



The Economic Outlook – and Two Risks to the Forecast that are Worth Watching

Eric S. Rosengren
President & CEO
Federal Reserve Bank of Boston

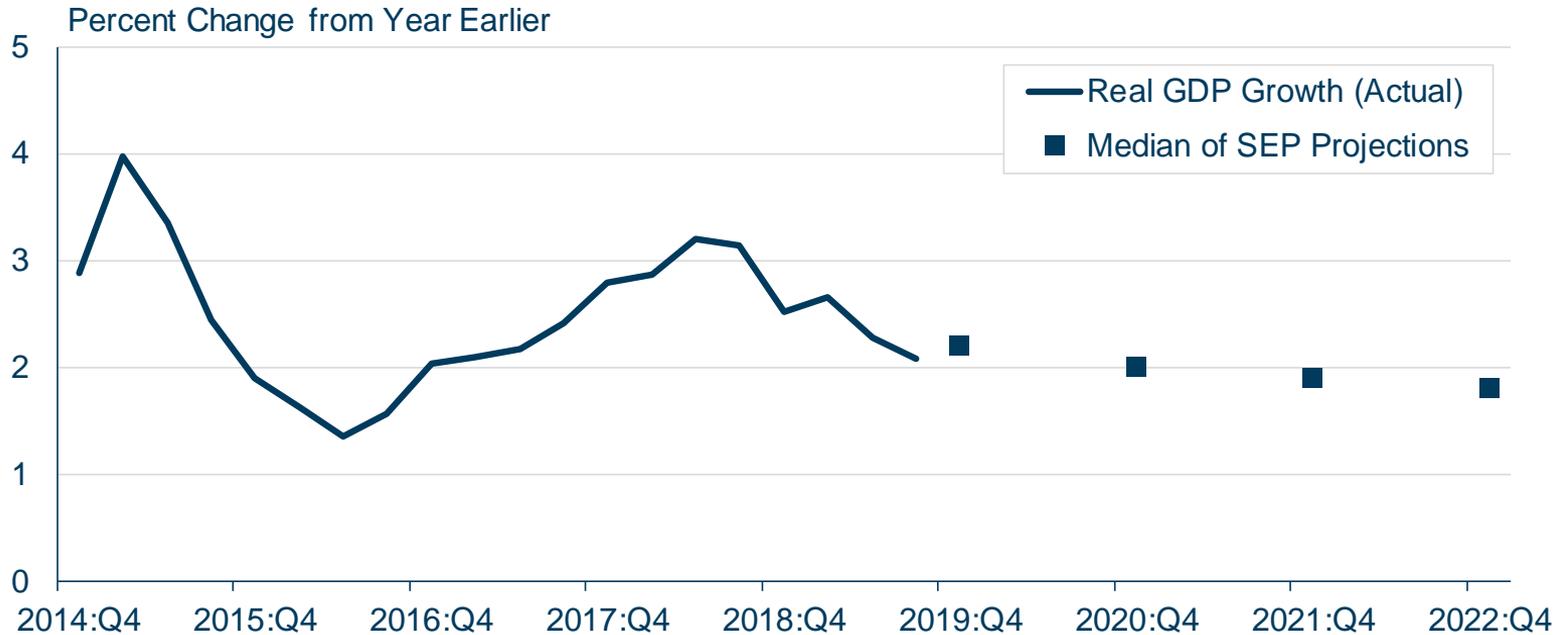
Economic Summit + Outlook 2020
Connecticut Business & Industry Association
Hartford, Connecticut

January 13, 2020



Figure 1: Real GDP Growth: Actual and Forecast from the Summary of Economic Projections

