

Canada – United States Business Association

Sixth Annual Cross-Boarder Economic Forecast

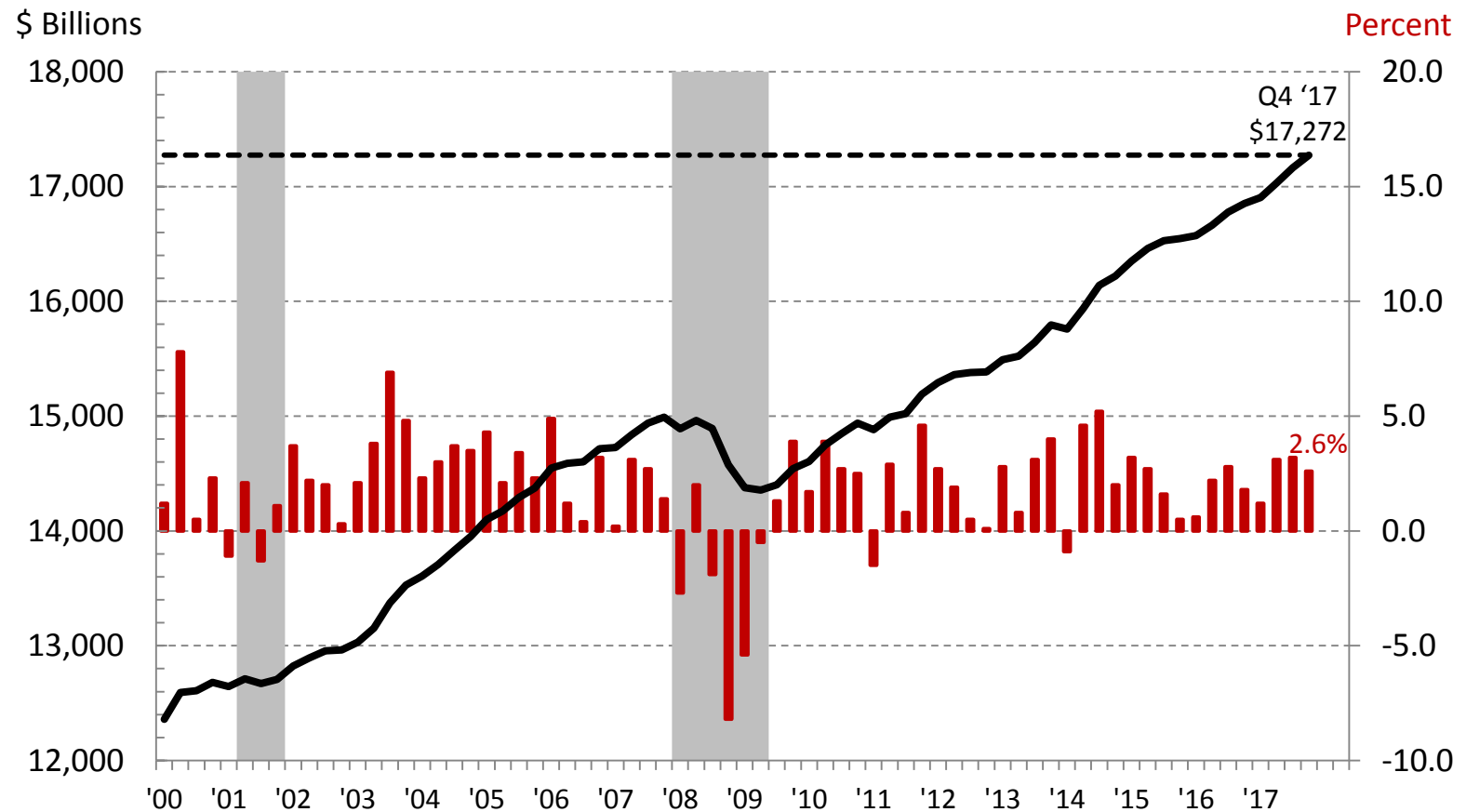
Federal Reserve Bank of Chicago
February 6, 2018

Paul Traub
Senior Business Economist



U.S. Real GDP

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

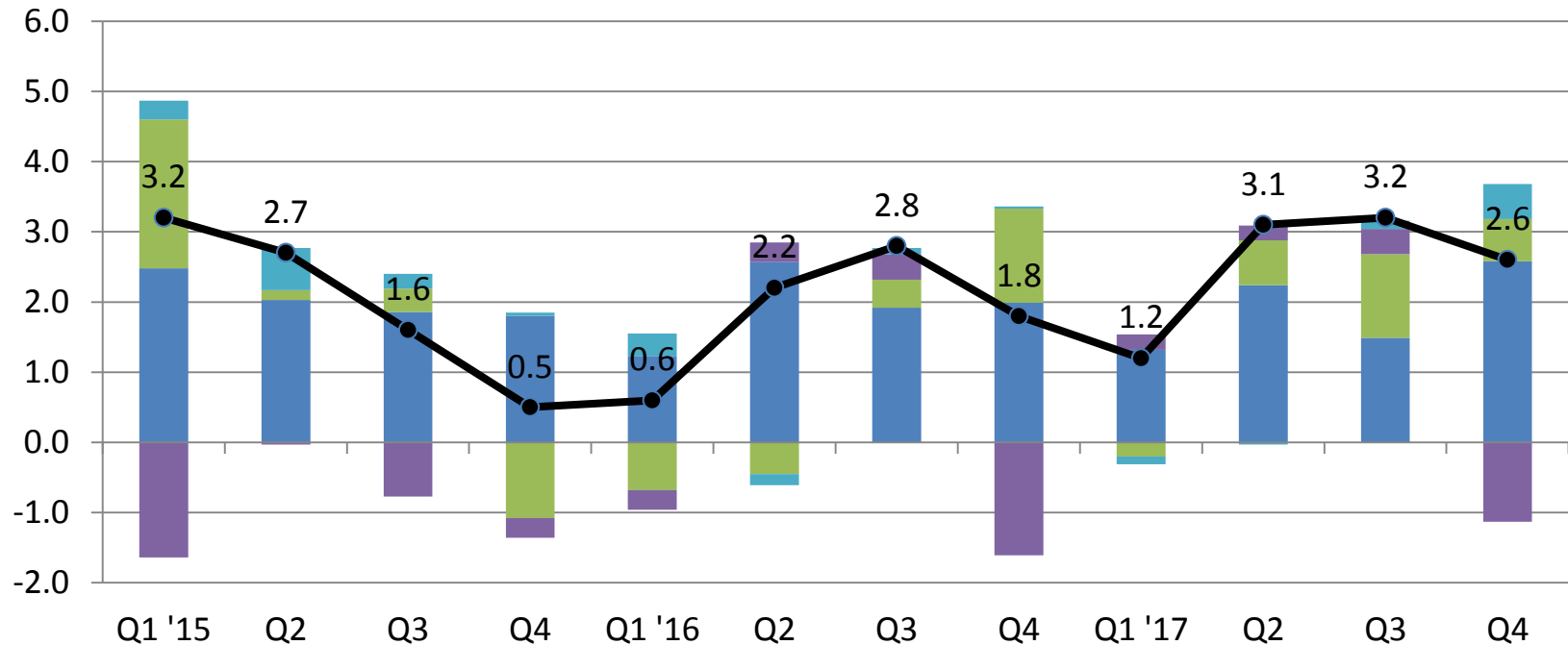


Source: U.S. Bureau of Economic Analysis

U.S. Real GDP

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

Percent

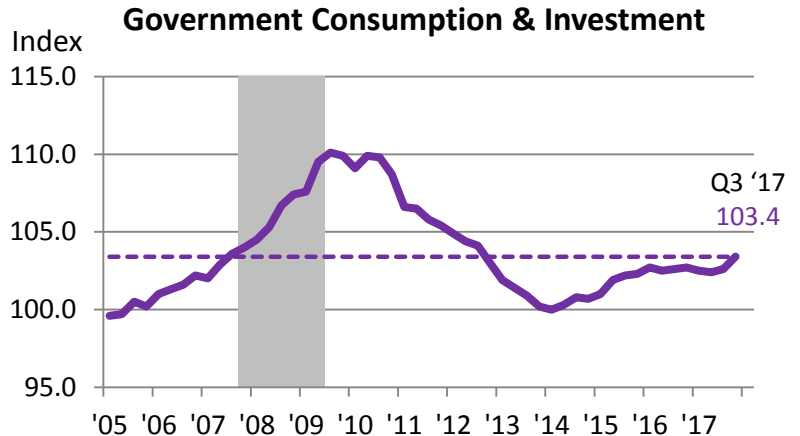
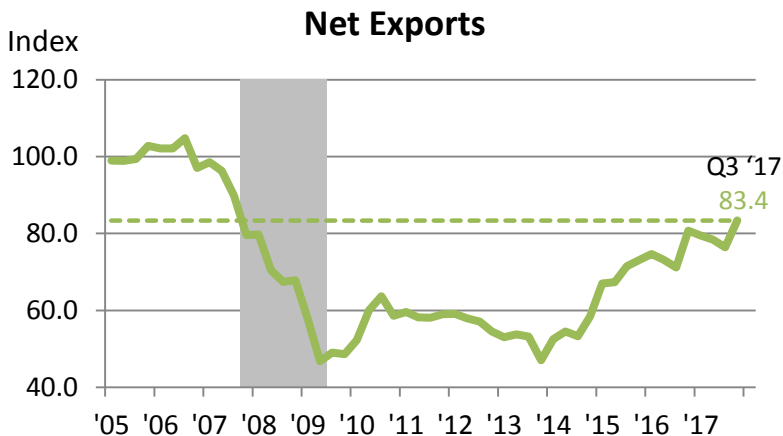
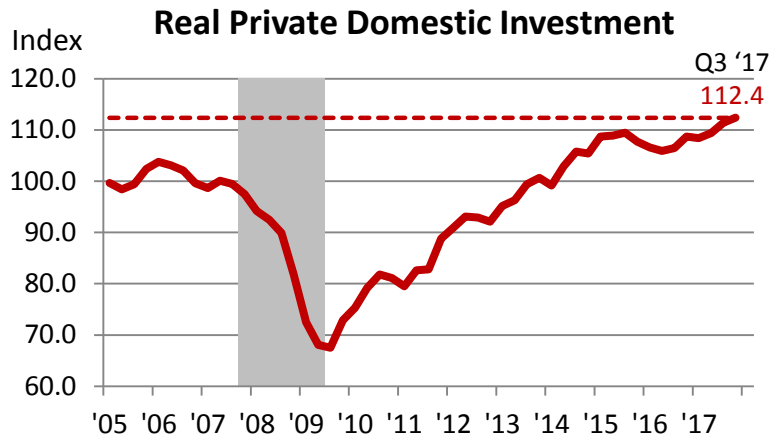
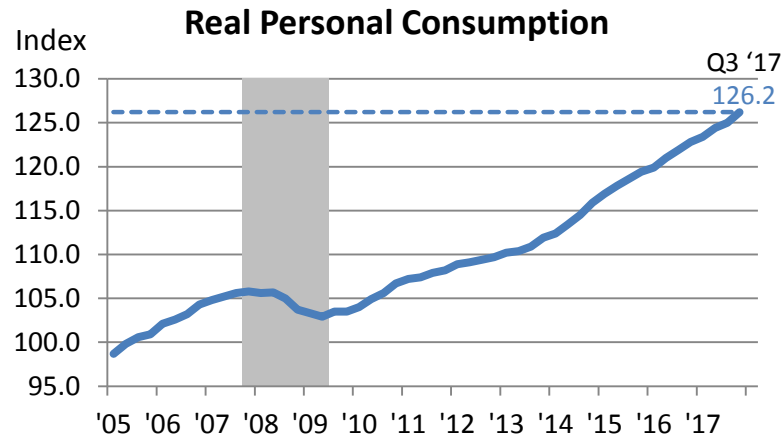


	■ PCE	■ Private Investment	■ Net Exports	■ Government	● GDP
Q3 2017					
Contribution	2.6%	0.6%	-1.1%	0.5%	2.6%

Source: U.S. Bureau of Economic Analysis, and FRB of St Louis FRED database.

Real GDP by Sector

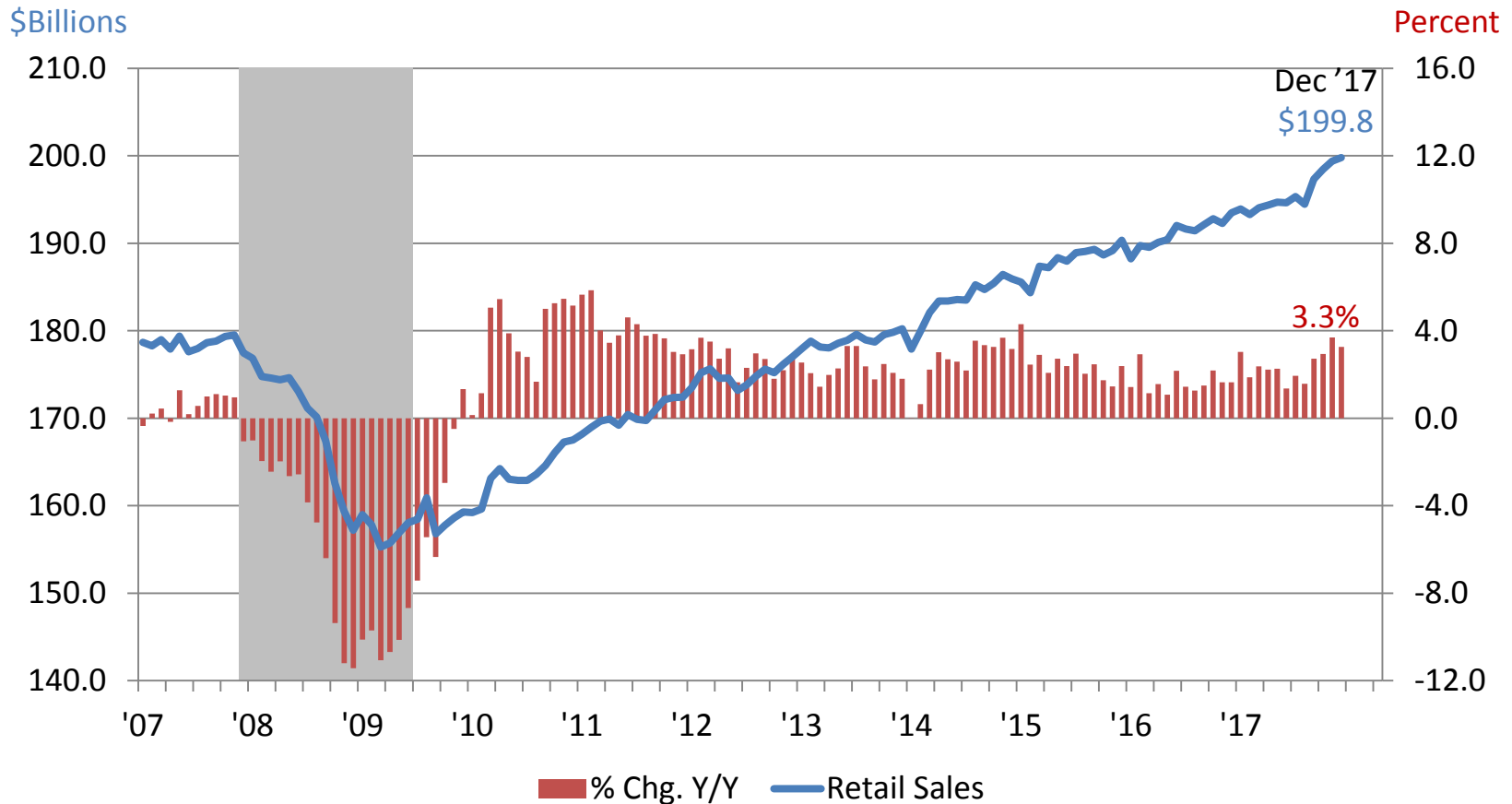
C + I + G + Nx, Index – 2005 = 100



Source: Author's calculations using U.S. Bureau of Economic Analysis data.

