

The U.S. Economic Outlook

October 2018



Outlook themes

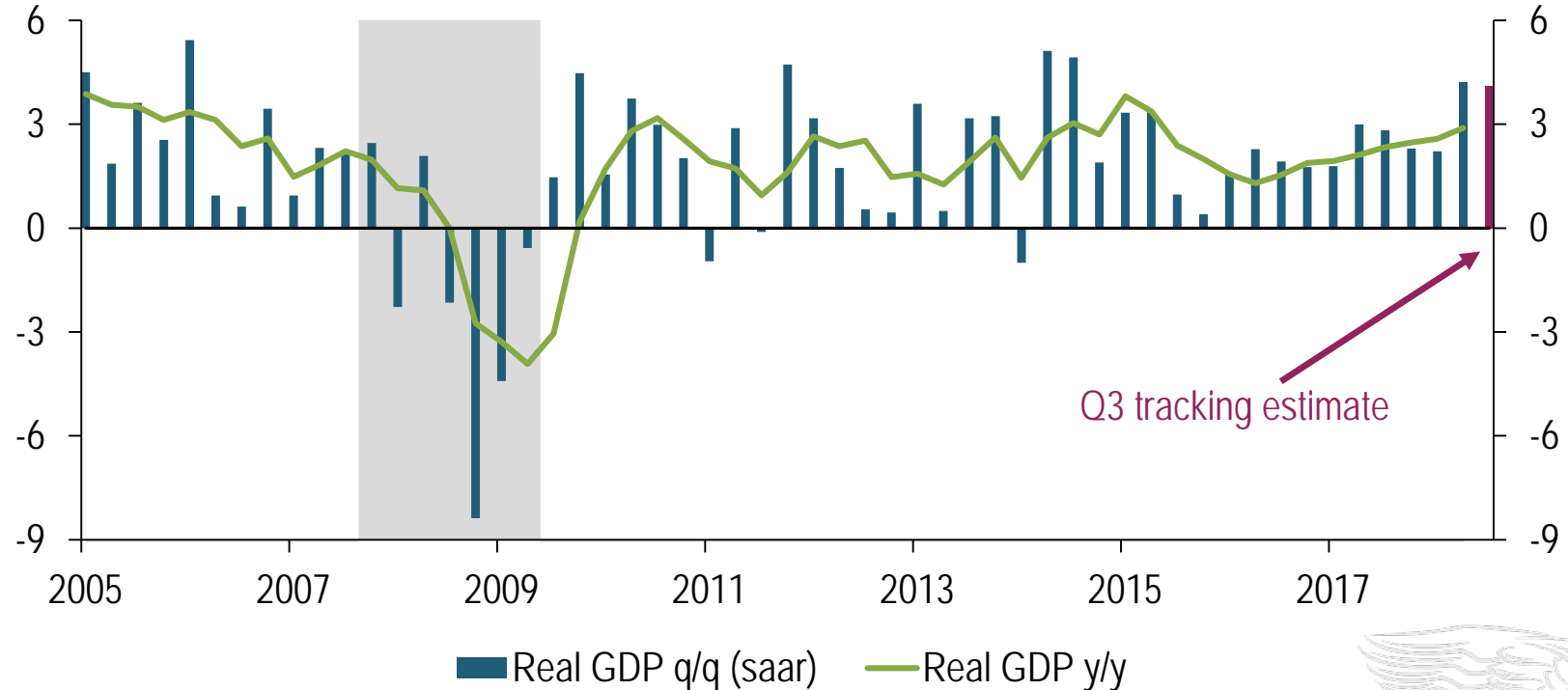
- Economic activity appears to be expanding at an above trend rate in 2018 Q3
- Labor market conditions continue to tighten with moderate increases in wage inflation
- Inflation remains low and stable
- Financial conditions remain supportive of economic growth



