

Economic Advisory Committee of the American Bankers Association

Median of Individual Forecasts as of June 21, 2018

	2017.III	2017.IV	2018.I	2018.II	2018.III	2018.IV	2019.I	2019.II	2019.III	2019.IV	2018	2019	2020
Gross Domestic Product	<i>Seasonally Adjusted Annualized Growth Rate from Prior Quarter</i>										<i>Q4 / Q4</i>		
GDP in Current Dollars	5.3%	5.3%	4.2%	5.7%	4.9%	4.9%	4.5%	4.5%	4.4%	4.0%	4.9%	4.3%	
Real GDP, chain-weighted	3.2%	2.9%	2.2%	3.8%	2.9%	2.9%	2.5%	2.3%	2.1%	2.0%	2.8%	2.2%	1.6%
Personal Consumption	2.2%	4.0%	1.0%	3.1%	2.5%	2.4%	2.2%	2.2%	2.1%	2.1%	2.3%	2.1%	
Nonresidential Fixed Investment	4.7%	6.8%	9.2%	4.8%	5.8%	5.2%	4.2%	4.0%	3.7%	3.6%	6.0%	3.9%	
Residential Investment	-4.7%	12.8%	-2.0%	2.5%	3.0%	3.3%	2.8%	2.9%	2.8%	2.9%	1.9%	3.0%	
Change In Business Inventories (\$billions)	\$38.5	\$15.6	\$20.2	\$33.0	\$38.0	\$40.4	\$42.7	\$40.4	\$41.4	\$41.9	\$31.0	\$41.9	
Imports	-0.7%	14.1%	2.8%	2.8%	4.1%	3.9%	3.5%	3.4%	4.0%	4.0%	3.3%	3.8%	
Exports	2.1%	7.0%	4.2%	4.0%	3.5%	3.6%	3.3%	3.4%	2.6%	2.7%	3.4%	3.0%	
Government Purchases	0.7%	3.0%	1.1%	1.6%	2.6%	2.8%	1.9%	1.8%	1.6%	1.3%	2.1%	1.6%	

	<i>Seasonally Adjusted Annualized Quarterly Average Change or Level</i>										<i>Q4 / Q4</i>		
Other Business Indicators													
Consumer Price Index Inflation (y/y % change)	2.0%	2.1%	2.3%	2.7%	2.8%	2.5%	2.2%	2.1%	2.1%	2.1%	2.5%	2.1%	
P.C.E. Inflation (y/y % change)	1.5%	1.7%	1.8%	2.2%	2.3%	2.2%	2.1%	2.0%	2.1%	2.1%	2.2%	2.1%	2.1%
Core P.C.E. Inflation (y/y % change)	1.4%	1.5%	1.7%	1.9%	2.0%	2.1%	2.1%	2.1%	2.1%	2.2%	2.1%	2.2%	2.0%
West Texas Intermediate Crude Oil	\$48	\$55	\$63	\$68	\$67	\$67	\$66	\$65	\$65	\$64	\$66	\$65	
S&P 500 Operating E/S	\$31.33	\$33.85	\$36.41	\$37.00	\$37.50	\$38.10	\$38.65	\$39.00	\$39.50	\$40.00	\$37.25	\$39.29	
Total Auto & Lt. Truck Sales (millions)	17.1	17.7	17.2	17.0	16.9	16.8	16.8	16.7	16.8	16.7	17.0	16.7	
Private Average Hourly Earnings	2.6%	2.5%	2.7%	2.7%	2.9%	3.0%	3.1%	3.2%	3.2%	3.3%	2.9%	3.2%	
New Home Sales (000s)	587	657	668	670	677	684	684	703	699	703	677	697	
Housing Starts (000s)	1172	1259	1320	1307	1309	1323	1326	1339	1347	1359	1314	1342	
House Prices (S&P/Case-Shiller 20-City)	3.9%	8.9%	9.3%	6.4%	6.4%	5.6%	4.8%	4.2%	4.2%	4.0%	6.4%	4.2%	
Nonfarm Payrolls (avg. mo. Δ, 000's)	142	221	212	191	176	166	150	149	140	130	177	143	
Unemployment Rate	4.3%	4.1%	4.1%	3.8%	3.7%	3.7%	3.6%	3.6%	3.6%	3.6%	3.7%	3.6%	3.8%

