
Economic Overview

Academic Advisory Council
November 18, 2016

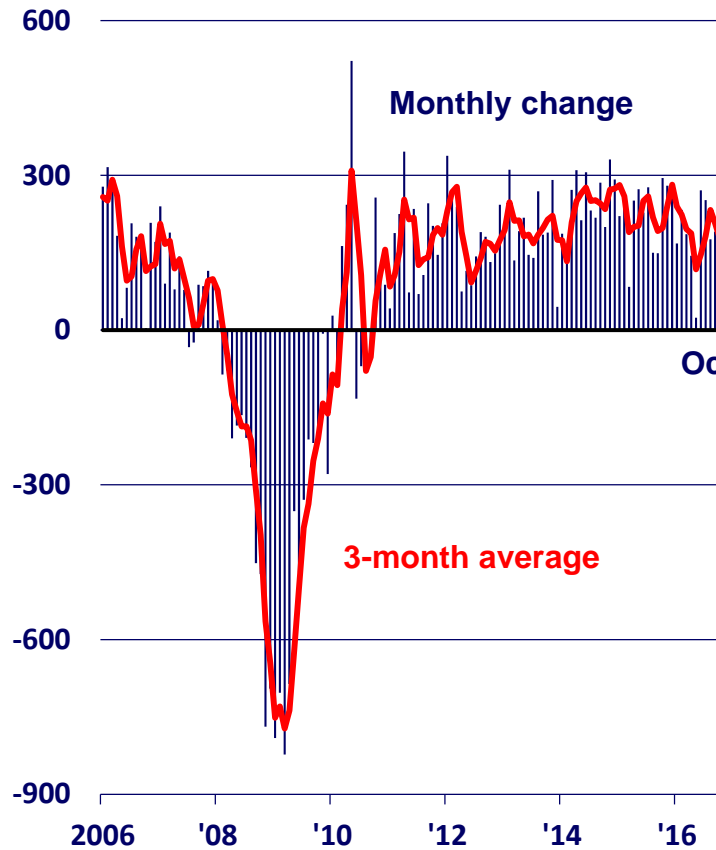
Spencer Krane
Senior Vice President
Federal Reserve Bank of Chicago

The views expressed are my own and not those of the Federal Reserve Bank of Chicago
or the Federal Reserve System

Labor Market

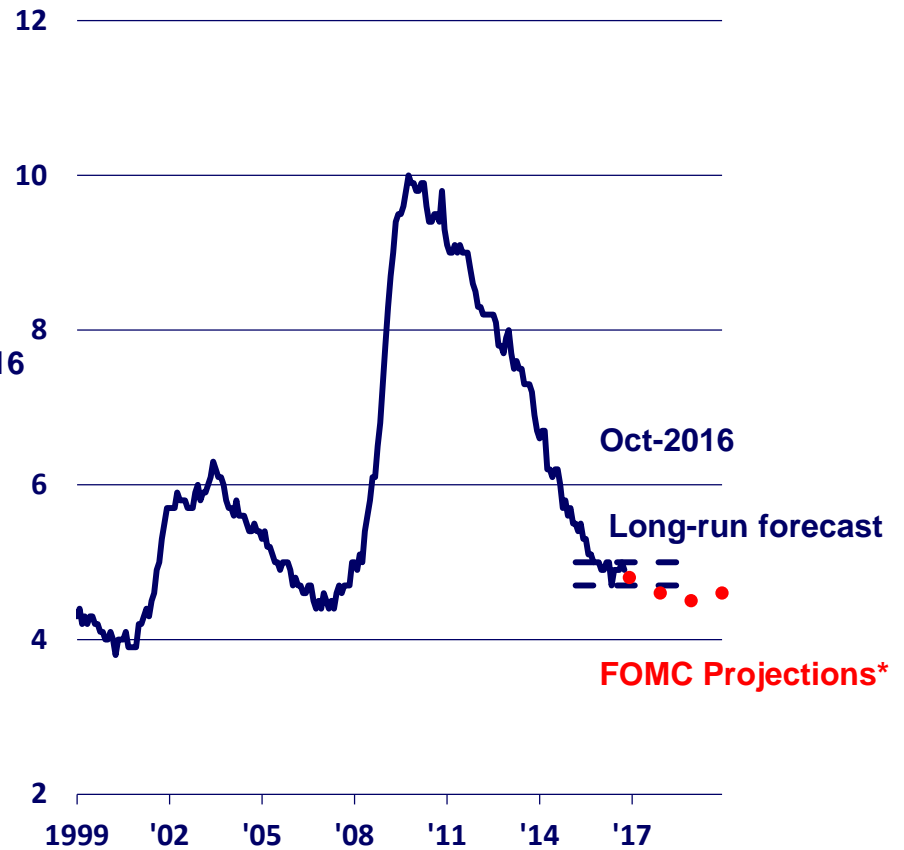
Total Nonfarm Payroll Employment

(change, thousands)



