
Economic Outlook and Monetary Policy

*Booth Entrepreneurial Roundtable
May 9, 2016*

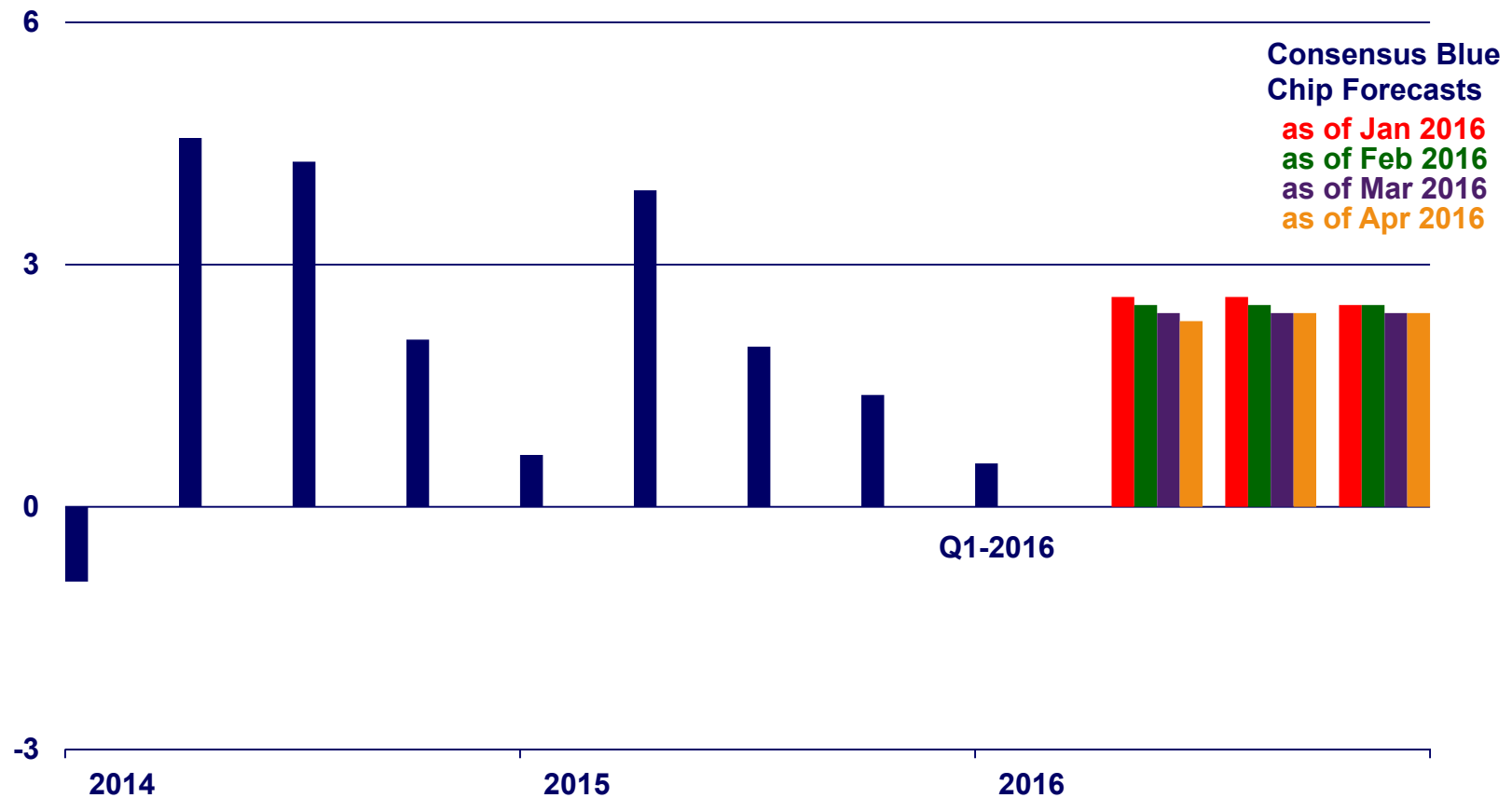
Scott A. Brave
Policy Economist
Federal Reserve Bank of Chicago

**The views expressed herein are those of the author and do not necessarily represent the views of the Federal Reserve System or the Federal Reserve Bank of Chicago.*

GDP Growth and Consensus Projections

Real GDP Growth

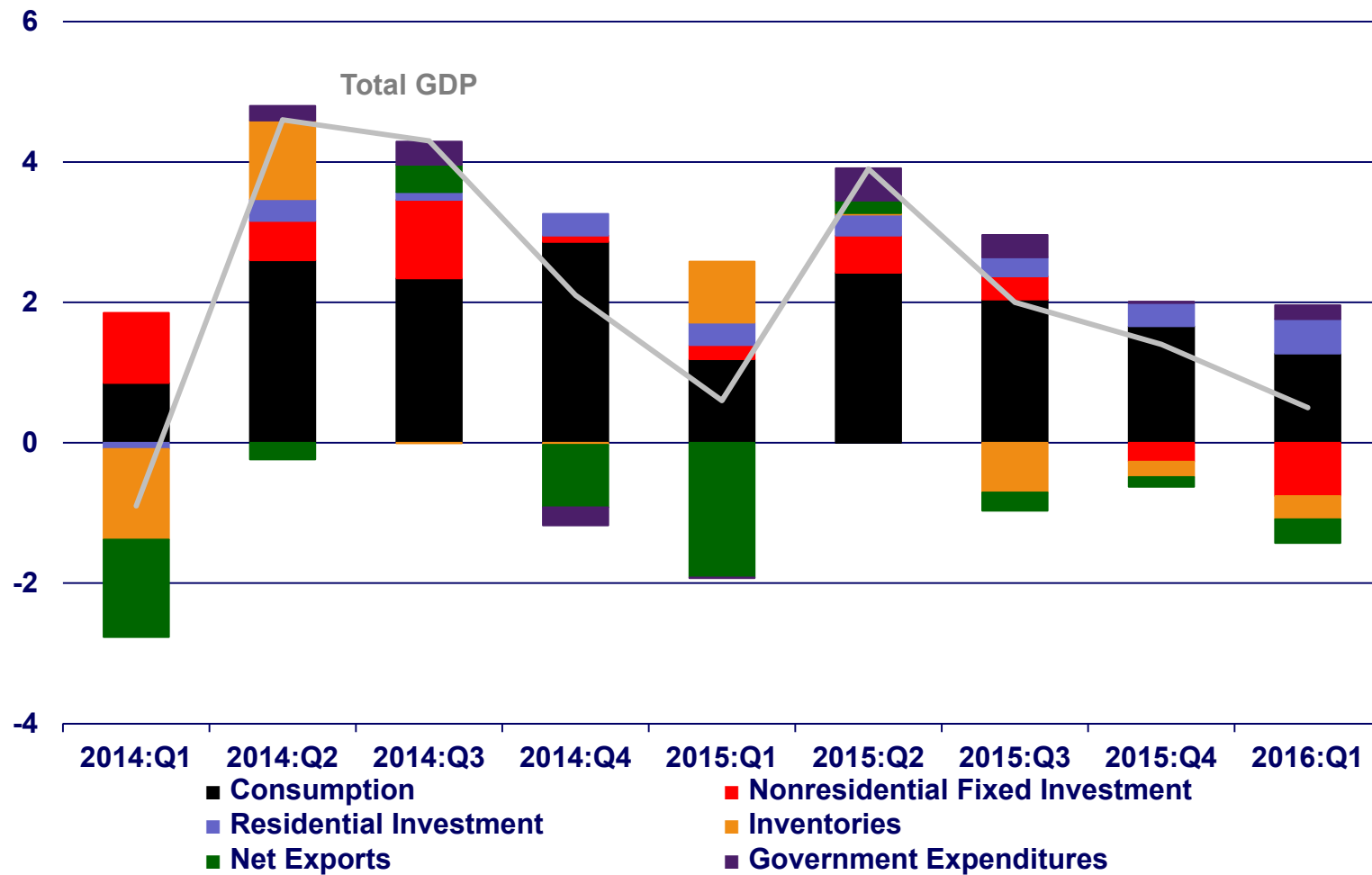
(percent change, annual rate)



Source: Data from the Bureau of Economic Analysis and Blue Chip Economic Indicators, accessed via Haver Analytics.

Contributions to Growth

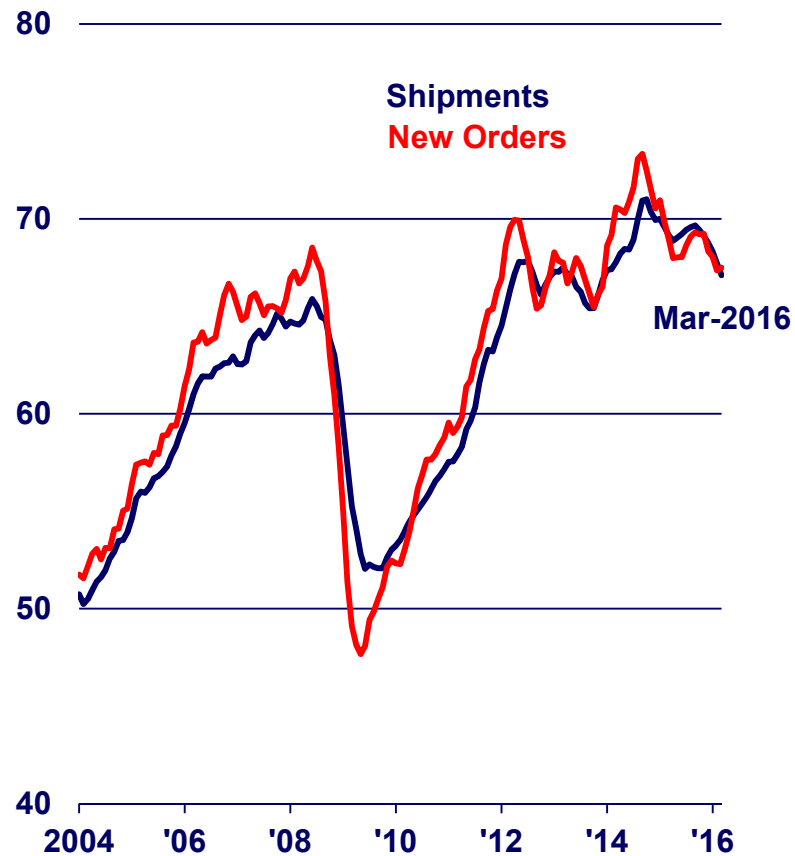
Contributions to Real GDP Growth (percent, annual rate)



