

The Conference Board Economic Forecast for the U.S. Economy June 15, 2016

The struggle to find growth

The first half of 2016 seems to end up a disappointing growth pace of about 1.5 percent real GDP. Households are spending about as expected. But business investment remains very restrained. Will all of this continue in to the second half of the year? Forward indicators are not pointing to any gain in momentum. Indeed, The Conference Board GDP projections for the second half of 2016 were revised down from about 2.2 percent to 1.9 percent annualized growth. One big story for the second half of the year is the further squeeze on profitability, keeping investment in capital low and reducing investment in human capital. This will not preclude a further tightening in the labor market; merely slow the pace of tightening. Still, even with slower new hiring, the further tightening in the labor market will be enough to put upward pressure on wages, which in turn will add to consumer spending power, and therefore keep moderate pace of consumer spending. The ongoing recovery in housing also remains a source of growth. But falling long-term interest rates pose a threat in terms of inflated asset prices and mispricing risk. Still a low probability of imminent recession, but the risks are rising.

The U.S. Economic Forecast

THE CONFERENCE BOARD'S ECONOMIC OUTLOOK, 2015-2017
Percentage Change, Seasonally Adjusted Annual Rates
(except where noted)

	I Q	2016			2017	2015	2016	2017
		II Q	III Q	IV Q	I Q	ANNUAL	ANNUAL	ANNUAL
Real GDP	0.8	2.2	1.9	1.9	1.9	2.4	1.7	1.9
Real Consumer Spending	1.9	3.2	2.2	2.2	2.2	3.1	2.5	2.2
Housing Starts Mil. Units	1.15	1.17	1.22	1.24	1.26	1.11	1.19	1.29
Real Capital Spending	-6.2	0.1	2.5	2.5	2.4	2.8	-0.9	2.2
Net Exports	-561.1	-553.4	-568.9	-583.7	-599.9	-543.5	-566.8	-620.1
* actual value								