# US EXECUTIVE SUMMARY

SEPTEMBER 2012

## All Cylinders Are Not Yet Firing

### Forecast Highlights

- The recovery has weak momentum, but has not ground to a halt. We expect growth of about 1.5% in the second half of 2012.
- Our calendar-year 2012 growth forecast has been raised fractionally to 2.2%, from 2.1%. Our forecast for 2013 growth remains 1.8%.
- A deeper Eurozone recession and a harder landing in China remain the principal downside risks. But news of proposed European Central Bank support for sovereign debt has led us to reduce our US recession risk to 20%, from 25%.
- We assume that the lame-duck Congress will postpone the year-end fiscal cliff for a few months, placing the problem in the hands of the new Congress and president.
- We assume that an extension of "low-interest-rate" guidance through mid-2015 and another round of quantitative easing will be announced by the Federal Reserve in September.

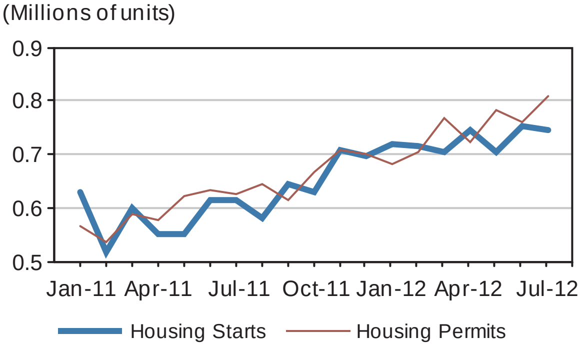
### The Forecast in Brief

**The economy continues on a modest growth track.** There has been a continuing improvement in housing indicators, and we have had better news on consumer spending to start the third quarter. But some of the drivers that were previously supporting growth—exports and business fixed investment—are showing signs of flagging in the face of global economic headwinds and domestic policy uncertainty. As a result, manufacturing has at least temporarily run out of steam, and overall growth in output and employment is likely to remain at only a modest pace. The disappointing August jobs report (only 96,000 jobs added) underlined the lack of momentum.

**Manufacturing momentum has slowed.** Manufacturing output growth slowed in the second quarter, and it was only thanks to the continuing revival in motor vehicle production that it remained in the black. But forward-looking indicators, rather than past production figures, are of most

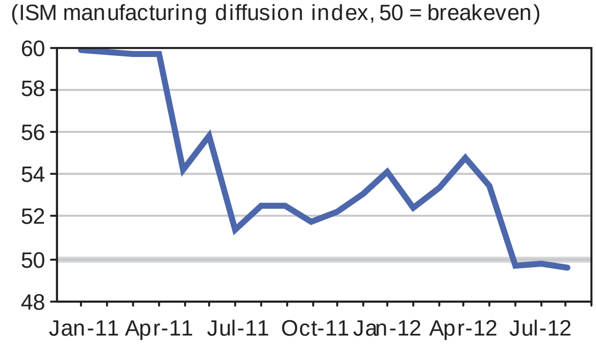
**Housing Activity Has Come Off the Floor...**

(Millions of units)




**...But Manufacturing Has Lost Momentum**

(ISM manufacturing diffusion index, 50 = breakeven)





**Contacts:**
Nariman Behravesh, 781-301-9101, nariman.behravesh@ihs.com
Nigel Gault, 781-301-9093, nigel.gault@ihs.com
**ihs.com**






IHS GLOBAL INSIGHT

OPC 018248
FPL RC-16

concern. Export orders are declining in the face of an unofficial but deepening Eurozone recession and a marked slowdown in growth in the emerging world, largely driven by China. And durable goods reports suggest that the momentum behind business capital spending has weakened, too.

**We see subdued growth in the second half of the year.** We expect second-half 2012 GDP growth to average 1.5%, slightly slower than the first half, held back by slower growth in exports and business capital spending. We also expect inventory accumulation to remain a drag on growth, as companies remain cautious. GDP growth for calendar-year 2012 now comes in at 2.2%, up slightly from 2.1% in last month's forecast. Our 2013 projection remains 1.8%.

**The European sovereign-debt crisis still poses the biggest downside risk, but there has been some better news there.** The European Central Bank (ECB) has announced a new plan to purchase the short-term sovereign debt of troubled debtors, in exchange for strict conditionality on fiscal consolidation and structural reforms. Since the ECB has potentially unlimited firepower, its announcement provides an important backstop. And the plan could help protect other debtors in the event that Greece leaves the euro (which we still expect in 2013).

Domestically, households face too many negatives to allow a robust **consumer spending** recovery—high debt burdens, low house prices, modest employment growth, and a lack of confidence in the government's ability to make things better. Overall, we expect consumer spending growth of 2.0% in 2012, down from 2.5% in 2011, followed by 2.3% growth in 2013. **Light-vehicle sales** remain a bright spot, as pent-up demand is coming through, and our forecast for 2012 has been raised fractionally to 14.2-million units, from 14.1-million units. Our 2013 projection remains 14.8 million.

On the **employment** front, August delivered a disappointing 96,000 increase in jobs, although other indicators (such as the ADP survey) are showing a brighter picture. The unemployment rate dipped to 8.1% only because 368,000 people left the labor force. Over the rest of 2012, we anticipate job growth averaging around 135,000 per month and an unemployment rate remaining above 8%.

The **housing** recovery finally seems to be under way. Inventories of unsold homes are falling fast, home prices are rising, and housing permits and starts appear set on an upward trend. We are still only in the early stages of recovery, but we are no longer bumping along the bottom. We expect a 24% increase in housing starts in 2012, albeit from a low base (759,000 units, compared with 610,000 in 2011), concentrated in the multifamily segment, where pent-up demand is helping the rental market. We expect starts to improve to 945,000 in 2013 and 1.24 million in 2014. Recent evidence suggests that home prices are stabilizing. We expect a 4.6% house-price increase in 2012, as measured by the FHFA purchase-only index, fourth quarter to fourth quarter.

Capital equipment remains an important driver of GDP growth, but its momentum has slowed. We expect **business equipment and software spending** growth to slow to 7.7% in 2012, from 11.0% in 2011, and then to 6.6% growth in 2013. The latest evidence shows a weakening in orders for capital equipment, indicating that firms have become more cautious on capital investment plans.

On the **business structures** side, spending on buildings rose a robust 15.3% in the second quarter, after 7.2% growth in the first. Leading indicators (notably the architects' billings index) suggest that pace cannot be maintained, and we expect spending to grow 3.4% in 2013, down from 10.8% in 2012. **Oil and gas drilling activity** has softened. Natural gas drilling is now in retreat in the face of exceptionally low prices, and the drop in oil prices since their peak in March should dampen the surge in oil drilling. There was enough momentum carried over from 2011 to produce an anticipated 3.5% increase in drilling for 2012, but we expect only a 0.6% increase in 2013.

In the **state and local government sector**, the pace of budget tightening has eased slightly as revenues have begun to improve, but municipalities remain under severe pressure. We expect real state and local government spending to decline 1.6% in calendar 2012 and 0.8% in calendar 2013, after a 3.4% decline in calendar 2011.

We expect the **federal budget deficit** to narrow to $1.1 trillion in fiscal 2012 (7.3% of GDP), from $1.3 trillion in fiscal 2011 (8.7% of GDP). Federal fiscal policy is tightening, as stimulus fades away and spending cuts take effect. We expect the deficit to decline further to $883 billion in fiscal 2013 (5.5% of GDP). We do not expect the economy to go off the **"fiscal cliff,"** but extreme uncertainty over fiscal policy is likely to remain a fact of life—and a deterrent to risk-taking—well into 2013. The fact that the debt ceiling will need to be raised some time in the first few months of 2013 adds an unwelcome extra complication. We assume that the "fiscal cliff" deadlines will be extended into 2013, and that the new Congress and president will eventually produce a compromise involving entitlement spending cuts and tax increases, phased in over many years, to replace what would be a catastrophic fiscal tightening. The exact nature of that compromise will depend on the balance of power in Washington after the elections.

A combination of slower growth around the world and a stronger US dollar is creating headwinds for US **export growth**, which we expect to decelerate from 6.7% in 2011 to 4.0% in 2012 and 3.7% in 2013. We expect the **dollar** to strengthen against the euro as the Eurozone recession deepens, but we see no clear medium-term trend in the dollar against major currencies. We foresee a downward trend against emerging-market currencies, dictated by the pace at which China allows the renminbi to appreciate. The overall **current-account deficit** should widen to 3.2% of GDP in 2012 (from 3.1% in 2011), largely due to a smaller surplus on income from abroad.

Inflation remains a nonissue. We expect lower oil prices to pull **headline CPI inflation** down to 2.0% in 2012 and 1.4% in 2013, from 3.1% in 2011. In addition, in the face of sluggish demand growth and a pullback in commodity prices, we expect core inflation to ease gradually.

The combination of slower global growth and a deepening Eurozone crisis has sent 10-year Treasury **bond yields** down, at times driving them below 1.5%. We expect bond yields to move substantially higher over the long term, but see them mostly in the 1.50-1.70% range through the end of 2012.

**Federal Reserve** chairman Ben Bernanke has made the case for further monetary accommodation, arguing that the Fed's available tools have been effective in the past and could still be effective now. He has also made clear his dissatisfaction with the pace of improvement in the labor market. We doubt that further moves will have much effect on the growth outlook, but assume that in September the Fed will extend its guidance on "near-zero" interest rates through mid-2015, and embark upon a QE3 program of easing ultimately worth around $600 billion, concentrated on mortgage-backed securities.

## How Much of a Difference Will More Unorthodox Actions by the Fed and ECB Make?

Financial markets have taken great comfort in the expectation that both the Federal Reserve (Fed) and the European Central Bank (ECB) are about to take further aggressive and unorthodox monetary stimulus measures. In the case of the Fed, the worry is weak growth, but the third round of quantitative easing (QE) will only have a small impact on market interest rates and an even smaller impact on growth. In the case of the ECB, while the ongoing recession is a concern, a far bigger worry is the potential for serious damage from rising bond yields in Italy and Spain, two of the linchpin economies in the Eurozone. By keeping yields down and preventing a Greek-style scenario for these two countries, the recently announced unlimited bond purchasing program by the ECB could end up saving the euro.

