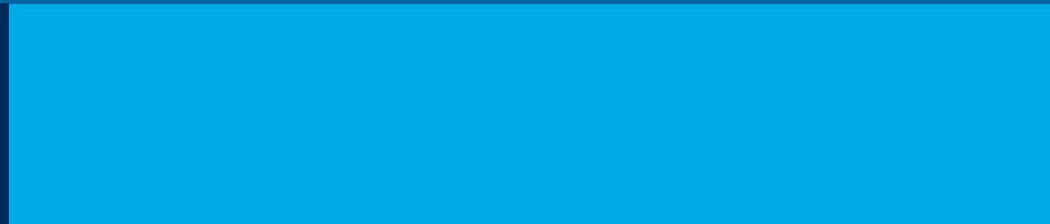


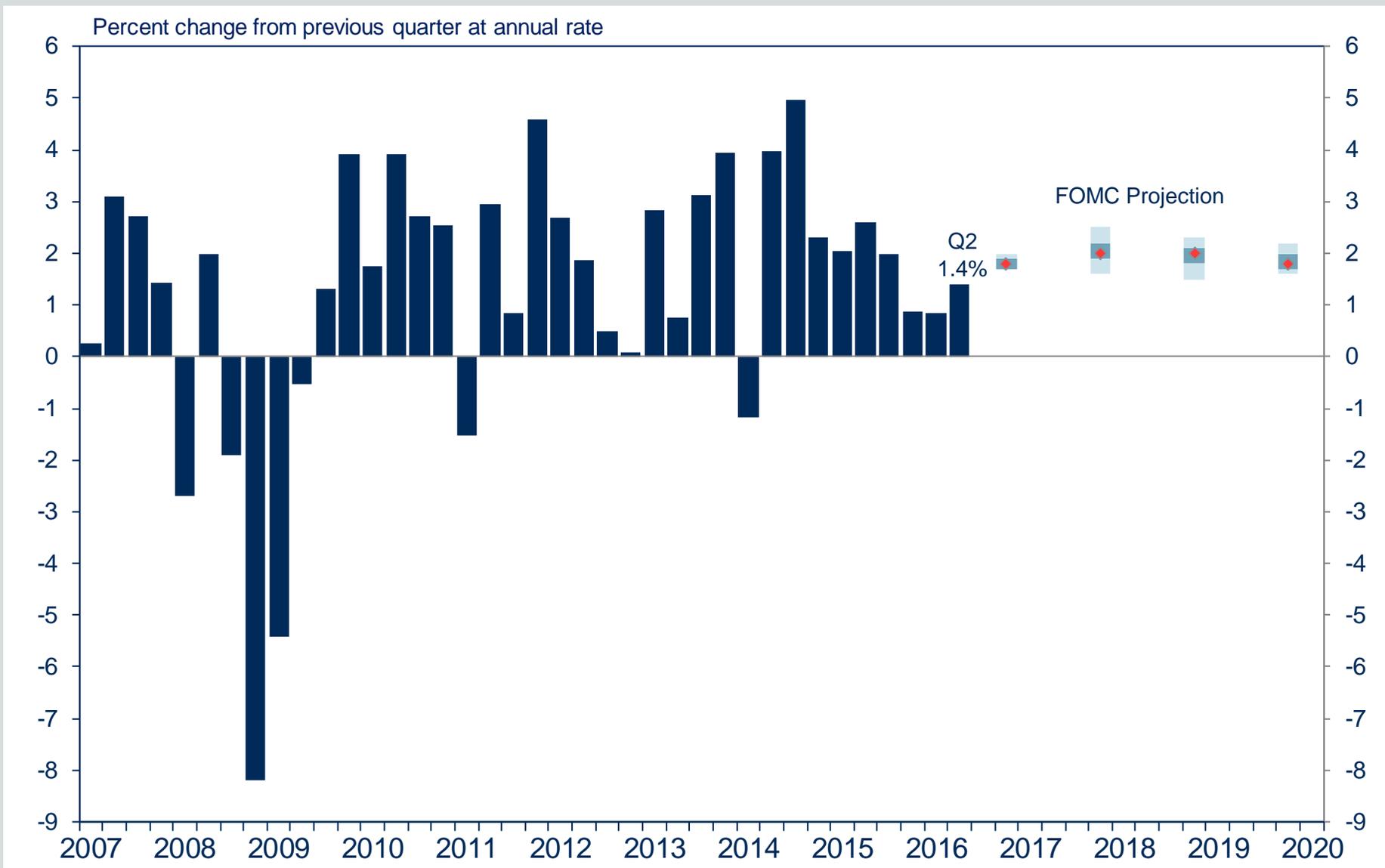


National Economic Environment

Rick Kaglic
October 20, 2016



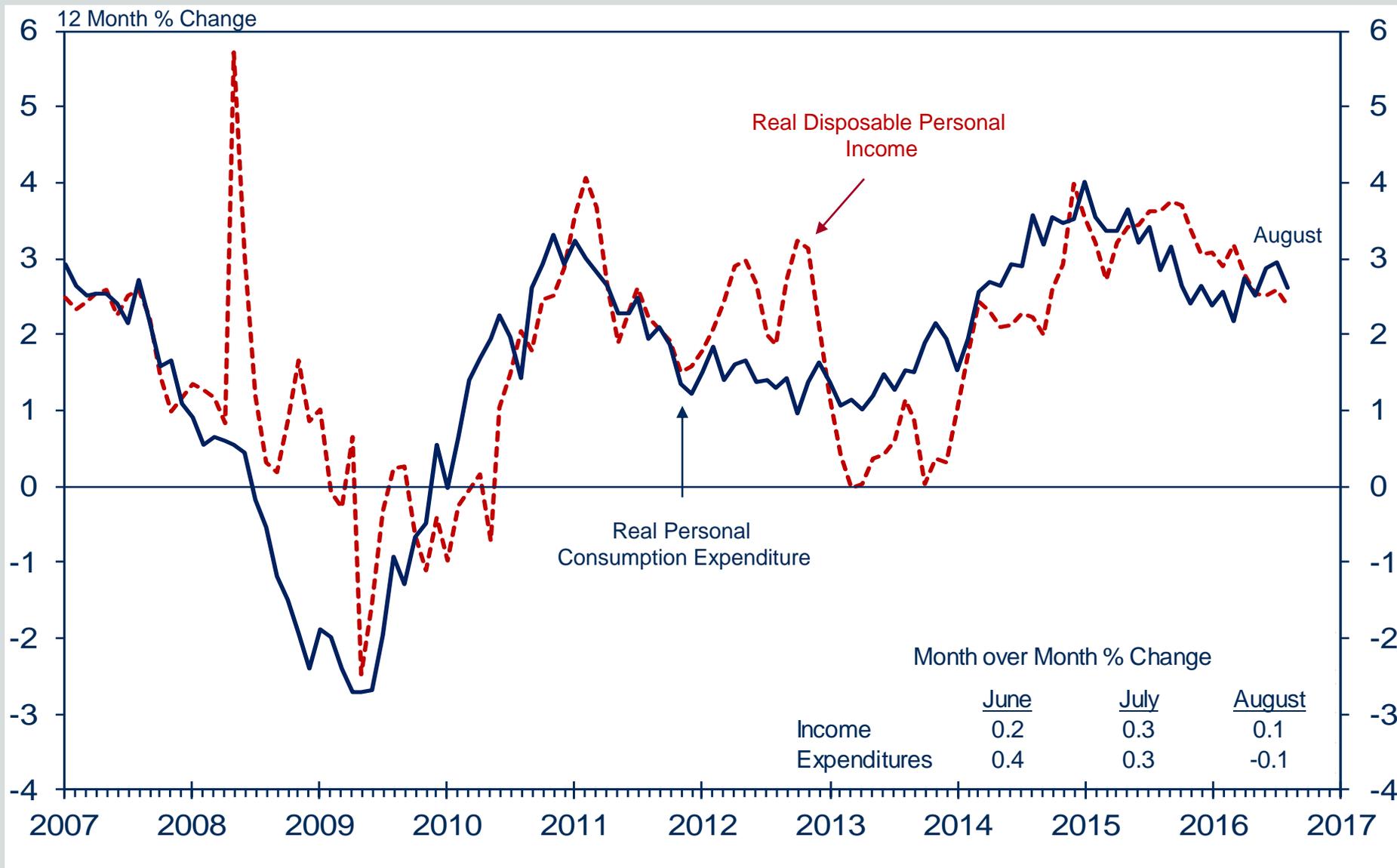
Real Gross Domestic Product



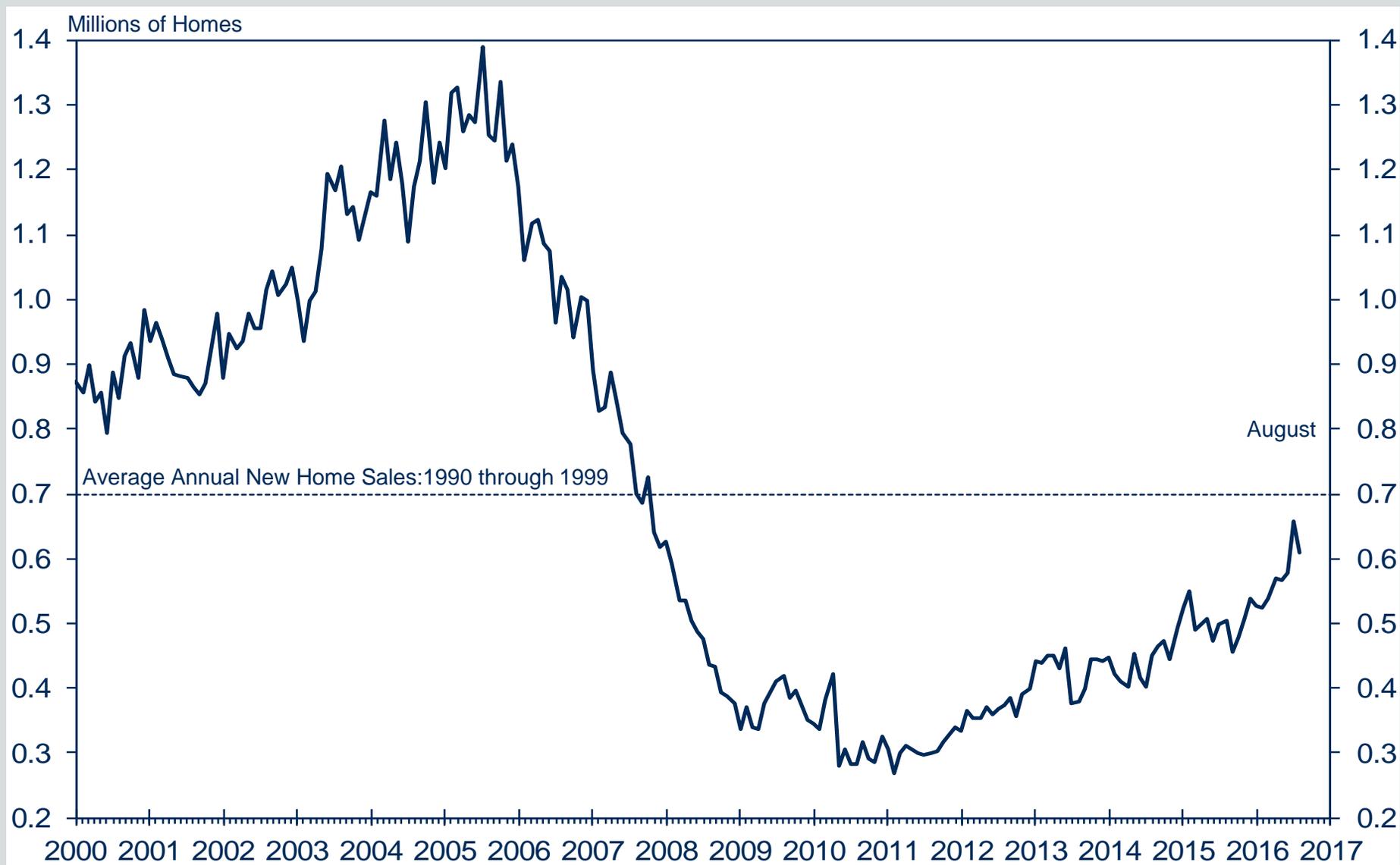
Note: Projection is the median, central tendency, and range from the September 2016 Summary of