2014:Q4 - 2022:Q4

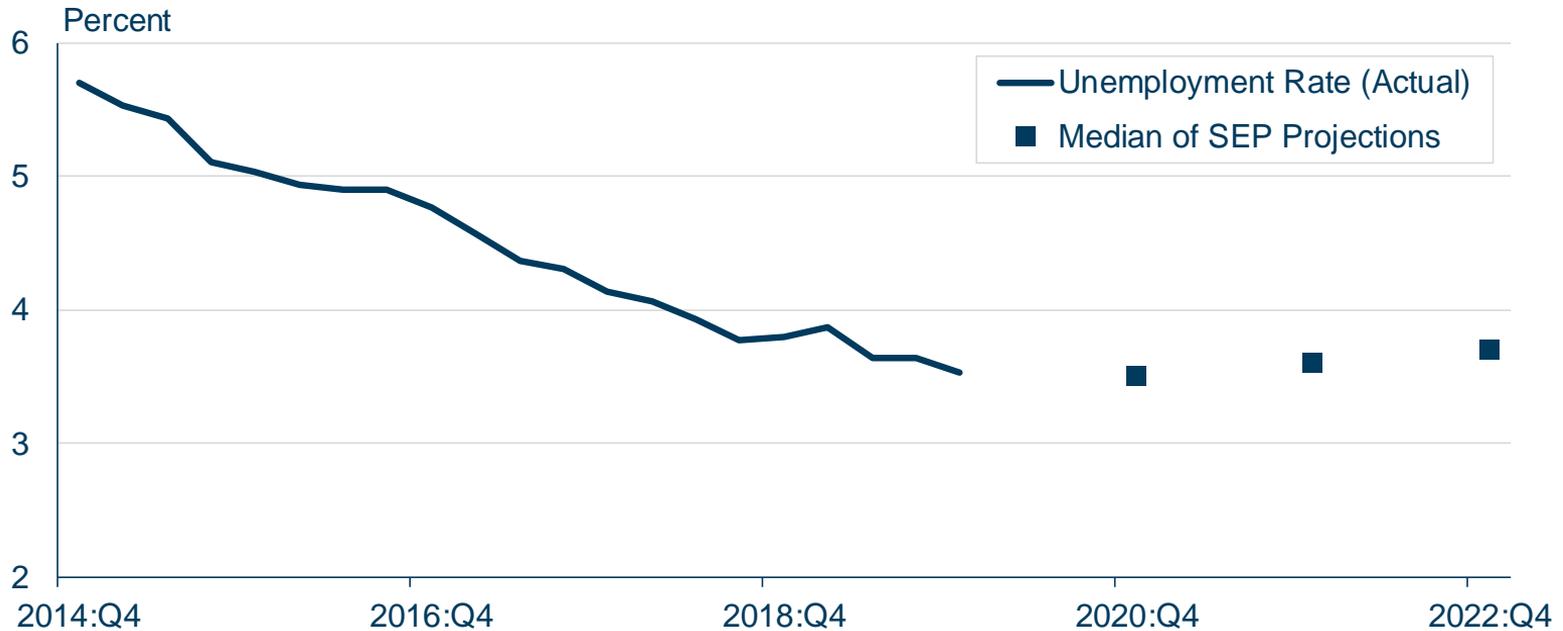


Note: The SEP real GDP forecast is for the percent change from the fourth quarter of the previous year to the fourth quarter of the year indicated, for 2019 - 2022.

Source: BEA; FOMC, Summary of Economic Projections, December 11, 2019; Haver Analytics

Figure 2: Unemployment Rate: Actual and Forecast from the Summary of Economic Projections

