



FORECAST OF THE NATION

FEBRUARY 2011

A Dragging Recovery

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BUSINESS INTELLIGENCE at its BEST




Georgia State
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OF BUSINESS

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FORECAST COMMENTARY

Every time I sit down to write this forecast report, I have to begin by developing a title. The title has to encompass all the different assumptions, data facts, and personal intuition that went into preparing the numbers that you see in the tables. This time as the forecasting process intensified at the end of January, so did the spillover of the Jasmine revolution into Egypt. It took some for “Pharaoh” Hosni Mubarak to accede to the people's demands that he resign. He tried to bargain by making changes that he deemed substantial, but which the protestors saw as cosmetic. He tried to show his muscle by sending his supporters to fight the demonstrators, but his moves were ineffectual, resulting in a stalemate. The process slowly unfolded until he finally abdicated, only after losing the backing of the army. All rulers, be they monarch, dictator, or strongman, cannot rule without the support of the police and armed forces. Mubarak's fate worsened when the United States abandoned him early in the negotiations, his reward for serving us faithfully for 30 years. Just like exiting CEOs here, I suspect that he was able to manage a generous exit package: starting with his own life and those of his family, along with the billions he had stashed away. If not, then he must be the most honest politician since Abe Lincoln.

There will be fallout in the Middle East and severe political uncertainty in the ensuing transition in Egypt. But how does that affect a forecast that uses macro-econometric models? These models are based on behavioral relations estimated from data that fails to consider such revolutions. My latest crystal ball, a fancy model made in China, while adding to the already high trade deficit was cloudy when I took it out of the box. I suspect our years of admonitions to

China to revalue their currency are backfiring in the same way that a waiter seeks revenge on troublesome diners who throw their weight around.

Was this piece of history in the making a Black Swan event? Yes. But is it economically relevant? Let's find out. Our trade ties with Egypt—for the economy as a whole—are trivial. Neither is Egypt a big producer of oil that we consume. Yes, a few million barrels of crude a day flow through the Suez canal and the pipeline that carries OPEC oil from the Red Sea to the Mediterranean. If all shipping in the canal were to shut down, would it matter?

The answer is “maybe” for European countries bordering the Mediterranean. Remember the Suez Canal was completely closed to traffic from 1967 to 1975 due to hostilities between Egypt and Israel, and the world economy did not collapse. (Only an outright oil embargo by the OPEC nations brought it to its knees in 1973.) The reason was we had already learned a lesson from the 1956 Suez crisis. Since then, we have developed big ships, aka supertankers, that can bypass the Suez and travel around the Cape of Good Hope. Despite the availability of the supertankers, one immediate fallout of the Egyptian turmoil was a spike in oil prices. When the demonstrations started in Egypt on January 25, intensifying the following Friday, oil prices climbed above \$90/barrel (West Texas intermediate crude price). The oil price in Europe as measured by the Brent crude price increased even more dramatically to more than \$100/barrel due to nervousness about supply disruptions for Europe. Specifically, 15% of Europe's oil supply comes through the Suez and the pipeline in Egypt. Any disruption will be a hassle for Europe, albeit a short-term one, until tankers have time to go around the Cape. Also, hopefully new supplies will come

from Russia, the largest supplier of oil to Europe. Since the initial jump, oil prices have not risen further, but neither have they retreated much.

High oil prices influence the mood of consumers from the daily irritation of paying more at the pump to nervousness about the future availability of oil (and being able to afford it). If prices escalate suddenly in response to a real or perceived problem, the result is a negative effect on both consumer and business confidence. The biggest unknown is how the Egyptian change of regime will affect other regimes in the region, especially the oil producers who happen to have either monarchies or autocratic regimes hostile to the West. But barring a cataclysmic toppling of major oil producing regimes in the Middle East (with the exception of Jordan or Syria), we should not be worried about oil crossing \$100/barrel on a sustained basis in the coming quarters. These political Black Swan events, if they happen, will work through the oil price channel. And the oil price is still above \$85/barrel. It was only \$20/barrel in 2002.

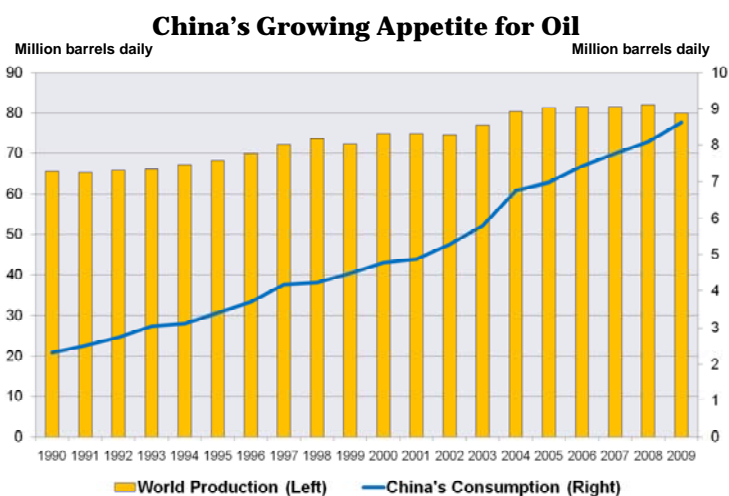
But why is the oil price so high and will remain high?

The short answer is China's booming demand for oil to produce goods for export to the West, namely the United States. (We all know the origin of the products in Walmart!) While American consumers may have economized on oil consumption by substituting ethanol and undertaking energy efficiency measures, we didn't stop demanding products. The rise in oil demand from China and other emerging markets has combined with stagnant world oil production (see **figure 1**). We got a respite in 2009 as the world endured a "great recession," but as the nascent recovery has taken hold in the West, the price has come roaring back. James Hamilton of the University of California San Diego predicted as much in a research paper published in early 2009 (but which I discovered only this year). He examined many theories about what determines oil prices, and his conclusion was that in face of supply constraints—namely OPEC having no spare capacity left to absorb demand shocks—China is the user on the margin that will de-

termine the long-term price of oil. Conversely, if the oil price falls below \$60/barrel, either China's construction bubble has burst, and/or the world is having another recession. My take, not Hamilton's, is that cheap gas in this century is a sure sign of trouble.

Expect oil prices to remain in the \$85/barrel range for the coming years (see Table 1). Thus, current profit reports for large companies may be stellar, but future profitability will be impeded by the high cost of oil, dampening investment for future growth. This negative impact sounds big but is actually not that large. The bigger hit (not expected for this forecast report) comes from uncertainty about the future *availability* of oil supplies. The oil embargo of the 1970s caused this damage, which was intensified by price controls on gasoline that led to shortages, frayed tempers, and loss of worker productivity. Can we work at our full potential if we reach the office harried and worried about how we will get enough gas to travel to work the next day, especially when we have never seen or experienced shortages before? Saddam's invasion of Kuwait in 1990 also created a fear factor, more so for corporations, which was quickly dispelled by the first positive reports from the battlefield. But waiting for six months for the offensive to begin and the uncertain prospects of winning a war in the desert did cause damage in terms of a sharp pullback in investment and an ensuing recession. I can't predict what will happen politically in the region, but one thing is sure: this crisis will affect business confidence both at home and in Asia.

Figure 1



Source: BP Statistical Review of World Energy June 2010

Table 1: U.S. Forecast Summary, February 2011

	Quarterly						Annual		
GDP DETAILS	'11Q1	'11Q2	'11Q3	'11Q4	'12Q1	'12Q2	2011	2012	2013
Real GDP Growth	3.4	2.4	2.3	2.5	2.8	2.7	2.8	2.7	3.0
Consumption Growth	3.0	2.4	2.2	2.7	2.8	2.5	2.9	2.6	2.3
Investment Growth	7.0	8.2	7.1	7.9	7.6	8.5	7.8	8.0	7.4
Inventory Change (bil. 2005\$)	37.7	44.9	54.6	55.7	43.9	35.4	48.2	37.1	30.6
Export Growth	7.5	7.4	7.8	7.7	8.5	8.5	7.7	8.2	8.7
Import Growth	6.0	6.5	6.3	6.1	3.9	6.1	4.8	5.4	4.7
Net Exports (bil. 2005\$)	-391.8	-394.3	-393.8	-393.0	-376.2	-370.9	-393.2	-364.6	-304.2
MAJOR INDICATORS									
Housing Starts (mil.)	0.531	0.543	0.551	0.564	0.577	0.610	0.547	0.622	0.742
Autos and Light Truck Sales (mil.)	12.5	12.5	12.7	13.0	13.3	13.4	12.7	13.5	14.0
Industrial Production Growth	4.1	5.1	4.8	4.7	4.2	4.1	4.6	4.4	4.2
Job Gains ('000)	361	347	369	395	351	367	1,201	1,483	1,670
INTEREST RATES & INFLATION									
90-day Treasury Bills (%)	0.2	0.2	0.3	0.5	0.7	0.9	0.3	1.5	3.5
10-year Treasury Bonds (%)	3.7	3.9	4.1	4.3	4.4	4.6	4.0	4.7	5.0
Crude Oil Price (\$/bbl)	86.8	85.0	84.6	86.6	87.5	87.4	85.8	87.7	86.8
Consumer Price Index (% change)	2.3	1.8	1.8	2.0	2.0	1.8	1.9	1.9	2.0
Less Food & Energy (% change)	0.9	1.3	1.6	1.6	2.2	2.1	1.1	1.9	1.9
Producers Price Index (% change)	2.9	-2.6	-0.1	2.3	1.6	1.4	1.7	1.3	1.1
POLICY VARIABLES									
Federal Funds Rate (%)	0.1	0.2	0.2	0.3	0.4	0.8	0.2	1.4	3.5
Fiscal Deficit (bil. \$)	-1,576	-1,575	-1,520	-1,510	-1,360	-1,372	-1,545	-1,360	-1,017
Real U.S. Dollar (% change)	7.6	-3.8	-2.3	-1.1	-0.9	-0.6	-2.7	-1.1	0.6

