

Economic Update

Birmingham Bloomfield Chamber Breakfast

Federal Reserve Bank of Chicago
February 12, 2015

Paul Traub
Senior Business Economist



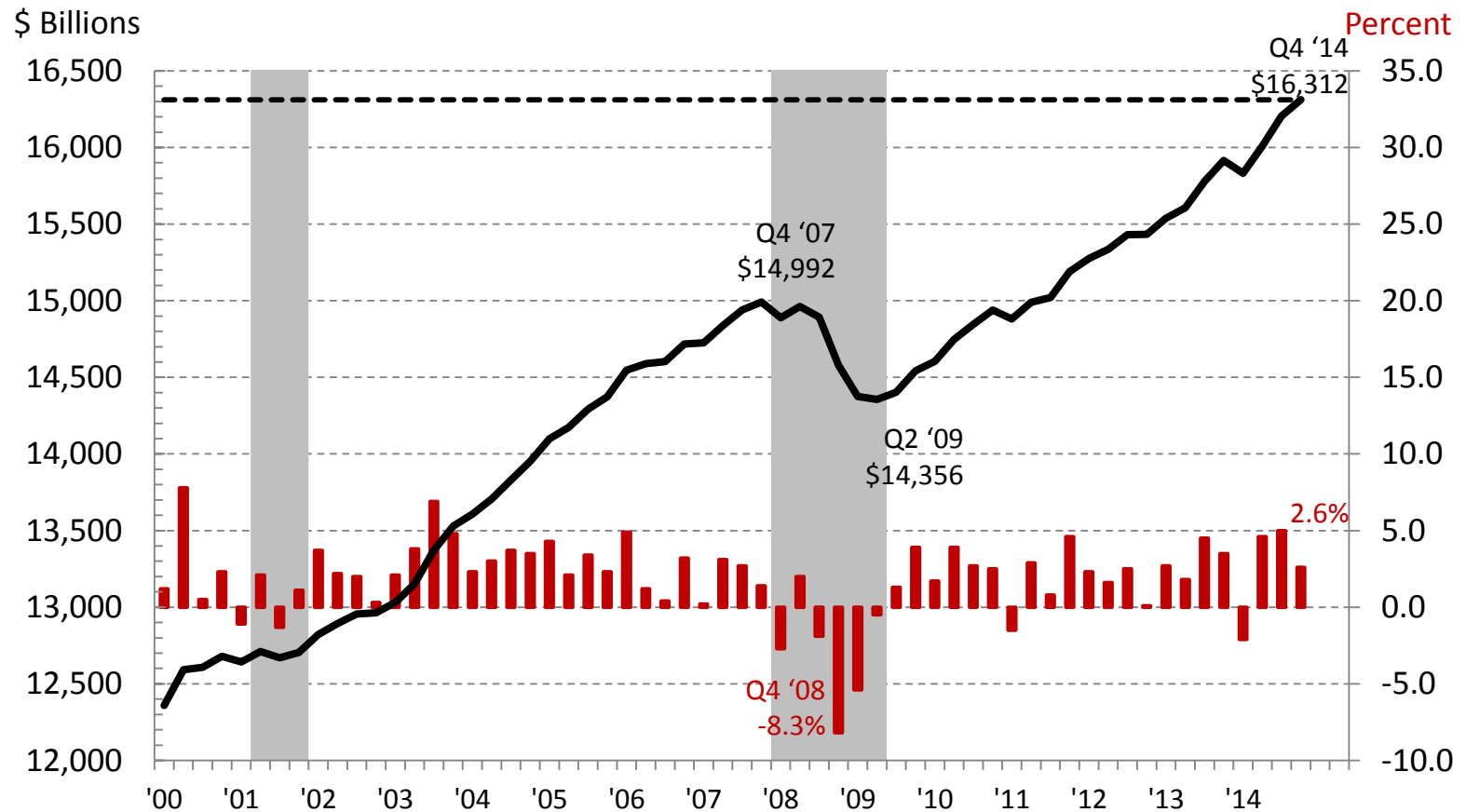
F.O.M.C Statement

January 28, 2015

1. Information since the F.O.M.C. met in December suggest that economic activity has been expanding at a solid pace.
2. Labor market conditions have improved further, with strong gains, lower unemployment rate with diminishing underutilization of labor resources.
3. Household spending is rising moderately and recent declines in energy prices have boosted household purchasing power.
4. Business fixed investment is advancing, while the recovery of the housing market remains slow.
5. Inflation has declined further below the Committee's longer-run objective, largely reflecting declines in energy prices.
6. Survey-based measures of longer-run inflation expectations have remained stable.

U.S. Real GDP

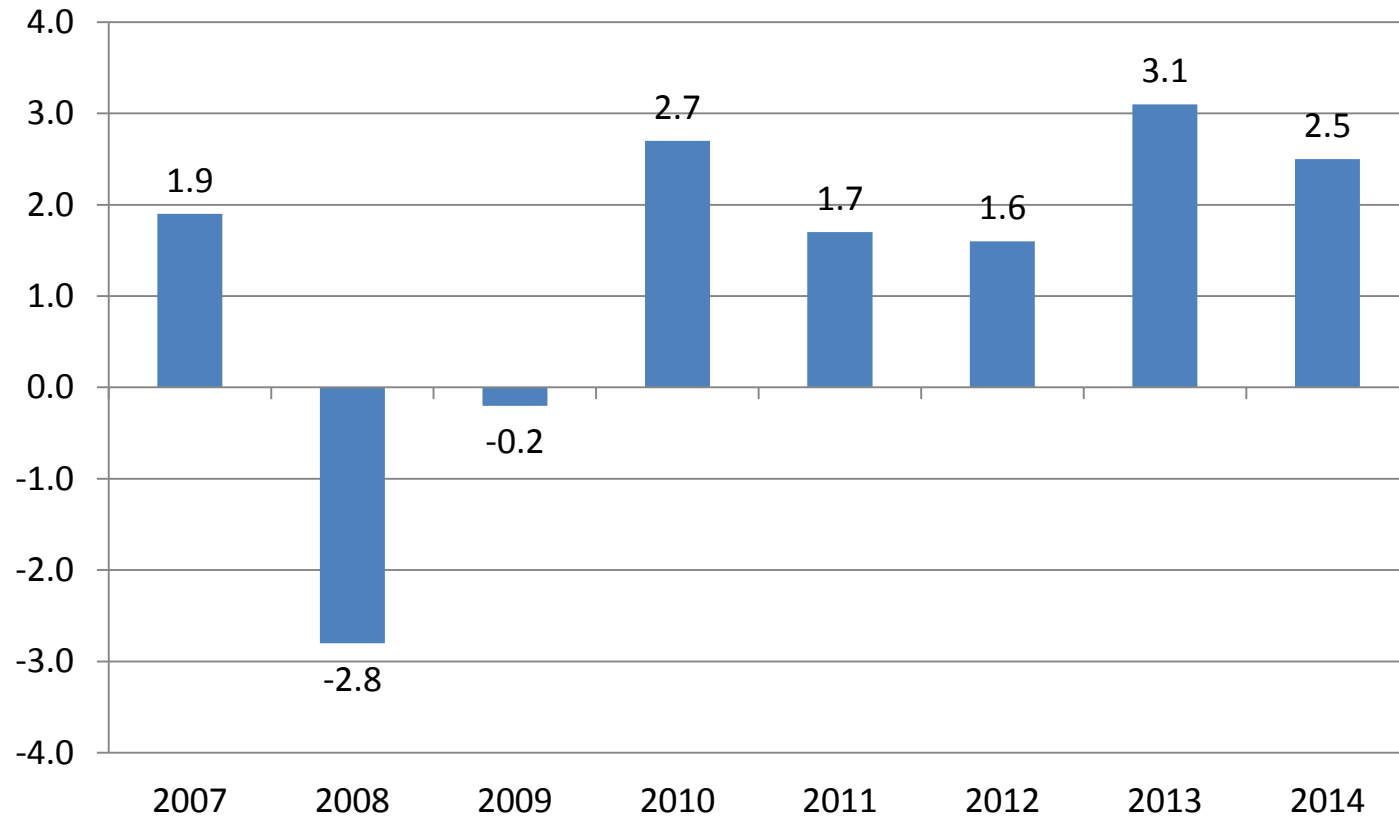
Billions Chained \$2009, % Change Q/Q at SAAR



Source: U.S. Bureau of Economic Analysis

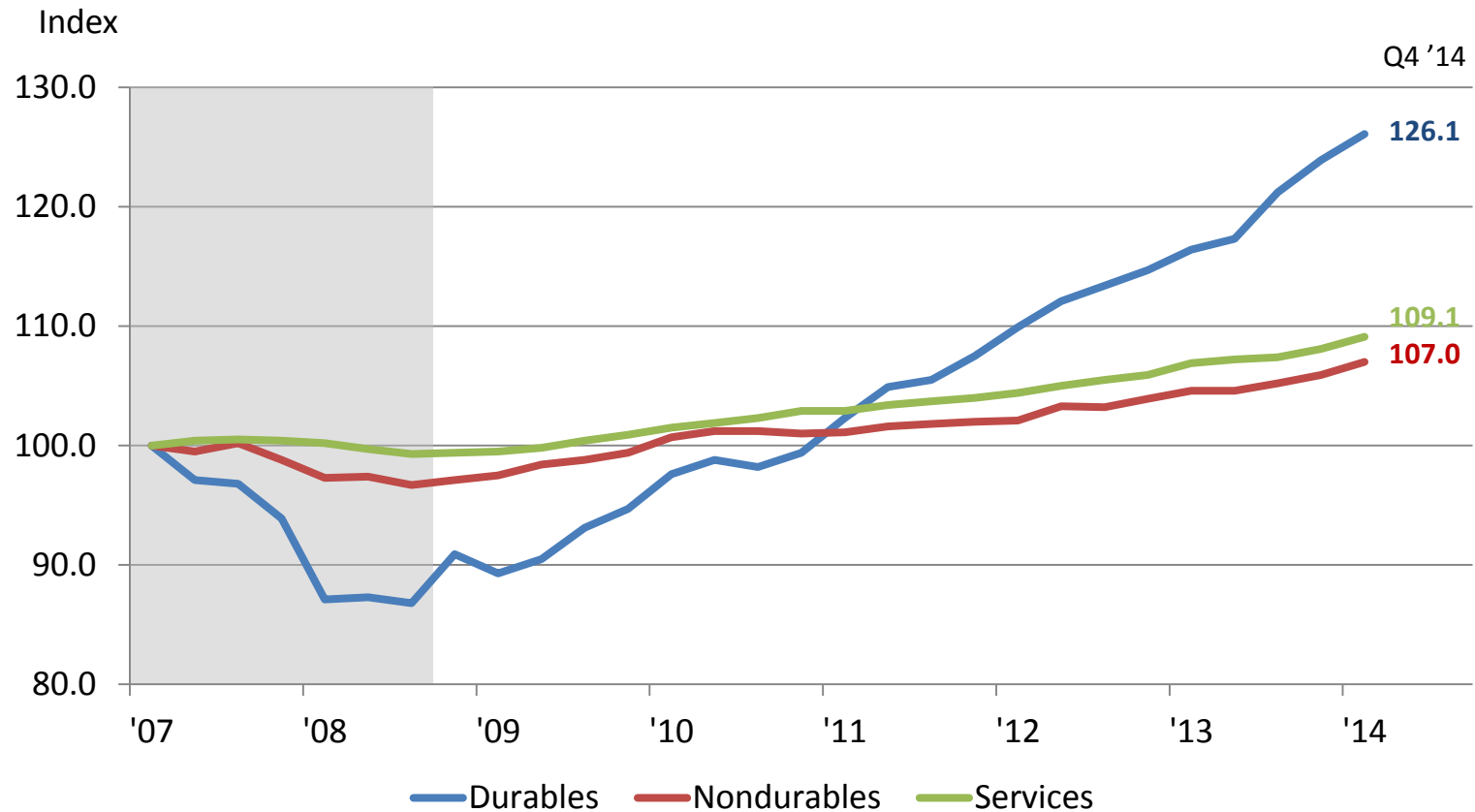
U.S. Real GDP

Billions Chained \$2009, % Change Q4/Q4 at SAAR



Real Personal Consumption Expenditures

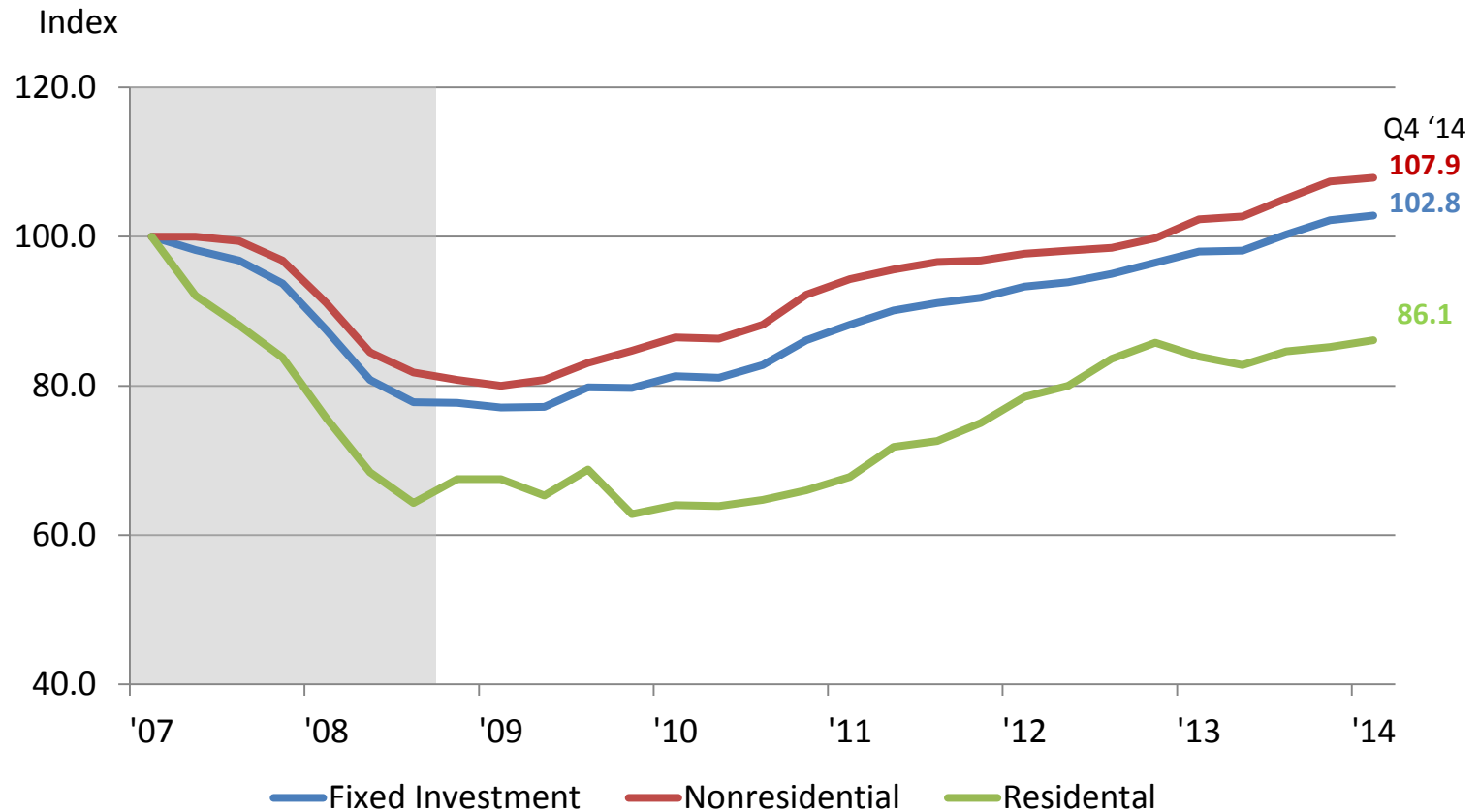
Index, Q4 '07 = 100



Source: Author's calculations using data from the BEA

Real Private Fixed Investment

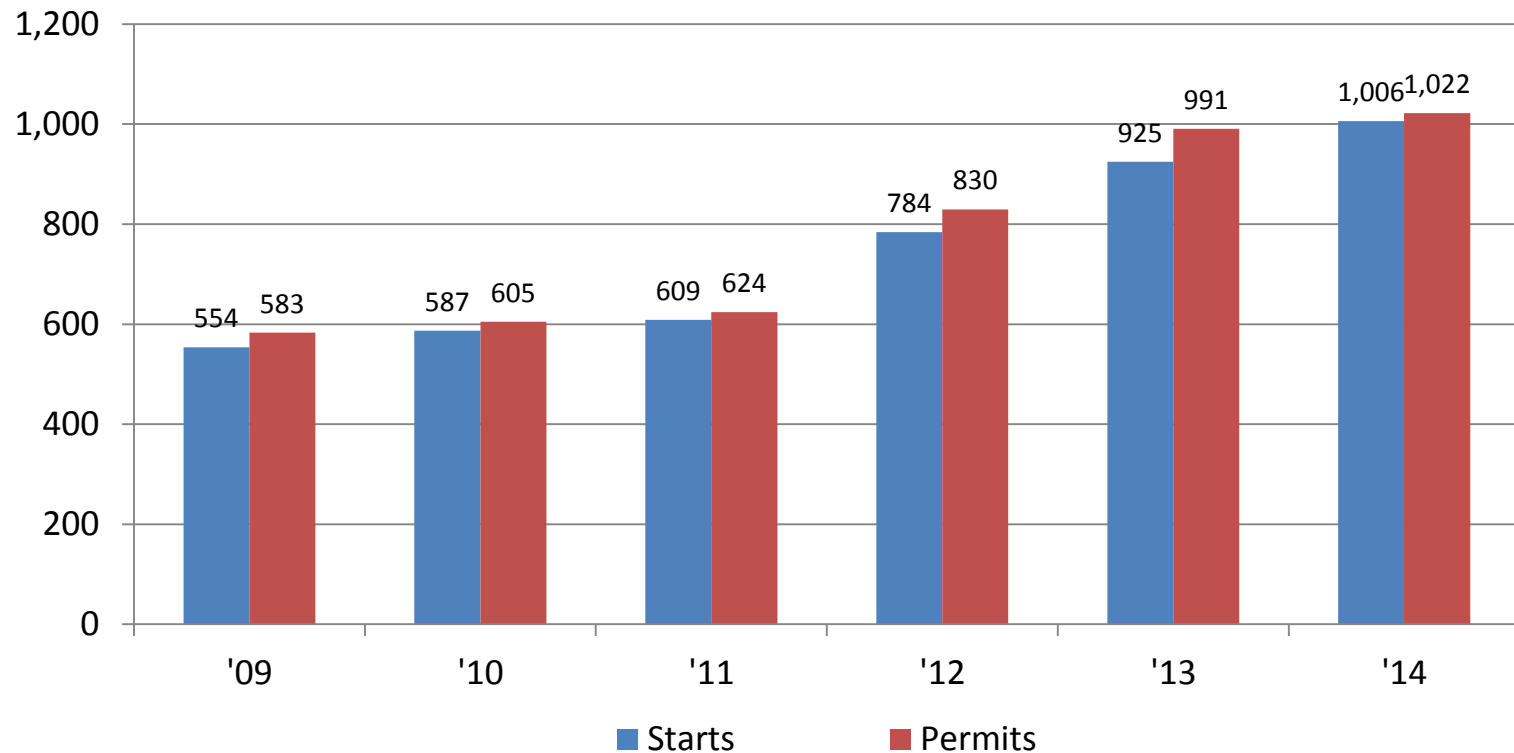
Index, Q4 '07 = 100



Source: Author's calculations using data from the BEA

New Private Housing

Thousands of Units – SAAR

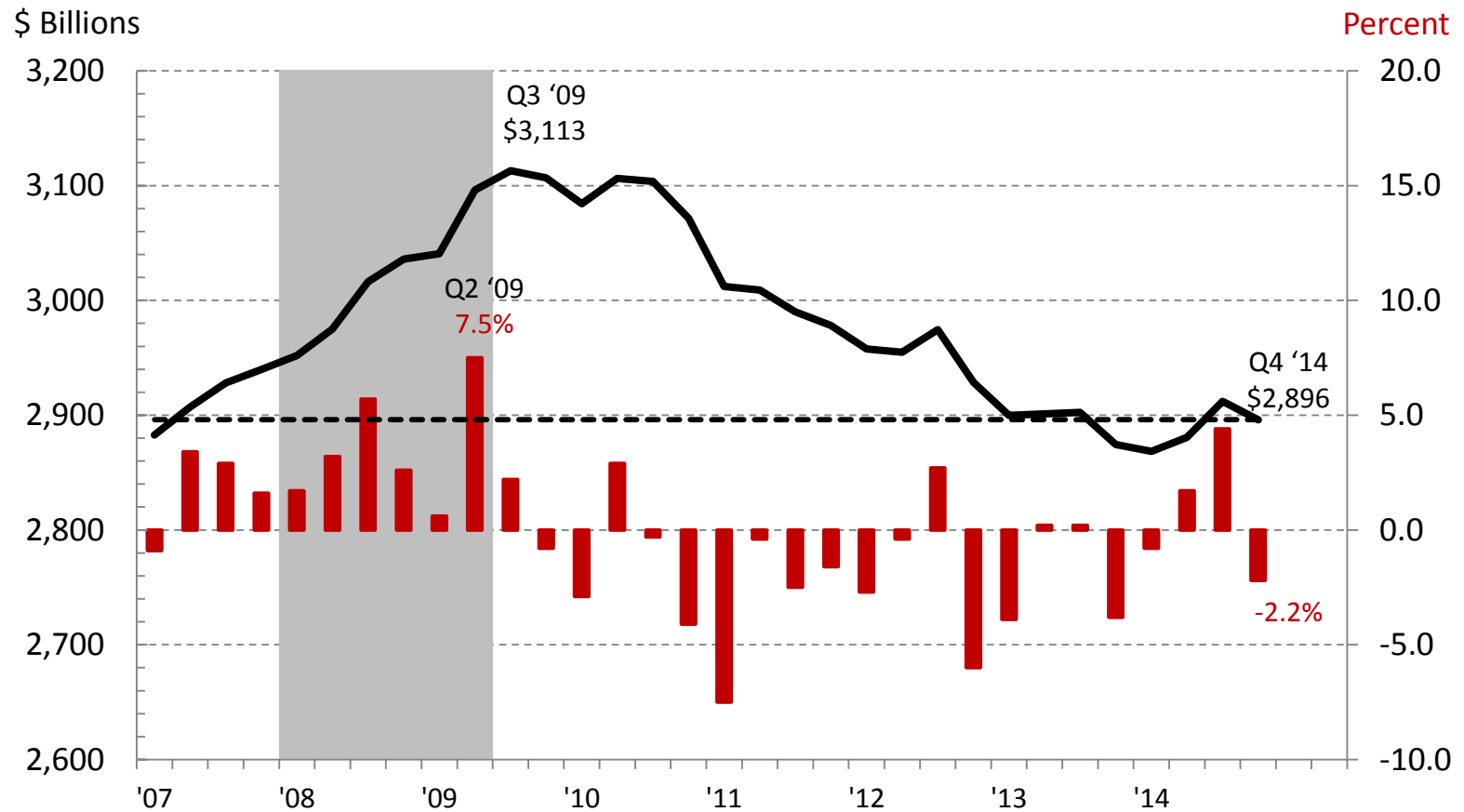


Note: 2014 had the most starts and permits since 2007.

