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INCORPORATING DATA RELEASED THROUGH FEBRUARY 5, 2016

For the economic indicators listed on the inside back cover, full analysis from Moody's Analytics economists, data, and charts are available within 30 minutes of release on The Dismal Scientist® (www.dismal.com). A complete list of international releases is available on the web site.

MACRO SUMMARY TABLE

	Units	16Q1	16Q2	16Q3	16Q4	17Q1	17Q2	17Q3	17Q4	2016	2017	2018	2019	2020
NIPA														
Gross domestic product	%AR	2.1	2.6	3.3	3.1	3.3	3.0	2.8	2.7	2.3	3.1	2.6	2.1	1.7
Consumption	%AR	2.8	3.1	3.7	3.5	3.8	3.5	3.4	3.2	3.0	3.5	3.1	2.3	2.0
Durables	%AR	1.9	1.1	3.0	0.3	3.5	2.2	2.3	2.2	3.2	2.2	2.0	0.8	0.9
Motor vehicles	%AR	-1.0	-4.2	3.4	-5.9	4.1	-1.1	0.0	-0.1	-1.0	-0.2	0.5	-0.2	0.2
Nondurables	%AR	3.4	3.8	3.8	3.1	2.9	2.6	2.4	2.3	3.3	3.0	2.1	1.7	1.7
Services	%AR	2.8	3.3	3.9	4.2	4.2	4.0	3.9	3.6	2.9	4.0	3.6	2.8	2.3
Fixed investment	%AR	2.4	4.8	8.0	7.4	7.7	6.7	5.8	5.1	3.8	6.9	4.6	2.7	1.9
Nonresidential	%AR	5.6	4.6	5.5	4.4	4.5	4.2	3.9	4.2	3.4	4.5	3.9	2.8	1.8
Structures	%AR	5.0	2.0	3.1	3.9	5.6	7.0	7.9	8.7	0.7	5.5	7.1	3.8	2.1
Equipment	%AR	5.9	5.6	7.0	4.1	4.1	3.3	2.3	2.6	4.4	4.1	2.8	2.4	1.3
Intellectual property	%AR	5.6	4.8	4.7	5.1	4.5	3.8	3.9	3.7	3.9	4.4	3.6	2.8	2.4
Residential	%AR	-10.0	5.7	19.4	20.5	21.1	16.5	12.9	8.5	5.0	17.0	7.0	2.2	2.2
Single-family	%AR	-30.6	5.6	40.1	41.3	45.4	33.2	26.1	17.1	2.1	34.4	17.3	6.9	2.7
Multifamily	%AR	-4.6	-0.5	22.3	14.3	10.7	9.2	9.7	8.5	13.0	11.4	-2.3	-7.6	-0.5
Other	%AR	5.0	6.7	7.7	9.7	8.4	6.6	3.9	1.9	5.6	7.1	0.6	-0.5	2.1
Exports	%AR	4.9	5.8	6.1	6.5	5.9	5.6	5.4	5.5	3.4	5.9	5.6	5.9	5.7
Merchandise	%AR	5.2	6.6	7.1	7.4	6.5	6.0	5.7	5.7	3.1	6.5	5.8	6.1	5.7
Services	%AR	4.4	4.1	4.3	4.6	4.7	4.8	4.9	5.0	4.0	4.6	5.2	5.7	5.6
Imports	%AR	5.0	5.5	7.2	6.7	7.4	7.3	7.1	6.6	4.3	7.0	6.2	4.8	4.7
Merchandise	%AR	4.4	5.0	7.0	6.6	7.4	7.3	7.2	6.8	3.8	6.9	6.4	4.8	4.6
Services	%AR	7.6	7.9	8.0	7.4	7.4	7.5	6.5	5.7	6.3	7.3	5.5	5.1	5.1
Government	%AR	0.7	-2.0	-2.0	-1.3	-0.7	-0.3	-0.3	-0.3	-0.0	-0.9	-0.2	-0.1	0.1
Defense	%AR	-2.8	-3.4	-3.0	-1.8	-1.4	-1.2	-1.7	-1.6	-1.4	-1.8	-1.5	-1.0	-0.8
Nondefense	%AR	-3.0	-2.8	-1.4	-1.1	-1.0	-1.0	-0.7	-0.6	-0.9	-1.1	-0.6	-0.4	-0.0
State and local	%AR	3.1	-1.3	-1.8	-1.1	-0.4	0.1	0.3	0.3	0.7	-0.5	0.4	0.3	0.5
Final sales	%AR	2.5	2.5	3.2	3.2	3.4	3.0	2.8	2.7	2.5	3.1	2.6	2.1	1.7
Final domestic sales	%AR	2.5	2.5	3.5	3.3	3.7	3.4	3.2	3.0	2.6	3.4	2.8	2.0	1.7
Consumers														
Personal saving rate	%	5.6	5.4	5.1	5.1	5.0	5.1	5.3	5.4	5.3	5.2	5.7	5.6	5.2
Retail sales & food services	\$ tril	5.42	5.51	5.59	5.67	5.75	5.83	5.91	5.97	5.55	5.86	6.14	6.38	6.60
Change	%AR	3.7	6.5	6.3	5.2	6.0	5.8	5.3	4.3	4.4	5.7	4.8	3.9	3.4
Total vehicle sales	mil	17.87	17.75	17.73	17.52	17.26	17.08	16.91	16.83	17.72	17.02	16.77	16.58	16.48
Housing starts	mil	1.30	1.40	1.47	1.54	1.64	1.74	1.82	1.87	1.43	1.77	1.85	1.75	1.71
Median house sales price	\$ ths	228.75	230.74	232.77	234.35	235.57	236.54	237.59	238.48	231.65	237.05	240.56	247.70	258.84
Change	%AR	4.0	3.5	3.6	2.7	2.1	1.7	1.8	1.5	4.6	2.3	1.5	3.0	4.5
Producers														
Industrial production	2007=100	107.2	107.5	108.3	108.8	109.3	109.7	110.1	110.4	108.0	109.9	111.4	112.8	113.9
Change	%AR	2.1	1.4	2.9	2.0	1.7	1.4	1.6	1.3	0.8	1.8	1.4	1.3	1.0
Capacity utilization	%	76.7	76.6	76.7	76.6	76.6	76.4	76.3	76.2	76.7	76.4	76.1	76.0	76.1
Labor Markets														
Total employment	mil	143.4	144.0	144.7	145.3	146.0	146.7	147.4	148.0	144.4	147.0	149.5	151.2	152.0
Change	%AR	1.6	1.7	1.8	1.9	1.9	1.9	1.8	1.7	1.8	1.8	1.6	1.2	0.5
Average monthly change	ths	183	204	215	227	233	231	213	203	207	220	189	101	42
Unemployment rate	%	4.9	4.9	5.0	4.9	4.9	4.8	4.7	4.6	4.9	4.7	4.7	4.7	4.9
Prices														
Consumer price index	1982=100	237.5	239.1	240.8	242.7	244.6	246.5	248.4	250.2	240.0	247.4	254.8	262.1	268.5
Change	%AR	-0.8	2.8	2.9	3.1	3.2	3.2	3.1	2.9	1.3	3.1	3.0	2.8	2.5
Producer price index	1982=100	184.8	186.5	189.2	192.2	195.4	198.2	200.3	202.3	188.2	199.1	207.0	212.8	217.3
Change	%AR	-2.1	3.8	5.9	6.5	6.7	5.9	4.4	4.1	-1.2	5.8	4.0	2.8	2.1
West Texas Intermediate	\$/bbl	34.5	39.7	45.2	50.0	54.7	58.6	61.8	63.7	42.4	59.7	67.7	72.3	75.9
Financial Markets														
Federal funds	%	0.34	0.67	0.83	1.00	1.35	1.83	2.35	2.93	0.71	2.12	3.72	3.71	3.59
Prime rate	%	3.58	3.80	4.03	4.30	4.85	5.33	5.85	6.43	3.93	5.62	6.79	6.71	6.59
10-yr Treasury	%	2.19	2.49	2.73	3.03	3.47	3.79	3.87	3.99	2.61	3.78	4.04	3.98	3.98
FRB 10-country index	Jan97=100	124.2	125.4	126.5	127.1	127.2	126.7	125.5	123.0	125.8	125.6	117.4	116.4	118.2
Change	%AR	11.4	3.9	3.4	1.9	0.4	-1.6	-3.7	-7.9	7.3	-0.2	-6.5	-0.9	1.5
Government Balance														
NIPA basis	\$ bil	-618.6	-646.8	-668.5	-713.5	-749.0	-760.5	-770.4	-788.7	-661.9	-767.2	-843.3	-891.2	-901.9
Unified budget	\$ bil	-312.1	78.1	-157.1	-230.5	-336.4	50.8	-186.6	-256.8	-621.6	-729.0	-820.1	-866.2	-895.8

Units: ths = thousands; mil = millions; bil = billions; tril = trillions; % = percent change; %AR = percent annualized rate; SAAR = seasonally adjusted annualized rate

No Recession

BY MARK ZANDI

Recent Performance

Financial markets are unsettled. Since this time last year, credit spreads in the bond market have gapped out, the value of the U.S. dollar has surged, and oil and other commodity prices have tumbled. Most disconcerting have been the wild swings in the stock market. There is ominous talk that the troubled financial markets are signaling, or may even precipitate, a recession.

Although the turmoil in financial markets will do some damage to the economy—Moody's Analytics has lowered its forecast for real GDP growth this year by 0.5 percentage point to 2.3%—the recession talk is off base. The economy is creating lots of jobs across all pay scales, and the remaining slack in the labor market is being quickly absorbed. The economy remains firmly on track to reach full employment by midyear.

Market spasms

Financial markets have suffered a series of wrenching spasms over the past year and a half. The selloff has been especially hard in the market for below-investment-grade or high-yield corporate bonds. The yield spread between high-yield corporates and 10-year Treasury yields is approaching 800 basis points (see Table 1), more than double the spread that prevailed in summer 2014.

The value of the U.S. dollar also has soared. The real broad trade-weighted dollar is up nearly 20% since summer 2014. The dollar is up against nearly all currencies, notably against the U.S.'s largest trading partners, including Canada, Mexico, Europe and Japan. Oil prices have cratered, free-falling from more than \$100 per barrel to near \$30 recently. Other energy and commodity prices have also slumped. Copper prices, often a good barometer of global economic conditions, are trading near \$2 per pound, down from \$3.25 in summer 2014.

Most disconcerting perhaps has been the violent drop in stock prices. As measured by the Standard & Poor's 500 index, stock prices are down more than 10% from their all-time peak reached in May. Some \$2 trillion in stock wealth has evaporated.

Oil price bottom

Financial markets will stabilize only when oil prices do. The decline in oil prices is the proximate catalyst for the selloff in markets, as previously high-flying stocks and bonds of energy companies have cratered. The low oil and other commodity prices have hobbled many emerging economies that U.S. multinational corporations and their shareholders had thought would power their long-term growth.

Driving oil prices lower has been Saudi Arabia's surprise decision to increase its oil

production rather than offset the surge in production in U.S. shale fields. The world is awash in oil. The Saudis have calculated that while lower oil prices will be uncomfortable for them, they will be unbearable for higher-cost oil producers in the rest of the world, including in the U.S.

Global energy companies have been reluctant to cut production, hoping that prices would rebound, but their day of reckoning is at hand. Prices are well below the long-run cost of production in many parts of the world (see Chart 1). Many energy companies borrowed too much in the good times and are running out of cash needed to make their debt payments. Bankruptcies, mergers and acquisitions are in the offing, and production cuts should soon follow. This should be the basis for more stable oil prices and financial markets later this spring.

China holds firm

Nervous investors will also calm down once it is clear that China's economy is holding firm. China is the second largest economy on the planet, and many U.S. multinationals had previously sold their investors on the idea that China would propel their long-term growth. If China underperforms, so too will those companies and their stock prices.

One may question whether China's economy will be able to throttle back grace-

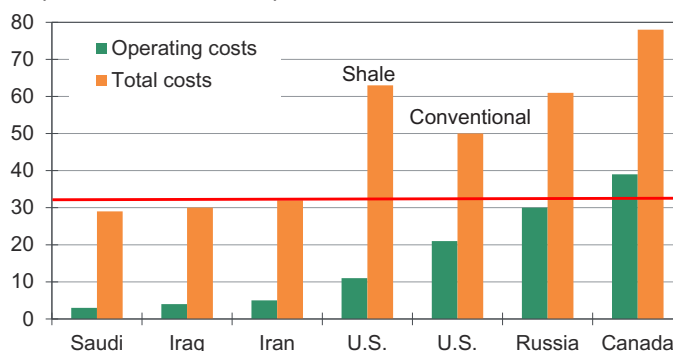
Financial Markets Are Under Stress

Indicator	Latest	1 mo ago	1 yr ago	5 yrs ago
S&P 500 index	1,875	2,056	2,029	1,316
Real broad trade-weighted \$	101.2	99.2	93.2	83.2
West Texas Intermediate oil, \$	31.98	36.36	45.84	90.91
30-yr fixed mortgage rate, %	3.72	3.97	3.69	4.81
High-yield corporate bond spread, bps	773	482	493	528
Copper price, \$ per pound	2.07	2.10	2.59	4.58
Emerging market bond spread, bps	857	793	1050	423

Sources: Six Financial, Freddie Mac, Moody's Analytics

Global Oil Production Is Set to Turn Down

Oil production costs, US\$ per barrel



Sources: EIA, Moody's Analytics

fully, but fears of China's economic demise are not warranted. China has its problems, but it is still growing strongly and has large financial resources. Reserves total more than \$3.2 trillion at last count, and can be used to stimulate the economy, which Chinese authorities are willing to do, or defend the value of the Chinese currency (see Chart 2). China is not Thailand circa 1997-1998, when global investors fled that country, crushing the Thai baht and igniting the Asian financial crisis. Asian companies burdened with dollar-denominated debt were forced to default; a debilitating recession followed. In contrast, capital flows to and from China have opened up in recent years, but only modestly, and could be shut down if the outflows become a problem. Chinese authorities have significant control over their economy and financial system, making a hard landing unlikely, at least anytime soon.

Fed goes slow

Investors also anguish over the Federal Reserve's decision to begin raising interest rates. Financial markets tend to struggle when the Fed normalizes interest rates during economic recoveries. Investors are even more on edge this time as the Fed is exiting from emergency policies it implemented in response to the financial crisis. Short-term rates had been effectively set at zero since late 2008. Nevertheless, the Fed has shown great sensitivity to financial market conditions. The decision to begin raising rates was delayed from September to December because of a previous bout

of selling in markets. Moody's Analytics now expects the next rate hike to be delayed until June to give markets a chance to find a bottom. Investors will learn that the Fed means what it says, namely that it will take several years to normalize rates.

Assessing the damage

Even if financial markets settle soon, the turmoil has already harmed the economy. The clearest damage is the stronger dollar's impact on U.S. trade. Struggling emerging market economies, hurt by weaker oil and commodity prices, are crimping exports. Weaker stock prices weigh on consumer spending via the negative wealth effects. Lower stock prices and higher credit spreads increase businesses' cost of capital and thus impede investment and hiring. All this puts a dark pall on consumer and business sentiment and the willingness to spend and invest.

But while lower oil prices devastate the energy industry, they are pretty good for the rest of the economy. The U.S. economy still consumes more oil than it produces. So, if the price of oil goes down, the economy ultimately wins. Mortgage rates have also declined as scared investors have piled into risk-free Treasury and mortgage securities. Simulations of the Moody's Analytics macro model suggest that the financial market turmoil will slice about 0.5 percentage point from 2016 real GDP growth, assuming that oil and stock prices are near a bottom, credit spreads are at an apex, and the pace of U.S. dollar appreciation will slow considerably.

No recession

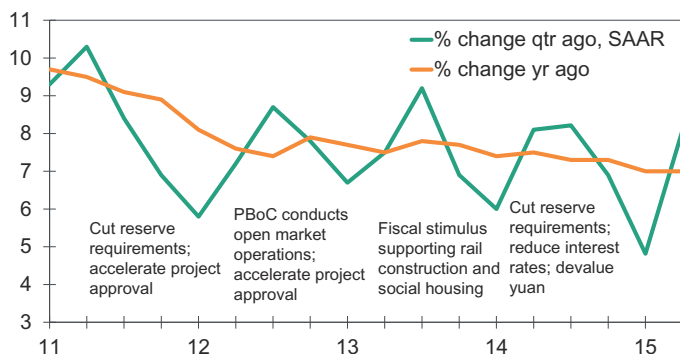
Tighter financial conditions will slow the expansion, but will not lead to a recession. Recall Paul Samuelson's famous quip that "Wall Street indexes predicted nine out of the last five recessions." Indeed, of the 20 market corrections—peak-to-trough declines of 10% or more—in the past half century, only six were followed by recessions (see Table 2). Recessions are always preceded by big declines in stock prices, as investors sniff out weakening sales and profits at big publicly traded companies. But investors are a fickle bunch and will sell for lots of reasons that may or may not be linked to what is going on in the broader economy.

None of the other tried-and-true signals of impending recession are even flashing yellow. Unemployment insurance claims remain extraordinarily low, the unemployment rate is falling and not rising as it does prior to recessions, and consumer confidence remains resilient. The shape of the Treasury yield curve also remains firmly positive; recessions have always been preceded by inversions with long-term rates falling below short rates.

The selloff in financial markets should be seen in a broader context. Not more than a year ago there was handwringing that stock, bond and other asset markets were overvalued. Fed Chair Janet Yellen ruminated publicly that many high-flying biotechnology stocks were turning speculative. Thus, the recent decline in financial markets is therapeutic, wringing out any froth in these markets.

China Should Hit Its Growth Target (Roughly)

Chinese real GDP growth



Sources: Chinese National Bureau of Statistics, Moody's Analytics

"Wall Street Indexes Have Predicted 9 of the Past 5 Recessions."

S&P 500 Corrections and Bear Markets				ADS Business Conditions Index, points, NSA
Peak	Trough	% change	During a recession?	
4/28/1971	8/9/1971	-10.7	No	-0.9
9/8/1971	11/23/1971	-11	No	0.2
1/11/1973	10/3/1974	-48.2	Yes	-2.4
1/17/1974	12/8/1974	-13.6	Yes	-1.4
7/15/1975	9/16/1975	-14.1	No	0.0
9/21/1976	3/6/1978	-19.4	No	2.0
9/12/1978	11/14/1978	-13.6	No	0.6
10/5/1979	11/7/1979	-10.2	No	0.0
2/13/1980	3/27/1980	-17.1	Yes	-2.6
11/28/1980	8/12/1982	-27.1	Yes	-2.7
10/10/1983	7/24/1984	-14.4	No	-1.3
8/25/1987	12/4/1987	-33.5	No	0.2
7/16/1990	10/11/1990	-19.9	Yes	-1.0
7/17/1998	8/31/1998	-19.3	No	1.1
3/24/2000	10/9/2002	-49.1	Yes	-1.1
11/27/2002	3/11/2003	-14.7	No	-0.1
10/9/2007	3/9/2009	-56.8	Yes	-2.5
4/23/2010	7/2/2010	-16	No	-0.7
4/29/2011	10/3/2011	-19.4	No	0.4
4/2/2012	6/1/2012	-9.9	No	0.0

Sources: Philadelphia Fed, S&P Dow Jones Indices LLC, Moody's Analytics

Forecast Assumptions

BY MARK ZANDI

Monetary policy

The Federal Reserve began normalizing interest rates at the mid-December Federal Open Market Committee meeting, raising short-term rates by 0.25 percentage point from the effective zero lower bound that had prevailed since the financial crisis. Rate normalization will be a lengthy process. The Fed has said it will be slow to increase short-term rates, implying the funds rate will not normalize until well after the economy has returned to full employment. If the economy performs consistently with the Moody's Analytics outlook, full employment will be achieved by mid-2016, and short-term interest rates will not normalize until mid-2018.

There is a consensus that the federal funds rate consistent with normalization has fallen since the crisis. Forecasts provided by Fed officials of the funds rate in the long run would suggest an estimated equilibrium rate of approximately 3.5%. This is equal to the sum of the Fed's 2% inflation target, the economy's potential growth rate, and the impact of various economic headwinds.

The most significant headwind is the higher required capitalization and liquidity of the banking system post-crisis. If regulators require banks to hold more capital and be more liquid, then the banks' return on equity and assets will be lower. Thus, for the system to extend the same amount of credit to the economy at the same lending rates, the system's cost of funds needs to fall by a like amount as its returns. This can be achieved if the Fed adopts a lower equilibrium rate, and thus lowers banks' cost of funds. Like the Fed, Moody's Analytics estimates the equilibrium rate to be 3.5%, equal to 2% inflation, plus 2.2% potential real GDP growth, less 0.7% to account for the economic headwinds.

The outlook is based on a steady but orderly rise in long-term rates. Long-term yields will not normalize until global central banks end their quantitative easing programs, and the Fed's balance sheet shrinks. This is not likely until early in the next decade.

Fiscal policy

The federal government's situation continues to improve. Lawmakers recently reached a budget deal that sets tax and spending policy into early 2017. The Treasury debt limit was also increased sufficiently so that it will not be an issue until the second half of 2017. Based on the budget deal and the outlook, the federal budget deficit is expected to come in near \$450 billion this fiscal year, equal to 2.5% of GDP. Given the budget deal, fiscal policy will be a small positive for growth in 2016, adding about 0.2 percentage point to real GDP growth.

Under current fiscal policy, Washington will come close to the goal of achieving fiscal sustainability—future budget deficits that are small enough (near 3% of GDP) that the nation's debt-to-GDP ratio stabilizes, at least through the remainder of the decade. This will be enough to satisfy financial markets and allow the recovery to gain traction as anticipated in the Moody's Analytics baseline outlook.

Deficits and debt will begin to mount again early in the next decade given prospects for large increases in entitlement spending. Further policy changes will need to be made and are assumed in the outlook.

U.S. dollar

The value of the U.S. dollar has increased substantially against nearly all other currencies, rising nearly 20% on a real broad trade-weighted basis since summer 2014. The strong dollar reflects stronger U.S. economic growth and prospects for monetary policy normalization, and disappointing growth and further monetary easing in much of the rest of the world. Further dollar appreciation is likely, assuming that the Federal Reserve will normalize U.S. monetary policy by mid-2018, but the European Central Bank will continue with its extraordinary policy actions, including QE and negative interest rates, until near decade's end. While the long-run fair value euro/dollar exchange rate is an estimated \$1.25, the euro is expected

to fall briefly below parity with the dollar by early 2017.

The dollar will appreciate further against the Japanese yen, which has fallen sharply to around ¥120 per dollar. Further yen depreciation is expected through mid-decade with the yen peaking at close to ¥135.

The dollar will remain strong against the currencies of most emerging economies as the Fed normalizes monetary policy, but to depreciate slowly and unevenly against these currencies over the long run. On a real broad trade-weighted basis, the dollar is not too much above its average value since it began to freely float in the early 1970s. The dollar will remain the global economy's principal reserve currency for the foreseeable future.

Energy prices

Oil prices plunged from more than \$100 per barrel in summer 2014 to near \$30 per barrel recently. Behind the slump in oil prices was the previous ramp-up in global oil production, particularly among U.S. and Canadian shale oil producers, and the decision by Saudi Arabia not to curtail its production to accommodate the greater North American production. Oil prices are thought to be near their bottom and are expected to slowly make their way back. Underlying this outlook is the already-apparent sharp pullback in investment in North American shale oil production. Rig counts have been cut by more than half and production has begun to decline.

Global oil demand should also receive a lift from the lower prices. This is illustrated by the recent strength of vehicle sales in the U.S., particularly for gas-guzzling large SUVs and light trucks. Nonetheless, Moody's Analytics does not expect oil prices to top \$100 per barrel for another decade.

Natural gas prices will remain low, particularly compared with oil prices, for the next decade. There is a substantial glut of natural gas as demand has not fully recovered from the recession and supply has increased given the surge in shale gas production.

Forecast Risks

BY MICHAEL FERLEZ

↓ Global slowdown

Softer global demand, particularly in China and Europe, will hurt domestic exports and could cause GDP growth to fall short of expectations should the situation deteriorate further. The slowdown in China's economy is weighing heavily on emerging economies in Asia and Latin America and also threatens the recovery in Europe; these concerns have led to steep corrections in international equity markets as well as increasing volatility in U.S. markets. Further, Chinese policymakers could fumble in their efforts to stimulate growth, creating even greater uncertainty and further selloffs in China's equity markets. Slower global growth will hurt Midwest factories and coastal shipping hubs and is already subtracting from U.S. output gains. The main risk is that this will persist for longer than anticipated.

The weakness in global demand for U.S. exports will be aggravated by a stronger dollar. Trade data have been soft in recent months as the rising greenback has squeezed the market share of domestic firms. The impact has been most apparent in low-value-added industries that already struggle with fierce international competition. The growing divergence between U.S. monetary policy and monetary policy in Europe and Asia could cause the greenback to strengthen more than expected. The baseline forecast already assumes that the dollar will appreciate relative to the euro and the yen, as central bankers in these regions have initiated large-scale quantitative easing programs that will weaken their currencies. If foreign policymakers adopt even more expansionary policies, or if U.S. rates rise faster than expected, the dollar will rise above the baseline forecast, further widening the trade deficit and causing GDP to fall below expectations.

↔ Monetary policy

A misstep by the Federal Reserve in normalizing monetary policy could derail the U.S. expansion. The baseline forecast as-

sumes the Fed will next raise interest rates following the Federal Open Market Committee's June meeting. In the past the Fed has increased rates faster than was outlined in policy statements, which could catch investors off guard. The majority of market participants are predicting the Fed will not raise rates at all in 2016. A disconnect between the Fed and market expectations could lead to an upward shift in the yield curve, raising borrowing costs just as the U.S. economy is gaining momentum. Additionally, market expectations influence financial decisions, which in turn affect output, employment and inflation.

↓ Geopolitical tensions

Global tensions pose an indirect threat to the U.S. economy through the channels of global trade, consumer sentiment and financial markets. The ongoing conflict between Ukraine and Russia has led to a standoff between Russia and the West. With no resolution in sight, sanctions will likely prevail well into this year and could push Russia deeper into recession. The consequences of the sanctions are disruptive for the euro zone economy, especially Germany, and could derail the euro zone's fragile recovery.

Conflicts in Iraq and Syria threaten to further destabilize the region. Although the war against the Islamic State has been confined to Iraq and Syria, it could spread to other Middle Eastern countries, risking increased intervention by the West. The worst-case scenario involves escalated tensions in the region, especially between Saudi Arabia and Iran, that could cause not only a spike in oil prices but also greater turmoil in global financial markets, leading to a drop in trade and slower global growth. Furthermore, instability in the region has triggered an exodus of refugees from Syria. The wave of migrants puts the EU's immigration system under tremendous stress as EU members struggle to establish a system to relocate refugees from overburdened countries.

↑ Interest rates

Though an unexpected spike in interest rates would disrupt the baseline outlook, other factors suggest that long-term interest rates will remain low for an extended period. The divergence between U.S. and international growth rates, exacerbated by the slowdown in China, will drive international investors to U.S. government debt. An aging world population also will lift demand for safe assets and weigh on yields, with the uptick in demand occurring during a period of diminishing supply. U.S. government spending is not expected to rise for several years, reducing the need to issue debt as deficits shrink. With fewer "risk-free" bonds available for purchase, yields will remain low for an extended period. As a result, nonresidential investment and housing market activity could exceed expectations.

↓ Housing

The baseline forecast hinges on a rebound in homebuilding, but the exact timing is uncertain. Demand remains muted despite a tightening labor market, rising wages, and improving household balance sheets. Household formation has been modest since the Great Recession, with many millennials being forced to live with family members or roommates instead of living on their own. Rising student debt might prevent young adults from forming their own households as quickly as expected. Further, although financing costs are low, mortgage rates will eventually rise, which could put downward pressure on construction and sales.

Even if demand were strong, resource and capacity constraints will limit near-term building activity. Lenders have been hesitant to extend credit, while labor shortages and bottlenecks within material supply chains have strained developers. Shortages of specialty trade contractors and support workers will pose a constraint on homebuilders. Therefore, the pace of new residential construction could underperform.

RECENT PERFORMANCE TABLE

Indicator	Units						Average Value		
		Jan 16	Dec 15	Nov 15	Oct 15	Sep 15	3m	6m	12m
Employment									
Payroll employment, change	ths	151.0	262.0	280.0	295.0	149.0	231.0	214.5	222.1
Household employment, change	ths	615.0	485.0	247.0	255.0	-101.0	449.0	279.7	203.3
Nonfarm employment									
Change	% yr ago	1.9	1.9	2.0	2.0	1.9	1.9	2.0	2.1
Goods-producing employment	ths	19,728	19,688	19,634	19,581	19,550	19,683	19,624	19,597
Service-producing employment	ths	101,528	101,410	101,213	100,987	100,714	101,384	101,065	100,449
Government employment	ths	22,032	22,039	22,028	22,027	22,036	22,033	22,035	22,009
Part-time workers for economic reasons									
Change	% yr ago	-11.7	-11.3	-11.1	-18.5	-15.3	-11.4	-13.0	-12.2
Labor force									
Change	% yr ago	0.8	1.1	0.6	0.5	0.5	0.8	0.7	0.8
Labor force participation rate									
Adult men	%	71.7	71.5	71.3	71.3	71.3	71.5	71.4	71.6
Adult women	%	58.2	58.2	58.3	58.1	58.0	58.2	58.2	58.2
Average weekly hrs, total private									
Average weekly overtime hrs, manuf.	hrs	4.3	4.2	4.2	4.2	4.2	4.2	4.2	4.3
Average hourly earnings	\$	21.3	21.3	21.2	21.2	21.1	21.3	21.2	21.1
Aggregate hrs worked index	2002=100	112.5	112.4	111.8	111.6	111.3	112.2	111.8	111.1
Change	% yr ago	2.1	2.1	1.8	2.1	2.0	2.0	2.0	2.1
Diffusion index of employment									
Change	% yr ago	-4.6	-5.2	-12.6	-12.1	-16.3	-7.5	-9.9	-8.1
Unemployment									
Initial UI claims	#	283,200	277,000	269,250	262,600	270,500	276,483	272,758	277,817
Unemployment rate	%	4.9	5.0	5.0	5.0	5.1	5.0	5.0	5.2
Prime-age men	%	3.9	4.2	4.1	4.1	4.1	4.1	4.1	4.2
Unemployed 15 wks or longer	%	41.4	42.0	41.9	42.5	42.1	41.8	42.2	42.8
Median duration of unemployment	wks	10.9	10.5	10.7	11.1	11.3	10.7	11.1	11.5
Announced layoffs									
Job losses due to layoff	%	11.8	11.9	11.9	11.8	11.4	11.9	11.8	11.9
Income									
Personal income	% yr ago	na	4.2	4.3	4.5	4.6	4.3	4.5	4.5
Wages & salaries	% yr ago	na	4.5	4.5	4.9	4.8	4.6	4.8	4.8
Personal dividend income	% yr ago	na	3.8	4.4	4.7	5.0	4.3	4.6	6.5
Personal interest income	% yr ago	na	1.5	2.2	3.1	4.2	2.3	3.0	0.8
Disposable personal income	% yr ago	na	3.7	3.8	4.0	4.1	3.8	3.9	3.8
Personal saving rate	%	na	5.5	5.3	5.5	5.2	5.4	5.3	5.2
Consumer confidence									
Consumer confidence index	1985=100	98.1	96.3	92.6	99.1	102.6	95.7	98.3	97.5
Present situation	1985=100	116.4	116.4	110.9	114.6	120.3	114.6	115.7	111.9
Expectations	1985=100	85.9	83.0	80.4	88.7	90.8	83.1	86.7	87.9
Confidence by age of household head									
Under 35	1985=100	123.8	120.6	106.1	115.0	124.4	116.8	118.0	115.8
35-54	1985=100	100.3	100.6	98.5	110.1	113.2	99.8	105.4	103.7
55 and over	1985=100	84.0	79.8	78.5	82.3	81.8	80.8	82.2	83.5

RECENT PERFORMANCE TABLE

Indicator	Units						Average Value		
		Dec 15	Nov 15	Oct 15	Sep 15	Aug 15	3m	6m	12m
Retail Sales									
Retail sales and food service	\$ bil	448.1	448.6	446.9	446.9	447.1	447.9	447.4	443.0
Change	% yr ago	2.2	1.6	1.6	2.2	2.0	1.8	2.0	2.1
Ex autos	\$ bil	353.5	354.0	352.8	352.5	354.1	353.5	353.6	350.8
Change	% yr ago	1.2	0.6	0.4	0.6	1.2	0.7	0.9	0.9
Motor vehicle & parts dealers	\$ bil	94.6	94.5	94.1	94.4	93.0	94.4	93.9	92.2
Automobile & other motor vehicles	\$ bil	87.3	87.2	86.9	87.1	85.8	87.1	86.6	84.9
Furniture & home furnishings	\$ bil	8.9	8.9	8.8	8.8	8.7	8.9	8.8	8.6
Electronics & appliances	\$ bil	8.5	8.5	8.6	8.7	8.6	8.6	8.6	8.6
Building materials, garden equip. & supply	\$ bil	28.2	28.0	28.0	27.7	27.8	28.1	28.0	27.6
Food & beverage	\$ bil	57.0	57.2	56.8	56.9	57.0	57.0	57.0	56.7
Health & personal care	\$ bil	26.8	26.8	26.7	26.5	26.5	26.8	26.6	26.3
Gasoline stations	\$ bil	33.9	34.3	34.7	35.1	36.9	34.3	35.4	36.0
Clothing & clothing accessories	\$ bil	21.2	21.4	21.1	21.3	21.4	21.2	21.3	21.2
Sporting goods, hobby, book & music	\$ bil	7.7	7.6	7.5	7.5	7.4	7.6	7.5	7.4
General merchandise	\$ bil	56.0	56.5	56.6	56.9	56.7	56.4	56.5	56.1
Miscellaneous retailers	\$ bil	10.0	10.2	10.0	10.0	10.3	10.0	10.1	10.0
Nonstore retailers	\$ bil	41.7	41.5	41.4	40.8	40.7	41.5	41.1	40.4
Electronic shopping & mail-order houses	\$ bil	na	36.2	35.8	35.3	35.2	na	na	na
Food services & drinking places	\$ bil	53.7	53.2	52.7	52.4	52.2	53.2	52.7	51.9
Vehicle Sales									
Vehicle sales, SAAR	mil	17.6	18.6	18.6	18.5	18.2	18.2	18.2	17.8
Change	% yr ago	2.4	6.4	9.8	9.8	3.1	6.2	6.3	5.6
Light vehicles (autos + light trucks)	mil	17.2	18.1	18.1	18.1	17.7	17.8	17.8	17.3
Automobile sales	mil	7.1	7.5	7.8	7.7	7.5	7.5	7.5	7.5
Change	% yr ago	-9.0	-4.1	0.5	1.3	-6.6	-4.2	-3.3	-2.3
Domestic	mil	5.4	5.6	5.9	5.8	5.6	5.6	5.7	5.6
Imports	mil	1.7	1.9	1.9	1.9	1.9	1.8	1.9	1.9
Truck sales	mil	10.5	11.0	10.8	10.9	10.7	10.8	10.7	10.3
Change	% yr ago	11.9	15.0	17.7	16.8	11.3	14.9	14.3	12.3
Domestic	mil	8.0	8.4	8.3	8.6	8.2	8.3	8.3	8.1
Imports	mil	2.0	2.1	2.1	1.8	2.0	2.1	2.0	1.8
Expenditures									
Personal consumption - nominal	\$ tril	12.4	12.4	12.4	12.4	12.4	12.4	12.4	12.3
Change	% YA	3.2	3.1	2.9	3.3	3.3	3.0	3.2	3.4
Durable goods	\$ tril	1.3	1.4	1.3	1.3	1.3	1.3	1.3	1.3
Change	% YA	3.5	3.6	3.0	4.0	2.6	3.4	3.4	3.8
Nondurable goods	\$ tril	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.6
Change	% YA	-0.1	-0.3	-1.1	-0.8	-0.1	-0.5	-0.4	-0.7
Services	\$ tril	8.5	8.4	8.4	8.4	8.3	8.4	8.4	8.3
Change	% YA	4.1	4.2	4.2	4.6	4.6	4.2	4.4	4.7
Personal consumption - real	\$ tril	11.3	11.3	11.3	11.3	11.3	11.3	11.3	11.2
Change	% YA	2.6	2.6	2.7	3.1	3.0	2.6	2.9	3.1
Durable goods	\$ tril	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Change	% YA	5.0	5.4	5.2	6.0	5.0	5.2	5.4	6.0
Nondurable goods	\$ tril	2.5	2.5	2.4	2.5	2.5	2.5	2.5	2.4
Change	% YA	2.5	2.7	2.6	3.2	2.9	2.6	2.8	2.7
Services	\$ tril	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.3
Change	% YA	2.2	2.2	2.3	2.7	2.7	2.2	2.5	2.8
Household credit conditions									
Total consumer credit outstanding	\$ tril	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.4
Change	% yr ago	6.9	6.8	6.9	7.0	6.7	6.9	6.9	6.8
Revolving credit	\$ tril	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Change	% yr ago	5.1	4.9	4.4	4.5	4.0	4.8	4.5	3.9
Nonrevolving credit	\$ tril	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.5
Change	% yr ago	7.6	7.5	7.9	7.9	7.7	7.7	7.8	7.9

