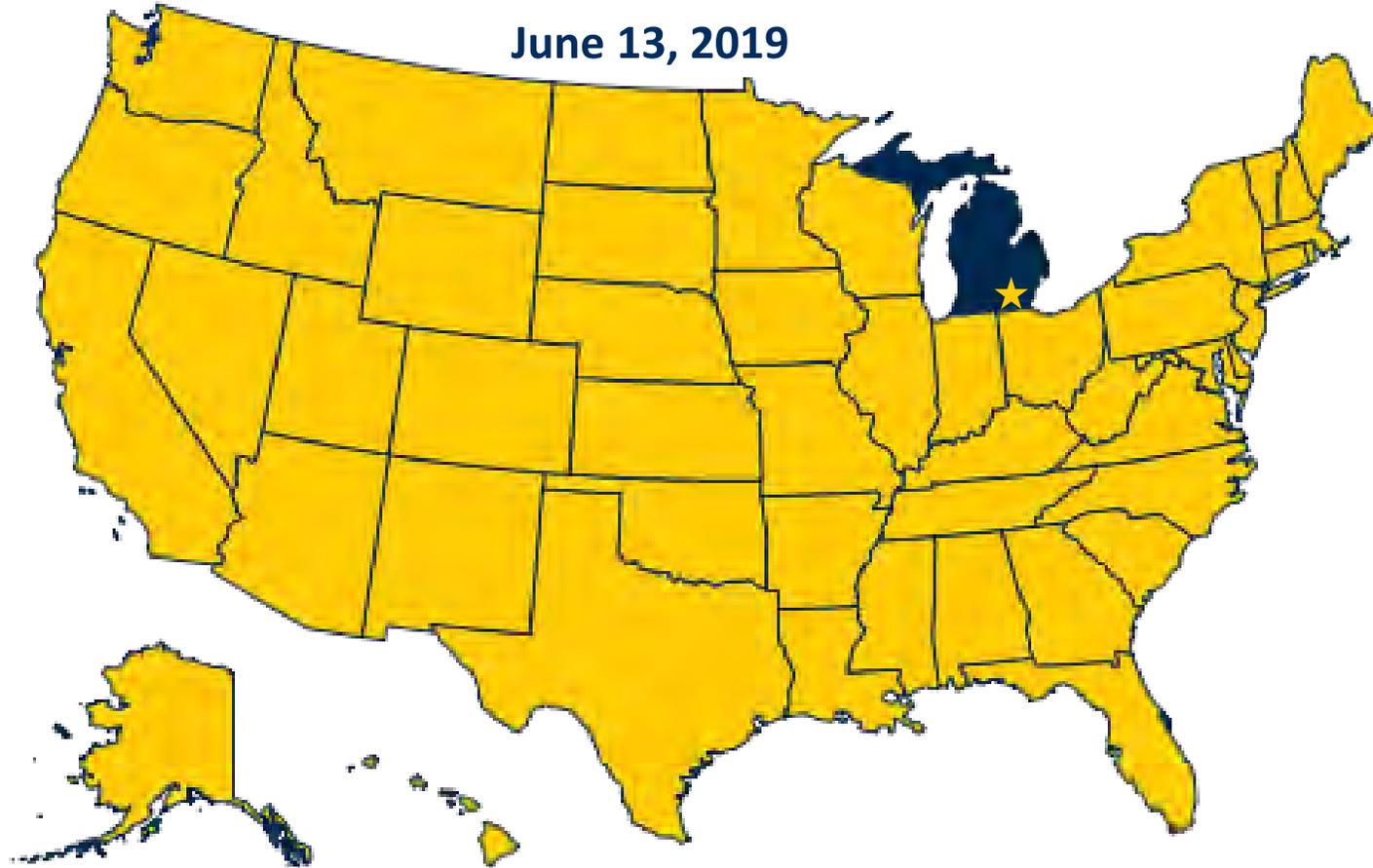


The U.S. Economic Outlook for 2019–2021

CAM and HBA Mid-Year Economic Forecast and State of the Industry Breakfast Novi, Michigan

