



The Conference Board Economic Forecast for the U.S. Economy May 13, 2015

Weak first quarter will provide some bounce back, but growth path ahead remains moderate

For the second year in a row, bad weather impacted a large swath of America. Add a dock strike and GDP barely grew – a mere 0.2 percent annualized in the first quarter of 2015. And even that paltry gain might get erased on revision. The widening trade balance in March implies a steep downward revision. Exports continued to be depressed, reflecting stronger dollar and weak global demand, and imports strongly recovered as containers that had been stockpiled during labor disputes at West Coast ports were finally unloaded. The weak first quarter performance will make the economy spring back in the second quarter, but it is unlikely to be as much as last year. Second quarter growth will be limited by a big inventory overhang, lingering effects of stronger dollar and investment cuts in oil-related sectors. Still, a bounce back in consumer spending will deliver slightly more than 2 percent GDP growth, and bring the unemployment rate, already down to 5.4 percent, still lower. More wages and a pick-up in housing may also cause the savings rate to drop off again – all signposts the economy can maintain about 2 to 2.5 percent pace for the rest of the year, and continue to boost confidence and chip away even further at unemployment. What isn't likely to change however, is very low inflation and a squeeze on profit margins as costs rise but prices do not. On interest rates, a modest increase at the short end of the yield curve late this year or early next is likely, but we expect very little change at the long end of the yield curve.

The U.S. Economic Forecast

THE CONFERENCE BOARD'S ECONOMIC OUTLOOK, 2014-2016
Percentage Change, Seasonally Adjusted Annual Rates
(except where noted)

	I	Q*	II	Q	III	Q	IV	Q	2016	2014	2015	2016
									I Q	ANNUAL	ANNUAL	ANNUAL
Real GDP		0.2		2.2		2.5		2.5	2.5	2.4	2.3	2.4
Real Consumer Spending		1.9		3.2		2.7		2.5	2.4	2.5	3.0	2.5
Housing Starts, Mil. Units		0.97		1.07		1.13		1.19	1.23	1.00	1.09	1.32
Real Capital Spending		-3.4		2.6		4.6		4.8	3.9	6.3	3.0	3.9
Net Exports, Bil.Chn.2009\$		-522.1		-521.9		-533.6		-548.2	-548.7	-452.6	-531.4	-549.7
* actual value												