Outlook for the U.S. Economy

Society of Financial Service Professionals - National Capital Chapter
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Real Gross Domestic Product

Note: Projection is the median, central tendency, and range from the March 2017 Summary of Economic Projections. Red dots indicate median projections. Projections of change in real gross domestic product (GDP) are from the fourth quarter of the previous year to the fourth quarter of the year indicated.

Source: Bureau of Economic Analysis via Haver Analytics & Federal Reserve Board
## Real Gross Domestic Product

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>2017 Q1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CHANGE FROM PREVIOUS QUARTER AT COMPOUND ANNUAL RATE [Percent]</strong>:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Domestic Product</td>
<td>0.8</td>
<td>1.4</td>
<td>3.5</td>
<td>2.1</td>
<td>0.7</td>
</tr>
<tr>
<td>Personal Consumption Expenditures</td>
<td>1.6</td>
<td>4.3</td>
<td>3.0</td>
<td>3.5</td>
<td>0.3</td>
</tr>
<tr>
<td>Nonresidential Fixed Investment</td>
<td>-3.4</td>
<td>1.0</td>
<td>1.4</td>
<td>0.9</td>
<td>9.4</td>
</tr>
<tr>
<td>Structures</td>
<td>0.1</td>
<td>-2.1</td>
<td>12.0</td>
<td>-1.9</td>
<td>22.1</td>
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<tr>
<td>Equipment</td>
<td>-9.5</td>
<td>-2.9</td>
<td>-4.5</td>
<td>1.9</td>
<td>9.1</td>
</tr>
<tr>
<td>Intellectual Property</td>
<td>3.7</td>
<td>9.0</td>
<td>3.2</td>
<td>1.3</td>
<td>2.0</td>
</tr>
<tr>
<td>Residential Fixed Investment</td>
<td>7.8</td>
<td>-7.7</td>
<td>-4.1</td>
<td>9.6</td>
<td>13.7</td>
</tr>
<tr>
<td>Exports of Goods &amp; Services</td>
<td>-0.7</td>
<td>1.8</td>
<td>10.0</td>
<td>-4.5</td>
<td>5.8</td>
</tr>
<tr>
<td>Imports of Goods &amp; Services</td>
<td>-0.6</td>
<td>0.2</td>
<td>2.2</td>
<td>9.0</td>
<td>4.1</td>
</tr>
<tr>
<td>Government Consumption Expenditures &amp; Gross Investment</td>
<td>1.6</td>
<td>-1.7</td>
<td>0.8</td>
<td>0.2</td>
<td>-1.7</td>
</tr>
<tr>
<td>Final Sales to Domestic Purchasers</td>
<td>1.2</td>
<td>2.4</td>
<td>2.1</td>
<td>2.8</td>
<td>1.5</td>
</tr>
<tr>
<td><strong>LEVEL IN QUARTER AT SEASONALLY ADJUSTED ANNUAL RATE [Billions of Chained (2005) Dollars]</strong>:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in Private Inventories</td>
<td>40.7</td>
<td>-9.5</td>
<td>7.1</td>
<td>49.6</td>
<td>10.3</td>
</tr>
<tr>
<td>Net Exports of Goods &amp; Services</td>
<td>-566.3</td>
<td>-558.5</td>
<td>-522.2</td>
<td>-605.0</td>
<td>-602.7</td>
</tr>
</tbody>
</table>

Source: Bureau of Economic Analysis via Haver Analytics
Decomposition of Real GDP

Note: Productivity is calculated as real GDP per employee, from the Household Survey.

Source: Bureau of Economic Analysis and Bureau of Labor Statistics via Haver Analytics
Consumer Spending and Income

Note: Income has been adjusted to account for temporary fiscal actions in 2008 and 2012-2013.

Source: Bureau of Economic Analysis via Haver Analytics
Sales of Automobiles & Light Trucks

- **Autos and Light Trucks**
- **Light Trucks**
- **Autos**

Source: Autodata Corporation via Haver Analytics
Private Multi-Family Housing Starts & Permits

3-Month Moving Average, Millions of Starts & Permits, Annual Rate

Starts
Permits

1990 – 1999 Average Multi-Family Starts

Source: Census Bureau via Haver Analytics
Indexes of Non-Manufacturing Activity

Diffusion Index, percent

ISM (Left Axis)

April 57.5

Richmond Fed Service Sector Index: Revenues (Right Axis)

Source: Institute for Supply Management & Richmond Fed via Haver Analytics
Indexes of Manufacturing Activity

Source: Institute for Supply Management & Richmond Fed via Haver Analytics
Exchange Value of the USD

Index, March 1973 = 100

Notes: Measured as the real broad trade-weighted exchange value of the United States Dollar.

Source: Board of Governors via Haver Analytics
Crude Oil Prices

Notes: Spot and Futures Prices are for Brent Crude Oil.

Business Inventory/Sales Ratio

Source: Census Bureau via Haver Analytics
Core Capital Goods

Notes: Core capital goods are nondefense capital goods excluding aircraft.

