

National Economic Overview

Bo Zhao, Economist

New England Public Policy Center

Presentation to New Hampshire House and
Senate Ways and Means and Finance
Committees

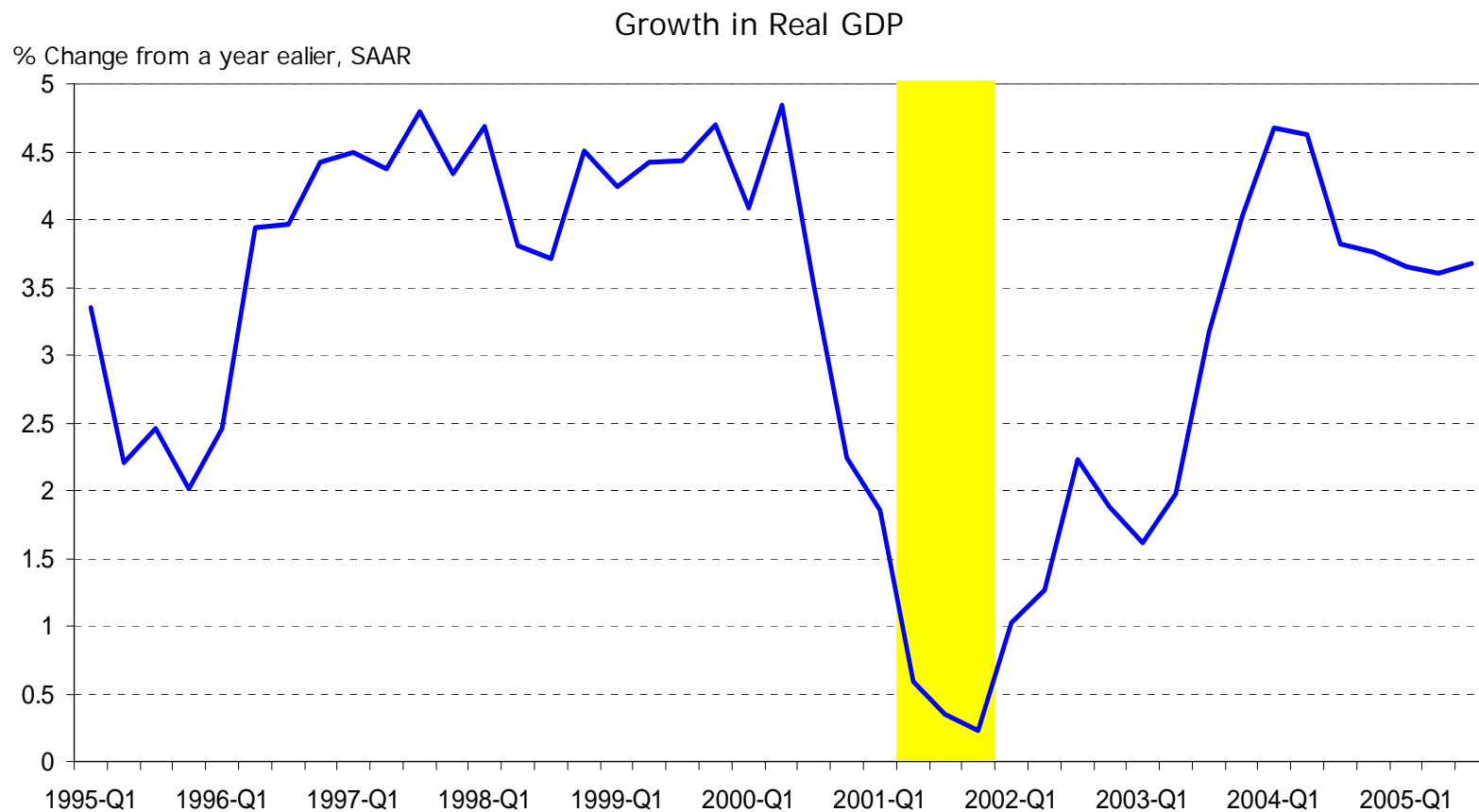
December 13, 2005



Outline

- GDP and its components
- Unemployment
- Prices
- Economic outlook

Overall economy is expanding, coping well with the hurricane shocks

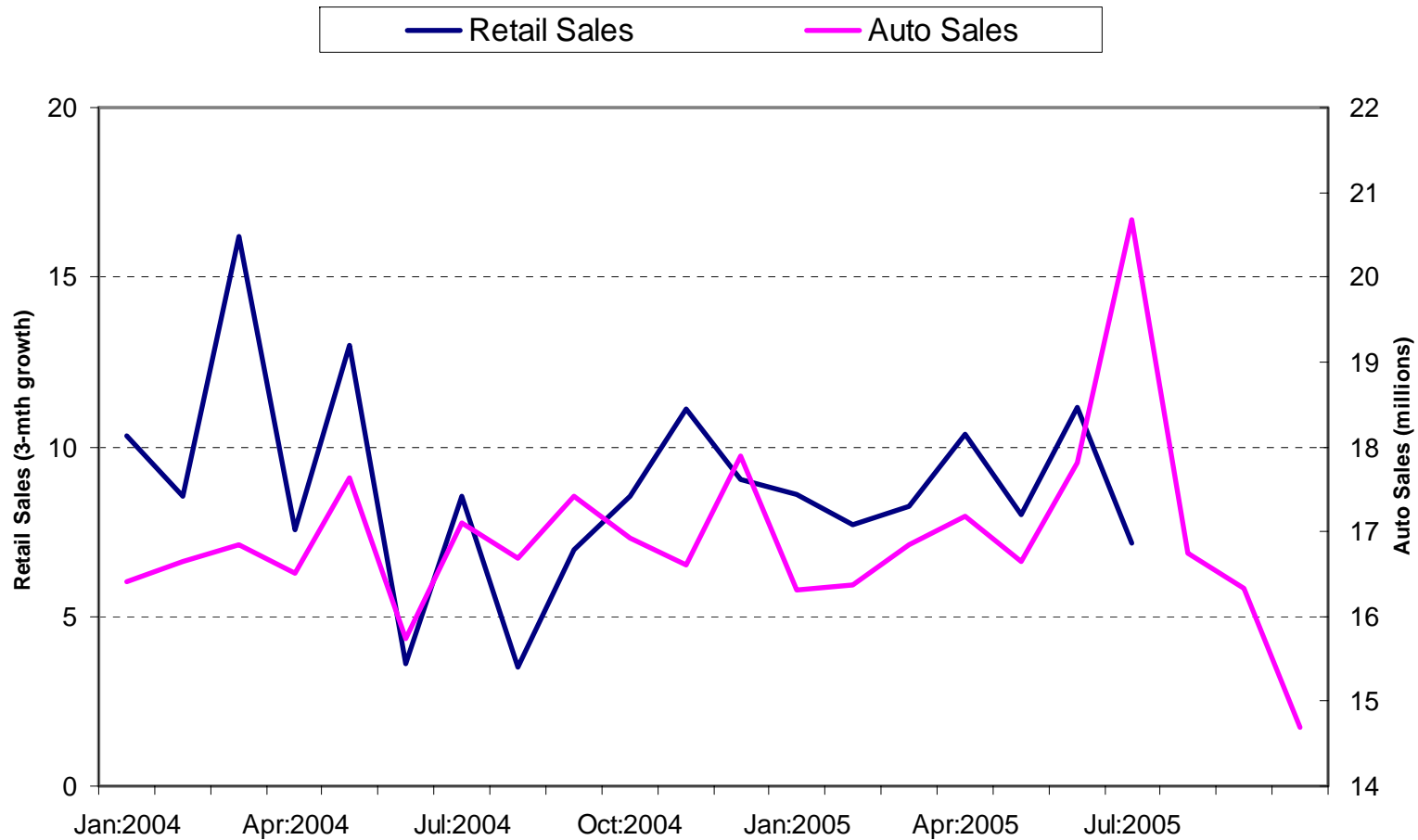


Note: shaded region represents recession as defined by National Bureau of Economic Research
Source: Census Bureau

