

Charlie Cook's Tour of American Politics and Economics

August 22, 2017

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Roadmap for the presentation

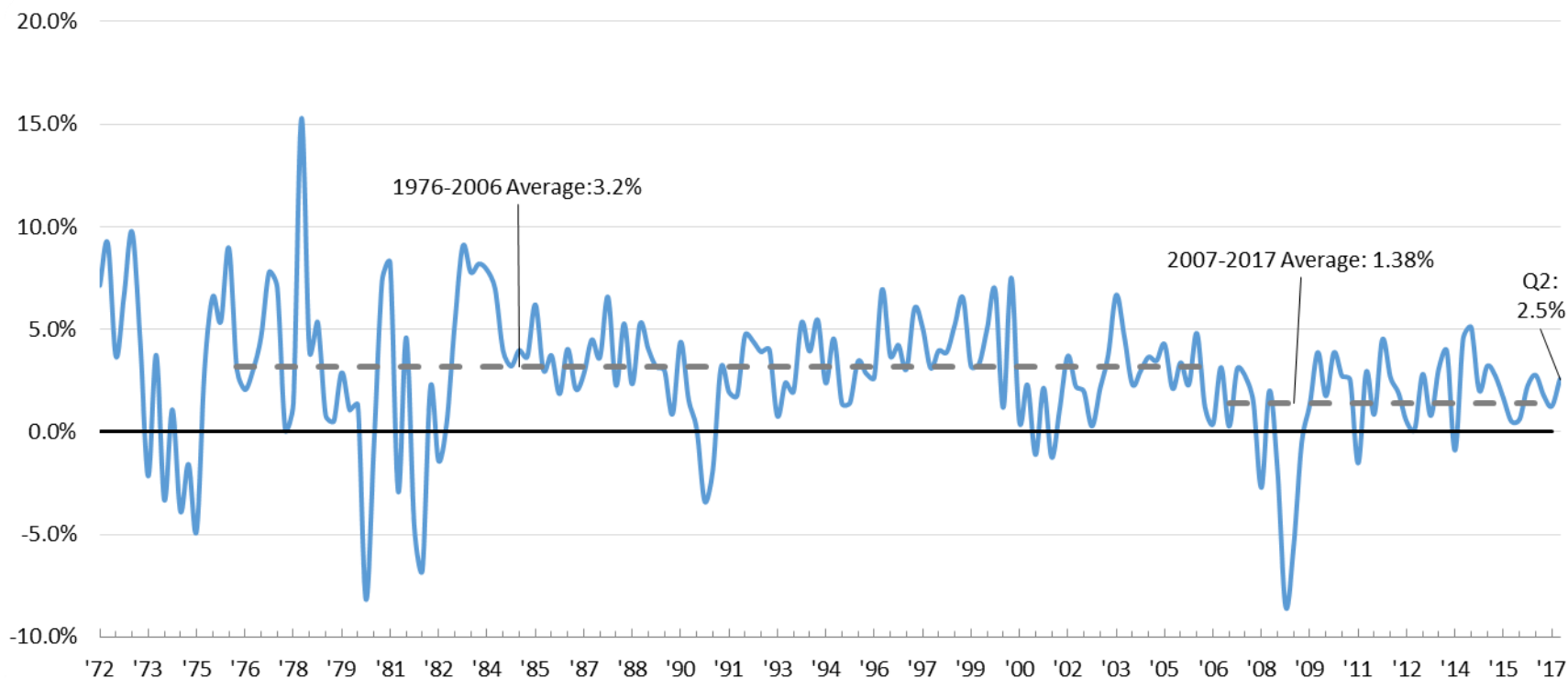
Economic vital signs

→ American politics

Economic growth ticked up in Q2 of 2017 but remains lower than the pre-recession, 30-year average

Real GDP

PERCENT CHANGE FROM PRIOR QUARTER ANNUAL RATE

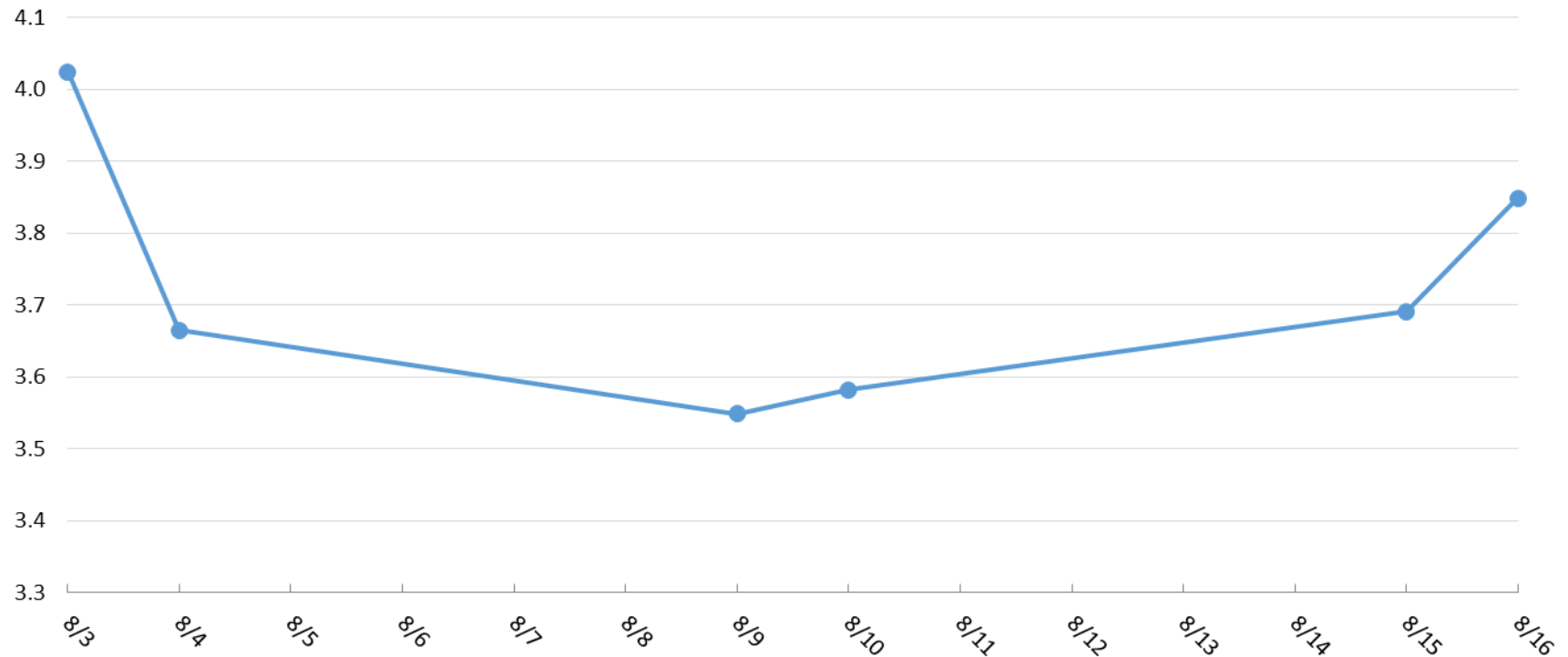


Source: St. Louis Federal Reserve, August 22, 2017.

GDPNow forecast predicts Q3 GDP growth will top 3.5%

Evolution of Atlanta Fed GDPNow* real GDP forecast for Q3 2017

QUARTERLY PERCENT CHANGE



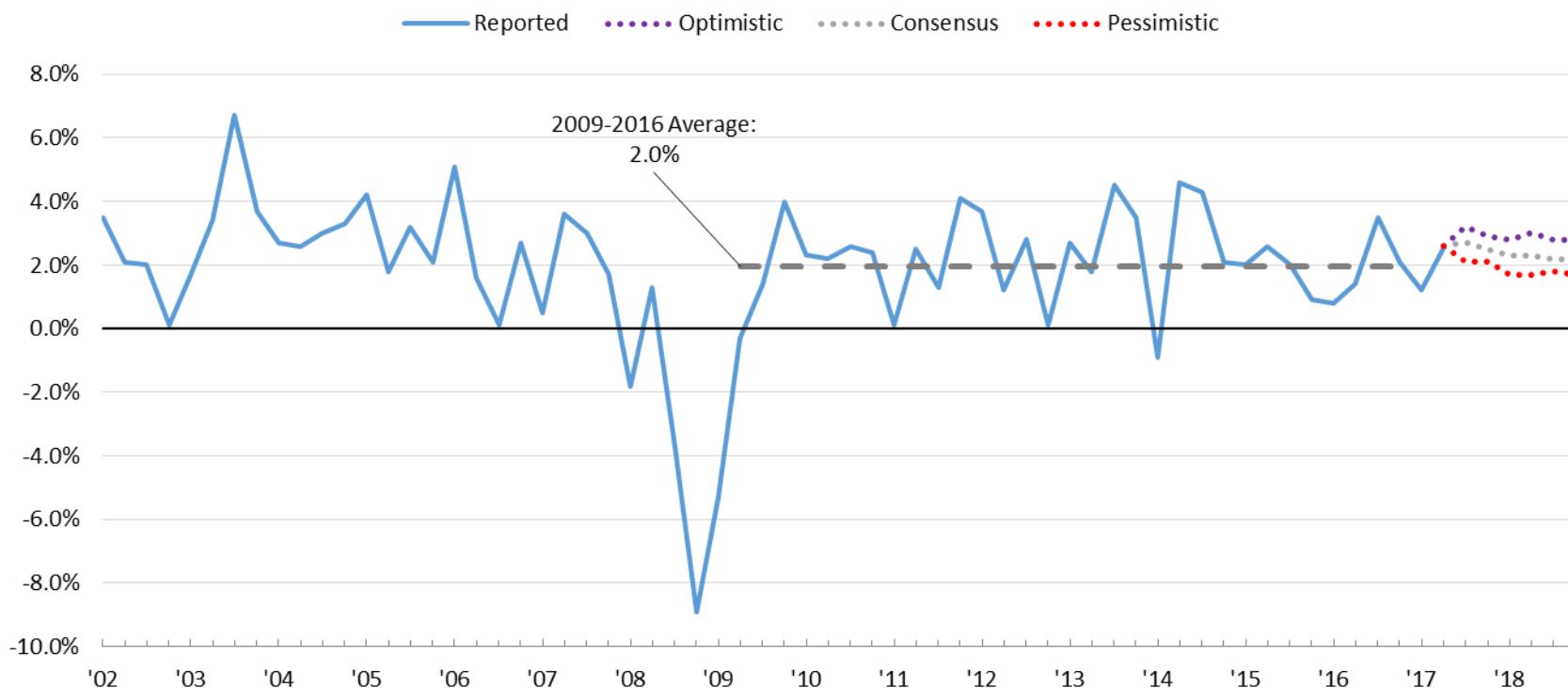
Source: Federal Reserve Bank of Atlanta, August 22, 2017.

*(The Atlanta Fed's GDPNow model provides an forecasted estimate prior to the final release)

Consensus estimates for quarterly economic growth hover around the 2% mark for the next two years

Blue Chip Economic Indicators: GDP

ESTIMATED QUARTERLY CHANGE IN GDP

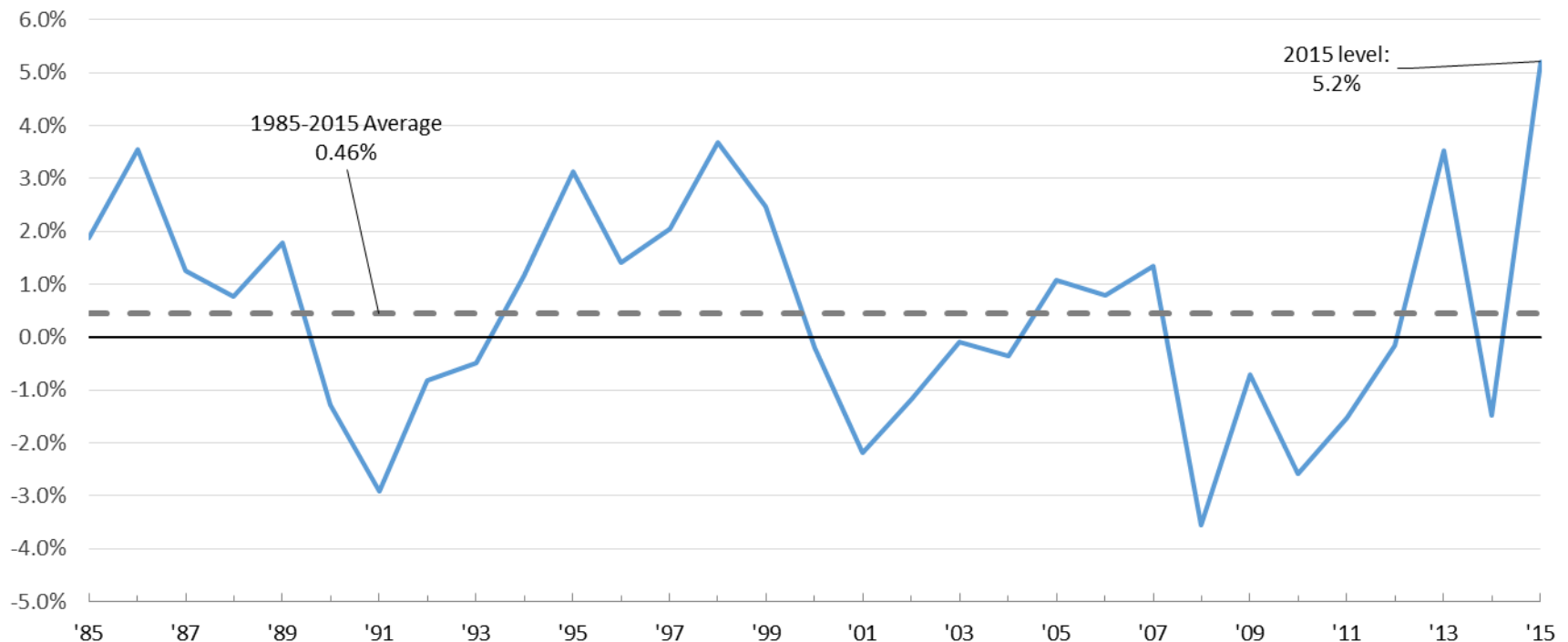


Source: Blue Chip Economic Indicators, August, 2017.

