



**The Conference Board Economic Forecast for the U.S. Economy
November 12, 2014**

US Economy on a Moderate but Steady Path

US GDP growth has probably been growing at about a 2.2 percent rate this year and is forecasted to moderately improve to 2.6 percent pace in 2015, contributing significantly to the 3.4 percent [projected global growth rate](#) for next year. In this environment, interest rates could rise at both the short end of the yield curve (as the Federal Reserve raises rates perhaps by mid-year or later) and the financial markets push up the long end (10-year treasury bond yield is current at about 2.30 percent and is certain to rise to or above 2.50 percent). The quarter-to-quarter variation always bounces around. For example, the advance estimate of 3.5 percent annual increase for the third quarter overstates the strength in the economy due to one-off federal defense spending and net exports. The current quarter is likely to end up weaker at 1.9 percent rise as stronger consumer spending is being offset by weaker investment, government and net exports. Still, the good news is that consumers seem to be in poised for a decent holiday, with confidence rising, lower gasoline prices (the national average is now down to \$2.90/gallon), steady and fairly strong job gains and even some wage increases. Therein however lies the struggle going forward. Consumers anticipate faster wage gains, and business is concerned that might indeed develop as the labor market tightens further. Meanwhile, the core inflation rate (which excludes food and energy) is stuck at or even runs below 2 percent, providing little pricing power to business. Together this could negatively impact profitability. On the upside, the economy could even perform a little better if the housing market improves faster than anticipated. If not, the squeeze on corporate cash flow (from higher labor and capital cost) could induce sustained slow investment and even some further cost-cutting.

The U.S. Economic Forecast

THE CONFERENCE BOARD'S ECONOMIC OUTLOOK, 2013-2015
Percentage Change, Seasonally Adjusted Annual Rates
(except where noted)

	III Q*	IV Q	2015		III Q	2013	2014	2015
			I Q	II Q		ANNUAL	ANNUAL	ANNUAL
Real GDP	3.5	1.9	2.5	2.4	2.5	2.2	2.2	2.6
Real Consumer Spending	1.8	2.5	2.6	2.5	2.5	2.4	2.2	2.5
Housing Starts Mil. Units	1.02	1.09	1.13	1.18	1.22	0.93	1.01	1.20
Real Capital Spending	5.5	3.4	4.9	4.8	4.7	3.0	5.8	4.9
Net Exports	-409.9	-423.8	-428.0	-433.0	-436.9	-420.5	-435.3	-435.0
* actual value								