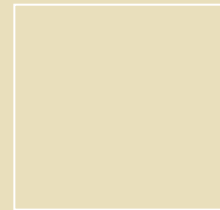
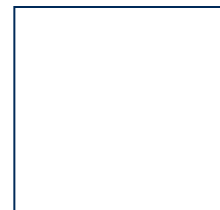
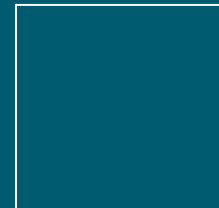


# The Economic Outlook: Will it Help or Hinder Transportation



Richard Kaglic

September 30, 2009



THE FEDERAL RESERVE BANK OF RICHMOND

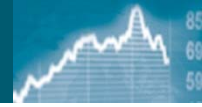
RICHMOND ■ BALTIMORE ■ CHARLOTTE



## Key Points on the Economy

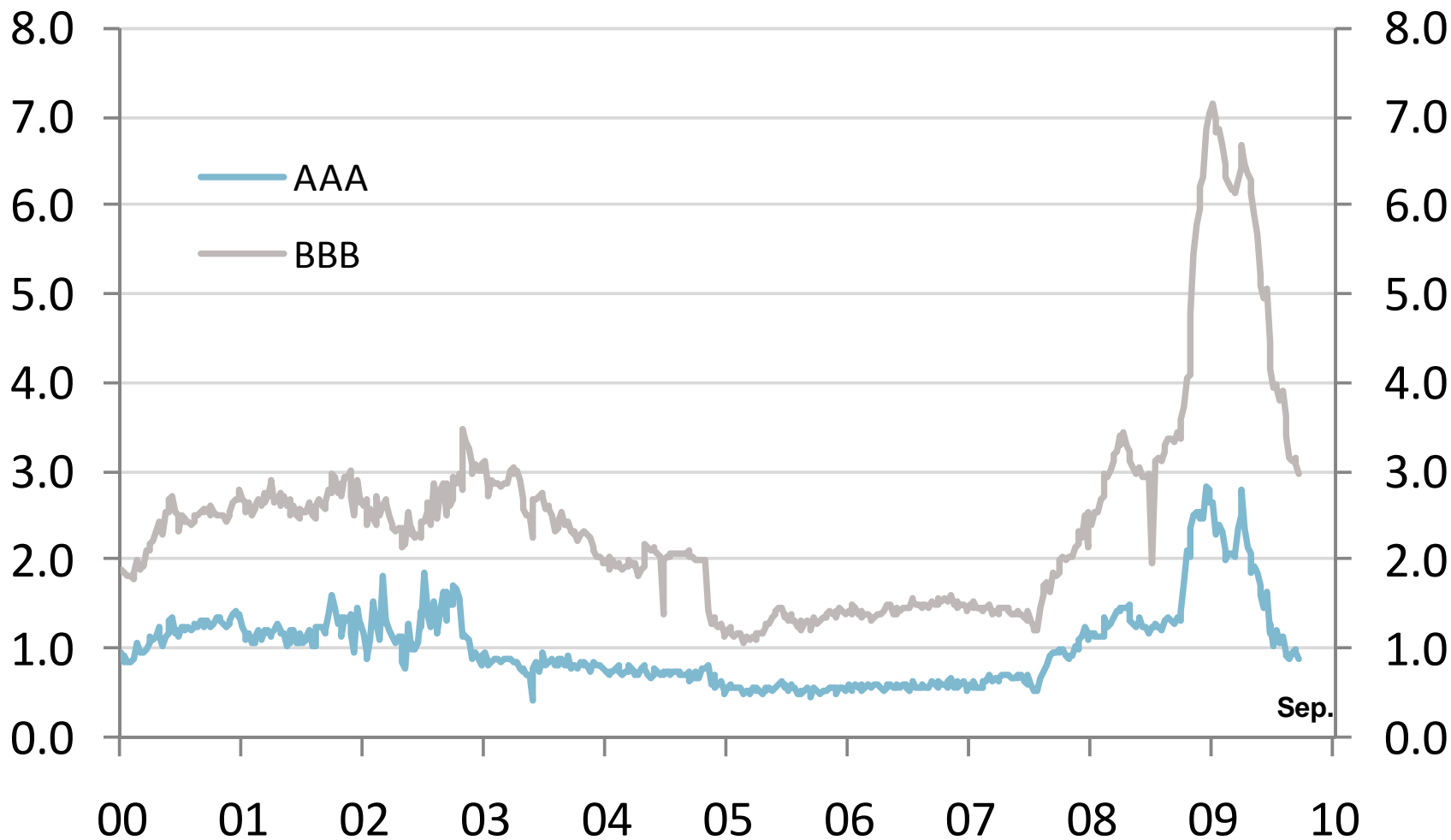
- Indicators suggest some leveling in economy at weak level
  - Q3 GDP likely boosted by consumer spending/household investment, exports, and inventories
  - Business spending/investment constrained by excess capacity and credit conditions
  - Transportation metrics are turning
- Outlook calls for extended period of weakness
  - Low trajectory climb out of the trough
  - Weak labor markets will limit household spending growth
  - Excess capacity, credit availability, and frayed nerves may limit business spending
  - Lower probability outcomes (double-dip, better-than-expected)

