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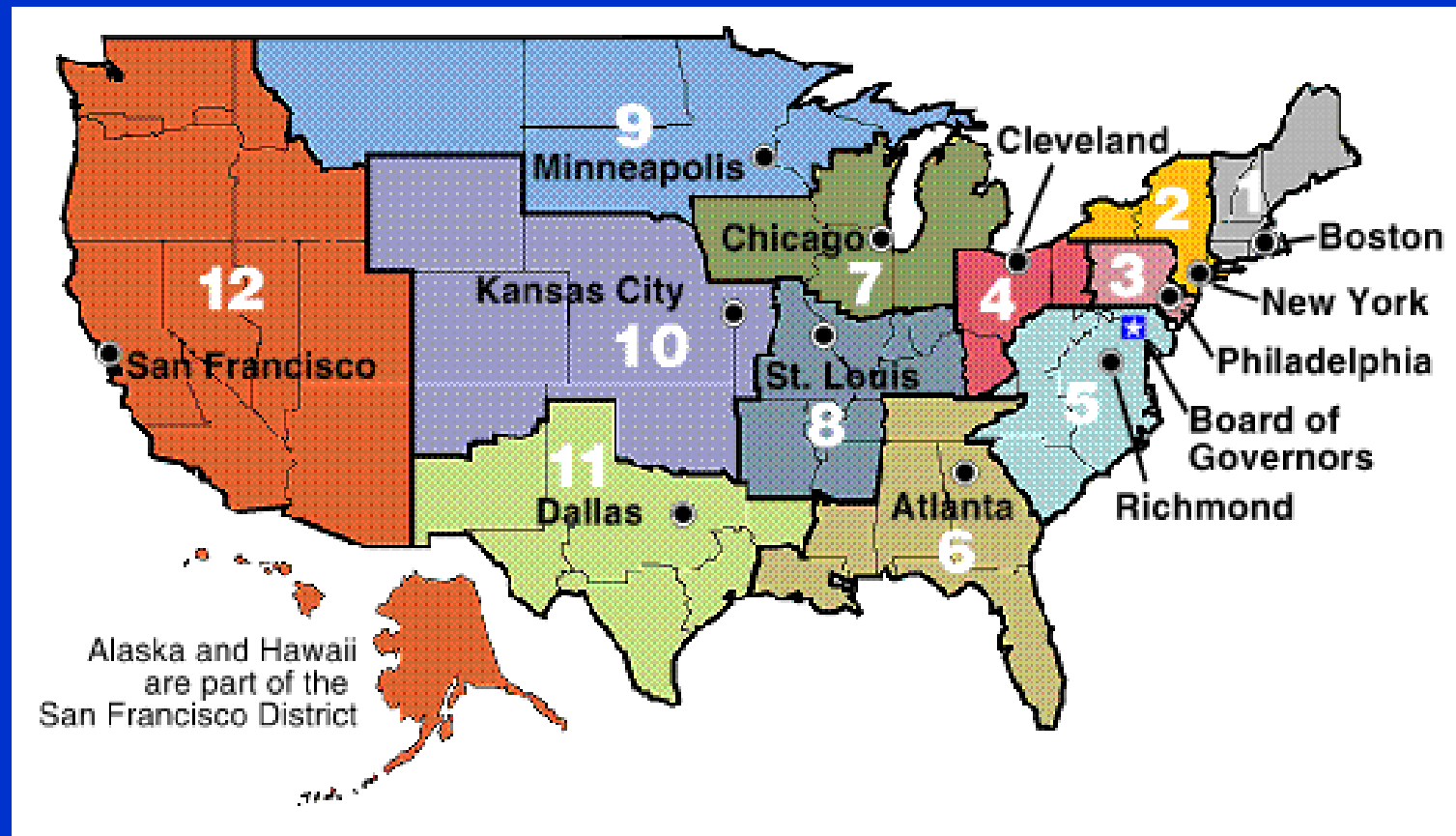
# 2017 Economic Outlook

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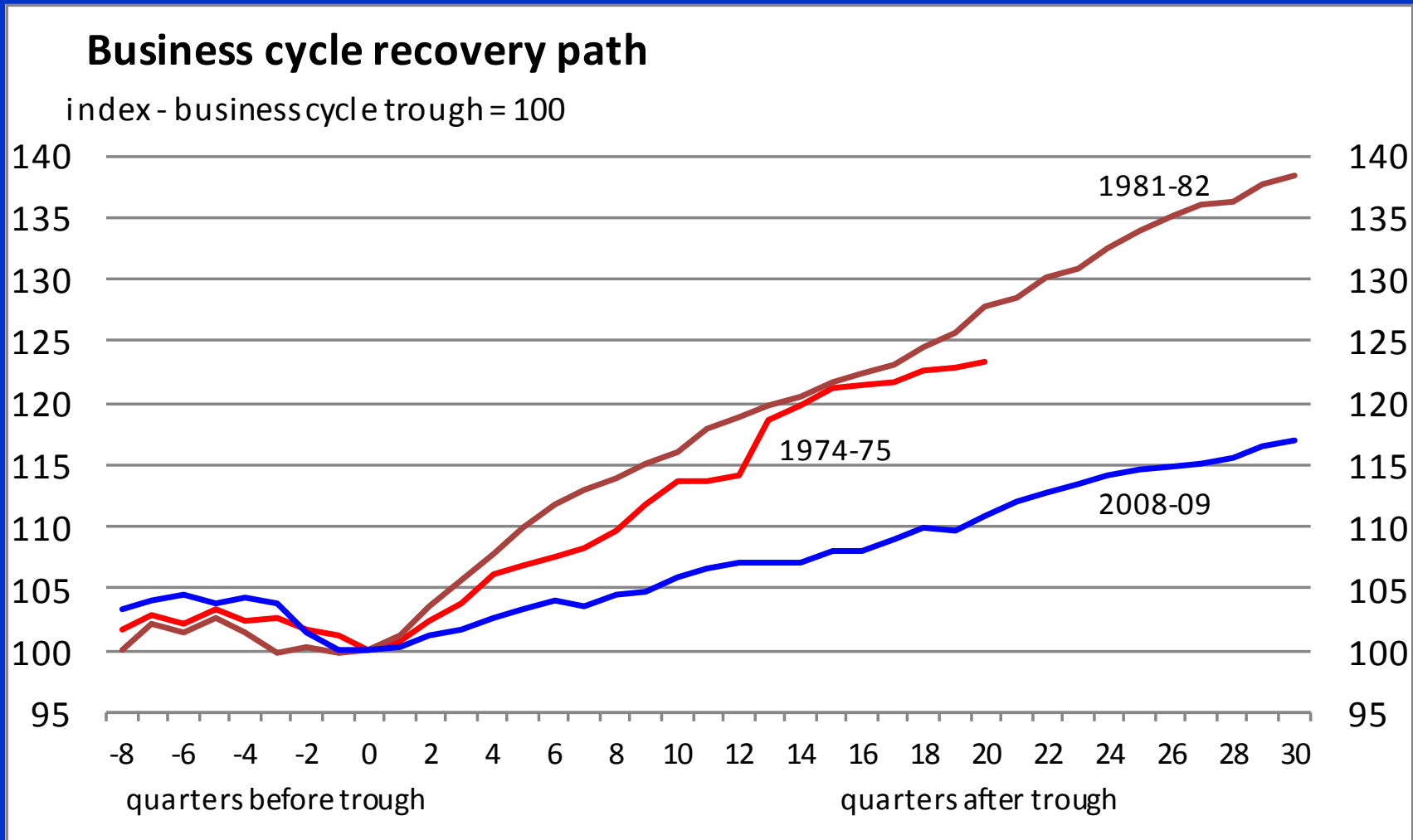
**March 10, 2017**  
**Chicago, IL**