Units: ths = thousands; mil = millions; bil = billions; tril = trillions; % = percent change; %AR = percent annualized rate; SAAR = seasonally adjusted annualized rate

RECENT PERFORMANCE TABLE

Indicator	Units	Dec 15	Nov 15	Oct 15	Sep 15	Aug 15	Average Value		
							3m	6m	12m
International Markets									
ISM new export orders index	index	51.0	47.5	47.5	46.5	46.5	48.5	47.7	48.4
Change	% yr ago	-1.9	-13.6	-7.8	-13.1	-15.5	-6.9	-9.5	-10.0
Total merchandise exports									
Agriculture products	\$ bil	120.3	121.2	123.3	126.4	123.8	121.6	123.8	125.3
Foods, feeds & beverages	\$ bil	na	10.8	10.8	11.5	11.2	11.0	11.2	11.6
Industrial supplies	\$ bil	9.9	10.3	10.2	10.8	10.4	10.1	10.4	10.6
Capital goods	\$ bil	32.4	32.8	33.6	35.2	35.2	32.9	34.4	35.7
Autos, vehicles & parts	\$ bil	44.0	44.4	44.4	45.3	44.4	44.3	44.5	44.9
Consumer goods	\$ bil	12.3	12.9	12.8	12.9	12.8	12.6	12.8	12.6
Imports of goods and services	\$ bil	16.8	15.9	16.5	17.0	15.8	16.4	16.4	16.5
Change	% yr ago	181.5	182.0	183.8	186.7	184.1	182.4	184.4	185.9
Trade-weighted dollar index	Jan97=100	-6.9	-7.2	-7.1	-4.3	-6.7	-7.1	-6.1	-4.8
Change	% yr ago	122.4	121.1	119.3	120.4	119.4	122.9	121.3	118.3
Japanese yen	JPY/USD	10.9	12.4	12.6	15.1	15.9	11.4	13.0	12.7
Euro	USD/EUR	121.6	122.6	120.0	120.1	123.0	120.8	121.0	121.0
British pound sterling	USD/GBP	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Canadian dollar	CAD/USD	1.5	1.5	1.5	1.5	1.6	1.5	1.5	1.5
Mexican peso	MXN/USD	1.4	1.3	1.3	1.3	1.3	1.4	1.3	1.3
Business Investment		17.1	16.6	16.6	16.8	16.5	17.3	17.0	16.1
Shipments, nondefense									
Change	%MA	74.7	79.9	78.5	79.9	80.3	77.7	78.7	78.9
New orders, nondefense	\$ bil	-6.6	1.9	-1.9	-0.4	1.3	-2.2	-0.9	-0.5
Change	%MA	64.4	75.7	82.3	73.5	78.2	74.1	76.0	77.3
Unfilled orders, nondefense	\$ bil	-15.0	-8.1	12.0	-6.0	-4.6	-3.7	-3.5	-0.7
Change	%MA	742.8	753.1	757.3	753.4	759.8	751.0	754.7	757.7
Book-to-bill ratio 3-mo MA		-1.4	-0.6	0.5	-0.8	-0.3	-0.5	-0.4	-0.2
Industrial machinery	ratio	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Computers and electrical equipment	ratio	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Private construction put-in-place									
Lodging	%MA	-1.1	-0.0	0.5	-0.2	5.3	-0.2	-0.2	2.3
Office	%MA	-1.9	2.3	2.4	0.8	0.2	0.9	0.7	1.6
Commercial	%MA	-1.1	-0.1	-0.0	4.8	0.5	-0.4	0.9	-0.3
Healthcare	%MA	-1.9	0.2	0.1	-3.5	1.3	-0.6	-0.8	0.2
Educational	%MA	-1.8	-0.2	3.7	1.2	-2.4	0.6	0.4	1.0
Infrastructure	%MA	0.7	0.1	0.8	-1.1	-0.2	0.5	0.4	1.2
Manufacturing	%MA	-7.3	-2.0	3.2	-3.0	-0.1	-2.0	-1.5	1.6
Other	%MA	-1.2	0.3	-1.2	-2.7	0.2	-0.7	-1.3	1.0
Inventory sales ratios									
Manufacturers	ratio	na	1.4	1.4	1.4	1.4	1.4	1.4	1.3
Wholesalers	ratio	na	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Retailers	ratio	na	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Production									
Industrial production index	2007=100	106.0	106.4	107.4	107.6	107.6	106.6	107.1	107.1
Manufacturing	2007=100	106.7	106.8	106.9	106.6	106.7	106.8	106.7	106.2
Durable	2007=100	108.2	108.1	108.6	108.1	108.4	108.3	108.4	107.8
Nondurable	2007=100	105.1	105.3	105.1	104.9	104.8	105.2	105.0	104.5
Consumer goods	2007=100	105.4	106.2	106.8	107.0	107.1	106.1	106.5	105.9
Industrial & other equipment	2007=100	100.4	100.5	102.0	102.4	102.7	101.0	101.5	101.5
Capacity utilization									
Manufacturing	%	76.5	76.9	77.7	77.9	78.0	77.0	77.5	77.8
Durable	%	76.6	76.8	77.0	76.8	77.0	76.8	76.9	76.8
Nondurable	%	75.8	75.8	76.3	76.0	76.4	76.0	76.2	76.1
	%	77.6	77.8	77.7	77.6	77.7	77.7	77.7	77.5

Units: ths = thousands; mil = millions; bil = billions; tril = trillions; % = percent change; %AR = percent annualized rate; SAAR = seasonally adjusted annualized rate

RECENT PERFORMANCE TABLE

Indicator	Units						Average Value		
		Dec 15	Nov 15	Oct 15	Sep 15	Aug 15	3m	6m	12m
Consumer Prices									
Consumer prices all items	% yr ago	0.7	0.4	0.1	-0.0	0.2	0.4	0.3	0.1
All items less food and energy	% yr ago	2.1	2.0	1.9	1.9	1.8	2.0	1.9	1.8
Food and beverages	% yr ago	0.8	1.2	1.6	1.6	1.5	1.2	1.4	1.8
Food at home	% yr ago	-0.5	0.3	0.7	0.8	0.9	0.2	0.5	1.2
Food away from home	% yr ago	2.6	2.7	2.9	2.9	2.7	2.7	2.7	2.9
Housing	% yr ago	2.1	2.1	2.1	2.1	2.0	2.1	2.1	2.1
Apparel and upkeep	% yr ago	-0.9	-1.5	-1.9	-1.4	-0.9	-1.4	-1.4	-1.3
New cars	% yr ago	-0.4	-0.6	-0.4	-0.1	0.1	-0.5	-0.2	-0.1
New trucks	% yr ago	0.7	0.9	0.7	1.1	1.1	0.8	1.0	1.2
Used cars	% yr ago	0.4	-0.6	-1.4	-1.7	-1.5	-0.6	-1.0	-1.3
Gasoline	% yr ago	-19.7	-24.1	-27.8	-29.6	-23.3	-23.8	-24.4	-27.0
Airline fare	% yr ago	-3.0	-3.8	-5.2	-6.0	-6.0	-4.0	-4.9	-5.0
Medical care	% yr ago	2.6	2.9	3.0	2.5	2.5	2.8	2.7	2.6
Entertainment	% yr ago	0.7	0.6	0.6	0.6	0.7	0.6	0.6	0.3
Producer Prices									
All commodities	% yr ago	-6.7	-7.5	-7.7	-8.4	-7.3	-7.3	-7.4	-7.2
Finished goods	% yr ago	-2.8	-3.3	-4.1	-4.1	-3.0	-3.4	-3.3	-3.3
less food and energy	% yr ago	1.9	1.7	1.7	2.1	2.1	1.8	2.0	2.0
Finished consumer goods	% yr ago	-4.1	-4.7	-5.8	-5.8	-4.4	-4.8	-4.8	-4.8
Capital equipment	% yr ago	1.1	1.0	0.9	1.3	1.3	1.0	1.1	1.2
Intermediate materials	% yr ago	-6.5	-7.2	-7.6	-8.2	-7.2	-7.1	-7.2	-6.9
less food and feeds	% yr ago	-6.3	-7.2	-7.7	-8.2	-7.4	-7.1	-7.2	-6.9
Crude materials for further processing	% yr ago	-24.8	-26.6	-23.6	-26.1	-23.8	-25.0	-24.7	-24.1
Farm products	% yr ago	-14.9	-16.9	-13.6	-12.1	-6.8	-15.1	-12.4	-12.1
Energy Prices									
West Texas Intermediate spot price	\$/Bbl	37.2	42.4	46.2	45.5	42.9	33.5	39.1	45.8
Change	% yr ago	-37.3	-44.0	-45.2	-51.2	-55.6	-36.7	-41.4	-45.0
Refiners' acquisition cost	\$/Bbl	36.1	41.5	44.8	44.4	45.0	40.8	44.2	48.5
Change	% yr ago	-40.5	-45.2	-47.3	-51.9	-53.0	-44.3	-47.5	-47.3
PPI, natural gas to utilities	1982=100	178.5	178.0	179.5	179.0	181.9	178.7	179.7	183.5
Change	% yr ago	-13.3	-10.2	-10.5	-11.1	-9.9	-11.4	-11.5	-12.1
PPI, coal	1982=100	189.2	189.5	190.4	191.0	191.0	189.7	190.5	193.8
Change	% yr ago	-4.4	-3.7	-2.8	-2.8	-3.1	-3.6	-3.2	-3.1
CPI, residential electricity	1982-84=100	207.9	208.8	208.1	207.3	208.2	208.3	208.0	209.2
Change	% yr ago	-1.2	-0.2	-0.5	-0.4	-0.6	-0.6	-0.6	0.6
Commodity Prices									
ISM price diffusion index	index	33.5	35.5	39.0	38.0	39.0	34.2	36.4	39.7
USDA farm prices - all farm products	2011=100	90.0	92.0	89.0	98.0	102.0	90.3	95.0	98.6
All crops	2011=100	84.0	82.0	80.0	87.0	88.0	82.0	84.5	85.7
Livestock & poultry	2011=100	97.0	105.0	104.0	109.0	117.0	102.0	107.8	113.1
Food commodities	2011=100	97.0	101.0	95.0	103.0	110.0	97.7	102.0	106.4
Trade									
Import prices	1990=100	119.4	120.8	121.4	121.9	123.2	120.5	122.0	123.9
Change	% yr ago	-8.2	-9.5	-10.7	-11.6	-11.4	-9.5	-10.3	-10.2
Import prices ex petroleum	1990=100	110.8	111.2	111.5	111.9	112.1	111.2	111.7	112.5
Export prices	1990=100	119.9	121.2	122.0	122.3	123.0	121.0	122.2	123.9
Change	% yr ago	-6.5	-6.4	-6.7	-7.3	-7.1	-6.5	-6.7	-6.3

Units: ths = thousands; mil = millions; bil = billions; tril = trillions; % = percent change; %AR = percent annualized rate; SAAR = seasonally adjusted annualized rate

RECENT PERFORMANCE TABLE

Indicator	Units	Jan 16	Dec 15	Nov 15	Oct 15	Sep 15	Average Value		
							3m	6m	12m
Money & Interest Rates									
Federal funds rate	%	0.3	0.2	0.1	0.1	0.1	0.2	0.2	0.2
Discount rate	%	1.0	0.9	0.8	0.8	0.8	0.9	0.8	0.8
Prime rate	%	3.5	3.4	3.3	3.3	3.3	3.4	3.3	3.3
3-mo Treasury bill	%	0.3	0.2	0.1	0.0	0.0	0.2	0.1	0.1
3-yr Treasury bond	%	1.1	1.3	1.2	0.9	1.0	1.2	1.1	1.0
5-yr Treasury bond	%	1.5	1.7	1.7	1.4	1.5	1.6	1.6	1.5
30-yr Treasury bond	%	2.9	3.0	3.0	2.9	3.0	3.0	2.9	2.9
Aaa corporate bonds (Moody's)	%	4.0	4.0	4.1	4.0	4.1	4.0	4.0	3.9
Yield curve	%	2.6	2.7	2.9	2.9	2.9	2.7	2.8	2.8
M1	\$ tril	na	3.1	3.1	3.0	3.1	3.1	3.1	3.0
Change	% yr ago	na	5.3	7.0	5.7	6.5	6.0	6.6	7.5
M2	\$ tril	na	12.3	12.3	12.2	12.2	12.2	12.2	12.0
Change	% yr ago	na	5.7	6.0	5.6	5.9	5.8	5.8	5.9
Stock Market									
S&P 500	1941=10	1,918.6	2,054.1	2,080.6	2,024.8	1,944.4	2,017.8	2,010.4	2,052.1
Change	% yr ago	-5.4	-0.0	1.8	4.5	-2.4	-1.2	0.4	5.6
Dow Jones	index	19,880.8	21,100.9	21,575.2	21,505.0	19,959.3	20,069.6	20,541.4	21,081.9
Change	% yr ago	-4.5	-1.5	0.5	2.4	-2.4	-6.1	-3.0	2.7
Net New Cash Flow									
Stock mutual funds	\$ tril	na	na	na	na	na	na	na	na
Bond & income mutual funds	\$ tril	na	na	na	na	na	na	na	na
Money market funds	\$ tril	na	na	na	na	na	na	na	na
Change in Bank Deposits - Last Month									
Demand deposits	\$ bil	na	-10.9	39.2	-26.4	2.8	0.6	2.1	3.4
Other checkable deposits	\$ bil	na	1.4	2.0	0.7	3.7	1.4	1.9	2.4
Money market mutual funds	\$ bil	na	9.7	0.4	-5.1	9.6	1.7	3.0	0.7
Saving deposits	\$ bil	na	43.6	33.8	51.1	48.4	42.8	50.0	50.3
Small CDs	\$ bil	na	-5.9	-4.0	-6.4	-13.6	-5.4	-9.3	-8.7
Commercial bank assets	\$ tril	na	6.8	6.7	6.7	6.6	6.7	6.7	6.6
Change	%AR	na	6.6	6.5	6.3	6.0	6.5	6.3	6.7
Loans and leases in bank credit	\$ tril	na	4.8	4.7	4.7	4.7	4.7	4.7	4.6
Change	%AR	na	6.8	6.1	5.7	5.4	6.2	5.7	5.3
Terms of Credit at Commercial Banks									
48-mo new car loan	%	na	na	4.0	na	na	4.0	4.0	4.2
24-mo personal loan	%	na	na	9.7	na	na	9.7	9.8	9.8
Interest rates on credit cards	%	na	na	12.2	na	na	12.2	12.2	12.1
Accounts assessed interest	%	na	na	13.7	na	na	13.7	13.8	13.7

Units: ths = thousands; mil = millions; bil = billions; tril = trillions; % = percent change; %AR = percent annualized rate; SAAR = seasonally adjusted annualized rate

RECENT PERFORMANCE TABLE

Indicator	Units	Dec 15	Nov 15	Oct 15	Sep 15	Aug 15	Average Value		
							3m	6m	12m
Housing Activity									
Total housing starts, SAAR	mil	1.1	1.2	1.1	1.2	1.1	1.1	1.1	1.1
Change	% yr ago	6.4	17.1	-0.7	17.6	15.5	7.6	10.2	10.9
Single-family	mil	0.8	0.8	0.7	0.7	0.7	0.8	0.8	0.7
Change	% yr ago	6.1	18.5	1.4	12.1	14.2	8.7	11.3	10.4
Multifamily	mil	0.4	0.4	0.4	0.5	0.4	0.4	0.4	0.4
Change	% yr ago	7.0	14.2	-4.8	27.7	18.3	5.5	8.7	12.0
2-4 units	ths	16.0	7.0	12.0	11.0	6.0	11.7	10.5	11.6
5 or more units	ths	365.0	378.0	344.0	455.0	376.0	362.3	383.3	381.9
New single-family home sales	mil	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Mo supply new single-family homes	mo	5.2	5.6	5.6	5.9	5.1	5.5	5.4	5.2
Existing single-family home sales	mil	4.8	4.2	4.7	4.9	4.7	4.6	4.7	4.6
Mo supply existing single-family homes	mo	3.9	5.1	4.8	4.7	5.1	4.6	4.8	4.8
NAHB housing market index*	index	60	62	65	61	61	61	62	59
Median existing single-family sales price	\$ ths	230.9	224.5	224.2	223.3	219.1	226.5	223.3	221.5
Change	% yr ago	8.7	6.5	6.1	6.6	4.9	6.9	6.2	6.9
Northeast	\$ ths	270.8	265.1	256.6	266.0	258.9	264.2	262.3	259.6
Change	% yr ago	6.2	3.8	1.3	5.8	3.7	3.8	3.6	3.7
Midwest	\$ ths	178.6	173.0	174.0	172.1	170.0	175.2	172.9	172.8
Change	% yr ago	7.8	5.1	5.1	5.3	3.6	6.0	5.4	7.1
South	\$ ths	201.3	197.6	197.5	195.5	194.1	198.8	196.5	195.2
Change	% yr ago	7.0	6.6	6.3	6.3	5.9	6.6	6.3	7.3
West	\$ ths	327.8	323.9	323.1	317.6	312.6	324.9	320.2	316.8
Change	% yr ago	8.6	8.0	8.5	8.5	6.3	8.4	7.9	7.6
Median new single-family sales price	\$ ths	285.2	295.8	301.8	300.4	301.7	294.3	297.4	294.6
Change	% yr ago	-4.3	-2.1	-0.0	16.0	3.2	-2.1	3.1	4.2
ENR: construction cost index	1913=100	na	na	na	na	na	na	na	na
Change	% yr ago	na	na	na	na	na	na	na	na
NAR Housing Affordability Index									
Composite**	index	na	165.0	165.8	165.5	166.9	165.4	166.1	166.8
Change	% yr ago	na	-2.6	-1.1	-2.7	-1.4	-2.2	-1.8	-0.5
Fixed	index	na	164.0	164.7	164.8	164.8	164.5	164.8	165.7
MBA Mortgage Application Survey									
Composite index	1990=100	416.3	420.4	437.1	428.2	420.4	418.5	423.6	419.6
Change	% yr ago	19.6	13.2	15.2	26.3	21.4	5.8	13.4	14.5
Purchase index	1990=100	225.4	210.7	201.1	204.4	199.6	219.6	210.6	202.0
Refinance index	1990=100	1,549.9	1,620.2	1,782.6	1,700.0	1,678.1	1,575.6	1,647.9	1,669.4
Fixed-rate index	1990=100	410.7	413.3	426.4	418.6	410.4	412.7	415.6	412.7
Adjustable-rate index	1990=100	536.1	570.0	662.1	630.0	629.6	542.6	591.6	565.1
Percent refinancing by number	%	59.6	58.4	59.5	57.4	55.7	58.6	58.0	56.6

* The NAHB measures sales expectations for the single-family housing market. A score of greater than 50 indicates good sales.

** The Affordability Index measures the ability of the median-income household to afford the median-priced home.

Units: ths = thousands; mil = millions; bil = billions; tril = trillions; % = percent change; %AR = percent annualized rate; SAAR = seasonally adjusted annualized rate

RECENT PERFORMANCE TABLE

Indicator	Units	Dec 15	Nov 15	Oct 15	Sep 15	Aug 15	Average Value		
							3m	6m	12m
Regional Economies									
Employment growth, U.S.	% yr ago	1.9	2.0	2.0	1.9	2.1	1.9	2.0	2.1
Northeast	% yr ago	1.5	1.5	1.5	1.3	1.4	1.5	1.4	1.4
Midwest	% yr ago	1.1	1.2	1.3	1.2	1.3	1.2	1.2	1.4
South	% yr ago	1.7	1.8	1.8	1.9	2.0	1.8	1.9	2.1
West	% yr ago	2.6	2.5	2.7	2.6	2.8	2.6	2.7	2.8
Unemployment rate, U.S.	%	5.0	5.0	5.0	5.1	5.1	5.0	5.0	5.2
Northeast	%	4.9	4.9	4.9	5.0	5.1	4.9	5.0	5.3
Midwest	%	4.7	4.6	4.5	4.5	4.6	4.6	4.6	4.8
South	%	5.2	5.2	5.1	5.1	5.1	5.2	5.2	5.3
West	%	5.4	5.4	5.5	5.6	5.7	5.4	5.6	5.8
Existing single-family home sales, U.S.	mil, SAAR	4.8	4.2	4.7	4.9	4.7	4.6	4.7	4.6
Northeast	mil, SAAR	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Midwest	mil, SAAR	1.1	1.0	1.2	1.2	1.2	1.1	1.2	1.1
South	mil, SAAR	2.0	1.7	1.9	2.0	1.9	1.8	1.9	1.9
West	mil, SAAR	1.1	0.9	1.0	1.1	1.1	1.0	1.0	1.0
CPI, % change, SAAR	%AR	-1.3	0.3	2.4	-1.8	-0.8	0.5	0.1	0.7
Northeast	%AR	-0.8	4.0	-0.0	-1.1	-1.6	1.0	-0.3	0.5
Midwest	%AR	-2.4	-0.7	6.1	-4.2	-0.6	1.0	0.1	0.1
South	%AR	-1.7	2.9	3.1	-1.6	-1.3	1.5	0.2	0.6
West	%AR	2.1	3.5	2.2	-3.6	-0.1	2.6	1.4	1.9
Residential permits, U.S., SAAR	ths	1,204	1,282	1,161	1,105	1,161	1,216	1,174	1,164
Northeast	ths	202	129	131	118	109	154	134	158
Midwest	ths	162	204	173	168	176	180	176	167
South	ths	575	630	594	546	586	600	585	563
West	ths	265	319	263	273	290	282	280	276
Federal Government									
Surplus/deficit, 12-mo moving sum	\$ bil	-477.8	-461.5	-453.7	-438.9	-424.2	-464.3	-457.4	-462.5
Fed. gov. receipts, 12-mo moving sum	\$ bil	3,275	3,261	3,247	3,249	3,234	3,261	3,247	3,198
<i>Change</i>	% yr ago	5.9	7.1	7.0	7.6	8.9	6.7	7.5	8.1
Individual income taxes	\$ bil	1,554.7	1,551.0	1,543.4	1,540.8	1,540.5	1,549.7	1,543.0	1,531.3
<i>Change</i>	% yr ago	9.0	10.4	10.1	10.5	12.1	9.8	10.6	10.9
Share of total receipts	%	42.5	45.7	51.8	44.2	48.7	46.7	46.9	47.4
Corporate income taxes	\$ bil	379.0	386.7	385.6	390.3	387.6	383.8	386.2	385.3
<i>Change</i>	% yr ago	-0.7	7.6	7.7	10.4	14.9	4.9	9.2	11.4
Share of total receipts	%	22.8	3.2	4.8	21.6	2.3	10.3	10.0	10.7
Social insurance	\$ bil	1,077.4	1,074.5	1,068.3	1,065.3	1,057.1	1,073.4	1,065.7	1,057.2
<i>Change</i>	% yr ago	8.2	10.0	11.0	12.4	13.0	9.7	11.4	12.5
Share of total receipts	%	22.5	41.7	36.4	24.0	39.4	33.5	33.2	32.9
Excise taxes	\$ bil	98.4	98.2	97.9	98.3	85.8	98.2	93.8	90.7
<i>Change</i>	% yr ago	17.6	17.4	17.6	17.0	4.0	17.5	12.6	9.0
Share of total receipts	%	1.9	3.7	2.6	6.4	3.7	2.8	3.6	3.1
Fed. gov. outlays, 12-mo moving sum	\$ bil	3,750	3,719	3,698	3,685	3,656	3,723	3,702	3,676
<i>Change</i>	% yr ago	4.7	6.9	4.2	5.2	4.9	5.3	5.3	5.4
National defense	\$ bil	591.0	594.1	588.4	591.3	586.0	591.2	591.9	592.7
<i>Change</i>	% yr ago	-2.3	-0.6	-3.3	-2.3	-3.2	-2.1	-2.1	-2.3
Share of total outlays	%	15.5	16.1	17.4	20.1	14.7	16.3	16.3	16.2
Social Security and Medicare	\$ bil	1,475.6	1,448.0	1,443.8	1,434.0	1,430.2	1,455.8	1,446.8	1,433.9
<i>Change</i>	% yr ago	6.7	6.5	3.7	5.3	6.9	5.6	6.1	5.7
Share of total outlays	%	40.0	36.4	43.2	43.6	35.9	39.9	39.8	39.9
Health	\$ bil	491.2	490.1	486.3	482.2	481.8	489.2	483.4	475.4
<i>Change</i>	% yr ago	13.8	16.6	17.1	17.5	20.2	15.9	17.2	18.3
Share of total outlays	%	12.1	13.9	12.2	13.8	16.8	12.7	13.5	13.4
Income security	\$ bil	506.4	506.5	504.5	508.1	499.7	505.8	506.7	506.1
<i>Change</i>	% yr ago	-0.3	1.4	-2.8	-1.1	-2.8	-0.6	-1.0	-1.8
Share of total outlays	%	13.0	10.3	10.8	13.2	9.9	11.4	11.5	11.8
Net Interest	\$ bil	225.5	222.2	222.2	223.3	222.9	223.3	222.9	221.3
<i>Change</i>	% yr ago	-2.6	-3.5	-2.9	-2.0	-3.2	-3.0	-2.8	-2.3
Share of total outlays	%	5.9	7.9	5.8	-4.1	9.2	6.5	5.3	6.3

Units: ths = thousands; mil = millions; bil = billions; tril = trillions; % = percent change; %AR = percent annualized rate; SAAR = seasonally adjusted annualized rate

Entrepreneurship, Technology and Housing

BY STEVEN G. COCHRANE

Recent Performance

Commodities markets make the difference when separating leaders from laggards across the U.S. Commodity-producing economies slowed the most during the second half of 2015. They have transitioned to becoming the most at risk after enjoying the status of being the most stable during the current business cycle through 2014.

Labor markets

Employment patterns tell much of the story. The mid-continent region, from Minnesota and the Dakotas to Texas and Louisiana, has slowed the most over the past year and in many cases has the slowest rate of job growth as of December. The traditional oil patch—Texas, Oklahoma and Louisiana—has gone from best to worst since late 2014 and now rivals the Plains region to its north for having the slowest growing labor market in the country. The latter two states of the oil patch are in recession with absolute declines in payroll employment over the year. Texas has slowed considerably, but its greater economic diversity maintains job growth, albeit at a slow pace. Nearly all of the commodity-producing states north of Oklahoma have slowed as well.

These states have depended on not only high prices for crude oil and farm commodities in recent years but also exporting those

commodities. Over the last year, the value of exports has fallen fastest among many of these states—including coal producers Wyoming and West Virginia—as the quantity of exports has fallen, as has the value of those commodities in global markets (see Chart 1).

The West remains the leader, but a widening gap is appearing between the dynamic Pacific states and the Mountain states, which depend more on energy commodities. Nevertheless, the Mountain West rivals the South Atlantic for second place behind the Pacific Coast. The Northeast and the Mid-South—Alabama, Kentucky, Mississippi and Tennessee—are advancing slowly but steadily, although these regions are hardly performing in a homogeneous fashion. Massachusetts is the star of the Northeast with strong gains in technology-producing industries as well as education and healthcare. The Mid-South increasingly depends upon strong and stable demand for autos as well as rising demand for housing-related industries.

The Great Lakes region has slowed over the past year. Its industrial base is highly exposed to the strong dollar and weakened demand in emerging markets, although this impact is not uniform across the region. Exports of goods produced in Michigan have slowed, but modestly, and auto production is steady. Parts of the Southeast also

have seen only modest declines in exports. Similarly, demand has softened, but not collapsed, for southern New England's tech-based exports.

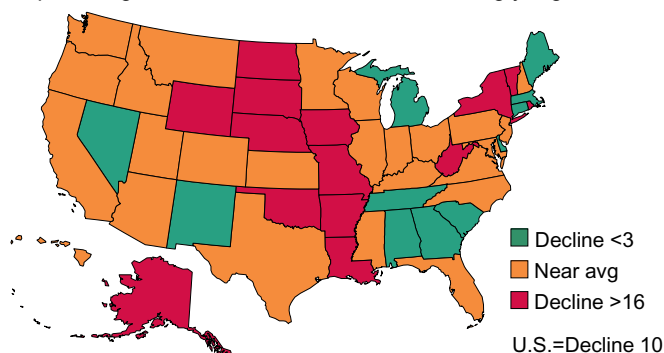
Breadth

The breadth of job growth has helped offset, so far, the downside effects of export and commodity markets. In both large and small metro areas of the Great Lakes states of Indiana, Michigan and Ohio, diffusion of job growth across manufacturing and service-providing industries keeps this region afloat (see Chart 2). This is less so farther to the West, however. Stretching north from Chicago through Milwaukee and also to the west toward the Quad Cities of Illinois and Iowa, job growth is quite narrow, as declining global demand for heavy machinery has reverberated through much of the economy.

Much of the South Atlantic also enjoys broad job growth across goods-producing industries, transportation, education and healthcare, and consumer services. It is similar across much of the booming economy of the West, although there is greater heterogeneity across California, where the smaller metro areas have fewer drivers of growth and Silicon Valley is extremely dependent upon tech-producing industries. The stable but uninspiring job growth in much of the Mid-Atlantic and New England is also the

Commodity Producers Hit Hardest by Exports

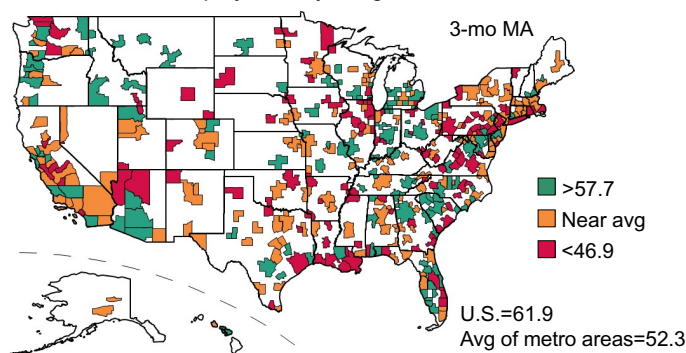
Exports of goods and commodities, value, % chg yr ago, 2015Q4



Sources: Census Bureau, Moody's Analytics

Broad-Based Job Growth Nearly Everywhere

Diffusion index, employment by 3-digit NAICS code, Oct 2015



Sources: BLS, Moody's Analytics

result of a narrow range of industries that are hiring.

Entrepreneurs and innovation

After a long pause, an improving entrepreneurial spirit appears to be driving the U.S. economy and shaping its regional patterns. This can be measured indirectly by the Bureau of Labor Statistics' count of business establishments across the country. Growth has accelerated nationwide in the past year to nearly 3%, but that rate is significantly faster for the regions that are leading the national economy—much of the West, the Southeast from the Carolinas to Florida, and southern New England. Establishment growth has been remarkably strong even in Chicago and the western shore of Lake Michigan, which has been hit hard by weak export demand. The pace is slower in Texas, excluding Austin, and in much of the Northeast (see Chart 3).

Patterns of innovation, as indicated by the growth in the number of patents issued since 2005, further highlight the West and the Southeast, as well as Massachusetts areas with good potential for longer-term growth (see Chart 4). Such data are volatile, hence the long-term perspective, but the combination of innovation and entrepreneurship appears to favor these regions in coming years. These regions, excluding Massachusetts, have seen some of the strongest acceleration in population growth in recent years. And even though Massachusetts had a net gain in out-migration last year, its popu-

lation growth rate remains at the high end of its 35-year historical trend.

Outlook

The West is expected to lead the nation in the next several years. Its innovation, entrepreneurship, breadth of industries that are expanding, strong income growth, and accelerating population gains speak to the region's vitality. Homebuilding will add some extra momentum as household formations accelerate, house prices rise, and the inventory of distressed mortgages is substantially reduced.

The South's strength has shifted from the Southwest to the Southeast, where there is less exposure to energy-producing industries and instead there is some exposure along the coasts to plastics and other downstream industries that benefit from the low cost of energy feedstocks. Transportation and distribution industries in the region are also poised to gain from increased shipping volumes once the widening of the Panama Canal is complete in the coming year.

Risks

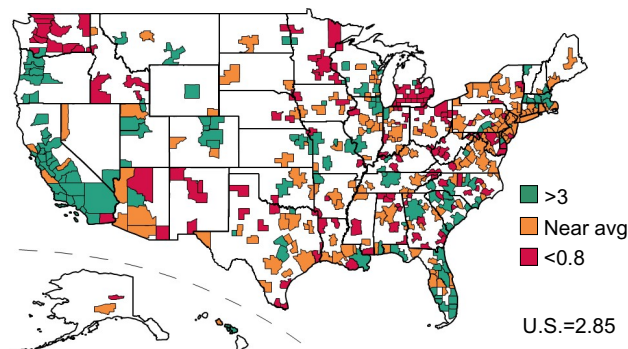
The risks to the manufacturing regions of the U.S.—among both the older goods-producing industries of the Midwest and those in the Southeast that have benefited more recently from domestic and international investment—have risen with the strong dollar and the increasingly weak demand for goods used by the global energy, agriculture and mining industries.

Even the commercial aerospace industry faces some risk as emerging markets—an important growth market for civil aviation—are faltering. Boeing will slow production of its venerable 747 because of weak demand for freighters. No other line has been slowed, however, and back orders for all models remain deep so risks to the industry are limited. The industry, however, is closely linked with the global economy and reflects infrastructure investment spending, particularly in emerging markets. Thus, it is worth monitoring for signs of how a broader slowdown could affect manufacturing in the U.S.

Homebuilding is expected to be a critical source of growth in the West and Southeast. Thus, any structural factors that could interfere with the industry would be felt directly in these regions. Any constraints to the availability of developable land, particularly in the Pacific Coast region, to the availability of skilled labor, or to the production of supplies and goods for homebuilding and remodeling could act to limit homebuilding's support to growth in these regions. Although there appears to be little risk of a rapid rise in mortgage interest rates, lenders could remain cautious in their lending standards, especially if equity markets remain volatile and household wealth takes a hit. But the powerful force underpinning pent-up demand for housing in the West and Southeast is more than likely to drive new supply, which will generate significant multiplier effects for the economies of these areas.

Entrepreneurship Benefits the West

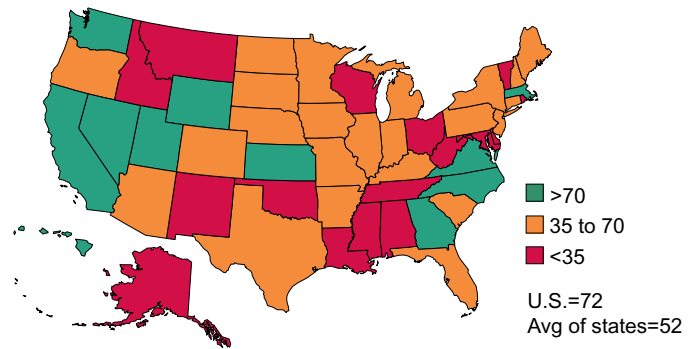
Number of private establishments, % change yr ago, 2015Q2



Sources: BLS, Moody's Analytics

Patent Awards Indicate Innovation

Total number of patents awarded, 3-yr MA, % chg 2005 to 2014



Sources: U.S. Patent Office, Moody's Analytics

Stocks and the Economy

BY ADAM GOLDIN

Recent Performance

February has not been kind to global financial markets. After recovering some of the steep losses incurred during the first two weeks of the year, stock markets are hitting new lows as a result of renewed oil price declines, downwardly revised global growth estimates, and a worsening corporate profit outlook. The Standard & Poor's 500 has slid 5% in February and is down nearly 11% for the year. The broader Wilshire 5000 is down more than 6% in February and almost 12% year to date, and the Eurofirst 300 index is also nursing losses of almost 4% in February (see Chart 1).

