

U.S. Economic Outlook

Monthly Update

October 16, 2015

Conference Call Details

U.S. Economic Outlook: Sliding into the Fourth Quarter

BBVA Research USA would like to invite you to our U.S. Economic Outlook conference call on Friday, October 16th, at 10am Central Time. During the call, we will present our monthly update to the economic scenario followed by a brief Q&A period.

This month's focus is on the latest economic data taking us into 4Q15. Why did the Fed delay the rate hike from September? Will the lack of overwhelmingly strong activity force them to push liftoff into 2016?

Please join us for an informative discussion with Kim Chase



Kim Chase
Senior Economist, BBVA Research USA
kim.fraser@bbva.com
[@BBVAResearchUSA](https://twitter.com/BBVAResearchUSA)
www.bbva.com/research

Friday, October 16, 2015
10:00 am | CDT (GMT -05:00) | 30 min

[Join WebEx Meeting](#)

Meeting Number: 717 111 820
Meeting Password: bbva1234

Join by phone

+1-877-768-4036 US Toll Free
+1-972-932-2100 US Toll
Access code: 717 111 820

WebEx Link

<https://bbvacompass.webex.com/bbvacompass/e.php?MTID=md00b09547c756b8f1e85ca5a94f33ac4>

Global Call-in Numbers

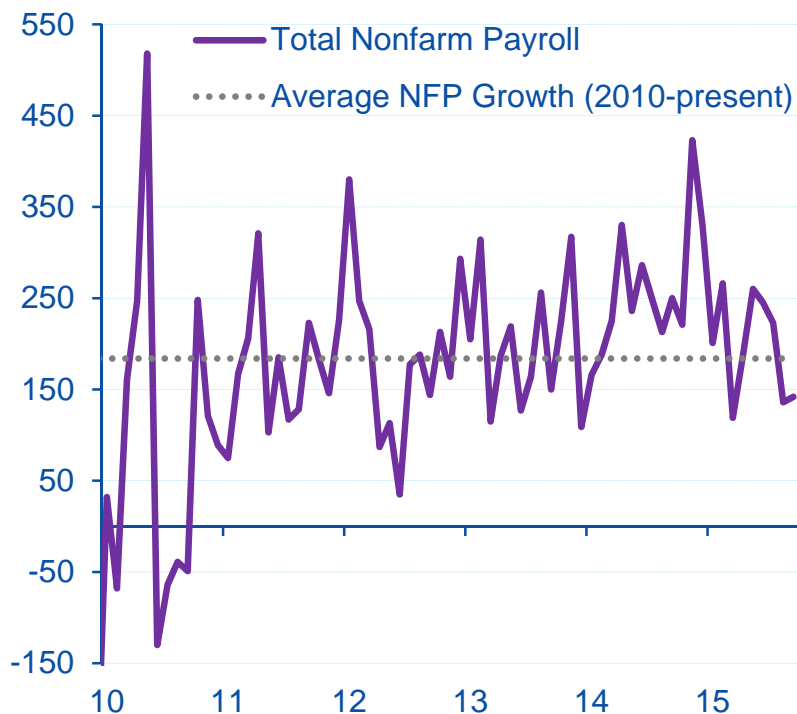
<https://bbvacompass.webex.com/bbvacompass>



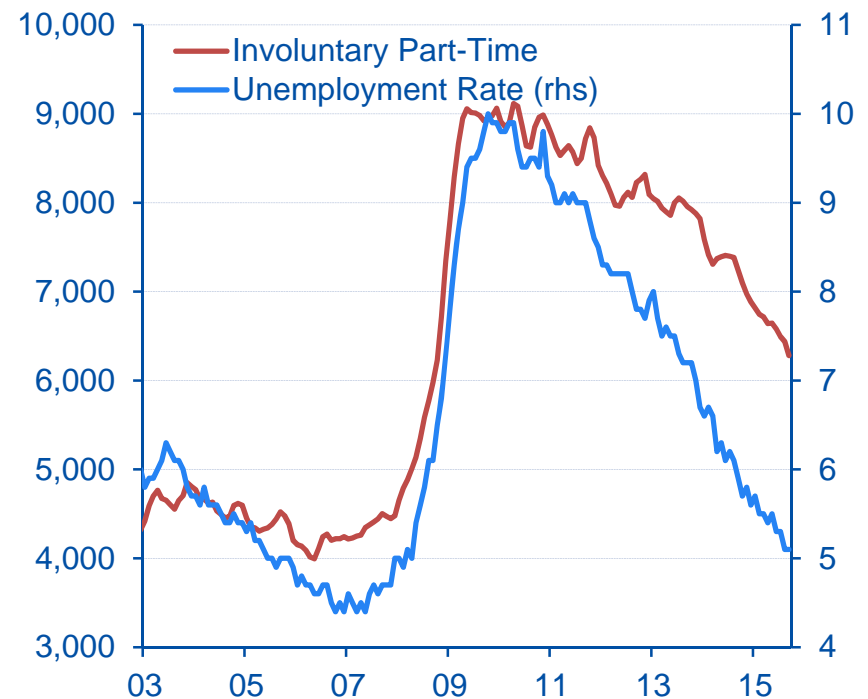
Economic Activity

Below average job growth is not abnormal in short spurts, but adds to other more structural concerns

