

# The Comerica Economic Outlook

## Two Stories, One Economy

Robert A. Dye Ph.D.

January 18, 2018

*commitment*

The logo for Comerica Bank, featuring the words "Comerica Bank" in a white serif font inside a dark blue rounded rectangular box with a white border. A registered trademark symbol (®) is located to the right of the box.

Comerica Bank®

## *A Tale with Two Stories*

---

Story #1      Most current economic indicators look good

Story #2      Risk factors for 2019 and beyond are piling up

Appendix:    Household are a source of stability

## ***Story #1 Most current economic indicators look good***

---

Labor

Production

Income

Spending

Profits

Inflation



## ***Story #2 Downside risk factors are piling up***

---

Financial markets – stocks, bonds and the yield curve

Housing – sales, construction, mortgage rates and affordability

Rest of World – Europe and China looking cooler

Corporate profits – potential for a squeeze

Corporate debt market – quality is deteriorating

Length of expansion

Uncertainty – including political issues

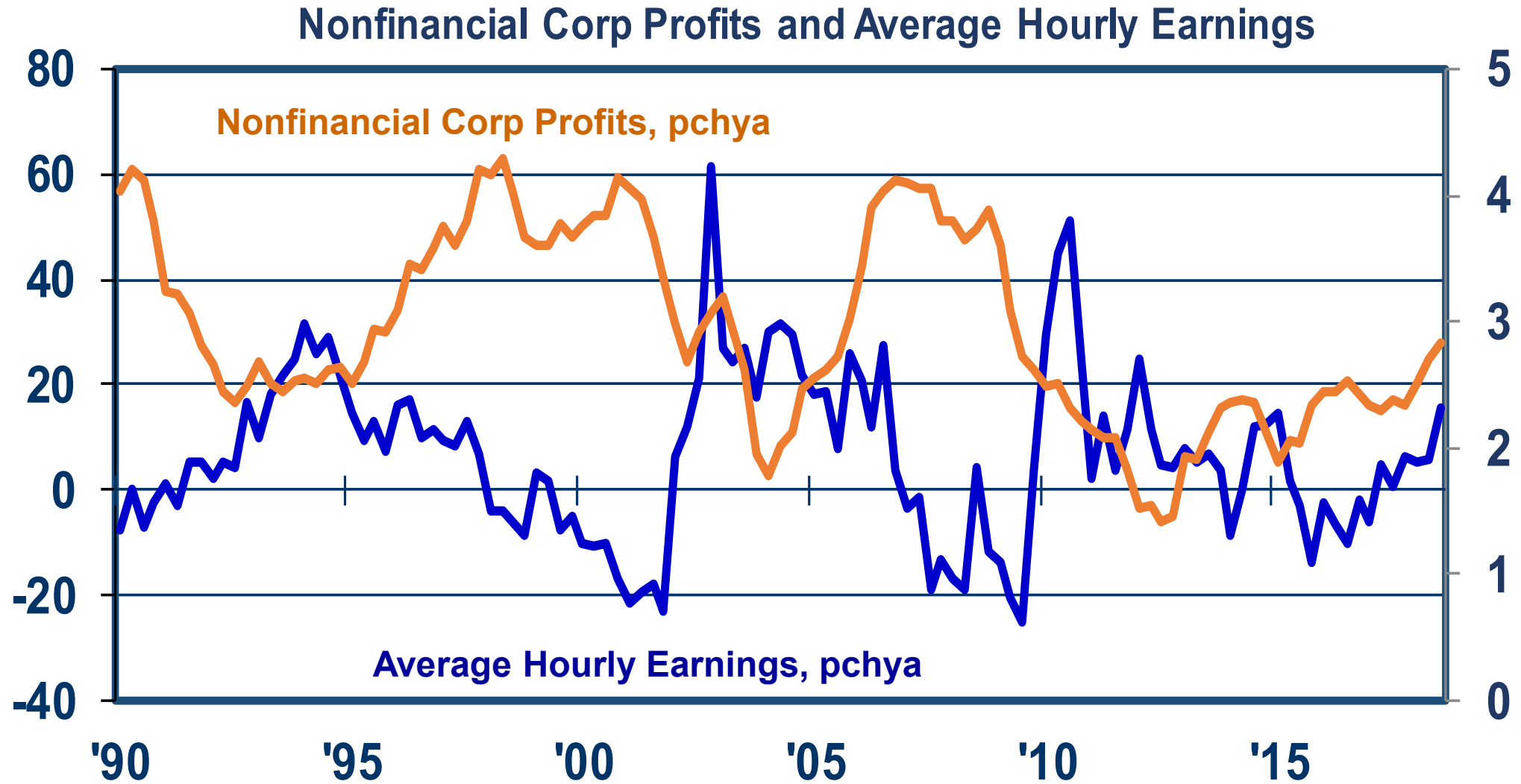
Trade

Fiscal Cliff

Oil



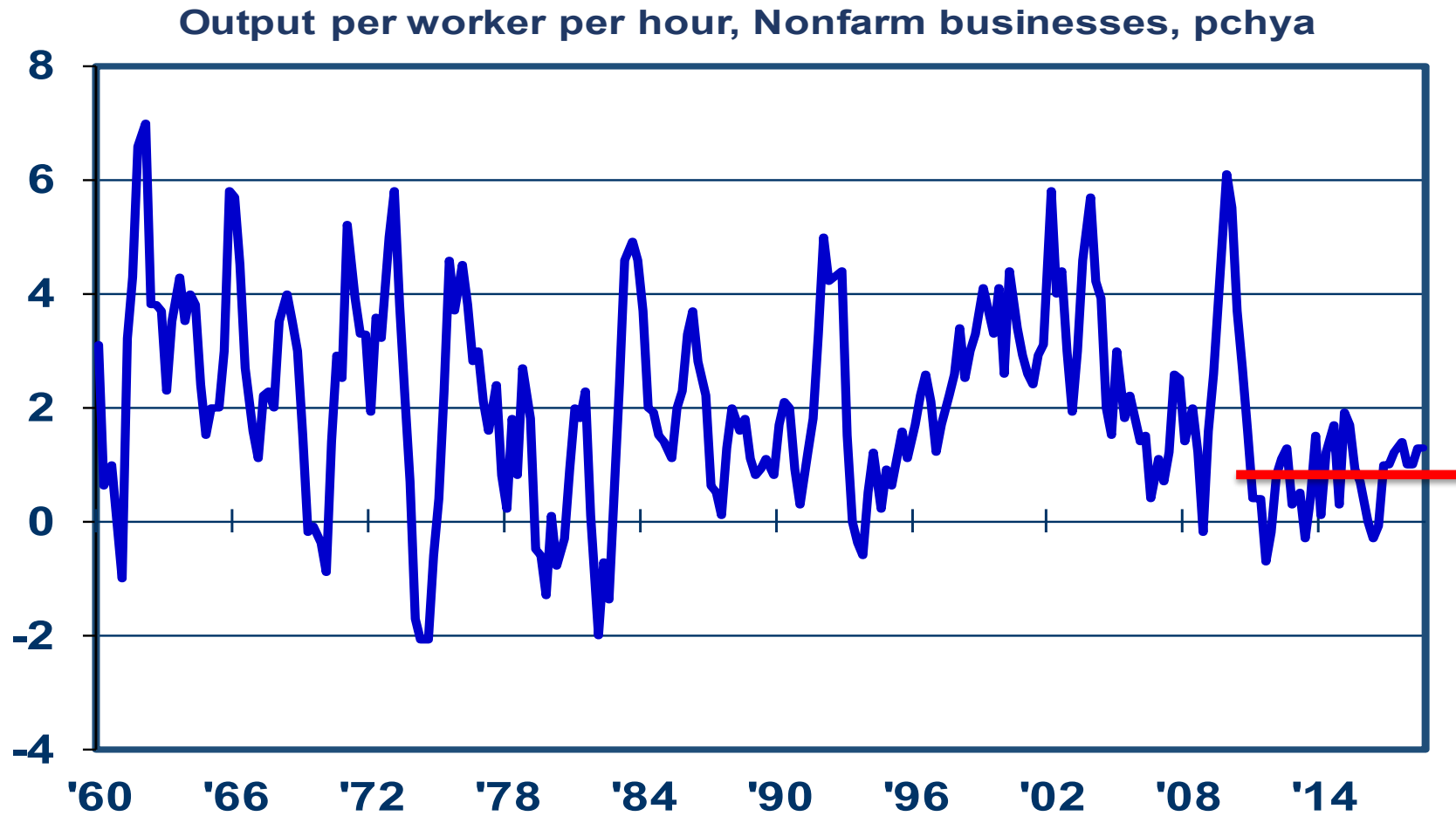
# Corporate Profits and Wages



Source: BEA, BLS



# Back to Story #1, It's All About Productivity



Source: BLS

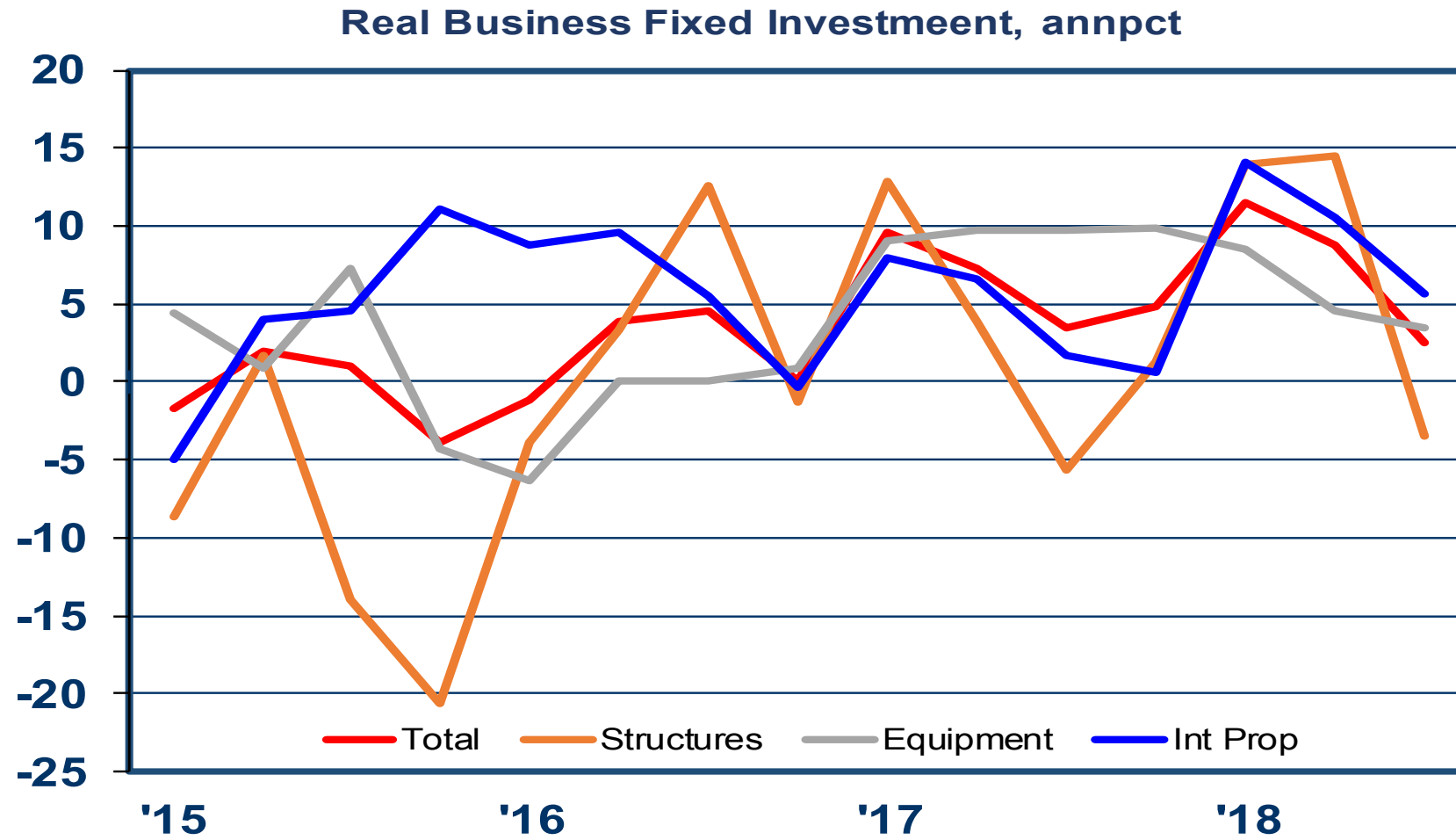
# The Growing Labor Constraint



Source: BLS



# Business Investment Was Weak in 2018Q3

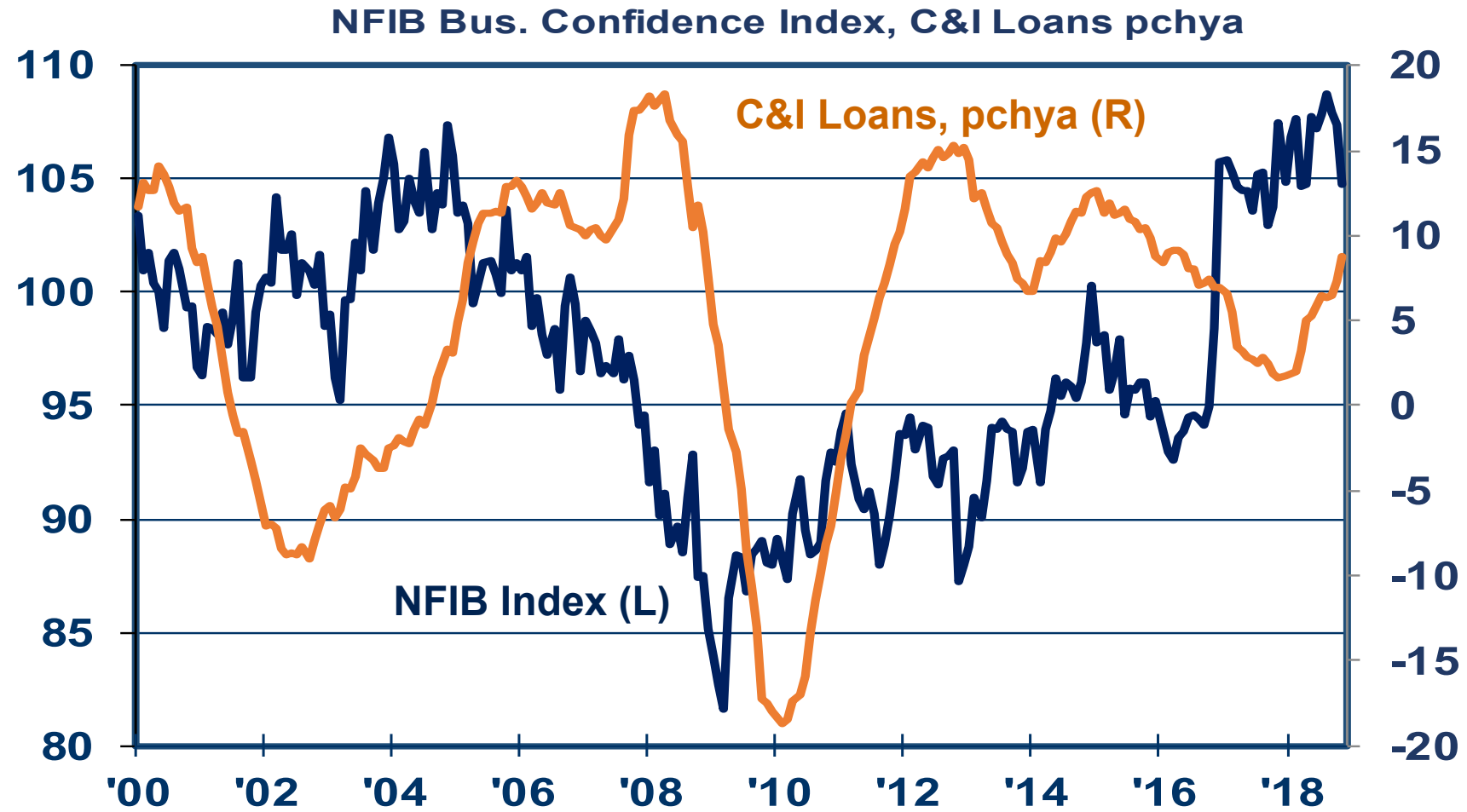


Source: BEA





# Business Confidence and Commercial/Industrial Loans

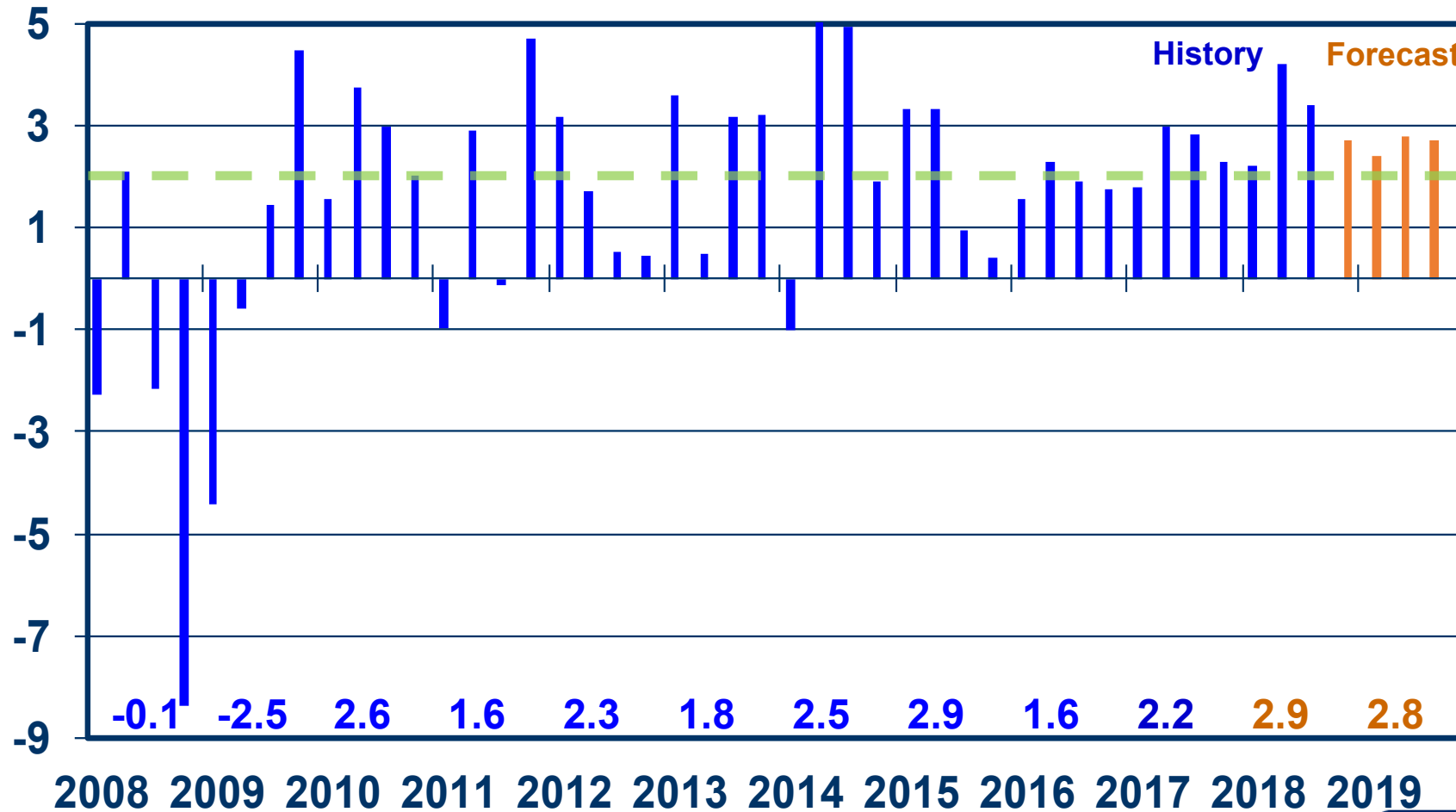