June 13, 2019

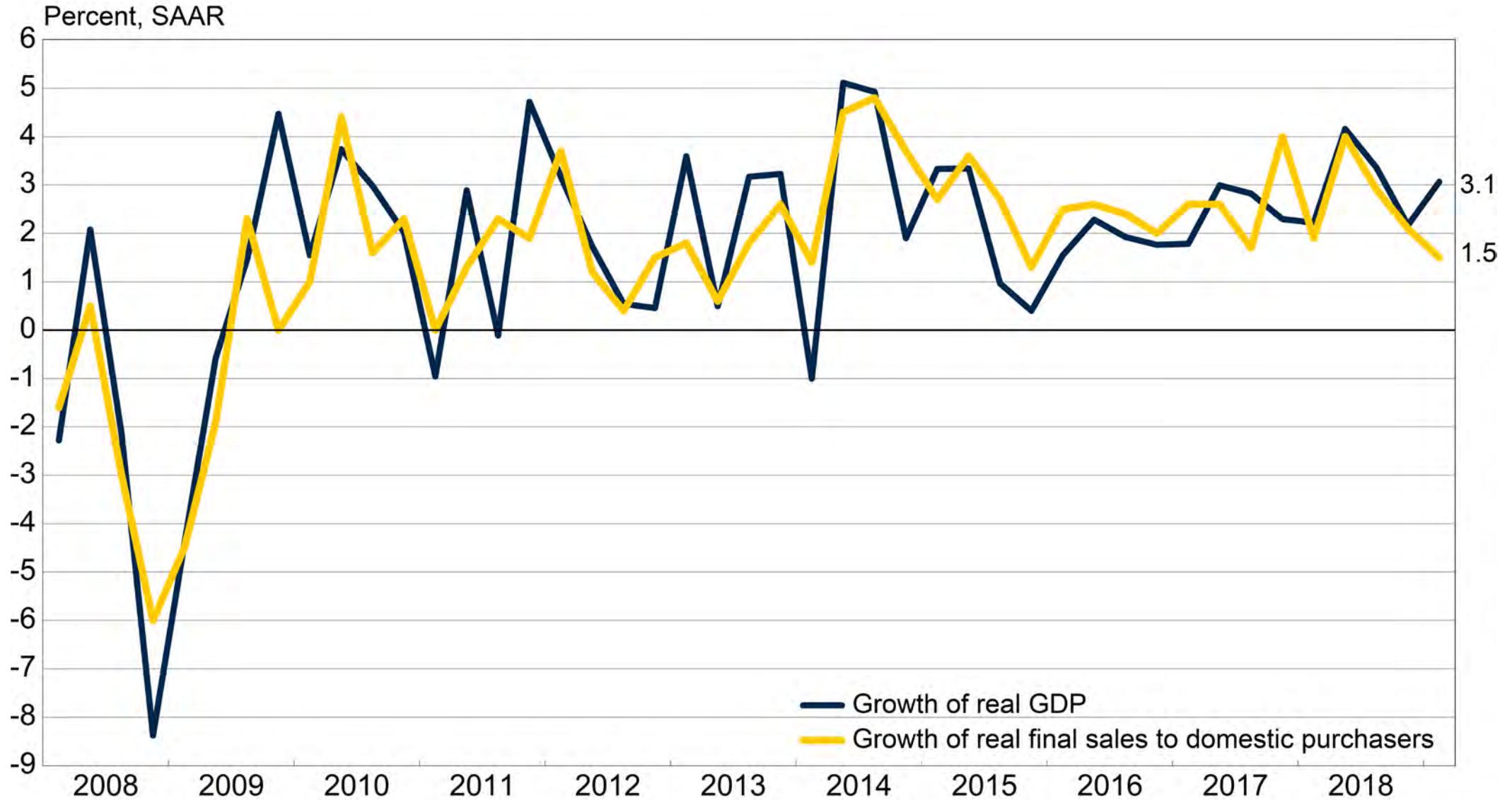


Research Seminar in Quantitative Economics

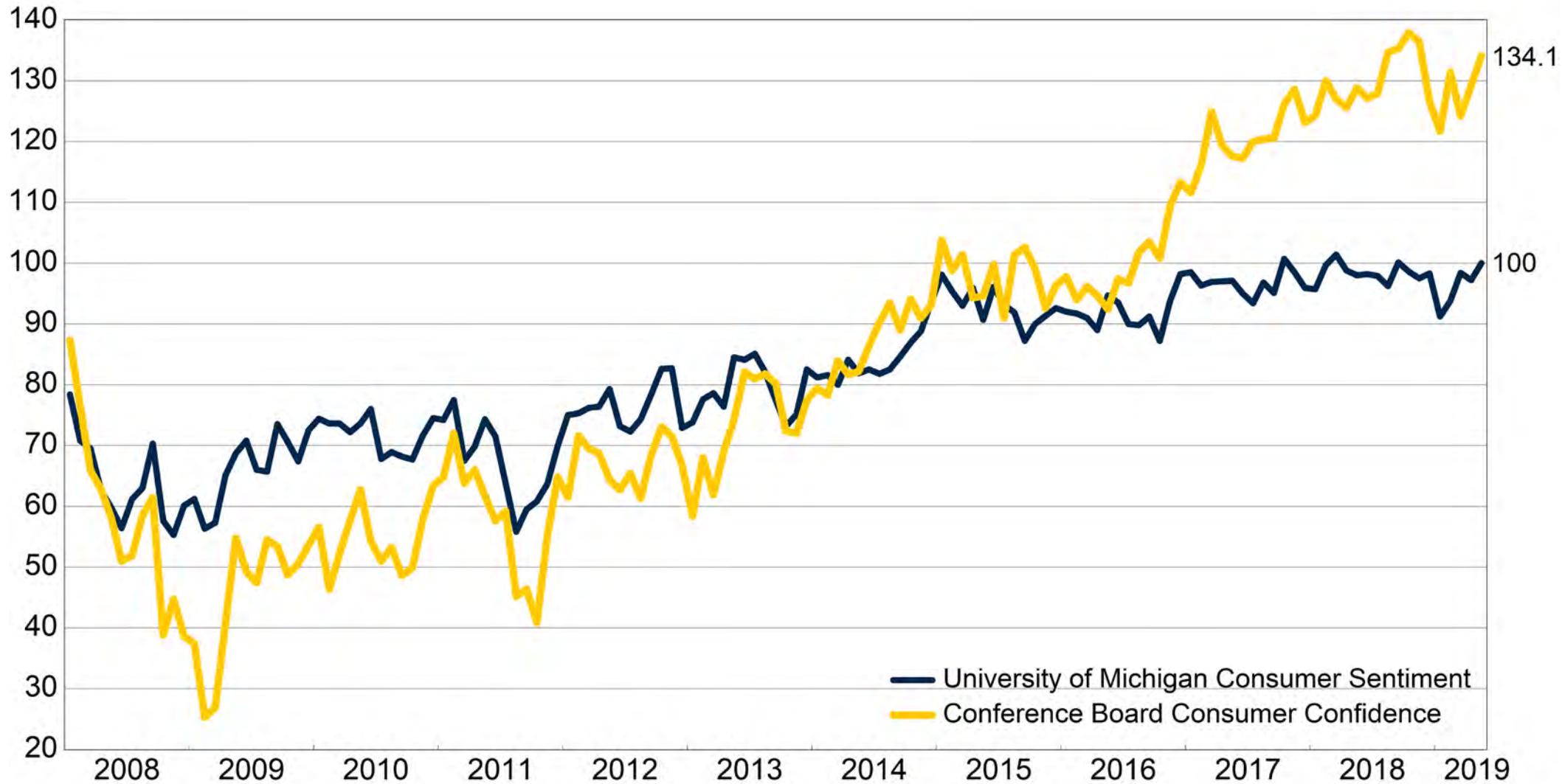


Current State of the Economy

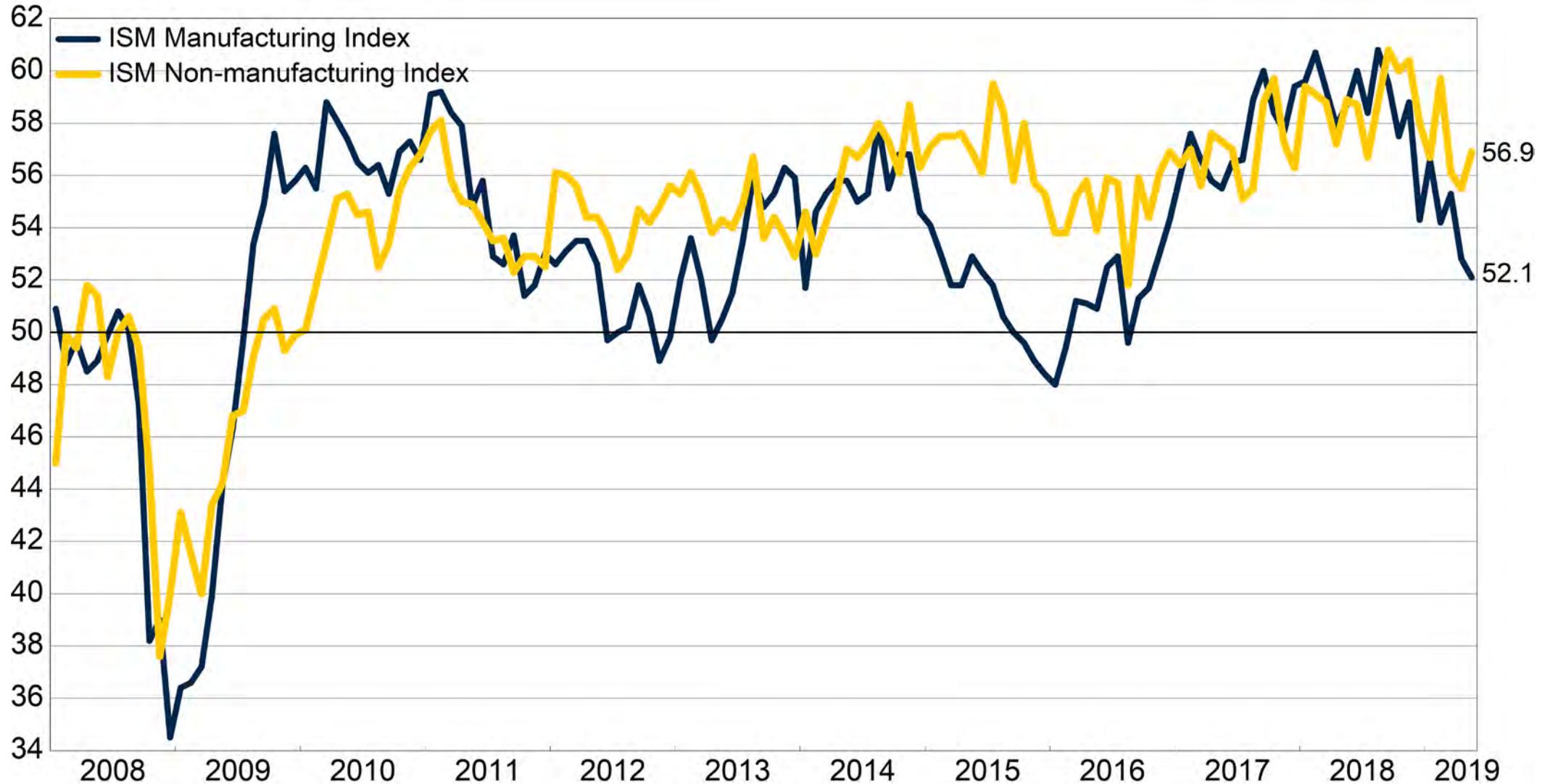
Real Output Growth



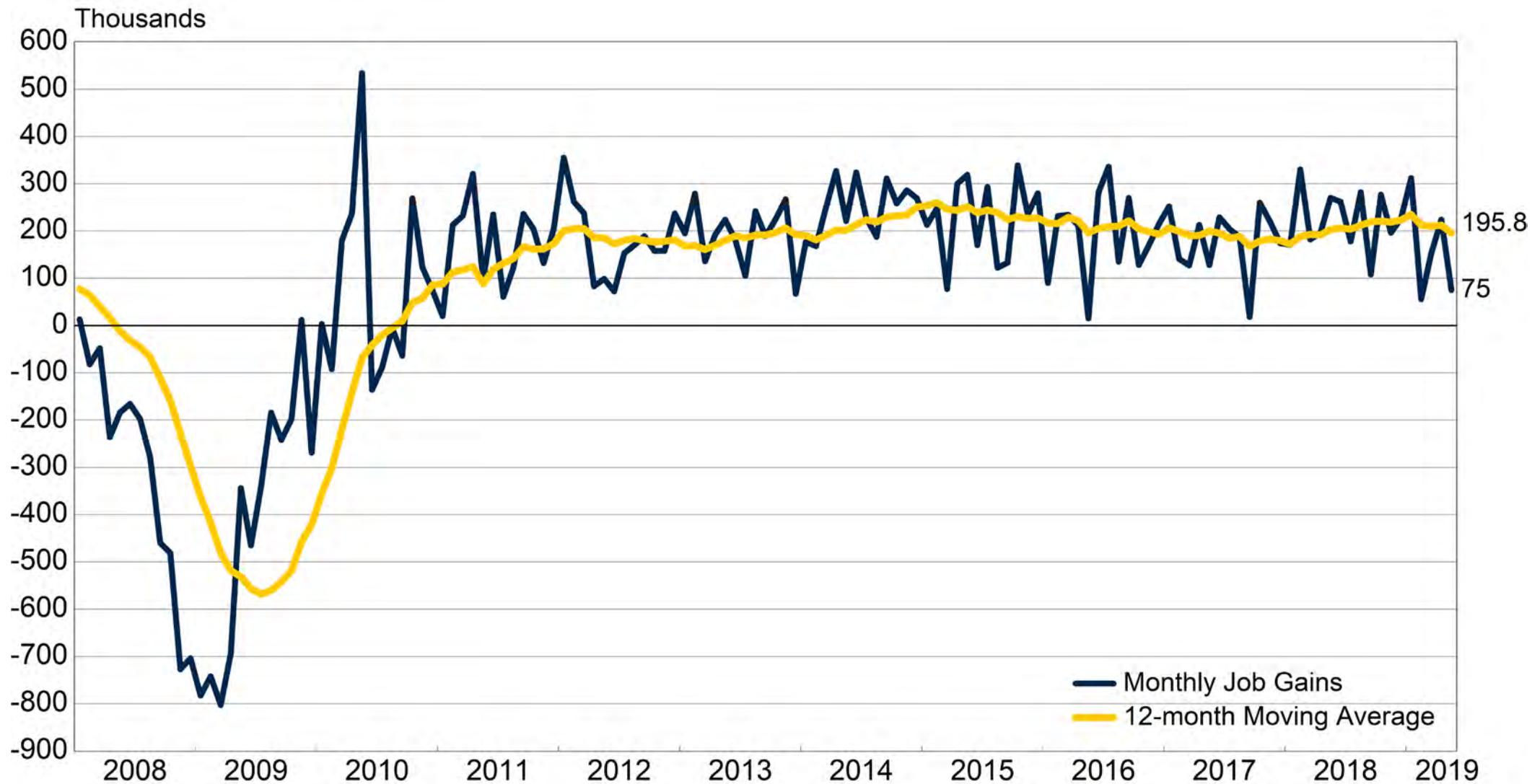
Consumer Sentiment High



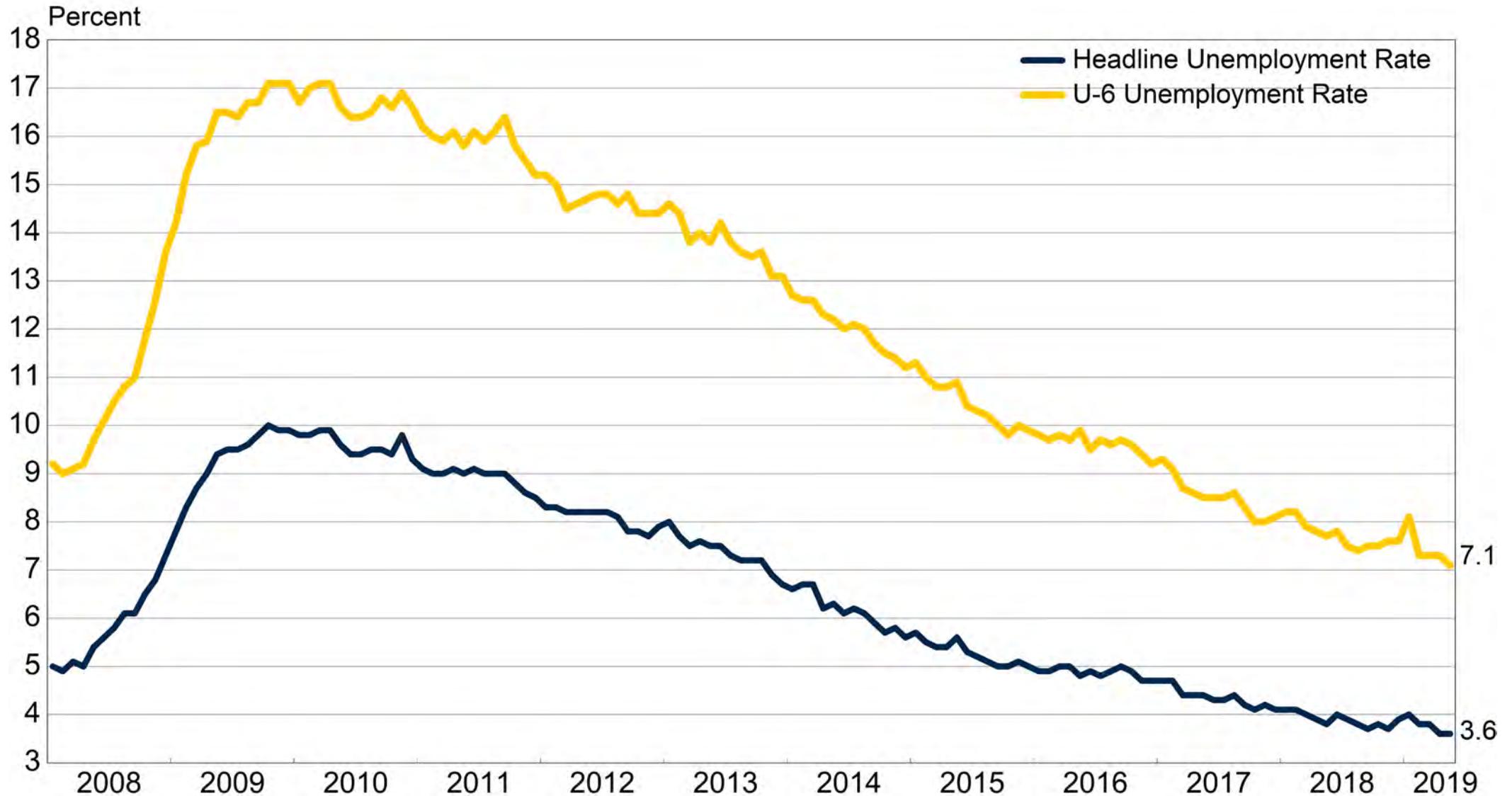
Institute of Supply Management Indexes: Growth Slowing



