

The
President's
Report *to the*
Board *of*
Directors

November 29, 2016

CURRENT ECONOMIC DEVELOPMENTS - November 29, 2016

Data released since your last Directors' meeting suggest growth in the fourth quarter is likely to slow a bit from the upwardly revised growth seen in the third quarter. Labor markets showed signs of continued strengthening and consumer attitudes improved. However, support from manufacturing was mixed. Overall, recent data remain consistent with a moderately growing economy.

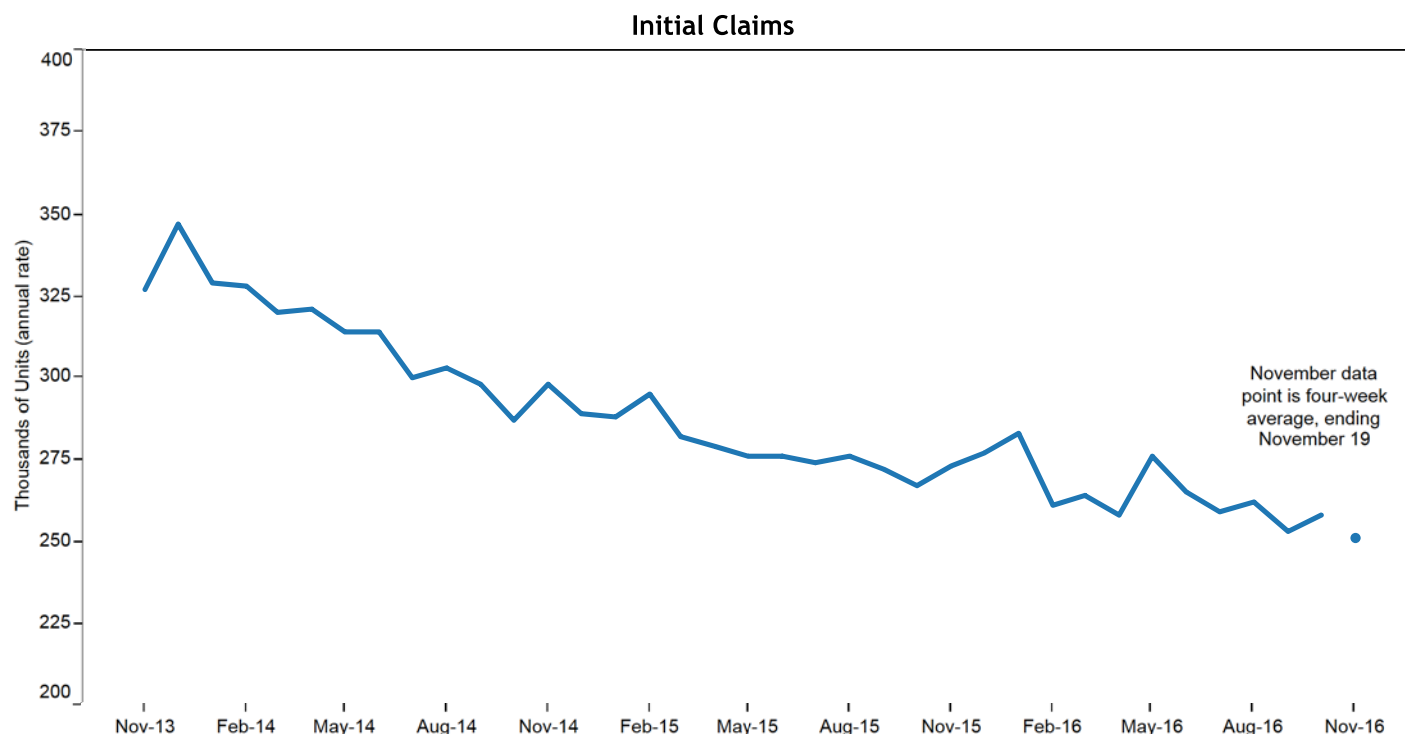
In the four weeks ending November 19th, initial claims for unemployment insurance fell, on average, and remain at a level consistent with further improvement in the labor market. Employment data from the Bureau of Labor Statistics are due out on Friday morning, and nonfarm payrolls are expected to post another moderate gain in November. The unemployment rate is expected to hold steady at 4.9%.

