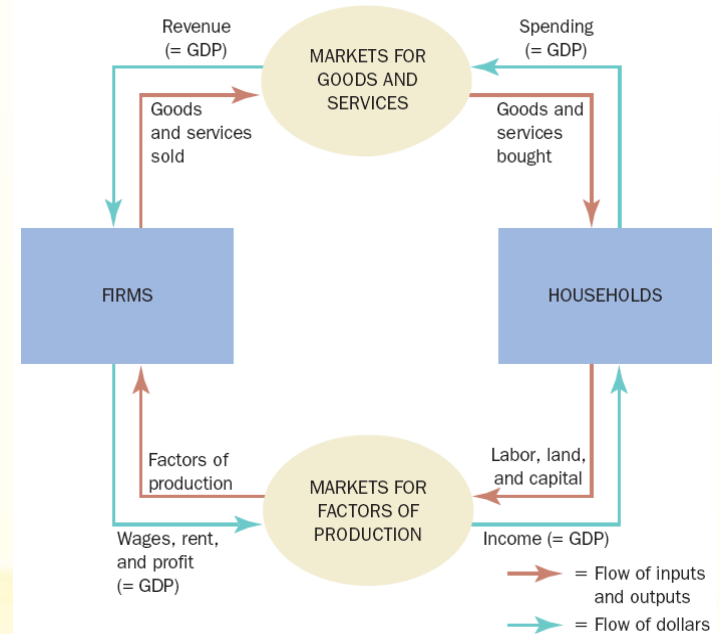


Outlook 2012

Gregory Gilpin

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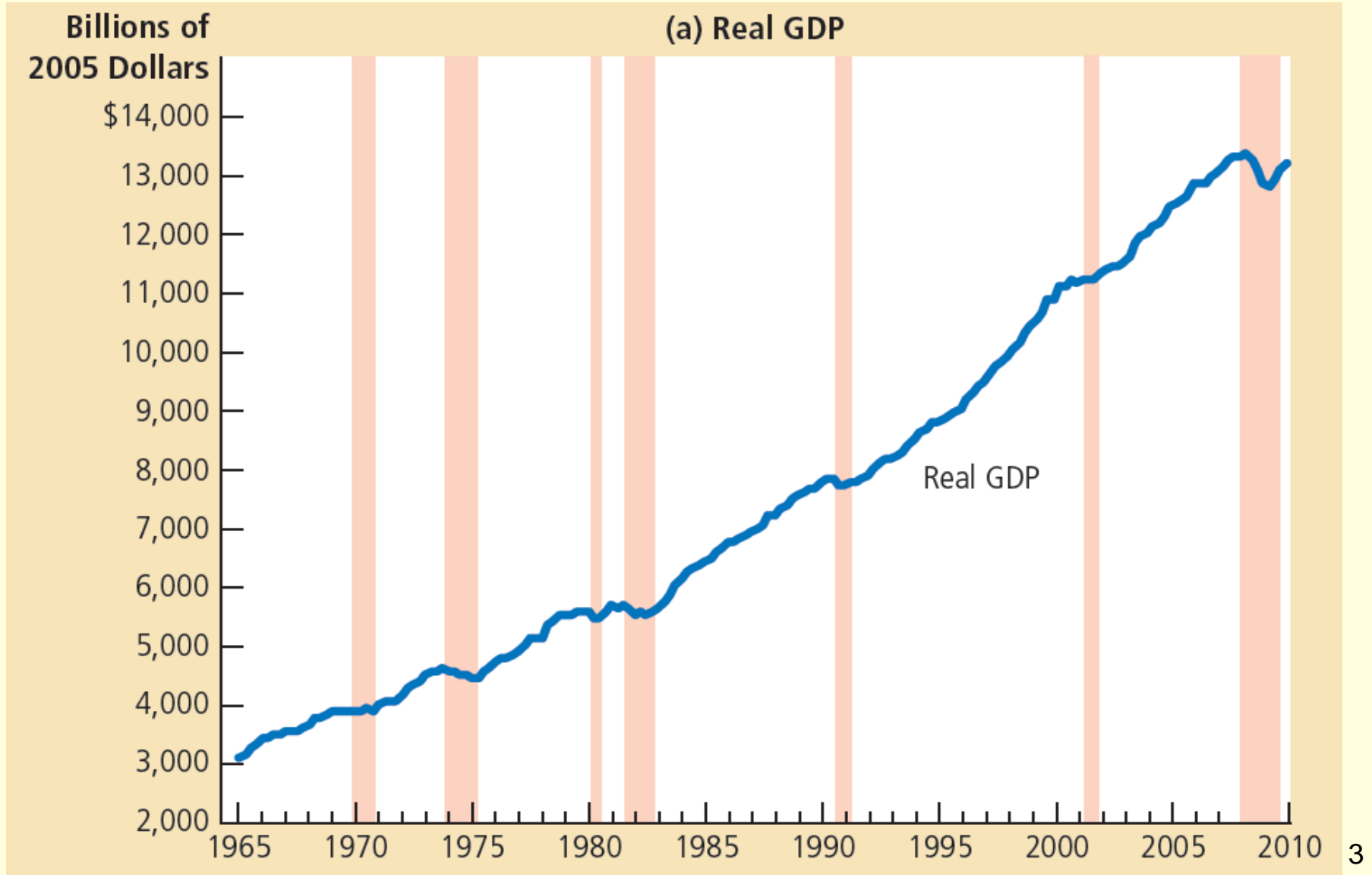
March 14, 2012



