US Macro Overview

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Presentation to the Community Depository Institutions Advisory Council (CDIAC)
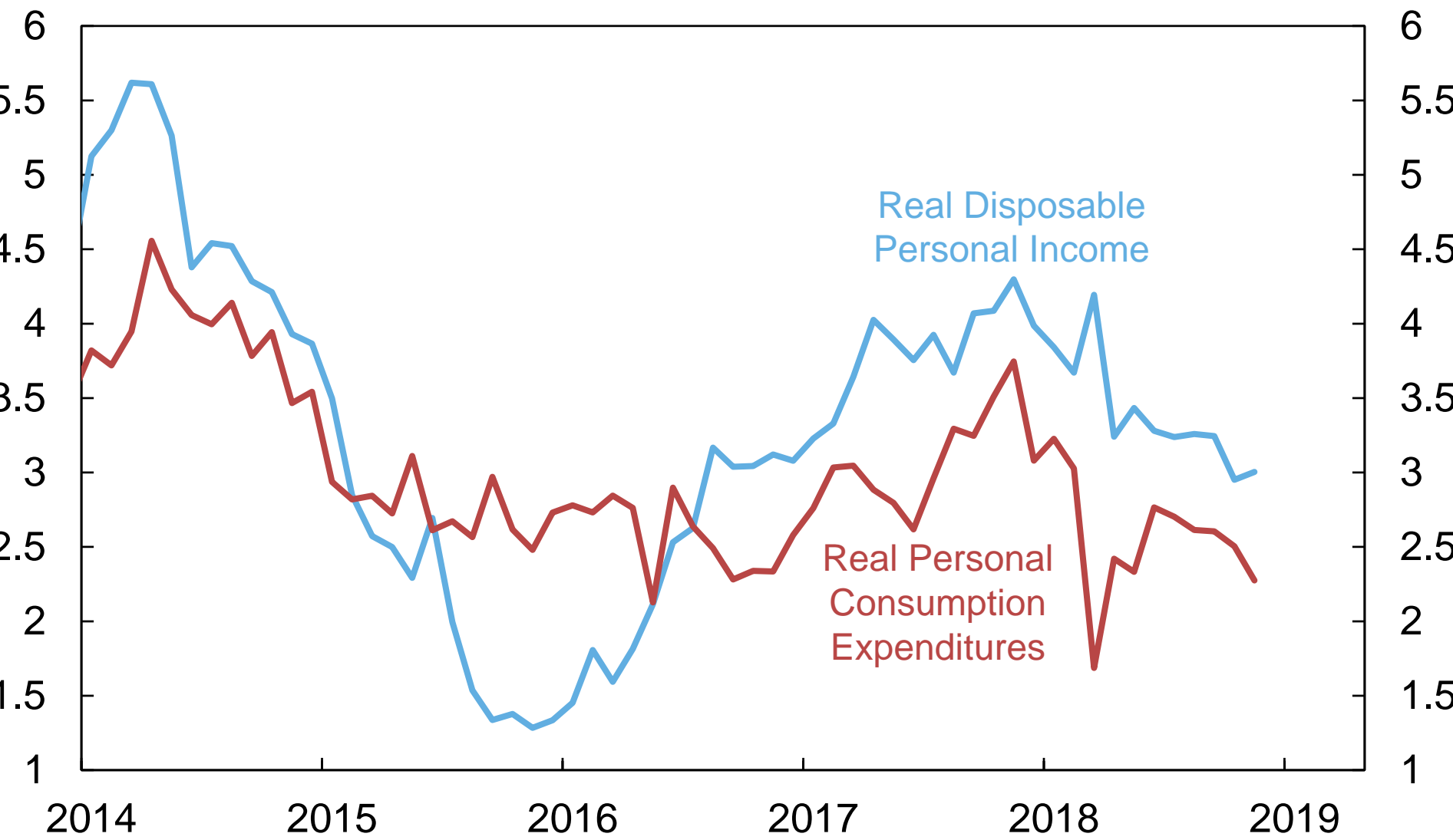October 1, 2019

FEDERAL RESERVE BANK *of* NEW YORK

Overview

- Real GDP grew at a solid 2.6% in 2019:H1; we expect growth to slow to around the economy's estimated potential (1 ¾%) in 2019:H2, providing continued support to the labor market.

- Consumer spending remains strong while business fixed investment is weakening as the manufacturing sector is experiencing a contraction.

- After a weak start of the year, inflation is firming but remains muted.

- Financial conditions and bank lending standards appear accommodative for economic growth.