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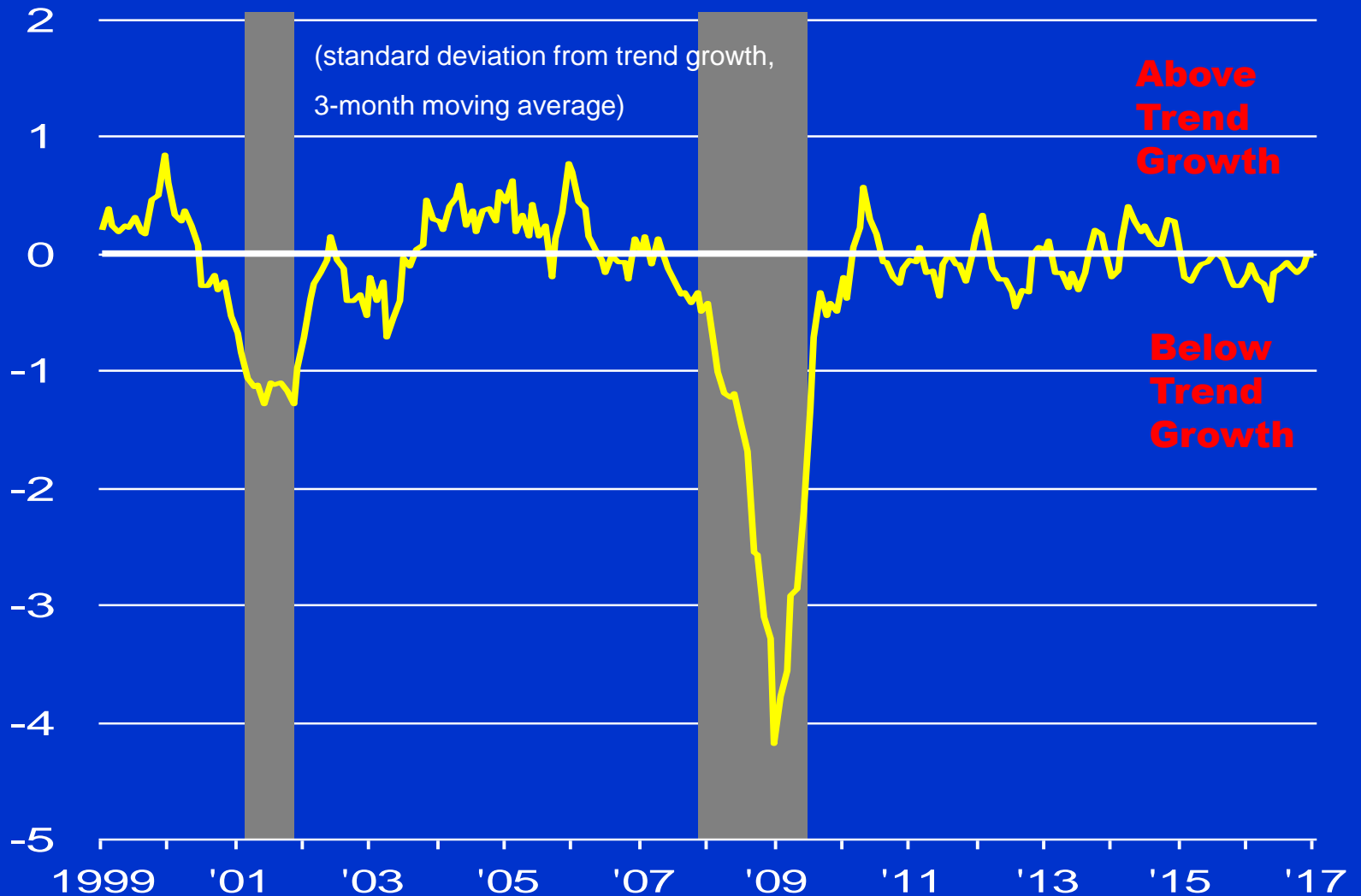
# *Federal Reserve System*



# The path of this recovery has been below past deep recession recovery cycles



# Chicago Fed National Activity Index shows hesitant growth since 2009



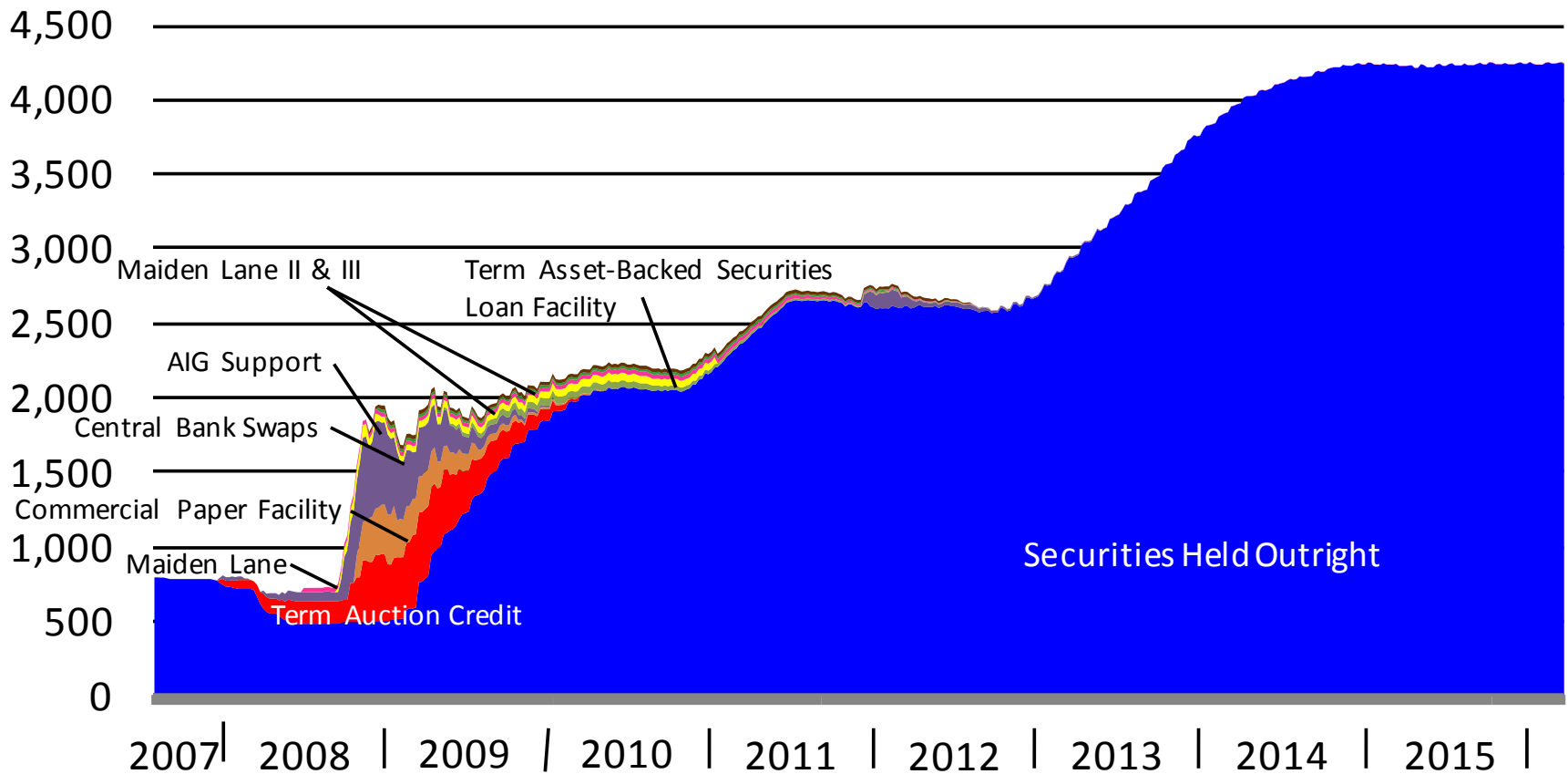
# Chicago Fed National Financial Conditions Index