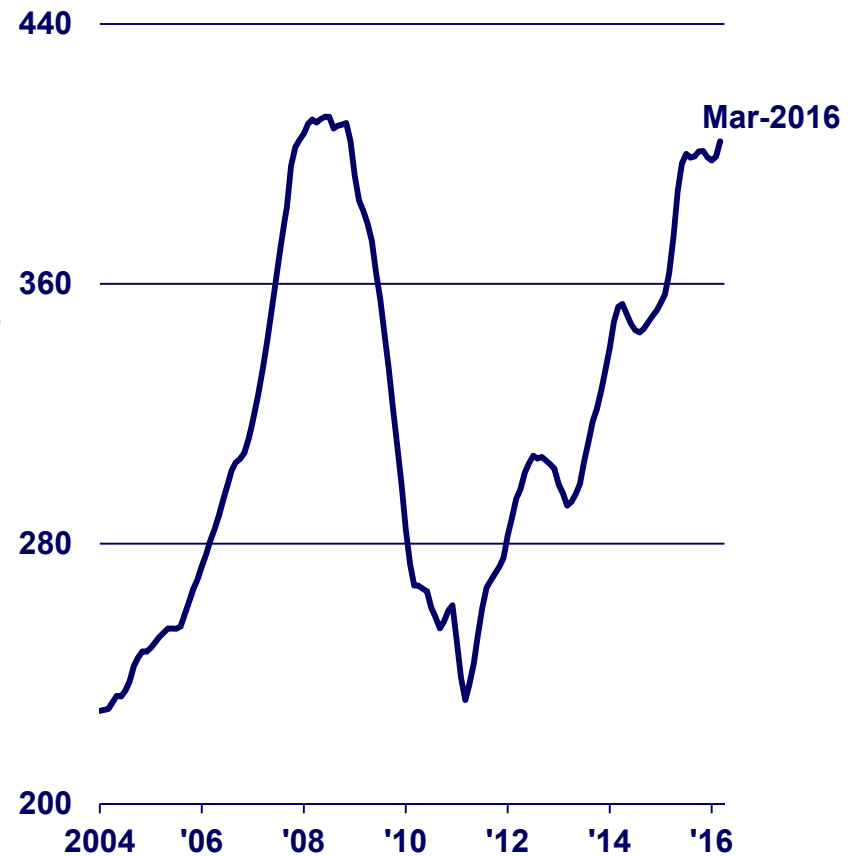
Source: Data from the Bureau of Economic Analysis, accessed via Haver Analytics.

Business Spending

Nondefense Capital Goods ex. Aircraft
(Bils. \$, 3-month MA)



Nonresidential Private Construction
(Bils. \$, 3-month MA)

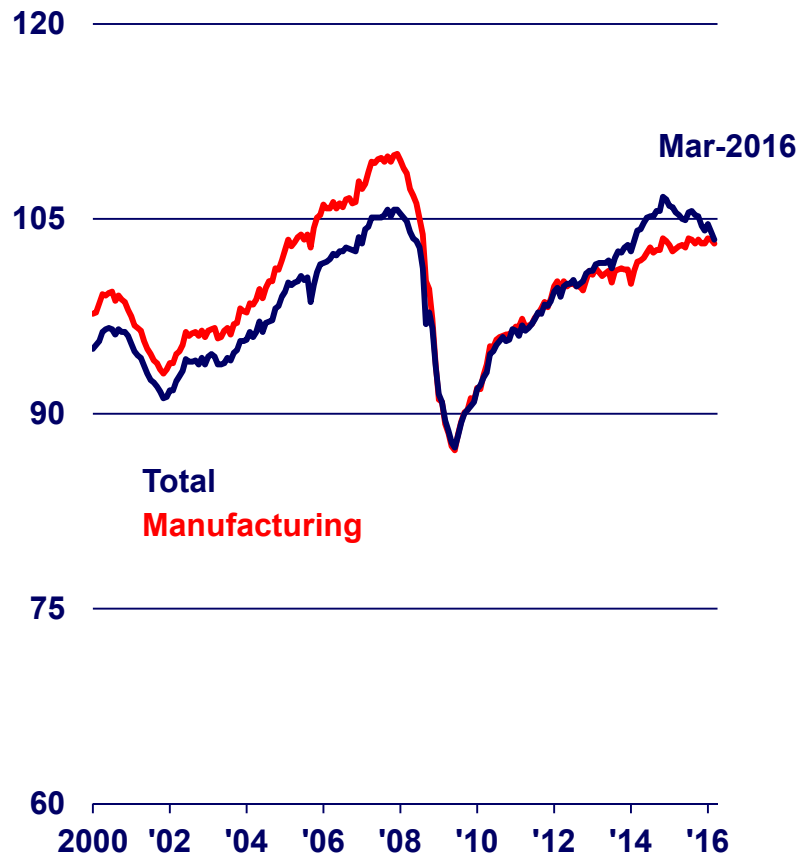


Source: Data from the Census Bureau, accessed via Haver Analytics.

Production, Sales, and Inventories

Industrial Production

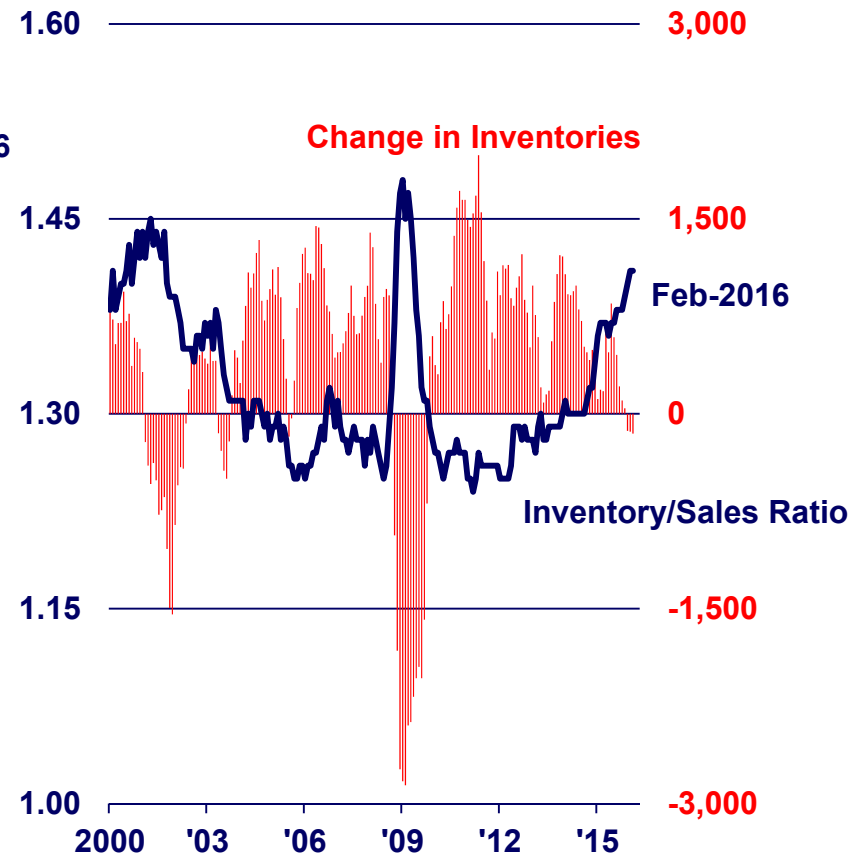
(Indexes, 2007=100)



Source: Data from the Federal Reserve Board, accessed via Haver Analytics.

Sales and Inventories

(ratio; 3-month MA in annualized change in Mils. \$)

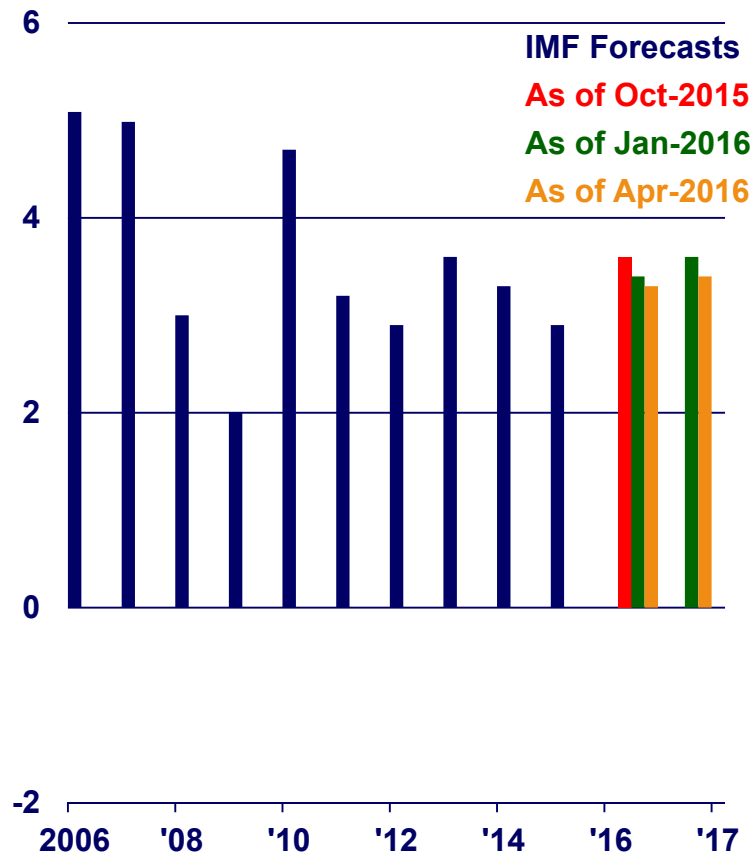


Source: Data from the Census Bureau, accessed via Haver Analytics.