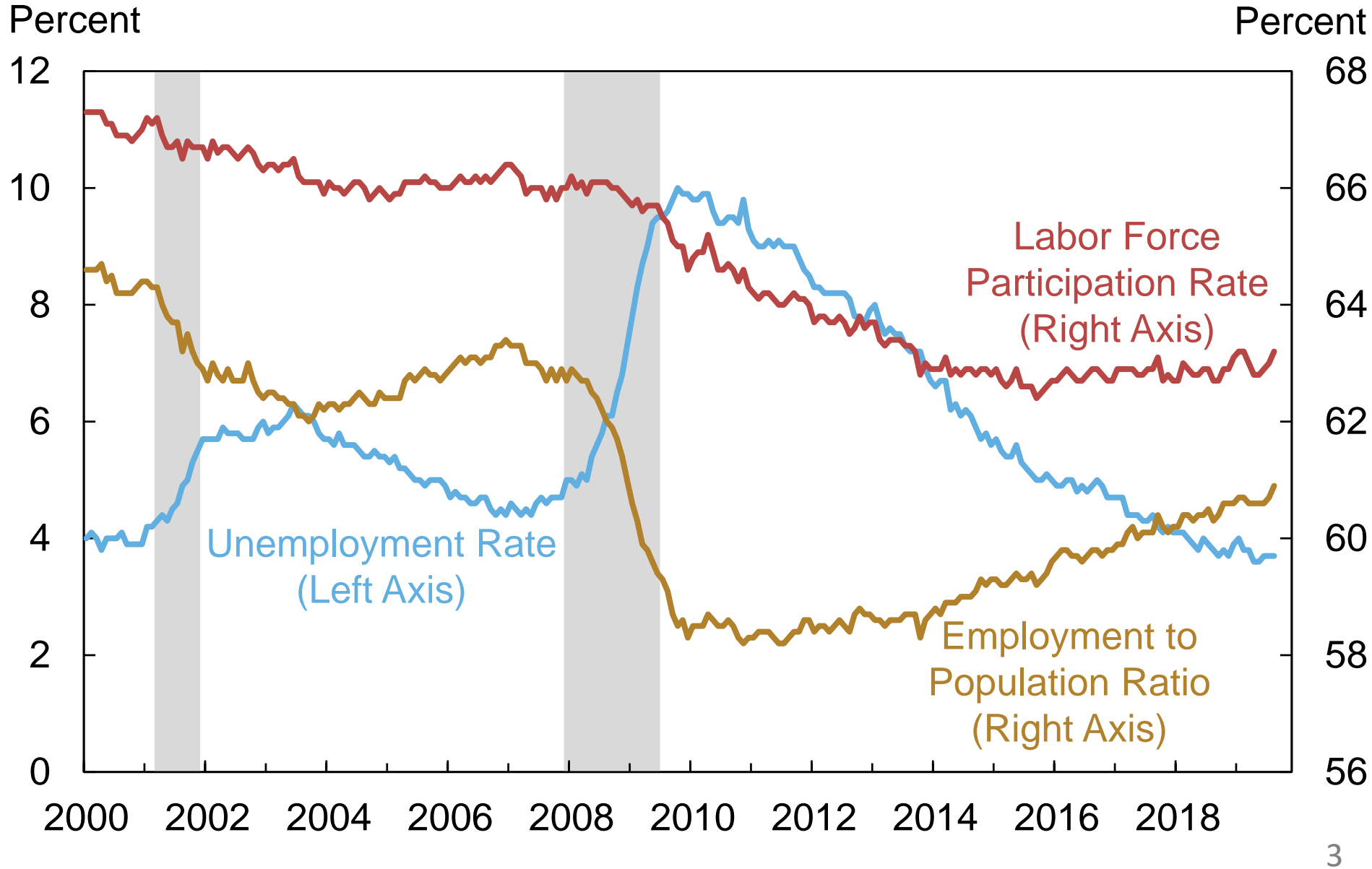# Strong Real Consumption and Disposable Income Growth

