



Subscribe and get 12 ISSUES FOR \$12!



Subscribe Give a Gift Renew Questions

print order a reprint

See All Tools

TOOL | September 2016

## Kiplinger's Economic Outlooks

<b>GDP</b>	1.4% growth for the year; a 2% pace in '17 <a href="#">More »</a>
<b>Jobs</b>	Hiring at 150K-200K/month through '16 <a href="#">More »</a>
<b>Interest rates</b>	10-year T-notes at 1.4% by end '16 <a href="#">More »</a>
<b>Inflation</b>	1.5% for '16, 2.5% in '17 <a href="#">More »</a>
<b>Business spending</b>	Flat in '16, slight gain in '17 <a href="#">More »</a>
<b>Energy</b>	Crude oil trading from \$40 to \$45 per barrel in Dec. <a href="#">More »</a>
<b>Housing</b>	Prices up 5% in '16, 6% in '17 nationally <a href="#">More »</a>
<b>Retail sales</b>	4% growth in '16, compared with 4.8% in '15 (excluding gas) <a href="#">More »</a>
<b>Trade deficit</b>	Widening 4% in '16, after a 6.2% increase in '15 <a href="#">More »</a>

### Gross Domestic Product

Gross domestic product is the broadest indicator of the economy, measuring the value of final goods and services produced in the U.S. in a given time period. It is perhaps the most closely watched indicator as well, serving as a guidepost for Federal Reserve interest rate policy and fir budgeting both government and private industry.

At Kiplinger, we examine what trends are driving GDP up (or down) and forecast its future direction quarter by quarter. [Read our current forecast »](#)

### Employment

If gross domestic product is the broadest indicator of the economy, employment is the one most personally felt. These are people's jobs we're talking about.

Two distinct metrics make up the employment forecast. The more important one is the "payroll report," a summation by the Department of Labor of how many jobs the economy has created (or lost) each month. This data is broken out by sector, such as manufacturing, mining and health care. Note that simply to keep up with population growth, the economy needs to add more than 100,000 jobs every month; otherwise the unemployment rate will rise.

That rate is the other closely watched figure. It's a simple division of the number of people who have looked for work in the prior four weeks but who do not have a job by how many people are currently in the labor force. That simplicity belies some underlying concerns about the

Advertisement



### Kiplinger's Most Read Kiplinger's Most Shared

- 8 Things Kohl's Shoppers Need to Know - Slide Show
- Ways to Save Money on Groceries Without Coupons - Slide Show
- 10 Retirement Decisions You Will Regret Forever - Slide Show
- States With the Fastest Job Growth in 2016 - Slide Show
- Worst Jobs for the Future 2016 - Slide Show
- Best Jobs Without a College Degree 2016 - Slide Show

[See More »](#)

Advertisement

**Kiplinger Today**

Profit from the best of Kiplinger.com delivered straight to your e-mail every weekday

unemployment rate. One key one: Potential workers who aren't actively looking for work aren't included in the calculation. [Read our current forecast »](#)

**SUBSCRIBE: Prosper from the Valuable Economic Forecasts in Every Issue of The Kiplinger Letter**

## Interest Rates

Interest rates are of tremendous interest to borrowers (for whom they are a cost) and lenders (a category that includes individuals trying to get some return on their bank savings). Almost everyone is in one or both categories.

The level of short-term rates, such as those used by banks when loaning each other money overnight, is set by the Federal Reserve through its Open Market Committee, usually at regularly scheduled meetings.

Market interest rates, including those in money markets and offered on consumer products such as certificates of deposit, follow the Fed's lead but are also subject to other influences — for example, risk, transaction costs and expectations of inflation. Generally, the longer the period of the loan, such as with 10-year Treasury Bonds or mortgages, the more important market factors become compared with the Federal Reserve's actions. We forecast both what we expect the Federal Reserve to do in the near term and to what extent that will affect the direction of long-term interest rates. [Read our current forecast »](#)

## Inflation Rate

Inflation is the generally rising price of goods and services, or why things cost more. It's measured by the Department of Labor using a sample, dubbed a "market basket," of what people in urban areas in the U.S. actually buy each month. Then each month, data collectors check on the prices of those items. From that research we get the Consumer Price Index (CPI).

A component of that index, the core inflation rate, which excludes the more volatile prices of food and energy, is also closely watched. At Kiplinger, we forecast changes in both.

