

# The **U.S. Economy**

In Charts

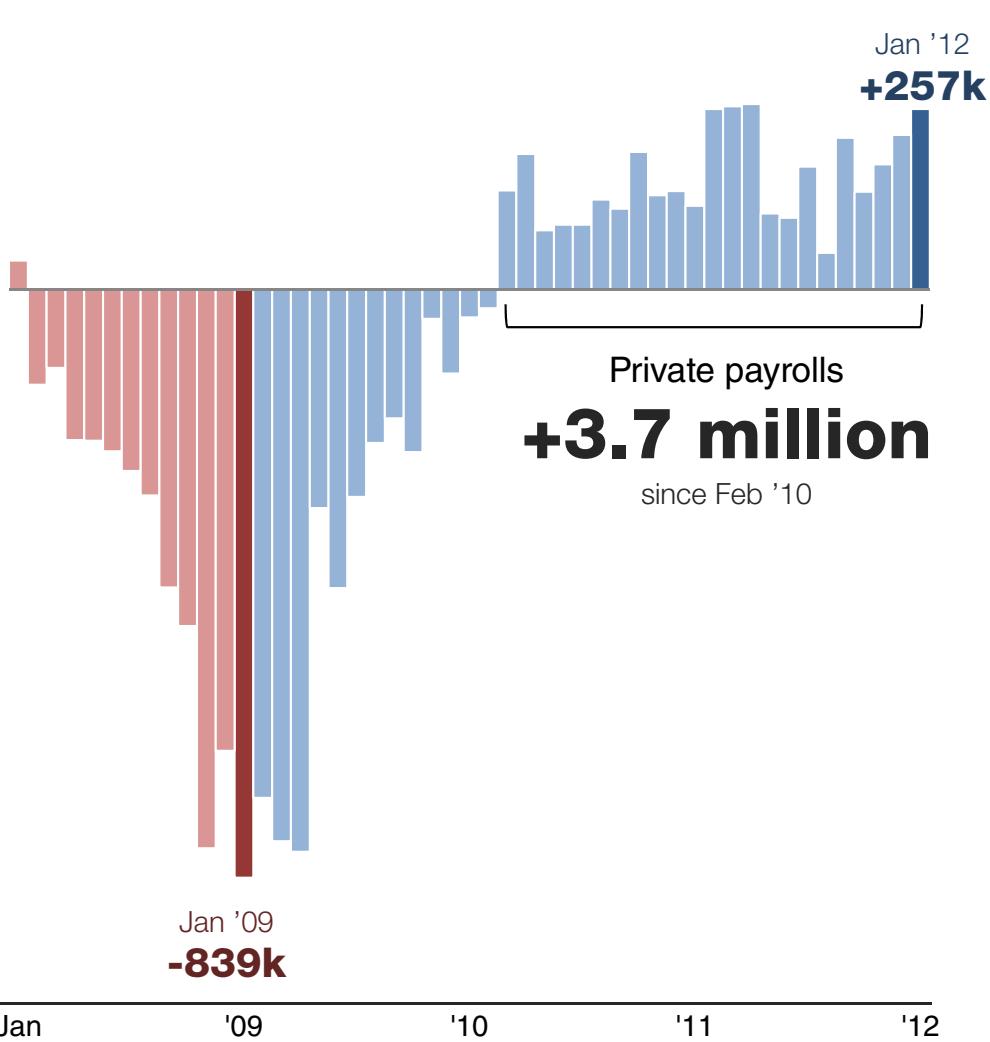


U.S. DEPARTMENT OF THE TREASURY  
February 2012

# 1 Economic Growth I

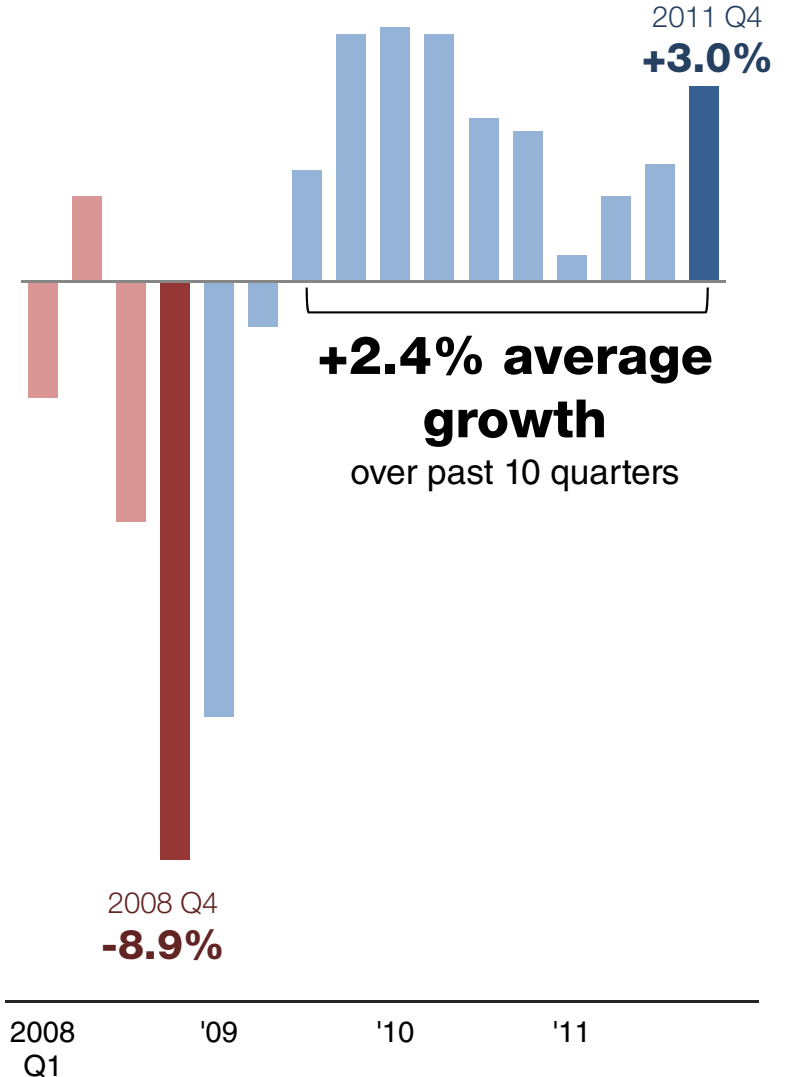
## Private sector employment has grown for 23 straight months.

