

2016 Economic Outlook

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The views expressed herein are those of the author and are not necessarily those of the Federal Reserve Bank of Cleveland or of the Board of Governors of the Federal Reserve System.

About the Federal Reserve Bank of Cleveland

FRBC's role in the Federal Reserve System

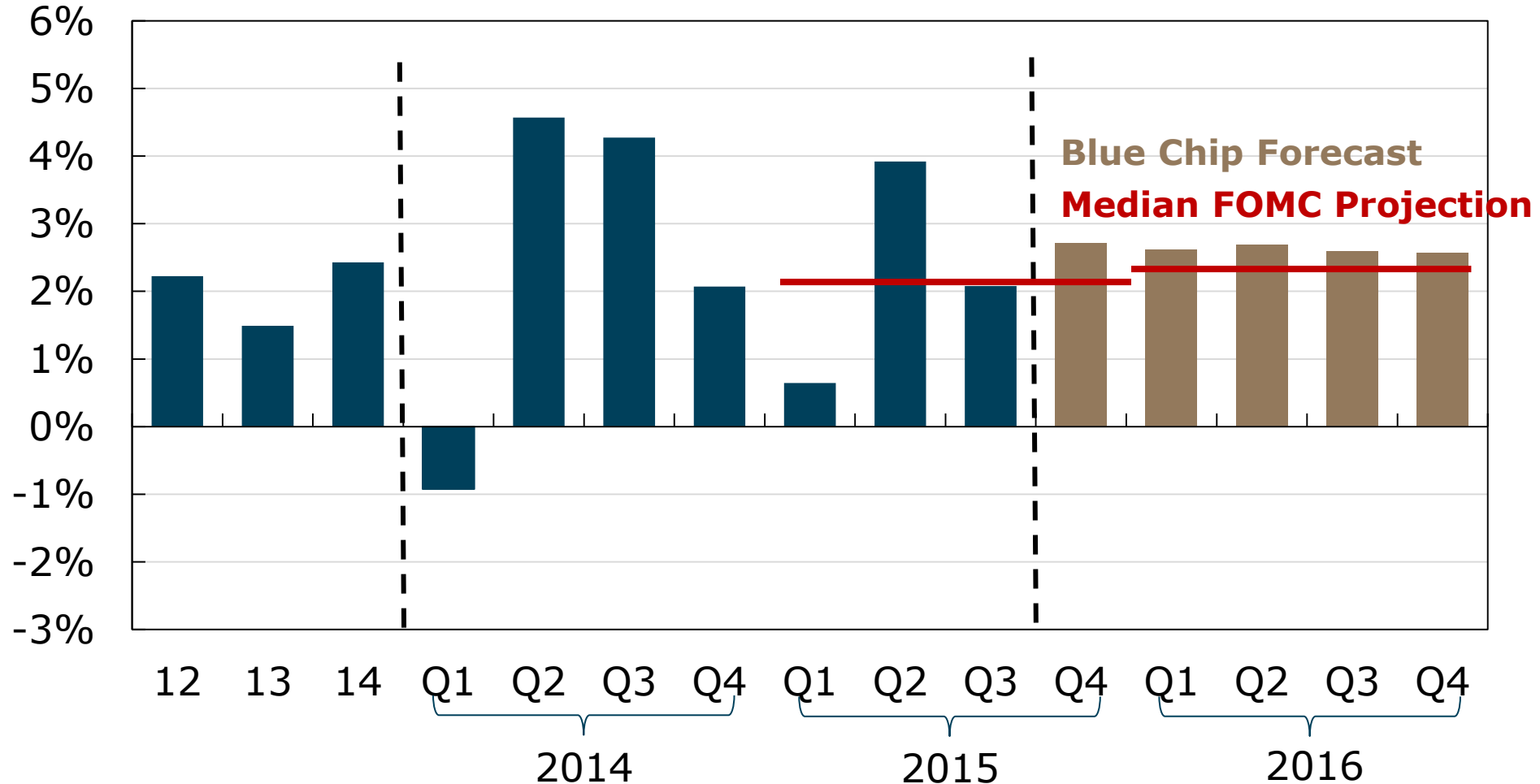
- Payments and cash processing
- Bank supervision and regulation
- Community development
- Research
- Monetary policy

Outline

- National economic conditions
- Ohio economic conditions
- Richland County economic conditions
- FOMC's Summary of Economic Projections
- 2016 Forecast for Richland Co.

GDP growth is expected to be modestly higher in 2016.

Real GDP growth
Annualized percent

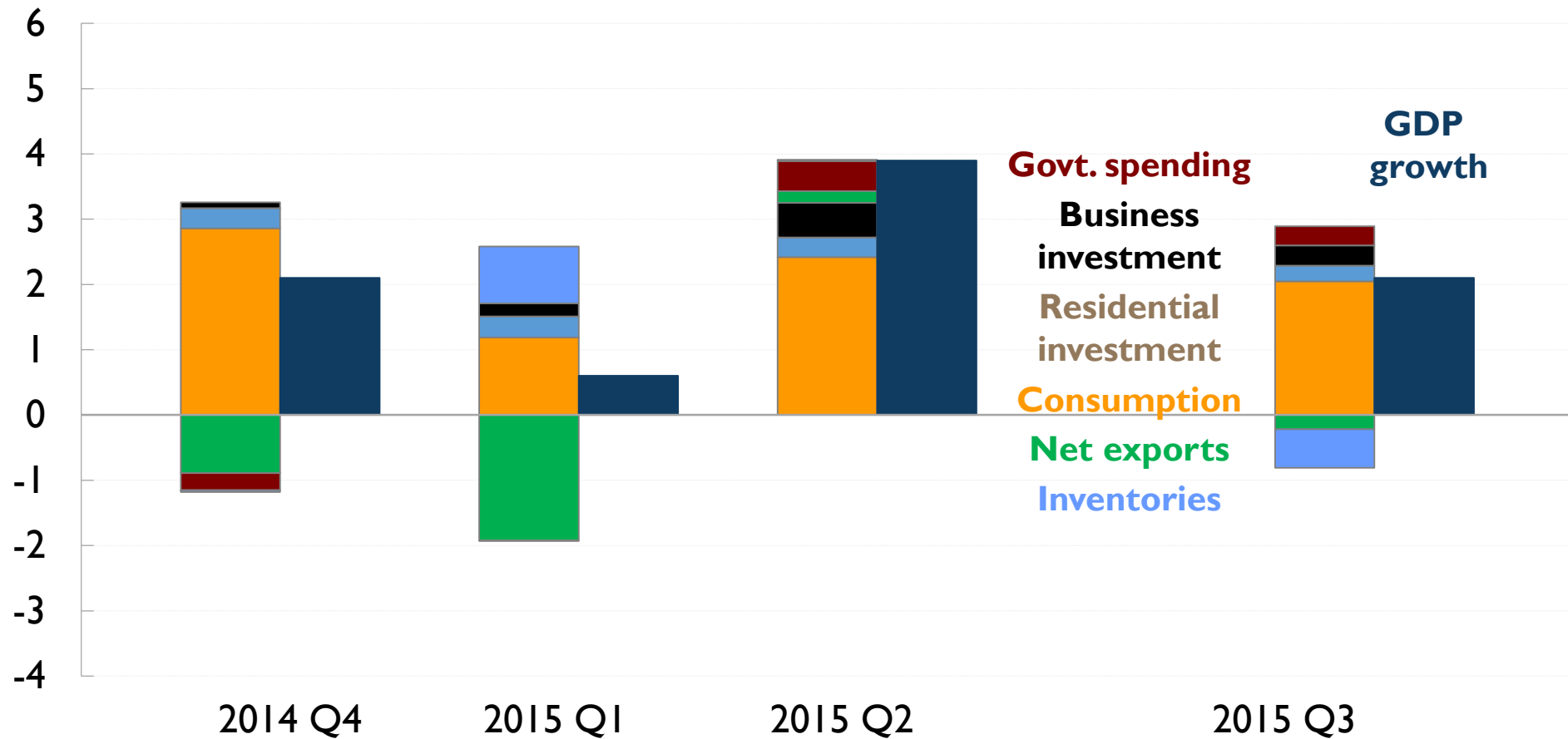


Source: BEA, Blue Chip Economic Forecasts (Nov 2015), FOMC Summary of Economic Projections (Dec 2015)

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Consumption growth was strong in recent quarters.

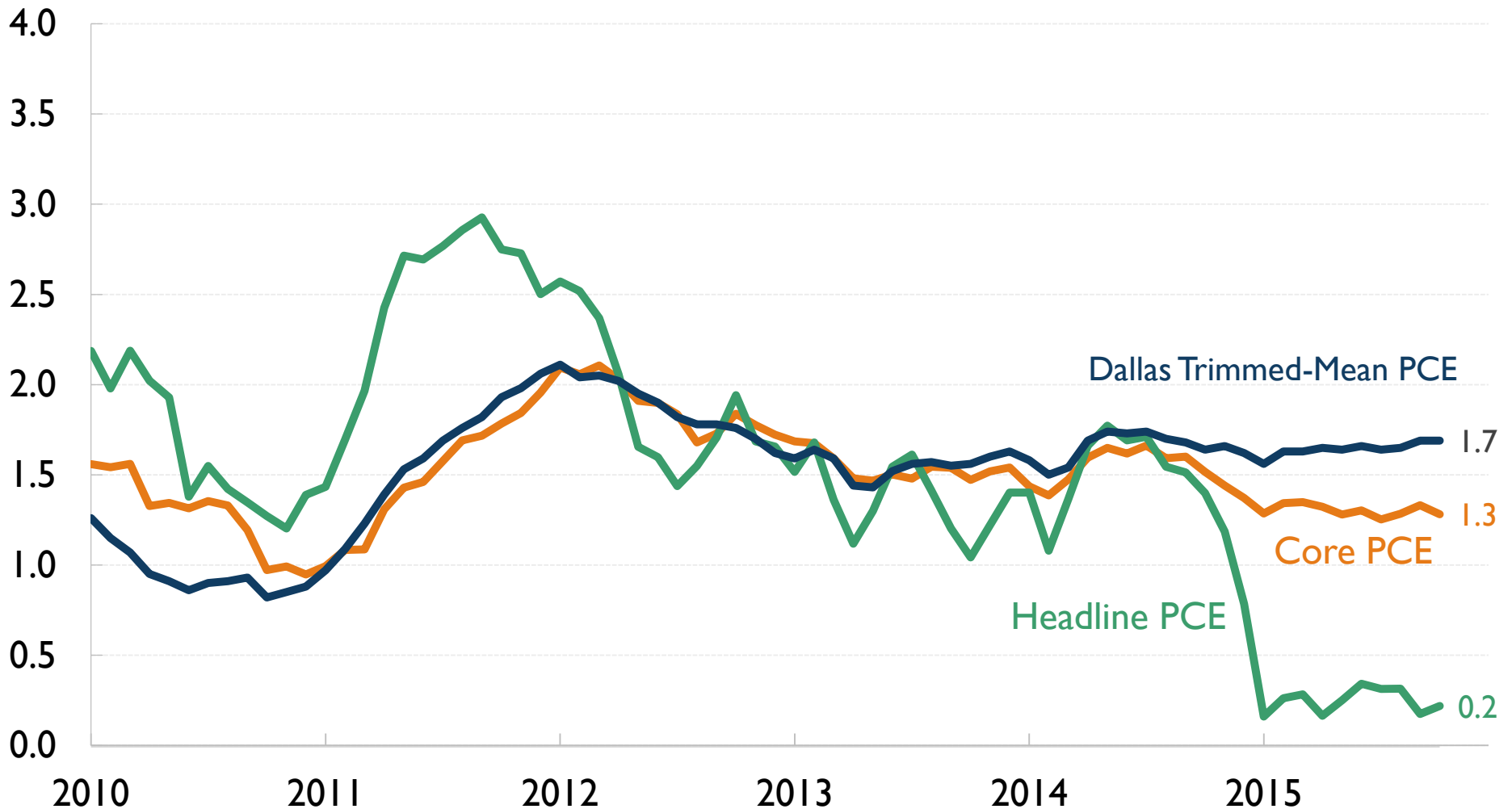
Contributions to GDP Growth
Annualized Percent Change



PCE inflation remains well below 2 percent.