GDP Components

- Consumption
- Investment
- Government purchases
- Net exports

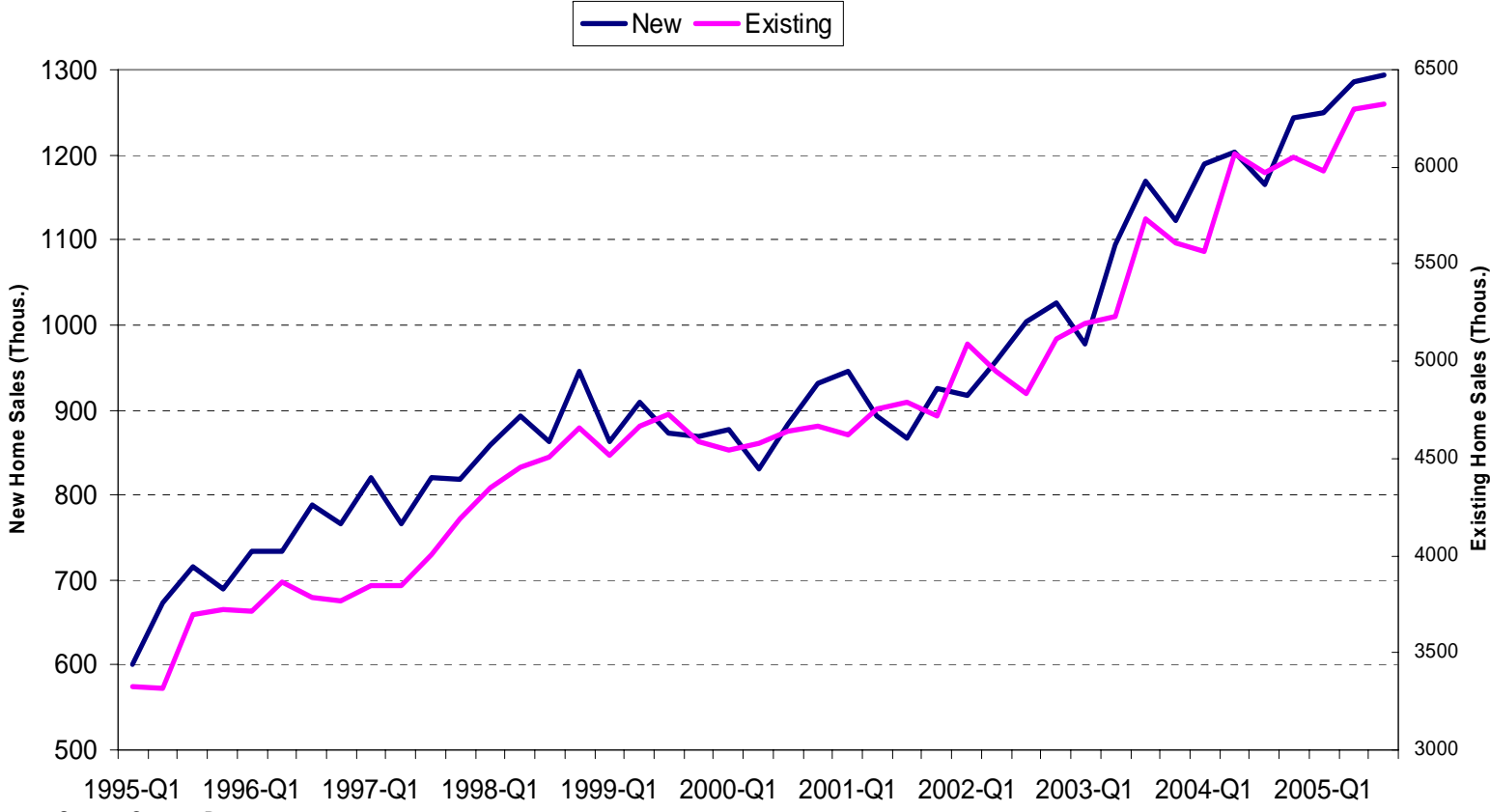
Consumers keep spending



Sources: Retail Sales Total Excl Motor Vehicle & Parts Dealers (SA, Mil.\$), Census Bureau. Total Light Weight Vehicle Sales {Autos+Light Trucks}, Bureau of Economic Analysis.

Home sales set record but start slowdown

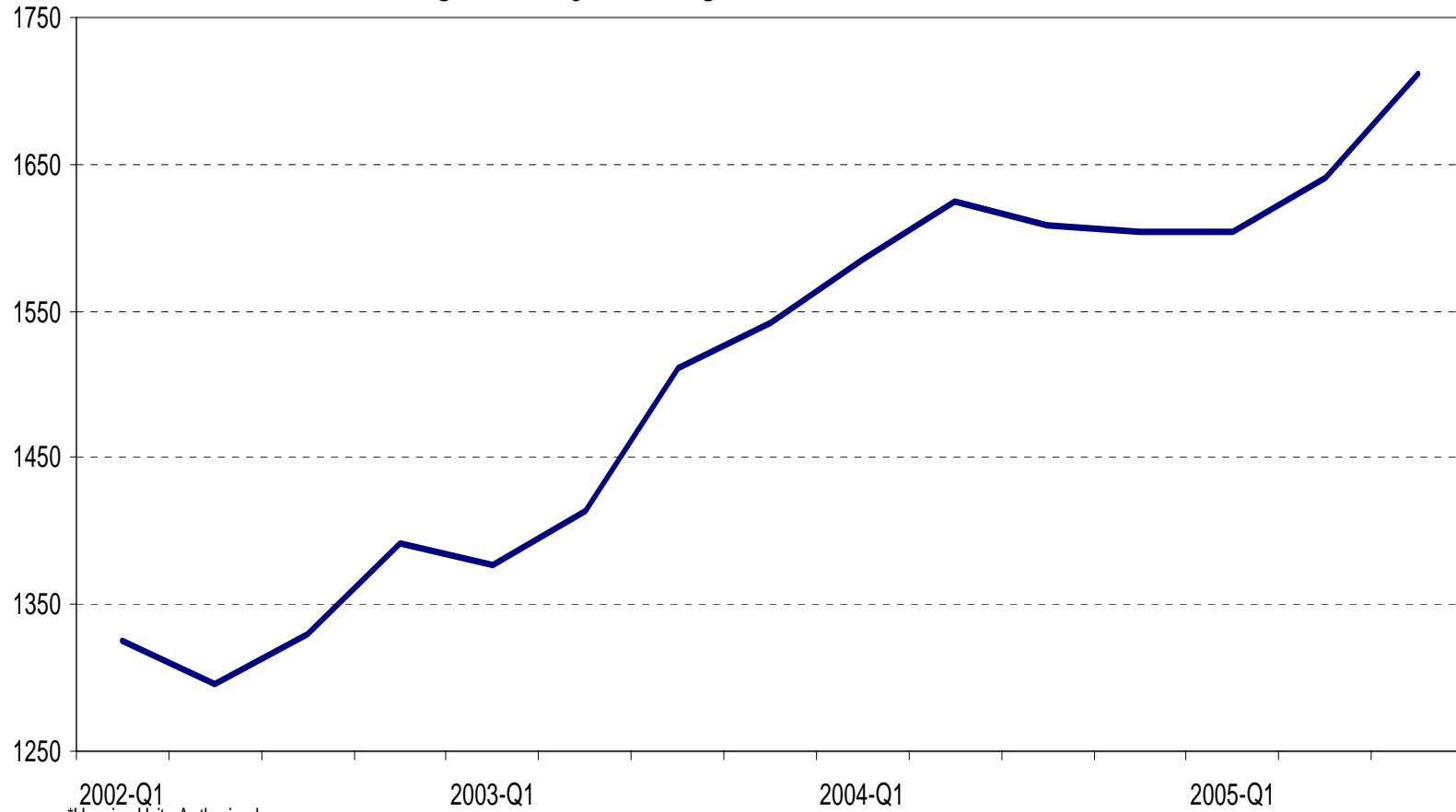
Single-Family Home Sales (SAAR, Thous.)