Monthly private non-farm payrolls, seasonally-adjusted



## The economy has grown for 10 straight quarters.

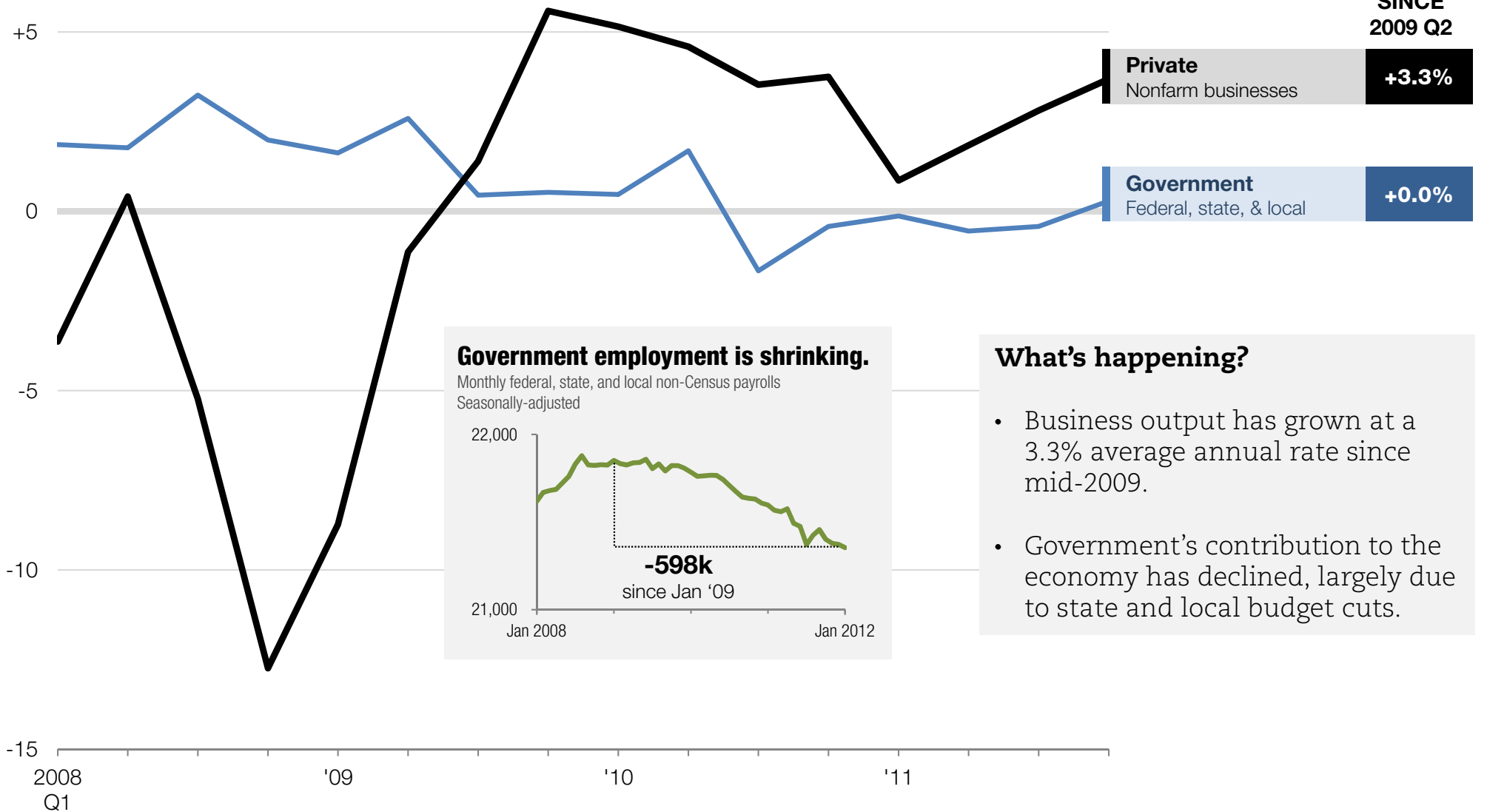
Annualized real GDP growth



# 2 Economic Growth II

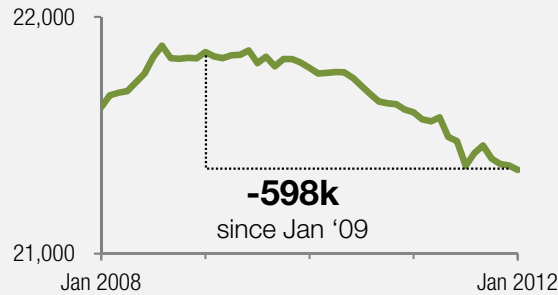
## The private sector is leading growth.

Annualized change in quarterly GDP (value-added) by sector, inflation-adjusted



### Government employment is shrinking.

Monthly federal, state, and local non-Census payrolls  
Seasonally-adjusted



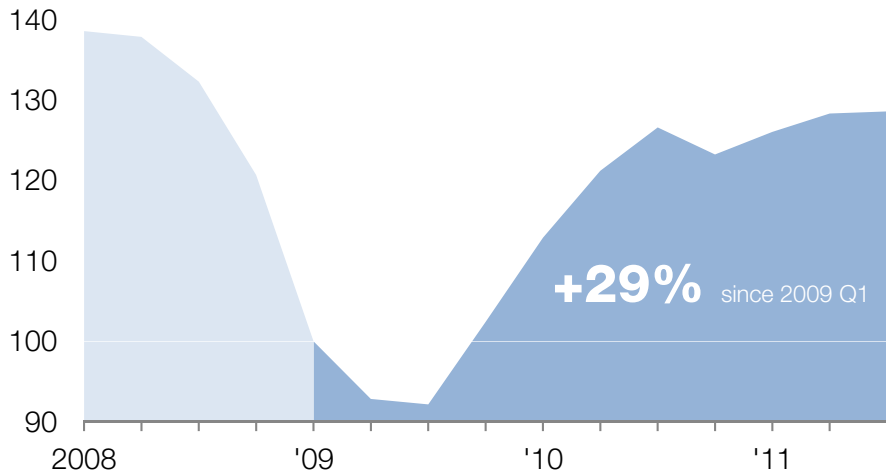
### What's happening?

- Business output has grown at a 3.3% average annual rate since mid-2009.
- Government's contribution to the economy has declined, largely due to state and local budget cuts.

# 3 Economic Growth III

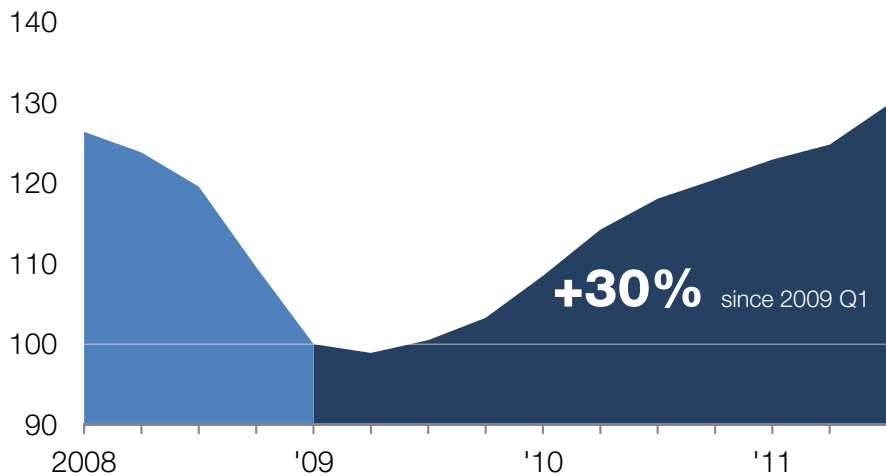
## Overall business investment is growing...

Gross private domestic business investment, inflation-adjusted, 2009 Q1 = 100



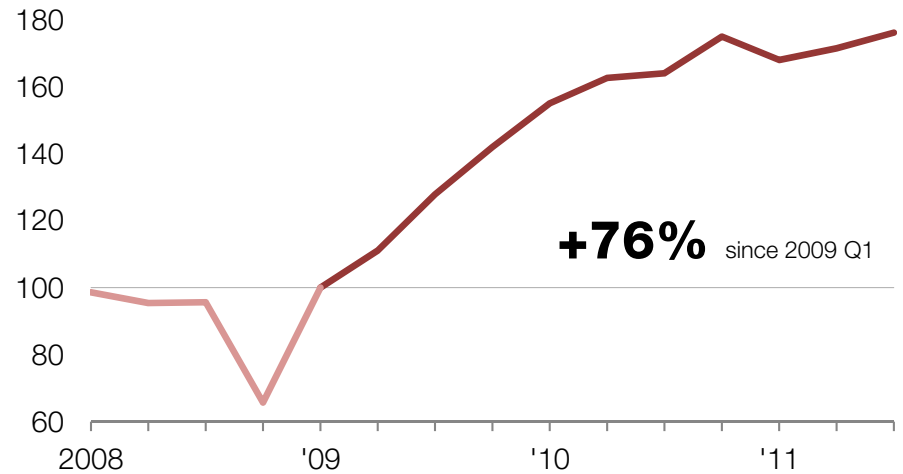
## ...as are investments in equipment & software.

Private investment in equipment and software, inflation-adjusted, 2009 Q1 = 100



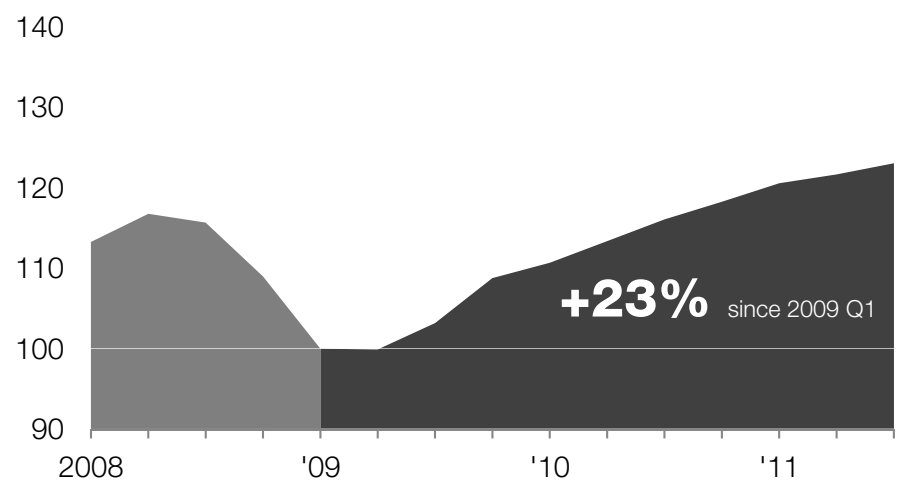
## Corporate profits are up.