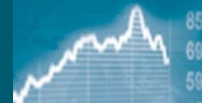




# Corporate Risk Premia

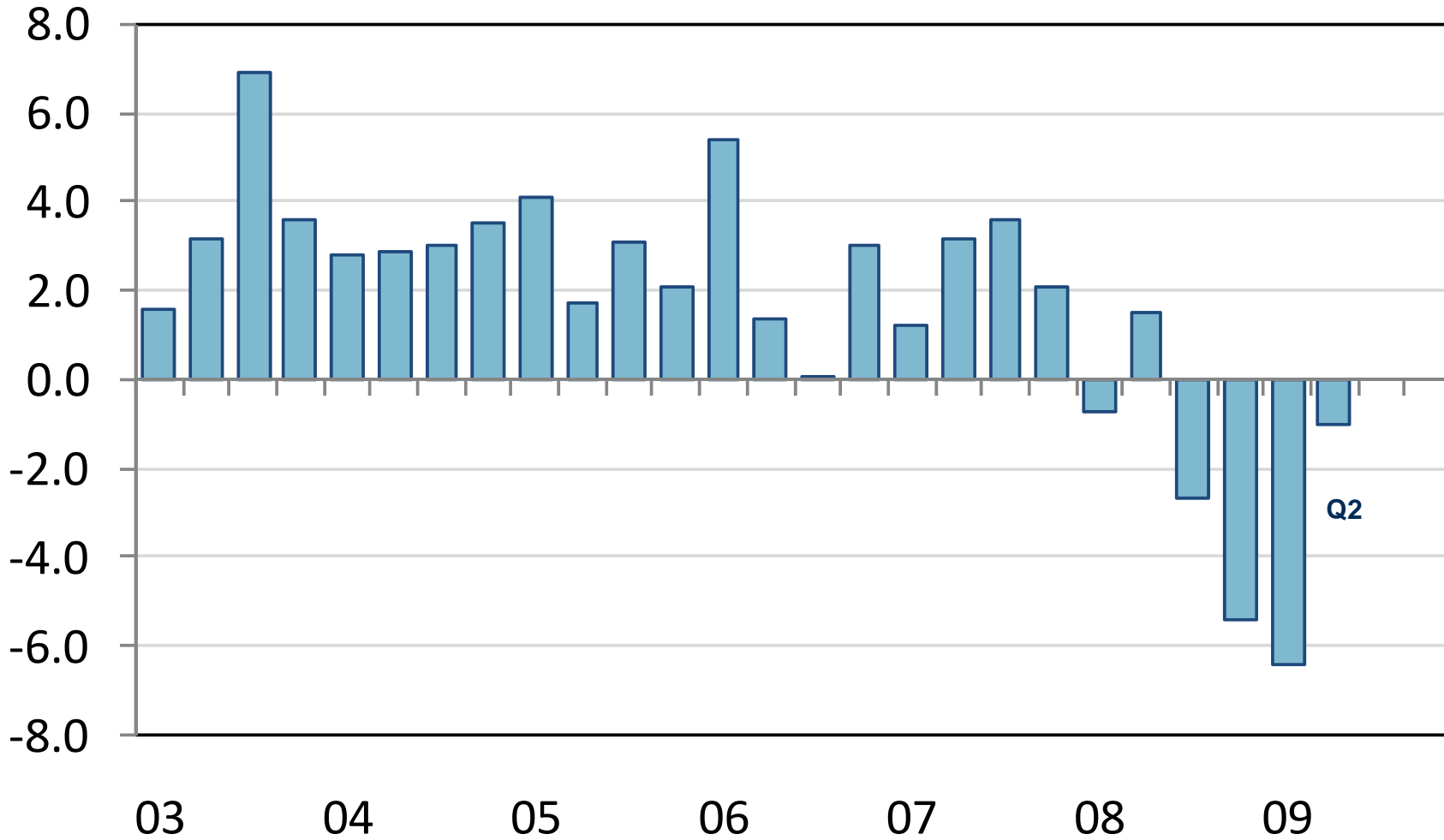
Percent

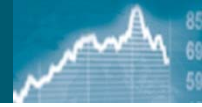




# Real Gross Domestic Product

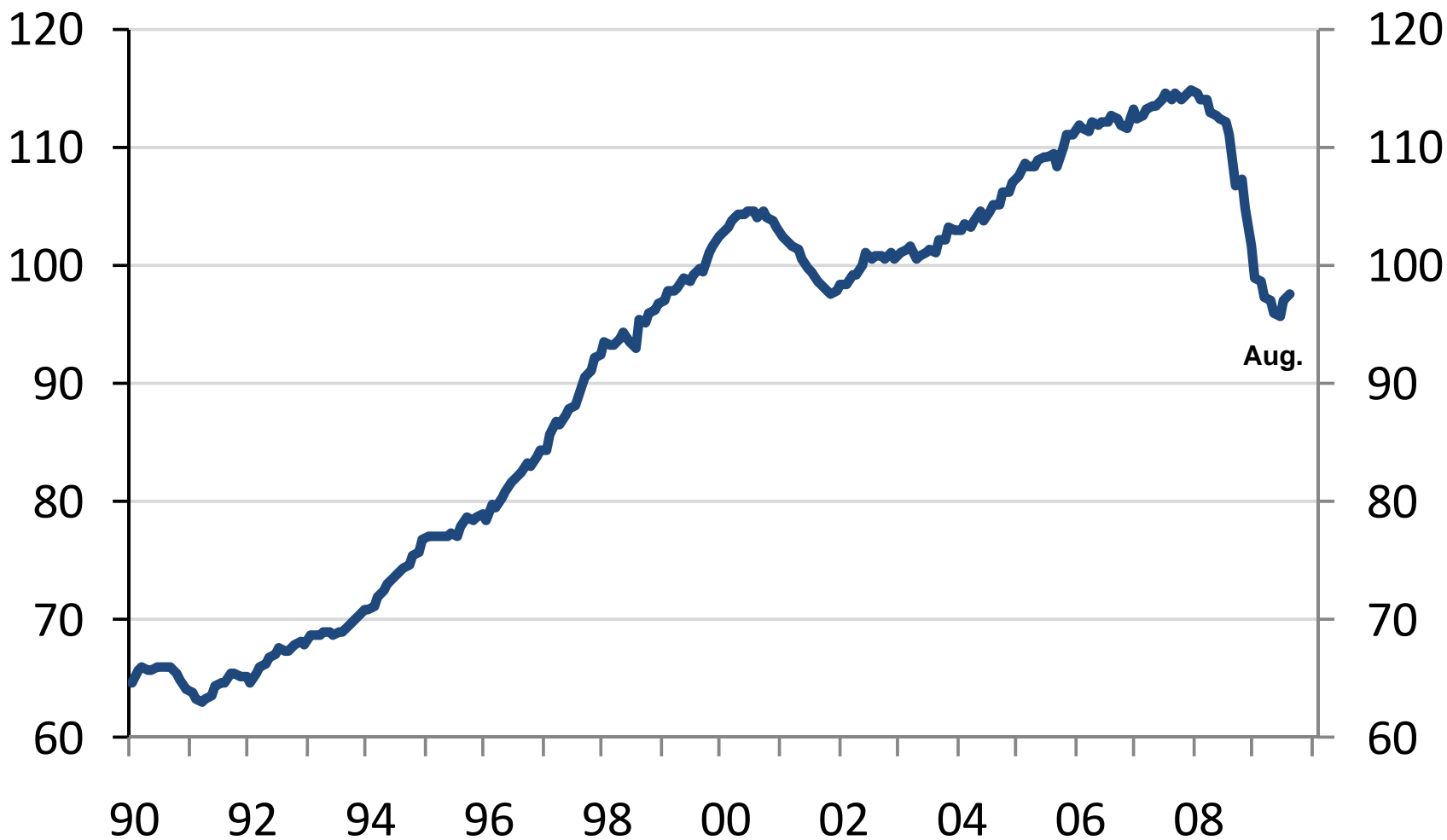
Percent change from previous quarter (SAAR)