12-Month Percent Change   12-Month Percent Change

Real Disposable Personal Income

Real Personal Consumption Expenditures
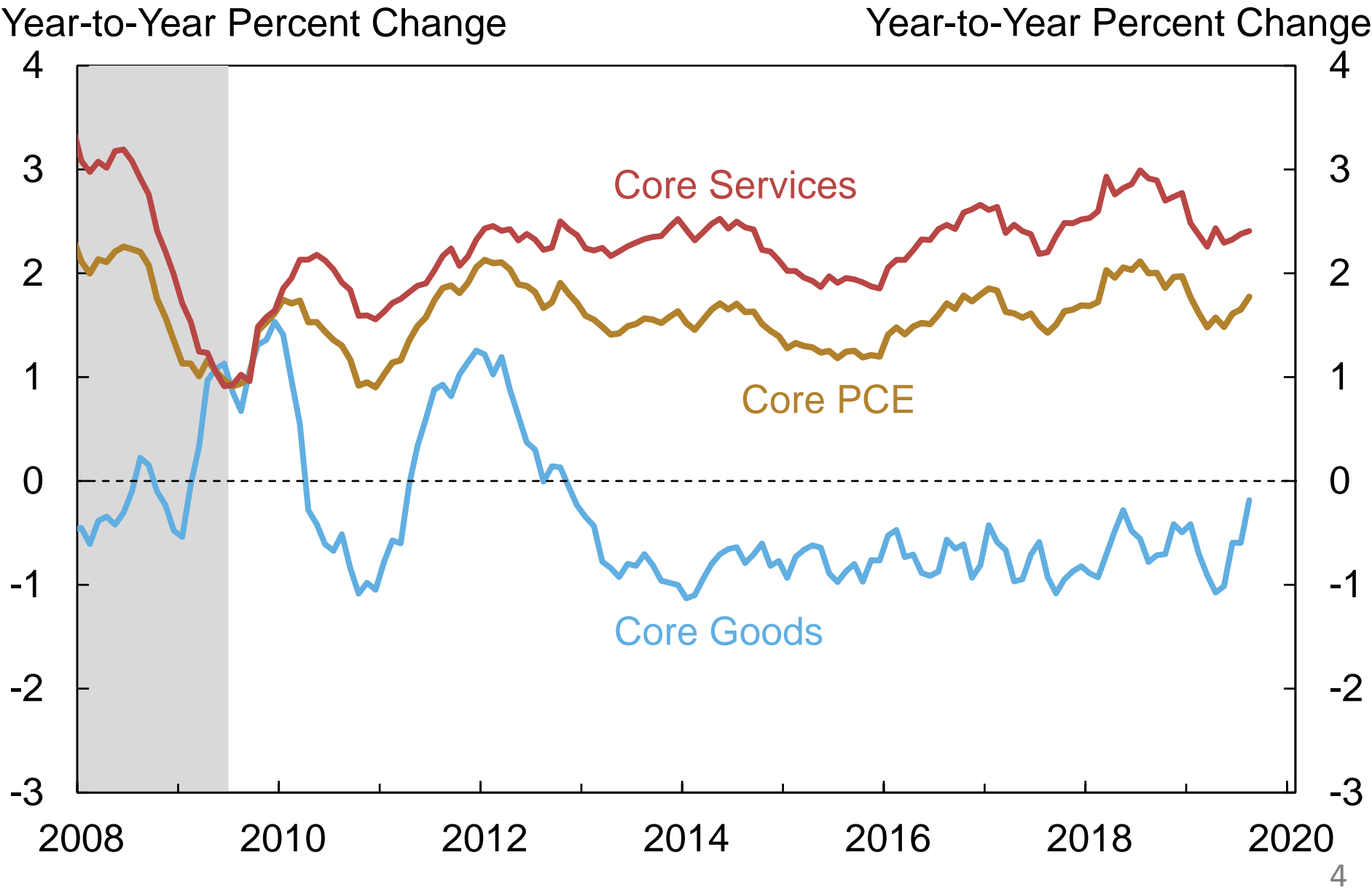
Source: Bureau of Economic Analysis.

Labor Market Remains Strong

Source: Bureau of Labor Statistics.

