



FEDERAL RESERVE BANK *of* NEW YORK

U.S. Economy in a Snapshot

Economic Press Briefing: May 19, 2016

The views expressed here are those of the presenter and do not necessarily represent the views of the Federal Reserve Bank of New York or the Federal Reserve System.

Background

- *U.S. Economy in a Snapshot* is produced by the Research Group of the New York Fed and provides a monthly overview of current economic and financial developments
- Used internally by the New York Fed for assessing the state of the economy and in preparation for FOMC discussions
- *Snapshot* was made available to the public in June 2015 and is intended to:
 - Provide greater outreach and serve in an educational role
 - Enhance Fed communication
 - Help identify issues of concern to policy makers



Format and Discussion Topics

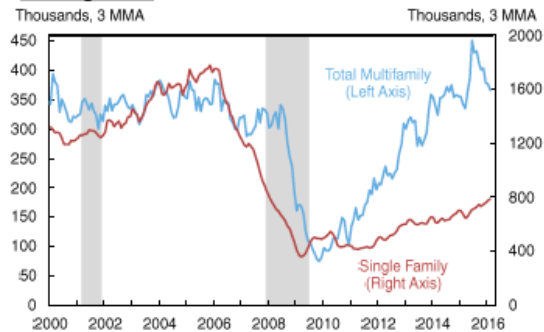
- Features charts and commentary on a broad range of topics
 - Convenient sampling of key data releases
 - Each graph includes analysis from New York Fed economists that highlights interesting features and underlying trends in the data
- Sections:
 - Overview
 - Economic Activity
 - Households
 - Business Sector
 - Housing Sector
 - Government Sector
 - International Developments
 - Labor Market
 - Inflation
 - Financial Markets



Section Example

HOUSING SECTOR

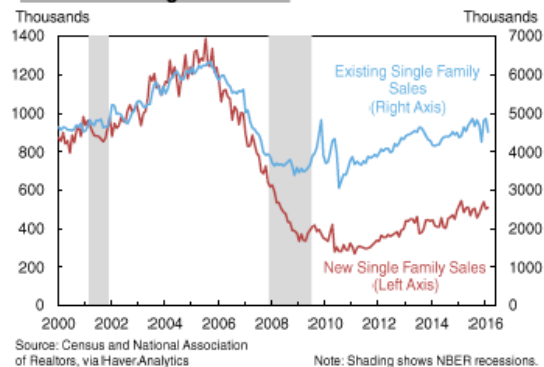
Housing Starts



Trend in home construction has flattened recently

- The 3-month moving average of total housing starts was about 1.15 million units at a seasonally-adjusted annual rate (SAAR) for February, similar to recent months.
 - Multifamily starts have fallen back to around 470,000 following a mid-2015 surge, but remain slightly above pre-recession levels.
 - The gradual recovery in single family starts continued into 2016, reflecting slowly improving fundamentals.
- Similar patterns are evident for multifamily and single family building permits.
- Even with continued low mortgage interest rates, housing starts per capita remain about 45% below the longer-term average from 1968 to 2003.

New and Existing Home Sales



Housing market is recovering gradually

- Single family existing home sales fell 7.2% in February to 4.1 million units. Despite the decline in February, existing home sales are still 2.2% higher from a year ago.
 - While they have surpassed pre-recession levels, single family existing home sales remain markedly below their levels in the mid-2000s.
- Single family new home sales increased 2% in February to 512,000 units.
 - While single family new home sales have generally been on a gradual uptrend since November 2015, they still remain below pre-recession levels
- Overall, trends in new and existing home sales point to continued gradual recovery in the housing market.



