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Top Analysts' Forecasts of the U.S. Economic Outlook for the Year Ahead

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Economic Optimism Reigns As 2018 Begins

Domestic Commentary Optimism about U.S. economic growth this year increased again over the past month, according to our January 4th-5th survey. Moreover, the consensus now predicts that the economy will register another year of above-trend, albeit somewhat slower growth in 2019. If the consensus is correct, and the expansion continues into the second-half of next year, that would break the record for the longest U.S. economic expansion, besting the 10-year expansion of the 1990s. However, even if growth this year and next matches consensus expectations, the average annual increases in real GDP during the current expansion will fall a good bit short of that experienced during the previous record upturn.

A variety of factors account for the recent increase in optimism among our panelists. Business equipment spending grew at an almost double-digit clip in Q2 and Q3 of last year and likely did so again in the final quarter of last year. Residential investment no doubt rebounded in Q4 following contractions during the middle two quarters of 2017. Home sales and new housing starts likely ended last year at their highest levels in a decade. Consumer spending remains healthy – holiday spending was the best in years – and consumer confidence stands at or near record levels. Export growth also has accelerated from early last year, lifted by a weaker dollar and improved growth abroad. As demand from consumers and business has improved, growth in industrial production has accelerated and is now growing at its fastest pace in several years. An improving economy has served to keep employment growing well in excess of population gains. While the pace of job growth has slowed somewhat, the unemployment rate has fallen to its lowest level in 17 years and the consensus predicts its average this year will drop to the lowest level in almost five decades.

Of course the latest news contributing to increased optimism about the economy was Congressional passage of tax reform legislation in December. Cuts in individuals' tax rates are expected to help underpin consumer spending going forward, while reductions in corporate tax rates, 100% expensing, and a tax break on corporate profits repatriated from overseas are projected to spur further investment in business equipment and structures. Still debated, however, is just how much of a boost tax reform will have on GDP growth in 2018 and 2019.

Asked in a special question what were the biggest threats to continued U.S. economic growth in 2018, our panelists most often cited concern was a sharper-than-expected rise in interest rates brought on by higher inflation or simply a policy mistake on the part of the Federal Reserve. The second most often cited worry was increased protectionism, the potential for a trade war, and a collapse in NAFTA negotiations with Mexico and Canada. The third most frequently mentioned threat was that the simulative impact of tax reform on business investment and consumer spending simply fails to be as large as expected. The fourth most cited worry was a sharp correction in asset prices. Taking these risks into account, the consensus puts the odds of a U.S. recession beginning this year at only 16.1%, while the odds of a recession that begins in 2019 were put at 28.1%.

As for the specific of this month's survey, the consensus still predicts that real GDP grew 2.7% (saar) in the final quarter of last year. That would leave real GDP up 2.3% y/y and 2.6% on a fourth quarter-over-fourth quarter (q4/q4) basis in 2017, nice increases over 2016's respective y/y and q4/q4 advances of 1.5% and 1.8% advance. Real personal consumption expenditures (PCE) are forecast to have grown 3.0% (saar) in Q4 of last year and business fixed investment also is assumed to have registered solid growth, supported by strong investment in equipment spending. Real residential investment may have increased at or near a double-digit clip in Q4 and government spending and investment likely grew for a second consecutive quarter. In contrast, the combined effects of a slowdown in inventory building and a widening of the trade deficit are believed to have reduced real GDP's growth rate in Q4 by about a percentage point.

The consensus now forecasts that real GDP will increase 2.7% in 2018 on a y/y basis and grow 2.6% q4/q4. The y/y forecast rose 0.1 of a percentage point over the past month and both the y/y and q4/q4 forecasts are up 0.3 of a point over the past three months. Real PCE is forecast to increase 2.6% y/y in 2018, up 0.1 of a percentage point over the past month. Real disposable personal income (DPI) is projected to register a y/y increase of 2.7%, a jump of 0.3 of a percentage point over the past month, and a reflection of December's passage of tax cuts for individuals. Real nonresidential fixed investment is forecast to increase 5.3% y/y this year, 0.6 of a percentage point more than estimated a month ago. If achieved, that would represent the largest annual increase since 2014. Total industrial production is forecast to increase 2.9% y/y. That is up 0.4 of a percentage point from a month earlier and also would mark the largest y/y increase since 2014. The consensus forecast of new housing starts put in place during 2018 remained at 1.27 million units, but the forecast of total unit sales of cars and light trucks rose slightly to a still healthy 17.0 million units. The forecast of 2018's real net export deficit widened by about $11 billion this month to $644.4 billion.

Accompanying increased optimism about economic growth, the consensus forecast of the average unemployment rate in 2018 fell another 0.1 of a percentage point this month to 3.9%. With nonfarm payroll employment expected to register average monthly increases of 165,500 this year, the consensus predicts the monthly unemployment rate will average 3.9% in 2018. That is 0.1of a percentage point less than last month and would represent the lowest annual average since 1969.

Consensus forecasts of inflation this year went basically unchanged over the past month. The GDP price index still is predicted to register a y/y increase of 2.0%, but the forecast of its q4/q4 change slipped to 2.0% from 2.1%. The Consumer Price Index (CPI) still is projected by the consensus to increase 2.1% y/y, but the forecast of its q4/q4 change also slipped by 0.1 of a percentage point to 2.0%.

Another year of healthy economic growth, ever-tightening labor markets, and gradually increasing, nearly 56.6% of the panelists believe the Federal Reserve will hike interest rates by another 75 basis points this year and 30.2% say it will raise rates by 100 basis points. Nearly 87% of the panelists said the first rate hike of the year will come at the Fed's March 20th-21st meeting.

In 2019, the consensus predicts real GDP will increase 2.4% y/y and grow by 2.2% q4/q4. Real PCE is projected to be up 2.3% y/y and real DPI 2.6%. Real nonresidential fixed investment is projected to grow 4.2% y/y next year and total industrial production 2.4%. Total industrial production is forecast to increase 2.4% y/y and 2.3% q4/q4. Housing starts put in place next year will increase to 1.33 million units, while car and light trucks sales are projected to fall to 16.7 million units, the lowest since 2014. The net export deficit will widen by a further $33.4 billion to $677.8 billion, according to the consensus. The average monthly change in nonfarm payrolls will drop to 137,000 in 2019, according to a special question, but the average monthly unemployment rate in 2019 is projected to be only 3.8%.

The GDP price index and the CPI are forecast to increase 2.1% and 2.2% respectively, on a y/y basis in 2019, but both are projected to register q4/q4 increases of 2.2%. The Federal Reserve is widely expected to continue raising interest rates next year, but not by as much as in 2017 and 2018.

International Commentary Consensus forecasts of 2018 real GDP growth in many of America's major trading partners rose slightly over the past month, but in some cases it still is expected to be slower than in 2017. Inflation also is forecast to be somewhat higher this year than last in most nations with the exception of the U.K. where the sharp decline in the value of its currency after the Brexit vote led to a surge in the cost of imported goods and services.

Special Questions The consensus predicts the December-over-December change in average hourly earnings will fall just short of 3.0% this year versus 2.5% in 2017. The consensus predicts the price of West Texas Intermediate crude oil still will be hovering around $60 per barrel at the end of this year.

2018 Real GDP Forecast Rises To 2.7%

JANUARY 2018 Forecast For 2018 SOURCE:	Percent Change 2018 From 2017 (Full Year-Over-Prior Year)									Average For 2018			Total Units-2018		2018
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Real GDP (Chained) (2009$)	GDP Price Index	Nominal GDP (Cur.$)	Consumer Price Index	Indust. Prod. (Total)	Dis. Pers. Income (2009$)	Personal Cons. Exp. (2009$)	Non-Res. Fix. Inv. (2009$)	Corp. Profits (Cur.$)	Treas. Bills 3-mo.	Treas. Notes 10-Year	Unempl. Rate (Civ.)	Housing Starts (Mil.)	Auto&Light Truck Sales (Mil.)	Net Exports (2009$)
Action Economics	3.1 H	2.0	5.2	2.3	3.4	3.1	3.3	5.6	12.1	1.9	2.7	3.9	1.31	17.6	-642.2
Georgia State University*	3.1 H	2.4	5.5 H	2.2	3.7	3.9	3.0	7.1	17.8 H	1.7	2.8	4.1	1.23	16.6	-644.0
NatWest Markets	3.1 H	2.0	5.2	2.0	3.4	2.9	2.5	8.1	10.0	1.9	2.6	3.9	1.40	16.5	-632.0
SOM Economics, Inc.	3.1 H	1.9	5.0	2.2	2.7	2.8	2.7	5.6	6.5	1.9	2.7	3.9	1.26	17.0	-597.0
Amherst Pierpont Securities	3.0	2.2	5.3	2.7 H	2.9	2.5	2.6	6.1	5.0	1.9	3.0	3.9	1.30	17.0	-639.0
MUFG Union Bank	3.0	2.0	5.0	2.6	2.7	na	2.8	5.6	7.0	1.8	2.8	4.0	1.35	17.4	-640.0
Naroff Economic Advisors*	3.0	2.2	5.2	2.4	3.4	2.0	2.9	5.3	7.8	1.8	2.9	4.0	1.38	17.3	-657.0
National Assn. of Realtors	3.0	2.3	5.3	2.7 H	2.4	2.9	3.0	5.5	6.5	1.8	2.8	3.9	1.31	18.0 H	-645.0
BNP Paribas North America	2.9	na	na	2.0	2.2	na	3.4 H	5.1	na	na	2.8	3.8	na	na	-630.0
Conference Board*	2.9	2.0	4.9	1.5 L	na	3.5	2.5	6.4	6.1	1.8	2.7	3.9	1.29	na	-656.0
FedEx Corporation	2.9	2.0	4.9	2.3	3.2	3.2	2.8	6.2	5.3	1.8	2.8	4.0	1.31	17.3	-680.6
Moody's Analytics	2.9	2.2	5.1	2.3	2.3	1.4 L	2.5	5.0	4.6	1.7	3.3 H	3.8	1.49 H	17.0	-680.9
RBC Capital Markets	2.9	2.0	4.9	2.1	na	na	2.8	5.3	na	na	3.0	3.8	1.24	17.5	-636.0
UCLA Business Forecasting Proj.*	2.9	2.5	5.5 H	2.3	2.8	2.9	2.8	5.2	13.0	1.5 L	3.3 H	3.9	1.27	17.3	-640.9
Oxford Economics	2.8	2.0	4.9	2.3	3.8	3.0	2.8	6.4	6.8	1.7	2.7	4.0	1.27	17.1	-643.0
ACT Research	2.8	1.8	4.7	2.2	2.8	2.9	2.6	5.9	na	1.6	2.5	3.9	1.26	16.7	-646.6
Fannie Mae	2.8	1.7 L	4.5	2.0	3.5	3.5	2.7	6.2	4.2	1.9	2.5	3.9	1.27	16.9	-667.9
High Frequency Economics	2.8	2.3	5.2	2.2	3.8	2.5	2.8	4.8	2.5	1.9	2.8	3.7 L	1.24	16.9	-655.3
Moody's Capital Markets*	2.8	1.9	4.7	2.0	2.9	1.7	2.6	6.1	5.0	1.6	2.6	4.0	1.28	17.2	-624.7
Northern Trust Company*	2.8	2.2	5.0	2.2	2.5	na	2.7	5.4	na	1.7	2.9	4.0	1.25	16.7	-620.3
Regions Financial Corporation	2.8	2.0	4.9	2.4	3.5	2.5	2.5	5.8	4.6	1.8	2.8	3.9	1.32	16.8	-644.9
Wells Fargo	2.8	2.3	5.1	2.3	2.8	2.1	2.6	5.4	3.8	1.9	2.8	3.9	1.32	16.8	-635.3
AIG	2.7	1.8	4.5	1.8	3.8	2.8	2.7	5.2	3.6	1.6	2.7	3.9	1.28	17.1	-641.2
Bank of America Merrill Lynch	2.7	1.9	4.6	2.1	3.0	na	2.9	6.0	na	1.7	2.7	3.9	1.27	16.7	-656.0
Barclays*	2.7	2.2	4.9	2.2	na	na	2.6	5.3	na	na	2.5	3.8	1.20 L	na	-611.6
Credit Suisse	2.7	1.9	4.6	1.9	3.2	na	2.5	5.9	na	na	na	4.0	na	na	-644.6
Daiwa Capital Markets America	2.7	2.2	4.2	2.3	3.3	2.3	2.5	5.1	3.0	1.8	2.8	3.9	1.22	16.7	-604.0
General Motors	2.7	1.7 L	4.4	1.7	3.8	3.7	2.7	5.6	2.6	1.7	3.0	3.9	1.25	na	-666.1
Goldman Sachs & Co.**	2.7	2.0	4.8	2.3	1.5 L	1.9	2.4	5.5	na	1.9	2.9	3.7 L	1.26	na	-653.9
Macroeconomic Advisers by IHS Markit*	2.7	1.7 L	4.4	1.7	3.8	3.7	2.7	5.6	2.6	1.7	3.0	3.9	1.25	16.9	-666.1
Morgan Stanley*	2.7	1.9	4.6	2.1	2.6	2.2	2.9	5.1	na	1.8	2.1 L	3.8	1.22	16.4 L	-680.4
Nomura Securities	2.7	1.8	4.5	2.2	3.9 H	2.1	2.4	4.2	na	na	2.9	3.9	1.21	17.0	-617.5
PNC Financial Services Group	2.7	1.8	4.1	1.7	2.2	2.7	2.3	5.0	na	1.7	2.7	3.9	1.29	17.0	-633.1
RDQ Economics	2.7	2.1	4.8	2.2	3.7	1.9	2.6	7.7	6.1	1.9	2.8	3.9	1.25	17.5	-714.6 L
Turning Points (Micrometrics)	2.7	2.0	4.7	2.0	2.9	2.0	2.5	3.8	8.3	1.6	2.3	4.2	1.24	17.2	-647.9
Wells Capital Management	2.7	2.1	4.7	2.4	2.7	2.1	2.4	4.5	5.4	1.8	2.8	4.1	1.23	16.8	-611.0
BMO Capital Markets*	2.6	2.0	4.7	2.4	3.2	2.9	2.9	3.0	6.1	2.1 H	2.7	3.9	1.28	16.7	-666.3
Econoclast	2.6	2.0	4.6	2.3	3.0	2.7	2.6	4.5	5.9	1.9	2.7	4.0	1.27	16.7	-643.0
Inforum - Univ. of Maryland	2.6	2.0	4.7	2.2	2.5	2.4	2.6	4.7	5.2	1.7	2.8	4.1	1.30	17.1	-635.0
National Assn. of Home Builders	2.6	1.8	4.4	2.1	3.9 H	4.0 H	2.7	5.7	na	1.8	2.8	4.0	1.25	17.1	-674.7
Point72 Asset Management*	2.6	2.2	4.8	2.5	3.1	2.0	2.5	5.6	8.6	1.8	2.7	3.7 L	1.30	16.7	-680.0
S&P Gobal*	2.6	1.9	4.5	2.1	2.9	2.1	2.5	5.4	4.7	1.6	2.6	3.9	1.26	16.9	-617.3
U.S. Chamber of Commerce	2.6	2.0	4.6	1.9	2.0	2.3	2.8	4.2	4.5	1.5 L	2.8	4.0	1.30	na	-631.9
ACIMA Private Wealth	2.5	1.9	4.4	1.5 L	2.8	2.1	2.1 L	3.7	na	2.0	2.3	4.0	1.26	17.1	-590.0 H
Comerica*	2.5	1.9	4.4	2.0	2.0	2.5	2.1 L	4.9	na	1.7	2.9	4.0	1.26	16.9	-624.0
DS Economics	2.5	1.7 L	4.3	1.8	3.7	3.5	2.5	5.6	2.2 L	1.7	3.0	3.9	1.23	16.8	-658.3
Ford Motor Company*	2.5	1.8	4.4	2.1	3.4	2.6	2.4	5.5	na	na	2.5	4.0	1.21	na	-636.7
MacroFin Analytics	2.5	1.9	4.4	2.1	3.0	2.6	2.5	3.9	5.2	1.7	3.0	4.0	1.27	17.0	-624.3
Swiss Re	2.5	1.8	4.4	2.3	2.4	2.1	2.7	4.6	5.6	1.8	2.7	4.0	1.24	16.5	-668.0
J P MorganChase	2.4	2.2	4.6	2.3	1.9	2.5	2.5	8.8 H	3.6	na	2.5	3.8	1.25	17.1	-660.2
Societe Generale	2.4	1.9	4.3	1.7	na	3.9	2.6	4.5	7.5	1.7	2.7	3.8	1.22	16.5	-676.0
UBS	2.4	1.9	4.3	2.0	1.5 L	3.4	2.5	4.8	na	1.5	2.5	3.9	1.30	na	-641.9
Eaton Corporation	2.3 L	1.7 L	4.0 L	1.8	2.1	2.4	2.4	3.8	na	1.5	2.6	4.5 H	1.28	16.9	-641.7
Economist Intelligence Unit	2.3 L	2.2	4.5	2.2	2.3	3.0	2.6	2.2 L	na	1.8	2.9	3.8	1.27	16.8	-620.0
2018 Consensus: January Avg.	**2.7**	**2.0**	**4.7**	**2.1**	**2.9**	**2.7**	**2.6**	**5.3**	**6.1**	**1.8**	**2.7**	**3.9**	**1.27**	**17.0**	**-644.4**
Top 10 Avg.	3.0	2.3	5.3	2.5	3.8	3.6	3.0	6.9	9.9	1.9	3.0	4.1	1.35	17.4	-611.3
Bottom 10 Avg.	2.4	1.8	4.3	1.7	2.0	1.9	2.4	3.8	3.3	1.6	2.4	3.8	1.22	16.6	-678.9
December Avg.	2.6	2.0	4.6	2.1	2.5	2.4	2.5	4.7	5.4	1.7	2.8	4.0	1.27	16.9	-633.6
Historical data 2014	2.6	1.8	4.4	1.6	3.1	3.6	2.9	6.9	5.3	0.0	2.5	6.2	1.00	16.4	-427.7
2015	2.9	1.1	4.0	0.1	-0.7	4.2	3.6	2.3	-1.1	0.1	2.2	5.3	1.11	17.4	-545.3
2016	1.5	1.3	2.8	1.3	-1.2	1.4	2.7	-0.6	-2.1	0.3	1.8	4.9	1.17	17.5	-586.3
'Dec. 2017 Consensus for 2017	2.3	1.8	4.1	2.1	1.8	1.3	2.7	4.6	4.8	0.9	2.4	4.4	1.20	17.1	-609.3

