The Conference Board Economic Forecast for the U.S. Economy
September 12, 2018

Strong 2018 Growth Will Gradually Slow in 2019

The US Economy will remain at peak performance through the end of 2018 growing by 3.7 during the second half of the year. Consumer and business confidence are key. The Conference Board's Consumer Confidence Index and the ISM manufacturing survey are at their highest levels since 2005 and 2000 respectively. A strong labor market is driving consumer spending forward. Corporate tax cuts, which are helping to fuel record profit levels, along with a robust demand environment, are continuing to boost business investment. Increased government spending levels will also add fuel to growth through the middle of 2019. Except for a softer housing market, the constellation of factors that have supported a strong growth environment since the beginning of 2017 remain in place. How long will the good times last?

2019 is set to be another strong year with growth increasing by 3.1 percent for the year compared to 3 percent in 2018, although growth will likely moderate gradually as fiscal stimulus effects peter out.

Even though unemployment has dipped below 4 percent for the first time in almost two decades, job creation can remain fast next year if consumers keep spending and businesses expect strong demand. Increased investment in capital equipment, software, and, research and development during 2018 could position workers to be more productive in 2019.

However, domestic and foreign headwinds will slow growth during 2019. By the end of 2019, quarterly growth will be 2.3 percent, still above long-term trends, but well below current growth rates.

At home, more demand for workers may cause further wage growth acceleration, forcing businesses to raise prices. Already, the Federal Reserve's preferred measure of inflation reached 2 percent for the first time since 2011. The bank will likely raise interest rates twice more in 2018 and three more times in 2019, creating higher capital costs for homebuyers and firms alike.

Globally, higher US interest rates could further destabilize weak emerging markets like Turkey and Argentina. A stronger dollar too may hurt US exports, as could increased trade tensions with primary partners. The US though is less trade dependent than other mature economies due to its large domestic market size. Domestic and global risk factors could become accentuated in 2019, but probably will serve only to slow rather than halt growth during the year.

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

	2017 second half	2018 I Q*	2018 II Q*	2018 III Q	2018 IV Q	2019 first half	2019 second half	2017 ANNUAL	2018 ANNUAL	2019 ANNUAL
Real GDP	2.6	2.2	4.2	3.9	3.5	2.9	2.4	2.2	3.0	3.1
Real Consumer Spending	3.1	0.5	3.8	3.3	2.9	2.6	2.5	2.5	2.6	2.8
Residential Investment	5.3	-3.4	-1.6	-1.0	2.0	2.0	2.0	3.3	0.4	1.4
Real Capital Spending	4.1	11.5	8.5	6.1	5.8	5.5	5.1	5.3	7.4	5.8
Exports	5.1	3.6	9.1	-1.0	4.1	4.0	4.0	3.0	4.6	3.7

* Actual data