	2017.III	2017.IV	2018.I	2018.II	2018.III	2018.IV	2019.I	2019.II	2019.III	2019.IV
Interest Rates and the Dollar										
Effective federal funds rate	1.15%	1.30%	1.51%	1.85%	2.13%	2.34%	2.54%	2.71%	2.88%	2.98%
3-M Treas. Bills (dsct, secy mkt)	1.03%	1.32%	1.70%	1.95%	2.18%	2.32%	2.49%	2.68%	2.75%	2.78%
Two-Year U.S. Treasury Notes	1.38%	1.84%	2.28%	2.52%	2.66%	2.80%	2.91%	2.90%	3.08%	3.11%
Ten-Year U.S. Treasury Bonds	2.20%	2.40%	2.84%	2.95%	3.11%	3.21%	3.31%	3.37%	3.46%	3.49%
30-year Fixed-Rate Mortgages	3.81%	3.95%	4.44%	4.57%	4.74%	4.82%	4.91%	4.99%	5.04%	5.15%
Trade-Weighted Dollar (Fed BOG, major)	87.1	88.7	86.2	88.7	89.0	89.5	89.7	89.5	89.0	88.5

Federal Budget		
FY Unified Surplus / (Deficit) \$Billions		
2016	(\$585)	
2017	(\$665)	
2018	(\$820)	
2019	(\$993)	

Bank Credit and Quality (An. Avg.)	2016	2017	2018	2019
Bank Consumer Cr. Delinquency Rate	2.1%	2.2%	2.4%	2.5%
Bank Consumer Cr. Charge-Off Rate	1.9%	2.2%	2.3%	2.5%
Consumer Credit (break adj. annual % change)	7.0%	4.2%	5.0%	4.9%
Bank C&I Loan Delinquency Rate	1.6%	1.3%	1.4%	1.6%
Bank C&I Loan Charge-Off Rate	0.4%	0.4%	0.4%	0.5%
Bank C&I (break adj. annual % change)	6.5%	0.7%	3.0%	3.7%

If my 2018 forecast is wrong:	Lower	Balanced	Higher
Real GDP growth	2	6	7
Personal Consumption	1	7	7
Business Investment	3	5	7
Inflation	2	5	8
Long-term interest rates	3	4	8

Probability of Recession		
2018	10%	
2019	20%	
2020	34%	

<i>Over the next 6 months, changes in:</i>	Deterioration	Same	Improvement
Consumer Credit Quality	5	3	3
Consumer Credit Availability	1	7	3
Business Credit Quality	1	6	4
Business Credit Availability	0	7	4

Potential Real GDP Growth	1.8%
Full-Employment Unemployment Rate	4.2%
Labor Force Participation Rate in 2018	62.9%
Current cycle nadir unemployment rate	3.5%
Month of next Fed rate hike	Sep 2018
Will the yield curve invert this year (Y/N)?	13N, 1Y

Monetary Policy		
Federal funds target ceiling rate		
Expected	Recommended	
9/26/18	2.25%	2.25%
12/19/18	2.50%	2.50%
6/19/19	3.00%	3.00%
12/11/19	3.25%	3.25%

ABA ECONOMIC ADVISORY COMMITTEE

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Real GDP Growth in 2018 (Q4-to-Q4)

2¼% up to 2½%	0	3% up to 3¼%	4
2½% up to 2¾%	3	3¼% up to 3½%	1
2¾% up to 3%	8	3½% up to 3¾%	0

Long-term Potential for Growth of Inflation-Adjusted GDP

1¼% up to 1½%	2	2% up to 2¼%	0
1½% up to 1¾%	0	2¼% up to 2¾%	1
1¾% up to 2%	11	2¾% up to 3¼%	1

