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NABE Special Report: Prospects Dim For Higher Economic Growth

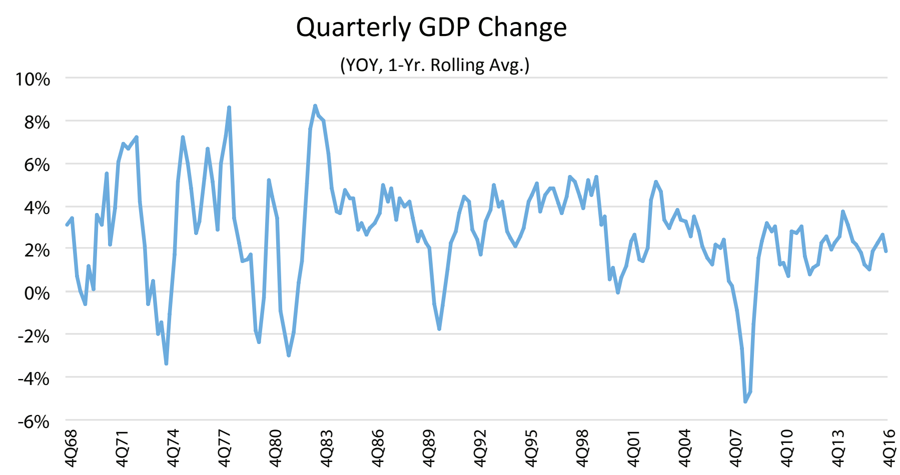
While the financial and commercial real estate markets have positive expectations for growth, economists are skeptical.

Buoyed by promises of business-friendly tax cuts and less regulation, the financial markets have largely bought into expectations of higher economic growth, as evidenced by the equity market soaring to all-time highs.

The commercial real estate market generally has subscribed to the accelerated growth forecasts as well, though enthusiasm is tempered because the market is at the tail end of a long run of price appreciation: Since bottoming in January 2010, the Moody's/Real Capital Analytics all-property index has risen 104 percent.

However, among mainstream economists, high growth expectations are unrealistic, at least according to the consensus view at the National Association of Business Economics' Economic Policy Conference, held in mid-March in Washington, D.C.

Some of the economists addressing the forum scorned the lack of modeling behind the new administration's forecasts. For example, Jason Furman, a senior fellow at the Peterson Institute for International Economics and chairman of the Council of Economic Advisors under President Obama, wryly noted that President Trump has directed White House staff to assume 4 percent GDP growth in budget projections and to model the results backwards.



Source: U.S. Bureau of Economic Analysis

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