Economic Projections. Red dots indicate median projections. Projections of change in real gross domestic product (GDP) are from the fourth quarter of the previous year to the fourth quarter of the year indicated.

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

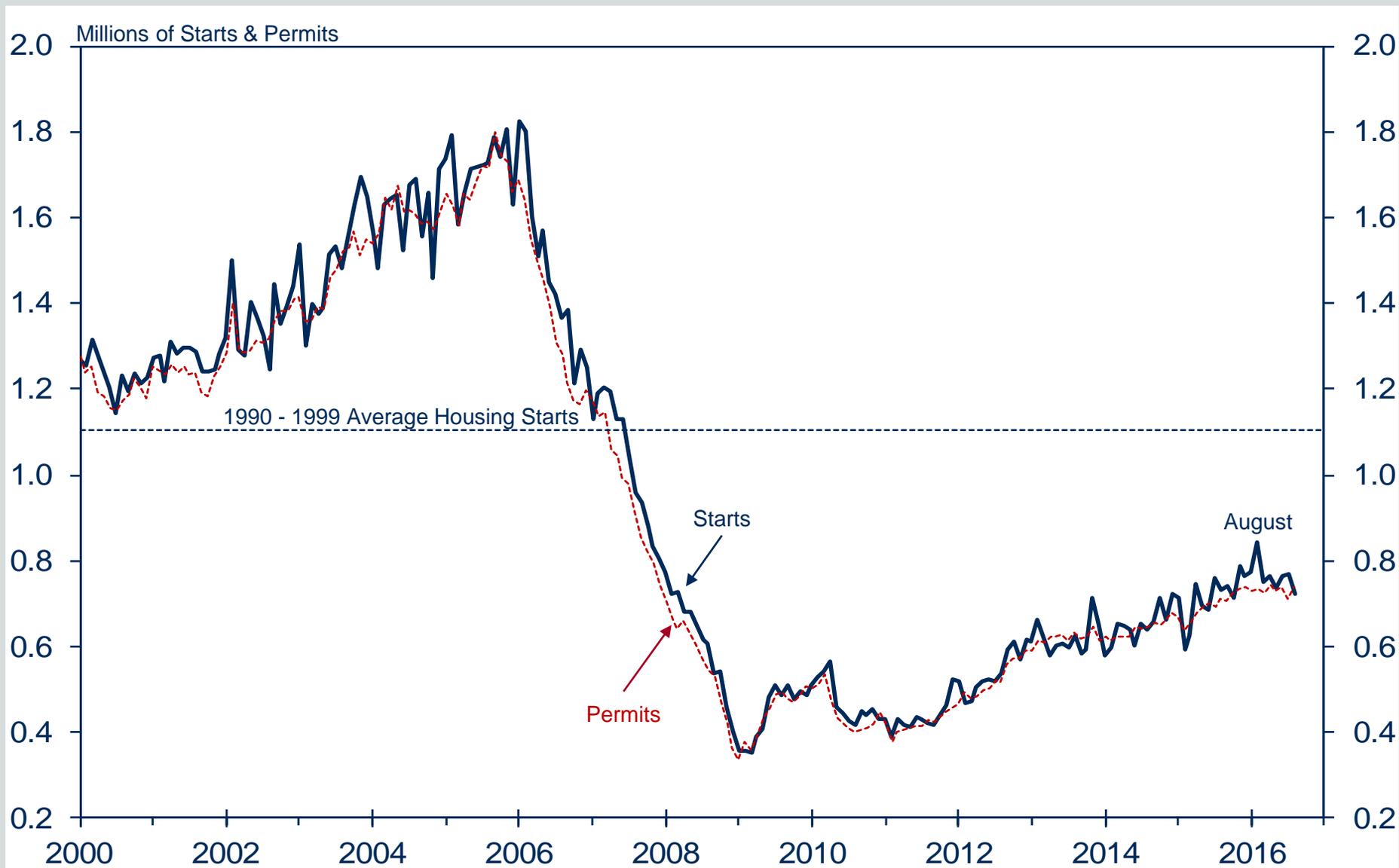
Disposable Personal Income & Expenditures



