

Tennessee Chamber of Commerce and Industry Public Affairs Conference



Economic Overview

January 9, 2008

FOMC Policy Statement

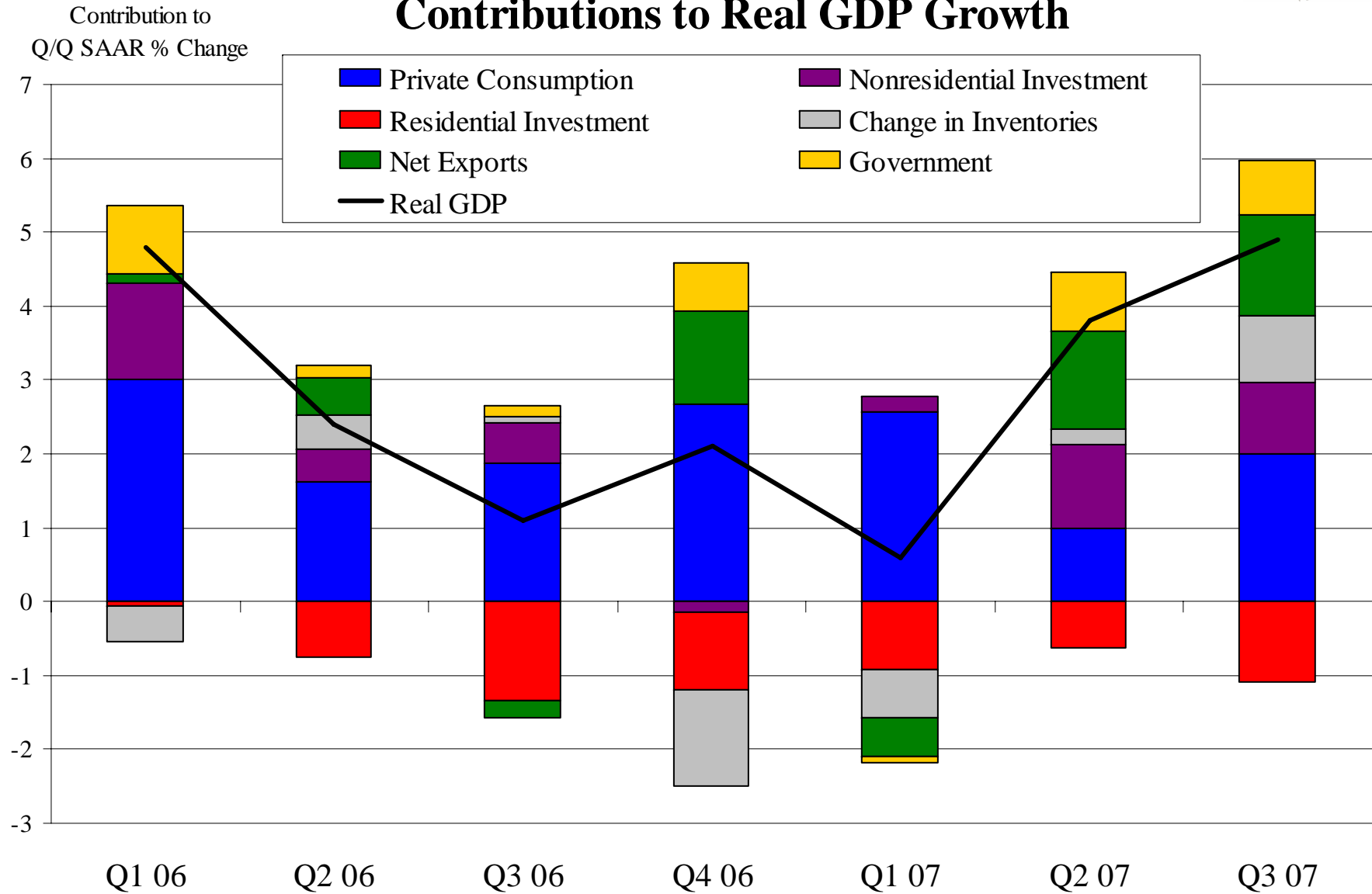
Release Date: December 11, 2007

For immediate release

The Federal Open Market Committee decided today to lower its target for the federal funds rate 25 basis points to 4-1/4 percent.