Real median household income spiked over 5% in 2015 after declining in 2014

Real median household income in the United States

ANNUAL PERCENT CHANGE

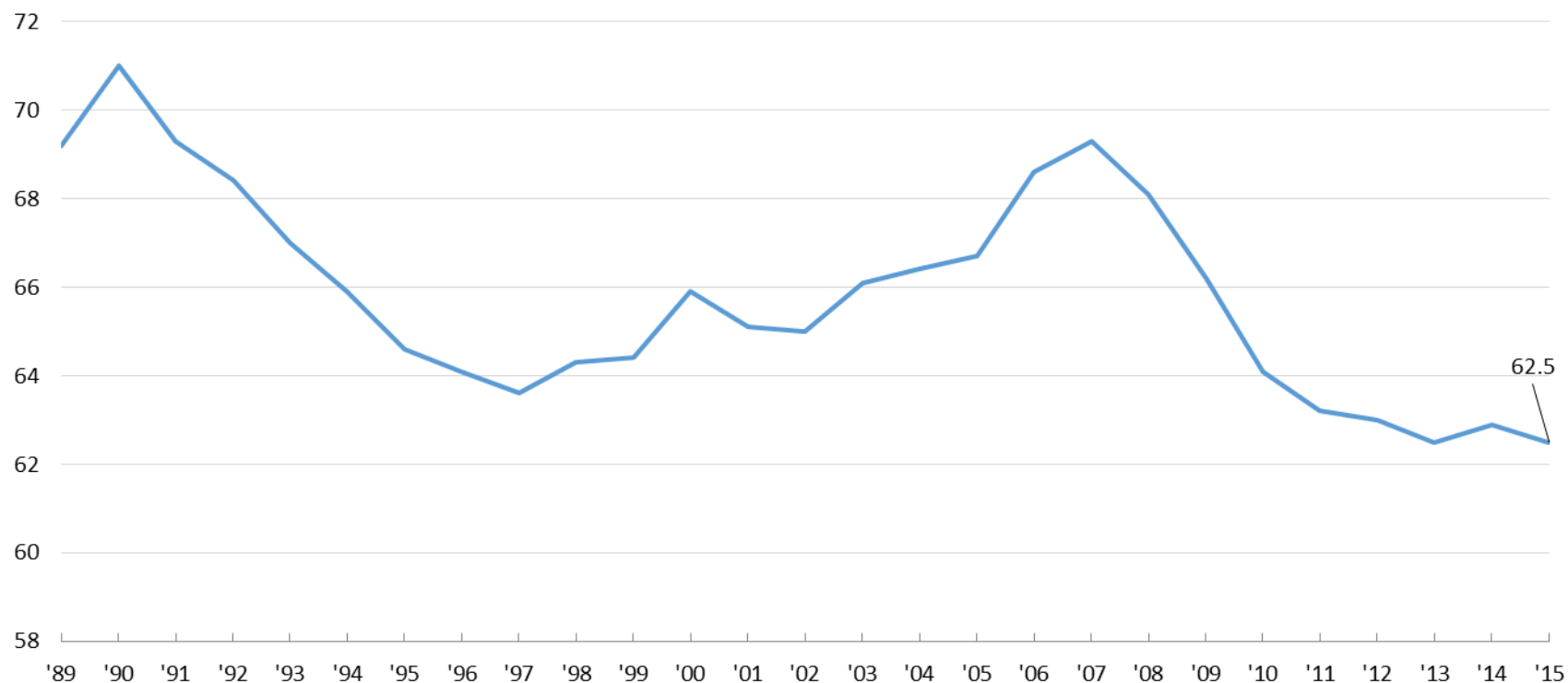


Source: St. Louis Federal Reserve, September 13, 2016.

Ultimate sign of pessimism: birth rate down – people are beginning to defer starting or expanding a family

U.S. general fertility rate

NUMBER OF BIRTHS PER 1000 WOMEN AGED 15-44 YEARS

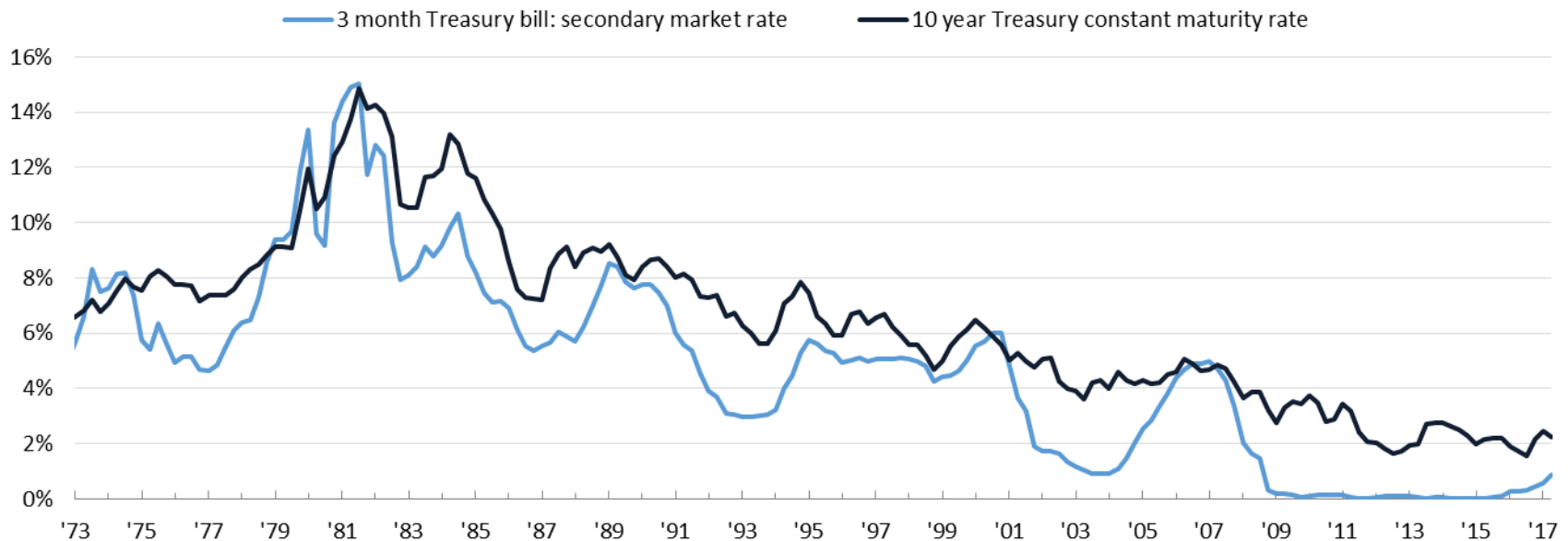


Source: CDC, National Vital Statistics Report, June 2, 2016.

Interest rates are beginning to creep up following period of historic lows

Interest rates

AVERAGE QUARTERLY PERCENT



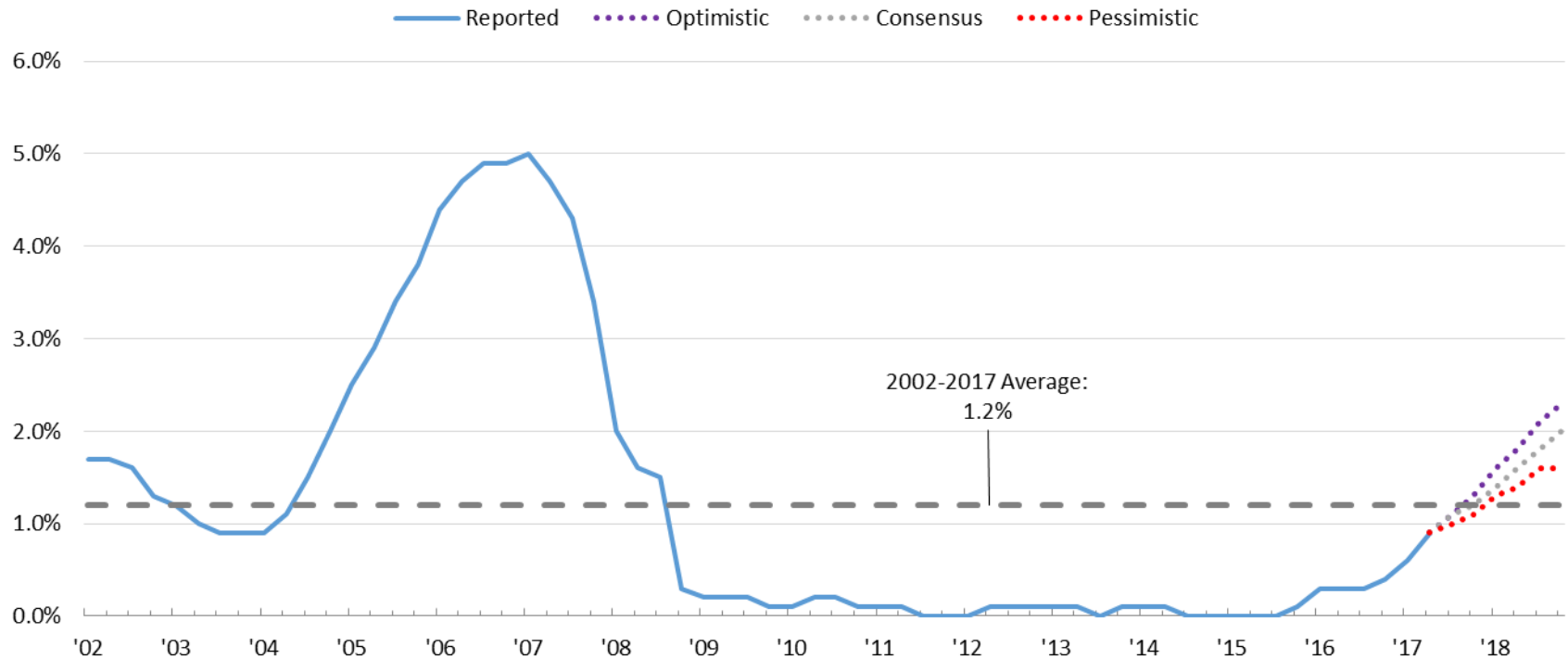
	1976-2006 average	2006-2017 average
3-month T-bills interest rate	6.0%	1.0%
10-year Treasury constant maturity rate	7.7%	3.0%

Source: Federal Reserve Bank of Atlanta, July 28, 2017.