Signs of financial market instability are apparent elsewhere. The stock volatility, or fear, index has spiked in February as it approaches a new five-month high. The TED spread, which measures the difference between three-month Libor and three-month T-bill rates, has also spiked over the past few weeks, indicating that default risks are rising (see Chart 2).

Increasing stock market losses have driven investors to seek the safety of government bonds. As a result, 10-year and 30-year Treasury yields have both fallen 30 basis points in just four weeks to their lowest levels in almost a year. The 10-year yield pierced 1.8% while the 30-year dipped below 2.6%.

Oil prices firmed in the latter half of January, but the rebound proved short-lived. Oversupply concerns have sent West Texas Intermediate futures back toward \$30 per barrel, losing 8% in just the first week in February. As a result, inflation expectations are falling again; five-year forward five-year inflation expectations are near their seven-year low.

Stock market drivers

Global stock markets are experiencing one of their worst starts in 20 years. Falling oil prices, fears about global growth, and worsening nonfinancial corporate profit estimates have combined to push stock prices lower. But other factors also are at play.

Many analysts believe stocks have further room to fall because by some measures, despite recent declines, U.S. equities remain overvalued. For example, the cyclically adjusted price-to-earnings ratio, which averages profits over 10 years, is above its historical average.

Other investors fear a hard landing in China (see Chart 3). While its economy grew 6.9% in 2015 and is expected to slow to around 6.4% in 2016, many investors mistrust China's official economic data. On top of this, in January China's foreign exchange reserves fell to a three-year low as the People's Bank of China tried to shore up the

Chinese yuan. January's large outflow came on the heels of a record December outflow. Fears are increasing that the PBoC could lose control over China's capital flows and the exchange rate, leading to greater market turbulence with fallout on the economy and contagion to other emerging markets and eventually the West.

Some fear the world economy and financial markets have become too reliant on expansionary monetary policy. Despite years of record low interest rates and quantitative easing, global growth remains lackluster. Further, the elevated level of government debt across the globe means the normalization of policy rates could make the burden of government debt unbearable, sapping growth.

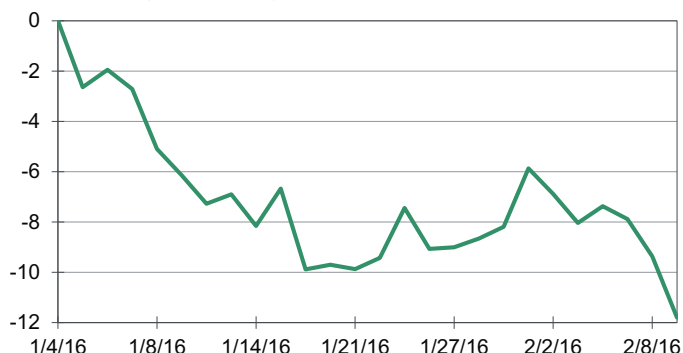
Stock markets and the economy

Not surprisingly, this year's stock market rout is fanning recession fears, especially as the U.S. January employment report failed to impress. Through January, the S&P 500 is on track to decline on a year-ago basis in the first quarter. Since the 1970s, the S&P has fallen year over year when the U.S. has been in recession or the Federal Reserve has been tightening monetary policy.

The Fed is at the start of a tightening cycle, which could be hurting stocks. But Moody's Analytics does not believe the de-

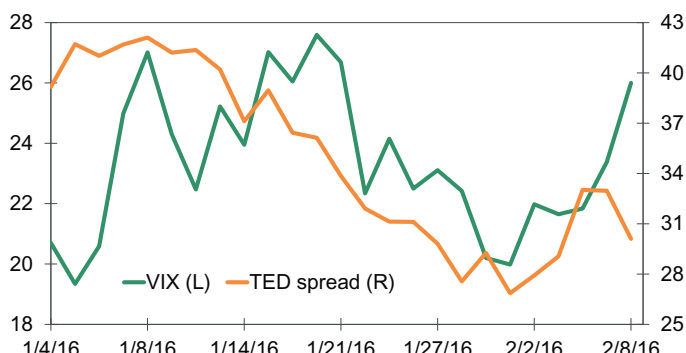
Stock Market Rout Is On

Wilshire 5000, YTD return, %



Sources: SIX Financial Information, Moody's Analytics

Volatility and Fear on the Move



Sources: SIX Financial Information, BBA, Federal Reserve, Moody's Analytics

cline in equity markets signals a recession because none of the other reliable signals of impending recession are even flashing yellow. Moreover, this is not the first time that recession concerns have flared up during this cycle; the last time was in 2011 (see Chart 4).

Stock prices can frequently appear out of step with the economy, and when stocks fall, an economic downturn does not automatically follow. The correlation is very low historically and in this cycle. Still, the financial market turbulence has hurt the economy. Moody's Analytics estimates that the decline in stock prices so far this year will shave 0.5 percentage point off 2016 GDP growth. This is based on the assumption that the wealth effect is not noticeably larger than historical norms and the economy is at mid-cycle. In general, an economy in an early- to mid-cycle expansion weathers declines in stock prices better. Based on data since 1990 we used the k-means clustering approach, which spots patterns, and mapped the economy into four phases: recession, early-, mid- and late-cycle expansion. Based on this approach, we believe it is in a mid-cycle expansion.

Sovereign wealth funds

Before the financial crisis, China and the global economy were booming. The coffers of commodity-producing nations were flush thanks to the commodity super cycle. Between 2004 and mid-2008, the price of West Texas Intermediate jumped almost 280% to reach nearly \$150 per barrel,

while precious metals began their ascent even earlier.

As a result, national sovereign wealth funds became heavy players in international financial markets, buying both liquid and illiquid assets. Their large-scale buying helped inflate asset prices across the globe.

However, the tide has turned because of the current oil price slump. As falling oil prices have decimated tax receipts, especially among Persian Gulf nations, several sovereign wealth funds have become heavy stock and high-grade bond sellers to finance budget deficits. Saudi Arabia's deficit, for example, is at a record high, so it withdrew about \$70 billion from external managers, while Kazakhstan's sovereign wealth fund has shrunk by nearly one-fifth over the past year and a half.

As long as oil prices remain depressed, sovereign wealth fund asset sales will contribute to market declines.

Outlook

Moody's Analytics has lowered its forecast for real GDP growth this year by half a percentage point to 2.3%. However, the labor market remains strong, so the economy will likely reach full employment by midyear.

Moody's Analytics expects the 10-year U.S. Treasury yield to increase by about 80 basis points in 2016 while the nominal trade-weighted dollar will increase 5%.

The Federal Reserve will not raise rates until June, giving financial markets time to stabilize. The Fed will normalize rates slowly,

so equity markets will slowly recover from current losses. The S&P 500 is expected to fall 4% in the first quarter of 2016 but end the year 8% higher from current levels.

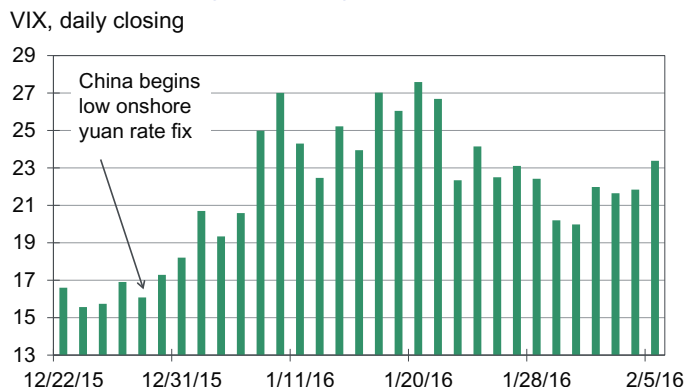
Risks

There is a downside risk that the tightening cycle for U.S. interest rates could have an outside effect on emerging markets, depressing currency values and increasing borrowing costs. While the majority of emerging market debt issuance has been in local currencies since the credit crunch of 2008, debt crises in economies with large amounts of dollar-denominated debt, such as Turkey, South Africa and Brazil, would rattle financial markets. A hard landing for China's slowing economy also would lead to widespread financial market volatility. Policy missteps or a bursting of China's credit bubble would lower Chinese demand for goods and services, roiling equity markets and putting downward pressure on global growth.

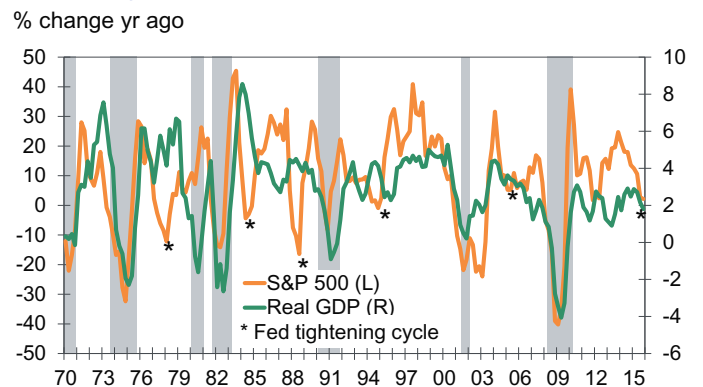
Additionally, prolonged declines in equity markets could depress U.S. consumer spending through larger than historically normal stock wealth effects.

Stock markets remain highly responsive to central bank policy decisions. Central banks in the U.S., Europe and Japan are poised to make several high-profile monetary policy decisions over the medium term, from setting rates to managing the size of their balance sheets. Stock markets could swing wildly if policymaking disappoints market participants.

China Currency Volatility Rattles Markets



Economy and Fed Matter for U.S. Equities



Growth at a Crossroads

BY STEPHEN CICCARELLA

Major global transitions

The global economy will expand moderately this year as it navigates a series of major transitions (see Chart 1). Chinese growth will decelerate further as the economy shifts toward domestic consumption and away from investment-led growth. Worries about a possible hard landing in China have been the primary driver of recent financial market volatility and rising safe-haven capital flows. The slowdown in Chinese demand and plunging commodities prices will keep downward pressure on emerging market net commodity exporters, forestalling their near-term return to potential growth. On the bright side, U.S. and U.K. labor markets should reach full employment later in 2016, increasing private consumption expenditures and supporting the global outlook. The euro area and Japan will post more modest increases in economic activity, as accommodative financial conditions and lower oil prices boost domestic demand.

Increasing differences in the developed economies have led to divergent monetary policies that will become more pronounced over the next year. As the Federal Reserve begins its tightening cycle, the European Central Bank and the Bank of Japan have become more accommodative. The ECB expanded its quantitative easing program and the BoJ became the most recent bank

to introduce negative deposit rates. The net effect of this divergence will be an increase in U.S. capital inflows, further strengthening the U.S. dollar against most major currencies. Global risks are to the downside, as the stronger greenback continues to depress U.S. industrial production, soften headline inflation, and increase borrowing costs on emerging market external debt.

China slows

The Chinese economy will slow to around 6.4% this year from 6.8% in 2015 as it struggles with persistent overcapacity in the industrial sector and transitions toward services and consumption. China's slowdown will be a significant drag on global growth, further depressing commodities prices and heightening deflation pressures (see Chart 2).

Concerns over a possible hard landing contributed to a deep selloff in Chinese and global equity markets at the beginning of the trading year, highlighting the severity of financial contagion effects. Before the stock market decline, the People's Bank of China engaged in an eight-day weakening of the onshore yuan of more than 1.4%. The move was seen as a possible attempt to boost exports after a five-month downward trend, spooking market participants.

The recent inclusion of the yuan in the International Monetary Fund's basket of

reserve currencies has placed significant selling pressure on the currency, as increased capital account liberalization is expected in the near term. The spread between the onshore and offshore yuan hit its widest level since 2011 in January, indicating further currency depreciation may occur this year and increasing the likelihood of additional financial volatility.

Japan still struggling with deflation

Japan's economy will experience marginal growth of 1% on a year-ago basis in 2016, after expanding 0.7% in 2015. Multiyear lows in oil prices drove down the consumer price index in 2015, extending the country's decade-long struggle with deflation. The core CPI averaged only 0.55% year over year in 2015, well short of the BoJ's 2% target.

After more than 2½ years of extraordinary monetary stimulus, the BoJ recently introduced negative interest rates on excess reserves for the first time in its history. The rate of -0.1% will be applied to new reserves held by financial institutions at the BoJ that exceed certain thresholds, in an effort to encourage lending and business investment. In combination with the BoJ's ongoing ¥80 trillion in annual asset purchases, the surprise move led to a downward shift in rates across the yield curve and spurred the largest drop in the yen in more than a year (see Chart 3). The

Moderate Global Growth in 2016

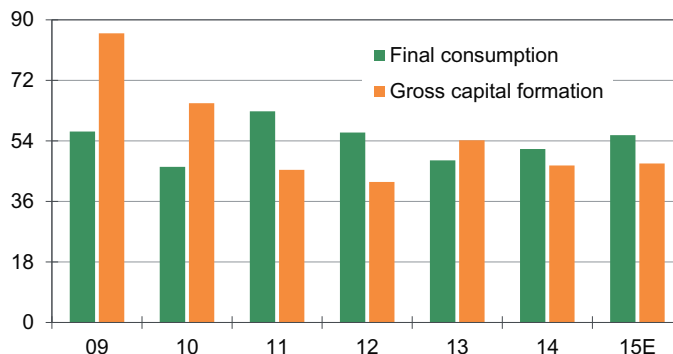
Real GDP, % change yr ago, 2016F



Source: Moody's Analytics

China Rebalances to Domestic Consumption

Contribution to GDP, %



Sources: China National Bureau of Statistics, Moody's Analytics

rate move has raised talk of “currency wars,” as countries consider deeper forays into negative territory to stimulate external demand.

India grows

India's economic performance continues to be a bright spot in global markets. The country is estimated to have expanded by 7.5% in 2015, surpassing China to become the world's fastest-growing economy. While we expect stronger expansion of 7.9% this year, the economy will fall short of its long-term potential, which we believe to be closer to 9% to 10%. Economic reforms proposed by Prime Minister Narendra Modi's party to support needed infrastructure investment and reform labor markets languished last year, but parliament will revisit these proposals in 2016.

The European project is tested

The euro area will post modest gains. The currency union grew 1.5% in 2015 and is forecast to expand at a slightly better 1.6% pace in 2016. Ireland will again outperform its peers, with growth of 4.9%. The January manufacturing PMI shows slowing industrial activity in the euro zone as a whole, with significant divergence across the region. Spain's performance has been robust; production rose to an eight-month high and new orders rose to levels last hit in 2007. Germany, France and Italy fared less well, as output and new orders both declined, weakened by soft export growth. On the whole, France underperformed; the overall index

reading was at its lowest in five months. The January services PMI also disappointed. The overall rate of growth slowed in all countries except for Ireland.

Still, the modest outlook for the euro zone holds downside risks. The cohesion of the European project continues to be tested. Following angst about the sovereign debt crisis and a potential Greek exit, the yuan's devaluation in January increased volatility in European financial markets to levels last observed during the global financial crisis. Persistent volatility could weigh on personal consumption, as negative equity wealth shocks could undermine already-fragile growth.

Further, the deepening refugee crisis in Europe threatens the union's open-border Schengen zone, as Denmark joins Germany and Sweden in imposing temporary border restrictions to manage the influx of refugees (see Chart 4). The U.K.'s imminent EU referendum could also force a British exit from the EU, leading to a disruptive political environment that hurts economic expansion.

Diverse growth in Latin America

Latin America will exhibit diverse patterns of growth in 2016. The Brazilian and Venezuelan economies will contract again this year, as they attempt to reverse steep losses stemming from the global plunge in commodities prices, particularly in crude oil. Brazil's economy, the largest in Latin America, will contract by 1.8% in 2016, from a 3.7% decline last year. Venezuela will deepen its recession, shrinking 8.6% this

year, more than any other country in the world, after weakening by 7% in 2015. Crude oil exports, which account for about 95% of Venezuela's foreign exchange earnings, dropped 52% in 2015. The resulting shortages and government-imposed price controls will push the inflation rate in Venezuela to almost 170% in 2016.

In contrast, net commodities exporters such as Chile and Peru, as well as North American neighbor Mexico, will experience growth rates above 2.5% this year. Although posting weaker gains than trend in 2016, these economies have offset an unfavorable external environment by implementing countercyclical fiscal policies that support aggregate demand.

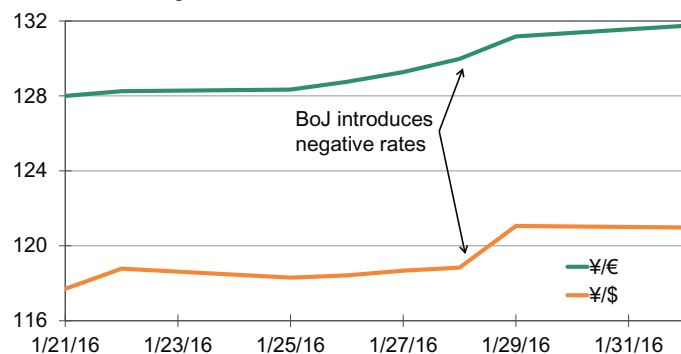
The Fed's tightening cycle imposes downside risks to the emerging market outlook, potentially affecting Latin American economies already in distress. As interest rates normalize, countries with large amounts of dollar-denominated debt such as Chile and Brazil will face higher borrowing costs and adverse capital flows.

Outlook

The global economy is forecast to accelerate to 2.7% this year from 2.4% in 2015. Risks to the outlook are firmly to the downside, as key global transitions are navigated in China, the U.S., and the euro zone amid significant geopolitical uncertainty. Policy errors could have meaningful global implications, introducing heightened financial volatility and altering the near-term prospects for growth.

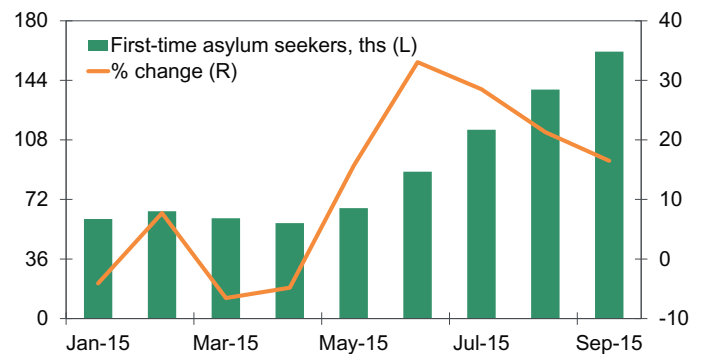
Markets Respond to Negative Rates in Japan

Nominal exchange rate



Sources: Bloomberg LP, Moody's Analytics

Refugee Crisis Tests European Cohesion



Sources: Eurostat, Moody's Analytics

Labor Market Approaches Full Employment

BY SOPHIA KOROECKYJ

Recent Performance

Payroll employment increased by less than expected in January, but payback from the strong December report in a handful of industries explains most of the downshift. The economy added 151,000 payroll jobs. Revisions brought down the very strong December figure by 30,000, though an upward revision to November nearly offset this decline. The implementation of the March 2015 benchmark resulted in 105,000 fewer jobs by year's end, or 0.07% of payrolls, a historically small change (see Chart 1).

Employment of couriers and temporary help, both boosted by the holidays at the end of last year, reversed in January. In addition, mild weather in December enabled construction activity to proceed at a higher rate than normal, resulting in a strong 48,000 job gain, followed by a tamer 18,000 gain in January. Seasonality may also explain the unusually large drop in private education of 39,000. Seasonal adjustment issues worked in the opposite direction in retail, which barely budged in December only to add an unusually high 58,000 jobs in January; fewer post-holiday layoffs followed the weaker holiday hiring caused in part by online competition. As a result, the underlying or "true" pace of job creation likely remains above 200,000, in line with the average of the last six months.

However, seasonality does not conveniently explain the persistent weakness in energy. Plunging prices have led to 16 consecutive months of declines totaling 147,000 jobs. Government payrolls declined in January also.

The start of the year brought some pleasant surprises as well. Manufacturing growth was strong with 29,000 new jobs spread across a number of industries, despite many indicators that point to softening activity. Hiring in most services rose at a good clip.

In addition, average hourly earnings for all workers rose by 2.5% year over year and by 0.47% month over month. The slow acceleration over the past year establishes a firm trend that reflects the tightening labor market. The unemployment rate edged down to 4.9%, even as the labor force participation rate increased to 62.7%. The employment-to-population ratio increased to 59.6%.

Because of the usual implementation of population controls in January, a comparison of levels between December and January can produce illusory changes, but adjusting for the controls still produces a very positive story.

Toward full employment

Evidence of a labor market quickly approaching full employment is mounting. The unemployment rate dipped below 5% for the first time since early 2008. The plethora of job opportunities suggests further tight-

ening in coming months. The number of job openings is near its post-recession high and has exceeded the number of jobs filled for the past year in most industries. Difficulty filling positions is finally inducing employers to entice workers with higher pay and to try to hold onto their best workers by increasing their wages. ADP payroll data processed by Moody's Analytics demonstrate accelerating wage growth as this dynamic plays out; full-time workers across all industries who remained in their jobs over the past year received average raises of 4.1%; those who switched jobs received 4.7% more.

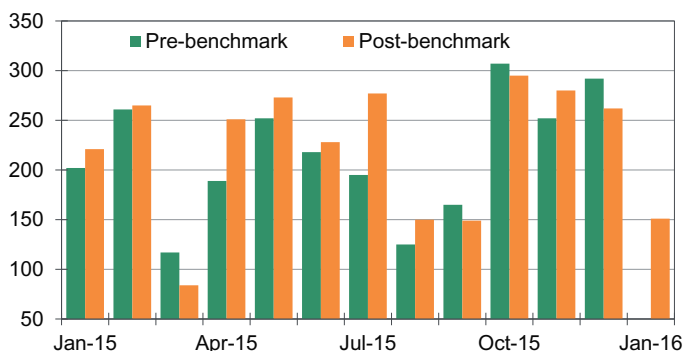
Workers are responding to the abundance of opportunities and higher pay with their feet; quitting has surged in recent months across industries and matched its prerecession high at the end of 2015 (see Chart 2). The increased labor market churn may be a headache for employers but results in better job matches, increased human capital, and, longer term, a more productive workforce. It will become increasingly difficult for employers to expand their staffing; only a small proportion of workers who left the labor force during the recession are expected to return.

Remaining slack

Several categories of labor market slack will remain elevated, but the labor market may well reach full employment as mea-

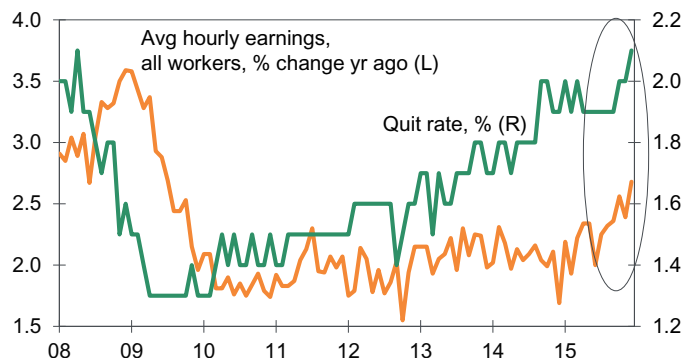
Benchmark Shaves Off 100,000 by Year End

Payroll employment, change, ths



Sources: BLS, Moody's Analytics

Confidence in Labor Market Surges



Sources: BLS, Moody's Analytics

sured by the unemployment rate. Many workers have found jobs, though not the full-time jobs they would prefer. Following the recession, this indicator showed no improvement, but during the past two years, it has declined, particularly for younger and older workers. Improvement has been slowest for prime-age workers.

A similar source of slack is nonparticipants in the labor force, specifically those available to work but not looking and discouraged workers. The share of adults younger than 25 in this predicament has returned to prerecession rates, but not the share of older adults (see Chart 3). This along with lingering involuntary part-time suggests some structural mismatch.

Resilient so far

The resilience of the labor market at the start of the year will be tested. Through mid-January, the labor market weathered the turmoil in financial, commodity and global markets rather well, suggesting that much of the U.S. economy remained insulated. Growth in manufacturing employment reflects sustained demand in the domestic market. Growth in consumer industries reflects rising employment and wages; retail sales have weakened largely because of falling prices, not to fewer unit purchases. Finally, growth persists at a steady pace in such industries as healthcare and professional services.

The rout in financial markets will weigh on business and consumer confidence and take some of the air out of the labor market.

Business confidence has been rattled and fewer businesses expect to hire in coming months than they did six months ago.

The Conference Board's measure of consumer confidence, which depends on job availability, held up in January, but the University of Michigan survey, which depends more on an assessment of financial conditions, did not. Shrinking stock portfolios may reduce consumer appetite for spending and thus weigh on hiring in consumer industries. Further, much of the outlook heretofore has depended on the recovery in the housing market. The negative wealth effect from shrinking savings could dampen home sales and new homebuilding; the February forecast already includes a downward revision to sales and single-family permits compared with the year-end vintage.

Outlook

Moody's Analytics expects payrolls to grow by 2.5 million in 2016, slightly less than had been expected several months ago but still about twice the number needed to accommodate the expanding labor force and to whittle away at the remaining labor market slack. A strengthening housing market and more positions in better-quality service jobs will drive gains. Further, the energy industry will bottom out later this year, while manufacturing will grow modestly.

The labor market will reach full employment during the second half of 2016. The U-6 rate will remain elevated for longer, however, because of structural changes such as chang-

ing industry shares. Wage gains, as measured by the employment cost index, will slowly accelerate as the labor market tightens, peaking at 3% year over year by 2018. Rising wages and job availability will pull more workers into the labor force. The labor force participation rate will slowly rise this year and through 2017 and top out near 63% (see Chart 4).

Risks

The risks to the labor market are now stacked to the downside because of the persistent weakness in commodity markets, financial turmoil, and the weakness of key trading partners such as Brazil and China. Lower corporate profits and weaker business confidence threaten the labor market expansion.

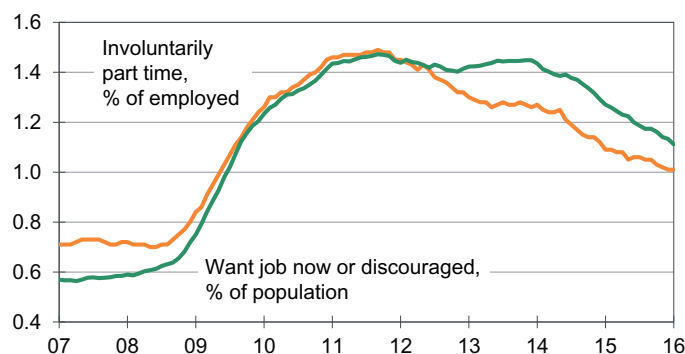
Commodity prices could remain low longer, extending the pressure on the energy industry, farmers and manufacturers. Because of the tremendous expansion of domestic drilling activity in recent years and thus less oil imports, the impact of oil prices has substantially hit some parts of the country, muting the benefits of lower prices.

The negative wealth effect, shifting preferences, onerous student debt, and limited credit availability could further delay household formation and the rebound in single-family home sales and construction, slowing the acceleration in housing-related employment gains.

If the labor force participation rate does not increase as expected, wage growth will likely accelerate further or employers will find new ways to make due with fewer workers.

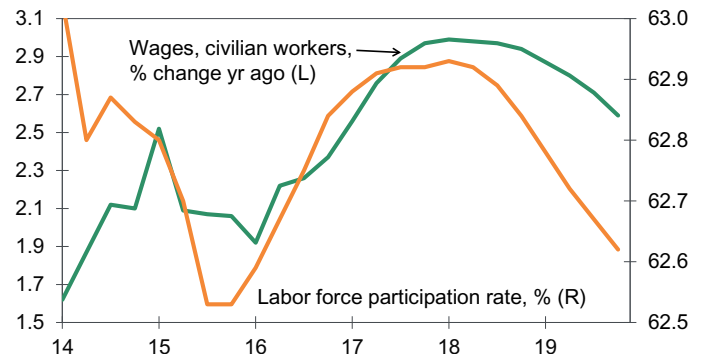
Prime-Age Adults Are Having the Toughest Time

Prime-age workers, ages 25-54



Sources: BLS, Moody's Analytics

Rising Earnings Will Attract Nonparticipants



Sources: BLS, Moody's Analytics

A World With \$20 Oil

BY RYAN SWEET

Recent Performance

The personal consumption expenditure deflator unexpectedly fell 0.1% in December. The core PCE deflator, which excludes food and energy, was unchanged in December after rising 0.2% in November. The core PCE deflator was up 1.4% on a year-ago basis, on par with November and better than in the third quarter. As for the details, a decline in goods prices trumped the modest gain in services. Goods prices lost 0.5% after falling 0.3% in November. This was the fifth consecutive monthly decline. Nondurable goods fell 0.7%, more than November's 0.3% slide. Durable goods prices fell 0.1%, the third consecutive monthly decline. The good news is that this was the smallest decline over this span.

U.S. import prices dropped 1.2% in December, their sixth consecutive decline. This was the largest since August and leaves prices down 8.2% on a year-ago basis. Imported fuel prices fell 9.5% following a 3.5% slide in November. Nonfuel import prices fell a trend-like 0.3% in December, putting them down 3.4% on a year-ago basis. The appreciation in the U.S. dollar and falling Chinese producer prices are weighing on U.S. nonfuel import prices.

What if oil hits \$20 per barrel?

Global oil prices are challenging our U.S. economic forecast as the price of oil has

failed to find a bottom. Speculation as to where prices will bottom is running rampant, with some looking for \$20 per barrel. Though we do not share this view, it is not implausible. So, to gauge the impact, we ran a simulation using the Moody's Analytics U.S. macro model that assumed oil prices averaged \$32 per barrel this quarter (their quarter-to-date average so far) and then fell to \$20 per barrel for the remainder of the year (see Chart 1).

The net benefit is overwhelmingly positive for GDP growth, putting it 1.5 percentage points above the baseline. In the simulation, the boost to consumption dwarfs the hit to investment via less mining exploration structures, which would be 30% below the baseline in the fourth quarter.

The estimated boost to GDP growth is likely on the high side, as the drop in oil prices would likely lead to increased debt defaults in the energy sector, spooking financial markets and offsetting some of the boost to growth. The simulation did not make any assumptions as to how a wave of defaults would affect financial market conditions. Also, oil-producing countries would suffer; this includes Canada, and that would have negative spillover effects on the U.S.

There would be a noticeable impact on inflation. Year-over-year growth in the headline personal consumption deflator

would be barely north of 0% in the fourth quarter, well below our baseline. Lower oil prices would bleed into the core PCE deflator, shaving 0.5 percentage point off year-over-year growth in the fourth quarter, taking it further from the Federal Reserve's 2% target.

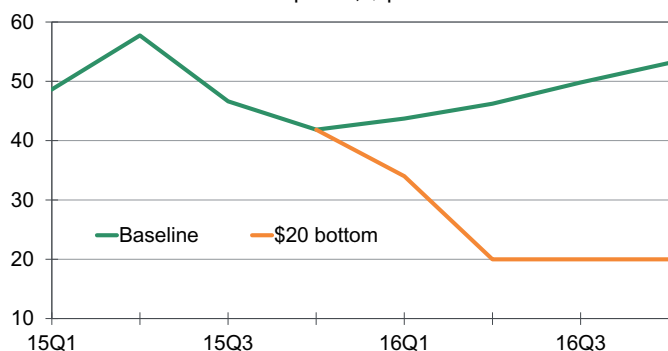
The policy implications are complicated, but the net effect of \$20 oil would likely cause the central bank to tighten less aggressively this year. This would be prudent risk management from an inflation perspective. Given the stronger correlation between oil prices and market-based measures of long-term inflation expectations now than prior to this expansion, \$20 oil would push inflation expectations lower, which would be troubling for the Fed. Lower inflation expectations may keep actual inflation lower, all else equal, making it more difficult for the Fed to return inflation to target.

Inflation expectations head south

Long-term inflation expectations have declined noticeably this year, which could be problematic for the Fed. The decline is visible in market-based measures as the five-year forward, five-year break-even rate has declined around 15 basis points since the beginning of the year to 1.62%. This is based on the consumer price index rather than the Fed's preferred measure. Therefore,

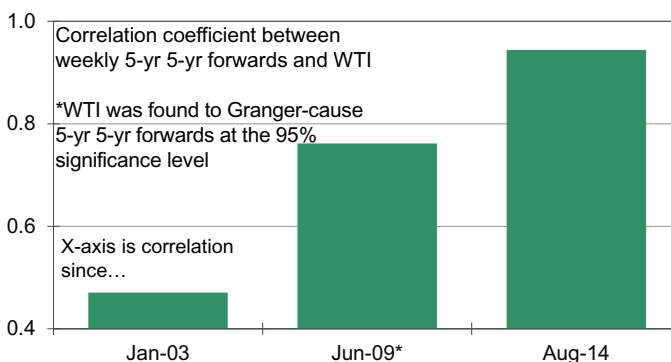
Oil Has Defied Expectations

West Texas Intermediate oil prices, \$ per barrel



Source: Moody's Analytics

Inflation Expectations Following Oil Lower



Source: Moody's Analytics

adjusting it to be in line with the PCE deflator would suggest that the five-year forward, five-year break-even rate is 1.1%.

One odd development is the strengthening correlation between long-term inflation expectations and the current price of West Texas Intermediate crude oil prices. Since 2003, the correlation coefficient was 0.47, but when the last recession ended in 2009, it had risen to 0.76. The correlation coefficient since August 2014, when oil prices began declining, is 0.94. We tested to see if this was an instance of correlation but not causation. A Granger causality test reveals that oil prices Granger-cause changes in the five-year forward, five-year break-even rate since the recession ended in 2009 (see Chart 2).

The strong correlation and causal relationship seems odd. One possible explanation is that oil prices are affecting market-based measures via the liquidity premium embedded in Treasury Inflation Protection Securities, which are used to calculate the five-year forward, five-year break-even rate. This issue was raised by the Atlanta Fed, but we replicated our experience by using some market-based measures of inflation expectations that adjust for the liquidity issue. The correlation between these measures and oil prices has still increased but is less than that for the TIPS derived five-year forward, five-year break-even rate.

While the potential influence of oil on the liquidity premium cannot be discounted, it does not explain the correlation coef-

ficient between the three-month moving average in five-year inflation expectations from the University of Michigan consumer sentiment survey, which has strengthened since August 2014. The correlation is stronger than that seen since the recession ended and higher than the average since 2000. Again, a Granger causality test reveals that changes in retail gasoline prices Granger-cause changes in the University of Michigan's five-year inflation expectations since the recession ended in 2009.

Without an increase in inflation expectations, returning inflation to the Fed's target of 2% would require even more tightening in the labor market than would have been needed if expectations had remained anchored.

Goods versus services

There will be a continuing tug-of-war this year between core consumer goods and services prices (see Chart 3). Year-over-year growth in core services has accelerated over the past several months, but the effect on total core prices is limited by the decline in goods prices, which are declining as quickly as they did during the Great Recession.

The current and past appreciation of the U.S. dollar will weigh on import prices throughout this year and will prevent consumer goods prices from turning around quickly. Fluctuations in the U.S. trade-weighted dollar can affect both import and consumer goods prices for up to a year. Thus, even if growth in the trade-weighted

dollar moderates now, its pressure on inflation will not subside for some time. To gauge its effect, a simulation was run on our U.S. macro model. The approximately 20% increase in the real trade-weighted U.S. dollar would shave upwards of 0.4 percentage point off year-over-year growth in the core PCE deflator.

All told, an acceleration in core services is required to more than offset the decline in core goods prices this year. Service prices will get a lift from stronger wage growth, rising rents and higher medical costs. This will keep the gap between growth in core services and goods prices wide.