Nonfarm Payroll Growth
Monthly Change in Thousands



Involuntary Part-Time Employment & UR
NSA, 3MMA Thousands & %



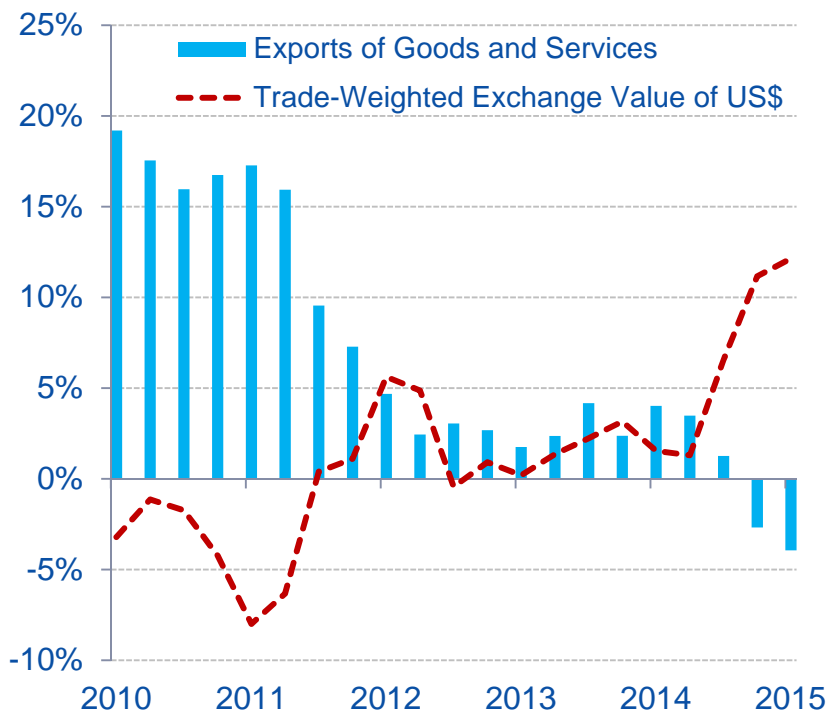
Source: BBVA Research & Haver

Economic Activity

Global threats still valid, and concerns are growing on prolonged spillover to domestic activity