The Bureau of Economic Analysis will release its initial estimate of Q4 and full year 2017 GDP on January 26th, 2018

Number Of Forecasts Changed From A Month Ago:

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Down	4	14	9	15	2	9	3	6	5	5	11	25	9	5	29
Same	14	28	13	18	17	12	20	10	7	22	23	23	22	16	10
Up	32	7	27	17	27	22	27	34	19	15	11	2	16	18	11
January Median	2.7	2.0	4.7	2.2	2.9	2.6	2.6	5.4	5.4	1.8	2.8	3.9	1.27	16.9	-642.6
January Diffusion Index	78 %	43 %	68 %	52 %	77 %	65 %	74 %	78 %	73 %	62 %	50 %	27 %	57 %	67 %	32 %

***Former winner of annual Lawrence R. Klein Award for Blue Chip Forecast Accuracy. **Denotes two-time winner.**

2019 Real GDP Forecast Starts Out At 2.4%

JANUARY 2018 Forecast For 2019 SOURCE:	---------- Percent Change 2017 From 2016 (Full Year-Over-Prior Year) ----------------									- Average For 2017 ----			- Total Units-2017 ----		--2017---
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Real GDP (Chained) (2009$)	GDP Price Index	Nominal GDP (Cur.$)	Consumer Price Index	Indust. Prod. (Total)	Dis. Pers. Income (2009$)	Personal Cons. Exp. (2009$)	Non-Res. Fix. Inv. (2009$)	Corp. Profits (Cur.$)	Treas. Bills 3-mo.	Treas. Notes 10-Year	Unempl. Rate (Civ.)	Housing Starts (Mil.)	Auto&Light Truck Sales (Mil.)	Net Exports (2009$)
Turning Points (Micrometrics)	3.5 H	2.2	5.7 H	2.2	3.0	2.4	2.4	3.7	7.5	2.3	3.4	4.1	1.30	17.6	-644.6
MUFG Union Bank	2.9	2.2	5.1	2.8	2.5	na	2.8	7.0 H	7.0	2.8	3.4	3.6	1.45	17.7	-670.0
NatWest Markets	2.9	2.0	4.9	1.7 L	2.8	3.0	2.5	6.7	8.0	2.8	3.0	3.6	1.50	16.2	-636.0
SOM Economics, Inc.	2.9	2.0	4.9	2.3	2.6	2.8	2.6	5.0	6.0	2.7	3.2	3.6	1.29	16.8	-588.0
Action Economics	2.8	2.2	5.0	2.2	2.6	3.3	2.9	4.0	9.9 H	2.5	2.9	3.7	1.37	17.8	-667.3
Amherst Pierpont Securities	2.8	2.4	5.2	3.1 H	2.6	2.6	2.4	5.6	8.0	2.8	3.8	3.7	1.36	16.9	-657.0
U.S. Chamber of Commerce	2.7	2.0	4.7	2.0	2.2	2.5	3.0 H	4.2	4.3	1.8 L	3.0	4.1	1.33	na	-696.9
UBS	2.7	2.0	4.7	1.9	1.9	3.0	2.9	5.6	na	2.2	2.7	3.7	1.46	na	-704.8
FedEx Corporation	2.6	2.1	4.5	2.2	2.6	3.0	2.5	5.8	4.4	2.8	3.2	3.9	1.34	17.2	-729.8
Inforum - Univ. of Maryland	2.6	2.1	4.7	2.2	2.7	2.6	2.6	3.9	4.4	2.4	3.5	4.2	1.36	17.1	-669.3
National Assn. of Realtors	2.6	2.3	4.9	2.5	2.2	2.7	2.6	4.5	4.5	2.3	3.2	3.9	1.38	17.2	-650.0
Point72 Asset Management*	2.6	2.5	5.2	2.9	2.7	2.2	2.4	5.8	4.5	2.8	3.1	3.2 L	1.35	16.7	-738.3
Wells Fargo	2.6	2.1	4.7	2.1	2.3	2.8	2.6	4.2	3.2	2.5	3.2	3.7	1.39	16.5	-632.6
Conference Board*	2.5	1.9	4.4	2.3	na	2.6	2.0	5.3	4.3	2.7	3.9	3.6	1.32	na	-729.0
Econoclast	2.5	2.1	4.7	2.2	2.4	2.0	2.5	3.6	4.2	2.4	3.0	3.8	1.29	16.4	-680.0
Fannie Mae	2.5	2.3	4.8	2.0	2.5	3.6	2.6	6.3	3.1	2.0	2.5	3.8	1.31	16.6	-727.4
General Motors	2.5	2.3	4.9	1.9	3.2	3.9	2.5	6.0	2.0	2.3	3.5	3.6	1.32	na	-726.9
Georgia State University*	2.5	2.2	4.7	2.5	3.2	2.9	2.5	6.8	5.6	2.3	3.2	4.0	1.27	16.3	-676.1
Macroeconomic Advisers by IHS Markit	2.5	2.3	4.9	1.9	3.2	3.9 H	2.5	6.0	2.0	2.3	3.5	3.6	1.32	16.8	-726.9
AIG	2.4	2.3	4.8	2.1	3.2	3.3	2.4	5.4	1.5	2.1	3.1	3.7	1.41	17.2	-705.1
Comerica*	2.4	2.0	4.4	2.0	0.0 L	3.0	2.2	4.4	na	2.4	3.5	3.8	1.29	16.1	-625.0
DS Economics	2.4	2.3	4.8	1.9	3.0	3.9 H	2.4	5.4	1.8	2.2	3.5	3.7	1.30	16.9	-708.3
Economist Intelligence Unit	2.4	2.0	4.4	2.3	2.5	2.3	2.5	2.8	na	2.4	3.2	3.6	1.30	16.6	-635.0
High Frequency Economics	2.4	2.5	5.0	2.5	3.1	2.4	2.3	3.0	-1.0	2.8	3.2	3.4	1.26	16.7	-676.6
MacroFin Analytics	2.4	2.2	4.6	2.2	3.4	2.5	2.2	3.5	3.6	2.5	3.8	3.8	1.28	16.8	-644.3
ACT Research	2.3	1.9	4.3	2.3	1.8	2.8	2.4	4.6	na	2.3	2.6	3.5	1.30	16.3	-687.5
Barclays*	2.3	2.1	4.5	2.0	na	na	2.3	4.1	na	na	na	3.3	na	na	-622.8
Eaton Corporation	2.3	2.1	4.4	1.8	2.5	3.2	2.3	3.5	na	1.8 L	2.7	4.5 H	1.34	16.8	-646.5
Naroff Economic Advisors*	2.3	2.5	4.8	2.6	2.3	1.5 L	2.4	2.2	5.7	2.8	3.9	3.9	1.46	16.8	-721.0
Nomura Securities	2.3	1.8	4.0	2.1	3.8 H	2.5	2.3	3.8	na	na	2.9	3.6	1.24	16.9	-637.9
RDQ Economics	2.3	2.3	4.7	2.3	3.5	2.3	2.4	7.0 H	3.2	3.1 H	3.5	3.5	1.30	18.0 H	-836.3 L
Daiwa Capital Markets America	2.2	2.4	5.0	2.4	2.6	2.5	2.0	4.5	na	2.5	3.4	3.8	1.27	16.4	-595.0
Ford Motor Company*	2.2	2.2	4.4	2.0	2.3	3.0	2.2	5.4	na	na	2.8	4.1	1.27	na	-685.8
Moody's Analytics	2.2	2.9 H	5.2	2.7	1.6	2.0	2.3	3.8	5.1	3.0	4.2 H	3.8	1.73 H	16.6	-800.7
National Assn. of Home Builders	2.2	2.4	4.6	2.3	3.0	3.6	2.2	5.0	na	2.5	3.1	3.8	1.28	16.8	-701.1
Regions Financial Corporation	2.2	2.1	4.3	2.2	2.7	2.4	2.1	3.6	4.8	2.4	3.1	3.8	1.43	16.3	-674.7
UCLA Business Forecasting Proj.*	2.2	2.6	4.9	2.5	2.1	3.3	2.2	4.1	5.7	2.3	4.0	3.9	1.34	16.5	-668.7
Wells Capital Management	2.2	2.1	4.3	2.5	2.6	2.2	2.0	3.3	4.0	2.7	3.2	3.8	1.20 L	16.2	-635.0
Goldman Sachs & Co.**	2.1	1.8	4.0	1.9	1.2	2.3	1.9	3.3	na	2.9	3.3	3.4	1.29	na	-664.9
Moody's Capital Markets*	2.1	1.8	3.9	1.7 L	2.1	1.5 L	1.9	2.5	4.0	1.8 L	2.5	3.9	1.30	17.0	-616.7
Morgan Stanley*	2.1	1.8	4.0	1.8	2.1	3.0	2.5	3.6	na	2.5	na	3.8	1.34	15.0 L	-722.5
PNC Financial Services Group	2.1	2.0	4.1	1.9	1.8	2.2	2.1	2.5	na	2.4	3.0	3.8	1.34	16.7	-638.9
Societe Generale	2.1	1.9	3.1 L	1.8	na	2.2	1.8	0.5 L	-6.0 L	2.0	2.4	3.8	1.21	16.5	-705.0
BMO Capital Markets*	2.0	2.0	4.1	2.1	2.1	1.9	2.2	2.4	4.1	2.7	3.2	3.7	1.27	16.2	-702.8
Northern Trust Company*	2.0	1.9	3.9	2.0	2.3	na	2.1	3.5	na	2.6	3.7	3.9	1.33	16.5	-641.5
Swiss Re	2.0	1.4 L	3.5	2.2	3.0	2.2	2.2	3.7	5.0	2.3	2.9	3.9	1.30	16.5	-756.0
Oxford Economics	2.0	1.9	3.9	1.8	2.6	1.9	2.0	4.4	0.2	2.4	3.0	4.0	1.31	17.1	-697.1
BNP Paribas North America	1.9	na	na	2.2	1.3	na	2.2	2.5	na	na	3.0	3.6	na	na	-655.0
Credit Suisse	1.9	2.1	4.1	1.9	na	na	2.0	4.4	na	na	na	3.8	na	na	-676.7
S&P Gobal*	1.9	1.8	3.7	1.8	2.3	1.9	2.0	3.8	-1.4	2.4	2.9	3.9	1.31	16.8	-649.6
J P MorganChase	1.8	2.2	4.0	2.3	1.1	1.9	2.1	2.1	1.3	na	na	3.5	1.32	17.0	-683.2
ACIMA Private Wealth	1.7 L	2.0	3.7	1.9	2.0	1.5	1.4 L	1.5	na	1.8 L	1.9 L	4.2	1.24	16.0	-580.0 H
2019 Consensus: January Avg.	**2.4**	**2.1**	**4.5**	**2.2**	**2.4**	**2.6**	**2.3**	**4.2**	**3.8**	**2.4**	**3.2**	**3.8**	**1.33**	**16.7**	**-677.8**
Top 10 Avg.	2.8	2.5	5.1	2.7	3.3	3.5	2.7	6.3	6.9	2.9	3.8	4.1	1.46	17.4	-616.6
Bottom 10 Avg.	1.9	1.8	3.8	1.8	1.5	1.8	1.9	2.2	0.4	2.0	2.6	3.5	1.25	16.1	-749.4
December Avg.	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na
Number Of Forecasts Changed From A Month Ago:															
Down	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na
Same	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na
Up	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na
January Median	2.3	2.1	4.6	2.2	2.5	2.5	2.3	4.1	4.3	2.4	3.2	3.8	1.31	16.7	-675.4
January Diffusion Index	na %	na %	na %	na %	na %	na %	na %	na %	na %	na %	na %	na %	na %	na %	na %

***Former winner of annual Lawrence R. Klein Award for Blue Chip Forecast Accuracy. **Denotes two-time winner.**

BASIC DATA SOURCES: [1]Gross Domestic Product (GDP), chained 2009$, National Income and Product Accounts (NIPA), Bureau of Economic Analysis (BEA); [2]GDP Chained Price Index, NIPA, BEA; [3]GDP, current dollars, NIPA, BEA; [4]Consumer Price Index-All Urban Consumers, Bureau of Labor Statistics (BLS); [5]Total Industrial Production, Federal Reserve Board (FRB); [6]Disposable Personal Income, 2009$, NIPA, BEA; [7]Personal Consumption Expenditures, 2009$, NIPA, BEA; [8]Non-residential Fixed Investment, 2009$, NIPA, BEA; [9]Corporate Profits Before Taxes, current dollars, with inventory valuation and capital consumption adjustments, NIPA, BEA; [10]Treasury Bill Rate, 3-month, secondary market, bank discount basis, FRB; [11]Treasury note yield, 10-year, constant maturity basis, FRB; [12]Unemployment Rate, civilian work force, BLS; [13]Housing Starts, Bureau of Census; [14]Total U.S. Auto and Light Truck Sales (includes imports), BEA; [15]Net Exports of Goods and Services, 2009$, NIPA, BEA.

