

Highlights from the National Association for Business Economics (NABE) Outlook Survey

“Despite soft economic growth in the first quarter of 2017, results from the NABE June 2017 Outlook Survey show that panelists’ expectations have been revised downward only slightly compared to those in the March 2017 Outlook Survey,” said NABE President Stuart Mackintosh, CBE, executive director, Group of Thirty. “The weakness in the first quarter is expected to be temporary, with real GDP growth projected to bounce back to an annualized rate of 3.1% in the second quarter of 2017, and to about a 2.5% pace in the second half of the year. The median forecast calls for average annual GDP growth of 2.2% for 2017 as a whole, and 2.4% for 2018. Both these forecasts are down 0.1 percentage points from the March 2017 estimates. Forecasts of other key indicators are largely positive. Nonfarm payroll growth is forecast to average 170,000 jobs per month in both 2017 and 2018. Inflation is expected to remain in check. More than 9 out of 10 panelists believe there is a 25%-or-lower probability of a recession in the U.S. this year, and more than three-quarters of the panel believe there is a 25%-or-lower probability of a recession in 2018. Nearly 60% of panelists indicate that the balance of risks to the economy through 2018 is weighted to the upside.

- Although inflation-adjusted gross domestic product (real GDP) increased at a lower-than-expected annualized rate of 1.2% in the first quarter of 2017, the weakness is expected to be temporary. Growth is expected to bounce back to 3.1% in the second quarter of 2017 and about 2.5% in the second half of the year. The median forecast calls for average annual GDP growth of 2.2% for 2017 as a whole, and 2.4% for 2018, down 0.1 percentage points in each year compared to the March 2017 estimates. On a fourth-quarter-to-fourth-quarter basis, growth is expected to measure 2.2% in 2017, before accelerating to 2.3% in 2018.
- Large majorities of panelists continue to incorporate potentially expansionary fiscal policies in their baseline forecasts during the current presidential term. Eighty-three percent anticipate an infrastructure spending plan will be enacted before the end of 2018, compared to the 77% who held this view in the March 2017 survey: 15% believe this will occur in 2017, whereas 68% expect it will happen in 2018. In addition, 83% of panelists anticipate individual tax cuts will be enacted before the end of 2018, compared to the 79% in the March survey that anticipated such policy changes, with 33% expecting such legislation in 2017, and 50% in 2018. Moreover, 79% anticipate corporate tax reform will be enacted before the end of 2018 versus the 83% in the March survey who anticipated such change; 34% believe this will occur in 2017, and 45% in 2018.
- Still, only about two out of five (41%) panelists expect to see tangible economic impacts in 2017 from such tax reform and infrastructure spending programs, or from other federal fiscal policy changes. Most of those panelists—30% of the full panel—expect only a modest addition to real GDP growth of between 0.01 and 0.25 percentage points. In contrast, nearly four out of five panelists expect a positive impact in 2018. A plurality of nearly one-third anticipates a boost to real GDP growth in 2018 of between 0.26 and 0.50 percentage points, while 18% estimate an economic impact of between 0.01 and 0.25 percentage points, and 16% estimate an impact of between 0.51 and 0.75 percentage points. Approximately 14% expect fiscal policy changes to boost real GDP growth in 2018 by more than three-quarters of a percentage point.

For more information about the National Association for Business Economics and the NABE Outlook Survey, visit www.nabe.com.