
Consensus Outlook - 2018

Thirty-first Annual Economic Outlook Symposium

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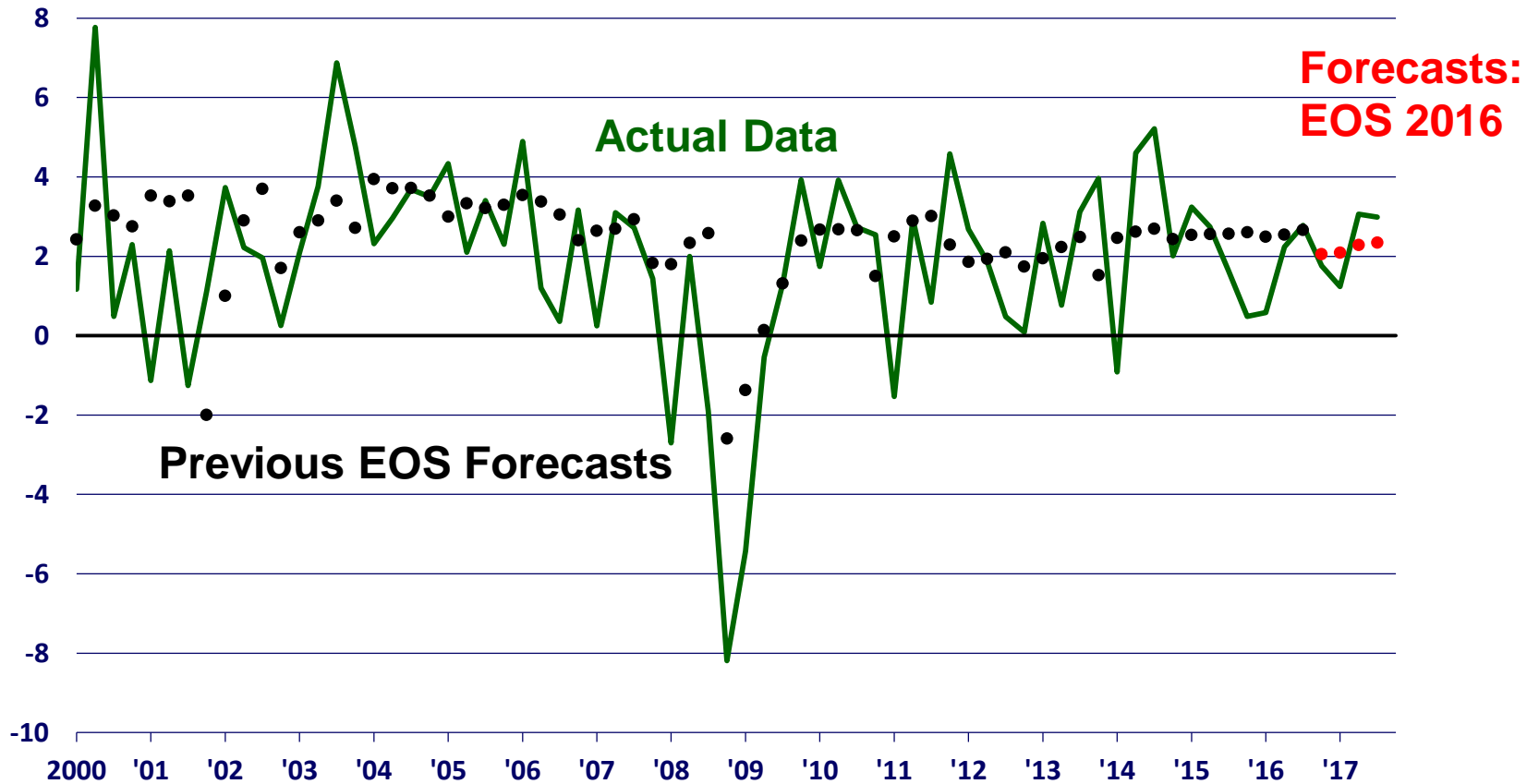
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Review of Past Performance

The growth in real GDP was accurately forecast

Real GDP

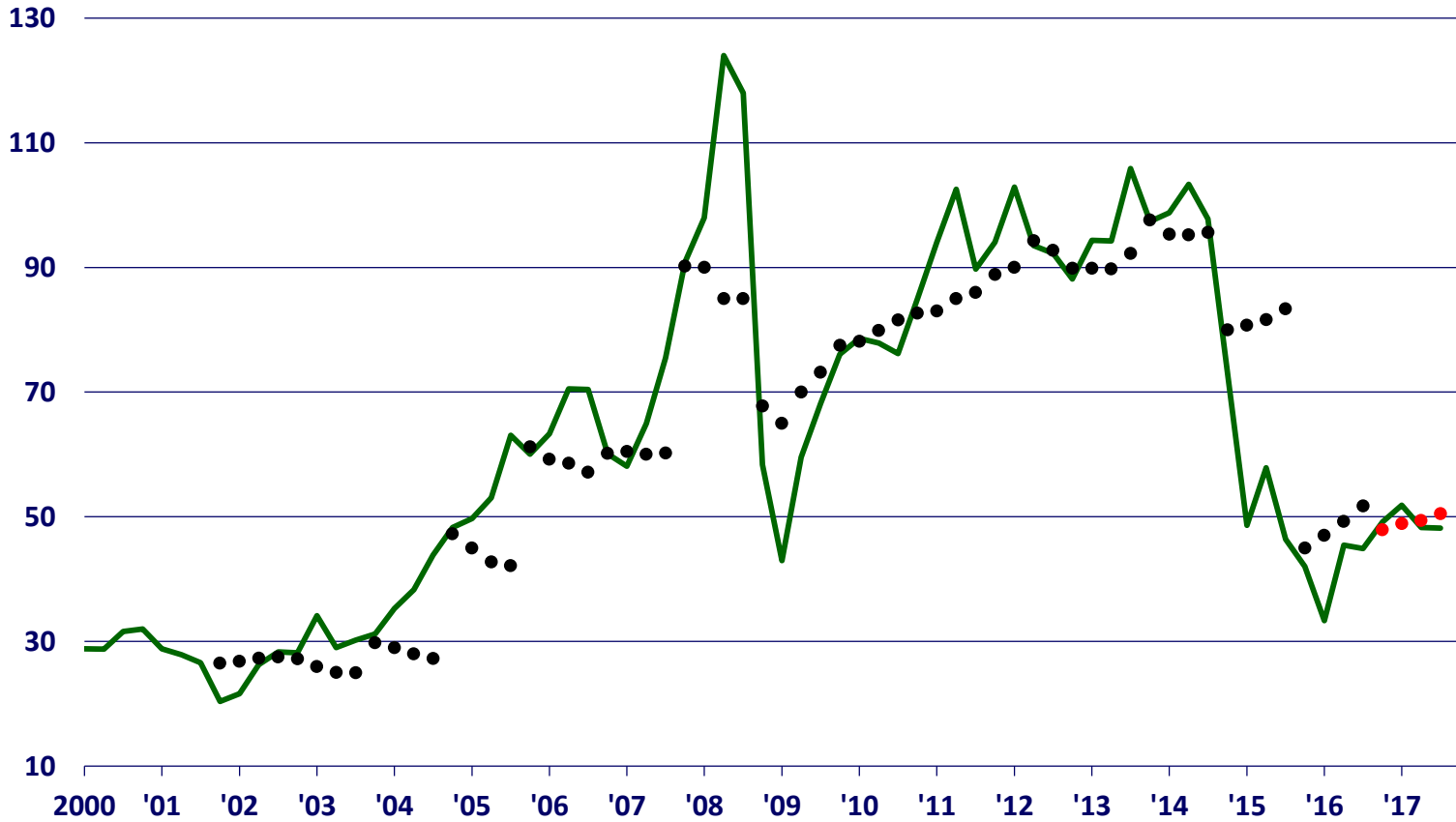
(percent change, annualized)



Oil prices remained relatively flat as predicted

Oil Prices - West Texas Intermediate

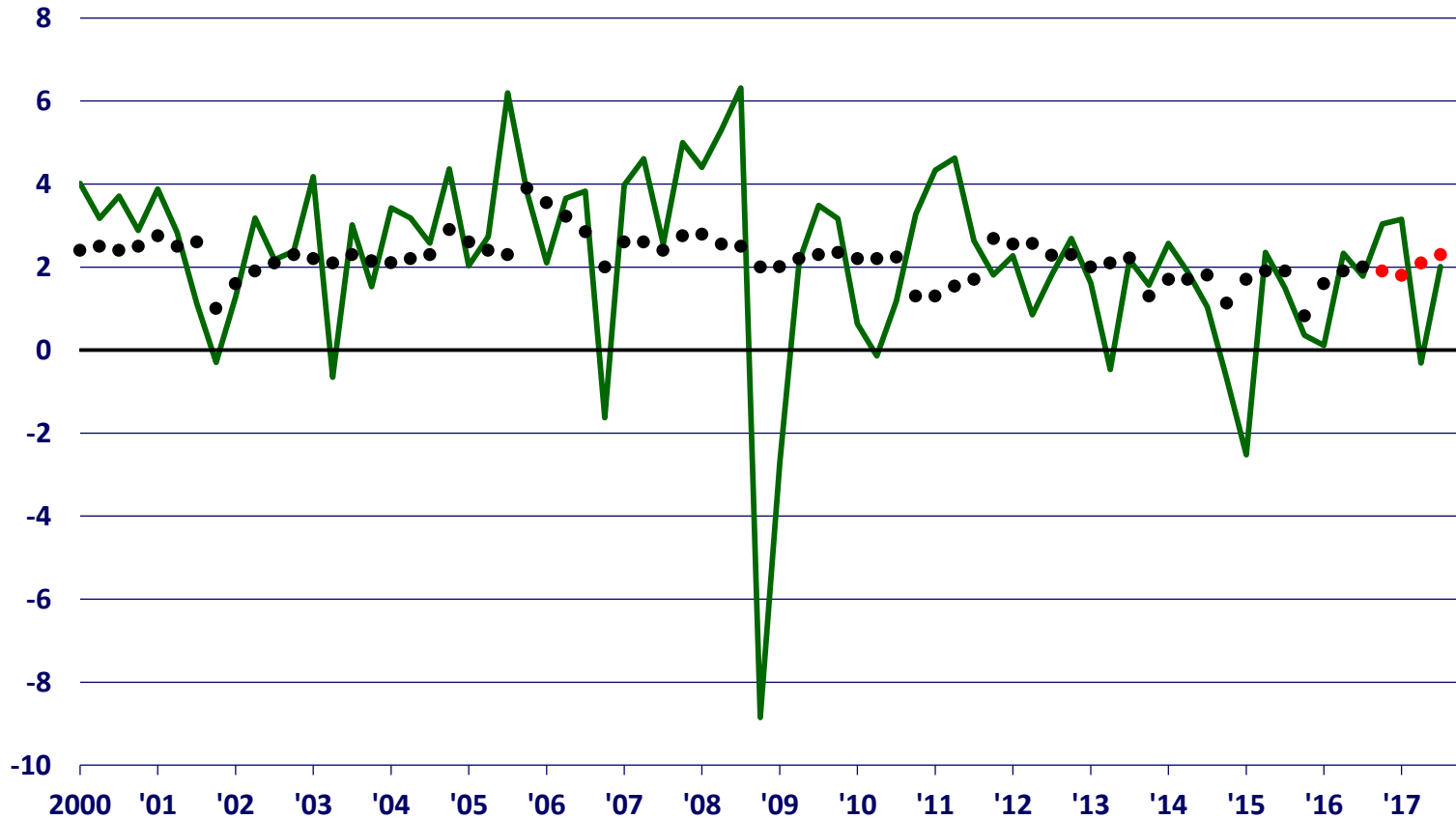
(dollars per barrel)



While a bit more volatile, inflation came-in as anticipated

CPI Inflation Rate

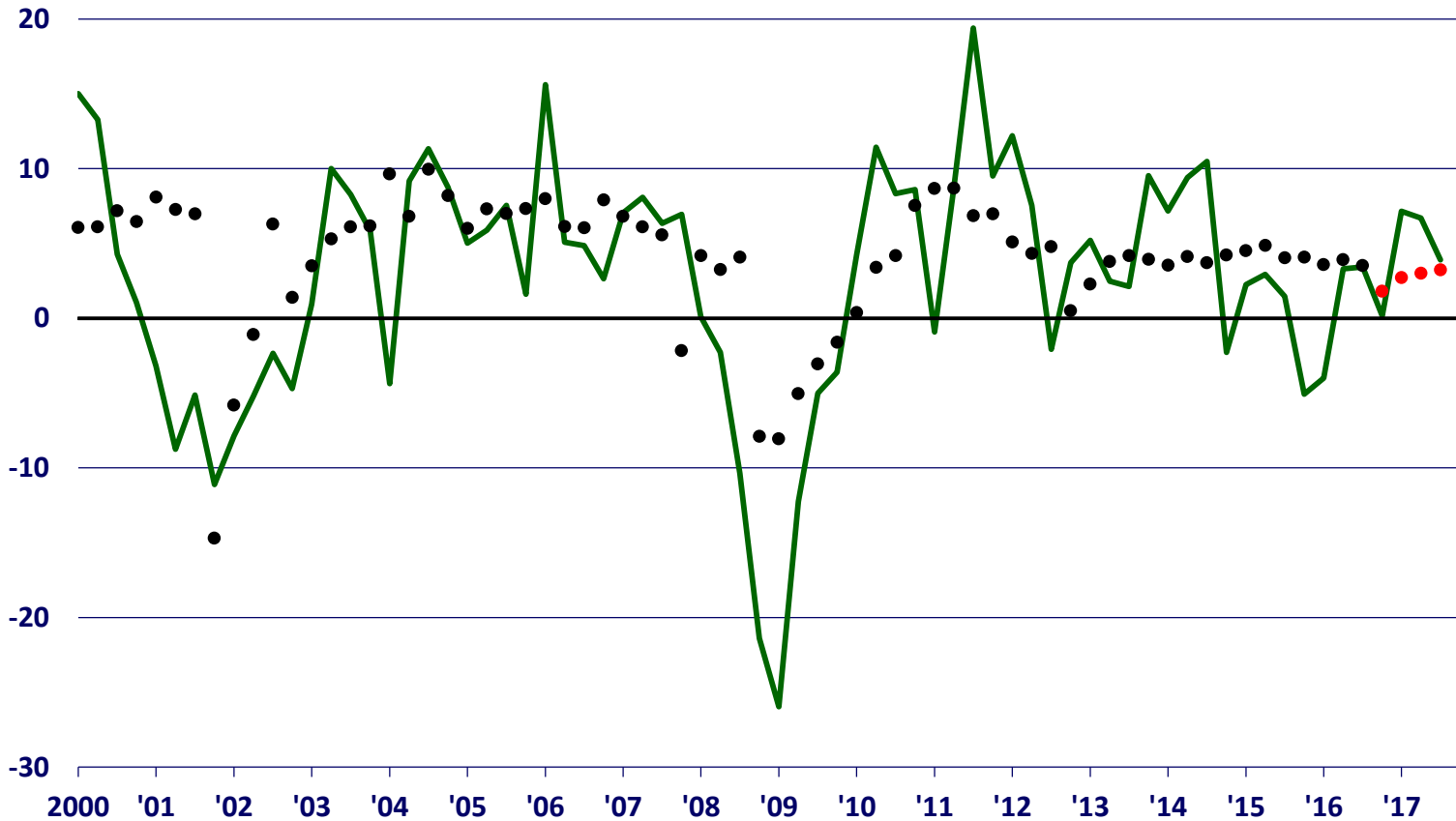
(percent change, annualized)



