



November 2008

Forecast of the Nation

A Long Haul Lies Ahead

Dr. Rajeev Dhawan
Director

ECONOMIC
FORECASTING
CENTER

Business Intelligence at Its Best

GeorgiaStateUniversity 
J. Mack Robinson
COLLEGE of BUSINESS



TABLE OF CONTENTS

Forecast of the Nation

November 2008

Forecast Analysis

FORECAST COMMENTARY	1
Will the Treasury TARP Over the Financial Mess?	6
Epilogue	8
ECONOMIC INDICATORS	9
Labor Market	11
Inflation (CPI & PPI)	11
Housing Market (Starts & Sales)	12
Retail Sales	12
Auto Sales and Consumer Confidence	13
Manufacturing Sector (Industrial Production & Durable Goods)	13
International Trade	14
Personal Income and Consumption	14
Interest Rates	14
FORECAST HIGHLIGHTS	15
Real GDP	16
Consumption	16
Investment	16
Oil Prices and Auto Sales	17
Housing Starts	17
Employment and Unemployment Rate	17
International Trade	18
Inflation	18
Interest Rates	18



TABLE OF CONTENTS

Forecast of the Nation



November 2008

Tables

HISTORY & FORECAST TABLES

Table 1.	U.S. Forecast Summary, November 2008	3
Table 2.	Summary of Recent Evidence	10

DETAILED FORECAST TABLES

Table 1.	Summary of the GSU Short-Term Forecast of the Nation	A.1
Table 2.	Summary of the GSU Short-Term Forecast of the Nation	A.2
Table 3.	Gross Domestic Product	A.3
Table 4.	Employment	A.4
Table 5.	Personal Income and its Disposition	A.5
Table 6.	Personal Consumption Expenditures and Investment	A.6
Table 7.	Government Receipts and Expenditures	A.7
Table 8.	Implicit Price Deflators and Other Inflation Indicators	A.8
Table 9.	U.S. Exports and Imports of Goods and Services	A.9
Table 10.	Money, Interest Rates and Corporate Profits	A.10

PUBLICATION SUBSCRIPTION ORDER FORM





A LONG HAUL LIES AHEAD

DR. RAJEEV DHAWAN
DIRECTOR
ECONOMIC FORECASTING CENTER
GEORGIA STATE UNIVERSITY

NOVEMBER 10, 2008

FORECAST COMMENTARY

The October jobs report confirmed that the intensification of financial turmoil in the past few months is taking and will continue to take its toll on the economy. Not only did we lose 240,000 jobs in October but also with downward revisions to August and September numbers, the economy has lost more than 700,000 jobs in the last three months. The Treasury's Troubled Asset Relief Plan or TARP (dubbed the bailout plan in the media) can do nothing to prevent these job losses from happening, and neither can it jumpstart the loan process in a matter of weeks. It will be a while before the banking system returns to a semblance of normalcy, which will make for some interesting theatre in Congressional rhetoric. And I hope the situation remains at that and doesn't result in some misguided legislation that will do more harm than good. Also, let's keep our fingers crossed that the transition at the Treasury goes smoothly. With all its warts, TARP is the only thing that is keeping the financial system from a complete meltdown.

While real GDP growth last quarter may have been a small negative, consumption spending fell like a rock (-3.1%)—especially in the area of automobile sales, which slid sharply in October to their lowest level (per capita of population) since the end of WWII. GM sales suffered an almost 50% drop from year-ago levels. GM officials admitted that they engaged in virtually no leasing activity in October, based on their decision to lease cars only to people with credit scores above 700. Under this criterion, half the population in the nation will fail to qualify for a loan from GMAC! And underscoring that deterrent is the total lack of desire for purchasing vehicles, according to the record low reading on the consumer confidence index last month. The industrial production index

declined steeply by 6.0% last quarter, and the prices of oil and commodities, including gold, have crashed from their record highs in the summer. We are solidly in a recession, a much more severe recession than projected in the last report in August, notwithstanding NBER's lack of pronouncement. The fallout from Lehman's bankruptcy will be felt for a long time in the real economy.

So how long will this recession last? Expect real GDP growth to decline by a sharp 3.2% in the coming fourth quarter and continue in the negative territory in the first half of 2009, too. Even though growth technically will turn positive in the third quarter of 2009, the economy will still experience a somewhat large number of job losses in the second half of 2009. From mid-2009 to mid-2010, the economy will grow at an anemic 1.0% rate. This growth rate improves to 1.9% (still subpar) in the second half of 2010. Thus, real GDP growth is expected to remain much below its potential rate of 3.0% for the entire forecast horizon, i.e. until the end of 2010. On an annual basis, real GDP growth will be a negative 1.3% in 2009 and then a positive but subpar 1.2% in 2010. We'll have to wait until mid-2010 for growth to be above the 2.0% mark by a substantial margin. The peak-to-trough real GDP decline will be 1.9%, which is much higher than what was experienced in 2001 (-0.1%) or even in 1990-91 (-1.5%). This figure is much lower than what we experienced in 1973-75 (-2.9%) and nowhere near the double-dip losses of 1980-82 (-2.2% in 1980-81, and -2.3% in 1981-82).