Unemployment Rate

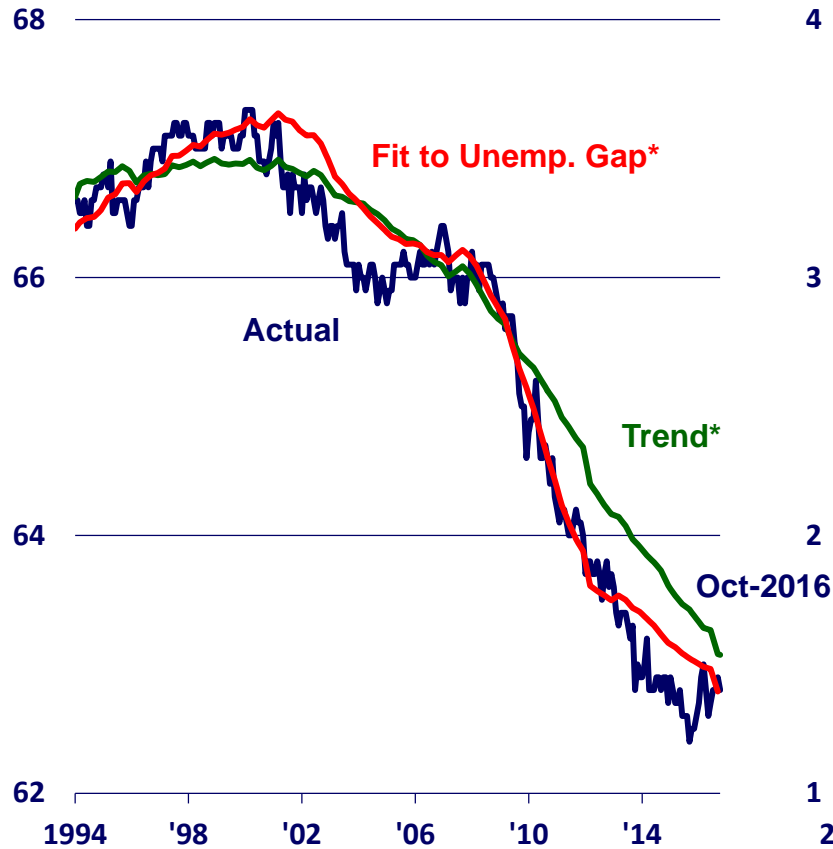
(percent)



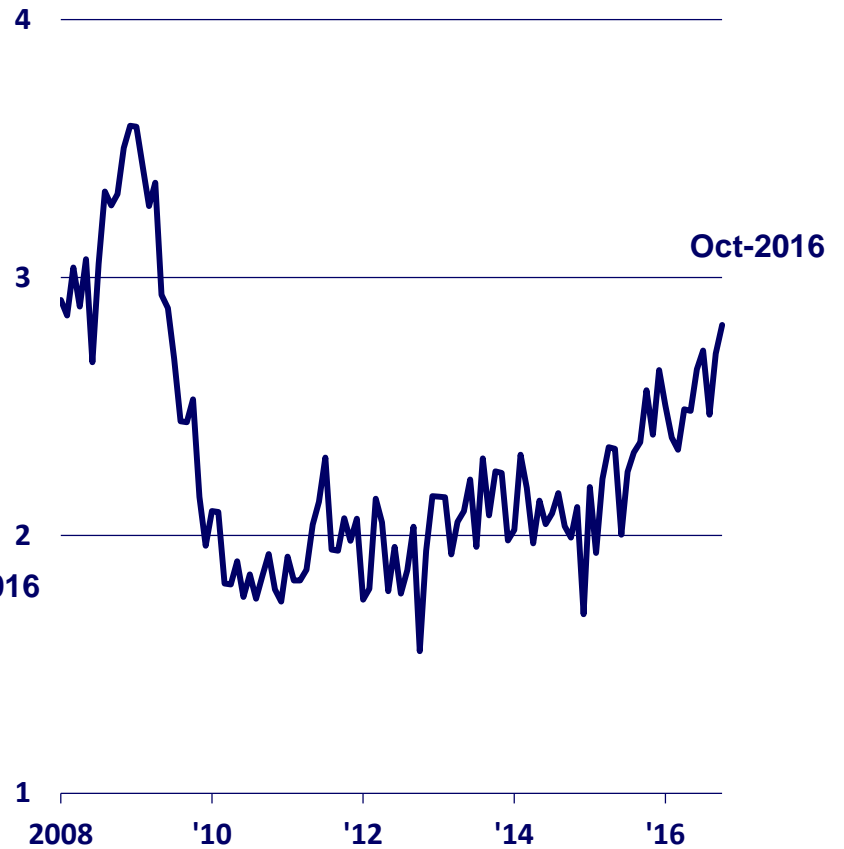
**Median of the forecasts made by FOMC participants as of September 21, 2016*