Investment was stronger than forecast

Business Fixed Investment

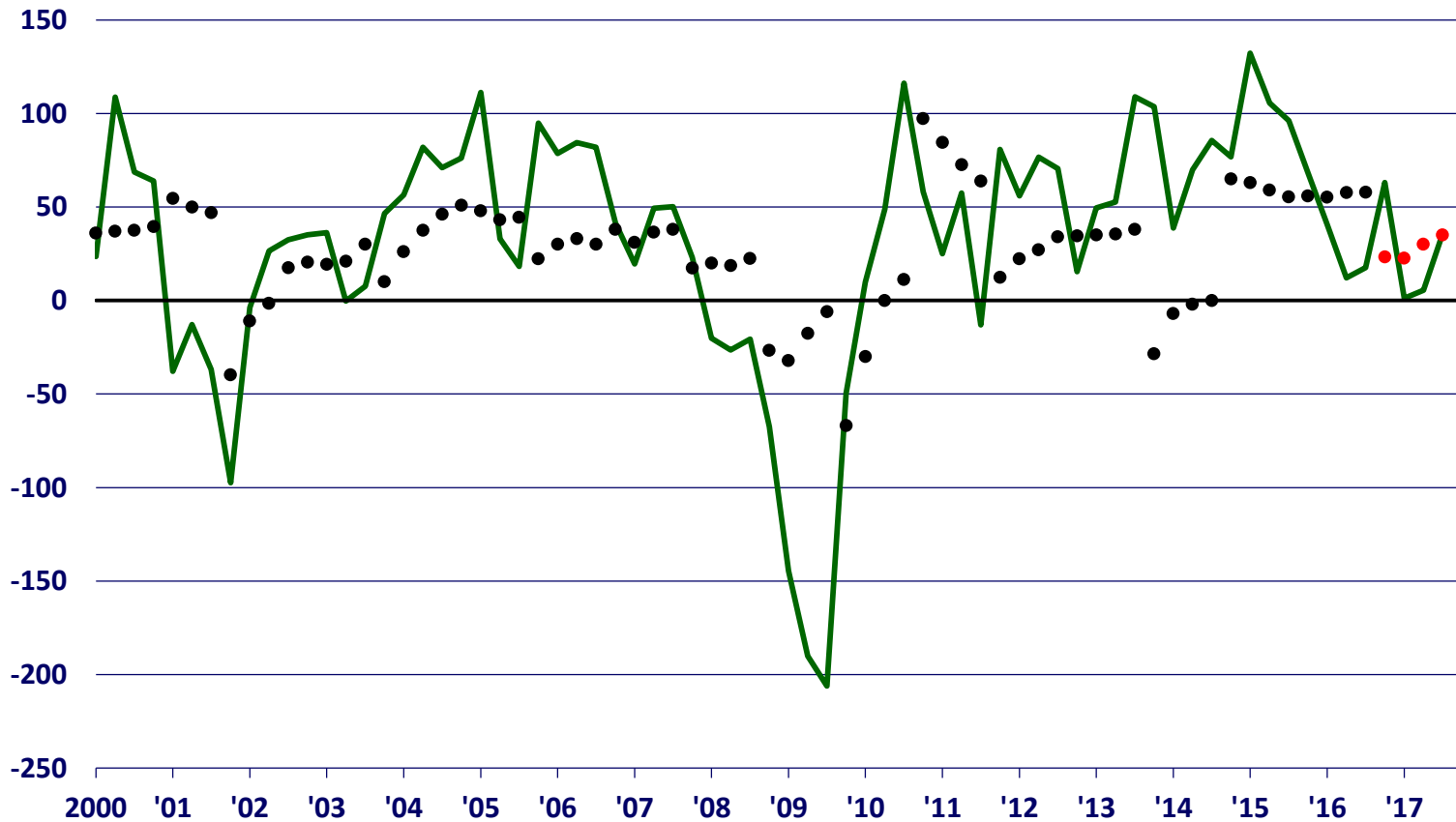
(percent change, annualized)



Inventories were added at a pace close to what was anticipated

Change in Private Inventories

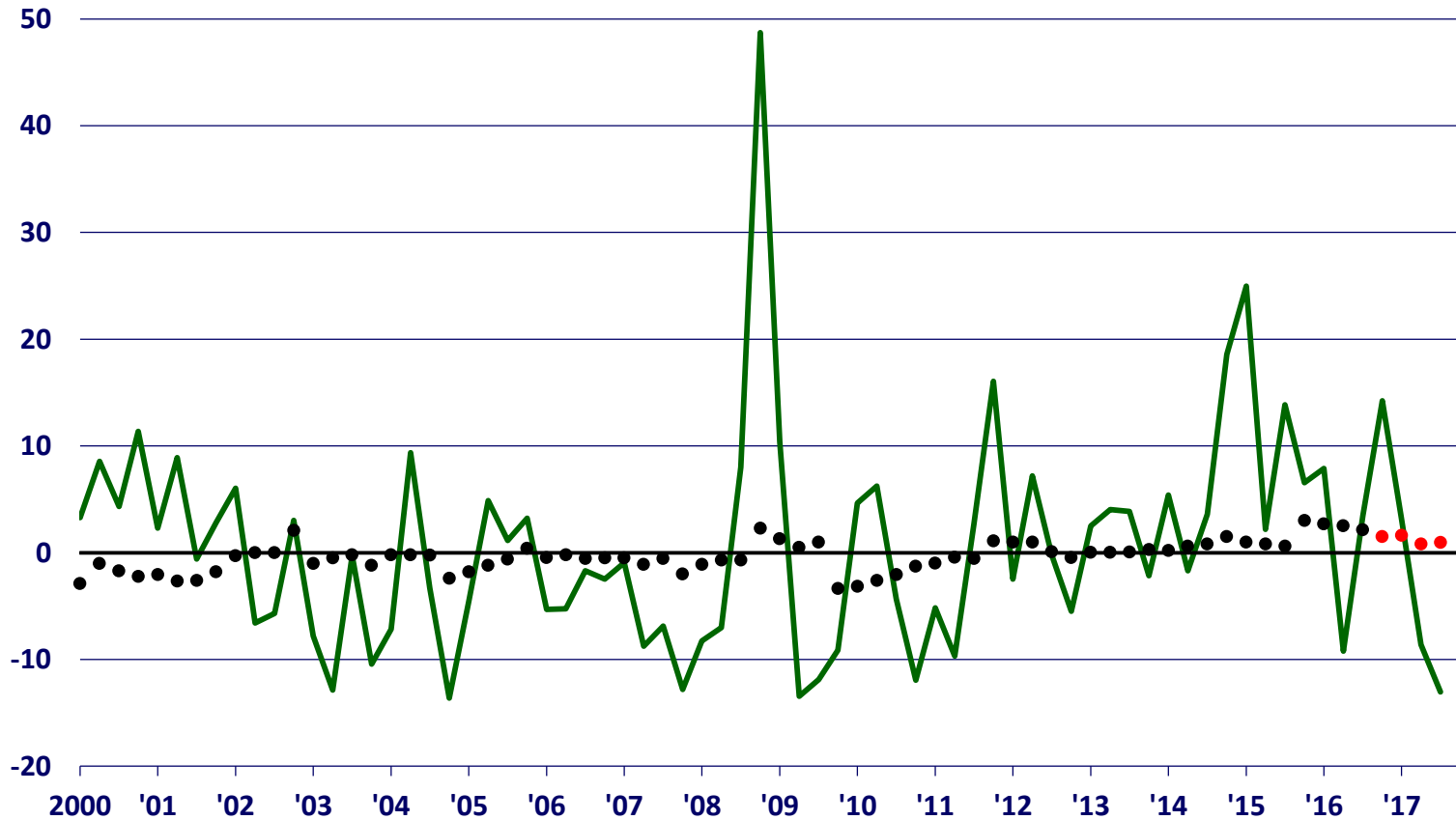
(billions of constant dollars)



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

J.P. Morgan Trade Weighted Dollar

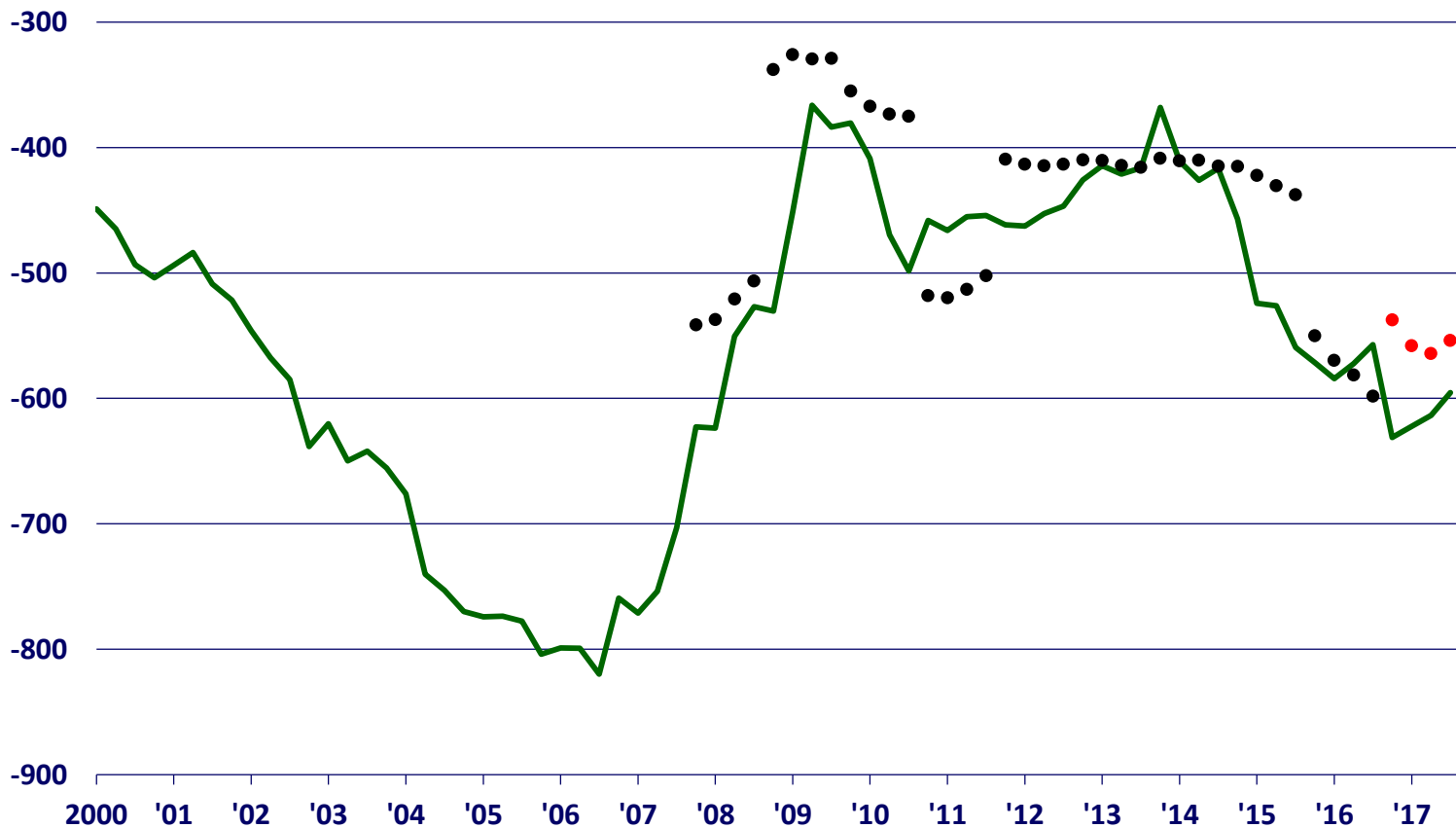
(percent change, annualized)



The expected improvement in the trade balance did not occur

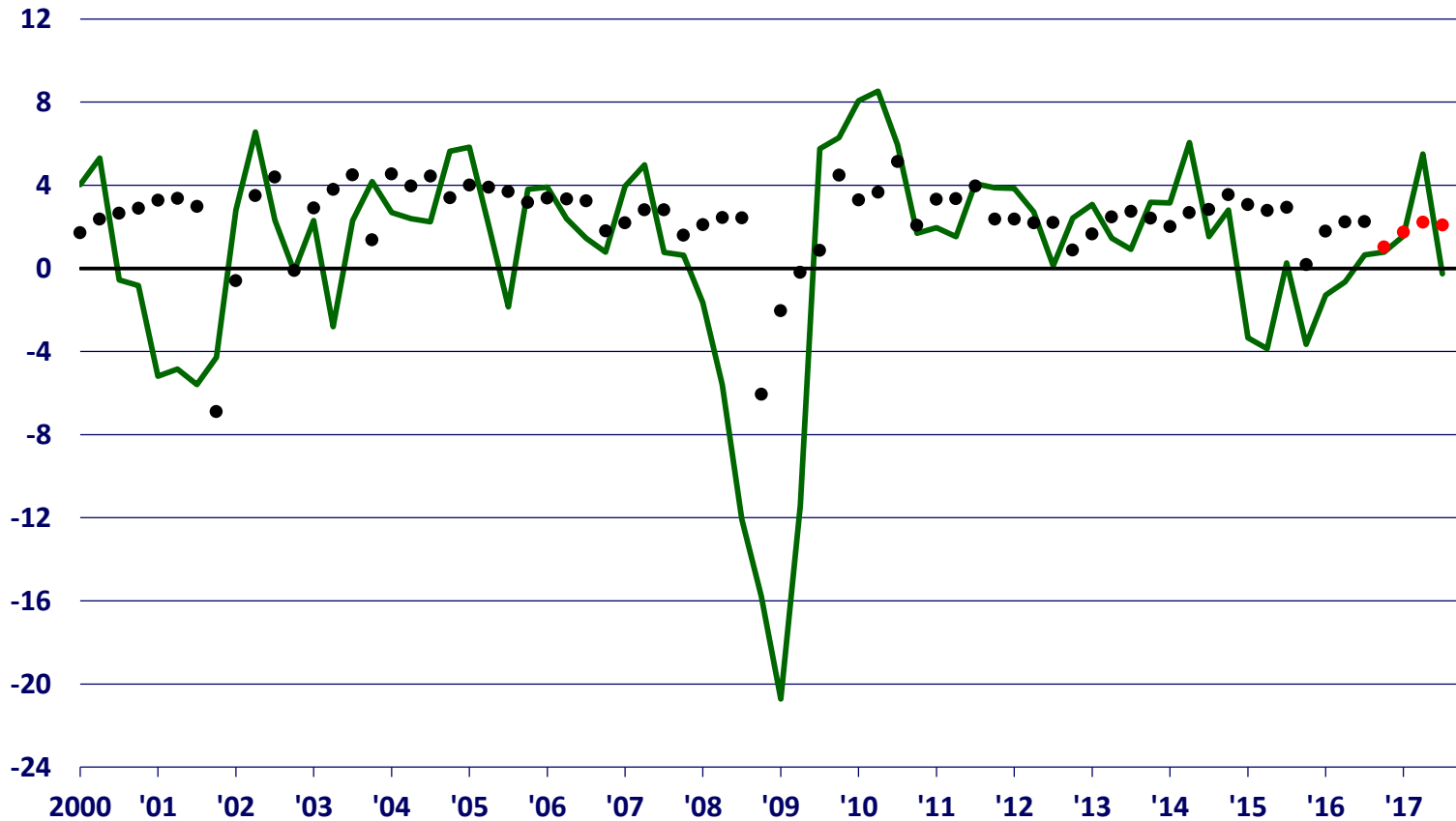
Net Exports of Goods and Services

(billions of constant dollars)



