



# High Frequency Economics<sup>®</sup>

Daily Data Analysis and Assessment of the Global Economy

**Slack To Keep Shrinking, Fed To Keep Tightening**

**- Jim O'Sullivan, Chief U.S. Economist**



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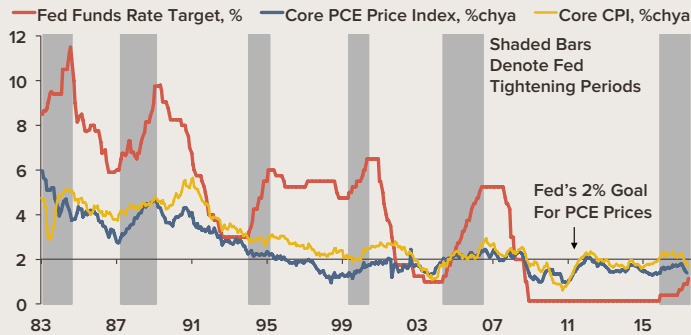
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## Daily Notes on the **United States**

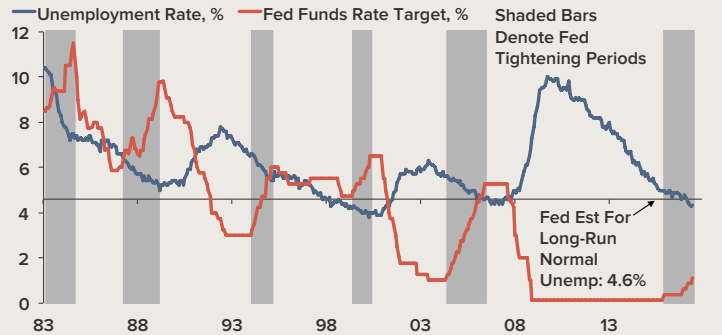
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### 1a. Modest Pick-Up In Core Inflation Has Been Reversed



### 1b. But Unemployment Is Low And Likely To Get Lower





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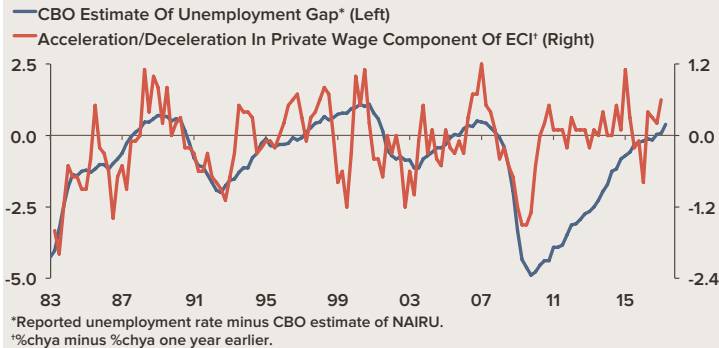
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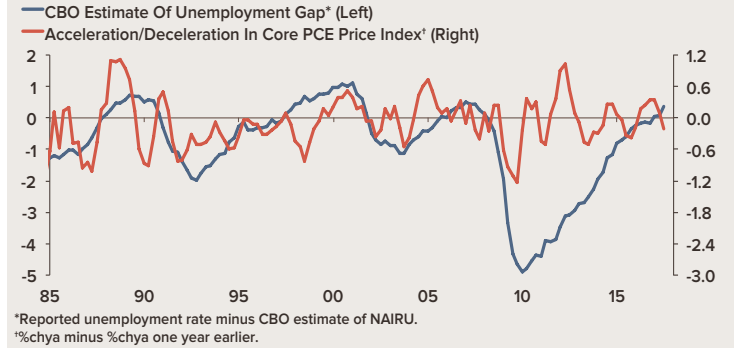
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### 2a. Upward Pressure On Wages From Reduced Slack Just Starting