Source: U.S. Census Bureau

Real Government Consumption & Investment

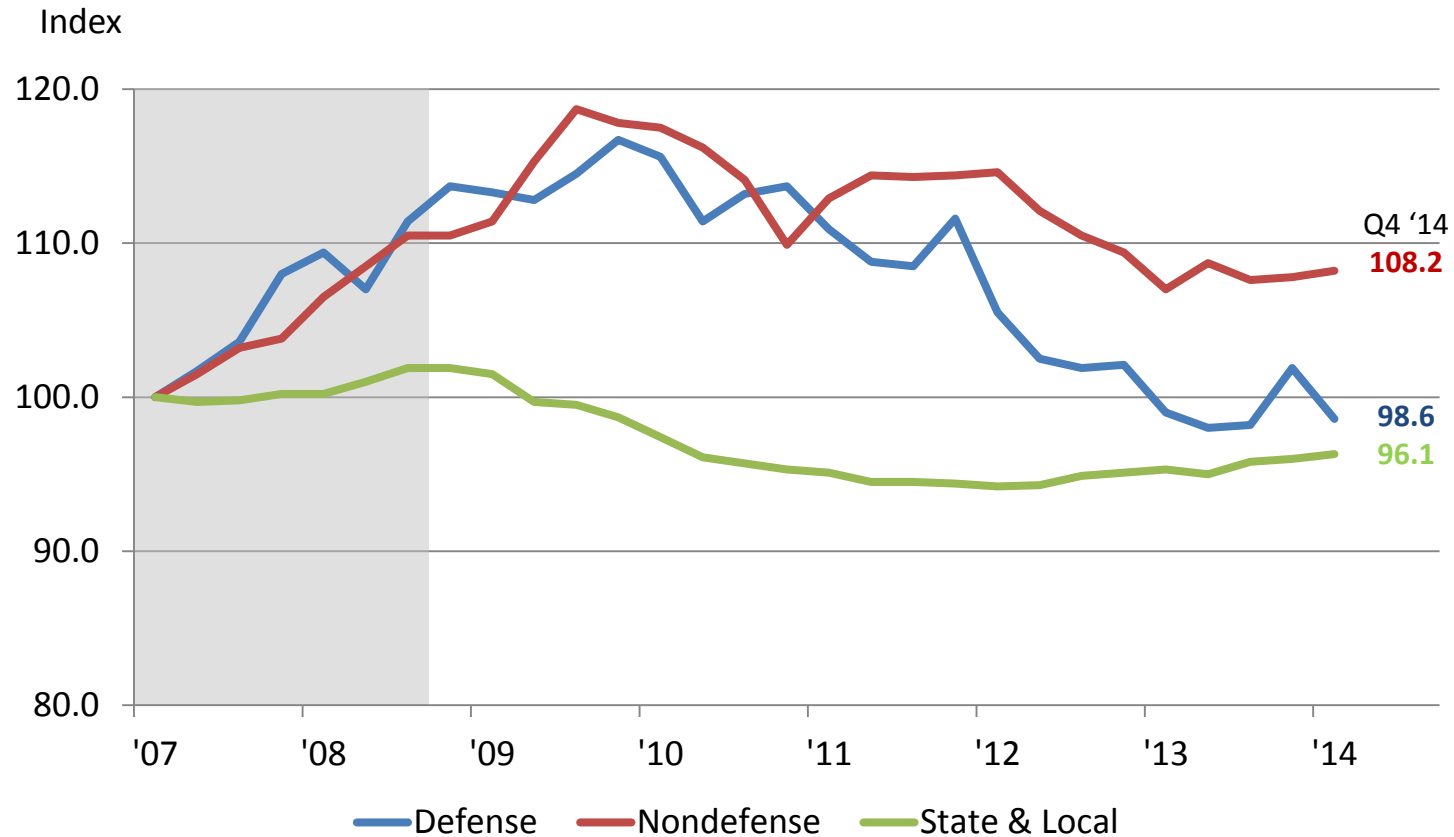
Billions Chained \$2009, % Change Q/Q at SAAR



Source: U.S. Bureau of Economic Analysis

Real Government Consumption & Investment

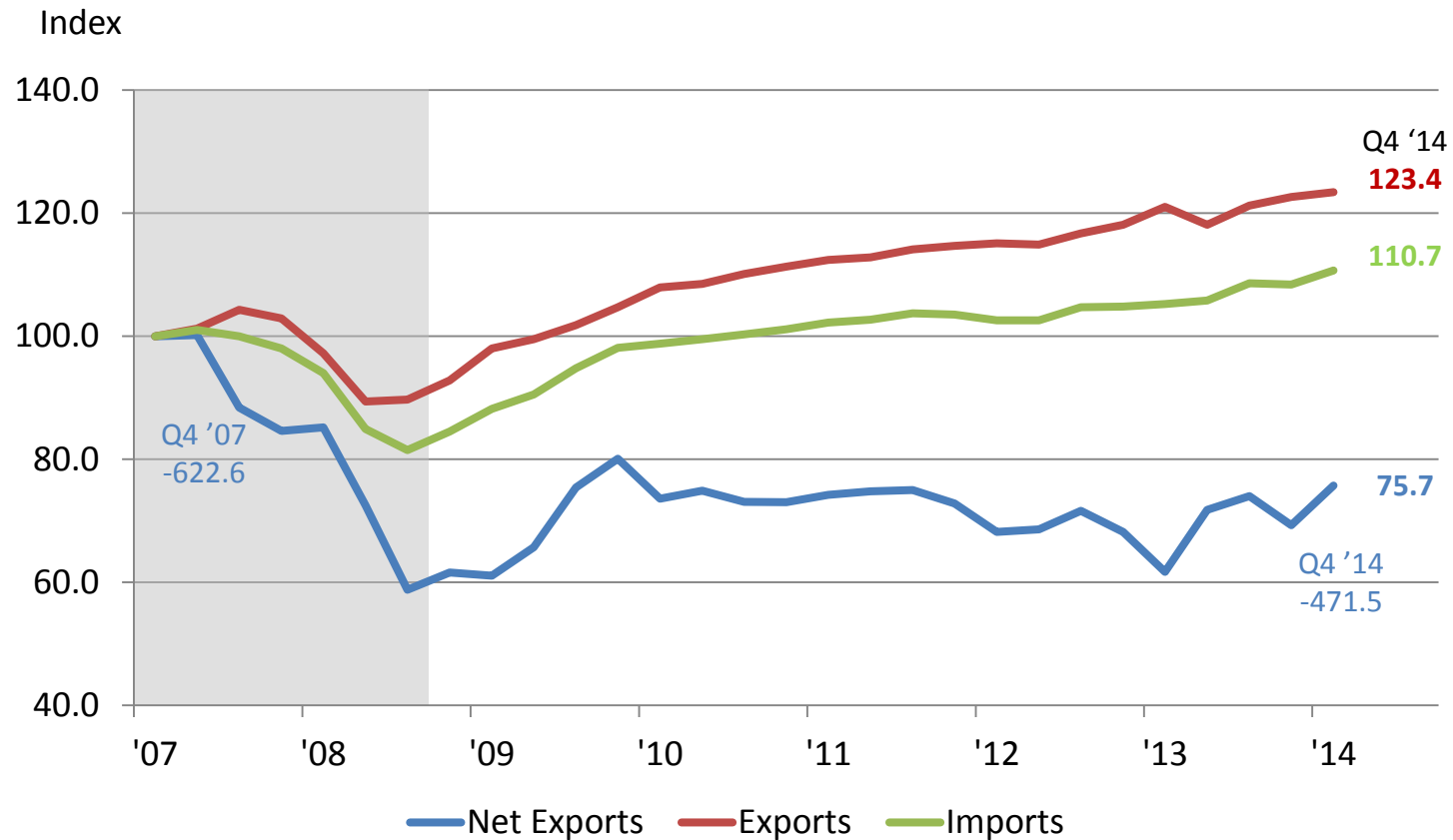
Index, Q4 '07 = 100



Source: Author's calculations using data from the BEA

Net Exports of Goods & Services

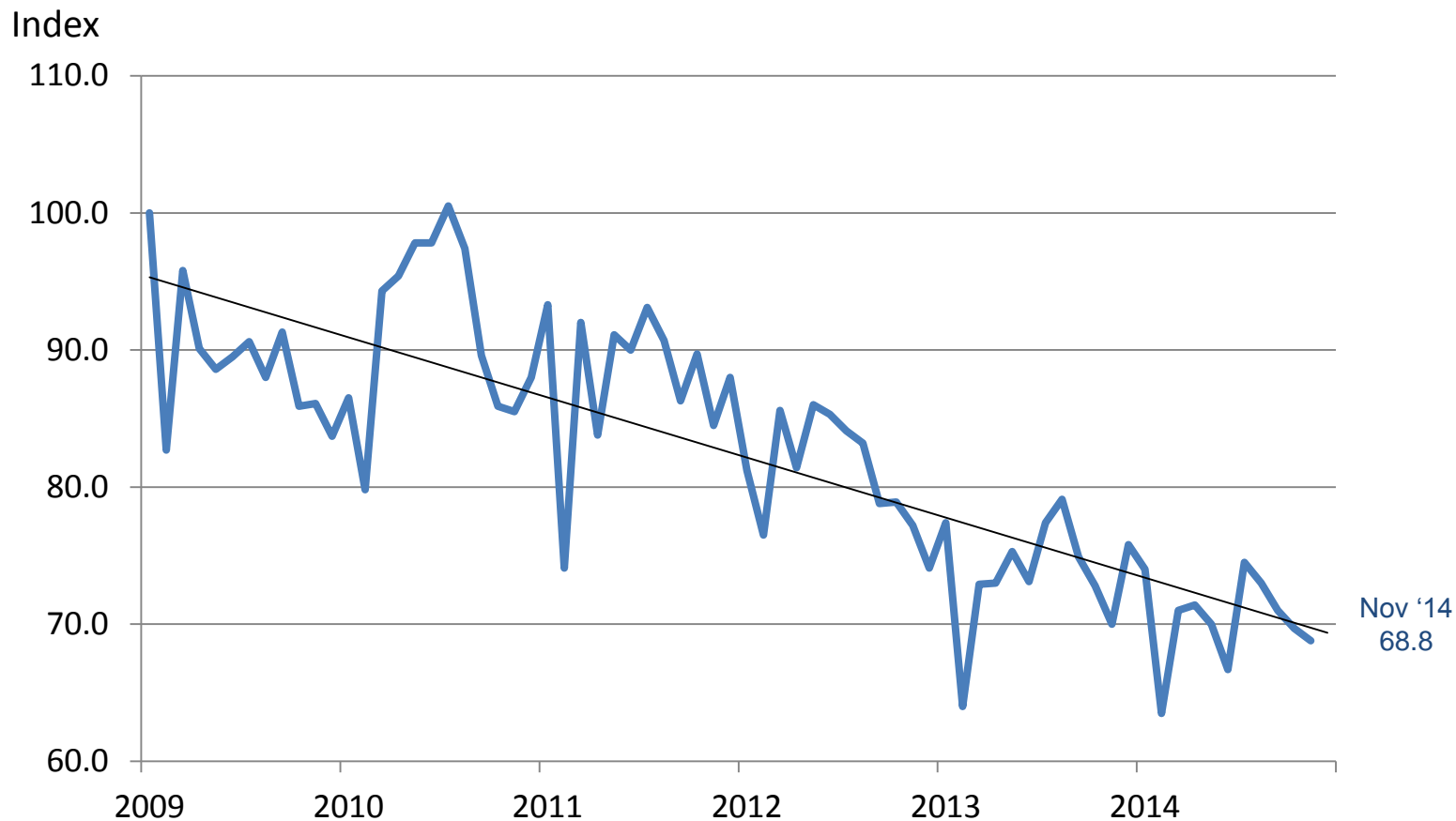
Index, Q4 '07 = 100, Billions of \$2009



Source: Author's calculations using data from the BEA

Total U.S. Oil Imports – All Grades

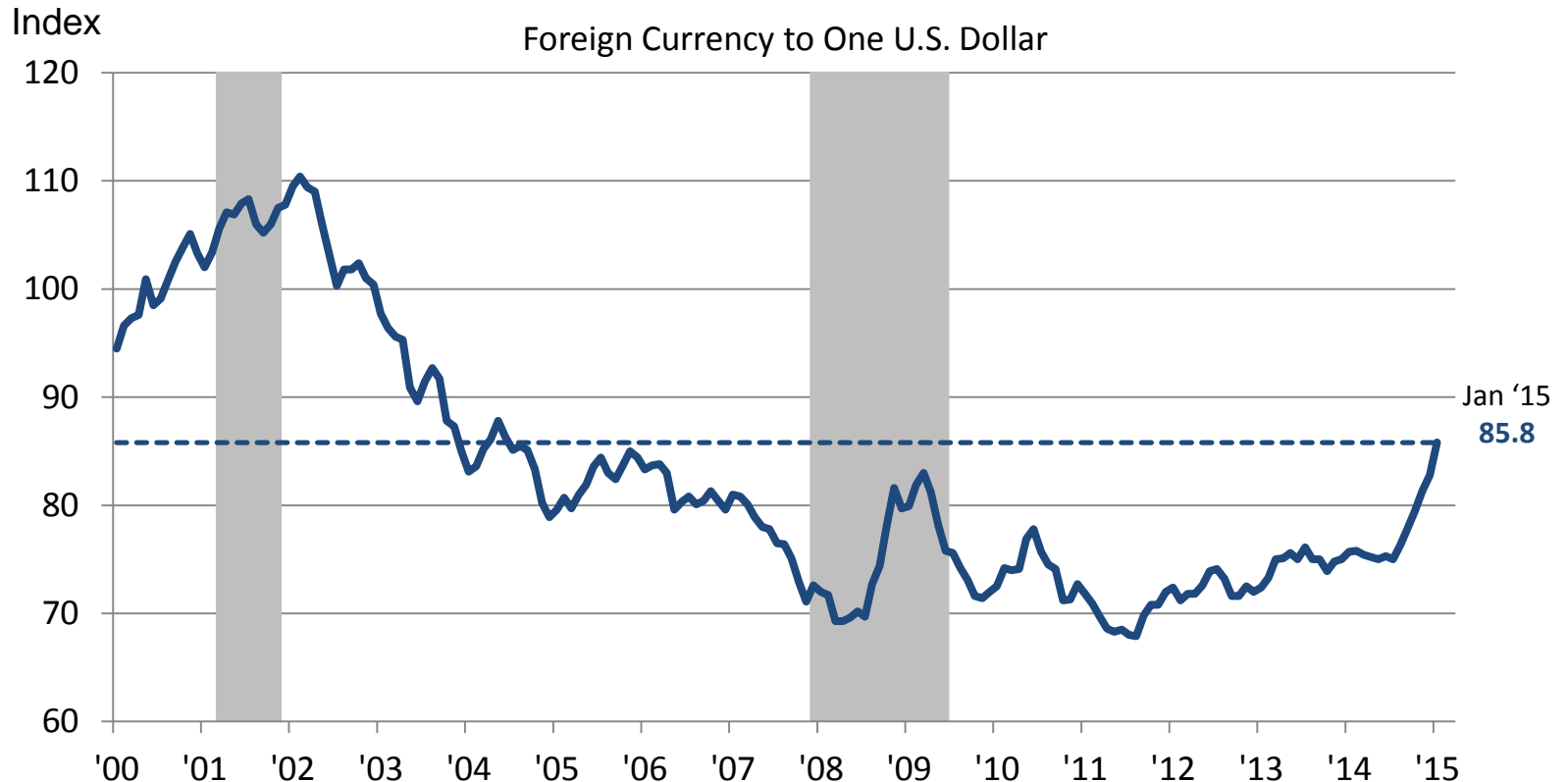
Thousands of Barrels - Index, January 2009 = 100



Source: U.S. Energy Information Administration

Stronger U.S. Dollar

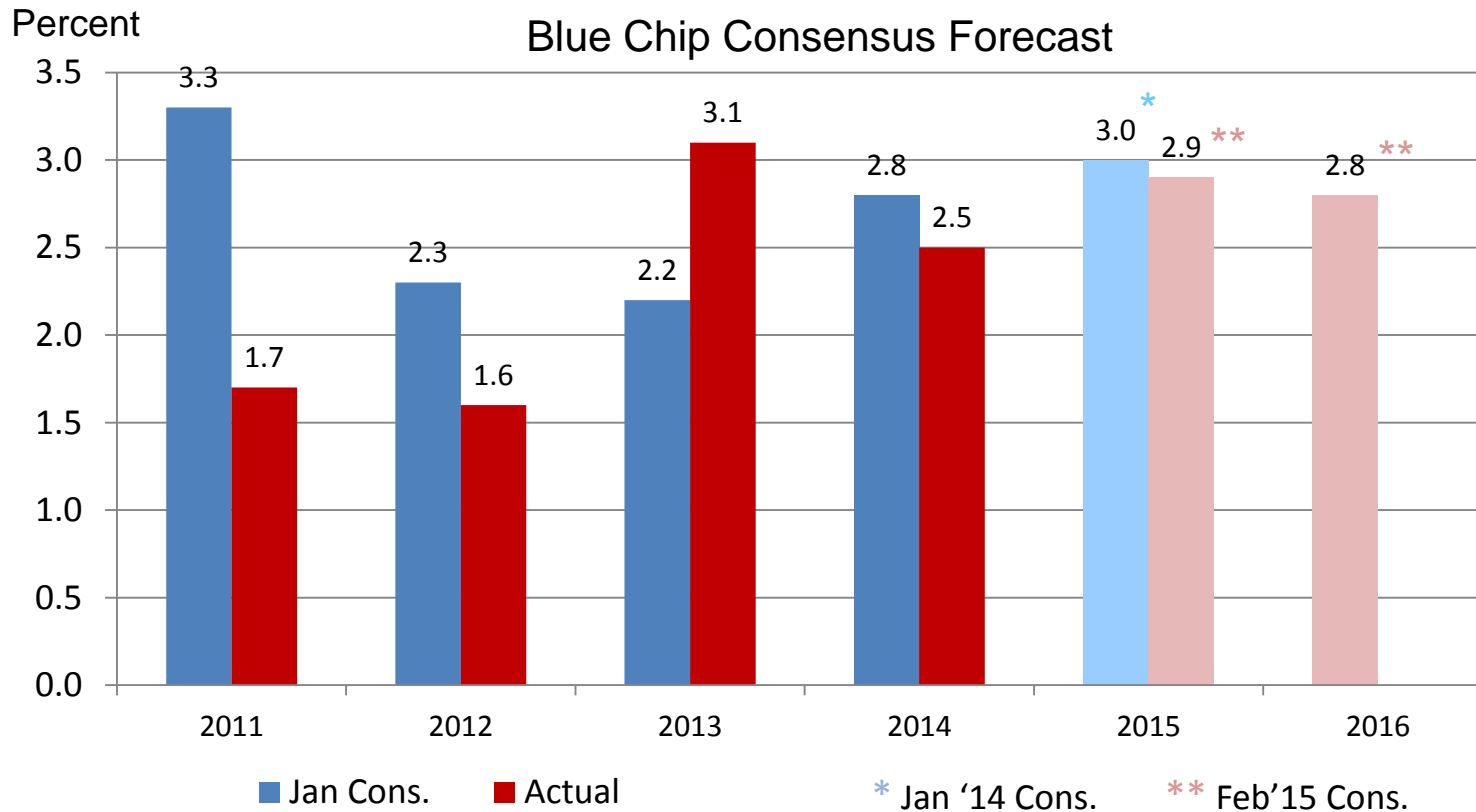
Trade Weighted to Major Currencies, Index – 2000 = 100



