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Buying Time:The Holiday Outlook and Beyond

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I came of age in the Detroit area in the late 1970s and early 1980s. When I was a high school sophomore, my best friend lost her father to cancer. That spring, her family dug up their backyard to plant a vegetable garden. She started skipping lunch to make ends meet. My mother stepped in and gave me extra cash to make sure she ate. The smell of freshly baked bread still makes me feel melancholy as it was the only kind my friend could afford. My family weathered the storm better, but learned to do with less. It didn't feel right to splurge when many were barely scraping by.

Thirty years later, the global financial crisis hit. It was like a time warp. My daughter told her friends that any gifts I gave her were from a thrift shop, while my son refused to get new shoes until his best friend could afford to replace his. It took two years; he literally grew out of them. I raise those two examples because they illustrate how our perceptions can exacerbate underlying shifts in the economy. Bad economic times can be made worse when those who are unaffected pull back anyway. Negative news about the economy can become a self-fulfilling prophecy with fear alone triggering an actual downturn.

Table 1- Holiday Spending Outlook

Y/Y Percent Change, November and December

	2018	2019
Total Retail	2.5%	4.3%
Gen Merchandise, Apparel, Online	3.6%	7.3%
Online Only	5.4%	12.1%
Restaurants and Bars	4.5%	5.5%

Source: Census Bureau, Haver Analytics, Grant Thornton LLP

GM Strikes Exacerbates Slowdown

Real GDP growth came in at 1.9% in 3Q nearly matching the pace of 2Q. Consumer spending slowed but did not collapse. Business investment contracted for the second consecutive quarter. Government spending slowed, particularly at the state and local levels. The drag from trade dissipated. The housing market added to growth for the first time in nearly two years.

Prospects for 4Q are worse, with real GDP growth stalling at 1.6%. Losses associated with the GM strike are expected to take a toll on everything from manufacturing activity to consumer spending. Inventories were hit particularly hard. Those losses cannot be fully recouped until we get past the holidays and into the first quarter of 2020. Business investment is expected to show a small rebound. Housing continues to add modestly to growth. Government spending will be a drag on growth as Congress relies on continuing resolutions instead of an actual budget to fund the government.

Fed Pauses. Rate-cut fatigue has set in at the Federal Reserve. The threshold to cut rates further is still lower than threshold to raise rates, but the Fed would prefer to stay out of the action for a while; Fed speakers have made that crystal clear since their last meeting. The next cut in rates is not expected until March 2020.

"Online spending alone is forecast to rise at a 12.1% pace during the holiday season. Part of that is because of a collapse in online spending in December 2018."

We came close to such an outcome last December. Fears of a full-blown trade war with China, concerns the Federal Reserve would hike interest rates too much and a government shutdown spooked consumers at the height of the holiday season. Retail sales actually contracted as these events were unfolding. Some will tell you it was a statistical fluke and not real because it is rare for such an event to occur when unemployment is still falling, and wages are accelerating. But it happened. Even members of the **Fed** started to openly worry about a "self-fulfilling prophecy" and recession. Consumer spending, came to a near standstill in the fourth quarter of 2018 and the first quarter of 2019.

This edition of **Economic Currents** is broken into two parts. The first examines the holiday outlook. Sales are poised to rebound after a dismal 2018 season. A tentative agreement on a phase one deal with China could temporarily ease concerns for consumers and financial markets. The second takes a closer look at 2020. Unease over trade could prove short-lived given threats by the European Union (EU) to retaliate in early 2020 for tariffs levied in October, while phase two of trade negotiations with China could prove more challenging.

For now, the risks of a recession appear to have abated, but they remain elevated for 2020. Election-year politics are not what they once were; stimulus is not a slam-dunk. Additional tax cuts would require support in the House of Representatives. Federal spending is slated to slow with the exception of spending on the 2020 census. Growth abroad continues to deteriorate as risks of a flare-up in trade tensions remain high next year. Handicapping the actions of the president, the ultimate determinant of trade tensions, is a fool's errand.

The silver lining is the Federal Reserve, which reversed course to cut rates and will not hesitate to cut further, should the economy weaken. The threshold for another rate cut is higher than the last three but the Fed will not risk being scapegoated for a recession. That said, it is not clear if it could hold a broader slowdown at bay.

