

Charlie Cook's Tour of American Politics and Economics

December 20, 2017

Producer

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Roadmap for the presentation

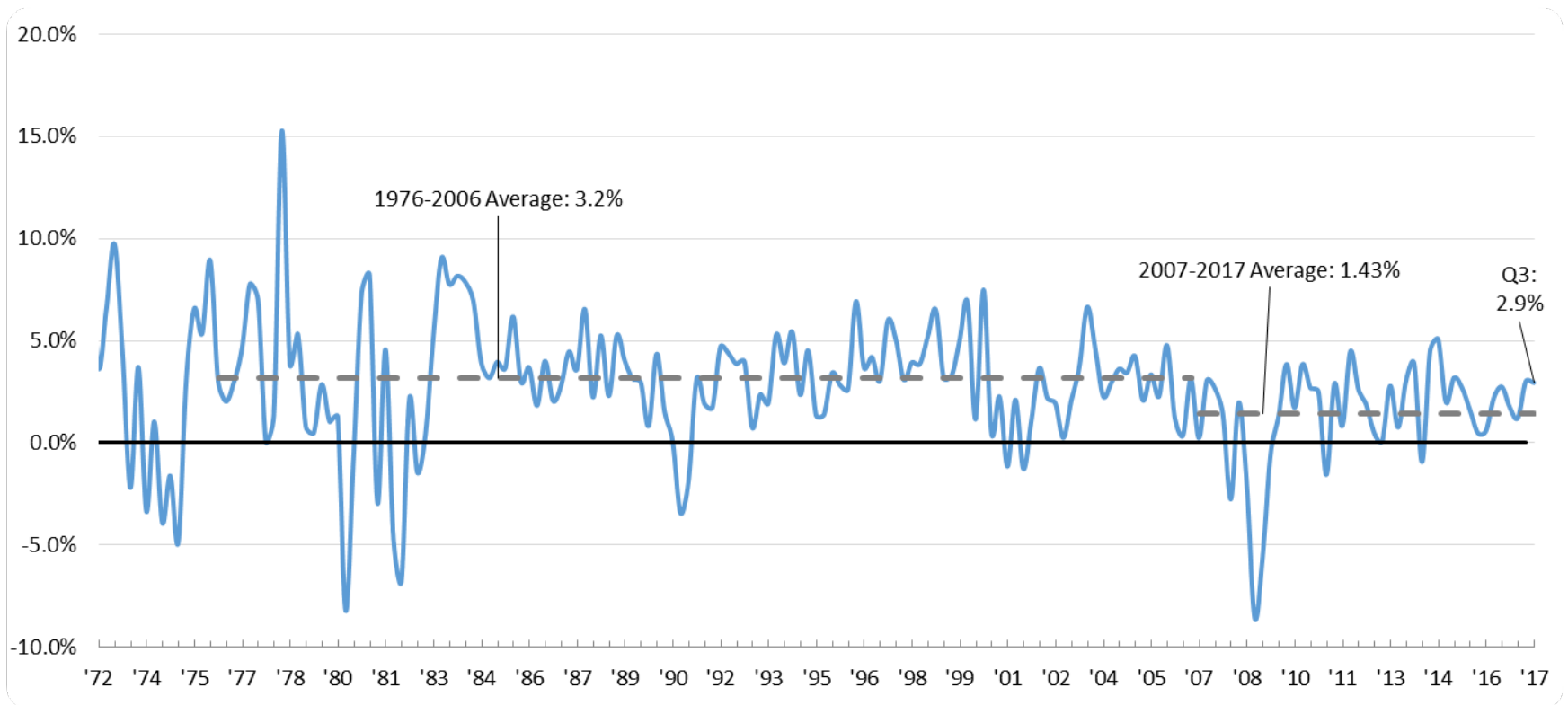
Economic vital signs

American politics

Q3 GDP growth dropped a tenth of a percent to 2.9%

Real GDP

PERCENT CHANGE FROM PRIOR QUARTER ANNUAL RATE

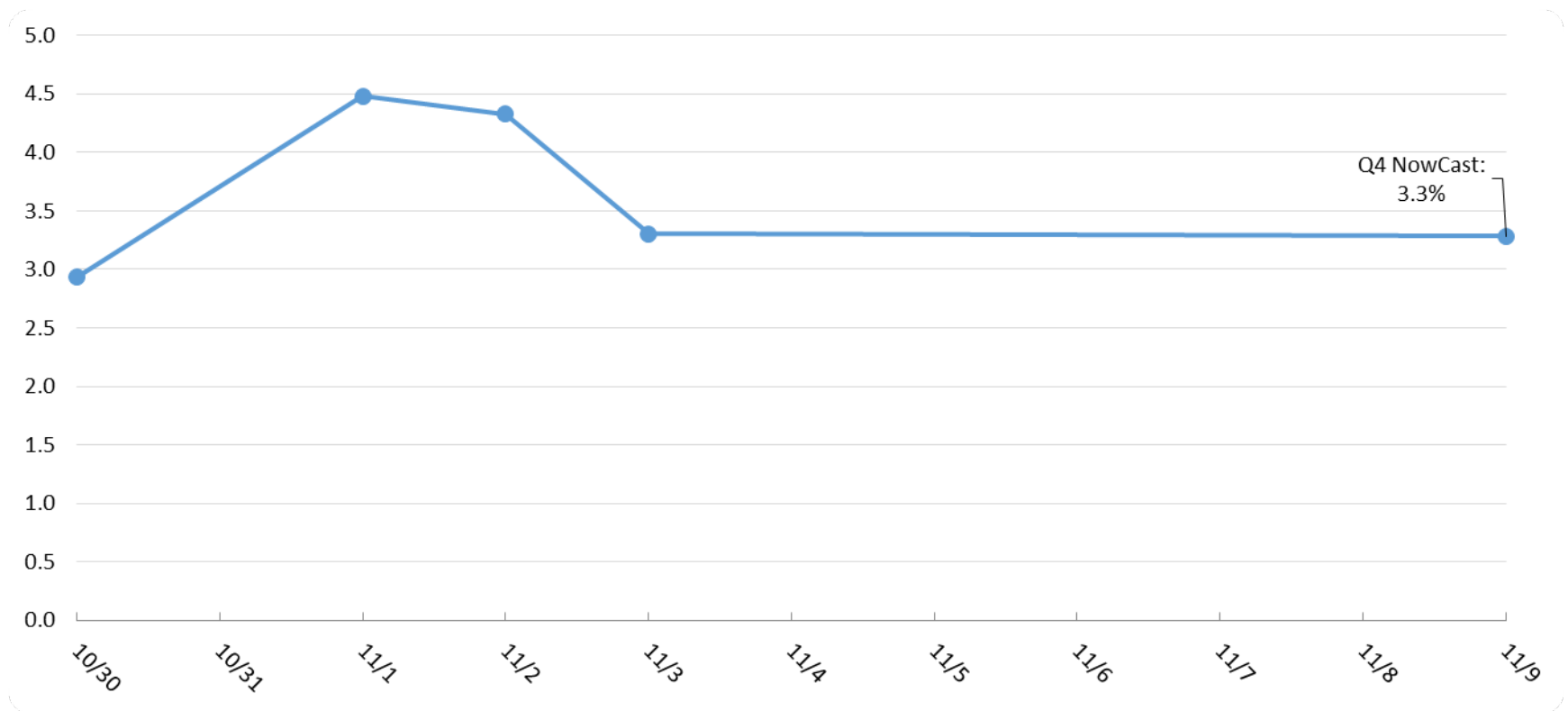


Source: St. Louis Federal Reserve, November 14, 2017.

GDPNow forecast for Q4 GDP has remained steady at 3.3%

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

QUARTERLY PERCENT CHANGE



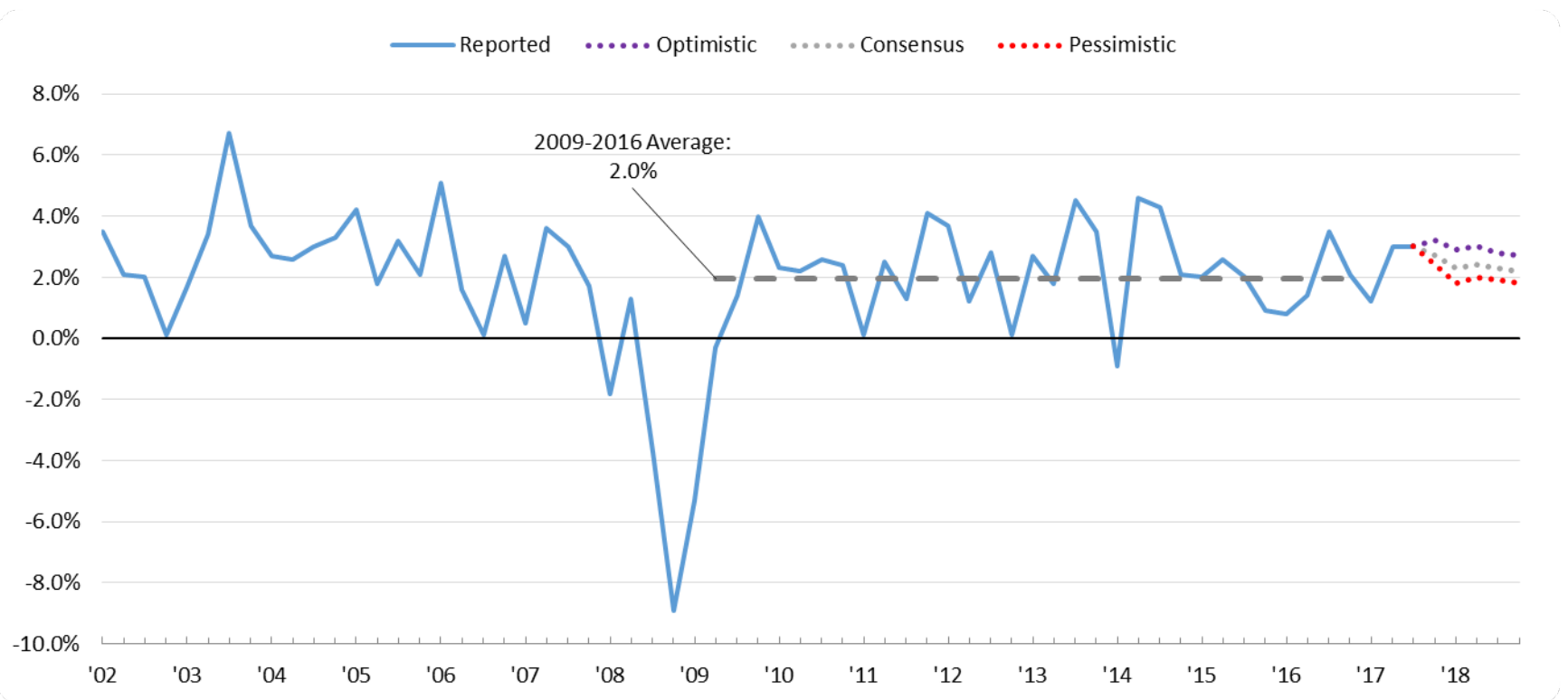
Source: Federal Reserve Bank of Atlanta, November 14, 2017.

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

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

Blue Chip Economic Indicators: GDP

ESTIMATED QUARTERLY CHANGE IN GDP

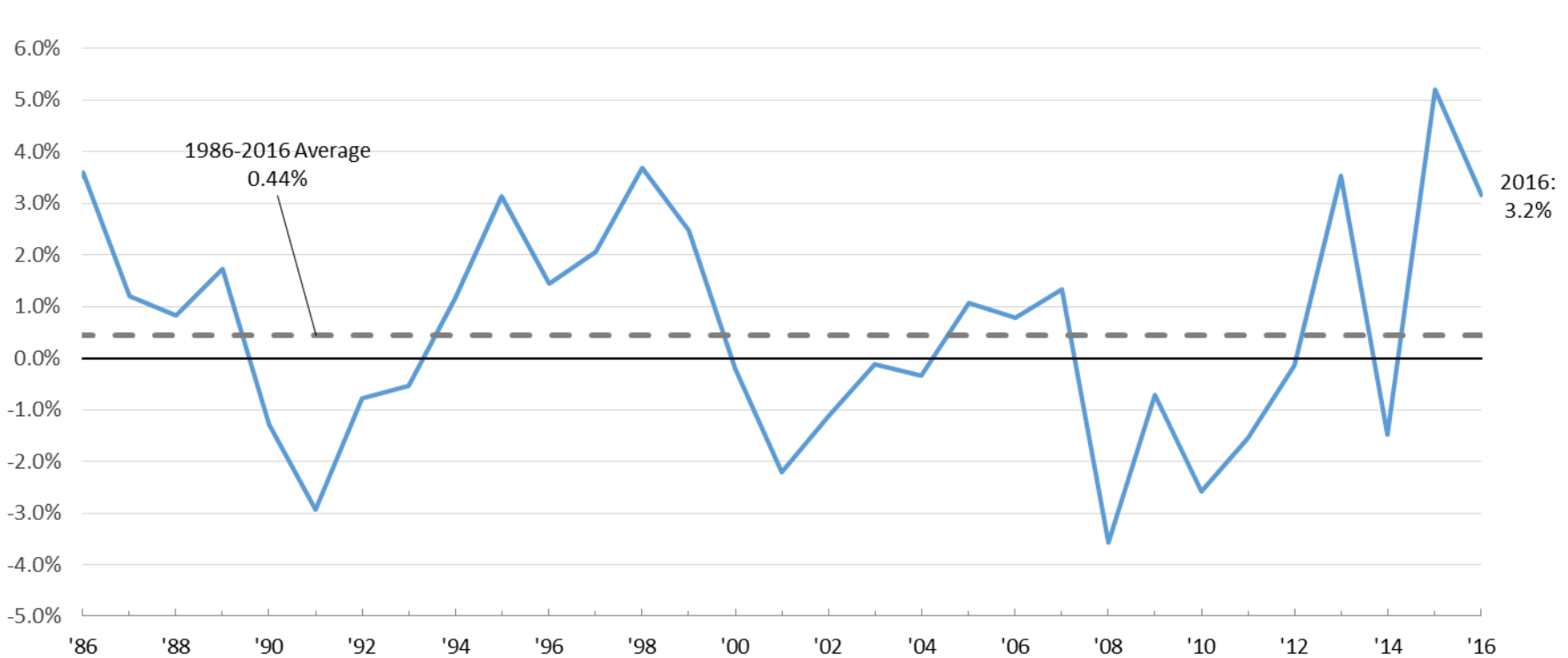


Source: Blue Chip Economic Indicators, November, 2017.

