



# NABE Outlook, October 2018

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Moody's Analytics

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Moody's Analytics

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National Retail Federation

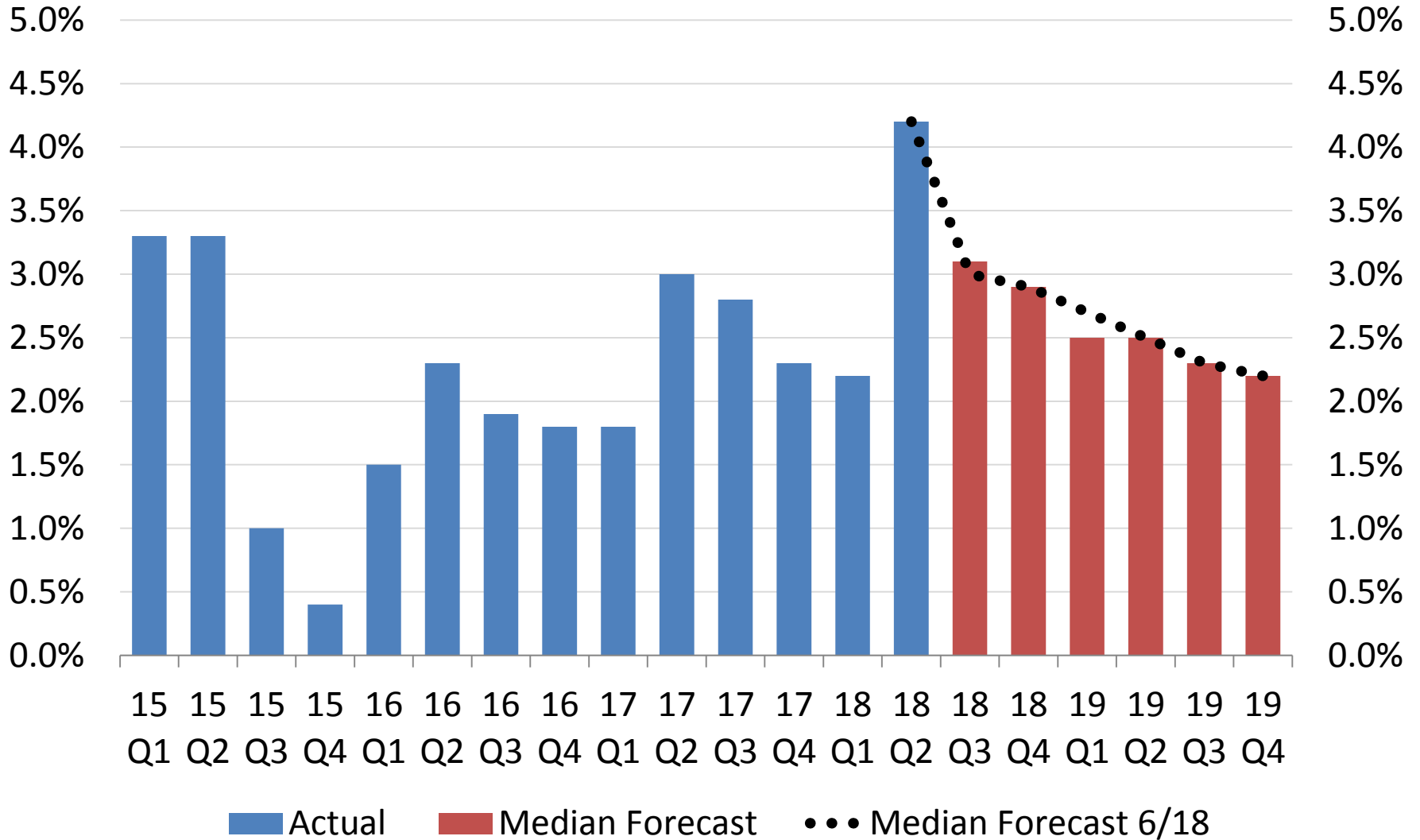
**Richard Wobbekind, CBE**

Leeds School of Business,  
University of Colorado, Boulder

- **Healthy Economic Growth**
  - Pickup in 2018 GDP growth with boost from fiscal policy but 2019 forecast largely unchanged
  - Good employment growth
  - Lower unemployment rate
  - Inflation expected to remain mild
  - Rising Federal Funds rate and steeper interest rate trajectory
  - Further gains in housing activity and industrial production while light vehicle sales remain at high levels
- **Trade policy is affecting forecasts**
- **Risks weighted to the downside**
- **Low probability of recession through 2019**