Special Topic

- Special Topic section
 - Intended to highlight timely issues and/or New York Fed analysis/products

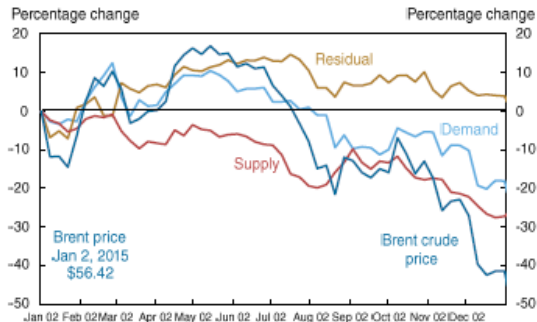
 - Previous topics include:
 - New York Fed Survey of Consumer Expectations
 - New York Fed Consumer Credit Panel
 - Summary of *Liberty Street Economics* blog posts:
 - “New and Improved Charts and Data on Auto Loans”
 - “The Graying of American Debt”
 - Update on the Puerto Rico economy
 - Decomposition of oil price movements



Special Topic Example

SPECIAL TOPIC - DECOMPOSING OIL PRICE MOVEMENTS

Cumulative Weekly Decomposition during 2015

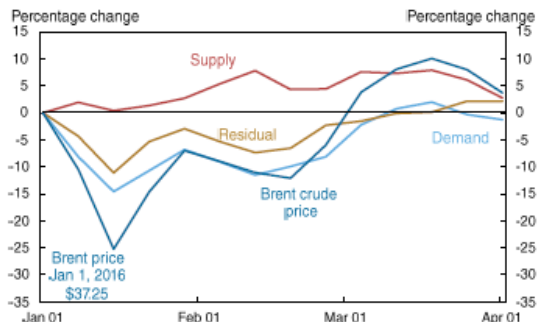


Source: Authors' calculations; Haver Analytics; Thomson Reuters; Bloomberg. Note: Residual reflects price movements unexplained by supply and demand factors. Supply, demand, and residual sum to Brent crude price.

Demand and supply lowered oil prices in 2015

- Using a statistical model and a large number of financial variables, weekly oil price changes can be decomposed into demand effects, supply effects and an unexplained part ("residual").
 - See J. Groen and P. Russo: "Is Cheaper Oil Good News or Bad News for U.S. Economy?", [Liberty Street Economics Blog](#), June 5, 2015.
- Oil prices declined by about 40% in 2015.
 - Early in 2015, demand pushed up prices despite anticipated oversupply.
 - Over the summer, prices initially fell due to supply-side pressures and fell further from lower demand when global financial markets retreated.
 - Concerns about excess supply resurfaced throughout Q4, negatively impacting prices.

Cumulative Weekly Decomposition during 2016



Source: Authors' calculations; Haver Analytics; Thomson Reuters; Bloomberg. Note: Residual reflects price movements unexplained by supply and demand factors. Supply, demand, and residual sum to Brent crude price.

Oil supply expectations have stabilized recently

- April oil prices are broadly similar to their January 2016 levels, with fairly stable supply expectations.
- Coinciding with another round of global financial turmoil, both perceived demand and the residual largely explained price declines and the subsequent recovery for most of Q1.
- Oil prices have retreated in recent weeks, mostly with supply conditions weighing them down.



