

## *ECONOMIC OUTLOOK*

- ◆ Outside the United States, there has been an economic slowdown this year that economists had not predicted in their forecasts for 2018. This slowdown in business activity in the Eurozone, for example, could have many explanations. Labor strikes in Germany and France, the threat of more restrictive trade policy and the strengthening U.S. dollar exposing weaknesses in developing economies are all weighing on the global growth picture.
- ◆ The Conference Board Leading Economic Index® (LEI) for the U.S. increased 0.4% in April to 109.4 (2016 = 100), following a 0.4% increase in March. Leading indicators are economic series that tend to change direction ahead of shifts in the business cycle and is a reliable indication of economic activity for the next six months.
- ◆ The U.S. economy expanded slower in the first quarter than previously reported. Real GDP grew at a 2.2% annualized rate, down from the preliminary estimate of 2.3%, as private inventory investment, residential fixed investment and exports were weaker than the initial estimate. This follows real GDP growth of 2.6% in the fourth quarter of 2017. The economic expansion that began in July 2009 is already the third longest growth period in the country's history. However, during this expansion GDP growth has only averaged 2.2% a year, weaker than any expansion since 1949. The leading indicator of jobless claims continues to be near historic lows and job openings are at an all-time record high.
- ◆ Higher treasury yields are affecting the economy in general as higher mortgage rates push up borrowing costs for homebuyers. The average rate for a 30 year fixed rate mortgage rose to 4.66% in May, the highest rate since 2011 and up from 3.99% at year-end 2017. Existing home sales fell 2.5% in April, as reported by the National Association of Realtors, a reversal after a strong first quarter of 2018. Higher rates could also curb the appeal of big-ticket items related to a home purchase that may require financing.
- ◆ The U.S. economic picture remains strong as evidenced by the expanding job market. The Labor Department reported that the unemployment rate in May fell to 3.8%, an 18 year low. Employers added 223,000 jobs last month, exceeding the monthly average of 191,000 over the last 12 months. At 92 months, this represents the longest continuous job expansion on record. With increased competition for workers, employers are raising wages, which have climbed 2.7% in the last year and accelerated 0.3% in May.

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