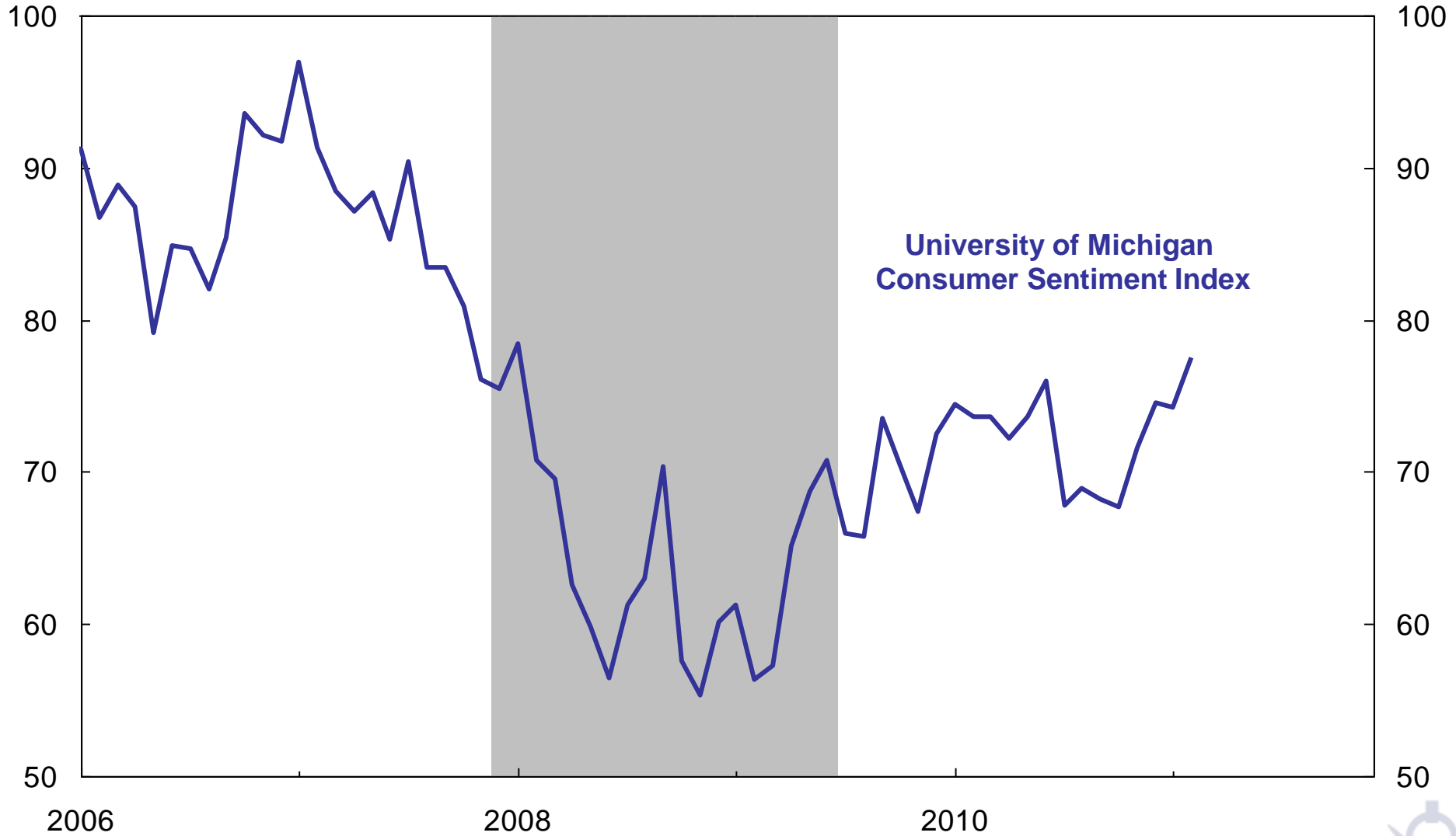
Source: Institute of Supply Management



Consumer Sentiment Improving

Index, 1985 = 100

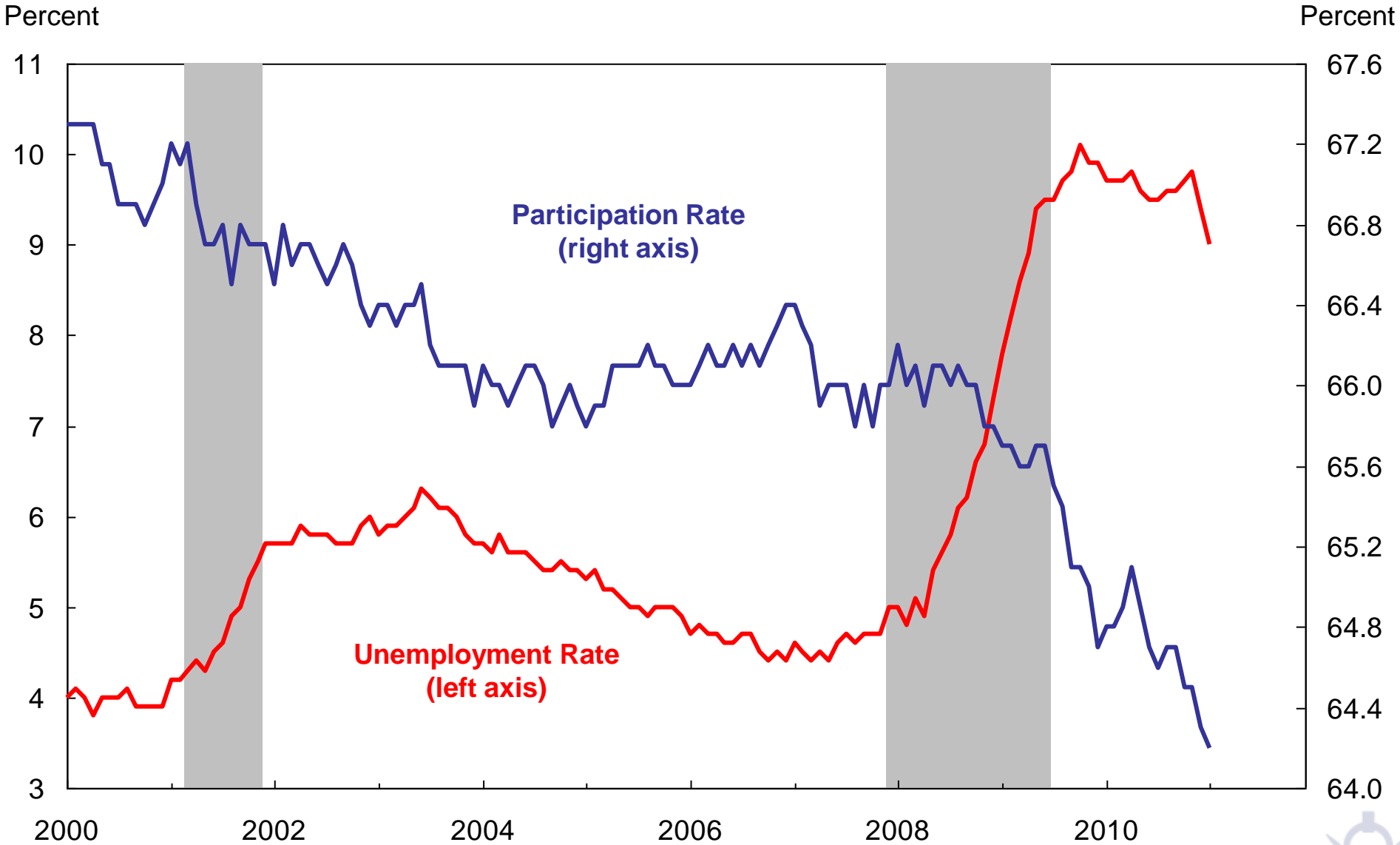
Index, 1966Q1 = 100



University of Michigan
Consumer Sentiment Index



Unemployment Rate Down in Recent Months But Still High



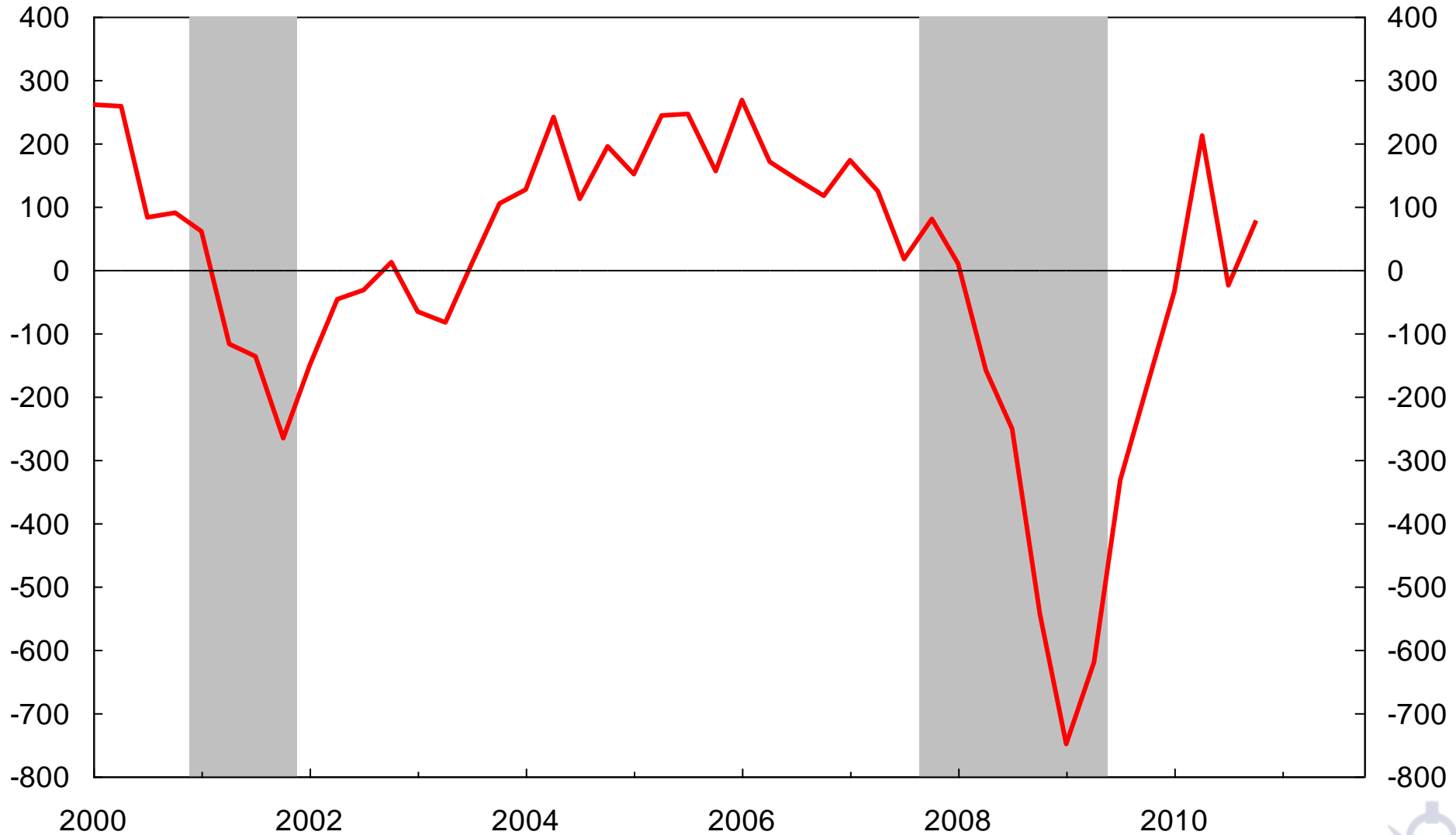
Source: Bureau of Labor Statistics



Nonfarm Payroll Employment Growth Remains Sluggish

Change per Month, in Thousands

Change per Month, in Thousands



Source: Bureau of Labor Statistics

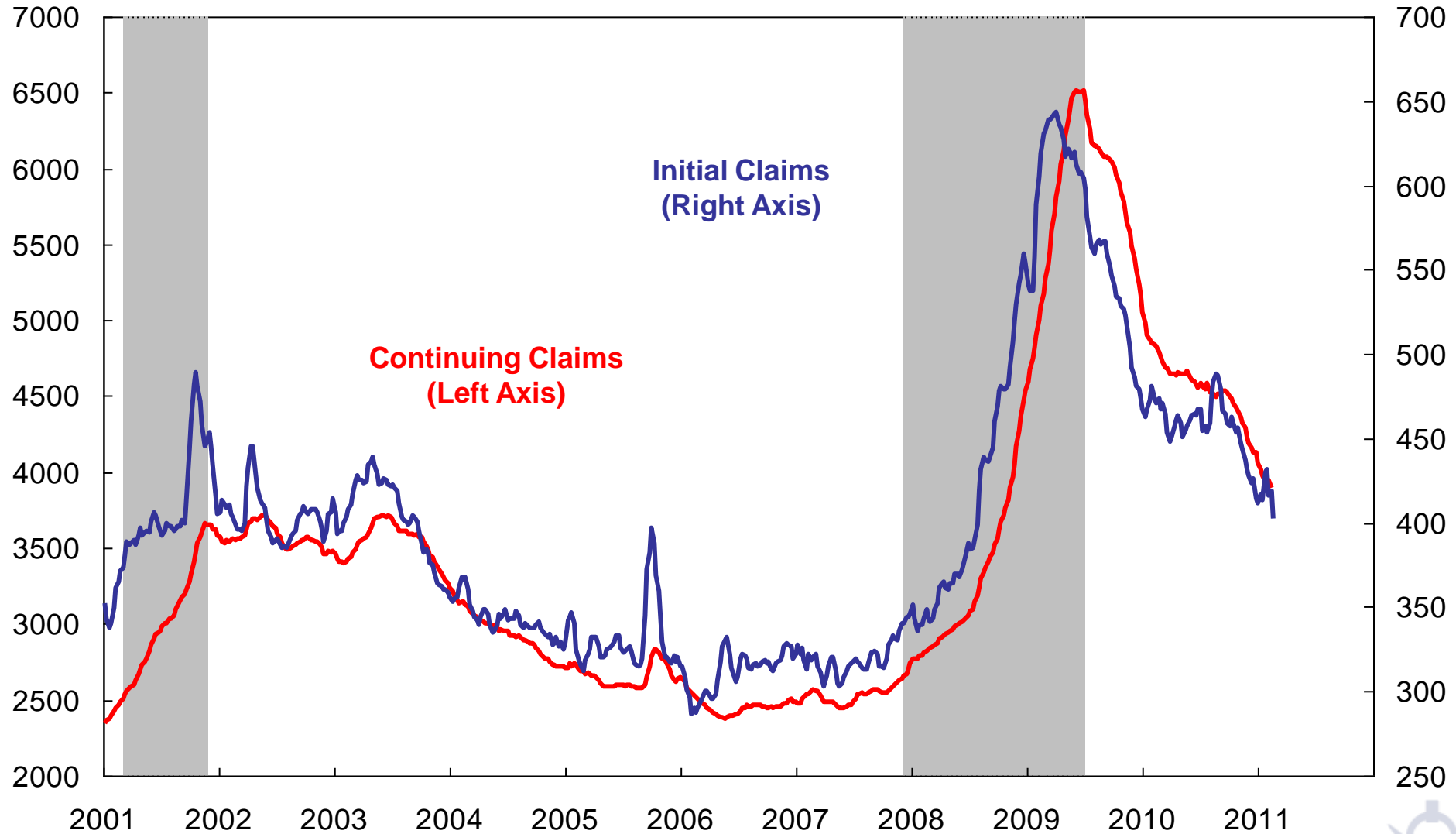
Note: Monthly Average of Quarterly Change.