Interest rates are expected to steadily rise through 2018

Blue Chip Economic Indicators: three-month Treasury bills

ESTIMATED QUARTERLY INTEREST OF THREE-MONTH T-BILLS

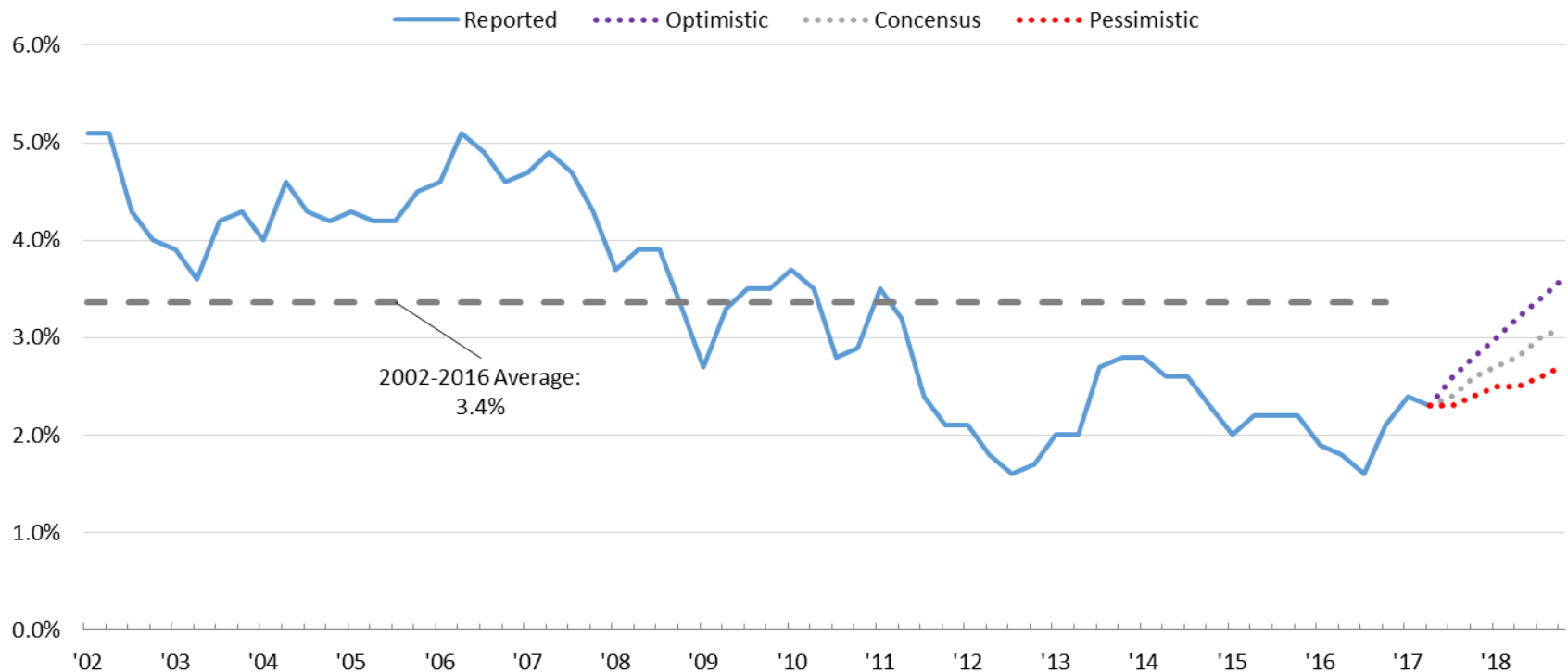


Source: Blue Chip Economic Indicators, August, 2017.

Higher expectations for interest rates reflect a positive outlook for the economy

Blue Chip Economic Indicators: 10-year Treasury bills

ESTIMATED 10-YEAR TREASURY CONSTANT MATURITY RATE

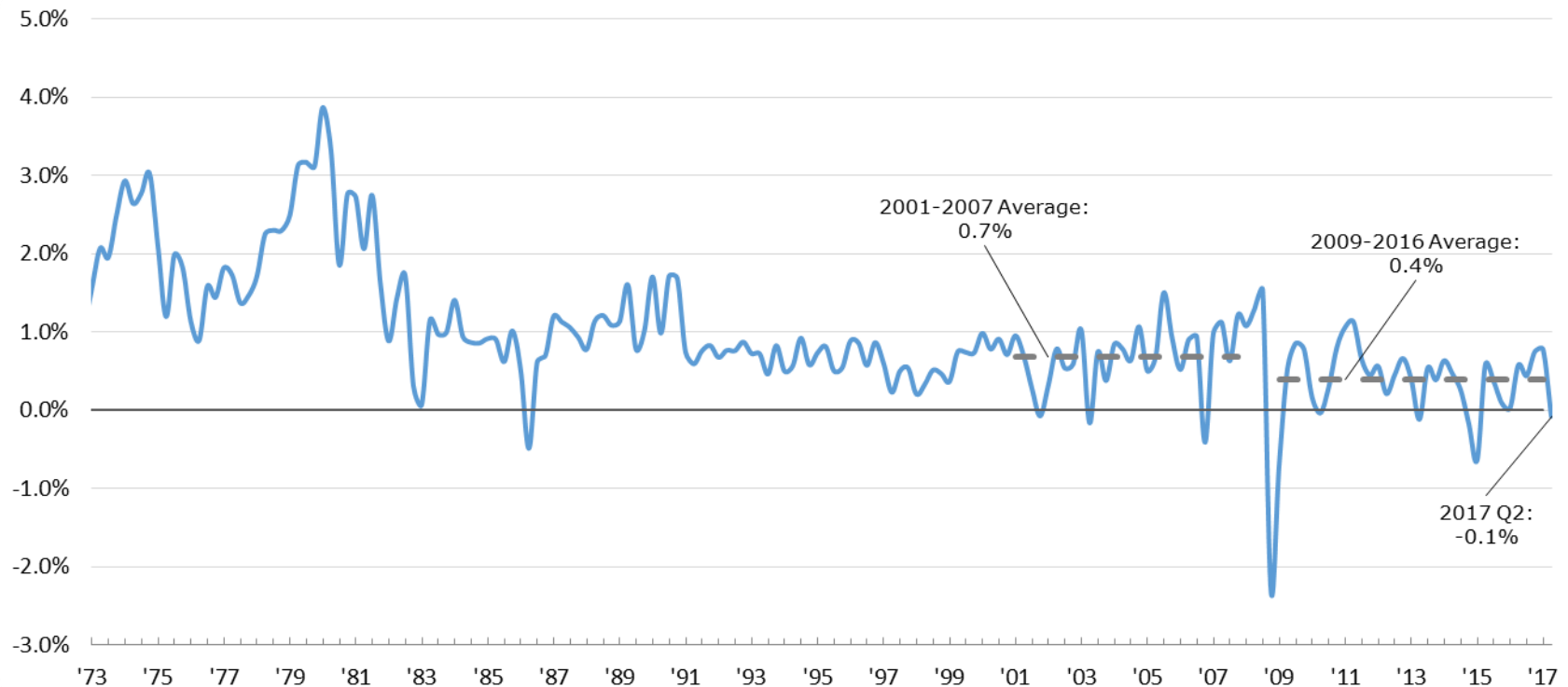


Source: Blue Chip Economic Indicators, August, 2017.

After over a year of increasing, the Consumer Price Index fell in Q2 of 2017, signaling a slight deflation

Consumer Price Index for all urban consumers

QUARTERLY PERCENT CHANGE

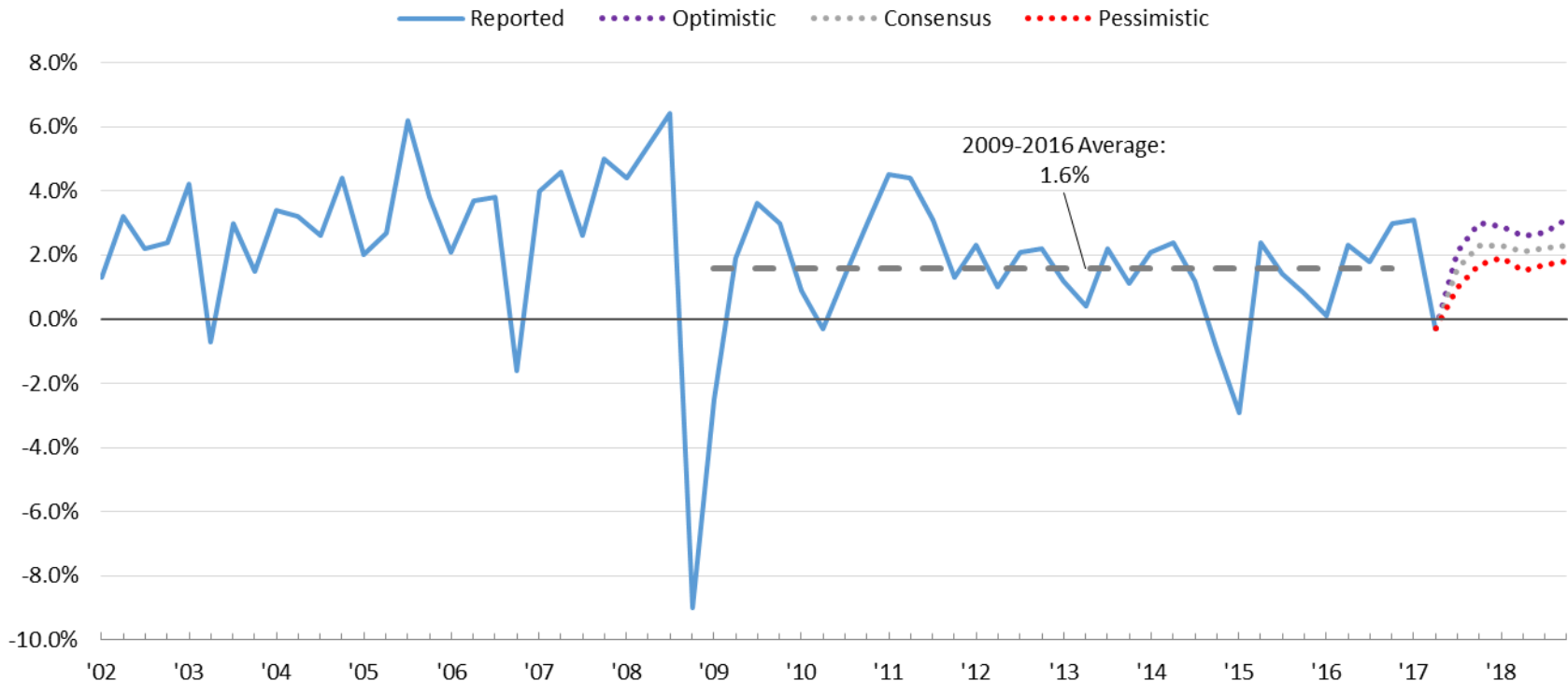


Source: St. Louis Federal Reserve, June 28, 2017.

The Consumer Price Index is expected to rise back up to 2% and signals a steady inflationary period

Blue Chip Economic Indicators: Consumer Price Index

ESTIMATED QUARTERLY CPI

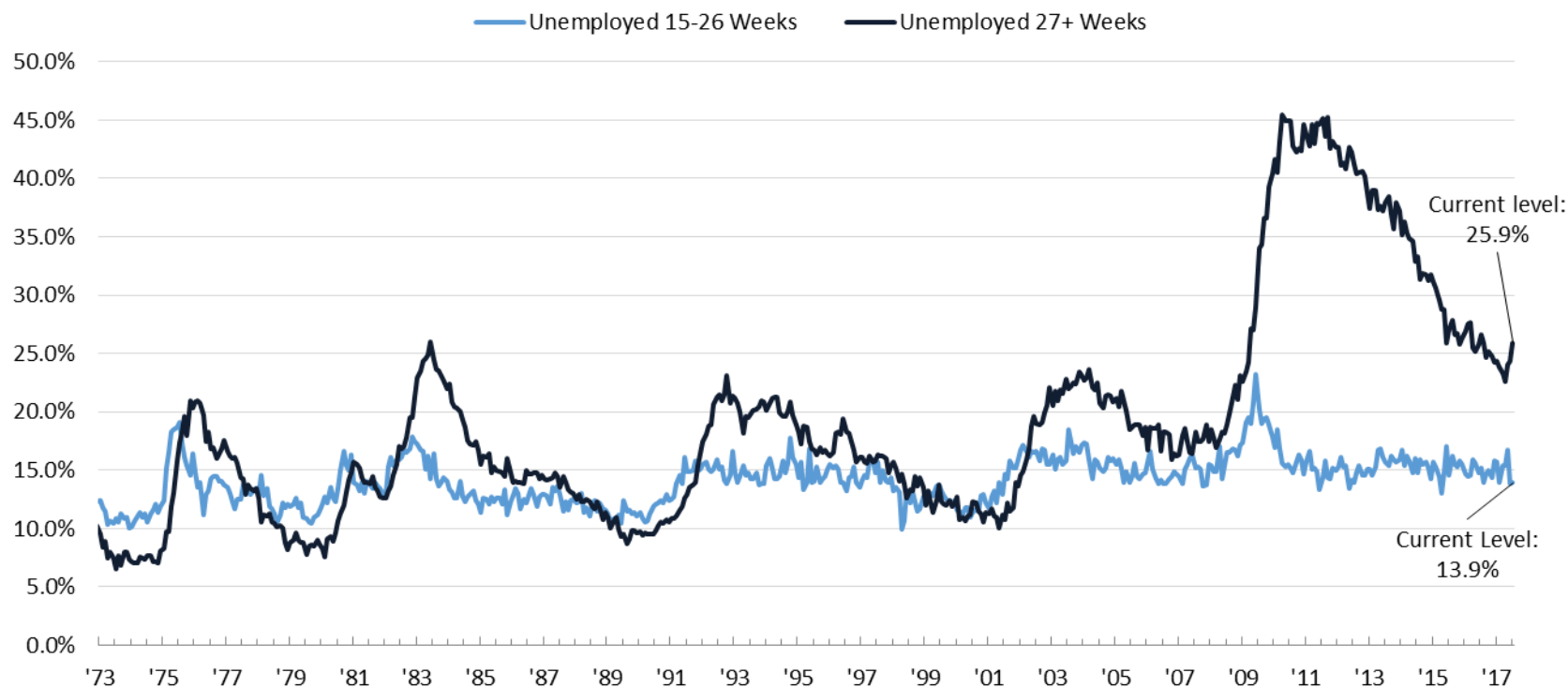


Source: Blue Chip Economic Indicators, August, 2017.

