

The Conference Board Economic Forecast for the U.S. Economy April 11, 2018

2018 Outlook Stays Strong, but Downside Risks Rise

Can the US economy in 2018 live up to expectations? Starting the year with a 3.0 growth forecast is a tough act to measure up to. In fact, first-quarter growth was a mere 1.9 percent. While our GDP growth projection remains strong, we are increasingly concerned that it could fall short of expectations.

First, the tit-for-tat tariff threats by the United States and China may compel companies to delay investment plans. Escalating trade conflict could also mean increased supply chain disruptions. On the other hand, a quick settlement may eventually improve the business environment for multinationals operating in China.

Second, the recent stock market declines of many large technology companies also create risks for the economy. These firms are crucial sources of innovations that enhance productivity. Signs that their use of data is alienating customers and forcing governments to think about new regulations could also cause firms to reconsider the timing of key investments.

Third, the external sector of the US economy may add to uncertainties. There are signs that growth is moderating in Europe and that emerging markets will experience less strengthening during the second half of 2018 than initially expected.

Still, these growing downside risks together with a weak start to the year should not obscure the overall strength of the US economy. The Conference Board measures of consumer and CEO confidence remain near ten-year highs, and the unemployment rate is at its lowest level this century. Together with the stimulative effects of tax cuts and more government spending, the most likely outlook remains a robust one, with growth still reaching 2.8% for 2018 and 3.0% in 2019.

The U.S. Economic Forecast

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

	2017		I Q	2018		2019		2017	2018	2019
	III Q*	IV Q		II Q	second half	first half	second half	ANNUAL	ANNUAL	ANNUAL
Real GDP	3.2	2.9	1.9	3.4	3.2	2.9	2.5	2.3	2.8	3.0
Real Consumer Spending	2.2	4.0	1.5	2.9	2.7	2.6	2.6	2.8	2.7	2.7
Residential Investment	-4.7	12.8	0.0	2.7	2.6	2.5	2.5	1.8	2.2	2.5
Real Capital Spending	4.7	6.8	5.7	5.9	4.5	4.9	4.7	4.7	5.7	4.8
Exports	2.1	7.0	3.5	4.2	3.7	4.1	4.0	3.4	4.1	4.0

* Actual data