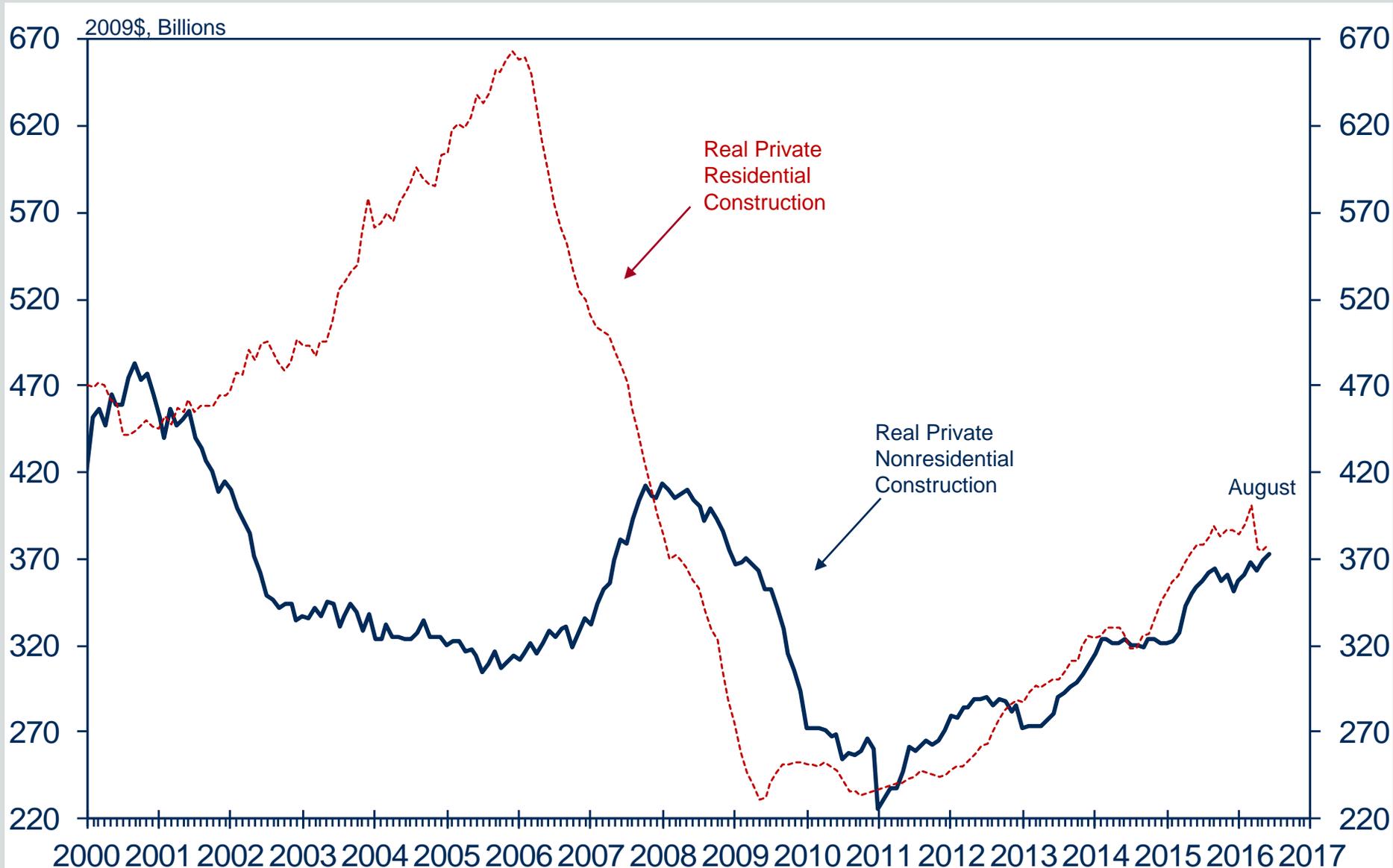
New Single-Family Home Sales



Private Single-Family Housing Starts & Permits



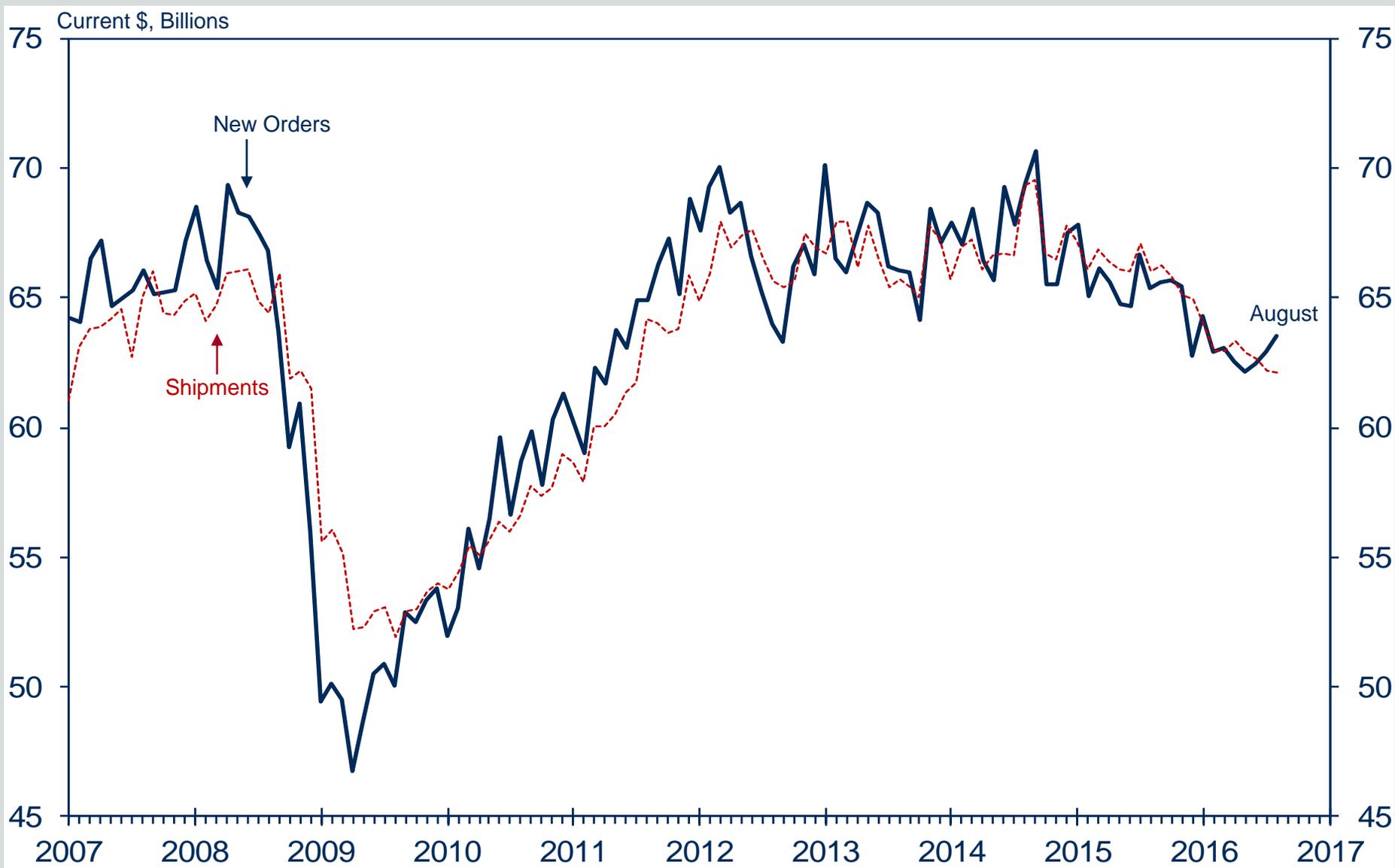
Real Private Construction Put In Place



Notes: Private nonresidential construction deflated using the price index for private fixed investment in nonresidential structures and private residential construction deflated using the private residential investment chain price index.

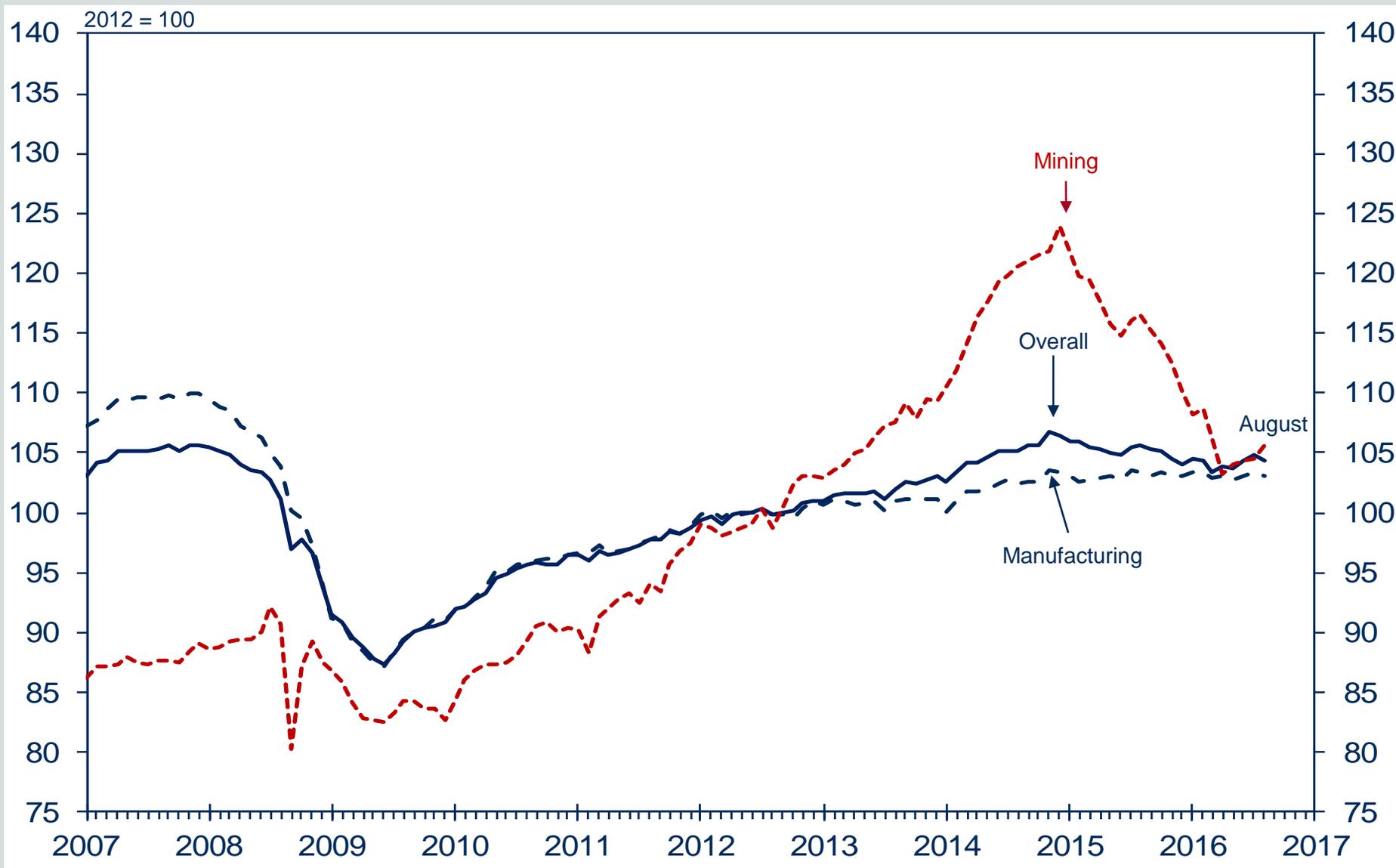
Source: Census Bureau via Haver Analytics 15