Unemployment Insurance Claims Declining

4-Week Moving Average, in Thousands

4-Week Moving Average, in Thousands



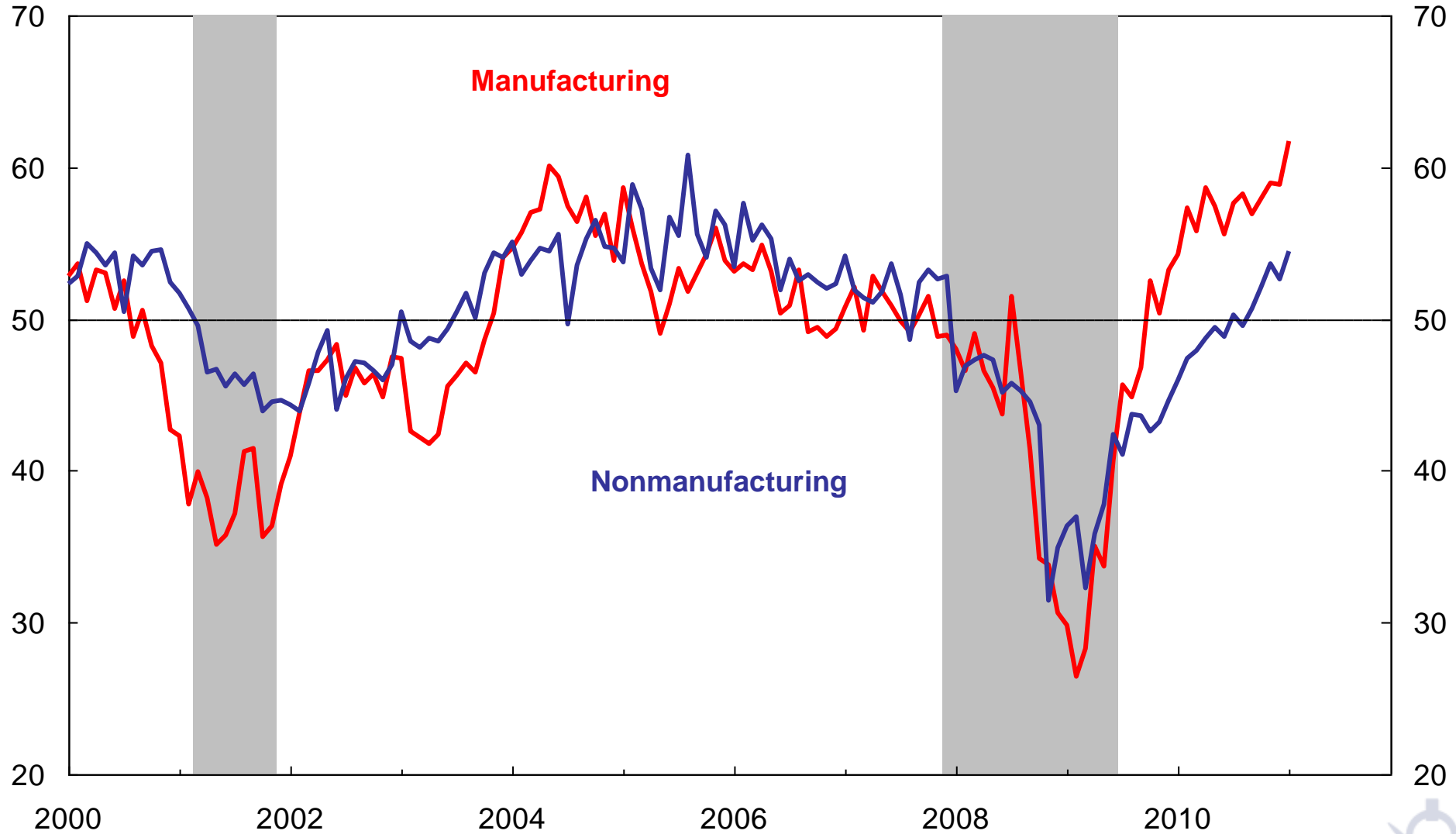
Source: Department of Labor



ISM Employment Diffusion Indices Up in Recent Months

Index, Above 50 = Expansion

Index, Above 50 = Expansion



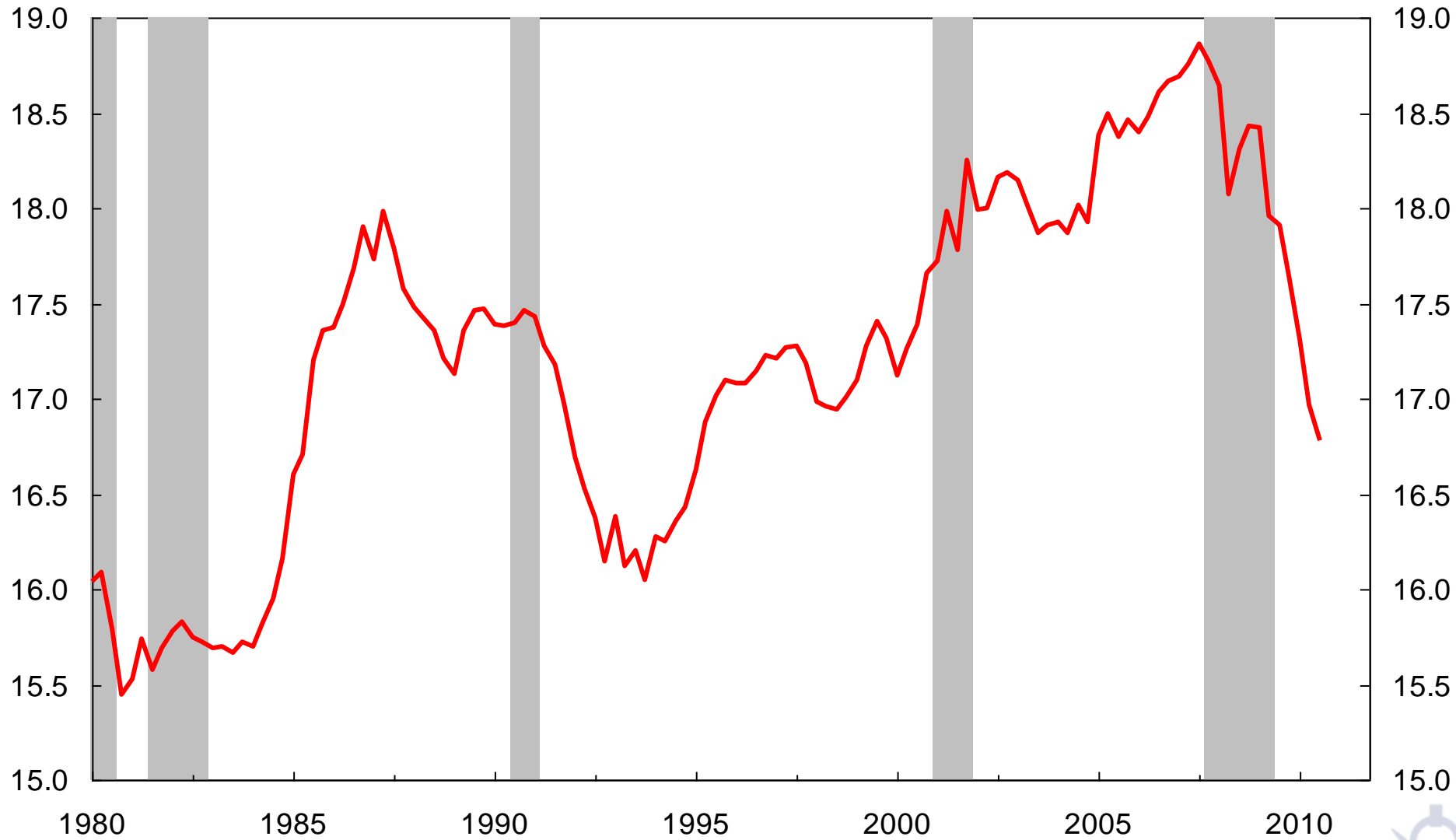
Source: Institute of Supply Management



Household Financial Obligations Ratio Returns to Mid 1990s Level

Percent of Disposable Personal Income

Percent of Disposable Personal Income



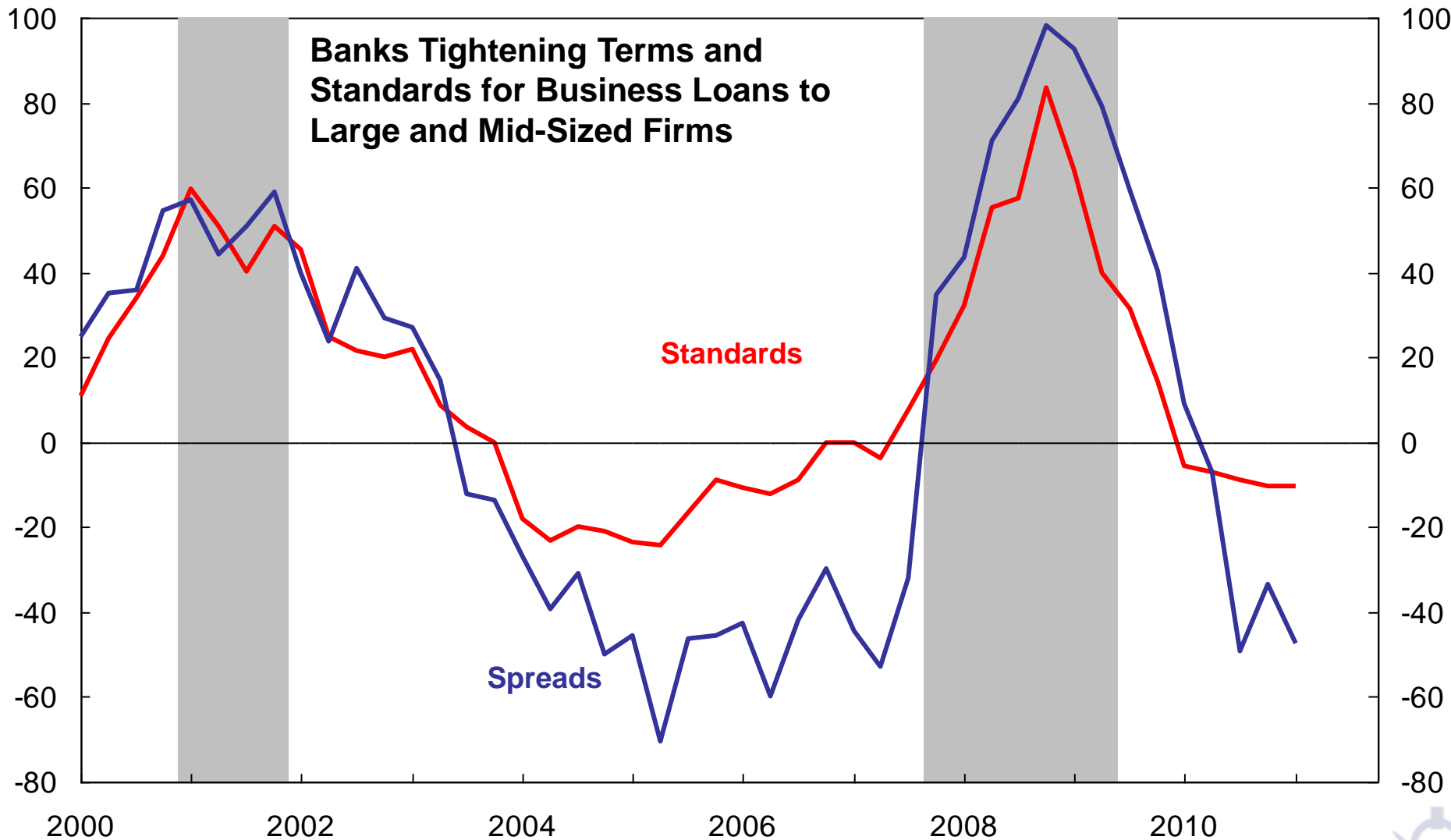
Source: Federal Reserve Board



Lending Standards Begin to Ease but Remain Tight

