



Charting a Path to Lift Off?

Understanding the Shifting Economic Winds



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November 13, 2015

The views expressed are those of the speaker and should not necessarily be attributed to the Federal Reserve Bank of Dallas or the Federal Reserve System.



Charting a Path to Lift Off?

- **Checking the Economic Gauges**
- **Prices, Labor and Growth**
- **Is the Regional Economy Faltering?**
- **Forward Guidance: Charting a Path?**
- **Headwinds or Tailwinds?**
- **Conclusions**

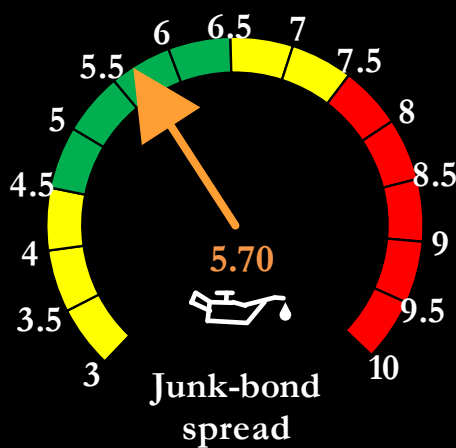
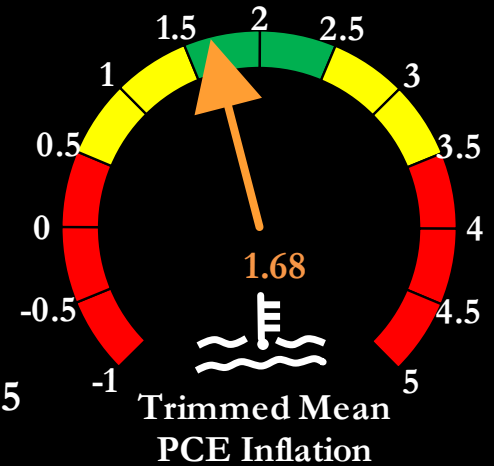


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U.S. Economic Dashboard



Nonfarm payroll employment (millions)

142.7

Warning



Engine stall



Unemp. jump



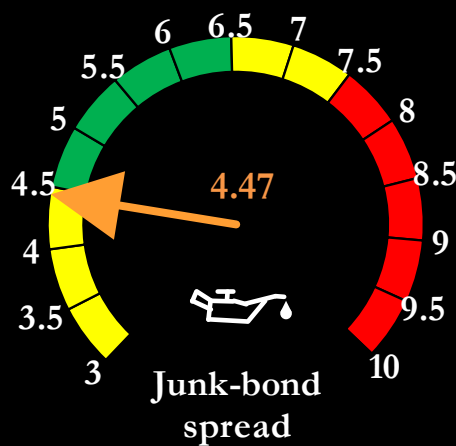
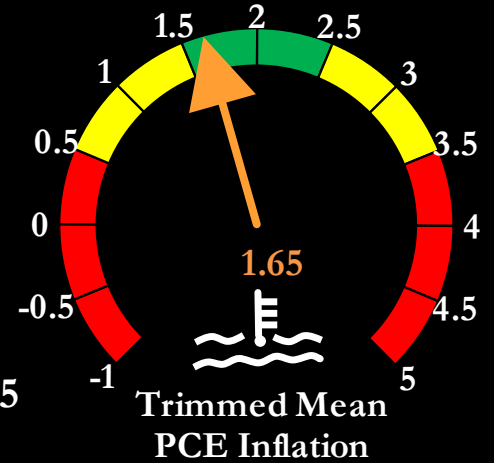
Yield curve



Oil shock



U.S. Economic Dashboard



Nonfarm payroll employment (millions)

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Yield curve



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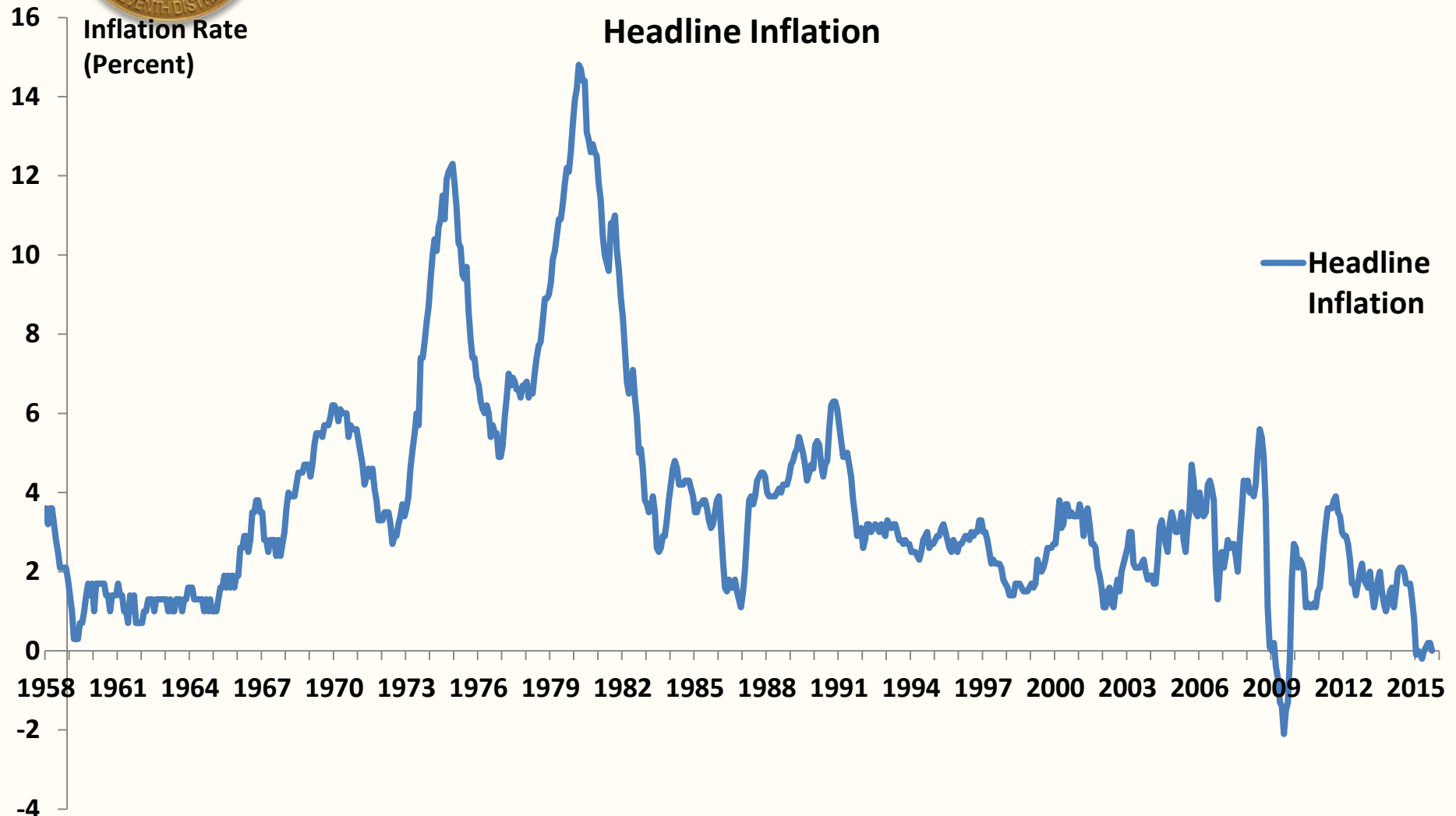


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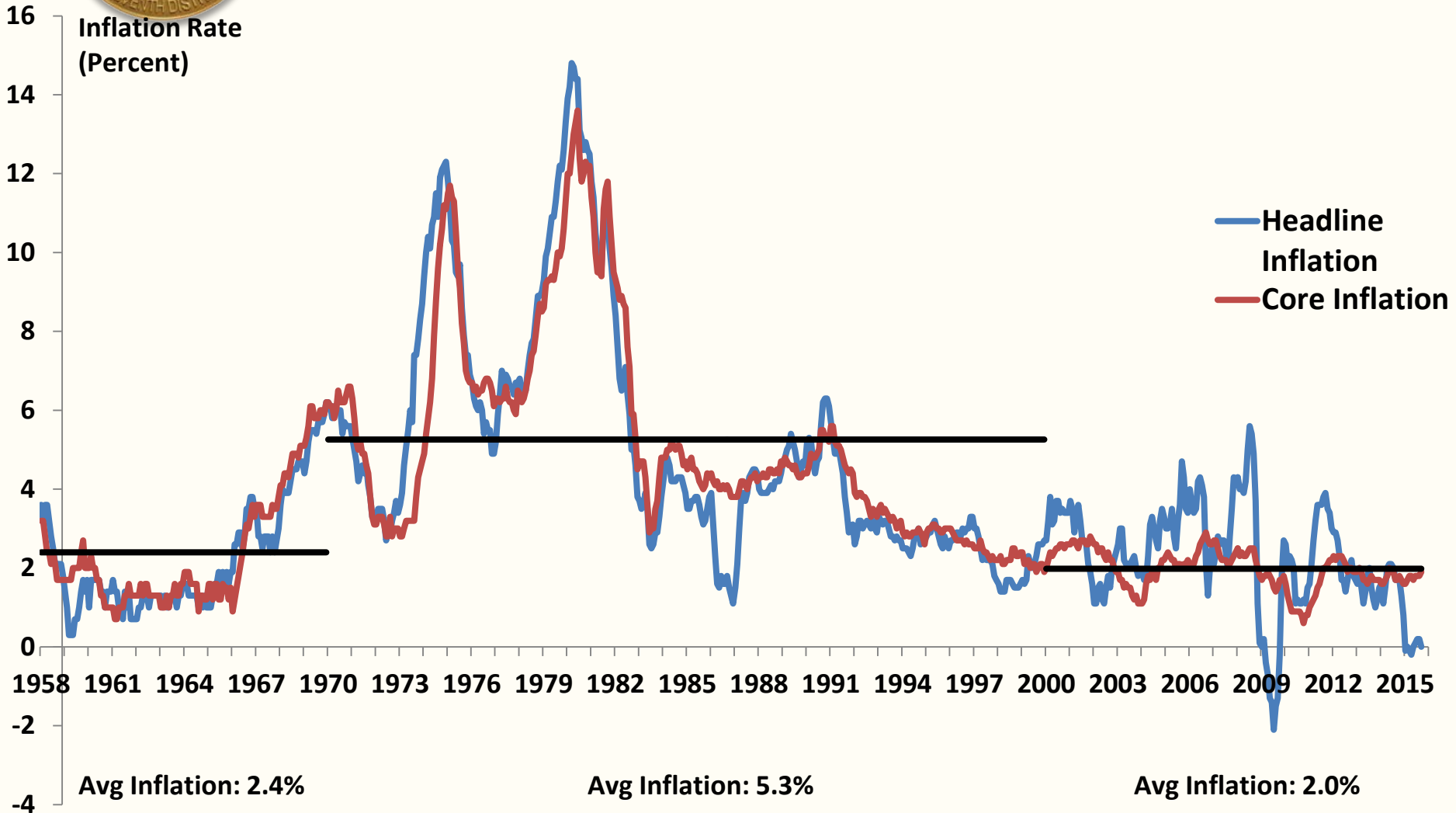


Inflation is Low and Stable...



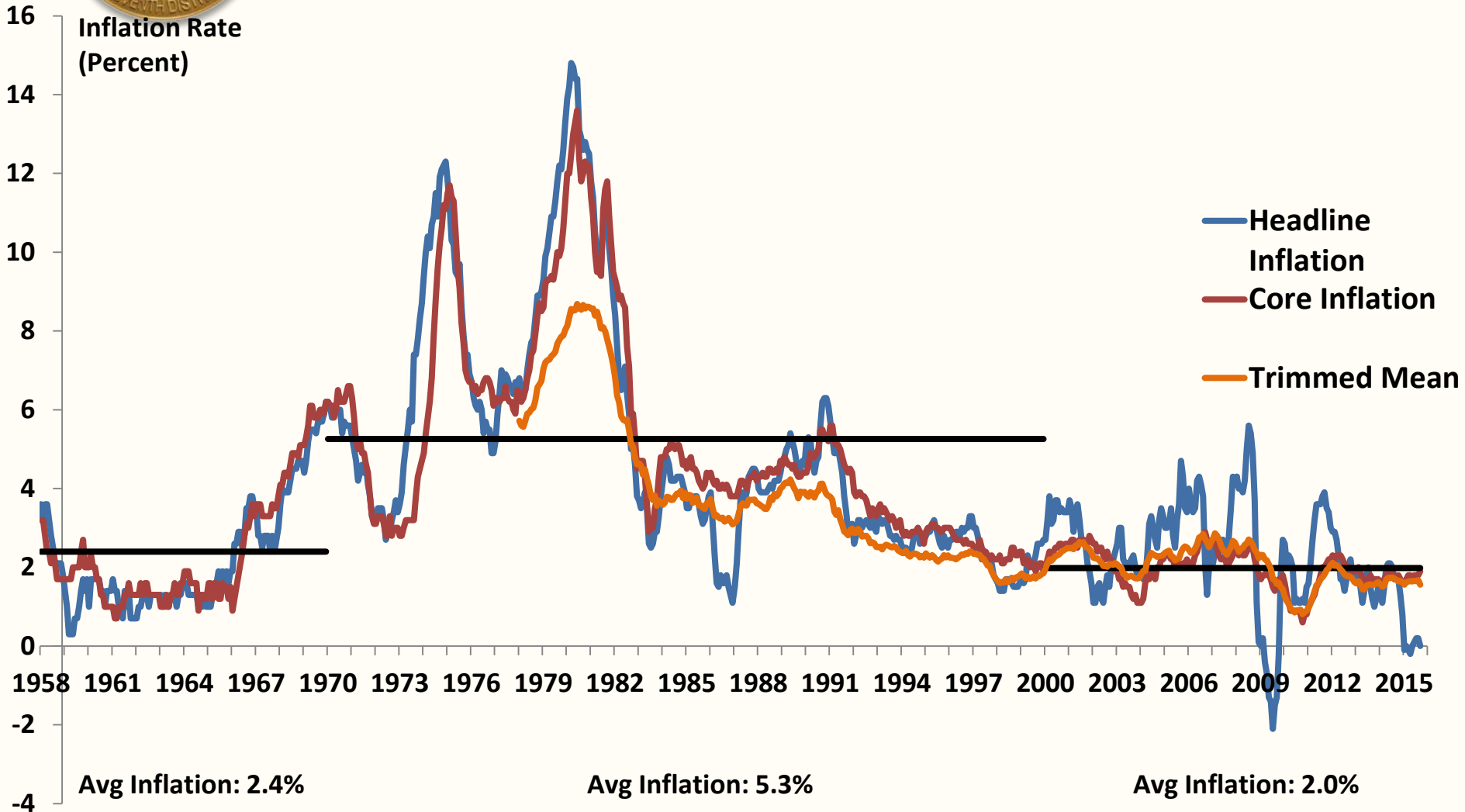


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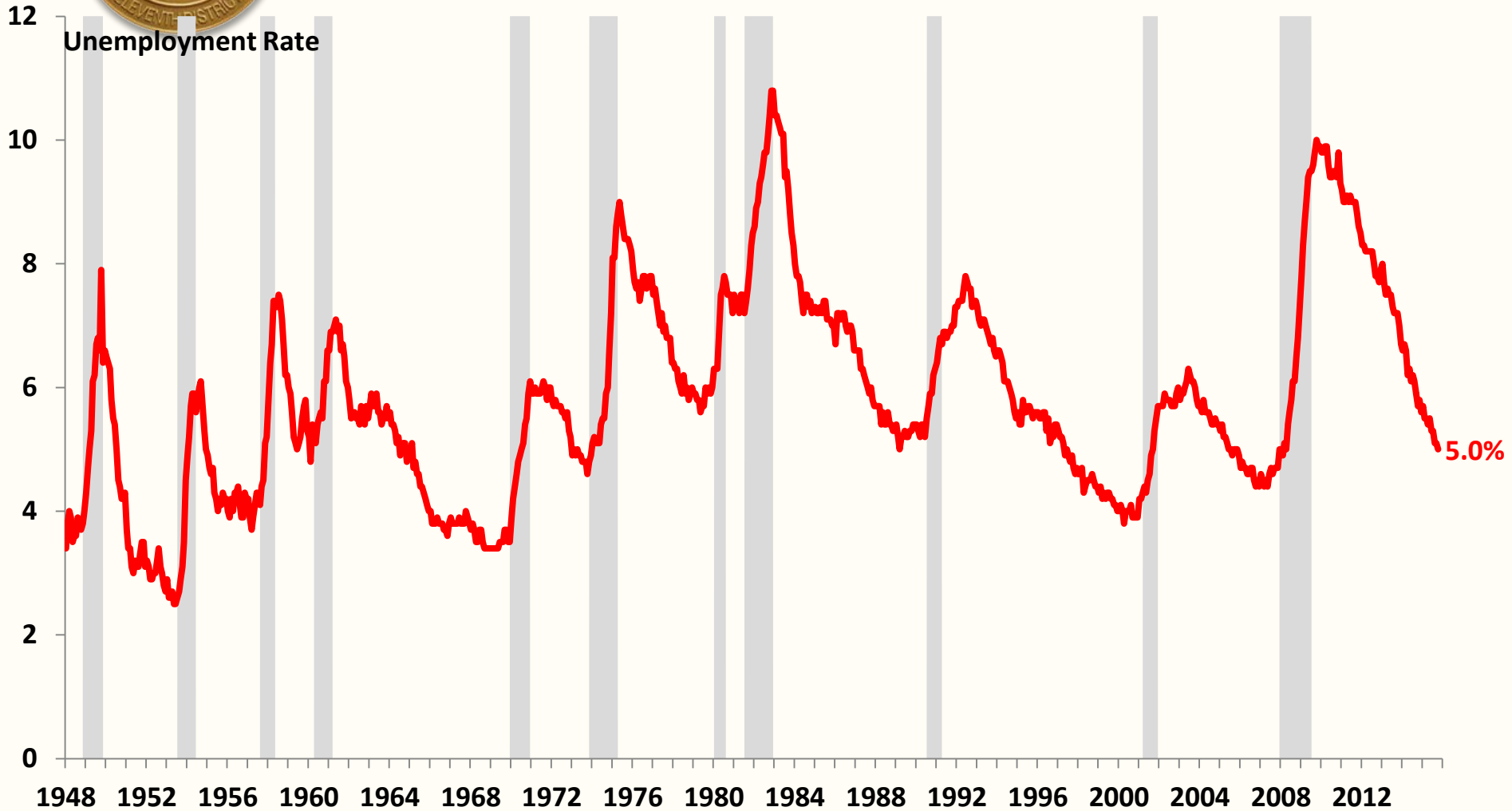


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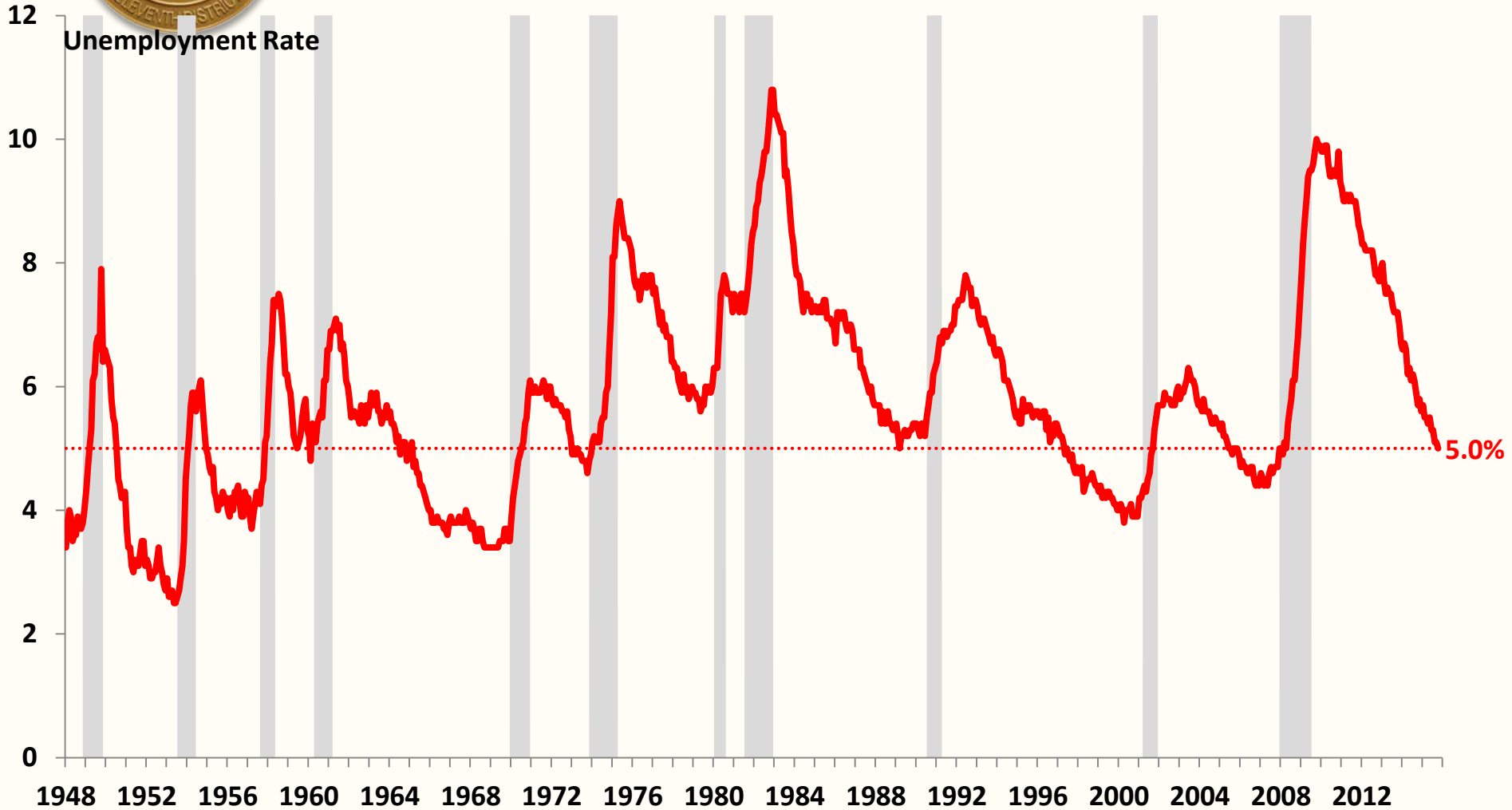


Unemployment Continues to Fall...