**The Fed's third round of quantitative easing will probably not have a big impact—think of it as an insurance policy.** The Fed is growing increasingly concerned about the outlook. In his recent Jackson Hole speech, Fed chairman Ben Bernanke said, "stagnation of the labor market…is of grave concern…" The weaker-than-expected August employment numbers will reinforce these concerns. While most members of the Federal Open Market Committee (FOMC) are not worried about a recession, an increasing number are concerned that the unemployment rate seems to be stuck above 8%. The recent unwinding of the bond market rally (in late July and early August) was also a source of worry for the FOMC, although pervasive weakness in the global economic data has helped bring yields down a little in recent weeks.

In his Jackson Hole speech Bernanke made a strong pitch for more QE. His basic premise was that expanding the Fed's balance sheet by purchasing Treasury and agency securities was instrumental in driving down long-term borrowing costs and supporting economic activity. He cited academic studies that found that QE1 (late 2008) drove the 10-year Treasury rate down by 40-110 basis points, and that QE2 (late 2010) drove it down 15-45 basis points. Yields on corporate debt and mortgage-backed securities were also lowered.

IHS expects that at the 12-13 September FOMC meeting the Fed will announce a QE3 program that will ultimately be worth about $600 billion. Most of these funds will be used to purchase mortgage-backed securities (MBS). It will also likely extend its guidance on "near zero" interest rates through mid-2015.

QE3 will probably drive mortgage rates down 20-25 basis points, and absorb the full supply of MBS issued by government-sponsored agencies (GSE) which are not currently held by the Fed, including new issuance over the next year. Since GSE-backed MBS are considered safe-haven assets due to their implicit government guarantee, the Fed might have to pay a premium to induce current holders to sell. This would translate into lower mortgage rates. Nevertheless, the impact on home sales could be dampened by (still) tight credit conditions in mortgage markets. This means that the impact of QE3 on growth and the unemployment rate will be virtually imperceptibly small.

**The ECB's "Outright Monetary Transmissions" program is a bigger deal—and could help to save the euro.** On 6 September, the ECB fleshed out its bond-buying plans that were originally announced at its 2 August policy meeting. These plans followed ECB president Mario Draghi's pronouncement in late July that the ECB would do "whatever it takes to preserve the euro; and believe me, it will be enough."

Of course, the Eurozone's survival will be as dependent on the success of the Italian and Spanish governments (and the governments of other troubled economies in the Eurozone as well) in undertaking structural reforms and other measures that lift their competitiveness and improve their underlying fiscal positions. In addition, success will also depend on Eurozone policymakers ultimately taking major steps towards greater fiscal and banking integration. Nonetheless, recent financial pressures that have pushed the yields on Italian and Spanish bonds to dangerously high levels are a major threat to the stability of the Eurozone and one that needs to be tackled urgently. As a result, the ECB is treading a fine line by trying to put in place a strong enough bond-buying program that impresses the markets and potentially leads to a sustained, marked reduction in problem countries' sovereign bond yields, while at the same time keeping major pressure on these countries to commit to structural reforms and see them through.

In many respects, the Outright Monetary Transactions (OMT) program seems to satisfy these conditions. The markets should be impressed by the fact that there are no *ex ante* size limits to the ECB's purchases of a country's bonds and that the ECB will accept the same treatment as private creditors in the case of a default. While there had been some speculation that the ECB could indicate a targeted ceiling for a country's bond yields or a maximum spread differential (it didn't), the unlimited size of the bond buying should be a powerful measure. The bond purchases will be focused on sovereign bonds with a maturity between one and three years. It will be fully sterilized, with no expected impact on monetary conditions in the Eurozone. In fact, at the September meeting the ECB left the overnight rate unchanged at 0.75%.

To keep pressure on countries vis-à-vis major structural reforms and corrective measures, the ECB is imposing strict conditionality on its bond-buying program. The ECB will not buy a country's bonds until its government has requested assistance from the European Financial Stability Facility (EFSF)/European Stability Mechanism (ESM) and signed up for a full macroeconomic adjustment program. Critically, the ECB will only consider a bond purchase if a country fully respects its program. If noncompliance occurs, the ECB may terminate or suspend its bond buying—although in practice this may be very hard to do for large Eurozone countries such as Italy or Spain.

The ECB has undeniably gone a long way towards providing an effective backstop. In so doing it has probably secured the future of the euro. Recent declines in Italian and Spanish bond yields reflect the improved confidence of financial markets in the actions of the ECB. Ultimately, however, the success of its actions will depend critically on whether or not problem countries are prepared to: 1) approach the EFSF/ESM for assistance; 2) agree to specific corrective actions; and 3) see them through over a sustained period. Attention will now be focused on the Italian and (especially) Spanish governments.

## Key Forecast Assumptions

**Fiscal Policy: Discretionary Spending.** We assume that real nondefense federal government spending on goods and services falls 1.1% in calendar 2012 and 2.5% in 2013 as budget cuts bite. We assume that real defense spending falls 3.2% in 2012 and 3.6% in 2013, reflecting a combination of budget cuts and overseas contingency operations winding down.

**Fiscal Policy: Expiring Stimulus.** We assume that the 2% payroll tax cut and emergency unemployment insurance benefits are extended for 2013, and then phased out over several years, rather than disappearing overnight. We assume that the present 50% bonus depreciation incentive is not extended for 2013.

**Fiscal Policy: Automatic Spending Cuts and the Bush Tax Cuts.** We do not expect the automatic spending cuts now scheduled to begin in January 2013 to take effect. We assume that the lame-duck Congress will delay the cuts, giving time for the new Congress and president to produce a package of spending cuts and tax increases, mostly sparing discretionary spending since the cuts there are already aggressive. We have assumed a combination of cuts in Medicare, Medicaid, and Social Security, and increases in income taxes. The measures mostly begin in January 2014; we assume that the Bush tax cuts are extended for 2013.

**The Drought and Food Prices.** The US drought has undermined this year's corn and soybean crops, and the resulting higher farm commodity prices will gradually pass through to the consumer. We project consumer food price inflation of 3.0% in 2013, up from 2.8% in 2012. Without the drought, we would have expected much lower food price inflation in 2013.

**Weak Global Growth Assumed to Keep a Lid on Oil Prices.** Increased tensions in the Middle East have pushed oil prices up from their June lows, but we still expect weak global growth to dominate the immediate outlook. We expect the refiners' acquisition cost for crude oil to average $100/barrel in the third quarter, up from our August projection of $93/barrel. But we expect the price to drop to $92/barrel in the fourth quarter and $89/barrel in 2013, little changed from last month's $88/barrel in 2013. That corresponds to an average Brent oil price of $93/barrel in 2013.

**Federal Reserve to Hold Rates Near Zero Until Mid-2015; More Quantitative Easing Assumed.** The Fed has said that it expects to keep its federal funds target in the 0.00-0.25% range until at least late 2014. We anticipate that it will wait even longer, until mid-2015, and alter its official guidance accordingly this September. We assume another round of quantitative easing (around $600 billion), to be announced this September, concentrated on mortgage-backed securities.

**Dollar to Gain on the Euro.** The euro has bounced up to $1.28 on the ECB's sovereign-debt buying plan. But the Eurozone economic downturn is worsening, the sovereign-debt crisis is not over, and we expect the ECB to cut interest rates further. As a result, we expect the euro to weaken to $1.10 by August 2013. Given the weakening in Chinese growth, we now expect no overall appreciation of the Chinese renminbi in 2012 (year-end to year-end).

**Weaker Global Growth.** We expect GDP growth in the United States' major-currency trading partners to weaken to 1.1% in 2012 and 1.1% in 2013, from 1.7% in 2011. GDP growth for other important trading partners is projected to slow to 4.1% in 2012 and 4.4% in 2013, from 5.2% in 2011.

*by Nariman Behravesh and Nigel Gault*

## Risks to the Forecast

The US economy continues to move at a disappointingly slow pace, with August payroll data indicating sluggish employment gains. While policymakers in Europe have shown some initial interest in solving the crisis, US policymakers are only just returning from their summer recess, with no signs of imminent policy decisions on the pressing issues of the fiscal cliff, the fiscal 2013 budget, or the debt ceiling. Will European debt problems and gridlock in Washington derail the US recovery, or will the recovery reignite as the policy response gains traction and slowdown fears dissipate?

In the pessimistic scenario, despite encouraging European moves in the summer, policy paralysis takes over in the latter part of 2012. The Eurozone crisis intensifies and financing for Greece dries out, forcing its exit in early 2013. At the same time, the gridlock in Washington, DC, briefly pushes the US economy off the fiscal cliff at the start of 2013. Private sector confidence collapses and stock prices plunge. Policymakers, realizing the potential threat to the economy, quickly reverse course and extend all expiring measures for 2013. But with the Eurozone financial crisis intensifying, this proves to be too little, too late to save the economy from recession. Credit tightens, businesses and consumers retrench, the housing sector turns down again, and the unemployment rate rises back toward 10%.

In the optimistic scenario, rapid and sustained improvements in the housing and labor markets ignite stronger domestic growth, while credible policy decisions in Europe and China boost the foreign economic outlook. The fiscal cliff is avoided, as in the baseline, but unlike in the baseline, a credible plan for long-term deficit reduction is quickly enacted.

**Europe and Gridlock in Washington Derail the Recovery (20% Probability):** The summer hope that European policymakers stood ready to respond to the crisis turns out to be just that, hope. Funding for Greece from the troika—the European Central Bank, the International Monetary Fund, and the European Union—rapidly dries out as the Hellenic nation proves unable to meet its structural reform targets. Insolvent and illiquid, Greece has no choice but to exit the Eurozone in early 2013, and to revert to its own new currency (devalued around 60-70%). The Greek exit leads to intensifying pressure on the remaining southern economies (particularly Spain and Italy) facing severe economic contractions and unbearably high interest rates to finance their debts. With 10-year bond yields soaring well above 7%, Spain must restructure its debt. With financial markets in panic, stock prices plunge and the safe-haven US dollar soars. This scenario assumes a much more severe Europe-wide recession than in the baseline, but Greece is the only country forced out of the Eurozone.

At home, partisan brinkmanship briefly pushes the US economy off the fiscal cliff for a few weeks after January 1, 2013. Policymakers quickly realize the potential danger of this major fiscal contraction, however, and manage to pass an extension of all expiring measures. Unfortunately, the damage to confidence has already been done, compounding the fallout from the Eurozone crisis. In 2014, policymakers allow the expiration of the payroll tax cut and emergency unemployment benefits, deciding that deficit reduction must take priority. This fiscal tightening further weakens the recovery.