# Quantitative easing was necessary

## Assets of the Federal Reserve

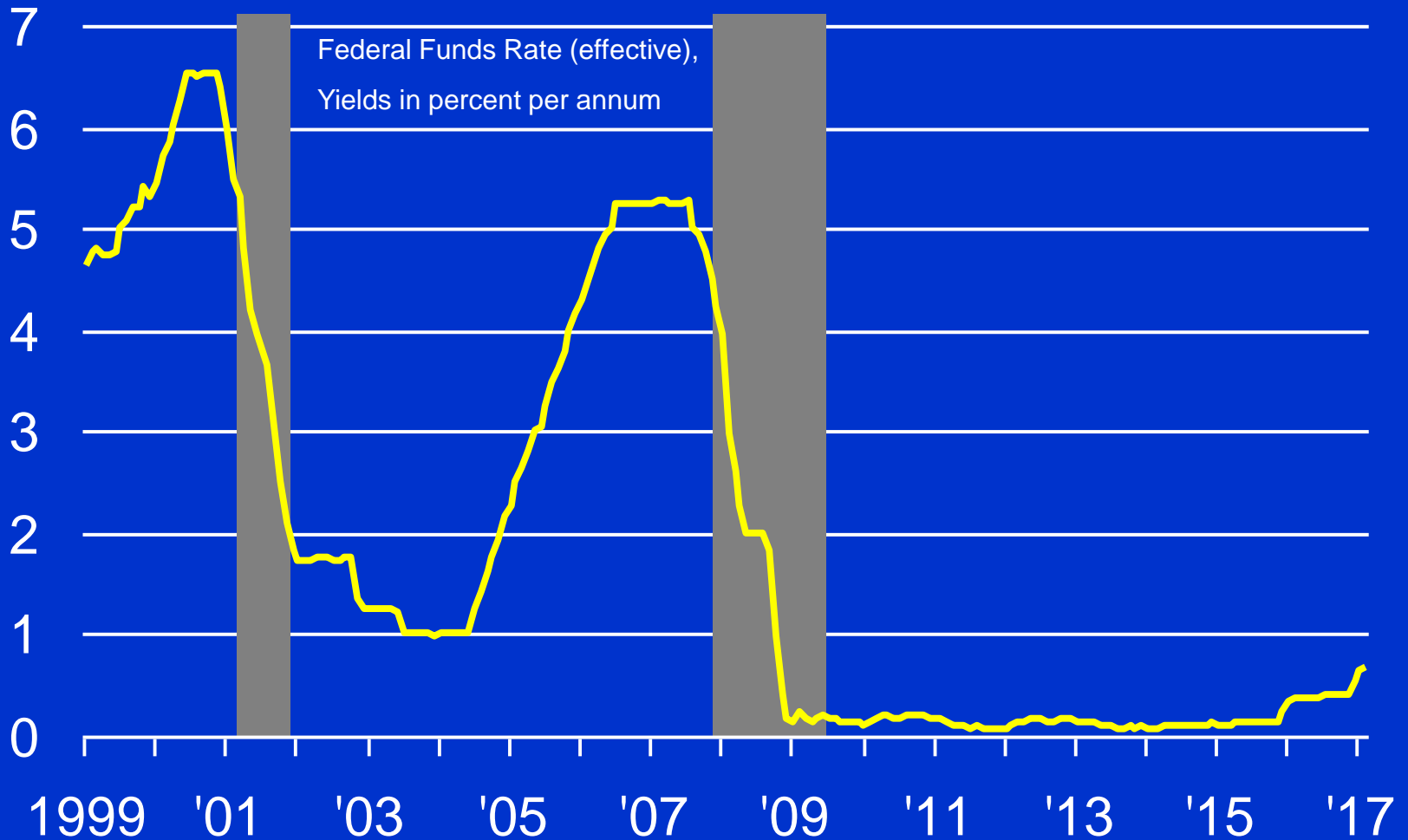
Billions of dollars



# Recent Monetary Policy Actions

- Tapering of asset purchases began in December 2013
- No additional asset purchases after November 2014, while continuing to reinvest assets as they mature
- In December of 2015 and 2016, raised the range of the Fed Funds Rate by 0.25% points each year
- The FOMC will monitor economic conditions to tailor future actions to meet objectives of maximum employment and 2% inflation

***In December 2016, the FOMC raised the Fed Funds rate target to a range from 0.50% to 0.75%***



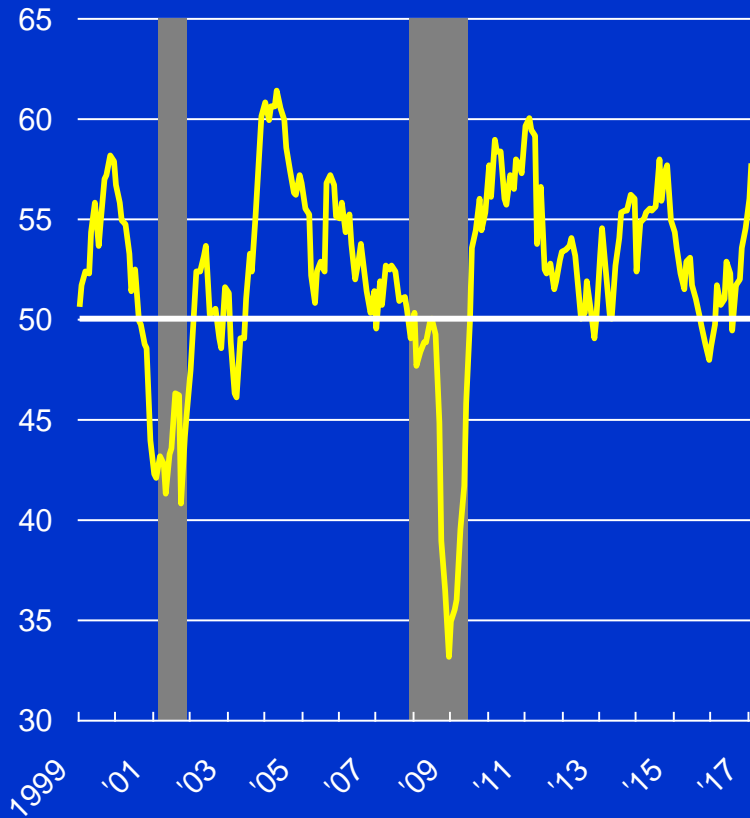


# *Contributions to real GDP growth of 1.9% in the 4th quarter of 2016*

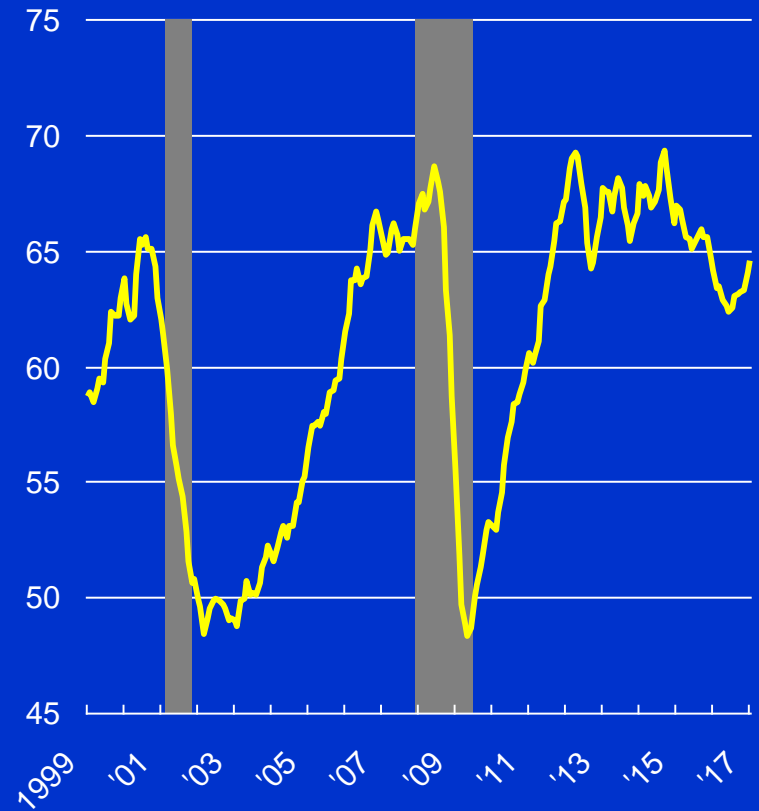
- Consumption 2.0%
- Residential Investment 0.4%
- Business Investment 0.2%
- Inventories 0.9%
- Government 0.1%
- Net Exports -1.7%

