

The Conference Board Economic Forecast for the U.S. Economy November 9, 2016

Modest economic growth increasingly kept in check by supply constraints rather than slow demand

The US economy expanded at 2.9 percent in the third quarter, following a disappointing 1.1 percent annualized growth rate in the first half of 2016. The 2.9 percent pace, which is above trend growth, resulted from likely one-time gains in trade (driven by a short-term surge in soybeans) and an inventory build after the run off of the past five quarters. The underlying trend of consumption and investment remained modest, growing at only 1.4 percent annualized rate. The fourth quarter will mostly depend on consumer's willingness to spend this holiday season. Business investment will likely remain weak given the downside risks from subdued domestic demand, global trade and geopolitical events even as the tension of US presidential elections resides. Net trade will likely hold back growth as soybean exports reverse. The Fed is widely expected to raise rates in December, given where employment and inflation are. And it might even be willing to run the economy hot for some time with very gradual continued 'normalizing' of rates next year. Oil prices and import prices are likely to temporarily push the top line above the Fed's 2 percent target for a brief period. Supply-constrained job growth and continued low productivity gains will tamp down economic growth and corporate profits in 2017. The Conference Board's Global Economic Outlook 2017 available for download on November 16 will feature a fresh reassessment of medium and long-term growth.

The U.S. Economic Forecast

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

	2015		2016		2017		2015 ANNUAL	2016 ANNUAL	2017 ANNUAL
	III Q*	IV Q	I Q	II Q	III Q				
Real GDP	2.9	1.7	2.1	1.8	1.8	2.6	1.5	2.0	
Real Consumer Spending	2.1	2.3	2.2	2.1	2.0	3.2	2.6	2.3	
Residential Investment	-6.2	5.8	5.0	5.0	4.2	11.7	4.3	2.7	
Real Capital Spending	1.1	1.4	1.8	2.2	2.5	2.1	-0.5	1.8	
Exports	10.0	-2.0	2.7	2.4	2.3	0.1	0.5	2.5	

* Actual data