


Economic Outlook for U.S. and Columbus Metropolitan Area



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FEDERAL RESERVE BANK *of* CLEVELAND
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FRBC's role in the Federal Reserve System

- Payments and cash processing
- Bank supervision and regulation
- Community development
- Research
- Monetary policy

- National economic conditions
- Conditions in Columbus metro area
- Availability rates and rents
- Forecast and monetary policy

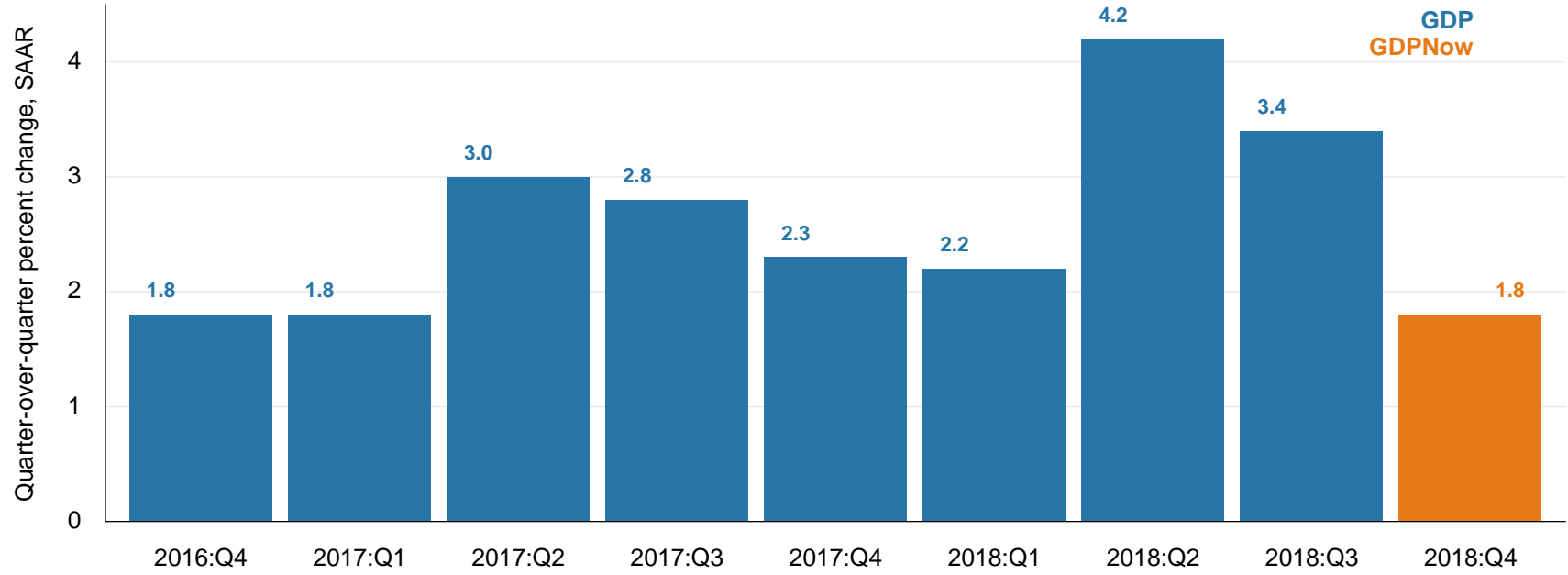


National Economic Conditions

The nation had strong growth in 2nd & 3rd quarters of 2018, but slower growth is expected in 4th quarter

Quarterly Real GDP Growth

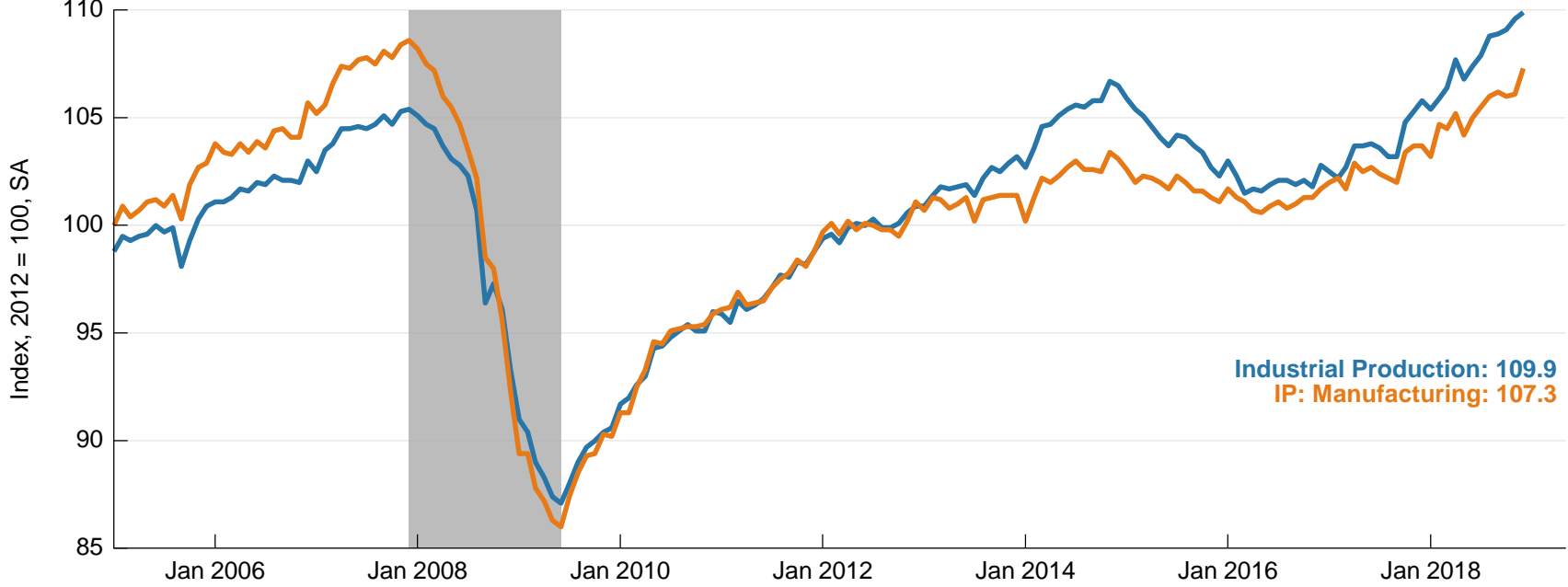
Real GDP Growth and GDPNow Forecast



Sources: Bureau of Economic Analysis and FRB Atlanta via Haver Analytics
GDPNow last updated on: Feb. 26, 2019
Last data point: 2018:Q3.

Manufacturing production rose 3.6 percent in 2018, its strongest growth since 2010

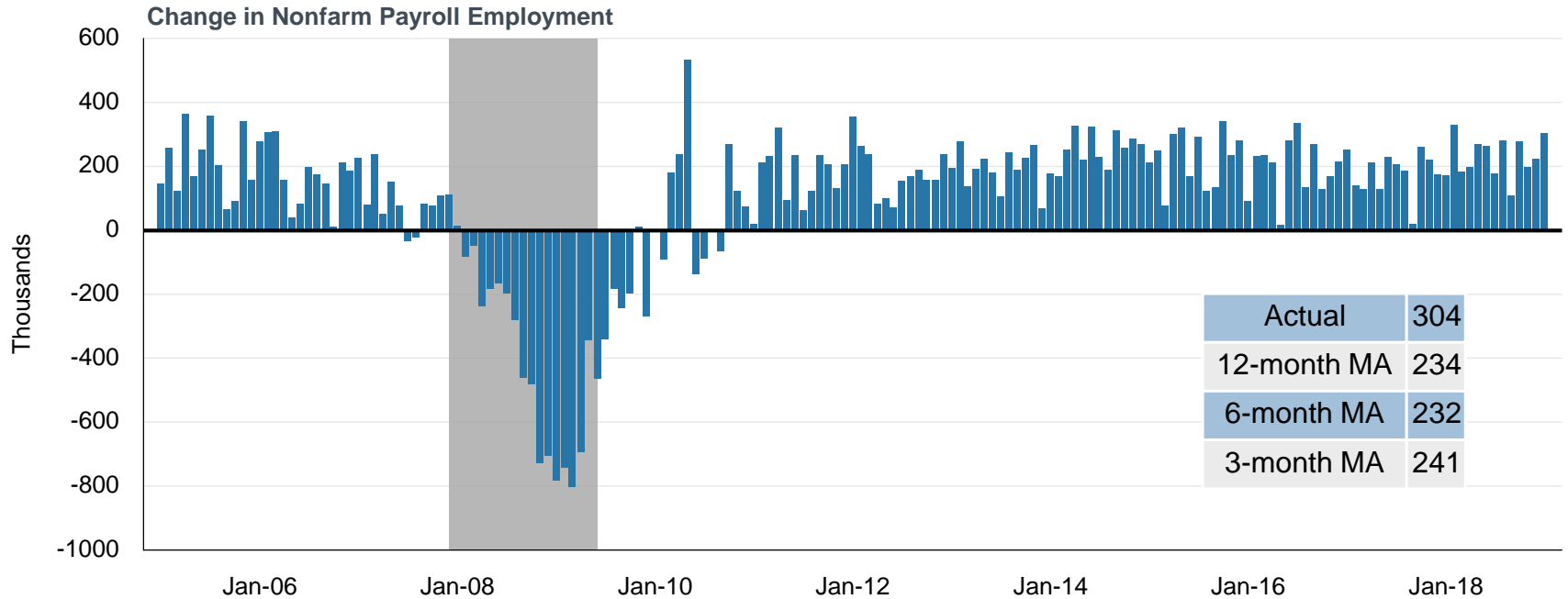
Industrial Production Indexes Overall and Manufacturing



Source: Federal Reserve Board via Haver Analytics
Last data point: Dec 2018.

