

The Comerica U.S. Economic Outlook

2016: U.S. Households Versus the World

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January 2016*

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Households are the Source of Consumer Spending

Household: *an occupied housing unit.*

- U.S. Census Bureau

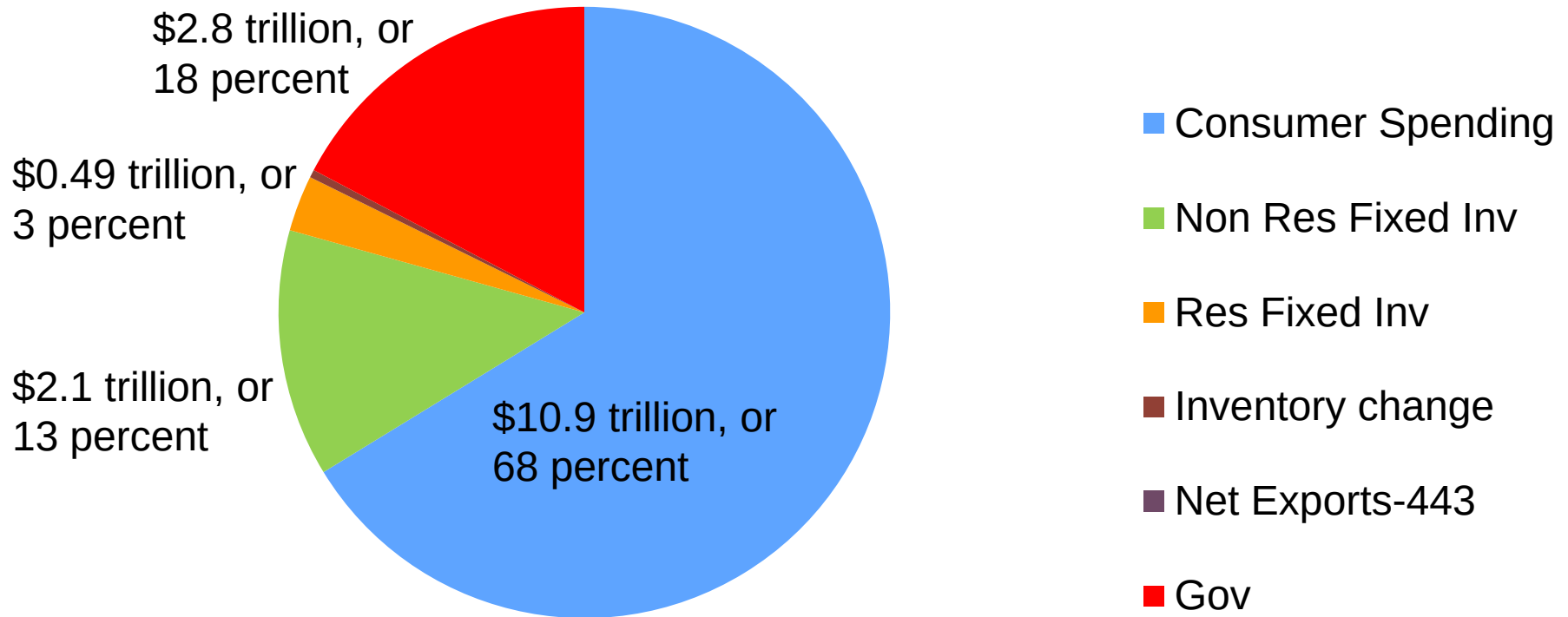


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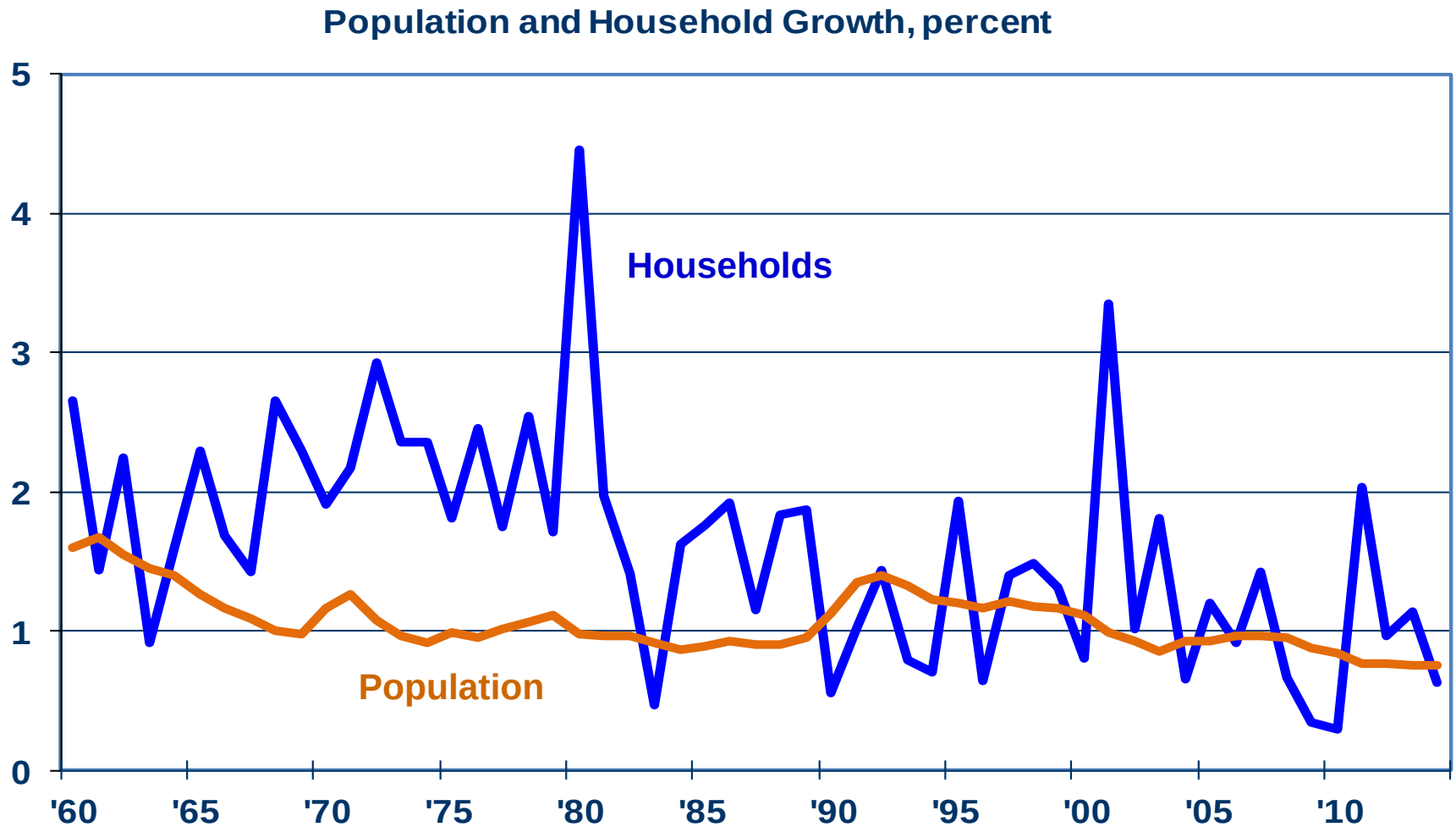


As the Consumer Goes, So Goes the U.S. Economy

U.S. Real GDP, \$16 trillion (\$2009) in 2014



Households Driven by Population, Demographics, Economics



Source: Census Bureau



Positives and Negatives for U.S. Households

Mostly Global

Global Capacity Overhang

Reduced domestic energy exploration

Strong dollar

Interest rates

China

**Europe
BREXIT**

Emerging markets



U.S. Household Spending



Mostly U.S.