Part 1 Holiday Spending Rebounds

The table provides a summary of the outlook for spending gains in November and December. Total retail sales are expected to rise 4.3% from last year, nearly double the pace of a year ago. The phase one deal with China is expected to provide consumers and financial markets with some breathing room through year-end. There are rumblings that the deal could even include a rollback of tariffs on \$111 billion in consumer goods, which would help consumers as well as retailers whose profit margins are already razor-thin.

A low threshold for spending compared to a year ago is a major component of gains this year.

Consumers won't need to show much momentum to post solid, year-on-year gains. I can't stress this latter point enough. The collapse in spending in December 2018 was dramatic and broad-based. Much of what we think of as holiday spending contracted on a year-over-year basis during the month; that is what happens in recessions.

Spending at more traditional department stores, clothing stores and online is expected to jump 7.3%. Again, those gains are being distorted by a collapse in December 2018. Online spending alone is forecast to rise at a 12.1% pace during the holiday season.

In fact, the gains we see will not be enough to ward off additional retail bankruptcies. Luxury retailers are beginning to feel the fate of department and clothing stores. Store closings persisted in October and early November, even at the high end. Barneys New York is closing its doors for good, while Tiffany is a takeover target. (Luxury retailers have complained about the loss of high-end Chinese and Russian tourism.)

Online retailers are setting prices for their competition by holding costs in check relative to traditional retailers. Amazon makes money outside of retail, which allows it to compete more aggressively on price; it can afford a loss in one area if that is offset with gains elsewhere.

Same-day and overnight deliveries will pick up, but also squeeze retail profit margins and add to congestion problems in the largest cities. Commute times are already rising in response to the need for immediate satisfaction. The last mile of a delivery can also be the most dangerous, given the time constraints involved. I watched one delivery driver dodge several accidents running to and from his double-parked truck on a busy road in mid-October. Winter weather will make it even more treacherous.

"For now, the risks of a recession appear to have abated, but they remain elevated for 2020."

Recent tariffs will further squeeze retail margins this holiday season, even if they are eventually rolled back. Tariffs on 22 pages of mostly consumer goods went into effect for Chinese imports on September 1; sweaters, pants, winter coats, shoes (with the exception of highend sneakers) and baby products such as diapers were included. Tariffs were delayed on many electronics, games and name-brand shoes. Tariffs on French wine, cheese and Scotch took effect in October. (I am told by my Scotch-drinking friends that blends were excluded.)

The recent rise in home sales should spur a pickup in spending on remodeling and repairs, which includes furniture, appliances and building materials. Homes are a virtual sinkhole when it comes to spending. (I have a 1891 home that costs as much to keep up as to remodel.) This should encourage in-home entertaining this holiday season and further curb spending at restaurants and bars. Yelp reported **searches** for restaurants moved decidedly downscale even in some of the hottest urban areas over the summer. Spending at restaurants and bars this holiday season is expected to rise at a 5.5% pace from a year ago.

Lower prices at the gas pump could provide a boost to discretionary spending late in the season, but consumers may need the cash they save. Households earning less than \$50,000 a year accounted for the bulk of the recent drop in sentiment.

Part 2 Storm Clouds on the Horizon

Consumers have played Atlas and carried the economy, even as the business sector softened. The question is whether their stamina will hold in an election year. Spoiler alert: It hasn't always done so in the past.

Incomes Slow

Employment and wage gains have slowed, which will take a toll on the pace at which incomes can expand and consumers can spend in the year to come.

Employment gains have slowed from a pace of 223,000 per month in 2018 to 167,000 per month in 2019. Some have argued that the slowdown is in response to a shortage of workers. A deeper dive into the data suggests that what we are seeing is more of a demand than a supply-side phenomenon and, as a result, is more worrisome.

Over half of the slowdown in employment can be attributed to the sectors hit hardest by tariffs, uncertainty over trade and economic weakness abroad. Manufacturing, trucking, rail and business consulting have all suffered.

The steel industry, which was supposed to benefit the most from tariffs, paid the largest price. All of the job gains for steel in 2018 were wiped out by layoffs in 2019. The weakness was broad-based, from manufacturing to commercial real estate and mining.

Another large share of the weakness, a little more than 20%, can be attributed to structural shifts. Retailers cut as consumers shifted even more from in-store to online shopping, while online behemoth Amazon announced that it will increase reliance on robots in its warehouses to limit its wage bill this holiday season.