2014:Q4 - 2022:Q4

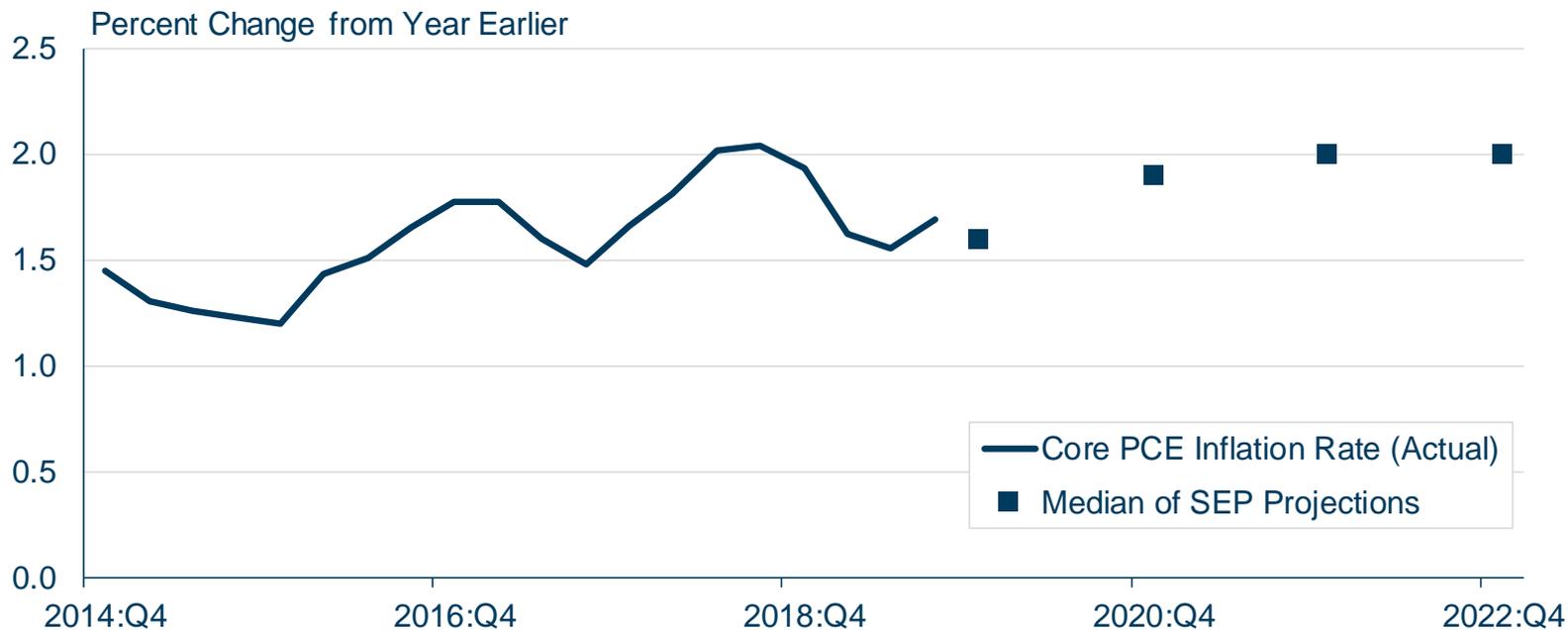


Note: The SEP unemployment rate forecast is for the unemployment rate in the fourth quarter of the year indicated, for 2020 - 2022.

Source: BLS; FOMC, Summary of Economic Projections, December 11, 2019; Haver Analytics

Figure 3: Core PCE Inflation Rate: Actual and Forecast from the Summary of Economic Projections