Increasing house prices

Job growth

Homeowner equity

Financial market repair

Wage gains

Low inflation

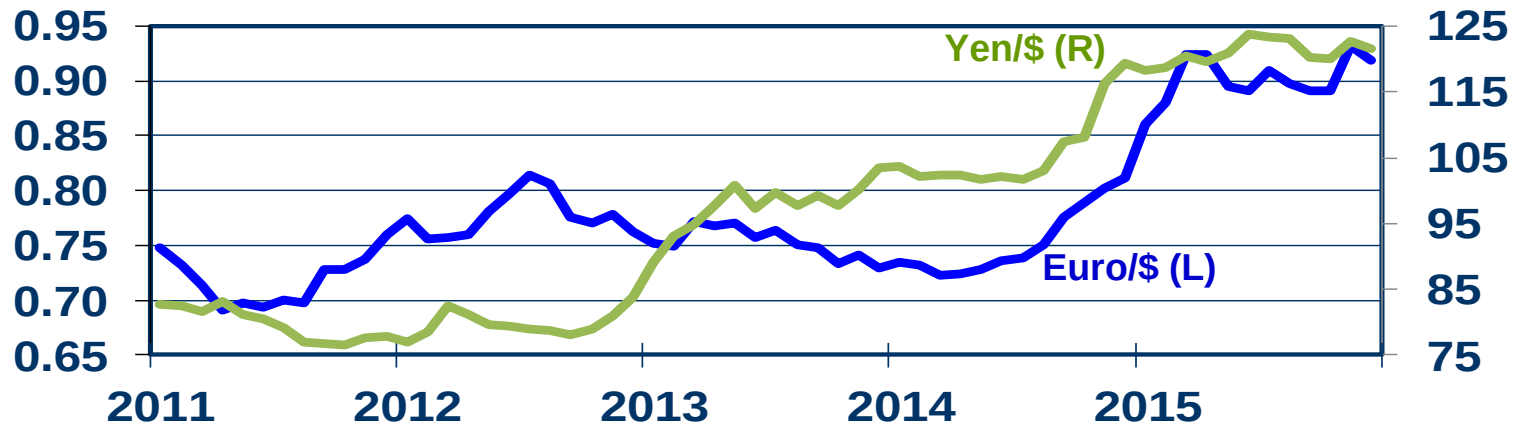
Increasing confidence

Low energy prices



Exchange Rates Volatility Increased by Desynchronized Global Monetary Policy

The Dollar, the Euro and the Yen



Trade Weighted Value of the Dollar



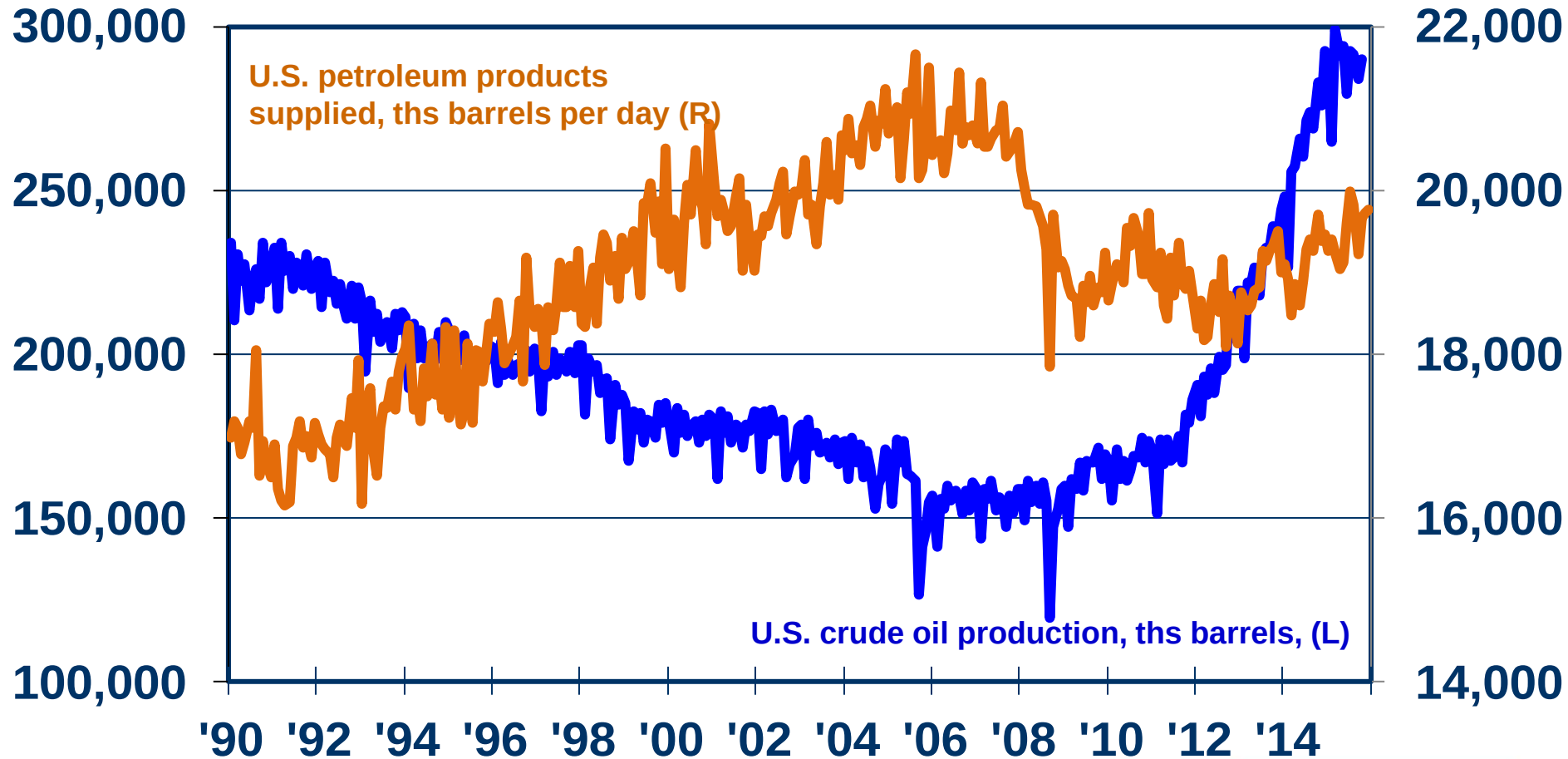
The New China Syndrome

	U.S. \$Billion		Trade
	2013 total	2013	Share
	trade	GDP	of GDP,
			%
1 Hong Kong	401	274	146
2 Taiwan	197	511	39
3 Malaysia	106	313	34
4 S Korea	274	1,304	21
5 Australia	136	1,502	9
6 Japan	313	4,920	6
7 Germany	162	3,731	4
8 Russia	89	2,079	4
9 Brazil	90	2,391	4
10 U.S.	521	16,768	3