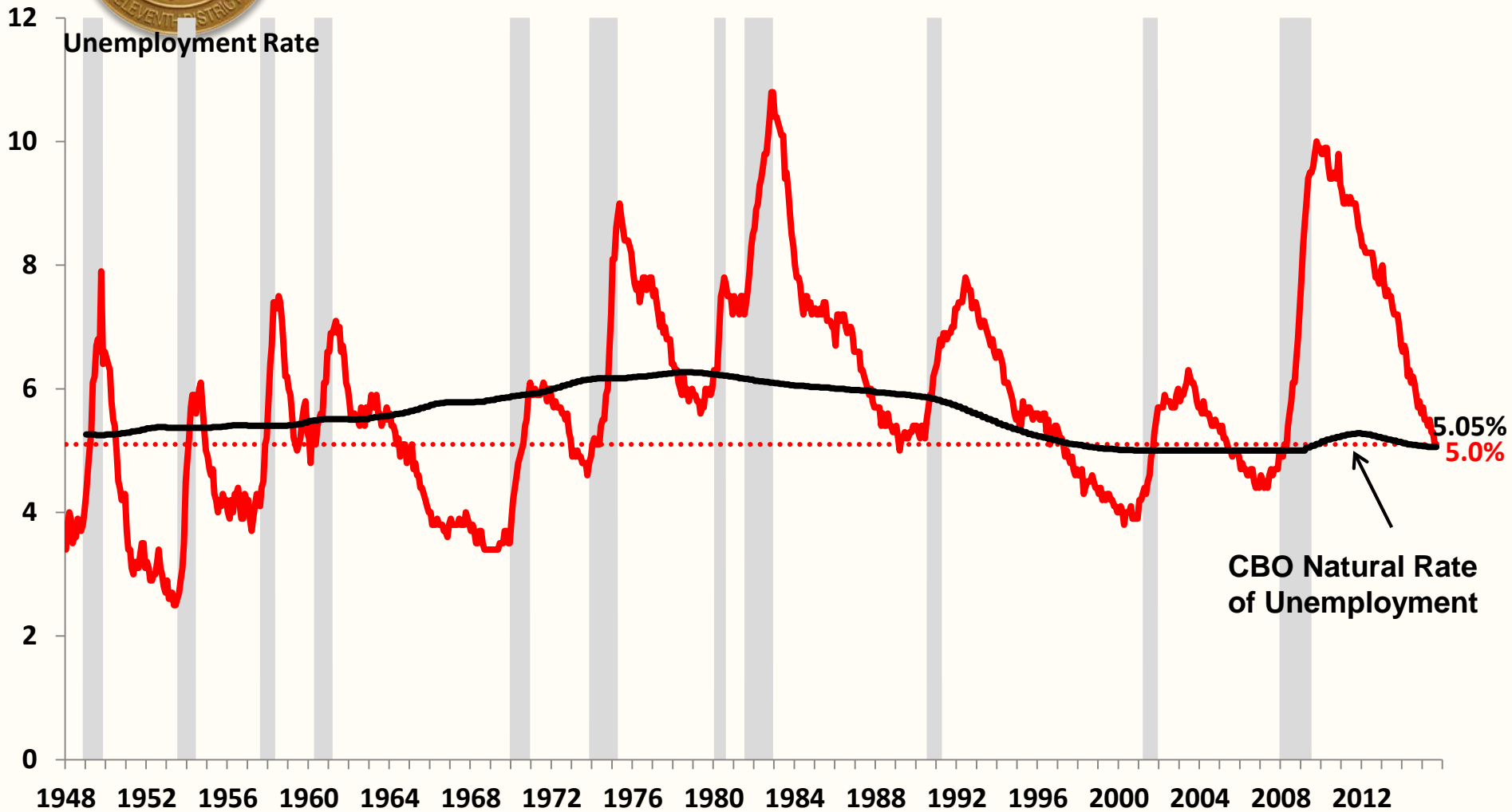


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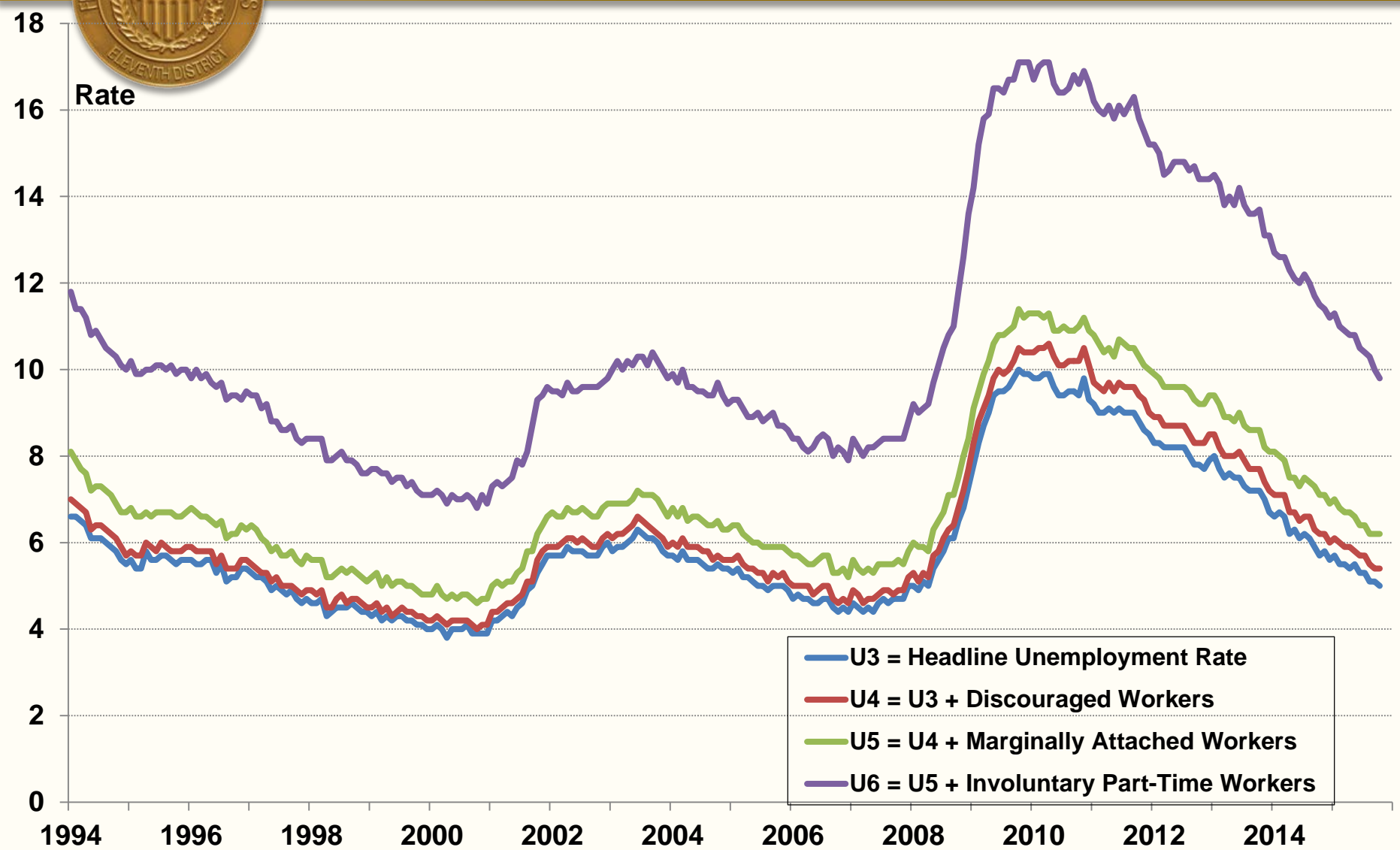


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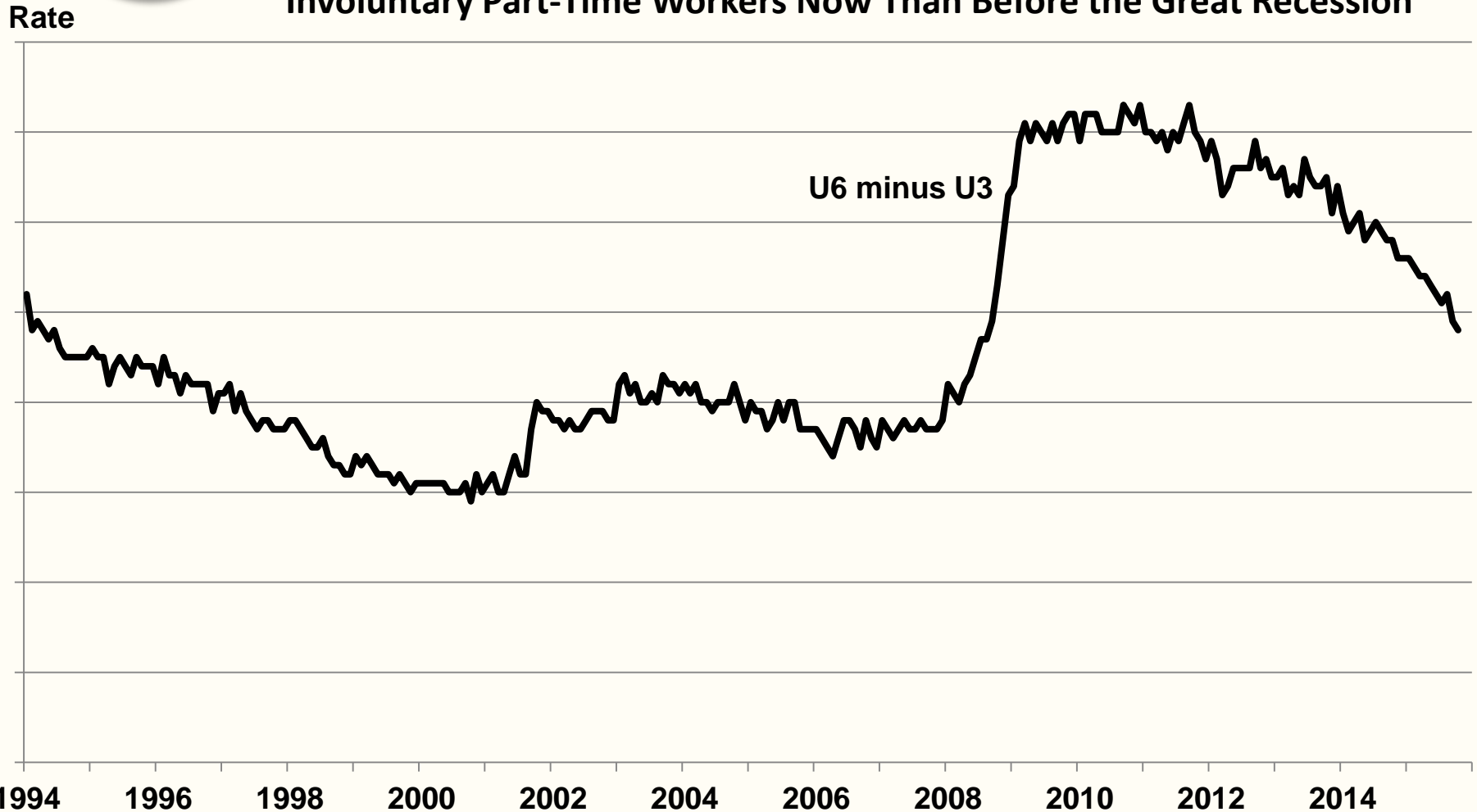
But Headline Unemployment Is Not the Full Story...





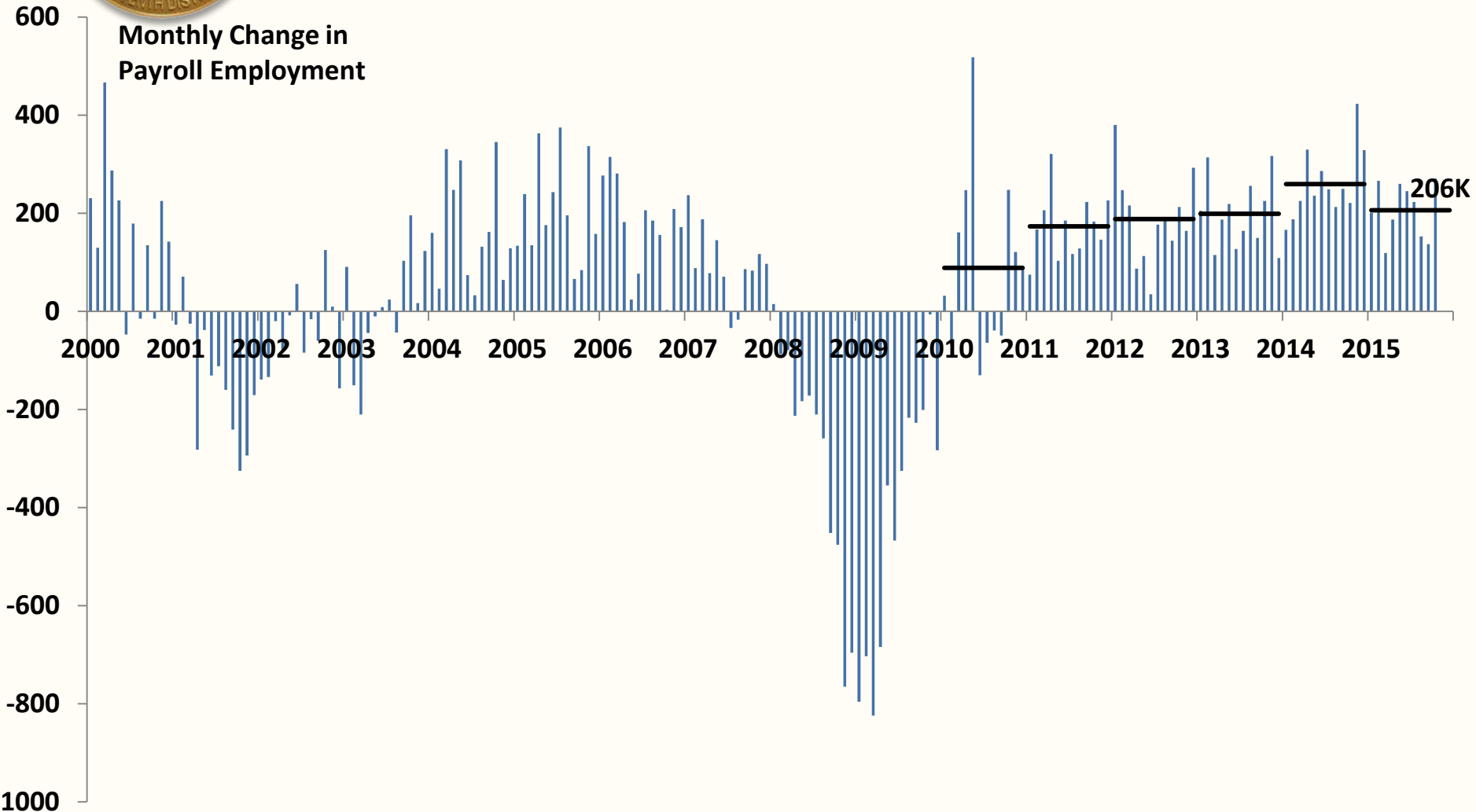
But Headline Unemployment Is Not the Full Story...

There are More Discouraged Workers, Marginally Attached Workers and Involuntary Part-Time Workers Now Than Before the Great Recession