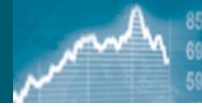




# Industrial Production Index: Manufacturing

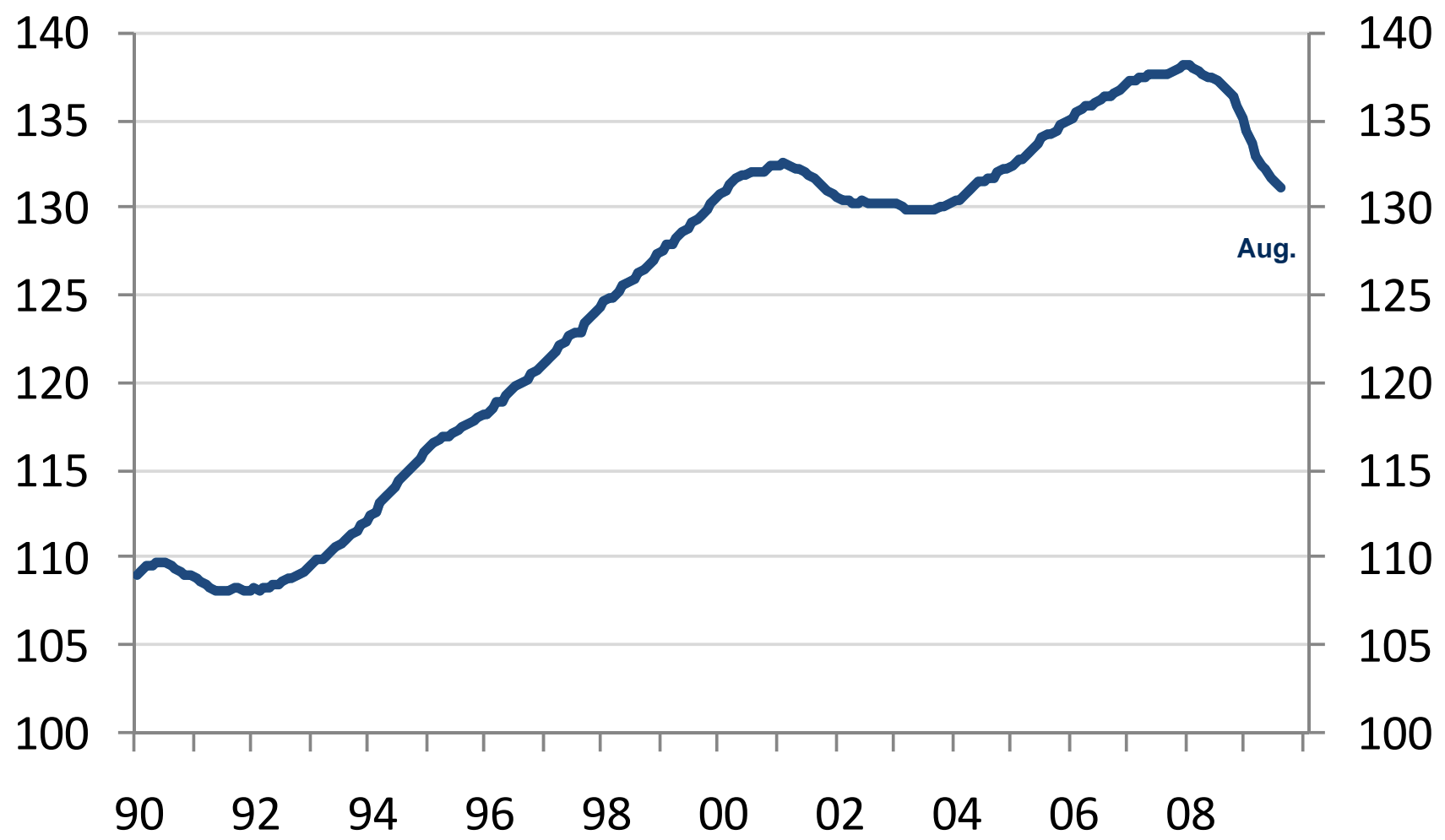
2002 = 100

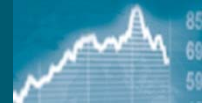




