



Federal Reserve
Bank of Dallas

The U.S. Economy

Current conditions and near-term outlook

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*The views expressed are my own and do not
necessarily reflect official positions
of the Federal Reserve System.*

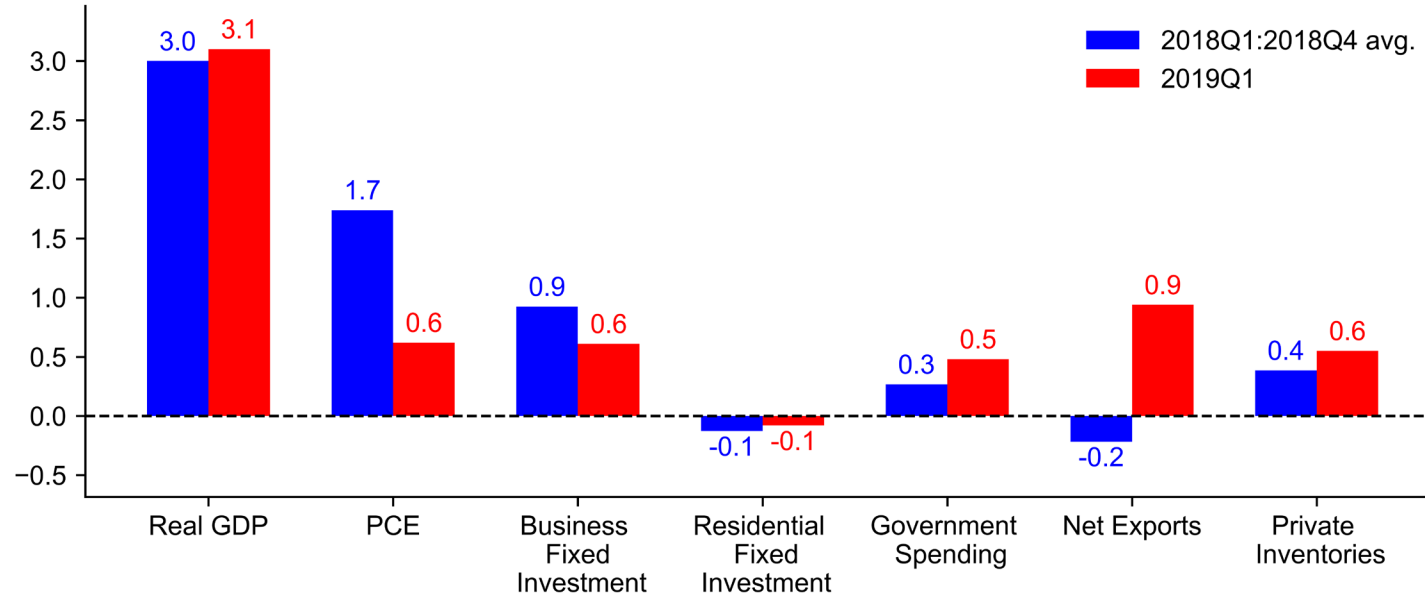
Current conditions

Quick overview

- Growth slowing from 2018's above-trend pace.
- Consumer spending, labor market remain very strong; manufacturing and investment have been weak.
- Headwinds of slowing overseas growth and trade policy uncertainty.
- Inflation has fallen below two percent driven by temporary factors, and should gradually rise toward 2 percent.

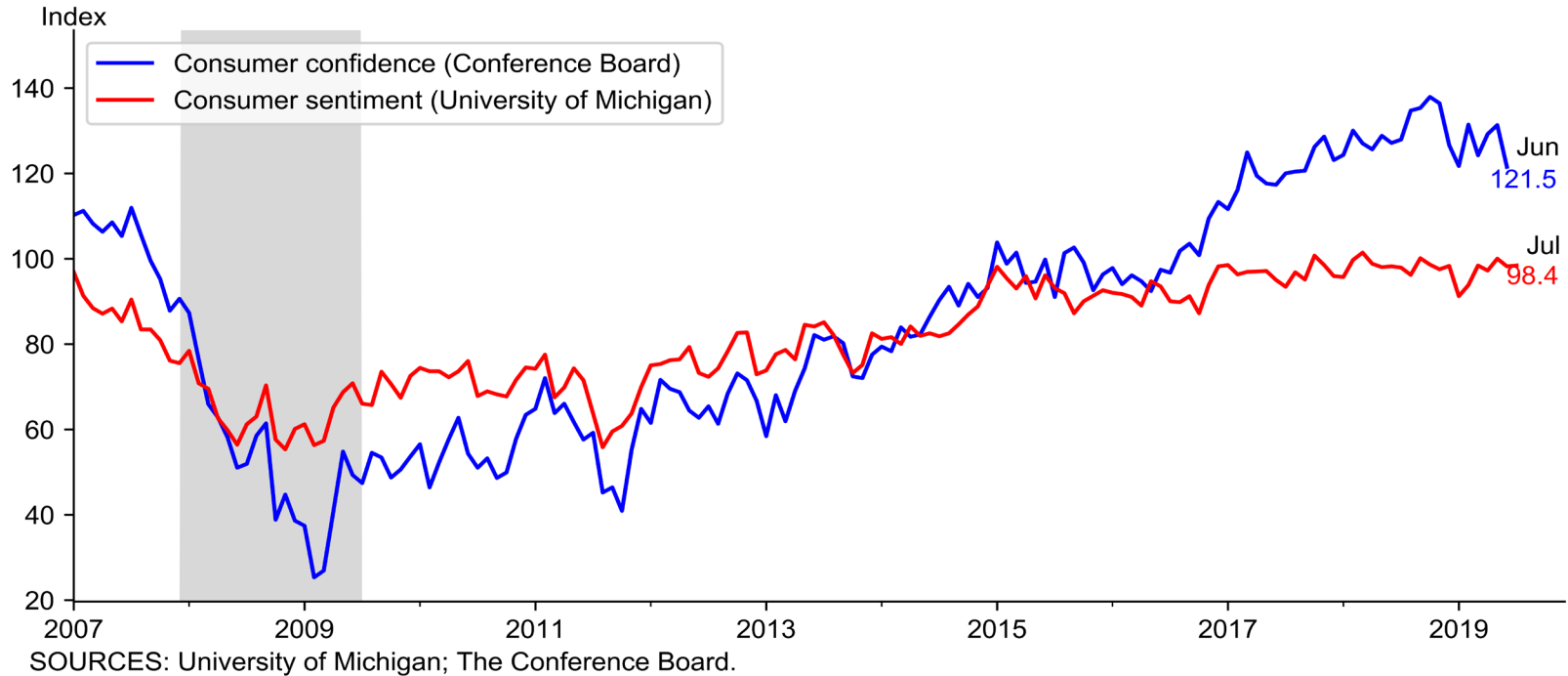
2019Q1 growth was strong due to components unlikely to persist