Source: Census Bureau

Homebuilding has been a big driver of growth

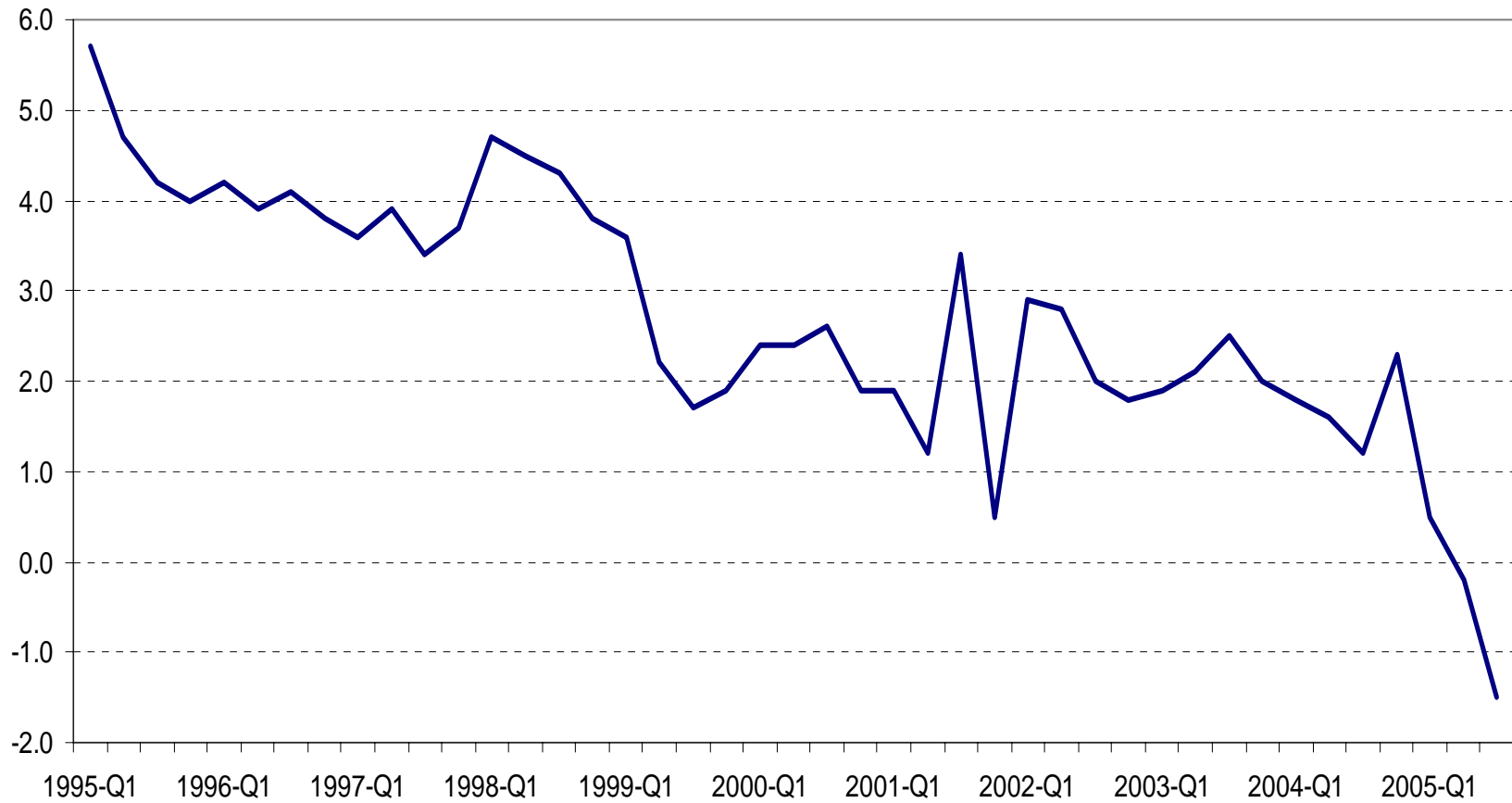
New Single-Family Housing Permits* (SAAR, Thous. Units)



2002-Q1
*Housing Units Authorized
Source: Census Bureau

People spent more than they earned

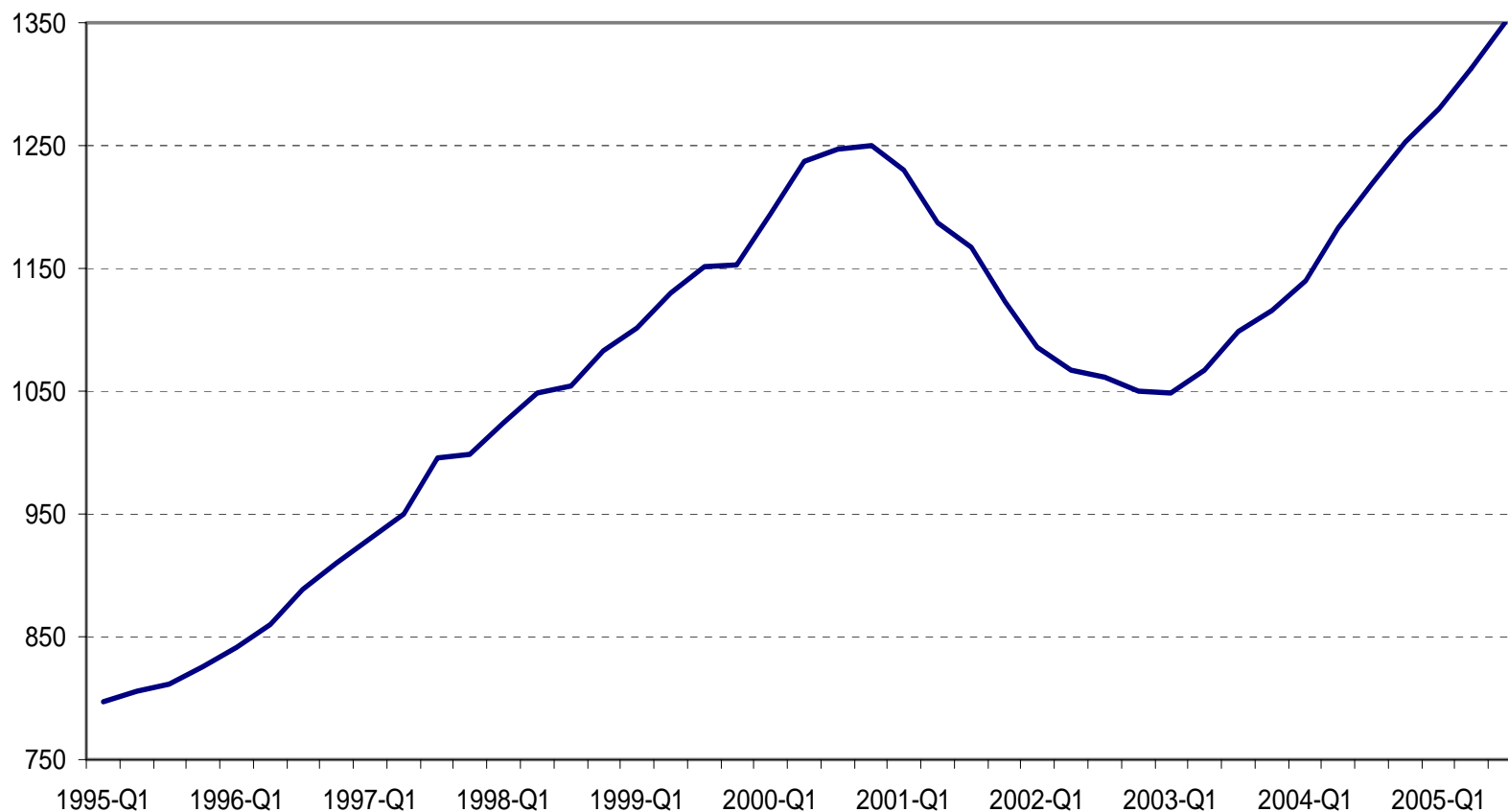
Personal Savings Rate (SA, %)



