

# U.S. Economic Outlook

## Monthly Update

March 11, 2015

# Meeting Details

**Topic: U.S. Economic Outlook**

**Date: Wednesday, March 11, 2015**

**Time: 10:00 am, Central Standard Time (Chicago, GMT-06:00)**

**Meeting Number / Access Code: 717 052 815**

**Meeting Password: bbva1234**

**To join the online meeting:**

<https://bbvacompass.webex.com/bbvacompass/j.php?MTID=me51336d1ba0e043a2b41f555c8f5b9ce>

**To join the audio conference only:**

**Call-in toll-free number (US/Canada): 1-877-768-4036**

**Call-in toll number (US/Canada): 1-972-932-2100**

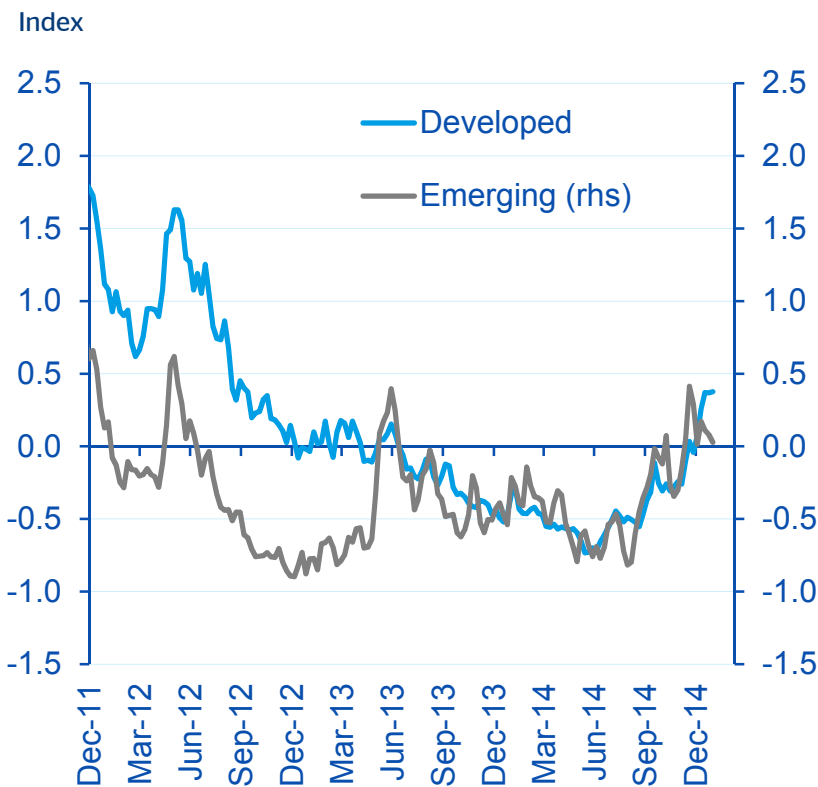
**Global call-in numbers:**

<https://bbvacompass.webex.com/bbvacompass/globalcallin.php?serviceType=MC&ED=187370482&tollFree=1>