The culprit for subpar growth performance in the current forecast horizon is consumption, or rather the lack of recovery in growth rate. Consumption growth will remain negative in the next two quarters and then be anemic until the end of 2010. In post-

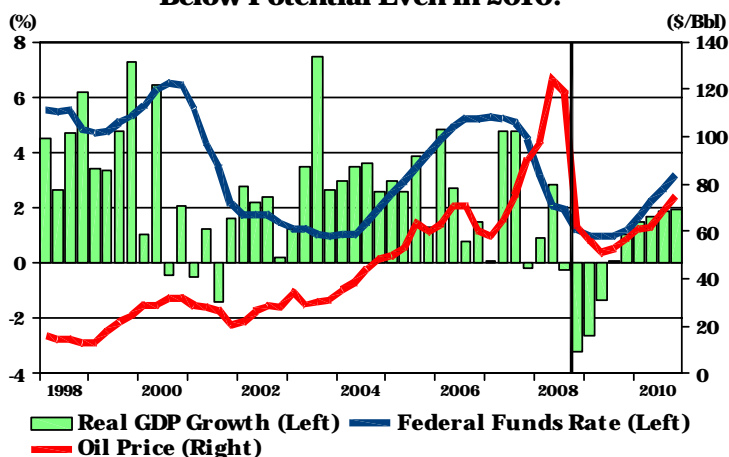
WWII economies, we have never observed this pattern. Although the consumption drop in the 1980-82 double-dip recessions was dramatic at times, it only lasted for a quarter, followed by a swift recovery. For example, when Jimmy Carter imposed the credit constraints in March 1980 in a ham-handed approach to counter inflation, consumption fell by 8.6% in the second quarter of that year. However, it recovered to a 4.4% growth in the next quarter when the misguided constraints were lifted in July. When Volcker slammed on the interest rates, consumption growth turned weak and then negative for only a quarter in late 1981. The current credit crunch may not be as dramatic (unless you are the Big 3 in Detroit), but it gives you a flavor of what to expect as long as the credit markets remain dysfunctional.

Additionally, the reduced net worth of the consumers, given that they have suffered dramatic falls in the value of their stock portfolios as well as in their major assets (homes), will set in motion a negative wealth effect in coming quarters. When coupled with credit activity that will be substantially below the peak levels seen last summer, this devaluation will end up tempering their consumption desire, especially for new housing construction. Housing starts will remain below the one million unit mark even until late 2010. The great race to own multiple homes as a vehicle for future capital gains to pay for one's retirement has come to a sad end. The beneficiary of this tempered desire is the national savings rate, which will climb closer to 5% in 2009 and remain high in 2010, too. This recession will solve the declining savings rate problem. Additionally, the trade deficit will be halved in nominal terms by 2010. The dollar may be strong against our trading partners to make for cheaper imports, but our reduced desire to consume finished products will reduce imports in the coming years. **Table 1** on the accompanying page has additional details on exports and imports.

The incoming Democratic administration will prepare a stimulus package soon, but all that package will do is add to the rising budget deficit, expected to be above \$650 billion, or almost 5% of the GDP, in

Figure 1

Below Potential Even in 2010!



2009 and 2010. This figure is not counting the final tab on the existing bailout plan or how much it will be expanded to help other sectors of the economy. Stimulus packages don't work unless they are accompanied by permanent reductions in marginal tax rates (for everybody), which effectively make the boost equivalent of an increase in permanent income. This scenario in turn spurs consumer spending. If tax credits are perceived to be one-time gifts, then people save the windfall, as the consumers' responses to this year's rebate checks have shown. Given that the oil price has more than halved in the past three months to fall below \$65 per barrel (a little more than what we forecasted in the August 2008 report), consumers are getting a much needed respite in their wallets from high gas prices. This easing should also reduce the volume of angry phone calls to Congressional representatives, which in turn should temper their populism instincts. The exception is the day when the oil companies announce earnings!

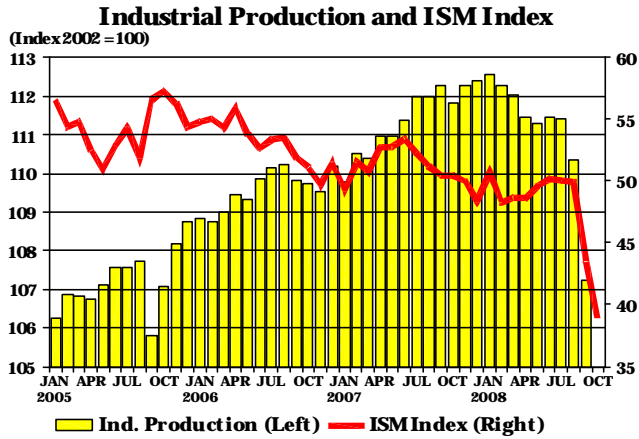
To get back to the message, oil prices are expected to drop further towards \$50 per barrel by mid-2009 (see **figure 1**). Despite that decline, they will not jumpstart vehicle sales because credit markets will still be tight for consumer loans. Vehicle sales will average only 11.2 million units in 2009 and rise modestly to 13.5 million unit sales in 2010. The era of 16.0 million-plus unit sales is over. The Big 3 in Detroit will need to do more than just tap into Uncle Sam's checkbook given that their burn rate (on hoarded cash) was collectively more than \$20 billion in the