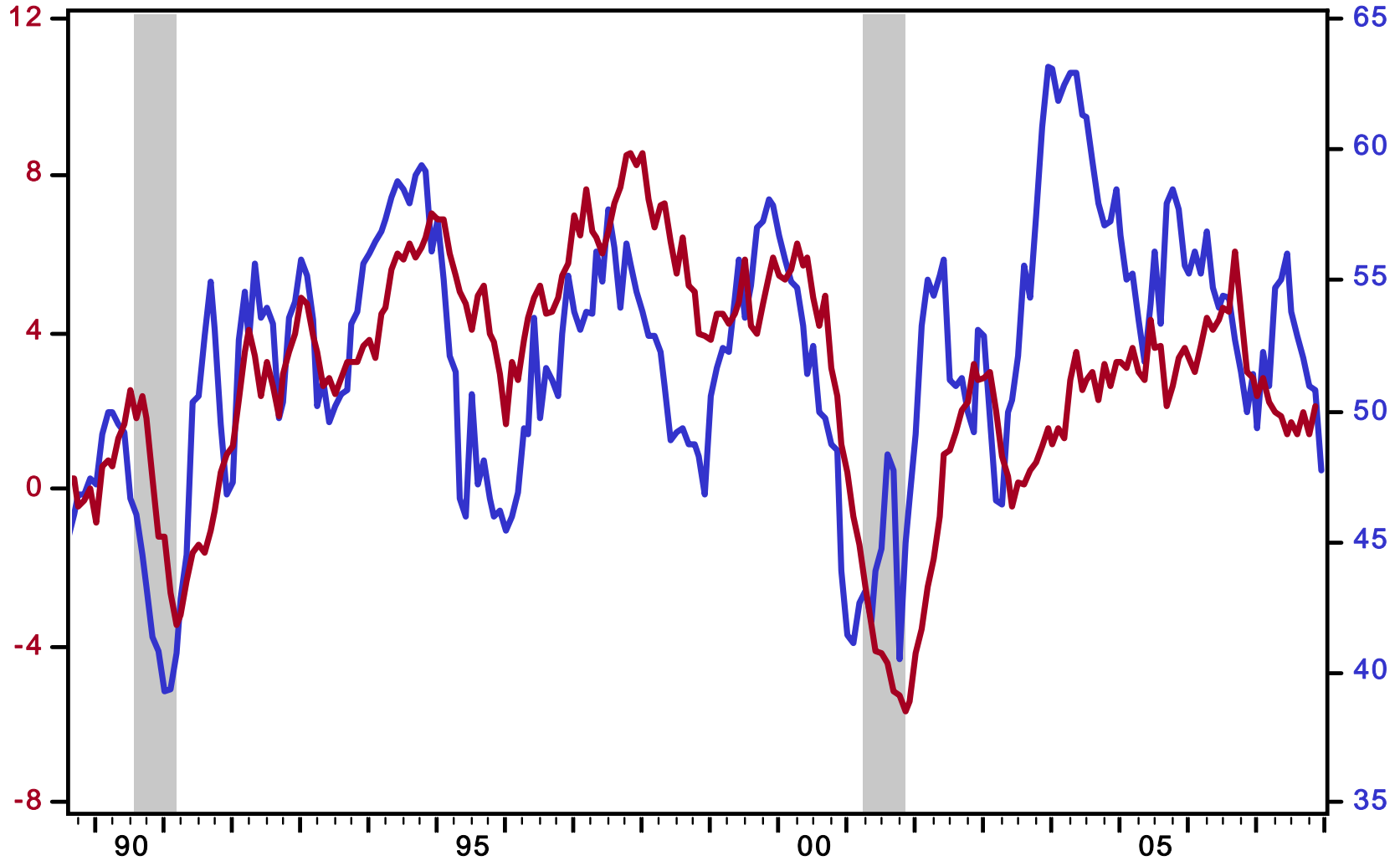
Incoming information suggests that economic growth is slowing, reflecting the intensification of the housing correction and some softening in business and consumer spending. Moreover, strains in financial markets have increased in recent weeks.