2014:Q4 - 2022:Q4

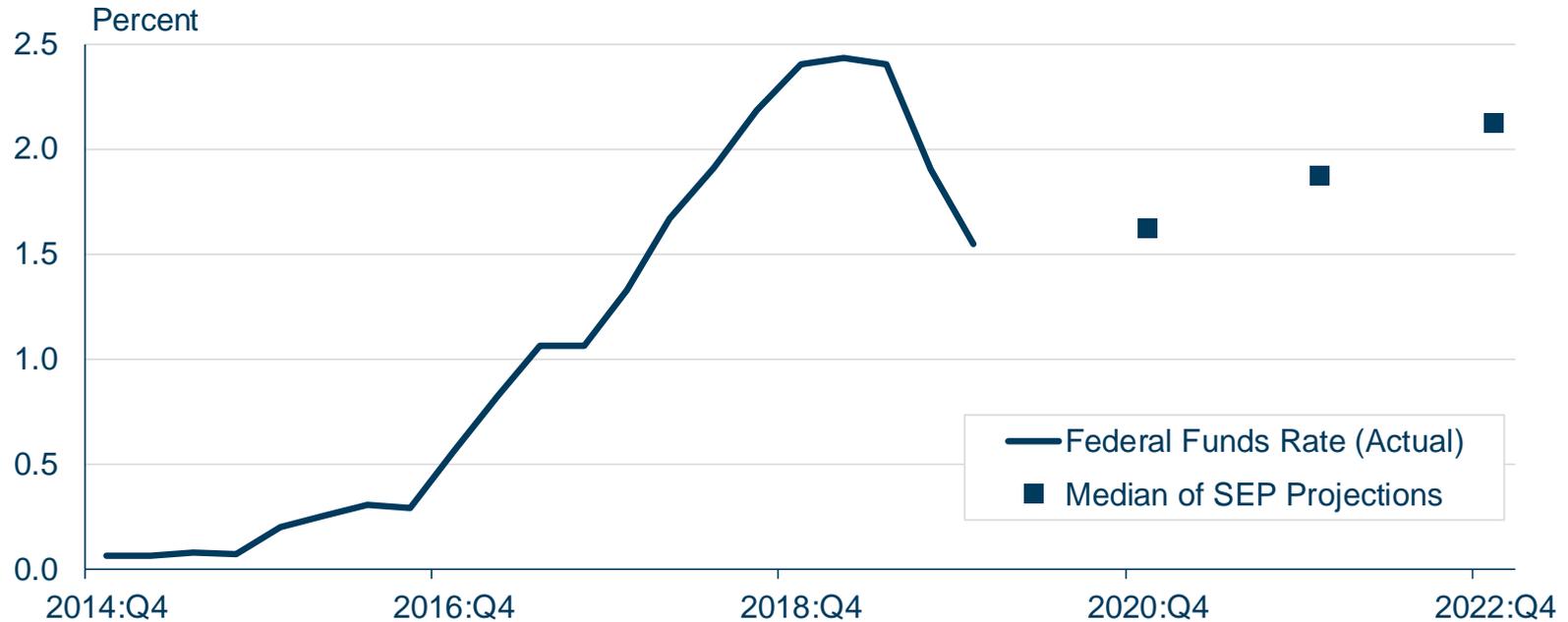


Note: Core PCE inflation excludes food and energy. The SEP core PCE inflation forecast is for the percent change in the core personal consumption expenditures (PCE) price index from the fourth quarter of the previous year to the fourth quarter of the year indicated, for 2019 - 2022.

Source: BEA; FOMC, Summary of Economic Projections, December 11, 2019; Haver Analytics

Figure 4: Federal Funds Rate: Actual and Forecast from the Summary of Economic Projections

2014:Q4 - 2022:Q4



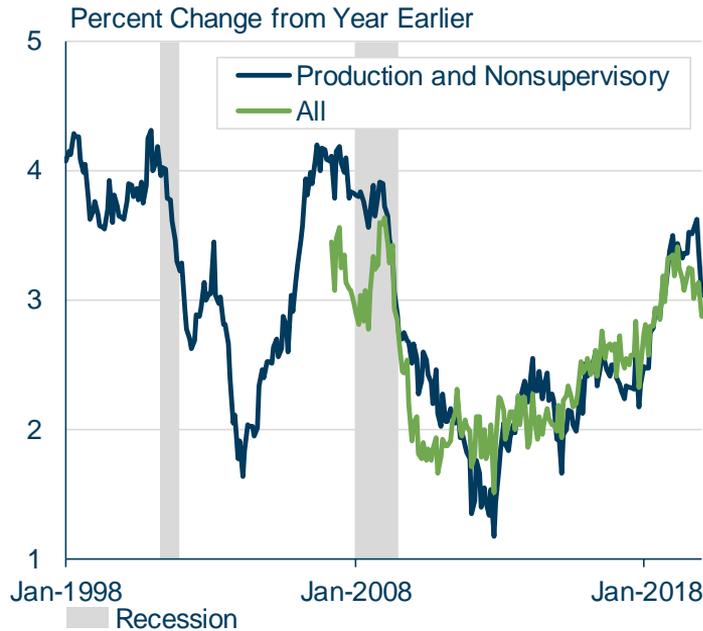
Note: Rates are as of end of period. The SEP federal funds rate projections are the midpoints of the target ranges at year-end, for 2020 - 2022.

