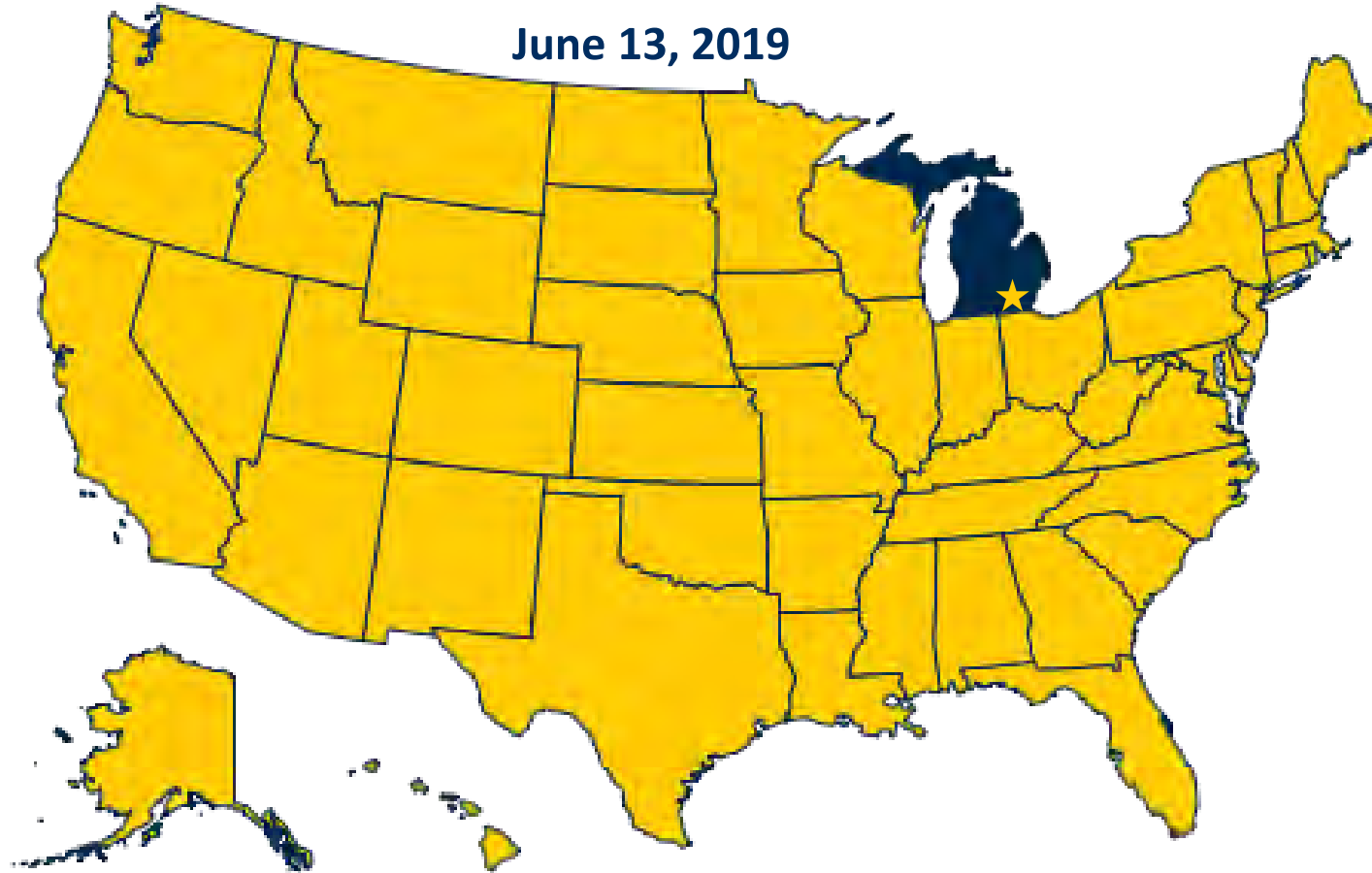


The U.S. Economic Outlook for 2019–2021

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

Novi, Michigan

June 13, 2019

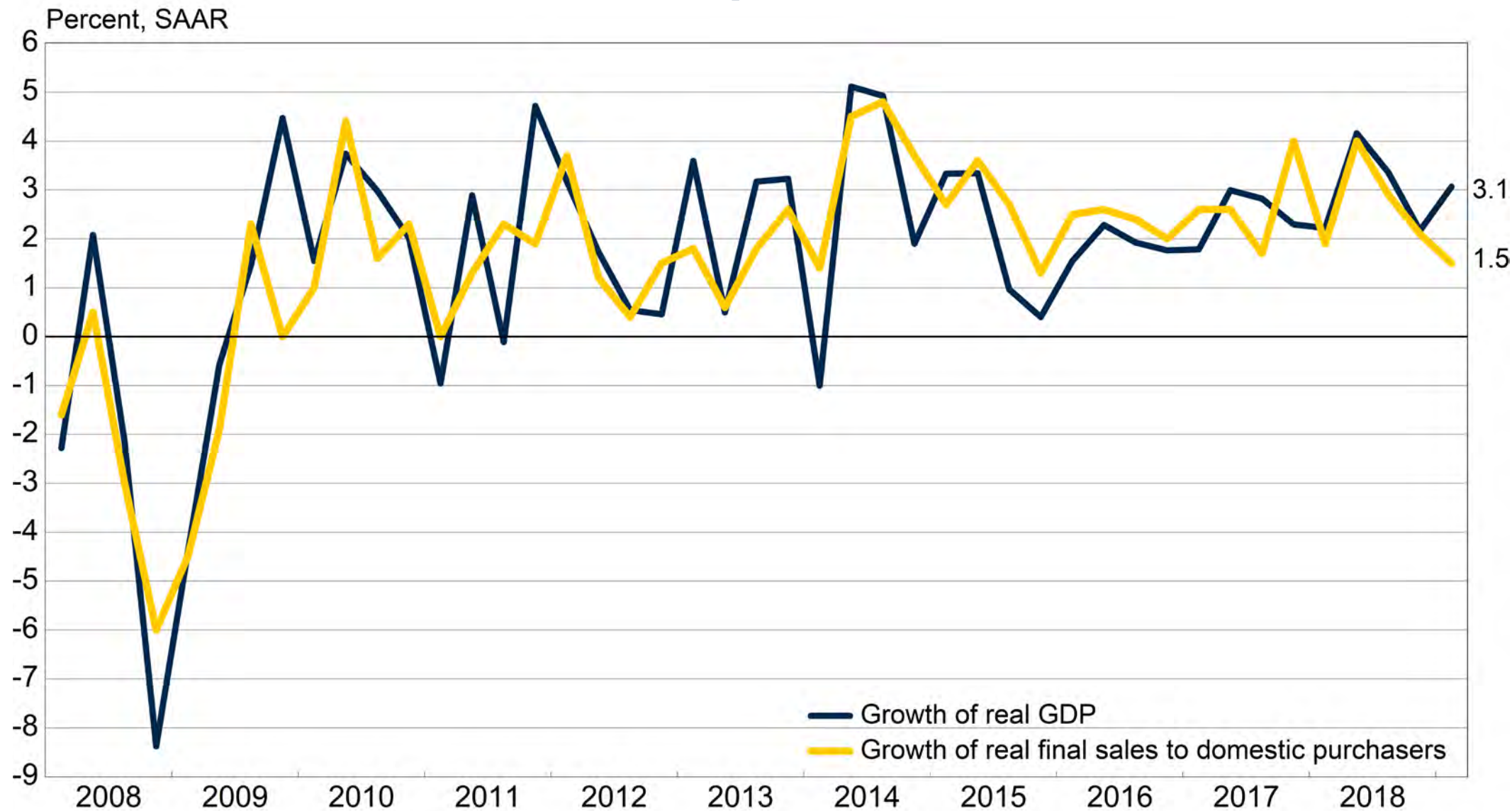


Research Seminar in Quantitative Economics

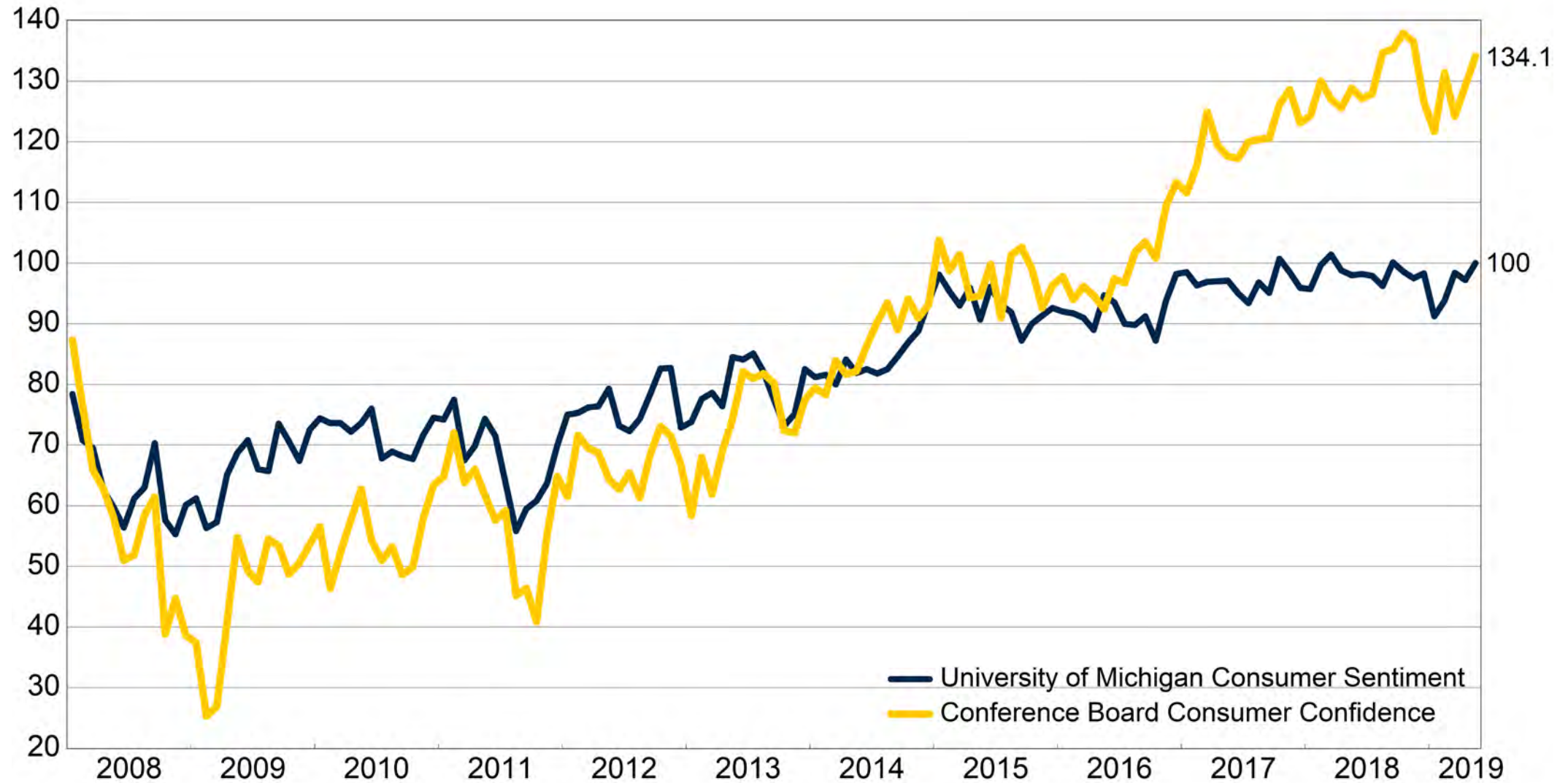