PCE Inflation Measures

Year-over-year Percent Change



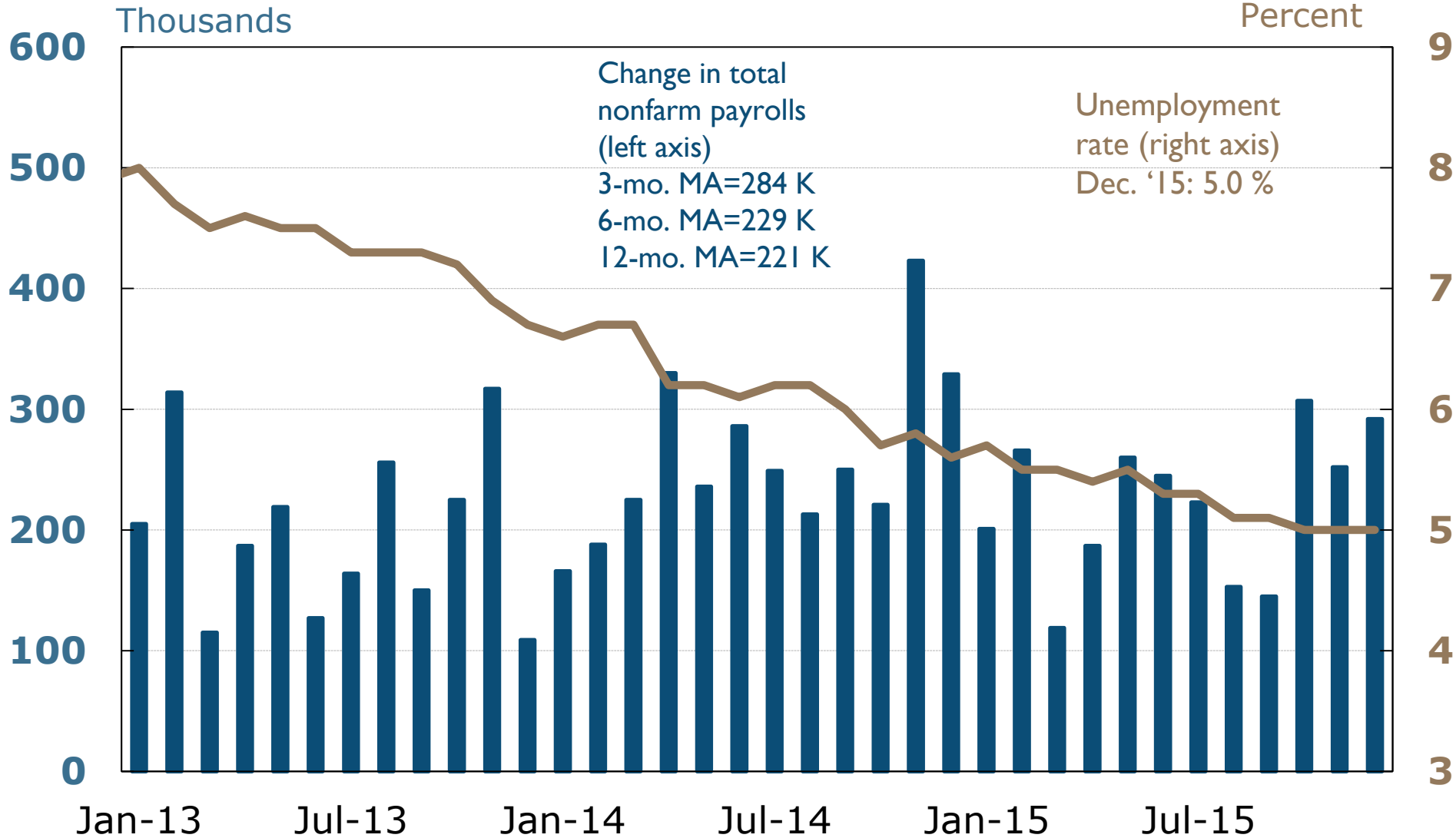
Source: Bureau of Economic Analysis/ FRB Dallas

Last observation: October 2015

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Steady progress on unemployment rate and employment.

Employment Situation



Source: Bureau of Labor Statistics,

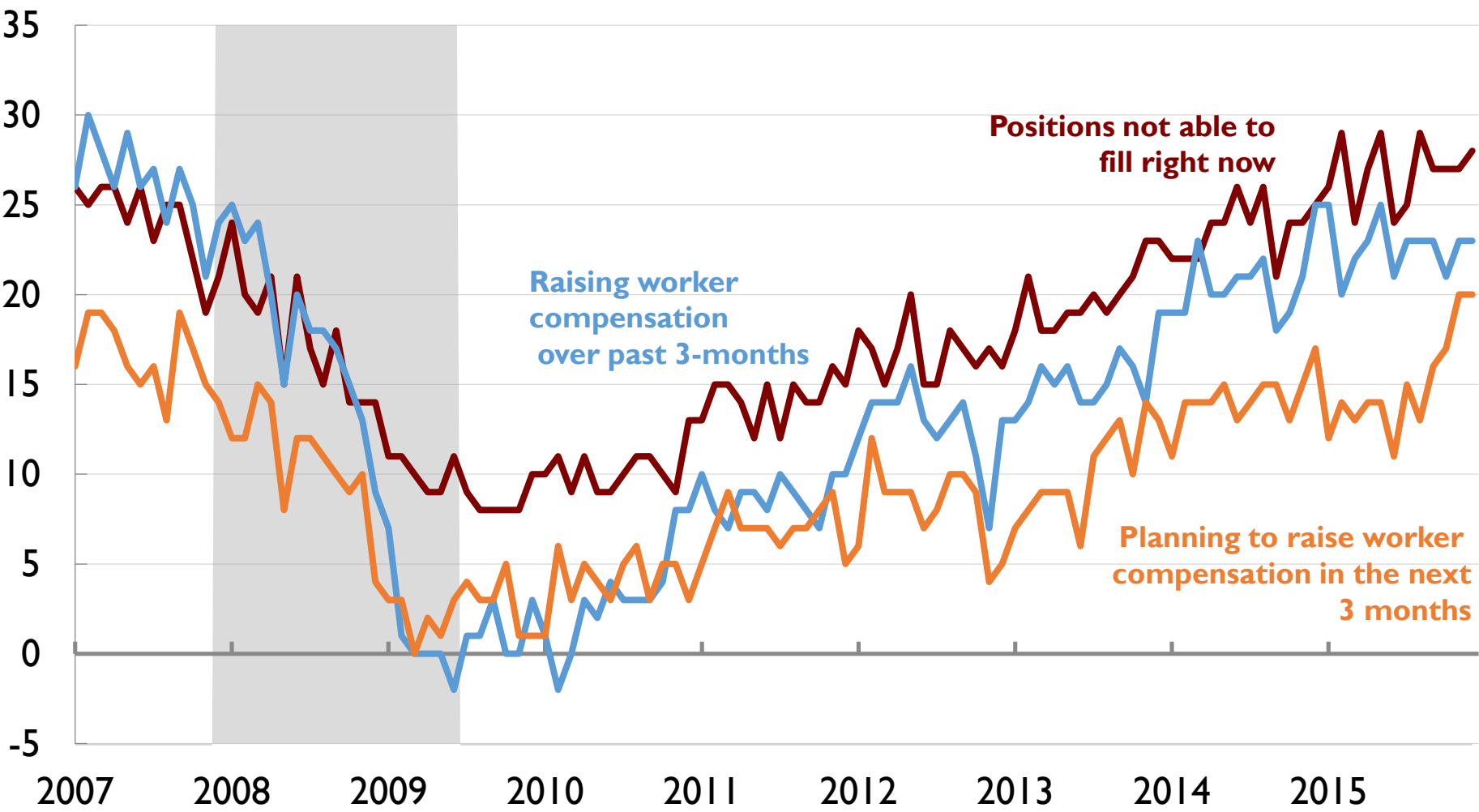
Last observation: November 2015

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Firms expect wages to grow more in 2016 than did in 2015.

Indicators of Tightness of Labor Market

Percent of firms



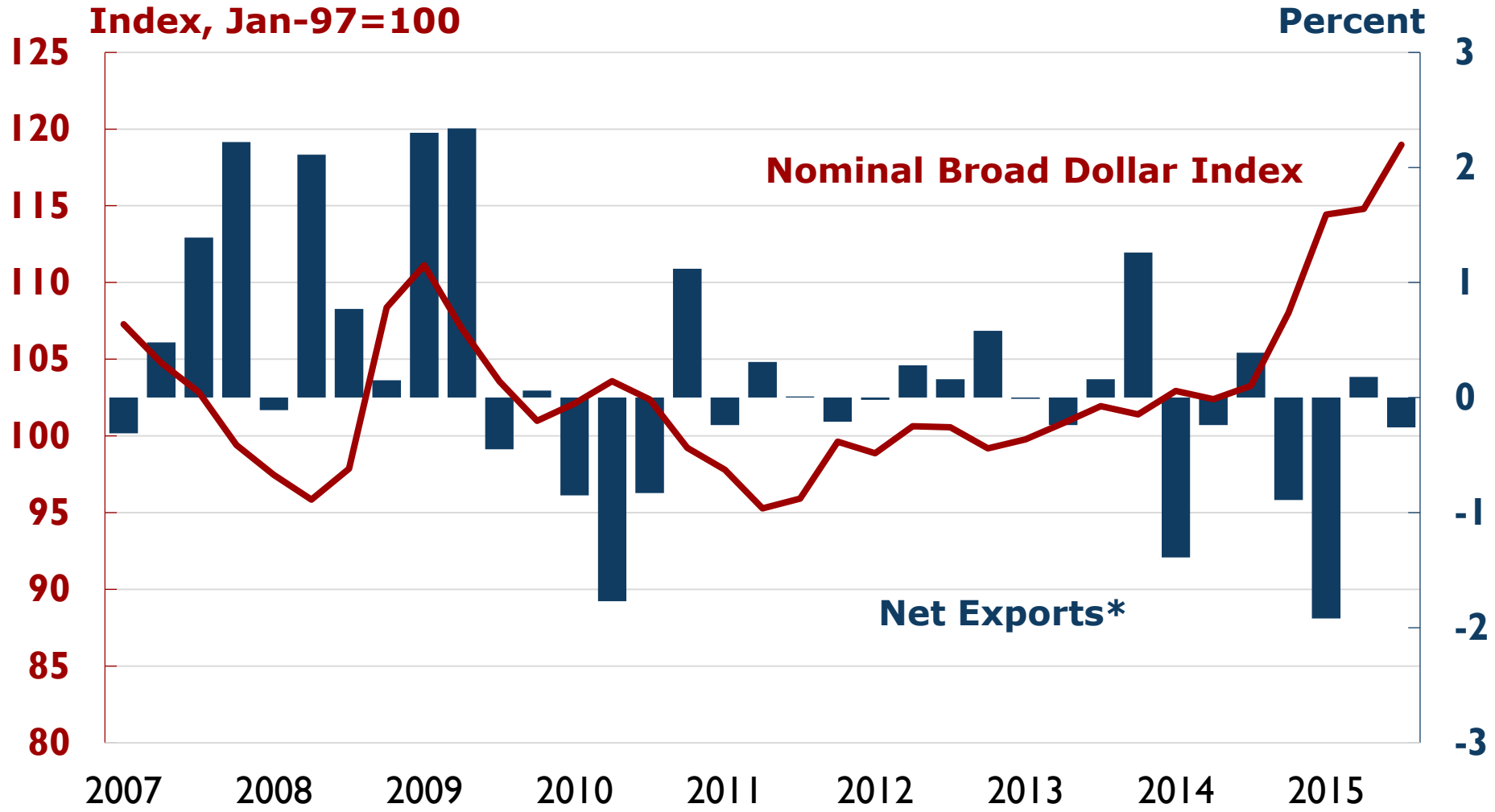
Source: National Federation of Independent Business

Last observation: December 2015

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A rise in the dollar is likely to weaken net exports.

Nominal Broad Dollar Index & Net Exports



*: Net exports contribution to percent change in Real GDP

Source: Federal Reserve Board, Bureau of Economic Analysis

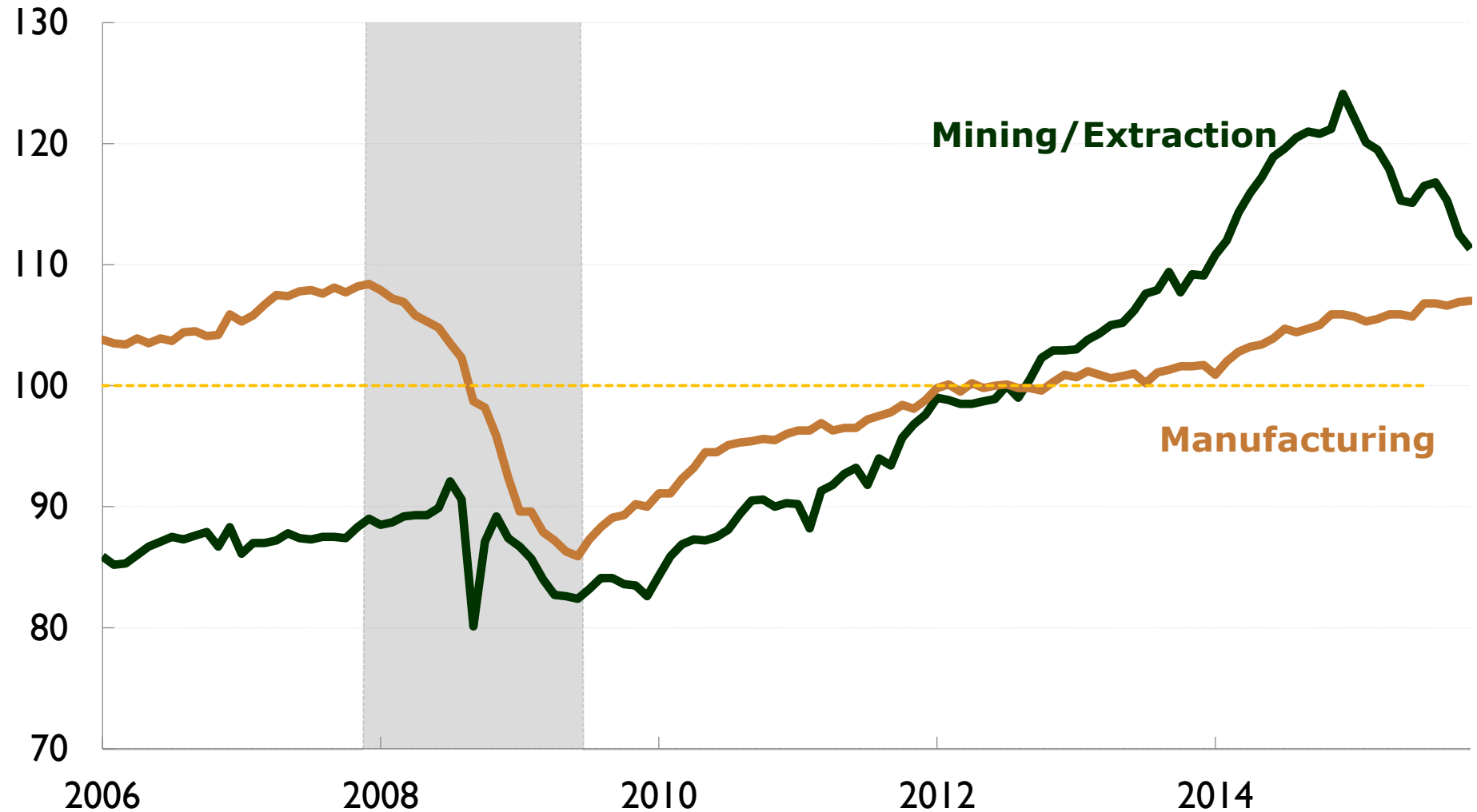
Last observation: November 2015 & 2015Q3

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After years of boosting growth, Oil & Gas slowed in 2015.