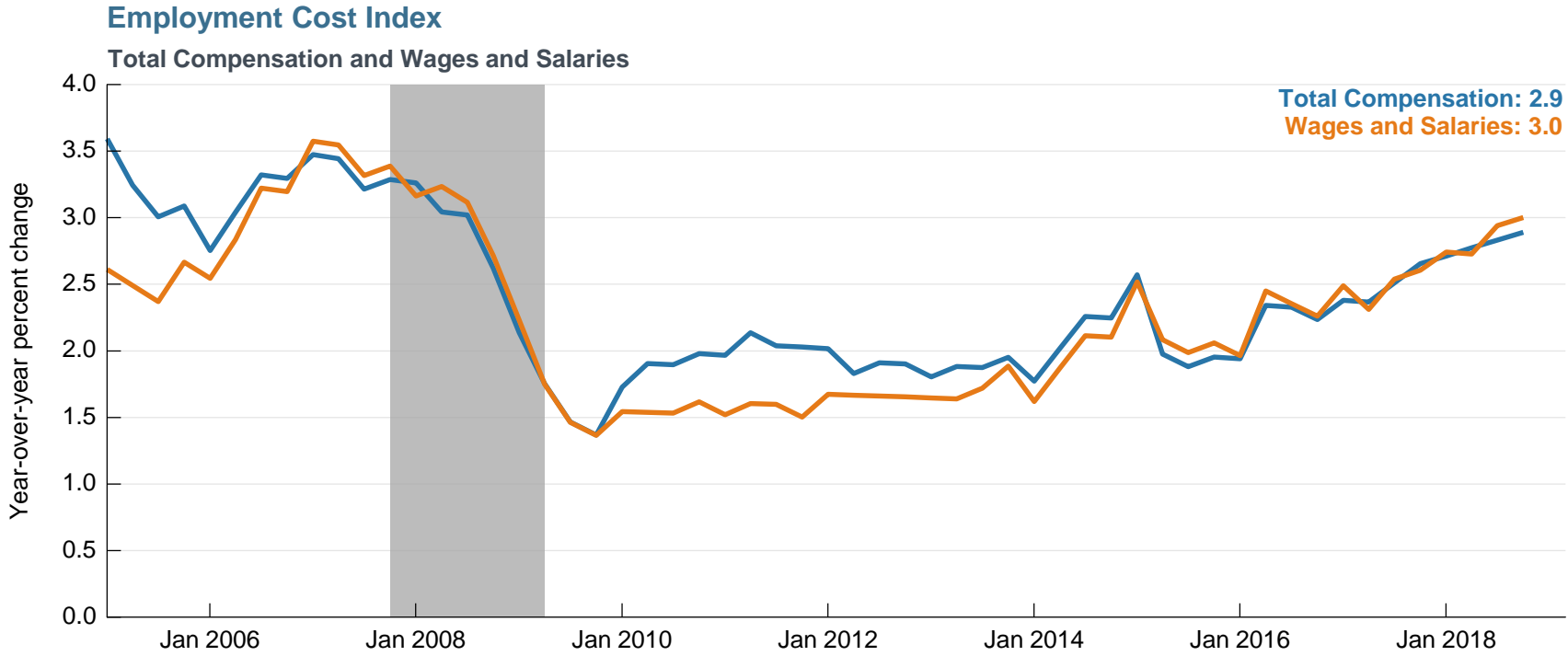
January was 100th consecutive month of job gains! Unemployment rate rose to 4 percent.

Change in Nonfarm Payroll Employment



Source: Bureau of Labor Statistics via Haver Analytics
Line represents 12-month moving average.
Last data point: Jan 2019.

Rate of wage growth increased in 2018 and is getting close to what is historically normal

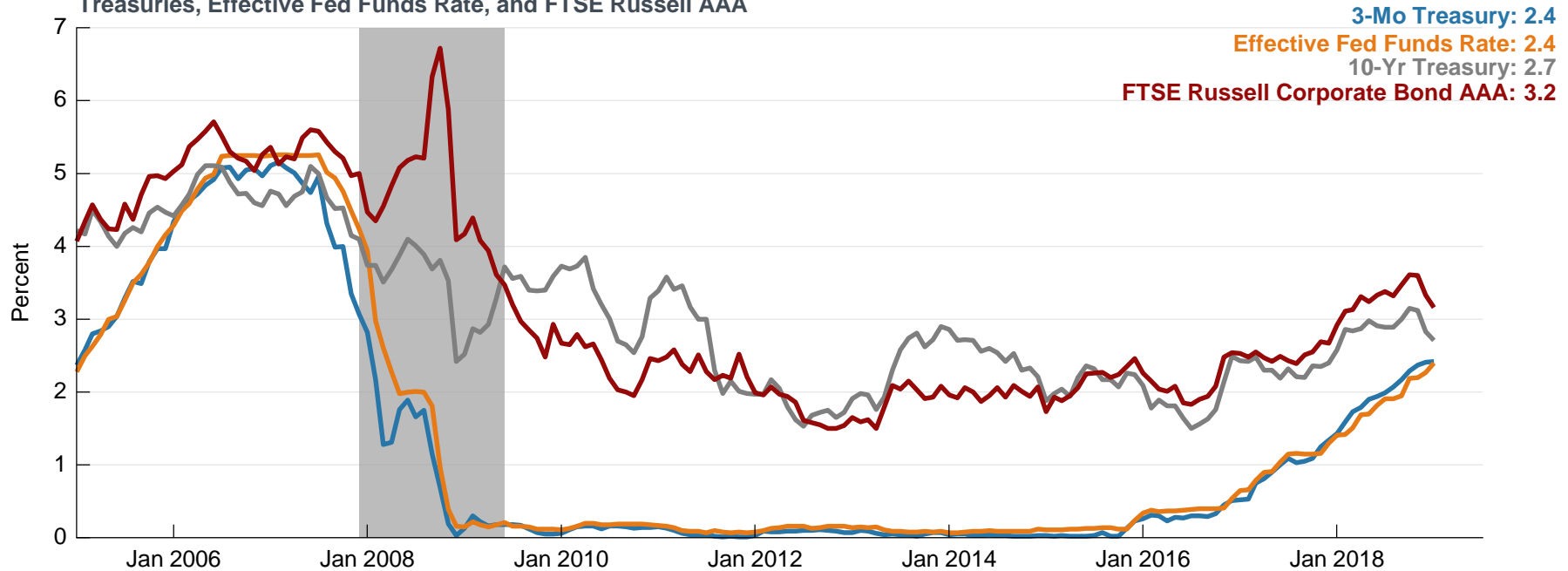


Source: Bureau of Labor Statistics via Haver Analytics
Last data point: 2018:Q3.

