

Economic Update

International Council of Shopping Centers

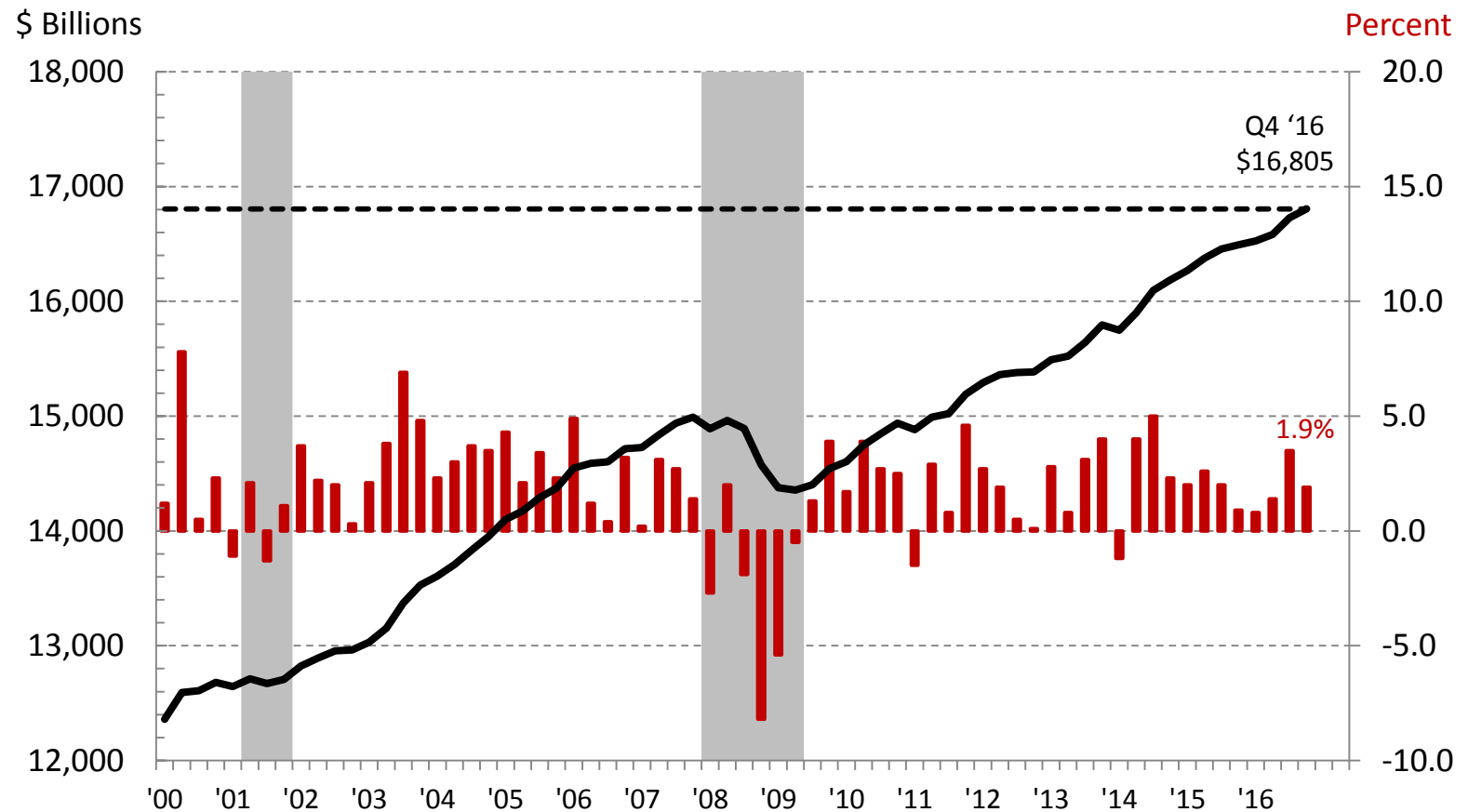
Federal Reserve Bank of Chicago
February 9, 2017

Paul Traub
Senior Business Economist



U.S. Real GDP

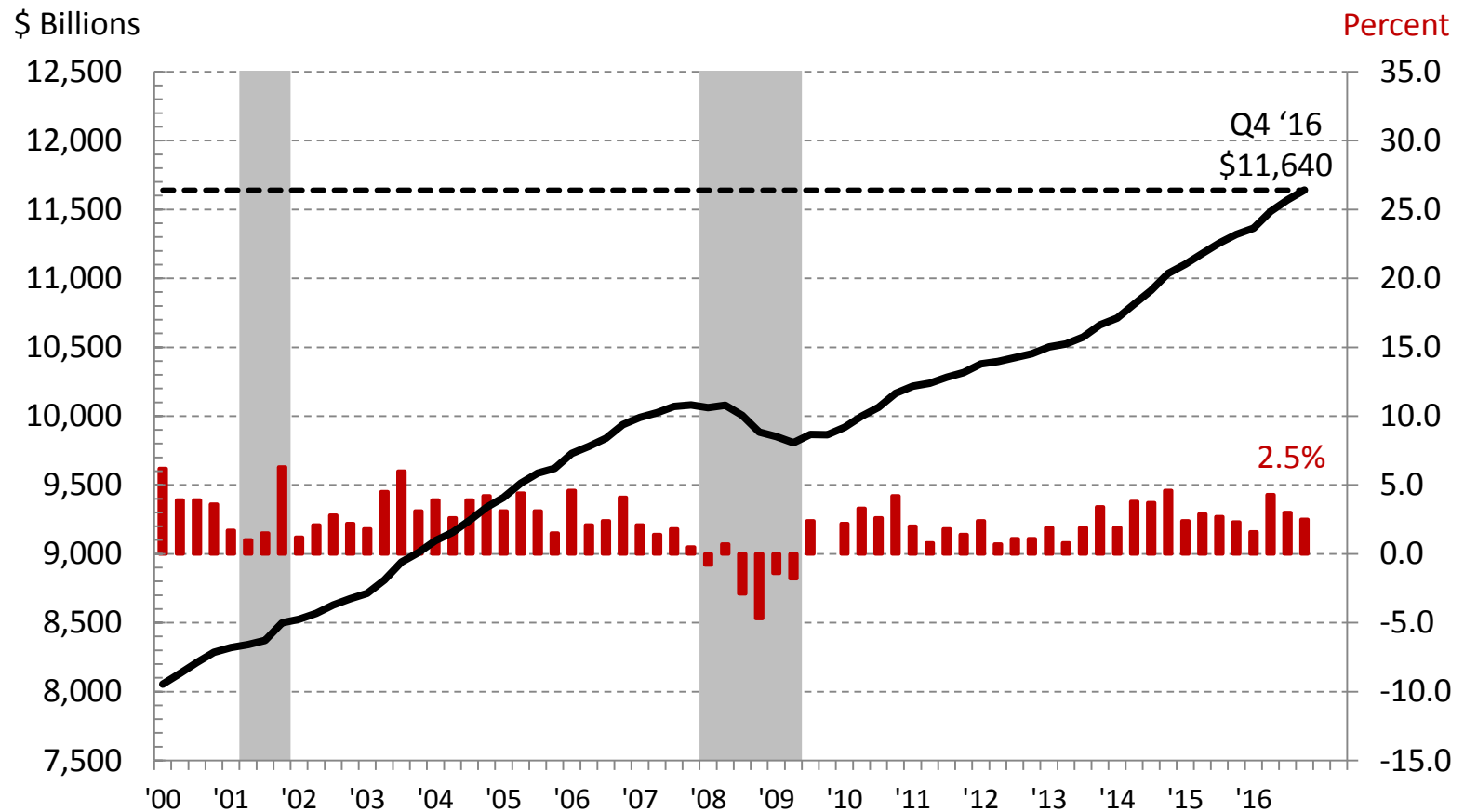
Billions Chained \$2009, % Change Q/Q at SAAR



Source: U.S. Bureau of Economic Analysis

Real Personal Consumption Expenditures

Billions Chained \$2009, % Change Q/Q at SAAR

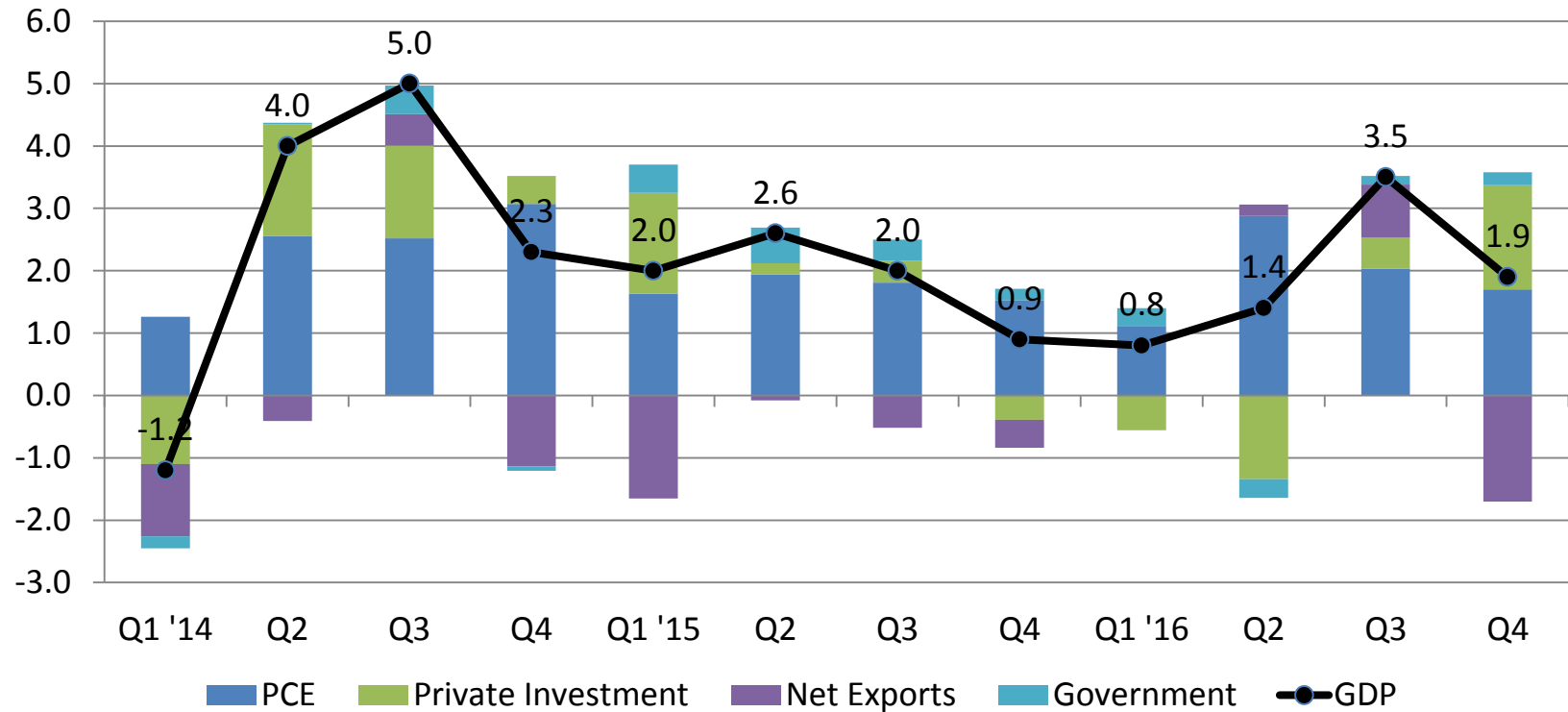


Source: U.S. Bureau of Economic Analysis

U.S. Real GDP

GDP and Contribution to Percent Change, Q/Q at SAAR

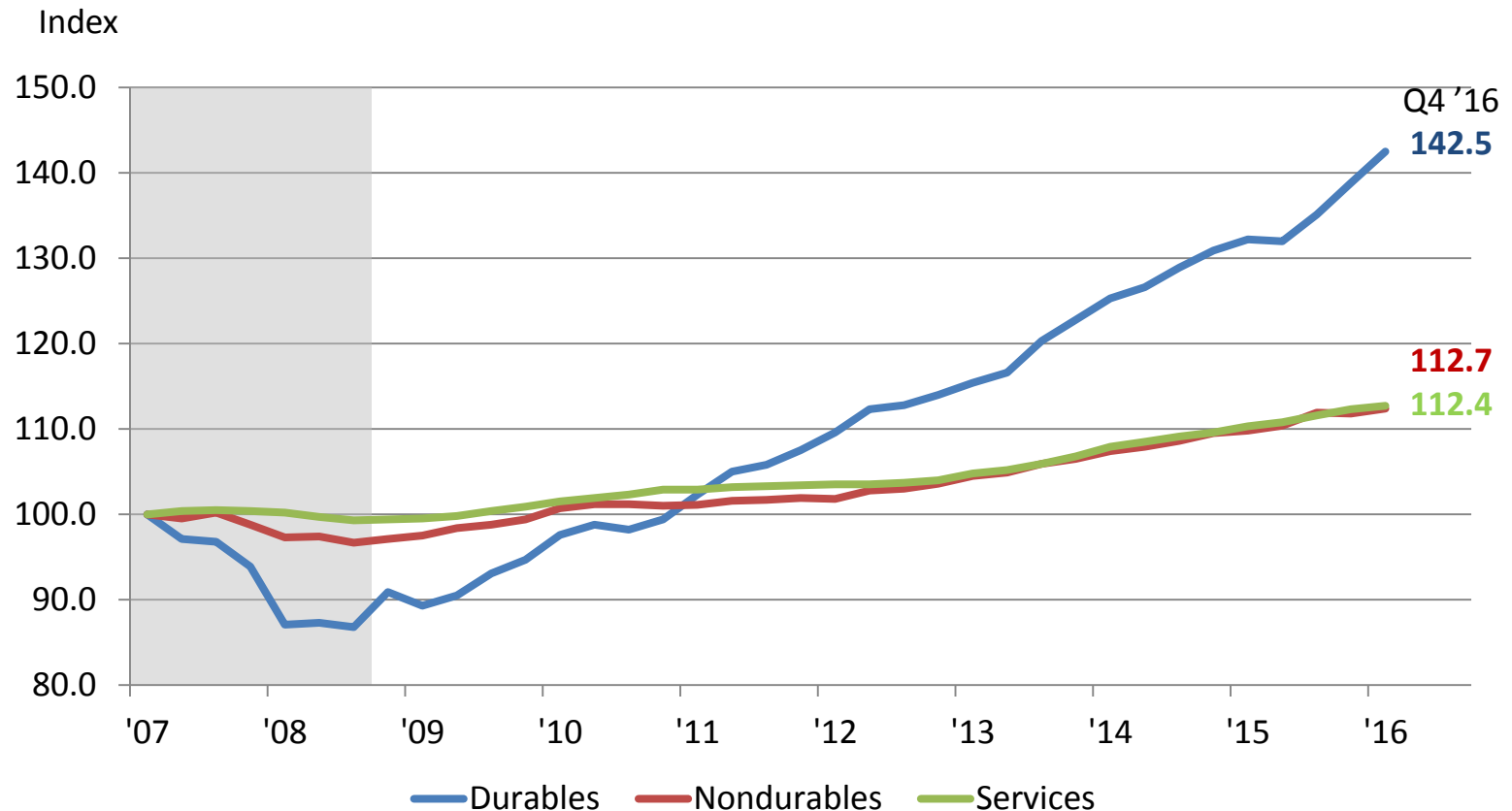
Percent



Source: U.S. Bureau of Economic Analysis, September 2016 Blue Chip Economic Indicators.

Real Personal Consumption Expenditures

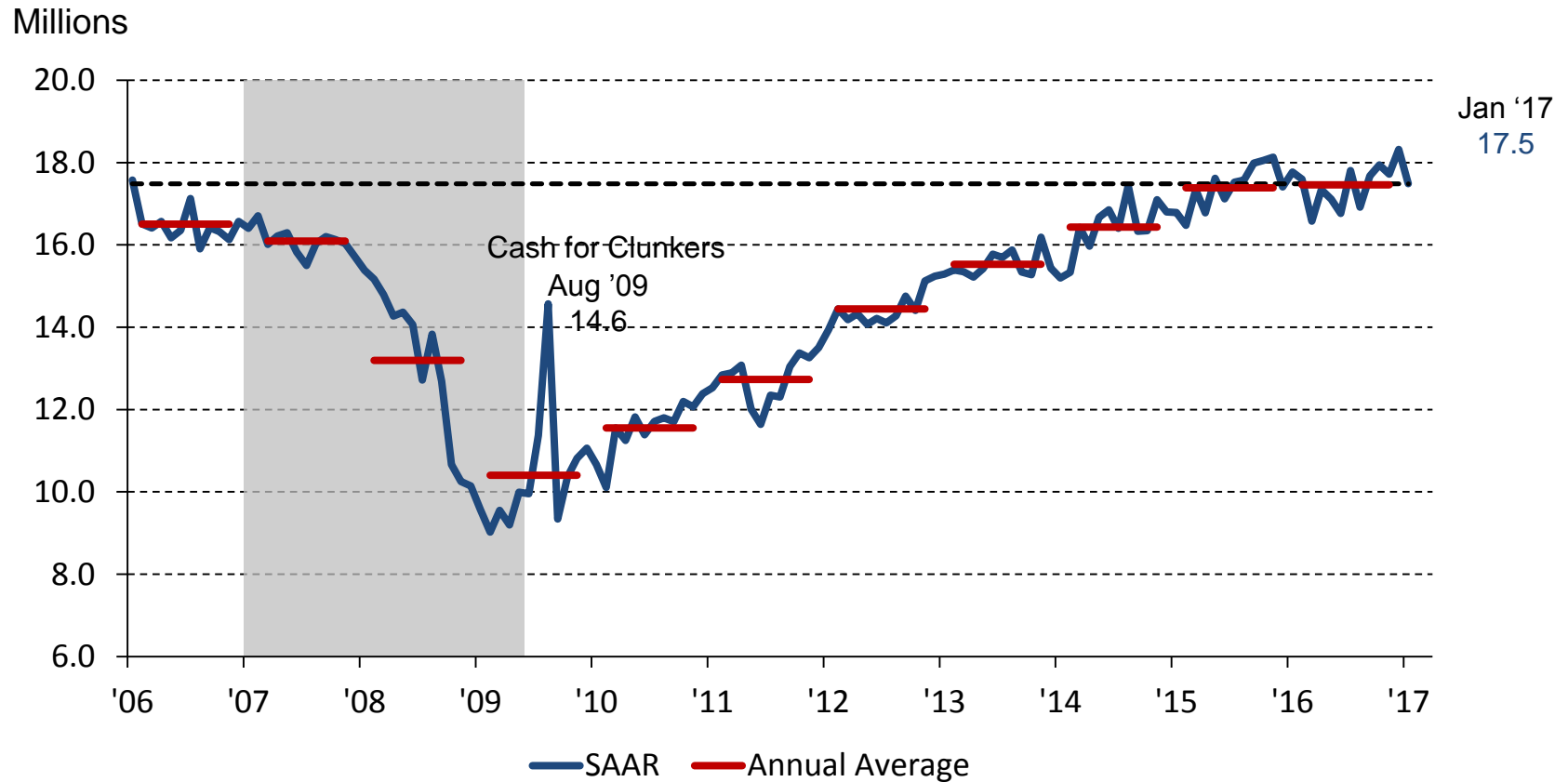
Index, Q4 2007 = 100



Source: Author's calculations using data from the BEA

U.S. Light Vehicle Sales

S.A.A.R – Millions of Units



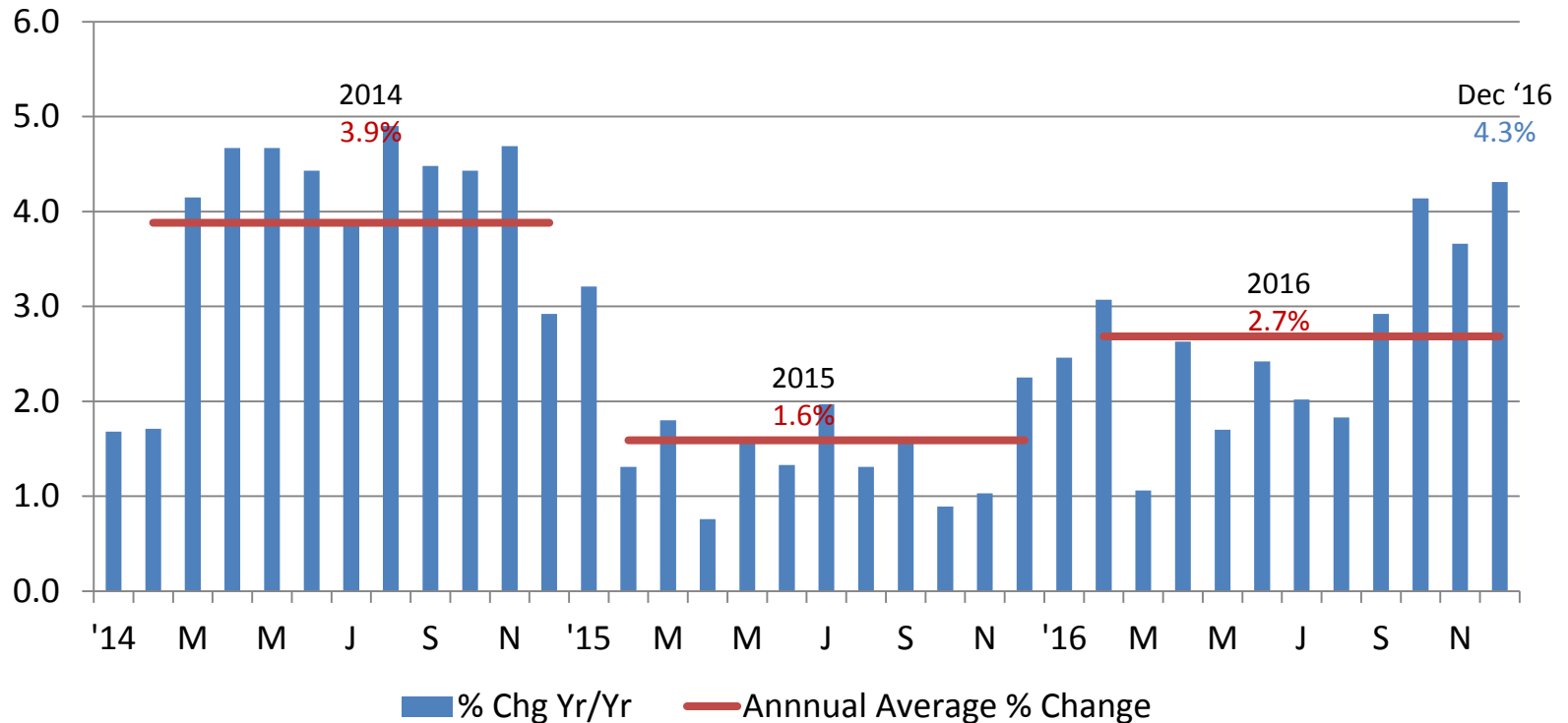
Note: Total 2016 Light Vehicle Sales: 17,465,020 / Including M/H: 17,866,260.