Labor Force Participation Rate and Wages

Labor Force Participation Rate
(percent)



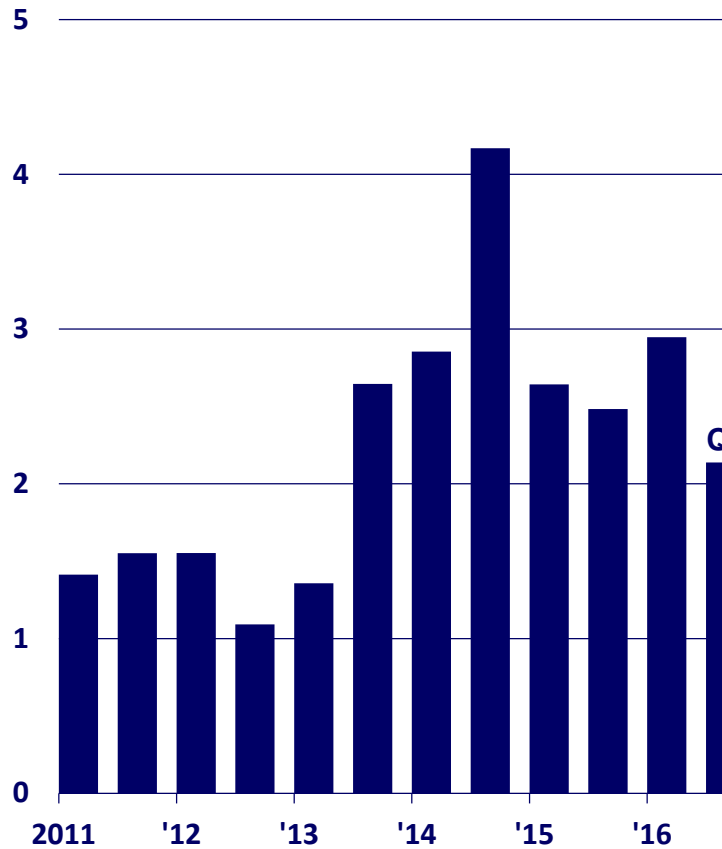
Average Hourly Earnings Growth
(percent)



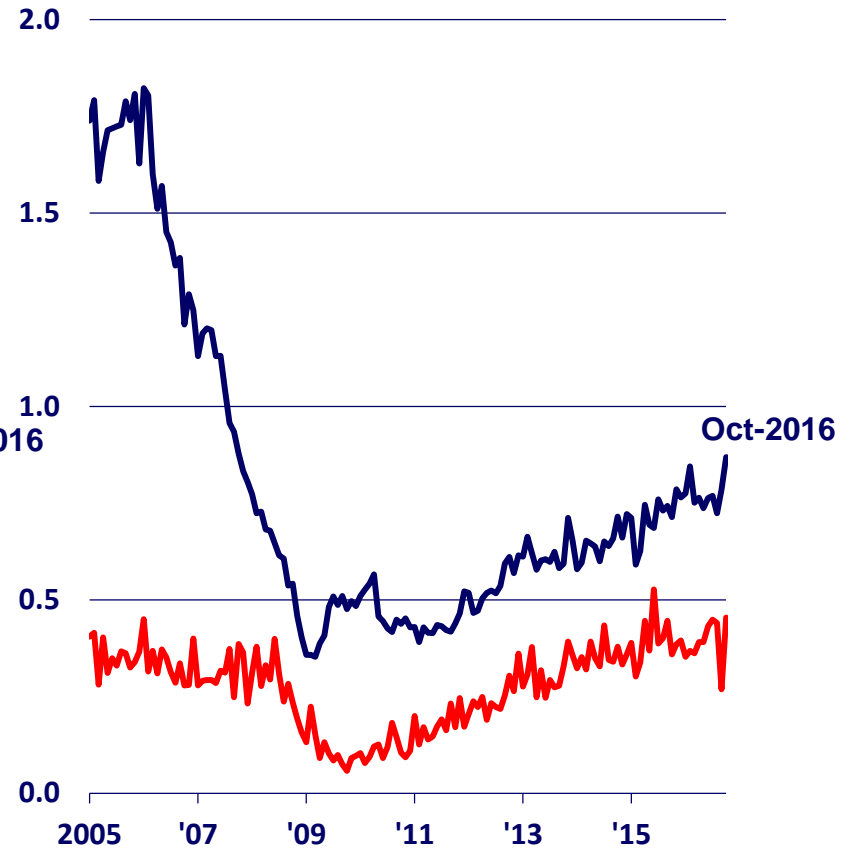
**FRBCHI staff estimates*

Household Sector

Personal Consumption Expenditures
(Percent change, annual rate)



