
Consensus Outlook - 2017

Thirtieth Annual Economic Outlook Symposium

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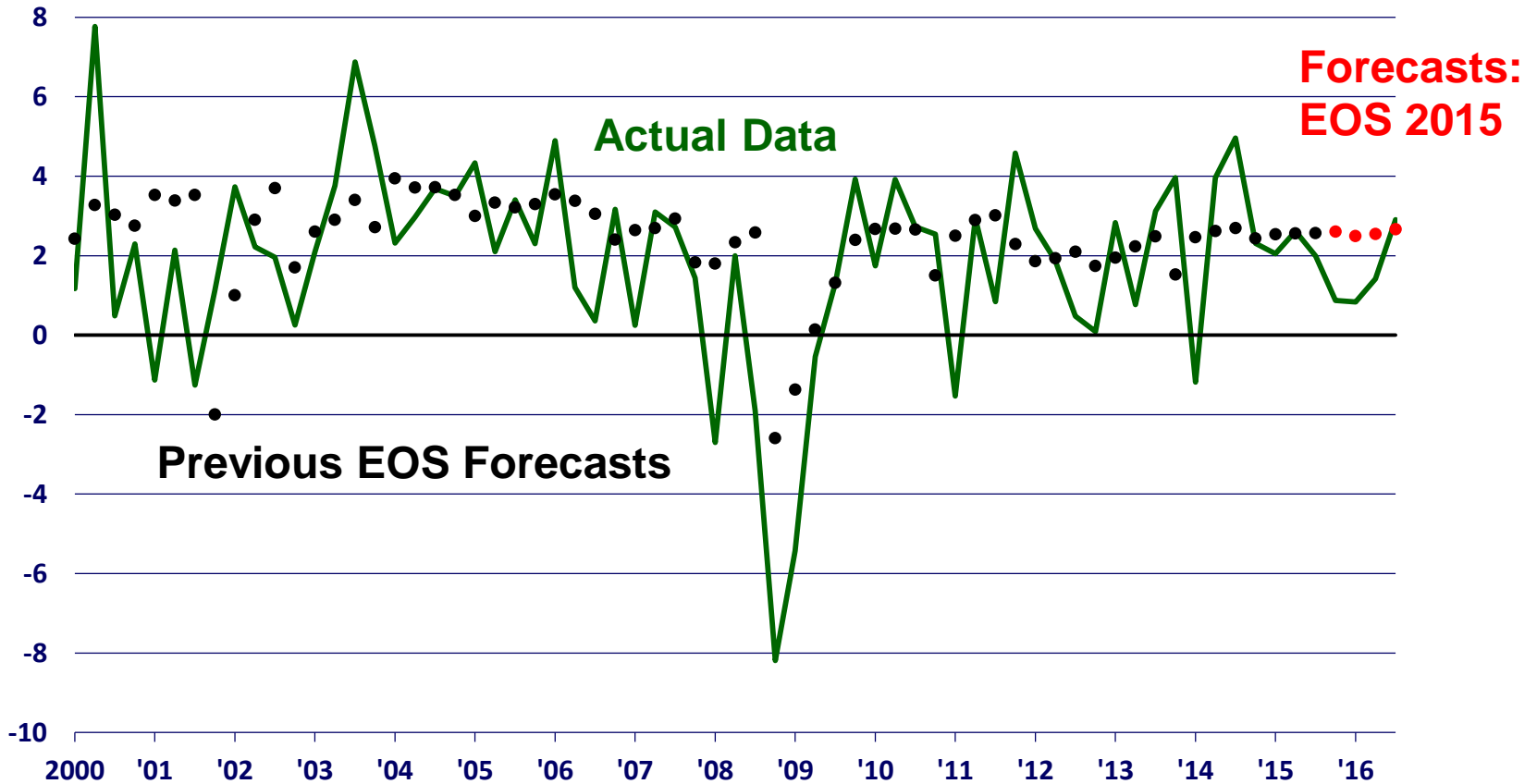
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Review of Past Performance

The growth in real GDP was below last year's forecast

Real GDP

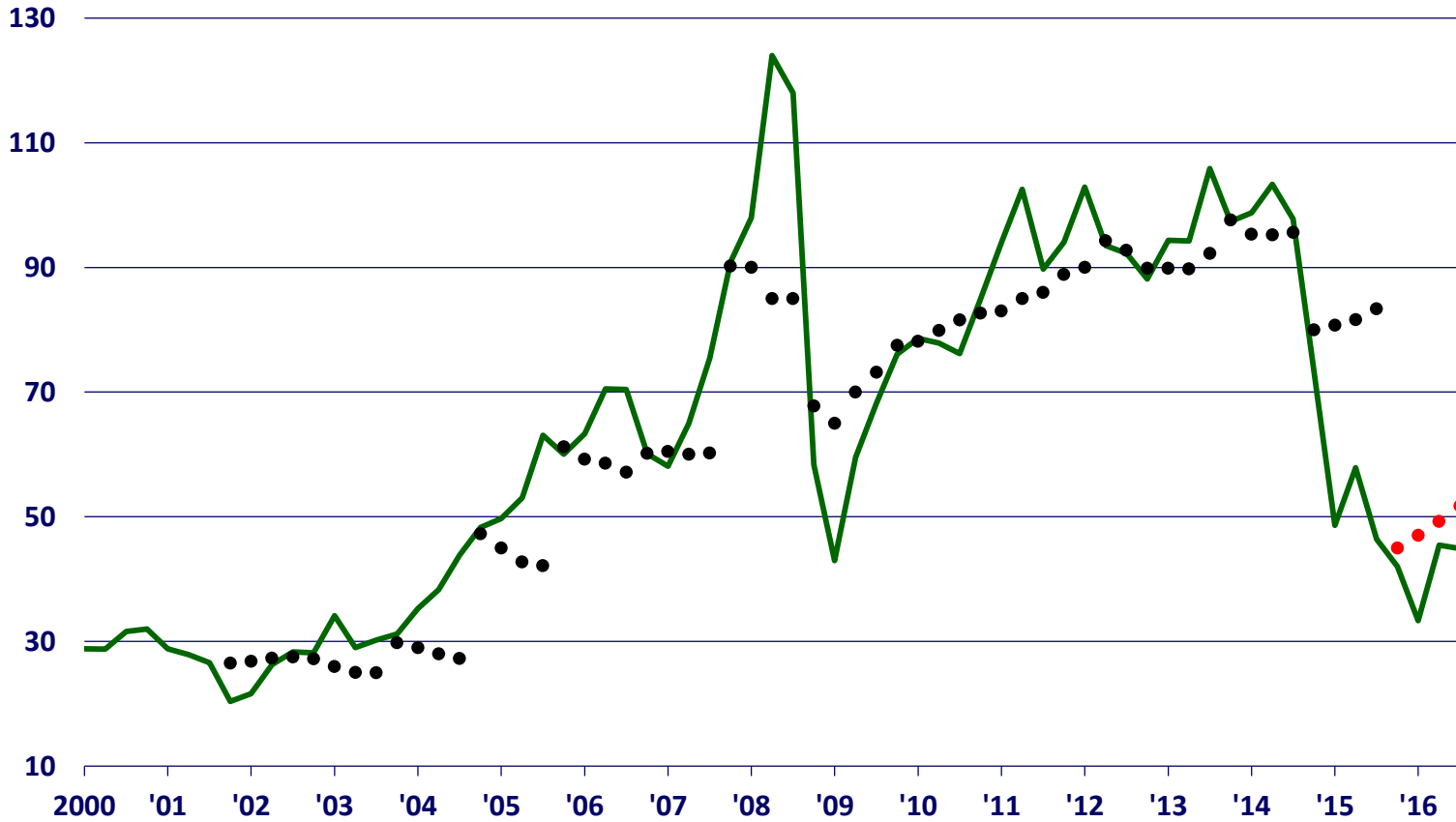
(percent change, annualized)



Oil prices remained below what was expected during 2016

Oil Prices - West Texas Intermediate

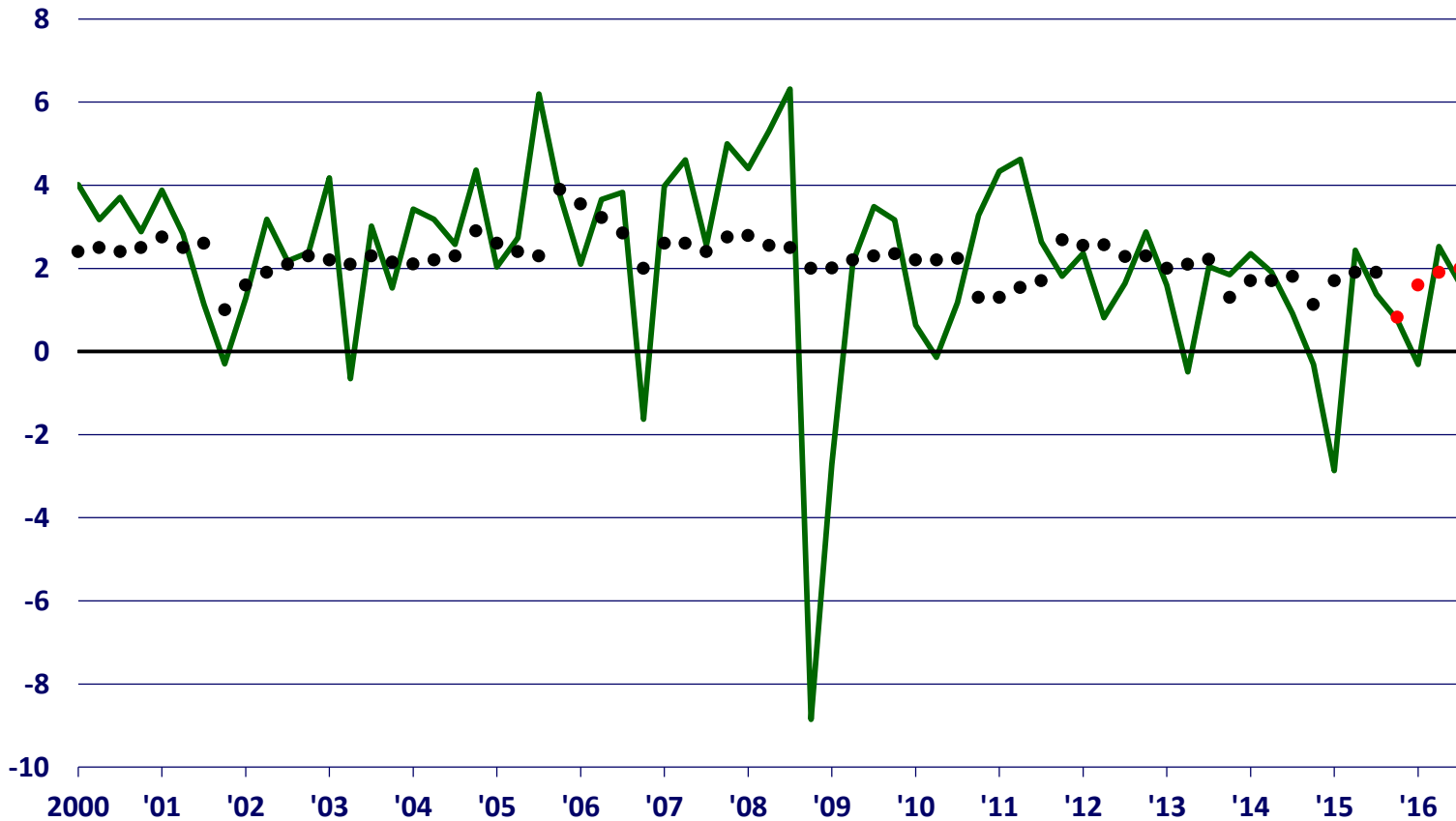
(dollars per barrel)



In part, lower oil prices kept inflation somewhat below what was anticipated

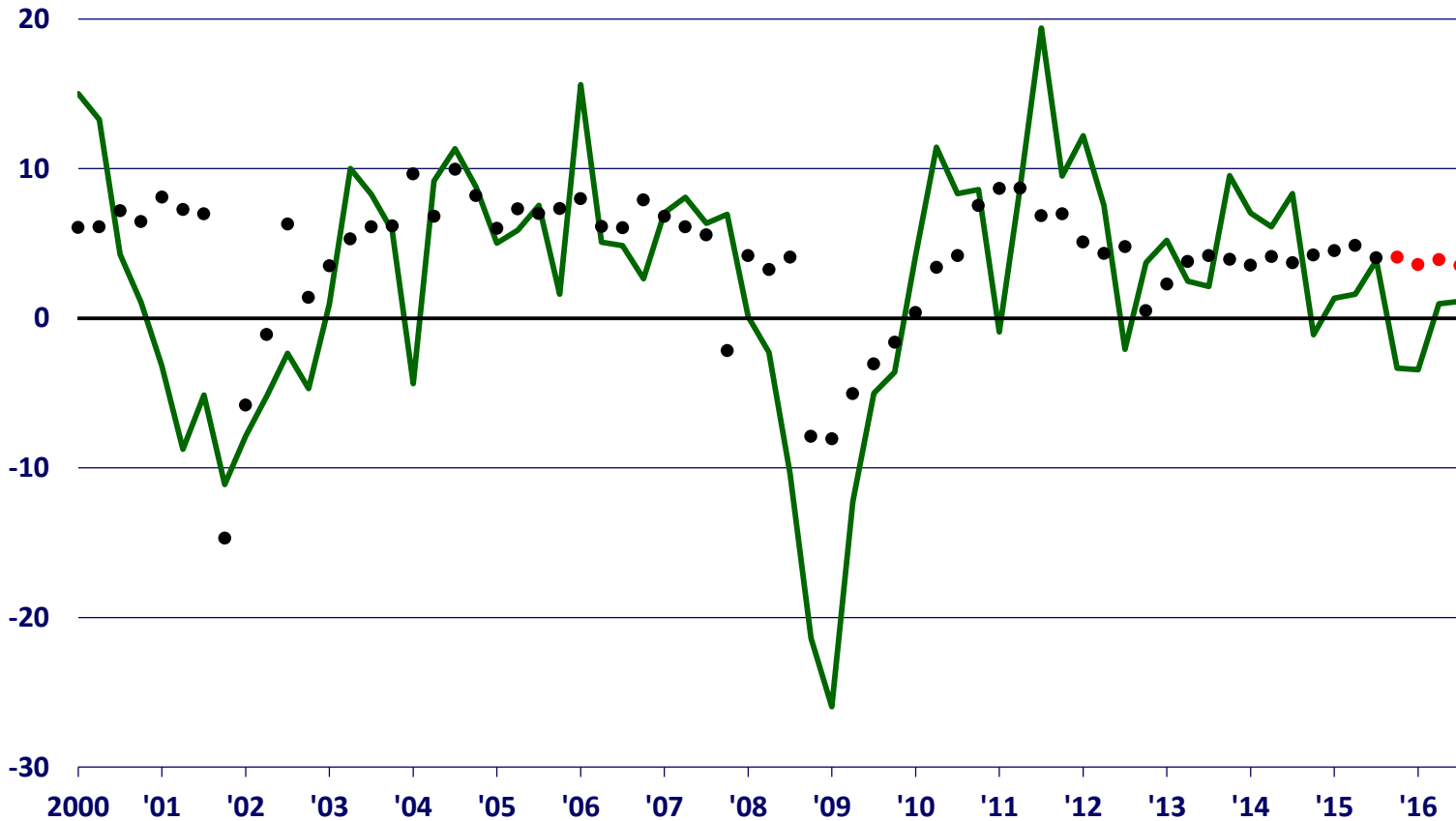
CPI Inflation Rate

(percent change, annualized)



