

The U.S. Economic Outlook



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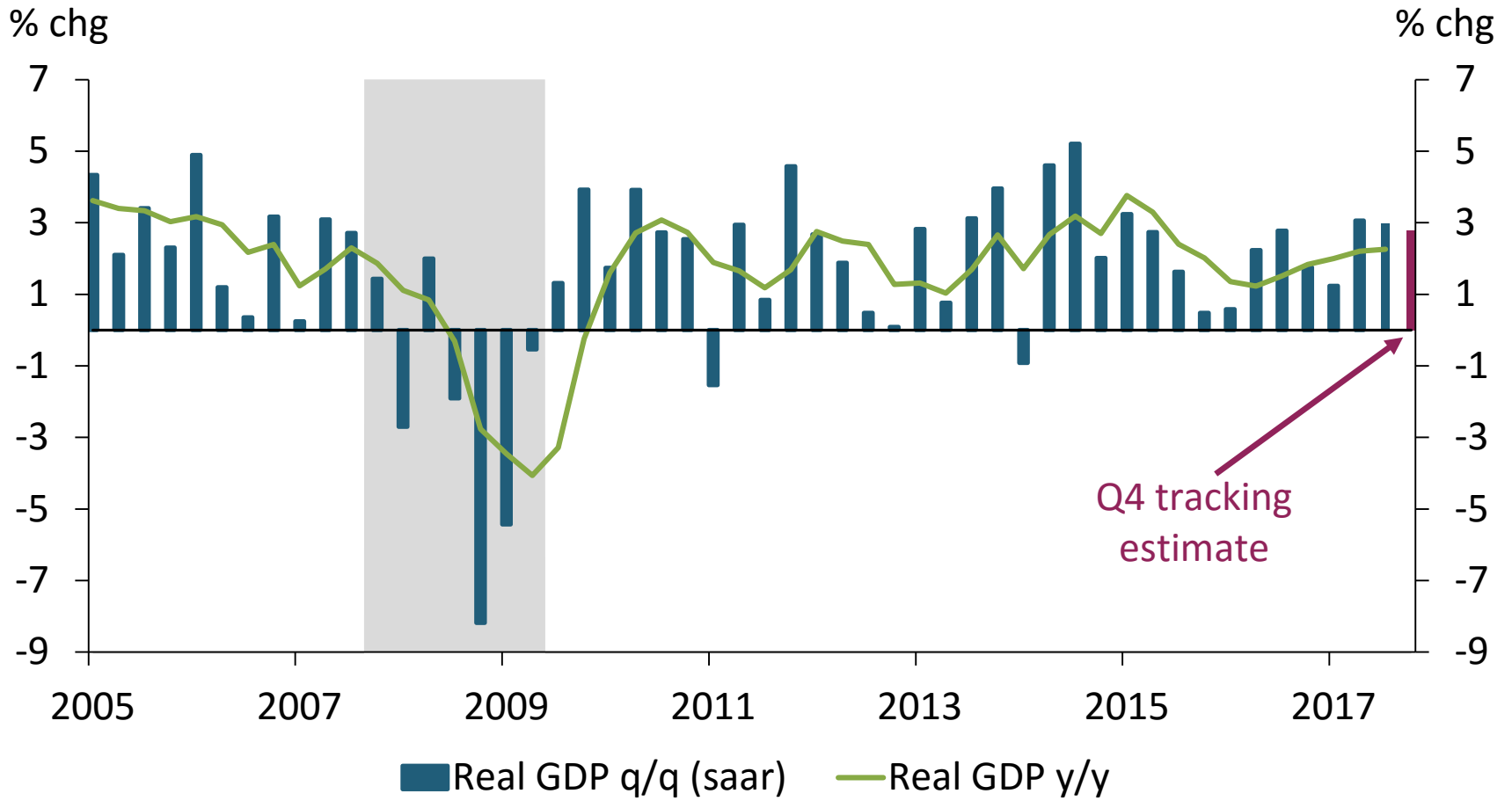
November 15, 2017

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Outlook themes

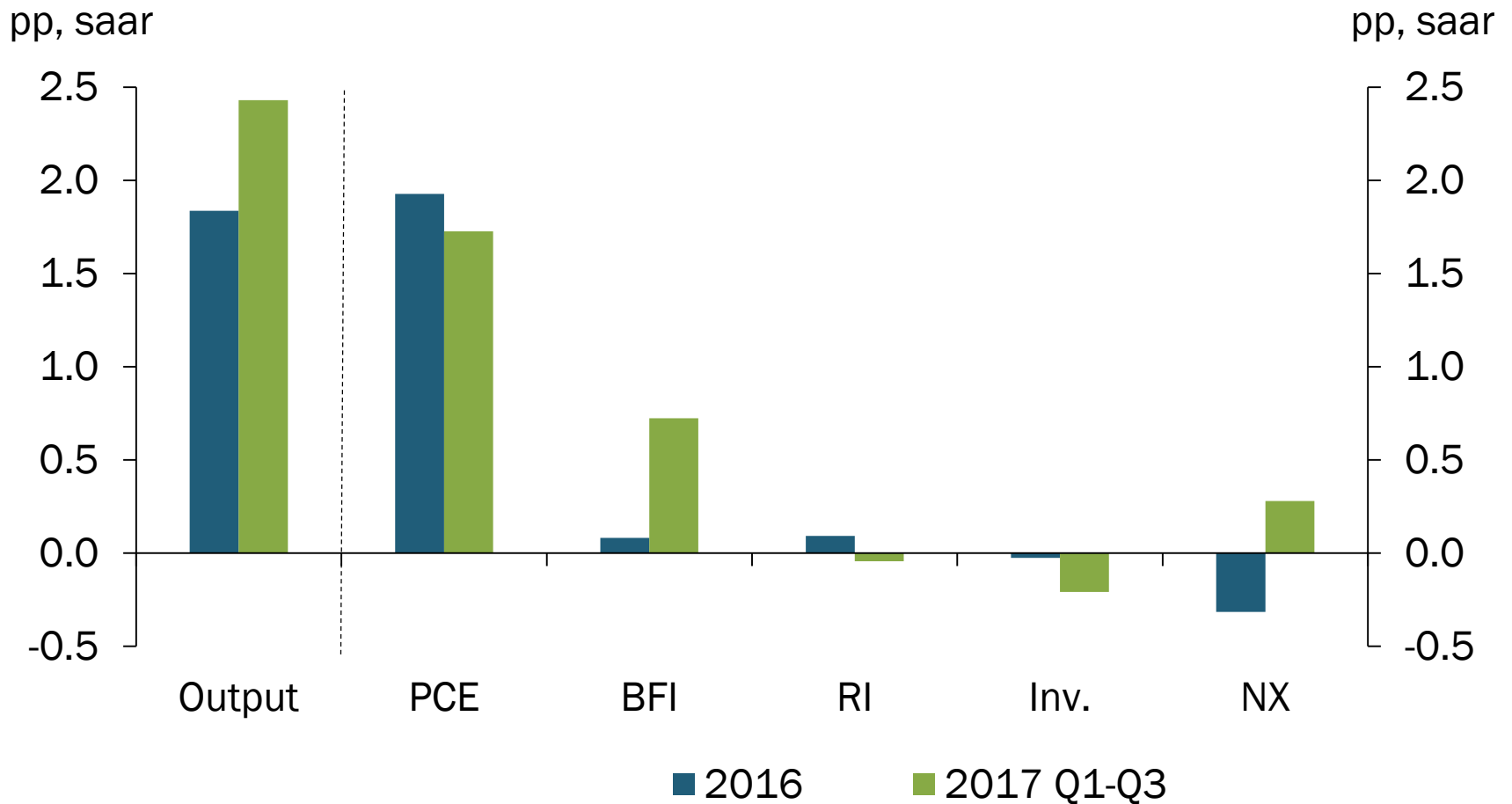
- The economy continues to grow at a moderate pace.
- The labor market continues to tighten.
- Inflation is running below 2 percent.
- Financial conditions remain accommodative.
- Federal Reserve is reducing the size of its balance sheet.

The economy is growing at a moderate pace.