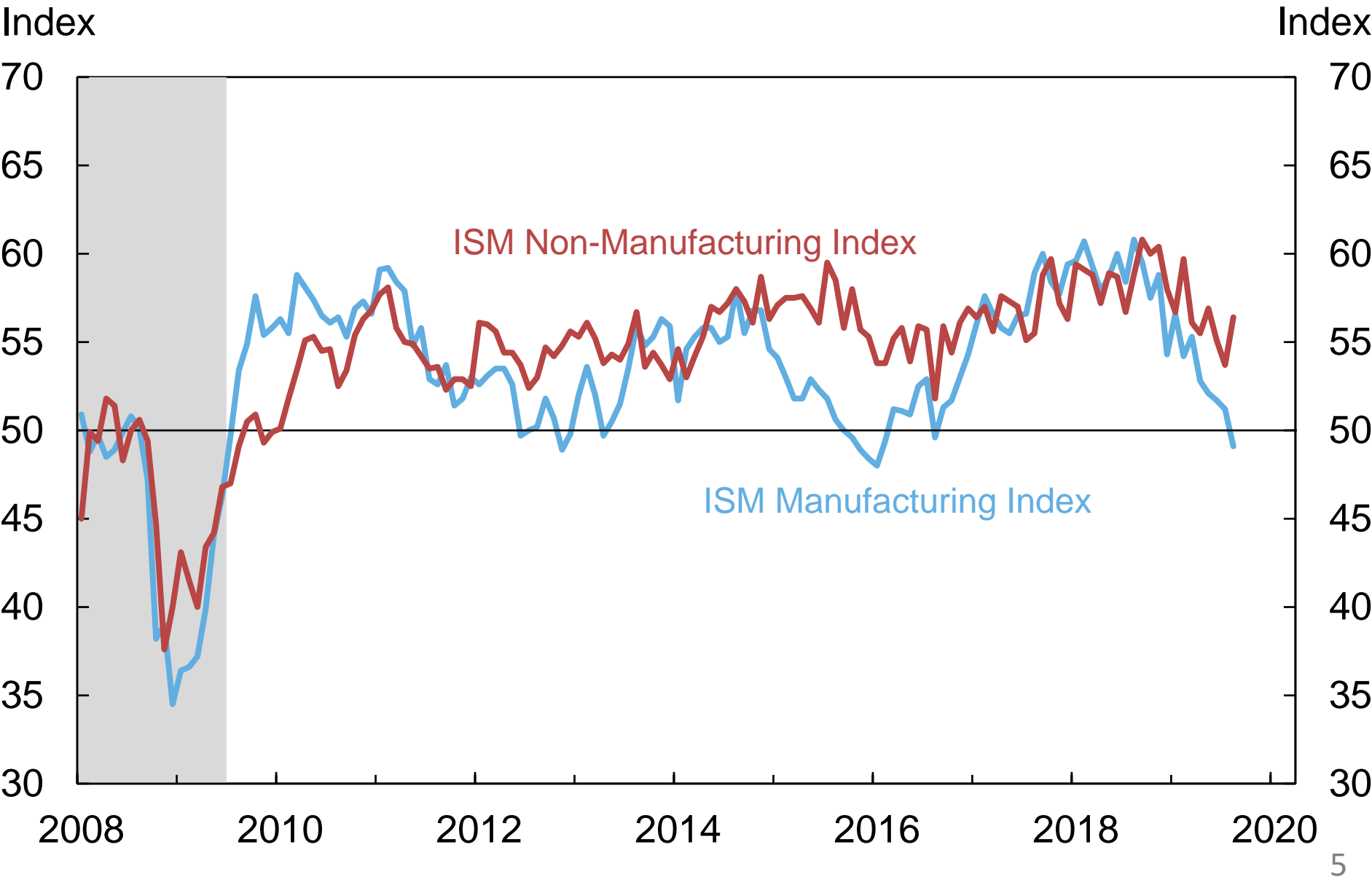Note: Shading shows NBER recessions.

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Core PCE Inflation Rising but Still Muted

Source: Bureau of Economic Analysis.

Note: Shading shows NBER recessions.