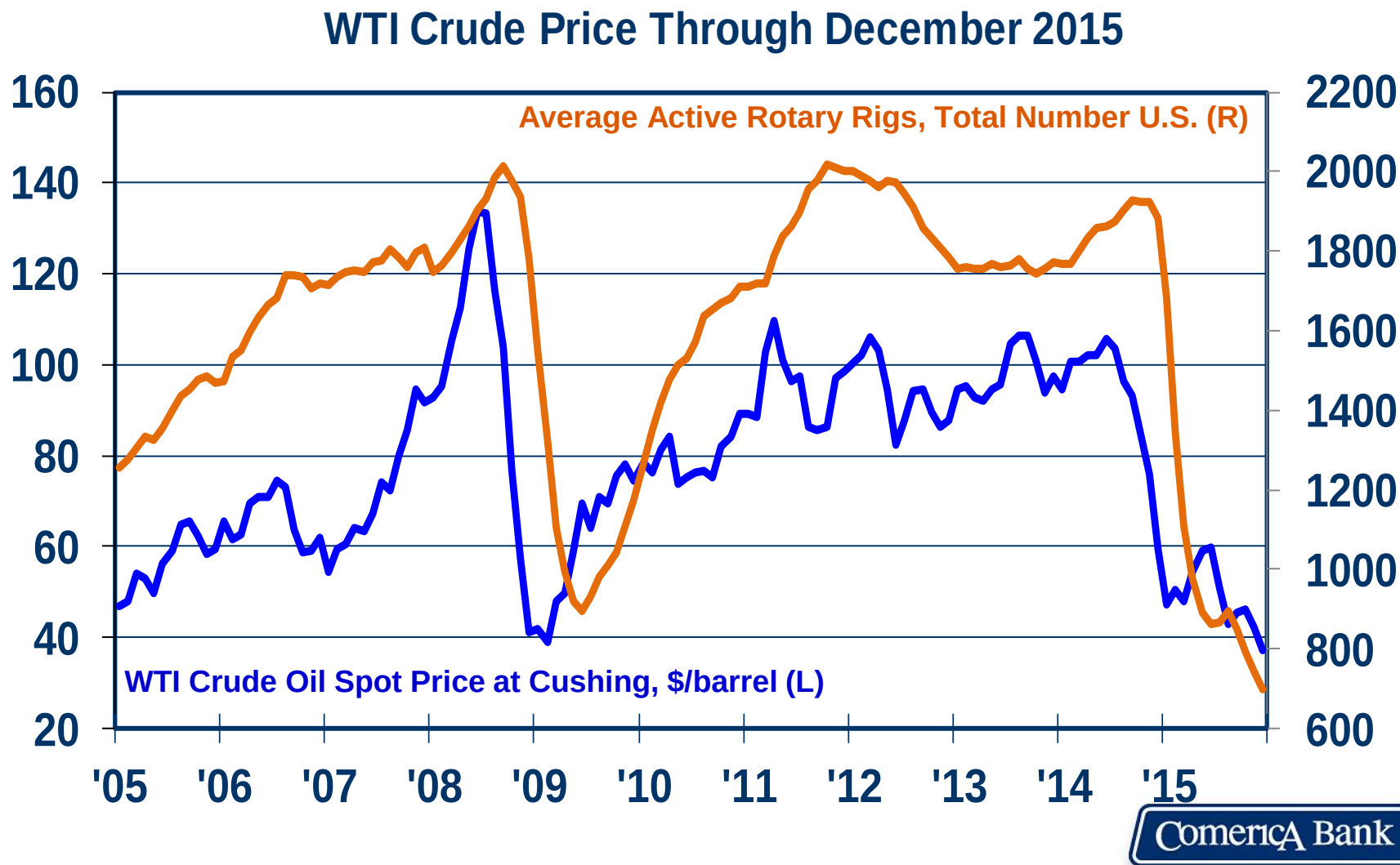
U.S. Oil Production Starting to Turn Over

Shale Gale Contributing to Global Oil Glut



Source: Energy Information Agency

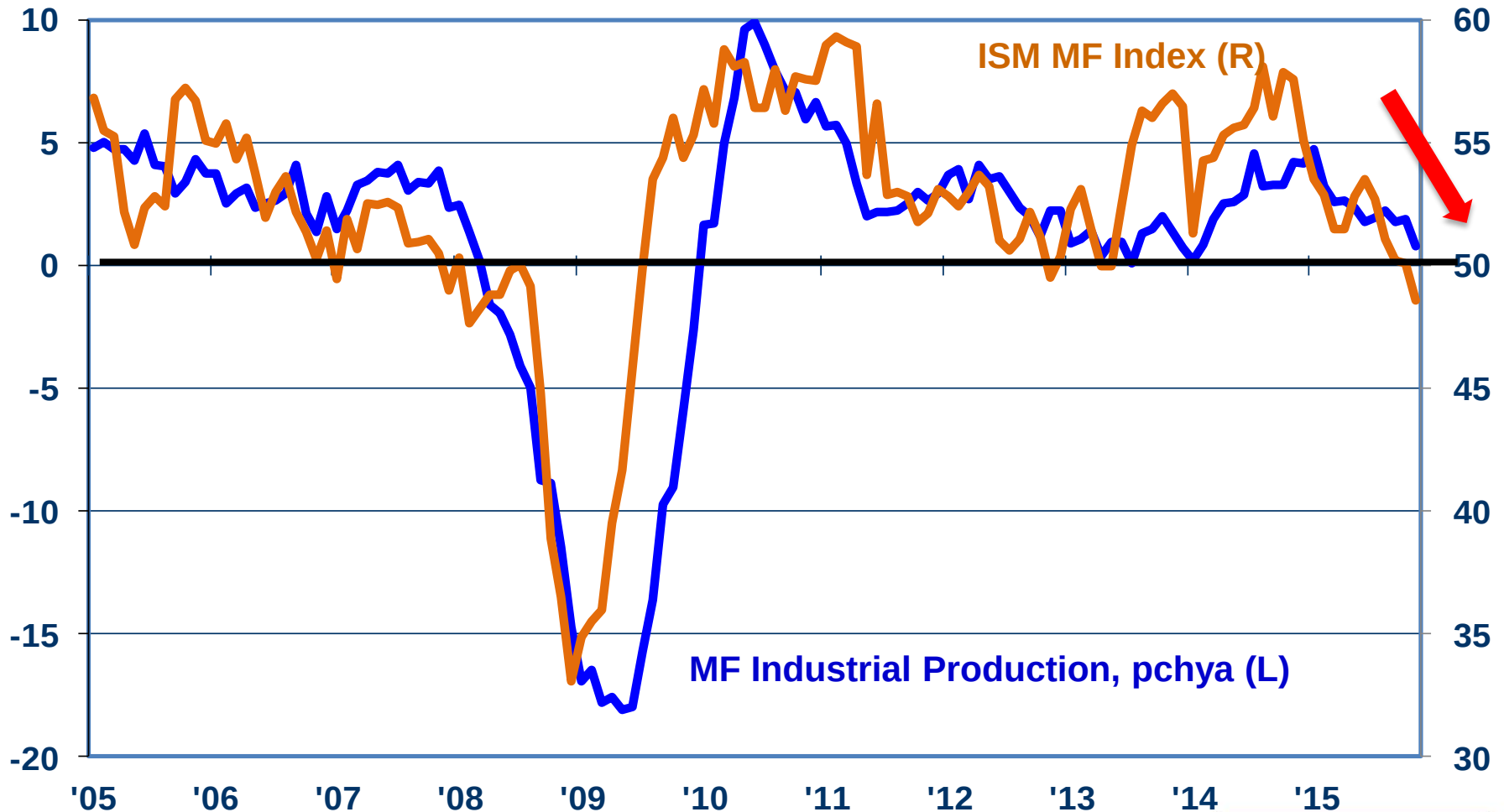
Falling Crudes Prices Suppress Oil Field Activity