# Total Nonfarm Payroll employment

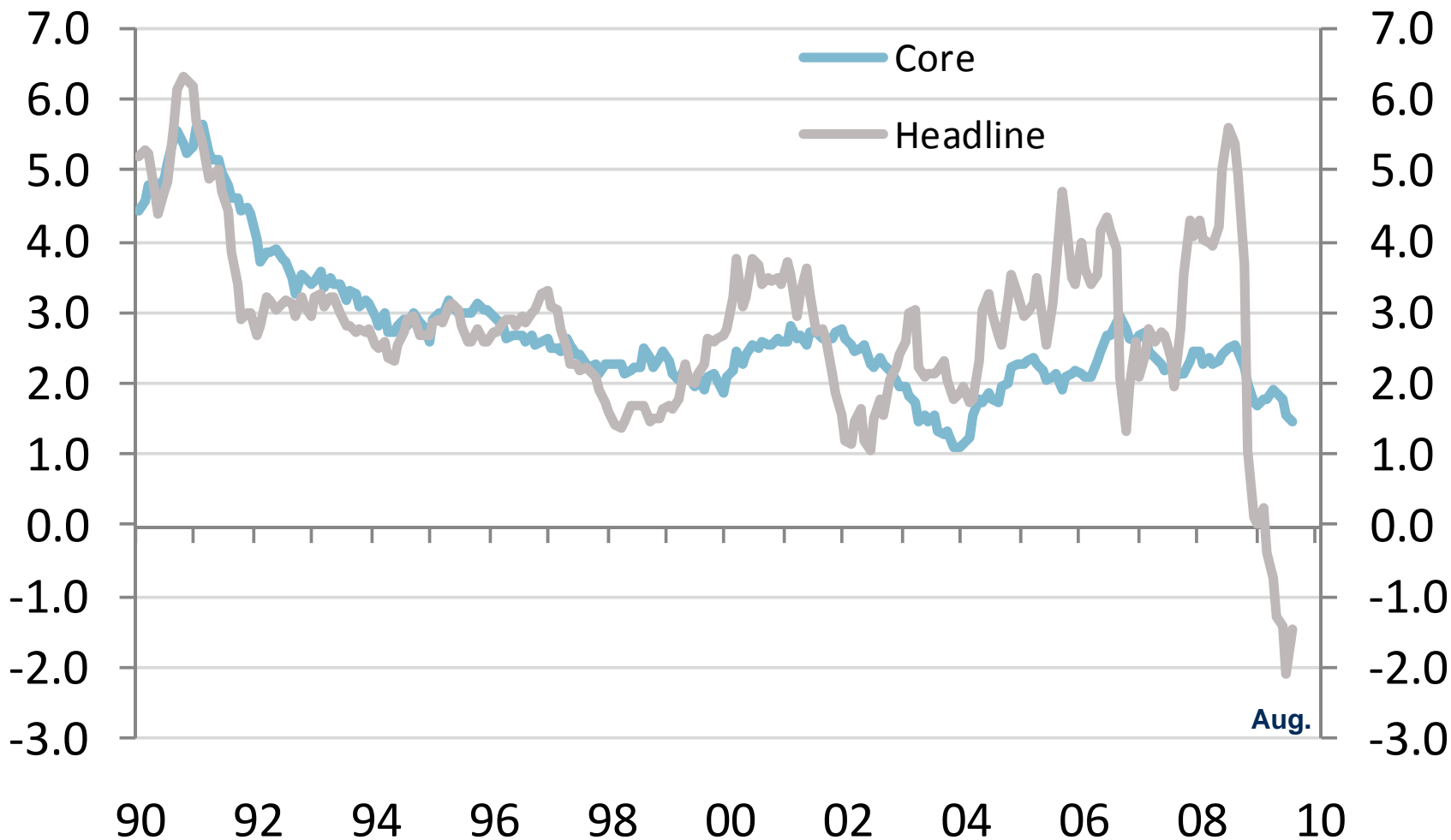
Millions

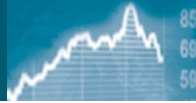




# Consumer Price Indexes

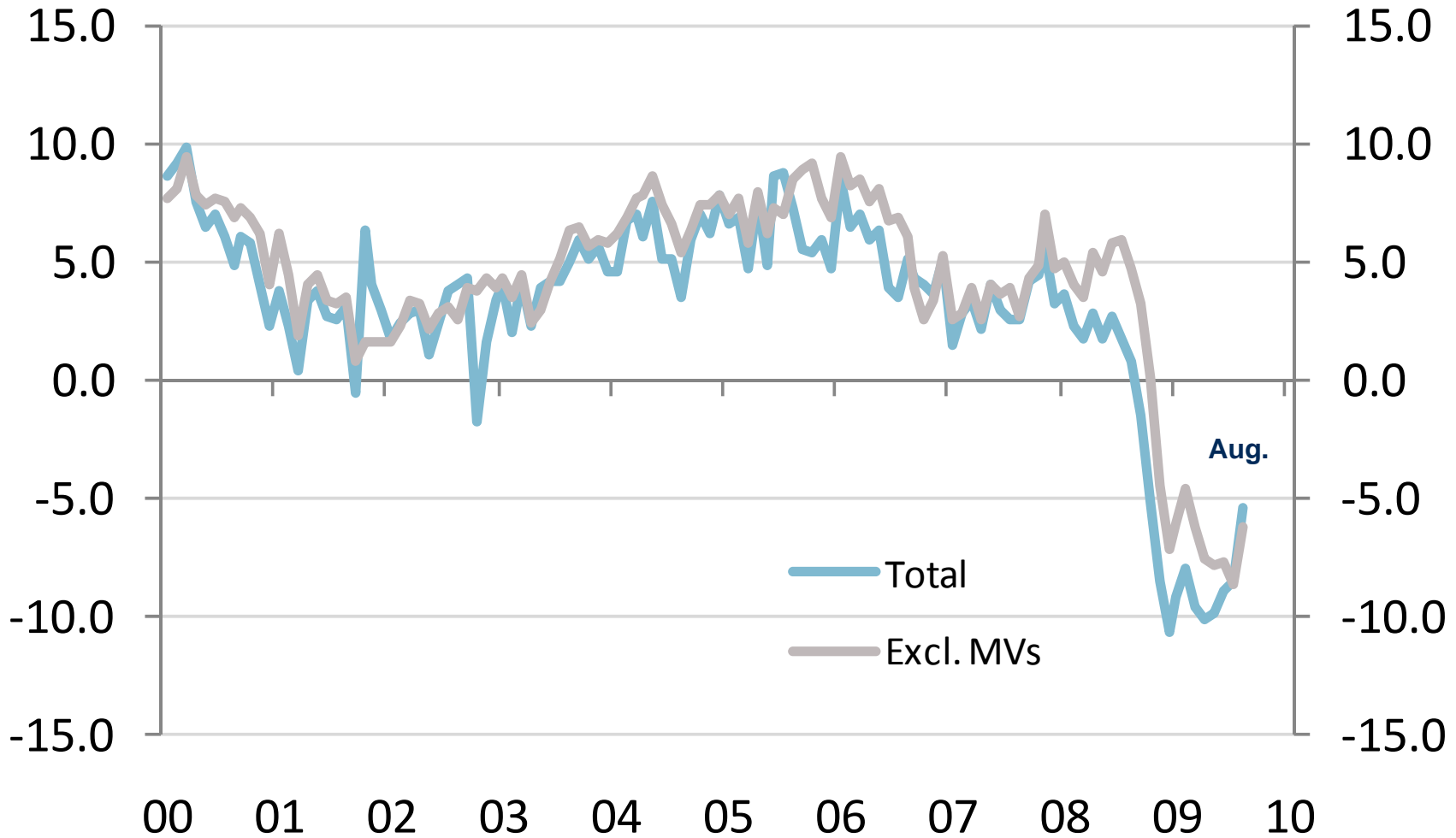
Percent change from same month a year earlier





