

**ECONOMIC SUMMARY**

**UNITED STATES**

**GROSS DOMESTIC PRODUCT**

“Real gross domestic product (GDP) rose over the year at a rate of 2.5% in the fourth quarter of 2017, according to the second estimate released by the Bureau of Economic Analysis.”

The approximation for GDP that was released is more dependent on full source data than were available for the estimate issued the previous month. In the advance estimate, the increase in real GDP was 2.6% and the general idea of economic growth remains the same.

“The increase in real GDP in the fourth quarter reflected positive contributions from personal consumption expenditures (PCE), exports, non-residential fixed investment, residential fixed investment, state and local government spending, and federal government spending that were partly offset by a negative contribution from private inventory investment. imports, which are a subtraction in the calculation of GDP, increased.”

GDP fell in the last quarter which reflected a downturn in private inventory investment that was partly offset by accelerations in PCE, exports, non-residential fixed investment, state and local government spending, and federal government spending, and an upturn in residential fixed investment. While imports increased, which are a subtraction in the calculation of GDP.”

“Current-dollar GDP increased 4.9%, or \$235.9 billion, in the fourth quarter to a level of \$19,736.5 billion. In the third quarter, current-dollar GDP increased 5.3%, or \$250.6 billion.”

Gross domestic purchases increased to 2.5% (previous quarter: 1.7%). Personal Consumption Expenditure (PCE) price index climbed to 2.7%, relative to an increase of 1.5%. With the exception of food and energy prices, the PCE price index increased 1.9% as compared with an increase of 1.3%.

**UNEMPLOYMENT**

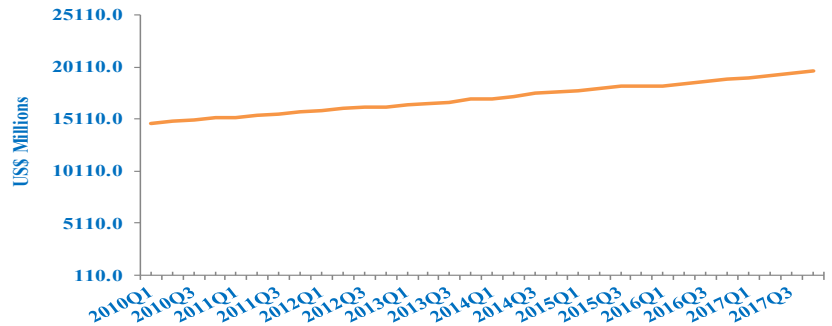
Total nonfarm payroll employment rose by 313,000 in February, with the rate of unemployment remaining unchanged at 4.1%. Employment rose in the various areas of construction, retail trade, professional and business services, manufacturing, financial activities, and mining.

The unemployment rate was 4.1% in February while the number of unemployed persons was unchanged at 6.7 million.

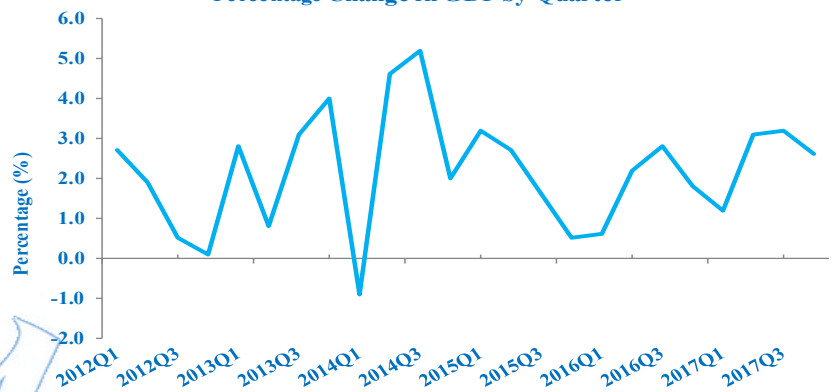
Long-term unemployed (those jobless for 27 weeks or more) figure was at the same 1.4 million in February and accounted for 20.7% of the unemployed. Throughout the year, the number of went down by 369,000.

Involuntary part-time workers or the number of persons employed part time for economic reasons experienced a small movement to 5.2 million in February. These persons who would have wanted part full time employment, worked part time due to a reduction of hours or the inability to find a full-time job.