Long-term unemployment increased for the third straight month in July, reversing its steady downward trend

Unemployment rate

PERCENTAGE OF UNEMPLOYED BY DURATION OF UNEMPLOYMENT

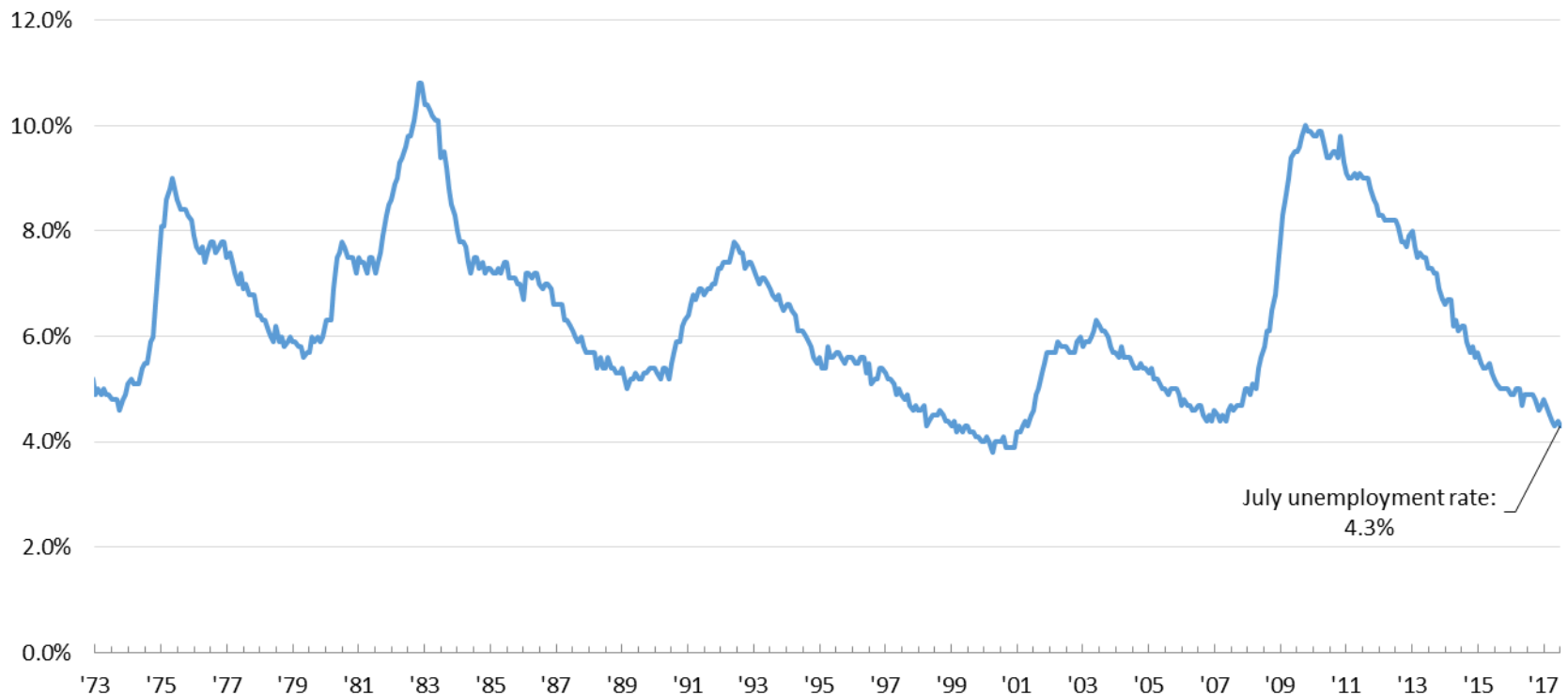


Source: St. Louis Federal Reserve, July 2017.

The total unemployment rate continues its long-term decline

Unemployment rate

ACTUAL YEAR-TO-DATE UNEMPLOYMENT RATES

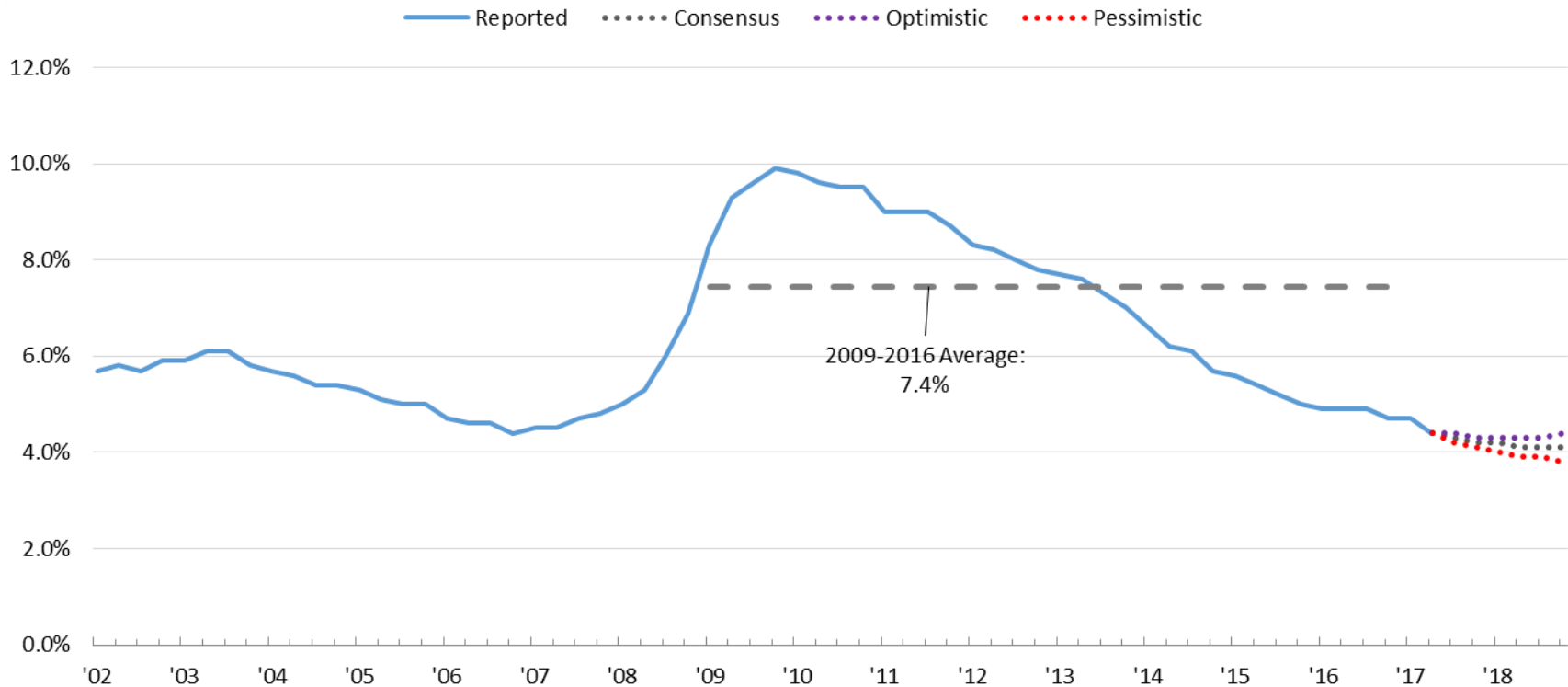


Source: St. Louis Federal Reserve, July, 2017.

Forecasts suggest that unemployment will hover around 4%

Blue Chip Economic Indicators: unemployment rate

ESTIMATED QUARTERLY UNEMPLOYMENT

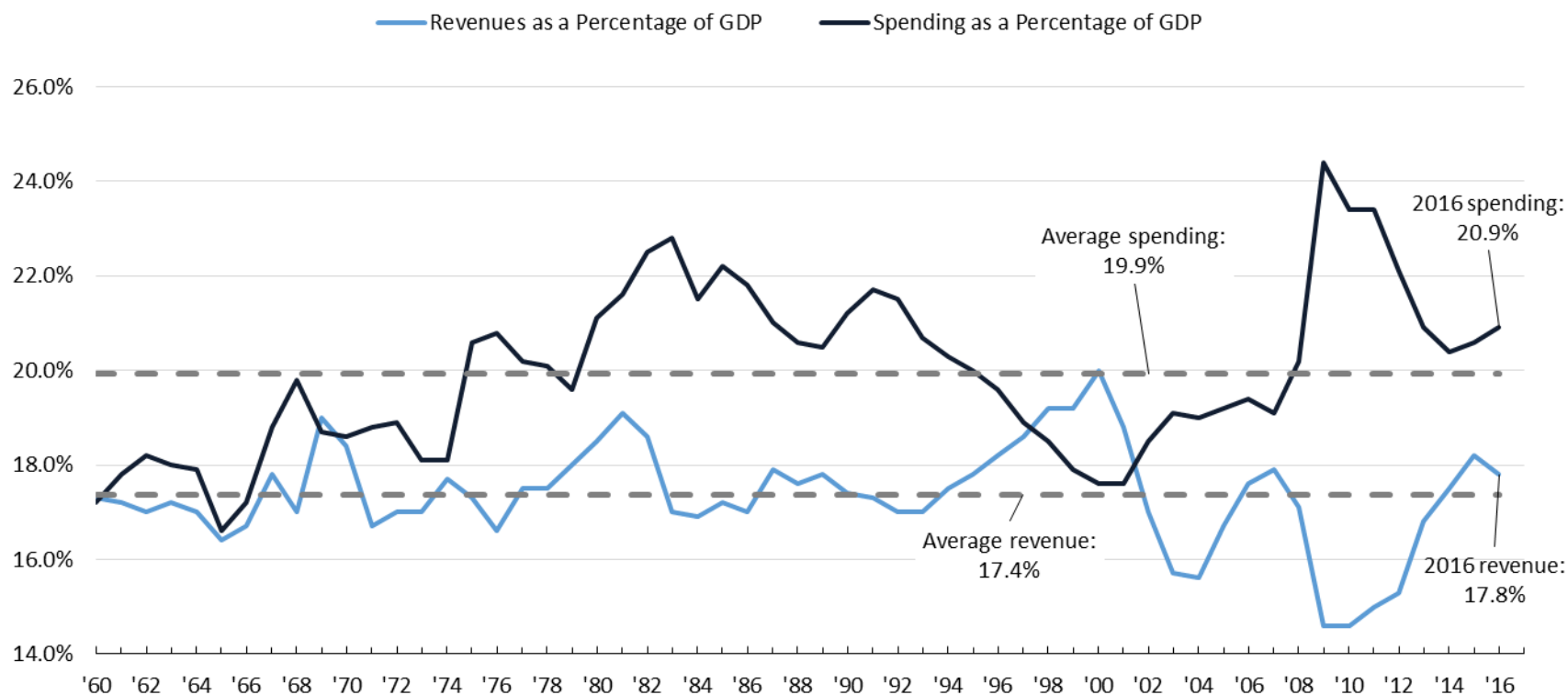


Source: Blue Chip Economic Indicators, August, 2017.

