

ECONOMIC OUTLOOK

- ◆ The U.S. economy grew at a slower pace in the fourth quarter (Q4) than previously reported. The Commerce Department stated that the third revision for Q4 real gross domestic product (GDP) came in at an annual rate of 2.2%, down from 2.6% in the previous estimate. Personal consumption expenditures and nonresidential fixed investment rose less than expected and public spending declined. For the full year 2018, the economy advanced 2.9%, the most since 2015, and above the 2.2% pace in 2017. The Atlanta Fed's estimate for real GDP growth in Q1 currently stands at 2.1%. We anticipate GDP growth in the range of 2.5% - 3% for the full year 2019.
- ◆ U.S. factories reported stronger demand for their products in the month of March, rebounding from a slowdown in February. The Institute for Supply Management's (ISM) manufacturing index posted a reading of 55.3, up from 54.2 in February and ahead of market expectations. Survey respondents cited continued expanding business strength, supported by gains in new orders and employment. Of the eighteen manufacturing industries, sixteen reported growth in March.
- ◆ The Bureau of Labor Statistics announced that nonfarm payrolls increased by 196,000 in March; the unemployment rate remained flat at 3.8% and average hourly wages increased 3.2% from March of last year, a slight decline from February's pace. The March jobs report alleviated fears of a slowing economy which arose after the soft February numbers. After a combined 14,000 upward revision to job gains for January and February, the economy averaged a solid 180,000 new jobs per month in the first quarter.
- ◆ The Federal Open Market Committee (FOMC) last met on March 19-20 and members voted unanimously to maintain the target range for the benchmark federal funds rate at 2.25% to 2.5%. Chairman Jerome Powell suggested the central bank was likely to leave it there for many months. The Fed also announced that in May it would slow the pace at which it is shrinking its \$4 trillion asset portfolio and end the runoff of its Treasury holdings at the end of September, exactly two years after it began the process. Powell revealed he was discouraged that inflation had not risen in a more sustainable fashion. "It's one of the major challenges of our time, to have downward pressure on inflation." The Committee will meet next on April 30-May 1.