Source: Ward's Automotive and BEA

Real Retail Sales

Excluding Food Services - % Change Yr./Yr.

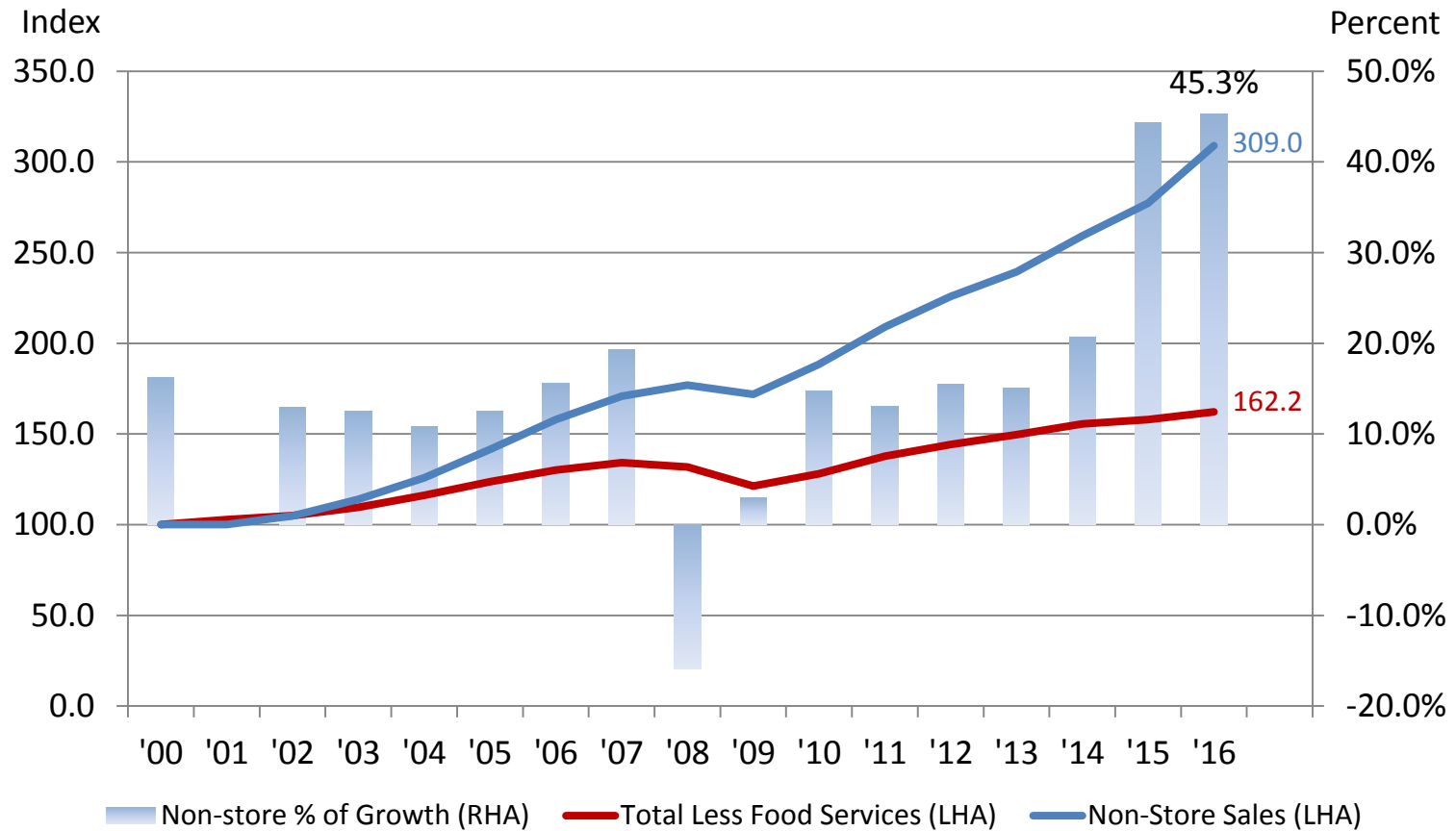
Percent



Source: Bureau of the Census

Real Retail Sales – Non-store Sales

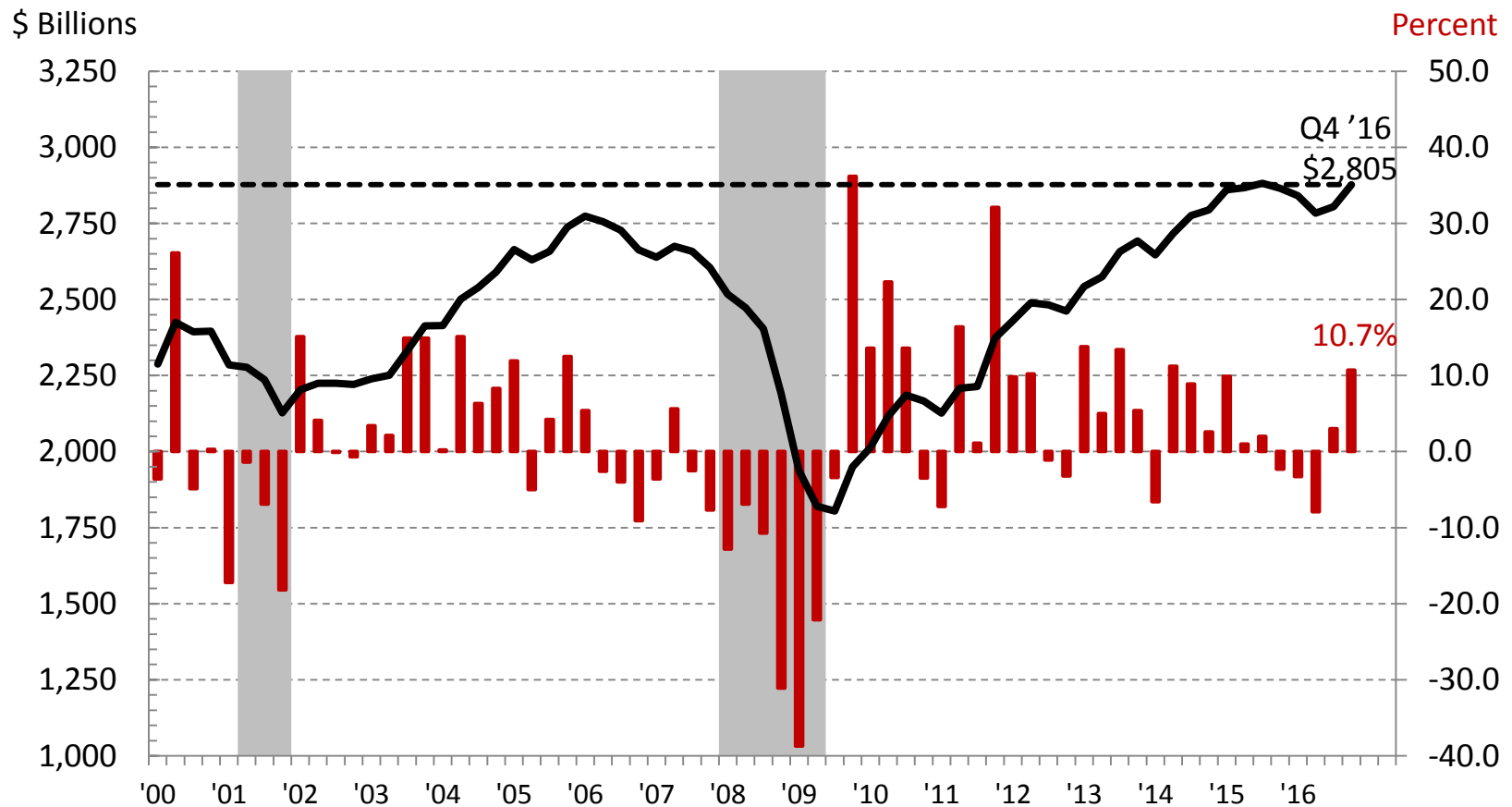
Index 2000 = 100 and Share of Growth



Source: Bureau of the Census

Real Gross Private Domestic Investment

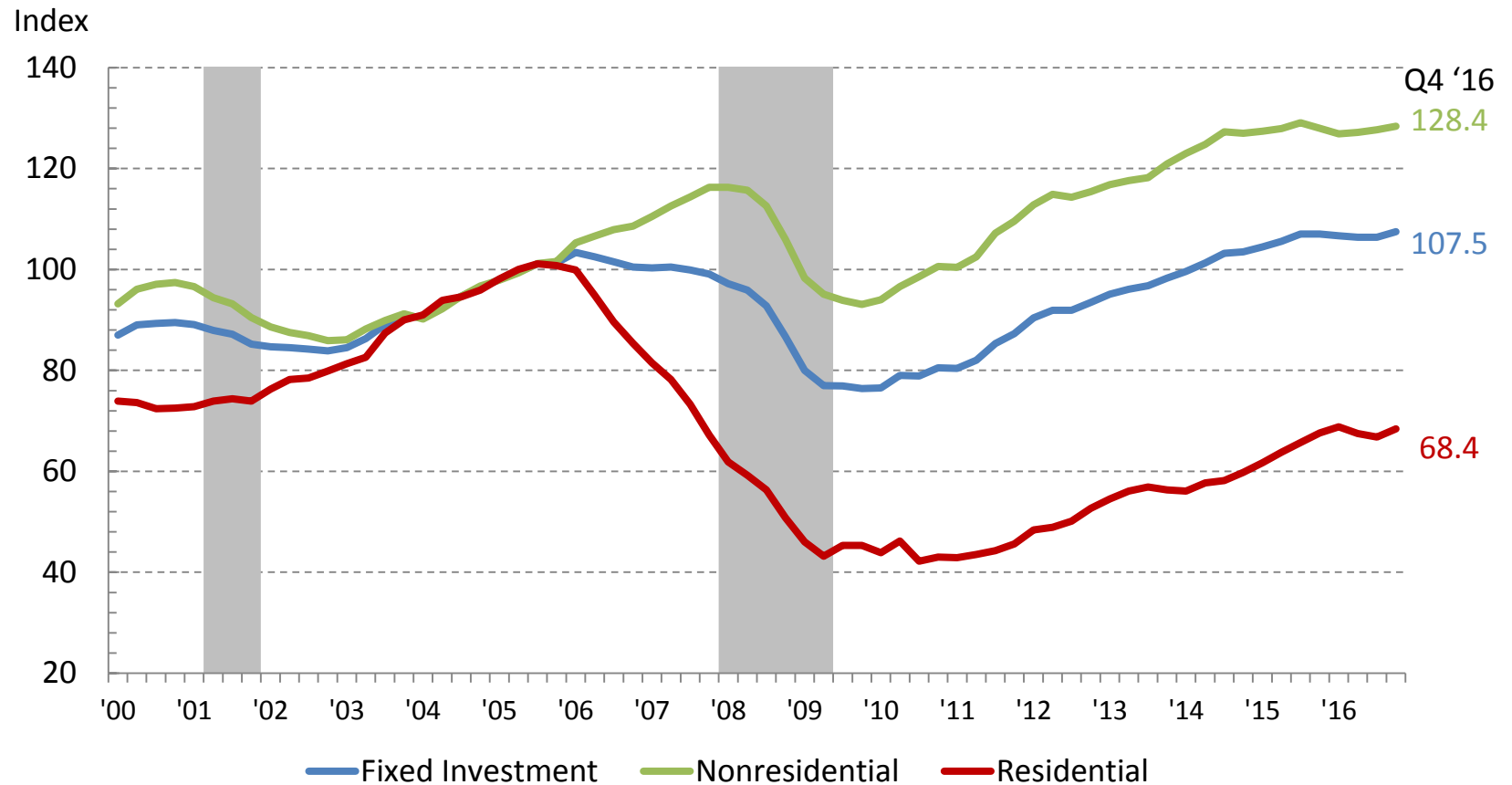
Billions Chained \$2009, % Change Q/Q at SAAR



Source: U.S. Bureau of Economic Analysis

Real Domestic Fixed Investment

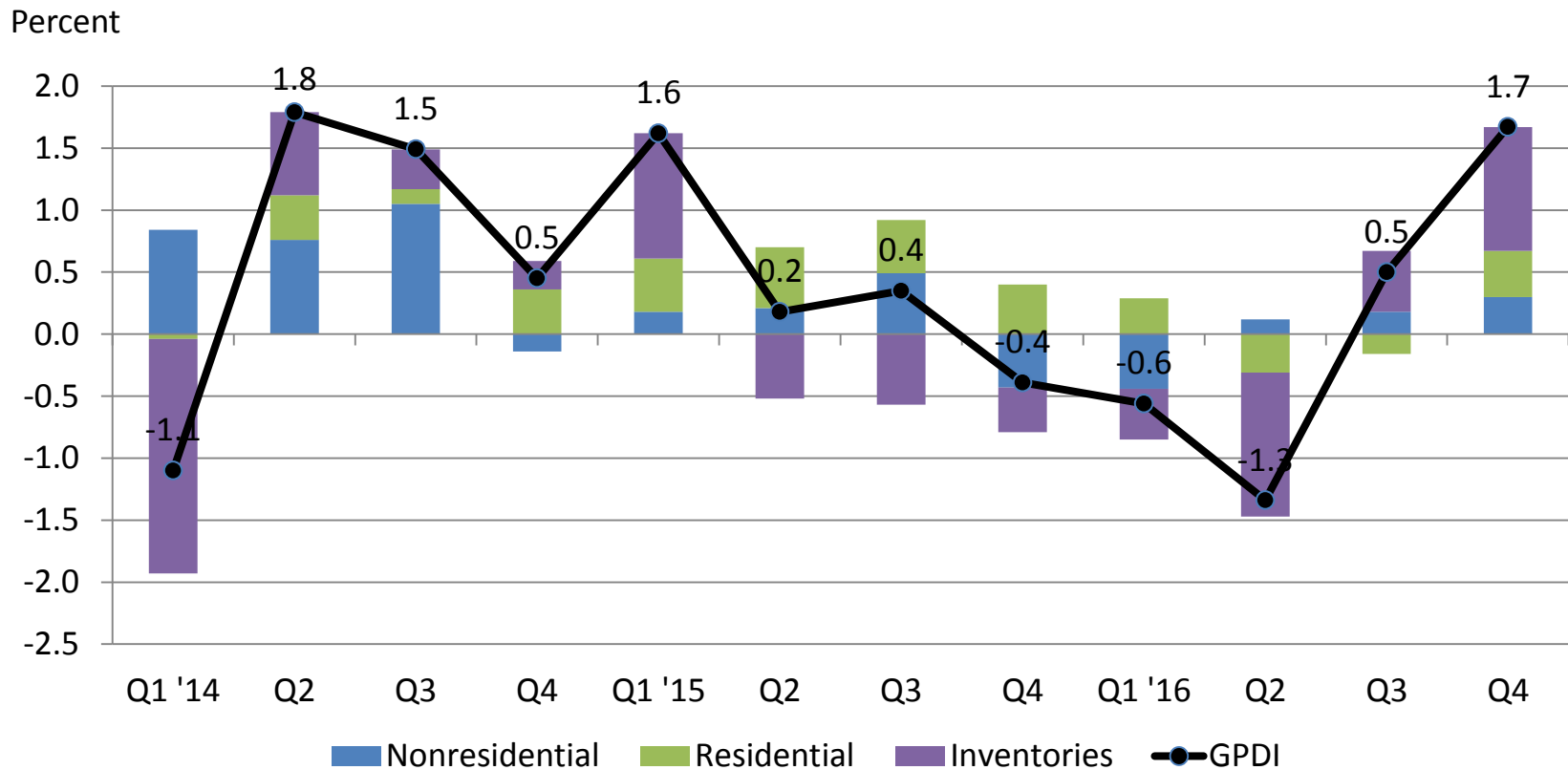
Billions Chained \$2009, Index – 2005 = 100



Source: U.S. Bureau of Economic Analysis

Real Gross Private Domestic Investment

Contribution to Percent Change, Q/Q at SAAR

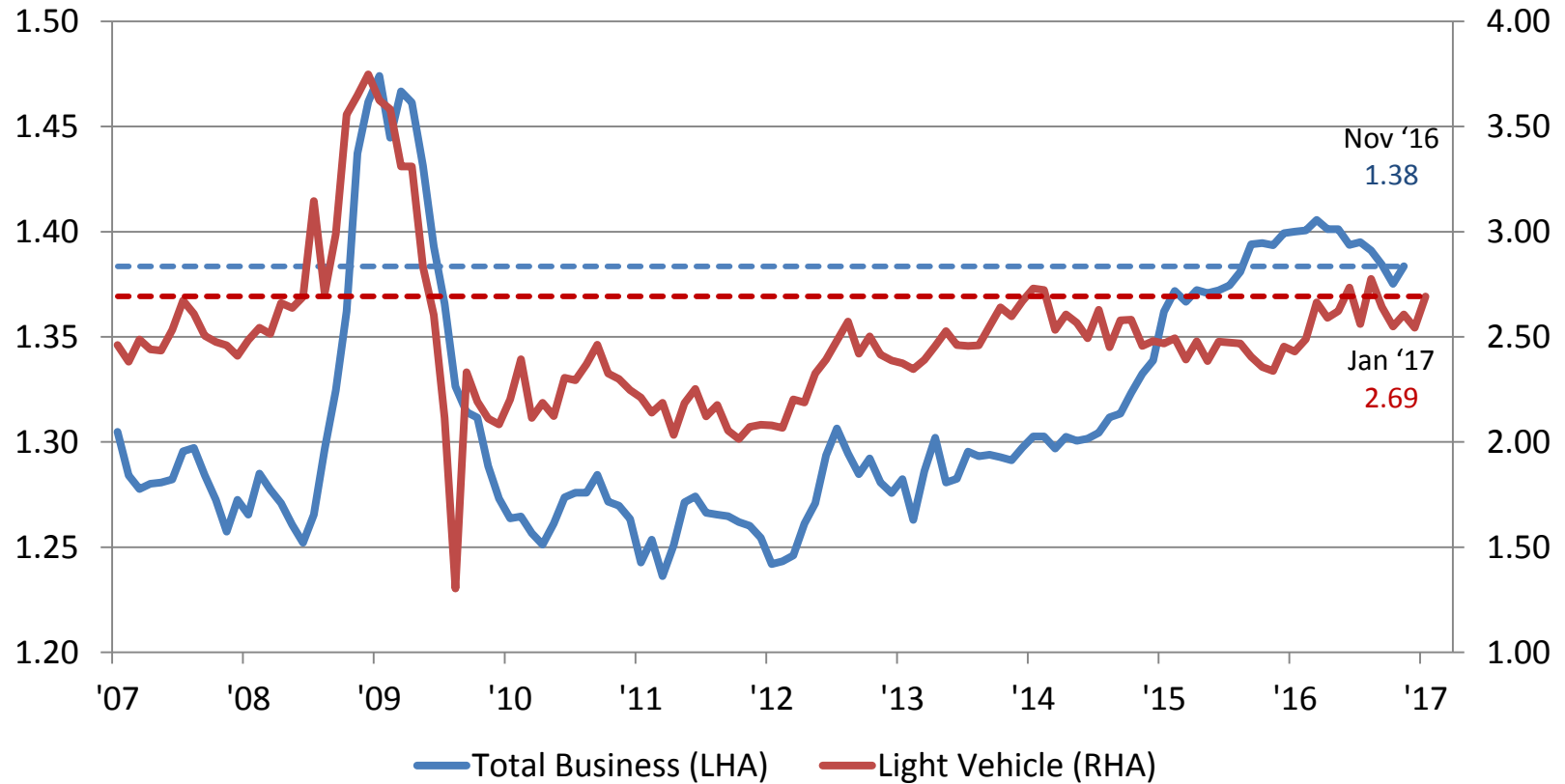


Source: U.S. Bureau of Economic Analysis, September 2016 Blue Chip Economic Indicators.

I/S Ratios

Total Business and Light Vehicles - SA

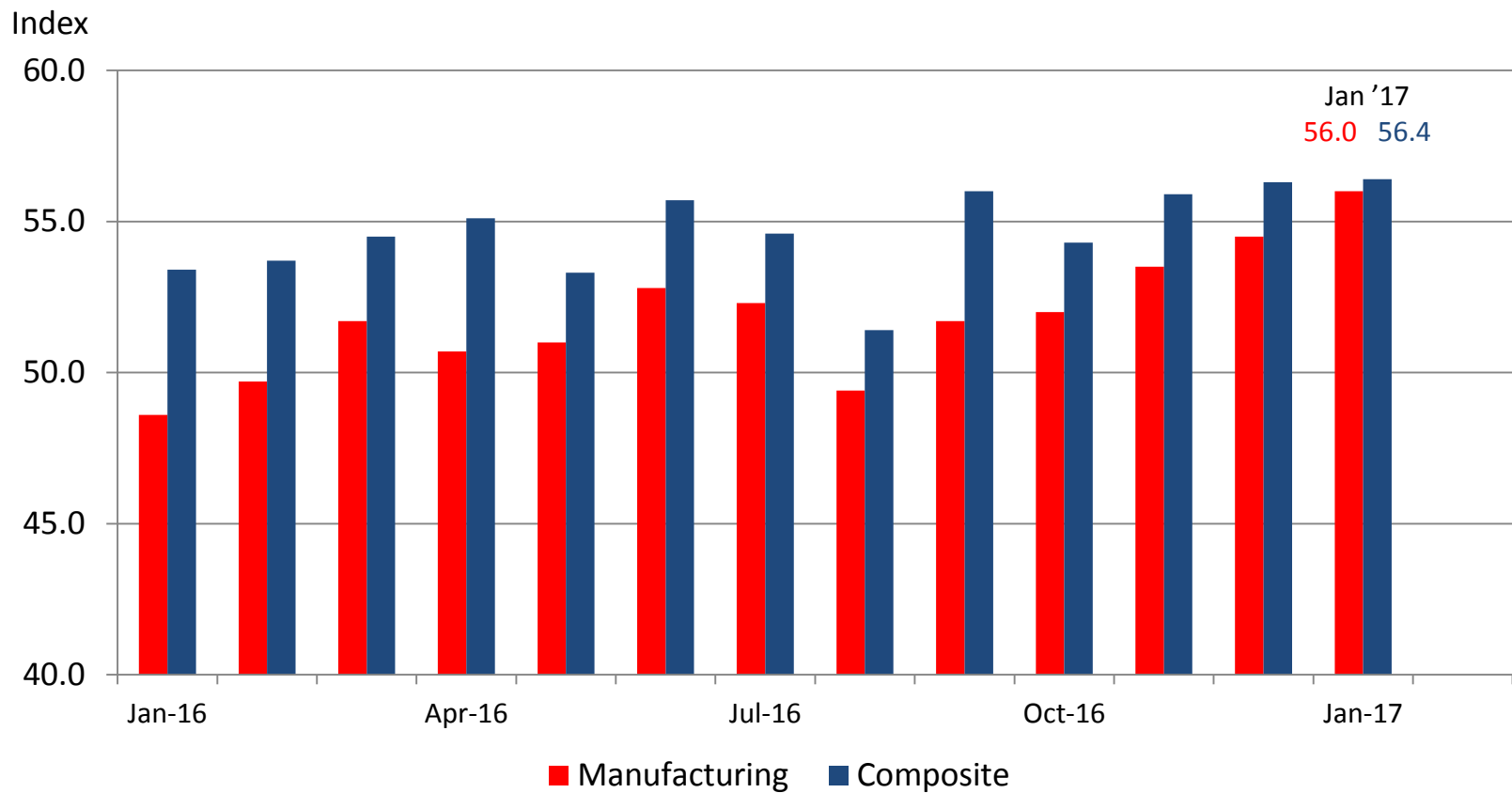
Percent



Source: U.S. Census Bureau and WardsAuto.