Current State of the Economy

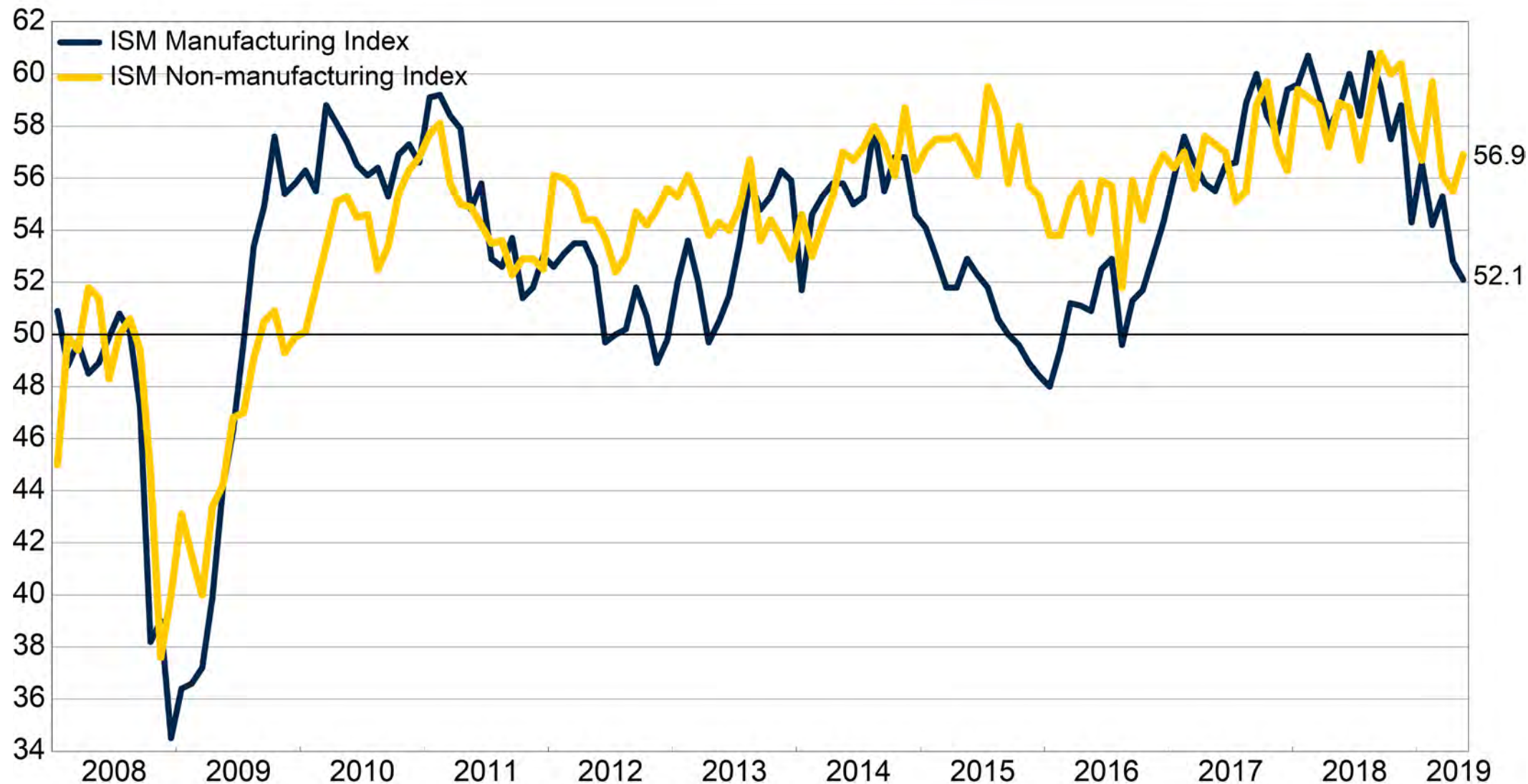
Real Output Growth



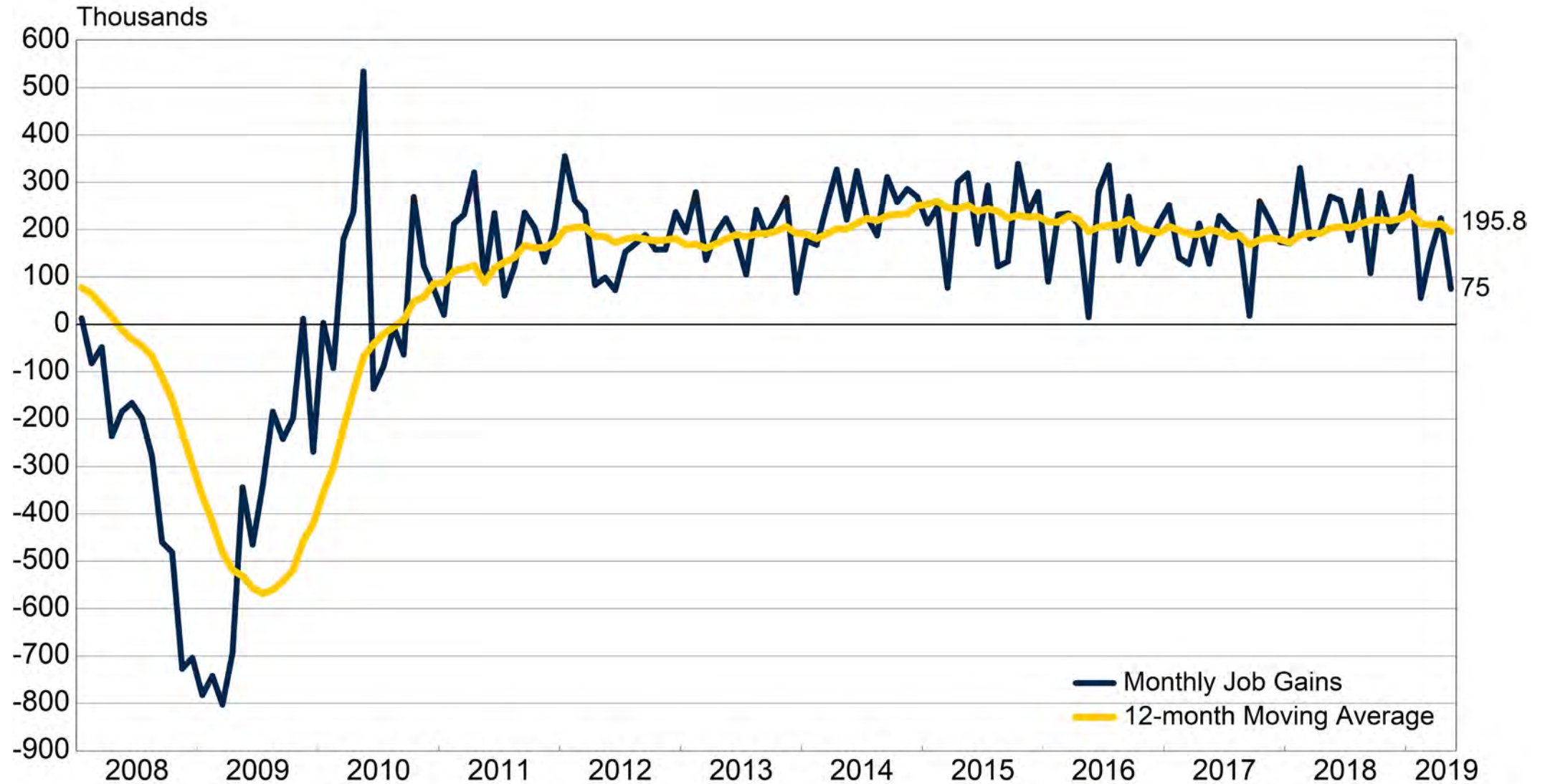
Consumer Sentiment High



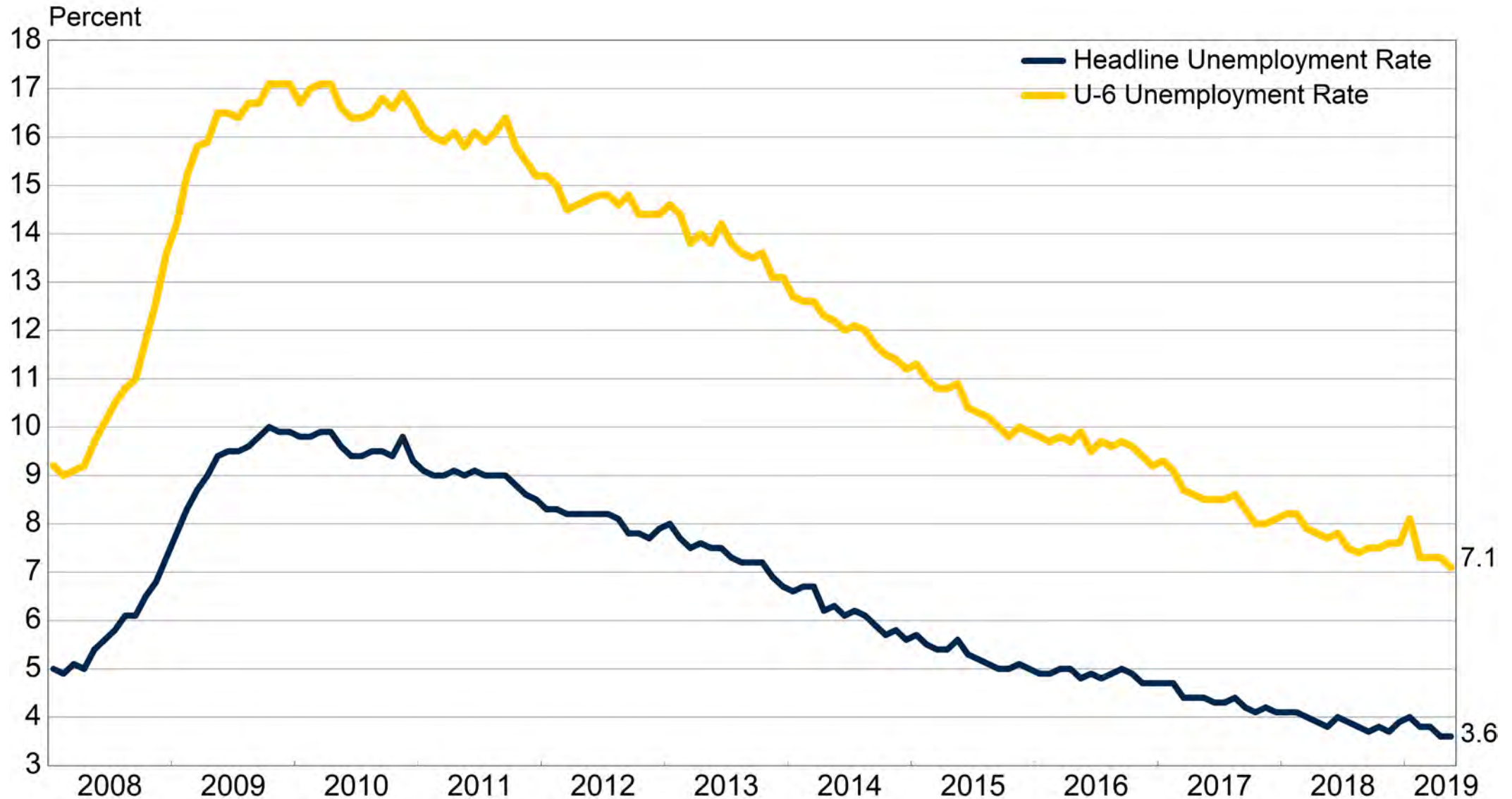
Institute of Supply Management Indexes: Growth Slowing