Economic Health Indicators

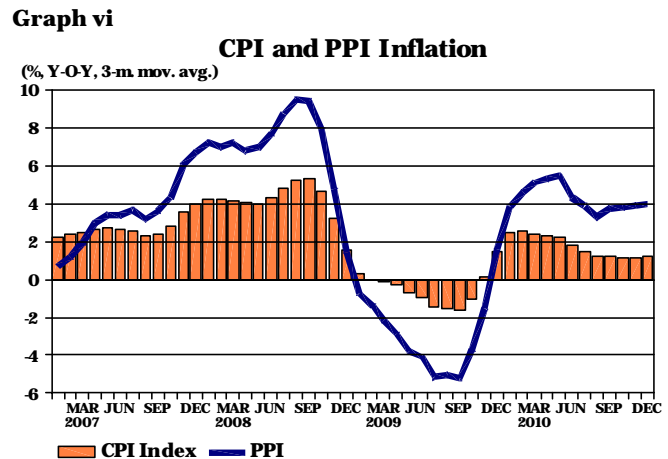
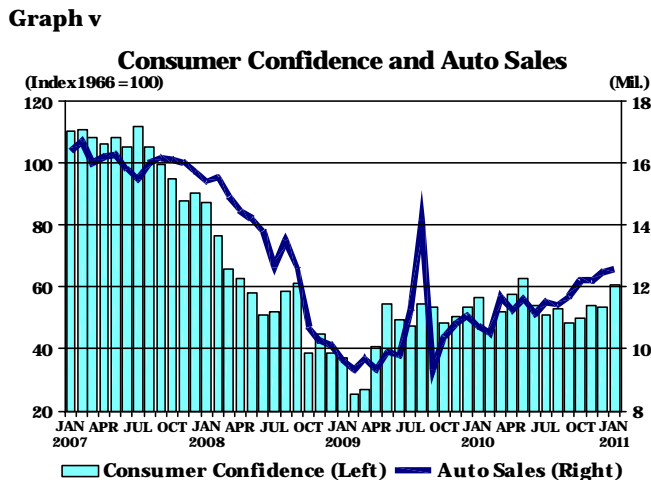
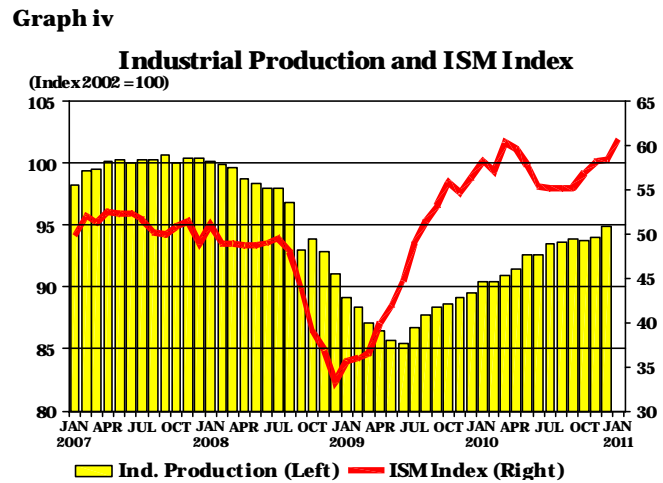
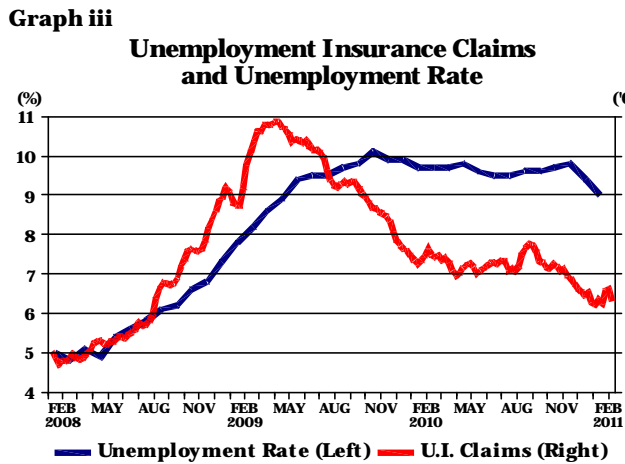
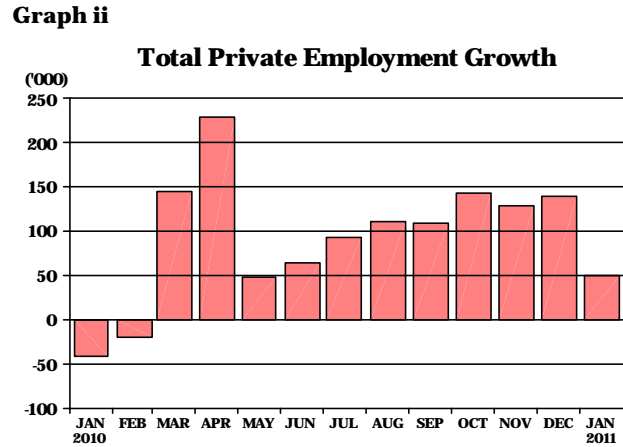
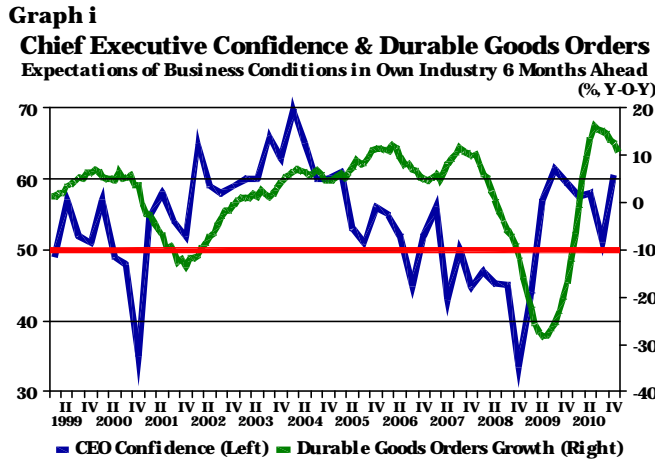
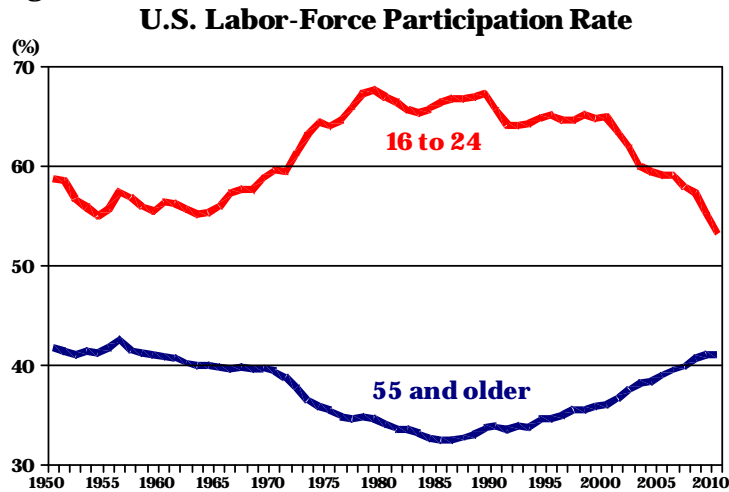


Figure 2

The graphs on the accompanying page depict different facets of the recovery in the economy. **Graph i** shows that the CEO confidence index, which has risen from its nadir after the Lehman/AIG episode in 2009, started to decline during most of 2010. However, it did recover sharply in the fourth quarter of 2010 (most likely due to the Republican takeover of the House, along with Republican gains in the Senate that forced the White House to move more to the center). My work at the Economic Forecasting Center has shown that tech investment causes job growth, and the driver for that investment is CEO confidence. The lag between the recovery in the CEO confidence index and subsequent job growth has been approximately six months. Thus, the sharp recovery of the CEO confidence in 2009 showed its fruits in terms of job growth, admittedly moderate, in 2010 (**graph ii**).

Note that most of the initial investment growth was just to make up for the depreciation of assets that were neglected during the recession. Thus, it took a while before any new or net investments were made that resulted in new hires. However, the impact of the drop in the CEO confidence index of early 2010 was evident in the fourth quarter GDP growth report. Tech investment grew by only 5.8% in the fourth quarter, after displaying solid double-digit growth in the previous four quarters. Tech investment growth will rebound in the coming quarters but won't be as high as the 15.1% rate of 2010. But at 12.1% in 2011, it will still be enough to generate 100,000 jobs a month. This pace will grow in 2012 (to 127,000 jobs)

and in 2013 (to 140,000 jobs) as tech investment grows above 7% in 2012-13. However, this growth is below par by historical standards.

The unemployment rate was recently 9.0% and has dropped 0.8% in the last two months (**graph iii**). So why am I predicting that it will remain above 9% until late 2012?

The current drop is an anomaly resulting from a falling labor force participation rate, in other words fewer people looking to work. In fact, the disparity is more pronounced when examined by age. **Figure 2** shows the participation rate of younger workers (ages 16-24) and more mature employees (age 55+). Young people's desire to enter the workforce is declining sharply as they postpone graduation dates, seek higher degrees, or do study abroad—anything to avoid facing the bleak reality of the marketplace. They eventually will reach the end of their delaying tactics and be back in the job market, raising the participation rate. Meanwhile, older workers have been bitten twice in the stock market in the last decade. They have seen their biggest asset—the home where they live and on which they owe a big mortgage to the bank—decrease in its value. Their optimal response is to delay retirement to rebuild their depleted asset position. Thus, the labor force participation rate will rise in the coming years, making for an elevated unemployment rate.

