Overview

- Growth in the US has firmed in recent quarters as the shocks that hit the economy in mid 2014—dollar appreciation and falling commodity prices—have largely run their course.
  - Fiscal stimulus will boost growth in 2018 and 2019.
- Several indicators suggest that the economy is at or near full employment, with clearer evidence that the rate of increase of wages/compensation has moved higher.
- Underlying inflation slowed in 2017 and remains below the FOMC’s objective of 2%, but recent indicators suggest that an upturn in inflation is underway.
Growth of Real GDP

Four Quarter Percent Change

Source: Bureau of Economic Analysis

Note: Shading shows NBER recessions.
Nominal Trade-Weighted Value of US$ and Rig Count

Active Oil Rigs

Rig Count (left axis)

Broad Trade-Weighted Exchange Value of US$ (right axis)

Source: Federal Reserve Board and Baker Hughes

Note: Shading shows NBER recessions.
Manufacturing Indicators for Major Economies

Index Level

US
EU
China

Source: IHS Markit and Institute for Supply Management via Haver Analytics

Note: Shading shows NBER recessions.
Citi Economic Surprise Index

Index

Source: Bloomberg.
Goldman Financial Conditions Index

Index

Tightening

Easing

Source: Bloomberg.
Real PCE 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 Sentiment and Confidence

University of Michigan: Consumer Sentiment (Left Axis)
Conference Board: Consumer Confidence (Right Axis)

Source: University of Michigan, Conference Board.

Note: Shading shows NBER recessions.
Household Net Worth at Record High

(Net Worth over Disposable Income)

Source: Federal Reserve Board via Haver Analytics

Note: Shading shows NBER recessions.
Personal Saving Rate and Household Net Worth as a Percent of Disposable Income

Source: Bureau of Economic Analysis and Federal Reserve Board

Note: Fitted line is from 1983Q1 to 2005Q4.
Household Financial Obligation Ratio

Source: Federal Reserve Board via Haver Analytics

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

Percent of Balance vs Percent of Balance

Student Loan
Mortgage
Credit Card
Auto Loan
HE Revolving

Source: New York Fed Consumer Credit Panel/Equifax

Note: 4 Quarter Moving Sum

Student loan data are not reported prior to 2004 due to uneven reporting.
Single Family Housing Market

Index Level

Source: CoreLogic, National Association of Realtors, via Haver Analytics

Note: Shading shows NBER recessions.
Housing Starts and Existing Homes Sales Per Capita

Source: BLS, Census Bureau, NAR

Note: Shading shows NBER recessions.
Credit Score at Mortgage Origination

Source: FRBNY / Consumer Credit Panel

Note: Shading shows NBER recessions.
Business Fixed Investment Firming

Four Quarter Percent Change

Four Quarter Percent Change

Source: Bureau of Economic Analysis

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

Percent Change Year-to-Year

Source: Census Bureau/Haver.

Note: Shading shows NBER recessions.
Real Exports and Imports

4 Quarter % Change

Exports

Imports

Source: Bureau of Economic Analysis via Haver Analytics

Note: Shading shows NBER recessions.
Real Government Consumption and Gross Investment

4 Quarter % Change

Source: Bureau of Economic Analysis via Haver Analytics

Note: Shading shows NBER recessions.
# Estimated Revenue Effects of The Tax Cuts and Jobs Act

**Fiscal Years 2018-2022 (Percent of GDP)**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tax Reform for Individuals</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>House</td>
<td>-0.2</td>
<td>-0.6</td>
<td>-0.5</td>
<td>-0.5</td>
<td>-0.5</td>
</tr>
<tr>
<td>Senate</td>
<td>-0.3</td>
<td>-0.8</td>
<td>-0.7</td>
<td>-0.6</td>
<td>-0.6</td>
</tr>
<tr>
<td>Conference Agreement</td>
<td>-0.4</td>
<td>-0.8</td>
<td>-0.8</td>
<td>-0.7</td>
<td>-0.7</td>
</tr>
<tr>
<td><strong>Business Tax Reform</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>House</td>
<td>-0.6</td>
<td>-0.6</td>
<td>-0.5</td>
<td>-0.5</td>
<td>-0.4</td>
</tr>
<tr>
<td>Senate</td>
<td>-0.1</td>
<td>-0.4</td>
<td>-0.5</td>
<td>-0.4</td>
<td>-0.4</td>
</tr>
<tr>
<td>Conference Agreement</td>
<td>-0.6</td>
<td>-0.6</td>
<td>-0.5</td>
<td>-0.4</td>
<td>-0.2</td>
</tr>
<tr>
<td><strong>Taxation of Foreign Income and Foreign Persons</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>House</td>
<td>0.3</td>
<td>0.2</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Senate</td>
<td>0.3</td>
<td>0.2</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Conference Agreement</td>
<td>0.3</td>
<td>0.2</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td><strong>Total (static)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>House</td>
<td>-0.6</td>
<td>-1.1</td>
<td>-1.0</td>
<td>-0.8</td>
<td>-0.7</td>
</tr>
<tr>
<td>Senate</td>
<td>-0.2</td>
<td>-1.1</td>
<td>-1.2</td>
<td>-1.0</td>
<td>-0.9</td>
</tr>
<tr>
<td>Conference Agreement</td>
<td>-0.7</td>
<td>-1.4</td>
<td>-1.2</td>
<td>-1.0</td>
<td>-0.8</td>
</tr>
</tbody>
</table>