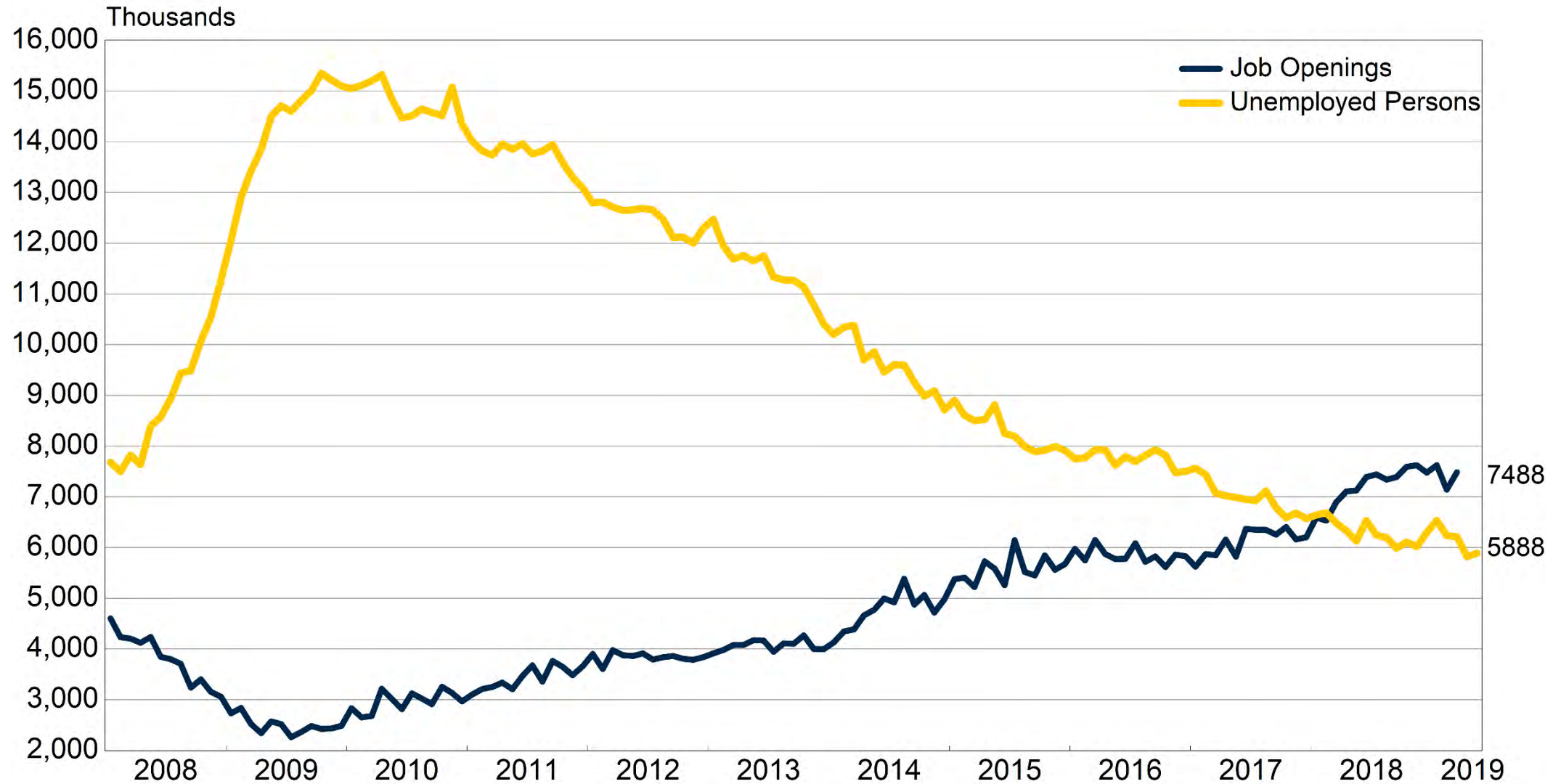
Monthly Payroll Job Gains



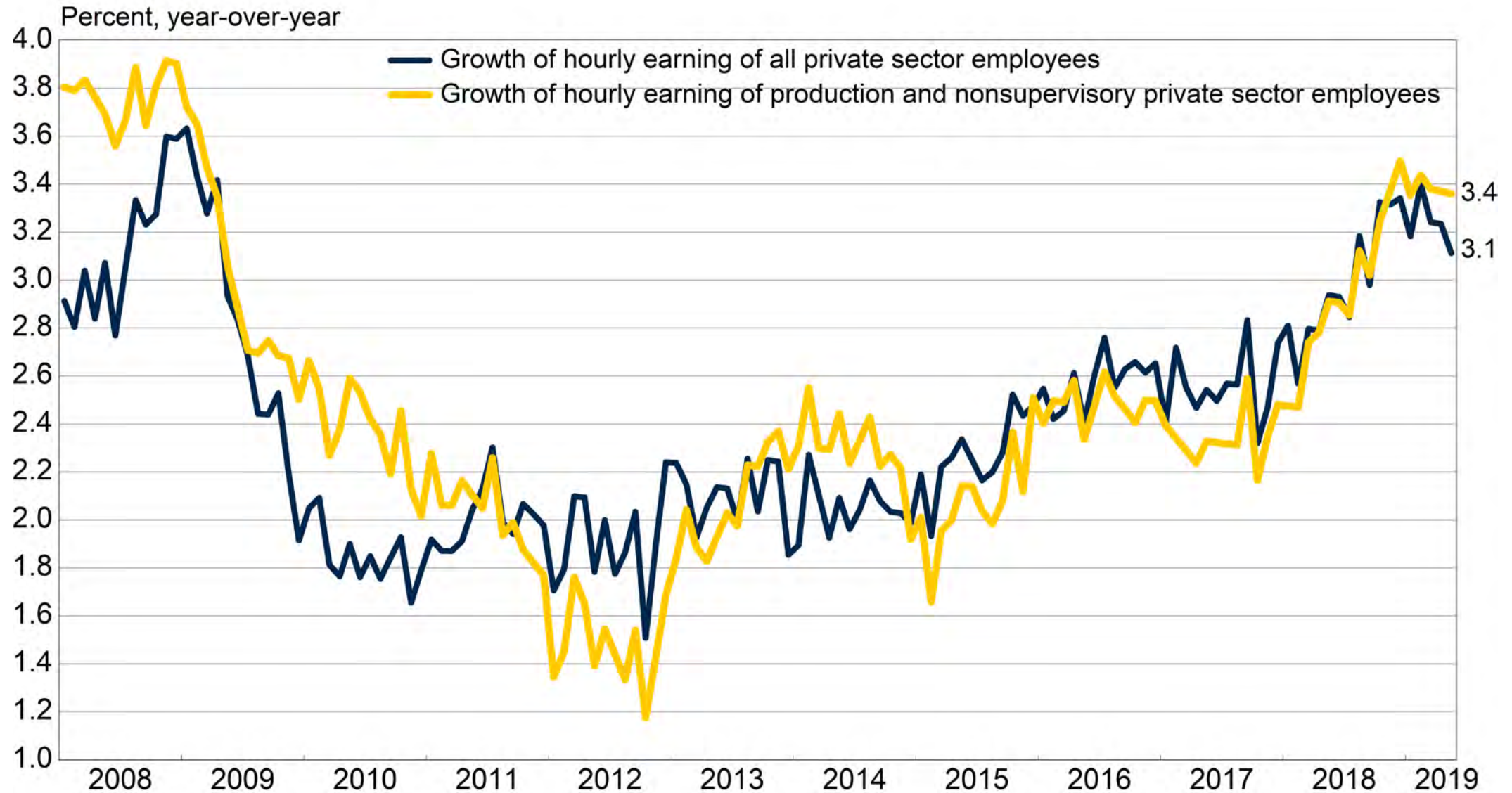
Unemployment Rates: Likely Still Trending Down



