



*The*  
President's  
Report *to the*  
Board *of*  
Directors

May 30, 2017

## CURRENT ECONOMIC DEVELOPMENTS - May 30, 2017

Data released since your last Directors' meeting show that economic growth in the first quarter was higher than originally estimated, and recent data suggest that economic growth will strengthen in the second quarter. Labor markets continued to improve, consumer spending increased, and consumer attitudes remain at a level consistent with further consumption growth. However, support from manufacturing has been mixed. Overall, recent data are consistent with the expectation for growth to pick up through the end of the year.

In the three weeks ending May 20th, initial claims for unemployment insurance fell, on average, and remain at a level consistent with further improvement in the labor market. Employment data from the Bureau of Labor Statistics are due out on Friday morning, and nonfarm payrolls are expected to post another solid gain in May. The unemployment rate is expected to hold steady at 4.4% in May.

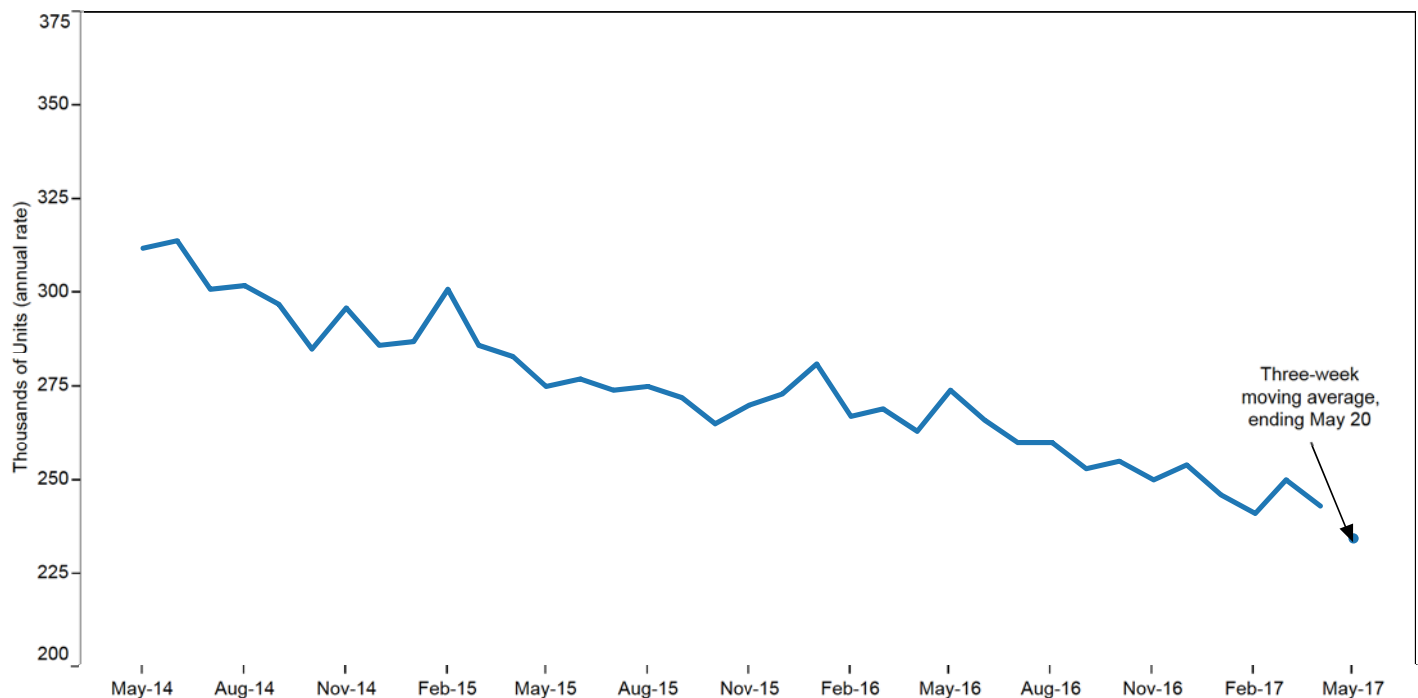
Consumer attitudes were mixed in May, as the sentiment index ticked up due to an increase in the future expectations component, while the confidence index declined due to a fall in the expectations component. In April, both consumption and disposable incomes increased, albeit at slower rates than seen in March. Home sales data declined in April, as both new and existing home sales fell from post-recession highs in March.