Real GDP growth is expected to remain strong in Q3

% chg, saar

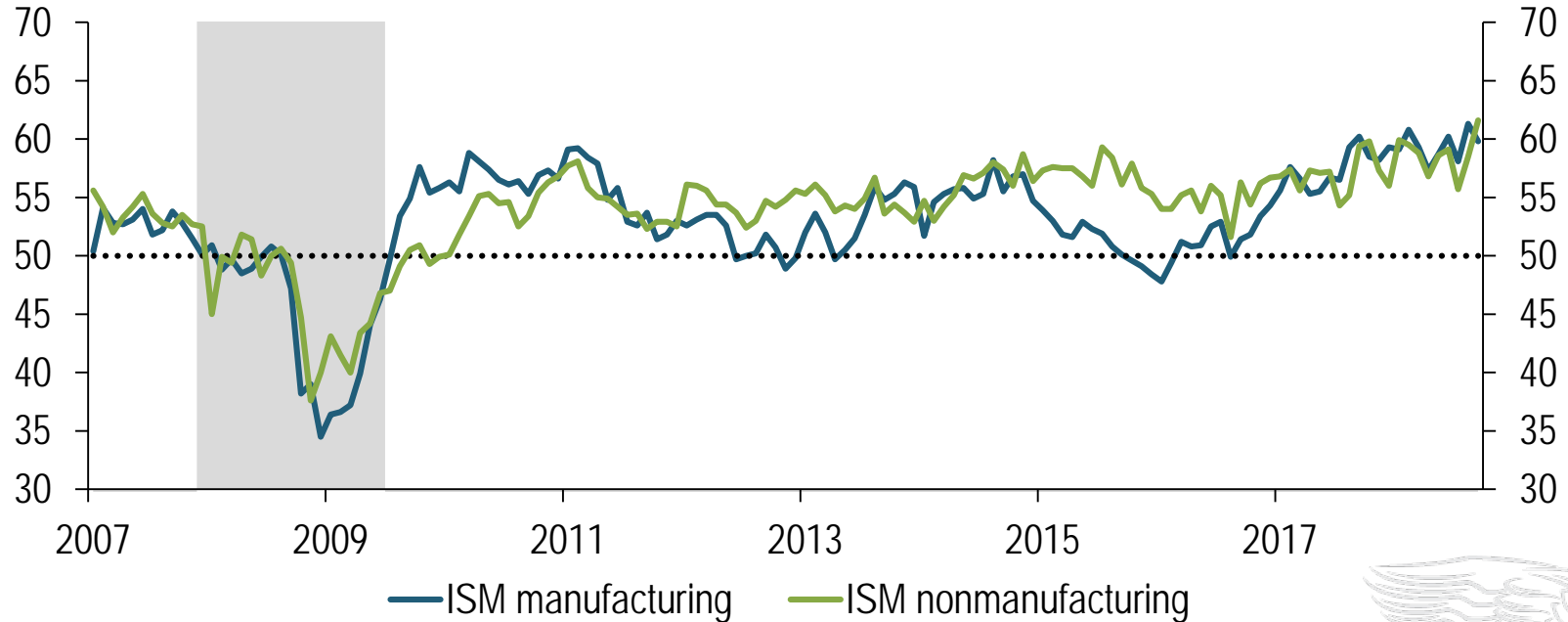
% chg, saar



Manufacturing and other industries continue to expand at a robust rate

Index, >50 = increasing (sa)

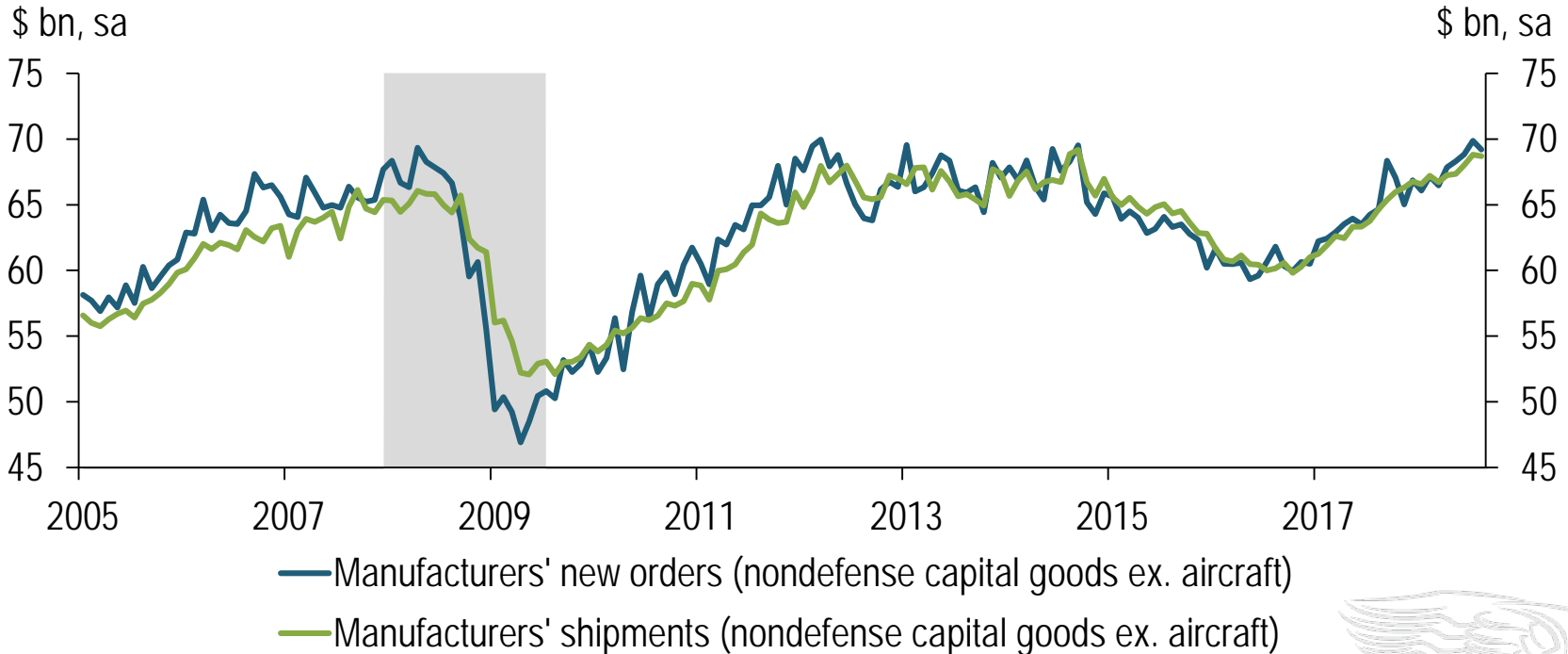
Index, >50 = increasing (sa)



Sources: Institute for Supply Management, NBER, Haver Analytics



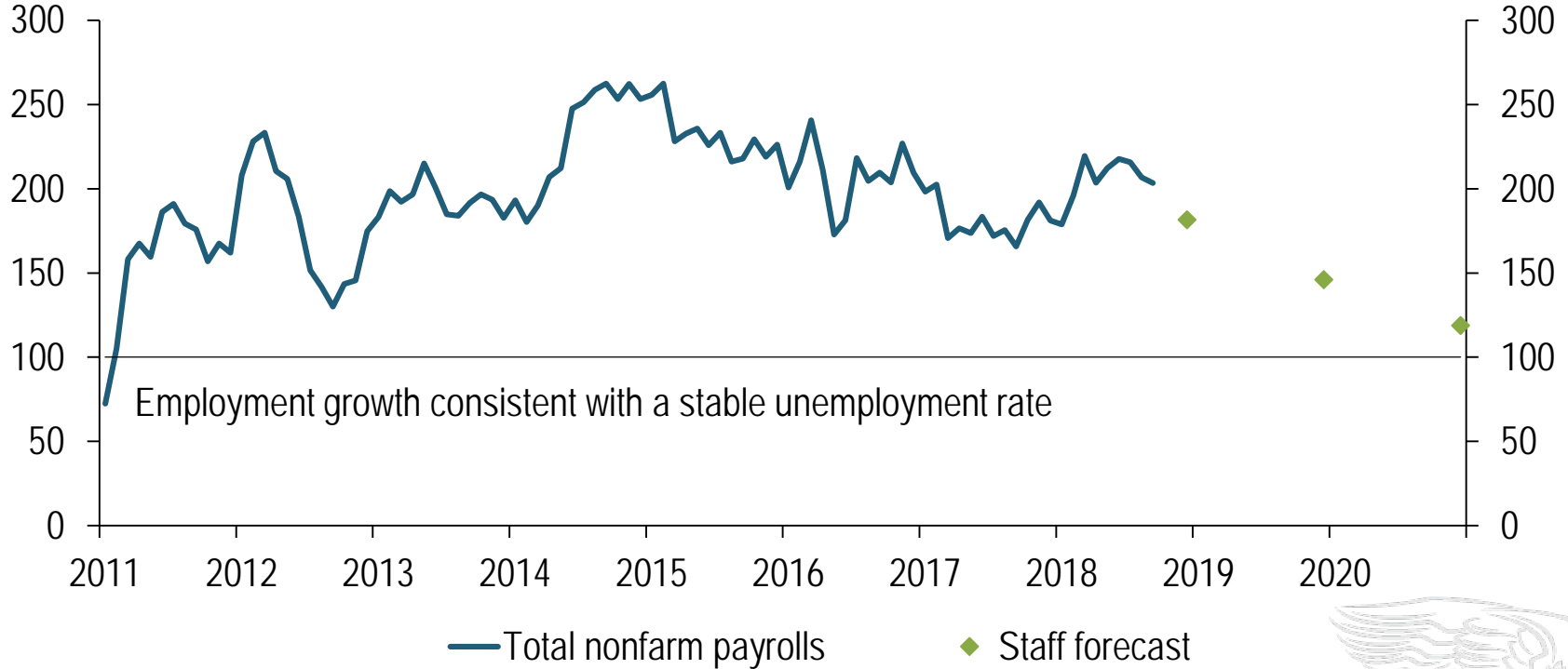
Shipments and new orders for capital goods remain on an upward trajectory