Previous Consensus Forecasts

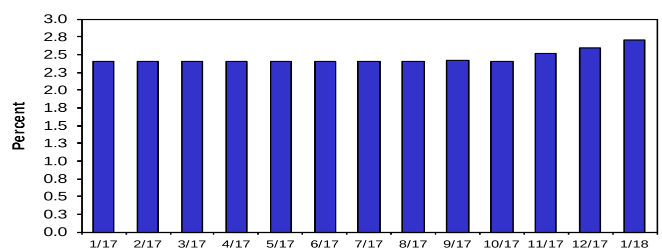
Consensus Forecasts For 2017	Real GDP Chained ('2009$)	GDP Price Index	Nominal GDP (Cur. $)	Consumer Price Index	Indust. Prod. (Total)	Dis. Pers. Income ('2009$)	Personal Cons. Exp. ('2009$)	Non-Res. Fix. Inv. ('2009$)	Corp. Profits (Cur. $)	Treas. Bills 3-mo.	Treas. Notes 10-Year	Unempl. Rate (Civ.)	Housing Starts (Mil.)	Auto/Truck Sales (Mil.)	Net Exports ('2009$)
January 2017 Consensus	2.3	2.0	4.4	2.4	1.5	2.4	2.6	2.9	5.0	0.9	2.7	4.6	1.26	17.3	-599.0
February 2017 Consensus	2.3	2.0	4.4	2.5	1.5	2.3	2.7	3.0	5.3	0.8	2.7	4.6	1.26	17.4	-620.5
March 2017 Consensus	2.3	2.0	4.3	2.5	1.6	2.3	2.6	3.1	5.0	0.9	2.7	4.6	1.27	17.4	-626.0
April 2017 Consensus	2.2	2.0	4.3	2.5	1.7	2.2	2.6	3.1	4.9	1.0	2.7	4.6	1.28	17.3	-629.9
May 2017 Consensus	2.1	2.0	4.1	2.4	1.7	2.2	2.4	4.1	4.6	1.0	2.6	4.5	1.28	17.1	-623.5
June 2017 Consensus	2.2	1.9	4.1	2.3	1.8	2.0	2.4	4.4	3.6	1.0	2.5	4.4	1.26	17.0	-619.2
July 2017 Consensus	2.2	1.8	4.1	2.1	1.9	2.0	2.6	4.2	3.6	1.0	2.5	4.4	1.23	16.9	-614.0
August 2017 Consensus	2.1	1.7	3.9	2.0	1.9	1.6	2.6	4.1	4.5	1.0	2.4	4.4	1.22	16.9	-619.8
September 2017 Consensus	2.2	1.7	3.9	2.0	1.9	1.6	2.7	4.4	4.4	0.9	2.4	4.4	1.21	16.8	-617.4
October 2017 Consensus	2.2	1.7	3.9	2.1	1.9	1.5	2.6	4.4	4.2	0.9	2.3	4.4	1.21	16.9	-614.8
November 2017 Consensus	2.2	1.8	4.1	2.1	1.6	1.5	2.7	4.4	4.1	0.9	2.4	4.4	1.20	17.1	-608.7
December 2017 Consensus	2.3	1.8	4.1	2.1	1.8	1.3	2.7	4.6	4.8	0.9	2.4	4.4	1.20	17.1	-609.3

The Bureau of Economic Analysis will release its initial estimate of Q4 and full year 2017 GDP on January 26th

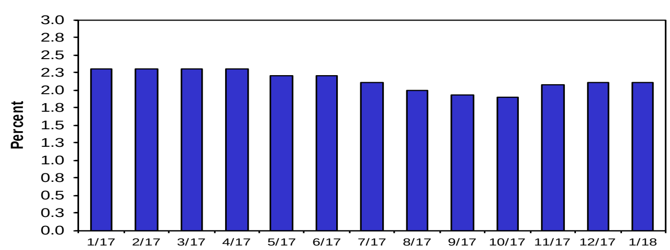
Consensus Forecasts For 2018	Real GDP Chained ('2009$)	GDP Price Index	Nominal GDP (Cur. $)	Consumer Price Index	Indust. Prod. (Total)	Dis. Pers. Income ('2009$)	Personal Cons. Exp. ('2009$)	Non-Res. Fix. Inv. ('2009$)	Corp. Profits (Cur. $)	Treas. Bills 3-mo.	Treas. Notes 10-Year	Unempl. Rate (Civ.)	Housing Starts (Mil.)	Auto/Truck Sales (Mil.)	Net Exports ('2009$)
January 2017 Consensus	2.4	2.2	4.5	2.3	2.3	2.7	2.5	3.8	4.2	1.6	3.1	4.5	1.35	17.2	-659.2
February 2017 Consensus	2.4	2.2	4.6	2.3	2.4	2.7	2.5	3.9	3.9	1.6	3.1	4.4	1.35	17.2	-678.1
March 2017 Consensus	2.4	2.2	4.7	2.3	2.4	2.8	2.6	4.0	4.2	1.7	3.1	4.4	1.36	17.3	-685.8
April 2017 Consensus	2.4	2.2	4.6	2.3	2.4	2.8	2.5	4.0	4.4	1.8	3.2	4.4	1.36	17.1	-686.9
May 2017 Consensus	2.4	2.1	4.6	2.2	2.4	2.8	2.5	4.0	4.1	1.8	3.1	4.3	1.36	17.0	-683.0
June 2017 Consensus	2.4	2.1	4.5	2.2	2.4	2.7	2.5	3.9	4.3	1.7	3.1	4.2	1.35	16.9	-674.1
July 2017 Consensus	2.4	2.0	4.4	2.1	2.4	2.7	2.5	3.7	4.1	1.7	3.0	4.2	1.33	16.8	-662.3
August 2017 Consensus	2.4	2.0	4.4	2.0	2.4	2.6	2.4	3.8	4.2	1.7	2.9	4.1	1.31	16.8	-656.8
September 2017 Consensus	2.4	1.9	4.4	1.9	2.4	2.6	2.5	4.0	4.5	1.7	2.8	4.1	1.31	16.8	-652.8
October 2017 Consensus	2.4	1.9	4.3	1.9	2.4	2.5	2.4	4.1	4.5	1.7	2.8	4.1	1.29	16.8	-646.0
November 2017 Consensus	2.5	2.0	4.5	2.1	2.3	2.4	2.5	4.3	4.8	1.7	2.8	4.0	1.28	16.9	-631.2
December 2017 Consensus	2.6	2.0	4.6	2.1	2.5	2.4	2.5	4.7	5.4	1.7	2.8	4.0	1.27	16.9	-633.6
January 2018 Consensus	**2.7**	**2.0**	**4.7**	**2.1**	**2.9**	**2.7**	**2.6**	**5.3**	**6.1**	**1.8**	**2.8**	**3.9**	**1.27**	**17.0**	**-644.4**
Difference From Jan. 2017 Forecast	0.3	-0.2	0.2	-0.2	0.6	0.0	0.1	1.5	1.9	0.2	-0.3	-0.6	-0.08	-0.2	14.8
Forecast High	2.7	2.2	4.7	2.3	2.9	2.8	2.6	5.3	6.1	1.8	3.2	4.5	1.36	17.3	-631.2
Forecast Low	2.4	1.9	4.3	1.9	2.3	2.4	2.4	3.7	3.9	1.6	2.8	3.9	1.27	16.8	-686.9

Consensus Forecasts For 2019	Real GDP Chained ('2009$)	GDP Price Index	Nominal GDP (Cur. $)	Consumer Price Index	Indust. Prod. (Total)	Dis. Pers. Income ('2009$)	Personal Cons. Exp. ('2009$)	Non-Res. Fix. Inv. ('2009$)	Corp. Profits (Cur. $)	Treas. Bills 3-mo.	Treas. Notes 10-Year	Unempl. Rate (Civ.)	Housing Starts (Mil.)	Auto/Truck Sales (Mil.)	Net Exports ('2009$)
January 2018 Consensus	**2.4**	**2.1**	**4.5**	**2.2**	**2.4**	**2.6**	**2.3**	**4.2**	**3.8**	**2.4**	**3.2**	**3.8**	**1.33**	**16.7**	**-677.8**
Difference From Jan. 2017 Forecast	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0.0	0.0
Forecast High	2.4	2.1	4.5	2.2	2.4	2.6	2.3	4.2	3.8	2.4	3.2	3.8	1.33	16.7	-677.8
Forecast Low	2.4	2.1	4.5	2.2	2.4	2.6	2.3	4.2	3.8	2.4	3.2	3.8	1.33	16.7	-677.8

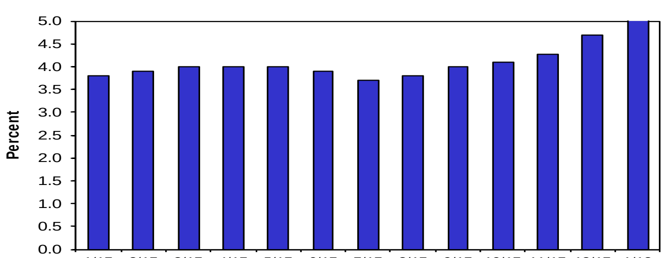
Consensus Forecasts Of Y/Y % Change In Real GDP In 2018



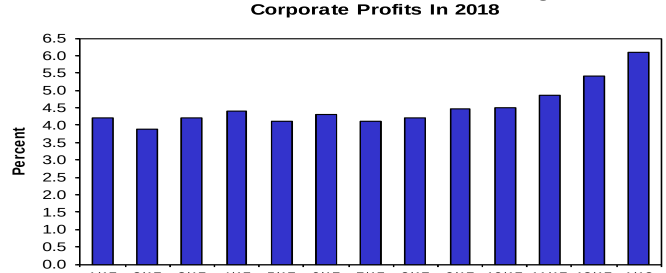
Consensus Forecasts Of Y/Y % Change In Consumer Price Index In 2018



Consensus Forecasts Of Y/Y % Change In Real Nonresidential Fixed Investment In 2018



Consensus Forecasts Of Y/Y % Change In Corporate Profits In 2018



3. Blue Chip Consensus: Percent Change From Prior Quarter At Annual Rate And Averages For Quarter.*

Actuals[1]	% Change From Prior Quarter At Annual Rate: Real GDP	GDP Price Index	CPI	Producer Price Index	Total Industrial Production	Disposable Personal Income	Personal Consump. Expend.	Average For Quarter: Unemploy-ment Rate	3-Mo. Treas. Bills	10-Yr. Treas. Notes	Change in Business Inventories	Real Net Exports
2017 1Q	1.2	2.0	3.1	3.3	1.5	2.9	1.9	4.7	0.6	2.4	1.2	-622.2
2Q	3.1	1.0	-0.3	2.2	5.6	2.7	3.3	4.4	0.9	2.3	5.5	-613.6
3Q	3.2	2.1	2.0	1.4	-0.9	0.5	2.2	4.3	1.1	2.2	38.5	-597.5
Blue Chip Forecasts	% Change From Prior Quarter At Annual Rate							Average For Quarter				
4Q Consensus	**2.7**	**2.2**	**3.3**	**4.2**	**4.9**	**1.9**	**3.0**	**4.1a**	**1.3a**	**2.4a**	**30.4**	**-619.0**
Top 10 Avg.	3.2	2.8	3.9	6.0	6.4	3.2	3.4	-.-	-.-	-.-	44.3	-598.2
Bot. 10 Avg.	2.4	1.8	2.1	2.4	2.5	0.8	2.6	-.-	-.-	-.-	16.1	-641.6
2018 1Q Consensus	**2.5**	**2.0**	**2.1**	**2.1**	**3.0**	**4.0**	**2.5**	**4.0**	**1.4**	**2.6**	**35.8**	**-629.3**
Top 10 Avg.	3.2	2.6	2.8	3.0	4.3	6.9	3.3	4.2	1.6	2.8	54.0	-603.8
Bot. 10 Avg.	1.9	1.3	1.5	1.1	1.6	2.1	1.7	4.0	1.3	2.4	19.7	-657.7
2Q Consensus	**2.8**	**1.9**	**1.9**	**2.2**	**2.8**	**2.9**	**2.7**	**4.0**	**1.7**	**2.7**	**39.3**	**-638.8**
Top 10 Avg.	3.4	2.5	2.6	2.9	4.0	3.9	3.2	4.1	1.8	3.0	59.2	-608.1
Bot. 10 Avg.	2.3	1.4	0.9	1.4	1.7	2.2	2.3	3.9	1.5	2.5	19.5	-670.8
3Q Consensus	**2.6**	**2.1**	**2.1**	**2.1**	**2.7**	**2.9**	**2.5**	**3.9**	**1.9**	**2.8**	**42.9**	**-648.8**
Top 10 Avg.	3.1	2.4	2.7	2.9	3.7	4.0	3.0	4.1	2.1	3.2	63.8	-611.7
Bot. 10 Avg.	2.1	1.7	1.4	1.2	1.6	2.2	2.1	3.7	1.6	2.5	22.1	-688.0
4Q Consensus	**2.5**	**2.1**	**2.1**	**2.0**	**2.5**	**2.8**	**2.5**	**3.8**	**2.1**	**2.9**	**45.5**	**-658.9**
Top 10 Avg.	3.0	2.5	2.7	2.9	3.5	3.8	2.9	4.1	2.2	3.4	66.6	-617.8
Bot. 10 Avg.	2.1	1.6	1.4	1.2	1.3	2.1	2.1	3.6	1.8	2.5	22.9	-705.4
2019 1Q Consensus	**2.3**	**2.2**	**2.2**	**2.1**	**2.4**	**2.9**	**2.3**	**3.8**	**2.2**	**3.1**	**45.2**	**-665.9**
Top 10 Avg.	2.8	2.6	2.9	2.9	3.3	4.7	2.8	4.1	2.5	3.6	67.4	-617.7
Bot. 10 Avg.	1.6	1.9	1.8	1.5	1.4	1.6	1.8	3.5	2.0	2.6	22.7	-722.6
2Q Consensus	**2.3**	**2.1**	**2.2**	**2.2**	**2.4**	**2.5**	**2.3**	**3.8**	**2.4**	**3.1**	**46.4**	**-674.2**
Top 10 Avg.	3.0	2.5	2.8	2.9	3.2	3.2	2.8	4.1	2.8	3.8	70.1	-615.4
Bot. 10 Avg.	1.7	1.5	1.5	1.7	1.4	1.7	1.8	3.5	2.0	2.5	24.5	-742.0
3Q Consensus	**2.1**	**2.2**	**2.2**	**2.2**	**2.2**	**2.4**	**2.1**	**3.8**	**2.5**	**3.2**	**46.3**	**-681.4**
Top 10 Avg.	2.9	2.5	2.7	3.0	3.1	3.3	2.7	4.1	3.0	3.9	70.0	-613.8
Bot. 10 Avg.	1.3	1.9	1.7	1.5	1.2	1.5	1.5	3.4	2.0	2.6	24.1	-761.0
4Q Consensus	**2.0**	**2.1**	**2.4**	**2.4**	**2.1**	**2.3**	**2.0**	**3.7**	**2.6**	**3.3**	**45.8**	**-688.3**
Top 10 Avg.	2.9	2.6	3.1	3.4	2.9	3.1	2.6	4.2	3.2	4.0	71.3	-615.7
Bot. 10 Avg.	0.9	1.6	1.8	1.5	0.9	1.4	1.2	3.1	2.0	2.6	19.2	-779.1

