THE CONFERENCE BOARD
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The Conference Board Economic Forecast for the U.S. Economy
September 13, 2017

Economic Outlook Continues Brightening for the Rest of 2017

With growth rising to 3.0 percent for the second quarter and projected to average 2.7 percent for the rest of the year, the economy continues to strengthen. Consumer spending has performed well since 2016 but is not showing signs of acceleration. The main upside to our forecast comes from nonresidential investment and exports where both domestic and external factors suggest that faster growth can be sustained for this rest of this year and into 2018 as well.

Hurricanes Harvey and Irma have had a devastating impact on Texas and Florida respectively, but the national economic effects should be limited. Refinery infrastructure is coming back online quickly along the Gulf Coast, helping to contain energy price increases. More challenging will be rebuilding homes and infrastructure lost to the storms. Texas and Florida account for more than 20 percent of new housing starts so rebuilding provides some upside to the slowing residential investment sector of the economy. But construction workers nationally are in short supply with vacancy rates elevated.

Consumption is forecasted to grow by 2.5 percent in the second half of the year, in line with its performance since 2016. The labor market is still strong, producing about 175,000 jobs per month this year and the unemployment rate remains low at 4.4 percent. While consumer confidence has improved since the middle of 2016 as the economy has strengthened, expectations have stabilized at a high level in 2017, which helps explain why consumption growth may not start rising faster. Should employers find that tight labor markets make hiring workers more difficult, wage growth and consumption could accelerate.

Nonresidential investment has picked up since the beginning of 2017. Business confidence measures have stayed strong even as corporate tax measures are likely to be delayed until 2018 at the earliest. Energy exploration drove growth in nonresidential structures during the first half of the year. With oil prices stabilizing and rig count growth flattening, spending on structures may be weakening. For capital equipment though, the picture is brighter. New orders of capital goods and key manufacturing business confidence indicators are still rising. Investment in equipment will continue expanding during the second half of the year helping nonresidential investment to grow by almost 4.0 percent during the rest of the year.

Normally, when the US dollar weakens, it reflects growing risk that the US economic growth may fall. The current constellation of factors causing depreciation though, solid growth performance in China and the Euro Area along with softer US inflation, can support rising export growth and create new investment opportunities for firms to meet rising external demand. A strengthening US economy could also provide the Federal Reserve space to raise interest rates this December even as inflation rates remain below its target. These rates though will not rise quickly enough to dissuade firms from investing or to hamper growth.

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	1.2	3.0	2.8	2.5	2.3	2.2	1.5	2.2	2.4
Real Consumer Spending	1.9	3.3	2.5	2.5	2.2	2.2	2.7	2.7	2.4
Residential Investment	11.1	-6.5	5.0	5.0	4.0	3.0	5.5	2.7	3.4
Real Capital Spending	7.1	6.9	3.5	4.2	3.9	3.9	-0.6	4.4	4.1
Exports	7.3	3.7	4.0	4.0	2.8	2.6	-0.3	3.5	3.2

* Actual data