Consumer attitudes improved in November, as both the sentiment and confidence indexes rose due to increases in both the current conditions and future expectations components. Primary measures of real estate activity mostly picked up in October. Housing starts, building permits, and existing home sales all rose during the month, while new home sales declined.

In the manufacturing sector, industrial production held steady in October, as manufacturing and mining production increased, while utilities output decreased. Capacity utilization rose in October. Orders for durable goods continued to increase in October, and rose from their year-ago level, while orders for nondefense capital goods, excluding aircraft, ticked up in October but continued to decline on a year-over-year basis.

Total consumer inflation, as measured by the Consumer Price Index, accelerated in October, while the core index eased. Oil prices in November declined on average, but prices edged up towards the end of the month.

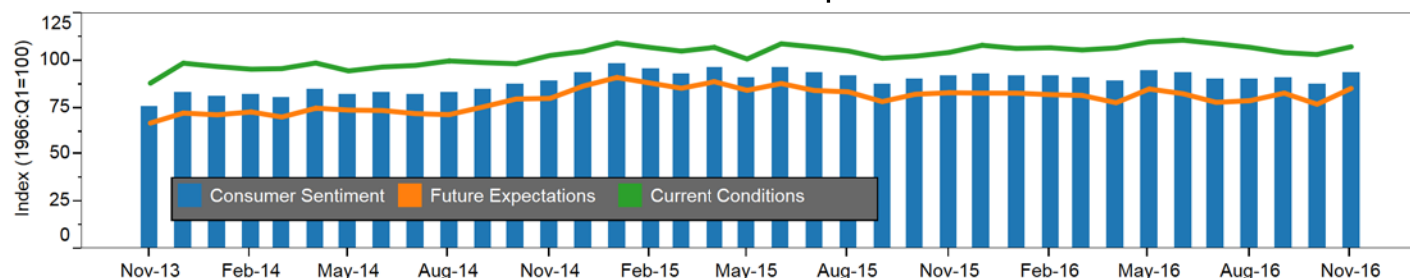
Initial claims for unemployment insurance have fallen, on average, in the four weeks ending November 19th, after rising in October. Claims remain at a level consistent with further labor market improvement.



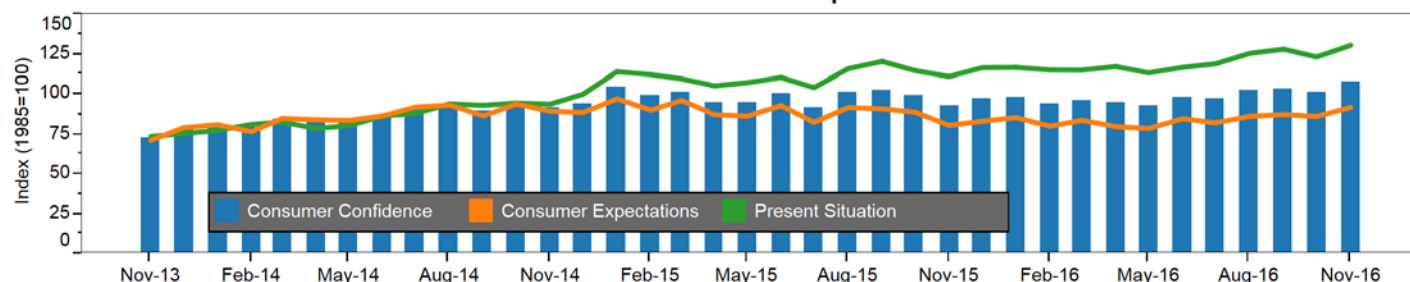
Source: Department of Labor, Employment and Training Administration / Haver Analytics.

Consumer attitudes improved in November, as both the sentiment index and the confidence index increased after declining in the prior month. Respondents to the sentiment survey expressed more favorable views of their current finances, while respondents to both surveys expressed more optimism towards the short-term economic outlook.