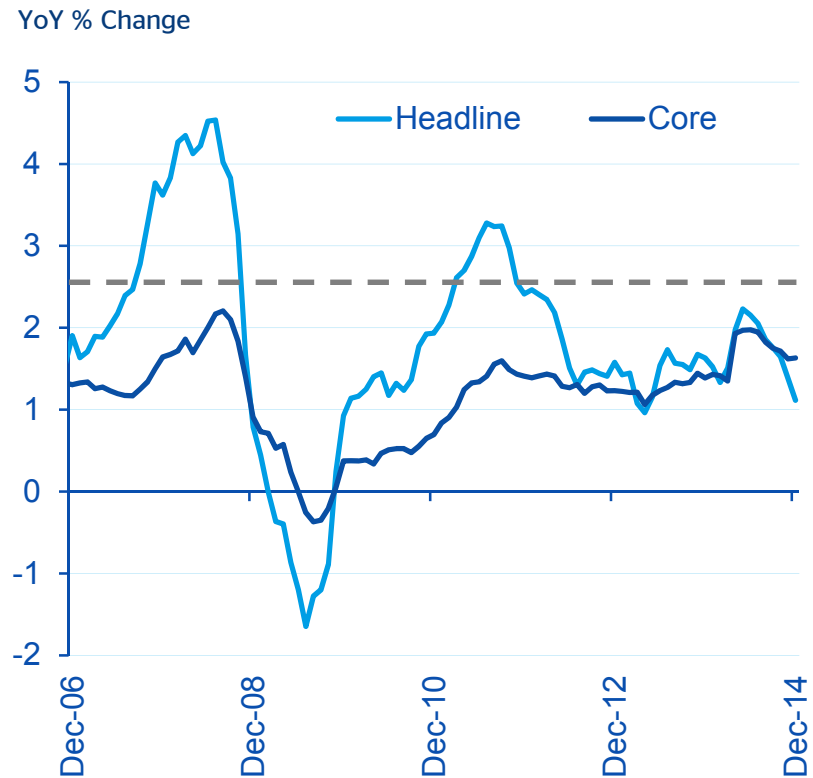
# Global Growth

Moderately positive scenario (+3.5% GDP) but risks tilted to the downside

BBVA Research Financial Tensions Index



Global Inflation (avg of U.S., Euro, Japan, China)



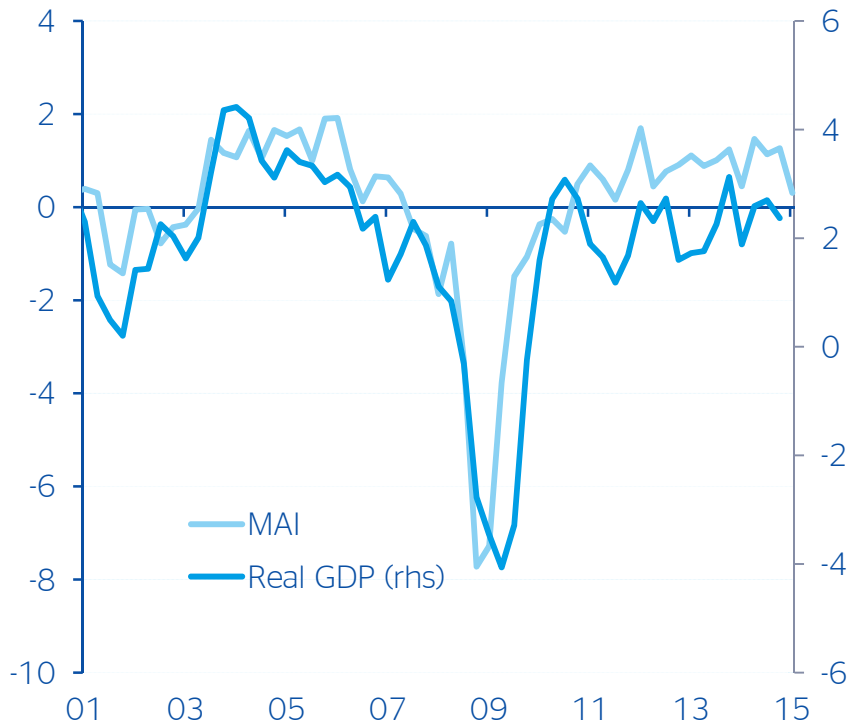
Source: BBVA Research, Haver Analytics, & Bloomberg