Contributions to real growth,
annual rate, percentage points

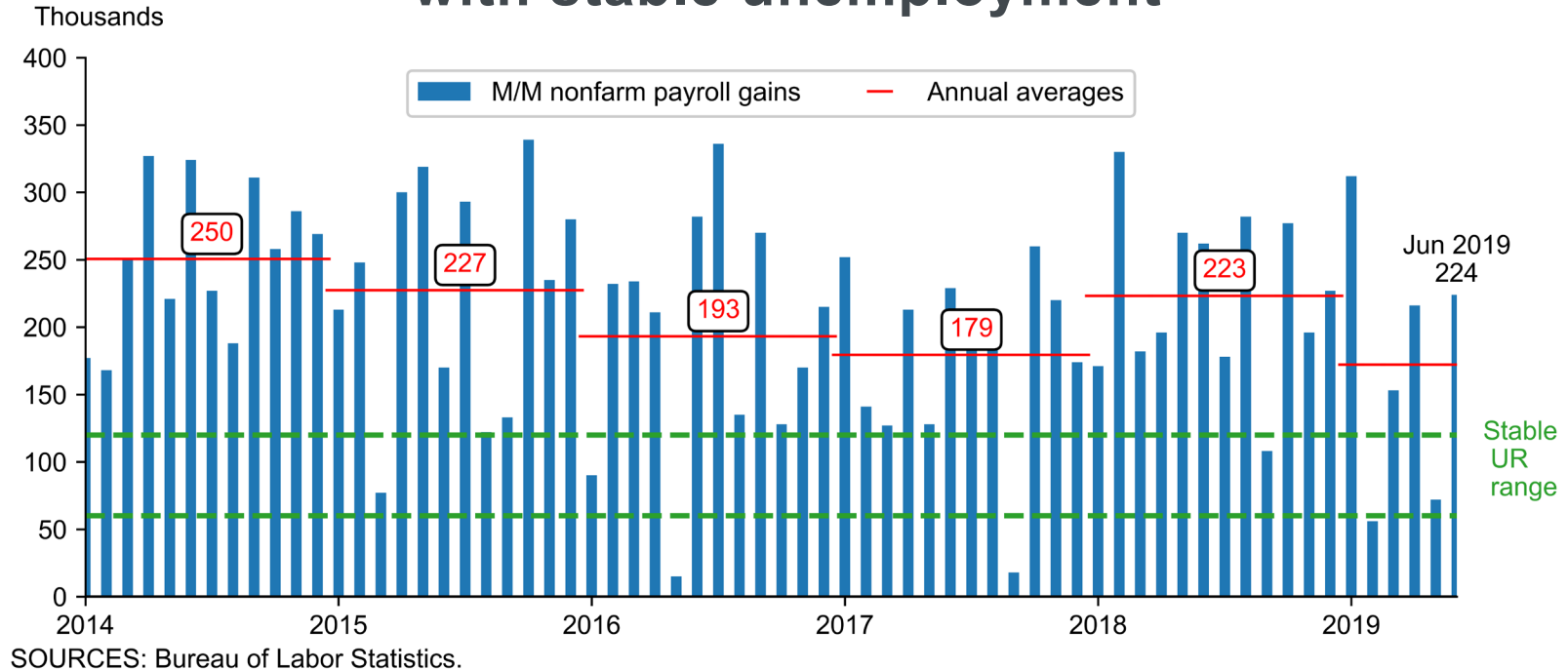


SOURCE: Bureau of Economic Analysis.