Source: Federal Reserve, NFIB



# GDP Forecast: Moderation Ahead

## U.S. Real GDP Growth, Annualized Percent Change

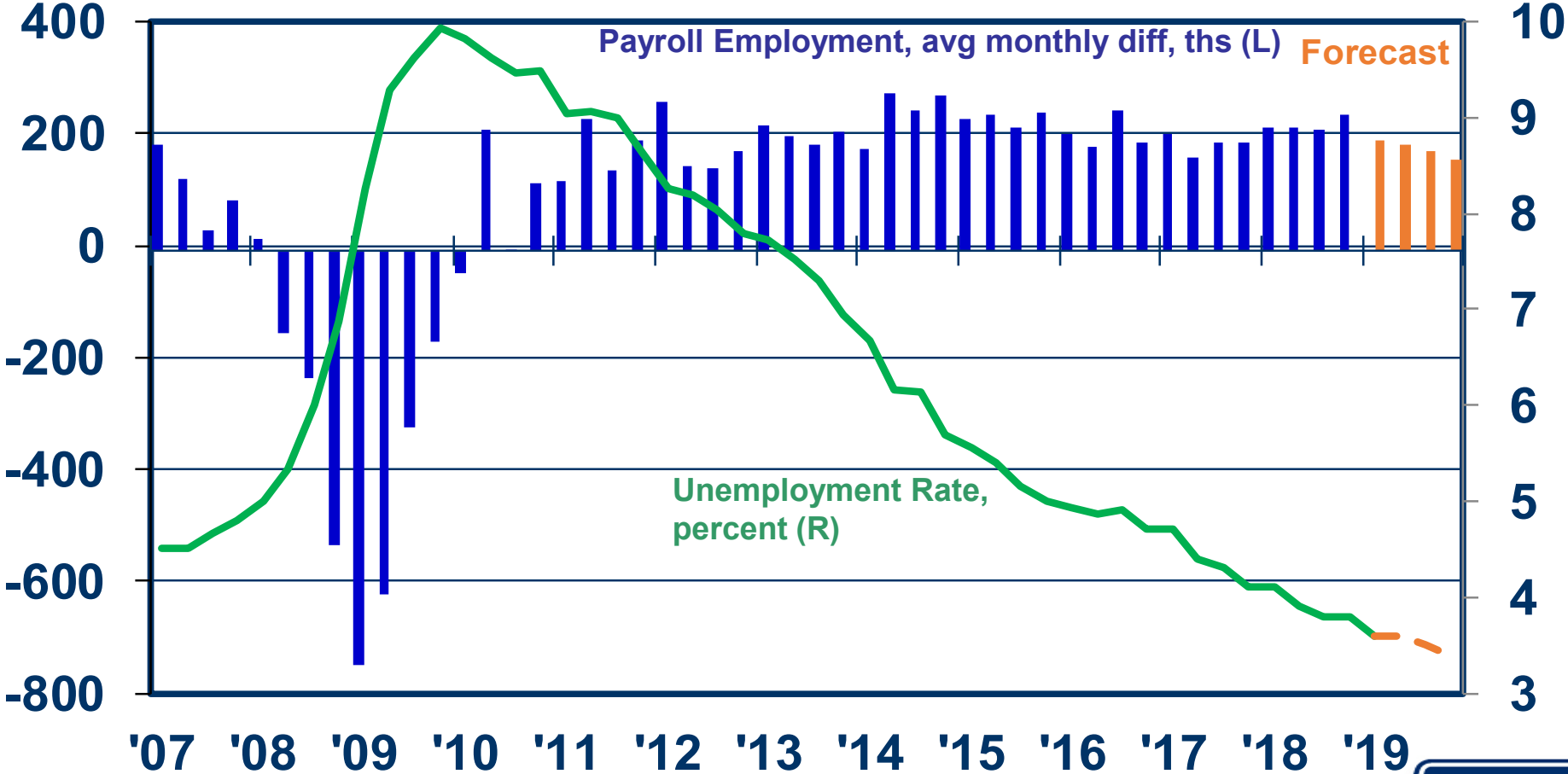


Sources: BEA, Comerica Bank



# Job Growth Expected to Ease

**+312k in December, U. Rate 3.9 Percent**



Sources: BLS, Comerica Bank

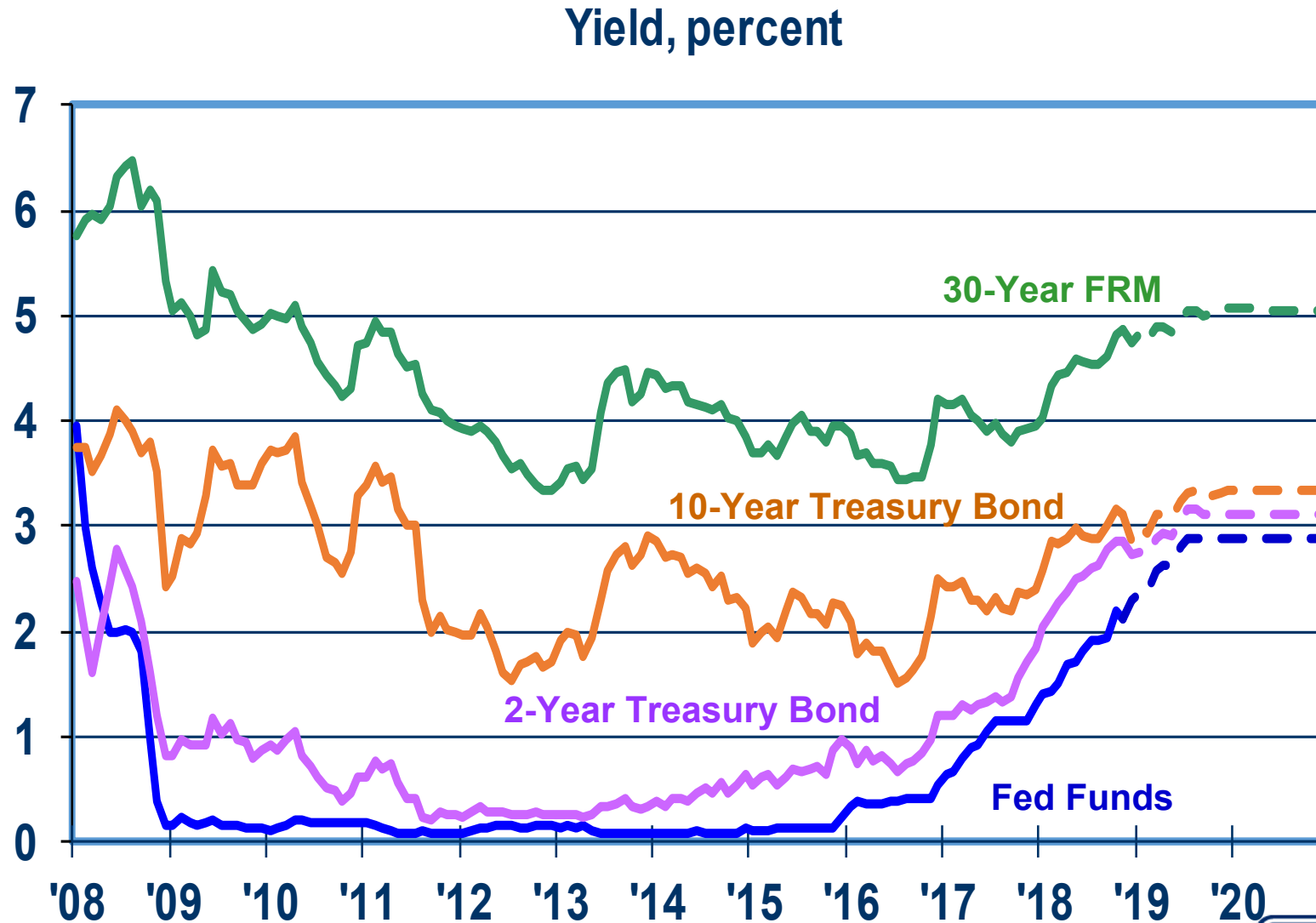


# The U.S. Unemployment Rate, What We Don't See



Source: BLS

# Interest Rate Outlook, Near Inversion



Sources: Federal Reserve, Comerica Bank



# Forecast Risks, the 360 View

---

