

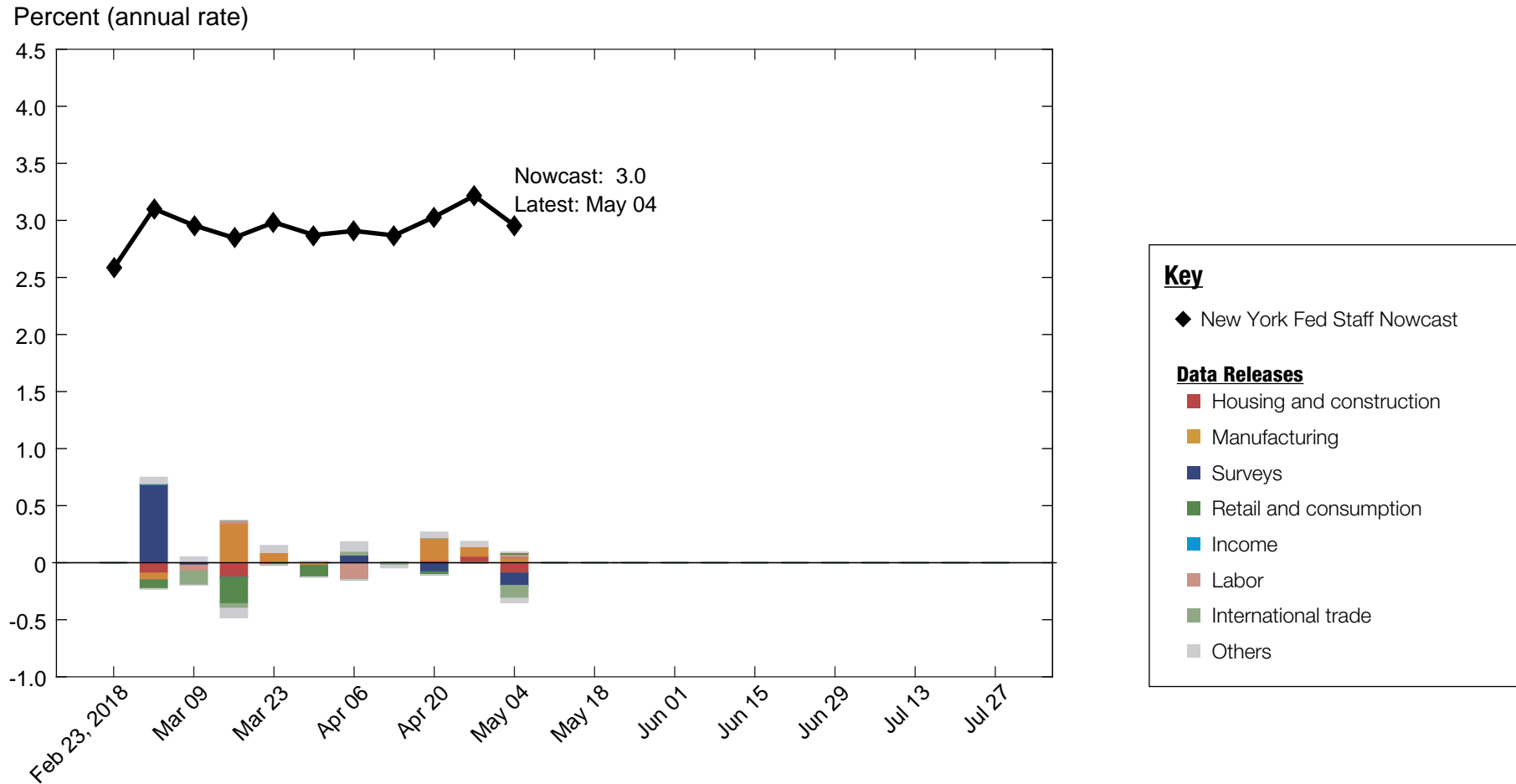
NOWCASTING REPORT

Updated: May 4, 2018

- The New York Fed Staff Nowcast stands at 3.0% for 2018:Q2.
- News from this week's data releases decreased the nowcast for 2018:Q2 by 0.2 percentage point.
- News from lower-than-expected construction data, survey data, and imports accounted for the decrease.