One of the bigger misses, was the much weaker performance in business fixed investment

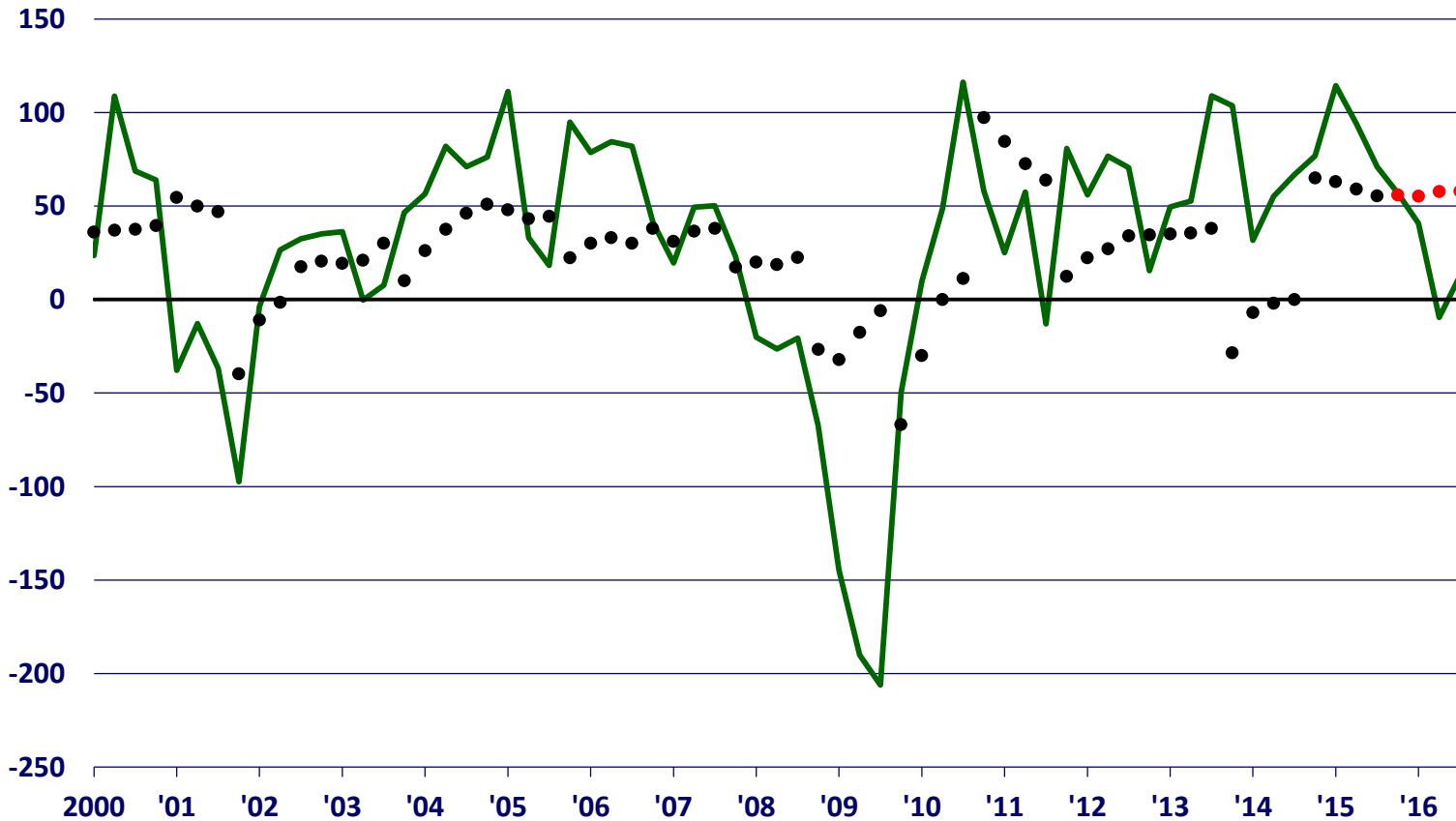
Business Fixed Investment
(percent change, annualized)



Inventories were added at a much slower pace than anticipated

Change in Private Inventories

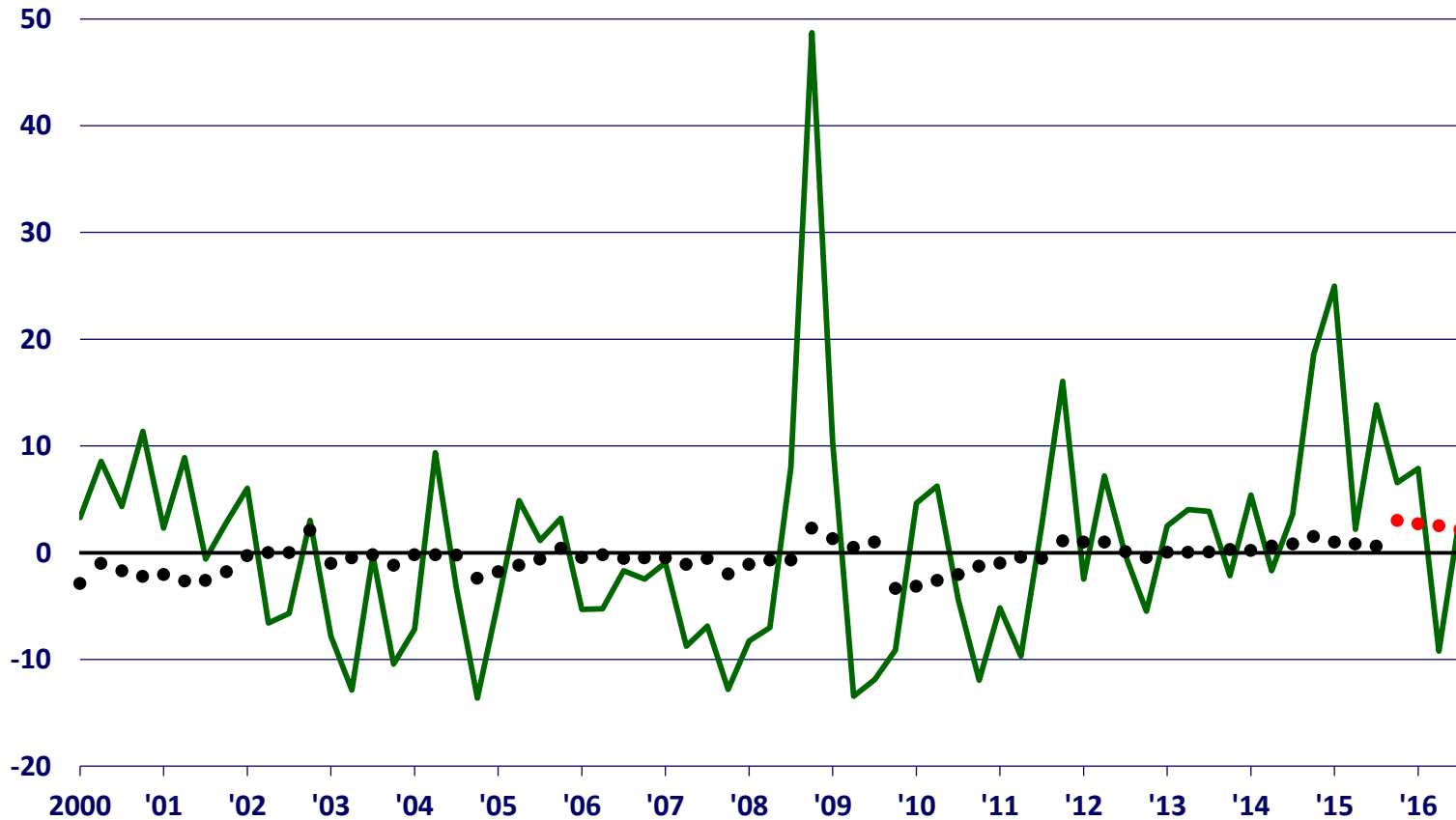
(billions of constant dollars)



While quite volatile, the trade weighted value of the dollar was close to the forecast

J.P. Morgan Trade Weighted Dollar

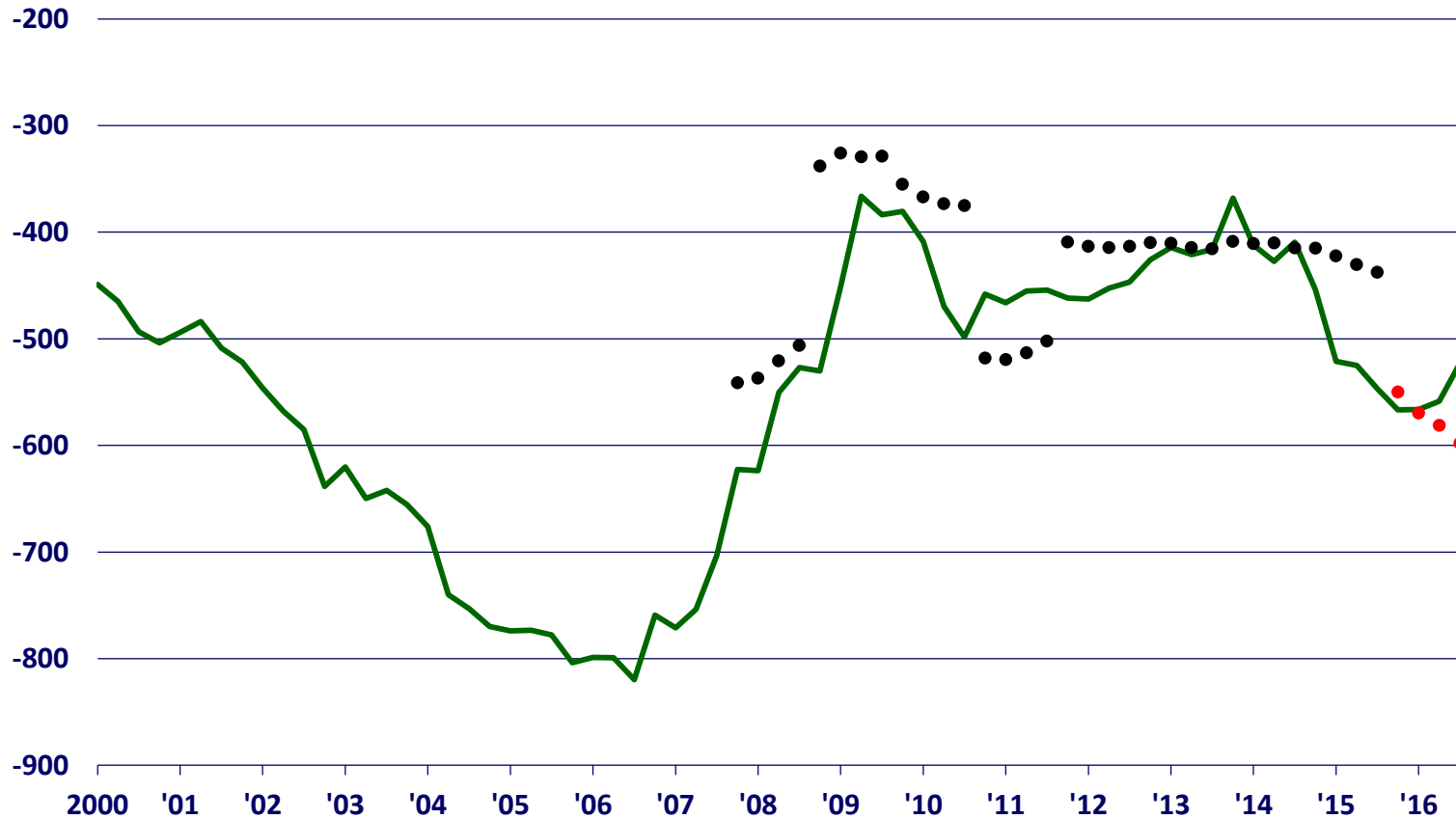
(percent change, annualized)



Even with a somewhat stronger dollar, the expected deterioration in trade balance did not occur

Net Exports of Goods and Services

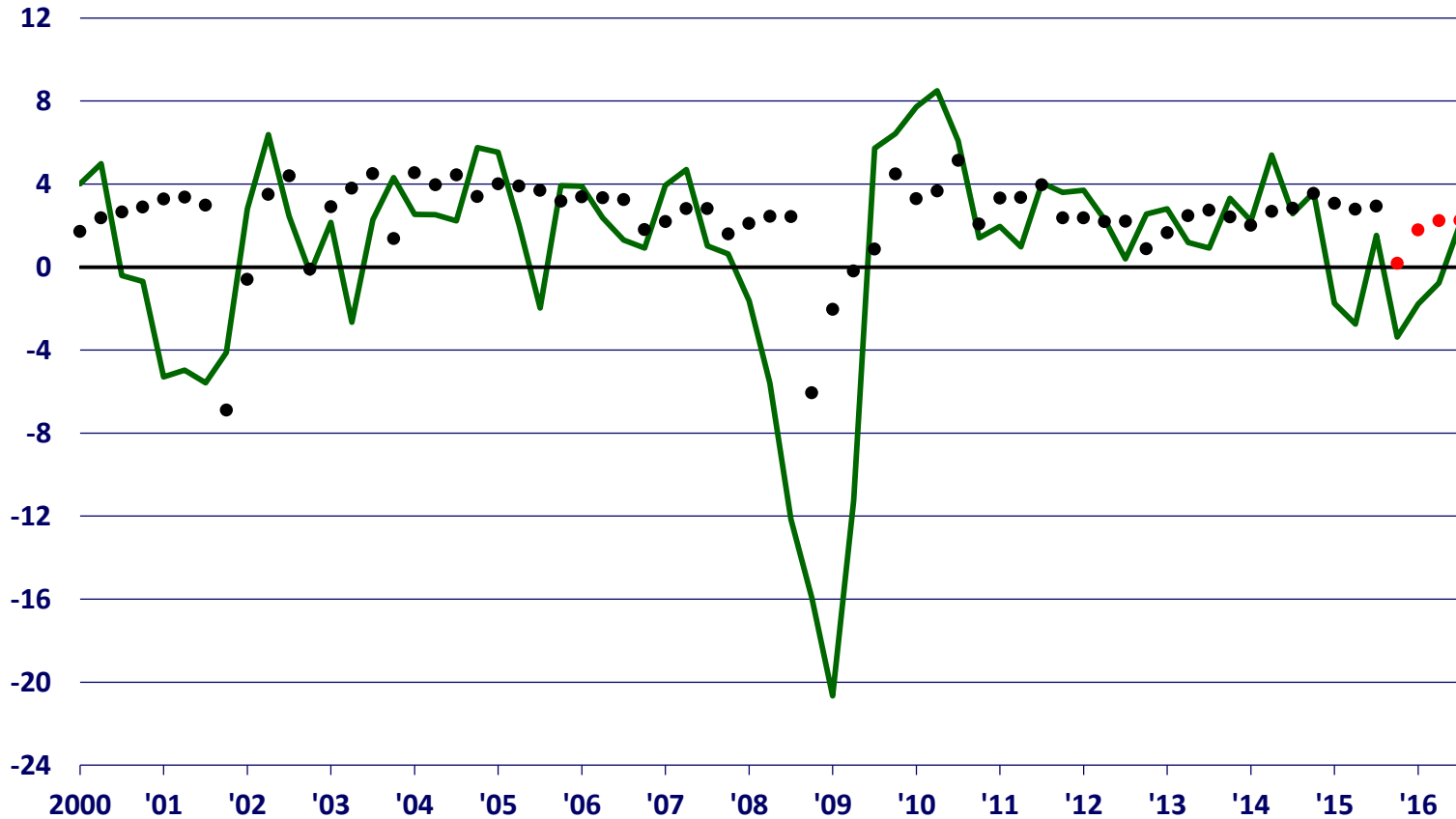
(billions of constant dollars)



