EMPLOYMENT SITUATION REPORT/4Q2016 GDP 3RD ESTIMATE/RECENT GDPNow RELEASE

Hello everyone and thank you for joining us once again for our weekly briefing. I am Jamie Sumner, Chief Analyst here at Seifried & Brew. For this week's briefing we want to look at two releases that came out over the past couple of weeks.

The first one we are going to look is that ***employment situation report***. As you can see here [on Slide 2], (and you probably know this from Friday), this came out at a pretty disappointing number, at just 98,000 new jobs. And that number was well below what was anticipated at the 175,000 mark. So we are pretty far below that, significantly below where we have been over the past two months when we were above that 200,000 mark. With that being said, we also saw [Slide 3] that the ***unemployment rate*** though improved from that 4.7% back in February to 4.5% in March. So, we saw 2/10th's of a percent decline in there. More notably, we saw 3/10th's of a percent decline in the U6 (the all-encompassing unemployment rate) going down from 9.2% to 8.9%. So the spread between the U3 and the U6 is continuing to narrow which is what we like to see, thereby pointing to a healthier employment situation.

However, what that means is that those jobs that are out there, there are more individuals looking to obtain those and therefore we could start to see this wage inflation start to take hold [Slide 4]. If we were to look all the way back to 2007 at the average hourly earnings [Slide 4], we can see, this is the year over year change, that prior to 2008 we were up here on average above that 3%. And then down with the recession we are coming in, we are averaging down below 2% during 2010 through about 2014. And then we started to pick back up here. And for this month's year-over-year number we are at about a 2.7% growth over last year. Down a little bit from where we were in February at a 2.8%, but on a six-month trailing average we are continuing to see this upward momentum. *So that raises the question will we start to see this push into that inflation number?*

(Slide 5) Another release we want to look at is the final, or ***the third estimate of 4th quarter GDP.*** So, when this came out you can see we were at a 2.1% up from that 1.9% GDP in the 4th quarter. So, we saw an improvement, and that improvement came in the way mostly withinside of the Consumer segment, we were at 2.4 percentage point contribution to the overall GDP number. So a little bit of reduction within side the Government, coming down to a 0.03, and the net export imports at -1.82. Overall that's positive that we start to see that consumer spending segment start to increase in here.

Now that was the fourth quarter. Looking forward to the ***first quarter GDP 2017*** which is coming out with the advanced estimate on April 28th. We can look at the Federal Reserve Bank/FRB of Atlanta with their ***GDPNow*** [Slide 6], and their GDPNow forecast is this gray line. You can see it's pretty volatile as it comes out, but right now we are looking at this first quarter GDP at 0.6%. So we are below that 1% mark as forecasted by that GDPNow. So that would be significantly lower than we anticipate. With inside the Blue Chip you can see this range of about a 1.25% to up to 2.25%. So the GDPNow forecasting is well below what we are anticipating at this point, but that is a 0.6%. So that is the question here, *where are you going to see this first quarter GDP come out?* We've got a couple of more weeks for that.

And that is what we have for you today. We look forward to seeing you next week here at Seifried & Brew.
Have a good week everyone.

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