

## U.S. Economy Shows Good Momentum Despite Recent Storms

We are seeing the disruptions caused by a very active hurricane season in some of the economic data for August and September. We expect to see more evidence of storm effects in the data for October, and perhaps in the data for November as well. Despite the local and regional economic disruptions, the catastrophic damage and the loss of life from the recent hurricanes, the U.S. economy remains in good shape and looks set to end the year with moderate positive momentum. This speaks volumes about the resiliency of the U.S. economy.

Labor data for September was muddled by the storms and beyond that it was simply quirky. September payrolls dropped by 33,000 due to business interruptions from Hurricanes Harvey and Irma. Payroll data is collected during the week of the month that contains the 12th. Harvey made landfall in South Texas on August 25. Flooding in the Houston area kept some business shuttered for weeks. Irma struck South Florida on Sunday, September 10, disrupting businesses throughout the South Atlantic region right before the payroll survey data was collected. If there were no storm effects to talk about in the September payroll data, we would be discussing the huge and inexplicable 906,000 worker increase in the household survey of employment. Strange spikes occasionally happen in the household survey for no economic reason. The result of the huge increase in the household employment survey for September was a drop in the unemployment rate to 4.2 percent, despite the weak payroll numbers for the month.

In contrast to the quirky labor data for September, both the ISM Manufacturing Survey and the ISM Non-Manufacturing survey had very good results for the month, increasing to 60.8 and 59.8, respectively. These two surveys capture economic conditions for the bulk of the U.S. economy. Near-60 readings for both surveys at the same time is a rare occurrence that bodes well for the U.S. economy in the second half of 2017.

As Janet Yellen completes her term as chairwoman of the Board of Governors of the Federal Reserve, monetary policy is evolving as expected. At the conclusion of the September 19/20 Federal Open Market Committee meeting, the Fed announced that they were keeping the fed funds rate range steady at 1.00 to 1.25 percent. They also announced that they would begin to gradually reduce the amount of maturing assets that they would reinvest. By not reinvesting maturing assets, the Federal Reserve will allow its \$4.5 trillion dollar balance sheet to shrink at a controlled and predictable pace. Not reinvesting by the Fed also marginally shifts the demand curve for Treasury bonds, slightly lowering bond prices and increasing bond yields. The Fed will keep the fed funds rate stable through the upcoming October 31/November 1 FOMC meeting. We look for one more fed funds rate hike this year on December 13.

Fiscal policy is also in play. On September 27, the Trump Administration released broad details of its tax reform package. Key proposals include a reduction of the corporate tax rate from 35 to 20 percent and the simplification of the personal tax code. There are many economic positives that may come with tax reform, including encouraging the repatriation of significant overseas corporate assets, encouraging business investment and encouraging spending by households. However, the political climate is challenging and the constrained fiscal realities mean that there is limited maneuvering room in budget negotiations. The final details will emerge as a reconciliation budget agreement later this fall.

