

## The Conference Board Economic Forecast for the U.S. Economy August 10, 2016

### U.S. economic expansion remains subdued

Economic growth in the first half of 2016 was weaker than expected as output growth was held back by a large inventory run off. Business investment in capital equipment continued to be very sluggish. Business seems to think demand is likely to remain soft for some time. The new wrinkle is higher short-term uncertainty. While some of the uncertainty may go away, there are structural reasons for the weakness in business investment to remain. It is also unlikely that inventory building will strongly rebound and be much of a growth source in a slow growing economy. Consumer spending then remains the main source of growth -- expected to grow at a moderate 2% rate in the second half of this year and perhaps continuing into the early months of 2017. Sustained job growth, modest wage acceleration, even improving housing market conditions, all support consumer demand. But higher labor costs are negative for corporate margins. Nonetheless, with tightening labor market conditions, there is at least the possibility of the Federal Reserve raising short-term interest rates, conceivably even as early as September. A post-election hike is more likely, or even putting it off until the first half of 2017. Raising rates almost certainly would lead to some dollar appreciation, increasing the burden on making and shipping goods abroad. For the moment at least, post-Brexit, financial markets, the dollar, even non-energy commodity prices all remained relatively quiet.

### The U.S. Economic Forecast

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

	II Q*	2016 III Q	IV Q	2017 I Q	II Q	2015 ANNUAL	2016 ANNUAL	2017 ANNUAL
Real GDP	1.2	2.0	1.9	1.9	1.7	2.6	1.4	1.8
Real Consumer Spending	4.2	2.0	2.2	2.2	2.1	3.2	2.5	2.2
Housing Starts Mil. Units	1.16	1.22	1.24	1.26	1.28	1.11	1.19	1.29
Real Capital Spending	-2.3	0.3	0.8	1.5	2.0	2.1	-1.3	1.2
Net Exports	-556.2	-577.1	-597.1	-618.6	-639.8	-539.9	-574.1	-645.5
* actual value								