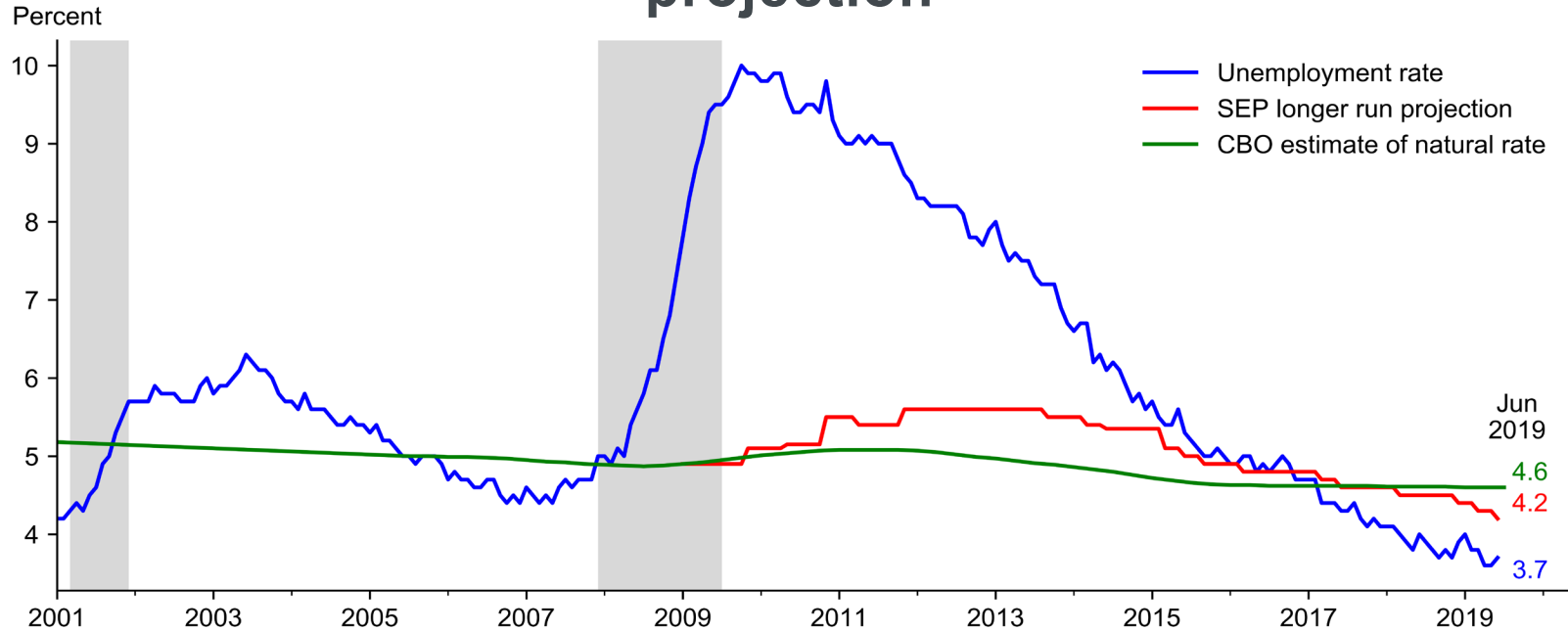
Consumer confidence remains elevated



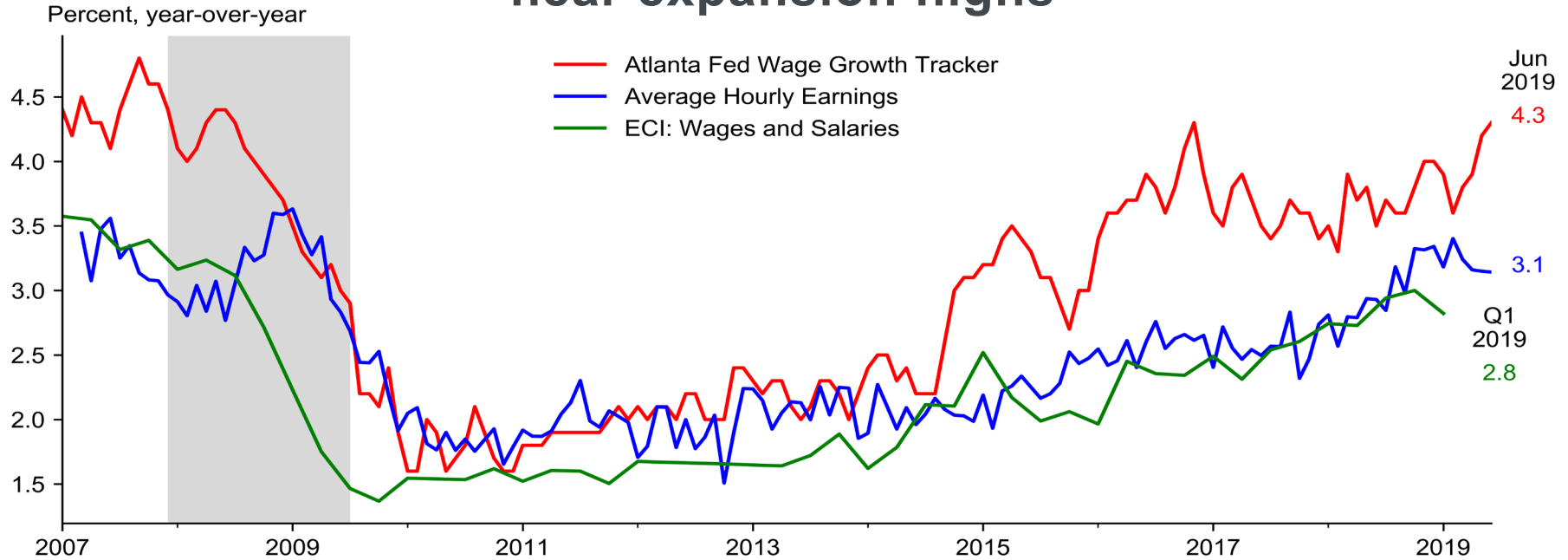
Payroll growth running well above range consistent with stable unemployment