# *Manufacturing is growing again; orders for capital goods moving up*

**ISM purchasing managers index**  
(net percent reporting increase)



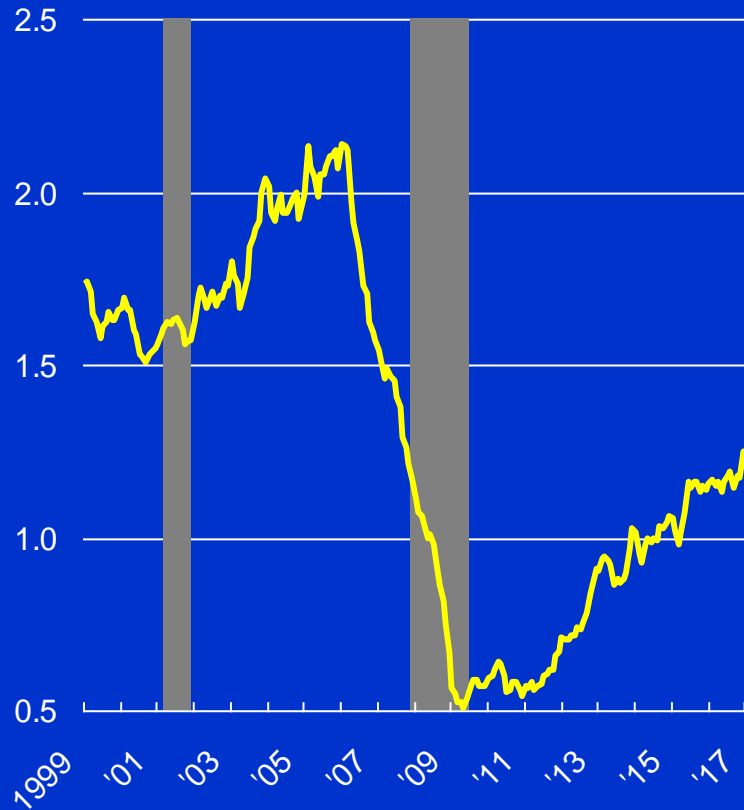
**Nondefense capital goods ex. aircraft**  
(orders in millions of dollars, 3-month moving average)



# Housing market tanked, moving up slowly

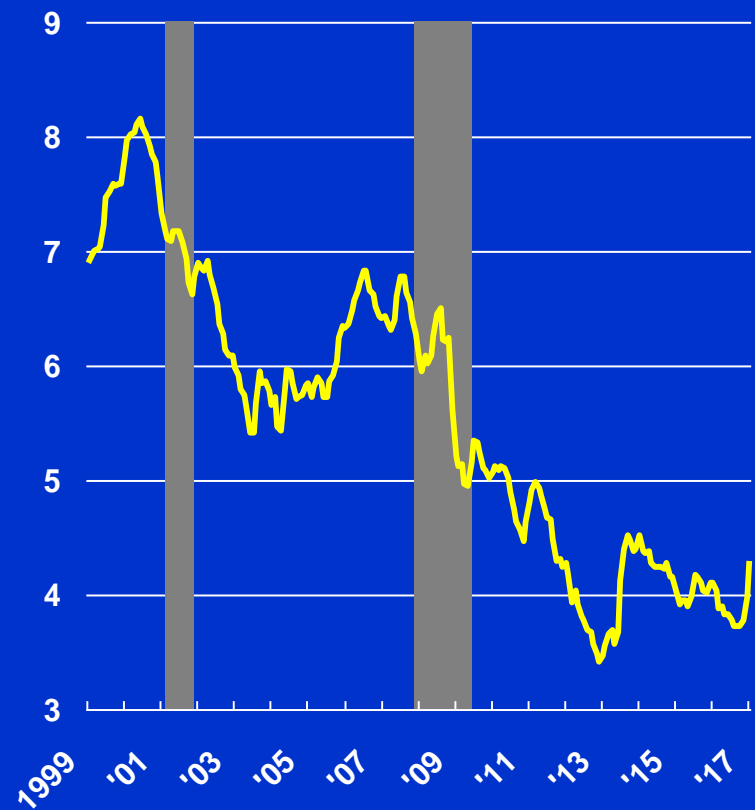
## Housing starts

(millions of units, 3-month moving average, SAAR)



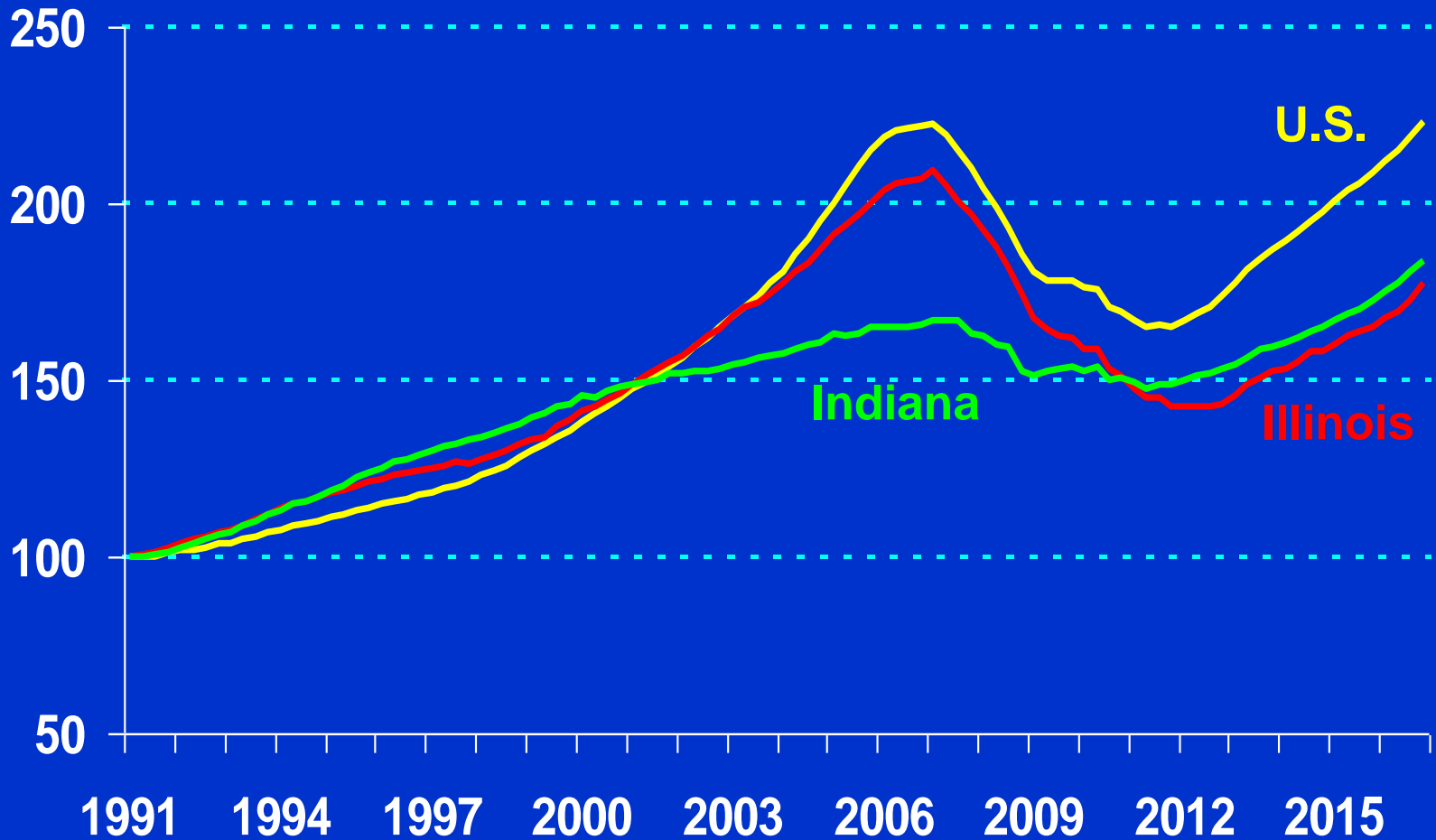
## Home mortgage rate

(percent, effective rate for all loans closed)

