

The Conference Board Economic Forecast for the U.S. Economy October 12, 2016

The economy expected to grow at trend growth rate

The US economy remains on a moderate growth path with tight labor market conditions. These developments allow consumer sentiment to remain solid as incomes slowly accelerate. But overall rising labor costs without offsetting pricing power is slowly putting a squeeze on profits and slowing the trend of hiring. But even a slower trend of job creation will continue to tighten the labor market as the number outside the labor force remains historically high. Falling corporate profits will keep business sentiment subdued and limit capital spending. Net exports will likely contribute to growth, but perhaps only temporarily, due to a large surge in food exports. Otherwise, the trend in exports continue to be relatively weak, mainly a result of weak foreign growth even as the impact of earlier dollar appreciation fades. Government spending remains minimal now and not very likely to be more accommodative even after the election. This economic backdrop could allow the Fed to raise rates in December.

The U.S. Economic Forecast

THE CONFERENCE BOARD ECONOMIC OUTLOOK, 2016-2017
 Percentage Change, Seasonally Adjusted Annual Rates
 (except where noted)

| | 2016 | | 2017 | | 2015 | 2016 | 2017 | |
|------------------------|-------|-------|------|-----|------|--------|--------|--------|
| | II Q* | III Q | IV Q | I Q | II Q | ANNUAL | ANNUAL | ANNUAL |
| Real GDP | 1.4 | 2.4 | 2.1 | 1.9 | 1.7 | 2.6 | 1.5 | 1.9 |
| Real Consumer Spending | 4.3 | 2.7 | 2.2 | 2.2 | 2.1 | 3.2 | 2.6 | 2.3 |
| Residential Investment | -7.8 | -8.0 | 5.8 | 5.0 | 5.0 | 11.7 | 4.1 | 2.4 |
| Real Capital Spending | 1.0 | 1.7 | 0.8 | 1.5 | 2.0 | 2.1 | -0.5 | 1.6 |
| Exports | 1.8 | 6.7 | 1.9 | 1.9 | 2.0 | 0.1 | 0.4 | 2.5 |

* Actual data