Outlook

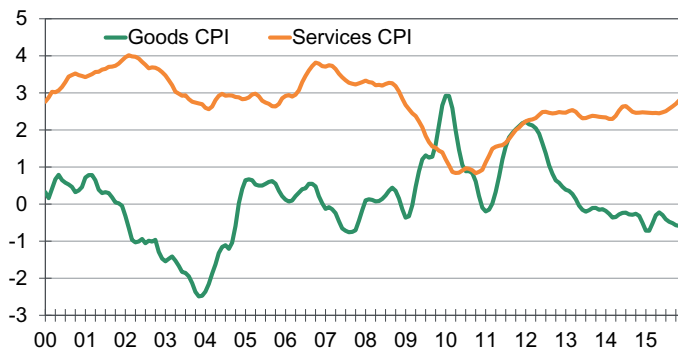
A tightening job market, a tight rental market, higher healthcare prices, and an expected rise in energy prices will boost inflation this year (see Chart 4). The rental housing market is very tight. Vacancy rates are among the lowest since the early 1990s. That will put upward pressure on rents until additional supply comes on the market. The core PCE deflator is forecast to accelerate in the second half of 2016, ending the year at 1.6% and hitting 2.3% by the end of 2017.

Risks

The risks are weighted to the downside. The slide in commodity prices, lower long-term inflation expectations, and U.S. dollar appreciation could have a greater impact on headline and core inflation than expected.

Tug-of-War Between Goods and Services

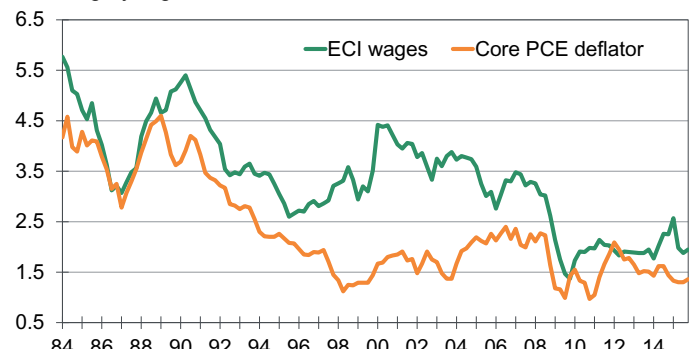
Core, % change yr ago, 3-mo MA



Sources: BLS, Moody's Analytics

Wages Will Hopefully Pull Inflation Higher

% change yr ago



Sources: BLS, Moody's Analytics

New Risks Emerge

BY DENIZ K. TUDOR

Recent Performance

Household credit markets contained no major surprises in January despite the year starting with a large amount of economic uncertainty coming mostly from abroad. Household credit growth continued, led by first mortgages, largely because of improving employment numbers. As oil prices dropped further and interest rates remained low, consumer spending focused on trucks and sport-utility vehicles.

Lenders felt encouraged to extend credit to consumers thanks to improving loan performance. Delinquency and default rates fell across a variety of products including first mortgages, home equity loans and lines of credit, credit cards, and consumer finance loans (see Chart 1). Lending standards are loosening as lenders extend loans to an increasing number of borrowers with less than prime credit.

In contrast, business credit has been hurt by dropping oil prices as firms related to oil and gas exploration struggle to pay back their debts. Some smaller drillers have already folded or are in the process of merging with other companies. Growth in lending has been led by multifamily real estate, commercial and industrial loans, and commercial real estate. Mortgage lending for single-family homes lags the commercial sector but has picked up over the past year.

Real estate lending improves

First mortgage balances rose in January, nearing levels last hit in the first half of 2014. All performance indicators for first mortgages are improving. The percentage of loan balances that are 30 or more days delinquent fell to 3%. New foreclosure and bankruptcy filings were at their lowest levels in years with the number of foreclosures initiated falling to 200,000 in January.

Outstanding balances on home equity lines of credit are falling along with the number of open accounts even as payment performance continues to improve. The fraction of HELOC borrowers that were behind on their payments stood at 1.8% on a balance-weighted basis. Based on data from Equifax, 68,000 HELOC borrowers are 90 or more days delinquent with many of them mired in the foreclosure process. While origination volumes are rising, the growth is small relative to the number of HELOCs being charged off.

Balances on home equity loans declined as well. The number of outstanding loans fell sharply in the first half of 2014, but has been stable since then at 3.7 million loans as new loan originations have kept pace with the charge-off rate.

The demand for multifamily real estate remains strong as younger generations are

reluctant to take on more debt but are eager to move out of their parents' basements. Continued job and wage growth should continue to feed demand for rental housing in 2016.

Lending standards for commercial real estate and C&I lending are expected to tighten after a period of strong growth. C&I lending among energy-related companies is expected to be particularly weak.

Consumers turn to credit cards

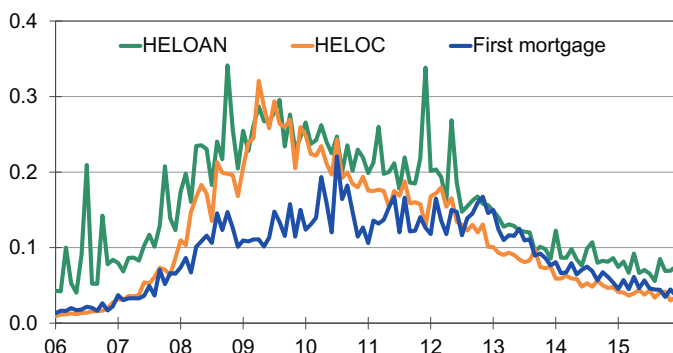
Rising net worth, improving household balance sheets, and low debt service burdens are boosting consumer confidence along with credit card usage.

Balances on consumer finance loans, including unsecured personal loans, rose sharply in January, extending a trend that began in 2013. Recent increases in delinquency rates can be largely attributed to seasonal factors. Given continued improvement in the labor market, Moody's Analytics expects the dollar-weighted delinquency rate on consumer finance loans to fall below 5% in 2016.

The number of general purpose credit cards issued by banks is rising along with outstanding balances. Available credit has been steadily increasing since mid-2013 as lenders have become more relaxed in their lending. While delinquency and bank-

Residential Loan Performance Improves

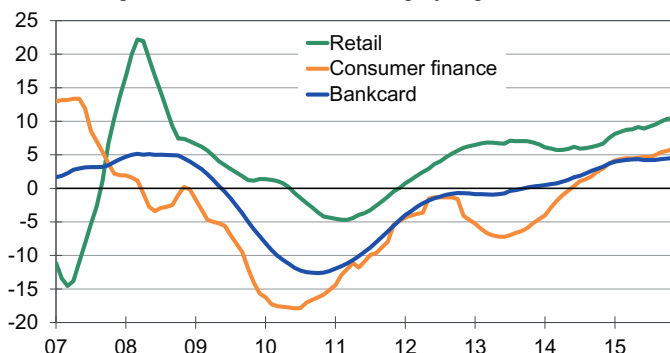
Default, % of \$ volume



Sources: Equifax, Moody's Analytics

Credit Grows for Revolving Loans

Outstanding account balances, % change yr ago, 3-mo MA



Sources: Equifax, Moody's Analytics

ruptcy rates remain low, defaults increased in January to levels not seen in the previous three years. While a single data point is not a cause for alarm, the sector bears close monitoring.

Retail credit cards experienced a similar increase in growth in balances and number. As with bankcards, delinquency and default rates ticked up in late 2015. While this is concerning, we note that performance of retail cards has been slowly deteriorating over the last four years as the credit profile of borrowers has weakened.

Comparing balances across unsecured lending products, growth has been strongest among retail cards followed by consumer finance and bankcards (see Chart 2). Lenders have been actively expanding credit in these products since 2010 and have loosened standards among subprime borrowers more recently (see Chart 3).

Trucks and SUVs are popular again

Consumers purchased more trucks and sport-utility vehicles in 2015 encouraged by lower gas prices and low interest rates (see Chart 4). Auto lenders accommodated the increased demand, with easy credit, extended loan terms, low or 0% interest rates, and low documentation requirements further fueling borrowers' desire to spend.

Outstanding balances on auto loans and leases rose to \$1.06 trillion in January, an increase of 11.1% over the past year. Despite the rapid increase and looser standards, delinquency rates remain low. However, sub-

prime borrowers with credit scores below 620 are starting to show signs of weakness with increased default rates and stabilizing delinquency rates. Given the rapid expansion, this segment is particularly vulnerable to any weakness in the economy.

Students borrow more

Student loan balances continued their steady increase last month. The percentage of borrowers past due by 30 days or more increased to 5.4% after hitting a low of 5.2% in late 2014 and early 2015. Despite the difficulty in discharging student debt through bankruptcy, bankruptcies rose appreciably over the last four years, although they dropped slightly in late 2015.

Student debt remains a concern largely as a result of the overall amount of debt outstanding at more than \$1 trillion. More important than the absolute number is the impact student debt may have on future consumption and credit growth.

Outlook

As the Federal Reserve's 2% inflation target seems further out of reach given the drop in oil prices, the Federal Open Market Committee is not expected to increase interest rates until the middle of 2016 at the earliest. Continued low rates will create more demand for mortgages and auto loans and spur more credit card and consumer finance lending. As consumers continue to pay on time, lenders will feel encouraged to loosen standards.

Further loosening of credit standards is expected for subprime and "near prime" borrowers for mortgages and credit cards provided that market uncertainty is contained.

If the U.S. can escape a crisis in 2016, we should expect a turnaround in lending backed by residential real estate led by first mortgages. HELOC originations are expected to expand as consumers feel more confident and look to tap the equity in their homes to support consumption, buy a second home, or finance home renovations.

Risks

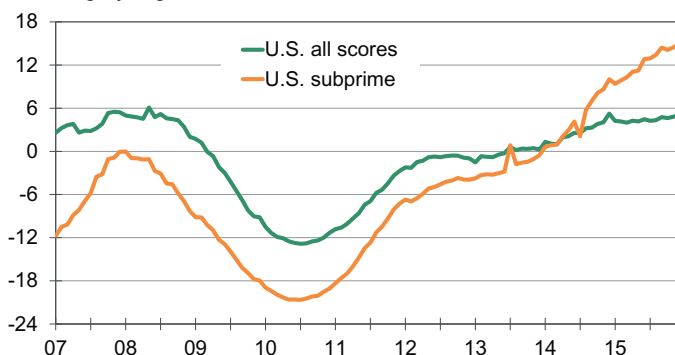
Risks to the outlook emerged suddenly as weakness from overseas became more apparent this month. Spillover effects from China and other markets could affect U.S. exports, investment and manufacturing, leading to weaker job growth.

Declining oil prices pose a risk to the outlook as well. Although low prices could push up consumption and lower delinquency rates, the loss in jobs in the oil-related sectors will increase financial stress among affected households. Lower oil prices may also increase economic uncertainty overall.

Slower growth in the economy, preceded by declines in manufacturing and lower inflation expectations, along with weaker exports and stock market volatility, could lead to further uncertainty and have negative spillover effects on consumer behavior and credit markets.

Subprime Growth for Bankcards

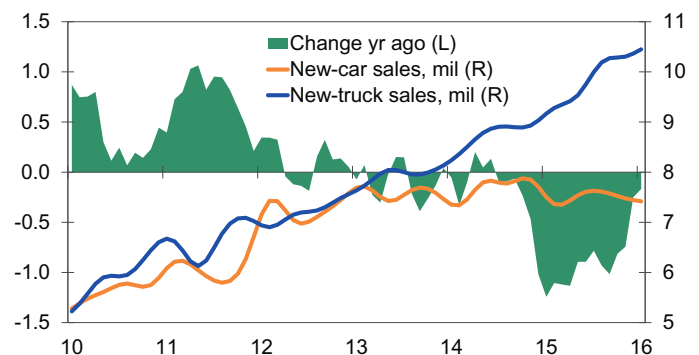
% change yr ago, NSA



Sources: Equifax, Moody's Analytics

Truck Sales Increase as Gasoline Prices Fall

Unleaded gasoline, \$ per gallon



Sources: EIA, Moody's Analytics

Challenging Environment for Business Investment

BY ILIR HYSA

Recent Performance

Business investment has been under pressure for months now. The oil industry is facing some of the lowest prices in years, and trade-sensitive industries are being squeezed by the competitive effects of dollar appreciation. This combination affords large benefits to households but weighs on businesses. Recent financial market volatility has added one more complication as elevated uncertainty is gradually taking a toll on confidence. The effects of these developments were evident in the government's first estimate of fourth quarter GDP (see Chart 1). Real fixed investment fell nearly 2% at an annualized rate, with both structures and equipment investment contracting considerably. The fourth quarter results would have been worse were it not for big increases in spending on software and sizable research and development gains.

The hard data on business investment are also downbeat. As Moody's Analytics expected, the decline in factory orders was broad-based, steep, and the largest in a year, surprising on the downside the consensus forecast. Core capital goods orders slipped 4.3% in December, taking such orders to their lowest level since late 2013. Core capital goods shipments edged slightly higher but, taking into account the sudden increase in inventories, the combined effect will be

lower equipment investment and GDP for the quarter than initially reported.

The inventory increase fell short of what the government assumed when calculating growth for the quarter. It is also clear from the rest of the monthly indicator flow that capital equipment spending faces an uphill struggle this quarter (see Chart 2). A positive is that manufacturing hiring was surprisingly strong in January, suggesting that the industry is doing better than many reports suggest.

Structures

While low oil prices have already done much damage to oil producers and related industries, ongoing sluggishness in energy prices spell more trouble for business investment on nonresidential structures. That is why the outlook for nonresidential structures investment was downgraded in February for the rest of 2016.

Energy exploration and production companies are cutting back capital expenditures in response to the plunge in new drilling. The Baker Hughes rig count, which is used by the government to estimate oil and gas structure investment, has fallen sharply since late 2014. The latest weekly reading is 65% below the average in the fourth quarter of 2014 and 8% lower since December, signaling that the decline in oil-related spend-

ing is not over and will weigh on broader investment this year. Oil and gas extraction accounts now for only 15% of structures investment—at levels seen at the end of the Great Recession—and is twice as low as the share in 2011-2013.

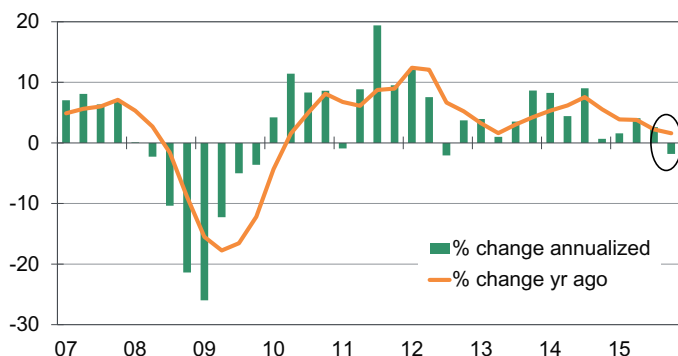
While an outright decline in business investment in structures seems unlikely, despite further cutbacks in energy-related industries, the prospects are encouraging apart from oil and gas extraction. There were solid increases in nonresidential construction payrolls in December and January, and architectural billings—a leading indicator of construction spending—posted modest gains in late 2015, suggesting stronger activity over the next few months. The fundamentals outside of energy are increasingly positive, especially for power and communications, which will be among this year's best performers, but overall profits will be squeezed.

Profit squeeze

The combination of low oil prices and a stronger dollar made for a disappointing 2015 and will weigh on corporate profits, a negative for business investment. Earnings in the shale oil industry will fall further with pressure on states with large energy-producing sectors, notably Texas and North Dakota. The oil price drop is combining with

Business Investment Ends 2015 on a Low Note

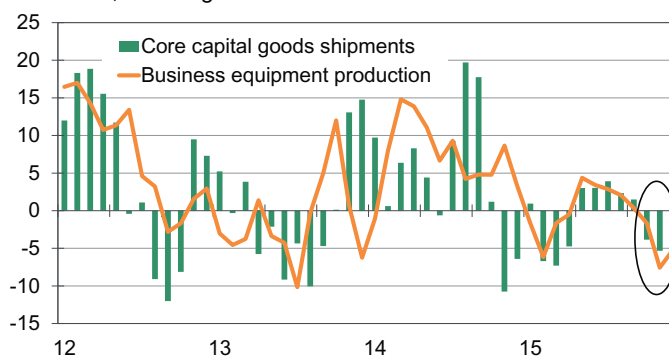
Real nonresidential fixed investment



Sources: BEA, Moody's Analytics

Capital Equipment Faces an Uphill Battle

Over 3 mo, % change annualized



Sources: Census Bureau, Federal Reserve, Moody's Analytics

currency movements to generate significant terms of trade shifts. Consequently, though the squeeze on profit margins will be most pronounced for oil producers, trade-sensitive industries such as manufacturing will also face pressure from dollar appreciation (see Chart 3). Firms that use energy or sell imports will benefit, though for large multinational firms, the stronger dollar will depress profits earned abroad.

The outlook for profits from domestic operations starts with the forecast for growth of nominal GDP. The expected growth of labor compensation as well as nonprofit components of national income are then subtracted, leaving profits as the residual. Historically, the gap between growth of nominal GDP and labor compensation has been a good guide to profits. Nominal GDP grew 1.5% at an annual rate last quarter, but labor compensation grew nearly three times as strong for the quarter. The gap indicates a squeeze on profits and soft domestic corporate earnings. Foreign profits of U.S. firms are likely to take a large hit from the stronger dollar, though the impact of currency shifts on profits should be less pronounced than for sales thanks to increases in hedging and more production located abroad.

Productivity puzzle

A lack of robust productivity growth is also hurting profits. Labor productivity continues to run unusually weak in this expansion, with no relief in sight. Productivity fell almost 3% at an annual rate in last year's

fourth quarter and has averaged about 1% during the post-Great Recession period. The weak productivity growth helps explain much of the tightening in the labor market, which sets the stage for interest rate hikes, though the Federal Reserve will likely revisit the timing of such hikes, given low inflation. Impending rate hikes will increase the cost of capital for firms. Disappointing productivity growth is also among the main reasons for the sizable gap between business sentiment and capital expenditure plans. On the one hand, businesses paint a bright picture of the future; on the other, they hold a tight grip on capital expansion. Instead, they substitute capital enhancement plans with investor-friendly approaches such as share buybacks and dividend payments. Finally, lackluster productivity has been mostly explained by cyclical factors, but recent sluggishness raises questions as to whether something structural is also part of the explanation.

Outlook

Very low oil prices and a strong dollar will weigh on business investment this quarter, and the forecast for growth is noticeably weaker than it was in January. As in 2015, the drag from lower oil prices will land mostly on structures investment (see Chart 4). Outside of the oil and gas industry, the environment is also slightly less upbeat, but positive.

Investment is expected to piggyback on faster growth in consumer spending, which

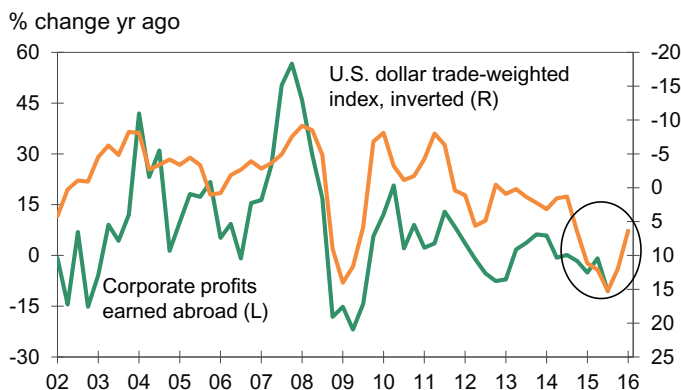
will raise the cost of inaction as spare capacity shrinks. Businesses will look to deploy the substantial financial reserves that they have built over the past several years and take advantage of high investment returns and a low cost of capital. Equipment investment will increase, but at a slower pace than previously believed, whereas investment in intellectual property will play a larger role in the next leg of the expansion.

Risks

Risks are balanced. Further financial market volatility could rattle business confidence. The possibility of a steeper fall in energy-related capital expenditures is another significant concern, particularly if oil prices slip even further, financial conditions start to tighten, and business sentiment is dinged. Stronger than expected wage growth presents another significant downside risk to the outlook for investment. While higher wages increase the price of labor relative to capital, making capital more attractive, tepid profits can offset such an effect if productivity stays weak and unit labor costs rise faster than prices.

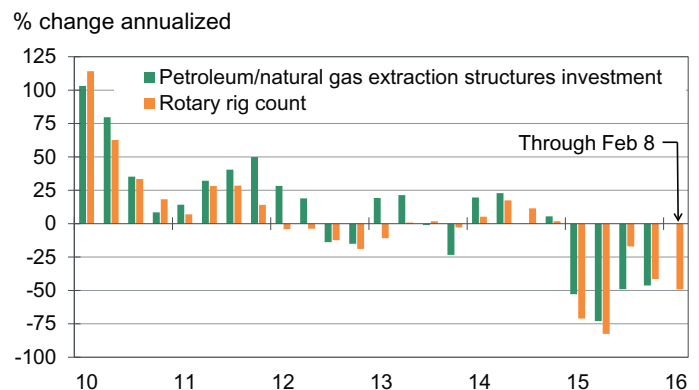
On the upside, there will be more pressure to invest if consumer spending and housing impress, and even though monetary policy will further limit easing of financial conditions, corporations may divert more of their profits to capital expenditures. Rising interest rates limit rewards to further stock buybacks and dividends and the price of capital decreases relative to labor.

Stronger Dollar Weighs on Foreign Earnings



Sources: BEA, Federal Reserve, Moody's Analytics

Drop in Drilling Will Hurt Structures Investment



Sources: Baker Hughes, BEA, Moody's Analytics

OPEC Oversupply Keeps Downward Pressure on Oil Prices

BY JUAN PABLO FUENTES

Recent Performance

Oil prices slumped in January, as global oil inventories continued to rise amid persistent excess supply. The price of West Texas Intermediate crude oil averaged \$31.70 per barrel in January, down 14.8% from December's average. According to preliminary figures from the International Energy Agency, OECD oil stocks rose to a record high of 3.012 billion barrels in December, and preliminary data for January showed an additional stock build.

OPEC output continued to increase in early 2016 even as oil prices temporarily descended below \$30 per barrel. By contrast, non-OPEC oil output declined again in January, though not measurably. Meanwhile, global oil demand growth decelerated somewhat in the final quarter of 2015, preventing any reduction in the global oil surplus. With oil demand growth not expected to accelerate in coming months, the global oil surplus will remain in place until at least midyear.

Speculation about a possible agreement between OPEC and Russia to curtail oil output temporarily boosted oil prices in late January. Venezuela, Nigeria, Angola and Iran lobbied other OPEC members looking to call for an emergency meeting that would include Russia. Yet Saudi Arabia finally decided against calling such a meeting, as it remains

committed to protecting its market share. As a result, oil prices resumed their downward trend by early February, with WTI trading at less than \$30 per barrel by February 9.

Prices for all commodity groups declined in 2015 amid weaker economic growth, especially across emerging markets, and excess supply. Energy led the decline with the World Bank's energy commodity prices index dropping 45.1% (see Chart 1). Prices for oil and natural gas fell by more than 40% last year while coal prices declined by about 20%. Prices for industrial metals dropped 21% in 2015 while those for agricultural commodities fell by 13%. Commodity prices will decline again in 2016, though at a slower rate.

U.S. driving soared in 2015

Based on preliminary reports from the State Highway Agencies, U.S. travel on all roads and streets in the 12-month period ended in November rose by 3.6%. That was the strongest pace since the mid-1990s and came amid a sharp drop in domestic gasoline prices. Total vehicle miles traveled in those 12 months reached 3.137 trillion, a record high.

The increase in driving was matched by a solid rise in gasoline consumption in 2015. According to preliminary data from the Energy Information Administration,

gasoline consumption increased by about 3% last year. Yet gasoline consumption remained below the record level reached in 2007 (see Chart 2). These figures suggest improvement in average fuel efficiency. The fuel efficiency of model-2015 vehicles sold averaged 25.3 miles per gallon, compared with 20.8 mpg for model-2008 vehicles. The nation's motor vehicle stock has become gradually more fuel efficient in recent years, which explains why gasoline consumption has grown more slowly than miles traveled.

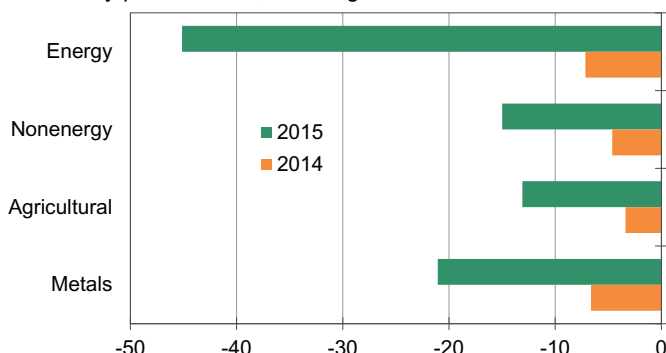
That trend has stagnated recently, however. Recent sales figures show a clear trend toward less fuel-efficient cars (mostly trucks and SUVs). As a result, average fuel efficiency gains have stagnated amid dropping fuel prices. This should be temporary, however, as fuel prices start to rebound by the second half of 2016 and car companies continue to push for greater fuel efficiency to comply with future government mandates.

OPEC remains key to oil prices

Aside from an unforeseen geopolitical event that disrupts Middle East oil supply, OPEC output remains the only factor capable of prompting a sharp rebound in oil prices in the near term. The global oil market is defined by OPEC output, non-

Energy Commodities Prices Led Decline in 2015

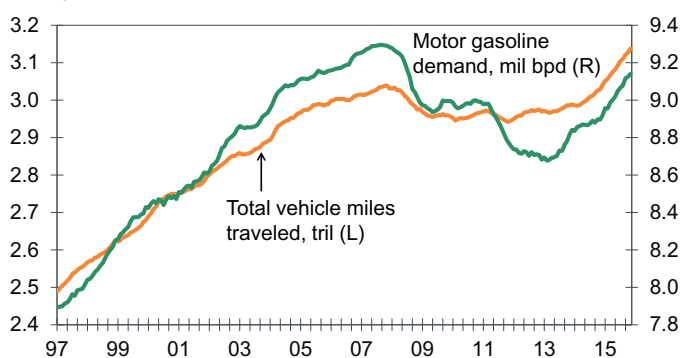
Commodity price indexes, % change



Sources: World Bank, Moody's Analytics

Miles Traveled Growth Accelerated in 2015

12-mo MA



Sources: Federal Highway Administration, EIA, Moody's Analytics

OPEC oil supply, and global demand. The last two can be projected with reasonable accuracy. Non-OPEC supply will gradually decline in 2016 amid a cutback in capital spending by international oil companies since early 2015. The decline has been a bit slower than initially anticipated because of the resilience of U.S. shale producers. Yet the general trend has been correctly anticipated. Meanwhile, global oil demand has also behaved largely as anticipated. Lower oil prices spurred global demand in 2015 despite weaker economic growth across emerging markets. Oil demand growth will slow in 2016 as the global economy underperforms. Given those assumptions, OPEC output remains the wild card for oil markets. A decision to cut output by 5%, as rumored in late January, would be enough to alter the global balance and prompt a sustained rebound in prices. Yet that option seems unlikely in the near term. More likely, OPEC output will remain near current levels, about 32.5 million barrels per day. If that is the case, the global oil market would become balanced in the second half of the year (see Chart 3). In a third scenario, OPEC output continues to increase in coming months as new Iranian oil floods the market. Under this scenario, the anticipated increase in supply from Iran is not offset by other OPEC members. As a result, total OPEC output increases and the global oil glut remains in place throughout the year. The likelihood of this scenario has increased in recent weeks.

China oil imports grew solidly in 2015

Despite slowing economic growth, Chinese oil imports continued to rise at a solid pace in 2015. Indeed, Chinese crude oil imports averaged 6.74 million bpd in 2015, up 8.8% from the previous year (see Chart 4). As was the case in 2014, part of the growth in Chinese imports in 2015 can be attributed to the ongoing buildup in strategic oil reserves. Official data on strategic reserves are not available, but the IEA estimates that China has added about 200 million barrels in storage capacity in recent years. China will add another 145 million in 2016 as the government takes advantage of low prices.

Chinese crude imports will grow through the foreseeable future, though at a more moderate pace. Thus, China is poised to become the world's largest buyer of crude oil by 2017, if not this year. U.S. oil imports are running at about 7.3 million bpd and should remain mostly stagnant in the near term.

Outlook

The global oil surplus averaged 2.2 million bpd in the last quarter of 2015, up from 1.6 million in the previous quarter. For the entire year, the global oil surplus averaged 2 million bpd. According to IEA estimates, the call on OPEC crude (needed OPEC supply to balance the market) will average about 31 million bpd in the first half of 2016, compared with current OPEC output of about 32.5 million bpd. The call on OPEC crude will not top 32 million bpd until the second half of 2016.

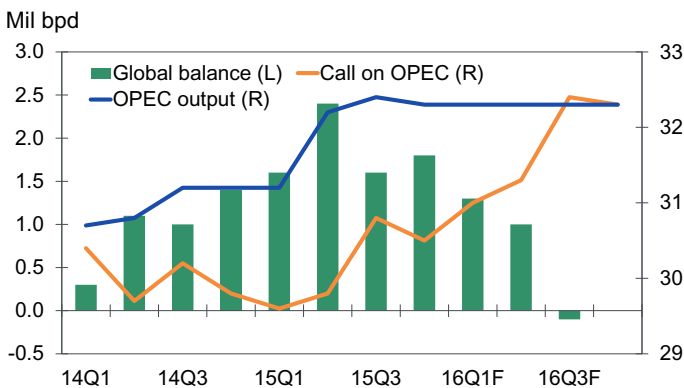
This situation has all but erased any possibility that the glut will disappear before mid-2016. Such a surplus will prevent a sustained rebound in oil prices in the first half of the year. Yet as the global market becomes more balanced in the second half of the year, prices will start to increase. Thus, the price of WTI will average \$40 per barrel in 2016 and top \$50 by year's end. Falling non-OPEC supply will be the catalyst for the rebound in prices.

Risks

The Moody's Analytics oil price forecast assumes that non-OPEC production declines gradually in upcoming months, that Iran brings around 400,000 bpd of production on line in 2016, and that the rest of OPEC raises oil production only marginally from current levels. Oil demand is expected to rise by 1.2 million bpd in 2016, compared with 1.9 million in 2015.

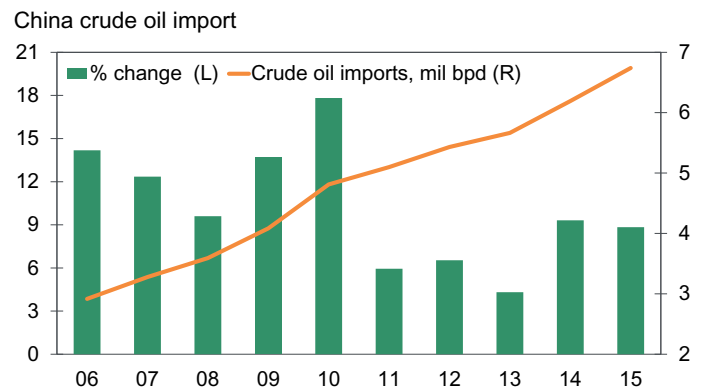
Prices could go lower than expected if OPEC boosts production, Iran ramps up production more quickly than expected, and U.S. shale producers remain resilient in the current low-price environment. On the other hand, a production outage somewhere in the world would immediately reduce excess supply given limited OPEC excess capacity, thus boosting oil prices. Similarly, the forgone capital investment by OPEC and non-OPEC producers alike could result in a sharper reduction in global oil supply than is currently expected by late 2016.

OPEC Output Decision Key to Oil Prices



Sources: IEA, Moody's Analytics

Chinese Oil Imports Remained Strong in 2015



Sources: Bloomberg, Moody's Analytics

Saving Is Higher for Several Reasons

BY SCOTT HOYT

Recent Performance

Real spending growth has slowed, but remains healthy, despite slipping toward 2% annualized (see Chart 1). Gains were led by services in December. Recreational and food services and accommodations led within services, but all main categories except those tied to utility spending posted gains. While the decline in nondurable goods spending was broad-based, falling vehicle sales hurt durable goods spending. The sharp drop in utilities spending bodes well for near-term growth.

Vehicle sales were better than expected in January, rising 1.5% to 17.59 million annualized units. The gain reverses some of the declines over the prior two months, but vehicle sales remained 1.8% below their fourth quarter average. Real durable goods spending added 0.3 percentage point to fourth quarter GDP growth and has boosted growth every quarter for more than four years, with an average contribution of 0.5 percentage point, but it will contribute little this quarter.

Saving

The U.S. personal saving rate ended 2015 at its highest rate since 2012. It has risen nearly as much since the spring as it did in the fall and winter just under a year ago when gasoline prices first fell sharply.

Last winter, it seemed clear that the increase in saving was primarily the result

of consumers not spending the money they were saving at the gas pump (see Chart 2). Severe winter weather had little impact other than shifting the timing of spending a little. Currently, it is not as easy to attribute higher saving to the drop in gasoline prices, though it is playing a role. Falling stock prices and very warm weather are also raising saving, with differing implications.

The saving rate is higher now than it was at its peak last winter, even though gasoline prices have not fallen as much. The average price for a gallon of gasoline is less than \$1 below its early summer peak. In January 2015, gasoline prices were more than \$1.65 below their prior spring peak. Since consumers have recent experience with gasoline prices falling and staying down, they may be more willing to spend some of the windfall as it accrues than they were a year earlier. Most likely, however, a large chunk of it is being saved, but other sources of higher saving this time complicate the analysis.

Weather can impact spending briefly. Severe weather can alter the timing of some spending, but only to a limited degree because most severe weather is forecast in advance and while some purchases are delayed, others are made in advance of the storms.

By contrast, the warm weather late last year may have had a larger effect in delaying

spending. Utility use was down, but it takes a month or longer for heating oil customers or households on fixed bills to feel the financial impact of reduced energy usage. Hence the weather this winter could have had a bigger, if still temporary, impact.

Wealth effects

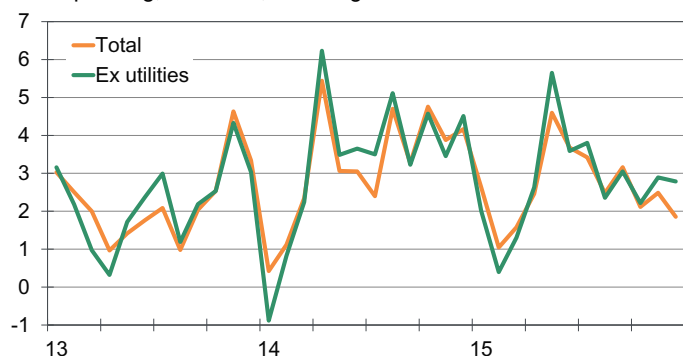
The decline in the stock market, by contrast, will have an impact on spending that will last through the year. Stock wealth effects have been atypically large since the end of the recession. They were an important support to spending over the past few years, with wage and income growth weak and confidence low. However, now they are a drag on current and prospective spending. Wealth effects play out over one to two years; the stock market turned down in August, so the drag will last through 2016.

The drag from negative wealth effects will not derail consumer spending growth, which will still rise faster over the course of 2016 than it did over 2015. Faster gains in wage and salary income will be the primary driver, although increases in nonwage income will accelerate modestly. Tightening labor markets will boost wage income and keep confidence high even in the face of a weak stock market and gradually rising energy prices.

Rising house prices are another support to spending. While housing wealth effects

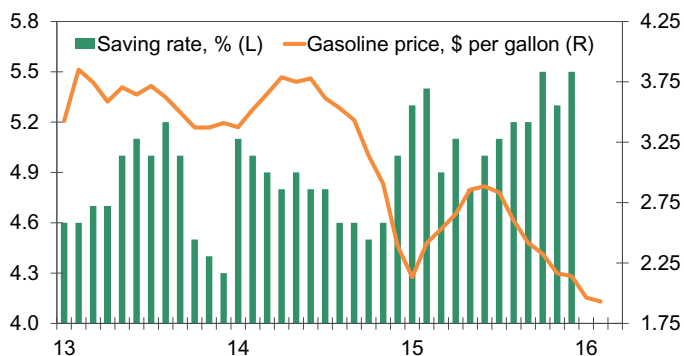
Spending Growth Slows

Real spending, 3-mo MA, % change annual rate



Sources: BEA, Moody's Analytics

Lower Gasoline Prices Drive Up Saving Briefly



Sources: BEA, EIA, Moody's Analytics

have been atypically small since the recession, they still exist. Further, rising prices should spur construction, which can be a major generator of jobs and wage income.