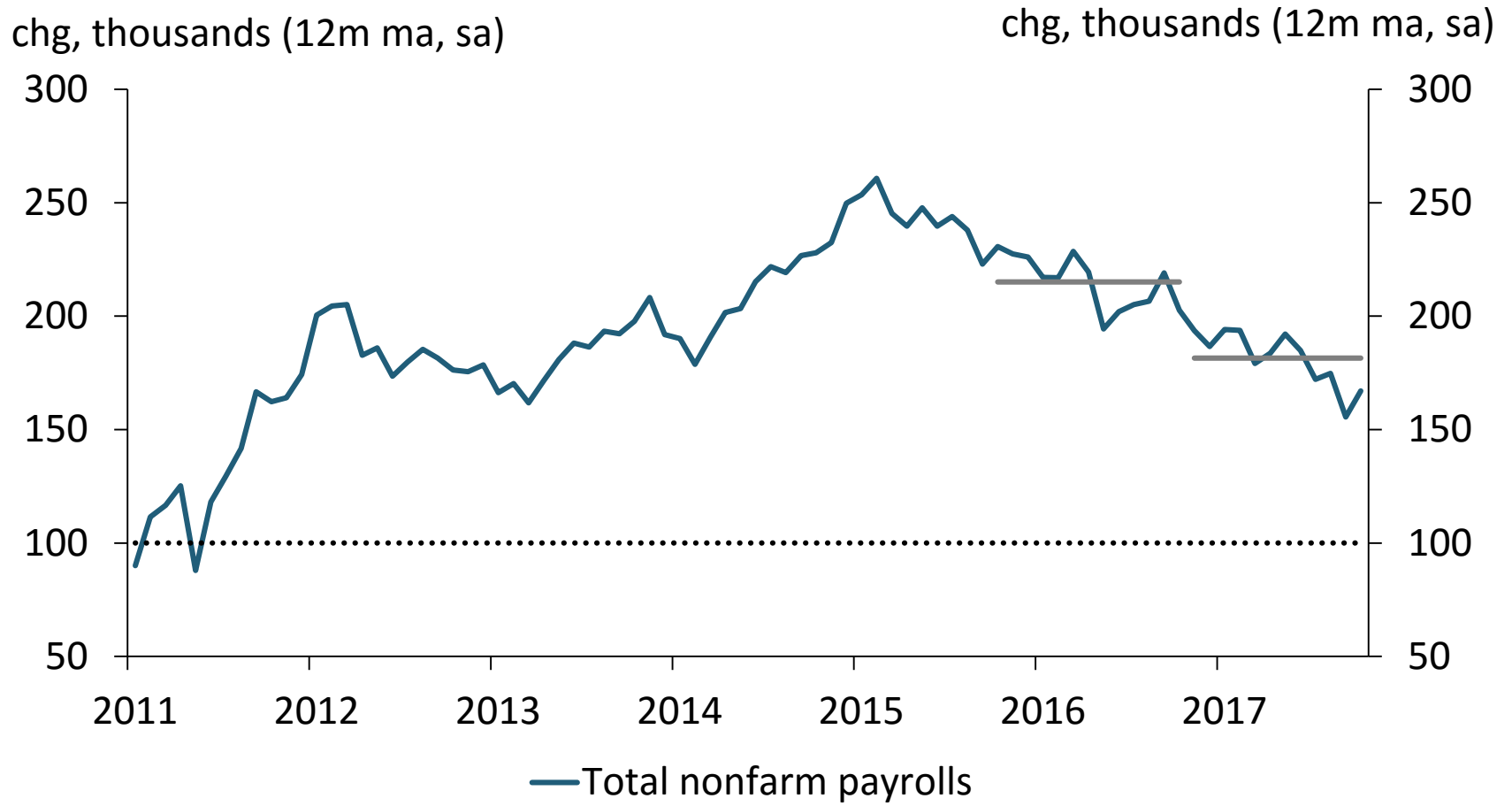
Sources: Bureau of Economic Analysis, NBER, Haver Analytics

GDP growth continues at modest pace, with business investment making a larger contribution in 2017.



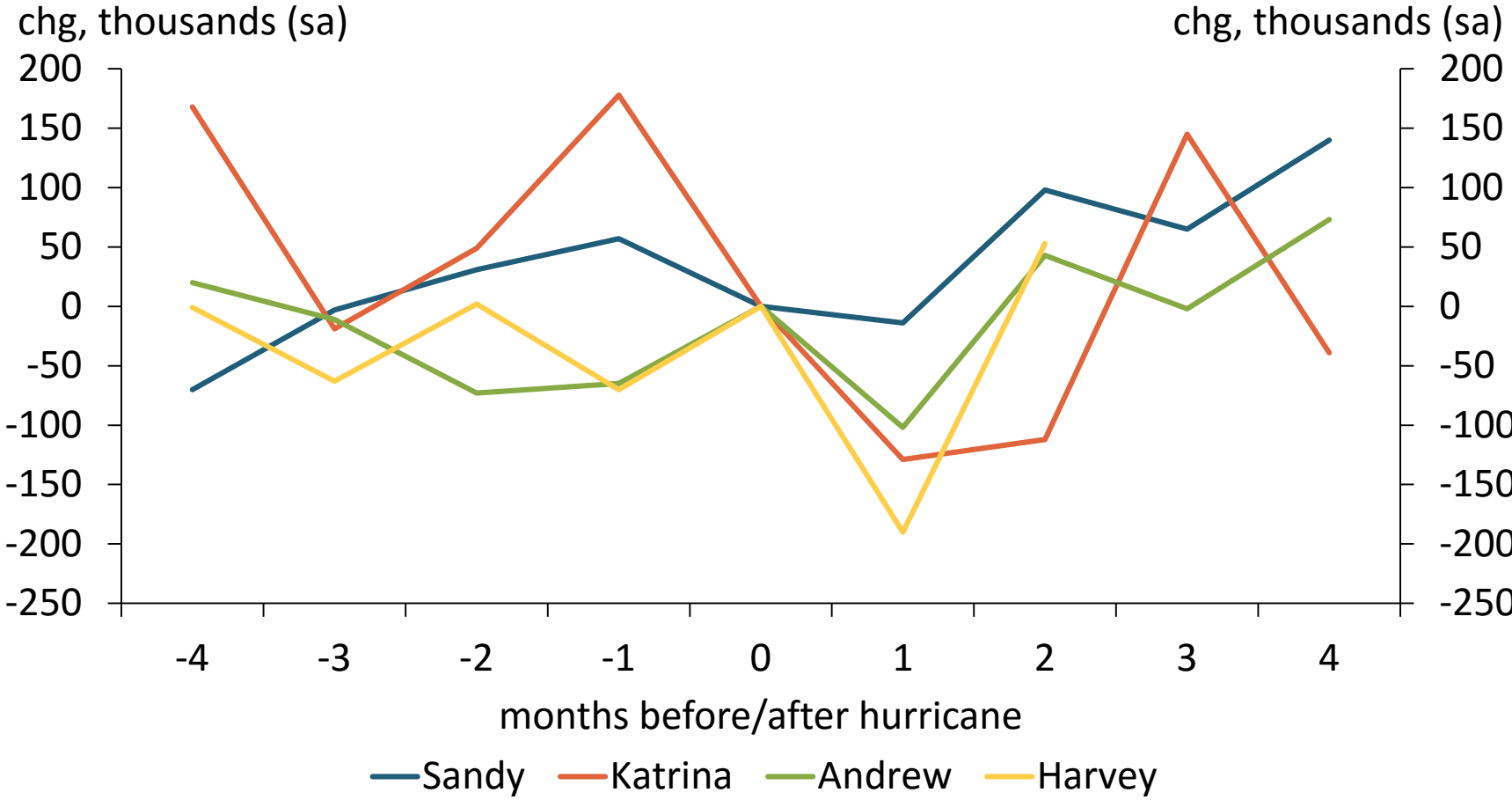
Sources: Bureau of Economic Analysis, Haver Analytics

Employment growth has slowed, but remains solid.



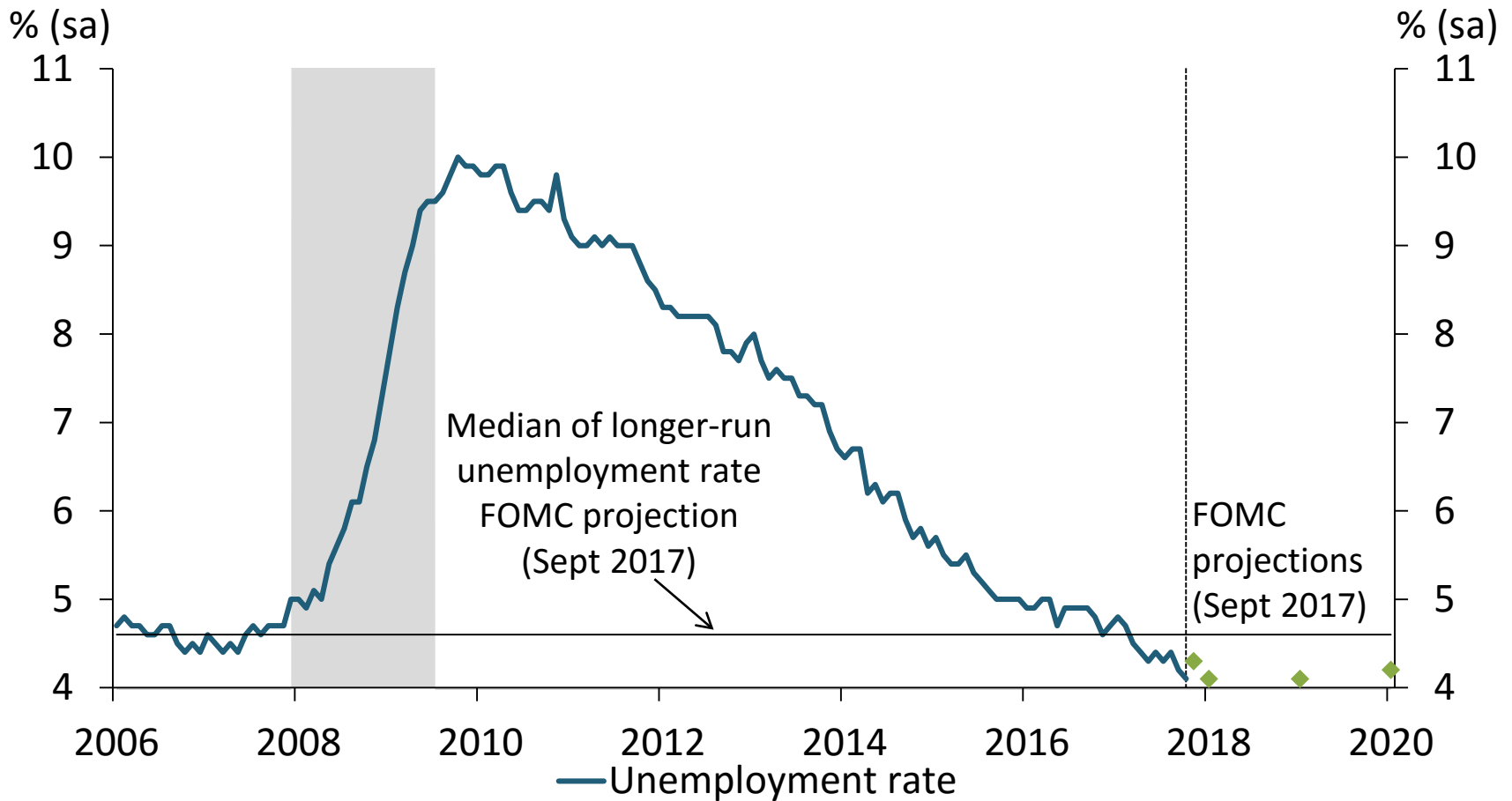
Sources: Bureau of Labor Statistics, Haver Analytics

The hurricanes depressed employment growth temporarily.



