

The Conference Board Economic Forecast for the U.S. Economy May 9, 2018

Trade and Tech Sector Risks Cloud Strong US Outlook

The Conference Board continues to project strong economic growth for 2018 and 2019. While first quarter growth at 2.3 percent was the slowest since the first quarter of 2017, we expect the economy to rebound to 3.1 percent in the second quarter and finish 2018 up 2.9 percent. Amidst this bright outlook, businesses should remain cognizant of risks presented by trade policy uncertainty and shakier tech sector foundations.

Consumer spending should bounce back quickly from a soft first quarter and grow by 2.6 percent for the year. Consumer confidence remains near 18-year highs. A tight labor market is helping to put upward pressure on wages. Individual tax cuts will also support consumption growth during the year as employees adjust spending behavior to larger take home pay packets. Faster wage growth though could also lead to more inflation growth at a time when key measures are finally reaching Fed targets. That along with a strong economy is likely to lead to three more Federal Reserve increases in 2018, and higher capital costs for home buyers and firms.

Business confidence measures and key indicators of firm investment behavior have taken a step back since early 2018. While corporate tax law changes increase firm incentives to invest, the most beneficial provisions will be in place for at least five years, so businesses need not rush to utilize them. Companies looking to invest in cutting edge technology will be reassured by the recent recovery in technology stocks. But significant changes in the regulatory environment for tech companies in Europe and increased US consumer concern regarding business data management practices, creates greater uncertainty for US firms.

With the acceleration in Euro Area growth ebbing, and the dollar appreciating, trade may prove less supportive of growth than initially anticipated. Firms also face a risk that new trade barriers may emerge, if temporarily, for US goods and services headed to China, Europe, and NAFTA zone countries.

Should those key risk factors be resolved positively, the US economy is on course to enjoy a stretch of near three percent growth into 2019, but these potential downsides should not be discounted.

The U.S. Economic Forecast

THE CONFERENCE BOARD ECONOMIC OUTLOOK, 2017-2019
 Percentage change, seasonally adjusted annual rates

	2017			2018			2019		2017	2018	2019
	III Q*	IV Q*	I Q*	II Q	first half	second half	first half	second half	ANNUAL	ANNUAL	ANNUAL
Real GDP	3.2	2.9	2.3	3.1	2.7	3.4	2.9	2.5	2.3	2.9	3.0
Real Consumer Spending	2.2	4.0	1.1	2.9	2.0	2.7	2.6	2.6	2.8	2.6	2.7
Residential Investment	-4.7	12.8	0.1	2.7	1.4	2.6	2.5	2.5	1.8	2.2	2.5
Real Capital Spending	4.7	6.8	6.1	5.0	5.6	5.0	4.9	4.6	4.7	5.7	4.9
Exports	2.1	7.0	4.8	4.2	4.5	4.1	4.0	4.0	3.4	4.6	4.0

* Actual data