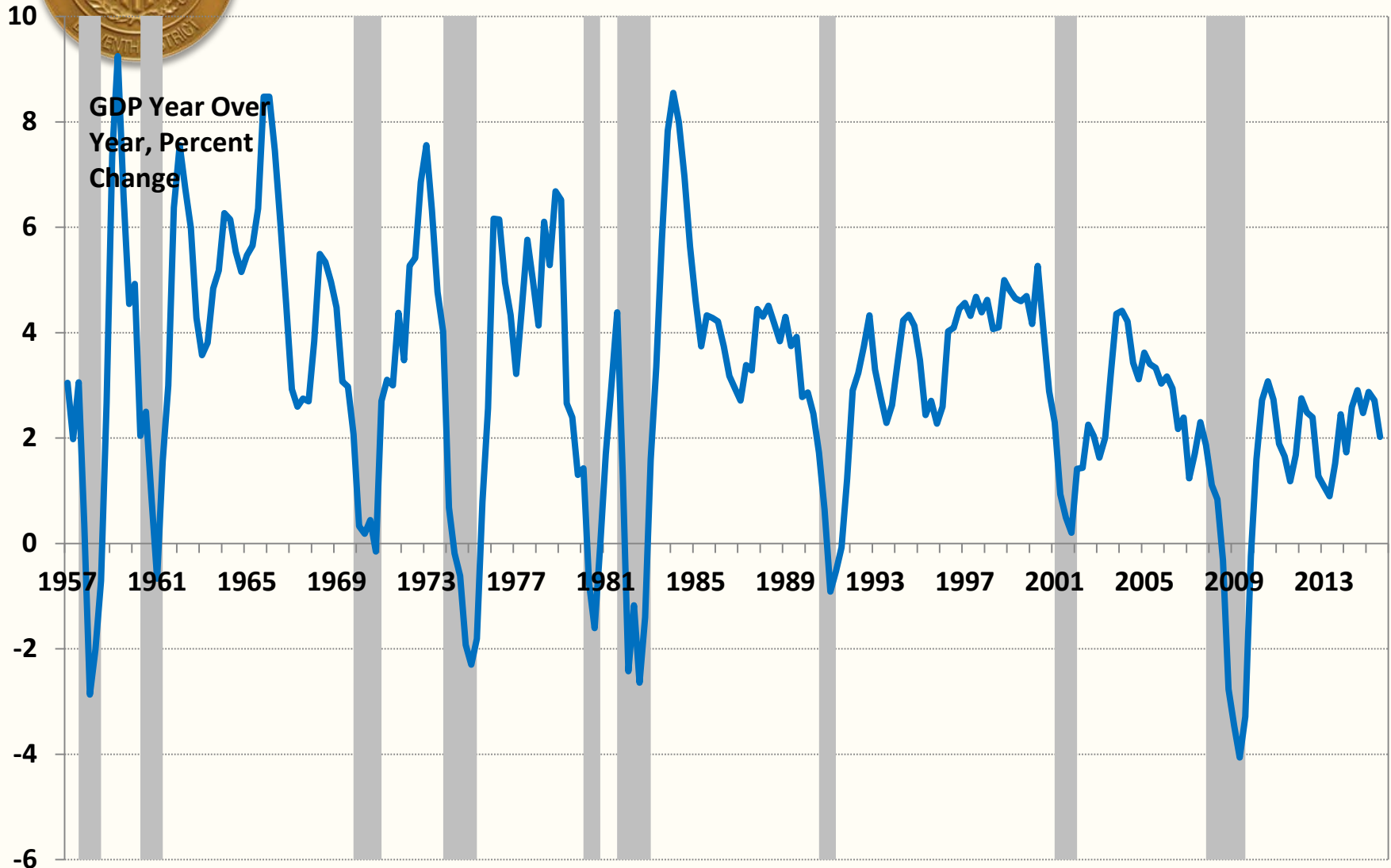


...Job Growth is Steady



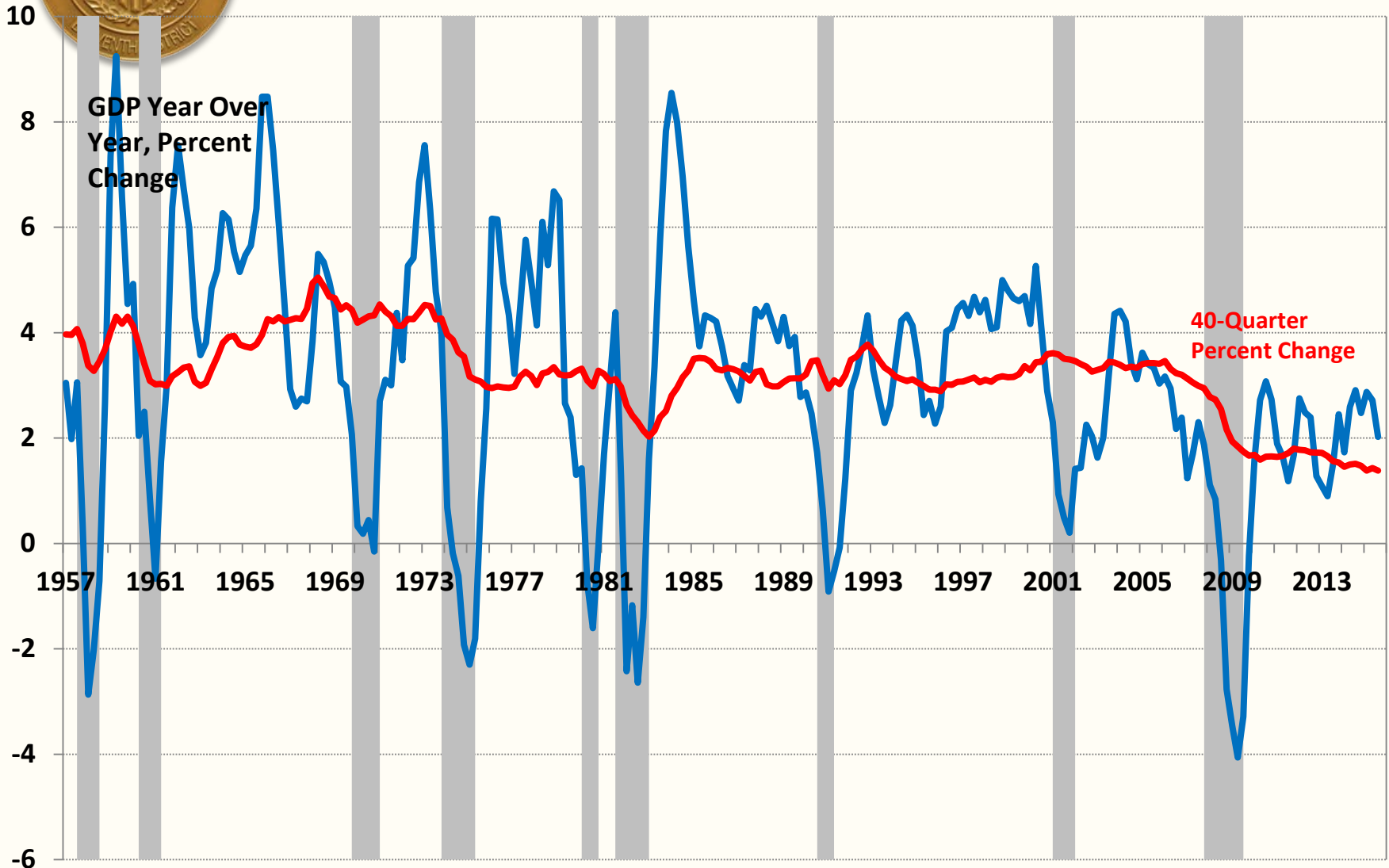


But Econ Growth Lower Than in Past





But Growth Is Lower Than Historically





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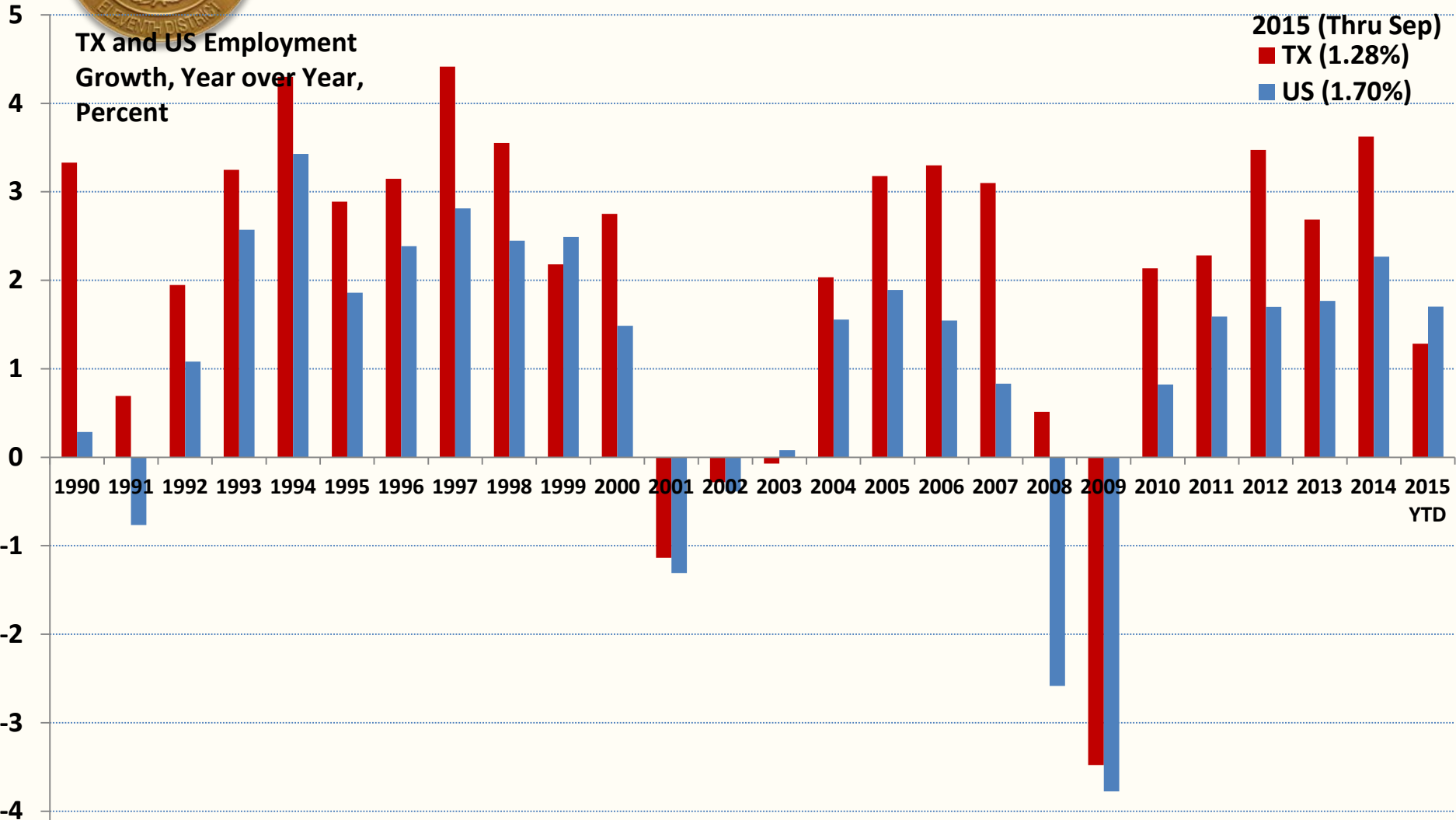
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Our Region Generally Outperformed...Until Now

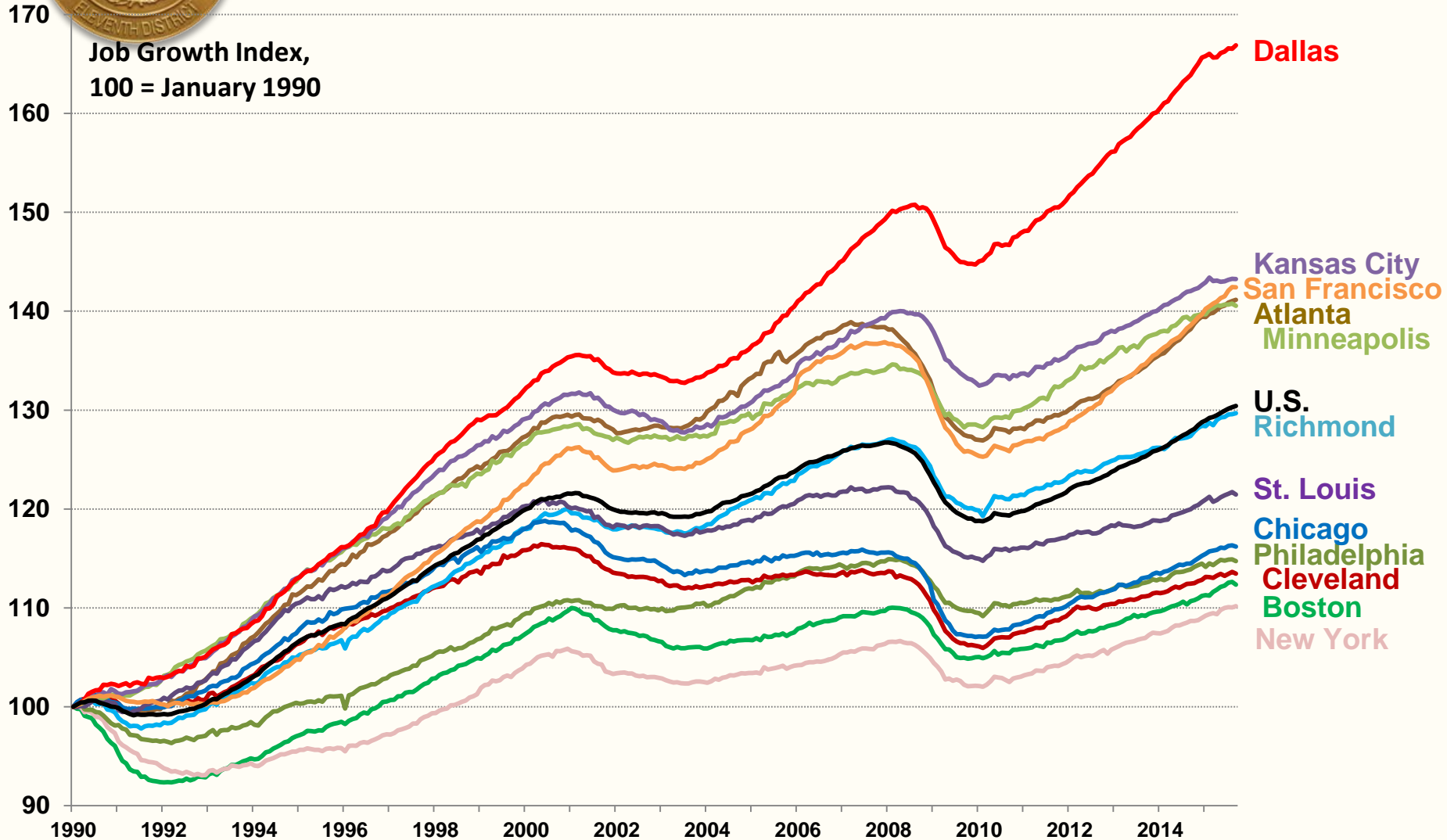
TX and US Employment Growth, Year over Year, Percent

2015 (Thru Sep)
■ TX (1.28%)
■ US (1.70%)

