



# Monthly Economic Dashboard

**Another soft patch for the economy in the third quarter from trade and inventories, but a pickup in growth is still expected for 2016.**

- Job growth was slow again last month, but this data may eventually be restated higher. Retail sales measures also softened over the past two months even as spending on big ticket items (housing/autos) remained strong.
- After a couple of months of heightened volatility, financial markets were more stable in October — with significant gains in broad equity indices. Global central bank accommodation, with the promise of easier policy from some and postponed tightening from others, helped to push asset prices higher.
- Economic growth should accelerate modestly in 2016 in response to more stable inventories and continued strength in housing and autos. Core inflation is expected to edge upward as labor and product markets tighten.
- Tightening by the Federal Reserve is unlikely to occur until at least December — with only modest additional moves in the near term. Long-term rates should rise even more slowly than the Fed's benchmark, allowing the yield curve to flatten.

*Find more perspectives inside.*

October 2015

# A clearer view of the economy

The Nationwide Retirement Institute breaks down and simplifies complex topics to help advisors have meaningful and productive conversations with their clients. When it comes to the economic picture, the Retirement Institute calls on the experience, perspective and statistical analysis of the Nationwide Economics team. This assures advisors of a relevant economic perspective that's both easy to use and understand.



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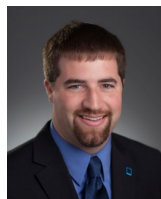
David holds a doctorate in Economics and a master's degree in Public Policy from the University of Michigan. Prior to Nationwide, David served as Chief Economist & Strategist and Head of Risk Analytics for The PMI Group, Inc., and Vice President and Chief Economist for Fannie Mae. David has also served as Chief Financial Economist at Wharton Econometrics and visiting scholar at the Federal Reserve Bank of Kansas City. His government experience has included roles with the President's Council of Economic Advisors, U.S. Treasury Department and the Office of Special Trade Representative. He is a past President of the National Association for Business Economics.



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Bryan is a frequent author and knowledgeable source on economic topics, and has been featured in The Wall Street Journal and New York Times. Bryan holds degrees in Economics and Political Science from Miami University and has earned the Chartered Financial Analyst designation. He currently serves as Chairman of the Ohio Council on Economic Education and is a member of the Ohio Governor's Council of Economic Advisors, the National Association for Business Economics, and the Bloomberg monthly economic forecasting panel.



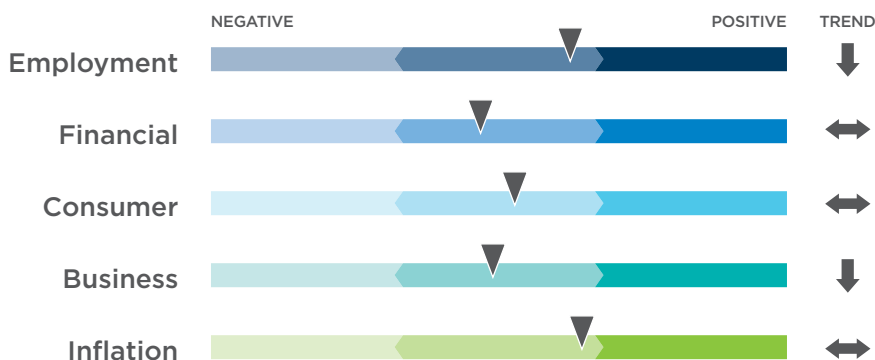
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Ben authors periodic economic analyses from the Nationwide Economics team, as well as commentary on key economic topics. Ben is also responsible for understanding and analyzing the enterprise business drivers to assist the strategic planning process. He holds a Master of Science in Economics from the Ohio State University, specializing in applied economic analysis, and a BSBA from the Fisher College of Business at the Ohio State University, with a focus on economics and international business.



### Current overall economic scorecard



Weaker readings from high-profile indicators at the end of the third quarter, notably a downshift in job gains and sub-2.0 percent real GDP growth, have masked positive signs in underlying economic performance. The slowdown in employment, in particular, appears to be temporary if not revised away entirely. Consumer activity continues to improve on the back of strong job growth in recent years, helping to drive further expansion in housing and services. Financial markets have been unfazed by the softer data of late, rebounding sharply in October in response to easy central bank policies. Reduced market expectations of a tightening move by the Fed this year have caused interest rates to track lower.

### Employment

Job gains were sluggish again last month, but the initial reading for September has been revised higher in each of the last six years. The unemployment rate was unchanged and is closing in on most estimates of full employment (around 5.0 percent).

	Current	Previous	Year ago
Employment growth — Sept	142,000	136,000	250,000
Unemployment rate — Sept	5.1%	5.1%	5.9%

### Financial

Equity markets were up solidly in October, rising by the most in four years, while market volatility decreased to more normal levels. Interest rates edged down as weaker employment data reduced market expectations of a near-term Fed rate hike.

	Current	Previous	Year ago
Yield curve — Oct	1.80 pp	1.82 pp	2.21 pp
BAA credit spread — Oct	3.28 pp	3.15 pp	2.37 pp
CBOE market volatility — Oct	18.68	24.31	17.90
S&P 500 stock index — Oct	1,992	1,954	1,940

### Consumer

Retail sales were surprisingly sluggish in September, as falling gas prices and declines in several core categories offset another solid rise in autos. Home sales extended gains in September amid positive demographics and still low mortgage rates.