**Total GDP**



**Percentage Change in GDP by Quarter**



**Unemployment Rate**



| Labour Force in Thousands | Jan-Mar | Apr-Jun | Jul-Sep | Oct - Dec |
|---------------------------|---------|---------|---------|-----------|
| Year                      | Q1      | Q2      | Q3      | Q4        |
| 2013                      | 406,551 | 408,302 | 409,930 | 411,770   |
| 2014                      | 413,266 | 415,744 | 417,944 | 420,294   |
| 2015                      | 422,380 | 424,470 | 426,402 | 428,505   |
| 2016                      | 430,332 | 431,861 | 433,972 | 435,501   |
| 2017                      | 437,561 | 438,981 | 440,640 | 442,309   |





## CONSUMER PRICE INDEX

“The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.2% in February on a seasonally adjusted basis after rising 0.5% in January,” the U.S. Bureau of Labor Statistics reported. The all items index rose 2.2% before seasonal adjustment over the last year.”

The all items less food and energy index increased 0.2% in February following a 0.3% increase in January along with shelter, apparel, and motor vehicle insurance, the indexes for household furnishings and operations, education, personal care, and airline fares which also increased last month. On the other hand, the indexes for communication, new vehicles, medical care, and used cars and trucks fell over the month of February.

The all items index rose 2.2% for the 12 months for February, experiencing a slightly larger increase than the 2.1% rise for the 12 months ending January. “The index for all items less food and energy rose 1.8% over the past year, while the energy index increased 7.7 %and the food index advanced 1.4%.”

There was an increase in the energy index of 0.1% in February following a 3% climb in January. “The gasoline index declined in February, falling 0.9 % after rising 5.7 % the prior month. (Before seasonal adjustment, gasoline prices increased 1.6% in February.) The fuel oil index declined 3.6% after a sharp increase in January. In contrast, the index for natural gas rose 4.7% in February, its largest 1-month increase since March 2014. The electricity index also rose in February, increasing 0.4 %.”

## PRODUCER PRICE INDEX

The Producer Price Index for final demand prices went up 0.2% last month, seasonally adjusted, rose 0.4% in January and were unchanged in December. On an unadjusted basis, the final demand index increased 2.8% for the 12 months ended in February.

“In February, the rise in final demand prices is attributable to a 0.3% advance in the index for final demand services. In contrast, prices for final demand goods edged down 0.1%. The index for final demand less foods, energy, and trade services climbed 0.4% in February, the same as in January. For the 12 months ended in February, prices for final demand less foods, energy, and trade services increased 2.7% the largest rise since 12-month percent change data were available in August 2014.”