Consumer Sentiment and Expectations



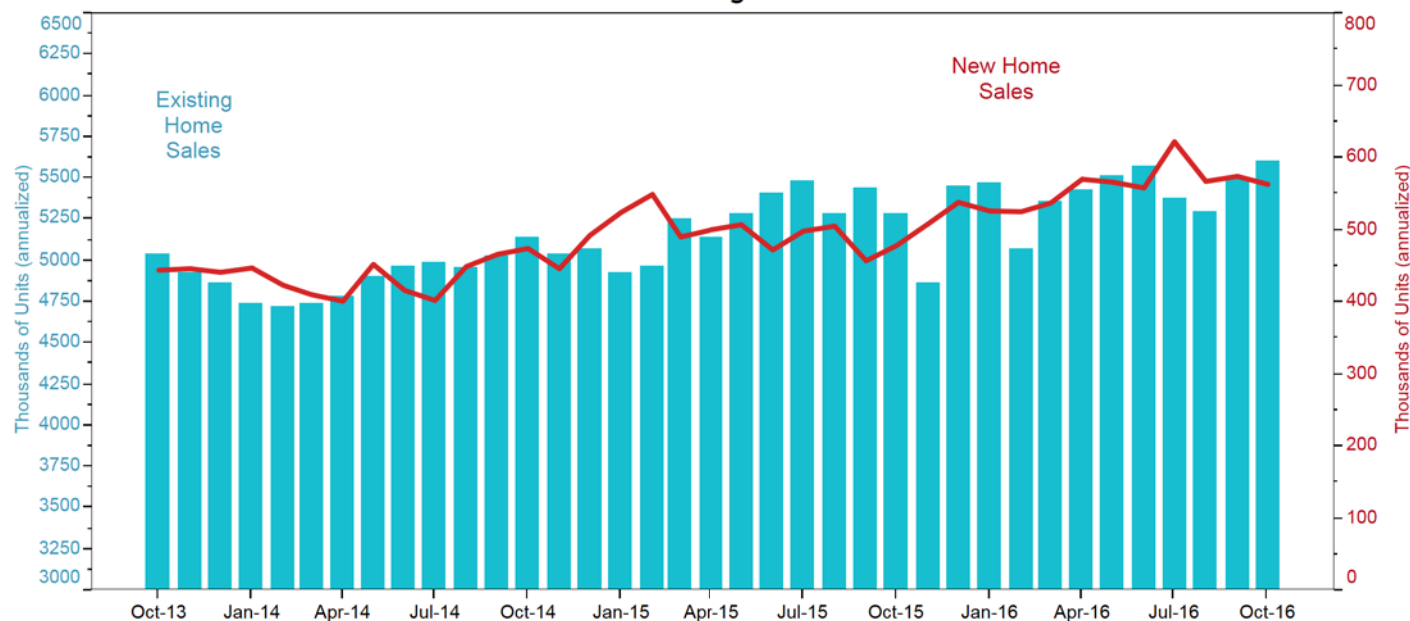
Consumer Confidence and Expectations



Source: University of Michigan (sentiment) and The Conference Board (confidence) / Haver Analytics.

Home sales data were mixed in October. Existing home sales rose for the second consecutive month, reaching their highest level in almost ten years. Meanwhile, new home sales declined and more-than-offset the increase in September, which was revised lower.