New data on 2016 real median household income showed 3.2% growth over 2015

Real median household income in the United States

ANNUAL PERCENT CHANGE

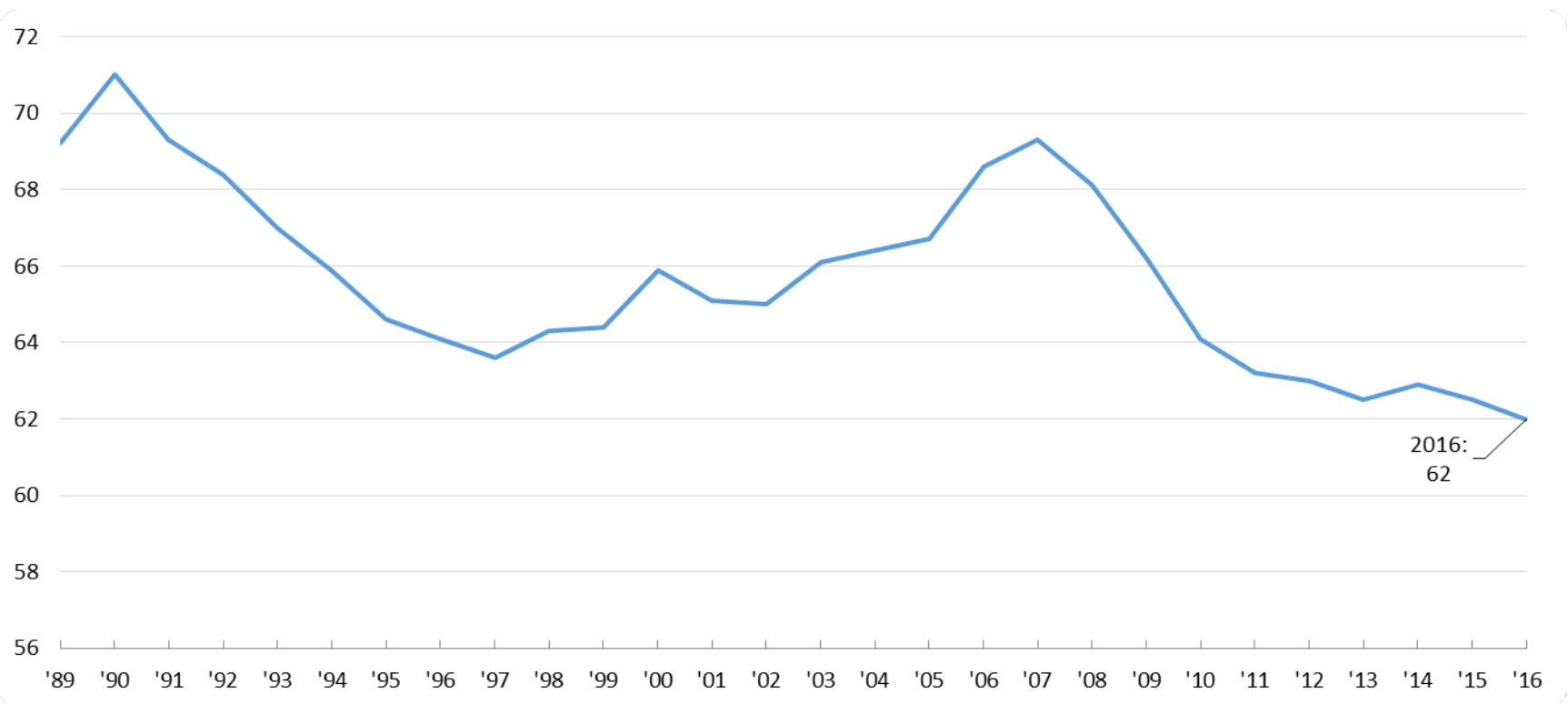


Source: St. Louis Federal Reserve, November 14, 2017.

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

U.S. general fertility rate

TOTAL NUMBER OF BIRTHS PER 1000 WOMEN AGED 15-44 YEARS

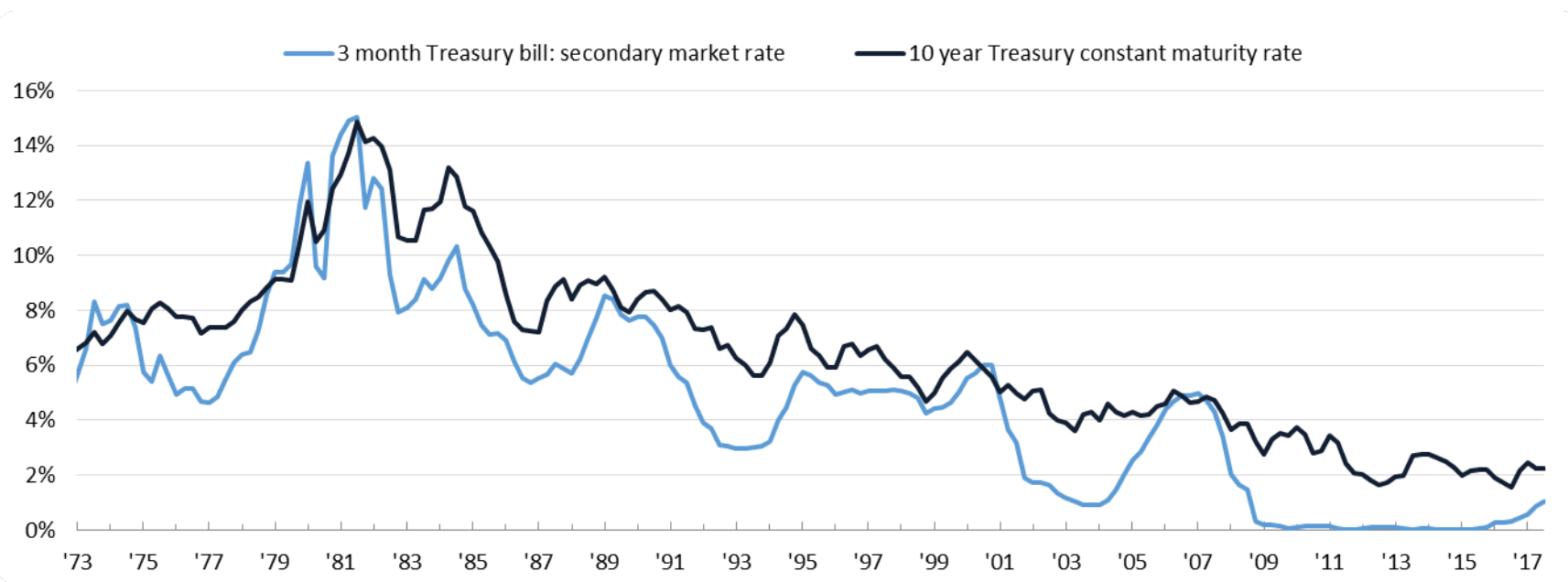


Source: CDC, National Vital Statistics Report, September, 2017.

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

Interest rates

AVERAGE QUARTERLY PERCENT



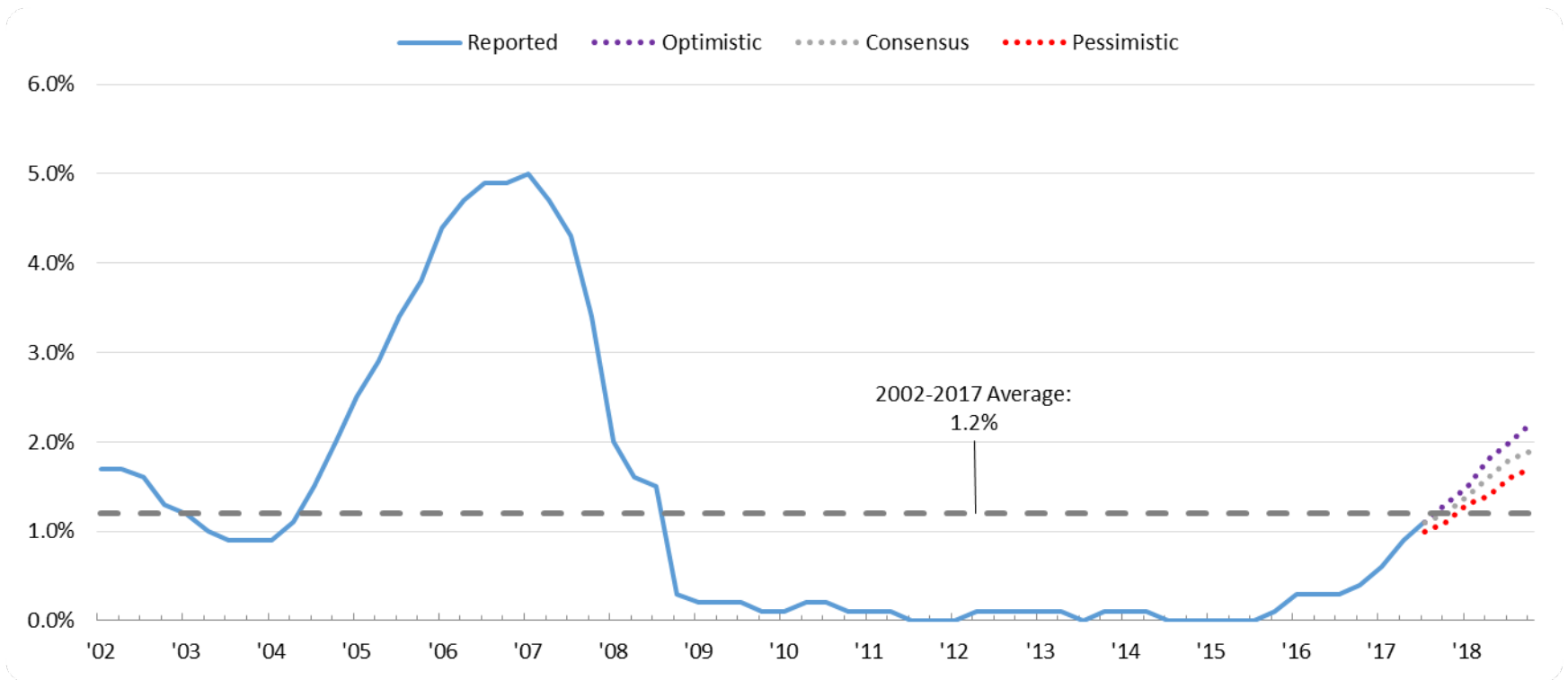
	1976-2006 average	2006-2017 average
3-month T-bills interest rate	6.0%	1.0%
10-year Treasury constant maturity rate	7.7%	3.0%

Source: Federal Reserve Bank of Atlanta, November 14, 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