Source: Federal Reserve Board; FOMC, Summary of Economic Projections, December 11, 2019; Haver Analytics

Figure 5: Wage Growth

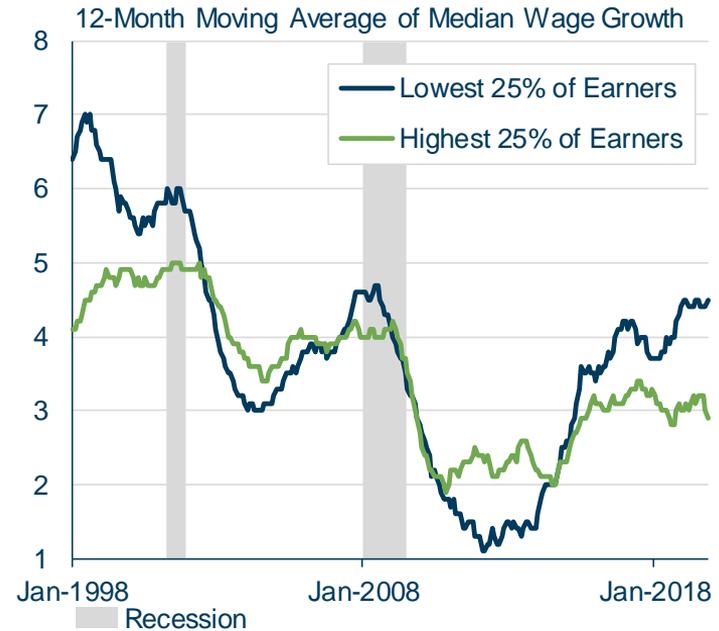
January 1998 - December 2019

Average Hourly Earnings of Private-Industry Workers



Source: BLS, NBER, Haver Analytics