Long run interest rates have fallen in recent months and short term rates have stabilized

Selected Interest Rates

Treasuries, Effective Fed Funds Rate, and FTSE Russell AAA



Source: FRB BOG and FTSE Russell via Haver Analytics

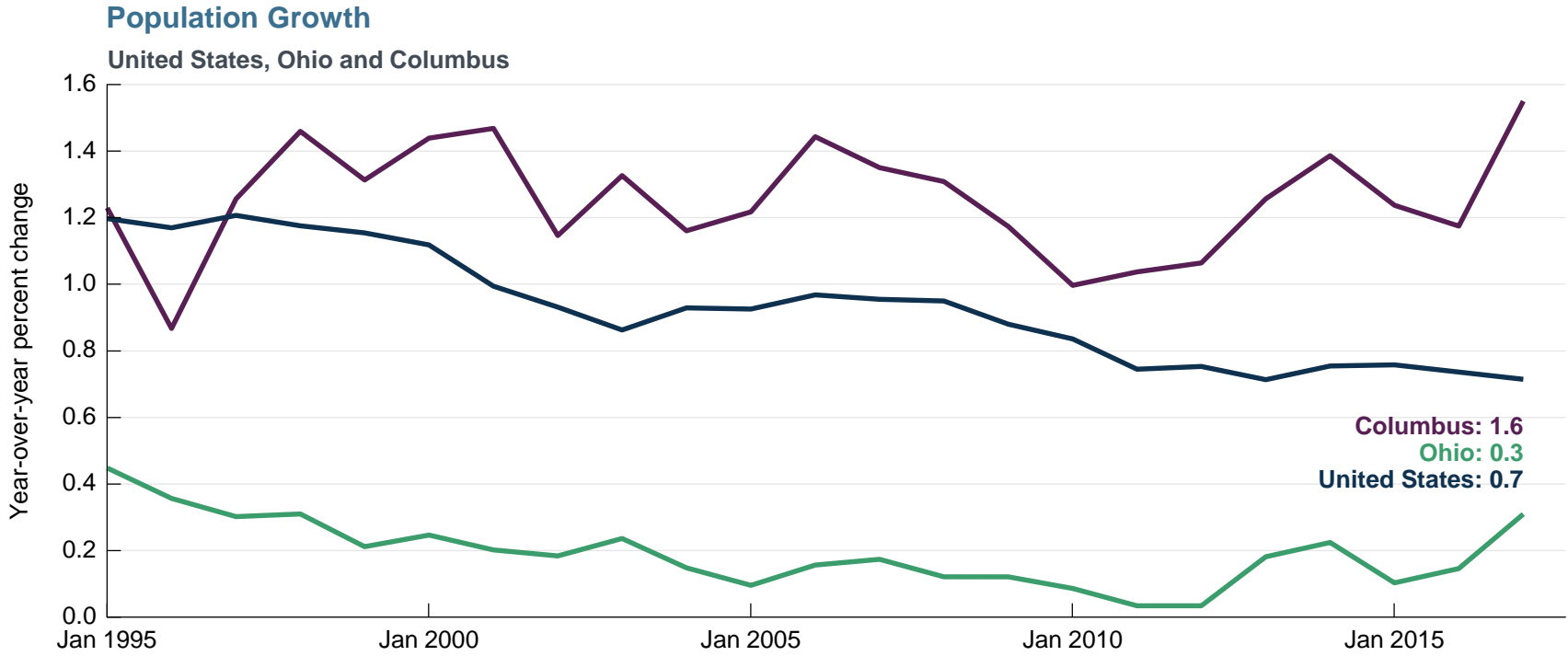
Last data point: Jan 2019 for U. S. Treasuries, Jan 2019 for the Effective Fed Funds Rate, and Jan 2019 for Citigroup.

- Overall, national economy is doing well
 - GDP on track to grow 3 percent in 2018
 - Manufacturing output grew more in 2018 than any year since 2010
 - Employment has grown 100 months in a row
 - Wage growth has picked up speed
 - Inflation is about 2 percent annually
- Data suggests that economic growth will continue for foreseeable future, but will be slower than in 2018
- Long maturity interest rates have declined in recent months



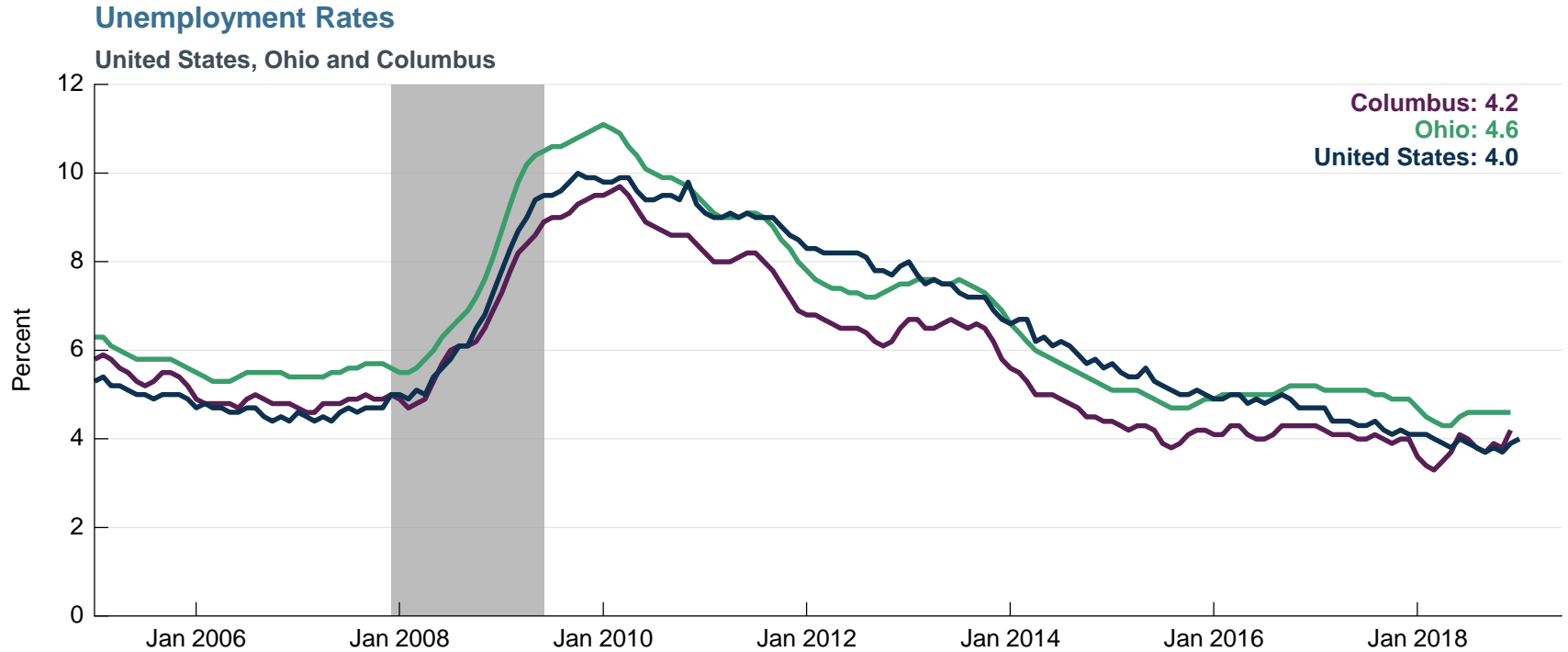
Columbus Metro Area Economic Conditions

Columbus area continues to have strong population growth



Source: Bureau of Economic Analysis via Haver Analytics.
Last Data Point: 2017 for the United States, 2017 for Ohio, 2017 for Columbus.

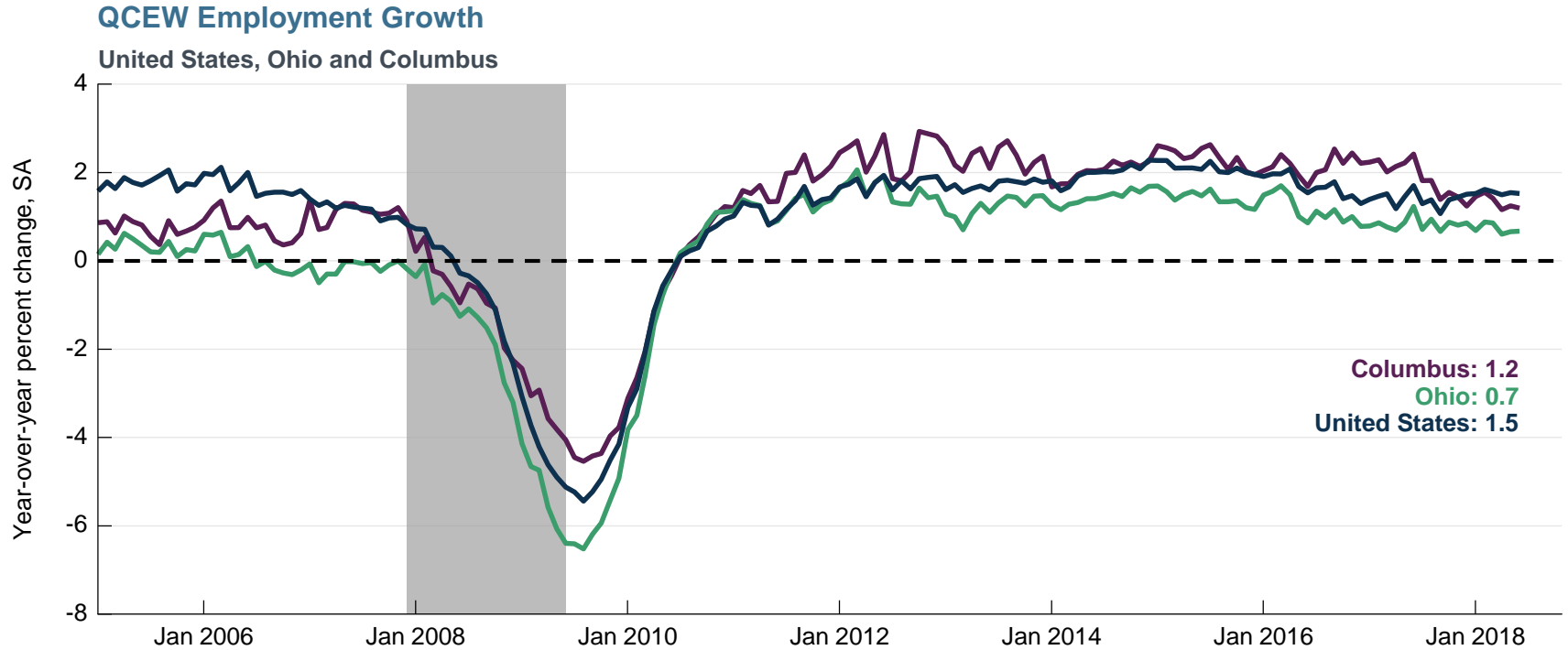
The metro's unemployment rate has been in the range economists consider full employment since 2015



Source: Bureau of Labor Statistics via Haver Analytics.