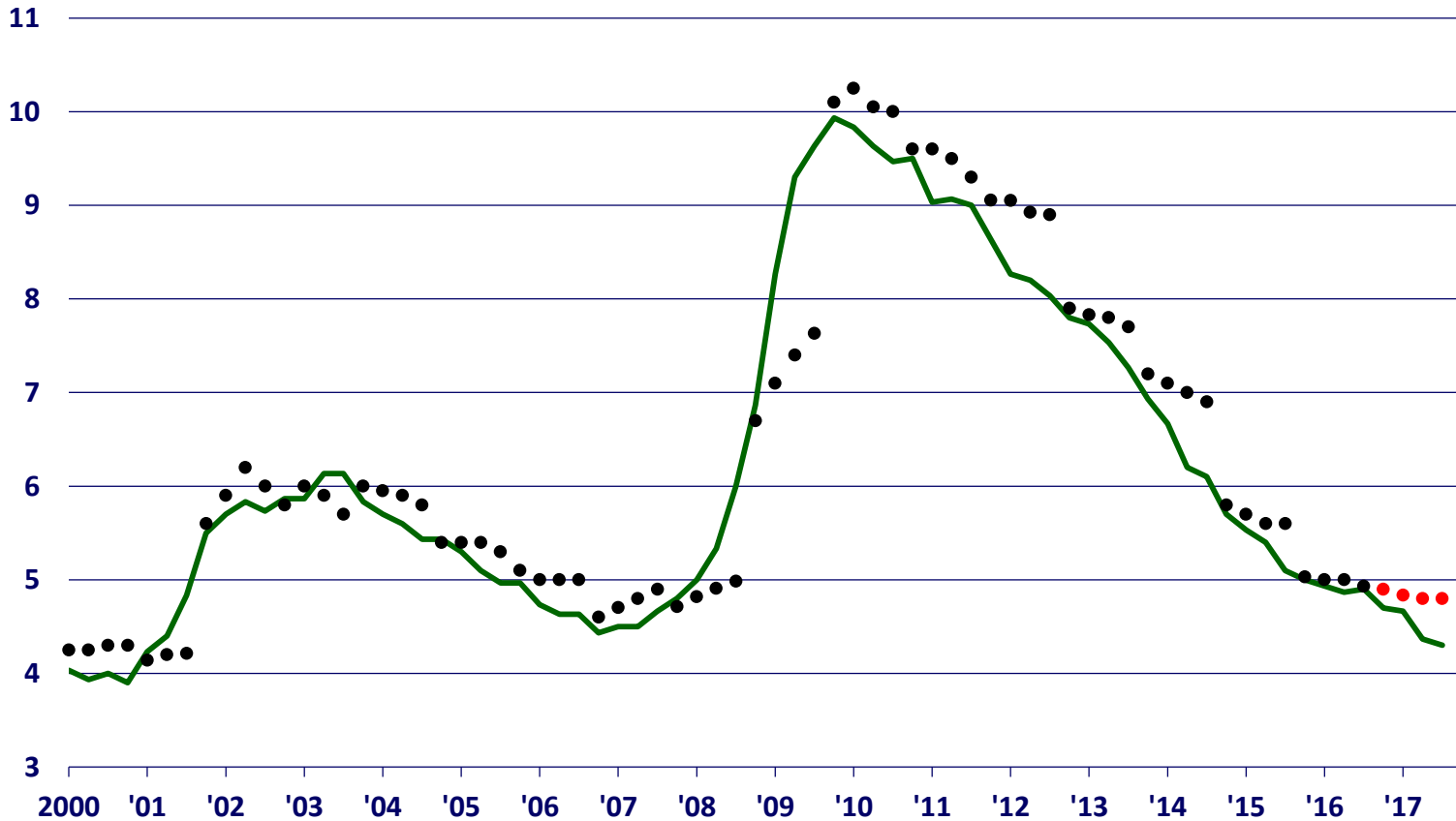
Industrial production growth surged in the second quarter, but due to the hurricanes was softer in the third quarter

Industrial Production
(percent change, annualized)



The unemployment rate once again declined at a faster pace than was predicted

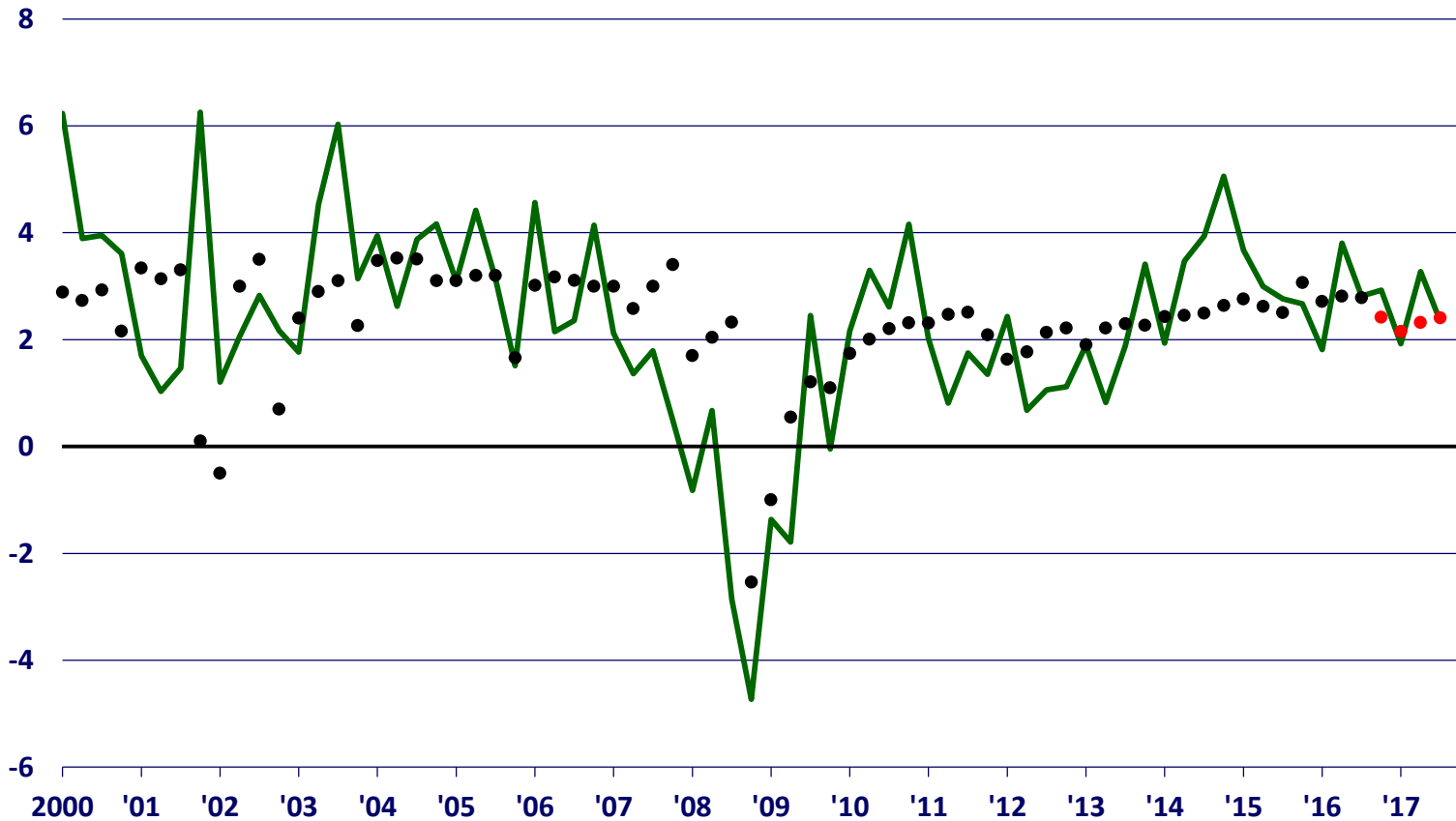
Unemployment Rate
(percent)



Consumer spending was slightly stronger than forecast

Personal Consumption Expenditures

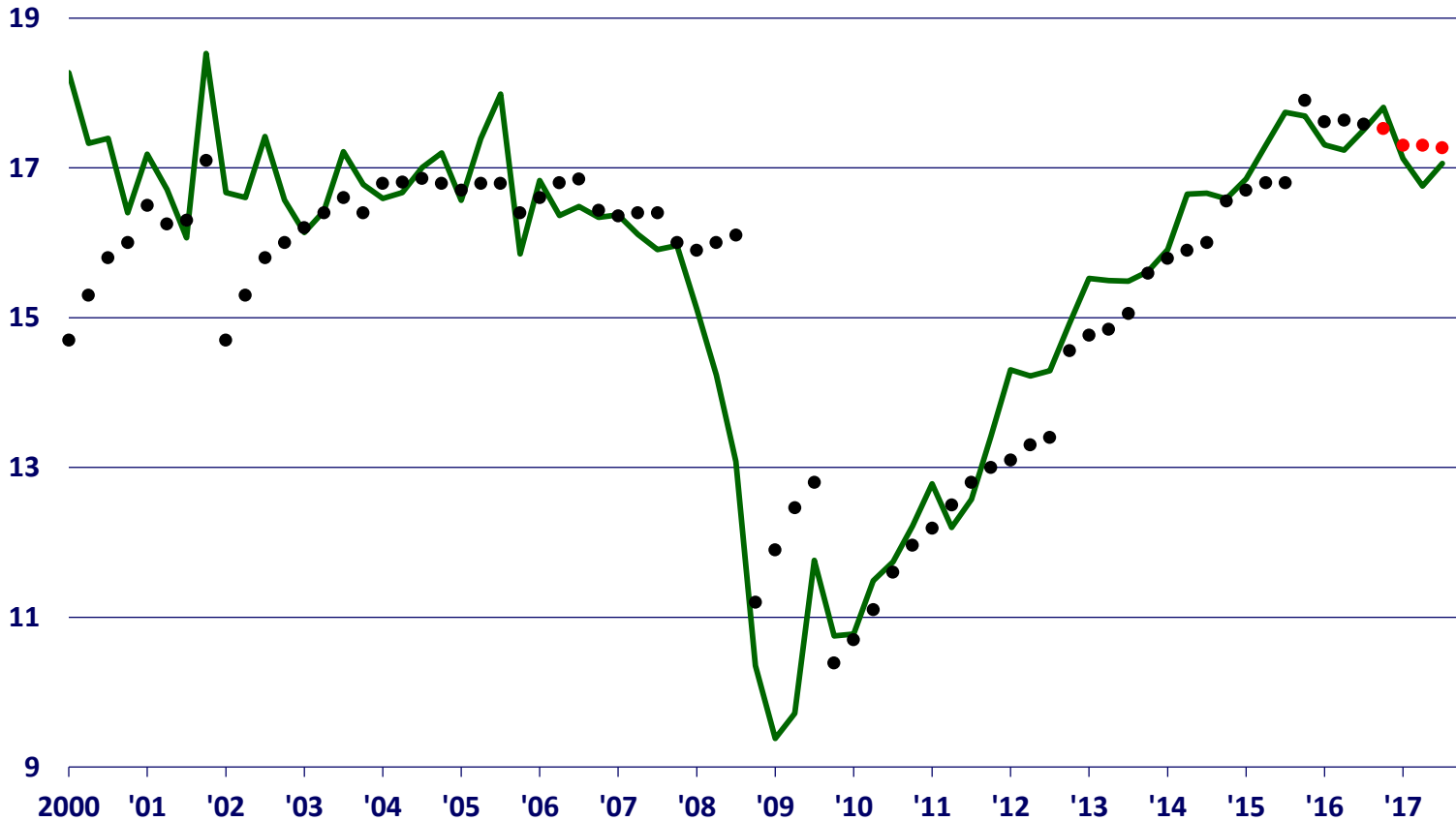
(percent change, annualized)