Net Percentage

Net Percentage



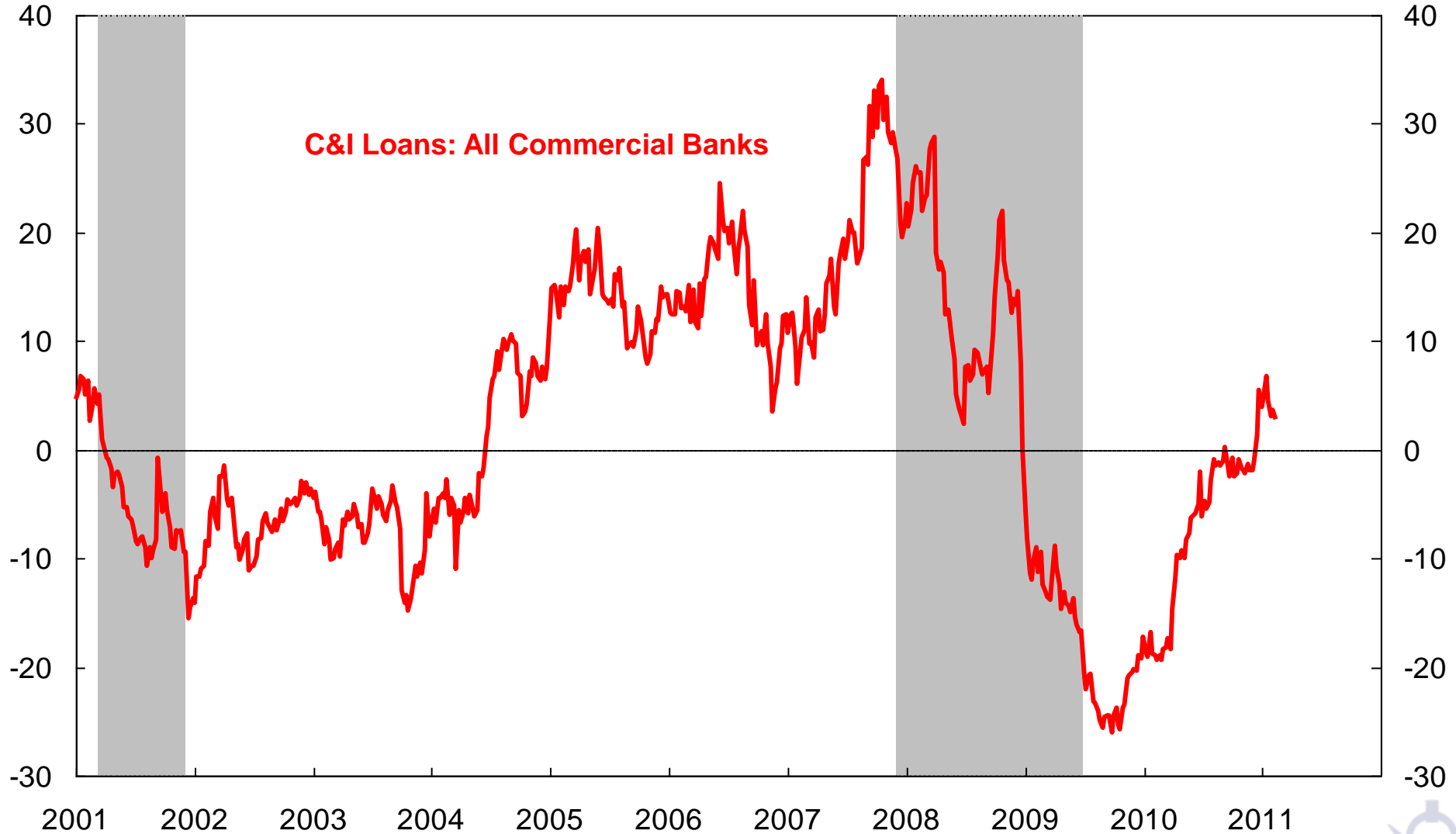
Source: FRB Senior Loan Officer Opinion Survey



C&I Loans on Bank Balance Sheets Beginning to Expand

% Change – 13-Week Annual Rate

% Change – 13-Week Annual Rate



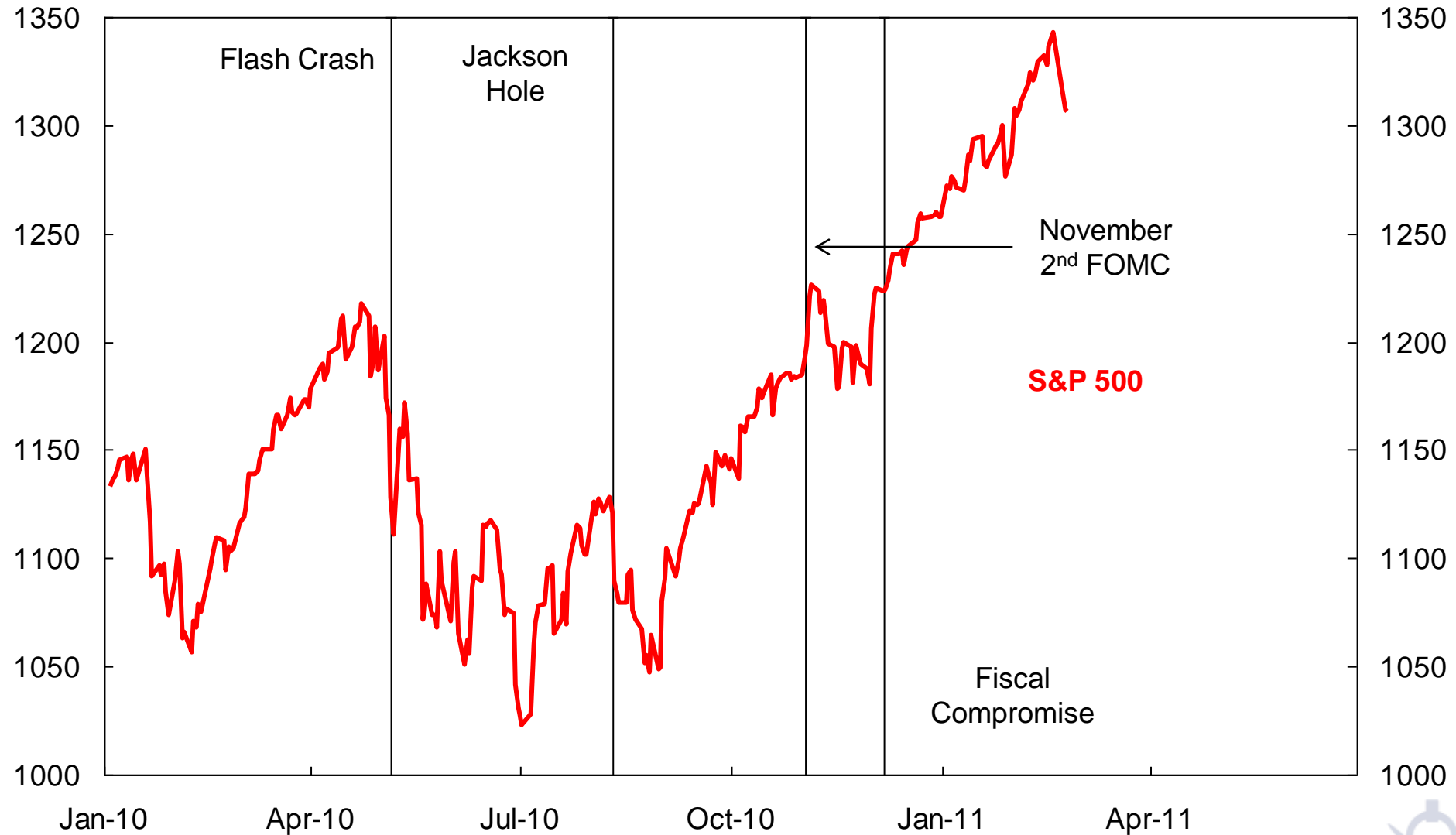
Source: Federal Reserve Board



Equity Prices Up Sharply Since Last Summer

Index, 1941-1943 = 100

Index, 1941-1943 = 100



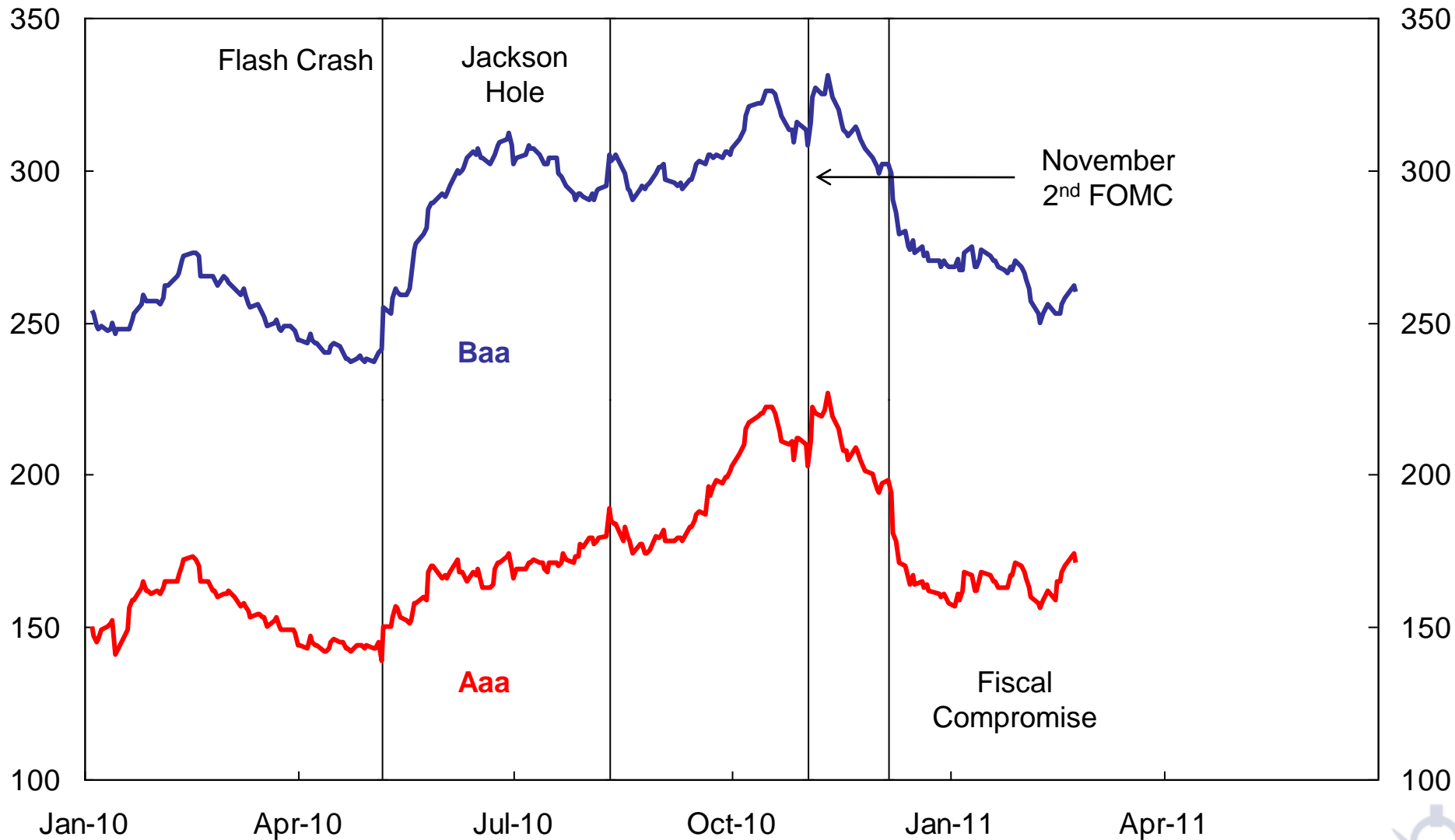
Source: New York Times



Credit Spreads Narrow

Basis Points

Basis Points



Source: Federal Reserve Board.

Note: Spreads relative to the 10 year Treasury yield.