Separately, the market for new college graduates softened over the summer. The unemployment rate among new college graduates moved up. At the same time, the percentage of new grads forced to accept jobs that do not require a college degree edged higher.

A similar slowdown showed up in the **Job Openings** and Labor Turnover Survey (JOLTS) for September. Job openings fell to the lowest level since March 2018. The quit rate - a lead indicator for wage gains - declined as layoffs picked up. Job openings were down 5% in September from a year ago, marking the fourth consecutive month of year-over-year declines.

The only offset on the demand side was a pickup in the need for health-care workers. A surge in the number of people in their 80s and aging baby boomers were the main reasons for those gains.

Farm subsidies have played an outsized role supporting incomes in 2019, but should come to an end with a trade deal. Farm subsidies have exceeded the size of bailouts for vehicle producers. Timing is another problem. Many smaller farms are already in or close to bankruptcy: a trade deal will do little for them.

In response, real personal disposable income growth is expected to rise only 0.9% on a fourth-quarter-to-fourth-quarter basis in 2020. That is less than one-third the pace of 2019 and the slowest pace in seven years.

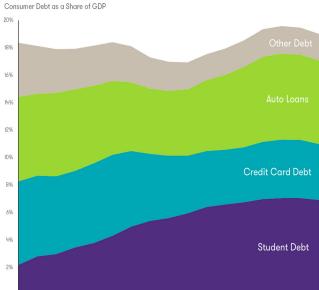
Debt is a Burden

Chart 1 shows consumer debt as a share of GDP, excluding mortgages. Consumers loaded up on non-mortgage debt even as they shed mortgage debt - by force or choice. Much of the decline in mortgage debt in the wake of the crisis could be attributed to foreclosures. Lower interest rates have made higher debt levels easier to manage, but have not been enough to prevent a rise in defaults in key sectors.

The rise in student loan defaults is most worrisome. An overhang of student debt has already forced many millennials to delay buying homes. A default could lock a would-be buyer out of the housing market entirely. Student debt is unique in that a default puts a permanent stain on a borrower's credit rating.

Chart 1





2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018

Source: Federal Reserve Board of New York, Equifax, Haver Analytics

Some of the recent rise in student defaults could be due to poor management at the Department of Education. A judge recently found the Secretary of Education in contempt of court and fined the Department of Education for its failure to forgive and discharge loans tied to a forprofit college. The department has also struggled to deal with the growing backlog of applicants eligible for loan forgiveness because of their public service.

We are watching a rise in defaults in vehicle loans. Vehicle producers were granted a waiver to continue to lend to subprime borrowers in the wake of the crisis. A rise in defaults there reveals a deterioration in financial conditions for the most vulnerable of consumers. This could be one of the reasons that low-income households experienced such a large drop in their assesments of the economy in September.

Credit card defaults rose earlier this year but banks quickly **tightened** lending standards. Banks were less willing to approve credit card applications over the summer. Banks learned their lesson on over-extending credit card debt the hard way in the 1990s - I was once an economist at a major bank. This means consumers will have to rely on income instead of debt to finance their purchases going forward.

Financial Markets Become More Volatile

Chart 2 maps movements in the stock market against media mentions of the phrase "trade war." The worst market corrections over the last year were triggered by fears of a full-blown trade war with China and a recession. This suggests that the euphoria in financial markets surrounding a phase one deal with China could be short-lived, if phase two fails to deliver.

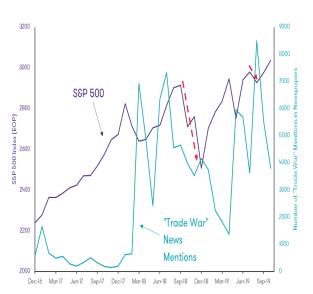
Why do we care? Because regardless of their stock holdings, consumers respond more to market corrections than to rallies. The drops in financial markets in response to a trade war were particularly toxic, as they fed fears that a recession was imminent. The result was a self-fulfilling prophecy when a negative news shock triggered a pullback in spending, without an actual deterioration in economic conditions.

Frayed Nerves

Consumer sentiment and consumer confidence surveys deteriorated over the summer as threats of a trade war with China intensified. Those losses continued into the fall, despite a cease-fire. Worries about a trade war remain elevated; it would not take much of a scare for consumers to pull back again.