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

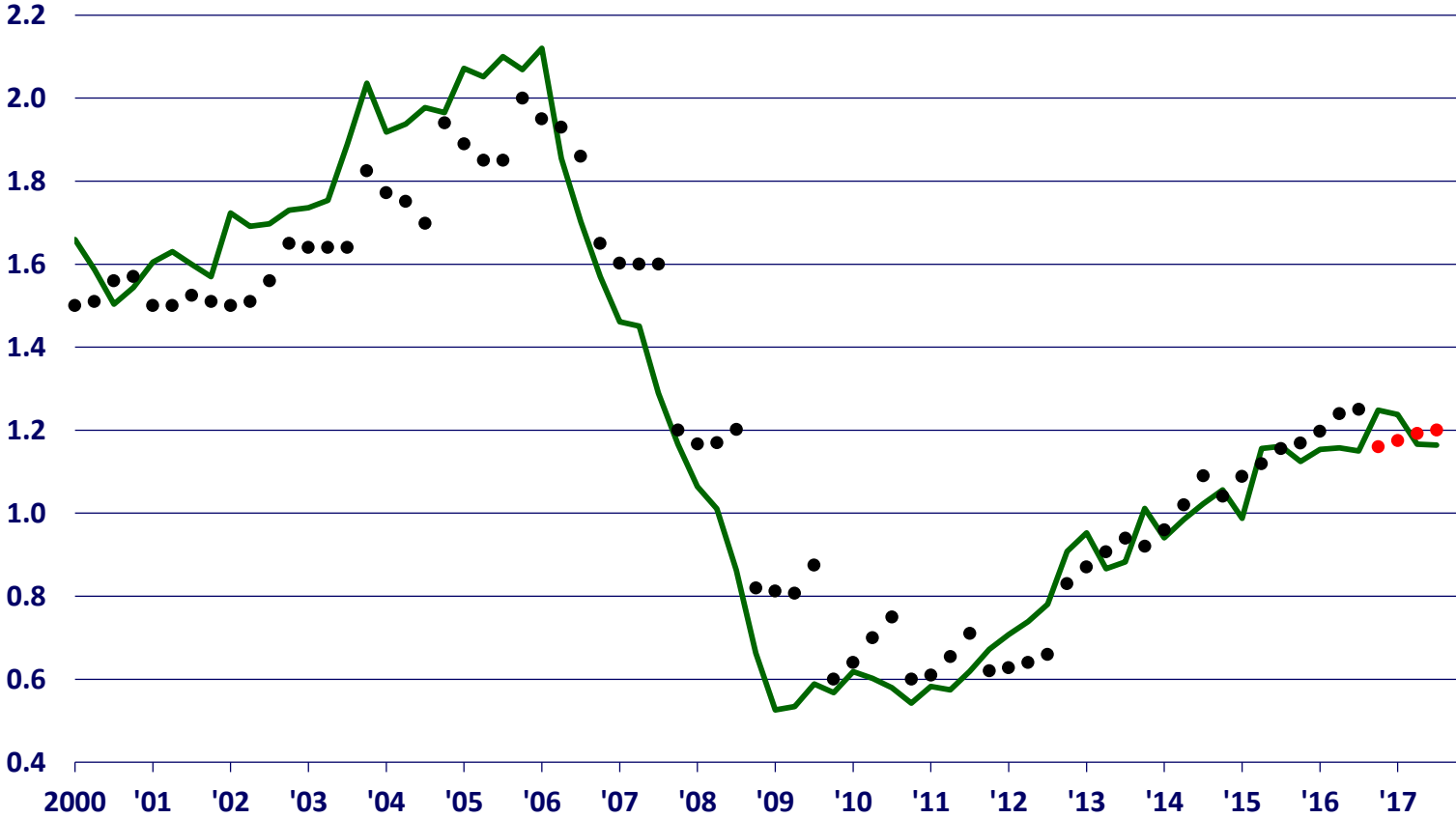
Car and Light Truck Sales

(millions of units)



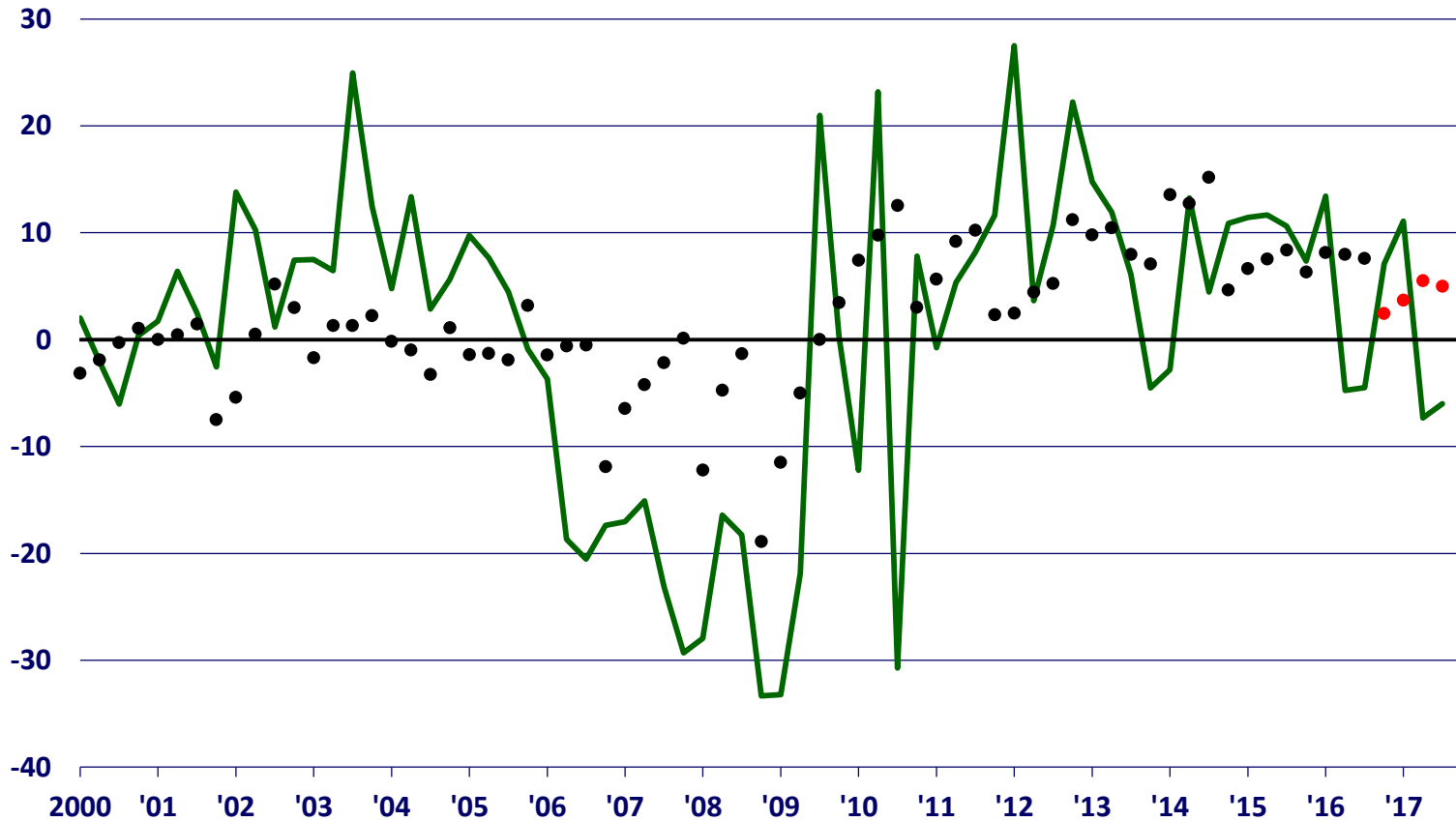
Housing starts were stronger earlier in the year, but eased in the last two quarters—and wound up close to what was expected

Housing Starts
(millions of units)



The same pattern as housing starts occurred with residential investment

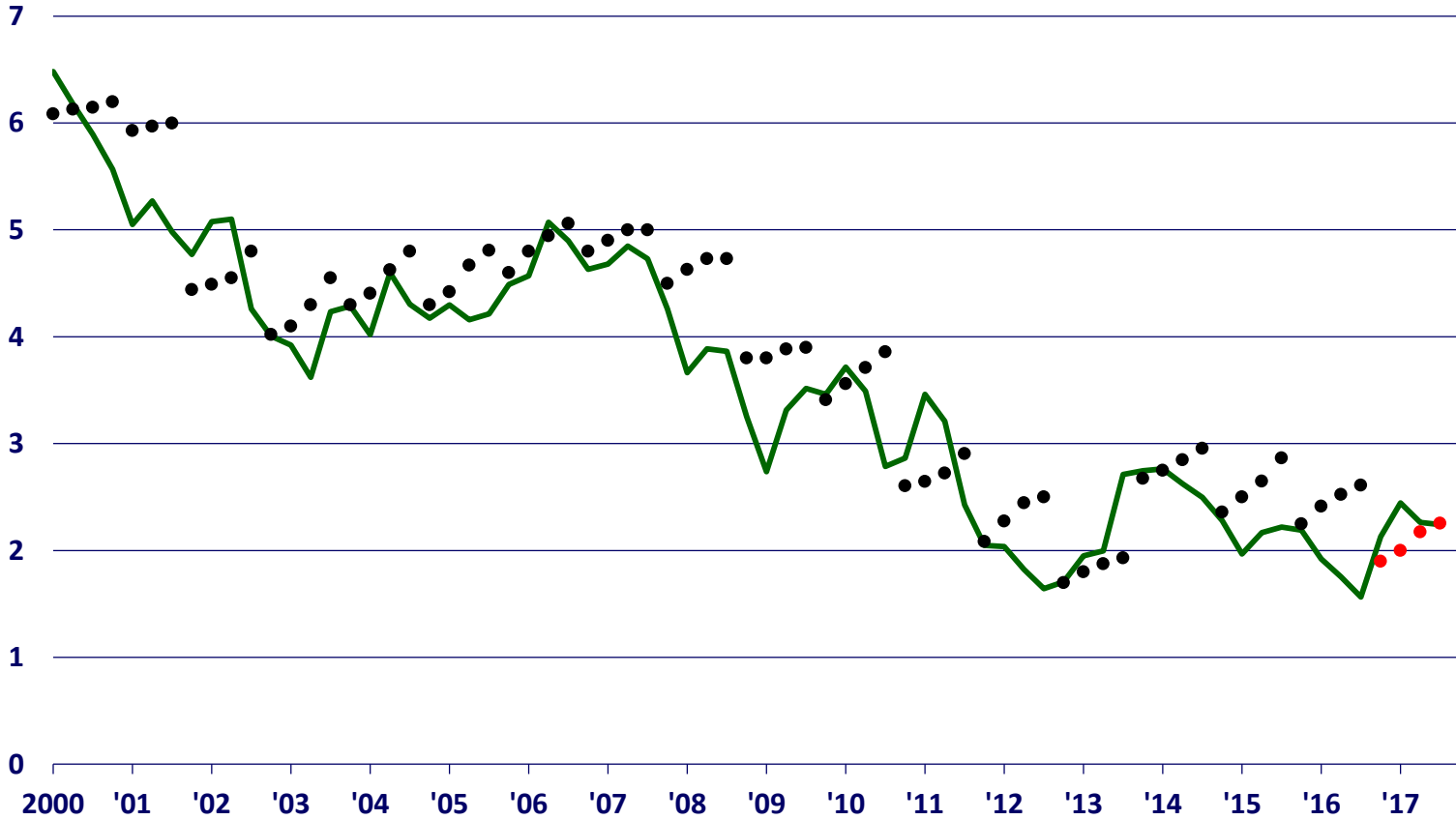
Residential Investment (percent change, annualized)



The long anticipated increase in longer-term rates finally took place in 2017

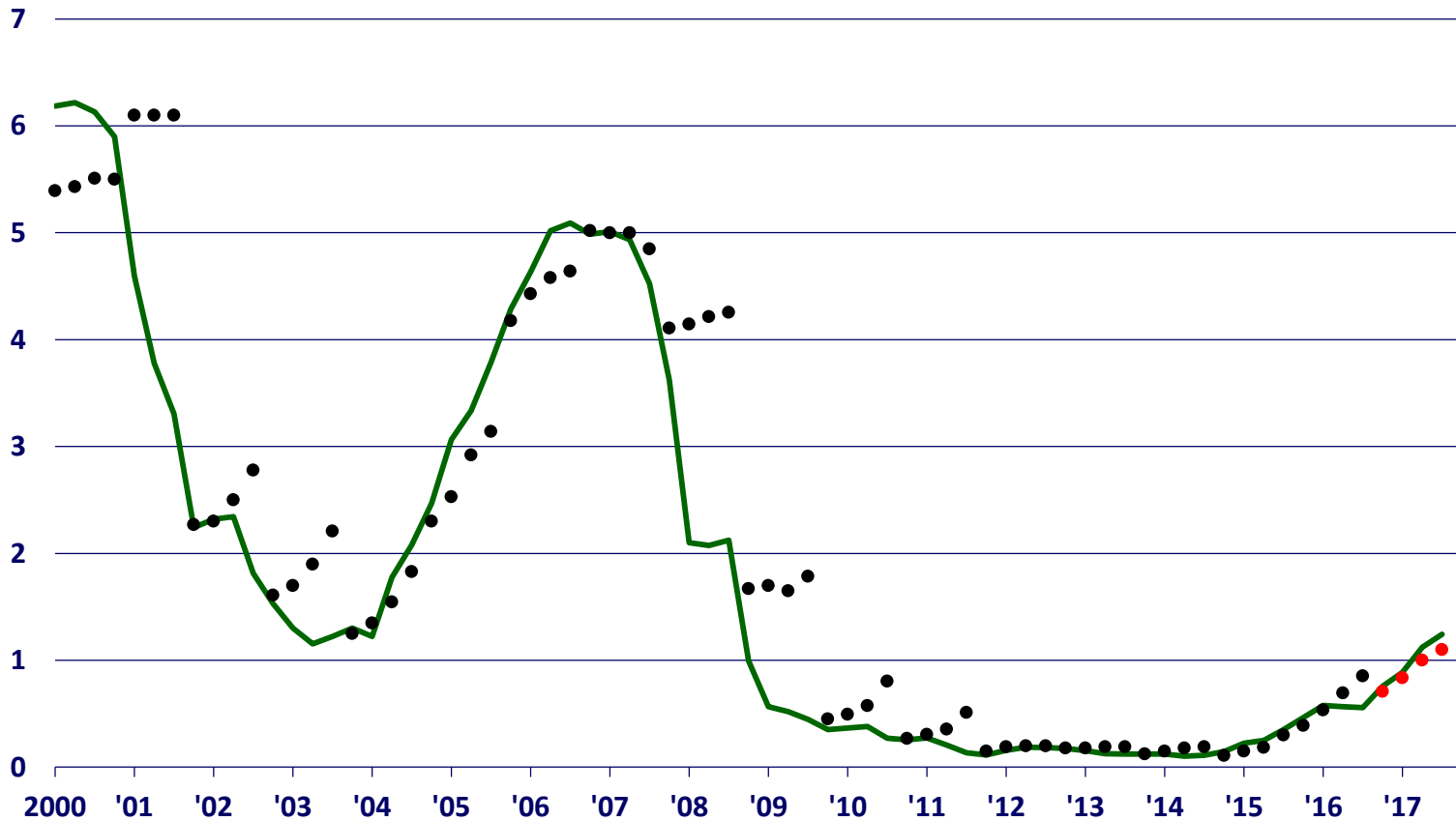
Treasury Ten-year Rate

(percent)



The increases in short term interest rates were very accurately forecast

Treasury One-year Rate
(percent)