Exports Expanding at a Robust Pace

% Change – Year to Year

% Change – Year to Year

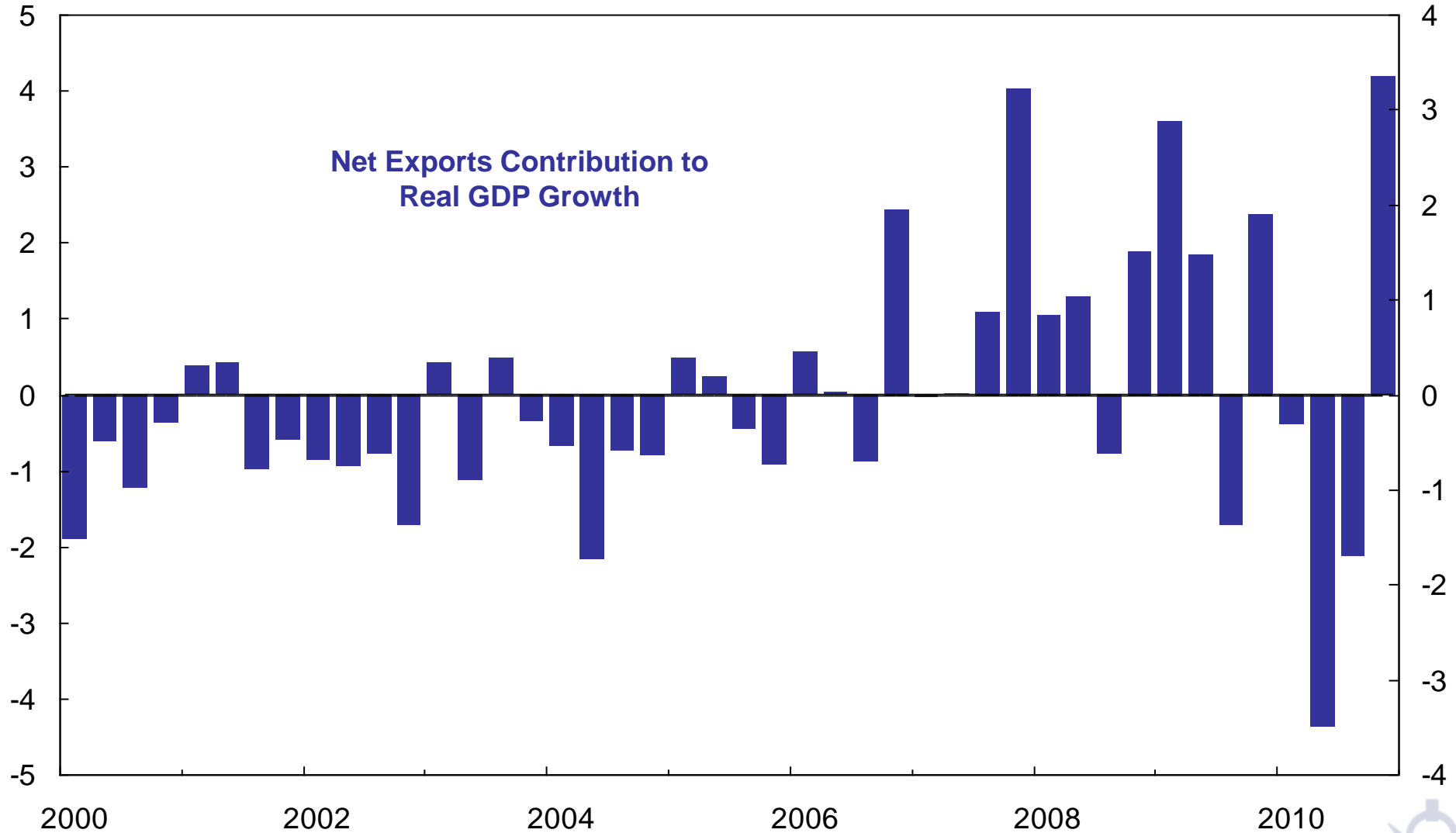


Real Exports of Goods and Services

Net Exports Growth Contribution Unusually Large in 2010Q4

Percentage Points

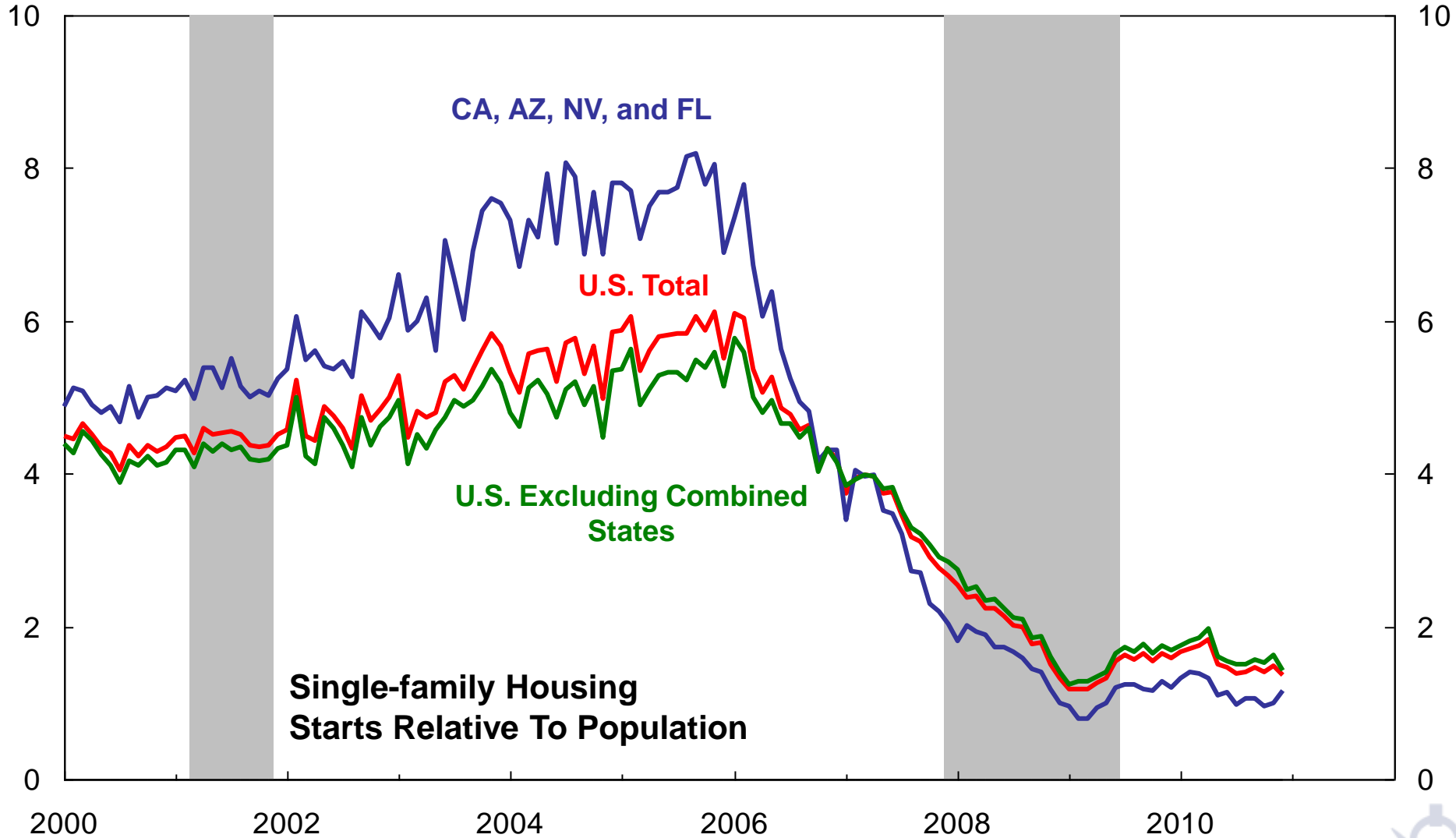
Percentage Points



Single-Family Housing Starts Remain at Depressed Levels

Per 1,000 People

Per 1,000 People

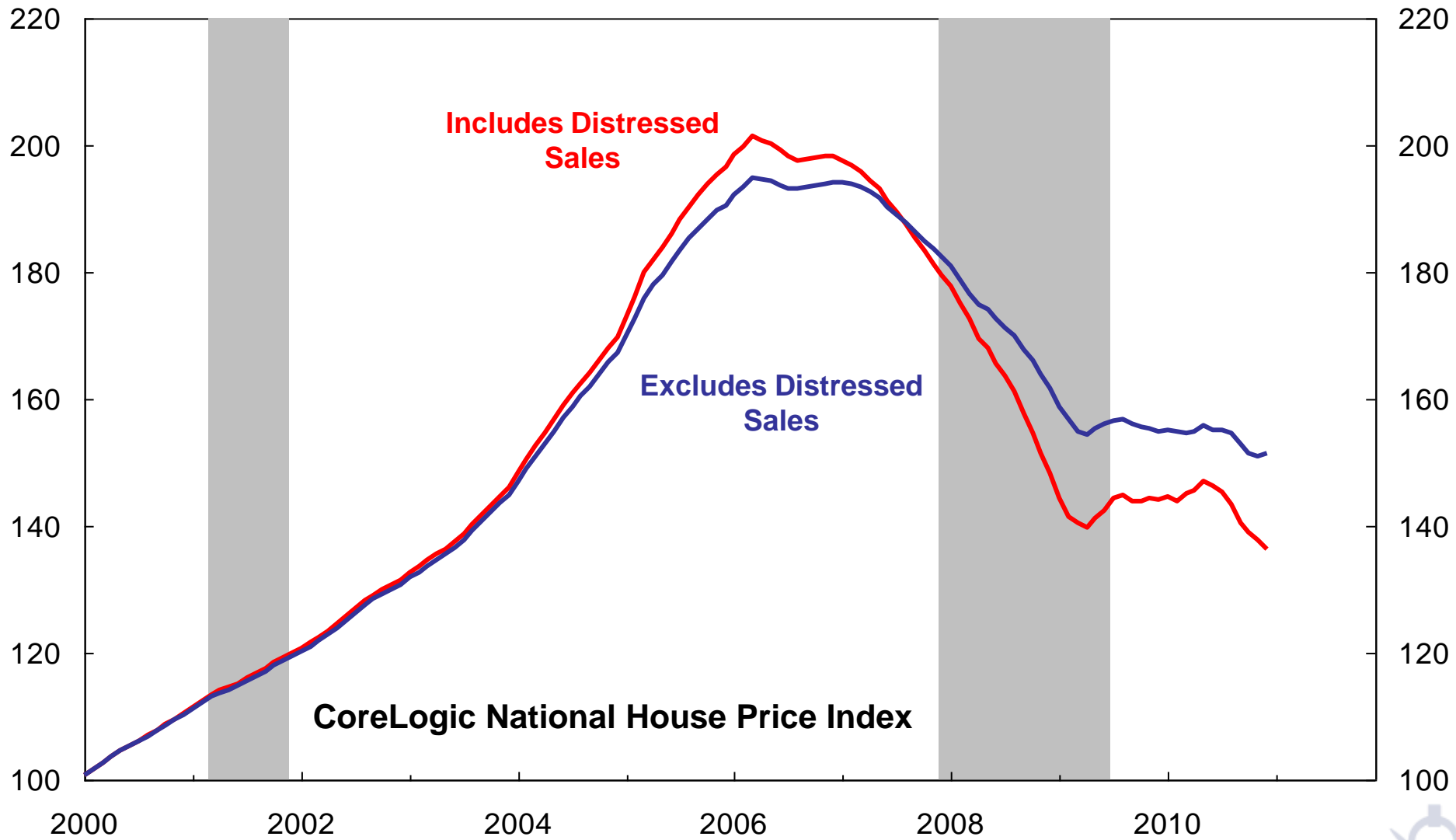


Single-family Housing Starts Relative To Population

Home Prices Under Renewed Downward Pressure

Index, January 2000 = 100

