

U.S. Economic Commentary

The Fed Heads Toward the Exit Ramp

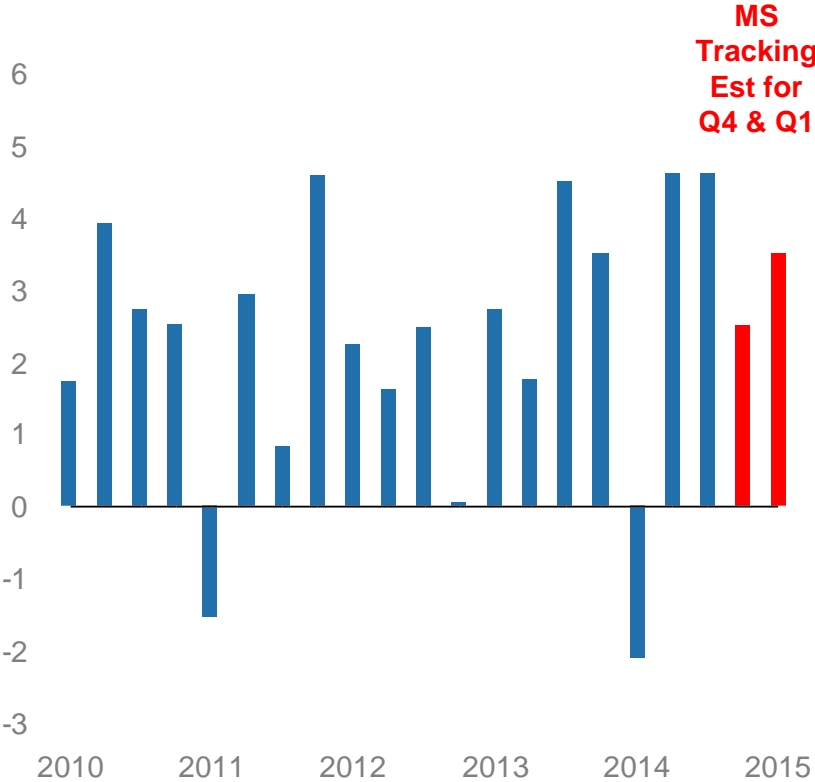
David Greenlaw, U.S. Trading Desk Economist

February 2015

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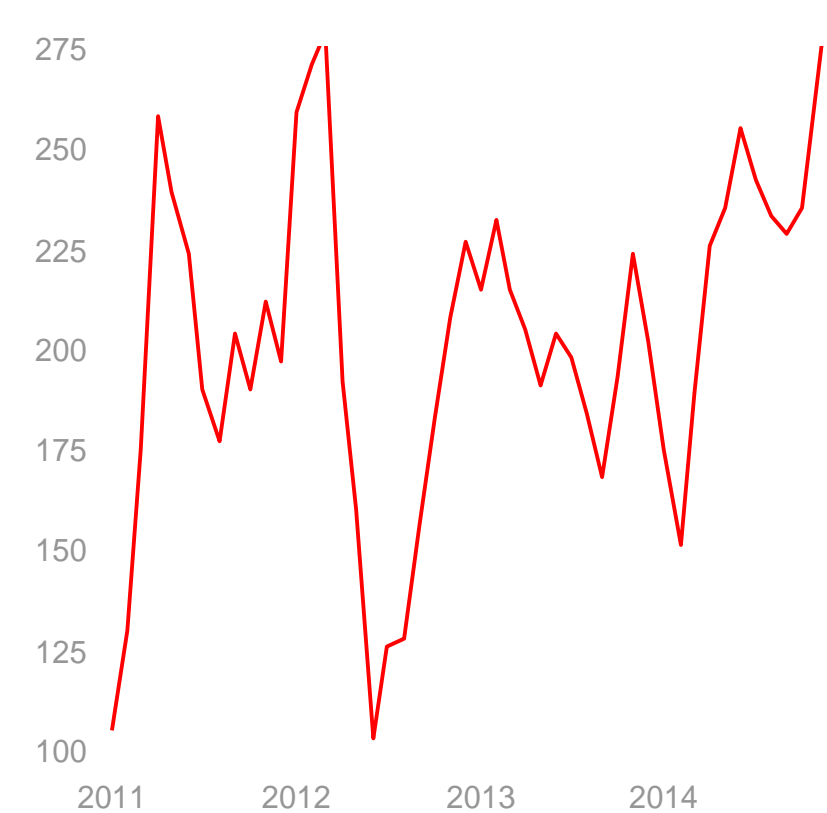
Solid GDP Growth in the US and Accelerating Job Gains

