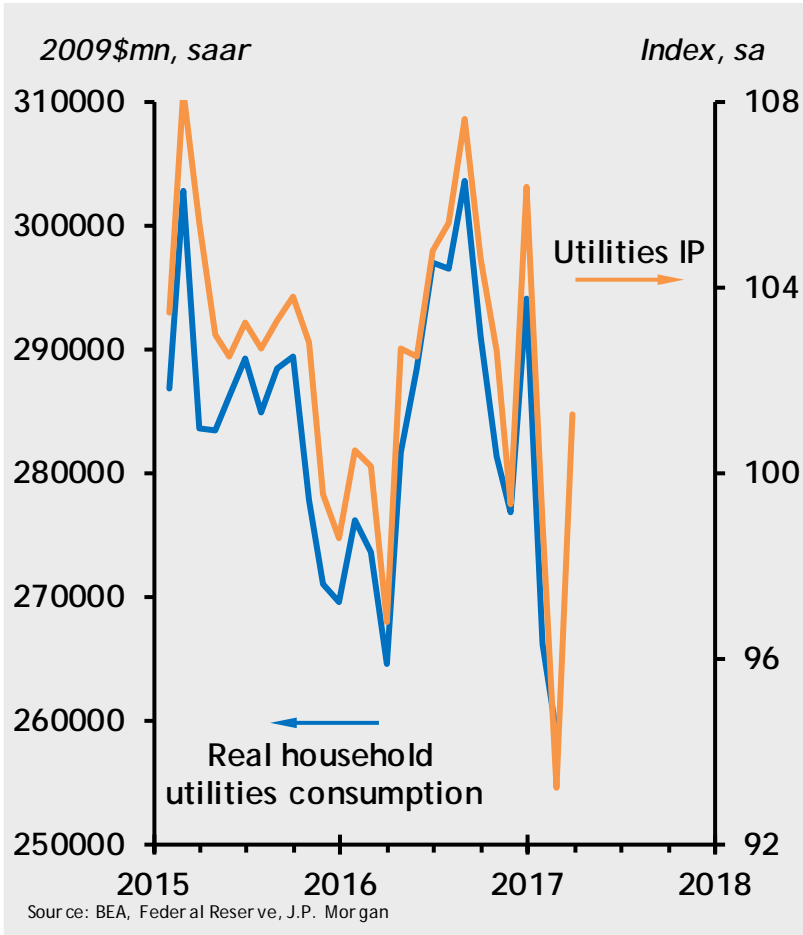


Notes on the outlook, for presentation to the NY Fed EAP

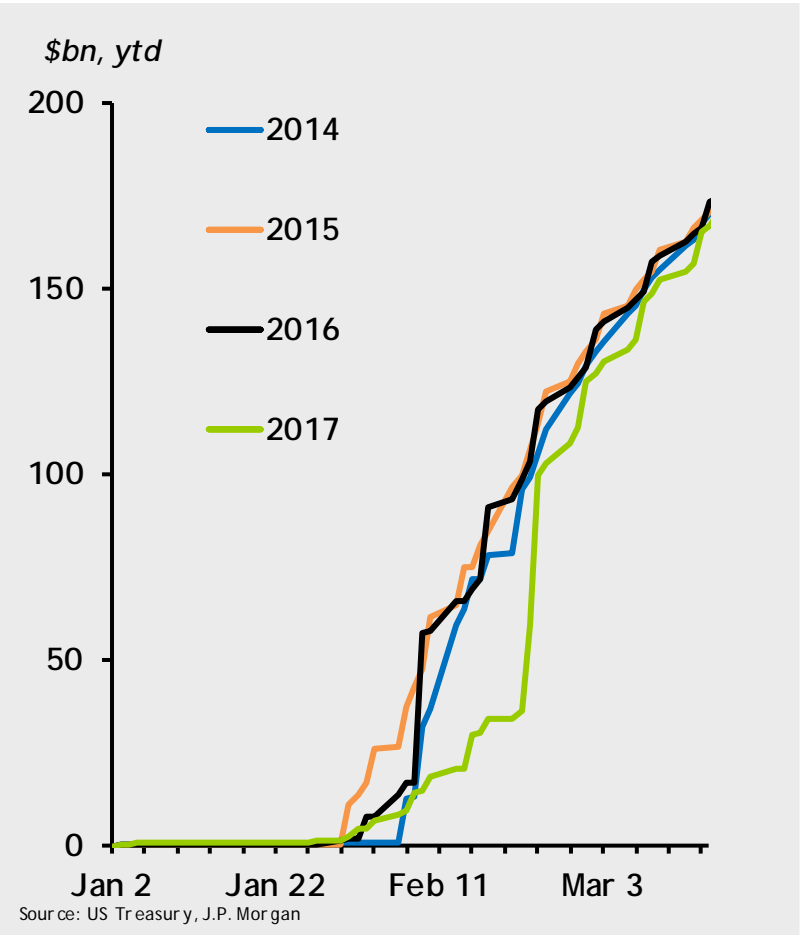
Michael Feroli
Chief U.S. Economist

Q1 real consumption should look weak, but Q2 is already shaping up to be materially stronger