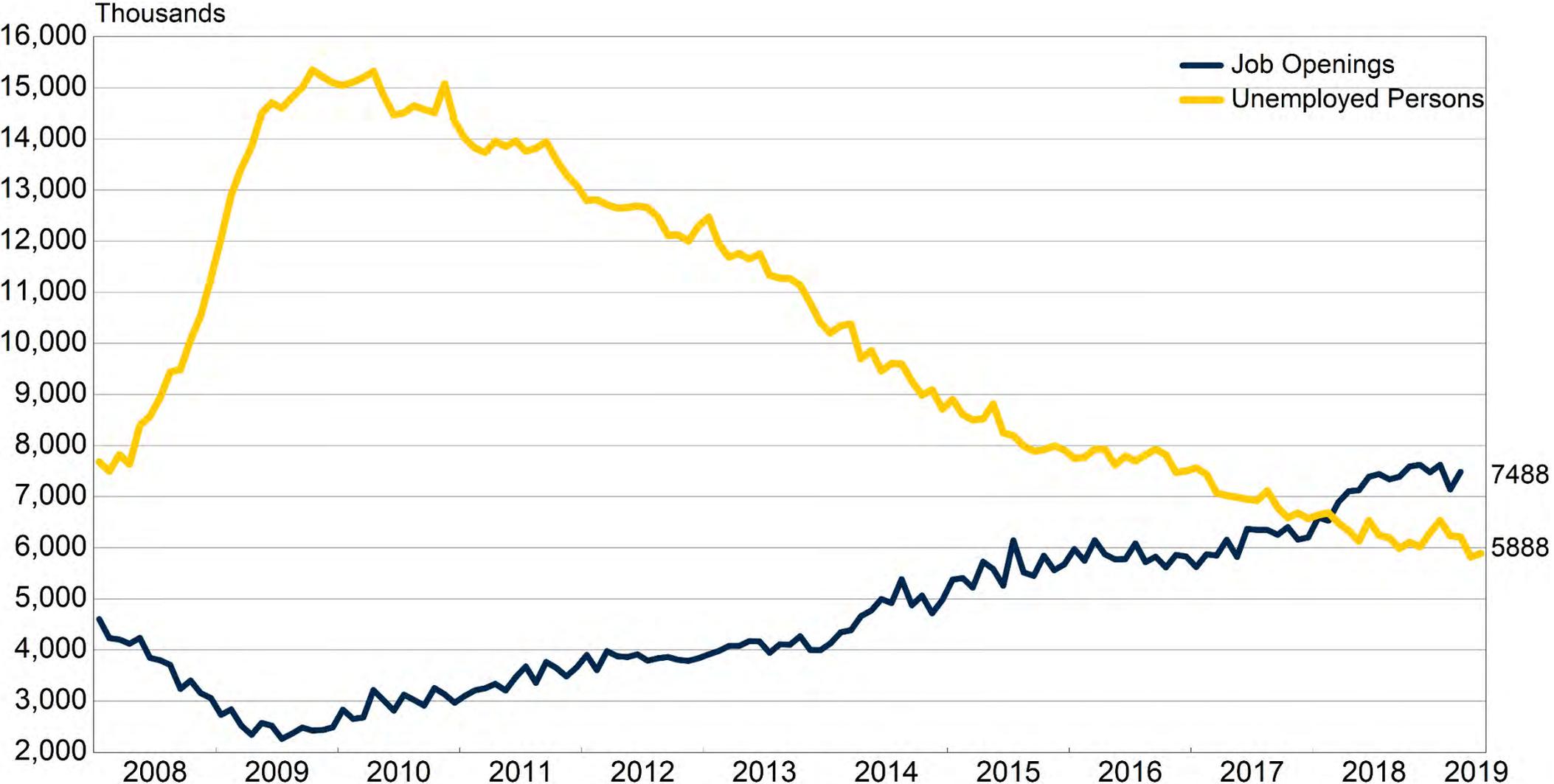
Monthly Payroll Job Gains



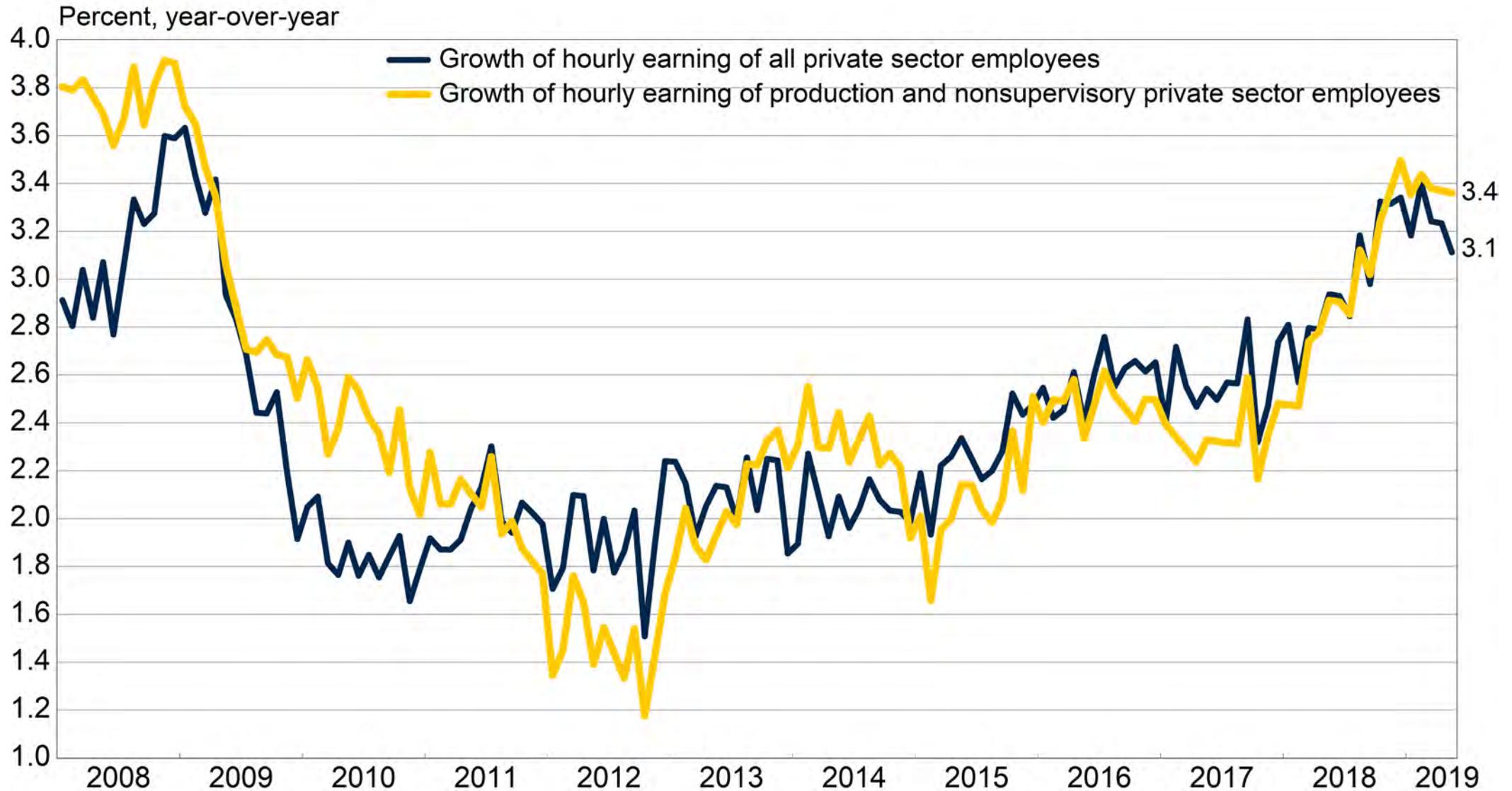
Unemployment Rates: Likely Still Trending Down