Source: Bureau of Economic Analysis

Business investment has been growing robustly

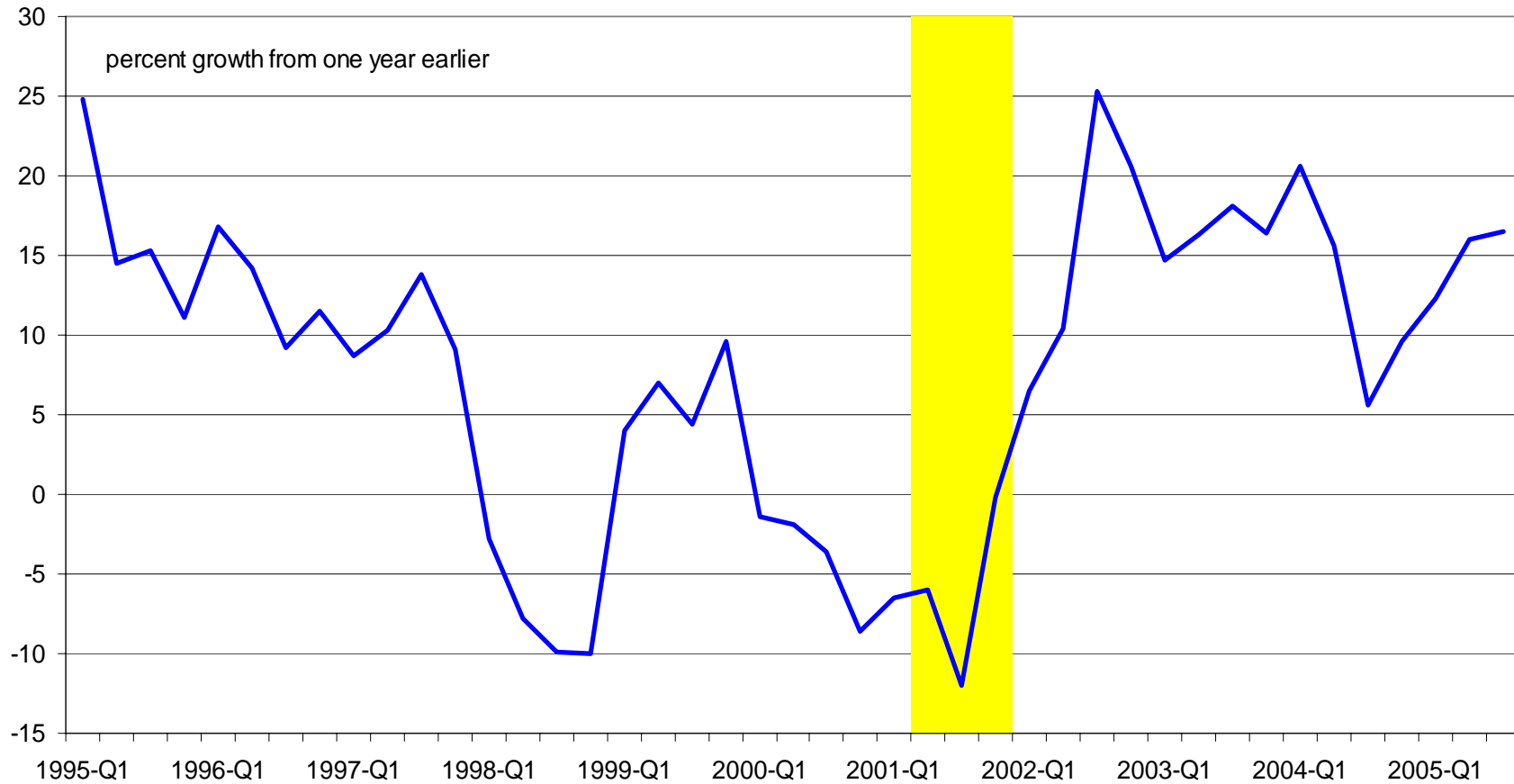
Private Nonresidential Fixed Investment
SAAR, Bil. \$