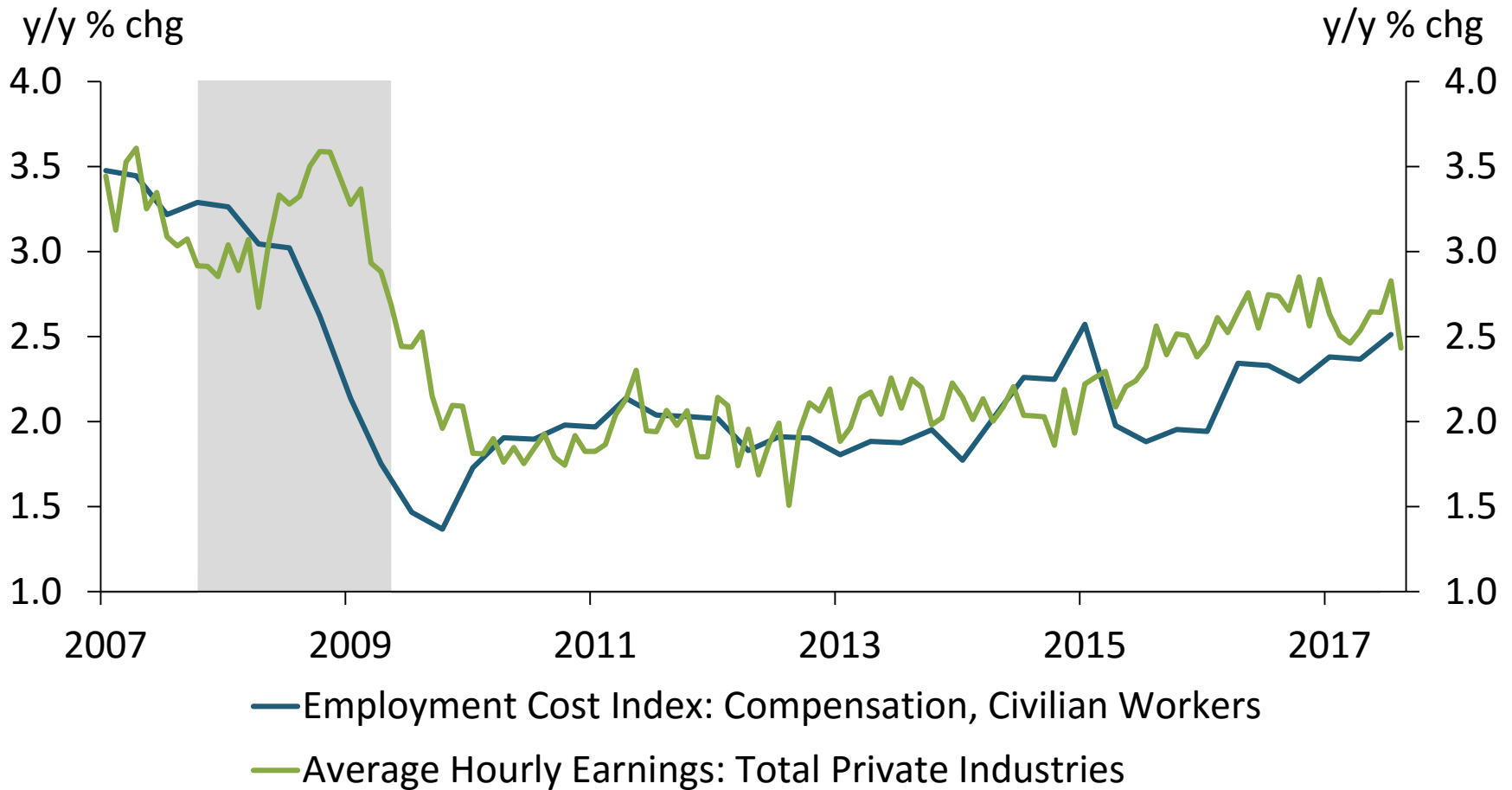
Sources: Bureau of Labor Statistics, Haver Analytics

Labor market conditions are expected to tighten further.



Sources: Bureau of Labor Statistics, Summary of Economic Projections, NBER, Haver Analytics

Wage gains remain moderate.



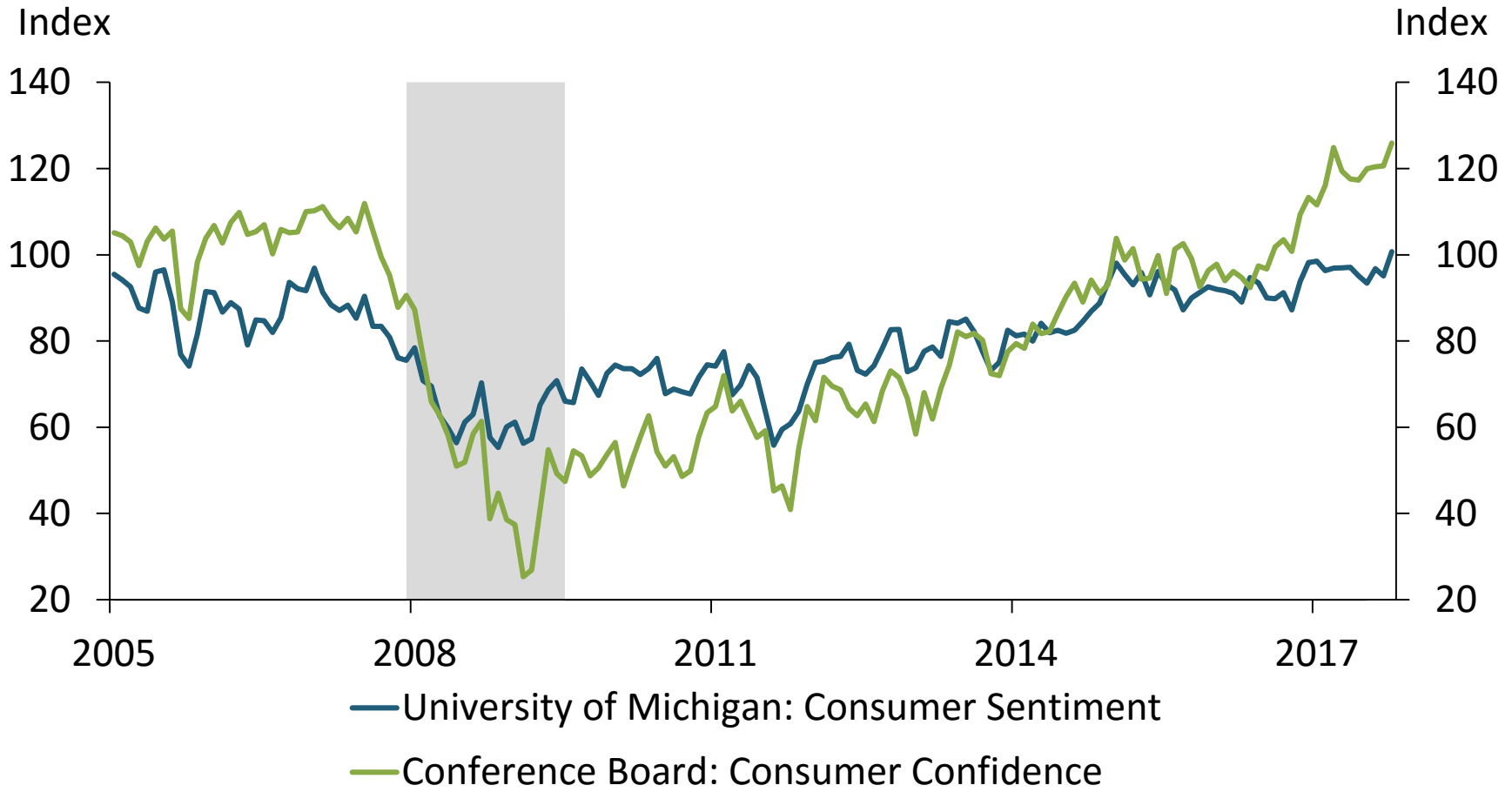
Sources: Bureau of Labor Statistics, NBER, Haver Analytics

Firms reporting inability to hire suggests improving wage growth ahead.