ISM Purchasing Managers Index

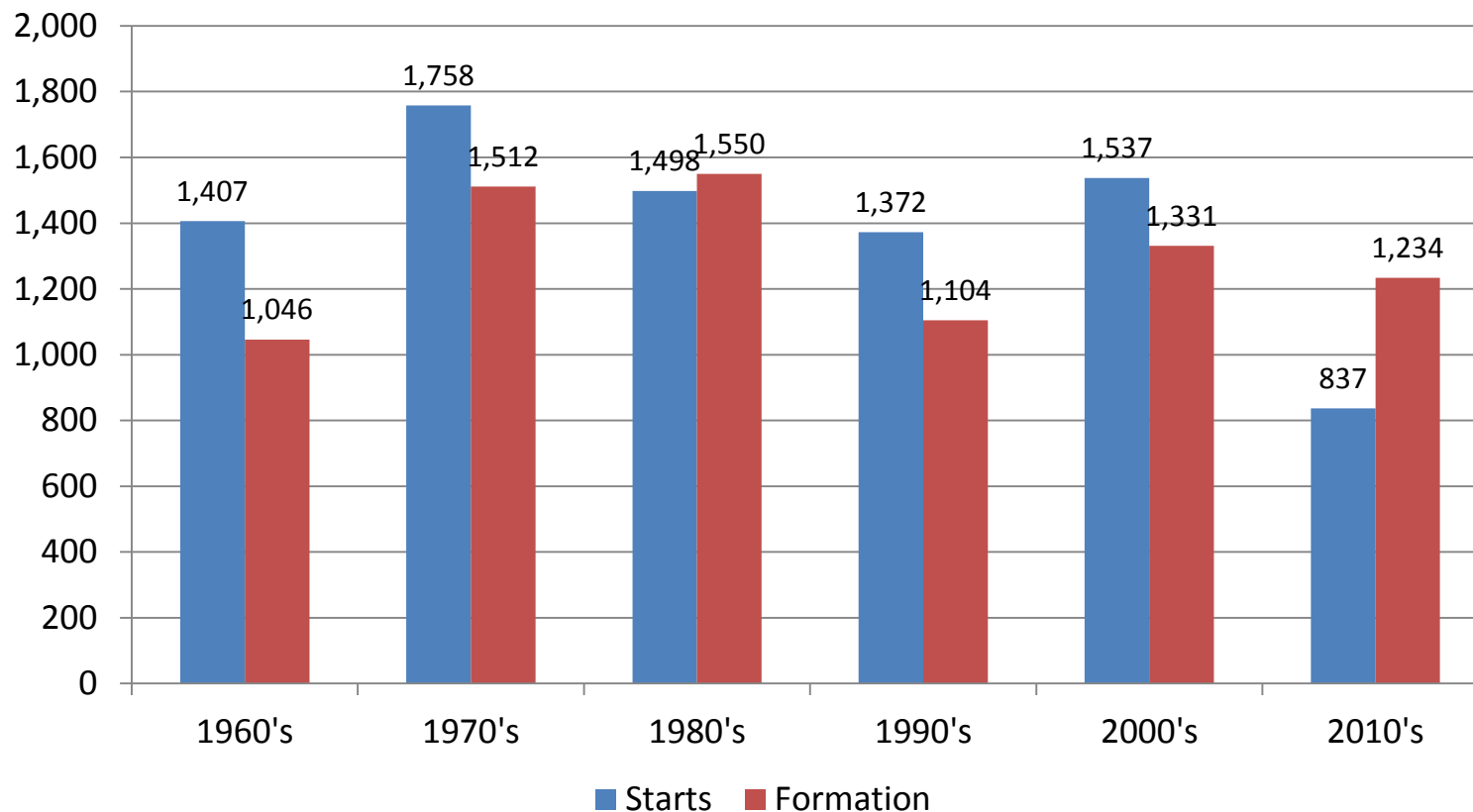
Manufacturing and Composite, SA - Greater than 50 = Expansion



Source: Institute for Supply Management , Haver Analytics and FRED

U.S. Housing Starts & Household Formation

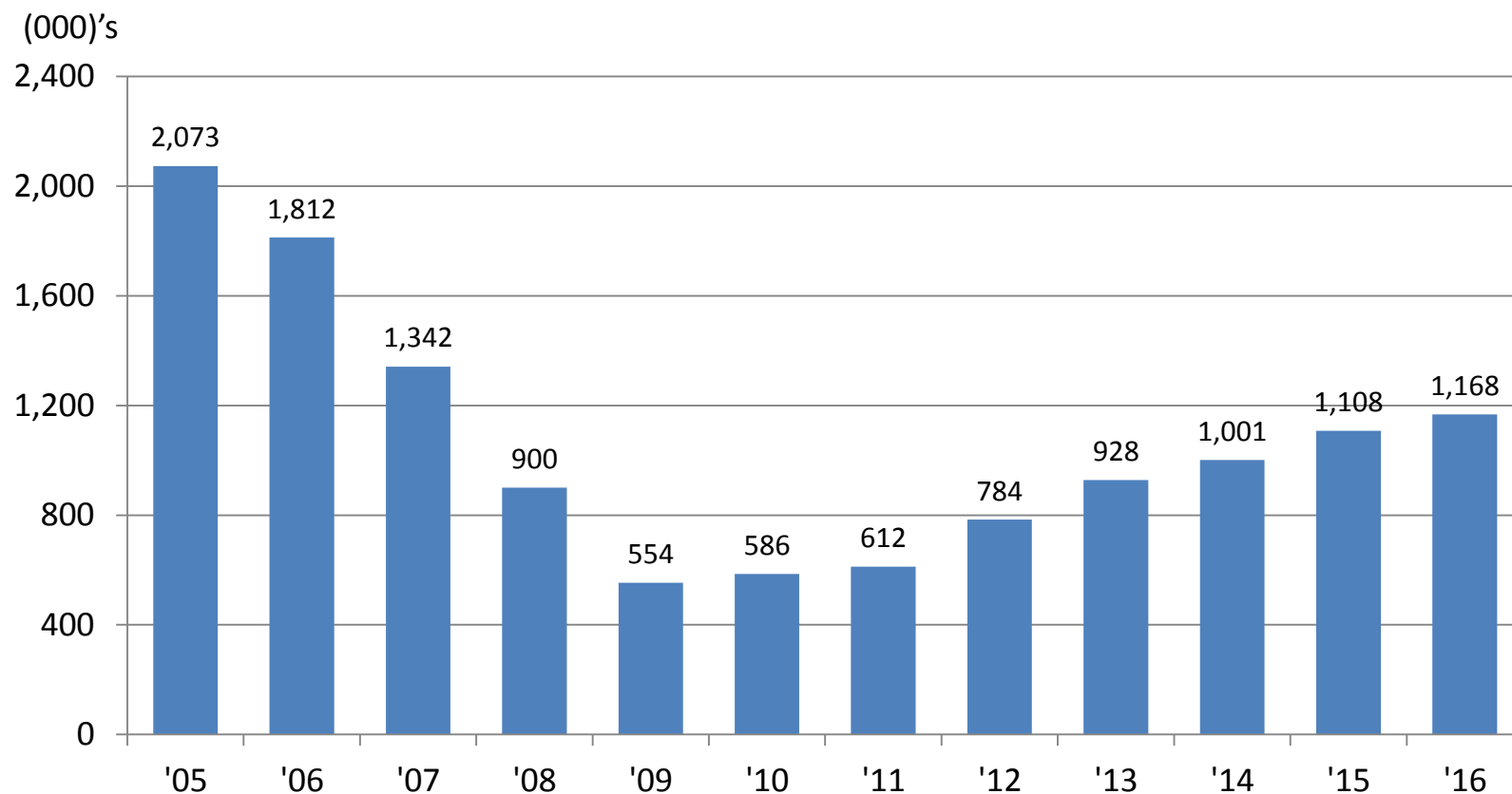
In Thousands of Units – Averages by Decade



Source: U.S. Census Bureau – Single Family Starts and Households by Age

U.S. Housing Starts

In Thousands of Units (SAAR) – November Average YTD Data

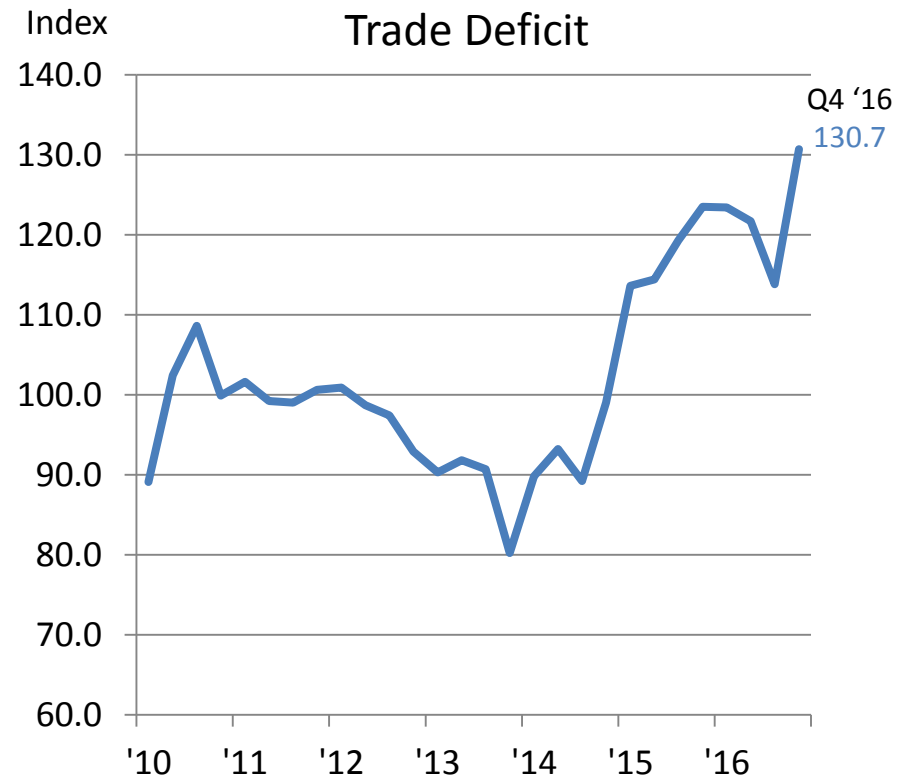


Note: The United States averaged 1.5 million housing starts per year 1990 to 2004.

Source: U.S. Census Bureau

The U.S. Dollar & The Trade Deficit

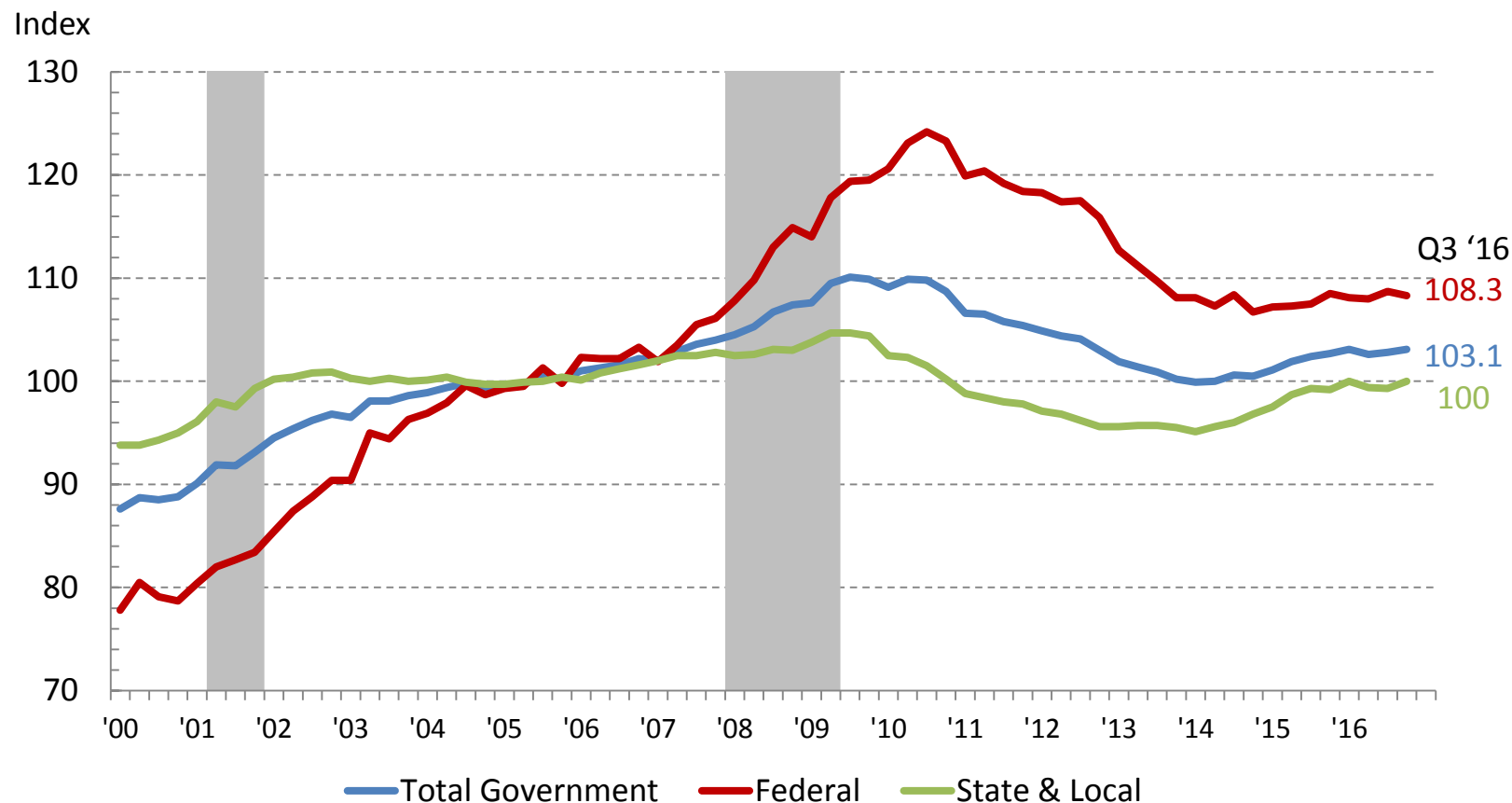
Trade Weighted Dollar- Index 2010 = 100, Trade Deficit – Index 2010 = 100



Source: Federal Reserve Board and Haver Analytics

Real Government Consumption & Investment

Billions Chained \$2009, Index – 2005 = 100



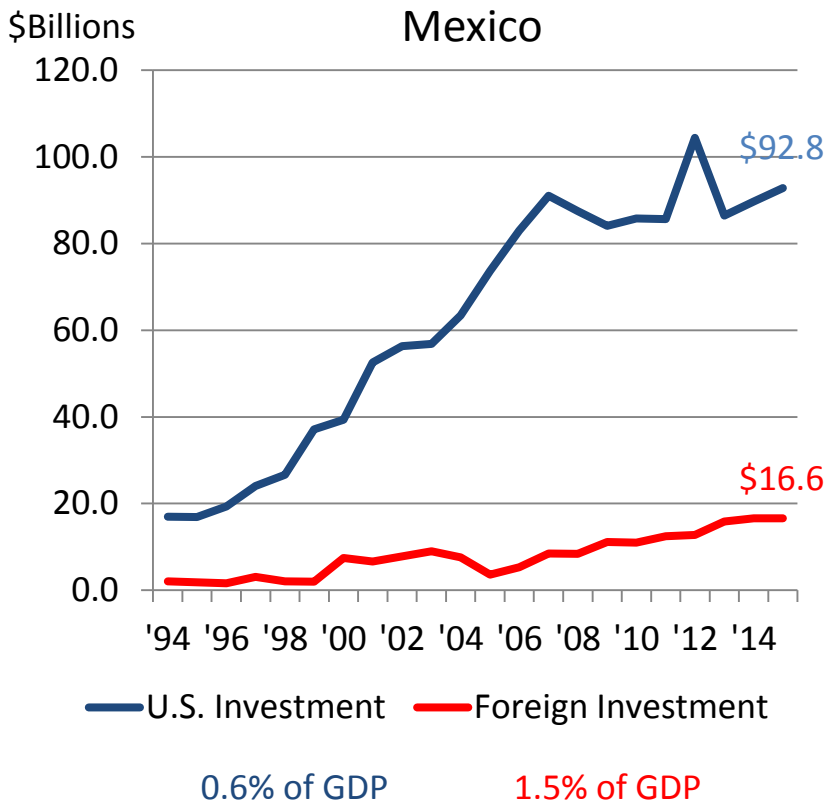
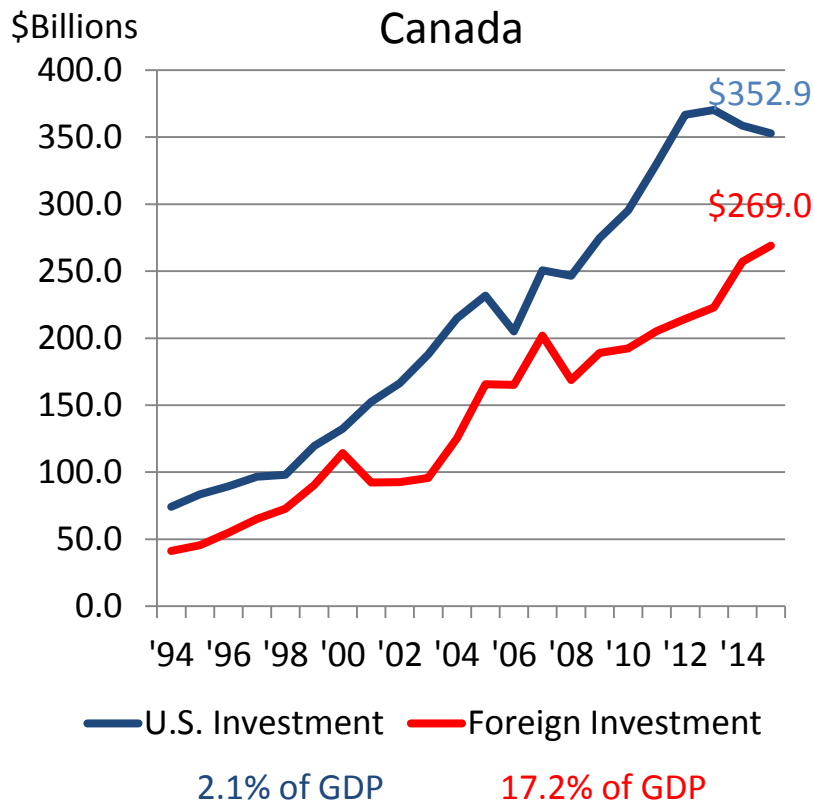
Source: U.S. Bureau of Economic Analysis

Fiscal Stimulus Remains Uncertain

- President elect's plan includes large tax cuts and increased spending
 - Details still lacking in many areas
 - Final package depends on Administration and Congressional priorities
- Estimates of fiscal impact range from 0.5 to 1.0 percent on level of GDP by end of 2018, falling to zero by 2020
- Potential offsets to long-run growth from other policies
 - Trade restrictions
 - Immigration legislation
 - Affordable Care Act
 - Federal Reserves response to stronger demand and higher inflation
- Some analysts have elected not to change previous projections

NAFTA Foreign Direct Investment Position

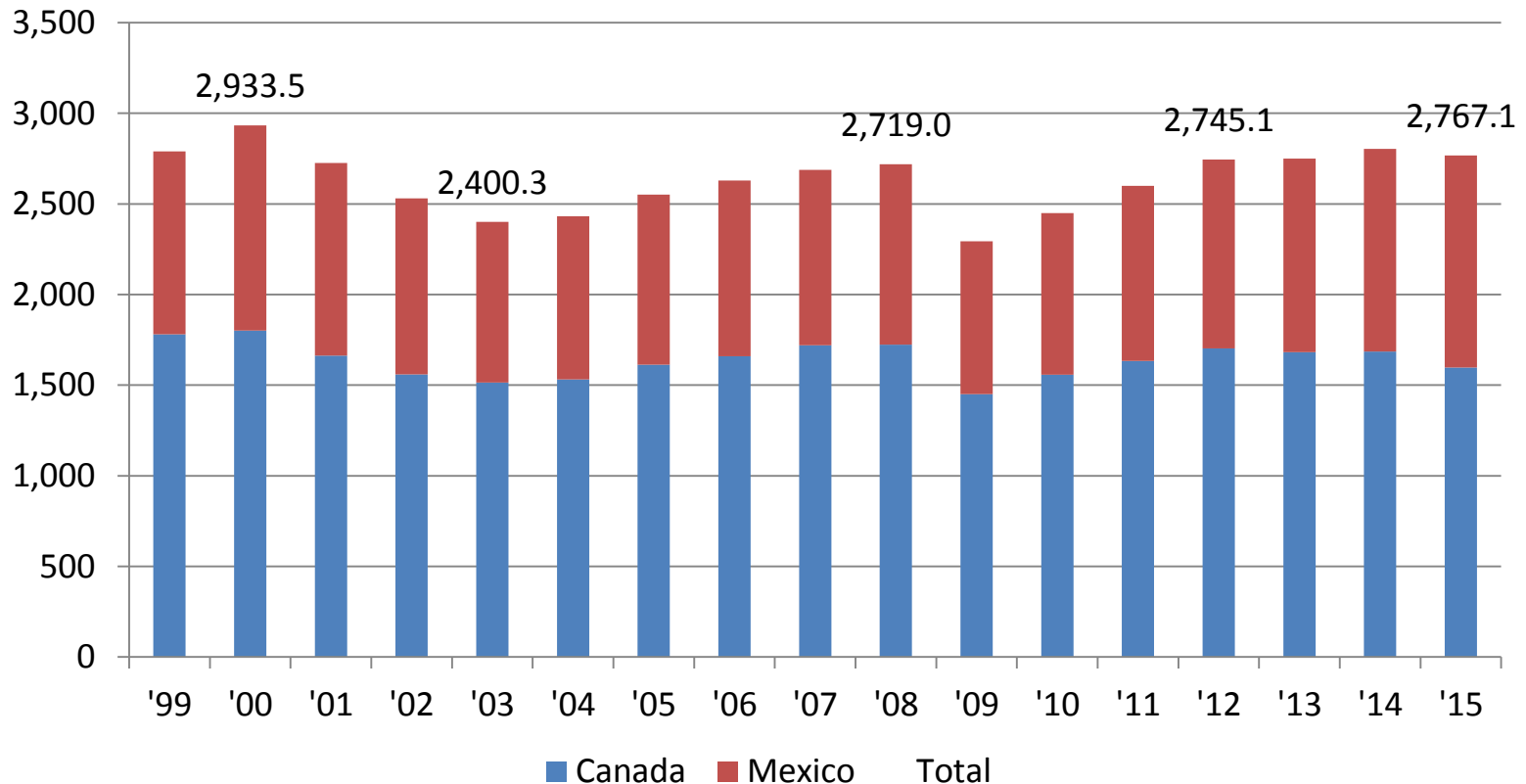
In Billions of Dollars – 1994 to 2015, Historical Cost Value



Source: Bureau of Economic Analysis and Haver Analytics.

