2014 U.S. Economic Outlook

Roberto Coronado
Assistant Vice President in Charge and Sr. Economist
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The views expressed in this presentation are strictly those of the authors and do not necessarily reflect the positions of the Federal Reserve Bank of Dallas or of the Federal Reserve System.
Outline

- Recovery gained momentum in 2013:H2
  - Output
  - Labor market
  - Industrial sector
  - Household spending
  - Housing market
- Outlook for 2014
- Concluding remarks
U.S. recovery picking up speed
GDP growth accelerated in 2013:Q3

Source: Bureau of Economic Analysis
Stronger GDP growth is broad-based

Source: Bureau of Economic Analysis
ISM “Business Activity” index indicates overall private-sector growth likely to continue

3-month MA, 50+ = expansion

ISM Nonmanufacturing:
Business Activity

Real GDP growth, excluding government

Sources: Bureau of Economic Analysis, Institute of Supply Management
Payroll employment

Thousands, SA

Source: Bureau of Labor Statistics
Employment growth by sector

Thousands of jobs

2012
2013

Trade, Transportation & Utilities (19.2%)
Government (16.0%)
Educational & Health Services (15.2%)
Professional & Business Services (13.7%)
Leisure & Hospitality (10.4%)
Manufacturing (8.8%)
Financial Activities (5.8%)
Construction (4.3%)
Information (2.0%)
Oil & Gas Extraction and Mining Support (0.1%)

Percentages reflect each industry's portion of 2013 total nonfarm employment
Source: Bureau of Labor Statistics
Unemployment rate

Source: Bureau of Labor Statistics
U.S. manufacturing gaining speed

Source: Board of Governors, Federal Reserve System
ISM Manufacturing “New Orders” index suggests solid Q4 goods-output growth

ISM Manufacturing: New Orders (shifted 1 month)

Q3  Dec.
3.19  64.2

Goods-output contribution to real GDP growth

Sources: Bureau of Economic Analysis, Institute of Supply Management
Vehicle sales continue to improve

Source: U.S. Department of Commerce: Bureau of Economic Analysis, HAVER Analytics
Recovery in housing market continues

Existing single-family home sales (excludes condos)

New home sales

Source: Census Bureau, National Association of Realtors
Home prices on the rise

Sources: National Association of Realtors; Office of Federal Housing Enterprise
New single-family construction begins to turn around

Source: Census Bureau, Bureau of Economic Analysis
Data through October had suggested strong Q4 gains in real household spending.

Annualized % change

- Q3 avg. = 1.4
- Q4 avg. (est.) = 2.7

Source: Bureau of Economic Analysis
New data signal an even stronger Q4 household spending outlook

Source: Bureau of Economic Analysis
2014 U.S. economic outlook
GDP growth is expected to remain healthy

% change, annualized

2009: -3.1
2010: 2.4
2011: 1.8
2012: 2.2
2013: Q1: 1.1
2013: Q2: 2.5
2013: Q3: 4.1
2013: Q4: 2.4
2014: Q1: 2.5
2014: Q2: 2.8
2014: Q3: 2.9
2014: Q4: 3

Source: Bureau of Economic Analysis, Haver Analytics, Blue Chip Economic Indicators
Industrial production expected to grow

% change from prior quarter, annualized

Source: Federal Reserve Board, Blue Chip Economic Indicators
Unemployment rate in the right direction

Source: Bureau of Labor Statistics, Blue Chip Economic Indicators
Concluding remarks

• The speed of the recovery picked up in 2013:H2
• Rebound in housing and strengthening in household spending are encouraging signs for the economic outlook
• Industrial sector is expected to remain strong
• Regional economy should benefit from a stronger U.S economy; gov’t budget cuts pose significant risk
• Economic outlook for the U.S. remains “optimistic”
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Roberto Coronado
roberto.coronado@dal.frb.org
915.521.5235

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