In the manufacturing sector, orders for durable goods decreased in April, but rose from their year-ago level. Meanwhile, orders for nondefense capital goods, excluding aircraft, were essentially unchanged in April but continued to rise on a year-over-year basis.

Both total and core consumer inflation continued to decelerate in April. Oil prices in May, on average, were slightly below their April level, but prices edged up towards the end of the month.

Initial claims for unemployment insurance have fallen further, on average, in the three weeks ending May 20th, after declining in April. Weekly claims remain at a level consistent with further labor market improvement.

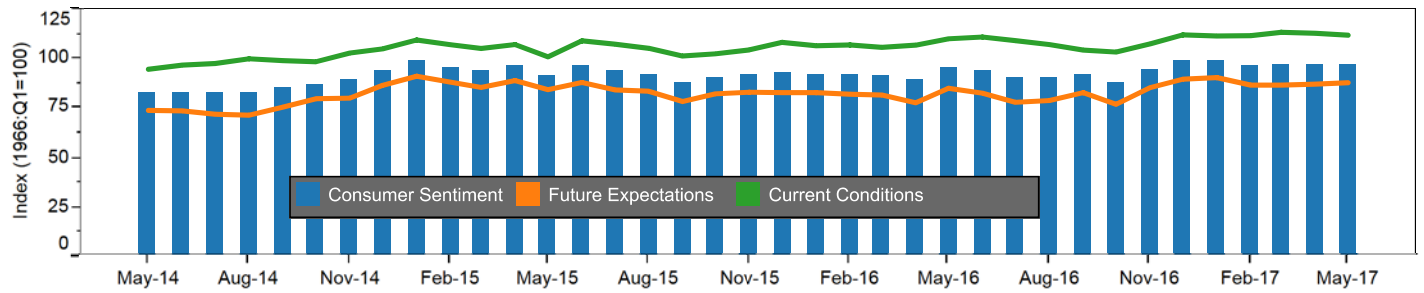
### Initial Claims



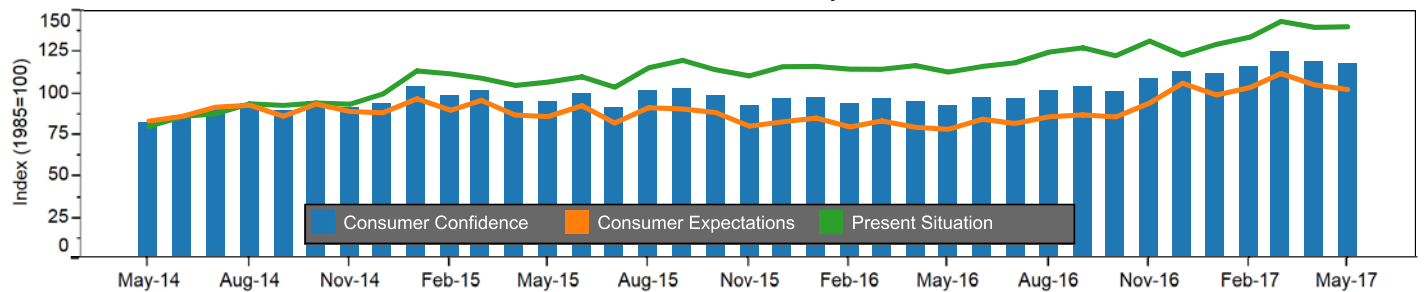
Source: Department of Labor, Employment and Training Administration / Haver Analytics.

Consumer attitudes were mixed in May, as the sentiment index edged up due to an uptick in future expectations, while the confidence index eased a bit due to a decline in the expectations component. Respondents to the confidence survey were less optimistic about the short-term economic outlook, while respondents to the sentiment survey expressed more optimism towards future financial prospects.