Industrial production growth was softer than forecast

Industrial Production

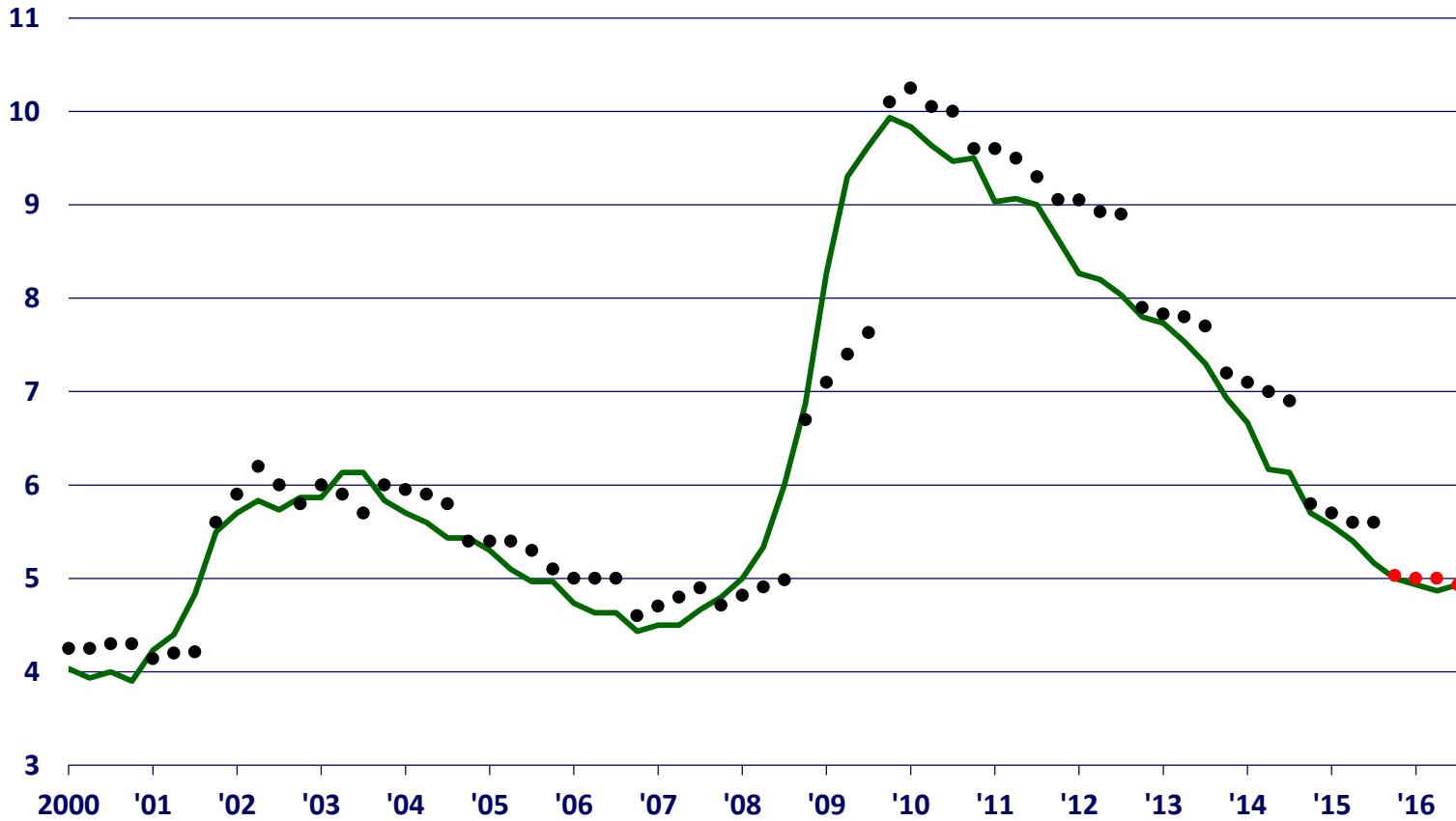
(percent change, annualized)



The unemployment rate was almost perfectly predicted

Unemployment Rate

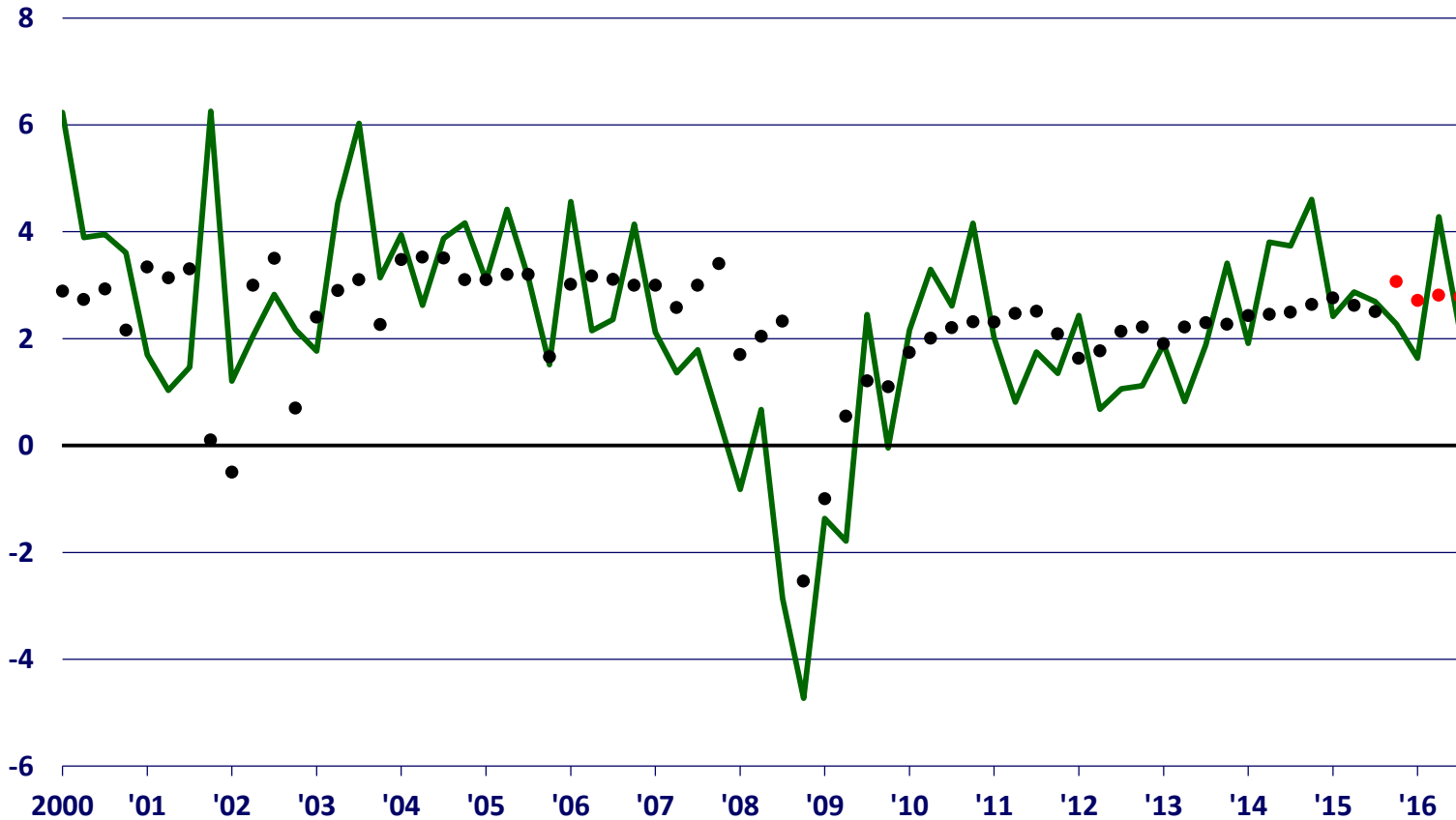
(percent)



Consumer spending was close to the forecast

Personal Consumption Expenditures

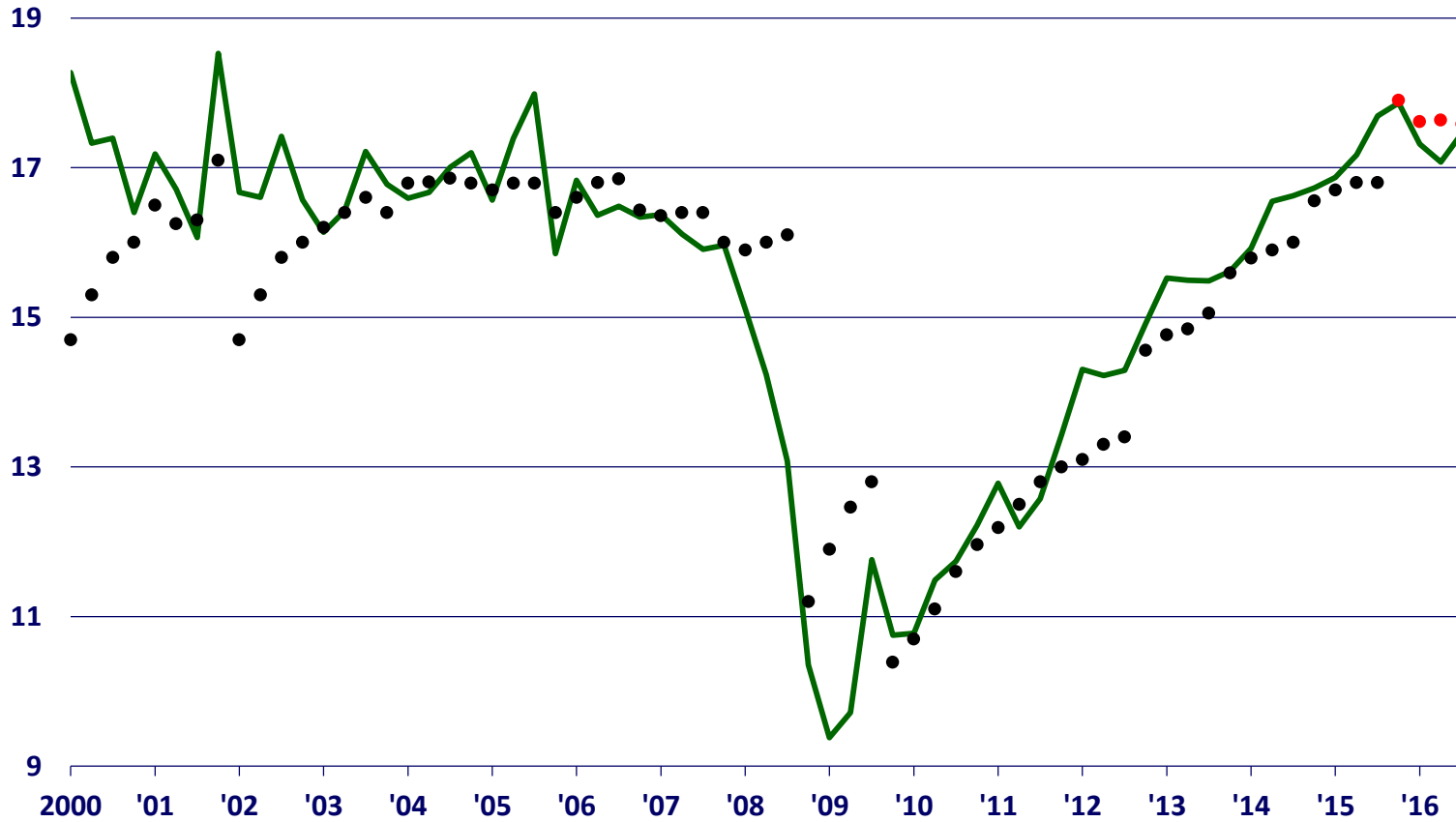
(percent change, annualized)



