National Association for Business Economics

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NABE Outlook Survey - December 2017

Summary

NABE Panel Expects Moderate GDP Growth through 2018, with Small Boost From Tax Reform; Few Anticipate Infrastructure Plan to Pass Next Year

The December 2017 NABE Outlook presents the consensus of macroeconomic forecasts from a panel of 51 professional forecasters (see last page for listing). The survey, covering the outlook for 2017 and 2018, was conducted November 6-15, 2017. The NABE Outlook Survey originated in 1965 and is one of three surveys conducted by the National Association for Business Economics (NABE); the others are the NABE Business Conditions Survey and the NABE Economic Policy Survey. Founded in 1959, the National Association for Business Economics is the professional association for those who use economics in their work. NABE has over 2,600 members and 40 chapters nationwide. David Altig, Federal Reserve Bank of Atlanta; Chris Christopher, CBE, IHS Markit; Steve Cochrane, CBE, Moody's Analytics; Jack Kleinhenz, CBE, National Retail Federation; Chad Moutray, CBE, National Association of Manufacturers; Yelena Shulyatyeva, Bloomberg LP; and Richard Wobbekind, CBE, Leeds School of Business, University of Colorado/Boulder, conducted the analysis of survey responses for this report. The views expressed in this report are those of the panelists and do not necessarily represent the views of their affiliated companies or institutions. This report may be reproduced in whole or in part with appropriate citation to NABE.

SUMMARY: “Results from the NABE December 2017 Outlook Survey show that panelists’ expectations are only slightly revised from those in the September 2017 Outlook Survey,” said NABE Vice President, **Kevin Swift, CBE**, chief economist, American Chemistry Council. “The panel’s median forecast for average annual real gross domestic product (GDP) growth in 2017 is 2.2%, unchanged from the September survey, and is 2.5% for 2018, slightly higher than the previous forecast.

“Most of the panelists expect both individual tax cuts and corporate tax reform will be enacted by the end of 2018,” continued Swift. “However, only one-third of panelists expects an infrastructure spending plan will be enacted by then. The median estimate of the impact on real GDP growth from fiscal policy changes is an increase of 0.2 percentage point in 2018.

“The outlook for inflation has softened somewhat,” added Swift. “Panelists expect that inflation, as measured by the personal consumption expenditures (PCE) price index, will increase by 1.6% from the fourth quarter of 2016 to the fourth quarter of 2017 (Q4/Q4), just below the September forecast. The Q4/Q4 median inflation forecast for 2018 has also edged downward slightly, from 1.9% in September to 1.8%.

“Panelists continue to believe that a recession is unlikely in 2018,” noted Swift. “Only 7% of respondents believe the peak of the current business cycle will occur by the end of next year. The survey panel is more optimistic about the risks to the economy than it was in September. Sixty percent of panelists believe the balance of risks to the economy through 2018 is weighted to the upside, while 33% believe the risks are weighted to the downside. In the September survey, the downside risks outweighed the upside risks by a margin of 48% to 43%.”

HIGHLIGHTS:

- **The median forecasts for average annual inflation-adjusted gross domestic product growth (real GDP growth) are 2.2% for 2017 and 2.5% for 2018—compared with 2.2% and 2.4% in the September survey.** On a fourth-quarter-to-fourth-quarter basis, real GDP growth is expected to be 2.5% in 2017 and 2.4% in 2018. The median forecast for fourth-quarter 2017 real GDP growth is 2.7%, higher than the September forecast of 2.5%.
- **The median forecast for the year-end 2017 midpoint of the federal funds target range of 1.375% is unchanged from the September forecast, implying one more 25-basis-point rate hike at the Federal Open Market Committee's December meeting.** The forecast for 2018 implies a

flatter anticipated interest rate trajectory than in the previous survey, with a year-end rate of 1.983%, compared to the 2.125% projected in September. The quarterly path for the median federal funds rate projections for 2018 anticipates no rate hike in March and three increases in June, September, and December.

- **On balance, panelists continue to expect action by Congress and the Trump administration on tax reform before the end of 2018, but a much smaller share expects any action on infrastructure spending by the end of next year.** Eighty-four percent of panelists now anticipate individual tax cuts will be enacted before the end of 2018—compared to the 73% who held this view in the September survey—and 76% expect such action in the first quarter of next year. A nearly equal 82% anticipate corporate tax reform will be enacted before the end of 2018 versus the 73% in the September survey; again, 76% expect this to occur in the first quarter of next year. Only 35% of the panelists, however, expect an infrastructure spending plan will be enacted by the end of 2018, well below the 61% in the September survey. Moreover, more than one-third of the panelists—37%—do not expect to see an infrastructure spending plan enacted during the current presidential term.

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