	Current	Previous	Year ago
Retail sales growth — Sept	0.1%	0.0%	-0.2%
Total home sales — Sept	6.02 M	5.83 M	5.56 M
Consumer sentiment — Oct	92.1	87.2	86.9

### Business

ISM surveys pulled back slightly in September with the manufacturing index nearing the expansion/contraction threshold. Small business optimism edged up in September, but is little changed over the past year.

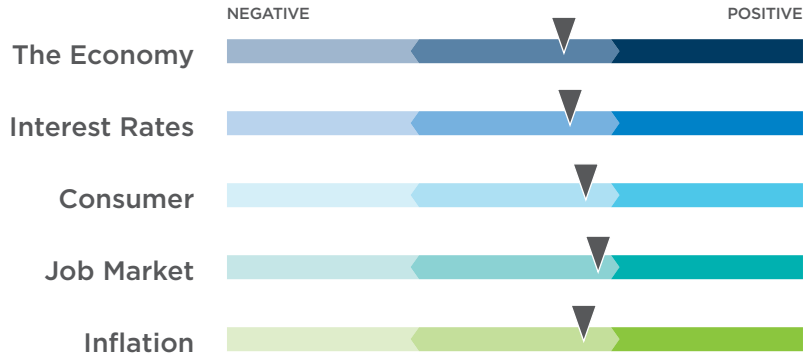
	Current	Previous	Year ago
ISM Manufacturing — Sept	50.2	51.1	56.1
ISM Non-manufacturing — Sept	56.9	59.0	58.1
NFIB small business optimism — Sept	96.1	95.9	95.3

### Inflation

The CPI dipped again in September on lower oil prices, with the 12-month rate slipping below zero. Core inflation accelerated a bit, rising at its fastest pace in five months.

	Current	Previous	Year ago
Consumer Price Index (CPI) — Sept	-0.2%	-0.1%	0.1%
Core CPI — Sept	0.2%	0.1%	0.1%

### Future overall economic scorecard



Real GDP growth slowed to less than 2.0 percent in the third quarter as a result of inventory rebalancing and weaker trade. Core economic growth remains solid, however, suggesting that overall activity will stabilize once the inventory decumulation is over. Additionally, improved demographics should lead to stronger housing, auto, and core retail spending, resulting in a modest acceleration in the pace of expansion over the next year. Core inflationary pressures are expected to build slowly as labor/product markets tighten, leading to modest monetary policy tightening in the months ahead. Near-term risks from slower growth abroad remain.

### The Economy

We continue to project a modest acceleration in real GDP growth to around 3.0 percent in 2016, helped by an end to the mini inventory cycle. Additionally, demographic and labor market trends remain positive for consumer spending.

	2014	2015 E	2016 F	2017 F
Real GDP growth	2.4%	2.6%	3.0%	2.8%

### Interest Rates

The Federal Reserve is likely to proceed cautiously into its next monetary tightening cycle, with benchmark rates moving up only gradually — perhaps starting in December. The yield curve should flatten as short-term rates move higher.

	2014	2015 E	2016 F	2017 F
Federal funds rate	0.06%	0.25%	1.50%	3.25%
10-year treasury note	2.17%	2.50%	3.05%	3.45%

### Consumer

Healthy job gains, low interest rates, and rising household formations point to a solid pace of consumer spending in the quarters ahead — especially on big ticket items such as autos and homes. Tighter job markets should lead to faster income growth, which will further help to boost spending.

	2014	2015 E	2016 F	2017 F
Total home sales	5.37 M	5.85 M	6.10 M	6.05 M
Light vehicle sales	16.5 M	17.4 M	17.6 M	17.3 M

### Job Market

We expect nonfarm payroll employment gains to move back over the 200,000 level soon, with the possibility of upward revisions to the slower recent gains. Unemployment should continue to move downward in response to the solid job growth — dropping below full employment levels by early next year.

	2014	2015 E	2016 F	2017 F
Average job growth	260,000	210,000	200,000	180,000
Unemployment rate	6.1%	5.3%	4.8%	4.7%

### Inflation

Overall inflation will continue to be whipsawed by the swings in energy prices. Core inflation, however, should build slowly as the output gap diminishes.

	2014	2015 E	2016 F	2017 F
Consumer Price Index (CPI)	1.2%	0.8%	2.2%	2.4%
Core CPI	1.7%	1.9%	2.2%	2.3%

# Glossary



**CBOE** — Chicago Board Options Exchange

**BAA Credit Spread** — Spread between 10-year Treasury note and BAA-rated corporate bond rates

**E** — Estimate; **F** — Forecast

**ECB** — European Central Bank

**EU** — European Union

**FOMC** — Federal Open Market Committee

**GDP** — Gross Domestic Product

**ISM** — Institute for Supply Management

**Market Volatility Index (VIX)** — Measure of implied volatility in the S&P 500 stock index

**NFIB** — National Federation of Independent Business

**pp** — Percentage points

**QE** — Quantitative Easing (the Federal Reserve's special purchase program of longer-term Treasury notes and mortgage-backed securities)

**Trend arrows** — Predominant directional movement over the past 3-6 months

**Yield Curve** — Spread between the 1-year and 10-year Treasury note rates



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