Spending prospects are also supported by households' low debt burdens. As a share of disposable income, debt burdens are at their lowest level in the 35-year history of the data. That, combined with saving that is at a four-year high, means that consumers have the financial ability to keep increasing their spending and leading the economy.

Retail

Retail sales growth slowed significantly in 2015. Total sales rose 2.1%, down from 3.9% in each of the prior two years and even faster gains in 2010 through 2012. However, the slowing was not because retailers sold less merchandise, but because retail prices fell. Gasoline stations were the biggest source of deflation. Prices at gasoline stations fell 22%, the largest decline on record. Excluding gasoline stations, retail sales increased 4.6%, just marginally below growth in 2014 and the average over 2012 to 2014 (see Chart 3).

Deflation weighed heavily on sales. Overall retail prices fell 2.6% in 2015, after being virtually unchanged the prior two years. That was the most severe retail deflation on record back to 1993. Prices excluding gasoline stations fell 0.3%, the first year of deflation by this measure since 2003. In 2014, prices rose 0.4%. Adjusted for prices, retail sales, in total and excluding gasoline stations, rose at a faster rate in 2015 than in 2014.

The lack of pricing power was pervasive (see Chart 4). Only a few, including furniture stores, restaurants and drugstores, had better pricing power in 2015 than 2014. Besides gasoline stations, deflation accelerated markedly at nonstore retailers, electronics and appliance stores, apparel stores, general merchandise stores, and building supply stores. Inflation at grocery stores declined while inflation at restaurants inched higher as consumers ate out more last year.

Outside of gasoline stations, retailers will not see much improvement in pricing power this year. The dollar's continuing rise and weak demand overseas are keeping import prices falling. Fluctuations in the U.S. trade-weighted dollar can affect consumer goods prices for up to a year. Declines in gasoline prices are expected to end soon. This will support growth in sales at gasoline stations and top-line sales.

Outlook

Spending growth will reaccelerate. Supports to spending remain firmly in place. Income gains will gradually pick up as labor markets tighten. Inflation will only gradually accelerate, supporting real incomes. Consumer interest rates remain low, and will respond only modestly to gradual Federal Reserve tightening. Strong job and income additions plus wealth appreciation will encourage the release of pent-up demand.

Durable goods will lead in the near term, though most of the acceleration will come from services spending since vehicle sales

are near their peak. Rebounding housing markets will boost housing services spending, while high confidence and wage growth will support leisure spending.

The strengthening economy and income growth will keep credit quality strong. The exception will be student loans, where the tightening of standards was limited. Delinquency rates are low in most other segments. Credit card charge-offs will remain near record lows despite rising debt, although auto losses could rise.

Risks

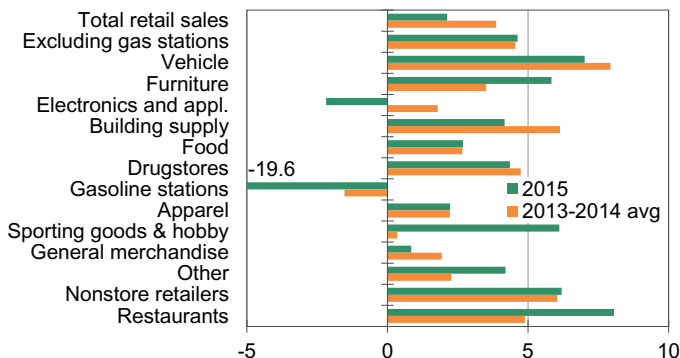
Risks to the outlook remain significant. Spending seems sensitive to equity prices, so events overseas that impact financial markets are an important risk. Uncertainty over the pace of Fed tightening could also cause unexpected stock price weakness. Besides these, the biggest risk may be the possibility that consumer behavior has fundamentally changed, so consumers will save more than expected, particularly out of resources they perceive to be temporary.

Another risk is that supply constraints or unexpectedly high mortgage rates could mute the rebound in construction, so neither job nor income gains meet expectations. Energy prices are also a wild card. A quick rebound would weigh on attitudes and spending.

Upside risks center on pent-up demand. Tightening labor markets could spark a larger than anticipated surge in household formation and release of pent-up demand.

Retail Sales Growth Slowed Broadly

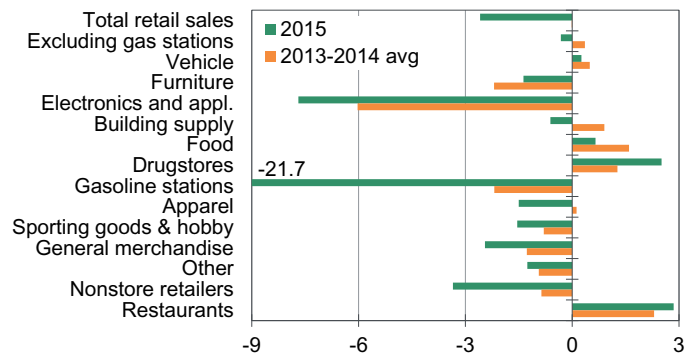
Retail sales, % change from prior yr



Sources: Census Bureau, Moody's Analytics

Retail Prices Falling

Retail deflator, % change from prior yr



Sources: Census Bureau, Moody's Analytics

Homeownership Is Still Uphill

BY ANDRES CARBACHO-BURGOS

Recent Performance

The U.S. housing market is gaining ground steadily but shows few signs of acceleration. Total home sales including new single-family, condos/co-ops and mobile homes have reached 6 million annualized, still slightly below last decade's pre-housing boom average, while house price growth is steady at 5% to 6%. Single-family construction is slowly starting to pick up but is also below the pre-housing boom average.

The rental market is still in danger of overheating despite accelerating multifamily construction. The rental vacancy rate is at a 30-year low of 7% (see Chart 1), while the deflated median asking rent is at a record high. Financially constrained households are still being forced into the rental market at a pace that was not foreseen 10 years ago. One indicator of financial weakness for households is distress sales. The sum of real estate owned sales to third parties and short sales as a percent of total sales peaked at nearly 30% in 2010 but has since fallen to little more than 10% in 2015, most of which were short sales. While this decline sounds like a major improvement, the distress sale share is still above the pre-housing crash average of 3% nearly six years after the end of recession, and this still-high prevalence can be explained only by lingering balance sheet weaknesses among many U.S. households.

The liability side

There is little doubt that balance sheet weakness is behind the weak recovery in purchase demand, with an overheating rental market being the other side of the coin. On average, household numbers do not look too bad. The ratio of debt service to disposable income, which fell all through the recession and the first three years of recovery, bottomed out in 2014 and has at last started to rise as consumers become confident to take on more debt. Also, delinquent first mortgages have subsided as a share of total outstanding mortgages. The better debt performance of the housing market is reflected in lender confidence, where mortgage rates remain low and mortgage loan officers tended to ease lending requirements in 2015 (see Chart 2).

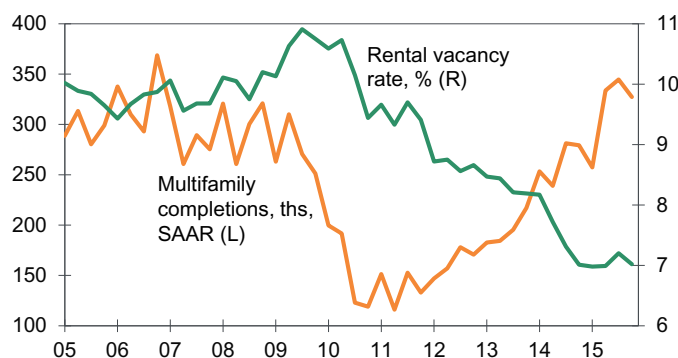
The problem is that most liability numbers reflect average performance but medians and other central measures for household liabilities would probably look substantially worse if that data were available. The ratio of median family income to debt service on a median-price home looks much better than at the height of the housing bubble, but there are other liabilities and obligations weighing down both younger and middle-age families, including student loans for younger generations and college tuition for older families.

Also, even if the liability side of the balance sheet is unchanged, strains on real income can still make debt service or the taking on of new debt more difficult, and very high median asking rents are definitely a strain on wealth accumulation by younger households. As a result, improvements in debt performance and still-high affordability have not translated into rapid purchase demand (see Chart 3), while the share of first-time homebuyers in the housing market remains stubbornly stuck at 30%, below the rate from years before the housing crash.

The asset side

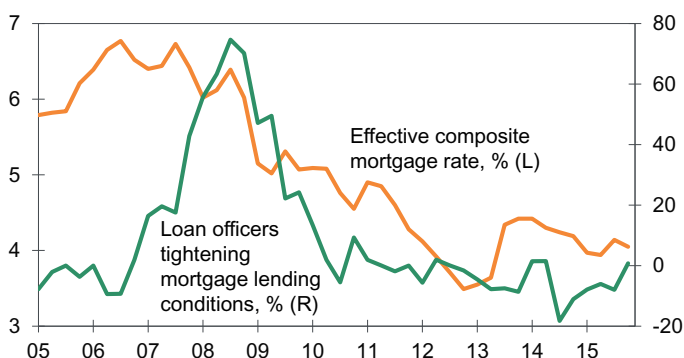
The asset side of household balance sheets has even more paucity of data, but a few patterns can be detected. Once again, average quantities paint a misleading picture. Excluding life insurance and pensions, average financial asset valuation per household was higher in 2015 than in any previous year, even when adjusted for inflation. Less frequent median numbers tell a different story. Real financial non-retirement and non-insurance assets have barely increased through the history of the Federal Reserve's Survey of Consumer Finance, and have yet to recover much of the decline that took place after the 2007 survey. This weak recovery on the asset side is the major reason why stronger wage increases are essential

Rental Market Still Tight Despite Construction



Sources: Census Bureau, Moody's Analytics

Supply of Credit Is Still Good...



Sources: FHFA, Federal Reserve, Moody's Analytics

for the macroeconomy and U.S. housing markets by extension, and why the Fed should think carefully about rate tightening if such tightening slows down the growth of real wages.

The nonfinancial asset part of household balance sheets comes with the usual contradictions. Home valuation accounts for the lion's share of this category and is also a strong macroeconomic driver, as in the previous decade when overvalued housing led to strong home equity lending and resulting spending by homeowners. For non-homeowners, higher housing values make it more difficult to convert financial assets into housing even with good access to mortgage credit. While median family incomes have been on the rise over the past five years and housing affordability is still high, affordability has trended down since 2012 (see Chart 4). Another housing bubble can be discounted, but any new recession that short-circuits growth in median family income will act to delay home purchases and may short-circuit the recovery in the share of homeownership.

Net worth

The total balance sheet for U.S. households looks all right even when taking into account the highly skewed distribution of assets, but looks somewhat less healthy when homeownership and age are brought into the picture. Real average household net worth was higher than it has ever been in 2015 prior to the tumble in financial

markets, but the median is a different picture. The 2013 Survey of Consumer Finances showed that median homeowner net worth had barely started to recover from the nearly 30% loss it sustained as a result of the plunge in home equity between 2007 and 2010. For renting households, the housing crisis loss was much less, but there was no subsequent improvement; owing to higher student loan and rent payment burdens, the net worth of renting households was substantially lower in 2013 than in 2001, the last year before the start of the housing bubble. The median net worth of families with a head under 35 also went through a serious decline between 2005 and 2013.

The coming survey this year will likely show an improvement in median net worth for both renting and younger families, which is all to the good, but that may prove short-lived if the current financial market downturn leads to a downturn in the real economy. Once credit normalizes as it has in the last five years, the major driver of household balance sheets will be wage income gains. Only such growth will help households obtain access to housing as an asset rather than a cost burden.

Outlook

Accelerating wage growth from a tightening labor market will make itself felt soon in the labor market, alongside an ever more lopsided rent versus buy calculation in favor of purchasing. As more potential homebuy-

ers accumulate the savings needed to make a down payment on a home, purchases will jump and reach a new peak in mid-2017. The increase in sales and tightening inventory-to-sale ratios will at last jump-start single-family construction, which will reach a new peak about a year later.

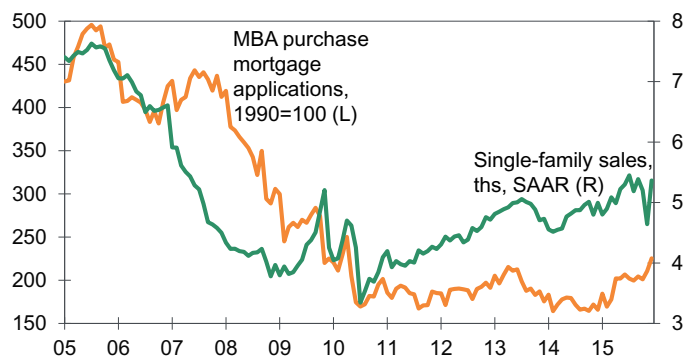
The increase in home sales will at last bring a halt to the 10-year decline in the homeownership rate, but tight household balance sheets will result in very gradual increases in this share over the next five years.

Risks

Recent financial market turmoil will affect the U.S. housing market only insofar as it leads to a macroeconomic downturn. The recent flight to quality that has pushed down Treasury bond rates may even benefit the housing market by keeping mortgage rates down longer than previously predicted. However, any new financial crisis would have macroeconomic repercussions, and any wave of layoffs and fall in spending that short-circuit wage growth will also curtail the potential housing market recovery.

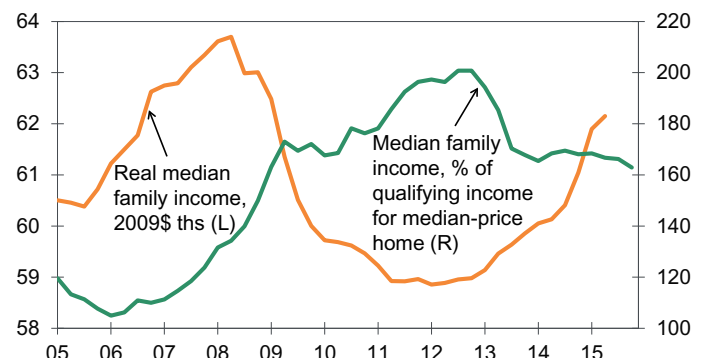
Supply-side risks are mostly unchanged. In some of the larger metro areas, builders are still reporting shortages of skilled labor that have skewed construction away from more labor-intensive single-family homes. Even with a jump in construction wage growth, these shortages may persist and could prevent single-family construction from increasing as rapidly as predicted for the U.S. as a whole.

...But Purchase Demand Remains Weak



Sources: MBA, NAR, Census Bureau, Moody's Analytics

Income Recovers, but Affordability Has Fallen



Sources: Census Bureau, NAR, Moody's Analytics

Pondering a New Path for the Fed

BY RYAN SWEET

Recent Performance

The Federal Reserve is taking a wait-and-see approach because time will tell if the tightening in financial market conditions since the beginning of the year and weakness in the global economy will force the central bank to revisit its plan for raising rates this year. The statement gave a nod to financial market conditions. It noted that market-based measures of inflation expectations fell further, though survey-based measures were relatively stable. The Fed has tended to put more stock in survey-based measures. The Fed noted that inflation will likely remain low, but this is attributed to transitory factors, including energy prices. All told, based on market expectations for the path of interest rates, this statement was far from dovish (see Chart 1).

Moral hazard coming home to roost?

The tightening in financial market conditions has shaved 0.5 percentage point off the baseline forecast for GDP growth this year (see Chart 2). The way in which the Fed discusses how financial markets will factor into the expected path of interest rates will be important.

There is the risk that markets have become conditioned to assume the Fed will respond to each decline in the stock market. This moral hazard is difficult to overcome

but, sooner or later, the Fed may have to draw a line. The Fed should not sound overly dovish or act unless the tightening in financial market conditions is altering the economy's trajectory.

It is a mistake to assume that every stock market selloff coincides with a U.S. recession. Paul Samuelson's famous quip that the stock market has predicted nine of the past five recessions should be kept in mind. Also, the reason for the selloff is important in assessing potential economic costs. Still, it is difficult to say with any certainty what the primary catalysts are for the drop in U.S. equities since the beginning of the year. Some obvious contributors are lower oil prices, jitters about China and the global economy, and concerns about Fed policy. It is possible that U.S. equities got too frothy and that the decline, though painful, is needed to bring them back in line with fair value. Stock prices can be considered fairly valued when they reflect investors' expectations for earnings growth and other key variables, including interest rates and energy prices.

Some popular stock valuation metrics signaled froth heading into this year. For example, the market capitalization-to-GDP ratio was two standard deviations above its historical average (see Chart 3). The logic behind this metric is that the value of an economy's output and the earnings of its

companies should be closely linked. Another useful measure is Tobin's q—market value of equity relative to its replacement cost. Though this also edged lower, it remains above its average since the 1950s. The Shiller PE ratio—the cyclically adjusted price-to-earnings ratio—for the Standard & Poor's 500 also is above its historical average of 16.5.

The economy can and has weathered sharp declines in equity prices. There are numerous instances when equities have fallen in excess of 10% and a recession did not follow.

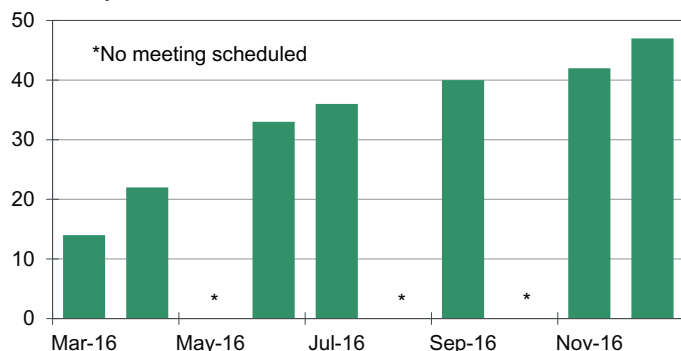
A likely new path

Everything has to go according to plan for the Fed to raise interest rates four times this year. This is now unlikely, given the magnitude of the tightening in global financial market conditions and the absence of further evidence that inflation is moving toward the 2% target. Moody's Analytics will likely change its forecast from four 25-basis point rate hikes this year to three, with the Fed opting to pass in March. This would be only a pause in the tightening cycle; the next rate hike would likely occur in June.

It is appropriate for the Fed to take time to assess whether the tightening in financial market conditions is affecting the economy more than expected. Moody's Analytics be-

Futures Not Betting on a Rate Hike Soon

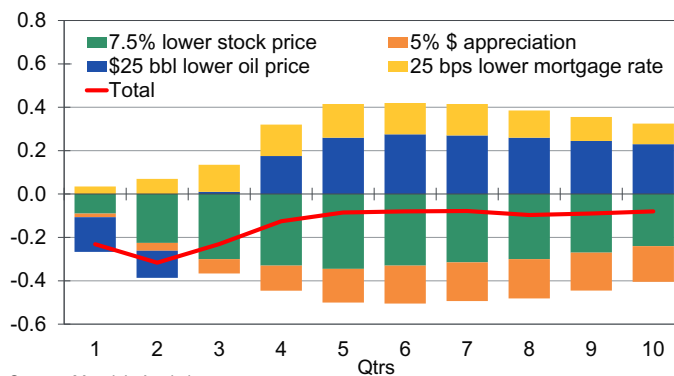
Probability of a Fed rate hike, %



Sources: CME, Moody's Analytics

Economic Crosscurrents

Real GDP deviation from no change scenario, % change



Source: Moody's Analytics

believes the financial-market crosscurrents will be a small negative for growth in the first half of this year but will be more significant if markets do not settle down. Financial markets have already done some of the work for the Fed, and the central bank wants to avoid piling on more tightening. Though financial stress is less than normal, it has changed quickly and the magnitude matters (see Chart 4).

Developments abroad have mixed implications for the Fed. Major central banks have eased, including the European Central Bank and Bank of Japan. In the past, easing by other central banks has typically boosted the odds of Fed tightening, all else being equal, as the downside risk to the U.S. economy is reduced. However, this time is different. Many developed central banks are adopting negative interest rates, boosting the U.S. dollar and pushing long-term U.S. interest rates lower.

Fed Vice Chairman Stanley Fischer has subtly backed off his prior estimation that four rate hikes this year were in the ballpark, and New York Fed President William Dudley struck a dovish tone recently. Odds are that Fed Chair Janet Yellen shares similar views.

Yellen on Capitol Hill

Yellen was wishy-washy about the path of interest rates but showed little indication that the central bank is prepared to delay tightening monetary policy for long. In congressional testimony in February, Yellen reiterated her expectations that interest rates would continue to rise gradually. This is not surprising,

as slack in the job market is vanishing quickly and the central bank does not want the job market to run so hot that the Fed is forced to raise interest rates aggressively. In other words, the Fed remains wedded to the Phillips curve, or the inverse relationship between rates of unemployment and inflation.

Moody's Analytics views her comments as dovish, which is not surprising given the tightening in financial markets since the beginning of the year and inflation's lack of tangible progress toward meeting the central bank's target. The attention that Yellen gave to the strains in financial market conditions was greater than expected.

Her comments were also dovish in the sense that she repeatedly highlighted the downside risks to growth and inflation. Relative to market expectations, it is nearly impossible for Yellen to sound overly dovish, as markets are not pricing in the next rate hike until 2017. However, she downplayed the slide in market-based measures of long-term inflation expectations, chalking it up to changes in risk and liquidity premiums. Still, she did not push back against market expectations that the next one will occur in 2017.

Two things stood out during the question-and-answer session. First, the interest on excess reserves was not overly popular with those on either side of the political aisle. The IOER is the primary lever to move the target range for the fed funds rate and helps the central bank control the amount of reserves in the system. As part of the Emergency Economic Stabilization Act of

2008, Congress granted the Fed the ability to pay interest on reserves; if this is taken away, it would have significant implications for monetary policy.

Second, there was some discussion of negative interest rates. Yellen was unclear as to whether the Fed has the legal authority to adopt a negative interest rate policy, and she did not seem sold on this as one of the first policy options were the economy to falter.

Outlook

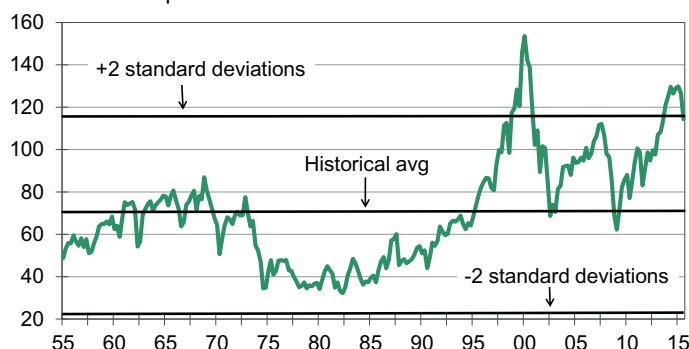
The baseline forecast assumes the target range for the fed funds rate increases by 25 basis points at every other meeting in 2016, but this will likely be changed in the March baseline to include only three. Calculations by Moody's Analytics show the terminal fed funds rate is 3.5%, on par with the Fed's estimate. The Fed will allow its balance sheet to naturally deflate in mid-2016, but odds are rising that this will not occur until later in the year or in 2017.

Risks

If the Fed jumped the gun and is forced to reverse course, quantitative easing would be restarted. There are other options, including negative interest rates, funding for lending, raising the inflation target, and pegging interest rates on securities with maturities of two years or less. The latter would be a commitment to keep rates low for at least two years, but the balance sheet would increase substantially.

Signs of Lofty Valuations

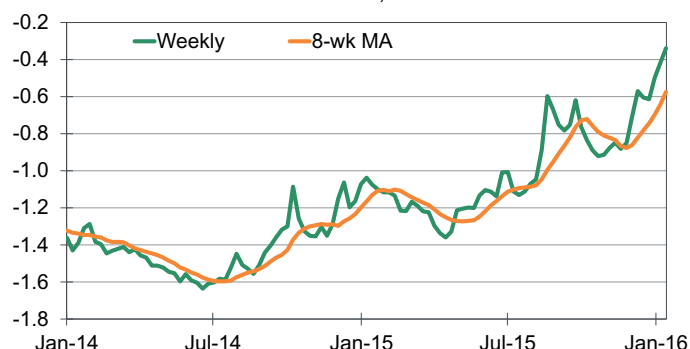
Total market capitalization as a % of nominal GDP



Sources: Federal Reserve, BEA, Moody's Analytics

Magnitude Matters

St. Louis Fed Financial Stress Index, 0=normal



Sources: St. Louis Fed, Moody's Analytics

Three Takes on the Federal Budget over the Next Decade

BY BERNARD YAROS

Recent Performance

Federal government revenues exceeded outlays by \$55 billion in January, compared with an \$18 billion deficit in the same month last year. Yet, timing effects such as \$26 billion in payments for Social Security benefits that were moved to December 2015 explain much of the surplus. Adjusted for these effects, January's surplus would have amounted to only \$5 billion, according to the Congressional Budget Office.

The federal government has recorded a cumulative budget deficit of \$160 billion for the first four months of fiscal 2016, 17% less than the one recorded over the same period last year. Revenues are up 3%, while outlays are largely the same as last year's total. On the revenue side, gains in individual income and payroll tax receipts have more than offset the decline in corporate income taxes. Other tax receipts are up \$11 billion thanks to remittances from the Federal Reserve under the five-year funding bill for the Highway Trust Fund. On the spending side, expenditures on Social Security benefits have increased 4% because of the rising number of beneficiaries. Medicaid is also driving net spending on mandatory programs because of new enrollees under the Affordable Care Act (see Chart 1).

Obama's last pitch on fiscal front

President Obama released a \$4.1 trillion spending plan for fiscal 2017 that the administration projects would reduce the deficit by an aggregate \$2.9 trillion over the next decade largely by increasing revenues. The plan would in turn increase investments in clean-energy transportation, education and cyber security, among others.

The fiscal agenda in Obama's proposal is largely aspirational, with most key points unlikely to see the light of day in a Republican-controlled Congress. Nevertheless, the tax and immigration reforms in the fiscal 2017 plan are worth paying attention to as an outline for reforms likely to be pushed by future Democratic policymakers.

The budget plan received much attention for the \$10 per barrel tax for all crude oil used in the U.S. that oil companies would have to pay. Yet, on the tax front, there are other equally ambitious proposals, including a raise to the top tax rate on capital gains, a cap on the value of most tax deductions, and the extension of the "net investment income tax" for Medicare to all high-income individuals (see Chart 2).

Obama's tax proposals will likely be dead on arrival at the House and Senate budget committees. The one item with the greatest chance for bipartisan support is corporate tax reform, particularly Obama's reiterated

call for an overhaul of the U.S. international tax system.

The administration projects that the proposed revenue enhancements would keep deficits and public debt outstanding stable over the next decade (see Chart 3). The deficit as a share of GDP would fall to 2.6% in fiscal 2017 from the 3.3% expected for this fiscal year. Thereafter, deficits would mostly stabilize, ending at 2.8% of GDP by 2026. Likewise, public debt as a share of GDP would ease to 75% by 2026, down from the expected 77% this fiscal year.

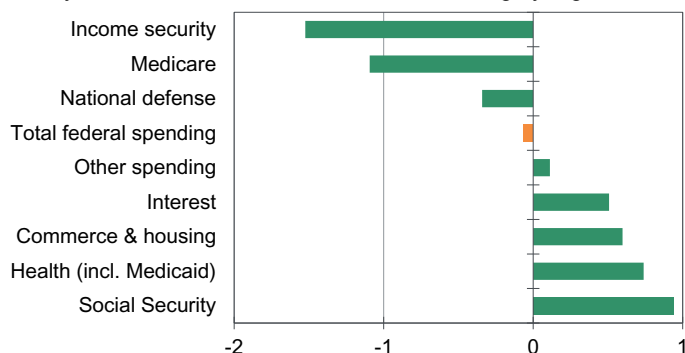
Though the budget proposal may be dismissed as simply a wish list, a failure by the next president and Congress to rein in deficits through a meaningful combination of tax, entitlement and immigration reforms would pave the way for the bleak fiscal and economic picture painted by the CBO.

CBO issues another wake-up call

The CBO last month released its updated budget and economic projections for the next 10 years, and the picture is far less optimistic than the White House's projections based on its budget proposal. Moreover, the long-term fiscal picture is even bleaker than the CBO's prior update in August. The non-partisan budget office has raised its projection for the cumulative deficit from 2016 to 2025 by \$1.5 trillion (see Chart 3).

Net Mandatory Spending Is Still Rising

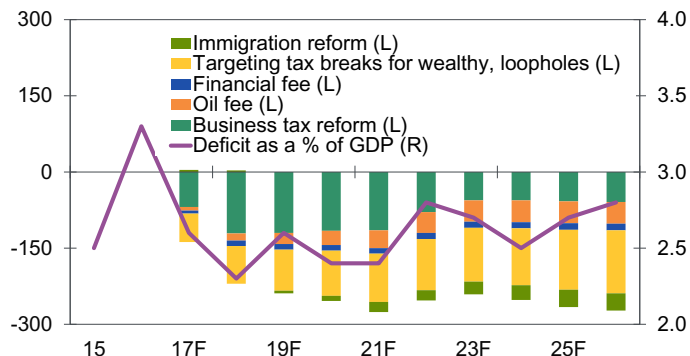
Outlays, fiscal 2016 YTD, contribution to % change yr ago



Sources: Treasury, Moody's Analytics

White House Eyes Tax and Immigration Reform

Projected effect on deficits from Obama's budget proposals, \$ bil



Sources: OMB, Moody's Analytics

Much of this increase is due to legislative changes since August, in particular the Bipartisan Budget Act of 2015, which raises discretionary spending into next fiscal year, as well as a permanent extension for the research and experimentation tax credit and quicker capital-equipment expensing for small firms. Also, the CBO's projections for individual income, payroll and corporate taxes were lowered as a result of a slight downgrade to expected growth in output, and technicalities affected projected outlays for mandatory programs.

The upshot is that the CBO now expects deficits as a share of GDP to rise to 4.6% by 2025 compared with 3.7% in its August update. Public debt outstanding likewise will balloon to more than 84% of national output by 2025, compared with nearly 77% in the previous update. Furthermore, under current law, public debt as a share of GDP is set to reach an eye-popping 155% by 2046.

A decade from now nearly 80% of the budget will be on autopilot, appropriated to mandatory spending programs and interest payments. As a result, discretionary spending will be increasingly crowded out over the next 10 years and fall as a share of GDP.

Fiscal reform for the economy's sake

Close observers of our forecast will note that the CBO's 10-year projections for the federal deficit are appreciably higher than the level laid out in the Moody's Analytics baseline, at around 4.3% by 2026. The reason for the difference in the two projec-

tions is that the CBO assumes a continuation of current law throughout the forecast, while Moody's Analytics believes policy reforms will be made. The baseline forecast assumes that federal policymakers will make necessary policy adjustments over the next decade to keep the debt-to-GDP ratio from rising unsustainably. This would require substantial tax, entitlement and immigration reform.

This assumption may seem like a stretch, but it is made because that combination of reforms is the only way to put the economy on track to achieve its long-term trend growth beyond the next five years. Large budget deficits reduce national saving and drive up interest rates, leading to weaker long-run growth. Given that baby boomers are retiring in increasing numbers, the government must also shore up its fiscal house as higher spending kicks in for Social Security, Medicare and Medicaid.

Outlook

For the first time since the financial crisis, the federal budget deficit will increase as a share of GDP in fiscal 2016 to 3.2%. Thereafter, the federal deficit will grow steadily over the next decade, reaching 4.3% of national output by 2026 versus 4.9% in the CBO's latest projections. Likewise, the public debt's share of GDP will rise to 85% by fiscal 2026, compared with 86% in the CBO's most recent update. Moody's Analytics assumes that a combination of tax, entitlement and immigration reform will be passed in the next

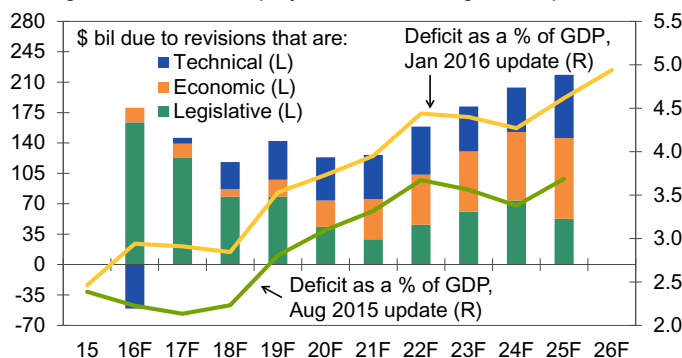
five years. The makeup of the forthcoming reform will largely depend on the balance of power in the White House and Congress. If the Democrats retain the White House and Congress remains under Republican control, lawmakers will most likely muster no more than some form of tax and immigration reform. On the other hand, if the Republicans take the presidency and stay in control of Congress, odds favor broader reform that would include changes to the current entitlement system. The assumption of fiscal reform is the central ingredient to bringing growth in spending in line with revenues in the long term (see Chart 4).

Risks

Even though the fiscal agenda for 2016 is not as laden with must-pass legislation as last year, Congress should not overlook the long-run threats to the federal budget's health. The biggest risk is a lack of political will to tackle much-needed reform on the tax, entitlement and immigration fronts. Interest rates are expected to rise, which will boost the cost of servicing the national debt, and an aging population will saddle the budget with greater Social Security and Medicare payments. Absent political action, deficits will become locked in an unsustainable trajectory. An untenable level of public debt would bite into private sector credit, hamstringing the government's reaction to an eventual economic or financial crisis, and demand greater sacrifices by future generations.

CBO Raises the Alarm on Future Deficits

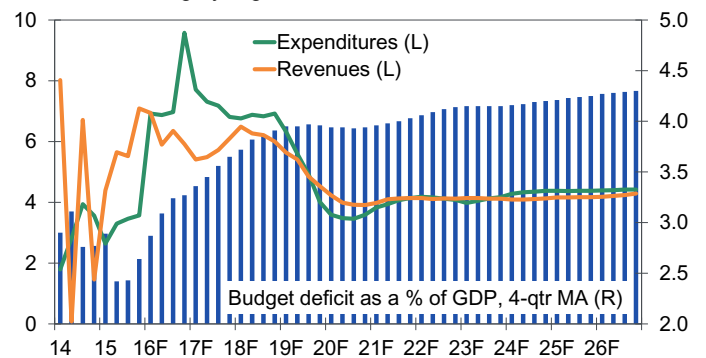
Change in CBO's deficit projections since Aug 2015 update



Sources: CBO, Moody's Analytics

Baseline Assumes Reforms Control Spending

Federal, % change yr ago



Sources: BEA, Moody's Analytics

Why Can't I Get a Teaching Job?

BY DAN WHITE

Recent Performance

State and local government fiscal conditions have markedly improved but remain much weaker than they were before the Great Recession. Signs of recovery are everywhere, and subnational governments have contributed to GDP growth for five of the last seven quarters. However, the details of the GDP report are less encouraging. Within the state and local government spending components, almost all of the growth is concentrated in social benefit payments to persons, predominantly Medicaid, which finished 2015 up almost 8% from the previous year. Much of this is due to increased coverage under the Affordable Care Act, but some is also attributable to underlying costs that are growing more quickly than revenues. Excluding Medicaid, state and local spending increases have been much more pedestrian, failing to clear the pace of inflation since 2013. State and local government job gains have been equally pedestrian. However, an often overlooked segment of state and local governments, school districts, are doing much worse than the headline number suggests.

More resources

The jobs picture among local governments is nuanced, and the gap in hiring between local government education and other programs has diverged a great deal (see

Chart 1). This matters to the jobs outlook, as school districts employ more than half of all local government employees in the U.S. These trends seem counterintuitive at first. Education funding was cut by almost every state during and after the Great Recession, but not nearly to the extent of other government services for obvious political reasons. Likewise, as state and local government tax revenues have rebounded, policymakers have looked to K-12 education first when restoring recessionary cuts. This has resulted in a more than 12% increase in aggregate state primary education funding since 2012.

Similarly, most local governments, including school districts, are seeing revenues come back in line with rebounding house prices. Local governments in the aggregate rely on property taxes for more than three-quarters of their total tax revenue, and the share for school districts specifically is even higher. House prices have rebounded more than 5% in each of the past two years and have regained more than 80% of their recessionary decline. Because of the way property taxes are assessed, it typically takes between six and eight quarters for higher house prices to pass through to higher property tax collections. Thus, controlling for statutory increases in rates over the interim, local government tax revenues should regain prerecession levels by 2017.