Corporate profits after tax, inflation-adjusted, 2009 Q1 = 100



## Exports have been a source of strength.

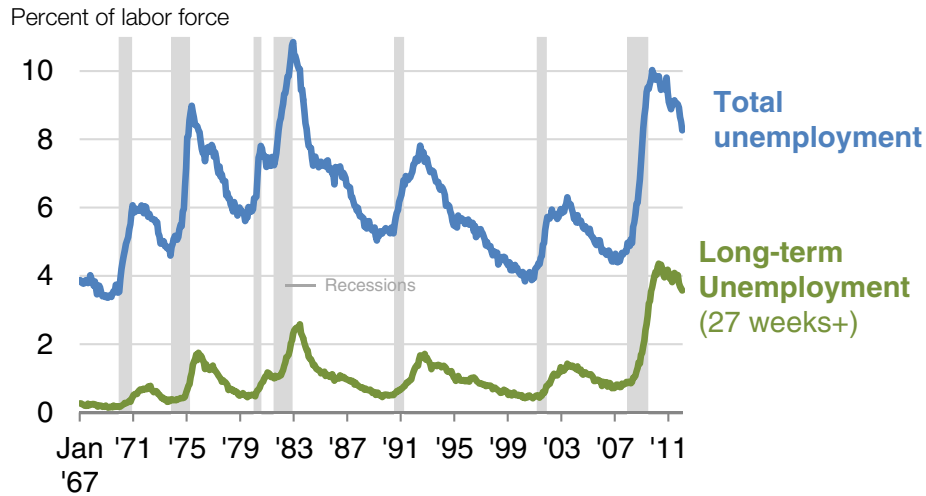
Gross exports, inflation-adjusted, 2009 Q1 = 100



# 4 Challenges Remain, More Work Ahead

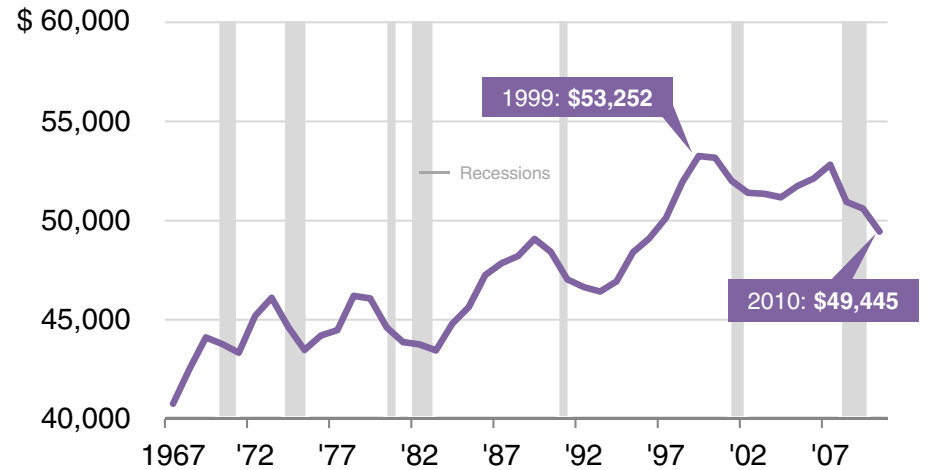
## Unemployment has fallen but remains high.

Total unemployed and unemployed 27 weeks or longer, seasonally-adjusted



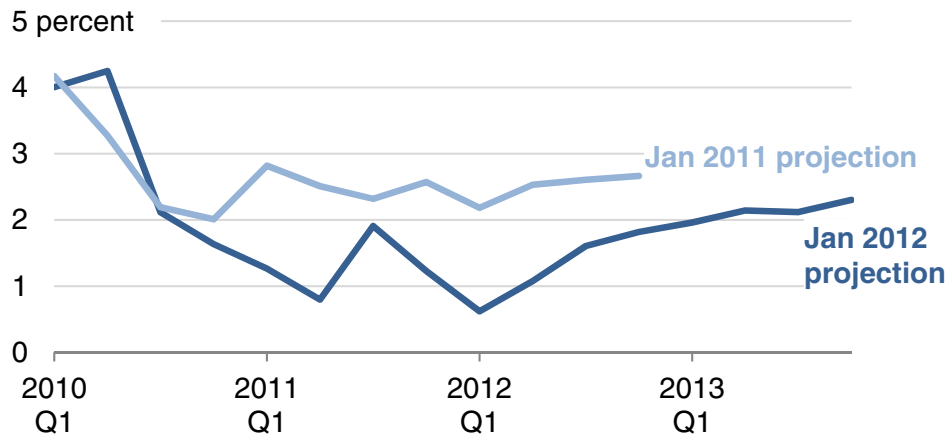
## Median household income has declined over the past decade.

Median household income, inflation-adjusted, 1967 to 2010



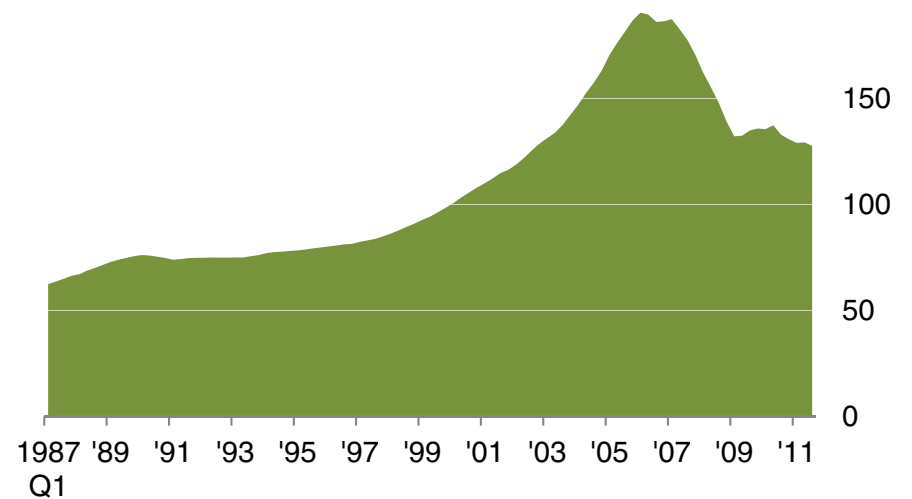
## Projections of growth in advanced economies have declined.

IMF World Economic Outlook projections of real GDP growth for advanced economies



## Housing has not yet recovered.

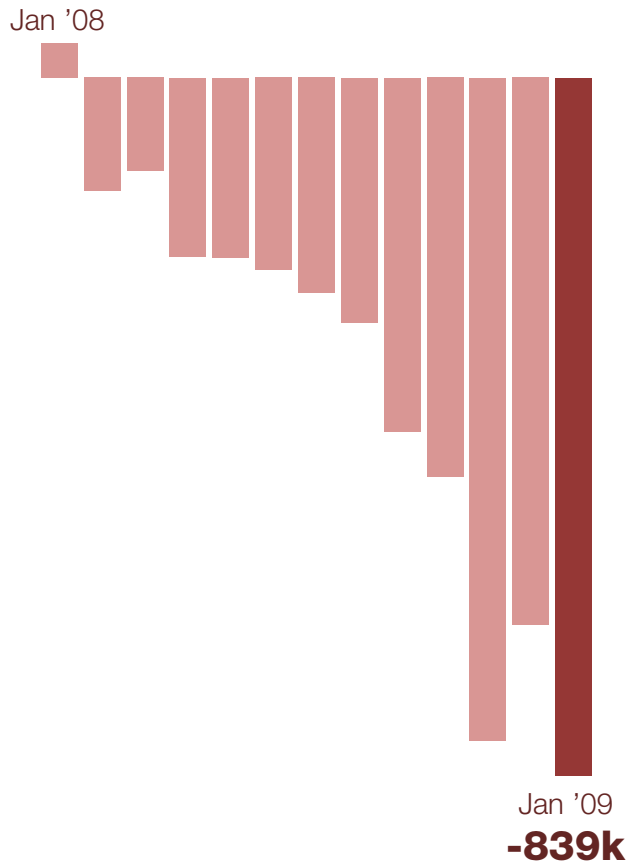
S&P/Case-Shiller U.S. national home price index, 2000 Q1 = 100