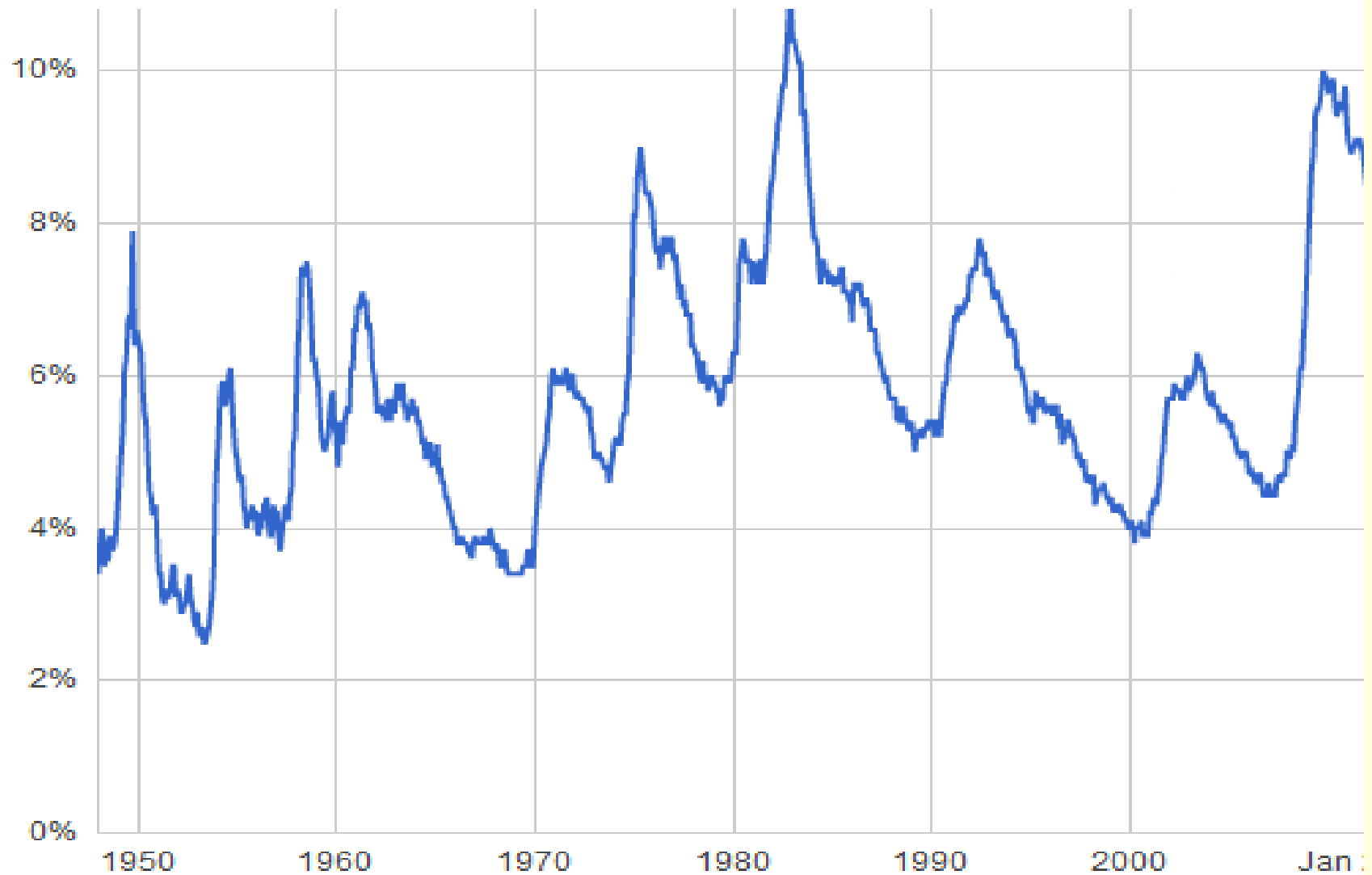
Economy Sizes

	GDP (Trillions)	Population (Million)	GDP per capita
World	63	6,908	9,119
USA	15	313	47,923
Eurozone	16	330	48,484
China	6	1,347	4,454
Japan	5	128	39,065
Germany	3	82	36,585
Rest of World	18	4,798	3,751