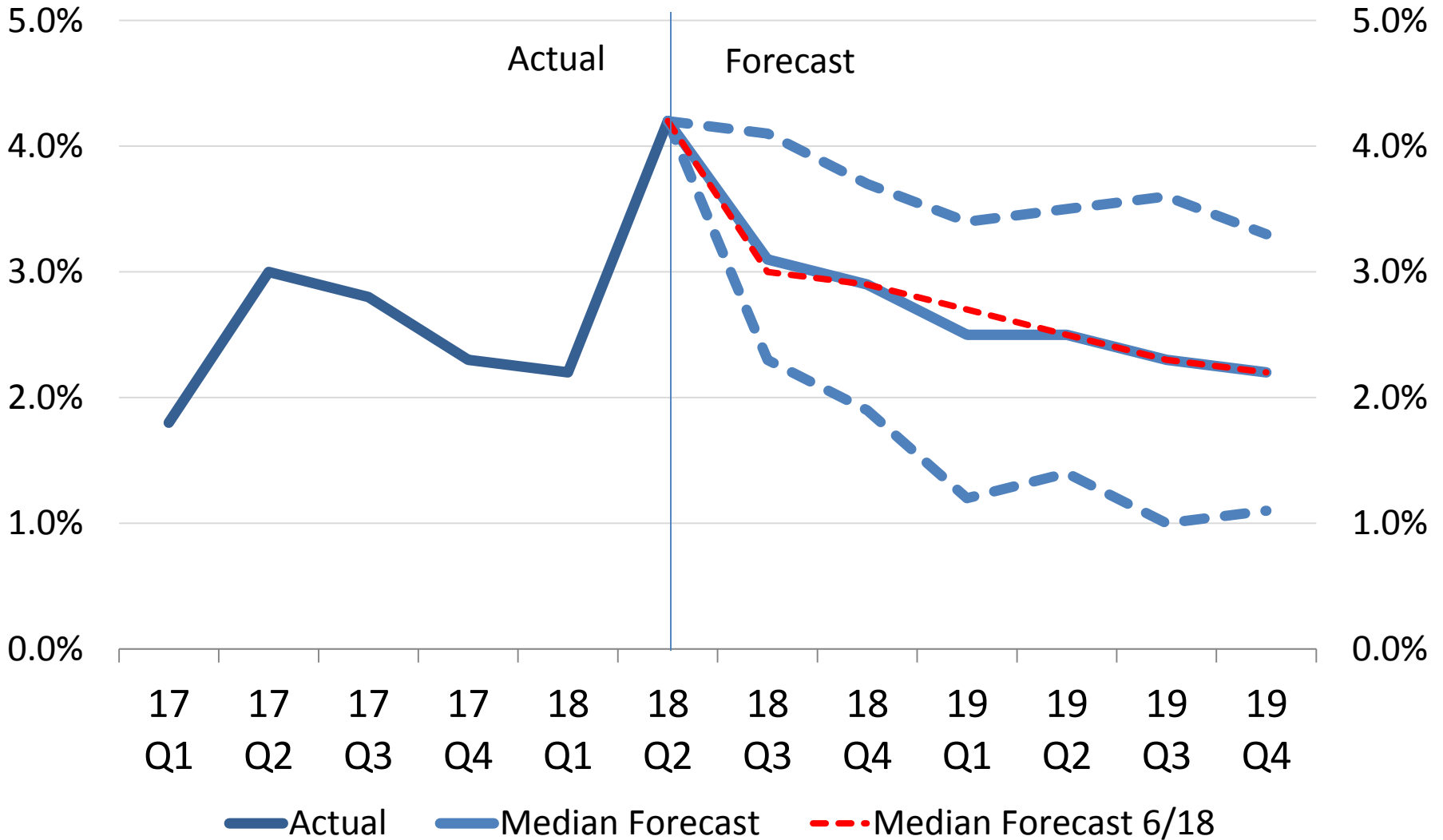
# Real GDP

% change, annual rate