Last Data Point: Jan 2019 for the United States, Dec 2018 for Ohio, Dec 2018 for Columbus.

With tight labor market, employment growth has slowed here. It remains above Ohio's growth rate.



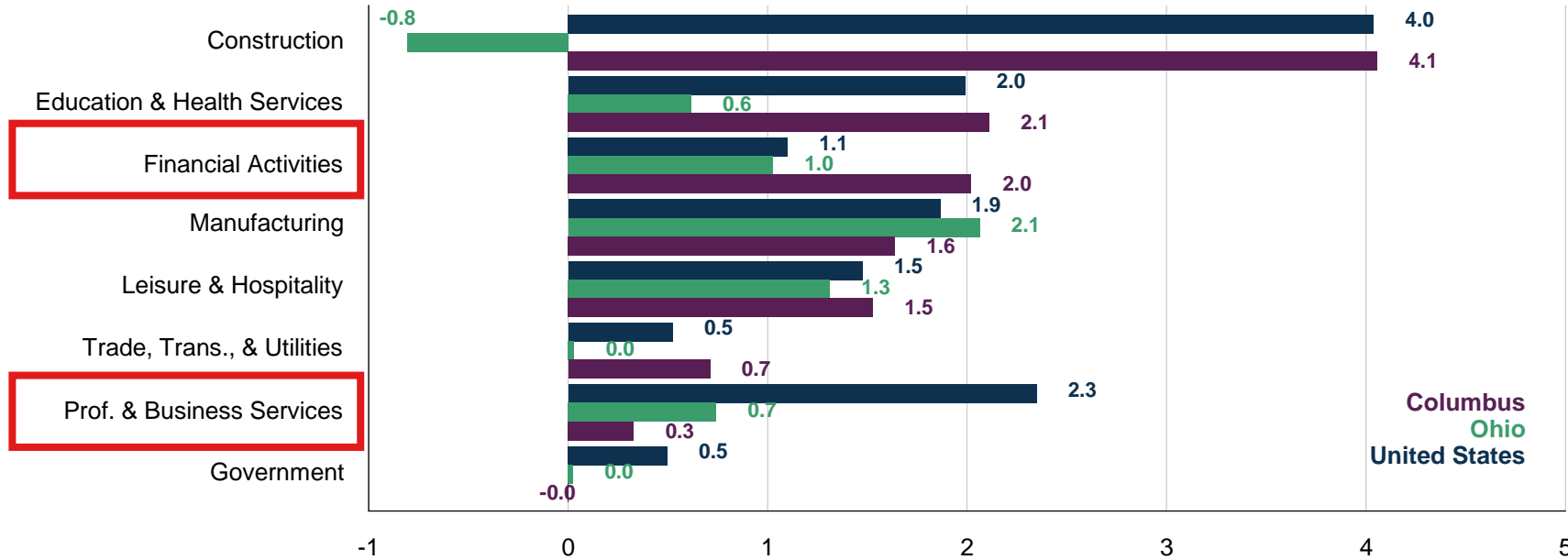
Source: Bureau of Labor Statistics via Haver Analytics

Last Data Point: Jun 2018 for the United States, Jun 2018 for Ohio, Jun 2018 for Columbus.

In metro, most sectors grew on par with their growth nationally between June 2017 and June 2018

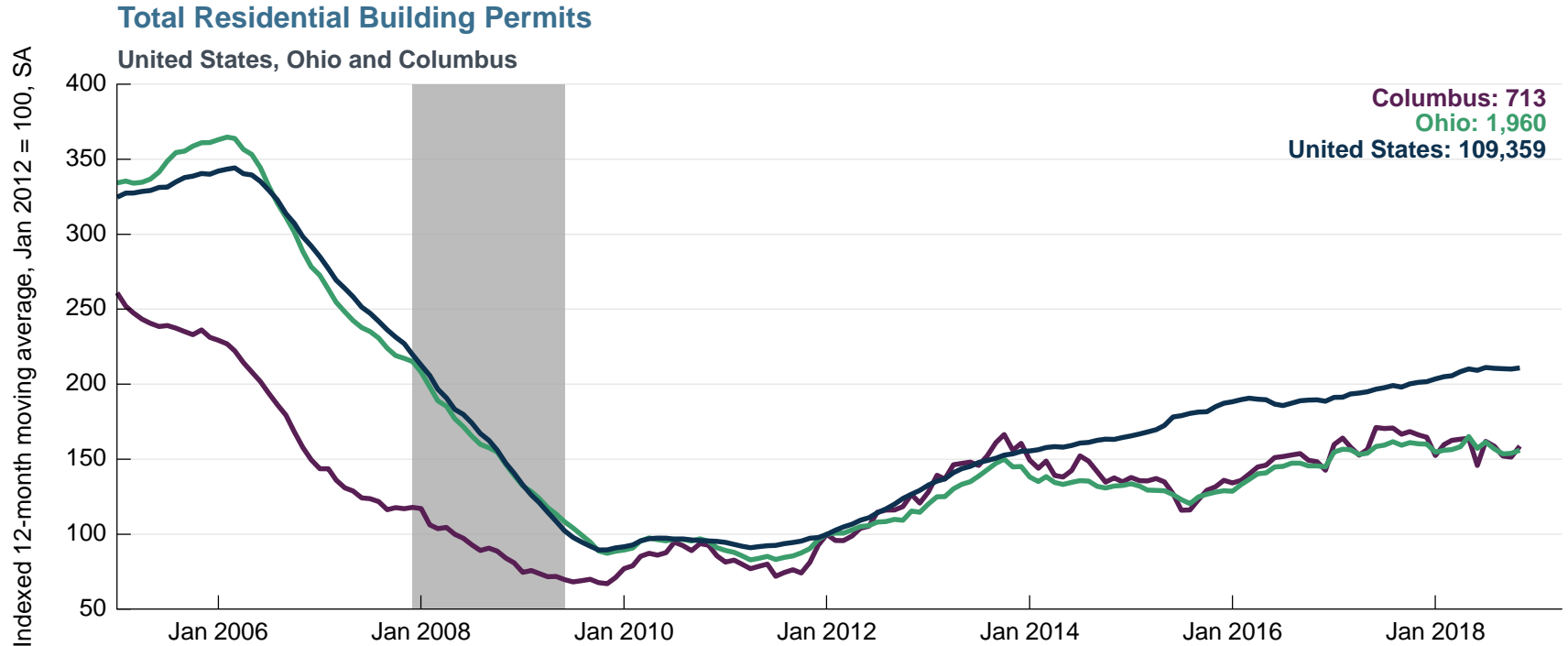
Industry Employment Growth

United States, Ohio and Columbus



Year-over-year percent change
 Total covered employment growth: 1.2% for Columbus, 0.7% for Ohio, 1.5% for United States.
 Source: Bureau of Labor Statistics Quarterly Census of Employment and Wages
 Last data point: Jun 2018.

While construction employment rose notably, building permits softened in metro a bit in 2018



Source: Census Bureau via Haver Analytics.

Last Data Point: Nov 2018 for the United States, Nov 2018 for Ohio, Nov 2018 for Columbus.