Production and consumption of utilities

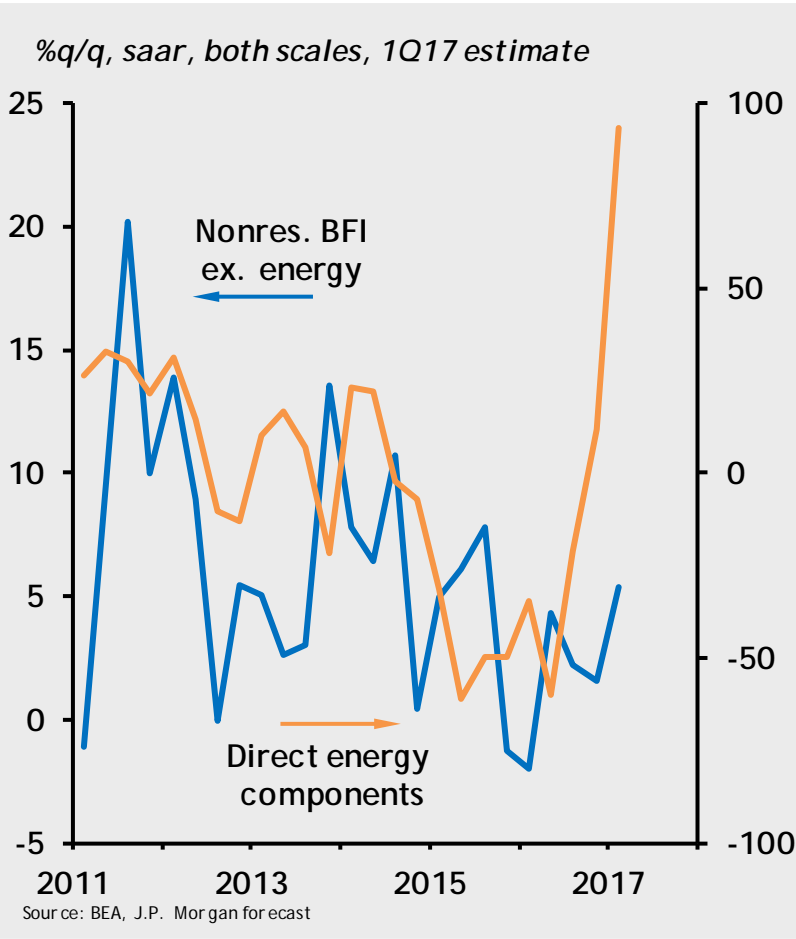


Federal refunds: individual income taxes

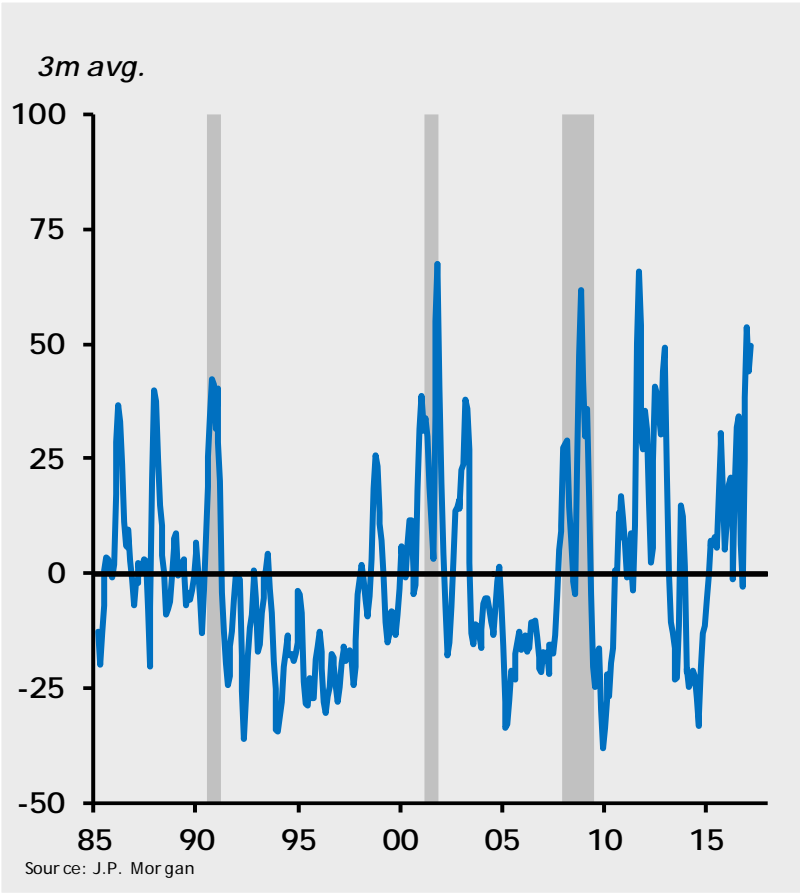


Q1 BFI should look strong (~8% ar) but energy sector is dominant, the trend ex-energy is likely low single digits