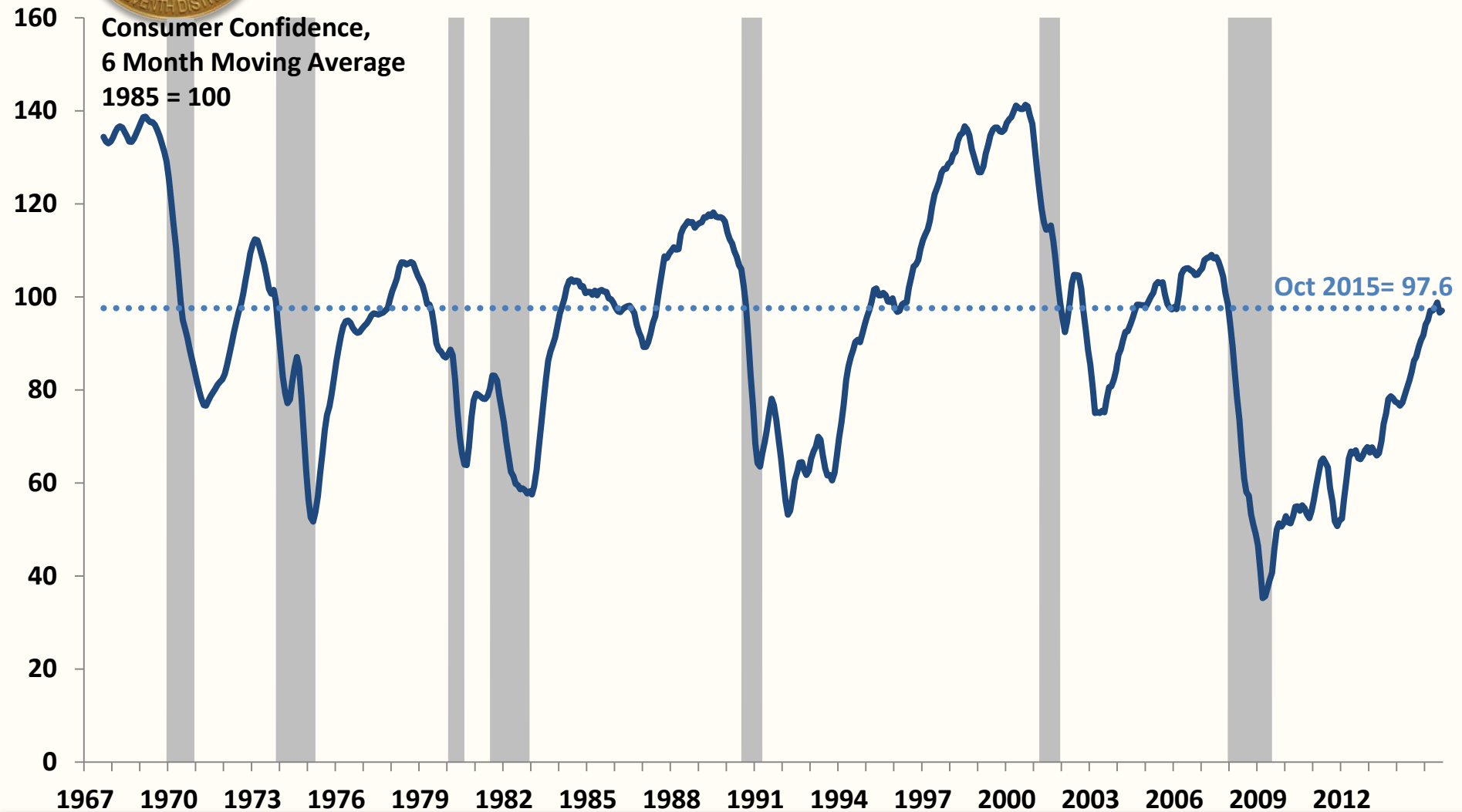




Employment By Fed District Since 1990

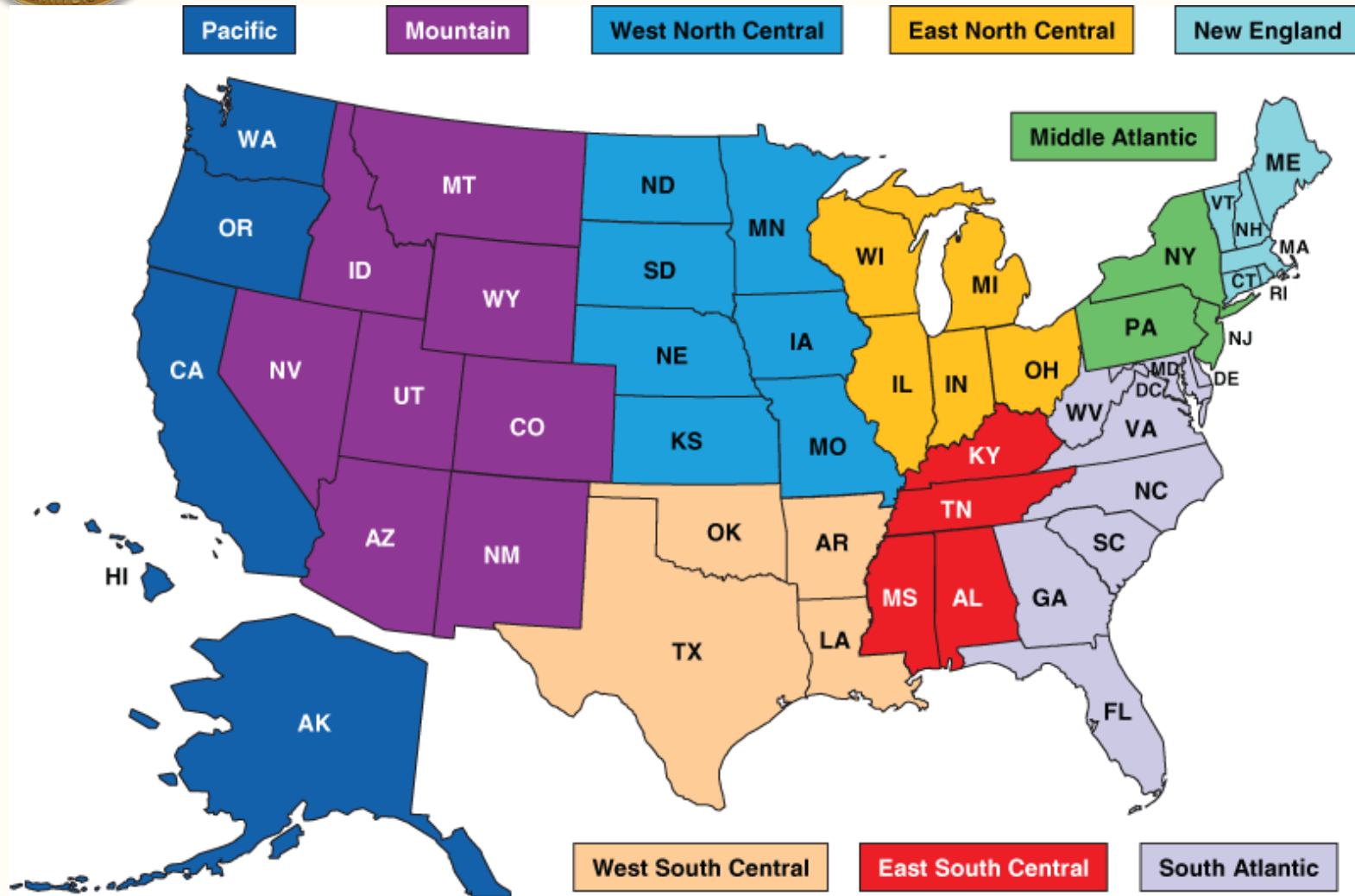


Confidence Is Rising



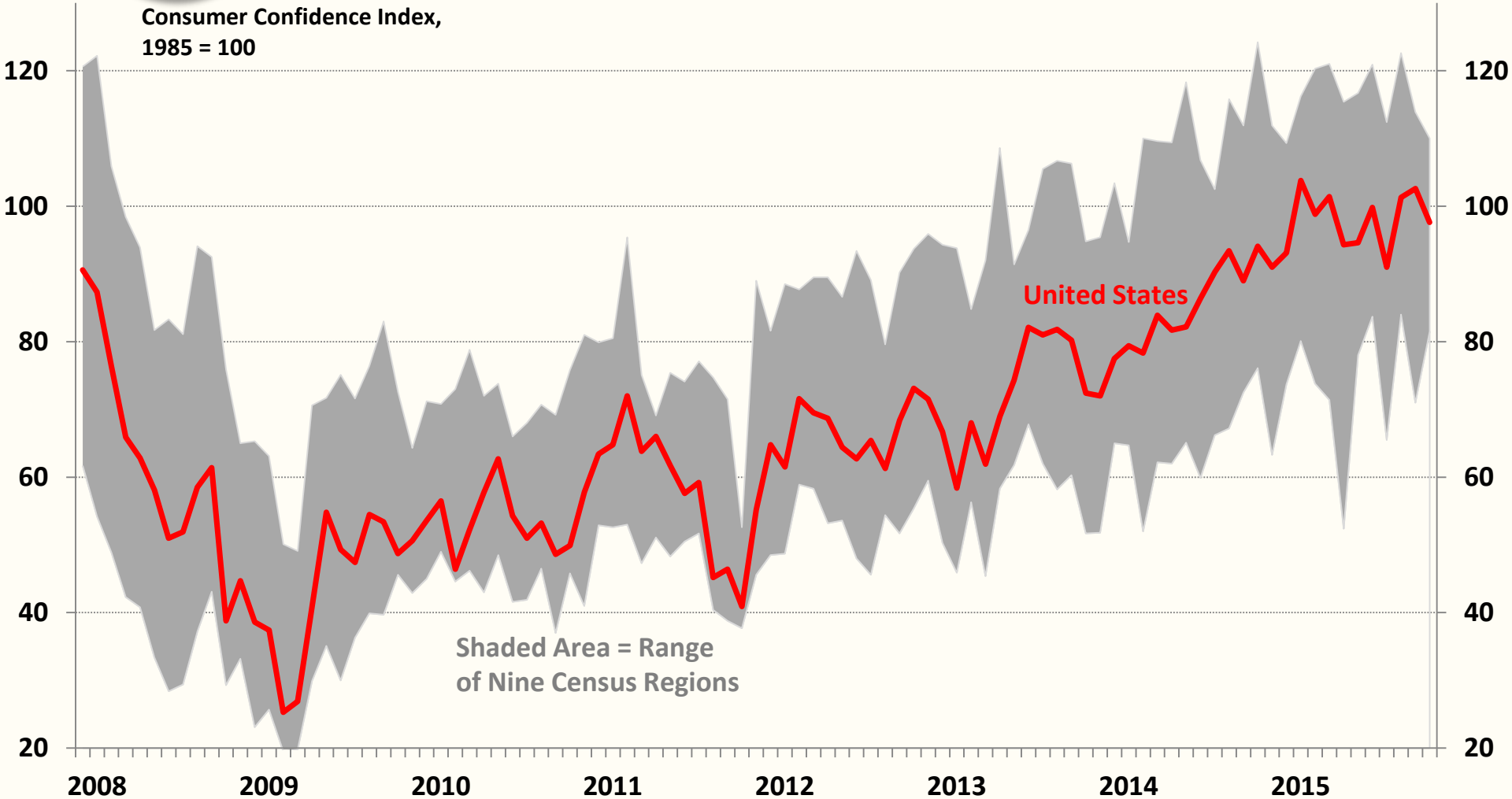


U.S. Census Bureau Regions





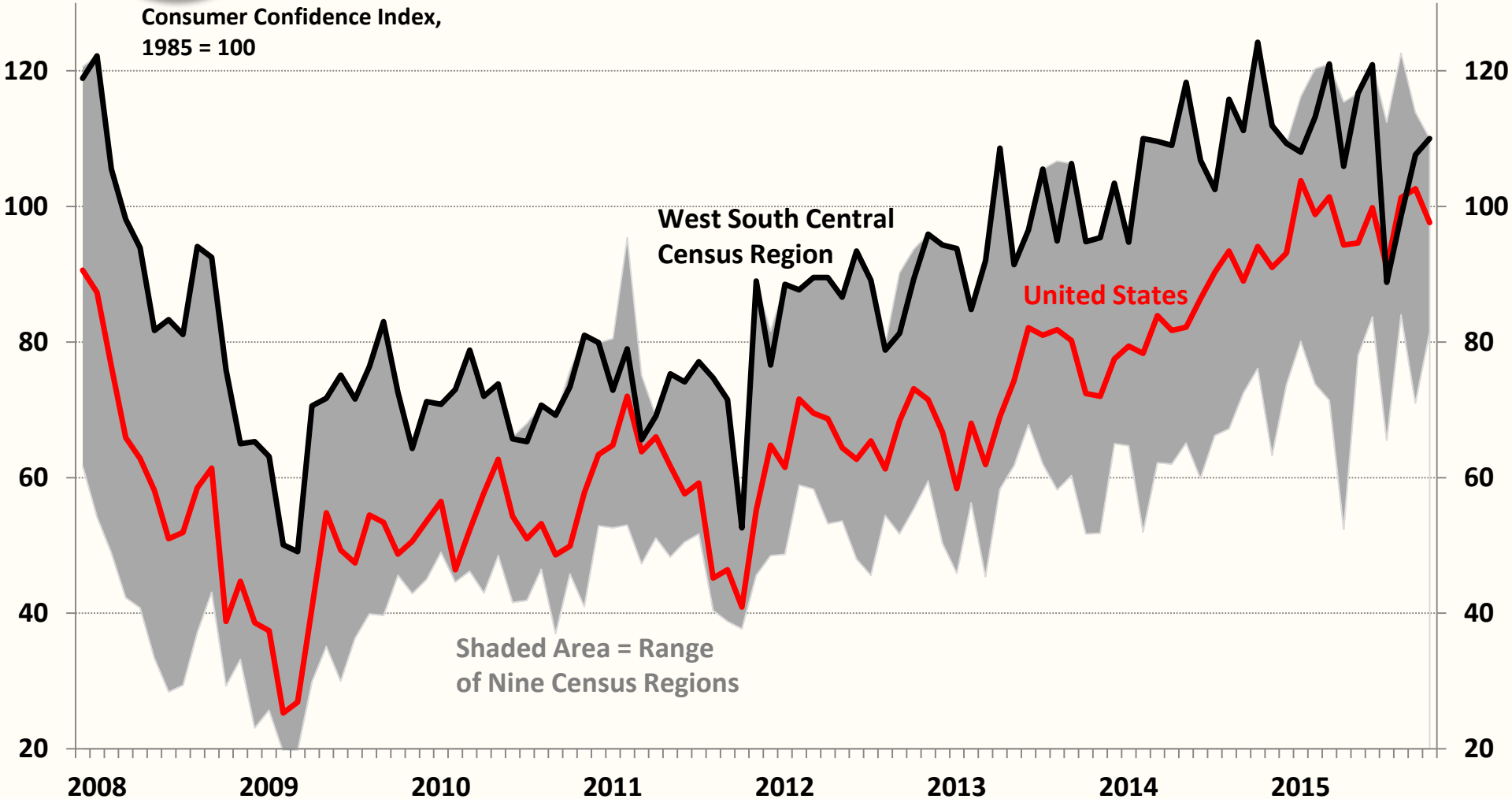
U.S. Consumer Confidence





Confidence Stronger in the West South Central...

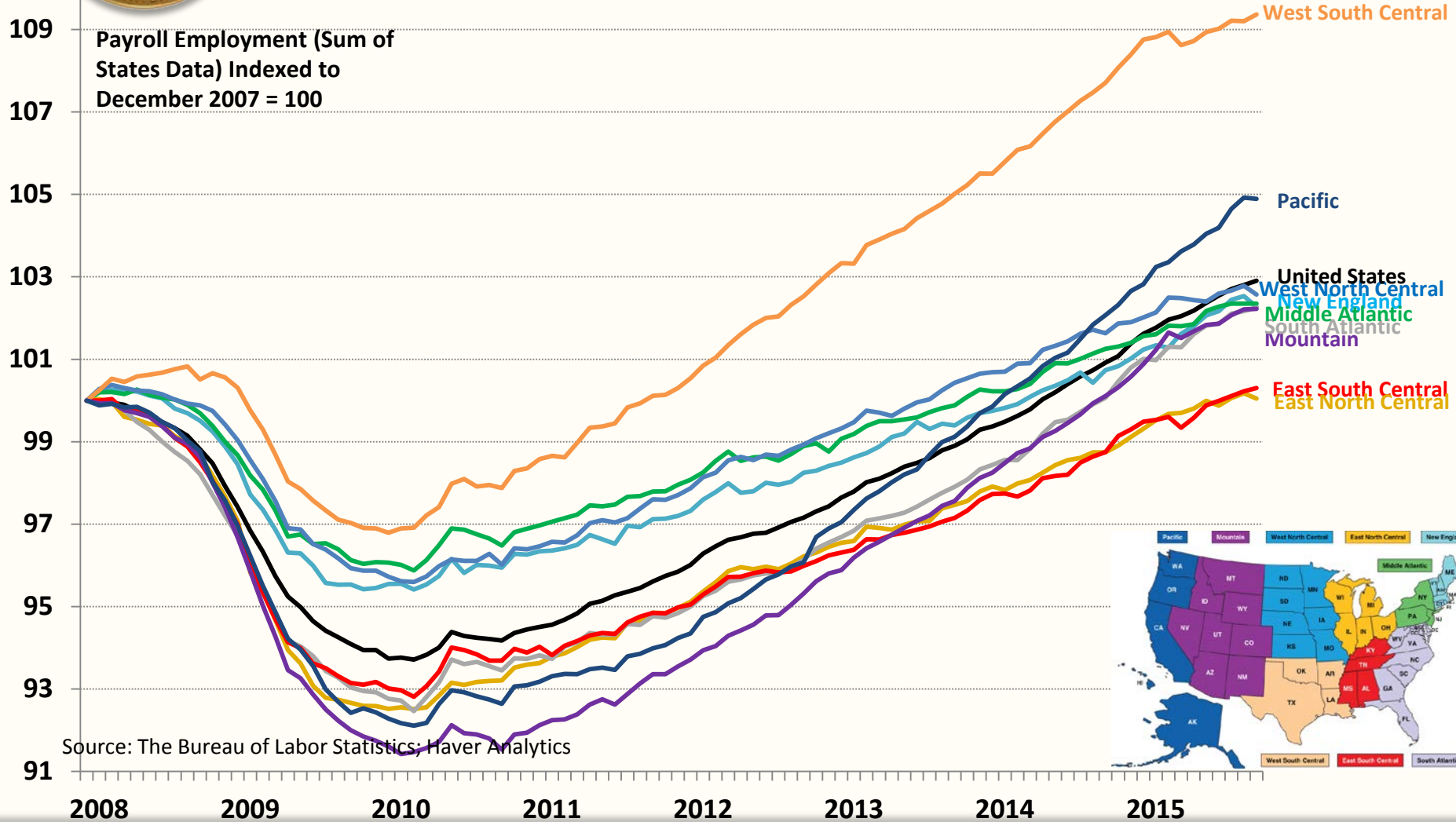
The West South Central Region of the U.S. has been More Optimistic





...Job Growth Stronger in the West South Central

Job Growth Increased Most in the West South Central Region





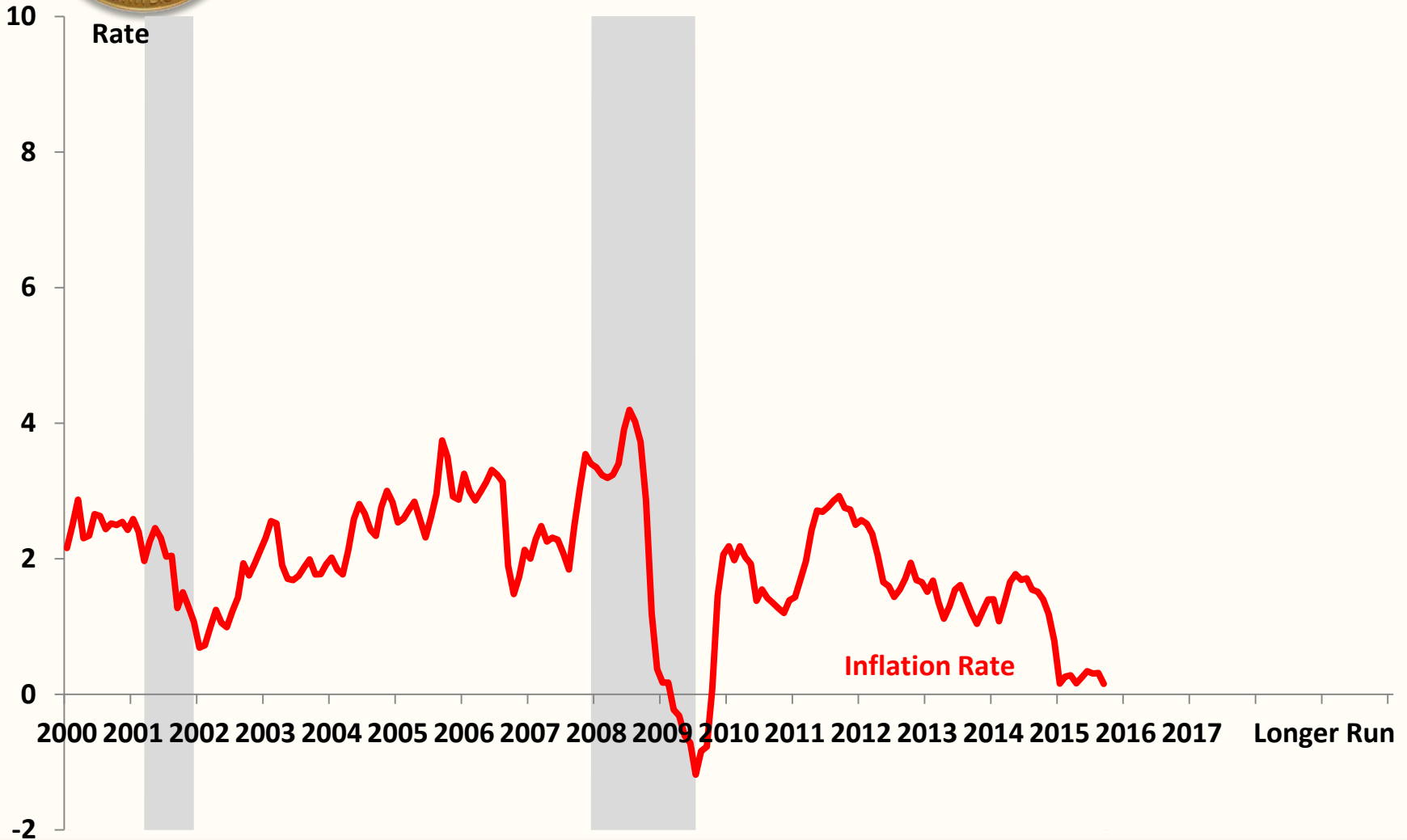
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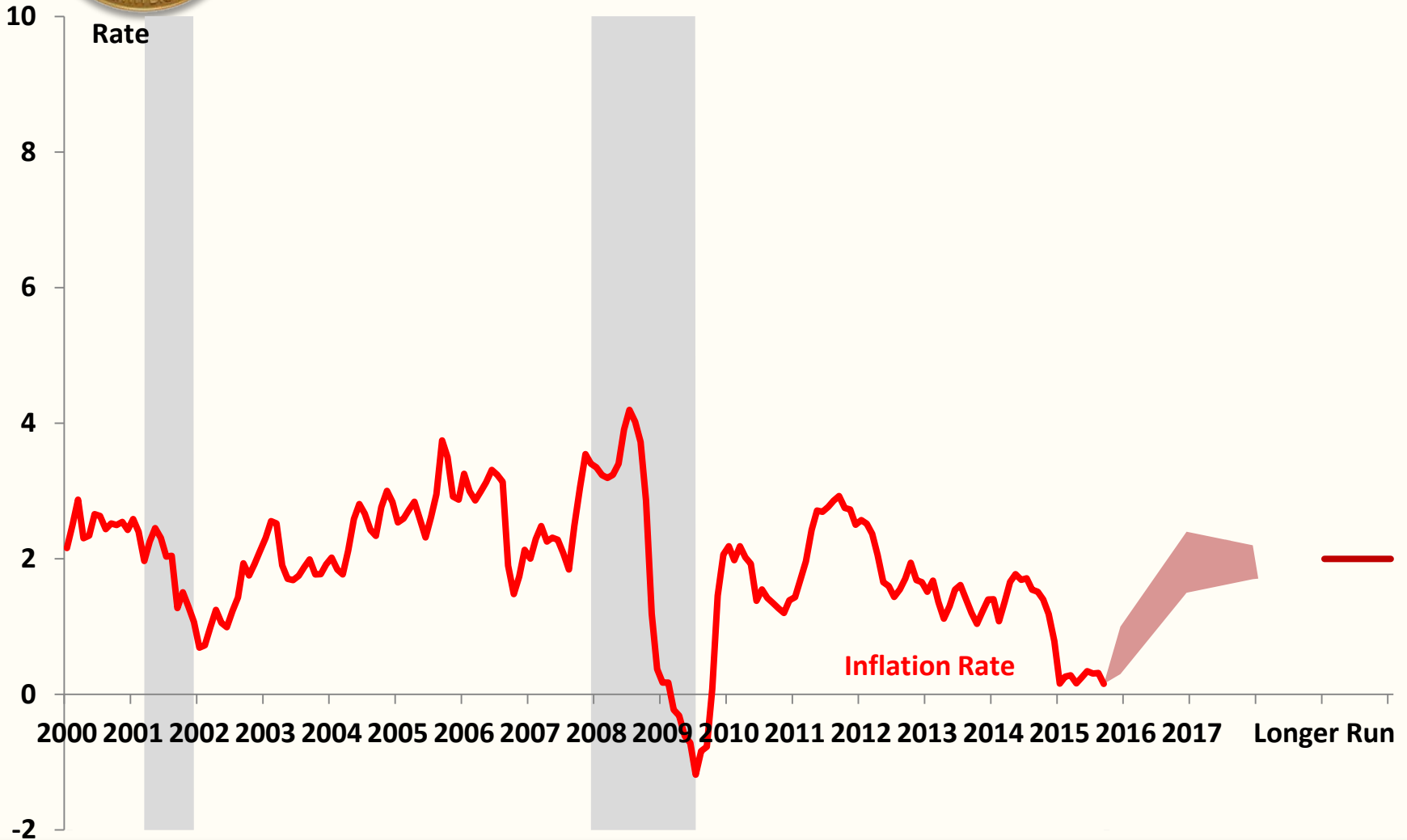
FOMC Economic Projections