Industrial Production

Index, 2012 average = 100



Source: Federal Reserve Board of Governors

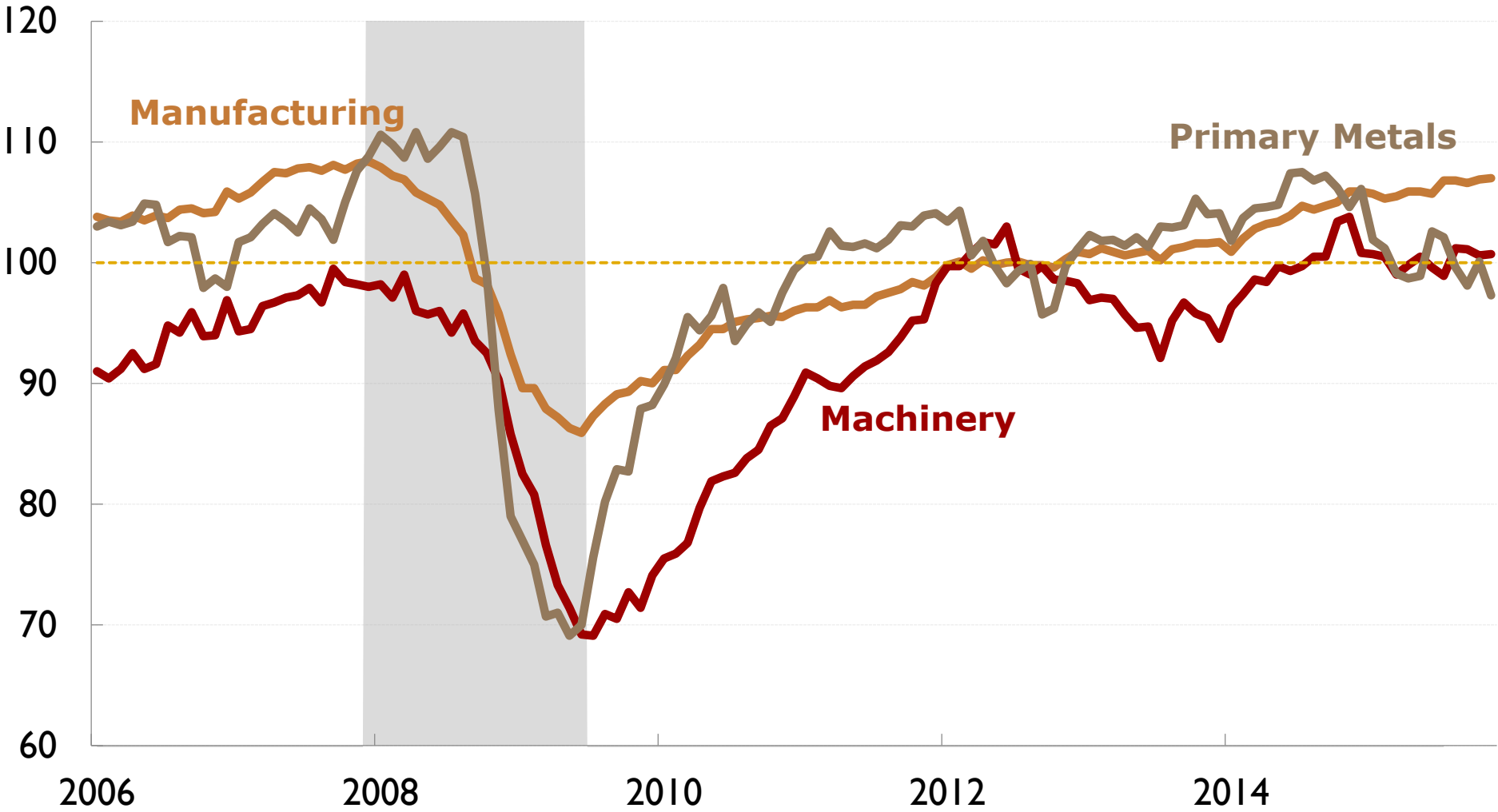
Last observation: November 2015

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Primary metals & Machinery have been weak since Spring.

Industrial Production - Manufacturing

Index, 2012 average = 100



Source: Federal Reserve Board of Governors

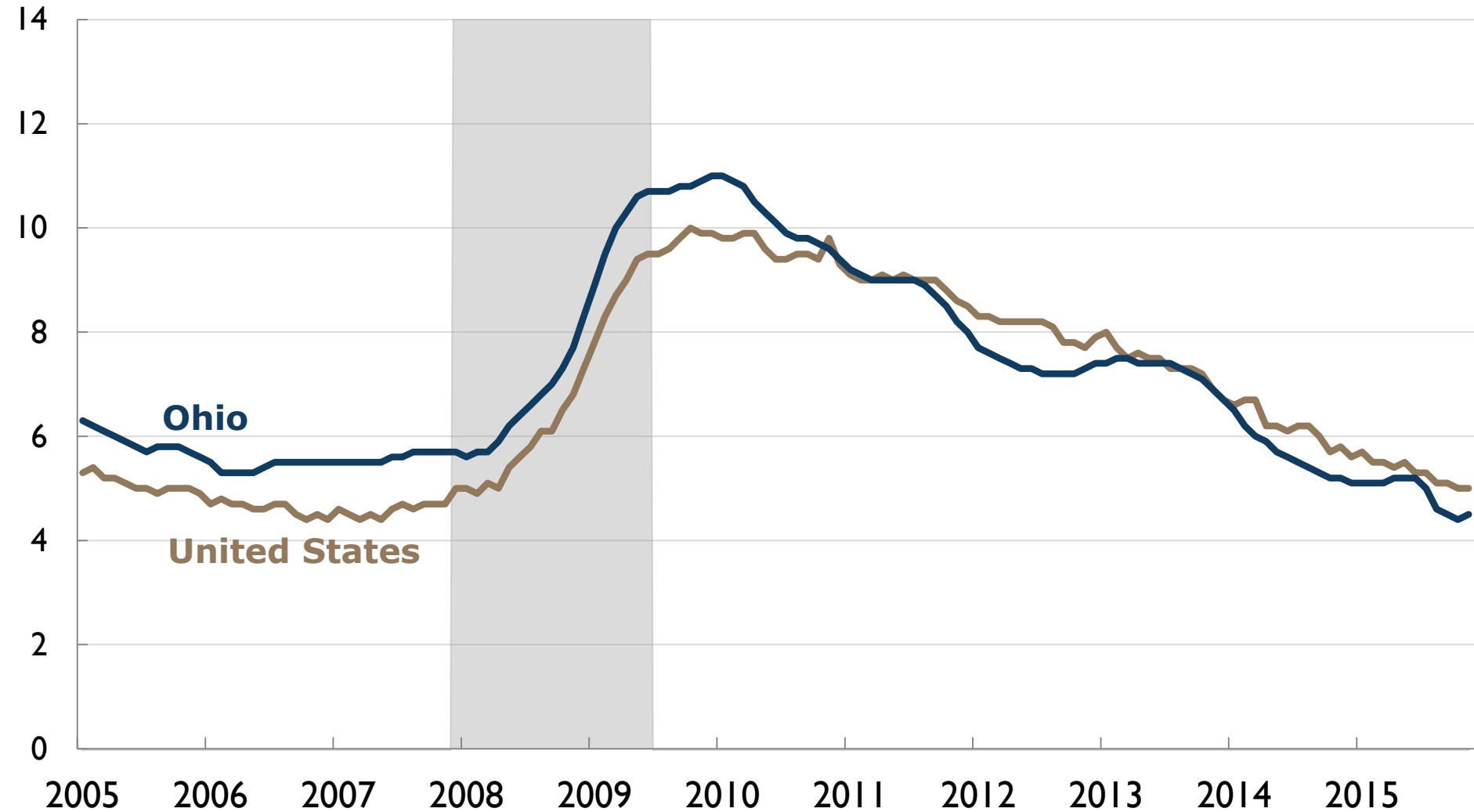
Last observation: November 2015

Takeaways about nation's economy

- On track for GDP to grow 2.1% in 2015
- PCE inflation stable & low, but Consumer Price Index shows signs of inflation ticking up
- Nation added 850,000 jobs in the 4th quarter of 2015
- While wage growth was modest in 2015, conditions look right for faster wage growth in 2016
- Manufacturing has been weak since spring
 - Low oil prices reduced demand from extraction firms
 - Strong dollar hurt exports and increased imports

Ohio's unemployment rate comparable to the nation's.

Unemployment rate
Percent



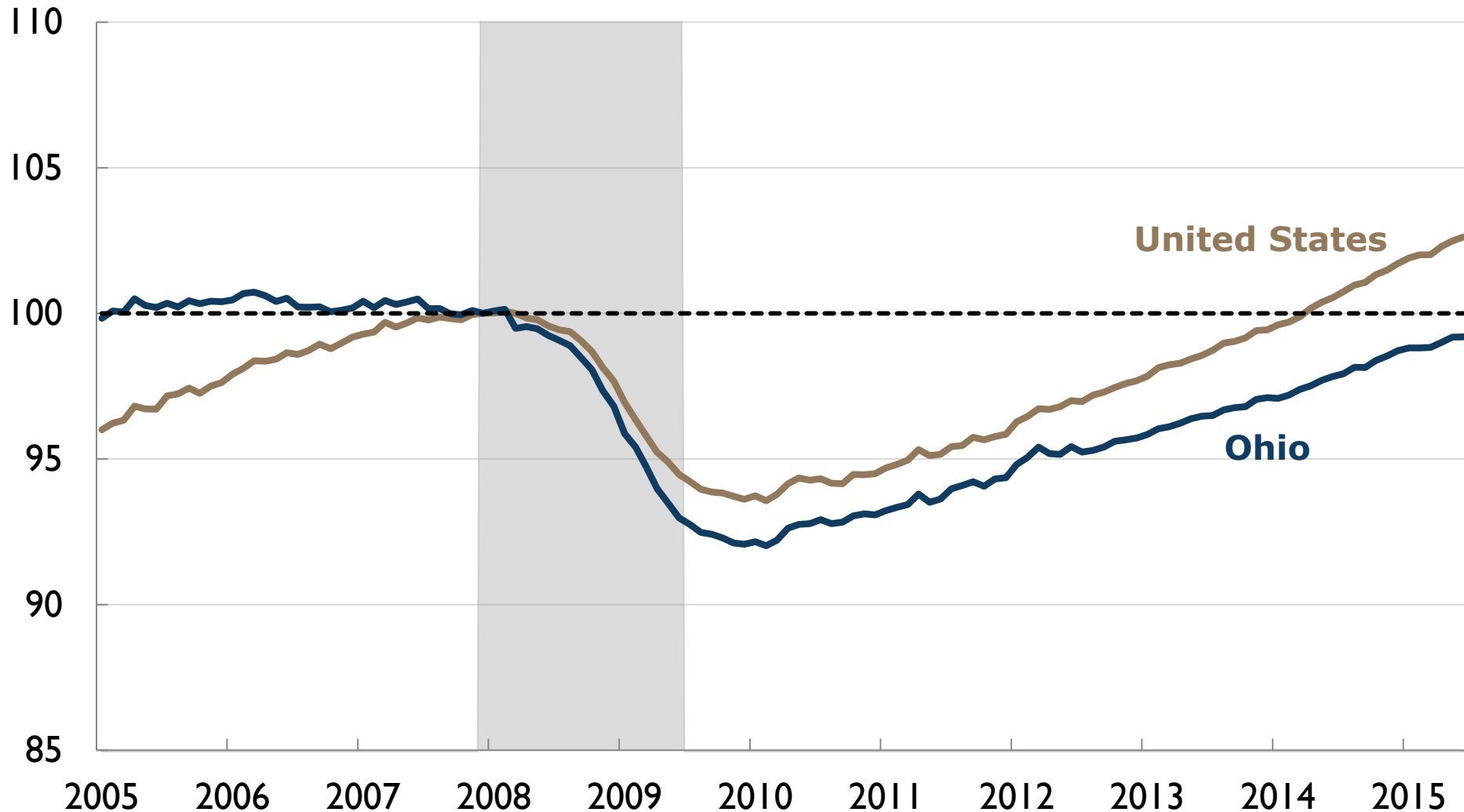
Source: Bureau of Labor Statistics / Haver

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Ohio's employment continues to grow, but still below prerecession levels.