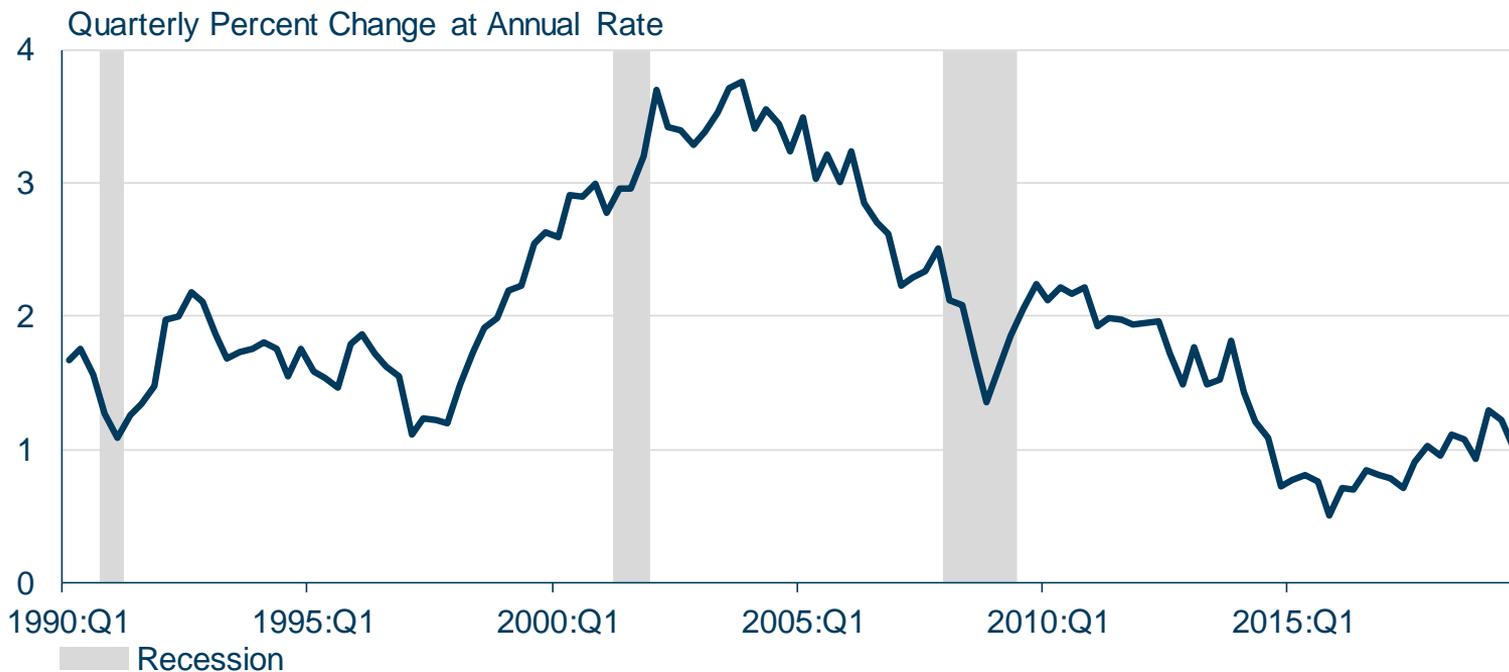
Wage Growth Tracker by Wage Level



Note: Wage Growth Tracker by Wage Level for December is not yet available.

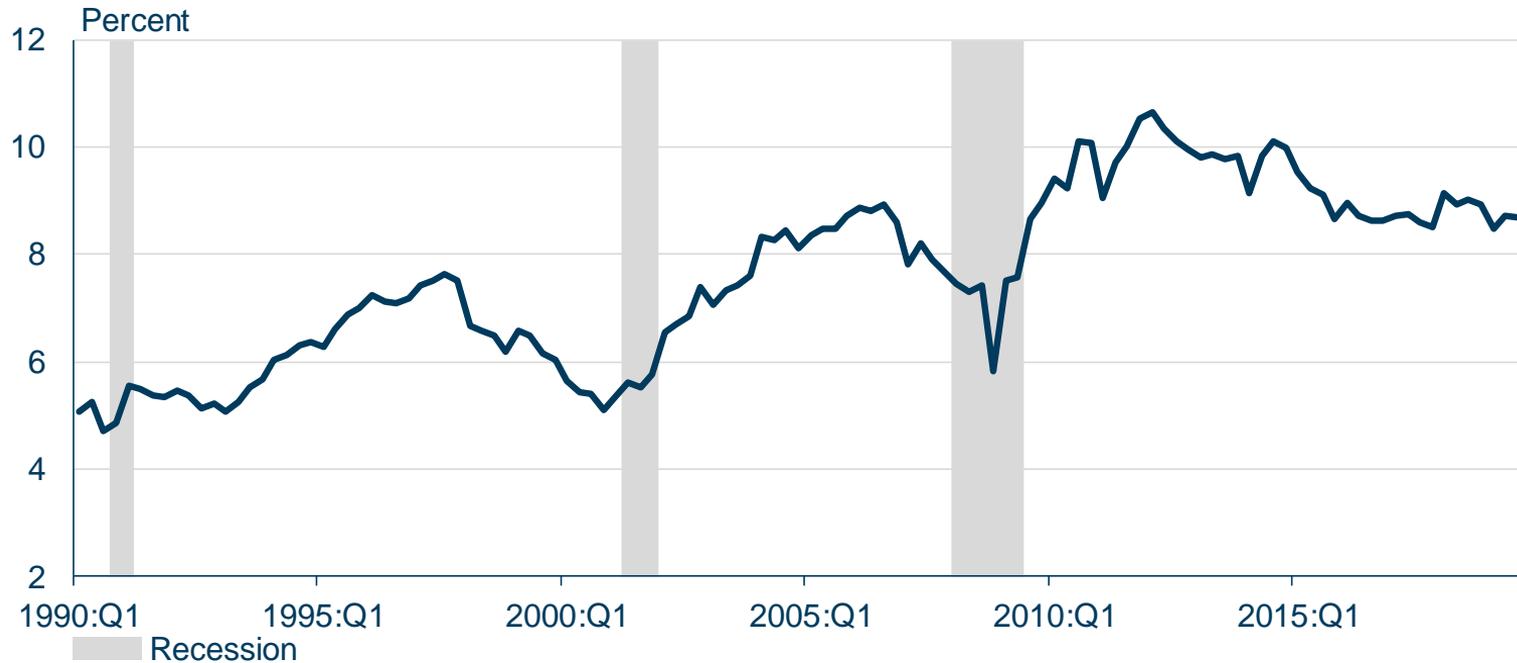
Source: BLS, Current Population Survey, Wage Growth Tracker – Federal Reserve Bank of Atlanta, NBER, Haver Analytics