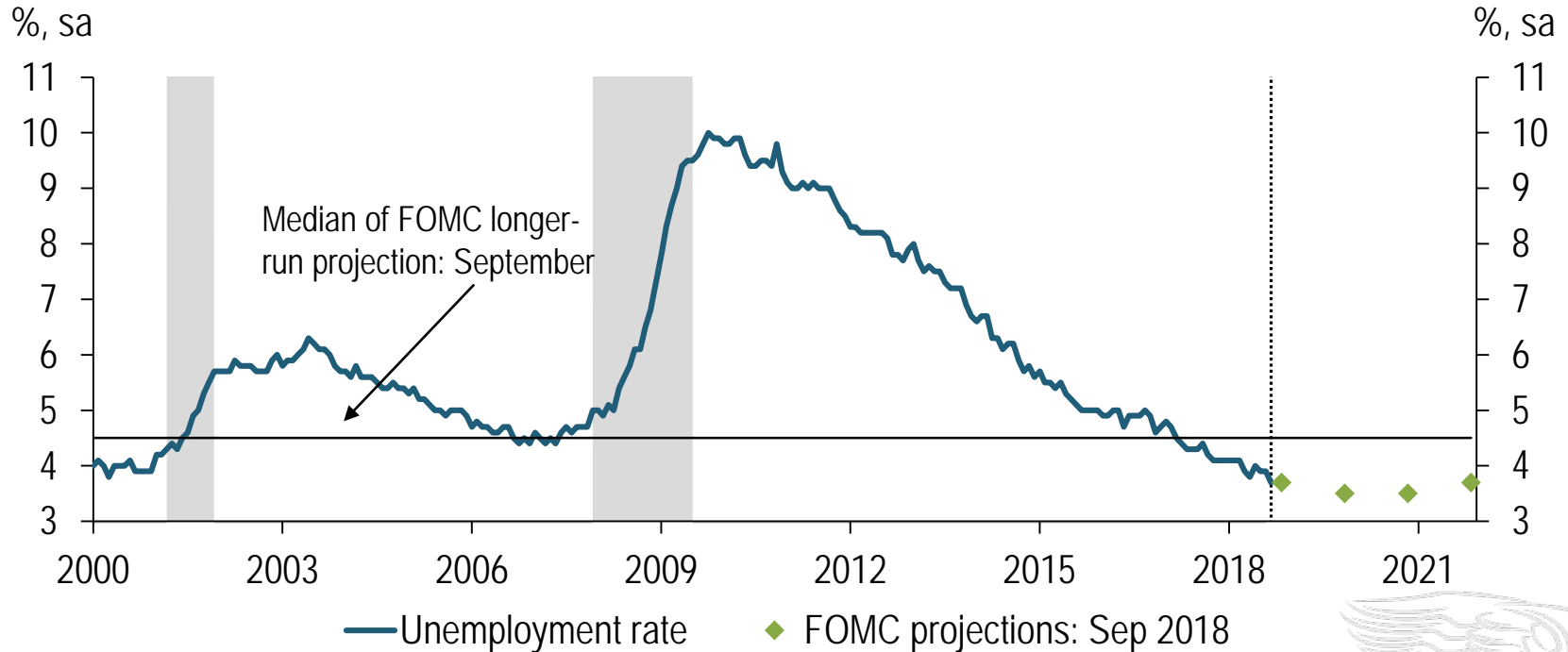
Employment growth is expected to moderate

chg, thousands (6mma, sa)