Turning to the May Snapshot

Overview

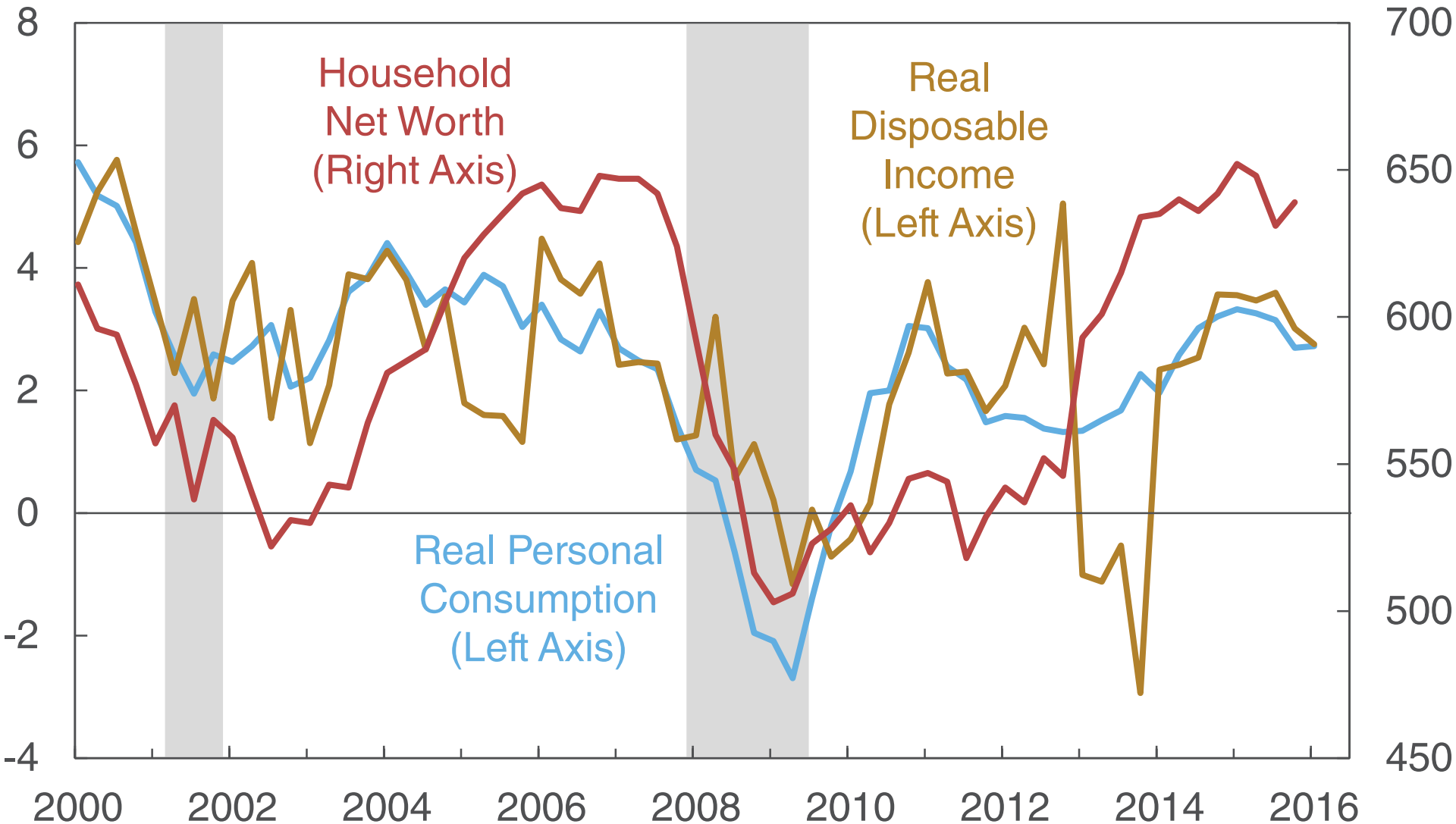
- Real consumer spending was flat in March and its growth slowed further during the first quarter of 2016.
 - **However, April light-weight vehicle sales rebounded from a weak March reading and the April retail sales report was strong.**
- Business fixed investment declined for a second consecutive quarter, while there were signs of improving conditions in the manufacturing sector.
- The general tone of the housing data in April suggests the sector remained on a very gradual uptrend.
- Payroll growth slowed in April, and the unemployment rate was unchanged. The labor force participation rate and the employment-population ratio both declined.
 - **Wage growth remains subdued despite a relatively steady improvement in labor market conditions.**
- After some firming in previous months, inflation softened modestly in March, signaling continued slow progress toward the FOMC's longer-term objective.
- Financial asset price fluctuations generally were fairly subdued. The yen appreciated after the Bank of Japan decided on April 28 to leave its policy stance unchanged.