# 5 The Inherited Crisis

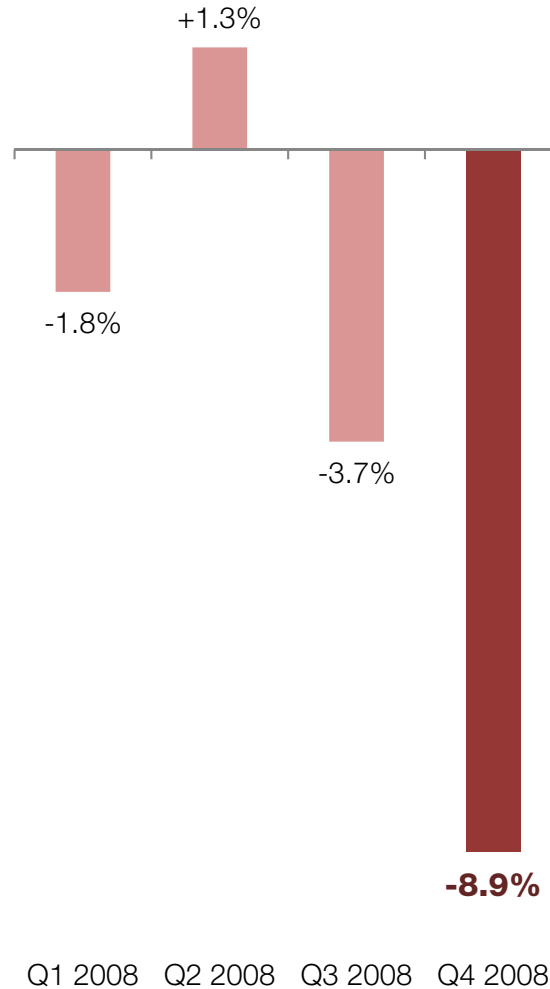
## Private sector job losses

Change in monthly private non-farm payrolls  
Seasonally-adjusted



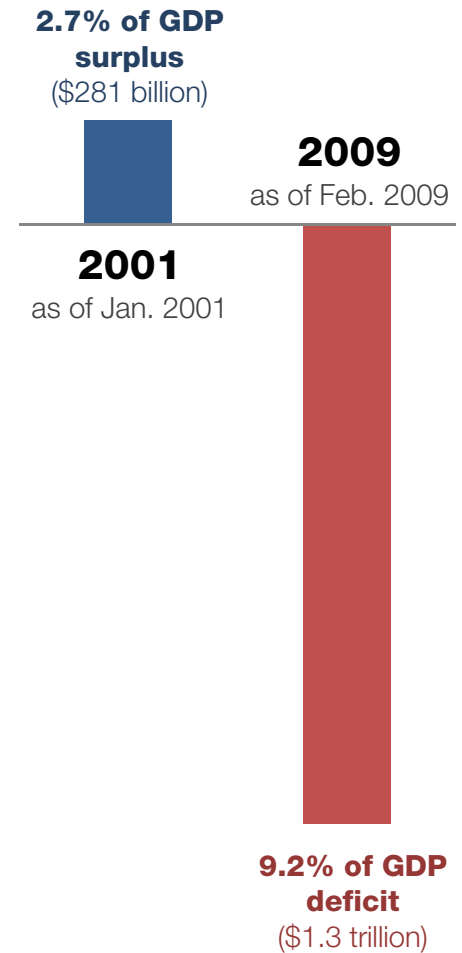
## Economic growth

Annualized change in quarterly real GDP



## Projections of inherited deficits

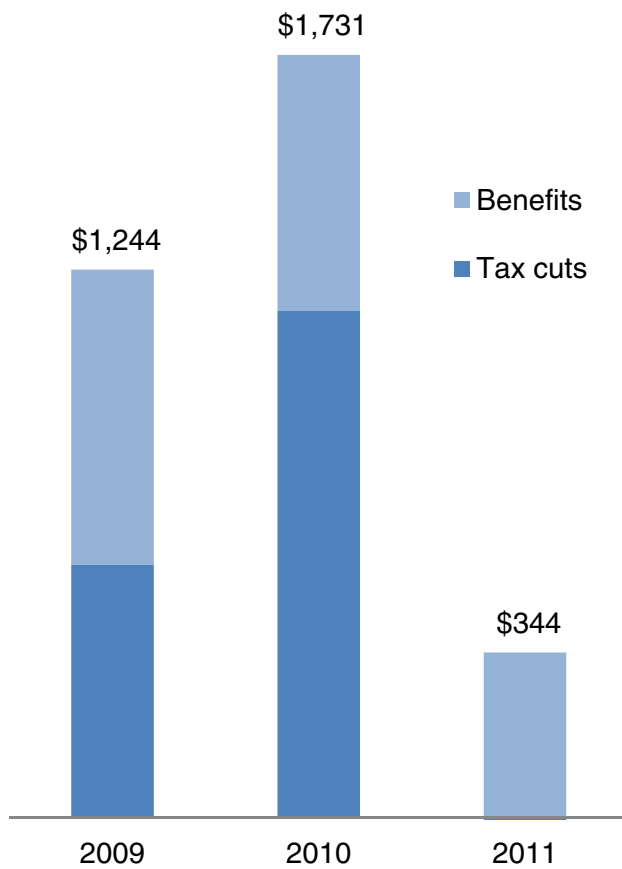
Projected 2001 deficit in January 2001 and  
2009 deficit in February 2009



# 6 The Recovery Act

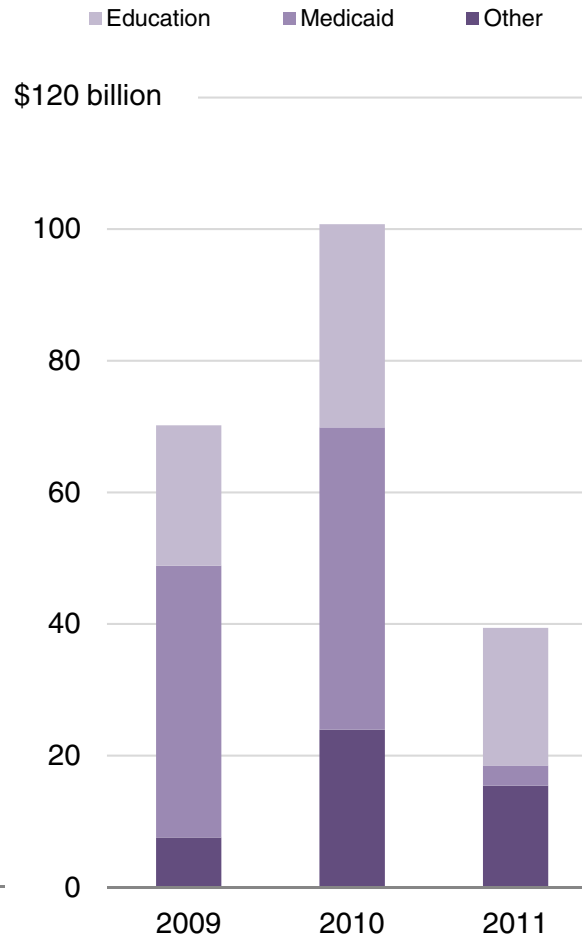
## Average annual household benefit from the Recovery Act

Inflation-adjusted 2011 dollars



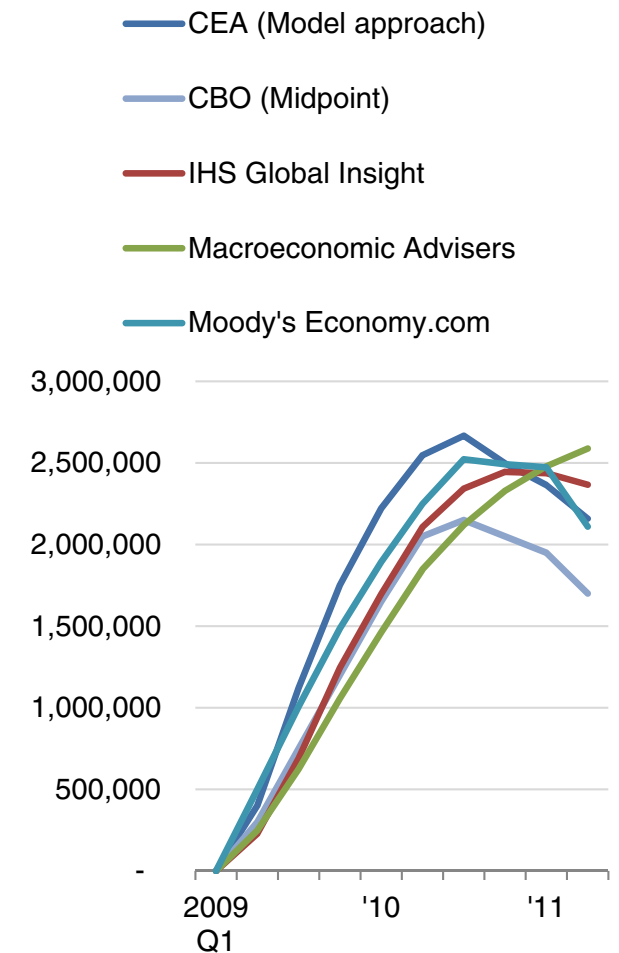
## Recovery Act assistance to state and local governments