Table 1
U.S. Forecast Summary, November 2008

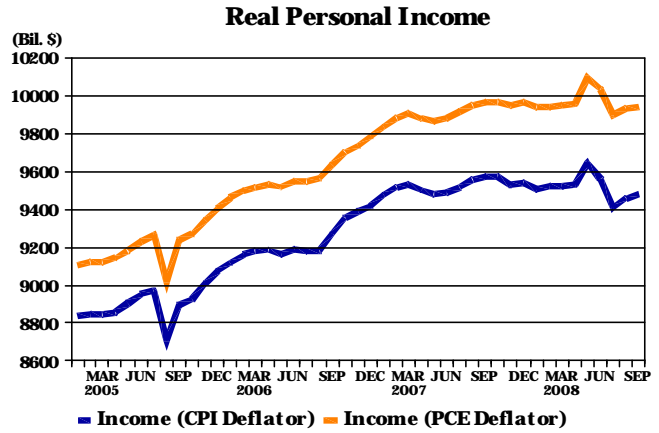
	Quarterly						Annual		
GDP DETAILS	'08Q4	'09Q1	'09Q2	'09Q3	'09Q4	'10Q1	2008	2009	2010
Real GDP Growth	-3.2	-2.6	-1.3	0.1	1.0	1.5	1.3	-1.3	1.2
Consumption Growth	-3.7	-1.1	0.3	0.7	1.2	1.0	0.4	-1.1	1.0
Investment Growth	-7.0	-11.4	-9.4	-7.5	-3.3	0.0	2.8	-7.1	-1.2
Inventory Change (bil. 2000\$)	-38.3	-61.7	-95.6	-99.2	-81.0	-47.7	-34.4	-84.3	-6.7
Export Growth	2.8	3.0	2.5	2.4	3.7	3.9	8.5	3.7	3.6
Import Growth	-5.8	-7.6	-7.4	-4.6	1.7	5.1	-2.5	-5.6	3.0
Net Exports (bil. 2000\$)	-310.7	-261.8	-217.0	-186.4	-179.3	-186.1	-376.0	-211.1	-206.3
MAJOR INDICATORS									
Housing Starts (mil.)	0.780	0.683	0.660	0.686	0.707	0.753	0.934	0.684	0.928
Autos and Light Truck Sales (mil.)	10.8	10.4	10.8	11.4	12.1	12.9	13.3	11.2	13.5
Industrial Production Growth	-5.0	-3.2	-1.8	1.3	1.5	1.8	-0.9	-2.8	1.4
Job Gains ('000)	-590.7	-719.0	-522.0	-342.0	-192.0	17.0	-176.2	-1,991.3	-202.2
INTEREST RATES & INFLATION									
90-day Treasury Bills	0.7	1.1	1.2	1.3	1.5	2.0	1.5	1.3	2.7
10-year Treasury Bonds	3.7	3.8	3.9	4.1	4.3	4.5	3.8	4.0	4.6
Crude Oil Price (\$/bbl)	61.7	55.8	51.0	52.9	57.0	61.2	100.4	54.2	66.7
Consumer Price Index	-3.0	-1.5	0.7	1.5	1.9	2.0	4.2	0.6	2.0
Total Less Food & Energy	2.2	1.2	0.8	1.1	1.5	1.8	2.4	1.6	1.7
Producers Price Index	-16.0	-7.3	-6.5	0.4	0.7	2.7	6.6	-4.6	1.5
POLICY VARIABLES									
Federal Funds Rate	1.2	1.0	1.0	1.0	1.2	1.7	2.1	1.1	2.4
Fiscal Deficit (bil. \$)	-581.8	-635.9	-700.3	-712.7	-704.7	-672.6	-519.7	-688.4	-669.4
Real U.S. Dollar (% change)	4.7	-5.8	-4.1	2.1	-0.1	0.0	-7.5	-0.3	-0.3