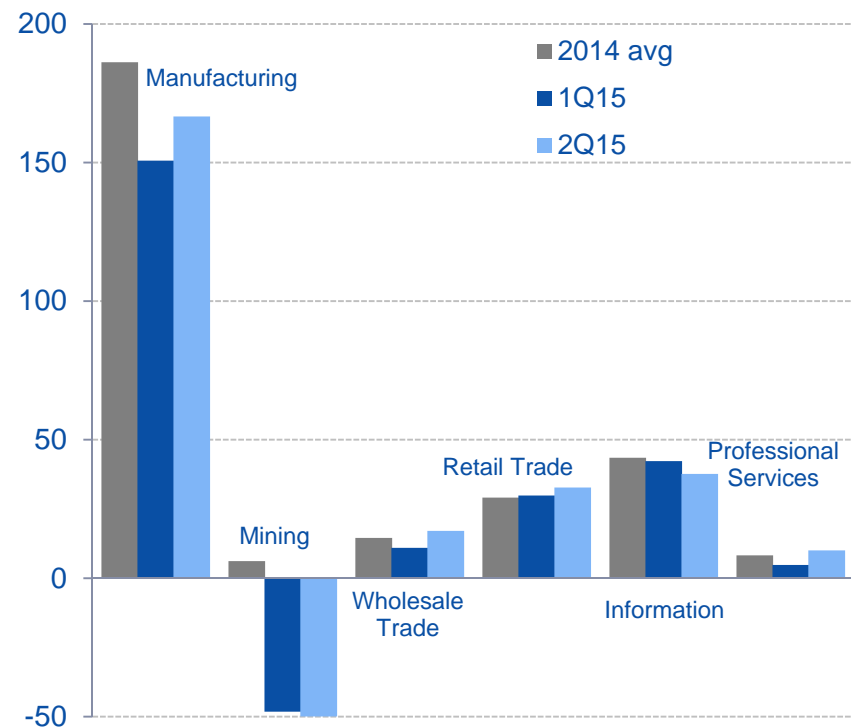
U.S. Exports

YoY % Change



Income Before Taxes by Industry

\$Bn

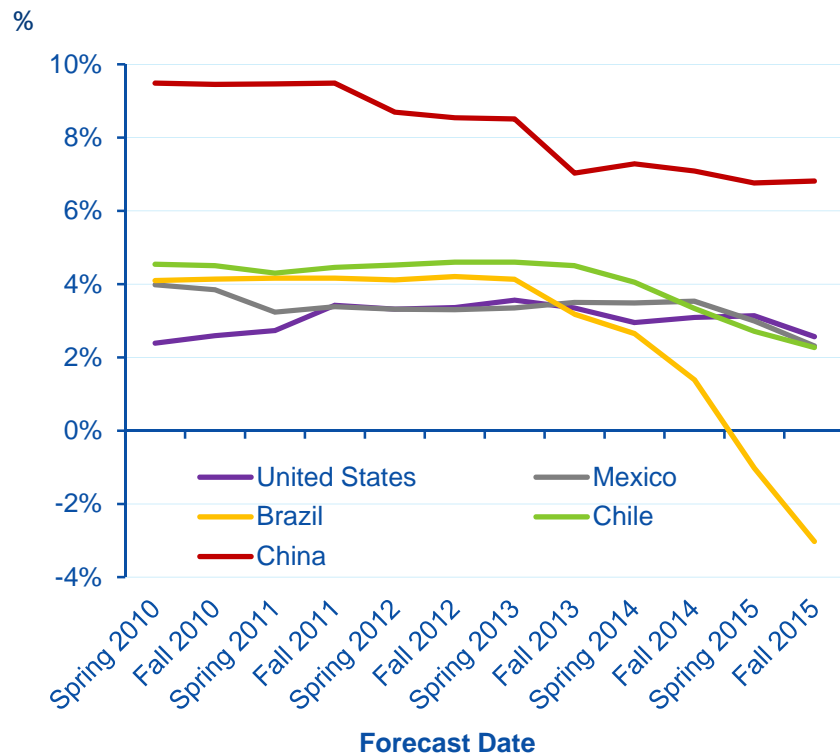


Source: BBVA Research & Haver

U.S. Growth and Global Slowdown

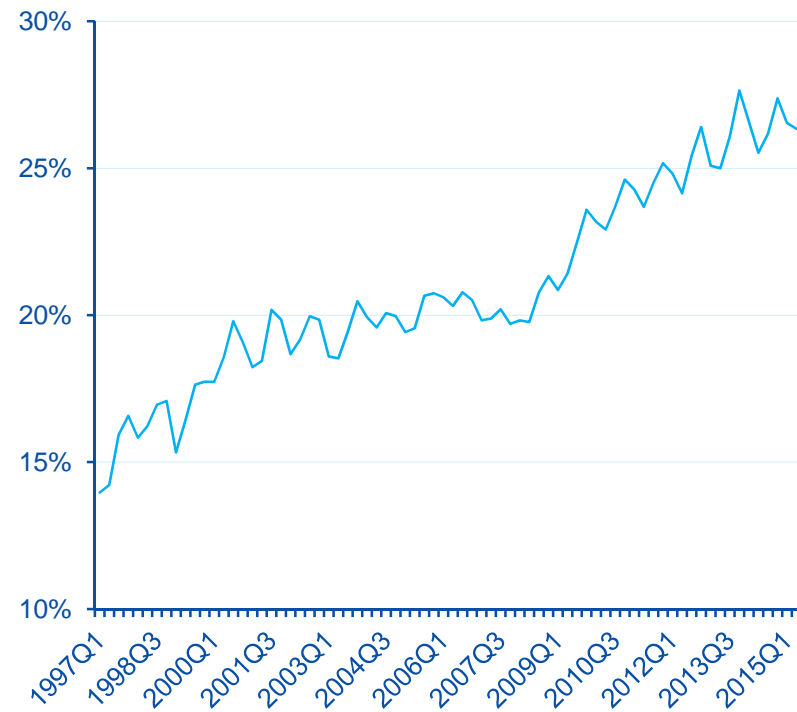
Increasing exposure to EMs as the global outlook deteriorates