NAFTA Foreign Direct Investment Jobs

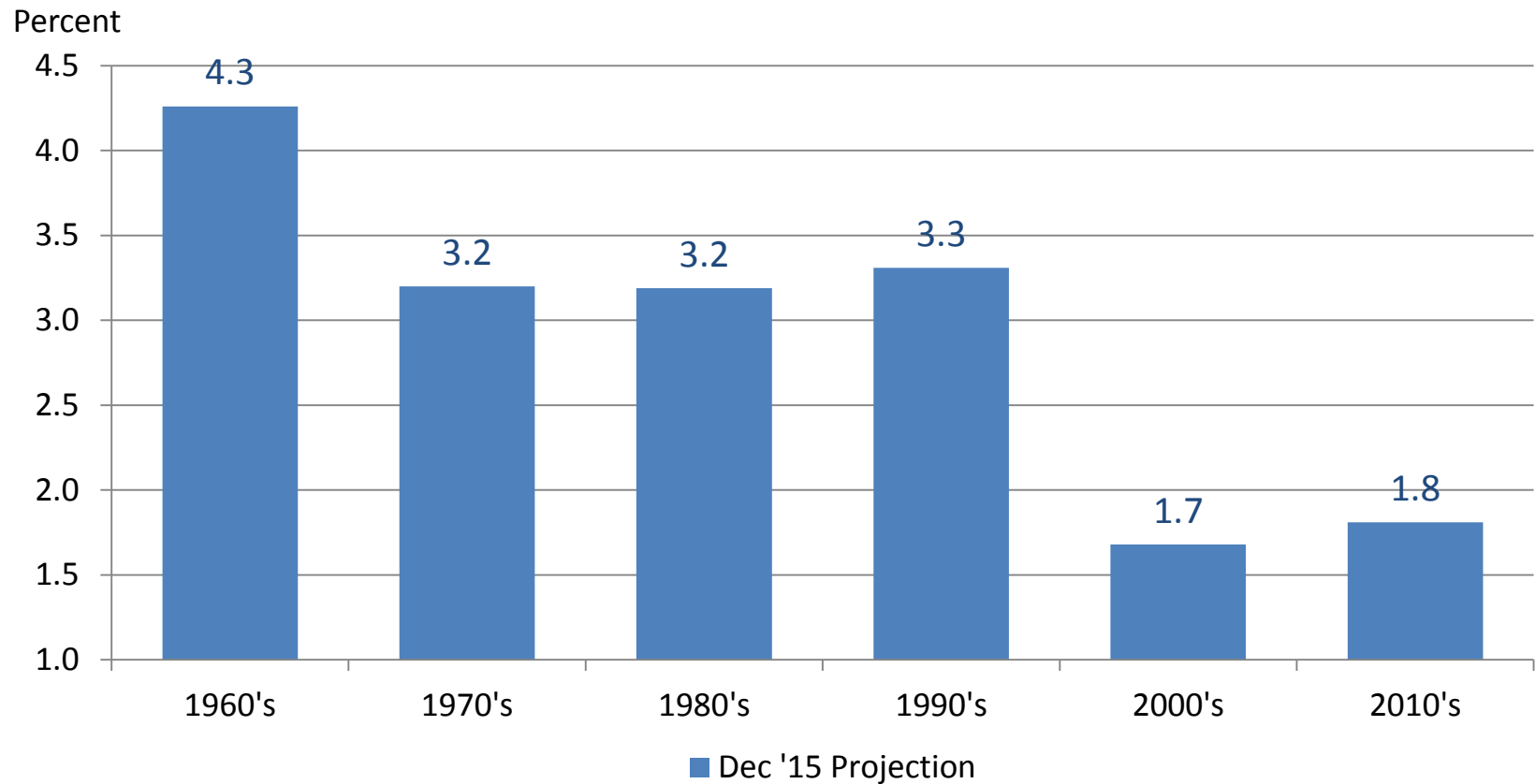
Thousands of Employees



Source: WWW.Trade.Gov

Economic Potential by Decade

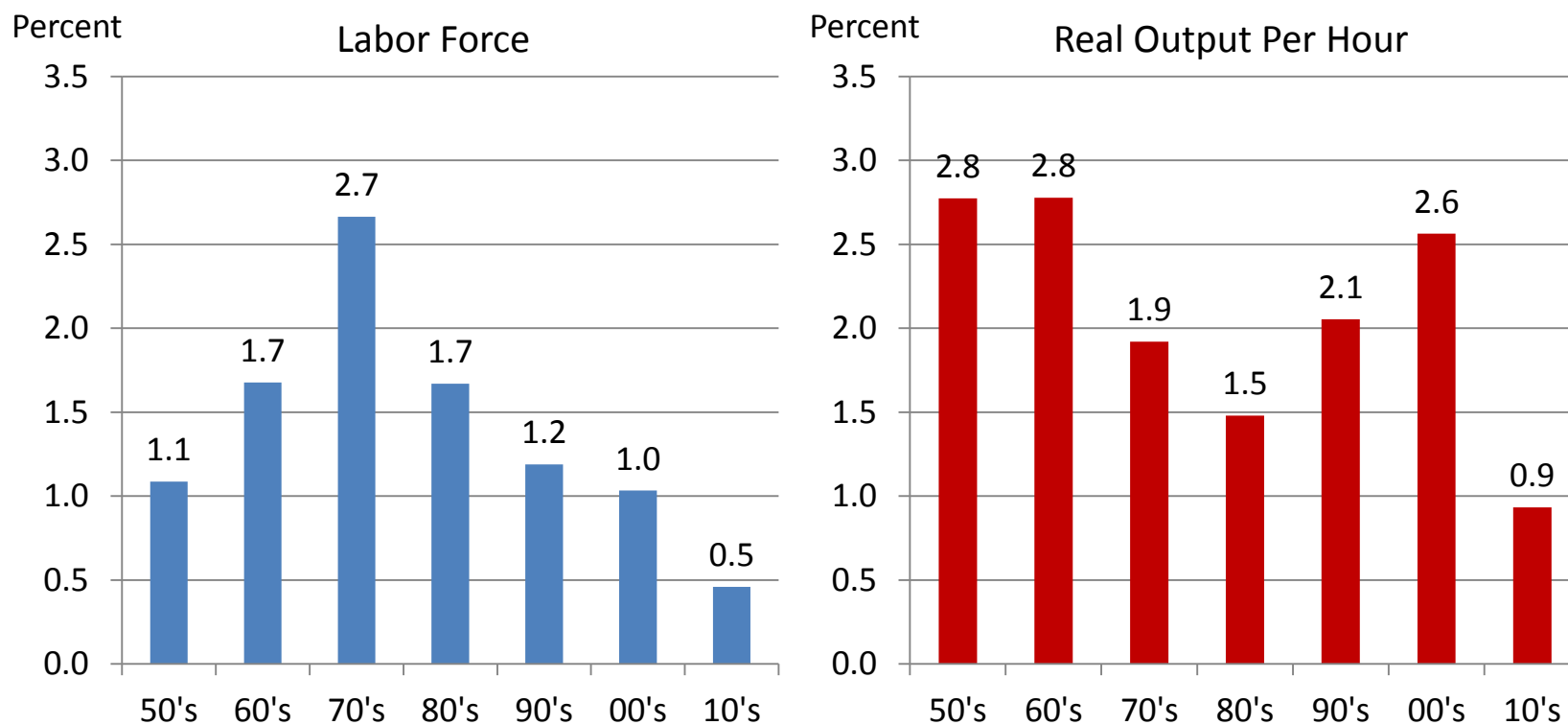
Real GDP Percent Change – Annual Average



Source: U.S. Congressional Budget Office

Labor and Productivity Growth

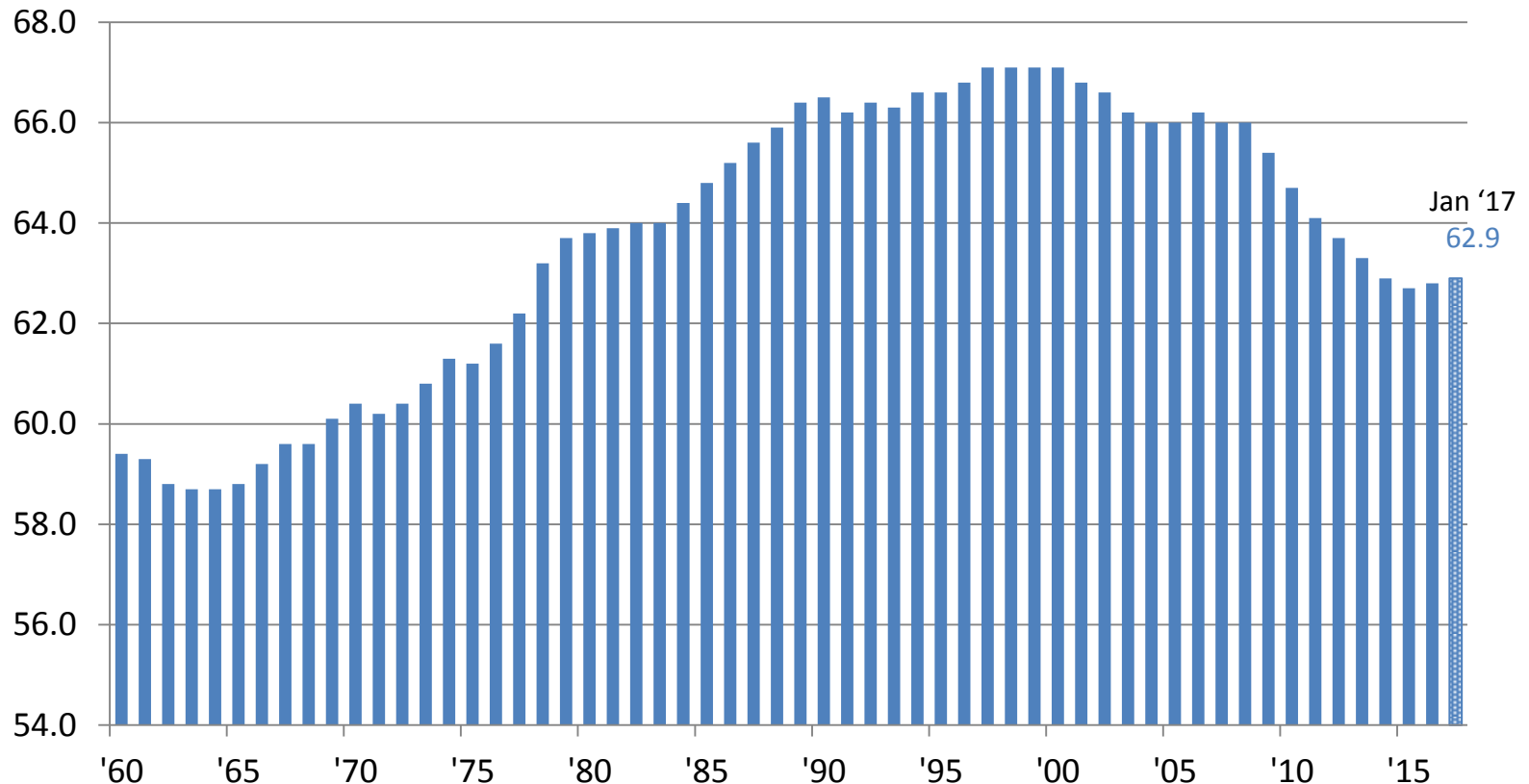
Labor Force and Real Output Per Hour – Average Annual Growth



Source: U.S. Department of Labor: Bureau of Labor Statistics

Labor Force Participation Rate

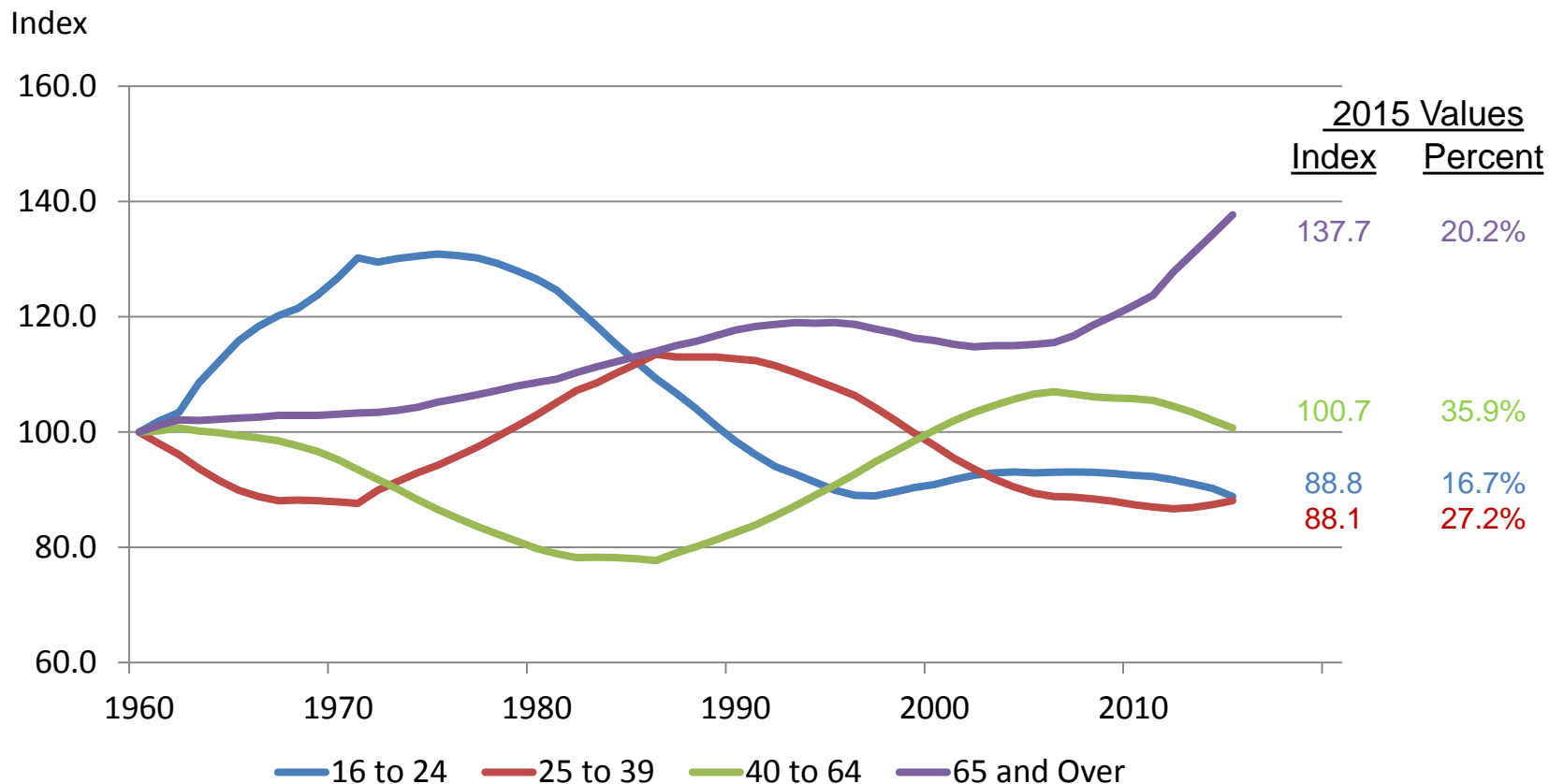
Percent of Noninstitutionalized Civilian Population – Annual Average



Source: U.S. Bureau of Labor Statistics

Working Age Population by Age

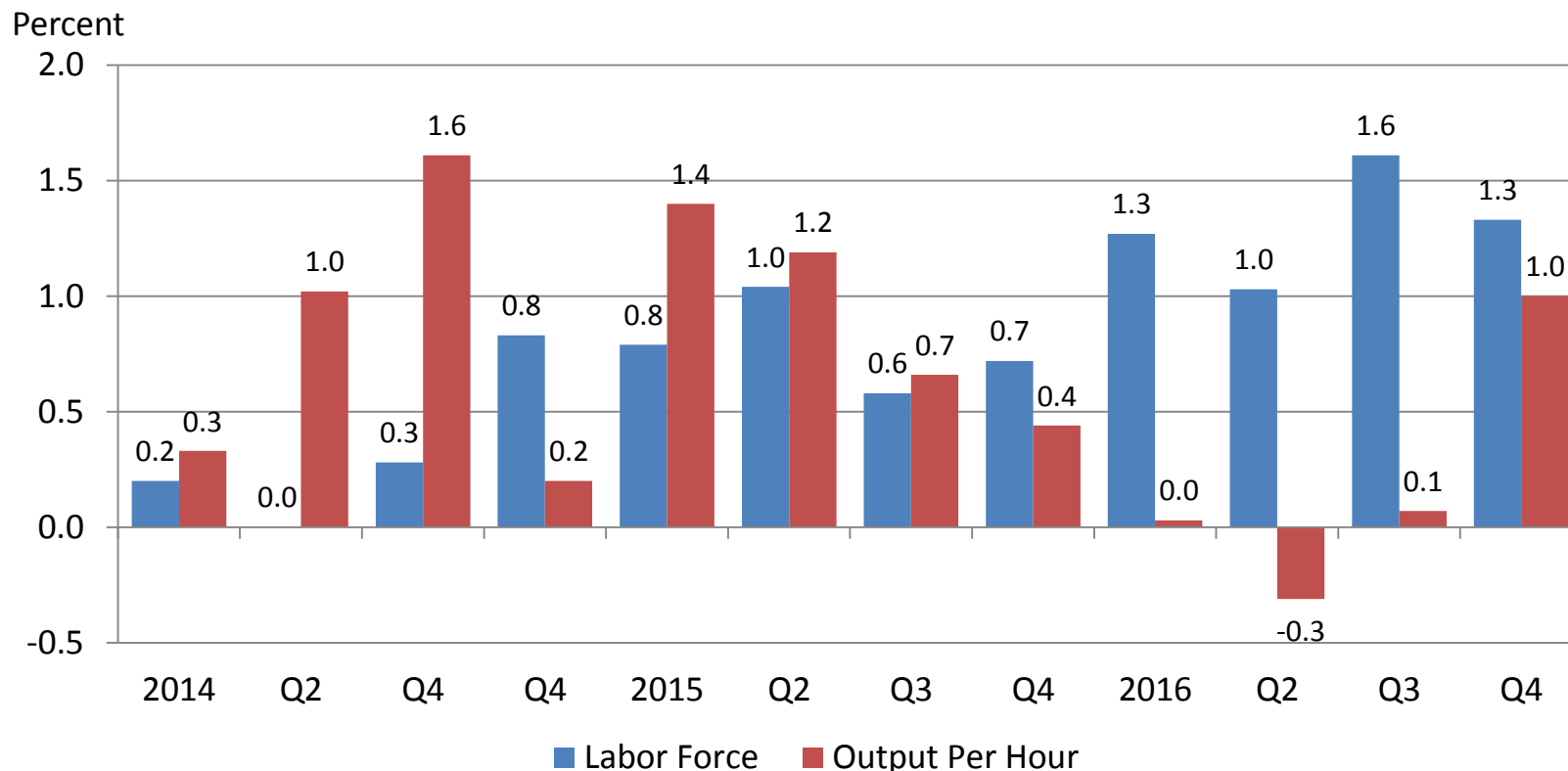
Select Age Categories, Percent of Total, Index – 1960 = 100



Source: U.S. Census Bureau – Table HH-3, Households by Age

Labor and Productivity Growth

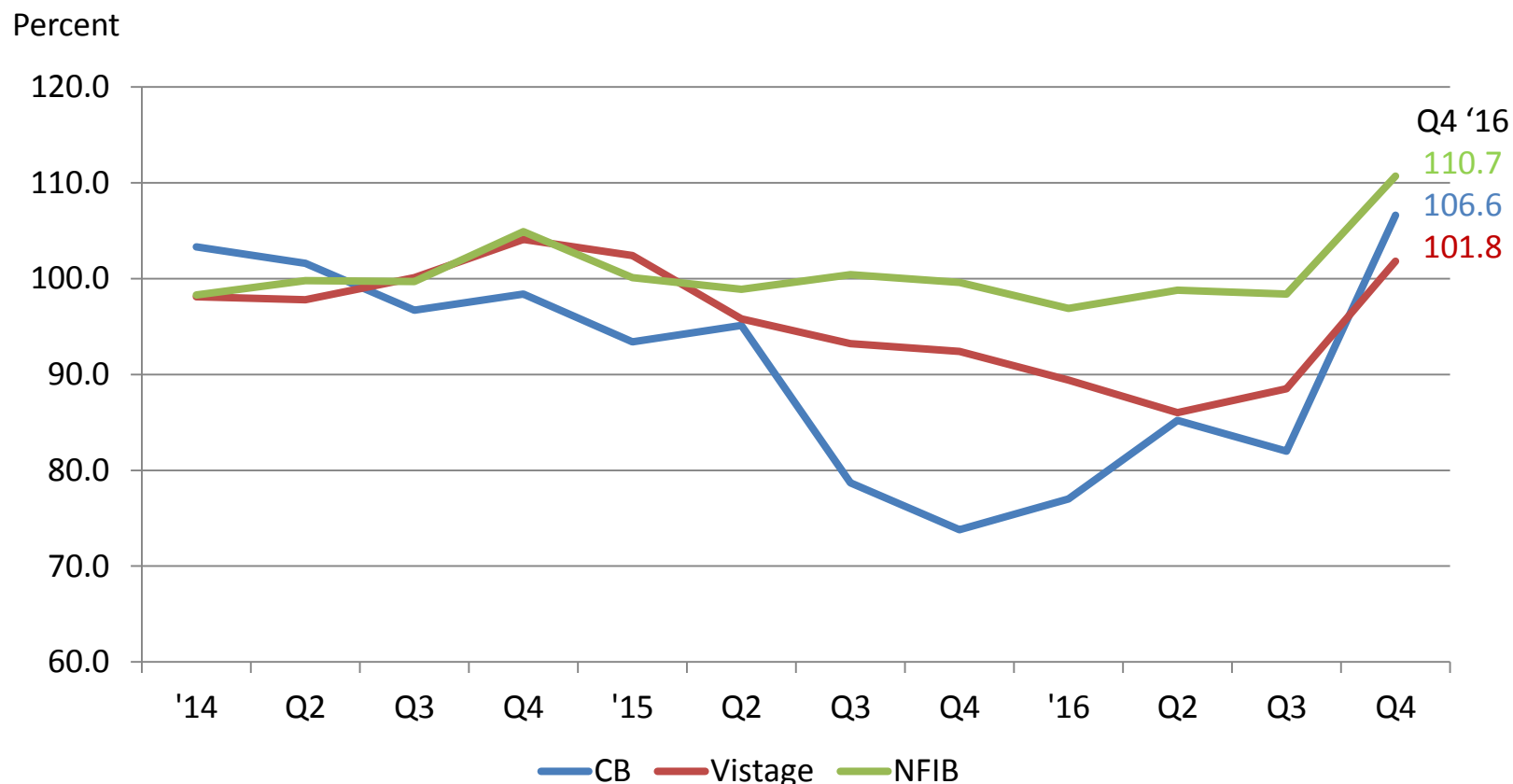
Labor Force and Real Output Per Hour – % Change Yr./Yr.