The New York Fed Staff Nowcast is not an official forecast of the Federal Reserve Bank of New York, its president, the Federal Reserve System, or the Federal Open Market Committee (FOMC).

1 | 2018:Q2 GDP Growth



Source: Authors' calculations, based on data accessed through Haver Analytics.
Note: Colored bars reflect the impact of each data release on the nowcast.

1.1 | Nowcast Detail

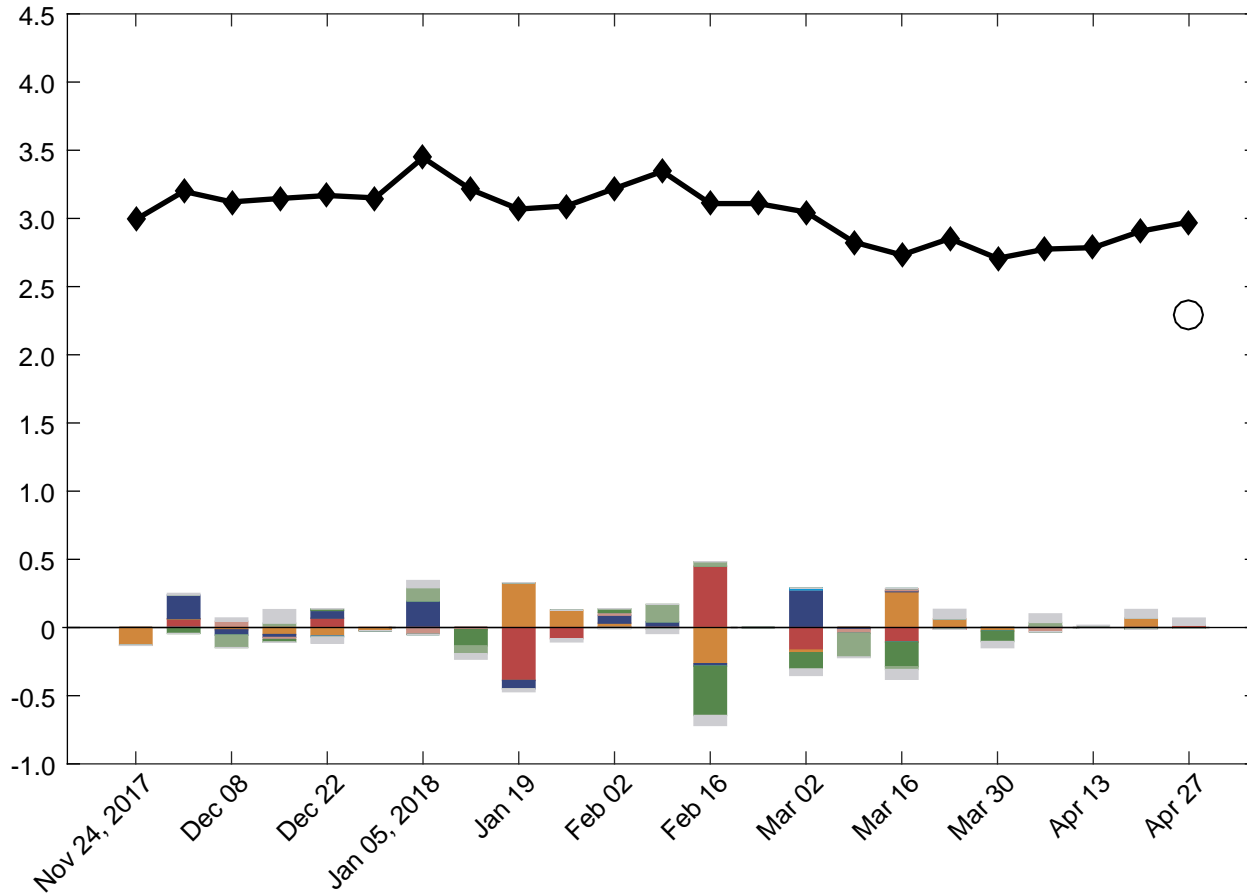
| ■ Housing and construction ■ Manufacturing ■ Surveys ■ Retail and consumption ■ Income ■ Labor ■ International trade ■ Others | | | | | | | | | | |
|---|-----------------|---|------------------|------------------------|----------|--------|---------|------------|--------------------|-------------|
| Update | Release Date | Data Series | Reference Period | Units | Forecast | Actual | Weight | Impact | Nowcast GDP Growth | |
| | | | | | [a] | [b] | [c] | [c(b - a)] | | |
| Apr 06 | 8:30 AM Apr 10 | ■ PPI: Final demand | Mar | MoM % chg. | 0.215 | 0.261 | 0.176 | 0.008 | 2.91 | |
| | 8:30 AM Apr 11 | ■ CPI-U: All items | Mar | MoM % chg. | 0.228 | -0.063 | 0.153 | -0.045 | | |
| | 8:30 AM Apr 11 | ■ CPI-U: All items less food and energy | Mar | MoM % chg. | 0.172 | 0.176 | 0.189 | 0.001 | | |
| | 8:30 AM Apr 12 | ■ Import price index | Mar | MoM % chg. | 0.443 | 0.000 | 0.047 | -0.021 | | |
| | 8:30 AM Apr 12 | ■ Export price index | Mar | MoM % chg. | 0.335 | 0.318 | 0.079 | -0.001 | | |
| | 10:00 AM Apr 13 | ■ JOLTS: Job openings: Total | Feb | Level chg. (thousands) | -105.5 | -176.0 | -0.072* | 0.005 | | |
| | | | | | | | | 0.013 | | |
| Apr 13 | 2.87 | | | | | | | | | |
| | 8:30 AM Apr 16 | ■ Retail sales and food services | Mar | MoM % chg. | 0.627 | 0.561 | 0.381 | -0.025 | | |