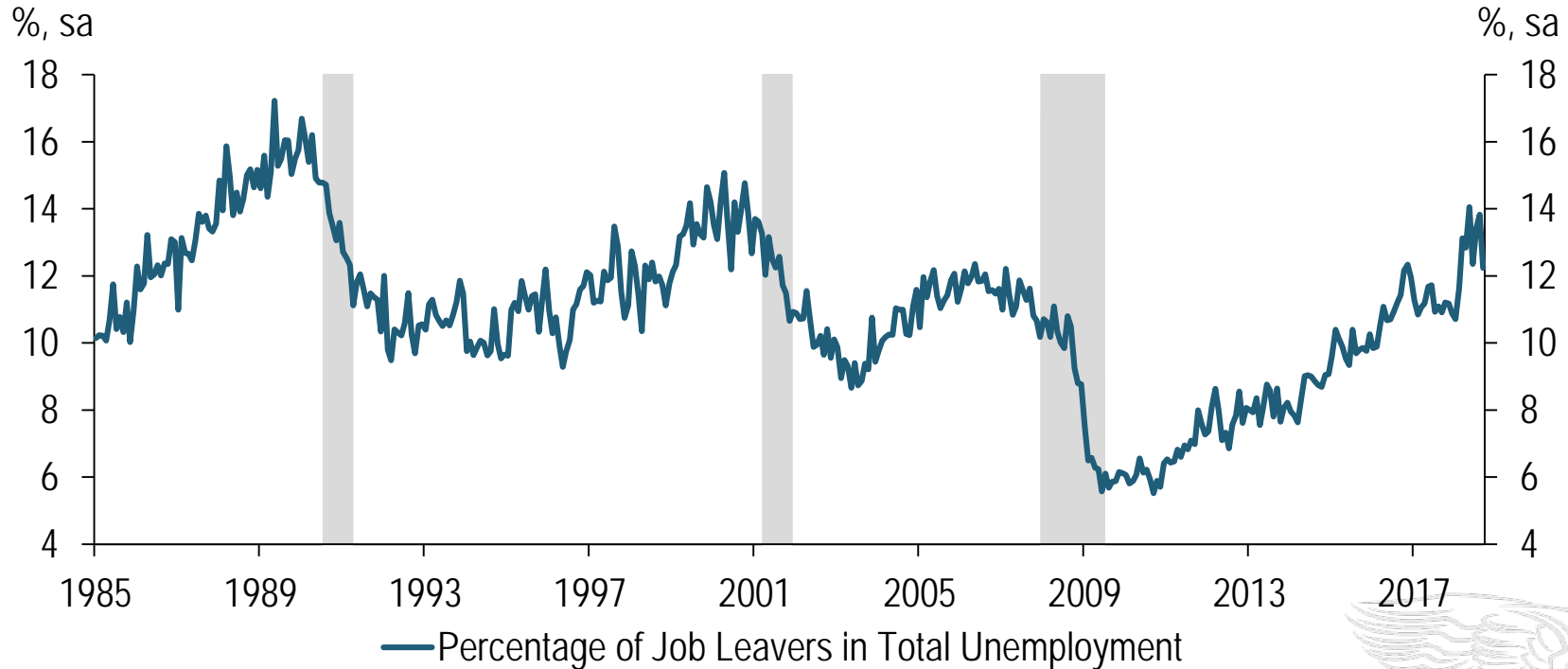
chg, thousands (6mma, sa)



The unemployment rate has fallen below estimates of its longer run level



The share of unemployed workers who voluntary quit their previous job has steadily increased



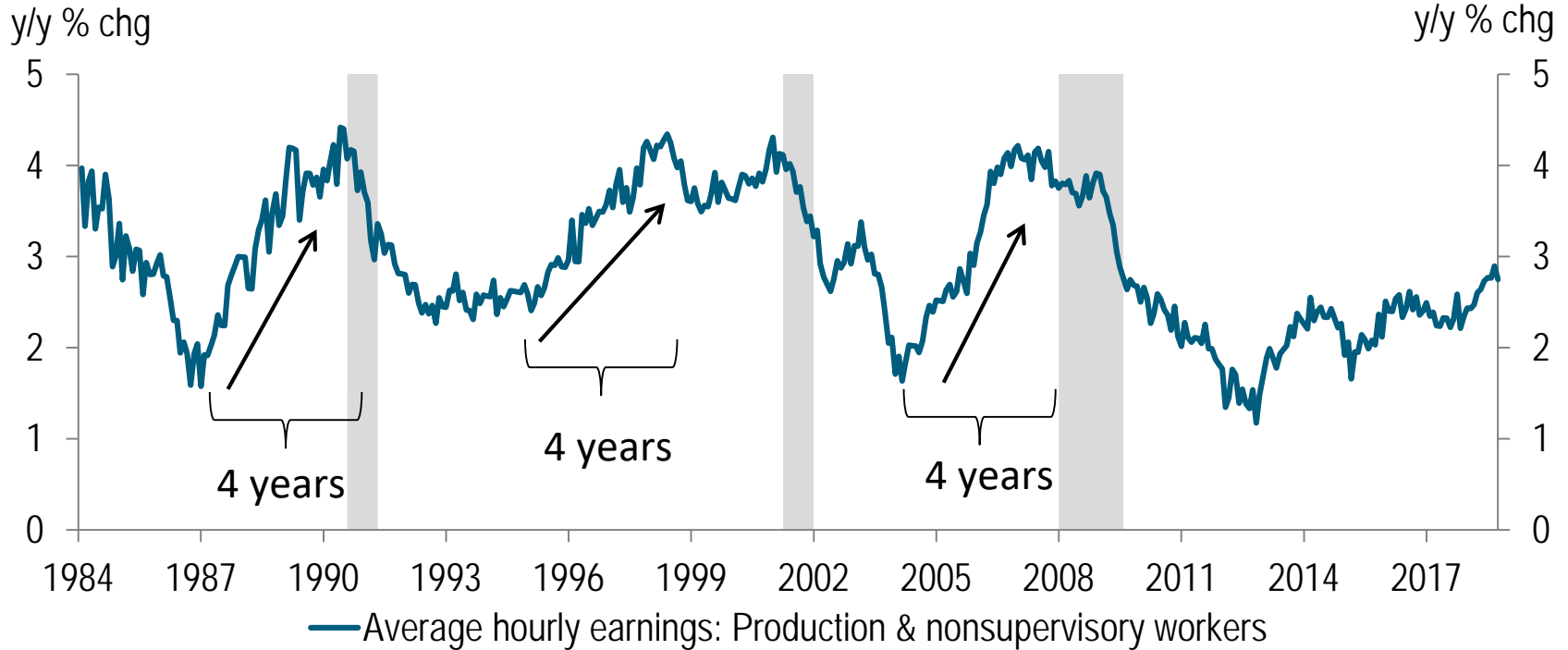
Sources: BLS, NBER, Haver Analytics



The share of employed workers who are working part-time for economic reasons has reached pre-recession levels