Contributions to Real GDP Growth



Industrial Production Index
% Change - Year to Year SA, 2002=100

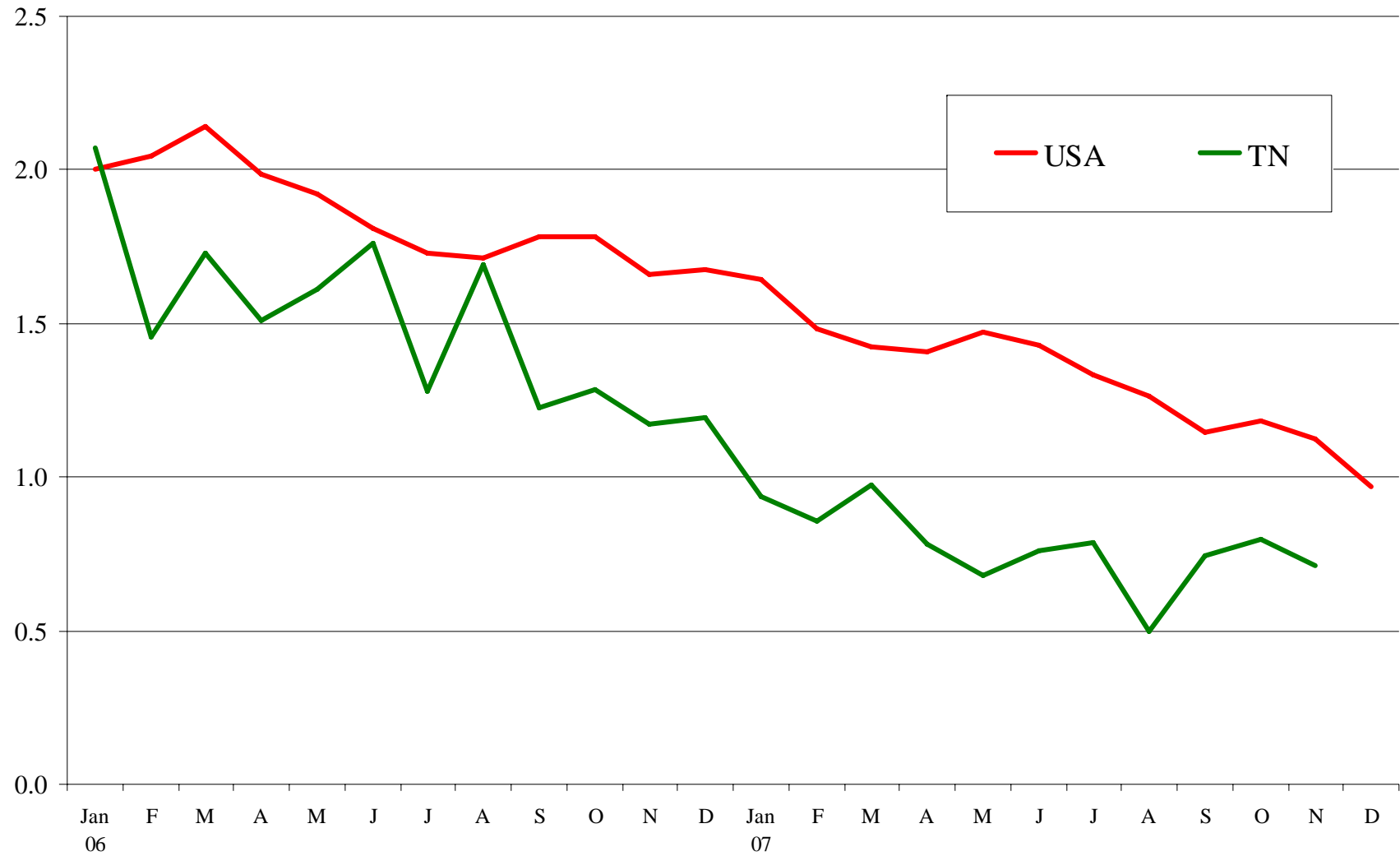
ISM Mfg: PMI Composite Index
SA, 50+ = Econ Expand