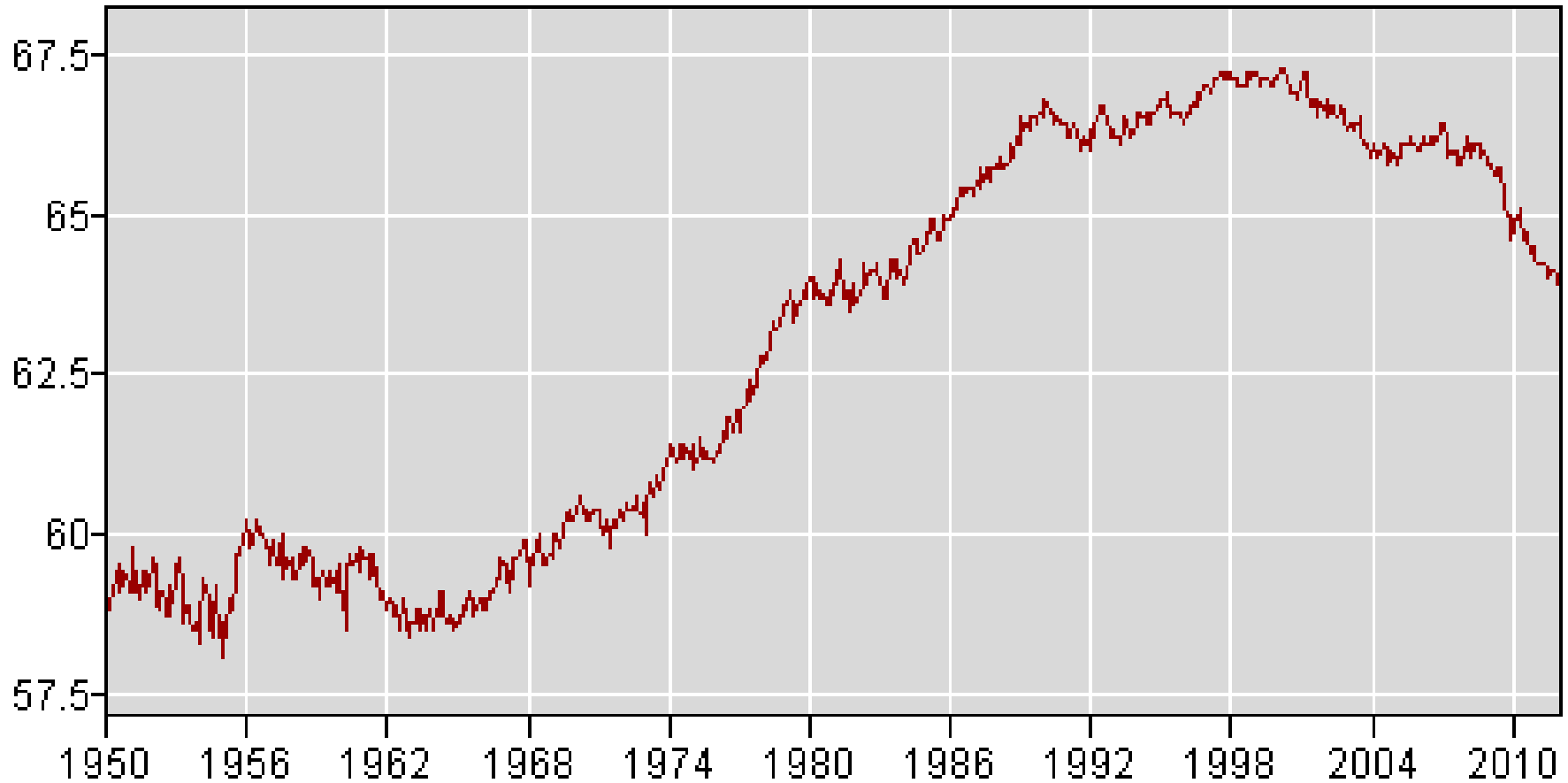
U.S. Real GDP: Historical Trend



U.S. Unemployment: Historical Trend

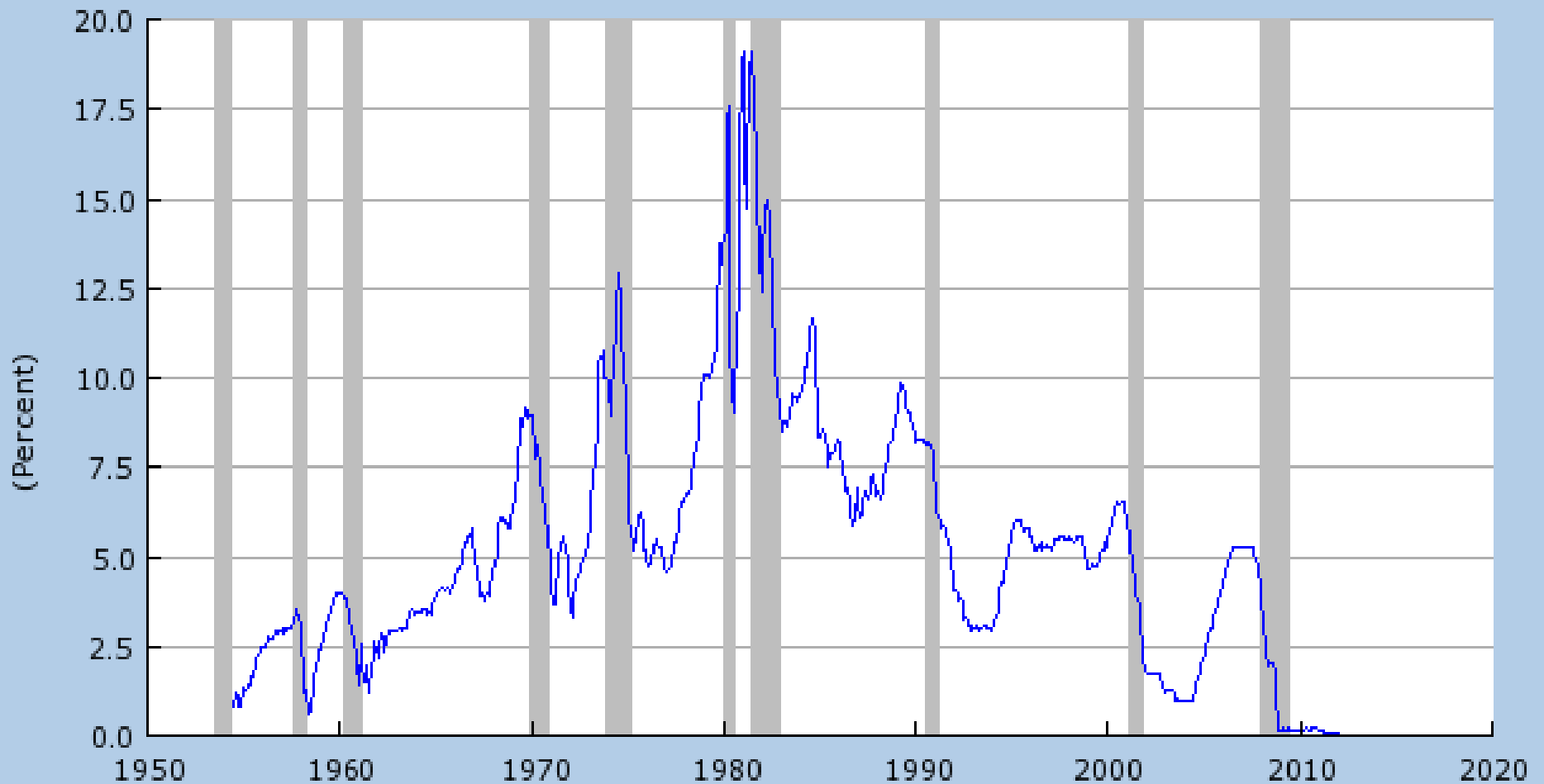


U.S. Labor Force Participation Rate