## Downside Risks

- Stock market correction
- Trade Wars
- Political meltdown
- Consumers lose confidence
- Higher interest rates
- Housing stalls
- Higher inflation
- Global issues, N. Korea, China, Japan,  
Europe/Brexit, Russia, MENA,  
Emerging markets

## Upside Risks

- Fiscal policy
- Corporate profits
- Business investment
- Consumer/business confidence
- Wealth effects
- Deregulation, including financial
- Trade
- Job growth stays strong
- Second leg for autos

---

Robert A. Dye, Chief Economist

**Subscribe**

[www.comerica.com/insights](http://www.comerica.com/insights)

**Follow on Twitter**

[@Comerica\\_Econ](https://twitter.com/Comerica_Econ)

The opinions in this presentation are for general information only, are subject to change, and are not intended to provide specific investment, legal, tax or other advice or recommendations. The information contained herein reflects the thoughts and opinions of the noted authors only, and such information does not necessarily reflect the thoughts and opinions of Comerica or its management team. We are not offering or soliciting any transaction based on this information. We suggest that you consult your attorney, accountant or tax or financial advisor with regard to your situation. Although information has been obtained from sources we believe to be reliable, neither the authors nor Comerica guarantee its accuracy, and such information may be incomplete or condensed. Neither the authors nor Comerica shall be liable for any typographical errors or incorrect data obtained from reliable sources or factual information.