Recession Indicators at a Glance

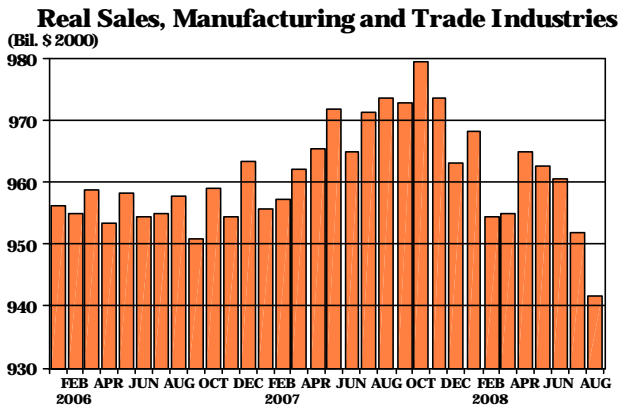
Graph i



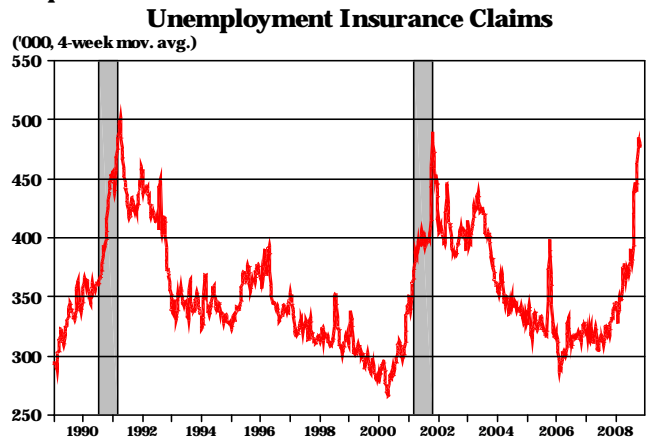
Graph ii



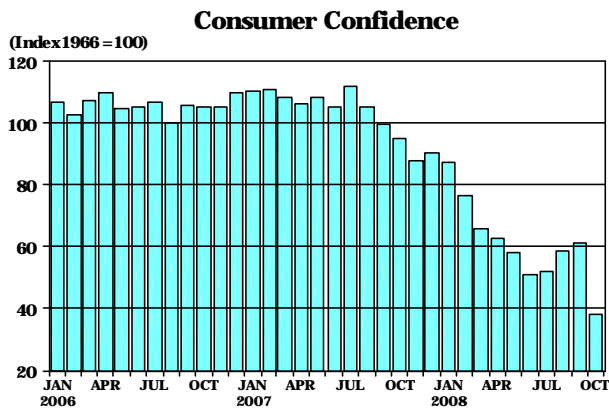
Graph iii



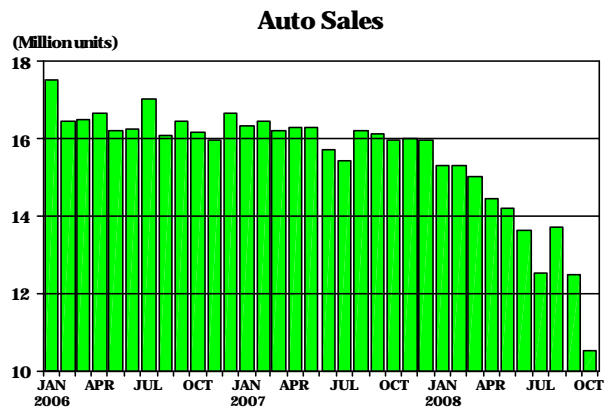
Graph iv



Graph v



Graph vi



third quarter. The taxpayers' ability is limited in helping them and neither should taxpayers try to sustain the carmakers with the current business model. New vehicle models, even fuel-efficient ones, are still years away from production. Consumers will not buy the automakers' products in big numbers because of the lack of shareholder equity to give away as cash rebates. Short of a government-assisted merger of two of these three, with the entity being put into a conservatorship (aka "creative" bankruptcy), it will be tough for all of these car companies to survive in a shrinking market plagued by credit and car quality issues.

Additionally, as long as the Big 3 U.S. automakers keep on giving the illusion of discounts by raising the base price of a car (comparable ones from foreign makers run about 25% cheaper but with no discounts!) and as long as they have dealerships that are 1/5 the size of Toyota, they will have tough time making any profits. CarMax took a big charge for the reduced value of its Big 3 dealerships. Thus, we foresee a tough period of downsizing, both in the scale of operations and the retiree expenses in coming quarters, which will add to the job loss numbers. We have lost more than one million jobs since last December. Another two million will be lost by the end of 2009, making for a total of just over three million job losses in this recession cycle. So, considering this metric, how bad is this recession compared to previous ones?

Every recession is unique in some sense. The 1973-75 recession started with an oil shock but not many job losses happened until late 1974 when the bottom just fell out of the economy. These losses totaled 2.115 million, or 2.7%, of the peak job count, and all of them came in the last six months of the 17-month recession. The 1980-82 double-dip recession was more severe: 2.838 million lost jobs, or 3.1%, from the peak level of employment. The 1990-91 recession was mild in this sense, only 1.621 million job losses, or a 1.5% drop in employment. However, the recovery in jobs or additions was very slow at first but picked up a year later in late 1992 (not in time for Bush Sr. to win the election). We were also lucky that rates were lowered aggressively for that era, and the Internet revolution was on the way (nobody but the techies in Silicon Valley had an inkling of its coming).

The 2001 recession was freakish in the sense that the GDP drop was trivial (-0.1%), but job losses lasted far beyond the official end of the recession in November 2001. Between March 2001 and August 2003, a total of 2.605 million jobs were lost for a drop of 2.0% from the peak employment level. The current recession will be slightly worse at a 2.2% drop from the peak employment level. Hence, in absolute terms, the current recession is more than what was experienced in 1980-82, but in percentage terms, it's a bit milder than the last recession in 2001.

The last recession, however, was particularly nasty in one respect: the corporate job loss rate (Professional & Business Services sector jobs) was 4.8%, almost 2.5 times that of the overall employment loss rate. For a sector that is only 12% of the employment base, it contributed to 1/3 of the overall job losses, almost three times its share in employment, making for a very severe corporate recession by any metric. In contrast, the corporate job loss rate in the 1990-91 recession was in line with the overall job loss rate of 2.0%. In the ongoing recession, we will lose just over a million corporate jobs, or 1/3 of the total job losses, for a loss rate of 5.6%. This rate is even higher than that of the 2001 recession period and the subsequent jobless recovery period until mid-2003.

We all remember how brutal the drops in the NASDAQ market and people's portfolios were from 2001 to 2003. But what we also experienced in that period was the steepest drop in investment of any recession: a 16% drop in investment activity, more than the 12.0% drop in investment experienced in both the 1973-75 and the 1980-82 recessions. The forecast for the current recession is a 13% drop in investment activity (to be exact spending on equipment and software) from the fourth quarter of 2007 to the last quarter of 2009. Thus, the millennial era recessions are deeper in two respects: corporate job losses and decline in investment activity. No wonder the middle class is feeling the pinch more in this decade (and looking for scapegoats). The modern recessions are not the blue-collar recessions of the 70s and 80s. That reason is why appeals to Joe the Plumber failed to work for McCain in this election.

WILL THE TREASURY TARP OVER THE FINANCIAL MESS?