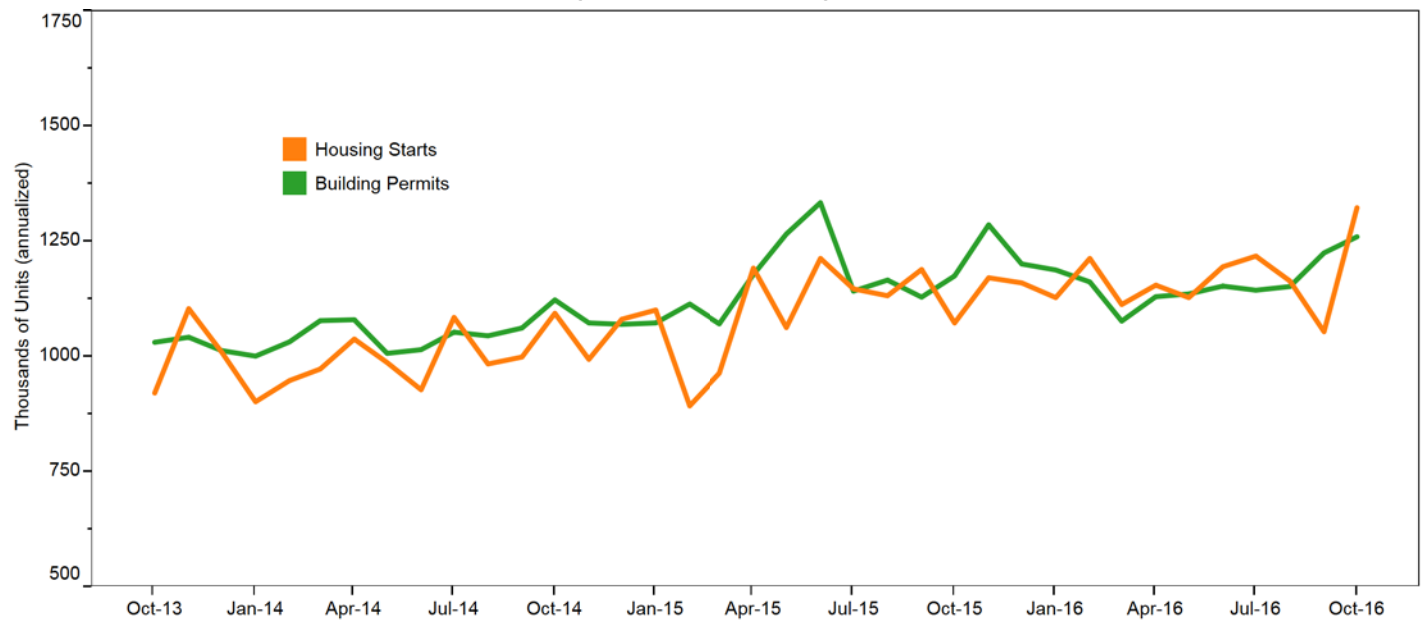
New and Existing Home Sales



Source: National Association of Realtors (existing home sales) and U.S. Census Bureau (new homes sales) / Haver Analytics.

Housing starts jumped in October to a nine-year high, due to increases in both single- and multi-family starts. Building permits also rose in October, reaching their highest level in nearly one year, as both single- and multi-family permits increased.