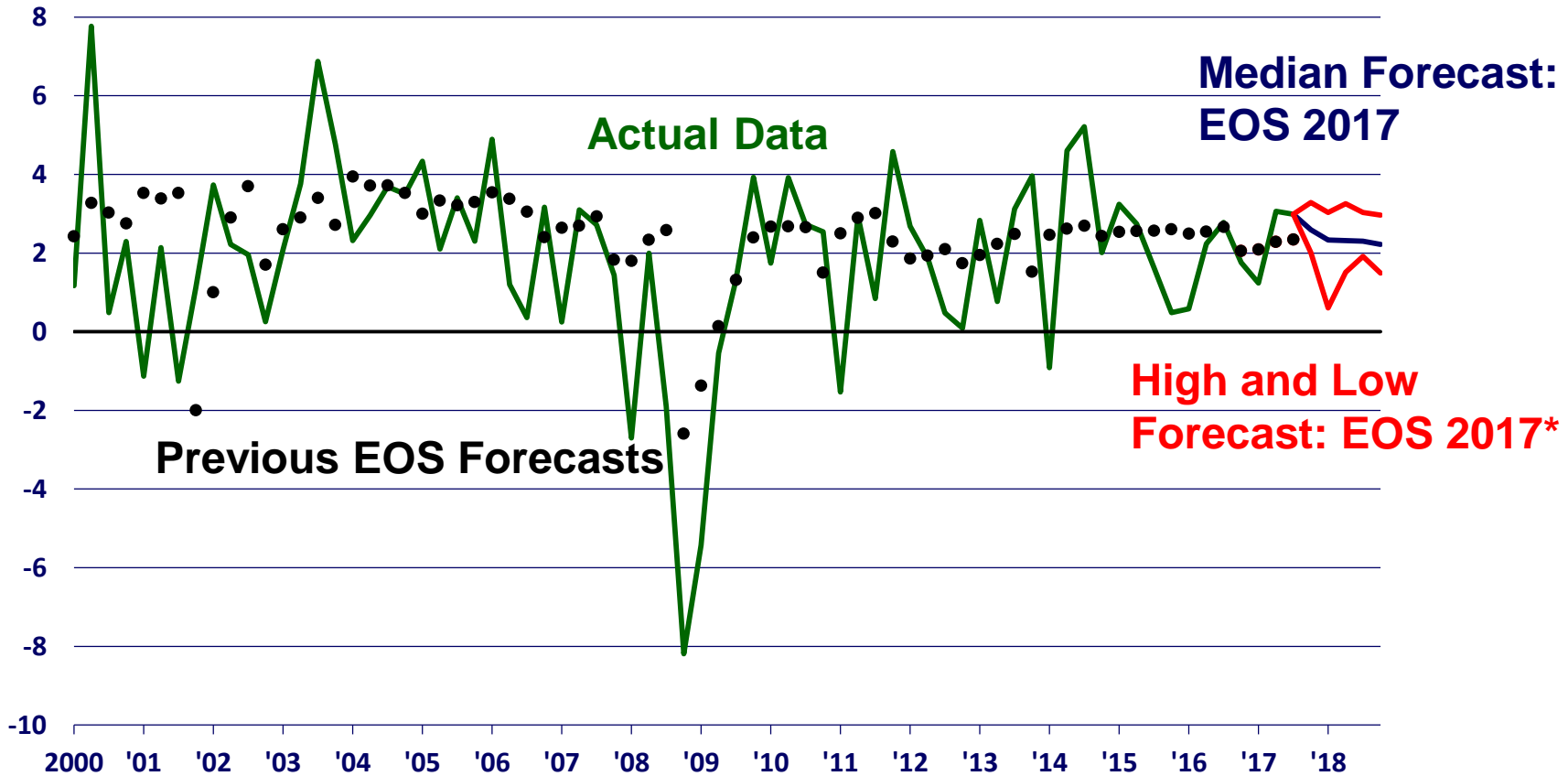


Forecast for 2018

Real GDP is expected to increase by 2.3% next year

Real GDP

(percent change, annualized)

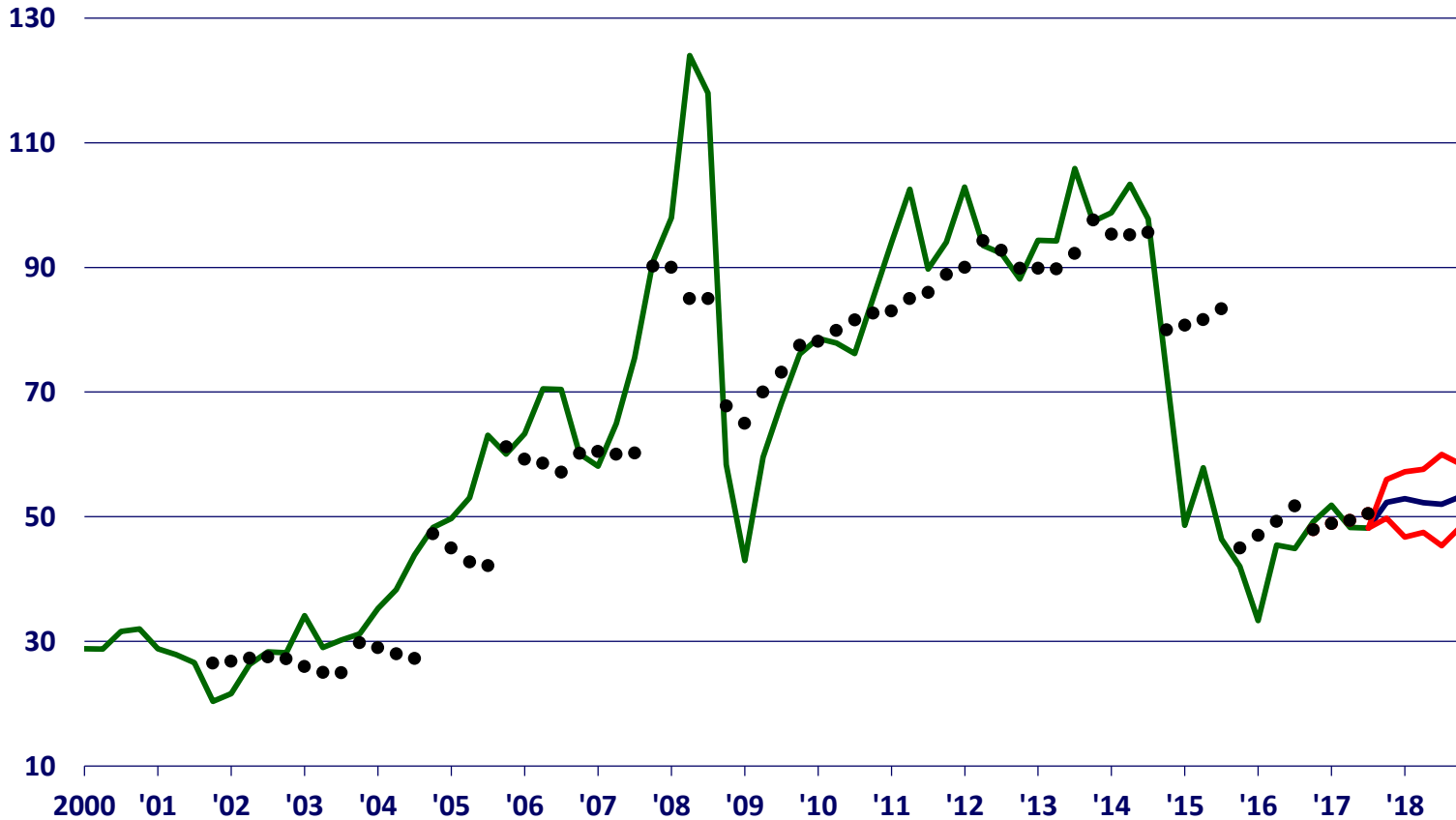


*Excludes the two highest and two lowest forecasts

Oil prices are predicted to remain low, but edge higher, averaging \$53.18 per barrel by the end of 2018

Oil Prices - West Texas Intermediate

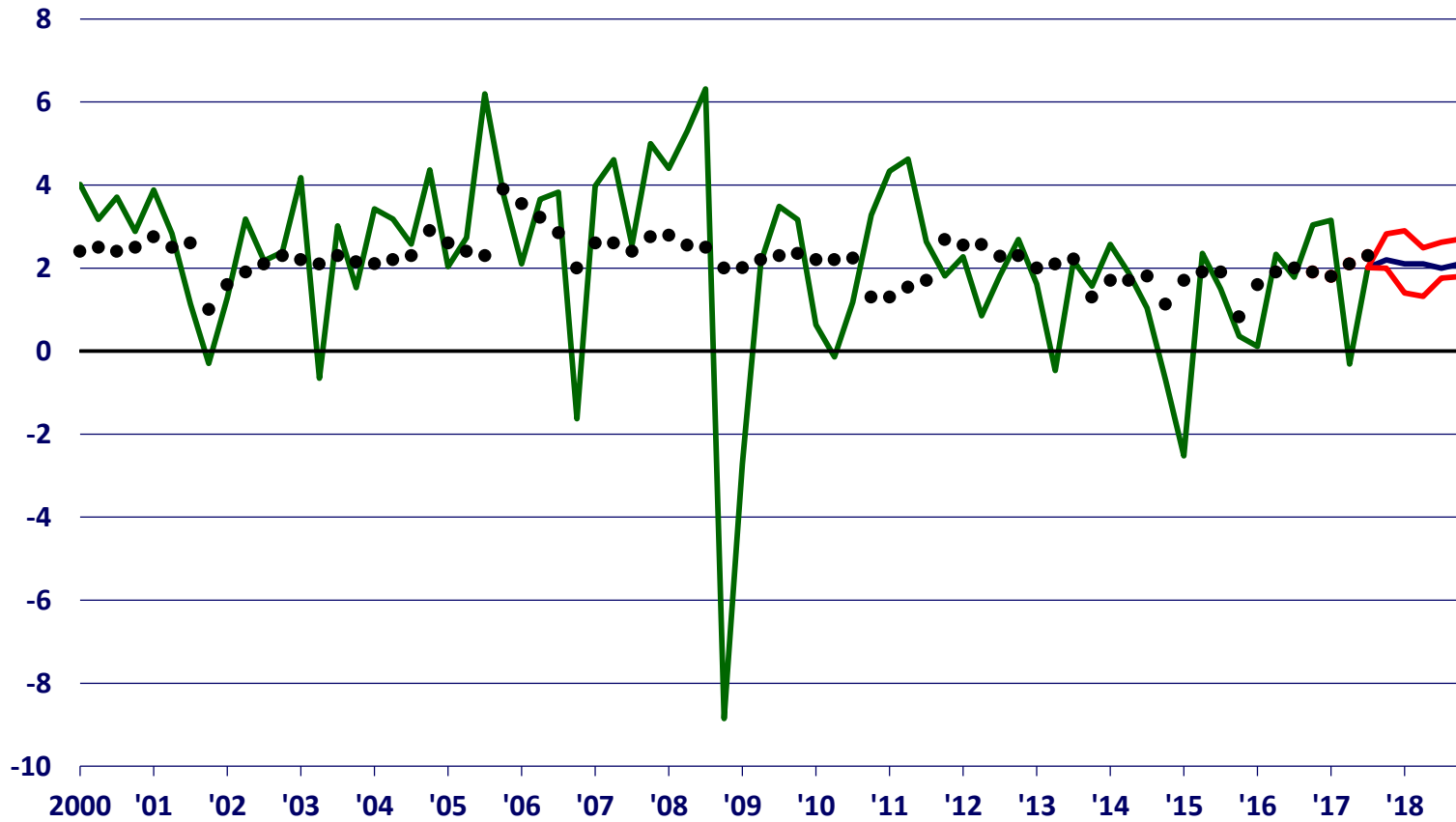
(dollars per barrel)



Inflation is forecast to rise 2.0% next year

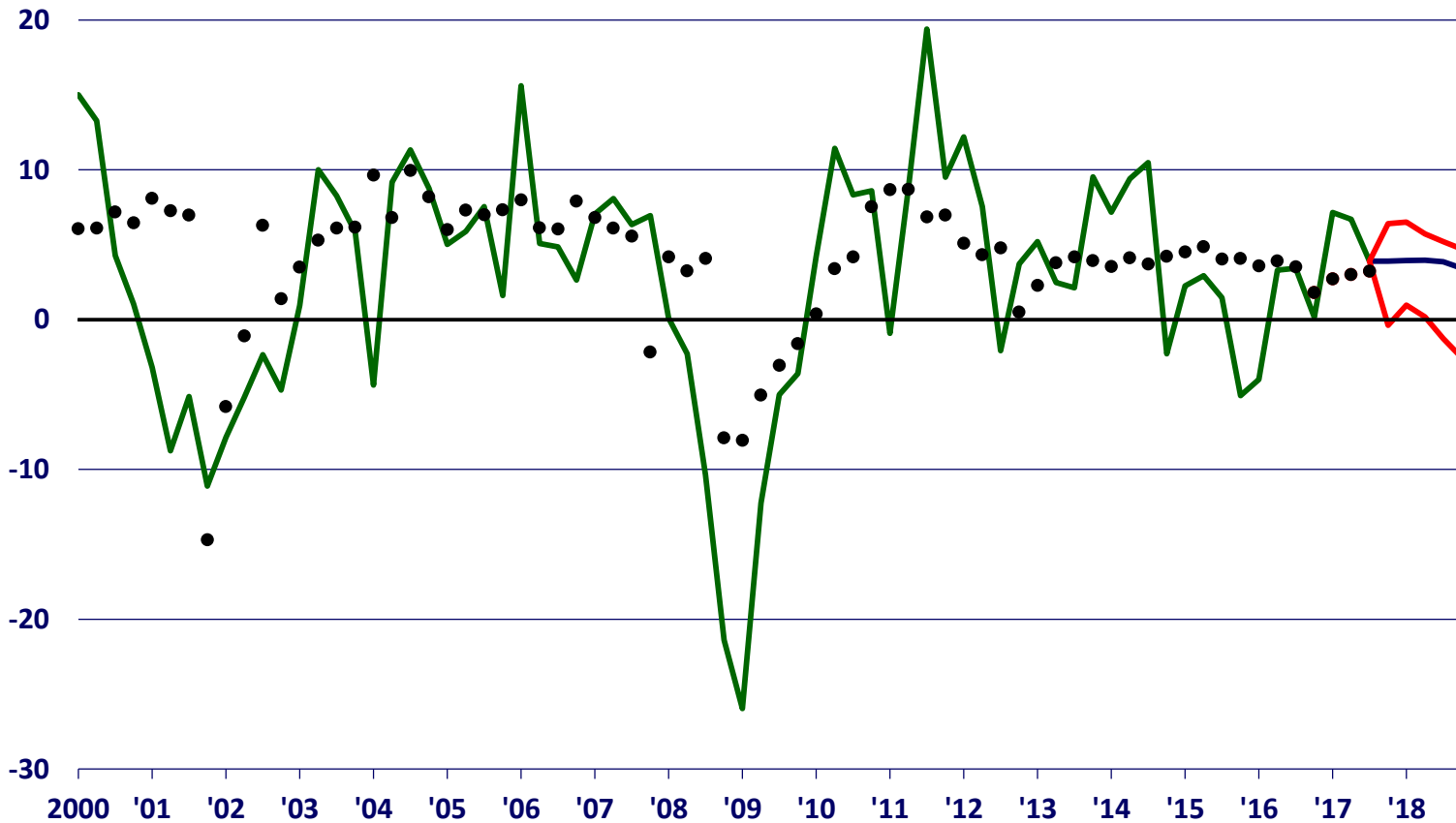
CPI Inflation Rate

(percent change, annualized)



Business fixed investment is predicted to increase at a solid pace of 3.5% over the coming year