### Consumer Sentiment and Expectations



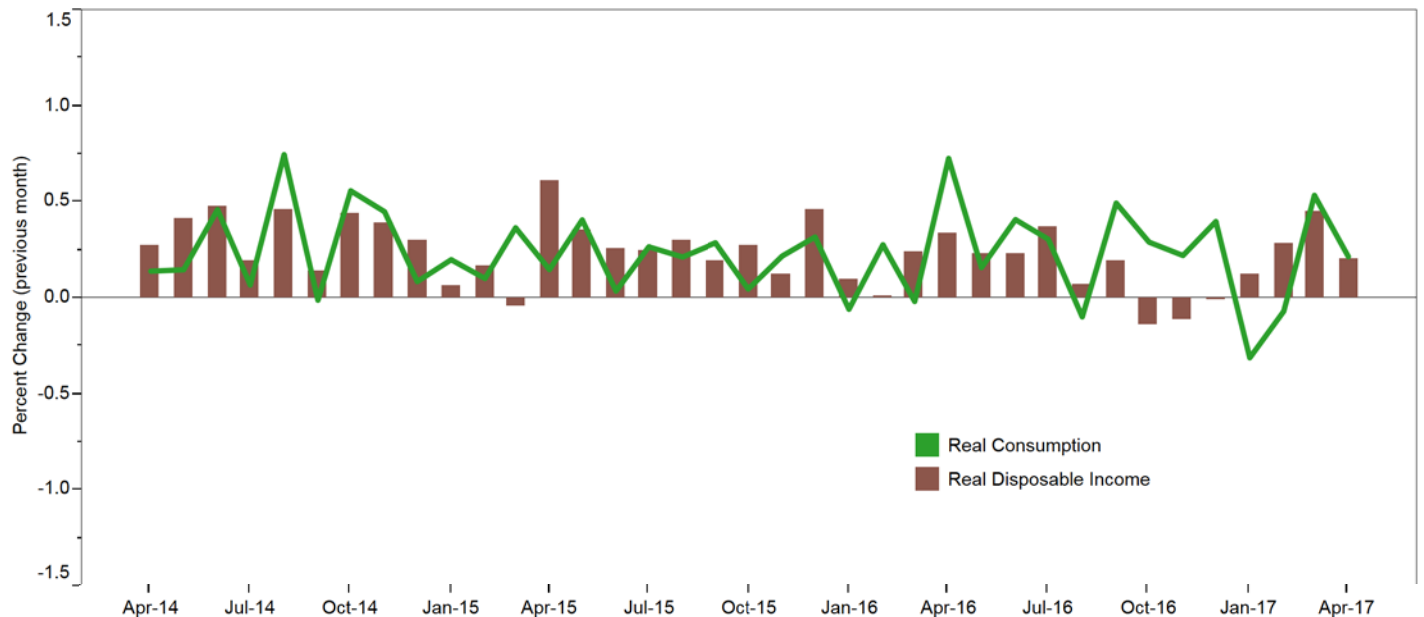
### Consumer Confidence and Expectations



Source: University of Michigan (sentiment) and The Conference Board (confidence) / Haver Analytics.

Real incomes rose in April, their fourth consecutive monthly increase. The higher incomes provided support for spending in April, as consumption continued to rise, albeit at a slower rate than seen in March.