4. Blue Chip Consensus: Quarterly Annualized Values And Percent Change From Same Quarter In Prior Year.*

Real Gross Domestic Product

	Billions Of Chained 2009$ (SAAR)			% Change From Same Quarter In Prior Year[2]		
	Actual	Forecast[1]		Actual	Forecast	
Quarter	2017	2018	2019	2017	2018	2019
1Q	16903.2	**17394.8**	**17836.7**	2.0	**2.9**	**2.5**
2Q	17031.1	**17514.0**	**17937.1**	2.2	**2.8**	**2.4**
3Q	17169.7	**17627.5**	**18031.5**	2.3	**2.7**	**2.3**
4Q	**17286.1**	**17736.8**	**18121.0**	**2.6**	**2.6**	**2.2**

GDP Chained Price Index

	Index 2009 = 100 (SAAR)			% Change From Same Quarter In Prior Year[2]		
	Actual	Forecast[1]		Actual	Forecast	
Quarter	2017	2018	2019	2017	2018	2019
1Q	112.8	**114.8**	**117.2**	2.0	**1.8**	**2.1**
2Q	113.0	**115.4**	**117.8**	1.6	**2.1**	**2.1**
3Q	113.6	**116.0**	**118.5**	1.8	**2.1**	**2.1**
4Q	**114.3**	**116.6**	**119.1**	**1.8**	**2.0**	**2.2**

Total Industrial Production

	Index 2012 = 100 (SAAR)			% Change From Same Quarter In Prior Year[2]		
	Actual	Forecast[1]		Actual	Forecast	
Quarter	2017	2018	2019	2017	2018	2019
1Q	103.7	**107.0**	**109.8**	0.6	**3.2**	**2.6**
2Q	105.1	**107.8**	**110.5**	2.1	**2.6**	**2.5**
3Q	105.0	**108.5**	**111.1**	1.8	**3.3**	**2.4**
4Q	**106.3**	**109.2**	**111.7**	**2.9**	**2.7**	**2.3**

Consumer Price Index

	Index 1982-1984 = 100 (SAAR)			% Change From Same Quarter In Prior Year[2]		
	Actual	Forecast[1]		Actual	Forecast	
Quarter	2017	2018	2019	2017	2018	2019
1Q	244.1	**248.4**	**253.6**	2.6	**1.8**	**2.1**
2Q	243.9	**249.6**	**254.9**	1.9	**2.3**	**2.1**
3Q	245.2	**250.9**	**256.3**	2.0	**2.3**	**2.2**
4Q	**247.1**	**252.2**	**257.8**	**2.0**	**2.0**	**2.2**

***See explanatory notes on inside of back cover for details of how this data is compiled.**

BLUE CHIP INTERNATIONAL CONSENSUS FORECASTS

	ANNUAL DATA						END OF YEAR			
	Real Economic Growth % Change GDP		Inflation % Change Consumer Prices		Current Account In Billions Of U.S. Dollars		Exchange Rate [1] Against U.S. $		Interest Rates 3-Month	
CANADA	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
January Consensus	**2.2**	**1.9**	**1.9**	**2.0**	**-44.8**	**-42.0**	**1.27**	**1.26**	**1.78**	**2.16**
Top 3 Avg.	2.8	2.3	2.2	2.1	-40.6	-38.4	1.32	1.31	1.94	2.40
Bottom 3 Avg.	1.8	1.6	1.6	1.8	-49.0	-45.6	1.22	1.23	1.65	1.91
Last Month Avg.	2.1	na	1.9	na	-45.3	na	1.26	na	1.69	na
	2016*	2017**	2016*	2017**	2016*	2017**	Latest	Year Ago	Latest	Year Ago
Actual	1.4	2.9	1.4	1.6	-67.7	-48.9	1.25	1.33	1.50	0.83
MEXICO	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
January Consensus	**2.1**	**2.4**	**4.2**	**3.8**	**-22.2**	**-25.8**	**19.01**	**18.66**	**6.51**	**5.42**
Top 3 Avg.	2.5	2.8	5.1	4.8	-15.6	-21.2	19.57	19.30	6.83	6.08
Bottom 3 Avg.	1.7	2.0	3.6	3.2	-27.0	-30.4	18.35	18.07	6.27	4.87
Last Month Avg.	2.2	na	4.0	na	-19.7	na	18.88	na	6.32	na
	2016*	2017**	2016*	2017**	2016*	2017**	Latest	Year Ago	Latest	Year Ago
Actual	2.3	2.1	2.8	5.9	-29.9	-19.6	19.50	21.40	7.63	6.12
JAPAN	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
January Consensus	**1.4**	**1.1**	**0.8**	**1.1**	**199.7**	**208.6**	**112.8**	**111.8**	**-0.02**	**-0.01**
Top 3 Avg.	1.8	1.4	1.1	1.4	211.5	228.9	117.7	117.4	0.04	0.06
Bottom 3 Avg.	1.2	0.7	0.5	0.6	187.3	188.3	106.3	103.3	-0.09	-0.08
Last Month Avg.	1.3	na	0.8	na	202.9	na	112.6	na	-0.03	na
	2016*	2017**	2016*	2017**	2016*	2017**	Latest	Year Ago	Latest	Year Ago
Actual	1.0	1.6	-0.1	0.5	176.0	191.5	112.0	117.0	-0.20	-0.03
UNITED KINGDOM	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
January Consensus	**1.4**	**1.3**	**2.5**	**2.2**	**-91.9**	**-86.2**	**1.34**	**1.35**	**0.70**	**0.95**
Top 3 Avg.	1.6	1.8	2.8	2.4	-75.3	-72.2	1.47	1.47	0.93	1.21
Bottom 3 Avg.	1.0	1.0	2.2	1.8	-106.9	-100.2	1.25	1.26	0.51	0.69
Last Month Avg.	1.3	na	2.4	na	-84.7	na	1.32	na	0.72	na
	2016*	2017**	2016*	2017**	2016*	2017**	Latest	Year Ago	Latest	Year Ago
Actual	1.8	1.5	0.7	2.7	-114.5	-102.1	1.35	1.24	0.44	0.37
SOUTH KOREA	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
January Consensus	**3.0**	**2.7**	**1.9**	**2.0**	**93.5**	**91.3**	**1096**	**1096**	**1.66**	**1.86**
Top 3 Avg.	3.5	2.9	2.4	2.4	111.0	107.5	1140	1155	1.92	2.18
Bottom 3 Avg.	2.7	2.6	1.6	1.6	81.1	76.8	1062	1051	1.39	1.55
Last Month Avg.	2.9	na	1.9	na	88.9	na	1121	na	1.55	na
	2016*	2017**	2016*	2017**	2016*	2017**	Latest	Year Ago	Latest	Year Ago
Actual	2.8	3.1	1.0	2.0	97.5	88.5	1061	1206	1.68	1.45
GERMANY	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
January Consensus	**2.3**	**1.9**	**1.7**	**1.8**	**300.4**	**315.5**	**1.20**	**1.22**	**-0.17**	**0.07**
Top 3 Avg.	2.7	2.0	1.9	2.1	325.1	330.2	1.26	1.33	0.00	0.19
Bottom 3 Avg.	2.0	1.7	1.5	1.5	278.8	300.7	1.15	1.14	-0.32	-0.04
Last Month Avg.	2.1	na	1.7	na	293.1	na	1.19	na	-0.18	na
	2016*	2017**	2016*	2017**	2016*	2017**	Latest	Year Ago	Latest	Year Ago
Actual	1.8	2.4	0.4	1.7	291.4	279.6	1.21	1.05	-0.33	-0.32
TAIWAN	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
January Consensus	**2.4**	**2.3**	**1.2**	**1.3**	**76.6**	**78.6**	**30.19**	**30.16**	**0.99**	**1.09**
Top 3 Avg.	2.9	2.6	1.6	1.6	82.3	82.2	31.01	31.11	1.27	1.39
Bottom 3 Avg.	1.9	1.9	0.9	0.9	71.3	75.8	29.58	29.23	0.70	0.79
Last Month Avg.	2.3	na	1.1	na	74.6	na	30.56	na	1.02	na
	2016*	2017**	2016*	2017**	2016*	2017**	Latest	Year Ago	Latest	Year Ago
Actual	1.5	2.5	1.4	0.7	73.8	74.9	29.60	32.20	0.66	0.66
NETHERLANDS	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
January Consensus	**2.5**	**2.0**	**1.5**	**1.7**	**83.6**	**92.4**	**1.20**	**1.22**	**-0.17**	**0.07**
Top 3 Avg.	3.0	2.3	1.5	1.9	89.9	100.5	1.26	1.33	0.00	0.19
Bottom 3 Avg.	2.1	1.8	1.4	1.5	76.4	84.3	1.15	1.14	-0.32	-0.04
Last Month Avg.	2.3	na	1.5	na	82.8	na	1.19	na	-0.18	na
	2016*	2017**	2016*	2017**	2016*	2017**	Latest	Year Ago	Latest	Year Ago
Actual	2.0	3.0	0.1	1.4	67.0	78.0	1.21	1.05	-0.33	-0.32

*Best estimates available. **In most all cases, actual data for 2017 GDP, consumer prices and current account are not yet available. Where it is unavailable, figures are consensus forecasts from December 10, 2017 Blue Chip Economic Indicators. Figures are currency units per U.S. dollar except for U.K., Australia and the Euro.

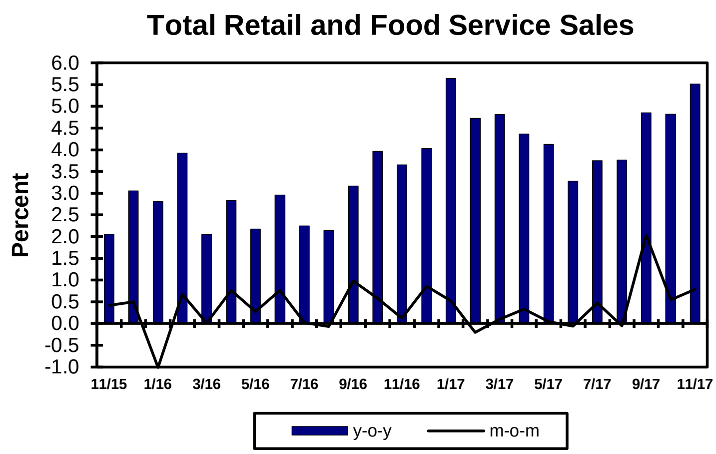
BLUE CHIP INTERNATIONAL CONSENSUS FORECASTS

	ANNUAL DATA						END OF YEAR			
	Real Economic Growth % Change GDP		Inflation % Change Consumer Prices		Current Account In Billions Of U.S. Dollars		Exchange Rate [1] Against U.S. $		Interest Rates 3-Month	
RUSSIA	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
January Consensus	**1.9**	**1.7**	**3.8**	**4.2**	**40.8**	**40.8**	**59.8**	**59.9**	**7.99**	**7.94**
Top 3 Avg.	2.2	2.1	4.2	4.5	52.7	55.7	62.6	62.1	8.58	8.41
Bottom 3 Avg.	1.5	1.3	3.3	3.9	30.9	28.2	57.2	57.6	7.23	7.49
Last Month Avg.	1.8	na	3.9	na	37.5	na	59.9	na	7.80	na
	2016*	2017**	2016*	2017**	2016*	2017**	Latest	Year Ago	Latest	Year Ago
Actual	-0.2	1.8	7.1	3.9	31.0	35.2	57.6	60.6	11.30	11.30
FRANCE	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
January Consensus	**1.9**	**1.7**	**1.3**	**1.4**	**-36.5**	**-41.1**	**1.20**	**1.22**	**-0.17**	**0.07**
Top 3 Avg.	2.3	1.9	1.5	1.7	-30.2	-36.1	1.26	1.33	0.00	0.19
Bottom 3 Avg.	1.7	1.5	1.1	1.1	-42.3	-46.1	1.15	1.14	-0.32	-0.04
Last Month Avg.	1.8	na	1.3	na	-36.6	na	1.19	na	-0.18	na
	2016*	2017**	2016*	2017**	2016*	2017**	Latest	Year Ago	Latest	Year Ago
Actual	1.1	1.8	0.3	1.1	-23.7	-32.8	1.21	1.05	-0.33	-0.35
BRAZIL	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
January Consensus	**2.3**	**2.7**	**3.7**	**4.2**	**-27.7**	**-35.8**	**3.35**	**3.35**	**7.02**	**7.11**
Top 3 Avg.	3.0	3.4	4.0	4.5	-20.2	-27.2	3.51	3.56	7.23	7.60
Bottom 3 Avg.	1.3	1.9	3.4	4.0	-35.2	-45.2	3.20	3.10	6.80	6.58
Last Month Avg.	2.3	na	3.8	na	-31.6	na	3.31	na	7.21	na
	2016*	2017**	2016*	2017**	2016*	2017**	Latest	Year Ago	Latest	Year Ago
Actual	-3.6	0.8	8.7	3.5	-23.7	-14.3	3.26	3.22	6.74	12.90
HONG KONG	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
January Consensus	**2.8**	**2.5**	**2.2**	**2.4**	**13.5**	**15.3**	**7.81**	**7.81**	**1.49**	**2.16**
Top 3 Avg.	3.6	2.8	2.6	3.0	16.3	21.2	7.83	7.84	1.77	2.54
Bottom 3 Avg.	2.1	2.2	1.9	1.7	10.4	9.4	7.79	7.78	1.26	1.73
Last Month Avg.	2.5	na	2.2	na	14.3	na	7.80	na	1.54	na
	2016*	2017**	2016*	2017**	2016*	2017**	Latest	Year Ago	Latest	Year Ago
Actual	2.0	3.4	2.4	1.7	11.2	14.8	7.82	7.76	1.30	1.03
INDIA	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
January Consensus	**7.2**	**7.5**	**4.6**	**4.8**	**-45.9**	**-54.3**	**65.0**	**66.0**	**6.41**	**6.56**
Top 3 Avg.	7.6	8.1	5.2	5.4	-33.7	-39.9	66.4	69.4	6.77	6.95
Bottom 3 Avg.	6.4	7.0	3.6	4.3	-58.0	-68.0	63.4	62.5	6.04	6.17
Last Month Avg.	7.3	na	4.8	na	-47.3	na	65.7	na	6.49	na
	2016*	2017**	2016*	2017**	2016*	2017**	Latest	Year Ago	Latest	Year Ago
Actual	6.9	6.6	4.8	3.4	-14.3	-35.5	63.5	68.1	6.27	6.09
CHINA	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
January Consensus	**6.3**	**6.1**	**2.3**	**2.4**	**215.3**	**217.5**	**6.66**	**6.74**	**3.76**	**3.77**
Top 3 Avg.	6.7	6.5	2.6	2.9	333.8	329.3	6.82	7.01	4.52	4.57
Bottom 3 Avg.	5.4	5.3	1.8	2.0	146.2	139.7	6.49	6.47	3.00	2.97
Last Month Avg.	6.3	na	2.2	na	228.6	na	6.73	na	3.77	na
	2016*	2017**	2016*	2017**	2016*	2017**	Latest	Year Ago	Latest	Year Ago
Actual	6.7	6.6	2.0	1.7	274.4	188.2	6.50	6.95	4.69	3.29
AUSTRALIA	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
January Consensus	**2.5**	**2.6**	**2.2**	**2.4**	**-31.8**	**-38.1**	**0.75**	**0.75**	**1.80**	**1.98**
Top 3 Avg.	3.0	3.1	2.3	2.8	-26.2	-28.2	0.79	0.80	1.98	2.32
Bottom 3 Avg.	1.8	2.1	1.9	2.2	-37.6	-48.0	0.71	0.70	1.62	1.64
Last Month Avg.	2.6	na	2.2	na	-32.0	na	0.75	na	1.77	na
	2016*	2017**	2016*	2017**	2016*	2017**	Latest	Year Ago	Latest	Year Ago
Actual	2.5	2.3	1.3	2.0	-47.8	-24.1	0.78	0.73	1.78	2.15
EUROZONE	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
January Consensus	**2.2**	**1.9**	**1.5**	**1.6**	**413.3**	**432.9**	**1.20**	**1.22**	**-0.17**	**0.07**
Top 3 Avg.	2.5	2.2	1.6	1.8	432.9	440.4	1.26	1.33	0.00	0.19
Bottom 3 Avg.	1.9	1.7	1.3	1.4	393.7	423.1	1.15	1.14	-0.32	-0.04
Last Month Avg.	1.9	na	1.5	na	416.8	na	1.19	na	-0.18	na
	2016*	2017**	2016*	2017**	2016*	2017**	Latest	Year Ago	Latest	Year Ago
Actual	1.7	2.2	0.2	1.5	393.4	398.1	1.21	1.05	-0.33	-0.32