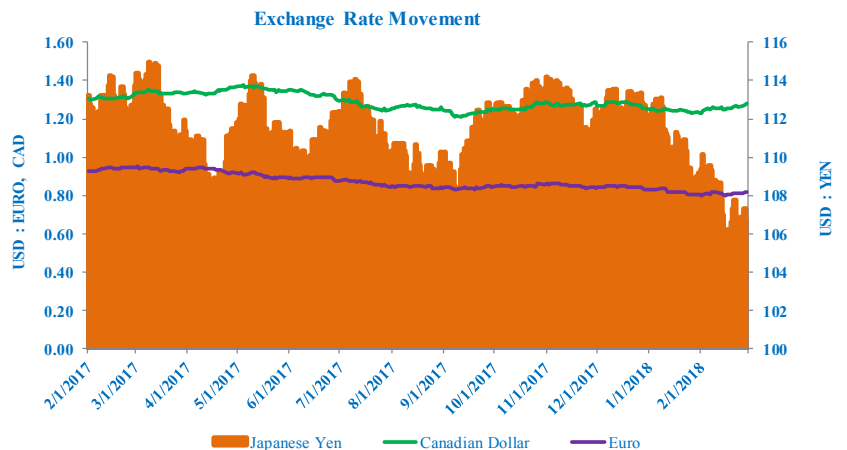
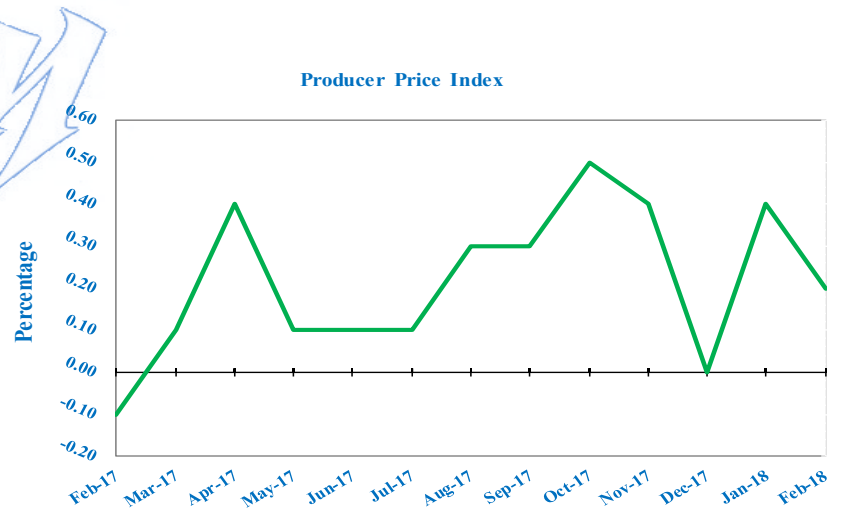
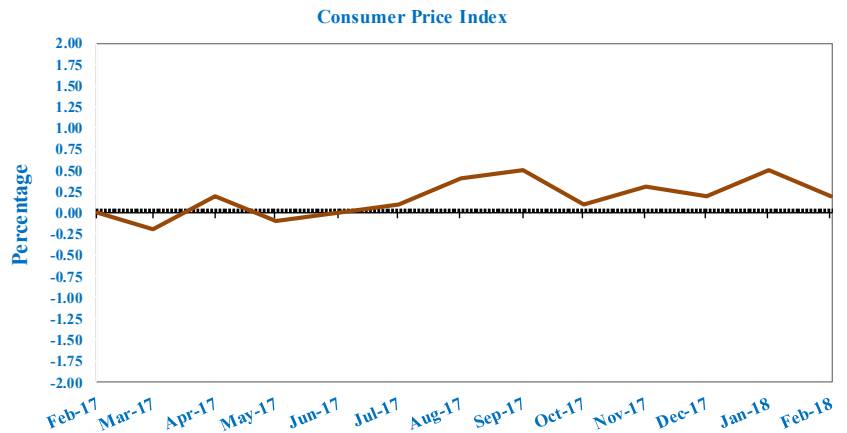
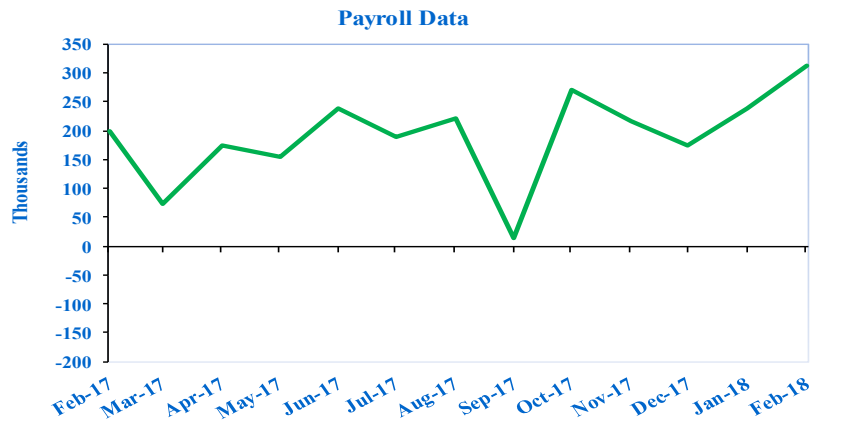
Prices for final demand goods slightly declined 0.1% in February, the first decline since falling 0.5% in May 2017. “In February, a 0.4% decrease in the index for final demand foods and a 0.5% decline in prices for final demand energy slightly outweighed a 0.2% increase in the index for final demand goods less foods and energy.”