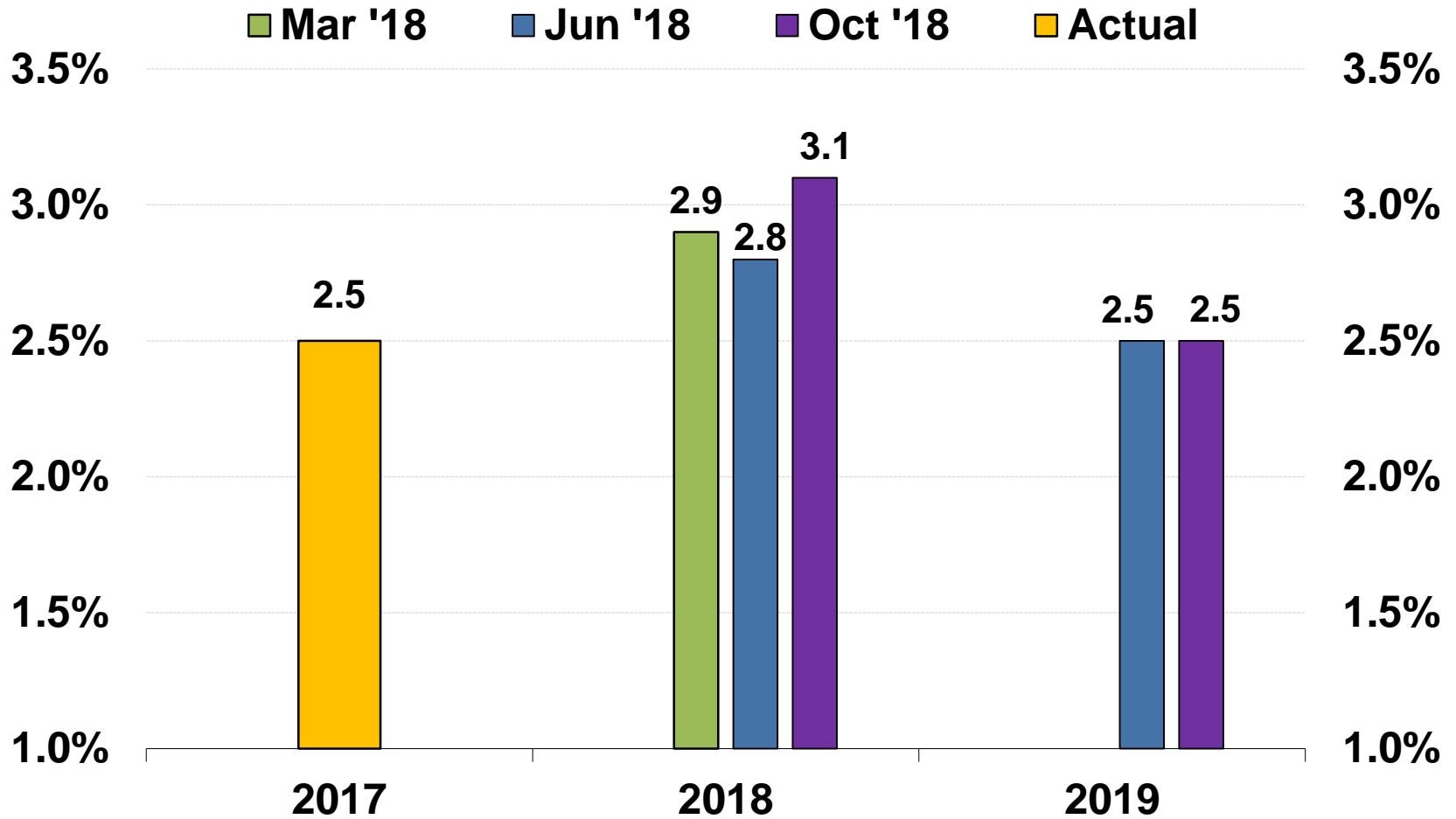
# Real GDP Growth by Quarter

% change, annual rate