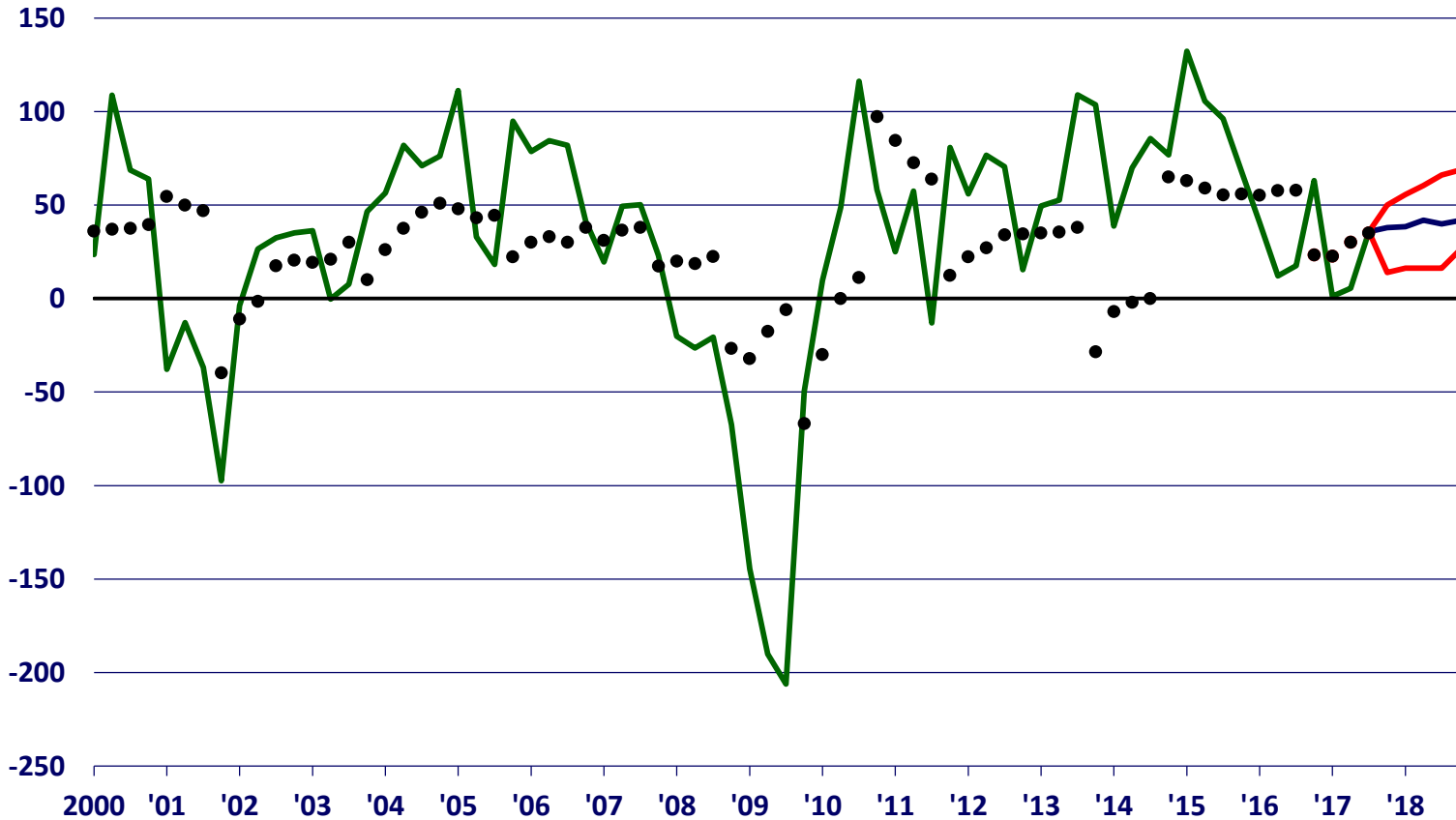
Business Fixed Investment
(percent change, annualized)



Business inventories are anticipated to grow at a slightly faster pace in 2018

Change in Business Inventories

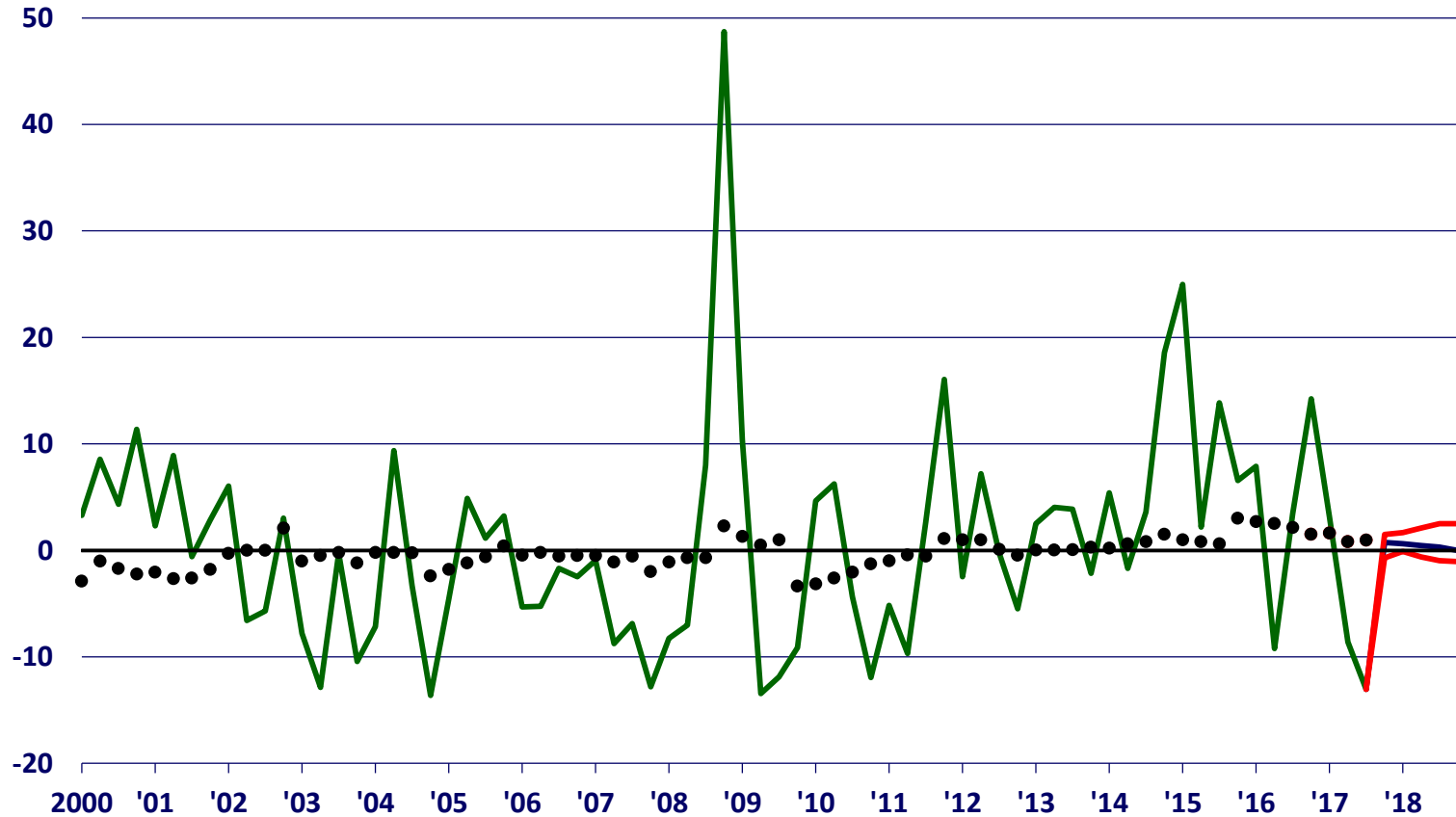
(billions of constant dollars)



The dollar is forecast to rise 1.0% next year

J.P. Morgan Trade Weighted Dollar

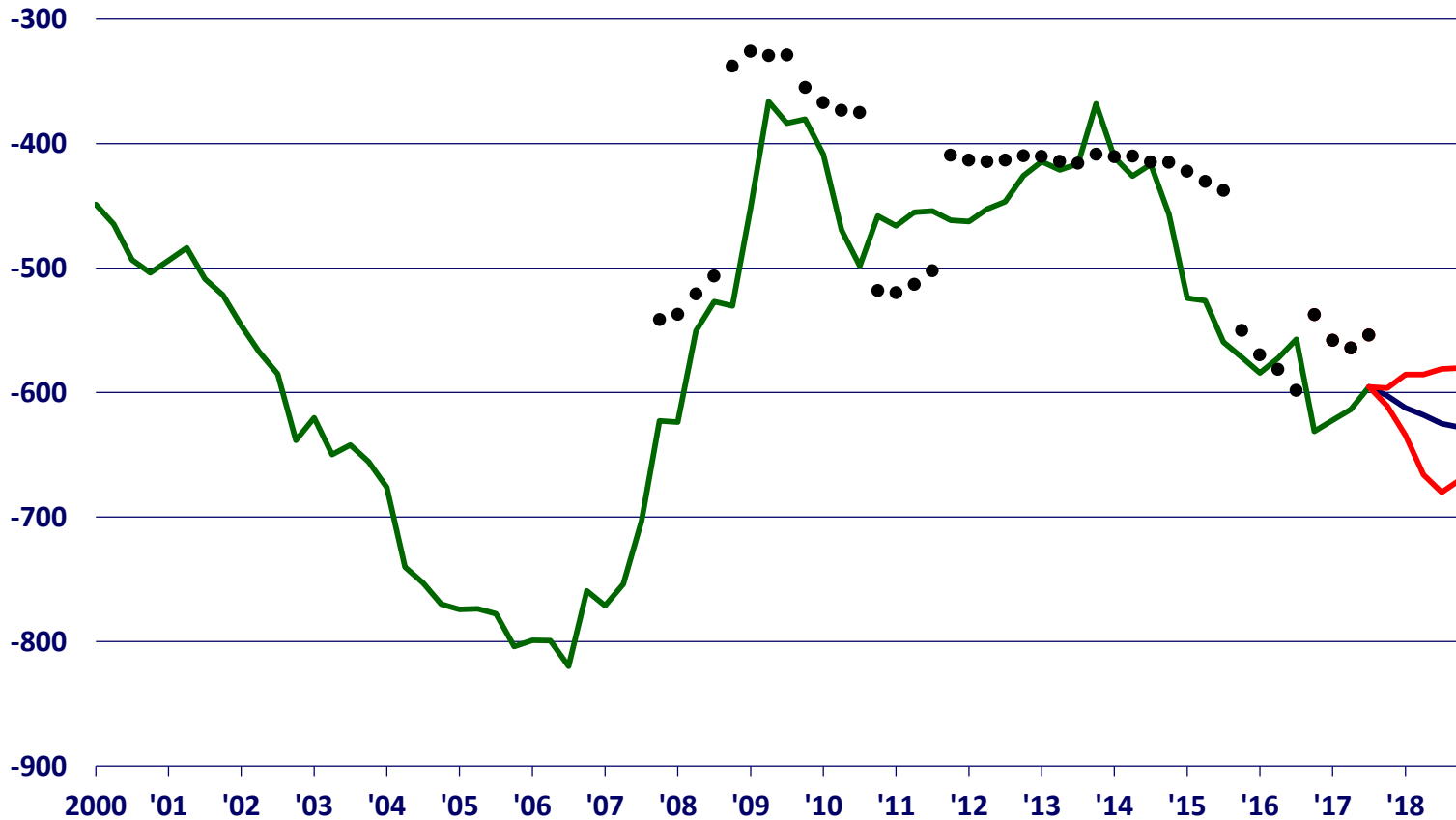
(percent change, annualized)



The trade balance is expected to deteriorate in 2018

Net Exports of Goods and Services

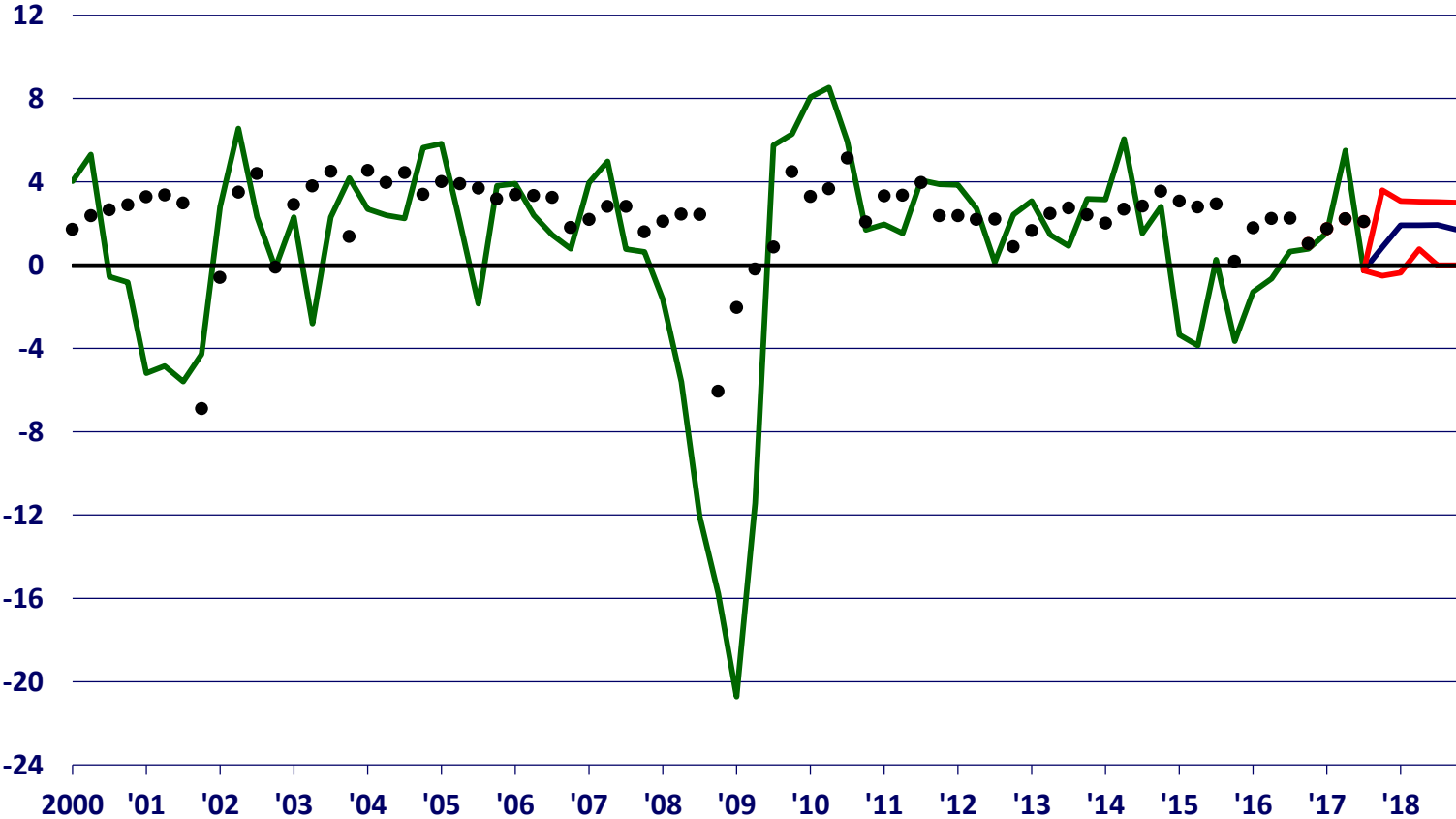
(billions of constant dollars)