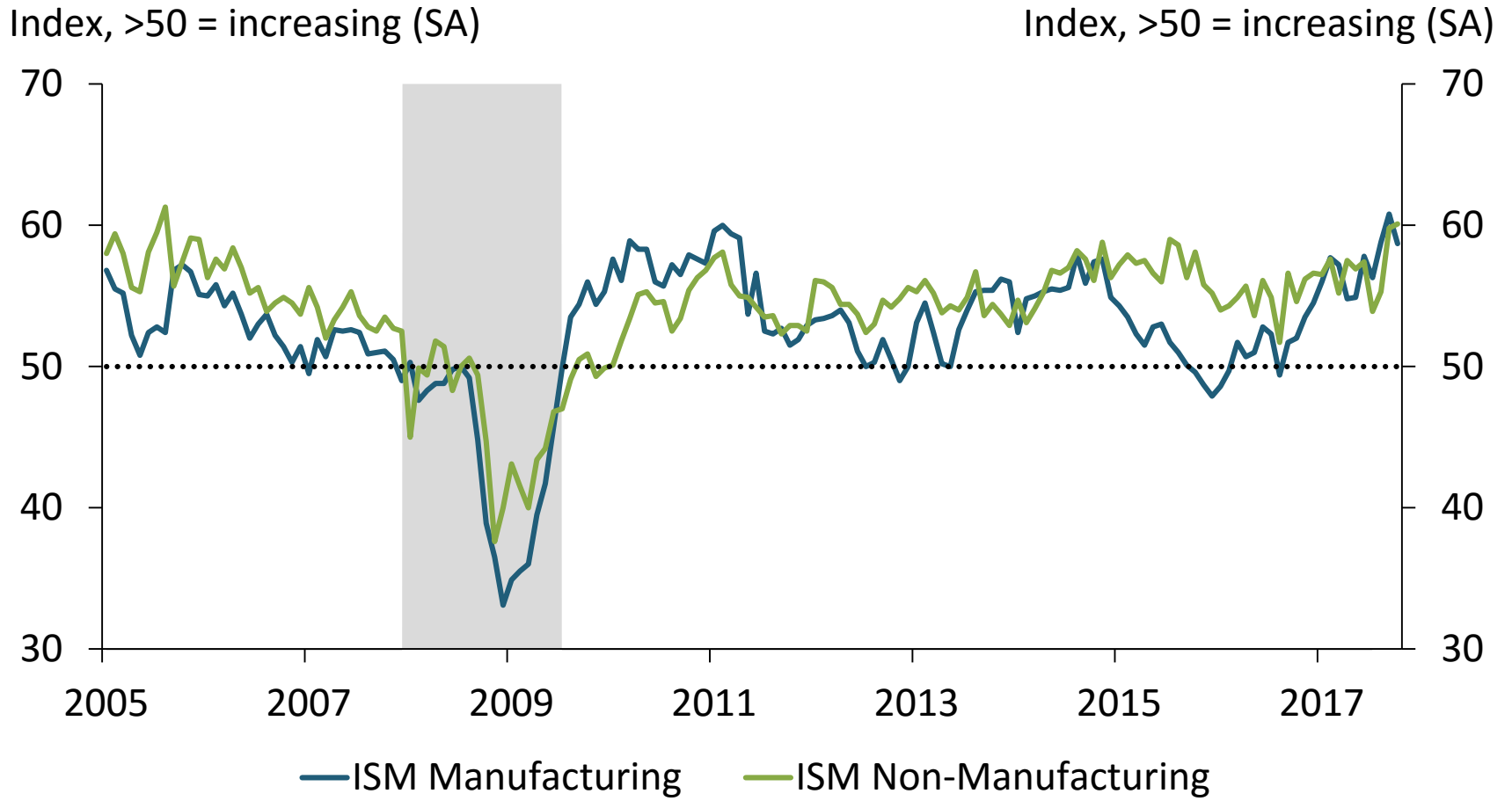
Sources: NFIB, FRB Atlanta, Haver Analytics

Consumer confidence remains supportive of growth.



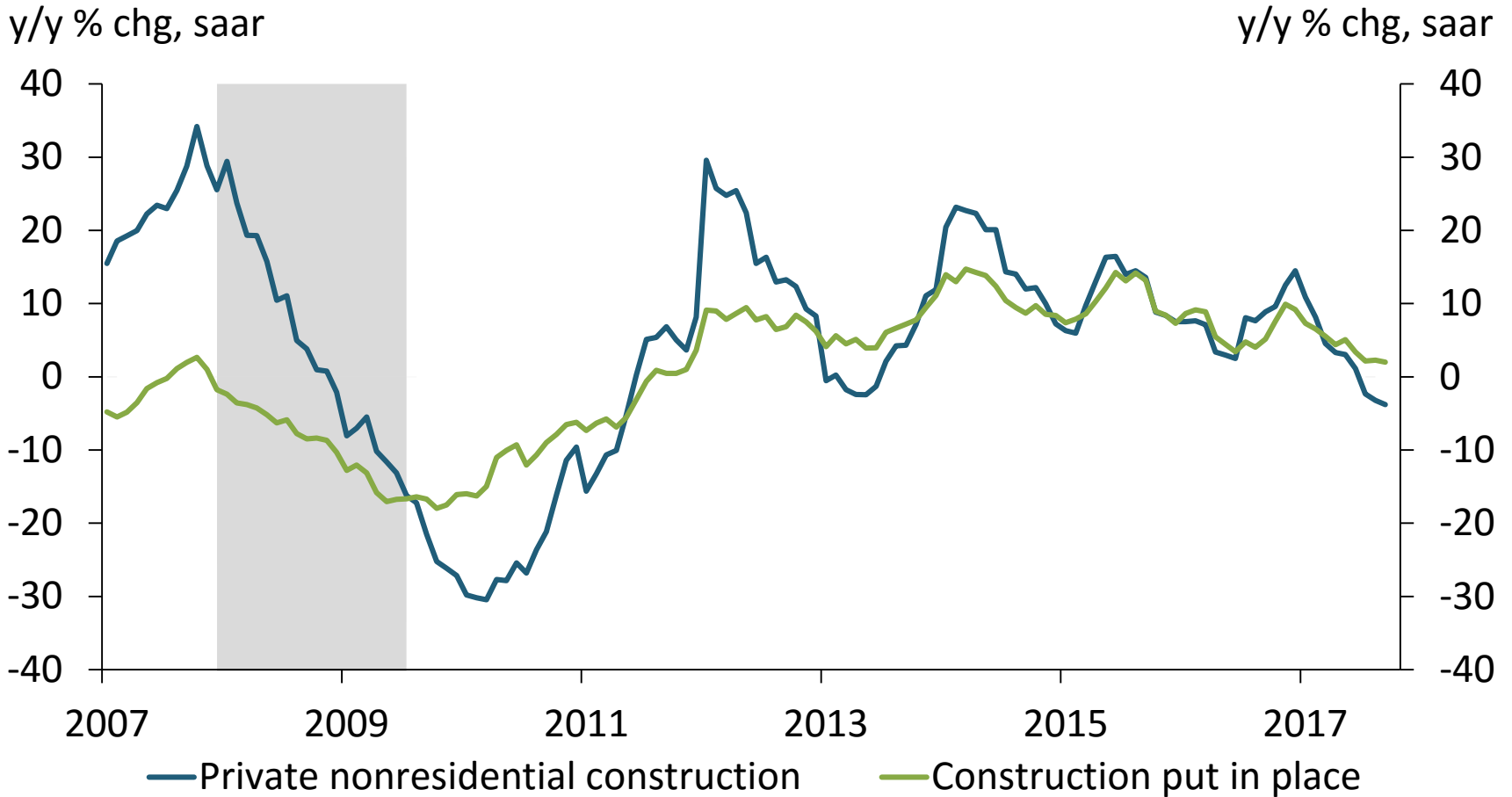
Sources: University of Michigan, Conference Board, NBER, Haver Analytics

Indicators of production continue to suggest moderate growth.