Source: Board of Governors – Federal Reserve System

GDP Forecast Comparison

Percent Change Q4/Q4 - SAAR

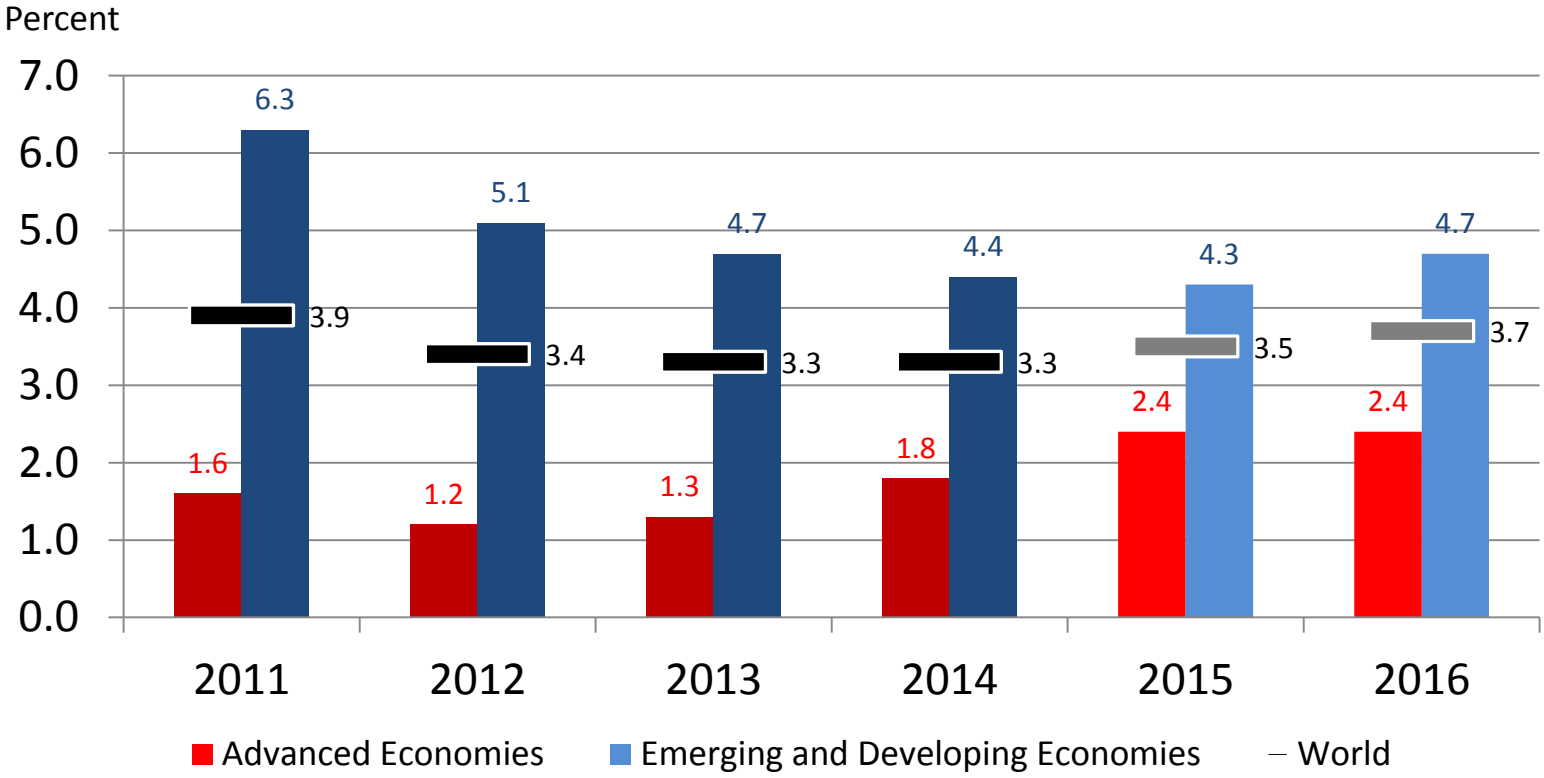


* January 2015 Forecast

Source: National Bureau of Economic Research and Blue Chip Indicators

Global Outlook

IMF Forecast for Growth (Jan. '15 Database), % Chg. Yr./Yr.

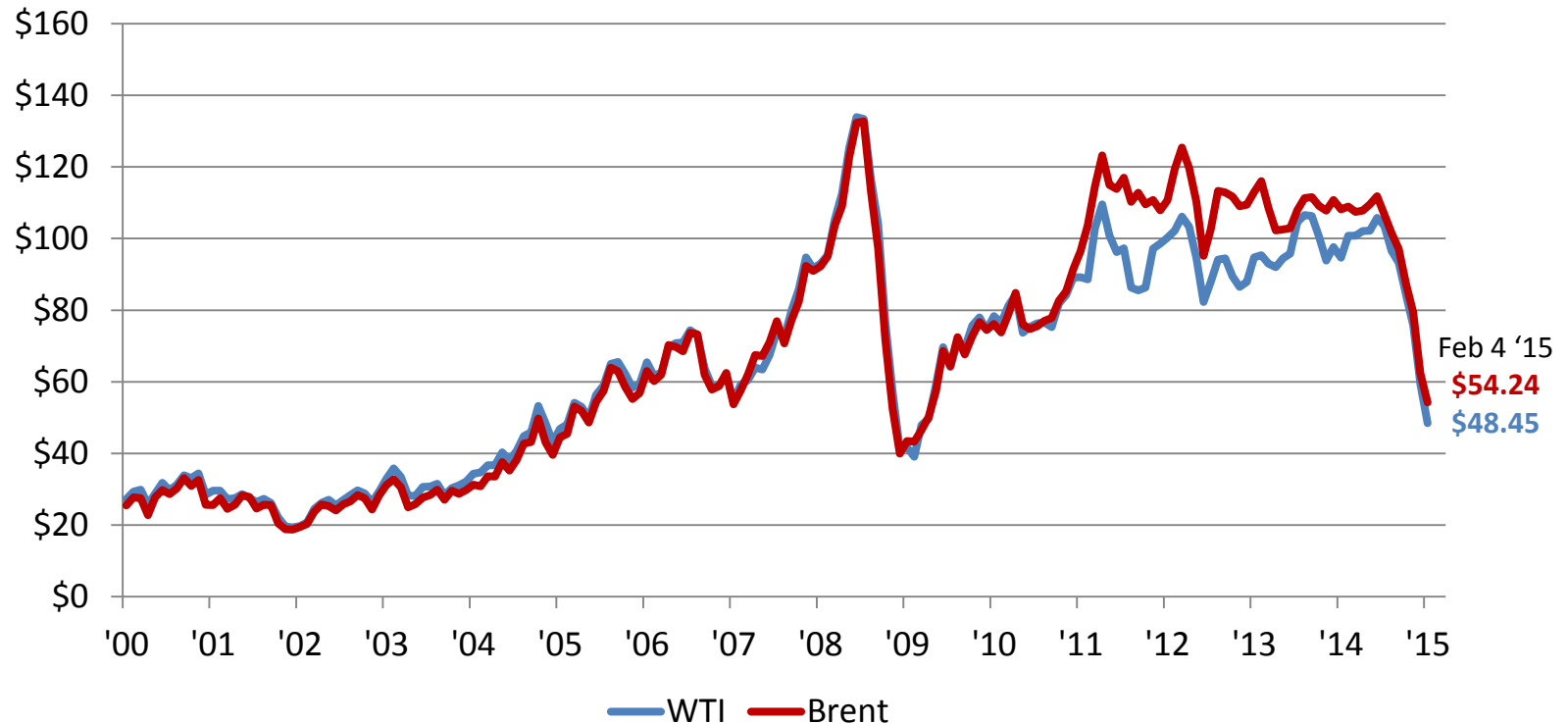


Difference from October 2014 Outlook Database

2015	0.1	-0.6	-0.3
2016	--	-0.5	-0.1

Oil Prices

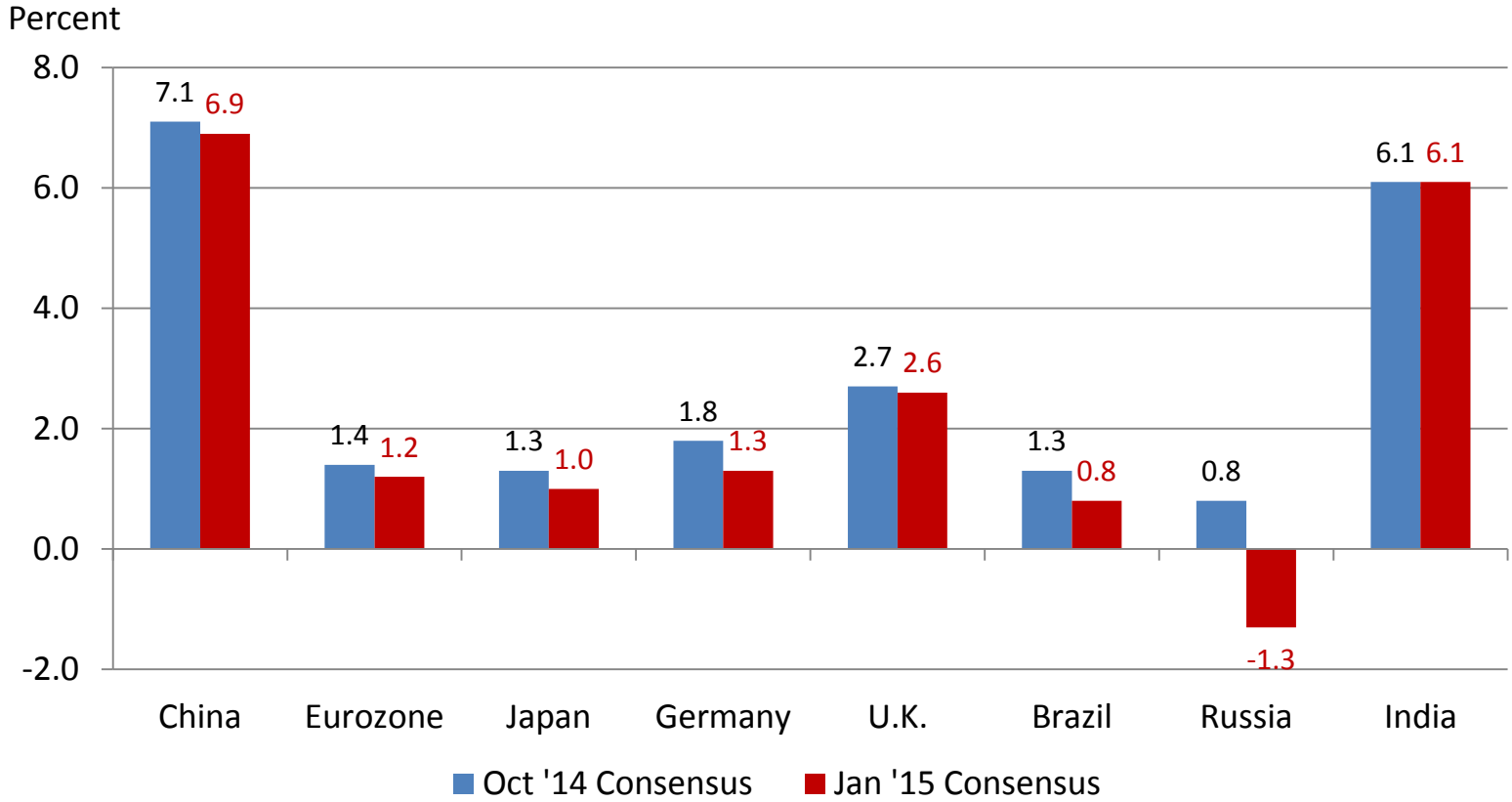
West Texas Intermediate & European Brent in U.S



Source: U.S. Energy Information Administration

Blue Chip International Consensus - 2015

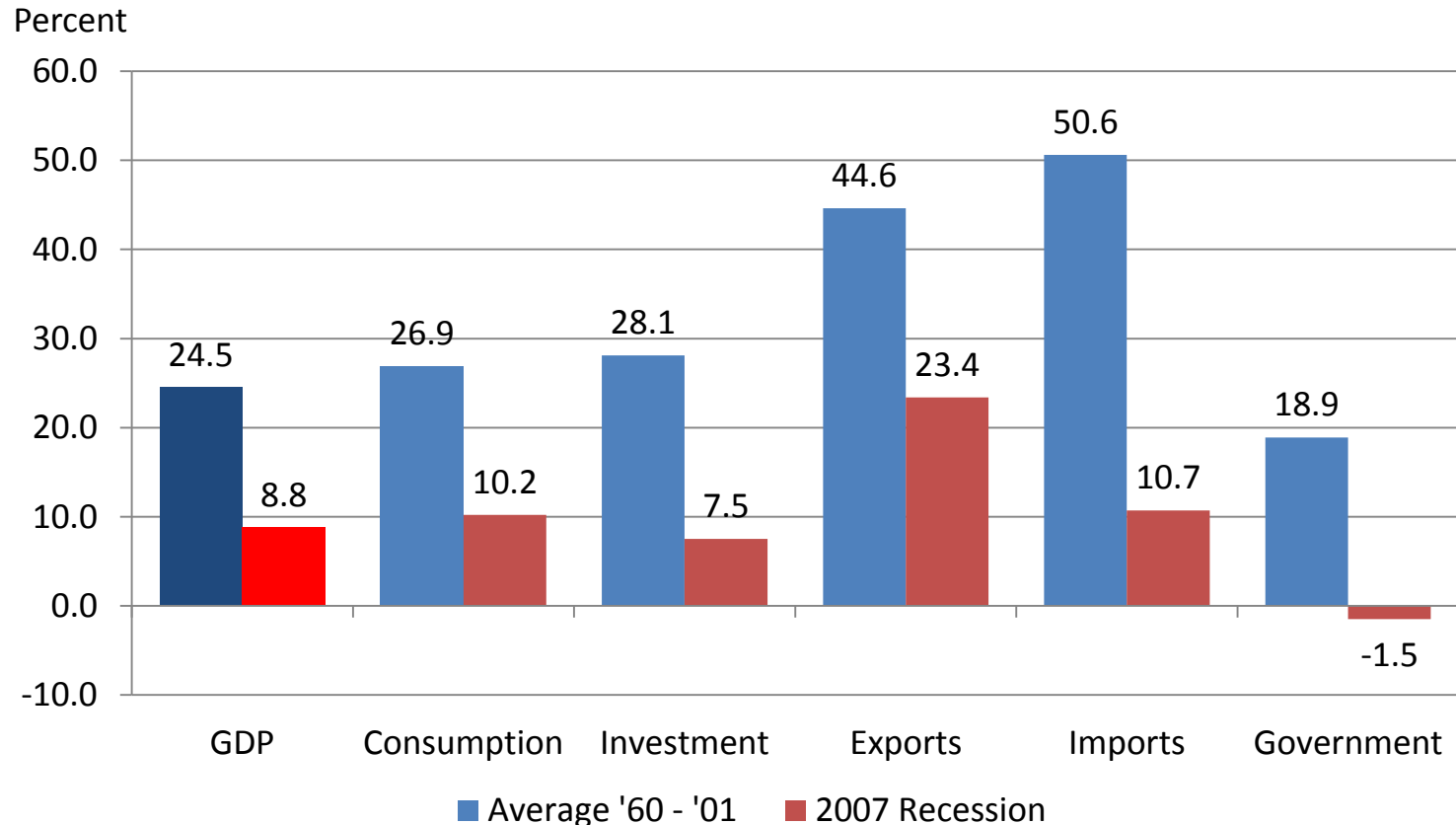
Select Countries, % Chg. Yr./Yr.



Source: January, 2015 Blue Chip Economic Indicators

Recession Comparisons

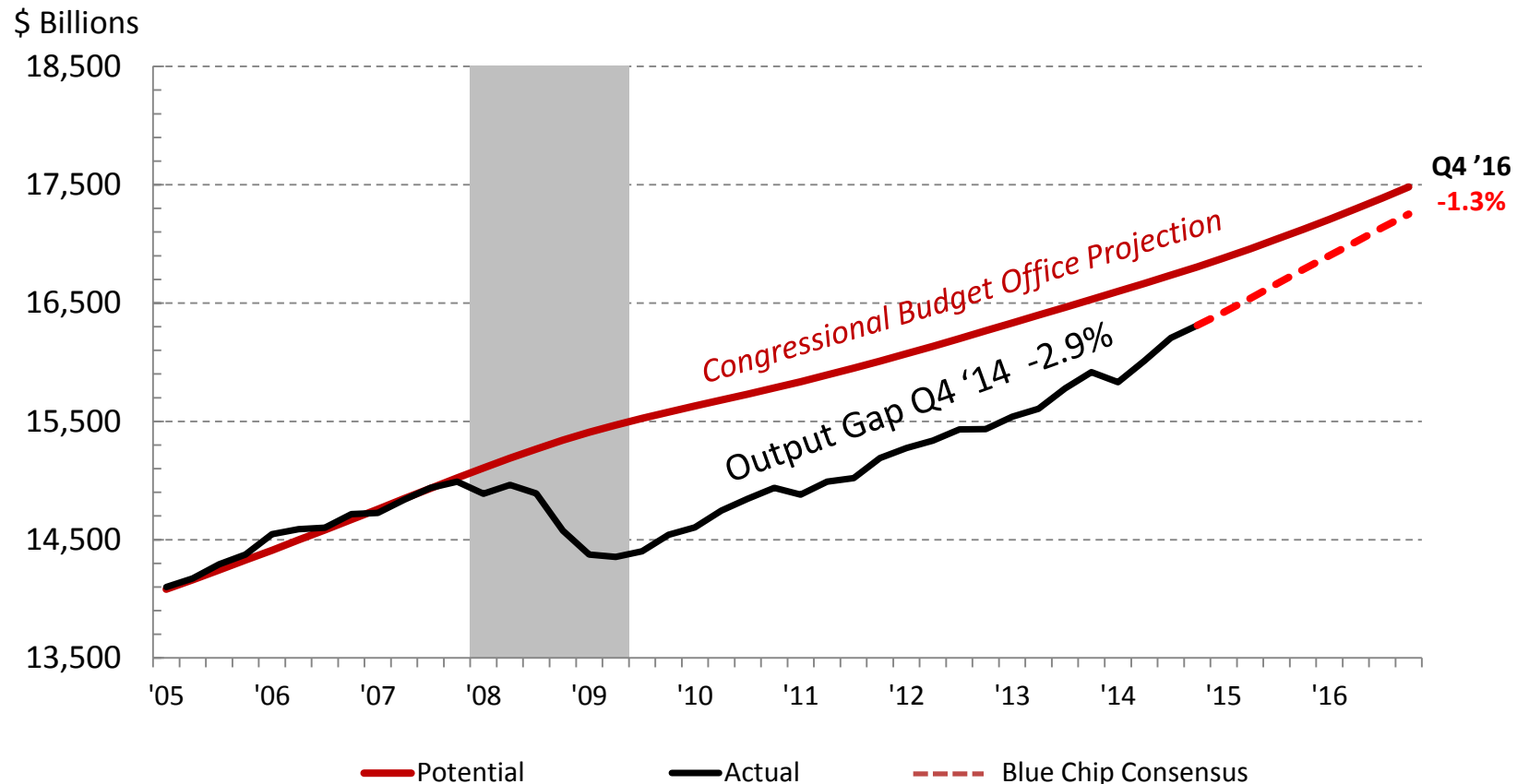
Percent Change 28 Quarters After the Start of the Recession