World Growth and Trade

Real World GDP Growth

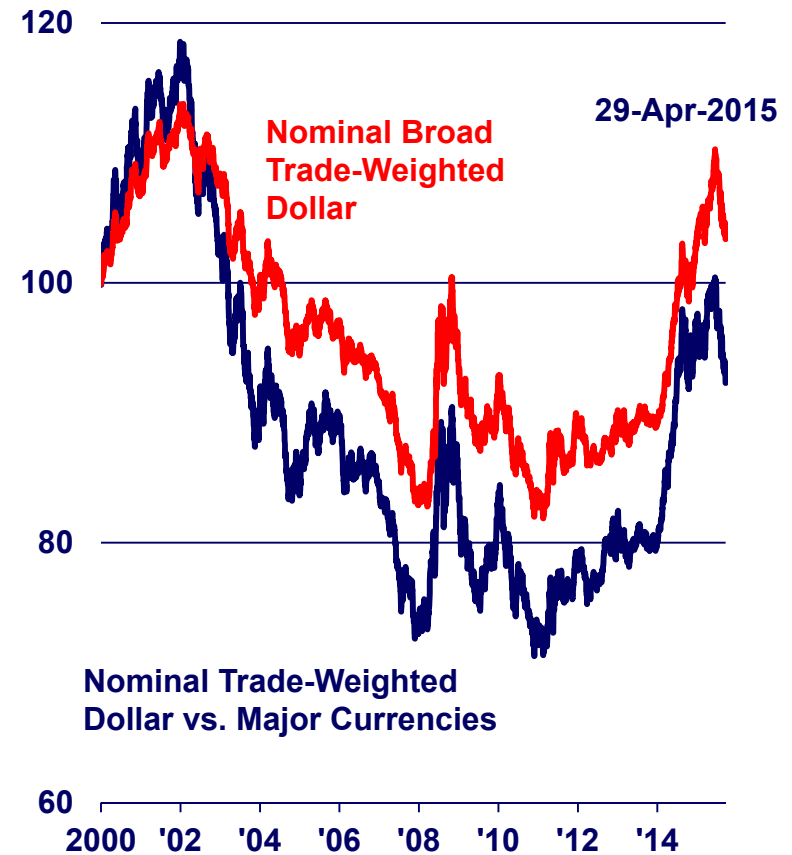
(4-quarter percent change)



Source: Data from the International Monetary Fund.

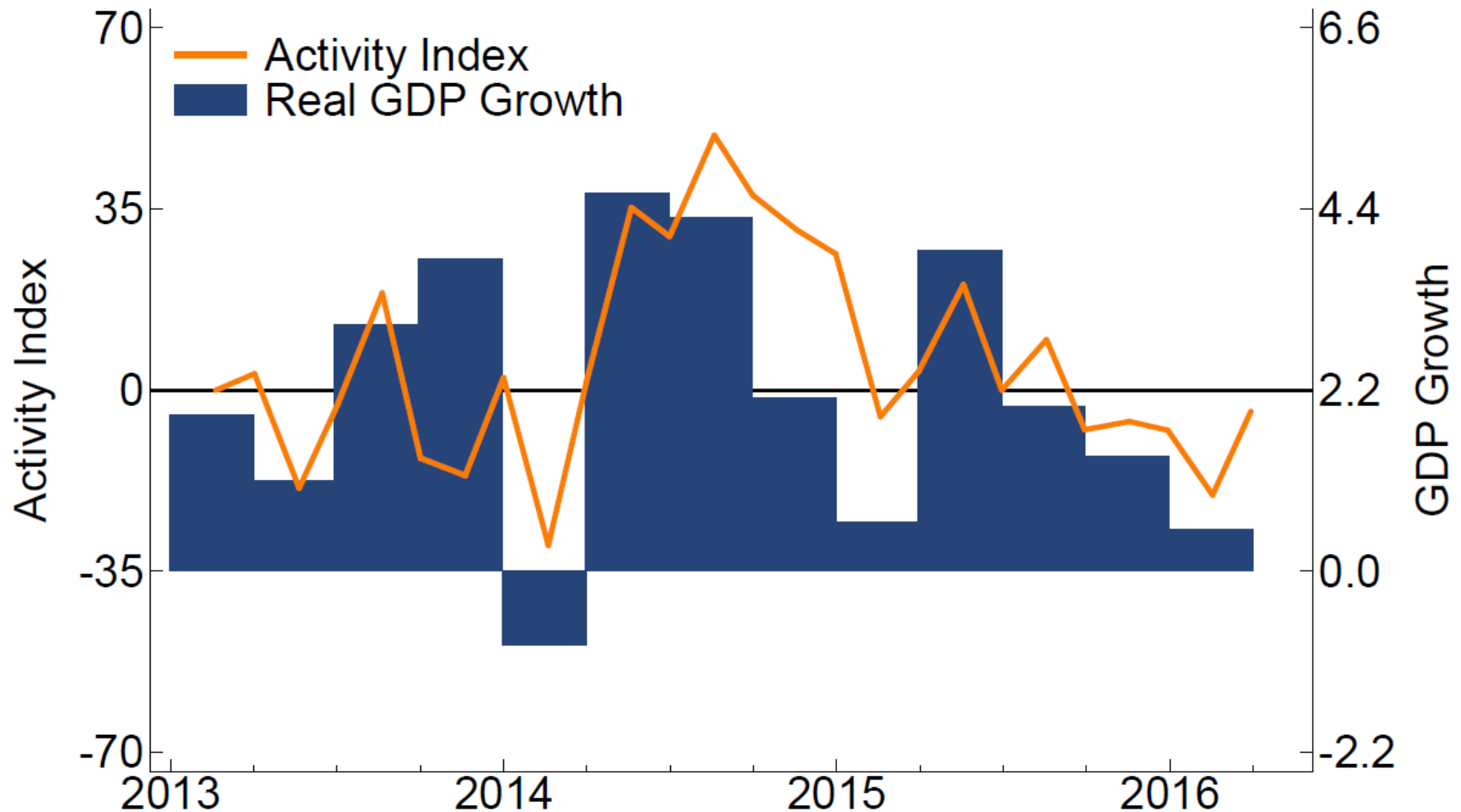
Trade Weighted Dollar

(Index, Jan-97=100)



Source: Data from the Federal Reserve Board, accessed via Haver Analytics

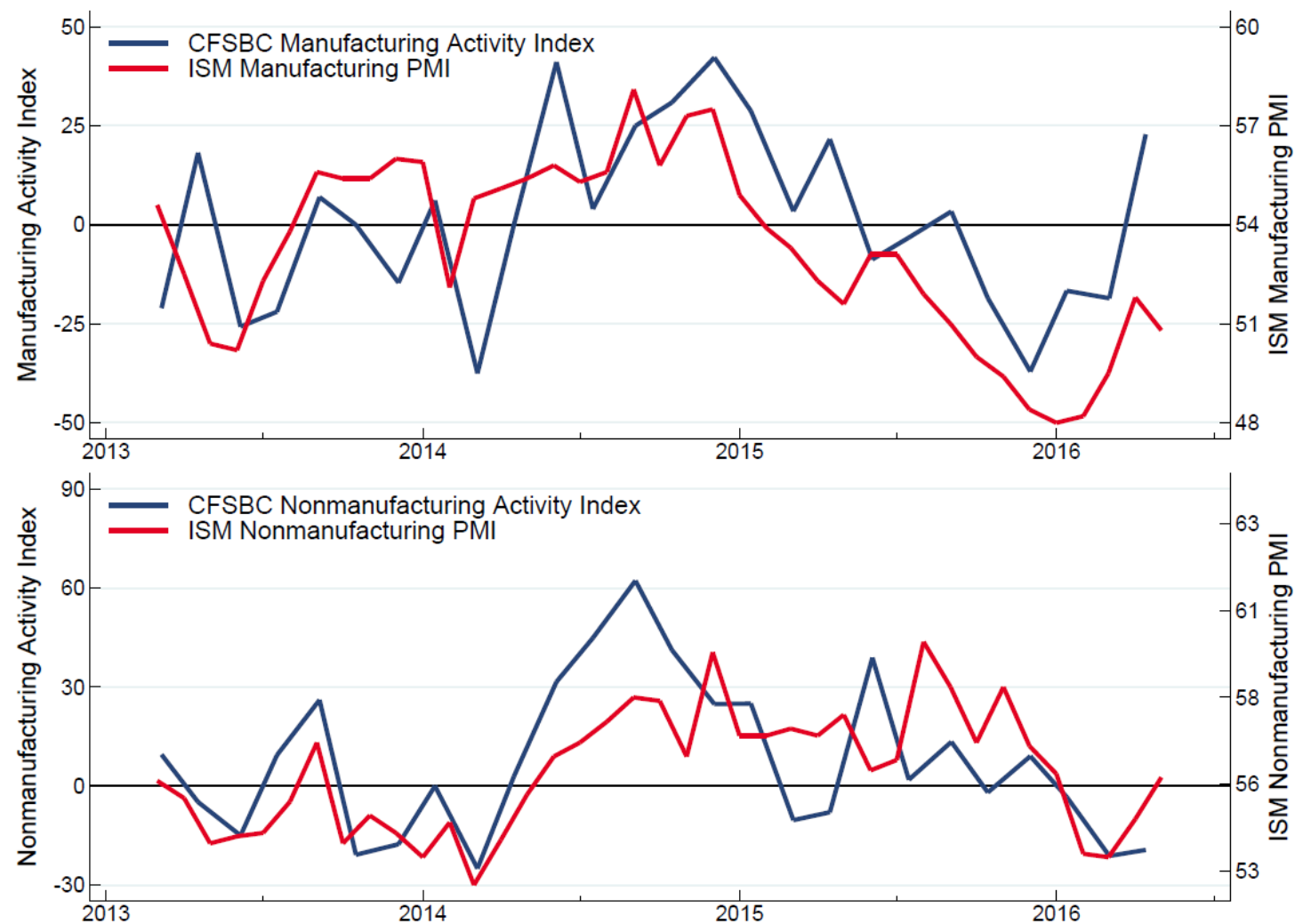
The CFSBC and U.S. GDP Growth



Note: Average real gross domestic product (GDP) growth over the reporting range is 2.2 percent.

Source: www.chicagofed.org/cfsbc.

