GDP growth slowed in Q4, while Fed signals no rate hikes in 2019

- GDP growth slowed to 2.6% in 4Q18 on an annualized basis, slightly above expectations of 2.4%.
- Unemployment rate declined to 3.8% in February helped by government shutdown-related effects.
- Private sector wage growth increased by 3.4% in February amid tight labor market conditions.
- Core CPI inflation dropped to 2.1% in February, while the headline rate fell to 1.5% on lower energy costs.
- The manufacturing ISM in February, but the non-manufacturing measure was more upbeat.
- Expectations of at least one Fed rate cut this year have more than doubled over the past month.
- Stocks continued to gain in March, with sentiment helped by a more dovish Fed.

**Chart 1: Real GDP growth**

Annualized GDP growth slowed to 2.6% in 4Q18 but stood at 2.9% for the year overall, just missing President Trump’s 3% target.

Source: U.S. Bureau of Economic Analysis

**Chart 2: Unemployment rate**

Unemployment rate declined to 3.8% in February from 4.0% in January helped by government shutdown-related effects.

Source: U.S. Bureau of Labor Statistics

**Chart 3: Non-farm payrolls (new jobs)**

Non-farm payrolls rose by only 20,000 in February, well below expectations of 180,000 but following a stellar rise in January.

Source: U.S. Bureau of Labor Statistics

**Chart 4: Wage growth**

Private sector wage growth rose by a near-decade high of 3.4% in February amid tight labor market conditions.

Source: U.S. Bureau of Labor Statistics
Core CPI inflation declined to 2.1% in February. Headline inflation slowed to 1.5% on lower energy, medical and clothing costs.

Source: U.S. Bureau of Labor Statistics

C&I loan growth accelerated to 10.6% in February, from a growth rate of 10.4% in January.

Source: U.S. Board of Governors of the Federal Reserve System

Retail sales growth rebounded to 2.3% in January, but not enough to offset December’s surprise holiday season plunge.

Source: U.S. Census Bureau

Home sales declined again in January to 4.9 million units; but housing starts recovered from December’s plunge.

Source: National Association of Realtors, U.S. Census Bureau

The manufacturing ISM index fell to 54.2 in February but the non-manufacturing survey painted a more upbeat picture.

Source: Institute for Supply Management

The Federal Reserve target rate currently stands at 2.25-2.50%, and the March Fed meeting confirms no chance of a hike in ’19.

Source: Thomson Reuters Eikon Source: QCB
Expectations of at least one interest rate cut this year have more than doubled from last month, while hikes are off the table.

Source: CME Group

Bond yields declined slightly by about 5 bps amid ongoing uncertainty surrounding global trade and growth.

Source: CME Group

Stocks continued to rally in March, with the S&P now up 12.6% YTD with sentiment helped by a more dovish Fed.

Source: Thomson Reuters Eikon

The US dollar index dipped slightly in the month to mid-March after gaining modestly in February.

Source: CME Group