Chart 2

Trade War Threats Feed Recession Fears and Market Losses



Source: Standard & Poor's, ProQuest, Haver Analytics

The Survey of Consumer Confidence conducted by the Conference Board is particularly worrisome. In September, the gap between people's assessments of their current economic conditions and their expectations about the future neared the level during the trade scare last winter. (See **Chart 3**.) This suggests a heightened sensitivity to negative news shocks on the behavior of the consumer.

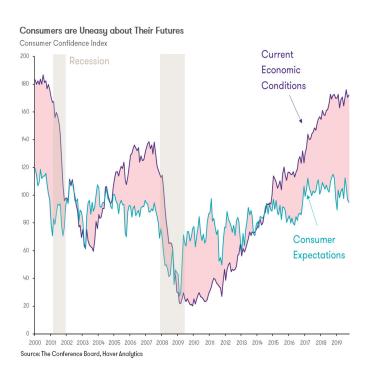
Historically, the gap between consumers' current assessments of the economy and their expectations have proven to be a remarkably good lead indicator of recessions. Consumers are more likely to pull back in response to a negative economic event or news shock when they are already worried about the future.

The tribalism of our politics is also affecting consumer attitudes. Republicans are now much more confident about the economy than Democrats, regardless of underlying economic conditions. This could further dampen spending in 2020 relative to 2019, given what is likely to be an even more heated year for political rhetoric.

A Recession in 2020?

Consumer spending is expected to slow in response to mounting headwinds, both real and emotional. A "growth recession" - which occurs when overall economic growth is too slow to hold down the unemployment rate - is possible by year-end.

Chart 3



A full-blown recession cannot be ruled out, given the weakness we are already seeing in business investment. Business investment during the second and third quarters was the worst we have seen since the oil bust of 2015. Something has to give. Either business investment will come back, or the next shoe will drop, which would be job cuts. That would take a direct toll on the consumer.

Bottom Line

I grew up experiencing the negative effects that the stories we form about the economy can have on our spending decisions. Even then, I was shocked by the pullback we saw last December. It is rare to see something that came so close to triggering a recession without an actual drop in employment.

Prospects for a phase one agreement with China will buy us time this holiday season, but not enough to cure what ails us on the trade front. Much will depend on how the president reacts to the actions of the Chinese and the EU. I am not overly optimistic, but stranger things have happened.

As for my best friend, she moved abroad with her family in 1982. She ended up in Australia, which has enjoyed the longest expansion - 28 years and counting - of the developed economies. She picked well. I stayed, but understand the pain many still feel because of what I experienced. Now, my children also understand that pain, though they were among the lucky. Recessions leave scars.