Index, January 2000 = 100



CoreLogic National House Price Index

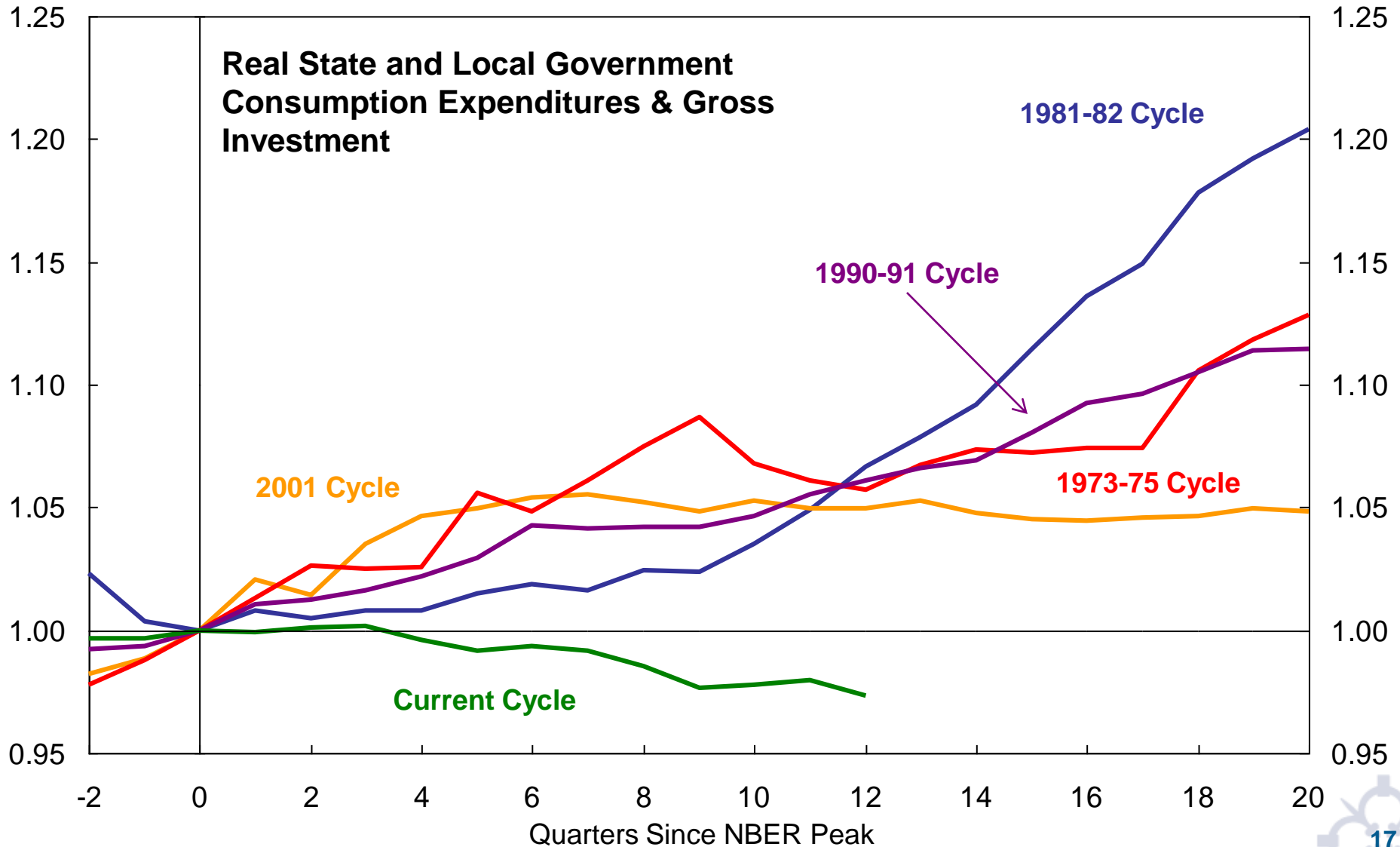
Includes Distressed Sales

Excludes Distressed Sales

State & Local Government Sector Acting as Drag on Growth

Index, NBER Peak = 1.00

Index, NBER Peak = 100



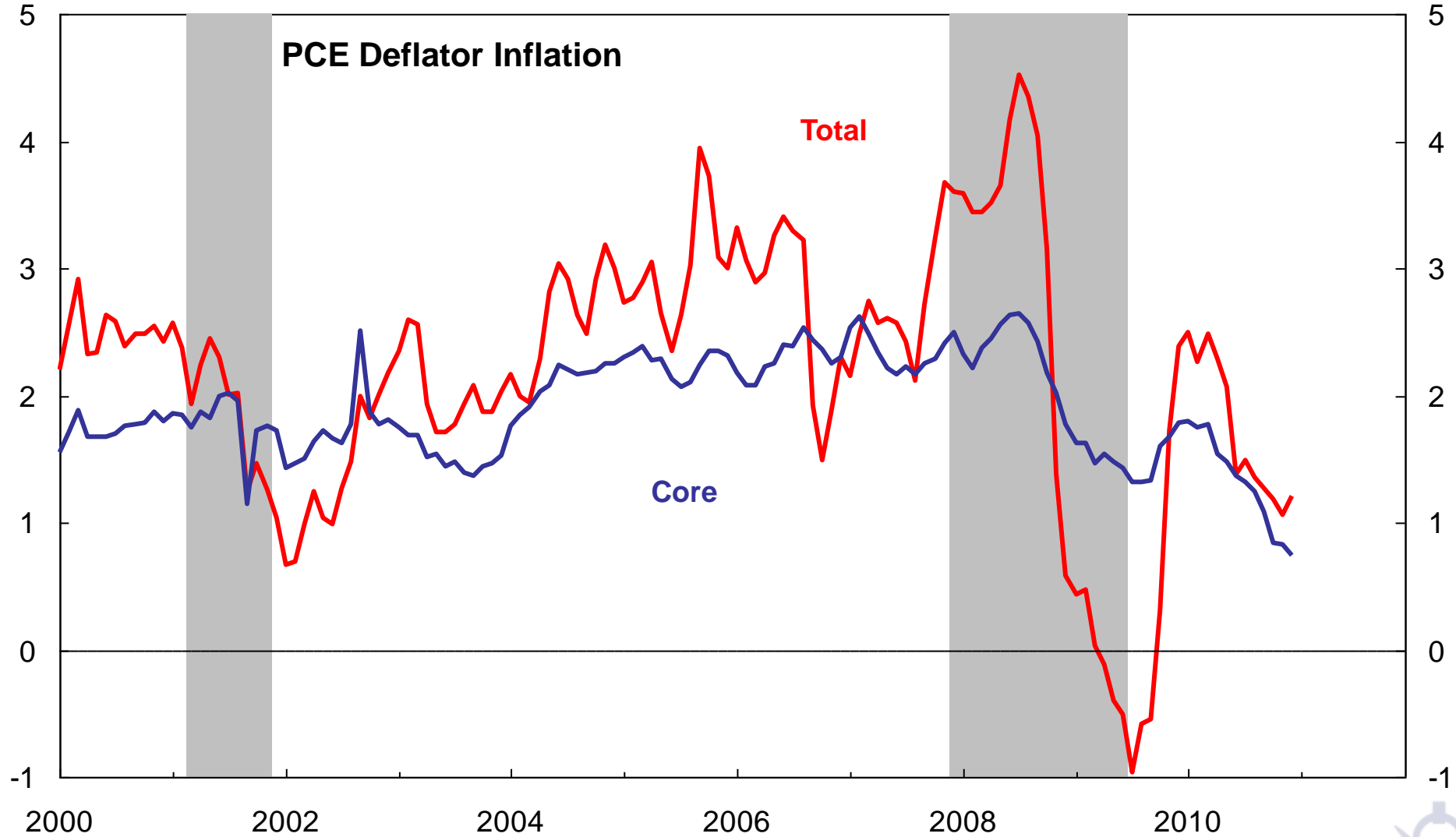
Source: Bureau of Economic Analysis



Total and Core Inflation Below Desired Levels

% Change – Year to Year

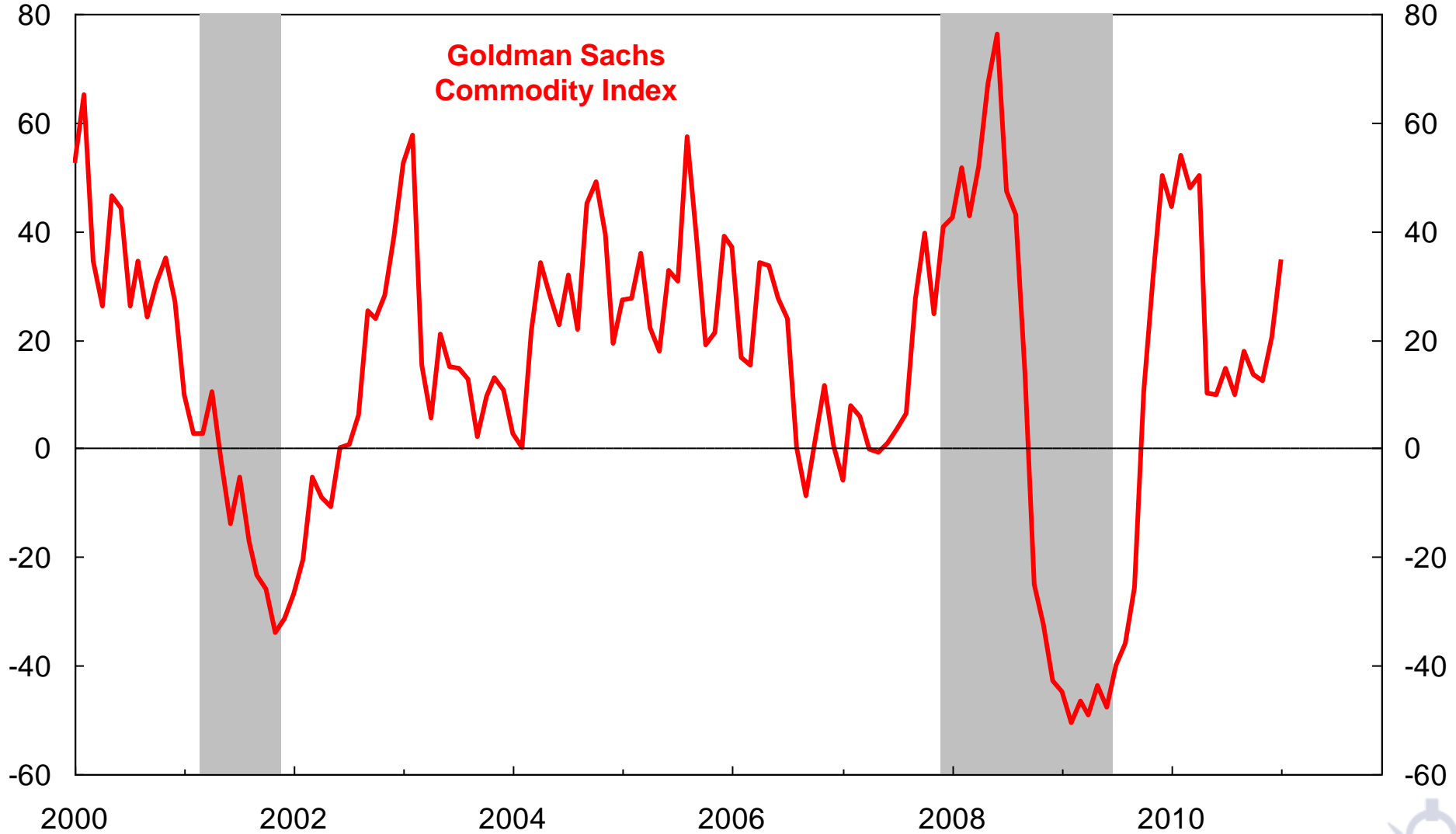
% Change – Year to Year



Commodity Prices Up Sharply in Recent Months