The global growth slowdown, exacerbated by a harder landing in China, drags down US exports and restrains overall US economic activity. With sales constrained both at home and abroad, businesses cut down on costs. Hiring freezes and layoffs once again become common practice, pushing the unemployment rate back up above 9%. With no income support, consumer spending declines sharply.

The Federal Reserve does what it can to support the economy, expanding the size of its QE3 program, and keeping the federal funds rate in the 0.00-0.25% range until 2016.

In this scenario, the US economy slows sharply in the latter part of 2012, with fourth-quarter real GDP growth barely above zero. The combination of a worsening Eurozone crisis and gridlock in Washington, DC, plunges the US economy deep into recession territory in early 2013, with real GDP contracting 2.5% and 1.1% in the first and second quarters, respectively. Overall, real GDP contracts 0.5% in 2013 versus growth of 1.8% in the baseline. With little real disposable income support, consumer spending growth weakens to 1.0% in 2013 (versus 2.3% in the baseline), while a capital expenditure freeze leaves nonresidential fixed investment growing only 0.1% (versus 4.8% in the baseline). Light-vehicle sales fall back to 12.9-million units in 2013 (versus 14.8 million in the baseline).

A deteriorating labor market, high debt, and weak income gains undercut housing activity. The “green shoots” observed in mid-2012 quickly turn brown as low demand and persistent oversupply once again lead to declining home prices. Housing starts fall close to their 2011 trough level, reaching only 650,000 in 2013 (versus 945,000 units in the baseline). The median price of a single-family existing home falls more than 7% below the baseline in 2014.

The oil refiners’ acquisition price of crude falls back to $78 per barrel in 2013 (versus $88 per barrel in the baseline), as global growth remains depressed. Lower inflation ensues, with headline consumer price inflation at 0.8% in 2013, and core CPI inflation at 1.5%. But when the US economy finally starts recovering and pent-up demand is released, tight production capacity and weak productivity lead to production bottlenecks and put upward pressure on prices. This causes higher inflation, along with a weakening US dollar owing to worries about fiscal debt and weak growth. CPI inflation exceeds the baseline by 2015, and the gap continues to widen. The Fed raises interest rates in response, but is too late. Monetary tightening eventually stabilizes core inflation around 2.6%.

**Recovery Reignites (15% Probability):** In the optimistic scenario, growth ramps up in the last few months of 2012 and accelerates into next year. Real GDP growth averages 2.4% in 2012 (versus 2.2% in the baseline) and accelerates to 3.7% in 2013 (versus 1.8%). As credit conditions ease, nonresidential fixed investment rises 8.8% in 2012 and 8.7% in 2013 (versus 8.0% and 4.8% in the baseline). This scenario is driven by a stronger recovery in residential construction. Housing starts begin rising rapidly, and are nearly 30% higher than the baseline by the end of 2013. Starts reach 1.3-million units by the fourth quarter of 2013, a year sooner than in the baseline.

On the policy front, the looming fiscal cliff is avoided as a tax and spending compromise is reached. A stronger economy allows Congress to begin scaling back emergency unemployment benefits and the payroll tax cut during 2013, a year sooner than in the baseline. Disposable income takes a slight hit in the first quarter of 2013, but the economy is healthy enough that it can do without the extra stimulus.

Across the Atlantic, the European Central Bank develops a credible plan to tackle sovereign-debt issues and prevent a financial meltdown. There are no exits from the Eurozone, as the bloc takes decisive steps towards a banking and fiscal union that stabilize markets. US equity markets respond favorably to European stability and a better domestic growth profile, with the S&P 500 nearly 15% higher than the baseline by mid-2013.

With reduced anxiety about the outlook, consumer and business confidence pick up sharply. Consumer spending growth in the fourth quarter is 3.2%, compared with 2.1% in the baseline. The labor market returns to form following the late-spring swoon, and by year-end, the economy is adding more than 225,000 jobs per month; the baseline sees payroll growth average below 200,000 per month until mid-2014. The unemployment rate drops to 7.8% by the fourth quarter of 2012, a level not reached in the baseline until 2014.

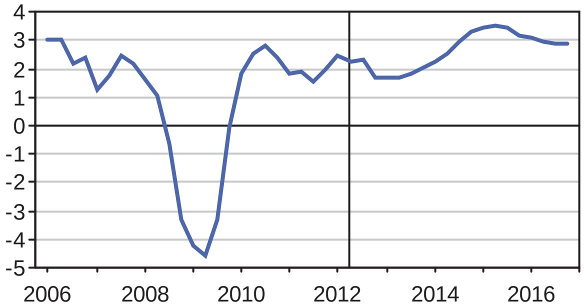
The Federal Reserve decides to “wait and see” at its September 2012 meeting rather than inject more stimulus. That proves to be a wise decision, as growth gathers pace and the Fed has to begin to think about withdrawing rather than injecting stimulus. It begins hiking rates in the first quarter of 2014, more than a year earlier than in the baseline. But inflation remains benign, and lower inflation in the long term allows the Fed to reduce interest rates below baseline levels near the end of the decade.

*by Gregory Daco and Erik Johnson*

## Forecast at a Glance

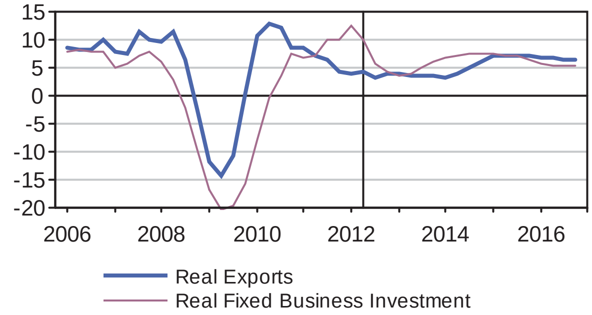
### Sustained but Modest Growth

(Real GDP, percent change from a year earlier)



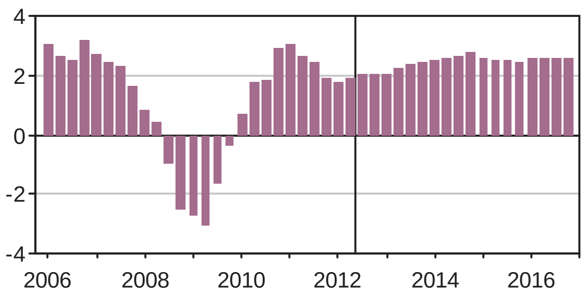

### Exports, Business Spending Growth Slowing

(Percent change from a year earlier)



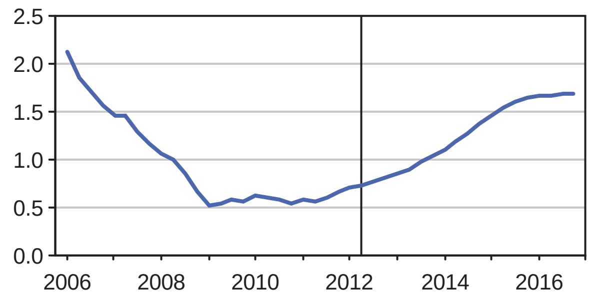

### Restrained Consumer Spending Growth

(Real spending, percent change from a year earlier)



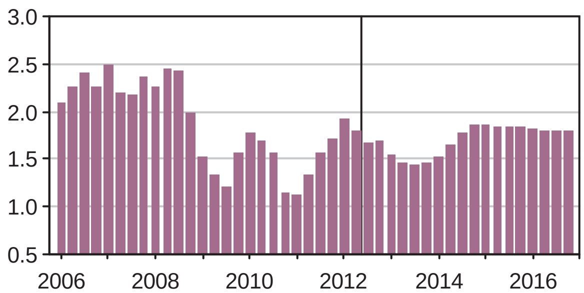

### Housing Starts Beginning a Long Climb

(Million units)




### Core Inflation Should Ease

(Core consumption price index, percent change from a year earlier)




### Fed Holds Rates Near 0% Until 2015

(Percent)

