United States Economic Outlook

BMO 200 Capital Markets
We're here to help.™

Our key forecasts for the U.S. economy — **March 17, 2017**

		2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2015	2016	2017	2018
Production	**q/q % chng : a.r.**																
Real GDP (chain-weighted)		0.8	1.4	3.5	1.9	2.2	2.5	2.7	2.8	2.5	2.5	2.4	2.2	2.6	1.6	2.4	2.5
Final Sales		1.3	2.6	3.0	0.9	1.8	2.4	2.7	2.8	2.4	2.4	2.3	2.2	2.4	2.0	2.1	2.5
Final Domestic Demand		1.2	2.4	2.1	2.6	2.4	2.7	3.0	3.1	2.7	2.7	2.6	2.4	3.1	2.1	2.6	2.8
Consumer Spending		1.6	4.3	3.0	3.0	2.0	2.9	2.9	3.0	2.6	2.6	2.5	2.4	3.2	2.7	2.8	2.7
Durables		-0.6	9.8	11.6	11.5	2.0	2.8	3.0	3.0	2.5	2.5	2.3	2.0	6.9	5.8	5.7	2.6
Nondurables		2.1	5.7	-0.5	2.8	2.0	2.9	3.0	3.0	2.5	2.5	2.3	2.2	2.6	2.5	2.4	2.6
Services		1.9	3.0	2.7	1.8	2.0	2.9	2.9	3.0	2.7	2.7	2.6	2.5	2.8	2.3	2.4	2.8
Goverment Spending		1.6	-1.7	0.8	0.3	1.7	1.7	3.1	3.6	3.5	3.2	3.2	2.8	1.8	0.8	1.4	3.2
Business Investment		-3.4	1.0	1.4	1.3	4.4	2.8	2.7	2.9	2.3	2.4	2.4	2.2	2.1	-0.5	2.6	2.5
Non-residential Construction		0.1	-2.1	12.0	-4.4	4.0	2.8	2.9	3.5	2.7	2.6	2.6	2.5	-4.4	-3.0	2.5	2.8
Equipment		-9.5	-3.0	-4.5	1.9	4.0	2.7	2.8	3.3	2.7	2.5	2.5	2.2	3.5	-2.9	1.6	2.7
Intellectual Property		3.8	9.0	3.2	4.5	5.0	3.0	2.5	2.0	1.5	2.0	2.0	2.0	4.8	4.9	4.0	2.0
Residential Construction		7.8	-7.8	-4.1	9.6	7.0	3.2	3.2	3.0	2.4	2.2	2.0	1.9	11.7	4.9	3.6	2.5
Exports		-0.7	1.8	10.0	-4.0	6.7	2.4	2.5	2.5	2.5	2.5	2.5	2.5	0.1	0.4	3.1	2.5
Imports		-0.6	0.2	2.2	8.5	9.6	4.0	4.3	4.5	4.4	4.2	4.0	3.8	4.6	1.1	5.8	4.3
	2009$ blns : a.r. (contribution in ppts : a.r.)																
Inventory Change		40.7	-9.5	7.1	46.2	62.0	64.0	66.0	68.0	70.0	74.0	76.0	77.0	86.6	21.7	65.0	74.3
Contribution to GDP Growth		-0.4	-1.2	0.4	0.9	0.4	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.2	-0.4	0.3	0.1
Net Exports		-566.2	-558.4	-522.3	-599.6	-627.8	-642.4	-658.8	-676.8	-694.4	-710.8	-726.0	-739.9	-540.0	-561.6	-651.5	-717.7
Contribution to GDP Growth		0.0	0.2	0.9	-1.8	-0.7	-0.3	-0.4	-0.4	-0.4	-0.4	-0.3	-0.3	-0.7	-0.1	-0.5	-0.4
	$ blns : a.r. (growth in q/q % chng : a.r.)																
Nominal GDP		18,282	18,450	18,675	18,856	19,048	19,251	19,483	19,720	19,950	20,176	20,398	20,614	18,037	18,566	19,375	20,285
Growth		1.3	3.7	5.0	3.9	4.1	4.3	4.9	5.0	4.7	4.6	4.5	4.3	3.7	2.9	4.4	4.7
Real GDP	y/y % chng	1.6	1.3	1.7	1.9	2.2	2.5	2.3	2.5	2.6	2.6	2.5	2.4				
Inflation	**q/q % chng : a.r.**																
GDP Price Index		0.5	2.3	1.4	2.0	1.9	1.8	2.1	2.1	2.2	2.1	2.1	2.1	1.1	1.3	1.9	2.1
Core PCE Deflator		2.1	1.8	1.7	1.2	2.3	2.2	2.3	2.2	2.4	2.2	2.2	2.2	1.4	1.7	2.0	2.3
CPI All Items		0.1	2.3	1.8	3.0	3.8	2.3	2.6	2.5	2.5	2.3	2.2	2.2	0.1	1.3	2.8	2.4
Ex. Food and Energy		2.5	2.1	2.1	2.0	2.8	2.3	2.4	2.3	2.5	2.2	2.2	2.2	1.8	2.2	2.3	2.3
Food Prices		-0.3	-0.2	-0.5	-0.3	1.2	1.8	2.3	2.3	2.2	2.2	2.2	2.2	1.9	0.3	0.9	2.2
Energy Prices		-22.7	10.8	3.4	22.6	19.7	3.0	4.9	4.8	3.8	2.8	2.4	2.4	-16.7	-6.4	11.4	3.6
Services		2.8	3.1	3.2	2.9	3.3	2.5	2.3	2.3	2.2	2.2	2.2	2.2	2.3	2.8	2.9	2.2
