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Econews

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Puerto Rico The Economy

- The past year was mired in uncertainty, from a change of government at the federal and state level, the approval of a fiscal plan that implemented strong spending cuts, to a federal tax reform that threatens the Island's manufacturing sector and, of course, the impact of two destructive hurricanes, María and Irma. From an economic perspective, 2017 was the lost year that caps a lost decade. Since 2006, the Island has experienced a continuous economic contraction that has led to a reduction in employment, an increase in migration to the U.S., and what some analysts categorize as a lack of overall direction. These trends were only exacerbated by hurricane María.
- Nearly four months after the hurricane's impact, close to 40% of the Island's residents remain without power. The U.S. Army Corps of Engineers (USACE) expects to have 95% of the Island energized by late February, with the remaining 5% by June. Transportation continues to be a challenge, as only a quarter of the Island's traffic lights are operational. Telecommunications remain unstable in many areas. The Commonwealth is still far from a complete recovery. So far, by the end of December, a preliminary tally shows that Puerto Rico has received or would have received at least about \$4.5 billion in federal relief, repair and aid funds, and loans, and more funds should be forthcoming during 2018.

Relief, Repair and Aid Funds Disbursed (or Approved)

(as of December 15 - Preliminary)

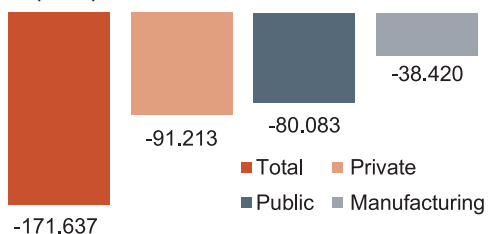
| FEMA | \$1,723.7 |
|-----------------------------------|------------------|
| Government | \$837.6 |
| Individuals | \$877.6 |
| Other | \$8.5 |
| US Corps of Engineers* | \$2,596.8 |
| U.S. Department of Transportation | \$75.0 |
| U.S. Department of Agriculture | \$11.0 |
| Federal Highway Administration | \$8.7 |
| SBA disaster assistance loans | \$6.2 |
| Commodity Credit Corporation | \$12.0 |
| U.S. Department of Housing | \$71.1 |
| Total | \$4,504.5 |

* Includes the new contracts of \$831.0 million and \$265.0 granted to Fluor Corp. to repair transmission and distribution lines on December.

EMPLOYMENT

Net Losses in Nonfarm Salaried Employment

2007 - 2017



Source: U.S. BLS, Establishment Survey, SA = Seasonally adjusted.
* Central government, public corporations, and municipalities.

Because of these challenges, many residents have chosen to move to the U.S., whether permanently or temporarily. Estudios Técnicos, Inc estimates that migration in 2017 will surpass 200,000, with net migration over 140,000. This would strike a strong blow to an already weak economy,

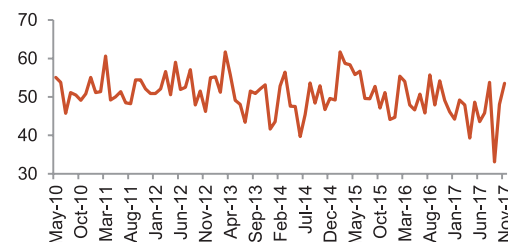
which lost over 19,000 salaried jobs in the first 11 months of 2017. The job loss experienced in these months surpasses that experienced in the previous two years combined. Overall, since 2007 the economy has lost over 171,000 salaried jobs, 91,200 of these being private.

MANUFACTURING

The largest threat to the local economy continues to be the Federal Tax Reform enacted at the end of 2017. This reform includes a 12.5% tax on intellectual property for CFC's in Puerto Rico. It also reduces the corporate tax rate in the U.S. from 35% to 21%, making it more attractive for firms in Puerto Rico to look to other U.S. jurisdictions for locating their production. The manufacturing sector has already lost over 38,400 jobs since 2007, and this trend worsened after the hurricane.

The Puerto Rico Purchasing Manager Index (PMI), which measures manufacturing activity on the Island, declined severely in September and October. Although production did ramp up in November, it is likely that this was mostly to compensate for the lost production of the previous two months.

Purchasing Managers Manufacturing Index (Monthly)



Source: Puerto Rico Institute of Statistics.