Outlook on 2015 Real GDP Growth



U.S. Exports to EMs

Brazil, Chile, China, and Mexico. Share, %

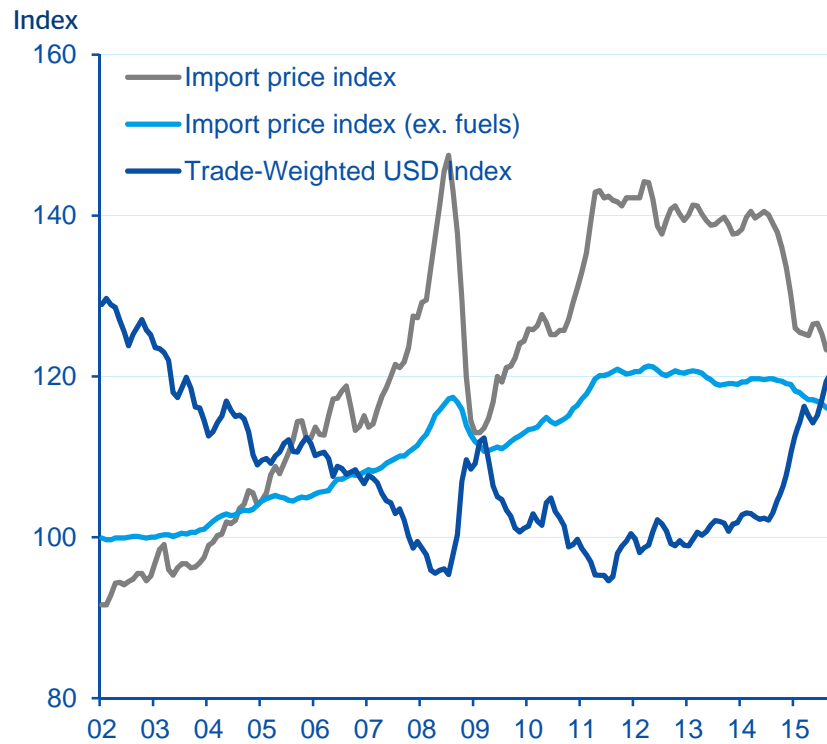


Source: BBVA Research & IMF

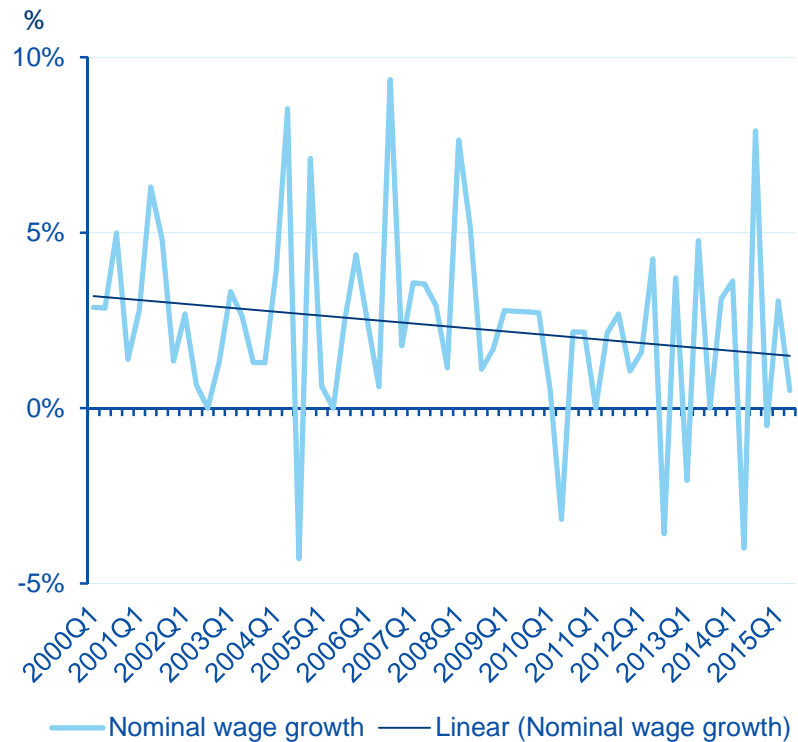
Inflation and Global Slowdown

Strong USD adds further downward pressure to import prices, wage growth, and inflation