Housing Starts
(millions of units, annual rate)



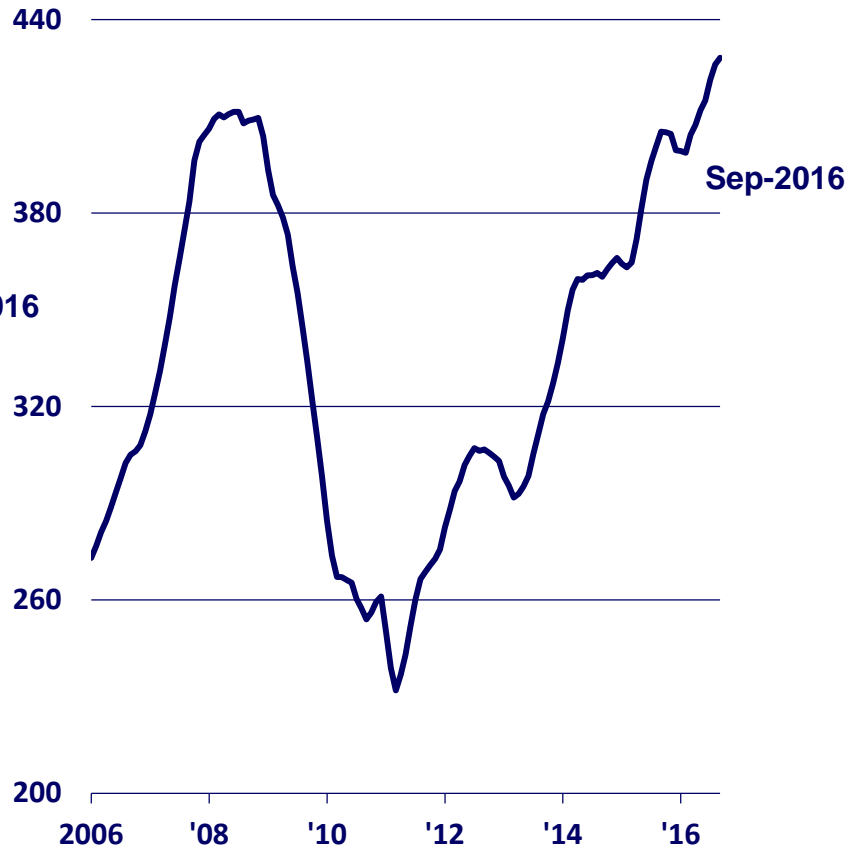
** Bars are annualized half-year percentage changes, except Q3-2016, which is the annualized qtr/qtr percentage change.*