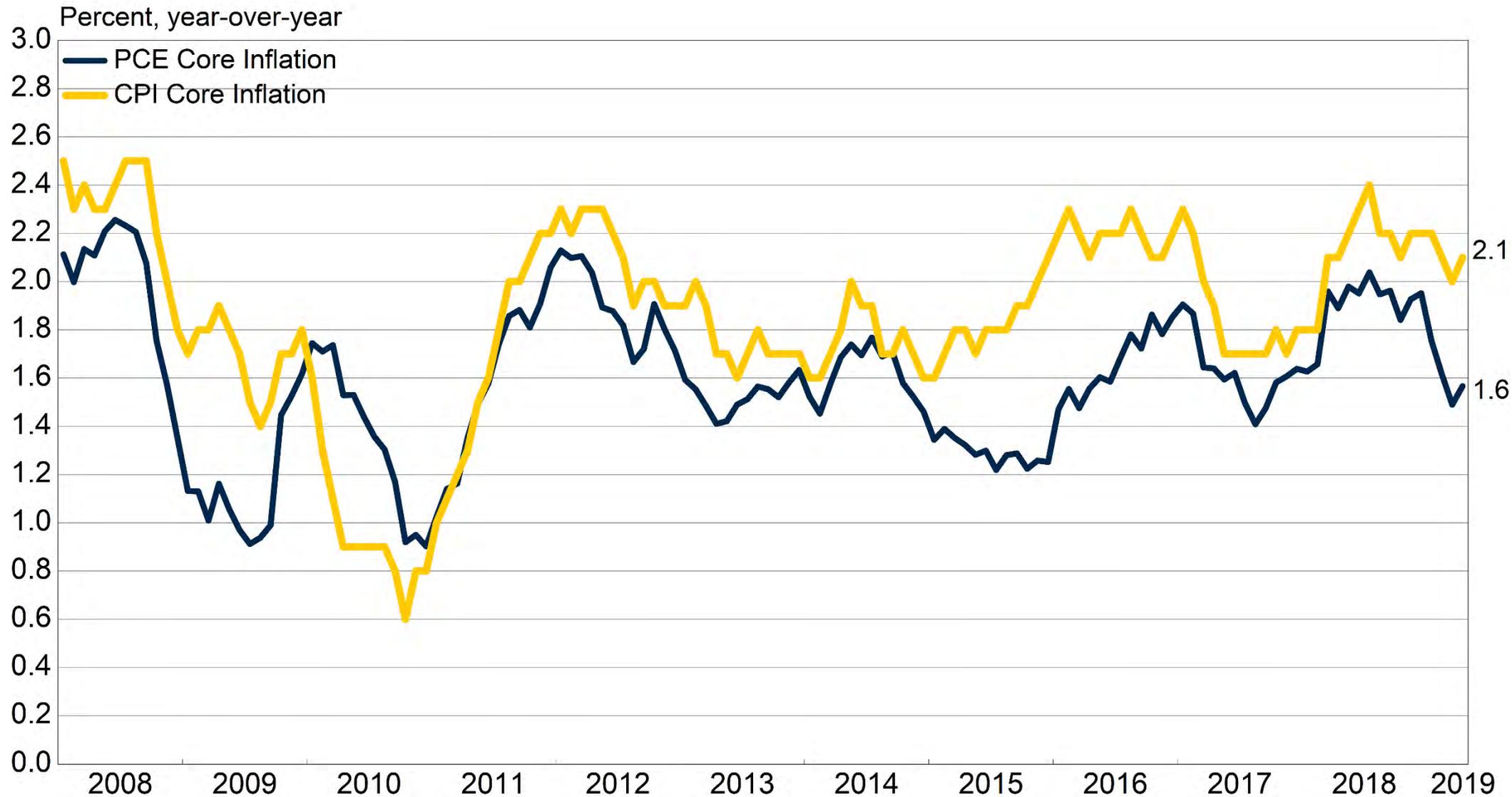
Job Openings vs. Unemployed Persons



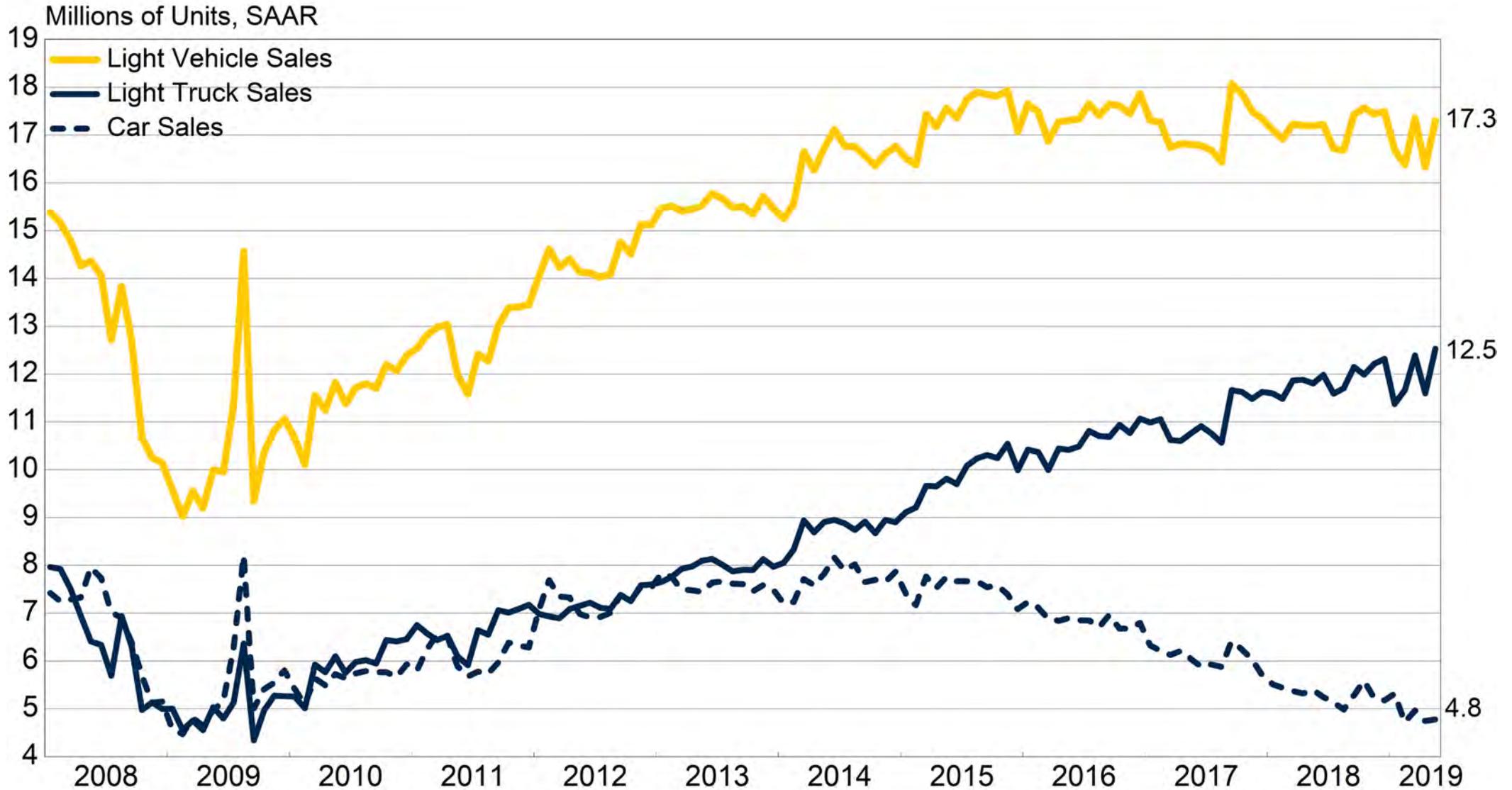
Wage Growth No Longer Accelerating



Concerning Fall in Core PCE Inflation



Vehicle Sales: Choppy so far in 2019

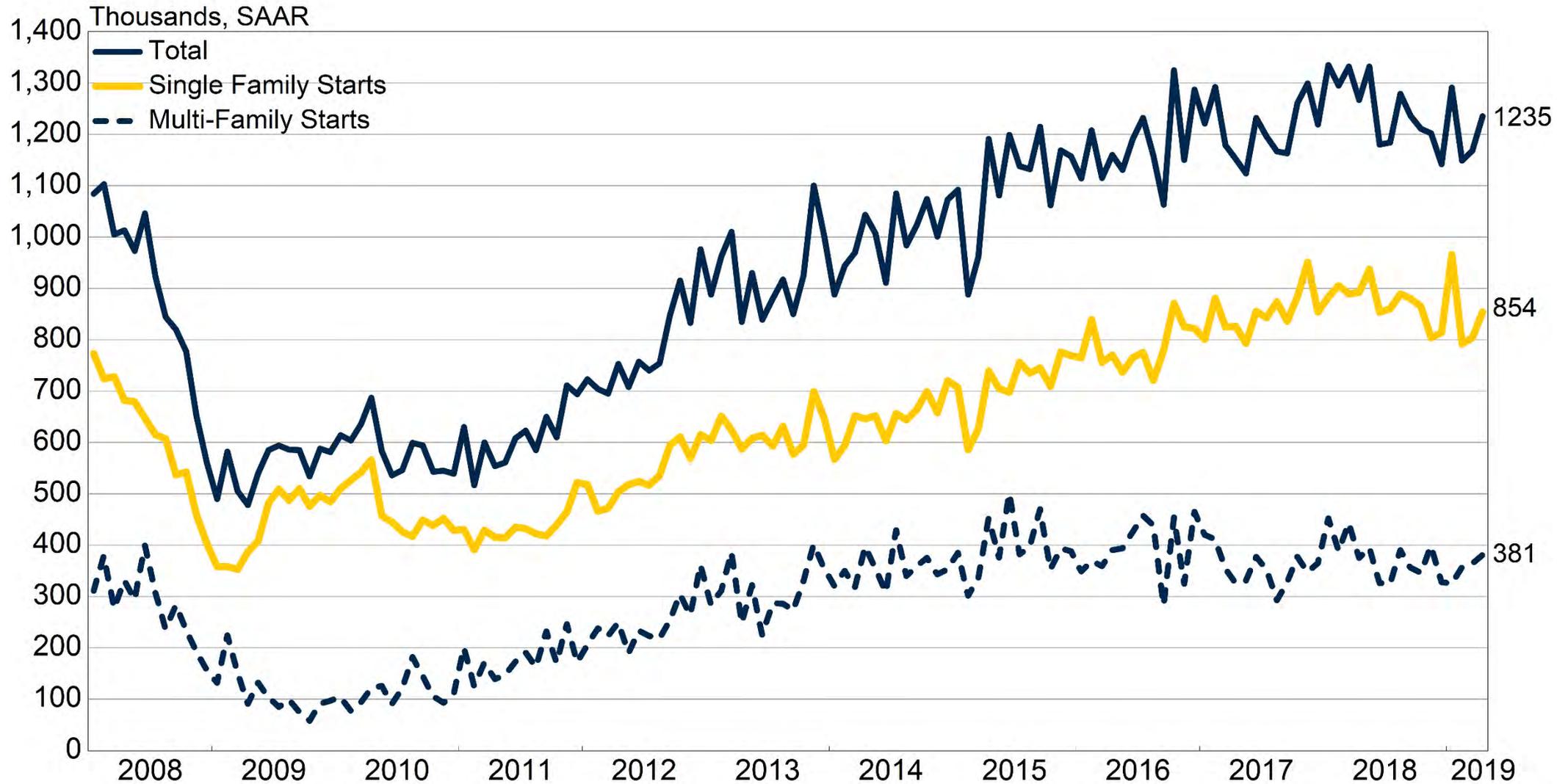


Current State of the Housing Market

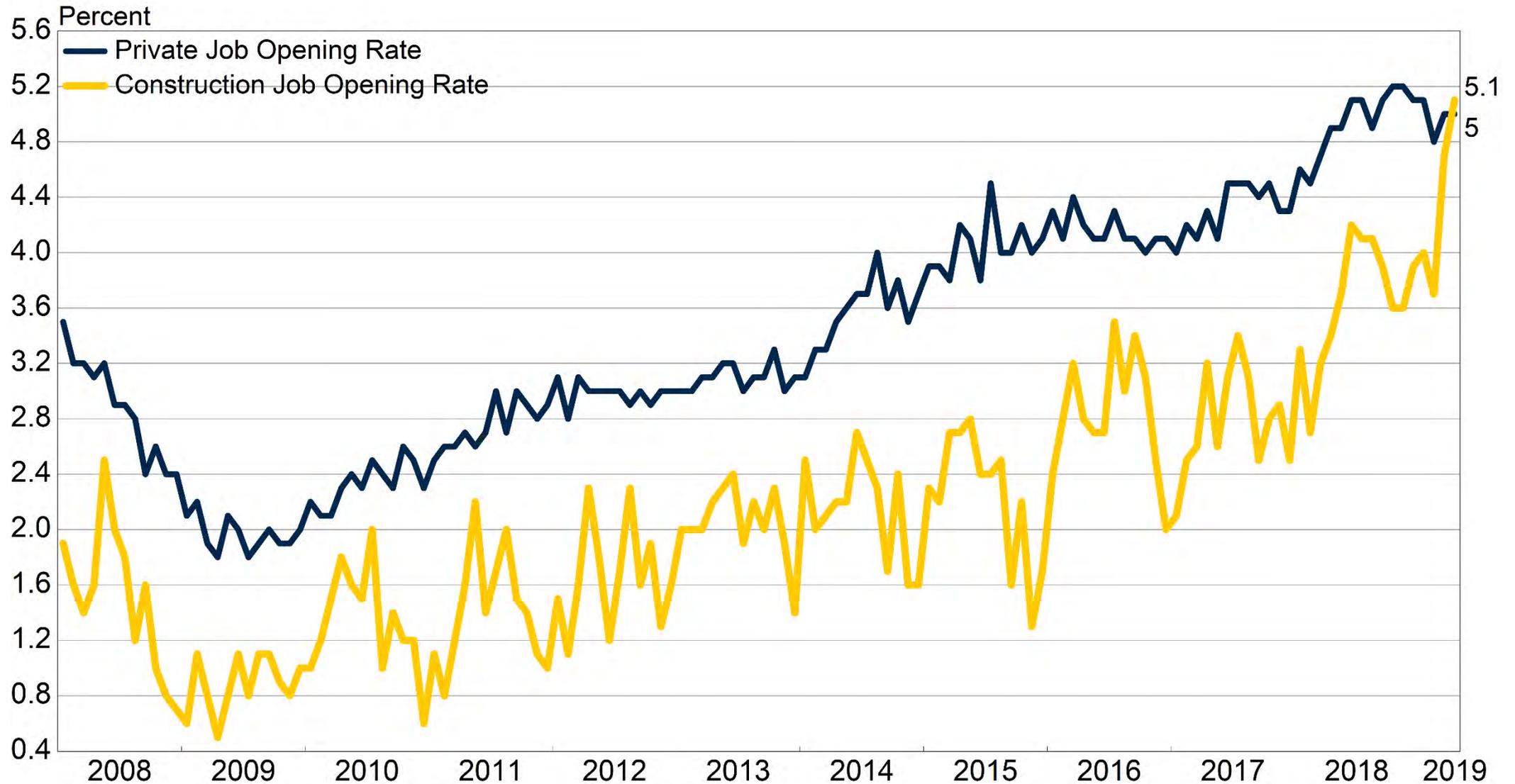
Interest Rates Coming Down



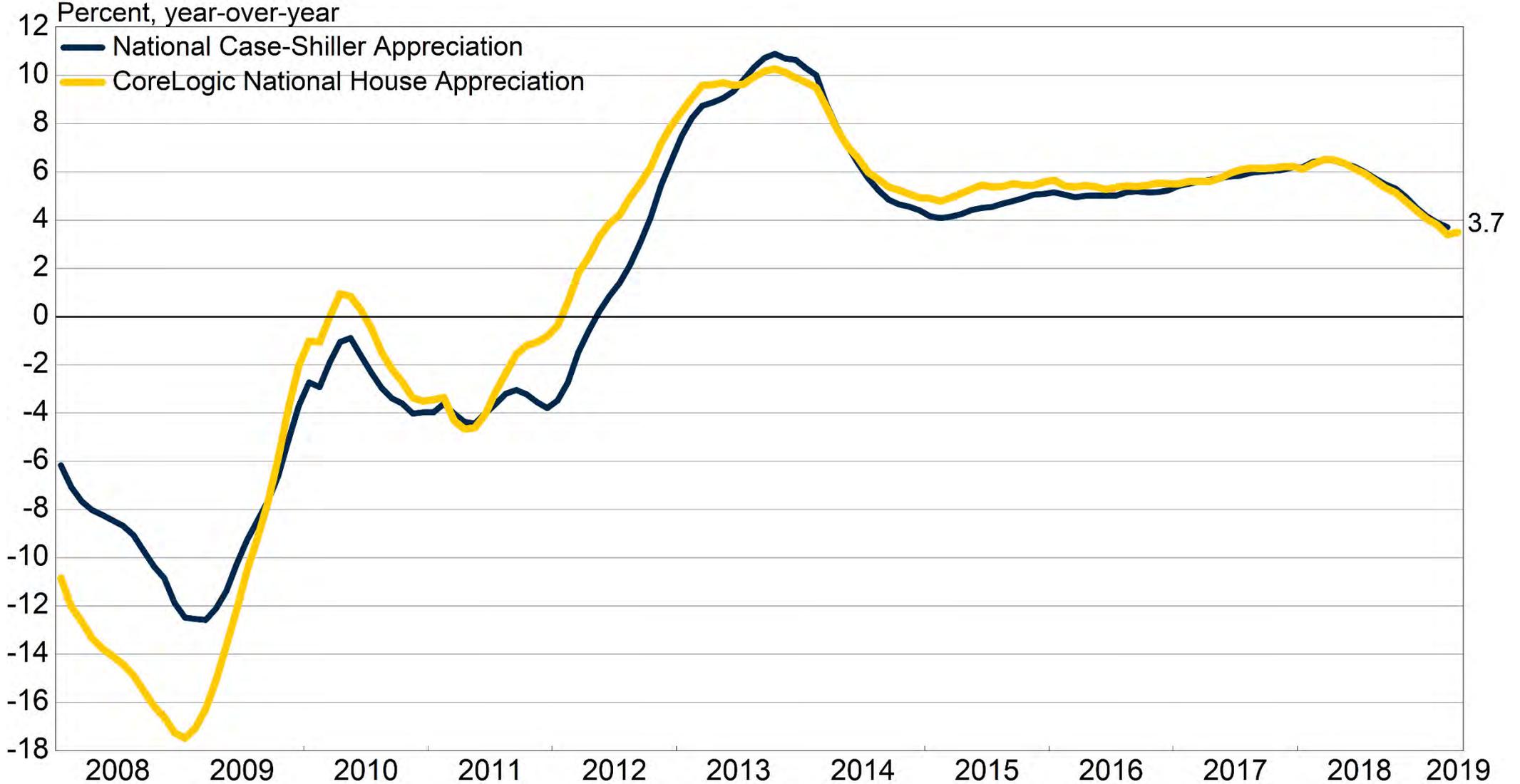
Housing Starts Moving Sideways



Job Opening Rates: Construction vs. Total Private



National Home Price Appreciation



Wells Fargo NAHB Housing Market Index



Key Inputs into the Forecast

Policy Inputs