Source: Bureau of Economic Analysis

Growth in corporate profits has been steady

Growth in Corporate Profits*

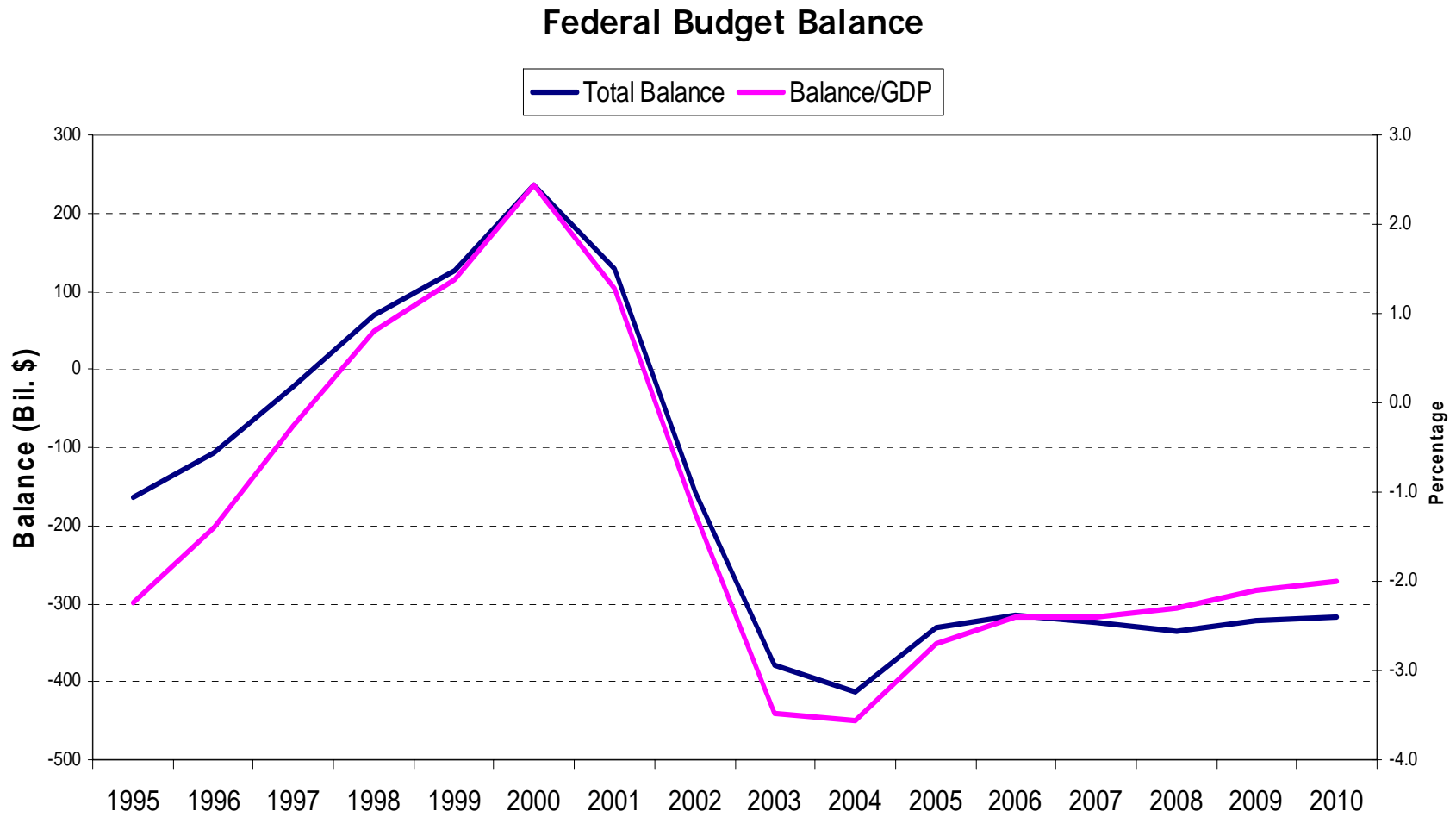


* corporate profits measured before taxes and with inventory valuation and capital consumption adjustments

Note: shaded region represents recession as defined by National Bureau of Economic Research

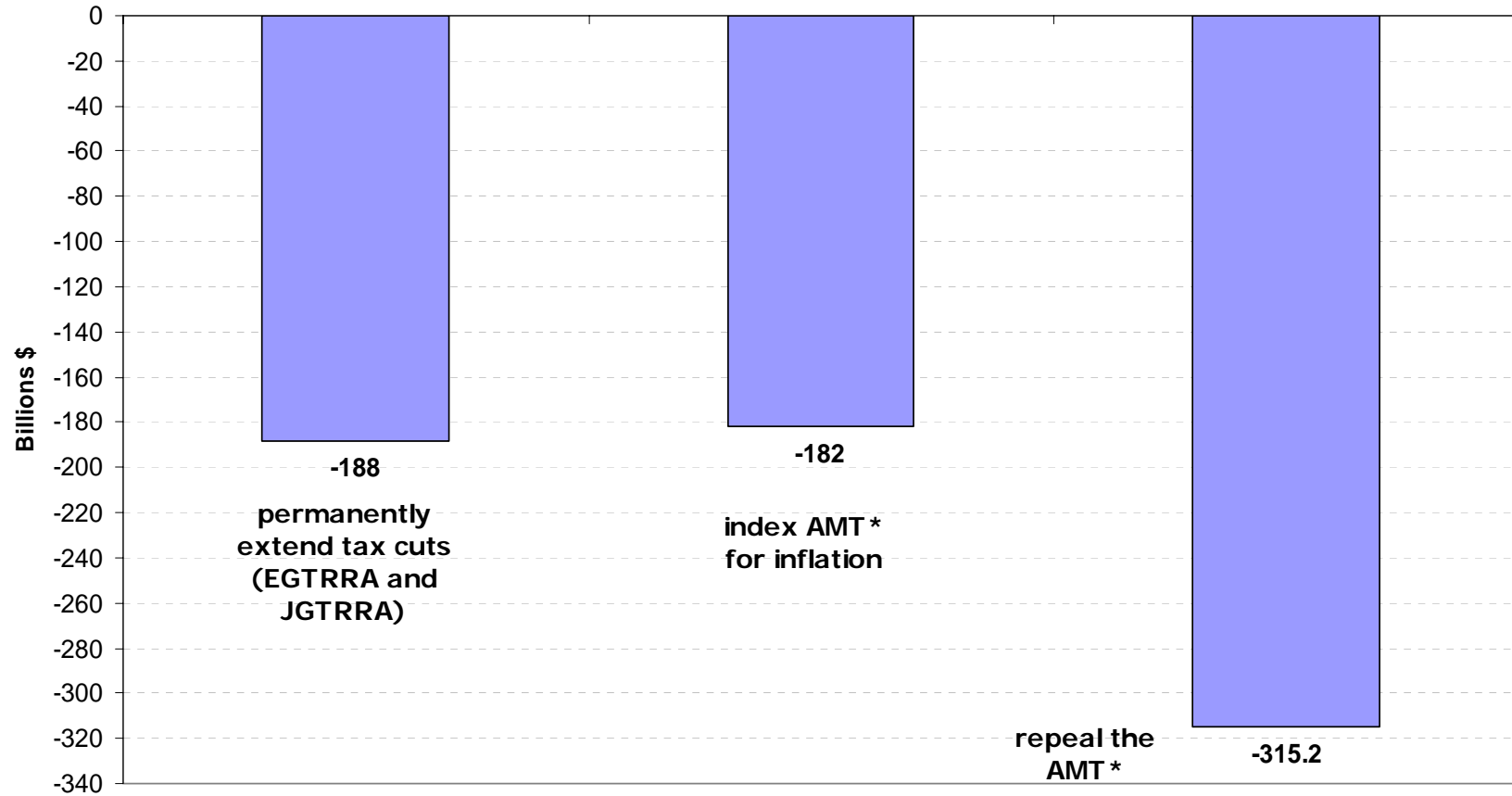
Source: Bureau of Economic Analysis

Budget deficit has shrunk



Source: Congressional Budget Office

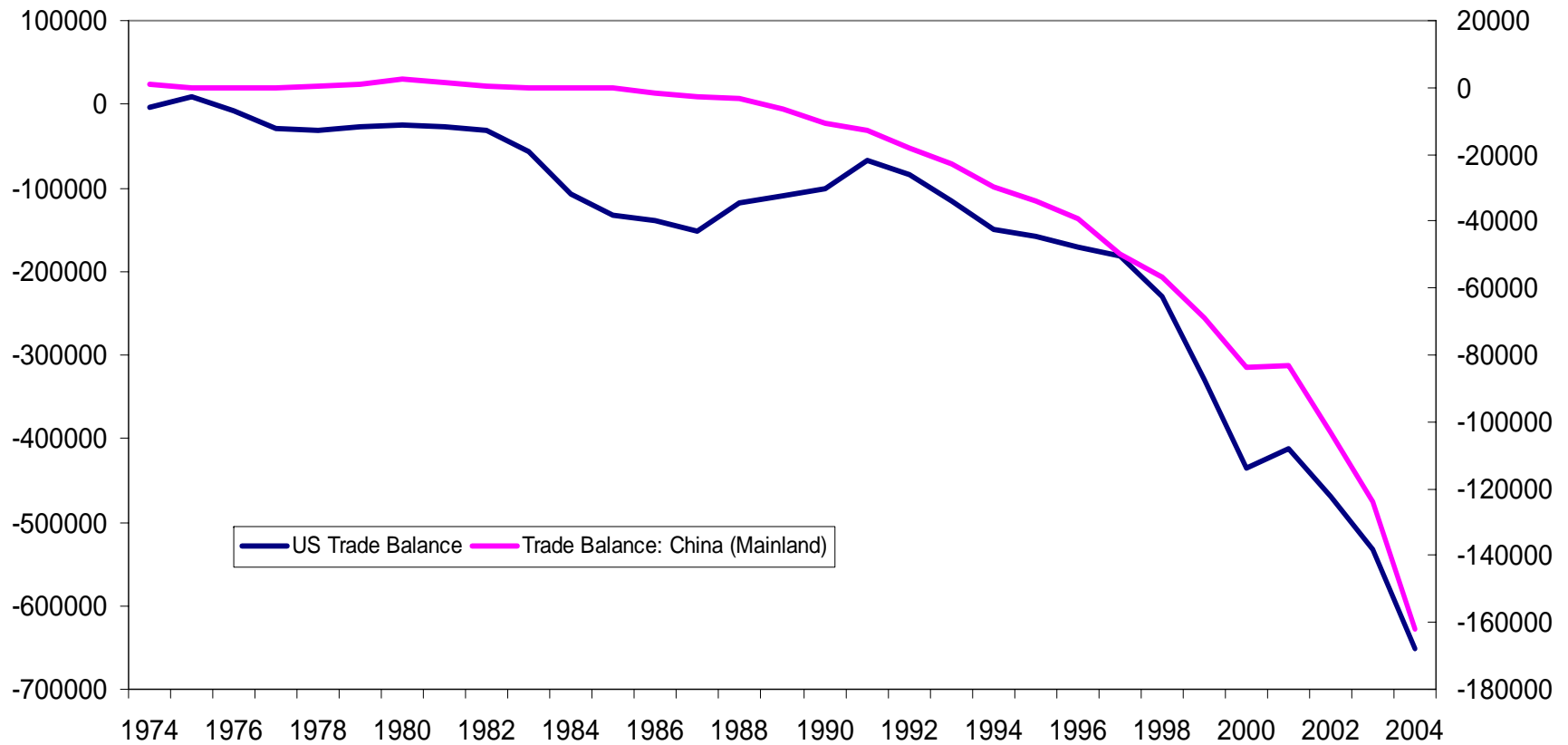
Impact of Various Policy Options on Federal Revenue: 2006-2010