Source: U.S. Department of Labor: Bureau of Labor Statistics

Business Confidence Surveys

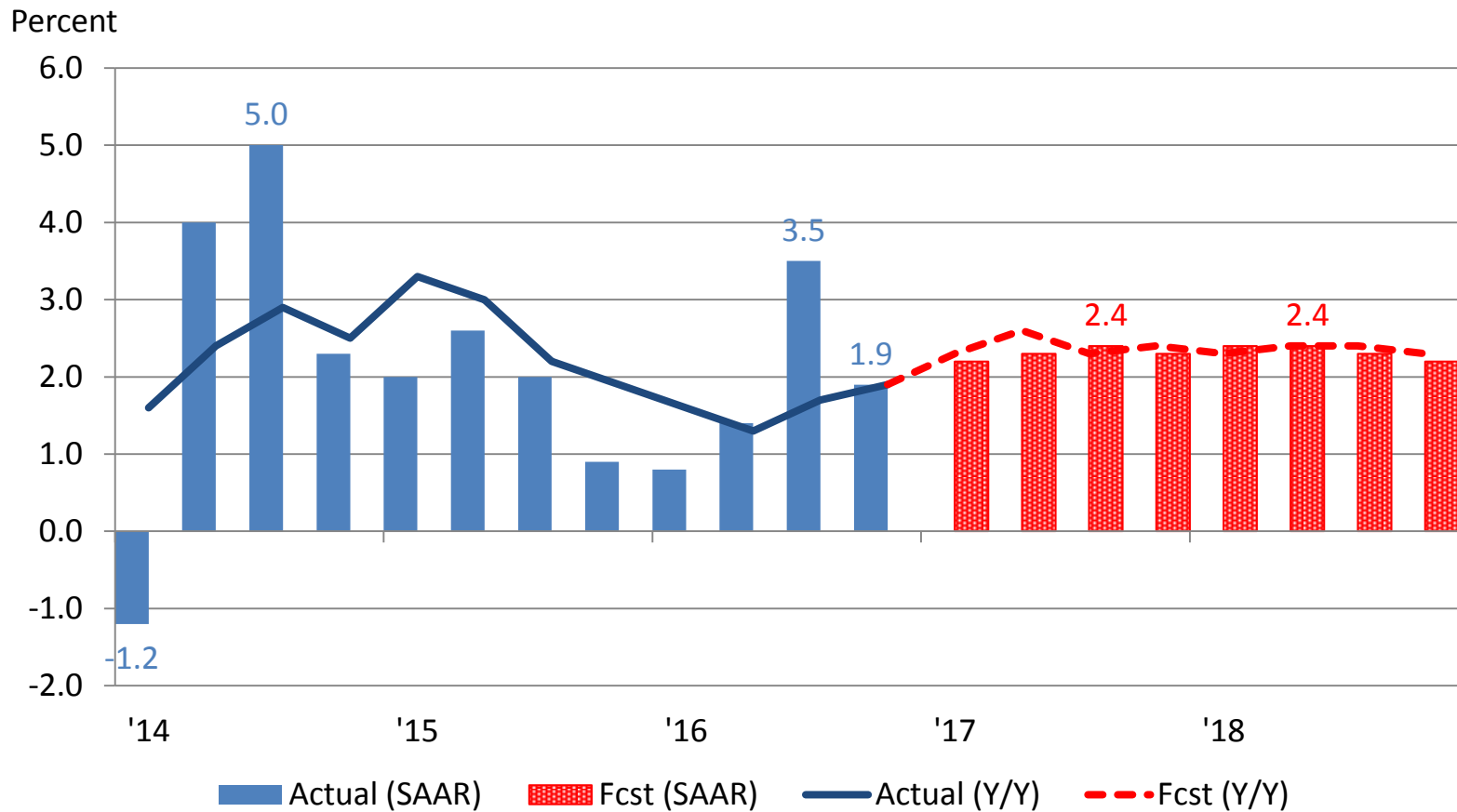
Conference Board, Vistage, and NFIB , Index 2004 = 100



Source: Author's calculations using Conference Board CEO Survey, Vistage Mid-size & Small Business Survey, National Federation of Independent Business Survey data.

U.S. Real GDP Blue Chip Forecast

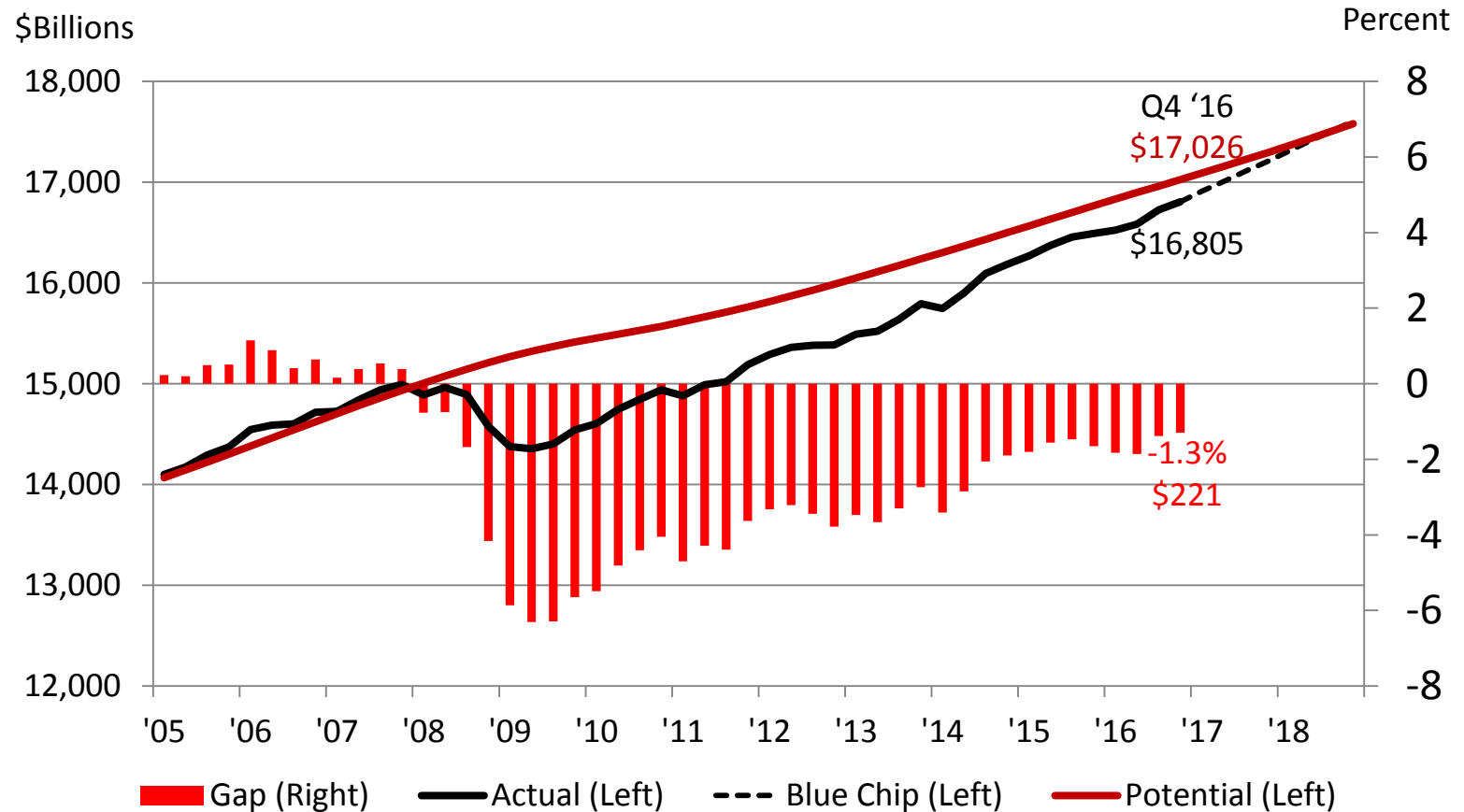
Annual Percent Change – Chained \$2009



Source: BEA and January Blue Chip Economic Indicators

U.S. Real GDP – Actual and Potential

Billions Chained \$2009 and Percent of Actual



Source: Bureau of Economic Analysis and the U.S. Congressional Budget Office

February 9, 2017

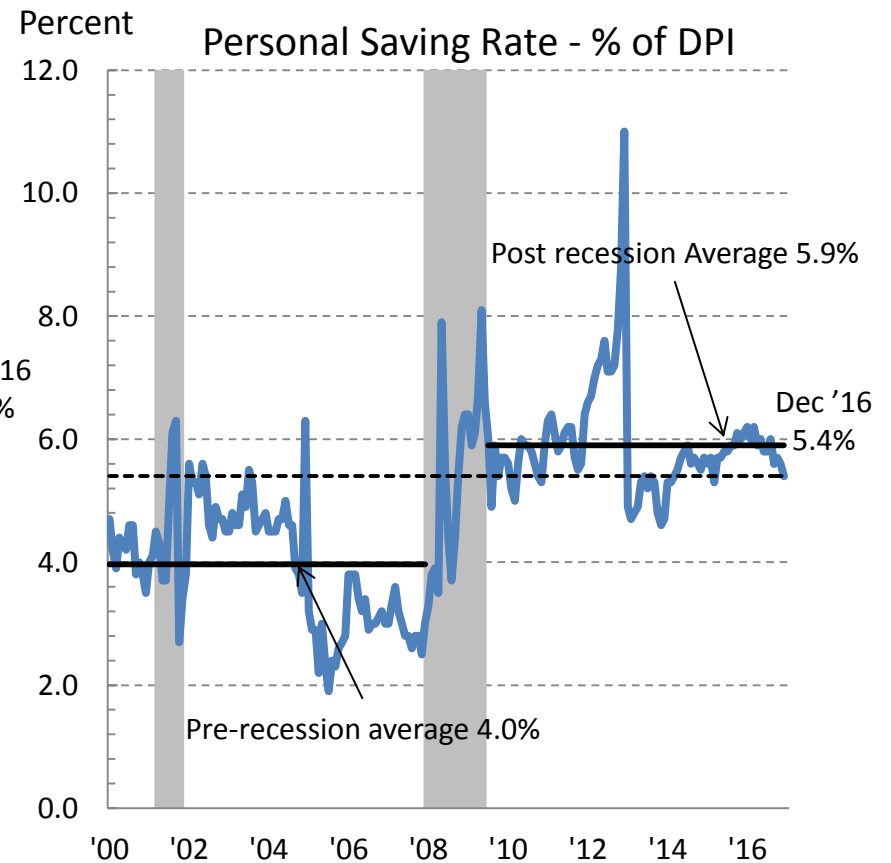
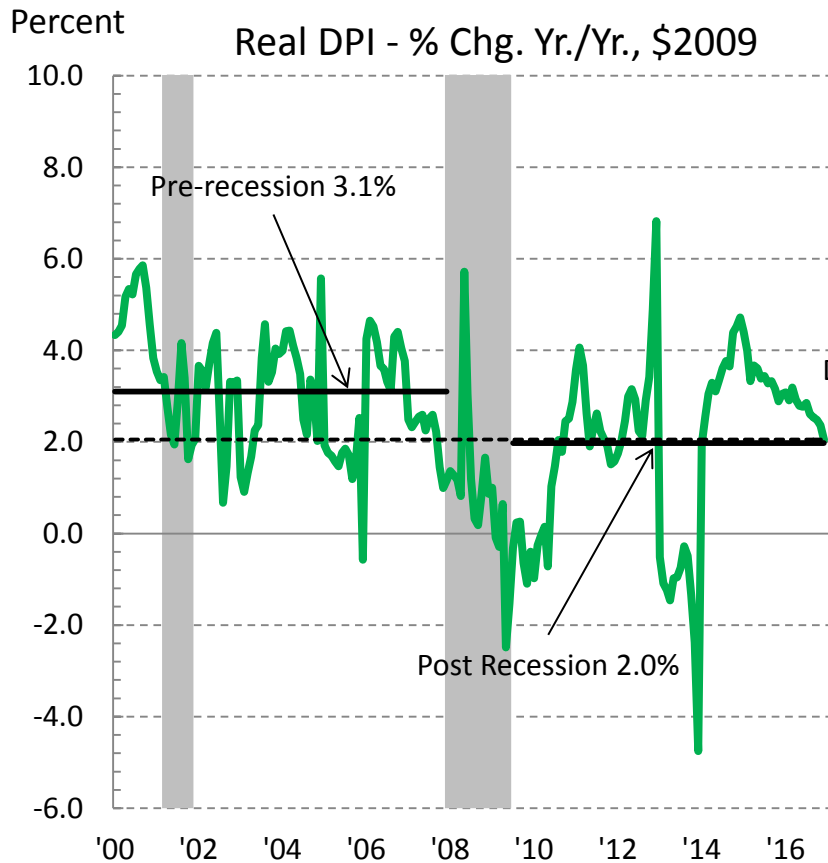
Federal Reserve Bank of Chicago

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U.S. Consumer

Income and Savings Rate

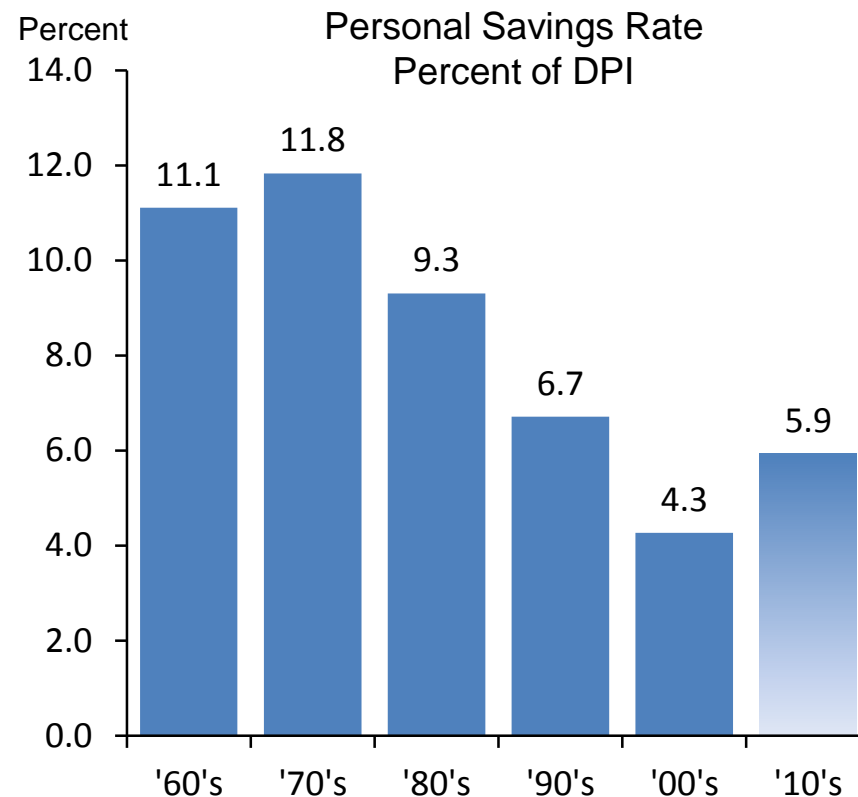
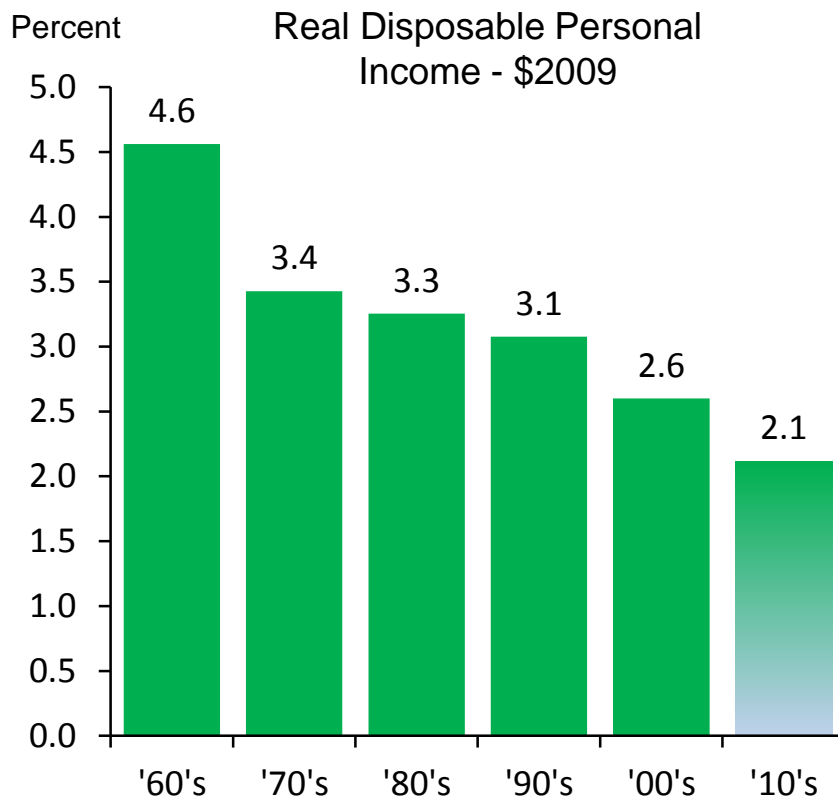
Percent Change and Percent of DPI



Source: U.S. Bureau of Economic Analysis

Real DPI & Personal Savings Rate

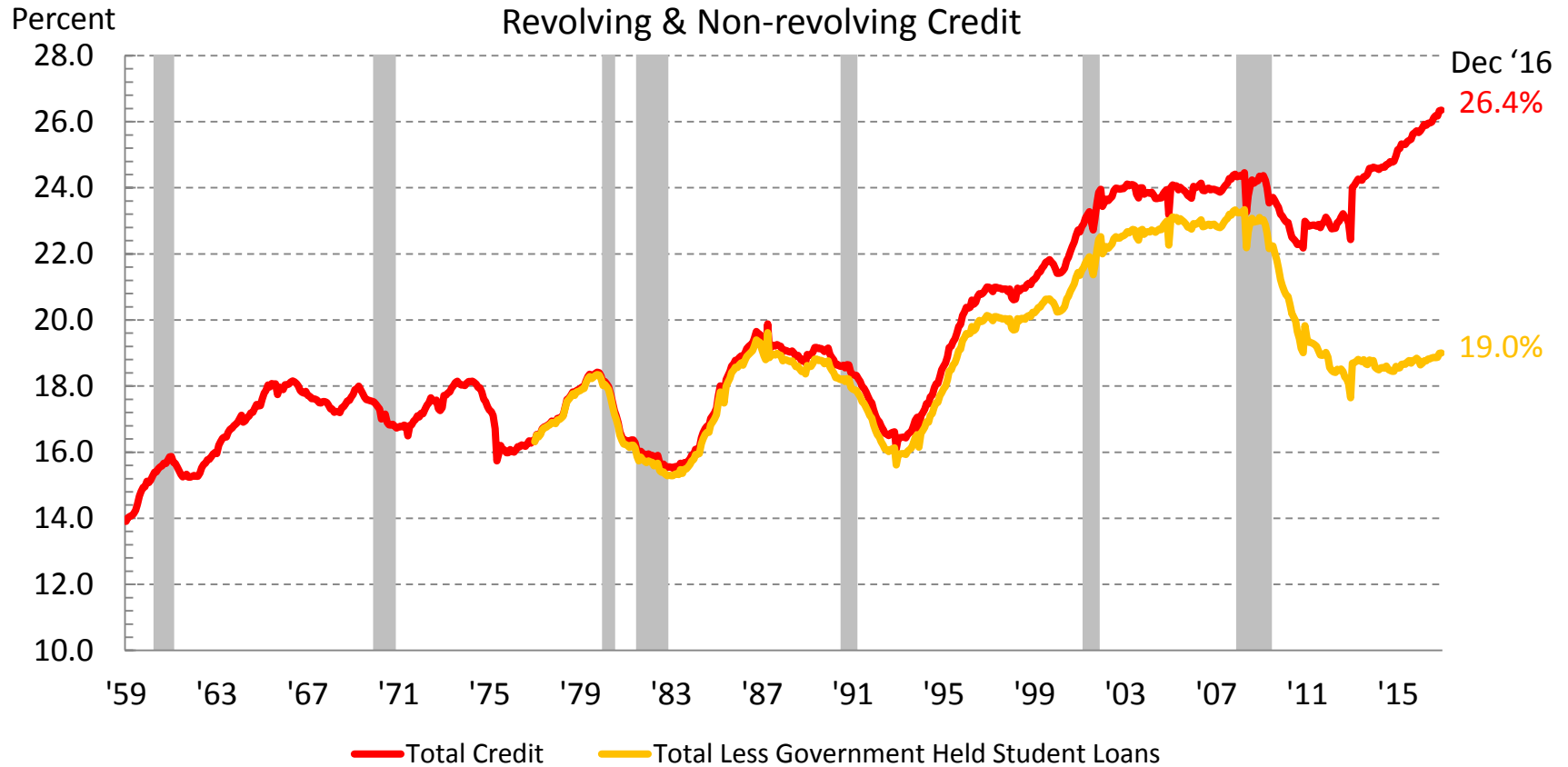
As Percent of Personal Income



Source: U.S. Bureau of Economic Analysis

Consumer Credit

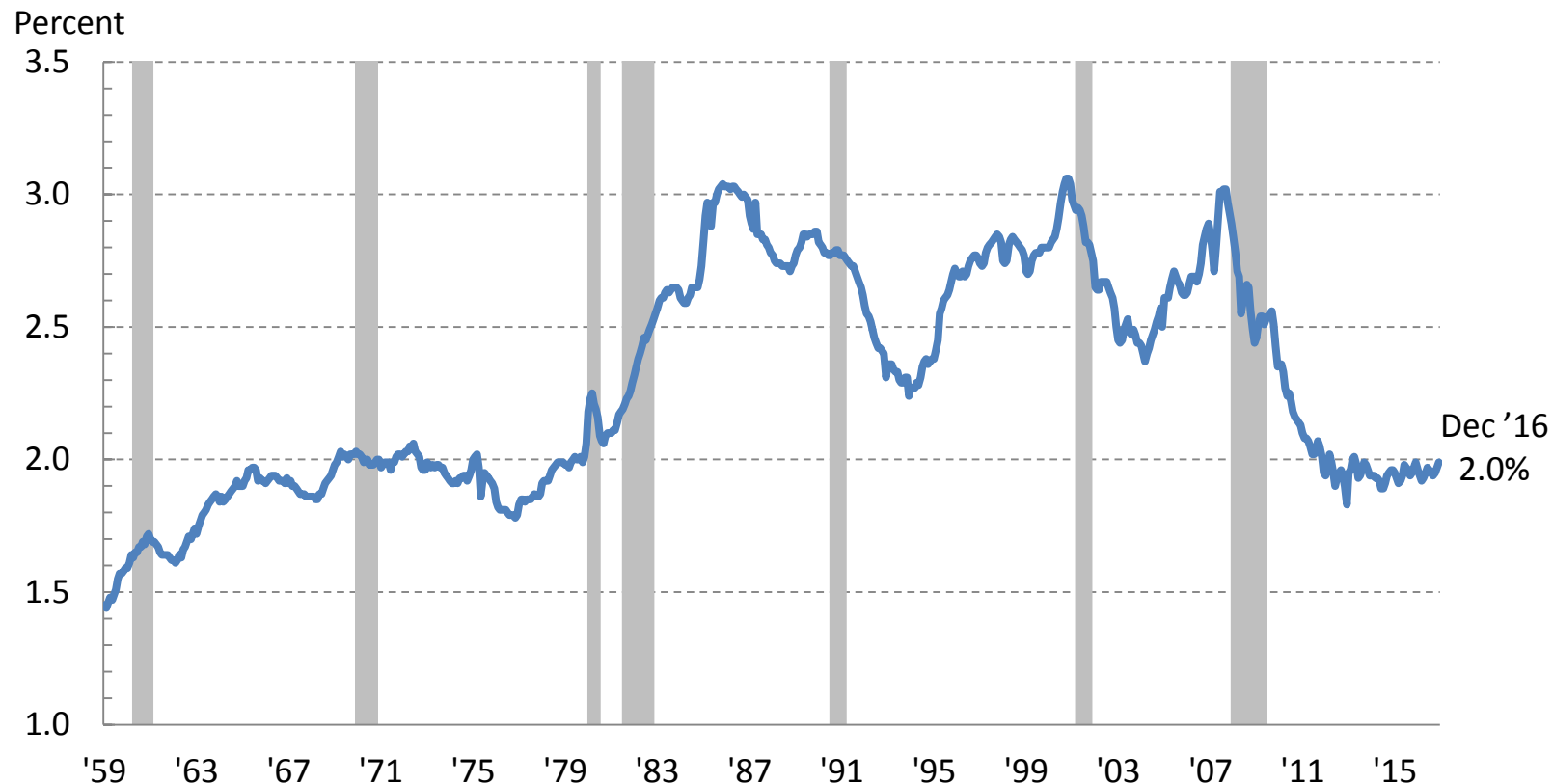
As a Percent of Disposable Personal Income