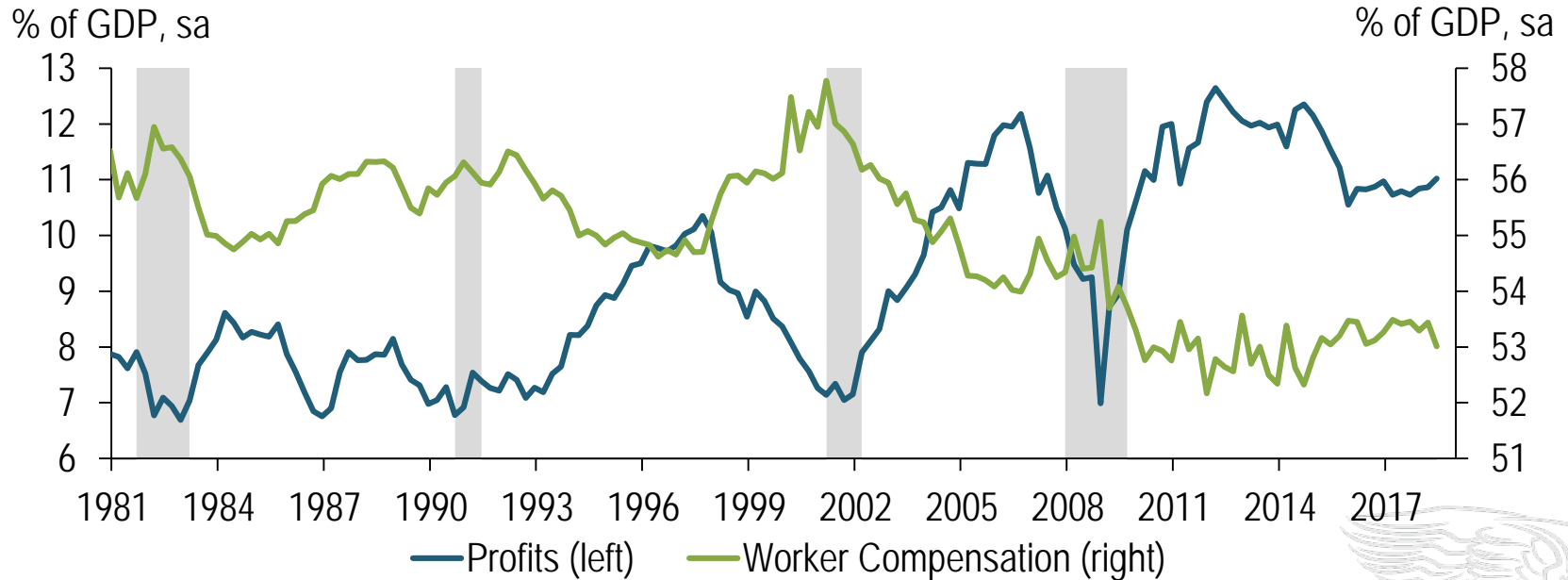
Despite the improvements in labor markets, wage growth remains moderate



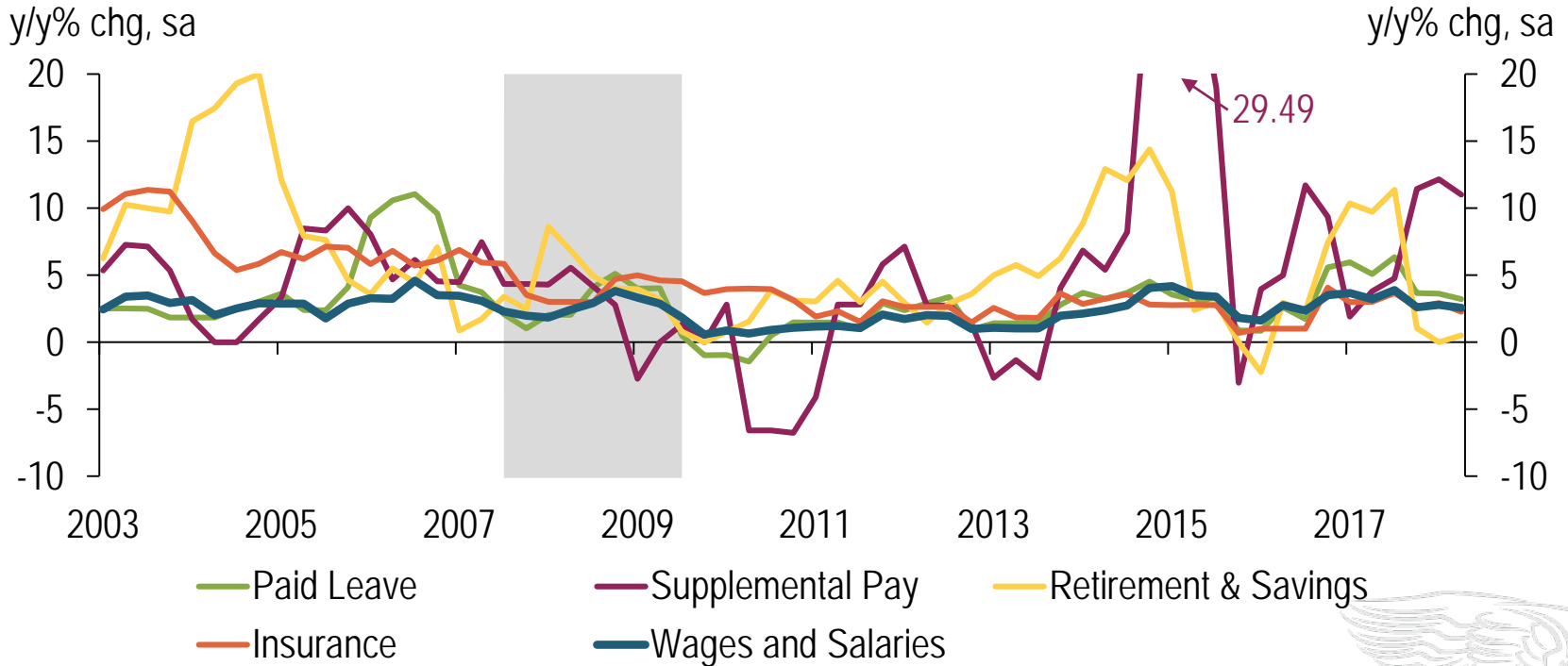
Sources: BLS, Summary of Economic Projections, NBER, Haver Analytics