Employment

Index, Dec. 2007 = 100



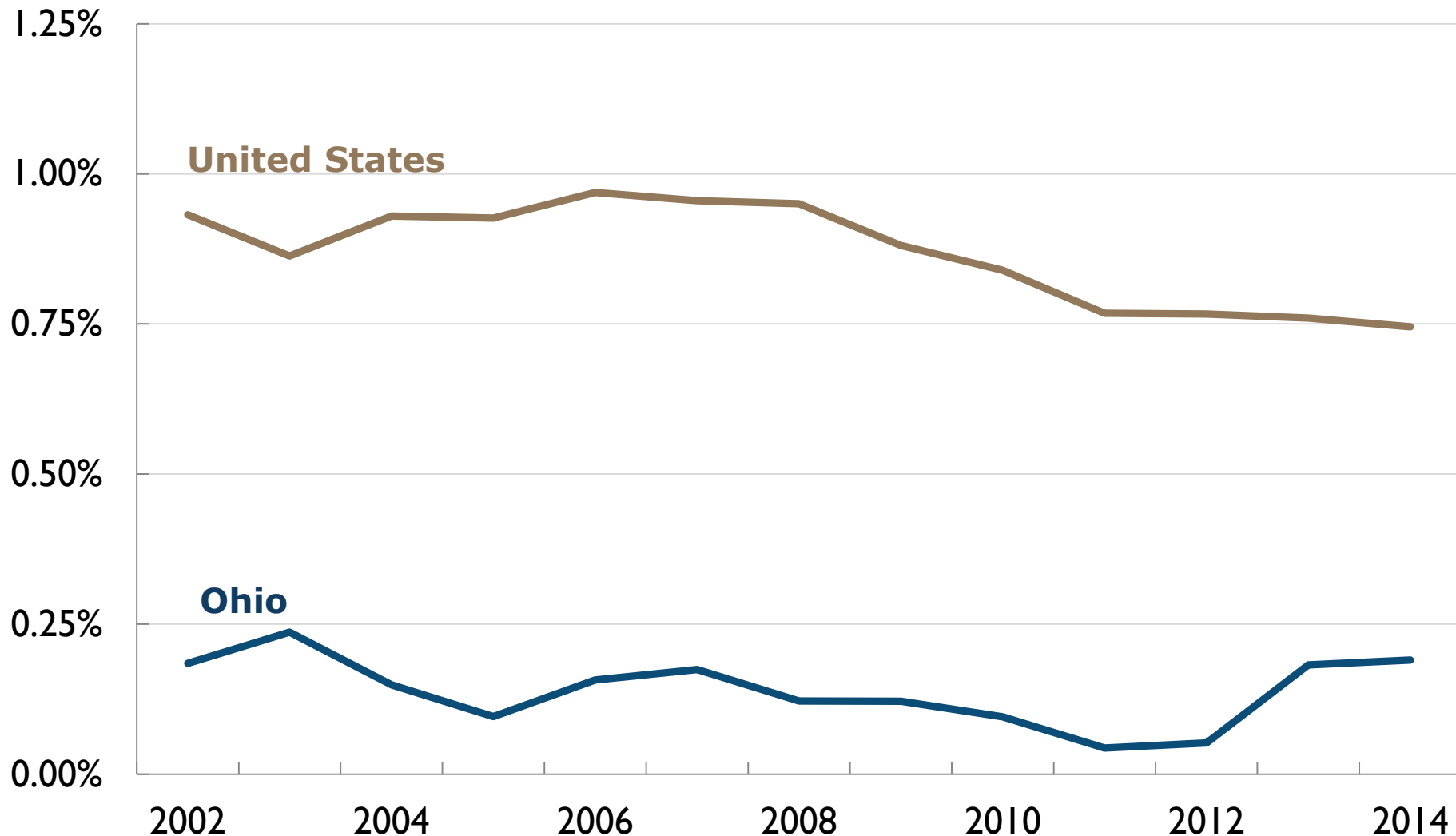
Source: Quarterly Census of Employment & Wages
Last observation: June 2015

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Low population growth leads to low employment growth.

Population Change

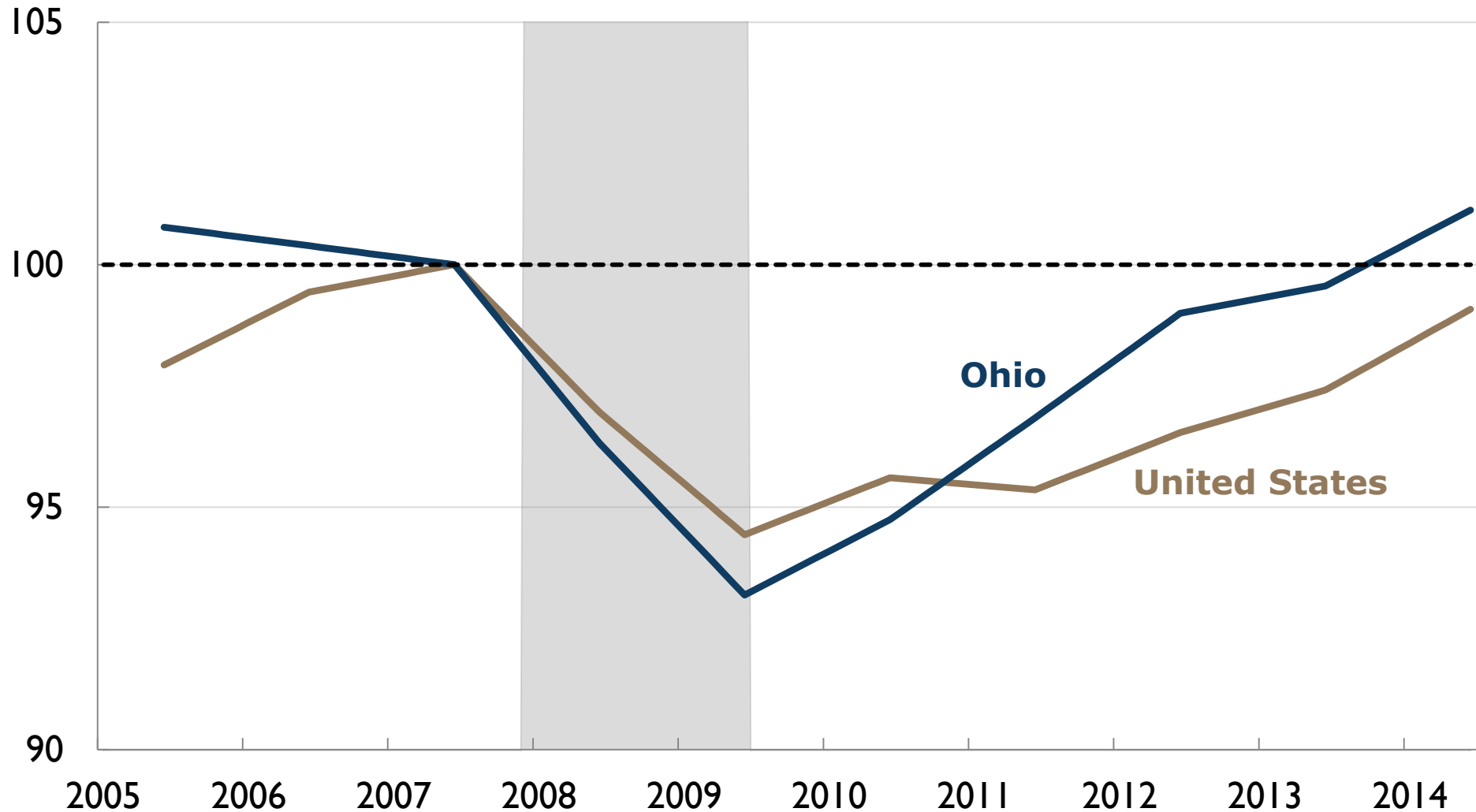
Year-over-year percent change



Ohio's per capita output is above pre-recession level.

Indexed Output Per Capita

Index, Dec. 2007 = 100



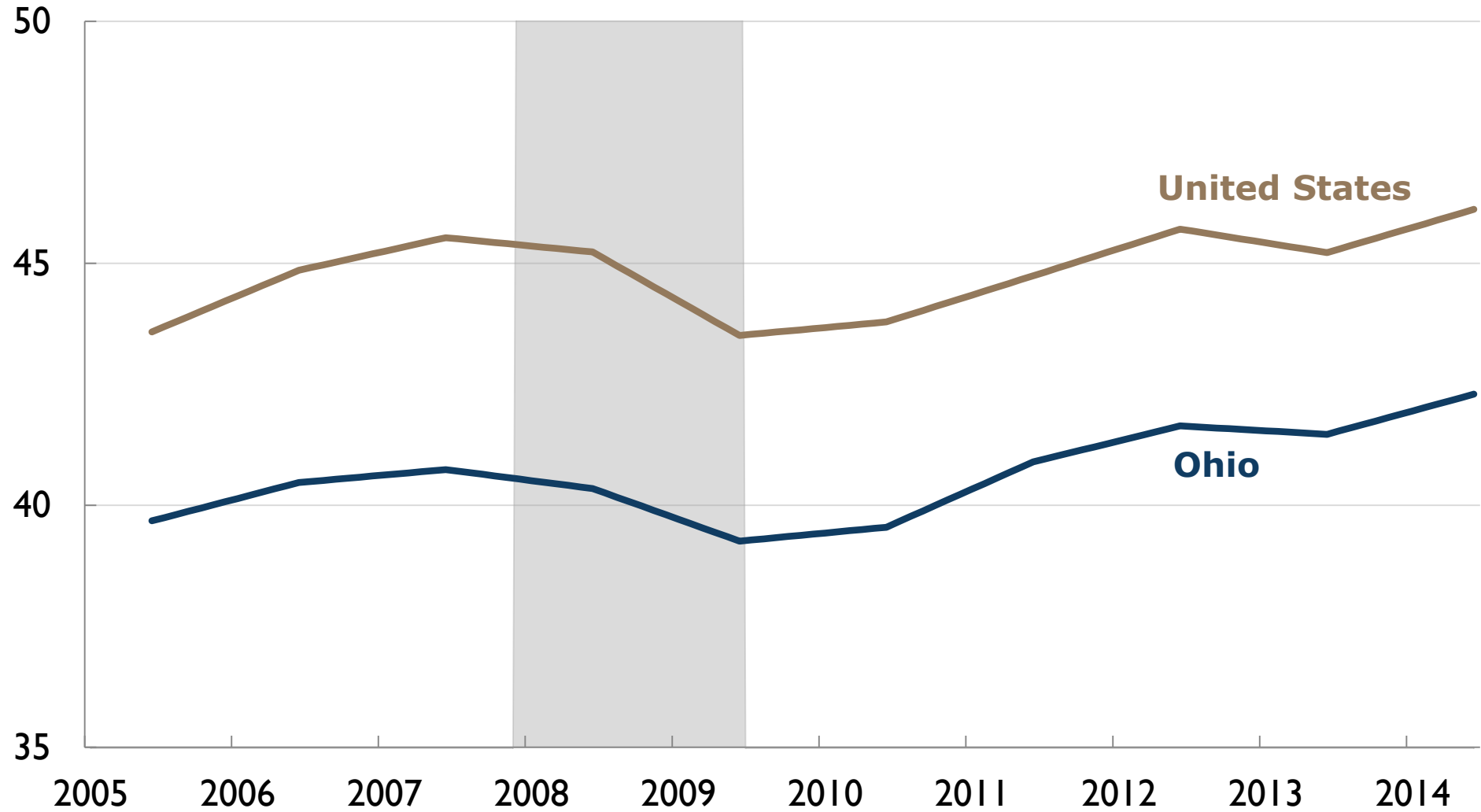
Source: Bureau of Economic Analysis / Haver

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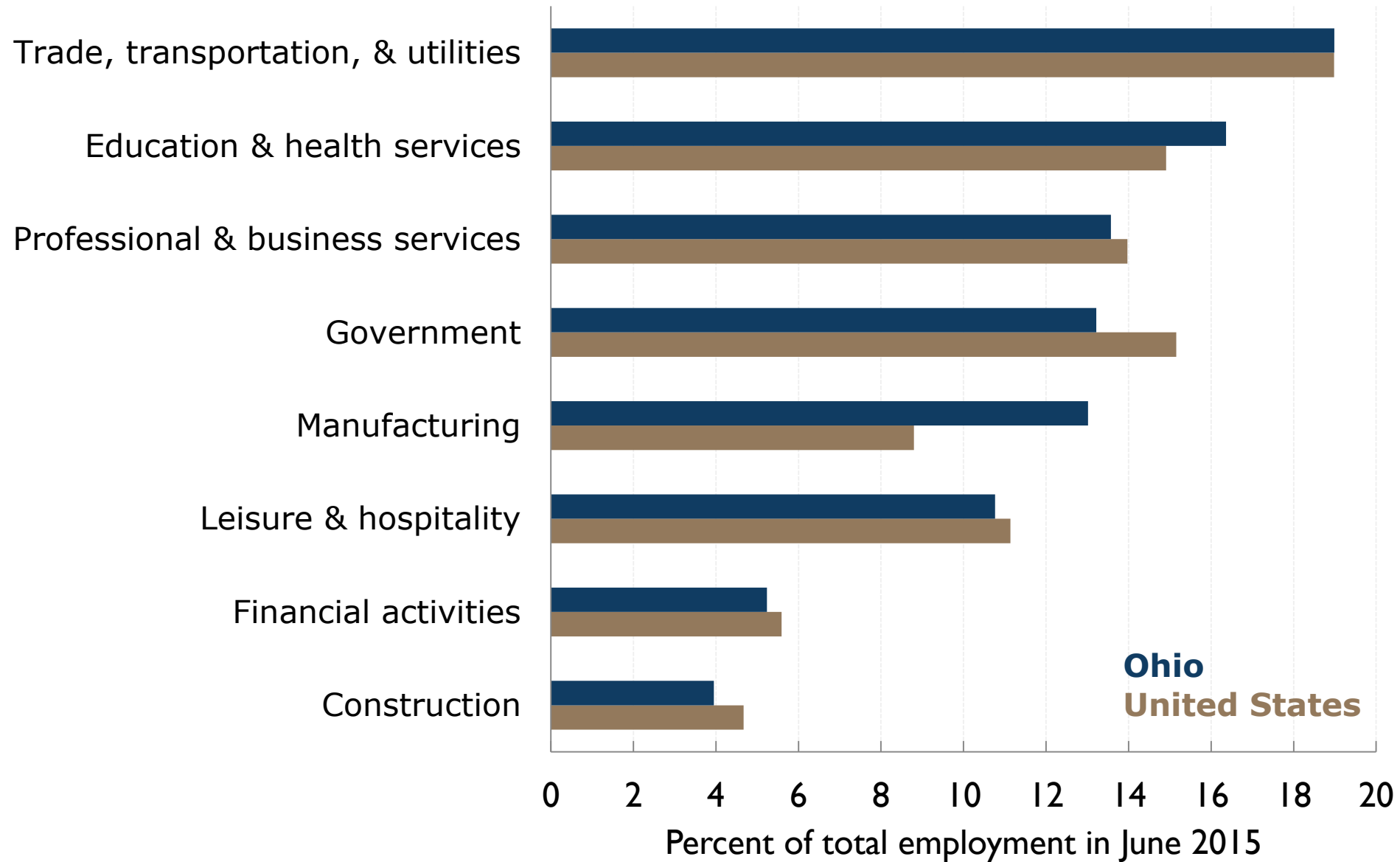
From 2009 to 2014, income per capita rose faster in Ohio than in US.