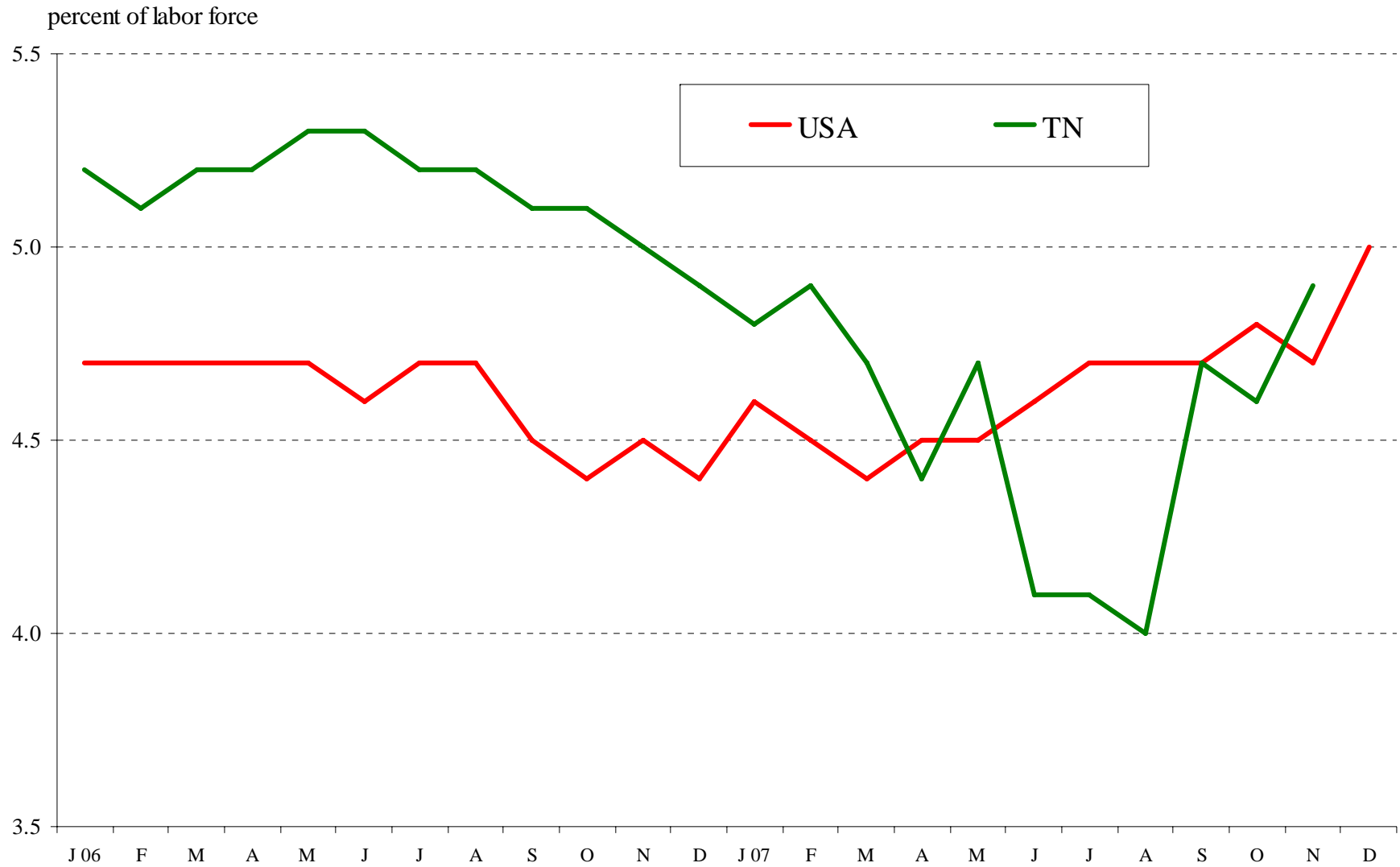
Sources: FRB, ISM /Haver

Payroll Employment Growth

Y/Y % change



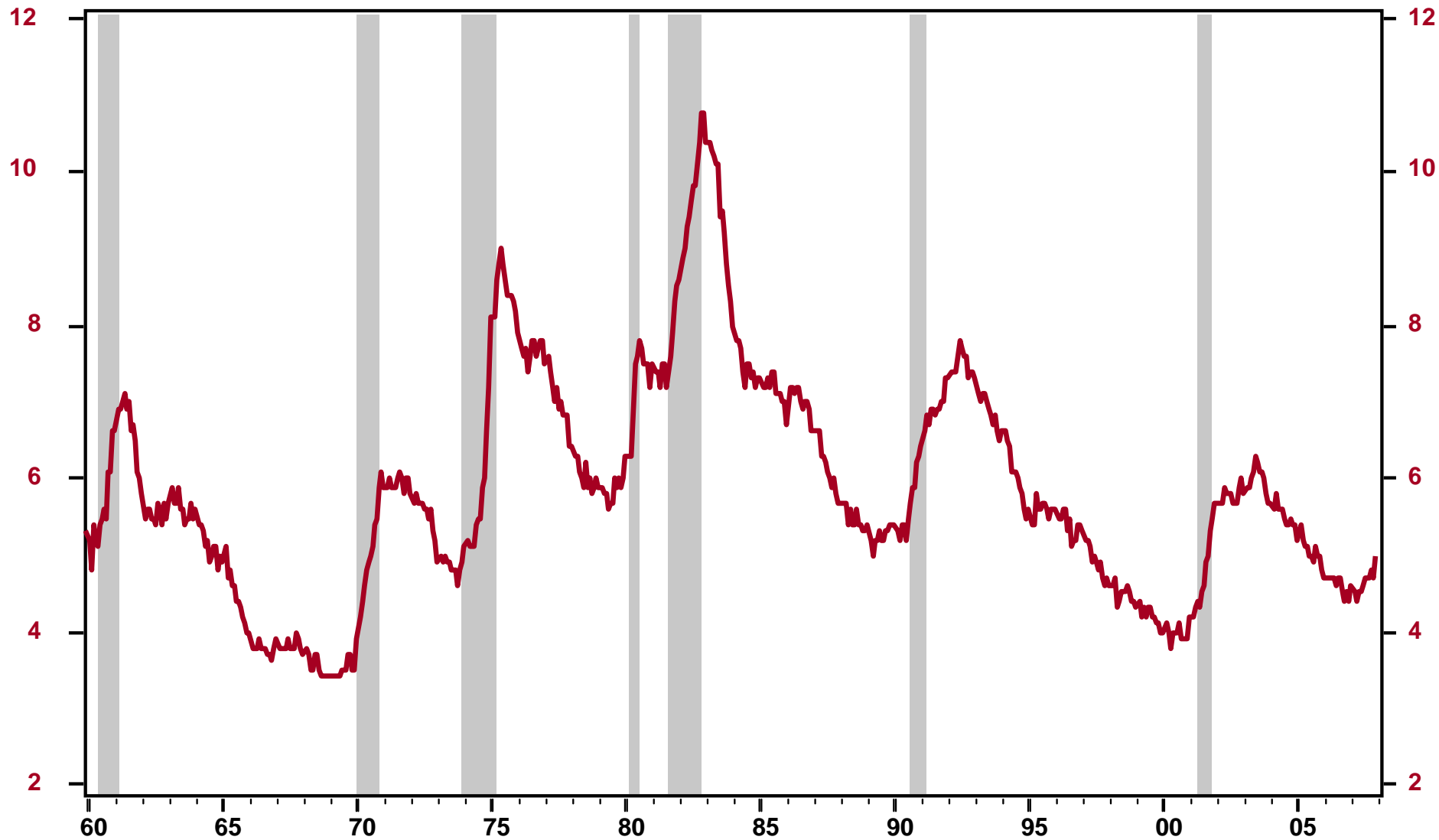
Comparative Unemployment Rates



Civilian Unemployment Rate: 16 yr +



SA, %

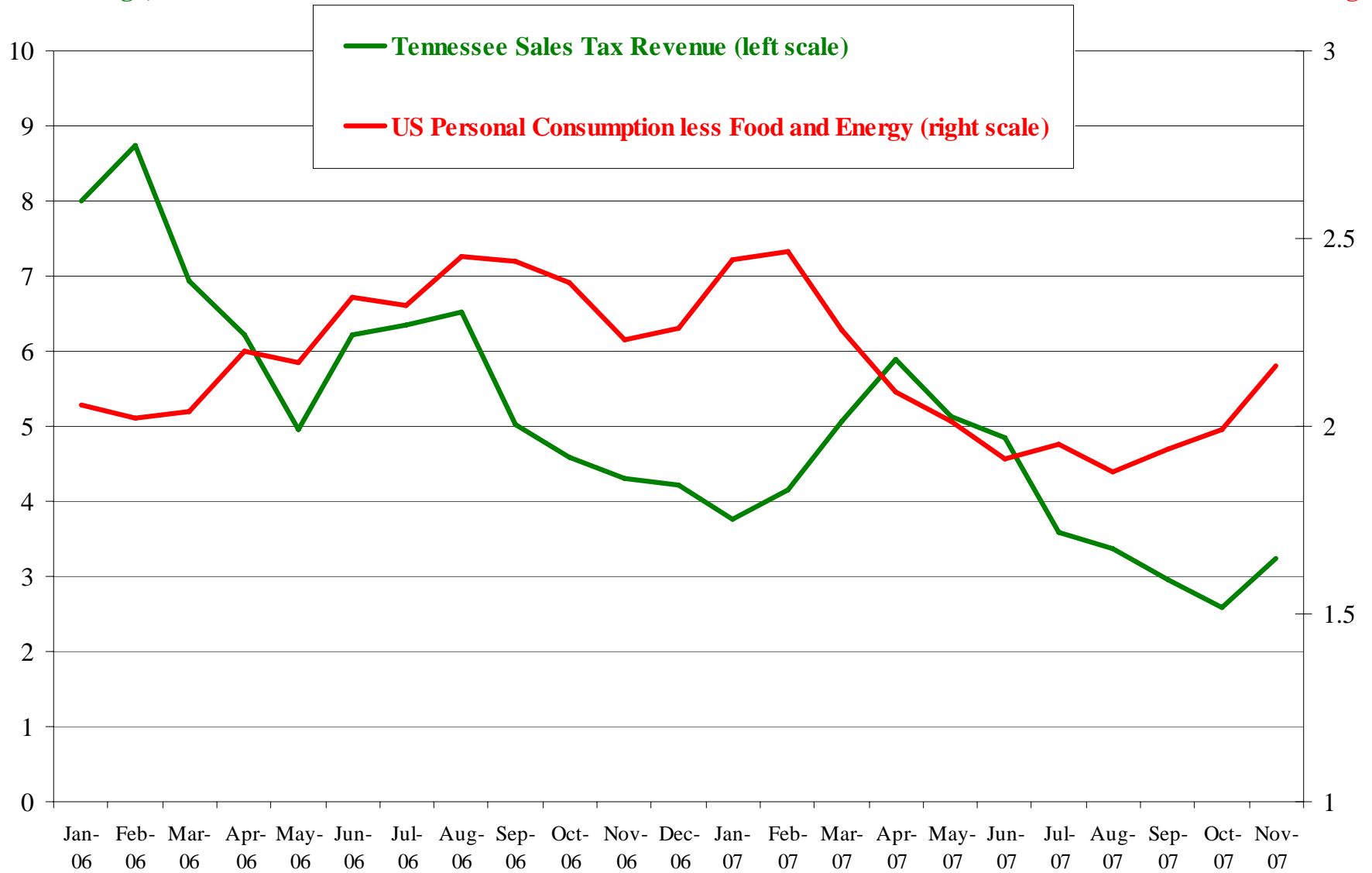


Source: Bureau of Labor Statistics /Haver Analytics

Consumption

Y/Y % Change, 3mma

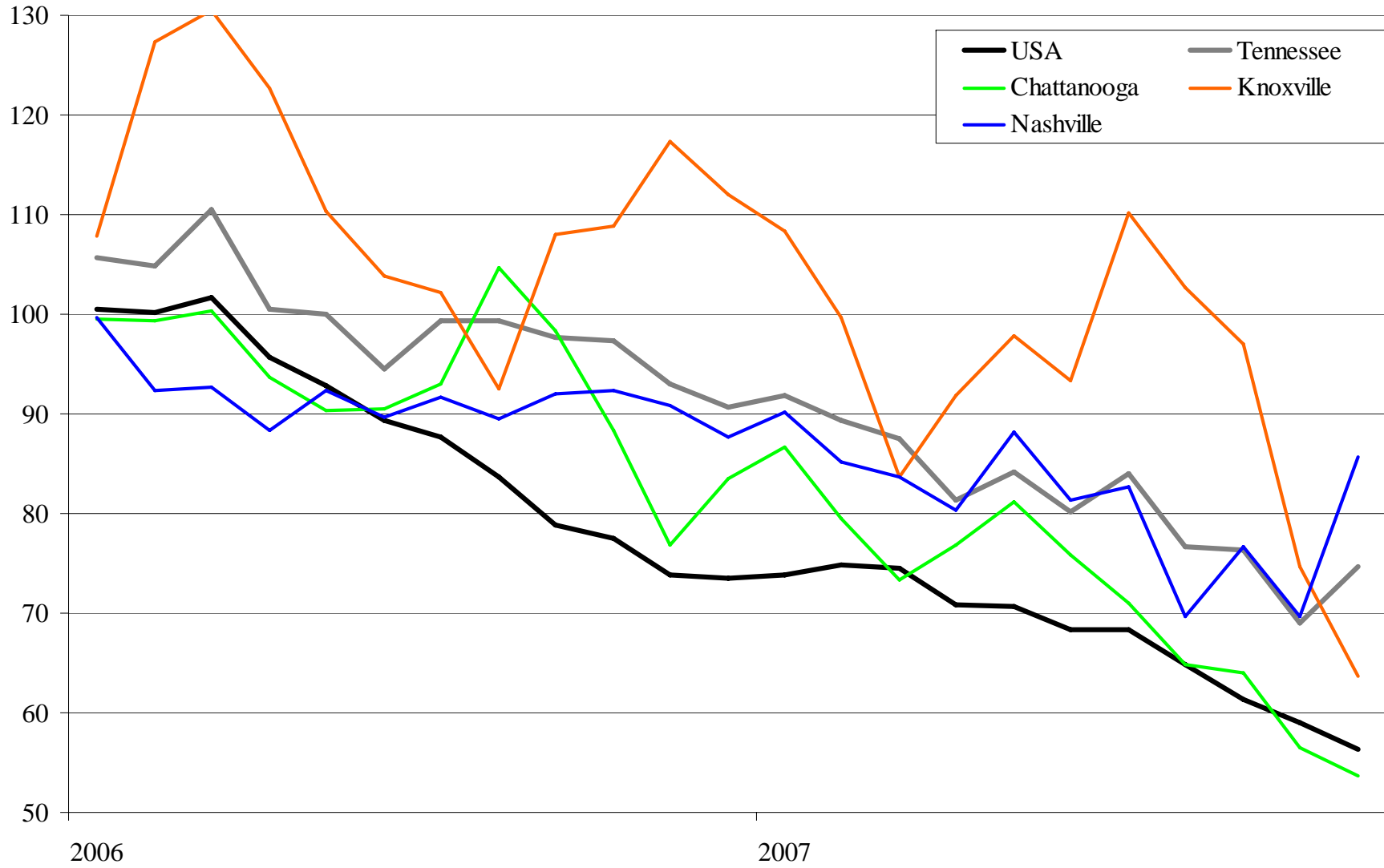