Real GDP Growth
Percent Change, QoQ SAAR



Source: Bureau of Economic Analysis

Change in Private Payroll Employment (3-Mo Avg)
Thousands

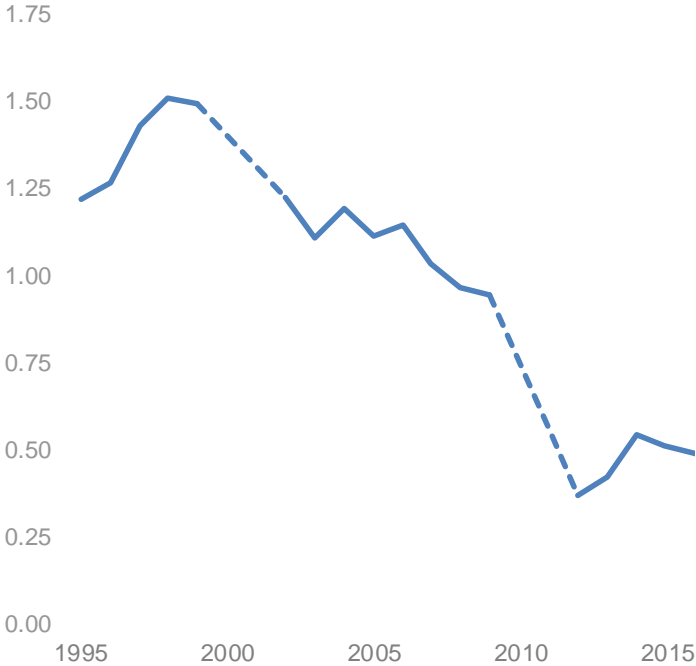


Source: Bureau of Labor Statistics

Population and Productivity Trends Point to Slower Growth in Real Potential GDP

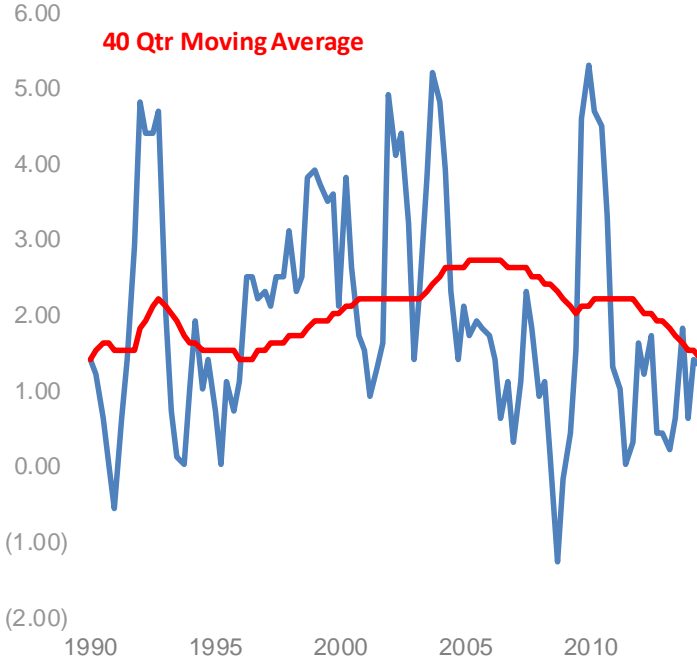
Working Age Population Growth

YoY % Change



Productivity, Output Per Person

YoY % Change



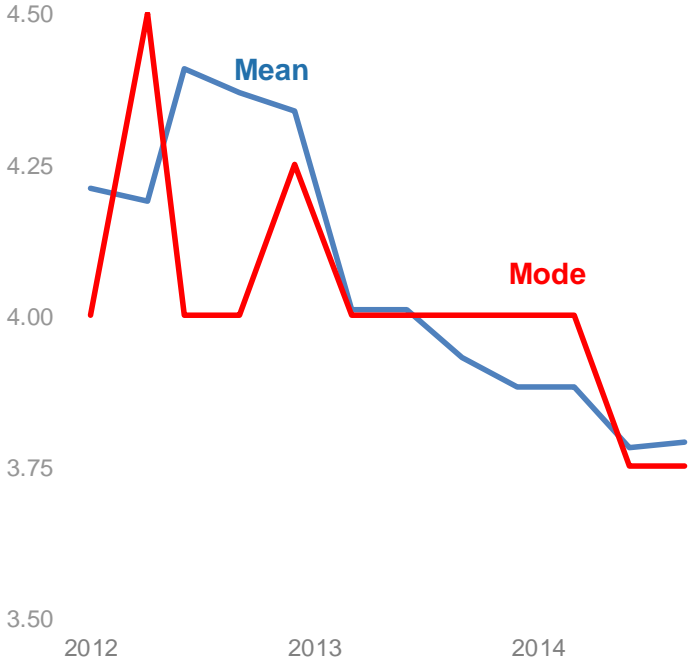
Source: Census Bureau

Source: Bureau of Labor Statistics

A Lower Neutral Policy Rate?