Real business fixed investment

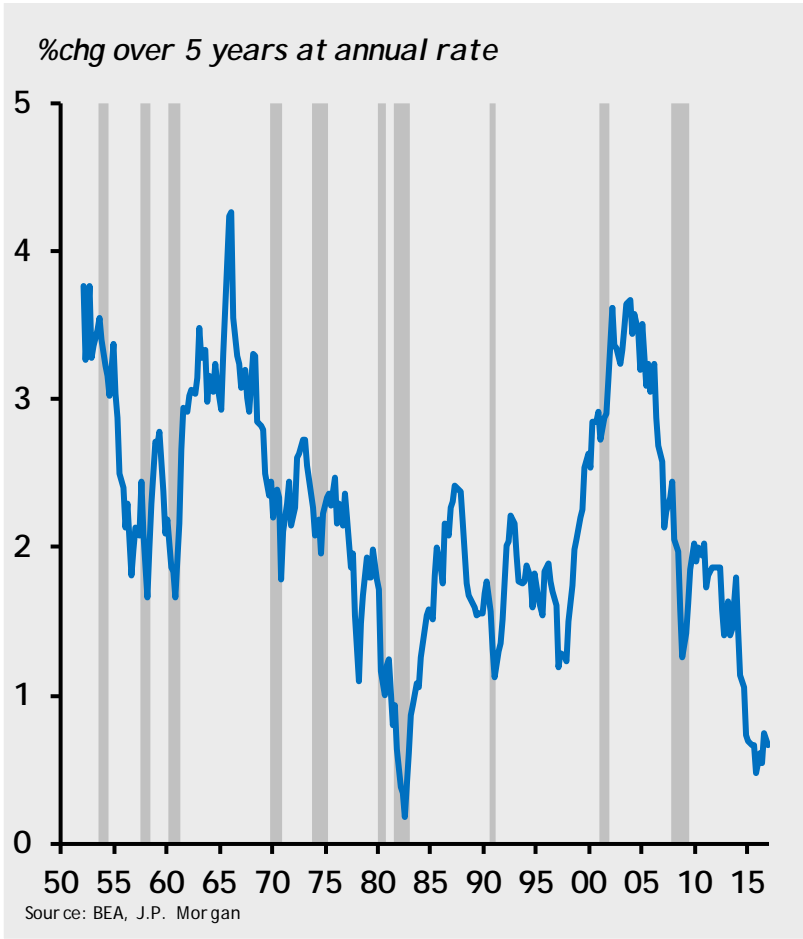


Policy uncertainty index: residual of regression on UR



Why should productivity accelerate in the near term?

