THE CONFERENCE BOARD

The Conference Board Economic Forecast for the U.S. Economy
October 10, 2018

High Growth Environment Now, but Slowing Ahead

How long will business and consumer confidence remain strong? The Conference Board's Consumer Confidence Index remains at its highest level since 2000 and while our CEO Confidence Index declined in the third quarter, it remains solidly in positive territory. Strong sentiment and continued support from tax cuts will drive growth to 3.8 percent in the second half of the year and is helping to generate other positive signals. Labor markets show strong job growth and modestly accelerating wage growth. Profits reached record highs on a before- and after-tax basis in the second quarter and should remain elevated based on strong consumer demand.

Growth will encounter more headwinds in 2019 especially with the Federal Reserve set to raise interest rates three or four more times by the end of next year. Businesses with plans to invest can move those activities forward to take advantage of lower interest rates and still high consumer demand. The withdrawal of stimulus support and the effect of higher capital costs will lower GDP growth to 2.2 percent by the end of 2019.

The new United States-Mexico-Canada Agreement, the successor to the North American Free Trade Agreement, largely keeps provisions governing commerce between the three countries the same. This should come as a relief to businesses in most industries. One notable exception is the auto industry which must not only contend with continued steel tariffs, but also stepped up requirements on worker compensation and the use of components from outside the three countries. With auto sales and employment trends already flat to declining, industry executives must respond to a riskier environment. Upward wage pressure will be further exacerbated by a shortage of blue-collar workers who are seeing their wages rise faster than their white-collar counterparts.

With an increased number of firms facing labor shortages, HR departments are looking for alternative talent sources. In recent years though, the share of self-employed workers and workers on temporary contracts has not risen across the US economy. Businesses should investigate opportunities to fill talent gaps using online labor market platforms especially in those occupations where such hiring is already common. As long as the economy remains strong though, hiring managers will still face heavy competition for talent and rising pressure on wages.

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

	2018				2019		2017	2018	2019
	I Q*	II Q*	III Q	IV Q	first half	second half	ANNUAL	ANNUAL	ANNUAL
Real GDP	2.2	4.2	3.8	3.5	2.9	2.4	2.2	3.0	3.1
Real Consumer Spending	0.5	3.8	3.2	2.9	2.6	2.5	2.5	2.6	2.8
Residential Investment	-3.4	-1.4	-1.0	2.0	2.0	2.0	3.3	0.4	1.4
Real Capital Spending	11.5	8.7	5.7	5.8	5.5	5.1	5.3	7.4	5.7
Exports	3.6	9.3	-1.0	4.1	4.0	4.0	3.0	4.6	3.7

* Actual data