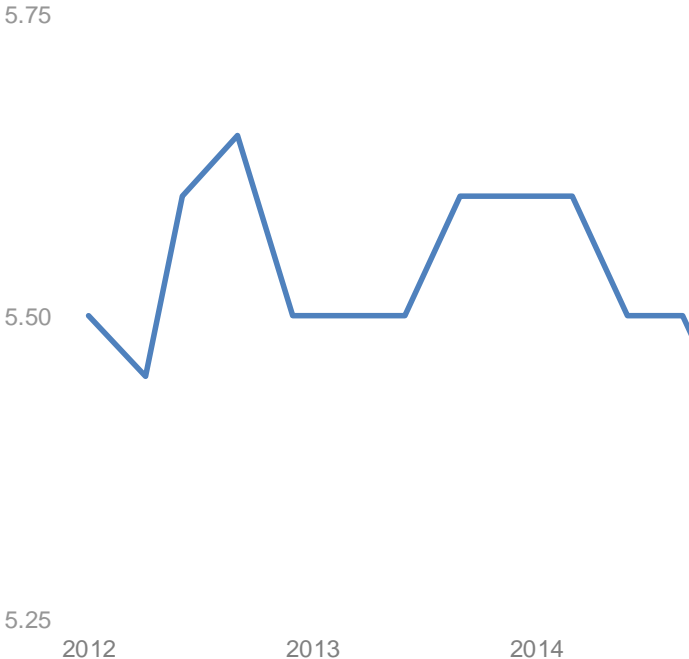
FOMC's "Longer Run" Fed Funds Rate Forecast

Percent



FOMC's "Longer Run" NAIU Estimate

Percent



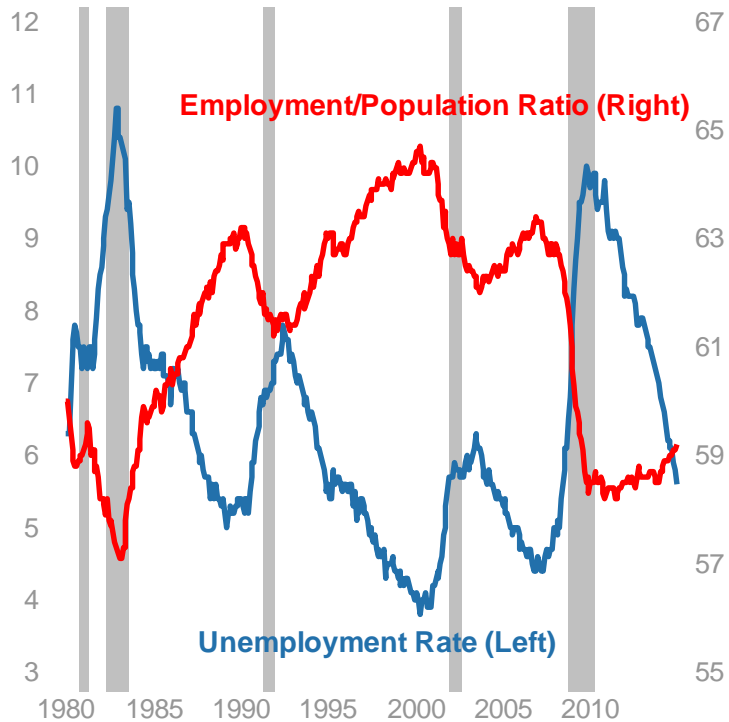
Source: FOMC Summary of Economic Projections

Source: FOMC Summary of Economic Projections

“Wages are the Tiebreaker”