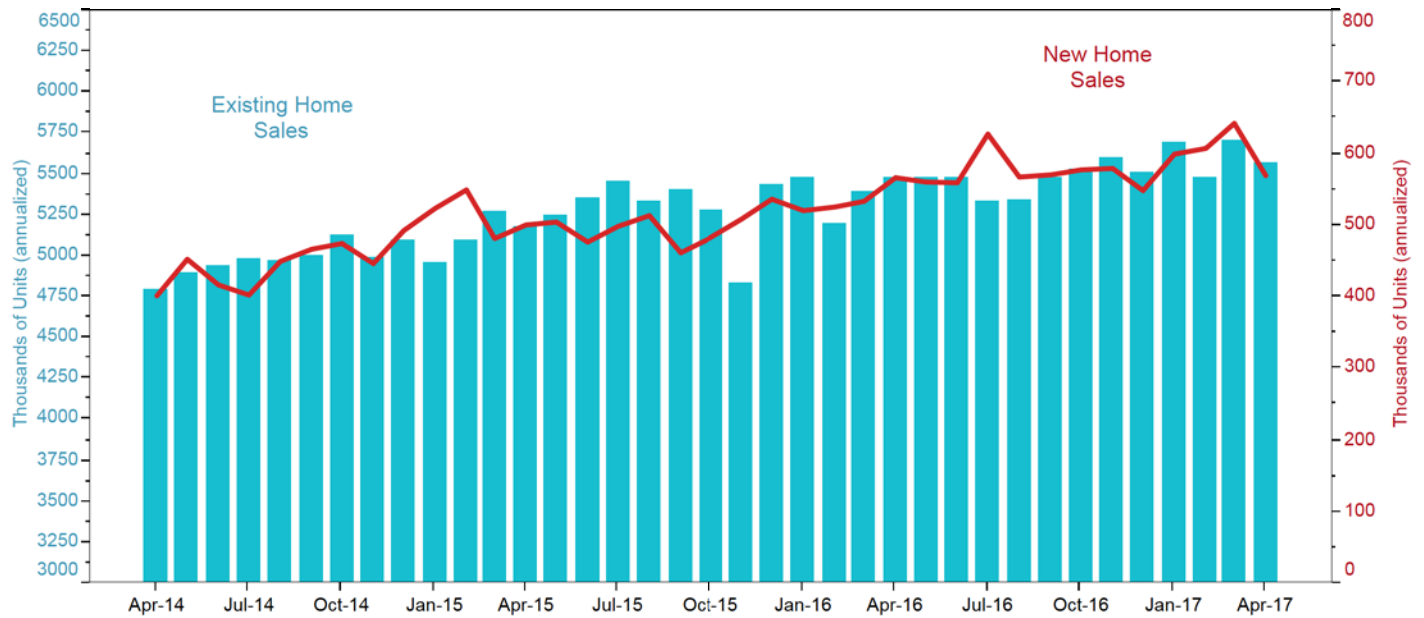
### Real DPI and Consumption



Source: Bureau of Economic Analysis / Haver Analytics.

Home sales data declined in April. New home sales fell, after rising in March to their highest rate since October 2007. Existing home sales also decreased in April, after rising in March to their highest rate since February 2007.