| | 8:30 AM Apr 16 | ■ Empire State Mfg. Survey: General business conditions | Apr | Index | 21.5 | 15.8 | 0.017 | -0.096 | | |
| | 8:30 AM Apr 17 | ■ Housing starts | Mar | MoM % chg. | 2.68 | 1.85 | 0.020 | -0.017 | | |
| | 8:30 AM Apr 17 | ■ Building permits | Mar | Level chg. (thousands) | 18.8 | 33.0 | 0.003 | 0.036 | | |
| | 9:20 AM Apr 17 | ■ Industrial production index | Mar | MoM % chg. | 0.200 | 0.515 | 0.374 | 0.118 | | |
| | 9:20 AM Apr 17 | ■ Capacity utilization | Mar | Ppt. chg. | 0.118 | 0.282 | 0.497 | 0.081 | | |
| | 8:30 AM Apr 19 | ■ Philly Fed Mfg. business outlook: Current activity | Apr | Index | 22.1 | 23.2 | 0.013 | 0.014 | | |
| | | | | | | | | | 0.050 | |
| Apr 20 | 3.03 | | | | | | | | | |
| | 10:00 AM Apr 24 | ■ New single family houses sold | Mar | MoM % chg. | -0.382 | 4.05 | 0.013 | 0.057 | | |
| | 8:30 AM Apr 26 | ■ Manufacturers' new orders: Durable goods | Mar | MoM % chg. | 0.433 | 2.56 | 0.022 | 0.047 | | |
| | 8:30 AM Apr 26 | ■ Merchant wholesalers: Inventories: Total | Mar | MoM % chg. | 0.643 | 0.475 | -0.171 | 0.029 | | |
| | 8:30 AM Apr 26 | ■ Manufacturers' shipments: Durable goods | Mar | MoM % chg. | 1.06 | 0.289 | 0.132 | -0.102 | | |
| | 8:30 AM Apr 26 | ■ Mfrs.' unfilled orders: All manufacturing industries | Mar | MoM % chg. | 0.594 | 0.810 | -0.018 | -0.004 | | |
| | 8:30 AM Apr 26 | ■ Manufacturers' inventories: Durable goods | Mar | MoM % chg. | 0.431 | 0.075 | -0.320 | 0.114 | | |
| | 8:30 AM Apr 27 | ■ Real gross domestic product | Q1 | QoQ % chg. AR | 2.97 | 2.30 | 0.051 | -0.034 | | |
| | | | | | | | | 0.079 | | |
| Apr 27 | 3.22 | | | | | | | | | |
| | 8:30 AM Apr 30 | ■ Real personal consumption expenditures | Mar | MoM % chg. | 0.374 | 0.414 | 0.348 | 0.014 | | |