Consumer spending softens in 2016Q1

4 Quarter % Change

% of Disposable Income



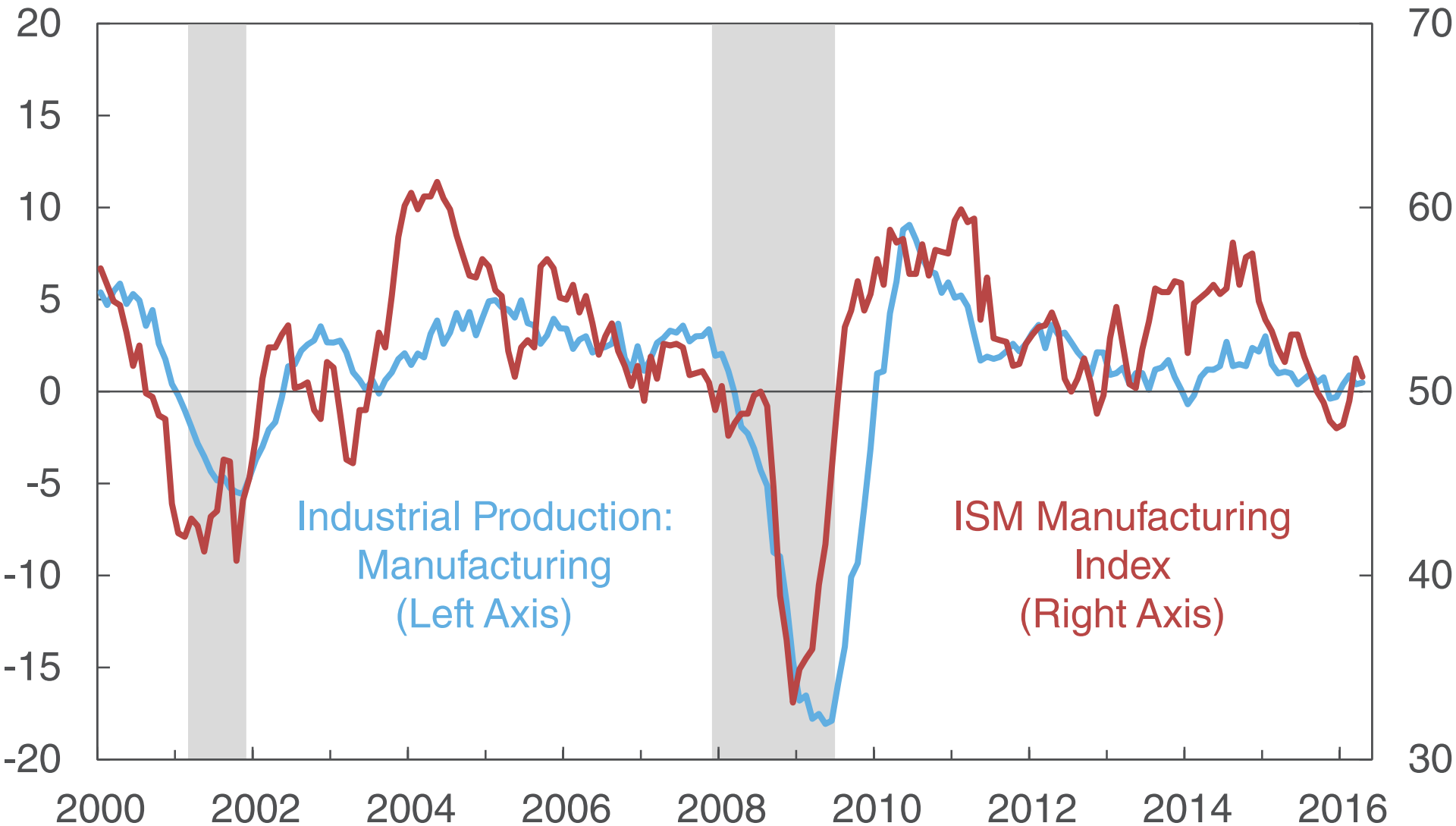
Source: Bureau of Economic Analysis,
Federal Reserve Board via Haver Analytics

Note: Shading shows NBER recessions.