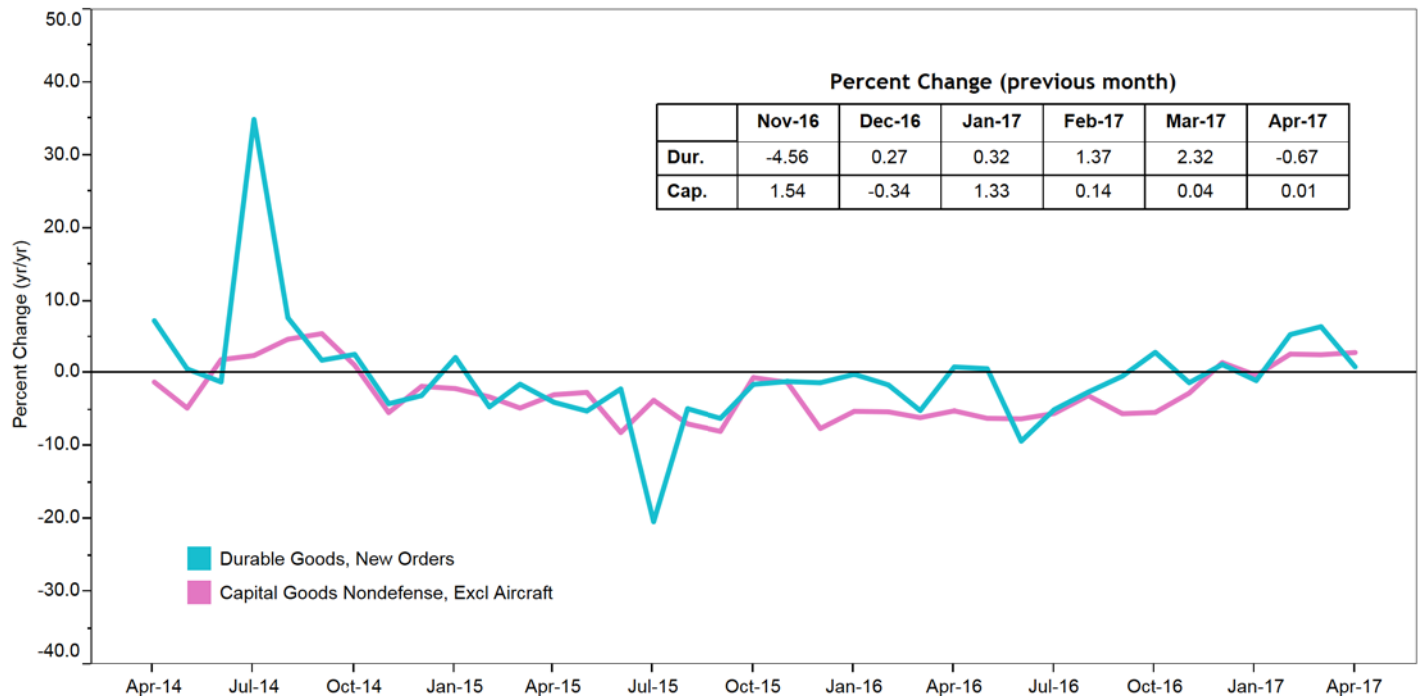
### New and Existing Home Sales



Source: National Association of Realtors (existing home sales) and U.S. Census Bureau (new homes sales) / Haver Analytics.

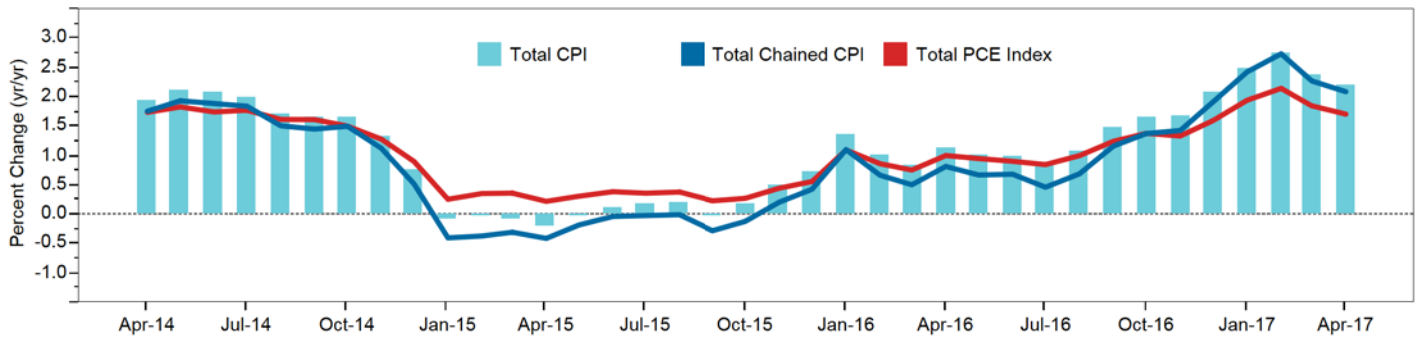
Orders for durable goods fell in April, after increasing in the prior month, but were up a bit from their year-ago level. Orders for nondefense capital goods, excluding aircraft, were essentially unchanged in April, after ticking up in the prior month, and continued to rise on a year-over-year basis.

### Durable Goods Orders

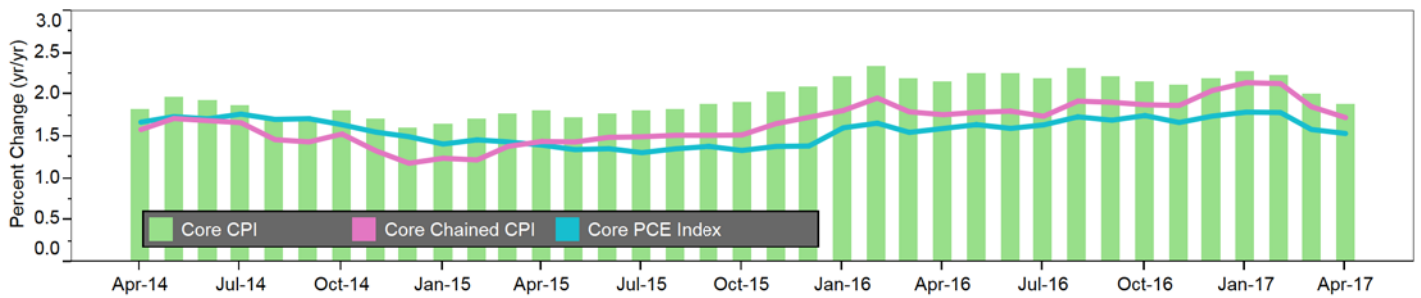


Growth in headline consumer prices continued to decelerate in April. Meanwhile, growth in core prices, which exclude the volatile food and energy categories, also continued to ease in April.

