

# The Comerica Economic Outlook

*A Rising Tide, the Fed, Tax Reform and Limits to Growth*

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Comerica Bank<sup>®</sup>

# The Stylized Economy, and Key Issues for 2018

**Monetary Policy**

**Interest Rates**

**Fiscal Policy**

**GDP**

**Consumer Spending  
Investment  
Government  
Net Exports**

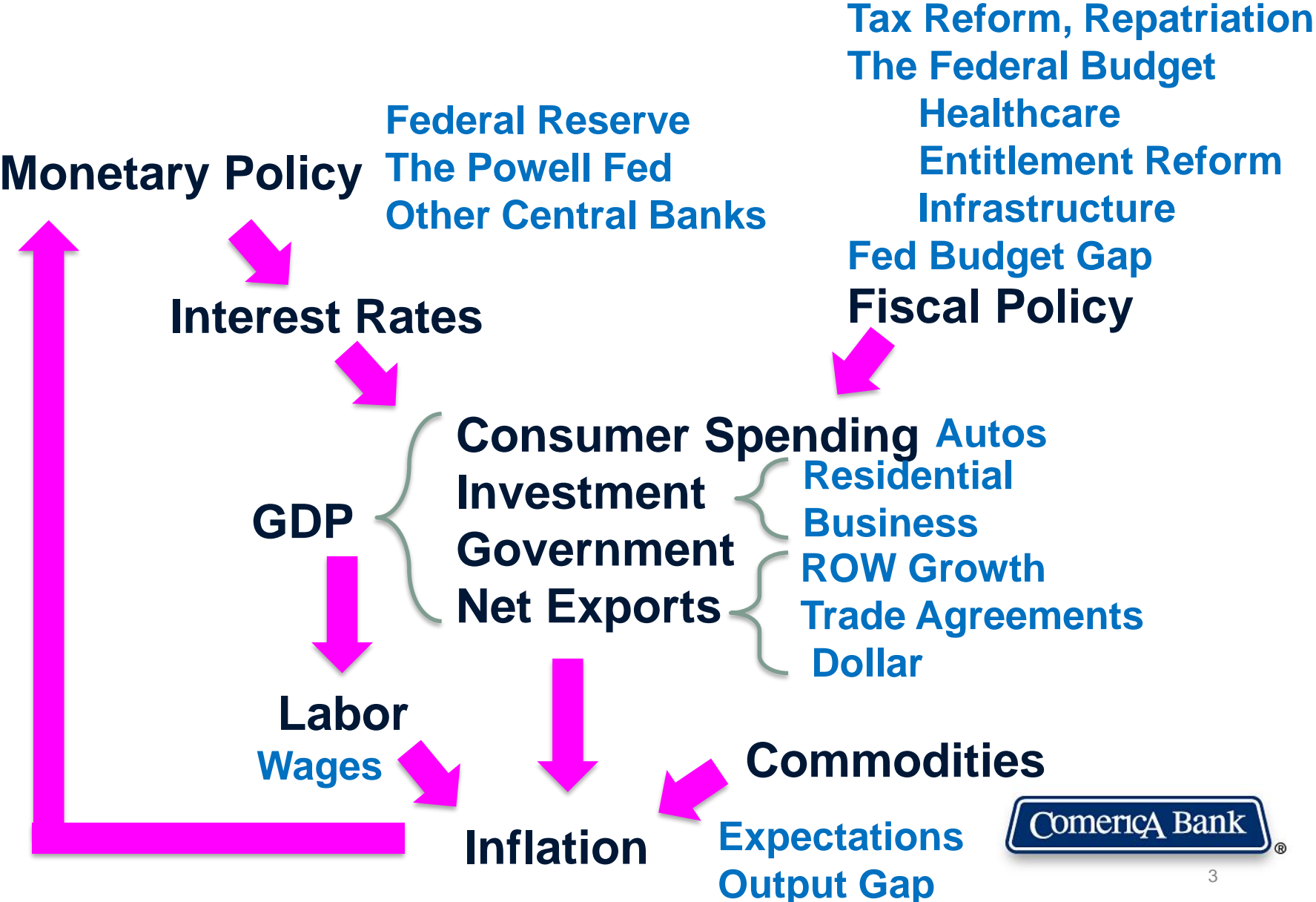
**Labor**

**Commodities**

**Inflation**



# The Stylized Economy, and Key Issues for 2018

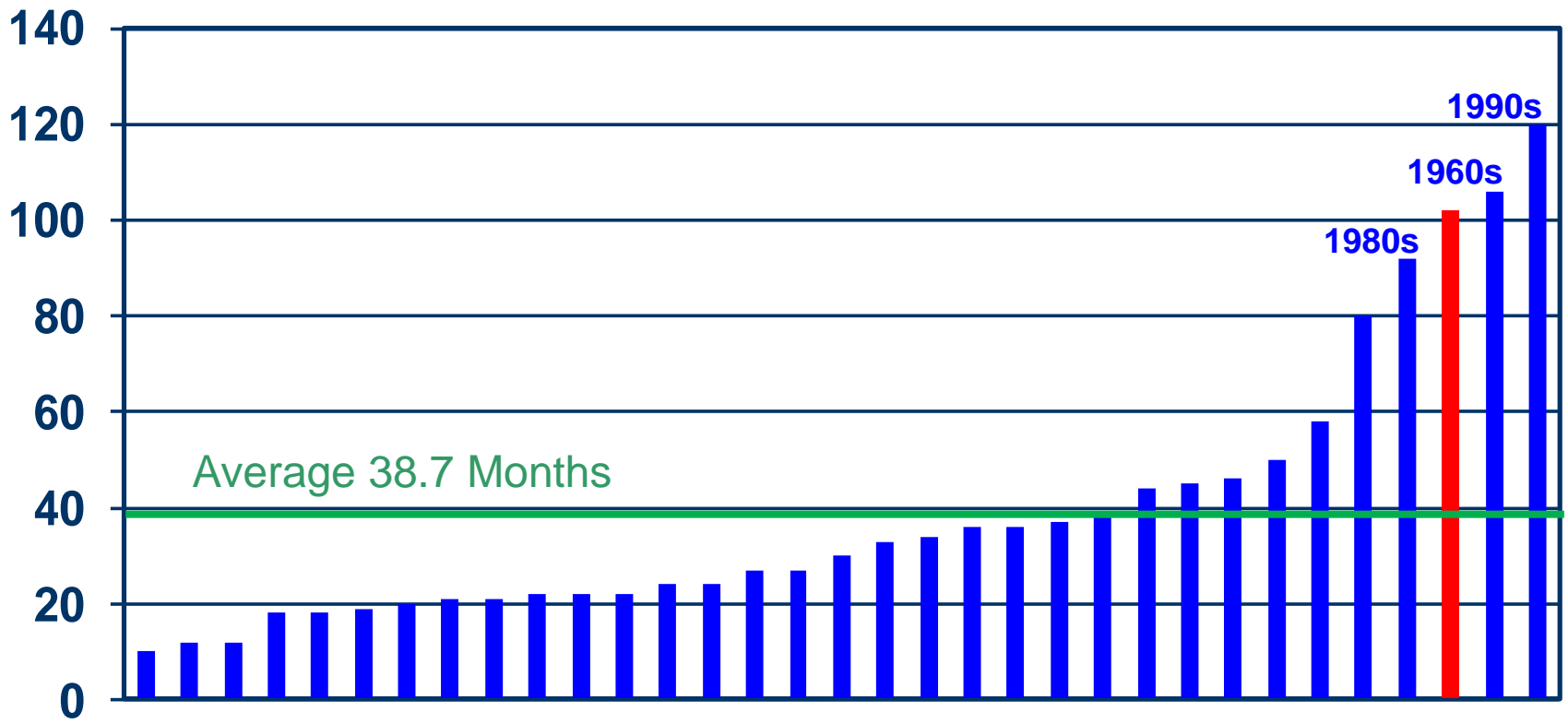


## *Forecast Assumptions for 2018*

- **Tax Reform** is positive for business investment and consumer spending
- **Rest of World** economic growth continues to improve
- No catastrophic **Financial Market** events in 2018
- **Wage Growth** picks up, but only moderately
- **Oil Prices** increase, but only moderately
- **Inflation** picks up, but only moderately
- **The Federal Reserve** continues to raise short-term interest rates gradually