Growth in nonfarm labor productivity



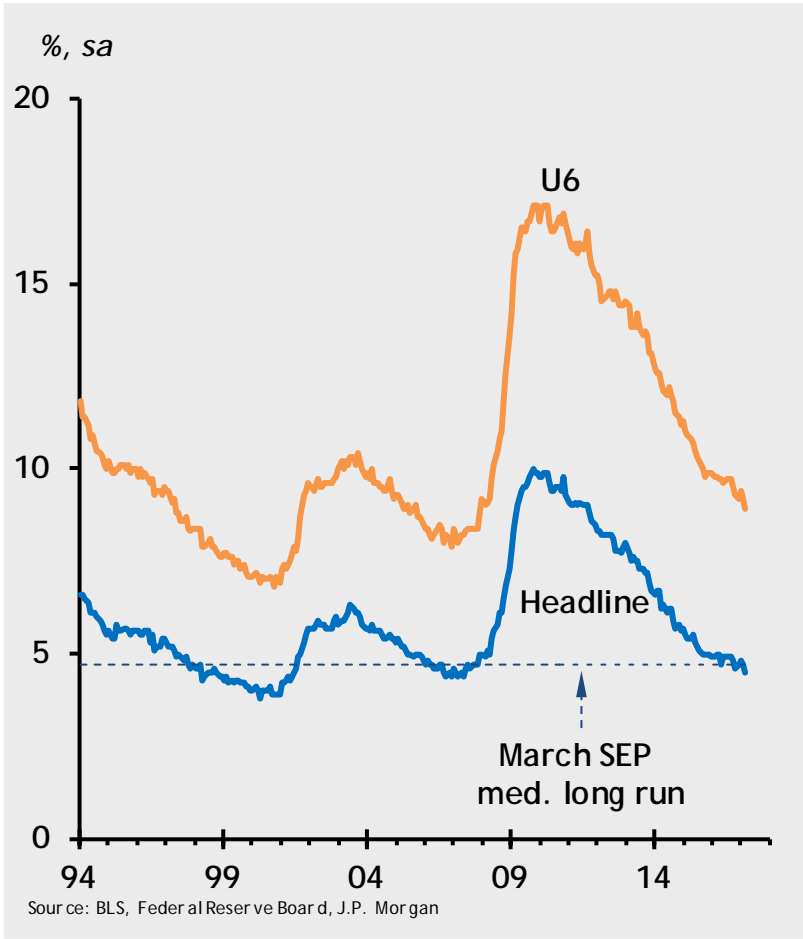
Nonfarm productivity during expansions

(%q/q, saar, avg.)	First half	Second half	Difference
Expansion midpoint	Productivity	Productivity	%-pt
1951Q3	5.4	1.9	-3.5
1956Q1	2.4	1.5	-0.9
1959Q2	4.9	0.7	-4.2
1965Q3	4	2.2	-1.8
1972Q2	4.7	1.5	-3.2
1977Q3	3.2	0.2	-3
1981Q1	5.7	-0.7	-6.4
1986Q4	2.7	1.2	-1.5
1996Q1	1.9	2.7	0.8
2004Q4	3.4	1.7	-1.7
<i>Average across cycle:</i>	3.8	1.3	-2.5

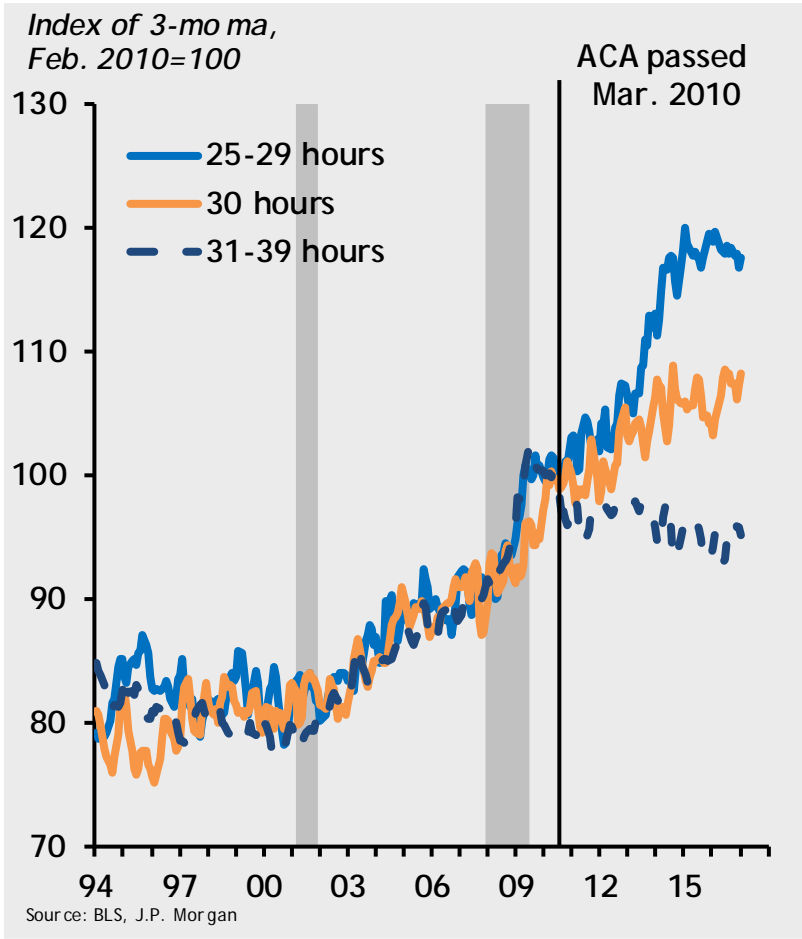
Source: BLS. Note: Midpoint quarter included in both halves when expansion had odd number of quarters.