US Manufacturing Sector Contracting

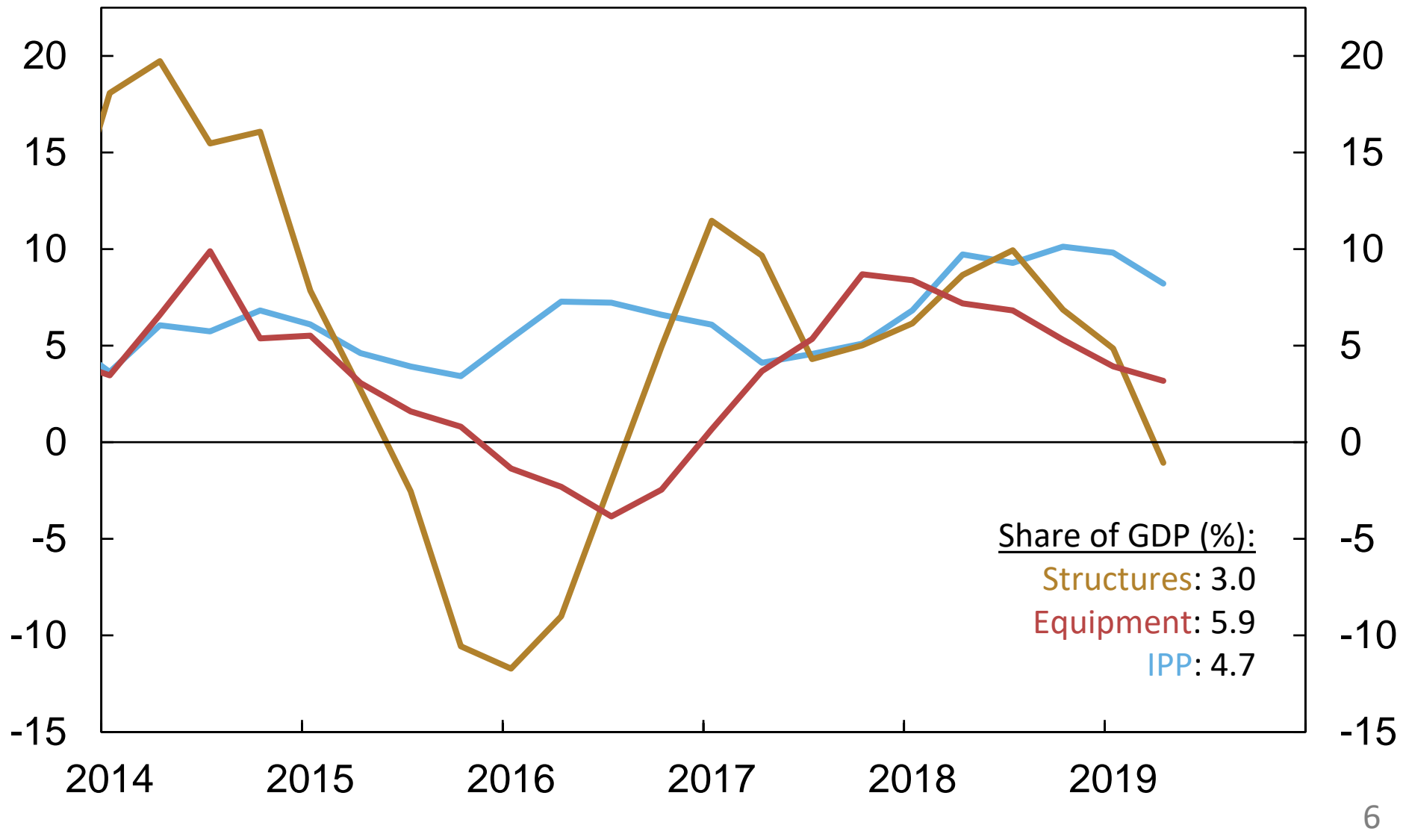ISM Non-Manufacturing Index

ISM Manufacturing Index

Source: Institute of Supply Management.

Note: Shading shows NBER recessions.