# Median Forecasts of Real GDP Growth

% change, Q4/Q4

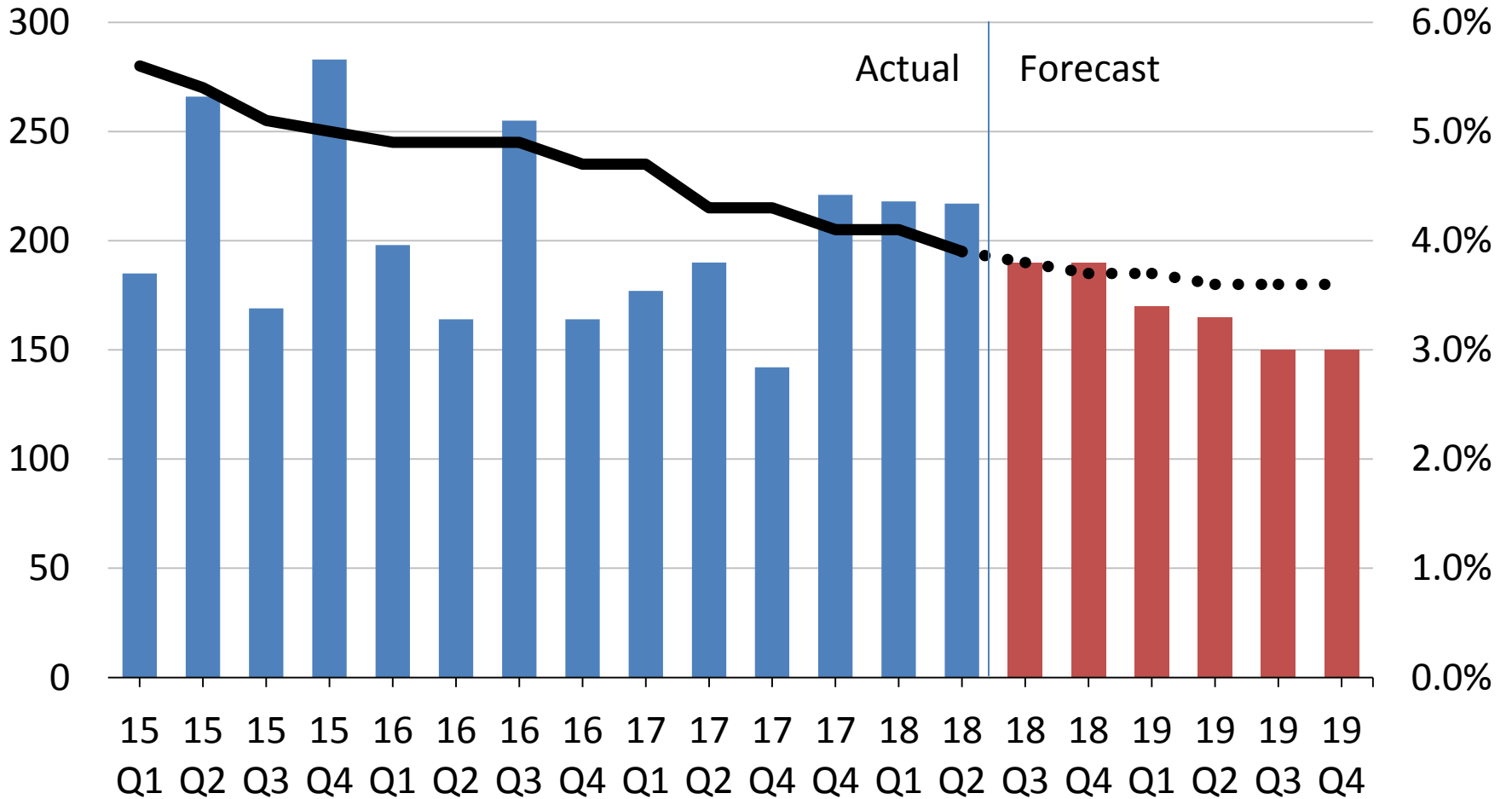