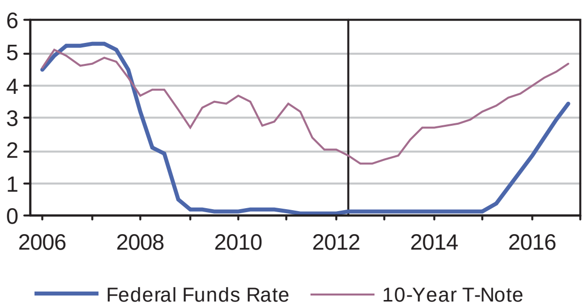


TABLE 1

## Monthly Economic Indicators

| | Jul. 2011 | Aug. 2011 | Jan. 2012 | Feb. 2012 | Mar. 2012 | Apr. 2012 | May. 2012 | Jun. 2012 | Jul. 2012 | Aug. 2012 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Industrial Markets** | | | | | | | | | | | | | |
| Industrial Prod. Total (2007=100.0) | 93.9 | 94.2 | 96.6 | 97.1 | 96.4 | 97.2 | 97.3 | 97.4 | 98.0 | | 85.4 | 90.1 | 93.7 |
| Percent Change | 0.9 | 0.3 | 0.7 | 0.5 | -0.7 | 0.8 | 0.1 | 0.1 | 0.6 | | -11.4 | 5.4 | 4.1 |
| Percent Change Year Earlier | 3.4 | 3.4 | 4.5 | 5.2 | 3.6 | 4.9 | 4.7 | 4.7 | 4.4 | | | | |
| Capacity Utilization, Manufacturing (%) | 75.0 | 75.2 | 77.5 | 78.0 | 77.4 | 77.8 | 77.3 | 77.6 | 77.8 | | 65.5 | 71.2 | 75.0 |
| Unemployment Rate (%) | 9.1 | 9.1 | 8.3 | 8.3 | 8.2 | 8.1 | 8.2 | 8.2 | 8.3 | 8.1 | 9.3 | 9.6 | 9.0 |
| Payroll Employment (Mil.) | 131.407 | 131.492 | 132.461 | 132.720 | 132.863 | 132.931 | 133.018 | 133.063 | 133.204 | 133.300 | 130.787 | 129.856 | 131.359 |
| Change (Mil.) | 0.096 | 0.085 | 0.275 | 0.259 | 0.143 | 0.068 | 0.087 | 0.045 | 0.141 | 0.096 | -6.008 | -0.931 | 1.503 |
| Leading Indicator (2004=1.000) | 0.944 | 0.937 | 0.947 | 0.954 | 0.956 | 0.955 | 0.958 | 0.954 | 0.958 | | 0.828 | 0.891 | 0.937 |
| Percent Change | 0.2 | -0.7 | 0.0 | 0.7 | 0.2 | -0.1 | 0.3 | -0.4 | 0.4 | | -12.8 | 7.6 | 5.2 |
| New Orders, Mfg. (Bil. $) | 469.6 | 464.2 | 471.6 | 478.9 | 468.9 | 465.8 | 468.0 | 465.7 | 478.6 | | 347.8 | 410.6 | 459.2 |
| Percent Change | 3.3 | -1.2 | -2.0 | 1.5 | -2.1 | -0.7 | 0.5 | -0.5 | 2.8 | | -23.1 | 18.0 | 11.8 |
| Inv. Chg., Mfg. & Trade (Bil. $) | 6.3 | 9.5 | 12.3 | 8.6 | 4.0 | 4.9 | 4.1 | 2.3 | | | -137.4 | 110.0 | 110.3 |
| Merchandise Trade Bal. (Bil. $) | -60.0 | -59.2 | -66.0 | -59.5 | -66.7 | -64.8 | -62.3 | -56.9 | | | -503.6 | -634.9 | -727.4 |
| **Consumer Markets** | | | | | | | | | | | | | |
| Disposable Income (Bil. 2005$) | 10149 | 10120 | 10185 | 10216 | 10240 | 10254 | 10300 | 10321 | 10355 | | 9837 | 10017 | 10150 |
| Percent Change | -0.1 | -0.3 | 0.6 | 0.3 | 0.2 | 0.1 | 0.5 | 0.2 | 0.3 | | -2.8 | 1.8 | 1.3 |
| Personal Income (Bil. $) | 12977 | 12971 | 13148 | 13235 | 13298 | 13322 | 13360 | 13406 | 13448 | | 11867 | 12322 | 12947 |
| Percent Change | 0.1 | 0.0 | 0.9 | 0.7 | 0.5 | 0.2 | 0.3 | 0.3 | 0.3 | | -4.8 | 3.8 | 5.1 |
| Personal Saving Rate (%) | 4.2 | 4.0 | 3.7 | 3.5 | 3.7 | 3.6 | 4.0 | 4.3 | 4.2 | | 4.7 | 5.1 | 4.2 |
| Consumer Expenditures (Bil. $) | 10759 | 10779 | 10942 | 11026 | 11054 | 11087 | 11065 | 11069 | 11115 | | 9846 | 10216 | 10729 |
| Percent Change | 0.7 | 0.2 | 0.5 | 0.8 | 0.3 | 0.3 | -0.2 | 0.0 | 0.4 | | -1.9 | 3.8 | 5.0 |
| Retail Sales (Bil. $) | 387.9 | 387.8 | 400.6 | 404.7 | 406.2 | 404.1 | 403.6 | 400.7 | 403.9 | | 4080.1 | 4306.4 | 4651.4 |
| Percent Change | 0.2 | 0.0 | 0.6 | 1.0 | 0.4 | -0.5 | -0.1 | -0.7 | 0.8 | | -7.1 | 5.5 | 8.0 |
| Non-Auto. Retail Sales (Bil. $) | 319.8 | 320.7 | 328.4 | 331.6 | 333.2 | 331.2 | 330.1 | 327.5 | 330.2 | | 3406.3 | 3559.6 | 3823.1 |
| Percent Change | 0.2 | 0.3 | 1.1 | 1.0 | 0.5 | -0.6 | -0.3 | -0.8 | 0.8 | | -5.7 | 4.5 | 7.4 |
| New Light-Vehicle Sales (Mil.) | 12.4 | 12.4 | 13.9 | 14.4 | 14.1 | 14.1 | 13.9 | 14.3 | 14.0 | 14.5 | 10.4 | 11.6 | 12.7 |
| Housing Starts (Mil.) | 0.614 | 0.581 | 0.720 | 0.718 | 0.706 | 0.747 | 0.706 | 0.754 | 0.746 | | 0.554 | 0.586 | 0.612 |
| New Home Sales (Mil.) | 0.297 | 0.292 | 0.339 | 0.366 | 0.352 | 0.358 | 0.372 | 0.359 | 0.372 | | 0.374 | 0.321 | 0.307 |
| Existing Home Sales (Mil.) | 4.050 | 4.410 | 4.630 | 4.600 | 4.470 | 4.620 | 4.620 | 4.370 | 4.470 | | 4.329 | 4.181 | 4.283 |
| Chg. Consumer Install. Credit (Bil. $) | 10.4 | -7.9 | 15.7 | 8.8 | 12.8 | 8.5 | 16.7 | 6.5 | | | -110.0 | -26.9 | 96.6 |