Business Fixed Investment Slowing

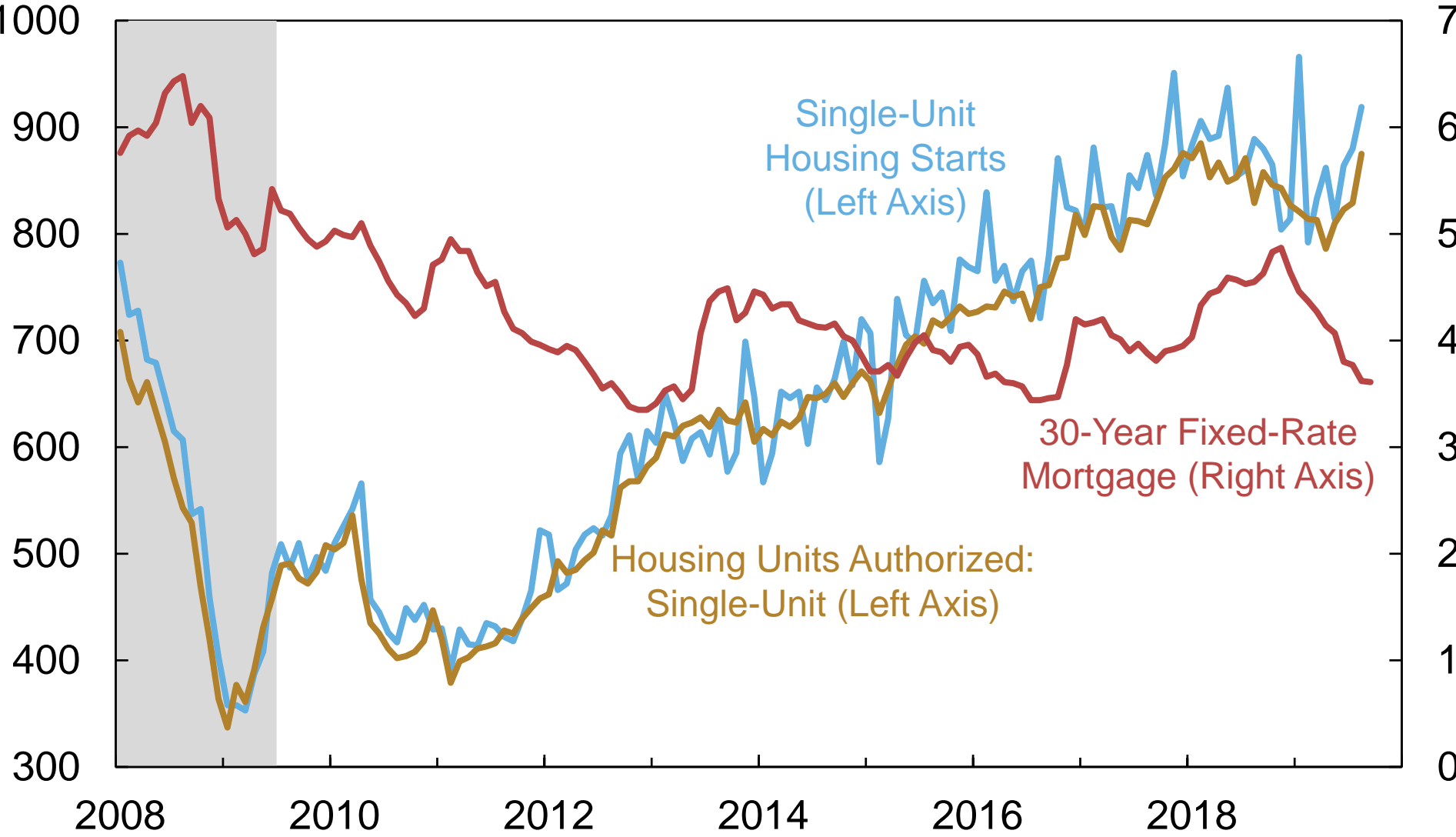4-Quarter Percent Change

4-Quarter Percent Change

Share of GDP (%):
Structures: 3.0
Equipment: 5.9
IPP: 4.7

Source: Bureau of Economic Analysis.

Note: Share calculated as of 2019:Q2.

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Single Family Housing Market Responding to Lower Rates
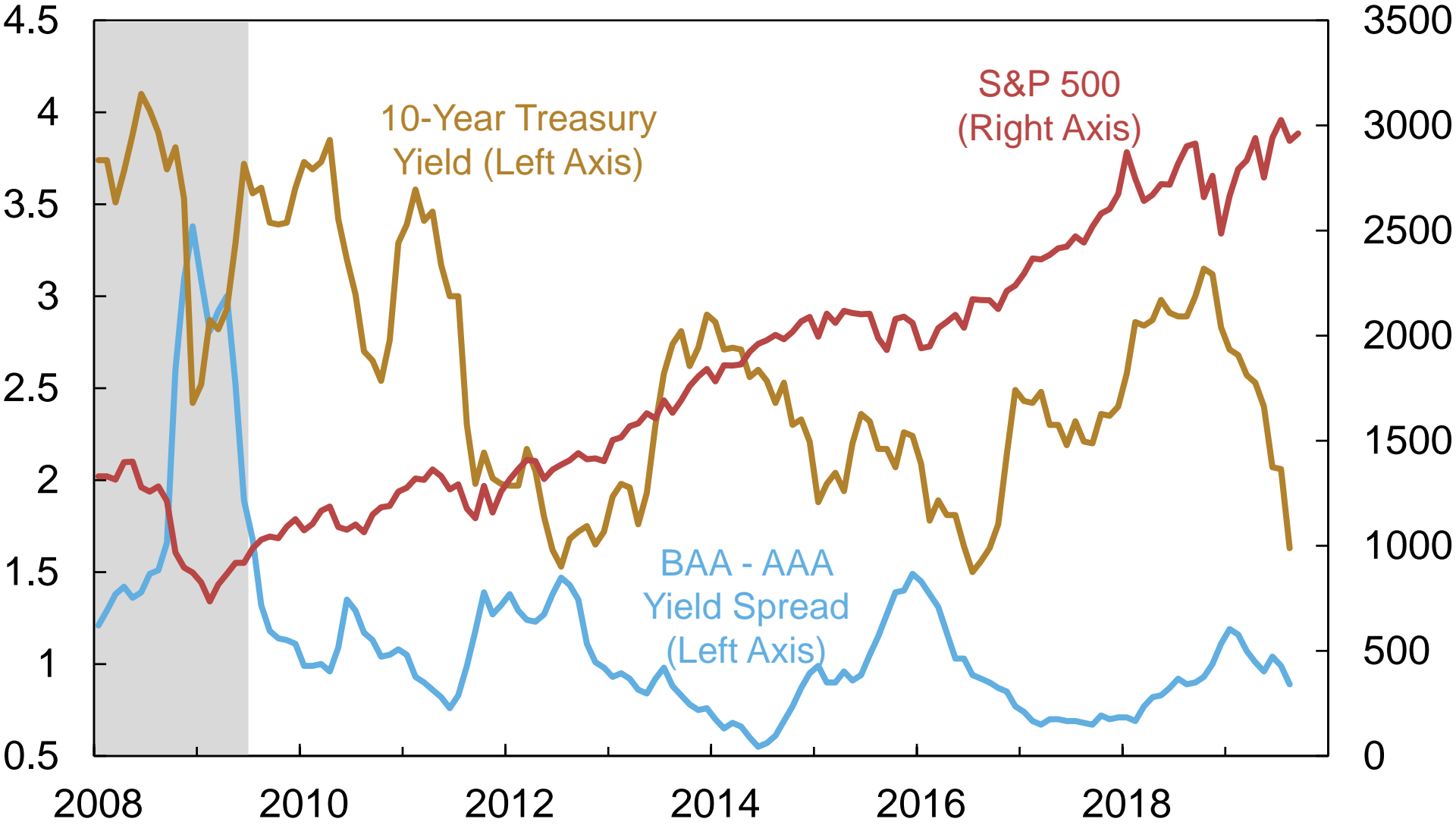