Manufacturing sector may be stabilizing

12 Month % Change

Index



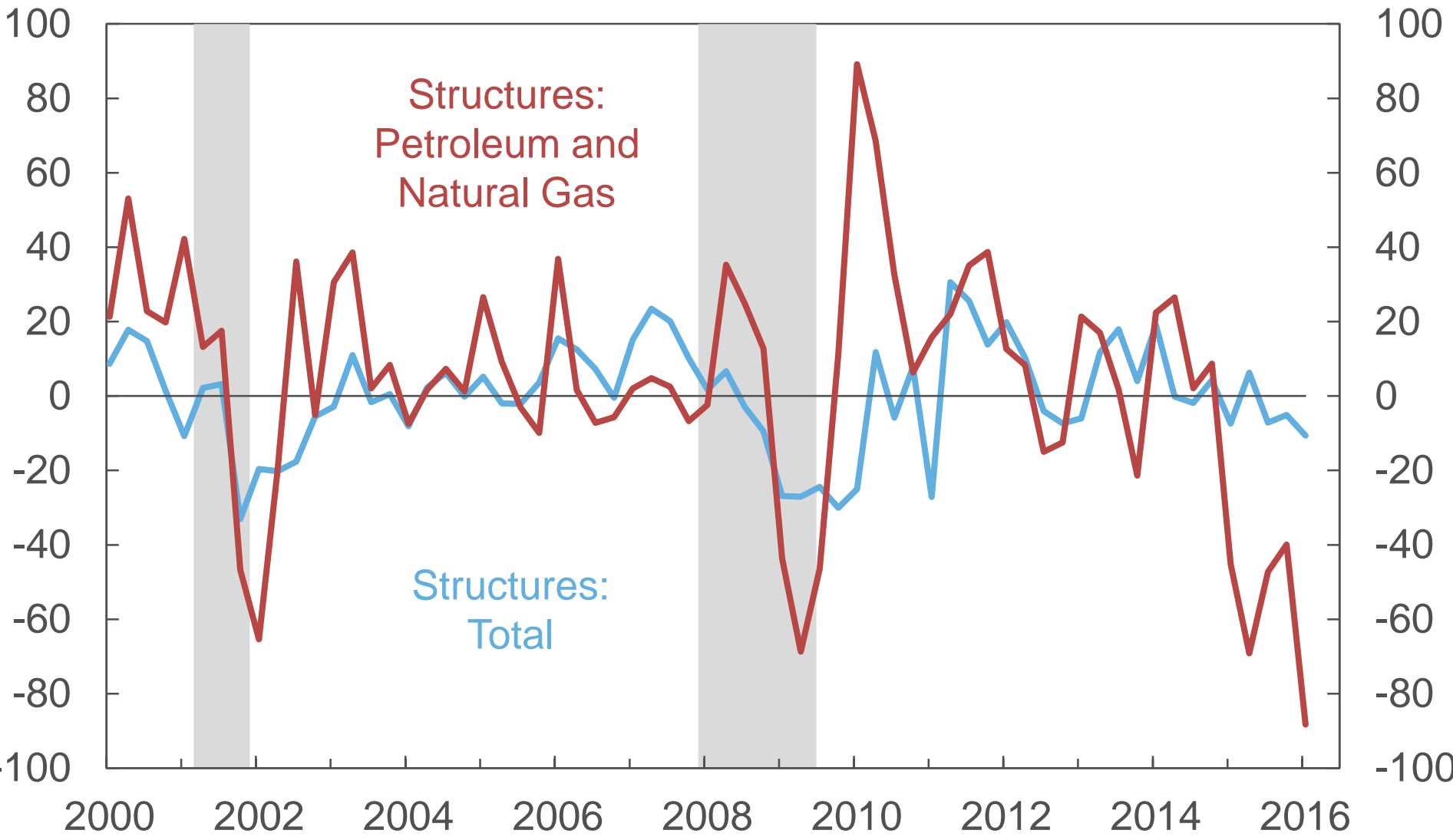
Source: Institute for Supply Management, Federal Reserve Board via Haver Analytics

Note: Shading shows NBER recessions.