Yet, light vehicle sales came in a bit below what was predicted

Car and Light Truck Sales

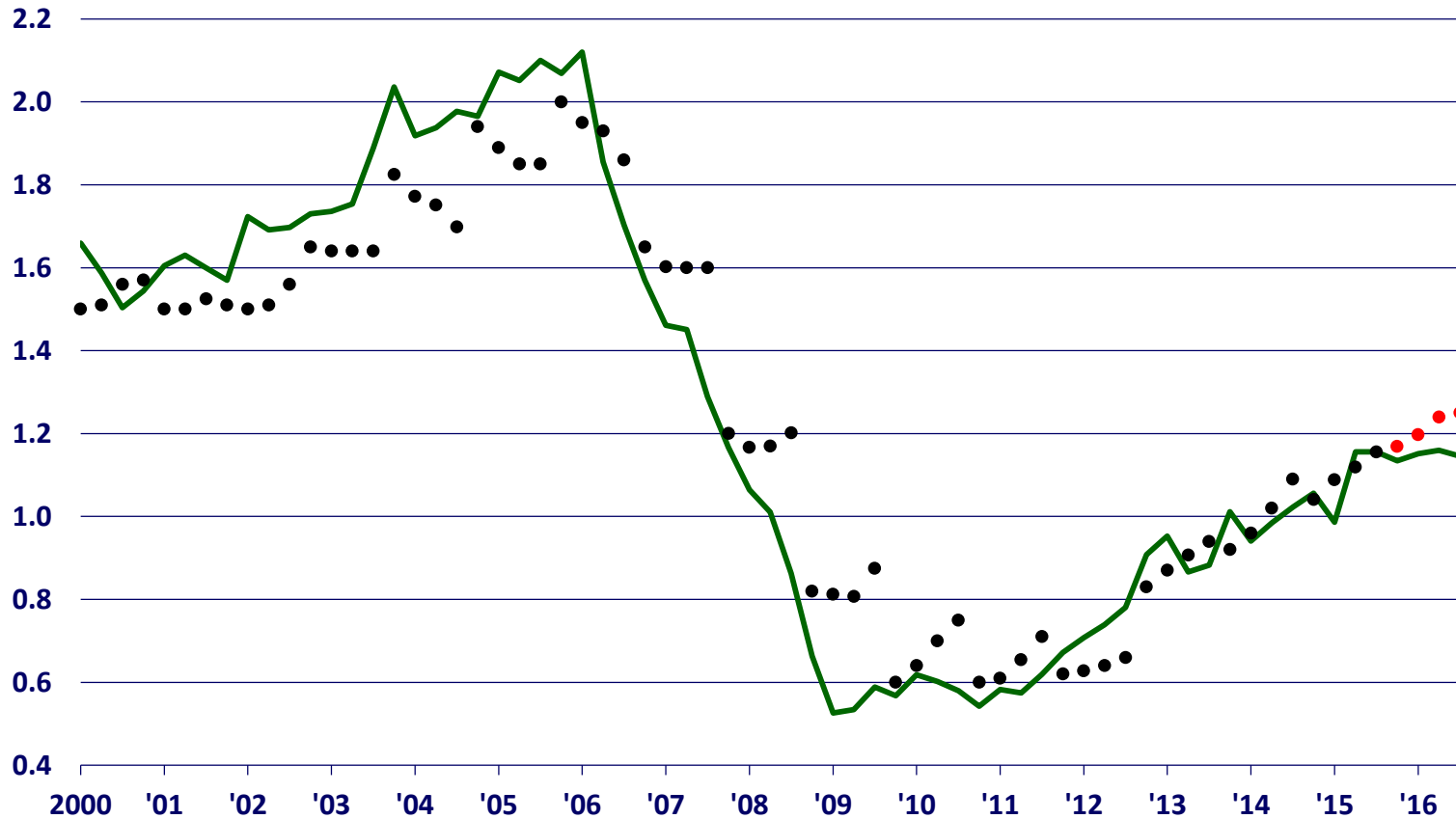
(millions of units)



The forecast of continued steady improvement in housing starts fell short during 2016

Housing Starts

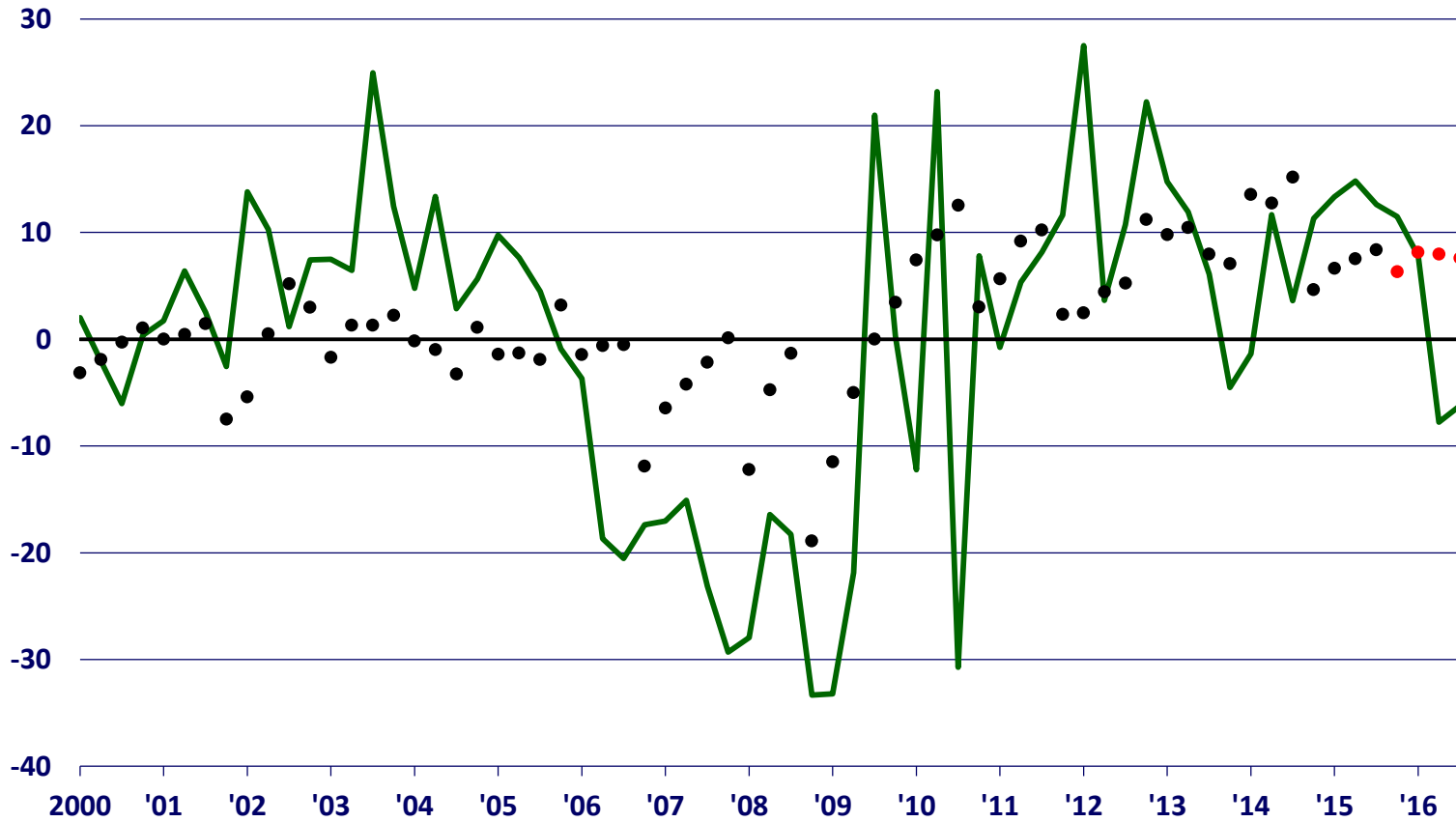
(millions of units)



This led to a big miss in residential investment

Residential Investment

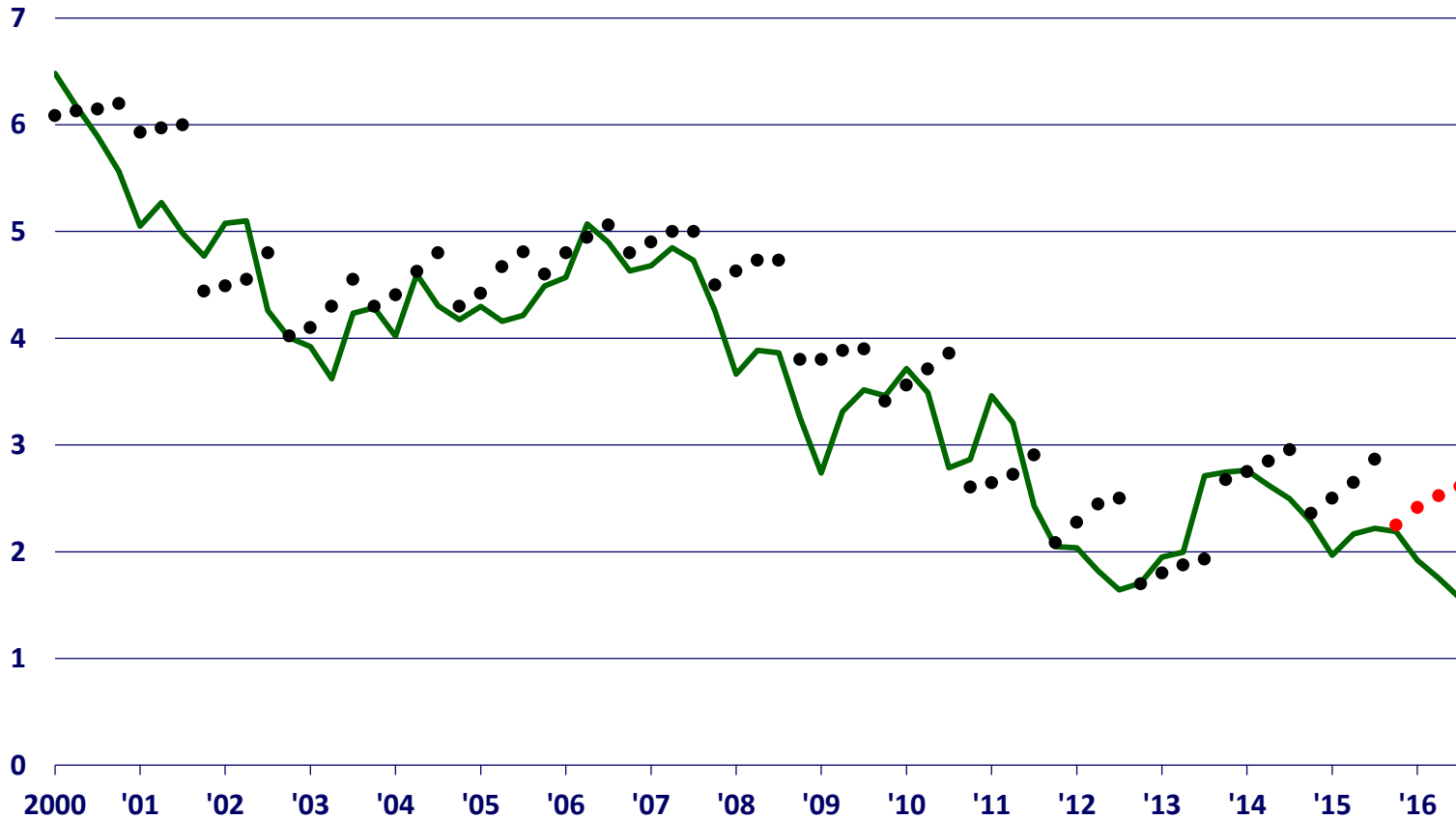
(percent change, annualized)



This housing starts miss occurred even as longer-term rates moved lower rather than the predicted increase

Treasury Ten-year Rate

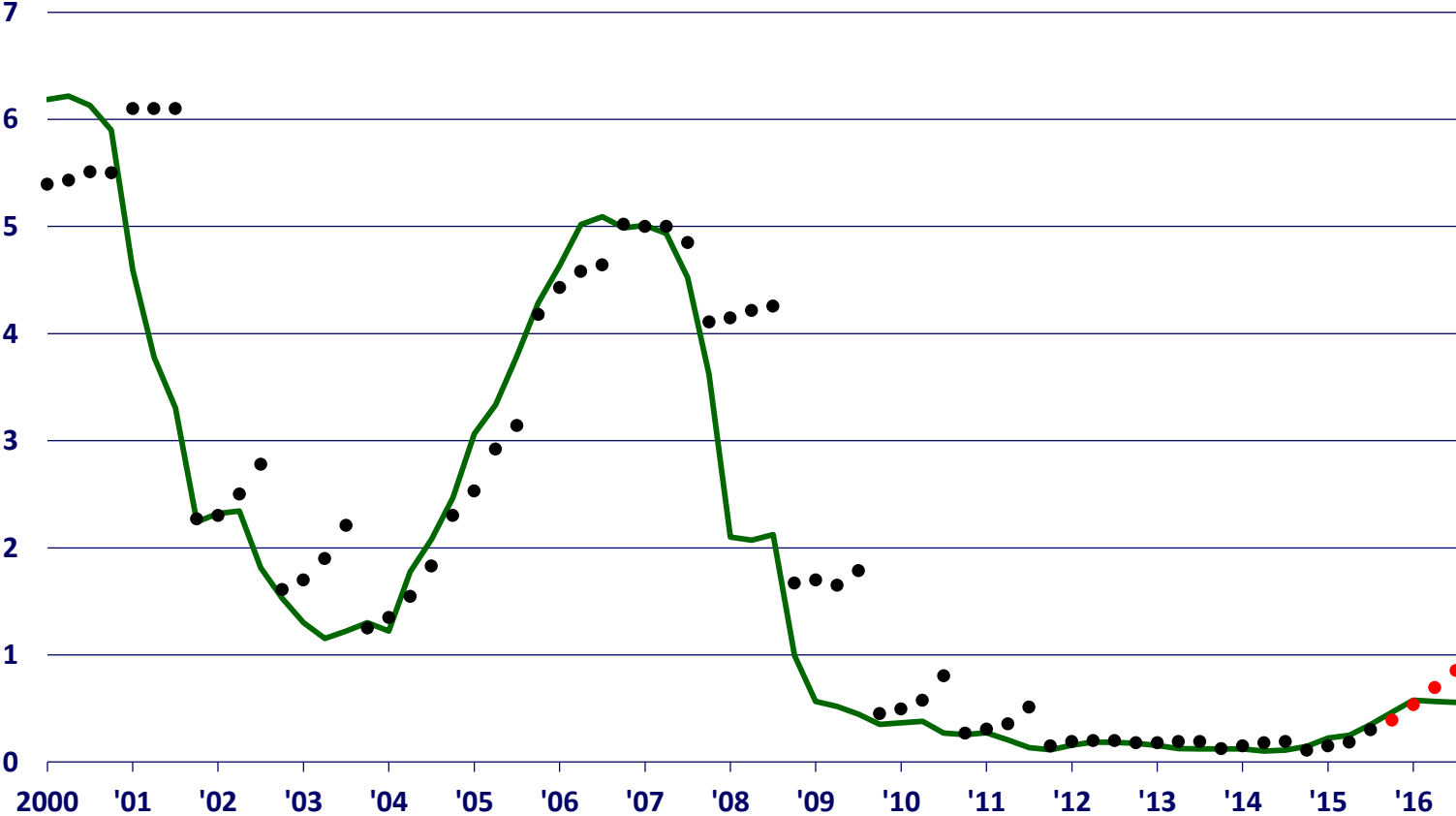
(percent)



Short term interest rates also fell short of what was expected

Treasury One-year Rate

(percent)