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

Industrial Production

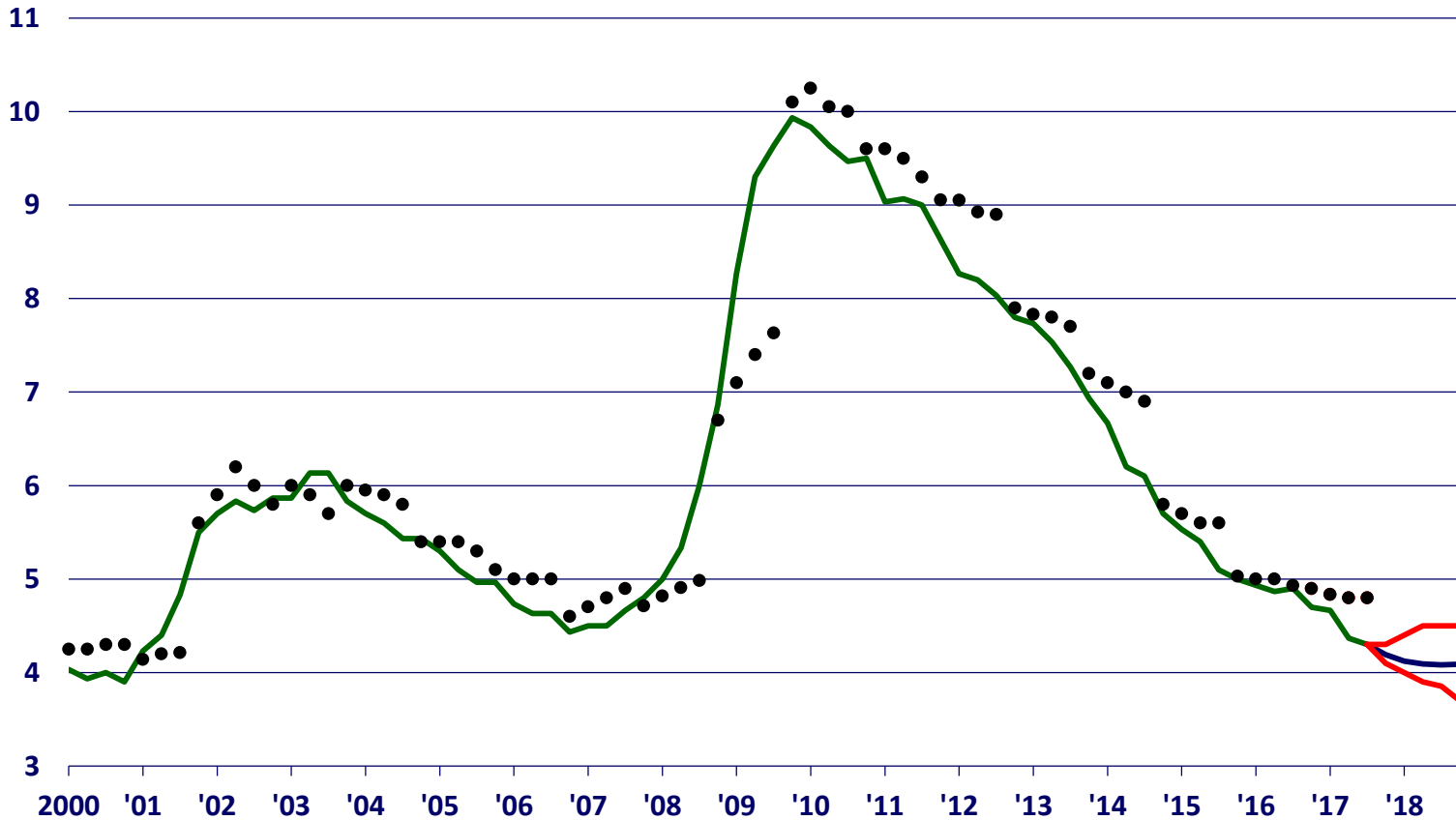
(percent change, annualized)



The unemployment rate is projected to tick lower, reaching 4.1% in the final quarter of next year

Unemployment Rate

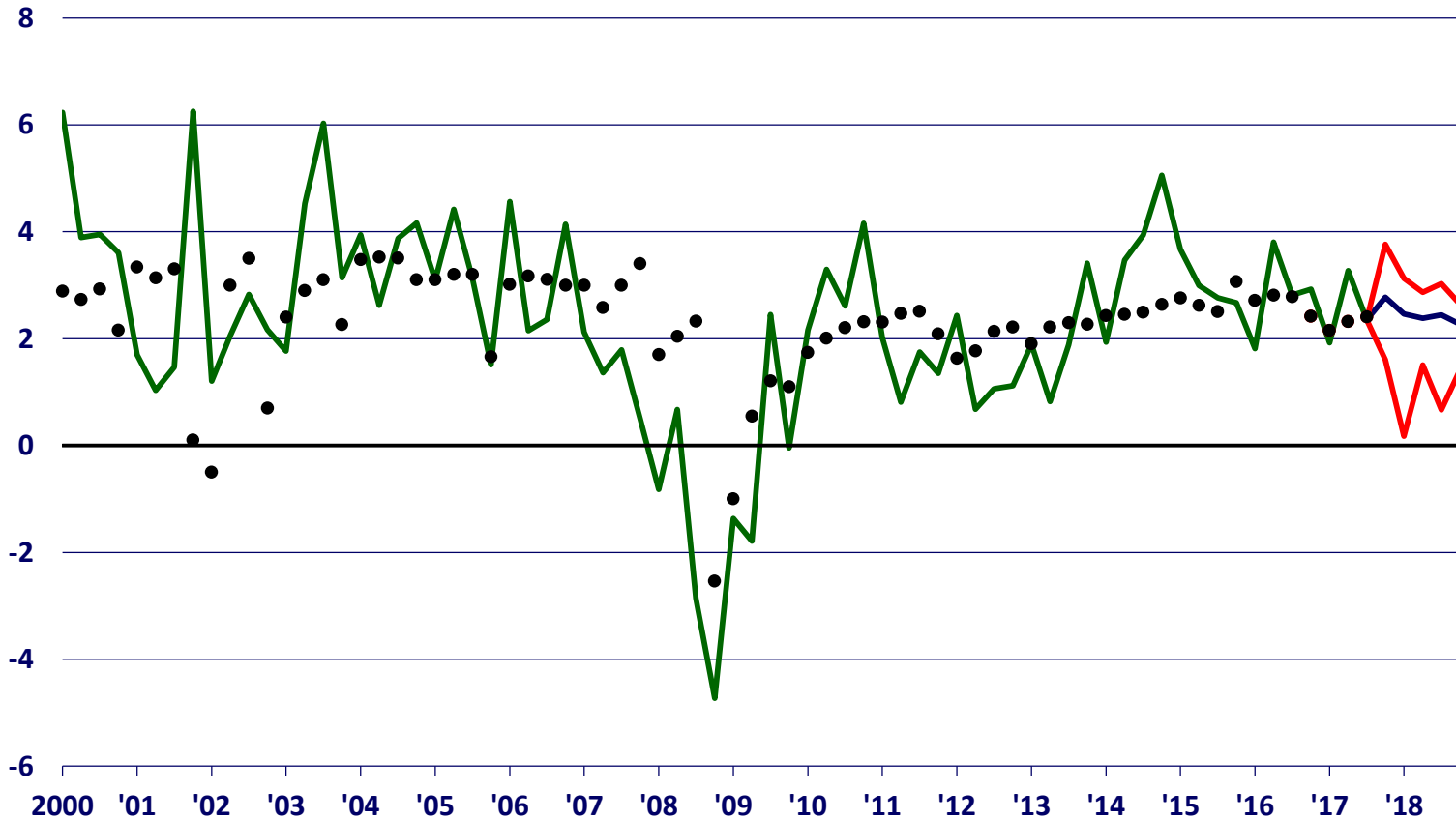
(percent)



Consumer spending growth is expected to increase by 2.3% in 2018

Personal Consumption Expenditures

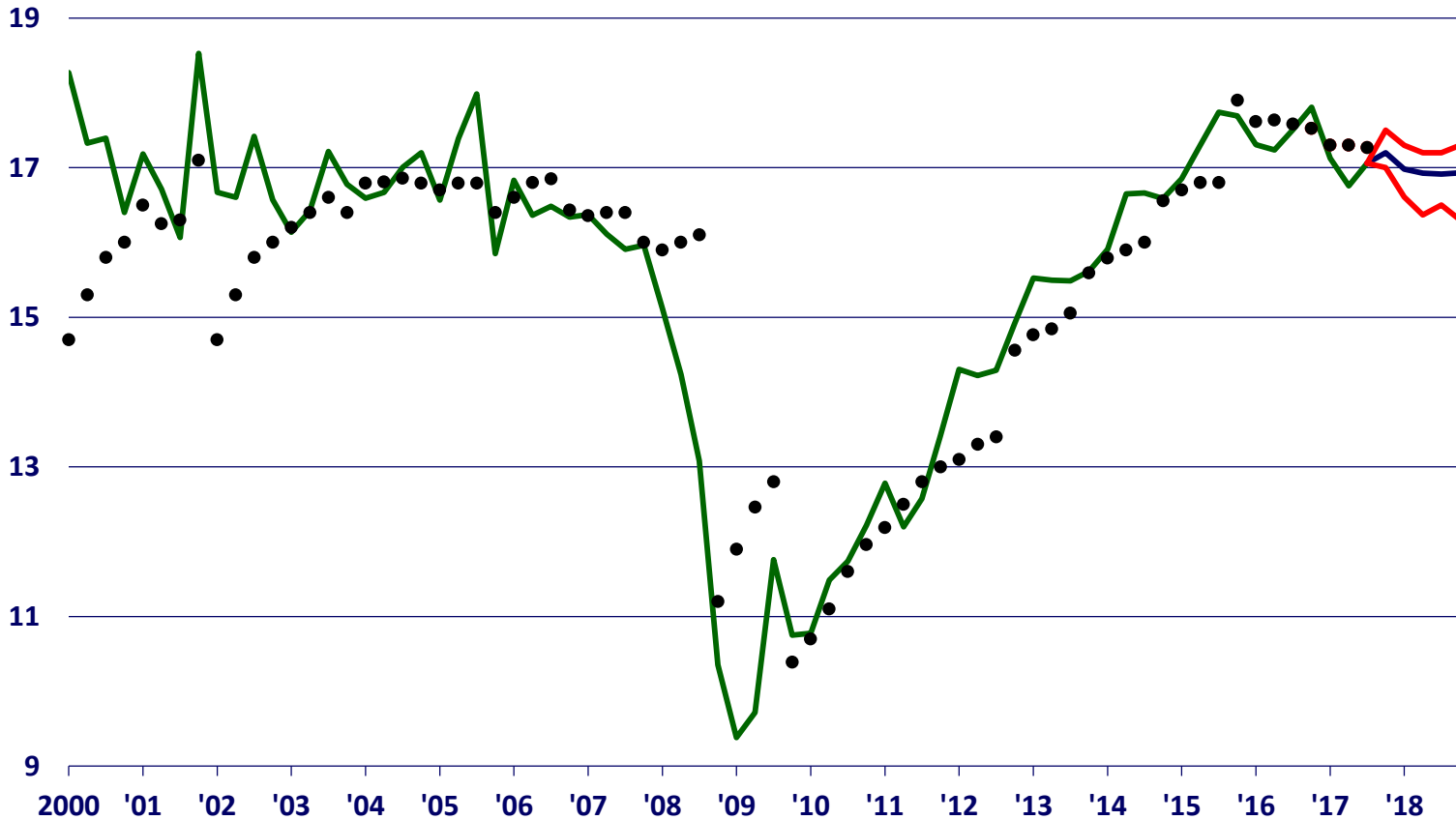
(percent change, annualized)



Light vehicles sales are forecast to tick down to 17.0 million units in 2018

Car and Light Truck Sales

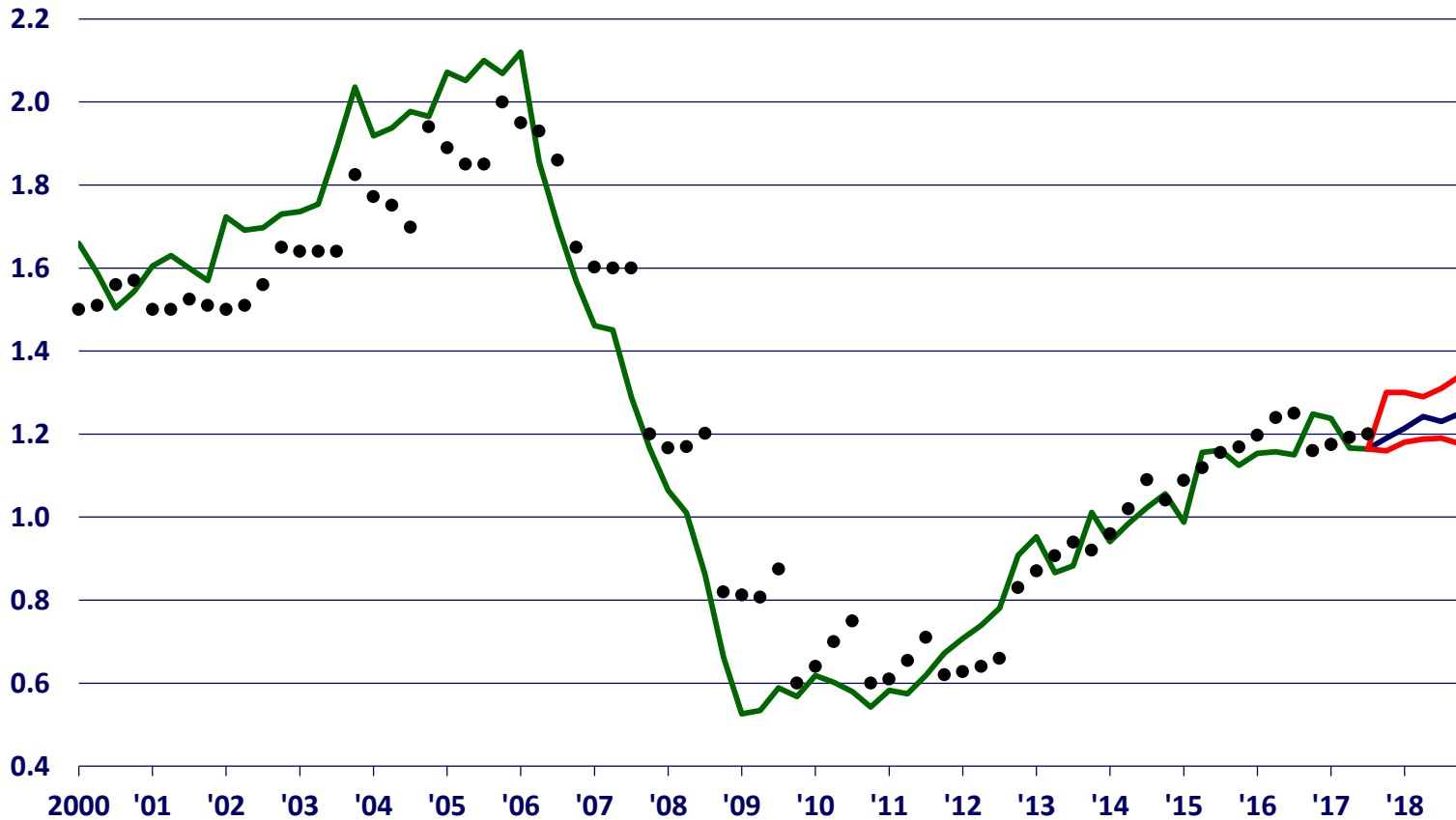
(millions of units)