As federal spending increases and tax revenues decrease, the deficit expands

Federal government taxes and spending

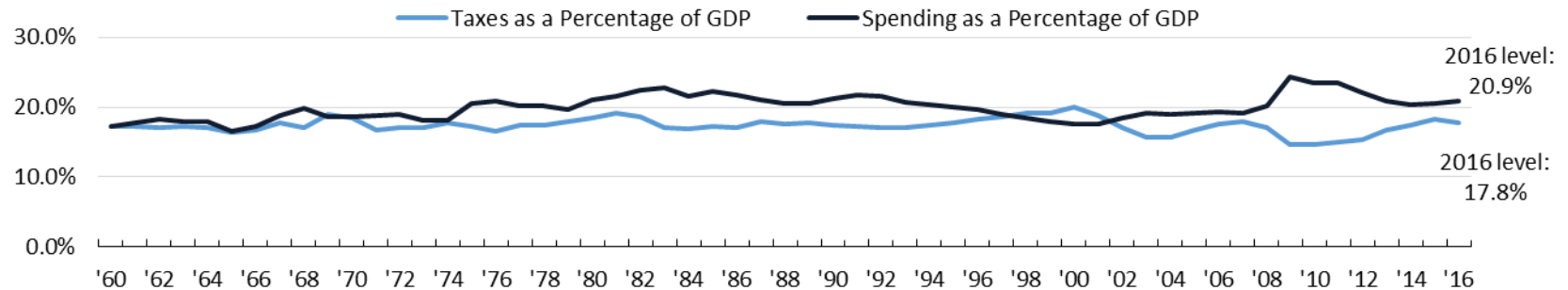
PERCENT OF GDP



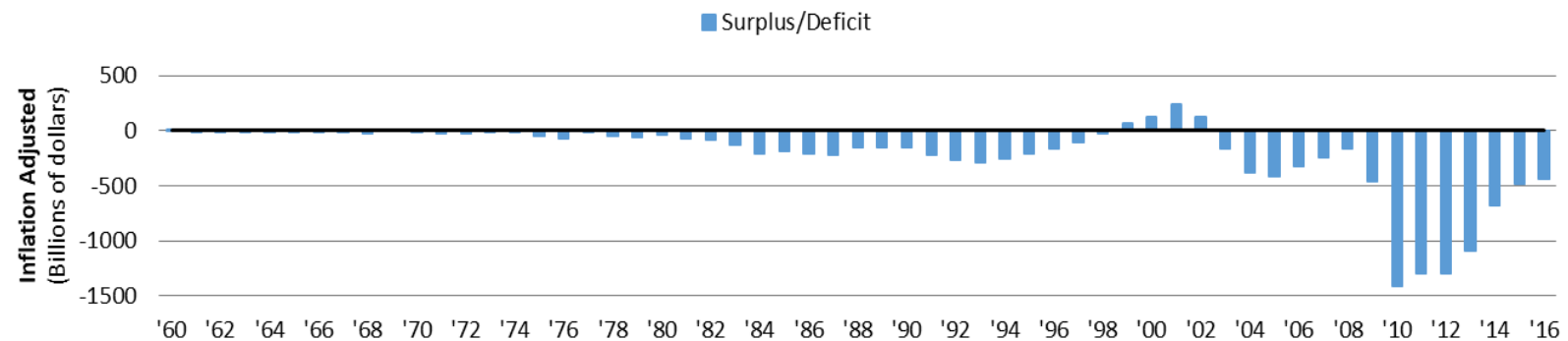
Source: White House Office of Management and Budget, Historical Tables, 2016.

The federal government has been running a deficit since 2001

U.S. taxing and spending as percentage of GDP



U.S. deficits and surplus



Source: White House Office of Management and Budget, Historical Tables, 2016.

The majority of Americans are pessimistic about the country's outlook

Public opinion on the general direction of the nation

PERCENT RESPONDING TO THE QUESTION: "All in all, do you think things in the nation are generally headed in the right direction, or do you feel things are off on the wrong track?"

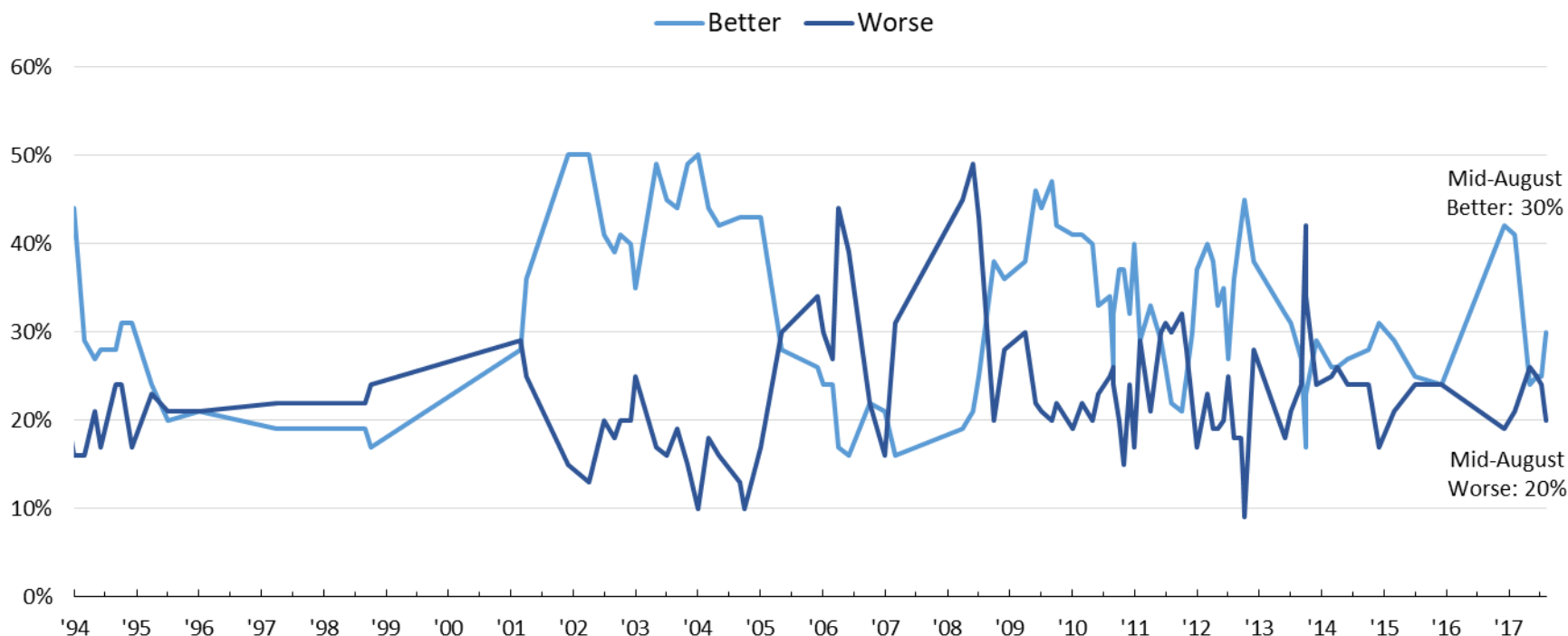


Source: Before April 2017: NBC/WSJ Poll. After April 2017: Reuters/Ipsos.

The public's outlook on the economy is trending positively

Public opinion on the direction of the US economy

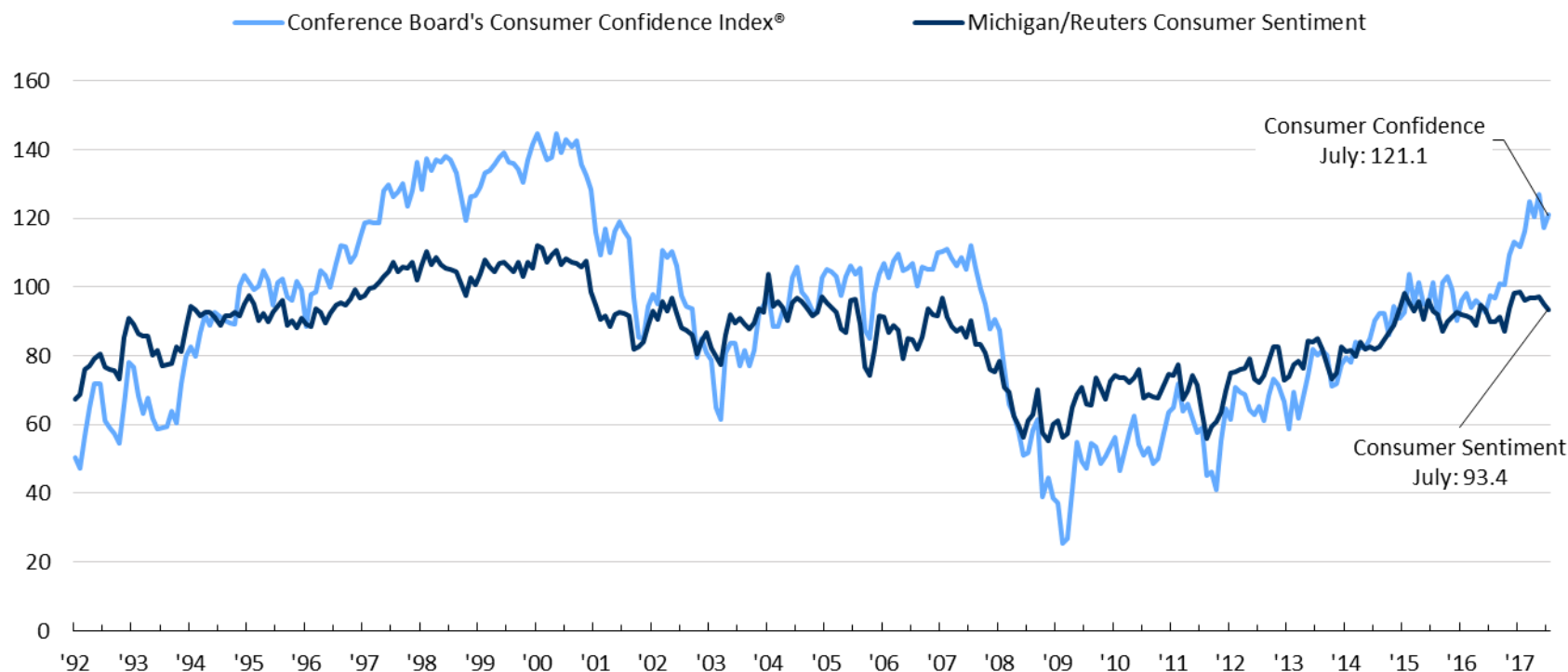
PERCENT RESPONDING TO THE QUESTION: "During the next twelve months, do you think that the nation's economy will get better or worse?"



Source: Before April 2017: NBC/WSJ Poll. After February 2017: YouGov/Economist

Consumer confidence ticked up following Trump's victory but has started to decline or plateau

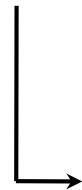
Consumers Confidence Index ® and Consumer Sentiment



Source: Conference Board, July 2017; Thomson Reuters/University of Michigan Surveys of Consumers, July 2017.