Real Retail Sales

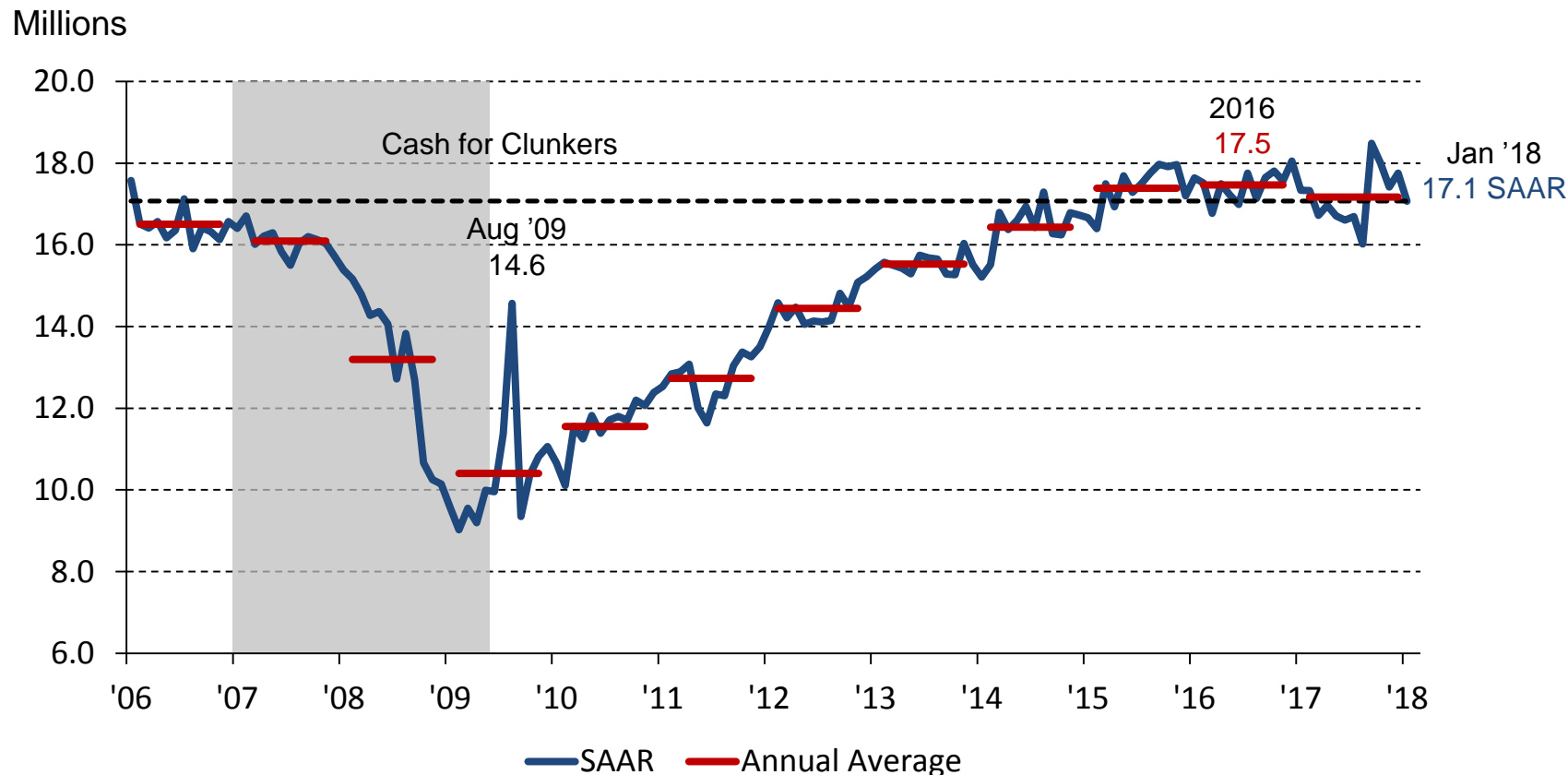
Real Retail & Food Services Sales, SA – Billions of \$2009 and % Chg. Yr./Yr.



Source: Author's calculation using U.S. Census Bureau of Labor Statistics data.

U.S. Light Vehicle Sales

S.A.A.R – Millions of Units

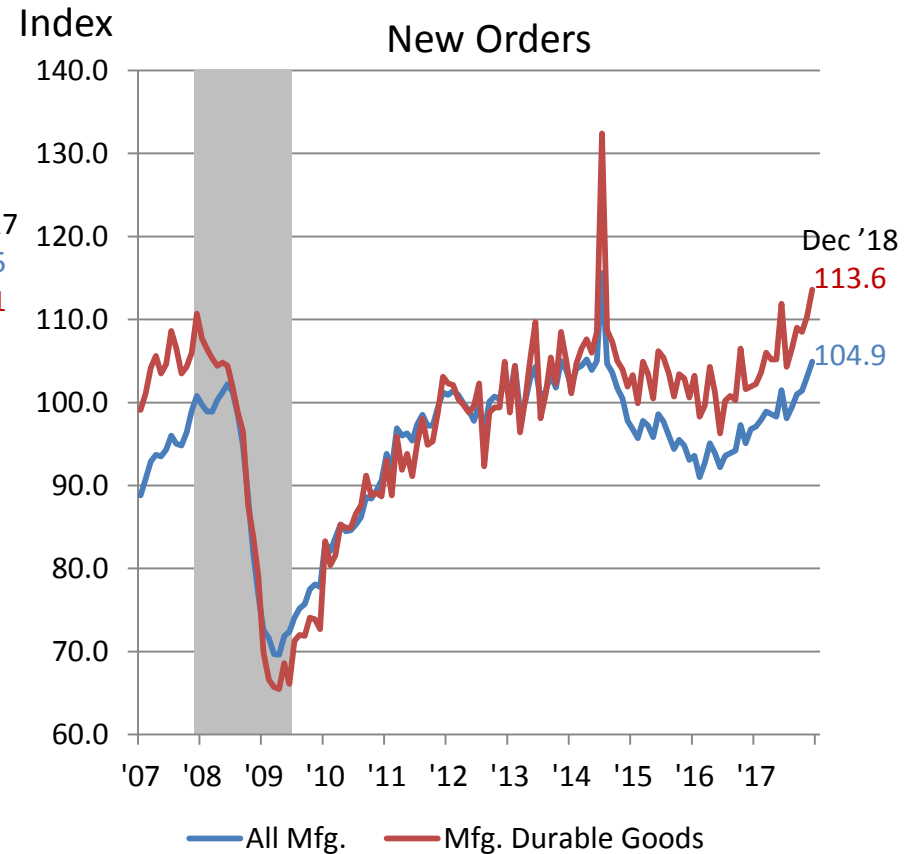
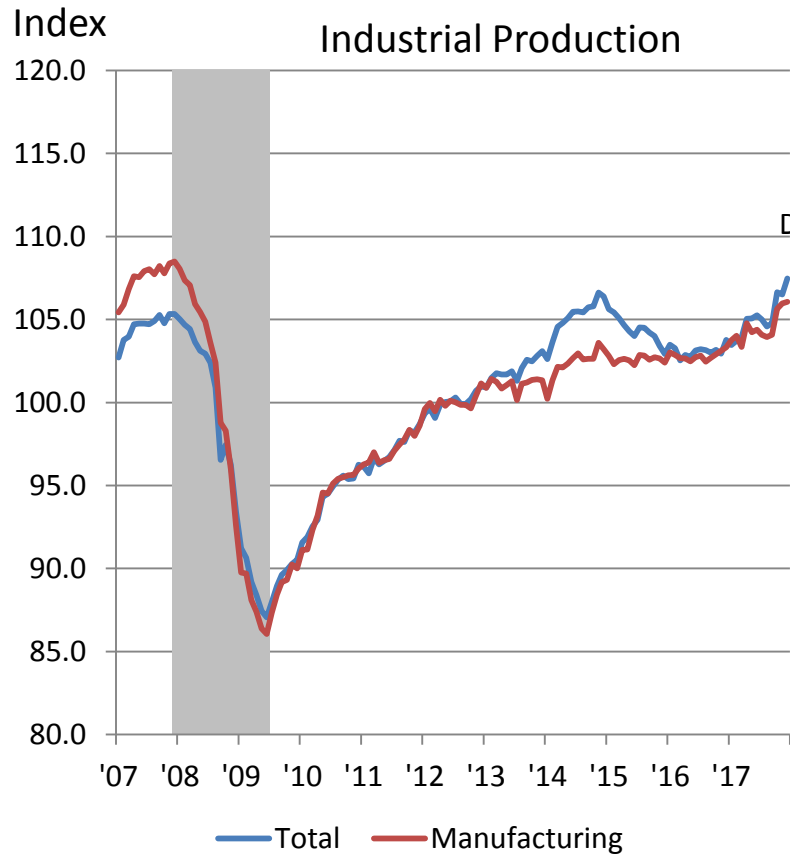


Note: Total 2016 Light Vehicle Sales: 17,465,020 / Including M/H: 17,866,260.

Source: Ward's Automotive and BEA

Industrial Production & New Orders

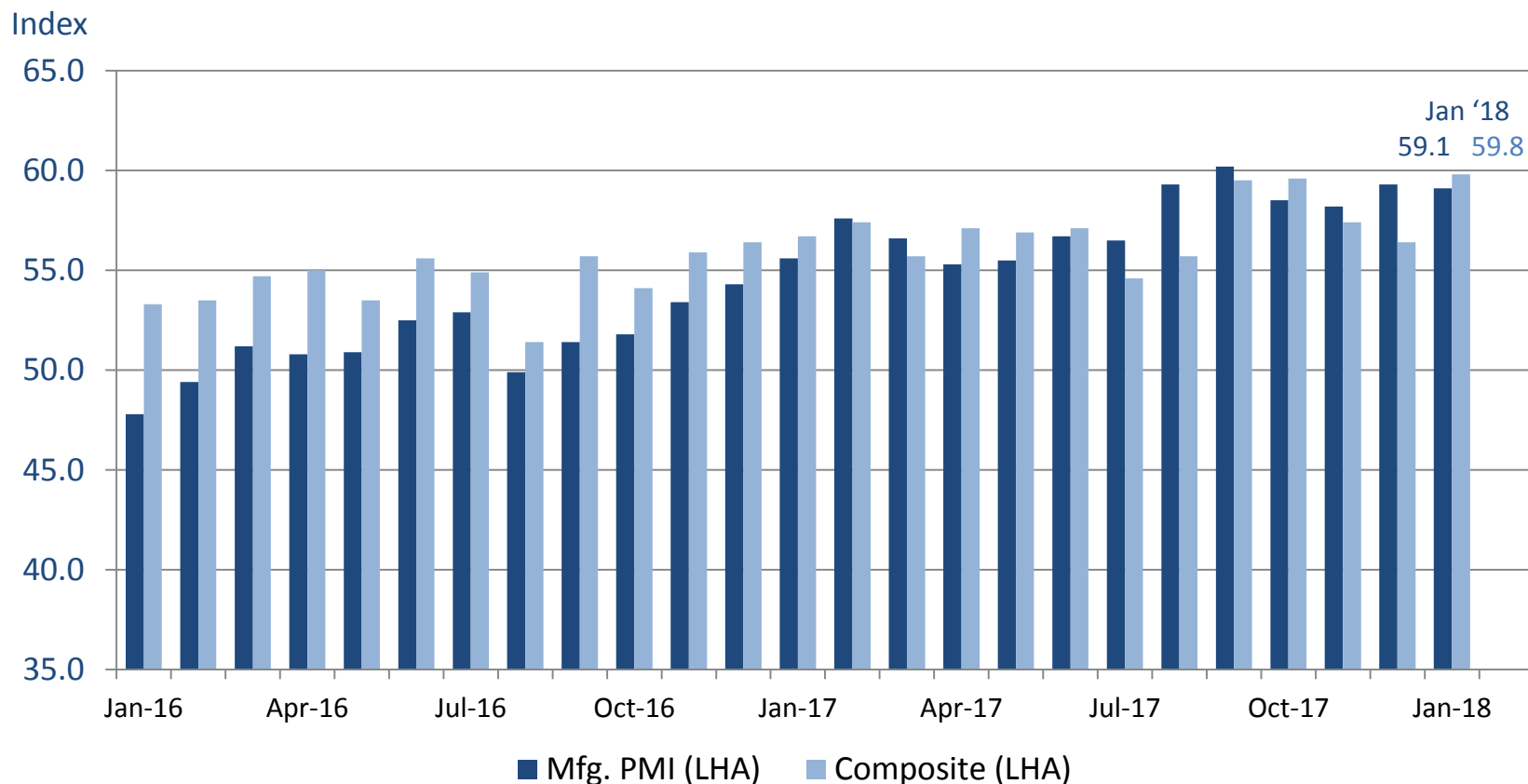
Index, 2012 = 100



Source: Board of Governors, Federal Reserve and U.S. Census Bureau

ISM Purchasing Managers Index

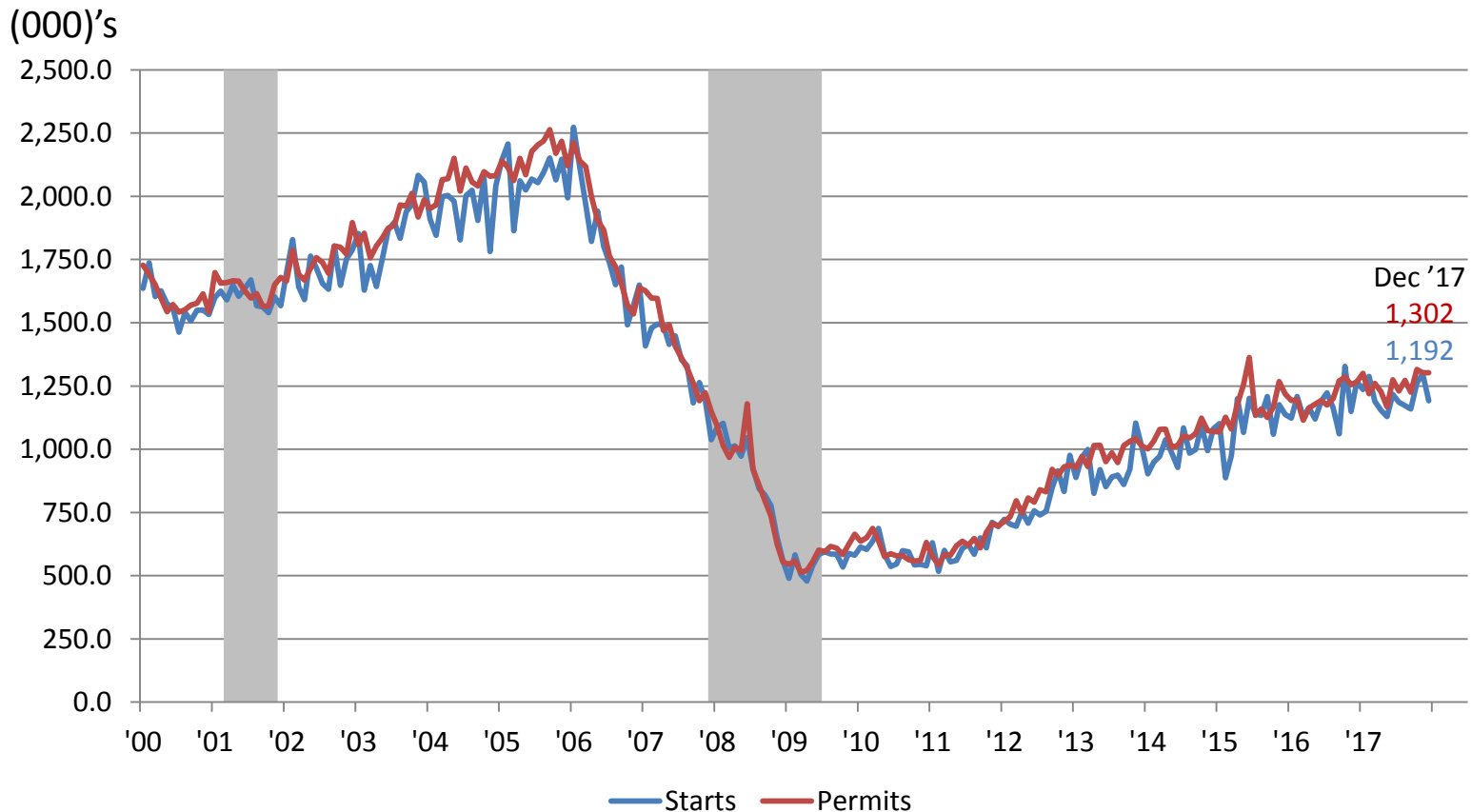
Manufacturing & Composite, SA - Greater than 50 = Expansion



