Acting to Avoid a Great Stagnation

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Figure 1
Japan’s Real Gross Domestic Product
1980:Q1 - 2012:Q2

Trillions of Chained 2005 Yen, Seasonally Adjusted Annual Rate

Trend Line Estimated Over Period 1980 - 1990

Real GDP

Source: Cabinet Office of Japan / Haver Analytics
Figure 2
U.S. Real Gross Domestic Product
1980:Q1 - 2012:Q2

Source: BEA, NBER / Haver Analytics
Figure 3
Growth in Real GDP and Real GDP Excluding Housing and Government Spending
2009:Q2 - 2012:Q2

Source: BEA, NBER / Haver Analytics

Real GDP Excluding Residential Investment and Government Spending (Average Annual Growth of 2.45%)

Real GDP (Average Annual Growth of 2.21%)
Figure 4
Housing Starts
2000:Q1 - 2012:Q2

Thousands of Units, Seasonally Adjusted Annual Rate

Recession

Source: Bureau of the Census, NBER / Haver Analytics
Figure 5
Growth in Real State and Local Government Spending
2000:Q1 - 2012:Q2

Source: BEA, NBER / Haver Analytics
Figure 6
Change in Real GDP from U.S. Business Cycle Peak by Country
2007:Q4 - 2012:Q2

Index, 2007:Q4=100

Source: BEA, CAO, Eurostat, ONS, INSEE, StatCan / Haver Analytics
Figure 7
Employment-to-Population* Ratio
January 2000 - August 2012

*Includes population 16 years and older

Source: BLS, NBER / Haver Analytics
Figure 8
Long-Term Unemployment
January 1980 - August 2012

Percent of unemployed out of work for 27 weeks or more

Source: BLS, NBER / Haver Analytics
Figure 9
Japan’s Central Bank Assets and Inflation Rate
1990:Q1 - 2012:Q2

Source: Japanese Ministry of Internal Affairs and Communications, Bank of Japan / Haver Analytics
Figure 10
Federal Reserve System Assets and U.S. Inflation Rate
January 1990 - July 2012

Source: Federal Reserve Board / Haver Analytics
Figure 11
Financial Market Response to FOMC Announcement
August 1, 2012 - September 14, 2012

<table>
<thead>
<tr>
<th></th>
<th>September FOMC Statement 9/12 - 9/13</th>
<th>Day After FOMC Statement 9/12 - 9/14</th>
<th>Chairman Bernanke’s Jackson Hole Speech 8/30 - 9/14</th>
<th>Previous FOMC Statement 7/31 - 9/14</th>
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<tbody>
<tr>
<td>S&amp;P 500 (Percent Change)</td>
<td>+1.6%</td>
<td>+2.0%</td>
<td>+4.7%</td>
<td>+6.3%</td>
</tr>
<tr>
<td>Exchange Rate: Euros Per Dollar (Percent Change)</td>
<td>-0.1%</td>
<td>-1.9%</td>
<td>-4.9%</td>
<td>-6.3%</td>
</tr>
<tr>
<td>5-7-Year Investment-Grade Corporate Bond Yield (Change in Basis Points)</td>
<td>-4.4 bp</td>
<td>-3.8 bp</td>
<td>-5.4 bp</td>
<td>-12.9 bp</td>
</tr>
<tr>
<td>Yield on 30-Year FNMA Current Coupon MBS (Change in Basis Points)</td>
<td>-24.4 bp</td>
<td>-12.5 bp</td>
<td>-12.1 bp</td>
<td>-1.7 bp</td>
</tr>
</tbody>
</table>

Source: Federal Reserve Board, Bank of America Merrill Lynch, WSJ, Bloomberg / Haver Analytics