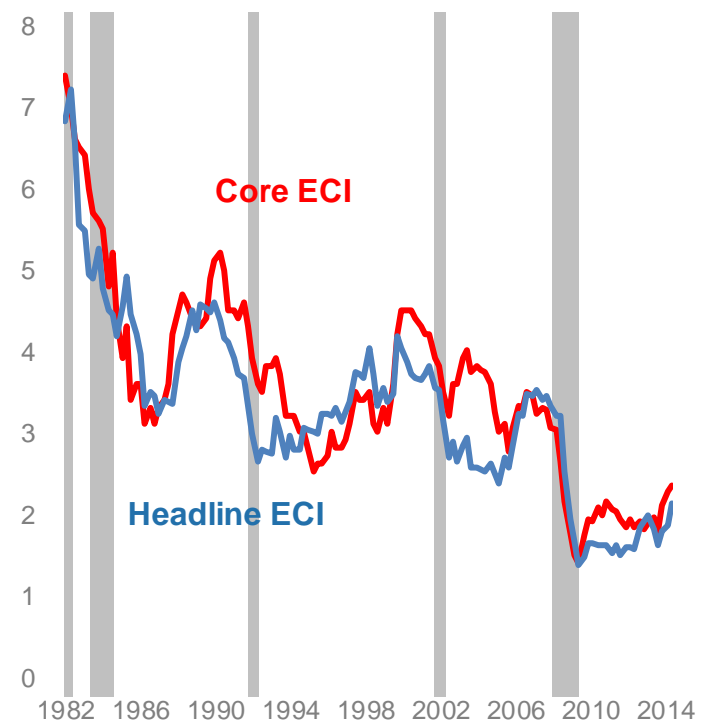
Mixed Signals on Labor Market Slack

Percent



Wage Inflation

YoY Pct Change



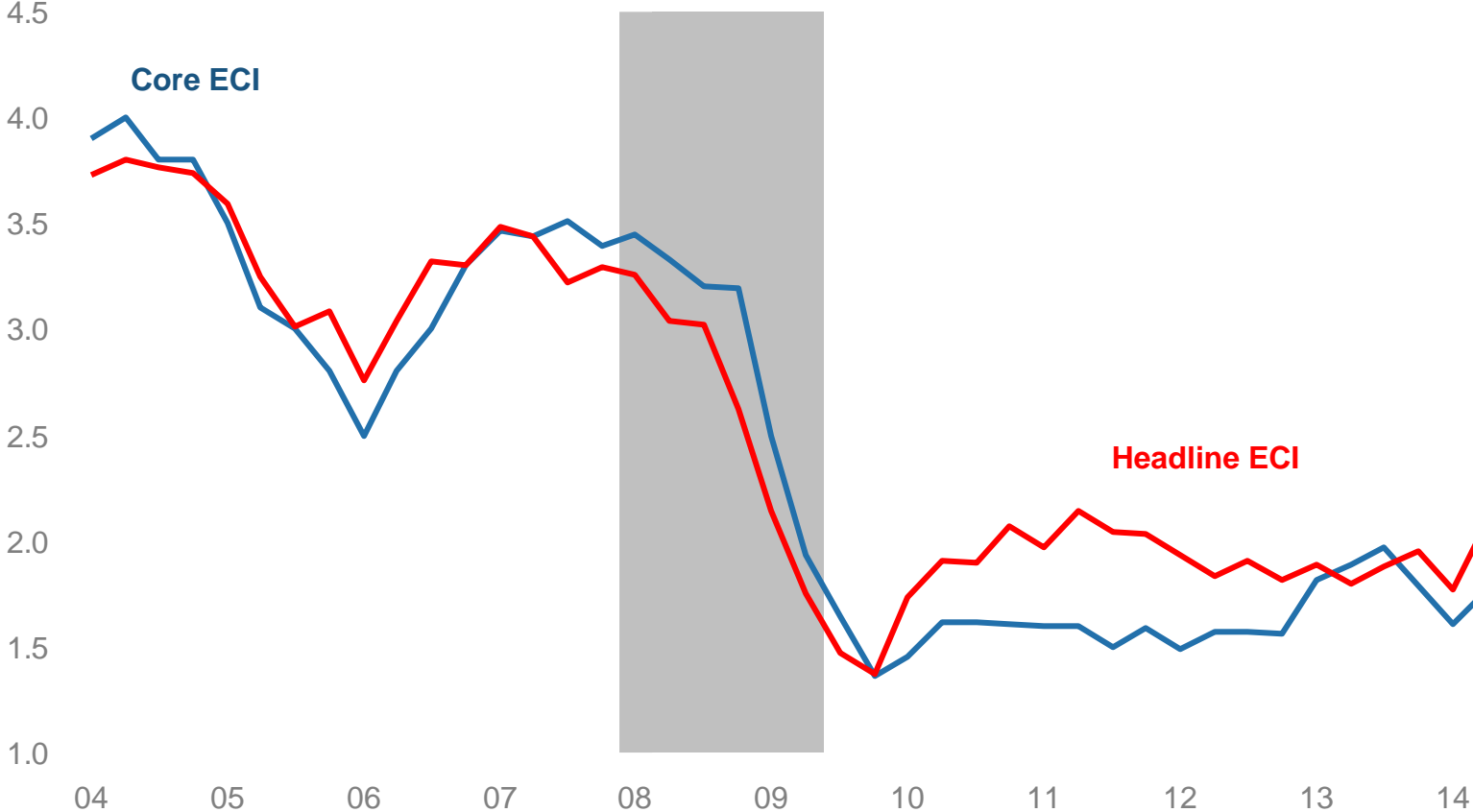
Source: Bureau of Labor Statistics
 Note: Shaded Areas indicate NBER recession