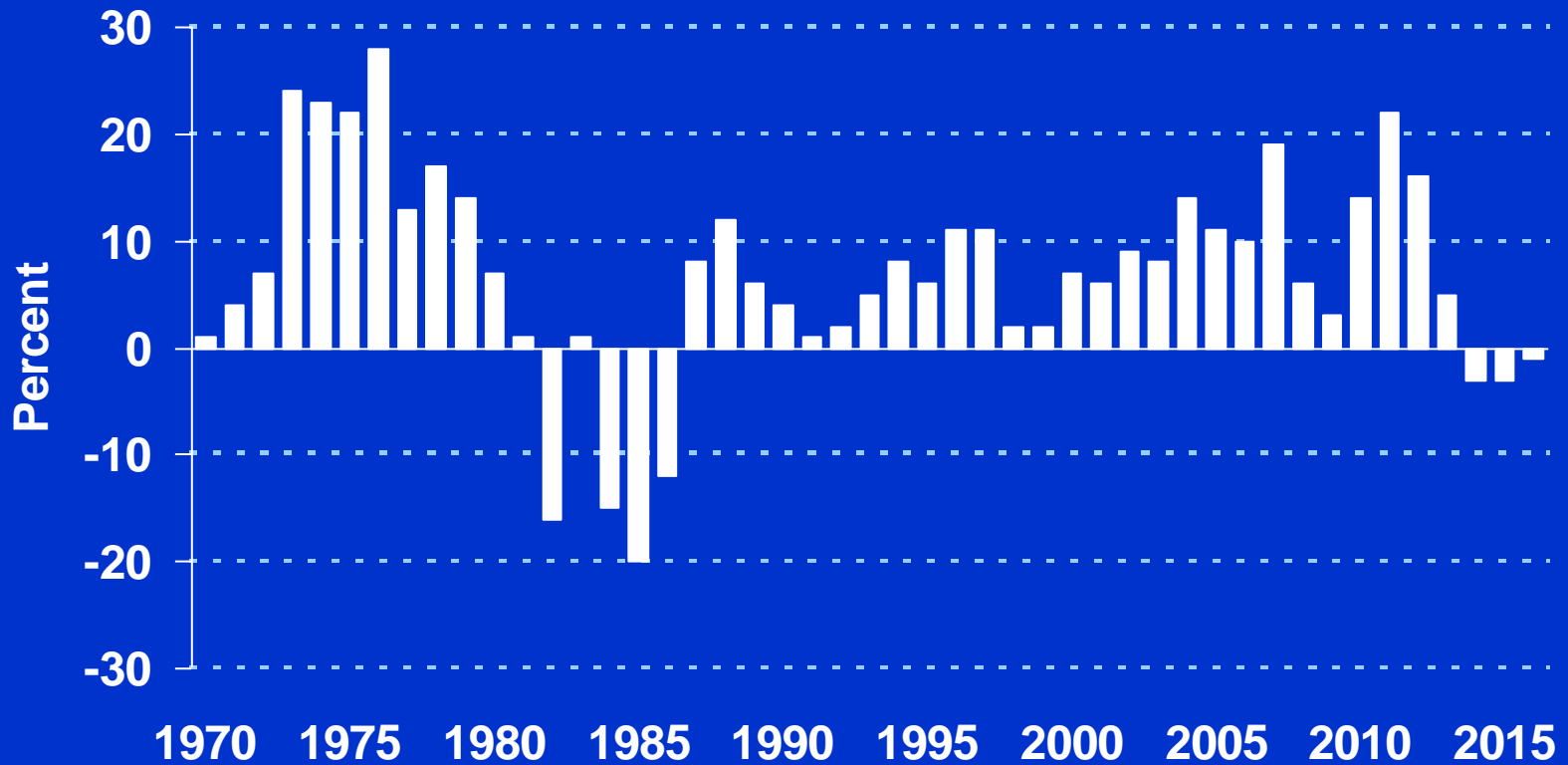


# House Price Indexes

(expanded data from the Federal Housing Finance Agency)