Source: Institute for Supply Management , Haver Analytics and FRED

New Private Housing

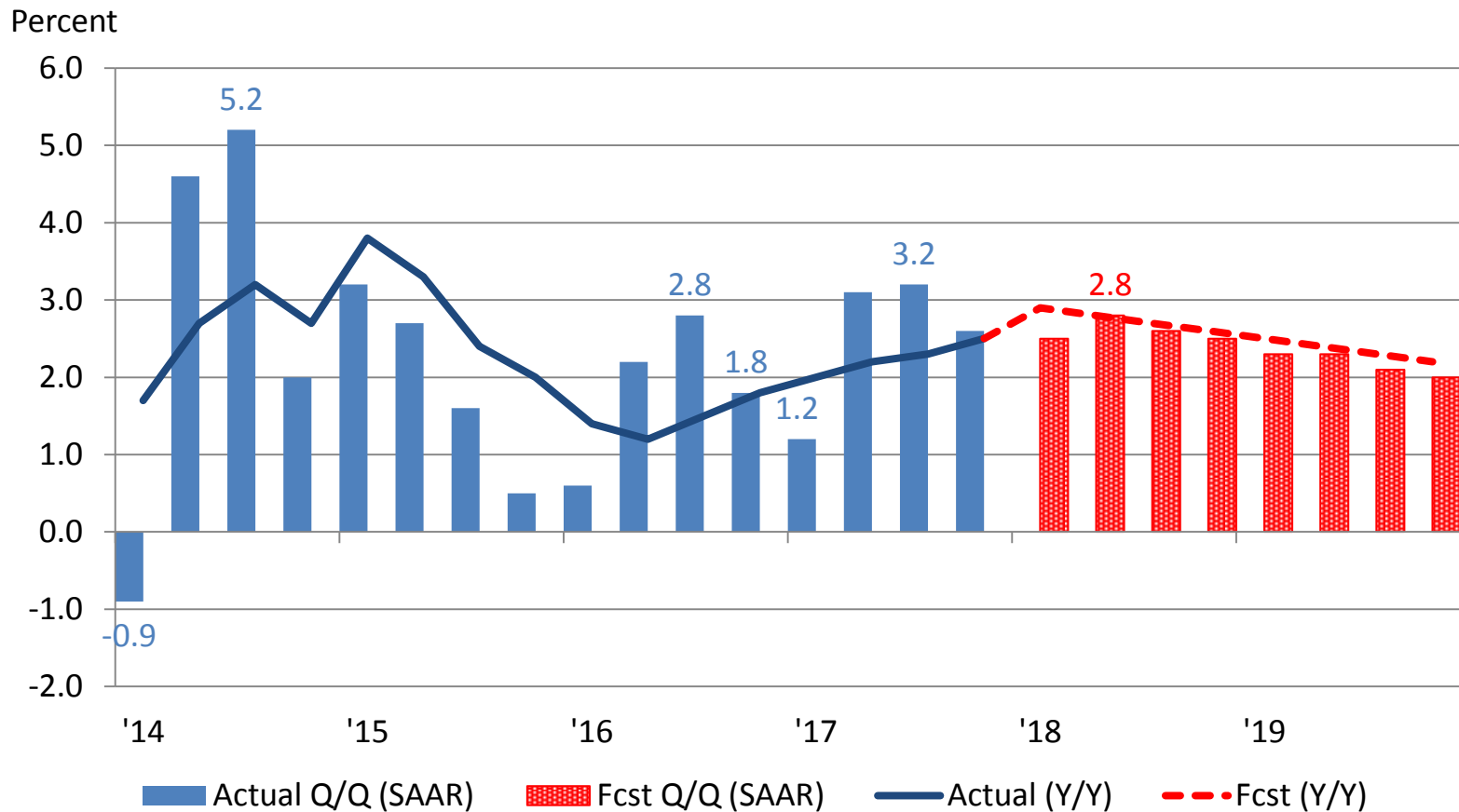
Starts, Permits & Real Median Sales Price – Units (SAAR) / \$2009



Source: Board of Governors, Federal Reserve and U.S. Census Bureau

U.S. Real GDP Blue Chip Forecast

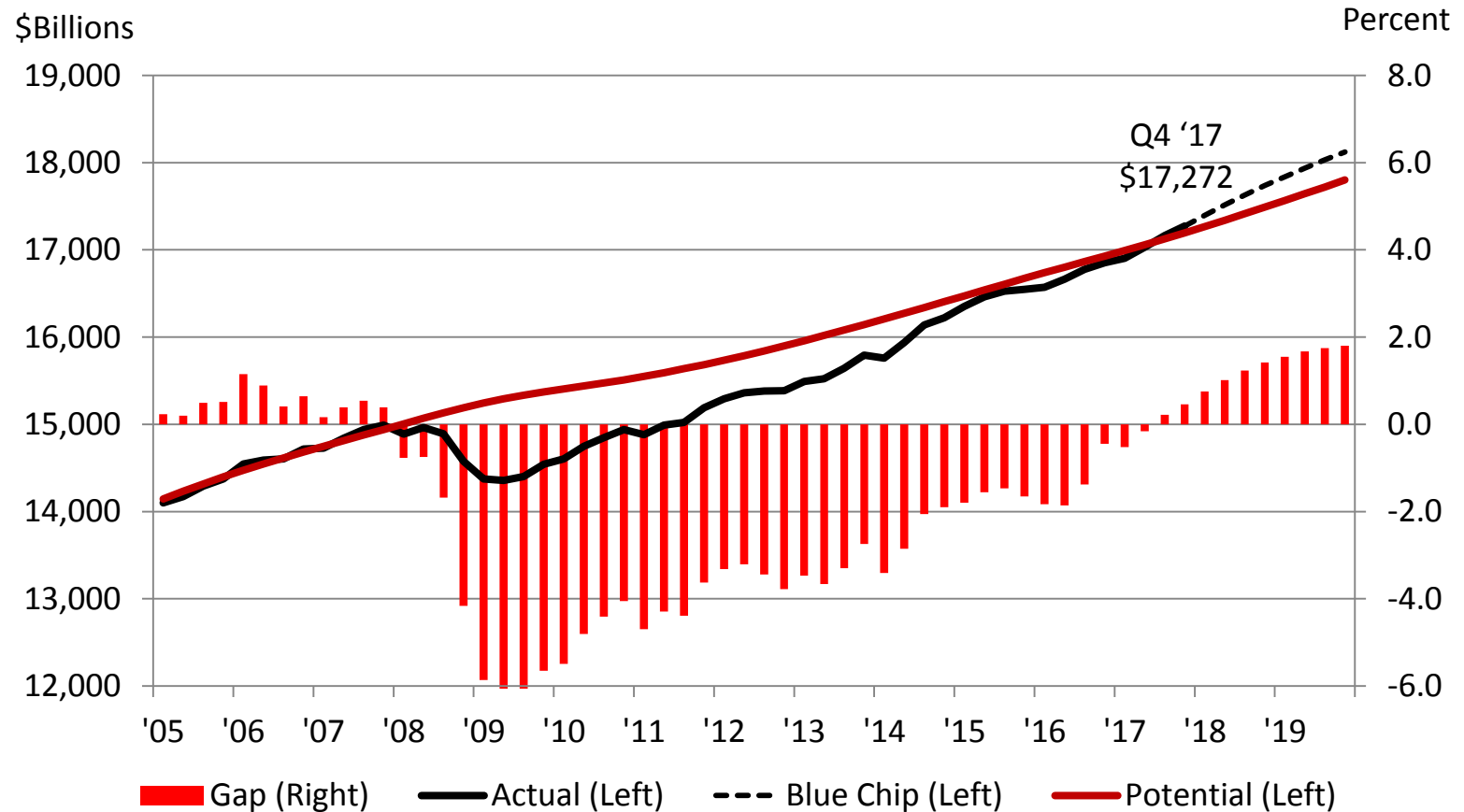
Percent Change – Billions of Chained \$2009



Source: BEA and January 2018 Blue Chip Economic Indicators

U.S. Real GDP – Actual and Potential

Billions Chained \$2009 and Percent H/L than Potential

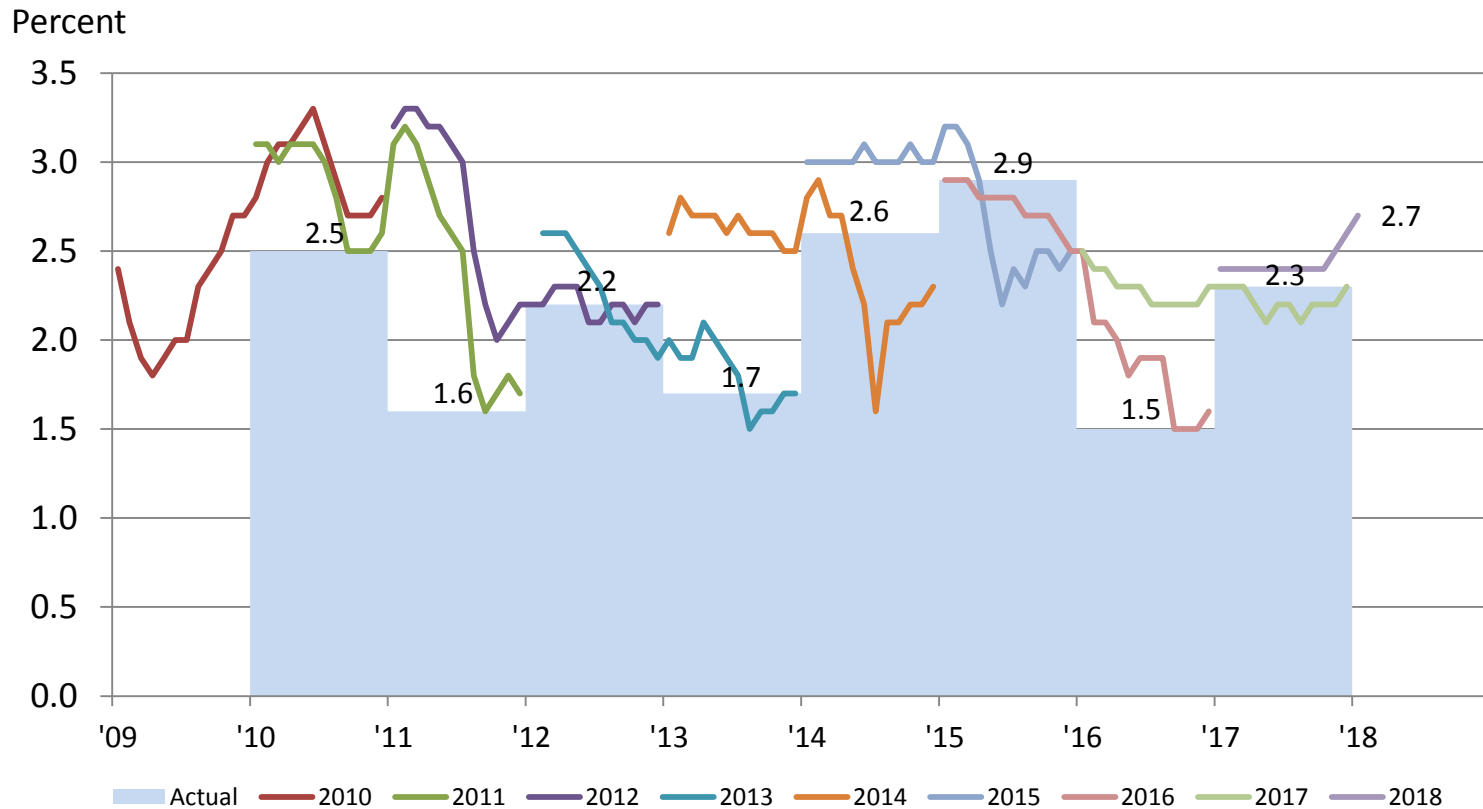


Source: Bureau of Economic Analysis and the U.S. Congressional Budget Office

February 6, 2018

Blue Chip Forecasts

Real U.S. GDP Percent Change Yr./Yr. – Historical Forecast

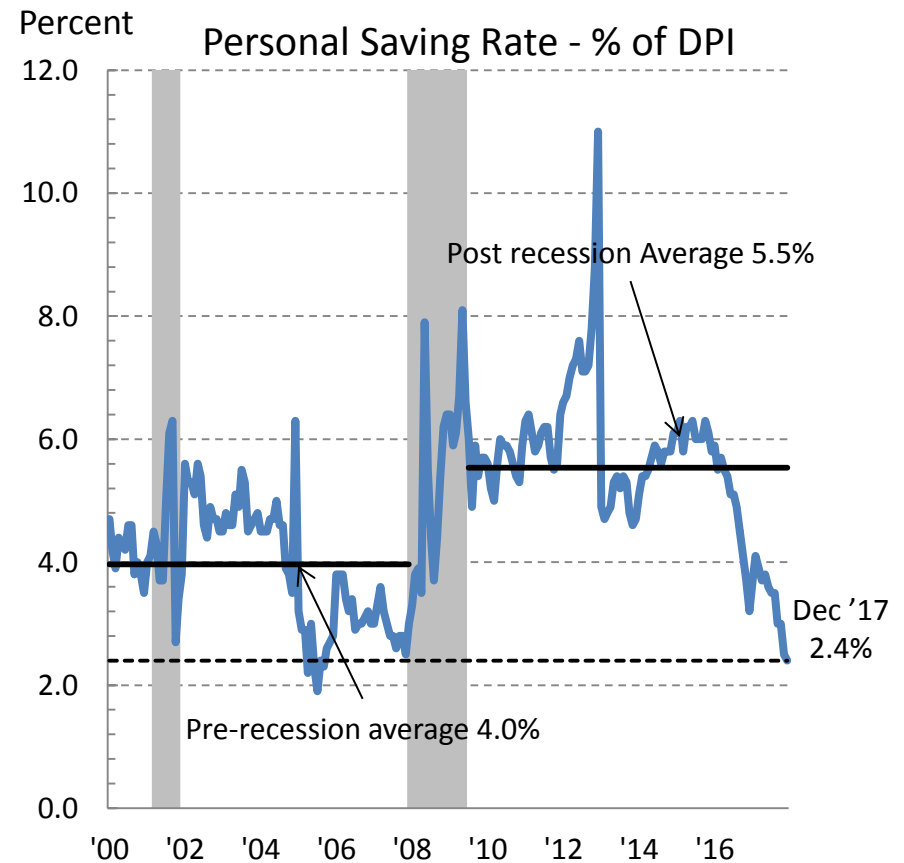
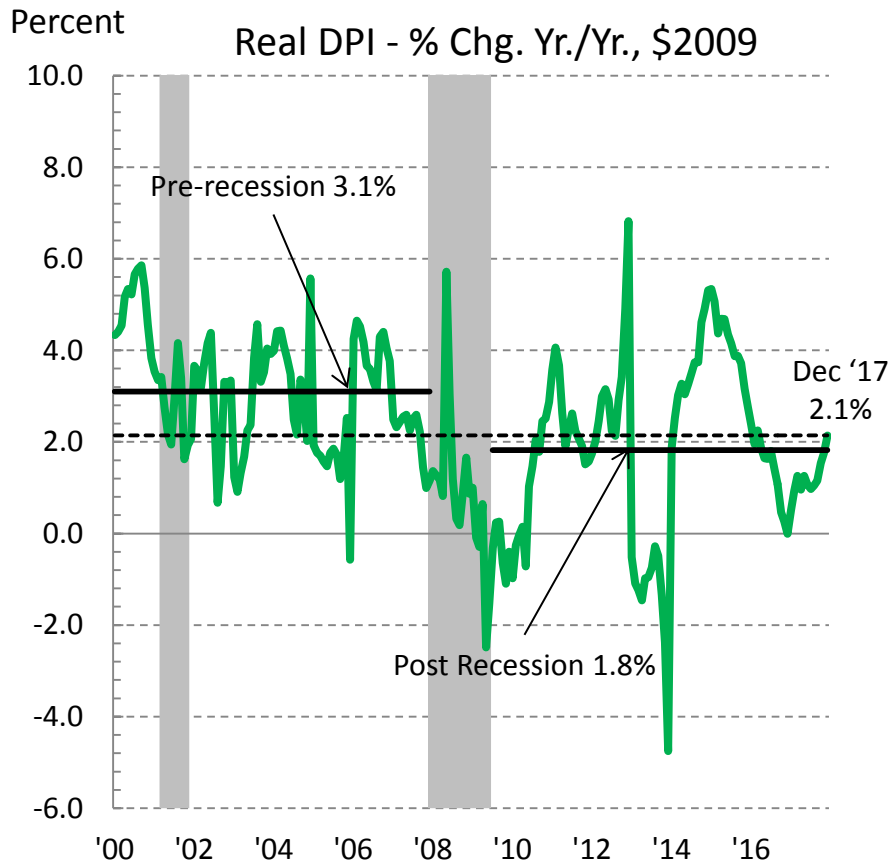