% Change – Year to Year

% Change – Year to Year

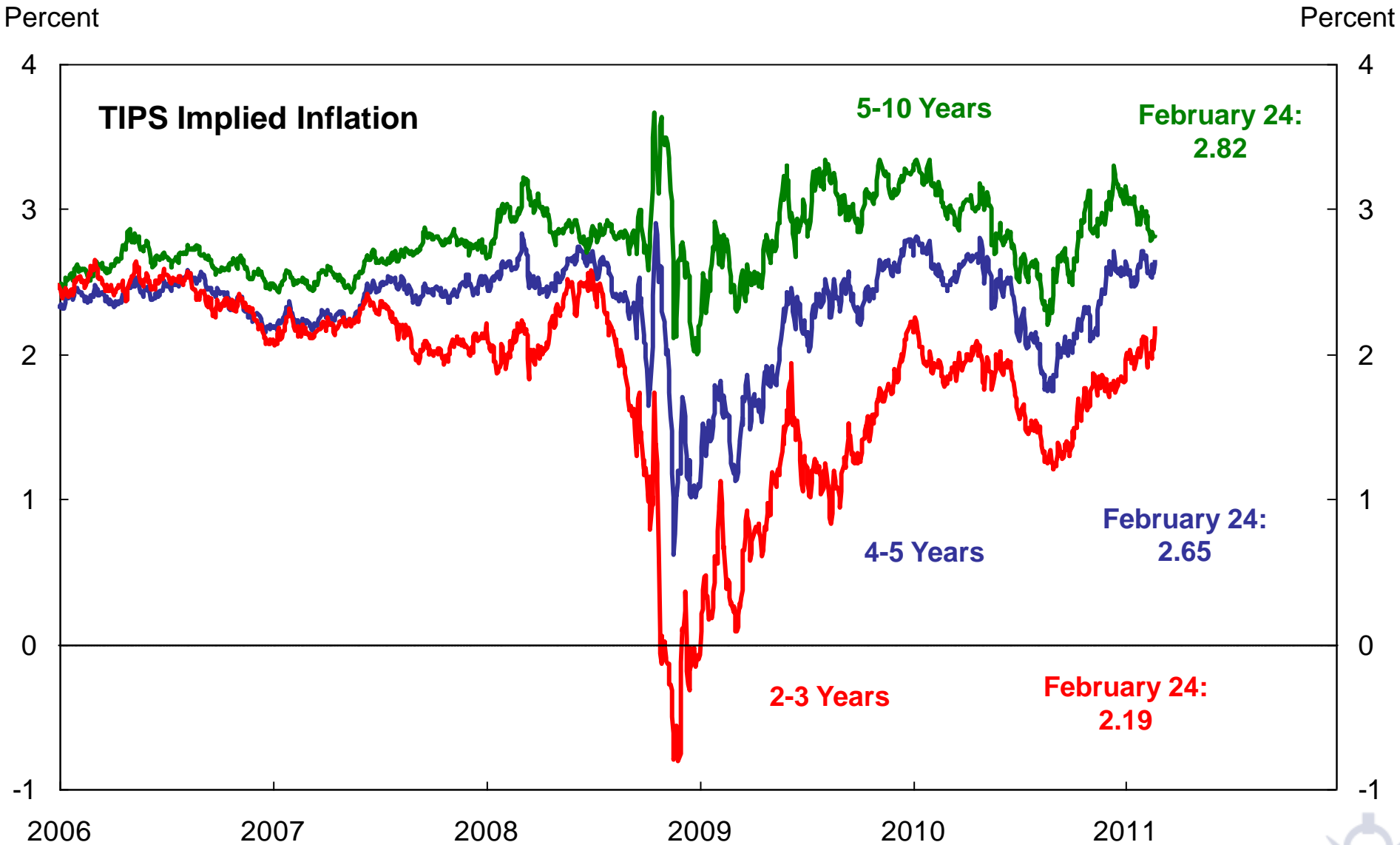


Source: Standard & Poor's

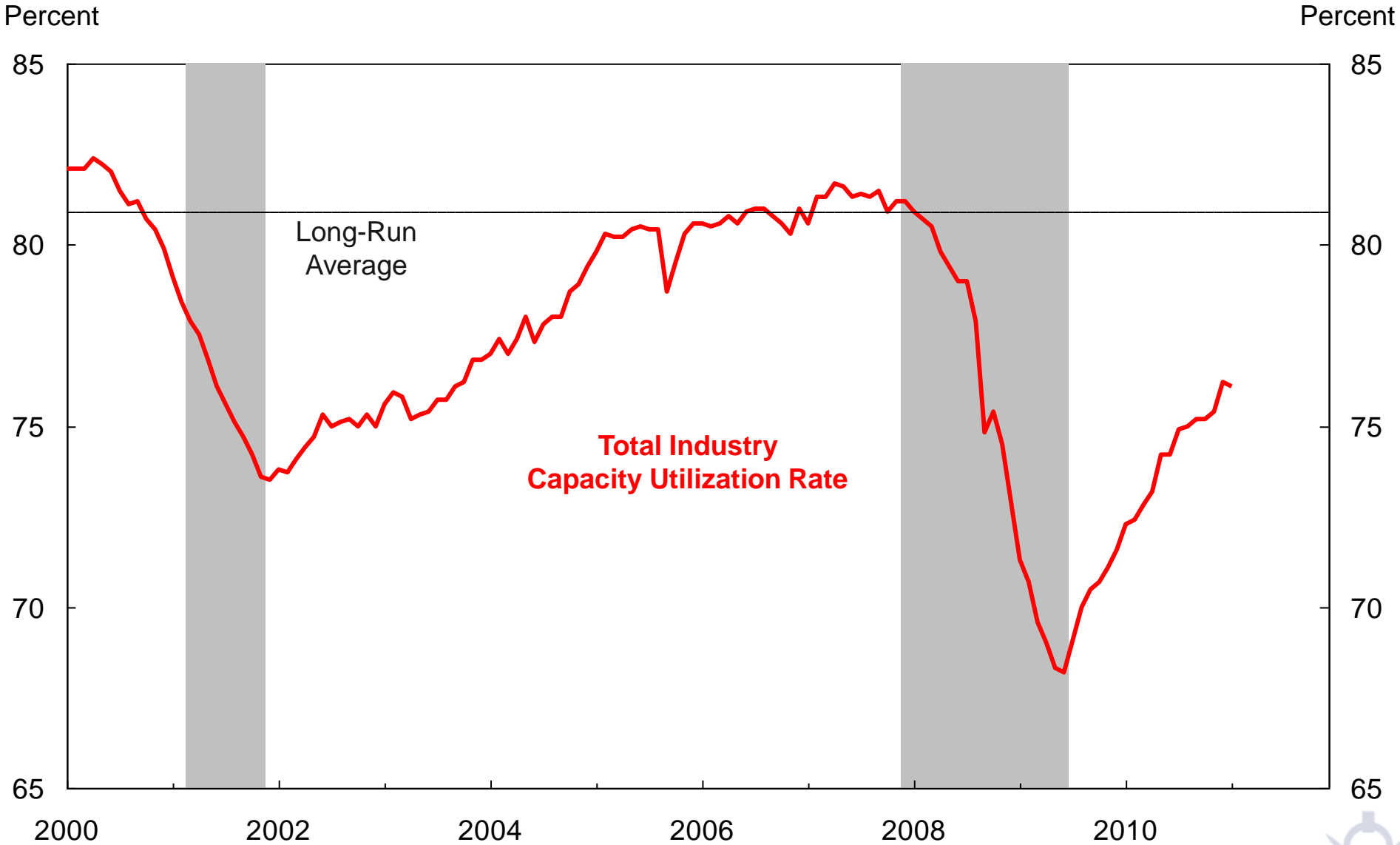
Note: End of Month Data.



Inflation Expectations Well Anchored



Substantial Slack in the Industrial Sector

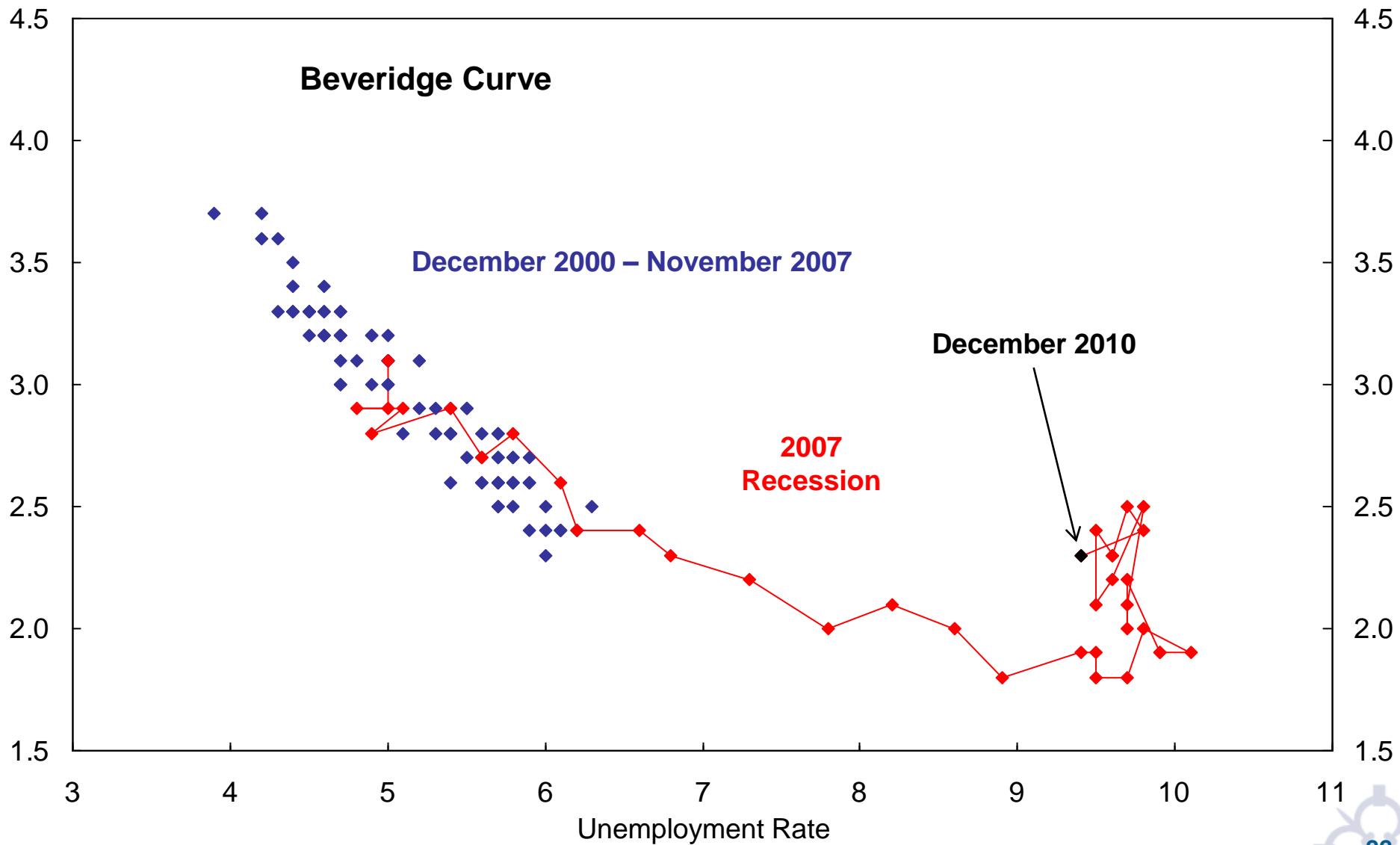


Source: Federal Reserve Board

Unemployment Rate High Relative to Job Vacancies

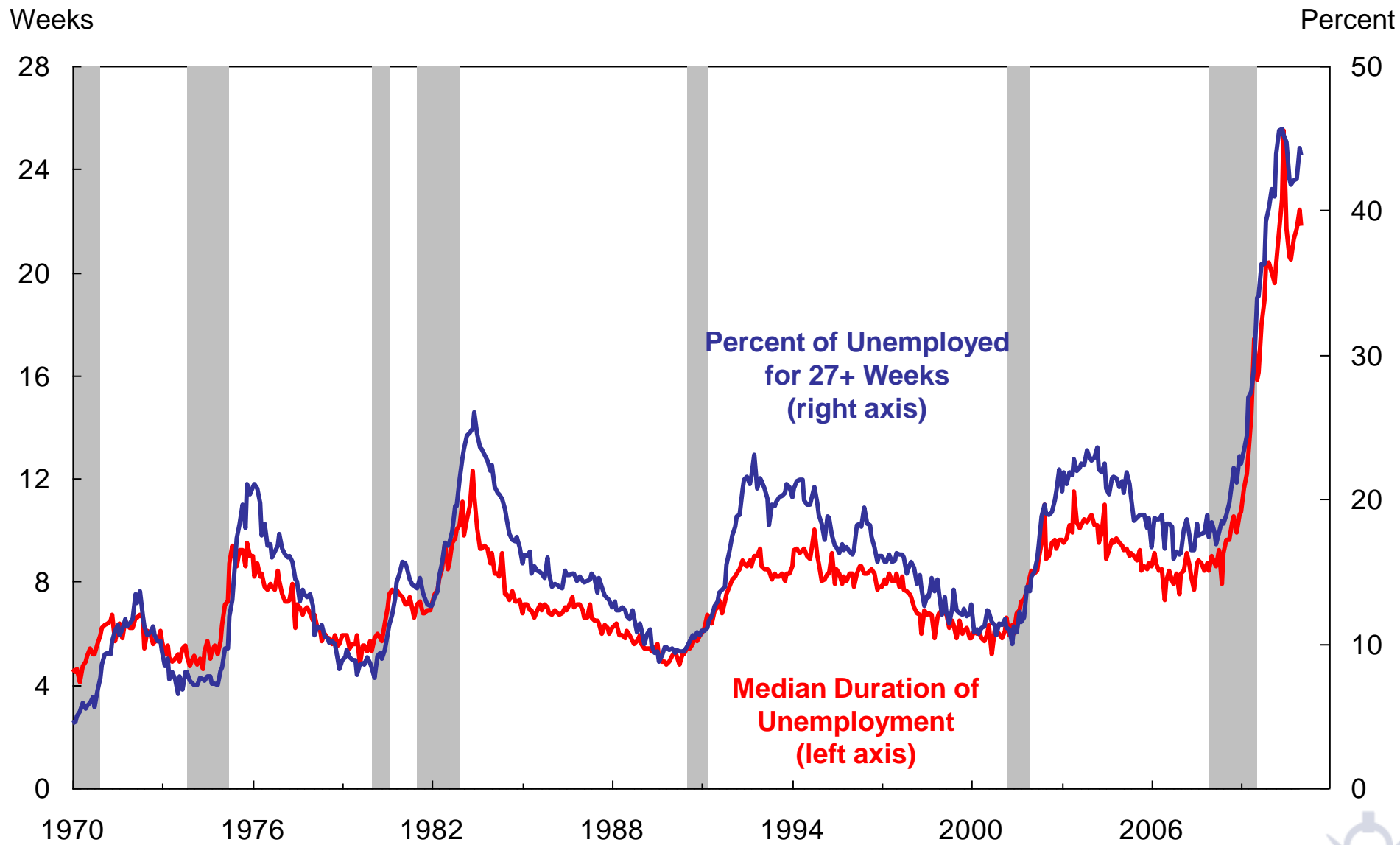
Vacancy Rate (JOLTS)

Vacancy Rate (JOLTS)



Source: Bureau of Labor Statistics; Şahin, Song, Topa, and Violante (2010)