Federal Funds Rate

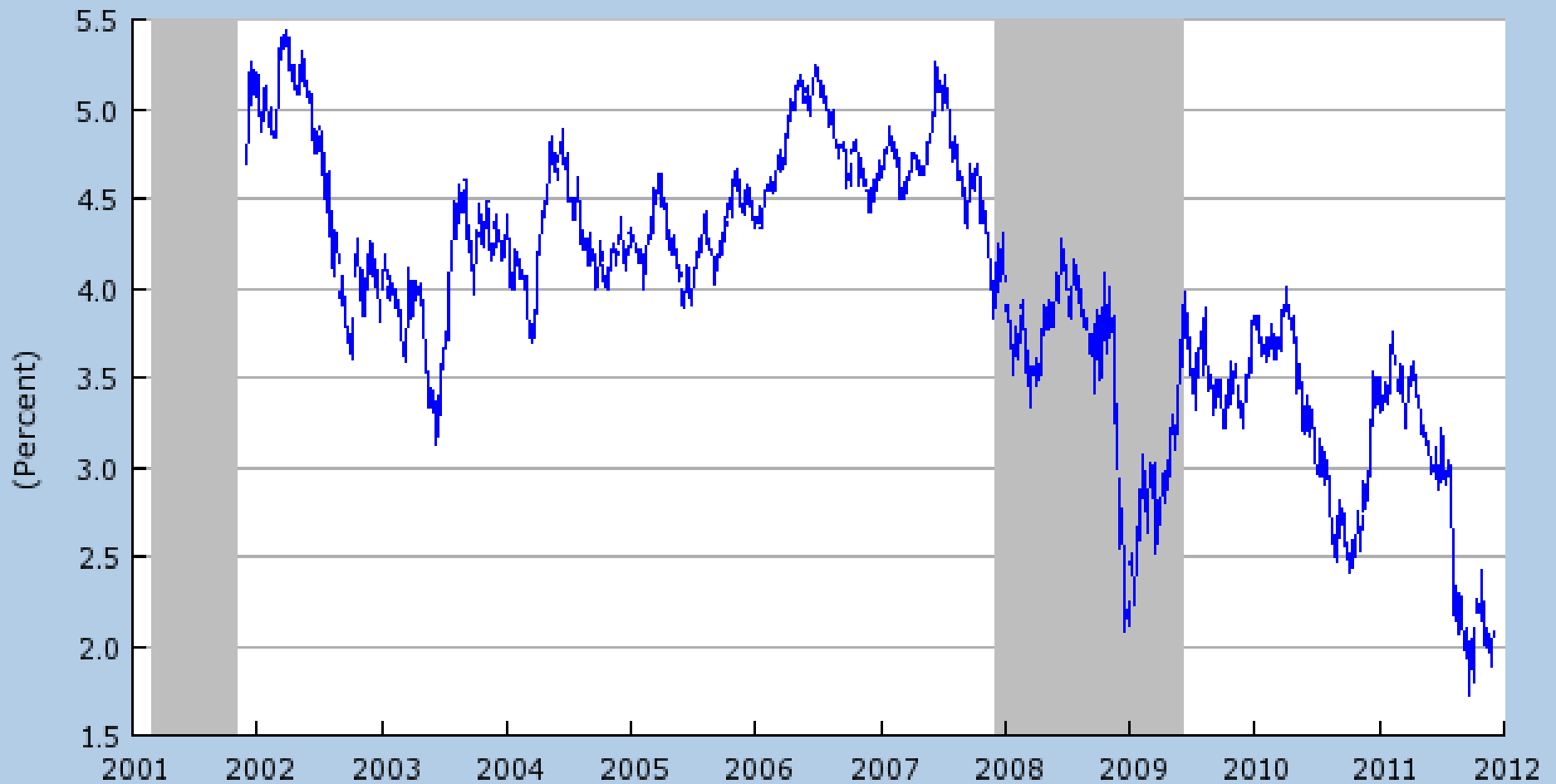
Effective Federal Funds Rate (FEDFUNDS)
Source: Board of Governors of the Federal Reserve System