Source: BEA, 2018 Blue Chip Economic Indicators, and Haver Analytics

U.S. Consumer

Income and Savings Rate

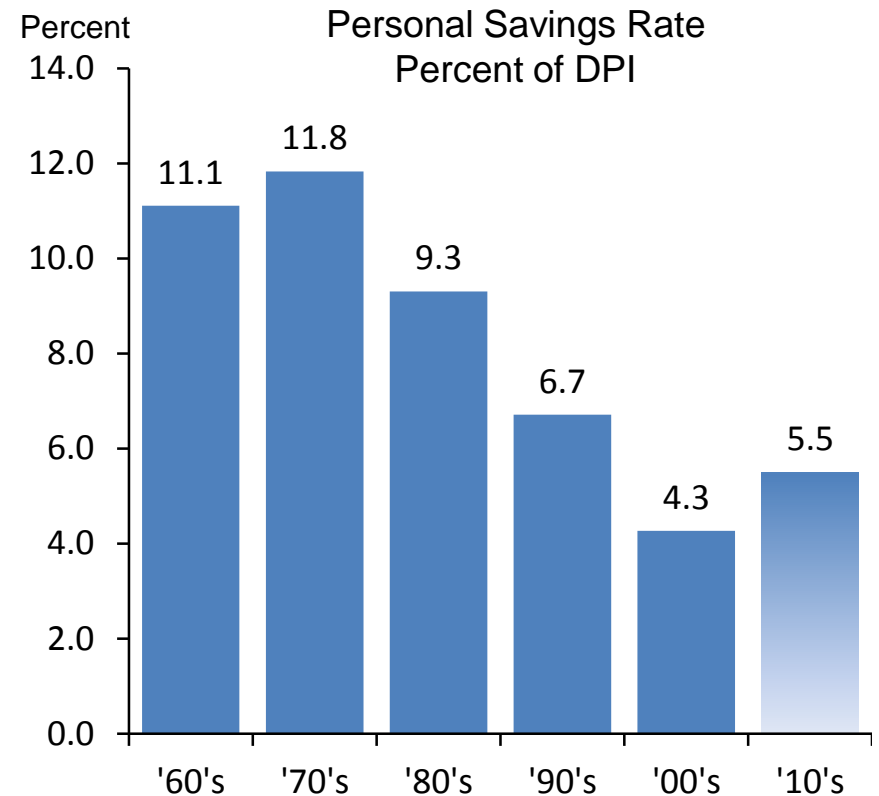
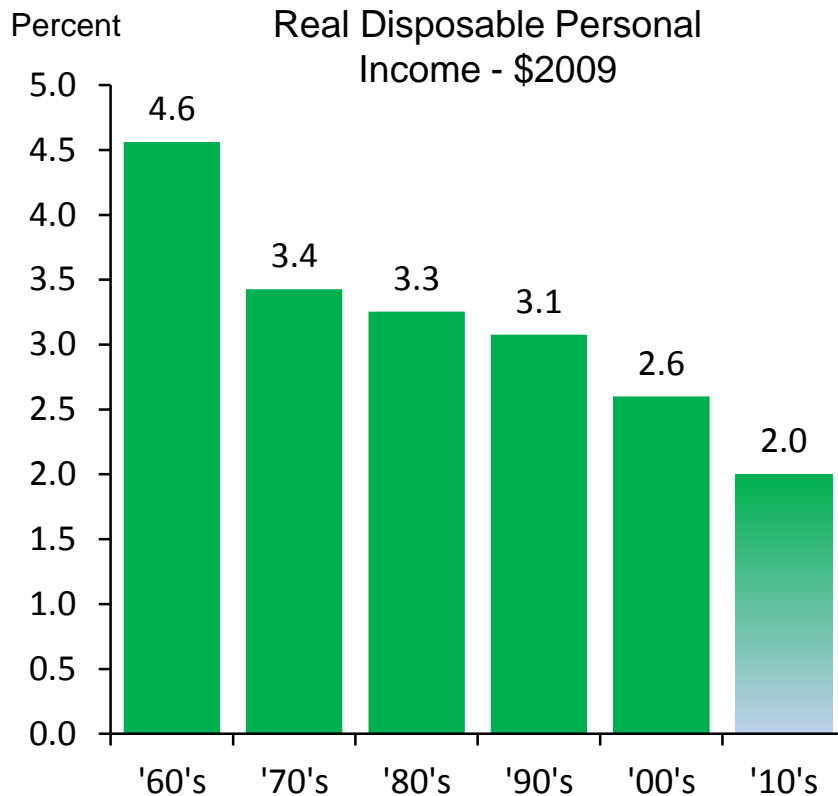
Percent Change and Percent of DPI



Source: U.S. Bureau of Economic Analysis

Real DPI & Personal Savings Rate

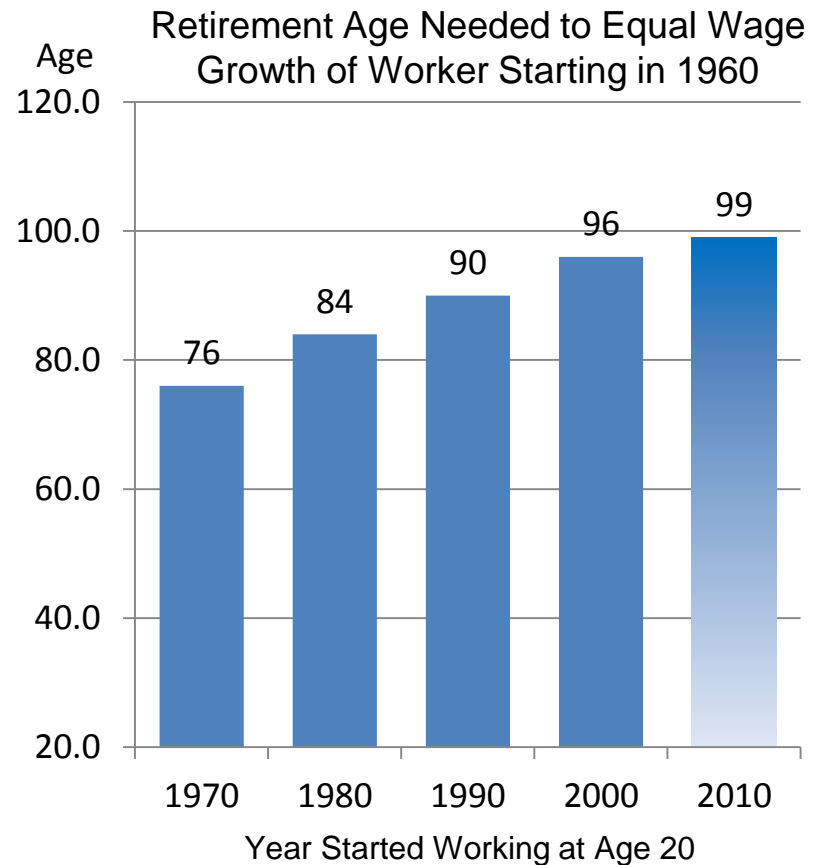
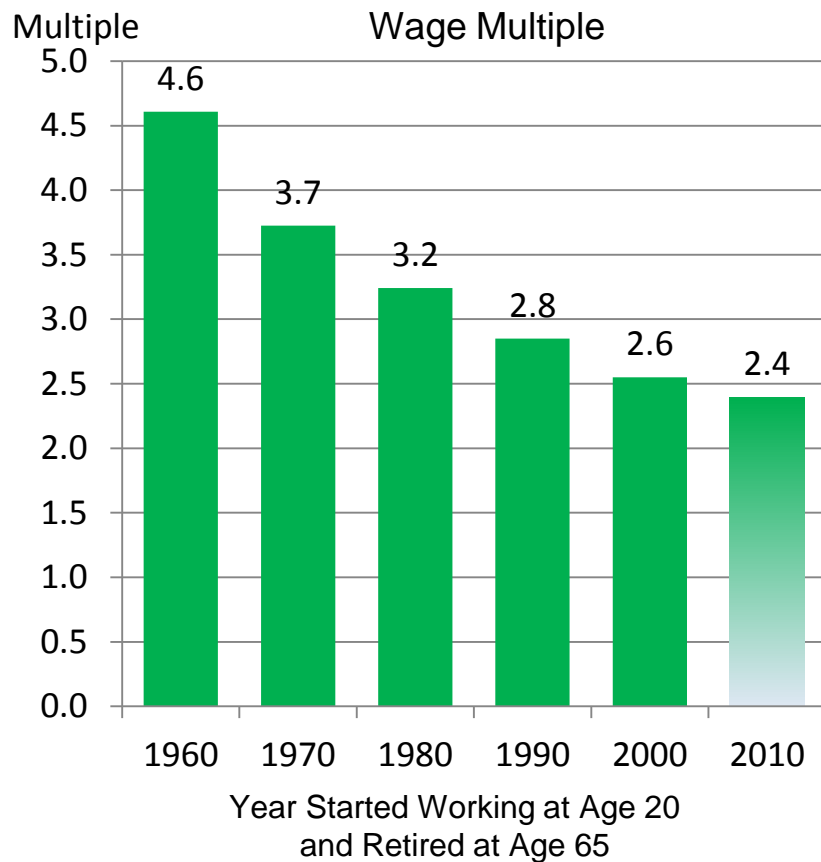
As Percent of Personal Income



Source: U.S. Bureau of Economic Analysis

Real Disposable Income Growth

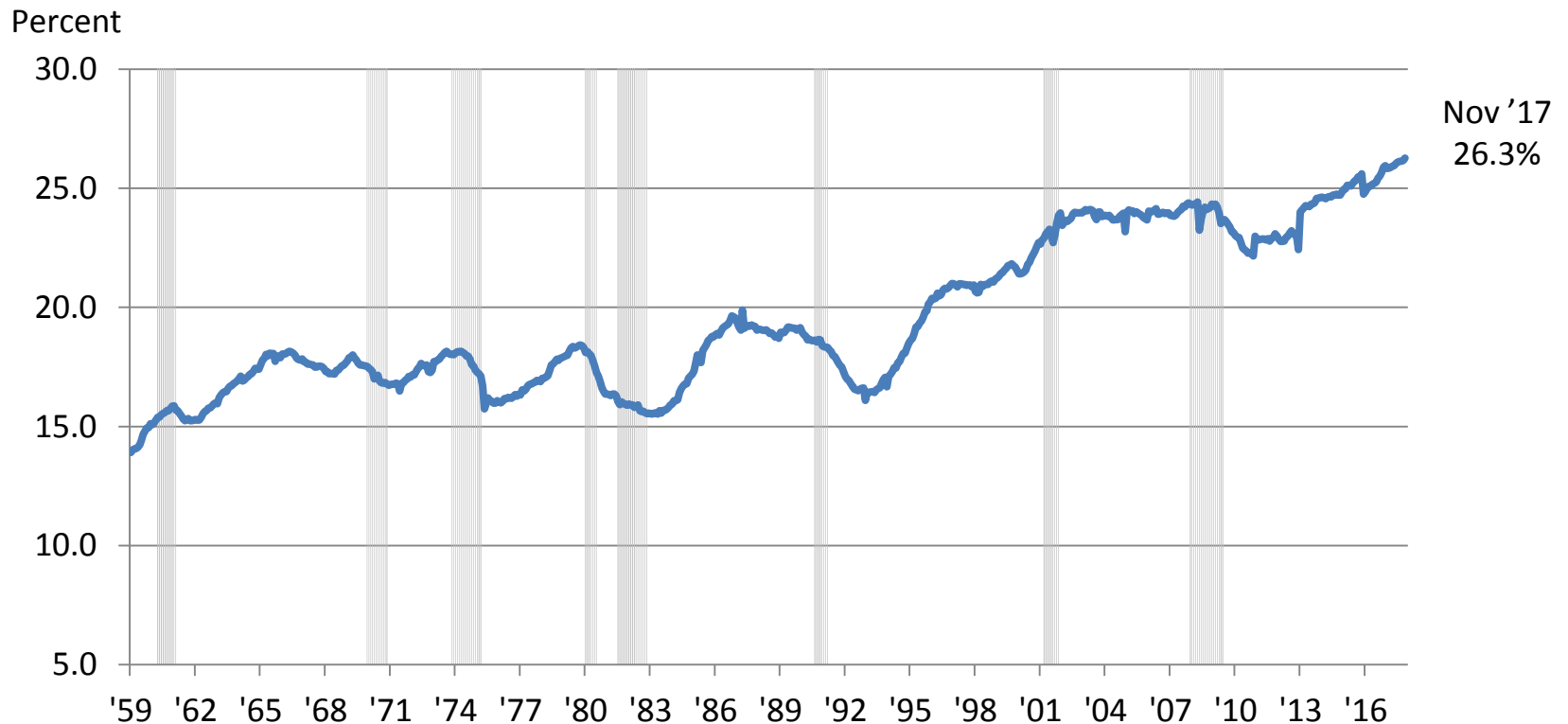
Real DPI Multiple and Retirement Age



Source: Author's calculations using U.S. Bureau of Economic Analysis data.

Total Consumer Credit

As a Percent of Disposable Personal Income

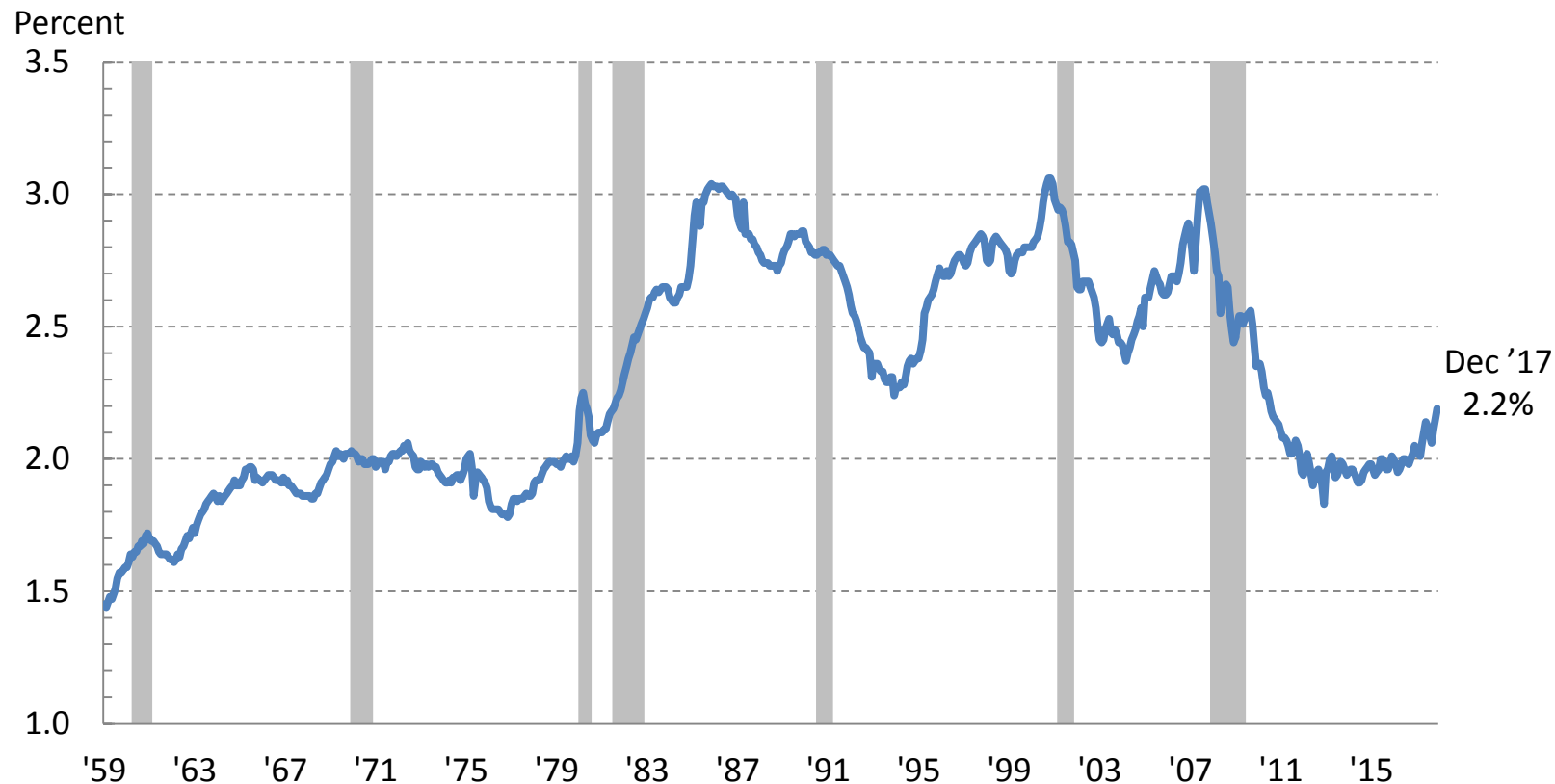


Includes: HE Revolving, Auto Loans, Credit Cards, and Student Loans.