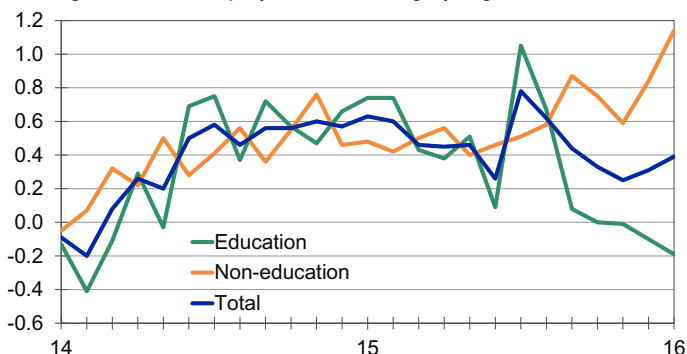
Less hiring

Despite all the positive harbingers for job recovery in local government, in particular in school districts, overall local governments have recovered only about one-fifth of the jobs lost during and after the Great Recession. Local government education employment has rebounded by even less, revealing that there is more to the weak job market in public education than simply revenue availability. School districts, like most governments in the U.S., are having to rethink the way they approach employee benefits, and in general districts are having to put more money toward keeping unfunded liabilities in check. This same phenomenon is also limiting the impact of state aid in a number of cases, given how intertwined school district and state pension funds can often be. There are several incidents where relationships with fiscally troubled states are holding back hiring within school districts as well, most notably in Illinois and Pennsylvania.

Further, local education employment is already near an all-time high compared with the number of school-aged children in the U.S. Nationally there was one local public education employee for every eight school-aged Americans in 2014. This compares with one for every 24 in 1955, and one for every 10 just 30 years ago. For context, the average public school class size in the U.S. was 23.8

A More Nuanced Look at Local Government

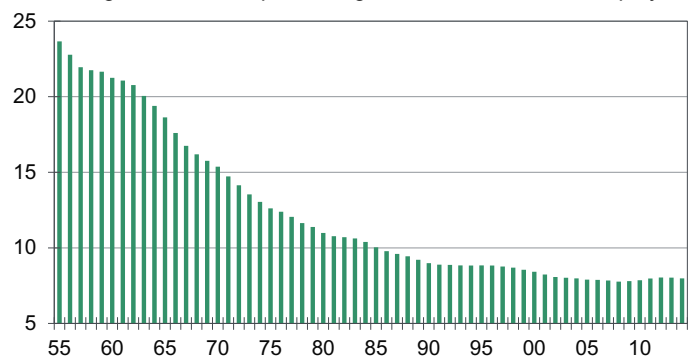
Local government employment, % change yr ago



Sources: BLS, Moody's Analytics

More Jobs, Fewer Students

School-aged Americans per local government education employee



Sources: BLS, Census Bureau, Moody's Analytics

in 2009, meaning that under the unrealistic assumption that all of those children were enrolled in public schools, there are three public education employees for every class including the teacher. Knowing that at least some of those students are privately educated, that ratio of employees per classroom is actually even higher. It is not surprising following the large fiscal stresses of the Great Recession that school districts would look to become more efficient by doing more with less, bucking the long-term trend in terms of students per employee (see Chart 2).

Fewer kids

Aside from these more temporal issues, there is also one major structural change affecting a majority of school districts throughout the U.S. Demographic trends have shifted dramatically in the last 15 years. The birthrate in the U.S. has fallen to an all-time low, and the pace of growth of school-aged children, 5 to 19 years old, has fallen off sharply in the new millennium. In fact, the number of school-aged children in the U.S. has actually declined in each of the past five years (see Chart 3). Thus, even after more efficiencies are made following the Great Recession, the demand for more public education jobs will wane along with school age demographics. Despite all the cyclical positives for local education employment, long-term structural trends are set squarely against any strong growth in hiring to come.

Those who favor small government will consider less hiring a positive. Public educa-

tion can be made more efficient, and less demand should mean lower long-term costs. However, this trend will exacerbate some fiscal issues that already bedevil local governments. The percent of the overall population that is school-aged is at its lowest point ever, meaning that soon, if districts have not reached this tipping point already, we will have fewer people in public education than are necessary to support all of those who have already retired (see Chart 4). This represents a major downside risk to the forecast should policymakers fail to adequately address growing mismatches in post-employee benefits. As pension and retiree healthcare funding become more unsustainable, government general funds will be required to pick up the slack, leading to potentially devastating fiscal consequences down the line. It will not be easy, but acknowledging the problem and working toward solutions today could save some major headaches down the line, for both policymakers and taxpayers.

Outlook

The growth of mandatory spending obligations will keep the pace of hiring among state and local governments near all-time lows during this phase of economic expansion. State and local employment has historically grown at about a 1.2% annualized pace. However, the baseline forecast calls for hiring to average only 0.7% annually over the next decade. This is important for the overall outlook as the public sector is

one of the largest sources of mid-wage jobs in the U.S.

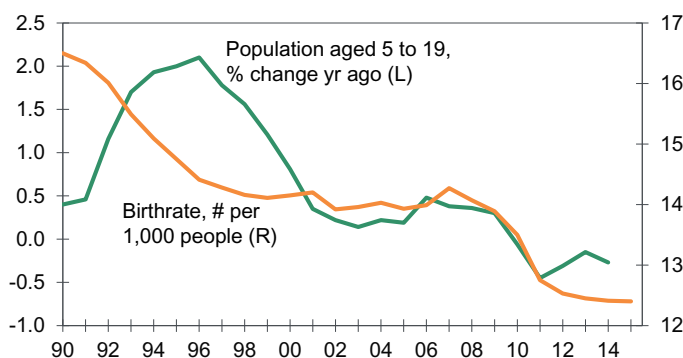
Tax revenues should perform in line with historical averages. State tax collections are already back above real prerecession peak levels, and, outside of energy states, should remain steady but unspectacular through the end of the fiscal year in June. At the local level, conditions have improved significantly. House prices have begun their rebound in earnest, and property taxes are following suit. Continued gains from sales and personal income tax categories will help local government collections regain prerecession peaks by 2017.

Risks

Near-term downside risks for state and local government fiscal conditions have been neutralized significantly thanks to long-awaited federal action on the budget, debt-ceiling, and the Federal Highway Trust Fund.

Long term, many states and local governments must grapple with depleted rainy-day funds and mountains of unfunded pension and retiree healthcare liabilities. Pensions in particular have the potential to limit the pace of spending and hiring even more than expected over the next several years if equity markets continue to underwhelm. Further, all states will have to cope with an unsustainable Medicaid program. States should be turning their attention to these risks as quickly as possible to protect themselves for the next recession, whenever that may be.

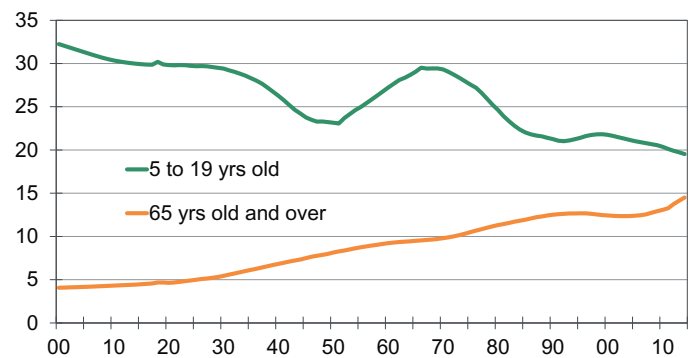
Fewer Students Will Require Less New Hiring



Sources: BLS, Moody's Analytics

Aging Paints a Bleak Picture for School Hiring

U.S. population by age cohort, % of total



Sources: Census Bureau, Moody's Analytics

U.S. FORECAST DETAIL TABLES » National Income & Product Accounts

	Units	15Q1	15Q2	15Q3	15Q4	2011	2012	2013	2014	2015
Composition of Economic Activity, SAAR										
Gross domestic product	CW\$ bil	16,177.3	16,333.6	16,414.0	16,442.3	15,020.6	15,354.6	15,583.3	15,961.7	16,341.8
Change	%AR	0.6	3.9	2.0	0.7	1.6	2.2	1.5	2.4	2.4
Final sales	CW\$ bil	16,053.8	16,209.7	16,319.3	16,366.0	14,979.0	15,292.3	15,511.4	15,881.7	16,237.2
Change	%AR	-0.2	3.9	2.7	1.1	1.7	2.1	1.4	2.4	2.2
Final domestic sales	CW\$ bil	16,597.8	16,747.2	16,868.3	16,934.7	15,442.5	15,742.4	15,929.8	16,326.3	16,787.0
Change	%AR	1.7	3.7	2.9	1.6	1.7	1.9	1.2	2.5	2.8
Personal Expenditures										
Consumption	CW\$ bil	11,081.2	11,178.9	11,262.4	11,322.5	10,263.5	10,413.2	10,590.5	10,875.7	11,211.3
Change	%AR	1.7	3.6	3.0	2.2	2.3	1.5	1.7	2.7	3.1
Durables	CW\$ bil	1,430.4	1,458.3	1,481.7	1,497.5	1,151.5	1,236.2	1,307.6	1,384.1	1,467.0
Change	%AR	2.0	8.0	6.6	4.3	6.1	7.4	5.8	5.9	6.0
Motor vehicles	CW\$ bil	404.1	413.6	416.7	411.5	333.8	359.1	375.8	396.7	411.5
Change	%AR	-3.5	9.7	3.0	-4.9	3.2	7.6	4.6	5.6	3.7
Nondurables	CW\$ bil	2,397.8	2,423.0	2,447.9	2,456.8	2,263.2	2,277.6	2,319.9	2,367.8	2,431.4
Change	%AR	0.7	4.3	4.2	1.5	1.8	0.6	1.9	2.1	2.7
Services	CW\$ bil	7,277.4	7,325.3	7,363.4	7,400.3	6,851.4	6,908.1	6,977.0	7,144.6	7,341.6
Change	%AR	2.1	2.7	2.1	2.0	1.8	0.8	1.0	2.4	2.8
Investment										
Fixed investment	CW\$ bil	2,701.4	2,735.5	2,760.7	2,762.2	2,186.7	2,400.4	2,501.9	2,633.7	2,740.0
Change	%AR	3.3	5.1	3.7	0.2	6.3	9.8	4.2	5.3	4.0
Nonresidential	CW\$ bil	2,188.6	2,210.6	2,224.9	2,214.7	1,802.3	1,964.2	2,023.8	2,148.3	2,209.7
Change	%AR	1.6	4.1	2.6	-1.8	7.7	9.0	3.0	6.2	2.9
Structures	CW\$ bil	458.2	465.2	456.6	450.5	374.7	423.1	429.7	464.6	457.6
Change	%AR	-7.4	6.3	-7.2	-5.2	2.3	12.9	1.6	8.1	-1.5
Equipment	CW\$ bil	1,046.0	1,046.9	1,072.0	1,065.1	847.9	939.3	969.5	1,026.2	1,057.5
Change	%AR	2.3	0.3	9.9	-2.5	13.6	10.8	3.2	5.8	3.1
Intellectual property	CW\$ bil	687.1	701.0	699.6	702.4	581.3	603.8	626.9	659.5	697.5
Change	%AR	7.4	8.3	-0.8	1.6	3.5	3.9	3.8	5.2	5.8
Residential	CW\$ bil	512.4	524.0	534.4	545.0	384.5	436.5	478.0	486.4	529.0
Change	%AR	10.1	9.4	8.2	8.2	0.5	13.5	9.5	1.8	8.7
Single-family	CW\$ bil	182.4	184.5	190.2	194.6	109.2	132.1	162.0	170.9	187.9
Change	%AR	8.8	4.7	12.9	9.6	-4.6	21.0	22.6	5.5	10.0
Multifamily	CW\$ bil	43.6	46.8	50.6	53.9	15.0	21.9	29.9	38.7	48.7
Change	%AR	9.7	32.8	36.7	28.8	4.2	46.7	36.1	29.5	26.1
Other	CW\$ bil	276.7	282.9	283.9	286.9	251.4	273.4	276.9	267.4	282.6
Change	%AR	11.3	9.3	1.4	4.3	2.5	8.8	1.3	-3.4	5.7
Inventory change	CW\$ bil	112.8	113.5	85.5	68.6	37.6	54.7	61.4	68.0	95.1
Nonfarm	CW\$ bil	106.8	111.0	79.2	64.9	36.6	72.7	54.3	65.0	90.5
Farm	CW\$ bil	7.0	4.1	6.6	4.1	1.4	-12.6	6.7	3.7	5.5
Trade										
Net exports	CW\$ bil	-541.2	-534.6	-546.1	-566.5	-459.4	-447.1	-417.5	-442.5	-547.1
Exports	CW\$ bil	2,091.4	2,117.5	2,121.1	2,107.8	1,898.3	1,963.2	2,018.1	2,086.4	2,109.5
Change	%AR	-6.0	5.1	0.7	-2.5	6.9	3.4	2.8	3.4	1.1
Merchandise	CW\$ bil	1,429.3	1,452.0	1,448.8	1,428.7	1,297.6	1,344.2	1,382.3	1,443.0	1,439.7
Change	%AR	-11.7	6.5	-0.9	-5.4	6.5	3.6	2.8	4.4	-0.2
Services	CW\$ bil	660.6	664.4	670.7	676.7	600.6	618.8	635.5	642.9	668.1
Change	%AR	7.3	2.3	3.8	3.6	7.6	3.0	2.7	1.2	3.9
Imports	CW\$ bil	2,632.5	2,652.1	2,667.2	2,674.3	2,357.7	2,410.3	2,435.6	2,528.9	2,656.5
Change	%AR	7.1	3.0	2.3	1.1	5.5	2.2	1.1	3.8	5.0
Merchandise	CW\$ bil	2,161.1	2,178.4	2,186.0	2,189.5	1,932.2	1,972.2	1,991.3	2,076.6	2,178.8
Change	%AR	7.2	3.2	1.4	0.6	5.8	2.1	1.0	4.3	4.9
Services	CW\$ bil	469.8	472.1	479.5	483.1	424.3	437.1	443.5	450.8	476.1
Change	%AR	6.7	2.0	6.4	3.0	4.0	3.0	1.5	1.6	5.6
Government										
Expenditures and investment	CW\$ bil	2,838.5	2,856.9	2,869.7	2,874.5	2,997.4	2,941.6	2,854.9	2,838.3	2,859.9
Change	%AR	-0.1	2.6	1.8	0.7	-3.0	-1.9	-2.9	-0.6	0.8
Federal defense	CW\$ bil	680.3	680.8	678.4	684.4	795.0	768.2	716.6	689.1	681.0
Change	%AR	1.0	0.3	-1.4	3.6	-2.3	-3.4	-6.7	-3.8	-1.2
Federal nondefense	CW\$ bil	430.7	430.2	433.2	434.7	441.4	445.3	427.5	427.0	432.2
Change	%AR	1.2	-0.5	2.8	1.4	-3.4	0.9	-4.0	-0.1	1.2
State & local	CW\$ bil	1,725.9	1,744.1	1,756.2	1,753.6	1,761.0	1,728.1	1,710.2	1,720.8	1,745.0
Change	%AR	-0.8	4.3	2.8	-0.6	-3.3	-1.9	-1.0	0.6	1.4
Government Balance										
NIPA basis	\$ bil	-579.3	-574.2	-604.5	-533.1	-1,244.2	-1,090.1	-641.0	-631.5	-572.8
Unified budget	\$ bil	-262.8	123.1	-122.5	-215.5	-1,249.6	-1,060.8	-559.5	-487.7	-477.8

Units: ths = thousands; mil = millions; bil = billions; tril = trillions; % = percent change; %AR = percent annualized rate; SAAR = seasonally adjusted annualized rate; CW = chain-weighted; 05\$ bil = billions of 2005 dollars.

U.S. FORECAST DETAIL TABLES » National Income & Product Accounts

	Units	16Q1	16Q2	16Q3	16Q4	2016	2017	2018	2019	2020
Composition of Economic Activity, SAAR										
Gross domestic product	CW\$ bil	16,529.7	16,637.3	16,772.5	16,901.9	16,710.4	17,220.8	17,671.2	18,037.6	18,335.6
Change	%AR	2.1	2.6	3.3	3.1	2.3	3.1	2.6	2.1	1.7
Final sales	CW\$ bil	16,467.6	16,567.9	16,698.6	16,829.4	16,640.9	17,154.9	17,599.0	17,960.2	18,265.4
Change	%AR	2.5	2.5	3.2	3.2	2.5	3.1	2.6	2.1	1.7
Final domestic sales	CW\$ bil	17,041.2	17,147.6	17,294.0	17,435.6	17,229.6	17,809.0	18,307.8	18,675.4	18,989.2
Change	%AR	2.5	2.5	3.5	3.3	2.6	3.4	2.8	2.0	1.7
Personal Expenditures										
Consumption	CW\$ bil	11,402.1	11,490.2	11,596.3	11,695.2	11,546.0	11,955.1	12,320.2	12,605.4	12,854.3
Change	%AR	2.8	3.1	3.7	3.5	3.0	3.5	3.1	2.3	2.0
Durables	CW\$ bil	1,504.6	1,508.6	1,519.6	1,520.9	1,513.5	1,547.0	1,578.4	1,591.3	1,605.3
Change	%AR	1.9	1.1	3.0	0.3	3.2	2.2	2.0	0.8	0.9
Motor vehicles	CW\$ bil	410.5	406.2	409.6	403.4	407.4	406.6	408.6	407.9	408.6
Change	%AR	-1.0	-4.2	3.4	-5.9	-1.0	-0.2	0.5	-0.2	0.2
Nondurables	CW\$ bil	2,477.2	2,500.4	2,523.7	2,543.2	2,511.1	2,585.2	2,639.2	2,684.0	2,728.7
Change	%AR	3.4	3.8	3.8	3.1	3.3	3.0	2.1	1.7	1.7
Services	CW\$ bil	7,452.4	7,513.3	7,585.1	7,663.2	7,553.5	7,855.0	8,134.6	8,362.2	8,552.4
Change	%AR	2.8	3.3	3.9	4.2	2.9	4.0	3.6	2.8	2.3
Investment										
Fixed investment	CW\$ bil	2,778.5	2,811.5	2,866.4	2,918.1	2,843.6	3,040.2	3,179.0	3,264.4	3,325.8
Change	%AR	2.4	4.8	8.0	7.4	3.8	6.9	4.6	2.7	1.9
Nonresidential	CW\$ bil	2,245.3	2,270.8	2,301.3	2,326.2	2,285.9	2,388.0	2,481.1	2,551.0	2,596.9
Change	%AR	5.6	4.6	5.5	4.4	3.4	4.5	3.9	2.8	1.8
Structures	CW\$ bil	456.1	458.3	461.8	466.3	460.6	485.9	520.3	540.3	551.5
Change	%AR	5.0	2.0	3.1	3.9	0.7	5.5	7.1	3.8	2.1
Equipment	CW\$ bil	1,080.4	1,095.3	1,114.1	1,125.4	1,103.8	1,148.8	1,180.6	1,208.7	1,224.1
Change	%AR	5.9	5.6	7.0	4.1	4.4	4.1	2.8	2.4	1.3
Intellectual property	CW\$ bil	712.1	720.4	728.7	737.7	724.7	756.6	783.5	805.3	824.6
Change	%AR	5.6	4.8	4.7	5.1	3.9	4.4	3.6	2.8	2.4
Residential	CW\$ bil	530.8	538.2	562.5	589.4	555.2	649.7	695.4	710.8	726.3
Change	%AR	-10.0	5.7	19.4	20.5	5.0	17.0	7.0	2.2	2.2
Single-family	CW\$ bil	177.6	180.1	195.9	213.6	191.8	257.8	302.4	323.3	332.1
Change	%AR	-30.6	5.6	40.1	41.3	2.1	34.4	17.3	6.9	2.7
Multifamily	CW\$ bil	53.3	53.2	55.9	57.8	55.1	61.3	59.9	55.4	55.1
Change	%AR	-4.6	-0.5	22.3	14.3	13.0	11.4	-2.3	-7.6	-0.5
Other	CW\$ bil	290.4	295.2	300.7	307.8	298.5	319.8	321.6	320.1	326.7
Change	%AR	5.0	6.7	7.7	9.7	5.6	7.1	0.6	-0.5	2.1
Inventory change	CW\$ bil	50.9	58.2	62.7	61.3	58.3	54.7	61.0	66.2	59.0
Nonfarm	CW\$ bil	46.8	54.1	58.6	57.2	54.2	50.6	56.9	62.1	54.9
Farm	CW\$ bil	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1
Trade										
Net exports	CW\$ bil	-573.6	-579.7	-595.4	-606.2	-588.7	-654.1	-708.9	-715.3	-723.8
Exports	CW\$ bil	2,133.2	2,163.5	2,196.0	2,230.9	2,180.9	2,309.7	2,439.2	2,584.3	2,730.6
Change	%AR	4.9	5.8	6.1	6.5	3.4	5.9	5.6	5.9	5.7
Merchandise	CW\$ bil	1,446.8	1,470.2	1,495.4	1,522.5	1,483.7	1,580.3	1,672.3	1,773.6	1,875.0
Change	%AR	5.2	6.6	7.1	7.4	3.1	6.5	5.8	6.1	5.7
Services	CW\$ bil	684.0	690.9	698.2	706.0	694.8	727.0	764.6	808.3	853.2
Change	%AR	4.4	4.1	4.3	4.6	4.0	4.6	5.2	5.7	5.6
Imports	CW\$ bil	2,706.9	2,743.2	2,791.4	2,837.1	2,769.6	2,963.8	3,148.1	3,299.6	3,454.4
Change	%AR	5.0	5.5	7.2	6.7	4.3	7.0	6.2	4.8	4.7
Merchandise	CW\$ bil	2,213.2	2,240.1	2,278.5	2,315.0	2,261.7	2,418.8	2,573.3	2,695.6	2,820.0
Change	%AR	4.4	5.0	7.0	6.6	3.8	6.9	6.4	4.8	4.6
Services	CW\$ bil	492.0	501.4	511.2	520.4	506.2	543.2	573.1	602.3	632.8
Change	%AR	7.6	7.9	8.0	7.4	6.3	7.3	5.5	5.1	5.1
Government										
Expenditures and investment	CW\$ bil	2,879.6	2,864.9	2,850.3	2,841.2	2,859.0	2,832.7	2,827.6	2,824.6	2,828.1
Change	%AR	0.7	-2.0	-2.0	-1.3	-0.0	-0.9	-0.2	-0.1	0.1
Federal defense	CW\$ bil	679.5	673.6	668.5	665.5	671.8	659.5	649.6	643.2	638.3
Change	%AR	-2.8	-3.4	-3.0	-1.8	-1.4	-1.8	-1.5	-1.0	-0.8
Federal nondefense	CW\$ bil	431.4	428.4	426.9	425.7	428.1	423.3	420.5	419.1	419.0
Change	%AR	-3.0	-2.8	-1.4	-1.1	-0.9	-1.1	-0.6	-0.4	-0.0
State & local	CW\$ bil	1,766.9	1,761.1	1,753.1	1,748.3	1,757.3	1,748.1	1,755.6	1,760.6	1,769.1
Change	%AR	3.1	-1.3	-1.8	-1.1	0.7	-0.5	0.4	0.3	0.5
Government Balance										
NIPA basis	\$ bil	-618.6	-646.8	-668.5	-713.5	-661.9	-767.2	-843.3	-891.2	-901.9
Unified budget	\$ bil	-312.1	78.1	-157.1	-230.5	-621.6	-729.0	-820.1	-866.2	-895.8

Units: ths = thousands; mil = millions; bil = billions; tril = trillions; % = percent change; %AR = percent annualized rate; SAAR = seasonally adjusted annualized rate; CW = chain-weighted; 05\$ bil = billions of 2005 dollars.

U.S. FORECAST DETAIL TABLES » Consumers

	Units	15Q1	15Q2	15Q3	15Q4	2011	2012	2013	2014	2015
Household Sector										
Median household income	\$	54,952	55,339	55,742	56,097	50,502	51,371	52,250	53,657	55,532
Change	% yr ago	4.1	3.8	3.3	2.8	0.9	1.7	1.7	2.7	3.5
Personal income, SAAR	05\$ tril	13.9	14.0	14.1	14.2	12.7	13.1	13.1	13.5	14.0
Change	% yr ago	4.2	4.3	4.4	3.9	3.7	3.0	-0.3	3.0	4.2
Disposable income, SAAR	05\$ tril	12.1	12.2	12.3	12.4	11.3	11.7	11.5	11.8	12.3
Change	% yr ago	3.6	3.5	3.8	3.4	2.5	3.1	-1.4	2.7	3.5
Dividends	\$ bil	863.0	864.9	867.8	877.0	682.3	835.0	789.1	815.5	868.2
Change	% yr ago	10.3	6.5	5.0	4.3	25.3	22.4	-5.5	3.4	6.5
Interest	\$ bil	1,282.6	1,313.4	1,335.0	1,319.4	1,231.6	1,288.8	1,271.4	1,302.0	1,312.6
Change	% yr ago	-2.8	0.3	3.6	2.3	3.1	4.6	-1.4	2.4	0.8
Rent	\$ bil	637.0	654.1	663.6	670.6	485.3	525.3	563.4	610.8	656.3
Change	% yr ago	7.8	8.0	7.3	6.7	20.5	8.2	7.2	8.4	7.4
Personal saving rate	%	5.2	5.0	5.2	5.4	6.1	7.6	4.8	4.8	5.2
Household financial assets	\$ tril	69.9	70.5	68.1	68.5	53.5	58.1	65.5	69.1	68.5
Change	% yr ago	4.3	3.4	-1.3	-0.9	1.7	8.5	12.7	5.6	-0.9
Consumer confidence	1985=100	101.4	96.2	98.3	96.0	58.1	67.1	73.2	86.9	98.0
Consumer Spending, SAAR										
Retail sales & food services	\$ bil	5,218.9	5,305.5	5,364.3	5,374.4	4,601.0	4,825.0	5,011.9	5,205.2	5,315.8
Change	% yr ago	2.6	1.9	2.3	1.8	7.3	4.9	3.9	3.9	2.1
Retail sales & food services less autos	\$ bil	4,148.8	4,204.5	4,243.8	4,241.6	3,785.9	3,937.7	4,049.9	4,171.6	4,209.6
Change	% yr ago	1.1	0.7	1.1	0.7	6.8	4.0	2.8	3.0	0.9
Building materials, garden equip. & supply	\$ bil	328.0	326.1	334.7	335.3	269.7	282.4	301.9	318.2	331.0
Change	% yr ago	6.8	2.0	4.4	3.2	3.7	4.7	6.9	5.4	4.0
General merchandise	\$ bil	665.0	669.6	679.7	686.8	625.2	642.0	653.8	666.9	675.3
Change	% yr ago	1.1	-0.0	1.5	2.4	3.4	2.7	1.8	2.0	1.3
Food & beverage stores	\$ bil	676.3	679.9	683.1	685.5	610.1	629.1	644.0	663.1	681.2
Change	% yr ago	3.5	3.1	2.6	1.8	4.8	3.1	2.4	3.0	2.7
Clothing & clothing accessories	\$ bil	250.7	255.8	256.1	255.2	227.3	238.1	244.6	248.6	254.5
Change	% yr ago	2.7	3.0	2.6	1.0	6.9	4.7	2.8	1.6	2.3
Food services & drinking places	\$ bil	606.9	619.6	626.4	634.5	495.8	524.1	543.0	576.5	621.9
Change	% yr ago	9.1	8.8	7.8	6.0	6.1	5.7	3.6	6.2	7.9
Vehicle sales, SAAR	mil	16.7	17.1	17.8	17.8	12.7	14.4	15.5	16.4	17.3
Car sales	mil	7.4	7.5	7.6	7.5	6.1	7.2	7.6	7.7	7.5
Light truck sales	mil	9.3	9.6	10.2	10.3	6.6	7.2	7.9	8.7	9.8
Debt Burden										
Debt service burden, total	%	10.0	10.0	10.0	10.1	10.6	10.1	10.2	10.0	10.0
Consumer	%	5.4	5.4	5.5	5.5	5.1	5.0	5.2	5.3	5.4
Mortgage	%	4.7	4.6	4.6	4.6	5.6	5.1	4.9	4.7	4.6
Consumer Credit Outstanding										
Total	\$ tril	3.4	3.4	3.5	3.5	2.8	2.9	3.1	3.3	3.5
Change	% yr ago	6.9	6.9	7.0	6.9	4.1	6.2	6.0	7.0	6.9
Revolving	\$ tril	0.9	0.9	0.9	0.9	0.8	0.8	0.9	0.9	0.9
Change	% yr ago	3.5	3.9	4.5	5.1	0.2	0.6	1.4	3.7	5.1
Nonrevolving	\$ tril	2.5	2.5	2.6	2.6	1.9	2.1	2.2	2.4	2.6
Change	% yr ago	8.1	8.1	7.9	7.6	5.9	8.6	7.9	8.3	7.6

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U.S. FORECAST DETAIL TABLES » Consumers

	Units	16Q1	16Q2	16Q3	16Q4	2016	2017	2018	2019	2020
Household Sector										
Median household income	\$	56,484	56,893	57,343	57,887	57,152	59,472	62,040	64,051	65,643
Change	% yr ago	2.8	2.8	2.9	3.2	2.9	4.1	4.3	3.2	2.5
Personal income, SAAR	05\$ tril	14.3	14.4	14.5	14.6	14.5	15.0	15.5	15.8	16.1
Change	% yr ago	3.5	3.3	3.0	2.9	3.2	3.4	3.5	2.1	1.6
Disposable income, SAAR	05\$ tril	12.5	12.6	12.7	12.8	12.6	13.1	13.5	13.8	14.0
Change	% yr ago	3.3	3.2	2.9	2.9	3.1	3.4	3.6	2.1	1.6
Dividends	\$ bil	892.4	907.9	923.3	938.6	915.5	974.6	1,029.9	1,085.4	1,143.2
Change	% yr ago	3.4	5.0	6.4	7.0	5.5	6.5	5.7	5.4	5.3
Interest	\$ bil	1,364.6	1,398.4	1,432.4	1,484.6	1,420.0	1,661.6	1,868.8	1,928.2	1,973.5
Change	% yr ago	6.4	6.5	7.3	12.5	8.2	17.0	12.5	3.2	2.4
Rent	\$ bil	676.1	680.5	685.0	688.4	682.5	693.6	697.8	699.3	700.8
Change	% yr ago	6.1	4.0	3.2	2.7	4.0	1.6	0.6	0.2	0.2
Personal saving rate	%	5.6	5.4	5.1	5.1	5.3	5.2	5.7	5.6	5.2
Household financial assets	\$ tril	68.7	69.1	69.7	70.4	70.4	72.7	75.0	77.1	80.6
Change	% yr ago	-1.7	-2.0	2.5	2.8	2.8	3.2	3.1	2.8	4.5
Consumer confidence	1985=100	98.1	99.2	102.1	103.3	100.7	104.3	101.3	98.4	95.1
Consumer Spending, SAAR										
Retail sales & food services	\$ bil	5,422.9	5,509.4	5,594.3	5,665.1	5,547.9	5,862.9	6,142.3	6,383.5	6,602.8
Change	% yr ago	3.9	3.8	4.3	5.4	4.4	5.7	4.8	3.9	3.4
Retail sales & food services less autos	\$ bil	4,268.8	4,339.4	4,406.4	4,474.4	4,372.2	4,651.6	4,891.0	5,085.5	5,256.0
Change	% yr ago	2.9	3.2	3.8	5.5	3.9	6.4	5.1	4.0	3.4
Building materials, garden equip. & supply	\$ bil	338.7	340.8	343.8	346.5	342.4	357.6	367.8	371.0	372.7
Change	% yr ago	3.3	4.5	2.7	3.4	3.4	4.4	2.9	0.9	0.5
General merchandise	\$ bil	700.5	712.0	724.1	734.8	717.9	765.2	821.4	873.3	919.0
Change	% yr ago	5.3	6.3	6.5	7.0	6.3	6.6	7.3	6.3	5.2
Food & beverage stores	\$ bil	694.3	701.9	710.2	717.3	706.0	734.2	754.7	772.7	792.0
Change	% yr ago	2.7	3.2	4.0	4.6	3.6	4.0	2.8	2.4	2.5
Clothing & clothing accessories	\$ bil	258.8	261.5	264.7	268.0	263.3	278.0	290.4	296.9	300.9
Change	% yr ago	3.2	2.2	3.3	5.0	3.5	5.6	4.4	2.3	1.3
Food services & drinking places	\$ bil	643.9	650.8	658.1	665.5	654.6	688.2	724.1	757.0	785.8
Change	% yr ago	6.1	5.0	5.1	4.9	5.3	5.1	5.2	4.6	3.8
Vehicle sales, SAAR	mil	17.9	17.7	17.7	17.5	17.7	17.0	16.8	16.6	16.5
Car sales	mil	7.4	7.4	7.3	7.2	7.3	6.9	6.7	6.6	6.6
Light truck sales	mil	10.5	10.4	10.4	10.3	10.4	10.1	10.1	9.9	9.8
Debt Burden										
Debt service burden, total	%	10.1	10.2	10.3	10.4	10.3	10.6	10.9	11.1	11.2
Consumer	%	5.5	5.6	5.6	5.6	5.6	5.6	5.6	5.7	5.7
Mortgage	%	4.6	4.6	4.7	4.8	4.7	5.0	5.3	5.4	5.5
Consumer Credit Outstanding										
Total	\$ tril	3.6	3.6	3.7	3.7	3.7	3.9	4.2	4.3	4.5
Change	% yr ago	6.8	5.8	5.4	5.4	5.4	5.6	5.3	4.5	3.7
Revolving	\$ tril	1.0	1.0	1.0	1.0	1.0	1.1	1.2	1.3	1.4
Change	% yr ago	7.0	7.4	8.4	9.5	9.5	9.5	8.8	6.8	5.2
Nonrevolving	\$ tril	2.6	2.7	2.7	2.7	2.7	2.8	2.9	3.0	3.1
Change	% yr ago	6.7	5.3	4.3	4.0	4.0	4.1	3.9	3.5	3.1

Units: ths = thousands; mil = millions; bil = billions; tril = trillions; % = percent change; %AR = percent annualized rate; SAAR = seasonally adjusted annualized rate; CW = chain-weighted; 05\$ bil = billions of 2005 dollars.