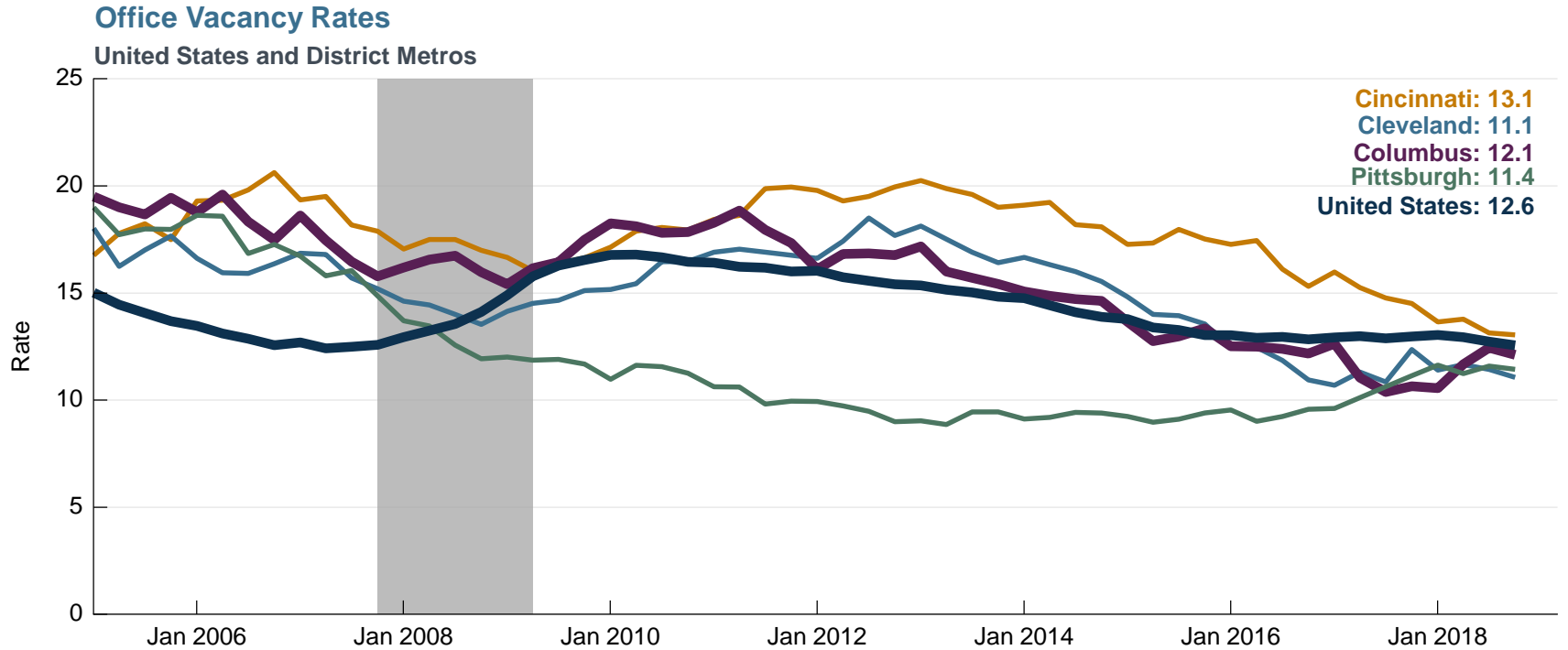
Number of units (12-month MA) shown in legend.

- The Columbus region continues to have a robust economy
 - Output per person continues to grow
 - Unemployment rate remains around 4 percent
 - Employment growth has slowed in face of tight labor market
 - Home prices grew 6.2 percent in the last 12 months
- Moody's projects the following for the Columbus metro in 2019:
 - Output will grow 3.1 percent
 - Employment will grow 1.2 percent



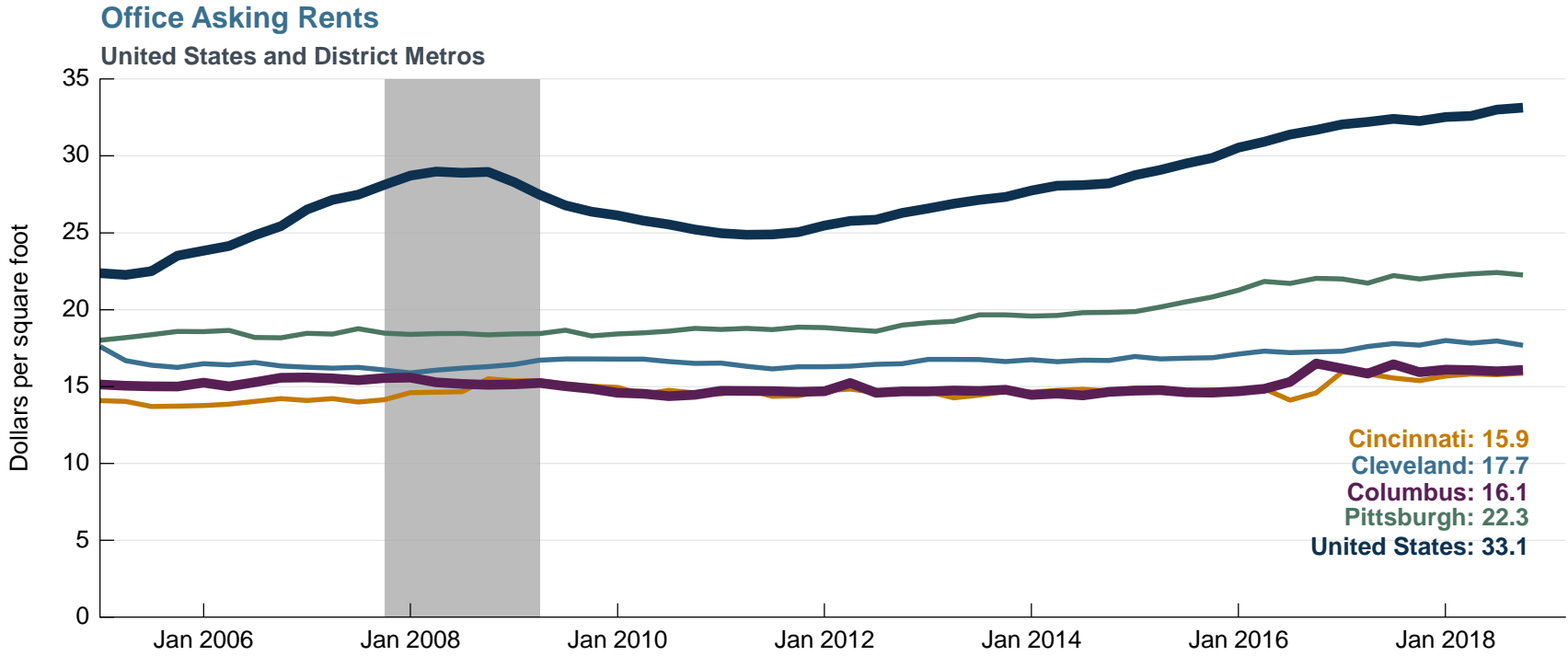
Availability Rates and Rents

While office vacancy rate was stable in nation in 2018, it rose 1.5 percentage points in Columbus region



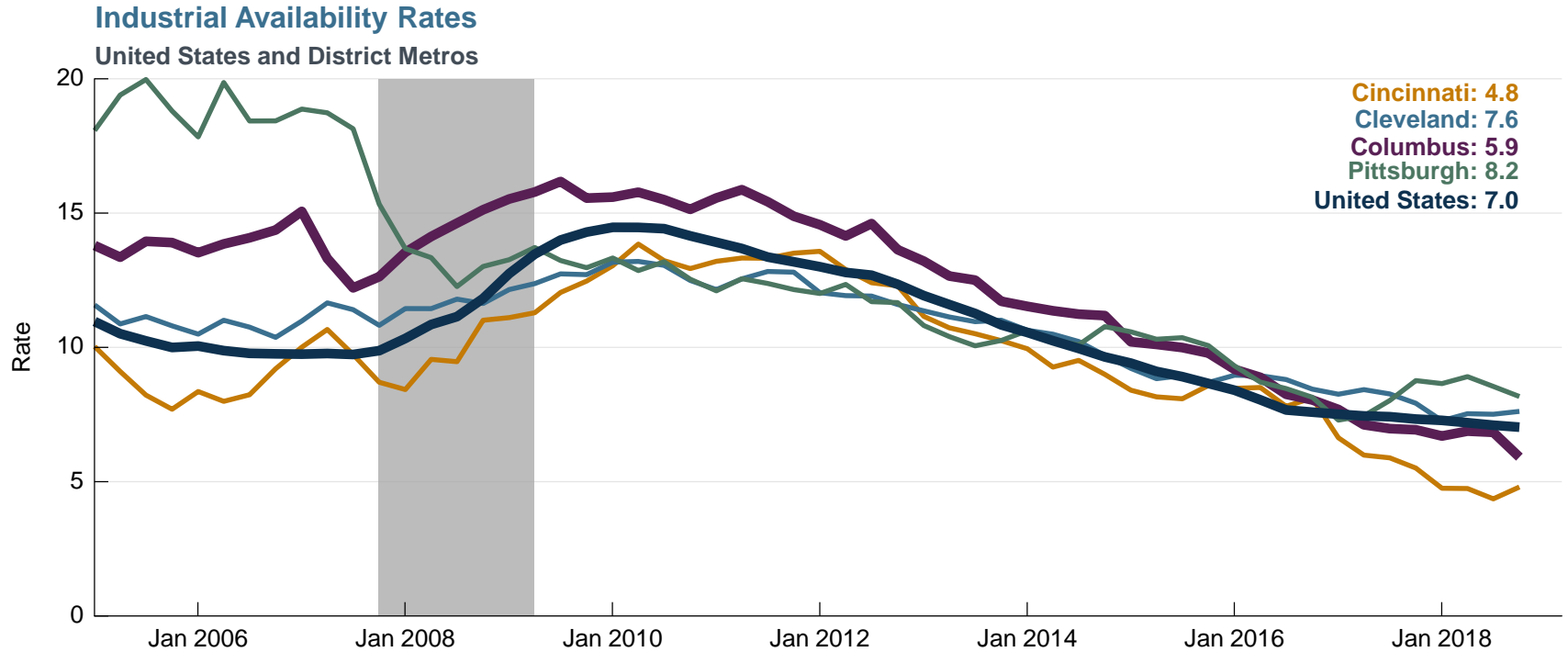
Source: CBRE.
Last Data Point: 2018:Q4 for the United States, 2018:Q4 for District MSAs.