### U.S. Economic Outlook, Summary

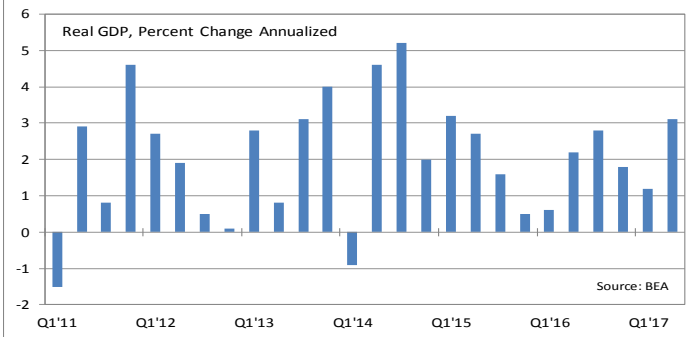
	1Q'17a	2Q'17a	3Q'17f	4Q'17f	1Q'18f	2Q'18f	3Q'18f	4Q'18f	2016a	2017f	2018f
Real GDP (Percent Change Annualized)	1.2	3.1	2.7	2.5	3.1	3.0	2.9	2.7	1.5	2.2	2.9
CPI (Percent Change Year-over-Year)	2.6	1.9	2.3	2.1	1.9	2.5	2.2	2.2	1.3	2.2	2.2
Payroll Jobs (Average Monthly Diff., Ths.)	181.8	161.4	142.7	173.8	153.5	156.3	151.8	142.4	194.3	164.9	151.0
Unemployment Rate (Percent)	4.7	4.4	4.3	4.3	4.3	4.2	4.1	4.1	4.9	4.4	4.2
Federal Funds Rate (Effective)	0.70	0.95	1.15	1.17	1.38	1.42	1.63	1.67	0.40	0.99	1.53
10-Yr. Treasury Rate	2.44	2.26	2.24	2.41	2.62	2.66	2.87	2.93	1.84	2.34	2.77

**a = actual f = forecast**

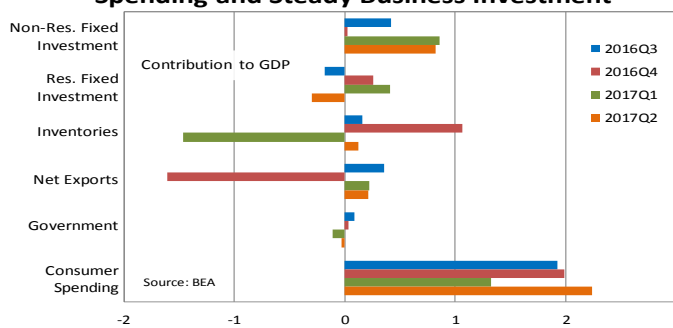
To subscribe to our publications or for questions, contact us at [ComericaEcon@comerica.com](mailto:ComericaEcon@comerica.com). Archives are available at <http://www.comerica.com/insights>. Follow us on Twitter: @Comerica\_Econ.

The articles and opinions in this publication are for general information only, are subject to change, and are not intended to provide specific investment, legal, tax or other advice or recommendations. The information contained herein reflects the thoughts and opinions of the noted authors only, and such information does not necessarily reflect the thoughts and opinions of Comerica or its management team. We are not offering or soliciting any transaction based on this information. We suggest that you consult your attorney, accountant or tax or financial advisor with regard to your situation. Although information has been obtained from sources we believe to be reliable, neither the authors nor Comerica guarantee its accuracy, and such information may be incomplete or condensed. Neither the authors nor Comerica shall be liable for any typographical errors or incorrect data obtained from reliable sources or factual information.