➤ Monetary Policy

- We project flat fed funds rate path for 2019–2021
- Strong labor market but weak inflation and uncertain trade situation
- Markets see a high chance of two 25bps rate cuts by December

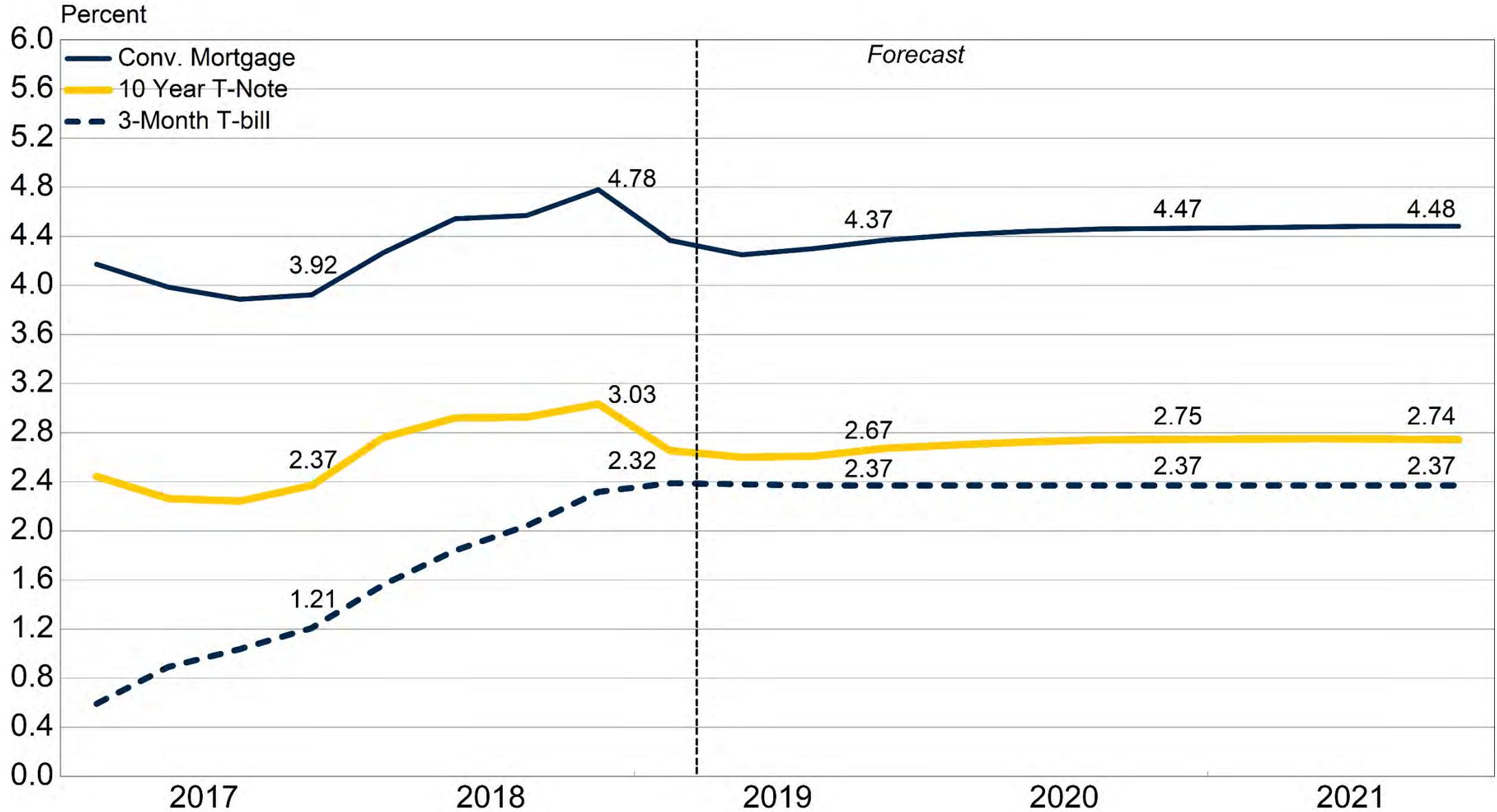
➤ Fiscal Policy

- No major legislation expected from Congress
- Stimulus from tax cuts and extra spending near peak now, set to fade over forecast

➤ Trade Policy

- Assume relatively timely resolution to China standoff
- Passage of USMCA
- No section 232 tariffs

Market Interest Rates

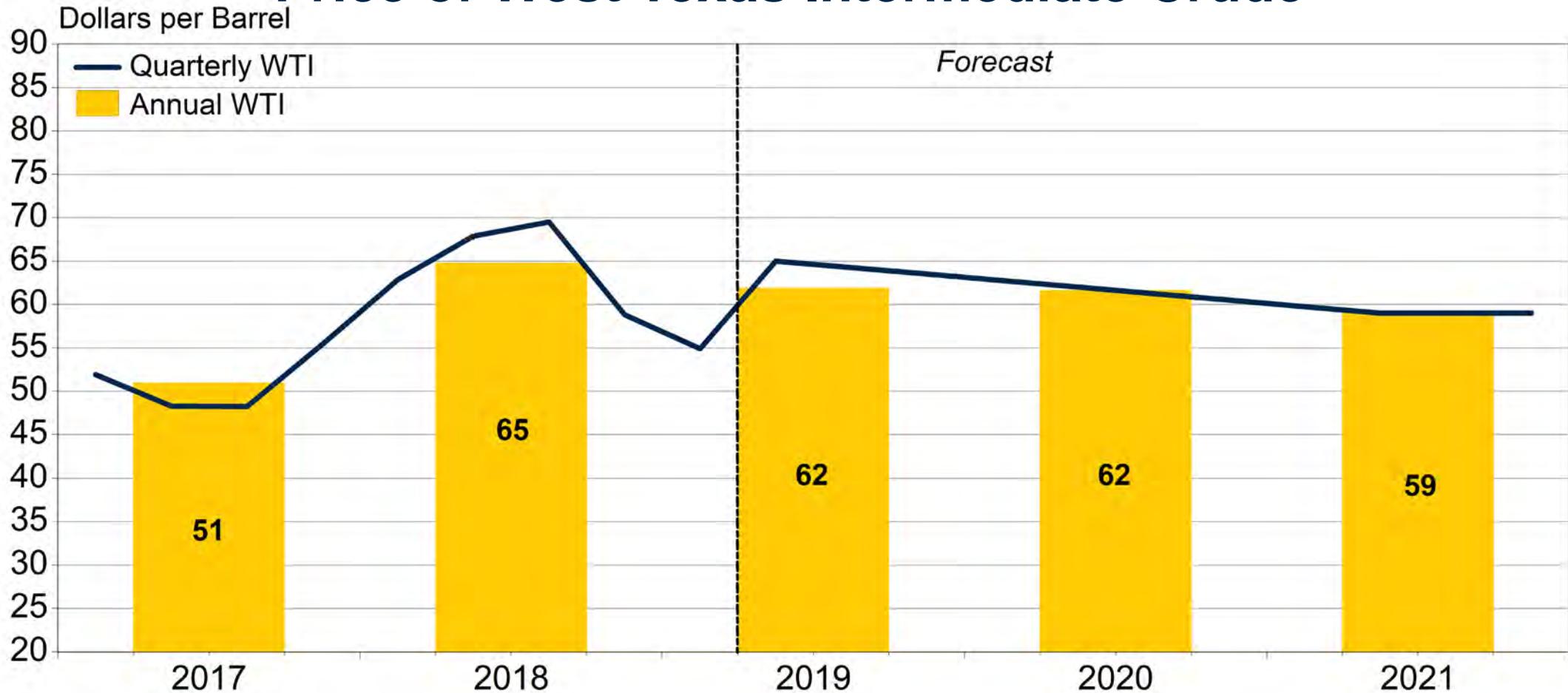


Federal Budget, NIPA Basis

(Billions of Dollars)