Source: Author's calculations using data from the BEA

Closing the Output Gap

Actual / FOMC Projected Central Tendency Growth Rate



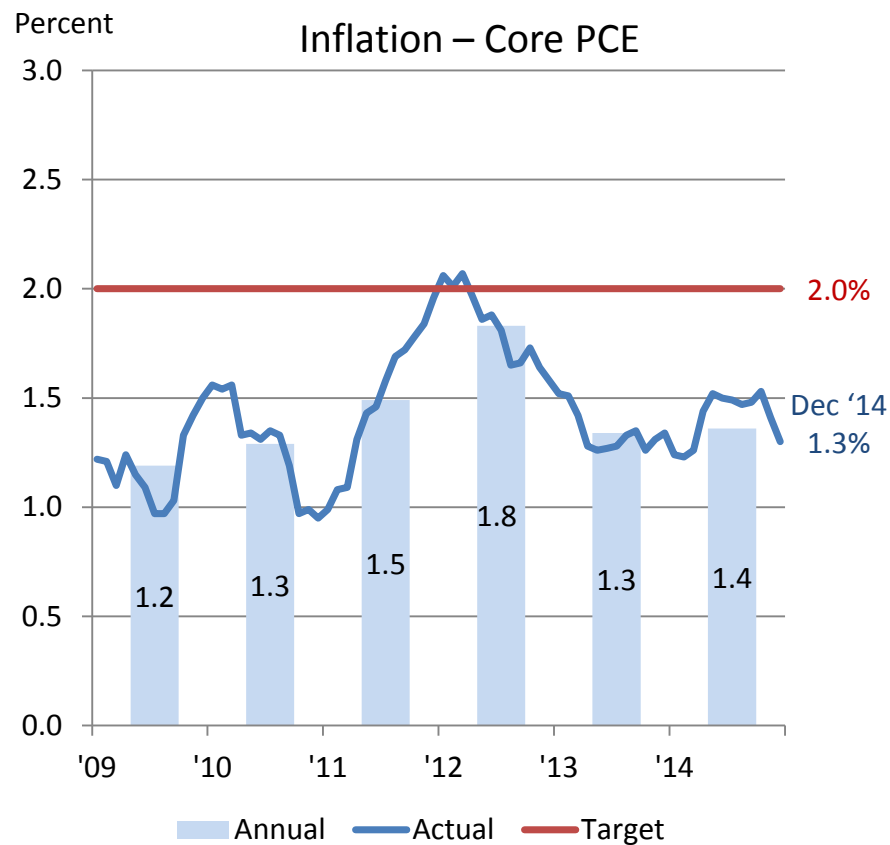
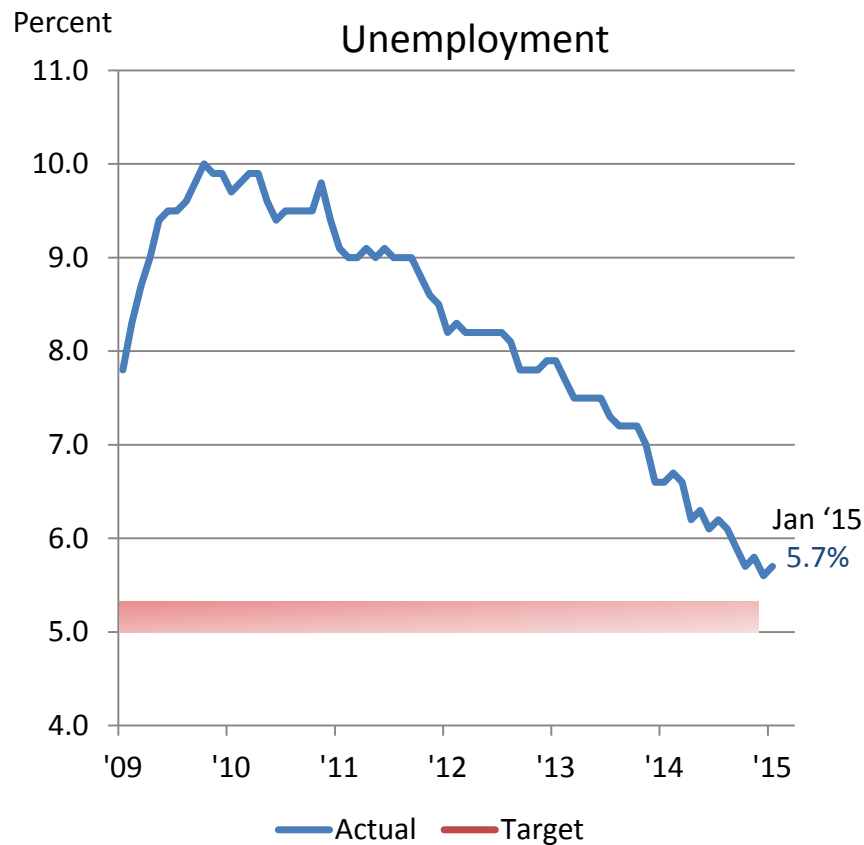
1. Projections based on full year-over-prior year average year percent change using average of the central tendency.

Source: Author's calculations using data from the BEA and Blue Chip Economic Indicators

Dual Mandate Employment & Inflation

Unemployment Rate & PCE Inflation

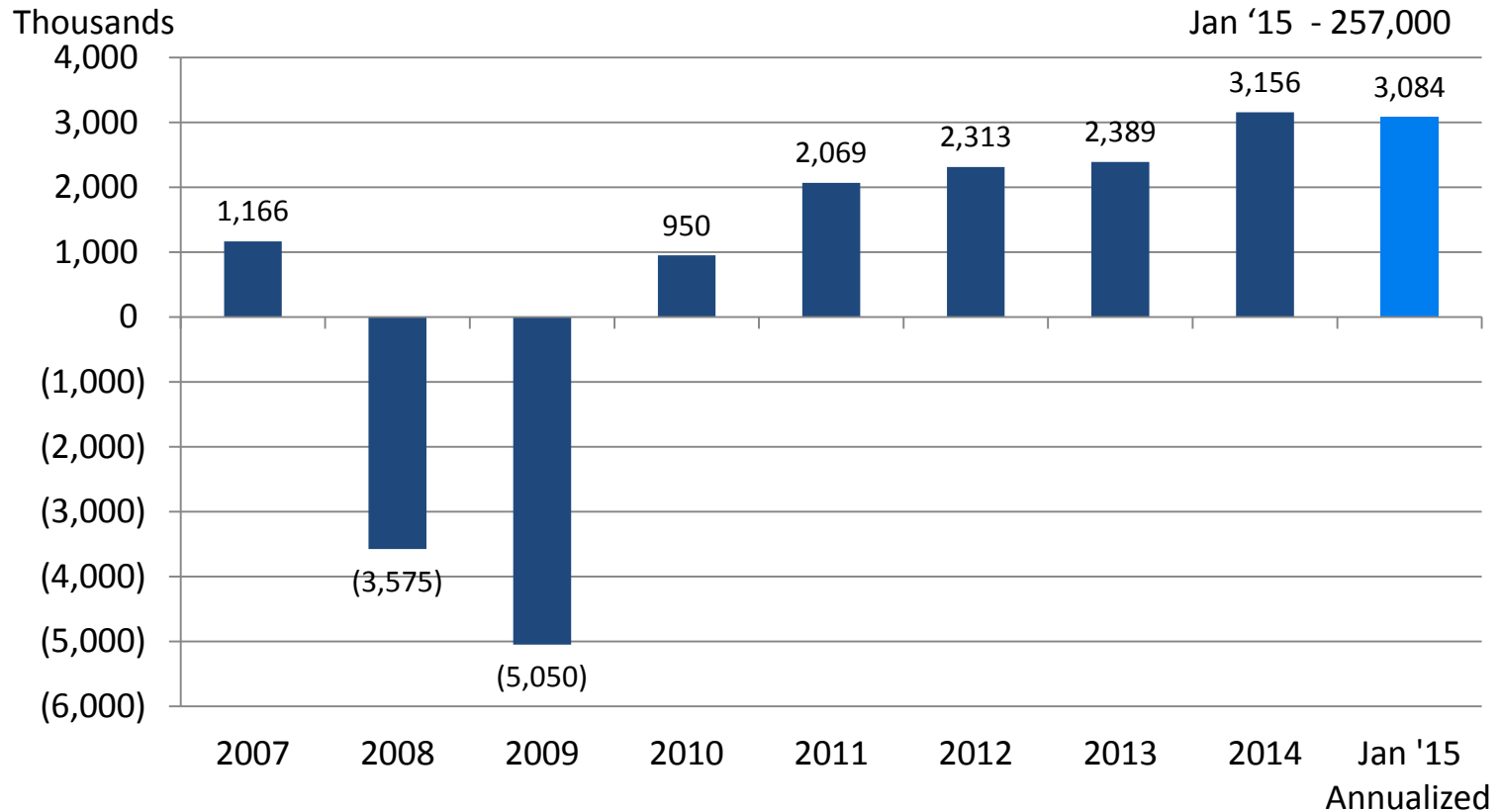
Percent Unemployed, PCE % Change Yr./Yr.



Source: U.S. Department of Labor: Bureau of Labor Statistics, Bureau of Economic Analysis and the Federal Reserve

Annual Job Growth

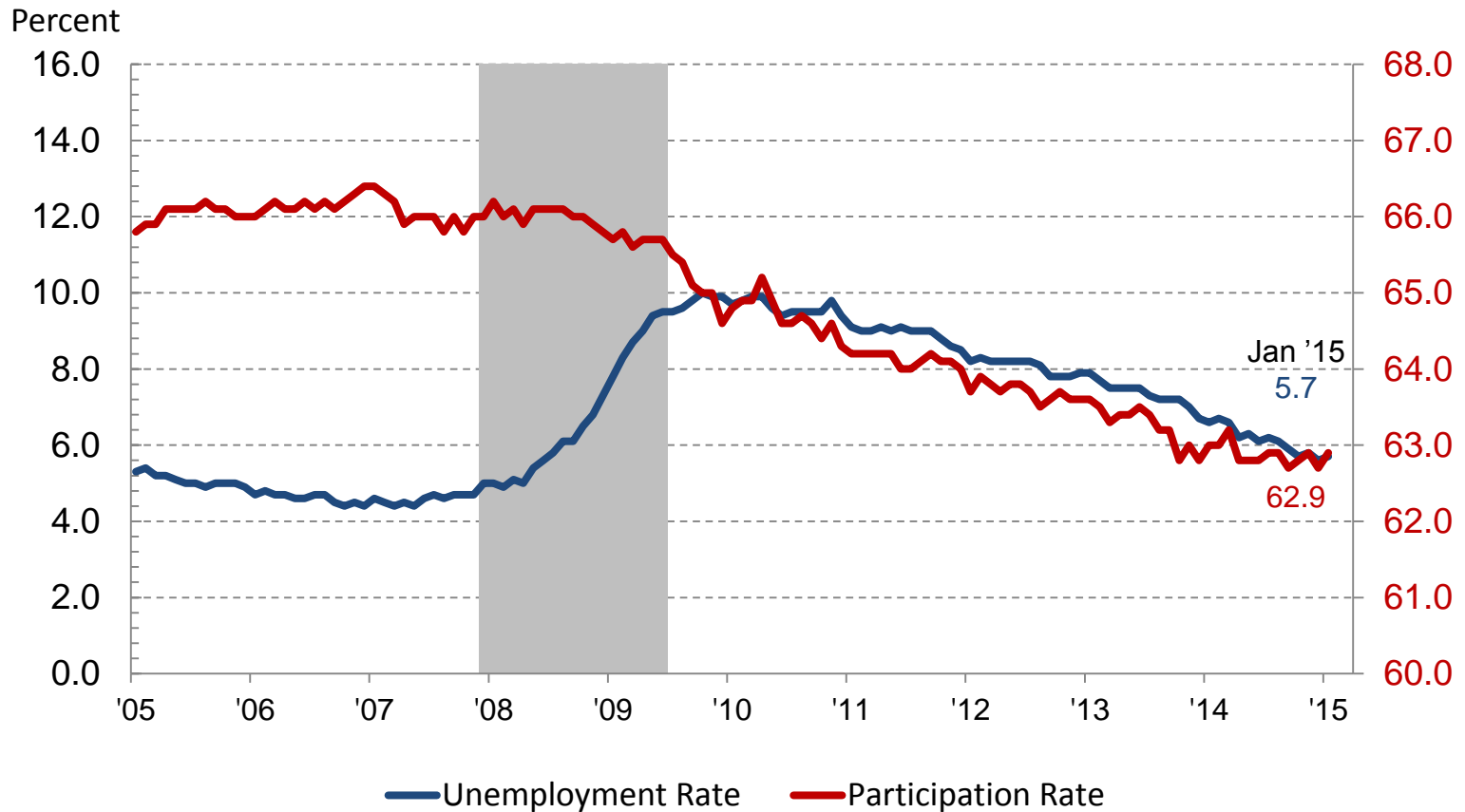
Total U.S. Nonfarm



Source: U.S. Department of Labor: Bureau of Labor Statistics

U.S. Unemployment & Participation Rates

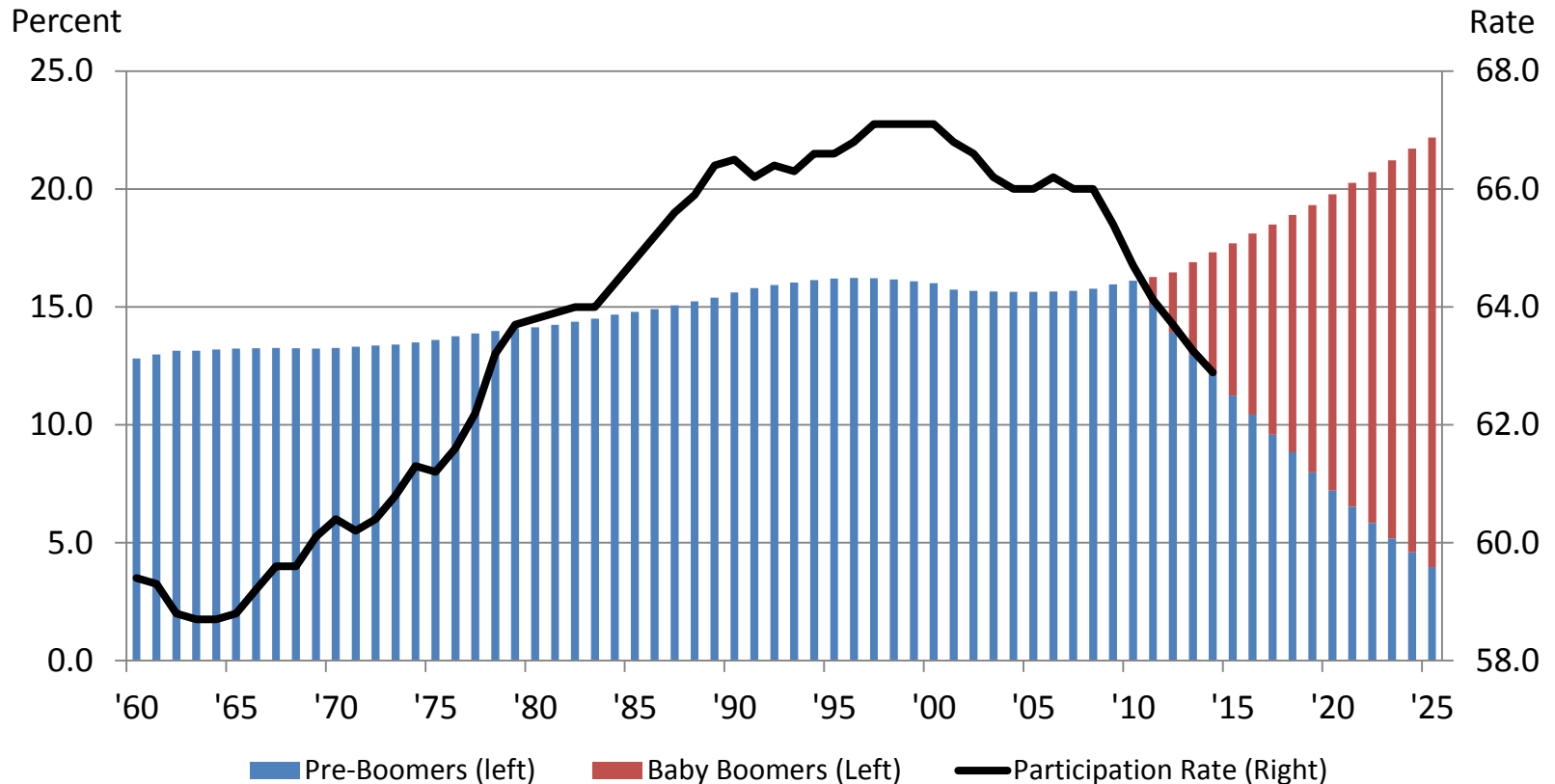
Percent – Seasonally Adjusted



Source: U.S. Department of Labor: Bureau of Labor Statistics

U.S. Population 65 to 80 Years Old

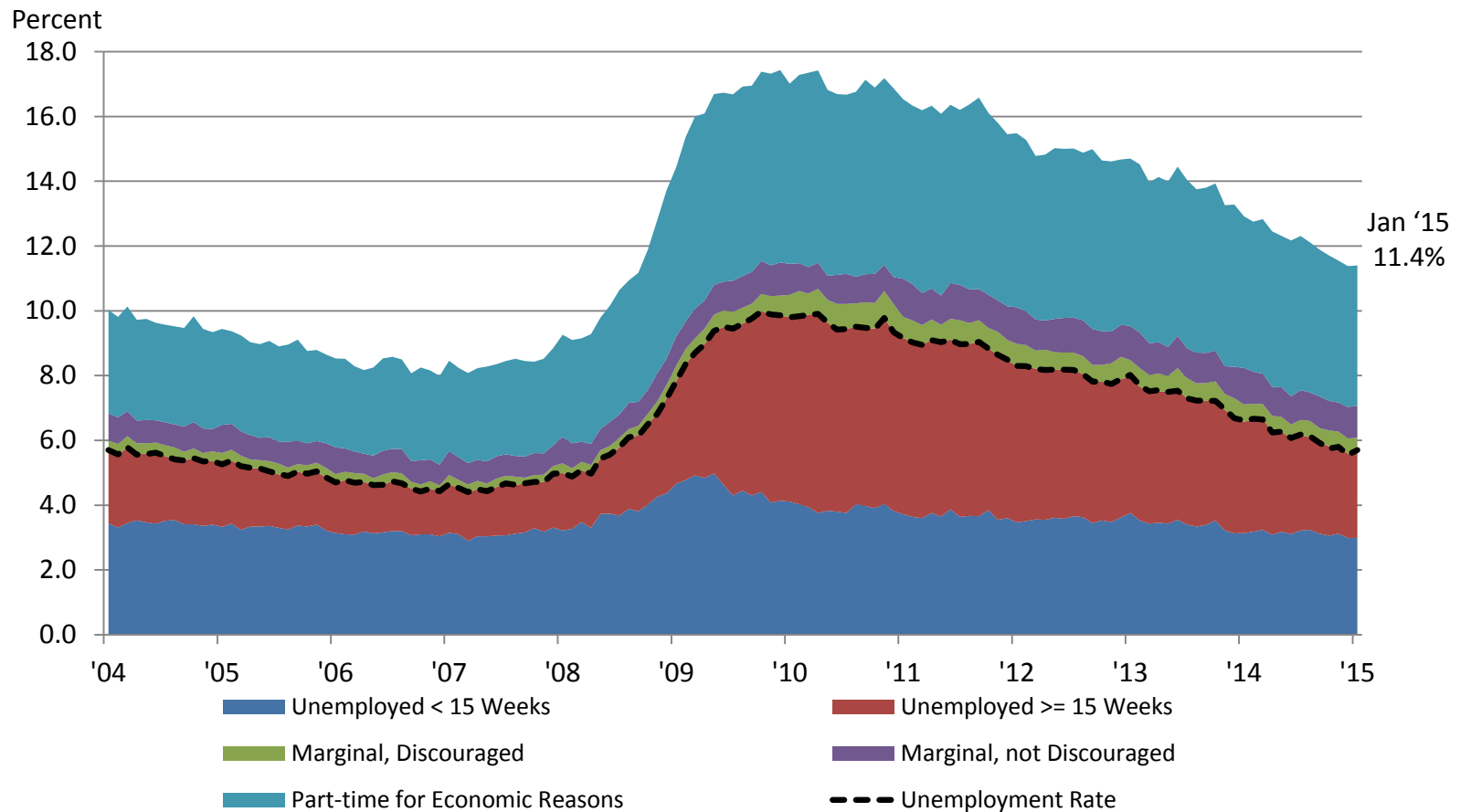
Percent of Population 16 to 80 Years of Age