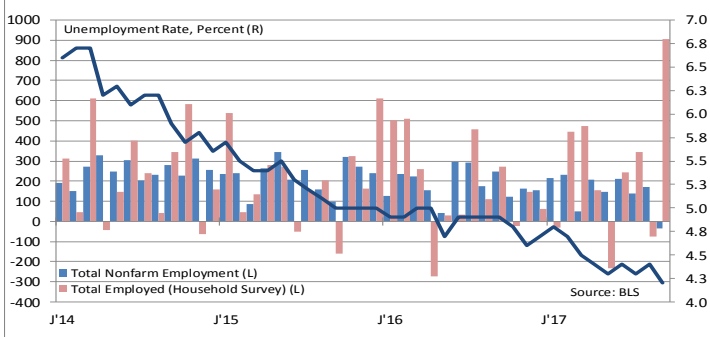
**Q2 GDP Growth Revised Up to 3.1%**



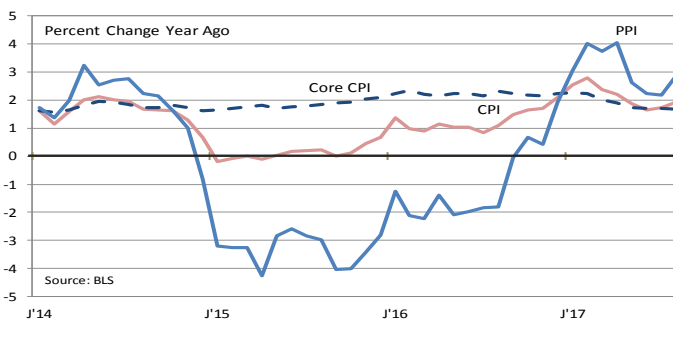
**Q2 GDP Bolstered by Stronger Consumer Spending and Steady Business Investment**



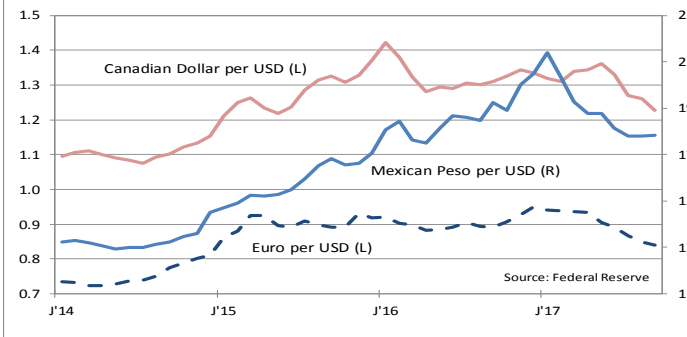
**Storms Suppress U.S. September Payrolls**



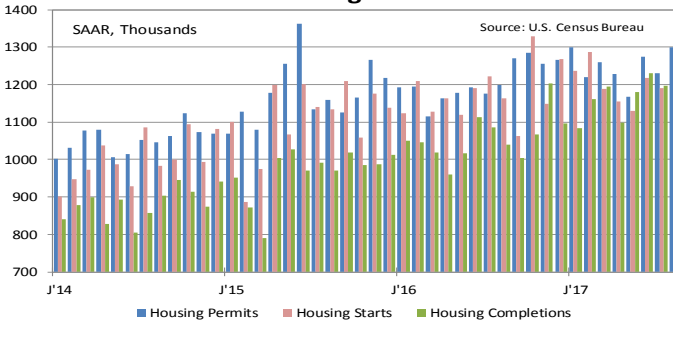
**August Inflation Measures Rise**



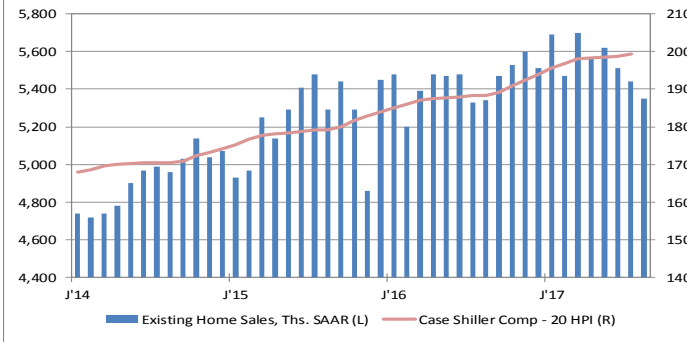
**US Dollar Easing Through 2017**



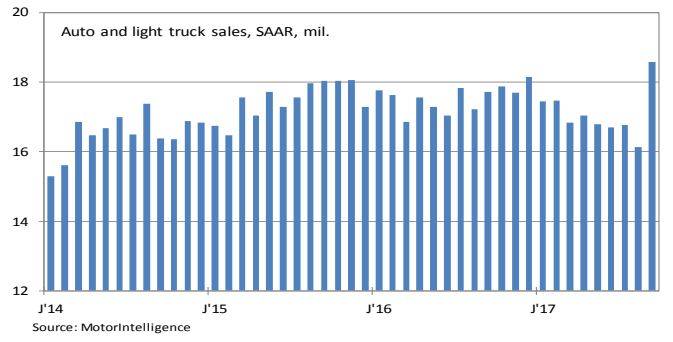
**Slowdown in Multifamilies Dragging on 2017 Housing Starts**



**Slump Continues for Existing Home Sales**



**Sept. Auto Sales Rise to a 18.6 Mln Rate**



Subscribe to economics publications and view available archive at <http://www.comerica.com/insights>.