Income per capita

Thousands of inflation adjusted dollars



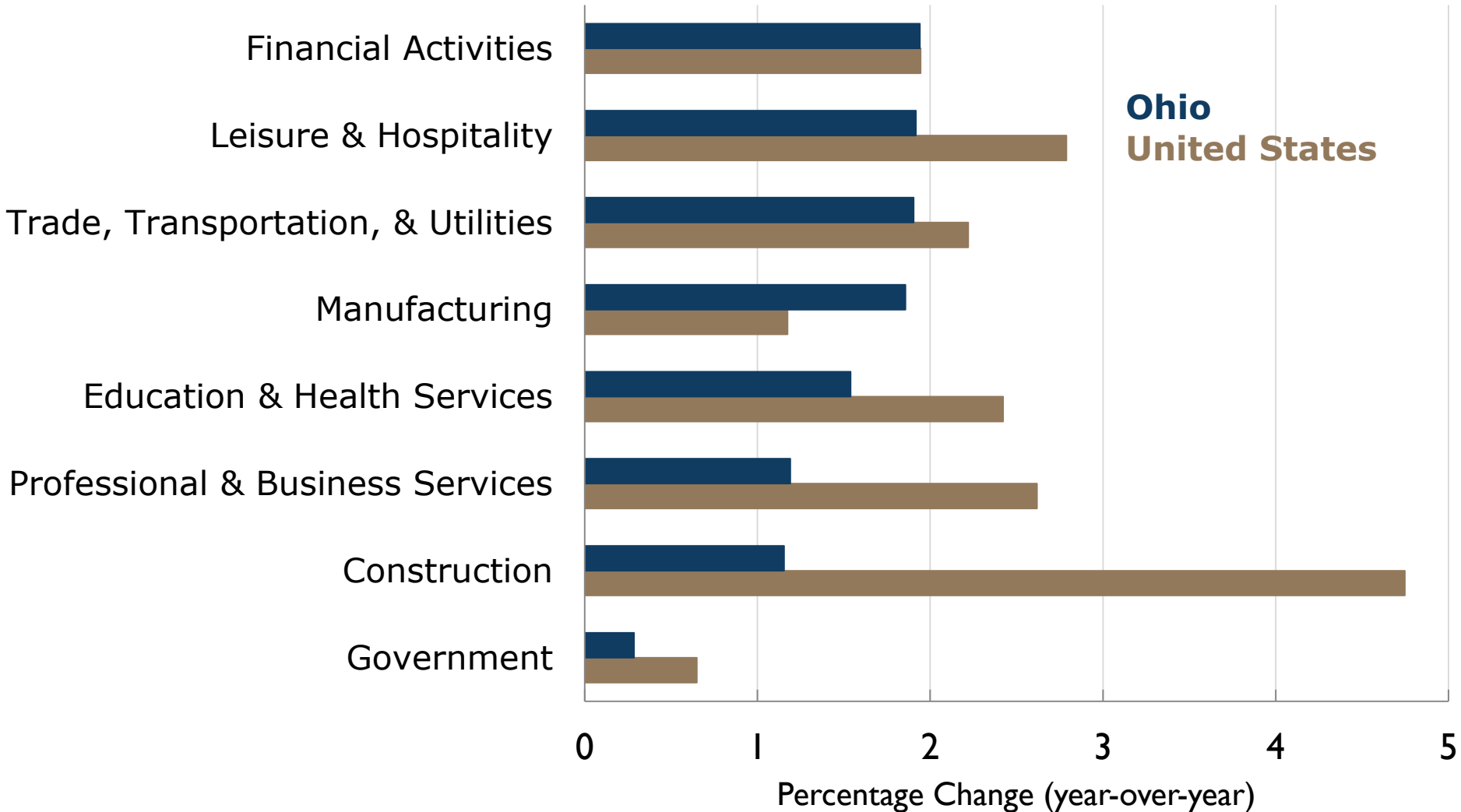
Manufacturing continues to be Ohio's main specialty.



Ohio
United States

Population-dependent sectors grew more slowly in Ohio, but manufacturing grew faster than in the US.

Employment growth from June 2014 to June 2015 by sector



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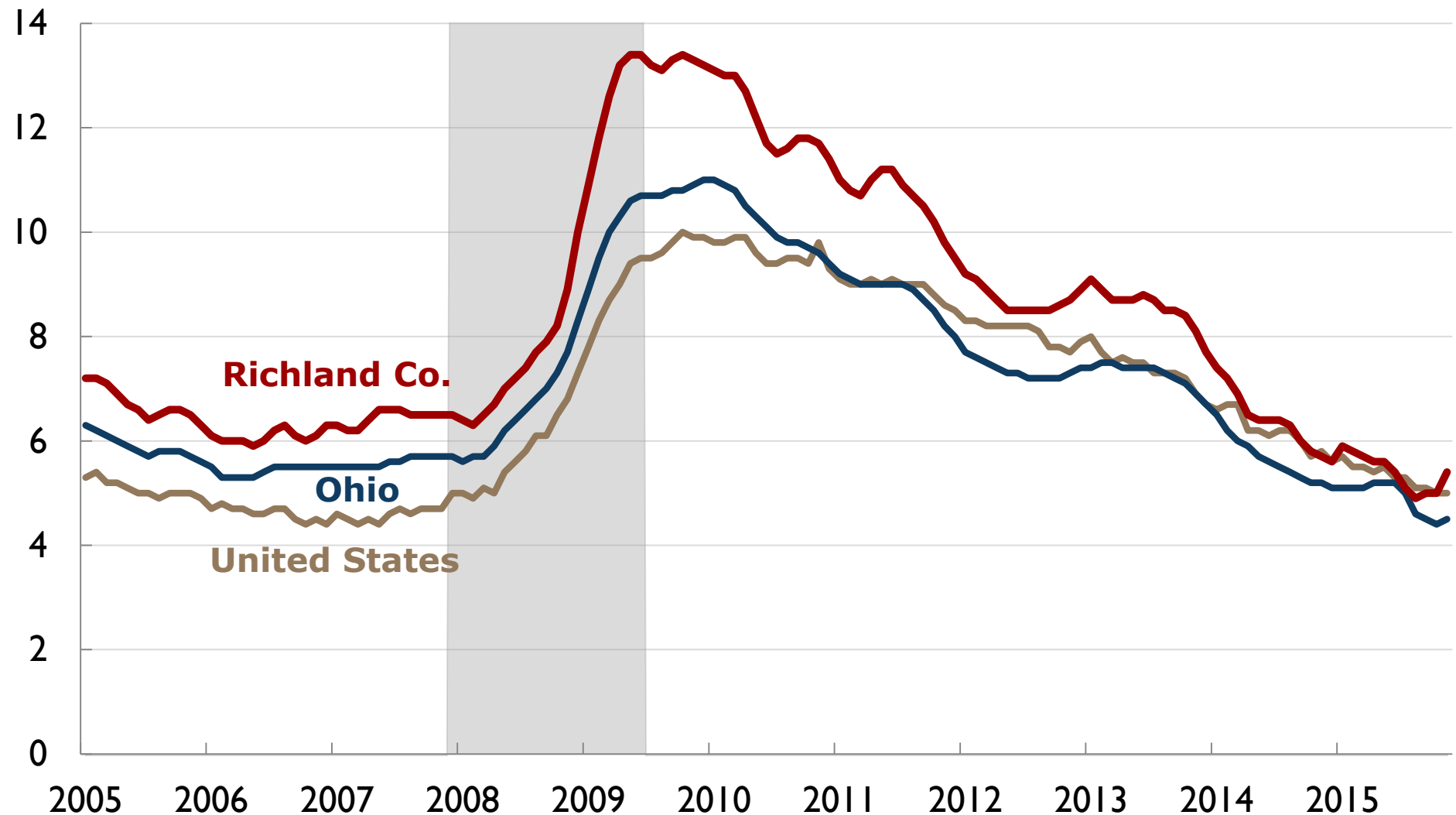
Takeaways about Ohio's economy

- If employment growth continued on trend, Ohio has reached its pre-recession employment level
- Measures that adjust for population size all show Ohio has fully recovered from the recession
 - Unemployment rate below pre-recession levels
 - Income per capita and GDP per capita above pre-recession levels

Since the start of 2014, Richland's unemployment rate has been comparable to the nation's.

Unemployment rate

Percent



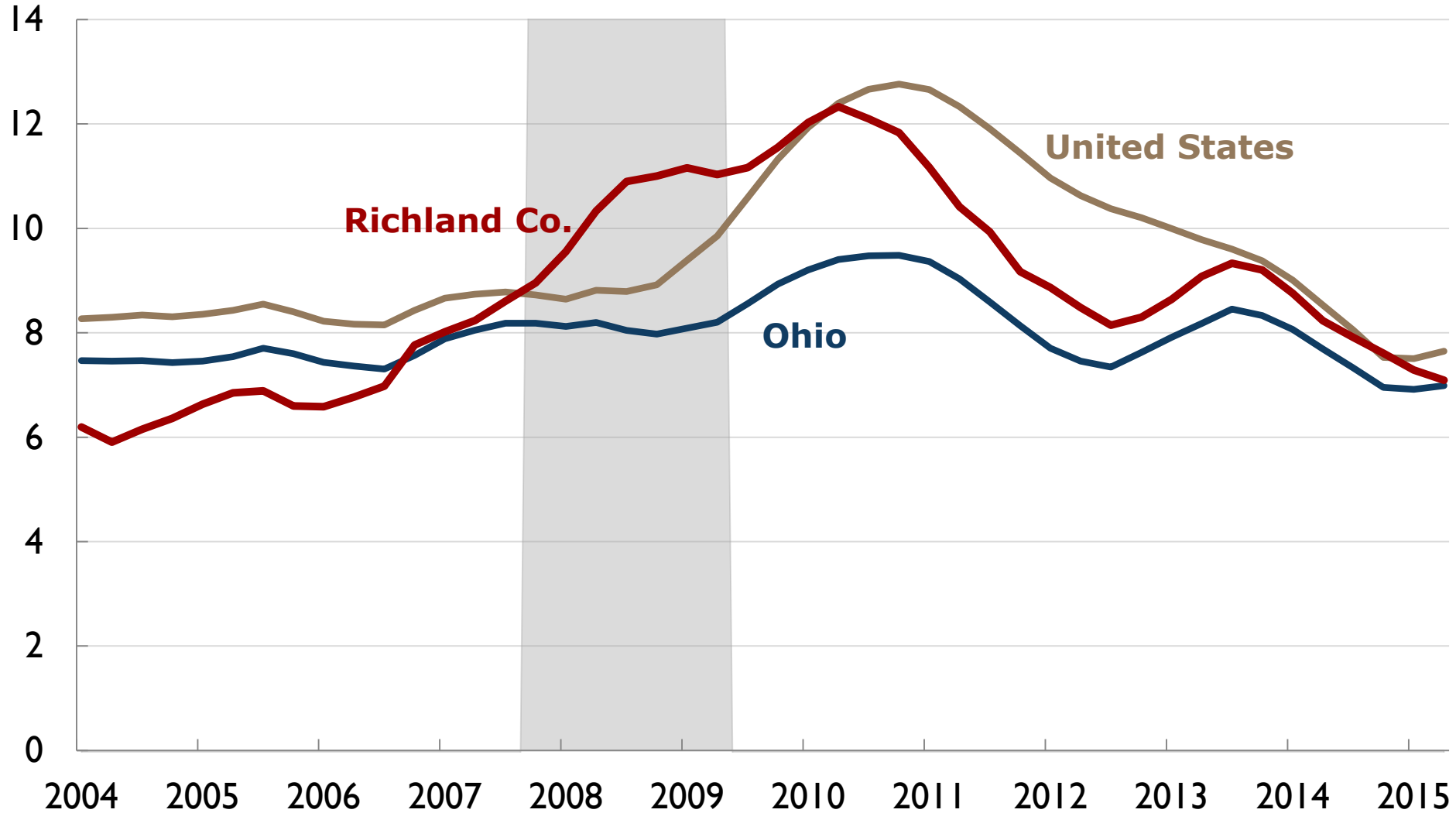
Source: Bureau of Labor Statistics / Haver

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Credit card delinquency rate has declined; now same as Ohio's.