Source: Federal Reserve Bank - Board of Governors

Interest Payments

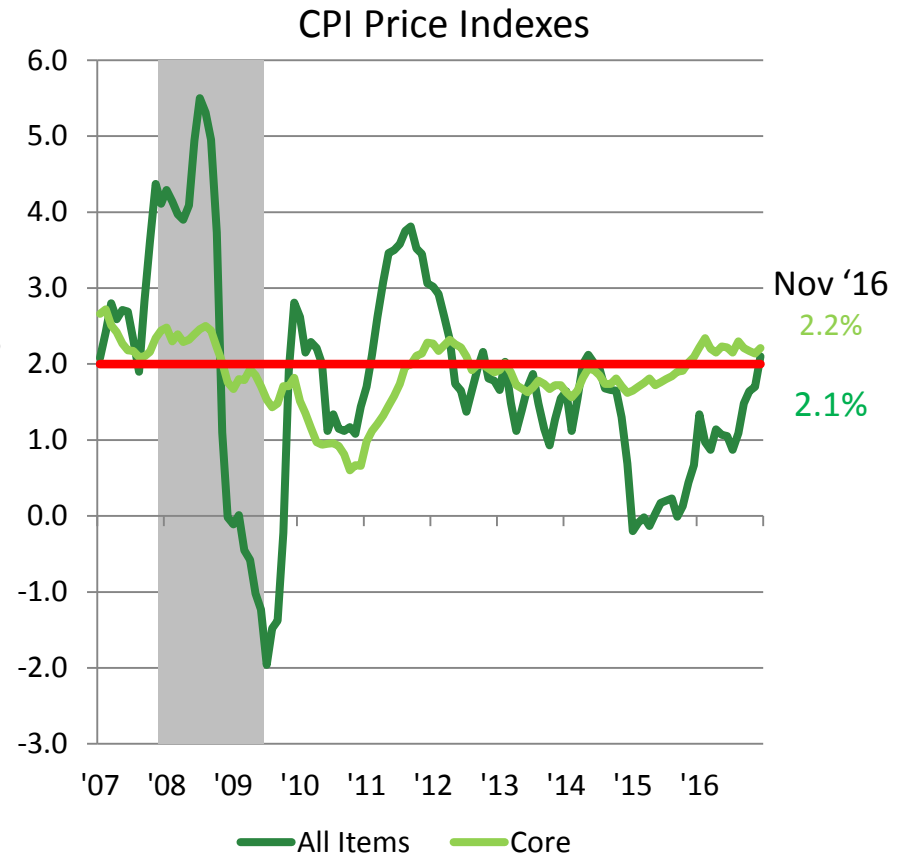
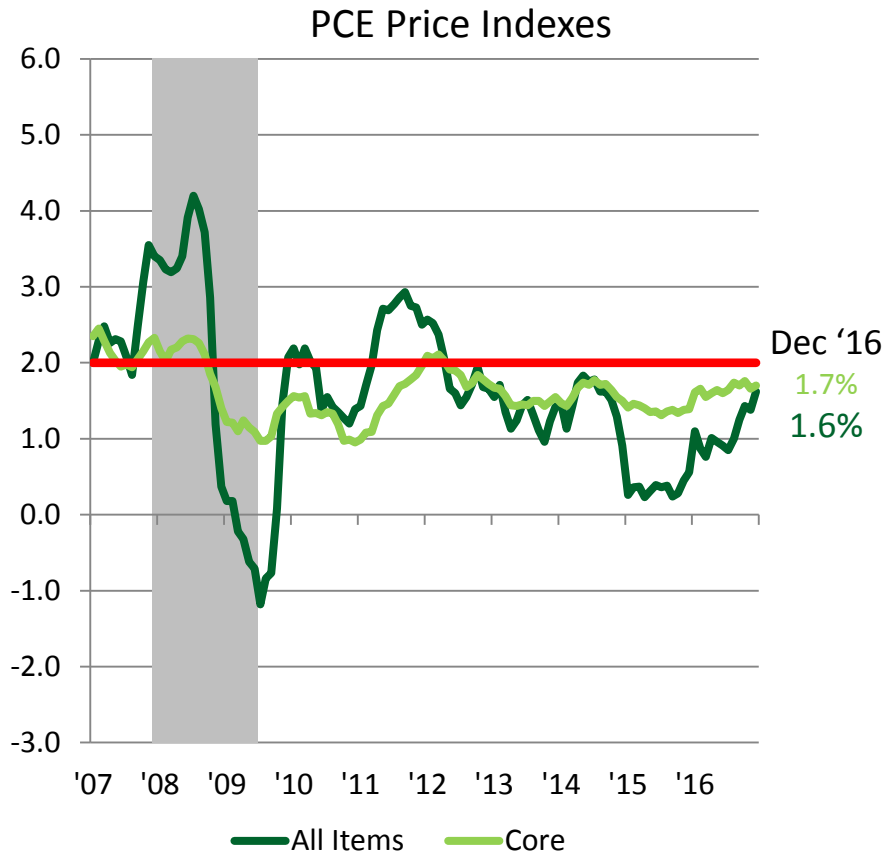
As a Percent of Disposable Personal Income



Source: Federal Reserve Bank - Board of Governors

Inflation – PCE & CPI Price Index

Percent Change Yr / Yr



Source: U.S. Department of Labor: Bureau of Labor Statistics data.

Initial Unemployment Claims

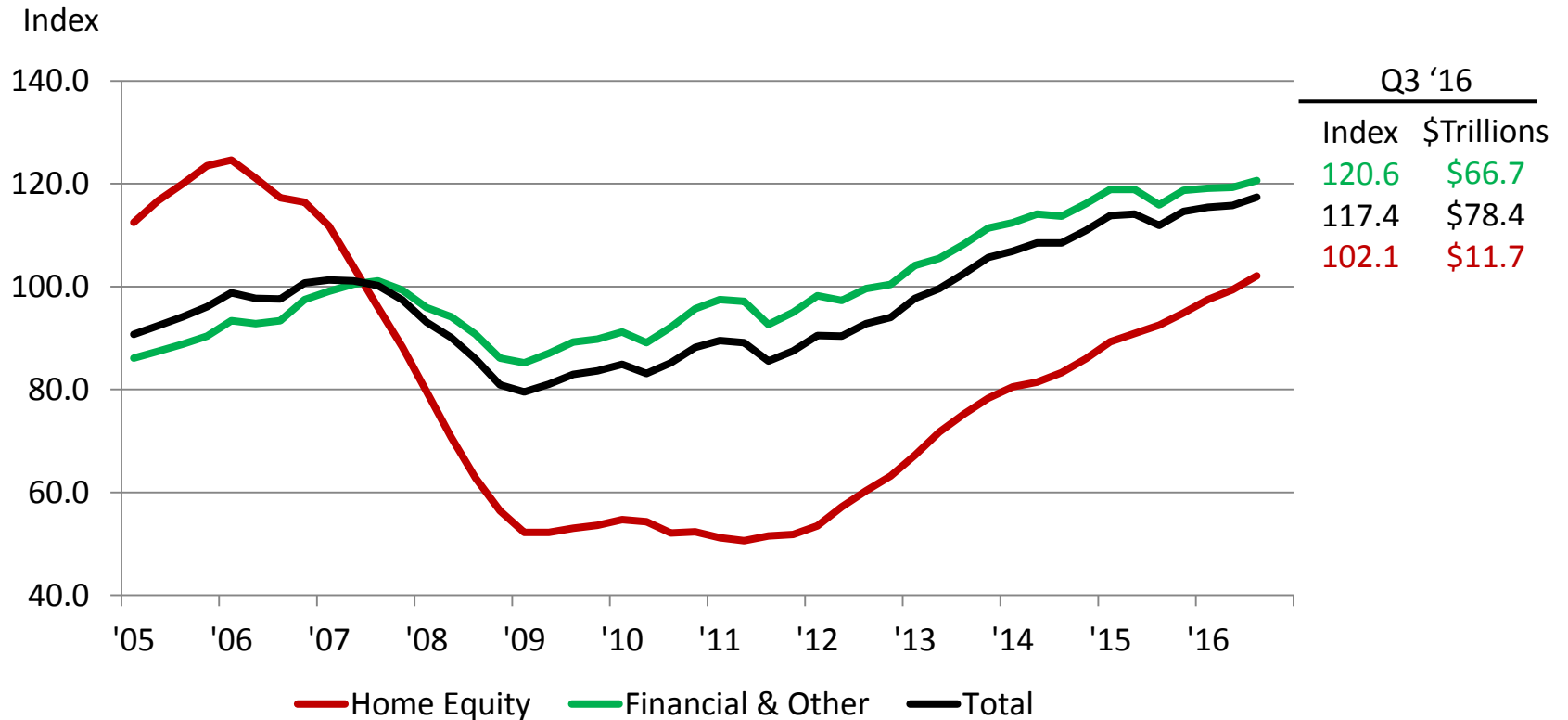
Monthly Average as Percent of Nonfarm Employment



Source: U.S. Bureau of Labor Statistics

Real Household Net Worth

Home Equity and Financial & Other - Index 2007 = 100, \$2009

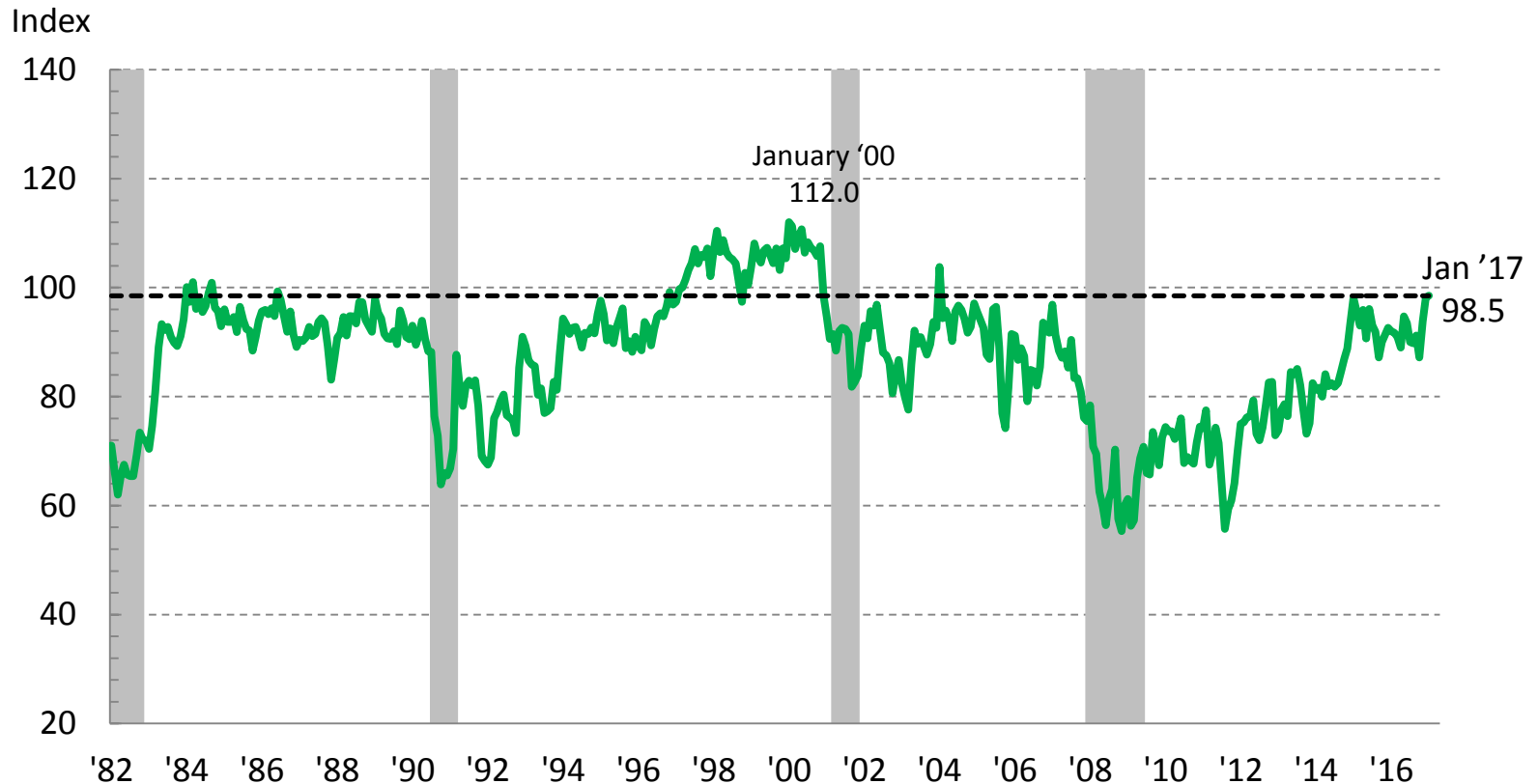


Note: Total Household Net Worth in Current Dollars is \$87.0 Trillion.

Source: Author's calculations using Federal Reserve data.

Consumer Sentiment

University of Michigan

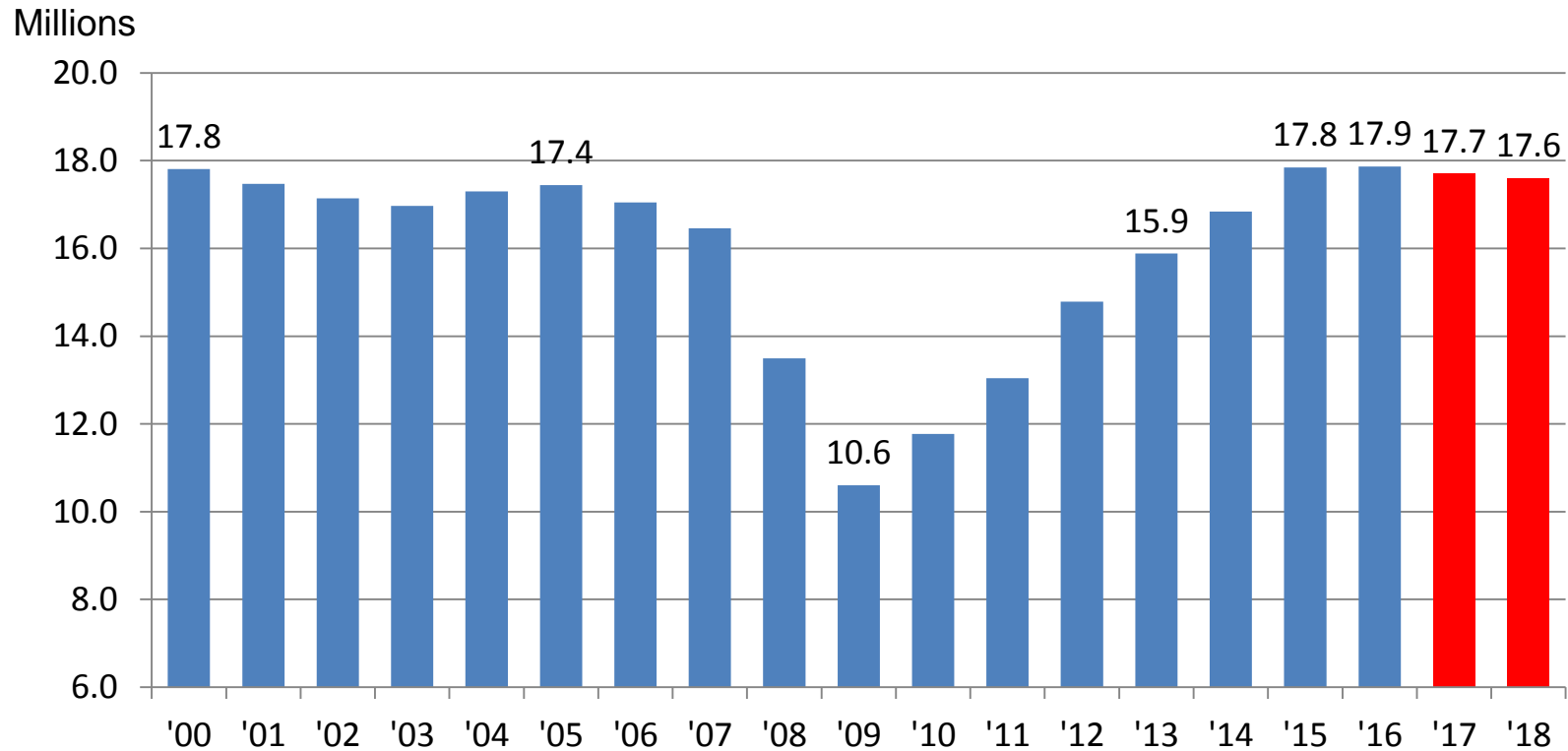


Source: Thomson Reuters / University of Michigan

U.S. Auto Industry

U.S. Total Vehicle Sales

Millions of Units



Note: Total 2016 Light Vehicle Sales: 17,465,020 / Including M/H: 17,866,260.

Source: Ward's Automotive and BEA

U.S. Light Vehicle Incentives

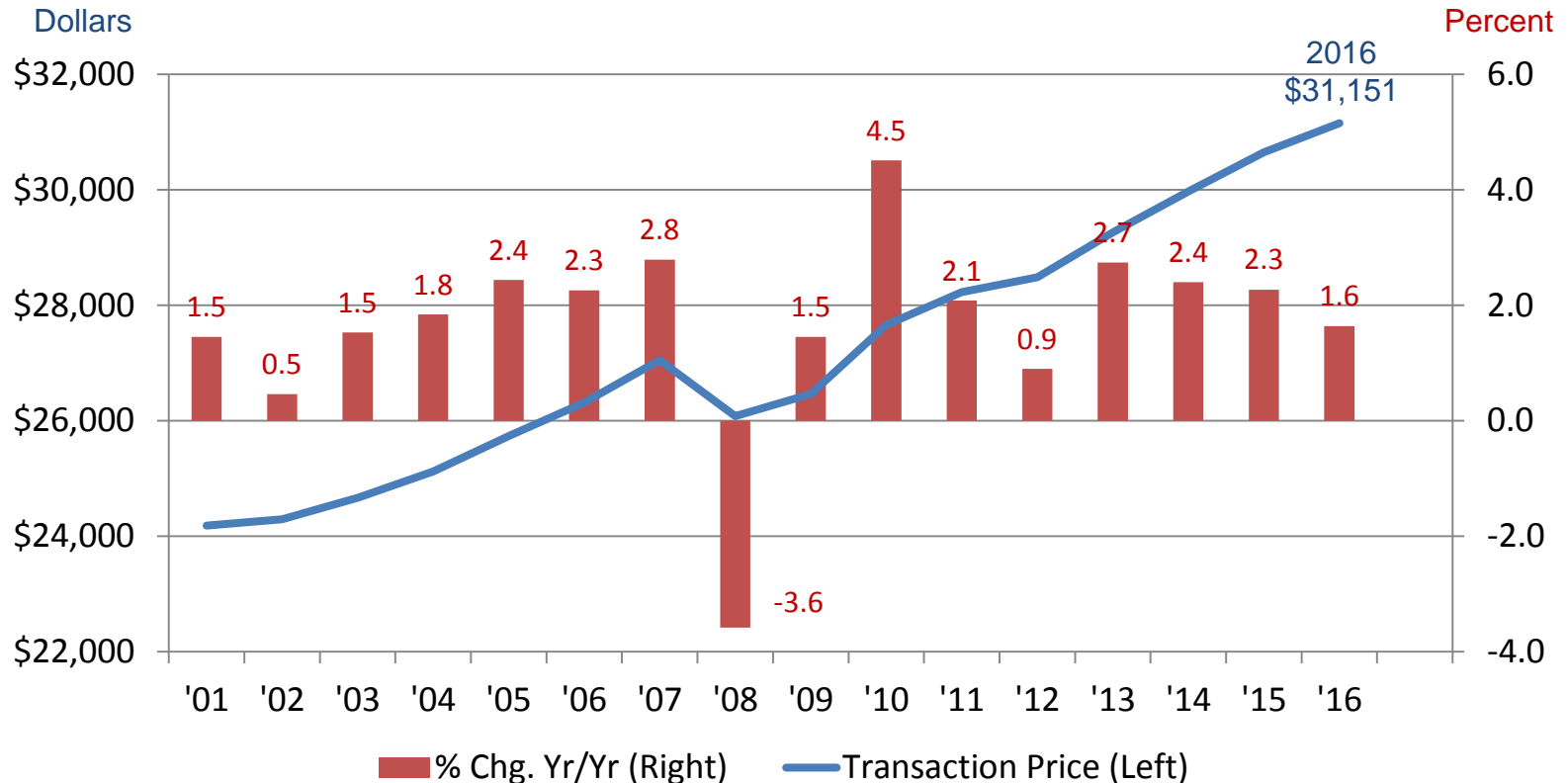
As Percent of Transaction Price - SA



Source: Author's calculation using Ward's Automotive and J.D Power data.