Sharp fall in nonresidential structures spending

Quarterly % Change – Annual Rate

Quarterly % Change – Annual Rate



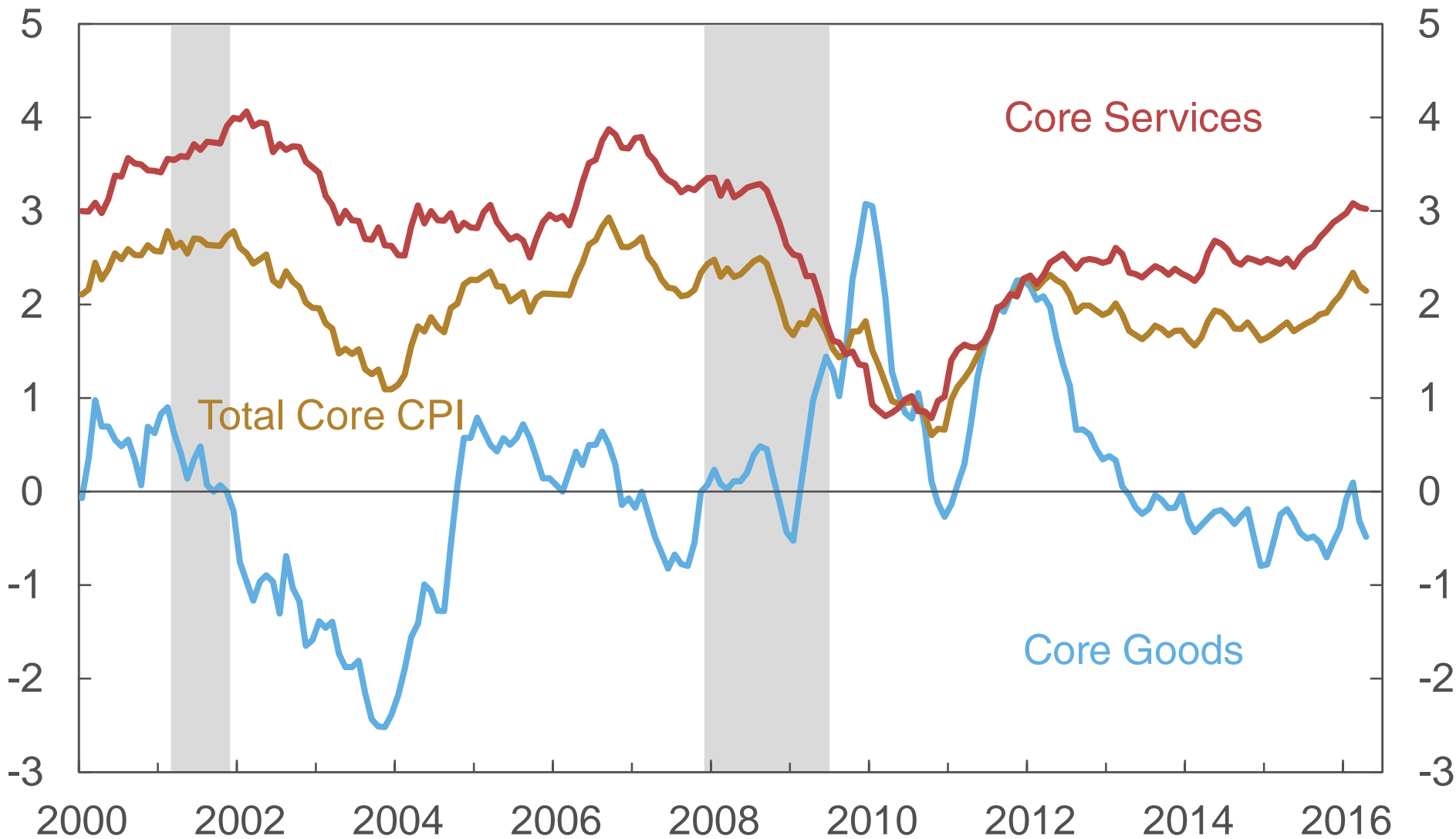
Source: Bureau of Economic Analysis via Haver Analytics

Note: Shading shows NBER recessions.

Core inflation restrained by falling goods prices

12 Month % Change

12 Month % Change



Source: Bureau of Labor Statistics
via Haver Analytics

Note: Shading shows NBER recessions.

In Conclusion

- *U.S. Economy in a Snapshot*
 - Provides a quick and concise read on the economy
 - Combines data and commentary to convey a wide breadth of information
- When and where to find it:
 - <http://nyfed.org/ussnapshot>
 - Posted (subject to FOMC blackout period) on either second or third Monday following monthly labor market release
 - Selected data is made available to recreate charts
 - Previous discussions of the *Snapshot* on the *Liberty Street Economics* blog
 - Opportunity to receive alerts via e-mail and tweets