Economic forecast — November 2019

Personal Consumption 23 18 02 20 19 16 18 09 22 40 21		2019	2020	2021	2019:2(A)	2019:3(A)	2019:4	2020:1	2020:2	2020:3	2020:4	2021:1	2021:2
Pennoral Consumption 26	National Outlook	1								1			
Business Fined Investment 12	Chain-Weight GDP ¹	2.3	1.5	0.2	2.0	1.9	1.6	1.9	1.8	0.9	-2.2	-1.0	2.1
Residential Investment	Personal Consumption	2.6	2.4	0.8	4.6	2.9	2.6	2.8	2.2	1.6	-0.6	-0.1	1.8
Net Sports (SI ST 2)	Business Fixed Investment	2.2	0.0	-3.0	-1.0	-3.0	1.3	3.3	0.8	-1.6	-9.2	-8.4	2.8
Net Exports [15] 476 4008 4024 461 466 4791 4761 4005 4072 4075 4795 4700	Residential Investment	-1.7	0.1	-2.1	-2.9	5.1	3.0	-0.3	-2.0	-2.6	-2.6	-3.9	-3.4
Exports 10.2 1.2 1.0 1.67 0.7 0.4 1.66 0.3 0.5 1.6 0.4 1.0	Inventory Investment	75	-4	-2	70	69	46	-21	-3	28	-21	-36	-4
Properties 15	Net Exports (bil \$ '12)	-976	-1008	-1024	-981	-986	-991	-961	-1005	-1042	-1025	-995	-1000
Covernment Expanditures 22 19 09 48 20 04 15 41 09 06 08 0.6 0.8 0.6 0.8 0.6 0.8 0.6 0.8 0.6 0.8 0.6 0.8 0.6 0.8 0.0 0.8 0.0 0	Exports	-0.2	1.2	1.0	-5.7	0.7	-0.4	6.6	-0.3	-0.5	1.6	0.4	1.0
Federal	Imports	1.5	1.8	1.2	0.0	1.2	0.3	1.1	5.0	3.9	-0.7	-3.1	1.3
State and Local 16	Government Expenditures	2.2	1.9	0.9	4.8	2.0	0.4	1.5	4.1	0.9	0.6	0.8	0.6
Find Soles 2,2 1,8 0,2 3,0 2,0 2,0 3,2 1,5 0,4 1,4 0,7 1,5	Federal	3.3	3.4	0.4	8.3	3.4	-0.7	3.4	9.4	0.7	-0.4	0.0	-0.3
Mileston	State and Local	1.6	1.0	1.1	2.7	1.1	1.1	0.3	0.9	1.1	1.2	1.3	1.1
Composition 18	Final Sales	2.2	1.8	0.2	3.0	2.0	2.0	3.2	1.5	0.4	-1.4	-0.7	1.5
CP 18	Inflation												
Core CPI 2,2 2,4 2,1 1,9 2,9 2,3 2,3 2,6 2,2 2,1 1,9	GDP Deflator	1.8	2.0	2.2	2.4	1.7	2.0	1.7	2.4	2.3	2.3	2.3	2.0
Secial Indicators Corporate Profits Corp	CPI	1.8	1.9	1.7	2.9	1.9	2.4	1.2	2.5	1.7	0.8	1.7	1.7
Corporate Profits	Core CPI	2.2	2.4	2.1	1.9	2.9	2.3	2.3	2.3	2.6	2.2	2.1	1.9
Disposable Personal Income 3.2 1.7 0.7 2.4 2.9 2.2 2.4 0.7 0.7 0.4 0.1 1.4 Housing Starts (mil.) 1.26 1.23 1.18 1.26 1.28 1.27 1.26 1.26 1.26 1.25 1.17 1.14 1.16 Civilian Unemployment Rate 3.7 3.6 4.7 3.6 3.6 3.5 3.5 3.5 3.6 3.9 4.3 4.6 Total Nonfarm Payrolls (thous) ³ 1365 2.99 1420 133 5.77 360 337 178 126 341 619 391 Vehicle Sales Vehicle Sales (mil.) 5.0 4.4 4.3 5.0 4.8 4.8 4.7 4.7 4.3 3.9 3.8 4.2 Domestic 3.5 3.2 3.1 3.5 3.4 3.4 3.3 3.3 3.1 2.9 2.8 3.0 Imports 1.4 1.3 1.2 1.5 1.4 1.4 1.4 1.4 1.2 1.0 1.0 1.2 Lit. Trucks (mil.) 12.0 11.6 11.4 12.1 12.3 12.2 12.1 12.0 11.5 10.9 10.7 11.2 Domestic 9.7 9.5 9.3 9.7 9.9 9.9 9.8 9.7 9.5 9.0 8.8 9.2 Imports 2.4 2.1 2.1 2.4 2.4 2.3 2.3 2.3 2.3 2.0 1.9 1.9 2.0 Imports 1.70 1.5 16.5 16.1 17.6 17.6 17.5 17.3 17.2	Special Indicators												