### 2b. Upward Pressure On Inflation From Reduced Slack Just Starting





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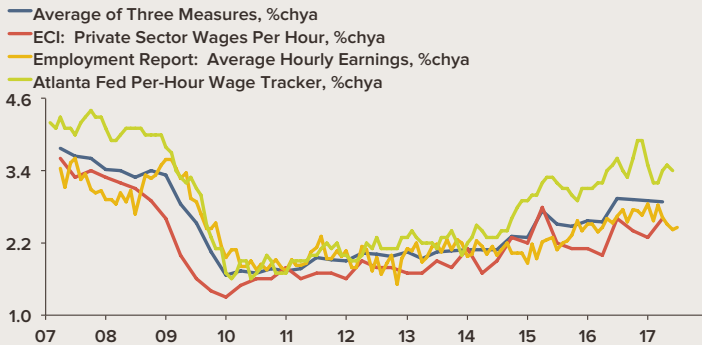
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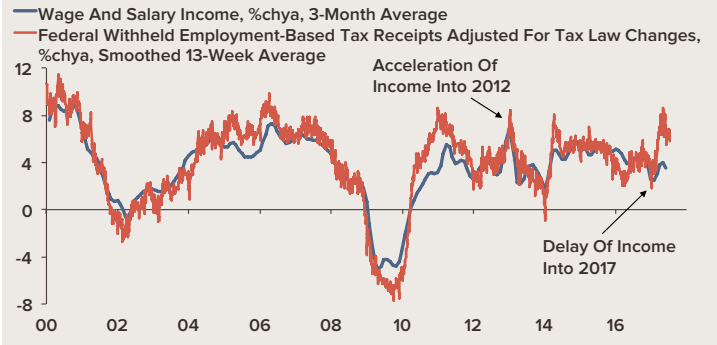
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### 3a. Hourly Earnings Have Stopped Accelerating—Temporarily?



### 3b. Withheld Receipts Are Outpacing Reported Wage Income





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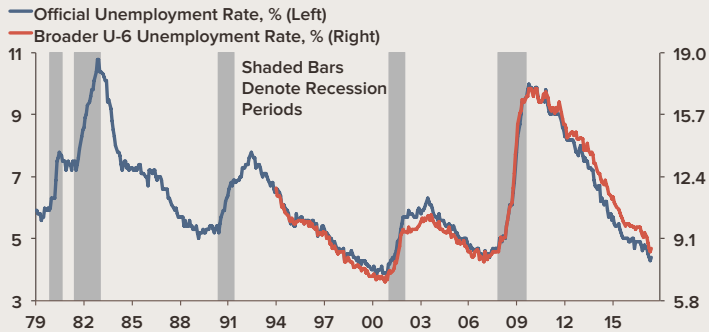
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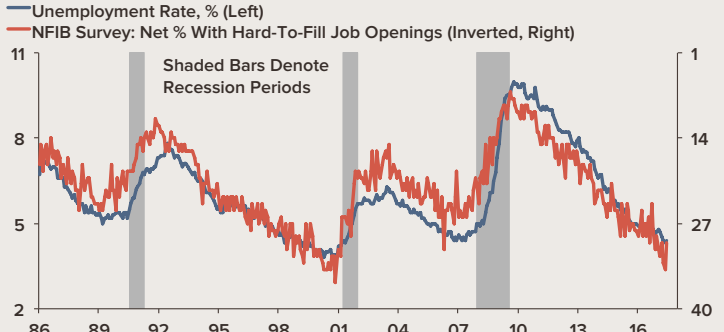
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### 4a. Downtrend in U-6 As Well As Official Unemployment Rate



### 4b. Labor Market Tightening Corroborated By NFIB Data





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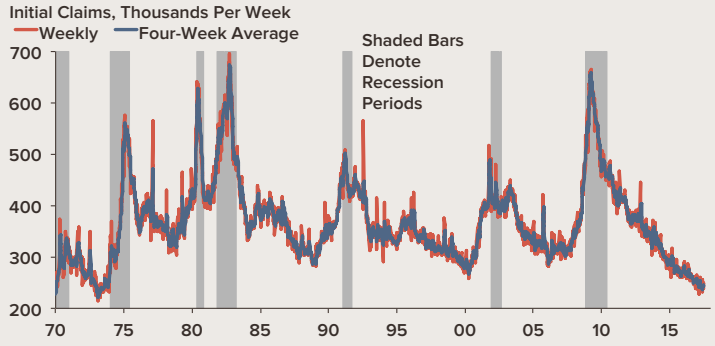
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### 5a. Jobless Claims Remain Low