Like other large metros in our District, the Columbus region continues to see little growth in office rents



Source: CBRE
Last Data Point: 2018:Q4 for the United States, 2018:Q4 for District MSAs.

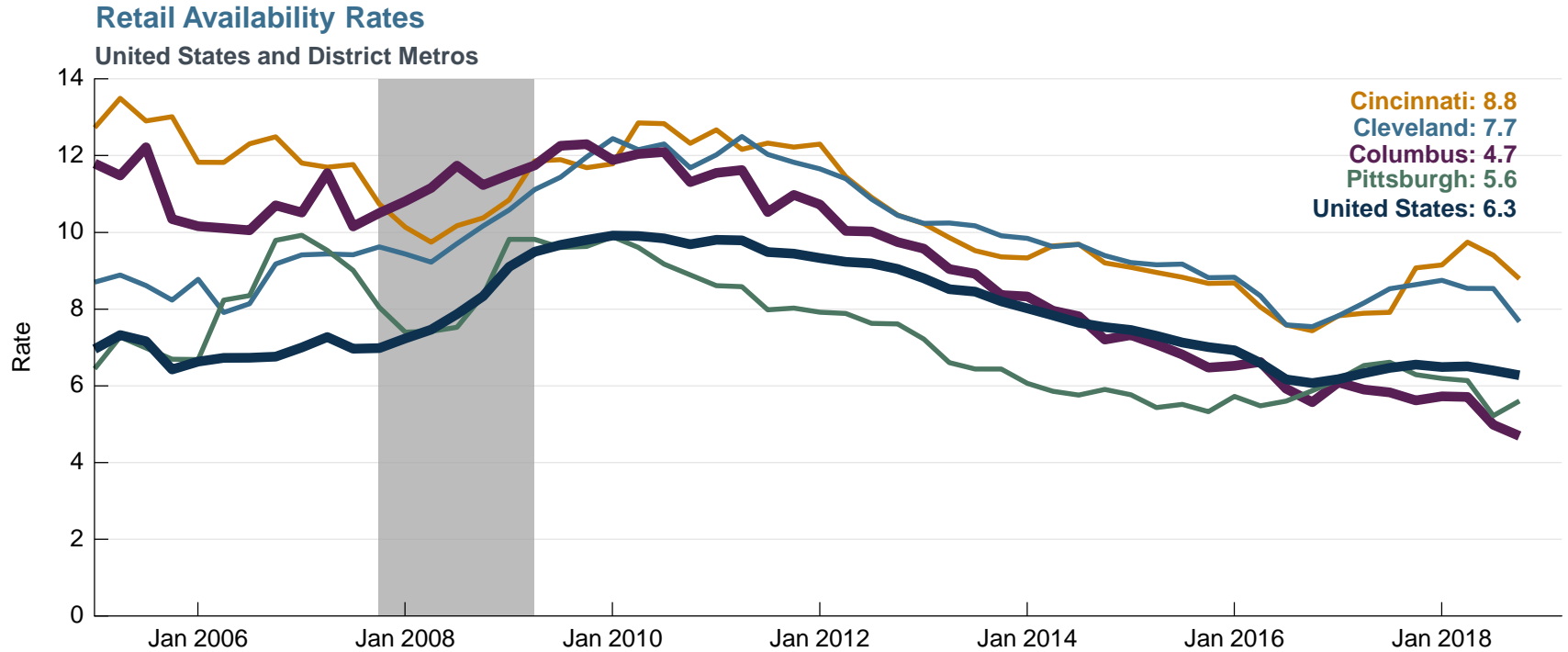
Industrial availability rates continue to trend down and have reached levels last seen in the late 1990s



Source: CBRE.

Last Data Point: 2018:Q4 for the United States, 2018:Q4 for District MSAs.

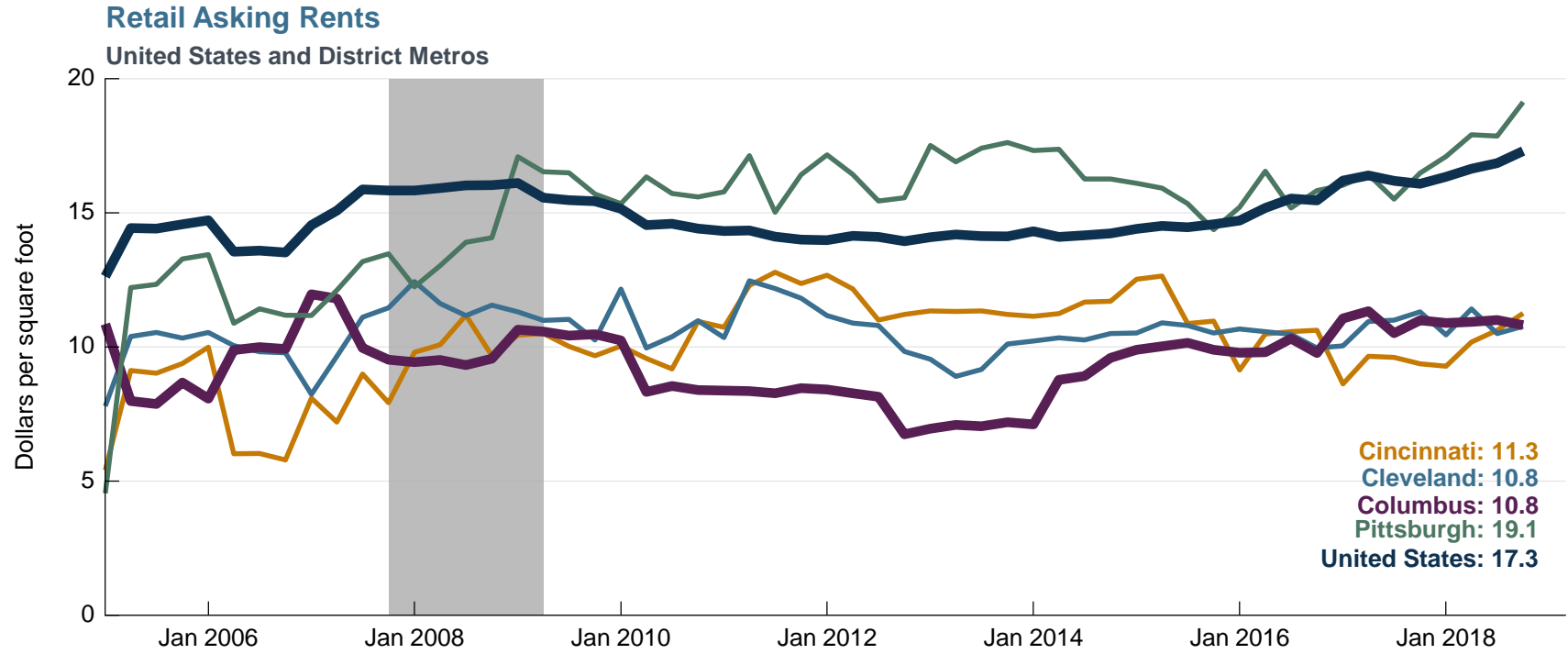
After rising in 2017, national retail availability rate has leveled off. Columbus's rate continues to tick down.



Source: CBRE.

Last Data Point: 2018:Q4 for the United States, 2018:Q4 for District MSAs.