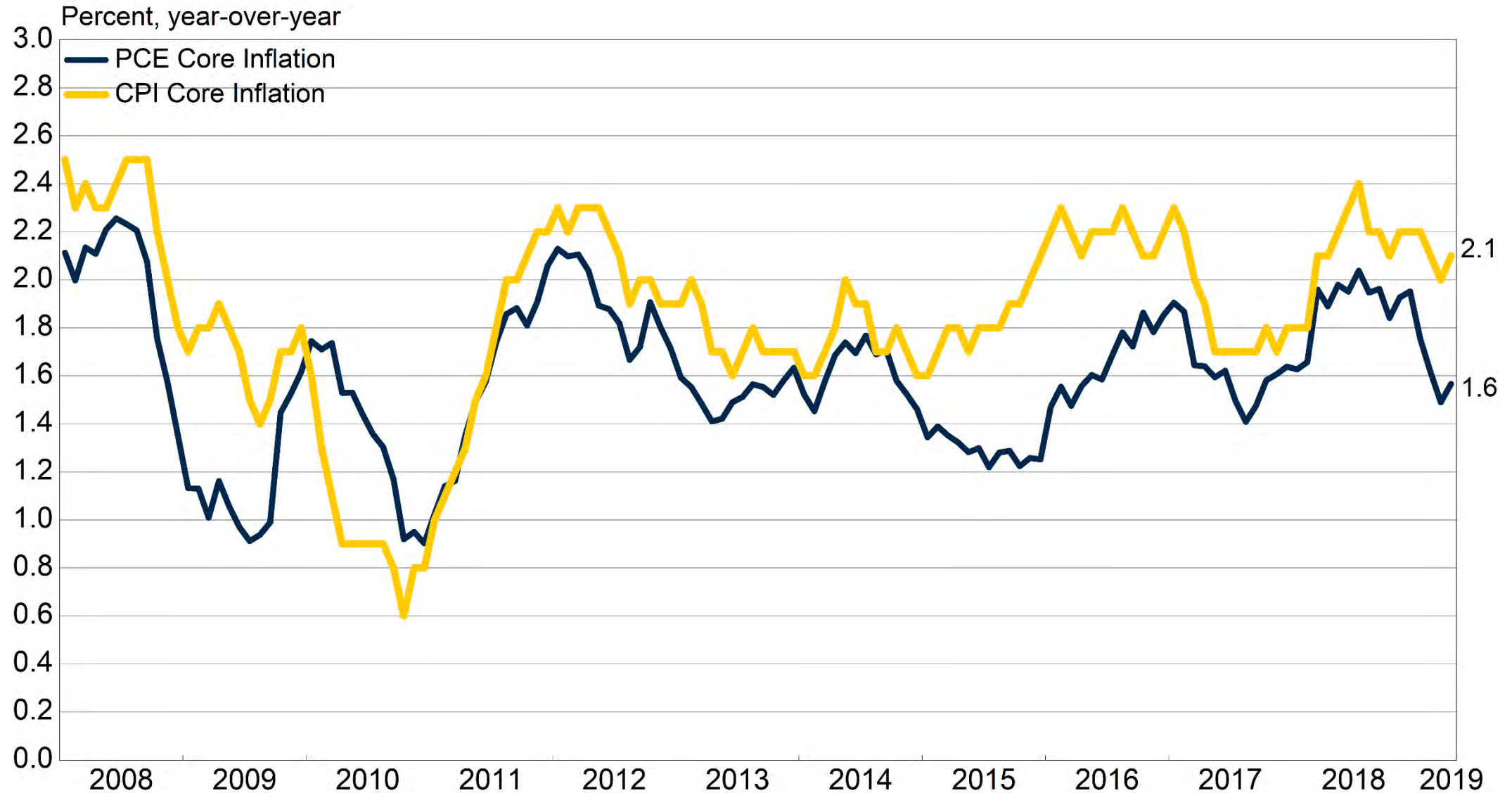
Job Openings vs. Unemployed Persons



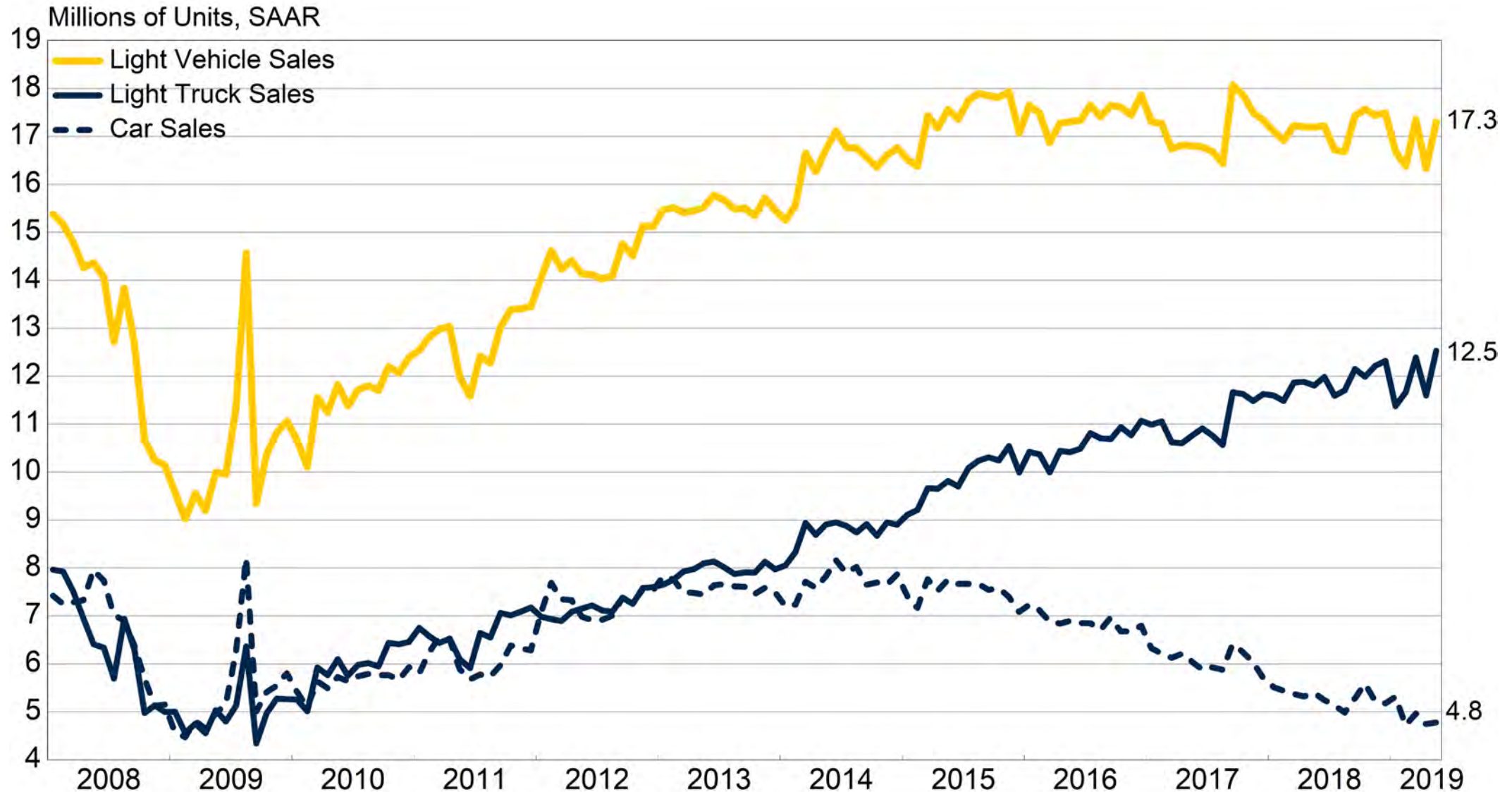
Wage Growth No Longer Accelerating



Concerning Fall in Core PCE Inflation



Vehicle Sales: Choppy so far in 2019

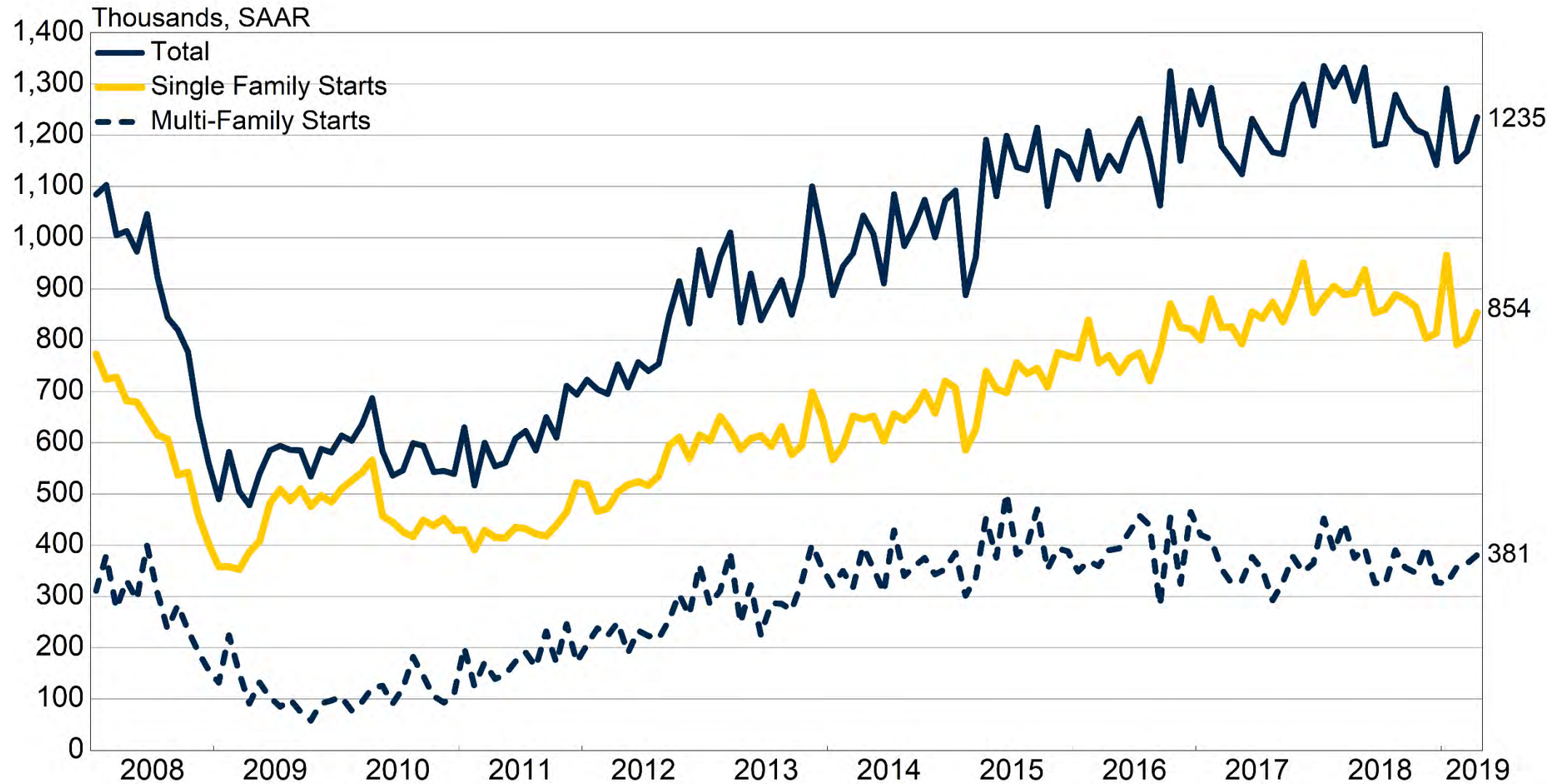


Current State of the Housing Market