| | 8:30 AM Apr 30 | ■ Real disposable personal income | Mar | MoM % chg. | 0.252 | 0.237 | 0.029 | -0.000 | | |
| | 8:30 AM Apr 30 | ■ PCE less food and energy: Chain price index | Mar | MoM % chg. | 0.164 | 0.153 | 0.283 | -0.003 | | |
| | 8:30 AM Apr 30 | ■ PCE: Chain price index | Mar | MoM % chg. | 0.195 | 0.032 | 0.175 | -0.028 | | |
| | 10:00 AM May 01 | ■ Value of construction put in place | Mar | MoM % chg. | 0.715 | -1.65 | 0.038 | -0.091 | | |
| | 10:00 AM May 01 | ■ ISM mfg.: Pmi composite index | Apr | Index | 58.0 | 57.3 | 0.106 | -0.070 | | |
| | 10:00 AM May 01 | ■ ISM mfg.: Prices index | Apr | Index | 75.6 | 79.3 | 0.017 | 0.065 | | |
| | 10:00 AM May 01 | ■ ISM mfg.: Employment index | Apr | Index | 56.4 | 54.2 | 0.040 | -0.087 | | |
| | 8:05 AM May 02 | ■ ADP nonfarm private payroll employment | Apr | Level chg. (thousands) | 178.0 | 204.0 | 1.049* | 0.027 | | |
| | 8:30 AM May 03 | ■ Exports: Goods and services | Mar | MoM % chg. | 1.19 | 2.04 | 0.078 | 0.067 | | |
| | 8:30 AM May 03 | ■ Imports: Goods and services | Mar | MoM % chg. | 1.23 | -1.76 | 0.060 | -0.178 | | |
| | 8:30 AM May 03 | ■ Nonfarm business sector: Unit labor cost | Q1 | QoQ % chg. AR | 2.11 | 2.63 | 0.000 | 0.000 | | |
| | 10:00 AM May 03 | ■ ISM nonmanufacturing: NMI composite index | Apr | Index | 57.8 | 56.8 | 0.016 | -0.016 | | |
| | 10:00 AM May 03 | ■ Inventories: Total business | Mar | MoM % chg. | 0.480 | 0.120 | -0.135 | 0.049 | | |
| | 8:30 AM May 04 | ■ All employees: Total nonfarm | Apr | Level chg. (thousands) | 206.1 | 164.0 | 0.526* | -0.022 | | |
| | 8:30 AM May 04 | ■ Civilian unemployment rate | Apr | Ppt. chg. | -0.071 | -0.200 | -0.162 | 0.021 | | |
| | | | | | | | | -0.006 | | |
| May 04 | | | | | | | | | | 2.96 |