The December deal between the White House and new leadership in the house has resulted in a temporary extension of the Bush era tax cuts for two years. The payroll tax cut especially will add money to the pockets of consumers, more than making up for the hit to the wallet from high gas prices. Thus, personal consumption growth, which only averaged 1.8% in 2010, will rise sharply to 2.9% in 2011, but it will moderate to 2.6% in 2012 and further to 2.3% in 2013 as the effect of this stimulus fades. Overall real GDP will grow by 2.8% in 2011, 2.7% in 2012, and 3.0% in 2013. This rate of growth, the economy's long-run potential, is not enough to make up for the deep damage done by the "great recession."

ASIAN JITTERS

Asia's growth is already slowing if one examines its industrial production index. China and India have both experienced a sharp deceleration in growth rates of industrial production (see **figure 3**). This trend is also true of the main suppliers to China: Japan, Korea, Singapore, and Malaysia. The slowdown in China is due to its efforts to control its high inflation rate by raising interest rates and by clamping down on the availability of bank credit. Jim Chanos, a hedge fund manager who is considered a contrarian investor (short seller) and who successfully shorted Enron in 2000, has warned that China's hyper-stimulated economy is headed for a crash. He bases his assertion on the fact that China's growth has been juiced by construction accounting for more than 50% of its growth. For the U.S. economy, the comparable statistic was less than 10% at the height of the housing mania. And once this construction binge stops, as all manias do eventually, then China followed by the West will pay the price. (I can't verify Chanos' 50% statistic for construction in China, but I tend to put more weight on people's pronouncements when they are not enamored of their subject. I like the fact that he has never visited China and does not maintain a research bureau there unlike all the major Wall Street players. That's why he can think independently of the herd. In a sense, he has no skin in the game, a necessary prerequisite when speaking one's mind.)

The first casualty of China's slowdown will be companies that depend on exports of machinery and goods to China, both in the United States and Germany. Germany has ridden the Chinese boom by supplying capital goods and machinery that China needs for its factories to produce goods for the U.S. consumer to buy at Walmart. Let's not forget the Australians who have also enjoyed the Chinese appetite for their mining output, which in turn has fueled the revival of Caterpillars. Chile too has become a big buyer and investor in China's copper mines. However, the biggest problem will be for U.S. treasury bond auction markets, where until recently the biggest buyer was

China. Although revaluing the yuan would help China with inflation, at the same time it would seriously hurt its capacity to produce goods competitively. China's customers do not like to deal with currency fluctuations, and neither do Germans who are putting auto plants in the United States.

The U.S. Treasury has been prodding the Chinese to take this action, which they find irritating. On a recent visit to Greece, China's premier even promised to buy Greece's bonds! If the Chinese are a no-show at the auction for the treasury bonds, and it subsequently fails, then the aftermath of the Lehman/AIG failures will look like a child's play in comparison. The Federal Reserve is cognizant of this Black Swan possibility. So it may say publicly that the second round of quantitative easing (QE2) is meant to boost aggregate demand, but the Fed's bond purchases do not buy insurance against this extreme event. The \$600 billion of bonds to be bought by the Fed, and the majority of them in the short to medium maturity structure, is exactly equal to the entire debt issuance by the Treasury until mid-2011! Ben Bernanke won't acknowledge this fact in his remarks on QE2, and neither will the Republican Congress members who dare not ask him about this point.

I don't expect China to blow up, but it is bound to slow in its growth, which will affect the region. Thus, U.S. export growth will slow from its 11.7% pace in 2010 to fall in the 8% range in the next few years even though the dollar will weaken more.

Figure 3



INFLATION WORRIES, NOT

The 10-year bond rate has jumped almost 80 basis points since early December to be close to 3.7%. Is this rise signaling that inflation pressures are building? Is the QE2 policy failing to achieve its objective of keeping rates low?

First, inflation is not an issue in the Western hemisphere. Yes, grain commodity prices have risen over the past 12 months, but that scenario has to do with one-off factors and our ethanol policy. Bad harvests are compounding the grain shortage resulting from the Western world, especially here in the United States, where we are meeting an increased need for oil by turning to ethanol. Our crude oil consumption has remained steady at around 19 million barrels per day since 1999 whereas real GDP has climbed by almost 23%. Thus, we substituted ethanol for oil to get this extra GDP. (I doubt 100,000 Toyota Priuses have given us the needed fuel savings.) Thus, the substitution of ethanol for oil has made it hard to provide affordable grain to emerging economies and places like Egypt, where the government heavily subsidizes the price of bread. Additionally, grain prices are intimately linked to the cost of fertilizer, which happens to be an oil product. As oil prices have risen so have the long-term prices for grain. Fluctuations on this trend line happen when harvests fail abroad or estimates of future domestic output from the USDA are revised. (The fact that hedge funds and pension plans are also playing this market to juice up returns add to the volatility and upward momentum in prices.)

Core inflation, a creation of Fed chairman Arthur Burns in the early 1970s, excludes these volatile components and is still running much below 1.0%. But why is inflation in the United States so low and in emerging markets so high?

For the answer, we have to look at what causes inflation. Inflation emerges when the economy is running above its potential or its capacity to grow given the limits of population and capital stock. In that situation, the saying "too much money chasing too few goods" becomes applicable. Throw in the phenome-

non of rising inflation expectations (that get met), and inflation can become a problem like we experienced in the late 1970s. If China's economy is displaying inflation, and India's inflation rate has been above 10% for the last few years, those figures indicate that the government sector in these countries is pursuing its growth policies either via its social spending programs (India) or infrastructure development (China), which in turn are putting a strain on resources. The result is inflation. The only cure is to dial back the government's fiscal programs and raise interest rates, as China is half-heartedly trying. India, on the other hand, seems to be blaming one-off factors for its inflation problems.

With unemployment still running high, auto sales just above 12 million units, and housing starts barely above 1/2 million units, we are nowhere near approaching our capacity constraint. The forecasted real GDP growth is barely 3.0% by 2013. If it was going to be 6.0%, then we might worry about QE2 causing inflation. But I will welcome inflation anytime because it will put all those people who lost jobs during the great recession back to work. But this event isn't happening.

The 10-year bond rate has risen because last December's tax cut extension has added to the fiscal deficit, which is expected to remain well above \$1 trillion in coming years. There is no such thing as a free lunch, and when the government finances tax cuts via bond issuance, it adds to the supply of new bonds. The rest of the world can only absorb so much. During the Egyptian crisis, investors fled to safety in the markets, but the impact was swamped by the excessive supply. As the situation settles in coming months, this excess supply force will cause the 10-year bond rate to rise slowly but surely towards 5.0%.

So how long will the Fed keep its short-term rate at almost zero? I predict for another year. When we see an uptick in employment creation that results in an uptick in core inflation rate, which gets close to its 2.0% comfort zone, the Fed will have to start raising rates. This timing also coincides with the fiscal pressures on long-bond yields intensifying. Unlike in 2005, the Fed's rate hikes will be aggressive this time.

CAUTIOUS CONSUMER

Personal consumption grew by 4.4% in the fourth quarter of 2010, compared with an increase of 2.4% in the third quarter. Consumption growth was only 0.9% just a year ago. So why can't the consumer keep up this momentum to get us to the 5% growth needed to solve all the problems we face? High unemployment, huge fiscal deficits, local and state budgets shortfalls, and last but not least an idle construction industry workforce are the reasons.

Let's start with the real estate sector. New home sales were the lowest on record last year. Home prices have fallen to be affordable even in Florida and California, the Congress has showered tax credits, and the Fed is keeping interest rates at historic lows. In 1990, when the economy was in the middle of a recession, we had more new home sales. They were even higher in 1982 when mortgage rates were close to 15%. Why couldn't houses sell last year?

The answer is twofold. First, new household formation took a steep dive during this recession. From forming about 1.5 million households in 2005-06, the rate dropped to less than 300,000 in 2010. If young people delay graduation, they also delay household formation by not moving out of their parents' basement! Even if they graduate and move, they will be unable to find a lender willing to give them a mortgage to buy a home. Today's lenders want a long job history and a requisite 20% down payment. Thus, any new demand for housing by this group will be in the rental category. Thus, in my forecast, housing starts will remain well below 1 million units even in 2013, but the multi-family starts constitute one-third of that number.

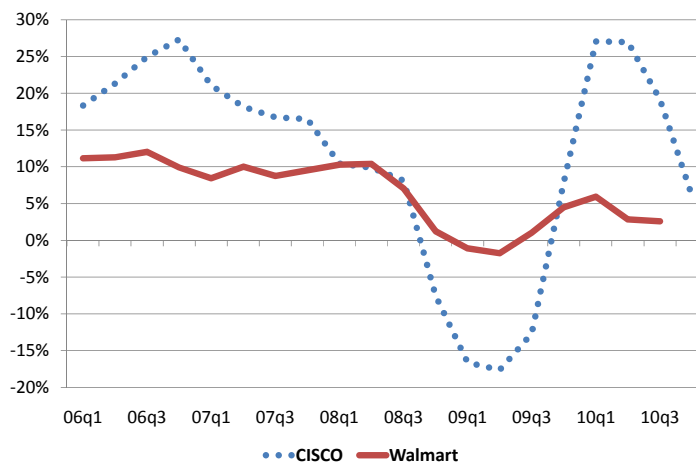
The second reason for slow sales is that when buyers purchase homes, they implicitly forecast how much their assets will appreciate in coming years. This rate of appreciation had better be good enough to cover property taxes, maintenance expenditures, and the ubiquitous realtor fees when they sell. The conventional wisdom that homes always appreciate

enough to cover these costs was dramatically disproven in this great recession. Consumers don't want to buy a house that may depreciate 10%-20% in the future. Hence, buyers make a forecast about where prices are headed—not only in this year but also in the next few years.