Source: Federal Reserve Bank Board of Governors.

Interest Payments

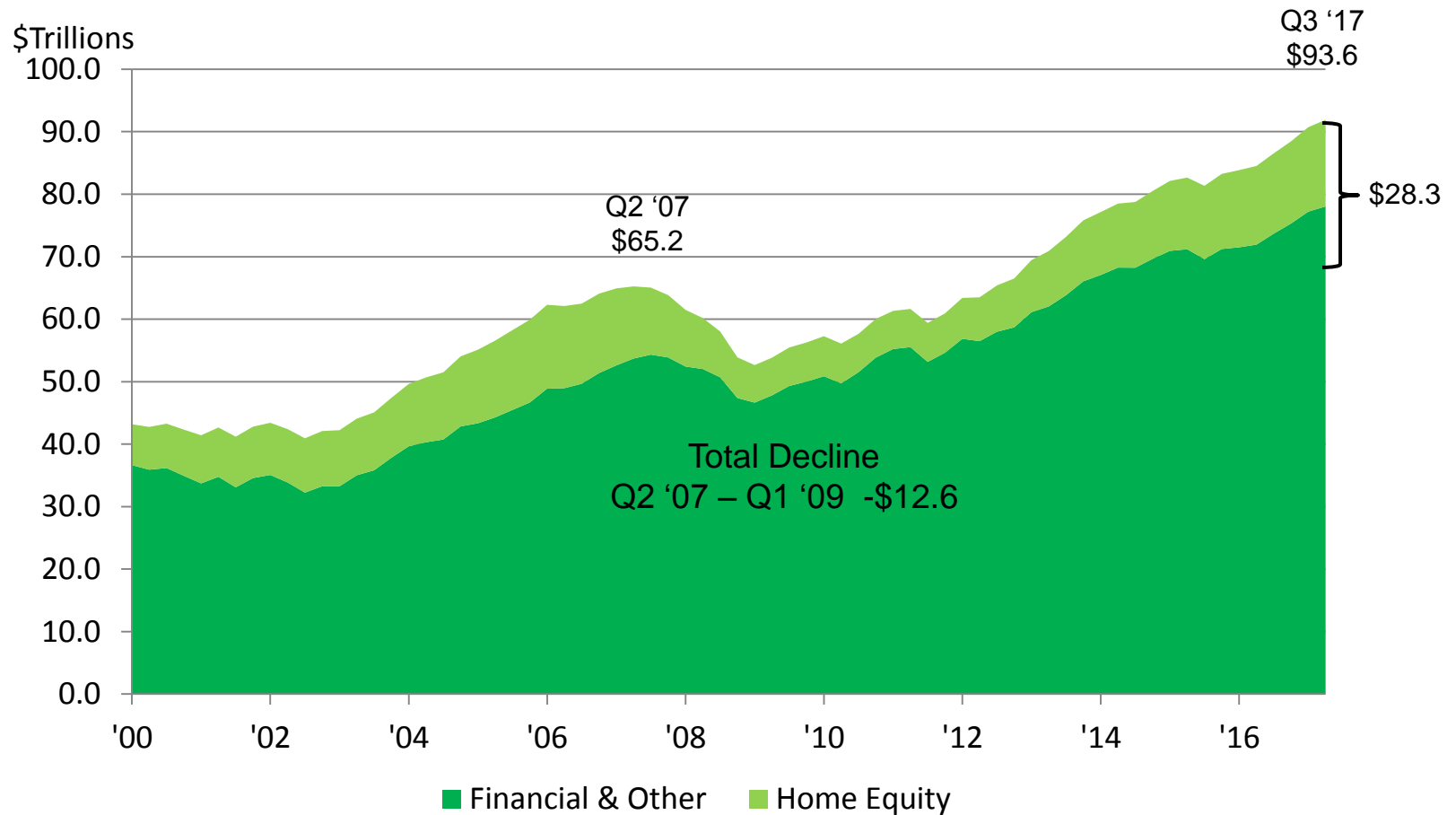
As a Percent of Disposable Personal Income



Source: Federal Reserve Bank - Board of Governors

Household Net Worth

Trillions of Current Dollars, Q1 '00 to Q1 '17



Source: Federal Reserve Z.1 Statistical Release ,Table B100, Households and Nonprofit Organizations

Household Net Worth

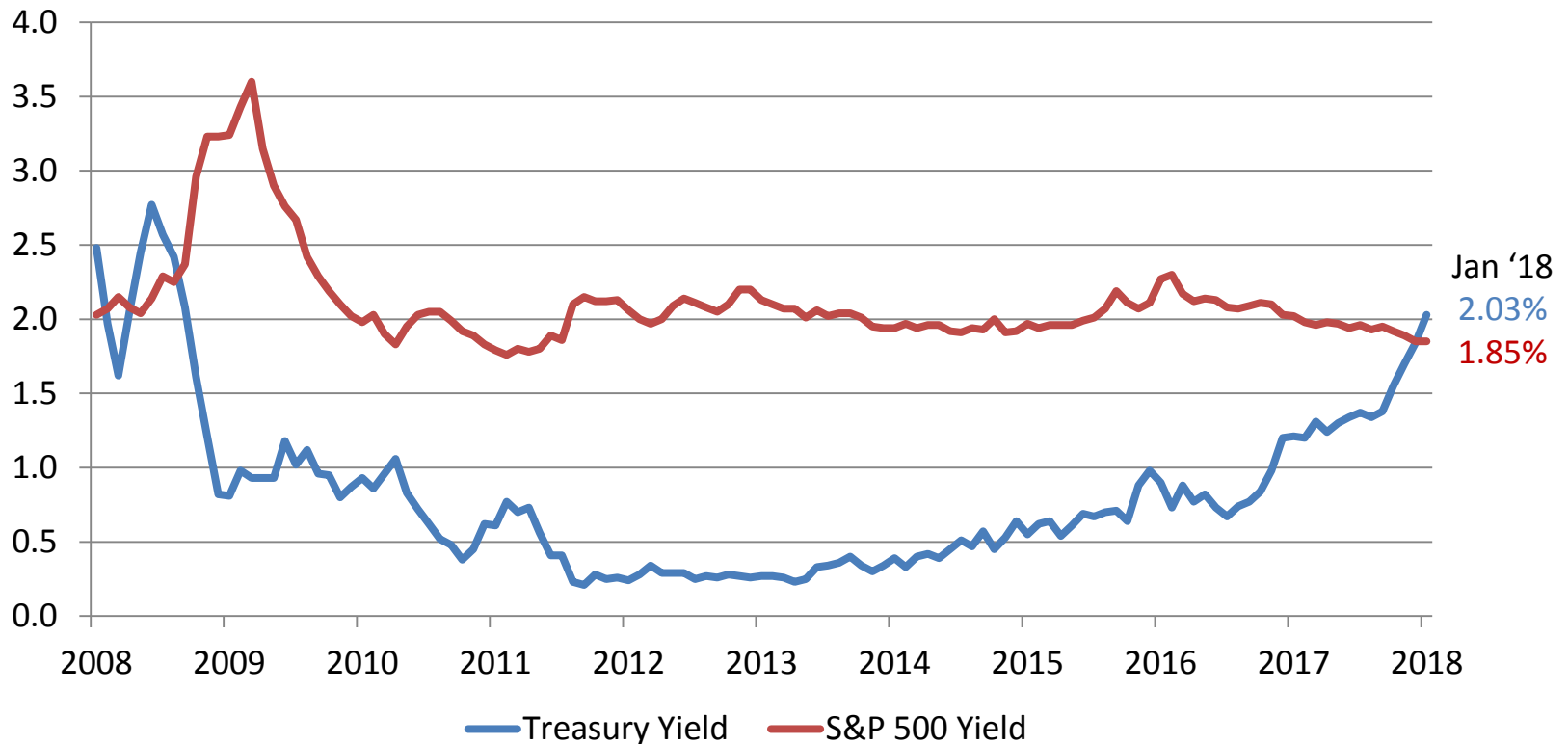
Business Cycle Expansion and Contraction, Q1 '01 to Q3 '17

	<u>Peak to Trough¹</u>	<u>Trough to Q3 '17</u>	<u>From Previous Peak to Q2 '17</u>
<u>Real Estate</u>			
Change in Value	-\$7.4 Trillion	\$8.1 Trillion	\$0.7 Trillion
Percent Change	-55.2%	125.58%	5.1%
<u>Financial & Other</u>			
Change in Value	-\$7.7 Trillion	\$32.8 Trillion	\$25.1 Trillion
Percent Change	-14.1%	70.3%	46.3%
<u>Total Net Worth</u>			
Change in Value	-\$12.6 Trillion	40.9 Trillion	\$28.3 Trillion
Percent Change	-19.3%	77.8%	43.5%

1. Net worth in real estate peaked in Q1 '06, financial and other peaked in Q3 '07, and total net worth peaked in Q2 '07.

S&P 500 Dividend Yield & 2 Year Treasury

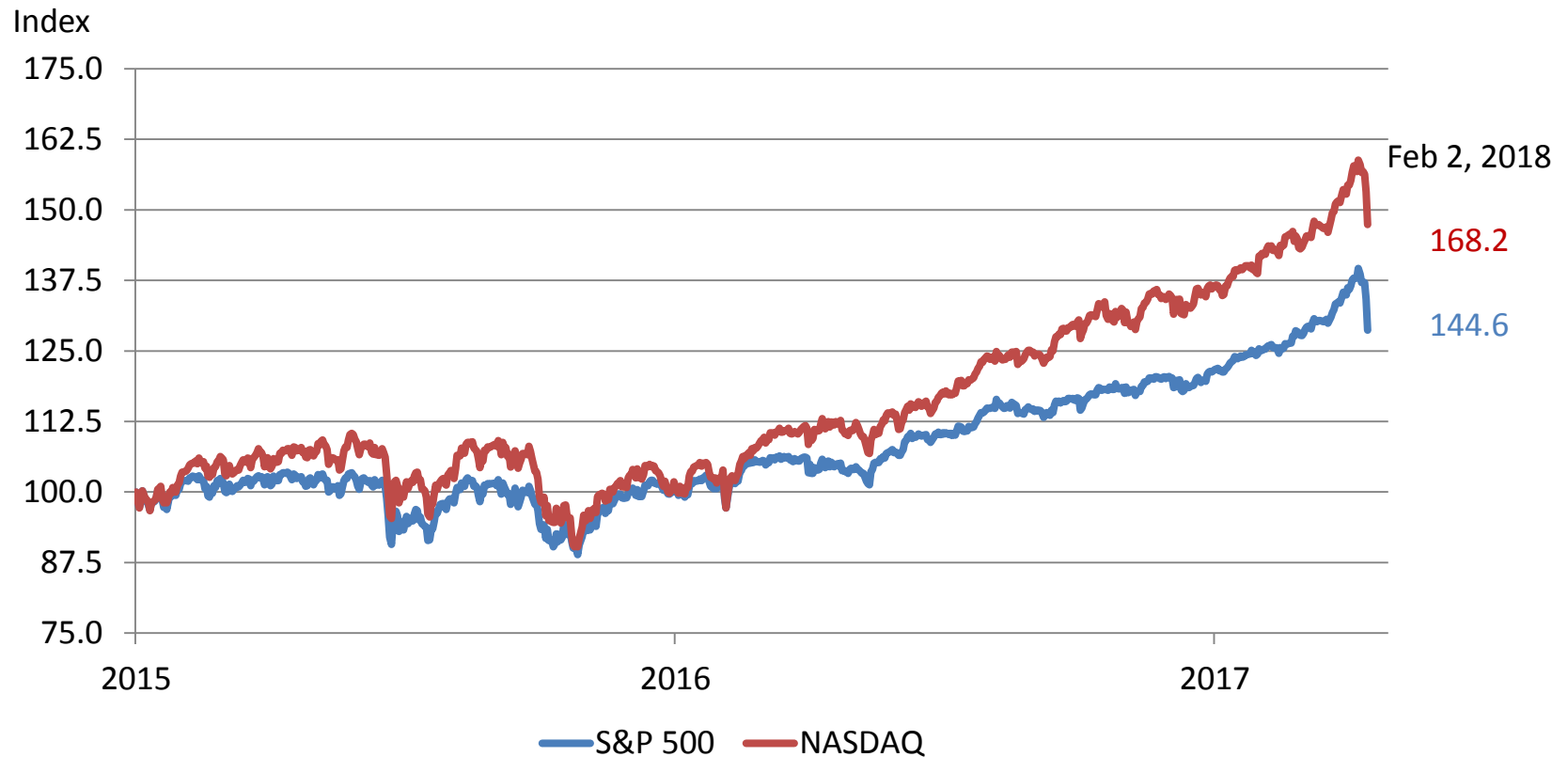
S&P 500 12 Month Dividend / Price & Treasury Rate



Source: Federal Reserve System and Multpl.com.