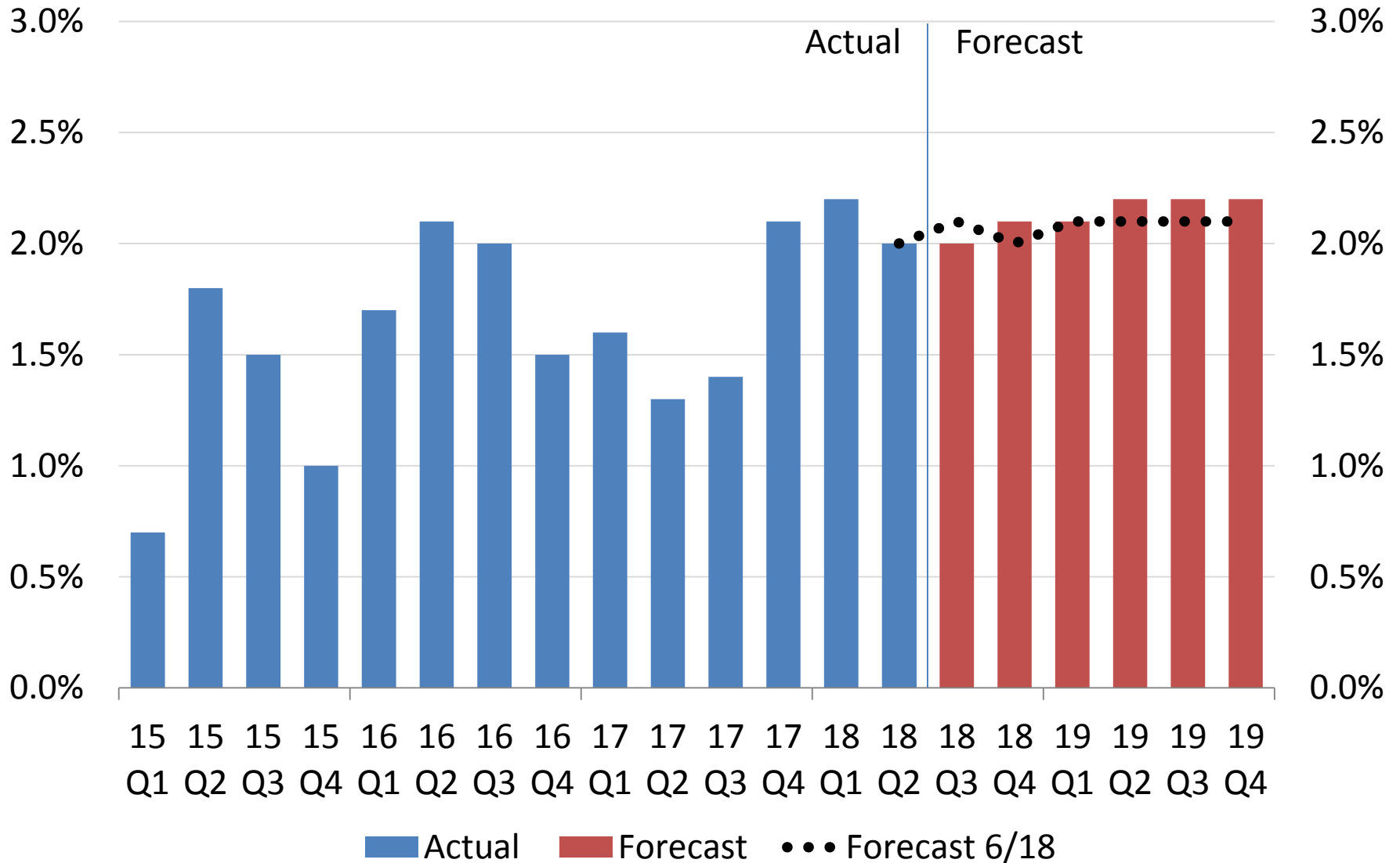
# Nonfarm Payroll Employment (bars/left axis)