| **Prices and Wages** | | | | | | | | | | | | | |
| CPI, All Urban Consumers | 2.255 | 2.263 | 2.275 | 2.284 | 2.291 | 2.292 | 2.285 | 2.286 | 2.287 | | 2.146 | 2.181 | 2.249 |
| Percent Change Year Earlier | 3.6 | 3.8 | 2.9 | 2.9 | 2.6 | 2.3 | 1.7 | 1.7 | 1.4 | | -0.3 | 1.6 | 3.1 |
| Core Cons. Price Defl. (2005=100.0) | 112.0 | 112.2 | 112.9 | 113.1 | 113.3 | 113.5 | 113.6 | 113.8 | 113.8 | | 108.5 | 110.2 | 111.8 |
| Percent Change Year Earlier | 1.5 | 1.6 | 1.9 | 1.9 | 2.0 | 1.9 | 1.8 | 1.8 | 1.6 | | 1.4 | 1.5 | 1.4 |
| PPI, Finished Goods | 1.914 | 1.918 | 1.936 | 1.944 | 1.941 | 1.938 | 1.918 | 1.919 | 1.924 | | 1.728 | 1.800 | 1.908 |
| Percent Change Year Earlier | 7.2 | 6.6 | 4.2 | 3.5 | 2.8 | 1.9 | 0.8 | 0.8 | 0.5 | | -2.5 | 4.2 | 6.0 |
| PPI, Industrial Commodities (NSA) | 2.059 | 2.037 | 2.014 | 2.024 | 2.051 | 2.048 | 2.030 | 2.007 | 1.995 | | 1.749 | 1.870 | 2.020 |
| Percent Change Year Earlier | 10.3 | 8.6 | 3.7 | 3.1 | 2.3 | 0.3 | -1.3 | -2.1 | -3.1 | | -9.1 | 7.0 | 8.0 |
| Avg. Private Hourly Earnings ($) | 19.52 | 19.50 | 19.62 | 19.64 | 19.67 | 19.71 | 19.70 | 19.74 | 19.76 | 19.75 | 18.63 | 19.08 | 19.46 |
| Percent Change Year Earlier | 2.3 | 2.0 | 1.5 | 1.6 | 1.7 | 1.7 | 1.4 | 1.5 | 1.2 | 1.3 | 3.0 | 2.4 | 2.0 |
| Refiner Acq. Cost of Crude Oil ($/bbl.) | 104.68 | 97.70 | 104.70 | 107.18 | 110.92 | 109.70 | 103.23 | 92.59 | | | 59.20 | 76.70 | 101.80 |
| Percent Change Year Earlier | 42.0 | 31.0 | 18.6 | 18.0 | 8.3 | -2.6 | -4.3 | -11.2 | | | -37.2 | 29.5 | 32.7 |
| Henry Hub Spot Natural Gas ($/mmbtu) | 4.42 | 4.05 | 2.67 | 2.51 | 2.16 | 1.95 | 2.43 | 2.46 | 2.96 | 2.83 | 3.95 | 4.39 | 4.00 |
| Percent Change Year Earlier | -4.5 | -5.8 | -40.6 | -38.6 | -45.6 | -54.0 | -43.5 | -45.9 | -33.1 | -30.1 | -55.4 | 11.1 | -8.9 |
| **Financial Markets** | | | | | | | | | | | | | |
| Federal Funds Rate (%) | 0.07 | 0.10 | 0.08 | 0.10 | 0.13 | 0.14 | 0.16 | 0.16 | 0.16 | 0.13 | 0.16 | 0.18 | 0.10 |
| 3-Month T-Bill Rate (%) | 0.04 | 0.02 | 0.03 | 0.09 | 0.08 | 0.08 | 0.09 | 0.09 | 0.10 | 0.10 | 0.15 | 0.14 | 0.05 |
| Commercial Bank Prime Rate (%) | 3.25 | 3.25 | 3.25 | 3.25 | 3.25 | 3.25 | 3.25 | 3.25 | 3.25 | 3.25 | 3.25 | 3.25 | 3.25 |
| Moody’s Aaa Corp. Bond Yield (%) | 4.93 | 4.37 | 3.85 | 3.85 | 3.99 | 3.96 | 3.80 | 3.64 | 3.40 | 3.48 | 5.31 | 4.94 | 4.64 |
| 10-Year Treasury Note Yield (%) | 3.00 | 2.30 | 1.97 | 1.97 | 2.17 | 2.05 | 1.80 | 1.62 | 1.53 | 1.68 | 3.26 | 3.21 | 2.79 |
| Conv. Mortgage Rate, FHLMC (%) | 4.55 | 4.27 | 3.92 | 3.89 | 3.95 | 3.91 | 3.80 | 3.68 | 3.55 | 3.60 | 5.04 | 4.69 | 4.46 |
| M1 Money Supply (Bil. $) | 2005 | 2106 | 2224 | 2219 | 2226 | 2255 | 2246 | 2256 | 2319 | | 1637 | 1742 | 2009 |
| Percent Change | 3.1 | 5.1 | 2.6 | -0.3 | 0.3 | 1.3 | -0.4 | 0.4 | 2.8 | | 5.6 | 8.1 | 16.6 |
| M2 Money Supply (Bil. $) | 9268 | 9458 | 9749 | 9780 | 9814 | 9862 | 9897 | 9945 | 10021 | | 8384 | 8591 | 9219 |
| Percent Change | 1.9 | 2.0 | 1.4 | 0.3 | 0.4 | 0.5 | 0.4 | 0.5 | 0.8 | | 3.6 | 3.4 | 9.3 |
| Trade-Weighted US$, 18 Countries | | | | | | | | | | | | | |
| Morgan Guaranty Index (1990=100.0) | 77.4 | 77.8 | 81.7 | 80.4 | 81.1 | 81.2 | 82.4 | 83.4 | 83.0 | 82.1 | 87.3 | 83.8 | 79.5 |
| Percent Change | -0.8 | 0.5 | -0.5 | -1.5 | 0.9 | 0.1 | 1.4 | 1.3 | -0.6 | -1.1 | 5.4 | -4.0 | -5.2 |
| Percent Change Year Earlier | -9.1 | -7.8 | 1.1 | 0.3 | 2.3 | 3.9 | 5.6 | 6.9 | 7.2 | 5.5 | | | |
| Real Morgan Guaranty Index | 80.1 | 80.6 | 85.0 | 83.7 | 84.1 | 84.1 | 85.8 | 87.6 | 87.0 | 86.5 | 91.2 | 86.8 | 81.9 |
| Percent Change | -0.4 | 0.7 | -0.5 | -1.6 | 0.5 | 0.0 | 2.0 | 2.1 | -0.6 | -0.7 | 10.6 | -4.8 | -5.7 |
| Percent Change Year Earlier | -9.5 | -8.2 | 2.2 | 1.7 | 4.0 | 5.7 | 7.7 | 8.9 | 8.7 | 7.2 | 3.61 | 3.88 | 4.26 |