### 5b. Payrolls Gains Remain Strong, With Offsets In The Details

Change, Thousands Per Month

	2016	2017 Thru June	Change
Payrolls	187	180	-7
Government	17	9	-8
Private	170	171	1
<b>Manufacturing</b>	<b>-1</b>	<b>9</b>	<b>10</b>
<b>Mining &amp; Logging</b>	<b>-6</b>	<b>8</b>	<b>14</b>
Construction	13	19	6
Wholesale Trade	3	6	3
<b>Retail Trade</b>	<b>17</b>	<b>-6</b>	<b>-23</b>
Trans & Warehousing	8	3	-4
Utilities	0	0	0
Information	0	-7	-7
Financial Activities	15	14	-1
Prof & Business Services	45	48	4
Temporary Help	3	12	9
Education	7	2	-5
Health & Social Assistance	39	36	-3
Leisure & Hospitality	28	30	2
Other Services	4	10	6



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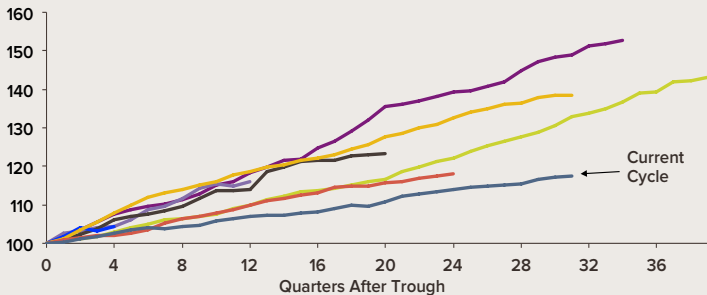
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### 6a. GDP Growth Has Been Weak By Past Standards

Real GDP During Recoveries, Trough=100

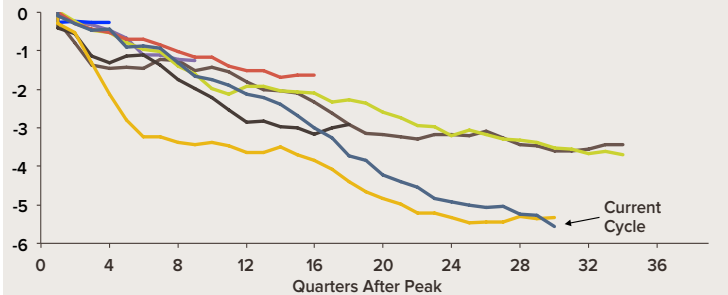
1961-69 1970-73 1975-80 1980-81 1982-90 1991-2001 2001-07 2009-