Core Capital Goods



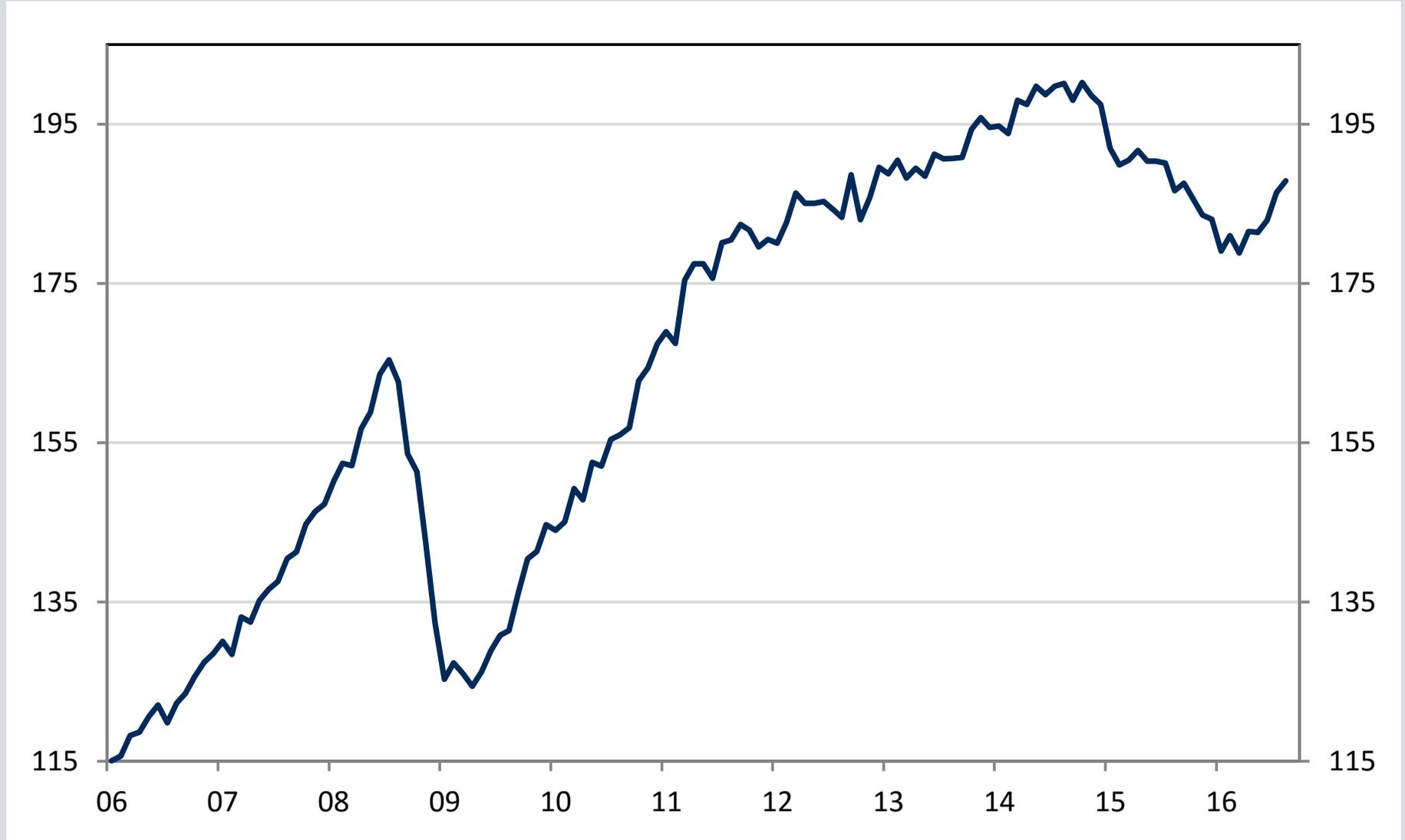
Notes: Core capital goods are nondefense capital goods excluding aircraft.