TABLE 2

## Summary of the US Economy

| | 2012:1 | 2012:2 | 2012:3 | 2012:4 | 2013:1 | 2013:2 | 2013:3 | 2013:4 | 2014:1 | 2014:2 | 2014:3 | 2014:4 | 2015:1 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Composition of Real GDP, Percent Change, Annual Rate** | | | | | | | | | | | | | |
| Gross Domestic Product | 2.0 | 1.7 | 1.5 | 1.6 | 1.9 | 1.9 | 1.9 | 2.5 | 2.6 | 3.2 | 3.6 | 3.9 | 3.2 |
| Final Sales of Domestic Product | 2.4 | 2.0 | 1.7 | 1.9 | 1.9 | 1.8 | 1.9 | 2.3 | 2.7 | 3.3 | 3.5 | 3.7 | 3.1 |
| Total Consumption | 2.4 | 1.7 | 1.9 | 2.1 | 2.5 | 2.4 | 2.6 | 2.4 | 2.7 | 2.7 | 2.8 | 3.0 | 1.9 |
| Durables | 11.5 | 0.0 | 7.3 | 4.8 | 5.8 | 5.7 | 6.0 | 4.4 | 4.5 | 5.1 | 5.5 | 6.0 | 3.2 |
| Nondurables | 1.6 | 0.5 | 1.1 | 2.4 | 2.0 | 2.0 | 2.4 | 2.1 | 2.1 | 1.9 | 2.0 | 1.9 | 1.2 |
| Services | 1.3 | 2.4 | 1.4 | 1.6 | 2.1 | 2.0 | 2.1 | 2.2 | 2.6 | 2.5 | 2.6 | 2.8 | 1.9 |
| Nonresidential Fixed Investment | 7.5 | 4.2 | 1.9 | 4.3 | 4.4 | 6.0 | 5.7 | 7.9 | 7.6 | 7.7 | 7.0 | 7.6 | 8.1 |
| Equipment & Software | 5.4 | 4.7 | 6.0 | 6.6 | 6.0 | 8.1 | 6.3 | 7.9 | 6.4 | 7.1 | 7.6 | 8.5 | 8.8 |
| Information Processing Equipment | 5.9 | -2.6 | 1.5 | 11.3 | 7.4 | 9.2 | 9.6 | 9.4 | 9.6 | 10.3 | 8.5 | 8.0 | 8.3 |
| Computers & Peripherals | 14.7 | -19.6 | 6.9 | 37.1 | 14.9 | 16.0 | 23.8 | 18.1 | 13.1 | 14.0 | 14.0 | 13.5 | 13.8 |
| Communications Equipment | 5.2 | -10.9 | -3.7 | 12.2 | 6.8 | 15.8 | 11.6 | 10.9 | 16.3 | 21.0 | 12.4 | 11.4 | 13.1 |
| Industrial Equipment | -13.6 | 13.8 | 1.9 | 11.3 | 7.9 | 13.6 | 8.4 | 10.7 | 5.7 | 6.4 | 5.7 | 7.5 | 9.1 |
| Transportation equipment | 20.0 | 15.9 | 8.6 | -5.4 | 10.8 | 12.7 | 3.8 | 2.5 | -0.3 | 0.4 | 6.2 | 6.5 | 7.2 |
| Aircraft | -7.0 | 94.4 | -3.3 | -21.8 | 1.6 | -0.6 | 1.5 | 2.7 | 3.1 | 3.5 | 5.9 | 3.7 | 5.1 |
| Other Equipment | 11.8 | 6.8 | 20.4 | 2.4 | -3.6 | -4.1 | -1.8 | 6.2 | 5.1 | 6.2 | 8.2 | 12.8 | 11.4 |
| Structures | 12.9 | 2.8 | -7.7 | -1.2 | 0.4 | 0.8 | 4.1 | 8.0 | 10.7 | 9.2 | 5.5 | 5.5 | 6.4 |
| Commercial & Health Care | 11.1 | 10.1 | -4.3 | -2.1 | 3.7 | -0.2 | 1.4 | 27.0 | 25.0 | 28.9 | 20.8 | 21.6 | 22.0 |
| Manufacturing | -7.8 | 37.7 | 12.2 | -0.7 | -0.3 | -3.3 | 3.4 | 5.9 | 21.6 | 6.7 | -3.9 | -7.5 | -2.5 |
| Power & Communication | 94.3 | -14.3 | -28.3 | -11.8 | -8.9 | 3.4 | 1.2 | 2.2 | 2.7 | 3.7 | 4.8 | 7.5 | 4.4 |
| Mining & Petroleum | -8.4 | -4.8 | -13.0 | 5.5 | 1.9 | 2.2 | 6.1 | 1.6 | 2.9 | -1.0 | -4.0 | -5.5 | -4.6 |
| Other | 3.0 | 15.1 | 20.1 | -0.1 | 5.6 | 0.1 | 8.1 | 4.3 | 6.3 | 9.0 | 9.3 | 9.1 | 9.8 |
| Residential Fixed Investment | 20.6 | 8.9 | 8.6 | 6.9 | 10.9 | 14.1 | 17.3 | 21.5 | 19.0 | 20.5 | 22.9 | 25.4 | 23.2 |
| Exports | 4.4 | 6.0 | 1.8 | 4.0 | 4.7 | 3.8 | 2.4 | 3.2 | 3.8 | 6.6 | 7.0 | 7.1 | 7.6 |
| Imports | 3.1 | 2.9 | 1.9 | 1.0 | 4.9 | 5.8 | 5.7 | 6.1 | 4.9 | 4.5 | 4.3 | 4.9 | 4.9 |
| Federal Government | -4.2 | -0.2 | 1.3 | -5.8 | -3.5 | -3.9 | -3.5 | -3.3 | -3.0 | -2.8 | -2.7 | -2.3 | -2.0 |
| State & Local Government | -2.2 | -1.4 | -0.9 | -1.3 | -0.9 | -0.5 | -0.3 | 0.0 | 0.1 | 0.2 | 0.3 | 0.4 | 0.5 |
| **Billions of Dollars** | | | | | | | | | | | | | |
| Real GDP | 13506.4 | 13564.5 | 13616.1 | 13668.9 | 13733.3 | 13798.1 | 13864.4 | 13949.4 | 14038.6 | 14151.1 | 14275.3 | 14411.6 | 14526.1 |
| Nominal GDP | 15478.3 | 15606.1 | 15753.3 | 15882.4 | 16027.5 | 16159.4 | 16303.9 | 16458.6 | 16629.8 | 16825.1 | 17034.2 | 17260.5 | 17475.8 |
| **Prices & Wages, Percent Change, Annual Rate** | | | | | | | | | | | | | |
| GDP Deflator | 2.0 | 1.6 | 2.2 | 1.7 | 1.8 | 1.4 | 1.7 | 1.3 | 1.6 | 1.5 | 1.5 | 1.5 | 1.8 |
| Consumer Prices | 2.5 | 0.8 | 2.6 | 0.5 | 1.0 | 1.5 | 2.0 | 1.7 | 1.9 | 1.8 | 1.7 | 1.6 | 1.9 |
| Producer Prices, Finished Goods | 1.9 | -3.1 | 4.0 | 0.3 | 0.2 | 1.0 | 1.6 | 0.6 | 0.4 | 0.8 | 0.4 | 0.2 | 1.1 |
| Employment Cost Index - Total Comp. | 1.7 | 2.1 | 1.9 | 1.8 | 2.3 | 2.1 | 2.1 | 2.3 | 2.9 | 2.5 | 2.4 | 2.5 | 2.7 |
| **Other Key Measures** | | | | | | | | | | | | | |
| Oil - Refiner Acq. Cost, Composite ($/bbl) | 107.60 | 101.71 | 100.37 | 91.99 | 88.42 | 88.10 | 88.95 | 88.55 | 87.47 | 86.00 | 84.60 | 83.27 | 83.30 |
| Productivity (%ch., saar) | -0.5 | 2.2 | 0.7 | -0.1 | 0.2 | 0.1 | 0.2 | 0.9 | 0.9 | 1.5 | 1.6 | 1.7 | 1.1 |
| Total Industrial Production (%ch., saar) | 5.8 | 2.5 | 1.6 | 2.7 | 1.8 | 2.2 | 2.6 | 1.8 | 2.4 | 2.9 | 4.0 | 4.0 | 4.0 |
| Factory Operating Rate | 77.6 | 77.5 | 77.7 | 77.9 | 78.1 | 78.2 | 78.2 | 78.4 | 78.3 | 78.6 | 78.9 | 79.4 | 79.8 |
| Nonfarm Inven. Chg. (Bil. 2005 $) | 62.0 | 54.3 | 51.4 | 46.4 | 47.0 | 44.1 | 42.4 | 47.0 | 42.9 | 42.3 | 44.9 | 50.5 | 54.6 |
| Consumer Sentiment Index | 75.5 | 76.3 | 74.0 | 76.2 | 78.0 | 78.7 | 79.9 | 81.1 | 80.8 | 81.3 | 82.6 | 84.2 | 84.5 |
| Light Vehicle Sales (Mil. units, saar) | 14.15 | 14.10 | 14.21 | 14.19 | 14.42 | 14.72 | 14.99 | 15.10 | 15.27 | 15.49 | 15.72 | 15.90 | 16.02 |
| Housing Starts (Mil. units, saar) | 0.715 | 0.736 | 0.772 | 0.816 | 0.854 | 0.907 | 0.980 | 1.037 | 1.110 | 1.193 | 1.284 | 1.384 | 1.468 |
| Exist. House Sales (Total, Mil. saar) | 4.567 | 4.537 | 4.507 | 4.609 | 4.723 | 4.854 | 4.981 | 5.104 | 5.191 | 5.376 | 5.456 | 5.592 | 5.681 |
| Unemployment Rate (%) | 8.3 | 8.2 | 8.3 | 8.2 | 8.0 | 8.0 | 8.0 | 8.0 | 7.9 | 7.8 | 7.6 | 7.4 | 7.3 |
| Payroll Employment (%ch., saar) | 2.1 | 1.0 | 1.1 | 1.3 | 1.5 | 1.6 | 1.6 | 1.6 | 1.5 | 1.6 | 1.8 | 2.1 | 1.9 |
| Federal Surplus (Unified, nsa, bil. $) | -457.2 | -125.3 | -233.3 | -298.1 | -352.7 | -40.8 | -191.2 | -235.3 | -296.4 | -6.8 | -174.4 | -219.9 | -273.3 |
| Current Account Balance (Bil. $) | -549.3 | -495.3 | -496.6 | -441.9 | -412.4 | -417.7 | -447.5 | -476.9 | -504.7 | -505.4 | -502.8 | -507.6 | -532.9 |
| **Financial Markets, NSA** | | | | | | | | | | | | | |
| Federal Funds Rate (%) | 0.10 | 0.15 | 0.14 | 0.16 | 0.16 | 0.16 | 0.16 | 0.16 | 0.16 | 0.16 | 0.16 | 0.16 | 0.16 |
| 3-Month Treasury Bill Rate (%) | 0.07 | 0.09 | 0.10 | 0.12 | 0.12 | 0.12 | 0.12 | 0.12 | 0.12 | 0.12 | 0.12 | 0.12 | 0.17 |
| 10-Year Treasury Note Yield (%) | 2.04 | 1.82 | 1.60 | 1.63 | 1.70 | 1.87 | 2.37 | 2.69 | 2.73 | 2.80 | 2.84 | 2.98 | 3.18 |
| 30-Year Fixed Mortgage Rate (%) | 3.92 | 3.80 | 3.58 | 3.53 | 3.34 | 3.30 | 3.50 | 3.82 | 4.14 | 4.33 | 4.42 | 4.55 | 4.87 |
| S&P 500 Stock Index | 1347 | 1350 | 1385 | 1370 | 1380 | 1390 | 1416 | 1434 | 1453 | 1472 | 1491 | 1509 | 1527 |
| (Four-Quarter % change) | 3.4 | 2.4 | 12.8 | 11.8 | 2.4 | 2.9 | 2.2 | 4.7 | 5.3 | 5.9 | 5.3 | 5.2 | 5.1 |
| Exchange Rate, Major Trading Partners | 0.869 | 0.881 | 0.888 | 0.890 | 0.896 | 0.915 | 0.944 | 0.944 | 0.923 | 0.903 | 0.890 | 0.884 | 0.884 |
| (% change, annual rate) | 2.8 | 5.9 | 3.0 | 0.9 | 2.7 | 8.8 | 13.3 | 0.1 | -8.7 | -8.3 | -5.8 | -2.6 | 0.0 |
| **Incomes** | | | | | | | | | | | | | |
| Personal Income (% ch., saar) | 6.6 | 4.2 | 3.9 | 4.2 | 3.6 | 4.4 | 4.4 | 4.2 | 5.6 | 4.6 | 5.0 | 5.0 | 4.9 |
| Real Disposable Income (%ch., saar) | 3.7 | 3.1 | 1.7 | 3.2 | 1.4 | 2.0 | 2.3 | 3.0 | 3.1 | 3.2 | 3.5 | 3.5 | 1.5 |
| Saving Rate (%) | 3.6 | 4.0 | 3.9 | 4.1 | 3.9 | 3.7 | 3.7 | 3.8 | 3.9 | 4.0 | 4.2 | 4.3 | 4.2 |
| After-Tax Profits (Billions of $) | 1671 | 1648 | 1606 | 1636 | 1759 | 1751 | 1737 | 1732 | 1631 | 1656 | 1666 | 1683 | 1596 |
| (Four-quarter % change) | 19.1 | 13.3 | 8.7 | 4.5 | 5.3 | 6.2 | 8.1 | 5.8 | -7.3 | -5.4 | -4.1 | -2.8 | -2.1 |