Credit card delinquency rate

Percent of credit card balances that are more than 90 days past due



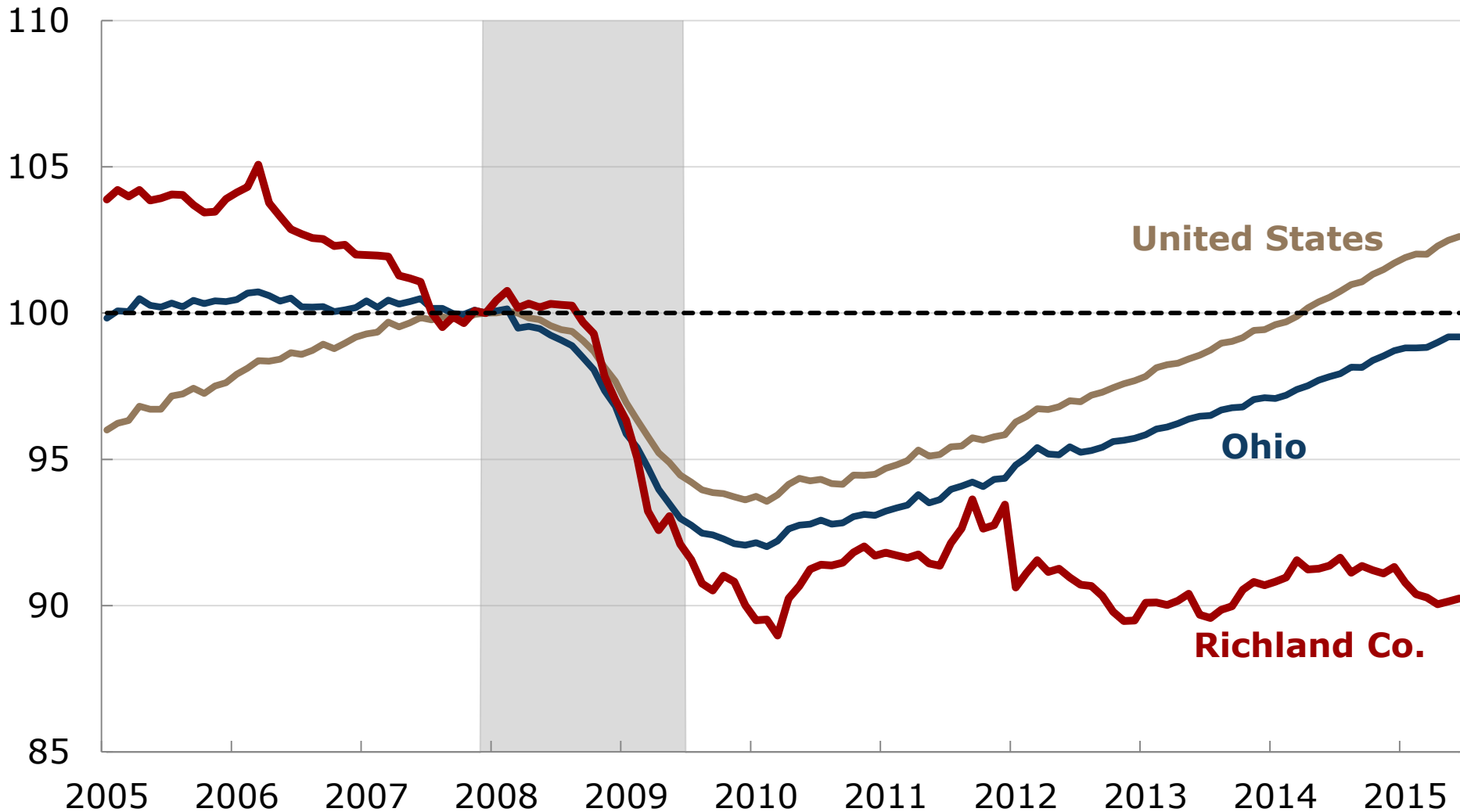
Source: FRBC calculations from FRBNY Consumer Credit Panel / Equifax
Last observation: 2015 Q2

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Employment fell 1.2% between June 2014 & June 2015.

Employment

Index, Dec. 2007 = 100

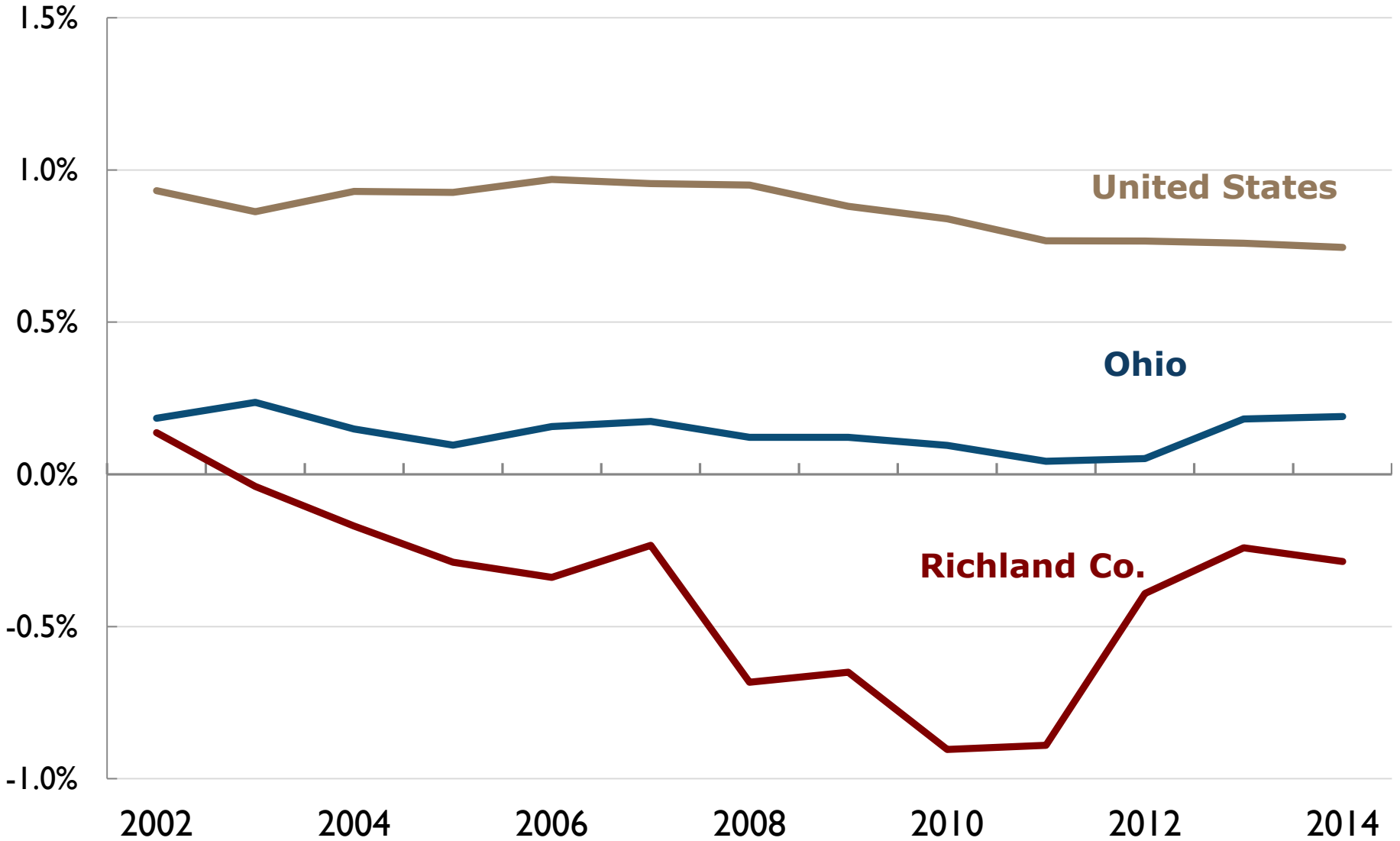


Source: Quarterly Census of Employment & Wages
Last observation: June 2015

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Population loss has hindered county's economy.

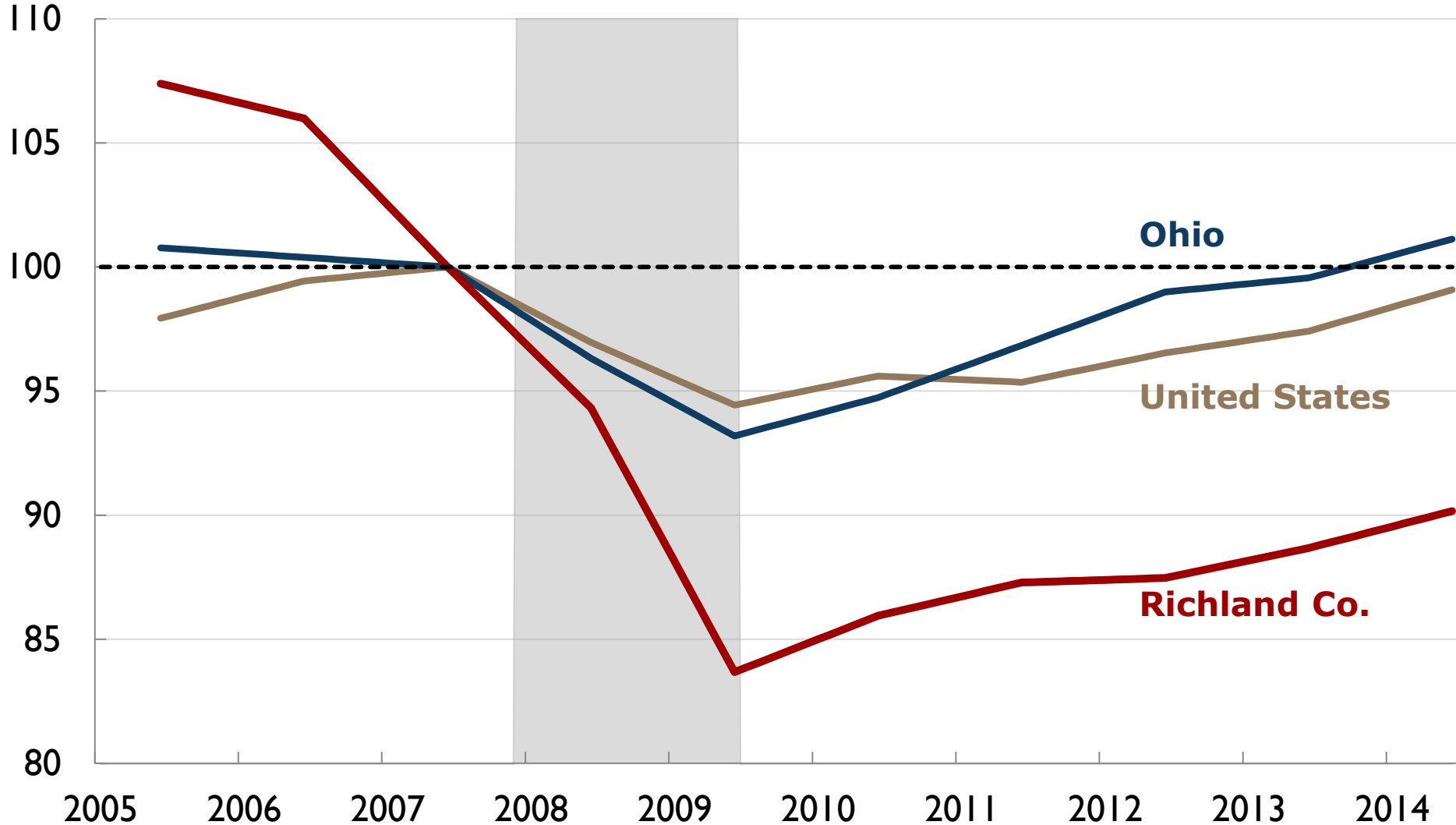
Year-over-year percent change in population



Output per capita remains well below pre-recession levels.