MacroMarkets, which produces the S&P/Shiller home price index, also started a survey last year to gauge home prices in five years. The median value from the latest survey was approximately 12% of cumulative home price appreciation. This increase is not enough to cover even property taxes and other costs of owning a home. The highest quintile forecast was less than 30% of price gains, and the lowest one was a drop of 20%. Thus, 50% of the sample was pretty pessimistic, and these predictions came from practicing economists. I think the person on Main Street is more fearful, which shows up in other spending patterns. **Figure 4** contrasts the revenue growth at Walmart and Cisco. Cisco's revenue, which traditionally grew by strong double digits, took a severe plunge during the recession before recovering sharply and recently weakening. The forward guidance by Cisco CEO John Chambers lamented the lack of strength in consumer products. But Walmart is where all the action happens. Its sales were growing steadily by about 10% before the recession, but now they seem to be at a new lower plateau of 5%. This level is the new normal about which Bill Gross preached. The average guy and girl on Main Street have become frugal.

Figure 4

CISCO vs. Walmart Revenue Growth





FORECAST OF THE NATION

FEBRUARY 2011

Detailed Forecast Tables

Economic Forecasting Center
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Georgia State University
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Forecast Tables - Summary

Table 1. Summary of the Georgia State University Short-Term Forecast of the Nation

	QUARTERLY									ANNUAL		
	10:4	11:1	11:2	11:3	11:4	12:1	12:2	12:3	12:4	2011	2012	2013
Details of Real GDP (annualized % change)												
Real GDP	3.2	3.4	2.4	2.3	2.5	2.8	2.7	2.9	3.0	2.8	2.7	3.0
Final Sales	6.8	2.4	2.2	2.0	2.5	3.1	2.9	2.9	3.1	2.9	2.7	3.0
Consumption	4.4	3.0	2.4	2.2	2.7	2.8	2.5	2.4	2.3	2.9	2.6	2.3
Private Fixed Investment	4.4	7.0	8.2	7.1	7.9	7.6	8.5	8.5	8.7	7.8	8.0	7.4
Equipment & Software	5.8	11.6	13.6	11.7	12.6	9.6	10.3	10.1	9.5	12.2	10.8	7.2
Structures	0.9	-5.0	-6.3	-6.1	-6.1	1.1	2.4	3.0	5.8	-3.9	-1.0	8.3
Residential Investment	3.4	-5.9	-3.2	-0.9	2.5	-0.1	12.3	11.3	8.4	-4.0	4.3	10.7
Exports	8.5	7.5	7.4	7.8	7.7	8.5	8.5	8.7	8.2	7.7	8.2	8.7
Imports	-13.6	6.0	6.5	6.3	6.1	3.9	6.1	5.8	4.1	4.8	5.4	4.7
Federal Purchases	-0.1	-1.9	-2.0	-1.6	-1.2	-0.3	-1.3	-2.5	-2.2	0.4	-1.3	-2.0
State & Local Purchases	-0.9	0.1	0.1	-1.4	-1.4	-0.9	0.2	0.7	0.9	-0.2	-0.5	1.2
Interest Rates (%)												
Federal Funds Rate	0.2	0.1	0.2	0.2	0.3	0.4	0.8	1.7	2.6	0.2	1.4	3.5
90-day Treasury Bills	0.1	0.2	0.2	0.3	0.5	0.7	0.9	1.8	2.7	0.3	1.5	3.5
10-year Treasury Bonds	2.9	3.7	3.9	4.1	4.3	4.4	4.6	4.8	4.9	4.0	4.7	5.0
30-Year Mortgage Rate	4.4	5.0	5.3	5.5	5.7	5.9	6.0	6.2	6.5	5.4	6.1	6.5
Corporate Aaa Bonds	4.9	5.6	5.9	6.0	6.1	6.1	6.3	6.5	6.5	5.9	6.4	6.4
Inflation (annualized % change)												
Consumer Price Index	2.6	2.3	1.8	1.8	2.0	2.0	1.8	2.1	2.0	1.9	1.9	2.0
Total less Food & Energy	0.4	0.9	1.3	1.6	1.6	2.2	2.1	2.1	1.9	1.1	1.9	1.9
Pers. Consumption Deflator	1.8	1.7	0.8	1.1	1.5	1.6	1.5	1.7	1.8	1.2	1.5	1.6
GDP Deflator	0.3	1.8	0.7	1.0	1.2	1.4	1.3	1.4	1.5	1.2	1.3	1.4
Producer Price Index	7.2	2.9	-2.6	-0.1	2.3	1.6	1.4	2.4	2.4	1.7	1.3	1.1
Factors Related to Inflation (annualized % change)												
Non-farm Business Sector												
Wage Compensation	1.9	2.9	2.8	2.9	2.8	3.2	2.9	2.9	3.0	2.6	3.0	2.8
Productivity	2.6	0.6	0.6	1.1	0.7	0.6	0.5	1.1	1.2	1.1	0.8	1.3
Unit Labor Costs	-0.6	2.3	2.2	1.8	2.1	2.6	2.4	1.8	1.7	1.5	2.2	1.5
Crude Oil Price (\$/bbl)	85.0	86.8	85.0	84.6	86.6	87.5	87.4	87.4	88.4	85.8	87.7	86.8
New Home Price (\$1000)	219.5	206.0	204.6	192.9	189.5	198.9	200.1	204.3	202.7	198.3	201.5	211.9
Housing and Automobiles (millions of units)												
Housing Starts	0.538	0.531	0.543	0.551	0.564	0.577	0.610	0.636	0.665	0.547	0.622	0.742
Single-family	0.436	0.421	0.424	0.426	0.428	0.424	0.439	0.441	0.454	0.425	0.440	0.485
Multi-family	0.102	0.110	0.119	0.125	0.136	0.153	0.171	0.195	0.211	0.123	0.182	0.257
Existing SF Home Sales	4.227	4.193	4.176	4.180	4.192	4.360	4.587	4.823	4.877	4.185	4.662	4.935
Auto & Light Truck Sales	12.3	12.5	12.5	12.7	13.0	13.3	13.4	13.6	13.7	12.7	13.5	14.0
Billions of 2005 Dollars												
Real GDP	13,383	13,494	13,574	13,649	13,735	13,829	13,921	14,022	14,125	13,613	13,974	14,390
Final Sales	13,375	13,457	13,529	13,595	13,679	13,785	13,886	13,986	14,093	13,565	13,937	14,360
Inventory Change	7.2	37.7	44.9	54.6	55.7	43.9	35.4	36.3	32.7	48.2	37.1	30.6

Forecast Tables - Summary

Table 2. Summary of the Georgia State University Short-Term Forecast of the Nation

	QUARTERLY									ANNUAL		
	10:4	11:1	11:2	11:3	11:4	12:1	12:2	12:3	12:4	2011	2012	2013
Industrial Production and Resource Utilization												
Industrial Production	94.3	95.2	96.4	97.5	98.6	99.7	100.7	101.7	102.8	96.9	101.2	105.5
% Change	2.4	4.1	5.1	4.8	4.7	4.2	4.1	4.0	4.5	4.6	4.4	4.2
Capacity Util. Manuf. (%)	73.0	73.5	74.2	75.3	75.7	75.8	76.1	76.6	76.8	74.7	76.3	77.7
Total Employment (mil.)	130.1	130.5	130.8	131.2	131.6	131.9	132.3	132.7	133.1	131.0	132.5	134.2
Job Additions ('000)	234.3	360.6	346.5	368.9	394.9	350.7	367.5	387.8	382.6	1,201.5	1,483.1	1,670.2
Unemployment Rate (%)	9.6	9.3	9.3	9.3	9.2	9.1	9.0	8.9	8.8	9.3	9.0	8.6
Income, Consumption and Saving (annualized % change)												
Disposable Income	3.5	6.4	4.2	3.6	3.9	-1.4	4.4	3.9	4.0	4.3	2.6	2.9
Real Disposable Income	1.7	4.6	3.4	2.5	2.3	-2.9	2.8	2.2	2.2	3.0	1.1	1.3
Real Consumption	4.4	3.0	2.4	2.2	2.7	2.8	2.5	2.4	2.3	2.9	2.6	2.3
Savings Rate (%)	5.4	5.7	6.0	6.1	6.0	4.6	4.7	4.6	4.6	6.0	4.7	3.7
Corporate Profits												
Before Taxes (bil. \$)	1,777	1,474	1,411	1,419	1,419	1,445	1,455	1,479	1,507	1,431	1,472	1,851
% Change	-14.1	-52.6	-16.1	2.2	0.1	7.5	2.8	6.9	7.7	-20.3	2.8	25.8
After Taxes (bil. \$)	1,359	1,063	1,016	1,020	1,020	1,057	1,069	1,089	1,107	1,030	1,080	1,330
% Change	-15.1	-62.6	-16.3	1.3	0.0	15.4	4.5	7.8	6.7	-25.5	4.9	23.1
International Trade (annualized % change)												
Nominal (% change)												
U.S. Dollar	-14.4	9.0	-3.2	-1.6	-1.1	-0.9	-0.9	-0.9	0.0	-1.9	-1.1	-0.2
Exports	17.2	9.6	7.1	8.6	8.6	9.7	9.7	10.1	9.5	10.2	9.2	9.6
Imports	2.8	6.3	7.2	7.3	8.2	5.7	8.3	7.9	6.2	7.1	7.3	6.2
Net Exports (bil. \$)	-492.2	-485.1	-494.3	-496.9	-504.9	-492.3	-495.2	-493.4	-483.0	-495.3	-491.0	-445.3
Real (% change)												
U.S. Dollar	-15.6	7.6	-3.8	-2.3	-1.1	-0.9	-0.6	-0.3	0.8	-2.7	-1.1	0.6
Exports	8.5	7.5	7.4	7.8	7.7	8.5	8.5	8.7	8.2	7.7	8.2	8.7
Imports	-13.6	6.0	6.5	6.3	6.1	3.9	6.1	5.8	4.1	4.8	5.4	4.7
Net Exports (bil. 2005\$)	-392.2	-391.8	-394.3	-393.8	-393.0	-376.2	-370.9	-363.4	-347.8	-393.2	-364.6	-304.2
Federal Fiscal Policy (annualized % change)												
Defense Purchases												
Current \$	0.1	0.8	-1.0	-0.7	0.3	3.3	-0.1	-2.2	-1.6	1.6	0.3	-1.0
Constant \$	-2.0	-2.0	-2.2	-1.8	-1.0	0.3	-1.4	-3.4	-2.8	-0.2	-1.4	-2.7
Other Expenditures												
Transfers to Persons	1.4	0.5	-0.2	-6.8	-0.1	1.3	0.8	2.6	2.7	0.5	0.1	3.0
Grants to S&L Gov't	1.2	-10.9	-4.2	-32.2	-3.0	-2.1	2.9	4.3	4.7	-6.3	-4.9	4.1
Revenues												
As Share of GDP	16.4	14.7	14.6	14.6	14.6	15.6	15.6	15.7	15.9	14.6	15.7	18.2
Expenditures												
As Share of GDP	25.4	25.2	25.0	24.6	24.4	24.3	24.3	24.3	24.3	24.8	24.3	24.3
Deficit												
As Share of GDP	-1343.5	-1575.6	-1574.5	-1519.8	-1510.0	-1360.2	-1372.2	-1358.5	-1347.4	-1,545.0	-1,359.6	-1,016.9
As Share of GDP	-9.0	-10.5	-10.4	-9.9	-9.8	-8.7	-8.7	-8.5	-8.4	-10.1	-8.6	-6.1