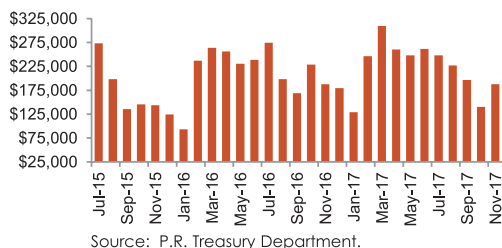


Manufacturing activity, according to PR's PMI, fell after August, to 33.1 in September, but started to recuperate rather rapidly, with the index rising to 48.1 in October and a further increase to 53.5 in November, a level almost similar to that in August (53.8), which was the highest since November 2016 (A value above 50 suggests growth; below 50 contraction). The fourth quarter, though (October and November), was 1.6% y/y below the same period in 2016.

The full impact of hurricane Maria and the federal tax reform upon the manufacturing sector will not be known for several months, if not years. Hurricane Maria was essentially a short and mid-term impact for the sector, whereas the tax reform will generate medium to long-term impacts.

FISCAL REVENUES

Net Revenues to the General Fund



As a result of the hurricanes, net revenues also declined in October and September. In response to the emergency, the sales and use tax was suspended for prepared food until early January 2018. As such, revenues have been substantially lower for the central government, municipalities and public corporations such as PRASA and PREPA. All of these entities are expected to face significant liquidity challenges over the coming months, until the \$4.7 billion line of credit approved by the U.S. Congress becomes available.

The terms of the emergency loan by the federal government are currently being negotiated by the Commonwealth and the U.S. Treasury Department. The current shortfall in revenue is \$246.1 million, and the Commonwealth has stated that the central government and its corporations will begin to run out of cash by February.

INFLATION

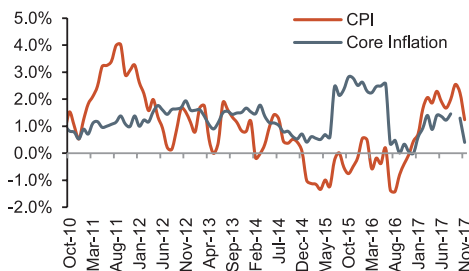
Inflation was relatively high in 2017, as compared to previous years, and is

expected to increase further. As spending increases with the rebuilding effort in Texas, Florida and California, economic activity will generate more inflation in 2018. This is not overall a good sign, particularly as the Federal Reserve has already indicated that it expects to increase interest rates 2 or 3 times in 2018. The increase in rates is a negative sign for home and car buyers as this increases the cost of lending. The biggest factor that will affect inflation is the price of oil, though for the moment it is expected to remain low.

Inflation was over 2% in September and October and 1.2% in November. Core inflation (excludes energy and food prices) remained below general inflation since early 2017.

Inflation in Puerto Rico

(December 2006 = 100)



SHORT-TERM OUTLOOK

Several key events are expected to take place in the coming months, most notably the new fiscal plans for the central government and public corporations. The final plan for the central government is to be approved by February, and will likely include estimates of damages and reconstruction costs ranging from \$65 billion to \$115 billion. It should also outline the strategy going forward with regards to debt payments and restructuring.

Economic activity is expected to increase in 2018, due to the significant flow of federal funding to the island. The reconstruction of more than 200,000 homes, the Island's electric grid, and transportation infrastructure will likely be registered as construction investment, leading to significant increases in overall investment.

This could lead to a strange event in which GNP could actually increase, despite the sizable damages of the hurricane. It must be accounted for that the main damage caused by the hurricane lies in lost capital stock (e.g. lost infrastructure, machinery, and equipment), whereas economic activity is measured in terms of flows, or the yearly production and demand for goods and services. Therefore, the main cost pertaining to Maria – the infrastructure and housing damage – is not reflected in national accounting. However, new spending for reconstruction fueled by the federal government (FEMA and USACE) will be registered as new investment, and will have a positive impact on GNP.

How much of an impact is expected? The final value will likely depend on imports, which pose a paradox with respect to economic growth, as they are (accounting-wise) a negative impact upon GNP. In other words, a large amount of imported goods brought in commercial shipping exerts a significant downward impact on measured economic growth, and vice versa. In Puerto Rico, where the majority of consumer and capital goods are imported, this results in counterintuitive behavior in economic accounting. For example, increased consumer demand and investment could be associated with declines in the economy, due to the overarching impact of importing these goods; likewise, the increased investment due to reconstruction efforts could be nullified by the impact upon imports.