Contributors to Blue Chip International Survey: IHS Markit, US; Barclays, US; Federal Express Corporation, USA; ACIMA Private Wealth, USA; The Conference Board, USA; Credit Suisse, US; JP Morgan, US; Economist Intelligence Unit, UK; BMO Capital Markets, Canada; UBS, US; AIG, New York, NY; Oxford Economics, US; Societe Generale, New York, NY; Bank of America-Merrill Lynch, US; Nomura Capital Markets America, US; Morgan Stanley; US; Moody's Capital Markets, US; Eaton, US; Wells Fargo, US; Moody's Analytics, US; Swisse Re, U.S.; BNP Paribas, US; General Motors Corp., US; and Grupo de Economistas y Asociados, Mexico..

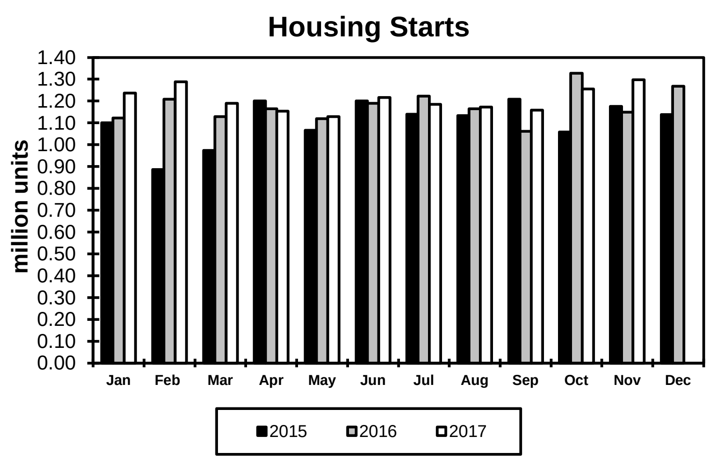
Recent Developments:

Retail Sales Rose A Larger-Than-Expected 0.8% in November



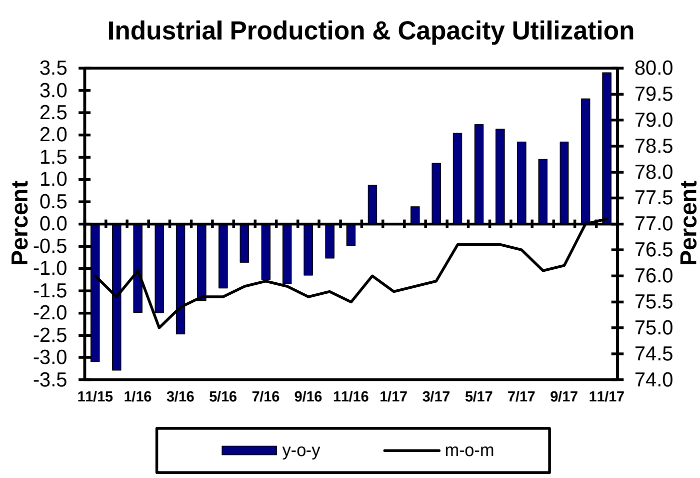
Overall retail sales increased a bigger-than-expected 0.8% in November and the October sales gain was revised up by 0.3 of a percentage point to 0.5%. The November increase came despite a 0.2% decline in auto sales that was pre-ordained by a pull-back in unit sales of cars and light trucks. Retail sales excluding vehicles rose 1.0%. Helping lift the November increase in retail sales was a 2.8% surge in purchases at gasoline stations that reflected higher prices for petrol. However, sales at building material outlets and at furniture stores posted nice increases of 1.2% during the month. Elsewhere sales at eating and drinking establishments rose 0.7%, while sales at non-store retailers (mostly on-line sales) jumped 2.5% after falling 0.4% in October. Core retail sales that exclude autos, building materials and gasoline – the component of the retail sales report that feeds into the calculation of non-auto consumer goods spending within GDP – also increased 0.8% in November. Total retail sales in December likely increased 0.4% or so, lifted by an increase in vehicle sales. However, sales excluding vehicles likely increased by less, hurt by lower gasoline sales as prices eased, coupled with softness elsewhere after solid November increases.

Housing Starts And Home Sales Were Strong In November



Total housing starts rose 3.3% in November to an annual rate of 1.297 million units and were up 1.29% on a y/y basis. Starts of single-family homes increased 5.3% to an annual rate of 930,000, the highest since September 2007. Starts of single-family homes were up 13.0% on a y/y basis in November. Starts of multi-family units declined 1.6% in November, but still were up 12.6% y/y. Total building permits slipped 1.4% in November , but all of the decline was accounted for a by a 6.4% drop in permits for multi-family units, while permits for single-family homes rose 1.4%. New home sales surged 17.5% in November to an annual rate of 733,000, the highest sales pace since July 2007. The month's supply of new homes for sales declined to 4.6 months from 5.4 months in October. The median sales price of a new home sold in November was 1.2% above its year-ago level. Total existing home sales rose 5.6% in November to an annual rate of 5.81 million units, the highest since December 2006. Sales of single-family existing homes were up 4.5% during the month, while sales of condos and co-ops jumped 14.3%.

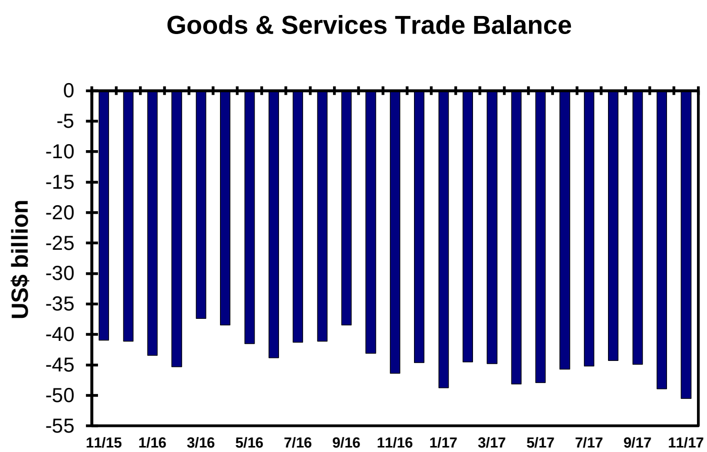
Total Industrial Production Up 0.2% In November, Lifting Y/Y Change To Highest Since Fall 2014



Total industrial production increased 0.2% in November. That lifted its y/y change to 3.4%, the fastest clip since the fall of 2014. The capacity utilization rate rose to 77.1%, the highest since April 2015. Manufacturing output also increased 0.2% and its capacity utilization rate increased to 76.4%, the highest since May 2008. Business equipment output increased 0.5% in November and construction supplies output by 0.5%, but the output of consumer goods fell by 0.4%. Mining output rose 2.0% in November and was up 9.4% y/y, but utility output fell by 1.9% during the month and was up only 2.3% y/y. The Institute of Supply Management's (ISM) index of activity in the manufacturing sector rose to 59.7 in December from 58.2 in November in an additional sign of solid economic momentum heading into 2018. The new orders sub-index jumped from 64.0 in November to 69.4 in December, its strongest reading since January 2004. The production sub-index rose to 65.8 from 63.9 in November, the second-best reading since April 2004. Corporate tax cuts, healthy exports, and inventory building, should spur further increases in manufacturing output in 2018.

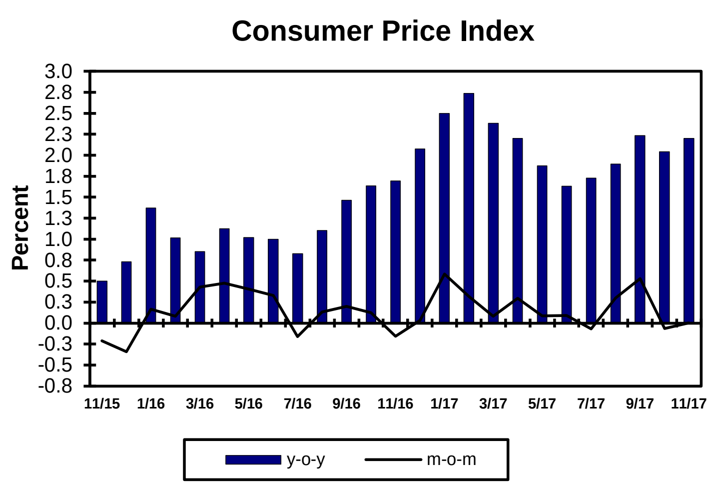
Recent Developments:

November's Nominal Trade Deficit Was Widest Since January 2012



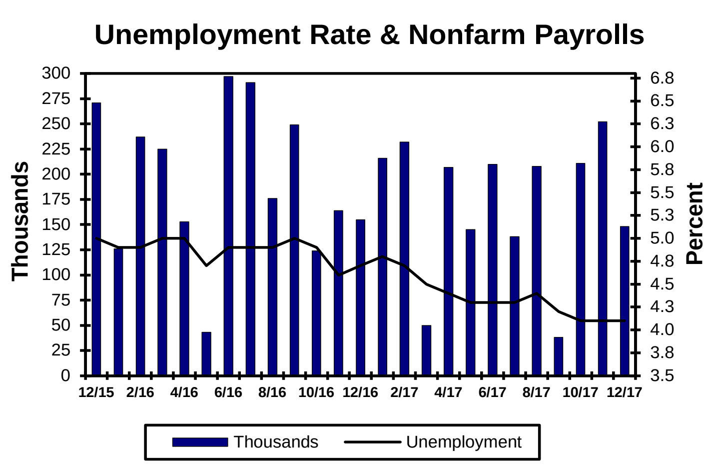
The nominal trade deficit widened by a larger-than-expected 3.2% in November to $50.5 billion – the biggest monthly gap since January 2012. While nominal exports of goods and services rose a solid 2.3%, imports jumped 2.5%. Helping to drive the jump in imports was $1.5 billion rise in petroleum imports that in part reflected higher prices. Imports of cell phones rose by $1.1 billion, likely reflecting Apple's introduction of its new phone. The real (inflation-adjusted) trade deficit widened by 1.7% in November to $66.7 billion. Real exports increased 2.5%, while real imports rose 2.2%. Real exports of capital goods, autos, and consumer goods all registered solid increases, but exports of industrial supplies contracted. On the other hand, real imports of industrial supplies, capital goods, autos, and consumer goods all registered increases in November. Both real imports and real exports posted double-digit annual growth over the three months ending in November. The figures for October and November suggest trade will subtract from GDP growth in Q4 2017. A further, fairly significant widening of the net export deficit is expected in 2018 by the consensus.

Consumer Price Index Rose An Expected 0.4% In November



The Consumer Price Index (CPI) increased 0.4% in November, lifting its y/y change to 2.2% from 2.0% in October. The core CPI that excludes food and energy prices rose a less-than-expected 0.1%, lowering its y/y change to 1.7% from 1.8% the month before. However, the 3-month annualized change in both the overall CPI and the core CPI was faster than their y/y rates of change. The big driver of November's change in the overall CPI was a 3.9% surge in energy prices that lifted its y/y change to 9.4%. Gasoline prices jumped 7.3% in November, natural gas prices were up 0.6%, and electricity prices rose 0.5%. Food prices, in contrast, were unchanged for a second, consecutive month in November, and up only 1.4% on y/y basis. Helping to hold the monthly increase in the core CPI to less than expected was a 1.3% decline in apparel prices, unchanged prices for medical care, and a 2.4% fall in prices for airfares. New vehicle prices rose 0.3 in November, but were down 1.1% y/y. Rent of primary residence and owners' equivalent rent were up 0.3% and 0.2%, respectively, in November and up 3.7% and 3.1%, respectively, on a y/y basis. The CPI likely rose 0.1% in December, but the core CPI 0.2%.

