

## **ECONOMIC ADVISORY PANEL MEETING**

**Federal Reserve Bank of New York  
33 Liberty Street, New York, New York**

**Friday, April 21<sup>st</sup>, 2017**

### **AGENDA**

10:00 a.m. Coffee, Benjamin Strong Room, 10<sup>th</sup> floor

10:30 a.m. Economic Outlook Discussion

- Presentation on FRBNY Staff Economic Outlook (Richard Peach)
- Comments on the FRBNY Staff Outlook by Glenn Hubbard and Michael Feroli
- General discussion on the U.S. and global economic outlook

12:30 p.m. Luncheon, Northwest Conference Room, 10<sup>th</sup> floor

## U.S. Outlook Background

As is typical for the spring meeting of the Economic Advisory Panel, the New York Fed's staff will present its outlook for the U.S. economy. The staff forecast will be discussed and posted online at that time. As background for the meeting, here we provide a high-level summary of current economic conditions. For a more detailed overview of recent data releases see the April [US Economy in a Snapshot](#) and the latest [New York Fed's Nowcasting Report](#).

Data released over the past several months indicate that the U.S. economy has moved fairly close to the Federal Reserve's objectives of price stability and maximum employment. Despite a modest gain in March, payroll employment growth over the past year has been solid. The unemployment rate was 4.5% in March, the lowest reading since May 2007, and near or below many estimates of its longer-run normal level. The labor force participation rate and employment-population ratio both have risen some over the past year.

The global economic outlook appears to be somewhat brighter than it was last fall. Data for the major advanced economies generally indicate stronger growth than was previously anticipated. In addition, Chinese real GDP growth has been steady in 2016, despite previous concerns about risks of a significant slowdown, and higher frequency indicators suggest that economic activity started 2017 on a rather strong footing.

Even with these encouraging developments and positive signals from "soft" household and business survey data—the Conference Board Consumer Confidence Index, for instance, is at its highest level since 2000—expenditure data for the first quarter generally have been soft. Consequently, private forecasts for the first quarter generally anticipate modest growth, as summarized in the April *Blue Chip Economic Indicators*<sup>®</sup>. In contrast, the FRBNY Staff Nowcast for Q1 stands at 2.6%, since it takes a stronger signal on the underlying strength of the economy from survey data than most judgmental forecasts do. Consistent with the Nowcast's more sanguine view of the outlook, however, most private forecasters anticipate real growth near or somewhat above 2 percent over the course of 2017 and 2018.

Regarding inflation, the 12-month change through February in the overall PCE deflator rose to slightly above 2 percent for the first time since April 2012, partly reflecting the recent rise of consumer energy prices. Meanwhile, core PCE inflation and other measures of underlying inflation appear to be gradually approaching mandate-consistent levels. Longer-term inflation compensation is higher than in mid-2016, but it remains low on a historical basis, with survey measures of inflation expectations little changed. Deflationary forces in major foreign economies also appear to have abated. The median forecasts from the Survey of Professional Forecasters and the median projections of FOMC participants prepared for the March SEP anticipate that PCE inflation will be near 2 percent over 2017 – 19.

The FOMC decided to raise the target range for the federal funds rate at both the December and March meetings, with the range now at  $\frac{3}{4}$  to 1 percent. Moreover, the minutes for the March

meeting reported that “Provided that the economy continued to perform about as expected, most participants anticipated that gradual increases in the federal funds rate would continue and judged that a change to the Committee's reinvestment policy would likely be appropriate later this year.”