Source: U.S. Census Department and BLS

Unemployment and Underutilization

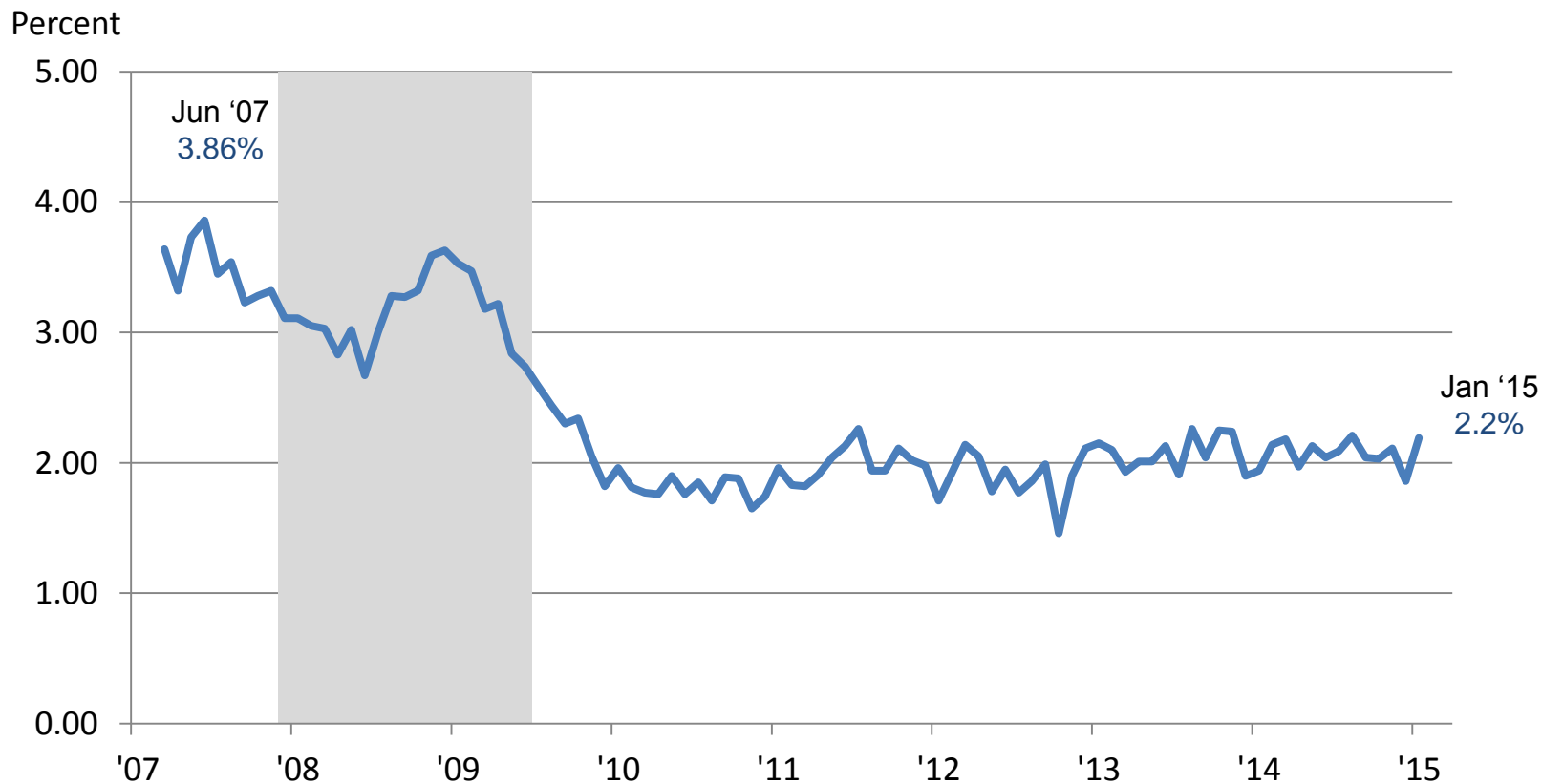
As a Percent of Labor Force Plus Marginally Attached



Source: Author's calculations using U.S. Department of Labor: Bureau of Labor Statistics data.

Average Hourly Earnings

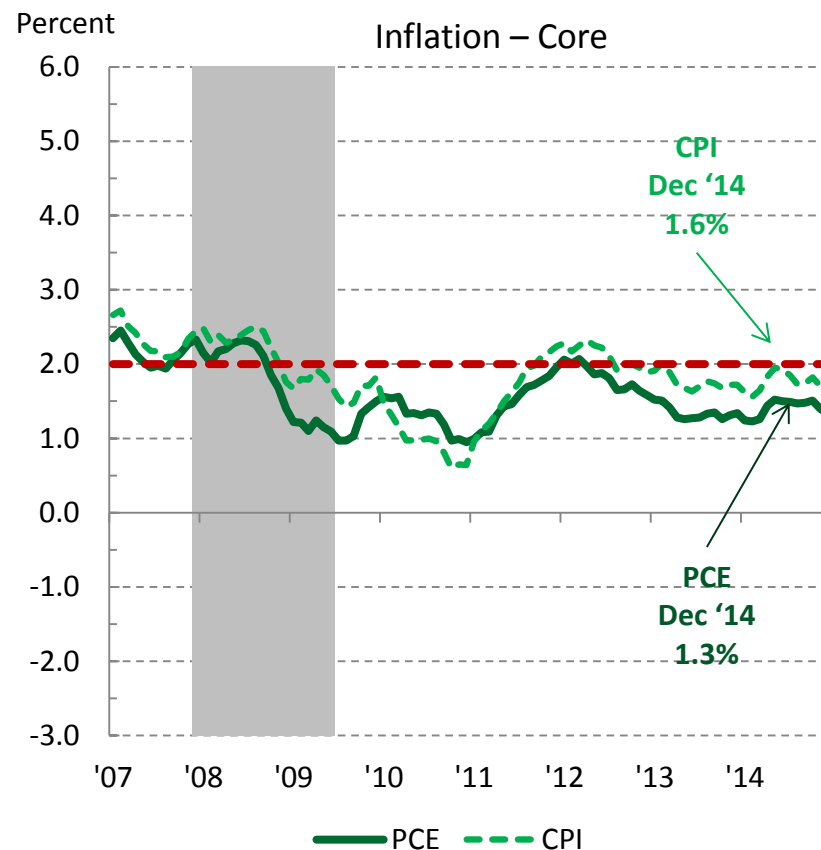
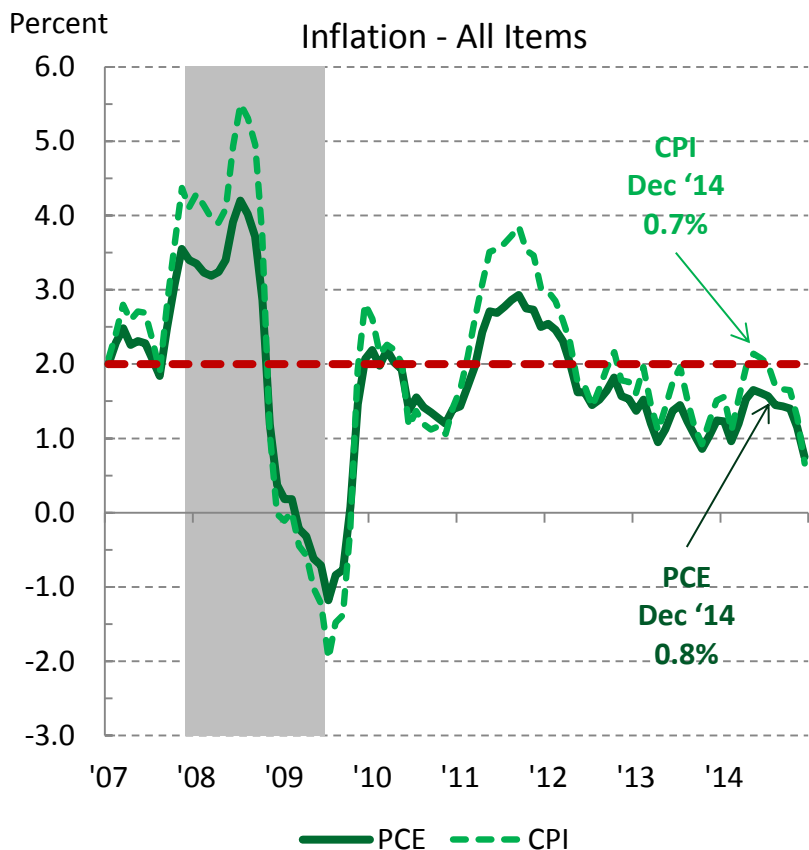
Total Private, All Employees – Percent Change Year/Year, SA



Source: Author's calculations using U.S. Department of Labor: Bureau of Labor Statistics data.