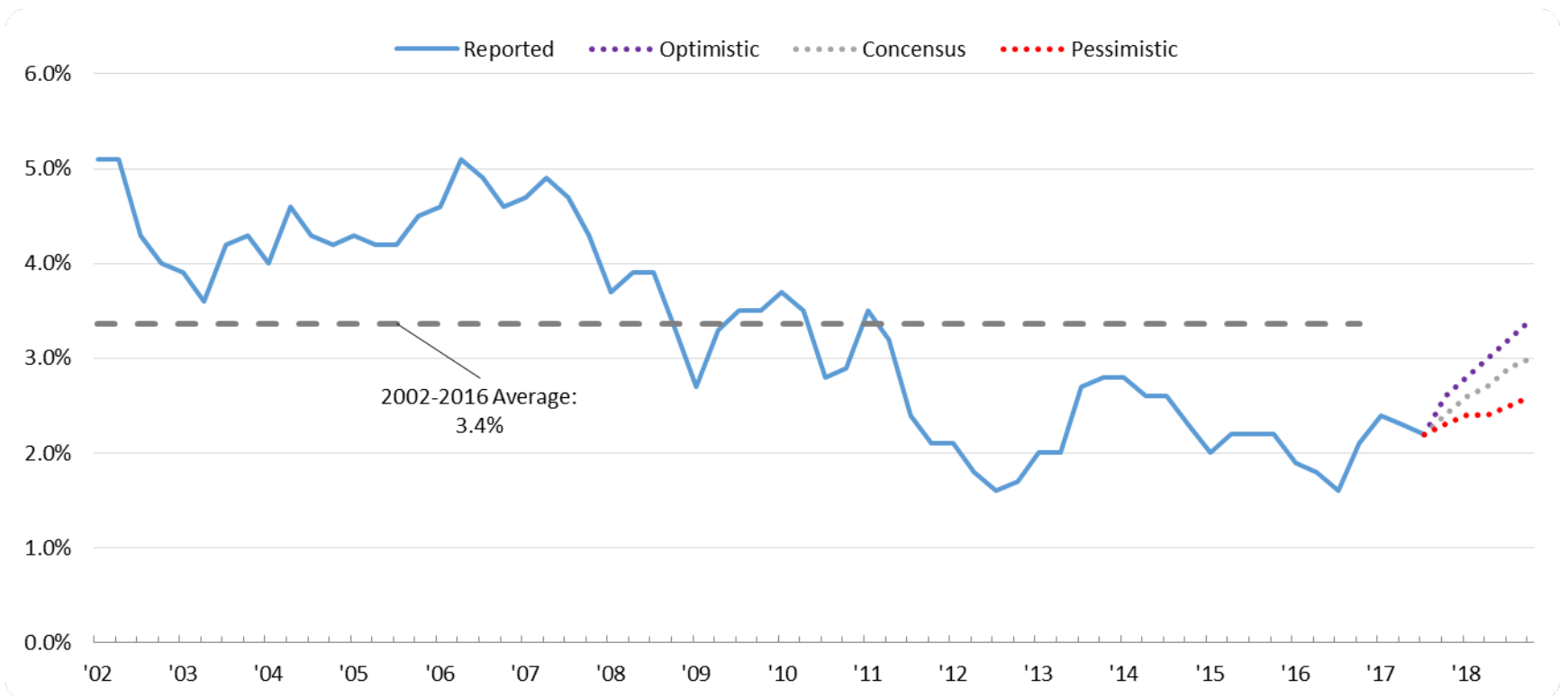


Source: Blue Chip Economic Indicators, November, 2017.

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

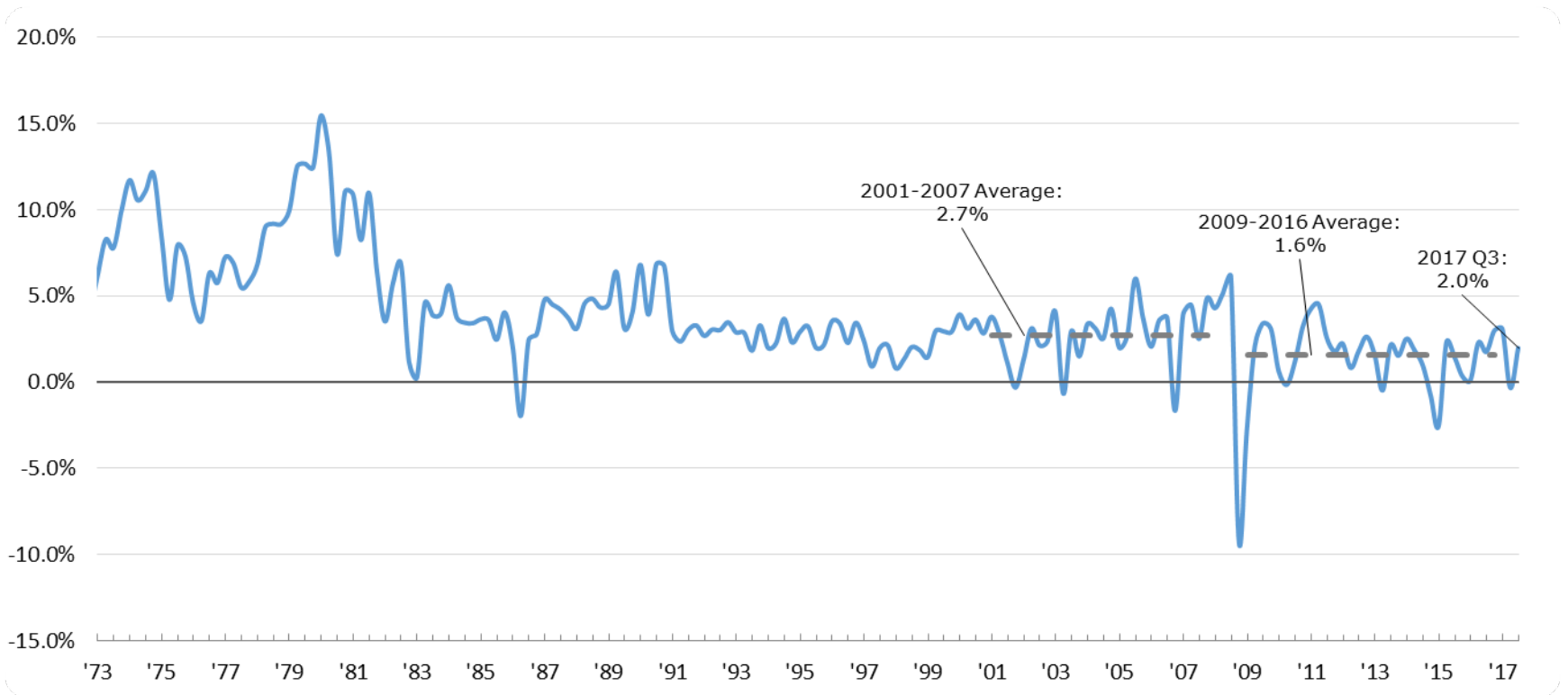


Source: Blue Chip Economic Indicators, November, 2017.

The Consumer Price Index for Q3 of 2017 ticked up 2% after a brief period of deflation in Q2

Consumer Price Index for all urban consumers

QUARTERLY PERCENT CHANGE

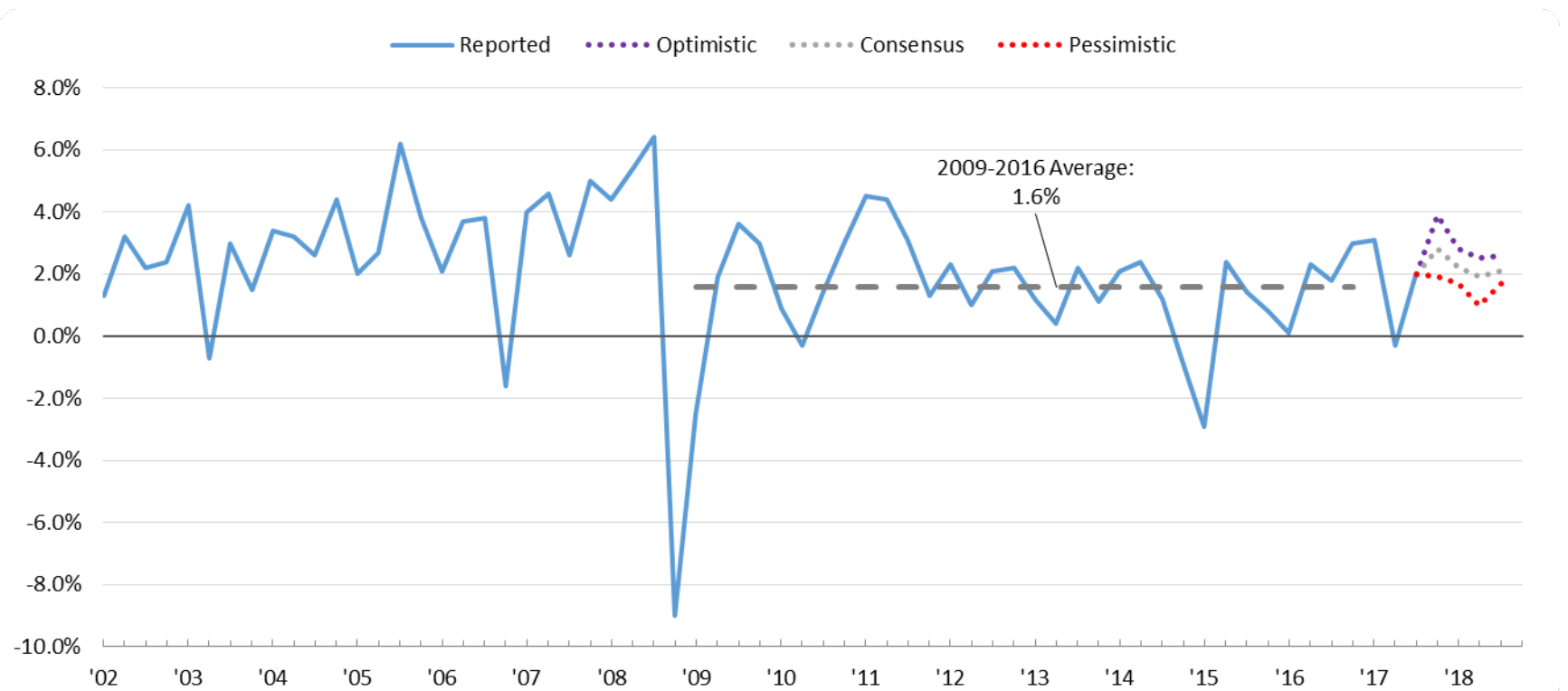


Source: St. Louis Federal Reserve, September 1, 2017.

Blue Chip expects the CPI to hover around 2% through 2018

Blue Chip Economic Indicators: Consumer Price Index

ESTIMATED QUARTERLY CPI

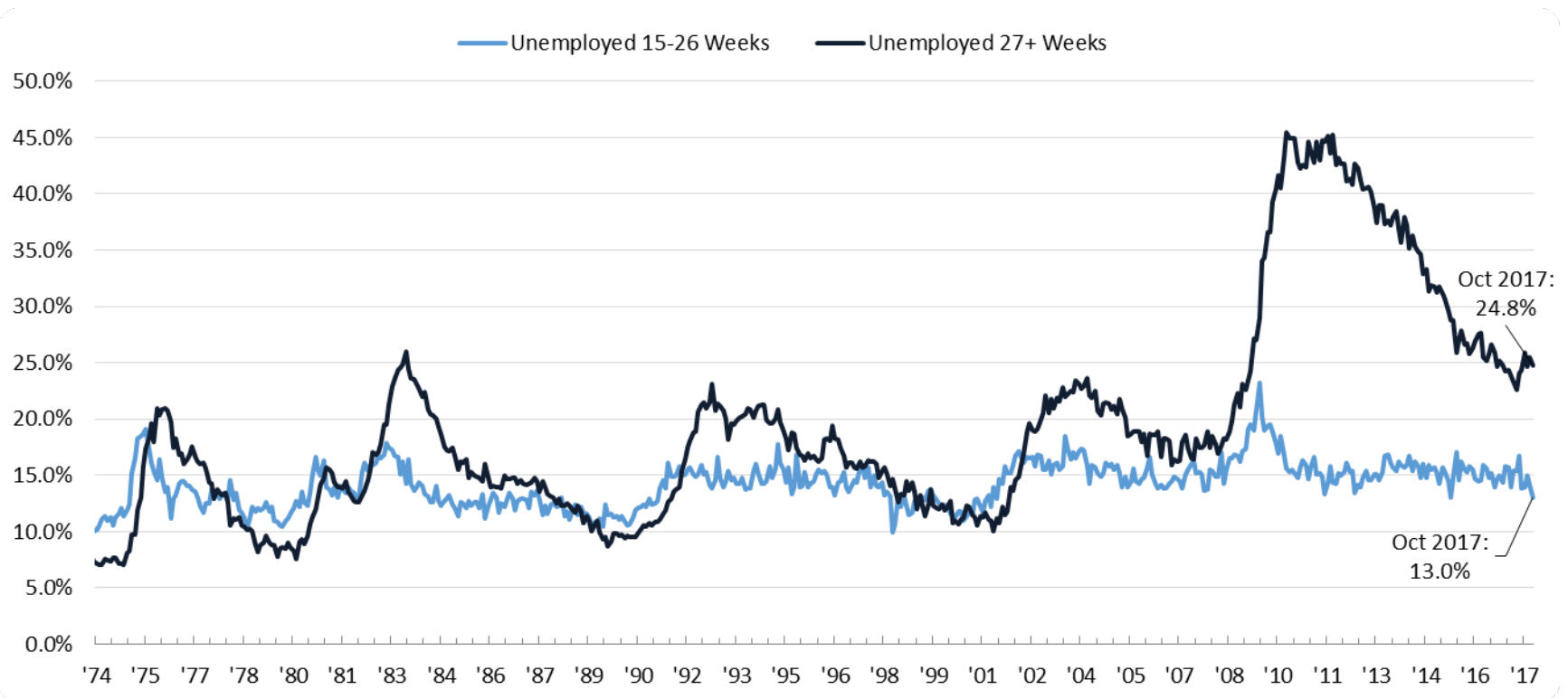


Source: Blue Chip Economic Indicators, September, 2017.