Shaded areas indicate US recessions.
2012 research.stlouisfed.org

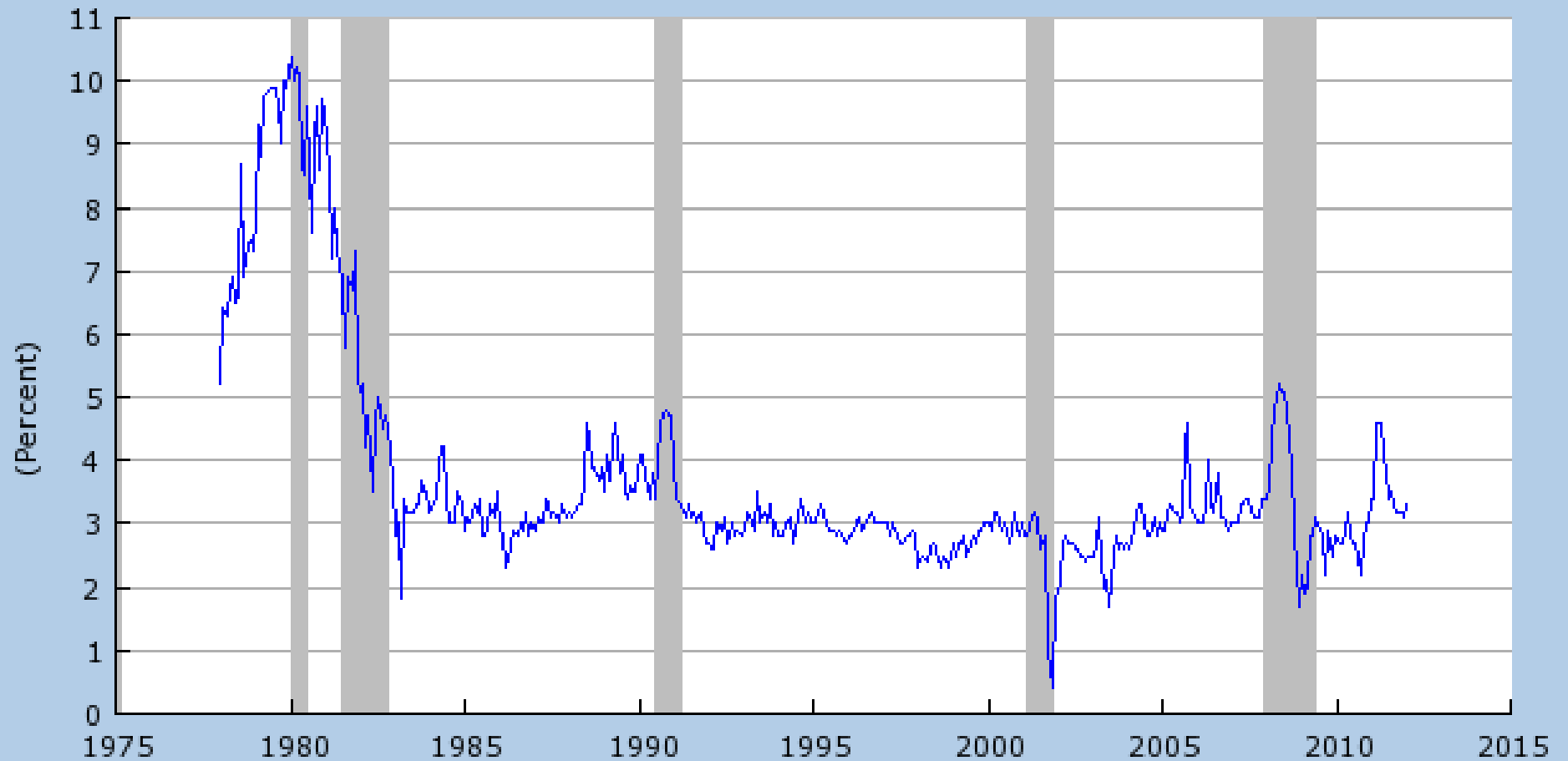
Long-term Rates

10-Year Treasury Constant Maturity Rate (DGS10)
Source: Board of Governors of the Federal Reserve System



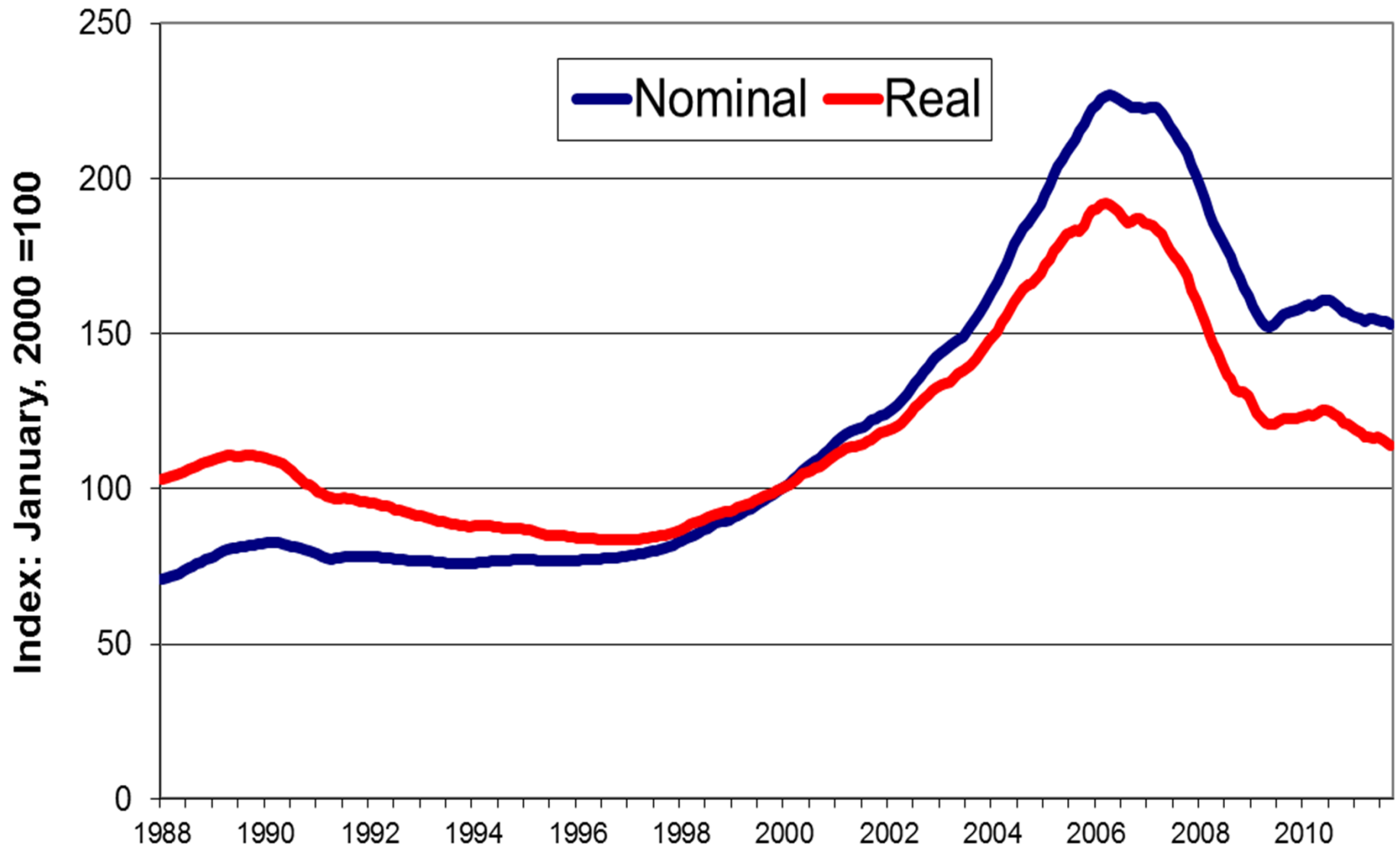
Expected Inflation Rate

University of Michigan Inflation Expectation (MICH)
Source: Thomson Reuters/University of Michigan