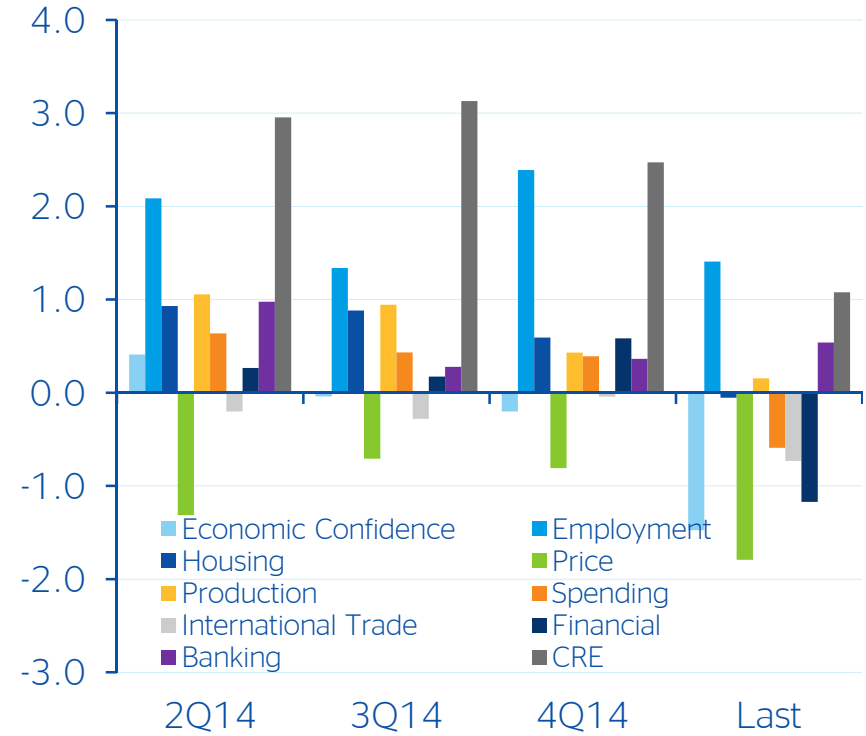
# GDP Growth

## 2015 expected to be the strongest year since 2005

**BBVA Research USA MAI & Real GDP**  
4Q % Change



**BBVA Research USA MAI Components**  
Index



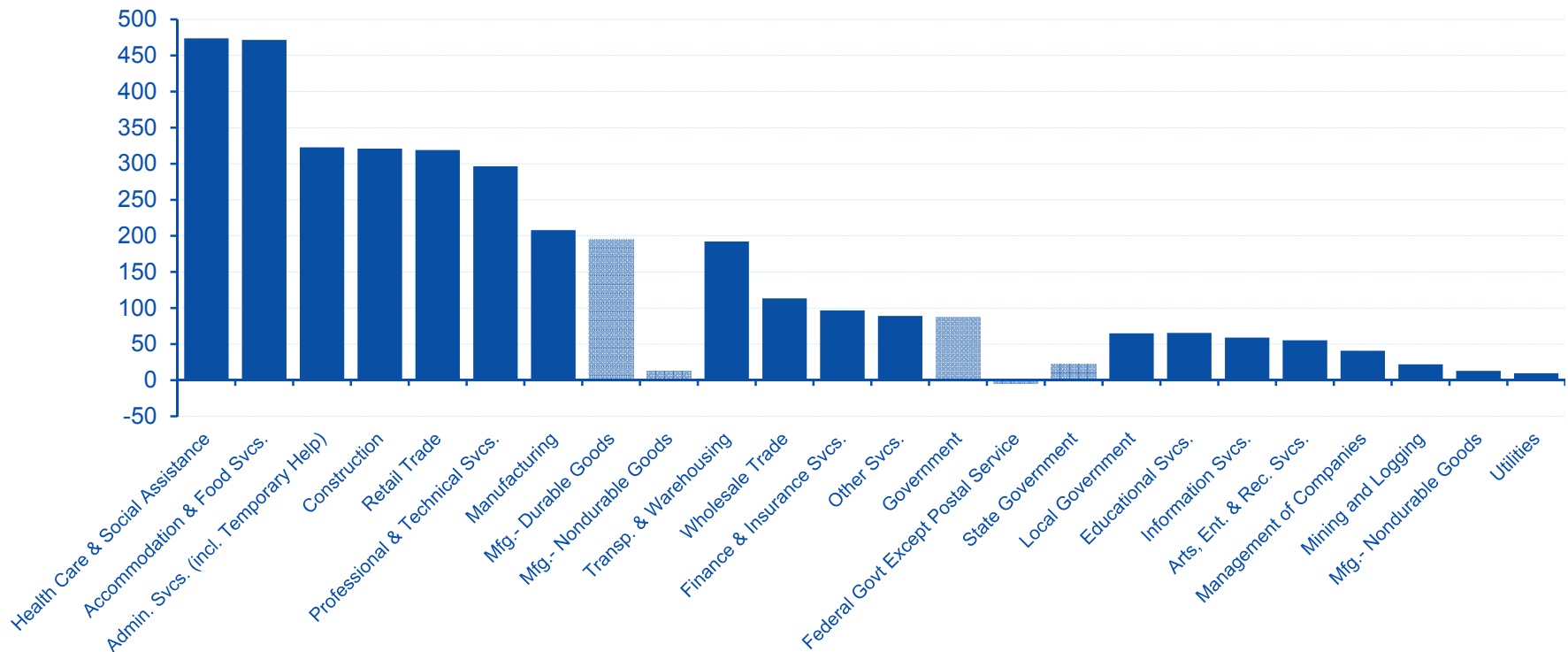
Source: BBVA Research & BEA



