

## **The Conference Board Economic Forecast for the U.S. Economy July 10, 2019**

### **Slowing growth to remain slightly above 2 percent by year end**

US consumer confidence remains at high levels, but trade and tariff tensions could sap consumer optimism. While consumers appear to be affected by trade tensions, low unemployment and decent employment growth are still supporting consumer expectations. Ample availability of jobs and rising wages support the outlook for consumer spending. This will help the US economy in the second half of the year to recover from the slower growth of the second quarter.

The flip side is that with unemployment rates at their lowest levels since the 1960s, employers are having increased difficulty finding qualified workers. With the US working-age population barely growing, even slightly moderating employment growth is enough to further tighten the labor market. As a result, wage growth may further accelerate later in the year.

In contrast to households, businesses, especially in manufacturing, expect slowing activity. The slowdown in industrial production clearly shows the challenges that lie ahead. Economic growth will be more reliant on domestic economic activity, with even less support coming from external demand. Despite improved consumers' purchasing power, there does not seem greater pricing power for businesses, and no upward pressures on inflation are visible so far. Investment and business spending have weakened and remain lackluster in recent months. This suggests a weaker business investment outlook in 2019 compared to 2018, particularly investment in capital equipment.

A more dovish Fed outlook has supported the stock market despite greater volatility due to rising uncertainty and trade disputes. Increased uncertainty points to slowing economic growth, but no significant increase in recession risk in the immediate future, especially with monetary policy expected to remain accommodative. Below target inflation provides the Federal Reserve with room to cut rates, probably two times in the second half of the year.

In sum, expectations of slower activity and two Fed rate cuts represent the adjustment of the economic outlook returning to its long-term potential of about 2 percent economic growth by year end.

The U.S. Economic Forecast

**THE CONFERENCE BOARD ECONOMIC OUTLOOK, 2018-2019-2020**

Percentage Change, Seasonally Adjusted Annual Rates

	2018		2019				2018	2019	2020
	first half	second half	I Q*	II Q	III Q	IV Q	ANNUAL	ANNUAL	ANNUAL
Real GDP	3.2	2.8	3.1	1.3	2.3	2.1	2.9	2.5	2.0
Real Consumer Spending	2.2	3.0	0.9	3.2	2.7	2.6	2.6	2.5	2.5
Residential Investment	-2.4	-4.1	-2.0	1.3	1.1	1.3	-0.3	-1.5	1.5
Real Capital Spending	10.1	4.0	4.4	2.3	4.5	4.3	6.9	4.2	4.3
Exports	6.4	-1.6	5.4	0.5	2.0	2.0	4.0	2.1	1.9

\* Actual data