



# Economic Advisory Committee of the American Bankers Association

Median of Individual Forecasts as of January 9, 2019

	2017.I	2017.II	2017.III	2017.IV	2018.I	2018.II	2018.III	2018.IV	2019.I	2019.II	2019.III	2019.IV	2020.I	2018	2019	2020
	Seasonally Adjusted Annualized Growth Rate from Prior Quarter													Q4 / Q4		
<b>Gross Domestic Product</b>																
GDP in Current Dollars	3.9%	4.2%	4.8%	5.1%	4.3%	7.6%	5.0%	4.4%	4.0%	4.3%	4.1%	4.0%	4.0%	5.3%	4.1%	3.8%
Real GDP, chain-weighted	1.8%	3.0%	2.8%	2.3%	2.2%	4.2%	3.5%	2.7%	2.2%	2.3%	2.2%	2.0%	1.8%	3.1%	2.1%	1.7%
Personal Consumption	1.8%	2.9%	2.2%	3.9%	0.5%	3.8%	3.6%	3.5%	2.4%	2.4%	2.3%	2.1%	2.1%	2.9%	2.2%	2.0%
Nonresidential Fixed Investment	9.6%	7.3%	3.4%	4.8%	11.5%	8.7%	2.5%	4.3%	3.8%	3.4%	3.2%	3.1%	2.9%	6.7%	3.4%	2.6%
Residential Investment	11.1%	-5.5%	-0.5%	11.1%	-3.4%	-1.3%	-2.6%	-2.0%	0.0%	0.6%	1.4%	1.5%	2.1%	-2.3%	0.8%	1.8%
Change In Business Inventories (\$billions)	\$2.4	\$11.9	\$64.4	\$16.1	\$30.3	(\$36.8)	\$86.7	\$72.0	\$56.0	\$60.0	\$52.3	\$50.0	\$42.5	\$38.0	\$57.5	\$38.0
Imports	4.8%	2.5%	2.8%	11.8%	3.0%	-0.6%	9.2%	3.9%	3.0%	3.1%	3.1%	3.2%	3.5%	3.8%	3.0%	3.1%
Exports	5.0%	3.6%	3.5%	6.6%	3.6%	9.3%	-4.4%	2.6%	3.0%	2.4%	2.3%	2.2%	2.6%	2.7%	2.7%	2.7%
Government Purchases	-0.8%	0.0%	-1.0%	2.4%	1.5%	2.5%	2.6%	2.6%	2.3%	2.0%	1.8%	1.5%	1.1%	2.3%	2.0%	1.0%

	Seasonally Adjusted Annualized Quarterly Average Change or Level															
<b>Other Business Indicators</b>																
Consumer Price Index Inflation (y/y % Δ)	2.6%	1.9%	2.0%	2.1%	2.3%	2.6%	2.6%	2.2%	1.6%	1.8%	1.8%	2.0%	2.2%	2.4%	2.0%	2.1%
P.C.E. Inflation (y/y % Δ)	2.0%	1.6%	1.6%	1.8%	1.9%	2.2%	2.2%	1.8%	1.6%	1.6%	1.7%	1.8%	2.0%	2.0%	1.8%	2.0%
Core P.C.E. Inflation (y/y % Δ)	1.8%	1.6%	1.5%	1.6%	1.7%	1.9%	2.0%	1.9%	1.9%	1.8%	1.9%	2.0%	2.0%	1.9%	2.0%	2.0%
West Texas Intermediate Crude Oil	\$52	\$48	\$48	\$55	\$63	\$68	\$70	\$59	\$56	\$60	\$61	\$61	\$61	\$65	\$59	\$60
Total Auto & Lt. Truck Sales (millions)	17.2	16.9	17.2	17.7	17.2	17.1	17.0	17.3	17.0	17.0	16.9	16.9	16.8	17.2	16.9	16.4
New Home Sales (000s)	619	604	584	655	656	633	598	593	623	642	647	636	640	620	639	650
Housing Starts (000s)	1231	1171	1172	1259	1317	1261	1225	1241	1255	1261	1271	1280	1286	1261	1265	1294
House Prices (S&P/Case-Shiller 20-City)	5.7%	5.6%	6.0%	6.3%	6.6%	6.5%	5.6%	5.2%	4.6%	4.7%	4.4%	4.2%	4.0%	6.0%	4.4%	3.3%
Nonfarm Payrolls (avg. mo. Δ, 000's)	177	190	142	221	218	217	190	190	182	162	150	131	124	204	158	120
Unemployment Rate	4.7%	4.3%	4.3%	4.1%	4.1%	3.9%	3.8%	3.7%	3.6%	3.6%	3.5%	3.5%	3.5%	3.9%	3.5%	3.6%