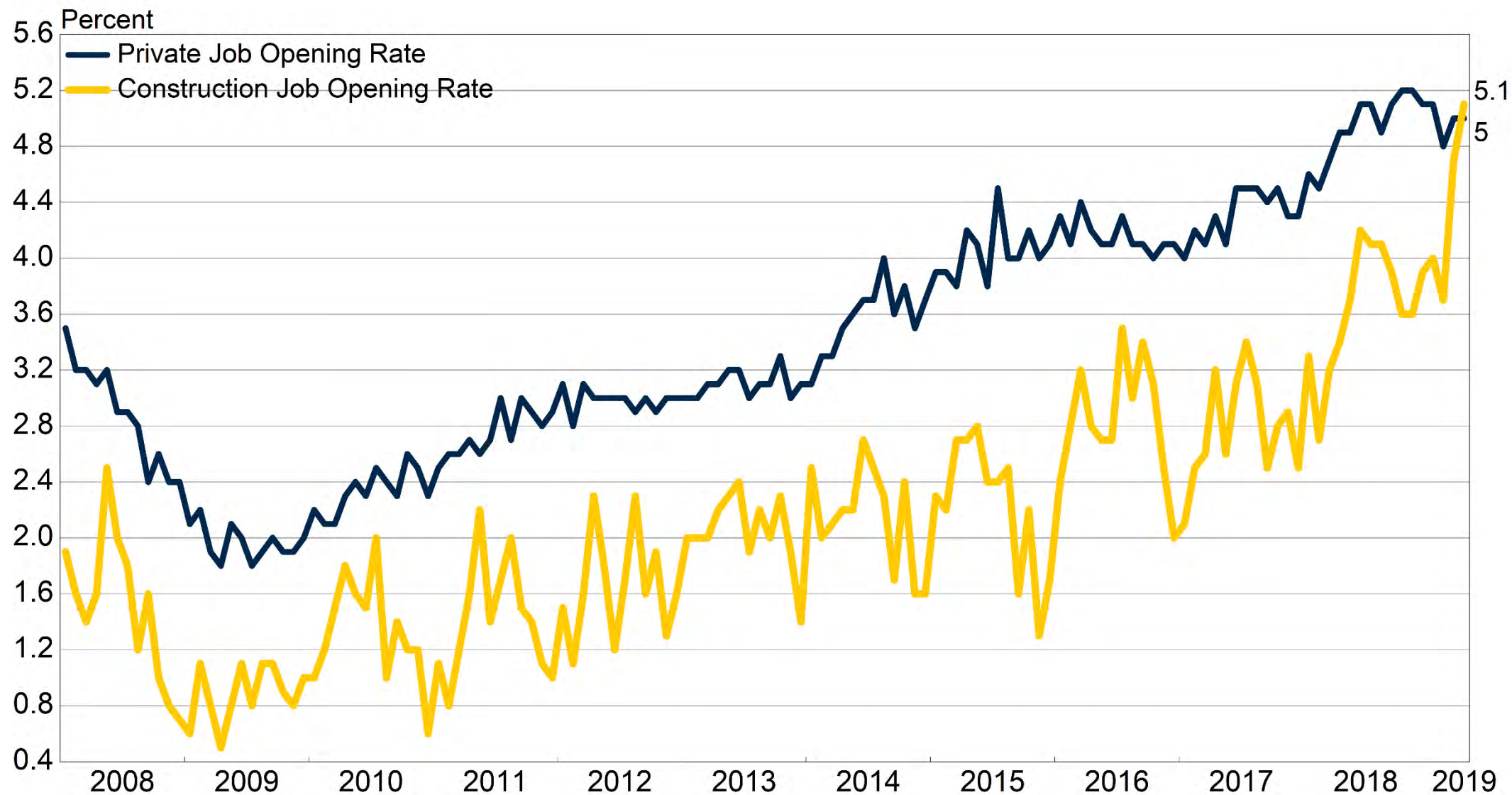
Interest Rates Coming Down



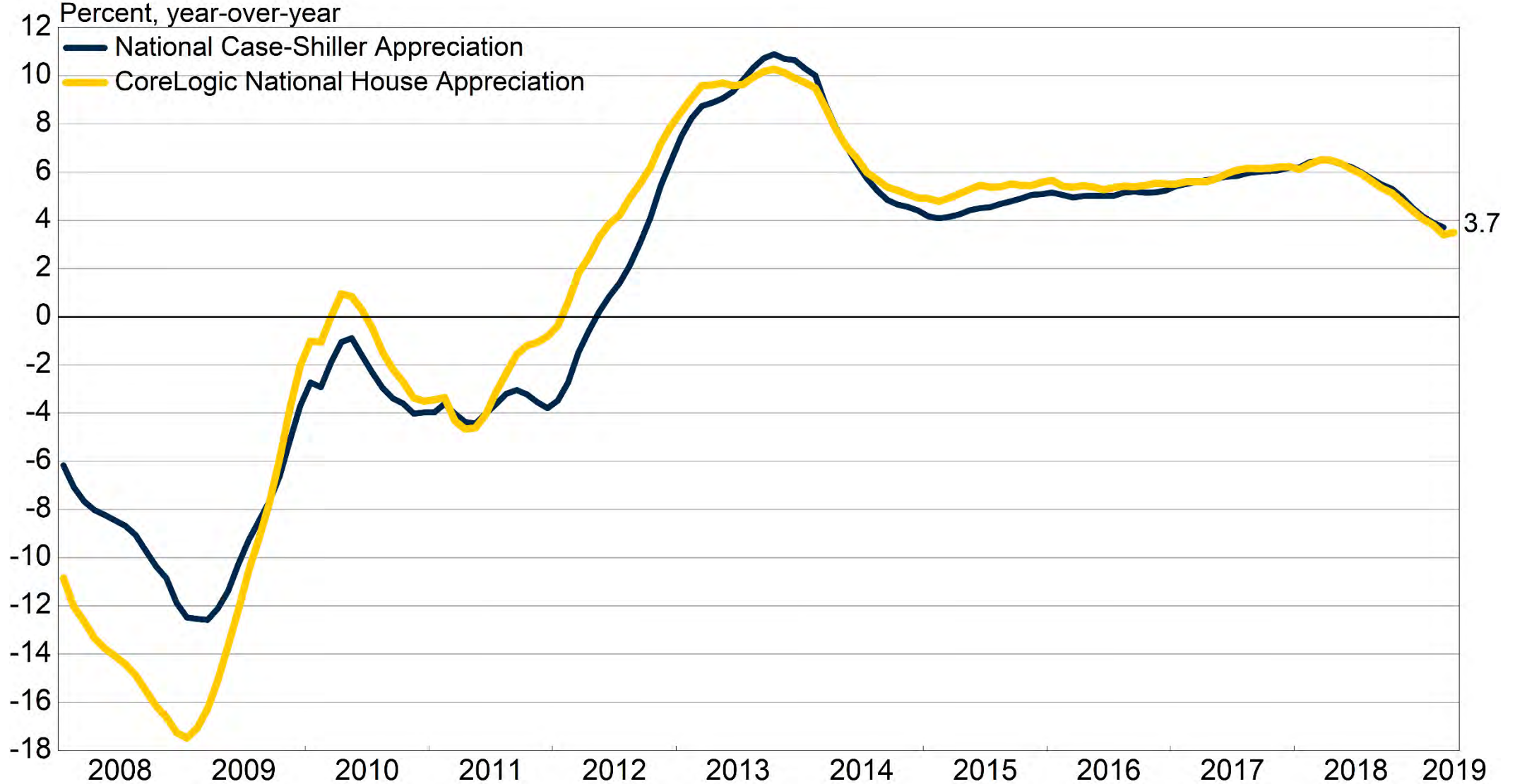
Housing Starts Moving Sideways



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

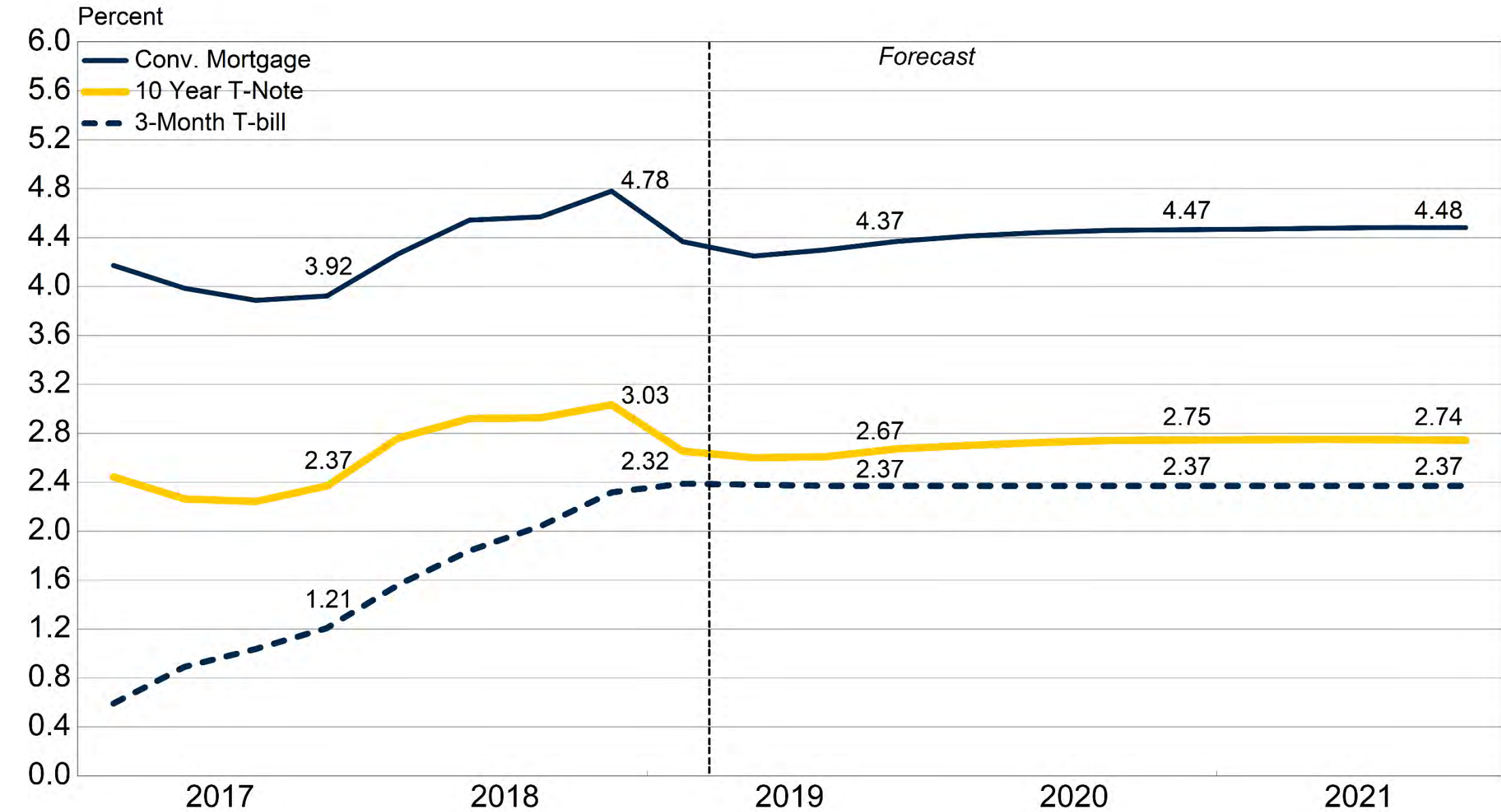
➤ Fiscal Policy

- 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

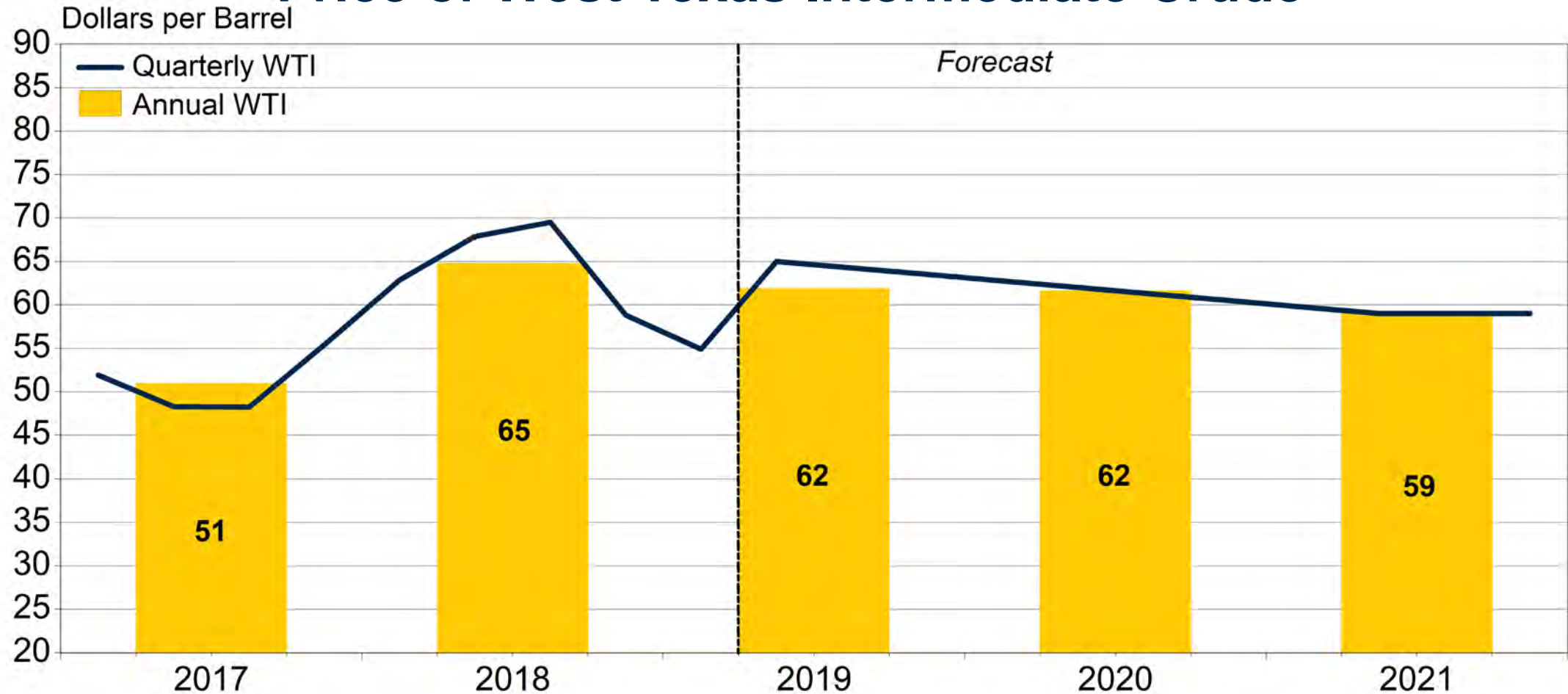