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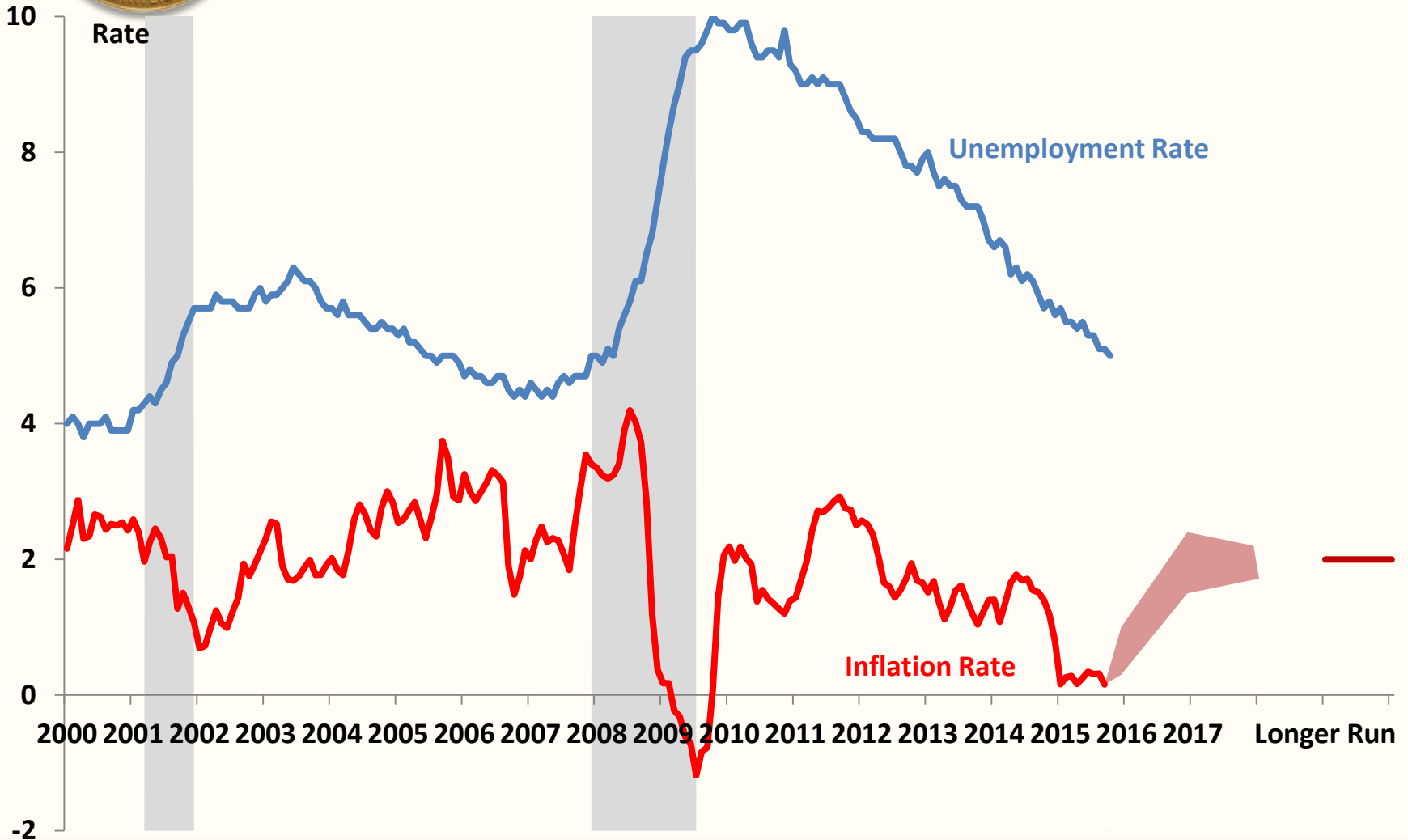
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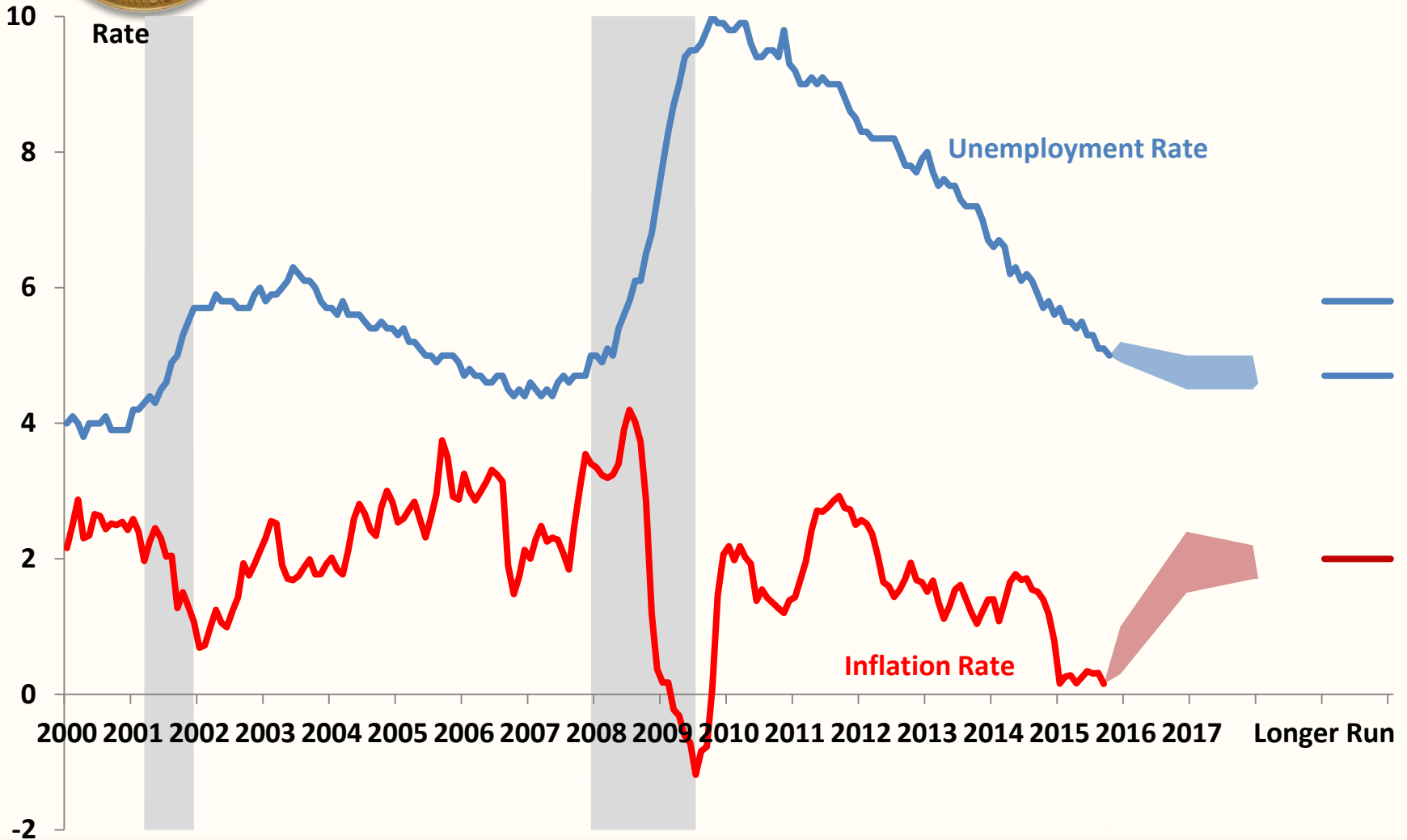
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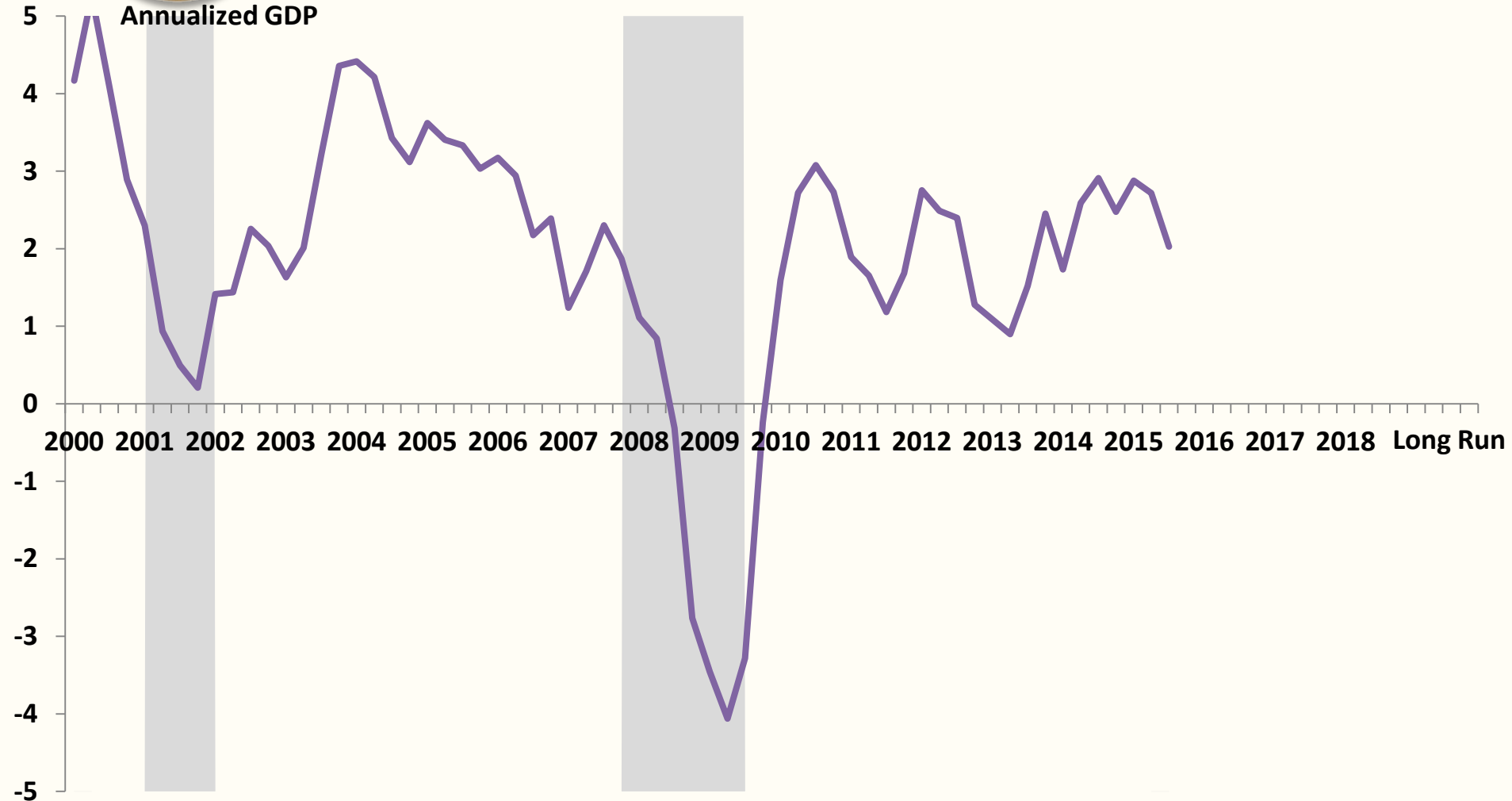
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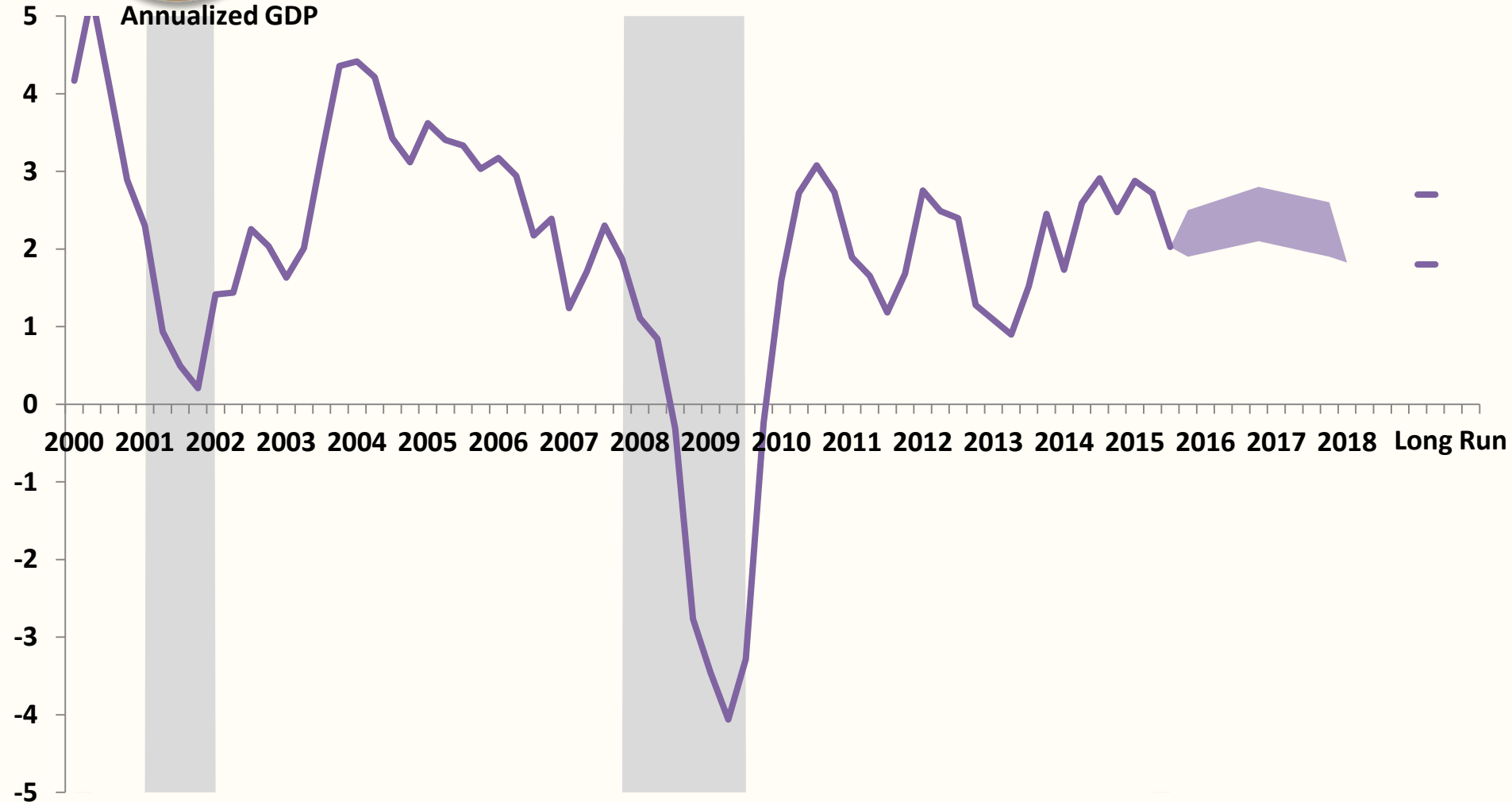
FOMC Economic Growth Projections





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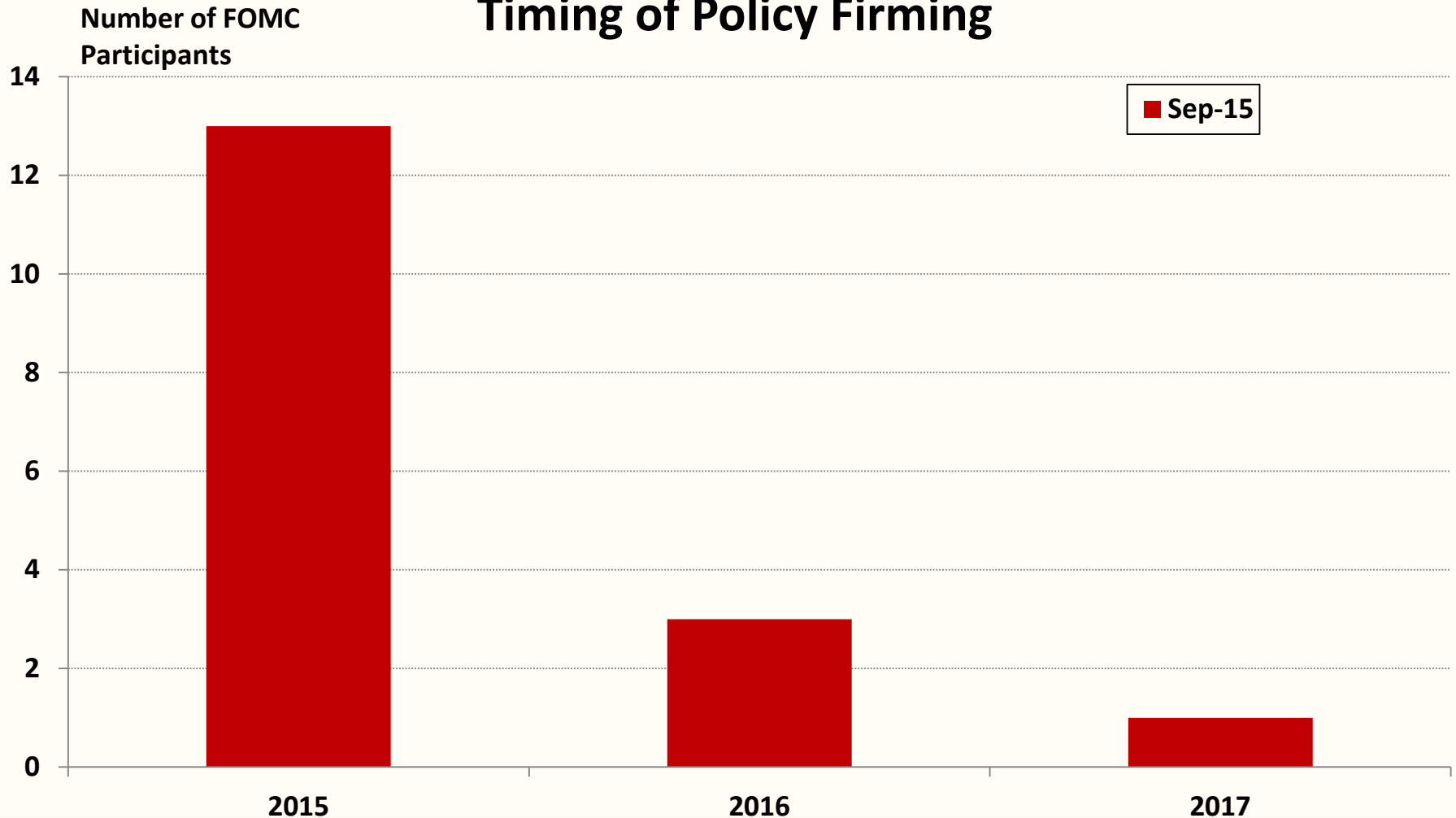
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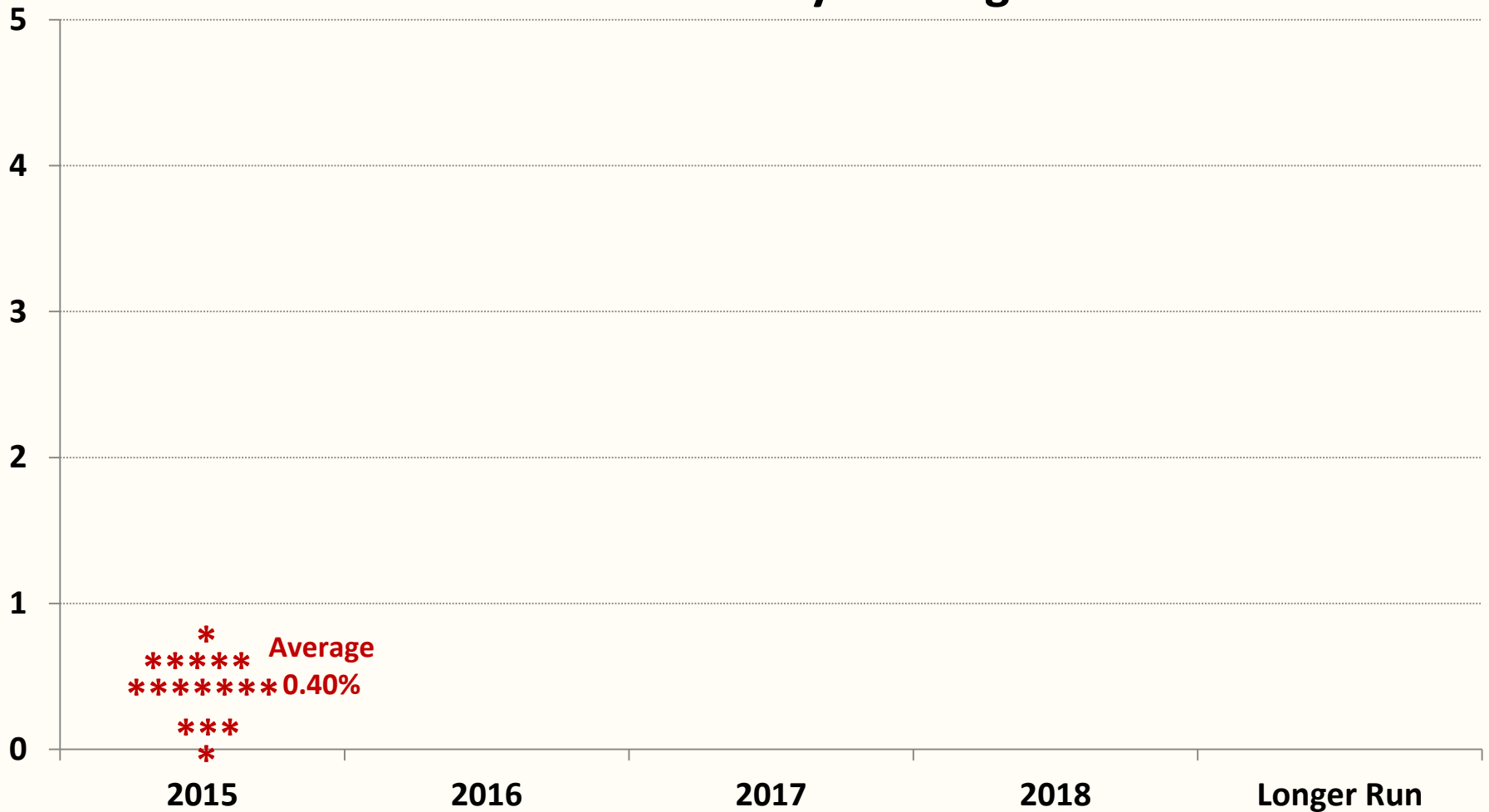
FOMC Assessment of Appropriate Timing of Policy Firming





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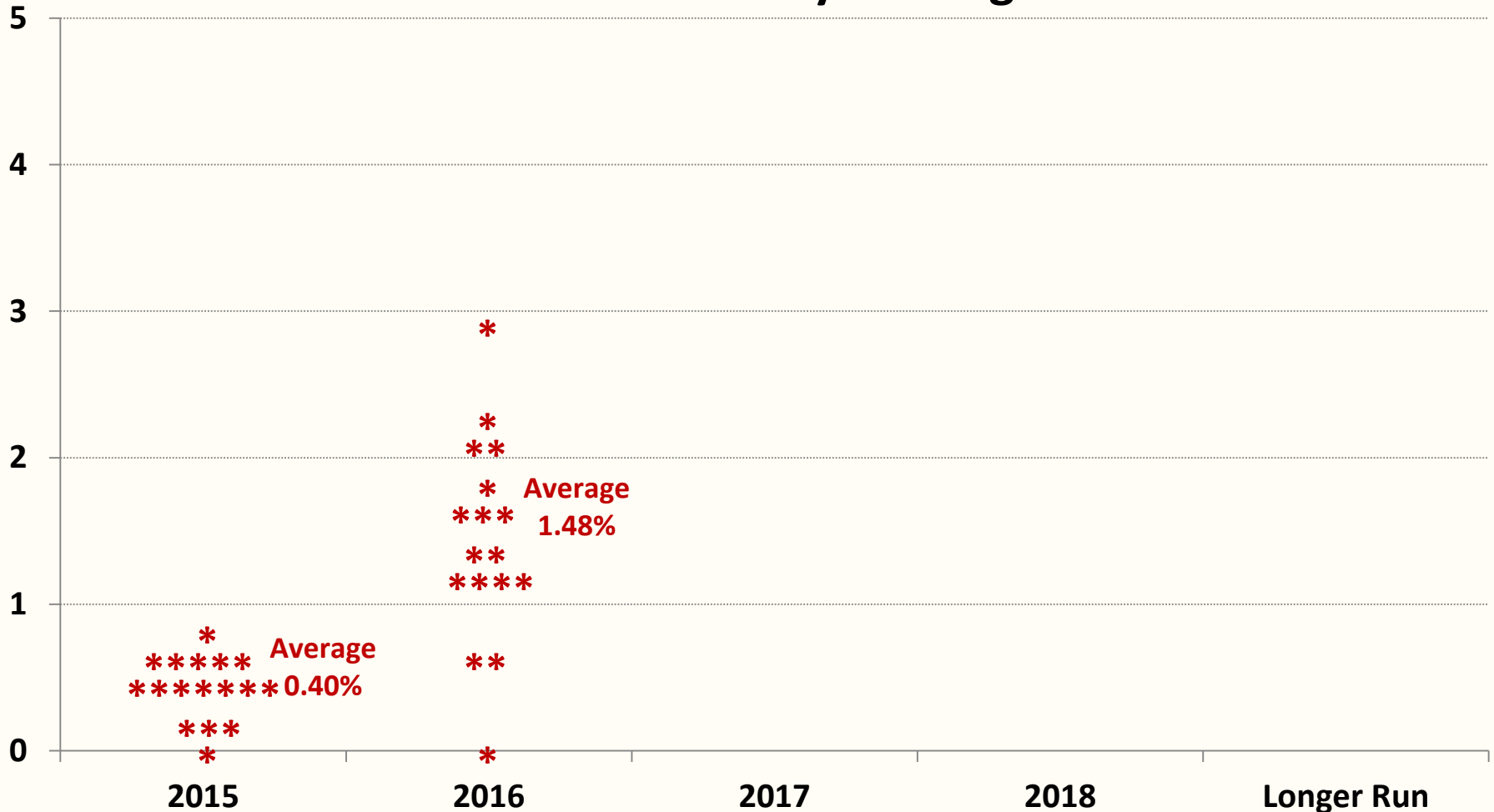
FOMC Assessment of Appropriate Pace of Policy Firming