Y/Y % Change



Permits for New Residential Construction

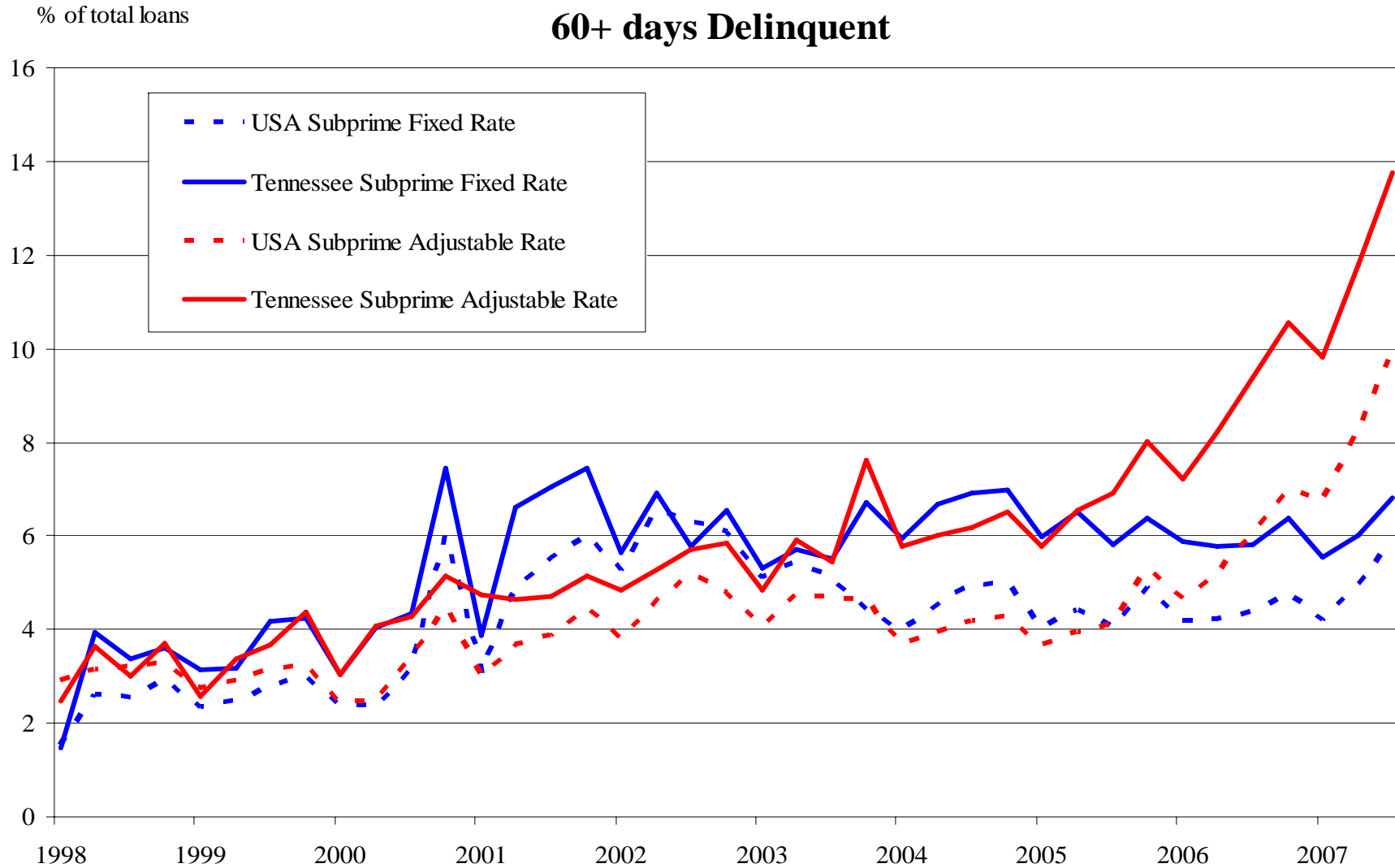
2005 = 100

through November



Subprime Mortgage Performance

60+ days Delinquent



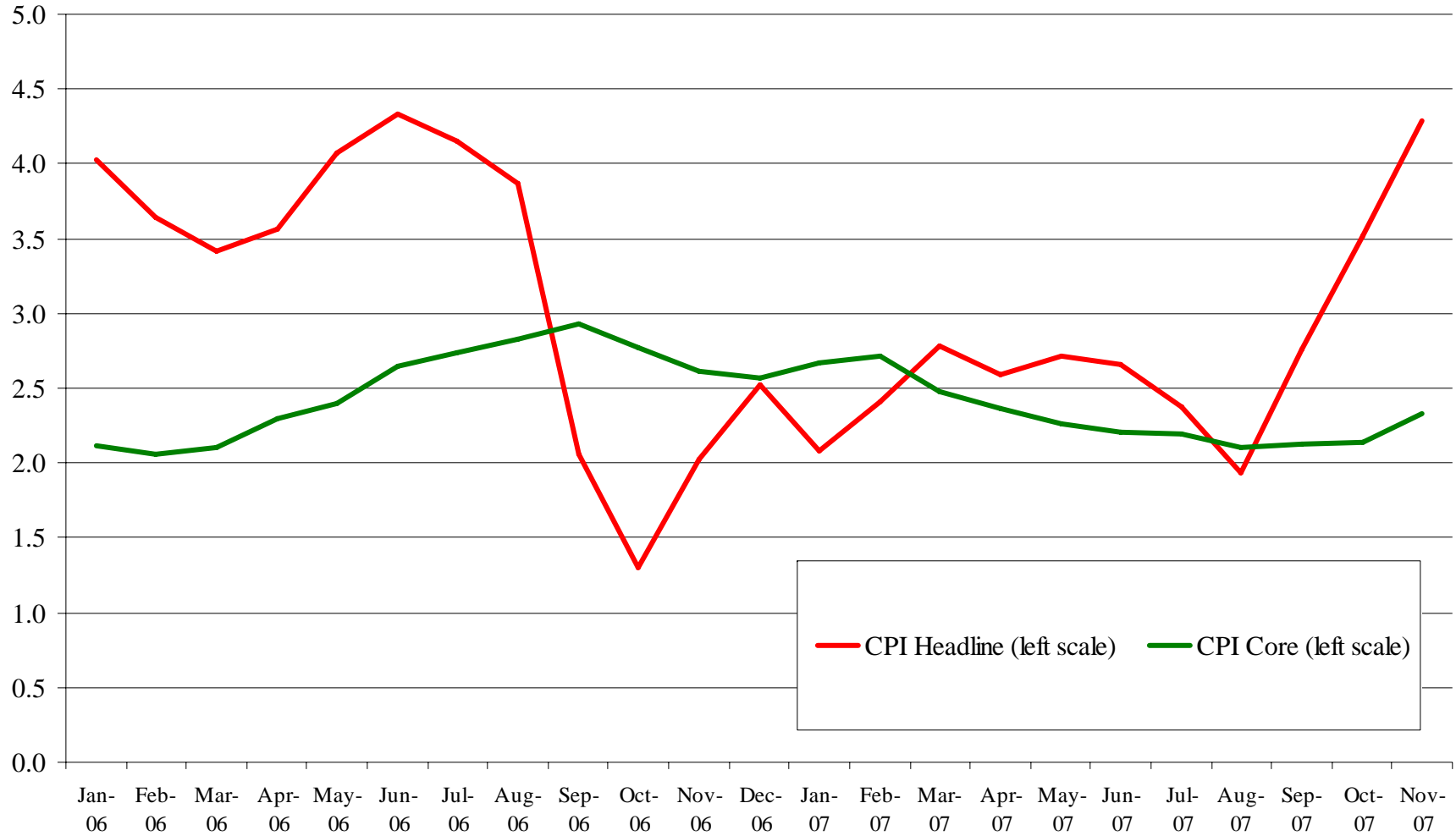
FOMC Policy Statement, *continued*

Readings on core inflation have improved modestly this year, but elevated energy and commodity prices, among other factors, may put upward pressure on inflation.

In this context, the Committee judges that some inflation risks remain, and it will continue to monitor inflation developments carefully.

Prices

Y/Y % Change in CPI



Conclusions

- **The Economy is slowing for the U.S. and for Tennessee.**
- **Employment growth has slowed and unemployment has risen in both the state and the nation.**
- **Personal spending is posting more moderate growth, and consumers are growing more cautious.**
- **Business spending plans appear to be more tepid.**
- **Housing indicators have not bottomed, indicating further weakness in residential investment.**
- **Financial market volatility and uncertainty pose downside risks to the broad economy.**
- **Despite the slowdown in real economic activity, inflation risks remain.**
- **2008 begins with a high degree of uncertainty.**

- Closing note: **Tennessee Resources**
 - *Middle Tennessee State University*
 - *Business and Economic Research Center*
 - *University of Tennessee*
 - *Center for Business and Economic Research*
 - *Tennessee State University*
 - *Office of Business & Economic Research*
 - *East Tennessee State University*
 - *Bureau of Business and Economic Research*