Figure 6: Productivity Growth: Change in Real Output Per Hour, Nonfarm Business Sector, All Persons, 20-Quarter Moving Average 1990:Q1 - 2019:Q3



Source: BLS, NBER, Haver Analytics

Figure 7: After-Tax Corporate Profits Relative to GDP 1990:Q1 - 2019:Q3

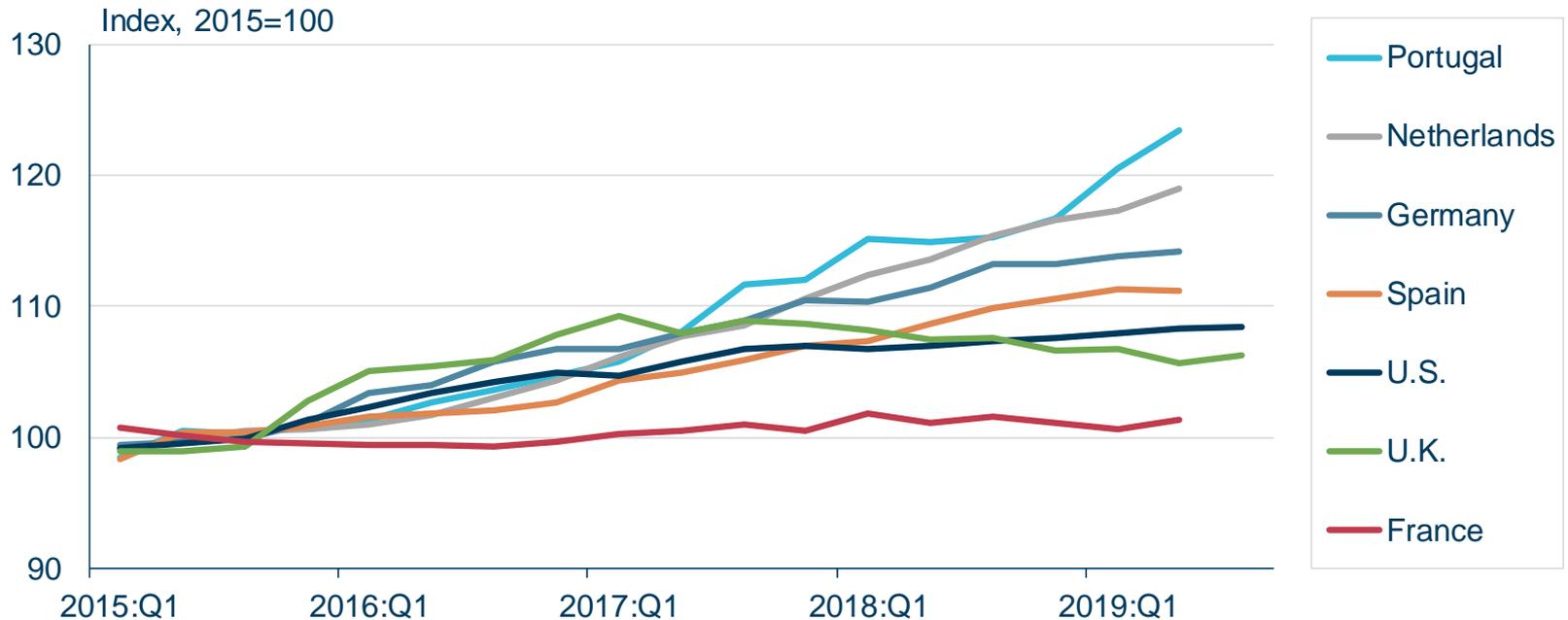


Note: Figures include inventory valuation and capital consumption adjustments.