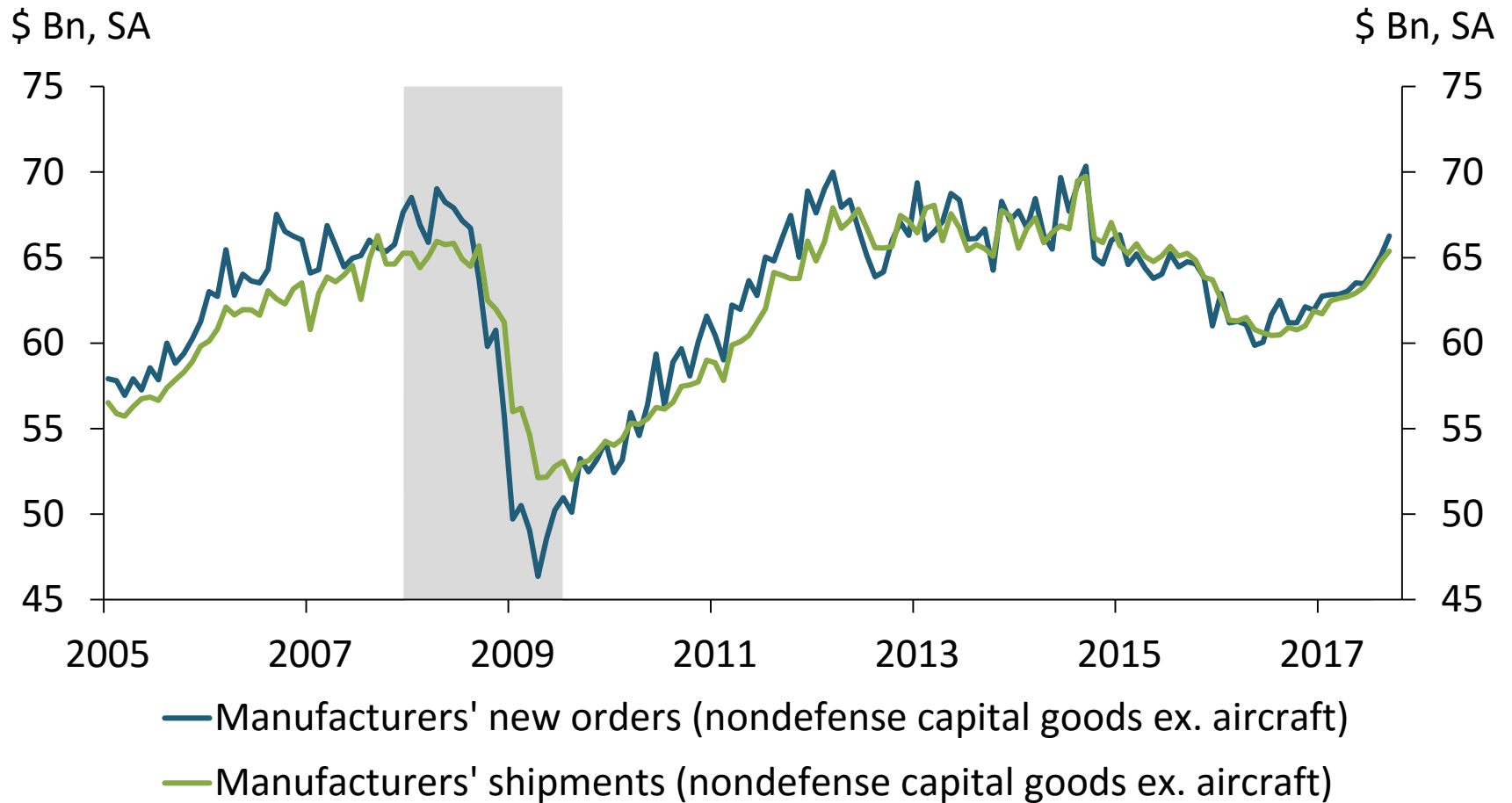
Sources: Institute for Supply Management, NBER, Haver Analytics

Construction spending growth has been declining.



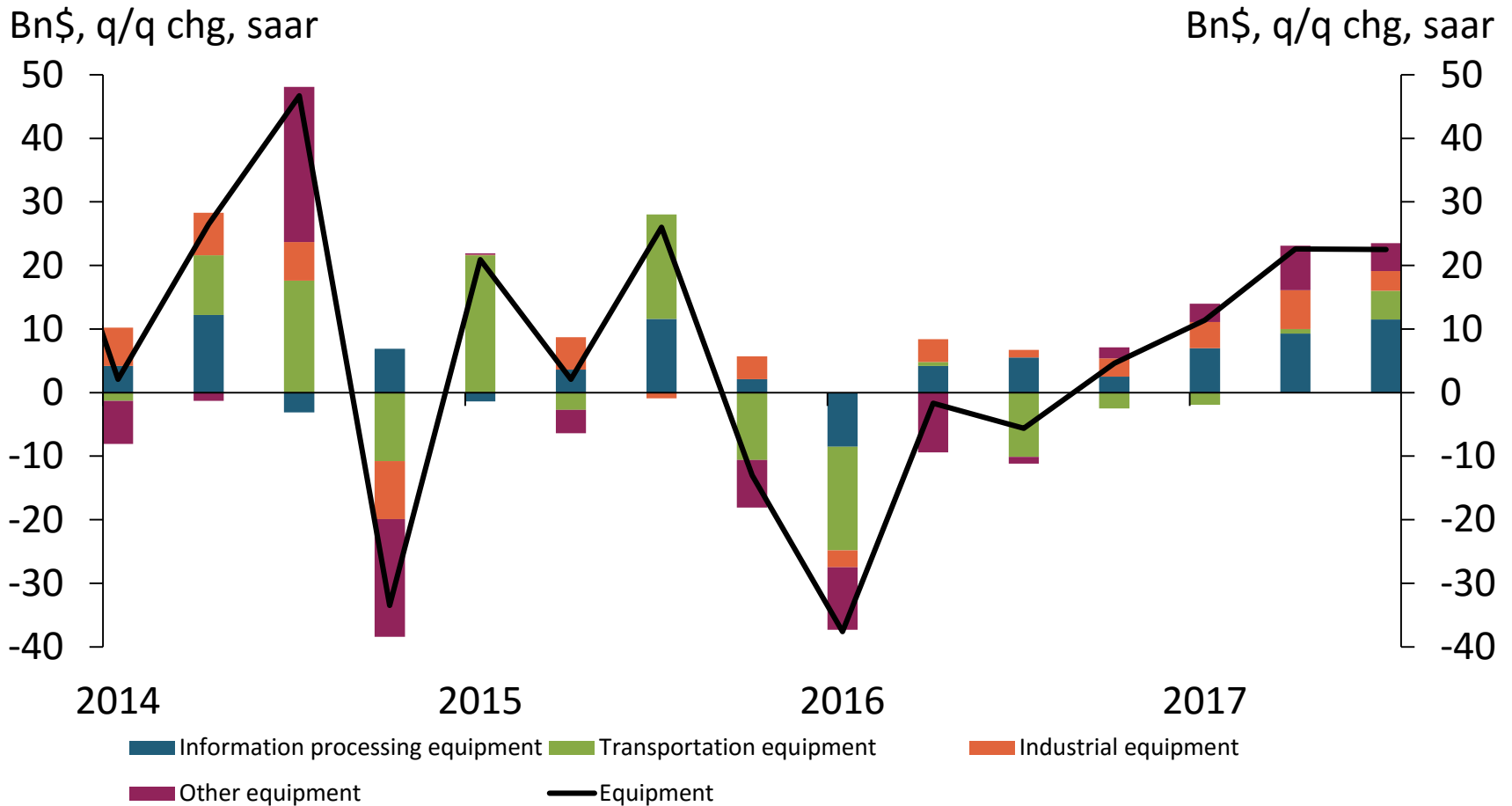
Sources: Census Bureau, NBER, Haver Analytics

Capital spending continues to trend upward.



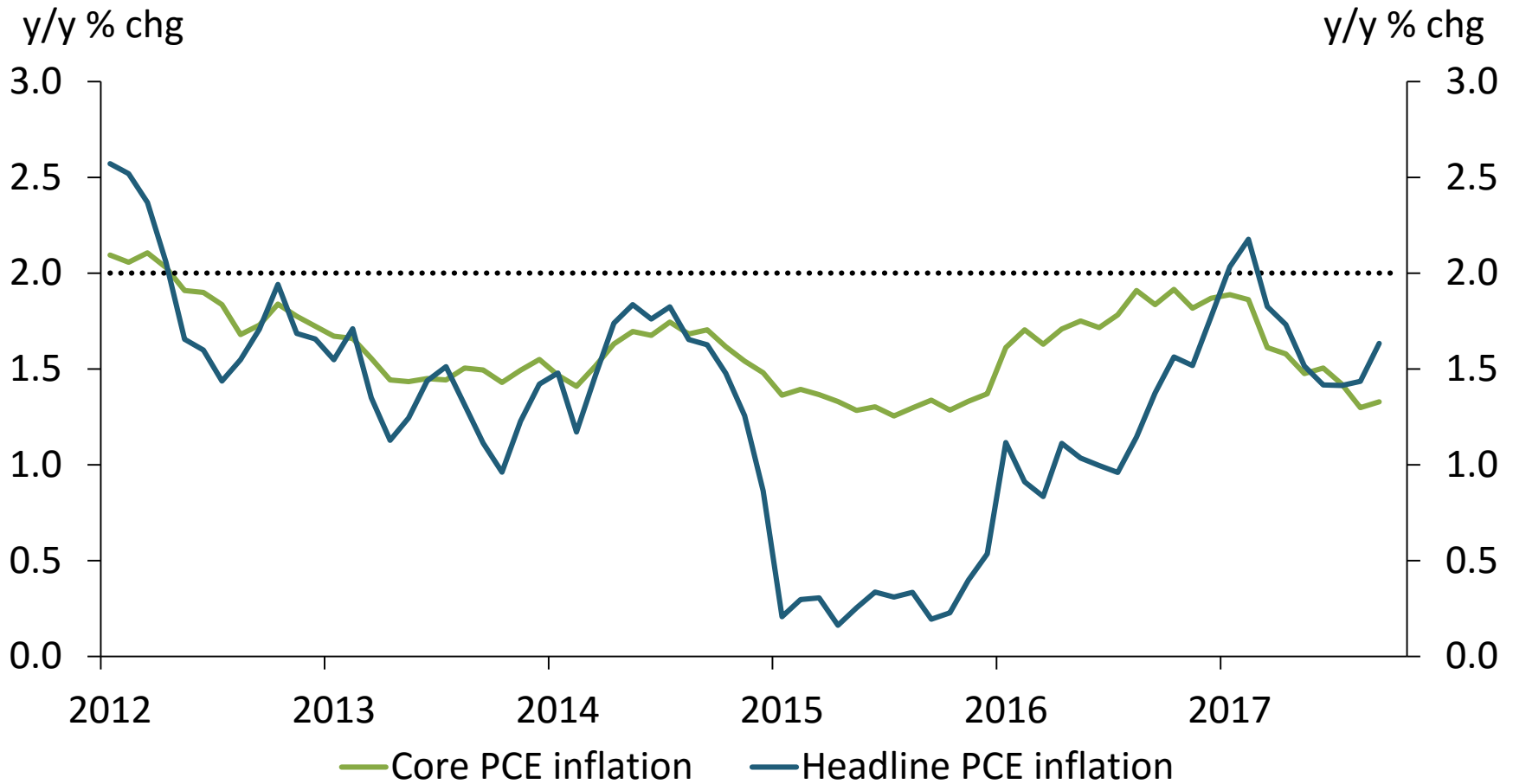
Sources: Census Bureau, NBER, Haver Analytics

Recent increases in equipment investment are broad-based.