Unemployment rate below policymakers' long-run projection

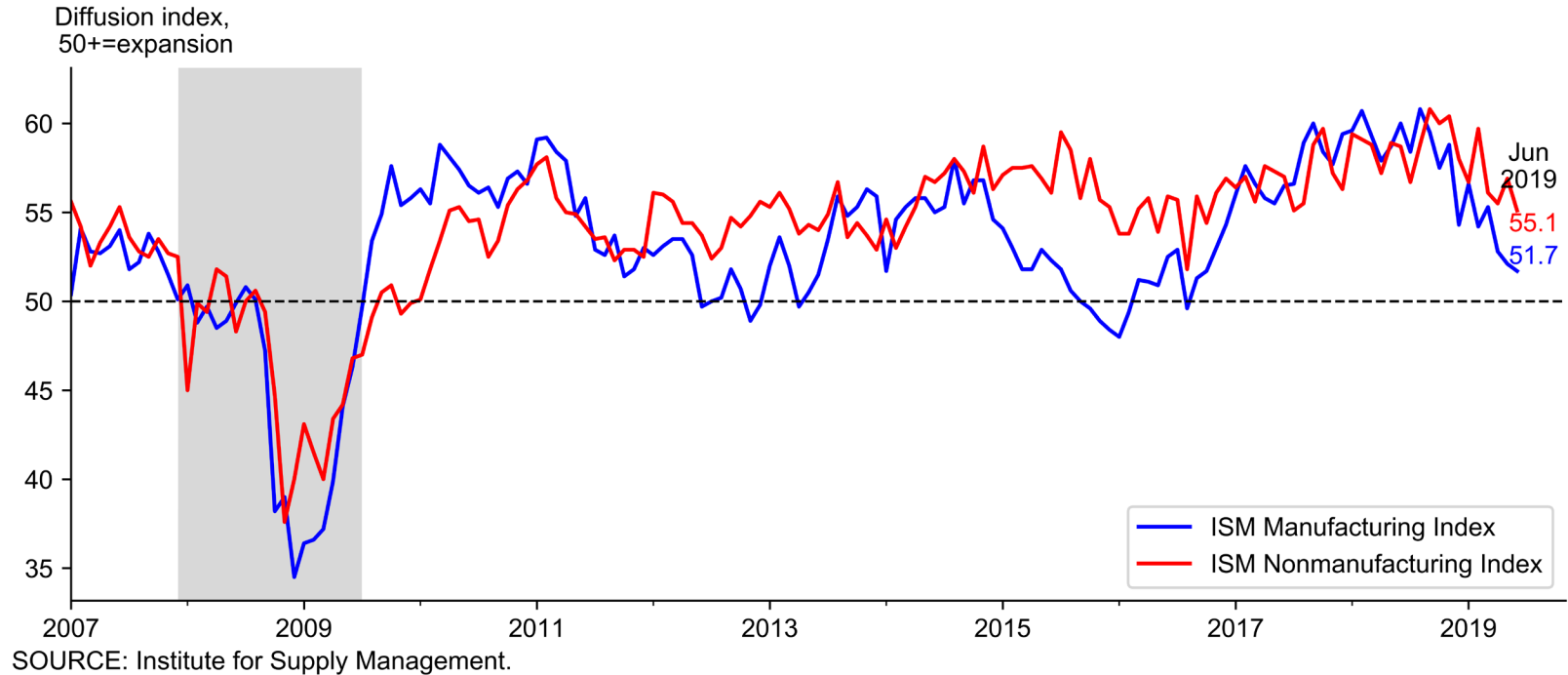


Wage growth has moved sideways so far in 2019, still near expansion highs



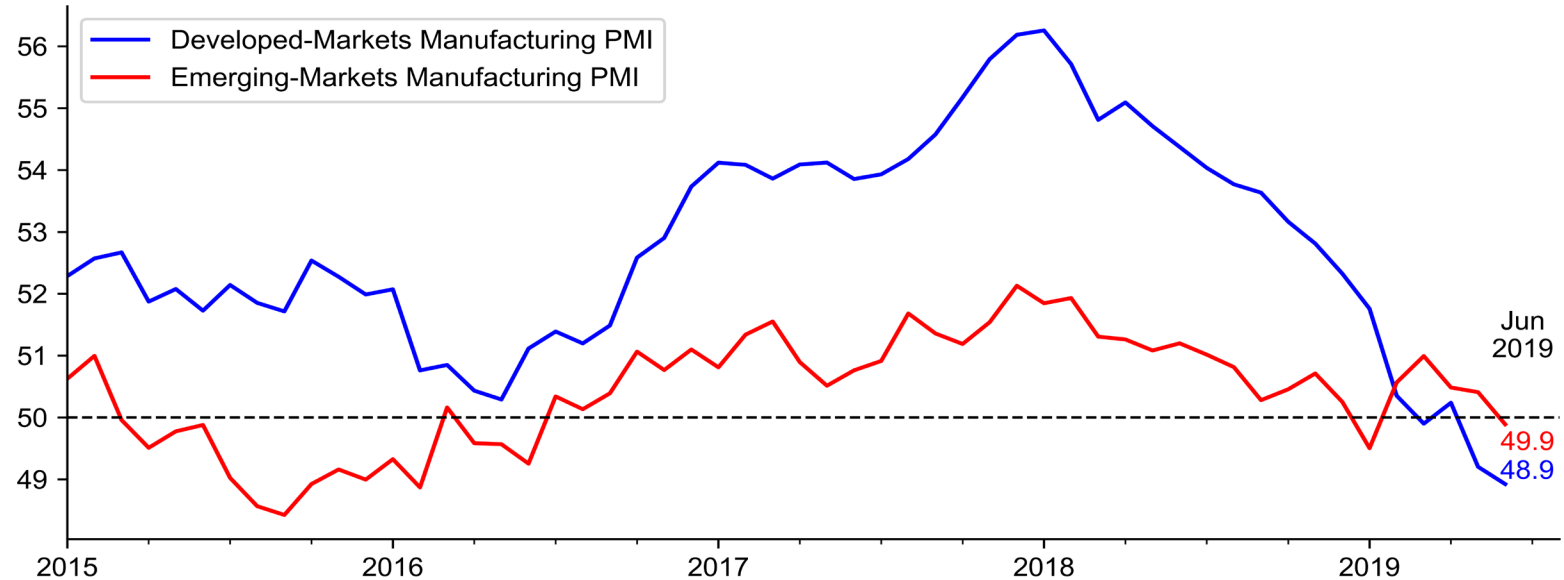
SOURCES: Federal Reserve Bank of Atlanta; Bureau of Labor Statistics.