### 6b. ...Yet Unemployment Rate Has Been Falling Rapidly

Change In Unemployment Rate From Peak During Recoveries, Percentage Points

1961-69 1970-73 1975-80 1980-81 1982-90 1991-2001 2001-07 2009-





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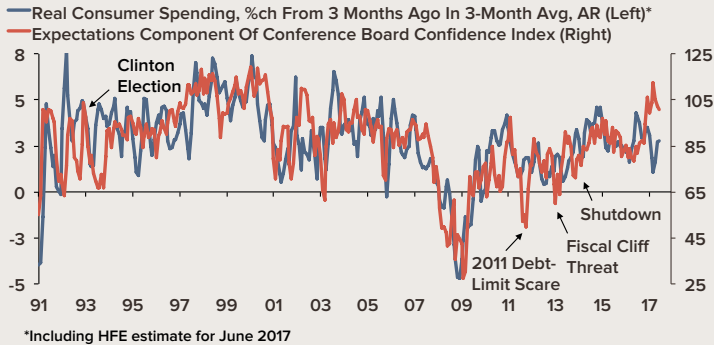
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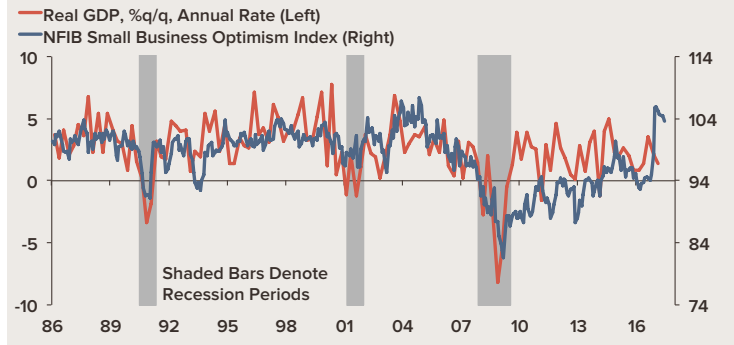
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### 7a. Spending Has Not Been As Strong As The Confidence Data



### 7b. NFIB Optimism Index Is Still High Enough For 5% Growth







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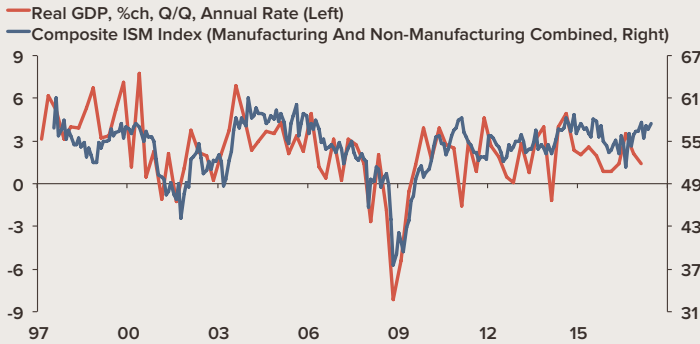
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### 8a. ISM Indexes Look High Enough For Near-4% Growth



### 8b. Exports Have Picked Up, Albeit Not As Much As ISM Data





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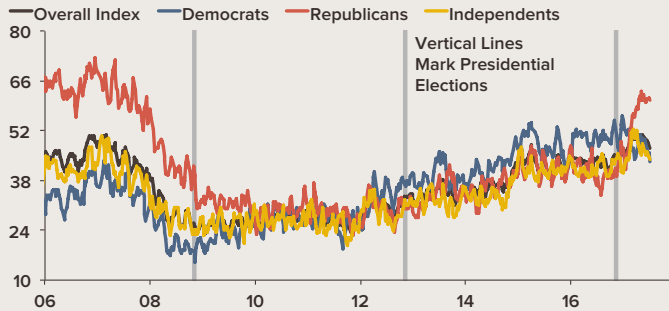
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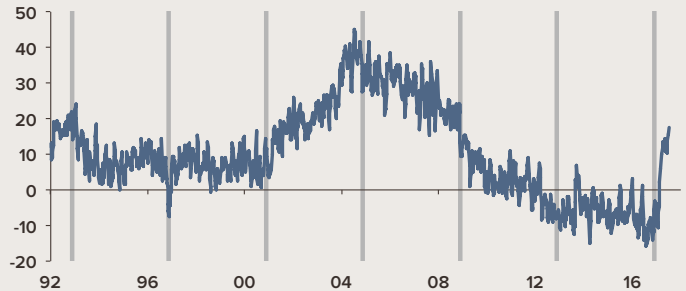
### 9a. Confidence Data Have Shown Increased Partisanship

Weekly Bloomberg Consumer Comfort Index



### 9b. The "Polarization" Index Has Continued To Rise

Bloomberg Consumer Comfort Polarization Index: Republican Minus Democrats  
Vertical Lines Mark Presidential Elections