Shadow slack is now entirely involuntary part-time employment

Unemployment rates

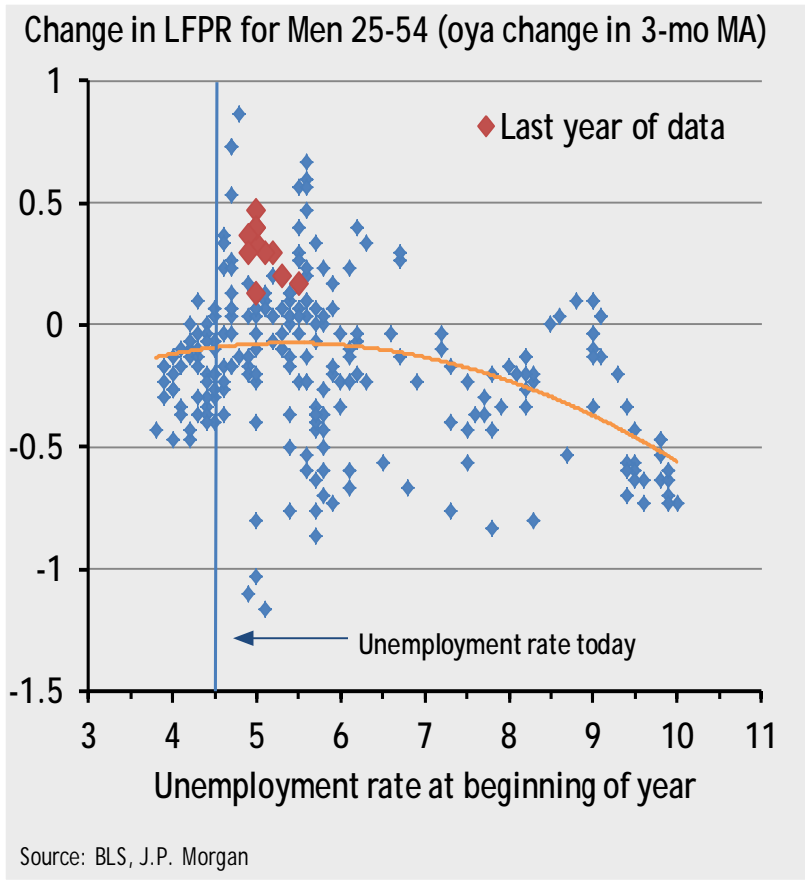


Number of employed, by usual weekly hours

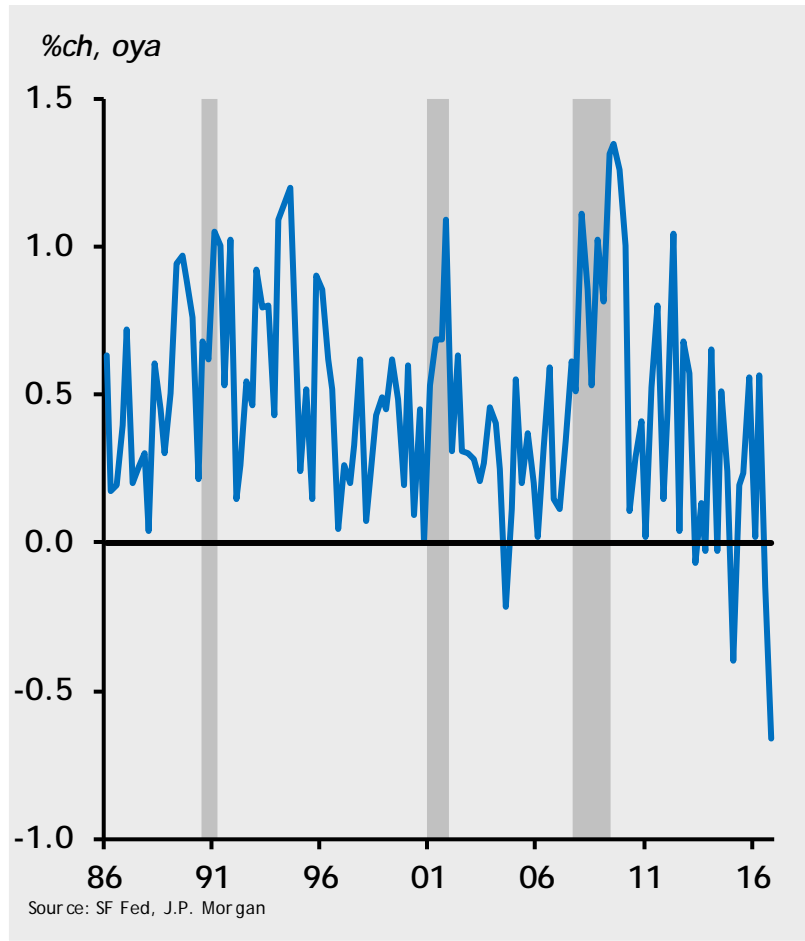


Further gains in participation rate may be hard won

Change in LFPR for working-age men vs. the unemployment rate, 1995-present