ISM purchasing manager surveys show deceleration, particularly in manufacturing



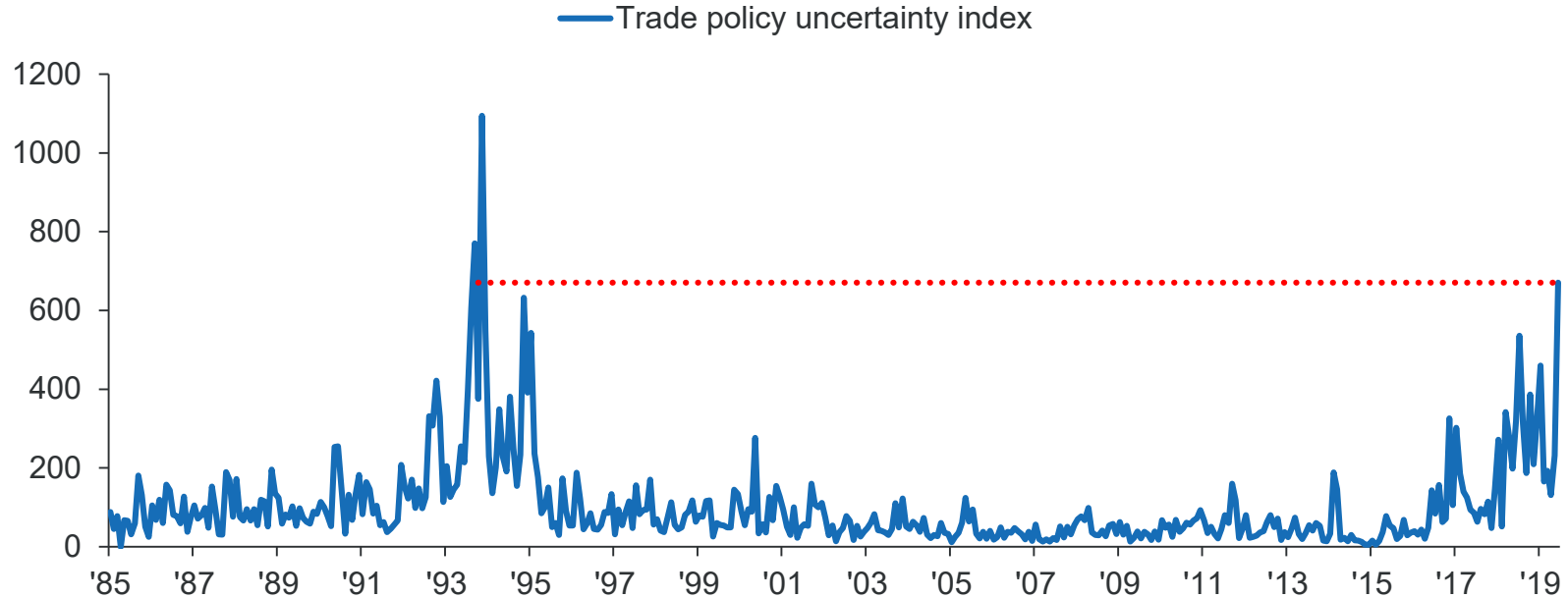
Foreign outlook signals slower growth

Diffusion index,
50+=expansion



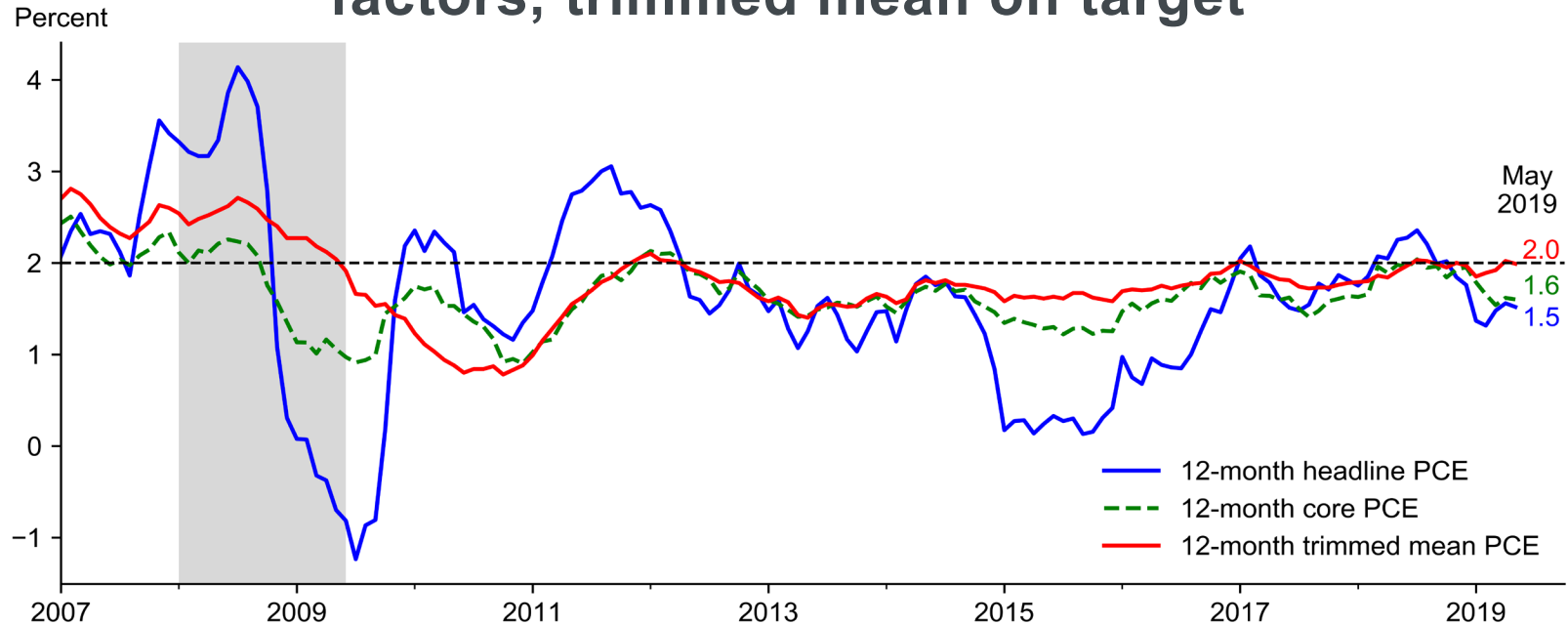
SOURCE: IHS Markit.

Trade policy uncertainty at highest level since the run-up to NAFTA



SOURCE: policyuncertainty.com

Headline inflation below target due to temporary factors, trimmed mean on target



SOURCES: Bureau of Economic Analysis; Federal Reserve Bank of Dallas.

The Dallas Fed's trimmed mean PCE inflation measure

- Unlike “ex food and energy,” trimmed mean doesn’t always exclude the same set of items
 - Not all F&E volatile, not all volatile items are F&E
- We trim out the most extreme price movements, whatever the items, then aggregate
- Proven to be good gauge of underlying inflation trends

The screenshot shows the Federal Reserve Bank of Dallas website. The header includes the bank's name, a search bar, and links for El Paso, Houston, and San Antonio. Below the header, there are social media icons and a navigation menu with "U.S. Economy" selected. The main heading is "Trimmed Mean PCE Inflation Rate". A paragraph explains that this is an alternative measure of core inflation for personal consumption expenditures (PCE), calculated by the Dallas Fed using BEA data. Below this is a "Current Report" section for January 2018, stating that the annualized rate was 2.7 percent, compared to 4.5 percent for overall PCE and 3.3 percent for PCE excluding food and energy. It also mentions that the following tables provide one-month, six-month, and 12-month inflation rates. The final table, titled "One-month PCE inflation, annual rate", shows data for August 2017 through January 2018 for PCE, PCE ex F&E, and the Trimmed mean.