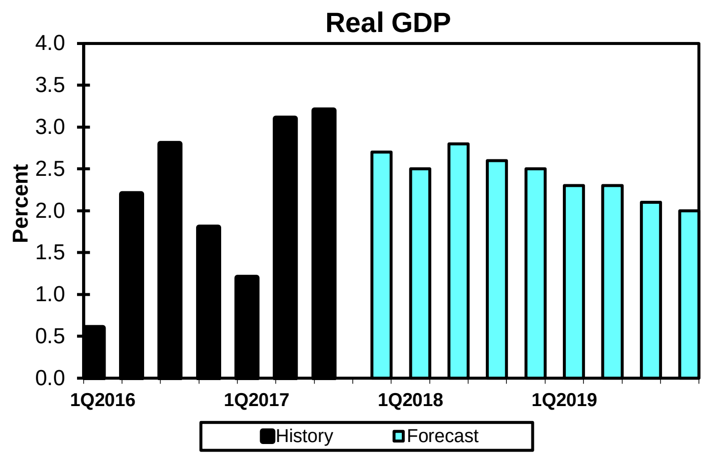
Nonfarm Payrolls Came In Lighter Than Expected In December



Total nonfarm payrolls increased by a less-than-expected 148,000 in December and revisions to the prior two months were downwardly-revised by 9,000. The December increase was short of both the 3-month and 12-month average increases of 171,000 and 204,000. A sharp drop of 20,300 in retail jobs weighed especially on the December gain in nonfarm payrolls. In contrast, manufacturing and construction payrolls continued to post solid gains. Payrolls in the private service-producing sector, however, increased by a below-trend 91.000 in December, well below their 12-month average of 129,000. The average workweek remained at 34.5 hours. The unemployment rate remained at 4.1% for a third, consecutive month, but the black unemployment rate dropped to a record low of 6.8%. Average hourly earnings rose 0.3% in December, leaving the 12-month change at 2.5% While December's payroll gain was short of consensus forecasts and the y/y change in average hourly earnings failed to tick higher, the report is unlikely to alter most analysts' expectations that the Federal Reserve will likely hike interest rates again at its March meeting.

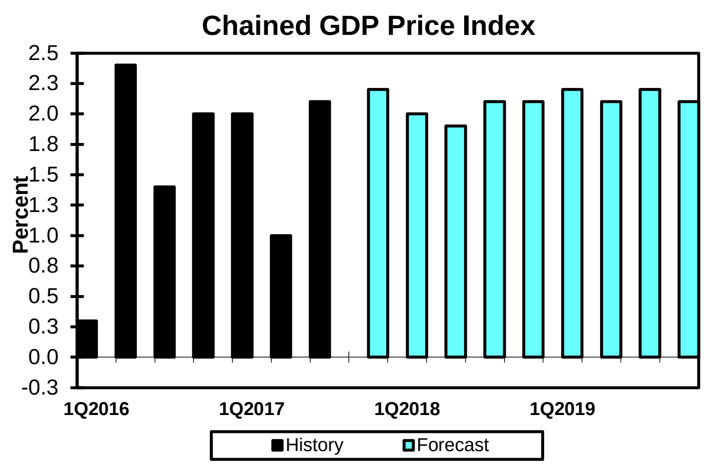
Quarterly U.S. Forecasts:

Real GDP



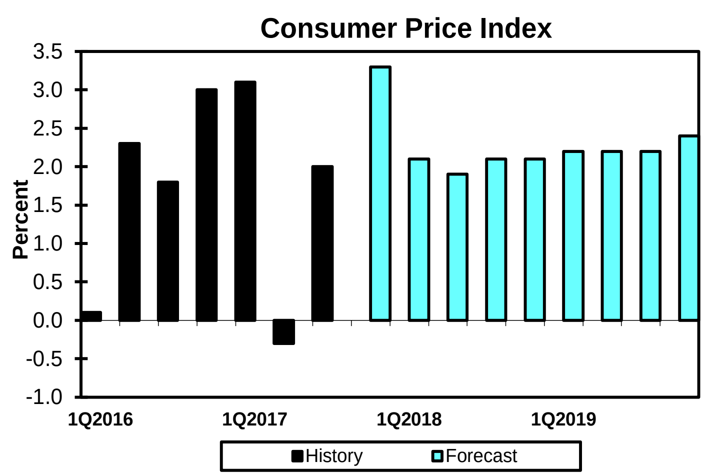
Real GDP grew a downwardly-revised 3.2% (saar) in Q3, according to BEA's third estimate. That was 0.1 of a percentage point slower than BEA's second estimate. Real PCE growth was revised from 2.3% (saar) to 2.2%, but growth in real business fixed investment was unrevised at 4.7%. Real residential investment contracted by a less-than-previously-estimated 4.7% (saar) compared to BEA's second estimate of a 5.1% decline. Inventories grew a little less than the previous estimated, while the real net export deficit was a bit wider than BEA's second estimate. Government spending and investment is now estimated to have grown 0.7% (saar) in Q3 compared to BEA's second estimate of a 0.4% increase. The consensus predicts real GDP grew 2.7% in Q4 2017, unchanged from last month. Growth in private domestic purchases was strong, but it appears that inventories and net exports held down the increase in GDP. Based on the forecast of Q4 growth, real GDP grew 2.6% on a q4/q4 basis in 2017. In 2018, the consensus predicts respective y/y and q4/q4 increases in real GDP of 2.7% and 2.6% in 2018 and 2.4% and 2.2% in 2019.

Chained GDP Price Index



The GDP price index increased 2.1% (saar) in Q3, according to BEA's third estimate. That is unchanged from BEA's first and second estimates, but more than double Q2's 1.0% (saar) increase. The price index for personal consumption expenditures still is estimated to have increased 1.5% (saar) compared to the tepid 0.3% (saar) advance in Q2. The price index for consumer durable goods contracted for a second quarter, falling 2.5% (saar), while the price index for consumer nondurable goods increased 2.4% (saar) after falling 3.6% in Q2. The price index for consumer services increased a trend-like 1.9% (saar), 0.1 of a percentage point less than BEA's second estimate. The price index for nonresidential investment rose a downwardly-revised 1.1% (saar) in Q3, while the price index for residential investment increased a downwardly-revised 4.4% (saar). The consensus predicts the GDP price index increased 1.8% on a q4/q4 basis in 2017. In 2018, it is forecast to increase 2.0% y/y – the largest increase since 2011 – and also register a q4/q4 increase of 2.0%. In 2019, it is forecast to increase 2.1% y/y and 2.2% q4/q4.

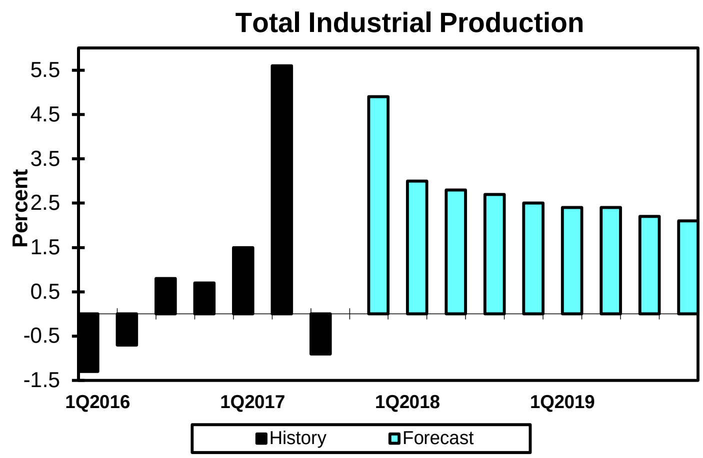
Consumer Price Index



The Consumer Price Index (CPI) increased 2.0% (saar) in Q3; rebounding from the soft 0.3% (saar) contraction in Q2 that resulted from a sharp decline in gasoline prices, coupled with softness in a few idiosyncratic and sector-specific areas. The Q3 rebound in the CPI was especially driven by a sharp increase in gasoline prices due to hurricane-related supply constraints. The CPI was up 2.2% on a y/y basis in November, but was up 4.2% at an annual rate in the three months ending that month. The core CPI (excludes food and energy prices) increased 1.7% (saar) in Q3, rebounding from an increase of only 0.6% (saar) in Q2. On a y/y basis, the core CPI in November was up 1.7% y/y, but was increasing at an annual rate of 1.9% in the three months ending in that month. The consensus predicts the CPI increased 3.3% (saar) in the final quarter of last year, lifted by higher gasoline prices at a time when they are normally falling. The forecasts of the CPI's q4/q4 change in 2017 remained at 2.0% this month. The consensus forecast of 2018's y/y change remained at 2.1% this month but the estimate of its q4/q4 change slipped to 2.0%. In 2019, it is forecast to increase 2.2% both y/y and q4/q4.

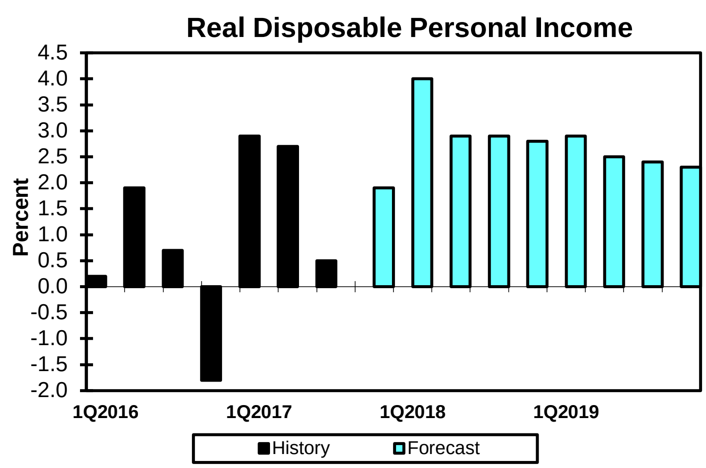
Quarterly U.S. Forecasts:

Industrial Production



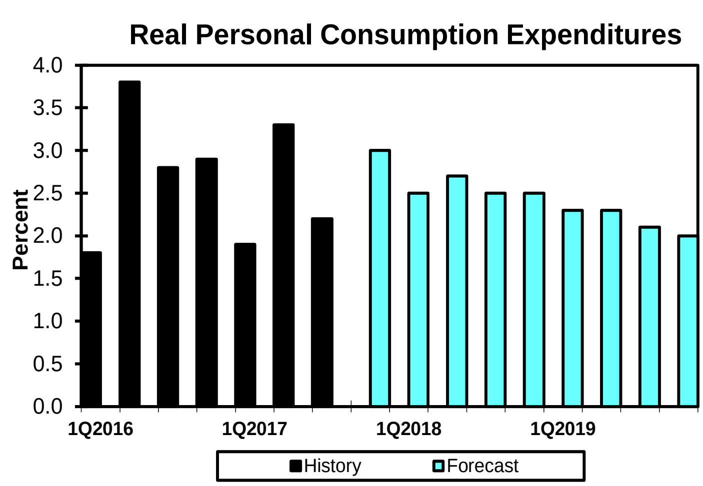
Total industrial production contracted a downwardly-revised 0.9% (saar) in Q3, according to latest estimate from the Fed, but monthly data suggest it bounced back strongly in Q4. The Q3 decline was attributable to Hurricanes Harvey and Irma, according to the Federal Reserve. The Q3 contraction followed increases of 5.6% (saar) in Q2, and 1.5% (saar) in Q1. Manufacturing output is now estimated to have contracted a downwardly-revised 2.0% (saar) in Q3. Utility output contracted 1.5% (saar) in Q3, but mining output bucked the trend, increasing a 5.2% (saar). In addition to the effects of the hurricanes, a 12.7% (saar) contraction in vehicle production weighed heavily on manufacturing output in Q3 as producers' attempted to bring inventories in line with demand. Ironically, vehicle losses due to hurricane damage have since produced a surge in auto and light truck sales. Total industrial production is estimated to have increased 2.9% q4/q4 in 2017. The consensus forecasts it will increase 2.9% y/y and 2.7% q4/q4 in 2018. In 2019, the consensus predicts a y/y increase of 2.4% and a q4/q4 increase of 2.3%.

Real Disposable Personal Income



Real disposable personal income (DPI) grew an unrevised 0.5% (saar) in Q3, according to BEA's third estimate. That followed real DPI growth of 2.9% and 2.7%, respectively, in Q1 and Q2 of 2017. Nominal DPI growth slowed from 3.0% (saar) in Q2 to 2.1% (saar) in Q3. Weighing on real DPI growth in Q3 was a significant rebound in inflation as the quarterly change in the PCE price index jumped from 0.3% (saar) in Q2 to 1.5% (saar) in Q3. Nominal wage and salary growth actually accelerated in Q3, increasing 3.9% (saar) versus 3.1% in Q2. However, both were well below the 6.3% (saar) pace in Q2. There also was a sharp deceleration of growth in dividend income to 1.6% (saar) from 11.4% in Q2. Real DPI likely grew about 1.3% y/y for all of 2017, closely in line with its 2016 increase of 1.4%. In the wake of tax cuts enacted by Congress in late December, the consensus now predicts real DPI will increase 2.7% y/y in 2018. That is up 0.3 of a percentage point from last month's estimate and would mark the largest annual increase since 2015. The consensus forecasts a y/y increase in real DPI of 2.6% in 2019.

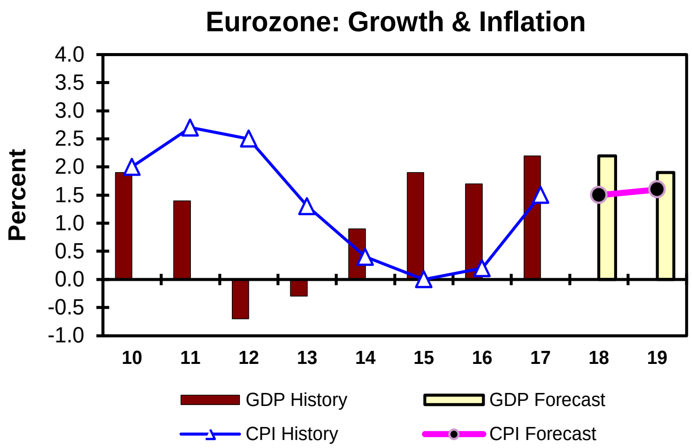
Real Personal Consumption Expenditures



Real personal consumption expenditures (PCE) grew 2.2% (saar) in Q3, according to BEA's third estimate. That is 0.1 of a percentage point less than BEA's second estimate and 1.1 of a percentage point slower than its growth rate in Q2. Consumer spending on goods grew and upwardly-revised 4.5% (saar) in Q3 versus 5.4% (saar) in Q2. Spending on durable goods accelerated to 8.6% (saar) in Q3 versus 7.6% in Q2. Spending on nondurable goods decelerated to 2.3% (saar) from 4.2% in Q2, knocked down by a sharp drop in gasoline prices. Consumer spending on services grew a soft, downwardly-revised 1.1% (saar) in Q3, the increase capped by below-trend spending on medical services and utilities. The consensus predicts that real PCE grew 3.0% (saar) in the final quarter of 2017. That would leave it up just about the same amount as its 2.7% y/y increase in 2016, but short of the 2.9% increase in 2014 and the 3.6% gain in 2015. In 2018, real PCE is projected by the consensus to register a y/y increase of 2.6%, up 0.1 of a percentage point from last month. In 2019, the consensus forecasts that y/y real PCE growth will slow to 2.3%.