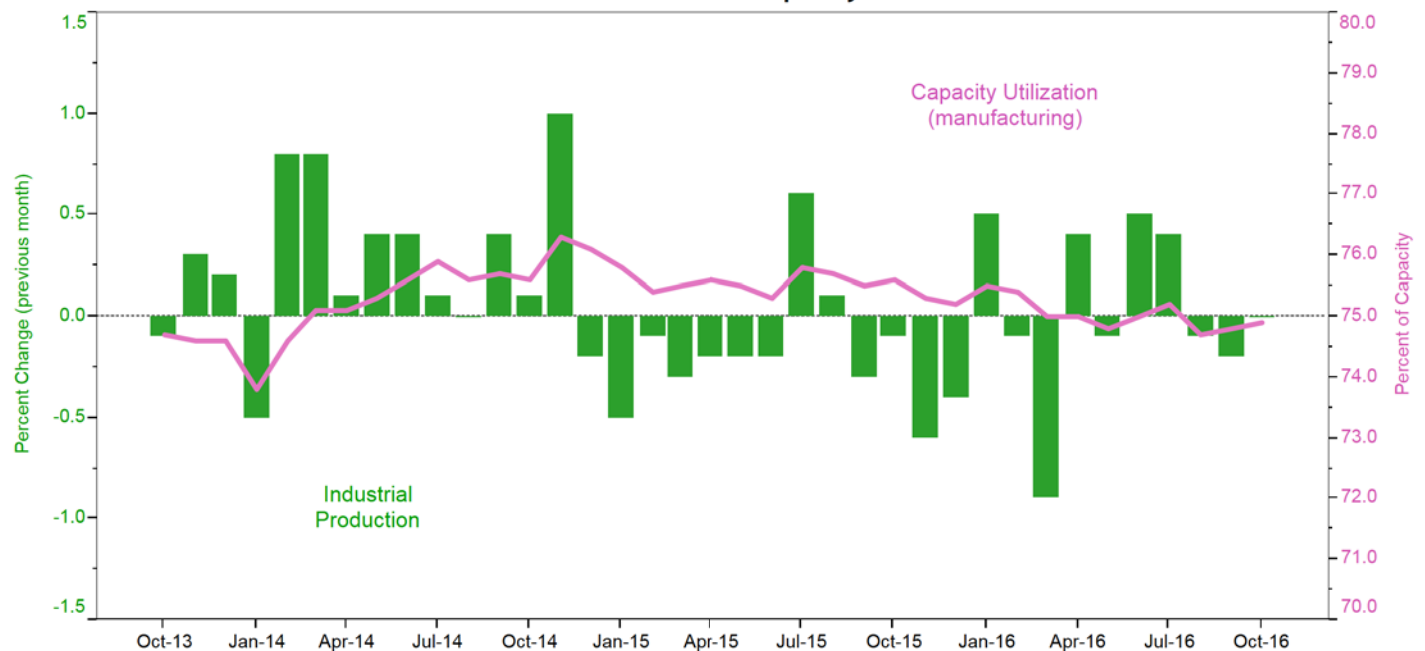
Housing Starts and Building Permits



Source: U.S. Census Bureau / Haver Analytics.

Industrial production was unchanged in October, following a decrease in September that was revised down from a previously estimated gain. Both manufacturing and mining production posted increases in October, while utilities output decreased. Capacity utilization rose in October, from a downwardly revised level in September.

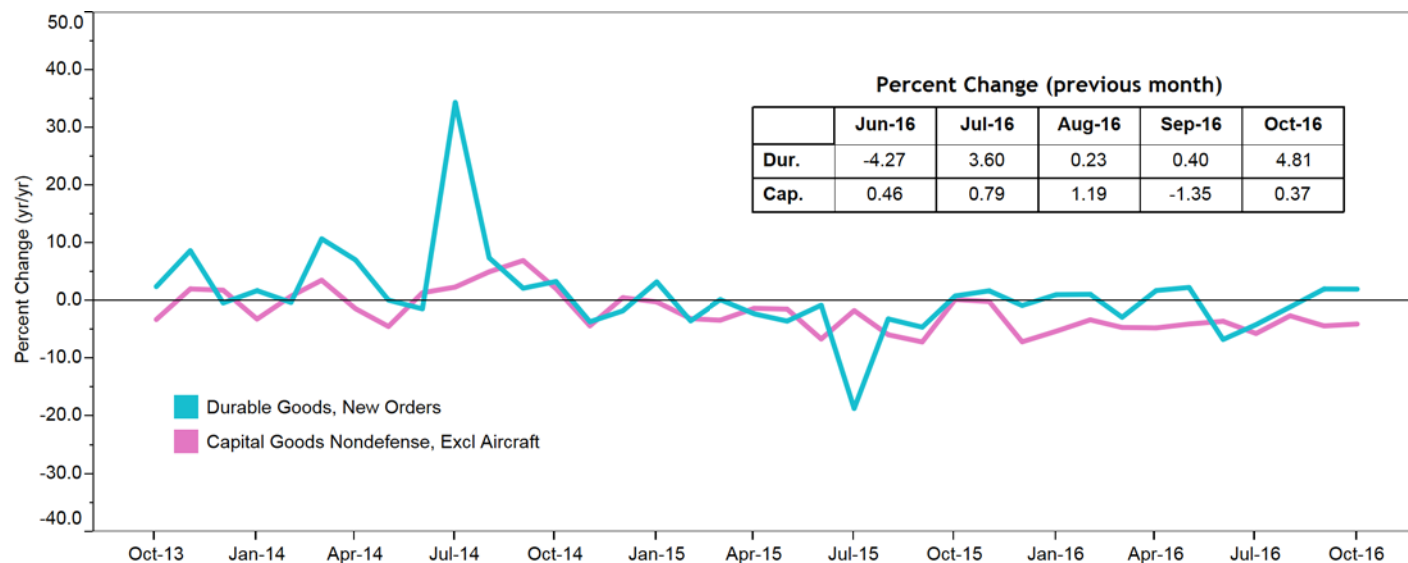
Industrial Production and Capacity Utilization



Source: Federal Reserve Board of Governors / Haver Analytics.