CPI All Items	y/y % chng	1.1	1.1	1.1	1.8	2.7	2.7	2.9	2.8	2.5	2.5	2.4	2.3				
Ex. Food and Energy	y/y % chng	2.2	2.2	2.2	2.2	2.2	2.3	2.4	2.5	2.4	2.4	2.3	2.3				
Core PCE Deflator	y/y % chng	1.6	1.6	1.7	1.7	1.8	1.9	2.0	2.2	2.3	2.3	2.3	2.3				
Financial	**% : quarterly avg.**																
Fed Funds Rate		0.38	0.38	0.38	0.46	0.71	0.96	1.13	1.21	1.38	1.46	1.71	1.96	0.15	0.40	1.00	1.63
90-Day T-Bill		0.29	0.26	0.30	0.43	0.55	0.75	0.90	1.00	1.15	1.25	1.50	1.75	0.05	0.32	0.80	1.40
3-Month Libor		0.62	0.64	0.78	0.92	1.10	1.25	1.40	1.45	1.60	1.70	1.90	2.15	0.31	0.74	1.30	1.85
10-Year Bond Yield		1.92	1.75	1.56	2.13	2.45	2.55	2.65	2.70	2.80	2.85	2.95	3.05	2.14	1.84	2.60	2.90
Foreign Trade	**$ blns : a.r.** (share in % of GDP)																
Current Account Balance		-527	-473	-452	-509	-580	-616	-649	-676	-708	-730	-751	-771	-463	-490	-630	-740
Share of GDP		-2.9	-2.6	-2.4	-2.7	-3.0	-3.2	-3.3	-3.4	-3.5	-3.6	-3.7	-3.7	-2.6	-2.6	-3.3	-3.6
Merchandise Balance		-745	-747	-711	-816	-874	-905	-932	-960	-986	-1011	-1034	-1055	-763	-755	-918	-1021
Non-Merchandise Balance		218	274	259	307	294	289	283	285	278	281	283	284	300	265	288	281
	quarterly avg.																
Yen	¥/US$	115	108	102	109	114	115	117	119	119	118	117	115	121	109	116	117
Euro	US$/€	1.10	1.13	1.12	1.08	1.06	1.05	1.03	1.01	1.01	1.03	1.05	1.07	1.11	1.11	1.04	1.04
Pound	US$/£	1.43	1.43	1.31	1.24	1.24	1.20	1.18	1.19	1.21	1.22	1.23	1.25	1.53	1.35	1.20	1.23
Trade-Wt. Dollar (broad)	Jan '97=100	123.4	120.4	121.5	125.5	126.8	128.2	129.9	130.8	130.7	130.1	129.5	128.8	117.2	122.7	128.9	129.8
Commodity Prices	**quarterly avg.**																
WTI Spot	US$/bbl	33.3	45.4	44.9	49.2	53.0	54.0	55.2	58.0	59.3	61.0	63.3	64.3	48.7	43.2	55.0	62.0
Henry Hub Spot	US$/mmbtu	2.0	2.1	2.9	3.0	2.9	2.7	2.9	3.3	3.5	3.3	3.3	3.5	2.6	2.5	3.0	3.4
Incomes	**y/y % chng**																
Pre-Tax Profits with IVA and CCA		-6.6	-4.3	2.1	9.8	7.3	9.1	4.3	4.6	4.7	4.8	4.7	4.5	-3.0	0.0	6.3	4.7
Personal Income		3.6	3.4	3.6	3.7	4.6	4.5	4.4	4.6	4.4	4.4	4.4	4.3	4.4	3.6	4.5	4.4
Real Disposable Income		3.1	2.8	2.7	2.5	2.5	2.3	2.3	2.5	2.7	2.9	2.9	2.8	3.5	2.8	2.4	2.8
Savings Rate	% : quarterly avg.	6.1	5.9	5.9	5.6	5.6	5.5	5.5	5.5	5.5	5.6	5.7	5.7	5.8	5.9	5.5	5.6
Other Indicators	**quarterly avg.** (mlns are a.r.)																
Unemployment Rate	percent	5.0	4.9	4.9	4.7	4.7	4.5	4.4	4.3	4.2	4.2	4.2	4.2	5.3	4.9	4.4	4.2
Housing Starts	mlns	1.15	1.16	1.14	1.25	1.27	1.29	1.31	1.34	1.36	1.37	1.36	1.35	1.11	1.18	1.30	1.36
Existing Home Sales	mlns	5.36	5.48	5.38	5.55	5.59	5.57	5.58	5.56	5.52	5.49	5.46	5.43	5.23	5.44	5.57	5.48
Home Prices (Case-Shiller)	y/y % chng	5.4	5.2	5.0	5.3	5.0	6.1	6.9	5.8	4.9	4.3	4.1	4.0	5.0	5.2	5.9	4.3
Motor Vehicle Sales	mlns	17.4	17.1	17.5	18.1	17.6	17.3	17.0	16.9	16.8	16.7	16.6	16.6	17.4	17.5	17.2	16.7
	q/q % chng : a.r.																
Civilian Employment		3.8	0.3	1.7	0.8	1.2	1.9	1.4	1.3	1.2	1.1	1.0	1.0	1.7	1.7	1.3	1.2
Industrial Production		-1.7	-0.8	1.7	0.3	1.5	2.9	3.1	3.2	2.8	2.3	2.3	2.3	0.3	-1.0	1.7	2.8
CBO Budget Deficit	% of GDP													-2.5	-3.2	-2.9	-2.4