OPC 018257
FPL RC-16

TABLE 3

## Summary of the US Economy

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Composition of Real GDP, Percent Change** | | | | | | | | | | | | | |
| Gross Domestic Product | 3.1 | 2.7 | 1.9 | -0.3 | -3.1 | 2.4 | 1.8 | 2.2 | 1.8 | 2.8 | 3.4 | 3.0 | 2.8 |
| Final Sales of Domestic Product | 3.2 | 2.6 | 2.2 | 0.2 | -2.3 | 0.9 | 2.0 | 2.0 | 1.9 | 2.7 | 3.3 | 3.1 | 2.8 |
| Total Consumption | 3.4 | 2.9 | 2.3 | -0.6 | -1.9 | 1.8 | 2.5 | 2.0 | 2.3 | 2.6 | 2.5 | 2.6 | 2.4 |
| Durables | 5.9 | 4.5 | 5.0 | -4.9 | -5.4 | 6.2 | 7.2 | 7.1 | 5.3 | 5.1 | 4.7 | 4.7 | 4.1 |
| Nondurables | 3.2 | 2.6 | 1.9 | -1.2 | -1.8 | 2.3 | 2.3 | 1.1 | 1.9 | 2.1 | 1.7 | 2.1 | 2.1 |
| Services | 3.0 | 2.6 | 1.9 | 0.4 | -1.4 | 1.0 | 1.9 | 1.5 | 1.9 | 2.4 | 2.4 | 2.4 | 2.2 |
| Nonresidential Fixed Investment | 6.7 | 8.0 | 6.5 | -0.8 | -18.1 | 0.7 | 8.6 | 8.0 | 4.8 | 7.3 | 7.1 | 5.6 | 4.8 |
| Equipment & Software | 8.5 | 7.6 | 3.3 | -4.3 | -16.4 | 8.9 | 11.0 | 7.7 | 6.6 | 7.2 | 7.6 | 5.2 | 4.2 |
| Information Processing Equipment | 7.3 | 8.6 | 8.1 | 2.1 | -4.1 | 4.6 | 5.0 | 4.0 | 7.5 | 9.4 | 7.9 | 6.8 | 6.3 |
| Computers & Peripherals | 11.7 | 23.1 | 14.0 | 7.9 | -5.8 | 3.1 | 12.3 | 8.3 | 16.7 | 15.7 | 13.9 | 14.6 | 14.7 |
| Communications Equipment | 1.8 | 12.7 | 11.3 | -5.1 | -9.9 | 12.6 | -5.8 | -0.6 | 7.7 | 14.7 | 11.7 | 9.3 | 6.8 |
| Industrial Equipment | 8.3 | 8.3 | 4.0 | -3.9 | -21.2 | -1.2 | 13.3 | 7.4 | 9.4 | 7.7 | 6.8 | 3.8 | 2.2 |
| Transportation equipment | 11.9 | 8.1 | -5.5 | -23.2 | -51.6 | 73.1 | 31.1 | 20.0 | 6.5 | 2.9 | 4.5 | -1.3 | -2.6 |
| Aircraft | -12.5 | -6.4 | 30.5 | -3.2 | -26.5 | 6.8 | -2.7 | 34.9 | -0.5 | 3.1 | 5.1 | 5.4 | 4.4 |
| Other Equipment | 8.8 | 3.7 | -0.7 | -3.5 | -18.2 | 3.0 | 12.5 | 7.6 | 1.6 | 4.9 | 10.4 | 8.1 | 6.3 |
| Structures | 1.4 | 9.2 | 14.1 | 6.4 | -21.1 | -15.6 | 2.7 | 9.0 | 0.2 | 7.5 | 6.0 | 6.6 | 6.5 |
| Commercial & Health Care | -0.9 | 6.1 | 10.0 | -3.7 | -30.7 | -25.0 | -2.3 | 5.5 | 2.2 | 20.6 | 22.1 | 18.6 | 10.2 |
| Manufacturing | 17.3 | 10.3 | 18.2 | 24.8 | 4.6 | -27.6 | 0.4 | 20.8 | 3.3 | 6.6 | 0.6 | 9.8 | 8.7 |
| Power & Communication | -2.3 | 7.8 | 39.2 | 9.1 | 0.7 | -16.1 | -9.1 | 15.0 | -8.7 | 3.2 | 2.4 | -2.8 | 6.3 |
| Mining & Petroleum | 10.3 | 14.5 | 6.1 | 8.4 | -34.8 | 16.9 | 22.6 | 3.5 | 0.6 | 0.8 | -5.5 | -3.2 | 0.5 |
| Other | -5.5 | 9.2 | 15.4 | 12.6 | -18.3 | -26.7 | -6.7 | 10.2 | 5.9 | 6.8 | 7.9 | 5.6 | 5.0 |
| Residential Fixed Investment | 6.2 | -7.3 | -18.7 | -23.9 | -22.4 | -3.7 | -1.4 | 10.8 | 11.8 | 20.2 | 20.2 | 7.2 | 1.0 |
| Exports | 6.8 | 9.0 | 9.3 | 6.1 | -9.1 | 11.1 | 6.7 | 4.0 | 3.7 | 4.7 | 7.1 | 6.7 | 6.7 |
| Imports | 6.1 | 6.1 | 2.4 | -2.7 | -13.5 | 12.5 | 4.8 | 3.1 | 4.0 | 5.1 | 4.5 | 3.4 | 3.2 |
| Federal Government | 1.3 | 2.1 | 1.2 | 7.2 | 6.1 | 4.5 | -2.8 | -2.5 | -3.2 | -3.1 | -2.1 | -1.3 | -0.9 |
| State & Local Government | -0.2 | 0.9 | 1.4 | 0.0 | 2.2 | -1.8 | -3.4 | -1.6 | -0.8 | 0.1 | 0.6 | 0.9 | 1.0 |
| **Billions of Dollars** | | | | | | | | | | | | | |
| Real GDP | 12623.0 | 12958.5 | 13206.4 | 13161.9 | 12758.0 | 13063.0 | 13299.1 | 13589.0 | 13836.3 | 14219.2 | 14703.2 | 15141.1 | 15558.5 |
| Nominal GDP | 12623.0 | 13377.2 | 14028.7 | 14291.6 | 13973.7 | 14498.9 | 15075.7 | 15680.0 | 16237.3 | 16937.4 | 17791.4 | 18622.7 | 19440.3 |
| **Prices & Wages, Percent Change** | | | | | | | | | | | | | |
| GDP Deflator | 3.3 | 3.2 | 2.9 | 2.2 | 0.9 | 1.3 | 2.1 | 1.8 | 1.7 | 1.5 | 1.6 | 1.6 | 1.6 |
| Consumer Prices | 3.4 | 3.2 | 2.9 | 3.8 | -0.3 | 1.6 | 3.1 | 2.0 | 1.4 | 1.8 | 1.7 | 2.0 | 1.9 |
| Producer Prices, Finished Goods | 4.9 | 2.9 | 3.9 | 6.4 | -2.5 | 4.2 | 6.0 | 1.6 | 0.8 | 0.7 | 0.5 | 1.5 | 1.2 |
| Employment Cost Index - Total Comp. | 3.1 | 2.9 | 3.1 | 2.9 | 1.5 | 1.9 | 2.2 | 2.0 | 2.1 | 2.5 | 2.6 | 2.8 | 2.9 |
| **Other Key Measures** | | | | | | | | | | | | | |
| Oil - Refiner Acq. Cost, Composite ($/bbl) | 50.32 | 60.10 | 67.98 | 94.29 | 59.20 | 76.70 | 101.80 | 100.42 | 88.51 | 85.33 | 80.65 | 85.20 | 88.98 |
| Productivity (%ch.) | 1.6 | 0.9 | 1.5 | 0.6 | 3.0 | 3.1 | 0.7 | 1.0 | 0.3 | 1.0 | 1.4 | 1.3 | 1.7 |
| Total Industrial Production (%ch.) | 3.3 | 2.2 | 2.5 | -3.5 | -11.4 | 5.4 | 4.1 | 4.0 | 2.2 | 2.7 | 3.7 | 2.7 | 2.8 |
| Factory Operating Rate | 78.2 | 78.5 | 78.5 | 74.3 | 65.5 | 71.2 | 75.0 | 77.7 | 78.2 | 78.8 | 80.0 | 79.8 | 79.6 |
| Nonfarm Inven. Chg. (Bil. 2005 $) | 49.8 | 63.2 | 28.7 | -37.6 | -137.9 | 58.0 | 36.5 | 53.5 | 45.1 | 45.2 | 54.6 | 36.6 | 37.7 |
| Consumer Sentiment Index | 88.6 | 87.3 | 85.6 | 63.8 | 66.3 | 71.8 | 67.4 | 75.5 | 79.4 | 82.2 | 85.2 | 84.4 | 85.2 |
| Light Vehicle Sales (Mil. units) | 16.95 | 16.50 | 16.09 | 13.19 | 10.40 | 11.55 | 12.73 | 14.16 | 14.81 | 15.59 | 16.20 | 16.60 | 16.70 |
| Housing Starts (Mil. units) | 2.073 | 1.812 | 1.342 | 0.900 | 0.554 | 0.586 | 0.612 | 0.759 | 0.945 | 1.243 | 1.567 | 1.680 | 1.714 |
| Exist. House Sales (Total, Mil. units) | 7.076 | 6.516 | 5.041 | 4.106 | 4.329 | 4.181 | 4.283 | 4.555 | 4.916 | 5.404 | 5.746 | 5.754 | 5.666 |
| Unemployment Rate (%) | 5.1 | 4.6 | 4.6 | 5.8 | 9.3 | 9.6 | 9.0 | 8.2 | 8.0 | 7.7 | 7.0 | 6.5 | 6.1 |
| Payroll Employment (%ch.) | 1.7 | 1.8 | 1.1 | -0.6 | -4.4 | -0.7 | 1.2 | 1.4 | 1.4 | 1.6 | 1.9 | 1.9 | 1.4 |
| Federal Surplus (Unified, FY, bil. $) | -318.7 | -248.2 | -161.5 | -454.8 | -1415.7 | -1294.2 | -1296.8 | -1137.6 | -882.9 | -712.9 | -624.0 | -591.5 | -636.9 |
| Current Account Balance (Bil. $) | -745.8 | -800.6 | -710.3 | -677.1 | -381.9 | -442.0 | -465.9 | -495.8 | -438.7 | -505.1 | -534.8 | -589.6 | -628.8 |
| **Financial Markets, NSA** | | | | | | | | | | | | | |
| Federal Funds Rate (%) | 3.21 | 4.96 | 5.02 | 1.93 | 0.16 | 0.18 | 0.10 | 0.14 | 0.16 | 0.16 | 0.69 | 2.68 | 4.0 |
| 3-Month Treasury Bill Rate (%) | 3.15 | 4.73 | 4.35 | 1.37 | 0.15 | 0.14 | 0.05 | 0.09 | 0.12 | 0.12 | 0.75 | 2.66 | 3.72 |
| 10-Year Treasury Note Yield (%) | 4.29 | 4.79 | 4.63 | 3.67 | 3.26 | 3.21 | 2.79 | 1.77 | 2.16 | 2.84 | 3.48 | 4.32 | 4.86 |
| 30-Year Fixed Mortgage Rate (%) | 5.87 | 6.41 | 6.34 | 6.04 | 5.04 | 4.69 | 4.46 | 3.71 | 3.49 | 4.36 | 5.22 | 6.12 | 6.66 |
| S&P 500 Stock Index | 1207 | 1311 | 1477 | 1221 | 947 | 1139 | 1269 | 1363 | 1405 | 1481 | 1554 | 1621 | 1685 |
| (Percent change) | 6.8 | 8.6 | 12.7 | -17.3 | -22.5 | 20.3 | 11.4 | 7.4 | 3.1 | 5.4 | 4.9 | 4.3 | 3.9 |
| Exchange Rate, Major Trading Partners | 1.000 | 0.985 | 0.930 | 0.888 | 0.926 | 0.898 | 0.846 | 0.882 | 0.925 | 0.900 | 0.876 | 0.859 | 0.847 |
| (Percent change) | -1.9 | -1.5 | -5.6 | -4.5 | 4.3 | -3.0 | -5.9 | 4.3 | 4.8 | -2.7 | -2.7 | -1.9 | -1.5 |
| **Incomes** | | | | | | | | | | | | | |
| Personal Income (% ch.) | 5.5 | 7.5 | 5.7 | 4.6 | -4.8 | 3.8 | 5.1 | 3.7 | 4.1 | 4.8 | 4.9 | 5.0 | 4.5 |
| Real Disposable Income (%ch.) | 1.4 | 4.0 | 2.4 | 2.4 | -2.8 | 1.8 | 1.3 | 1.6 | 2.2 | 3.0 | 3.0 | 2.9 | 2.5 |
| Saving Rate (%) | 1.6 | 2.6 | 2.4 | 5.4 | 4.7 | 5.1 | 4.3 | 3.9 | 3.8 | 4.1 | 4.5 | 4.8 | 4.9 |
| After-Tax Profits (Billions of $) | 1228 | 1349 | 1293 | 1051 | 1171 | 1443 | 1475 | 1640 | 1745 | 1659 | 1599 | 1508 | 1432 |
| (Percent change) | 33.0 | 9.9 | -4.2 | -18.7 | 11.4 | 23.2 | 2.2 | 11.2 | 6.4 | -4.9 | -3.6 | -5.7 | -5.0 |