The financial system doesn't work like a drive-thru at a fast food joint, where the business culture is dedicated to serving an order in less than 90 seconds. We may be accustomed to this fast service in the food sector (with the millennial kids thinking that chicken grows in the supermarket!). However, the banks and the mortgage companies were behaving just like fast food restaurants in gratifying the public demand for NINJA loans (no income, no jobs, and no assets) in the past few years. The enablers were the fee hungry repackagers of mortgages (Wall Street firms in the securitization business and the CDOs and rating agencies that rated the securities on par with U.S. government obligations) GSEs (Fannie and Freddie) that provided warranty on these mortgages, and compliant lawmakers (from both parties) who wanted the voters to get a taste of the American dream of owning a house, at whatever the cost. For example, the leverage ratio for GSEs was much higher than that of Bear Stearns when it collapsed. It's no surprise that they had to be put into conservatorship by the Treasury in early September (so as not to trigger credit default swap payments on trillions of insured mortgages).

The go-go days of easy money are over, and they will not come back even though the Fed has dropped its target rate to 1.0%. Following the U.S. cue, the major central banks all over the world are playing catch-up, with the Bank of England even doing an eye-popping 150-basis-point rate cut in one meeting last week. ECB is finally coming around as Europe is now in a much deeper hole than the U.S. with the stalling of European exports. Additionally, the Fed is now the biggest buyer in the commercial paper market as well as a guarantor or back-stopper for money market funds. The Treasury/taxpayers are now invested directly in the banking system. Nine major banks were called one fine Sunday afternoon and presented with a *fait accompli*: the government will take preferred shares in their banks, and this one-time "deal" expires in two hours. Nobody was allowed to go home to freshen up and/or consult with his spouse/lawyer.

Why was this drastic step needed? Because the last time the banks were all brought together by the Treasury to work out a deal for Lehman brothers, on that fateful Friday in September, they bolted home on Saturday on the pretext of freshening up, and Bank of America (BOA), the suitor, left Lehman at the altar. Instead BOA made a union with Merrill Lynch instead. As the newspapers have reported, BOA would not return Lehman's calls on Sunday because it was busy making a deal with Merrill. Lehman failed the next day, and as a result, all of us have been suffering from the fallout in the credit markets since then. Don't you think that made for an angry Hank Paulson, who wanted to avoid a repeat the second time around? This strategy is a variant of the one J.P. Morgan followed to quell the panic of 1907 when he locked up bankers in his study and would not let them leave until they made a deal. Invariably, he dictated that deal. Although he quelled the panic, he was unable to prevent the ensuing recession.

Additionally, the FDIC now guarantees all business accounts, irrespective of amount, and many European governments have taken similar measures to build up depositor trust. As a Wag vented in our local daily, "Ain't our government great? As a taxpayer, I am now invested in real estate (Fannie and Freddie), insurance (AIG), and coming soon, the auto industry (GM)." The only solace according to this person, "At least, I am diversified!" Perhaps this person is a die-hard stock market investor because the market's volatility in the last two months has shaken the faith of even the most ardent buy-and-hold investor (except maybe Warren Buffet). We have had more days of 5% swing in the Dow this year (20 to be exact) than in the entire decade preceding 2008 (14). Thus, what used to happen barely once a year has now occurred once every 11 trading days so far this year.

The good news is that the unprecedented steps taken by the Fed and Treasury together have staved off the dire outcome of a 1930s-style depression. Coordinated rate cuts among the world's central banks and banking "bailout" packages similar to ours by other nations have stopped the financial sector from going further into a tailspin. The multitude of actions during the last three months has never before been exe-

cuted, not even during the Great Depression. The last developed nation to face a somewhat similar situation was Japan, and it took the Japanese 10 years to make any intervention in the banking system. The result was a long period (since 1992) of abysmal growth (at times zero) and deflation, punctuated periodically by outright but mild recessions. As Eisuke Sakakibara, known as “Mr Yen” for his ability to move financial markets when he was vice minister of finance for international affairs in second half of 1990s, opined in a March interview: “There will be resistance to government intervention because people simply don’t like the banks. They are the institution that lends you an umbrella when the weather’s fine and won’t lend it to you when it’s raining.” But he added that “eventually we had to overcome that.” Sweden had to go even further by fully nationalizing its banking system following a real estate bust in the early 90s. The distaste left in the mouth of taxpayers from TARP is a smaller price to pay than letting the system become damaged beyond repair.

Mr. Yen had another handy piece of advice, which Treasury Secretary Paulson seems to have followed. Do not put in public money bit by bit but rather do a huge infusion at first. The early interventions—Bear Stearns’s bailout, the GSE’s conservatorship, the AIG loan facility, the WAMU takeover by J.P. Morgan—were all small potatoes relative to the size of the financial system. Now, with the Fed directly buying commercial paper in the two trillion dollar market and allowing almost all types of financial institutions to borrow from the discount window, we finally have a forceful intervention by an entity that has a big, clean balance sheet to boot. Was this advisable?

Well, Christmas is around the corner, and the networks will once again play the James Stewart classic *It’s a Wonderful Life*. To recap, the movie is set in the depression era when there was no FDIC. Stewart’s character George is a banker, who happens to experience a bank run when customers start withdrawing their money at the behest of the bad guy in the movie. This run represents an event that has nothing to do with the financial soundness or practices of the bank he manages. So how does he save his bank? He uses the money intended for his honeymoon to make pay-

ments to panicky depositors to quell the bank run. The lesson we draw from the movie is that when a bank run or panic occurs, the only way to stop it is to bring the balance sheet of an outside entity that is clean and big enough to stem that panic. The FDIC in modern times provides that service for the regular banks—for a fee, of course. However, the institution doesn’t provide warranty to the commercial paper market, money funds, or even mortgage lenders.