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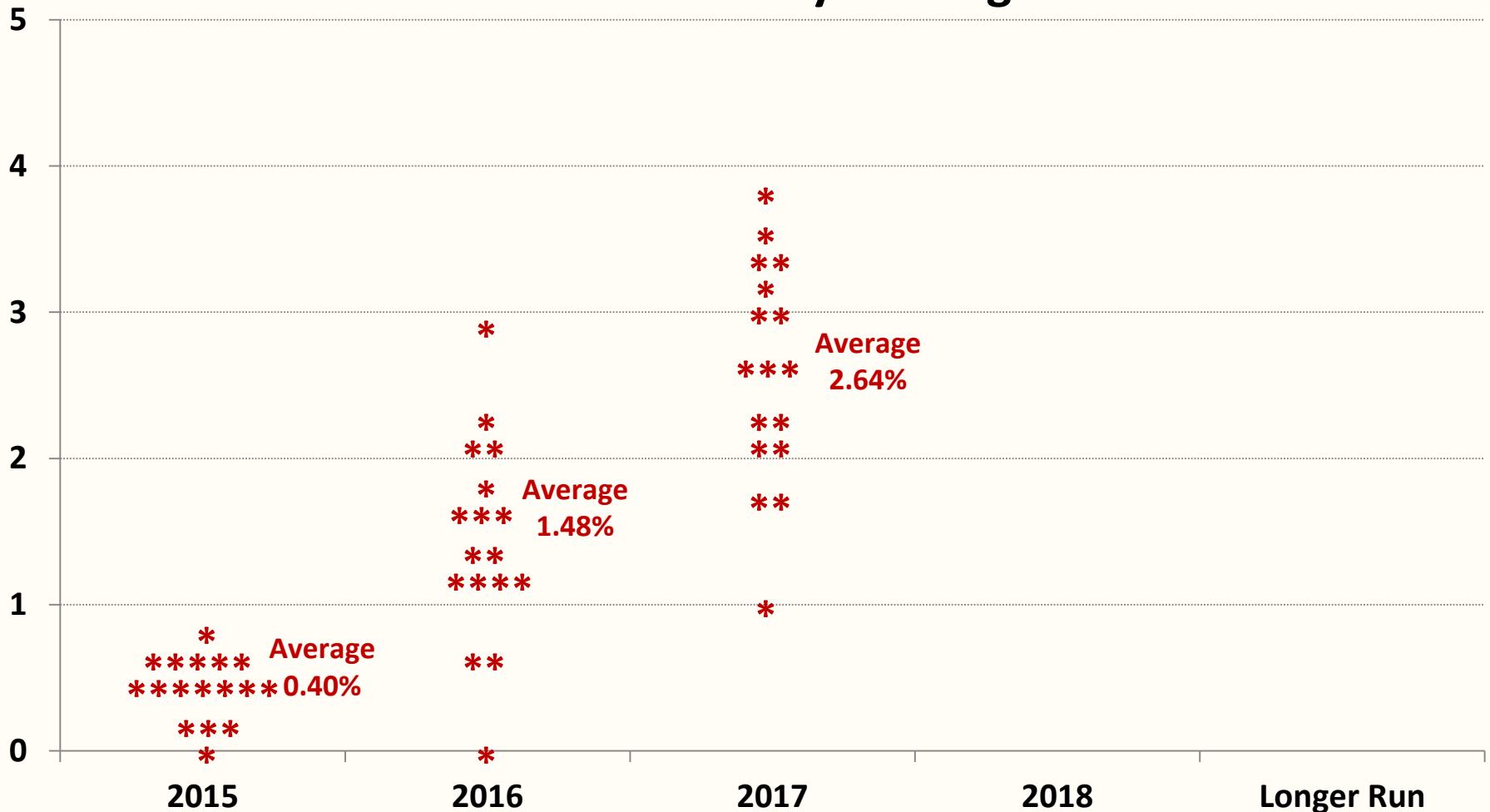
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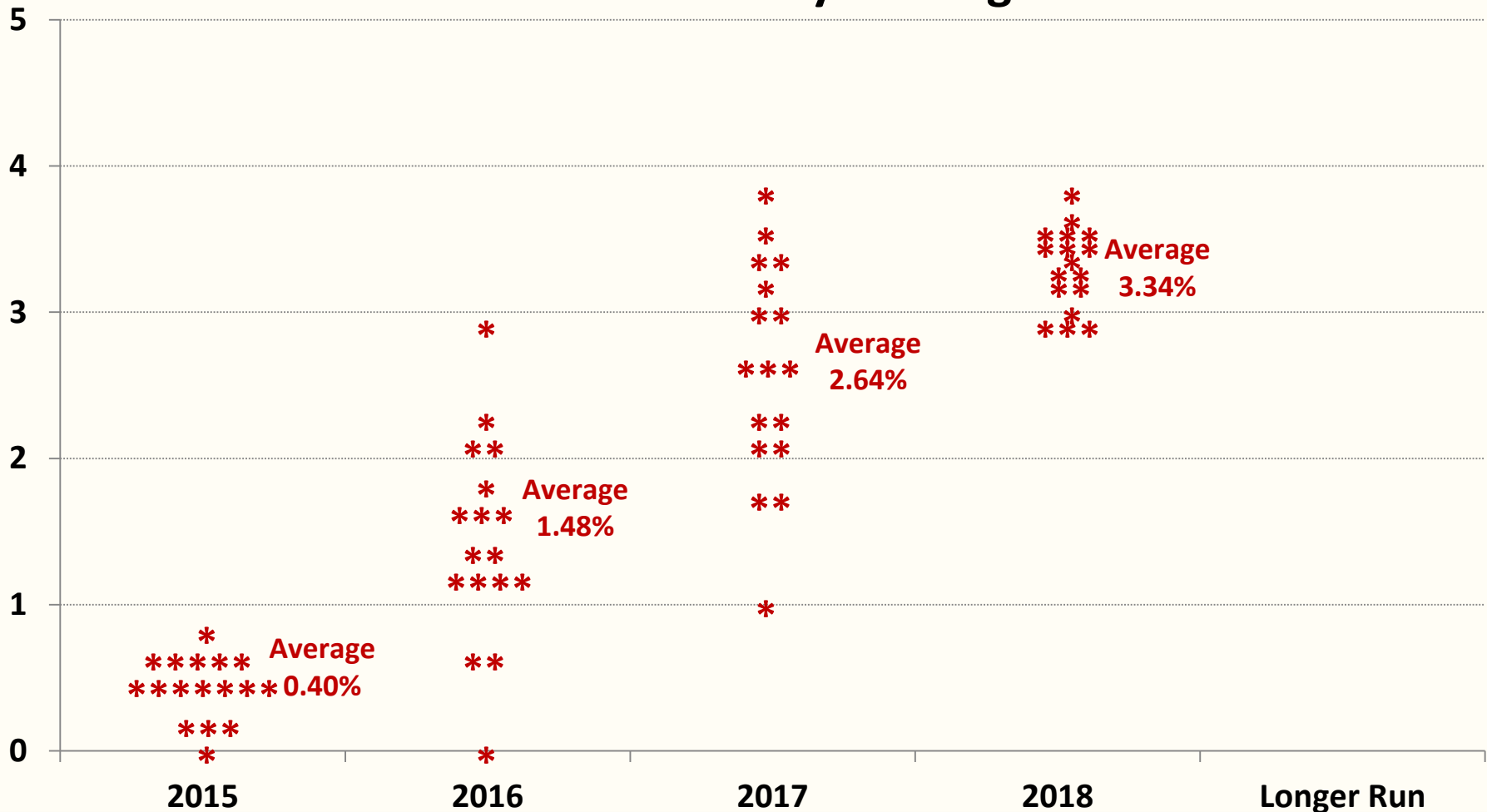
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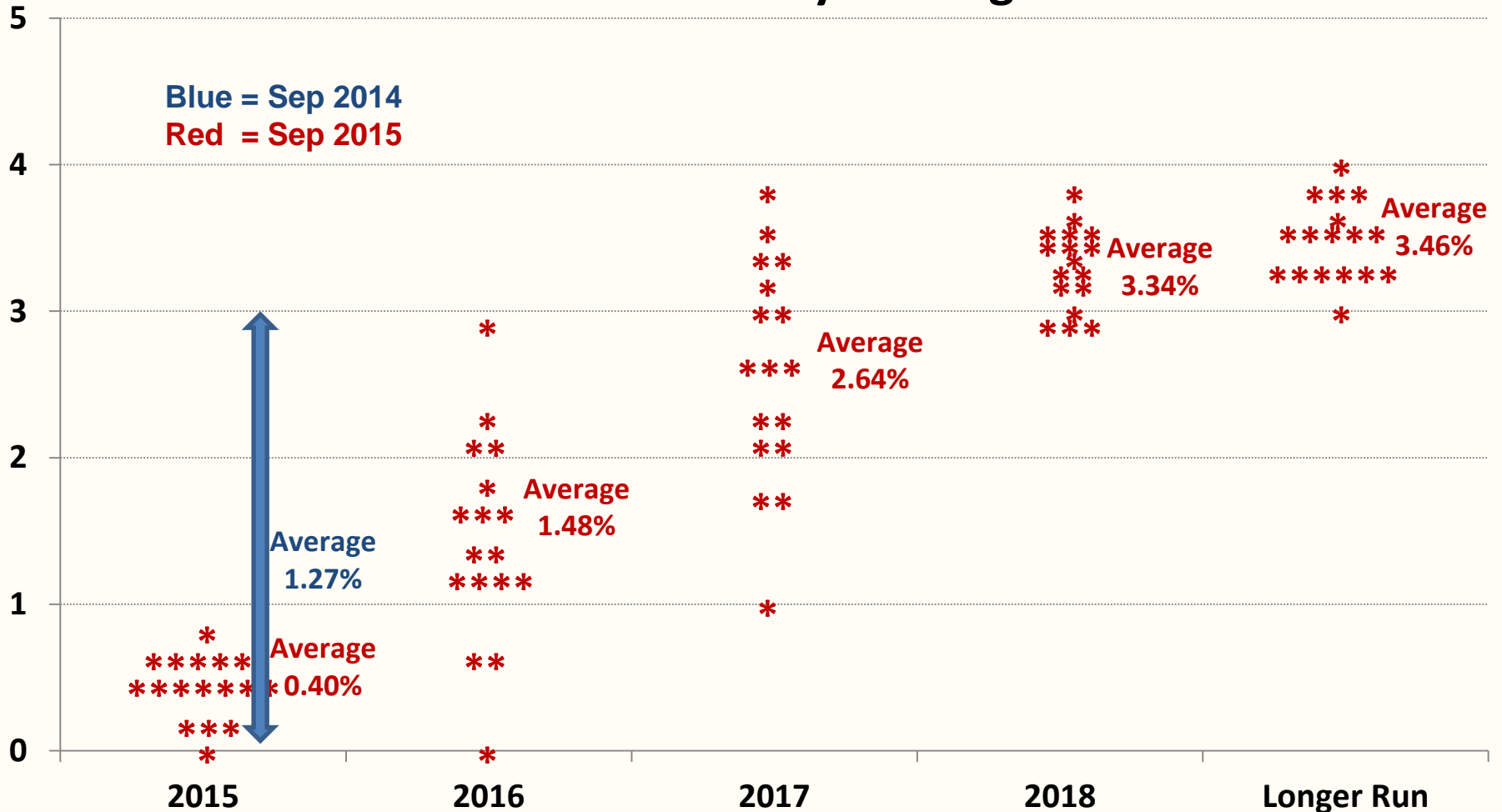
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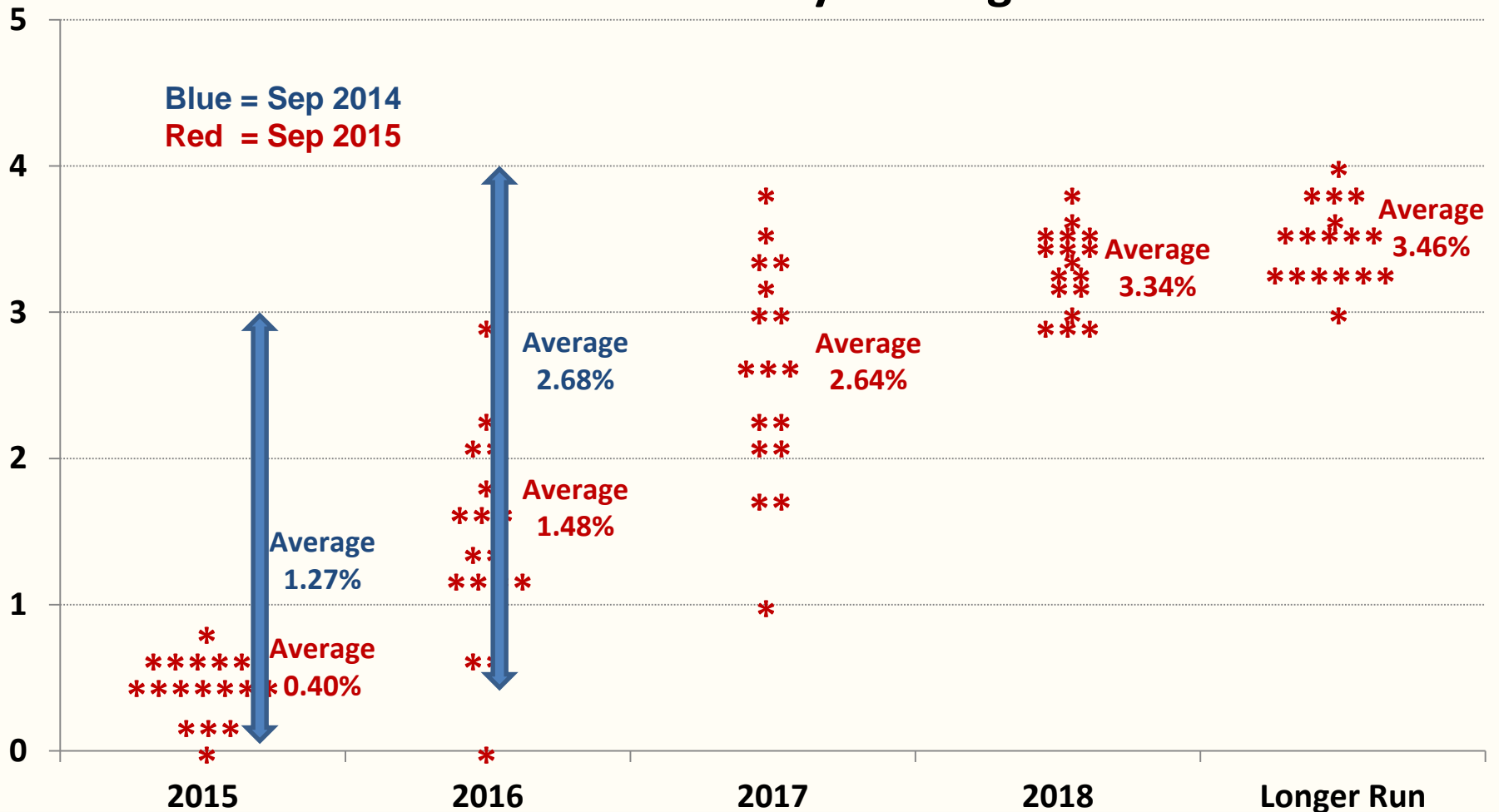
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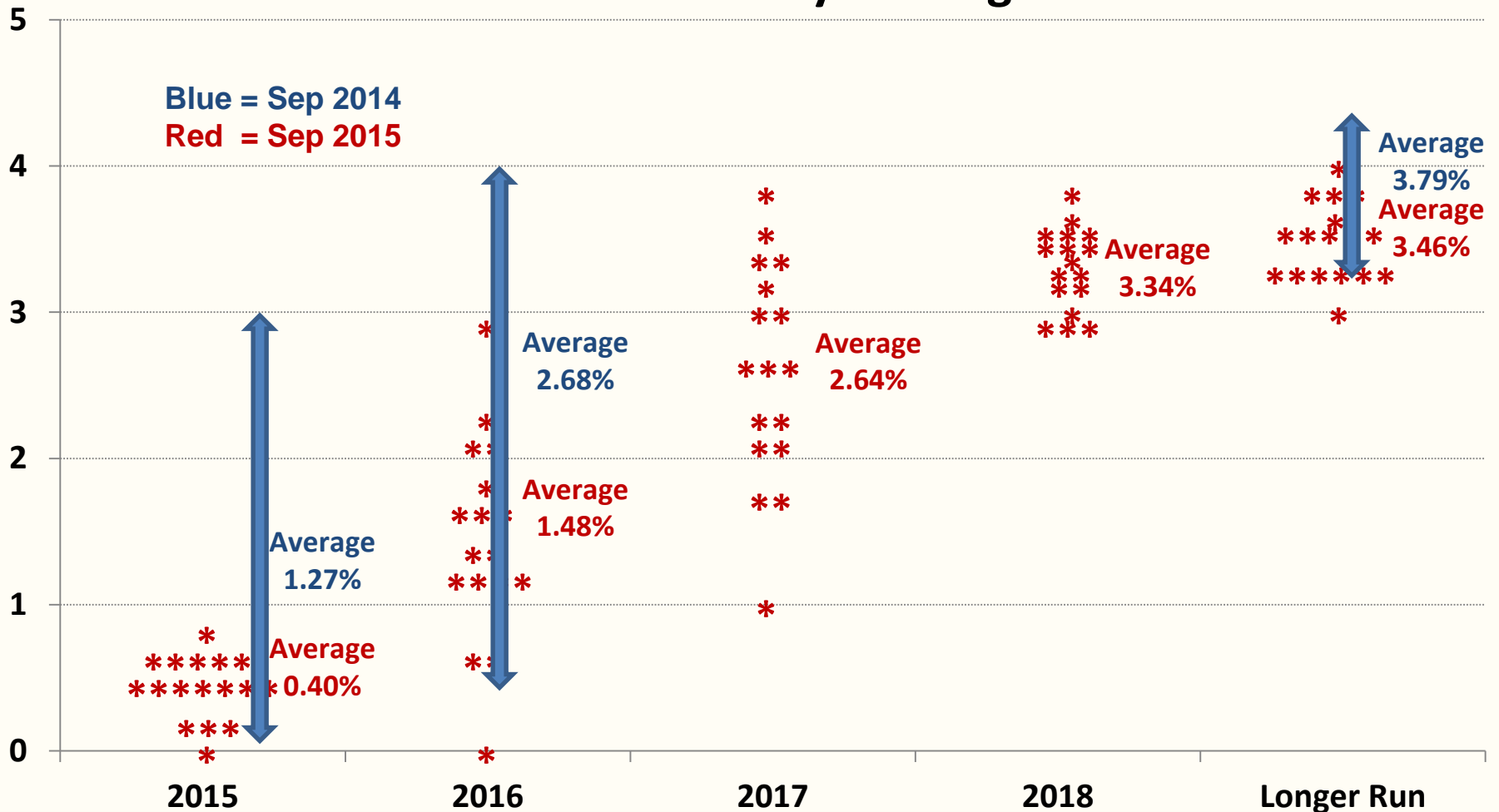
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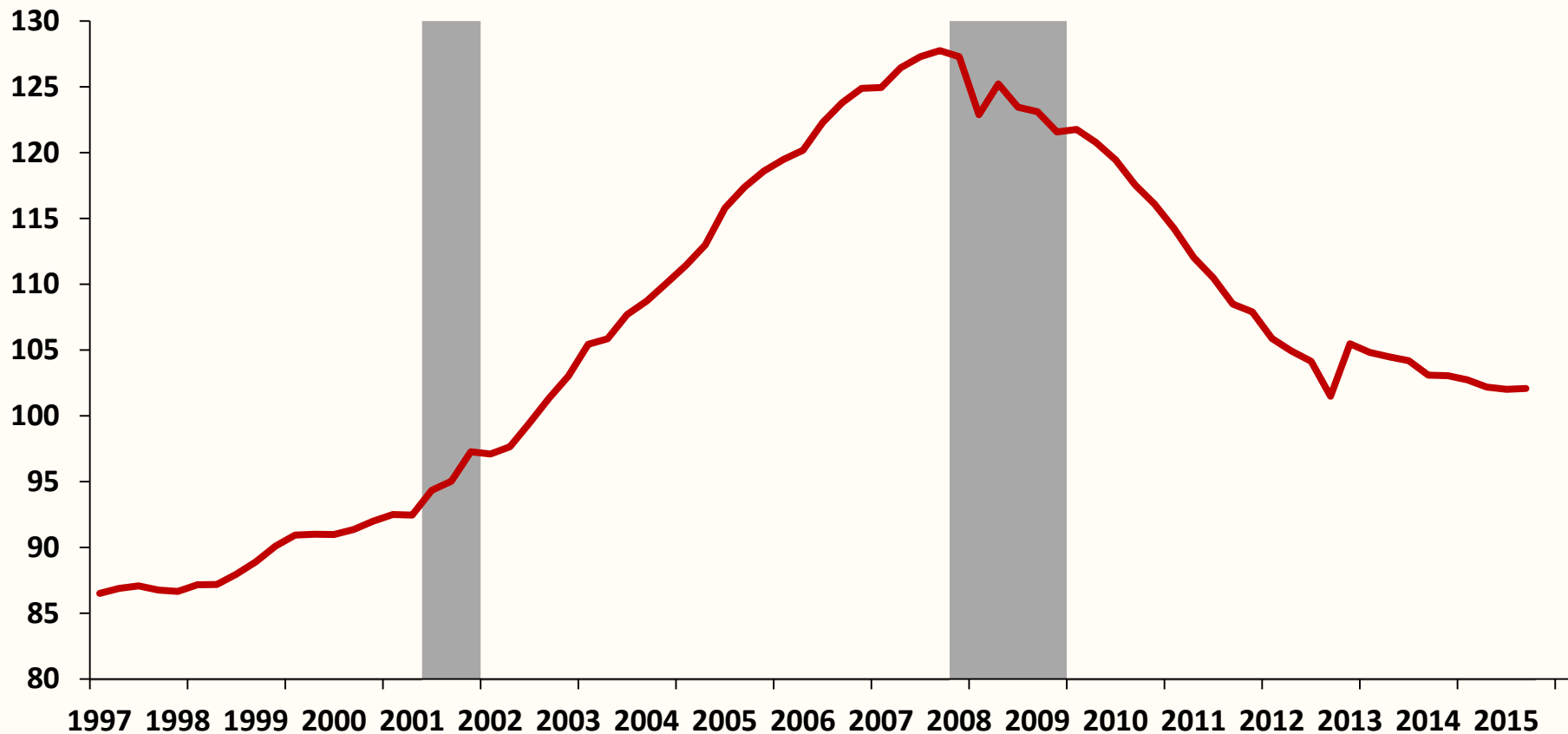
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Headwinds or Tailwinds?