* AMT is alternative minimum tax
Source: Joint Committee on Taxation

Trade deficit became worse

United States Trade Balance
(customs value of trade in goods)



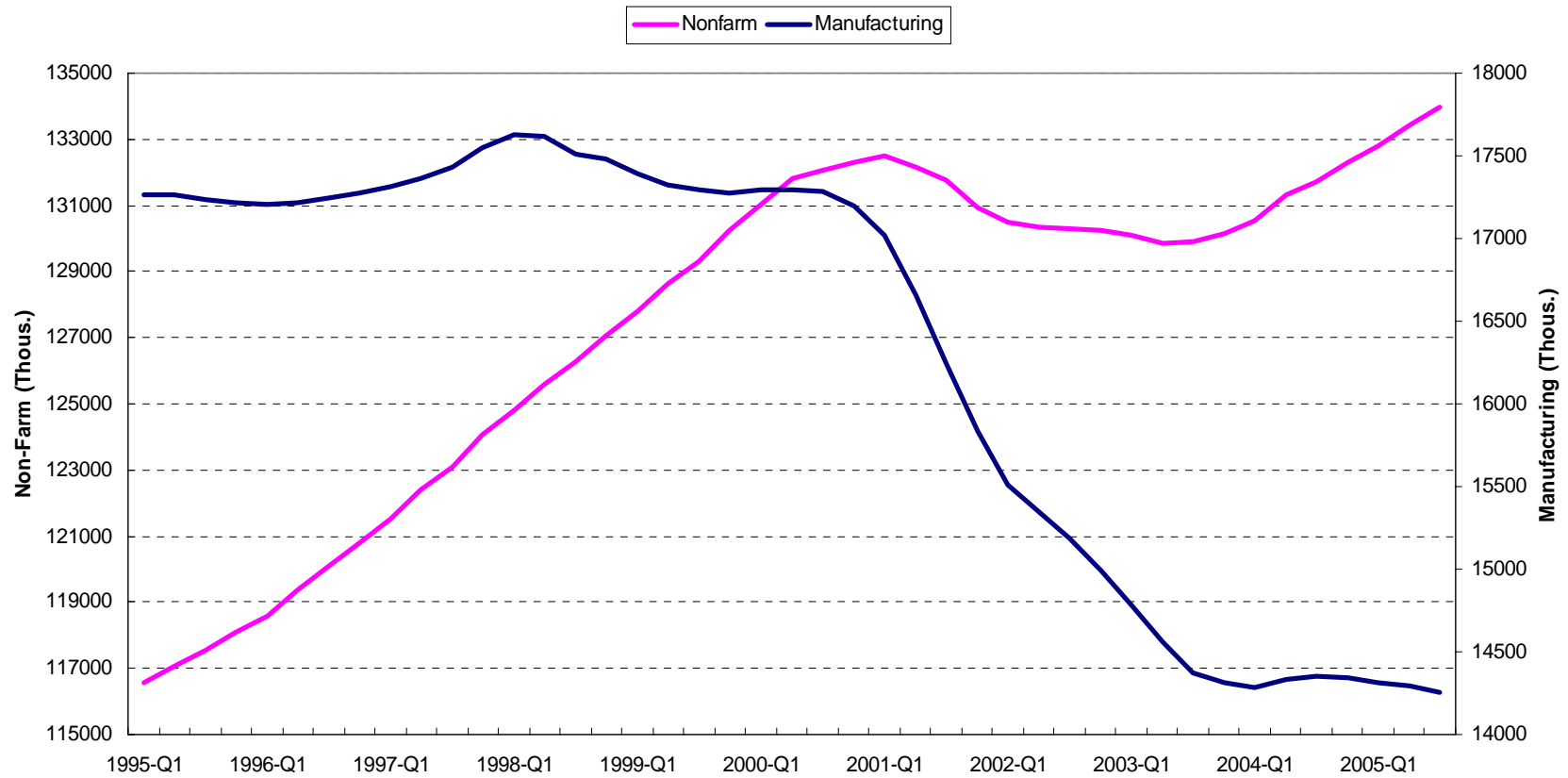
*US: SA, Mil. \$ and China: NSA, Mil. \$
Source: Census Bureau