Sources: Energy Information Agency, Baker Hughes

Manufacturing: Global, Dollar and Energy Headwinds

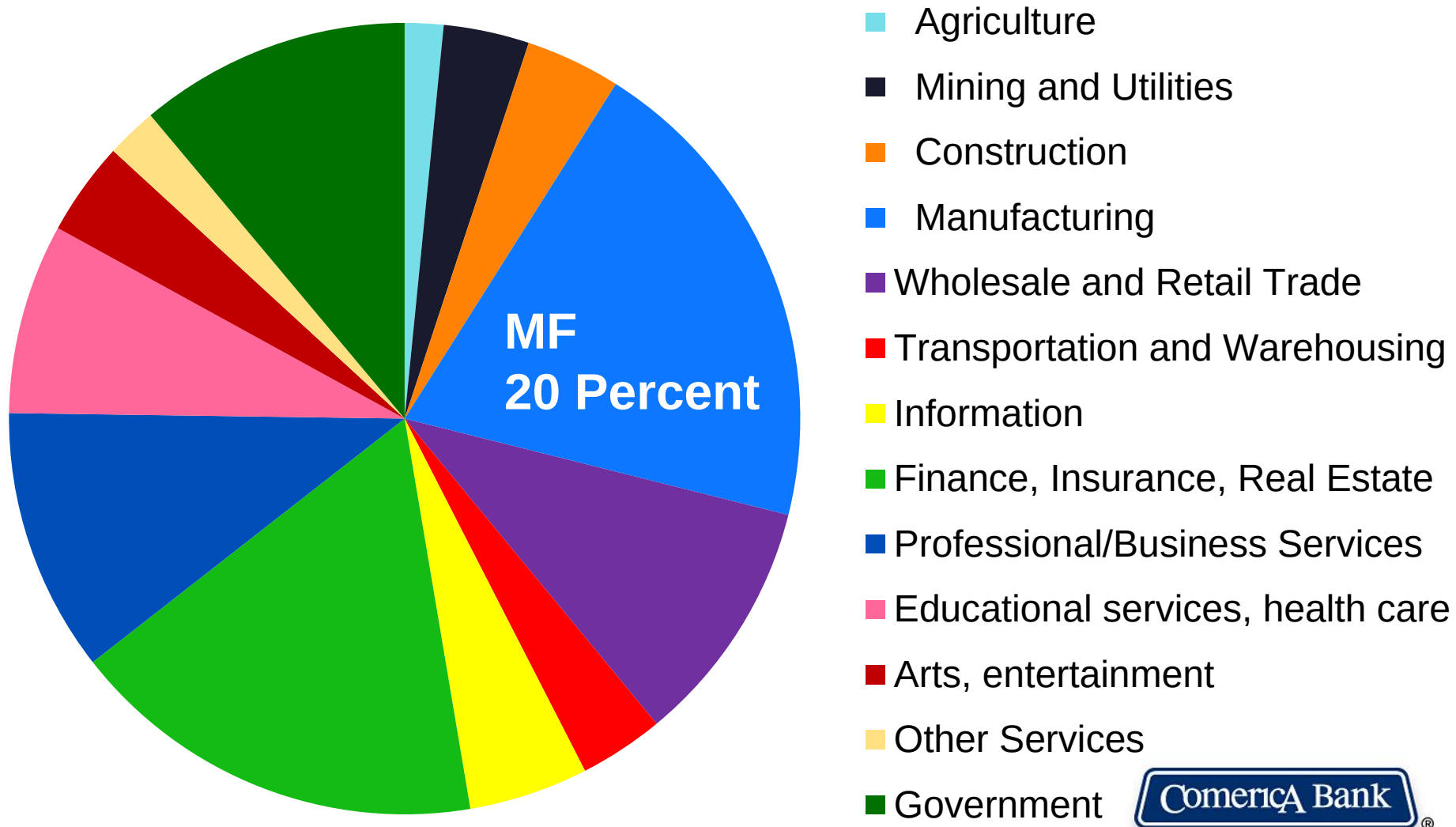
Industrial Production and ISM MF Index



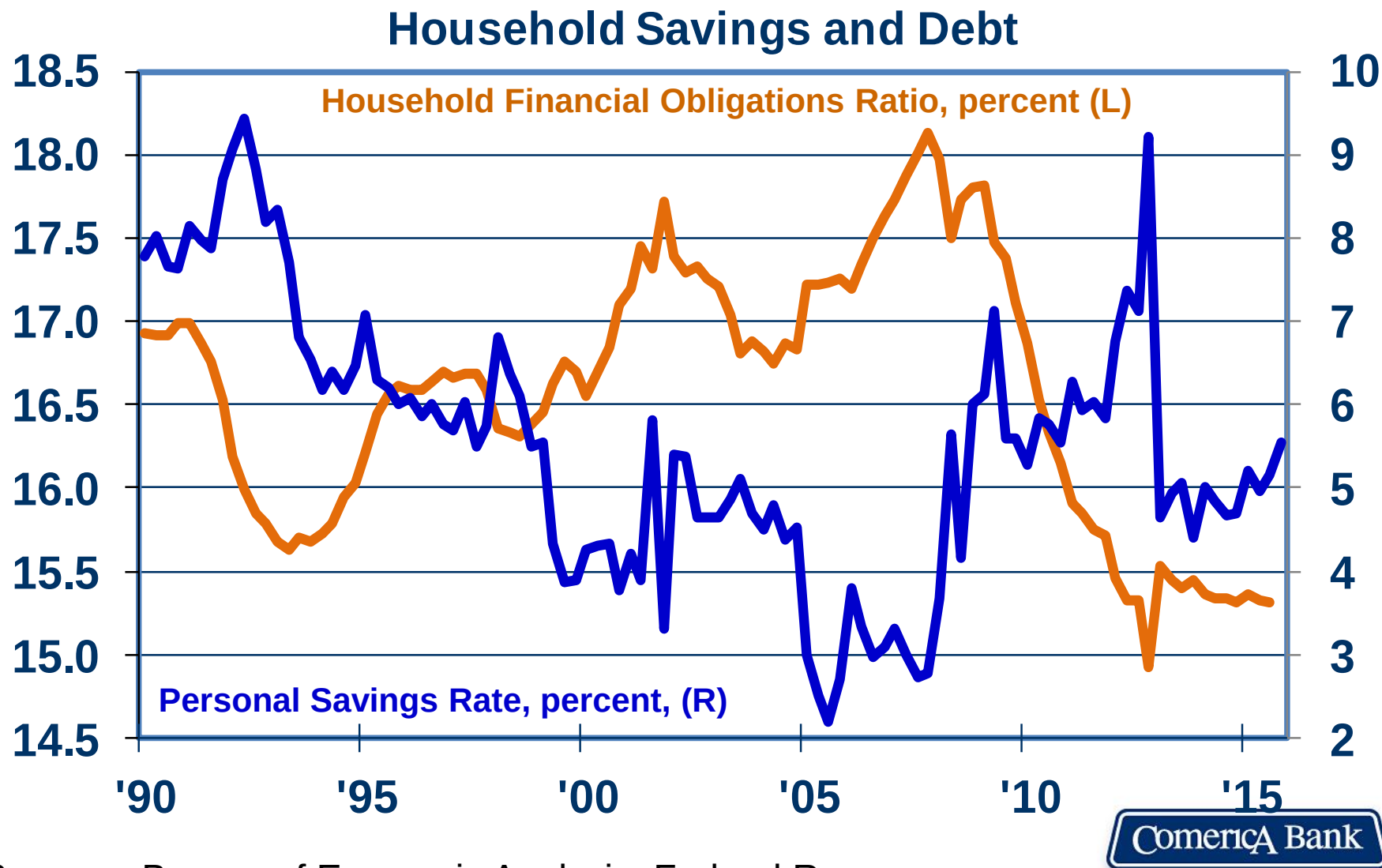