Long-term unemployment continued to decrease in October as a percentage of total unemployed

Unemployment rate

PERCENTAGE OF UNEMPLOYED BY DURATION OF UNEMPLOYMENT

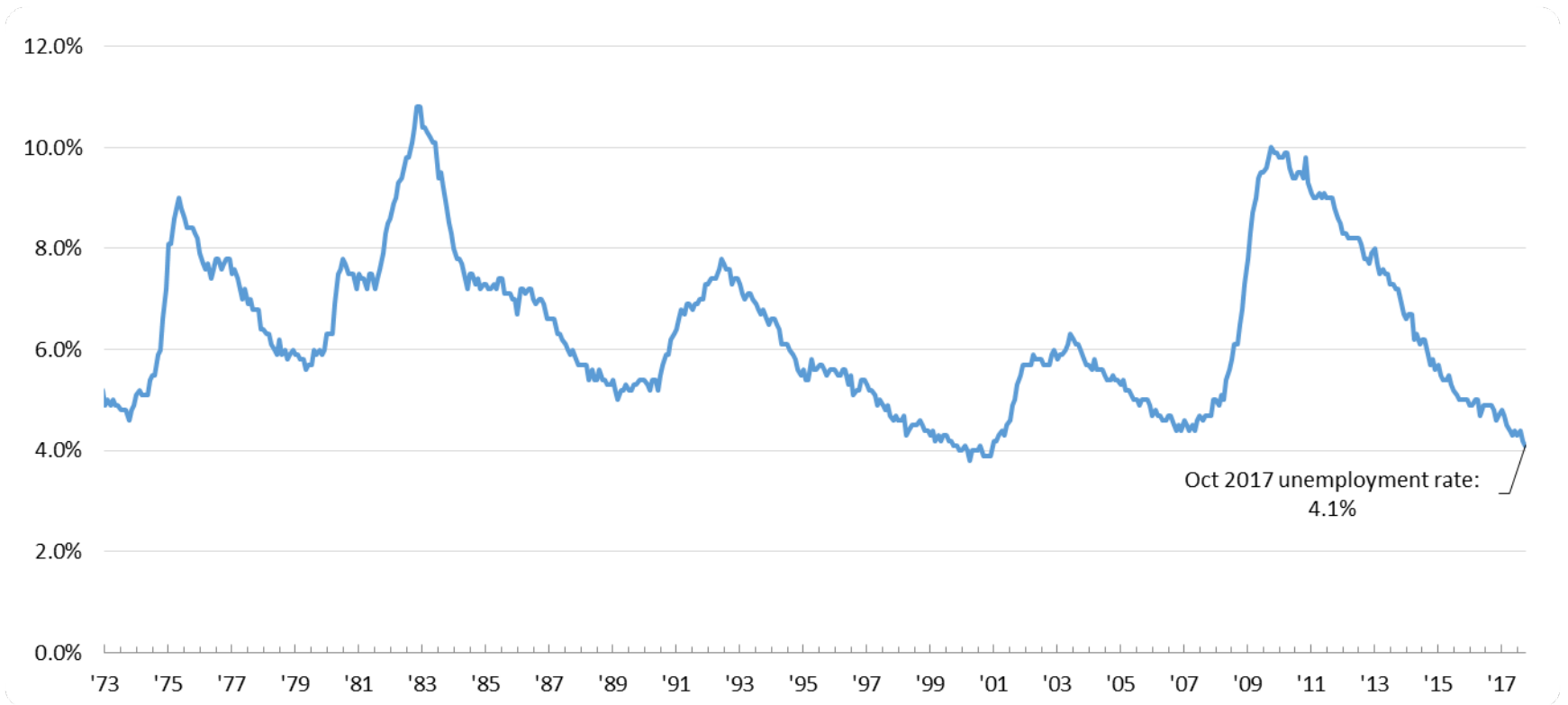


Source: St. Louis Federal Reserve, September 1, 2017.

The total unemployment rate declined again in October to 4.1%

Unemployment rate

ACTUAL YEAR-TO-DATE UNEMPLOYMENT RATES

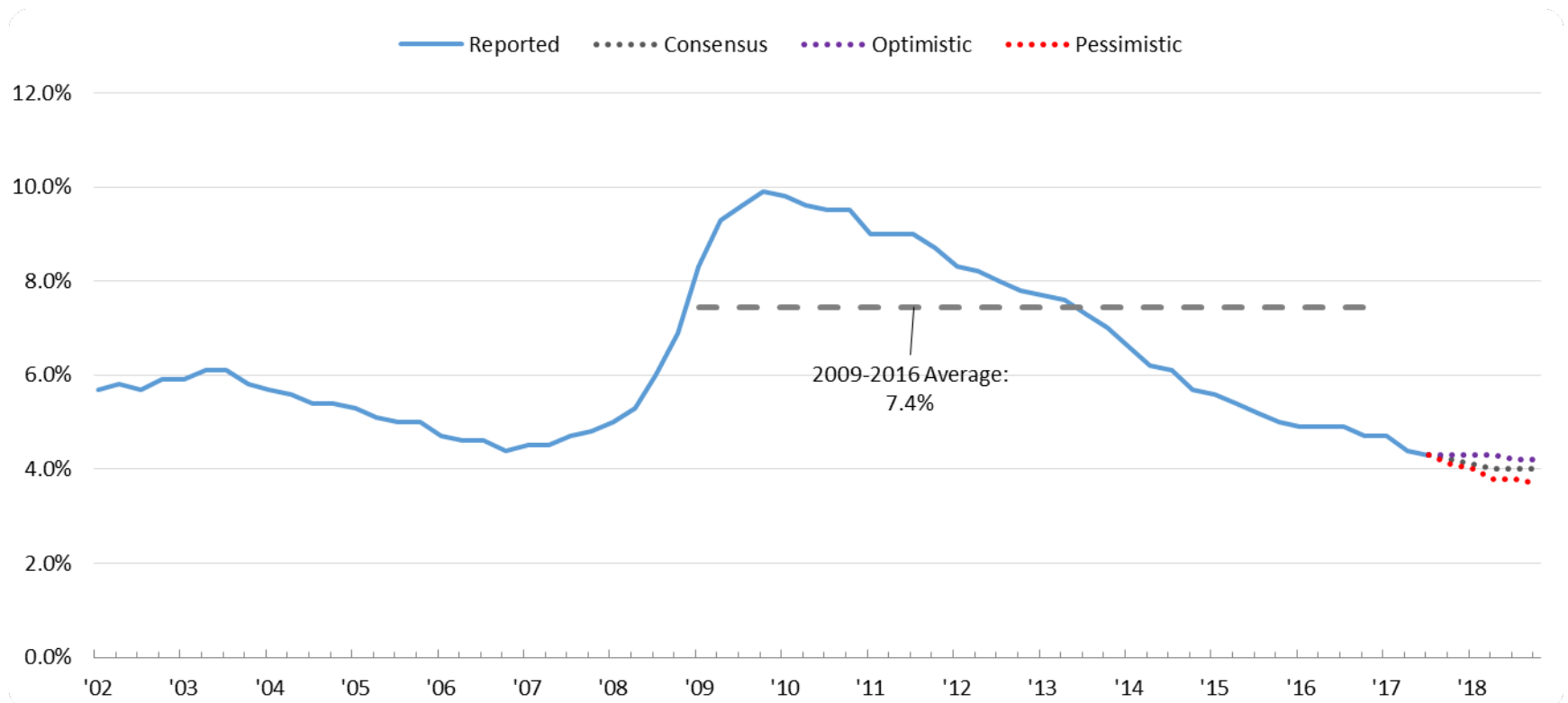


Source: St. Louis Federal Reserve, September 1, 2017.

Forecasts suggest that unemployment will hover around 4% through 2018

Blue Chip Economic Indicators: unemployment rate

ESTIMATED QUARTERLY UNEMPLOYMENT

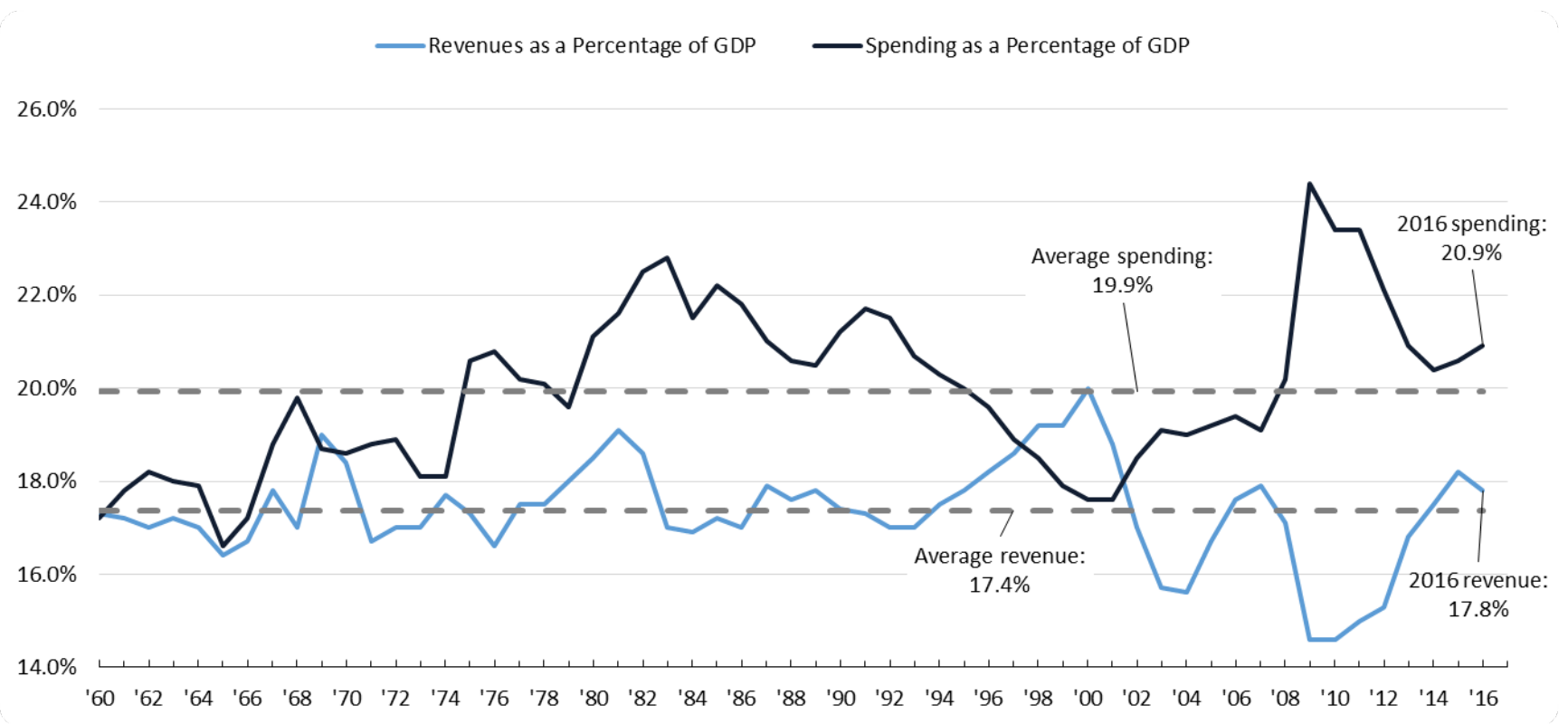


Source: Blue Chip Economic Indicators, September, 2017.

Towards the end of Obama's second term, the deficit began to increase again, a trend which continues into 2017

Federal government taxes and spending

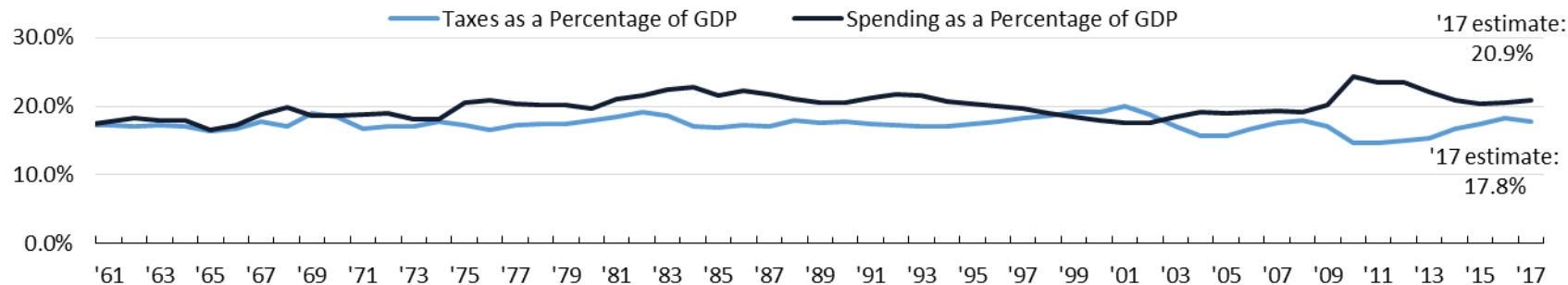
PERCENT OF GDP



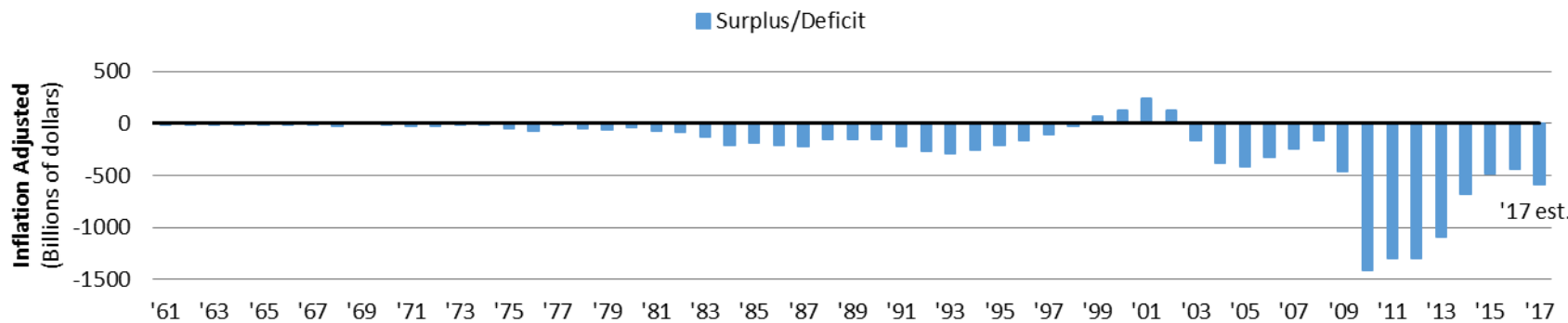
Source: White House Office of Management and Budget, Historical Tables, 2017.