The prices for final demand services moved up 0.3% in February, remaining unchanged for the month of January. The advance in February is primarily due to the index for final demand services less trade, transportation, and warehousing, which increased 0.3%. Prices for final demand transportation and warehousing services also went up, rising 0.9%. Conversely, margins for final demand trade services declined

## U.S. Dollar

According to FX Empire, “The euro had a bearish month during February which has basically reversed most of the gains that it had managed to make since the beginning of the year. The EURUSD had been consolidating since the end of January and we had mentioned in our daily forecasts that the consolidation and the ranging at the top indicated that there would be a fall in the following days and this began slowly and steadily and the pair ended the month in a weak manner near the 1.22 region and this points to further weakness in the months ahead.

The Eurozone economy continues to remain stable and this has helped the euro to an extend but even this has not been able to fully negate the strength of the dollar which has been growing over the last few weeks. The ECB is also a bit wary about the gaining euro and hence have been trying to underplay the strength of the economy though it is clear that the incoming data would warrant the ECB to slowly start tapering the QE in the coming months and the ECB may also look to start hiking rates from next year. It is a combination of these factors that have been adding to the strength of the euro.”





## FEDERAL RESERVE MINUTES

The meeting of the Federal Open Market Committee in January suggested that the labor market has continued to strengthen through December and that GDP increased at about 2-1/2 percent pace in the fourth quarter of last year. Gains of real final domestic purchases by households and businesses, which shows that the economy's underlying momentum was solid. "Consumer price inflation, as measured by the 12-month percentage change in the price index for personal consumption expenditures (PCE), remained below 2 percent in December. Survey-based measures of longer-run inflation expectations were little changed on balance."

The national unemployment rate stood at 4.1% and total nonfarm payroll employment increased solidly in December. The unemployment rates for Hispanics, for Asians, and for African Americans fell in the latter part of the year and close to the levels seen just before the most recent recession. The national labor force participation rate held steady in December; relative to the declining trend suggested by an aging population, this sideways movement in the participation rate represented a further strengthening in labor market conditions.

"The participation rate for prime-age (defined as ages 25 to 54) men edged up in December, while the rate for prime-age women went down slightly. The share of part time workers for economic reasons slightly changed in December and was close to its pre-recession level. The rates of private-sector job openings and quits were little changed in November, and the four-week moving average of initial claims for unemployment insurance benefits continued to be at a low level in mid-January. Recent readings showed that gains in hourly labor compensation remained modest. Both the employment cost index for private-sector workers and average hourly earnings for all employees rose about 2-1/2% over the 12 months ending in December."

Total industrial production increased over the two months ending in December, with large gains in manufacturing, mining, and utilities output. Automakers' schedules indicated that assemblies of light motor vehicles would likely increase in the upcoming months. Indicators of manufacturing production, such as the new orders indexes from national and regional manufacturing surveys exhibited increases in factory outputs in the near term.

## U.S. TREASURY YIELD CURVE

According to Federal Reserve Bank of Cleveland, "Two months into the new year, the yield curve continues its march upward. The three-month (constant maturity) Treasury bill rate rose to 1.64% (for the week ending February 23) up 19 basis points from January's 1.45%, which itself was up 13 basis points from December's 1.32%. The ten-year rate (also constant maturity) increased by nearly a third of a percentage point, moving up 32 basis points to 2.91% (from January's 2.59), so on top of last month's increase of nearly a quarter point, this month's rate clocks in at over a half a percentage point above December's number of 2.37. The big shift in the long rate pushed the slope to 127 basis points, up from January's 114 basis points and December's 105 basis points."

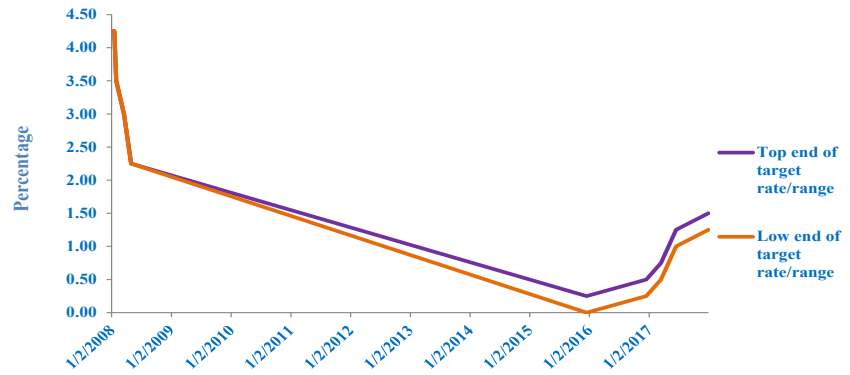
"Overall, the incoming data had only a small impact on expectations of growth. Using past values of the spread and GDP growth suggests that real GDP will grow at about a 1.5% rate over the next year, just up from the January prediction of 1.4% (and much of that difference is rounding), which was just up from the December prediction of 1.3%. Although the time horizons do not match exactly, the forecast, like other forecasts, does show moderate growth."