# Employment

## Monthly payroll growth +200K could push the unemployment rate below 5.0% by 4Q15 or 1Q16

12-Month Nonfarm Payroll Growth  
SA, Thousands

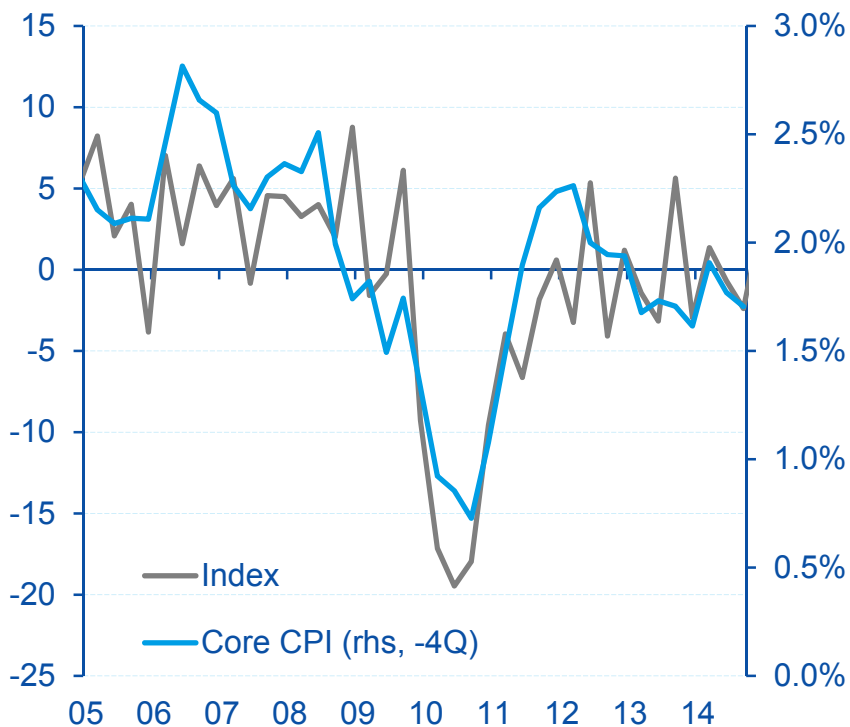


Source: BBVA Research & BLS

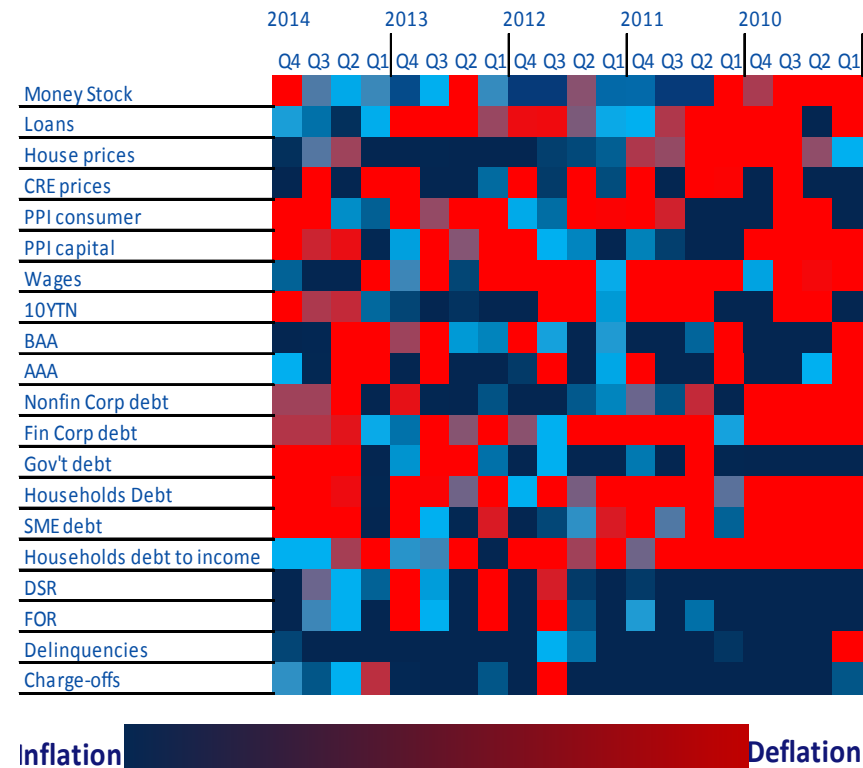
# Inflation

Oil prices have stabilized, but our forecast for inflation remains biased to the downside