After rising from 2014 through 2016, retail rents have been flat in Columbus region since start of 2017



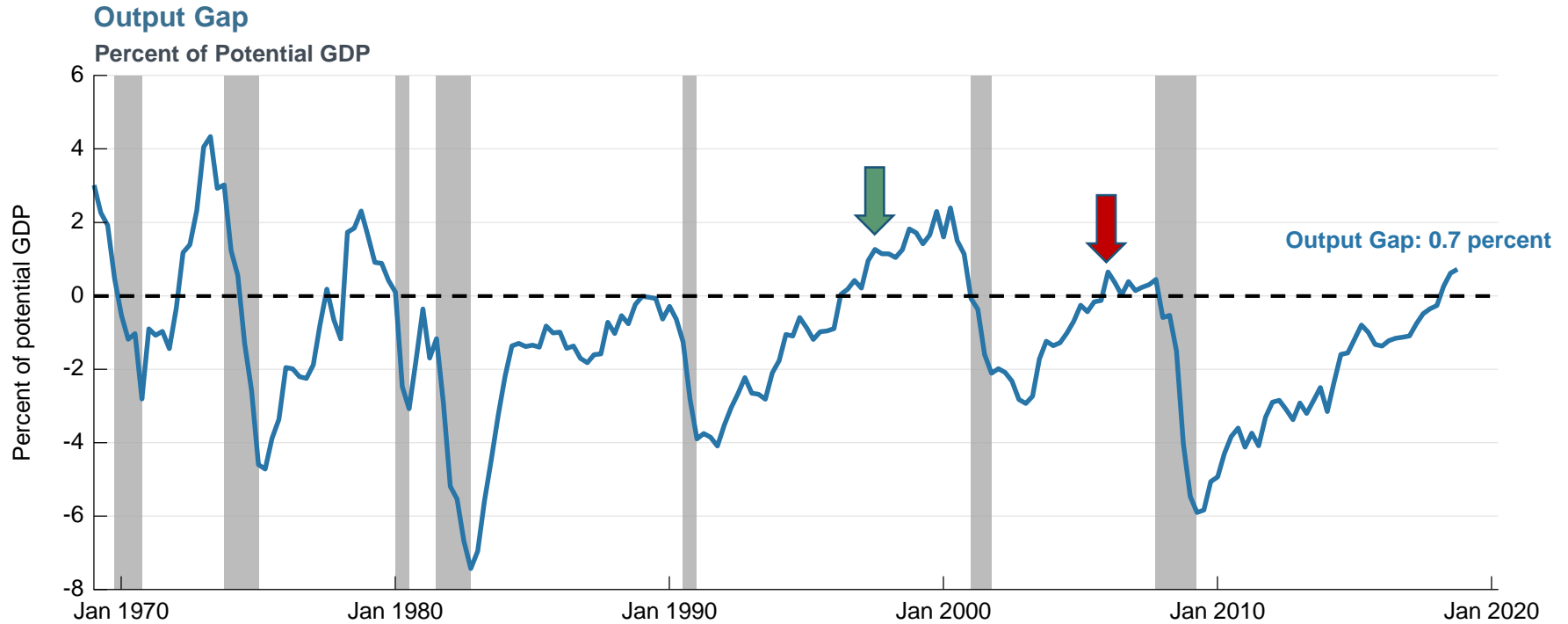
Source: CBRE
Last Data Point: 2018:Q4 for the United States, 2018:Q4 for District MSAs.

- National takeaways
 - Offices: Vacancy rate was flat in 2018 and rents continued to rise on trend
 - Industrial: Availability rate continues to fall and at level last seen in 2000
 - Retail: After rising through 2017, availability rate fell in the 2nd half of 2018
- Columbus takeaways
 - Offices: Rent was flat in 2018 and vacancy rate jumped up in 1st half of 2018
 - Industrial: Availability rate continues to fall and at level last seen in 1995
 - Retail: Availability rate continued steady decline and rents remained stable



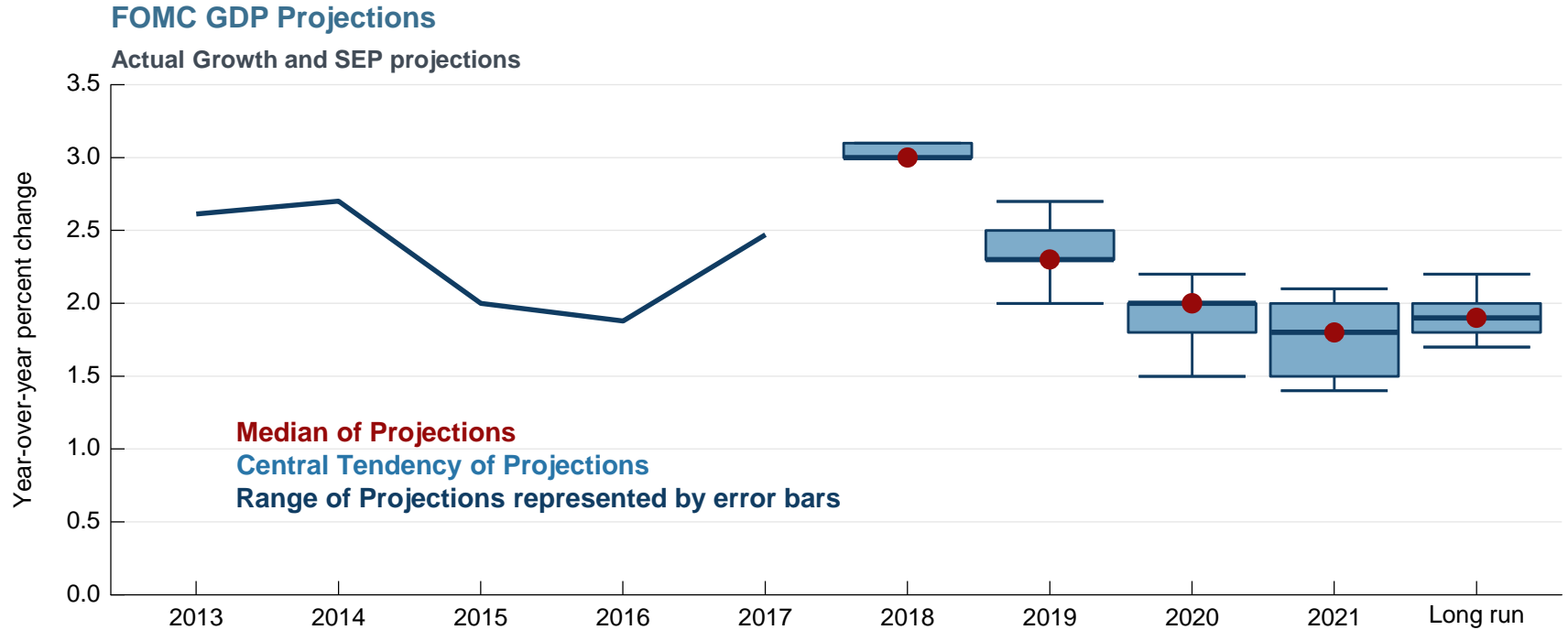
Forecast and Monetary Policy

Output is greater than estimate of “potential output,” so economy is essentially at capacity



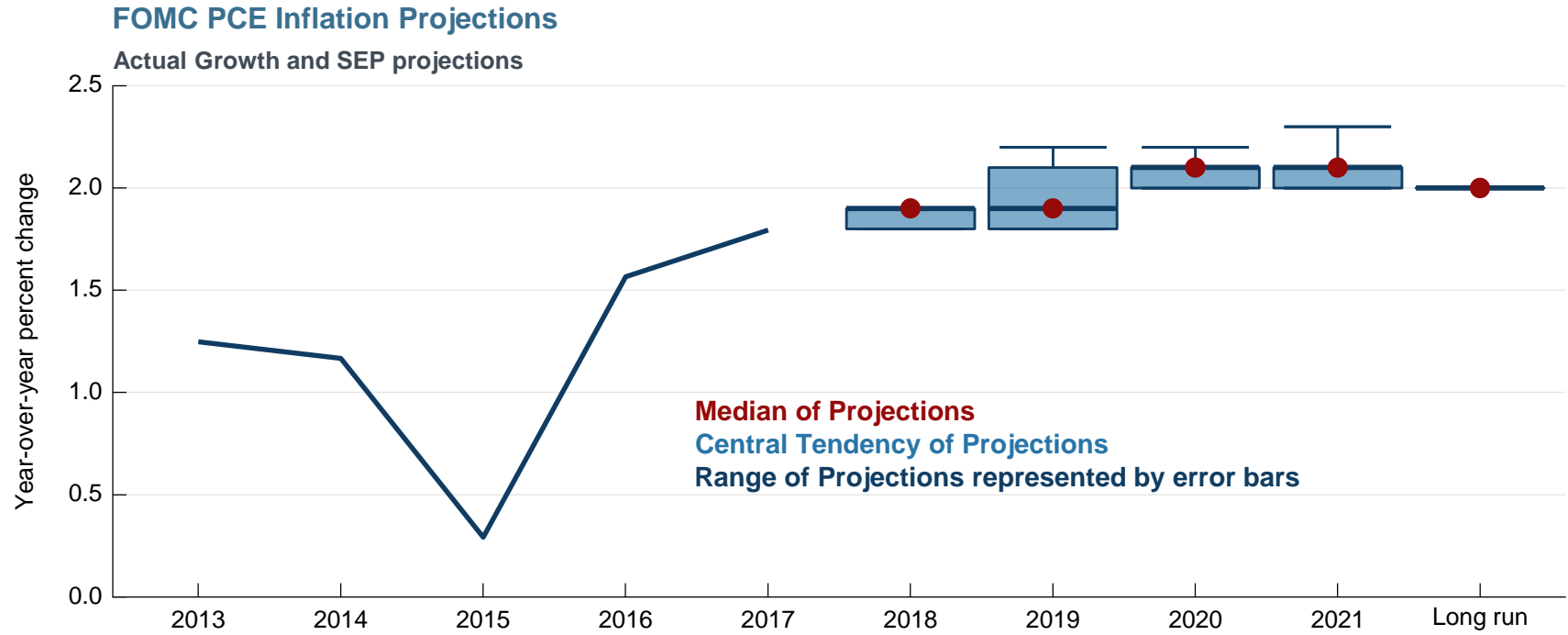
Source: Congressional Budget Office via Haver Analytics
Last data point: 2018:Q3.