### Total Price Indices



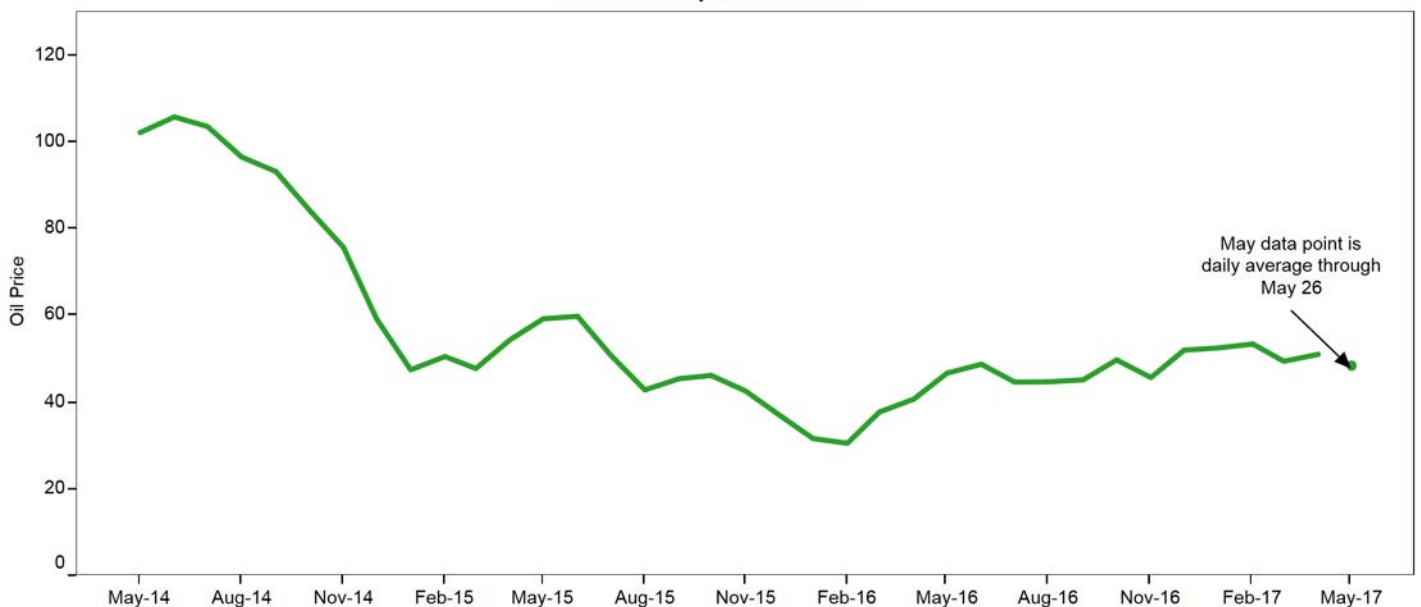
### Core Price Indices



Source: Bureau of Labor Statistics / Bureau of Economic Analysis / Haver Analytics.

Oil prices edged down on average in May, more than offsetting the slight increase seen in April. Prices have increased a bit in the last few days of May, registering \$49.8 per barrel on May 26th.

