

The Conference Board Economic Forecast for the U.S. Economy June 14, 2017

Slow growth trend continues at about 2% as tax cuts and stimulus don't happen

The first quarter economic performance was revised up to a still dismal 1.2 percent (annualized) from a preliminary reading of a mere 0.7 percent. Some of the temporary factors that forced GDP growth down that low are likely to reverse, boosting the second quarter to possibly as high as 3 percent. However, with a near-term fiscal stimulus unlikely to be implemented any time soon, forecasts for government and private investment have been downgraded, holding the economy on a 2 percent growth trend. And that in turn could keep manufacturing on the back burner. The outlook for non-mining business investment hasn't changed much either. New investments are needed to increase the productive capacity given tightening labor markets. Without investing in productivity, aging population will increasingly halt growth due to shortage of supply, possibly reducing the trend growth rate in 2018. Until then, improving housing and a tight labor market is delivering consumer income growth and optimism, enough so to maintain the current underlying overall growth path. To be sure, job creation has moderated over the past three months and will moderate further over time. But this slower pace was still enough to lower the unemployment rate to 4.3 percent. A tightening job market also means inflation pressures are gradually building, which should reverse the recent slowing in inflation and keep the Federal Reserve on course to 'normalize' short term interest rates.

The U.S. Economic Forecast

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

	2017		2018		2016	2017	2018	
	I Q*	II Q	second half	first half	second half	ANNUAL	ANNUAL	ANNUAL
Real GDP	1.2	3.0	2.1	2.1	2.0	1.6	2.2	2.2
Real Consumer Spending	0.6	3.0	2.3	2.4	2.3	2.7	2.4	2.4
Residential Investment	13.7	2.3	5.0	4.0	3.0	4.9	5.4	4.0
Real Capital Spending	11.4	4.0	3.4	3.0	2.6	-0.5	3.0	3.1
Exports	5.9	1.7	2.3	2.1	2.0	0.4	2.6	2.1

* Actual data