			FY Forecast		
	2017	2018	2019	2020	2021
Current receipts	3554.0	3491.4	3593.5	3737.3	3918.7
% change	2.3	-1.8	2.9	4.0	4.9
Current expenditures	4218.1	4423.3	4688.2	4905.5	5123.3
% change	2.8	4.9	6.0	4.6	4.4
Consumption	981.7	1019.9	1070.3	1108.2	1129.6
% change	1.9	3.9	4.9	3.5	1.9
Transfer payments	2707.4	2809.1	2980.1	3117.6	3246.5
% change	2.7	3.8	6.1	4.6	4.1
Surplus (+) or deficit (-)	-664.1	-931.9	-1094.7	-1168.2	-1204.7
Percent of GDP	-3.4	-4.6	-5.2	-5.3	-5.3

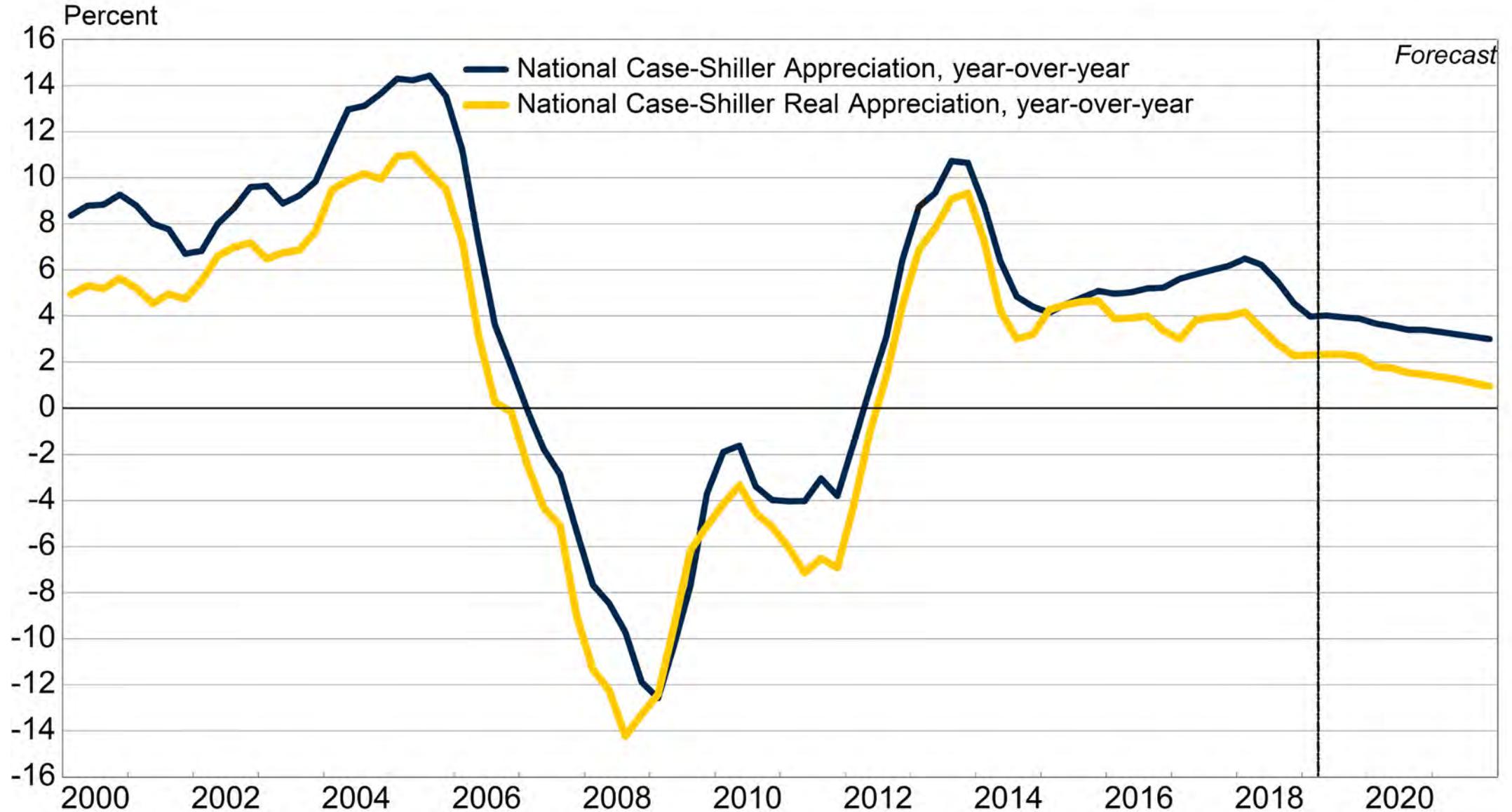
Price of West Texas Intermediate Crude



	4th Quarter to 4th Quarter % Change				
WTI	12.4	6.2	8.0	-4.7	-2.5
Imports*	21.1	14.0	8.2	-6.5	-2.6

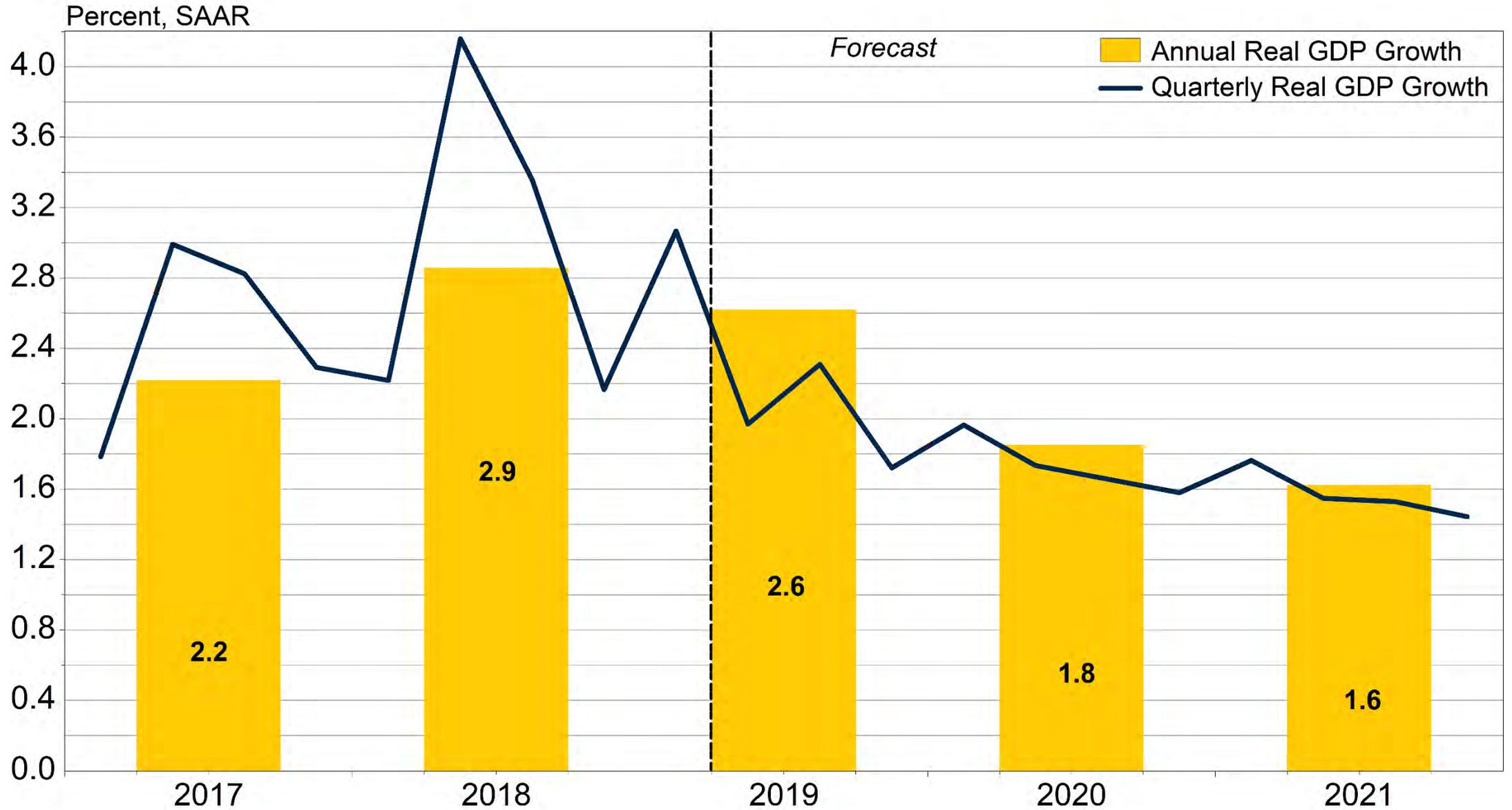
*Implicit deflator for petroleum & products

