

The Conference Board Economic Forecast for the U.S. Economy March 13, 2019

Fading domestic headwinds will keep growth above trend

New GDP data show that after growing at a nearly four percent pace during the middle of 2018, growth slowed in the final quarter of the year to 2.6 percent. Still this figure is well above the US economy's long-term two-percent trend. During 2019, expect growth to slow further, as effects from fiscal stimulus measures wane, but to remain above its trend through the end of the year.

Consumer spending is buoyed by a tight labor market which is driving more rapid wage gains. Businesses face a shrinking pool of available workers that could slow growth further during the year unless past investments have raised labor productivity, which recent data provide modest signals to support. A shift in Federal Reserve policy towards looser monetary policy should keep business confidence and investment sufficiently solid throughout 2019.

Much depends on inflation though. If prices rise more rapidly than anticipated, the Federal Reserve may still raise interest rates later in 2019 to prevent the economy from overheating. This may become a greater risk if businesses pass rising labor costs onto their customers.

From a global perspective, 2019 sets up as a more challenging year for business than 2018. Growth in the Euro Area and China is slowing which will constrain opportunities for exports. A more favorable domestic monetary policy environment can keep growth above two percent into 2020 but cannot release the US economy from limits imposed by slow demographic growth.

More promising is a rise in productivity growth during 2018. Spending on software and research and development accelerated rapidly last year and seems to have helped fuel productivity growth. Should this trend continue in 2019, businesses will have a chance to deploy new technologies and increase the efficiency of their workers. This represents the clearest path for keeping revenue and profit growth robust in 2019 and beyond.

The U.S. Economic Forecast

THE CONFERENCE BOARD ECONOMIC OUTLOOK, 2018-2019
Percentage change, seasonally adjusted annual rates

	first half	2018		2019			2018	2019	2020
		III Q*	IV Q*	I Q	II Q	second half	ANNUAL	ANNUAL	ANNUAL
Real GDP	3.2	3.4	2.6	2.3	2.5	2.3	2.9	2.6	2.2
Real Consumer Spending	2.2	3.5	2.8	2.3	2.7	2.6	2.6	2.8	2.5
Residential Investment	-2.4	-3.5	-3.5	0.0	0.7	1.0	-0.2	-0.9	1.4
Real Capital Spending	10.1	2.5	6.2	4.7	5.2	5.5	7.0	5.2	5.1
Exports	6.4	-4.9	1.6	3.8	3.6	3.7	3.9	2.5	3.7

* Actual data