Full Employment Unemployment Rate

3½% up to 4%	3	4¼% up to 4½%	4
4% up to 4¼%	6	Over 4½%	2

Core Personal Consumption Expenditures Inflation in 2018 (Q4-to-Q4)

Up to 1.9%	0	2% up to 2.25%	9
1.9% up to 2%	4	Greater than 2.25%	1

	Real GDP growth	Personal Consumption	Business Investment	Inflation	Long-term Interest Rates
Risks for the 2018 Forecast					
Lower	2	1	3	2	3
Balanced	6	7	5	5	4
Higher	7	7	7	8	8

Upside Risks to the Forecast

Higher productivity growth
Stronger business investment
Reduction of trade tensions

Downside Risks to the Forecast

Trade tensions
Accelerated pickup in inflation
Geopolitical shock

Strongest Economic Headwind

Weak productivity and labor force growth

Federal Funds Rate Target Ceiling

	December 19, 2018		December 11, 2019	
	<i>Expected</i>	<i>Recommended</i>	<i>Expected</i>	<i>Recommended</i>
2%				
2¼%	3	2		
2½%	13	12		1
2¾%			3	4
3%			5	2
3¼%			6	5
3½%			2	2
3¾%				

Changes in Credit Over the Next 6 Months

	Consumer Credit		Business Credit	
	<i>Credit Quality</i>	<i>Availability</i>	<i>Credit Quality</i>	<i>Availability</i>
Deterioration	5	1	1	
No Change	3	7	6	7
Improvement	3	3	4	4

Economic Projections of the Federal Open Market Committee

Median of Individual Forecasts as of June 21, 2018

<i>(Percents)</i>	FOMC June 2018 Projections				ABA Economic Advisory Committee			
	2018	2019	2020	Long Run	2018	2019	2020	Long Run
Central Tendencies*								
Real GDP Growth	2.7 to 3.0	2.2 to 2.6	1.8 to 2.0	1.8 to 2.0	2.8 to 3	2 to 2.4	1.3 to 1.9	1.7 to 2
Unemployment Rate	3.6 to 3.7	3.4 to 3.5	3.4 to 3.7	4.3 to 4.6	3.6 to 3.7	3.5 to 3.7	3.5 to 4	4 to 4.3
PCE Inflation	2.0 to 2.1	2.0 to 2.2	2.1 to 2.2	2.0	2.1 to 2.3	1.9 to 2.2	1.8 to 2.2	2 to 2
Core PCE Inflation	1.9 to 2.0	2.0 to 2.2	2.1 to 2.2		2 to 2.1	2 to 2.3	1.8 to 2.2	1.9 to 2
Federal Funds Rate	2.1 to 2.4	2.9 to 3.4	3.1 to 3.6	2.8 to 3.0	2.1 to 2.4	2.8 to 3.1	2.8 to 3.3	2.5 to 3
Ranges**								
Real GDP Growth	2.5 to 3.0	2.1 to 2.7	1.5 to 2.2	1.7 to 2.1	2.5 to 3.5	1.8 to 2.7	0.8 to 2.4	1.4 to 3
Unemployment Rate	3.5 to 3.8	3.3 to 3.8	3.3 to 4.0	4.1 to 4.7	3.5 to 3.8	3.2 to 4.1	3.3 to 4.7	3.5 to 5
PCE Inflation	2.0 to 2.2	1.9 to 2.3	2.0 to 2.3	2.0	1.9 to 2.8	1.8 to 2.3	1.4 to 2.4	1.8 to 2.2
Core PCE Inflation	1.9 to 2.6	2.0 to 2.3	2.0 to 2.3		1.9 to 2.3	1.8 to 2.3	1.6 to 2.4	1.8 to 2
Federal Funds Rate	1.9 to 2.6	1.9 to 3.6	1.9 to 4.1	2.3 to 3.5	2.1 to 2.5	2.6 to 3.4	2.2 to 3.8	2.5 to 3.8

* As reported by the Federal Reserve, the top three and bottom three individual projection values are removed for the central tendencies range. The ABA central tendency ranges do not include the top two and bottom two individual projections.

** Ranges reported are the low and high end individual projections.