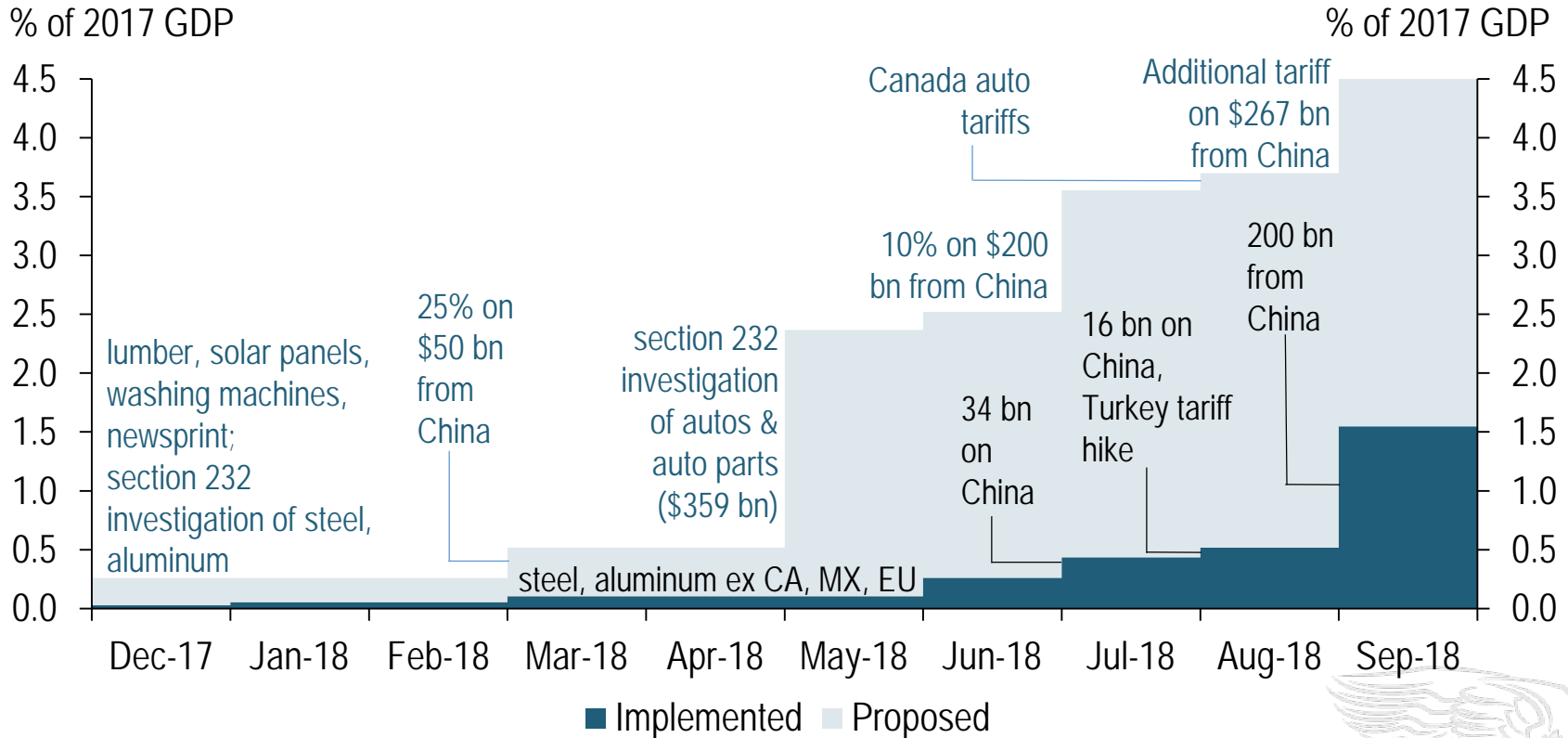
Unlike the late 1990s, corporate profits and worker compensation have remained stable as labor market conditions have tightened



Firms have used bonuses to boost compensation over the past year



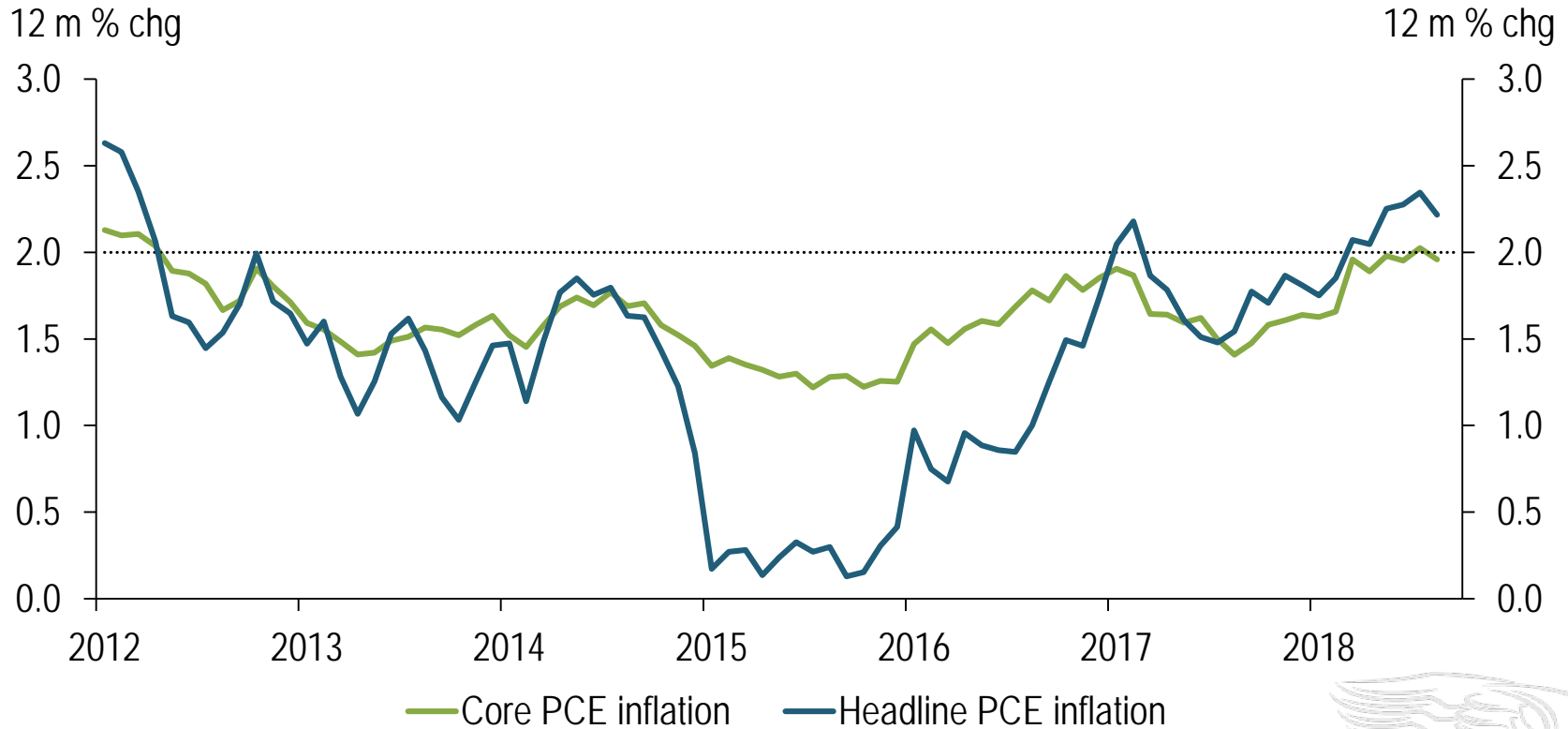
The likelihood of a trade war has increased