Industrial Production

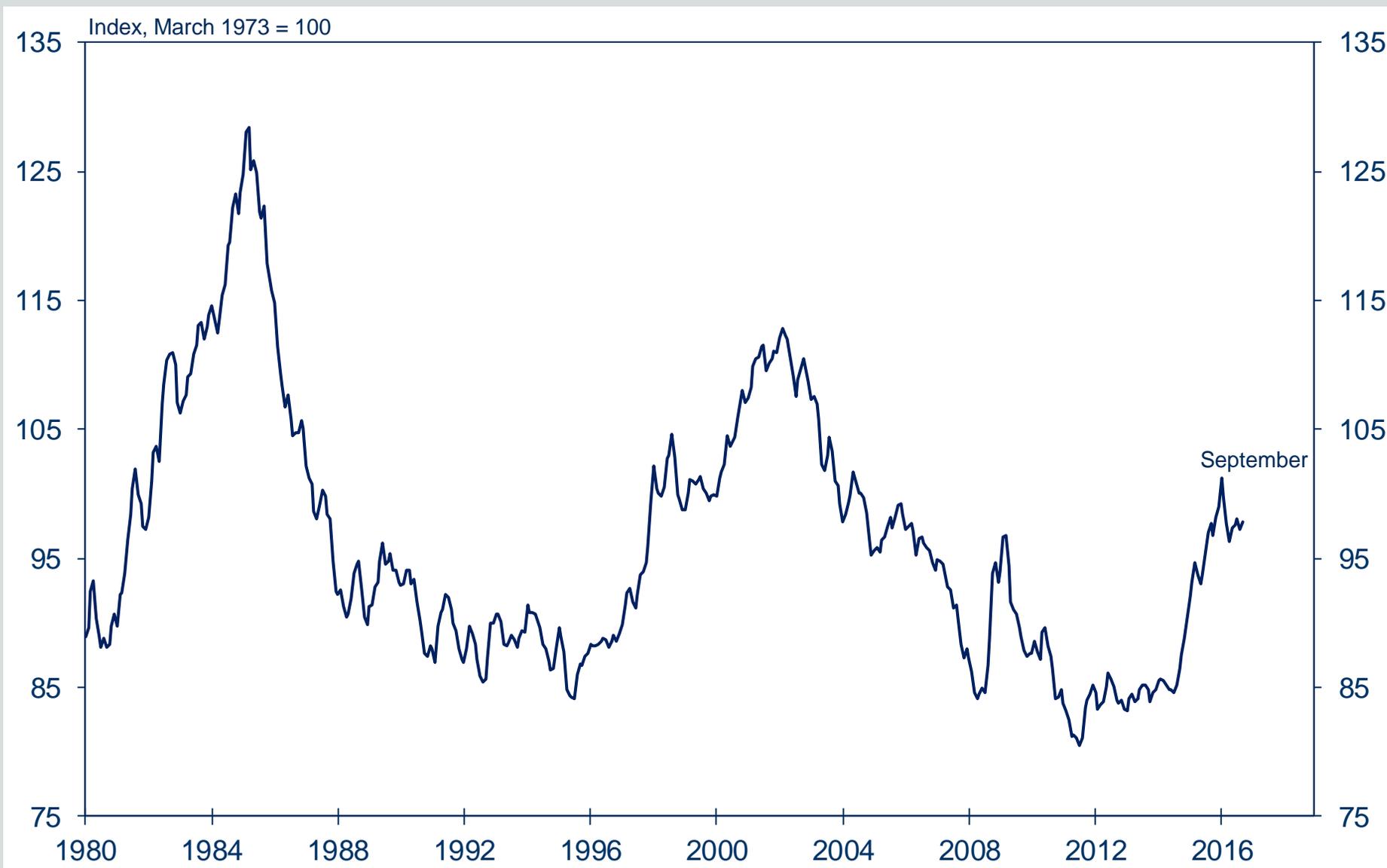


Exports

Current \$, Billions

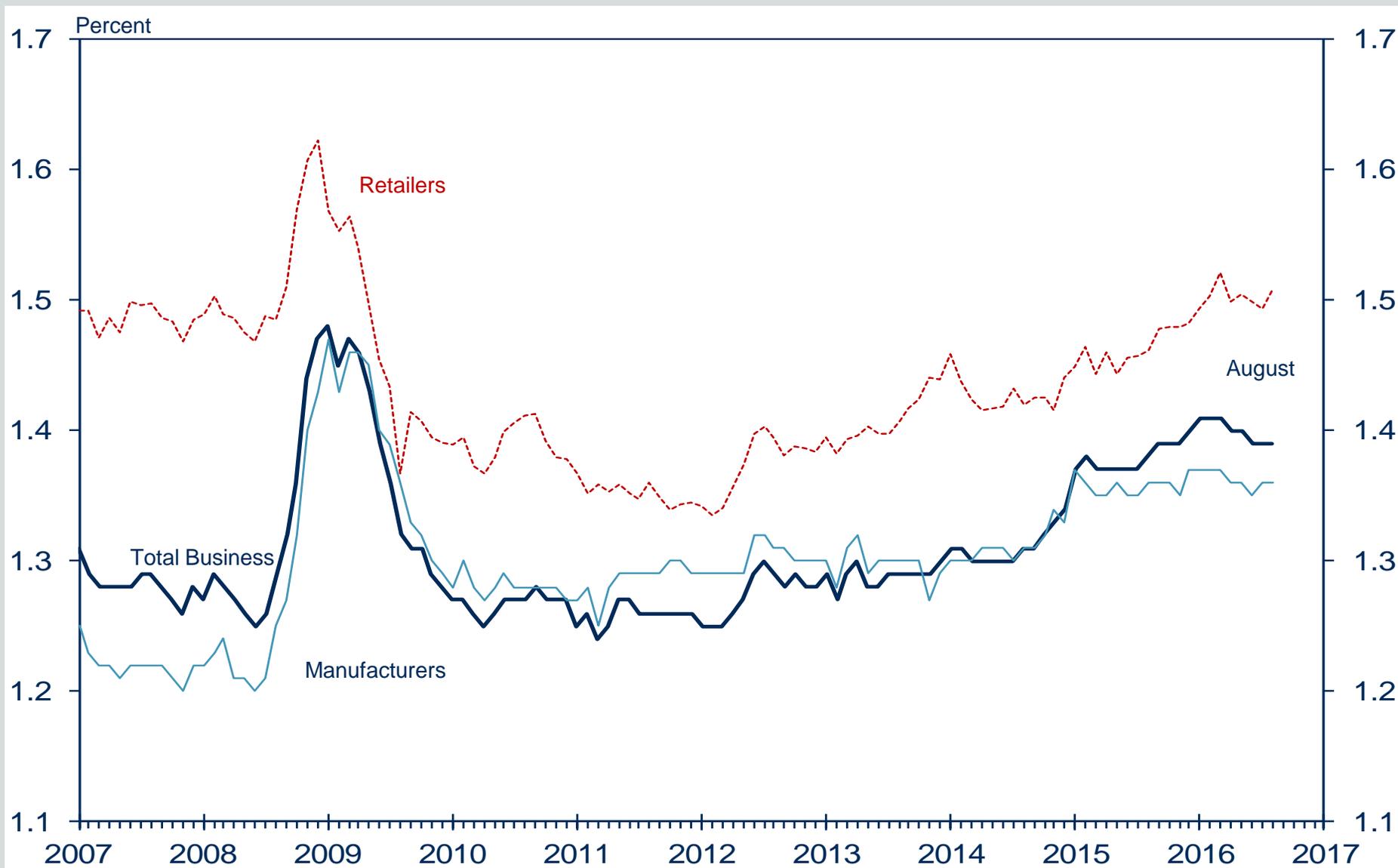


Exchange Value of the USD

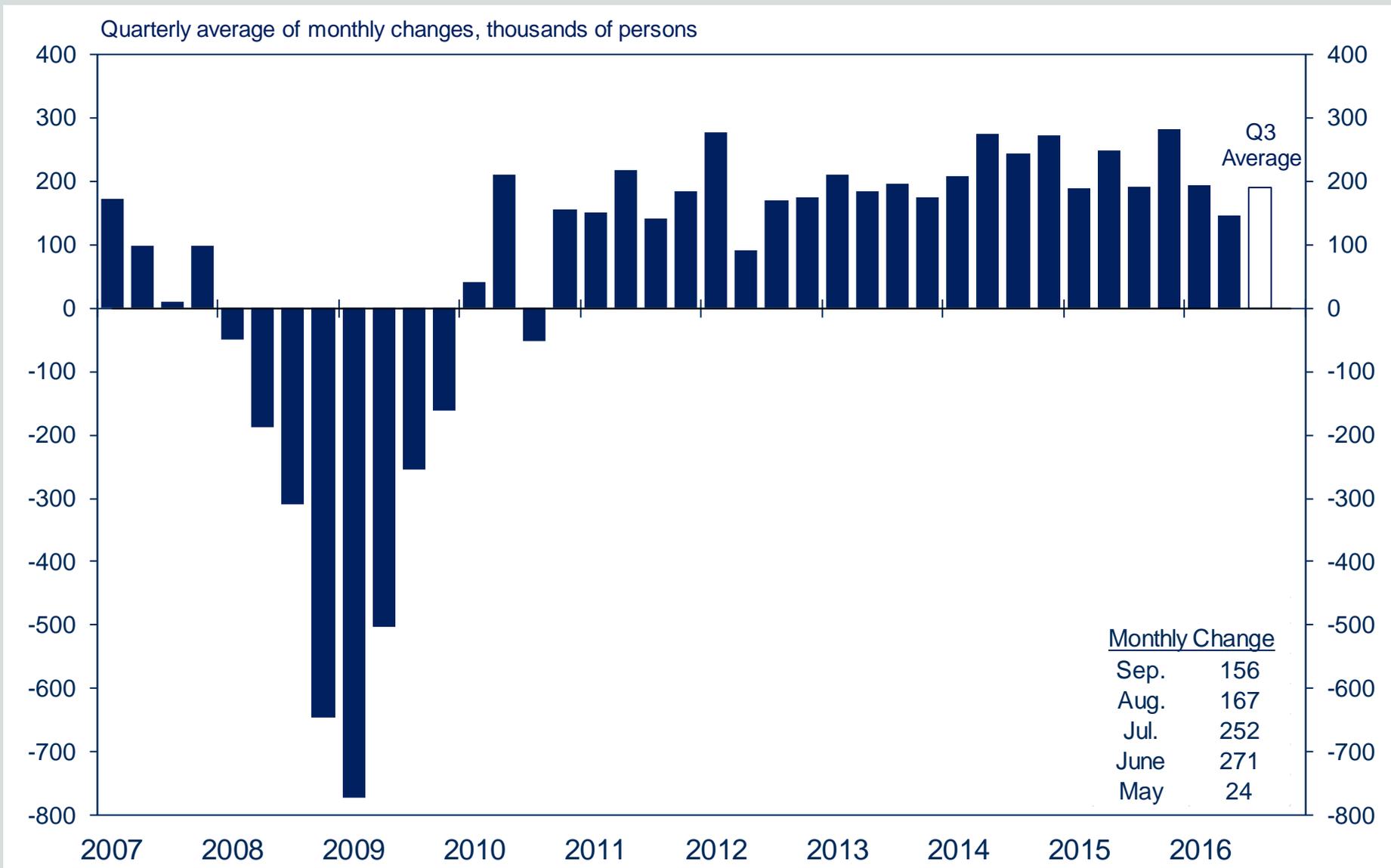


Notes: Measured as the real broad trade-weighted exchange value of the United States Dollar.