Shaded values represent forecasts

Please refer to page 2 for Important Disclosures

A publication of BMO Capital Markets Economic Research • Douglas Porter, CFA, Chief Economist • economics.bmocapitalmarkets.com • 416-359-6372

General Disclosure

"BMO Capital Markets" is a trade name used by the BMO Financial Group for the wholesale banking businesses of Bank of Montreal and its subsidiaries BMO Nesbitt Burns Inc., BMO Capital Markets Limited in the U.K. and BMO Capital Markets Corp. in the U.S. BMO Nesbitt Burns Inc., BMO Capital Markets Limited and BMO Capital Markets Corp are affiliates. Bank of Montreal or its subsidiaries ("BMO Financial Group") has lending arrangements with, or provide other remunerated services to, many issuers covered by BMO Capital Markets. The opinions, estimates and projections contained in this report are those of BMO Capital Markets as of the date of this report and are subject to change without notice. BMO Capital Markets endeavours to ensure that the contents have been compiled or derived from sources that we believe are reliable and contain information and opinions that are accurate and complete. However, BMO Capital Markets makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions contained herein and accepts no liability whatsoever for any loss arising from any use of, or reliance on, this report or its contents. Information may be available to BMO Capital Markets or its affiliates that is not reflected in this report. The information in this report is not intended to be used as the primary basis of investment decisions, and because of individual client objectives, should not be construed as advice designed to meet the particular investment needs of any investor. This material is for information purposes only and is not an offer to sell or the solicitation of an offer to buy any security. BMO Capital Markets or its affiliates will buy from or sell to customers the securities of issuers mentioned in this report on a principal basis. BMO Capital Markets or its affiliates, officers, directors or employees have a long or short position in many of the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon. The reader should assume that BMO Capital Markets or its affiliates may have a conflict of interest and should not rely solely on this report in evaluating whether or not to buy or sell securities of issuers discussed herein.

Dissemination of Research

Our publications are disseminated via email and may also be available via our web site http://economics.bmocapitalmarkets.com. Please contact your BMO Financial Group Representative for more information.

Conflict Statement

A general description of how BMO Financial Group identifies and manages conflicts of interest is contained in our public facing policy for managing conflicts of interest in connection with investment research which is available at http://researchglobal.bmocapitalmarkets.com/Public/Conflict_Statement_Public.aspx.

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

BMO Financial Group (NYSE, TSX: BMO) is an integrated financial services provider offering a range of retail banking, wealth management, and investment and corporate banking products. BMO serves Canadian retail clients through BMO Bank of Montreal and BMO Nesbitt Burns. In the United States, personal and commercial banking clients are served by BMO Harris Bank N.A., Member FDIC. Investment and corporate banking services are provided in Canada and the US through BMO Capital Markets. BMO Capital Markets is a trade name used by BMO Financial Group for the wholesale banking businesses of Bank of Montreal, BMO Harris Bank N.A, BMO Ireland Plc, and Bank of Montreal (China) Co. Ltd. and the institutional broker dealer businesses of BMO Capital Markets Corp. (Member SIPC), BMO Nesbitt Burns Securities Limited (Member SIPC) and BMO Capital Markets GKST Inc. (Member SIPC) in the U.S., BMO Nesbitt Burns Inc. (Member Canadian Investor Protection Fund) in Canada, Europe and Asia, BMO Capital Markets Limited in Europe, Asia and Australia and BMO Advisors Private Limited in India.

"Nesbitt Burns" is a registered trademark of BMO Nesbitt Burns Inc., used under license. "BMO Capital Markets" is a trademark of Bank of Montreal, used under license. "BMO (M-Bar roundel symbol)" is a registered trademark of Bank of Montreal, used under license.

® Registered trademark of Bank of Montreal in the United States, Canada and elsewhere.

™ Trademark Bank of Montreal in the United States and Canada.

© COPYRIGHT 2017 BMO CAPITAL MARKETS CORP.

A member of BMO Financial Group