Household Debt!

Household Debt-to-Income Ratio

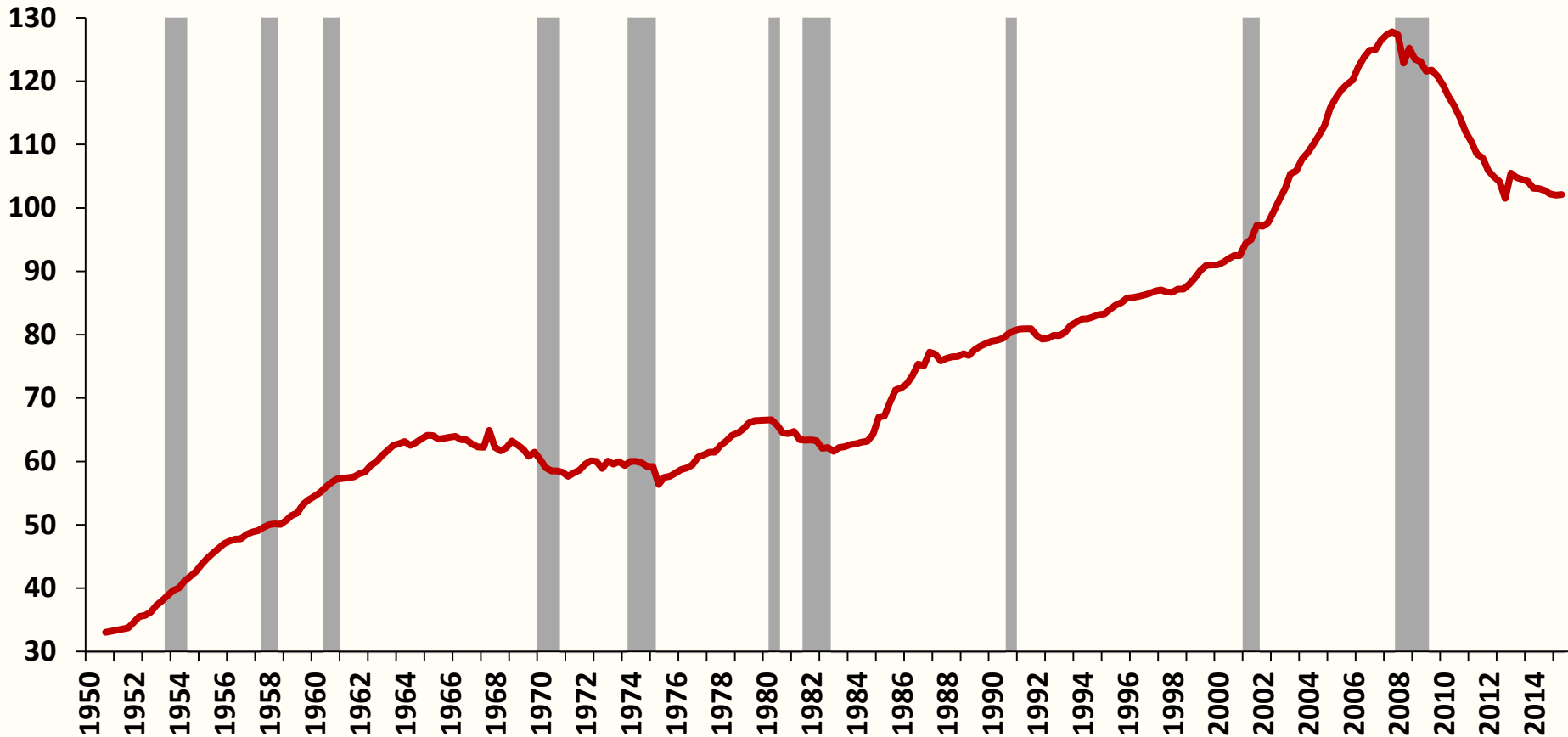




Headwinds or Tailwinds?

Long Run View of Household Debt

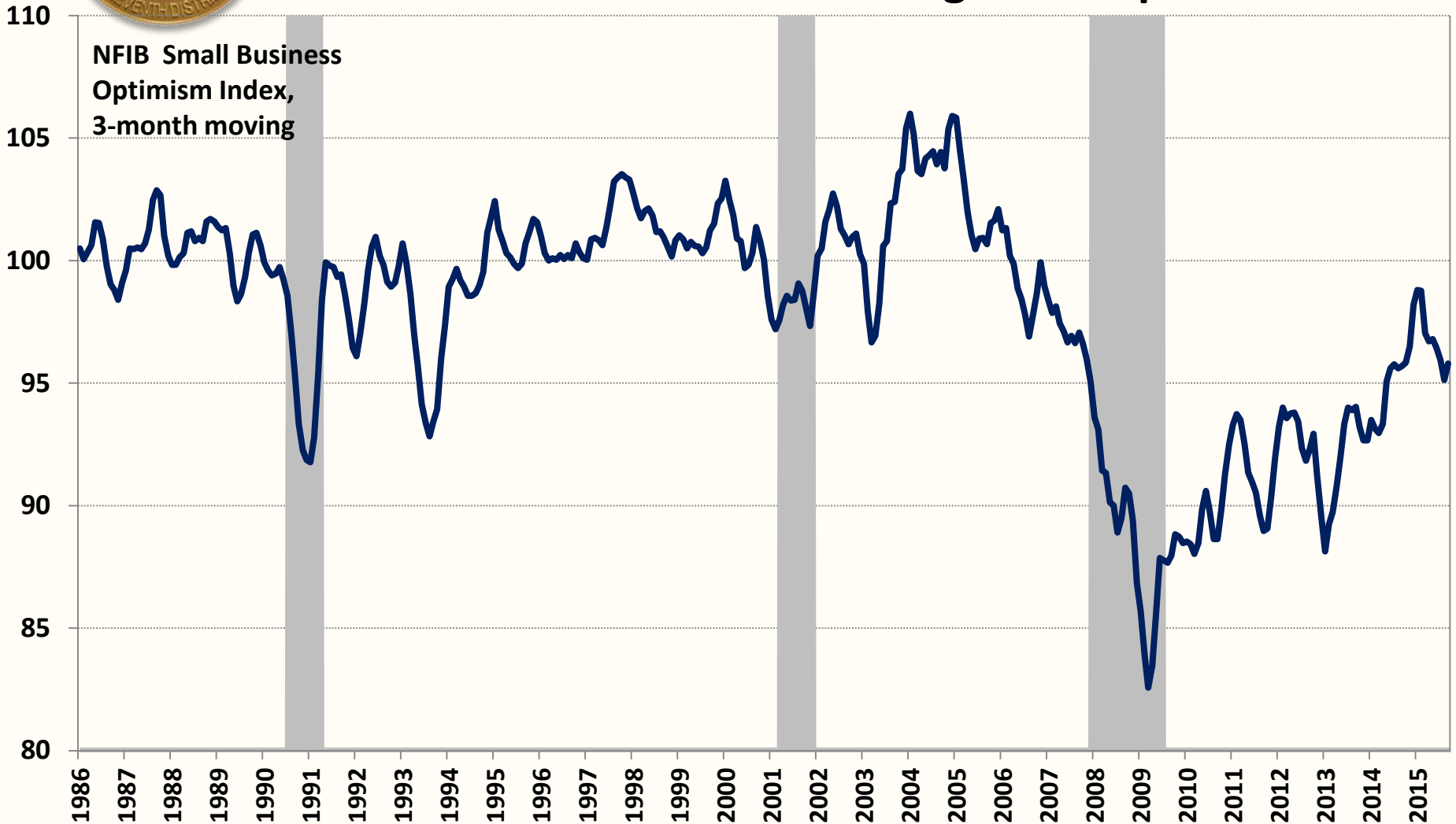
Household Debt-to-Income Ratio



Is Confidence Rising?



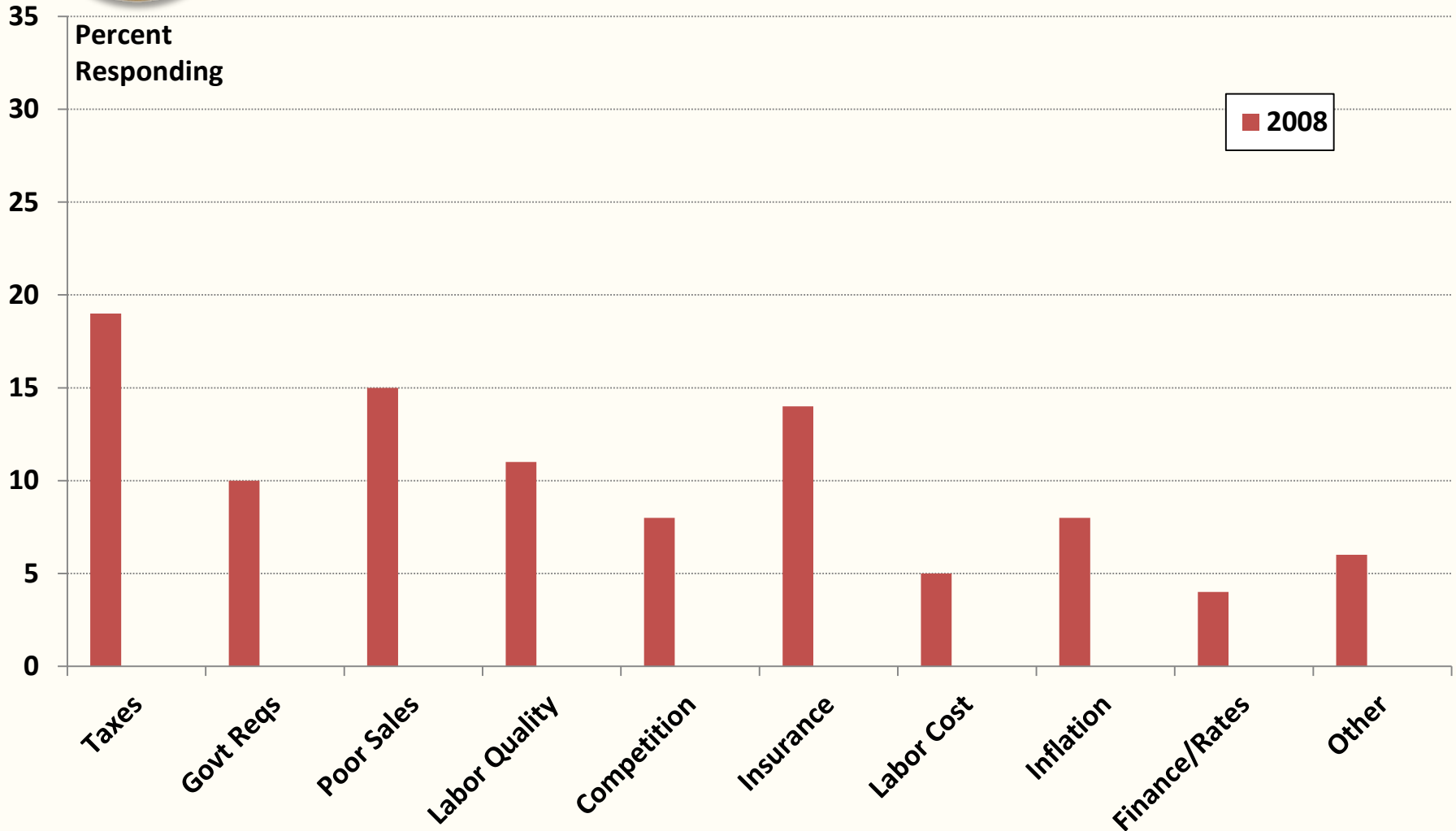
Small Business Owners Getting More Optimistic?



Is Confidence Rising?



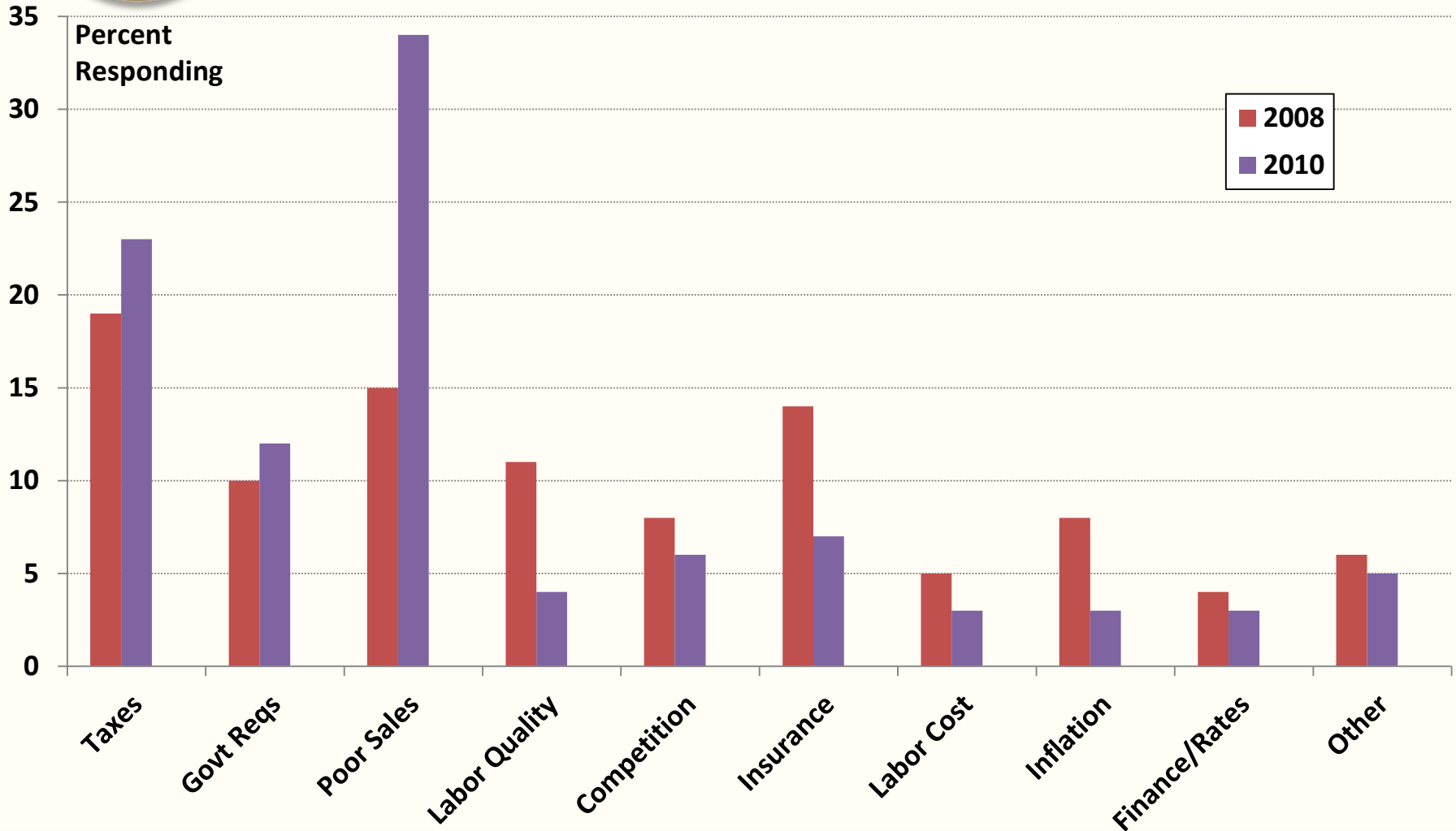
What Keeps Small Business Owners Up at Night?





