

The Conference Board Economic Forecast for the U.S. Economy **November 8, 2017**

A Stronger Growth Trajectory for the US Economy is Set to Continue into 2018

For the first time since the middle of 2014, the US economy has sustained 3 percent growth for two consecutive quarters, providing strong momentum into next year. The current Conference Board forecast calls for 2.8 percent growth during the final quarter of 2017 and 2.5 percent growth in 2018. This would represent the economy's best 2-year run since 2005.

Business investment has awakened from the doldrums this year, rising by more than 4 percent after falling into negative territory in 2016. Confidence in the manufacturing sector has been especially strong. The composition of growth supports a long-term improvement in productivity. Capital equipment has risen at an 8.7 percent annual rate during the past two quarters, while investment in warehouse structures is up more than 20 percent since the end of last year. These investments demonstrate a renewed firm commitment to increased efficiency.

Consumer spending eased a bit in the third quarter, but with The Conference Board's Consumer Confidence Index still strong and housing prices rising, expect a robust holiday season. One encouraging sign was the pickup in motor vehicle spending thanks to renewed demand following the two hurricanes. Should employment growth rebound quickly from last month's storm related decline, tighter labor markets should translate into a renewed wage acceleration which could boost spending late this year or into 2018. The possibility of federal income tax cuts could do the same.

The economy enters 2018 in good position to maintain strong growth from 2017. Current Fed chair Janet Yellen and new Fed chair nominee Jerome Powell may raise rates slightly faster as a result. These expectations have led long-term rates to rise modestly. The dollar has also started strengthening since early September after weakening through much of 2017, creating less favorable terms of trade. Higher capital costs and the possibility of a less supportive external environment for growth have not rattled the market yet. With growth prospects strong for 2018, profits should grow robustly as well, rewarding those businesses that increase investment levels.

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	3.1	3.0	2.8	2.4	2.2	1.5	2.2	2.5
Real Consumer Spending	1.9	3.3	2.4	2.7	2.3	2.4	2.7	2.7	2.5
Residential Investment	11.1	-7.3	-6.0	3.0	2.5	2.2	5.5	1.0	0.8
Real Capital Spending	7.1	6.7	3.9	5.4	4.5	4.2	-0.6	4.5	4.7
Exports	7.3	3.5	2.3	4.0	3.9	3.8	-0.3	3.2	3.7

* Actual data