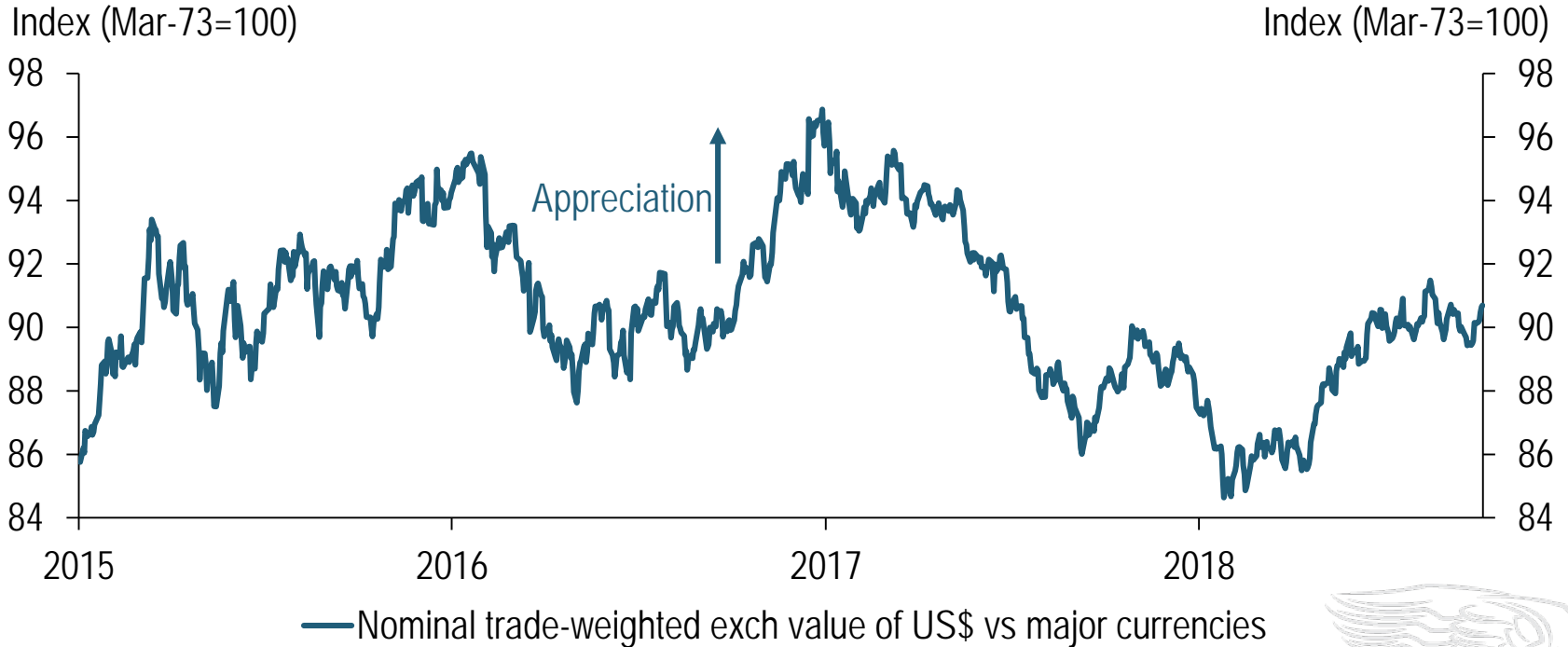
Sources: Staff, News reports, Office of U.S. Trade Representative