Orders for durable goods rose in October, their fourth consecutive monthly increase, and were up from their year-ago level. Orders for nondefense capital goods, excluding aircraft, ticked up in October, yet continued to decline on a year-over-year basis.

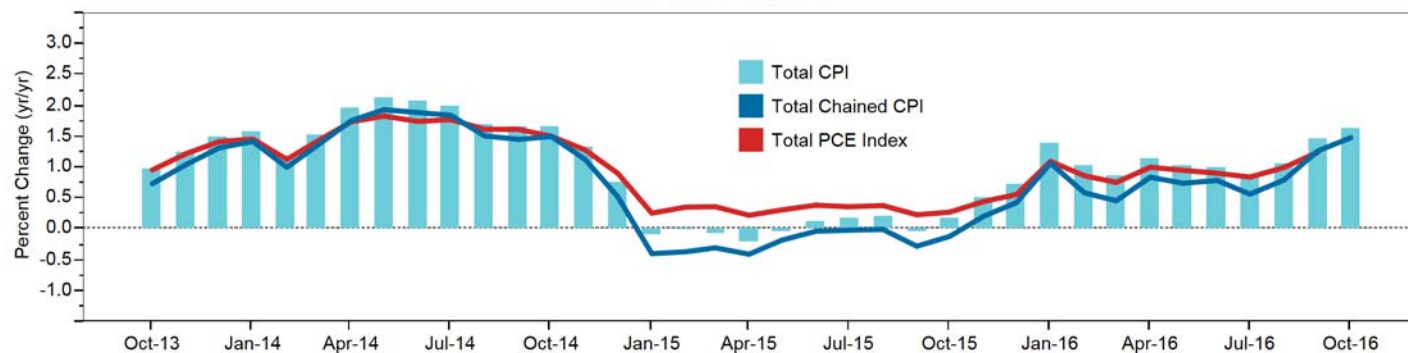
Durable Goods Orders



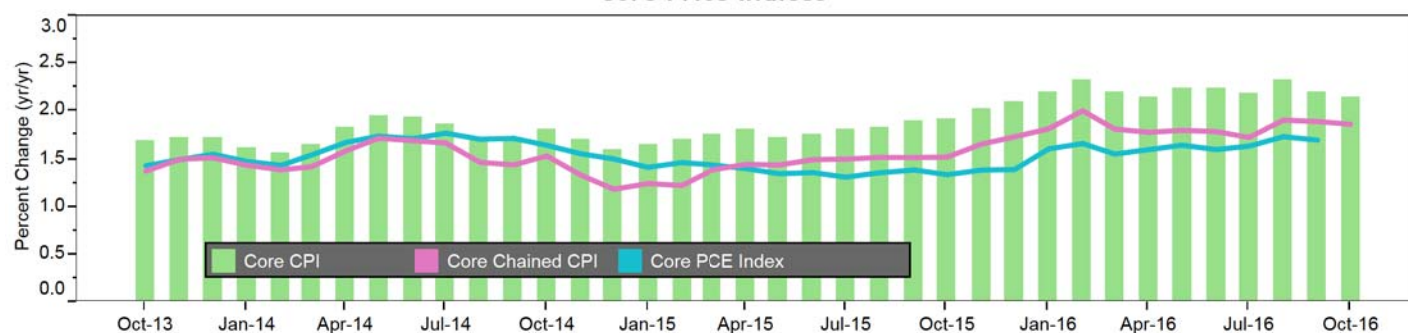
Source: U.S. Census Bureau / Haver Analytics.

Growth in headline consumer prices, as measured by the Consumer Price Index, rose in October, the third consecutive month of increases. Meanwhile, the core CPI, which excludes the volatile food and energy categories, eased in October. Data measured by the Personal Consumption Expenditure price index for October are due out at the end of the month.

