Staff GDP Forecast Summary

- Real growth: about 2¾% (Q4/Q4) in 2018 and 2½% in 2019.
  - Forecast for 2018 stronger than that presented at April 2017 EAP.
  - Forecasts for 2018 and 2019 similar to Blue Chip consensus.

- Outlook reflects overall strengthening in economic activity.

  Positives:
  - U.S. economy entered 2018 with greater momentum.
  - Aggregate household balance sheet remains in very strong position.
  - Fiscal policy will provide significant stimulus in 2018 – 19, supporting consumption, investment, and government spending.
  - Low inventories and rising home prices support residential investment.
  - Global economic conditions generally solid.

  Negatives:
  - Net exports expected to be a greater drag on growth.
**Real GDP Growth Forecasts**

Note: The blue band represents the top 10 and bottom 10 averages of the Blue Chip survey.

Source: FRBNY Staff, BEA, and Blue Chip Economic Indicators
GDP Growth Contributions: 2017-19

Percentage Points

Source: Bureau of Economic Analysis and New York Fed Staff calculations
Change in Primary Federal Budget Balance

Source: Congressional Budget Office
Personal Saving Rate and Household Wealth

Personal Saving Rate (Percent)

Households’ 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.
Single-family Home Prices and Inventory Level

12 Month Percent Change

Months

Source: CoreLogic, National Association of Realtors

Note: Shading shows NBER recessions.
Staff Unemployment Rate Forecast Summary

- Growth above potential contributes to unemployment rate of 3¾% at end-2018 and 3½% at end-2019.
  - Projected path below that presented at April 2017 EAP.
  - Staff projection similar to Blue Chip consensus.

- Factors underlying this forecast.
  - Population growth around 1%.
  - Productivity growth picking up and rising slightly above assumed trend rate of 1¼% NFBS-basis (1% GDP-basis).
  - Participation rate rises slowly but steadily over 2018 - 2019.
  - Average weekly hours little changed from March level (34.5).
Unemployment Rate Forecasts

Note: The blue band represents the top 10 and bottom 10 averages of the Blue Chip survey.
Source: FRBNY Staff, BEA, and Blue Chip Economic Indicators
Labor Force Participation Rate: Ages 25-54

Source: Bureau of Labor Statistics

Note: Shading shows NBER recessions.
Average Hourly Earnings

Source: Bureau of Labor Statistics via Haver Analytics

Note: Shading shows NBER recessions.
Staff Inflation Forecast Summary

- Inflation anticipated to be modestly above FOMC’s longer-run goal over forecast horizon.
  - Total PCE inflation and core PCE inflation projected to be about 2¼% in 2018 and 2019.
  - Firming in core PCE inflation reflects dissipation of transitory factors from 2017 and vanishing resource slack.

- Assumptions that underlie this projection.
  - Well-anchored longer-run inflation expectations.
  - Global demand maintains its solid growth.
  - Downward pressure on goods prices from past dollar appreciation fades over forecast horizon.
Overall PCE Inflation Forecast

% Change (AR)  % Change (AR)

FOMC Objective

Released Data

FRBNY Staff

April 2017
Vintage

Source: FRBNY Staff and Bureau of Economic Analysis
Core PCE Inflation Forecast

% Change (AR)

Source: FRBNY Staff and Bureau of Economic Analysis
PCE Inflation: Overall and Core

6-Month Moving Average (annual rate)

Source: Bureau of Economic Analysis via Haver Analytics

Note: Shading shows NBER recessions.
PCE Inflation: Core Goods and Core Services

12 Month % Change

Core Goods

Core Services

Source: Bureau of Labor Statistics  
Note: Shading shows NBER recessions.
Risks to FRBNY Staff Real Activity Outlook

- Risks to staff growth forecast are roughly balanced.

- Major risks
  
  Upide:
  - Fiscal package of tax cuts and government spending increases provide more stimulus than we anticipate.

  Downside:
  - Trade frictions or an escalation of geopolitical risks leads to a pull back in private spending.

- Uncertainty around outlook has declined over the past year.
Real GDP Growth Forecast Distribution

% Change – Year to Year

Source: New York Fed staff
Risks to FRBNY Staff Inflation Outlook

- Risks to staff inflation forecast are skewed modestly to the upside.

  **Upside:**
  - Fiscal-stimulus-induced boost to aggregate demand pushes inflation higher more quickly than anticipated.

  **Downside:**
  - A realization of downside real risks would damp inflation and inflation expectations.

- Uncertainty around inflation outlook less than a year ago.
Core PCE Inflation Forecast Distribution

% Change – Year to Year


% Change – Year to Year

Mode
Mean
Released Data

Source: New York Fed staff
REFERENCE SLIDES
Transition Into Delinquency (90+ Days) by Loan Type

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
Real Value of New Single-family Homes Sold

Thousands $, 3 MMA

Source: Census Bureau via Haver Analytics

Note: Shading shows NBER recessions.
## Staff Forecast Details

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<th>2017 Q4</th>
<th>2018 Q1</th>
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*End-of-period value

**Growth contributions may not sum to total due to rounding.

***Quarterly values are the average rate for the quarter. Yearly values are the average rate for Q4 of the listed year.

Blue and italic text indicate released data; darker colors indicate the most recent forecast.