# Retail Sales

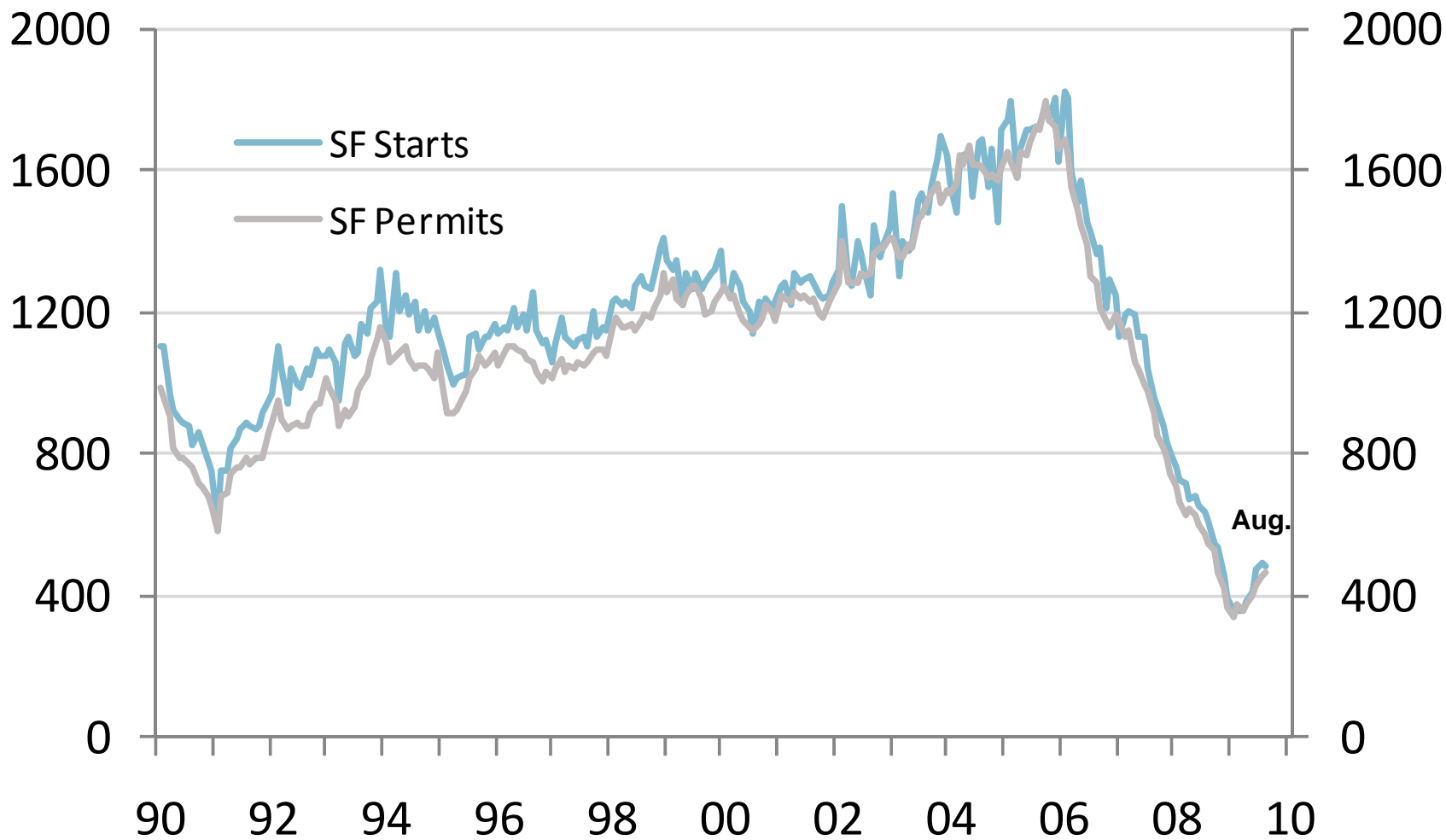
Percent change from same month a year earlier

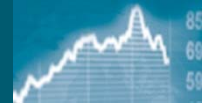




# New Home Construction

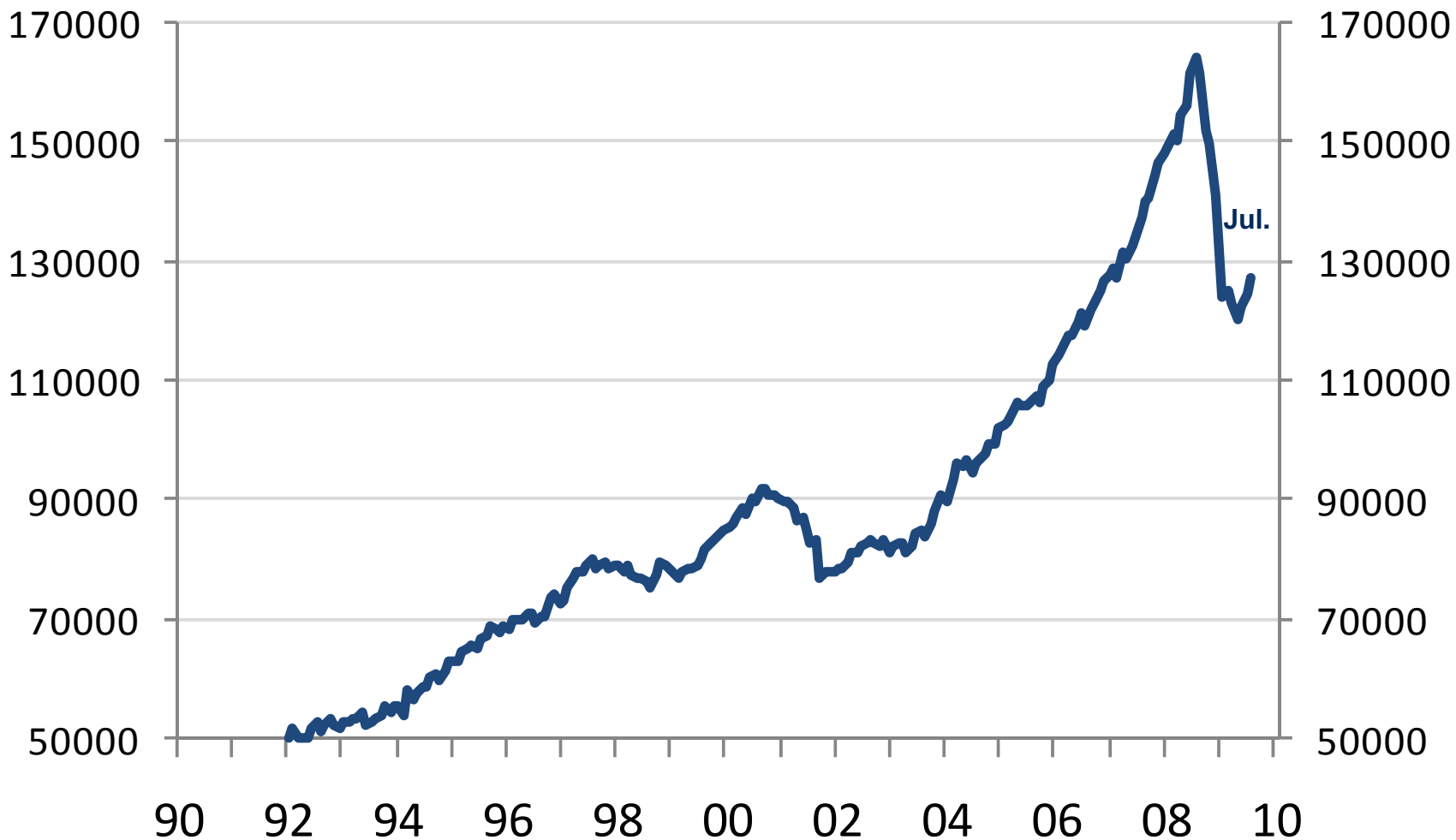
Thousands of Units (SAAR)





