

U.S. Macro Economic Indicator Snapshot



| Indicator | 2Q2015 | 3Q2015 | 4Q2015 | 1Q2016 | Comments |
|--|--------|--------|--------|--------|--|
| Real GDP (\$bil) | 16,334 | 16,414 | 16,471 | 16,493 | Refreshed caution from both households and firms weighed on output as the U.S. economy posted the slowest pace of growth in two years. Gross domestic product expanded at a 0.5% annualized pace during 1st quarter 2016, according to the latest figures from the Commerce Department. The increase in GDP was supported by increased consumer spending for household services and nondurable items such as grocery items. Household purchases, which account for roughly 70% of the economy, was sluggish considering the range of fundamentals that favor consumer spending, including upward pressure on wages, cuts at the gas pump, continued labor hiring, pleasant weather and recoveries in the capital markets. However, positive contributions from households were offset primarily by businesses, as firms slashed investments towards fixed assets (equipment and structures) and private inventories (mainly manufacturing) as weak domestic and international demand remain a headwind. |
| <i>Annualized Quarterly Growth Rate</i> | 3.9% | 2.0% | 1.4% | 0.5% | |
| <i>Source: Bureau of Economic Analysis</i> | | | | | |
| Avg. Total Unemployment Rate | 5.4% | 5.2% | 5.0% | 4.9% | Labor dynamics continued to move forward in 2016's 1st quarter as the total nonfarm payroll grew by 628,000 jobs, or at an 1.8% annualized pace. February's additions (245,000 positions) were the quarter's largest tally. The unemployment rate finished the quarter at 4.9%, down 10 bps quarter-over-quarter and 70 bps on an annual basis. The employment stock expanded most notably in Trade/Transportation/Utilities (173,000 jobs) and Education/Health Services (161,000 jobs), losses continue in Mining/Logging industries (41,000 jobs). The slow but steady tightening in labor markets have reattracted those who have been discouraged or marginally attached to the workforce. As such, average hourly earnings for all employees on private-sector payrolls increased \$0.05 since January, registering at \$25.43 in March. That payrate is \$0.56 above the 2015 wage. |
| <i>Age 20-24</i> | 9.8% | 9.4% | 9.5% | 8.4% | |
| <i>Age 25-34</i> | 5.7% | 5.3% | 5.4% | 5.1% | |
| <i>U-6</i> | 10.7% | 10.2% | 9.9% | 9.8% | |
| <i>Source: U.S. Department of Labor</i> | | | | | |
| Avg. 10-Year Treasury Rate | 2.16% | 2.22% | 2.19% | 1.91% | Rates across the board remain near record lows and real yields (adjusting for inflation) are approaching zero, despite gains on some short-term instruments. Accommodative monetary policy in February and March helped smooth the broad based volatility that dominated the first half of the quarter. Rocky global equity markets, slowing consumption in the largest economies and meager growth expectations continue to pose headwinds to increasing treasury rates. The yield curve continues to flatten in 2016, as rates continue to show downward pressure, with maturities exceeding three years trading below yields seen through much of 2015. Additionally, with credit spreads mostly narrowing across major bond sectors in 1st quarter, the default rate priced in by high-yield participants indicate the expectation for substantial deterioration in fundamentals. Looking forward, key factors to watch will be the rate of inflation, commodity market stabilization and global consumption. |
| <i>Daily Average</i> | | | | | |
| <i>Avg. 30 day Libor</i> | 0.18% | 0.20% | 0.25% | 0.43% | |
| <i>Fed Funds Rate</i> | 0.12% | 0.14% | 0.16% | 0.36% | |
| <i>Source: Federal Reserve Bank of St. Louis and U.S. Department of the Treasury</i> | | | | | |
| Avg. Inflation (CPI) | 236.8 | 237.6 | 238.1 | 237.9 | The Consumer Price Index for All Urban consumers increased on an annual basis in nine of the last 10 months. Prices dropped 0.1% over 1st quarter 2016, taking the annual inflation to 1.1% on a seasonally adjusted basis. For comparison, prices have increased an average of 1% per year for the last three years. Excluding food and energy inputs, inflation jumped to 2.3% annually, the first time it has reached that level since mid-year 2012. Energy and transportation costs continued to tumble during 1st quarter, declining 8.0% and 2.9%, respectively. Those two components have declined on an annual basis in each of the last five quarters. Furthermore, the annual pace of housing inflation in 1st quarter increased 2.1% and rents on primary residences were up 3.7%, its eighth period of gains of in excess of 3%. Shifting to incomes, disposable personal incomes jumped 3.2% on a quarterly basis, as average hourly earning increased 0.6%. On an annual basis, hourly earnings for private-sector employees jumped 2.3% to an average of \$25.40 during 1st quarter 2016. Average weekly earnings of all employees registered at \$875.10, up 2% since 1st quarter 2015. |
| <i>Three Month Average</i> | | | | | |
| <i>Year-over-Year growth</i> | 0.0% | 0.1% | 0.4% | 1.1% | |
| <i>Source: Bureau of Labor Statistics</i> | | | | | |