Total Price Indices

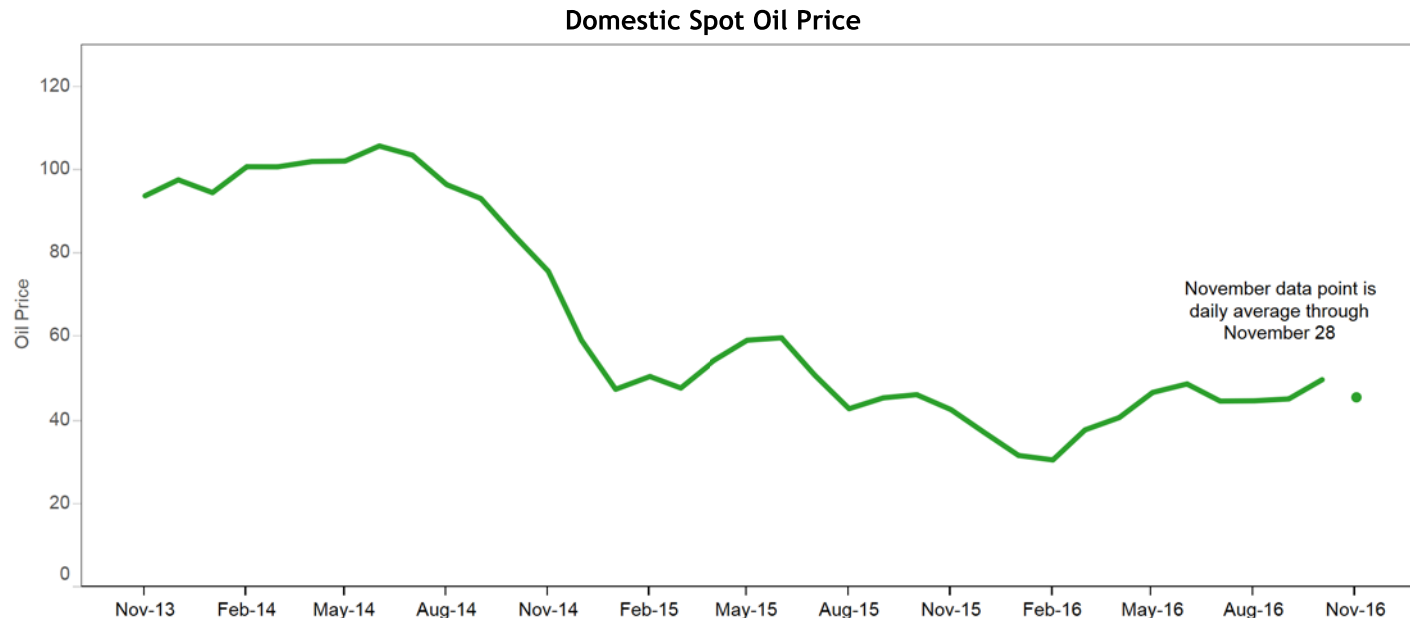


Core Price Indices



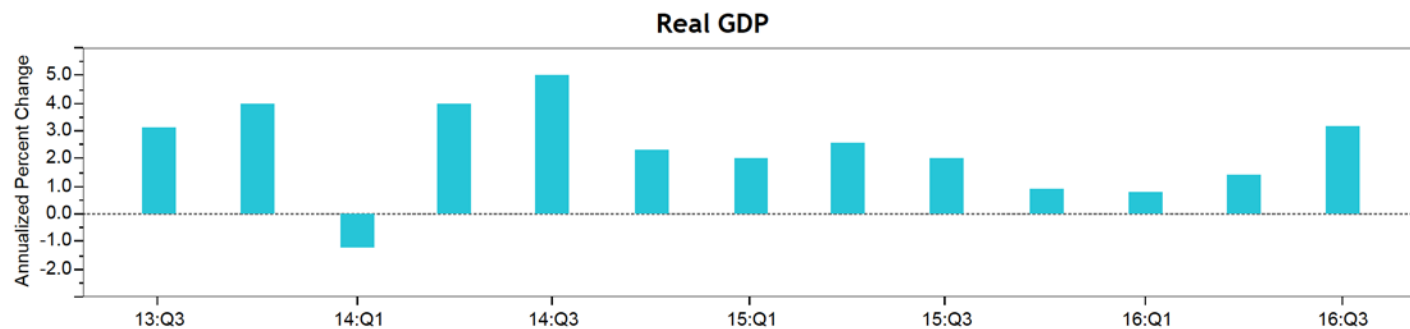
Source: Bureau of Labor Statistics / Bureau of Economic Analysis / Haver Analytics.