Furthermore, bank runs are an endogenous outcome in a perfectly competitive, free market environment as a result of a change in investor expectations, which can depend on almost anything, even behavior brought on by sunspot activity. In a seminal article in 1983 in the *Journal of Political Economy*, Douglas W. Diamond of the University of Chicago and Philip H. Dybvig, then of Yale University and now of Washington University in St. Louis, proved this theory. They provided a mathematical statement of the idea that an institution with long-maturity assets (loans) and short-maturity liabilities (deposits) results in the unstable outcome of a bank run depending on investor expectations, which can be irrational. The irrationality happens because bank assets are mostly illiquid. Although banks keep reserves, the first customer to put in a withdrawal request has a better chance of getting his money back. Therefore, if a customer observes a line of depositors outside a bank waiting to withdraw money, the optimal strategy is for that customer, too, to join the line and ask for her money back, whether she needs it or not. Whether the bank is following good business and risk management practices (perhaps an oxymoron now) is immaterial to this calculation.

The current panic first originated in the investment banking sector with Bear Stearns and then spread to the whole system after the Lehman bankruptcy on September 15. It then went worldwide. This panic is unlike the scene in the movie where panicked depositors are fighting to get their money out (although something similar occurred at IndyMac in California and Northern Rock in England). Rather this panic is playing out mostly behind-the-scenes as big corporations, hedge funds, wealthy investors, and non-profit organizations are moving funds from one bank to

another (experienced by Wachovia and WaMu) and even across nations (ING, Dexia and Fortis in the Netherlands, UBS in Switzerland, and Mitsubishi in Japan) in search of an elusive safety. The only solution to stem the panic was to involve us, the taxpayers, with our clean balance sheet (in the collective). In the banking sector, whose definition has now expanded to include Morgan Stanley and Goldman Sachs as bank holding companies, the strategy has largely worked and the panic stemmed. However, when TARP's announcement failed to quell the panic at first, the Treasury had to go a step further and directly infuse equity in the banks to provide funds for necessary write-downs to keep portfolios from deteriorating further with the weakening economy. Through this equity investment in all major big banks, the Treasury sent a loud signal that it will protect the system no matter what it takes. That firm action has finally stopped the game of musical chairs played by investors and savers. Now, was there an alternative to taxpayer intervention?

The realistic answer is no. When Fannie and Freddie were in trouble earlier this year, the government made regional and smaller banks invest in their preferred shares to help them out. However, putting the companies under conservatorship protected the debt holders (PIMCO made out like a bandit on this bet) but wiped out the equity investors. Nobody wanted to put equity in the banking system after this backtracking by the government (which in turn was forced by the credit default swap payment issue). Therefore, debt became the only avenue through which to invest in the banks. When investors follow this strategy, they hedge their investment positions by shorting the stock of the company to protect themselves against a decline in prices. When in September the SEC stopped the practice of shorting on bank stocks to prevent the free fall in bank equity prices, it then took away the desire for deep pockets to play in the banking arena. If that wasn't enough, WAMU's takeover by J.P. Morgan without going through bankruptcy meant that all debt holders were wiped out overnight. That took away the desire for any further investment by the private sector to help the banking system.

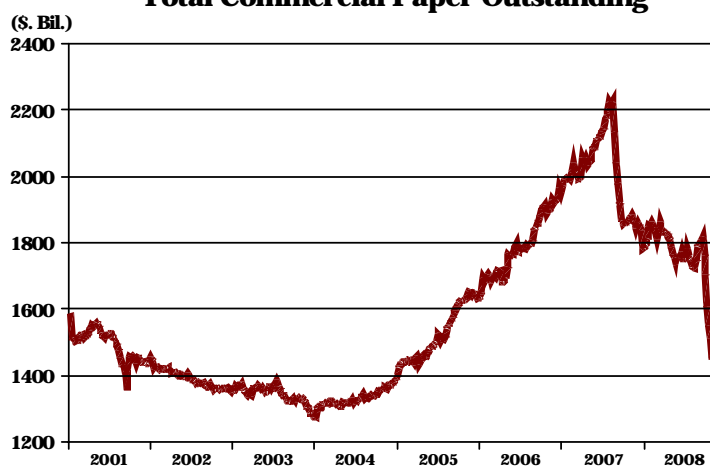
So the Treasury had no choice but to deviate from TARP's early mission of buying bad debt to instead making a direct equity infusion.

Currently, what's playing out in the stock market is the fallout from the bank run, as investors adjust to diminished profit expectations given the weakened economy. Redemptions by big investors from hedge funds are adding to selling pressures. Even T. Boone Pickens' hedge fund for alternative energy investment is down substantially because more than half the investors have pulled their money. His fund, he says, is in cash now. The urge to stash your cash under the mattress exists for rich people, too!

EPILOGUE

What we need now are patience and faith in the working of free market principles (or what is left of them after TARP). First the banks have to capitalize so they can absorb the charge-offs they will be taking in the coming quarters on not only the bad CDOs but also consumer loans. While doing so, the banks will be reluctant to expand their balance sheets. As **figure 2** shows, the outstanding level of commercial paper is now more than 40% below its peak. This free fall has to stabilize, but even when it starts to recover by late 2009, it will not get back to its former level. Ergo growth will be subpar as the credit that greases the wheel of a modern economy will be in short supply for the near future. Will it ever climb back to old levels after 2010? I doubt it.