Unemployment

- Job growth
- Unemployment rate

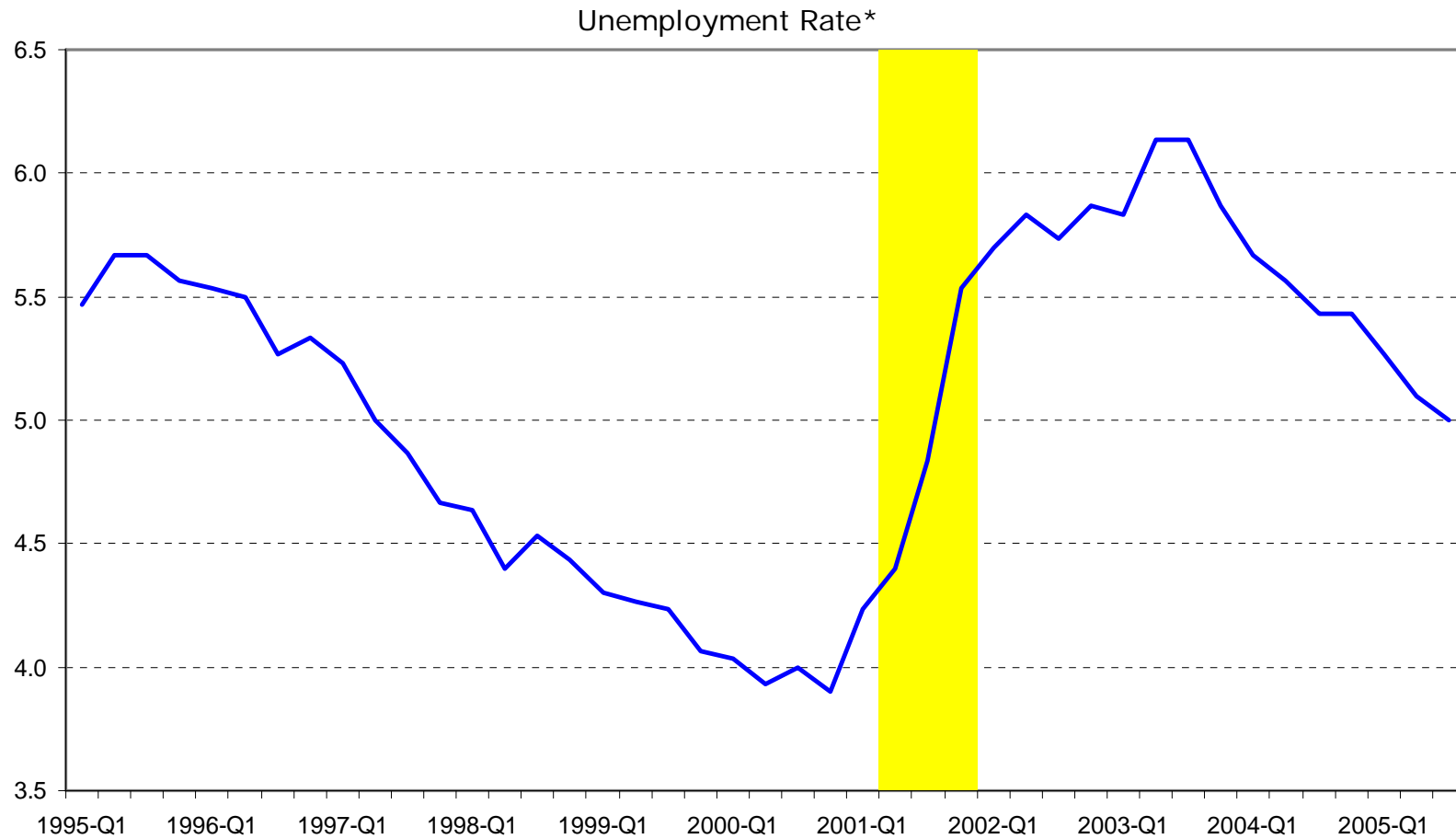
Steady Job Growth

Employment (SA)