# Exports

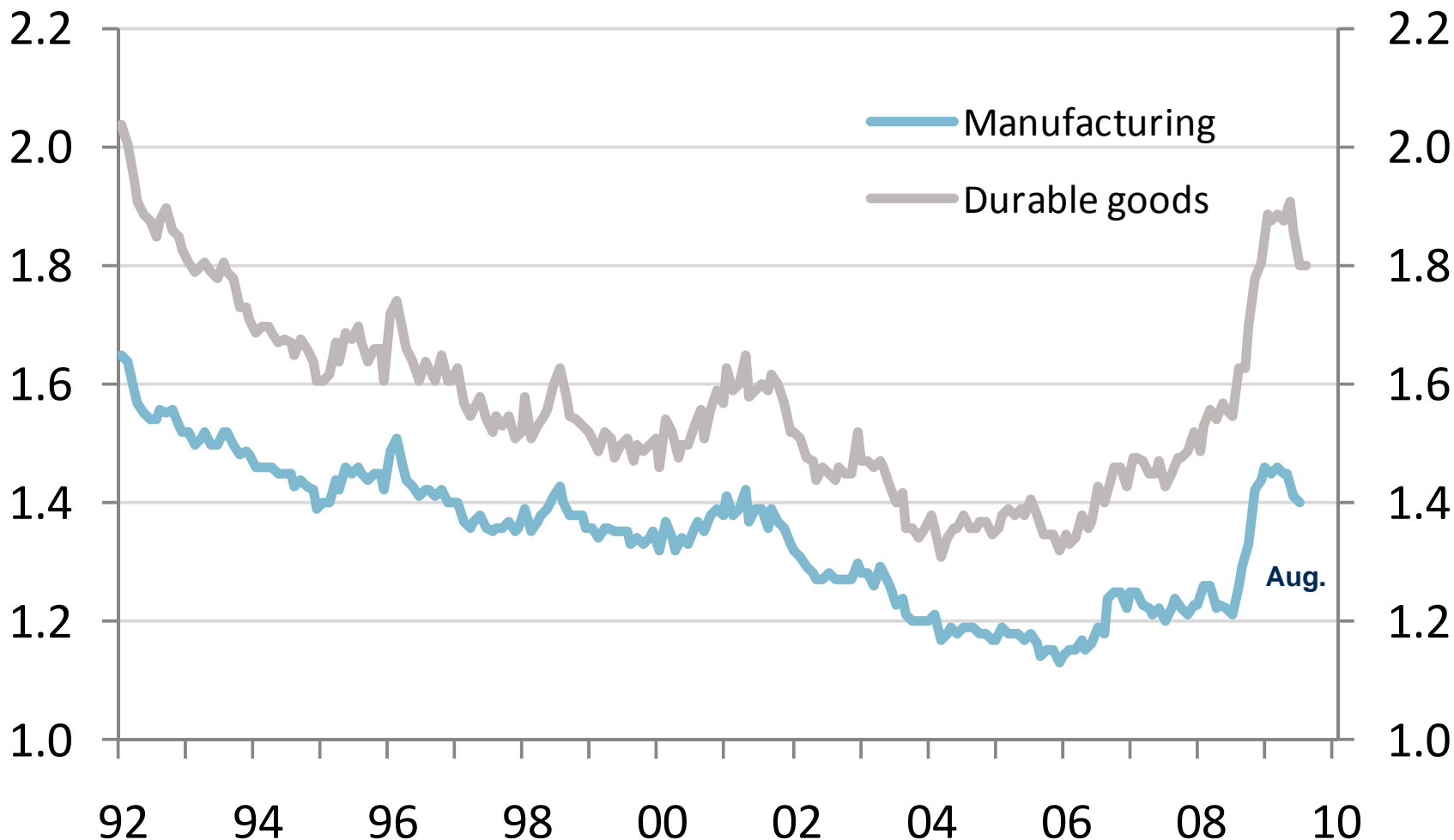
Millions of dollars (SA)