The articles and opinions in this publication are for general information only, are subject to change, and are not intended to provide specific investment, legal, tax or other advice or recommendations. The information contained herein reflects the thoughts and opinions of the noted authors only, and such information does not necessarily reflect the thoughts and opinions of Comerica or its management team. We are not offering or soliciting any transaction based on this information. We suggest that you consult your attorney, accountant or tax or financial advisor with regard to your situation. Although information has been obtained from sources we believe to be reliable, neither the authors nor Comerica guarantee its accuracy, and such information may be incomplete or condensed. Neither the authors nor Comerica shall be liable for any typographical errors or incorrect data obtained from reliable sources or factual information.

	1Q'17a	2Q'17a	3Q'17f	4Q'17f	1Q'18f	2Q'18f	3Q'18f	4Q'18f	2016a	2017f	2018f
<b>Output</b>											
Nominal GDP (Billions \$)	19058	19250	19454	19656	19891	20126	20362	20596	18624	19354	20244
<b>Percent Change Annualized</b>	<b>3.3</b>	<b>4.1</b>	<b>4.3</b>	<b>4.2</b>	<b>4.9</b>	<b>4.8</b>	<b>4.8</b>	<b>4.7</b>	<b>2.8</b>	<b>3.9</b>	<b>4.6</b>
Real GDP (Chained 2009 Billions \$)	16903	17031	17143	17251	17381	17511	17638	17757	16716	17082	17572
<b>Percent Change Annualized</b>	<b>1.2</b>	<b>3.1</b>	<b>2.7</b>	<b>2.5</b>	<b>3.1</b>	<b>3.0</b>	<b>2.9</b>	<b>2.7</b>	<b>1.5</b>	<b>2.2</b>	<b>2.9</b>
Pers. Consumption Expenditures	11758	11853	11946	12009	12080	12150	12218	12291	11572	11892	12185
<b>Percent Change Annualized</b>	<b>1.9</b>	<b>3.3</b>	<b>3.2</b>	<b>2.1</b>	<b>2.4</b>	<b>2.4</b>	<b>2.2</b>	<b>2.4</b>	<b>2.7</b>	<b>2.8</b>	<b>2.5</b>
Nonresidential Fixed Investment	2264	2301	2309	2330	2358	2386	2415	2443	2210	2301	2401
<b>Percent Change Annualized</b>	<b>7.1</b>	<b>6.7</b>	<b>1.5</b>	<b>3.6</b>	<b>5.0</b>	<b>4.8</b>	<b>5.0</b>	<b>4.7</b>	<b>-0.6</b>	<b>4.1</b>	<b>4.3</b>
Residential Investment	606	594	586	596	611	621	630	637	587	595	625
<b>Percent Change Annualized</b>	<b>11.1</b>	<b>-7.3</b>	<b>-5.6</b>	<b>7.5</b>	<b>10.0</b>	<b>7.3</b>	<b>5.4</b>	<b>4.5</b>	<b>5.5</b>	<b>1.3</b>	<b>4.9</b>
Change in Private Inventories	1	6	17	24	33	39	48	48	33	12	42
Net Exports	-622	-614	-621	-623	-626	-622	-619	-619	-586	-620	-622
Government Expenditures	2897	2895	2910	2919	2929	2939	2949	2960	2900	2905	2944
