Overview

• Real GDP grew 3.1% in 2018, well above the economy’s potential growth rate.
  • Labor markets continued to tighten while the rate of increase of wages and trend inflation moved higher.
• Growth of real GDP expected to slow in 2019, but there are a wide range of opinions about how much slowing will occur.
• We expect growth to slow from the 3.1% (Q4/Q4) but to remain above the economy’s potential growth rate (around 1 ¾%), leading to further tightening of labor markets and some gradual increase in the underlying inflation rate.
Source: Bureau of Economic Analysis
Note: Shading shows NBER recessions.
Labor Market Indicators

Unemployment Rate (Left Axis)

Labor Force Participation Rate (Right Axis)

Employment to Population Ratio (Right Axis)

Note: Shading shows NBER recessions.

Source: Bureau of Labor Statistics via Haver Analytics

Note: Shading shows NBER recessions.
Employment Cost Index and the Unemployment Rate

% Change, Year to Year

ECI: Wages & Salaries for Private Industry Workers (SA)

Civilian Unemployment Rate: 16 yr + (SA, %)

Source: Bureau of Labor Statistics

Note: Data reported quarterly from Q1-2009 to Q4-2018
Measure of Underlying PCE Price Inflation

12 Month % Change

Source: Bureau of Economic Analysis via Haver Analytics

Note: Shading shows NBER recessions.
S&P 500 and 10Yr BB+ – 10Yr AAA Industrial Bonds Spread

Log Index, 1941-43=10

Yield Spread (Right Axis)

S&P 500 (Left Axis)

Spot Prices for Copper and Crude Oil

Dollar per Pound

Real Consumer Spending and the Personal Saving Rate

12 Month % Change

Source: Bureau of Economic Analysis, Federal Reserve Board via Haver Analytics

Note: Shading shows NBER recessions.
Consumer Confidence and Expectations

Index, 1985=100

Source: The Conference Board via Haver Analytics.
Household Liabilities over Disposable Income

Source: Federal Reserve Board and Bureau of Economic Analysis via Haver Analytics.

Note: Shading shows NBER recessions.
Transition into Serious Delinquency (90+)
by Loan Type

Source: New York Fed Consumer Credit Panel/Equifax

Student loan data are not reported prior to 2004 due to uneven reporting.

Note: 4 Quarter Moving Sum
Credit Score at Origination: Auto Loans*

Source: New York Fed Consumer Credit Panel/Equifax

* Credit Score is Equifax Riskscore 3.0
Mortgage Rates and New Single-Family Home Sales

Source: Mortgage Bankers Association, US Census Bureau via Haver Analytics
## Percent Change in New Home Sales by Region and Price Range

### 2017Q4 to 2018Q3

<table>
<thead>
<tr>
<th>Price Range</th>
<th>US</th>
<th>NE</th>
<th>MW</th>
<th>S</th>
<th>W</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>-7.4%</td>
<td>-28.2%</td>
<td>0.0%</td>
<td>-4.8%</td>
<td>-11.0%</td>
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<tr>
<td>Up to $200K</td>
<td>2.3%</td>
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<td>-11.1%</td>
<td>5.8%</td>
<td>-1.1%</td>
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<tr>
<td>$200K to $300K</td>
<td>-1.9%</td>
<td>-46.2%</td>
<td>18.5%</td>
<td>1.1%</td>
<td>-15.2%</td>
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<tr>
<td>$300K to $500K</td>
<td>-7.5%</td>
<td>7.7%</td>
<td>24.4%</td>
<td>-12.5%</td>
<td>-6.0%</td>
</tr>
<tr>
<td>Over $500K</td>
<td>-20.6%</td>
<td>-13.8%</td>
<td>-11.1%</td>
<td>-2.4%</td>
<td>-23.9%</td>
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### 2016Q2 to 2017Q1

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</thead>
<tbody>
<tr>
<td>Total</td>
<td>10.3%</td>
<td>19.2%</td>
<td>14.8%</td>
<td>6.3%</td>
<td>15.1%</td>
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<tr>
<td>Up to $200K</td>
<td>-8.3%</td>
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<td>-19.6%</td>
<td>-12.1%</td>
<td>12.4%</td>
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<tr>
<td>$200K to $300K</td>
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<td>-40.4%</td>
<td>17.2%</td>
<td>15.2%</td>
<td>12.4%</td>
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<tr>
<td>$300K to $500K</td>
<td>9.8%</td>
<td>19.2%</td>
<td>14.8%</td>
<td>3.8%</td>
<td>18.0%</td>
</tr>
<tr>
<td>Over $500K</td>
<td>25.6%</td>
<td>19.2%</td>
<td>167.9%</td>
<td>31.4%</td>
<td>12.4%</td>
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### 2013Q1 to 2013Q4

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<th>MW</th>
<th>S</th>
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</thead>
<tbody>
<tr>
<td>Total</td>
<td>-1.0%</td>
<td>-15.5%</td>
<td>-2.2%</td>
<td>14.6%</td>
<td>-23.8%</td>
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<tr>
<td>Up to $200K</td>
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<td>38.3%</td>
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<tr>
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<td>12.6%</td>
<td>95.7%</td>
<td>38.3%</td>
<td>16.2%</td>
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Credit Score at Origination: Mortgages*

* Credit Score is Equifax Riskscore 3.0; mortgages include first-liens only.
Business Fixed Investment

Four Quarter Percent Change

Source: Bureau of Economic Analysis

Note: Shading shows NBER recessions.
Nondefense Capital Goods ex. Aircraft

Source: Census Bureau via Haver Analytics.
Real Government Consumption and Gross Investment

Source: Bureau of Economic Analysis via Haver Analytics

Note: Shading shows NBER recessions.
Real Net Exports as a % of GDP

Source: BEA; Haver Analytics.

Note: Shading shows NBER recessions.