Import Price and Dollar Strength



Nominal Wage Growth



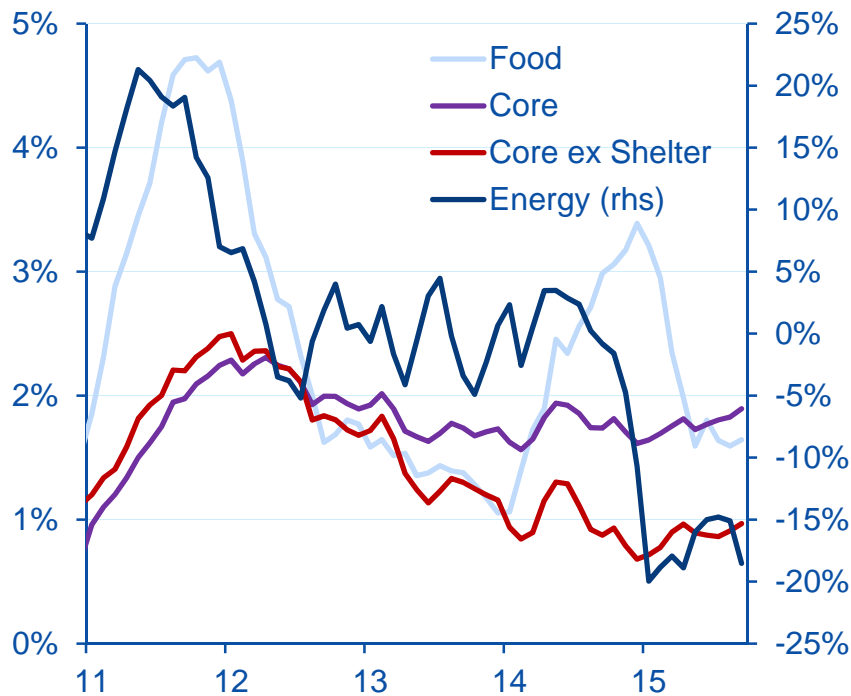
Source: BBVA Research, BLS, FRB & Haver

Inflation

Ongoing downward pressures for headline and core ex shelter inflation

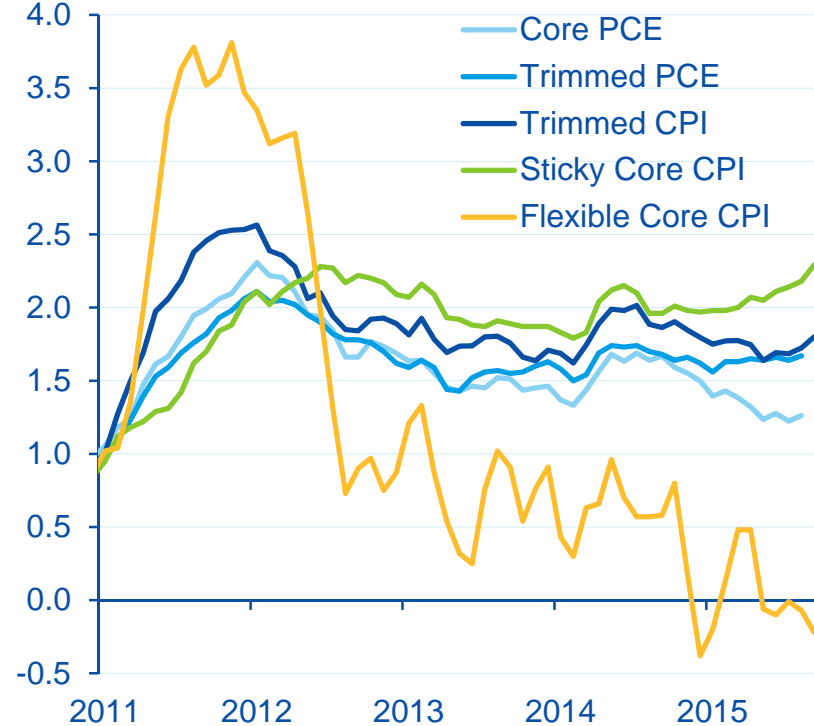
CPI Inflation

YoY % Change



Alternative Measures of Core Inflation

YoY % Change



Source: BBVA Research & Haver Analytics

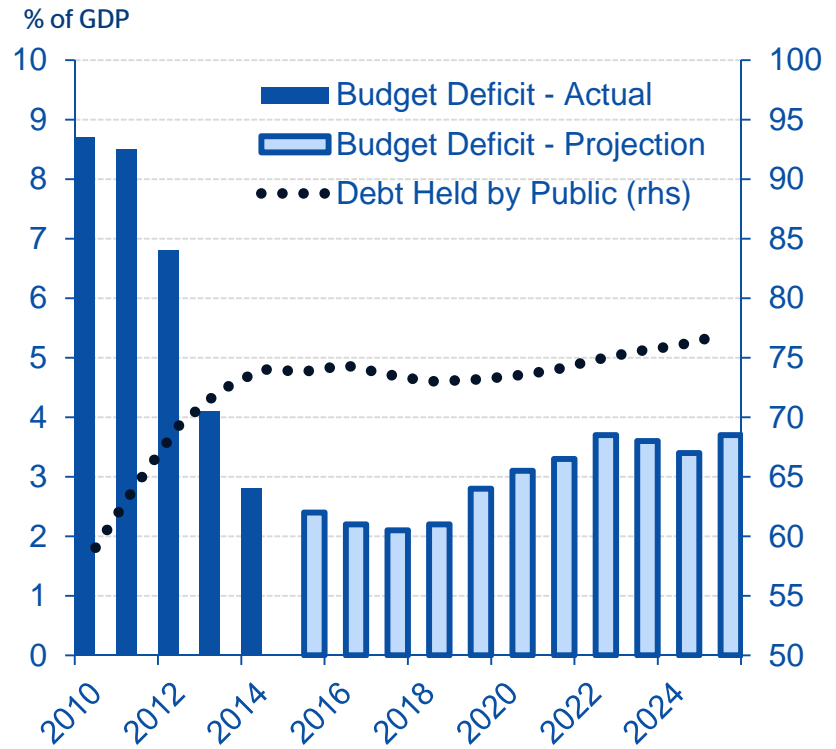
Fiscal Policy

Fiscal uncertainty making headlines again with another debt ceiling/budget showdown

Upcoming Congressional Deadlines

- October**
 - **Oct. 1:** New fiscal year begins/ Congress passes stopgap funding
 - Sequestration cuts kick in for defense and domestic programs
 - **Oct. 29:** reauthorization deadline for Highway Trust Fund
- November**
 - **Nov. 3:** deadline for raising the debt ceiling
- December**
 - **Dec. 11:** stopgap funding ends / government faces shutdown again
 - Renewal of tax break package must be addressed by end of year
 - Other issues: Export-Import Bank reauthorization