Typical Duration of Unemployment Is Now Quite Long

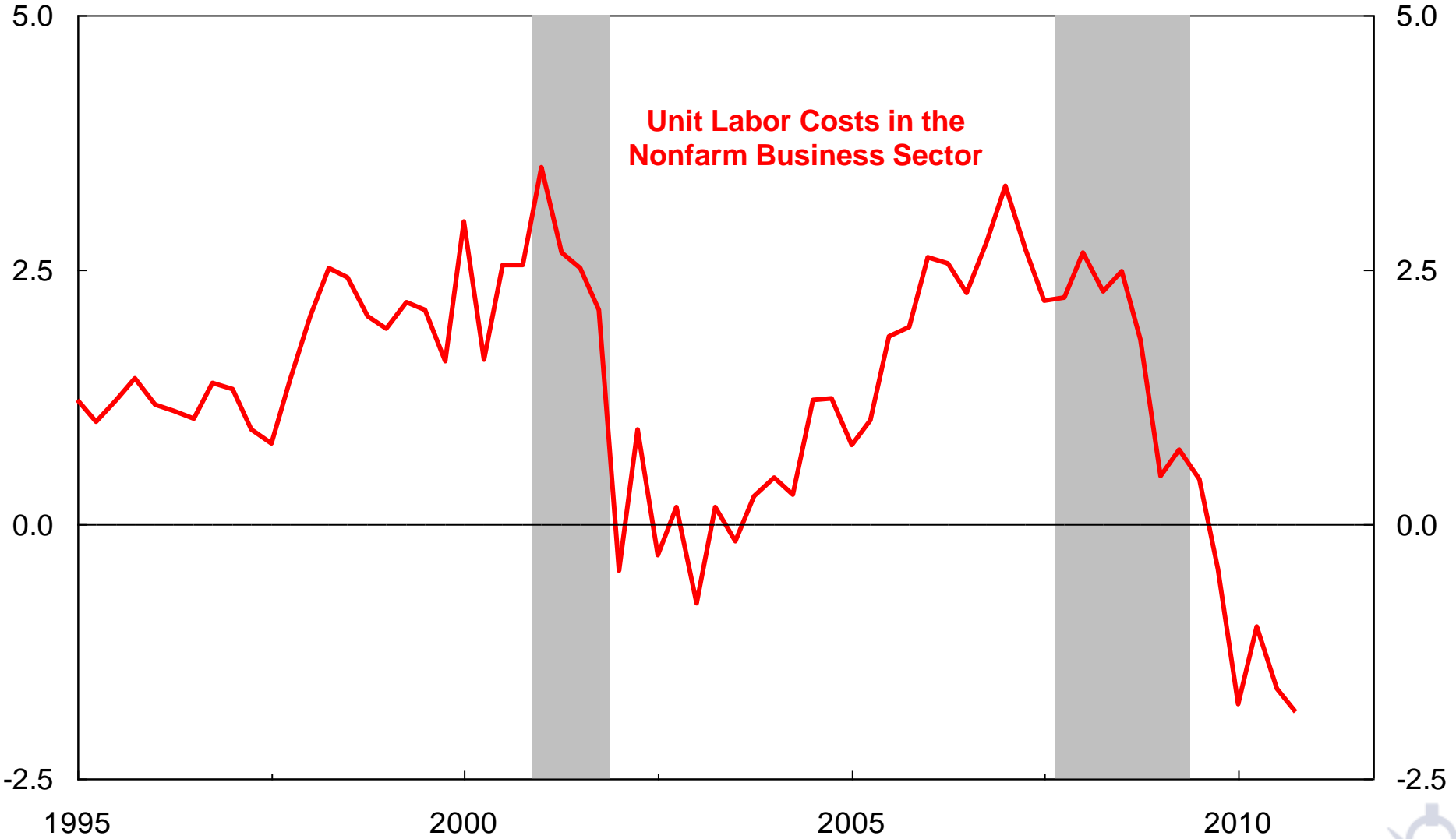


Source: Bureau of Labor Statistics

Unit Labor Costs Falling Sharply

% Change – 8-Quarter Annual Rate

% Change – 8-Quarter Annual Rate

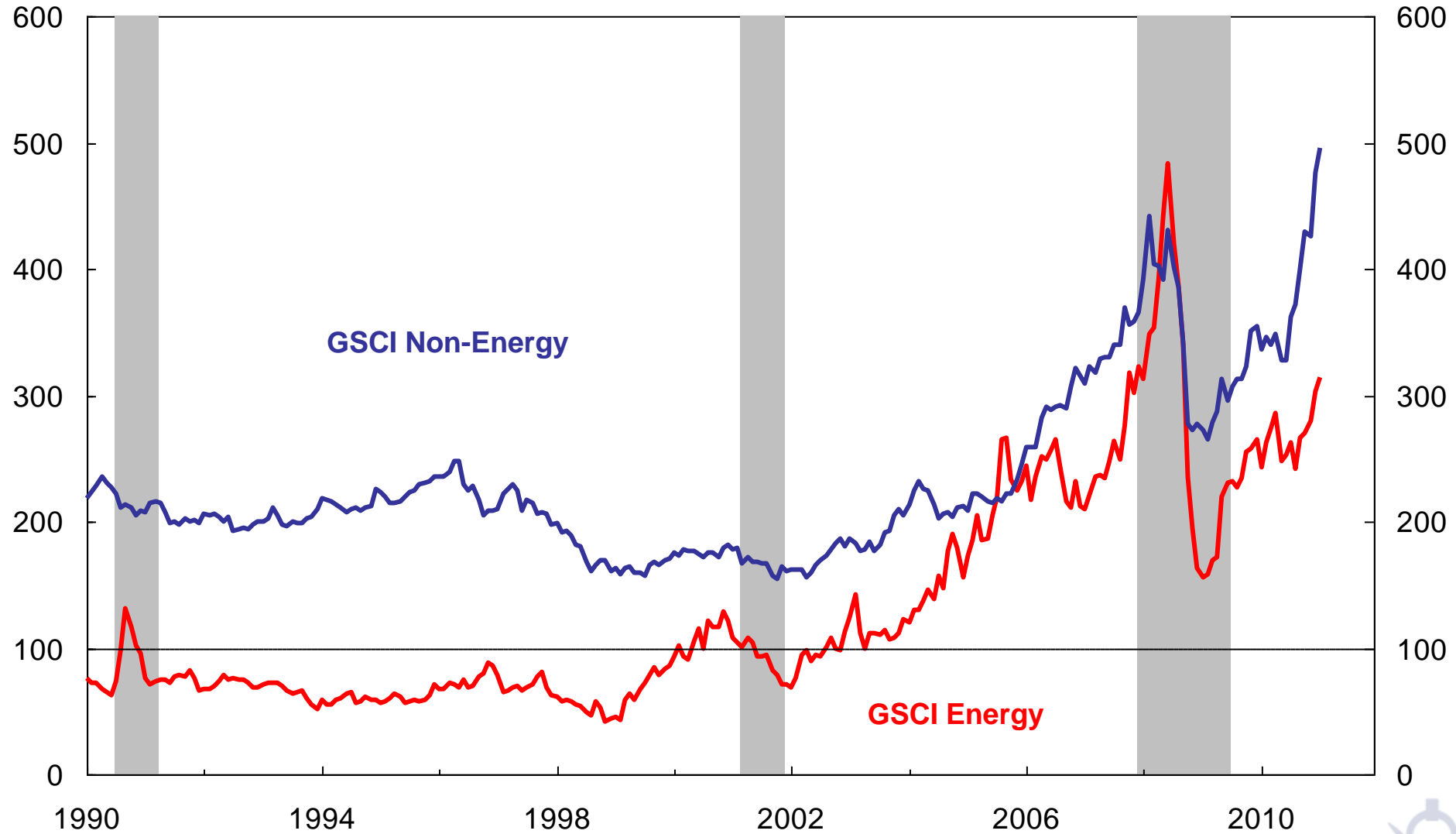


Unit Labor Costs in the Nonfarm Business Sector

Commodity Prices on Uptrend Over Last Decade

Index, December 31, 1982 = 100

Index, December 31, 1982 = 100



Source: Standard & Poor's

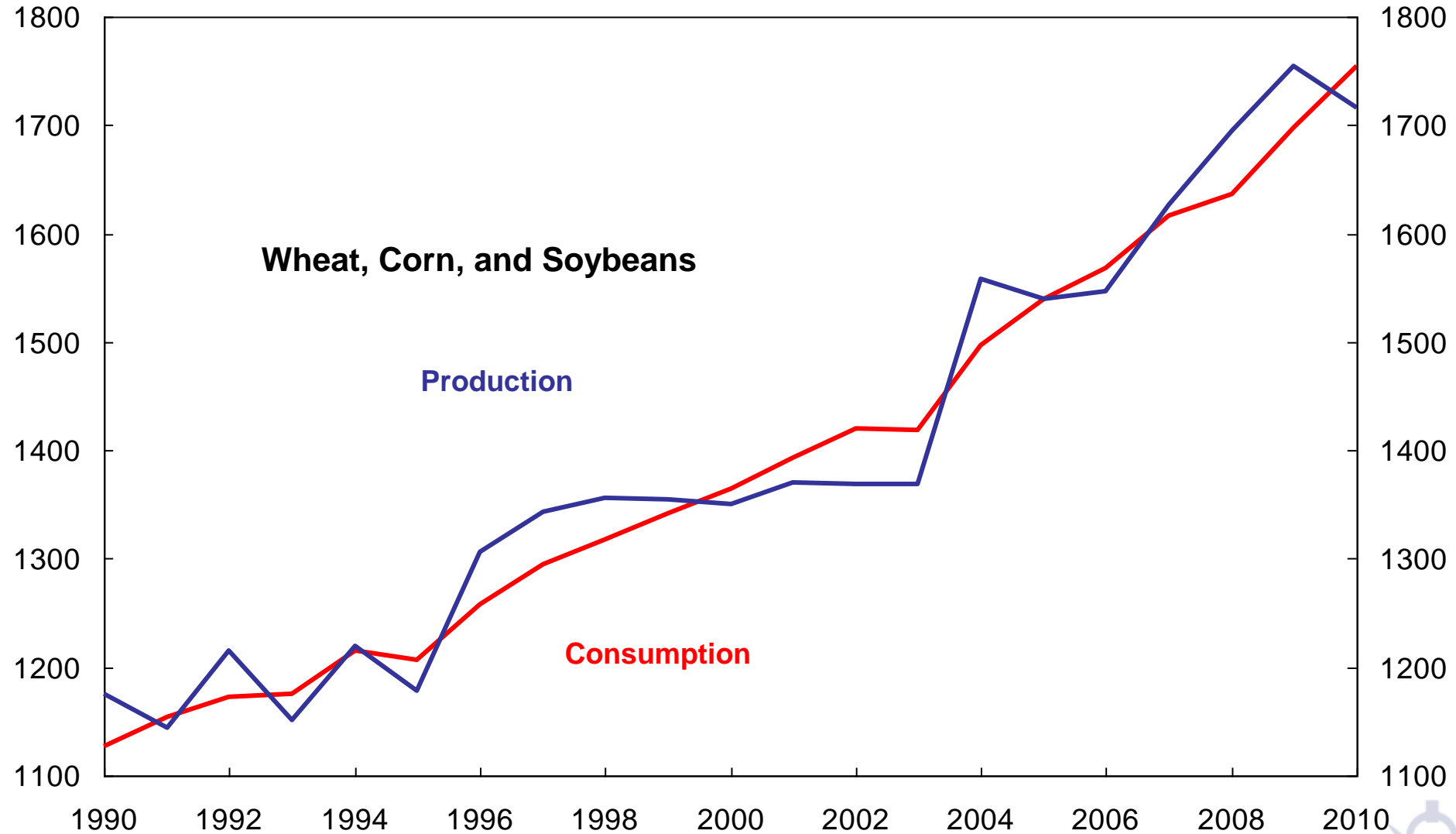
Note: End of Month Data.



Recent Spike in Agricultural Commodity Prices Due to Fall Off of Production, Low Inventories