Stock Market

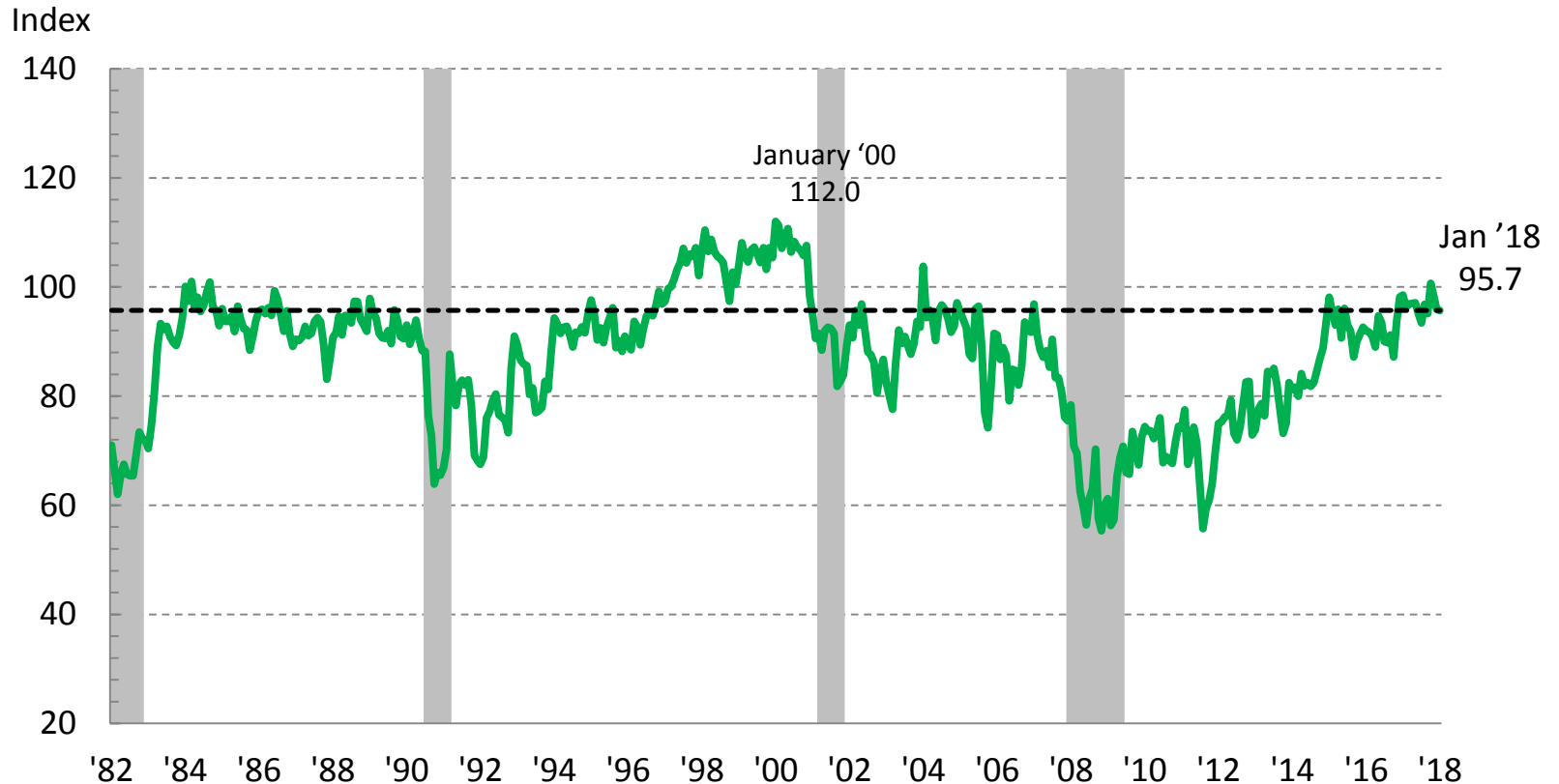
S&P 500 and NASDAQ, Index January 2, 2015 = 100



Source: Author's calculations using Haver Analytics data.

Consumer Sentiment

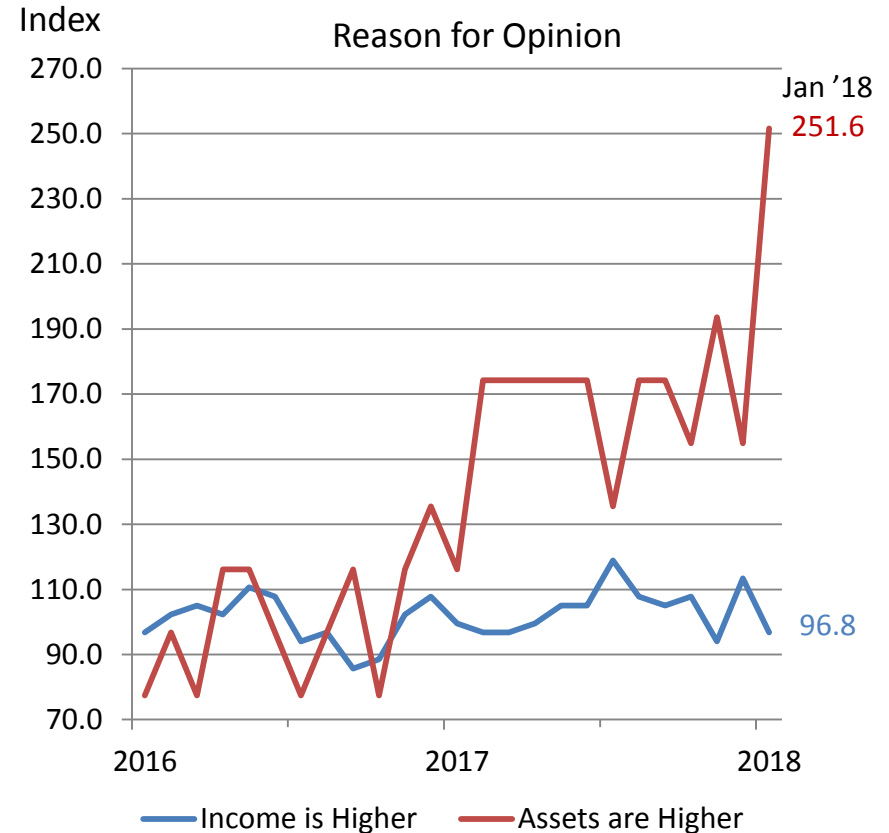
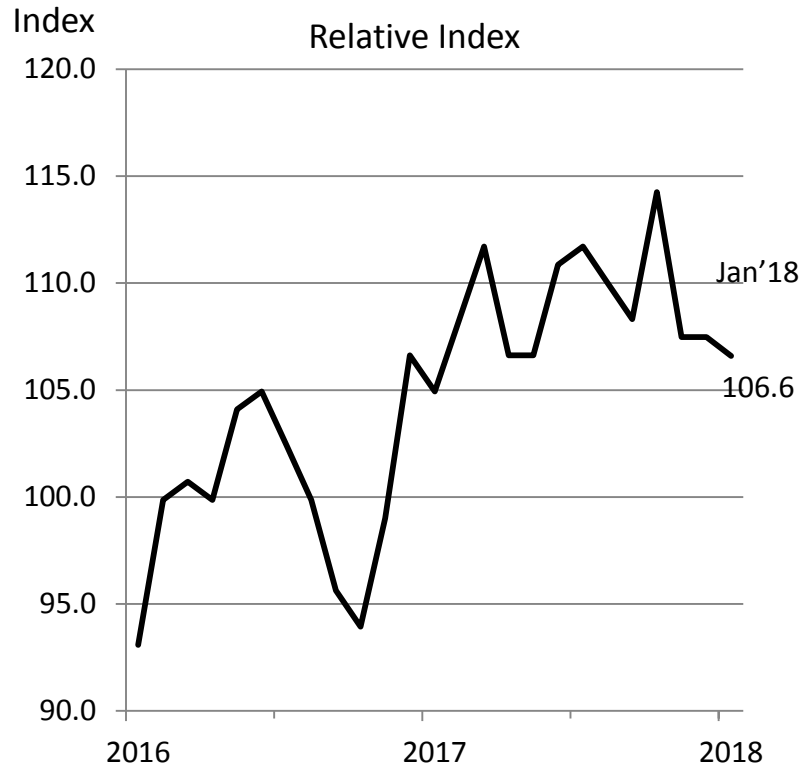
University of Michigan



Source: Thomson Reuters / University of Michigan

Current Household Financial Situation

Compared to a Year Ago – Index 2016 = 100



Source: University of Michigan Consumer Sentiment

Monetary Policy

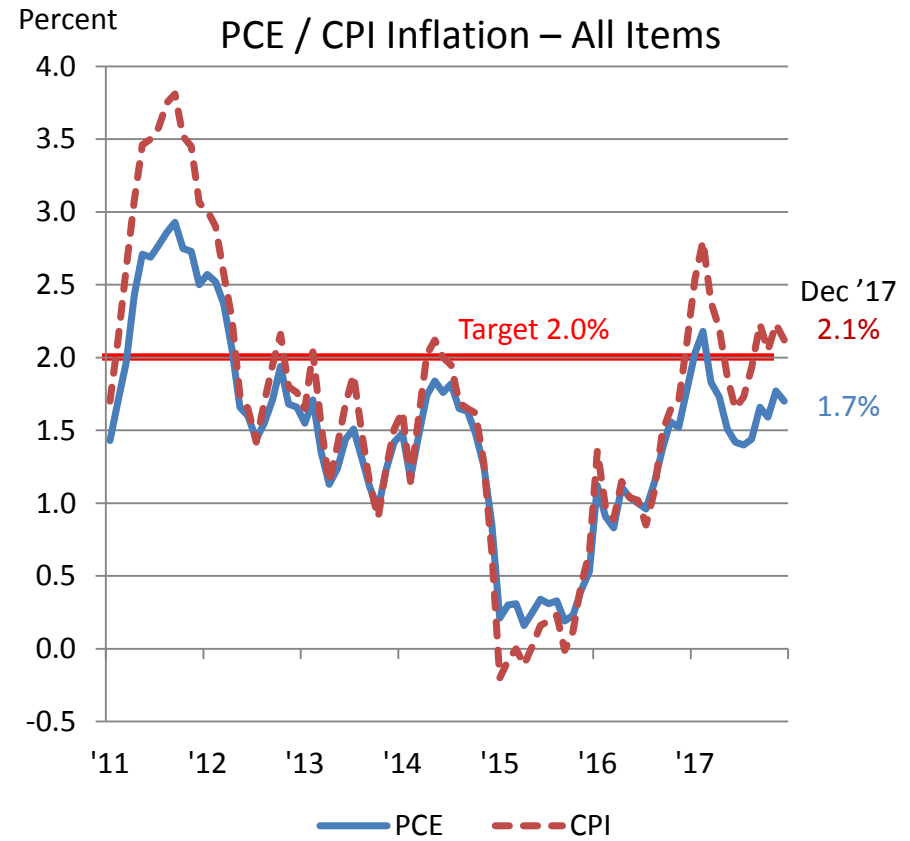
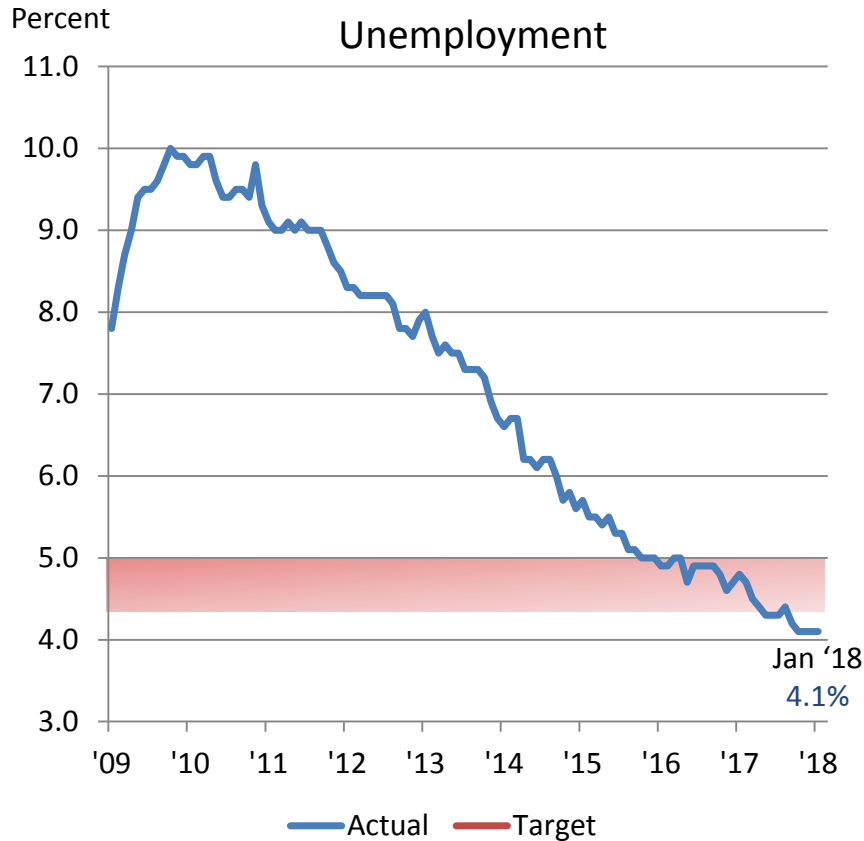
F.O.M.C Statement

January 31, 2018

1. Information received since the F.O.M.C. met in December indicates that the labor market has continued to strengthen and that economic activity has been rising at a solid rate.
2. Gain in employment, household spending, and business fixed investment have been solid, and the unemployment rate has stayed low.
3. On a 12-month basis, both overall inflation and inflation for items other than food and energy have continued to run below 2 percent.
4. Market based measures of inflation compensation have increased in recent months but remain low; survey based measures of longer-term inflation expectations are little changed, on balance.

Unemployment Rate & Prices

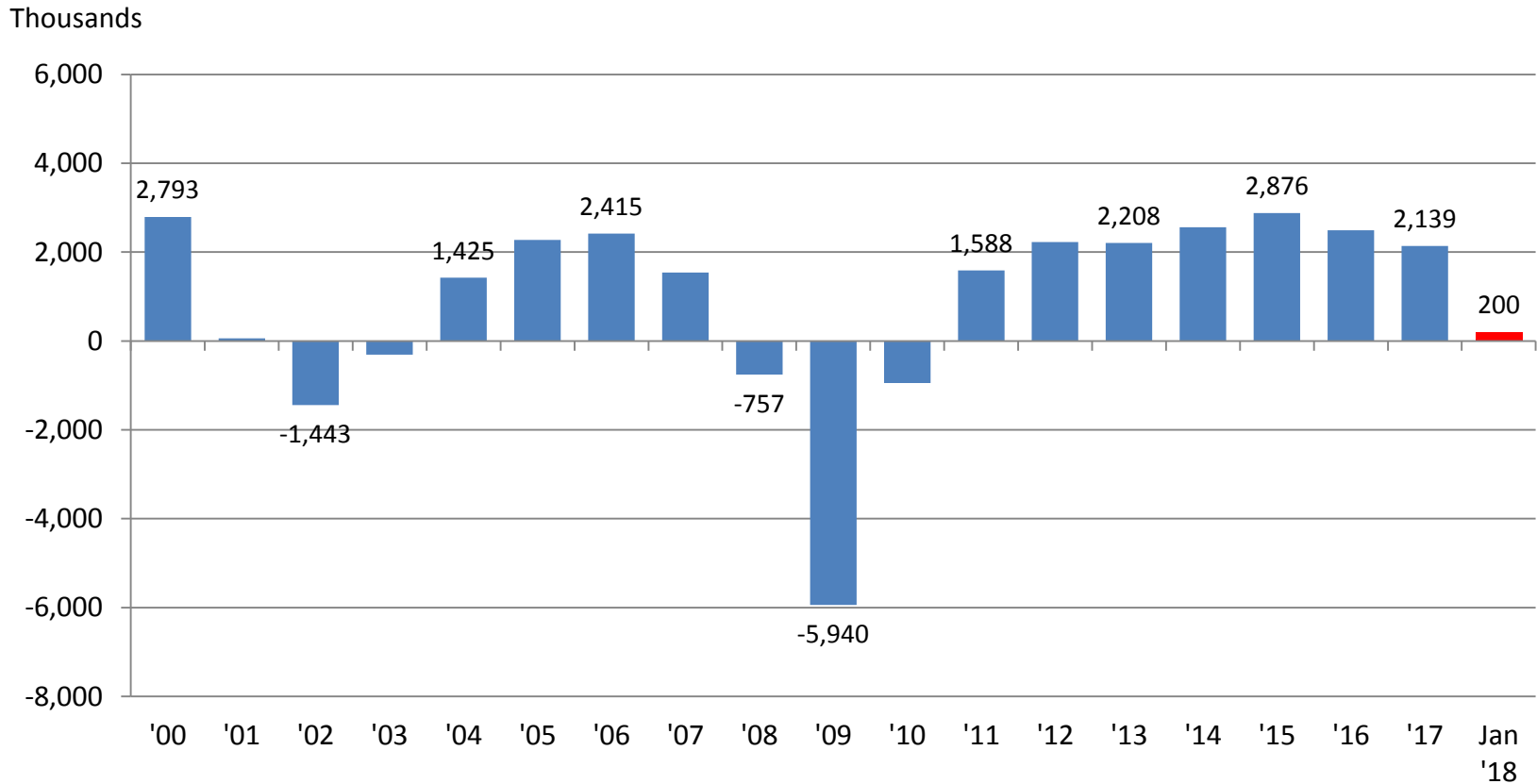
Percent Unemployed, PCE / CPI % Change Yr./Yr.