Thous. Units

Percent

Single-Unit Housing Starts (Left Axis)

30-Year Fixed-Rate Mortgage (Right Axis)

Housing Units Authorized: Single-Unit (Left Axis)

Source: US Census and FHLMC.

Note: Shading shows NBER recessions.

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Financial Conditions Supportive to Economic Growth

Percentage Points — Index (1941-43=10)

10-Year Treasury Yield (Left Axis)

S&P 500 (Right Axis)

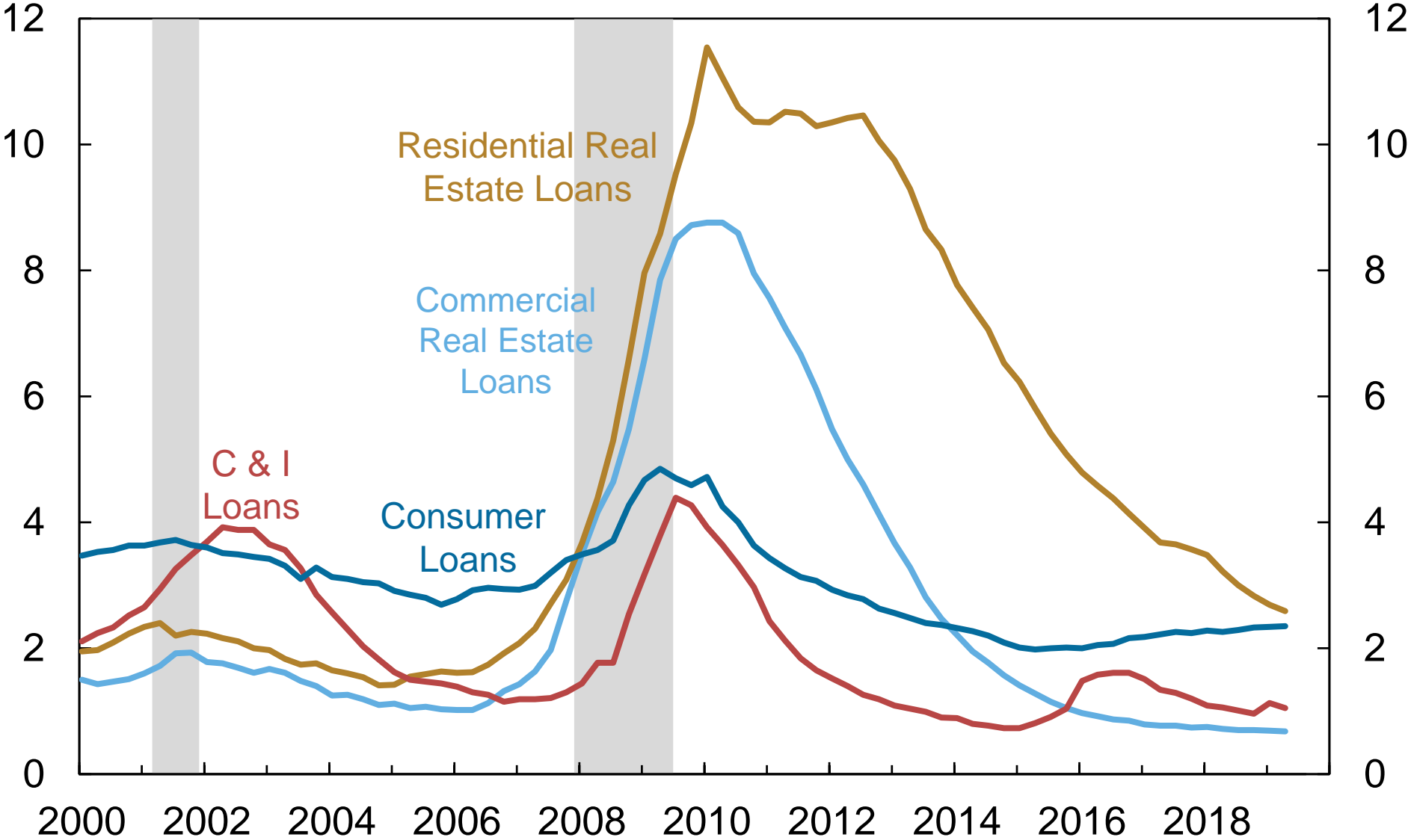**BAA - AAA Yield Spread (Left Axis)**

Source: Wall Street Journal, U.S. Treasury, and Moody's via St. Louis FRED.