Housing starts are forecast to rise to 1.26 million next year

Housing Starts

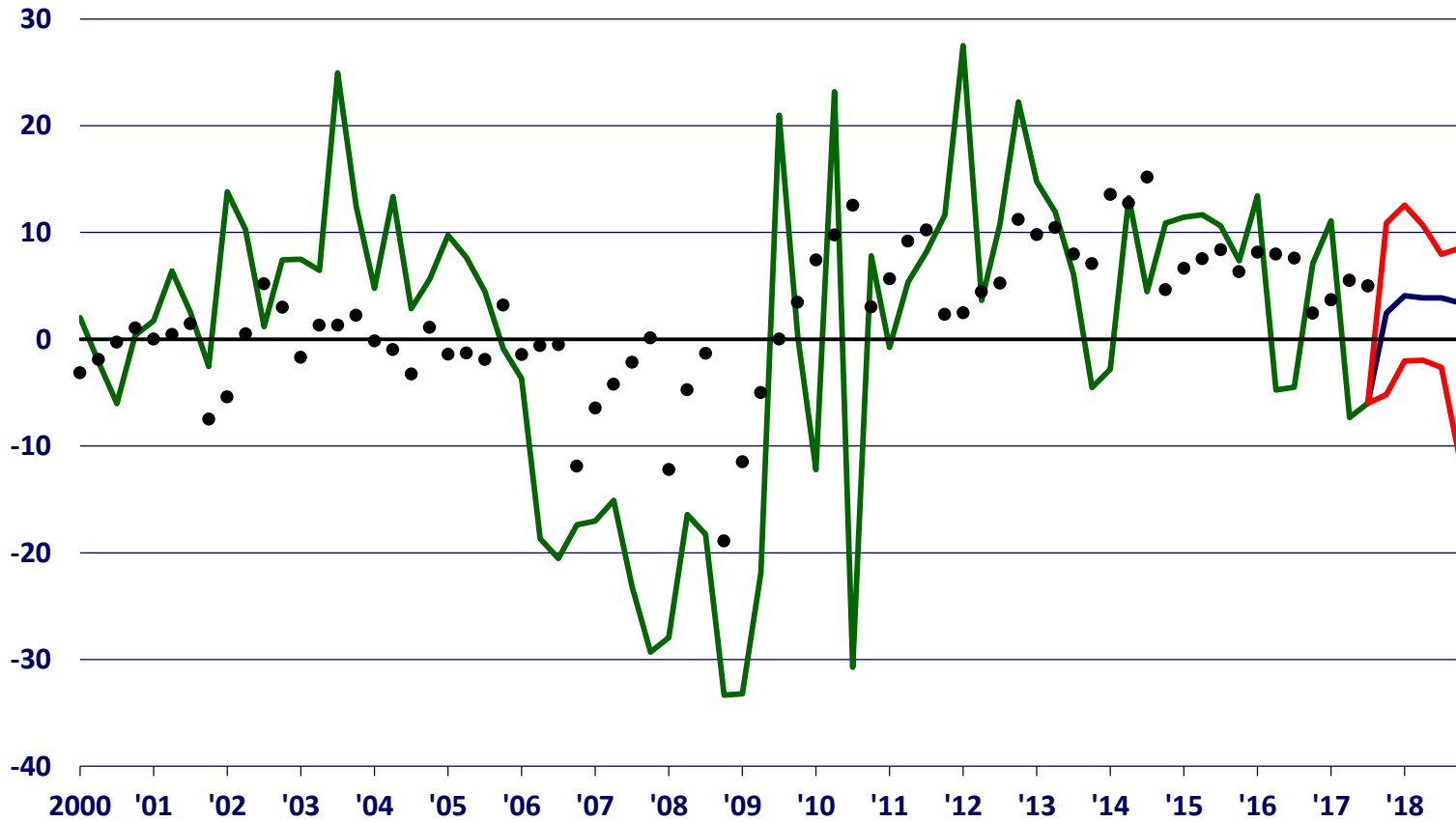
(millions of units)



Residential investment rebounds in 2018, gaining 3.3%

Residential Investment

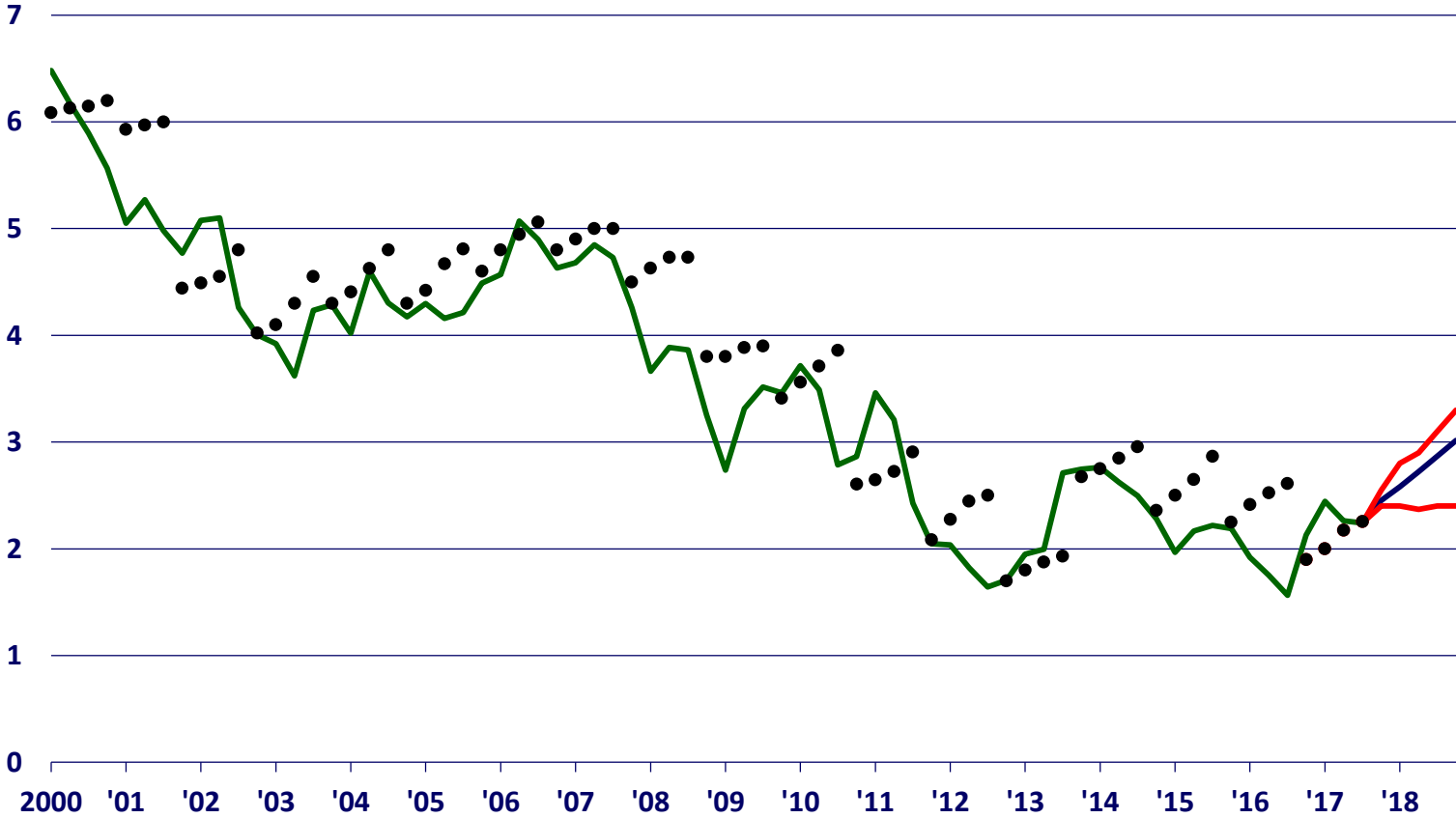
(percent change, annualized)



Ten-year interest rates are expected to increase by 56 basis points next year

Treasury Ten-year Rate

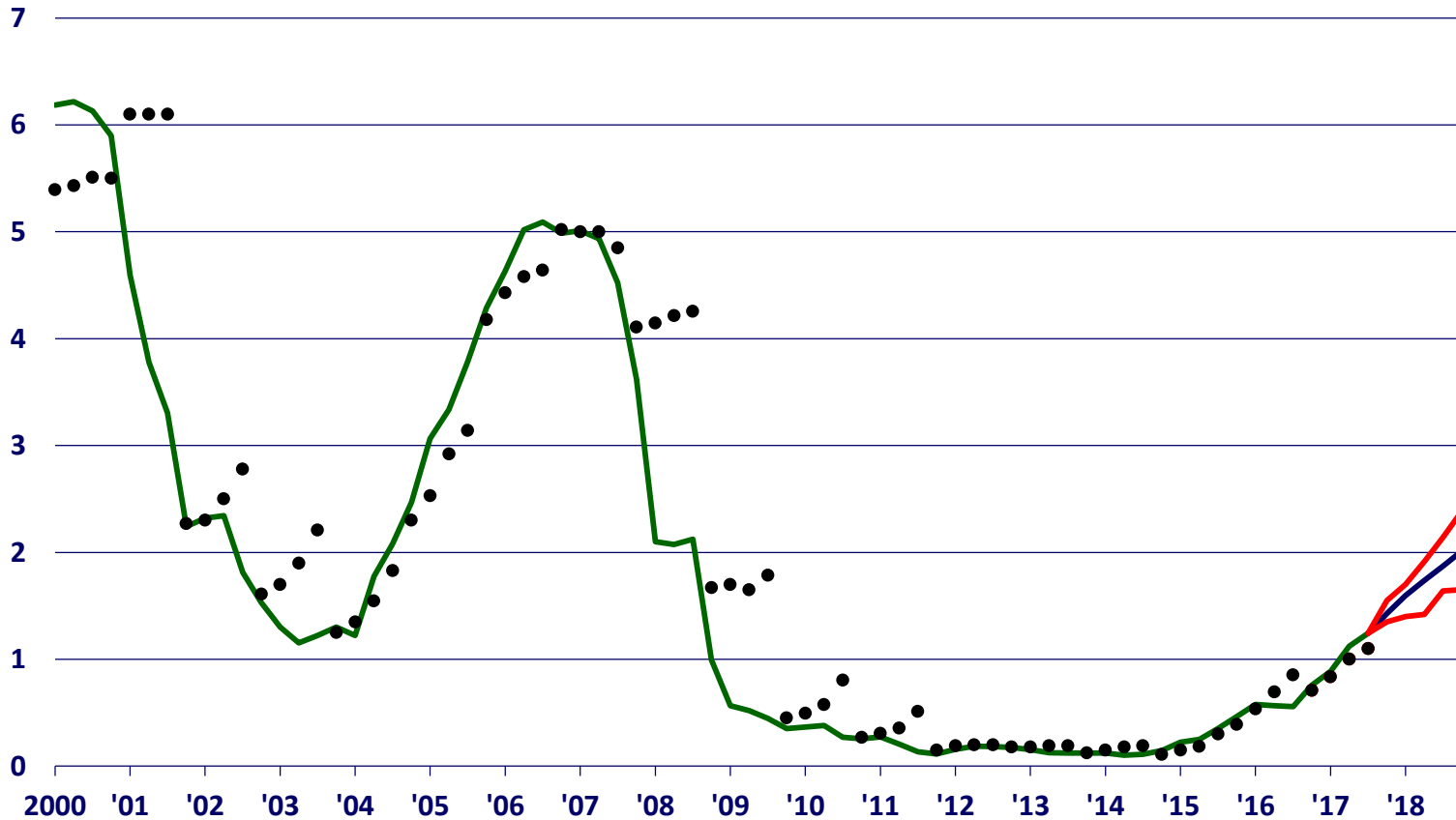
(percent)



Short-term interest rates are predicted to rise by 58 basis points in 2018

Treasury One-year Rate

(percent)



Median Forecasts: Consensus Book Page 1

	2016	2017	2018
GDP, current dollars*	3.4%	4.1%	4.1%
GDP Price Index, chain-type*	1.5%	1.7%	1.8%
Real GDP, chained dollars*	1.8%	2.5%	2.3%
Real Personal Consumption Expenditures*	2.8%	2.6%	2.3%
Real Business Fixed Investment*	0.7%	5.4%	3.5%
Real Residential Investment*	2.5%	-0.2%	3.3%
Change in Private Inventories**	\$63.1	\$37.9	\$41.8
Net Exports of Goods and Services (billions of constant dollars)**	-\$631.1	-\$602.7	-\$627.9
Real Government Consumption Expenditures and Gross Investment*	0.4%	-0.1%	0.6%

* **Q4 over Q4**

** **Q4 value**

Median Forecasts: Consensus Book Page 1

	2016	2017	2018
Industrial Production*	-0.1%	1.9%	1.9%
Car and Light Truck Sales (millions – calendar year including imports)	17.5	17.1	17.0
Housing Starts (millions of units)	1.18	1.19	1.26
Oil Price (dollars per barrel of West Texas Intermediate)**	\$49.20	\$52.31	\$53.18
Unemployment Rate**	4.7%	4.2%	4.1%
Consumer Price Index*	1.8%	1.8%	2.0%
Treasury Constant Maturity One-year Rate**	0.76%	1.43%	2.01%
Treasury Constant Maturity Ten-year Rate**	2.13%	2.45%	3.01%
J.P. Morgan Trade Weighted OECD Dollar*	3.7%	-4.1%	1.0%

* **Q4 over Q4**

** **Q4 value**

Summary

- **The economy is forecast to rise at a pace just slightly above trend in 2018**
- **The unemployment rate is expected to tick lower next year**
- **Inflation is anticipated to increase to two percent next year**
- **Manufacturing growth is expected to increase at a pace that is below its trend**
- **Light vehicles sales are forecast to ease to 17.0 million units in 2018**
- **Housing starts are predicted to increase to 1.26 million units next year**
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