Business Investment

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



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



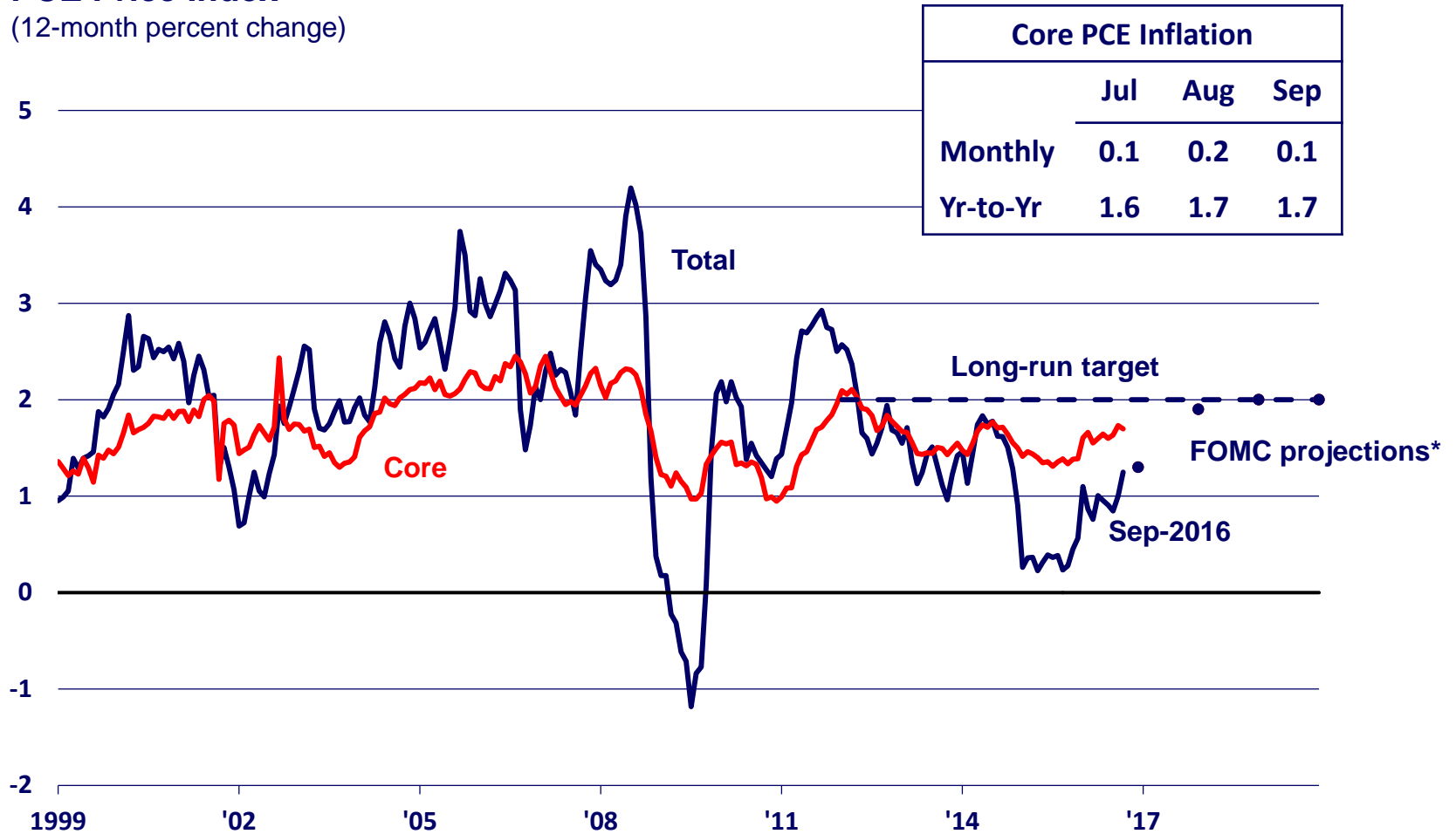
GDP Forecasts

	2016:Q3	2016:Q4	2016	2017	2018
Macroadvisers (Nov. 17)	3.1	2.0	1.7	2.1	2.0
GDPNow (Nov. 15)		3.3			
Blue Chip (Nov. 7)	2.9	2.1	1.8	2.2	
FOMC (Sep. 21)			1.8	2.0	2.0

PCE Inflation

PCE Price Index

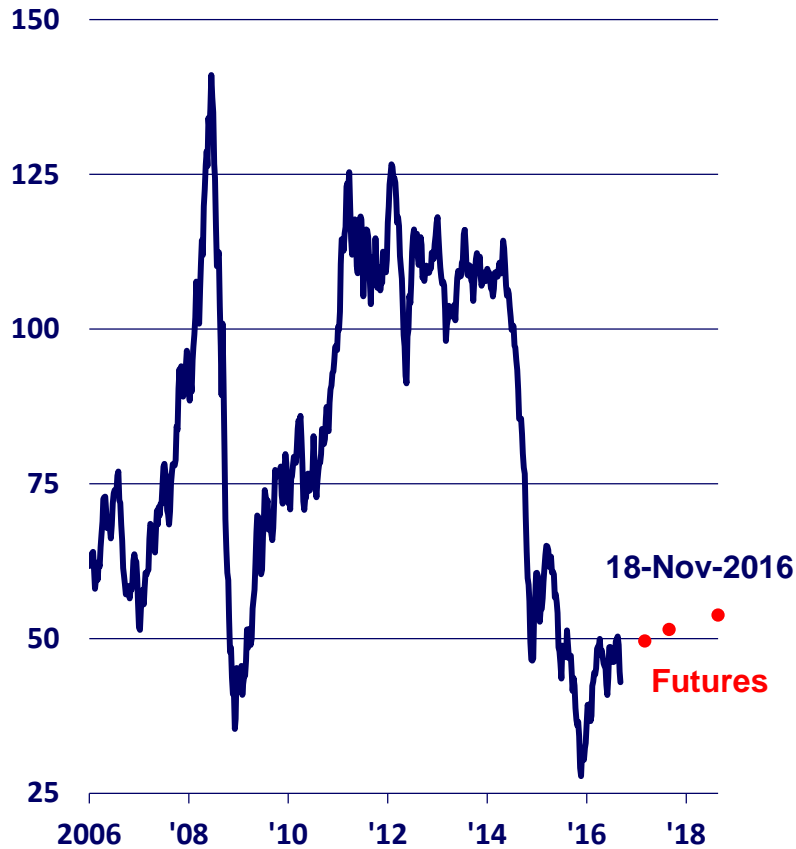
(12-month percent change)



* Median of the forecasts made by FOMC participants in the March 16, 2016 Summary of Economic Projections.