Housing Storts [mil.] 1.26 1.28 1.18 1.26 1.28 1.27 1.26 1.26 1.26 1.17 1.14 1.16 Civilian Unemployment Rate 3.7 3.6 4.7 3.6 3.6 3.5 3.5 3.5 3.6 3.9 4.3 4.6 Total Nonfarm Payrolls (thous)	Corporate Profits ²	-0.8	-3.8	7.9	1.3	-2.0	-0.8	2.1	-1.7	-0.7	-3.8	-2.9	0.8
Civilian Unemployment Rate 3.7 3.6 4.7 3.6 3.6 3.5 3.5 3.5 3.6 3.9 4.3 4.6 Total Nonfarm Payrolls (thous.)3 1365 299 1420 133 577 360 337 178 125 341 -619 -391 Vehicle Sales	Disposable Personal Income	3.2	1.7	0.7	2.4	2.9	2.2	2.4	0.7	0.7	-0.4	0.1	1.4
Total Nonform Payrolls (thous)³ 1366 299 1420 133 577 360 337 178 125 -341 -619 -391 Vehicle Sales Automobile Sales (mil.) 5.0 4.4 4.3 5.0 4.8 4.8 4.7 4.7 4.3 3.9 3.8 4.2 Domestic 1.4 1.3 1.2 1.5 1.4 1.4 1.4 1.4 1.4 1.2 1.0 1.0 1.0 1.2 Lt. Trucks (mil.) 12.0 11.6 11.4 12.1 12.3 12.2 12.1 12.0 11.5 10.9 10.7 11.2 Domestic 9,7 9,5 9,3 9,7 9,9 9,9 9,8 9,7 9,5 9,0 8.8 9,2 Imports 2.4 2.1 2.1 2.4 2.4 2.3 2.3 2.3 2.3 2.0 1.9 1.9 2.0 Combined Auto/Lt.Truck Sales 0.5 0.4 0.4 0.4 0.5 0.6 0.5 0.5 0.5 0.5 0.4 0.3 0.3 0.3 0.4 Heavy Truck Sales 0.5 0.4 0.4 0.4 0.5 0.6 0.5 0.5 0.5 0.5 0.4 0.3 0.3 0.3 0.4 Total Vehicles (mil.) 17,5 16,5 16,1 17,6 17,6 17,5 17,5 17,8 1.0 1.3 0.5 0.1 0.1 0.1 0.1 Diverst Rate/Yields Federal Funds 2.2 0.9 0.1 2.4 2.2 1.7 1.6 1.3 0.5 0.1 0.1 0.1 0.1 Diver Treasury Note 2.1 2.0 1.9 2.3 1.8 1,7 1.8 2.0 2.1 2.0 1.9 1.9 1.9 Corporate Bond BAA 4.4 4.4 4.2 4.6 4.0 3.9 4.0 4.2 4.5 4.5 4.7 4.5 4.7 4.5 4.1 Exchange Rates Dolar/Euro 1.11 1.10 1.13 1.12 1.11 1.09 1.09 1.09 1.00 1.11 1.11 1.11	Housing Starts (mil.)	1.26	1.23	1.18	1.26	1.28	1.27	1.26	1.26	1.25	1.17	1.14	1.16
Vehicle Sales Automobile Sales (mil.) 5.0 4.4 4.3 5.0 4.8 4.8 4.7 4.7 4.3 3.9 3.8 4.2 Domestic 3.5 3.2 3.1 3.5 3.4 3.4 3.3 3.3 3.1 2.9 2.8 3.0 Imports 1.4 1.3 1.2 1.5 1.4 1.4 1.4 1.2 1.0 1.0 1.2 Lt. Trucks (mil.) 12.0 11.6 11.4 12.1 12.3 12.2 12.1 12.0 11.5 10.9 10.7 11.2 Lt. Trucks (mil.) 12.0 11.6 11.4 12.1 12.3 12.2 12.1 12.0 11.5 10.9 10.7 11.2 Domestic 9.7 9.5 9.3 9.7 9.9 9.9 9.8 9.7 9.5 9.0 8.8 9.2 Imports 2.4 2.1 2.1 2.4 2.4 2.3 2.3 </td <td>Civilian Unemployment Rate</td> <td>3.7</td> <td>3.6</td> <td>4.7</td> <td>3.6</td> <td>3.6</td> <td>3.5</td> <td>3.5</td> <td>3.5</td> <td>3.6</td> <td>3.9</td> <td>4.3</td> <td>4.6</td>	Civilian Unemployment Rate	3.7	3.6	4.7	3.6	3.6	3.5	3.5	3.5	3.6	3.9	4.3	4.6
Automobile Sales (mil.) 5.0	Total Nonfarm Payrolls (thous.)3	1365	299	-1420	133	577	360	337	178	125	-341	-619	-391