Shaded areas indicate US recessions.
2012 research.stlouisfed.org

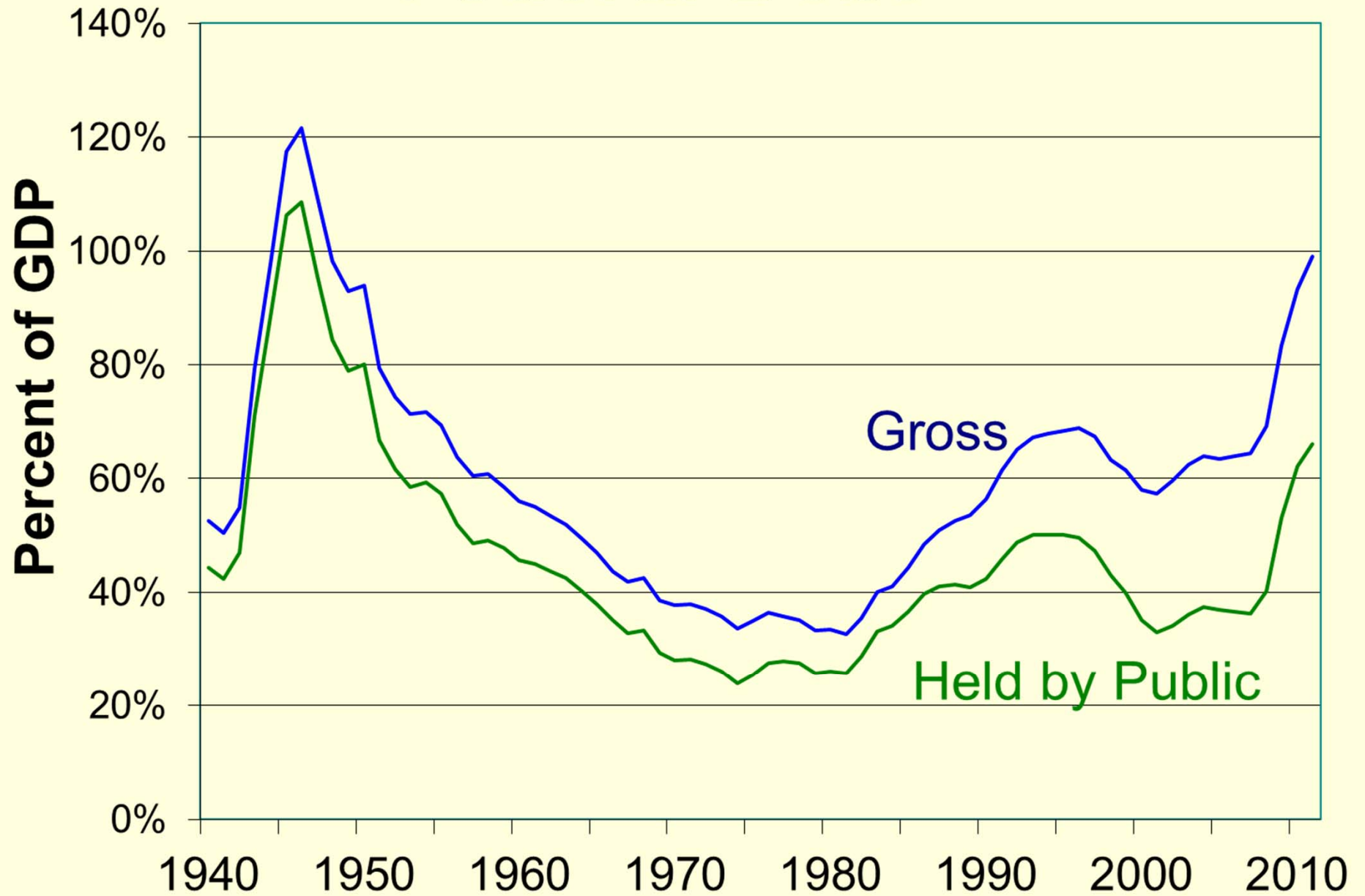
Case-Shiller 10 City House Price Index



Latest data: September, 2011

Case-Shiller & BLS

Federal Debt

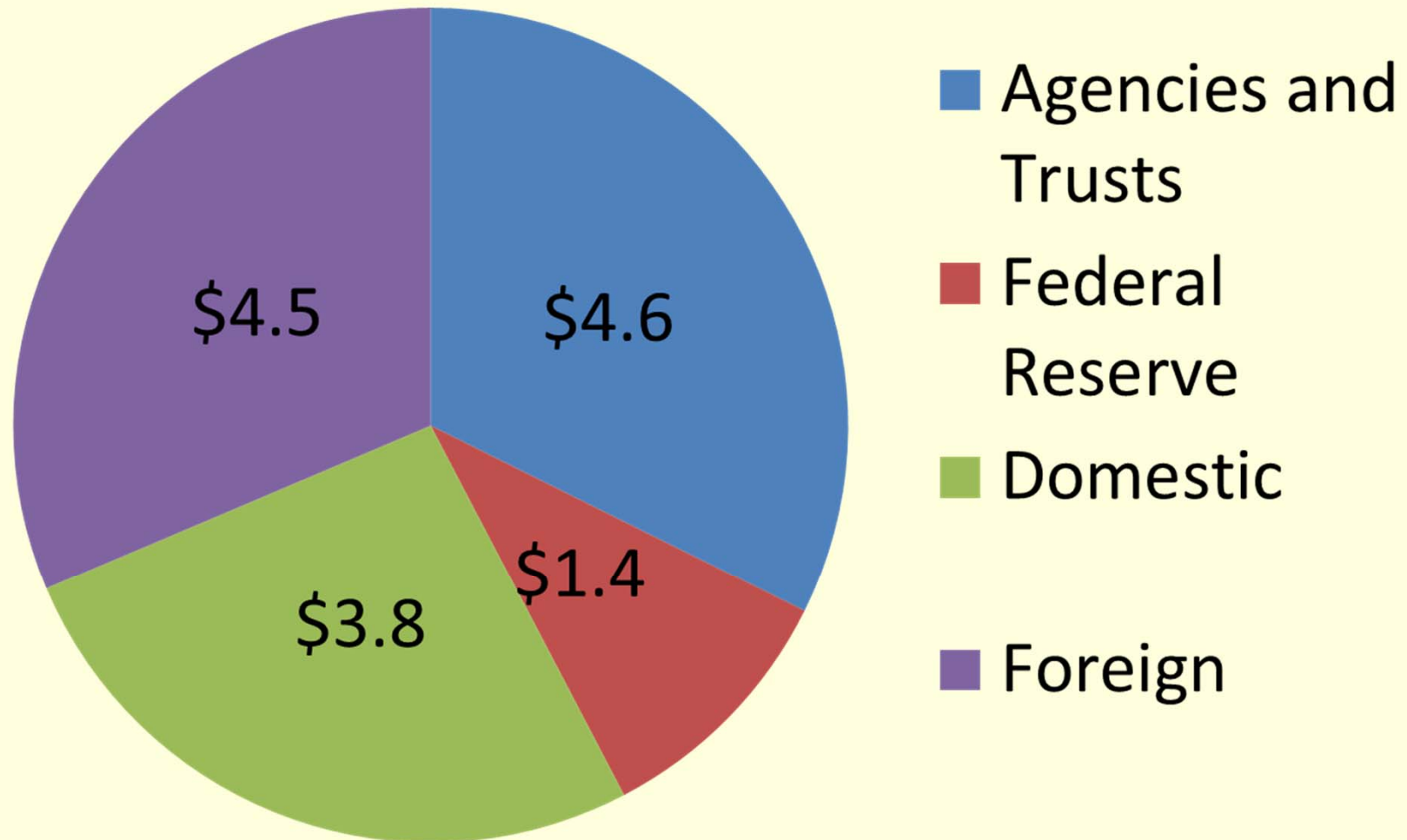


Debt as a Percent of GDP (2010)

	Net Debt	Total Debt
Greece	142	142
Japan	117	155
Portugal	79	93
France	75	82
Italy	70	119
Ireland	69	94
Spain	48	60
USA	62	95
World	60	80