TABLE 4

**Alternative Scenarios of the US Economy**

| | 2012:2 | 2012:3 | 2012:4 | 2013:1 | 2013:2 | 2013:3 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe and Gridlock in Washington Derail the Recovery (Prob. = 20%)** | | | | | | | | | | | | | |
| **Composition of Real GDP, Percent Change, Annual Rate** | | | | | | | | | | | | | |
| Gross Domestic Product | 1.7 | 0.5 | 0.1 | -2.5 | -1.1 | 0.4 | 1.8 | 2.0 | -0.5 | 1.3 | 2.9 | 2.8 | 2.4 |
| Total Consumption | 1.7 | 1.4 | 1.2 | 0.2 | 0.6 | 1.8 | 2.5 | 1.8 | 1.0 | 1.1 | 1.0 | 1.7 | 1.8 |
| Nonresidential Fixed Investment | 4.2 | -0.1 | -0.3 | -2.2 | 1.1 | 0.4 | 8.6 | 7.5 | 0.1 | 3.8 | 6.7 | 6.6 | 5.4 |
| Residential Fixed Investment | 8.9 | 6.0 | -7.7 | -14.2 | -10.0 | 2.2 | -1.4 | 9.5 | -4.9 | 12.5 | 27.4 | 12.2 | 1.9 |
| Exports | 6.0 | 1.1 | 2.0 | -1.7 | -5.7 | -3.9 | 6.7 | 3.7 | -1.1 | 1.5 | 6.2 | 6.9 | 6.7 |
| Imports | 2.9 | 1.5 | -0.6 | 0.4 | -1.1 | 0.3 | 4.8 | 3.0 | 0.3 | 0.9 | 1.3 | 2.2 | 2.7 |
| Federal Government | -0.2 | 1.3 | -5.8 | -4.6 | -4.5 | -3.8 | -2.8 | -2.5 | -3.7 | -3.3 | -2.1 | -1.5 | -1.0 |
| State & Local Government | -1.4 | -1.2 | -1.9 | -1.5 | -1.6 | -1.6 | -3.4 | -1.6 | -1.6 | -1.2 | 0.0 | 0.8 | 1.0 |
| **Prices & Wages, Percent Change, Annual Rate** | | | | | | | | | | | | | |
| Consumer Prices | 0.8 | 2.2 | 0.0 | -0.4 | 1.5 | 1.7 | 3.1 | 1.9 | 0.8 | 1.8 | 2.1 | 2.6 | 2.4 |
| Producer Prices, Finished Goods | -3.1 | 3.6 | 0.5 | -0.3 | 0.9 | 0.7 | 6.0 | 1.6 | 0.6 | 1.0 | 1.3 | 2.5 | 2.0 |
| Employment Cost Index - Total Comp. | 2.1 | 1.4 | 1.3 | 1.8 | 1.4 | 1.4 | 2.2 | 1.9 | 1.5 | 1.7 | 2.1 | 2.7 | 3.2 |
| **Other Key Measures** | | | | | | | | | | | | | |
| Oil - Refiner Acq. Cost, Composite ($/bbl) | 101.71 | 99.11 | 88.54 | 76.37 | 77.31 | 78.07 | 101.80 | 99.24 | 77.58 | 80.74 | 87.23 | 98.78 | 103.06 |
| Productivity (%ch., saar) | 2.2 | -0.4 | -1.0 | -2.7 | -0.8 | 0.6 | 0.7 | 0.8 | -0.8 | 0.9 | 1.5 | 1.1 | 1.2 |
| Total Industrial Production (%ch., saar) | 2.5 | 1.0 | 1.3 | -4.6 | -2.2 | 0.1 | 4.1 | 3.8 | -1.0 | 1.1 | 3.7 | 2.9 | 2.4 |
| Nonfarm Inven. Chg. (Bil.2005 $) | 54.3 | 40.5 | 38.1 | -3.8 | -16.0 | -14.9 | 36.5 | 48.7 | -12.1 | 2.1 | 37.6 | 31.8 | 30.5 |
| Consumer Sentiment Index | 76.3 | 73.1 | 67.7 | 63.9 | 64.2 | 69.8 | 67.4 | 73.2 | 67.3 | 72.1 | 74.5 | 76.9 | 78.6 |
| Light Vehicle Sales (Mil. units, saar) | 14.10 | 14.08 | 13.57 | 13.16 | 12.58 | 12.74 | 12.73 | 13.98 | 12.87 | 13.45 | 13.95 | 14.63 | 15.04 |
| Housing Starts (Mil. units, saar) | 0.736 | 0.759 | 0.734 | 0.631 | 0.622 | 0.649 | 0.612 | 0.736 | 0.651 | 0.859 | 1.262 | 1.469 | 1.554 |
| Unemployment Rate (%) | 8.2 | 8.3 | 8.3 | 8.5 | 8.8 | 9.0 | 9.0 | 8.3 | 8.8 | 9.3 | 8.8 | 8.2 | 7.8 |
| Payroll Employment (%ch., saar) | 1.0 | 0.9 | 0.2 | -0.7 | -0.4 | -0.1 | 1.2 | 1.3 | -0.1 | 0.2 | 1.3 | 1.9 | 1.5 |
| Federal Surplus (Unified, FY, bil. $) | -125.3 | -235.7 | -305.1 | -374.1 | -68.5 | -222.7 | -1296.8 | -1139.9 | -970.3 | -797.3 | -736.4 | -718.5 | -765.8 |
| **Financial Markets, NSA** | | | | | | | | | | | | | |
| Federal Funds Rate (%) | 0.15 | 0.14 | 0.14 | 0.14 | 0.14 | 0.14 | 0.10 | 0.13 | 0.14 | 0.14 | 0.14 | 0.48 | 2.31 |
| 10-Year Treasury Note Yield (%) | 1.82 | 1.55 | 1.34 | 1.04 | 1.15 | 1.35 | 2.79 | 1.69 | 1.26 | 1.87 | 2.65 | 3.70 | 5.22 |
| **Incomes** | | | | | | | | | | | | | |
| Personal Income (% ch., saar) | 4.2 | 3.2 | 3.3 | 1.9 | 1.7 | 1.8 | 5.1 | 3.6 | 2.4 | 1.9 | 4.0 | 5.1 | 5.0 |
| After-Tax Profits (Four-qtr.% change) | 13.3 | 7.2 | 3.3 | -0.2 | -1.2 | 2.6 | 2.2 | 10.5 | 0.4 | -6.2 | -3.0 | -4.9 | -7.1 |
| **Recovery Reignites (Prob. = 15%)** | | | | | | | | | | | | | |
| **Composition of Real GDP, Percent Change, Annual Rate** | | | | | | | | | | | | | |
| Gross Domestic Product | 1.7 | 2.5 | 3.5 | 4.1 | 4.4 | 4.0 | 1.8 | 2.4 | 3.7 | 4.0 | 3.5 | 3.2 | 3.2 |
| Total Consumption | 1.7 | 2.5 | 3.2 | 3.3 | 3.1 | 3.3 | 2.5 | 2.1 | 3.1 | 3.8 | 3.7 | 3.5 | 3.2 |
| Nonresidential Fixed Investment | 4.2 | 5.5 | 8.0 | 8.7 | 11.3 | 9.8 | 8.6 | 8.8 | 8.7 | 11.1 | 6.6 | 4.5 | 5.7 |
| Residential Fixed Investment | 8.9 | 13.0 | 22.8 | 35.8 | 34.9 | 23.3 | -1.4 | 12.4 | 26.1 | 21.1 | 15.5 | 8.2 | 3.2 |
| Exports | 6.0 | 2.4 | 5.8 | 8.9 | 9.6 | 8.1 | 6.7 | 4.2 | 7.3 | 7.2 | 6.3 | 6.1 | 6.6 |
| Imports | 2.9 | 3.4 | 0.3 | 6.0 | 8.6 | 7.6 | 4.8 | 3.3 | 5.3 | 8.4 | 6.4 | 5.0 | 5.0 |
| Federal Government | -0.2 | 1.3 | -5.8 | -3.5 | -3.9 | -3.5 | -2.8 | -2.5 | -3.2 | -3.1 | -2.1 | -1.3 | -0.9 |
| State & Local Government | -1.4 | -0.5 | -0.4 | -0.9 | 0.3 | 0.8 | -3.4 | -1.5 | -0.2 | 1.1 | 1.1 | 1.1 | 1.1 |
| **Prices & Wages, Percent Change, Annual Rate** | | | | | | | | | | | | | |
| Consumer Prices | 0.8 | 3.5 | 2.6 | 2.2 | 2.6 | 2.1 | 3.1 | 2.3 | 2.4 | 1.5 | 1.2 | 1.5 | 1.6 |
| Producer Prices, Finished Goods | -3.1 | 5.4 | 4.2 | 2.2 | 3.1 | 1.3 | 6.0 | 2.0 | 2.5 | -0.4 | -0.9 | 0.3 | 0.5 |
| Employment Cost Index - Total Comp. | 2.1 | 2.3 | 2.2 | 2.3 | 2.0 | 2.1 | 2.2 | 2.0 | 2.2 | 2.6 | 3.0 | 3.1 | 3.1 |
| **Other Key Measures** | | | | | | | | | | | | | |
| Oil - Refiner Acq. Cost, Composite ($/bbl) | 101.71 | 104.35 | 106.54 | 105.97 | 108.66 | 106.16 | 101.80 | 105.05 | 105.61 | 88.40 | 75.36 | 75.22 | 78.89 |
| Productivity (%ch., saar) | 2.2 | 1.3 | 0.6 | 1.1 | 1.2 | 0.8 | 0.7 | 1.1 | 1.1 | 1.1 | 1.2 | 1.8 | 2.2 |
| Total Industrial Production (%ch., saar) | 2.5 | 3.5 | 5.6 | 5.3 | 6.4 | 5.8 | 4.1 | 4.4 | 5.2 | 4.3 | 2.8 | 2.3 | 2.9 |
| Nonfarm Inven. Chg. (Bil. 2005 $) | 54.3 | 57.1 | 52.2 | 59.5 | 74.1 | 83.6 | 36.5 | 56.4 | 78.2 | 88.3 | 62.6 | 44.2 | 51.9 |
| Consumer Sentiment Index | 76.3 | 74.6 | 78.0 | 81.9 | 84.5 | 87.6 | 67.4 | 76.1 | 86.4 | 93.6 | 96.6 | 96.6 | 95.6 |
| Light Vehicle Sales (Mil. units, saar) | 14.10 | 14.38 | 14.81 | 15.32 | 15.78 | 16.19 | 12.73 | 14.36 | 15.92 | 16.99 | 17.29 | 17.62 | 17.95 |
| Housing Starts (Mil. units, saar) | 0.736 | 0.794 | 0.920 | 1.067 | 1.174 | 1.271 | 0.612 | 0.791 | 1.211 | 1.545 | 1.798 | 1.922 | 1.961 |
| Unemployment Rate (%) | 8.2 | 8.1 | 7.8 | 7.5 | 7.2 | 7.0 | 9.0 | 8.1 | 7.1 | 6.1 | 5.3 | 4.9 | 4.6 |
| Payroll Employment (%ch., saar) | 1.0 | 1.2 | 2.1 | 2.7 | 3.0 | 3.0 | 1.2 | 1.5 | 2.4 | 2.8 | 2.3 | 1.8 | 1.4 |
| Federal Surplus (Unified, FY, bil. $) | -125.3 | -231.3 | -290.0 | -333.6 | -16.4 | -162.8 | -1296.8 | -1135.5 | -802.8 | -568.3 | -489.4 | -485.4 | -535.1 |
| **Financial Markets, NSA** | | | | | | | | | | | | | |
| Federal Funds Rate (%) | 0.15 | 0.15 | 0.21 | 0.21 | 0.21 | 0.21 | 0.10 | 0.15 | 0.21 | 1.33 | 3.43 | 4.00 | 4.00 |
| 10-Year Treasury Note Yield (%) | 1.82 | 1.65 | 2.14 | 2.70 | 3.10 | 3.66 | 2.79 | 1.91 | 3.38 | 4.39 | 4.67 | 4.78 | 4.76 |
| **Incomes** | | | | | | | | | | | | | |
| Personal Income (% ch., saar) | 4.2 | 4.1 | 5.1 | 4.2 | 6.2 | 6.4 | 5.1 | 3.8 | 5.1 | 6.6 | 5.9 | 5.1 | 4.7 |
| After-Tax Profits (Four-qtr.% change) | 13.3 | 10.6 | 7.7 | 8.5 | 11.5 | 11.9 | 2.2 | 12.5 | 10.1 | -4.0 | -5.5 | -3.5 | -3.0 |