# Limits to Growth, U.S. Business Cycles Since 1854

## Duration in Months from Trough to Peak

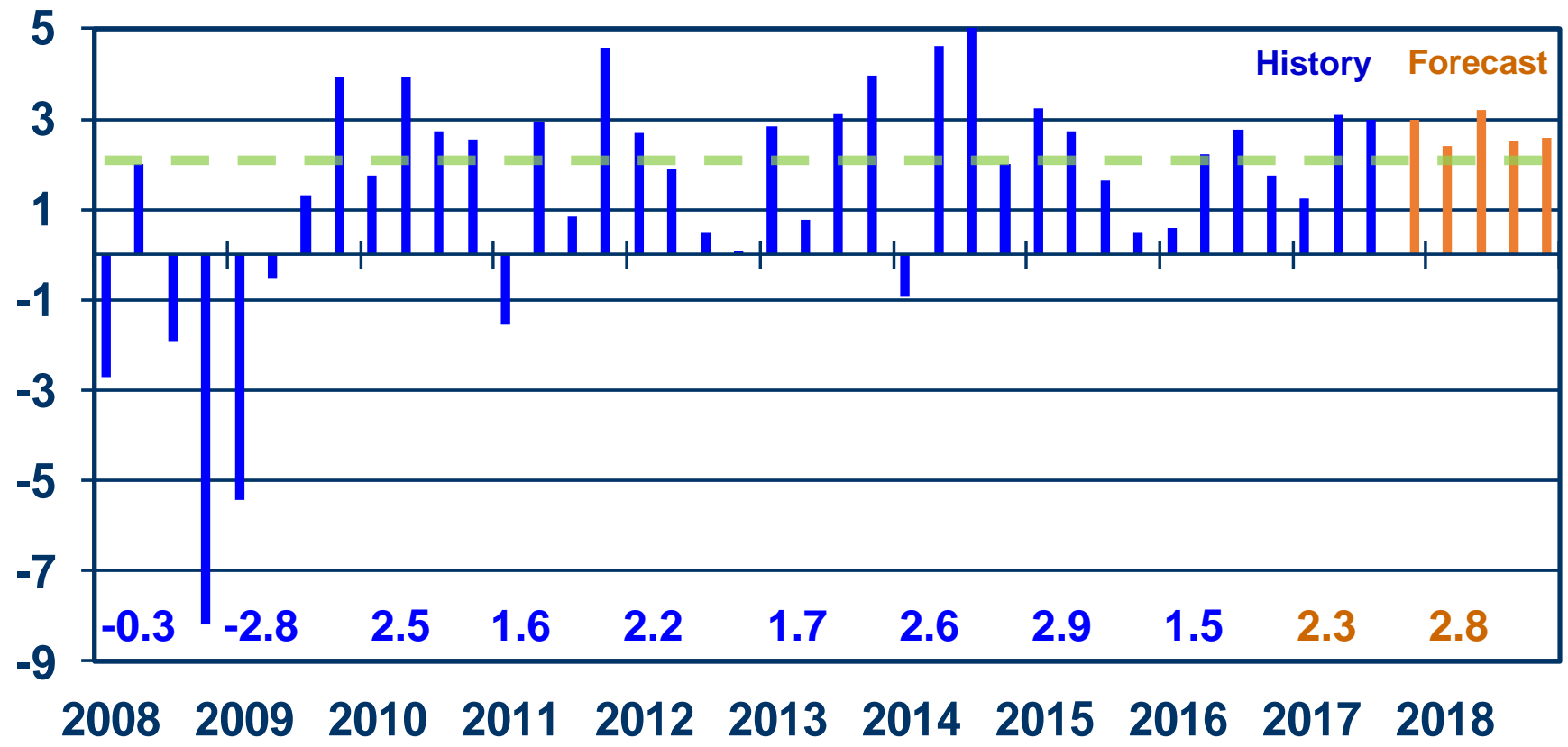


Source: National Bureau of Economic Research



# GDP Forecast: A More Consistent Expansion 2017-2018

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

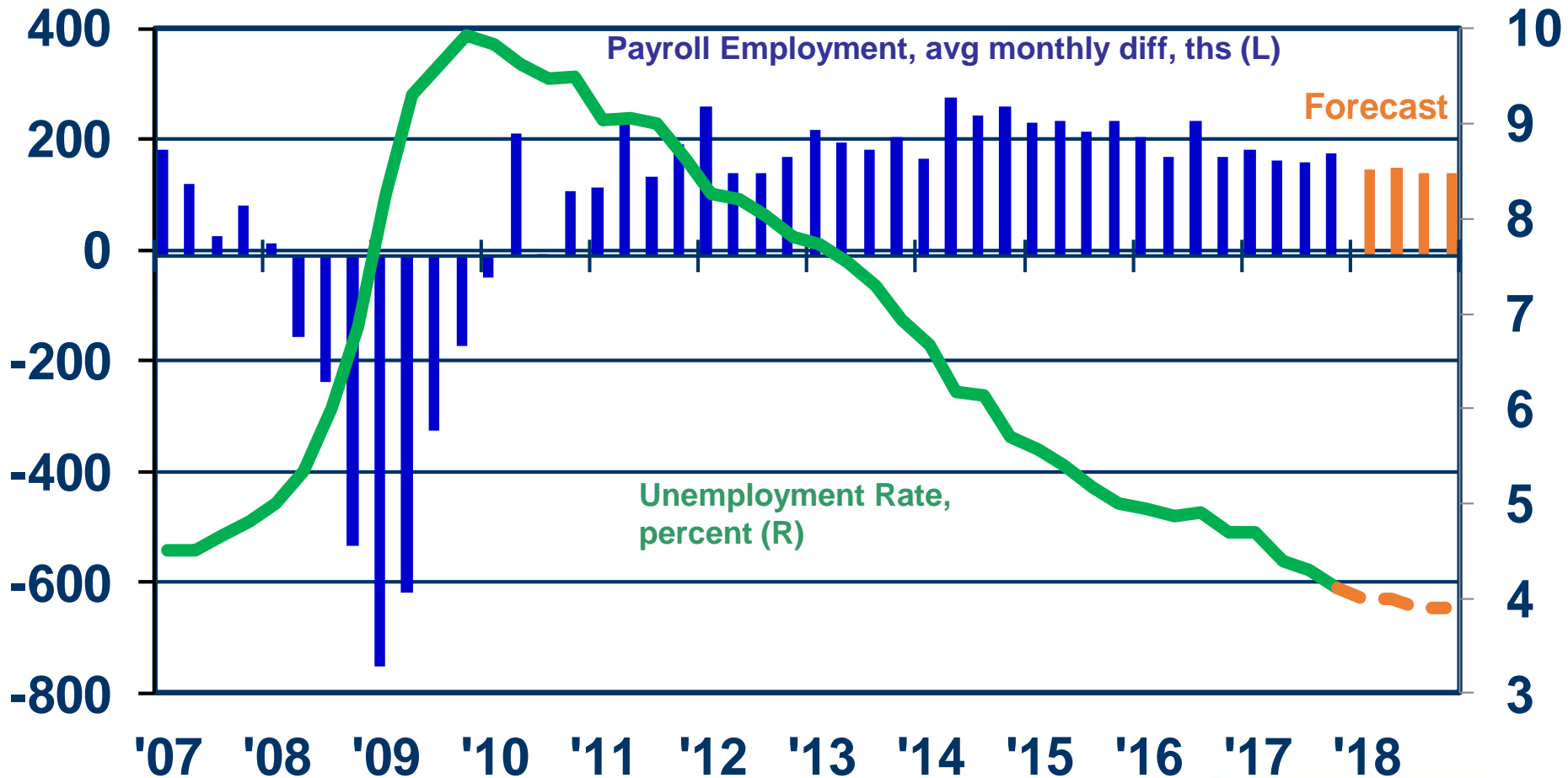


Sources: BEA, Comerica Bank