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## Daily Notes on the **United States**

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### 10a. Fed Tightening Cycles

Start	End	Nominal Funds Rate Target (%)		Change In Funds Rate (Pct Pts)		Core PCE Prices (%chya)		Real Funds Rate*	
		Start	End	First 12 Months	Full Cycle	Start	End	Start	End
Mar 83	Aug 84	8.50	11.50	0.9	3.0	5.9	4.0	2.6	7.5
Apr 87	Feb 89	6.00	9.75	0.8**	3.8	2.8	4.7	3.2	5.1
Feb 94	Feb 95	3.00	6.00	2.5	3.0	2.2	2.3	0.8	3.7
Jun 99	May 00	4.75	6.50	1.8	1.8	1.2	1.7	3.5	4.8
Jun 04	Jun 06	1.00	5.25	2.0	4.3	1.9	2.4	-0.9	2.9
Dec 15		0.13		0.5		1.4		-1.3	

\* Deflated with %chya in core PCE prices. \*\*The 1987-89 cycle was temporarily interrupted by the 1987 stock market crash.

### 10b. Fed Officials' Estimates For Appropriate Fed Funds Rate

% At Year-End, as of Jun 2017 FOMC Meeting

	2017	2018	2019	Longer Run
Median Estimate	1.375	2.125	2.938	3.0
Mean Estimate	1.38	2.23	2.85	2.92

### 10c. Fed Officials' Economic Projections

Median, %ch Q4/Q4, Unless Noted, as of Jun 2017 FOMC Meeting

	2017	2018	2019	Longer Run
Real GDP	2.2	2.1	1.9	1.8
Unemploy. Rate	4.3	4.2	4.2	4.6
PCE Prices	1.6	2.0	2.0	2.0
Core PCE Prices	1.7	2.0	2.0	

\*Q4 Level, %



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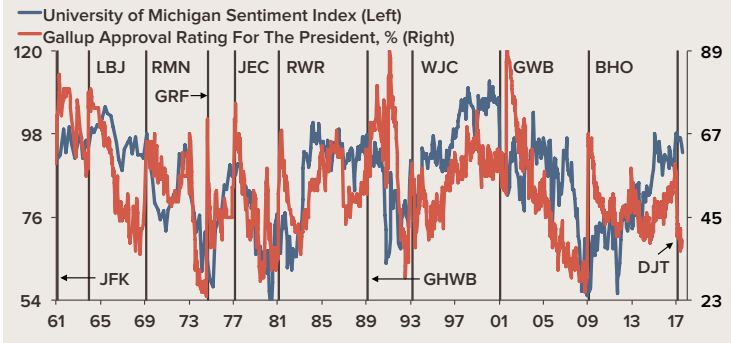
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### 11a. Despite Fed Tightening, Financial Conditions Have Eased



### 11b. Consumer Confidence Vs. The President's Approval Rating





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### 12. HFE's U.S. Economic & Financial Forecasts