<b>Percent Change Annualized</b>	<b>-0.6</b>	<b>-0.2</b>	<b>2.0</b>	<b>1.3</b>	<b>1.4</b>	<b>1.4</b>	<b>1.4</b>	<b>1.4</b>	<b>0.8</b>	<b>0.2</b>	<b>1.3</b>
Industrial Prod. Index (2007=100)	103.7	105.1	104.3	104.7	105.1	105.5	105.9	106.3	103.1	104.4	105.7
<b>Percent Change Annualized</b>	<b>1.5</b>	<b>5.7</b>	<b>-3.3</b>	<b>1.7</b>	<b>1.5</b>	<b>1.6</b>	<b>1.5</b>	<b>1.5</b>	<b>-1.2</b>	<b>1.3</b>	<b>1.2</b>
Capacity Utilization (Percent)	75.8	76.6	76.2	76.2	76.3	76.5	76.7	77.0	75.7	76.2	76.6
<b>Prices</b>											
CPI (1982-84=100)	244.1	243.9	246.0	247.3	248.8	250.1	251.4	252.6	240.0	245.4	250.7
<b>Percent Change Annualized</b>	<b>3.1</b>	<b>-0.3</b>	<b>3.5</b>	<b>2.1</b>	<b>2.4</b>	<b>2.2</b>	<b>2.1</b>	<b>2.0</b>	<b>1.3</b>	<b>2.2</b>	<b>2.2</b>
PCE Price Index (2009=100)	112.2	112.3	112.9	113.5	114.1	114.7	115.3	115.9	110.8	112.7	115.0
<b>Percent Change Annualized</b>	<b>2.2</b>	<b>0.3</b>	<b>2.4</b>	<b>2.0</b>	<b>2.2</b>	<b>2.2</b>	<b>2.0</b>	<b>2.0</b>	<b>1.2</b>	<b>1.8</b>	<b>2.0</b>
GDP Price Index (2009=100)	112.8	113.0	113.5	114.0	114.5	115.0	115.5	116.1	111.4	113.3	115.3
<b>Percent Change Annualized</b>	<b>2.0</b>	<b>1.0</b>	<b>1.6</b>	<b>1.7</b>	<b>1.8</b>	<b>1.8</b>	<b>1.8</b>	<b>1.9</b>	<b>1.3</b>	<b>1.7</b>	<b>1.7</b>
Producer Price Index, Finished Goods	196.8	197.1	198.2	199.3	200.8	201.9	202.9	203.9	191.9	197.8	202.4
<b>Percent Change Annualized</b>	<b>6.3</b>	<b>0.5</b>	<b>2.2</b>	<b>2.2</b>	<b>3.2</b>	<b>2.1</b>	<b>2.1</b>	<b>2.0</b>	<b>-1.0</b>	<b>3.1</b>	<b>2.3</b>
Crude Oil, WTI (\$/barrel)	50.0	51.0	51.0	49.0	50.0	50.0	52.5	52.5	43.1	50.3	51.3
<b>Labor Markets</b>											
Payroll Jobs (Average Monthly Diff., Ths.)	181.8	161.4	142.7	173.8	153.5	156.3	151.8	142.4	194.3	164.9	151.0
Unemployment Rate (Percent)	4.7	4.4	4.3	4.3	4.3	4.2	4.1	4.1	4.9	4.4	4.2
Average Weekly Hours, Prod. Works.	33.6	33.7	33.6	33.6	33.6	33.6	33.6	33.6	33.6	33.6	33.6
Population (Millions)	325.1	325.8	326.4	327.1	327.7	328.4	329.0	329.7	323.5	326.1	328.7
<b>Percent Change Annualized</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.7</b>	<b>0.8</b>	<b>0.8</b>
<b>Personal Income</b>											
Average Hourly Earnings (\$)	21.86	21.99	22.15	22.31	22.48	22.64	22.82	22.99	21.56	22.08	22.73
<b>Percent Change Annualized</b>	<b>2.0</b>	<b>2.4</b>	<b>2.9</b>	<b>2.9</b>	<b>3.0</b>	<b>3.0</b>	<b>3.1</b>	<b>3.1</b>	<b>2.5</b>	<b>2.4</b>	<b>2.9</b>
Real Disp. Income (2009 Billions \$)	12680	12783	12838	12921	13021	13121	13228	13332	12608	12805	13176
<b>Percent Change Annualized</b>	<b>2.9</b>	<b>3.3</b>	<b>1.7</b>	<b>2.6</b>	<b>3.1</b>	<b>3.1</b>	<b>3.3</b>	<b>3.2</b>	<b>1.4</b>	<b>1.6</b>	<b>2.9</b>