(average monthly change, thousands)

# Unemployment Rate (line/right axis)

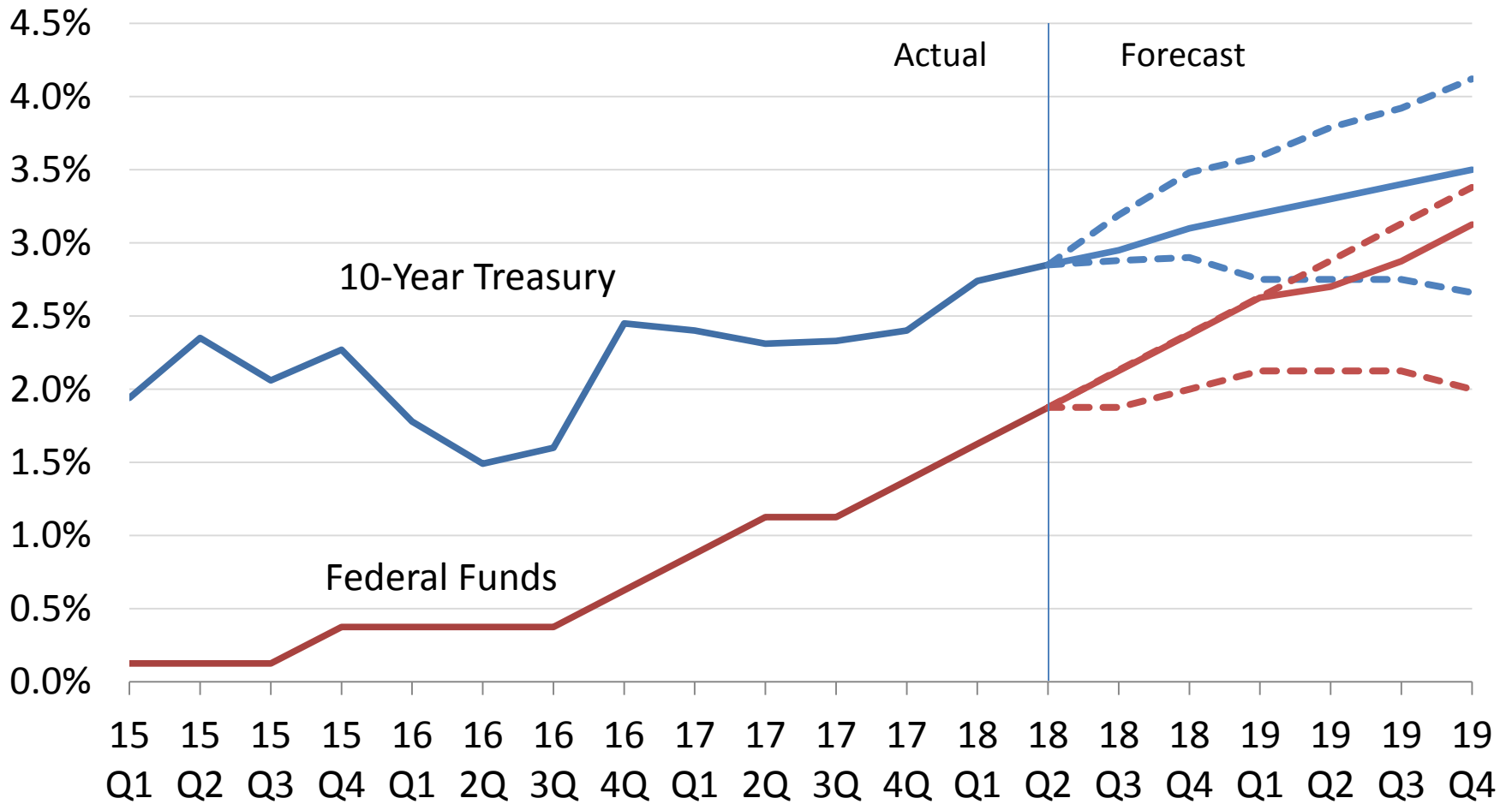


# Core PCE Inflation (annual rate)



# Fed Funds Target & 10-Year T-Note Yield

(% quarter-end)