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

U.S. Nonfarm Payrolls

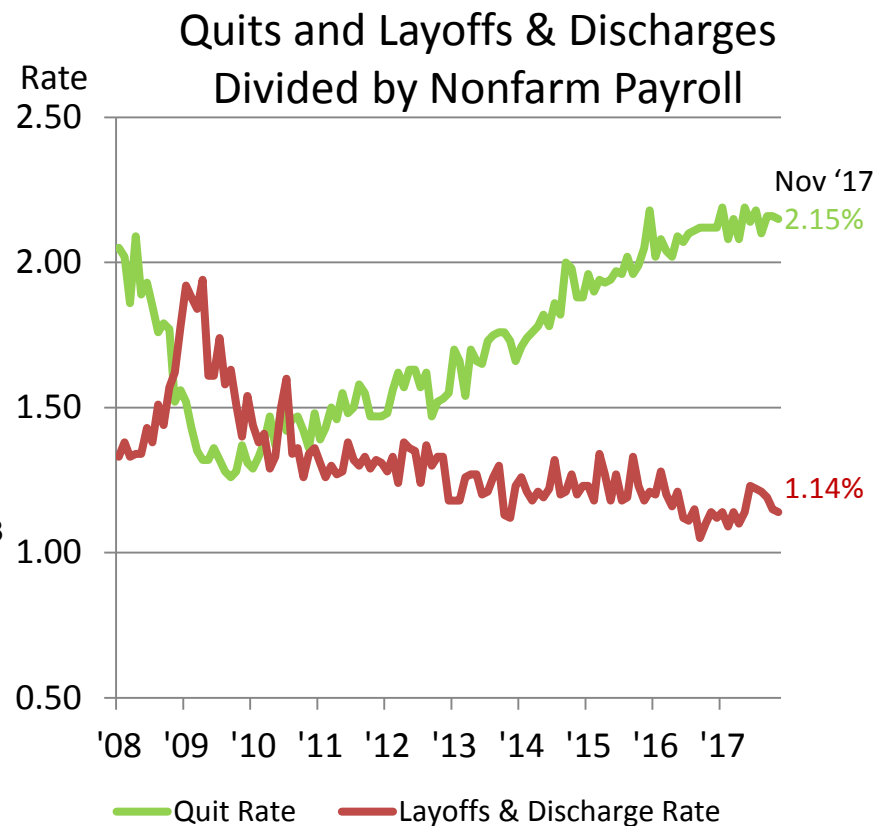
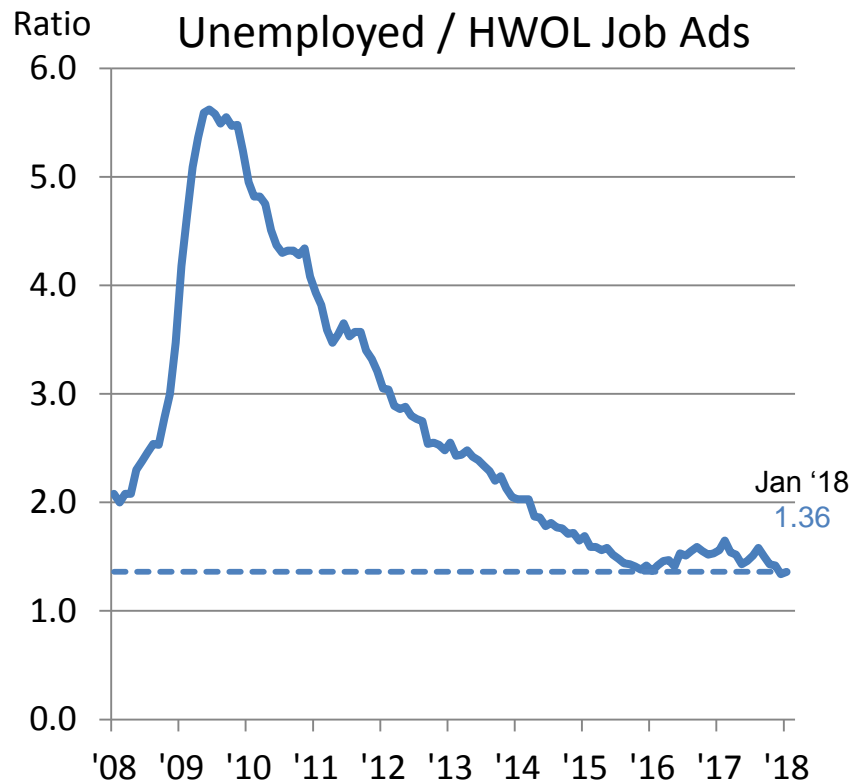
Annual Job Change – In Thousands



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

Labor Conditions

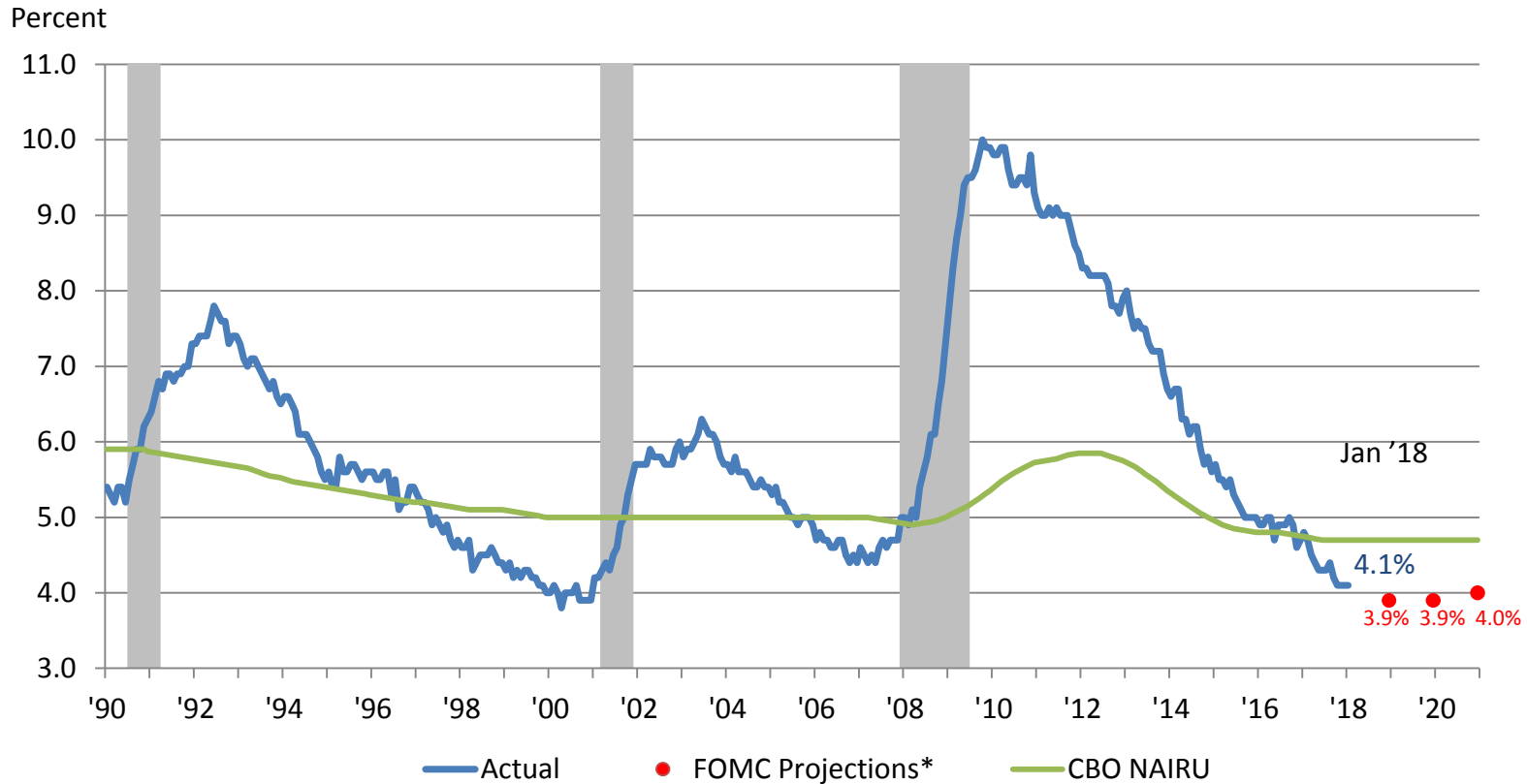
Job Openings and Quit & Layoff Rates



Sources: U.S. Department of Labor – Job Openings and Labor Turnover Survey (JOLTS & Conference Board – Help Wanted Online Data (HWOL)

Unemployment Rate

Percent of Labor Force Unemployed

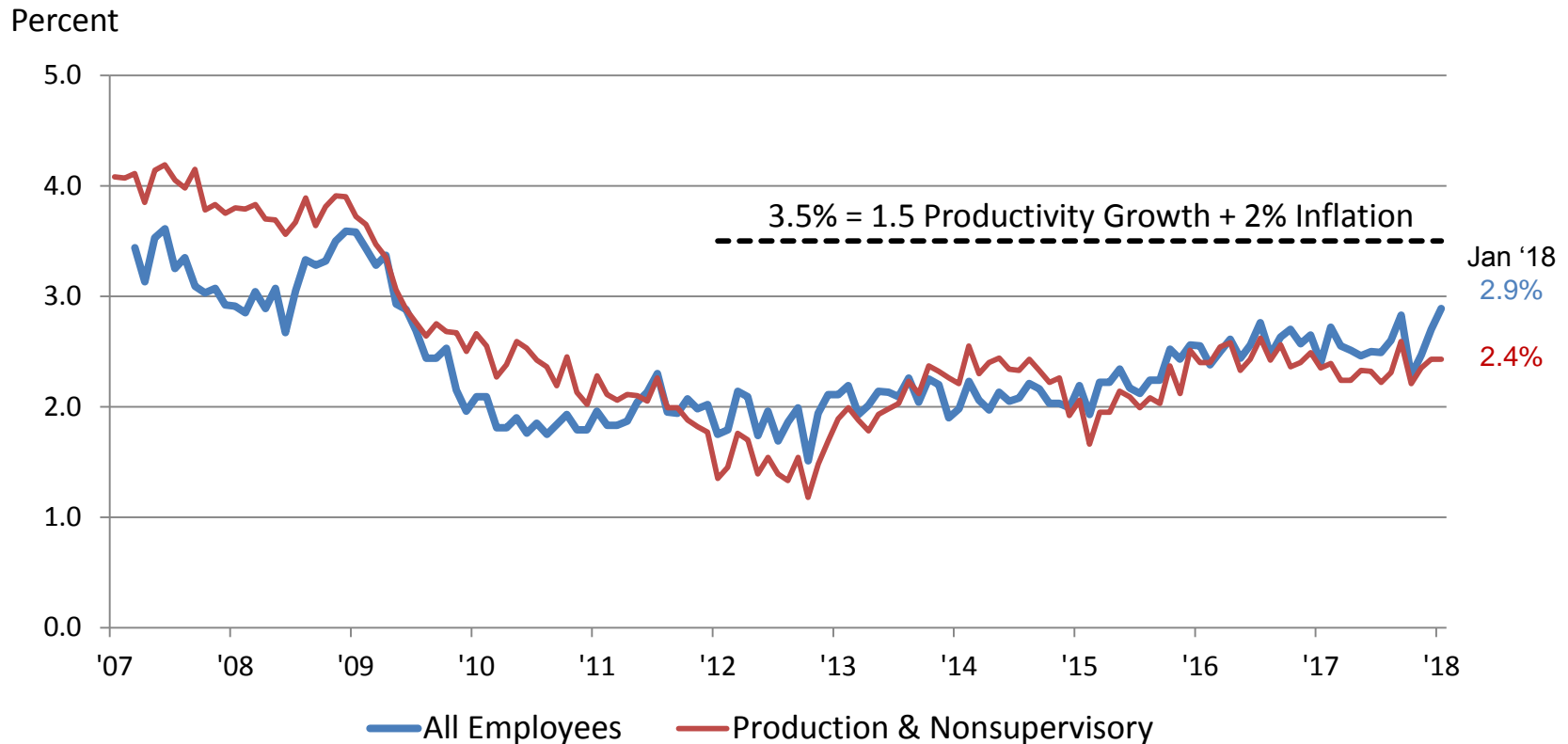


* Midpoint of the projections made by the FOMC participants as of December 13, 2017

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

Average Hourly Earnings – Private Employees

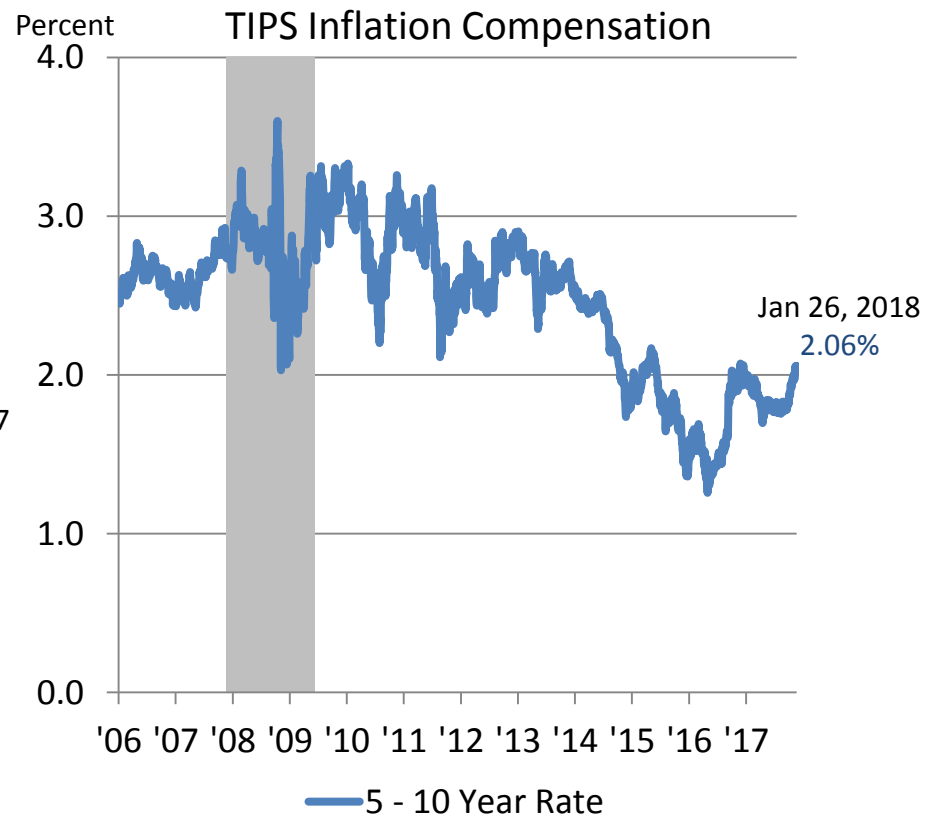
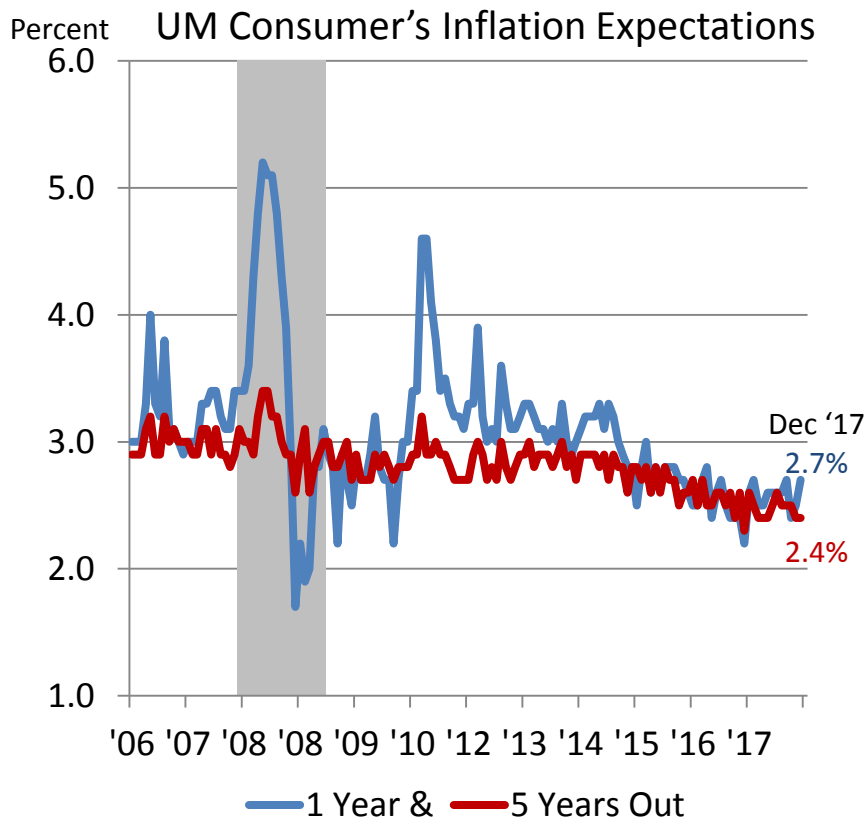
Percent Change Year / Year