Source: Census Bureau via Haver Analytics
Nonfarm Payroll Employment

Quarterly average of monthly changes, thousands of persons


Monthly Change
Apr  211
Mar  79
Feb  232
Jan  216
Dec  155

Source: Bureau of Labor Statistics via Haver Analytics
Unemployment Rate

Notes: FOMC projection is the median, range, and central tendency for the Q4 levels, from the March 2017 meeting. Red dots indicate median projections.

Source: Bureau of Labor Statistics & Board of Governors via Haver Analytics
Measures of Labor Utilization

U3: Official Unemployment Rate
U5: U3 + Discouraged + Marginally Attached
U6: U5 + Involuntary Part-Time

Source: Bureau of Labor Statistics via Haver Analytics
Labor Market Flows

Note: *Percent of total employment. **Percent of total employment plus job openings.

Source: JOLTS via Haver Analytics
Average Hourly Earnings

12 Month % Change of 3-Month Moving Average

Monthly % Change
Apr 0.3%
Mar 0.1%
Feb 0.3%
Jan 0.2%
Dec 0.3%

April 2.7%

Source: Bureau of Labor Statistics via Haver Analytics
Personal Consumption Expenditure Price Index

Notes: FOMC projection is the median, range, and central tendency for Q4/Q4 percent changes, from the March 2017 meeting. Red dots indicate median projections.

Source: Bureau of Economic Analysis & Board of Governors via Haver Analytics
Notes: FOMC projection is the median, range, and central tendency for Q4/Q4 percent changes, from the March 2017 meeting. Red dots indicate median projections. Core PCE Price Index excludes expenditures on gasoline and food services.

Source: Bureau of Economic Analysis & Board of Governors via Haver Analytics
Monetary Policy Instruments

Federal Funds Target Rate
Interest Rate Paid on Reserves
Federal Funds Rate Target Range
Primary Credit Rate

Source: Board of Governors via Haver Analytics
FOMC Statement
May 03, 2017

Information received since the Federal Open Market Committee met in March indicates that the labor market has continued to strengthen even as growth in economic activity slowed. Job gains were solid, on average, in recent months, and the unemployment rate declined. Household spending rose only modestly, but the fundamentals underpinning the continued growth of consumption remained solid. Business fixed investment firmed. Inflation measured on a 12-month basis recently has been running close to the Committee's 2 percent longer-run objective. Excluding energy and food, consumer prices declined in March and inflation continued to run somewhat below 2 percent. Market-based measures of inflation compensation remain low; survey-based measures of longer-term inflation expectations are little changed, on balance.

Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee views the slowing in growth during the first quarter as likely to be transitory and continues to expect that, with gradual adjustments in the stance of monetary policy, economic activity will expand at a moderate pace, labor market conditions will strengthen somewhat further, and inflation will stabilize around 2 percent over the medium term. Near-term risks to the economic outlook appear roughly balanced. The Committee continues to closely monitor inflation indicators and global economic and financial developments.

In view of realized and expected labor market conditions and inflation, the Committee decided to maintain the target range for the federal funds rate at 3/4 to 1 percent. The stance of monetary policy remains accommodative, thereby supporting some further strengthening in labor market conditions and a sustained return to 2 percent inflation.

Source: Board of Governors
Continued…

In determining the timing and size of future adjustments to the target range for the federal funds rate, the Committee will assess realized and expected economic conditions relative to its objectives of maximum employment and 2 percent inflation. This assessment will take into account a wide range of information, including measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial and international developments. The Committee will carefully monitor actual and expected inflation developments relative to its symmetric inflation goal. The Committee expects that economic conditions will evolve in a manner that will warrant gradual increases in the federal funds rate; the federal funds rate is likely to remain, for some time, below levels that are expected to prevail in the longer run. However, the actual path of the federal funds rate will depend on the economic outlook as informed by incoming data.

The Committee is maintaining its existing policy of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities and of rolling over maturing Treasury securities at auction, and it anticipates doing so until normalization of the level of the federal funds rate is well under way. This policy, by keeping the Committee's holdings of longer-term securities at sizable levels, should help maintain accommodative financial conditions.

Voting for the FOMC monetary policy action were: Janet L. Yellen, Chair; William C. Dudley, Vice Chairman; Lael Brainard; Charles L. Evans; Stanley Fischer; Patrick Harker; Robert S. Kaplan; Neel Kashkari; and Jerome H. Powell.
Real Federal Funds Rate

Note: The Real Federal Funds Rate is the difference between the effect Fed Funds rate and the lagged year-over-year change in the core PCE price index.

Source: Bureau of Economic Analysis & Board of Governors via Haver Analytics
Summary of Economic Projections: Federal Funds Rate

Note: Each dot in the chart represents the value of an FOMC participant’s judgment of the midpoint of the appropriate target range (or the appropriate target level) for the federal funds rate at the end of the calendar year. Projections made for the March 2017 meeting.

Source: Board of Governors
Eurodollar Futures

Source: CME Group via Bloomberg
The views expressed here are those of the author, and do not necessarily represent those of the Federal Reserve Bank of Richmond or the Federal Reserve System.