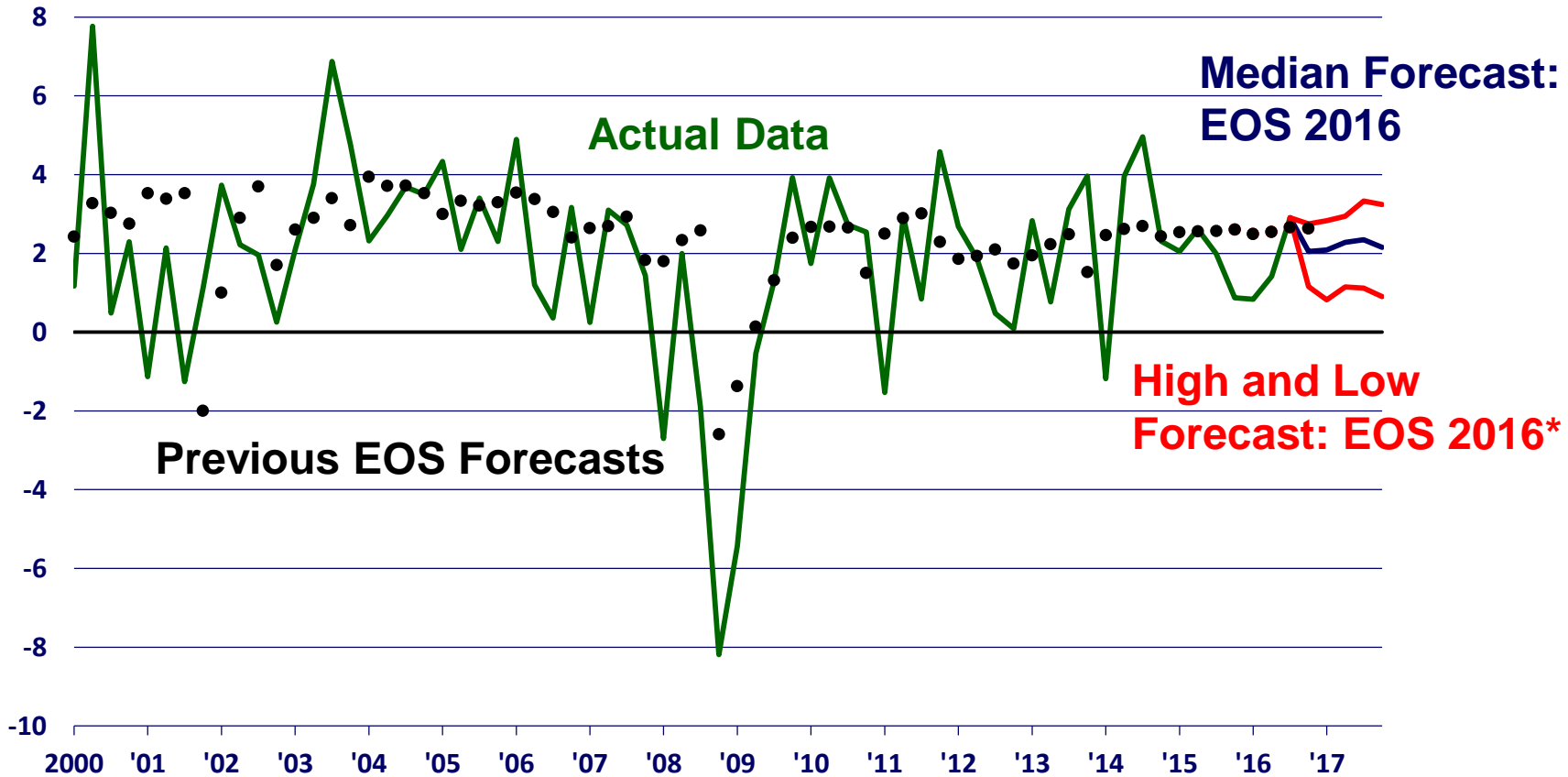


Forecast for 2017

Real GDP is expected to increase by 2.2% next year

Real GDP

(percent change, annualized)

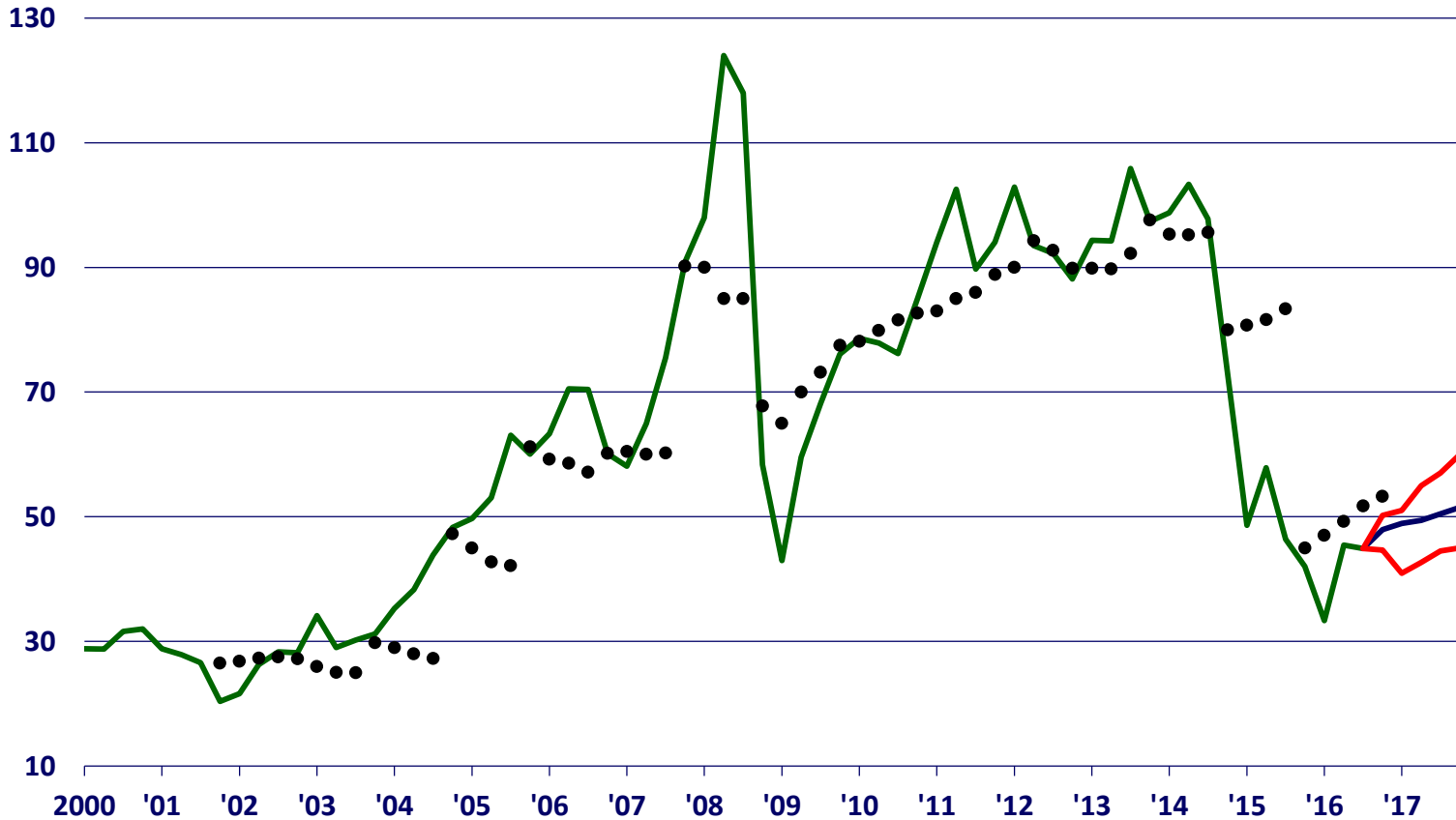


*Excludes the two highest and two lowest forecasts

Oil prices are predicted to remain low, averaging \$51.53 per barrel by the end of 2017

Oil Prices - West Texas Intermediate

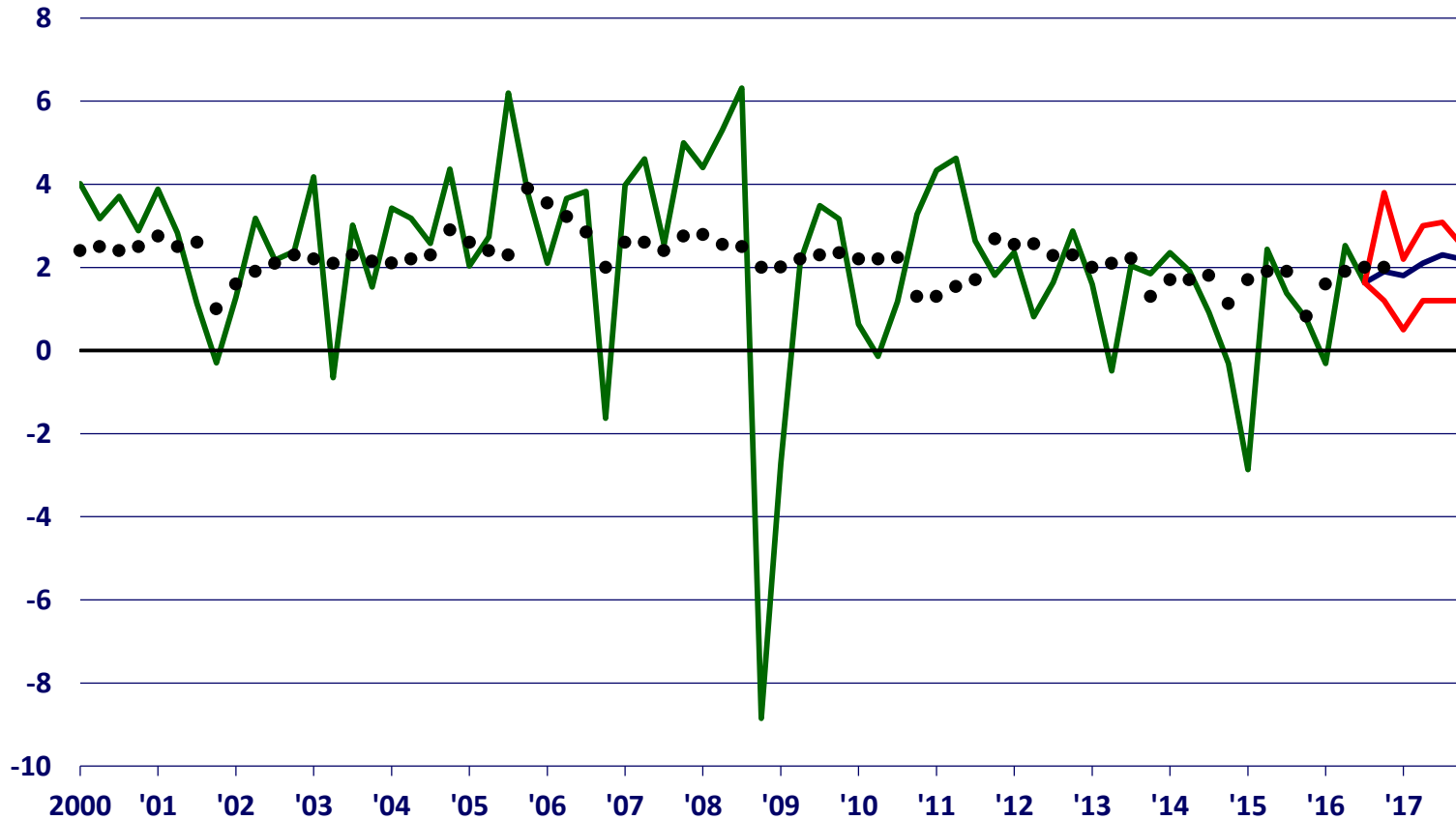
(dollars per barrel)



Inflation is forecast to rise 2.0% next year

CPI Inflation Rate

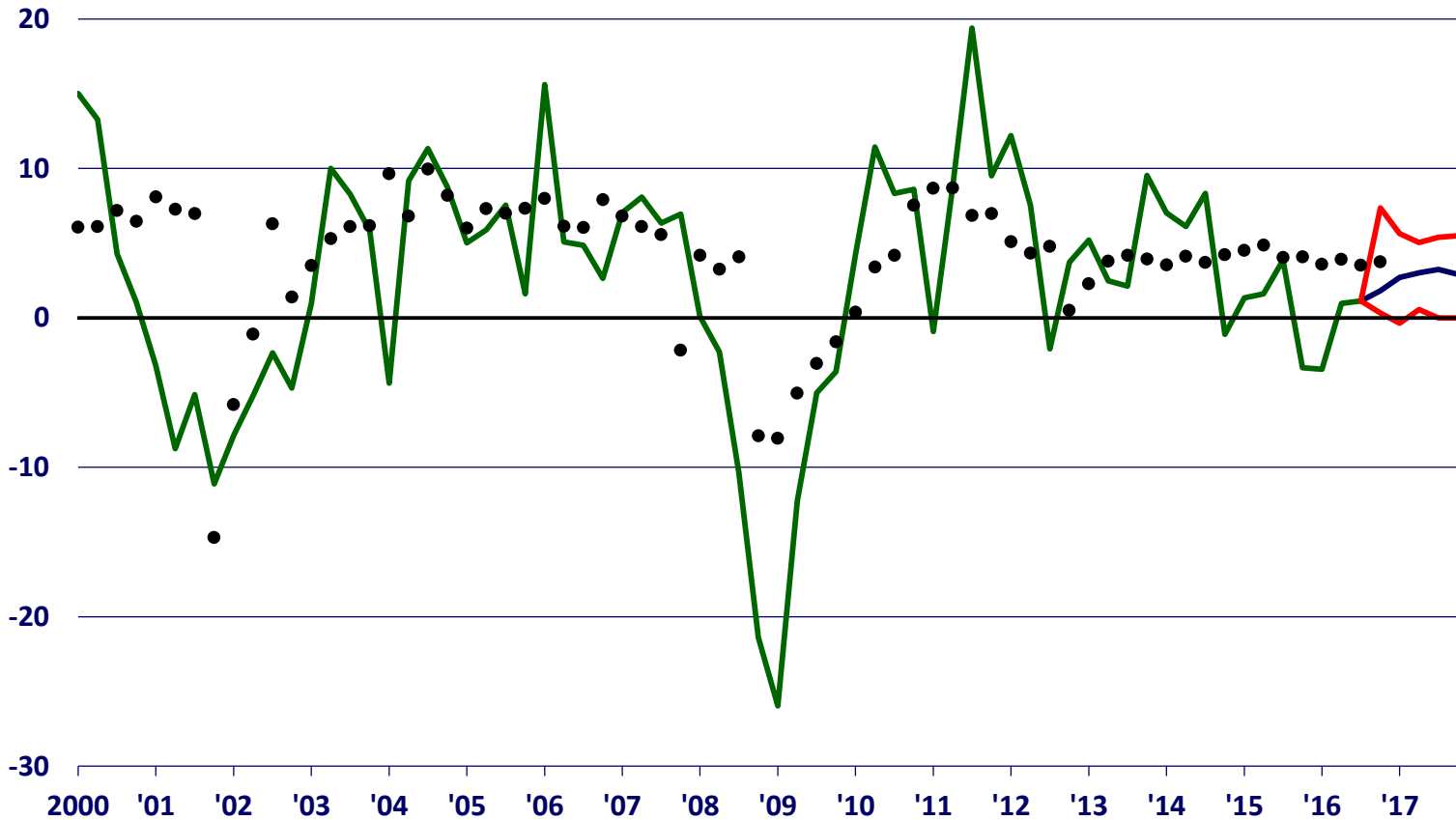
(percent change, annualized)