# Manufacturing Inventories

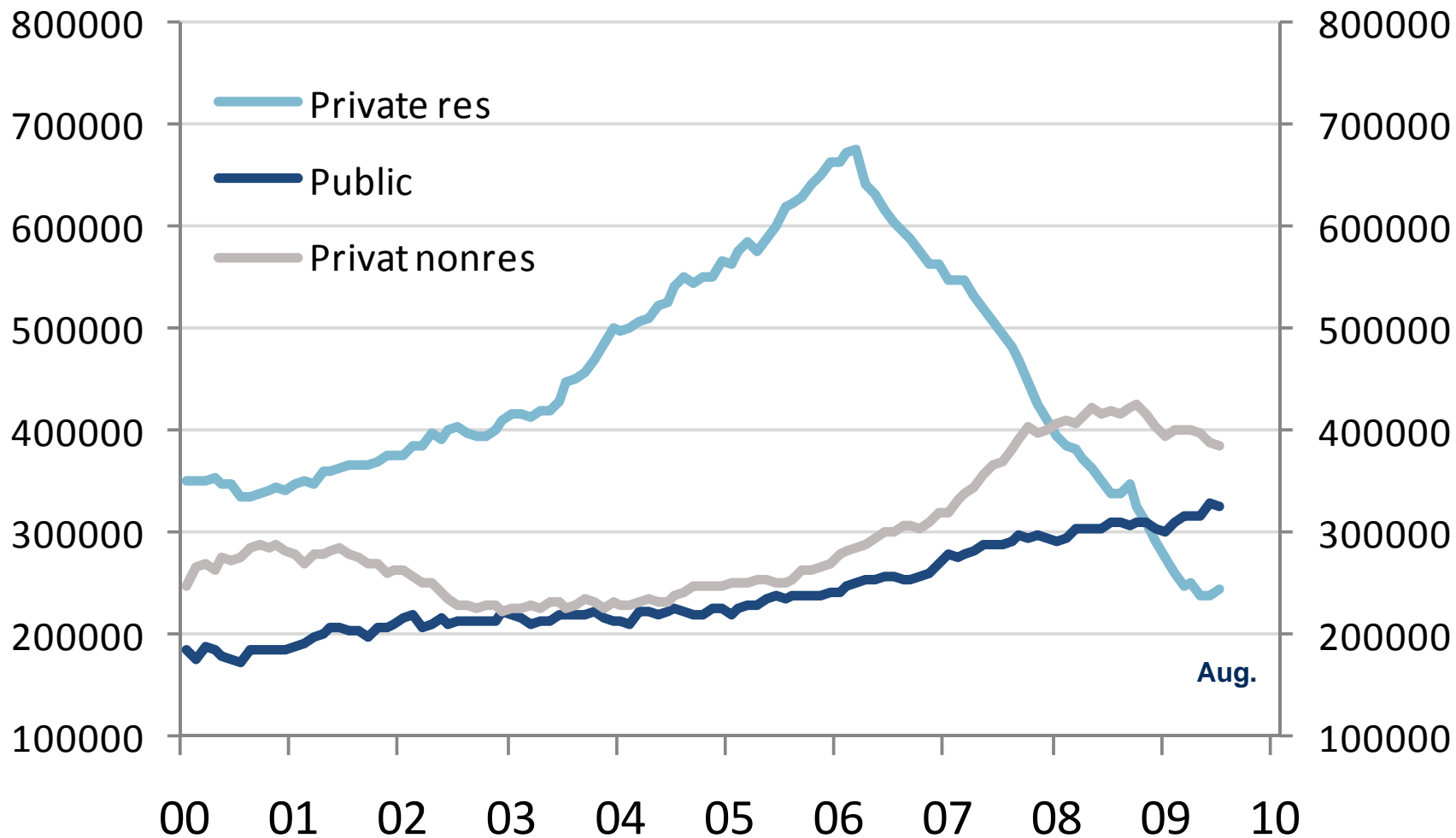
Ratio, inventories to shipments

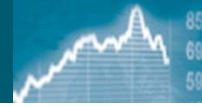




# Nonresidential Construction

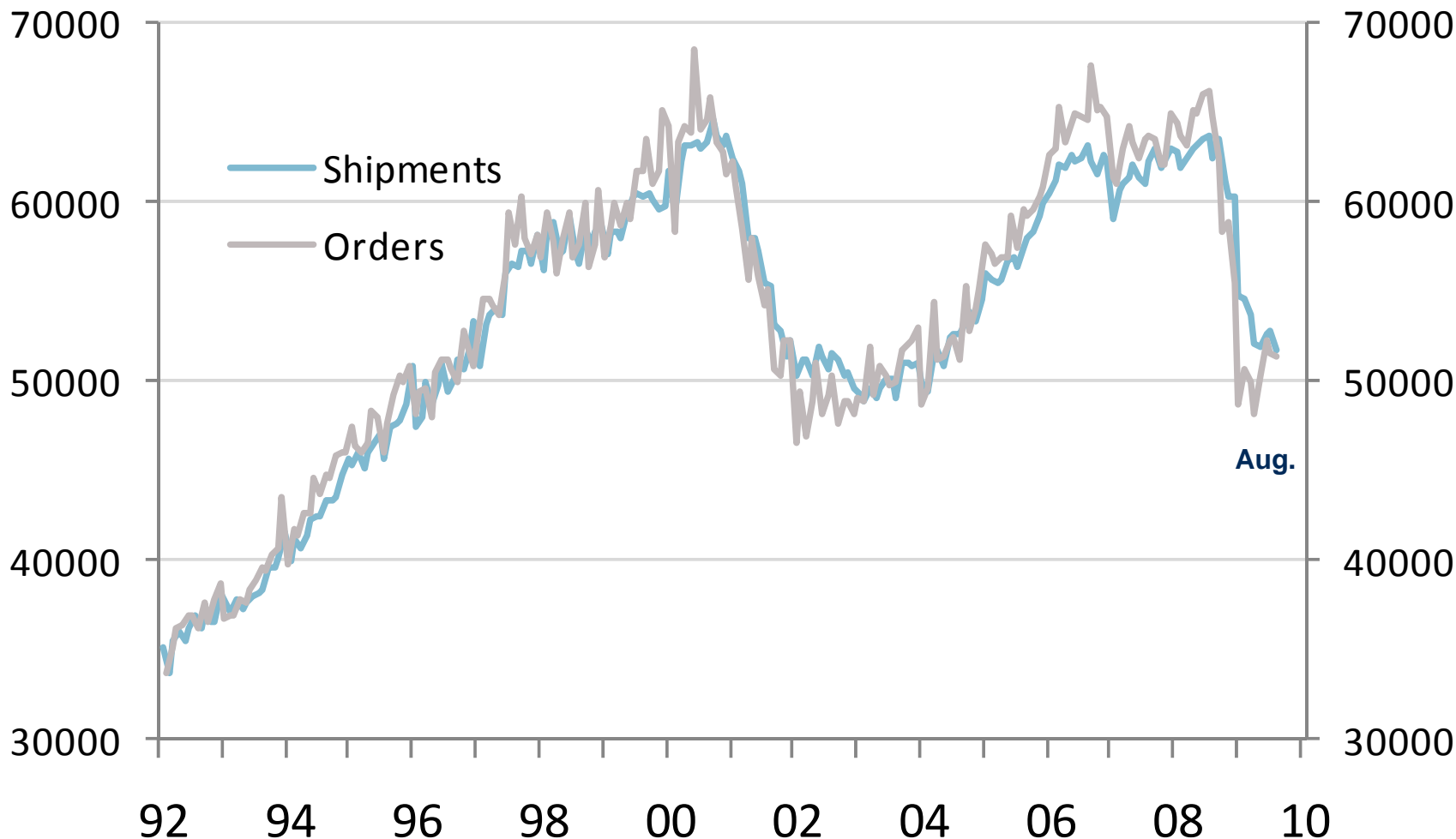
Millions of dollars (SAAR)





# Nondefense Capital Goods, Excluding Aircraft

Millions of dollars (SA)