CFSBC vs. ISM Manufacturing and Nonmanufacturing Indexes

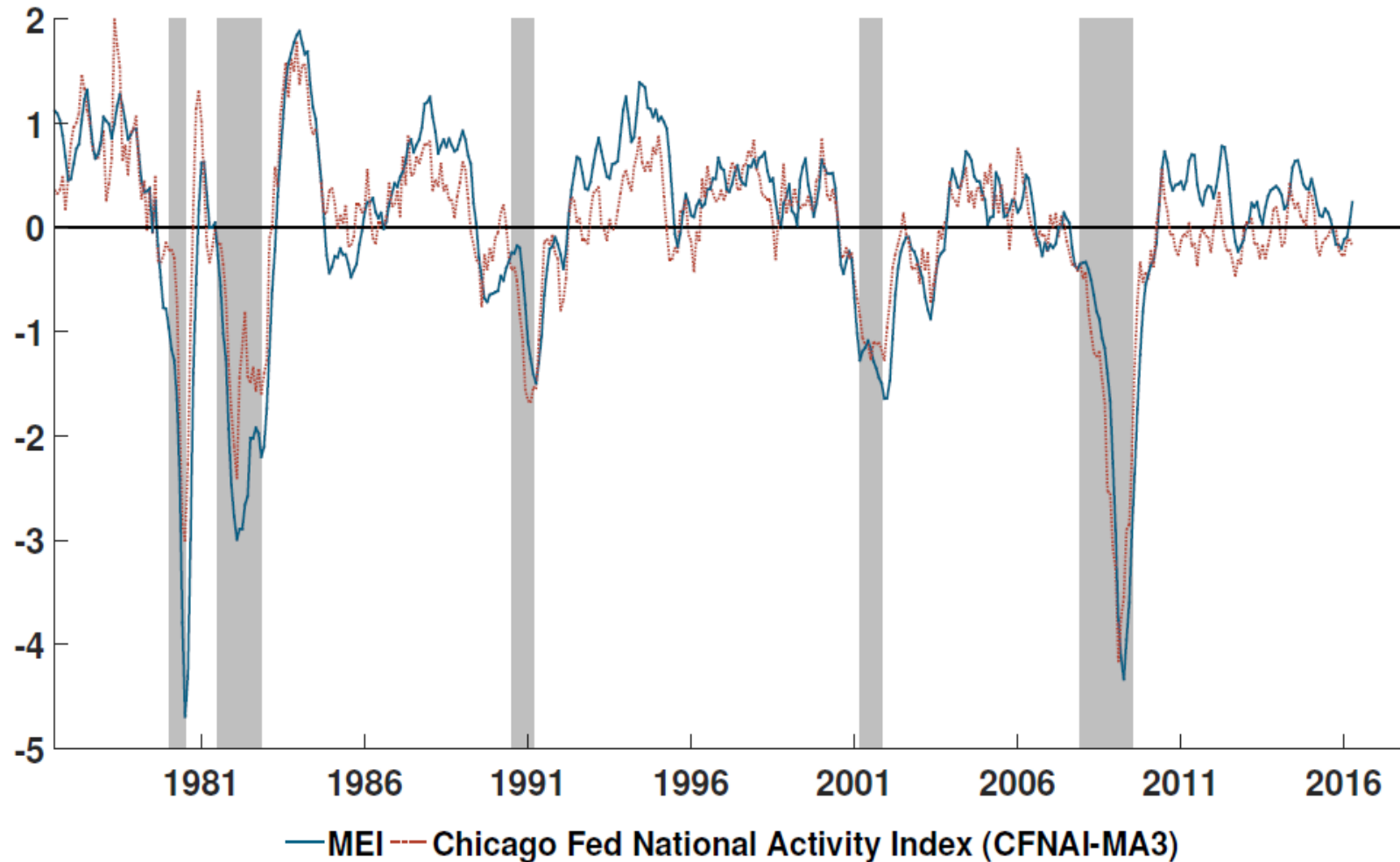


Source: www.chicagofed.org/cfsbc

National and Regional Economic Activity

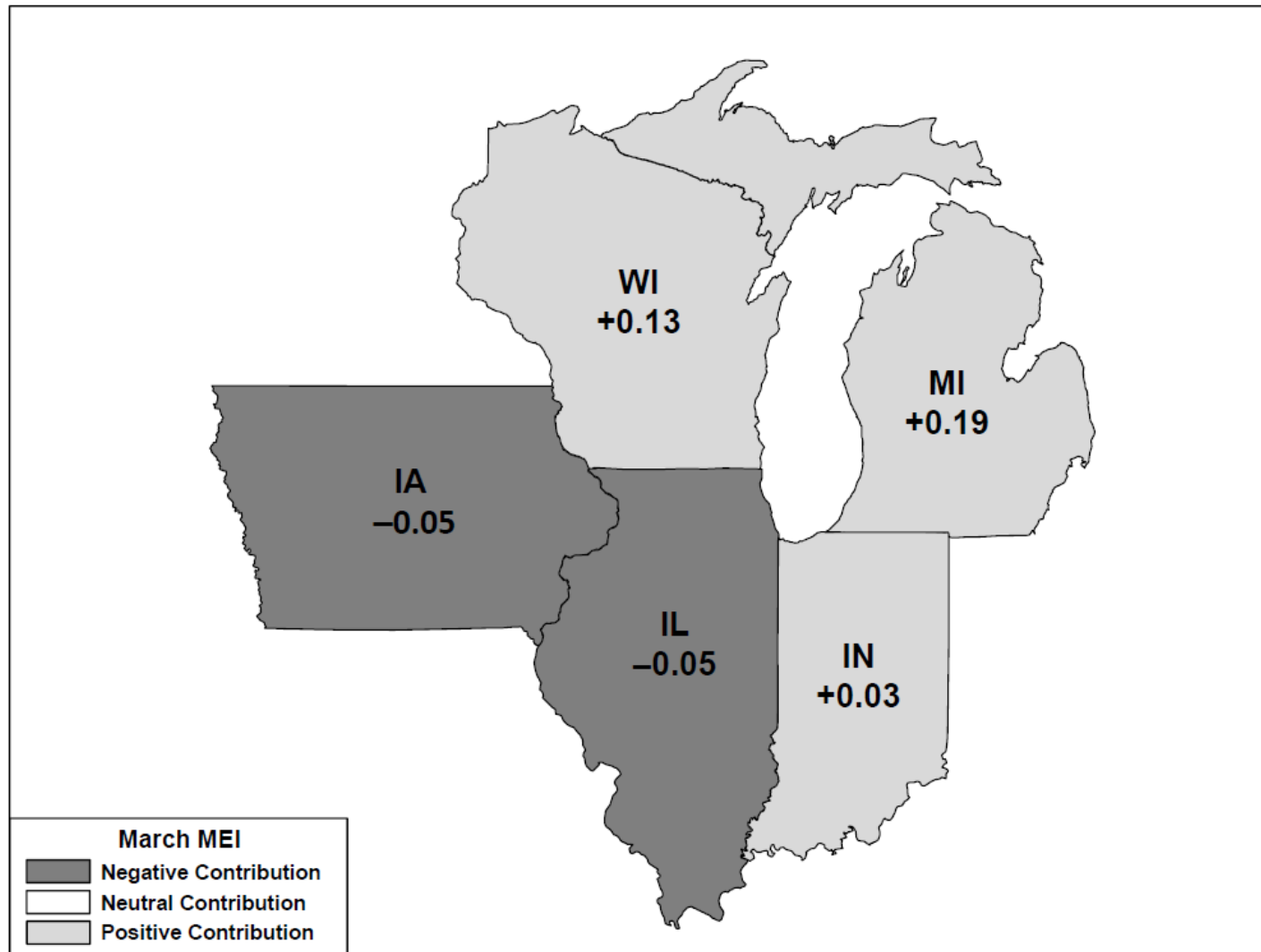
Chicago Fed National Activity and Midwest Economy Indexes

(standard deviation from trend)