# How has recent US trade policy (including other nations' reactions) affected your real GDP forecasts?

Percent of Responses		
2018	2019	
0.0%	2.0%	More than +0.25%
14.3%	6.1%	Between 0.01% and +0.25%
34.7%	14.3%	No change
<b>46.9%</b>	<b>57.1%</b>	<b>Between -0.01% and -0.25%</b>
4.1%	20.5%	-0.26% to -0.50%
0.0%	0.0%	-0.51% to -0.75%
0.0%	0.0%	-0.76% to -1.00%
0.0%	0.0%	More than -1.00%



# How has recent US trade policy (including other nations' reactions) affected your forecasts for each of the following through 2019?

## Percent of Responses

**Personal  
Consumption  
Expenditures**

**Nonresidential  
Fixed  
Investment**

**Inflation**

0.0%

0.0%

0.0%

I have significantly increased my forecasts

8.3%

12.5%

50.0%

I have moderately increased my forecasts

52.1%

50.0%

43.8%

I have not changed my forecasts

39.6%

37.5%

4.2%

I have moderately decreased my forecasts

0.0%

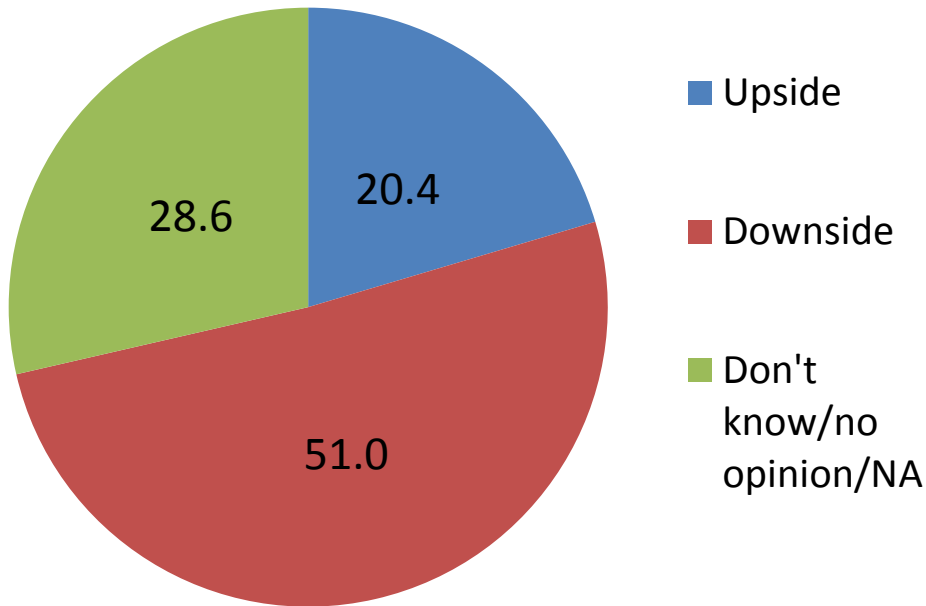
0.0%

2.1%

I have significantly decreased my forecasts

# Is the balance of risks to the economy through 2019 weighted to the upside or downside?

## Percent of respondents



## Top downside risks

- 1) Trade policy (40.8%)
- 2) Substantial stock market decline (18.4%)
- 3) Higher interest rates (18.4%)

## Top upside risks

- 1) Corporate tax reform (32.7%)
- 2) Stronger wage growth (26.6%)
- 3) Individual income tax cuts (8.3%)

# In what half year do you expect the next recession to begin?

<b>Percent of Responses</b>	
0.0%	2H 2018
2.1%	1H 2019
8.3%	2H 2019
29.2%	1H 2020
27.1%	2H 2020
<b>33.3%</b>	<b>2021 or later</b>

- 29 October 2018 - 3Q Business Conditions
- 3 December 2018 - Outlook Survey
- 28 January 2019 - 4Q Business Conditions
- 18 February 2019 - Policy Survey
- 25 March 2019 - Outlook Survey

More information at: [NABE.com/Surveys](http://NABE.com/Surveys)