Oil and Import Prices

Brent Crude Oil Prices and Futures
(dollars)



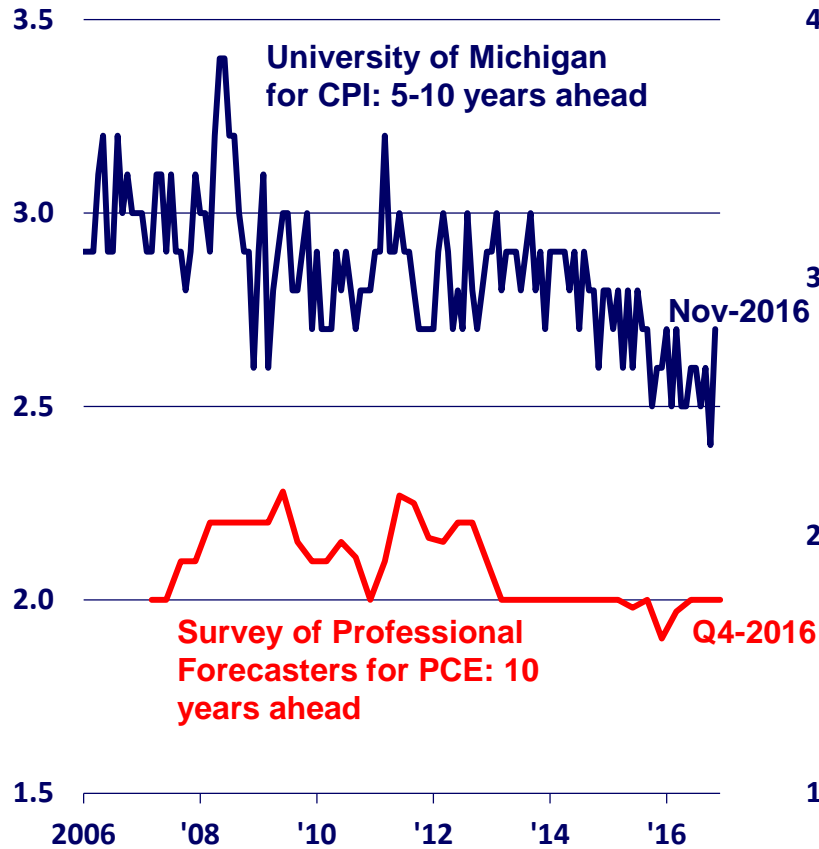
Non-Petroleum Import Prices
(12 month percent change)



Inflation Expectations

Inflation Surveys

(percent)



TIPS CPI Compensation 5-10 years ahead

(percent)