Sources: Institute of Supply Management, Federal Reserve

Manufacturing Is Important but not Dominant

U.S. Gross Output, \$30.9 trillion in 2014



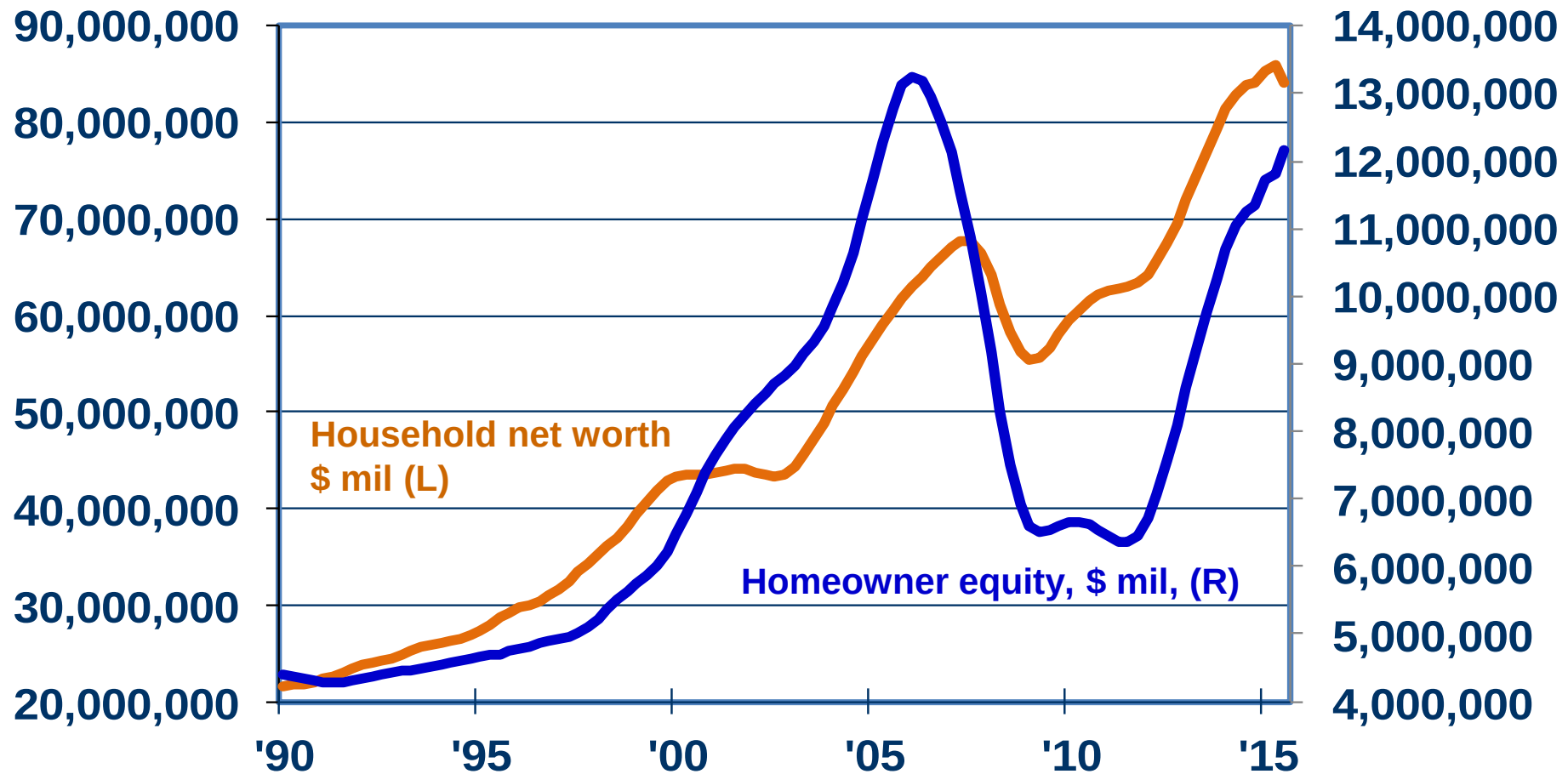
Households Are In a Different Place, Part I