The federal government has been running a deficit since 2003

U.S. taxing and spending as percentage of GDP



U.S. deficits and surplus

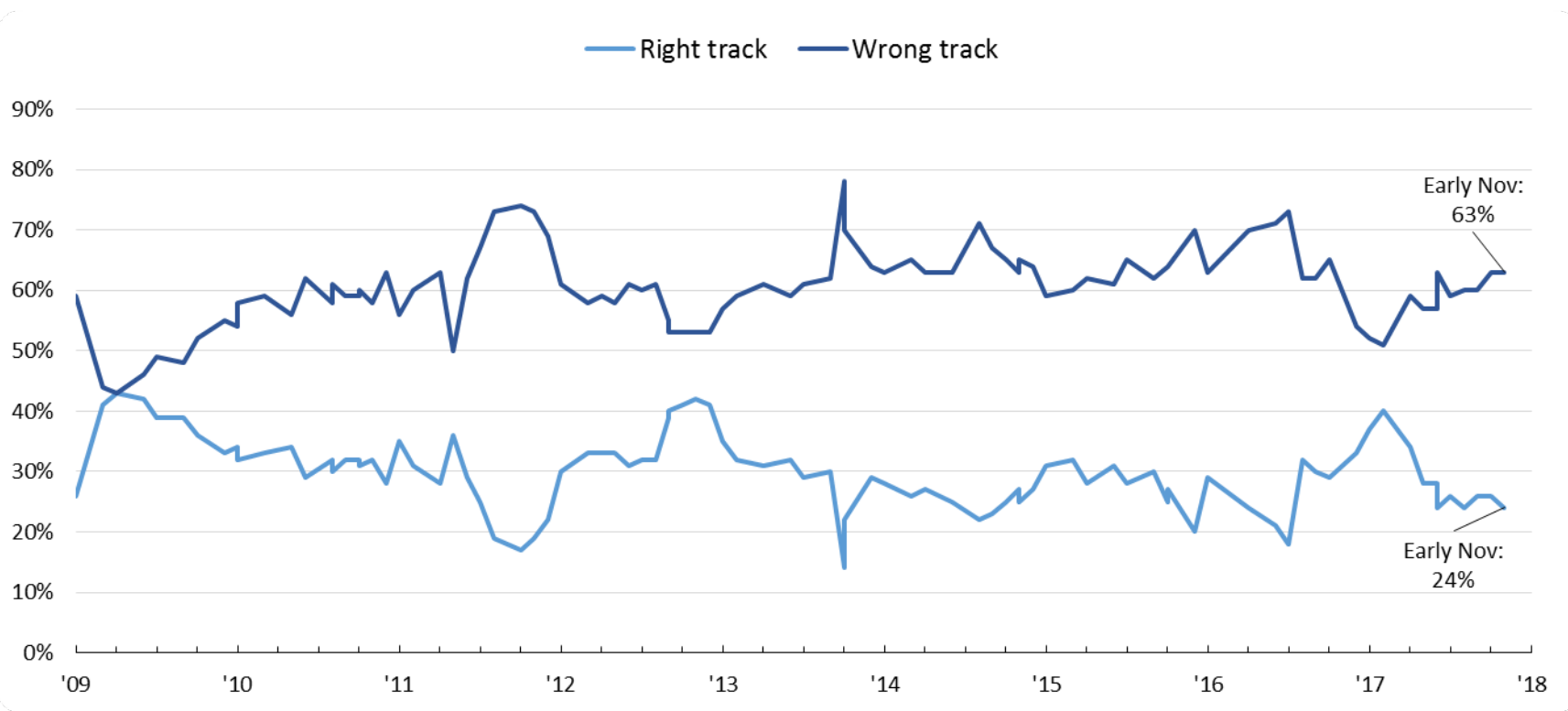


Source: White House Office of Management and Budget, Historical Tables, 2017.

Americans have been growing more pessimistic in 2017

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?"

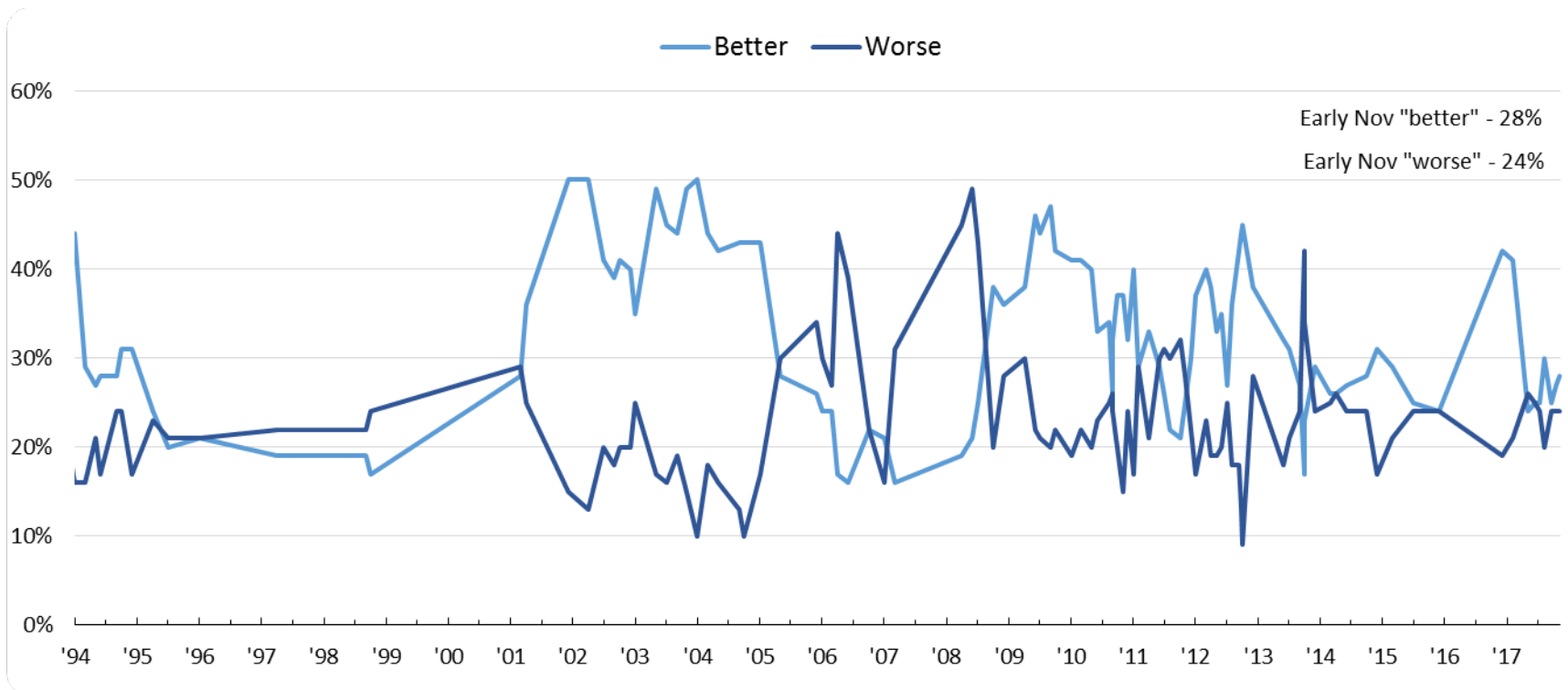


Source: Before April 2017: NBC/WSJ Poll. After April 2017: Reuters/Ipsos tracking poll.

But the public's outlook on the economy is trending positively

Public opinion on the direction of the US economy

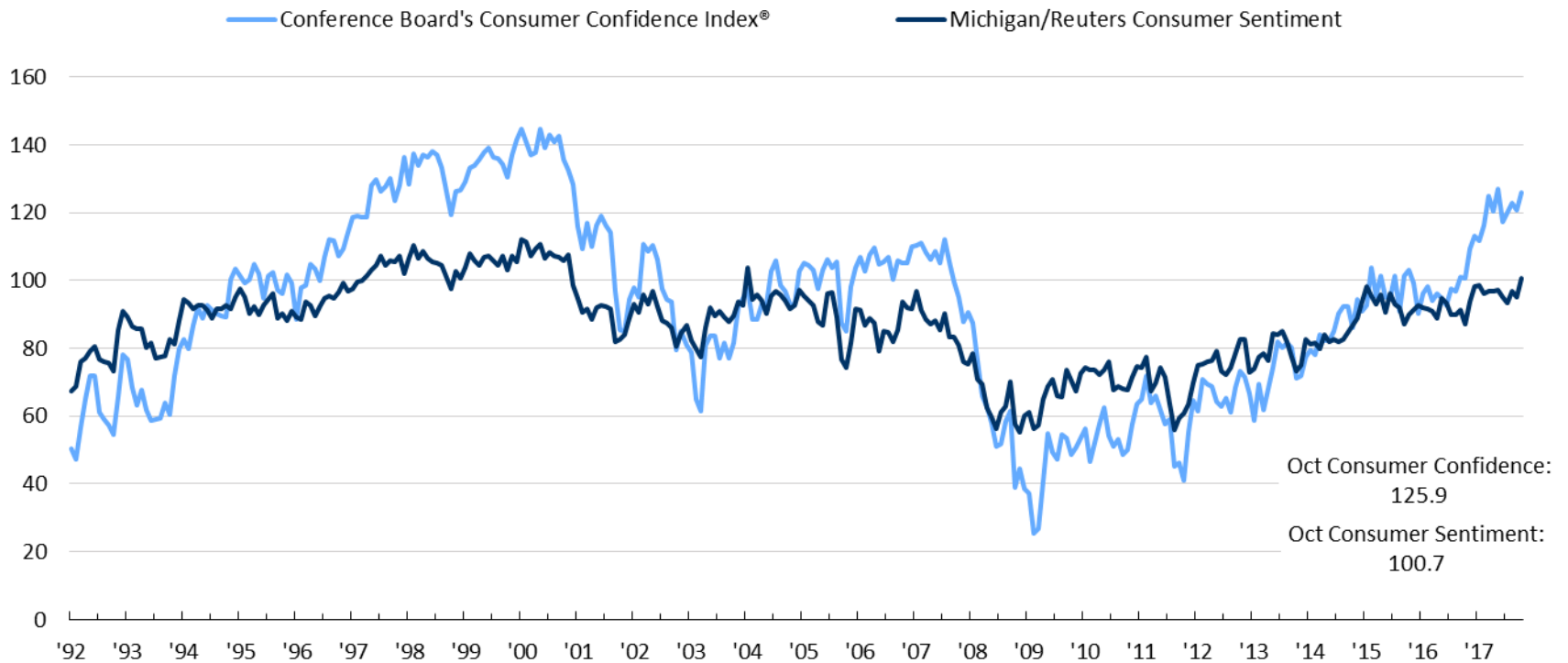
PERCENT RESPONDING TO THE QUESTION: "During the next twelve months, do you think that the nation's economy will get better or worse?"