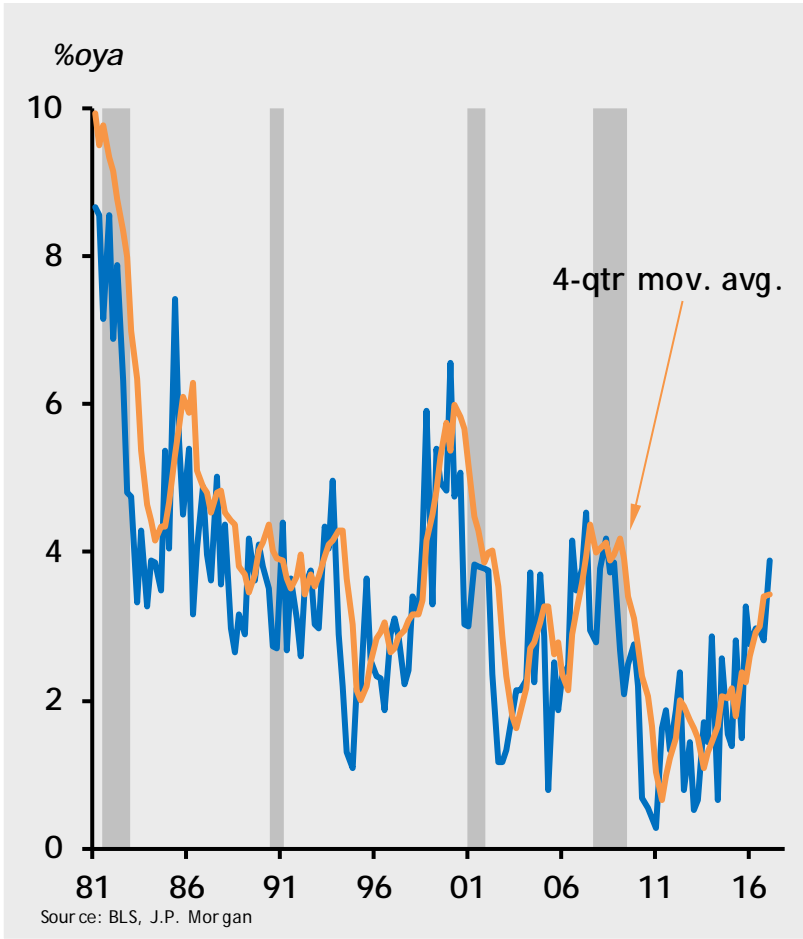


SF Fed measure of labor quality

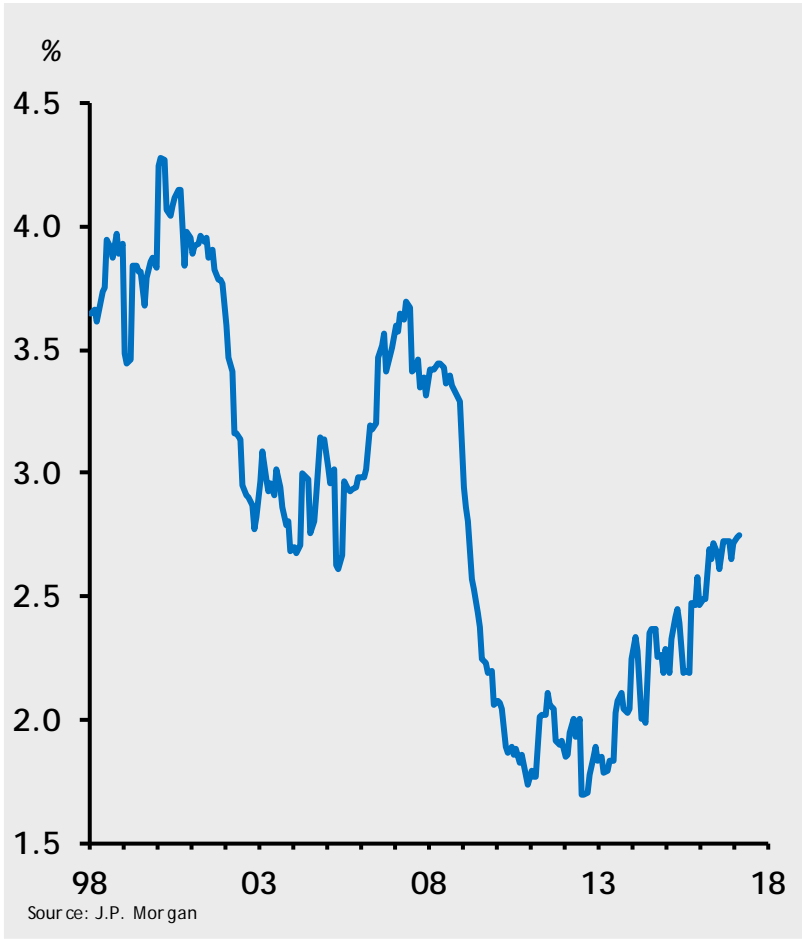


Even with stagnant productivity, nominal wage growth is accelerating

Median usual weekly earnings

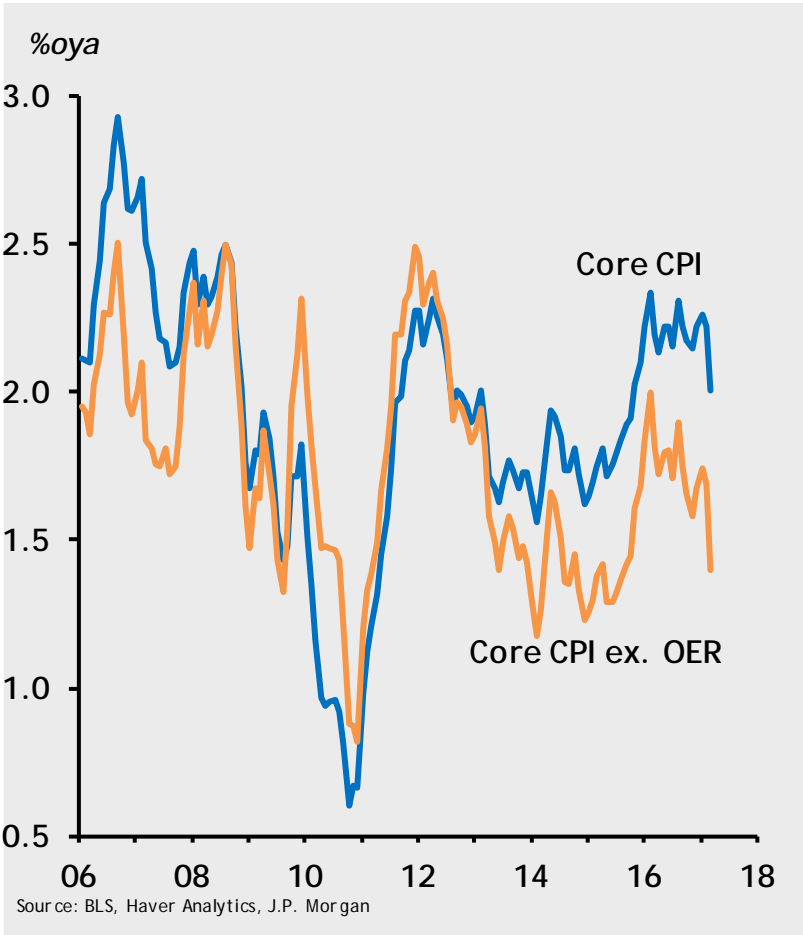


J.P. Morgan wage tracker

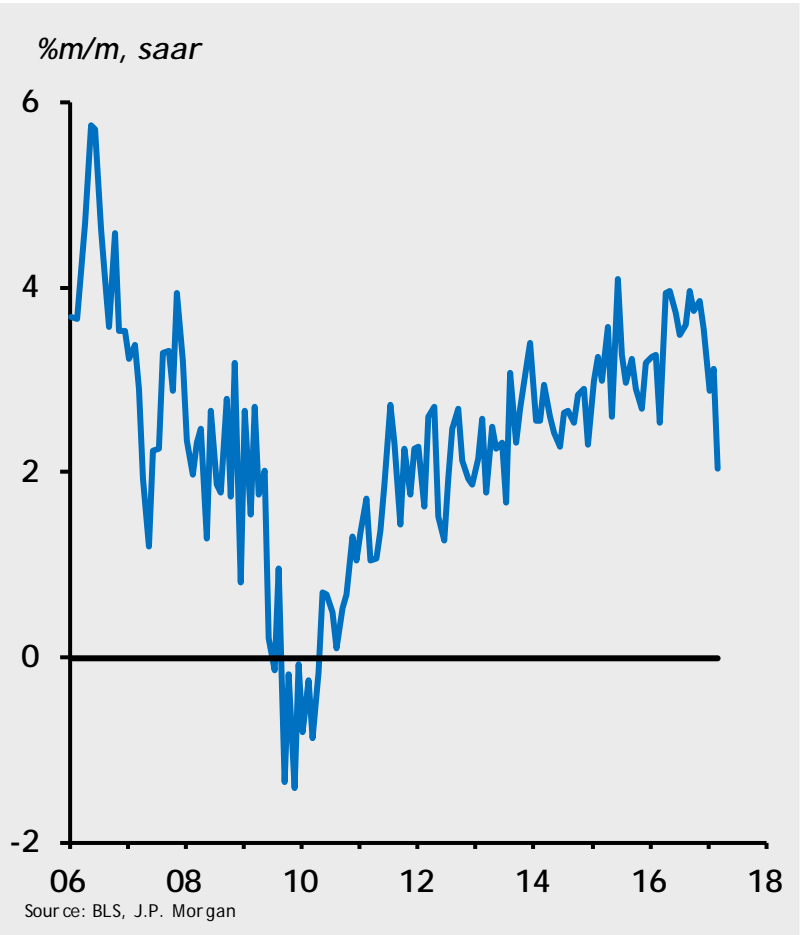


March core CPI inflation: partly a one-off, but OER bears watching