Inflation – PCE and CPI Price Indexes

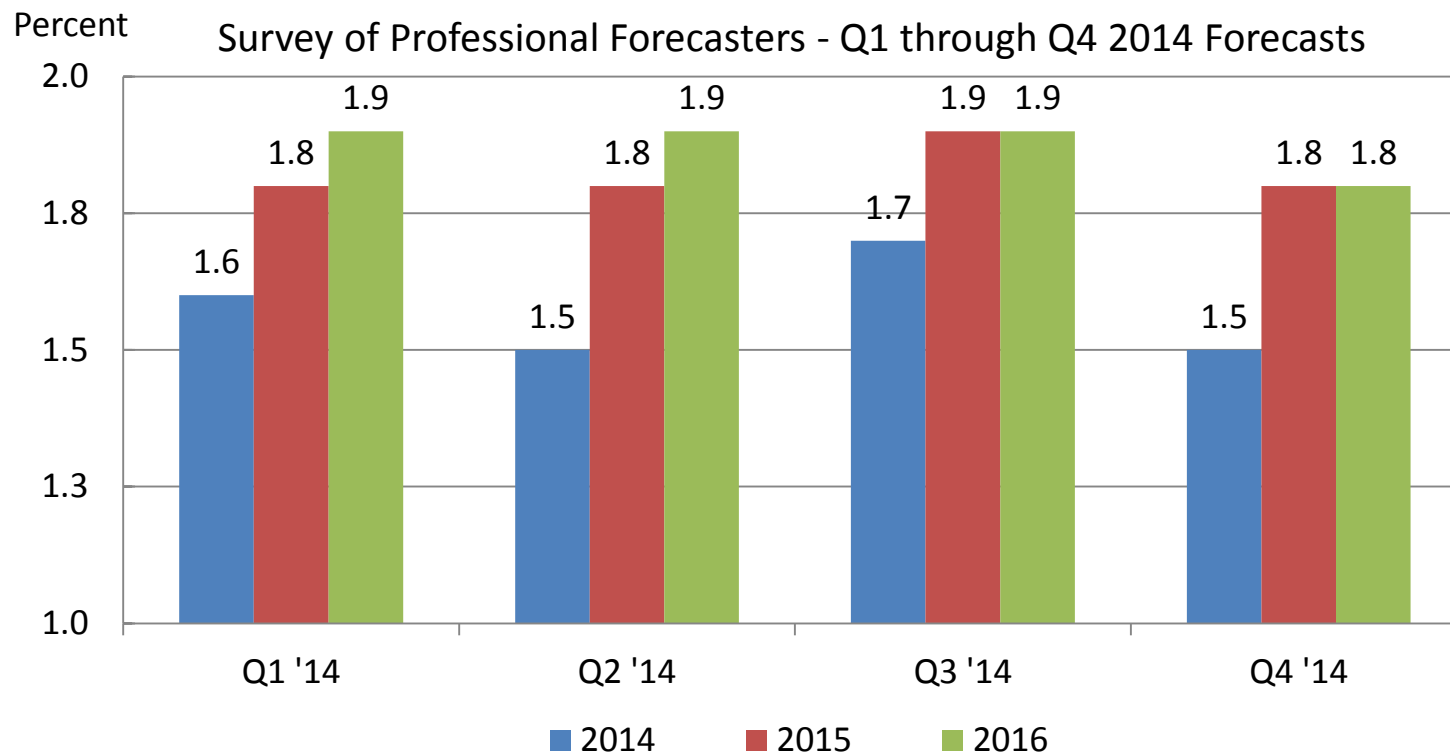
Percent Change Yr. / Yr. – 2009 = 100



Source: U.S. Department of Labor: Bureau of Labor Statistics

Forecast Comparison

PCE Core Inflation - Q4/Q4 Annual Averages, 2009 = 100

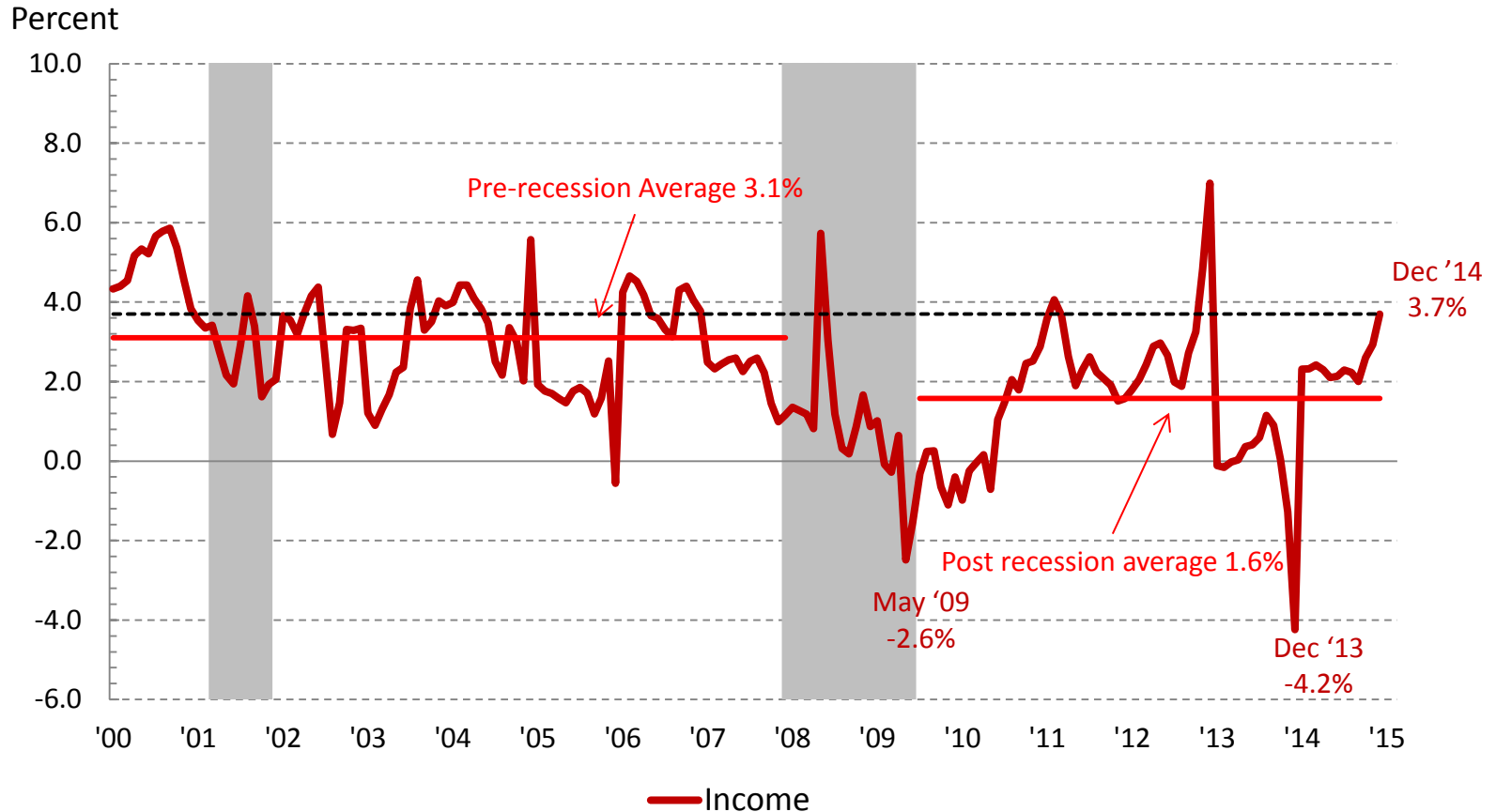


Source: Bureau of Economic Analysis and FRB Philadelphia

U.S. Consumer

Real Disposable Personal Income

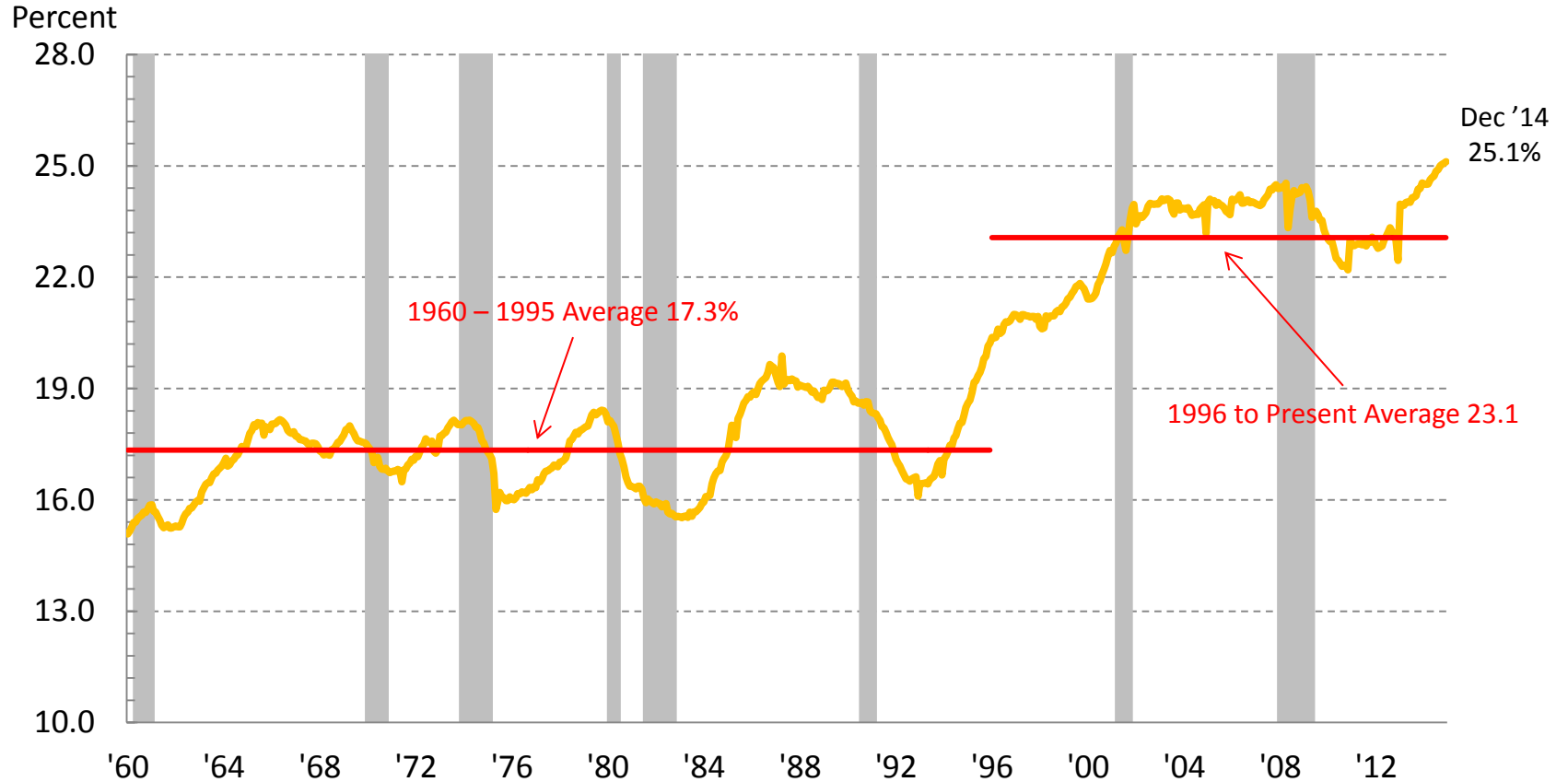
Percent Change Year/Year - \$2009



Source: U.S. Bureau of Economic Analysis

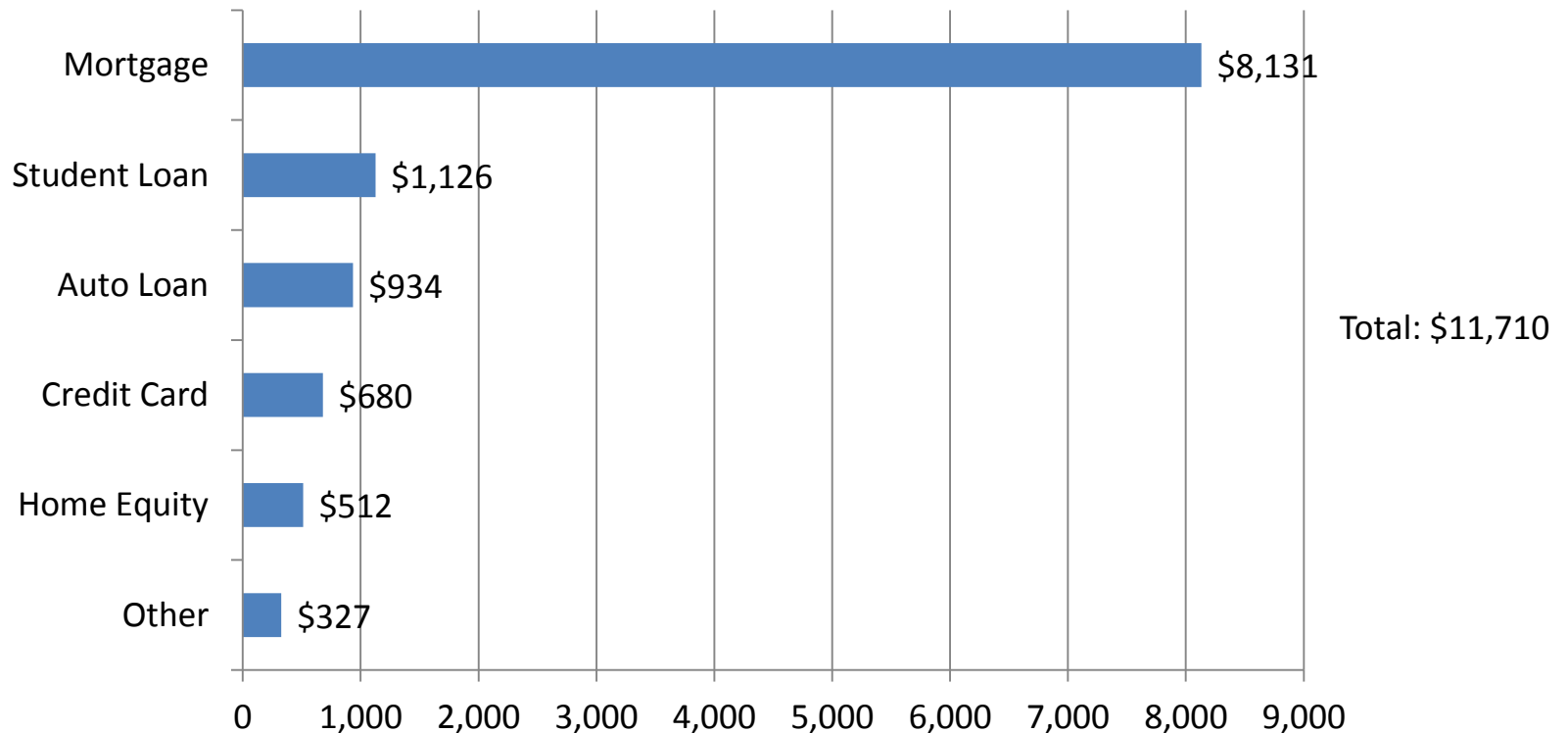
Total Consumer Credit

Revolving and Non-revolving Credit as % of DPI



Total Consumer Debt

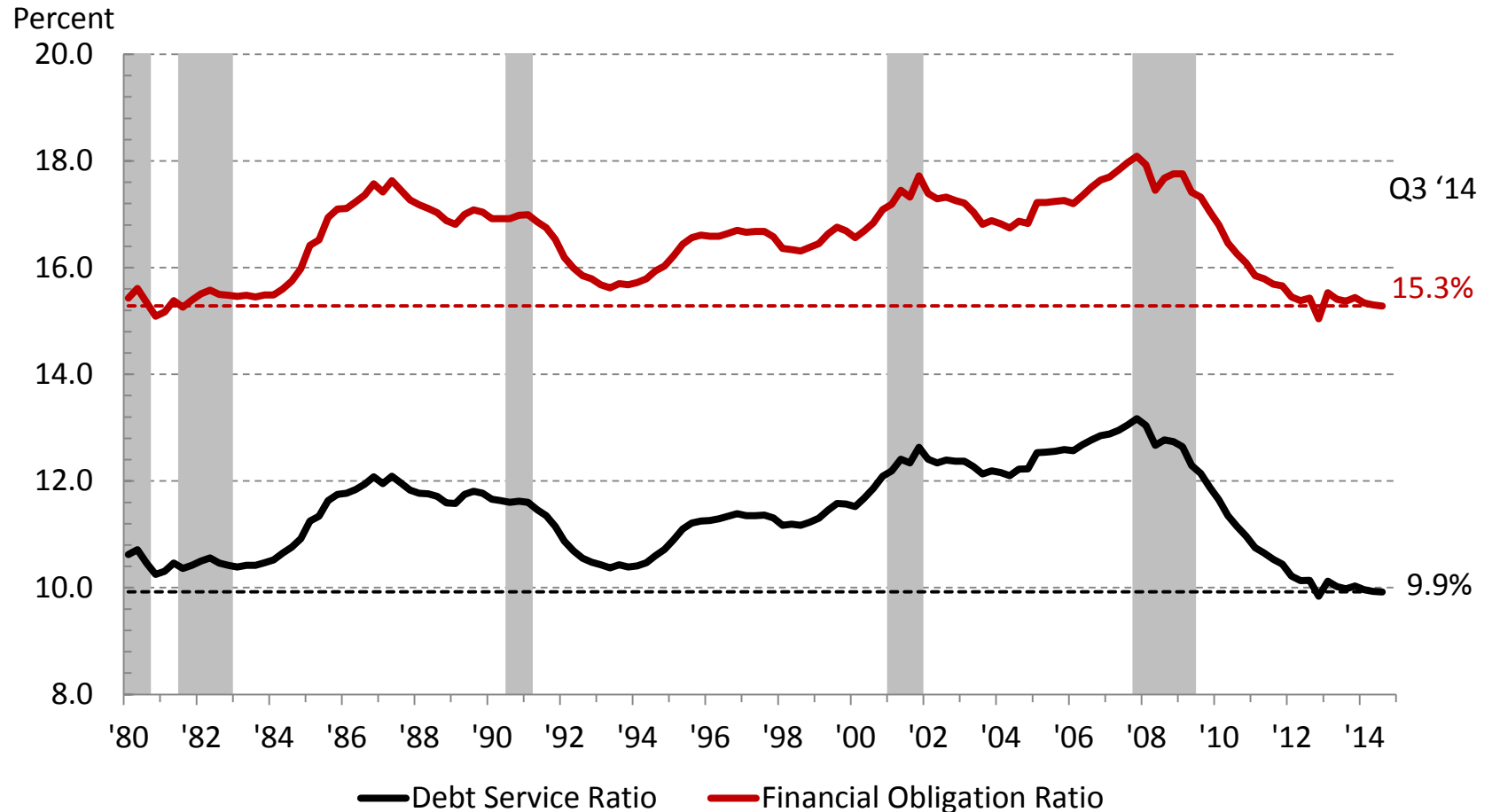
Billions of Current Dollars by Category – Q3 '14



Source: Board of Governors – Federal Reserve System

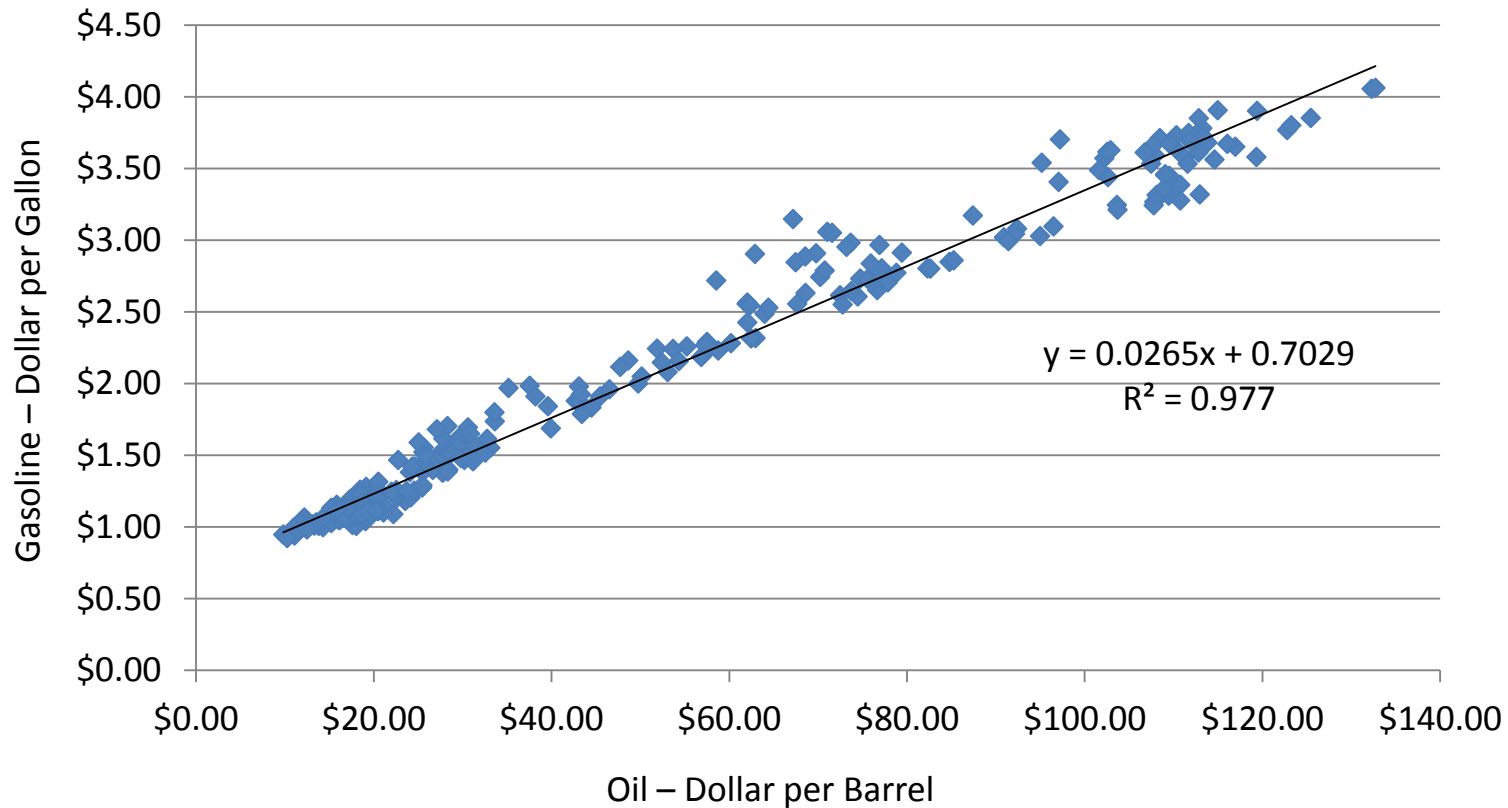
Debt Service & Financial Obligation Ratios

Percent of Disposable Personal Income



Falling Gasoline Prices

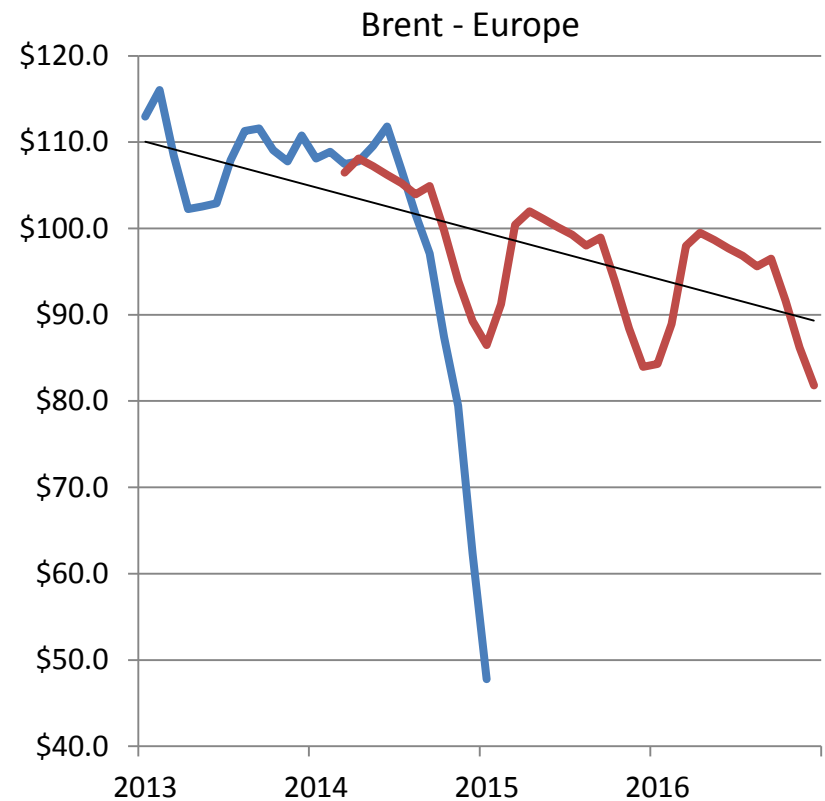
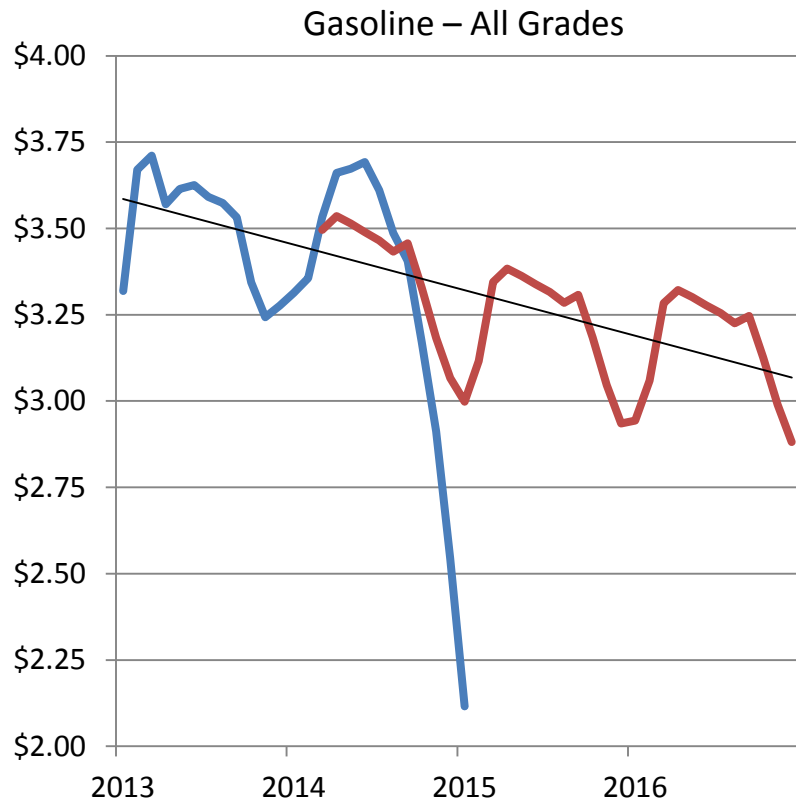
Oil to Gasoline Relationship



Source: U.S. Energy and Information Agency

U.S. Gasoline & Oil Price

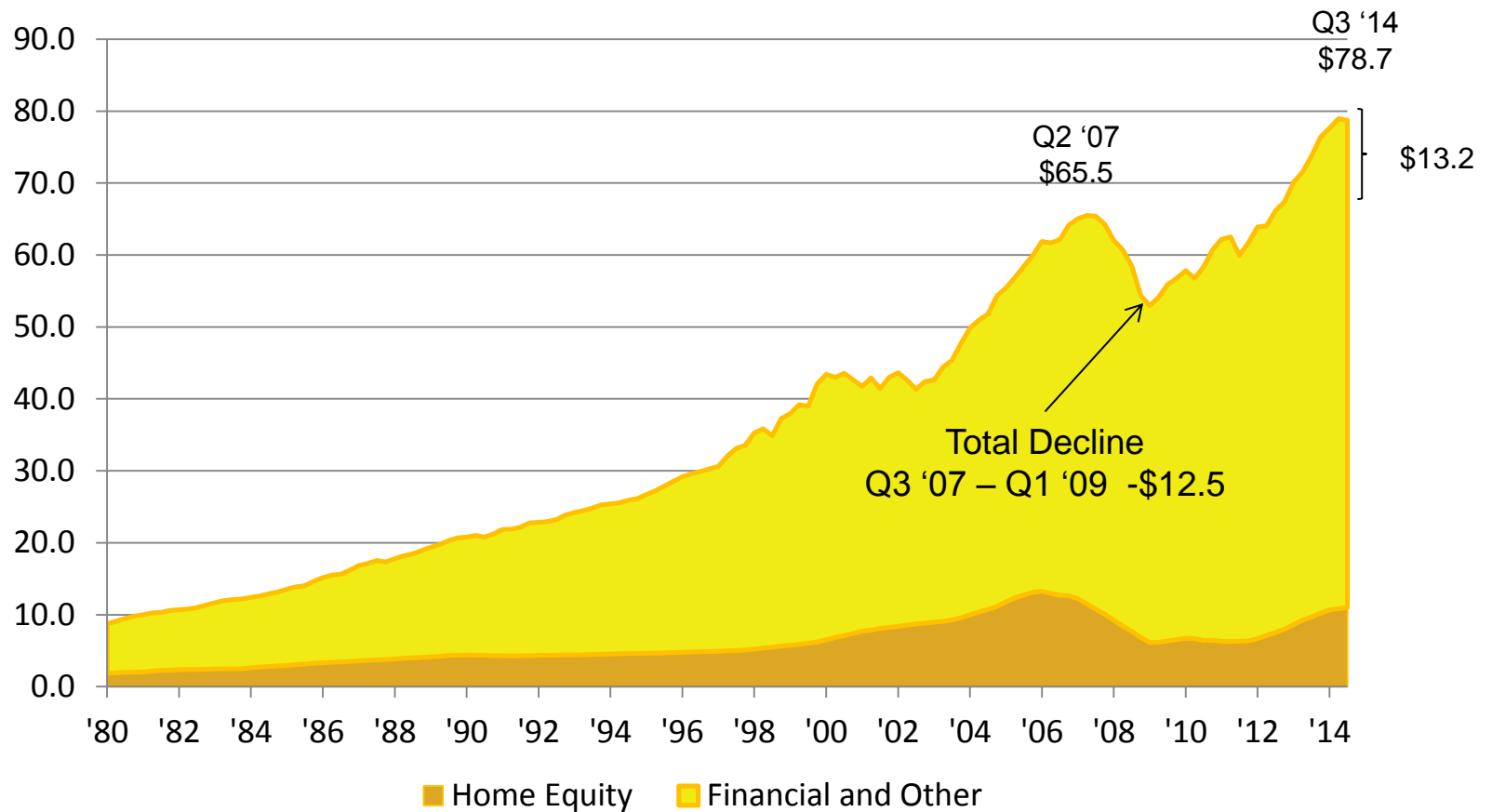
EIA Forecast - Average Price All Grades, Nominal Dollars



Source: Author's calculations using data from the U.S. Energy and Information Agency