BBVA Research USA Inflation Risk Index



BBVA Research USA Inflation Heat Map

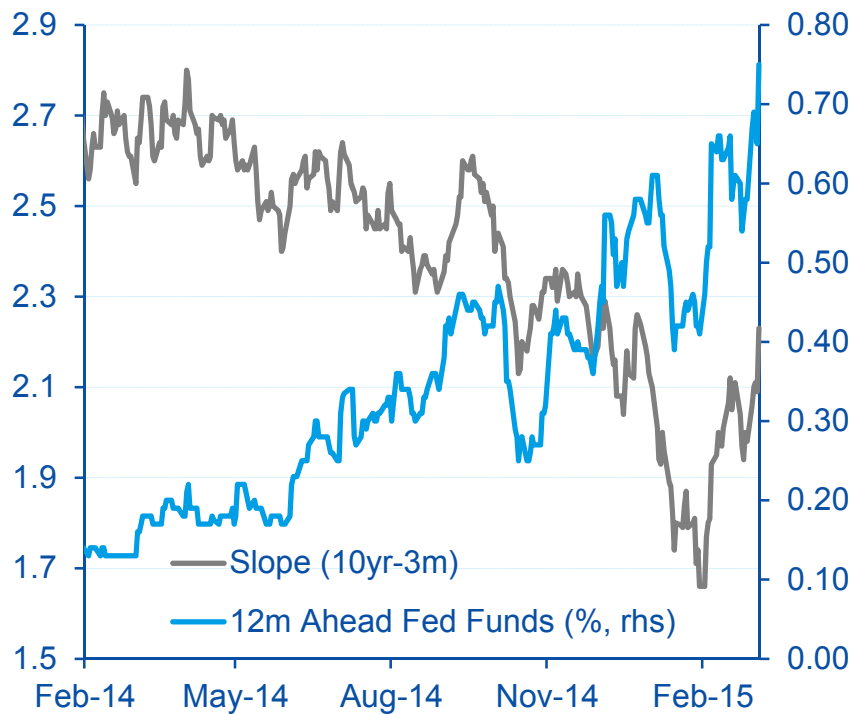


Source: BBVA Research & BLS

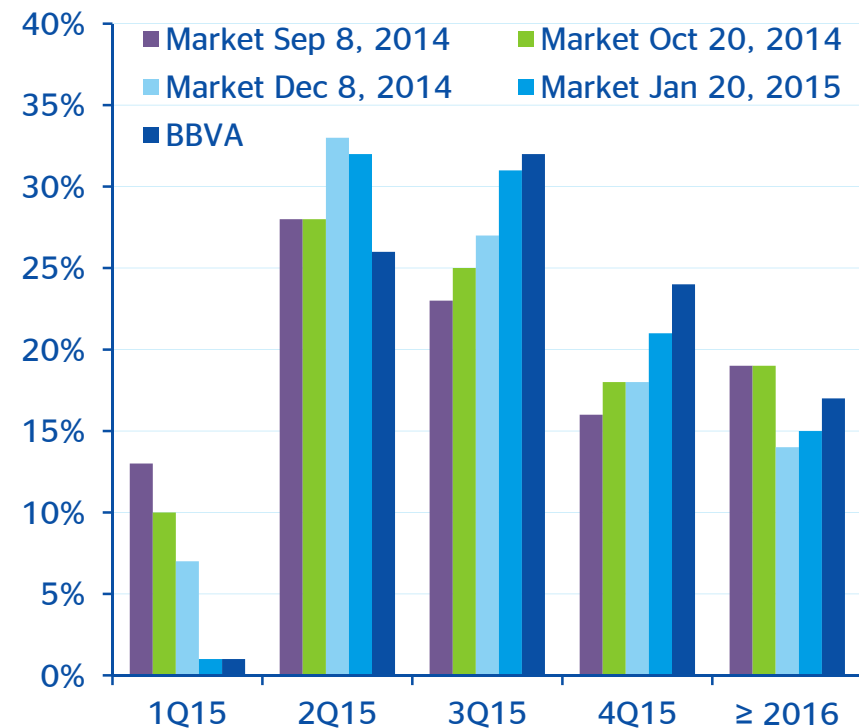
# Monetary Policy

## Fed dilemma: Stronger growth and lower unemployment amidst downward price pressures

Fed Futures & Yield Curve Slope  
% and 10YTN-3YTN



Fed Funds Probability of First Rate Increase  
%



Source: BBVA Research, Bloomberg, & FRB

# Baseline Scenario

A balancing act: upward revision to 2015 growth alongside downward shift in inflation expectations