Single-Family Home Price Appreciation

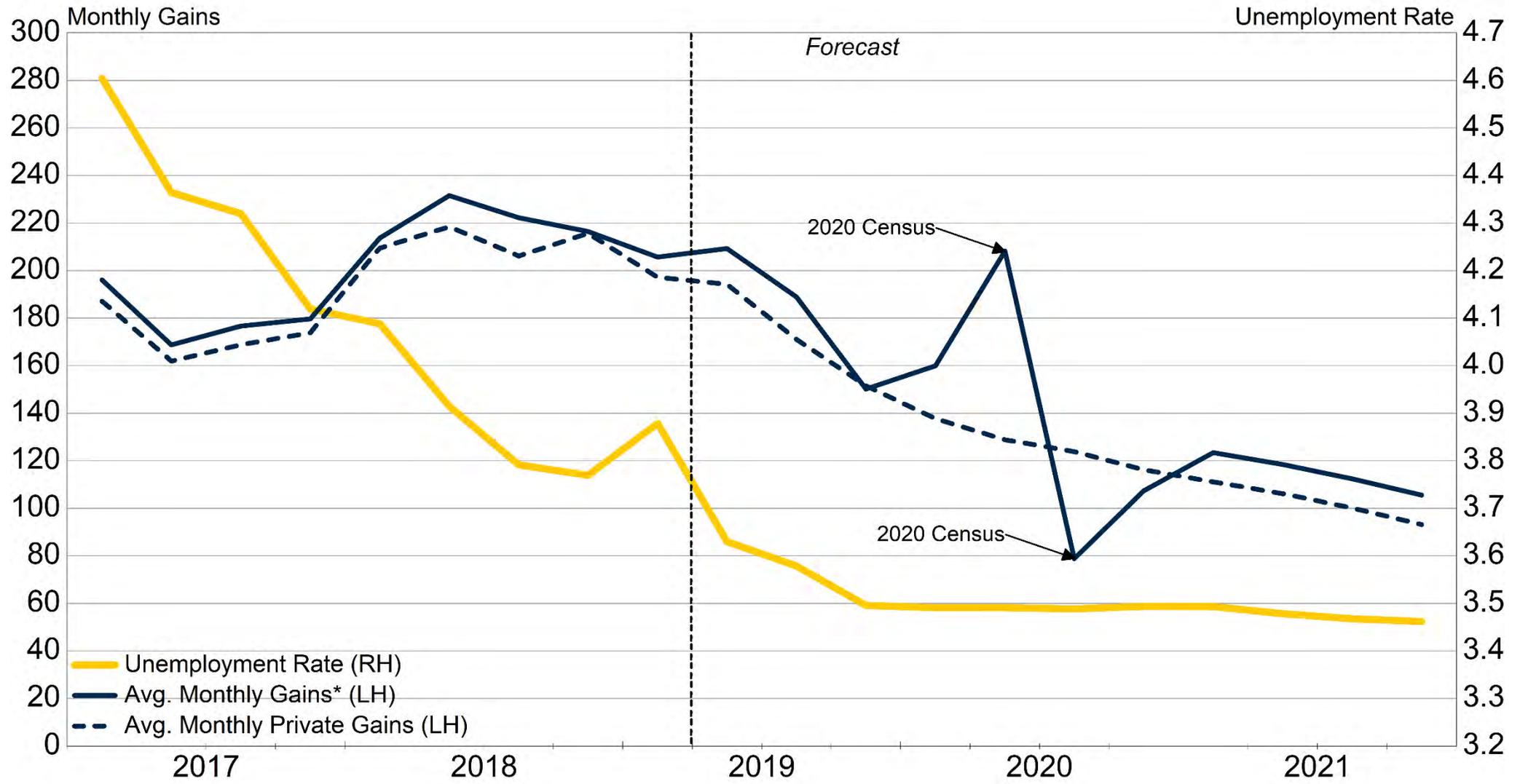


U.S. Forecast for 2019–2021

Real GDP Growth

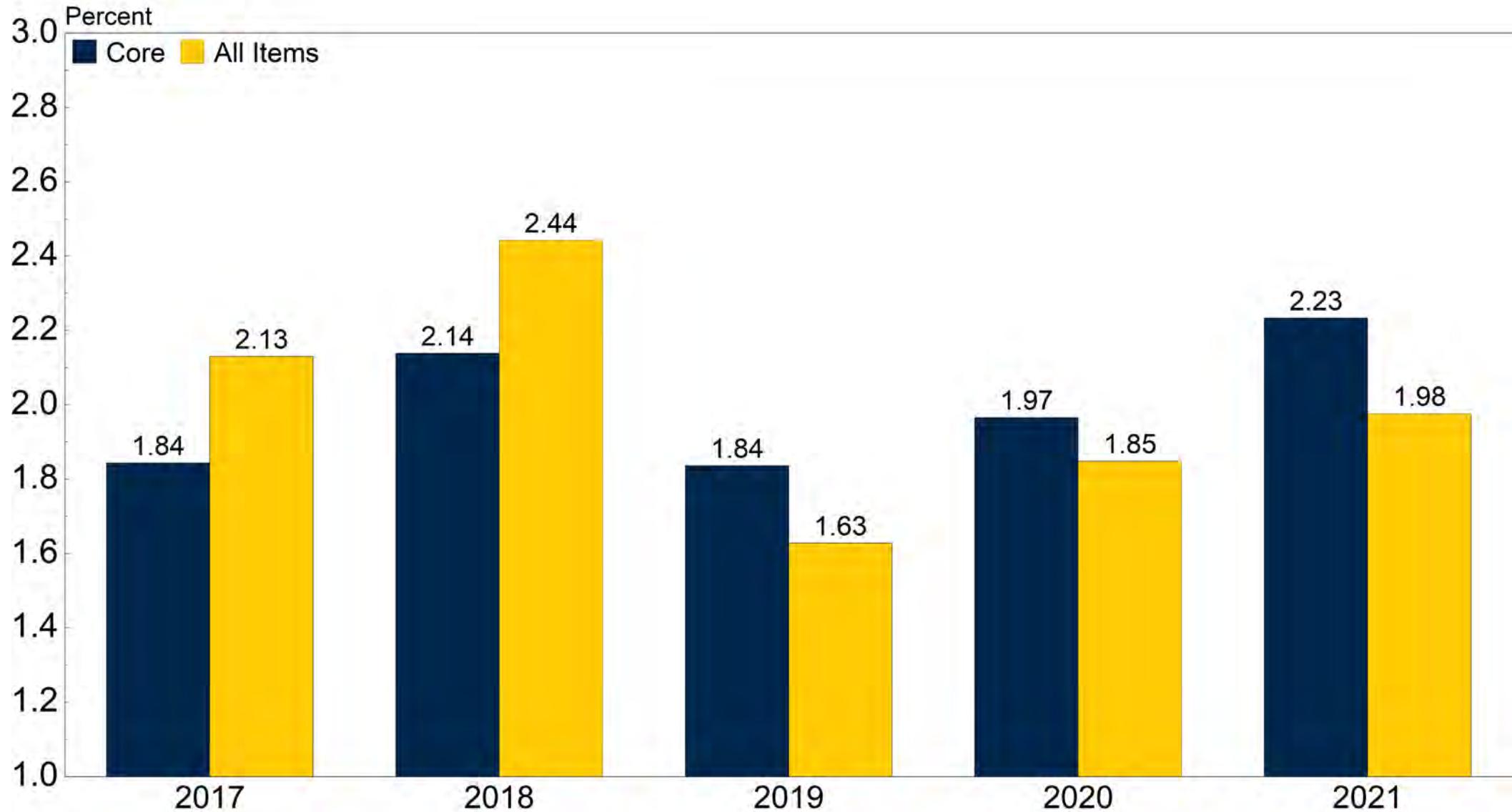


Nonfarm Payroll Employment Gains and Unemployment Rate

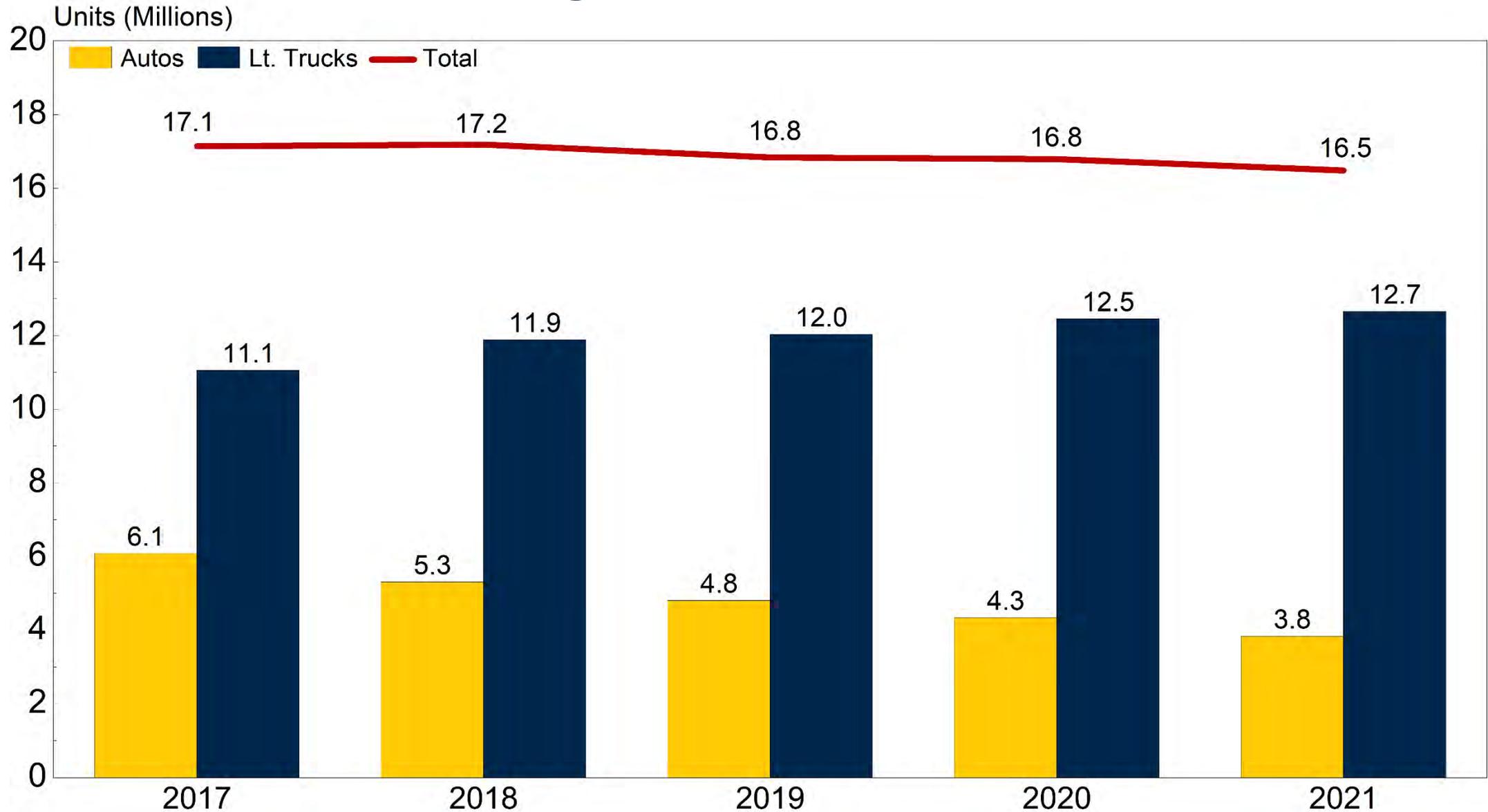


*-1/3 of a Quarterly Change

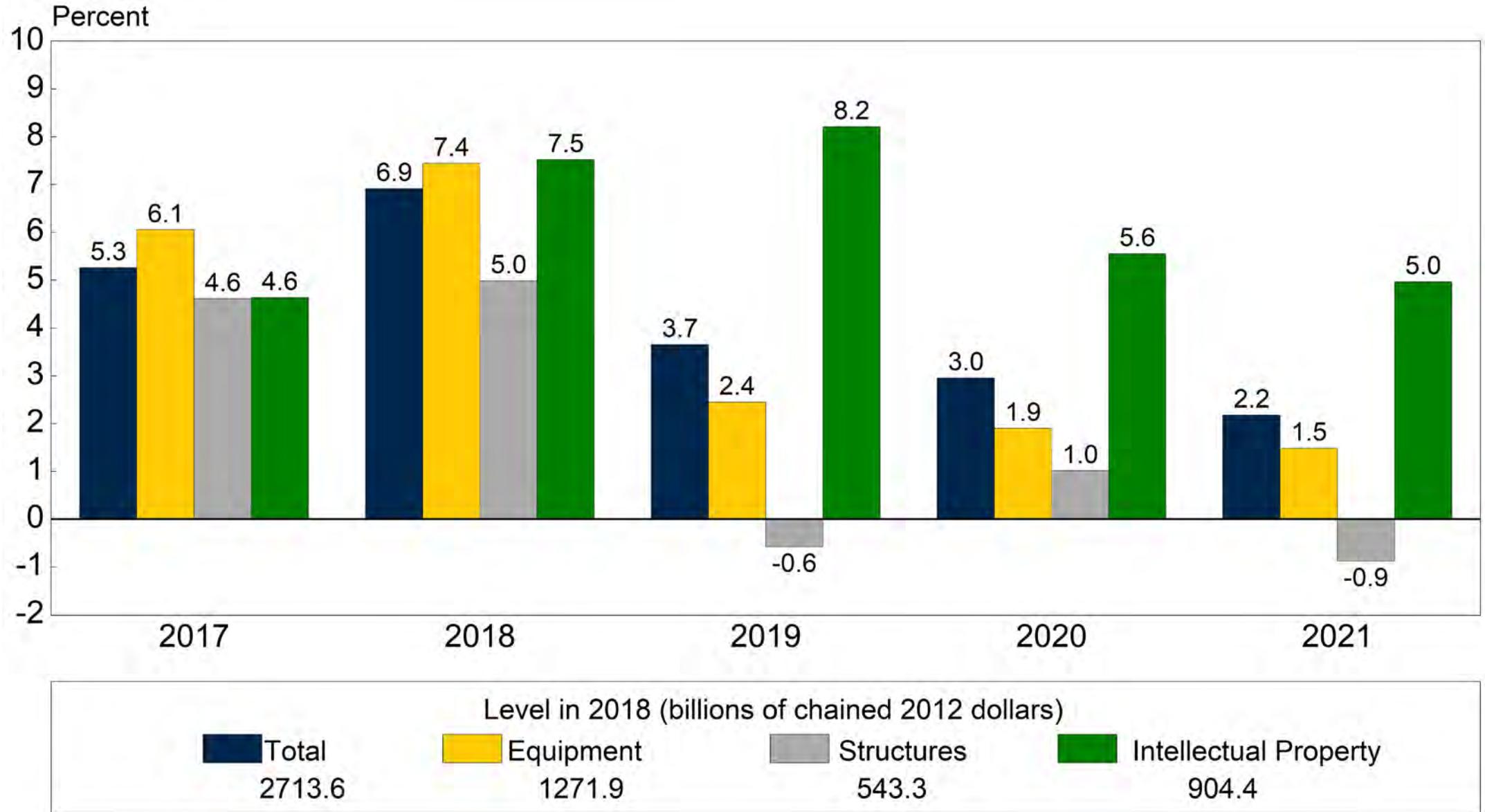
Consumer Price Inflation (CPI-U)