Source: Bureau of Labor Statistics

Unemployment rate has improved

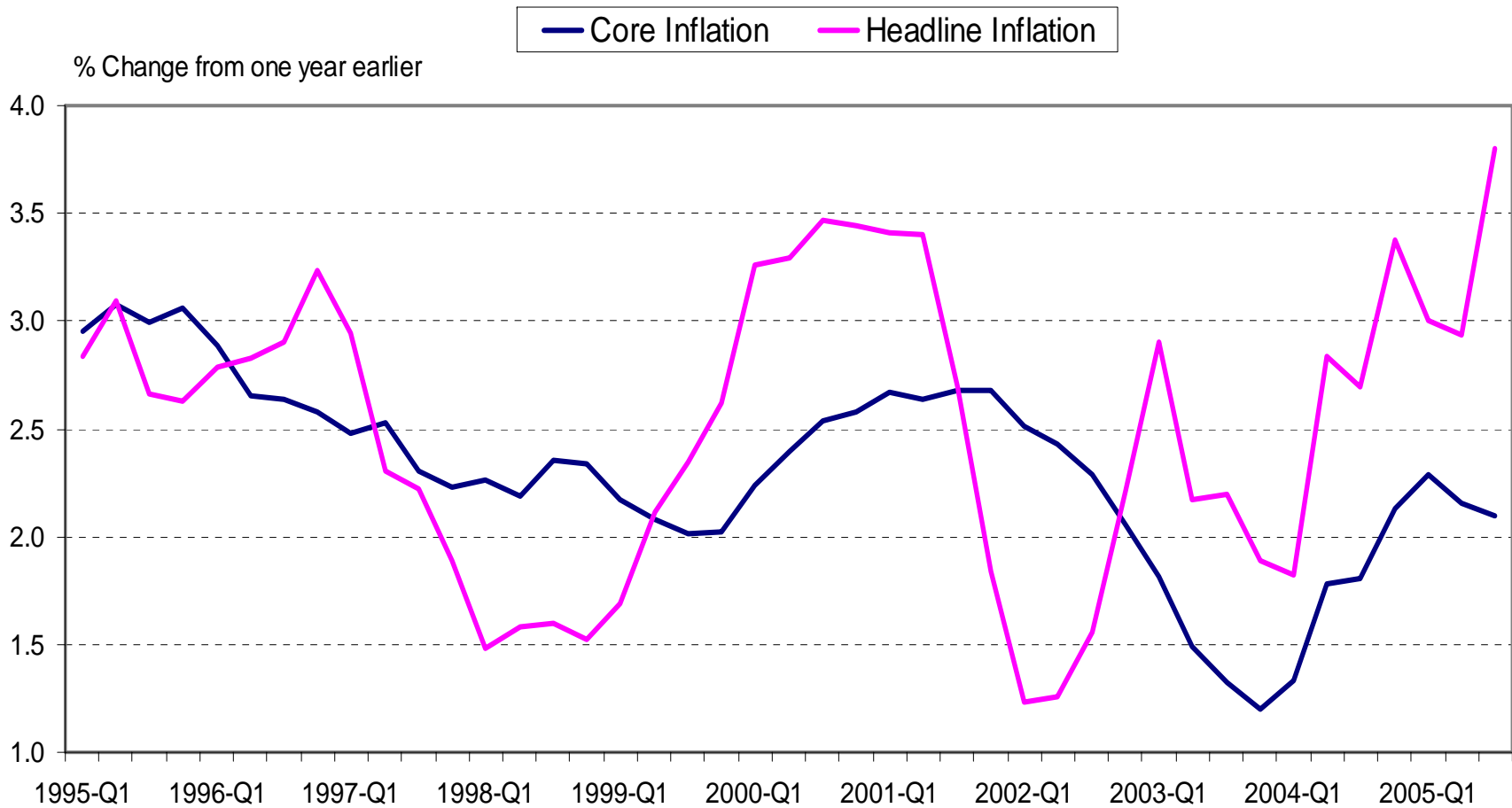


*16+ yrs, SA
Source: Bureau of Labor Statistics

Prices

- Inflation rate
- Energy price
- Housing prices

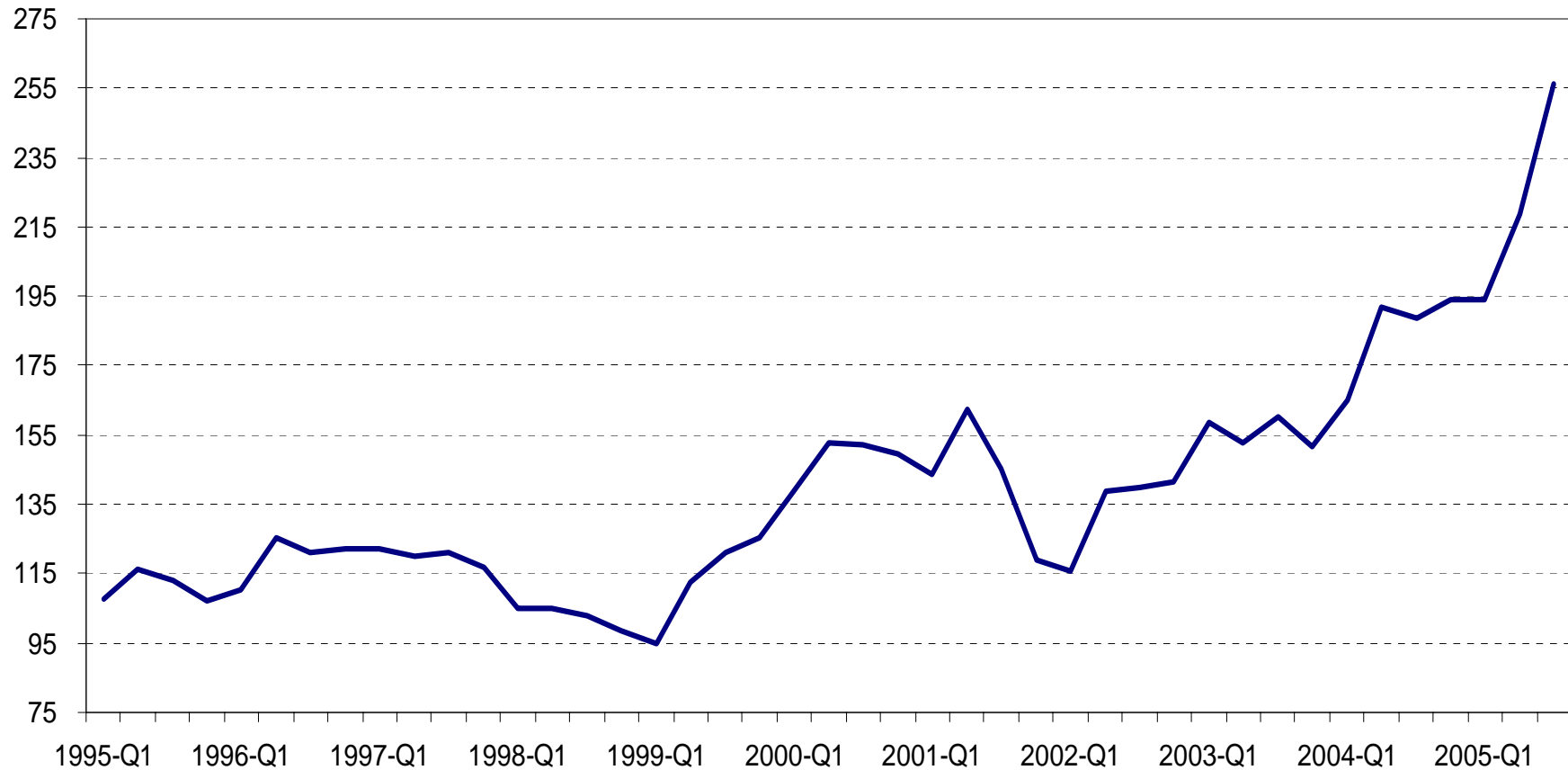
Hurricane shocks pushed up inflation rate



*All Items Less Food and Energy **All Items
Source: Bureau of Labor Statistics

Energy prices hiked due to hurricanes

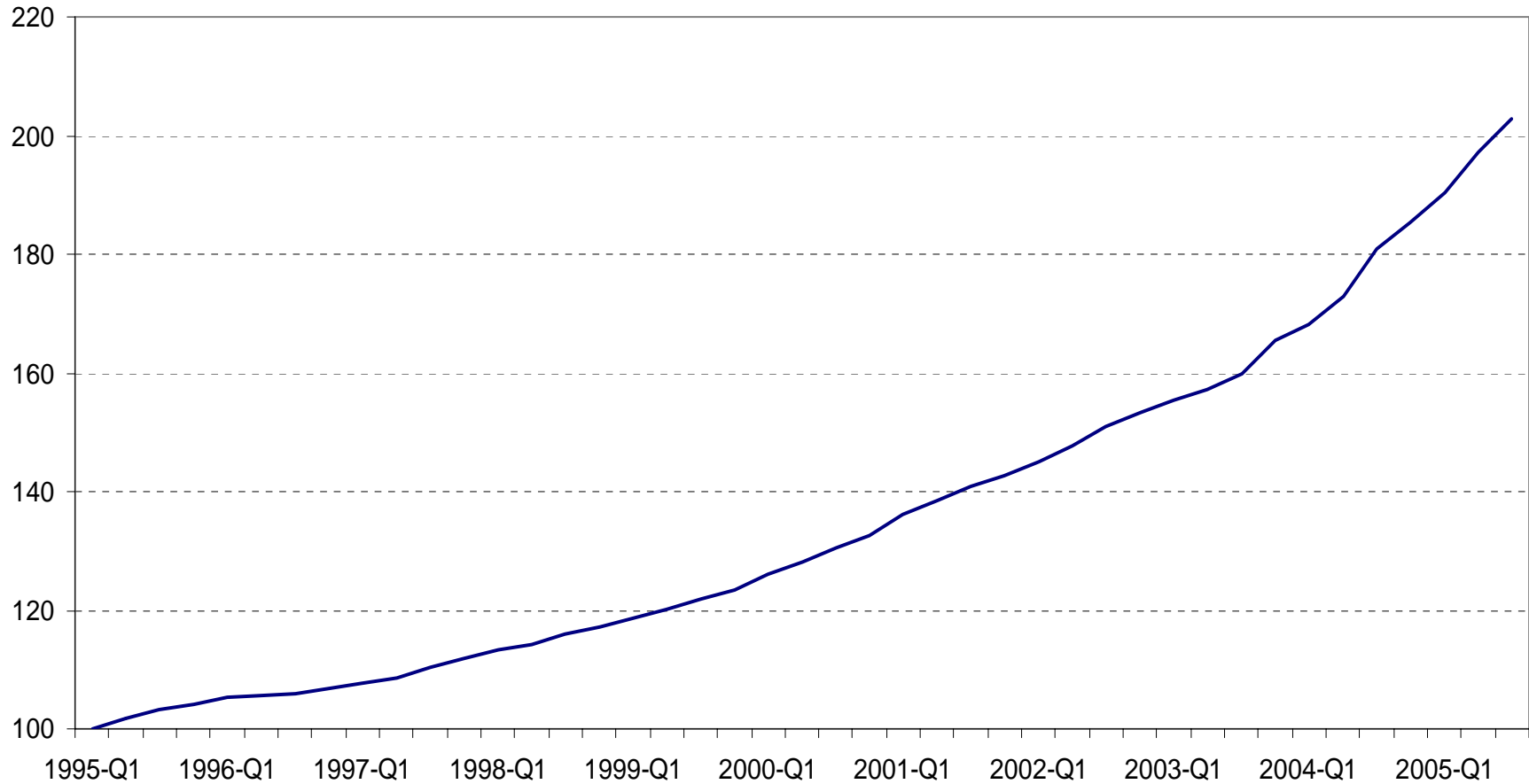
U.S. Retail Gasoline Price: Regular Grade (Avg, Cents/Gallon)



Source: Department of Energy

Housing prices continued increasing

House Price Index (SA, Q1:1995=100)



Source: Office of Federal Housing Enterprise Oversight (OFHEO)

Economic Forecast

	2005	2006
Real GDP Growth Rate	3.5	3.3
Unemployment Rate (Civilian)	5.1	4.8
Inflation Rate	3.7	1.6
Federal Budget Deficit	-331	-314
Trade Deficit	-626.1	-643.7

Source: Global Insights, CBO

Summary

- The U.S. economy appears resilient in the face of the hurricane shocks
- Solid GDP growth this year; a slower growth rate anticipated for next year
- Unemployment has improved and should continue through next year
- Hurricane shocks increased inflationary pressures; inflation is expected to be low next year
- Budget deficit and trade deficit could hurt US economy in the long run