Indexed Output Per Capita

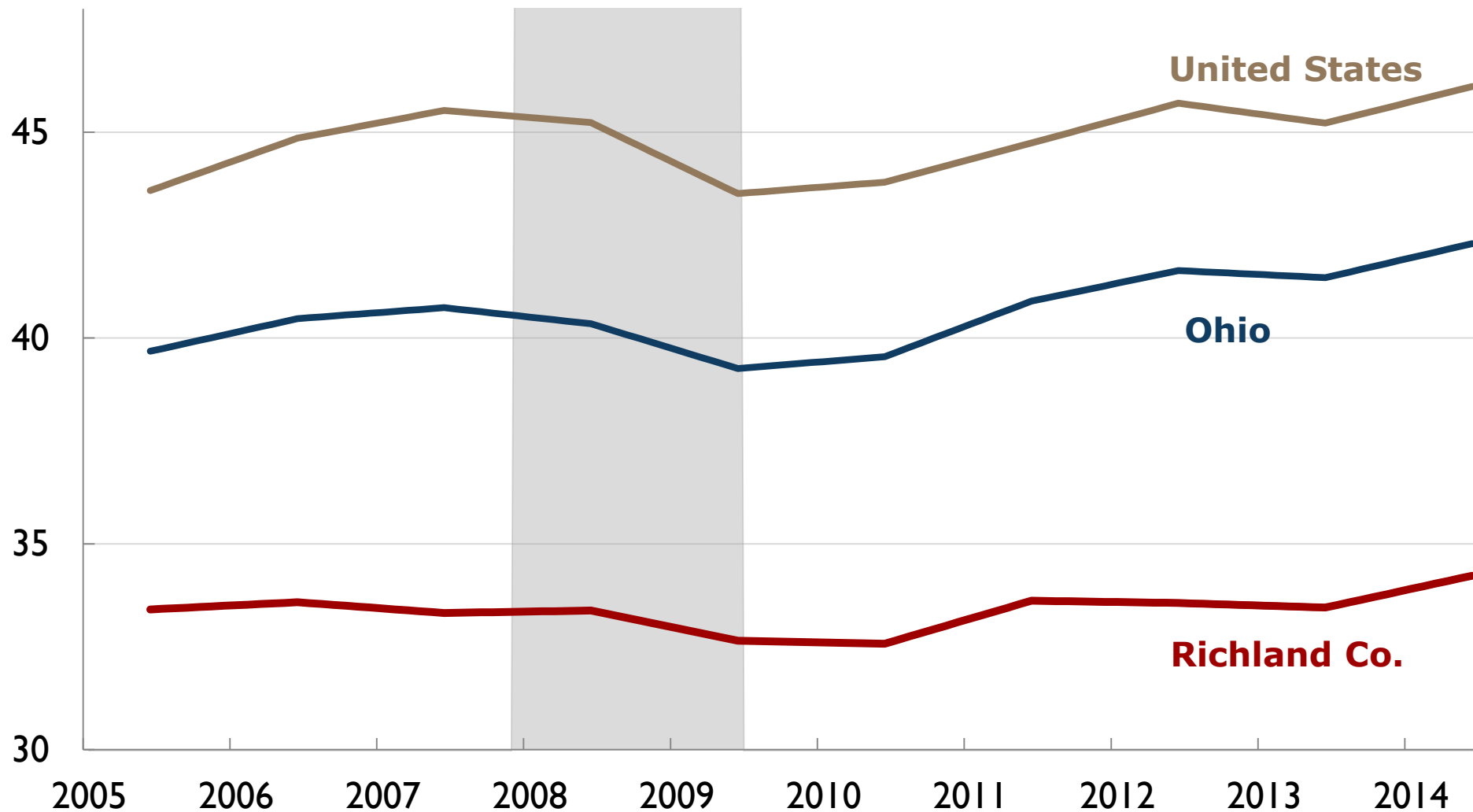
Index, Dec. 2007 = 100



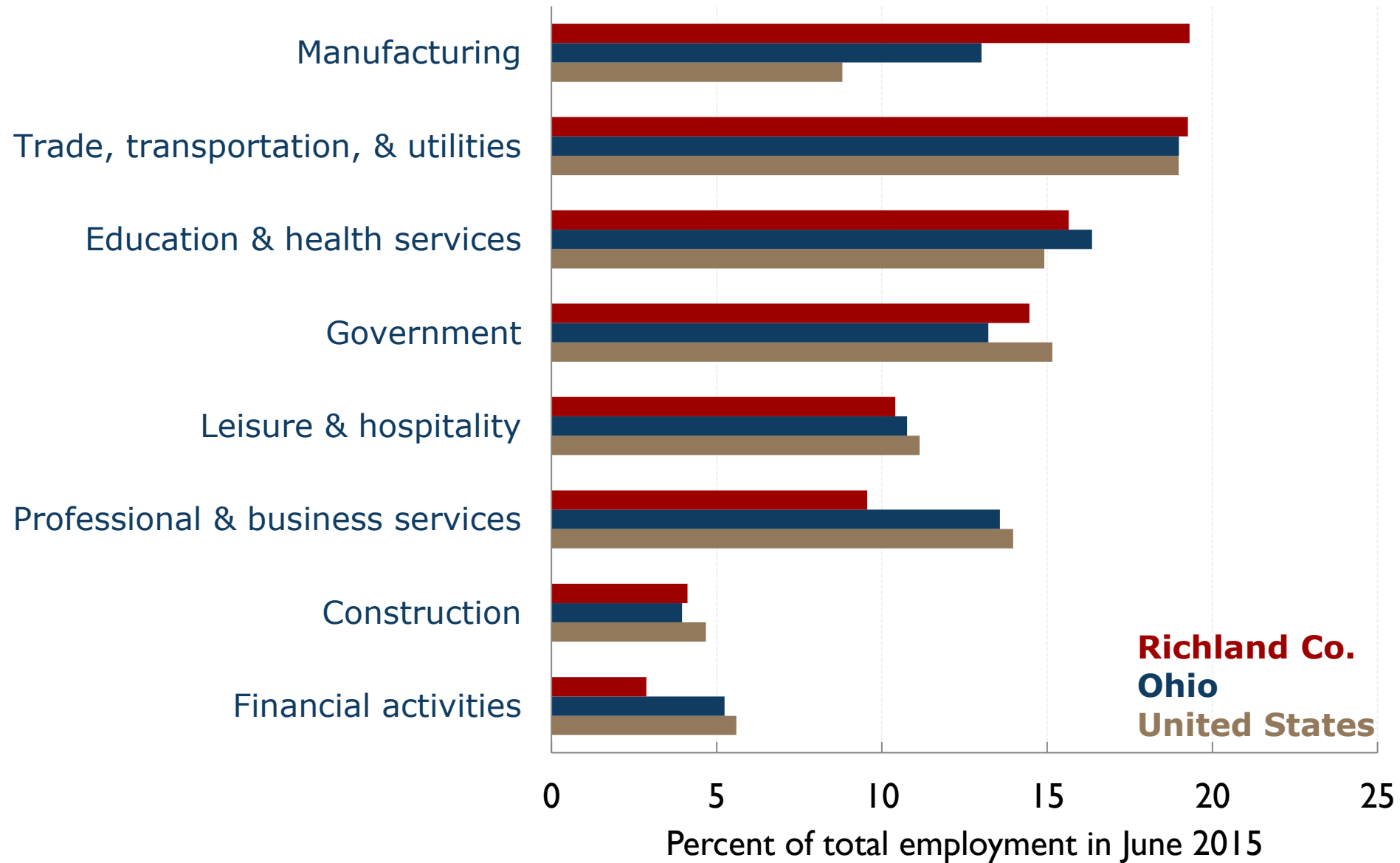
The county's income per capita grew \$800 in 2014.

Income per capita

Thousands of inflation adjusted dollars



Manufacturing remains the primary driver of the county's economy.

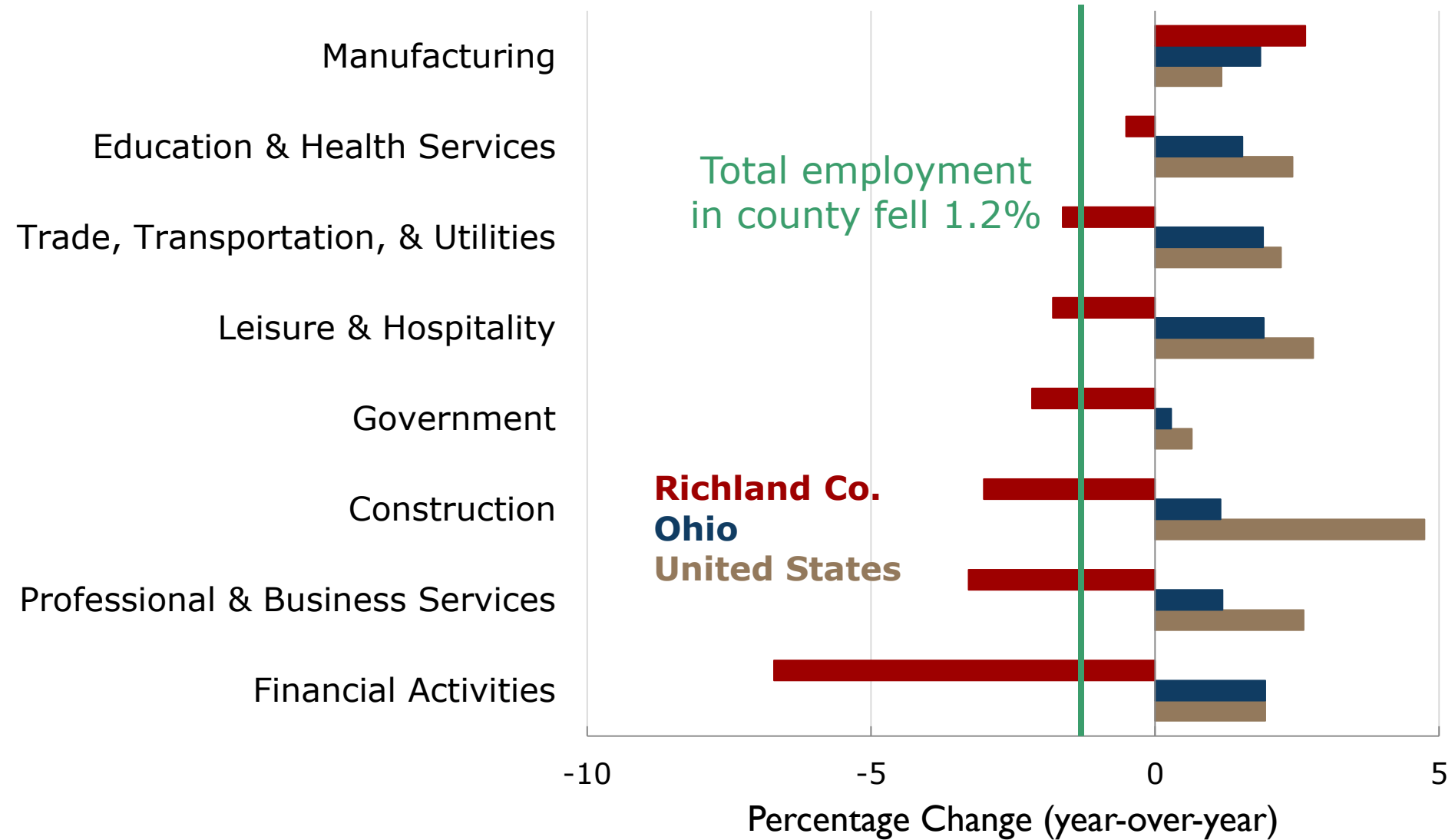


Source: Quarterly Census of Employment & Wages

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Manufacturing only sector that added jobs between June 2014 & June 2015.

Employment growth from June 2014 to June 2015 by sector



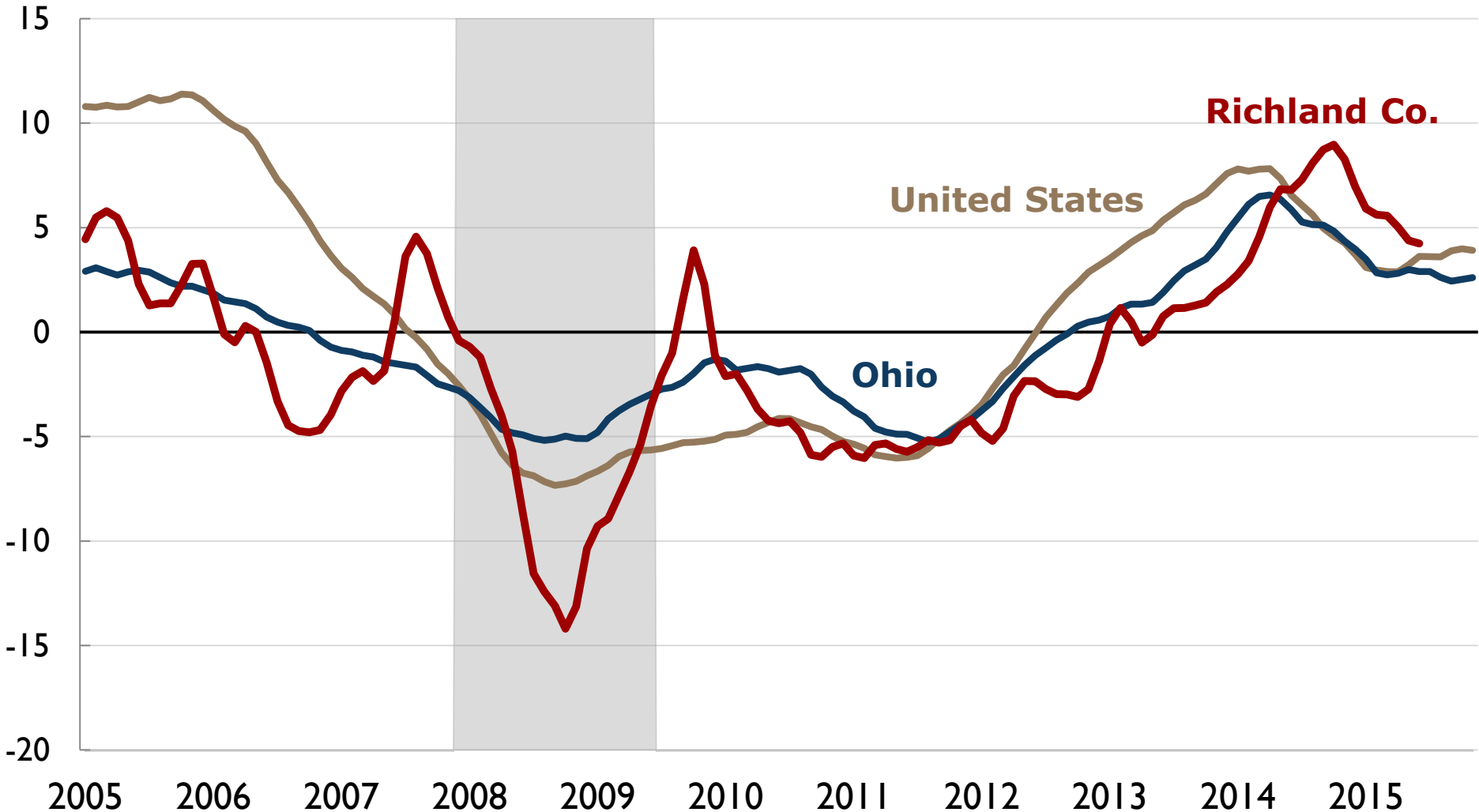
Total employment
in county fell 1.2%

Richland Co.
Ohio
United States

In 2015, county home prices grew a bit faster than in US.

Year-over-year percent change in median home value

Percent



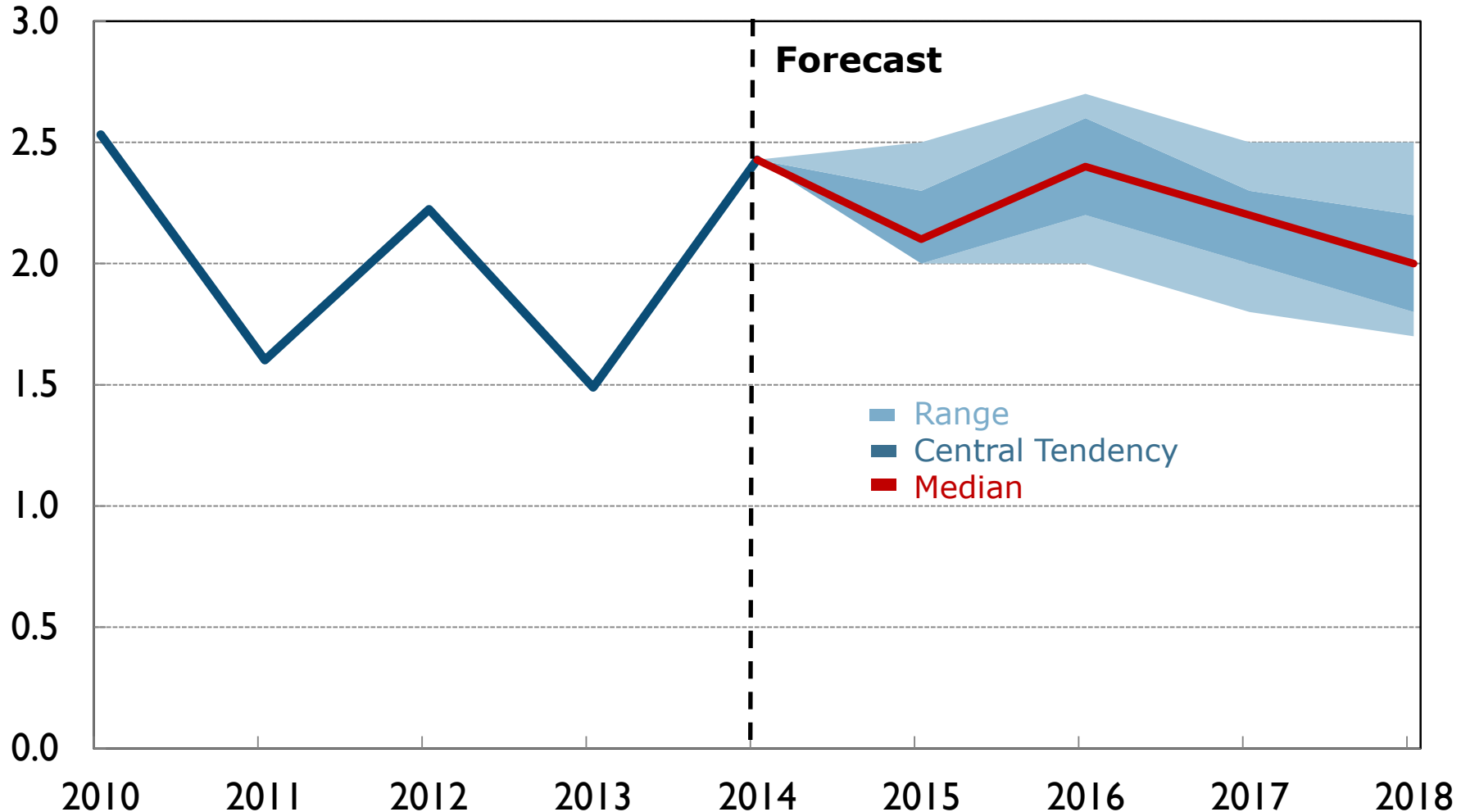
Takeaways about economy in Richland Co.