Billions of nominal dollars



## Effect of the Recovery Act on employment

Estimates, 2009Q1 to 2011Q2

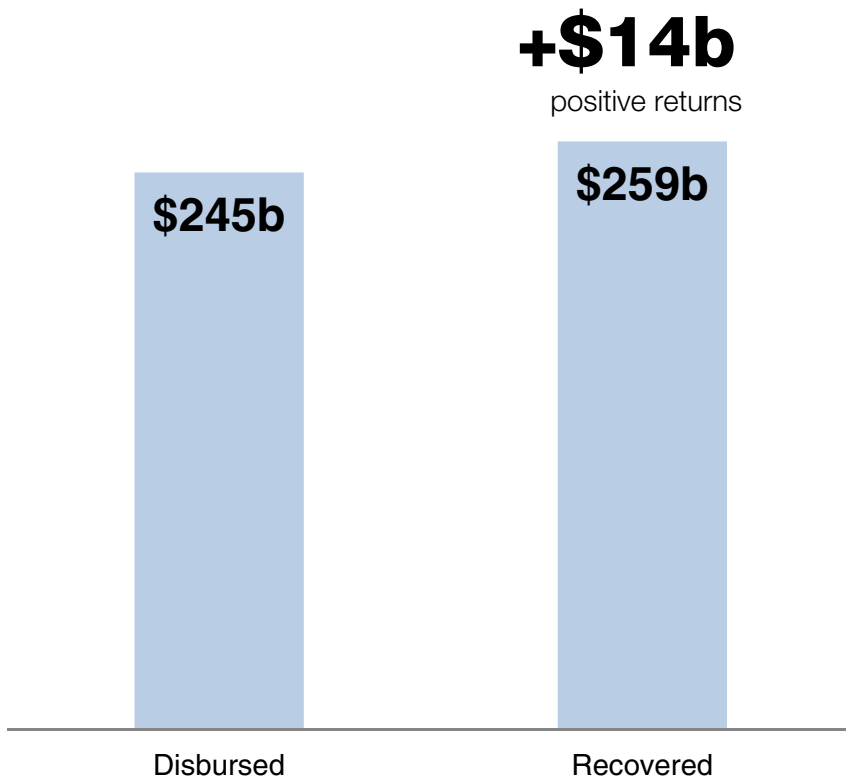


Source: Treasury calculations based on Bureau of Economic Analysis and Council of Economic Advisers data.

# 7 The Financial Rescue

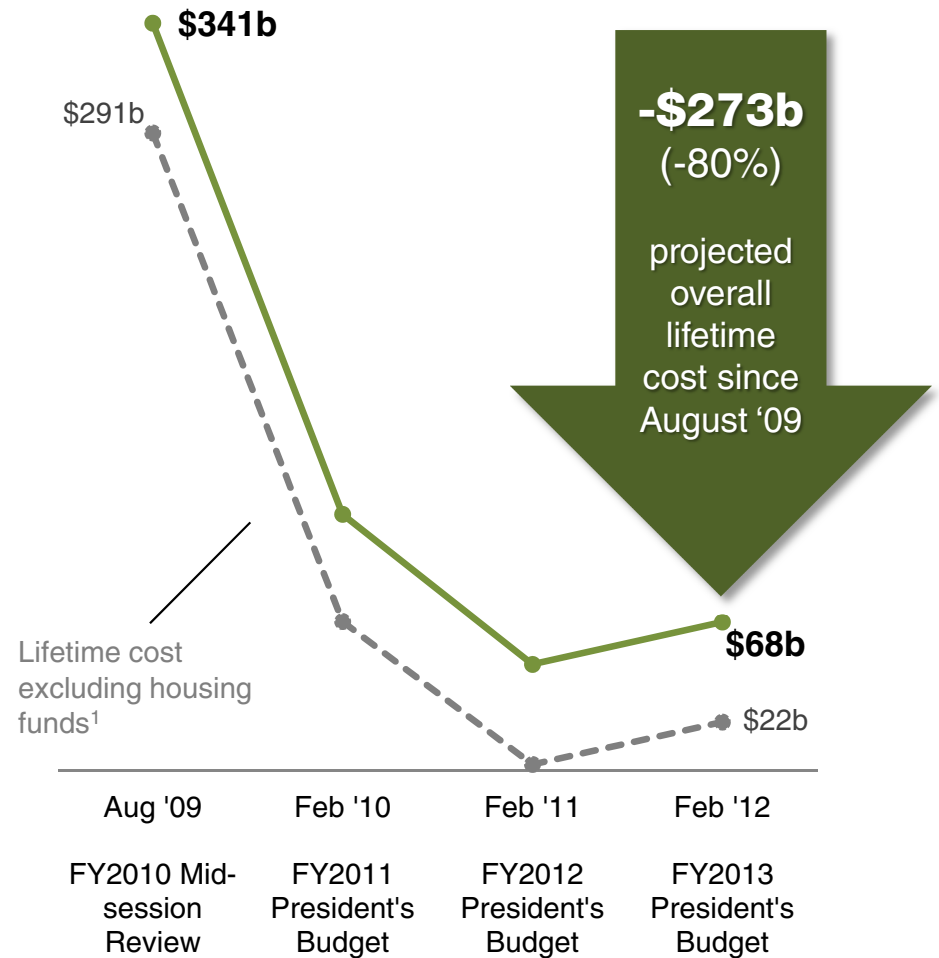
## TARP's bank programs have generated positive returns.

Funds disbursed and recovered under TARP bank programs, Through February 2012



## The projected overall cost of TARP has fallen dramatically.

Estimated lifetime cost of TARP, by date of projection



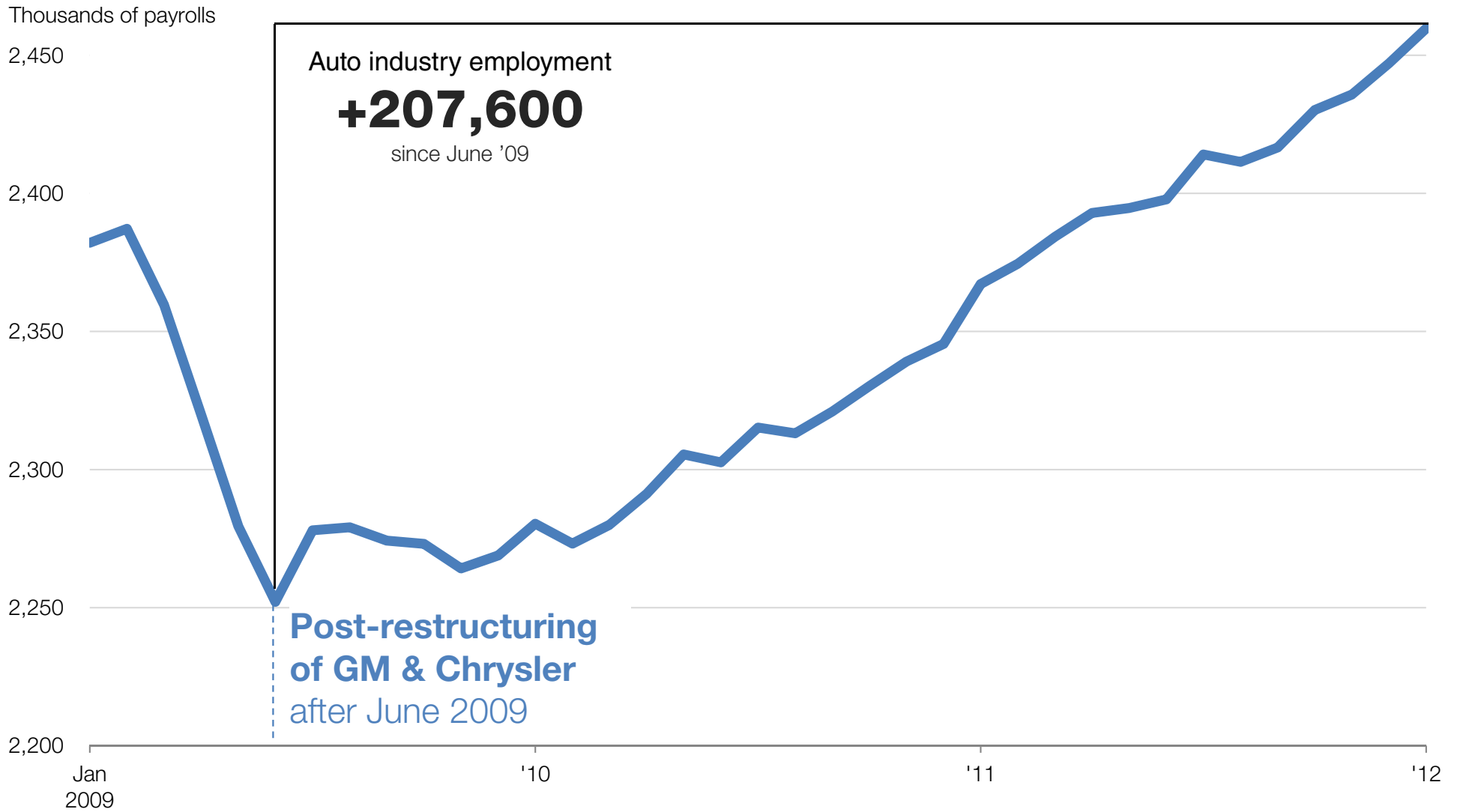
<sup>1</sup> Unlike funds committed through TARP's investment programs, TARP funds targeted to help responsible homeowners avoid foreclosure were not intended to be recovered.