Forecast Tables - Detailed

Table 3. Gross Domestic Product

	QUARTERLY									ANNUAL		
	10:4	11:1	11:2	11:3	11:4	12:1	12:2	12:3	12:4	2011	2012	2013
Billions of 2005 Dollars												
Gross Domestic Product	13,383	13,494	13,574	13,649	13,735	13,829	13,921	14,022	14,125	13,613	13,974	14,390
Personal Consumption Expenditures	9,431	9,500	9,556	9,609	9,673	9,741	9,802	9,862	9,918	9,585	9,831	10,055
Durable Goods	1,238	1,246	1,253	1,264	1,284	1,302	1,307	1,320	1,325	1,262	1,314	1,376
Nondurable Goods	2,102	2,120	2,129	2,140	2,153	2,168	2,186	2,200	2,216	2,136	2,192	2,243
Services	6,102	6,145	6,184	6,216	6,250	6,287	6,325	6,359	6,393	6,199	6,341	6,460
Gross Private Domestic Investment	1,740	1,791	1,826	1,861	1,892	1,907	1,939	1,981	2,018	1,843	1,961	2,108
Equipment & Software	1,100	1,130	1,167	1,200	1,236	1,264	1,296	1,327	1,358	1,183	1,311	1,405
Structures	317	313	308	303	298	299	301	303	307	305	302	327
Residential Investment	326	321	318	318	320	320	329	338	345	319	333	369
Change in Inventories	7.2	37.7	44.9	54.6	55.7	43.9	35.4	36.3	32.7	48.2	37.1	30.6
Net Exports	-392	-392	-394	-394	-393	-376	-371	-363	-348	-393	-365	-304
Exports	1,714	1,745	1,777	1,810	1,844	1,882	1,921	1,961	2,000	1,794	1,941	2,111
Imports	2,106	2,137	2,171	2,204	2,237	2,258	2,292	2,325	2,348	2,187	2,306	2,415
Government Purchases	2,586	2,581	2,576	2,567	2,559	2,554	2,552	2,548	2,546	2,571	2,550	2,547
Federal	1,094	1,089	1,083	1,079	1,076	1,075	1,072	1,065	1,059	1,082	1,068	1,046
Defense	728	724	720	717	715	716	713	707	702	719	709	690
Other	366	364	363	362	361	360	359	358	357	363	358	356
State & Local	1,498	1,499	1,499	1,494	1,489	1,485	1,486	1,489	1,492	1,495	1,488	1,506
Annual Growth Rate (% change from a year ago)												
Gross Domestic Product	2.8	2.7	2.9	2.8	2.6	2.5	2.6	2.7	2.8	2.8	2.7	3.0
Personal Consumption Expenditures	2.7	3.0	3.0	3.0	2.6	2.5	2.6	2.6	2.5	2.9	2.6	2.3
Durable Goods	11.1	9.4	8.2	7.2	3.7	4.5	4.3	4.5	3.2	7.1	4.1	4.8
Nondurable Goods	3.4	3.2	3.2	3.1	2.5	2.3	2.7	2.8	2.9	3.0	2.7	2.3
Services	1.2	1.9	2.2	2.3	2.4	2.3	2.3	2.3	2.3	2.2	2.3	1.9
Gross Private Domestic Investment	9.7	6.0	1.9	0.3	8.7	6.5	6.2	6.5	6.6	4.1	6.5	7.5
Equipment & Software	16.4	14.2	11.6	10.6	12.4	11.9	11.1	10.7	9.9	12.2	10.8	7.2
Structures	-5.5	-2.1	-3.6	-4.2	-5.9	-4.4	-2.3	0.0	3.0	-3.9	-1.0	8.3
Residential Investment	-4.6	-2.9	-9.0	-1.7	-1.9	-0.4	3.3	6.4	7.9	-4.0	4.3	10.7
Exports	8.9	8.0	7.5	7.8	7.6	7.9	8.1	8.3	8.5	7.7	8.2	8.7
Imports	10.6	9.3	3.3	0.9	6.2	5.7	5.6	5.5	5.0	4.8	5.4	4.7
Government Purchases	1.4	1.6	0.4	-0.9	-1.1	-1.0	-1.0	-0.7	-0.5	0.0	-0.8	-0.1
Federal	4.8	3.8	1.1	-1.4	-1.7	-1.2	-1.1	-1.3	-1.6	0.4	-1.3	-2.0
Defense	3.5	2.8	0.4	-2.0	-1.8	-1.2	-1.0	-1.4	-1.8	-0.2	-1.4	-2.7
Other	7.7	5.9	2.4	-0.1	-1.4	-1.3	-1.2	-1.1	-1.0	1.6	-1.1	-0.7
State & Local	-0.8	0.1	0.0	-0.5	-0.6	-0.9	-0.9	-0.4	0.2	-0.2	-0.5	1.2

Forecast Tables - Detailed

Table 4. Employment

	QUARTERLY									ANNUAL		
	10:4	11:1	11:2	11:3	11:4	12:1	12:2	12:3	12:4	2011	2012	2013
Total Non-Farm Payrolls (millions)												
Total	130.1	130.5	130.8	131.2	131.6	131.9	132.3	132.7	133.1	131.0	132.5	134.2
Job Additions ('000)	234.3	360.6	346.5	368.9	394.9	350.7	367.5	387.8	382.6	1201.5	1483.1	1670.2
Private	107.8	108.2	108.6	109.1	109.5	109.9	110.2	110.6	110.9	108.8	110.4	111.8
Job Additions ('000)	384.0	397.3	373.0	444.0	418.0	378.0	360.0	350.0	345.0	1,515.5	1,538.0	1,455.3
Construction	5.5	5.4	5.4	5.3	5.2	5.1	5.1	5.0	5.0	5.3	5.1	5.1
Job Additions ('000)	-10.3	-66.8	-49.7	-65.5	-94.1	-91.9	-59.1	-38.2	-5.9	-185.3	-272.5	50.5
Manufacturing	11.6	11.6	11.7	11.7	11.8	11.9	11.9	12.0	12.0	11.7	12.0	12.1
Job Additions ('000)	-5.0	45.6	75.1	39.8	63.6	84.7	76.7	42.0	37.6	164.1	259.1	192.9
Trans. & Warehousing	4.2	4.2	4.3	4.4	4.4	4.5	4.6	4.6	4.6	4.3	4.6	4.8
Job Additions ('000)	40.0	10.5	63.5	72.4	64.7	65.3	55.0	48.8	41.9	155.9	242.0	177.9
Utilities	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Job Additions ('000)	0.3	-0.4	-3.7	0.8	-2.1	2.7	0.3	0.0	-1.7	-5.2	0.5	-6.3
Retail Trade	14.4	14.6	14.3	14.2	14.2	14.2	14.3	14.3	14.3	14.3	14.3	14.4
Job Additions ('000)	26.4	108.5	-214.4	-139.5	20.1	22.6	48.2	18.1	29.4	-89.2	-33.1	98.8
Wholesale Trade	5.5	5.5	5.5	5.6	5.6	5.7	5.8	5.8	5.8	5.6	5.8	5.9
Job Additions ('000)	19.7	-1.7	44.0	67.6	64.5	64.5	46.4	38.8	29.2	100.0	219.2	133.1
Financial Activities	7.6	7.6	7.7	7.7	7.7	7.8	7.9	7.9	7.9	7.7	7.9	7.9
Job Additions ('000)	-0.3	25.5	56.2	19.5	9.1	56.1	67.6	70.3	21.0	64.3	177.9	63.0
Prof. & Bus. Services	16.8	16.9	17.2	17.4	17.6	17.6	17.6	17.7	17.7	17.3	17.6	18.1
Job Additions ('000)	130.0	109.4	273.7	224.0	113.5	3.7	38.5	76.0	58.0	609.4	350.6	452.9
Education & Health	19.7	19.8	19.9	20.0	20.1	20.2	20.3	20.4	20.4	20.0	20.3	20.6
Job Additions ('000)	122.7	76.9	70.6	134.4	107.8	119.1	69.3	54.6	65.3	0.4	0.4	0.2
Health Care	16.6	16.6	16.7	16.8	16.9	17.0	17.1	17.2	17.3	16.8	17.2	17.5
Job Additions ('000)	103.3	89.8	55.1	120.1	94.7	120.1	90.6	76.7	84.5	353.8	392.3	306.8
Leisure & Hospitality	13.1	13.1	13.2	13.2	13.2	13.3	13.3	13.3	13.4	13.2	13.3	13.4
Job Additions ('000)	9.0	65.2	25.7	32.4	23.8	53.8	47.2	15.2	27.3	154.8	144.1	61.0
Information	2.7	2.7	2.8	2.8	2.8	2.8	2.8	2.9	2.9	2.8	2.9	2.8
Job Additions ('000)	-7.7	24.7	33.4	40.1	38.1	0.4	-3.7	24.3	35.6	66.7	75.6	-15.2
Government	22.3	22.2	22.2	22.1	22.1	22.1	22.1	22.1	22.2	22.2	22.1	22.3
Job Additions ('000)	-149.7	-37.7	-26.5	-75.1	-23.1	-27.3	7.5	37.8	37.6	-315.0	-54.9	214.9
Federal	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.7
Job Additions ('000)	-91.7	-3.7	-9.7	-6.0	-11.0	-18.5	-18.1	-12.1	-10.7	-136.3	-54.4	-40.7
State & Local	19.4	19.4	19.4	19.3	19.3	19.3	19.3	19.4	19.4	19.3	19.3	19.6
Job Additions ('000)	-58.0	-34.0	-16.8	-69.1	-12.1	-8.7	25.6	49.8	48.2	-178.7	-0.5	255.6
Population and Labor Force (millions)												
Population aged 16+	245.3	245.9	246.5	247.2	247.8	248.4	249.0	249.6	250.2	246.8	249.3	251.7
Civilian Labor Force	153.9	154.3	154.7	155.0	155.4	155.7	156.0	156.3	156.6	154.8	156.2	157.4
Unemployment Rate (%)	9.6	9.3	9.3	9.3	9.2	9.1	9.0	8.9	8.8	9.3	9.0	8.6