Source: Authors' calculations, based on data accessed through Haver Analytics.

Notes: MoM % chg. indicates month over month percentage change. QoQ % chg. indicates quarter over quarter percentage change. The weights with the asterisk are multiplied by 1,000 for legibility.

2 | 2018:Q1 GDP Growth

Percent (annual rate)



Key

- ◆ New York Fed Staff Nowcast
- Advance estimate

Data Releases

- Housing and construction
- Manufacturing
- Surveys
- Retail and consumption
- Income
- Labor
- International trade
- Others

Source: Authors' calculations, based on data accessed through Haver Analytics.

Note: Colored bars reflect the impact of each data release on the nowcast.

2.1 | Nowcast Detail

| ■ Housing and construction ■ Manufacturing ■ Surveys ■ Retail and consumption ■ Income ■ Labor ■ International trade ■ Others | | | | | | | | | |
|---|-----------------|--|------------------|------------------------|---|-------------|---------|------------|--------------------|
| Update | Release Date | Data Series | Reference Period | Units | Forecast | Actual | Weight | Impact | Nowcast GDP Growth |
| | | | | | [a] | [b] | [c] | [c(b - a)] | |
| Mar 30 | | | | | | | | | 2.71 |
| | 10:00 AM Apr 02 | ■ Value of construction put in place | Feb | MoM % chg. | 0.368 | 0.071 | 0.018 | -0.005 | |
| | 10:00 AM Apr 02 | ■ ISM mfg.: Pmi composite index | Mar | Index | 59.3 | 59.3 | 0.026 | -0.000 | |
| | 10:00 AM Apr 02 | ■ ISM mfg.: Prices index | Mar | Index | 73.0 | 78.1 | 0.003 | 0.015 | |
| | 10:00 AM Apr 02 | ■ ISM mfg.: Employment index | Mar | Index | 58.4 | 57.3 | 0.011 | -0.012 | |
| | 8:05 AM Apr 04 | ■ ADP nonfarm private payroll employment | Mar | Level chg. (thousands) | 251.7 | 241.0 | 0.139* | -0.001 | |
| | 10:00 AM Apr 04 | ■ Inventories: Total business | Feb | MoM % chg. | 0.732 | 0.600 | -0.064 | 0.008 | |
| | 10:00 AM Apr 04 | ■ ISM nonmanufacturing: NMI composite index | Mar | Index | 58.8 | 58.8 | 0.003 | -0.000 | |
| | 8:30 AM Apr 05 | ■ Exports: Goods and services | Feb | MoM % chg. | 1.41 | 1.74 | 0.051 | 0.017 | |
| | 8:30 AM Apr 05 | ■ Imports: Goods and services | Feb | MoM % chg. | 1.51 | 1.72 | 0.043 | 0.009 | |
| | 8:30 AM Apr 06 | ■ All employees: Total nonfarm | Mar | Level chg. (thousands) | 260.1 | 103.0 | 0.125* | -0.020 | |
| | 8:30 AM Apr 06 | ■ Civilian unemployment rate | Mar | Ppt. chg. | -0.109 | 0.000 | -0.055 | -0.006 | |
| | | ■ Data revisions | | | | | | -0.009 | |
| | | ■ Parameter revisions | | | | | | 0.073 | |
| Apr 06 | | | | | | | | | 2.77 |
| | 8:30 AM Apr 10 | ■ PPI: Final demand | Mar | MoM % chg. | 0.215 | 0.261 | 0.061 | 0.003 | |
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| | 8:30 AM Apr 26 | ■ Manufacturers' inventories: Durable goods | Mar | MoM % chg. | 0.431 | 0.075 | -0.034 | 0.012 | |
| | | ■ Data revisions | | | | | | 0.052 | |
| Apr 27 | | | | | | | | | 2.97 |
| | 8:30 AM Apr 27 | ■ Real gross domestic product (advance) | Q1 | QoQ % chg. AR | 2.97 | 2.30 | | | |
| | | | | | We have concluded our updates of the Q1 nowcast | | | | |

Source: Authors' calculations, based on data accessed through Haver Analytics.

Notes: MoM % chg. indicates month over month percentage change. QoQ % chg. indicates quarter over quarter percentage change. The weights with the asterisk are multiplied by 1,000 for legibility.

Nowcasting Report Q&A

1. What is the ultimate goal of the exercise?

Our model produces a “nowcast” of GDP growth, incorporating a wide range of macroeconomic data as it becomes available. With this approach, we aim to read the real-time flow of information and evaluate its effects on current economic conditions. The platform provides a model-based counterpart to the more routine analysis at the bank, which has traditionally been based on expert knowledge.

2. What is the modeling strategy?

The platform employs Kalman-filtering techniques and a dynamic factor model. The approach has a number of desirable features. It is based on:

- a reliable big data framework that captures in a parsimonious way the salient features of macroeconomic data dynamics;
- a design that digests the data as “news,” mimicking the way markets work.

3. What are the input data? What has been driving the data selection?

We include all the market-moving indicators—the same data that are also constantly monitored by market participants and commentators.

4. Why should we trust the model?

Extensive back-testing of the model, research, and practical experience have shown that the platform is able to approximate best practices in macroeconomic forecasts. The model produces forecasts that are as accurate as, and strongly correlated with, predictions based on best judgment.