Ownership of Federal Debt

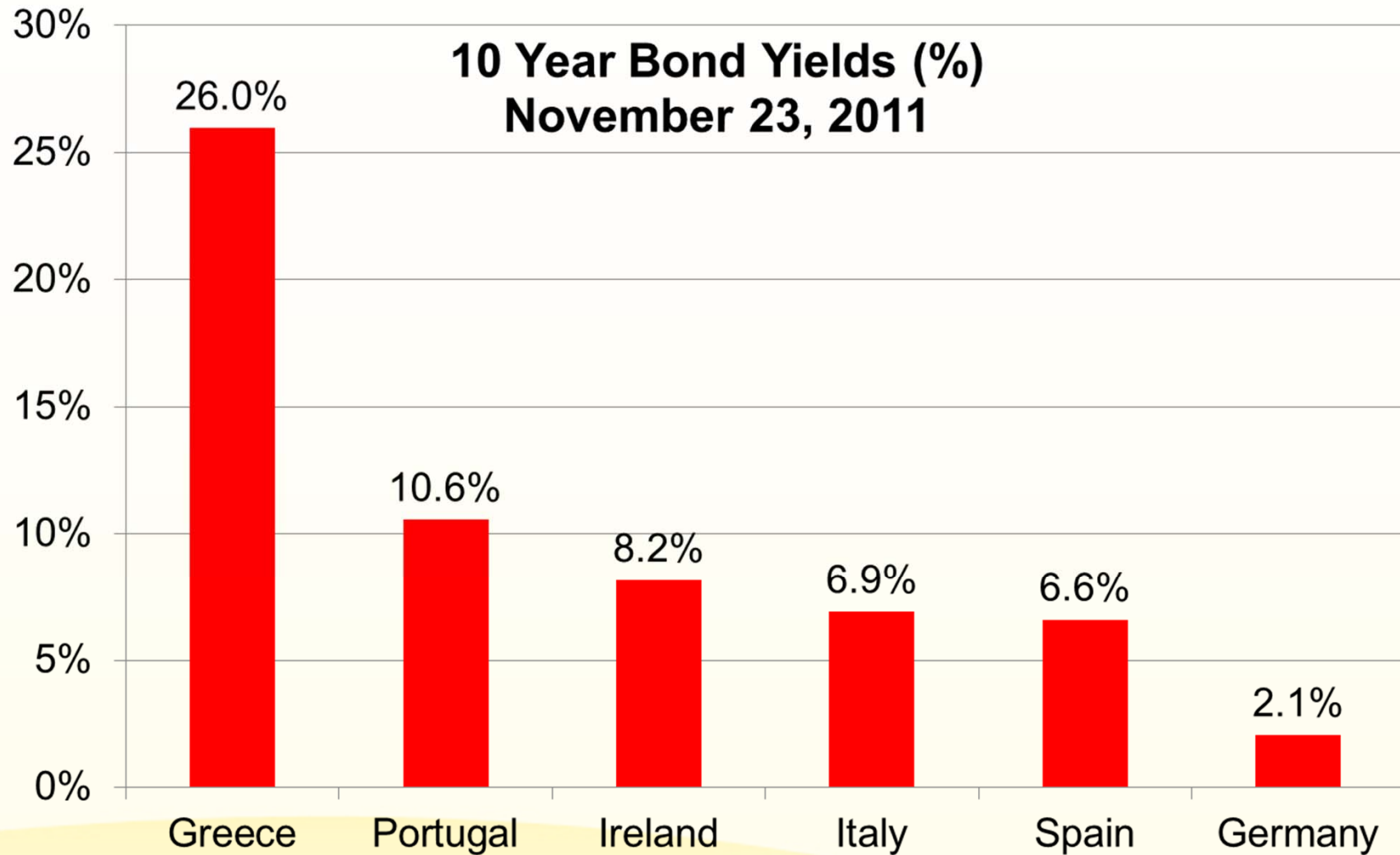
Trillions of Dollars – March 31, 2011



How Much Debt is “Too Much?”

- When lenders worry that the country won't be *willing and/or able* to pay it back, so
- Interest rates rise to compensate lenders for:
 - Default Risk and/or
 - Inflation Risk

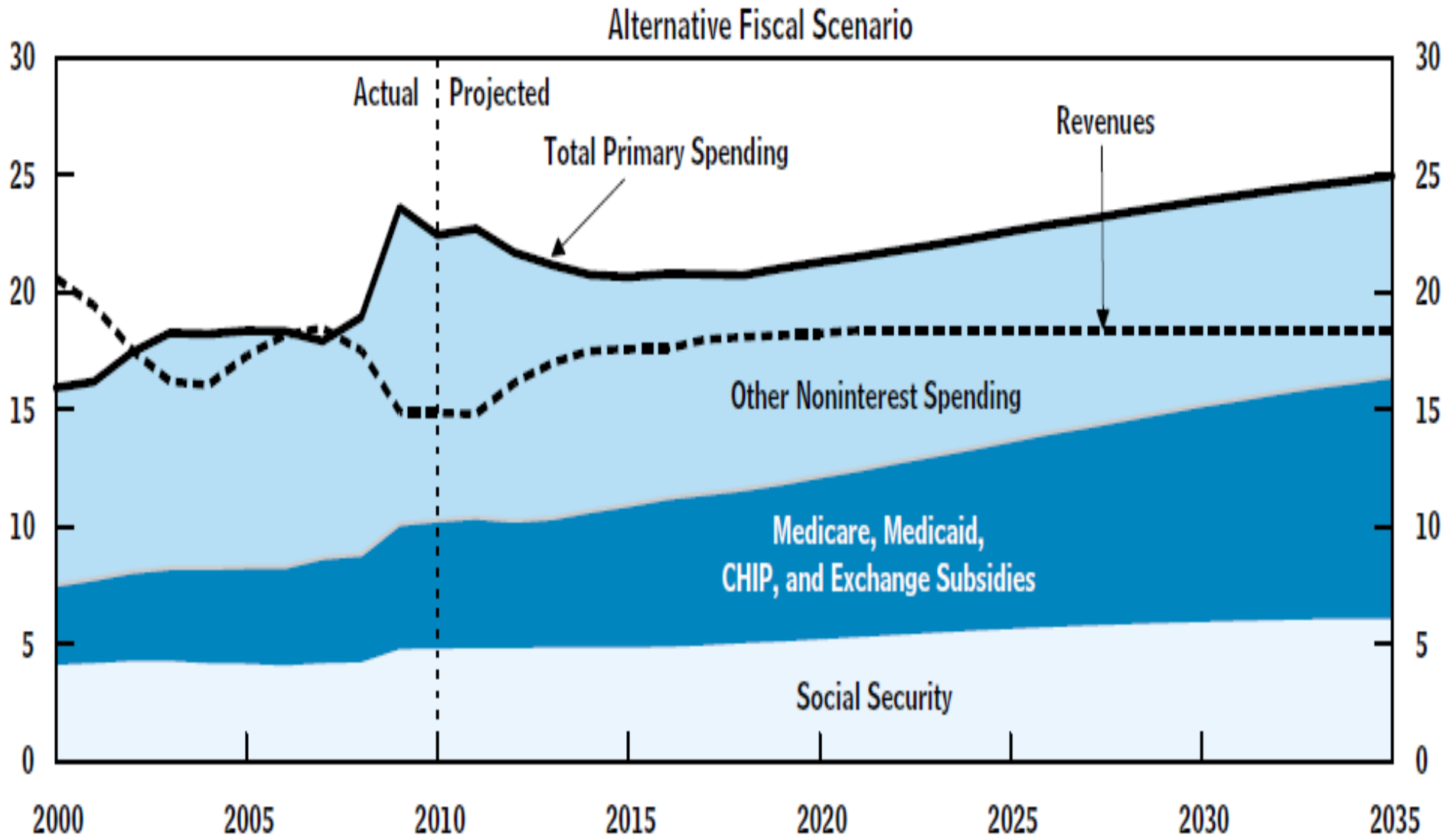
When Lenders Lose Faith ...



As of December 8, 2011 ...

- The US Government Debt is NOT “Too Much” in the sense that it Threatens the Economic and Financial System
- But Neither Debt nor Deficits, as Conventionally Measured, Include “Promises” Made to Future Generations

Flat Revenues; Growing Spending



Source: Congressional Budget Office.

QUESTIONS?