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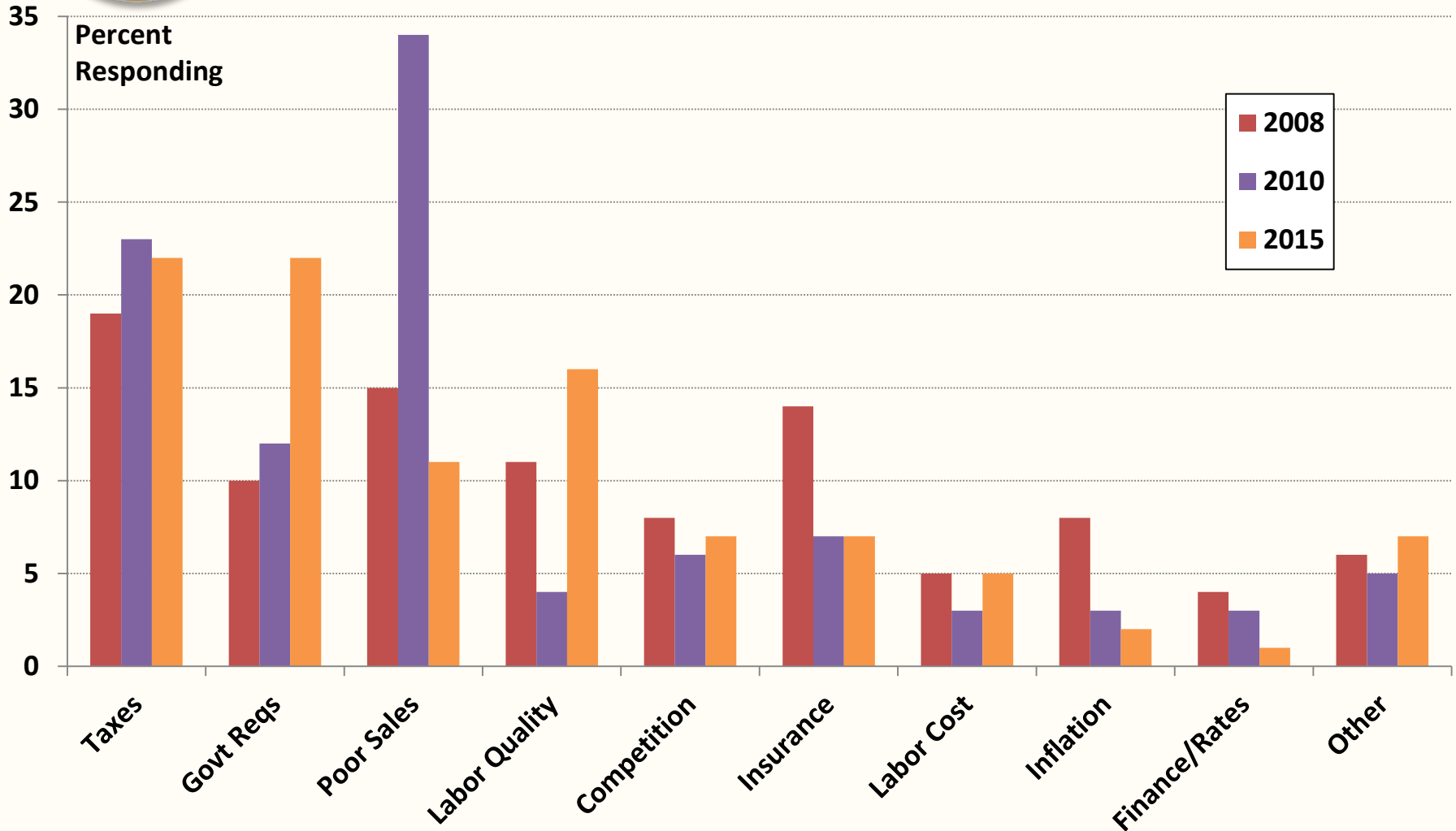
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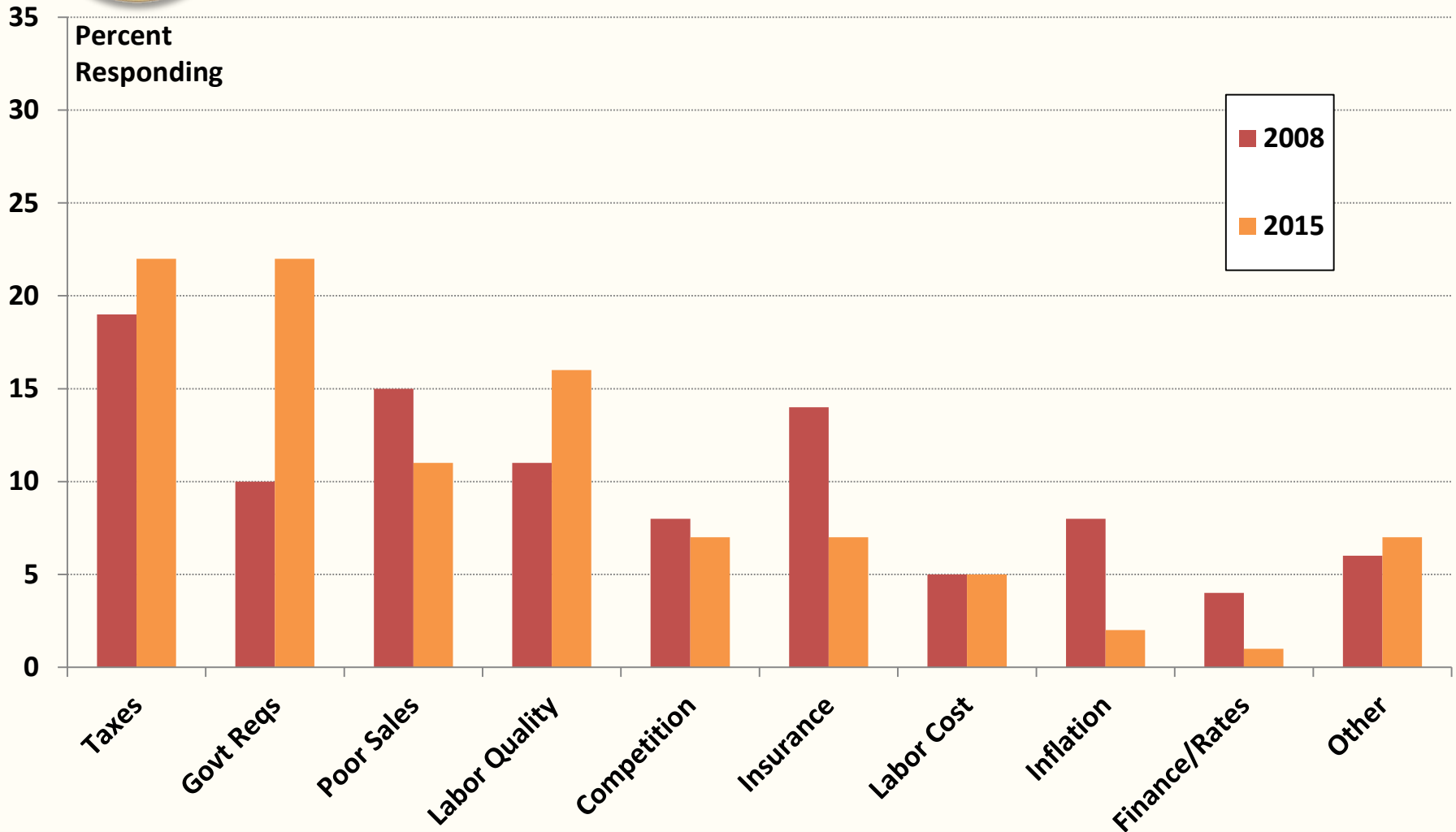
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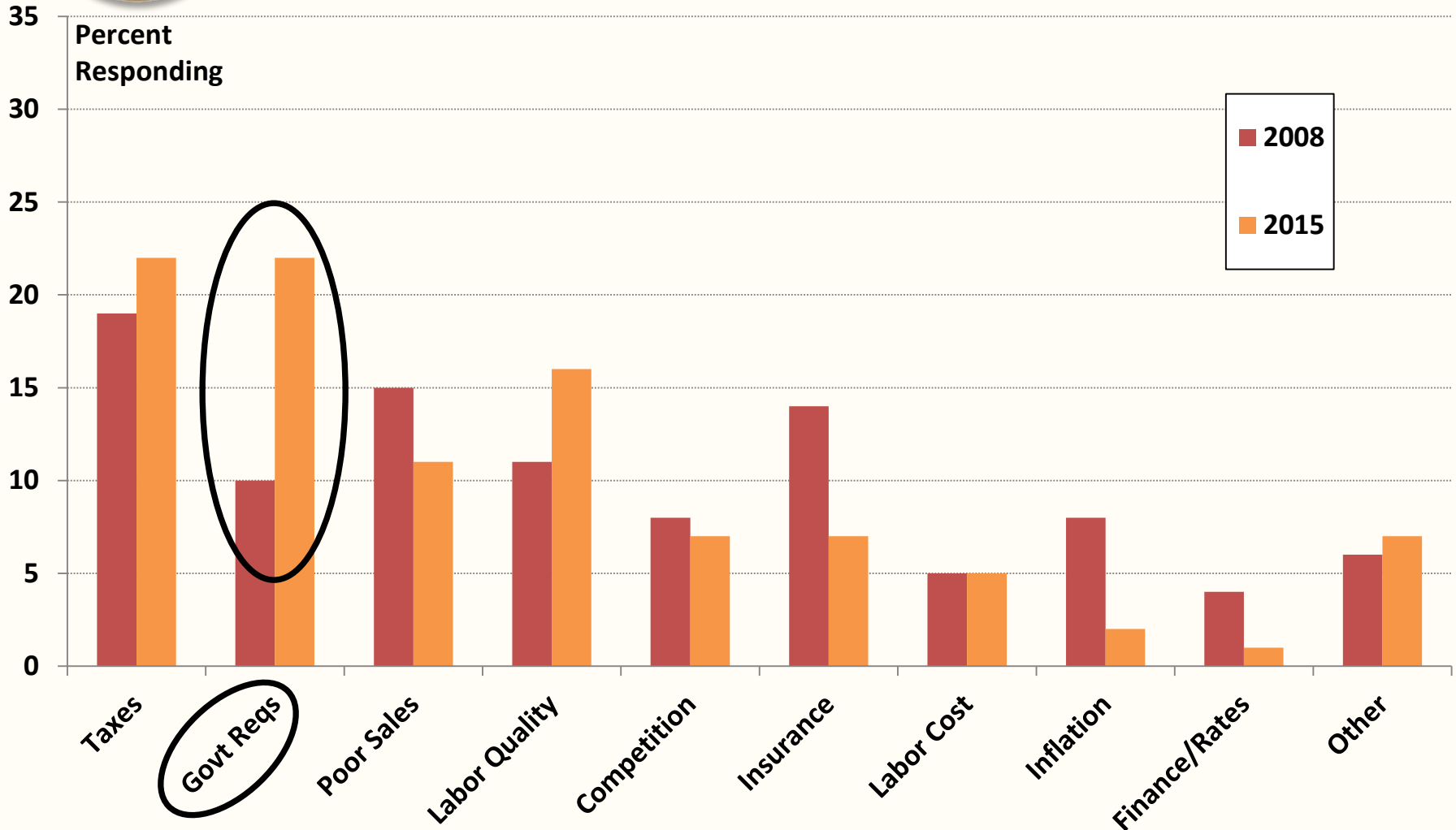
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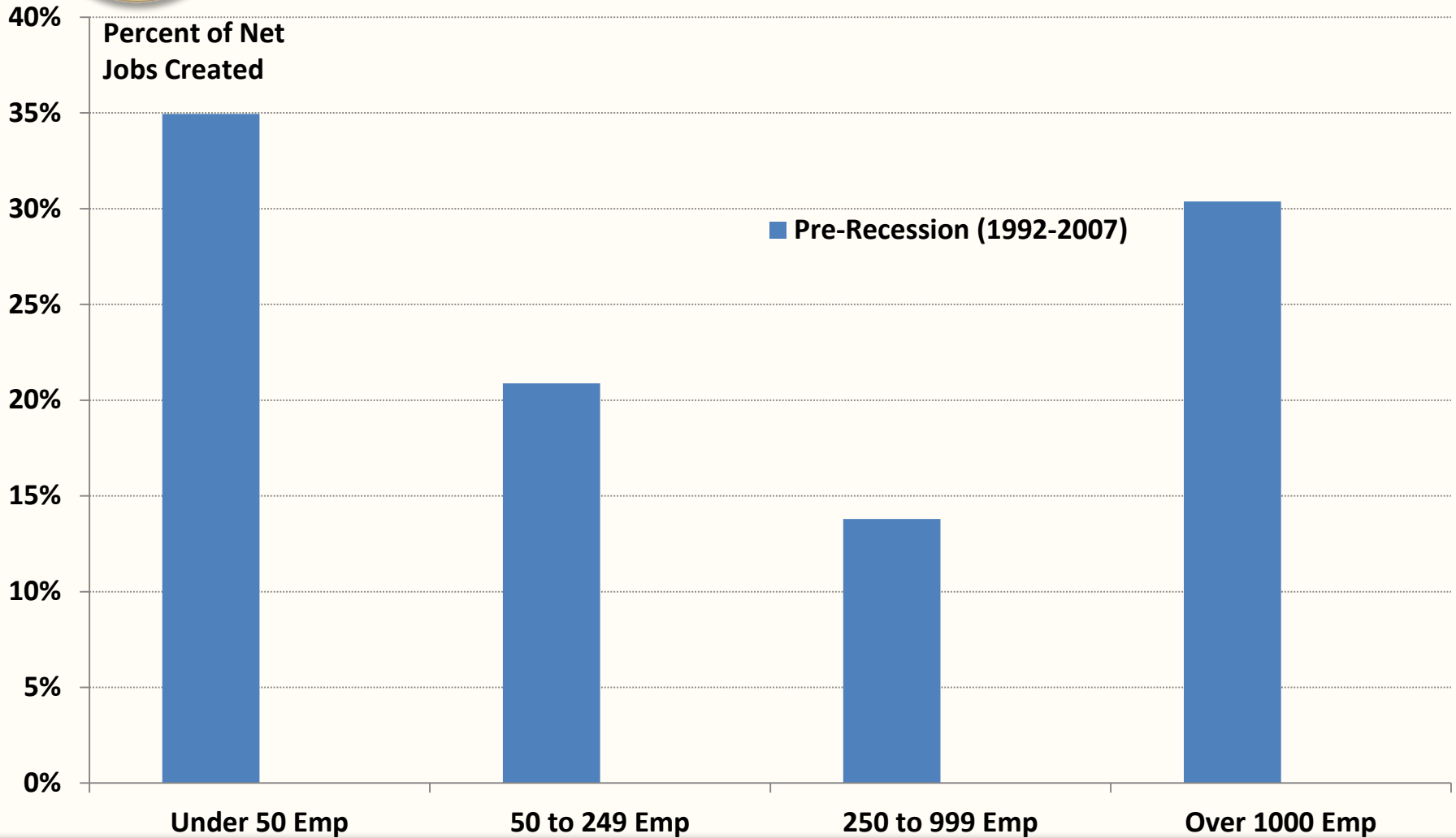
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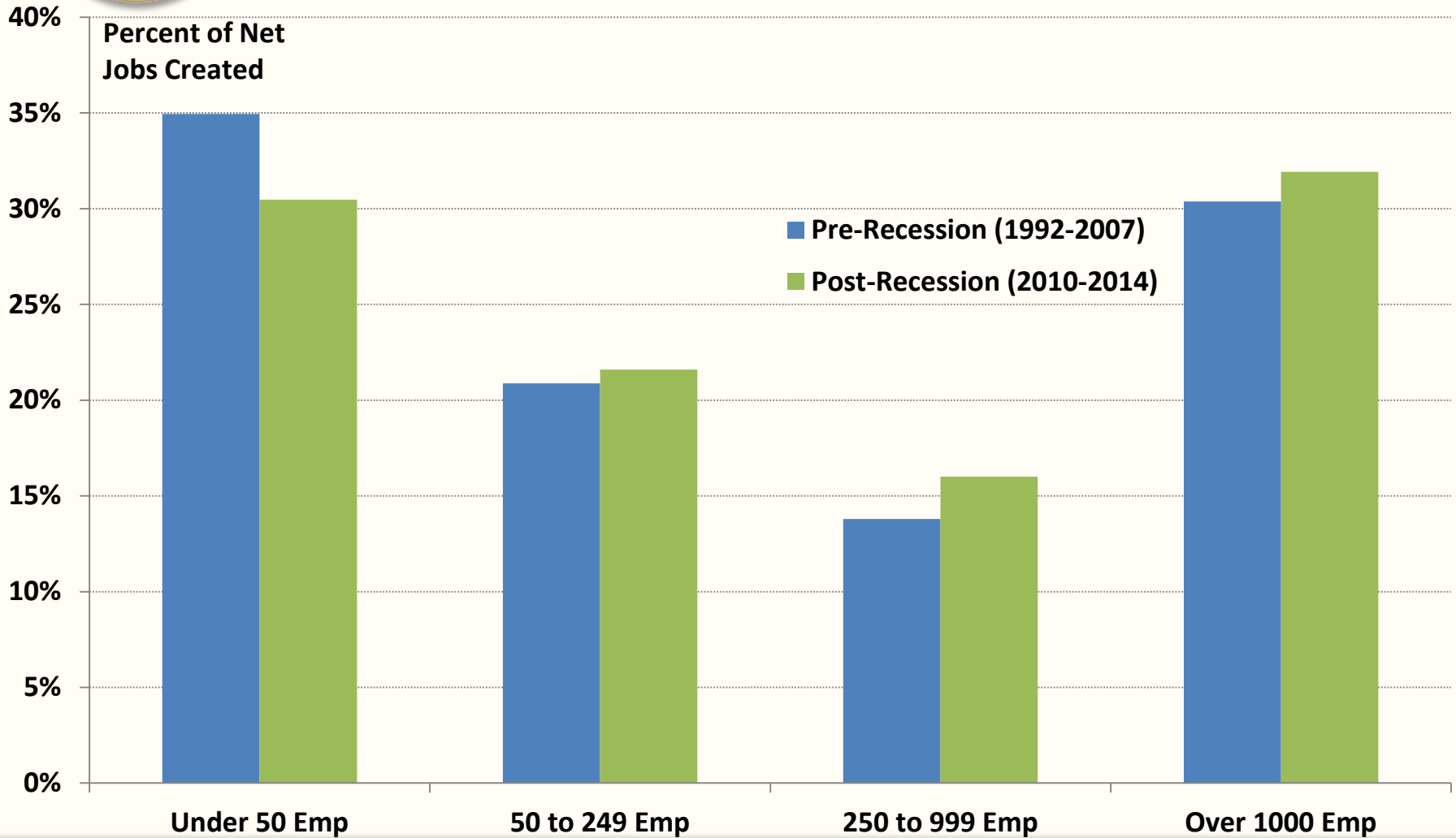
Job Creation Has Slowed for Small Businesses



Is Confidence Rising?



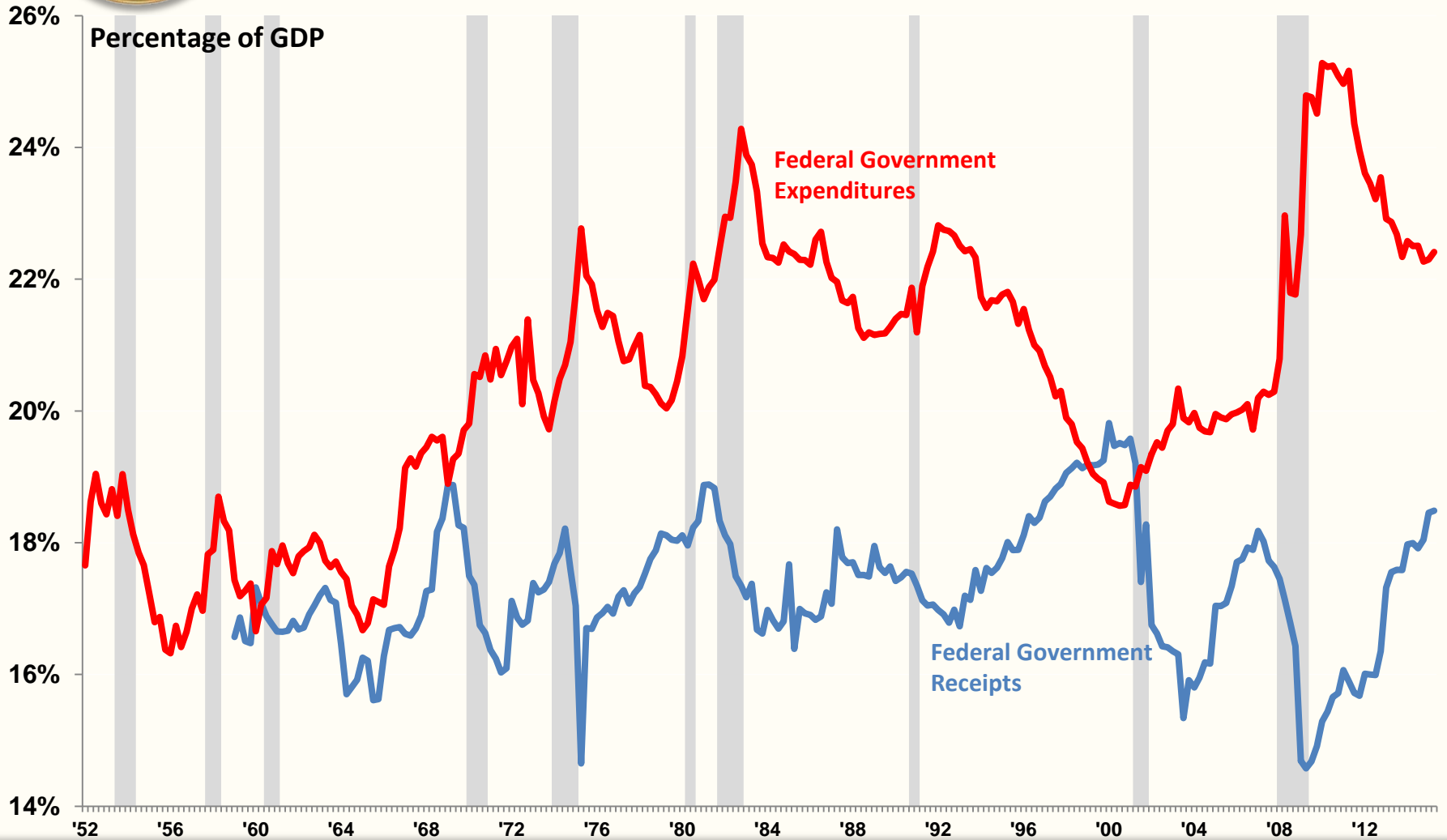
Job Creation Has Slowed for Small Businesses





The National Debt Continues to Grow...

Can Government Close the Gap?





Headwinds or Tailwinds?

Headwinds

- **Regulatory Burdens**
- **Declining Oil Exploration**
- **Declining Exports**
- **Rest of World (ROW)**
- **Slower GDP Growth**
- **Permanently Unemployed**
- **High Federal Debt**
- **Large Federal Reserve Balance Sheet**



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Tailwinds

- **Low/Stable Inflation**
- **Rising Household Wealth**
- **Strong Biz Balance Sheets**
- **Healthy Banking System**
- **Solid Employment Growth**
- **Low Interest Rates**
- **Low Gasoline/Energy Prices**
- **Confidence Rising**



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Conclusions

- **Growth: Weak Q1, Better Q2/Q3...prospects good for 2015**
- **Inflation: low and stable; expectations anchored; move closer to 2% target**
- **Employment: Lower US unemployment rate likely; job growth in the 11th FR District lower than nation in 2015**
- **Some Necessary Conditions for Lift Off (Chair Yellen, 3/15):**
 - **Continued improvement in labor markets**
 - **No weakening in wage inflation**
 - **No further weakening in core inflation, survey measures of inflation expectations, market measures of inflation compensation**