# 8 The Auto Industry

## Auto industry employment has grown since the rescue.

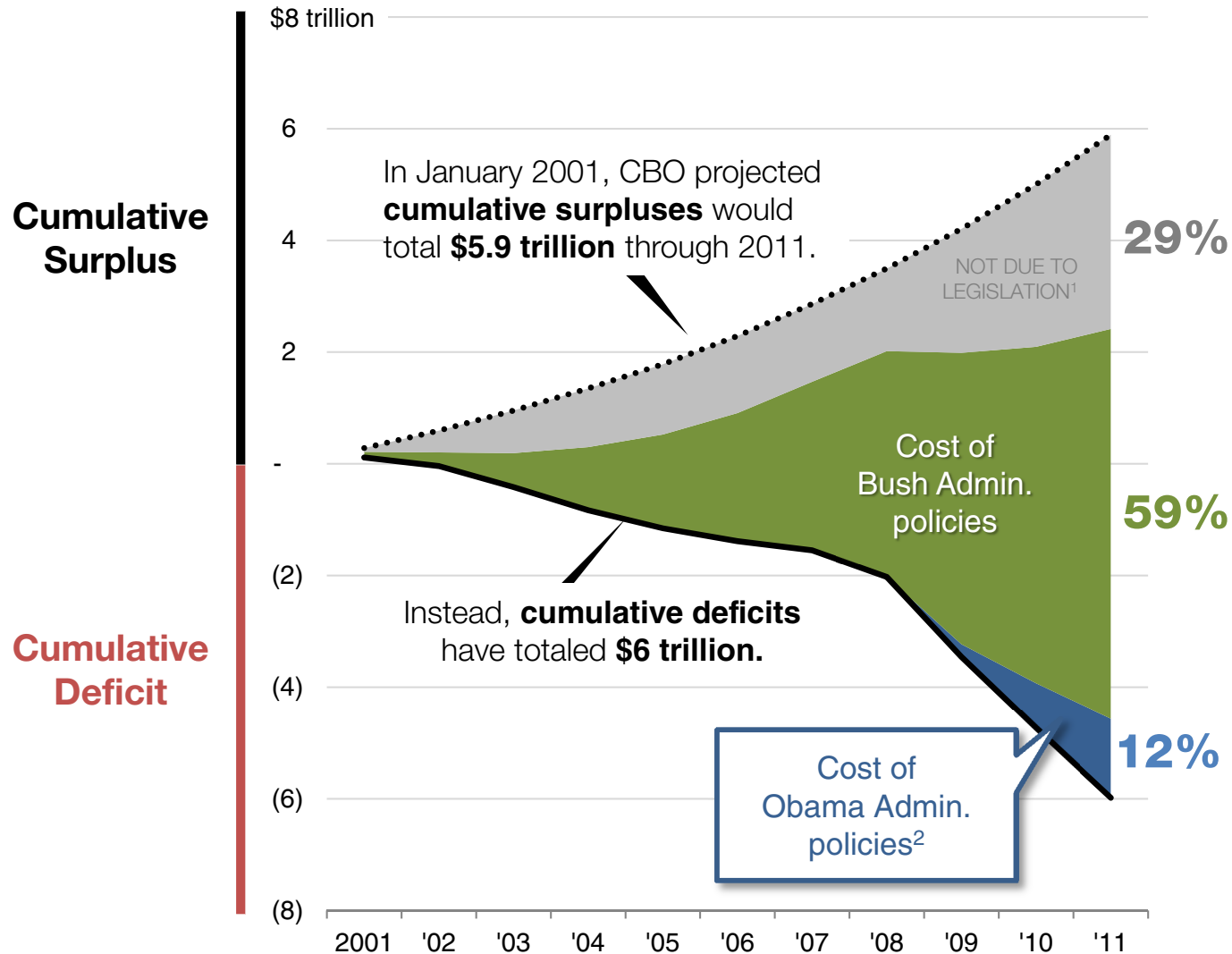
Total private payrolls in motor vehicles and parts (manufacturing and retail trade), seasonally-adjusted



# 9 Causes of Deficits Since 2001

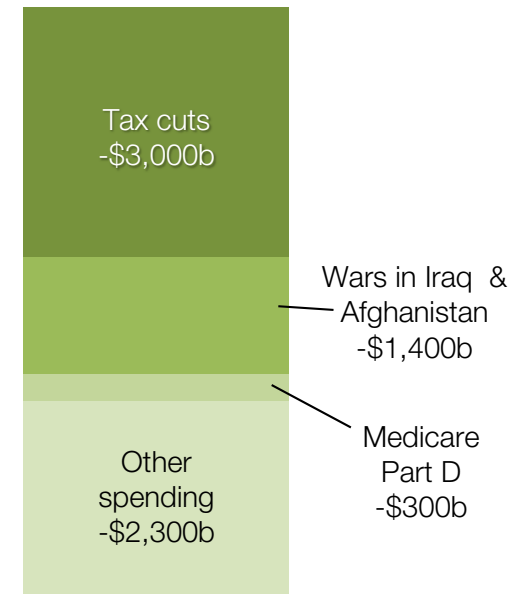
## Changes in deficit projections since January 2001

CBO's projected cumulative surpluses and actual cumulative deficits, January 2001 to August 2011