Economists generally believe that moderate inflation of about 2% is best for an economy. Prices that are rising too quickly cause consumers heartburn, of course, but prices that are flat or falling are a problem, too. This condition, known as deflation, makes debts more expensive to pay back and can lead to declining business investment. [Read our current forecast »](#)

## Business Equipment Spending

How much businesses are laying out in investment is critical to other businesses in guiding their own spending. In making our forecasts for the direction of business spending in the quarters and years ahead, we follow two indexes from the Census Bureau: Durable Goods Shipments and Orders and Business Inventories reports. [Read our current forecast »](#)

**SUBSCRIBE: Prosper from the Valuable Economic Forecasts in Every Issue of The Kiplinger Letter**

## Energy

Like it or not, petroleum and natural gas remain incredibly important to the U.S. economy. Knowing where oil prices are headed is critical to businesses of all stripes, from airlines to plumbing companies. Consumers planning their family budgets and vacations care, too. Not only do we monitor Department of Energy reports, but we also talk to commodities traders and petroleum engineers to forecast price trends, changes in production technologies and consumer habits. [Read our current forecast »](#)

## Housing

In addition to being the roof over our heads, housing is an important sector in the economy. Three statistics form the core of our coverage: sales of existing homes (and the prices those sales fetch); sales of new homes; and housing starts, which reflect new construction that is counted in GDP.

Because housing is a diversified and highly regional industry, our reporting and forecasting are informed by other research as well as conversations with industry experts as well. [Read our current forecast »](#)

## Retail

Consumers are the engine of our economy, and when their spending flags, business feels it. We examine trends that are influencing their habits, such as falling gas prices, to forecast what they'll be buying in the future and how much they'll be willing to shell out both on everyday items and on big-ticket purchases such as cars and trucks. [Read our current forecast »](#)

## Trade

All nations of consequence trade with others. Those that buy more from other countries than they sell in turn have a trade deficit, and that's been the story for the United States since the mid-1970s.

How big that deficit will be, and whether the changes will result from more (or fewer) imports or more (or fewer) exports, is the crux of our forecasting. We look at specific sectors (such as agriculture) where the United States is doing well selling abroad, as well as what items (such as smartphones) we buy from overseas. We also discuss the strength of the dollar versus foreign currencies and how that affects trade trends. [Read our current forecast »](#)

**SUBSCRIBE: Prosper from the Valuable Economic Forecasts in Every Issue of The Kiplinger Letter**

### 3 Companies Poised to Explode When Cable Dies



You know cable's going away. But do you know how to profit? There's \$2.2 trillion out there to be had. Currently, cable grabs a big piece of it. That won't last. And when cable falters, three companies are poised to benefit.

Enter your email address below for their names and to receive **Kiplinger Today**.  
Hint: They're not Netflix, Google, and Apple.

SUBMIT

[Privacy/Legal Information](#)

## 2016 Stock Market Crash



[thesovereigninvestor.com](http://thesovereigninvestor.com)

80% Stock Market Crash to Strike in 2016, Economist Warns - See Proof!

#### JOURNALISM AND ADVERTISING FROM AROUND THE WEB

Recommended by



**What Marcia Brady Looks Like Now Is Jaw-Dropping**  
*(GridRead)*



**Warren Buffett's Best 6 Dividend Stock Picks Right Now**  
*(Dogs of the Dow)*



**This Leak Will End Hillary's Presidential Run**  
*(JumpVibes)*



**Downsizing? Ditch These 12 Items**  
*(AARP)*

#### MORE TRUSTED CONTENT FROM KIPLINGER

- **10 States Where You Will Want to Retire Forever** *(Kiplinger)*
- **15 Worst States to Live in During Retirement** *(Kiplinger)*
- **The Most-Overlooked Tax Breaks for the Newly Retired** *(Kiplinger)*
- **11 Ways to Cut the Cost of College Tuition** *(Kiplinger)*
- **15 Best States for Retirement When It Comes to Taxes** *(Kiplinger)*
- **30 Ways to Earn Extra Cash** *(Kiplinger)*

#### MORE FROM AROUND THE WEB

- **Credit Cards That Charge 0% Interest Until 2018** *(NextAdvisor)*
- **USA Baby Boomers Born Between 1936 And 1966 Are In For A Big Surprise** *(LiveSmarterDaily)*
- **Pat Summitt's Net Worth When She Died Is Pretty Unnerving** *(BreakVille)*
- **QUIZ: 96% Of People Can't Pass This Basic Grade School Test. Can You?** *(Offbeat)*
- **This Leak Will End Trump's Presidential Run** *(JumpVibes)*
- **Wall Street Poster Boy Makes Shocking Prediction** *(The Sovereign Investor)*

Recommended by



The Kiplinger  
Washington Editors, Inc.

Kiplinger Publications  
and Products