U.S. Fiscal Outlook

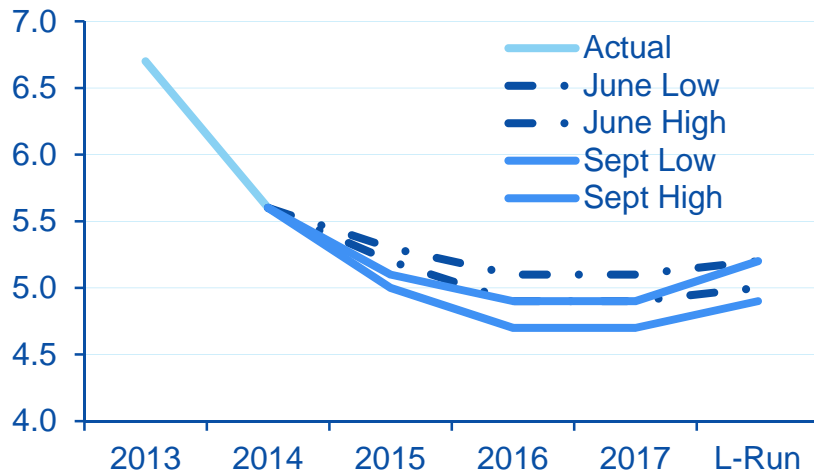


Monetary Policy

Divided views within FOMC as members battle employment and inflation goals

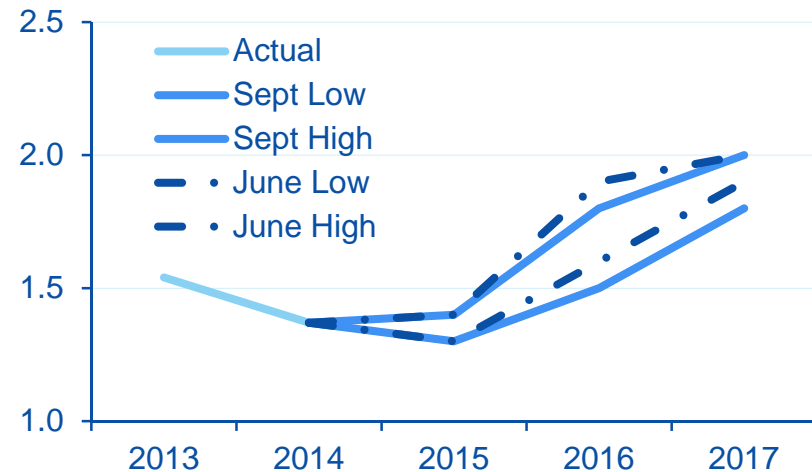
Unemployment Rate, 4Q %

Central Tendency



Core PCE Inflation, 4Q % Change

Central Tendency

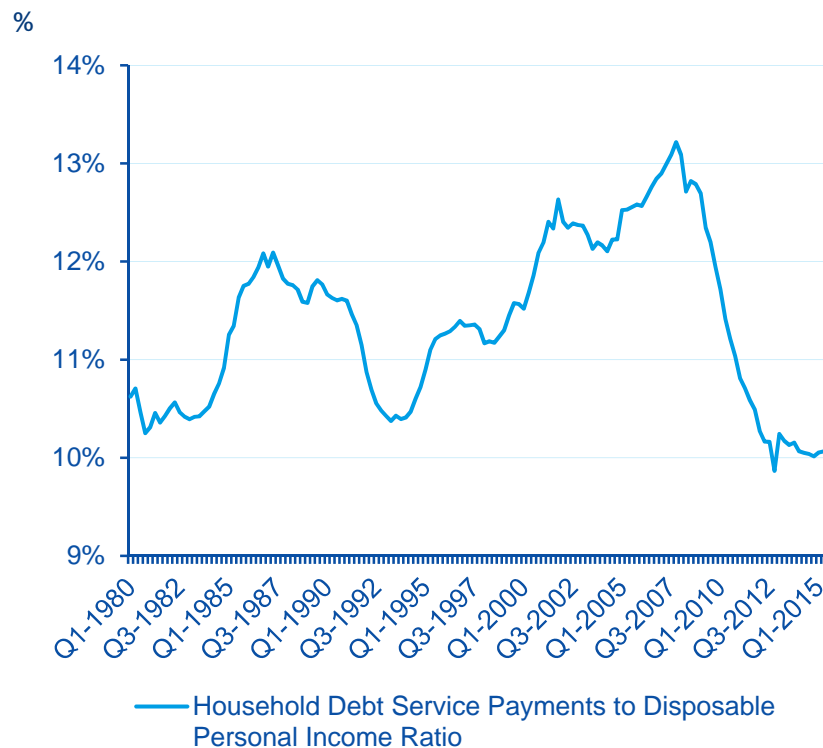


- Minor changes in FOMC outlook did not warrant liftoff
- Compromise on UR vs inflation and global risks - **“eliminating slack along such broader dimensions might require a temporary decline in the unemployment rate below its longer-run normal level”**
- Preference towards the use of monetary policy to respond to upward vs downward inflationary shocks