*%ch From Previous Period, Annual Rate, Except Where Noted; Forecasts In Bold*

	2016				2017				Calendar Average			Q4/Q4		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2016	2017	2018	2016	2017	2018
Real GDP	0.8	1.4	3.5	2.1	1.4	<b>3.0</b>	<b>2.3</b>	<b>2.3</b>	1.6	<b>2.3</b>	<b>2.5</b>	2.0	<b>2.2</b>	<b>2.4</b>
CPI	0.1	2.3	1.8	3.0	3.1	-0.3	<b>2.0</b>	<b>2.2</b>	1.3	<b>2.0</b>	<b>2.3</b>	1.8	<b>1.8</b>	<b>2.6</b>
Core CPI	2.5	2.1	2.1	2.0	2.5	0.6	<b>2.0</b>	<b>2.3</b>	2.2	<b>1.9</b>	<b>2.3</b>	2.2	<b>1.8</b>	<b>2.6</b>
Core PCE Prices	2.1	1.8	1.7	1.3	2.0	<b>0.7</b>	<b>1.7</b>	<b>1.9</b>	1.7	<b>1.5</b>	<b>2.0</b>	1.7	<b>1.6</b>	<b>2.2</b>
Unemployment (% level)	4.9	4.9	4.9	4.7	4.7	4.4	<b>4.2</b>	<b>4.1</b>	4.9	<b>4.3</b>	<b>3.9</b>	4.7	<b>4.1</b>	<b>3.8</b>
Federal Budget Balance (\$B, FY)									-586	<b>-675</b>	<b>-800</b>			
% Of GDP									-3.2	<b>-3.5</b>	<b>-4.0</b>			
												<b>End Of Year</b>		
Fed Funds Target (% EOP)	0.38	0.38	0.38	0.63	0.88	1.13	<b>1.13</b>	<b>1.38</b>	0.4	<b>1.0</b>	<b>1.8</b>	0.63	<b>1.38</b>	<b>2.38</b>
10-Year Treasury (% EOP)	1.8	1.5	1.6	2.4	2.4	2.2	<b>2.6</b>	<b>2.8</b>	1.8	<b>2.5</b>	<b>3.0</b>	2.4	<b>2.8</b>	<b>3.2</b>
30-Year Treasury (% EOP)	2.6	2.3	2.3	3.1	3.1	2.8	<b>3.2</b>	<b>3.4</b>	2.6	<b>3.1</b>	<b>3.6</b>	3.1	<b>3.4</b>	<b>3.7</b>
S&P 500 (level, EOP)	2060	2099	2150	2239	2363	2423	<b>2300</b>	<b>2250</b>	2113	<b>2327</b>	<b>2200</b>	2239	<b>2250</b>	<b>2150</b>



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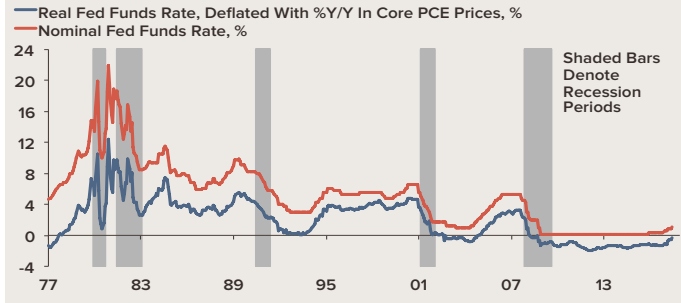
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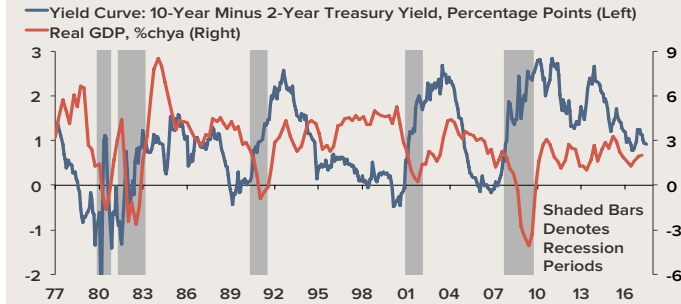
### 13a. Long Expansion, But "Expansions Do Not Die Of Old Age"

Recessions	Duration (Months)	Expansions	Duration (Months)
1945	8	1945-48	37
1948-49	11	1949-53	45
1953-54	10	1954-57	39
1957-58	8	1958-60	24
1960-61	10	1961-69	106
1970	11	1970-73	36
1973-75	16	1975-80	58
1980	6	1980-81	12
1981-82	16	1982-90	92
1990-91	8	1991-2001	120
2001	8	2001-07	73
2008-09	18	<b>2009-?</b>	<b>96 So Far</b>
Averages:		Averages:	
1854-1919	21.6	1854-1919	26.6
1919-45	18.2	1919-45	35.0
1945-2009	11.1	1945-2009	58.4

### 13b. Recent Recessions Preceded By Fed Tightening Cycles



### 13c. Yield Curve Inversions Generally Precede Recessions





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