## GOVERNMENT DEBT/DEFICIT

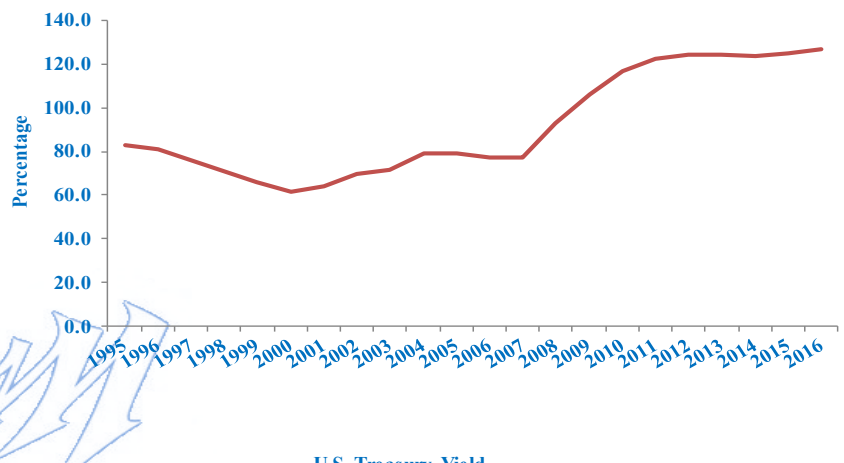
According to the Congressional Budget Office, "The federal budget deficit was \$392 billion for the first five months of fiscal year 2018, the Congressional Budget Office estimates, \$42 billion more than the shortfall recorded during the same period last year. Revenues and outlays were higher, by 2% and 4%, respectively, than during the first five months of fiscal year 2017."

"Similar to last year, this year's outlays were affected by movements in the timing of certain payments that otherwise would have been due on a weekend. If not for those shifts, outlays and the deficit through February would have been larger by more than \$40 billion, both this year and last year—but the year-to-year variances would have been similar."

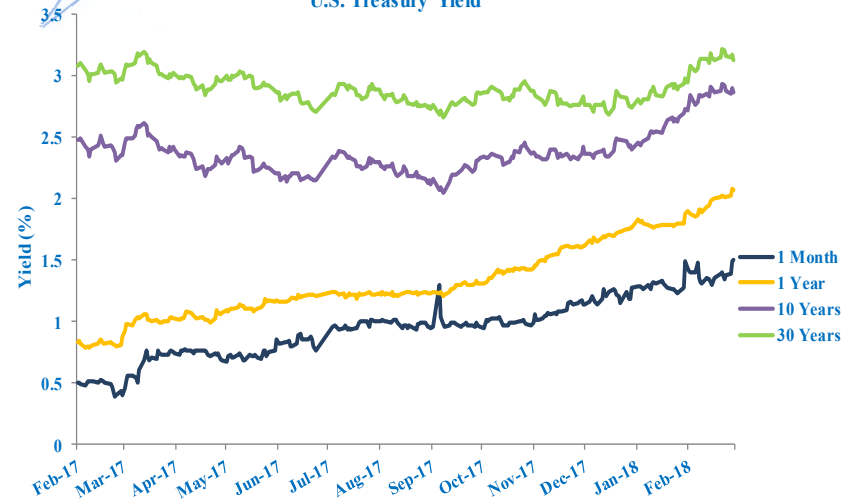
### Federal Interest Rates



### Debt to GDP (Percentage)



### U.S. Treasury Yield



### Budget Totals, October–February

Billions of Dollars

|             | Actual, FY<br>2017 | Preliminary,<br>FY 2018 | Estimated<br>Change |
|-------------|--------------------|-------------------------|---------------------|
| Receipts    | 1,257              | 1,287                   | 31                  |
| Outlays     | 1,607              | 1,679                   | 72                  |
| Deficit (-) | -351               | -392                    | -42                 |