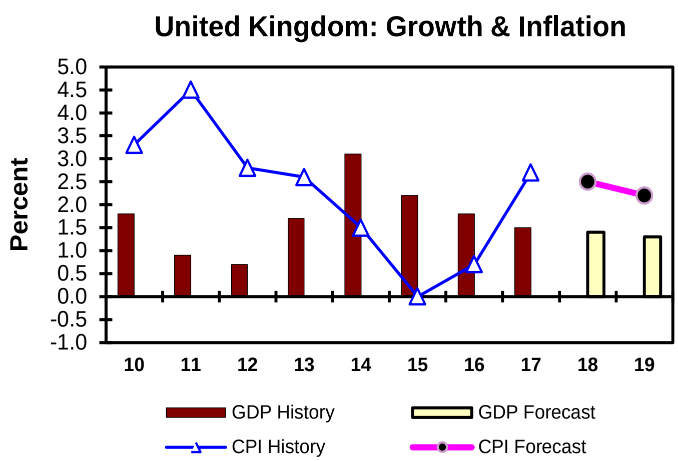
International Forecasts:

Eurozone



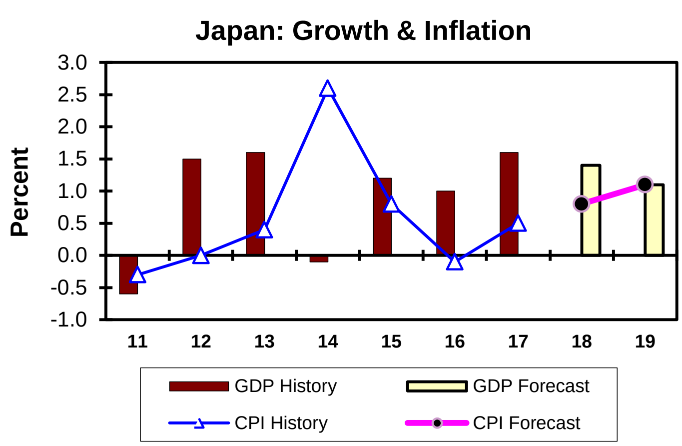
Economic growth in the Eurozone appears to have ended 2017 with a bang. Real GDP likely increased at an annual rate of 3.0% or slightly more in Q4, the best quarterly pace in more than a decade. That would come on top of Q3's growth rate of 2.5% (saar) that lifted its y/y rate of growth to an identical 2.5%, the fastest pace since Q1 2011. Moreover, GDP growth in the Eurozone during Q4 looks as if it remained as broad-based as it was in the prior quarter. Strong, above-trend GDP growth continues to drive unemployment lower in the Eurozone. For the currency zone as a whole it has dropped to the lowest level since 2009 and in Germany it has dropped to its lowest level since reunification in 1991. Headline consumer price inflation rose to 1.5% (y/y) in November, but core inflation remained at 0.9%. Despite healthy economic growth and rebounding inflation, the European Central Bank is not expected to lift interest rates during 2018. However, it is likely to end its asset purchase program in September when it is scheduled to lapse. Annual real GDP growth in the Eurozone likely increased 2.3% in 2017 and the consensus now predicts it will increase 2.2% in 2018 and 1.9% in 2019.

United Kingdom



It now looks as if real GDP growth during the final quarter of 2017 at least matched and might have exceeded its Q3 pace of 1.6% (saar). Although consumer borrowing likely slowed in Q4 from its previously torrid pace, holiday sales appear to have remained relatively healthy after consumers pushed spending to the fastest pace in a year during Q3. Moreover, activity in the dominant services sector improved more than expected in December according to the latest PMI reading. While the December PMI for the manufacturing sector slipped it remained at a healthy level as the weak pound continued to buoy export demand. Even the construction sector that had softened in the wake of the Brexit vote has shown some signs of life. Nonetheless, real GDP in 2017 likely grew by the least since 2009. While tough negotiations still lie ahead, most analysts assume that the chances of a disruptive "hard exit" by the U.K. from the European Union have diminished. Nonetheless, the prospect of slower economic growth, coupled with expectations that inflation will slow, have most analysts predicting the BoE will hike rates perhaps just once or twice in 2018. The consensus predicts real GDP growth of 1.4% in 2018 and 1.3% in 2019.

Japan



Real GDP growth in Japan grew an upwardly-revised 2.5% (saar) in Q3 compared to the preliminary estimate of 1.4%. That marked the seventh consecutive quarter of expansion, the longest streak in 16 years. Growth in Q3 was driven by surging exports which along with an increase in inventories accounted for all of the increase in GDP growth in the quarter. Indeed, private consumption, residential investment, and public consumption each contracted in Q3. Most analysts assume that real GDP's growth rate slowed to about a percentage point slower than its Q3 pace in the final quarter of 2017, but remained comfortably above its trend rate. Healthy economic growth has dropped the unemployment rate to a 24-year low of 2.7% and core consumer price inflation rose for an eleventh straight month in November to stand at 0.9% y/y. Despite all the good news, the Bank of Japan still is expected by most analysts to maintain an aggressively accommodative monetary policy stance in 2018. After likely posting annual real GDP growth of 1.7% in 2017, the consensus predicts Japan's economy will grow 1.4% in 2018 and 1.1% in 2019.

Databank:

2017 Historical Data

Monthly Indicator	Jan	Feb	Mar	Apr	May	Jun	Jly	Aug	Sep	Oct	Nov	Dec
Retail and Food Service Sales (a)	0.5	-0.2	0.1	0.3	0.0	-0.1	0.5	-0.1	2.0	0.5	0.8	
Auto & Light Truck Sales (b)	17.33	17.33	16.72	16.97	16.70	16.61	16.69	16.02	18.49	18.00	17.40	17.77
Personal Income (a, current $)	0.4	0.5	0.3	0.1	0.3	0.0	0.3	0.2	0.5	0.4	0.3	
Personal Consumption (a, current $)	0.2	0.1	0.5	0.3	0.2	0.1	0.4	0.2	1.0	0.2	0.6	
Consumer Credit (e)	3.1	5.2	4.7	3.9	5.8	3.7	5.7	3.7	6.1	6.5		
Consumer Sentiment (U. of Mich.)	98.5	96.3	96.9	97.0	97.1	95.1	93.4	96.8	95.1	100.7	98.5	95.9
Household Employment (c)	-157	435	553	97	-269	358	261	-40	853	-478	71	104
Non-farm Payroll Employment (c)	216	232	50	207	145	210	189	208	38	211	252	148
Unemployment Rate (%)	4.8	4.7	4.5	4.4	4.3	4.3	4.3	4.4	4.2	4.1	4.1	4.1
Average Hourly Earnings (All, cur. $)	26.02	26.10	26.13	26.18	26.22	26.27	26.39	26.42	26.53	26.51	26.54	26.63
Average Workweek (All, hrs.)	34.4	34.3	34.3	34.5	34.4	34.5	34.5	34.4	34.4	34.4	34.5	34.5
Industrial Production (d)	0.0	0.4	1.4	2.0	2.2	2.1	1.8	1.5	1.8	2.8	3.4	
Capacity Utilization (%)	75.7	75.8	75.9	76.6	76.6	76.6	76.5	76.1	76.2	77.0	77.1	
ISM Manufacturing Index (g)	56.0	57.7	57.2	54.8	54.9	57.8	56.3	58.8	60.8	58.7	58.2	59.7
ISM Non-Manufacturing Index (g)	56.5	57.6	55.2	57.5	56.9	57.4	53.9	55.3	59.8	60.1	57.4	55.9
Housing Starts (b)	1.236	1.288	1.189	1.154	1.129	1.217	1.185	1.172	1.159	1.256	1.297	
Housing Permits (b)	1.300	1.219	1.260	1.228	1.168	1.275	1.230	1.272	1.225	1.316	1.298	
New Home Sales (1-family, c)	599	615	638	590	606	619	564	559	635	624	733	
Construction Expenditures (a)	0.8	1.9	0.3	-1.8	1.6	-0.8	-0.9	0.5	1.3	0.9	0.8	
Consumer Price Index (nsa., d)	2.5	2.7	2.4	2.2	1.9	1.6	1.7	1.9	2.2	2.0	2.2	
CPI ex. Food and Energy (nsa., d)	2.3	2.2	2.0	1.9	1.7	1.7	1.7	1.7	1.7	1.8	1.7	
Producer Price Index (n.s.a., d)	1.7	2.0	2.2	2.5	2.3	1.9	2.0	2.4	2.6	2.8	3.1	
Durable Goods Orders (a)	2.4	1.4	2.4	-0.8	0.0	6.4	-6.8	2.1	2.4	-0.4	1.3	
Leading Economic Indicators (g)	0.6	0.5	0.4	0.2	0.3	0.6	0.3	0.4	0.1	1.2	0.4	
Balance of Trade & Services (f)	-48.8	-44.5	-44.8	-48.2	-47.9	-45.7	-45.2	-44.3	-44.9	-48.9	-50.5	
Federal Funds Rate (%)	0.65	0.66	0.76	0.90	0.90	1.03	1.15	1.15	1.16	1.15	1.15	1.29
3-Mo. Treasury Bill Rate (%)	0.51	0.53	0.73	0.80	0.90	1.02	1.09	1.04	1.06	1.09	1.23	1.33
10-Year Treasury Note Yield (%)	2.43	2.43	2.47	2.30	2.31	2.19	2.32	2.33	2.28	2.36	2.36	2.40

2016 Historical Data

Monthly Indicator	Jan	Feb	Mar	Apr	May	Jun	Jly	Aug	Sep	Oct	Nov	Dec
Retail and Food Service Sales (a)	-1.0	0.7	0.0	0.8	0.3	0.8	0.0	-0.1	1.0	0.6	0.1	0.9
Auto & Light Truck Sales (b)	17.64	17.51	16.77	17.49	17.22	16.99	17.75	17.13	17.65	17.80	17.56	18.05
Personal Income (a, current $)	0.0	-0.1	0.3	0.5	0.3	0.3	0.4	0.2	0.4	0.4	0.2	0.3
Personal Consumption (a, current $)	0.1	0.2	0.0	1.1	0.3	0.5	0.4	0.1	0.7	0.5	0.3	0.6
Consumer Credit (e)	4.4	4.4	9.9	5.7	7.5	4.8	5.8	9.0	6.9	5.2	8.3	4.5
Consumer Sentiment (U. of Mich.)	92.0	91.7	91.0	89.0	94.7	93.5	90.0	89.8	91.2	87.2	93.8	98.2
Household Employment (c)	441	429	224	-251	70	116	320	203	128	124	187	107
Non-Farm Payroll Employment (c)	126	237	225	153	43	297	291	176	249	124	164	155
Unemployment Rate (%)	4.9	4.9	5.0	5.0	4.7	4.9	4.9	4.9	5.0	4.9	4.6	4.7
Average Hourly Earnings (All, cur. $)	25.37	25.38	25.46	25.54	25.59	25.62	25.71	25.74	25.81	25.90	25.91	25.97
Average Workweek (All, hrs.)	34.6	34.5	34.4	34.4	34.4	34.4	34.4	34.3	34.4	34.4	34.3	34.4
Industrial Production (d)	-2.0	-2.0	-.25	-1.7	-1.4	-0.9	-1.2	-1.3	-1.2	-0.8	-0.5	0.9
Capacity Utilization (%)	76.1	75.9	75.4	75.6	75.6	75.8	75.9	75.8	75.6	75.7	75.5	76.0
ISM Manufacturing Index (g)	48.2	49.7	51.7	50.7	51.0	52.8	52.3	49.4	51.7	52.0	53.5	54.5
ISM Non-Manufacturing Index (g)	53.5	54.3	54.9	55.7	53.6	56.1	54.9	51.7	56.6	54.6	56.2	56.6
Housing Starts (b)	1.123	1.209	1.128	1.164	1.119	1.190	1.223	1.164	1.062	1.328	1.149	1.268
Housing Permits (b)	1.193	1.195	1.115	1.163	1.178	1.193	1.175	1.200	1.270	1.285	1.255	1.266
New Home Sales (1-family, c)	520	525	533	566	560	559	627	567	570	577	579	548
Construction Expenditures (a)	-0.3	1.4	1.6	-2.9	0.1	0.9	0.5	0.5	-0.2	0.8	1.5	-0.2
Consumer Price Index (s.a., d)	1.4	1.0	0.9	1.1	1.0	1.0	0.8	1.1	1.5	1.6	1.7	2.1
CPI ex. Food and Energy (s.a., d)	2.2	2.3	2.2	2.1	2.2	2.2	2.2	2.3	2.2	2.1	2.1	2.2
Producer Price Index (n.s.a., d)	0.0	0.1	-0.1	0.2	0.0	0.2	0.0	0.0	0.6	1.1	1.3	1.7
Durable Goods Orders (a)	4.3	-3.3	2.0	3.2	-2.9	-4.3	3.6	0.2	0.3	5.0	-4.7	-0.9
Leading Economic Indicators (g)	-0.2	0.1	0.1	0.5	-0.2	0.2	0.5	-0.2	0.3	0.2	0.2	0.6
Balance of Trade & Services (f)	-43.4	-45.3	-37.4	-38.4	-41.5	-43.8	-41.3	-41.1	-38.5	-43.1	-46.4	-44.6
Federal Funds Rate (%)	0.34	0.38	0.36	0.37	0.37	0.38	0.39	0.40	0.40	0.40	0.41	0.54
3-Mo. Treasury Bill Rate (%)	0.26	0.31	0.29	0.23	0.27	0.27	0.30	0.30	0.29	0.33	0.45	0.51
10-Year Treasury Note Yield (%)	2.09	1.78	1.89	1.81	1.81	1.64	1.50	1.56	1.63	1.76	2.14	2.49

(a) month-over-month % change; (b) millions, saar; (c) month-over-month change, thousands; (d) year-over-year % change; (e) annualized % change; (f) $ billions; (g) level. Most series are subject to frequent government revisions. Use with care.

Special Questions:

1. What will be the average monthly change in total nonfarm payrolls in 2018 and 2019?

Average monthly change in total nonfarm payrolls during:	2018	2019
Consensus	**165.5 thousand**	**137.0 thousand**
Top 10 Average	192.1 thousand	173.5 thousand
Bottom 10 Average	142.3 thousand	94.9 thousand

2. Average hourly earnings were up 2.5% y/y in November. What will be the December-over-December change in average hourly earnings in 2018?

	December-over-December change in average hourly earnings in 2018
Consensus	**2.96%**
Top 10 Average	3.46%
Bottom 10 Average	2.48%

3. West Texas Intermediate crude oil was just short of $60 per barrel on December 26th. What will be its price at the end of 2018?

	Price of West Texas Intermediate crude oil at end of 2018
Consensus	**$60.09 per barrel**
Top 10 Average	$67.43 per barrel
Bottom 10 Average	$54.00 per barrel

4. What will be the year-over-year percent change in real residential investment in 2018 and 2019?

Y/Y percent change in real residential investment	2018	2019
Consensus	**3.1%**	**3.5%**
Top 10 Average	5.9%	7.6%
Bottom 10 Average	0.8%	1.1%

5. What will be the year-over-year percent change in real business equipment investment in 2018 and 2019?

Y/Y percent change in real business equipment investment	2018	2019
Consensus	**7.1%**	**5.0%**
Top 10 Average	10.1%	7.9%
Bottom 10 Average	4.6%	2.5%

6. At which meeting will the Federal Reserve's Open Market Committee NEXT raise interest rates?

(Percentage of those responding)

Jan. 30-31	Mar. 20-21	May 1-2	Jun 12-13	Later
1.9%	86.8%	1.9%	9.4%	0.0%

7. By how many basis points will the FOMC raise interest rates in 2018?

Total basis point increase in interest rates by FOMC in 2018:
(Percentage of those responding)

0 b.p.	25 b.p.	50 b.p.	75 b.p.	100 b.p.	More than 100 b.p.
0.0%	5.7%	7.5%	56.6%	30.2%	0.0%

8. What are the odds that a U.S. recession will begin in 2018? If not in 2018, what about in 2019

(Between 0% and 100%)

Odds that a U.S. recession begins in	2018	2019
Consensus	**16.1%**	**28.1%**
Top 10 Average	26.8%	46.5%
Bottom 10 Average	8.8%	15.8%

9. What are the three biggest threats to continued U.S. economic growth in 2018?

(Ranked according to frequency of mention)

A. Inflation surprises on the upside/bond market sells off/Fed tightens more than expected
B. Protectionism/trade war/NAFTA negotiations collapse
C. Impact of tax cuts on business investment/consumer spending is less than expected
D. Sharp correction in a multitude of asset prices
E. Geopolitical tensions/North Korea
F. Rising wages/labor shortages

Viewpoints: A Sampling Of Views On The Economy, Financial Markets And Government Policy Excerpted From Recent Reports Issued By Our Blue Chip Panel Members And Others

Is 3% The New 2% For The U.S. Economy?