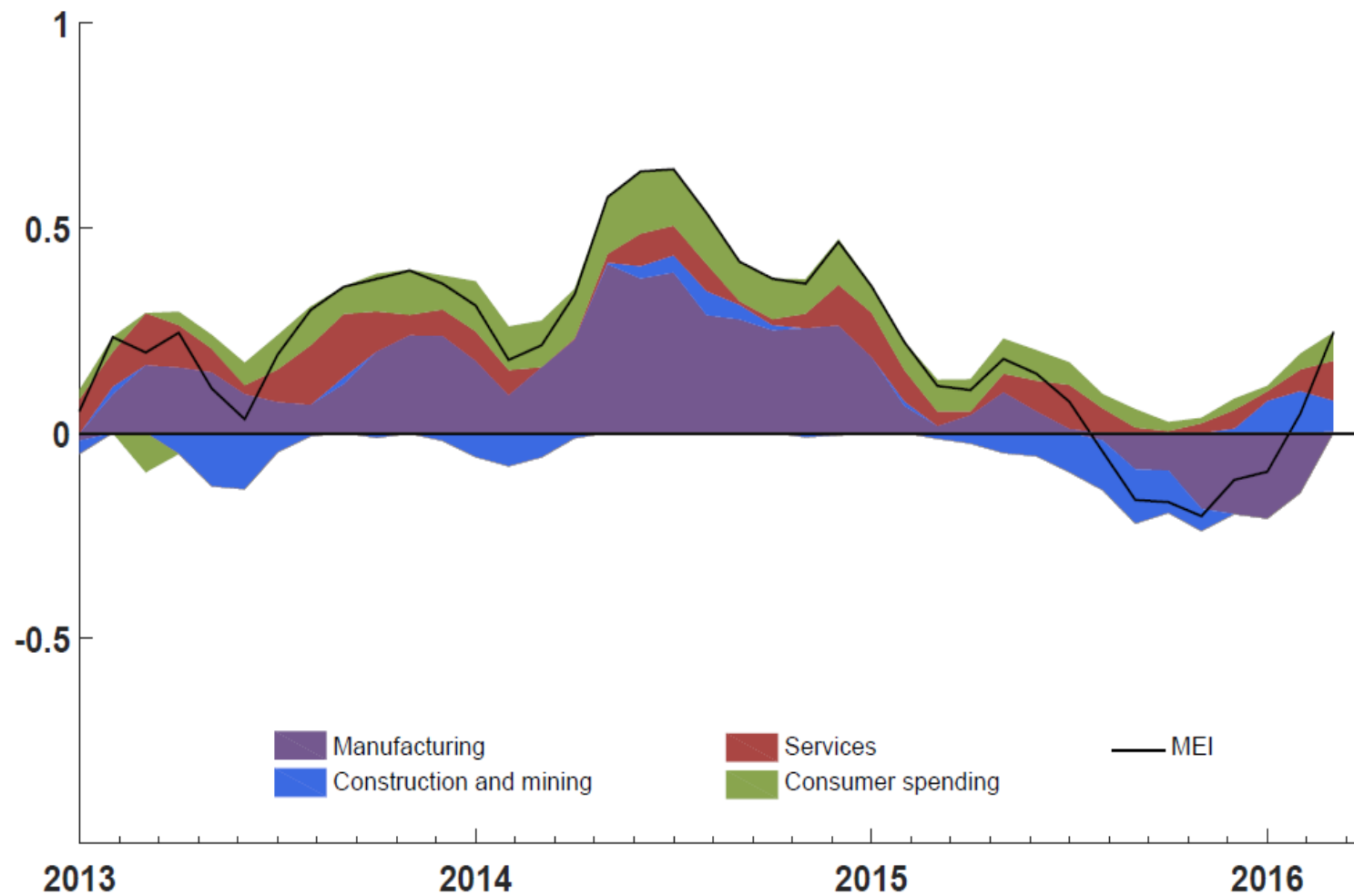
Source: www.chicagofed.org/mei

7th District State Contributions to the MEI



Source: www.chicagofed.org/mei

Sector Contributions to the MEI

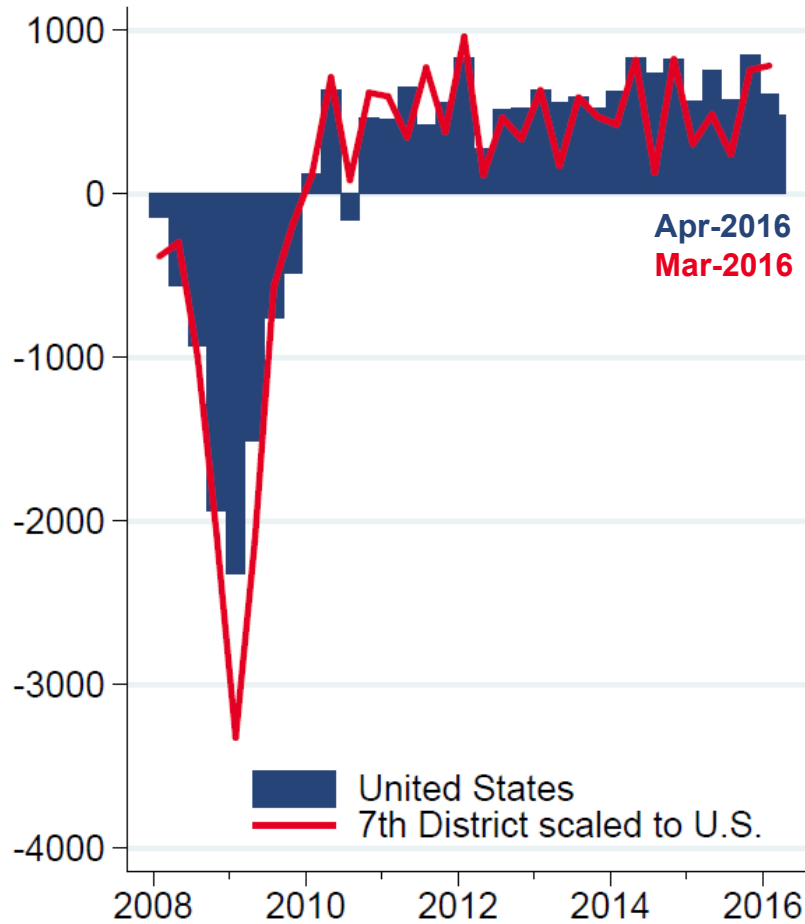


Source: www.chicagofed.org/mei

Employment Growth

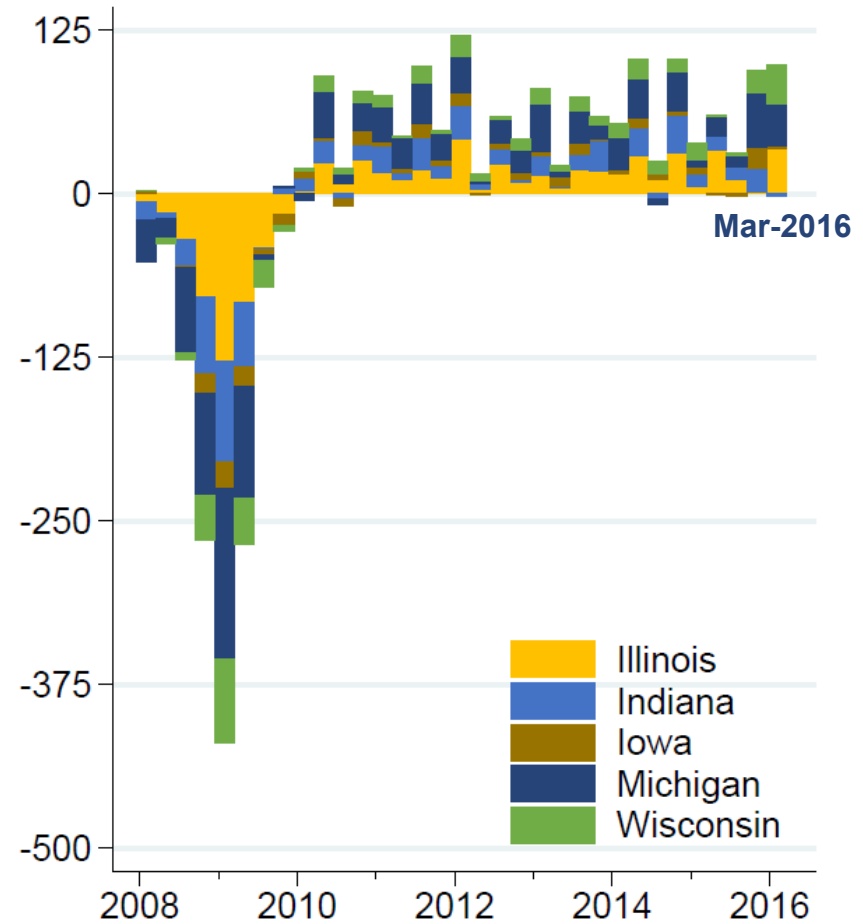
United States

(quarterly change, thousands)



Seventh District

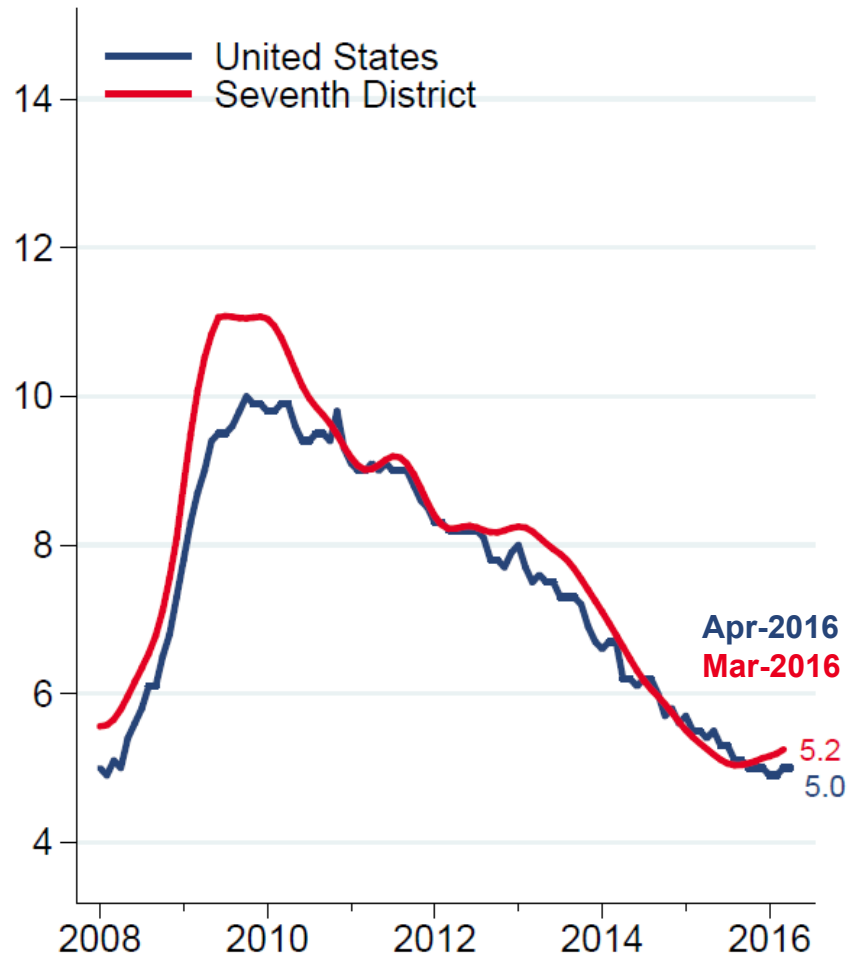
(quarterly change, thousands)



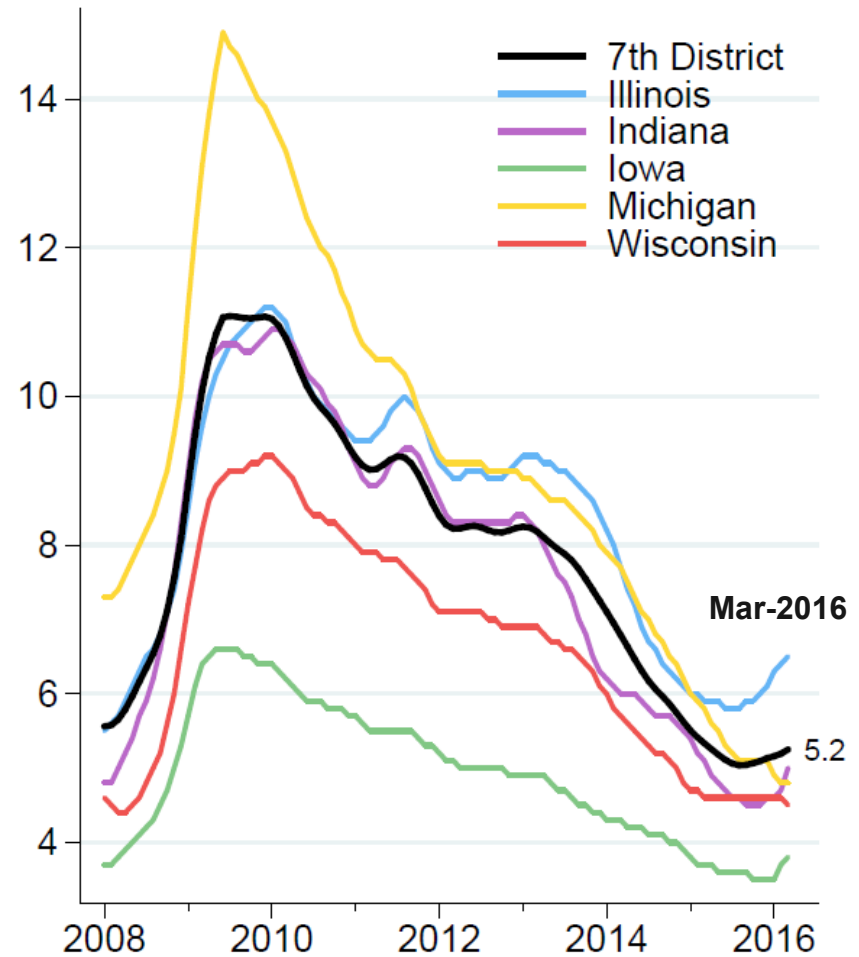
Source: Data from the Bureau of Labor Statistics, accessed via Haver Analytics.