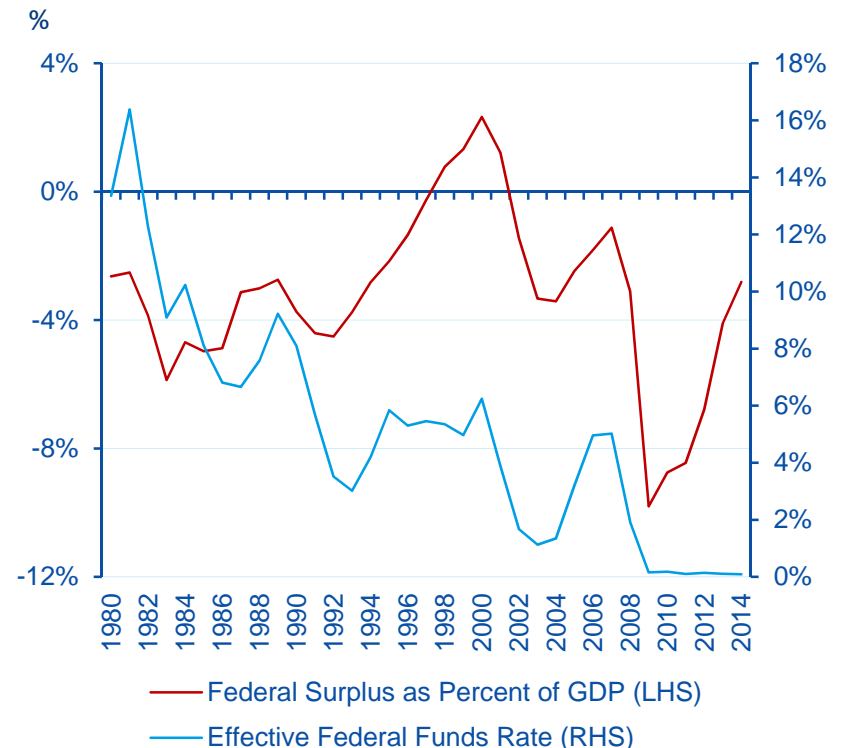
Deleveraging and Interest Rates

Household debt payment to income ratio is stabilizing at a 36-year low; Zero interest rate helps healing balance sheets.

Debt payment to income ratio



Deficit shrinks the fastest with zero rate



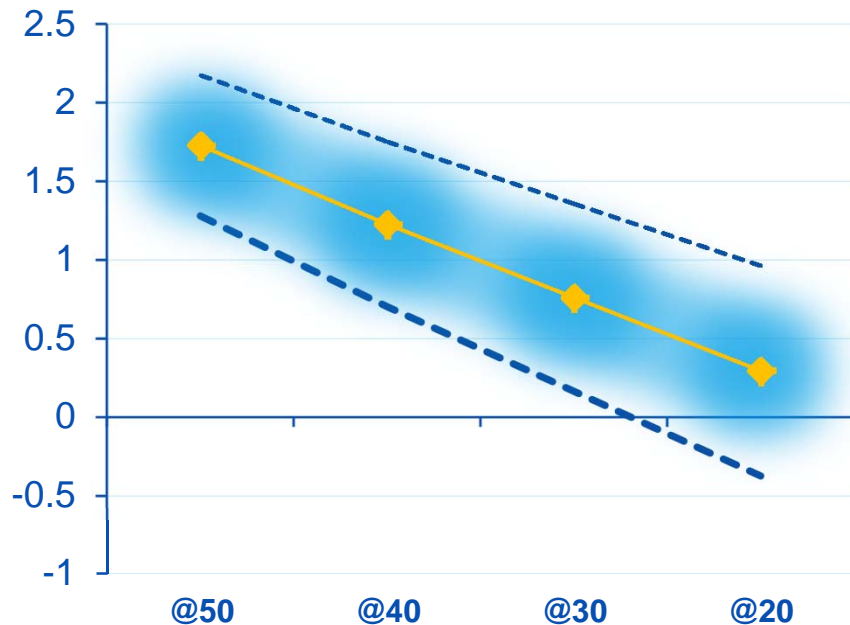
Source: BBVA Research & FRED

Regional Outlook: Texas

- Baseline for 2015 growth remains 1.9%
- 2016 revised down to 2.9% (from 3.6%)
- Downside risks for Texas dependent on oil prices

