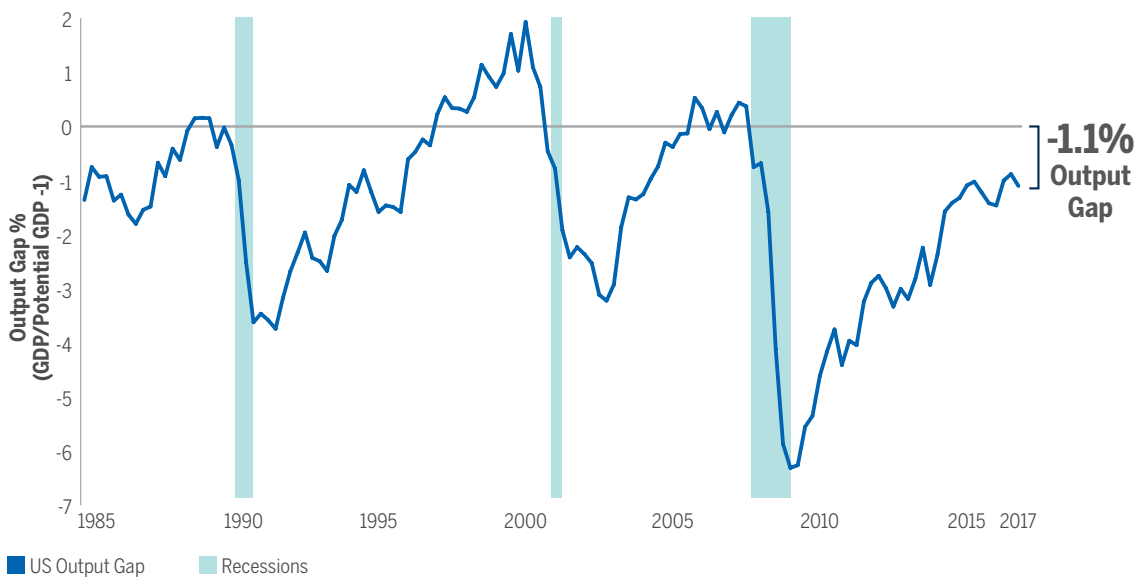


# Mind the Output Gap!

The output gap is a powerful tool that currently indicates the U.S. economy has potential for expansion, which could support equities in the foreseeable future.

## Output Gap Implies the Economy Has Room to Expand



Source: FactSet

- The output gap measures the difference between actual economic output, or gross domestic product, and potential output. Negative numbers imply the economy is operating below its potential. Positive numbers indicate the economy is operating above its most efficient pace and may overheat.
- Each of the past three U.S. recessions occurred after the output gap turned positive. Now, however, the U.S. output gap is modestly negative, signaling that the economy has room to expand and support equities.

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