1,000,000 Metric Tonnes

1,000,000 Metric Tonnes

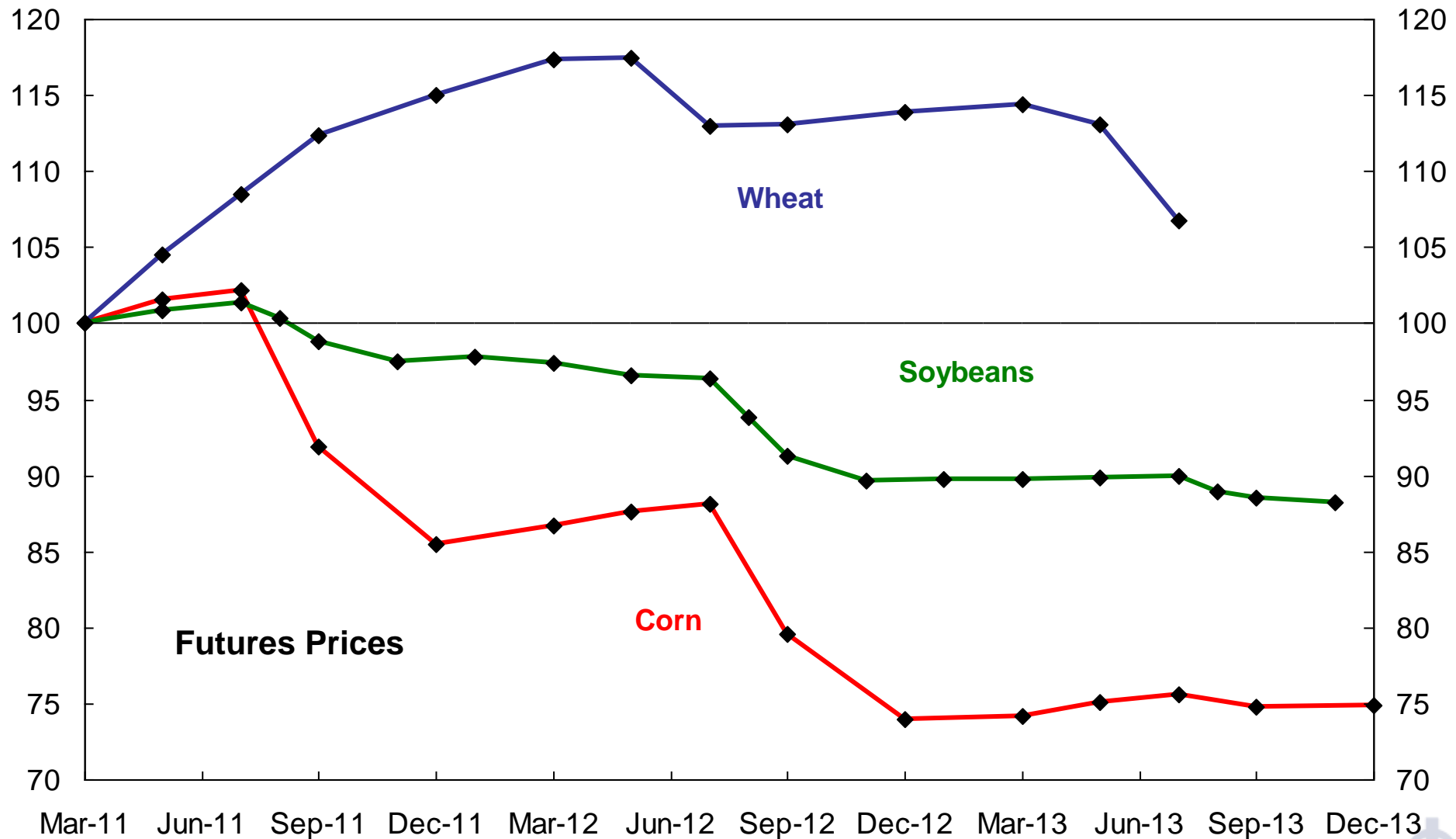


Source: United States Department of Agriculture

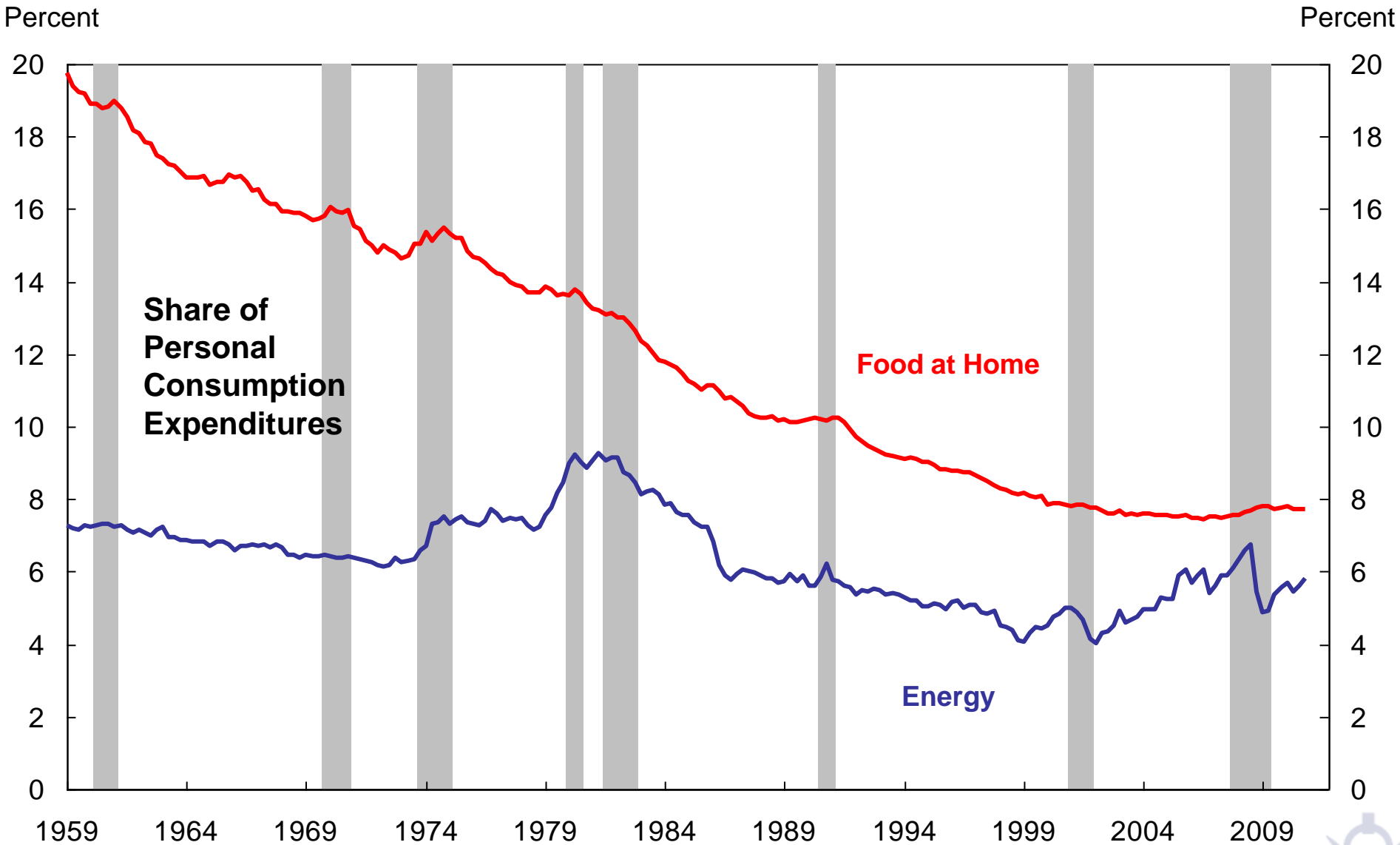
Futures Markets Expect Many Prices to Fall

Index, March 2011 = 100

Index, March 2011 = 100

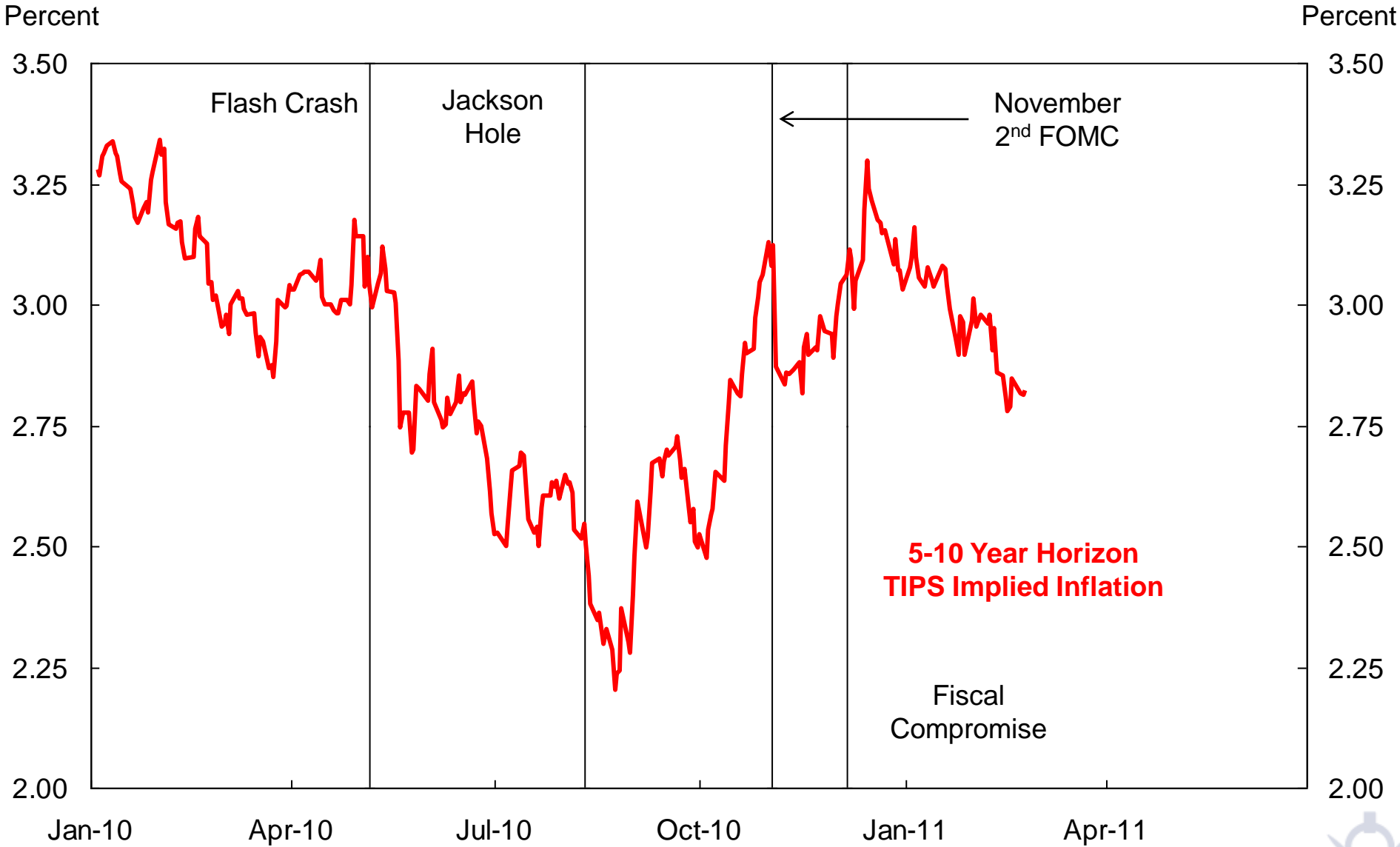


Commodities a Relatively Small Share of Consumer Spending



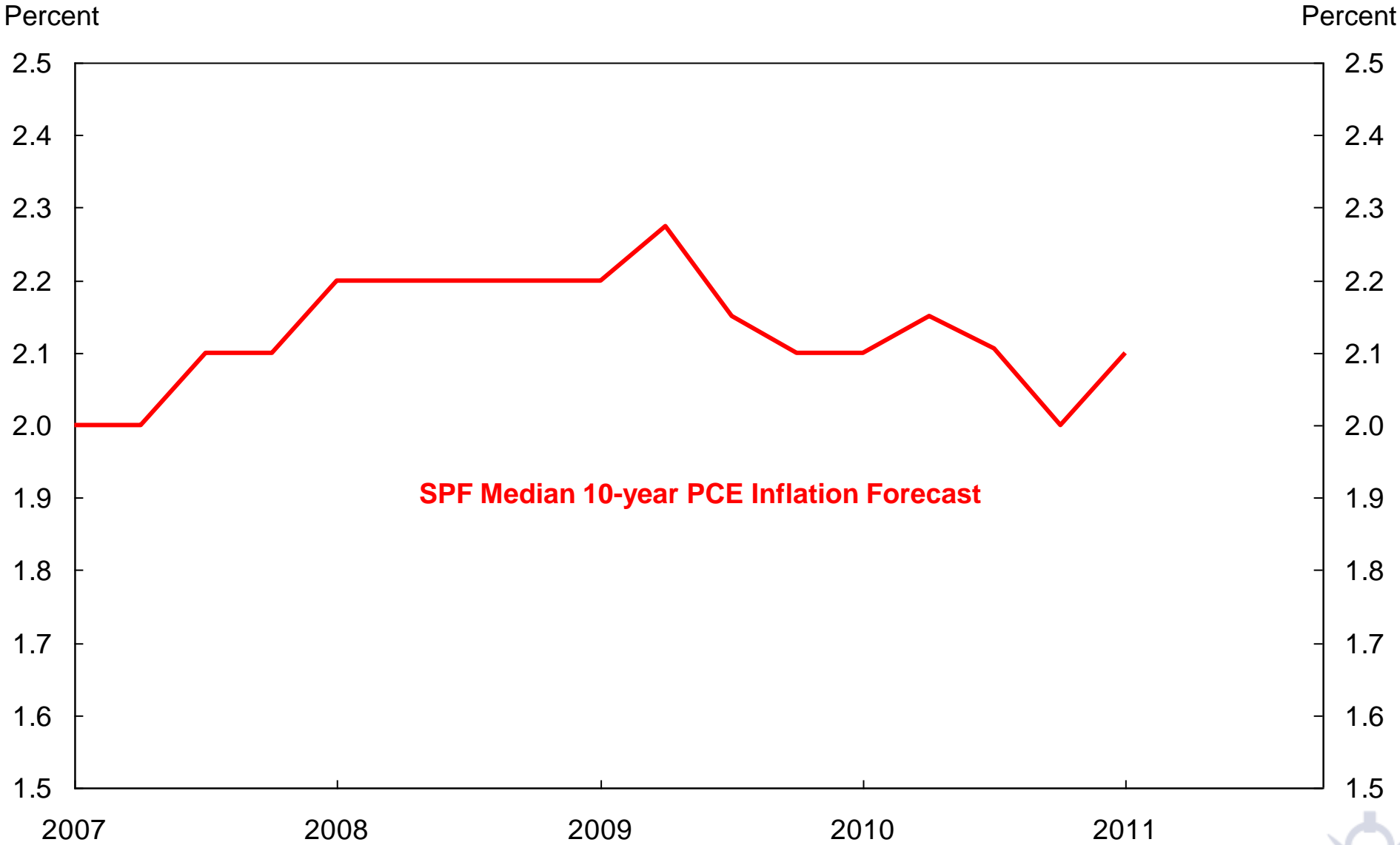
Source: Bureau of Economic Analysis

5-10 Year Horizon TIPS Implied Inflation



Source: Federal Reserve Board

Professional Forecasters' Inflation Expectations Stable



Household Inflation Expectations Stable