Roadmap for the presentation

Economic vital signs

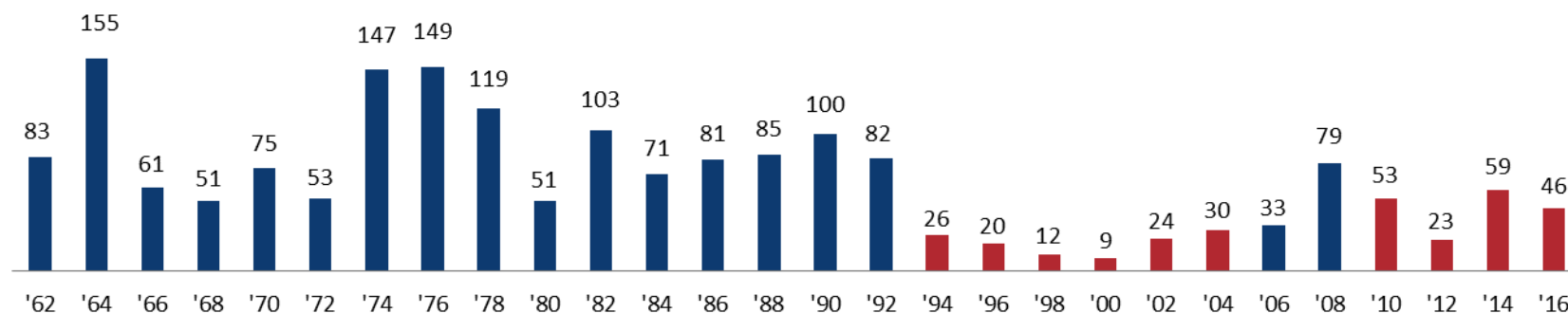


American politics

Congressional partisanship frames fiscal fights

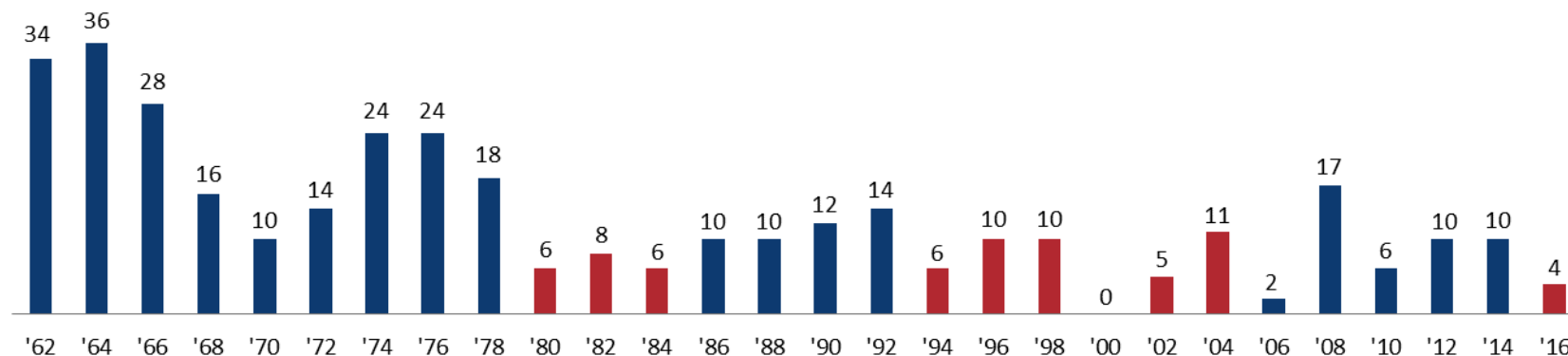
Margin of House control after election

88TH-114TH CONGRESS



Margin of Senate control after election

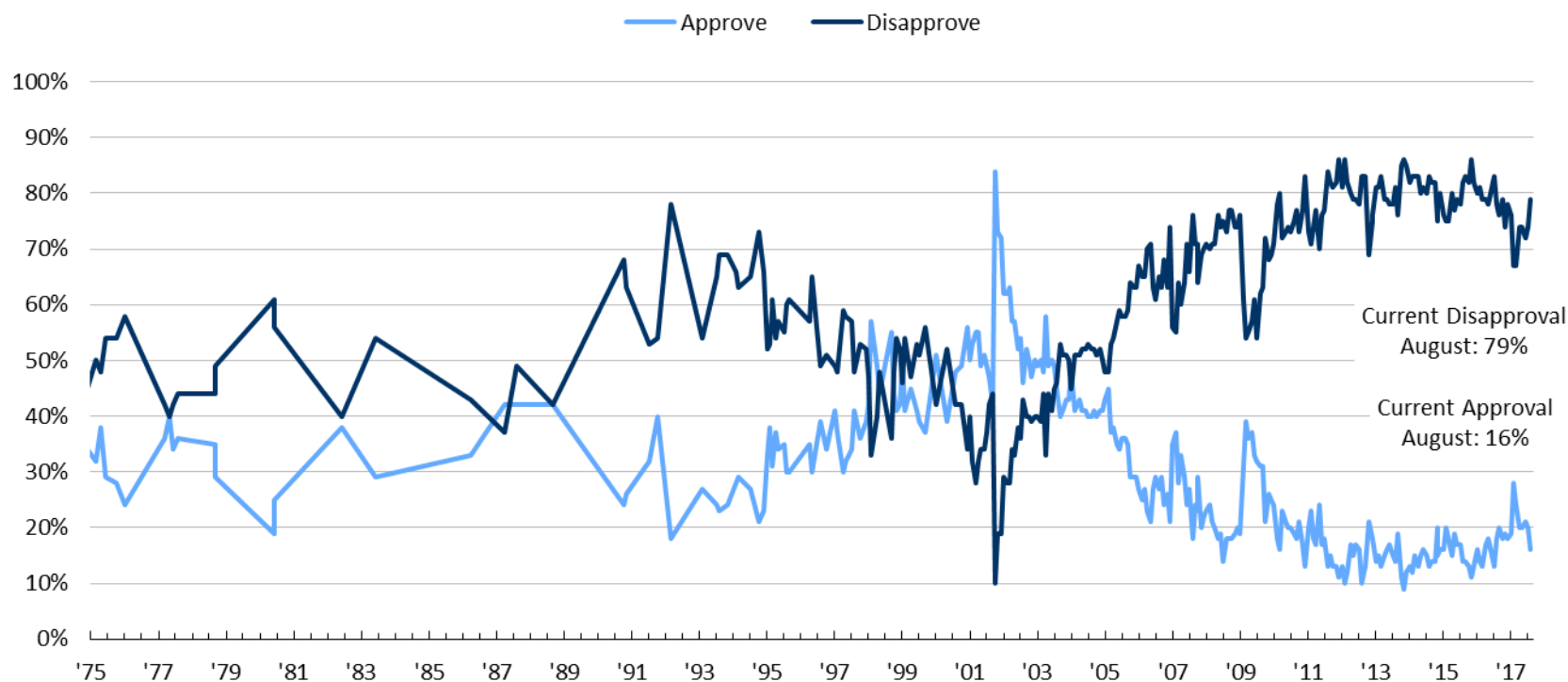
88TH-114TH CONGRESS



Source: Senate.gov, 2017; Office of the Clerk of the House of Representatives, 2017.

Congressional approval ticked up at the beginning of 2017 but has fallen again to below 20%

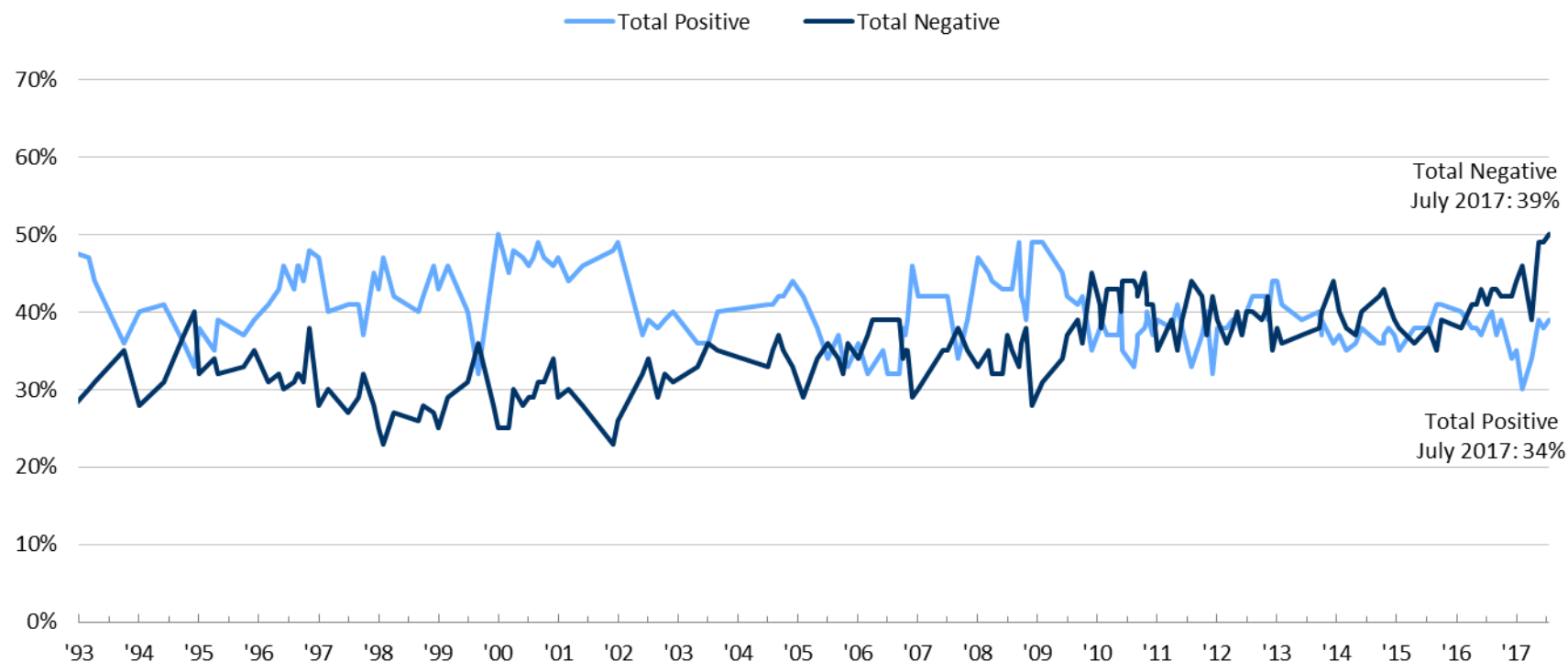
Congressional approval rating



Source: Gallup.com, August 2017.

The public holds negative opinion of the Democratic Party but it is trending up

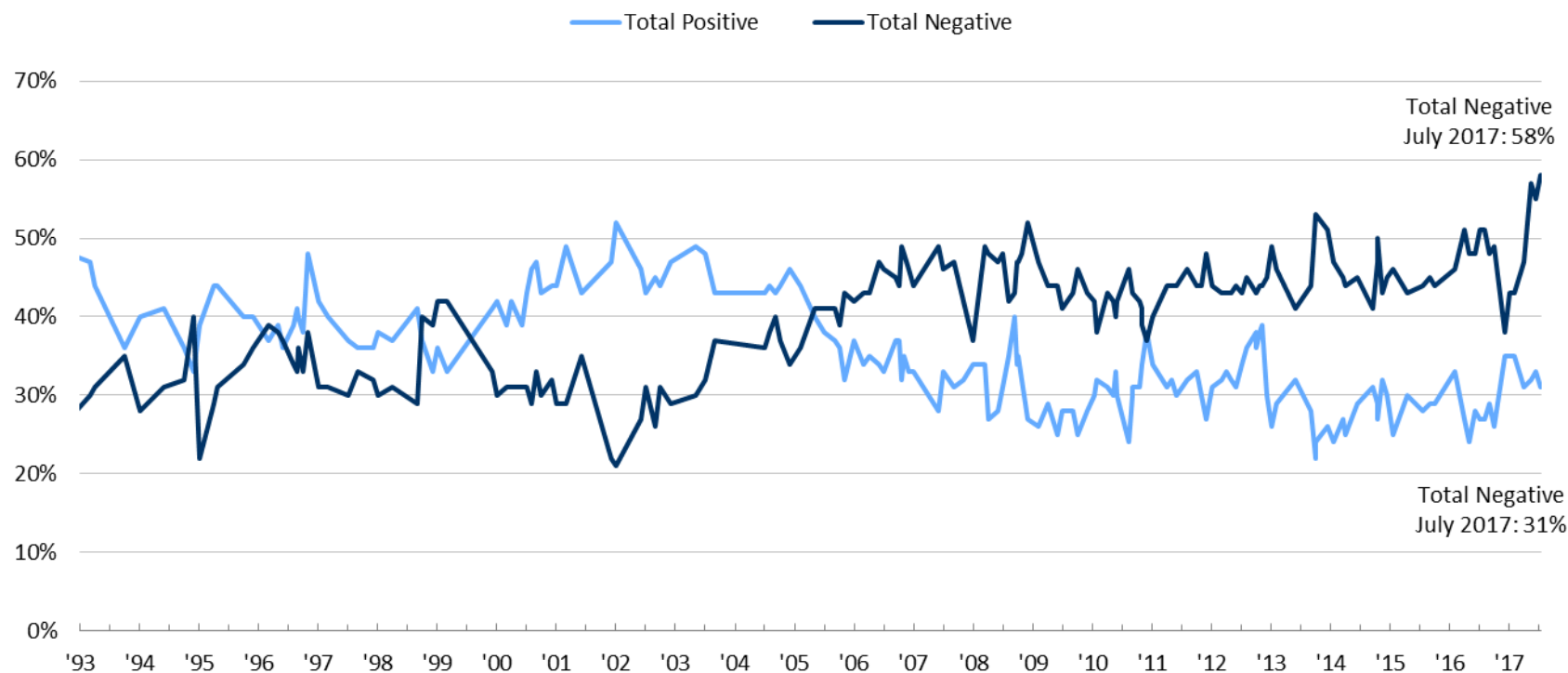
American public view of the Democratic Party