Oil prices fell on average in November, after increasing in each of the previous three months. However, prices have ticked up at the end of the month, reaching \$47.1 per barrel on November 28.



Source: U.S. Energy Information Association / Wall Street Journal / Haver Analytics.

Third quarter real GDP growth was revised up in the second estimate to 3.2% from 2.9%. The higher rate primarily reflected an upward revision to personal consumption expenditures that was partly offset by downward revisions to nonresidential fixed investment and private inventory investment.



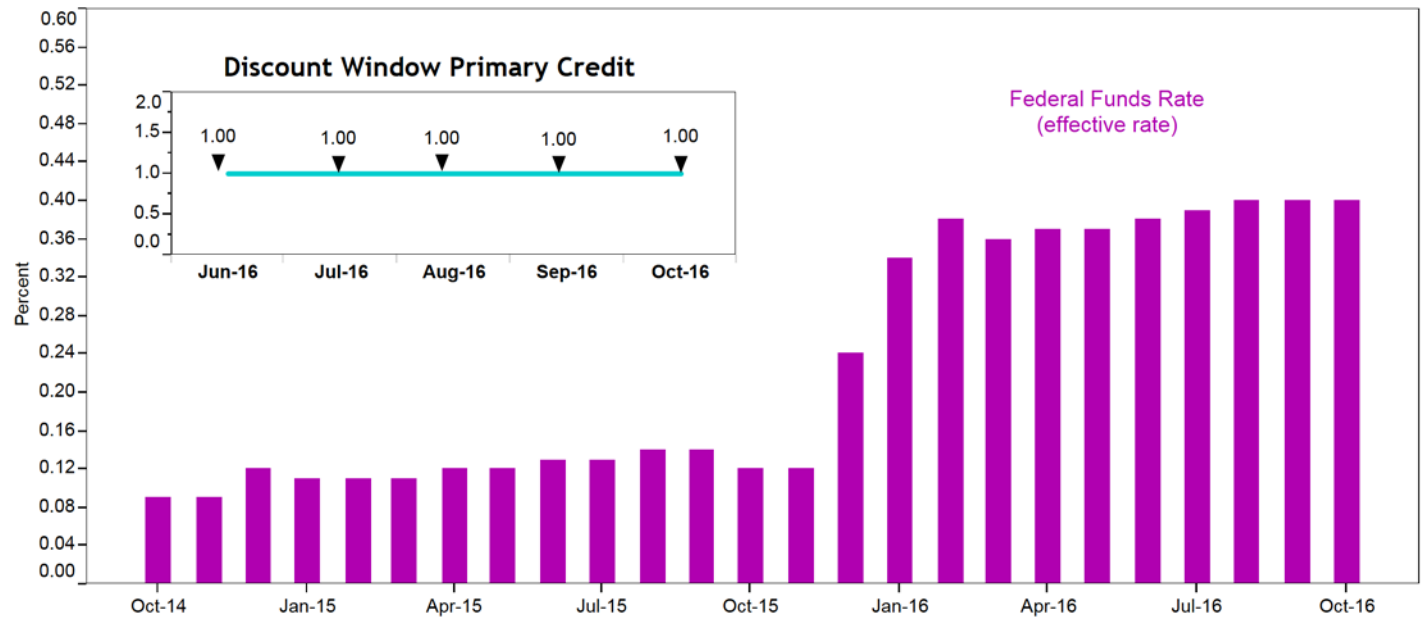
Revisions to Third Quarter Real GDP

Description	Advance Estimate	Second Estimate
Real GDP	2.9	3.2
Personal Consumption	2.1	2.8
Business Investment	1.2	0.1
Equipment and Software	-2.7	-4.8
Residential Investment	-6.2	-4.4
Government	0.5	0.2
Exports	10.0	10.1
Imports	2.3	2.1
Final Sales	2.3	2.7

Source: Bureau of Economic Analysis / Haver Analytics.

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Short-Term Interest Rates



Source: Federal Reserve Board of Governors / Haver Analytics.
Report compiled by Christy Marieni.