	Average for the Last Month of the Quarter															
<b>Interest Rates and the Dollar</b>																
Effective federal funds rate	0.79%	1.04%	1.15%	1.30%	1.51%	1.82%	1.95%	2.27%	2.44%	2.65%	2.88%	2.88%	2.88%			
3-M Treas. Bills (dsct, secy mkt)	0.74%	0.98%	1.03%	1.32%	1.70%	1.89%	2.13%	2.37%	2.48%	2.65%	2.85%	2.87%	2.89%			
Two-Year U.S. Treasury Notes	1.31%	1.34%	1.38%	1.84%	2.28%	2.53%	2.77%	2.68%	2.80%	2.90%	2.95%	3.03%	3.11%			
Ten-Year U.S. Treasury Bonds	2.48%	2.19%	2.20%	2.40%	2.84%	2.91%	3.00%	2.83%	2.89%	3.00%	3.07%	3.15%	3.20%			
30-year Fixed-Rate Mortgages	4.20%	3.90%	3.81%	3.95%	4.44%	4.57%	4.63%	4.64%	4.60%	4.70%	4.86%	4.91%	5.05%			
Trade-Weighted Dollar (Fed BOG, major)	94.4	91.7	87.1	88.7	86.2	89.7	90.0	92.1	92.6	92.8	92.2	91.2	90.6			

<b>Federal Budget</b>	
FY Unified Surplus / (Deficit) \$Billions	
2017	(\$665)
2018	(\$833)
2019	(\$997)
2020	(\$1,050)

<b>Bank Credit and Quality (An. Avg.)</b>	2016	2017	2018	2019
Bank Consumer Cr. Delinquency Rate	2.1%	2.2%	2.3%	2.5%
Bank Consumer Cr. Charge-Off Rate	1.9%	2.2%	2.3%	2.5%
Consumer Credit (break adj. annual % Δ)	7.0%	4.2%	4.0%	4.0%
Bank C&I Loan Delinquency Rate	1.6%	1.3%	1.3%	1.6%
Bank C&I Loan Charge-Off Rate	0.4%	0.4%	0.4%	0.6%
Bank C&I (break adj. annual % Δ)	6.3%	0.9%	4.3%	3.2%

<b>If my 2019 forecast is wrong:</b>	Lower	Balanced	Higher
Real GDP growth	7	3	2
Personal Consumption	6	5	1
Business Investment	8	2	2
Inflation	6	4	2
Long-term interest rates	7	4	1

<b>Probability of Recession</b>		
2019	20%	
2020	35%	
2021	40%	

<i>Over the next 6 months, changes in:</i>	Deterioration	Same	Improvement
Consumer Credit Quality	5	3	0
Consumer Credit Availability	5	1	2
Business Credit Quality	5	3	0
Business Credit Availability	4	3	1

Potential Real GDP Growth through 2023	1.9%
Full-Employment Unemployment Rate	4.2%
Labor Force Participation Rate in 2019	63.1%
Current cycle nadir unemployment rate	3.5%
Month of next Fed rate hike	6/2019
Peak federal funds rate this cycle	3.00%
Will the yield curve invert this year (Y/N)?	8N, 5Y

<b>Monetary Policy</b>		
Federal funds target ceiling rate		
	Expected	Recommended
3/20/19	2.50%	2.50%
6/19/19	2.75%	2.75%
12/11/19	3.00%	3.00%
Dec. 2020	3.00%	3.00%

# ABA ECONOMIC ADVISORY COMMITTEE

January 9, 2019

## Real GDP Growth in 2019 (Q4-to-Q4)

Over 1⅞% up to 1¾%	1	Over 2% up to 2⅞%	5
Over 1¾% up to 1⅞%	1	Over 2⅞% up to 2¼%	5
Over 1⅞% up to 2%	0	Over 2¼%	3