- The county is still recovering from losing 15% of its employment from March 2006 to March 2010
- Employment essentially flat in first half of 2015
- However, manufacturing has grown
 - Added 250 jobs from June 2014 to June 2015
- Per capita output & income grew in 2014
- Population loss has slowed in recent years

The FOMC expects higher GDP growth in 2016.

December FOMC Projections: Real GDP Growth

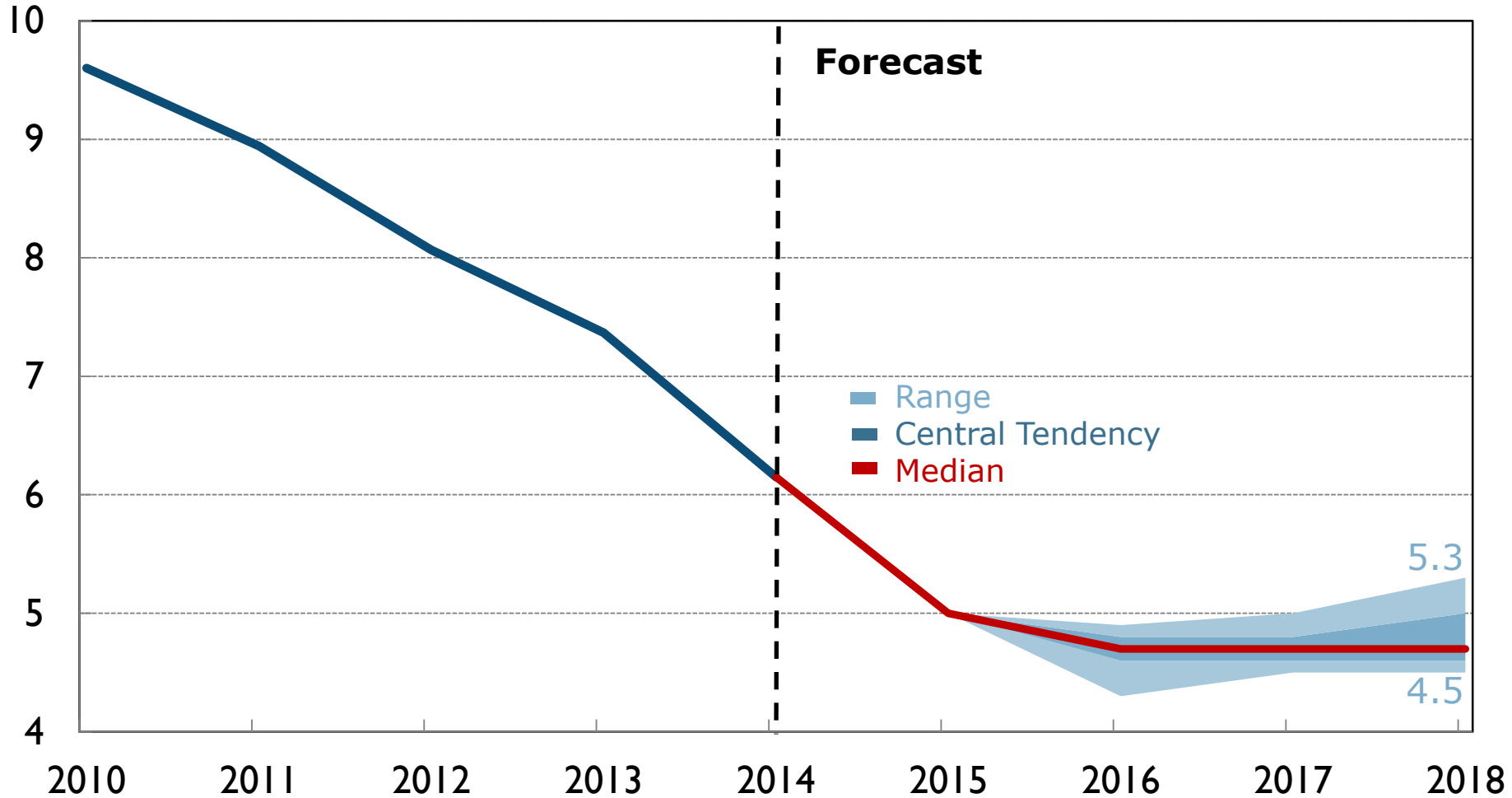
Q4/Q4 percent change



The FOMC expects the unemployment rate to fall below 5% in 2016.

December FOMC Projections: Unemployment Rate

Q4 percent



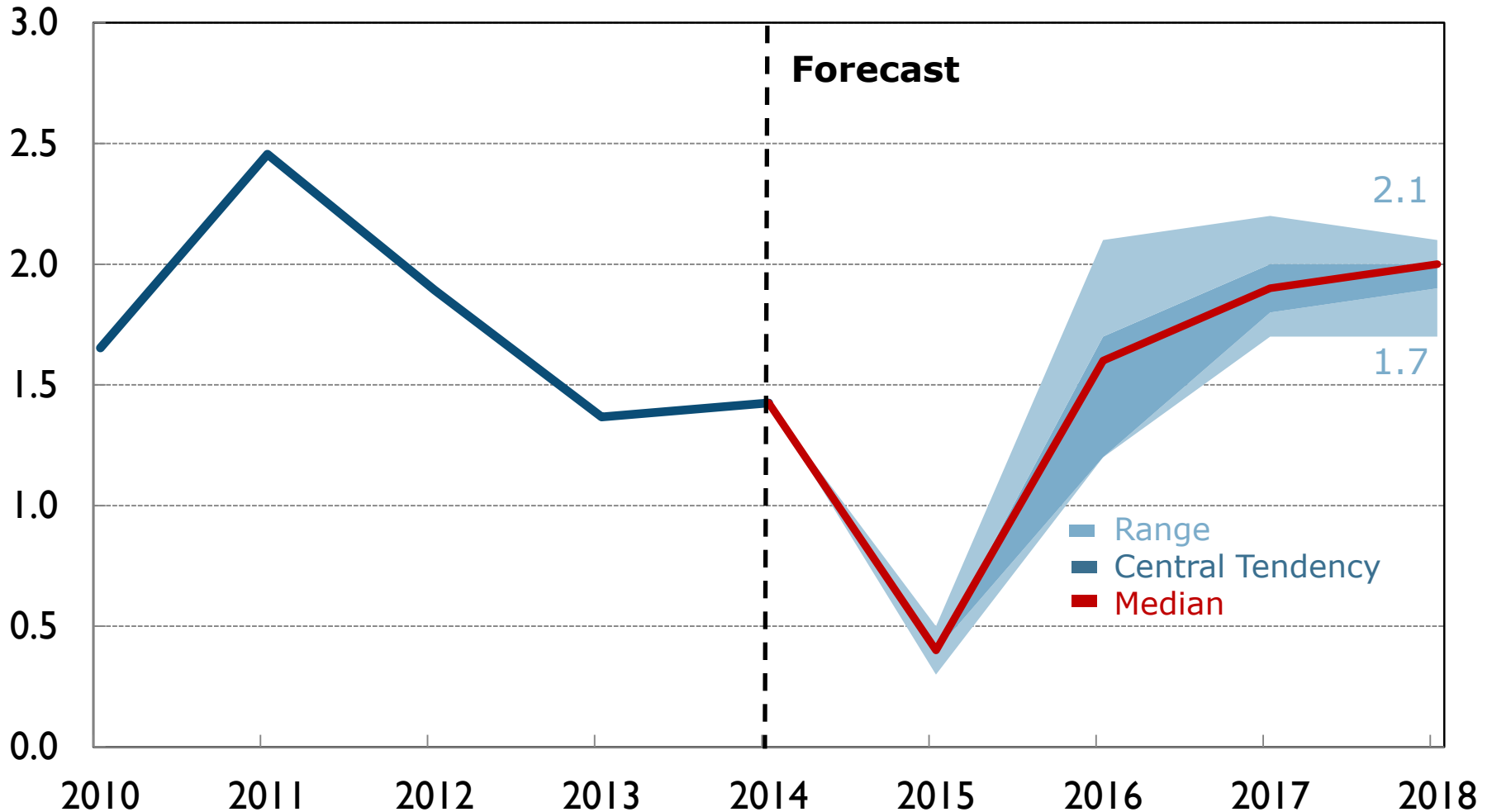
Sources: Federal Reserve Board; Bureau of Labor Statistics (BLS)

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The FOMC expects inflation to gradually return to 2%.

December FOMC Projections: PCE Inflation

Q4/Q4 percent change



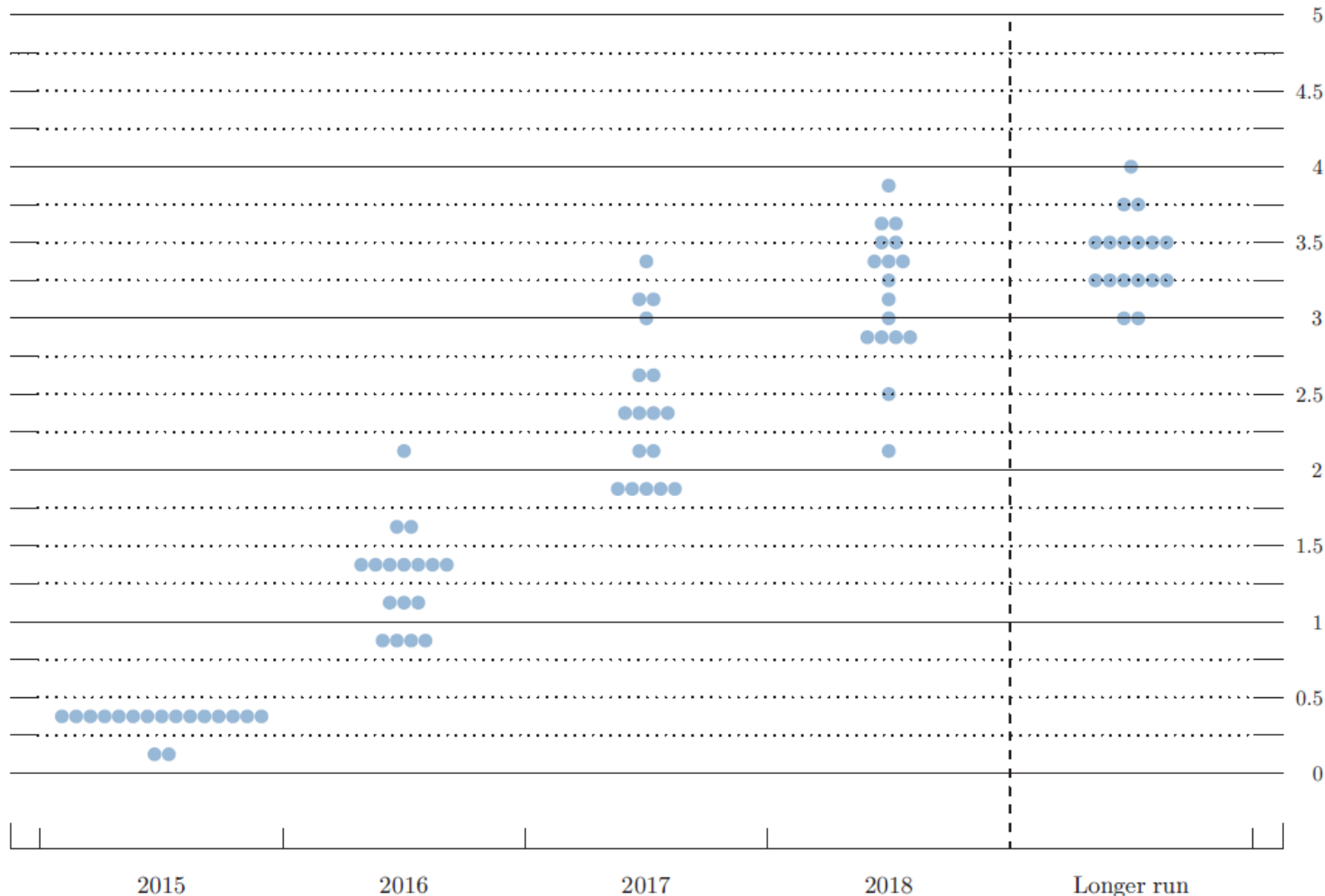
Source: Federal Reserve Board, BEA

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Median projected Federal Funds Rate in Q4 2016 is 1.5%.

December FOMC Projections: Fed. Funds Rate

Percent



Source: Federal Reserve Board

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2016 Forecast for Richland County

It is forecasted that in 2016 the county will:

- Add 600 jobs, a 1.1% increase in employment
- Increase output 2.7%
- See a further drop in unemployment
- Have weaker home price growth than in 2015
- Continue to lose population at a modest rate

Source: Moody's Analytics Précis Report for Mansfield, OH MSA (October 2015)

QUESTIONS?