Source: Until April 2017: NBC/WSJ Poll. After April 2017, YouGov/Economist

The public holds an overall negative opinion of the GOP with a negative trend

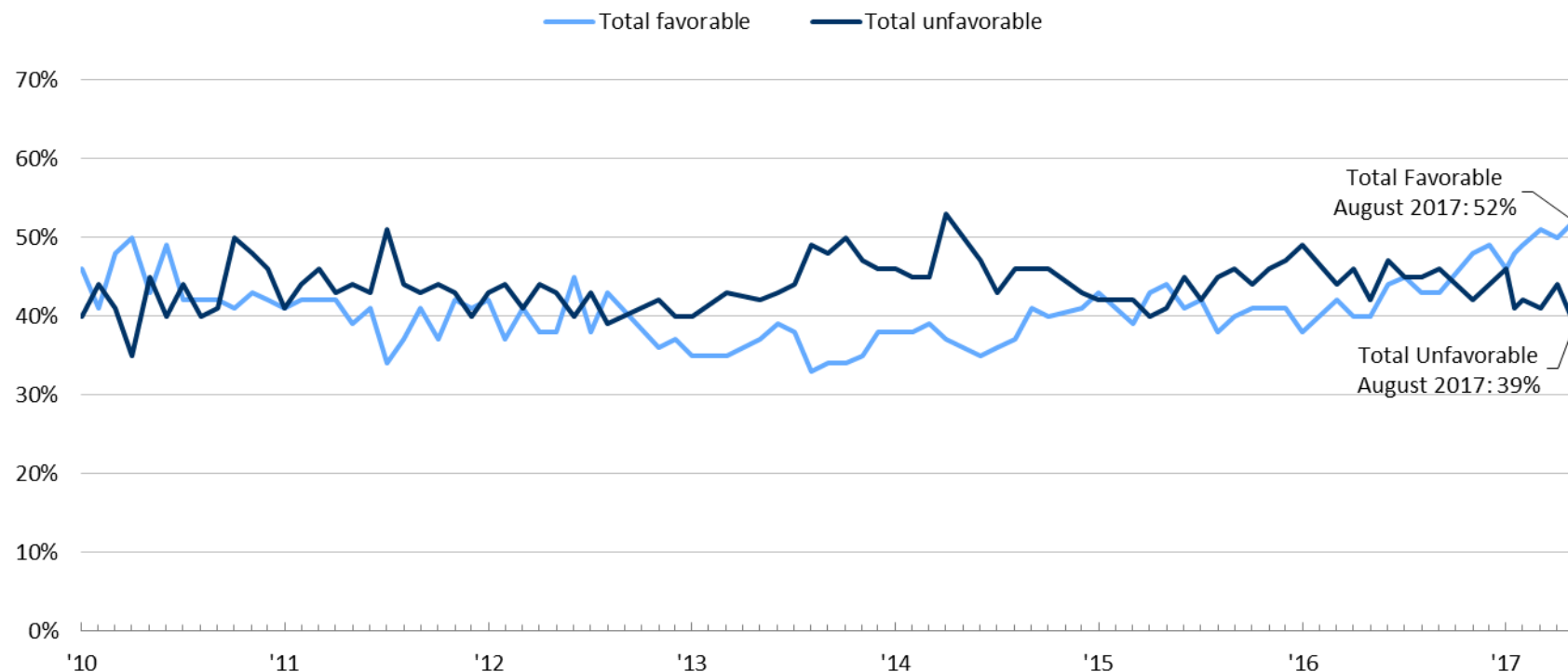
American public view of the Republican Party



Source: Until April 2017: NBC/WSJ Poll. After April 2017, YouGov/Economist

The Affordable Care Act's approval numbers have spiked as the GOP attempted to implement repeal

Kaiser Family Foundation Health Tracking Poll: ACA Favorability

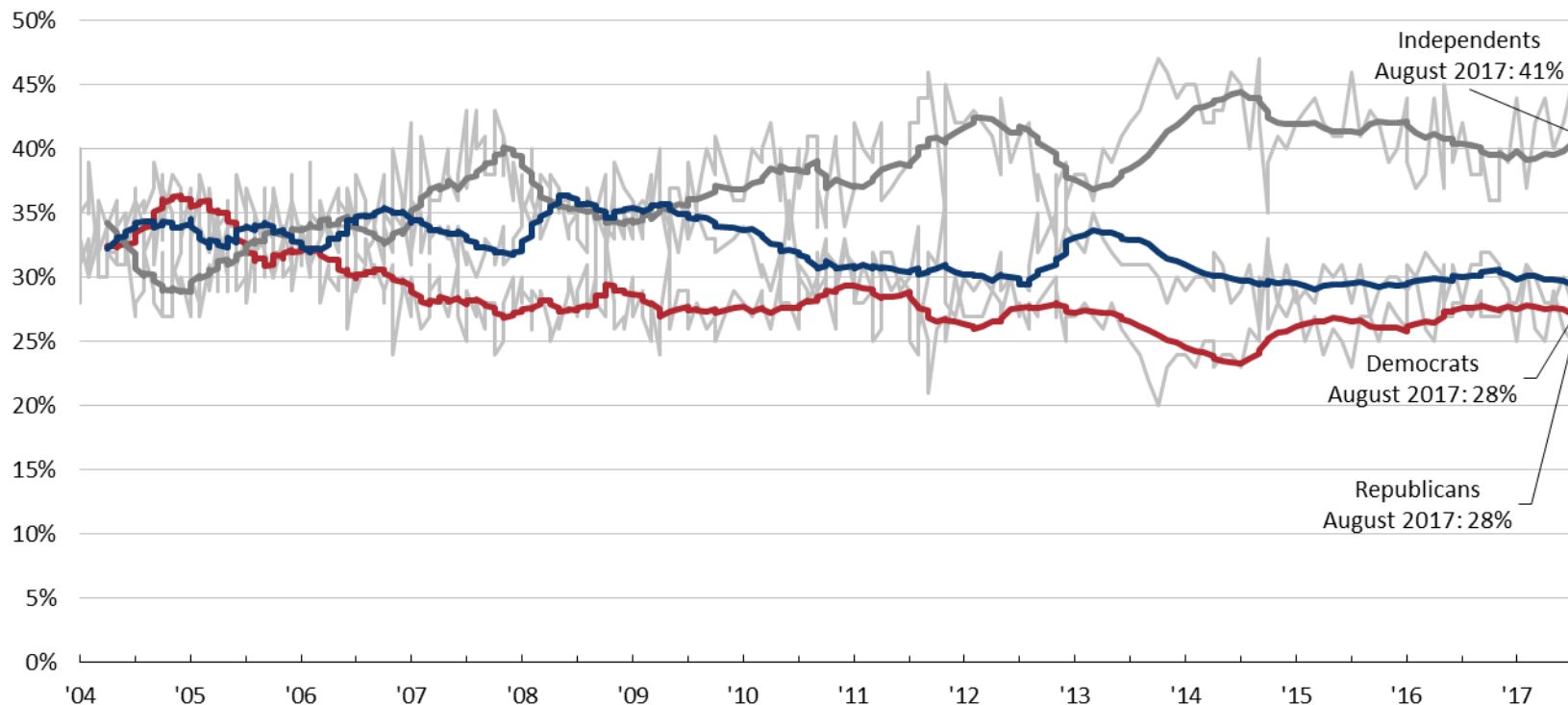


Source: KFF Health Tracking Poll, August 22, 2017.

The share of Independents trends upward as Democrats and Republicans hold equal numbers

Gallup's party affiliation survey

PERCENT RESPONDING TO THE QUESTION: "In politics, as of today, do you consider yourself a Republican, Democratic, or an Independent?" (12-MONTH ROLLING AVERAGE)

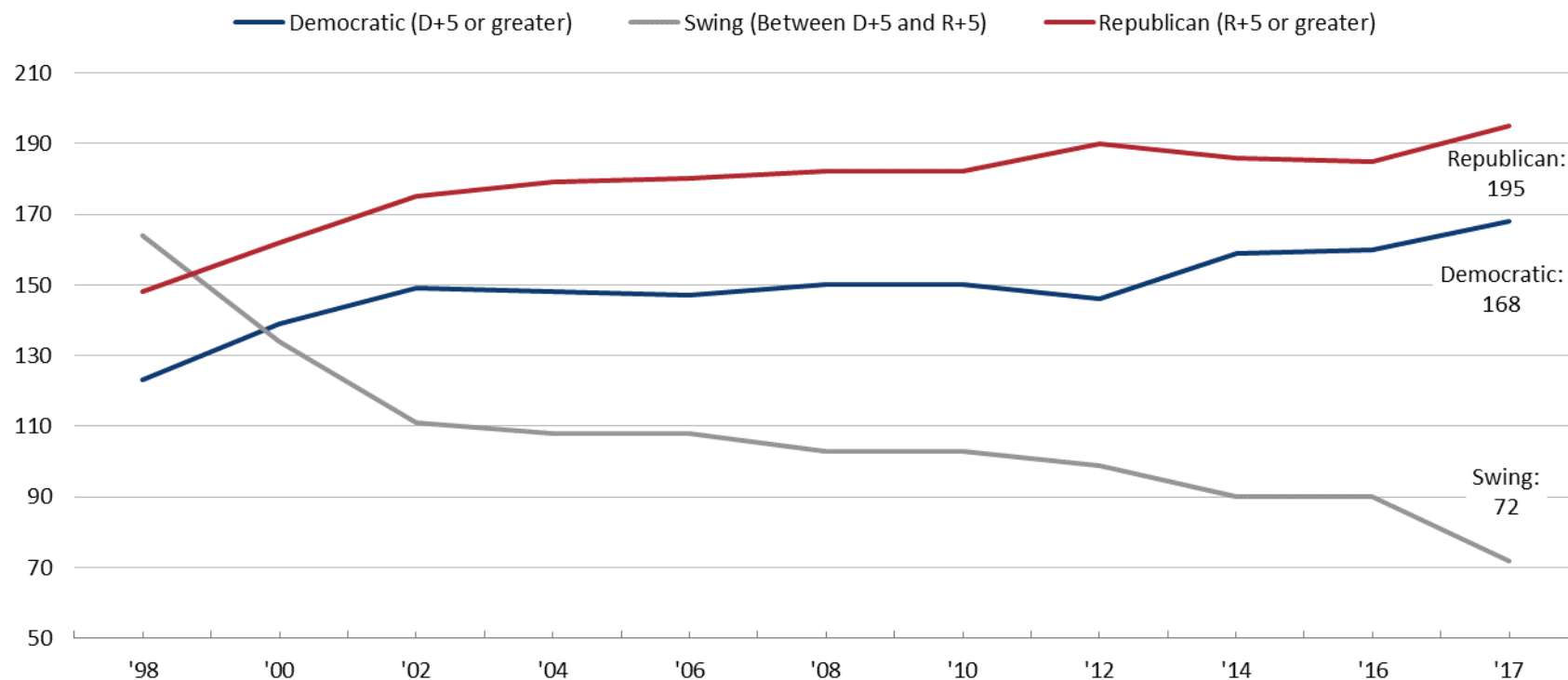


Source: Gallup.com, August 2017.

In House, “fewer swing seats, more polarization”: as districts grow more partisan, incumbents fear primary challengers

Cook Political Report rates the districts

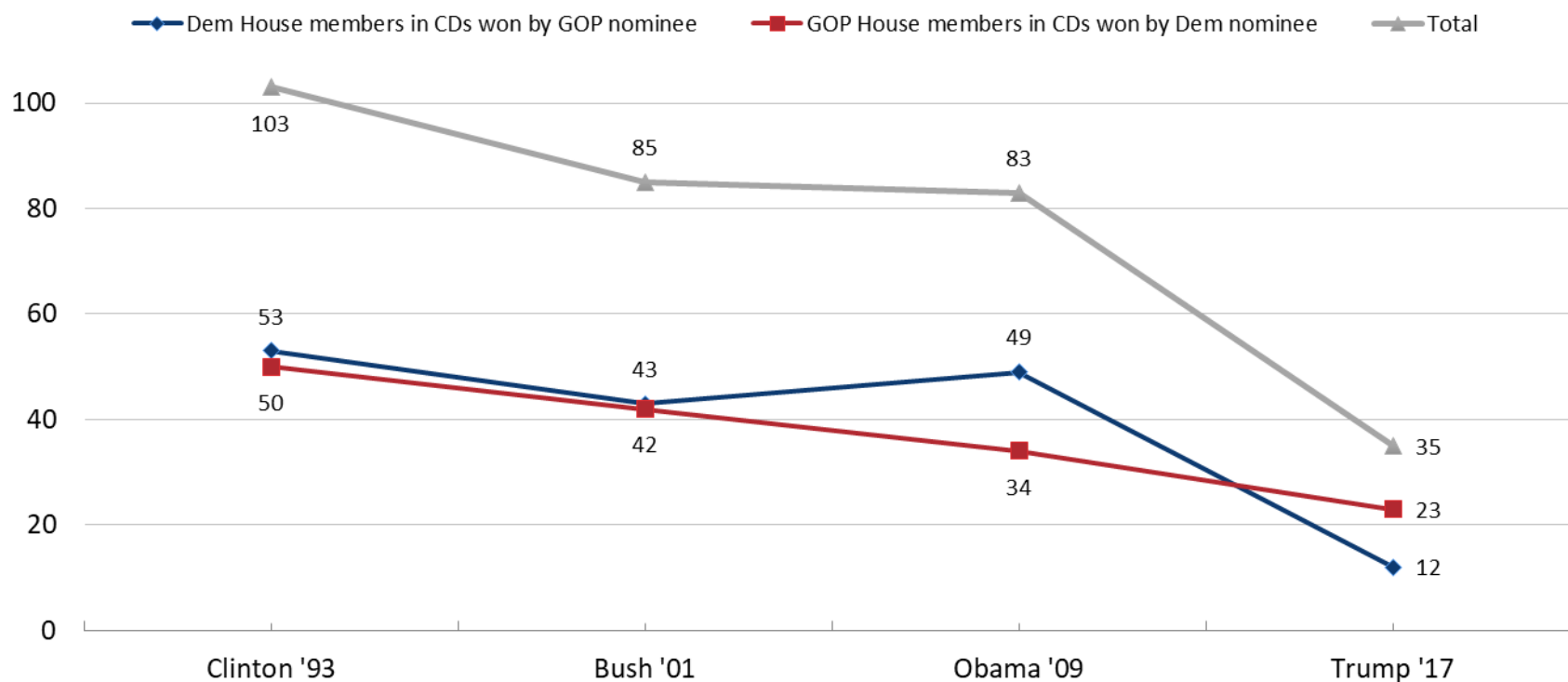
HOUSE MAKEUP BY COOK PARTISAN VOTE INDEX



Source: Cook Political Report, 2017.