Figure 2
Total Commercial Paper Outstanding





ECONOMIC INDICATORS

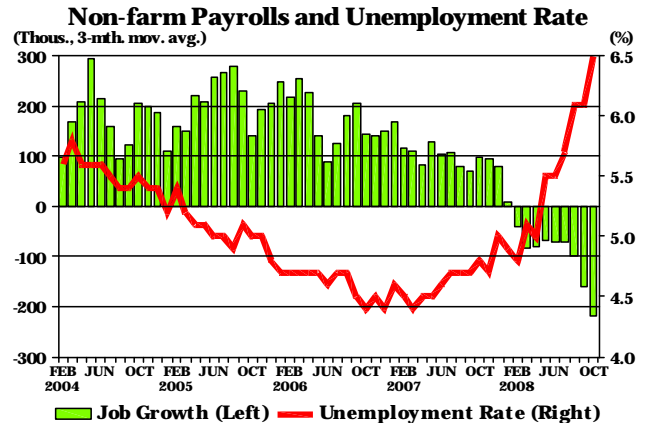


Table 2
Summary of Recent Evidence

Indicator	Last 6 months						Last 4 quarters			
	May	June	July	Aug	Sep	Oct	'07Q4	'08Q1	'08Q2	'08Q3
Consumer Spending										
Retail Sales (% change)	0.8	0.1	-0.6	-0.4	-1.2		1.0	0.1	0.9	-1.0
Automobile Sales (million units)	14.2	13.6	12.5	13.7	12.5	10.5	16.1	15.2	14.1	12.9
Consumer Confidence (index)	58.1	51.0	51.9	58.5	61.4	38.0	91.2	76.5	57.3	57.3
Personal Income (% change)	1.9	0.1	-0.8	0.4	0.2		1.0	1.1	1.9	0.3
Personal Consumption (% change)	0.7	0.5	0.0	0.0	-0.3		1.5	1.1	1.4	0.5
Housing and Construction										
Housing Starts (million units)	0.982	1.089	0.949	0.872	0.817		1.151	1.035	1.025	0.879
Existing Home Sales (million units)	4.990	4.850	5.020	4.910	5.180		4.997	4.950	4.910	5.037
New Home Sales (million units)	0.515	0.499	0.517	0.452	0.464		0.655	0.569	0.519	0.478
Manufacturing										
Industrial Production (index)	111.3	111.5	111.4	110.4	107.3		112.2	112.2	111.4	109.7
Capacity Utilization (% of capacity)	79.7	79.7	79.6	78.7	76.4		81.0	80.6	79.7	78.2
ISM Index	49.6	50.2	50.0	49.9	43.5	38.9	49.6	49.2	49.5	47.8
Durable Goods Orders (\$billions)	213.7	216.7	218.2	206.1	207.9		654.2	639.8	643.9	632.2
Deficit & Interest Rates										
Trade Deficit (\$billions)	-60.2	-58.8	-61.3	-59.1			-59.3	-58.3	-60.2	
10-Year Note (% per annum)	3.88	4.10	4.01	3.89	3.69	3.81	4.26	3.66	3.88	3.86
3-Month Bill (% per annum)	1.76	1.89	1.66	1.75	1.15	0.69	3.47	2.09	1.66	1.52
Inflation										
CPI (year-over-year % change)	4.1	4.9	5.5	5.4	4.9		4.0	4.2	4.3	5.3
Core CPI (year-over-year % change)	2.3	2.4	2.5	2.5	2.5		2.3	2.4	2.3	2.5
PPI (year-over-year % change)	7.3	9.1	9.8	9.7	8.7		6.8	7.1	7.6	9.4
Employment										
Non-Farm Job Gains (thou.)	-47.0	-100.0	-67.0	-127.0	-284.0	-240.0	241.0	-240.0	-218.0	-328.7
U.S. Layoffs (thou. units)	103.5	81.8	103.3	88.7	95.1	112.9	64.7	60.2	91.8	96.0
Unemployment Rate (%)	5.5	5.5	5.7	6.1	6.1	6.5	4.8	4.9	5.3	6.0

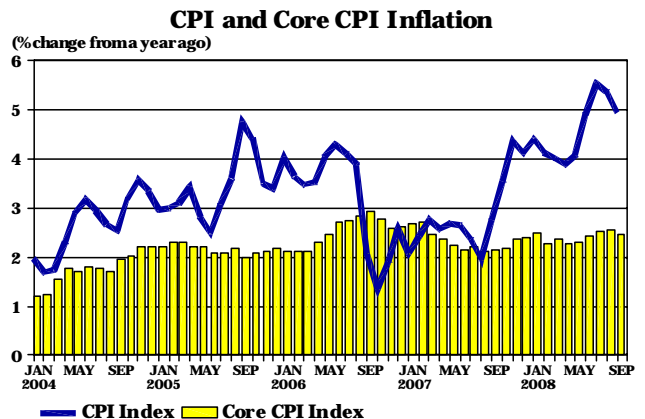
Employment Situation

The economy suffered another heavy blow in October, when the labor market lost another 240,000 jobs. Moreover, September and August numbers were significantly revised downward by a combined total of 179,000 jobs. Across industries, manufacturing and construction lost about 375,000 jobs in the past three months, while the only sector to consistently add jobs was Education and Health, with gains of 67,000 new jobs since August. Corporate layoffs rose to 112,900 in October, an increase of almost 80% from levels a year ago. The unemployment rate climbed to 6.5%.