Federal Budget, NIPA Basis

(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 |

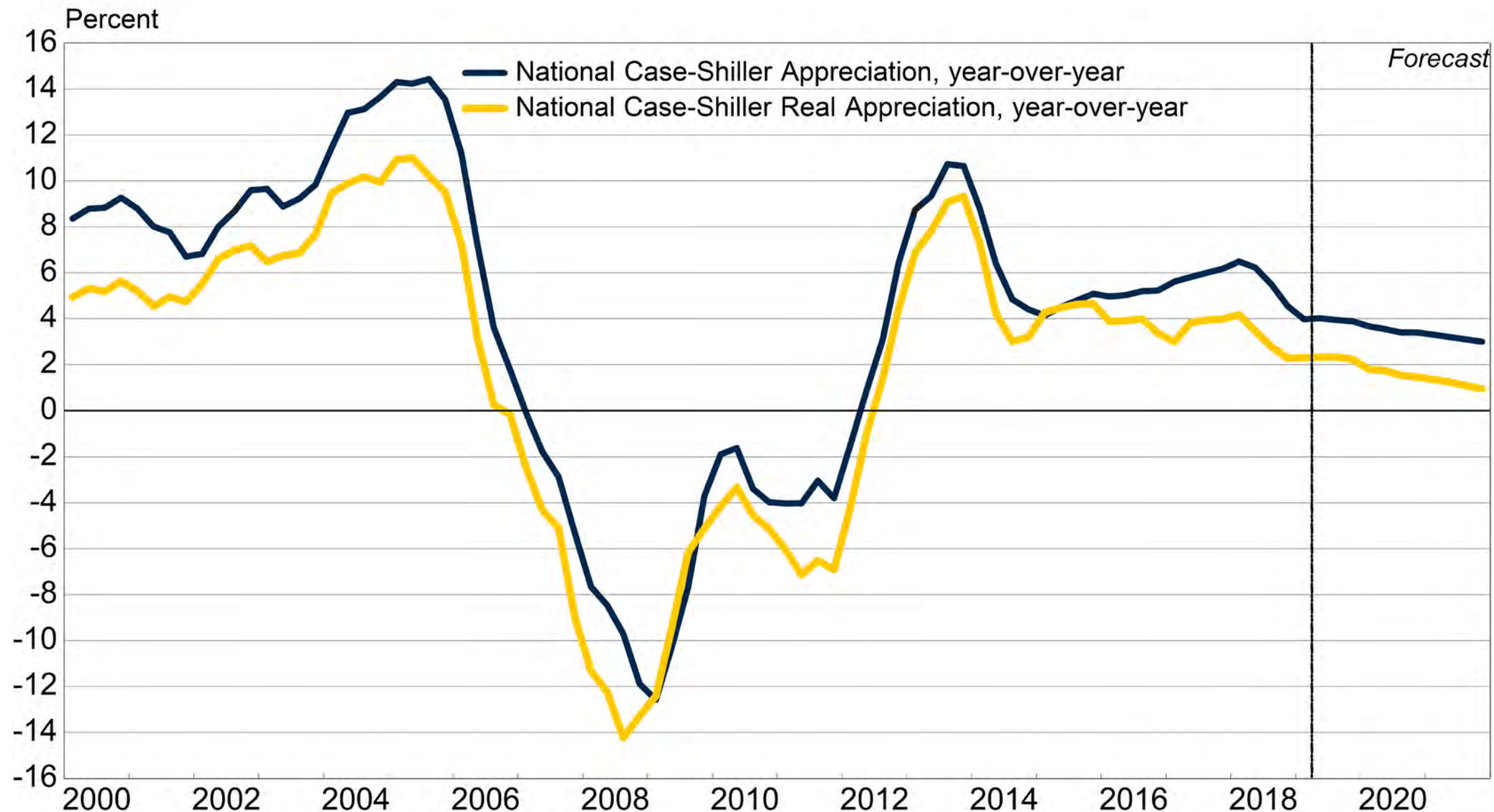
Price of West Texas Intermediate Crude



| 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 |

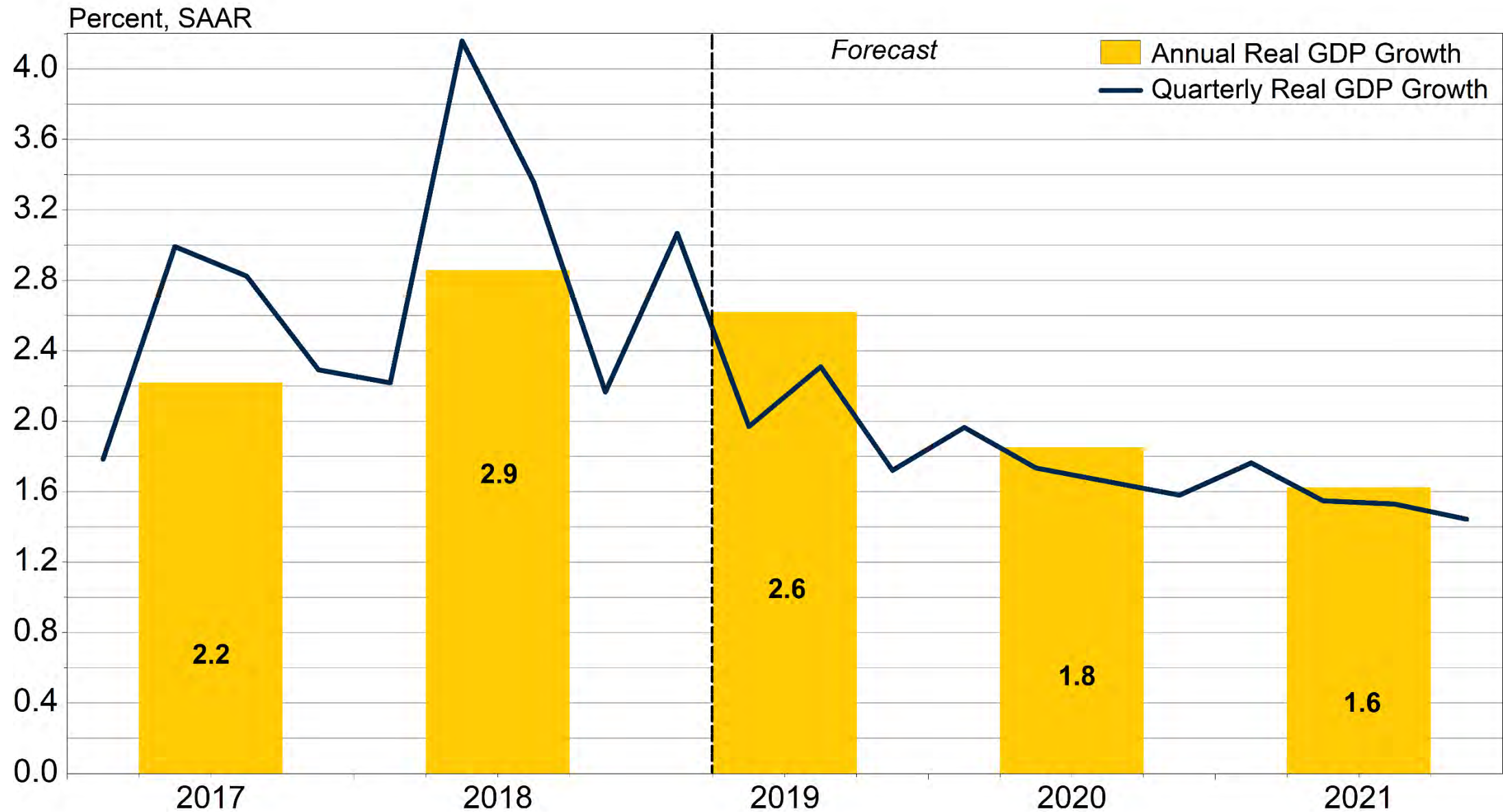
*Implicit deflator for petroleum & products