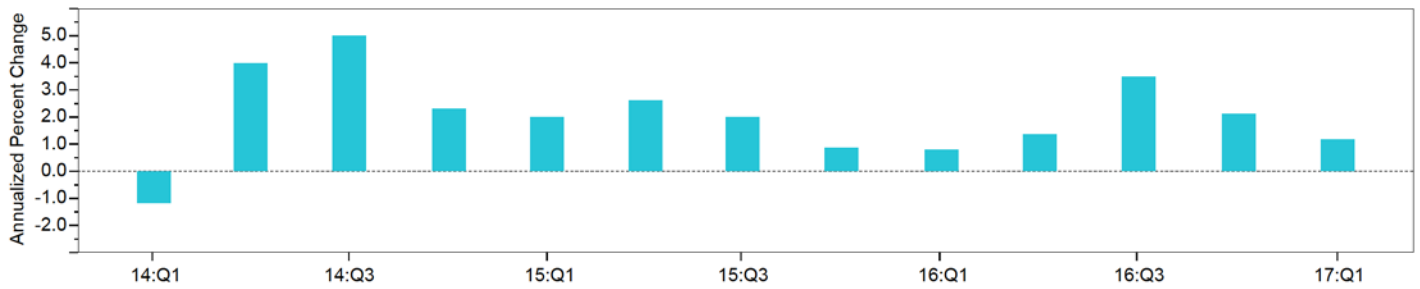
### Domestic Spot Oil Price



Source: U.S. Energy Information Association / Wall Street Journal / Haver Analytics.

First quarter real GDP growth was revised up in the second estimate to 1.2% from 0.7%. The higher rate primarily reflected upward revisions to nonresidential fixed investment, personal consumption expenditures, and state and local government spending that were partly offset by a downward revision to private inventory investment.

### Real GDP



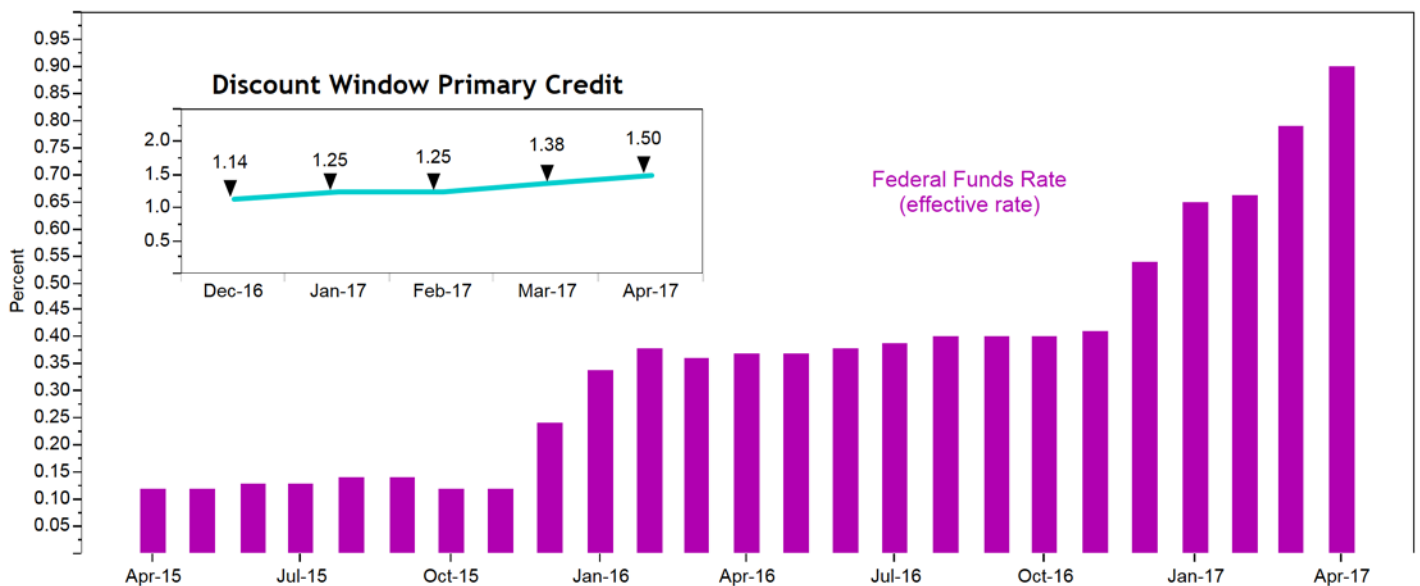
### Revisions to First Quarter Real GDP

Description	Advance Estimate	Second Estimate
Real GDP	0.7	1.2
Personal Consumption	0.3	0.6
Business Investment	9.4	11.4
Equipment and Software	9.1	7.2
Residential Investment	13.7	13.8
Government	-1.7	-1.1
Exports	5.8	5.8
Imports	4.1	3.8
Final Sales	1.6	2.2

Source: Bureau of Economic Analysis / Haver Analytics.

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### Short-Term Interest Rates



Source: Federal Reserve Board of Governors / Haver Analytics.  
Report compiled by Christy Marieni.