September FOMC Projections

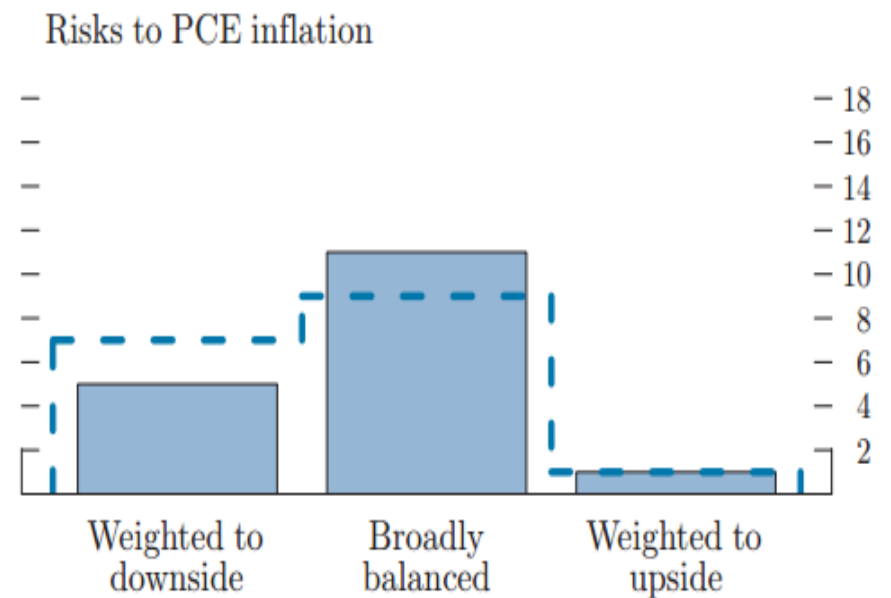
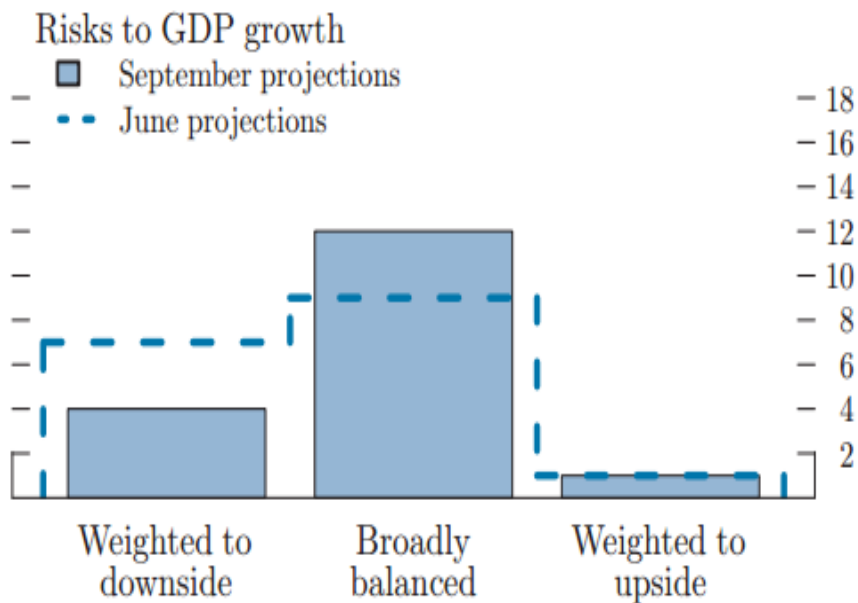
Percent

Variable	Median ¹					Central tendency ²					Range ³				
	2016	2017	2018	2019	Longer run	2016	2017	2018	2019	Longer run	2016	2017	2018	2019	Longer run
Change in real GDP	1.8	2.0	2.0	1.8	1.8	1.7-1.9	1.9-2.2	1.8-2.1	1.7-2.0	1.7-2.0	1.7-2.0	1.6-2.5	1.5-2.3	1.6-2.2	1.6-2.2
June projection	2.0	2.0	2.0	n.a.	2.0	1.9-2.0	1.9-2.2	1.8-2.1	n.a.	1.8-2.0	1.8-2.2	1.6-2.4	1.5-2.2	n.a.	1.6-2.4
Unemployment rate	4.8	4.6	4.5	4.6	4.8	4.7-4.9	4.5-4.7	4.4-4.7	4.4-4.8	4.7-5.0	4.7-4.9	4.4-4.8	4.3-4.9	4.2-5.0	4.5-5.0
June projection	4.7	4.6	4.6	n.a.	4.8	4.6-4.8	4.5-4.7	4.4-4.8	n.a.	4.7-5.0	4.5-4.9	4.3-4.8	4.3-5.0	n.a.	4.6-5.0
PCE inflation	1.3	1.9	2.0	2.0	2.0	1.2-1.4	1.7-1.9	1.8-2.0	1.9-2.0	2.0	1.1-1.7	1.5-2.0	1.8-2.0	1.8-2.1	2.0
June projection	1.4	1.9	2.0	n.a.	2.0	1.3-1.7	1.7-2.0	1.9-2.0	n.a.	2.0	1.3-2.0	1.6-2.0	1.8-2.1	n.a.	2.0
Core PCE inflation ⁴	1.7	1.8	2.0	2.0		1.6-1.8	1.7-1.9	1.9-2.0	2.0		1.5-2.0	1.6-2.0	1.8-2.0	1.8-2.1	
June projection	1.7	1.9	2.0	n.a.		1.6-1.8	1.7-2.0	1.9-2.0	n.a.		1.3-2.0	1.6-2.0	1.8-2.1	n.a.	
Memo: Projected appropriate policy path															
Federal funds rate	0.6	1.1	1.9	2.6	2.9	0.6-0.9	1.1-1.8	1.9-2.8	2.4-3.0	2.8-3.0	0.4-1.1	0.6-2.1	0.6-3.1	0.6-3.8	2.5-3.8
June projection	0.9	1.6	2.4	n.a.	3.0	0.6-0.9	1.4-1.9	2.1-2.9	n.a.	3.0-3.3	0.6-1.4	0.6-2.4	0.6-3.4	n.a.	2.8-3.8