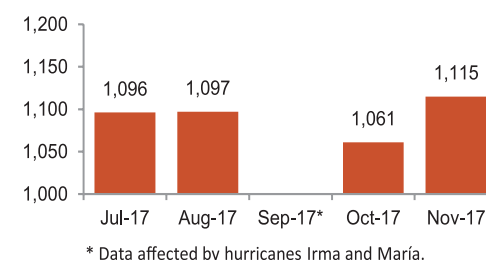
The final impact on GNP won't be known with certainty for some time. To appropriately measure what is to happen in the coming months, one must analyze forecasts of investment, personal consumption, and public spending – all of which are estimated to increase due to the reconstruction. For 2018 and 2019, we will likely see a further decoupling of the national accounts and the economic reality we face. For this reason, measuring recovery is best done with specific indicators such as employment, fiscal income and others.

Puerto Rico Economic Indicators

Employment

| | Sep-17 | Oct-17 | Nov-17 | Percent Change Fiscal Year 2017-2018 | Percent Change Accumulated year to date |
|---|--------|--------|--------|--|---|
| Labor Force (Household Survey, thousands) | | 1,061 | 1,115 | -1.9% | -1.0% |
| Employment (Establishment Survey) | 870 | 842 | 860 | -3.0% | -2.0% |
| Private | 651 | 623 | 639 | -2.9% | -1.6% |
| Construction | 21 | 20 | 21 | -8.5% | -8.5% |
| Manufacturing | 71 | 70 | 70 | -4.0% | -3.0% |
| Public Administration | 219 | 219 | 221 | -3.5% | -2.9% |
| Unemployment Rate (Household survey, %) | | 11.4 | 10.4 | -10.2% | -7.3% |

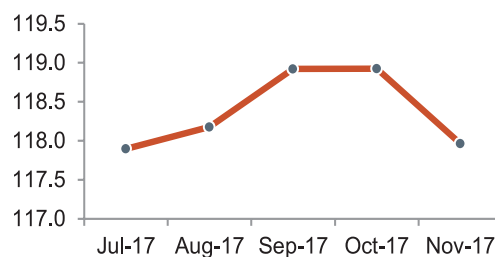
Total Employment
(December 2006 = 100)



Consumer Price Index

| | Sep-17 | Oct-17 | Nov-17 | Percent Change Fiscal Year 2017-2018 | Percent Change Accumulated 2015-2016 |
|------------------|--------|--------|--------|--|--|
| All Items | 118.9 | 118.9 | 118.0 | 1.9% | 1.8% |
| Food & Beverages | 130.0 | 130.0 | 128.6 | 0.5% | 0.4% |
| Housing | 113.8 | 113.8 | 113.3 | 1.7% | 1.5% |
| Apparel & Upkeep | 90.8 | 90.8 | 88.3 | -1.4% | -1.9% |
| Transportation | 112.7 | 112.7 | 111.3 | 3.6% | 4.0% |
| Medical Care | 151.2 | 151.2 | 151.1 | 1.9% | 2.4% |
| Education | 114.9 | 114.9 | 114.4 | 0.7% | 1.1% |
| Entertainment | 114.3 | 114.3 | 113.2 | 0.1% | 0.3% |
| Other Services | 121.0 | 121.0 | 120.9 | 5.2% | 3.8% |

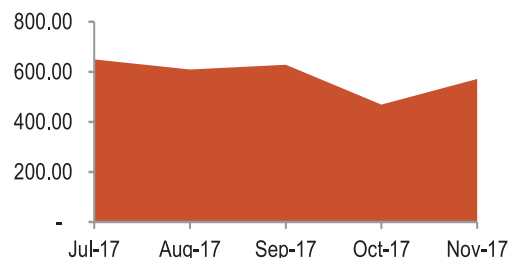
Consumer Price Index



Fiscal Revenues

| | Sep-17 | Oct-17 | Nov-17 | Percent Change Fiscal Year 2017-2018 | Percent Change Accumulated year to date |
|--------------------------|--------|--------|--------|--|---|
| Total Revenues (Mill.\$) | 627.57 | 468.98 | 570.73 | -7.8% | -1.9% |
| Taxes | 598.6 | 439.2 | 523.6 | -8.1% | -2.3% |
| Income Taxes | 317.4 | 225.4 | 238.9 | -8.5% | -4.4% |