## *Annual change in farmland values in Seventh Federal Reserve District*

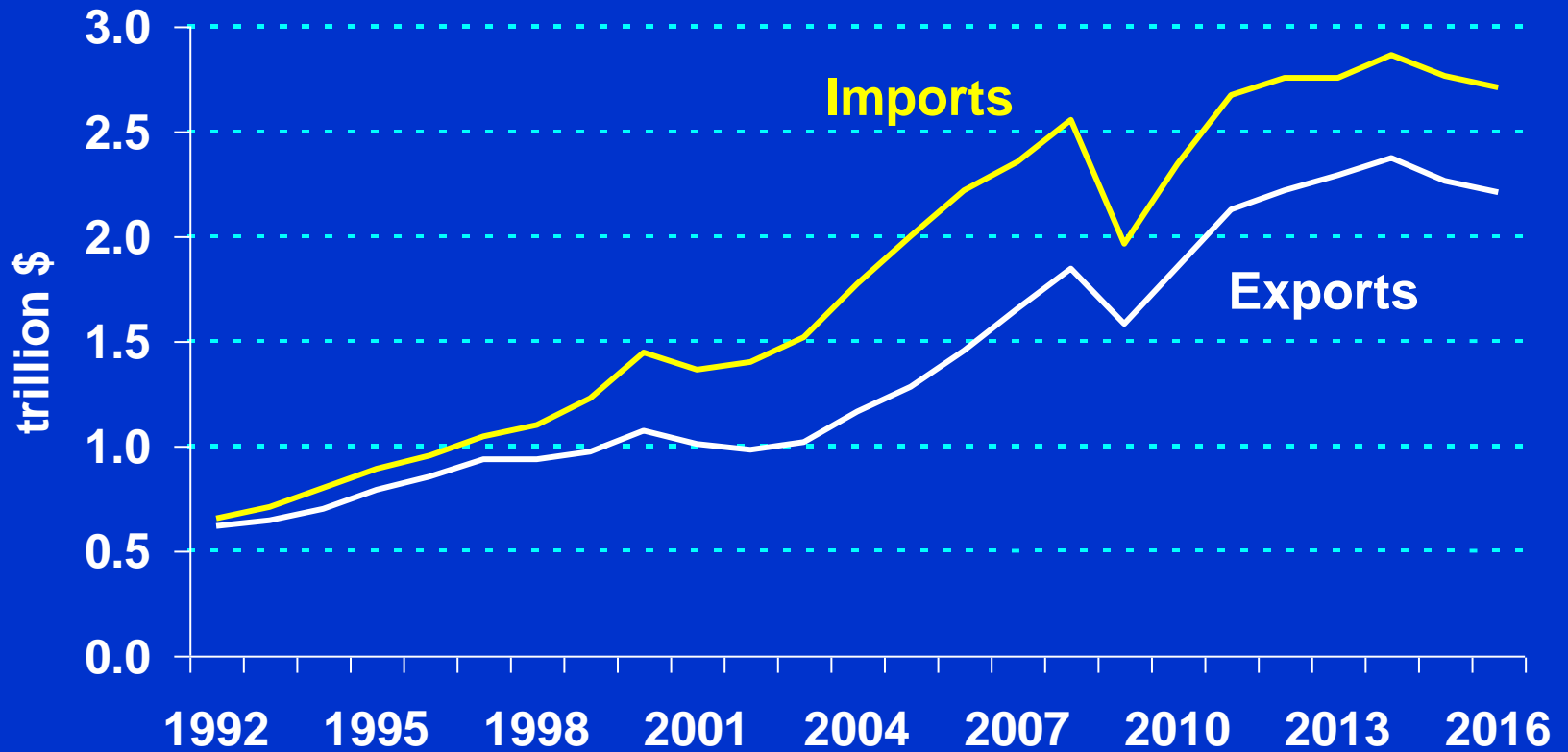


# *The dollar's exchange value peaked in 2002, before falling below earlier range and rallying*

(Real Broad Trade-Weighted Exchange Value of the US\$)  
{March 1973=100}



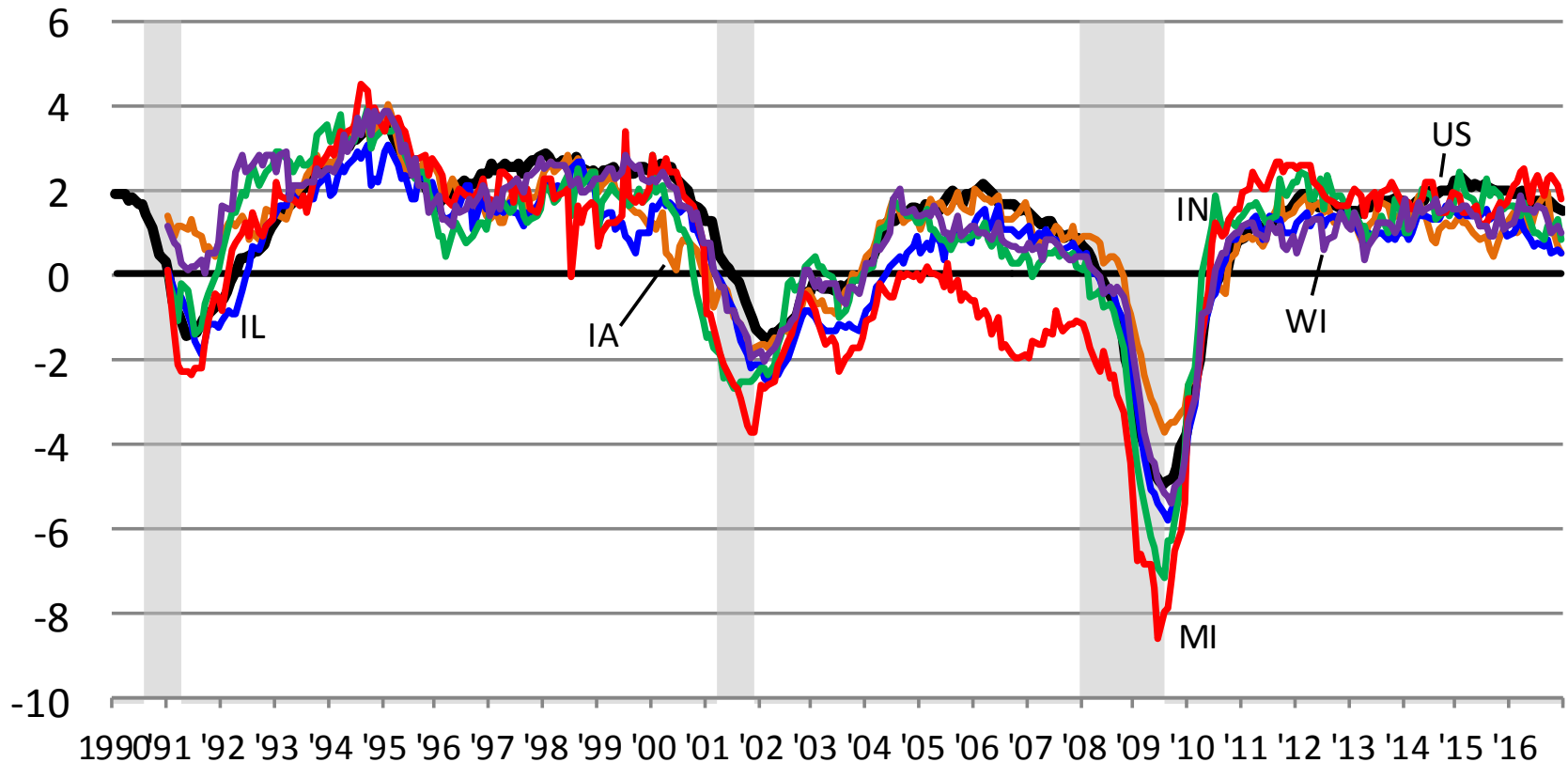
# U.S. exports and imports decreased in 2016



**Employment fell by over 8.7 million jobs  
between December 2007 and February 2010,  
and finally recovered all the lost jobs in May 2014**