# December Job Growth Missed Too High Expectations

## +148k in December, U. Rate Still 4.1 Percent



Sources: BLS, Comerica Bank



# More Upward Pressure on Wages to Come?

## Unemployment Rate and Hourly Earnings



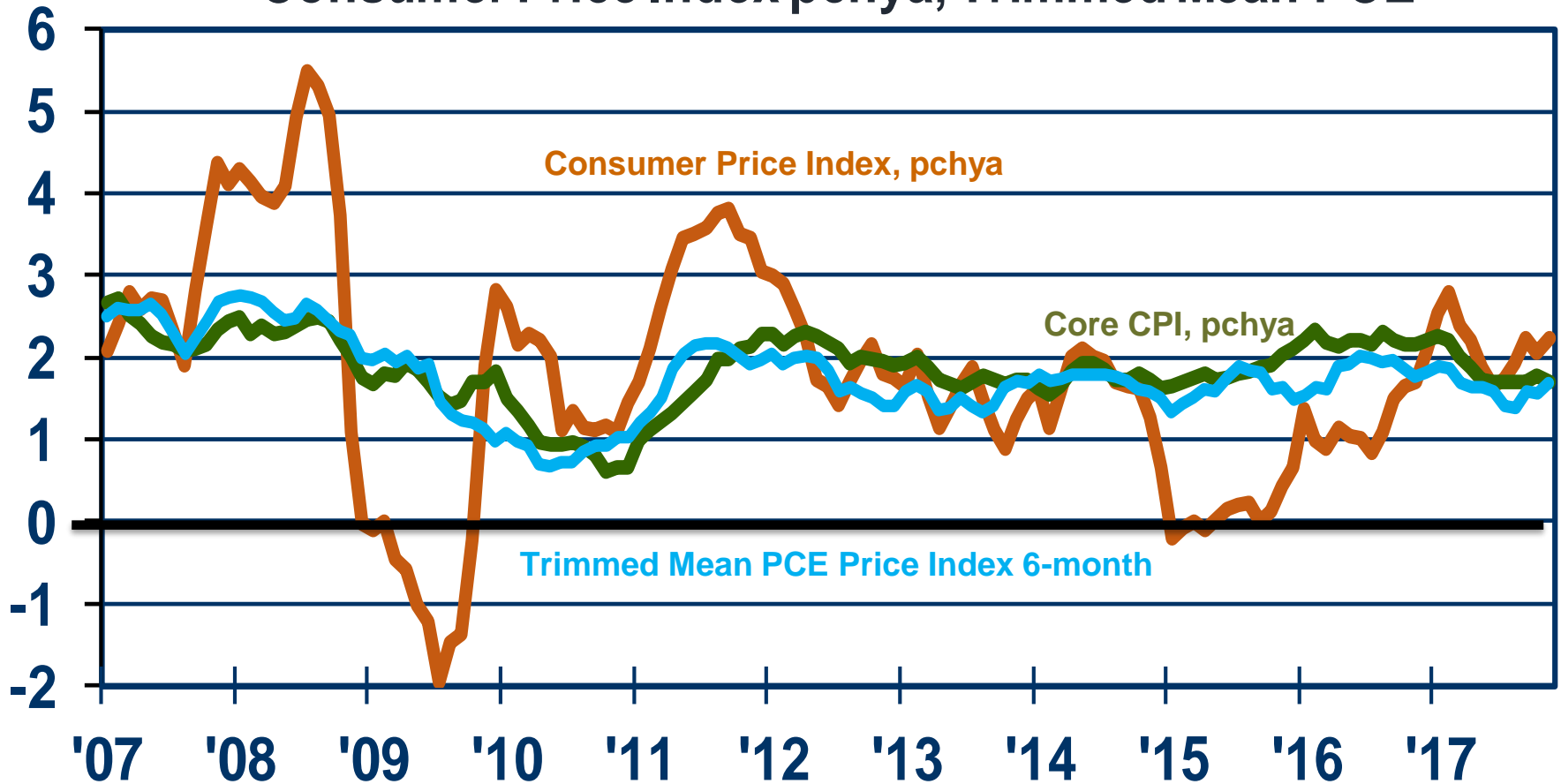
Source: BLS





# Fed Ponders Inflation

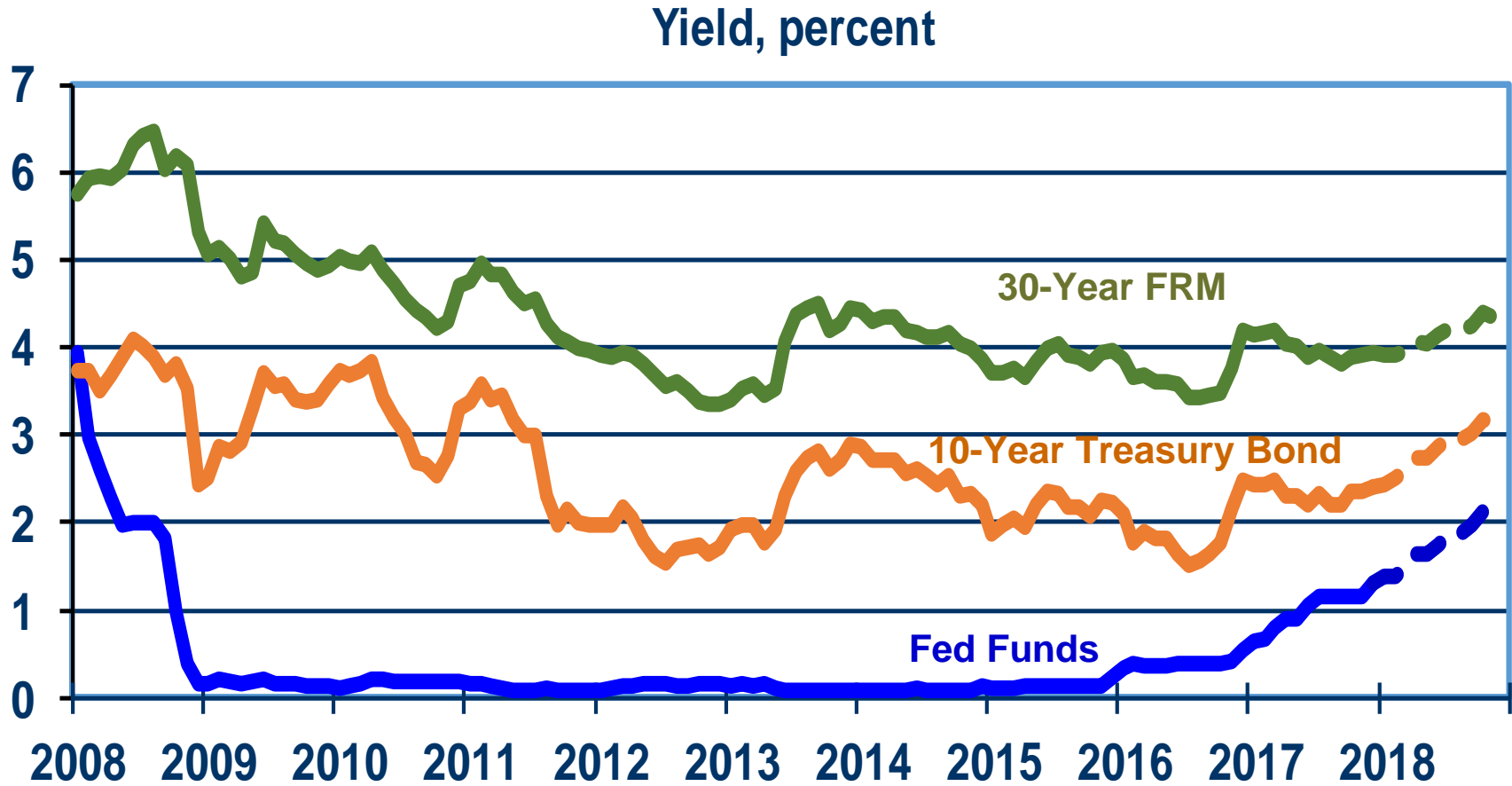
## Consumer Price Index pchya, Trimmed Mean PCE



Source: BLS



# Interest Rate Outlook, Low Inflation Brings Downside Risk



Sources: Federal Reserve, Comerica Bank



# 2018 Forecast...The 360 View

## Downside Risks

- Stock market correction
- Government shutdown
- Higher inflation
- Higher interest rates
- Housing stalls
- Global issues, N. Korea, China, Japan, Europe/Brexit, Russia, MENA
- NAFTA renegotiation
- Consumers lose confidence
- Terrorist event
- Political meltdown

## Upside Risks

- Tax reform
- Corporate profits
- Corporate repatriation
- Infrastructure program
- Consumer/business confidence
- Business investment
- Wealth effects
- Deregulation, including financial
- Single-family housing market
- Job growth stays strong
- Second leg for autos



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