Net Revenues to the General Fund

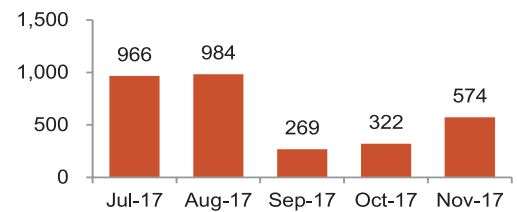


Puerto Rico Economic Indicators

Construction

| | Sep-17 | Oct-17 | Nov-17 | Percent Change Fiscal Year 2017-2018 | Percent Change Accumulated year to date |
|---|--------|--------|--------|--|---|
| Cement Production (Thousand 94-lb Bags) | 269 | 322 | 574 | -22.2% | -11.7% |
| Cement Sales (Thousand 94-lb Bags) | 299 | 491 | 680 | -27.2% | -11.7% |

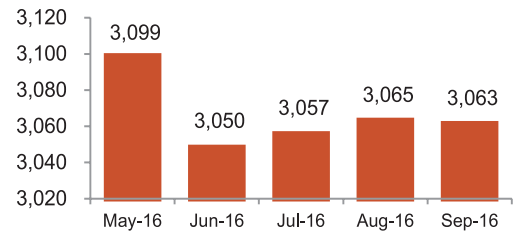
Cement Production



Retail

| | Jul-16 | Aug-16 | Sep-16 | Percent Change Fiscal Year 2015-2016 | Percent Change Accumulated year to date |
|-------------------------------|--------|--------|--------|--|---|
| Total (Bill. \$) | 3,057 | 3,065 | 3,063 | -3.2% | -1.44% |
| Department Stores (Mill. \$) | 512 | 479 | 481 | -3.8% | 0.13% |
| Supermarkets (Mill. \$) | 454 | 444 | 459 | 1.1% | 2.24% |
| Used and New Autos (Mill. \$) | 270 | 297 | 285 | -1.7% | 4.05% |
| Gasoline Stations (Mill. \$) | 411 | 431 | 441 | -10.4% | -12.37% |
| Restaurants (Mill. \$) | 362 | 369 | 361 | -1.3% | 3.17% |

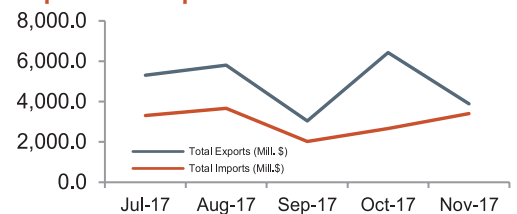
Retail Sales



Exports and Imports

| | Sep-17 | Oct-17 | Nov-17 | Percent Change Fiscal Year 2017-2018 | Percent Change Accumulated year to date |
|--------------------------|---------|---------|---------|--|---|
| Total Exports (Mill. \$) | 3,039.8 | 6,428.6 | 3,883.4 | -15.5% | -8.7% |
| Foreign Countries | | | | -82.6% | -36.2% |
| Total Imports (Mill. \$) | 2,022.4 | 2,668.0 | 3,406.6 | -24.4% | -11.0% |
| Foreign Countries | | | | -83.0% | -37.1% |

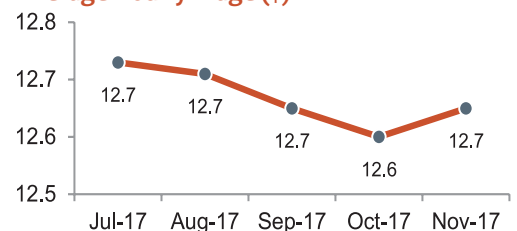
Exports and Imports



Manufacturing

| | Sep-17 | Oct-17 | Nov-17 | Percent Change Fiscal Year 2017-2018 | Percent Change Accumulated year to date |
|--------------------------|--------|--------|--------|--|---|
| Weekly Hours (#) | 39.0 | 36.9 | 37.4 | -5.4% | -4.0% |
| Average Hourly Wage (\$) | 12.7 | 12.6 | 12.7 | 3.7% | 2.8% |

Average Hourly Wage (\$)