Federal Open Market Committee members predict that output will grow 3.0% in 2018 & 2.3% in 2019



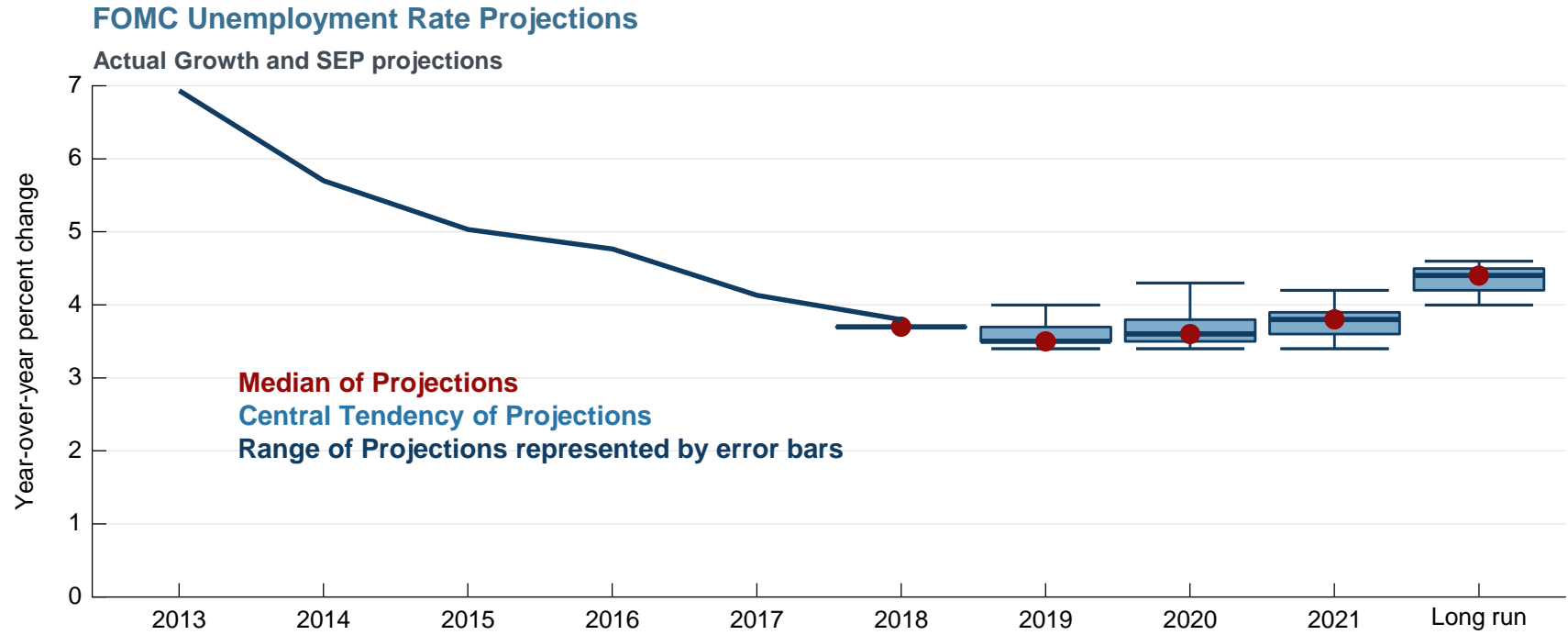
Sources: Bureau of Economic Analysis and Federal Reserve Board via Haver Analytics
Projections from: Dec 2018

FOMC members expect inflation to be about 2 percent for the foreseeable future



Sources: Bureau of Economic Analysis and Federal Reserve Board via Haver Analytics
Projections from: Dec 2018

The unemployment rate is expected to reach 3.5 percent in 2019



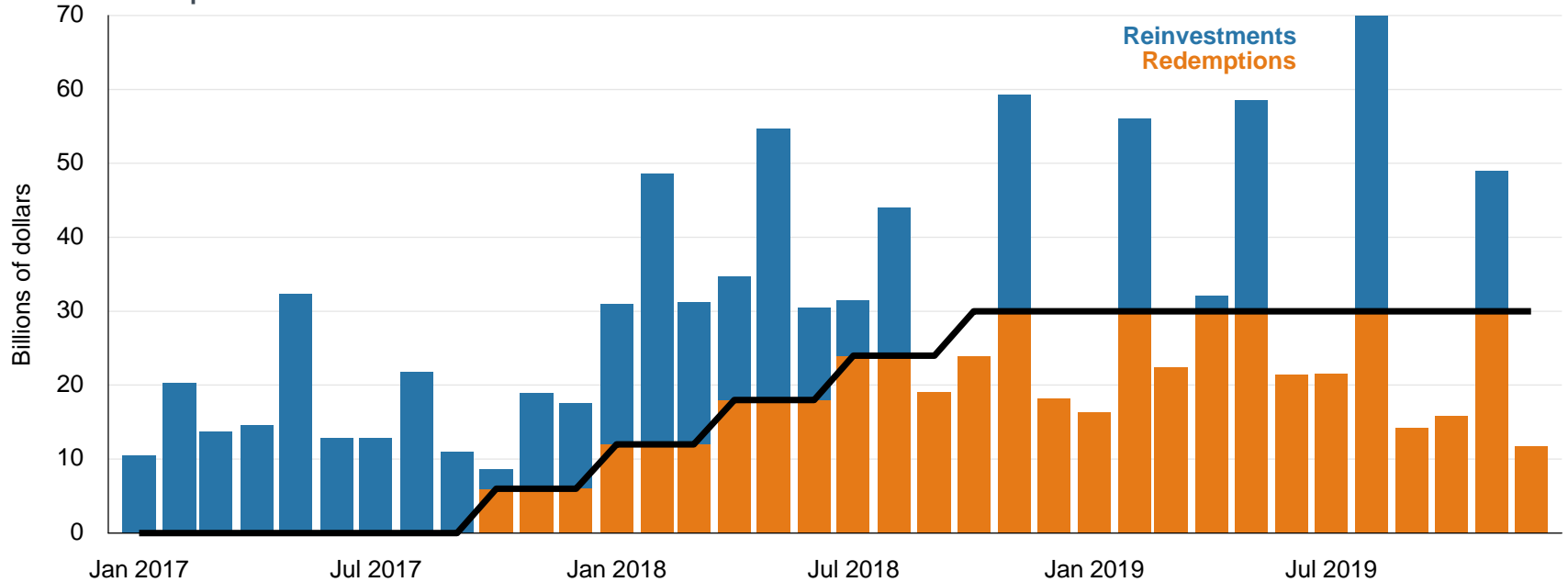
Sources: Bureau of Labor Statistics and Federal Reserve Board via Haver Analytics
Projections from: Dec 2018

- At December FOMC meeting, members' median expectation was that the Federal Funds Rate would be 2.75 to 3.00% by 2019's end
- In public comments and in minutes from January FOMC meeting, Chairman Powell and FOMC members have indicated that their expectations are shifting and, given the balance of risks, they expect fewer increases in Federal Funds Rate than previously expected
- According to Fed Watch, the market expects that:
 - Federal Funds Rate target will end 2019 at same level as it is now
 - The odds of a rate decrease are greater than the odds of a rate increase
- Next Summary of Economic Projections comes out on March 20th

Latest official FOMC statement says FOMC is “prepared to adjust” balance sheet path if conditions warrant it, but that the Federal Funds Rate remains the primary tool for adjusting monetary policy

SOMA Treasury Securities Maturity Profile

Redemptions and Reinvestments



Sources: Federal Reserve Board and Federal Reserve Bank of New York

- Nation's economy had strong growth in 2018
- Wage growth and inflation have been rising
- Mid-term and long maturity interest rates have fallen recently
- The Columbus metro area continues to experience strong growth, though employment growth has slowed in the face of a tight labor market
- Office, industrial, and retail availability trended down in 2018
- Nation's output is forecasted to grow about 2.5 percent in 2019
- Overall, traders expect that the Federal Funds Rate will be unchanged in 2019