

The Conference Board Economic Forecast for the U.S. Economy October 9, 2019

Economic growth remains relatively firm, but will slow to 2 percent in 2020

While the US economy continues to stand on relatively firm ground compared to many other large economies, GDP growth is converging to its long-run trend of 2 percent. Factors influencing economic growth include slightly softer but still solid consumption and job growth trends, weakening business investment, a pick-up in residential investment, and continued monetary easing.

Consumer spending will soften slightly in the coming quarters, compared to an especially strong second quarter, but will continue to prop-up economic growth. Concurrently, job growth remains on a slowing trend, but is still growing fast enough to further tighten the labor market. The unemployment rate now stands at a fifty-year low.

Despite robust consumer confidence, business confidence continues to weaken and will negatively impact investment. Manufacturing sentiment weakened again in September with the purchasing managers' index dropping further into contractionary territory. This weakness now appears to be spreading into the services sector - the most recent non-manufacturing Purchasing Managers' Index was softer though it remained in expansionary territory.

Following sluggish residential investment numbers in 2018 and early 2019, recent data on housing permits and starts suggests that a strengthening trend may be at hand. Stronger demand underpinned by falling mortgage rates may be behind the trend. This improvement should help offset some of the softening in consumer spending or nonresidential business investment.

Following two rate cuts earlier this year markets are now expecting further easing by year-end. At present, we expect the Federal Reserve to ease by one additional 25 bps in 4Q19 in an effort to stimulate the economy via lower-cost business loans and mortgages.

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	1.9	1.9	2.9	2.3	2.0
Real Consumer Spending	2.8	2.5	1.1	4.6	3.1	2.9	3.0	2.6	2.7
Residential Investment	-4.5	-4.3	-1.1	-2.9	3.2	2.0	-1.5	-1.9	1.6
Real Capital Spending	8.3	3.5	4.4	-1.0	2.1	3.3	6.4	3.0	3.5
Exports	3.3	-2.4	4.2	-5.7	-1.0	-2.0	3.0	-0.5	0.1

* Actual data