Single-Family Home Price Appreciation

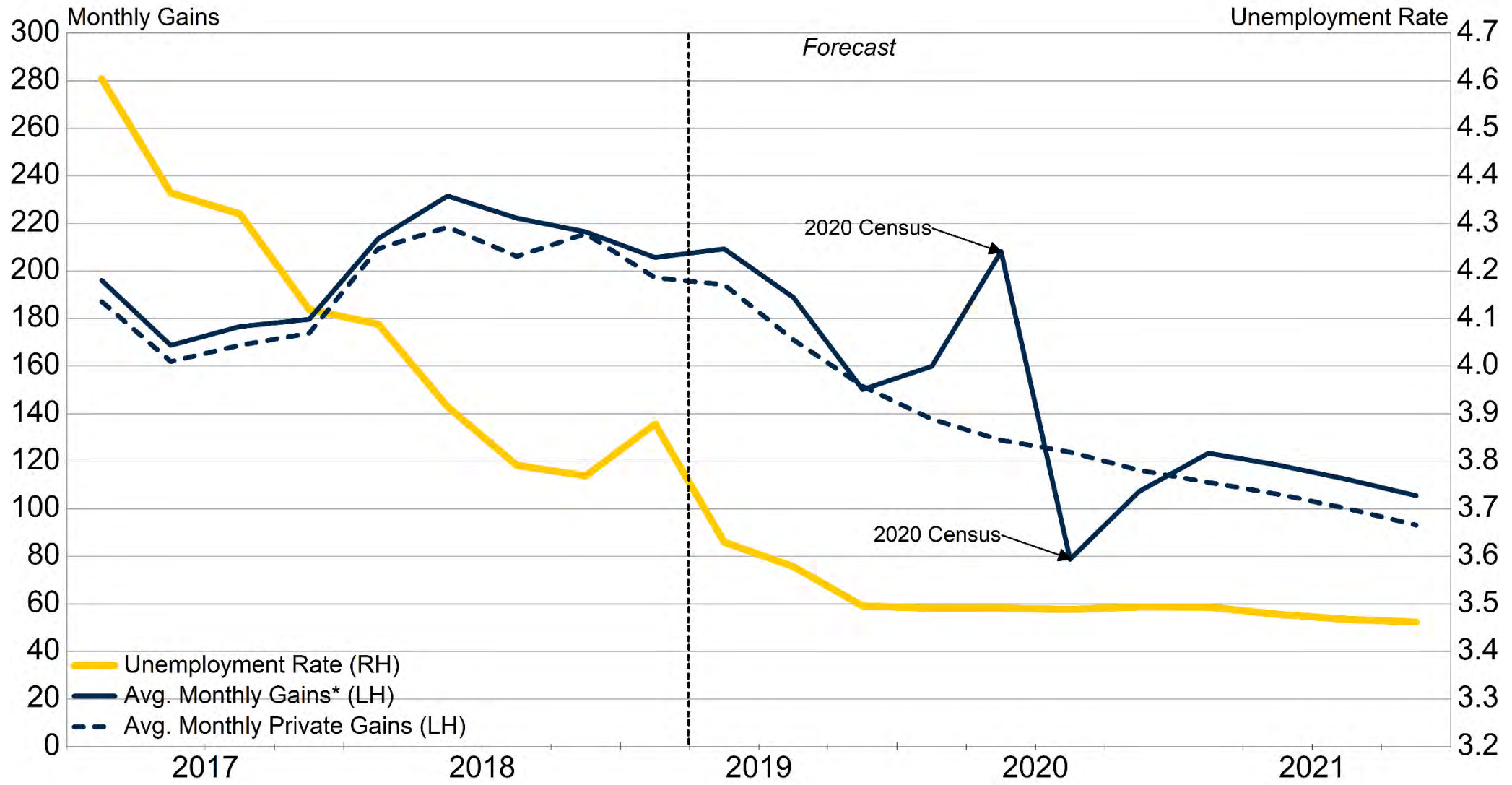


U.S. Forecast for 2019–2021

Real GDP Growth

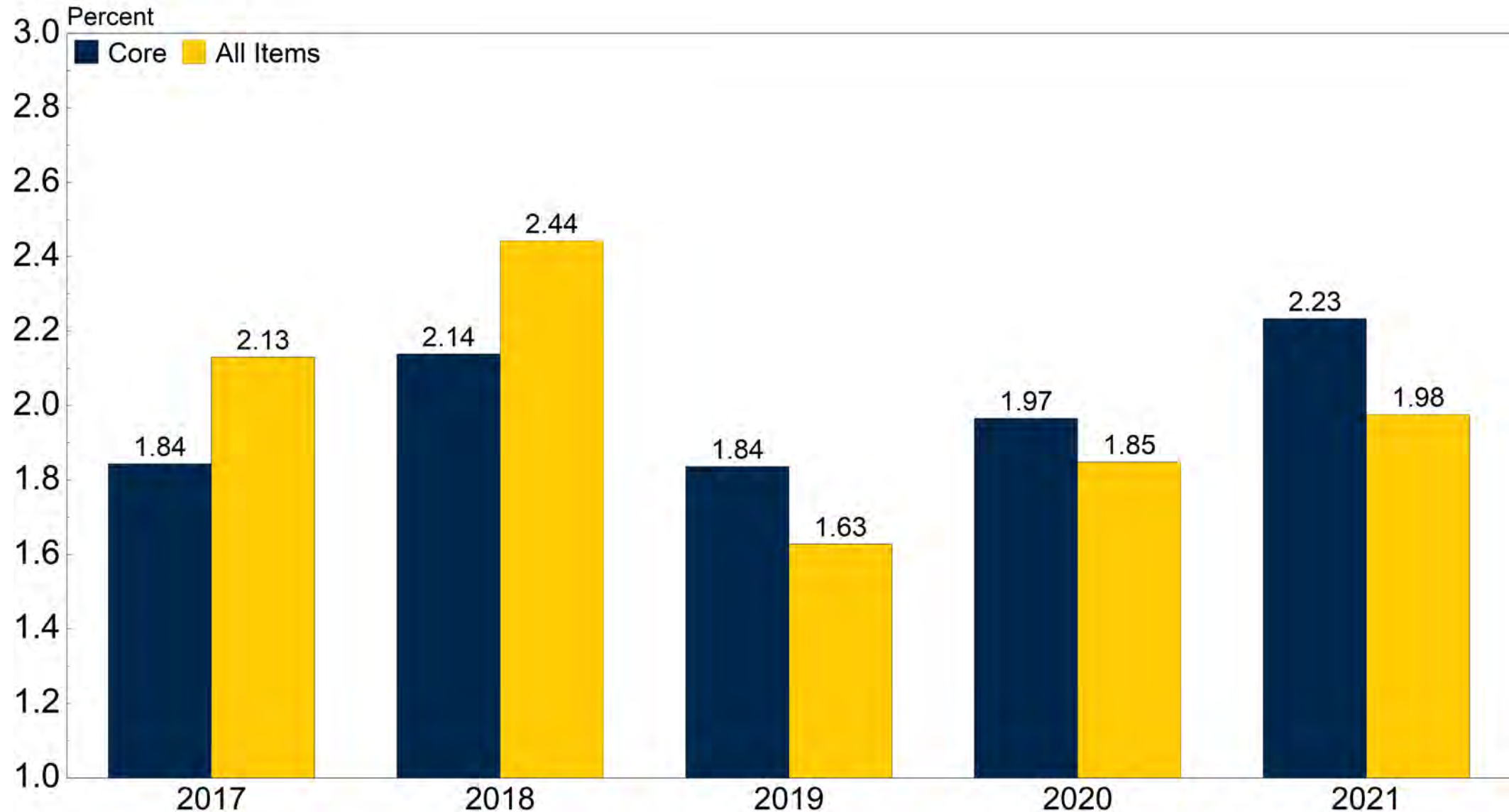


Nonfarm Payroll Employment Gains and Unemployment Rate

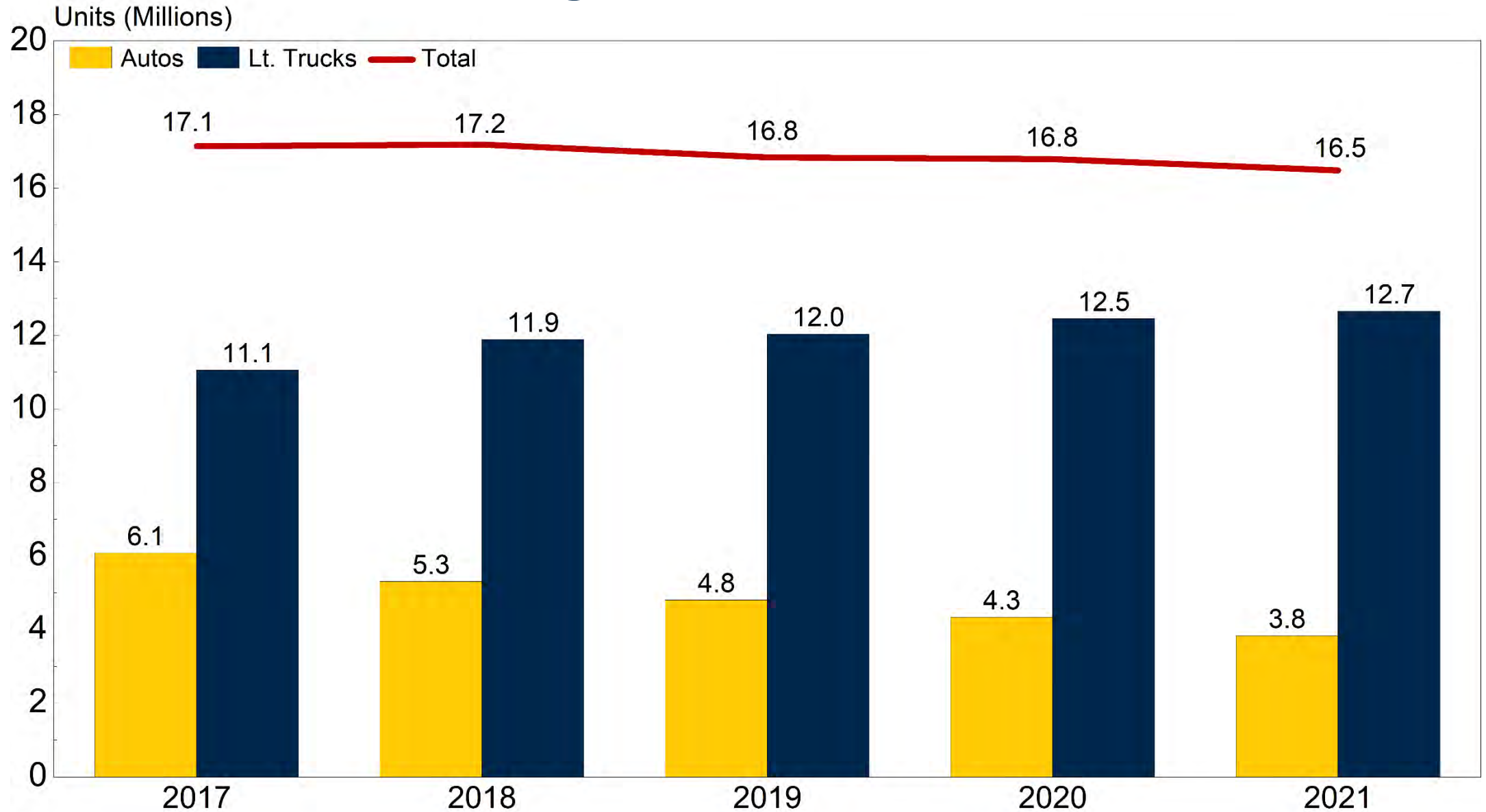


*-1/3 of a Quarterly Change

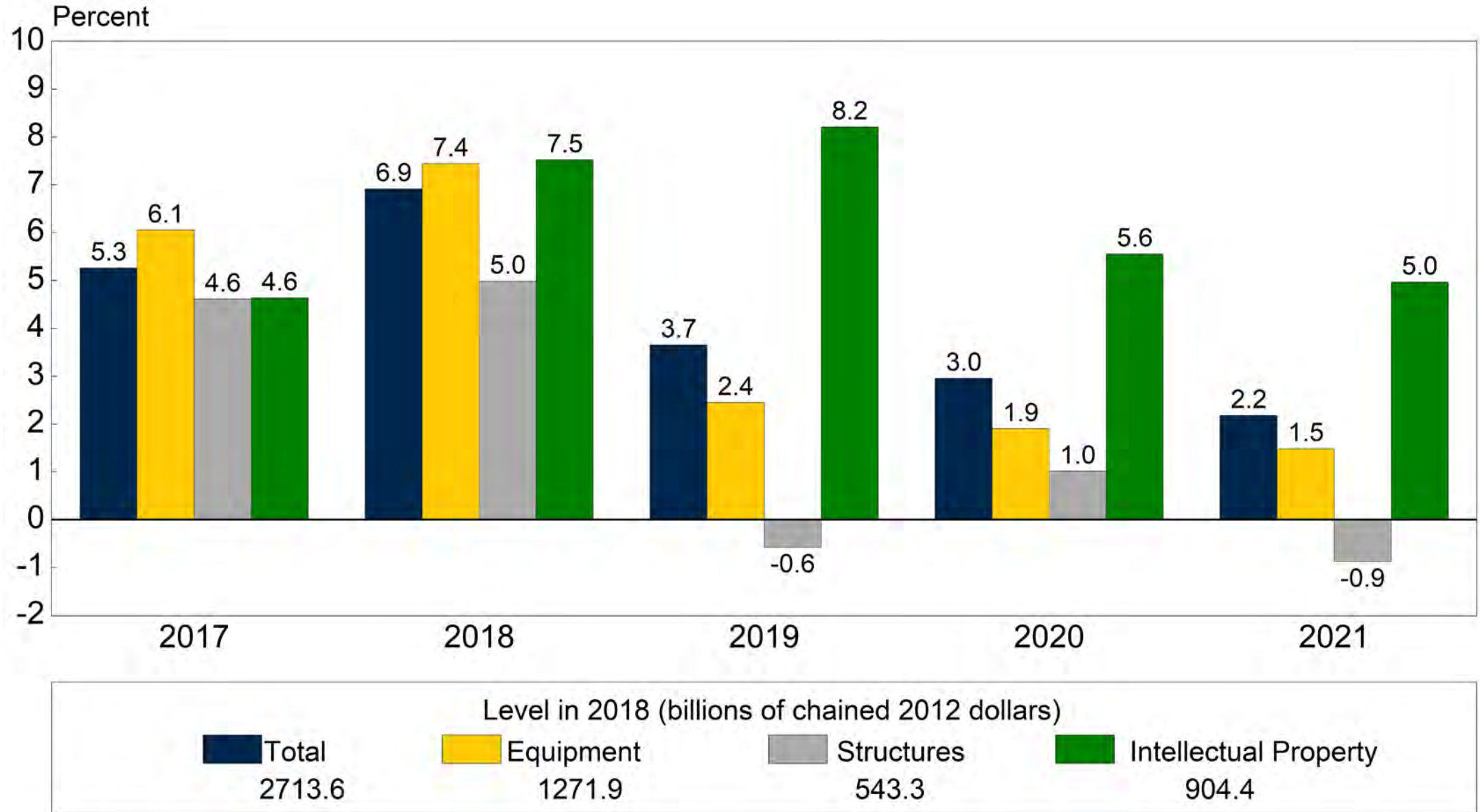
Consumer Price Inflation (CPI-U)