United States The Economy

- Probably the main economic issue and event of the year, for the U.S. economy, was the approval of the Tax Cuts and Jobs Act in December (TCJA). It is considered as the most comprehensive change to the 1986 U.S. IRS Code and was approved by the U.S. Congress. On December 15, 2017, after a House of Representatives and Senate Conference Committee released a unified version of the TCJA. This followed passage of the Tax Cuts and Jobs Act by the U.S. House of Representatives on November 16, 2017, and by the U.S. Senate on December 2nd, 2017. One of the most important changes is that it moved U.S. corporate taxation from a worldwide system of taxation to a territorial system.
- Although the changes extend beyond 2027, its first decade, by that year the distribution of the federal tax burden would look different, although many of the provisions of the bill will expire on December 31, 2025. The bill includes temporary provisions, such as expensing of certain capital investments by businesses for five years. The majority of tax changes have a sunset clause. The TCJA, besides reducing the statutory corporate tax rate from 35.0% in 2017 to 21.0% in 2018, will have the effect of reducing the average (all industries) effective tax rate (ETR) from the statutory rate of 21.0% to 9.0% in 2018, which will impact the tax attractiveness of Puerto Rico as a manufacturing site.

What will the White House propose next?

- The next big item is that related to investment in infrastructure, about which there is a great deal of uncertainty, in particular related to its financing, with the Administration proposing that the federal government share would not be proportionally that much.¹
- According to a recent review of the proposal, the plan being developed has the following elements:² it "would shift responsibility for funding from the federal government to states and localities by providing incentives for them to generate their own sustainable funding sources"; in order to cover the \$1.0 trillion cost "it would allocate at least \$200.0 billion in federal funds over 10 years, from unspecified budget cuts, to stimulate at least \$800.0 billion

in spending by states, localities and the private sector"³. The largest share of funding, according to the proposal, would be by states and localities, although public private partnerships have also been mentioned.

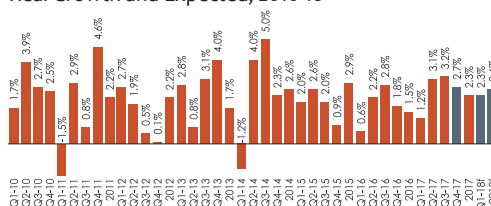
The obstacles

- One of the most important is that many state governors and mayors are of the opinion that states and local governments are already doing their fair share to generate funding for public infrastructure projects, and that much more than \$200.0 billion from the federal government is needed. The second important obstacle is that there's no agreement on raising the federal gasoline tax, or other ways to generate more money, a proposal not very popular in Congress.⁴ Moreover, the increases in tolls and fees that might be needed to make highway work profitable are considered unpopular or impractical.⁵
- There is also concern that the estimated cost of the tax cuts -- \$1.5 trillion over 10 years puts an additional burden on spending for any new federal program, thus, contributing to an increase in the fiscal deficit.
- There are mixed signals from Republican leaders whether increasing infrastructure investment will be a priority goal in 2018, with some preferring social security and health care.⁶

Economic Growth in the Fourth Quarter

Quarterly U.S. GDP

Real Growth and Expected, 2010-18



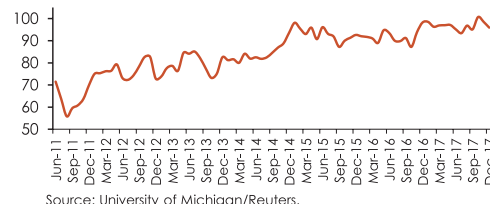
Sources: U.S. Bureau of Economic Analysis (2018); Blue Chip Economic Indicators (December 10, 2017). Seasonally adjusted at annual rates. Forecasts

- Several key indicators, such as business investment, which surged in anticipation of the corporate tax cuts, construction spending rising to a record high in November, amid gains in both private and public expenditures, plus U.S. factory activity, - that increased more than expected in December, boosted by a surge in new orders growth - reflected an upswing in economic activity. Real GDP growth in the third quarter was estimated at 3.2%; for the fourth quarter the Atlanta Fed forecast real GDP growth at 2.7%, down from 3.2% at the beginning of January, reflecting employment growth less than expected.⁷ For all 2017 the U.S. economy is expected to grow at an annual rate of 2.3%, according

to the Blue Chip Consensus in December, and 2.7% in the last quarter.⁸

- Consumer confidence during the fourth quarter moved up on average, with the University of Michigan consumer sentiment index rising to 98.1 from 95.1 in the previous quarter. But in December, the index fell to 95.9. It was 100.7 in October, fell to 84.3 in December from November's final reading of 88.9, as there was uncertainty among U.S. consumers on how in the end the new federal tax reform will benefit them.
- Most consumers will know more about the revised tax code when their new paycheck withholding amounts take effect in early 2018. According to the Tax Policy Center, the proportion of taxpayers getting a tax cut this year under the TCJA is 80.0%, with 23.0% of the \$61.0 billion in overall tax cuts for individuals going to middle class households in 2019.⁹ The new tax structure will benefit corporations and the very high income tax payers.