Sources: Bureau of Economic Analysis, Federal Reserve

Households Are In a Different Place, Part II

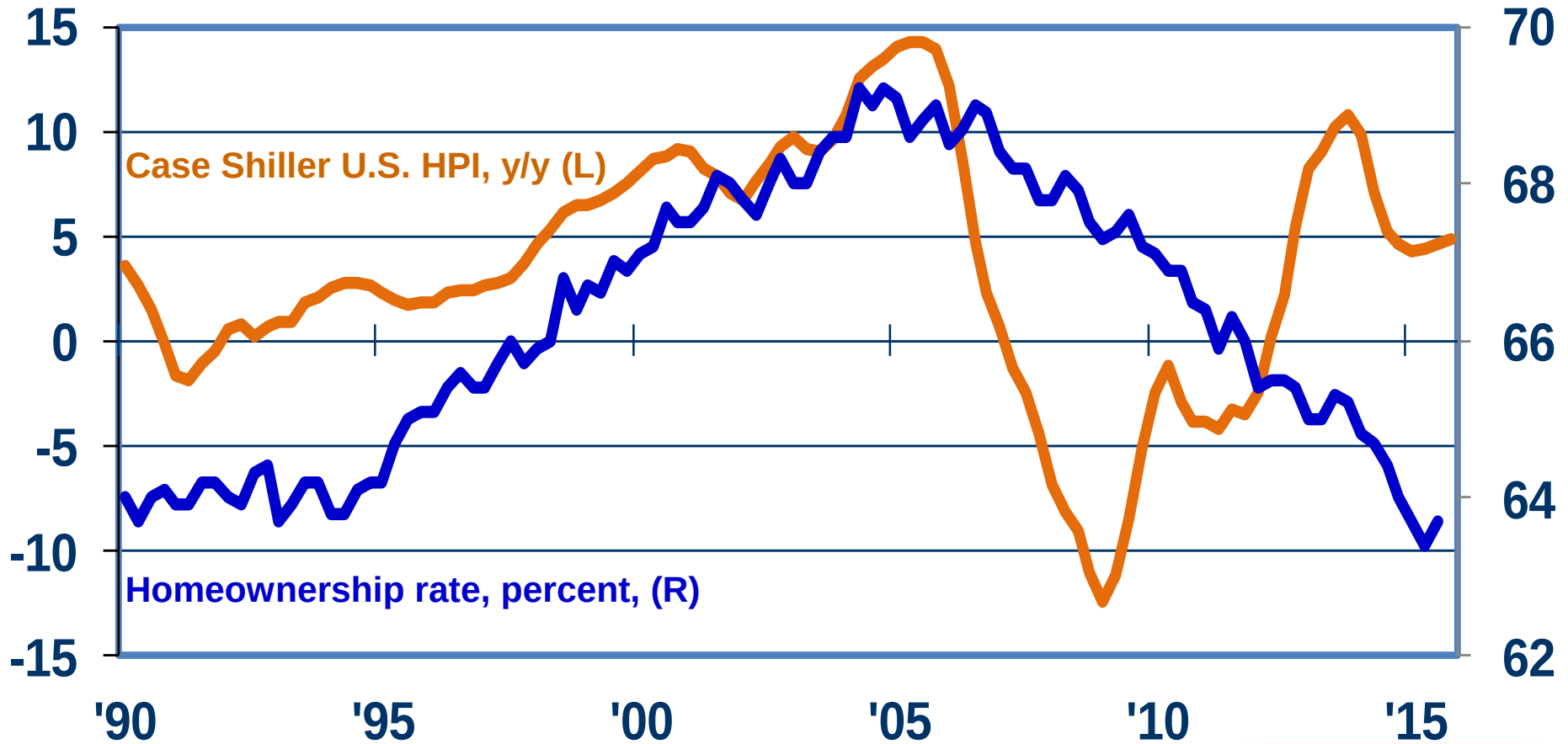
Homeowner Equity and Net Worth



Source: Federal Reserve

Households Are In a Different Place, Part III

House Prices and Home Ownership Rate

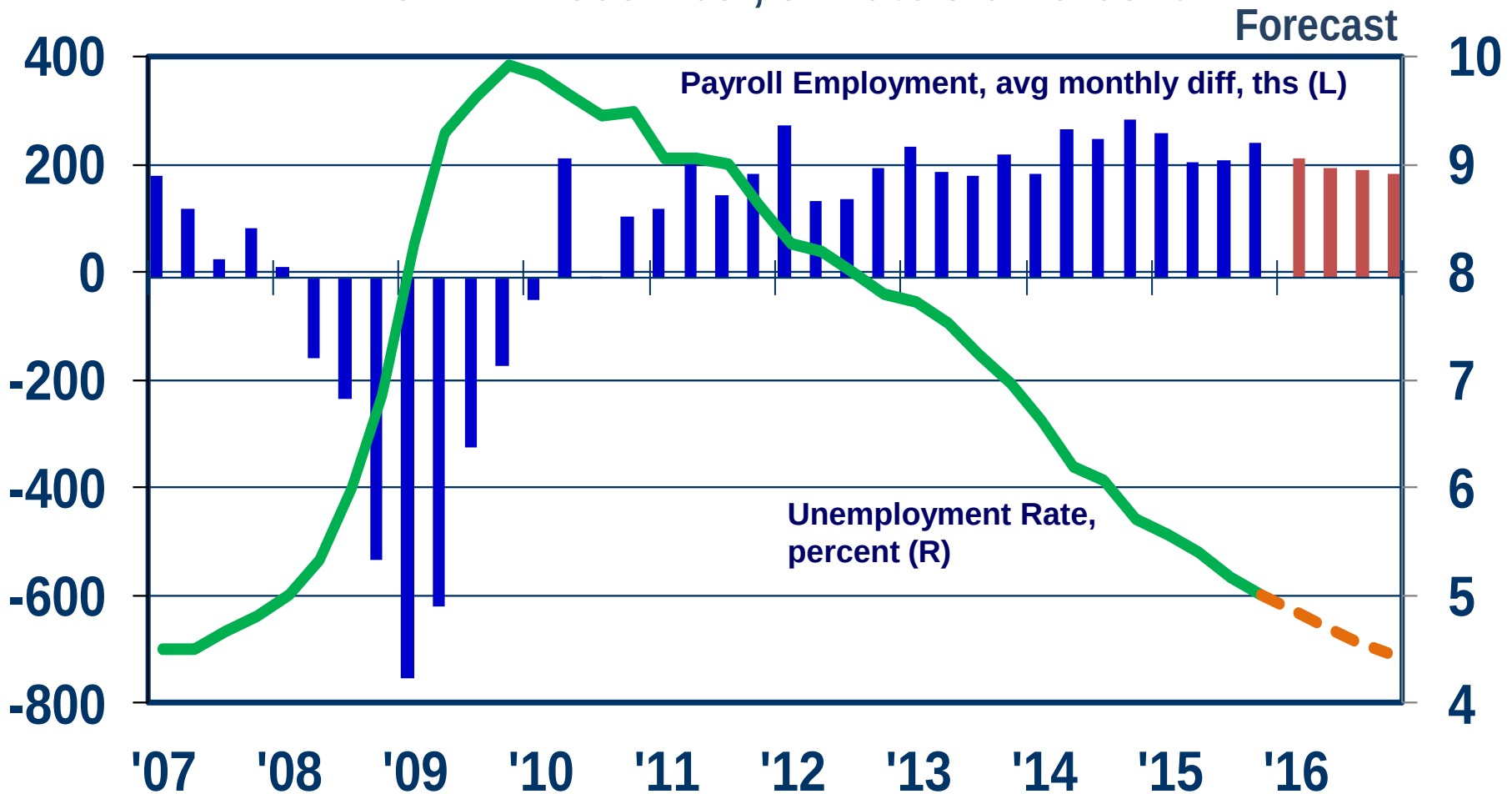


Source: S&P, Census



Heading to Sub-5 Percent Unemployment Rate

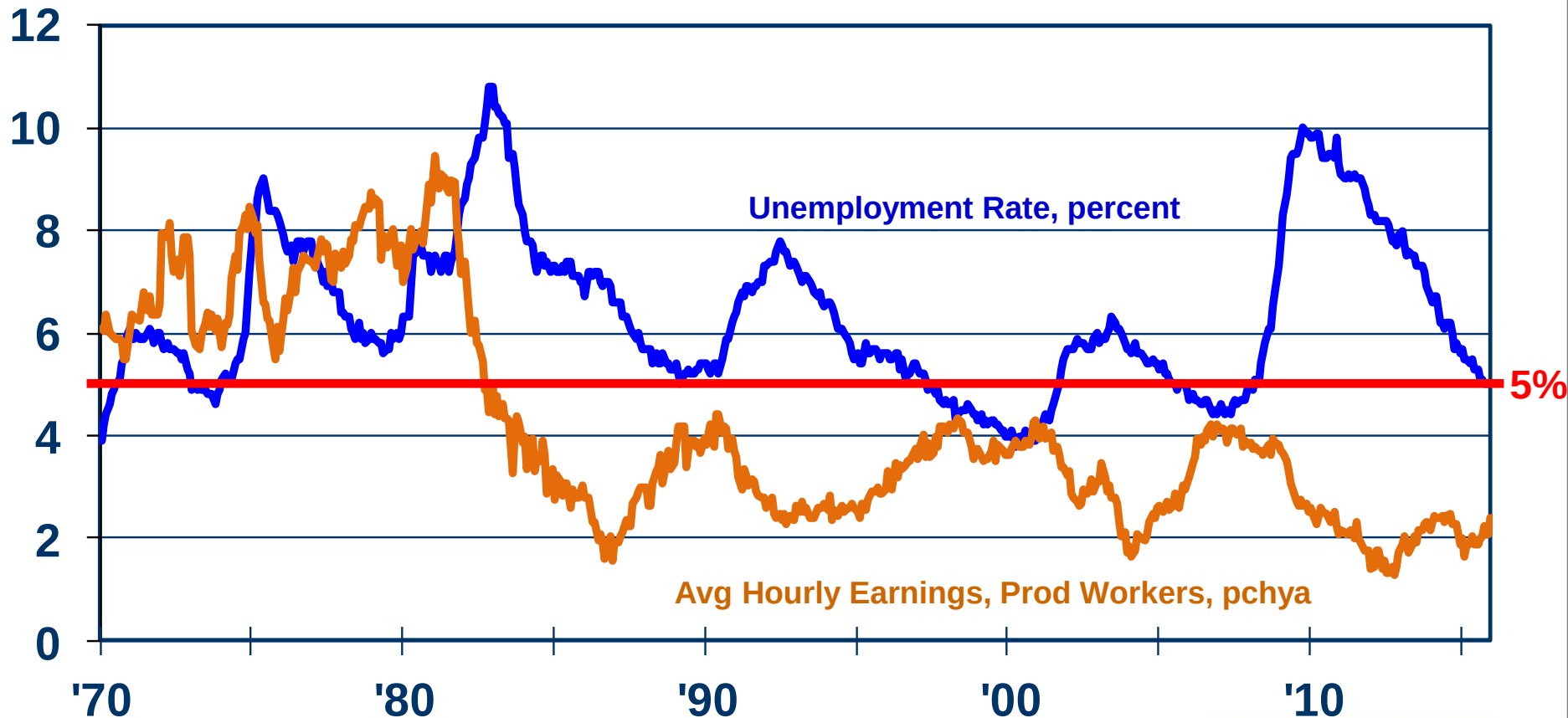
+292k in December, U. Rate 5.0 Percent



Sources: Bureau of Labor Statistics, Comerica Bank

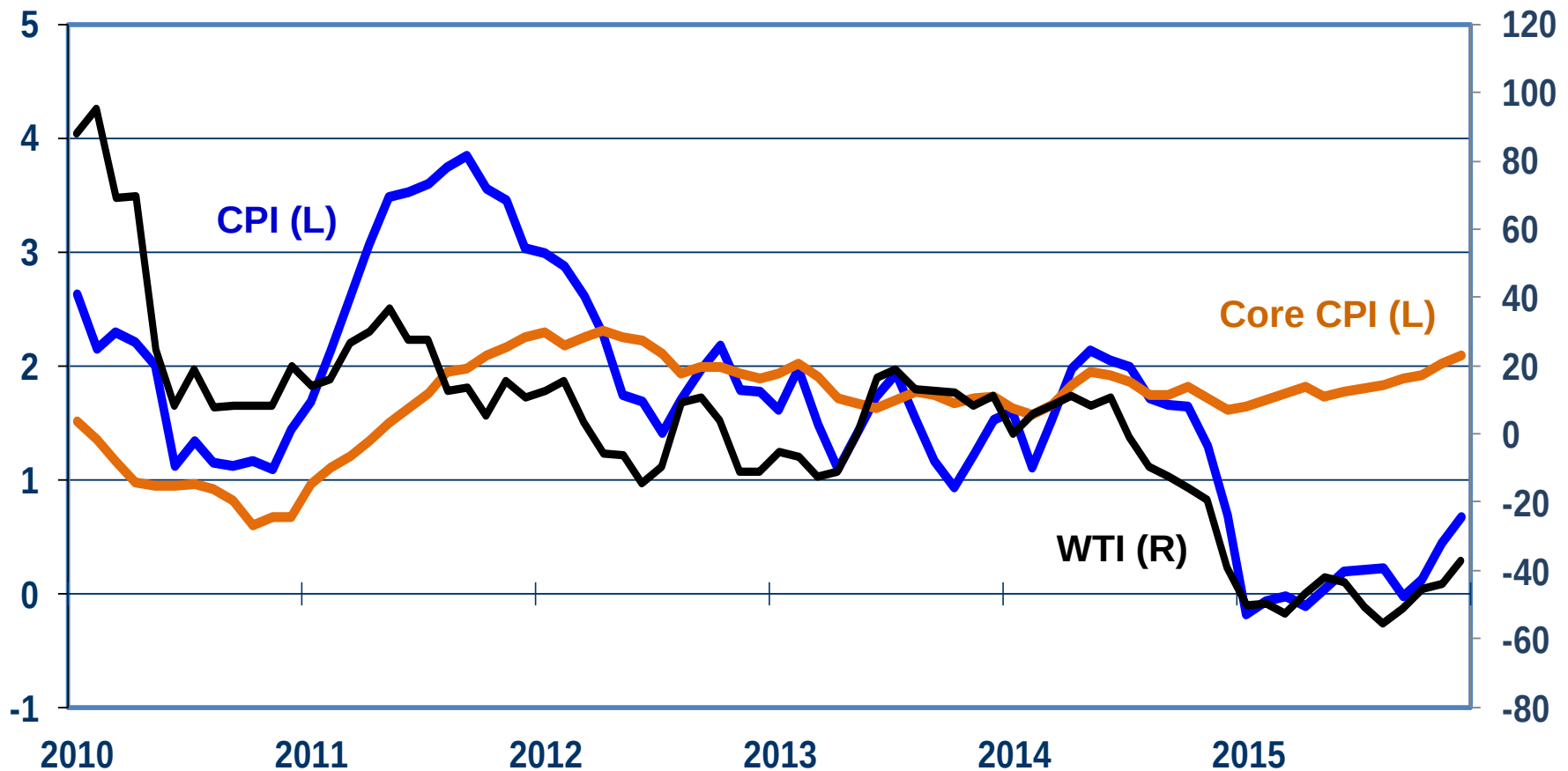