Light Vehicle Sales

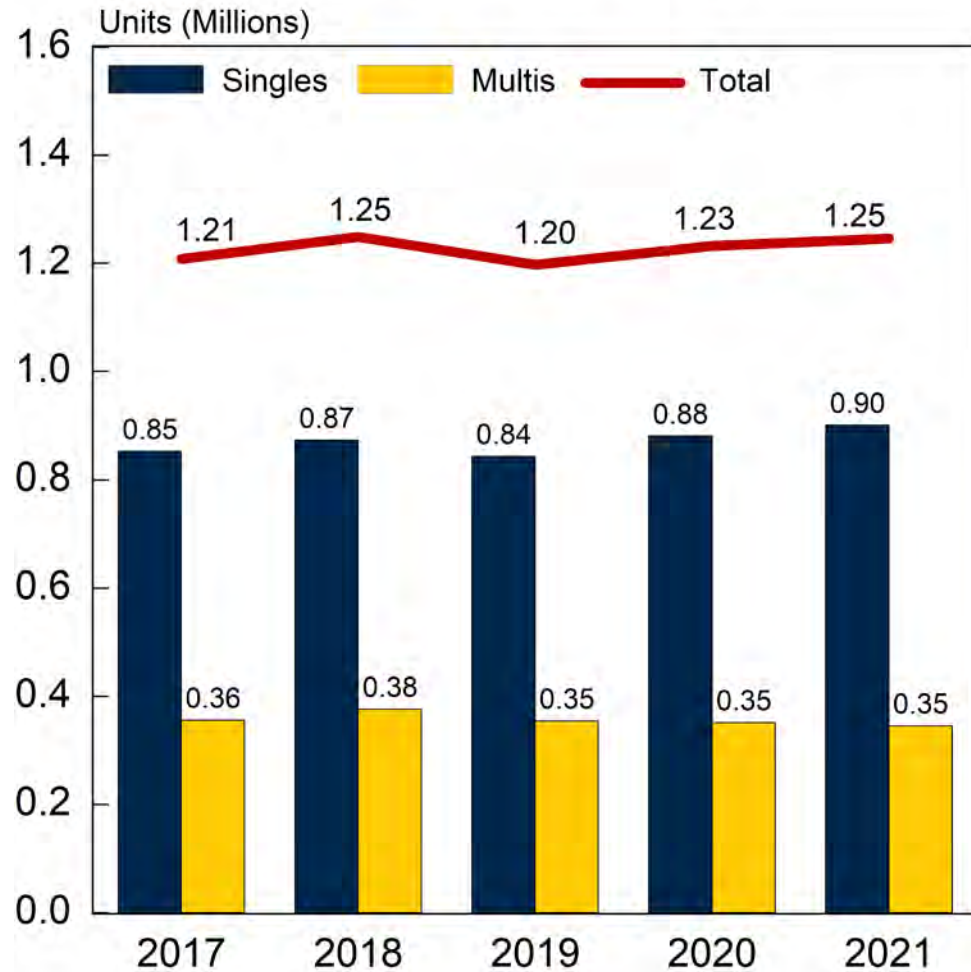


Growth of Nonresidential Fixed Investment

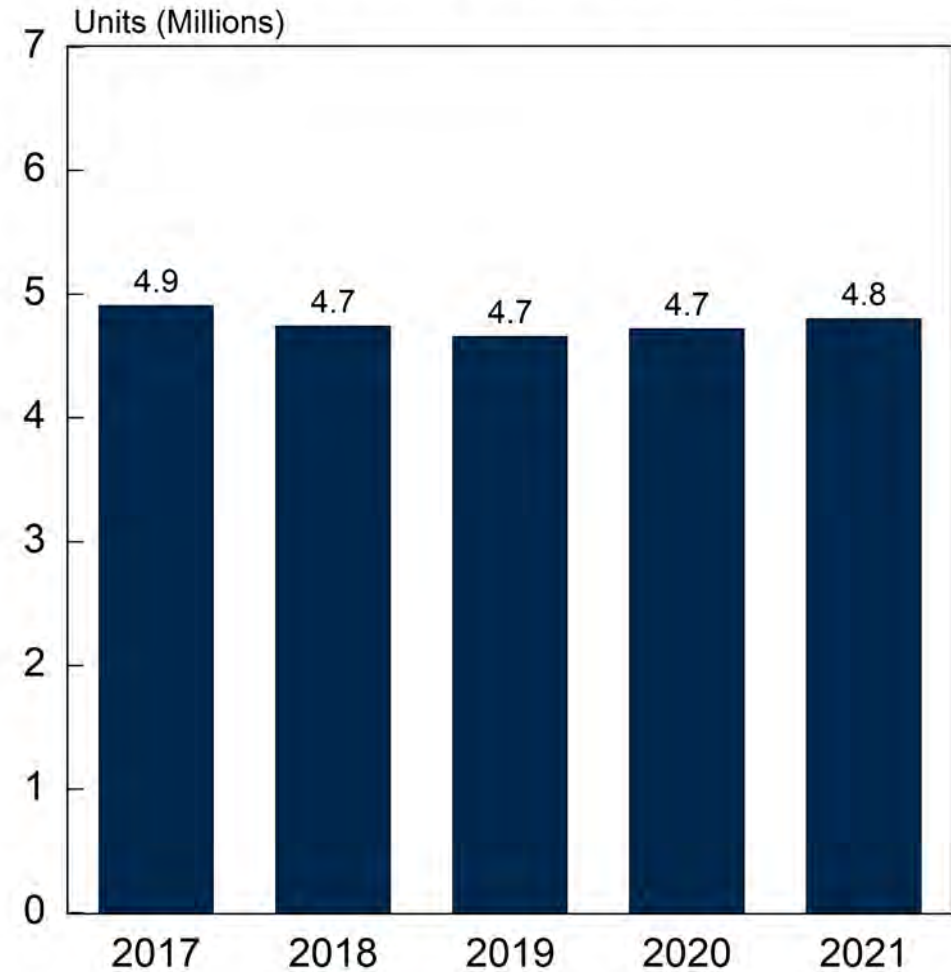


Housing Market

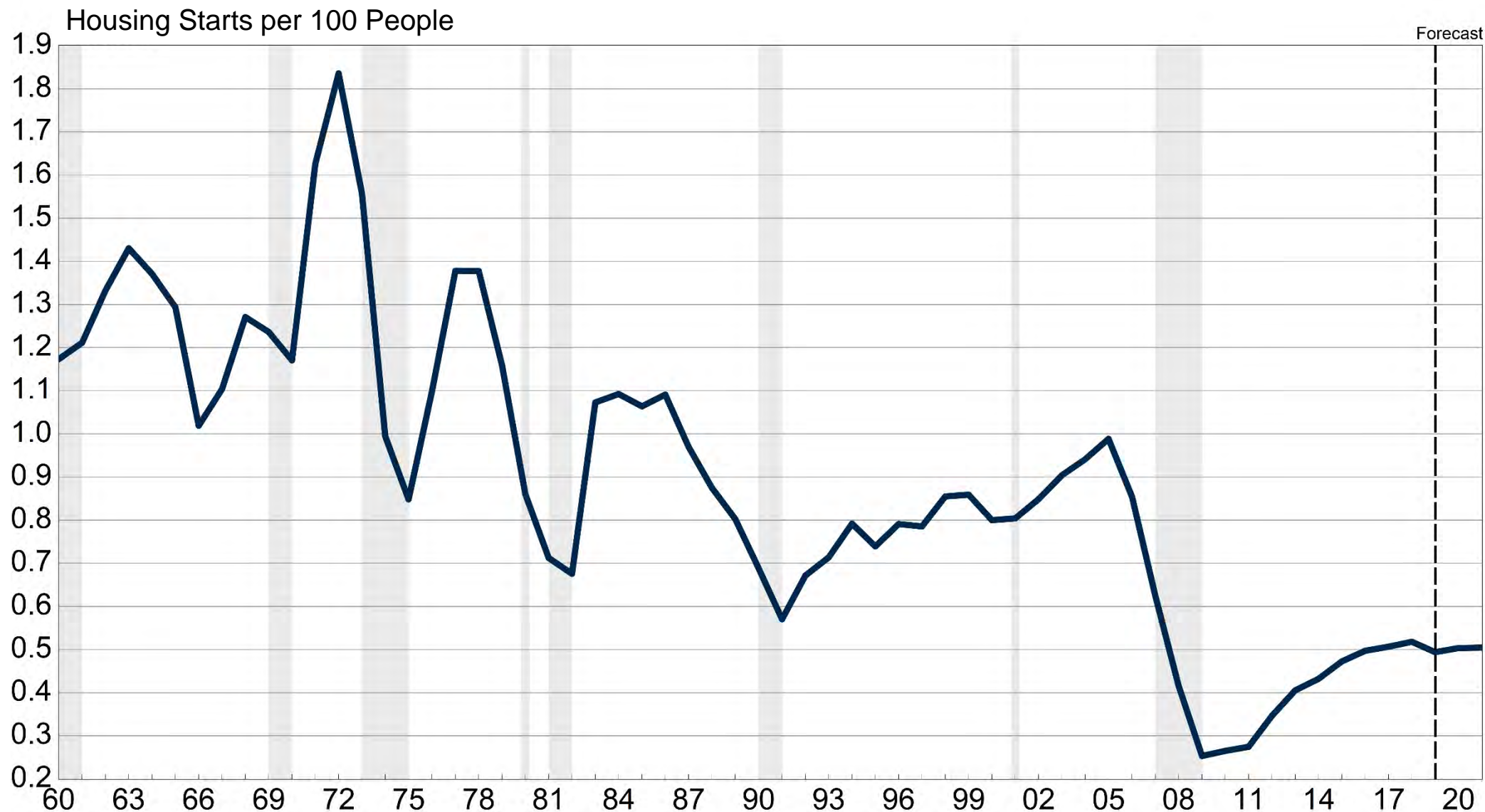
Housing Starts



Existing Home Sales



Housing Starts per Civilian Adult (20 or older)





LSA

RESEARCH SEMINAR IN
QUANTITATIVE ECONOMICS
UNIVERSITY OF MICHIGAN

The Leading Edge of Economic Forecasting since 1952

SAVE THE DATE!

The 67th Annual Economic Outlook Conference will take place on November 21–22, 2019 in Ann Arbor. The conference will feature RSQE's forecasts of the U.S. and Michigan economies plus a range of leading speakers from government, academia, and the private sector.

For more information: lsa.umich.edu/econ/rsqe

For Sponsorship information call 734.764.2356





lsa.umich.edu/econ/rsqe