Light Vehicle Transaction Price

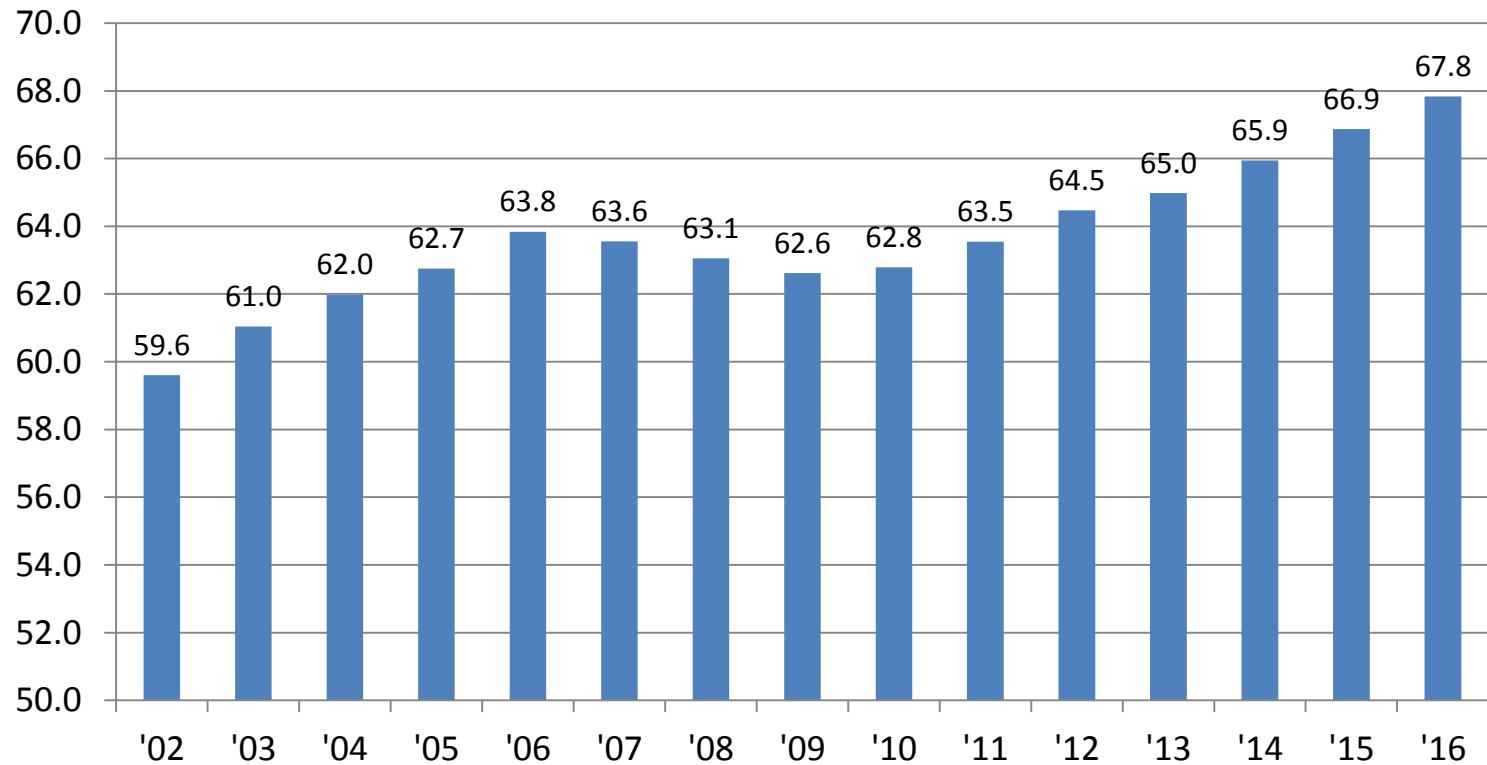
Annual Average & Percent Change Yr./Yr.



Source: Author's calculation using J.D Power data.

Finance Term

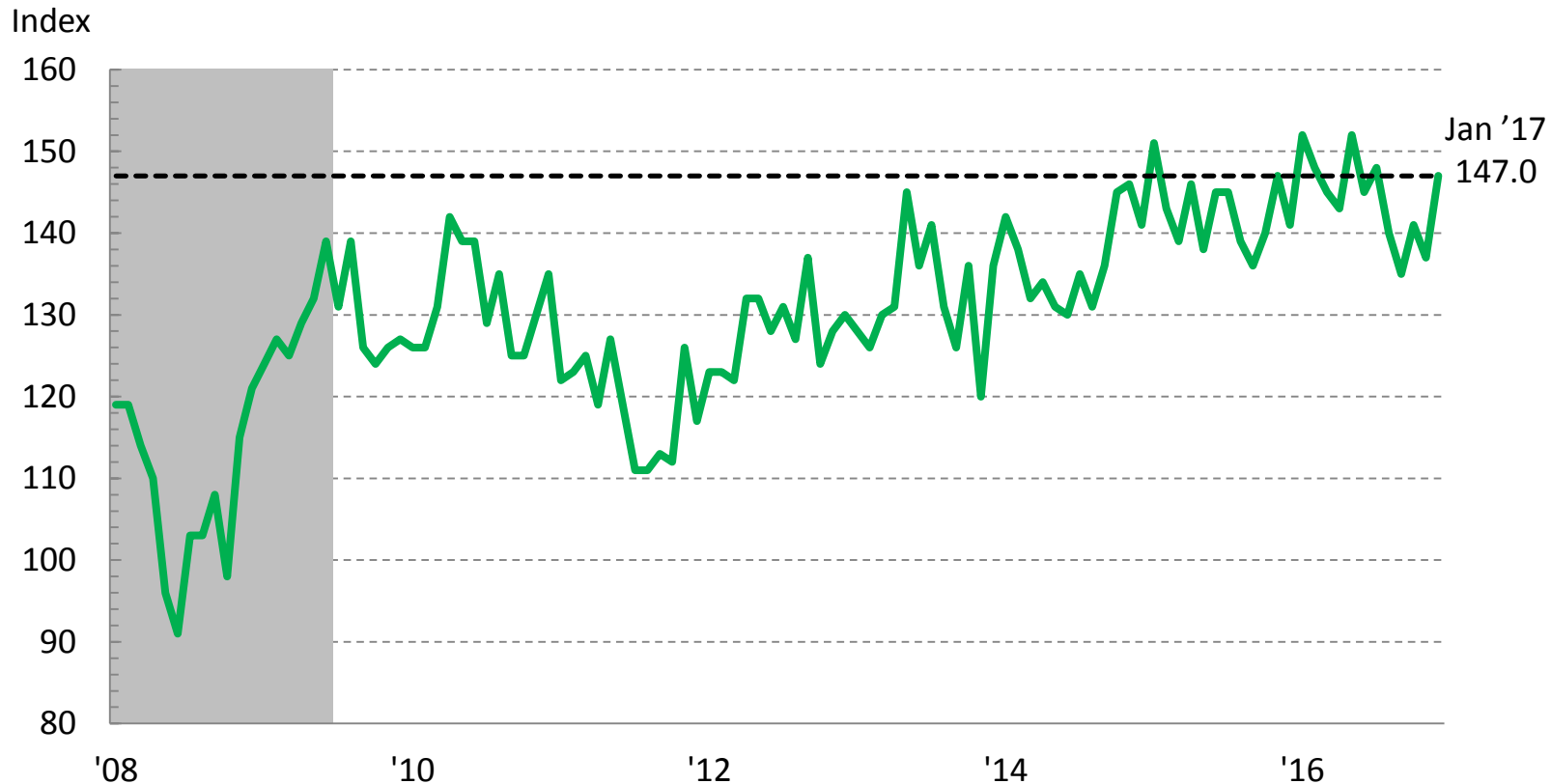
Length of Loan in Months



Source: J.D Power data.

Buying Conditions for Vehicles

University of Michigan

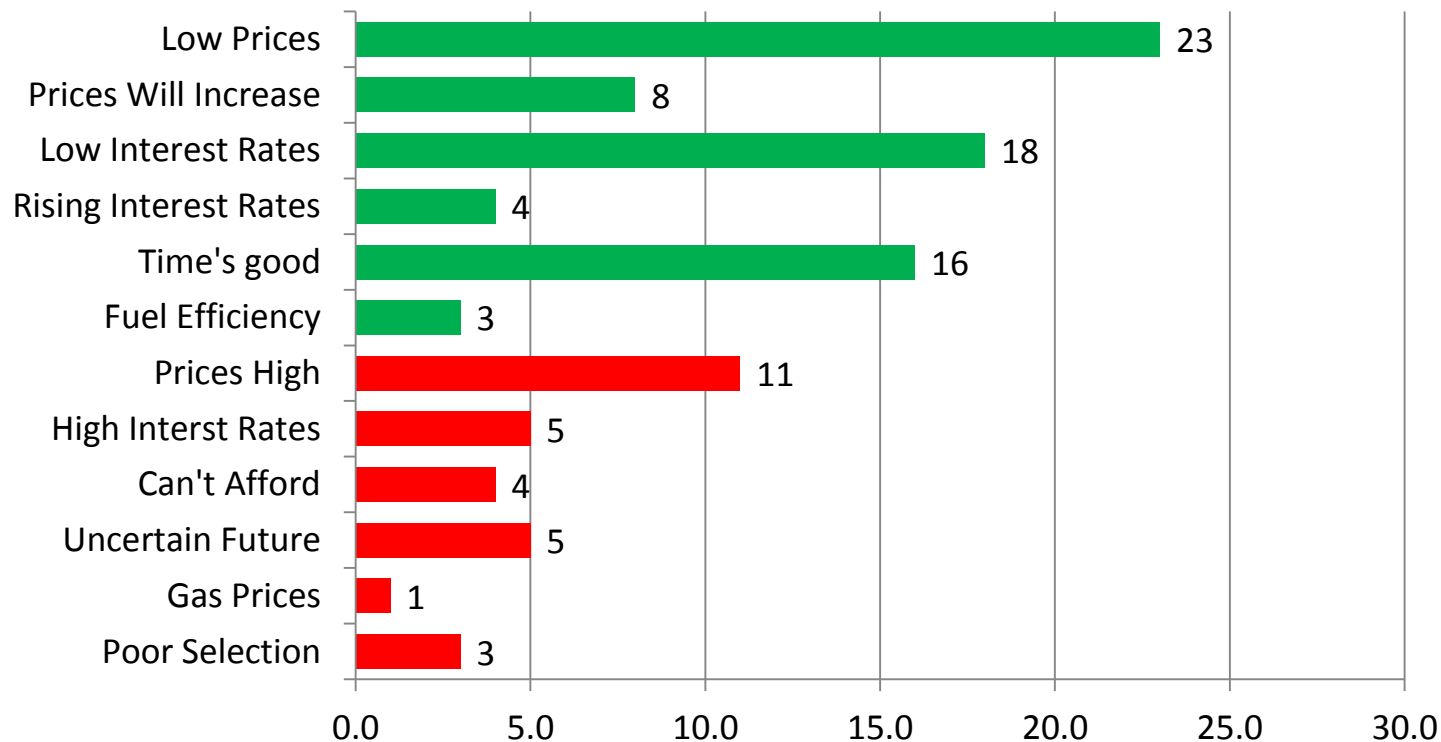


Source: Thomson Reuters / University of Michigan

Reasons for Buying Conditions for Vehicles

University of Michigan

Good / Bad Reason: *Why do you say so?*



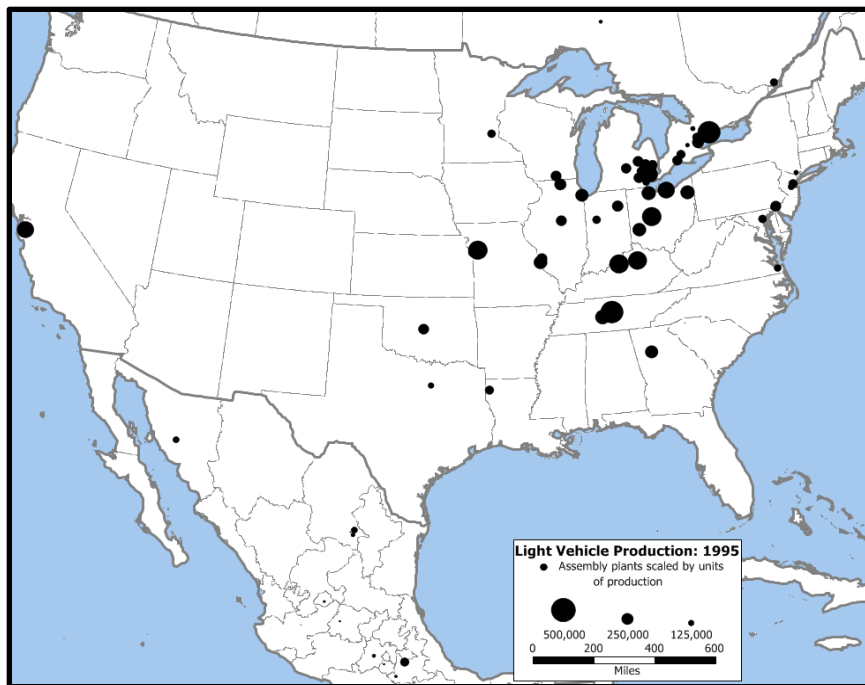
Note: May add to more than a 100 due to multiple mentions.

Source: University of Michigan Survey of Consumers

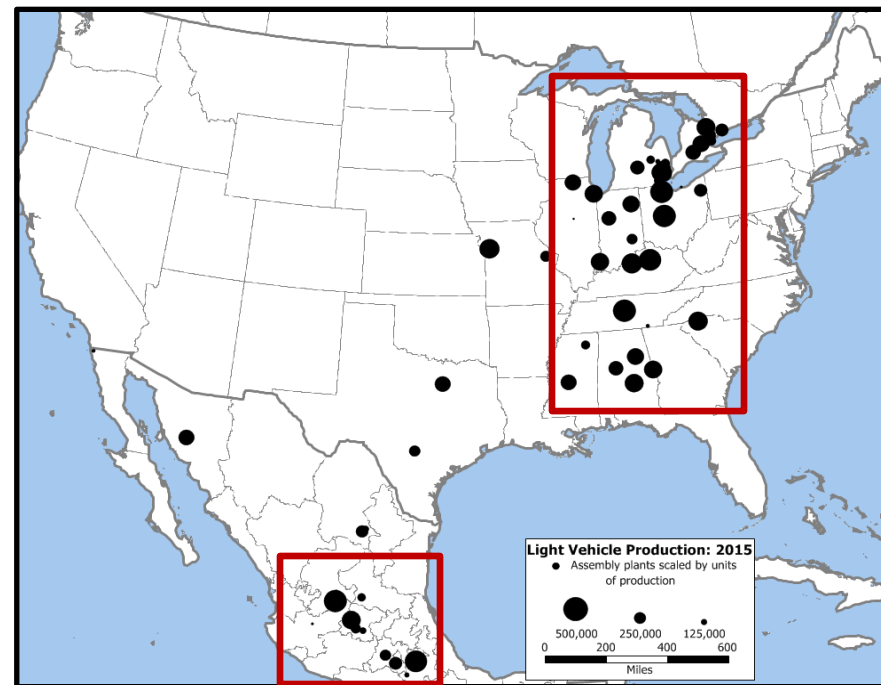
North American Auto Production Facilities

U.S. Automation Alley

1995



2015



Source: Thomas Klier, FRB Chicago and Bureau of Economic Analysis

Monetary Policy Employment & Inflation

F.O.M.C Statement

February 1, 2017

1. Information since the F.O.M.C. met in December indicates that the labor market has continued to strengthened and that economic activity has been expanding at a moderate pace.
2. Job gains have been solid in recent months and the unemployment rate stayed near its recent low.
3. Household spending has continued to rise moderately business fixed investment has remained soft. Measures of consumer and business sentiment have improved as of late.
4. Inflation increased in recent quarters but is still below the Committee's 2 percent longer-run objective
5. Market-based measures of inflation compensation remain low; most survey-based measures of longer-term inflation expectations are little changed, on balance.

Main Economic Indicators

Year-over-year Comparison

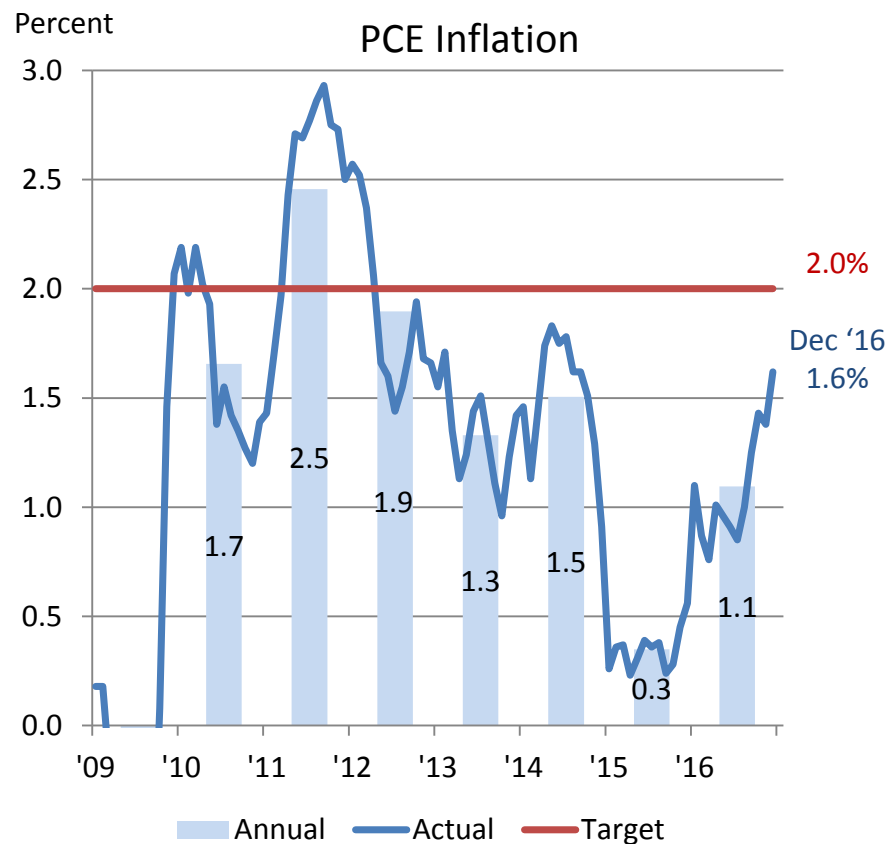
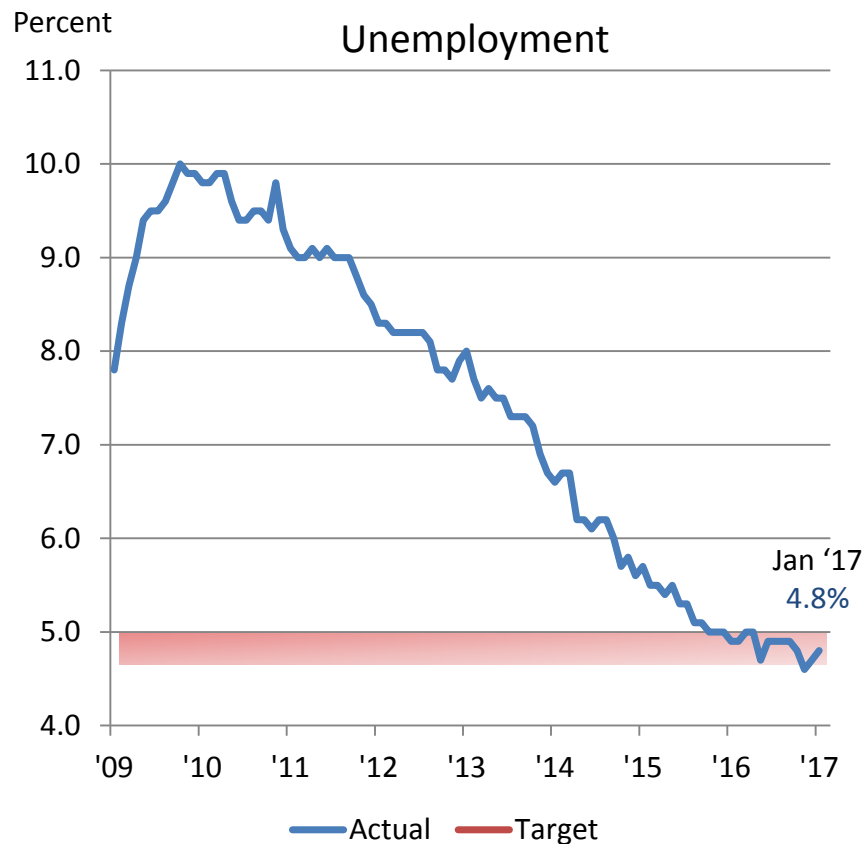
	<u>2014</u>	<u>2015</u>	<u>2016</u>
GDP – Annual Growth Rate ¹	2.4%	2.6%	1.6%
Unemployment Rate ²	6.2%	5.3%	4.9%
Participation Rate ²	62.9%	62.7%	62.8%
Nonfarm Job Growth ³	2,558	2,876	2,493
PCE Core Inflation Yr. / Yr. ⁵	1.6%	1.4%	1.7%

1. Year-over-year
2. Annual Average
3. Annual Average Employment – Year-over-year change in thousands
4. Annual Average PCE Core – Percent change year-over-year

Source: U.S. Bureau of Economic Analysis, Census Bureau and Bureau of Labor Statistics

Unemployment Rate & PCE Inflation

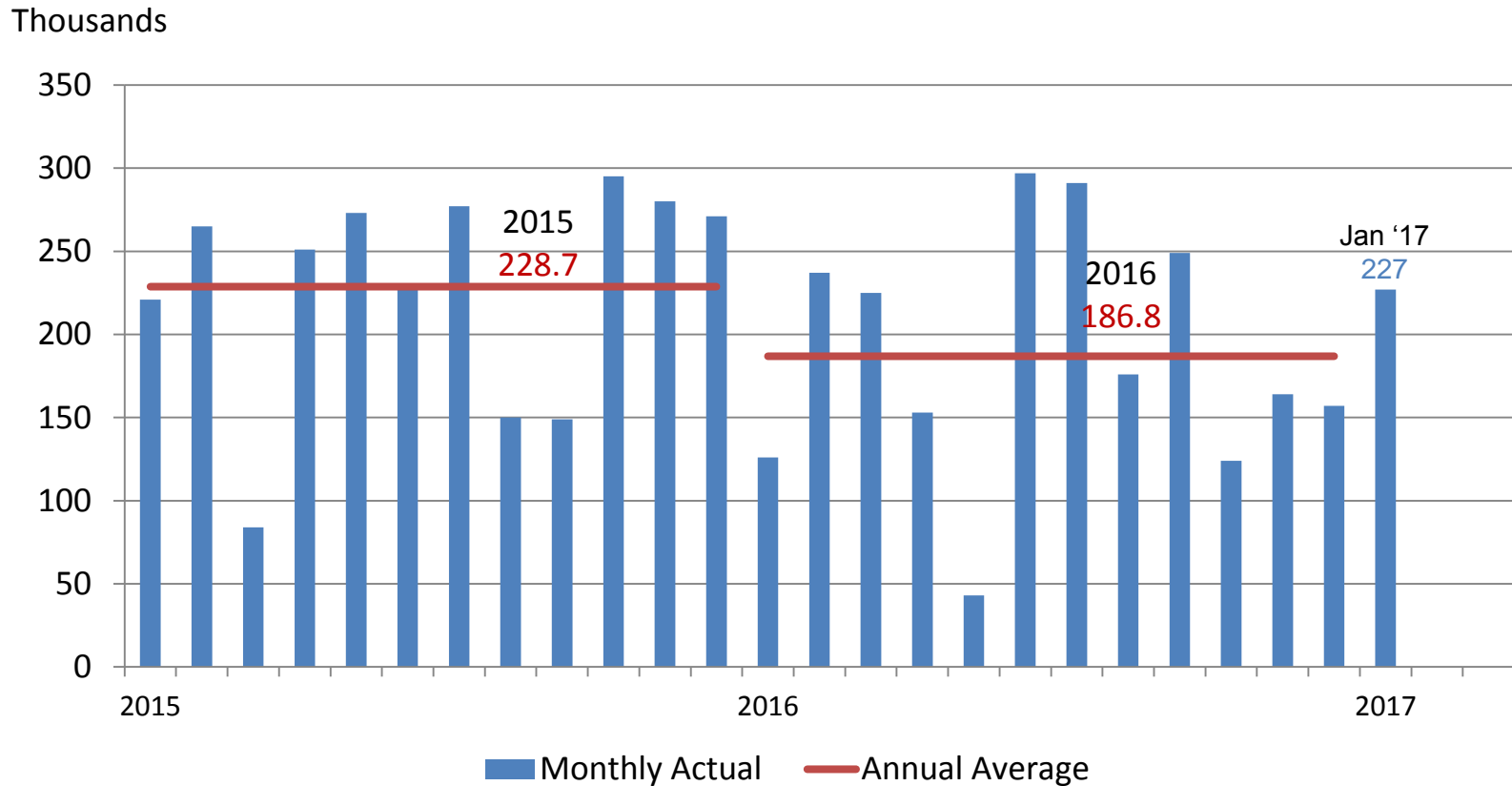
Percent Unemployed, PCE % Change Yr./Yr.