	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	2011	2012	2013	2014	2015	2016	2017	2018
Real GDP (% SAAR)	1.8	4.5	3.5	-2.1	4.6	5.0	2.2	1.6	2.3	2.2	2.4	<b>2.9</b>	<b>2.8</b>	<b>2.8</b>	<b>2.9</b>
Real GDP (Contribution, pp)															
PCE	1.2	1.4	2.5	0.8	1.8	2.2	2.8	1.6	1.3	1.6	1.7	<b>1.9</b>	<b>1.8</b>	<b>1.7</b>	<b>1.6</b>
Gross Investment	1.0	2.5	0.6	-1.1	2.9	1.2	0.8	0.7	1.3	0.8	0.9	<b>0.6</b>	<b>0.8</b>	<b>1.0</b>	<b>1.0</b>
Non Residential	0.2	0.7	1.2	0.2	1.2	1.1	0.6	0.9	0.8	0.4	0.8	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>	<b>0.8</b>
Residential	0.5	0.3	-0.3	-0.2	0.3	0.1	0.1	0.0	0.3	0.3	0.1	<b>0.2</b>	<b>0.3</b>	<b>0.2</b>	<b>0.2</b>
Exports	0.8	0.7	1.3	-1.3	1.4	0.6	0.4	0.9	0.4	0.4	0.4	<b>0.5</b>	<b>0.5</b>	<b>0.6</b>	<b>0.6</b>
Imports	-1.4	-0.1	-0.2	-0.4	-1.8	0.2	-1.6	-0.9	-0.4	-0.2	-0.7	<b>0.3</b>	<b>-0.1</b>	<b>-0.2</b>	<b>-0.3</b>
Government	0.0	0.0	-0.7	-0.2	0.3	0.8	-0.3	-0.7	-0.3	-0.4	0.0	<b>0.1</b>	<b>0.0</b>	<b>-0.1</b>	<b>0.0</b>
Unemployment Rate (% average)	7.5	7.2	7.0	6.6	6.2	6.1	5.7	8.9	8.1	7.4	6.2	<b>5.3</b>	<b>4.9</b>	<b>4.6</b>	<b>4.5</b>
Average Monthly Nonfarm Payroll (K)	178	190	217	193	284	237	324	173	188	199	260	<b>229</b>	<b>234</b>	<b>252</b>	<b>256</b>
CPI (YoY %)	1.4	1.5	1.2	1.4	2.1	1.8	1.2	3.1	2.1	1.5	1.6	<b>1.5</b>	<b>2.1</b>	<b>2.2</b>	<b>2.3</b>
Core CPI (YoY %)	1.7	1.7	1.7	1.6	1.9	1.8	1.7	1.7	2.1	1.8	1.7	<b>1.9</b>	<b>2.1</b>	<b>2.2</b>	<b>2.3</b>
Fiscal Balance (% GDP)	-	-	-	-	-	-	-	-8.7	-6.8	-4.1	<b>-2.9</b>	<b>-2.7</b>	<b>-2.6</b>	<b>-2.6</b>	<b>-2.7</b>
Current Account (bop, % GDP)	-2.6	-2.4	-2.0	-2.6	-	-	-	-3.0	-2.8	-2.4	<b>-2.5</b>	<b>-2.9</b>	<b>-2.9</b>	<b>-2.5</b>	<b>-2.3</b>
Fed Target Rate (% eop)	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	<b>0.50</b>	<b>1.50</b>	<b>2.50</b>	<b>3.25</b>
Core Logic National HPI (YoY %)	11.06	11.65	11.82	11.04	7.92	5.88	5.05	-3.82	3.90	11.09	7.40	<b>6.10</b>	<b>5.70</b>	<b>4.38</b>	<b>3.25</b>
10-Yr Treasury (% Yield, eop)	2.30	2.81	2.90	2.72	2.60	2.53	2.21	1.98	1.72	2.90	2.21	<b>2.60</b>	<b>3.11</b>	<b>3.54</b>	<b>3.90</b>
U.S. Dollar / Euro (eop)	1.32	1.34	1.37	1.38	1.36	1.29	1.23	1.32	1.31	1.37	1.23	<b>1.15</b>	<b>1.20</b>	<b>1.28</b>	<b>1.32</b>
Brent Oil Prices (dpb, average)	102.7	110.3	109.3	108.2	109.7	102.0	76.3	111.3	111.7	108.7	99.0	<b>60.0</b>	<b>90.8</b>	<b>99.5</b>	<b>100.5</b>



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