In 2016, 35 House members were elected in districts where the opposing party's presidential nominee won

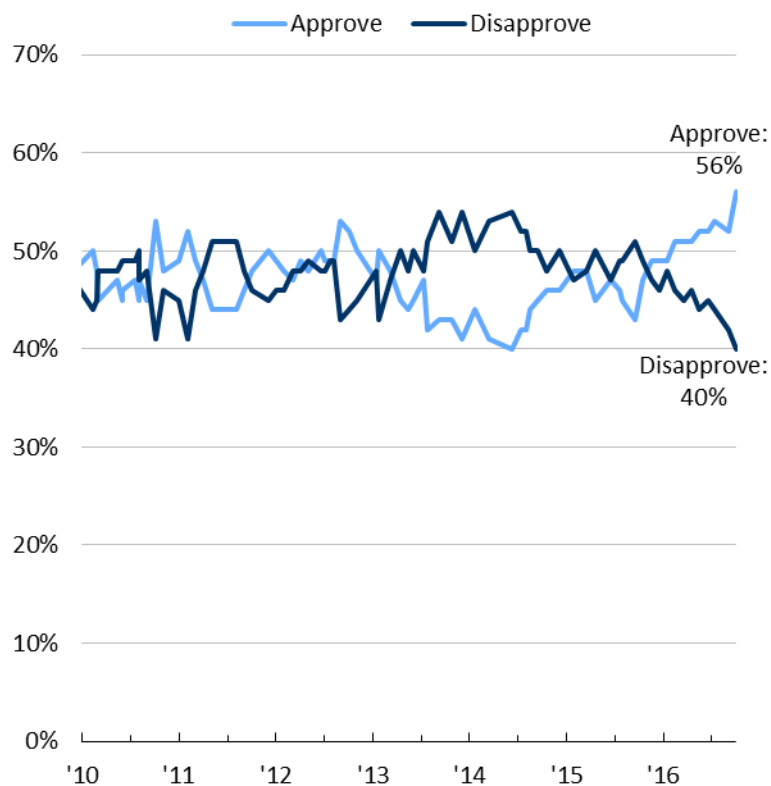
House members in congressional districts won by opposite party's presidential nominee



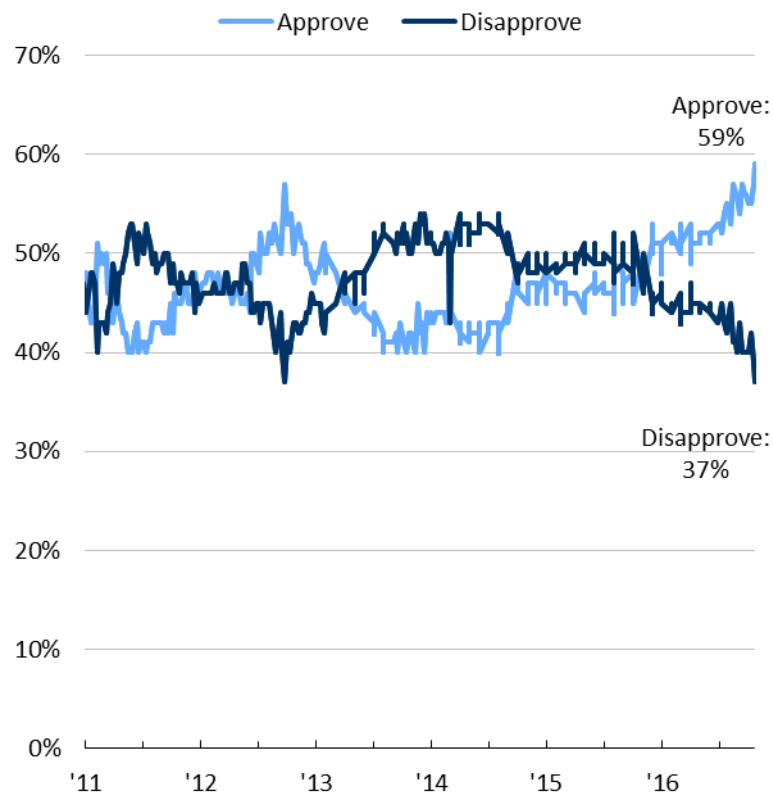
Source: Cook Political Report, 2017.

At the end of his term, Obama's job approval rating hovered at all-time highs

NBC/WSJ's presidential job approval



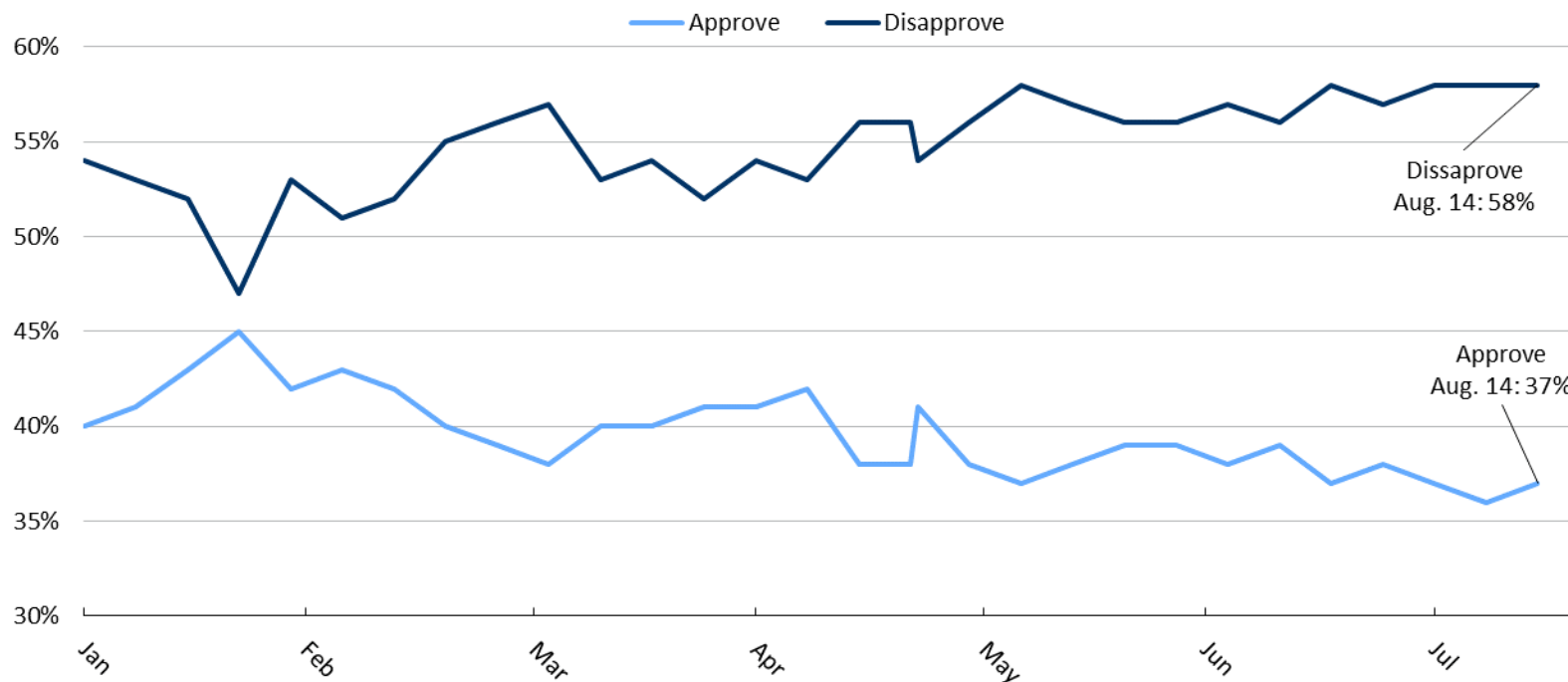
Gallup's presidential job approval



Source: NBC/WSJ Poll, January 2017; Gallup.com, January 2017.

President Trump's low approval numbers have been stuck under 40% since late April

Gallup's polling on President Trump's approval

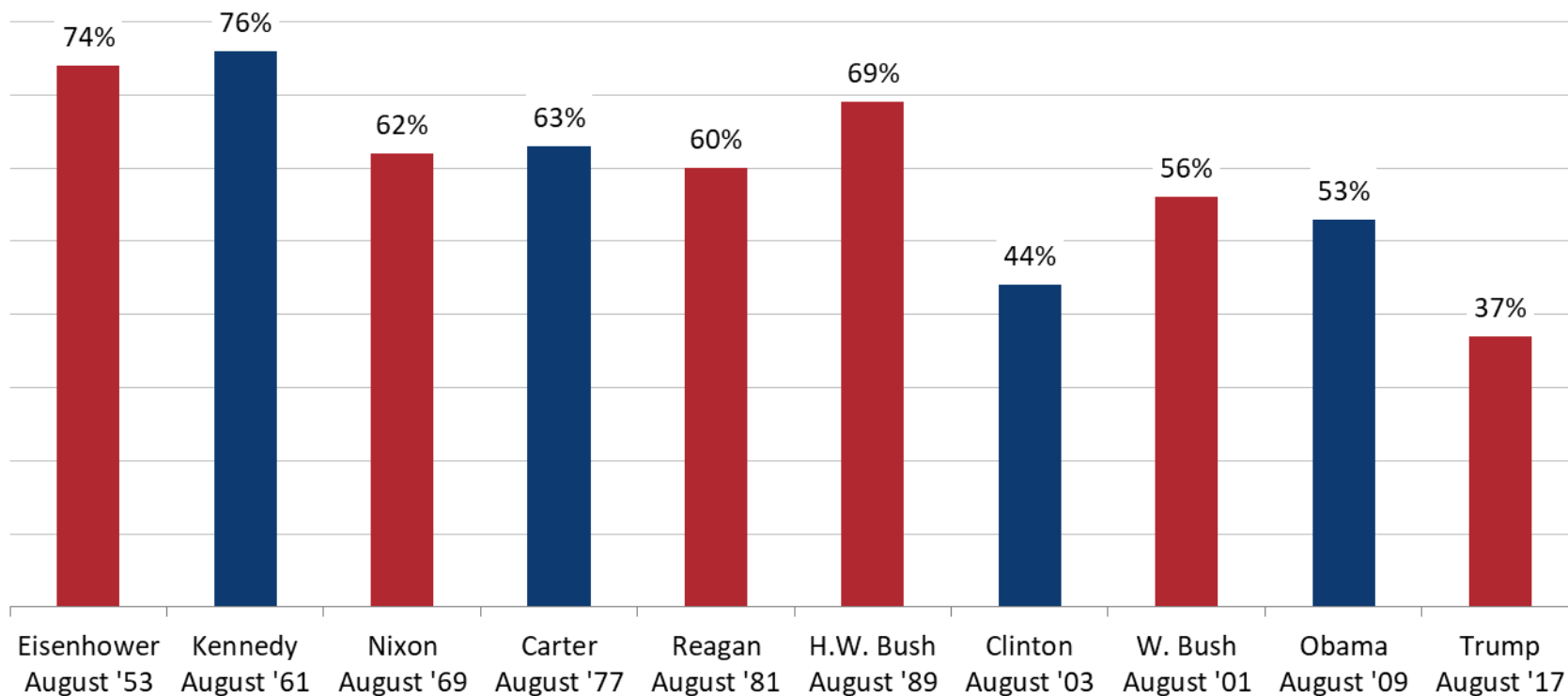


Source: Gallup, August 22, 2017.

Pres. Trump's approval numbers are lower than any other modern presidents' at this point in their respective terms

Gallup comparative presidential approval ratings

IN AUGUST OF EACH PRESIDENT'S FIRST TERM



Source: Gallup, August 22, 2017.