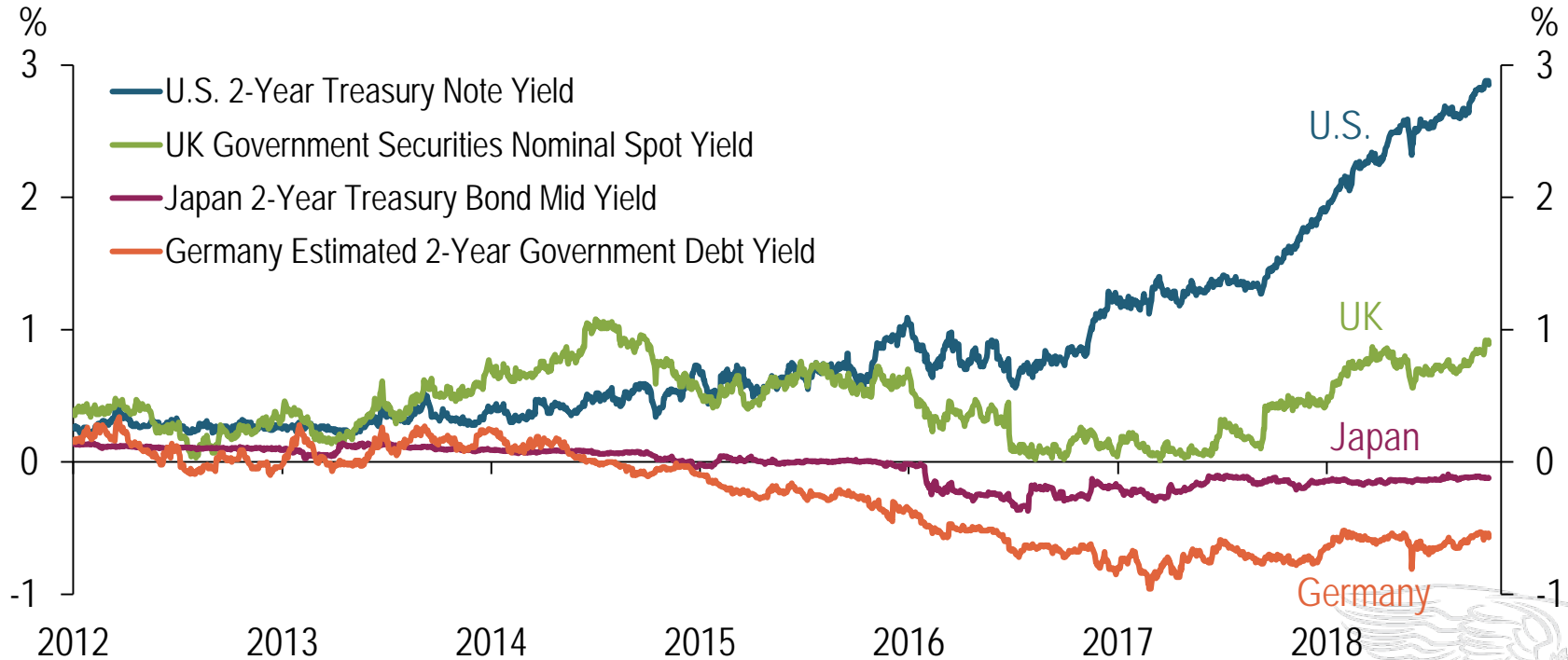
Inflation has remained low and stable



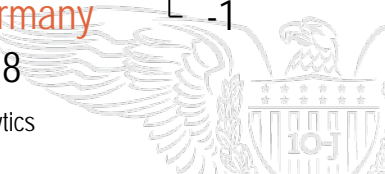
The foreign exchange value of the dollar has increased in the past six months



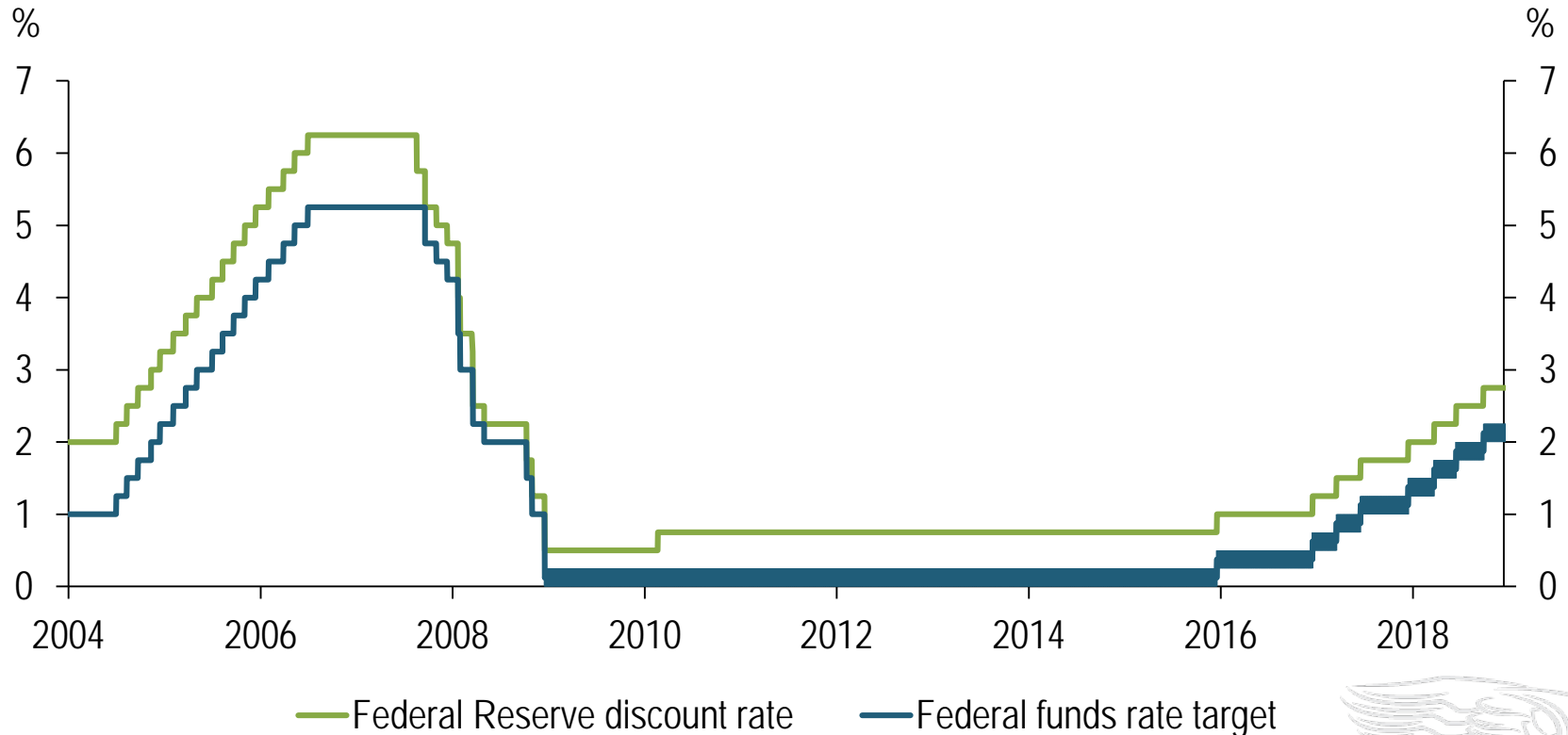
Short term interest rates are diverging across advanced economies



Sources: U.S. Treasury, Bank of England, Tullett Prebon Information, Deutsche Bundesbank, Haver Analytics



The federal funds rate target increased in September



The Fed's balance sheet continues to shrink as reinvestments of maturing securities decline