Risks to the FOMC Projections

Number of participants

Number of participants



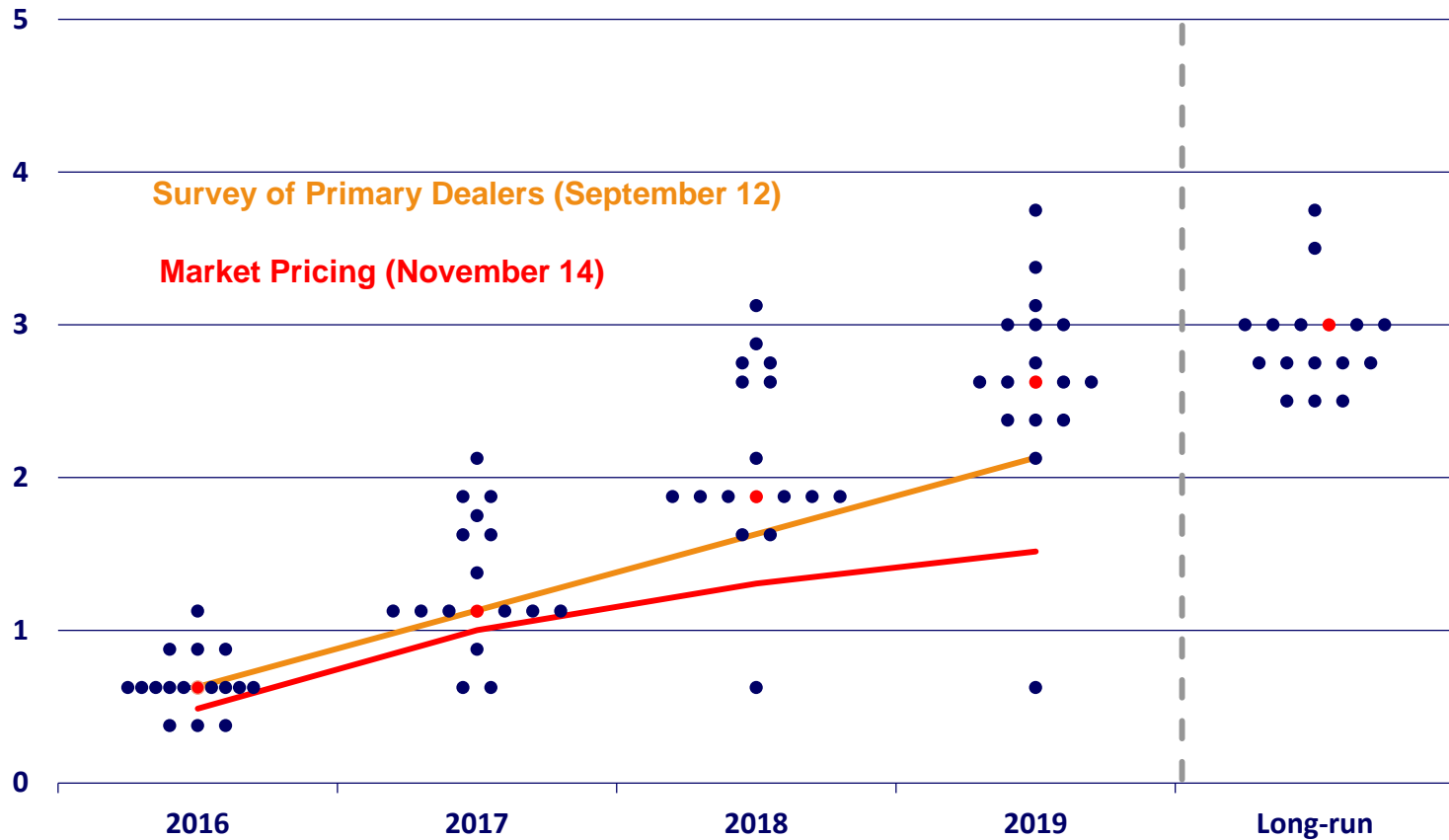
* Minutes from the September 21, 2016 FOMC.

November FOMC Statement

- ...the Committee decided to maintain the target range for the federal funds rate at 1/4 to 1/2 percent. The Committee judges that the case for an increase in the federal funds rate has strengthened but decided, for the time being, to wait for further evidence of continued progress toward its objectives.

Pace of Policy Firming – Sept. FOMC

Federal Funds Rate at Year-End (percent)



Source: Interest rate projections are from the September 21, 2016 FOMC Summary of Economic Projections. Market expectations are from OIS futures as of November 14, 2016. Summary of Primary Dealers responses received by September 12, 2016.