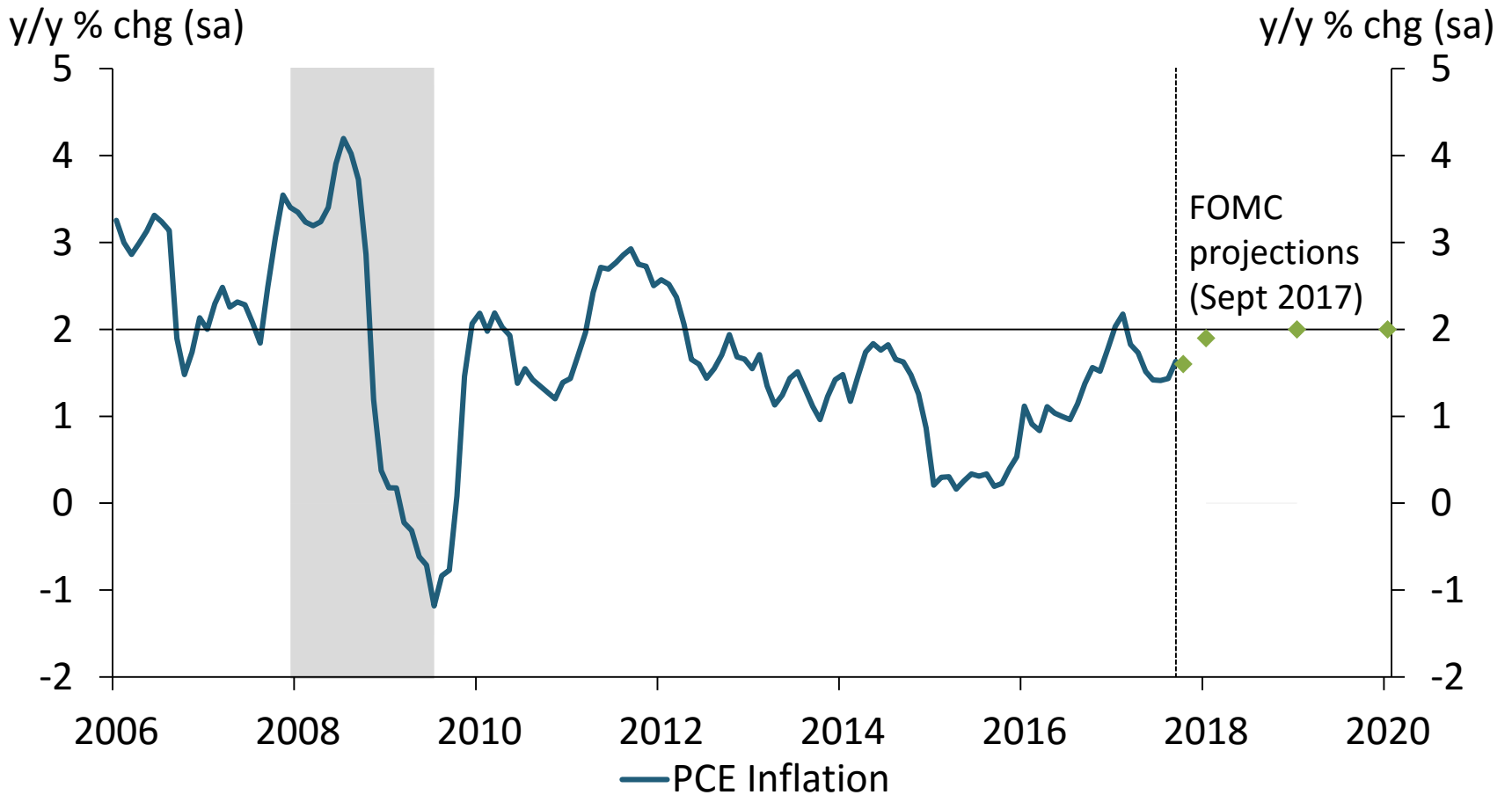
Sources: BEA, Haver Analytics

Inflation remains below target.



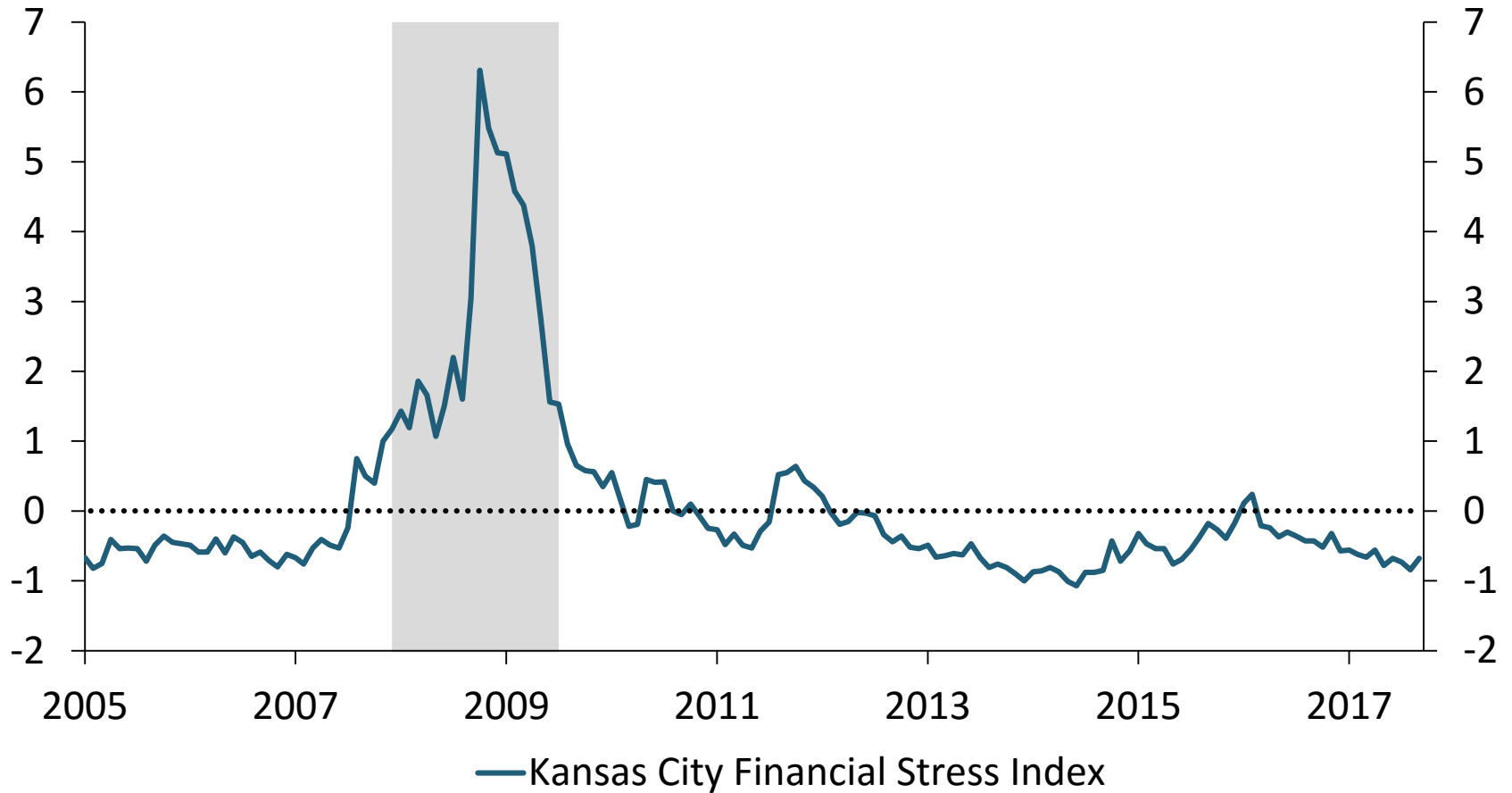
Sources: Bureau of Economic Analysis, NBER, Haver Analytics

FOMC participants continue to see inflation increasing to the target.