## Long-term Potential for Growth of Inflation-Adjusted GDP

Over 1¼% up to 1½%	2	Over 2% up to 2¼%	1
Over 1½% up to 1¾%	0	Over 2¼% up to 2¾%	0
Over 1¾% up to 2%	10	Over 2¾% up to 3¼%	1

## Full Employment Unemployment Rate

Up to 3½%	2	Over 4% up to 4¼%	3
Over 3½% up to 3¾%	1	Over 4¼% up to 4½%	2
Over 3¾% up to 4%	3	Over 4½% up to 5%	2

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

Up to 1¾%	2	Over 2% up to 2⅞%	3
Over 1¾% up to 1⅞%	1	Over 2⅞% up to 2¼%	0
Over 1⅞% up to 2%	6	Over 2¼% up to 2¾%	2

	Real GDP growth	Personal Consumption	Business Investment	Inflation	Long-term Interest Rates
<b>Risks for the 2019 Forecast</b>					
Lower	7	6	8	6	7
Balanced	3	5	2	4	4
Higher	2	1	2	2	1

## Upside Risks to the Forecast

Resolution of tariff disputes  
Higher productivity growth  
Easier financial conditions

## Downside Risks to the Forecast

Tariff tensions escalate  
Global growth weakens further  
Tightening financial conditions  
Stress on corporate credit

**Strongest Economic Headwind:** Trade, fiscal, and global policy uncertainty

## Federal Funds Rate Target Ceiling

	December 11, 2019		Dec. 2020	
	<i>Expected</i>	<i>Recommended</i>	<i>Expected</i>	<i>Recommended</i>
2%				1
2¼%			2	1
2½%		2		
2¾%	4	3	2	2
3%	8	5	5	6
3¼%	2		2	
3½%			2	
4%			1	

## Credit Changes in Next 6 Months

	Consumer Credit		Business Credit	
	<i>Credit Quality</i>	<i>Availability</i>	<i>Credit Quality</i>	<i>Availability</i>
Deterioration	5	5	5	4
No Change	3	1	3	3
Improvement		2		1

# Economic Projections of the Federal Open Market Committee

## January 9, 2019

<i>(Percents)</i>	FOMC December 2018 Projections				ABA Economic Advisory Committee			
	2018	2019	2020	Long Run	2018	2019	2020	Long Run
<b>Central Tendencies*</b>								
Real GDP Growth	3.0 to 3.1	2.3 to 2.5	1.8 to 2.0	1.8 to 2.0	3 to 3.2	2 to 2.3	1.5 to 2.3	1.7 to 2
Unemployment Rate	3.7	3.5 to 3.7	3.5 to 3.8	4.2 to 4.5	3.7 to 3.7	3.4 to 3.6	3.3 to 3.7	4 to 4.4
PCE Inflation	1.8 to 1.9	1.8 to 2.1	2.0 to 2.1	2.0	1.8 to 1.9	1.7 to 2	1.8 to 2.2	1.9 to 2
Core PCE Inflation	1.8 to 1.9	2.0 to 2.1	2.0 to 2.1		1.8 to 1.9	1.9 to 2.2	1.8 to 2.2	1.8 to 2
Federal Funds Rate	2.4	2.6 to 3.1	2.9 to 3.4	2.5 to 3.0	2.4 to 2.5	2.8 to 3.1	2.7 to 3.2	2.7 to 3.1
<b>Ranges**</b>								
Real GDP Growth	3.0 to 3.1	2.0 to 2.7	1.5 to 2.2	1.7 to 2.2	2.9 to 3.4	1.7 to 2.4	1.3 to 2.7	1.5 to 3
Unemployment Rate	3.7	3.4 to 4.0	3.4 to 4.3	4.0 to 4.6	3.6 to 3.8	3.2 to 3.7	3.2 to 4.2	3.5 to 5
PCE Inflation	1.8 to 1.9	1.8 to 2.2	2.0 to 2.2	2.0	1.2 to 2	1.3 to 2.1	1.2 to 2.3	1.7 to 2.1
Core PCE Inflation	1.8 to 1.9	1.9 to 2.2	2.0 to 2.2		1.5 to 2.2	1.5 to 2.4	1.7 to 2.3	1.6 to 2
Federal Funds Rate	2.1 to 2.4	2.4 to 3.1	2.4 to 3.6	2.5 to 3.5	2.4 to 2.8	2.5 to 3.2	2.2 to 3.9	2.5 to 3.5

\* 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.