

## The Conference Board Economic Forecast for the U.S. Economy July 12, 2017

### The rebound in second quarter growth will not bring the US economy onto a faster growth trend

The US economy remains on track to expand at a moderate 2 percent pace through the second half of 2017. GDP is projected to have increased at around a 2.8 percent rate in the second quarter, bouncing back from a lackluster 1.4 percent reading in the first quarter. Growth in the second half of the year isn't likely to be as robust as the second quarter as consumer demand will remain almost the sole driver of growth. With sustained job and income gains feeding strong consumer confidence, a big drop off in spending isn't likely. Indeed, real consumer spending could sustain 2.2 percent growth from the back to school sales in summer through the holiday period at the end of the year. Wage growth hasn't been as strong as job growth but that could improve if consumption and the overall economy remains on this path over next six months. Nevertheless modest inflation and relatively poor productivity growth are two key factors keeping wages from rising faster. But as the pool of available workers shrinks, employers may have no choice but to offer higher wages to fill vacancies. Flagging business investment and international trade remain headwinds as is the lack of fiscal policy action. Poor domestic profit growth is another problem as business struggles to exert pricing power. A weaker dollar could help boost exports over time as well as international profits. In turn, that is setting the stage for the Federal Reserve to continue to 'normalize' interest rates and even begin the long process to reducing its balance sheet. Should consumer sector strength be maintained, two percent growth or above can continue in 2018 as well.

### 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	III Q	IV Q	first half	second half	ANNUAL	ANNUAL	ANNUAL
Real GDP	1.4	2.8	2.2	2.2	2.2	2.0	1.6	2.2	2.1
Real Consumer Spending	1.1	2.7	2.3	2.2	2.4	2.3	2.7	2.5	2.4
Residential Investment	12.9	2.3	5.0	5.0	4.0	3.0	4.9	5.2	4.0
Real Capital Spending	10.4	4.0	3.4	3.4	3.0	2.6	-0.5	3.0	3.1
Exports	7.0	1.7	2.7	2.5	2.4	2.0	0.4	2.9	2.1

\* Actual data