## Total employment

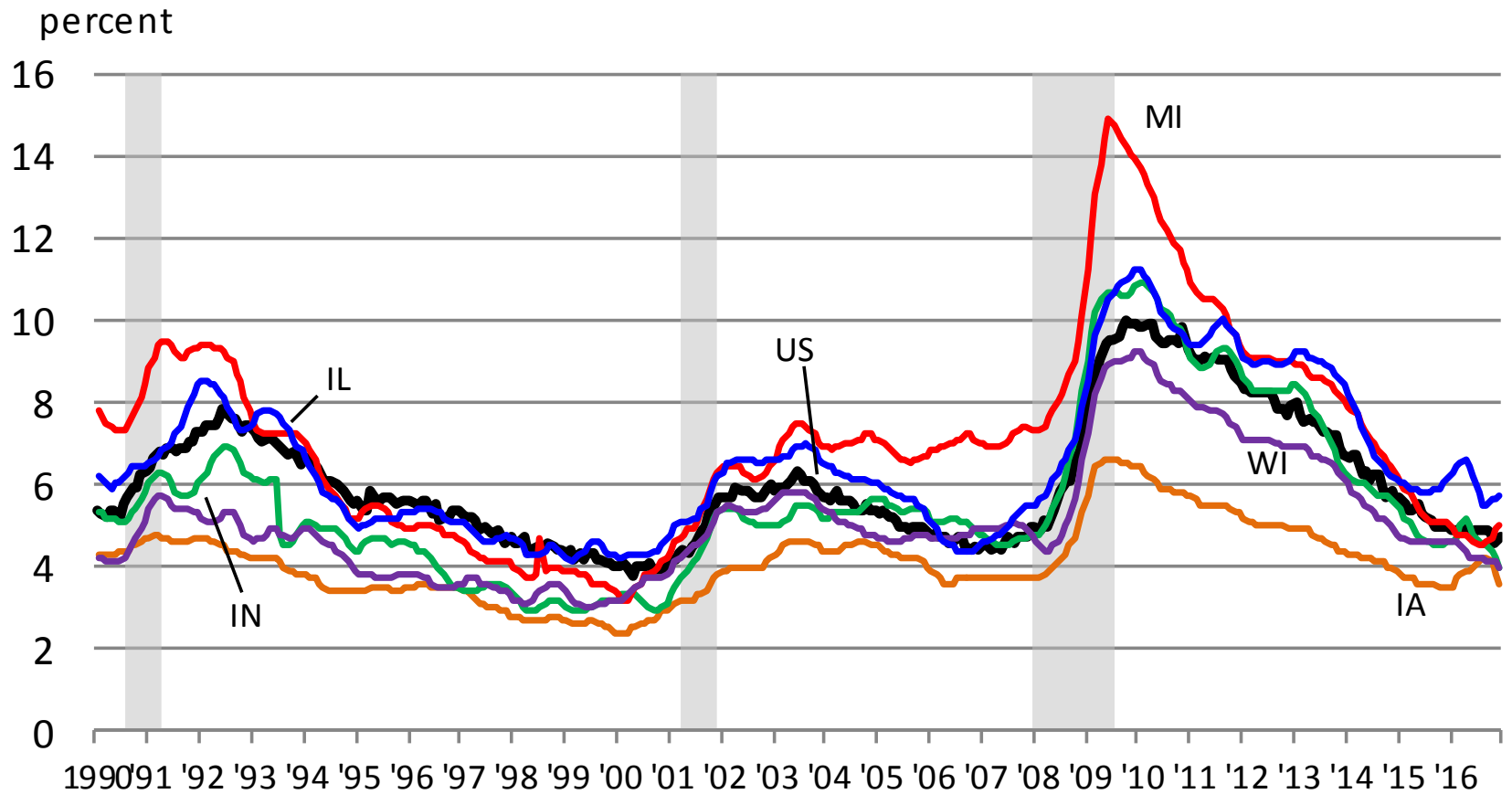
percent change from a year earlier





# Unemployment rates have fallen dramatically and are approaching the natural rate

## Unemployment rate



# The share of those unemployed more than 6 months remains significantly high

## Unemployed for 27 weeks or more

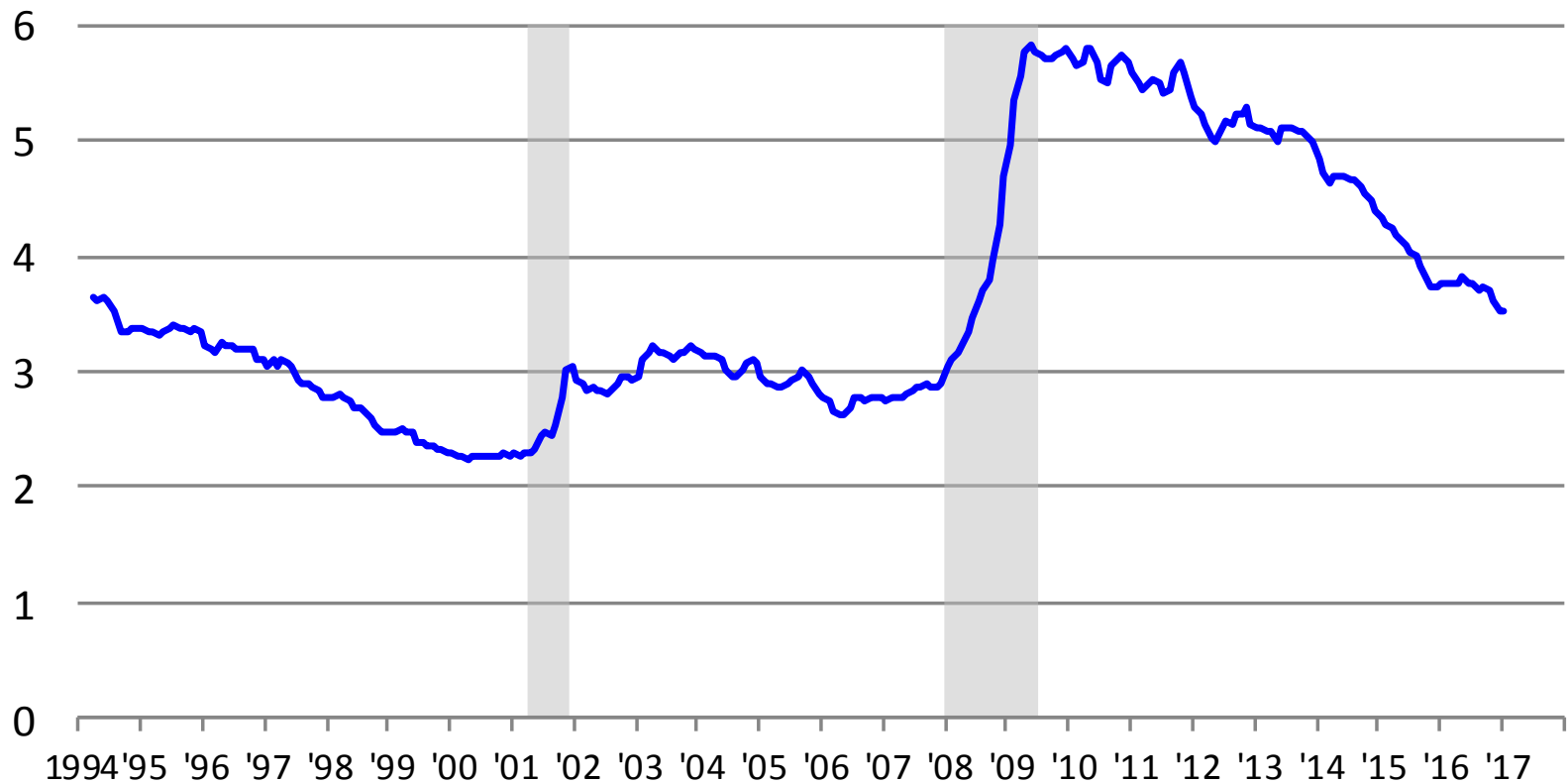


# Part-time employment for economic reasons has remained high

Unemployment rate - part-time workers for economic reasons

(3 month moving average)