Nine years into the current expansion, the U.S. economy seems to be getting stronger instead of weaker. Need proof?

The housing market is ripping higher after a summer lull, with sales and starts at decade peaks, prices accelerating more than 6% and home-builders giddier than during the bubble. Residential construction likely clocked-in with a double-digit gain in Q4.

Spending on commercial construction has emerged from its soft patch, led by a 24% annualized leap in office buildings in the three months to November.

Overall business investment remains strong, with companies expanding capacity to meet demand. Equipment spending likely rose in excess of 8% annualized for a third straight quarter in Q4.

According to the ISM, manufacturers are enjoying the best conditions in 13 years, and a raft of new orders is sure to grease assembly lines in the months ahead. (True, the non-manufacturing index slipped from recent 13-year highs but its Q4 level remains decent.)

After rebounding smartly last year on firmer global demand and a softer dollar, exports are chugging higher, jumping 2.3% in November and 8.3% in the past year. Sure the trade deficit widened, but only because robust domestic spending sucked in imports.

Despite a decade-low personal savings rate, consumers show little sign of retrenching. After the best holiday shopping season in years, spending will get a fillip from reduced withholding taxes in the new year.

Motor vehicle sales have reversed little from the earlier flood-related spike. Revving at a 17.9 million pace in December, auto sales remain in top gear.

Hiring remains robust, even as it downshifted modestly last year amid worker shortages. Though likely benefitting somewhat from post-hurricane rebuilding, nonfarm payroll gains averaged 204,000 in the fourth quarter, marking the best quarter of the year.

The recent data largely support our call for 2.9% GDP growth in Q4. This means that over the past three quarters growth has taken a giant leap above the post-recession trend, averaging 3.1% versus 2.2%. Nobody (except perhaps the President) saw that coming.

The economy's momentum implies an upside risk to our 2018 outlook. We recently raised our annual growth call to 2.6% (from 2.4%) to reflect the frontloading of fiscal stimulus. Given that financial conditions—which have never been more supportive in the past two decades—will likely tighten as a result of higher interest rates and a presumably fading wealth effect (if equities ever cool their jets), we are wary of revising our call even higher. But this could change. The wildcard is business spending. While investment should continue to grow strongly due to corporate tax cuts, 100% expensing and repatriation tax breaks, it should still moderate somewhat from last year's near-5% pace, which was juiced by a rebound in the oil industry (the Administration's proposal to open up 90% of the nation's areas for offshore drilling faces stiff opposition and is not expected to start until 2019). However, if business spending responds more than expected to tax incentives, we would be inclined to lift our forecast further. Keep a close eye on capital goods orders, equipment production and business confidence surveys.

Barring a meaningful upturn in productivity or a surprising influx into the workforce, the economy simply can't sustain 3% growth in the long run, as potential is running at less than 2%. But this doesn't mean it can't continue to grow around 3% for several more quarters. It just means that inflation pressures would likely build, pushing up interest rates and the risk of recession in 2019.

Sal Guatieri, BMO Capital Markets, Toronto, Canada

New Year, New Tax Code, New Economy

After careful consideration of the tax legislation, we are changing our baseline economic forecasts. We expect stronger economic growth this year and next, fueled by healthier aggregate demand. However, we maintain our view that the tax changes will not alter long-term growth prospects and therefore we are not adjusting our estimate of potential growth (remains at 1.7%) or equilibrium fed funds rates (R* of 2.75%). The consequence – the economy runs "hot" sooner than previously anticipated.

Here are the main points:

GDP growth: we are revising up growth to 2.7% this year (+0.3pp) and to 2.2% in 2019 (+0.2pp). This owes to stronger consumption and capital expenditures with some offset from faster import growth. We are assuming that consumers will spend approximately 1/3rd of the tax cuts, therefore also sending the savings rate higher.

Unemployment rate: we expect the unemployment rate to reach 3.7% by end of this year and 3.4% by end of next, testing the lows reached in the late 1960s.

Core inflation: we are sticking to our forecast for core PCE inflation to end this year at 1.8% (Q4/Q4) but expect it to accelerate to 2.1% next year.

Fed funds: while it is a close call, we are maintaining our view that the Fed will hike 3 times this year while acknowledging that the risks are skewed toward achieving 4 hikes. We now expect the Fed to similarly hike 3 times next year as well.

Michelle Meyer and Joseph Song, Bank of America-Merrill Lynch, New York, NY

FOMC To Keep Hiking

Despite some disappointments over the past week, we remain comfortable with our view that the FOMC will hike rates in March and four times overall this year. The minutes to the December FOMC meeting noted that "a few" participants thought that the pace should be faster than the median dot (showing three hikes in 2018), while "a few others" thought the pace should be slower, all of which was already implicit in the forecast "dots." We did read the discussion of the outlook as suggesting somewhat less concern about persistently low inflation. In particular, "many" participants expected cyclical pressures to raise inflation, whereas only "several" were concerned that persistently low inflation could depress inflation expectations further. In Fed-speak, many is greater than several, and this stood in contrast to the minutes to the Oct 31- Nov 1 meeting when "many" were concerned that low inflation developments would persist.

Michael Feroli and Daniel Silver, JPMorgan Chase, New York, NY

Calendar Of Upcoming Economic Data Releases

Monday	Tuesday	Wednesday	Thursday	Friday
January 8 Consumer Credit (Nov)	**9** NFIB survey (Dec) JOLTS (Nov))	**10** Import Prices (Dec) Wholesale Trade (Nov) EIA Crude Oil Stocks Mortgage Applications	**11** Producer Price Index (Dec) Federal Budget (Dec) Weekly Jobless Claims Weekly Money Supply	**12** Retail Sales (Dec) Consumer Price Index (Dec) Business Inventories (Nov
15 **Martin Luther King, Jr. Day** **U.S. Markets Closed**	**16** Empire State Manufacturing (Jan)	**17** Industrial Production (Dec) Beige Book NAHB Survey (Jan) Business Leaders Survey (Jan) TIC Data (Nov) EIA Crude Oil Stocks Mortgage Applications	**18** Philadelphia Fed Manufacturing Survey (Jan) Housing Starts (Dec) Weekly Jobless Claims Weekly Money Supply	**19** Consumer Sentiment (Jan, preliminary, University of Michigan)
22	**23** Philadelphia Fed Nonmanufacturing survey (Jan) Richmond Fed Surveys (Dec)	**24** IHSMarkit Manufacturing PMI (Jan< Flash) IHSMarkit Services PMI (Jan, Flash) Existing Home Sales (Dec) FHFA Home Price Index (Nov) EIA Crude Oil Stocks	**25** Advance Economic Indicators (Dec) New Home Sales (Dec) Kansas City Fed survey (Jan) Weekly Jobless Claims Weekly Money Supply	**26** Real GDP (Q4, Advance) Durable Goods (Dec)
29 Personal Income (Dec) Dallas Fed Manufacturing (Jan)	**30** **FOMC Meeting** S&P/Case-Shiller Home Price Index (Nov) Consumer Confidence (Conference Board, Jan) Dallas Fed Services (Jan)	**31** **FOMC Meeting** **Statement 2:00 pm** ADP Employment (Jan) Chicago PMI (Jan) Employment Cost Index (Q4) Pending Home Sales (Dec) EIA Crude Oil Stocks	**February 1** IHSMarkit Manufacturing PMI (Jan, Final) ISM Manufacturing (Jan) Light Vehicle Sales (Jan) Construction spending (Dec) Productivity and Costs (Q4, Preliminary) Weekly Jobless Claims Weekly Money Supply	**2** Employment (Jan) Consumer Sentiment (Jan, final, University of Michigan) Factory Orders (Dec)
5 IHSMarkit Servies PMI (Jan, final) ISM Nonmanufacturing (Jan) Senior Loan Officer Survey (Q1))	**6** International Trade (Dec) JOLTS (Dec))	**7** Consumer Credit (Dec) EIA Crude Oil Stocks Mortgage Applications	**8** Weekly Jobless Claims Weekly Money Supply	**9** Wholesale Trade (Dec)
12 Federal Budget (Jan)	**13** NFIB Survey (Jan)	**14** Retail Sales (Jan) Consumer Price Index (Jan) Business Inventories (Dec) EIA Crude Oil Stocks Mortgage Applications	**15** Philadelphia Fed Manufacturing Survey (Feb) Empire State Survey (Feb) Industrial Production (Jan) Producer Price Index (Jan) NAHB Survey (Feb) TIC Data (Dec) Weekly Jobless Claims Weekly Money Supply	**16** Consumer Sentiment (Feb, preliminary, University of Michigan) Housing Starts (Jan) Import Prices (Jan) Quarterly Spending Survey (Q4 Advance)

EXPLANATORY NOTES

For 42 years, ***Blue Chip Economic Indicators'*** monthly survey of leading business economists has provided private and public sector decision-makers timely and accurate forecasts of U.S. economic growth, inflation and a host of other critical indicators of business activity. The newsletter utilizes a standardized format that provides a fast read on the prevailing economic outlook. The survey is conducted over two days, generally beginning on the first working day of each month. Forecasts of U.S. economic activity are collected from more than 50 leading business economists each month. The newsletter is generally finished on the third day following completion of the survey and delivered to subscribers via e-mail or first class mail.

The hallmark of ***Blue Chip Economic Indicators*** is its *consensus forecasts*. Numerous studies have shown that by averaging the opinions of many experts, the resulting consensus forecasts tend to be more accurate over time than those of any single forecaster.

Annual Forecasts On pages 2 and 3 of the newsletter are individual and consensus forecasts of U.S. economic performance for this year and next. The names of the institutions that contribute forecasts to these pages are listed on the left of the page. They are ranked from top to bottom based on how fast they expect the U.S. economy to expand in the current year. Some of these institutions have one or more asterisks (*) after their names, denoting how many times they have won the annual *Lawrence R. Klein Award for Blue Chip Forecast Accuracy*.

Across the top of pages 2 and 3 is a list of the variables for which the individual cooperators have provided forecasts. Definitions and organizations that issue estimates for these variables are found at the bottom of page 3. For columns 1-9, the forecasts are for the year-over-year percent change in each variable. Columns 10-12 represent average percentage levels of the year in question. Column 15 is an inflation-adjusted dollar level, measured in billions of chained 2000 dollars. High and low forecasts from the panel members for each variable are denoted with an "H" or "L".

Immediately below the forecasts of the individual contributors are this month's consensus forecasts. The consensus is derived by averaging our panel members' forecasts for each variable. Below the consensus forecasts are averages of this month's ten highest and ten lowest forecasts for each variable. Below them are last month's consensus forecasts. To put the forecasts in context, we include four years of historical data for each variable at the bottom of page 2. Please note that these figures can change due to government revisions of previously released estimates. Below the historical data are the number of forecasts changed from a month ago for each variable, the median forecast for each variable and a diffusion index. The diffusion index serves as a leading indicator of future changes in the consensus forecast. A reading above 50% hints of future increases in the consensus; a reading below 50% hints of future declines. The diffusion index is calculated by adding to the number of forecasters who raised their forecasts for a particular variable this month, half the number of those who left their forecasts unchanged, then dividing the sum by the total number of those contributing forecasts.

Historical Annual Consensus Forecasts Page 4 contains the forecasts from previous issues for the current and subsequent year so that subscribers can see how the outlook has changed over time. Each issue also includes graphs and analysis focusing on noteworthy changes and trends in the consensus outlook.

Quarterly Forecasts Page 5 contains quarterly historical data and consensus forecasts of the U.S. economy's performance. For columns 1-7, the forecasts are for the quarter-over-quarter, seasonally-adjusted, annualized percent change in each variable. Columns 8-10 represent average percentage levels for the quarter in question. Columns 11 and 12 represent seasonally-adjusted, annualized levels for the quarter, measured in billions of inflation-adjusted dollars. As is the case on pages 2-3, the consensus quarterly forecasts on the top half of page 5 are simple averages of our contributors' forecasts. The high-10 and low-10 forecasts are averages of the 10 highest and 10 lowest forecasts for each variable. At the bottom of page 5 are additional quarterly consensus forecasts for Real GDP, GDP Price Index, Industrial Production and Consumer Price Index. These figures are produced by taking the annualized quarterly consensus forecasts found on the top of page 5 and computing a quarterly dollar value for Real GDP, and average quarterly index levels for the GDP Price Index, Industrial Production and the Consumer Price Index. We then compute a year-over-year percentage change between the relevant quarter and the corresponding quarter of the previous year.

International Forecasts Pages 6-7 contain historical data and consensus forecasts of five key economic variables for 15 of the U.S.'s largest trading partners. A list of the institutions contributing forecasts to these pages can be found at the bottom of page 7. Columns 1 and 2 are forecasts of the year-over-year percent change in inflation-adjusted economic growth and consumer price inflation for this year and next. Column 3 is each nation's estimated current account surplus or deficit, reported in billions of current U.S. dollars. Column 4 is the estimated value of each nation's currency versus the U.S. dollar at the end of this year and next. Column 5 is the estimated level of interest rates on 3-month interest rates in each nation at the end of this year and next. Immediately below this month's consensus and the highest and lowest estimates for each variable are last month's forecasts and a limited amount of historical data. The historical data may change from month-to-month due to government revisions.

Special Questions On page 14, we report on panel members' answers to our special questions. Individuals' responses to the special questions are never displayed, only consensus, top-10 and bottom-10 results. *In March and October, we publish our semi-annual, long-range surveys.* In addition to our usual forecasts for this year and next, the semiannual, long-range survey results provide subscribers with consensus forecasts of all the variables found on pages 2 and 3 for the each of the following five years, plus an average for the five-year period after that.

Blue Chip Econometric Detail With the March, June, September and December issues, subscribers also receive a four-page quarterly supplement entitled *Blue Chip Econometric Detail*. The supplement contains forecasts of an expanded list of economic and financial variables that are derived from the consensus forecasts found in *Blue Chip Economic Indicators*. Macroeconomic Advisers, LLC of St. Louis, Missouri produces this forecast detail based on a simulation of its econometric model of the U.S. economy.

Should you have questions about the contents, or methods used to produce ***Blue Chip Economic Indicators****, please contact Randell Moore at (816) 931-0131 or email him at: randy.moore@wolterskluwer.com.*