The Potential For Wage Inflation is Increasing

Low U. Rate Associated with Accelerating Wages



Global Capacity Overhang Weighs on U.S. Prices

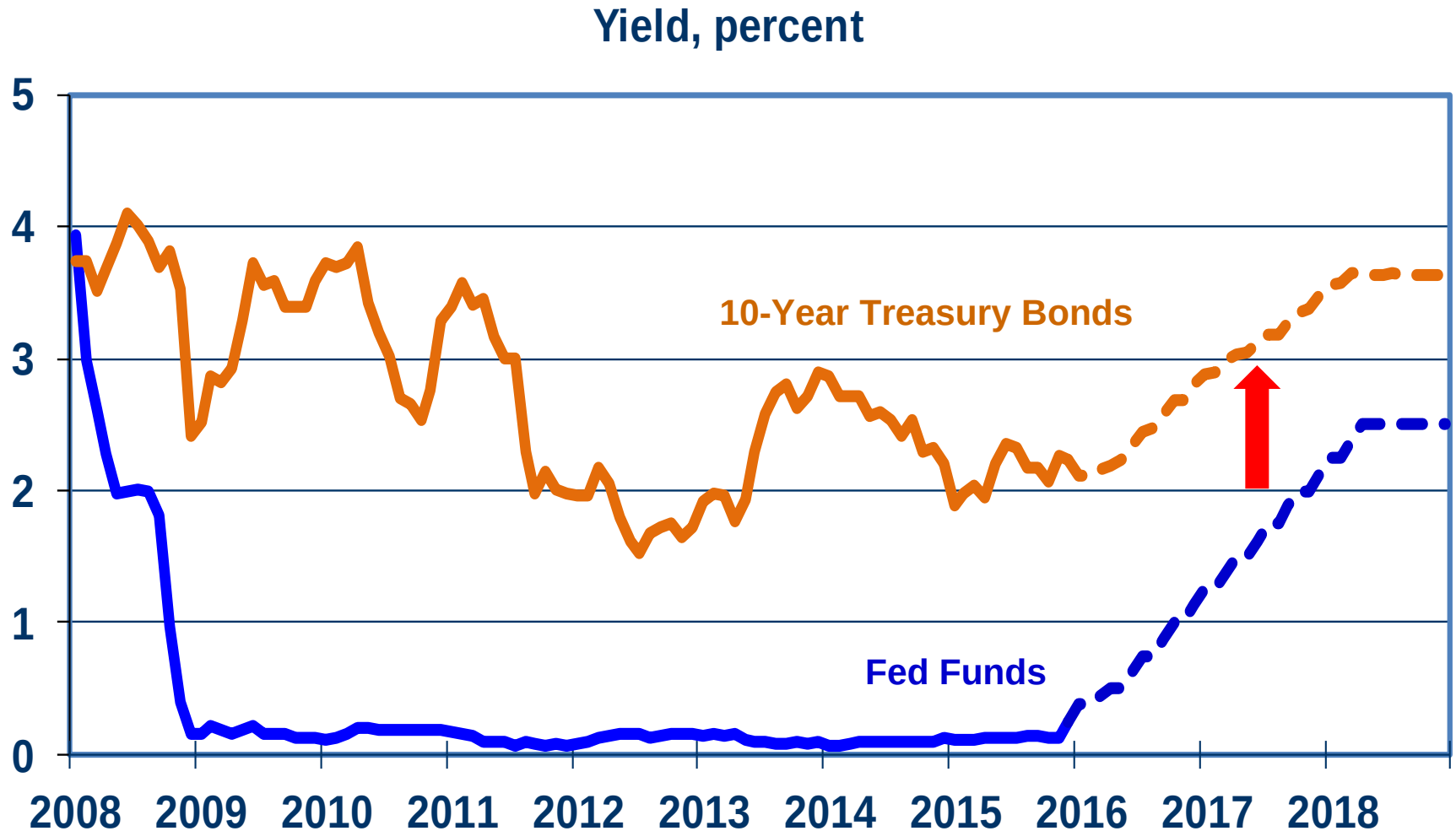
Crude Oil and Consumer Price Index, y/y percent change



Source: Bureau of Labor Statistics



Interest Rates Face Upward Pressure with Monetary Policy Unwind



Sources: Federal Reserve, Comerica Bank

GDP Forecast, Ongoing Moderate Expansion



Sources: Bureau of Economic Analysis, Comerica Bank



Forecast Risks

Downside Risks

- Current weak GDP growth
- Global volatility, China, Japan, Eurozone/Brexit, Russia, MENA
- Monetary policy stumbles
- Foreign exchange rates
- Job growth weakens
- Consumer spending slumps
- Housing stalls
- Investor confidence falls/sell-off
- Inventory correction
- Global Bond Market Reset

Upside Risks

- Stronger job growth
- Households unleash pent-up demand
- Lower energy prices for longer
- Consumer/Business confidence surges
- Increased business investment
- Single-family housing market
- Increased gov./defense spending
- China/Europe find traction

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