Light Vehicle Sales

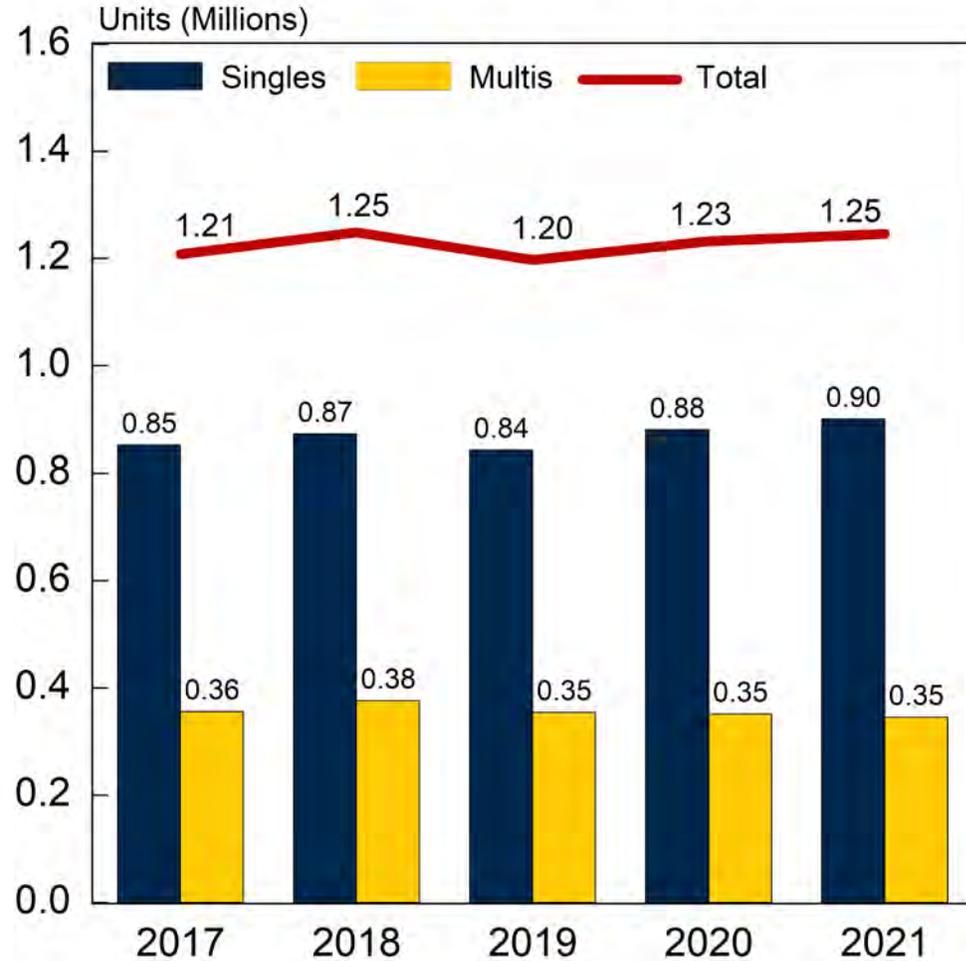


Growth of Nonresidential Fixed Investment

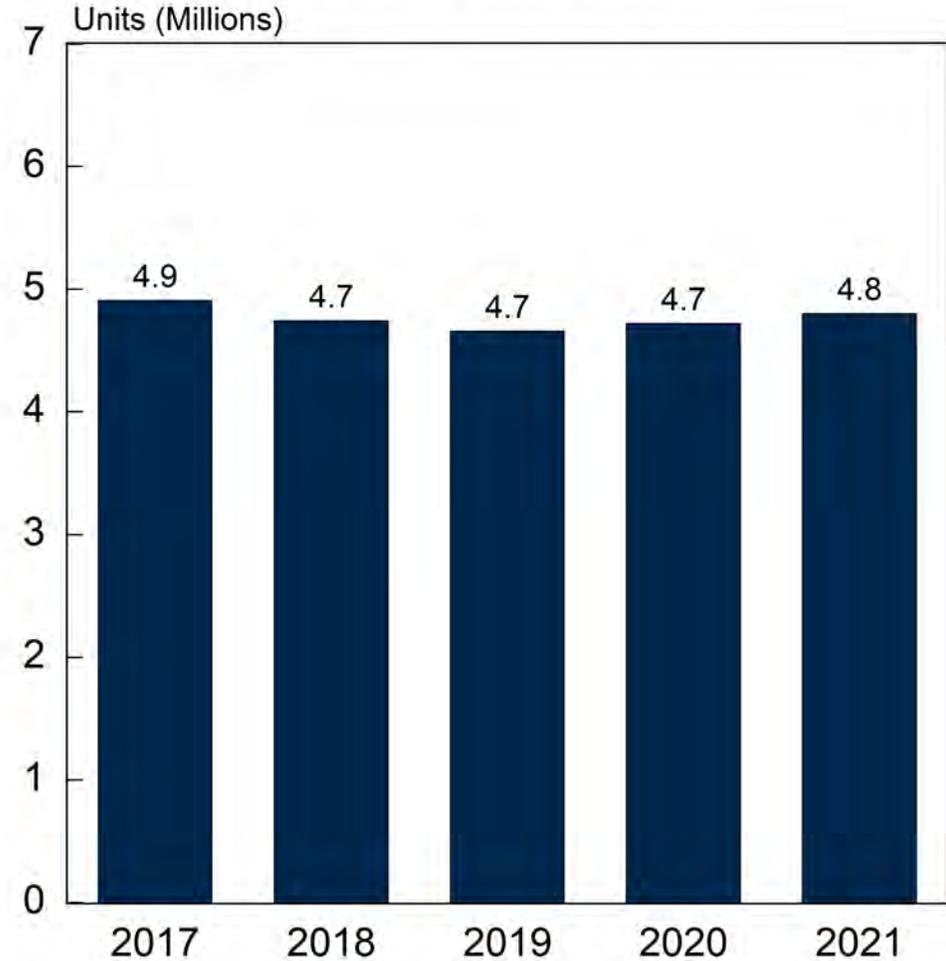


Housing Market

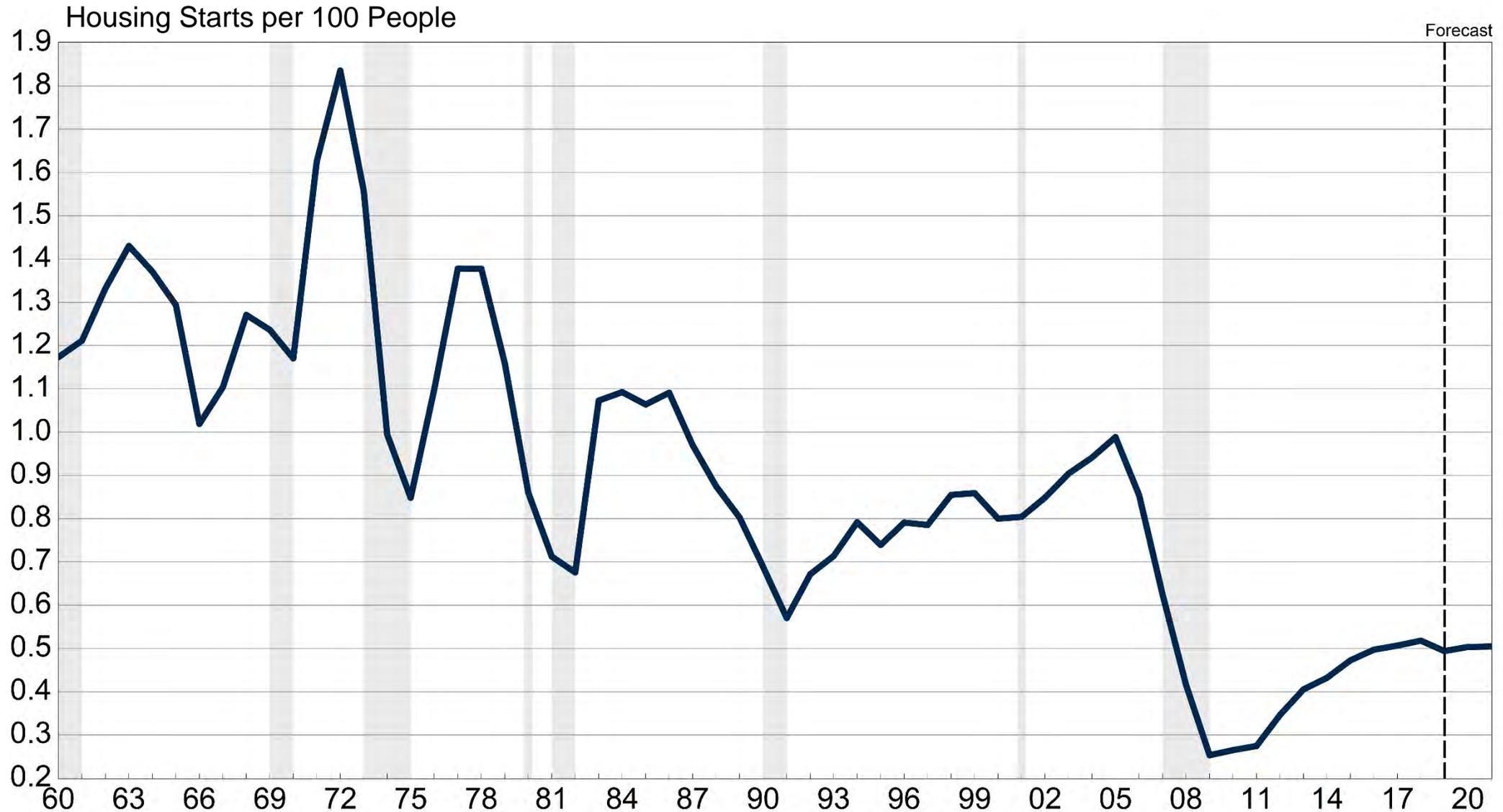
Housing Starts



Existing Home Sales



Housing Starts per Civilian Adult (20 or older)



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