Personal Saving Rate (Percent)	3.9	3.8	3.6	3.6	3.6	3.6	3.6	3.6	4.9	3.7	3.6
<b>Housing</b>											
Housing Starts (Ths., Ann. Rate)	1238	1167	1184	1209	1224	1233	1246	1255	1177	1199	1240
Ext. SF Home Sales (Ths., Ann Rate)	4993	4930	4790	4893	4950	4991	5026	5056	4828	4901	5006
New SF Home Sales (Ths., Ann Rate)	617	603	570	584	591	595	600	604	561	594	597
Case/Shiller HPI (Jan. 2000=100)	188.1	190.0	192.3	194.5	196.8	199.0	201.4	203.8	181.1	191.2	200.2
<b>Year/Year Percent Change</b>	<b>5.6</b>	<b>5.8</b>	<b>5.9</b>	<b>5.1</b>	<b>4.6</b>	<b>4.8</b>	<b>4.7</b>	<b>4.8</b>	<b>5.1</b>	<b>5.6</b>	<b>4.7</b>
<b>Consumer</b>											
Household Economic Stress Index	1.6	0.5	0.8	1.4	1.6	2.0	1.6	1.5	1.0	1.1	1.7
Auto Sales (Millions)	17.2	16.8	17.2	17.1	16.8	16.6	16.6	16.3	17.5	17.1	16.6
<b>Interest Rates (percent per year)</b>											
Federal Funds Rate (Effective)	0.70	0.95	1.15	1.17	1.38	1.42	1.63	1.67	0.40	0.99	1.53
Prime Rate	3.79	4.04	4.25	4.27	4.48	4.52	4.73	4.77	3.51	4.09	4.63
1-Month LIBOR	0.83	1.06	1.23	1.29	1.52	1.57	1.78	1.82	0.50	1.10	1.67
3-Month LIBOR	1.07	1.20	1.31	1.40	1.63	1.69	1.89	1.92	0.74	1.25	1.78
1-Yr. Treasury Rate	0.89	1.12	1.24	1.37	1.55	1.57	1.77	1.81	0.61	1.16	1.67
5-Yr. Treasury Rate	1.94	1.81	1.82	2.00	2.19	2.23	2.44	2.50	1.34	1.89	2.34
10-Yr. Treasury Rate	2.44	2.26	2.24	2.41	2.62	2.66	2.87	2.93	1.84	2.34	2.77
30-Year Fixed Rate Mortgage	4.17	3.99	3.90	4.07	4.30	4.37	4.60	4.66	3.65	4.03	4.48

a = actual f = forecast

October 11, 2017

Subscribe to economics publications and view available archive at <http://www.comerica.com/insights>.

The articles and opinions in this publication are for general information only, are subject to change, and are not intended to provide specific investment, legal, tax or other advice or recommendations. The information contained herein reflects the thoughts and opinions of the noted authors only, and such information does not necessarily reflect the thoughts and opinions of Comerica or its management team. We are not offering or soliciting any transaction based on this information. We suggest that you consult your attorney, accountant or tax or financial advisor with regard to your situation. Although information has been obtained from sources we believe to be reliable, neither the authors nor Comerica guarantee its accuracy, and such information may be incomplete or condensed. Neither the authors nor Comerica shall be liable for any typographical errors or incorrect data obtained from reliable sources or factual information.