Source: Joint Committee on Taxation; Congressional Budget Office
Effect of Bipartisan Budget Act of 2018 on Discretionary Spending  
(Billions of Dollars, Fiscal Years)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Budget Control Act Caps</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defense</td>
<td>548</td>
<td>551</td>
<td>552</td>
<td>562</td>
</tr>
<tr>
<td>BA</td>
<td>59</td>
<td>83</td>
<td>85</td>
<td>86</td>
</tr>
<tr>
<td>Nondefense</td>
<td>518</td>
<td>519</td>
<td>520</td>
<td>529</td>
</tr>
<tr>
<td>BA</td>
<td>26</td>
<td>36</td>
<td>36</td>
<td>35</td>
</tr>
<tr>
<td><strong>Adjustments to Caps</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defense</td>
<td>59</td>
<td>83</td>
<td>85</td>
<td>86</td>
</tr>
<tr>
<td>Nondefense</td>
<td>26</td>
<td>36</td>
<td>36</td>
<td>35</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defense</td>
<td>607</td>
<td>634</td>
<td>717</td>
<td>733</td>
</tr>
<tr>
<td>Percent Change</td>
<td>4.4</td>
<td>13.0</td>
<td>2.3</td>
<td></td>
</tr>
<tr>
<td>Nondefense</td>
<td>544</td>
<td>555</td>
<td>619</td>
<td>632</td>
</tr>
<tr>
<td>Percent Change</td>
<td>2.0</td>
<td>11.5</td>
<td>2.1</td>
<td></td>
</tr>
<tr>
<td><strong>Nominal</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defense</td>
<td>555</td>
<td>570</td>
<td>636</td>
<td>642</td>
</tr>
<tr>
<td>Percent Change</td>
<td>2.6</td>
<td>11.7</td>
<td>0.9</td>
<td></td>
</tr>
<tr>
<td>Nondefense</td>
<td>484</td>
<td>481</td>
<td>525</td>
<td>525</td>
</tr>
<tr>
<td>Percent Change</td>
<td>-0.6</td>
<td>9.2</td>
<td>0.0</td>
<td></td>
</tr>
<tr>
<td><strong>Real</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defense</td>
<td>555</td>
<td>570</td>
<td>636</td>
<td>642</td>
</tr>
<tr>
<td>Percent Change</td>
<td>2.6</td>
<td>11.7</td>
<td>0.9</td>
<td></td>
</tr>
<tr>
<td>Nondefense</td>
<td>484</td>
<td>481</td>
<td>525</td>
<td>525</td>
</tr>
<tr>
<td>Percent Change</td>
<td>-0.6</td>
<td>9.2</td>
<td>0.0</td>
<td></td>
</tr>
</tbody>
</table>
Labor Market Indicators

Unemployment Rate (Left Axis)
Labor Force Participation Rate (Right Axis)
Employment to Population Ratio (Right Axis)

Source: Bureau of Labor Statistics via Haver Analytics

Note: Shading shows NBER recessions.
Growth of Average Hourly Earnings and ECI

Annual % change

Source: Bureau of Labor Statistics via Haver Analytics

Note: Shading shows NBER recessions.
Measure of Underlying PCE Price Inflation

12 Month % Change

FOMC Objective for Headline PCE Inflation

Core PCE Deflator

Source: Bureau of Economic Analysis via Haver Analytics

Note: Shading shows NBER recessions.
Personal Consumption Expenditures Price Indices

Percent Change Year-to-Year

PCE: Services Excl. Energy

FOMC Objective For Headline PCE Inflation

Core PCE

PCE: Goods less Food & Energy

Source: BEA/Haver.

Note: Shading shows NBER recessions.
Michigan Inflation Expectations 5 to 10 Years

75th Percentile

Median

25th Percentile

Source: University of Michigan

Note: Shading shows NBER recessions.