Core CPI

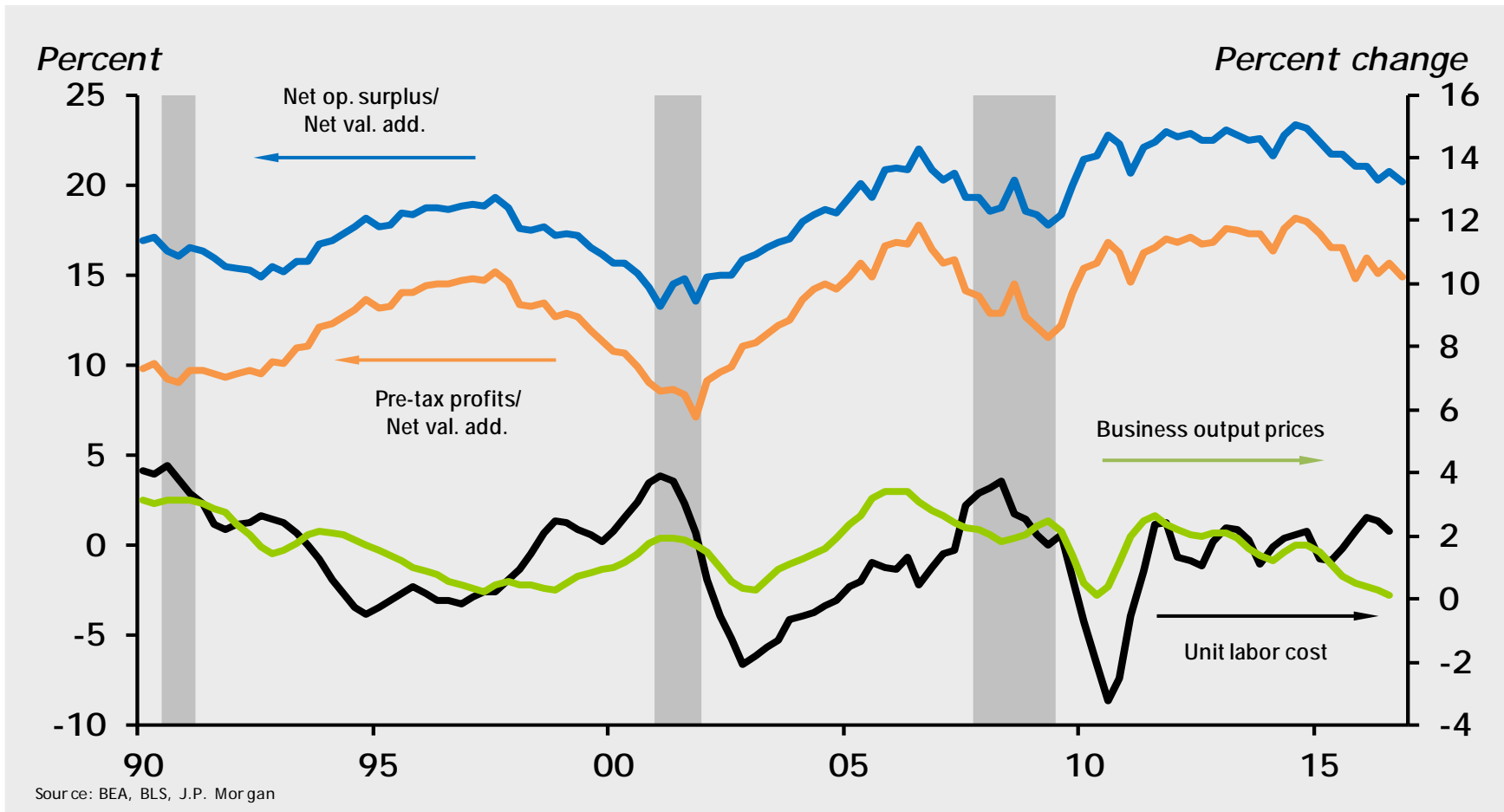


Owners' equivalent rent



Even with core inflation contained, rising unit labor costs are pressuring profits at a time when corporations are richly valued

Non-financial corporate sector



Forecast comparison

J.P. Morgan vs. Survey of Professional Forecasters

		1Q17	2Q17	3Q17	4Q17	1Q18
Real GDP	JPM	1.0	3.0	1.8	1.7	1.8
%q/q, saar	SPF (Feb)	2.2	2.3	2.4	2.4	2.2
CPI	JPM	3.4	1.5	2.4	2.4	2.4
%q/q, saar	SPF (Feb)	2.5	2.3	2.3	2.5	2.4
Unemployment	JPM	4.7	4.5	4.4	4.4	4.3
%, qtr. avg.	SPF (Feb)	4.7	4.6	4.6	4.5	4.5

Source: J.P. Morgan forecast, Survey of Professional Forecasters

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