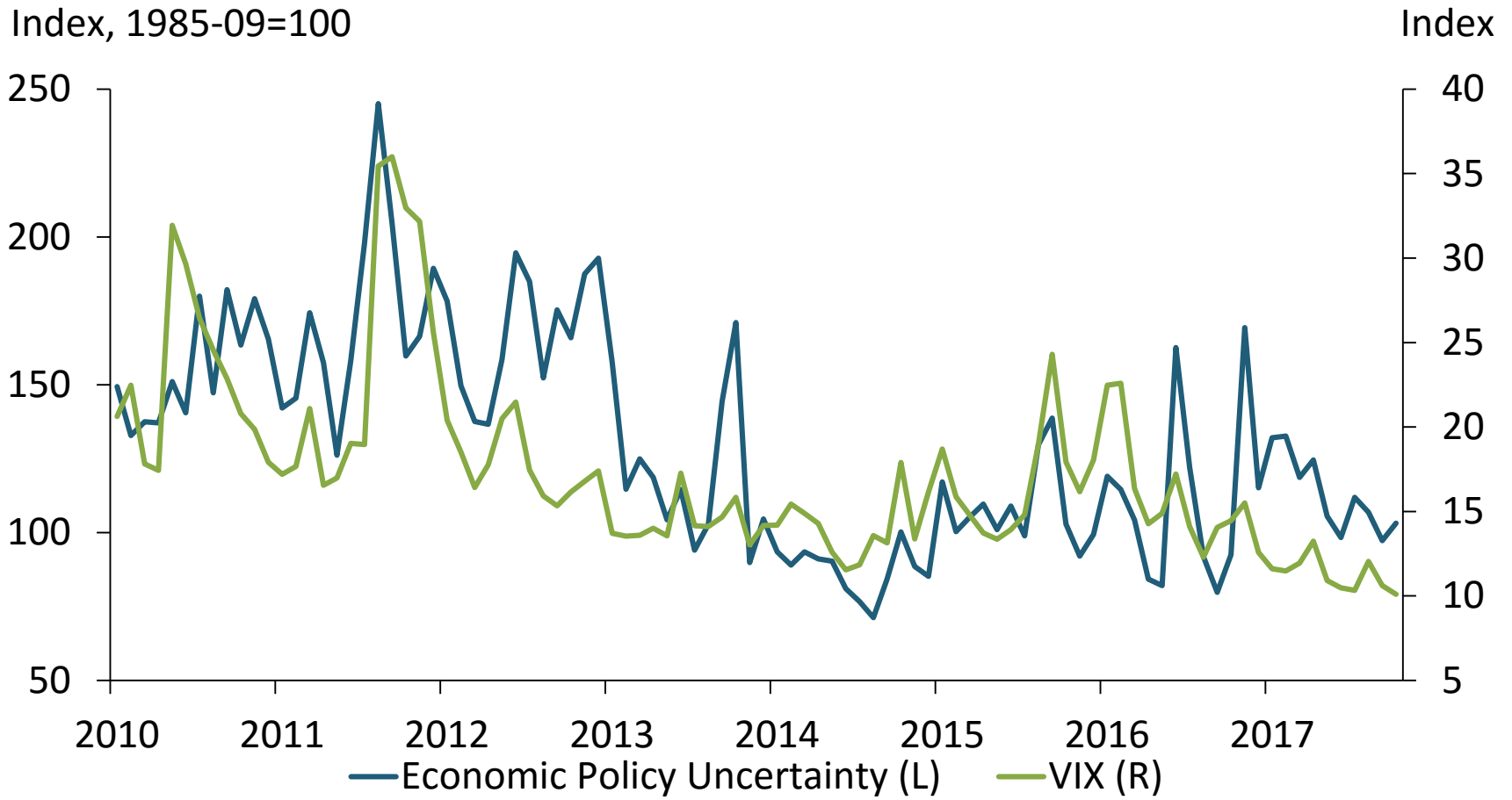
Sources: BEA, Summary of Economic Projections, NBER, Haver Analytics

Financial conditions remain accommodative.



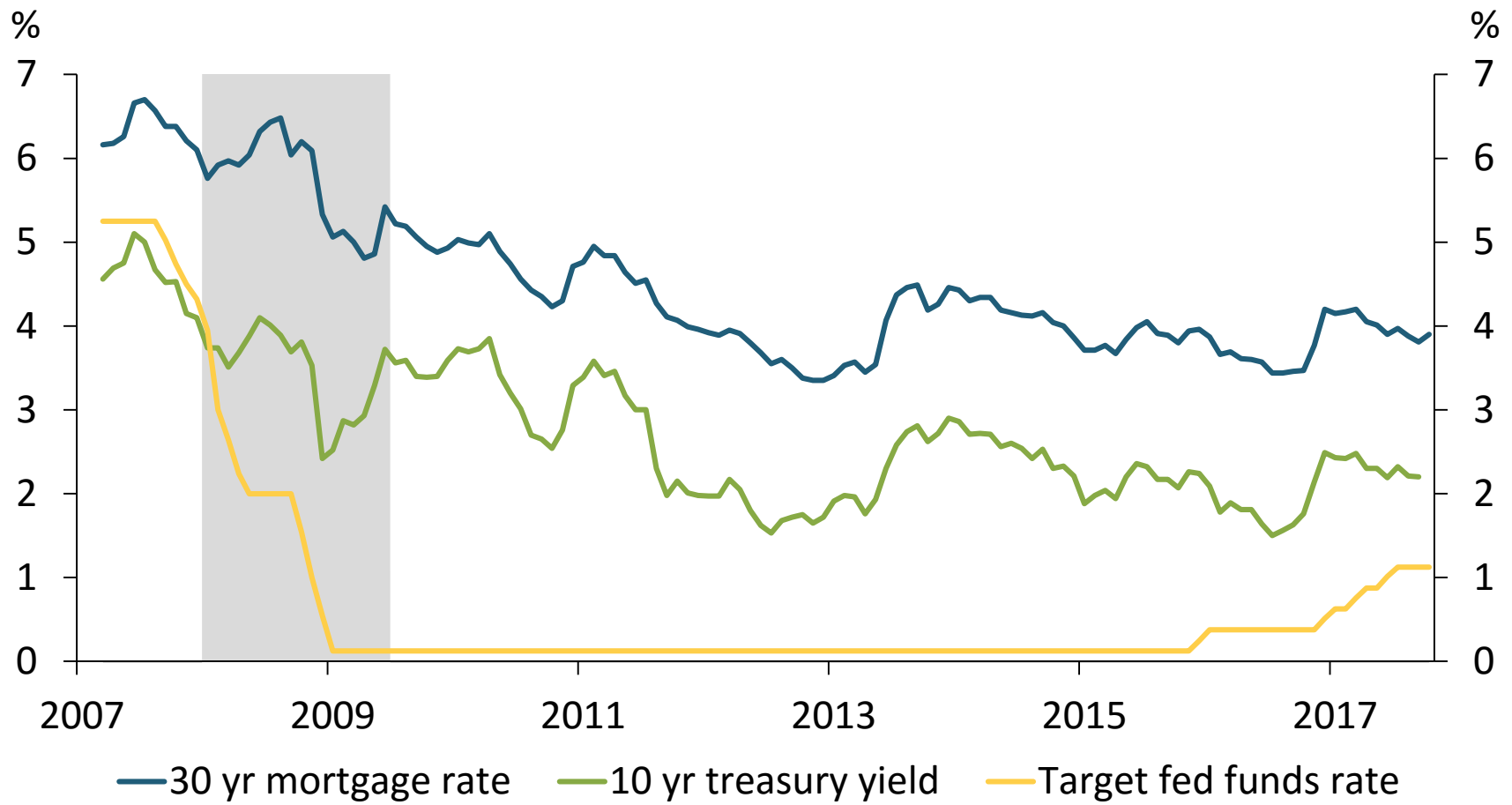
Sources: Federal Reserve Bank of Kansas City, NBER, Haver Analytics

Measures of policy uncertainty and market volatility remain low.



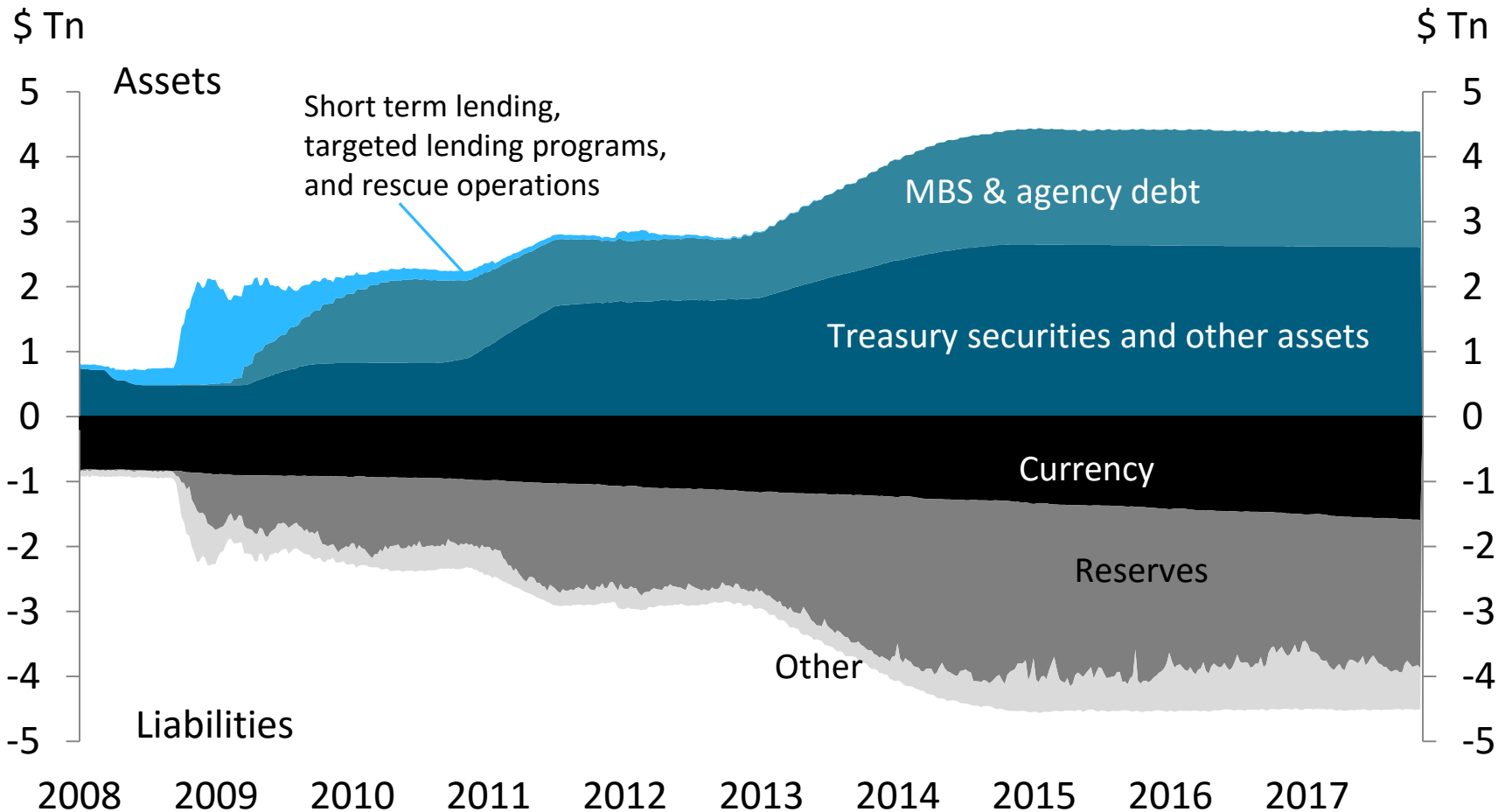
Sources: WSJ, PU, Haver Analytics

“Conventional” monetary policy was exhausted by 2008, but long-term interest rates remained well above zero.