Household Net Worth

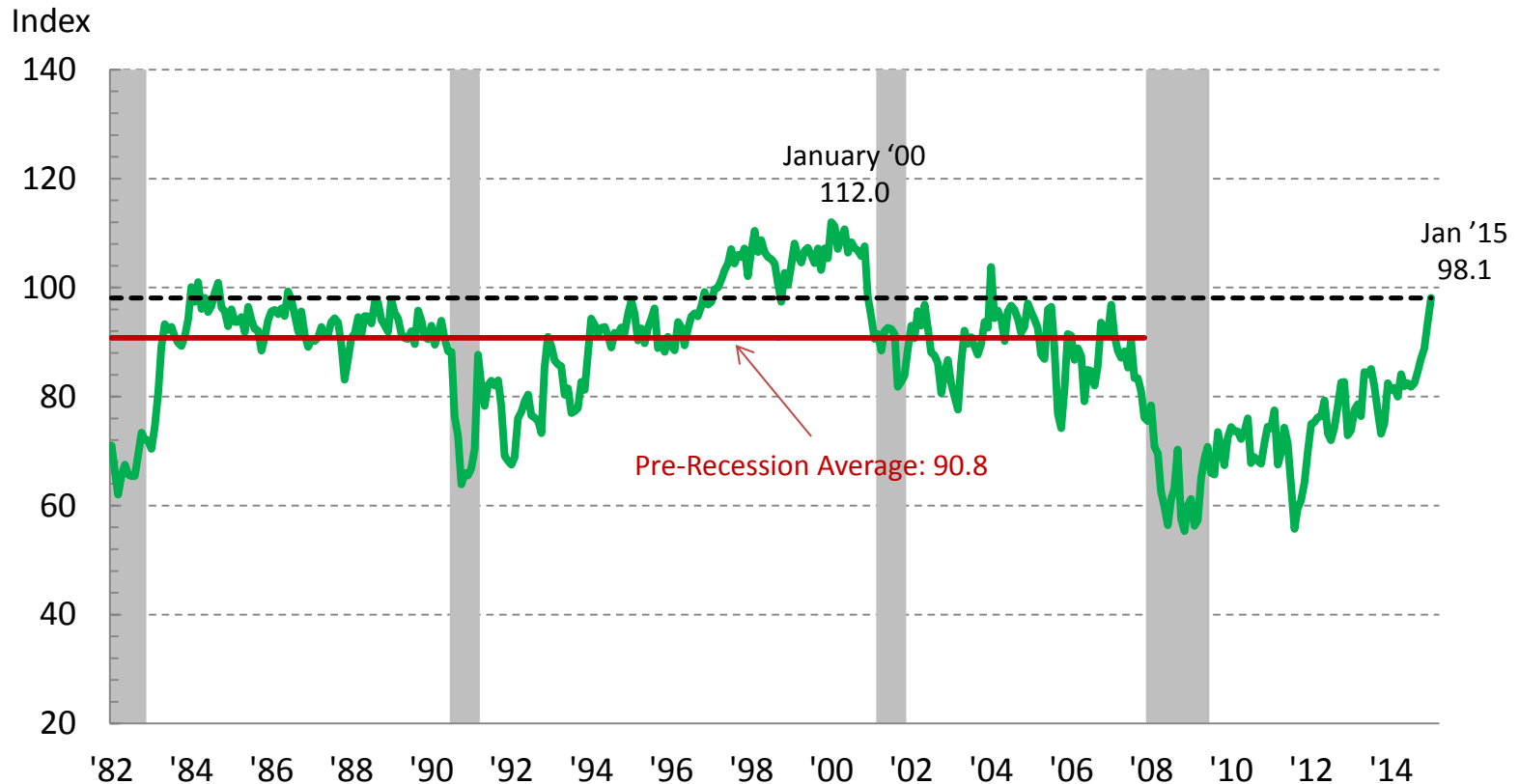
Trillions of Dollars, Q1 '80 to Q3 '14



Source: Federal Reserve Z.1 Statistical Release ,Table B100, Households and Nonprofit Organizations

Consumer Sentiment

University of Michigan



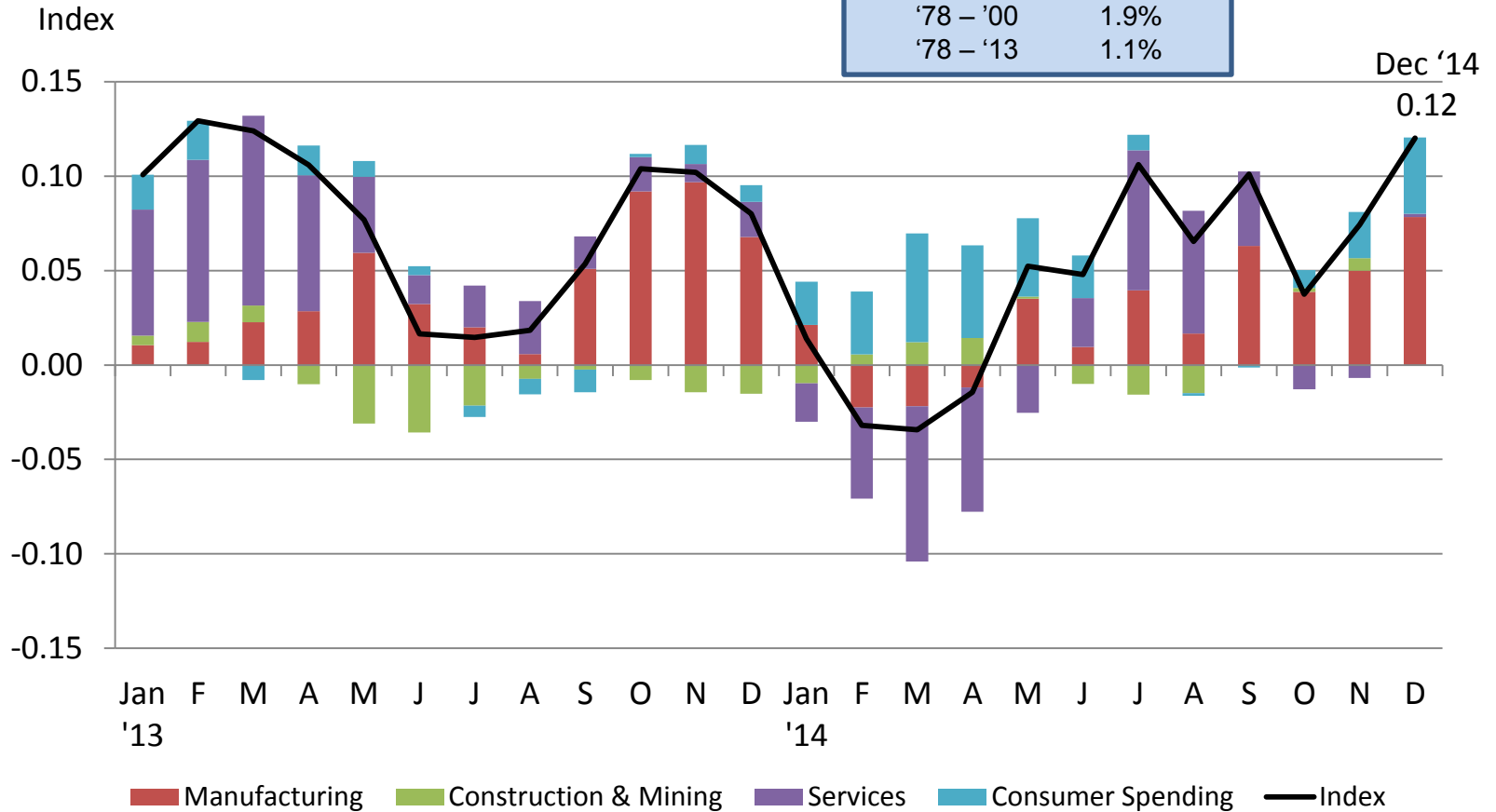
Source: Thomson Reuters / University of Michigan

Michigan Economy

Midwest Economic Index

Michigan's Contribution by Sector

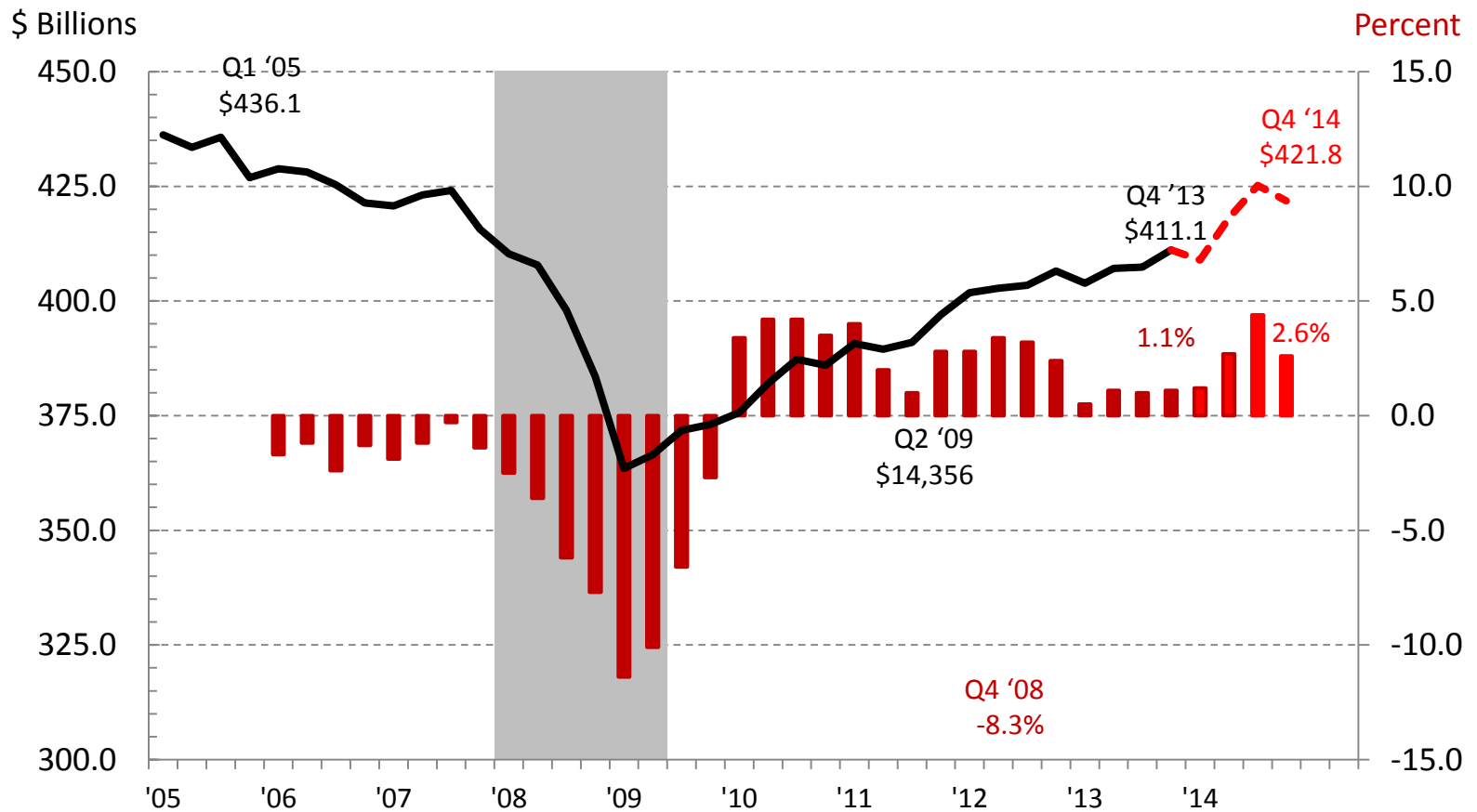
Average Annual GSP Growth	
Range	Growth
'78 – '00	1.9%
'78 – '13	1.1%



Source: FRB of Chicago

Michigan Real GSP

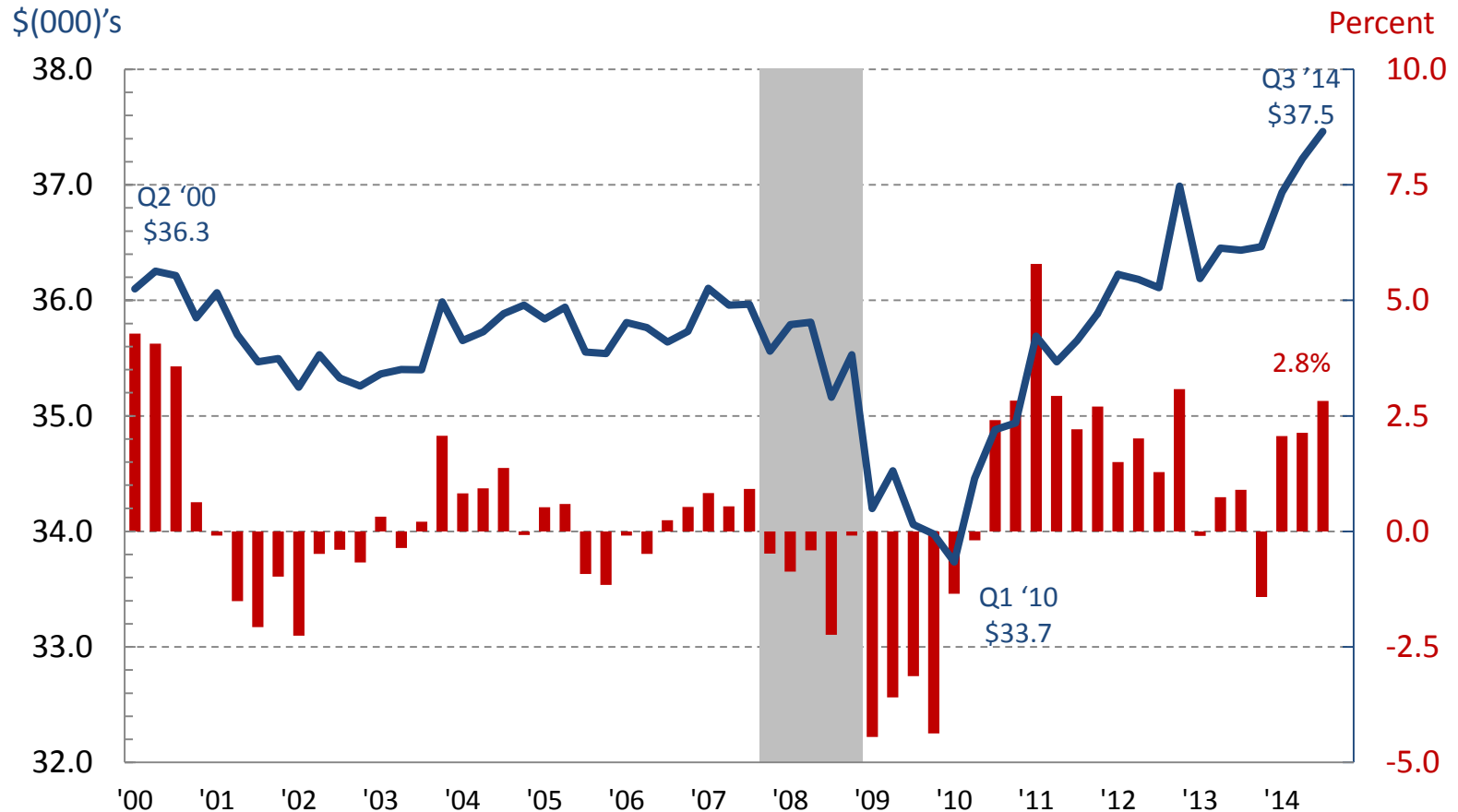
Billions Chained \$2009 - SAAR, % Change Yr./Yr.



Source: U.S. Bureau of Economic Analysis

Michigan Real Per Capita Income

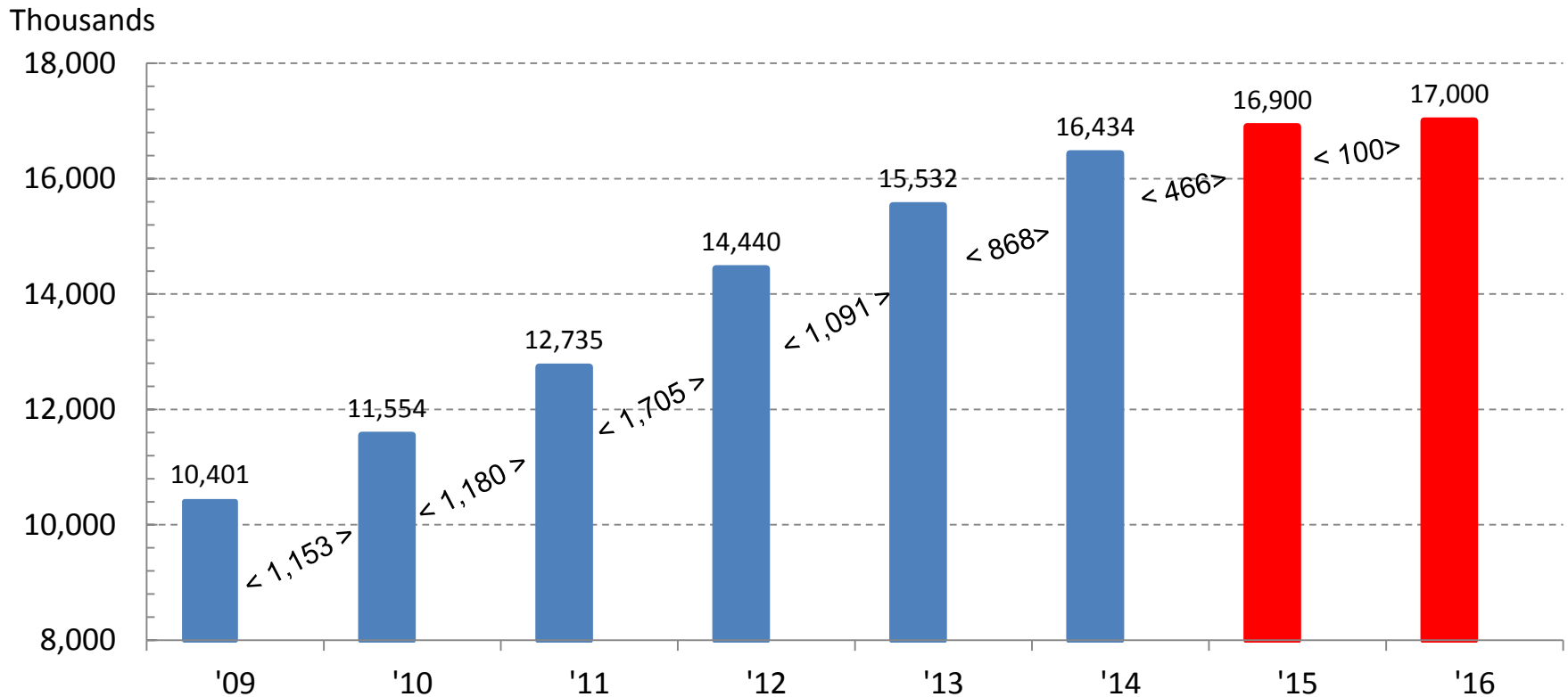
Thousands \$2009 Dollars, % Chg. Yr./Yr.



Source: BEA

U.S. Light Vehicle Sales

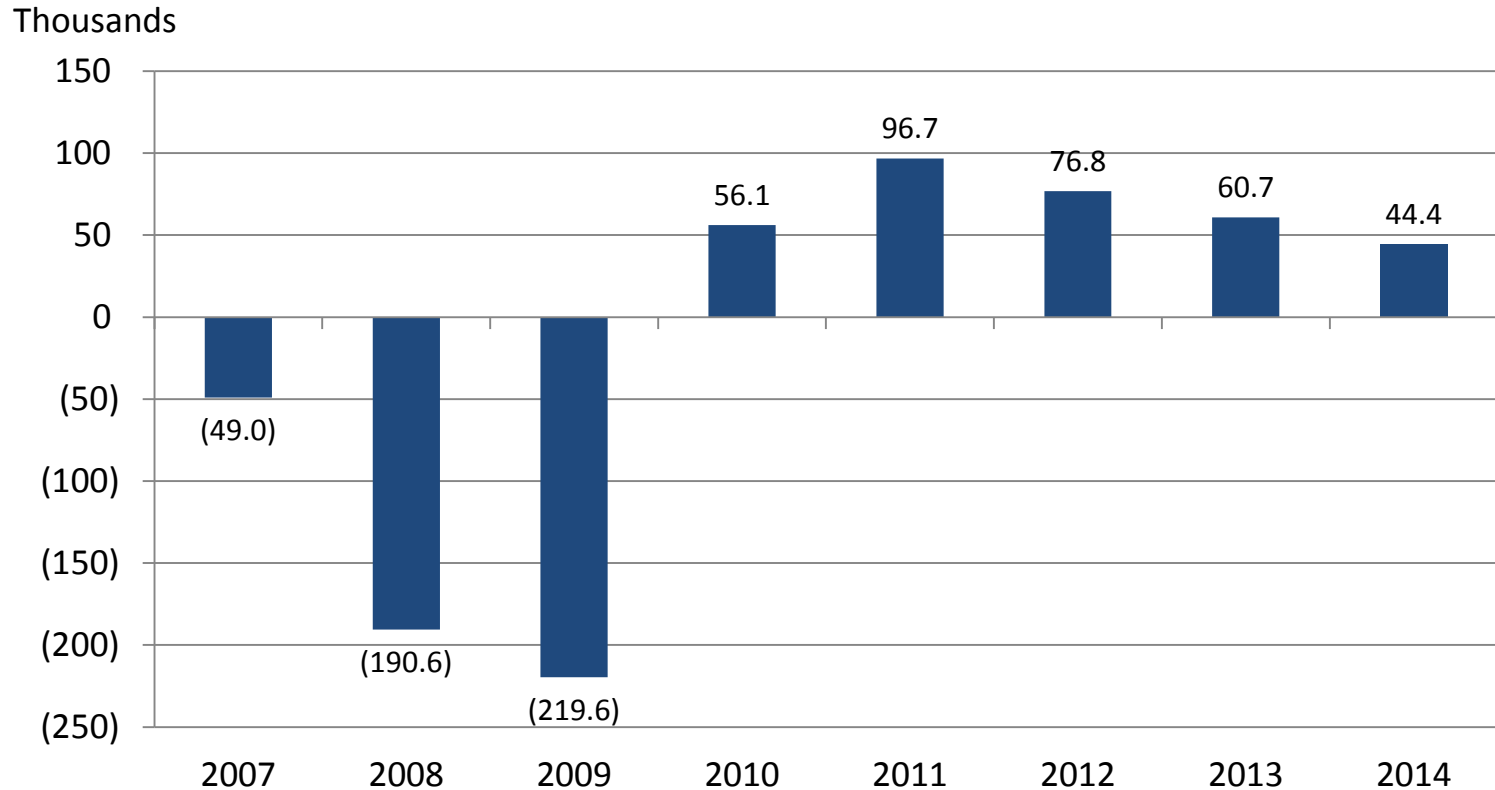
Thousands of Units – Calendar Year



Source: Ward's Automotive and BEA and IHS Automotive.