Unemployment Rates

U.S. & Seventh District
(percent)



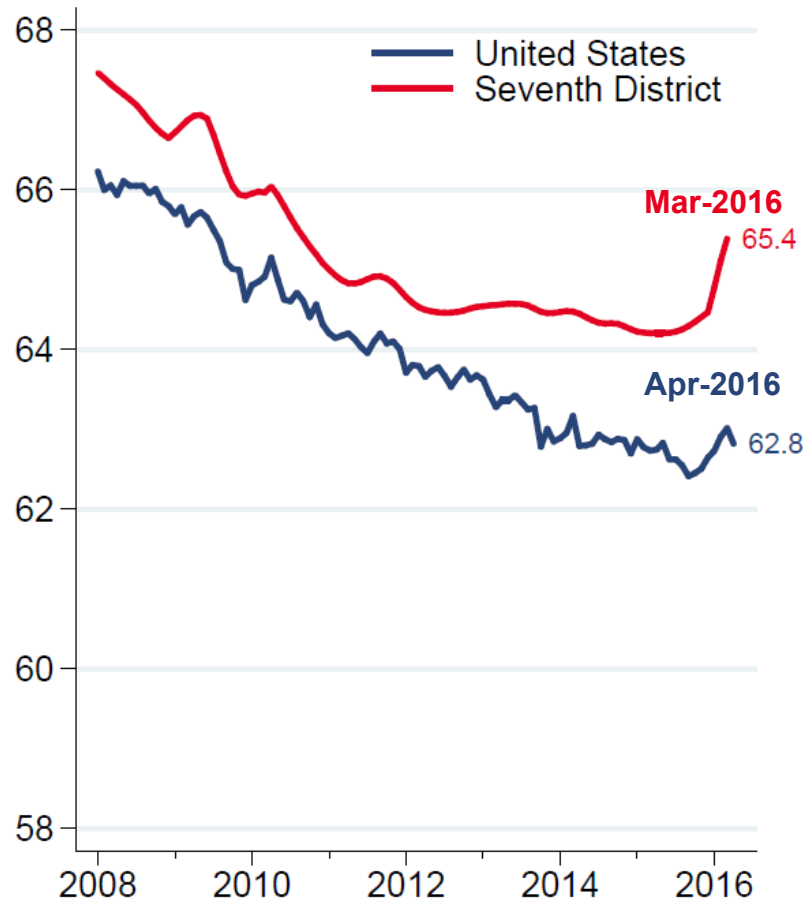
Seventh District States
(percent)



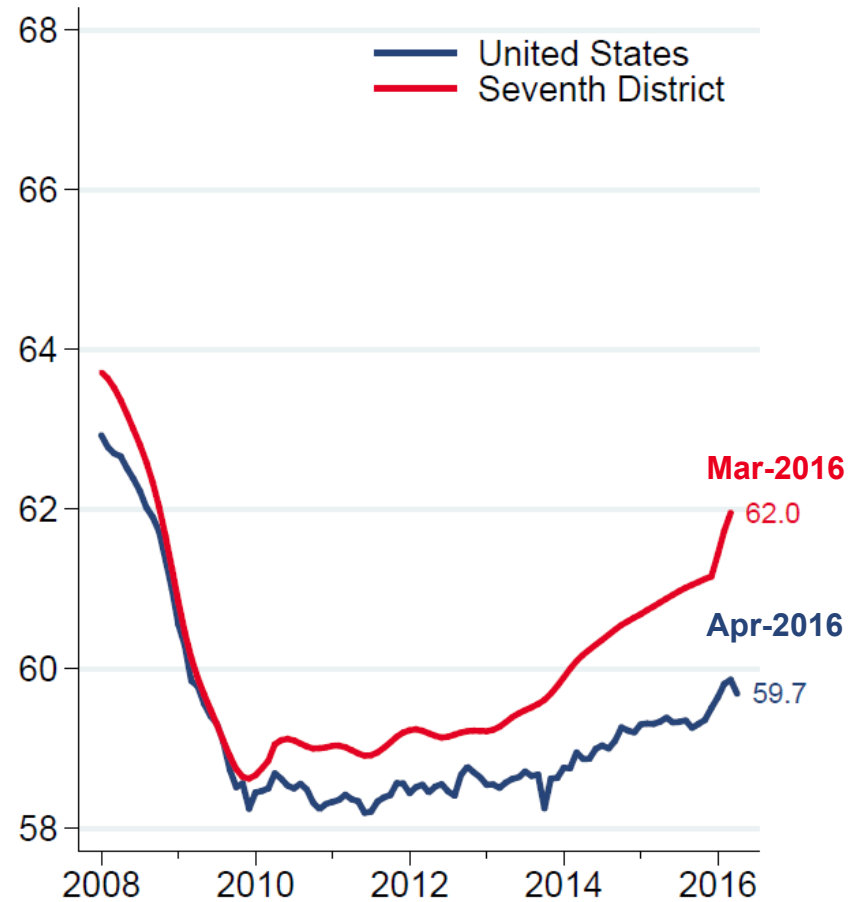
Source: Data from the Bureau of Labor Statistics, accessed via Haver Analytics.

Labor Force Participation

Labor Force Participation Rate
(percent)



Employment-to-Population Ratio
(ratio)

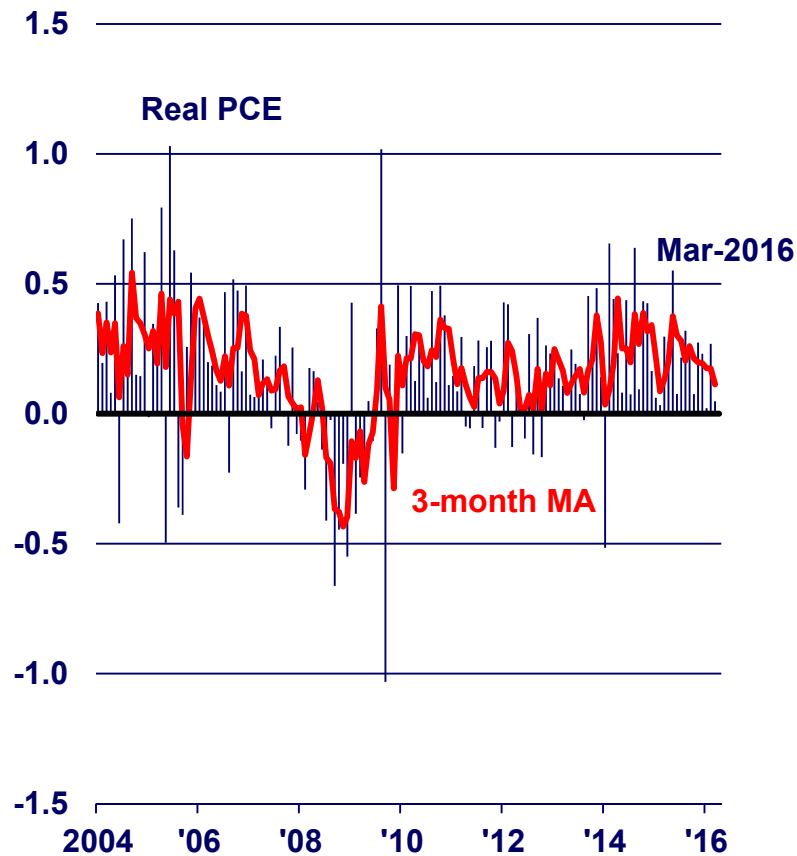


Source: Data from the Bureau of Labor Statistics, accessed via Haver Analytics.

Consumer Spending

Personal Consumption Expenditures

(percent change)



Source: Data from the Bureau of Economic Analysis, accessed via Haver Analytics.

Light Vehicle Sales

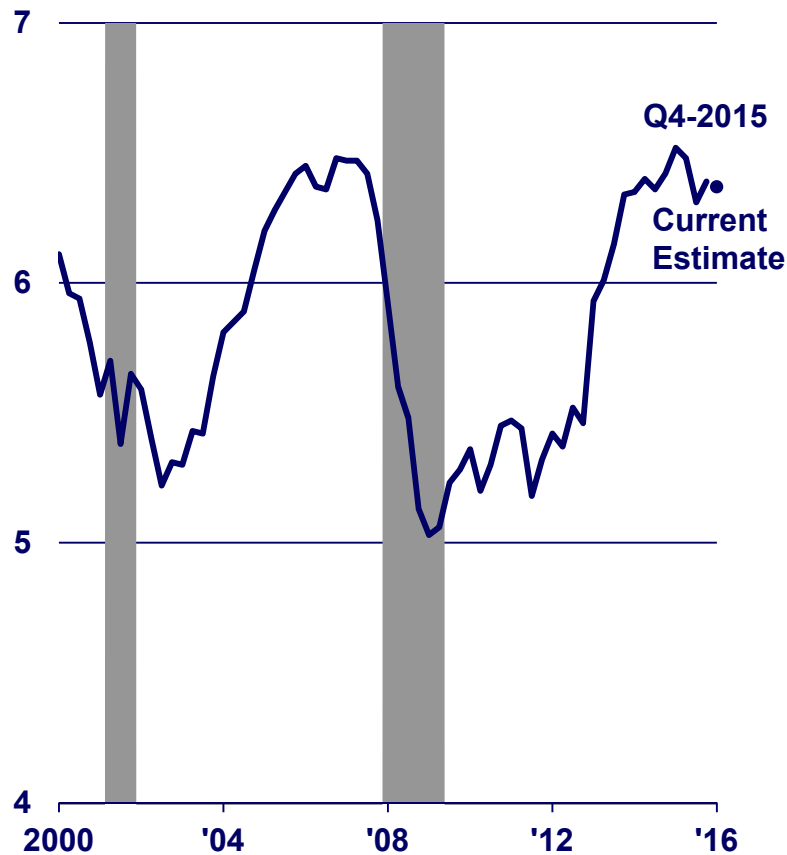
(millions of autos and light trucks, SAAR)



Source: Data from the Autodata Corporation, accessed via Haver Analytics.