Note: Shading shows NBER recessions.

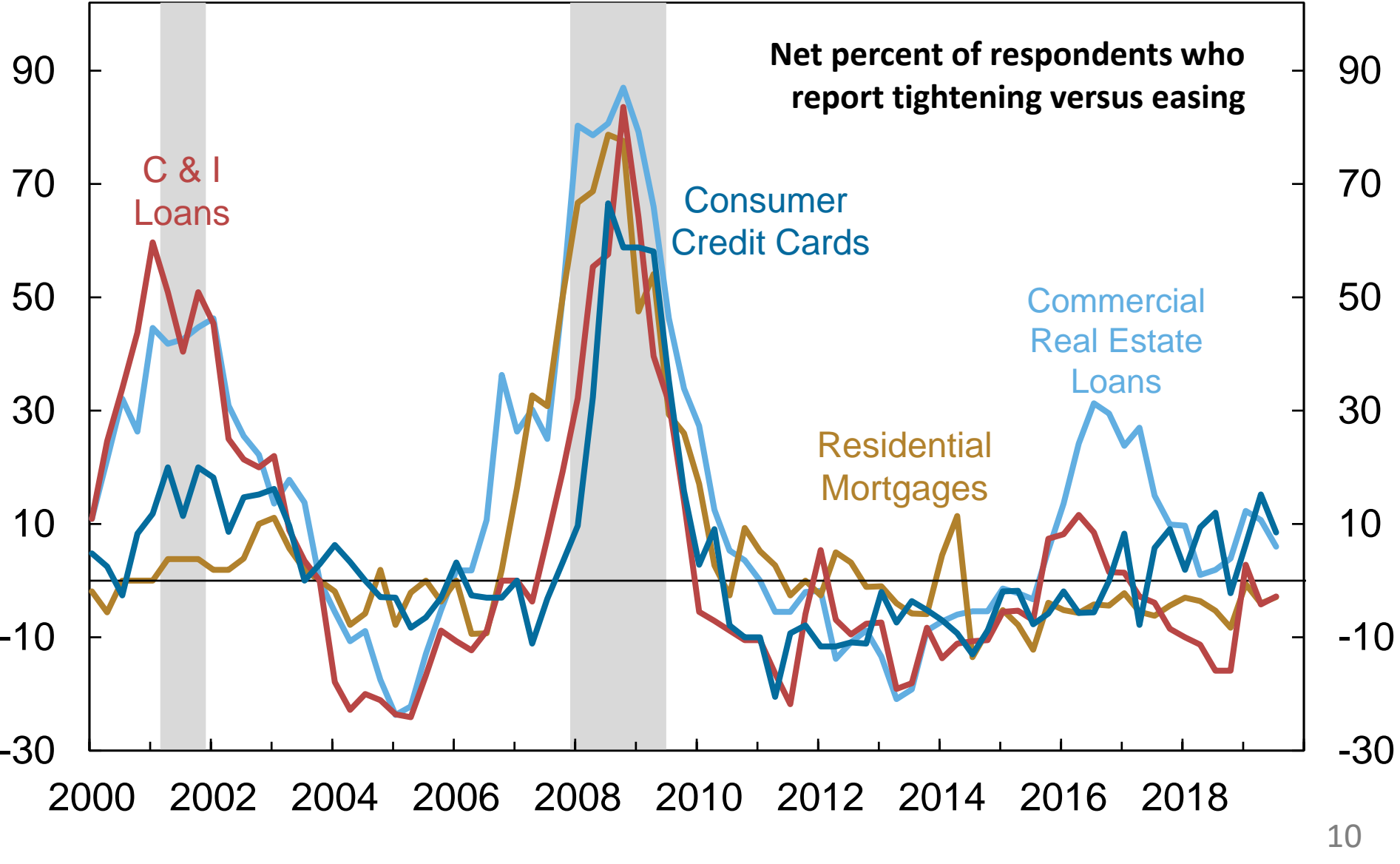# Loan Delinquency Rates at Commercial Banks Remain Low

Source: Federal Reserve Board.

Note: Data through 2019:Q2.

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Lending Standard Moving Sideways On Net

Percent

Percent

Net percent of respondents who report tightening versus easing

C & I Loans

Consumer Credit Cards

Commercial Real Estate Loans

Residential Mortgages

90

70

50

30

10

-10

-30

2000 2002 2004 2006 2008 2010 2012 2014 2016 2018

Source: Federal Reserve Board.

Note: Shading shows NBER recessions.