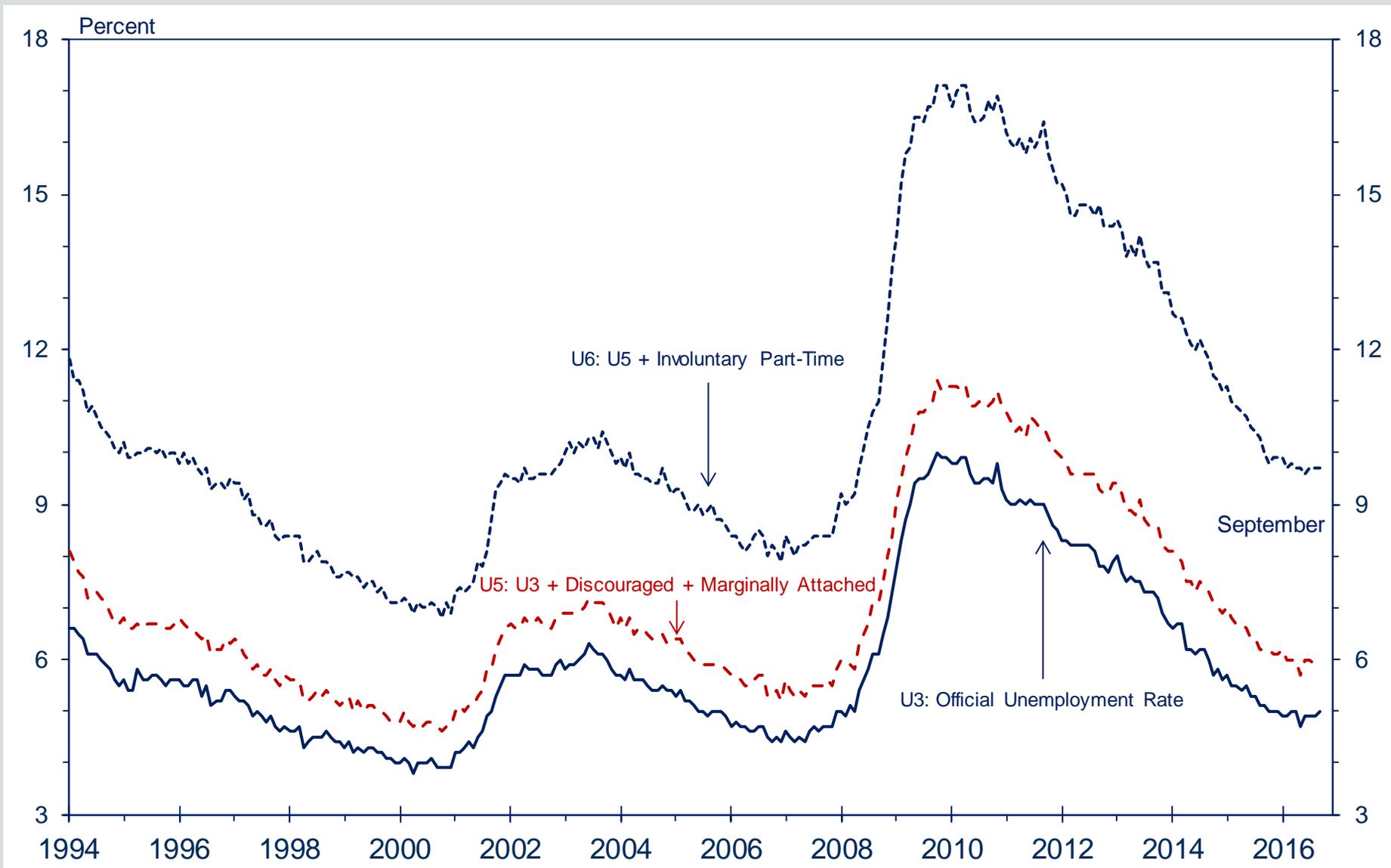
Business Inventory/Sales Ratio



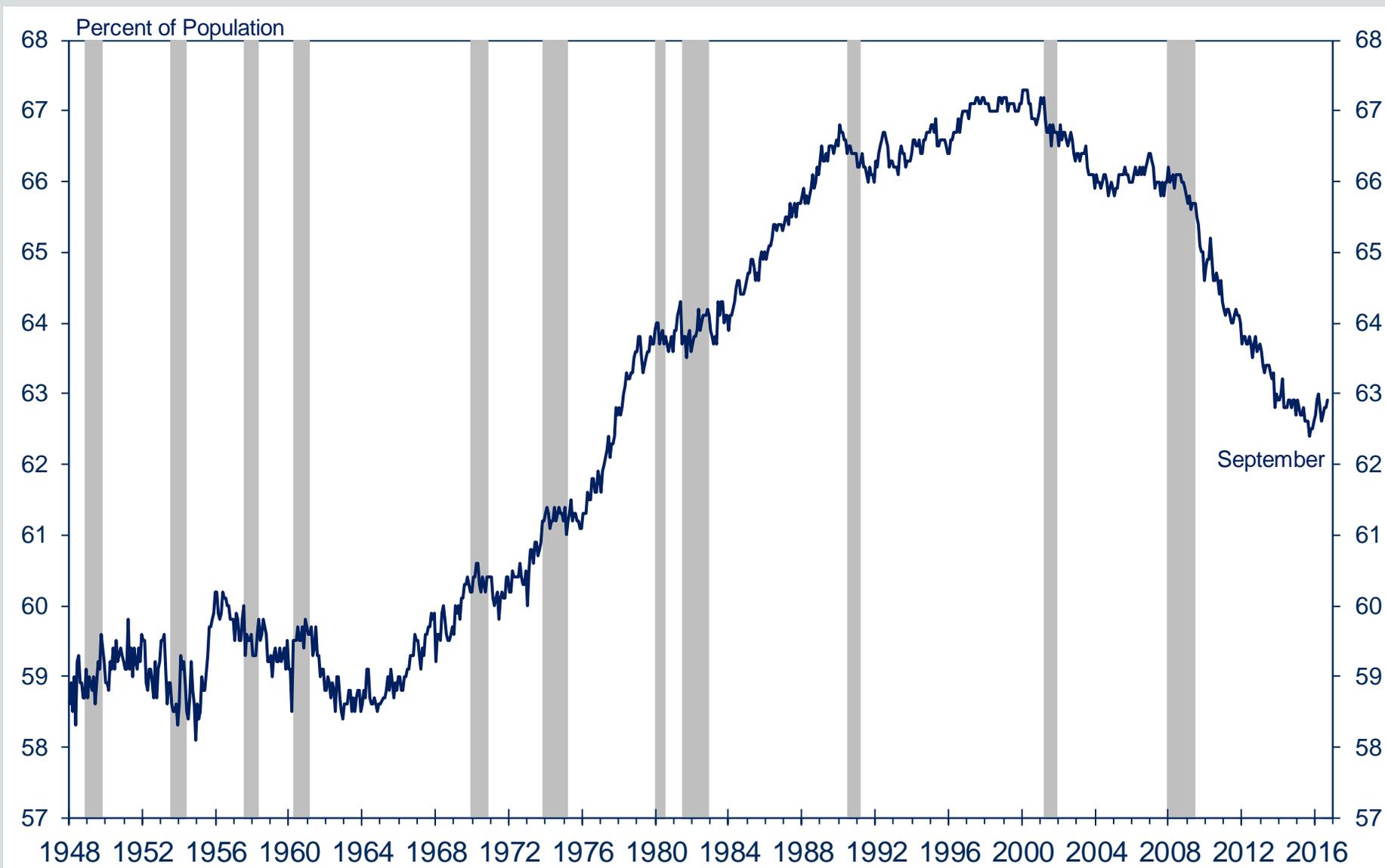
Nonfarm Payroll Employment



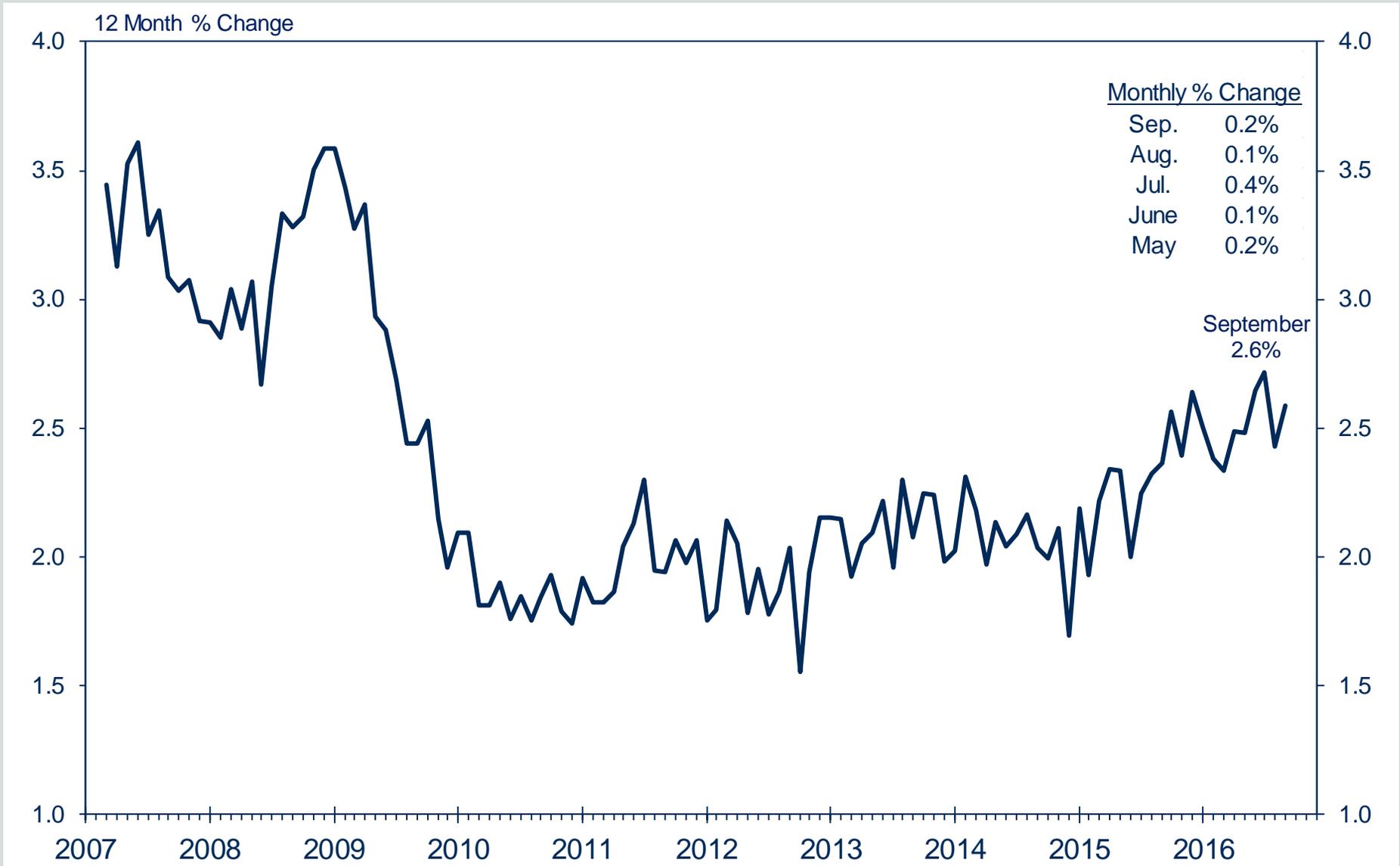
Measures of Labor Utilization



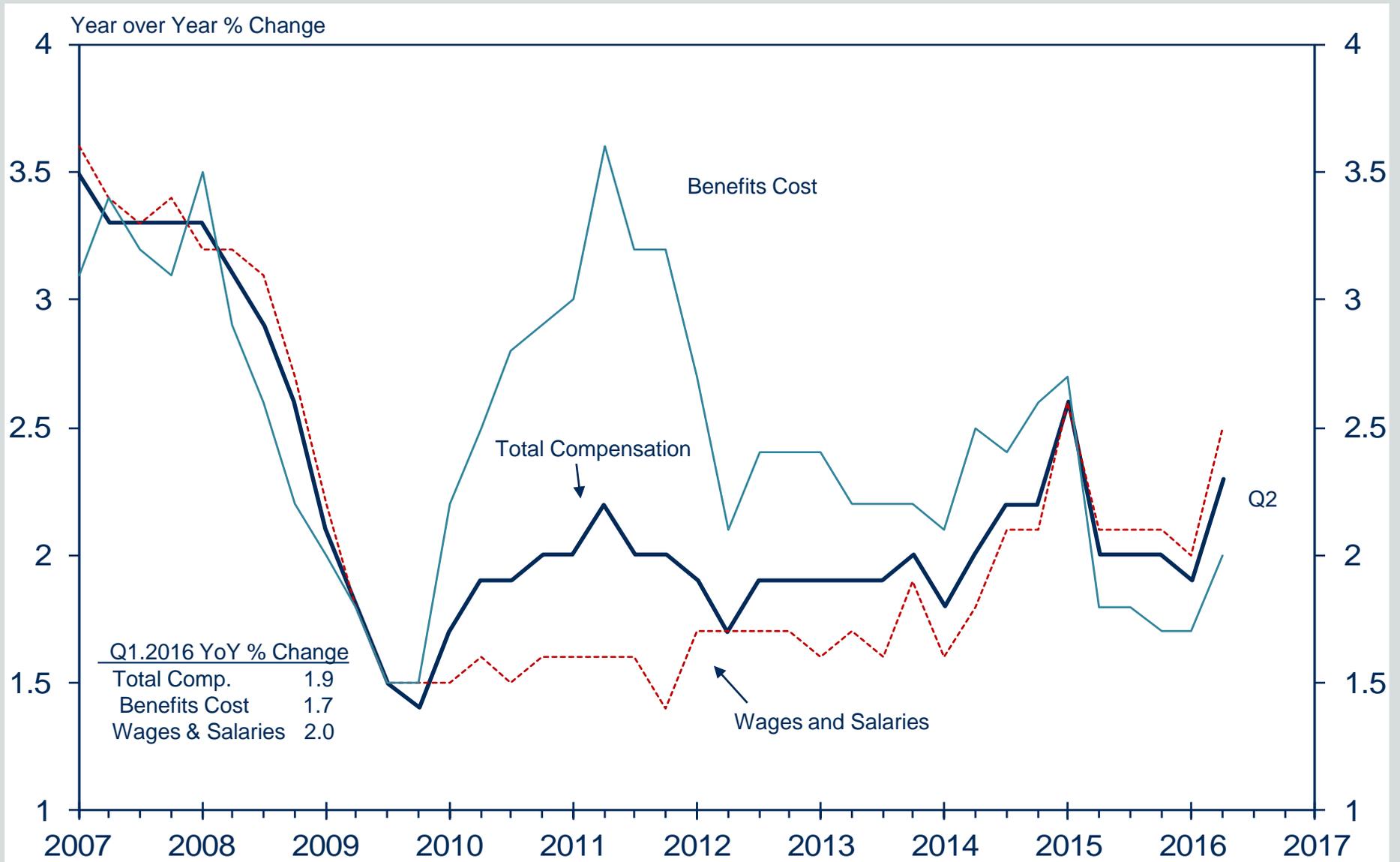
Labor Force Participation



Average Hourly Earnings



Employment Cost Index



Gauges of Inflation

Expenditure Price Indexes	[Percent Change from Previous Month at Annual Rate]:		
	July	Aug.	YoY %
Personal Consumption Expenditures	0.4	1.7	1.0
Core (excludes Food and Energy)	1.5	2.2	1.7

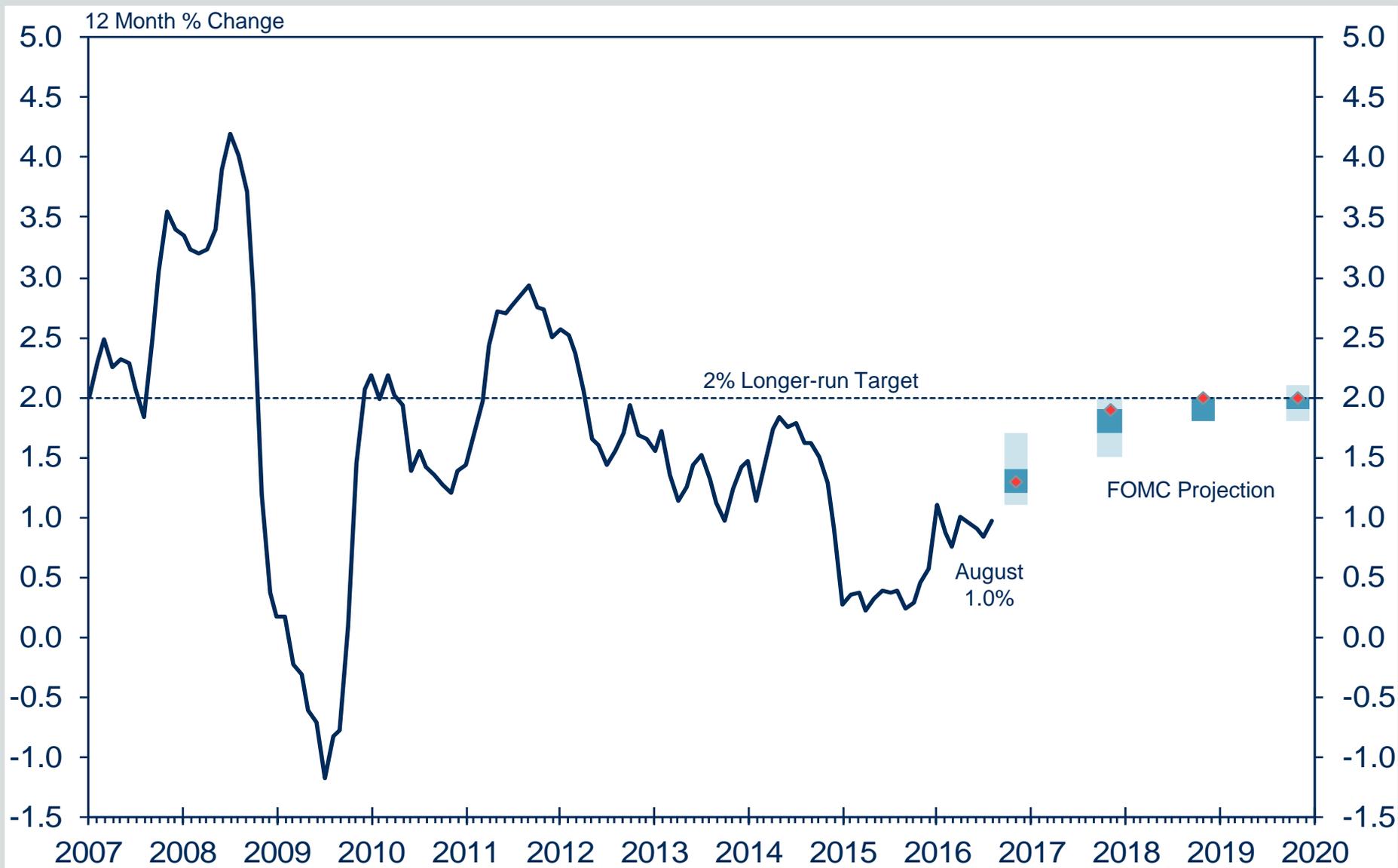
Consumer Price Indexes	[Percent Change from Previous Month at Annual Rate]:		
	July	Aug.	YoY %
All Items	-0.5	2.4	1.1
Core (excludes Food and Energy)	1.1	3.1	2.3

Producer Price Indexes	[Percent Change from Previous Month at Annual Rate]:		
	July	Aug.	YoY %
Finished Goods	-5.5	-3.1	-1.9
Core (excludes Food and Energy)	-1.8	1.9	1.1
Core Intermediate Goods	1.3	3.3	-1.0
Crude Goods	-4.6	-29.1	-8.1

Spot Commodity Price Index	[Percent Change from Previous Month]:		
	Aug.	Sep.	YoY %
CRB Spot Commodity Price Index	-1.3	-0.1	-0.2

Notes: Core PCE Price Index includes expenditures on food services.