Source: BEA, NBER, Haver Analytics

Figure 8: House Price to Income Ratio for Selected Countries

2015:Q1 - 2019:Q3

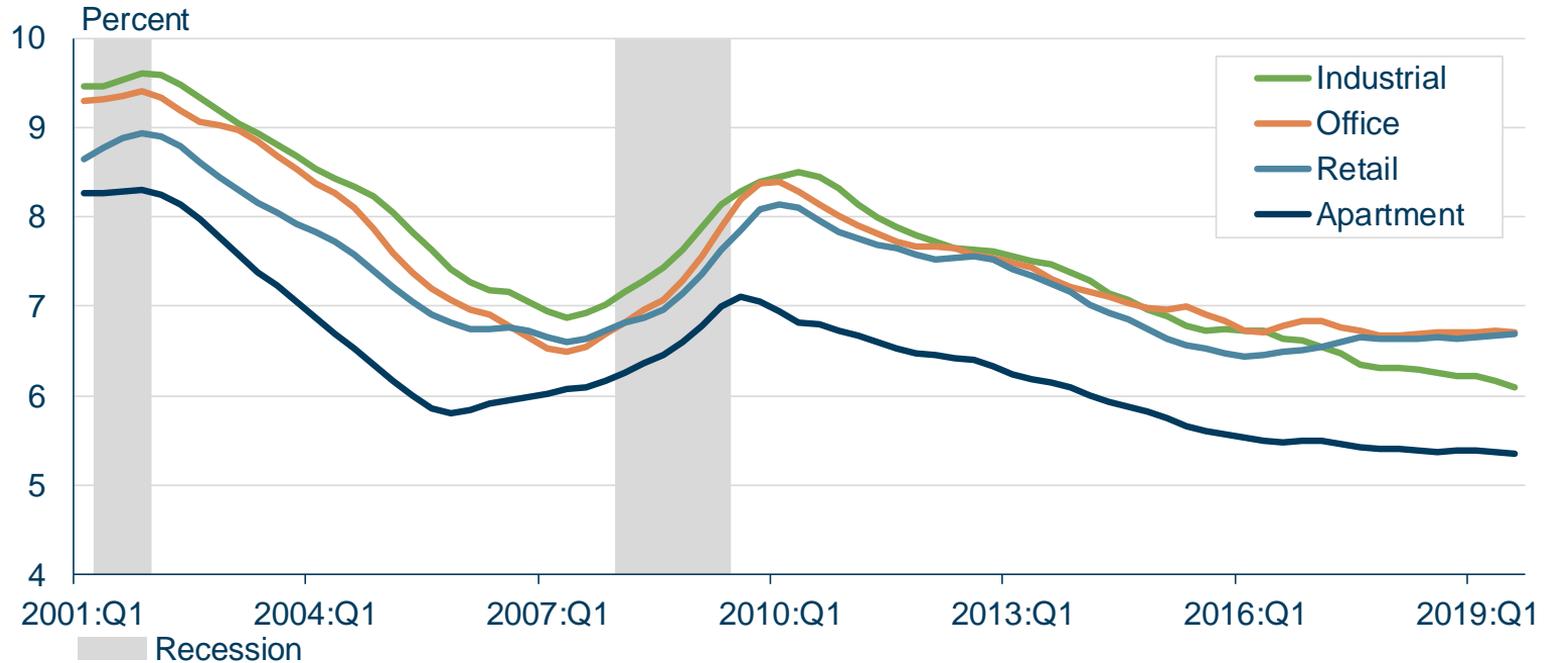


Note: The house price to income ratio is the ratio of nominal house prices to nominal household disposable income per capita.

Source: OECD, Haver Analytics

Figure 9: Capitalization Rates by Property Type

2001:Q1 - 2019:Q3



Note: The capitalization or “cap” rate is the ratio of net operating income produced by a property to the price paid, calculated at the time of a transaction. Based on properties of \$2.5 million or more.

Source: Real Capital Analytics, NBER, Haver Analytics