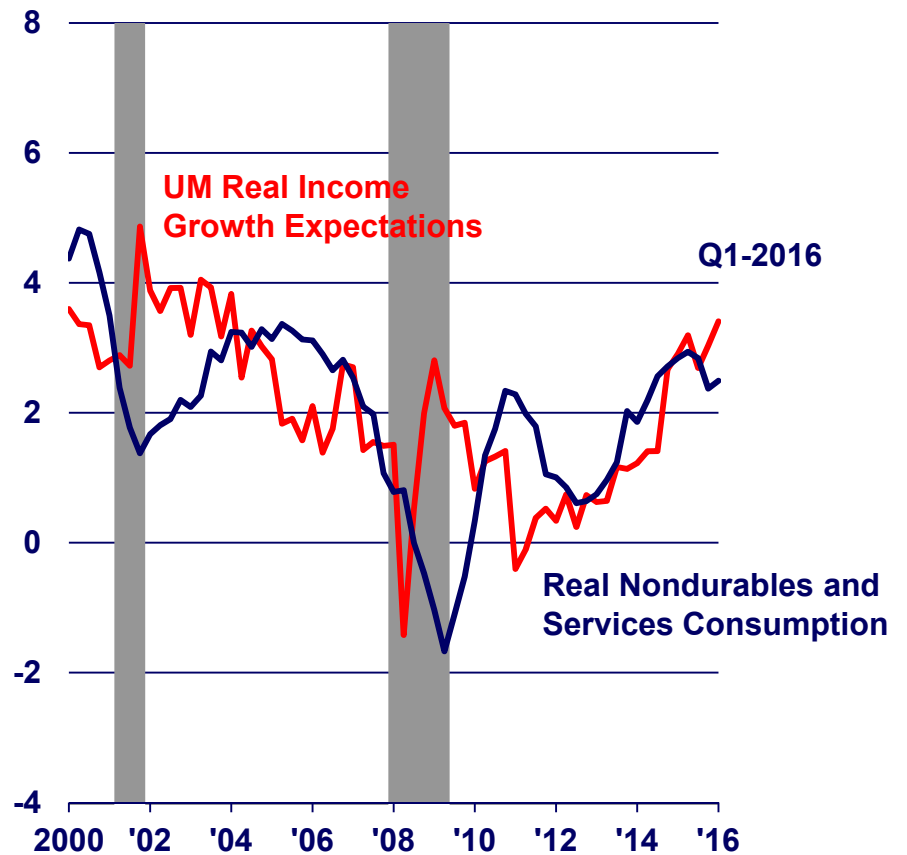
Household Wealth and Income

Ratio of Household Net Worth to DPI
(hundreds of percent)



Source: Data from the Federal Reserve Board, accessed via Haver Analytics.

Real Income Growth and Expectations
(year-over-year percent change)

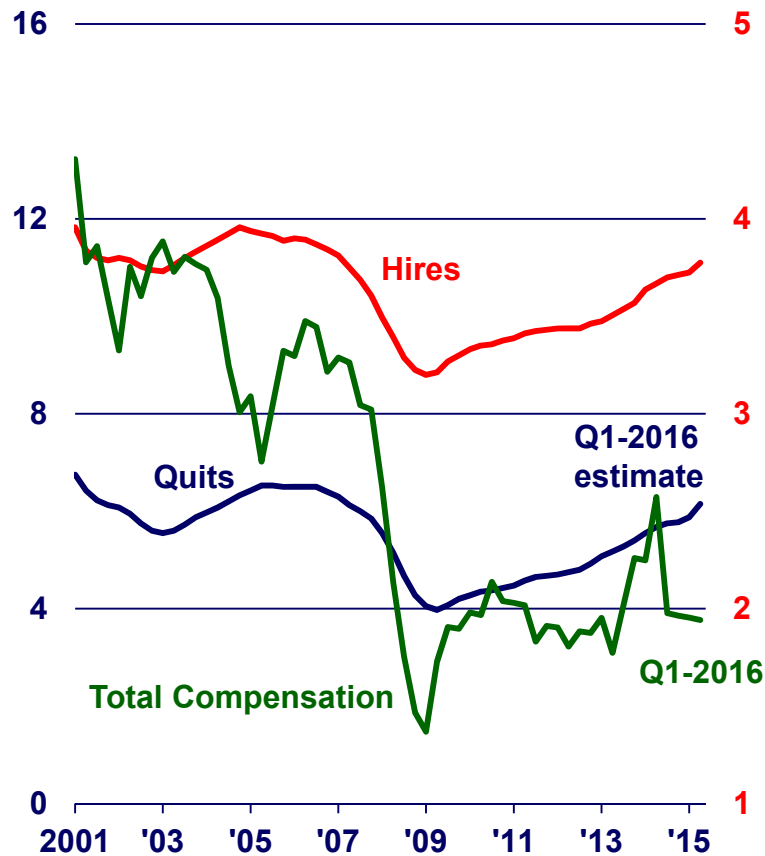


Source: Data from the Bureau of Economic Analysis, accessed via Haver Analytics, and the University of Michigan Survey of Consumers

Labor Market Slack and Wage Growth

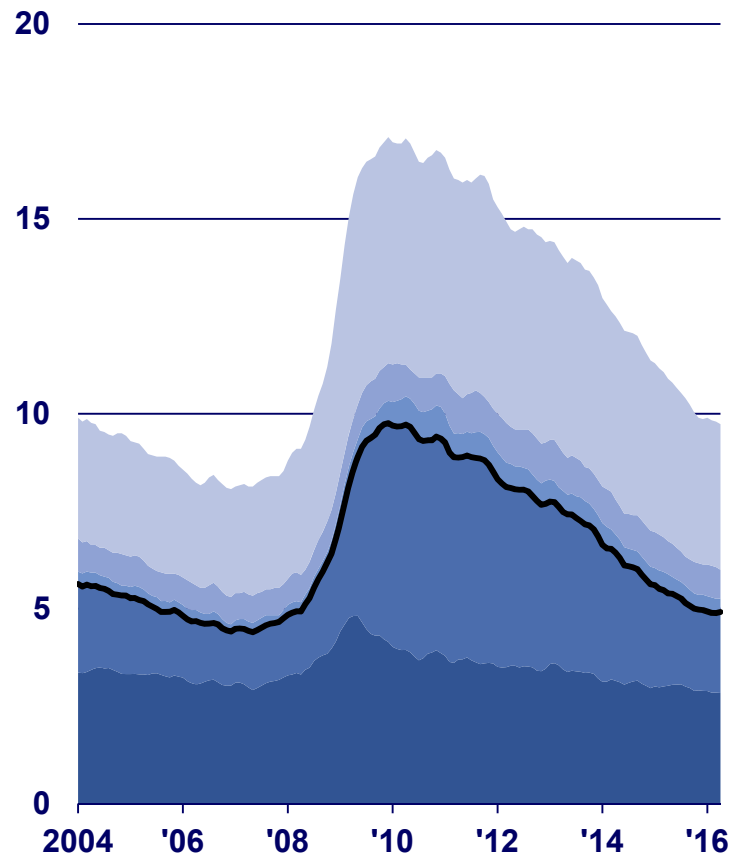
JOLTS and ECI

(SA, JOLTS: 4-qtr MA; ECI: y/y % change)



Labor Underutilization Measures

(3-month moving averages)



Source: Data from the Bureau of Labor Statistics, accessed via Haver Analytics.

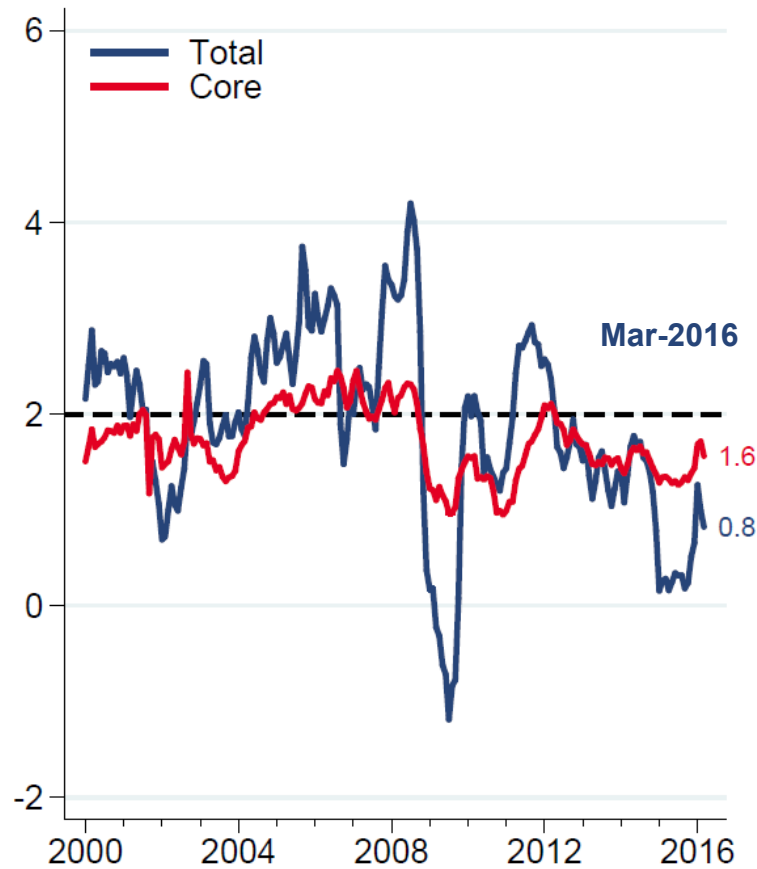
■ Unemployment Rate
■ Unemployed < 15 Weeks
■ Unemployed > 15 Weeks
■ Marginal, Discouraged
■ Marginal, not Discouraged
■ PT for Economic Reasons

Source: Data from the Bureau of Labor Statistics, accessed via Haver Analytics.