Business fixed investment is predicted to increase 3.2% over the coming year

Business Fixed Investment

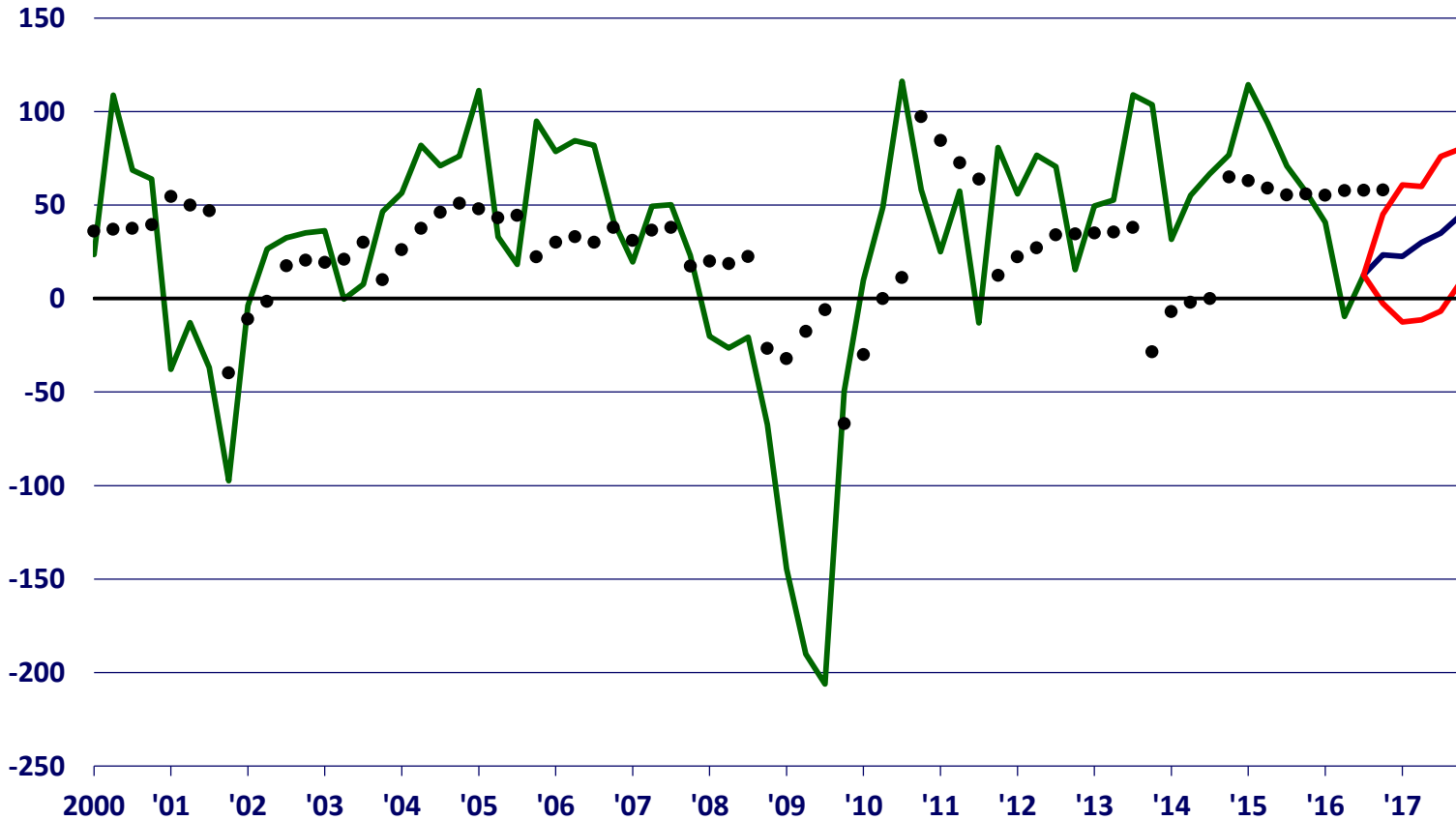
(percent change, annualized)



Business inventories are anticipated to grow at a faster pace in 2017

Change in Business Inventories

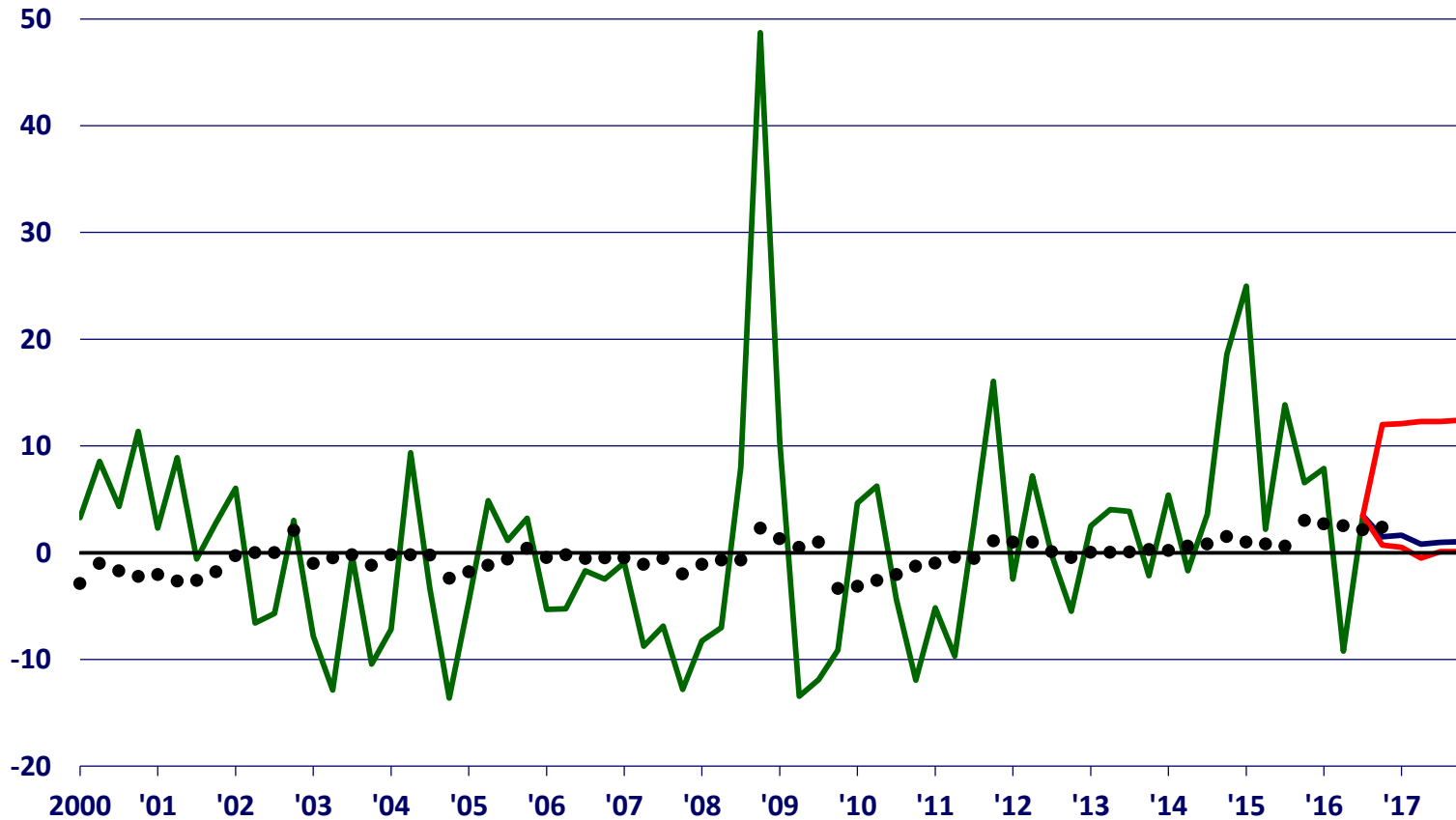
(billions of constant dollars)



The dollar is forecast to continue rising, gaining an additional 4.7% next year

J.P. Morgan Trade Weighted Dollar

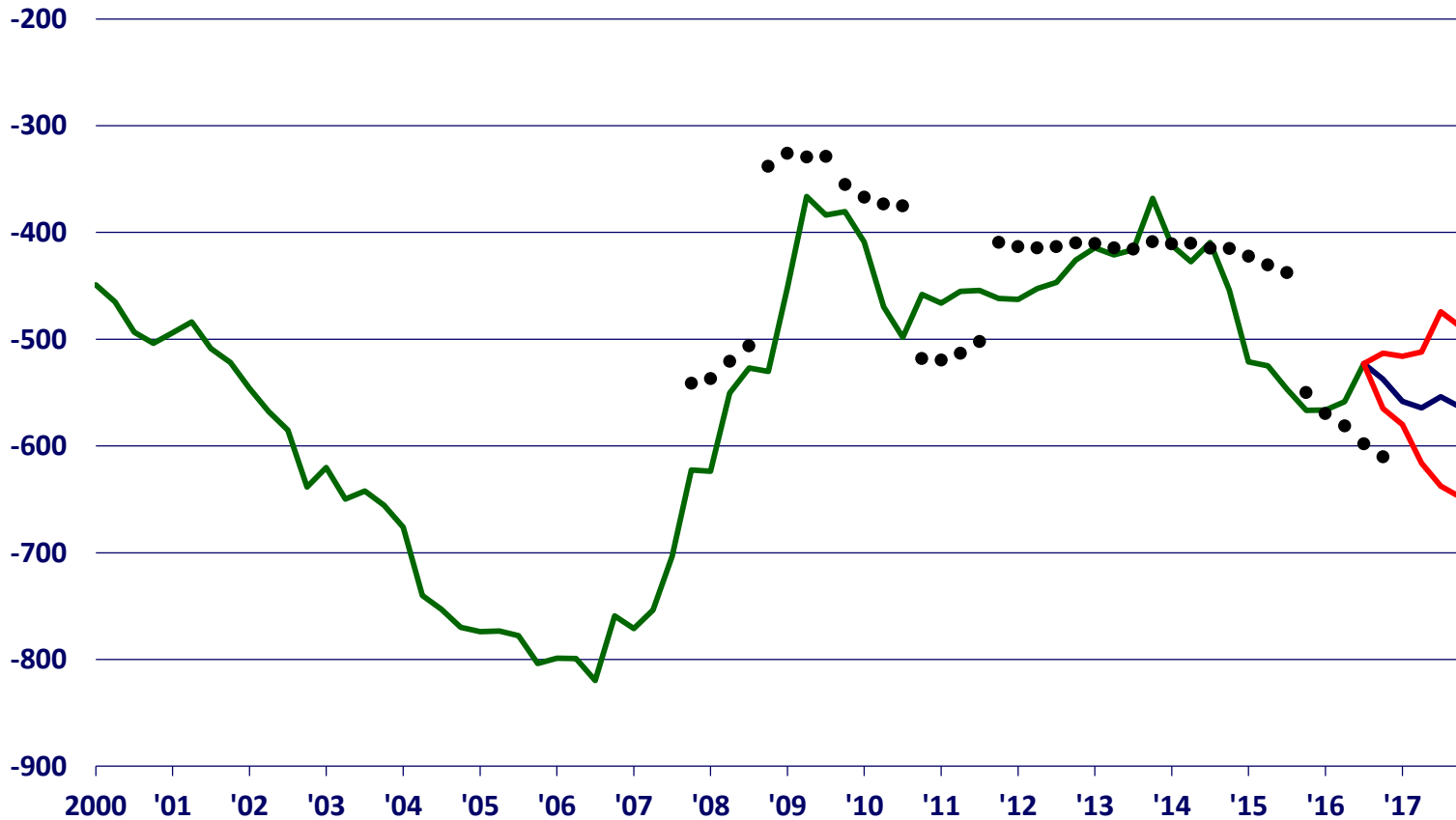
(percent change, annualized)



The trade balance is expected to deteriorate in 2017

Net Exports of Goods and Services

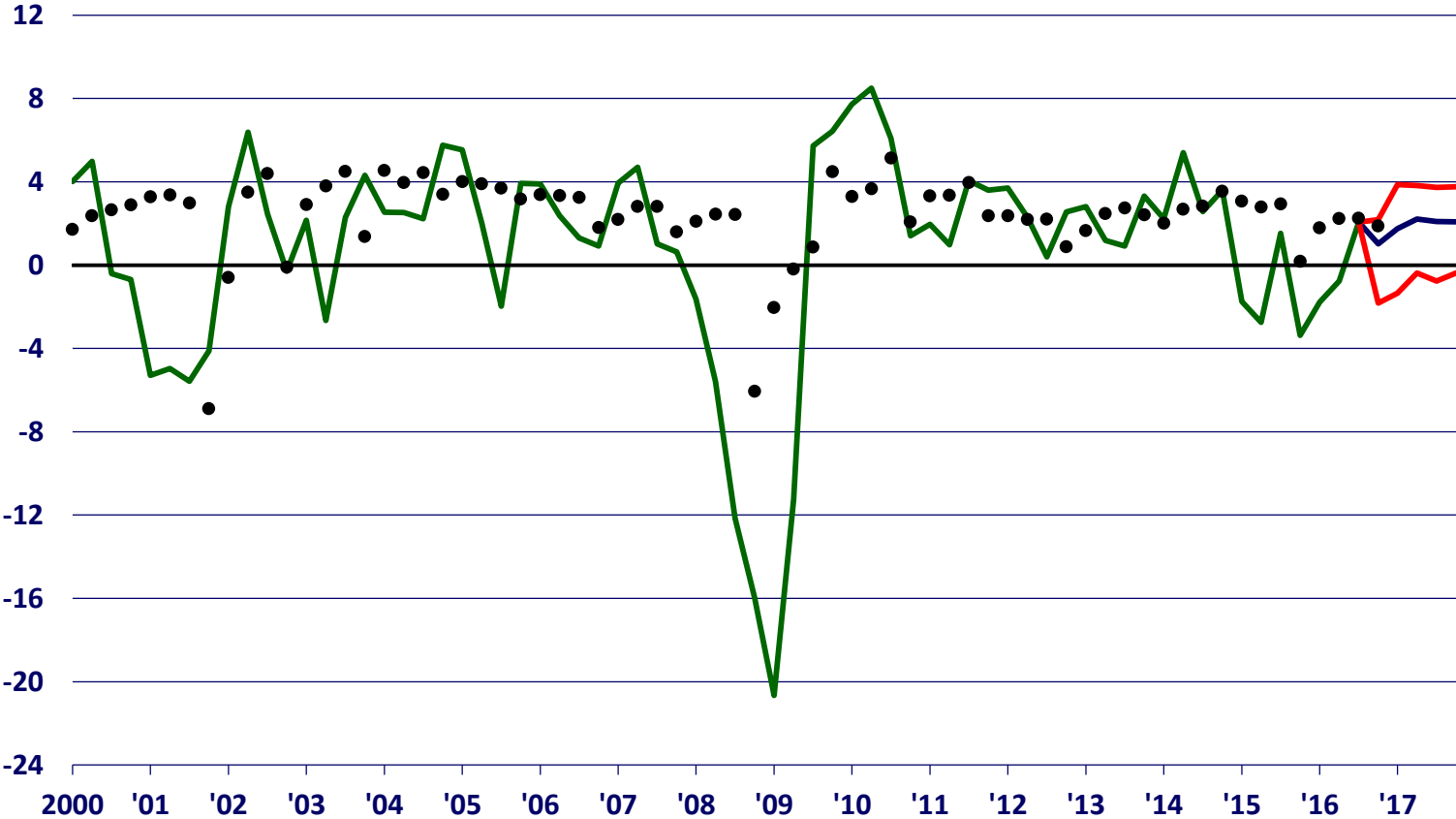
(billions of constant dollars)



