

The Conference Board Economic Forecast for the U.S. Economy September 11, 2019

Economic growth has slowed to its long-term potential and is likely to remain at 2 percent growth

While the US economy continues to stand on relatively firm ground, GDP growth has converged to its long-run trend of about 2 percent. Consumer spending growth is holding up, fueled by low unemployment and rising wages. In contrast, business spending and investment are not providing much support to GDP. Additionally, net exports are and will continue to be a drag on overall growth while the US dollar remains strong and imports outpace exports. It is likely that some of these drags will be offset by stimulus, including increased federal nondefense government spending and monetary easing.

Employment growth, while gradually slowing, will remain robust. Labor force participation rates are still rising, and labor markets continue to tighten; though at a slower pace than in 2018. Job growth is concentrated in professional and business services, healthcare, and government while manufacturing and large parts of the market services sector is not showing much employment gains in recent months. Overall, labor market trends are supporting disposable income growth and increased consumer spending.

Manufacturing weakened further in August with the purchasing managers' index dropping into contractionary territory for the first time since 2016. This aligns with data showing weaker investment growth and softer corporate profits. However, the weakness seen in the manufacturing sector has not yet spilled over into the rest of the economy.

Markets are expecting a second rate cut by the Federal Reserve in September. While we agree that this cut is likely to happen, if we continue to see slower but healthy economic growth, solid consumer spending, and tightening labor markets, it is not certain that the Fed will continue to cut interest rates further later this year.

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	3.0	2.0	3.1	2.0	2.0	1.9	2.9	2.3	2.0
Real Consumer Spending	2.8	2.5	1.1	4.7	3.2	2.9	3.0	2.7	2.7
Residential Investment	-4.5	-4.3	-1.1	-2.9	1.1	1.3	-1.5	-2.2	1.3
Real Capital Spending	8.3	3.5	4.4	-0.6	2.7	3.3	6.4	3.2	3.6
Exports	3.3	-2.4	4.2	-5.8	-1.0	-2.0	3.0	-0.5	0.1

* Actual data