U.S. Consumer Sentiment Index

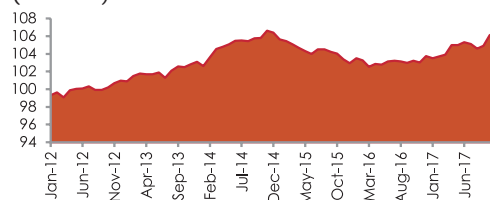


PRODUCTION

During the first two months of the fourth quarter, industrial production increased 3.0% y/y, and capacity utilization 1.8% y/y. U.S. factory activity increased more than expected in December, boosted by a surge in new orders growth. Manufacturing is likely to get a boost in 2018 from the TCJA tax cut. Business spending surged in December, in anticipation of the corporate tax cuts. Recent weakness in the U.S. dollar, and a strengthening of the global economy are expected to stimulate exports of U.S.-made goods, which would support manufacturing.

U.S. Industrial Production Index

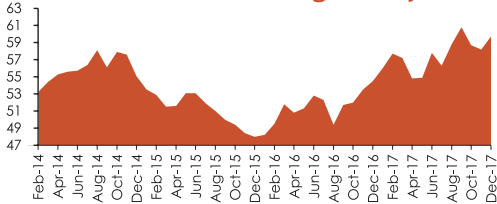
(2012=100)



Economic activity in the manufacturing sector expanded during the fourth quarter at an annual rate of 10.4%, from 14.8% in the previous quarter. The index of factory activity

(PMI) jumped to a reading of 59.7 last month, the second-highest reading in six years, increasing from 58.2 in November.¹⁰

ISM Index of Manufacturing Activity



Source: Institute for Supply Management. **Note:** A reading above 50 points indicates that the manufacturing economy is generally expanding, and declining when the reading falls below 50 points.

EMPLOYMENT

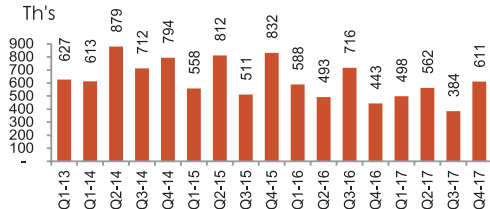
Although job creation in December was considered disappointing, with only 148,000 new jobs added, down from 252,000 in October, the fourth quarter registered an increase of 34.0% y/y, and 59.1% from the previous quarter. A total of 611,000 new jobs were created, bringing the overall expansion in employment in 2017 to 2.1 million new jobs, albeit lower than the 2.2 million created in 2016. Notwithstanding those numbers for the fourth quarter, job expansion has been slowing down. A high of 3.0 million new jobs was achieved in 2014.

Biggest job gains by sector came from health care, construction and manufacturing. The retail sector, however, lost 20,000 jobs despite the holiday shopping season, and amid a surge in store closures. In all, 8,053 closures were announced in 2017.¹¹

The unemployment rate averaged 4.1% in the fourth quarter, slightly down from 4.3% in the previous quarter, with the labor force participation rate at 62.7% from 62.9% in Q3-17. The employment-population ratio (the proportion of those in the 16-64 age groups with jobs) has remained steady at 60.1% (in Puerto Rico this percentage is 34%).

Monthly Changes in Employment

(Seasonally Adjusted - Thousands)



Source: U.S. BLS, Establishment Survey.