Source: U.S. Department of Labor: Bureau of Labor Statistics, Bureau of Economic Analysis and the Federal Reserve

U.S. Nonfarm Payrolls

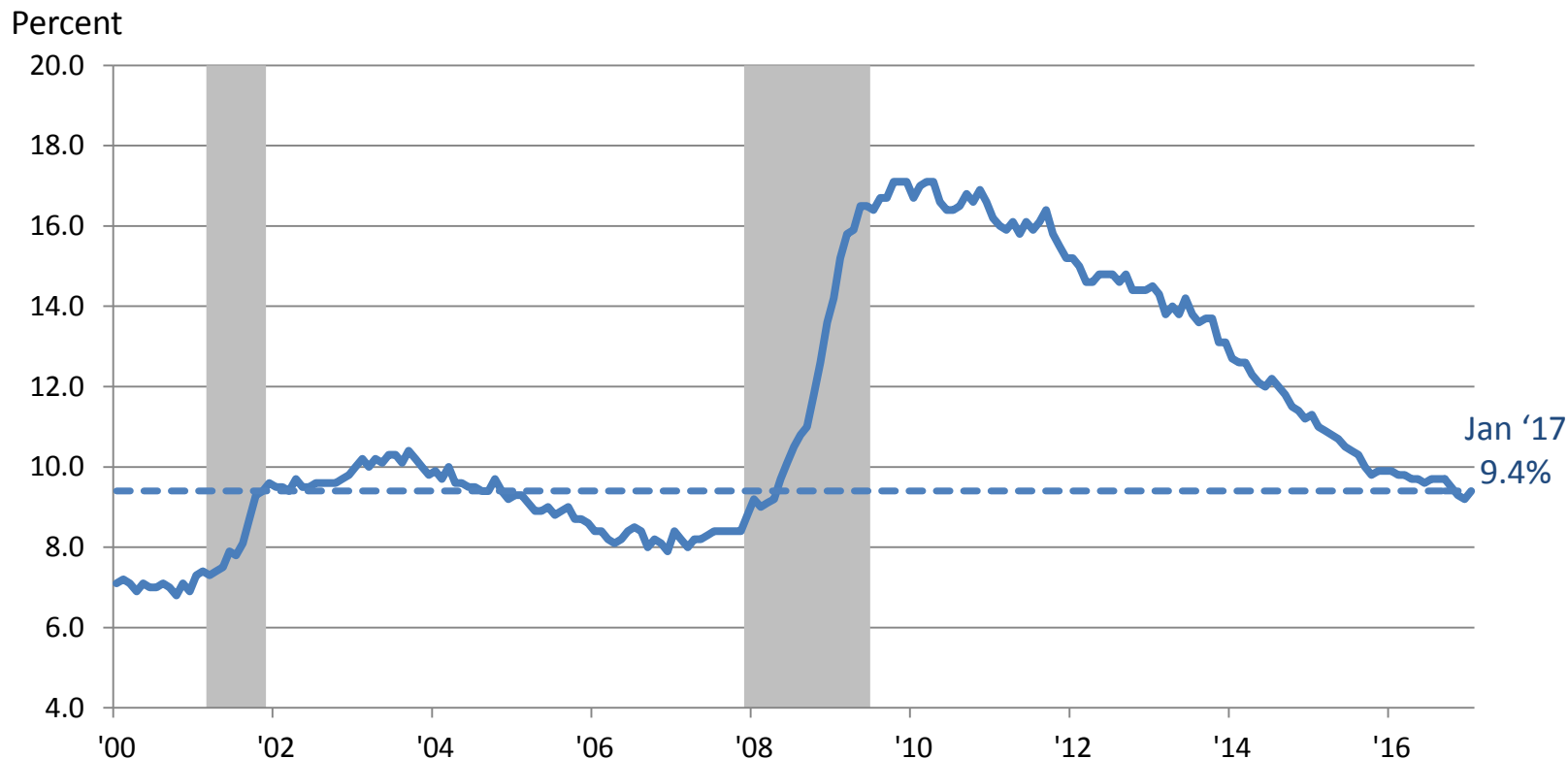
Monthly and Annual Average Job Change – In Thousands



Source: U.S. Department of Labor: Bureau of Labor Statistics

Underutilization of Labor

U6 Unemployment Rate - SA

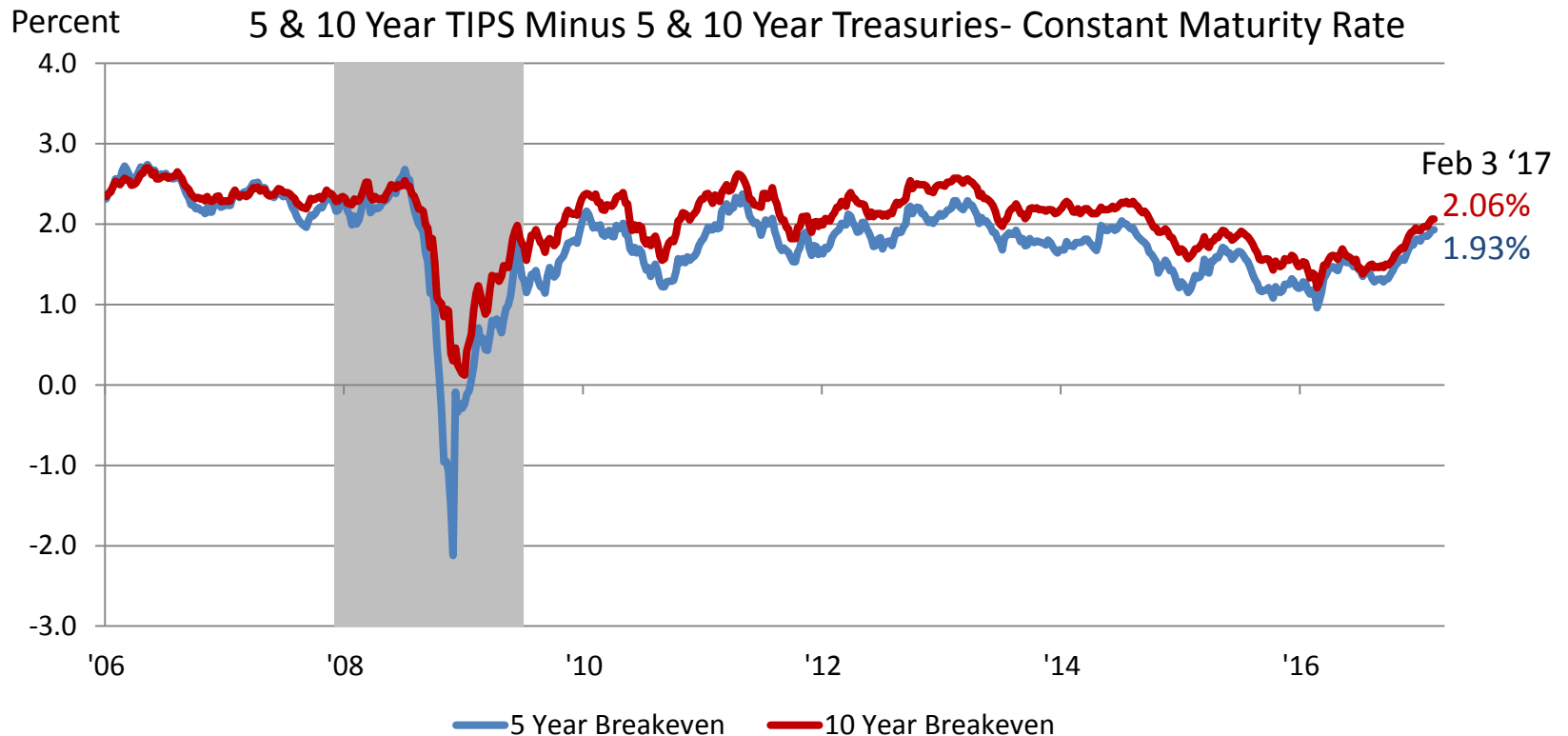


Includes total unemployed plus marginally attached workers plus employed part-time for economic reasons.

Source: U.S. Department of Labor: Bureau of Labor Statistics , Bureau of Economic Analysis and the Federal Reserve

Inflation Compensation

5 Year and 10 Year Inflation Expectations

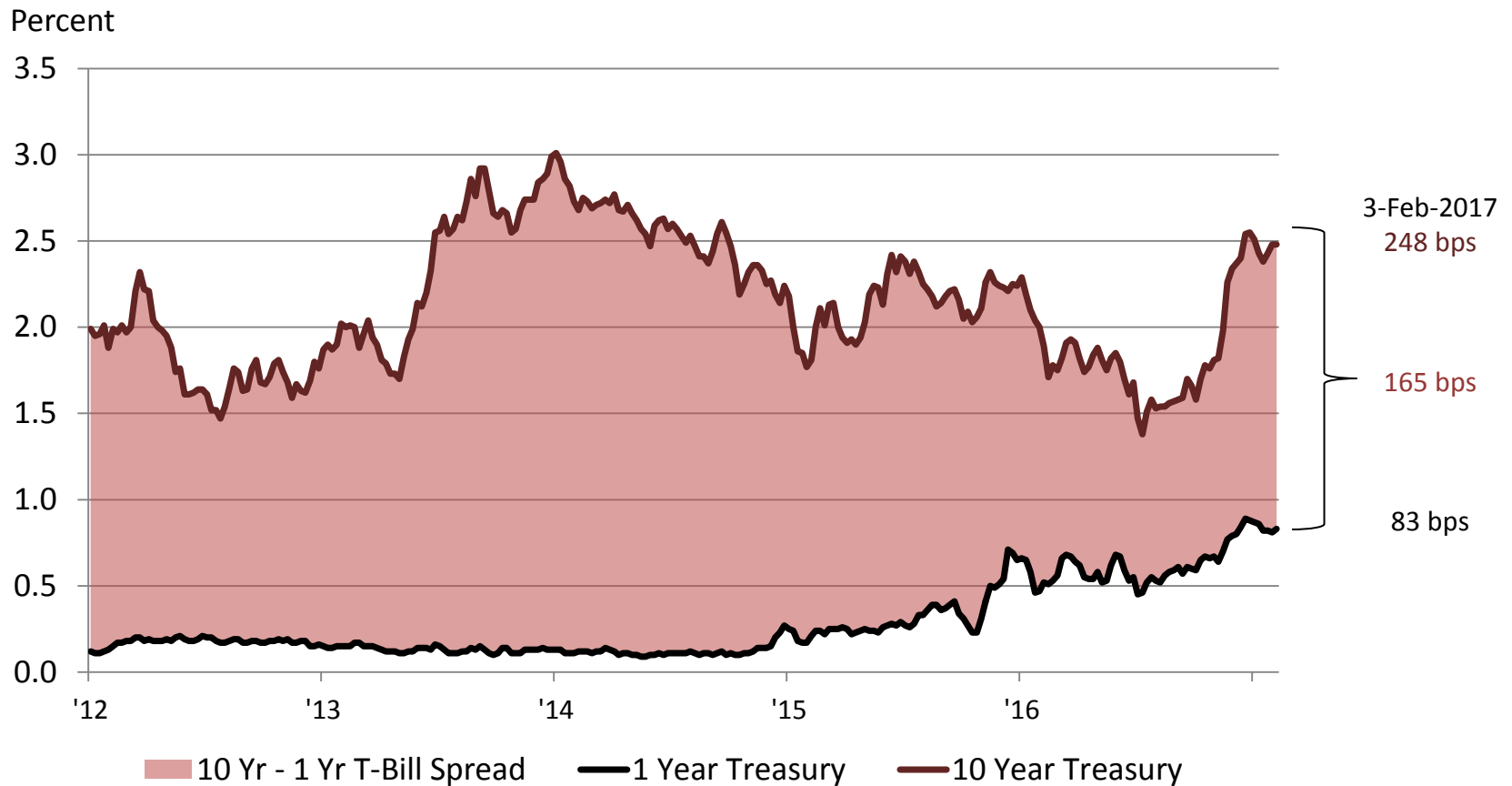


Source: Author's calculation using Federal Reserve System data.

Source: U.S. Department of Labor: Bureau of Labor Statistics, Bureau of Economic Analysis and the Federal Reserve

Yield Curve

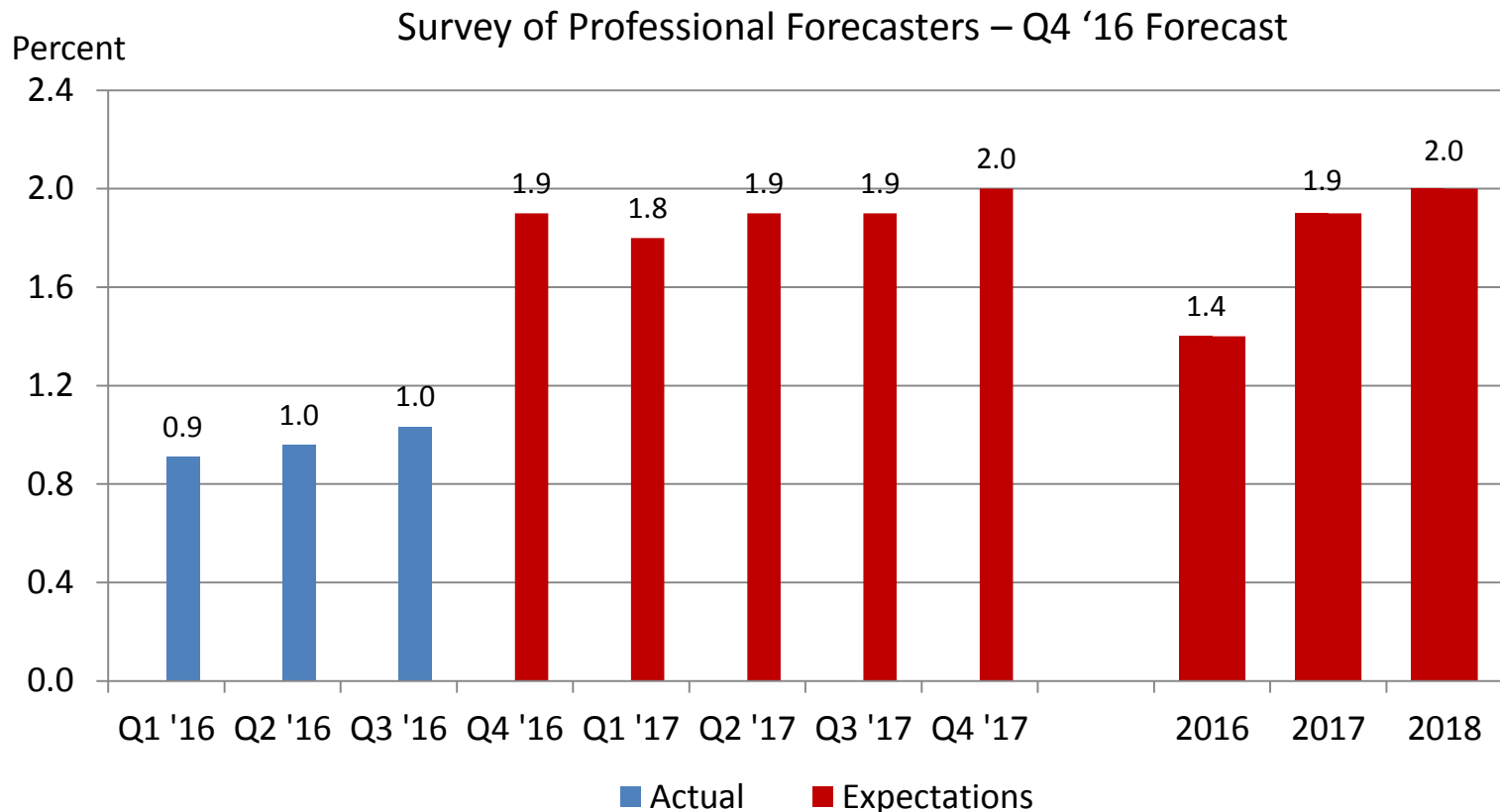
10 Year – 1 Year Treasuries in Basis Points



Source: Board of Governors – Federal Reserve System

Inflation Expectations

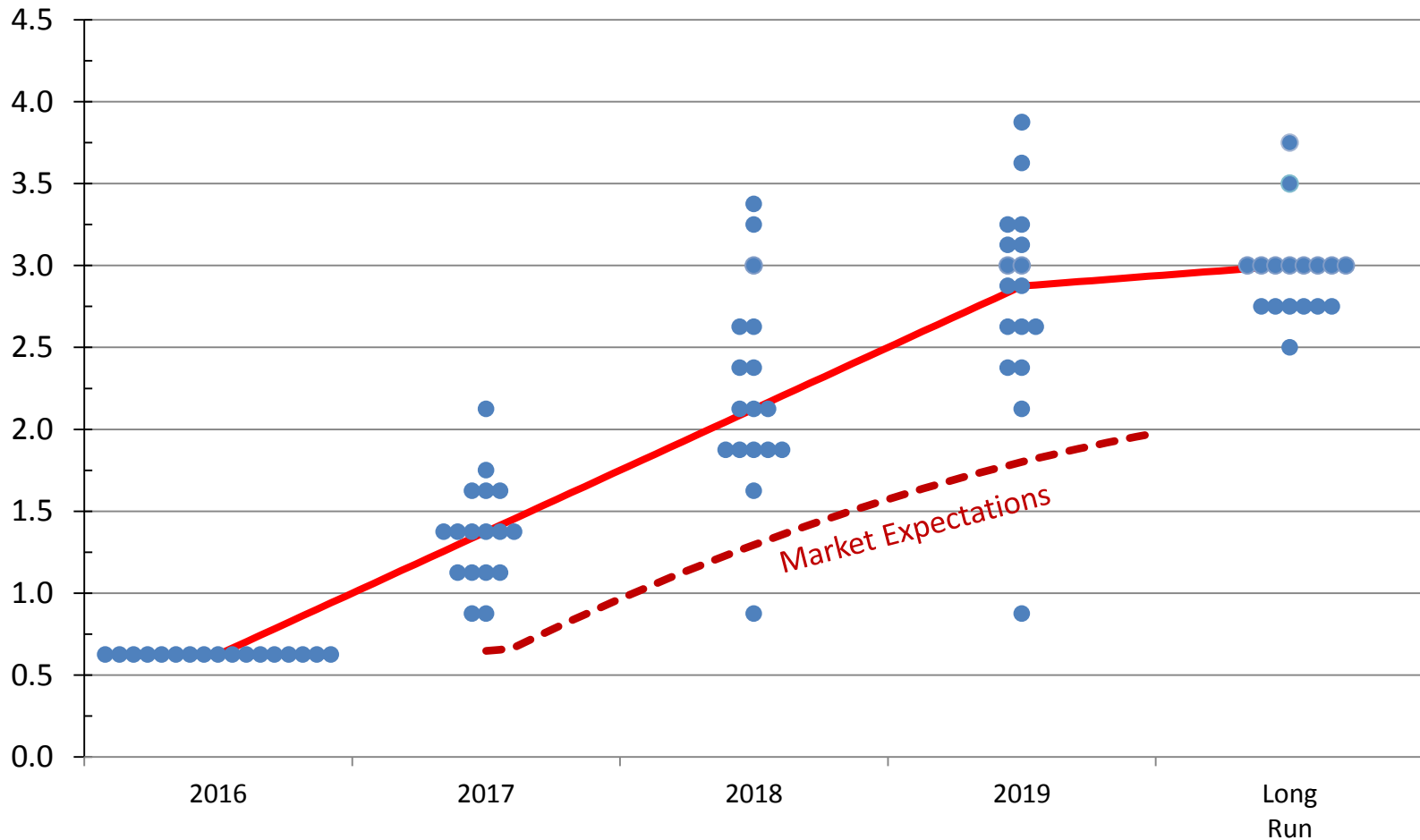
Headline PCE Inflation – Yr./Yr. & Q4/Q4



Source: Bureau of Economic Analysis and FRB Philadelphia Q4 '16 Survey

Appropriate pace of policy firming

Fed Funds Rate – Year End Projections



Thank You!