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

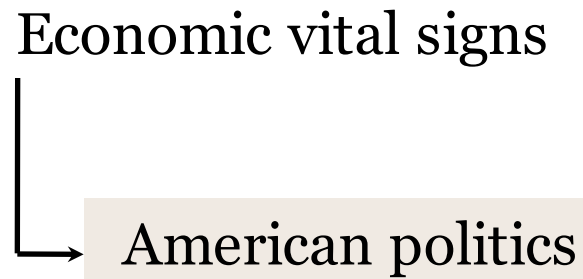
Although consumer confidence had begun to plateau, in October both indices rose

Consumers Confidence Index ® and Consumer Sentiment



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

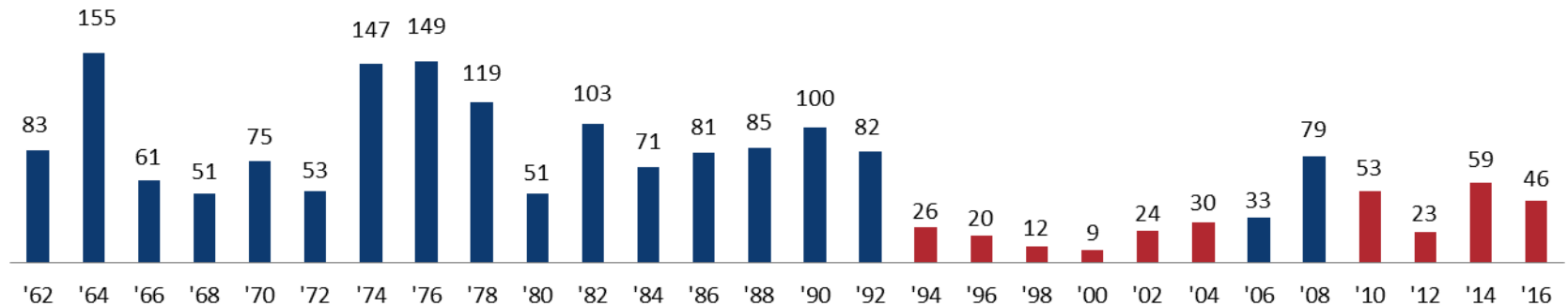
Roadmap for the presentation



Congressional partisanship frames fiscal fights

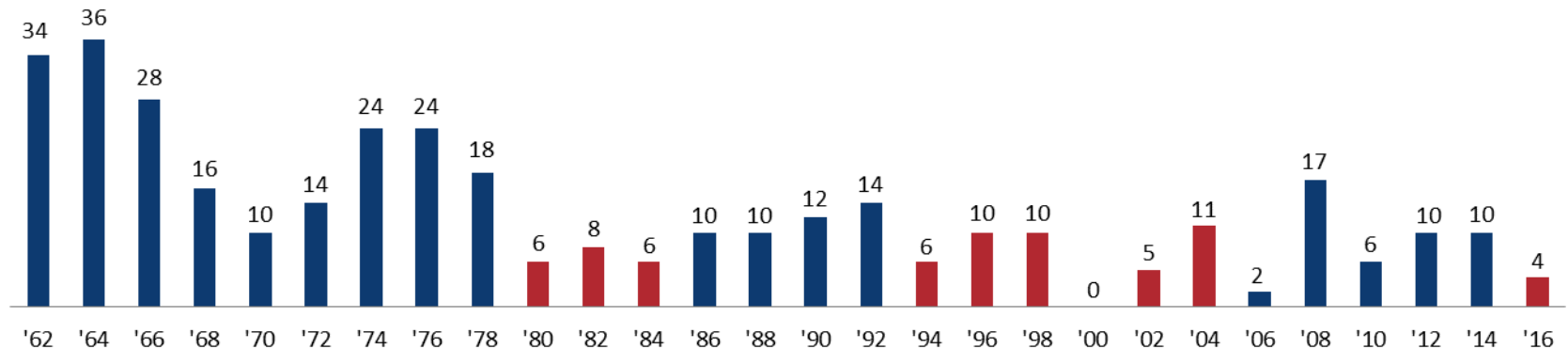
Margin of House control after election

88TH-114TH CONGRESS



Margin of Senate control after election

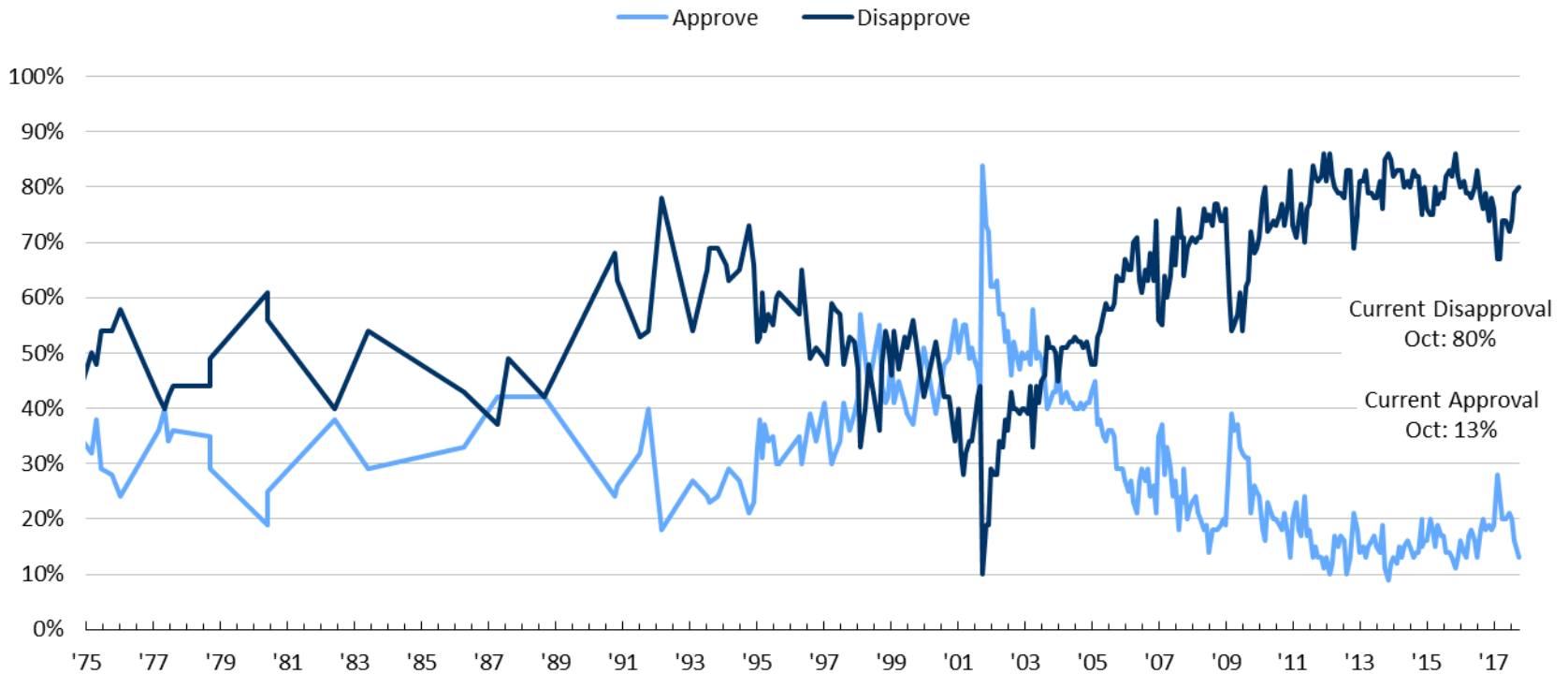
88TH-114TH CONGRESS



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 to a historic 13%

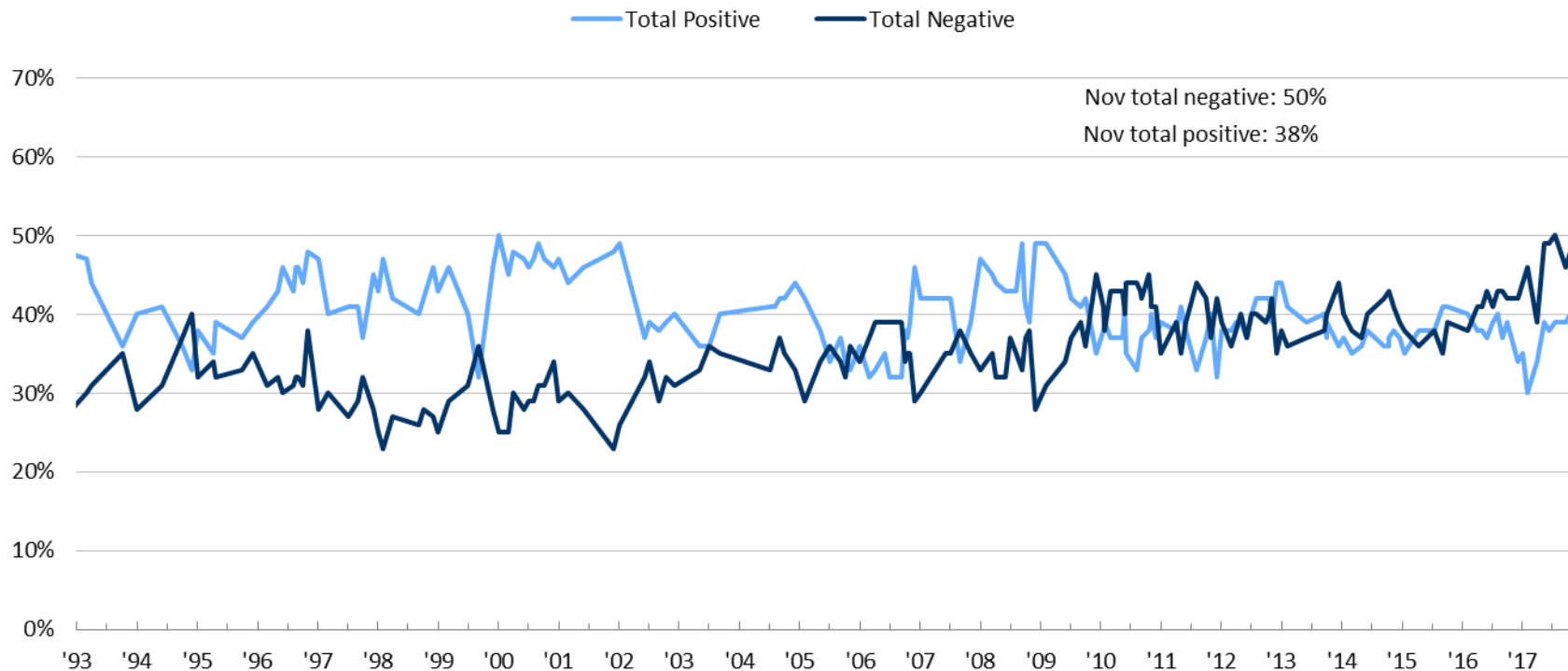
Congressional approval rating



Source: Gallup.com, November 2017.

The public's net opinion of the Democratic Party is negative but has been trending increasingly positive

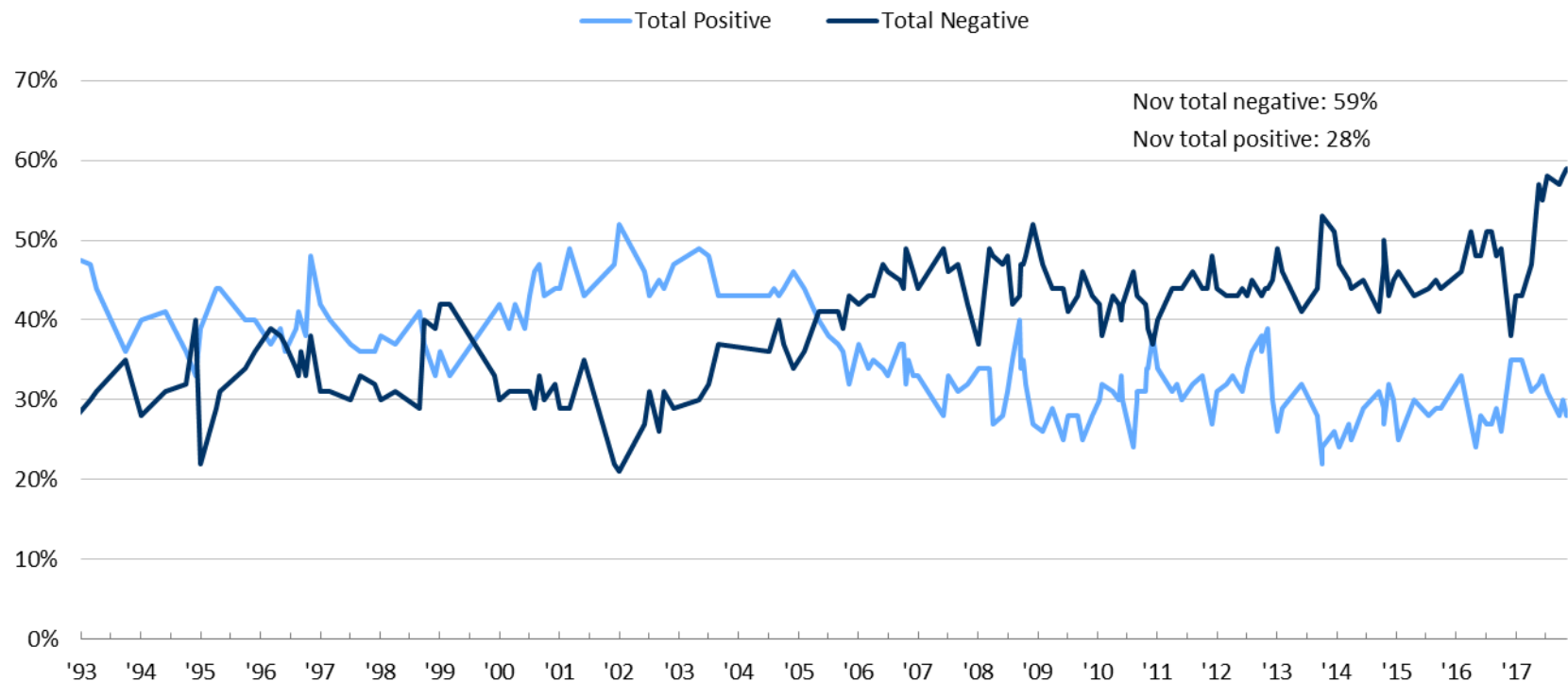
American public view of the Democratic Party



