Economic Conditions and Outlook

Legislative Council Staff Economics Section
Presentation to Joint Budget Committee
September 20, 2017
Most recent indicators show a healthy expansion.

Contributions to Real Gross Domestic Product (GDP)

Source: Bureau of Economic Analysis. Seasonally adjusted annual rates.
Exports are on the rebound...

Trade Weighted U.S. Dollar
Index of the Dollar to Foreign Currencies

U.S. Exports
Millions of Dollars

Source: Federal Reserve Board of Governors & Bureau of Economic Analysis (balance of payments basis). Seasonally adjusted.
...business activity is expanding...

Institute for Supply Management Indices

*Diffusion Index*

Source: Institute for Supply Management.
...as is the energy industry.

Source: Baker Hughes.
The strong business climate tightens labor markets

Total Nonfarm Employment

Index 100 = January 2010

Underemployment (U6)

Unemployment (U3)

...but wages are not growing as much as expected

Real Average Hourly Earnings
2015 Dollars

Demographics constrain this economy

U.S. Labor Participation Rate

- Age 25 to 54
  - Men
  - Total Civilian
  - Women

Productivity Growth

- Real Output per Hour
- Dec. 1983 to June 1990
- Apr. 1991 to Feb 2001
- Dec. 2001 to Nov. 2007
- July 2009 to ...

Inflation is low...

CPI-U Inflation
Year-over-Year Change in Prices

August 2017 over August 2016

- Headline: 1.9%
- Core: 1.7%
- Energy: 6.4%
- Food: 1.1%
- Housing: 2.9%
- Apparel: -0.6%
- Transportation: 2.7%
- Medical Care: 1.8%
- Recreation: 1.5%
- Education: 2.1%
- Other: 2.2%

Source: U.S. Census Bureau. Seasonally adjusted.
...and the Fed faces difficult decisions.