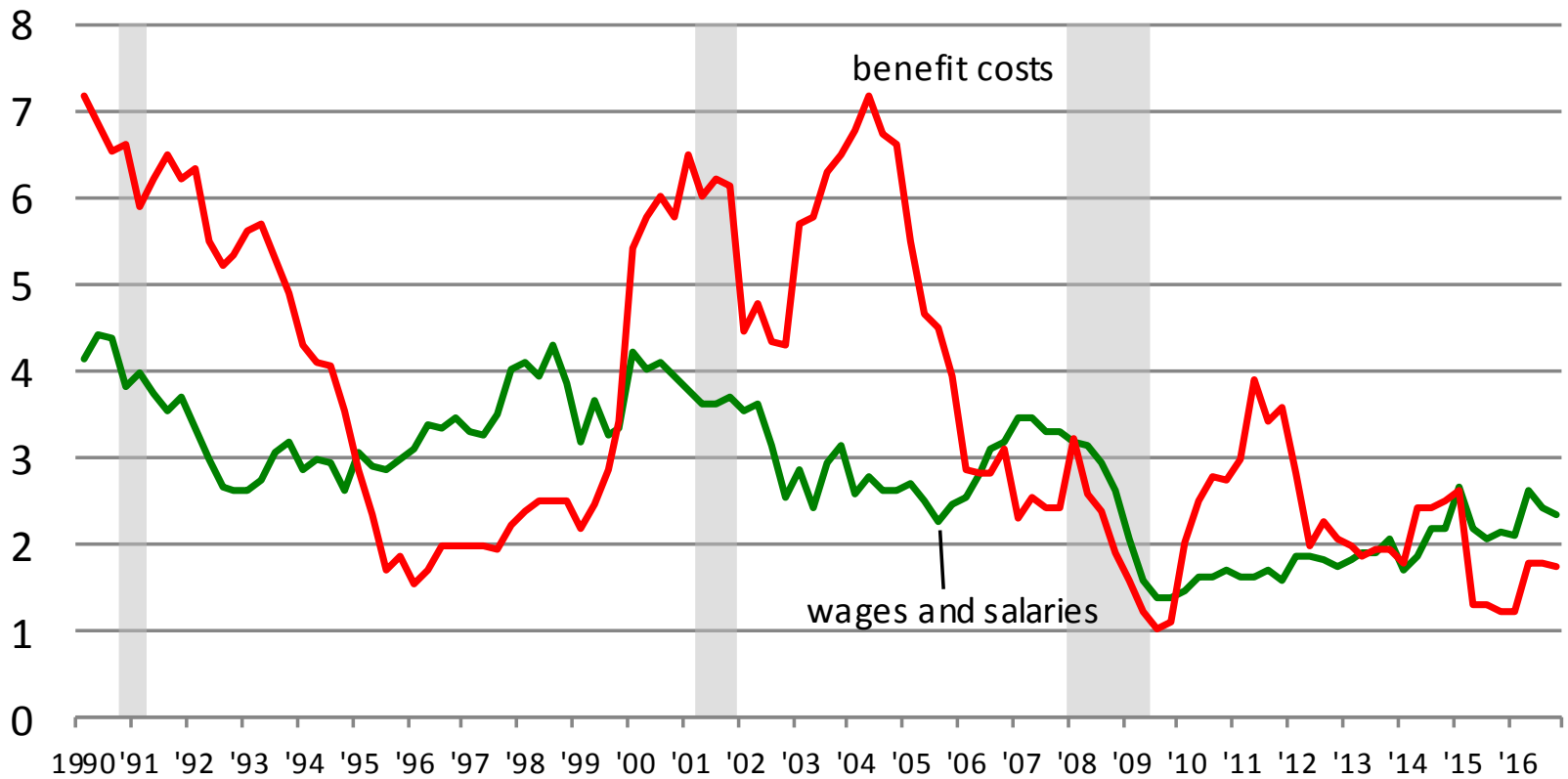
percent



# Wages and benefit cost increases remain low

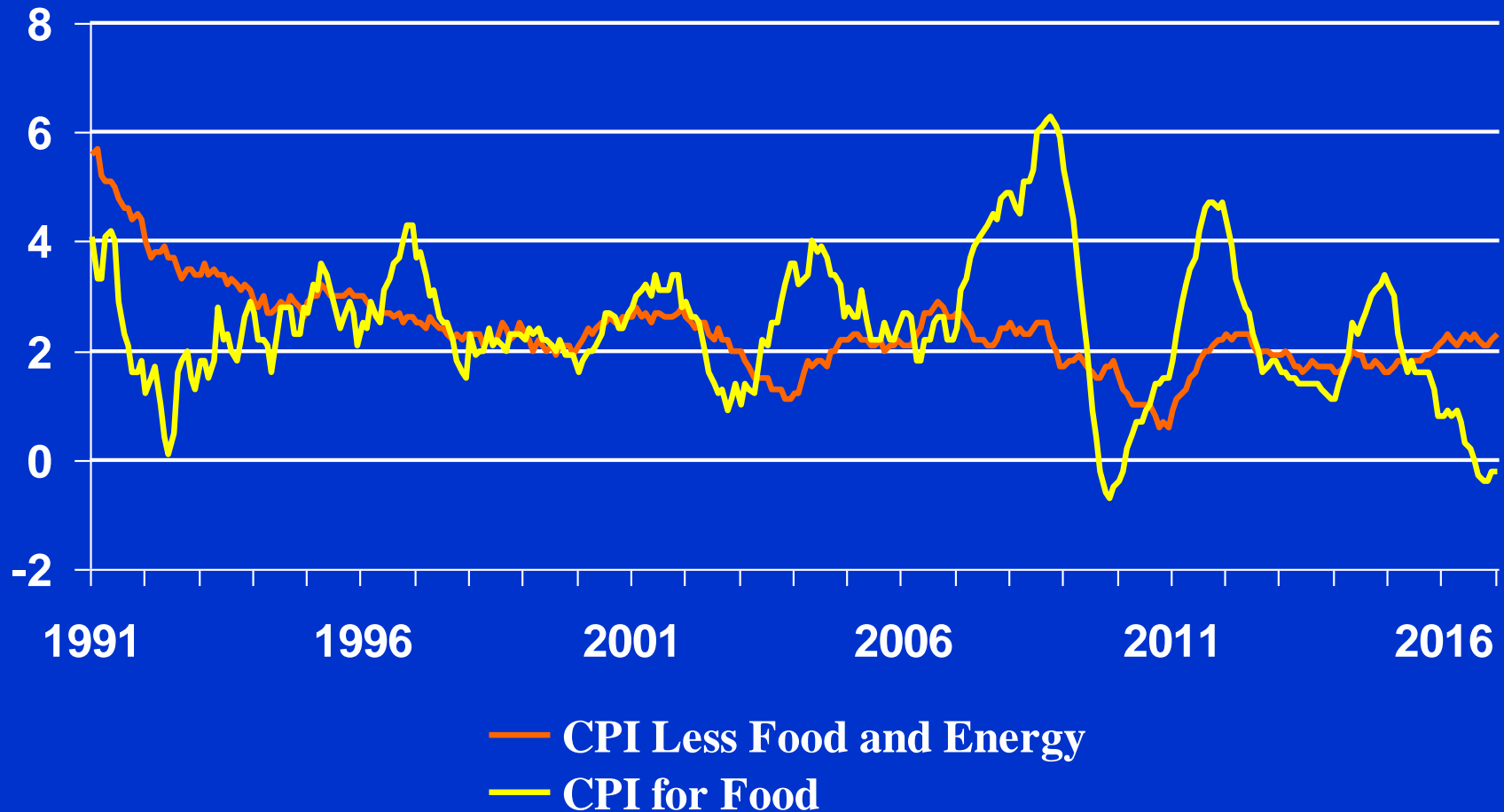
## Employment cost index

percent change from year ago



# *Food price changes now well below core inflation (less food and energy)*

(Consumer Price Index, percent change from year ago)

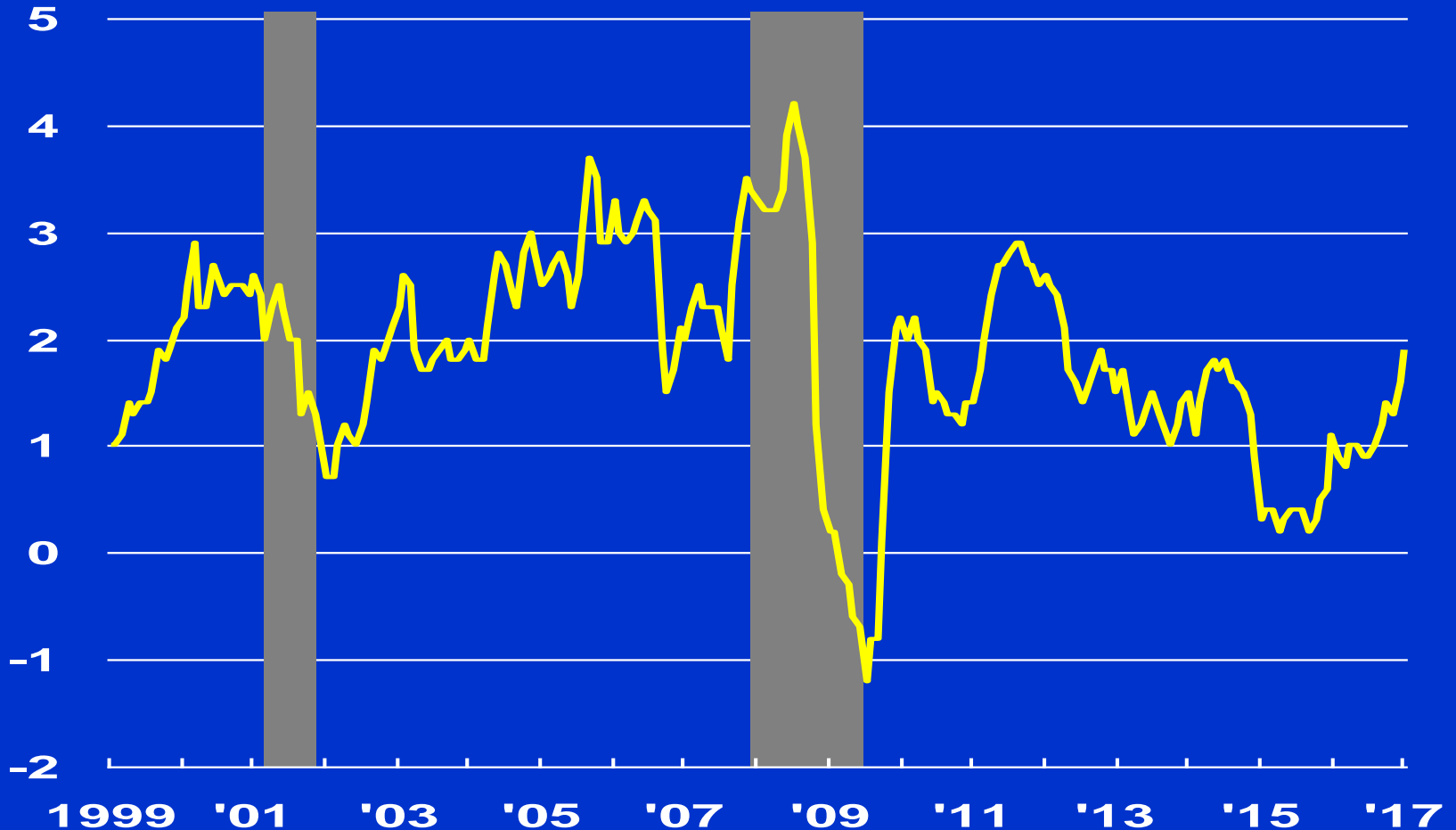


**Oil prices plummeted and lower  
gas prices boosted consumer saving/spending**  
*(2010 \$/barrel)*



# Even including volatile food and energy components, inflation remains contained

(personal consumption expenditure index, year ago % change)



# Summary

- The outlook is for the U.S. economy to expand at a pace around trend through 2019
- Employment growth is expected to slow with the unemployment rate edging lower
- Shrinking slack in the economy will help the inflation rate gradually rise toward 2%
- Growth in manufacturing sector should continue
- Housing turned the corner, but still has far to go
- Net exports remain a wild card given world conditions



[www.chicagofed.org](http://www.chicagofed.org)