The methodology has been tested for accuracy in many countries, including large developed economies (the Euro area, Italy, France, Germany, Spain, the United Kingdom, Japan, and Canada), small open economies (Australia, Ireland, Belgium, New Zealand, the Czech

Republic, and Scotland), fast-growing economies (Brazil, Russia, India, China, and South Africa), and developing economies (Mexico, Indonesia, and Argentina).

5. How should we read the output of the model?

- The model produces forecasts for all variables taking into account their dynamic interactions.
- Since it is a fully specified dynamic model, the platform provides an intuitive reading of the incoming data as “news.”
- The difference between two consecutive forecasts (that is, the forecast revision) is the weighted average of the news during the week.
- News is defined as the difference between released data and model predictions. The weights account for the information content as well as the timeliness of the data releases.
- The contribution of new data to the forecast revision is reported in the two charts with colored bars. To make the charts easier to read, we grouped variables in a few broad categories. Detailed information about the composition of the groupings is provided in the accompanying tables.

References

- *Banbura, M., D. Giannone, M. Modugno, and L. Reichlin.* 2013. “Nowcasting and the Real-Time Data Flow.” In G. Elliott and A. Timmermann, eds., *Handbook of Economic Forecasting*, Vol. 2. Amsterdam: Elsevier-North Holland.
- *Bok, B., D. Caratelli, D. Giannone, A. Sbordone, and A. Tambalotti.* 2017. “Macroeconomic Nowcasting and Forecasting with Big Data.” *Federal Reserve Bank of New York Staff Reports*, no. 830, November.
- *Giannone, D., L. Reichlin, and D. Small.* 2008. “Nowcasting: The Real-Time Informational Content of Macroeconomic Data.” *Journal of Monetary Economics* 55, no.4 (May): 665-76.

Nowcasting Report FAQs

1. What is the schedule for reporting and updating the nowcast for each quarter?

We start reporting the nowcast of GDP growth for a reference quarter one week after the publication of the second official GDP estimate for two quarters prior. For example, we began reporting the nowcast for 2017:Q2 on Friday, March 10, 2017, following the government's second estimate of 2016:Q4 GDP on Tuesday, February 28, 2017. We continue to update the nowcast for a reference quarter until the release of the advance GDP estimate, roughly one month after the end of the quarter. For 2017:Q2, this occurred on July 28, 2017, at which point we stopped updating the nowcast for this quarter. We retain the reference quarter's progression plot and detail table in the Nowcasting Report until the publication of the second GDP estimate, roughly two months after the end of the quarter. Following the second estimate of 2017:Q2 GDP on August 30, 2017, we removed 2017:Q2 from the Nowcasting Report and began reporting the nowcast for 2017:Q4.

2. What are the major conceptual differences between the New York Fed Staff Nowcast and the Atlanta Fed's Nowcast?

The New York Fed Staff Nowcast and the Atlanta Fed's GDPNow are both based on statistical filtering techniques applied to a dynamic factor model. These techniques are very common in big data analytics since they effectively summarize the information contained in large data sets through a small number of common factors. The general framework for macroeconomic nowcasting has been developed in the academic literature over the past ten years, as discussed in the Q&A included in this report. The New York Fed Staff Nowcast is a straightforward application

of the most advanced techniques developed in this academic literature. GDPNow adapts these techniques to mimic the methods used by the BEA to estimate real GDP growth, as well explained by GDPNow's own FAQs.

Because GDPNow and the New York Fed Staff Nowcast are different models, they can generate different forecasts of real GDP growth. Our policy is not to comment on or interpret any differences between the forecasts of these two models.

3. Is the “annual rate” the y/y growth rate?

No. We track the annualized quarterly (“q/q”) growth rate of real GDP, not the four-quarter (“y/y”) growth rate.

4. Can we obtain the data underlying this analysis?

We are not making the underlying data available at this time. The tables list the data series employed in calculating our estimates. Sources include the U.S. Bureau of Labor Statistics, Institute for Supply Management, U.S. Census Bureau, U.S. Bureau of Economic Analysis, the New York and Philadelphia Feds, the Fed Board of Governors, and the ADP (Automatic Data Processing, Inc.).

Authors

New York Fed Time-Series Analysis Team