

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

DIVISION OF RESEARCH AND STATISTICS

Date: December 11, 2015
To: Federal Open Market Committee
From: Eric Engen and David Lebow
Subject: Tealbook forecast update

The data that we have received since the December Tealbook forecast was closed point to no change, on net, to our projection for real GDP growth in the second half of this year or for 2015 as a whole.

We read the Quarterly Services Survey (QSS), which was released on Thursday, as implying a small upward revision to the BEA's estimate of PCE growth in the third quarter. The retail sales data released on Friday indicate that household spending in November rose a bit more than we had expected. Because movements in retail sales tend to be partially reversed in the following month, we have revised down slightly our forecast for retail sales growth in December, which leaves our projection for real PCE growth in the fourth quarter unchanged from the Tealbook. Finally, data for wholesale and retail inventories in October suggest a little slower pace of inventory accumulation in the fourth quarter than we had projected.

All told, we now estimate that real GDP increased at an annual rate of 2.2 percent in the third quarter, 0.1 percentage point higher than our estimate in the December Tealbook. Our forecast for real GDP growth in the fourth quarter is revised down by 0.1 percentage point to 1.6 percent, primarily reflecting the small change to the inventory projection. Compared to the December Tealbook, these revisions leave our projection for real GDP growth unchanged over the second half of this year, at 1.9 percent, and over the four quarters of 2015, at 2.1 percent.