Forecast Tables - Details

Table 5. Personal Income and its Disposition

	QUARTERLY									ANNUAL		
	10:4	11:1	11:2	11:3	11:4	12:1	12:2	12:3	12:4	2011	2012	2013
Billions of Current Dollars												
Personal Income	12,721	12,974	13,106	13,219	13,340	13,344	13,495	13,646	13,802	13,160	13,572	14,169
Wages & Salaries	6,498	6,593	6,674	6,741	6,812	6,886	6,961	7,035	7,109	6,705	6,998	7,296
Other Labor Income	1,118	1,127	1,140	1,155	1,170	1,188	1,205	1,221	1,238	1,148	1,213	1,274
Non-Farm Income	1,025	1,050	1,069	1,085	1,102	1,115	1,135	1,148	1,159	1,076	1,139	1,179
Farm Income	58	56	52	50	49	51	53	53	51	52	52	47
Personal Rental Income	310	315	317	317	315	314	305	292	279	316	297	244
Dividends	724	739	750	757	759	756	759	762	767	751	761	789
Personal Interest Income	1,187	1,176	1,177	1,183	1,194	1,216	1,249	1,295	1,344	1,183	1,276	1,473
Transfer Payments	2,333	2,349	2,364	2,372	2,384	2,398	2,413	2,432	2,453	2,367	2,424	2,513
Contributions For												
Social Insurance Taxes	532	432	438	441	445	580	585	591	597	439	588	646
Personal Tax Payments	1,206	1,281	1,291	1,299	1,305	1,353	1,374	1,409	1,444	1,294	1,395	1,639
Disposable Income	11,515	11,693	11,815	11,921	12,035	11,992	12,120	12,238	12,358	11,866	12,177	12,531
Consumption	10,525	10,645	10,728	10,816	10,930	11,050	11,161	11,275	11,390	10,780	11,219	11,654
Interest Payments	187	185	186	183	181	182	182	183	184	184	183	190
Transfers To Foreigners	73	74	75	76	77	78	80	81	82	76	80	85
Personal Savings	626	672	707	724	723	557	569	569	570	706	566	465
Personal Savings Rate (%)	5.4	5.7	6.0	6.1	6.0	4.6	4.7	4.6	4.6	6.0	4.7	3.7
Annual Growth Rate (% change from a year ago)												
Personal Income	3.9	5.0	4.7	5.0	4.9	2.9	3.0	3.2	3.5	4.9	3.1	4.4
Wages & Salaries	3.4	4.8	4.5	4.7	4.8	4.4	4.3	4.4	4.4	4.7	4.4	4.3
Other Labor Income	3.2	2.9	3.3	4.0	4.7	5.4	5.8	5.7	5.8	3.7	5.7	5.0
Non-Farm Income	4.0	5.6	5.8	7.3	7.5	6.2	6.1	5.8	5.2	6.6	5.8	3.5
Farm Income	60.5	53.5	34.9	3.6	-16.0	-10.1	1.1	5.0	4.6	14.1	-0.2	-9.0
Personal Rental Income	9.6	7.6	6.0	4.4	1.8	-0.4	-3.6	-7.9	-11.7	4.9	-5.9	-18.0
Dividends	6.0	5.3	5.8	5.9	4.8	2.3	1.2	0.6	1.1	5.4	1.3	3.6
Personal Interest Income	-1.6	-2.7	-2.3	0.7	0.6	3.4	6.1	9.5	12.6	-0.9	7.9	15.5
Transfer Payments	6.6	4.6	3.4	2.4	2.2	2.1	2.0	2.5	2.9	3.1	2.4	3.7
Contributions For												
Social Insurance Taxes	3.8	-16.3	-16.4	-16.4	-16.2	34.1	33.5	33.9	33.9	-16.4	33.9	9.8
Personal Tax Payments	8.0	12.9	12.3	10.3	8.2	5.6	6.5	8.5	10.7	10.9	7.8	17.5
Disposable Income	3.5	4.3	3.9	4.4	4.5	2.6	2.6	2.7	2.7	4.3	2.6	2.9
Consumption	3.9	4.0	4.3	4.3	3.8	3.8	4.0	4.2	4.2	4.1	4.1	3.9
Interest Payments	-9.9	-9.3	-9.9	-7.2	-3.2	-1.8	-1.7	0.2	1.8	-7.5	-0.4	3.7
Transfers To Foreigners	4.7	4.6	4.0	7.1	6.2	6.1	6.0	6.0	6.1	5.5	6.1	6.1

Forecast Tables - Details

Table 6. Personal Consumption Expenditures and Private Domestic Investment

	QUARTERLY									ANNUAL		
	10:4	11:1	11:2	11:3	11:4	12:1	12:2	12:3	12:4	2011	2012	2013
Personal Consumption Expenditures (bil. 2005\$)												
Personal Consumption	9,431	9,500	9,556	9,609	9,673	9,741	9,802	9,862	9,918	9,585	9,831	10,055
Durable Goods	1,238	1,246	1,253	1,264	1,284	1,302	1,307	1,320	1,325	1,262	1,314	1,376
Nondurable Goods	2,102	2,120	2,129	2,140	2,153	2,168	2,186	2,200	2,216	2,136	2,192	2,243
Services	6,102	6,145	6,184	6,216	6,250	6,287	6,325	6,359	6,393	6,199	6,341	6,460
Personal Consumption Expenditures (annualized % change)												
Personal Consumption	4.4	3.0	2.4	2.2	2.7	2.8	2.5	2.4	2.3	2.9	2.6	2.3
Durable Goods	21.7	2.5	2.3	3.4	6.5	5.8	1.7	4.1	1.5	7.1	4.1	4.8
Autos & Parts	45.0	-7.8	-4.0	-2.7	7.1	4.8	0.9	-3.8	2.7	5.3	1.7	-0.5
Furniture	11.4	8.8	4.3	5.8	3.4	4.8	1.0	8.0	0.5	7.3	4.0	12.9
Other Durables	4.4	4.0	1.7	2.6	3.9	11.3	-5.8	14.2	-8.7	3.4	3.9	0.7
Nondurable Goods	5.0	3.5	1.7	2.2	2.5	2.8	3.2	2.6	3.1	3.0	2.7	2.3
Food & Beverages	4.9	2.3	2.8	2.9	2.7	2.3	2.4	2.1	2.0	2.8	2.5	1.6
Gasoline & Motor Oil	-3.1	0.4	2.6	2.3	1.6	-0.5	-0.4	1.1	0.9	0.6	0.7	1.7
Fuel	-4.0	3.5	-3.8	-0.6	-0.9	-0.7	-1.5	-1.0	-0.4	-1.4	-1.1	-0.9
Clothing & Shoes	14.2	5.7	-2.6	-0.4	3.4	9.3	12.3	7.2	11.2	3.8	6.6	6.3
Other Nondurables	5.2	5.1	2.2	2.6	2.4	2.2	2.1	1.9	1.9	4.0	2.2	1.7
Services	1.7	2.8	2.6	2.1	2.2	2.4	2.4	2.2	2.1	2.2	2.3	1.9
Housing & Utilities	0.6	-0.4	-0.5	-0.6	-0.5	1.1	0.2	0.2	0.2	0.3	0.2	0.3
Transportation Services	1.8	6.0	4.7	5.0	4.5	2.5	3.8	2.7	3.7	4.3	3.7	2.6
Fin. & Insurance Serv.	2.9	5.4	5.9	1.9	2.4	3.5	3.2	3.1	2.3	2.8	3.1	3.0
Medical Care	2.9	2.7	2.7	2.7	2.9	4.4	3.8	3.4	3.4	2.6	3.5	3.1
Other Services	-0.1	4.4	2.8	3.4	3.8	1.7	2.3	1.5	1.9	2.4	2.5	1.2
Private Domestic Investment (bil. 2005\$)												
Private Fixed Investment	1,403	1,427	1,455	1,481	1,509	1,537	1,568	1,601	1,634	1,468	1,585	1,702
Equipment & Software	1,100	1,130	1,167	1,200	1,236	1,264	1,296	1,327	1,358	1,183	1,311	1,405
Structures	317	313	308	303	298	299	301	303	307	305	302	327
Residential Investment	326	321	318	318	320	320	329	338	345	319	333	369
Inventory Change	7	38	45	55	56	44	35	36	33	48	37	31
Private Domestic Investment (annualized % change)												
Private Fixed Investment	4.4	7.0	8.2	7.1	7.9	7.6	8.5	8.5	8.7	7.8	8.0	7.4
Equipment & Software	5.8	11.6	13.6	11.7	12.6	9.6	10.3	10.1	9.5	12.2	10.8	7.2
Info. Processing Equip.	12.7	3.8	13.4	9.2	9.6	2.3	5.6	6.3	8.3	9.6	6.7	5.2
Industrial Equipment	12.2	2.3	0.5	8.3	24.6	46.2	20.8	11.7	4.9	8.6	22.0	11.4
Transportation Equip.	-26.6	58.6	28.3	27.9	14.6	21.6	23.0	28.6	16.3	26.8	22.2	13.0
Other Equipment	3.4	19.3	17.2	11.9	10.3	-4.7	5.5	6.5	12.7	14.1	5.7	3.9
Structures	0.9	-5.0	-6.3	-6.1	-6.1	1.1	2.4	3.0	5.8	-3.9	-1.0	8.3
Residential Investment	3.4	-5.9	-3.2	-0.9	2.5	-0.1	12.3	11.3	8.4	-4.0	4.3	10.7

