

The Conference Board Economic Forecast for the U.S. Economy May 10, 2017

Despite first quarter slowdown, the trend in economic growth remains unchanged

The U.S. economy expanded at only a 0.7 annualized percent in the first quarter of this year --the slowest pace in three years. This result reflected very weak consumer and government spending and a draw down in inventories -- offset by a pickup in residential and business investment. But a spring bounce back in GDP growth will leave the trajectory of annual growth roughly in line with the long-term trend of about 2 percent. Business investment showed more strength, led by energy related investment in equipment and structures, but going forward a broader boost is unlikely given weak trend in economic demand and pressures on nonfinancial profit margins. The hopes for future tax policy are also increasingly uncertain so a wait-and-see environment could continue into next year. Housing, on the other hand, is recovering and therefore remains a bright spot. Consumer spending will also continue to drive growth. The Employment Trends Index has been expanding rapidly in 2017, suggesting that robust job growth will continue into the summer placing further downward pressures on the unemployment rate (already down to a very low 4.4 percent) and upward pressures on wages and therefore inflation. As the labor market continues to tighten, The Federal Reserve is likely to raise short term interest rates at its June meeting. Global slowdown fears and trade friction have also retreated and the economy might even benefit a little from export growth with cyclical strengthening in mature and emerging markets.

The U.S. Economic Forecast

THE CONFERENCE BOARD ECONOMIC OUTLOOK, 2017-2018
Percentage change, seasonally adjusted annual rates

	2017		2017		2018		2016	2017	2018
	I Q*	II Q	second half	first half	second half	ANNUAL	ANNUAL	ANNUAL	
Real GDP	0.7	3.0	2.3	2.4	2.0	1.6	2.1	2.3	
Real Consumer Spending	0.3	2.6	2.4	2.5	2.3	2.7	2.3	2.4	
Residential Investment	13.7	6.0	5.0	4.0	3.5	4.9	6.1	4.4	
Real Capital Spending	9.4	4.1	3.4	4.1	2.6	-0.5	3.0	3.6	
Exports	5.8	2.5	2.3	2.1	2.0	0.4	2.8	2.2	

* Actual data