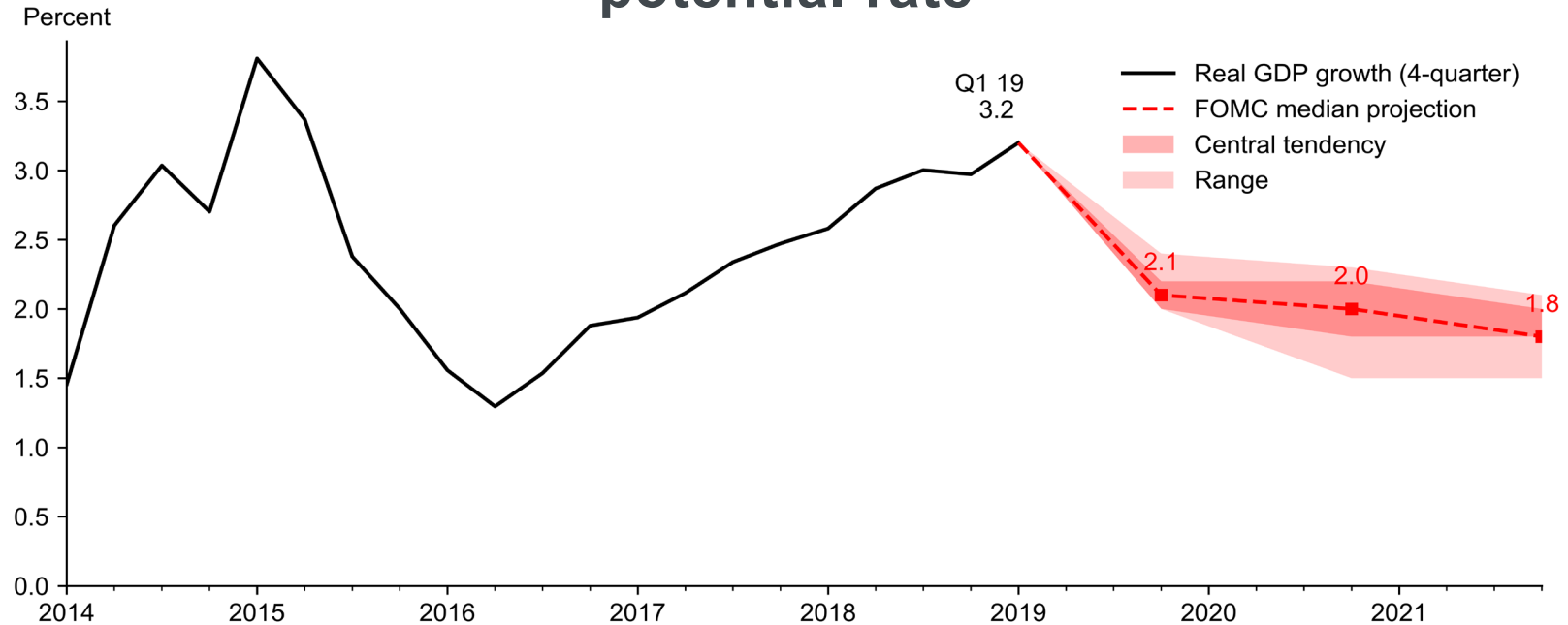
	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18
PCE	2.6	4.9	1.8	2.5	1.8	4.5
PCE ex F&E	1.3	1.8	2.9	0.9	2.0	3.3
Trimmed mean	1.5	1.9	2.0	1.8	2.1	2.7

Looking ahead

The view from the FOMC: 2019 and beyond

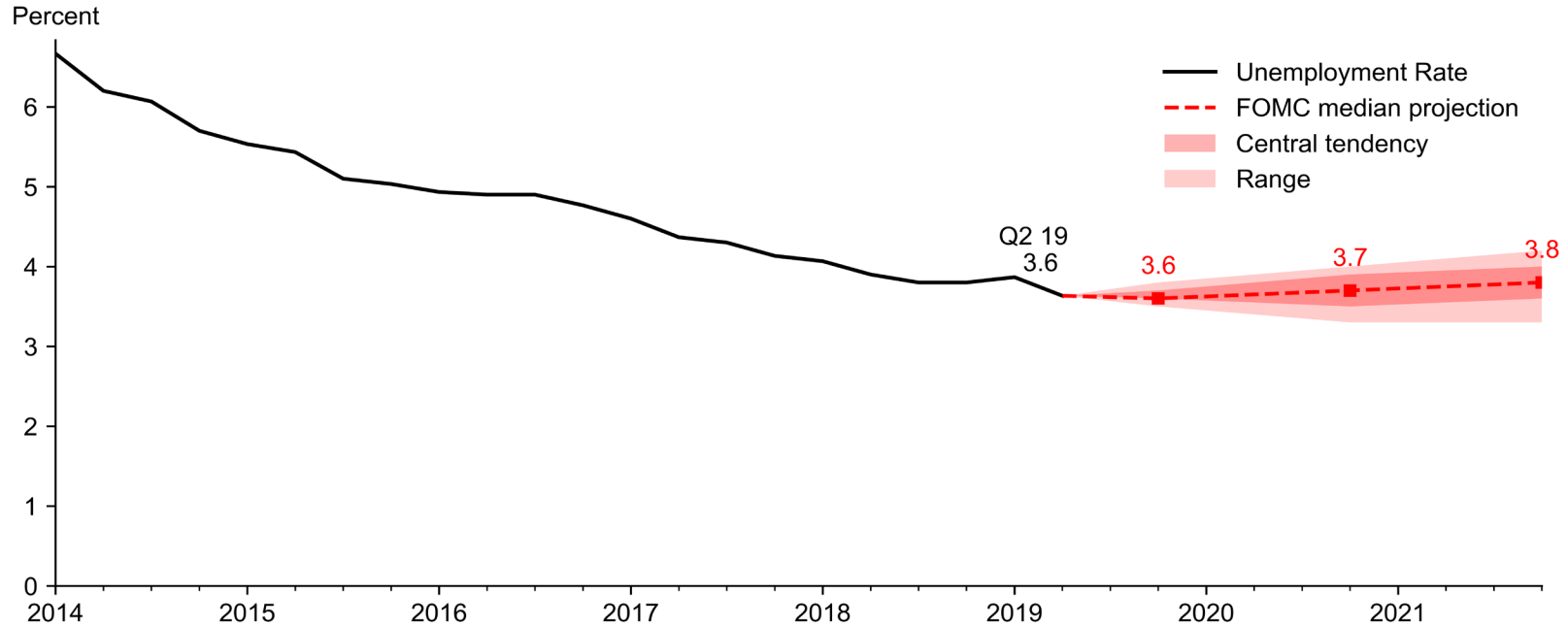
- At four of the eight FOMC meetings – March, June, September, and December – members give projections for GDP, unemployment and inflation over the coming two or three years
- As of June, FOMC members saw:
 - GDP growth decelerating from 3.2 to 2.1 percent from 2018 to 2019 and then stabilizing
 - Unemployment remaining near 3.6 percent
 - Inflation returning to near 2 percent in 2020 after temporary effects in 2019 subside