U.S. FORECAST DETAIL TABLES » Money Markets

	Units	15Q1	15Q2	15Q3	15Q4	2011	2012	2013	2014	2015
Monetary Aggregates										
M1	\$ tril	2.99	3.02	3.06	3.08	2.17	2.46	2.66	2.93	3.08
Change	%AR	8.9	3.4	5.7	3.3	17.8	13.4	8.1	10.0	5.3
M2	\$ tril	11.84	11.97	12.16	12.30	9.63	10.42	10.99	11.64	12.30
Change	%AR	7.0	4.7	6.4	4.8	9.8	8.2	5.4	5.9	5.7
Money Market Rates										
Federal funds	%	0.11	0.13	0.14	0.16	0.10	0.14	0.11	0.09	0.13
Prime rate	%	3.25	3.25	3.25	3.29	3.25	3.25	3.25	3.25	3.26
Discount rate	%	0.75	0.75	0.75	0.79	0.75	0.75	0.75	0.75	0.76
91-day CD	%	0.37	0.43	0.46	0.58	0.30	0.28	0.27	0.34	0.46
91-day CP	%	0.12	0.12	0.18	0.24	0.17	0.19	0.11	0.10	0.16
91-day Eurodollar	%	0.30	0.30	0.33	0.43	0.41	0.42	0.28	0.25	0.34
91-day Libor	%	0.26	0.28	0.31	0.41	0.34	0.43	0.27	0.23	0.32
Mortgage Rates										
Primary market (FHLMC)										
Fixed: U.S.	%	3.73	3.83	3.95	3.90	4.46	3.66	3.98	4.17	3.85
Northeast	%	na	na	na	na	na	na	na	na	na
Midwest	%	na	na	na	na	na	na	na	na	na
Southeast	%	na	na	na	na	na	na	na	na	na
Southwest	%	na	na	na	na	na	na	na	na	na
West	%	na	na	na	na	na	na	na	na	na
Adjustable: U.S.	%	2.42	2.50	2.57	2.61	3.04	2.69	2.61	2.44	2.52
Northeast	%	na	na	na	na	na	na	na	na	na
Midwest	%	na	na	na	na	na	na	na	na	na
Southeast	%	na	na	na	na	na	na	na	na	na
Southwest	%	na	na	na	na	na	na	na	na	na
West	%	na	na	na	na	na	na	na	na	na
FHFB composite rate	%	3.97	3.94	4.14	4.05	4.66	3.81	3.99	4.29	4.03
Fixed	%	4.03	3.99	4.18	4.09	4.77	3.93	4.08	4.41	4.07
Adjustable	%	2.42	2.50	2.57	2.61	3.04	2.69	2.61	2.44	2.52
Adjustable Rates										
11th District cost of funds	%	0.70	0.68	0.64	0.65	1.34	1.10	0.93	0.69	0.67
National contract rate	%	3.82	3.79	3.98	3.90	4.55	3.71	3.86	4.14	3.87
Mortgages, Secondary Market										
FNMA commitment:										
Conventional	%	3.42	3.56	3.65	3.72	4.11	3.11	3.61	3.81	3.59
FHA/VA	%	4.02	4.10	4.21	4.28	4.74	3.76	4.20	4.44	4.15
Mortgage Spreads										
FHLMC fixed - 10-yr Treasury	DIFF	1.76	1.67	1.72	1.71	1.68	1.85	1.63	1.63	1.72
FHLMC ARM - 1-yr Treasury	DIFF	2.20	2.25	2.22	2.15	2.86	2.51	2.48	2.32	2.20
FHLMC fixed - ARM	DIFF	1.31	1.34	1.38	1.29	1.42	0.97	1.37	1.73	1.33
11thD COF - fed funds	DIFF	0.58	0.55	0.51	0.49	1.24	0.96	0.83	0.60	0.53
11thD COF - 1-yr Treasury	DIFF	0.47	0.43	0.30	0.18	1.16	0.93	0.80	0.57	0.34

Units: ths = thousands; mil = millions; bil = billions; tril = trillions; % = percent change; %AR = percent annualized rate; SAAR = seasonally adjusted annualized rate; CW = chain-weighted; 05\$ bil = billions of 2005 dollars.

U.S. FORECAST DETAIL TABLES » Money Markets

	Units	16Q1	16Q2	16Q3	16Q4	2016	2017	2018	2019	2020
Monetary Aggregates										
M1	\$ tril	3.14	3.20	3.27	3.33	3.33	3.56	3.70	3.84	3.93
Change	%AR	8.0	8.2	8.3	8.3	8.2	6.9	3.8	3.9	2.3
M2	\$ tril	12.58	12.76	12.96	13.16	13.16	13.73	14.35	15.14	15.86
Change	%AR	9.4	5.9	6.5	6.3	7.0	4.3	4.5	5.5	4.8
Money Market Rates										
Federal funds	%	0.34	0.67	0.83	1.00	0.71	2.12	3.72	3.71	3.59
Prime rate	%	3.58	3.80	4.03	4.30	3.93	5.62	6.79	6.71	6.59
Discount rate	%	1.02	1.27	1.42	1.57	1.32	2.69	4.27	4.14	3.94
91-day CD	%	0.82	1.08	1.16	1.30	1.09	2.37	4.00	4.24	4.36
91-day CP	%	0.52	0.72	0.83	0.95	0.75	2.00	3.49	3.56	3.54
91-day Eurodollar	%	0.74	0.95	1.09	1.22	1.00	2.34	3.86	3.82	3.71
91-day Libor	%	0.71	0.95	1.09	1.22	0.99	2.36	3.90	3.86	3.75
Mortgage Rates										
Primary market (FHLMC)										
Fixed: U.S.	%	3.92	4.19	4.38	4.68	4.29	5.45	5.79	5.82	5.80
Northeast	%	na	na	na	na	na	na	na	na	na
Midwest	%	na	na	na	na	na	na	na	na	na
Southeast	%	na	na	na	na	na	na	na	na	na
Southwest	%	na	na	na	na	na	na	na	na	na
West	%	na	na	na	na	na	na	na	na	na
Adjustable: U.S.	%	2.73	2.89	2.94	3.01	2.89	3.50	4.26	4.44	4.41
Northeast	%	na	na	na	na	na	na	na	na	na
Midwest	%	na	na	na	na	na	na	na	na	na
Southeast	%	na	na	na	na	na	na	na	na	na
Southwest	%	na	na	na	na	na	na	na	na	na
West	%	na	na	na	na	na	na	na	na	na
FHFB composite rate	%	4.07	4.27	4.36	4.57	4.32	5.21	5.66	5.70	5.70
Fixed	%	4.17	4.45	4.64	4.95	4.56	5.76	6.20	6.22	6.21
Adjustable	%	2.73	2.89	2.94	3.01	2.89	3.50	4.26	4.44	4.41
Adjustable Rates										
11th District cost of funds	%	0.70	0.77	0.87	0.93	0.82	1.28	1.87	1.98	2.00
National contract rate	%	3.98	4.04	4.05	4.07	4.04	4.36	4.88	4.99	4.99
Mortgages, Secondary Market										
FNMA commitment:										
Conventional	%	3.76	4.07	4.38	4.72	4.24	5.59	5.97	5.99	5.97
FHA/VA	%	4.34	4.65	4.82	5.11	4.73	5.87	6.19	6.21	6.20
Mortgage Spreads										
FHLMC fixed - 10-yr Treasury	DIFF	1.72	1.70	1.64	1.66	1.68	1.67	1.75	1.84	1.82
FHLMC ARM - 1-yr Treasury	DIFF	2.15	2.21	2.14	1.93	2.11	1.30	0.77	0.81	0.80
FHLMC fixed - ARM	DIFF	1.18	1.30	1.44	1.67	1.40	1.95	1.54	1.38	1.39
11thD COF - fed funds	DIFF	0.35	0.10	0.04	-0.07	0.11	-0.84	-1.85	-1.73	-1.60
11thD COF - 1-yr Treasury	DIFF	0.12	0.09	0.07	-0.15	0.03	-0.92	-1.62	-1.65	-1.62

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U.S. FORECAST DETAIL TABLES » Financial Markets

	Units	15Q1	15Q2	15Q3	15Q4	2011	2012	2013	2014	2015
Treasury Bill Rates										
91-day T-bill	%	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.0	0.1
182-day T-bill	%	0.1	0.1	0.2	0.3	0.1	0.1	0.1	0.1	0.2
365-day T-bill	%	0.2	0.3	0.3	0.5	0.2	0.2	0.1	0.1	0.3
Treasury Bill Spreads										
91-day - fed funds	DIFF	-0.1	-0.1	-0.1	-0.0	-0.0	-0.1	-0.1	-0.1	-0.1
T-bill: 182-day - 91-day	DIFF	0.1	0.1	0.1	0.2	0.0	0.0	0.0	0.0	0.1
T-bill: 365-day - 182-day	DIFF	0.1	0.2	0.2	0.2	0.1	0.0	0.0	0.1	0.2
Treasury Yield Curve										
91-day T-bill, EBY	%	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.0	0.1
182-day T-bill, EBY	%	0.1	0.1	0.2	0.3	0.1	0.1	0.1	0.1	0.2
365-day T-bill, EBY	%	0.2	0.3	0.4	0.5	0.2	0.2	0.1	0.1	0.3
Treasury: 1-yr	%	0.2	0.3	0.3	0.5	0.2	0.2	0.1	0.1	0.3
Treasury: 2-yr	%	0.6	0.6	0.7	0.8	0.4	0.3	0.3	0.5	0.7
Treasury: 3-yr	%	1.0	1.0	1.0	1.1	0.7	0.4	0.5	0.9	1.0
Treasury: 5-yr	%	1.5	1.5	1.6	1.6	1.5	0.8	1.2	1.6	1.5
Treasury: 7-yr	%	1.8	1.9	1.9	1.9	2.2	1.2	1.7	2.1	1.9
Treasury: 10-yr	%	2.0	2.2	2.2	2.2	2.8	1.8	2.3	2.5	2.1
Treasury: 30-yr	%	2.6	2.9	3.0	3.0	3.9	2.9	3.4	3.3	2.8
Corporate Rates										
Corporate: Aaa	%	3.6	3.9	4.1	4.0	4.6	3.7	4.2	4.2	3.9
Corporate: Aa	%	3.6	4.0	4.2	4.2	4.8	3.8	4.3	4.2	4.0
Corporate: A	%	3.8	4.2	4.4	4.4	5.0	4.2	4.5	4.3	4.2
Corporate: Baa	%	4.5	4.8	5.2	5.4	5.7	4.9	5.1	4.9	5.0
Utility: Aa	%	3.6	4.0	4.2	4.2	4.8	3.8	4.2	4.2	4.0
Utility: A	%	3.7	4.1	4.3	4.3	5.0	4.1	4.5	4.3	4.1
Utility: Baa	%	4.4	4.8	5.3	5.5	5.6	4.9	5.0	4.8	5.0
Corporate Spreads										
Aa corp. - 10-yr Treasury	DIFF	1.7	1.8	2.0	2.0	2.0	2.0	1.9	1.7	1.9
Baa corp. - 10-yr Treasury	DIFF	2.5	2.7	3.0	3.2	2.9	3.1	2.8	2.3	2.9
Corp.: Baa - Aa	DIFF	0.9	0.8	1.1	1.3	0.9	1.1	0.8	0.6	1.0
Aa utility - 10-yr Treasury	DIFF	1.6	1.8	2.0	2.0	2.0	2.0	1.9	1.6	1.9
Baa utility - 10-yr Treasury	DIFF	2.5	2.7	3.1	3.3	2.8	3.1	2.6	2.3	2.9
Utility: Baa - Aa	DIFF	0.8	0.9	1.1	1.4	0.8	1.0	0.7	0.6	1.0
Stock Market										
S&P 500	1941=10	2,063.5	2,102.0	2,026.1	2,053.2	1,268.9	1,379.6	1,642.5	1,930.7	2,061.2
Change	%YA	12.5	10.6	2.5	2.0	11.4	8.7	19.1	17.5	6.8
Dow Jones	index	21,707.6	21,630.9	19,959.3	21,100.9	13,019.3	14,834.9	19,413.2	21,424.6	21,100.9
Change	% yr ago	10.1	5.2	-2.4	-1.5	-0.9	13.9	30.9	10.4	-1.5
Exchange Rates										
Japanese yen	¥/\$	119.1	121.3	122.2	121.4	79.7	79.8	97.6	105.9	121.0
Euro	\$/€	1.1	1.1	1.1	1.1	1.4	1.3	1.3	1.3	1.1
Canadian dollar	C\$/US\$	1.2	1.2	1.3	1.3	1.0	1.0	1.0	1.1	1.3
International Sector										
FRB 10-country index (nominal)	Jan97=100	114.4	114.8	119.0	120.9	97.1	99.8	101.0	104.2	117.3
Change	%YA	11.2	12.1	15.2	11.9	-4.6	2.7	1.2	3.1	12.6
Current account	\$ bil	-473.2	-444.4	-496.5	-501.3	-460.4	-449.7	-376.8	-389.5	-478.8
Merchandise trade	\$ bil	-768.6	-756.8	-759.9	-778.4	-740.6	-741.2	-702.6	-741.5	-765.9

Units: ths = thousands; mil = millions; bil = billions; tril = trillions; % = percent change; %AR = percent annualized rate; SAAR = seasonally adjusted annualized rate; CW = chain-weighted; 05\$ bil = billions of 2005 dollars.

U.S. FORECAST DETAIL TABLES » Financial Markets

	Units	16Q1	16Q2	16Q3	16Q4	2016	2017	2018	2019	2020
Treasury Bill Rates										
91-day T-bill	%	0.3	0.4	0.5	0.6	0.4	1.5	3.0	3.2	3.3
182-day T-bill	%	0.4	0.6	0.6	0.7	0.6	1.6	3.1	3.3	3.4
365-day T-bill	%	0.6	0.7	0.8	1.1	0.8	2.2	3.5	3.6	3.6
Treasury Bill Spreads										
91-day - fed funds	DIFF	-0.1	-0.2	-0.3	-0.4	-0.3	-0.6	-0.8	-0.5	-0.3
T-bill: 182-day - 91-day	DIFF	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
T-bill: 365-day - 182-day	DIFF	0.2	0.1	0.2	0.4	0.2	0.6	0.4	0.4	0.2
Treasury Yield Curve										
91-day T-bill, EBY	%	0.3	0.4	0.5	0.6	0.5	1.6	3.0	3.2	3.4
182-day T-bill, EBY	%	0.4	0.6	0.6	0.7	0.6	1.7	3.2	3.4	3.5
365-day T-bill, EBY	%	0.6	0.7	0.8	1.1	0.8	2.3	3.7	3.8	3.8
Treasury: 1-yr	%	0.6	0.7	0.8	1.1	0.8	2.2	3.5	3.6	3.6
Treasury: 2-yr	%	0.9	1.0	1.1	1.5	1.1	2.4	3.6	3.8	3.7
Treasury: 3-yr	%	1.2	1.4	1.6	1.8	1.5	2.7	3.7	3.8	3.7
Treasury: 5-yr	%	1.5	1.8	1.9	2.2	1.8	3.2	3.8	3.8	3.8
Treasury: 7-yr	%	1.9	2.2	2.4	2.6	2.3	3.5	3.9	3.9	3.9
Treasury: 10-yr	%	2.2	2.5	2.7	3.0	2.6	3.8	4.0	4.0	4.0
Treasury: 30-yr	%	2.9	3.2	3.5	3.7	3.3	4.4	4.6	4.6	4.6
Corporate Rates										
Corporate: Aaa	%	4.0	4.0	4.3	4.6	4.2	5.3	5.5	5.2	5.1
Corporate: Aa	%	4.1	4.2	4.5	4.8	4.4	5.5	5.7	5.5	5.3
Corporate: A	%	4.3	4.5	4.8	5.0	4.7	5.8	6.0	5.7	5.6
Corporate: Baa	%	5.4	5.5	5.8	6.1	5.7	6.9	7.1	6.8	6.6
Utility: Aa	%	4.0	4.0	4.4	4.7	4.3	5.5	5.7	5.5	5.3
Utility: A	%	4.3	4.5	4.8	5.1	4.6	5.8	6.1	5.8	5.6
Utility: Baa	%	5.4	5.6	5.9	6.2	5.8	7.0	7.2	6.9	6.7
Corporate Spreads										
Aa corp. - 10-yr Treasury	DIFF	1.9	1.7	1.8	1.8	1.8	1.7	1.7	1.5	1.3
Baa corp. - 10-yr Treasury	DIFF	3.2	3.0	3.1	3.1	3.1	3.1	3.1	2.8	2.6
Corp.: Baa - Aa	DIFF	1.3	1.3	1.3	1.3	1.3	1.4	1.4	1.4	1.3
Aa utility - 10-yr Treasury	DIFF	1.8	1.6	1.7	1.7	1.7	1.8	1.7	1.5	1.3
Baa utility - 10-yr Treasury	DIFF	3.2	3.1	3.2	3.2	3.2	3.2	3.1	2.9	2.7
Utility: Baa - Aa	DIFF	1.4	1.5	1.5	1.5	1.5	1.4	1.4	1.4	1.4
Stock Market										
S&P 500	1941=10	1,968.1	1,984.2	2,005.1	2,011.1	1,992.1	2,010.8	2,031.3	2,056.8	2,233.7
Change	%YA	-4.6	-5.6	-1.0	-2.0	-3.4	0.9	1.0	1.3	8.6
Dow Jones	index	19,656.3	19,818.9	20,029.0	20,089.8	20,089.8	20,096.2	20,362.9	20,891.0	23,247.1
Change	% yr ago	-9.4	-8.4	0.3	-4.8	-4.8	0.0	1.3	2.6	11.3
Exchange Rates										
Japanese yen	¥/\$	123.8	126.2	128.2	128.8	126.7	128.7	127.2	124.2	122.5
Euro	\$/€	1.1	1.0	1.0	1.0	1.0	1.0	0.9	1.0	1.0
Canadian dollar	C\$/US\$	1.3	1.3	1.3	1.3	1.3	1.2	1.1	1.1	1.1
International Sector										
FRB 10-country index (nominal)	Jan97=100	124.2	125.4	126.5	127.1	125.8	125.6	117.4	116.4	118.2
Change	%YA	8.6	9.3	6.3	5.1	7.3	-0.2	-6.5	-0.9	1.5
Current account	\$ bil	-439.7	-481.3	-539.5	-579.3	-510.0	-695.6	-794.0	-805.8	-803.2
Merchandise trade	\$ bil	-728.5	-776.2	-829.7	-866.2	-800.1	-959.8	-1,037.7	-1,071.4	-1,097.5

Units: ths = thousands; mil = millions; bil = billions; tril = trillions; % = percent change; %AR = percent annualized rate; SAAR = seasonally adjusted annualized rate; CW = chain-weighted; 05\$ bil = billions of 2005 dollars.

U.S. FORECAST DETAIL TABLES » Demographics & Labor Markets

	Units	15Q1	15Q2	15Q3	15Q4	2011	2012	2013	2014	2015
Labor Markets										
Total nonfarm employment, U.S.	mil	140.8	141.5	142.2	142.9	131.9	134.2	136.4	138.9	141.8
Change	% yr ago	2.2	2.1	2.0	2.0	1.2	1.7	1.6	1.9	2.1
Natural resources and mining	mil	0.9	0.8	0.8	0.8	0.8	0.8	0.9	0.9	0.8
Change	% yr ago	-0.1	-6.5	-10.9	-14.0	11.8	7.5	1.8	3.2	-7.9
Construction	mil	6.4	6.4	6.4	6.5	5.5	5.6	5.9	6.1	6.4
Change	% yr ago	5.6	5.0	4.0	4.5	0.2	2.1	3.7	5.0	4.8
Manufacturing	mil	12.3	12.3	12.3	12.3	11.7	11.9	12.0	12.2	12.3
Change	% yr ago	1.7	1.4	1.0	0.4	1.7	1.7	0.8	1.4	1.1
Trade	mil	21.4	21.5	21.6	21.6	20.2	20.5	20.8	21.2	21.5
Change	% yr ago	1.7	1.6	1.6	1.6	1.6	1.4	1.5	1.7	1.6
Transportation and utilities	mil	5.3	5.4	5.4	5.4	4.9	5.0	5.0	5.2	5.4
Change	% yr ago	4.5	4.1	3.6	2.5	2.4	2.3	1.6	3.2	3.7
Information	mil	2.7	2.7	2.8	2.8	2.7	2.7	2.7	2.7	2.8
Change	% yr ago	0.6	1.0	0.9	1.1	-1.3	0.1	1.1	0.8	0.9
Financial activities	mil	8.1	8.1	8.1	8.2	7.7	7.8	7.9	8.0	8.1
Change	% yr ago	1.8	1.9	1.9	1.9	0.0	1.1	1.3	1.1	1.9
Professional and business services	mil	19.4	19.6	19.7	19.9	17.3	17.9	18.5	19.1	19.7
Change	% yr ago	3.1	3.1	3.1	3.3	3.6	3.5	3.3	2.9	3.1
Education and health services	mil	21.8	22.0	22.1	22.3	20.3	20.8	21.1	21.4	22.0
Change	% yr ago	2.5	2.8	3.0	3.2	1.7	2.2	1.5	1.7	2.9
Leisure and hospitality	mil	15.0	15.1	15.2	15.3	13.4	13.8	14.3	14.7	15.1
Change	% yr ago	3.1	2.7	2.9	3.0	2.4	3.1	3.5	3.1	2.9
Other services	mil	5.6	5.6	5.6	5.6	5.4	5.4	5.5	5.6	5.6
Change	% yr ago	1.1	1.0	1.0	1.1	0.6	1.3	1.0	1.5	1.0
Government	mil	22.0	22.0	22.0	22.0	22.1	21.9	21.8	21.9	22.0
Change	% yr ago	0.7	0.5	0.7	0.4	-1.8	-0.8	-0.3	0.1	0.6
Northeast	mil	26.2	26.3	26.4	26.5	25.1	25.4	25.7	26.0	26.3
Change	% yr ago	1.4	1.4	1.4	1.4	1.0	1.2	1.1	1.2	1.4
Midwest	mil	31.9	32.0	32.0	32.1	30.3	30.8	31.2	31.6	32.0
Change	% yr ago	1.6	1.4	1.3	1.2	1.4	1.6	1.3	1.4	1.4
South	mil	51.2	51.4	51.6	51.9	47.7	48.5	49.4	50.5	51.6
Change	% yr ago	2.5	2.2	2.0	1.6	1.3	1.8	1.9	2.2	2.1
West	mil	31.8	32.0	32.2	32.4	28.9	29.5	30.4	31.2	32.1
Change	% yr ago	3.0	2.8	2.8	2.6	1.1	2.2	2.8	2.8	2.8
Labor force, U.S.	mil	156.9	157.1	157.0	157.4	153.6	155.0	155.4	155.9	157.1
Change	% yr ago	0.8	1.0	0.6	0.7	-0.2	0.9	0.3	0.3	0.8
Northeast	mil	28.3	28.6	28.4	28.4	28.2	28.4	28.3	28.2	28.4
Change	% yr ago	0.4	1.2	0.7	0.6	-0.0	0.7	-0.2	-0.4	0.7
Midwest	mil	34.6	34.6	34.4	34.6	34.2	34.2	34.3	34.4	34.5
Change	% yr ago	0.6	0.4	-0.2	0.2	-0.6	-0.2	0.5	0.4	0.3
South	mil	57.3	57.5	57.1	57.3	56.1	56.4	56.6	56.8	57.3
Change	% yr ago	1.1	1.4	0.5	0.6	0.9	0.5	0.3	0.4	0.9
West	mil	36.9	37.0	36.9	37.0	35.8	35.9	36.1	36.5	36.9
Change	% yr ago	1.5	1.5	1.0	0.8	-0.0	0.4	0.5	1.1	1.2
Unemployment rate, U.S.	%	5.6	5.4	5.2	5.0	8.9	8.1	7.4	6.2	5.3
Northeast	%	5.6	5.5	5.2	4.9	8.2	8.1	7.3	6.1	5.3
Midwest	%	5.2	5.0	4.8	4.5	8.3	7.4	7.0	5.7	4.9
South	%	5.4	5.4	5.2	5.1	8.6	7.6	6.9	5.9	5.3
West	%	6.1	5.8	5.7	5.4	10.2	9.1	7.8	6.8	5.7
Demographics										
Population, U.S.	mil	320.8	321.4	322.1	322.8	312.0	314.4	316.7	319.2	321.8
Change	% yr ago	0.8	0.8	0.8	0.8	0.8	0.8	0.7	0.8	0.8
Northeast	mil	56.3	56.3	56.3	56.4	55.7	55.9	56.1	56.2	56.4
Change	% yr ago	0.2	0.3	0.3	0.3	0.4	0.3	0.3	0.2	0.3
Midwest	mil	67.9	68.0	68.0	68.1	67.2	67.4	67.7	67.8	68.1
Change	% yr ago	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
South	mil	120.8	121.2	121.6	121.9	116.7	117.9	119.1	120.5	121.9
Change	% yr ago	1.2	1.2	1.2	1.2	1.1	1.0	1.0	1.1	1.2
West	mil	75.9	76.1	76.3	76.5	73.2	74.0	74.8	75.6	76.5
Change	% yr ago	1.2	1.2	1.2	1.2	1.0	1.0	1.1	1.1	1.2
Households, U.S.	mil	121.4	121.9	122.4	122.9	118.1	119.3	120.3	120.9	122.2
Change	% yr ago	0.6	0.8	1.3	1.5	0.8	1.0	0.9	0.5	1.0
Northeast	mil	21.4	21.4	21.5	21.5	21.3	21.3	21.4	21.4	21.5
Change	% yr ago	0.0	0.3	0.6	0.8	0.1	0.2	0.3	-0.1	0.8
Midwest	mil	26.7	26.8	26.9	26.9	26.4	26.5	26.7	26.7	26.9
Change	% yr ago	0.2	0.5	0.9	1.1	0.3	0.5	0.5	0.1	1.1
South	mil	46.1	46.3	46.5	46.8	44.5	45.0	45.6	45.9	46.8
Change	% yr ago	0.9	1.3	1.6	1.9	1.0	1.2	1.3	0.8	1.9
West	mil	27.2	27.3	27.4	27.6	26.2	26.5	26.8	27.1	27.6
Change	% yr ago	1.0	1.3	1.6	1.8	1.1	1.1	1.1	0.9	1.8

Units: ths = thousands; mil = millions; bil = billions; tril = trillions; % = percent change; %AR = percent annualized rate; SAAR = seasonally adjusted annualized rate; CW = chain-weighted; 05\$ bil = billions of 2005 dollars.

U.S. FORECAST DETAIL TABLES » Demographics & Labor Markets

	Units	16Q1	16Q2	16Q3	16Q4	2016	2017	2018	2019	2020
Labor Markets										
Total nonfarm employment, U.S.	mil	143.4	144.0	144.7	145.3	144.4	147.0	149.5	151.2	152.0
Change	% yr ago	1.9	1.8	1.8	1.7	1.8	1.8	1.6	1.2	0.5
Natural resources and mining	mil	0.8	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.8
Change	% yr ago	-14.2	-10.6	-7.6	-3.6	-9.2	1.7	2.7	1.4	0.3
Construction	mil	6.6	6.7	6.8	6.9	6.7	7.2	7.4	7.6	7.6
Change	% yr ago	3.5	3.6	5.1	5.5	4.4	6.5	3.7	1.8	0.6
Manufacturing	mil	12.3	12.4	12.4	12.4	12.4	12.4	12.4	12.3	12.2
Change	% yr ago	0.3	0.3	0.4	0.5	0.4	0.2	0.0	-0.5	-1.4
Trade	mil	21.7	21.7	21.8	21.8	21.8	22.0	22.2	22.4	22.5
Change	% yr ago	1.4	1.2	1.0	0.9	1.2	1.0	1.2	0.9	0.2
Transportation and utilities	mil	5.4	5.5	5.5	5.5	5.5	5.6	5.6	5.6	5.6
Change	% yr ago	1.9	1.6	1.3	1.5	1.6	1.5	0.8	0.2	-0.2
Information	mil	2.8	2.8	2.8	2.8	2.8	2.8	2.9	2.9	2.9
Change	% yr ago	1.2	1.1	1.0	1.1	1.1	1.3	1.2	0.8	0.1
Financial activities	mil	8.2	8.3	8.3	8.3	8.3	8.4	8.5	8.6	8.6
Change	% yr ago	1.8	1.9	1.7	1.6	1.7	1.5	1.3	0.9	0.5
Professional and business services	mil	20.1	20.2	20.4	20.5	20.3	21.0	21.6	22.1	22.3
Change	% yr ago	3.4	3.2	3.1	3.1	3.2	3.5	3.0	2.1	0.9
Education and health services	mil	22.4	22.6	22.7	22.8	22.6	23.1	23.6	24.0	24.3
Change	% yr ago	3.0	2.7	2.4	2.0	2.5	2.1	2.2	1.8	1.2
Leisure and hospitality	mil	15.4	15.5	15.6	15.7	15.6	16.0	16.3	16.6	16.8
Change	% yr ago	3.0	3.1	3.1	2.8	3.0	2.6	2.3	1.8	1.1
Other services	mil	5.7	5.7	5.7	5.7	5.7	5.8	5.9	5.9	5.9
Change	% yr ago	1.1	1.3	1.6	1.6	1.4	1.6	1.3	0.8	0.1
Government	mil	22.1	22.1	22.1	22.1	22.1	22.1	22.2	22.3	22.5
Change	% yr ago	0.4	0.4	0.2	0.2	0.3	0.3	0.4	0.5	0.6
Northeast	mil	26.6	26.7	26.8	26.9	26.7	27.1	27.4	27.6	27.7
Change	% yr ago	1.5	1.4	1.5	1.5	1.5	1.4	1.2	0.9	0.3
Midwest	mil	32.3	32.4	32.5	32.7	32.5	33.0	33.5	33.8	34.0
Change	% yr ago	1.1	1.3	1.6	1.7	1.4	1.6	1.5	1.1	0.4
South	mil	52.2	52.4	52.7	52.9	52.5	53.6	54.7	55.5	55.9
Change	% yr ago	1.8	1.8	2.0	2.0	1.9	2.0	2.0	1.5	0.8
West	mil	32.5	32.7	32.9	33.1	32.8	33.5	34.2	34.6	34.9
Change	% yr ago	2.3	2.3	2.2	2.3	2.3	2.2	1.9	1.4	0.6
Labor force, U.S.										
Total	mil	158.3	158.8	159.4	160.0	159.1	161.0	162.4	163.3	164.2
Change	% yr ago	0.9	1.1	1.5	1.6	1.3	1.2	0.8	0.6	0.6
Northeast	mil	28.5	28.5	28.6	28.6	28.5	28.8	28.9	29.0	29.1
Change	% yr ago	0.4	-0.2	0.6	0.8	0.4	0.8	0.6	0.4	0.3
Midwest	mil	34.7	34.8	34.9	35.0	34.8	35.2	35.5	35.6	35.7
Change	% yr ago	0.1	0.6	1.5	1.3	0.9	1.1	0.6	0.4	0.3
South	mil	57.5	57.8	58.1	58.4	58.0	59.0	59.8	60.4	60.9
Change	% yr ago	0.4	0.6	1.8	2.0	1.2	1.8	1.3	1.0	0.9
West	mil	37.1	37.3	37.5	37.7	37.4	38.1	38.5	38.8	39.1
Change	% yr ago	0.7	0.9	1.6	1.9	1.3	1.7	1.1	0.8	0.8
Unemployment rate, U.S.										
Total	%	4.9	4.9	5.0	4.9	4.9	4.7	4.7	4.7	4.9
Northeast	%	4.8	4.8	4.8	4.9	4.8	4.8	4.9	4.9	5.1
Midwest	%	4.4	4.4	4.4	4.3	4.4	4.2	4.3	4.2	4.4
South	%	5.1	5.1	5.1	5.1	5.1	4.9	4.8	4.8	4.9
West	%	5.3	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.4
Demographics										
Population, U.S.										
Total	mil	323.4	324.1	324.8	325.4	324.4	327.1	329.8	332.5	335.2
Change	% yr ago	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Northeast	mil	56.4	56.4	56.5	56.5	56.5	56.6	56.8	56.9	57.0
Change	% yr ago	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Midwest	mil	68.1	68.2	68.3	68.3	68.3	68.5	68.8	69.0	69.2
Change	% yr ago	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
South	mil	122.3	122.7	123.1	123.5	123.5	125.2	126.9	128.6	130.4
Change	% yr ago	1.2	1.3	1.3	1.3	1.3	1.3	1.4	1.4	1.3
West	mil	76.8	77.0	77.2	77.4	77.4	78.3	79.2	80.1	81.0
Change	% yr ago	1.2	1.2	1.2	1.2	1.2	1.2	1.1	1.1	1.1
Households, U.S.										
Total	mil	123.4	123.8	124.3	124.7	124.0	125.8	127.6	129.0	130.2
Change	% yr ago	1.6	1.6	1.5	1.5	1.5	1.5	1.4	1.1	0.9
Northeast	mil	21.6	21.6	21.7	21.7	21.7	21.9	22.1	22.2	22.2
Change	% yr ago	0.9	0.9	0.8	0.8	0.8	0.9	0.7	0.5	0.3
Midwest	mil	27.0	27.1	27.2	27.2	27.2	27.5	27.7	27.9	28.0
Change	% yr ago	1.2	1.1	1.0	1.0	1.0	1.0	0.7	0.6	0.4
South	mil	47.0	47.2	47.5	47.7	47.7	48.7	49.6	50.4	51.1
Change	% yr ago	2.0	2.0	2.0	2.0	2.0	2.1	1.8	1.6	1.5
West	mil	27.7	27.9	28.0	28.1	28.1	28.7	29.1	29.5	29.9
Change	% yr ago	2.0	2.1	2.1	2.0	2.0	1.9	1.6	1.4	1.3

Units: ths = thousands; mil = millions; bil = billions; tril = trillions; % = percent change; %AR = percent annualized rate; SAAR = seasonally adjusted annualized rate; CW = chain-weighted; 05\$ bil = billions of 2005 dollars.

