The R-word is on many minds
Four main sectors of the economy

Spending on final U.S. goods and services by ...

\[ Y = C + I + G + (X - M) \]
Current economy in a nutshell

Spending on final U.S. goods and services by ... 

\[ Y = C + I + G + (X - M) \]
Smiley is bulk of the economy
Main takeaways

- **Economy growing at trend pace**
  - Recent GDP growth in line with estimates

- **Household sector keeps economy humming**
  - Solid consumer spending and confidence
  - Improved wage gains for lower skilled (finally)

- **Uncertainty affecting business decisions**
  - Business confidence near recession levels
  - Subdue business fixed investment

- **Limited impact of trade disputes**
  - U.S. a relatively closed economy
Economy growing at trend pace
Steady growth expected to continue

Real GDP growth
Quarterly Observations; Annualized growth rate; Seasonally Adjusted

Source: Bureau of Economic Analysis, Federal Reserve Bank of Philadelphia (SPF)
Accompanied by solid job growth

All Employees: Total Nonfarm Payrolls
Monthly Observations; 3-Month MA; Seasonally Adjusted

That keeps unemployment rate flat

Civilian Unemployment Rate
Monthly Observations; 3-Month MA; Seasonally Adjusted


Hobijn - December 11, 2019

ASU-ECN-EFL
Inflation expected to remain tame

PCE: Chain-type Price Index
Monthly Observations; 3-Month MA; Annualized Inflation; Seasonally Adjusted

Source: Bureau of Economic Analysis, Federal Reserve Bank of Philadelphia (SPF)
FOMC Participants’ Assessment of Appropriate Monetary Policy
September 18, 2019, midpoint of Fed-Funds target range

Source: Federal Reserve Board of Governors
Household Sector Keeps Economy Humming
Consumers feeling good...

**Consumer Sentiment Index**

Monthly observations; seasonally adjusted; index 1966Q1=100

Source: University of Michigan
... and seeing wage increases

Compensation Growth
Monthly and quarterly observations; 12-month growth rate; average over 4 main measures

Source: Bureau of Labor Statistics
Uncertainty is Affecting Business Decisions
Business Sentiment Sagging

**ISM Index**
Seasonally adjusted; index

Source: Institute for Supply Management
Business investment has slowed

Real Private Non-Residential Fixed Investment
Seasonally adjusted; 4-quarter growth

Source: Bureau of Economic Analysis
Limited Impact of Trade Disputes
Trade is small part of GDP

Gross Domestic Product and its Components
Quarterly observations; seasonally adjusted; annualized

Source: Bureau of Economic Analysis
### Trade is small part of macroeconomy

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Amount</th>
<th>Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jobs (exports)</td>
<td>11 million</td>
<td>Number of jobs that involved in the production of exports of goods and services from U.S. to rest of world.</td>
</tr>
<tr>
<td>Jobs (imports)</td>
<td>15 million</td>
<td>Number of jobs needed to add to U.S. employment to produce imports at current prices, wages, and productivity levels.</td>
</tr>
<tr>
<td>Inflation</td>
<td>10 percent</td>
<td>One tenth of the price of consumer spending is due to the cost of imported goods and services</td>
</tr>
</tbody>
</table>

Source: Hale, Hobijn, Nechio (2018) and own calculations
A Quick Recap

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Recessions are like death...

... in this world nothing can be said to be certain, except death, taxes, and recessions.

... No reason to worry a lot about a recession now. It will come, but the patient is relatively healthy.