Inflation and Wage Growth

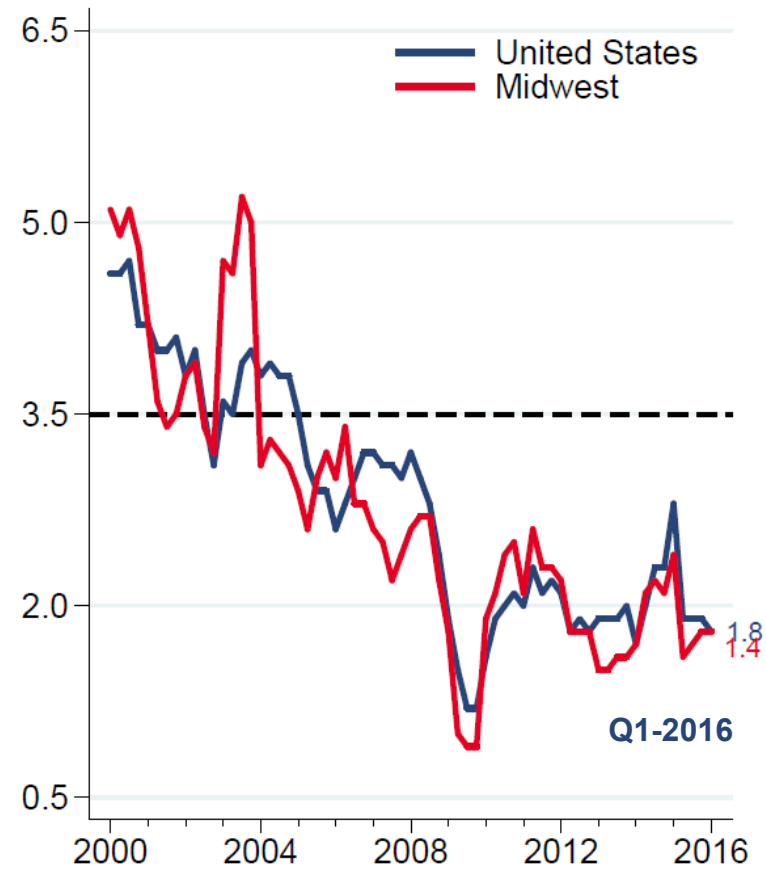
PCE Price Index

(12-month percent change)



ECI Nominal Compensation Growth

(12-month percent change)



Source: Data from the Bureau of Economic Analysis and the Bureau of Labor Statistics, accessed via Haver Analytics.

The Federal Reserve's Dual Mandate

■ Price stability

- Sets 2% objective for PCE inflation
- Target is for an average over medium term – it is not a ceiling
- Explicit statement should help to anchor inflation expectations

■ Full employment

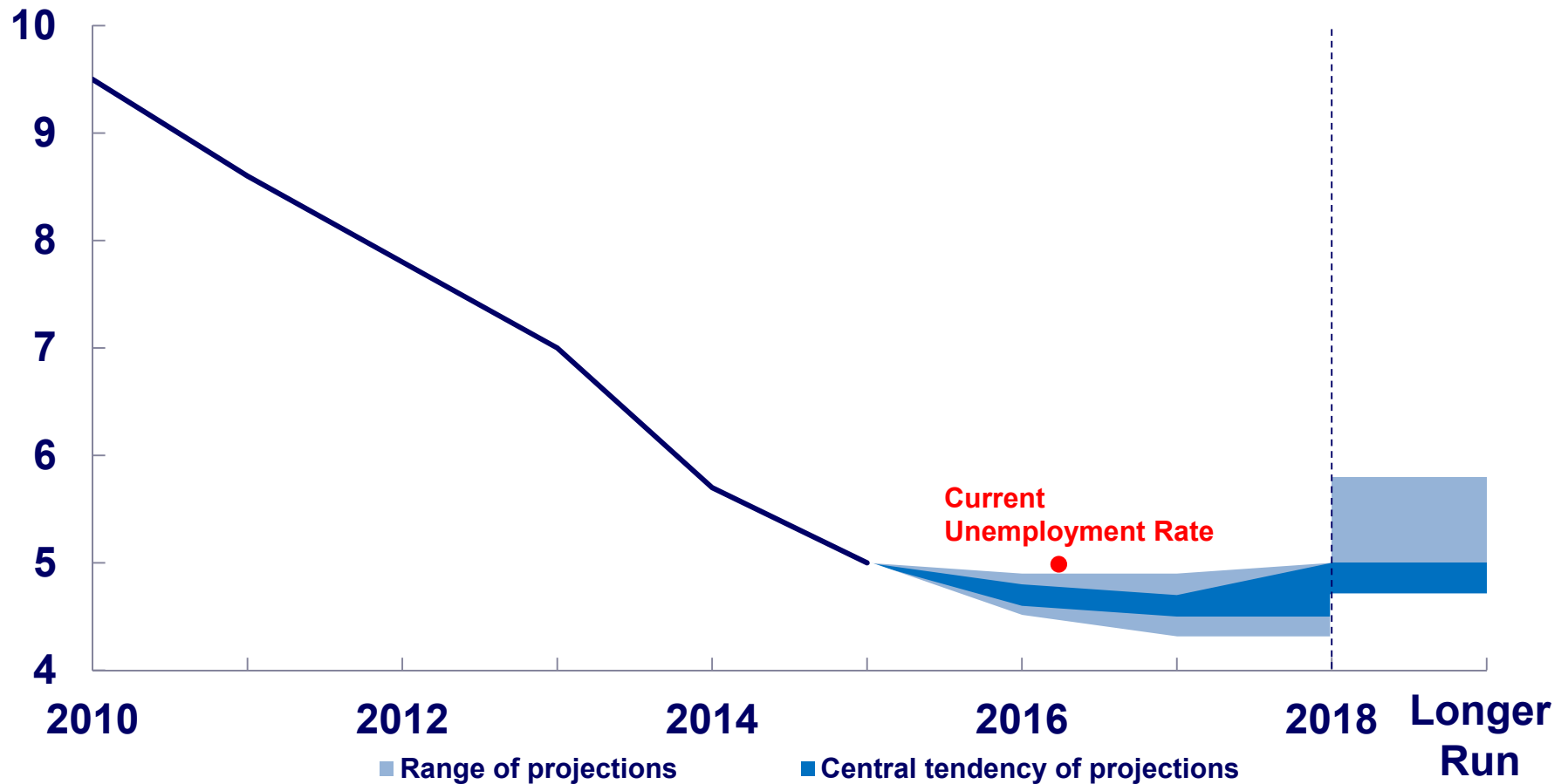
- The appropriate employment goal may change over time for nonmonetary reasons
- 4.8-5.0% unemployment rate *currently* consistent with mandate
- Seek an economy operating at its level of potential output

■ Balanced approach

- Take a balanced approach when shocks push the economy away from objectives

FOMC Unemployment Rate Projections

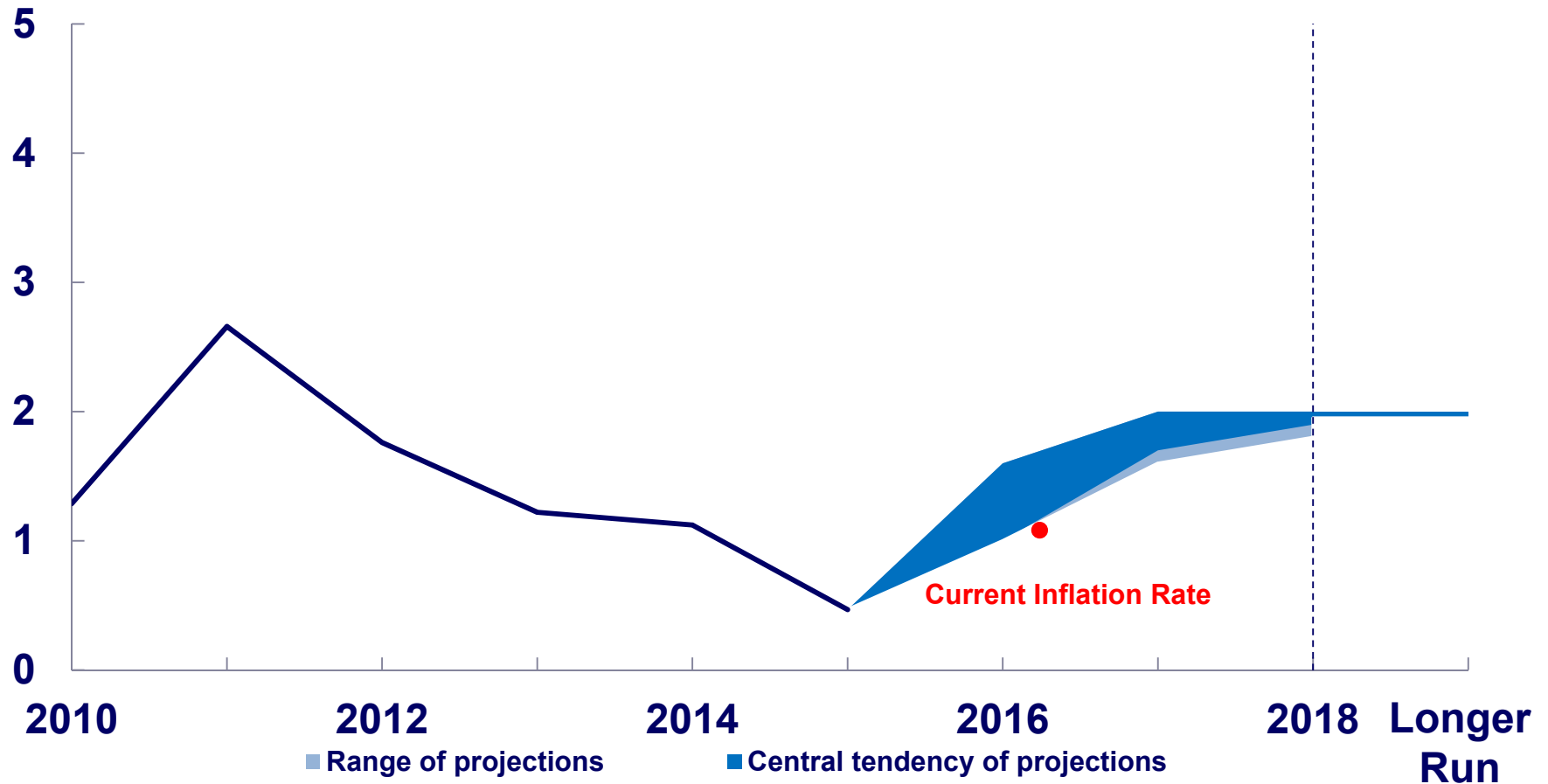
percent, Q4 average



Source: Summary of Economic Projections released following March 2016 FOMC meeting.

FOMC PCE Inflation Projections

percent, Q4 over Q4



Source: Summary of Economic Projections released following March 2016 FOMC meeting.