Domestic 3.5 3.2 3.1 3.5 3.4 3.4 3.3 3.3 3.1 2.9 2.8 3.0	Vehicle Sales												
Imports 1.4 1.3 1.2 1.5 1.4 1.4 1.4 1.4 1.2 1.0 1.0 1.2	Automobile Sales (mil.)	5.0	4.4	4.3	5.0	4.8	4.8	4.7	4.7	4.3	3.9	3.8	4.2
Lt. Trucks [mil.] 12.0 11.6 11.4 12.1 12.3 12.2 12.1 12.0 11.5 10.9 10.7 11.2 Domestic 9.7 9.5 9.3 9.7 9.9 9.9 9.8 9.7 9.5 9.0 8.8 9.2 Imports 2.4 2.1 2.1 2.4 2.4 2.4 2.3 2.3 2.3 2.0 1.9 1.9 1.9 2.0 Combined Auto/Lt.Truck 17.0 16.0 15.7 17.1 17.1 17.0 16.8 16.7 15.8 14.8 14.5 15.4 Heavy Truck Sales 0.5 0.4 0.4 0.5 0.6 0.5 0.5 0.5 0.5 0.4 0.3 0.3 0.4 Total Vehicles (mil.) 17.5 16.5 16.1 17.6 17.6 17.5 17.3 17.2 16.2 15.1 14.8 15.8 Interest Rate/Yields Federal Funds 2.2 0.9 0.1 2.4 2.2 1.7 1.6 1.3 0.5 0.1 0.1 0.1 10-Year Treasury Note 2.1 2.0 1.9 2.3 1.8 1.7 1.8 2.0 2.1 2.0 1.9 1.9 Corporate Bond BAA 4.4 4.4 4.2 4.6 4.0 3.9 4.0 4.2 4.5 4.7 4.5 4.1 Exchange Rates Dollar/Euro 11.1 1.10 1.13 1.12 1.11 1.09 1.09 1.09 1.10 1.11 1.11 1.11	Domestic	3.5	3.2	3.1	3.5	3.4	3.4	3.3	3.3	3.1	2.9	2.8	3.0
Domestic 9,7 9,5 9,3 9,7 9,9 9,9 9,8 9,7 9,5 9,0 8,8 9,2	Imports	1.4	1.3	1.2	1.5	1.4	1.4	1.4	1.4	1.2	1.0	1.0	1.2
Imports	Lt. Trucks (mil.)	12.0	11.6	11.4	12.1	12.3	12.2	12.1	12.0	11.5	10.9	10.7	11.2
Combined Auto/Lt.Truck 17.0 16.0 15.7 17.1 17.1 17.0 16.8 16.7 15.8 14.8 14.5 15.4 Heavy Truck Sales 0.5 0.4 0.4 0.4 0.5 0.6 0.5 0.5 0.5 0.5 0.4 0.3 0.3 0.4 Total Vehicles (mil.) 17.5 16.5 16.1 17.6 17.6 17.6 17.5 17.3 17.2 16.2 15.1 14.8 15.8 Interest Rate/Vields Federal Funds 2.2 0.9 0.1 2.4 2.2 1.7 1.6 1.3 0.5 0.1 0.1 0.1 0.1 10.4 Total Vehicles (mil.) 2.1 2.0 1.9 2.3 1.8 1.7 1.8 2.0 2.1 2.0 1.9 1.9 1.9 Corporate Bond BAA 4.4 4.4 4.4 4.2 4.6 4.0 3.9 4.0 4.2 4.5 4.7 4.5 4.1 Exchange Rates Dollar/Euro 1.11 1.10 1.13 1.12 1.11 1.09 1.09 1.09 1.10 1.11 1.11 1.11	Domestic	9.7	9.5	9.3	9.7	9.9	9.9	9.8	9.7	9.5	9.0	8.8	9.2
Heavy Truck Sales 0.5 0.4 0.4 0.5 0.6 0.5 0.5 0.5 0.4 0.3 0.3 0.4 Total Vehicles (mil.) 17.5 16.5 16.1 17.6 17.6 17.6 17.5 17.3 17.2 16.2 15.1 14.8 15.8 Interest Rate/Vields Federal Funds 2.2 0.9 0.1 2.4 2.2 1.7 1.6 1.3 0.5 0.1 0.1 0.1 0.1 10.7 Year Treasury Note 2.1 2.0 1.9 2.3 1.8 1.7 1.8 2.0 2.1 2.0 1.9 1.9 Corporate Bond BAA 4.4 4.4 4.2 4.6 4.0 3.9 4.0 4.2 4.5 4.7 4.5 4.1 Exchange Rates Dollar/Euro 1.11 1.10 1.13 1.12 1.11 1.09 1.09 1.09 1.10 1.11 1.11 1.11	Imports	2.4	2.1	2.1	2.4	2.4	2.3	2.3	2.3	2.0	1.9	1.9	2.0