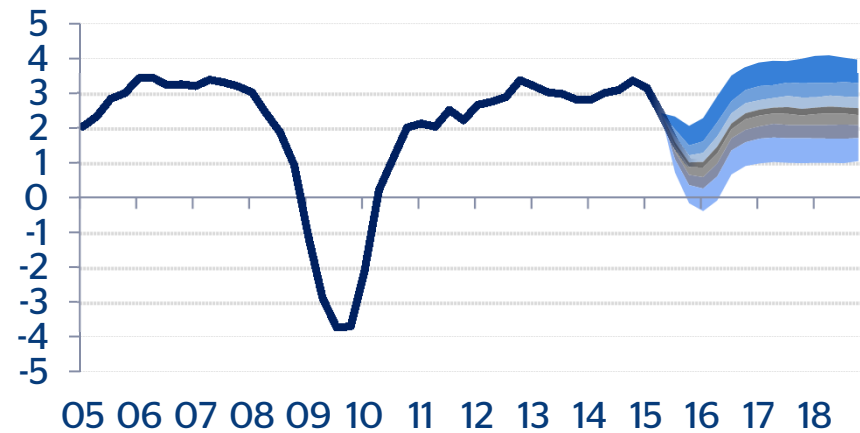
Texas 2015 Growth Scenarios

Dotted lines= 95% C.I., Markers represent median estimate



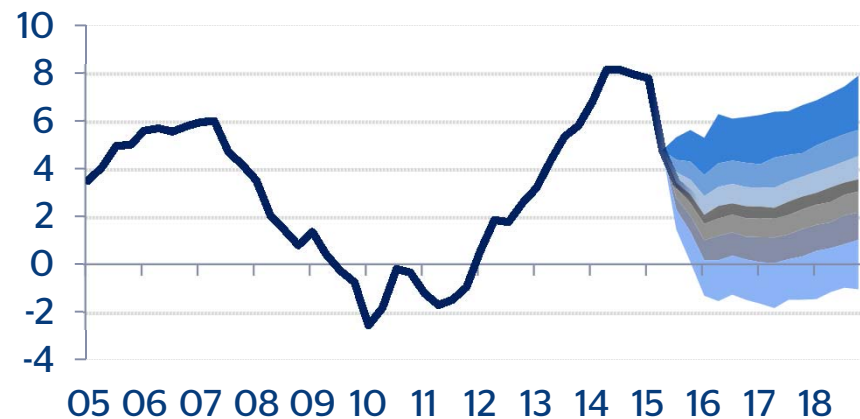
Texas Employment

YoY % change, 95% Confidence Interval



Texas Home Prices

YoY % change, 95% Confidence Interval

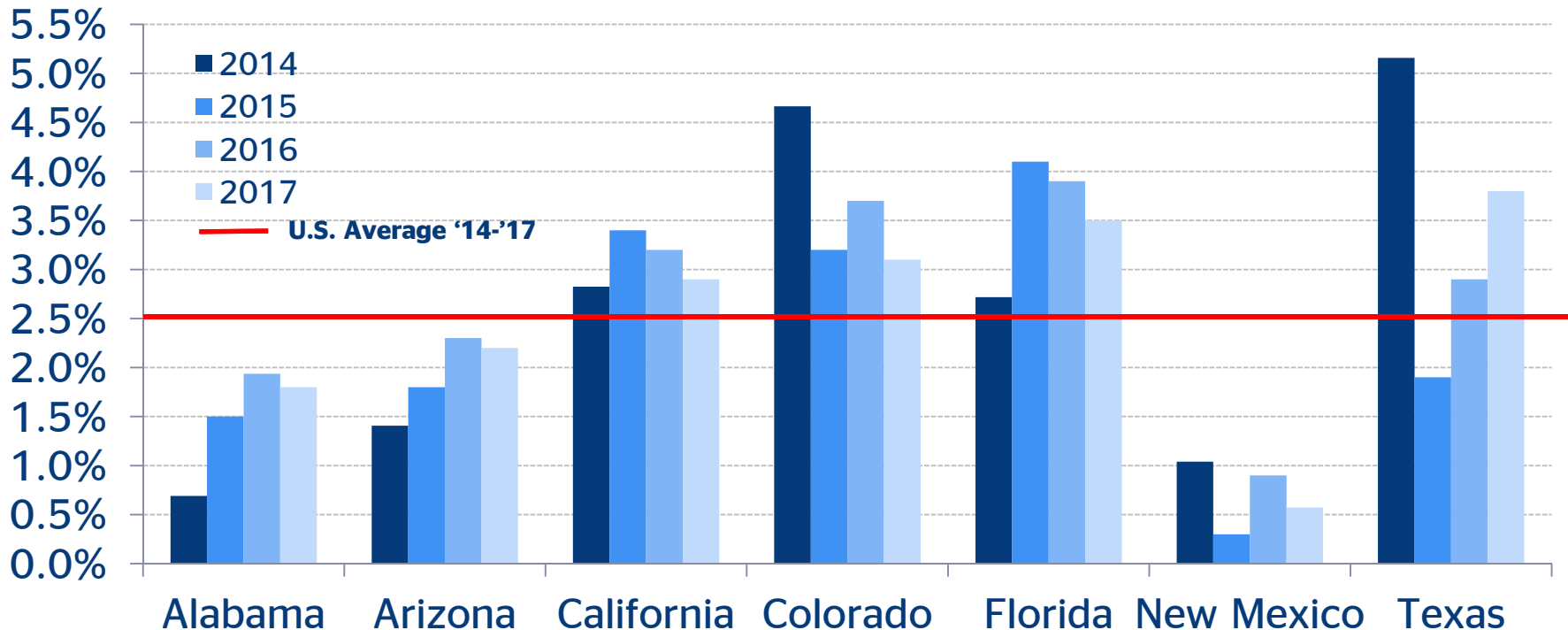


Regional Outlook: Sunbelt

Lower oil prices imply upside for Arizona, California & Colorado while Colorado continues to outpace U.S.

Real GDP Growth

Year-over-Year %



Thank You!

Join our distribution list and send us your feedback:



researchusa@bbva.com



www.bbvacompass.com/compass/research/



[@BBVAResearchUSA](https://twitter.com/BBVAResearchUSA) <https://twitter.com/BBVAResearchUSA>



BBVA ResearchUSA



<http://vimeo.com/bbvaresearchusa>



<http://bbvaresearchusa.podbean.com/>

U.S. Economic Outlook

Monthly Update

October 16, 2015