Industrial output is forecast to increase at a moderate 1.9% next year

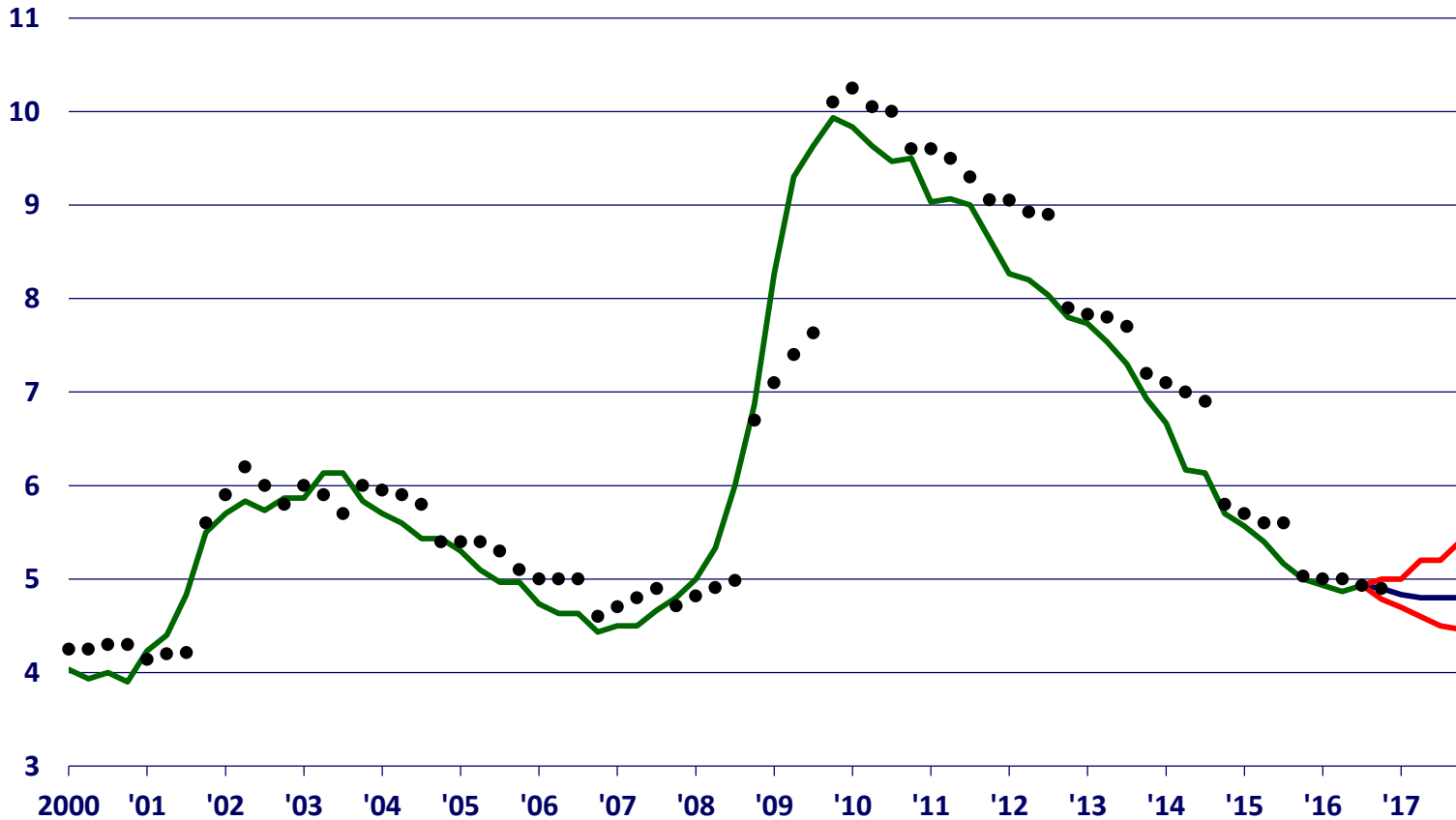
Industrial Production

(percent change, annualized)



The unemployment rate is projected to tick lower, reaching 4.8% in the final quarter of next year

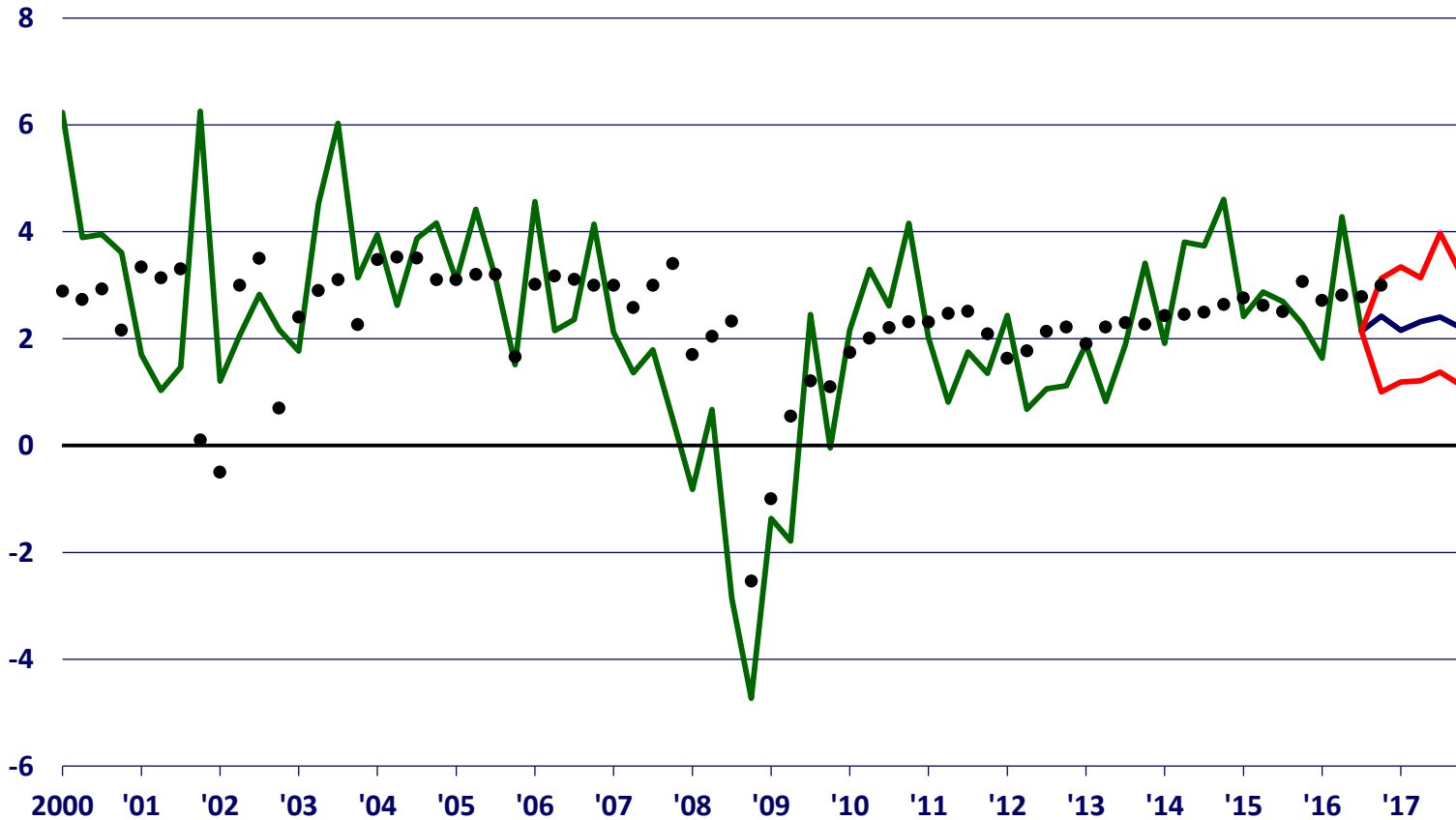
Unemployment Rate (percent)



Consumer spending growth is expected to ease to 2.3% in 2017

Personal Consumption Expenditures

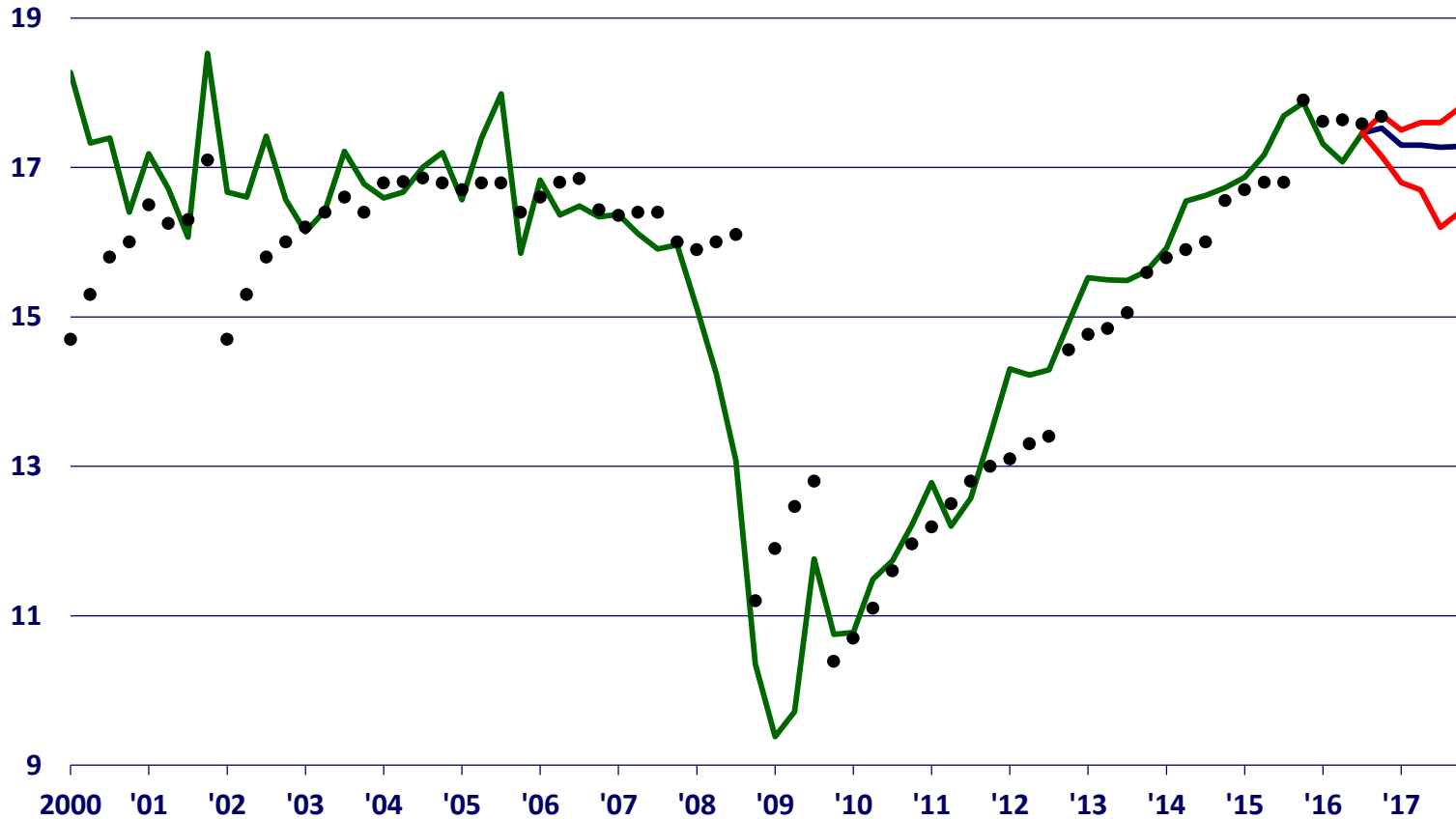
(percent change, annualized)



Light vehicles sales are forecast to tick down to 17.3 million units in 2017

Car and Light Truck Sales

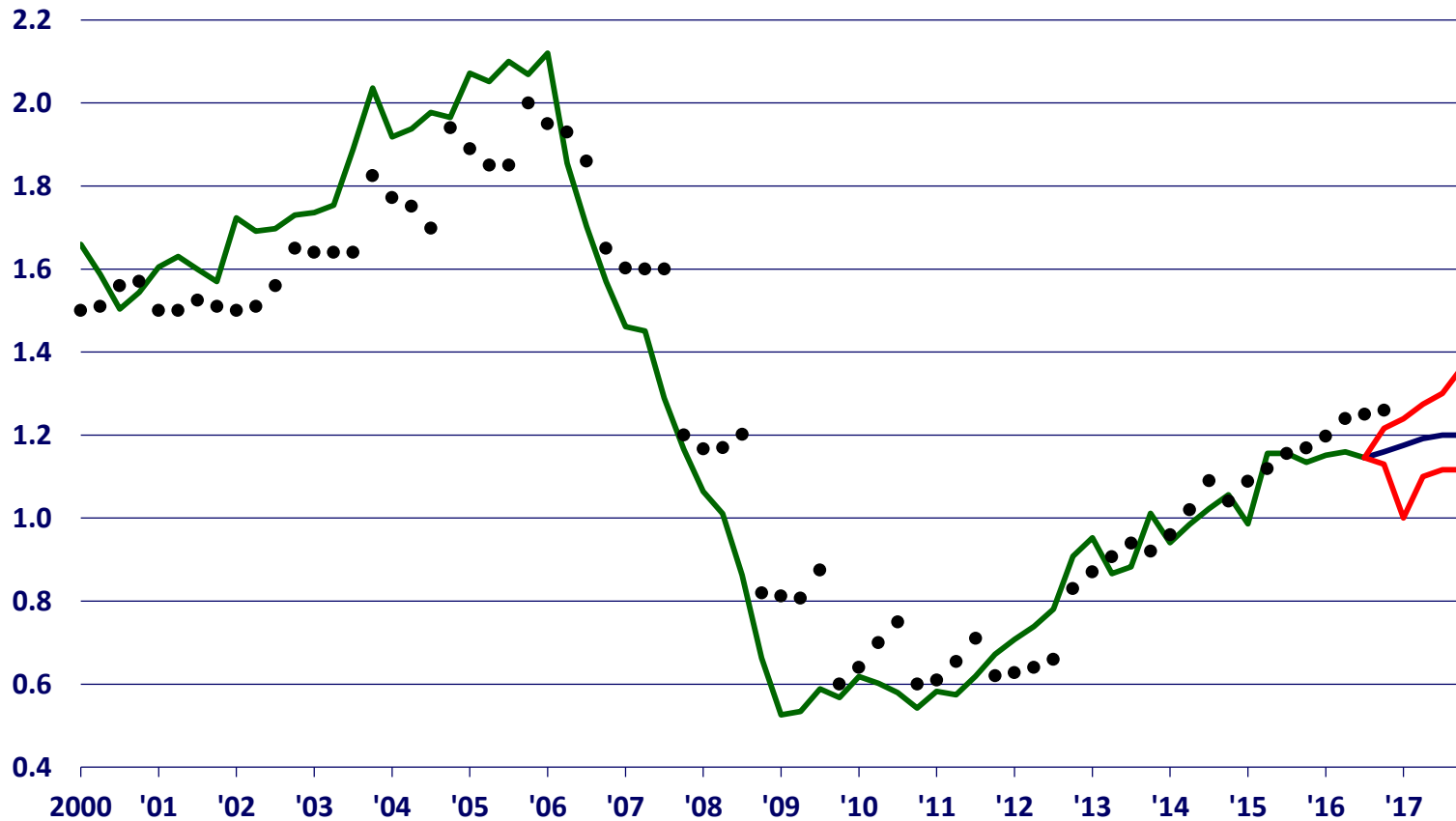
(millions of units)