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

The public's opinion of the GOP is trending negatively, and its approval is 10 points lower than Dems

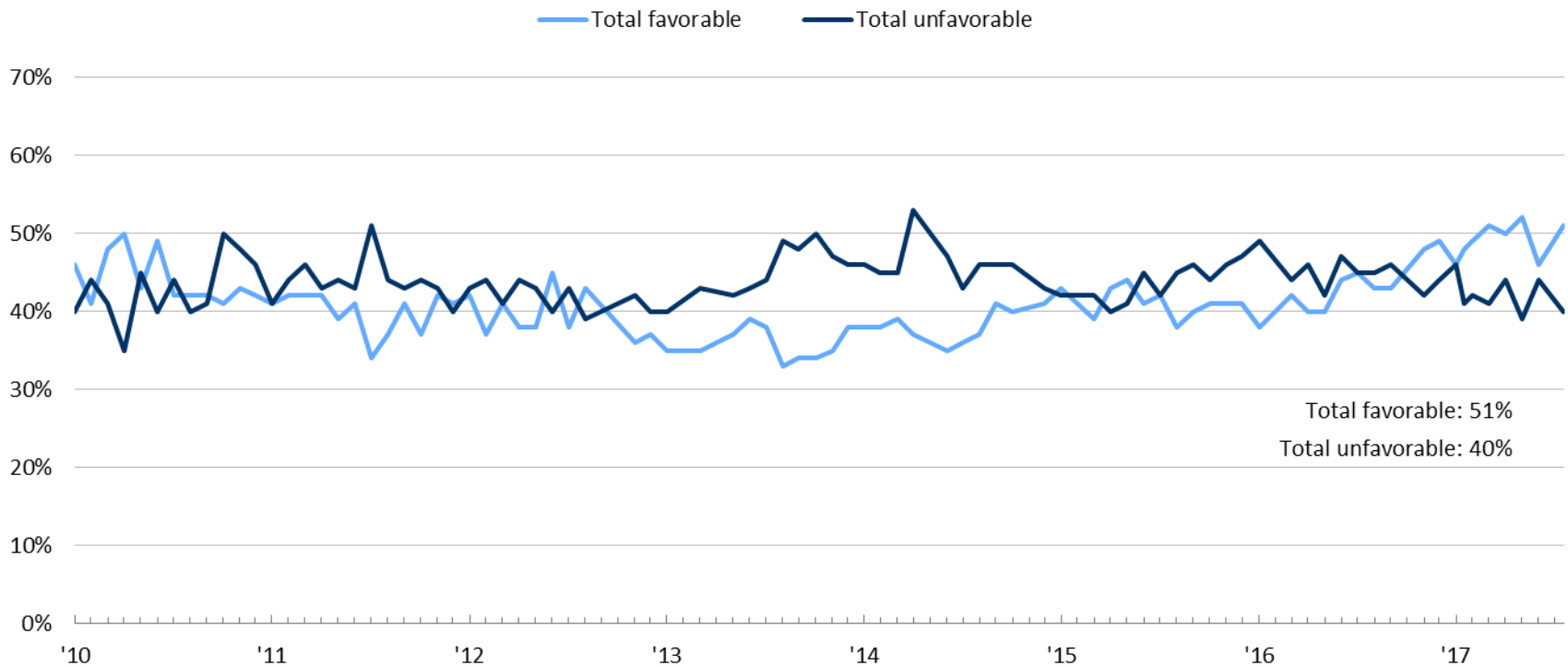
American public view of the Republican Party



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

The Affordable Care Act's approval numbers increased again to over 50% in October

Kaiser Family Foundation Health Tracking Poll: ACA Favorability

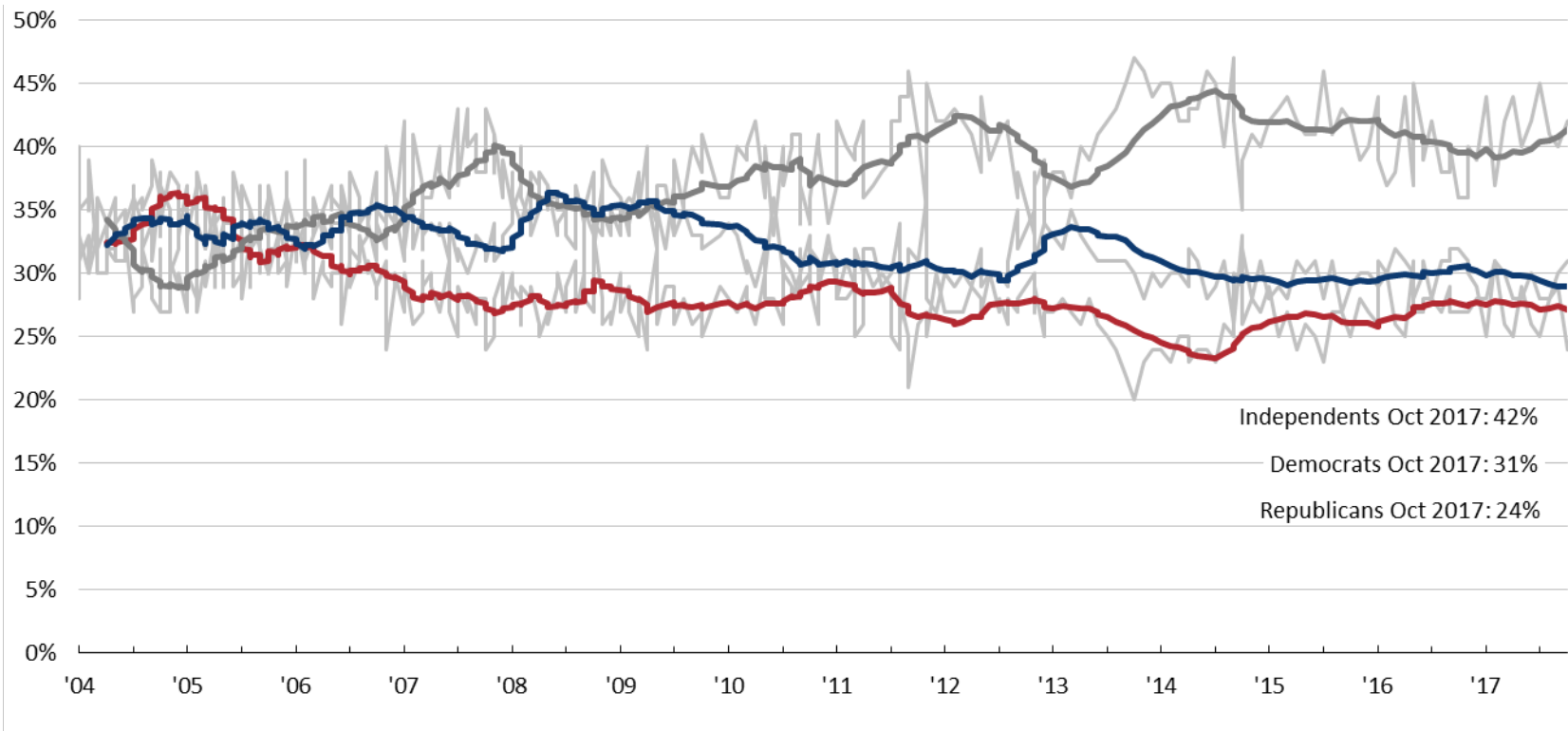


Source: KFF Health Tracking Poll, November 14, 2017.

According to Gallup, Democrats ended October with 7-point lead in affiliation

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)

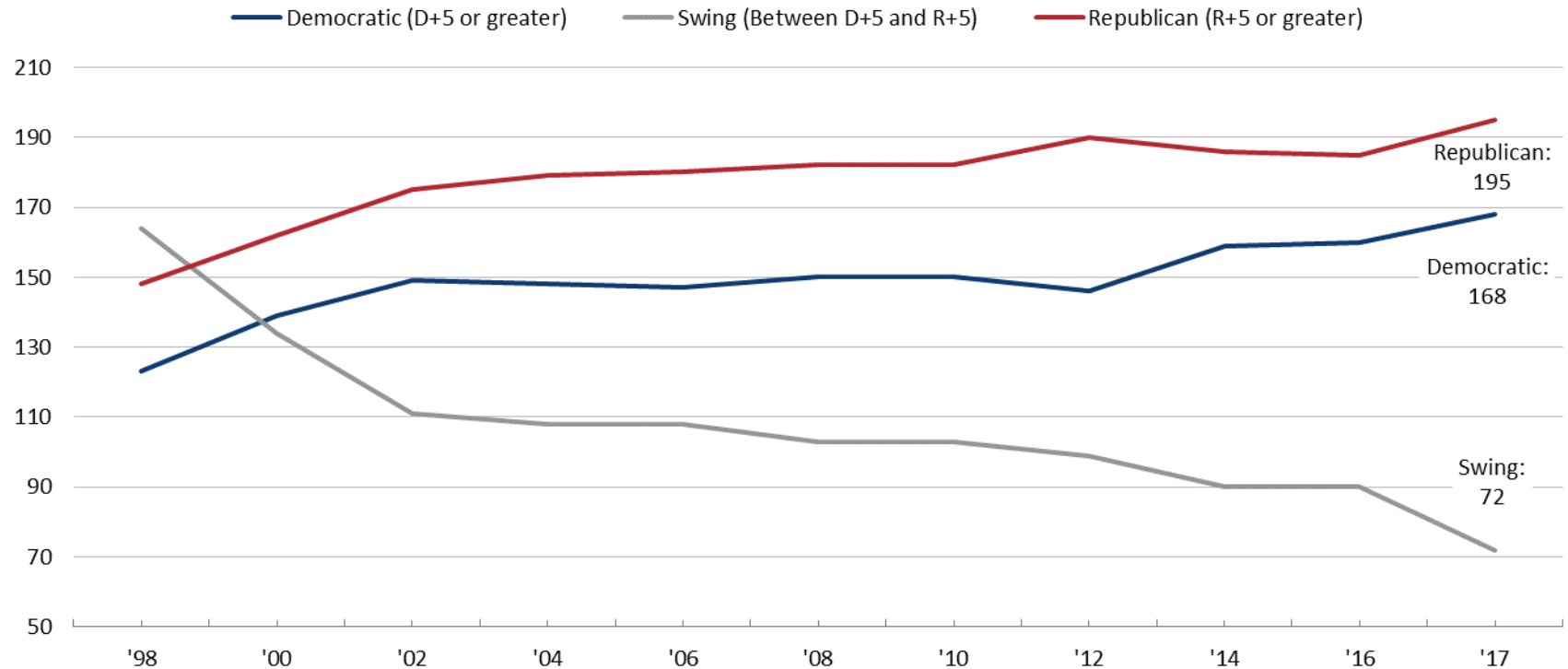


Source: Gallup.com, August 2017.

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

Cook Political Report rates the districts

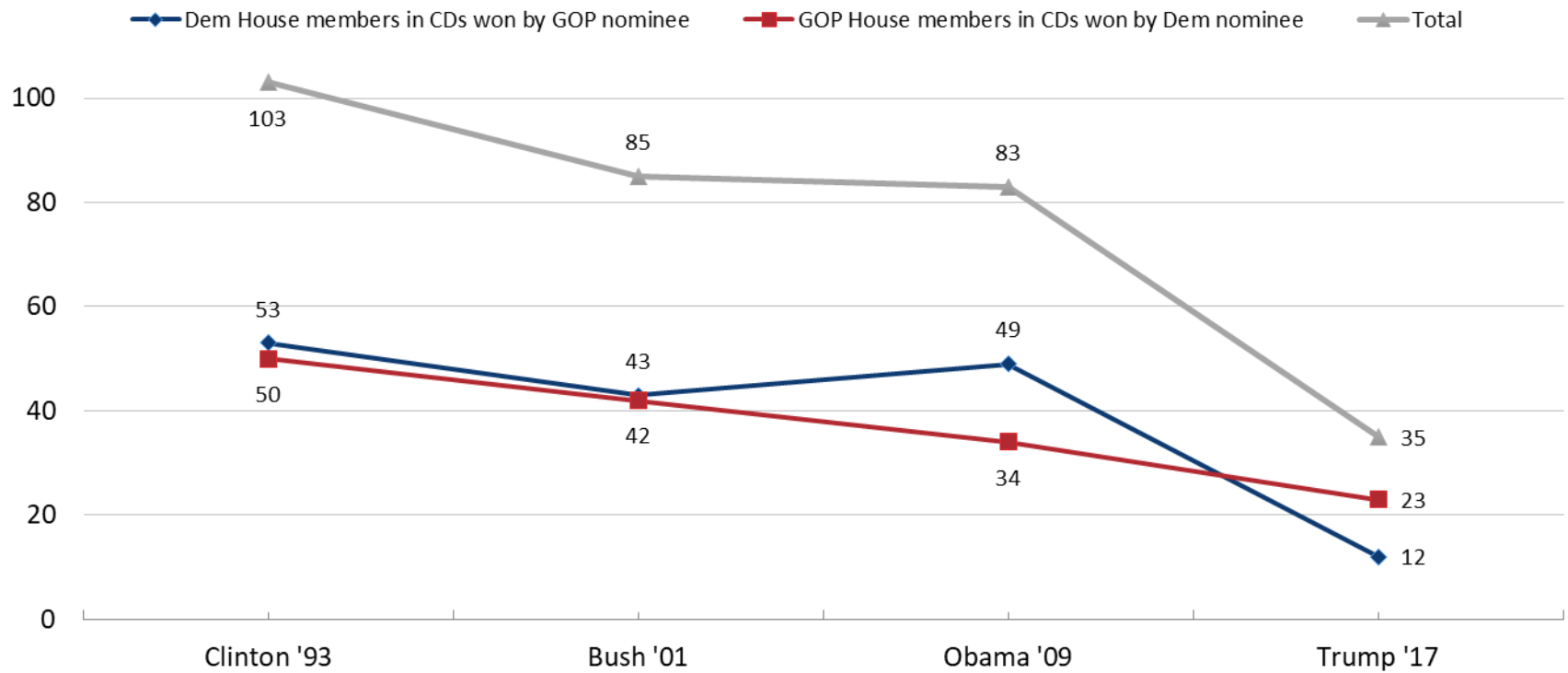
HOUSE MAKEUP BY COOK PARTISAN VOTE INDEX



Source: Cook Political Report, 2017.