Total Vehicles (mil.) 17.5 16.5 16.1 17.6 17.6 17.5 17.3 17.2 16.2 15.1 14.8 15.8 Interest Rate/Vields Federal Funds 2.2 0.9 0.1 2.4 2.2 1.7 1.6 1.3 0.5 0.1 0.1 0.1 10-Year Treasury Note 2.1 2.0 1.9 2.3 1.8 1.7 1.8 2.0 2.1 2.0 1.9 1.9 Corporate Bond BAA 4.4 4.4 4.2 4.6 4.0 3.9 4.0 4.2 4.5 4.7 4.5 4.1 Exchange Rates Dollar/Euro 1.11 1.10 1.13 1.12 1.11 1.09 1.09 1.09 1.10 1.11 1.11 1.11	Combined Auto/Lt.Truck	17.0	16.0	15.7	17.1	17.1	17.0	16.8	16.7	15.8	14.8	14.5	15.4
Federal Funds 2.2 0.9 0.1 2.4 2.2 1.7 1.6 1.3 0.5 0.1 0.1 0.1	Heavy Truck Sales	0.5	0.4	0.4	0.5	0.6	0.5	0.5	0.5	0.4	0.3	0.3	0.4
Federal Funds 2.2 0.9 0.1 2.4 2.2 1.7 1.6 1.3 0.5 0.1 0.1 0.1 10-Year Treasury Note 2.1 2.0 1.9 2.3 1.8 1.7 1.8 2.0 2.1 2.0 1.9 1.9 Corporate Bond BAA 4.4 4.4 4.2 4.6 4.0 3.9 4.0 4.2 4.5 4.7 4.5 4.1 Exchange Rates Dollar/Euro 1.11 1.10 1.13 1.12 1.11 1.09 1.09 1.10 1.11 1.11 1.12 1.13	Total Vehicles (mil.)	17.5	16.5	16.1	17.6	17.6	17.5	17.3	17.2	16.2	15.1	14.8	15.8
10-Year Treasury Note 2.1 2.0 1.9 2.3 1.8 1.7 1.8 2.0 2.1 2.0 1.9 1.9 Corporate Bond BAA 4.4 4.4 4.2 4.6 4.0 3.9 4.0 4.2 4.5 4.7 4.5 4.1 Exchange Rates Dollar/Euro 1.11 1.10 1.13 1.12 1.11 1.09 1.09 1.10 1.11 1.11 1.11 1.12 1.13	Interest Rate/Yields												
Corporate Bond BAA 4.4 4.4 4.2 4.6 4.0 3.9 4.0 4.2 4.5 4.7 4.5 4.1 Exchange Rates Dollar/Euro 1.11 1.10 1.13 1.12 1.11 1.09 1.09 1.10 1.11 1.11 1.12 1.13	Federal Funds	2.2	0.9	0.1	2.4	2.2	1.7	1.6	1.3	0.5	0.1	0.1	0.1
Exchange Rates Dollar/Euro 1.11 1.10 1.13 1.12 1.11 1.09 1.09 1.10 1.11 1.11 1.12 1.13	10-Year Treasury Note	2.1	2.0	1.9	2.3	1.8	1.7	1.8	2.0	2.1	2.0	1.9	1.9
Dollar/Euro 1.11 1.10 1.13 1.12 1.11 1.09 1.09 1.10 1.11 1.11 1.12 1.13	Corporate Bond BAA	4.4	4.4	4.2	4.6	4.0	3.9	4.0	4.2	4.5	4.7	4.5	4.1
	Exchange Rates												
Yen/Dollar 108.6 105.6 105.3 109.9 107.3 107.0 106.5 105.5 105.1 105.2 105.2 105.2	Dollar/Euro	1.11	1.10	1.13	1.12	1.11	1.09	1.09	1.10	1.11	1.11	1.12	1.13
	Yen/Dollar	108.6	105.6	105.3	109.9	107.3	107.0	106.5	105.5	105.1	105.2	105.2	105.2

¹ In 2018, GDP was \$1863.8 billion in chain-weighted 2012 dollars.

Quarterly data are seasonally adjusted at an annual rate. Unless otherwise specified, \$ figures reflect adjustment for inflation. Total may not add up due to rounding.

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² Corporate profits before tax with inventory valuation and capital consumption adjustments, quarterly data represents four-quarter percent change.

^{3.} Total nonfarm payrolls, quarterly data represents the difference in the average from the previous period. Annual data represents 4Q to 4Q change.