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

Inflation Expectations

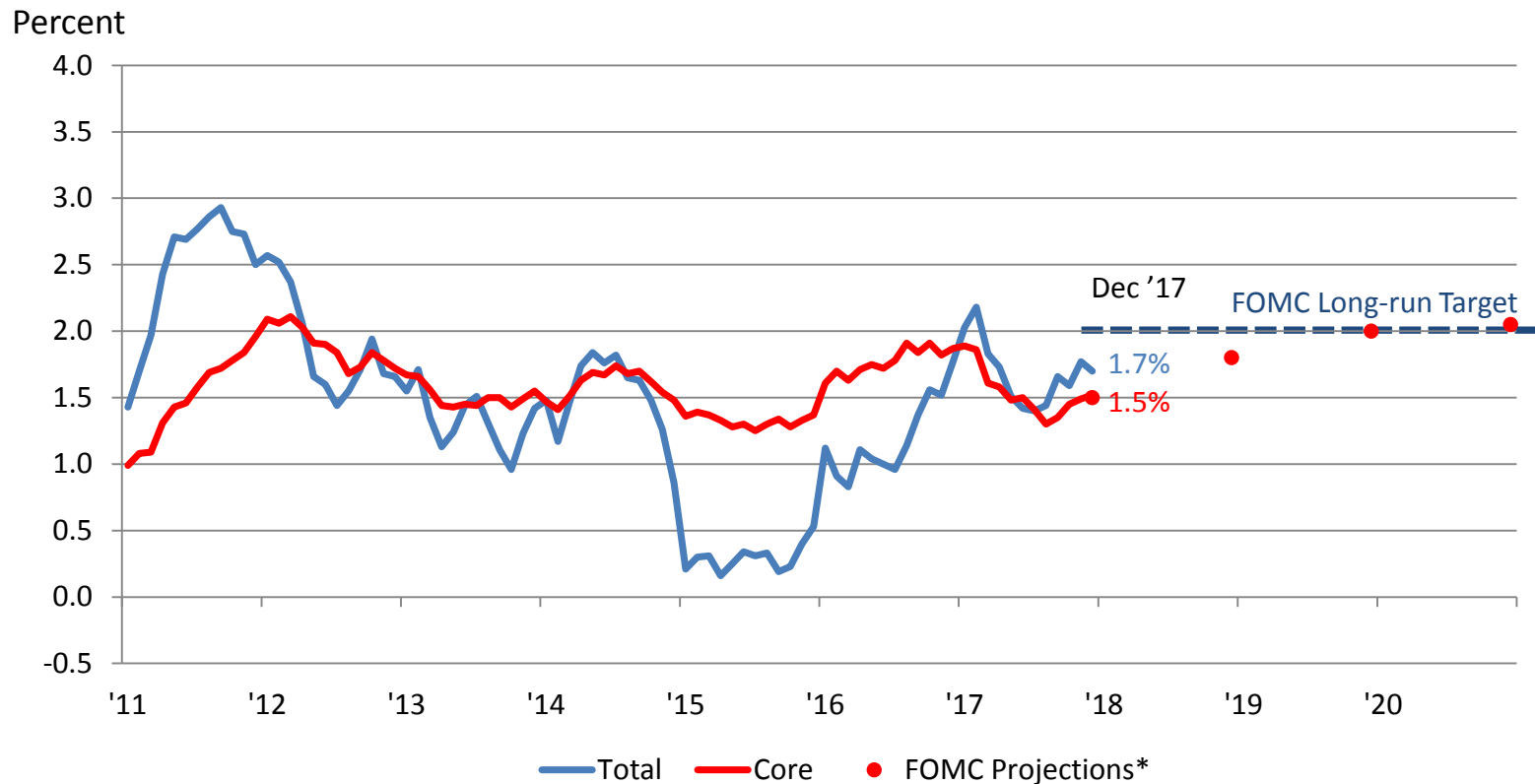
1-5 Year and 5-10 Year Inflation Expectations



Source: Survey of Consumers – University of Michigan and Federal Reserve Board

Consumer Prices

PCE – All Items & Core Inflation, 12-Month Percent Change

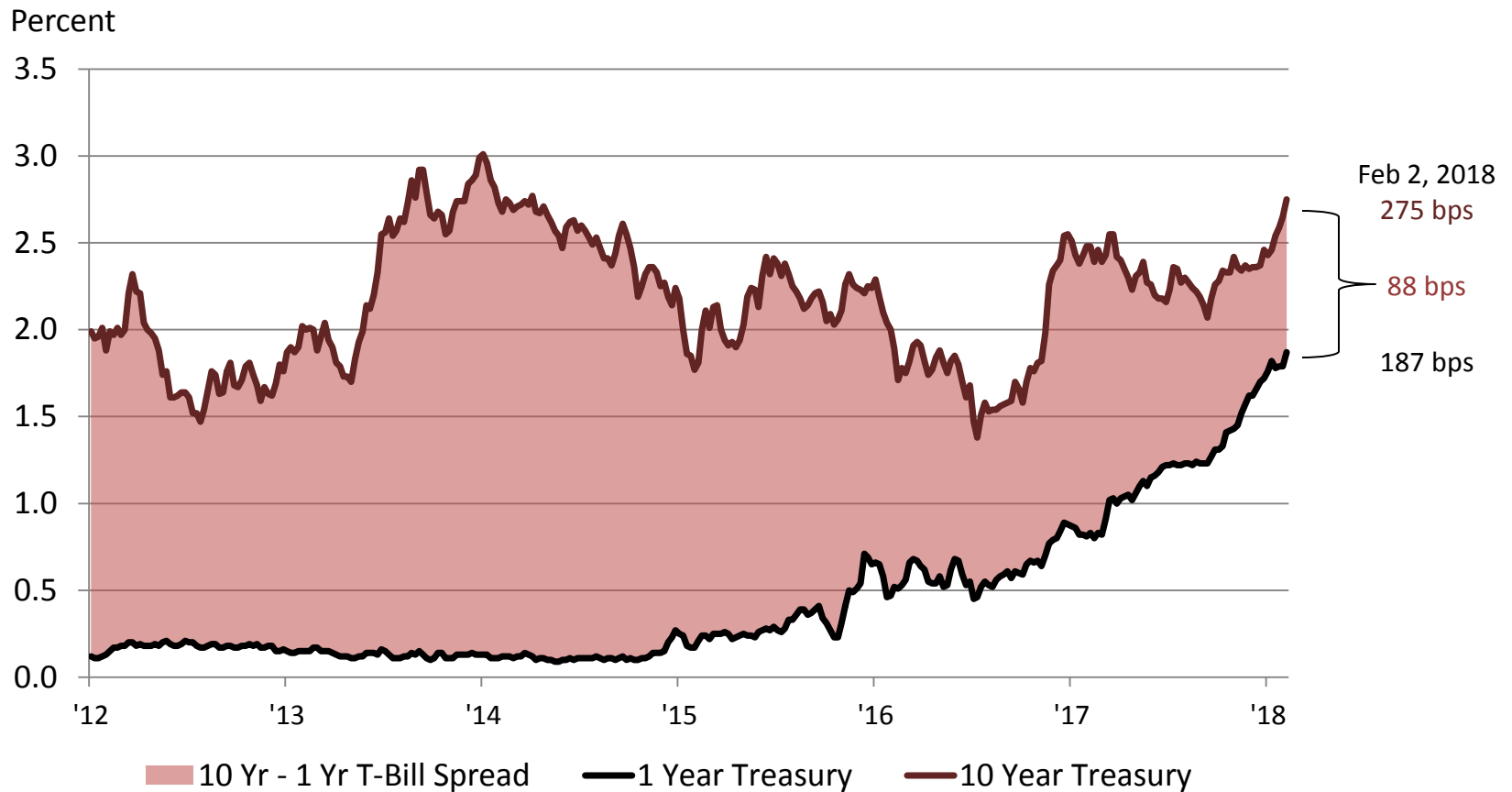


* Midpoint of the central tendency of forecasts made by the FOMC participants as of December 13, 2017

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

Yield Curve

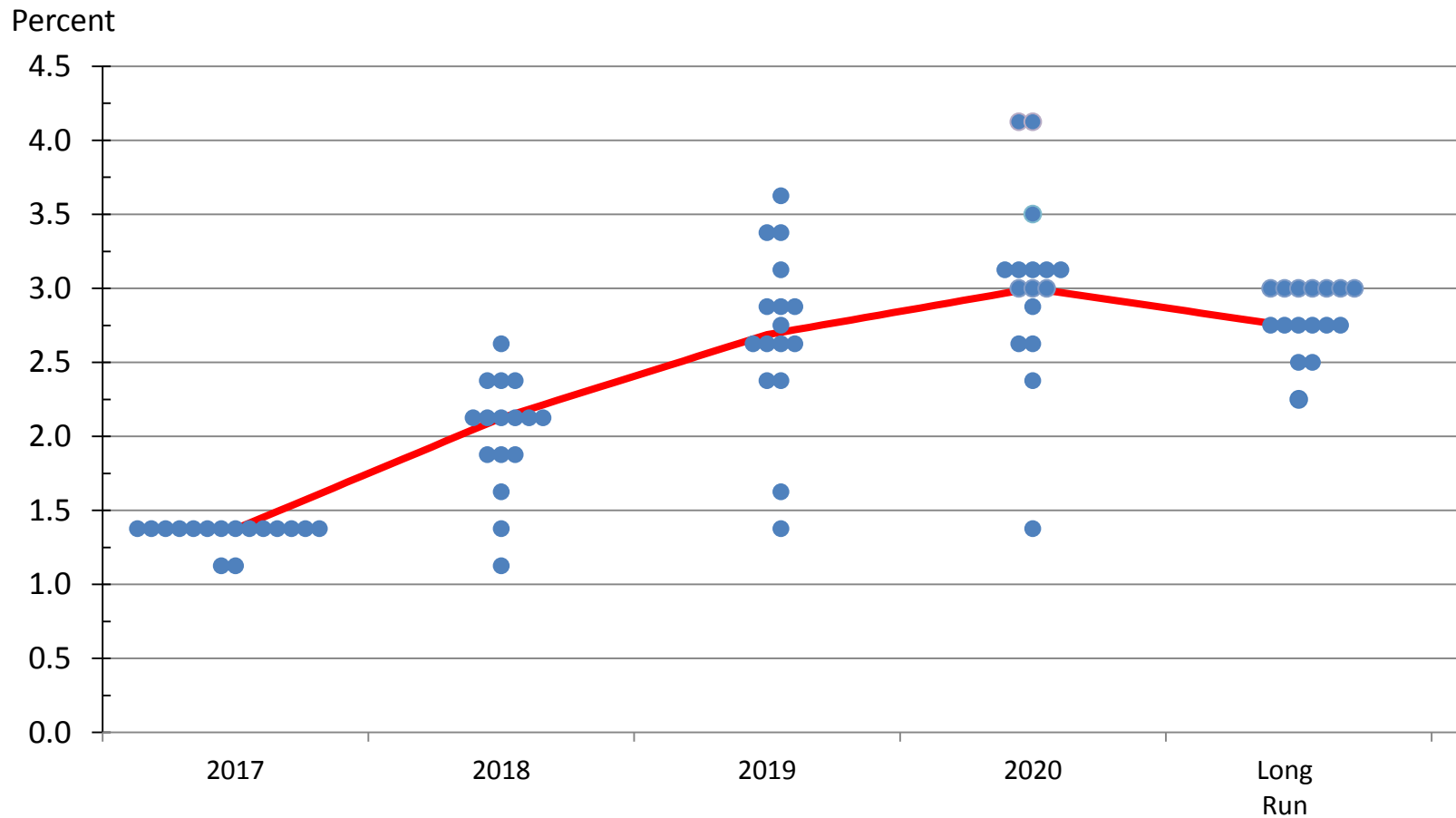
10 Year – 1 Year Treasuries in Basis Points



Source: Board of Governors – Federal Reserve System

Appropriate pace of policy firming

Fed Funds Rate – Year End Projections

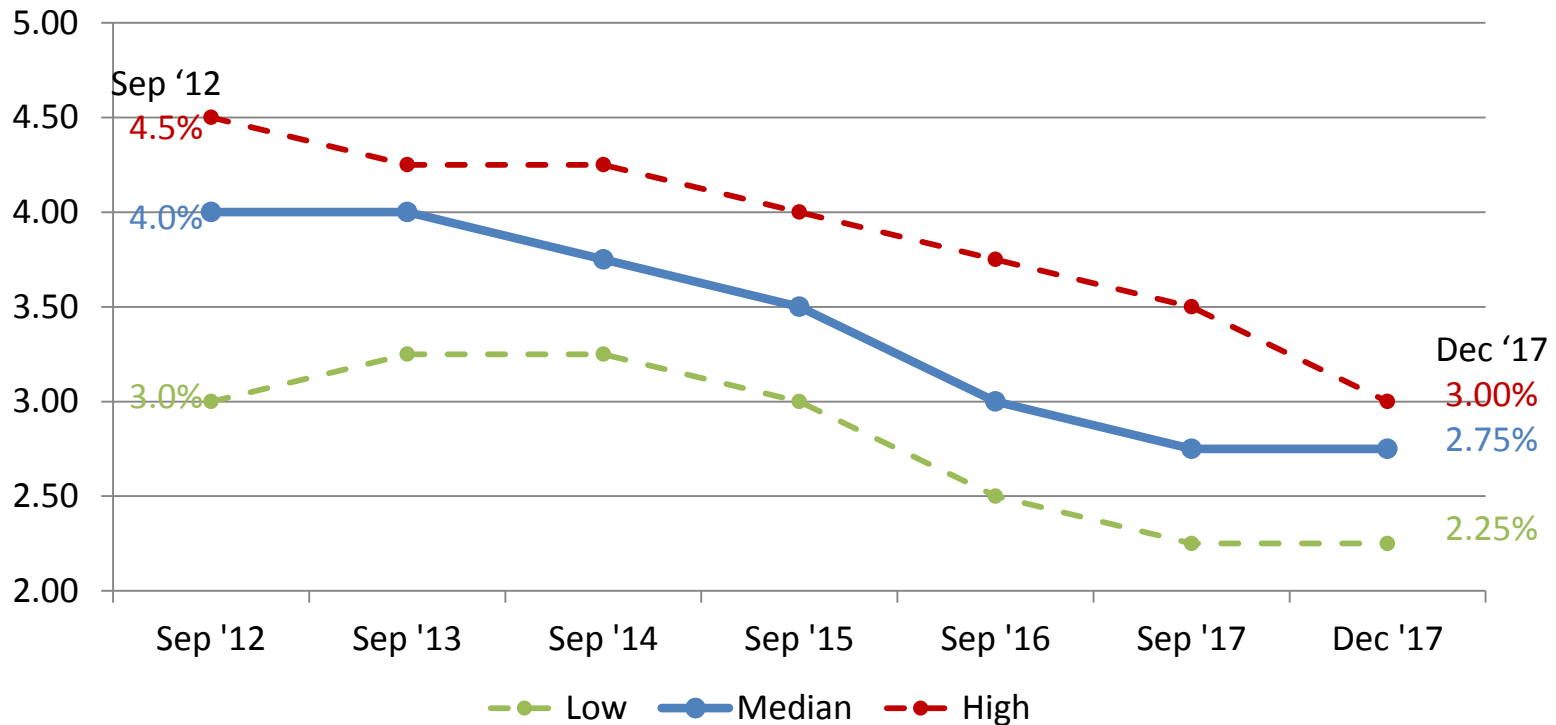


Source: Federal Reserve - F.O.M.C. participants, September 20, 2017

Target Federal Funds Rate

Long Run Projections

Percent



Source: Federal Reserve - F.O.M.C. participants projections.

Thank You!