U.S. FORECAST DETAIL TABLES » Real Estate Markets

	Units	15Q1	15Q2	15Q3	15Q4	2011	2012	2013	2014	2015
Housing, SAAR										
Housing starts, U.S.	mil	1.0	1.2	1.2	1.1	0.6	0.8	0.9	1.0	1.1
Change	% yr ago	-26.2	96.3	0.2	-8.5	4.5	28.1	18.4	7.8	10.6
Single-family	mil	0.6	0.7	0.7	0.8	0.4	0.5	0.6	0.6	0.7
Change	% yr ago	-28.7	45.6	23.5	7.9	-7.9	23.6	15.5	4.3	10.3
Multifamily	mil	0.3	0.5	0.4	0.4	0.2	0.2	0.3	0.4	0.4
Change	% yr ago	-21.3	229.5	-29.4	-33.2	55.7	38.9	24.8	14.8	11.3
Existing-home sales, U.S.										
Existing-home sales, U.S.	mil	4.4	4.7	4.9	4.6	3.8	4.1	4.5	4.3	4.6
Change	% yr ago	-4.7	26.1	16.3	-21.8	2.4	8.8	8.4	-3.1	6.7
Northeast	mil	0.5	0.5	0.6	0.5	0.5	0.4	0.5	0.5	0.5
Change	% yr ago	-6.1	28.7	18.8	-24.0	-7.7	-9.9	15.6	-4.6	6.1
Midwest	mil	1.0	1.0	1.1	1.0	1.0	0.9	1.0	1.0	1.0
Change	% yr ago	-7.1	30.6	18.6	-19.3	-3.7	-5.5	11.2	-3.1	7.5
South	mil	1.9	2.0	2.1	2.0	1.7	1.8	1.9	1.9	2.0
Change	% yr ago	-4.5	23.9	15.4	-14.1	1.6	4.7	7.0	-3.0	6.7
West	mil	1.0	1.1	1.1	1.1	1.0	1.0	1.0	1.0	1.1
Change	% yr ago	-2.1	24.8	15.4	-17.7	1.4	-3.3	5.2	-2.5	7.9
Existing-condo sales, U.S.										
Existing-condo sales, U.S.	mil	0.6	0.6	0.6	0.6	0.5	0.5	0.6	0.6	0.6
Change	% yr ago	-20.5	49.9	0.0	-4.2	1.6	9.6	13.2	-2.6	3.6
New-home sales, SAAR										
New-home sales, SAAR	ths	0.5	0.5	0.5	0.5	0.3	0.4	0.4	0.4	0.5
Change	% yr ago	43.9	-14.8	-6.8	15.3	-4.6	20.0	16.9	2.3	14.1
House Prices										
Existing homes, median, U.S.	\$ ths	218.0	221.3	220.0	226.5	165.0	175.7	195.8	207.1	221.5
Change	% yr ago	7.2	8.2	5.5	6.9	-4.5	6.5	11.4	5.8	6.9
Existing condos, median, U.S.	\$ ths	204.5	209.1	208.2	212.4	161.6	172.5	193.4	203.6	208.6
Change	% yr ago	1.4	2.7	2.0	3.7	-5.2	6.8	12.1	5.2	2.4
New homes, median, U.S.	\$ ths	292.8	290.8	300.5	294.3	224.4	242.1	265.1	283.3	294.6
Change	% yr ago	7.4	3.1	8.1	-2.1	1.6	7.9	9.5	6.9	4.0
Northeast, existing median	\$ ths	251.2	253.7	250.9	256.2	228.6	228.6	237.1	241.3	253.0
Change	% yr ago	4.2	6.1	4.3	4.7	-3.7	0.0	3.7	1.8	4.8
Midwest, existing median	\$ ths	140.4	142.2	141.0	143.9	113.5	118.9	128.5	135.2	141.9
Change	% yr ago	6.1	5.7	2.6	5.3	-6.1	4.8	8.0	5.3	4.9
South, existing median	\$ ths	179.3	181.9	180.7	184.8	141.0	147.4	162.4	170.7	181.7
Change	% yr ago	6.6	7.5	5.4	6.1	-3.1	4.5	10.2	5.1	6.4
West, existing median	\$ ths	334.9	342.0	342.3	351.0	223.5	240.2	287.6	314.7	342.6
Change	% yr ago	8.2	10.0	9.1	8.1	-6.4	7.5	19.7	9.4	8.9
Freddie Mac CMHPI, U.S.	1987=100	289.0	292.6	294.5	295.8	255.2	254.9	266.2	282.6	293.0
Change	% yr ago	4.8	3.1	3.5	3.4	-3.0	-0.1	4.4	6.1	3.7
Affordability index	index	168.4	166.7	166.2	165.3	188.2	198.8	179.4	167.8	166.6
Change	% yr ago	1.8	-1.0	-1.9	-1.7	9.0	5.6	-9.7	-6.5	-0.7
Rental vacancy rate	%	7.0	7.0	7.2	7.0	9.5	8.7	8.3	7.6	7.1
Mortgage Originations, SAAR										
Total originations	\$ tril	1.5	1.5	1.4	1.4	1.4	2.0	1.9	1.3	1.5
Change	% yr ago	18.9	18.4	12.0	14.1	-16.5	44.3	-8.9	-32.2	15.9
Purchase originations	\$ tril	0.8	0.8	0.8	0.9	0.5	0.6	0.7	0.8	0.8
Refi originations	\$ tril	0.7	0.7	0.6	0.5	0.9	1.5	1.1	0.5	0.6
Refi share	%	62.6	47.0	50.2	55.3	70.4	77.3	63.2	51.8	53.8
ARM share	%	7.5	8.7	9.4	8.8	6.5	5.8	7.2	9.7	8.6
Construction Put in Place, SAAR										
Total private construction	\$ bil	766.8	808.6	820.2	827.1	500.8	571.3	633.6	720.3	805.7
Change	% yr ago	6.9	13.2	15.4	11.9	-0.7	14.1	10.9	13.7	11.9
Private residential	\$ bil	403.6	411.5	421.0	426.7	243.8	269.2	323.2	370.6	415.7
Change	% yr ago	10.9	12.3	15.4	10.1	0.5	10.4	20.1	14.7	12.2
Single-family	\$ bil	212.2	212.4	219.9	228.8	108.2	131.5	170.3	193.4	218.3
Change	% yr ago	14.7	12.9	14.2	10.1	-4.0	21.6	29.5	13.6	12.9
Multifamily	\$ bil	47.3	50.6	54.0	52.6	15.0	22.4	31.5	41.8	51.1
Change	% yr ago	28.5	24.3	24.4	13.8	2.2	49.2	40.4	32.6	22.3
Private nonresidential	\$ bil	363.2	397.1	399.2	400.4	257.0	302.1	310.3	349.6	390.0
Change	% yr ago	2.9	14.2	15.4	13.9	-1.8	17.5	2.7	12.7	11.6
Office	\$ bil	42.8	47.9	49.7	51.7	23.7	27.4	30.1	38.3	48.0
Change	% yr ago	22.1	30.3	27.2	22.4	-3.0	15.4	9.8	27.4	25.5
Commercial	\$ bil	62.7	64.7	64.6	66.4	39.0	44.1	51.0	60.5	64.6
Change	% yr ago	14.7	12.3	3.7	-1.3	4.9	13.0	15.6	18.7	6.8
Manufacturing	\$ bil	77.1	86.6	85.4	83.1	39.5	46.6	49.8	57.0	83.1
Change	% yr ago	47.0	63.9	47.5	28.1	-3.2	18.0	6.7	14.6	45.7
Lodging	\$ bil	17.5	20.8	21.8	22.2	8.4	10.2	13.0	15.7	20.6
Change	% yr ago	17.3	37.9	37.9	31.2	-25.0	21.5	27.6	20.5	31.2
Educational	\$ bil	16.0	17.7	18.3	18.9	14.1	16.6	16.9	16.7	17.7
Change	% yr ago	-1.5	4.0	11.0	11.7	4.5	18.1	1.8	-1.3	6.3
Healthcare	\$ bil	30.1	31.8	31.5	30.8	28.9	31.4	29.7	28.6	31.1
Change	% yr ago	6.1	12.6	11.4	5.0	-2.2	8.6	-5.4	-3.8	8.7
Infrastructure	\$ bil	103.9	112.0	111.8	112.1	91.0	114.5	108.1	120.8	110.0
Change	% yr ago	-25.8	-12.9	-1.9	11.6	-1.0	25.8	-5.5	11.7	-8.9
Other	\$ bil	11.5	13.9	14.4	14.0	11.0	10.0	10.5	10.7	13.5
Change	% yr ago	15.0	34.8	35.2	18.2	-6.6	-8.6	4.5	2.3	25.7
Public	\$ bil	143.3	150.7	154.0	150.3	153.7	151.0	144.8	145.7	149.6
Change	% yr ago	0.4	2.4	5.2	2.6	-5.0	-1.7	-4.1	0.6	2.7

Units: ths = thousands; mil = millions; bil = billions; tril = trillions; % = percent change; %AR = percent annualized rate; SAAR = seasonally adjusted annualized rate; CW = chain-weighted; 05\$ bil = billions of 2005 dollars.

U.S. FORECAST DETAIL TABLES » Real Estate Markets

	Units	16Q1	16Q2	16Q3	16Q4	2016	2017	2018	2019	2020
Housing, SAAR										
Housing starts, U.S.	mil	1.3	1.4	1.5	1.5	1.4	1.8	1.8	1.8	1.7
Change	% yr ago	73.2	33.3	22.3	21.8	28.9	23.8	4.6	-5.3	-2.4
Single-family	mil	0.8	0.9	0.9	1.0	0.9	1.2	1.4	1.4	1.3
Change	% yr ago	31.3	41.2	20.9	22.5	26.3	31.1	15.3	-0.3	-3.9
Multifamily	mil	0.5	0.5	0.5	0.6	0.5	0.6	0.5	0.4	0.4
Change	% yr ago	188.2	20.9	24.9	20.7	33.7	11.4	-17.0	-19.1	2.9
Existing-home sales, U.S.										
Existing-home sales, U.S.	mil	5.0	5.3	5.4	5.5	5.3	5.5	4.8	4.7	4.7
Change	% yr ago	49.9	17.9	14.1	7.3	15.1	3.1	-12.6	-2.6	0.9
Northeast	mil	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.5
Change	% yr ago	68.0	21.2	15.7	5.6	18.9	-3.7	-14.5	1.3	1.4
Midwest	mil	1.2	1.2	1.2	1.3	1.2	1.2	1.0	1.0	1.0
Change	% yr ago	57.1	18.7	12.6	4.3	17.3	-3.7	-13.2	0.7	0.7
South	mil	2.2	2.2	2.3	2.3	2.3	2.2	2.0	2.0	2.1
Change	% yr ago	42.9	14.9	12.4	5.3	14.6	-2.0	-9.5	1.4	1.5
West	mil	1.2	1.2	1.3	1.3	1.2	1.2	1.1	1.1	1.1
Change	% yr ago	45.7	13.7	9.2	2.8	13.4	-3.8	-11.1	0.9	1.1
Existing-condo sales, U.S.										
Existing-condo sales, U.S.	mil	0.7	0.7	0.7	0.7	0.7	0.7	0.6	0.5	0.6
Change	% yr ago	28.6	6.4	15.0	11.5	12.3	2.1	-18.1	-5.1	3.3
New-home sales, SAAR										
New-home sales, SAAR	ths	0.6	0.6	0.7	0.7	0.6	0.7	0.8	0.8	0.8
Change	% yr ago	59.2	34.3	33.8	22.1	26.0	16.7	2.3	3.3	8.7
House Prices										
Existing homes, median, U.S.	\$ ths	228.8	230.7	232.8	234.4	231.7	237.0	240.6	247.7	258.8
Change	% yr ago	4.9	4.3	5.8	3.5	4.6	2.3	1.5	3.0	4.5
Existing condos, median, U.S.	\$ ths	214.8	216.6	218.1	219.0	217.1	220.1	222.0	228.5	239.2
Change	% yr ago	5.0	3.6	4.8	3.1	4.1	1.4	0.9	2.9	4.7
New homes, median, U.S.	\$ ths	299.3	304.1	308.3	311.7	305.9	318.2	326.6	337.2	349.9
Change	% yr ago	2.2	4.6	2.6	5.9	3.8	4.0	2.7	3.3	3.8
Northeast, existing median	\$ ths	258.0	259.7	261.5	263.0	260.5	265.9	270.3	278.9	292.4
Change	% yr ago	2.7	2.4	4.2	2.6	3.0	2.1	1.7	3.2	4.8
Midwest, existing median	\$ ths	144.8	145.7	146.7	147.6	146.2	149.3	152.1	157.0	164.5
Change	% yr ago	3.2	2.4	4.1	2.5	3.1	2.1	1.8	3.3	4.7
South, existing median	\$ ths	186.2	187.4	188.6	189.6	187.9	191.2	193.3	198.0	205.9
Change	% yr ago	3.8	3.0	4.4	2.6	3.4	1.7	1.1	2.4	4.0
West, existing median	\$ ths	354.5	357.7	361.1	364.2	359.3	370.7	380.3	395.8	417.7
Change	% yr ago	5.8	4.6	5.5	3.8	4.9	3.2	2.6	4.1	5.5
Freddie Mac CMHPI, U.S.	1987=100	296.8	298.3	300.3	302.4	299.4	306.6	313.0	322.1	336.9
Change	% yr ago	2.7	1.9	2.0	2.2	2.2	2.4	2.1	2.9	4.6
Affordability index	index	164.2	162.2	160.7	159.1	161.6	159.2	161.4	161.4	159.3
Change	% yr ago	-2.5	-2.7	-3.3	-3.7	-3.1	-1.4	1.4	0.0	-1.3
Rental vacancy rate	%	7.1	7.2	7.2	7.3	7.2	7.6	8.1	8.2	8.1
Mortgage Originations, SAAR										
Total originations	\$ tril	1.6	1.7	1.7	1.7	1.6	1.4	1.3	1.5	1.6
Change	% yr ago	3.4	11.8	22.4	14.1	12.7	-13.0	-6.1	8.5	9.1
Purchase originations	\$ tril	0.9	1.0	1.1	1.1	1.0	1.2	1.1	1.2	1.3
Refi originations	\$ tril	0.6	0.7	0.6	0.5	0.6	0.3	0.2	0.2	0.2
Refi share	%	52.8	47.8	43.5	38.4	45.6	25.6	21.1	24.3	26.1
ARM share	%	10.3	11.4	11.2	11.9	11.2	17.1	16.0	16.3	15.8
Construction Put in Place, SAAR										
Total private construction	\$ bil	821.5	837.0	855.9	873.2	846.9	922.3	972.1	1007.6	1031.0
Change	% yr ago	7.1	3.5	4.4	5.6	5.1	8.9	5.4	3.7	2.3
Private residential	\$ bil	414.9	422.8	433.8	443.3	428.7	471.1	489.2	496.9	501.0
Change	% yr ago	2.8	2.7	3.0	3.9	3.1	9.9	3.8	1.6	0.8
Single-family	\$ bil	215.3	222.8	231.9	240.0	227.5	264.2	282.5	290.9	292.9
Change	% yr ago	1.5	4.9	5.5	4.9	4.2	16.1	6.9	3.0	0.7
Multifamily	\$ bil	52.5	52.9	54.8	56.2	54.1	59.8	59.5	58.9	61.0
Change	% yr ago	11.1	4.5	1.4	7.0	5.9	10.6	-0.4	-1.2	3.6
Private nonresidential	\$ bil	406.6	414.2	422.1	429.9	418.2	451.2	482.9	510.8	530.0
Change	% yr ago	11.9	4.3	5.7	7.4	7.2	7.9	7.0	5.8	3.8
Office	\$ bil	53.1	54.3	55.5	56.8	54.9	59.0	61.2	63.2	64.7
Change	% yr ago	24.1	13.3	11.7	9.9	14.4	7.4	3.8	3.2	2.3
Commercial	\$ bil	66.9	67.8	68.9	70.2	68.4	74.0	80.2	85.5	88.7
Change	% yr ago	6.6	4.7	6.6	5.6	5.9	8.2	8.4	6.5	3.7
Manufacturing	\$ bil	84.3	86.1	87.6	89.1	86.8	92.8	98.9	105.4	109.3
Change	% yr ago	9.4	-0.6	2.6	7.1	4.5	6.9	6.6	6.6	3.7
Lodging	\$ bil	22.8	23.5	24.2	25.0	23.9	26.7	28.5	29.5	30.1
Change	% yr ago	30.2	13.3	11.2	12.6	16.2	11.6	7.0	3.4	2.0
Educational	\$ bil	19.0	19.1	19.1	19.2	19.1	19.5	20.3	21.0	21.5
Change	% yr ago	18.7	7.6	4.3	1.7	7.7	2.3	3.9	3.5	2.4
Healthcare	\$ bil	31.1	31.3	31.4	31.5	31.3	32.4	34.0	35.5	36.2
Change	% yr ago	3.1	-1.5	-0.3	2.3	0.9	3.3	5.1	4.4	1.8
Infrastructure	\$ bil	113.9	116.3	119.1	121.7	117.8	129.4	140.6	150.1	158.0
Change	% yr ago	9.7	3.9	6.5	8.6	7.1	9.9	8.6	6.8	5.3
Other	\$ bil	14.3	14.6	14.9	15.3	14.8	16.2	17.9	19.3	20.3
Change	% yr ago	24.2	4.9	3.6	9.3	9.8	9.9	10.2	8.0	5.1
Public	\$ bil	153.0	154.0	155.4	156.6	154.8	162.0	170.7	179.3	188.2
Change	% yr ago	6.8	2.2	0.9	4.2	3.5	4.6	5.4	5.1	4.9

Units: ths = thousands; mil = millions; bil = billions; tril = trillions; % = percent change; %AR = percent annualized rate; SAAR = seasonally adjusted annualized rate; CW = chain-weighted; 05\$ bil = billions of 2005 dollars.

U.S. FORECAST DETAIL TABLES » Prices

	Units	15Q1	15Q2	15Q3	15Q4	2011	2012	2013	2014	2015
Consumer Prices										
GDP chain price deflator	2005=100	109.1	109.7	110.0	110.3	103.3	105.2	106.9	108.7	109.8
Change	%AR	0.1	2.1	1.3	0.8	2.1	1.8	1.6	1.6	1.0
Consumer price index	1982=100	235.2	236.9	237.9	238.0	224.9	229.6	233.0	236.7	237.0
Change	%AR	-3.1	3.0	1.6	0.2	3.1	2.1	1.5	1.6	0.1
Less food & energy	1982=100	240.3	241.8	242.8	244.1	225.0	229.8	233.8	237.9	242.2
Change	%AR	1.7	2.5	1.7	2.1	1.7	2.1	1.8	1.7	1.8
Shelter	1982=100	275.5	277.6	280.0	282.2	251.6	257.1	263.1	270.5	278.8
Change	%AR	3.0	3.1	3.6	3.1	1.3	2.2	2.3	2.8	3.1
Food	1982=100	246.2	246.2	247.9	248.6	227.8	233.8	237.0	242.7	247.2
Change	%AR	0.9	0.1	2.6	1.3	3.7	2.6	1.4	2.4	1.9
Food away from home	1982=100	253.6	255.3	256.7	258.8	231.4	238.0	243.1	249.0	256.1
Change	%AR	2.8	2.7	2.3	3.2	2.3	2.8	2.1	2.4	2.9
Medical care	1982=100	441.8	446.2	447.0	452.0	400.2	414.9	425.1	435.3	446.8
Change	%AR	2.1	4.0	0.7	4.5	3.0	3.7	2.5	2.4	2.6
Producer Prices										
All commodities	1982=100	191.5	193.0	191.6	185.8	201.1	202.2	203.4	205.3	190.5
Change	%AR	-16.6	3.2	-2.9	-11.6	8.8	0.6	0.6	0.9	-7.2
Finished goods	1982=100	193.1	194.8	195.0	192.1	190.5	194.2	196.6	200.3	193.7
Change	%AR	-11.2	3.6	0.3	-5.7	6.0	1.9	1.2	1.9	-3.3
Intermediate goods	1982=100	189.9	189.4	188.5	184.3	199.9	200.8	200.8	201.9	188.0
Change	%AR	-16.1	-1.0	-1.9	-8.7	8.9	0.5	0.0	0.5	-6.9
Crude goods	1982=100	196.2	198.6	187.9	173.7	249.4	241.4	246.6	249.2	189.1
Change	%AR	-48.5	4.8	-19.8	-27.0	17.5	-3.2	2.1	1.1	-24.1
Industrial commodities	1982=100	189.8	191.4	190.0	184.5	202.0	202.1	203.0	204.2	188.9
Change	%AR	-16.6	3.5	-3.0	-11.0	8.0	0.0	0.4	0.6	-7.5
Ind. commodities ex energy	1982=100	195.5	195.0	194.0	192.5	192.8	194.3	195.6	197.7	194.2
Change	%AR	-3.9	-1.0	-2.0	-3.0	5.2	0.8	0.7	1.1	-1.7
Iron & steel	1982=100	212.3	199.8	193.7	175.8	253.2	240.7	226.4	232.1	195.4
Change	%AR	-23.5	-21.5	-11.7	-32.2	13.3	-4.9	-5.9	2.5	-15.8
Lumber & wood products	1982=100	224.5	222.8	220.7	220.0	194.7	201.6	214.9	224.2	222.0
Change	%AR	-0.9	-3.0	-3.8	-1.3	1.1	3.5	6.6	4.3	-1.0
Construction equipment	1982=100	216.6	216.7	217.3	217.3	197.4	205.4	210.7	214.3	217.0
Change	%AR	3.4	0.2	1.1	0.1	3.1	4.1	2.6	1.7	1.2
Transportation equipment	1982=100	176.5	176.3	176.1	177.3	166.1	169.8	171.8	174.1	176.5
Change	%AR	2.8	-0.5	-0.5	2.8	1.7	2.2	1.2	1.4	1.4
Energy Prices										
West Texas Intermediate	\$/Bbl	48.6	57.7	46.6	41.8	95.0	94.1	97.9	93.2	48.7
Change	%AR	-80.2	98.9	-57.4	-35.2	19.5	-0.9	4.0	-4.8	-47.7
PPI - energy	1982=100	160.4	168.3	165.4	148.6	215.9	212.1	211.8	209.8	160.7
Change	%AR	-48.2	21.3	-6.8	-34.8	16.2	-1.8	-0.1	-0.9	-23.4
PPI - coal	1982=100	197.5	196.6	191.3	189.7	207.1	211.4	208.1	199.9	193.8
Change	%AR	1.3	-1.7	-10.4	-3.4	9.2	2.1	-1.5	-3.9	-3.1
PPI - electric power	1982=100	200.8	203.6	212.2	198.8	188.9	190.5	193.4	201.0	203.9
Change	%AR	3.7	5.6	18.0	-22.9	2.4	0.8	1.5	3.9	1.4
PPI - refined petrol. products	1982=100	171.4	195.5	184.4	152.6	298.9	306.5	294.7	278.0	176.0
Change	%AR	-71.6	69.4	-20.9	-53.1	32.7	2.5	-3.8	-5.7	-36.7
PPI - utility natural gas	1982=100	194.2	180.4	180.6	178.7	198.4	179.6	191.7	208.9	183.5
Change	%AR	-13.9	-25.6	0.5	-4.3	-3.4	-9.5	6.7	9.0	-12.2

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U.S. FORECAST DETAIL TABLES » Prices

	Units	16Q1	16Q2	16Q3	16Q4	2016	2017	2018	2019	2020
Consumer Prices										
GDP chain price deflator	2005=100	110.9	111.4	111.8	112.4	111.6	114.0	116.8	119.8	122.4
Change	%AR	2.4	1.7	1.6	2.0	1.7	2.1	2.5	2.5	2.2
Consumer price index	1982=100	237.5	239.1	240.8	242.7	240.0	247.4	254.8	262.1	268.5
Change	%AR	-0.8	2.8	2.9	3.1	1.3	3.1	3.0	2.8	2.5
Less food & energy	1982=100	245.0	246.0	247.1	248.4	246.6	252.1	259.2	266.7	273.2
Change	%AR	1.5	1.7	1.8	2.1	1.8	2.2	2.8	2.9	2.5
Shelter	1982=100	285.2	288.0	290.9	293.8	289.5	300.6	311.1	321.5	332.5
Change	%AR	4.3	4.1	4.1	4.0	3.8	3.8	3.5	3.3	3.4
Food	1982=100	249.9	251.1	252.5	253.9	251.8	257.6	263.9	270.3	276.5
Change	%AR	2.0	2.0	2.2	2.2	1.9	2.3	2.4	2.4	2.3
Food away from home	1982=100	260.1	261.3	262.7	264.2	262.1	268.1	274.6	281.3	287.8
Change	%AR	2.0	2.0	2.2	2.2	2.3	2.3	2.4	2.4	2.3
Medical care	1982=100	455.0	458.3	461.8	465.5	460.2	475.6	493.9	513.9	534.6
Change	%AR	2.7	3.0	3.1	3.3	3.0	3.4	3.8	4.1	4.0
Producer Prices										
All commodities	1982=100	184.8	186.5	189.2	192.2	188.2	199.1	207.0	212.8	217.3
Change	%AR	-2.1	3.8	5.9	6.5	-1.2	5.8	4.0	2.8	2.1
Finished goods	1982=100	190.4	193.0	195.5	197.7	194.1	202.6	208.9	214.2	218.9
Change	%AR	-3.6	5.7	5.3	4.6	0.2	4.4	3.1	2.5	2.2
Intermediate goods	1982=100	179.3	179.4	181.4	183.7	180.9	190.3	201.1	211.5	218.5
Change	%AR	-10.3	0.1	4.6	5.2	-3.8	5.2	5.7	5.1	3.3
Crude goods	1982=100	158.8	167.2	177.2	186.5	172.4	204.2	222.1	230.9	236.8
Change	%AR	-30.1	23.0	26.2	22.5	-8.8	18.5	8.7	4.0	2.6
Industrial commodities	1982=100	182.5	184.7	188.1	191.3	186.6	197.9	206.2	212.9	218.8
Change	%AR	-4.2	4.9	7.5	6.9	-1.2	6.0	4.2	3.2	2.8
Ind. commodities ex energy	1982=100	193.8	195.0	196.4	197.8	195.8	201.8	208.3	214.8	220.8
Change	%AR	2.7	2.5	2.8	3.0	0.8	3.1	3.2	3.1	2.8
Iron & steel	1982=100	172.8	170.4	168.1	166.4	169.4	164.3	164.5	167.0	169.5
Change	%AR	-6.6	-5.4	-5.3	-4.2	-13.3	-3.0	0.2	1.5	1.5
Lumber & wood products	1982=100	219.7	218.7	221.1	223.4	220.7	228.9	235.6	239.8	242.4
Change	%AR	-0.4	-1.9	4.5	4.1	-0.6	3.7	2.9	1.8	1.1
Construction equipment	1982=100	219.5	220.1	220.1	219.9	219.9	220.6	221.5	224.0	226.4
Change	%AR	4.0	1.2	0.1	-0.4	1.4	0.3	0.4	1.1	1.0
Transportation equipment	1982=100	177.4	176.7	175.9	179.5	177.4	179.5	181.8	184.5	187.1
Change	%AR	0.3	-1.5	-1.9	8.4	0.5	1.2	1.3	1.5	1.4
Energy Prices										
West Texas Intermediate	\$/Bbl	34.5	39.7	45.2	50.0	42.4	59.7	67.7	72.3	75.9
Change	%AR	-53.6	74.7	68.5	49.3	-13.0	40.9	13.3	6.8	5.0
PPI - energy	1982=100	137.6	142.2	149.9	157.5	146.8	173.1	188.9	198.0	203.9
Change	%AR	-26.5	13.9	23.6	21.8	-8.7	18.0	9.1	4.8	3.0
PPI - coal	1982=100	195.1	197.7	200.5	203.6	199.2	209.2	216.7	221.8	226.0
Change	%AR	11.9	5.4	5.9	6.2	2.8	5.0	3.6	2.3	1.9
PPI - electric power	1982=100	197.2	200.1	205.9	196.5	199.9	204.4	215.7	225.5	233.4
Change	%AR	-3.3	5.9	12.1	-16.9	-1.9	2.3	5.5	4.6	3.5
PPI - refined petrol. products	1982=100	105.8	101.6	100.5	98.6	101.6	106.5	112.3	131.5	172.0
Change	%AR	-76.9	-14.9	-4.5	-7.2	-42.2	4.7	5.5	17.1	30.8
PPI - utility natural gas	1982=100	168.2	162.6	172.9	180.0	170.9	195.1	213.7	227.3	236.6
Change	%AR	-21.4	-12.7	27.8	17.3	-6.8	14.1	9.5	6.4	4.1

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U.S. FORECAST DETAIL TABLES » Producers

	Units	15Q1	15Q2	15Q3	15Q4	2011	2012	2013	2014	2015
Industrial Production										
All industries	2007=100	107.4	106.8	107.5	106.6	97.2	100.0	101.9	105.7	107.1
Change	% yr ago	3.5	1.5	1.2	-0.9	3.0	2.8	1.9	3.7	1.3
Manufacturing	2007=100	105.5	105.8	106.7	106.8	97.2	100.0	101.1	103.9	106.2
Change	% yr ago	3.5	2.3	2.0	1.1	3.3	2.9	1.1	2.8	2.2
Nondurables	2007=100	103.9	104.2	104.8	105.2	99.9	100.0	100.7	102.1	104.5
Change	% yr ago	2.9	2.3	2.3	1.7	0.2	0.1	0.7	1.4	2.3
Durables	2007=100	107.0	107.4	108.4	108.3	94.8	100.0	101.4	105.5	107.8
Change	% yr ago	4.0	2.3	1.7	0.6	6.2	5.5	1.4	4.1	2.1
Motor vehicles & parts	2007=100	122.3	126.3	132.2	129.8	90.4	100.0	106.5	117.7	127.6
Change	% yr ago	9.7	8.7	9.1	6.5	9.3	10.6	6.5	10.4	8.5
Capacity utilization	%	76.6	76.6	77.0	76.8	74.0	75.0	74.6	76.0	76.8
Agriculture										
Prices received by farmers										
All farm products	90-92=100	99.3	105.0	99.7	90.3	100.1	104.8	105.8	107.5	98.6
Change	% yr ago	-6.3	-8.2	-8.3	-10.6	21.4	4.7	1.0	1.6	-8.3
All crops	90-92=100	84.7	89.0	87.0	82.0	99.9	106.0	103.8	91.3	85.7
Change	% yr ago	-9.6	-10.4	-3.7	0.0	26.2	6.1	-2.0	-12.0	-6.2
Livestock and products	90-92=100	117.0	119.7	113.7	102.0	100.0	103.6	109.0	128.8	113.1
Change	% yr ago	-3.8	-7.7	-13.7	-22.7	15.8	3.6	5.2	18.1	-12.2
PPI farm products	1982=100	176.5	178.8	175.6	162.8	186.7	192.5	195.3	197.4	173.4
Change	% yr ago	-9.4	-14.2	-9.7	-15.2	23.7	3.1	1.5	1.1	-12.2
Productivity and Costs										
Compensation per hr	2005=100	112.6	114.1	115.3	115.7	104.2	107.0	108.2	111.1	114.4
Change	% yr ago	1.8	3.4	3.6	3.1	2.2	2.7	1.1	2.7	3.0
Output per hr	2005=100	105.0	105.9	106.5	105.7	103.5	104.4	104.4	105.2	105.8
Change	% yr ago	0.6	0.8	0.6	0.3	0.2	0.9	-0.0	0.7	0.6
Unit labor costs	2005=100	107.2	107.8	108.3	109.5	100.7	102.5	103.5	105.7	108.2
Change	% yr ago	1.2	2.6	3.0	2.8	2.1	1.7	1.1	2.0	2.4
Private industry wages & salaries	1989=100	122.6	122.8	123.6	124.3	114.0	116.0	118.2	120.6	123.3
Change	% yr ago	2.7	2.1	2.1	2.1	1.6	1.8	1.9	2.0	2.2
Compensation-civilian workers	1989=100	123.6	123.8	124.5	125.2	114.9	117.0	119.3	121.7	124.3
Change	% yr ago	2.6	2.0	1.9	2.0	2.0	1.9	1.9	2.1	2.1
Corporate Profits										
Profits with IVA & CCA	\$ bil	2,012.5	2,083.0	2,049.9	2,124.0	1,816.6	1,998.2	2,037.4	2,072.9	2,067.3
Change	% yr ago	4.6	0.6	-5.1	-0.5	4.0	10.0	2.0	1.7	-0.3
IV & CC adjustments	\$ bil	-239.7	-310.8	-276.1	-253.2	9.8	-132.7	-124.2	-134.9	-270.0
After-tax profits	\$ bil	1,734.5	1,844.6	1,783.8	1,820.8	1,427.7	1,683.2	1,692.8	1,693.9	1,795.9
Change	% yr ago	7.5	8.5	1.3	7.1	-2.9	17.9	0.6	0.1	6.0
Cash flow	\$ bil	1,940.6	2,079.8	2,042.6	2,011.6	1,679.9	1,872.1	1,825.7	1,915.3	2,018.7
Change	% yr ago	6.8	8.4	2.3	4.3	-7.9	11.4	-2.5	4.9	5.4

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U.S. FORECAST DETAIL TABLES » Producers

	Units	16Q1	16Q2	16Q3	16Q4	2016	2017	2018	2019	2020
Industrial Production										
All industries	2007=100	107.2	107.5	108.3	108.8	108.0	109.9	111.4	112.8	113.9
Change	% yr ago	-0.2	0.7	0.7	2.1	0.8	1.8	1.4	1.3	1.0
Manufacturing	2007=100	107.3	107.7	108.3	108.9	108.0	110.0	111.7	113.2	114.5
Change	% yr ago	1.7	1.7	1.5	1.9	1.7	1.8	1.5	1.4	1.1
Nondurables	2007=100	105.5	105.7	106.2	106.4	106.0	106.9	107.5	108.3	109.0
Change	% yr ago	1.6	1.5	1.3	1.2	1.4	0.9	0.6	0.7	0.7
Durables	2007=100	109.0	109.4	110.2	111.0	109.9	112.8	115.3	117.5	119.2
Change	% yr ago	1.9	1.9	1.7	2.5	2.0	2.6	2.2	1.9	1.5
Motor vehicles & parts	2007=100	131.5	132.7	134.4	135.2	133.4	136.0	137.8	139.6	140.4
Change	% yr ago	7.5	5.0	1.7	4.2	4.5	2.0	1.3	1.3	0.6
Capacity utilization	%	76.7	76.6	76.7	76.6	76.7	76.4	76.1	76.0	76.1
Agriculture										
Prices received by farmers										
All farm products	90-92=100	90.7	91.1	91.4	91.8	91.3	92.7	94.1	95.4	96.6
Change	% yr ago	-8.7	-13.3	-8.2	1.6	-7.4	1.5	1.5	1.4	1.3
All crops	90-92=100	82.6	83.3	83.9	84.5	83.6	85.9	88.3	90.5	92.5
Change	% yr ago	-2.4	-6.5	-3.6	3.0	-2.5	2.8	2.8	2.5	2.2
Livestock and products	90-92=100	102.5	103.1	103.6	104.1	103.3	105.3	107.2	109.1	110.8
Change	% yr ago	-12.4	-13.9	-8.9	2.0	-8.6	1.9	1.9	1.7	1.5
PPI farm products	1982=100	168.3	174.2	174.4	177.1	173.5	187.4	197.0	200.6	202.9
Change	% yr ago	-4.6	-2.6	-0.7	8.8	0.1	8.0	5.1	1.8	1.2
Productivity and Costs										
Compensation per hr	2005=100	116.8	118.0	119.1	120.3	118.6	123.3	128.9	134.2	138.7
Change	% yr ago	3.8	3.3	3.3	4.0	3.6	4.0	4.5	4.1	3.4
Output per hr	2005=100	106.1	106.5	107.0	107.3	106.7	108.0	109.1	110.3	111.7
Change	% yr ago	1.0	0.6	0.4	1.5	0.9	1.2	1.0	1.1	1.3
Unit labor costs	2005=100	110.2	110.7	111.4	112.1	111.1	114.2	118.1	121.7	124.2
Change	% yr ago	2.7	2.7	2.9	2.4	2.7	2.8	3.5	3.0	2.0
Private industry wages & salaries	1989=100	125.0	125.7	126.4	127.3	126.1	129.5	133.2	136.6	139.5
Change	% yr ago	1.9	2.3	2.3	2.4	2.2	2.7	2.8	2.6	2.1
Compensation-civilian workers	1989=100	126.0	126.8	127.6	128.6	127.2	131.2	135.6	139.8	143.7
Change	% yr ago	1.9	2.4	2.5	2.7	2.4	3.1	3.3	3.1	2.8
Corporate Profits										
Profits with IVA & CCA	\$ bil	2,183.2	2,241.9	2,275.2	2,258.1	2,239.6	2,275.7	2,369.3	2,443.5	2,527.3
Change	% yr ago	8.5	7.6	11.0	6.3	8.3	1.6	4.1	3.1	3.4
IV & CC adjustments	\$ bil	-257.4	-238.7	-238.7	-237.4	-243.0	-238.7	-237.1	-239.8	-240.8
After-tax profits	\$ bil	1,870.3	1,901.8	1,928.0	1,913.1	1,903.3	1,927.9	1,997.1	2,053.2	2,118.5
Change	% yr ago	7.8	3.1	8.1	5.1	6.0	1.3	3.6	2.8	3.2
Cash flow	\$ bil	1,985.1	1,961.3	1,928.4	1,871.4	1,936.5	1,749.2	1,547.0	1,249.8	927.3
Change	% yr ago	2.3	-5.7	-5.6	-7.0	-4.1	-9.7	-11.6	-19.2	-25.8

Units: ths = thousands; mil = millions; bil = billions; tril = trillions; % = percent change; %AR = percent annualized rate; SAAR = seasonally adjusted annualized rate; CW = chain-weighted; 05\$ bil = billions of 2005 dollars.

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- » Chain Store Sales
- » Chain Store Sales Snapshot
- » Challenger Report
- » Chicago Fed National Activity Index
- » Chicago PMI
- » Construction Spending (C30)
- » Consumer Credit (G19)
- » Consumer Price Index
- » Creditforecast.com Quarterly Household Credit Report
- » Current Account
- » Durable Goods (Advance)
- » ECRI Future Inflation Gauge-North America
- » ECRI Weekly Leading Index
- » Employment Cost Index
- » Employment Situation
- » Existing-Home Sales
- » Factory Orders (M3)
- » FOMC Meeting
- » FOMC Minutes
- » GDP
- » Import and Export Prices
- » Industrial Production
- » International Trade (FT900)
- » Internet Sales (E-Commerce Sales)
- » ISM Index
- » ISM Nonmanufacturing Index
- » Job Openings and Labor Turnover Survey
- » Jobless Claims
- » Kansas City Fed Manufacturing Survey
- » Manpower Employment Outlook Survey
- » Manufacturers Alliance/MAPI Survey
- » Mass Layoffs
- » MBA Delinquency Rates
- » MBA Mortgage Applications Survey
- » Monster Employment Index
- » NAHB Housing Market Index
- » NAPM - NY Report
- » NAR Metro Prices
- » New-Home Sales (C25)
- » New Residential Construction (C20)
- » NY Empire State Manufacturing Survey
- » FHFA Home Price Index
- » Oil and Gas Inventories
- » Pending Home Sales
- » Personal Income
- » Philadelphia Fed Survey
- » PPI
- » Productivity and Costs
- » Quarterly Services Survey
- » Regional and State Employment & Unemployment
- » Retail Sales (MARTS)
- » Richmond Fed Manufacturing Survey
- » Risk of Recession
- » S&P/Case-Shiller® Monthly Home Price Indexes
- » SEMI Book-to-Bill Ratio
- » Semiconductor Billings
- » Senior Loan Officer Opinion Survey
- » State Personal Income
- » The Conference Board Consumer Confidence
- » The Conference Board Leading Indicators
- » Treasury Budget
- » Treasury International Capital Flows
- » University of Michigan Consumer Sentiment Survey
- » Vehicle Sales - AutoData
- » Weekly Natural Gas Storage Report
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