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 Note: Shaded areas indicate NBER recession

Latest ECI Readings Created a Bit of a Stir

Wage Inflation

YoY Percent Change

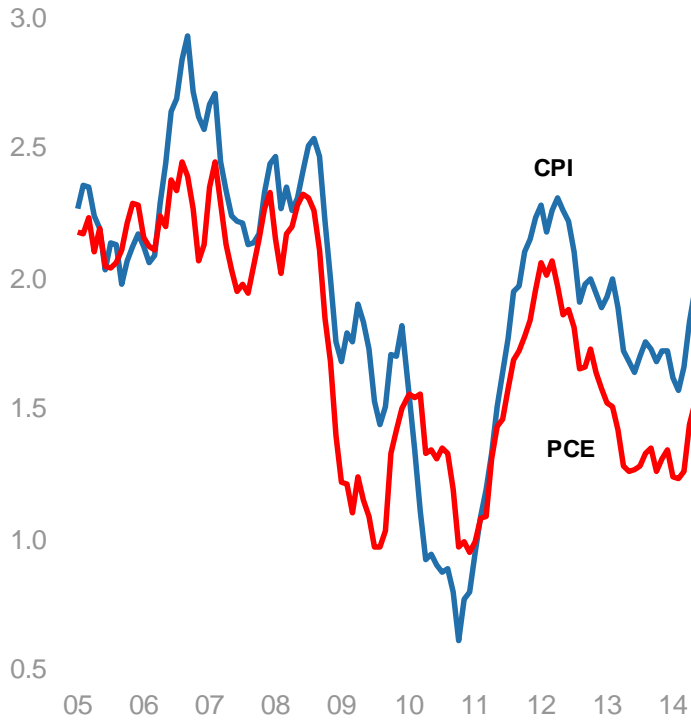


Source: Bureau of Labor Statistics
Note: Shaded area indicates NBER recession

Sorting Through the Inflation Noise

Core CPI & PCE Inflation

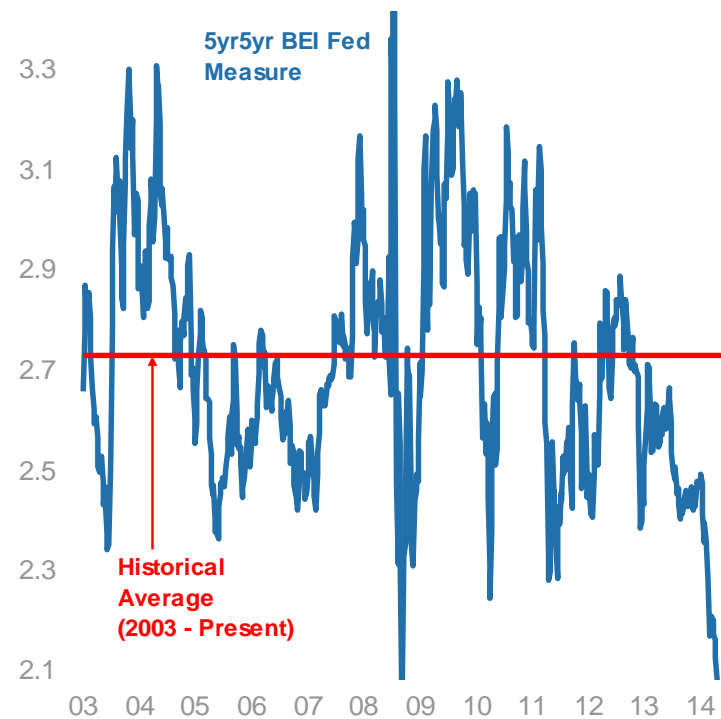
YoY % Change



Source: Bureau of Labor Statistics

Inflation Expectations (5-Yr Forward BEI)

Percent



Source: Federal Reserve Board (see "The TIPS Yield Curve and Inflation Compensation" by Gurkaynack, Sack, and Wright, November 2007).

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