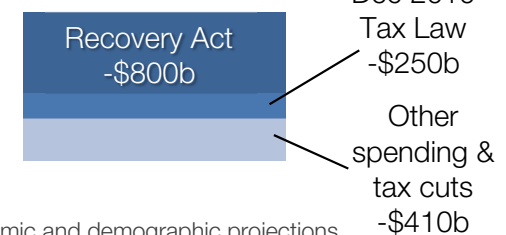
### Bush Admin. policies

**-\$7.0 trillion**  
through 2011



### Obama Admin. policies<sup>2</sup>

**-\$1.4 trillion**  
through 2011

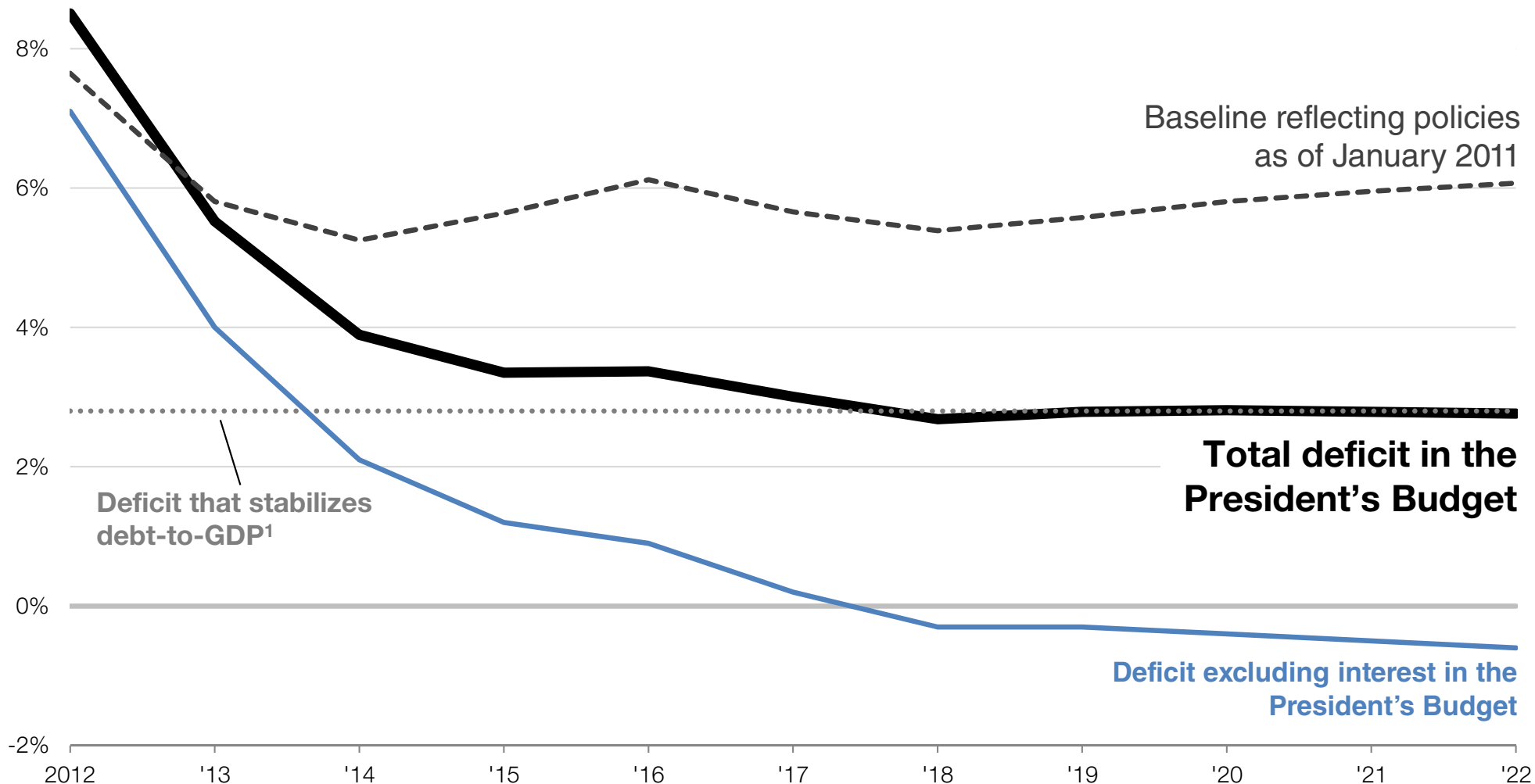


1 CBO terms these factors "technical" and "economic". They include all changes not due to the cost of new legislation, including updates to economic and demographic projections.  
 2 Only reflects effect of policies, including temporary policies, through 2011. Does not reflect deficit reduction proposed in the President's FY2013 Budget going forward. Numbers may not sum due to rounding.

# 10 The President's Budget

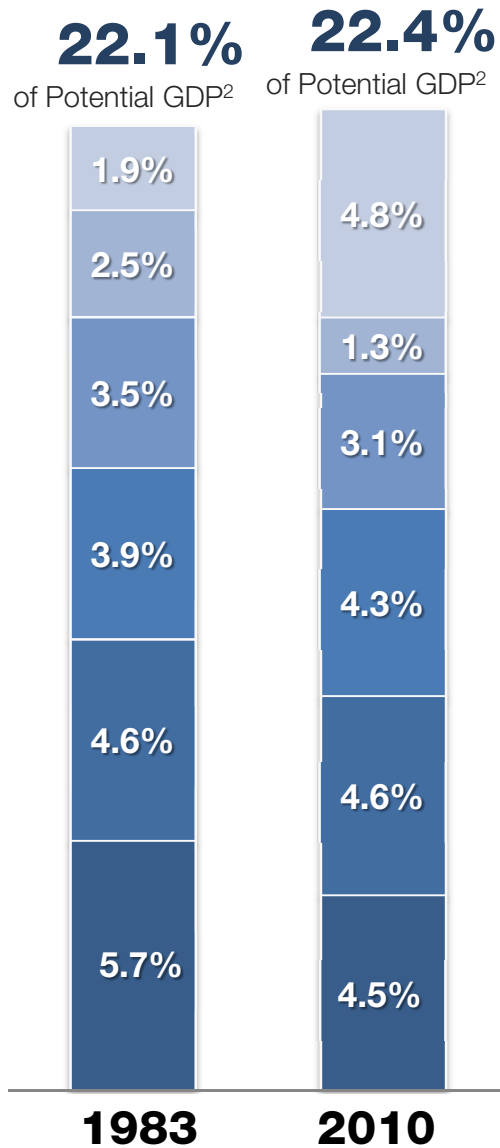
## The President's Budget cuts the deficit and stabilizes the debt.

Federal budget deficits as a percent of GDP under the President's FY2013 Budget



1 The deficit that stabilizes publicly-held federal debt as a percent of GDP depends on several fiscal and economic assumptions, including economic growth and the interest rates on Treasury securities. The President's FY2013 Budget calculates it as 2.8% of GDP in the medium term.

# 11 The Size of Government, 1983 and 2010<sup>1</sup>

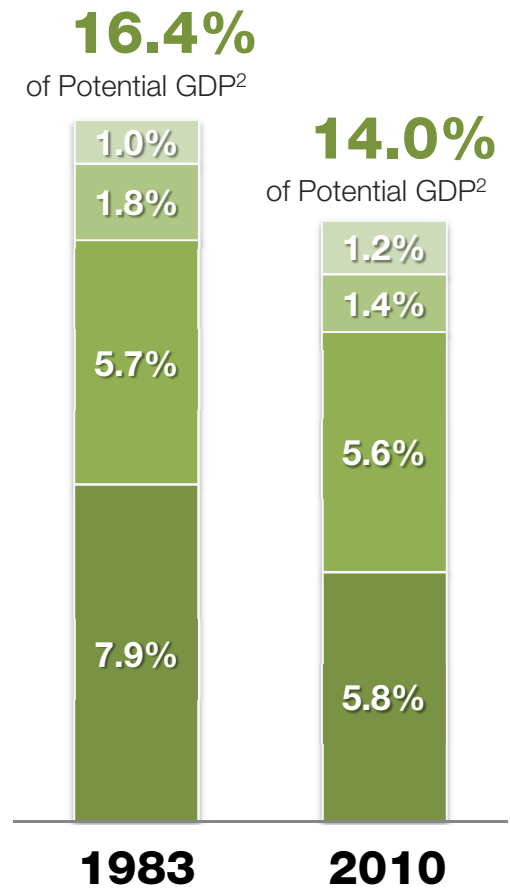


## Spending (Outlays)

- Medicare, Medicaid, & other medical
- Interest on the debt
- Other mandatory
- Non-defense discretionary
- Social Security
- Defense discretionary

## Revenues

- Corporate Income Tax
- Other Revenues
- Payroll (FICA) Tax
- Individual Income Tax



In 2010, total federal spending made up about the same share of the economy as during the last severe downturn in 1983. But in 2010:

- Health care made up a larger share of the budget.
- Revenues were significantly lower.

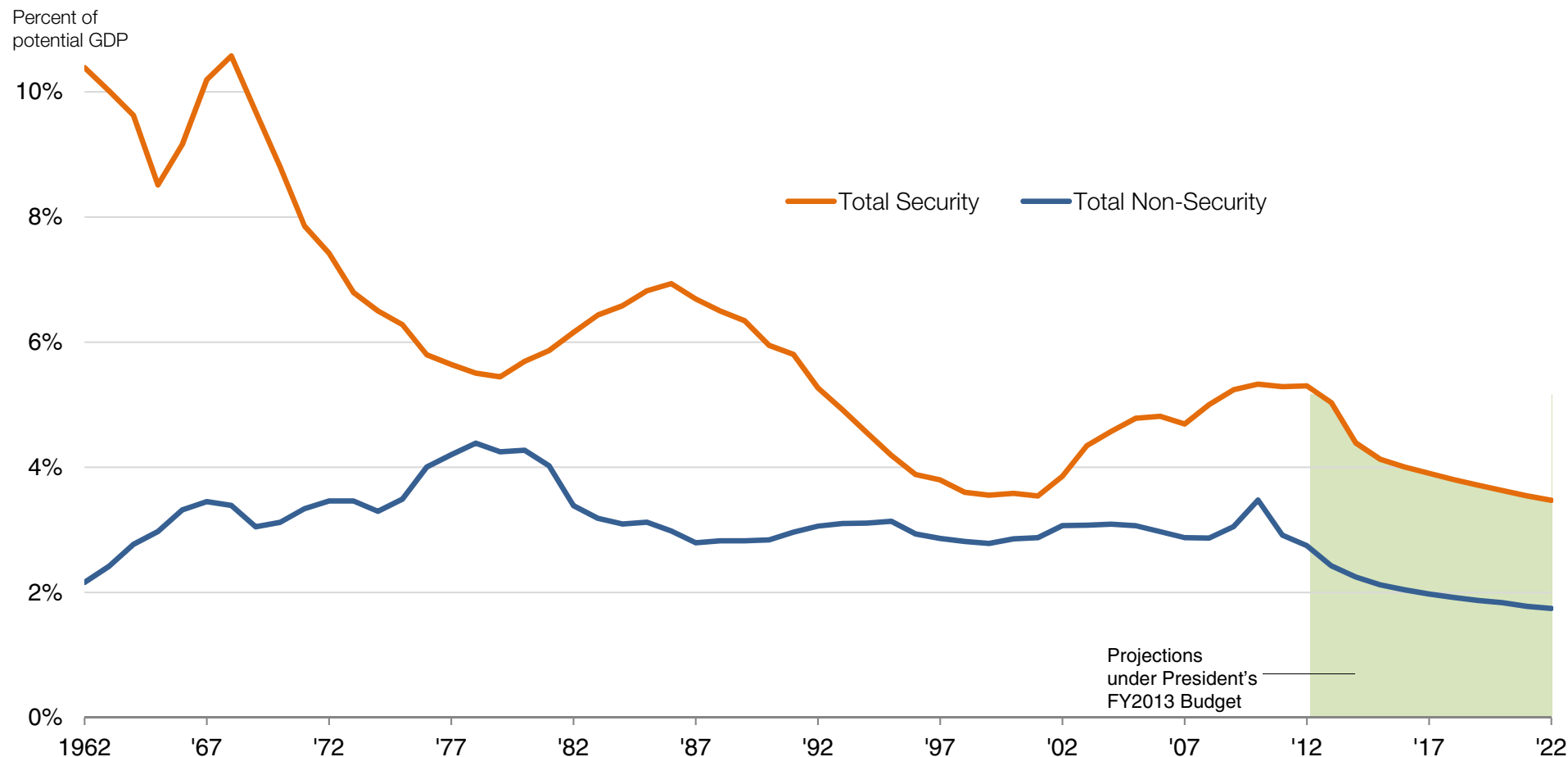
<sup>1</sup> 1983 and 2010 are compared because they had similar-sized output gaps (the difference between potential and actual GDP as a percent of potential GDP): 6.4% and 6.2%, respectively.