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

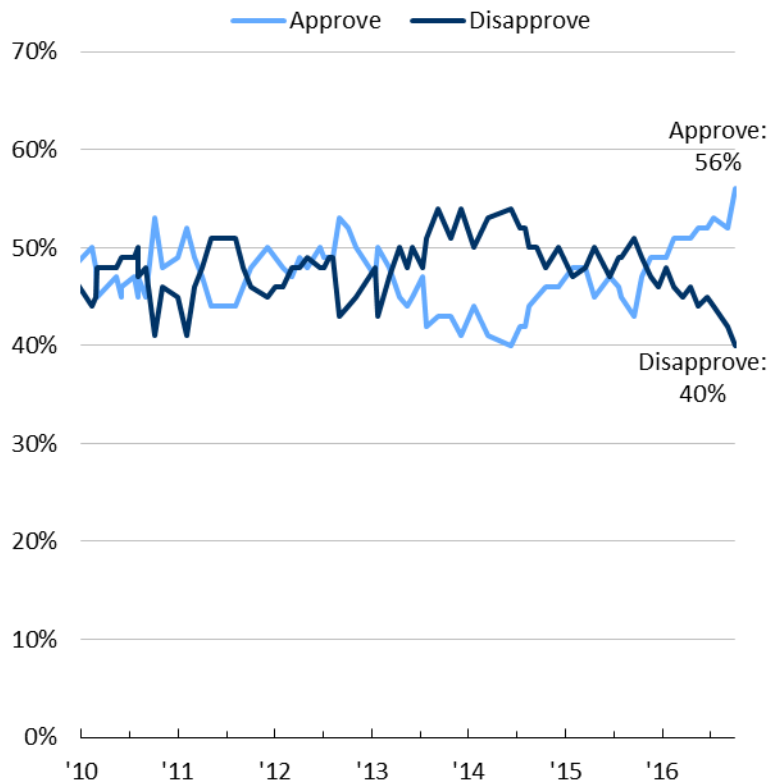
House members in congressional districts won by opposite party's presidential nominee



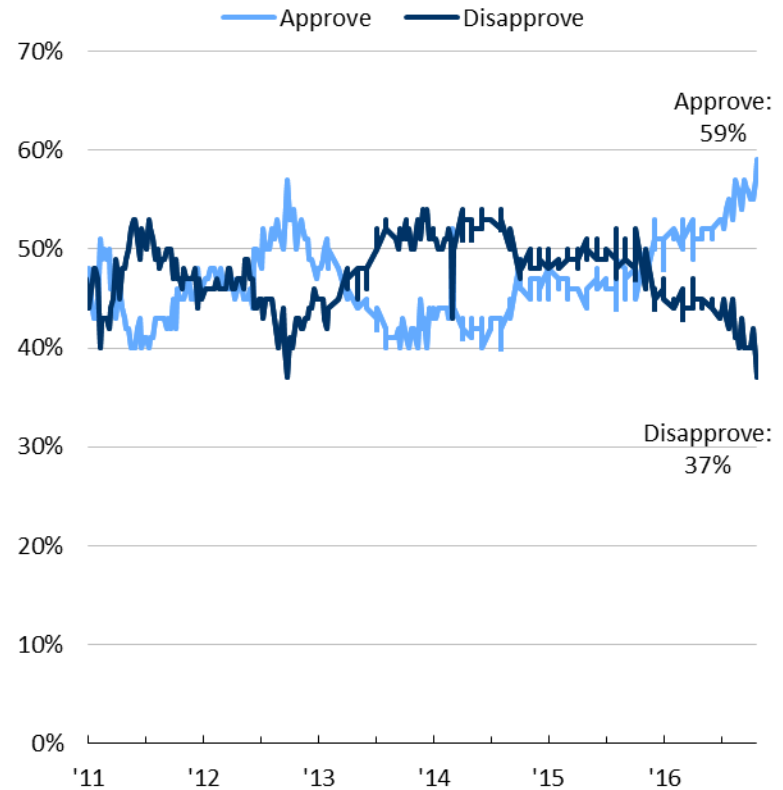
Source: Cook Political Report, 2017.

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



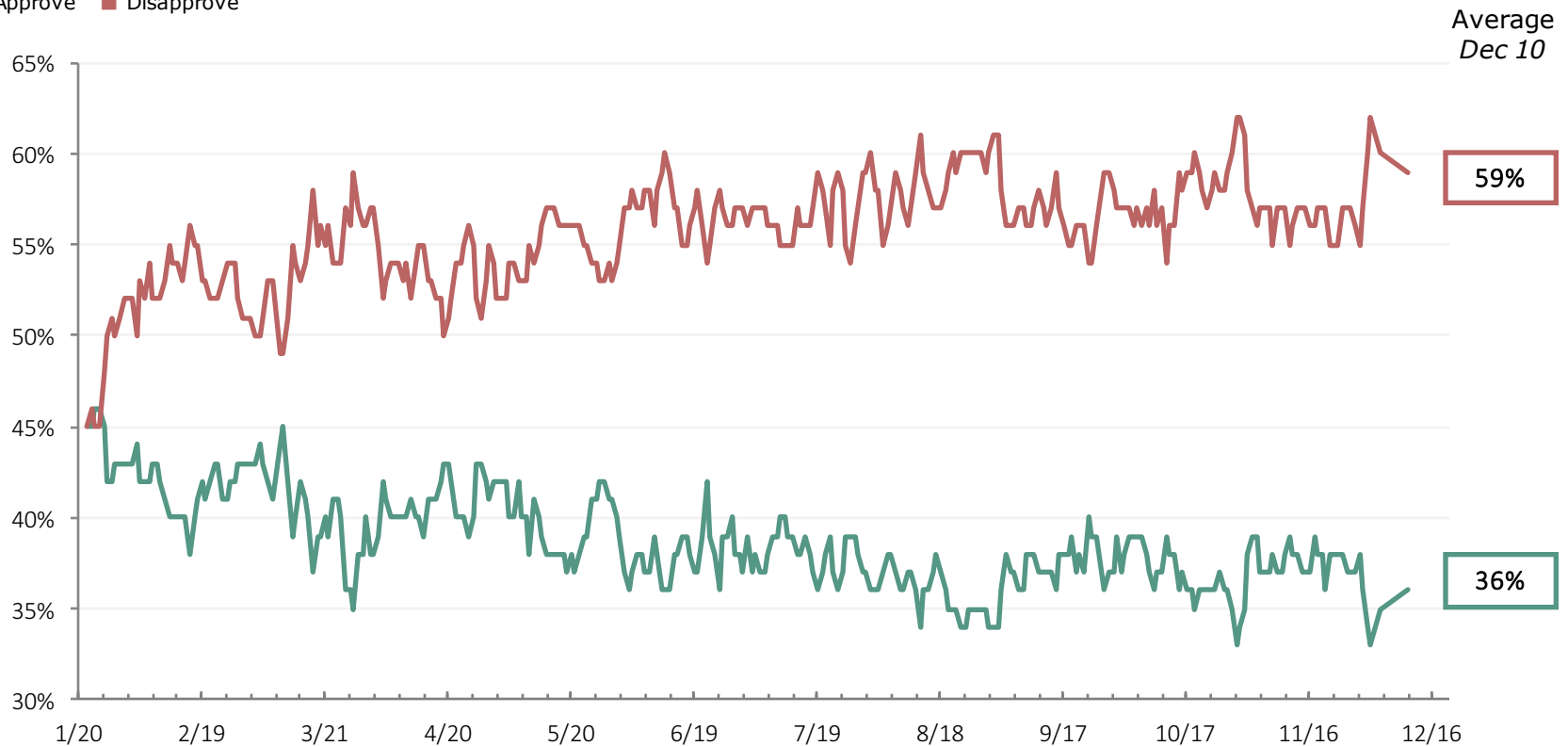
Source: NBC/WSJ Poll, January 2017; Gallup.com, January 2017.

Since June, Trump's approval rating has not risen above 40%

Donald Trump approval ratings since inauguration

GALLUP

■ Approve ■ Disapprove

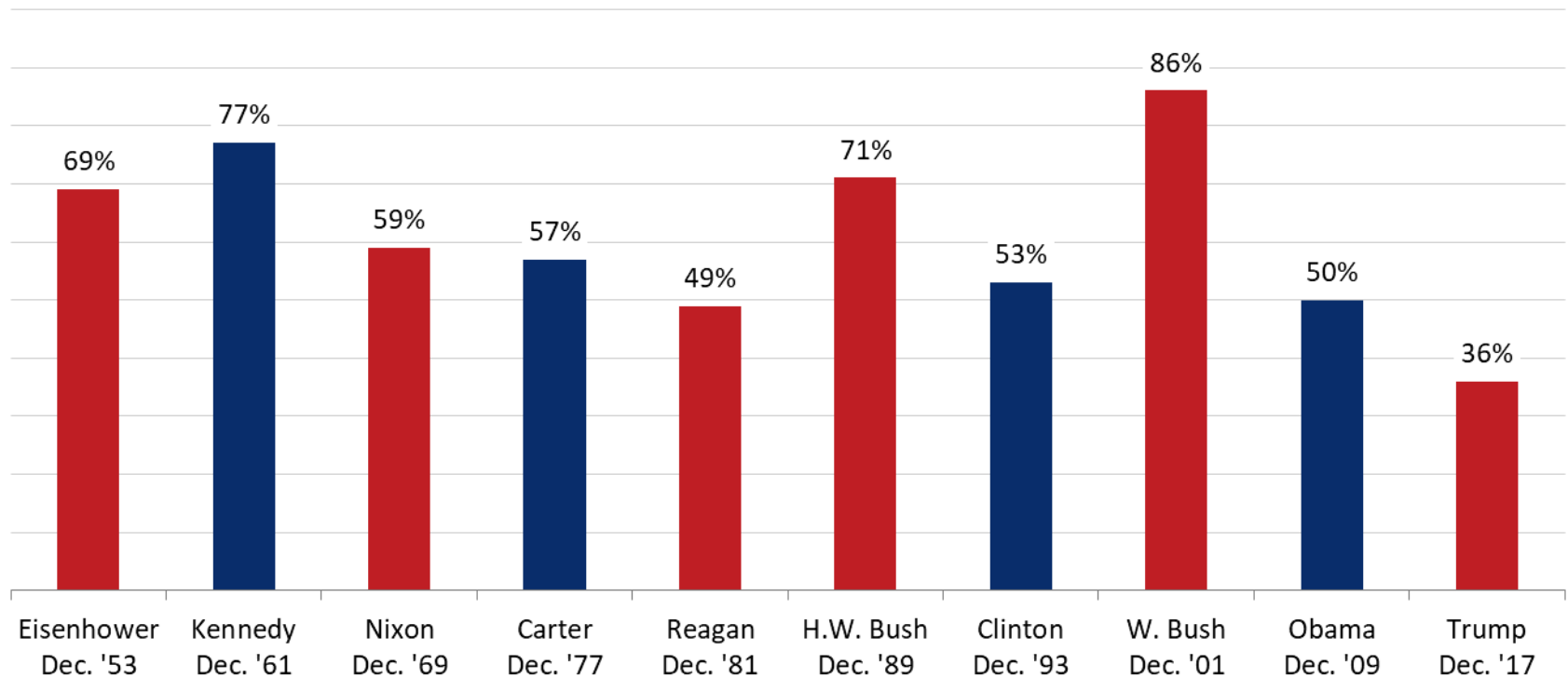


Source: Gallup, 2017.

Trump's approval numbers are lower than any other elected president's at this point in their respective terms

Gallup comparative presidential approval ratings

IN DECEMBER OF EACH PRESIDENT'S FIRST TERM



Source: Gallup, December 13, 2017.