Forecast Tables - Details

Table 7. Government Receipts and Expenditures

	QUARTERLY									ANNUAL		
	10:4	11:1	11:2	11:3	11:4	12:1	12:2	12:3	12:4	2011	2012	2013
Federal Government Receipts and Expenditures (bil.\$)												
Receipts	2,435	2,211	2,219	2,236	2,253	2,431	2,458	2,504	2,556	2,230	2,487	3,004
Personal Taxes	903	872	880	886	893	938	957	989	1,019	883	976	1,248
Corporate Taxes	307	298	286	290	291	279	278	282	291	291	282	392
Production & Imports	111	115	115	115	116	116	116	117	118	115	117	121
Contributions For												
Social Insurance	1,000	816	827	834	842	986	996	1,006	1,018	830	1,002	1,133
Expenditures	3,779	3,787	3,793	3,756	3,763	3,791	3,830	3,862	3,903	3,775	3,847	4,021
Purchases of Goods & Ser.	1,239	1,240	1,238	1,237	1,237	1,244	1,244	1,240	1,238	1,238	1,242	1,238
National Defense	831	833	830	829	830	836	836	832	828	830	833	825
Other	408	408	407	408	408	408	408	409	409	408	409	414
Transfer Payments	2,361	2,363	2,362	2,321	2,321	2,328	2,333	2,348	2,364	2,342	2,343	2,413
To Resident Persons	1,743	1,754	1,761	1,767	1,771	1,776	1,781	1,790	1,801	1,763	1,787	1,836
To Foreigners	73	74	75	76	77	78	80	81	82	76	80	85
Grants-in-Aid to State												
& Local Governments	541	525	520	472	468	466	469	474	479	496	472	492
Net Interest	275	279	287	291	297	309	342	364	391	289	351	459
Subsidies less Surplus of												
Federal Enterprises	66	63	62	61	60	59	59	58	58	61	58	56
Surplus (+) or Deficit (-)	-1,344	-1,576	-1,575	-1,520	-1,510	-1,360	-1,372	-1,358	-1,347	-1,545	-1,360	-1,017
State and Local Government Receipts and Expenditures (bil. \$)												
Receipts	1,352	1,340	1,344	1,352	1,359	1,371	1,382	1,395	1,409	1,349	1,389	1,464
Personal Taxes	304	308	310	313	312	315	317	320	325	311	319	340
Corporate Taxes	86	61	55	55	54	54	53	53	53	56	53	72
Production & Imports	963	973	980	987	996	1,005	1,014	1,023	1,033	984	1,019	1,055
Contributions For												
Social Insurance	23	23	23	23	24	24	24	24	25	23	24	25
Federal Grants-in-Aid	541	525	520	472	468	466	469	474	479	496	472	492
Expenditures	2,121	2,131	2,140	2,142	2,153	2,167	2,186	2,208	2,230	2,142	2,198	2,293
Purchases of Goods & Ser.	1,802	1,809	1,813	1,812	1,812	1,815	1,823	1,834	1,847	1,812	1,830	1,885
Consumption	1,455	1,444	1,446	1,446	1,450	1,455	1,464	1,474	1,485	1,447	1,470	1,516
Gross Investment	347	355	357	356	352	350	349	350	352	355	350	359
Transfer Payments	551	557	564	567	574	583	592	602	612	565	597	636
Net Interest	16	15	15	14	13	13	13	14	17	14	14	23
Subsidies less Surplus of												
State & Local Enterprises	10	10	9	8	7	5	5	5	4	9	5	4
Surplus (+) or Deficit (-)	44	22	14	-24	-28	-27	-28	-29	-28	-4	-28	-15

Forecast Tables - Details

Table 8. Implicit Price Deflators and Other Inflation Indicators

	QUARTERLY									ANNUAL		
	10:4	11:1	11:2	11:3	11:4	12:1	12:2	12:3	12:4	2011	2012	2013
Chained Price Index (annualized % change)												
GDP	0.3	1.8	0.7	1.0	1.2	1.4	1.3	1.4	1.5	1.2	1.3	1.4
Consumption	1.8	1.7	0.8	1.1	1.5	1.6	1.5	1.7	1.8	1.2	1.5	1.6
Durables	-2.4	-1.6	-1.3	-1.1	-0.8	-0.8	-0.7	-0.5	-0.6	-1.7	-0.8	-0.7
Motor Vehicles	-1.0	0.7	1.7	1.7	1.9	1.4	1.3	1.4	1.3	1.1	1.5	1.1
Furniture	-4.6	-3.6	-2.7	-1.8	-1.1	-0.6	-0.2	-0.1	0.0	-3.5	-0.8	-0.0
Nondurables	6.5	2.8	-0.4	0.8	2.2	1.8	1.5	1.6	2.2	2.1	1.6	1.4
Food	1.5	4.2	0.6	0.5	0.8	0.7	0.9	1.1	1.0	1.7	0.8	0.9
Clothing & Shoes	-3.8	2.8	1.7	0.3	0.3	0.5	0.6	0.6	0.5	0.5	0.5	0.4
Gasoline & Oil	48.5	2.0	-9.7	-0.9	7.6	3.8	0.5	0.5	4.5	5.8	2.0	0.2
Fuel												
Services	0.9	1.8	1.5	1.5	1.7	1.9	1.9	2.0	2.0	1.4	1.8	2.0
Housing	0.9	1.2	1.0	1.2	1.5	1.6	1.7	1.7	1.7	1.0	1.5	1.8
Utilities	4.0	-0.2	-0.1	-0.6	-0.1	1.5	2.8	2.9	3.4	0.3	1.4	2.8
Food Services	2.1	3.6	3.3	1.3	1.0	1.7	1.9	1.8	1.8	2.4	1.7	1.6
Transportation	1.4	1.9	1.3	1.3	1.6	1.8	1.5	1.7	1.7	1.3	1.6	1.4
Fin. & Insurance Serv.	-1.1	1.9	1.8	1.7	1.7	1.8	1.8	1.7	1.7	0.5	1.8	1.7
Health Care	1.7	2.4	1.8	1.8	2.0	2.4	2.4	2.4	2.5	2.0	2.2	2.5
Other Services	1.2	1.4	1.5	2.0	1.7	1.4	1.5	1.7	1.5	1.6	1.6	1.5
Private Fixed Investment	0.8	1.2	0.6	0.4	0.1	0.3	0.3	0.5	0.5	0.6	0.3	0.5
Equipment & Software	-0.1	0.6	0.7	0.8	0.4	0.5	0.4	0.4	0.4	0.2	0.5	0.2
Structures	3.2	2.8	0.3	-0.8	-0.9	-0.5	-0.1	0.5	1.0	1.7	-0.3	1.3
Residential Investment	2.1	3.2	2.7	2.1	2.3	2.4	2.6	2.5	2.6	1.9	2.4	2.4
Exports	8.1	1.9	-0.3	0.7	0.9	1.1	1.1	1.3	1.2	2.4	0.9	0.8
Imports	18.9	0.3	0.7	0.9	1.9	1.8	2.1	1.9	2.0	2.1	1.7	1.4
Government Purchases	3.1	1.8	1.1	1.2	1.4	2.0	1.5	1.6	1.6	1.5	1.5	1.8
Federal Purchases	1.7	2.5	1.2	1.2	1.4	2.5	1.3	1.3	1.3	1.5	1.6	1.8
State & Local Purchases	4.0	1.3	1.0	1.2	1.4	1.6	1.6	1.7	1.8	1.6	1.5	1.8
Consumer Price Index (annualized % change)												
Consumer Price Index	2.6	2.3	1.8	1.8	2.0	2.0	1.8	2.1	2.0	1.9	1.9	2.0
Total less Food & Energy	0.4	0.9	1.3	1.6	1.6	2.2	2.1	2.1	1.9	1.1	1.9	1.9
Producer Price Index (annualized % change)												
All Commodities	19.3	-0.2	-4.3	0.6	3.0	1.9	1.7	3.3	3.2	2.2	1.8	1.5
Industrial Commodities	18.7	-0.0	-3.6	1.2	3.5	2.1	1.9	3.8	3.9	2.2	2.2	1.9
Textile & Apparel	2.0	2.8	2.9	0.7	0.1	-0.0	0.3	0.3	0.2	1.8	0.4	0.0
Fuels	46.3	-7.2	-14.2	-0.5	7.5	2.2	1.6	8.4	9.1	0.7	2.8	1.7
Chemicals	25.1	4.1	1.2	1.8	3.3	2.2	1.7	2.1	2.3	4.5	2.2	1.5
Rubber & Plastic	0.4	8.0	3.4	2.2	2.6	2.3	2.0	1.5	1.6	3.6	2.2	1.2
Lumber & Wood	-0.0	-2.0	-0.3	0.5	0.6	-0.1	3.4	3.5	2.5	-1.1	1.4	2.9
Pulp & Paper	4.8	3.6	2.9	2.8	2.7	2.4	2.3	2.2	2.2	4.1	2.5	2.0
Metals & Products	36.2	-1.2	-7.2	3.0	3.8	4.3	4.0	5.5	5.1	3.2	3.4	5.4
Equipment	-0.1	0.6	1.7	0.6	0.5	0.9	1.1	1.1	1.1	0.5	0.9	0.8
Intermediate Materials	11.5	0.3	-3.4	0.4	2.5	1.8	1.6	2.7	3.0	1.7	1.6	1.8
Finished Goods	7.2	2.9	-2.6	-0.1	2.3	1.6	1.4	2.4	2.4	1.7	1.3	1.1
Consumer Goods	10.6	2.8	-4.0	-0.6	2.5	1.5	1.3	2.5	2.6	1.9	1.2	1.0
Producer Goods	-2.1	2.0	1.9	1.7	1.6	1.8	1.8	1.9	1.8	1.0	1.7	1.6