<sup>2</sup> Potential GDP is the full-capacity output of the economy.

# 12 Discretionary Spending<sup>1</sup>

## Discretionary spending is now on a path to its lowest level since the Eisenhower Administration.

Security and non-security<sup>2</sup> discretionary outlays as a share of potential GDP, historical and under the President's FY 2013 Budget



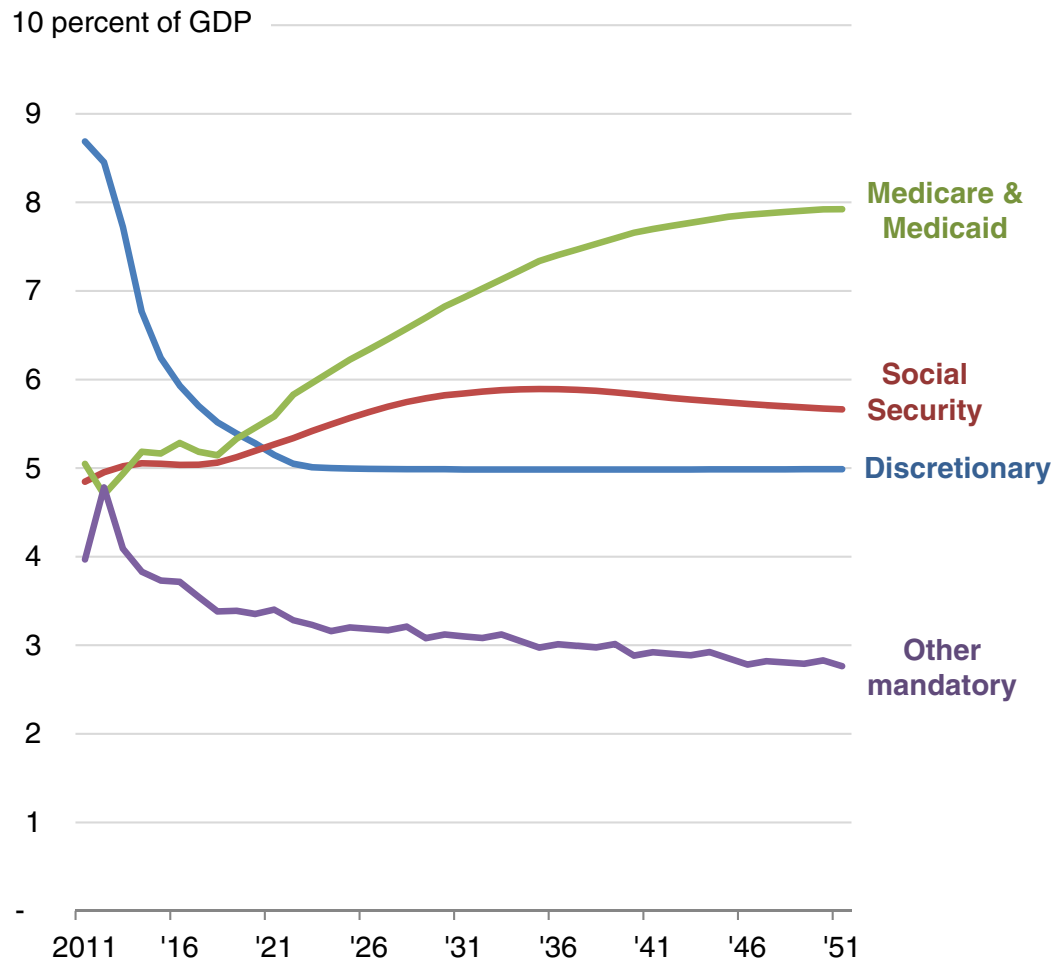
<sup>1</sup> "Discretionary" spending is all federal spending subject to annual appropriations by Congress. It includes most governmental administrative costs as well as some assistance programs. By contrast, "mandatory" programs such as Medicare, Medicaid, and Social Security have permanent authorization and so are not subject to annual Congressional appropriations.

<sup>2</sup> Definitions of security and non-security based on the President's FY2013 Budget.

# 13 Drivers of Long-Term Deficits

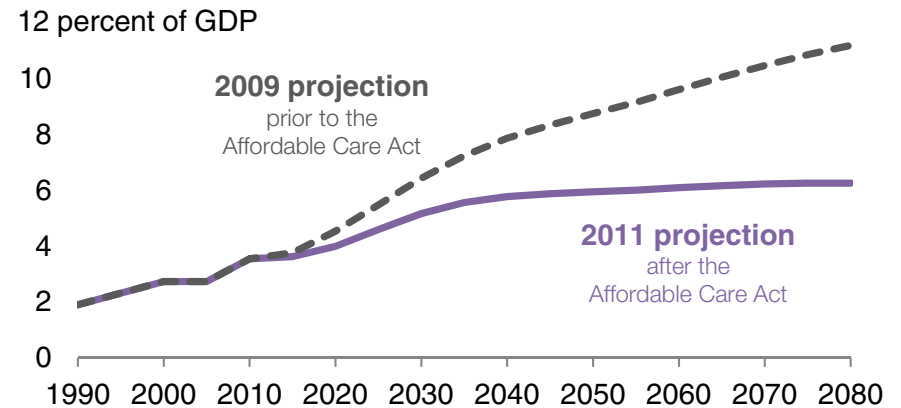
## Over the long term, demands on federal resources for medical care will increase.

Projected non-interest spending by category, percent of GDP<sup>1</sup>



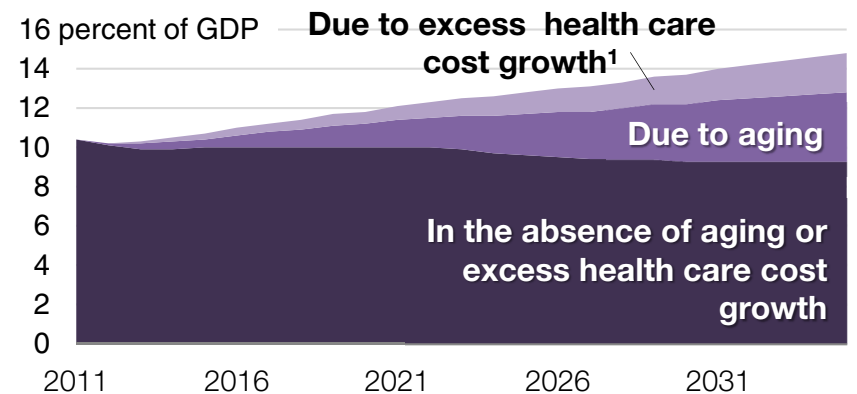
## The Affordable Care Act has helped curb costs...

Projected Medicare spending as a percent of GDP



## ...although challenges remain.

Sources of projected federal spending on major mandatory health care programs and Social Security, 2011 to 2035.



<sup>1</sup> President's FY2013 long-term projections, base case.

<sup>2</sup> CBO defines "excess health care cost growth" as growth in health care costs that exceeds the growth rate of GDP per capita.