Recent data indicates that the pace of economic growth is slowing in developed countries, including the United States. On September 13, 2012, the United States’ Federal Reserve announced that it would expand its holdings of long term securities by purchasing $40 billion worth of mortgage backed securities each month (making this the third round of quantitative easing or QE3). One of the goals, as stated by Ben Bernanke is, “…ongoing, sustained improvement in the labor market.”

- **QE3 and the Labor Market**
  The labor market remains a major concern of the Federal Reserve as it enters into the latest round of quantitative easing. The theory remains that a rising tide lifts all ships, including the labor market. The end goal of quantitative easing is a transaction cycle where a decrease in borrowing costs induces consumers to spend more and businesses to invest more, in the end creating more jobs. The creation of jobs increases consumer spending and thus demand, creating continuity in the cycle of economic growth.

- **QE3 and the Housing Market**
  The third round of quantitative easing will likely lower the interest rate of mortgages (one example of a lower borrowing cost, discussed in the point about the labor market). The hope is that the lower interest rates will induce more buyers to purchase homes. Some critics pointed out that the interest rates are already near record lows and a larger deterrence in the housing market is not the interest rates but the high level of credit standards mortgage applicants have experienced since the last recession.

- **Positive News in the Midst of QE3**
  In the midst chatter that surrounds the Federal Reserve’s decision to enter into latest round of QE3, the Federal Reserve also released updated projections for the United States economy. The bottom line is that every economic metric is expected to improve over the next two years. Real GDP is expected to grow by 3.0% to 3.8%, the unemployment rate continues to decline to 6.7% to 7.3% and inflation remains low, at or below 2.0%, all by 2014. See the last link listed below to directly view the Federal Reserve’s Projections for the United States Economy.

- **The Latest Brevard Data**
The latest unemployment rate of 9.7% in July marks a 0.3% increase from the previous month and a 1.6% decline from the same month the previous year. At a seasonally adjusted rate it actually represents only a 0.1% increase from the previous month. Single family home sales experienced no net change in sales price and volumes increased by 1.6% from the previous year. The largest economic change was experienced in condominium prices as July sales prices experienced a 23.7% increase from July 2011.

While this issue of the Economic Snapshot focused on the Federal Reserve’s decisions and projections, the theme of a rising tide lifting all ships also applies to our local economy. The improvement in the local labor market, GDP and housing market are all strongly correlated to the performance of the nation’s economy.

For more information on the state of Brevard’s economy and historical data, please click here.

For more information regarding the Federal Reserve’s current outlook on the economy of the United States please click here.