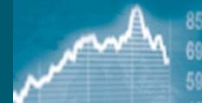




## The Outlook

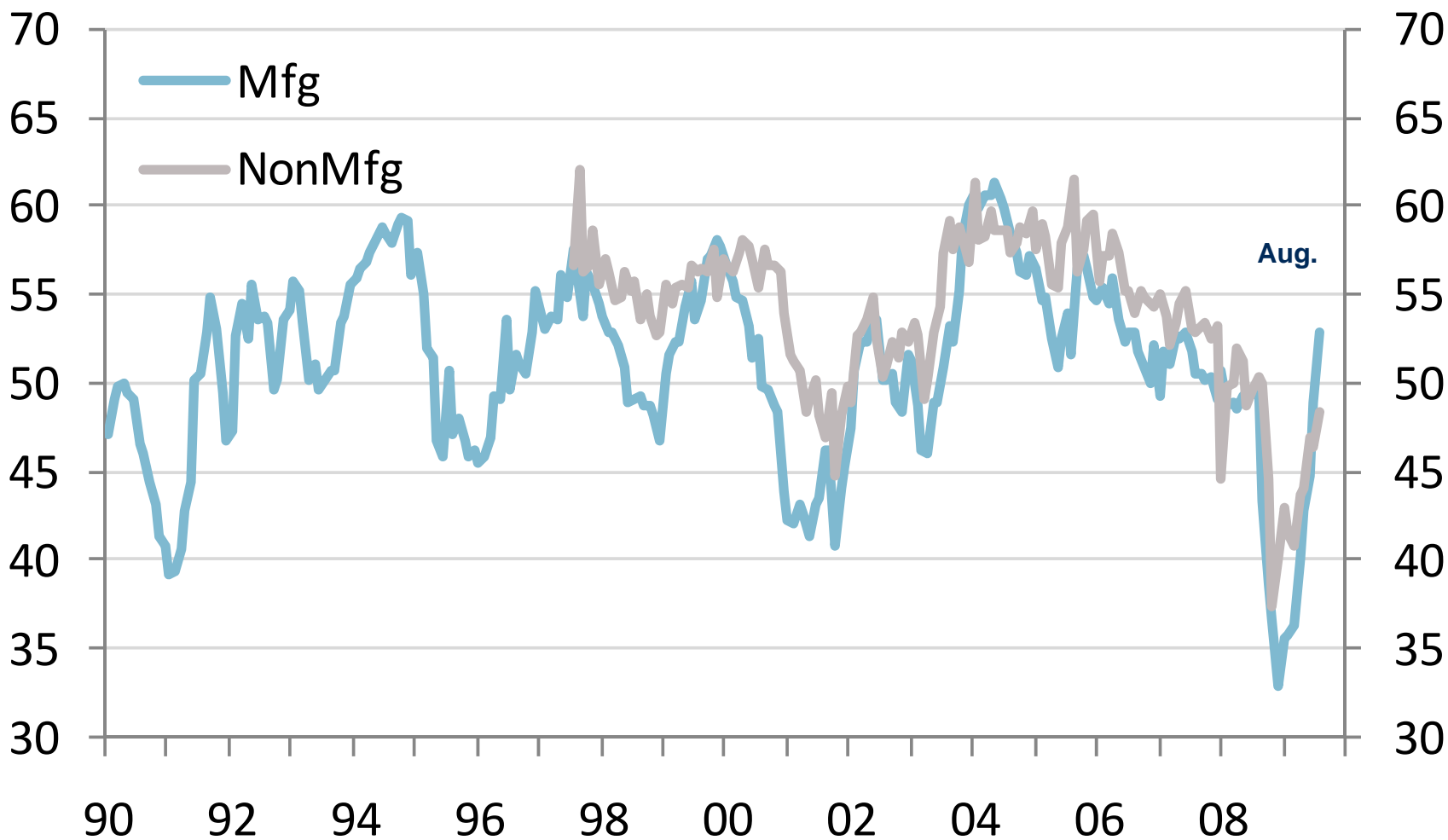
- Low trajectory climb out of the trough
- Consumers constrained and investment limited
- Investment hindered by weak demand, capacity excesses, credit conditions
- Global economy is weak, but improving
- What to look for:
  - Production to pick up
  - Firms need working capital to expand
  - Hiring

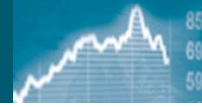




# Purchasing Managers Indexes

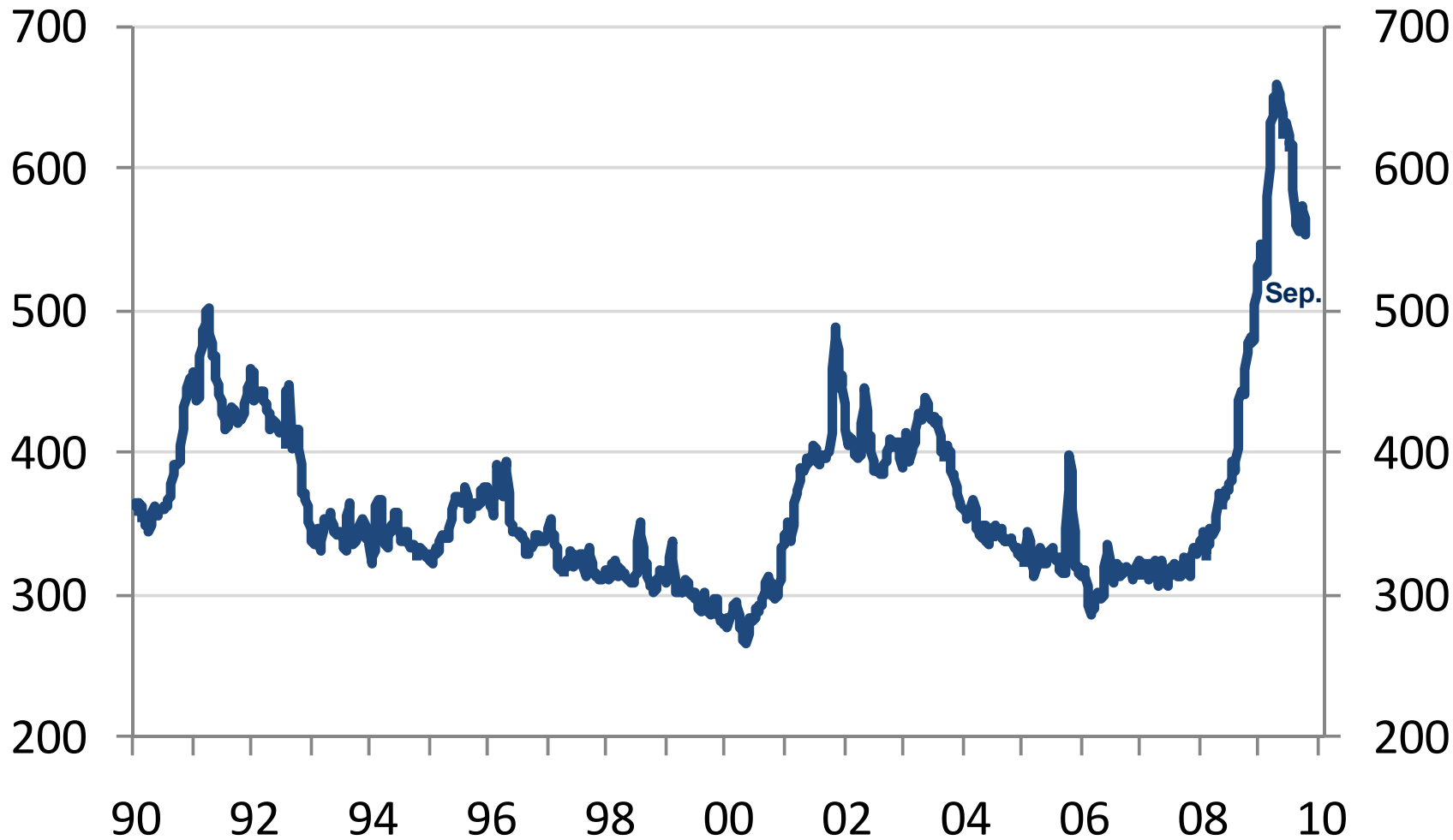
Index >50 suggests expansion, index < 50 suggests contraction





# Initial Unemployment Claims

Thousands (SA, 4wk moving average)





# Thank You for Your Time



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