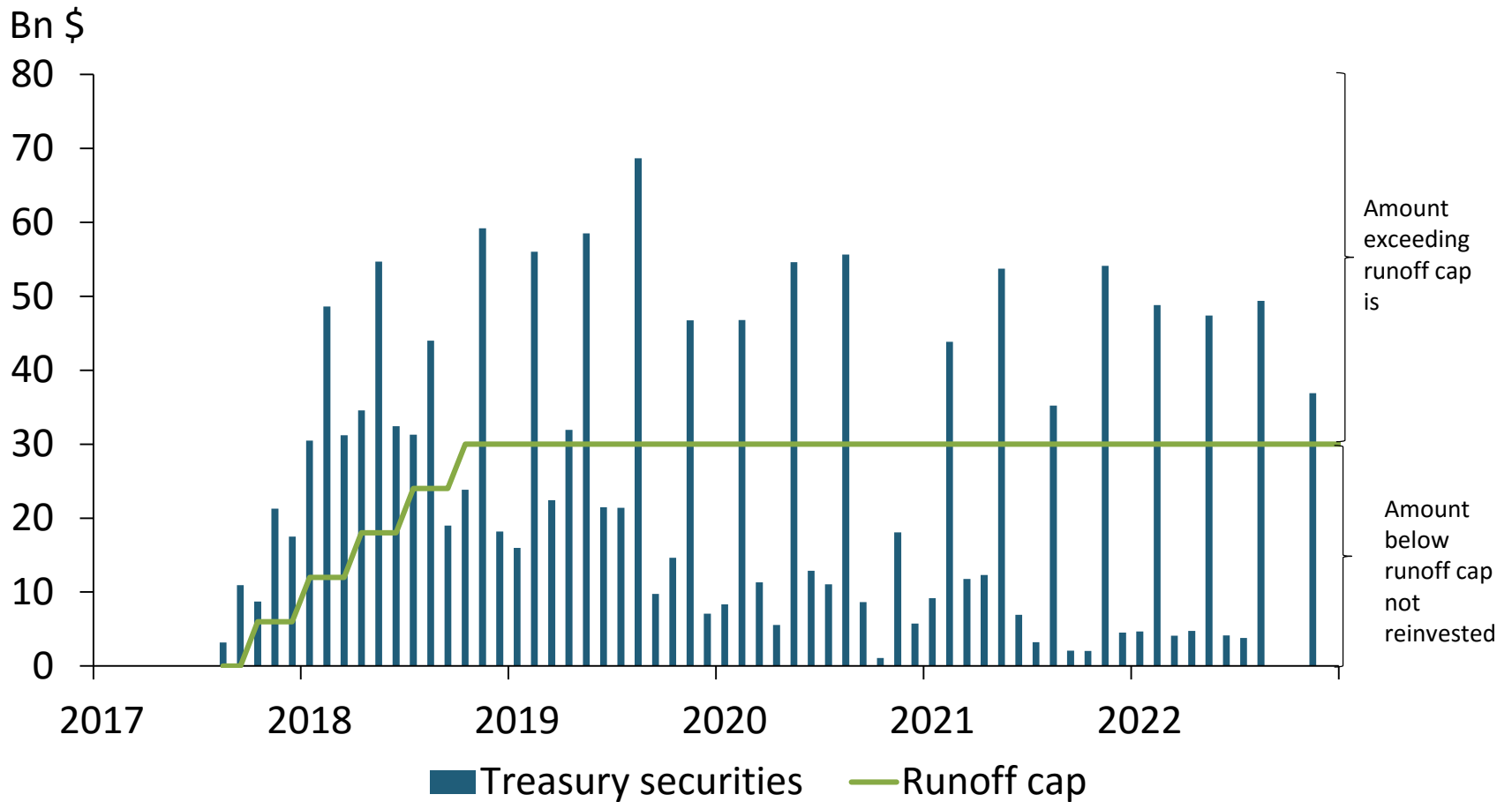
Sources: Federal Home Loan Mortgage Corporation, Federal Reserve Board, NBER, Haver Analytics

The Federal Reserve's balance sheet stabilized near \$4.5 trillion and will begin shrinking.



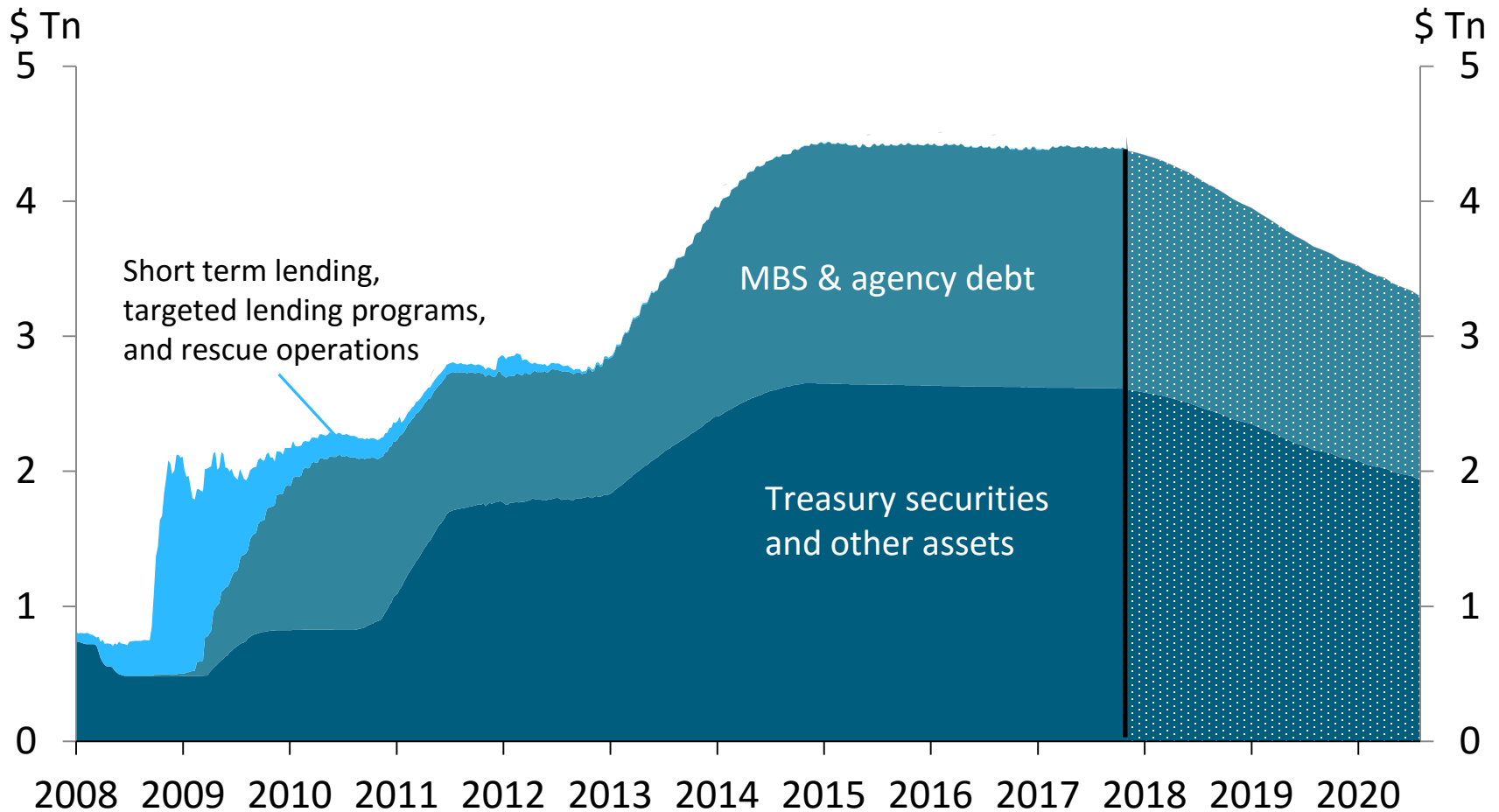
Sources: Federal Reserve Board, Haver Analytics

The Federal Reserve will gradually reduce reinvestment of maturing assets.



Sources: Federal Reserve Board, Haver Analytics

The pace of balance sheet normalization is gradual.



Sources: Federal Reserve Board, New York Federal Reserve Bank, Haver Analytics

Conclusion

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