INFLATION

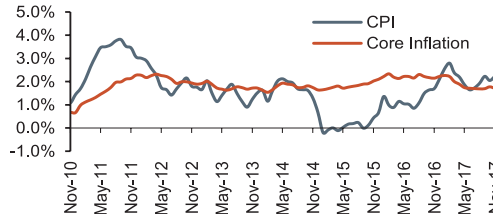
Headline inflation has been moving up since the beginning of 2017. After a high of 2.6% in Q1-17, it slowed down to 1.9% in Q2-17 but rose during the first two month of the fourth quarter to 2.1% amid a rebound in gasoline prices. Over the 12 months ended in

November 2017, the Consumer Price Index for All Urban Consumers rose 2.2%, as the indexes for food and energy both increased.

Underlying (Core) inflation (that excludes food and energy prices) slowed to 1.7% during the first two months of the fourth quarter, from 1.8% in the previous one, held down by weak healthcare costs and the biggest drop in apparel prices in nearly two decades.

Annual Percent Change in CPI

(Y/y, seasonally adjusted)



Source: U.S. BLS.

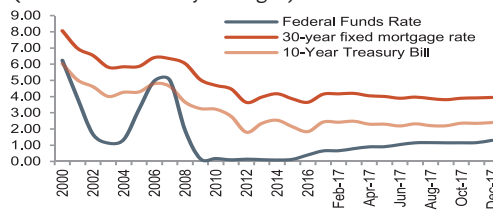
INTEREST RATES

Rates Rates for the 10-year T-Bill and 30-year fixed mortgages moved up slightly during the fourth quarter to 2.37% and 3.92%. As the U.S. labor market continued to strengthen and economic activity has been rising at a solid rate, despite hurricane-related disruptions, the Fed increased its benchmark rate (the interest rates that banks charge to borrow from one another) by 0.25 points in December, with the average rate of federal funds increasing to 1.20% from 1.15% in the third quarter. One must remember that when the fed funds rate rises, banks also increase the rates they charge consumers, so borrowing costs increase across the economy.

Given the bullish growth outlook, economists expect the Federal Reserve will raise interest rates again in March 2018, after increasing the rates three times in 2017.¹²

Selected Interest Rates

(Annual and monthly averages)



Source: U.S. Federal Reserve Board (FRED).

U.S./GLOBAL OUTLOOK

World growth is projected to increase from 3.6% in 2017 to 3.7% in 2018 - an upward revision of 0.1 percentage point for both 2017 and 2018.¹³ The IMF forecasts real GDP growth to increase strongly in emerging markets and developing economies, from a revised 4.3% in 2016 to 4.6% in 2017 and 4.9% in 2018. Still, according to the IMF's October

2017 outlook, "the global economy's recent recovery may not last, despite a pickup in activity in all western countries except the United Kingdom, as high asset prices, rapid credit growth in China, political turmoil in Catalonia and a cliff-edge Brexit as risks to an improving global outlook."¹⁴

World Economic Growth: Historic and Outlook

2014 - 2019

| | 2014 | 2015 | 2016 | Forecasts | |
|---------------------------|------|-------|-------|-----------|-------|
| | 2014 | 2015 | 2016 | 2017f | 2018f |
| World GDP | 3.6% | 3.4% | 3.2% | 3.6% | 3.7% |
| Advanced Economies | 2.1% | 2.2% | 1.7% | 2.2% | 2.0% |
| Euro Zone | 1.3% | 2.0% | 1.8% | 2.1% | 1.9% |
| U.S. | 2.4% | 2.6% | 1.6% | 2.3% | 2.6% |
| Emerging Economies | 4.7% | 4.3% | 4.3% | 4.6% | 4.9% |
| China | 7.4% | 6.9% | 6.7% | 6.8% | 6.5% |
| Latin America & Caribbean | 1.2% | 0.1% | -0.9% | 1.2% | 1.9% |
| Brazil | 0.5% | -3.8% | -3.6% | 0.7% | 1.5% |
| Costa Rica | 3.7% | 4.7% | 4.3% | 3.8% | 3.8% |
| Dominican Republic | 7.6% | 7.0% | 6.6% | 4.8% | 5.8% |
| Jamaica | 0.5% | 0.9% | 1.3% | 1.7% | 2.3% |
| Mexico | 2.3% | 2.7% | 2.3% | 2.1% | 1.9% |
| Panama | 6.1% | 5.8% | 4.9% | 5.3% | 5.6% |

Sources: International Monetary Fund (2017), World Economic Outlook - Oct. 2017; Blue Chip Economic Indicators, December 10, 2017. f = Forecast

Notes:

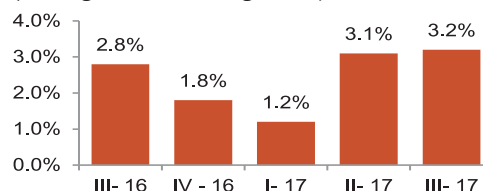
- For an in-depth analysis of the situation of public infrastructure in the U.S., see the report from the Association of Civil Engineers Foundation, Failure to Act: Closing the Infrastructure Investment Gap for America's Economic Future (2016), at: <https://www.infrastructurereportcard.org/wp-content/uploads/2016/10/ASCE-Failure-to-Act-2016-FINAL.pdf>.
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United States Economic Indicators

GDP

| | IV - 16 | I - 17 | II - 17 | III - 17 |
|--------------------------------------|---------|--------|---------|----------|
| GDP (% Change From Preceding Period) | 1.8 | 1.2 | 3.1 | 3.2 |
| Private Consumption | 2.9 | 1.9 | 3.3 | 2.2 |
| Fixed Investment | 1.7 | 8.1 | 3.2 | 2.4 |
| Residential | 7.1 | 11.1 | -7.3 | -4.7 |
| Non-Residential | 0.2 | 7.2 | 6.7 | 4.7 |
| Government Spending | 0.2 | -0.9 | | |
| Exports | -3.8 | 7.3 | 3.5 | 2.1 |
| Imports | 8.1 | 4.3 | 1.5 | -0.7 |

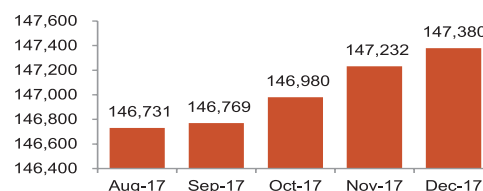
Gross Domestic Product (% Change From Preceding Period)



Employment

| | Sep-17 | Oct-17 | Nov-17 | Dec-17 |
|--|---------|---------|---------|---------|
| Employees on Non-Farm Payrolls (SA) (Thousands) | 146,769 | 146,980 | 147,232 | 147,380 |
| Change (%) | 0.0% | 0.1% | 0.2% | 0.1% |
| Goods Producing | 20,103 | 20,141 | 20,204 | 20,259 |
| Change (%) | 0.1% | 0.2% | 0.3% | 0.3% |
| Service Industries | 126,666 | 126,839 | 127,028 | 127,121 |
| Change (%) | 0.0% | 0.1% | 0.1% | 0.1% |

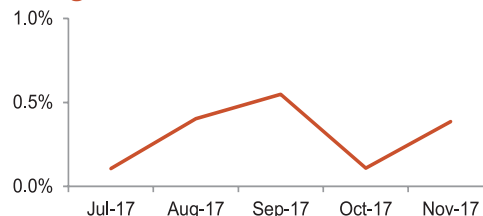
Employees on Non-Farm Payrolls (In thousands)



Consumer Price Index

| | Aug-17 | Sep-17 | Oct-17 | Nov-17 |
|--------------------------------------|--------|--------|--------|--------|
| CPI - All Urban Consumers (1984=100) | | | | |
| Change from preceeding month | 0.4% | 0.5% | 0.1% | 0.4% |
| Change from preceeding year | 1.9% | 2.2% | 2.0% | 2.2% |
| CPI - Less Food and Energy | | | | |
| Change from preceeding month | 0.2% | 0.1% | 0.2% | 0.1% |
| Change from preceeding year | 1.7% | 1.7% | 1.8% | 1.7% |

Change in CPI



Interest Rates

| | Sep-17 | Oct-17 | Nov-17 | Dec-17 |
|--|--------|--------|--------|--------|
| Effective Federal Funds | 1.2 | 1.2 | 1.2 | 1.3 |
| Three Month Treasury Bill (Constant Maturity Rate) | 1.03 | 1.07 | 1.23 | 1.32 |
| Prime Rate | 4.25 | 4.25 | 4.25 | 4.40 |
| Ten Year Treasury Bond | 2.2 | 2.36 | 2.35 | 2.4 |
| Moody's Seasoned Aaa Rate | 3.63 | 3.6 | 3.57 | 3.51 |
| 30-Year Conventional Mortgage Rate | 3.81 | 3.90 | 3.92 | 3.95 |

Selected Interest Rates (3month T Bills)