Housing starts are forecast to rise to 1.2 million next year

Housing Starts

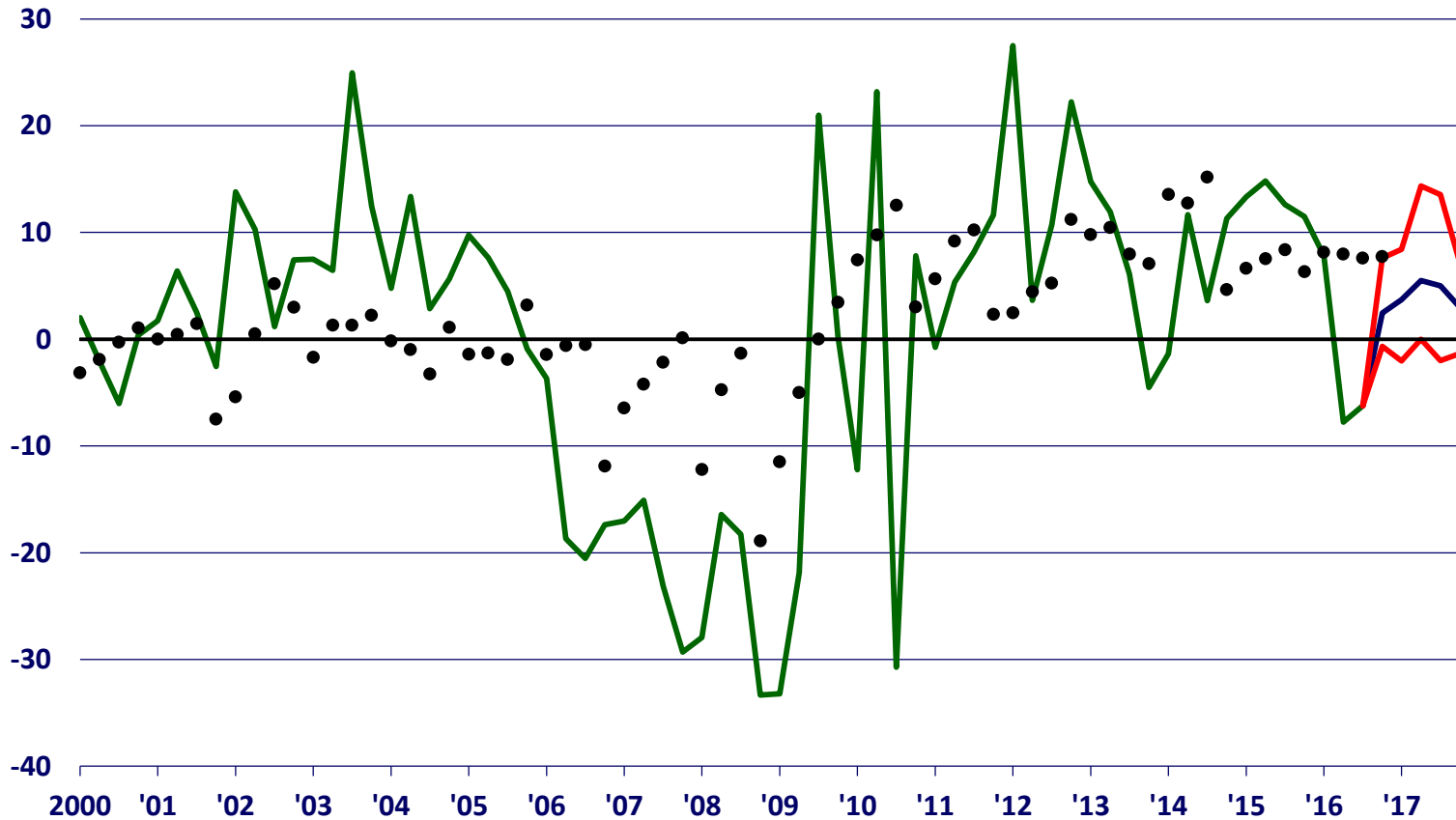
(millions of units)



Residential investment rebounds in 2017, gaining 4.5%

Residential Investment

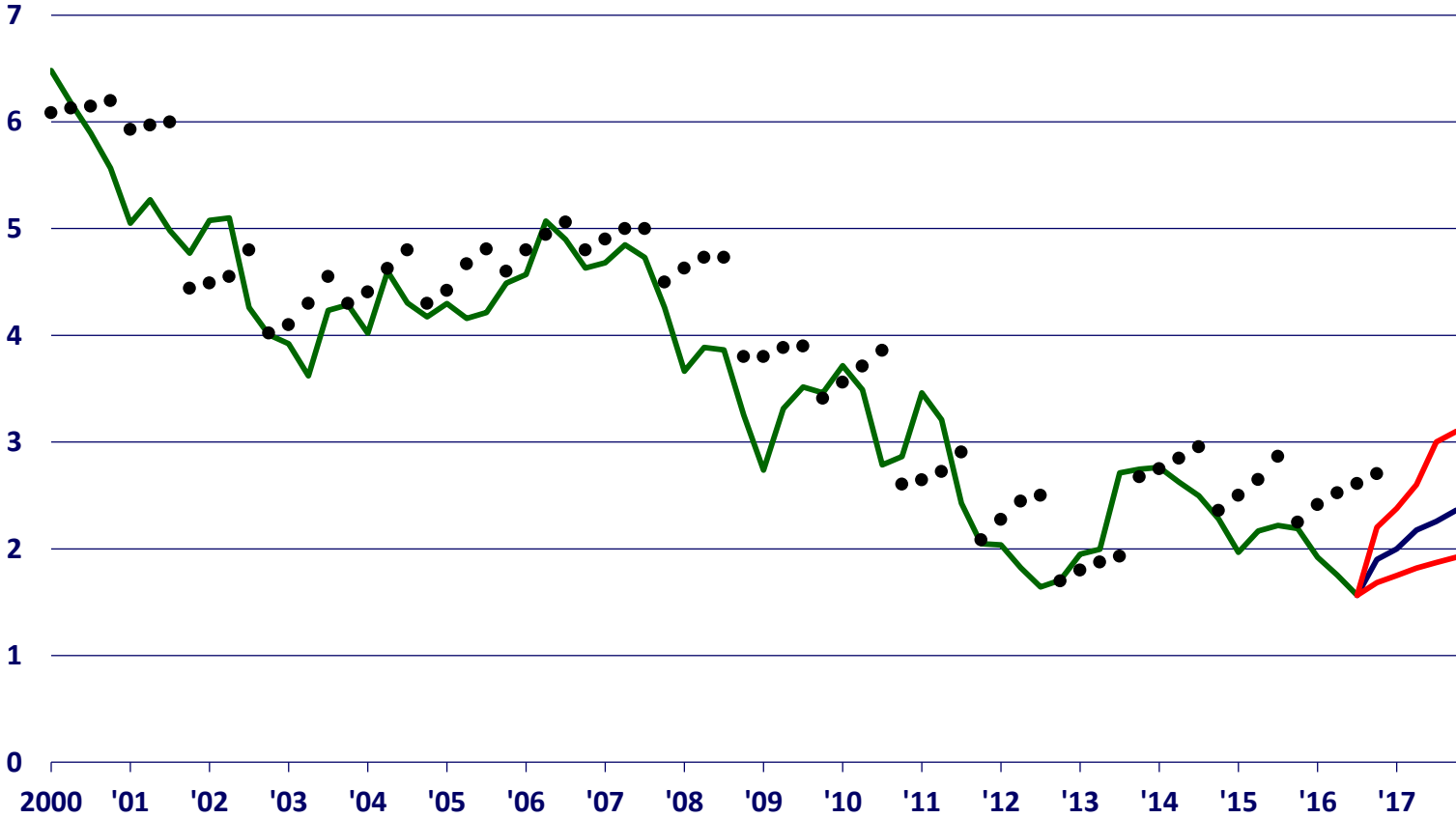
(percent change, annualized)



Ten-year interest rates are expected to increase by 46 basis points next year

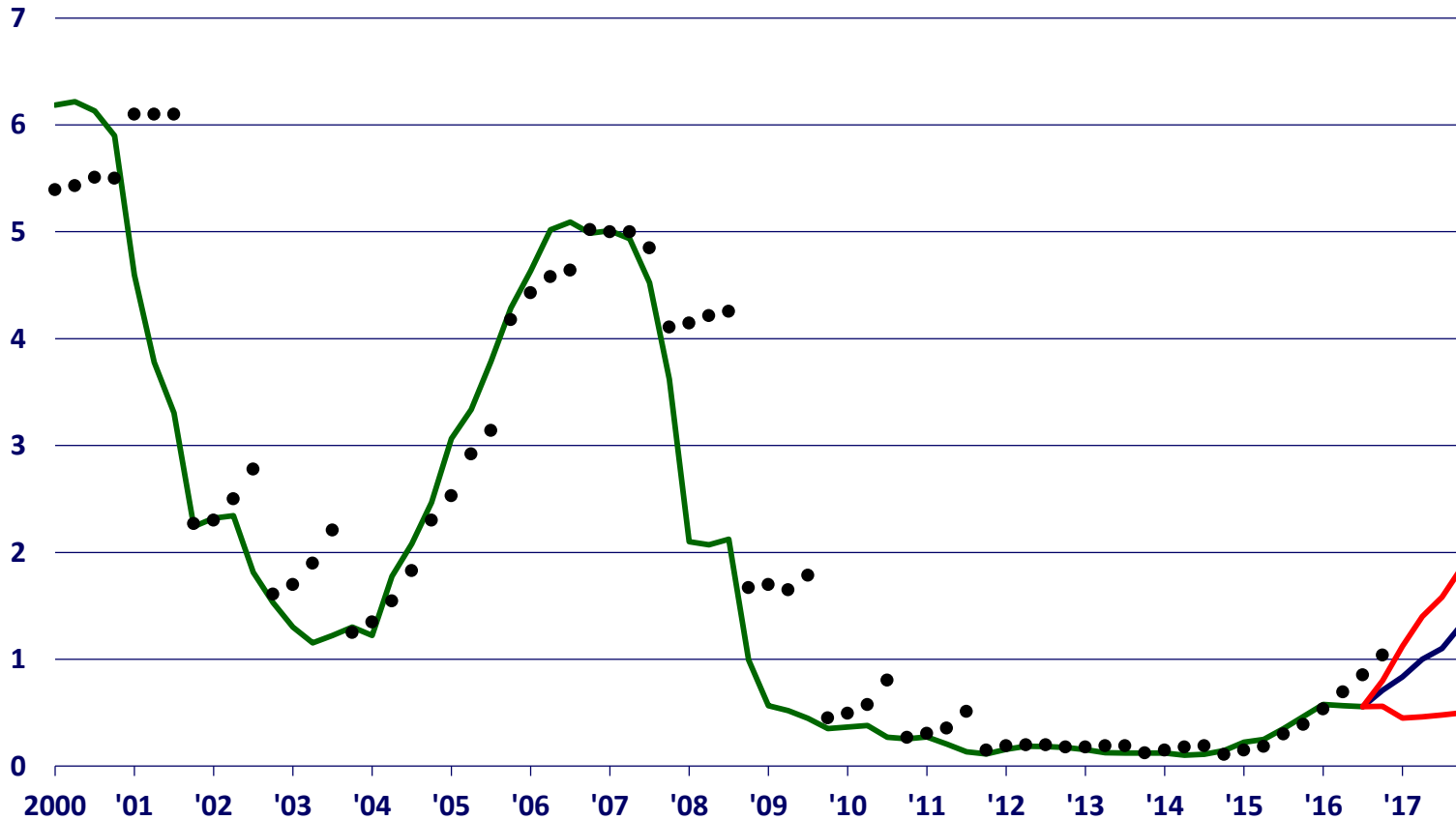
Treasury Ten-year Rate

(percent)



Short-term interest rates are predicted to rise by 62 basis points in 2017

Treasury One-year Rate
(percent)



Median Forecasts: Consensus Book Page 1

	2015	2016	2017
GDP, current dollars*	3.0%	3.4%	4.0%
GDP Price Index, chain-type*	1.1%	1.4%	2.1%
Real GDP, chained dollars*	1.9%	1.8%	2.2%
Real Personal Consumption Expenditures*	2.6%	2.6%	2.3%
Real Business Fixed Investment*	0.8%	0.1%	3.2%
Real Residential Investment*	13.1%	-1.1%	4.5%
Change in Private Inventories**	\$56.9	\$23.4	\$44.2
Net Exports of Goods and Services (billions of constant dollars)**	-\$566.6	-\$537.4	-\$563.5
Real Government Consumption Expenditures and Gross Investment*	2.2%	0.3%	1.1%

* **Q4 over Q4**

** **Q4 value**

Median Forecasts: Consensus Book Page 1

	2015	2016	2017
Industrial Production*	-1.6%	0.1%	1.9%
Car and Light Truck Sales (millions – calendar year including imports)	17.4	17.4	17.3
Housing Starts (millions of units)	1.11	1.15	1.20
Oil Price (dollars per barrel of West Texas Intermediate)**	\$42.02	\$47.93	\$51.53
Unemployment Rate**	5.0%	4.9%	4.8%
Consumer Price Index*	0.4%	1.4%	2.0%
Treasury Constant Maturity One-year Rate**	0.46%	0.71%	1.33%
Treasury Constant Maturity Ten-year Rate**	2.19%	1.90%	2.36%
J.P. Morgan Trade Weighted OECD Dollar*	11.6%	1.8%	4.7%

* **Q4 over Q4**

** **Q4 value**

Summary

- **The economy is forecast to rise at a pace just slightly above trend in 2017**
- **The unemployment rate is expected to tick lower next year**
- **Inflation is anticipated to increase by two percent next year**
- **Manufacturing growth is expected to improve to a pace that is below its trend**
- **Light vehicles sales are forecast to ease to a still quite strong 17.3 million units in 2017**
- **Housing starts are predicted to increase to 1.2 million units next year**
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