Michigan Annual Job Growth

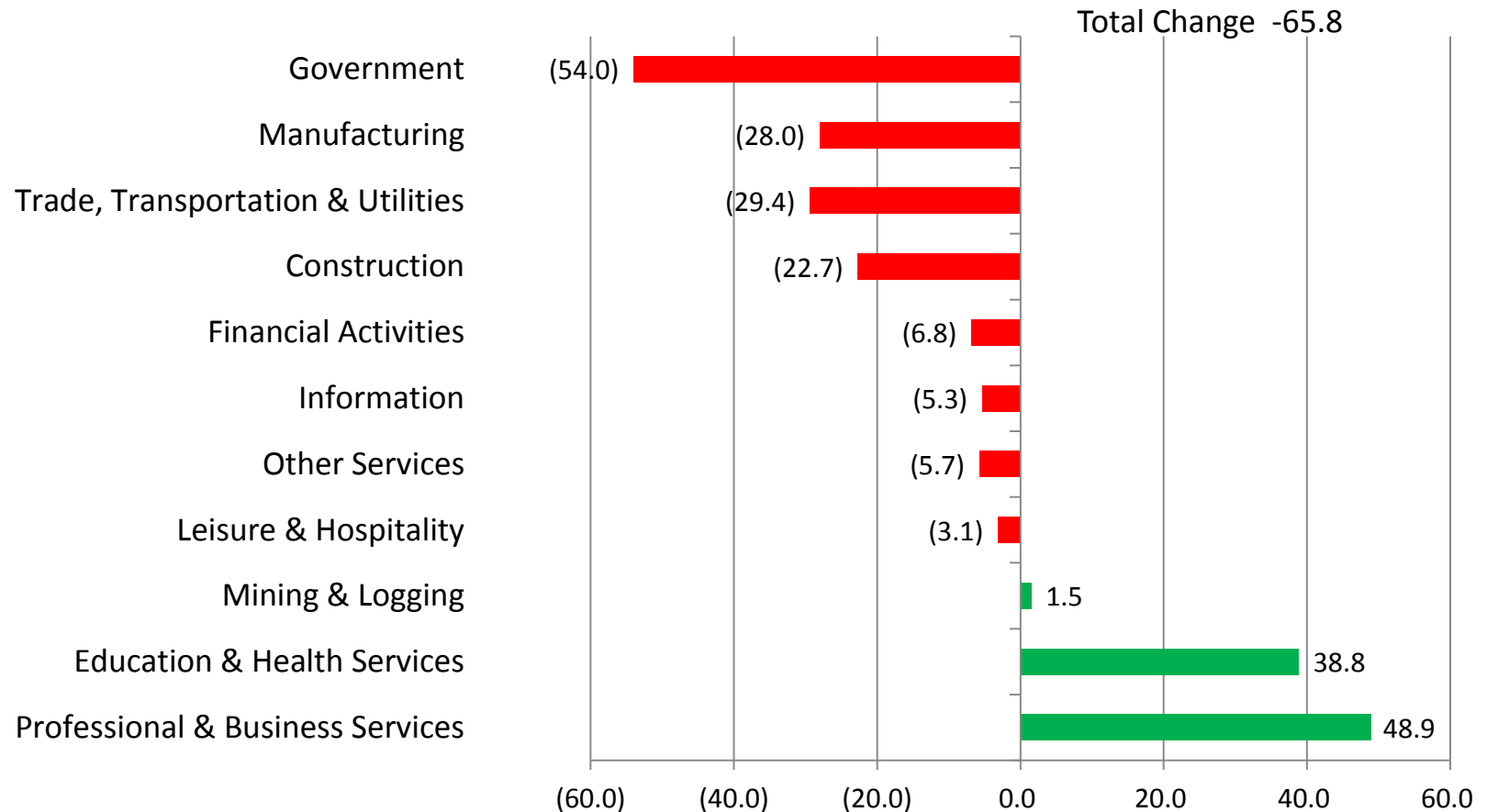
Thousands of Jobs



Source: U.S. Department of Labor: Bureau of Labor Statistics

Michigan Nonfarm Payroll Employment by Sector

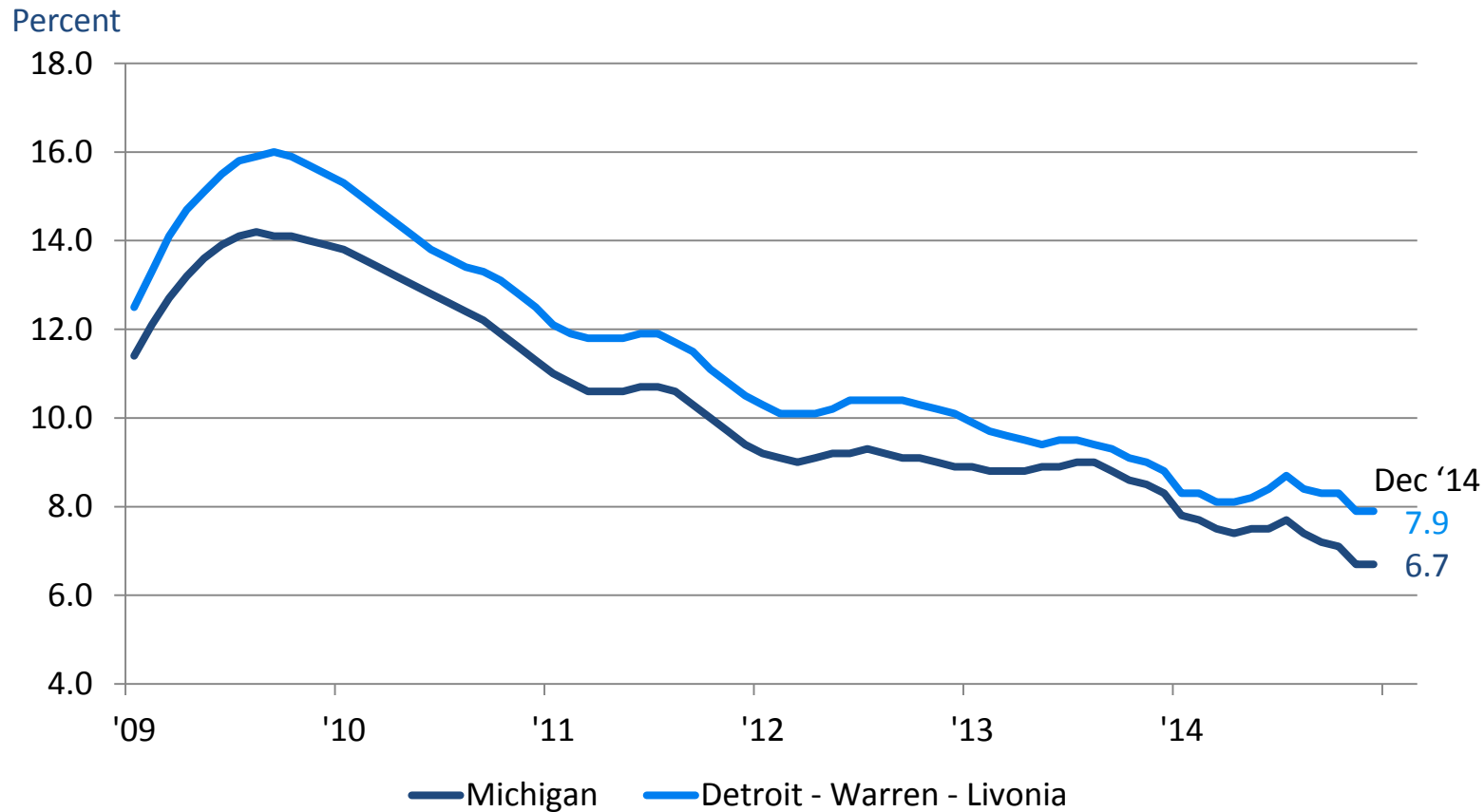
Employment Change Jan '08 – Dec '14, Thousands of Jobs



Source: U.S. Department of Labor

Michigan Unemployment

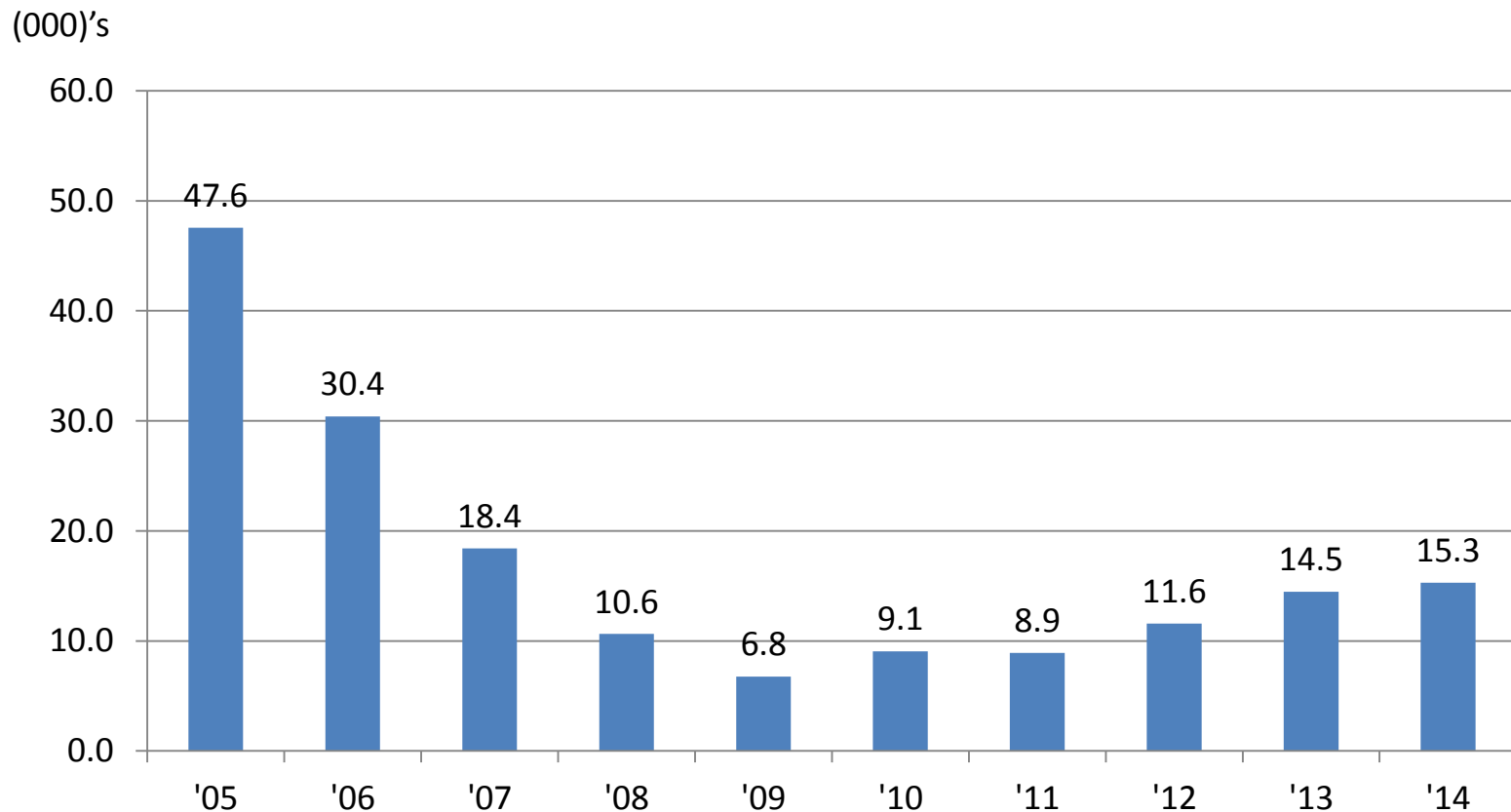
Percent of Labor Force - SA



Source: U.S. Department of Labor: Bureau of Labor Statistics and Haver Analytics

Michigan Housing Starts

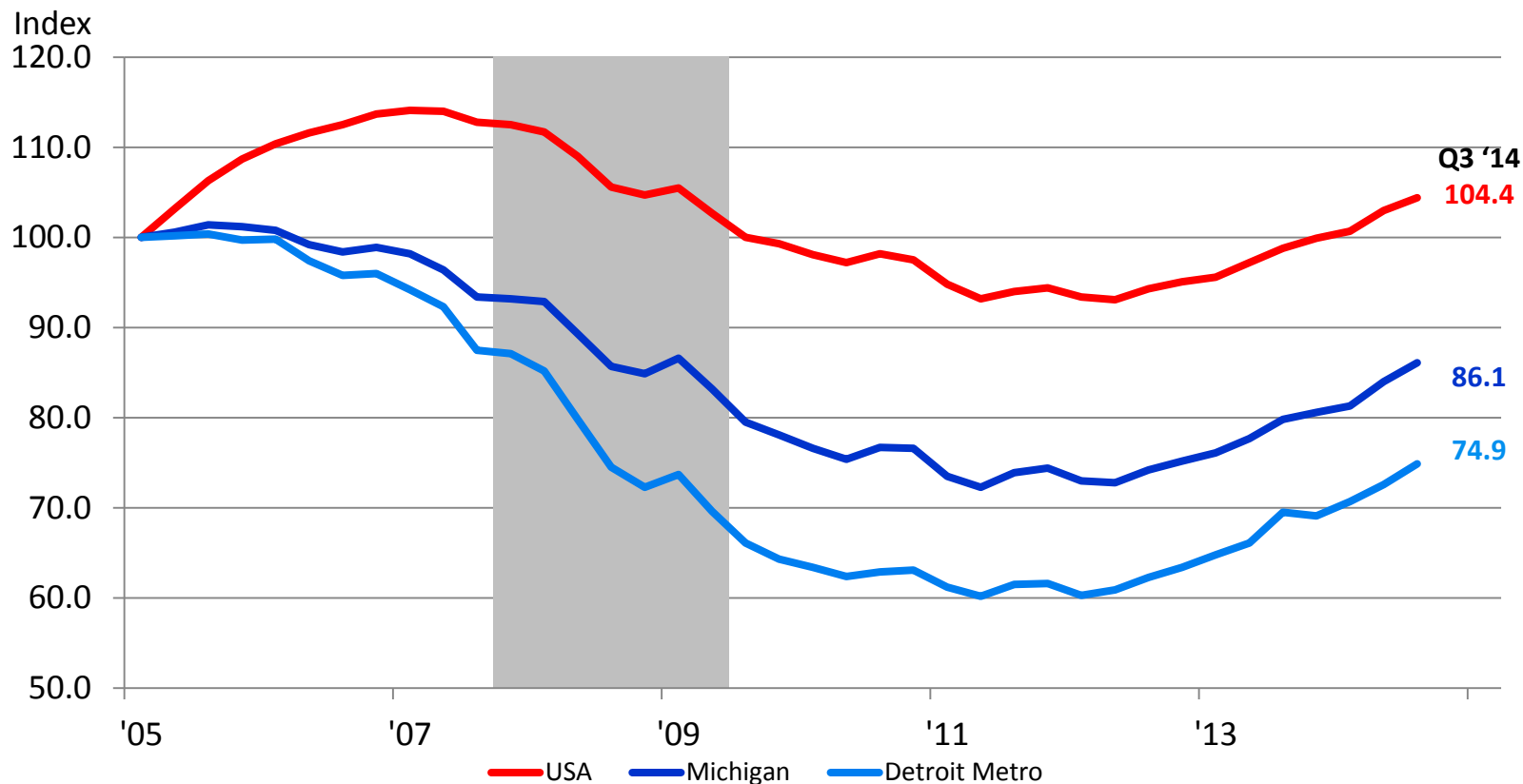
Thousands of Units – Annual



Source: U.S. Census Bureau

FHFA Home Price Index

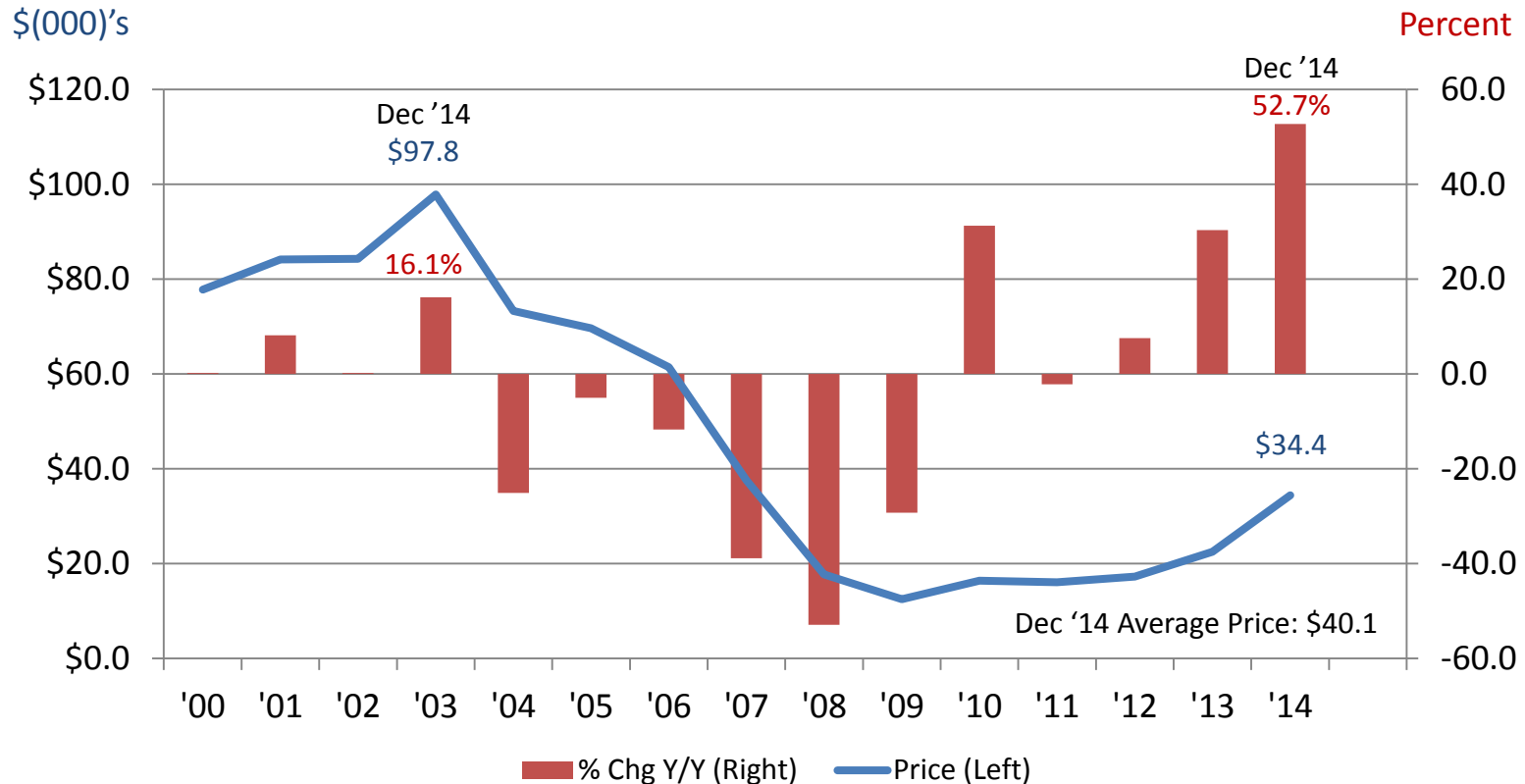
U.S., Michigan & Detroit Metro - Index, Q1 '05 = 100



Source: Author's calculations using data FHFA data.

Detroit Home Prices

Annual Average Price Paid



Source: Michigan Realtors, Detroit Association of Realtors.

<http://michiganeconomy.chicagofedblogs.org/>