Forecast Tables - Details

Table 9. U.S. Exports and Imports of Goods and Services

	QUARTERLY									ANNUAL		
	10:4	11:1	11:2	11:3	11:4	12:1	12:2	12:3	12:4	2011	2012	2013
Billions of Current Dollars												
Exports - Goods & Services	1,924	1,968	2,002	2,044	2,086	2,135	2,185	2,238	2,290	2,025	2,212	2,425
Exports of Goods	1,348	1,381	1,406	1,437	1,470	1,507	1,546	1,587	1,627	1,424	1,567	1,733
Food, Feeds & Beverages	124	124	120	117	117	119	122	124	126	119	123	129
Industrial Supplies	419	424	425	431	437	445	453	462	471	429	458	489
Motor Vehicles & Parts	114	121	127	134	139	144	150	156	160	130	153	171
Non-auto Cons. Goods	173	177	181	186	192	197	202	206	212	184	204	227
Capital Goods, Ex. Auto	459	472	488	503	518	533	550	567	585	495	559	642
Other	60	61	62	63	65	66	67	68	70	63	68	73
Services	576	587	596	606	616	628	639	651	663	601	645	692
Imports - Goods & Services	2,416	2,453	2,496	2,541	2,591	2,628	2,680	2,732	2,773	2,520	2,703	2,870
Imports of Goods	2,003	2,029	2,062	2,097	2,138	2,169	2,214	2,257	2,289	2,082	2,232	2,368
Foods, Feeds & Beverage	94	96	97	97	97	98	99	101	102	97	100	104
Petroleum & Products	358	351	359	378	376	373	382	391	384	366	383	384
Industrial Supplies	249	254	247	234	247	255	259	264	272	245	262	293
Motor Vehicles & Parts	231	235	238	244	247	250	253	257	260	241	255	267
Non-auto Cons. Goods	500	508	523	535	546	556	568	577	587	528	572	611
Capital Goods	477	485	496	507	522	532	546	559	573	502	553	595
Other	95	97	99	100	101	102	104	106	107	99	105	112
Services	413	424	434	444	453	458	467	475	484	439	471	502
Net Exports	-492	-485	-494	-497	-505	-492	-495	-493	-483	-495	-491	-445
Current Account Balance	-469	-505	-517	-532	-547	-527	-529	-532	-525	-525	-528	-534
Merchandise Balance	-655	-648	-656	-659	-668	-662	-668	-669	-662	-658	-665	-635
Billions of 2005 Dollars												
Exports - Goods & Services	1,714	1,745	1,777	1,810	1,844	1,882	1,921	1,961	2,000	1,794	1,941	2,111
Exports of Goods	1,204	1,223	1,248	1,274	1,301	1,331	1,363	1,395	1,427	1,262	1,379	1,519
Services	511	522	529	537	543	552	559	567	575	533	563	594
Imports - Goods & Services	2,106	2,137	2,171	2,204	2,237	2,258	2,292	2,325	2,348	2,187	2,306	2,415
Imports of Goods	1,750	1,763	1,790	1,818	1,845	1,865	1,894	1,923	1,942	1,804	1,906	1,999
Services	357	373	379	385	391	392	397	401	406	382	399	415
Net Exports	-392	-392	-394	-394	-393	-376	-371	-363	-348	-393	-365	-304
Annualized Growth Rate (Constant Dollars)												
Exports - Goods & Services	17.2	9.6	7.1	8.6	8.6	9.7	9.7	10.1	9.5	10.2	9.2	9.6
Exports of Goods	22.1	10.4	7.3	9.2	9.4	10.5	10.7	11.1	10.4	11.5	10.1	10.6
Services	6.7	7.7	6.5	7.1	6.7	7.8	7.3	7.7	7.5	7.3	7.3	7.2
Imports - Goods & Services	2.8	6.3	7.2	7.3	8.2	5.7	8.3	7.9	6.2	7.1	7.3	6.2
Imports of Goods	3.0	5.4	6.6	6.9	8.1	6.0	8.4	8.0	5.9	6.9	7.2	6.1
Services	1.9	11.0	10.1	9.4	8.5	4.3	7.8	7.4	7.5	8.5	7.3	6.5
U.S. Dollar Exchange Rate	89.3	90.9	90.0	89.5	89.3	89.1	88.9	88.9	89.0	89.9	89.0	89.5
% Change	-15.6	7.6	-3.8	-2.3	-1.1	-0.9	-0.6	-0.3	0.8	-2.7	-1.1	0.6

Forecast Tables - Detailed

Table 10. Money, Interest Rates, and Corporate Profits

	QUARTERLY									ANNUAL		
	10:4	11:1	11:2	11:3	11:4	12:1	12:2	12:3	12:4	2011	2012	2013
Money (billions \$)												
Money Supply (M1)	1,813	1,875	1,924	1,970	2,016	2,061	2,102	2,141	2,179	1,946	2,121	2,262
% Change	14.5	14.5	10.9	9.8	9.8	9.1	8.3	7.7	7.2	11.6	9.0	6.7
Money Supply (M2)	8,784	8,974	9,132	9,289	9,436	9,589	9,728	9,865	9,993	9,208	9,794	10,324
% Change	5.8	9.0	7.2	7.1	6.5	6.6	5.9	5.8	5.3	6.7	6.4	5.4
Interest Rates (%)												
Federal Funds Rate	0.2	0.1	0.2	0.2	0.3	0.4	0.8	1.7	2.6	0.2	1.4	3.5
Prime Rate	3.3	3.2	3.3	3.3	3.3	3.4	3.8	4.7	5.6	3.3	4.4	6.5
3-Month Treasury Bill	0.1	0.2	0.2	0.3	0.5	0.7	0.9	1.8	2.7	0.3	1.5	3.5
6-Month Treasury Bill	0.2	0.3	0.3	0.4	0.6	0.8	1.1	1.9	2.7	0.4	1.6	3.5
1-Year Treasury Note	0.3	0.4	0.3	0.5	0.7	1.0	1.2	2.0	2.9	0.5	1.8	3.7
2-Year Treasury Note	0.5	0.9	0.9	1.0	1.2	1.5	1.8	2.5	3.3	1.0	2.3	3.9
5-Year Treasury Note	1.5	2.4	2.6	2.7	2.8	3.0	3.2	3.8	4.3	2.6	3.6	4.6
10-Year Treasury Note	2.9	3.7	3.9	4.1	4.3	4.4	4.6	4.8	4.9	4.0	4.7	5.0
30-Year Treasury Bond	4.2	4.8	5.0	5.2	5.3	5.4	5.5	5.7	5.5	5.1	5.5	5.4
Aaa Corporate Bonds	4.9	5.6	5.9	6.0	6.1	6.1	6.3	6.5	6.5	5.9	6.4	6.4
Baa Corporate Bonds	5.9	6.7	7.0	7.2	7.3	7.4	7.6	7.8	7.7	7.1	7.6	7.5
Domestic Municipal Bonds	4.4	5.3	5.5	5.6	5.7	5.6	5.7	5.8	5.7	5.5	5.7	5.7
30-Year Mortgage Rate	4.4	5.0	5.3	5.5	5.7	5.9	6.0	6.2	6.5	5.4	6.1	6.5
Corporate Profits (billions \$)												
Profits Before Taxes	1,777	1,474	1,411	1,419	1,419	1,445	1,455	1,479	1,507	1,431	1,472	1,851
% Change	-14.1	-52.6	-16.1	2.2	0.1	7.5	2.8	6.9	7.7	-20.3	2.8	25.8
Profits After Taxes	1,359	1,063	1,016	1,020	1,020	1,057	1,069	1,089	1,107	1,030	1,080	1,330
% Change	-15.1	-62.6	-16.3	1.3	0.0	15.4	4.5	7.8	6.7	-25.5	4.9	23.1