GDP growth expected to slow toward long-run potential rate



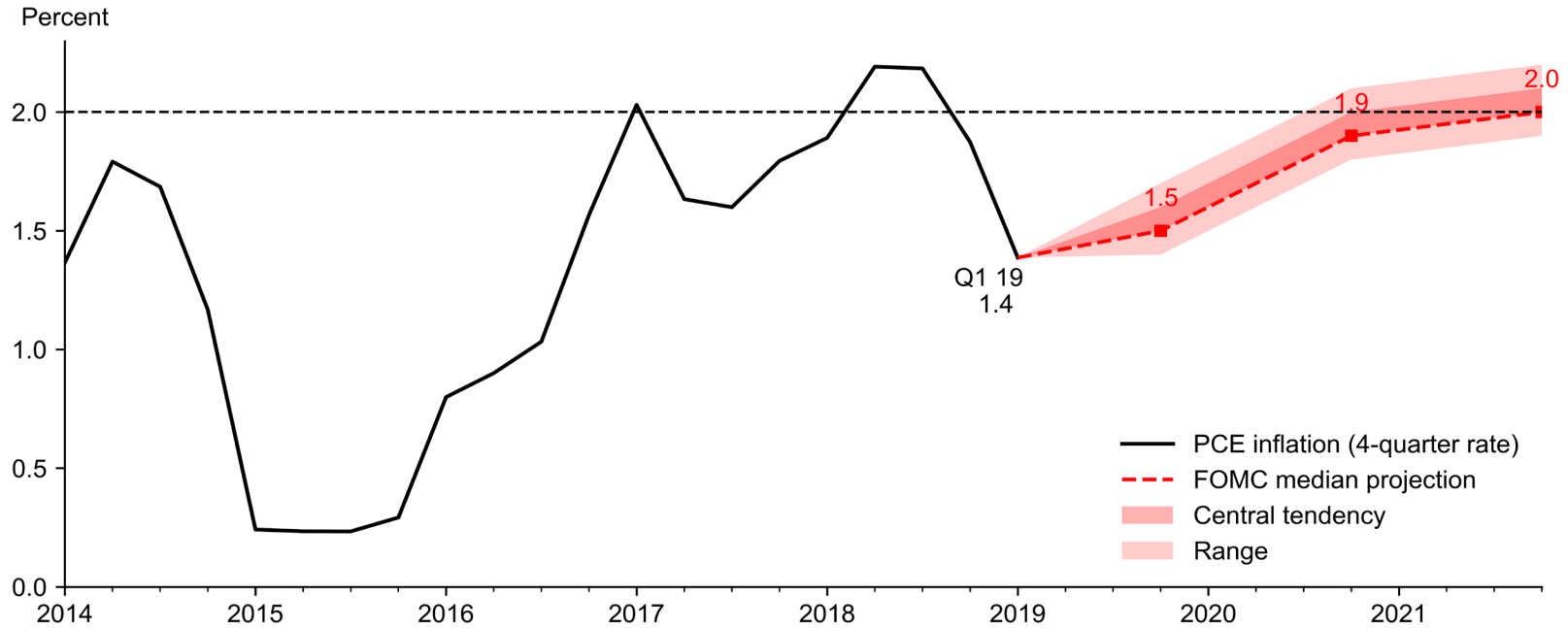
SOURCES: Bureau of Economic Analysis; Federal Reserve Board.

Unemployment rate expected to be flat



SOURCES: Federal Reserve Board; Bureau of Labor Statistics.

Inflation expected to eventually rebound



SOURCES: Bureau of Economic Analysis; Federal Reserve Board.

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