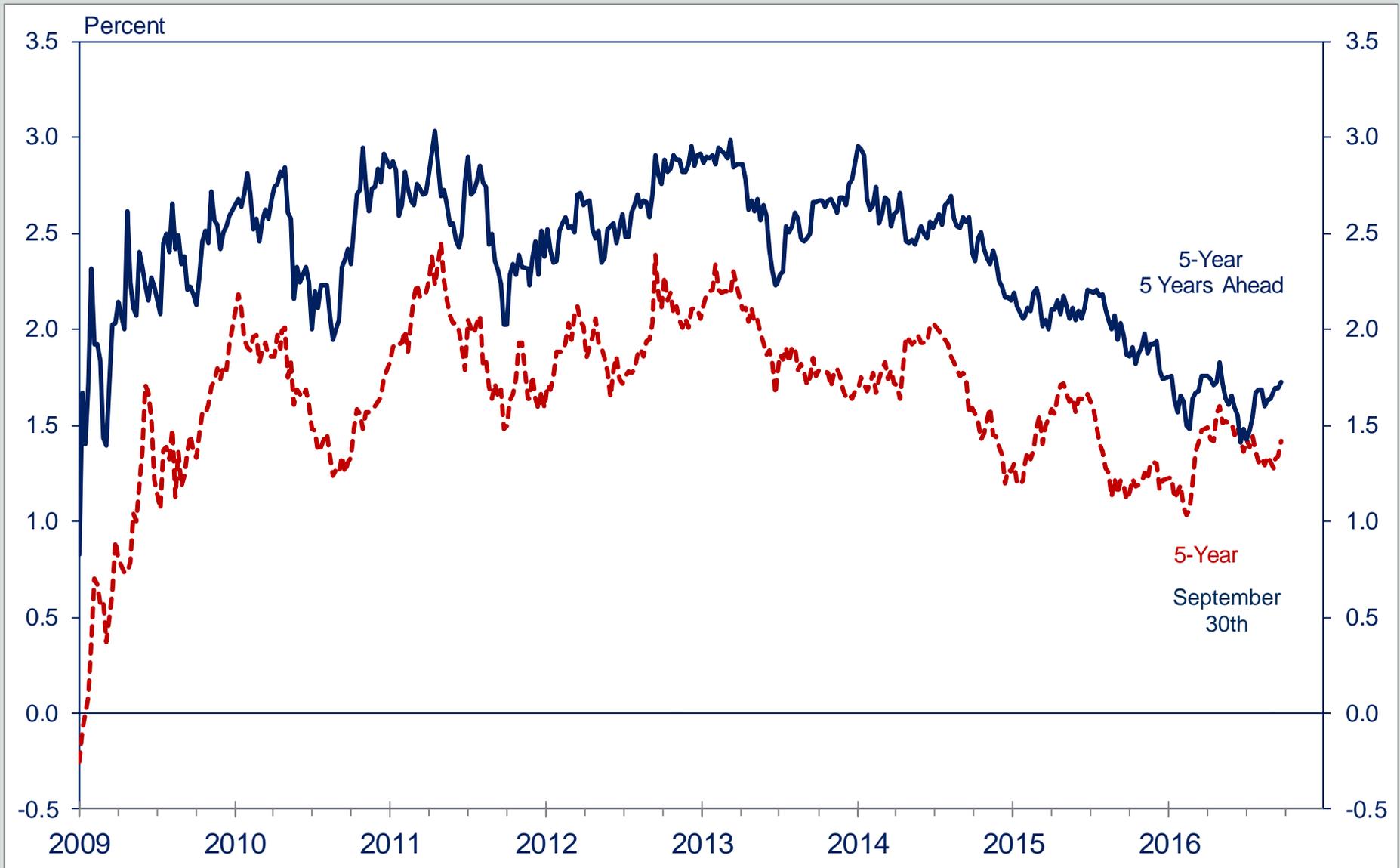
Personal Consumption Expenditure Price Index



Notes: FOMC projection is the median, range, and central tendency for Q4/Q4 percent changes, from the September 2016 meeting. Red dots indicate median projections.

Source: Bureau of Economic Analysis & Board of Governors via Haver Analytics 38

TIPS Inflation Compensation



FOMC Statement

September 21, 2016

Information received since the Federal Open Market Committee met in July indicates that the labor market has continued to strengthen and growth of economic activity has picked up from the modest pace seen in the first half of this year. Although the unemployment rate is little changed in recent months, job gains have been solid, on average. Household spending has been growing strongly but business fixed investment has remained soft. Inflation has continued to run below the Committee's 2 percent longer-run objective, partly reflecting earlier declines in energy prices and in prices of non-energy imports. Market-based measures of inflation compensation remain low; most survey-based measures of longer-term inflation expectations are little changed, on balance, in recent months.

Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee expects that, with gradual adjustments in the stance of monetary policy, economic activity will expand at a moderate pace and labor market conditions will strengthen somewhat further. Inflation is expected to remain low in the near term, in part because of earlier declines in energy prices, but to rise to 2 percent over the medium term as the transitory effects of past declines in energy and import prices dissipate and the labor market strengthens further. Near-term risks to the economic outlook appear roughly balanced. The Committee continues to closely monitor inflation indicators and global economic and financial developments.

Against this backdrop, the Committee decided to maintain the target range for the federal funds rate at 1/4 to 1/2 percent. The Committee judges that the case for an increase in the federal funds rate has strengthened but decided, for the time being, to wait for further evidence of continued progress toward its objectives. The stance of monetary policy remains accommodative, thereby supporting further improvement in labor market conditions and a return to 2 percent inflation.

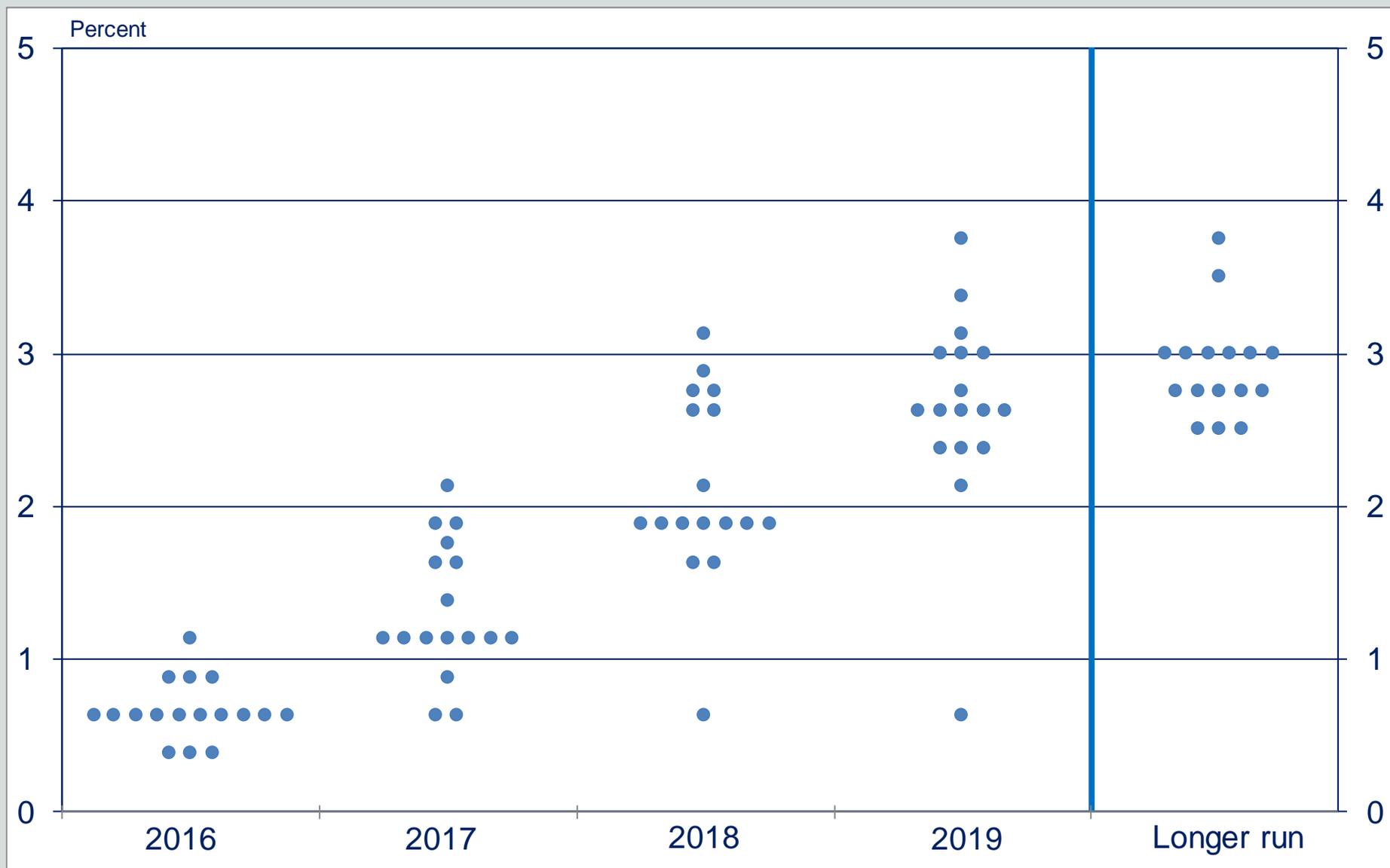
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In determining the timing and size of future adjustments to the target range for the federal funds rate, the Committee will assess realized and expected economic conditions relative to its objectives of maximum employment and 2 percent inflation. This assessment will take into account a wide range of information, including measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial and international developments. In light of the current shortfall of inflation from 2 percent, the Committee will carefully monitor actual and expected progress toward its inflation goal. The Committee expects that economic conditions will evolve in a manner that will warrant only gradual increases in the federal funds rate; the federal funds rate is likely to remain, for some time, below levels that are expected to prevail in the longer run. However, the actual path of the federal funds rate will depend on the economic outlook as informed by incoming data.

The Committee is maintaining its existing policy of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities and of rolling over maturing Treasury securities at auction, and it anticipates doing so until normalization of the level of the federal funds rate is well under way. This policy, by keeping the Committee's holdings of longer-term securities at sizable levels, should help maintain accommodative financial conditions.

Voting for the FOMC monetary policy action were: Janet L. Yellen, Chair; William C. Dudley, Vice Chairman; Lael Brainard; James Bullard; Stanley Fischer; Jerome H. Powell; and Daniel K. Tarullo. Voting against the action were: Esther L. George, Loretta J. Mester, and Eric Rosengren, each of whom preferred at this meeting to raise the target range for the federal funds rate to 1/2 to 3/4 percent.

Summary of Economic Projections: Federal Funds Rate



Note: Each dot in the chart represents the value of an FOMC participant's judgment of the midpoint of the appropriate target range (or the appropriate target level) for the federal funds rate at the end of the calendar year. Projections made for the September 2016 meeting.

Source: Board of Governors