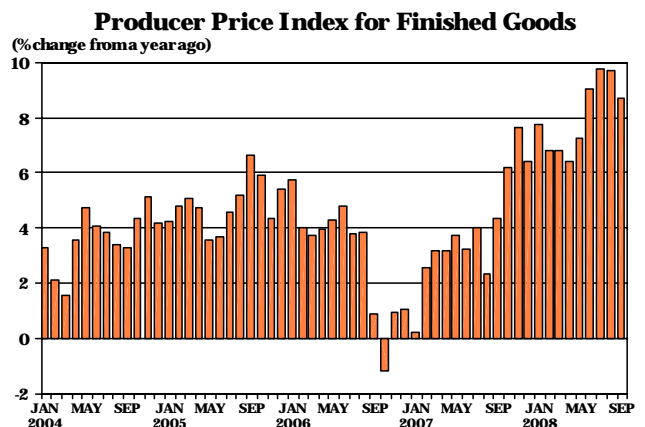
Consumer Price Index

The CPI remained flat in September, after falling 0.1% in August, due largely to the ongoing decline in energy prices. Food prices, however, rose 0.6%, continuing a long streak of large monthly gains. Over the past three months, the CPI index has advanced at a 2.6% rate, a drastic decline from the 10.6% runaway inflation seen in July. Meanwhile, the core CPI rose only 0.1% in September, which makes for a slightly elevated 2.7% core inflation rate in the past three months. For the 12-month period that ended in September, the CPI and core CPI rose 4.9% and 2.5%, respectively.



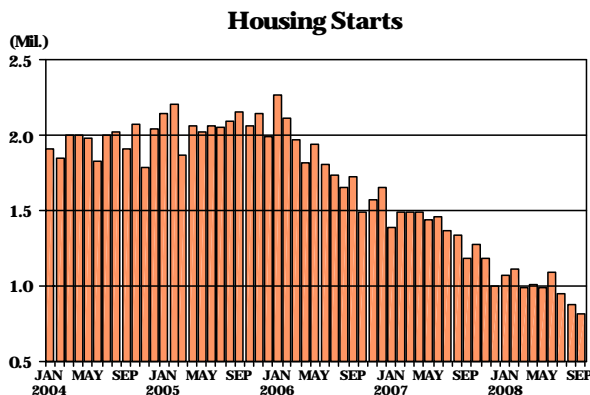
Producer Price Index

The weakening economy along with a decline in energy prices is helping relieve inflationary pressure and trim producer prices down. The producer price index fell 0.4% in September, following 0.9% decline in August. As a result, in the third quarter, prices for finished goods fell at an annualized growth rate of 0.4%. Excluding food and energy, however, the core prices accelerated from 0.2% in August to 0.4% in September, and they rose at a 5.4% annualized rate in the third quarter. Year-over-year, the overall index and its core component grew by 8.7% and 4.1%, respectively.



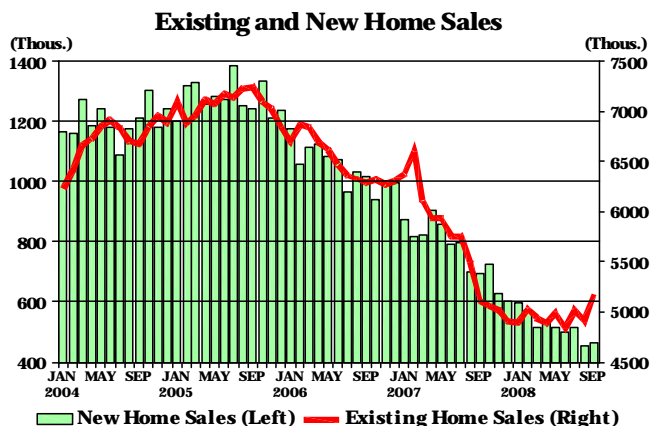
Housing Starts

Housing starts fell 6.3% in September to 0.817 million units. Starts for the previous two months also were revised down. As a result, housing starts in July and August dropped 12.9% and 8.1%, respectively. Total starts are now 31.1% below levels of a year ago, and in the last six months, new residential construction averaged only 0.952 million units. Across the nation, during the last year, housing starts have fallen by 40.4% in the West, 32.5% in the South, 21.8% in the Midwest, and 18.2% in the Northeast. In the third quarter of 2008, starts dropped 14.2% from previous quarter.



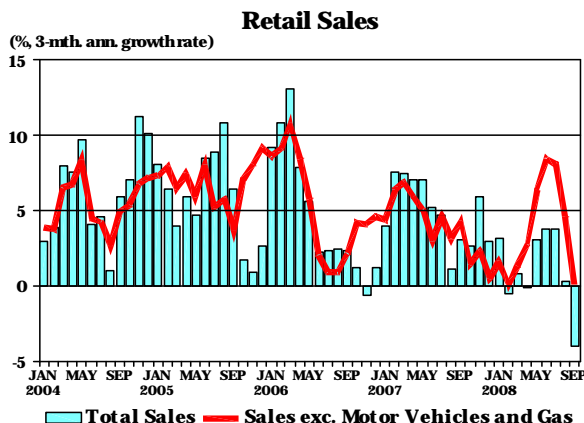
Existing and New Home Sales

The housing market continues to remain subdued, but the worst is obviously over. Existing home sales rebounded 5.5% in September, rising to their highest level of 5.180 million units since August 2007. On a year-ago basis, existing home sales rose for the first time in three years, by 1.4%, with a 34.4% surge in the West offsetting declines in the rest of the nation. New home sales also rose 2.7% in September to an annual rate of 0.460 million units. However, this rise is a minor retribution for the 12.6% plunge in August. New home sales are still 33.1% down from a year ago.



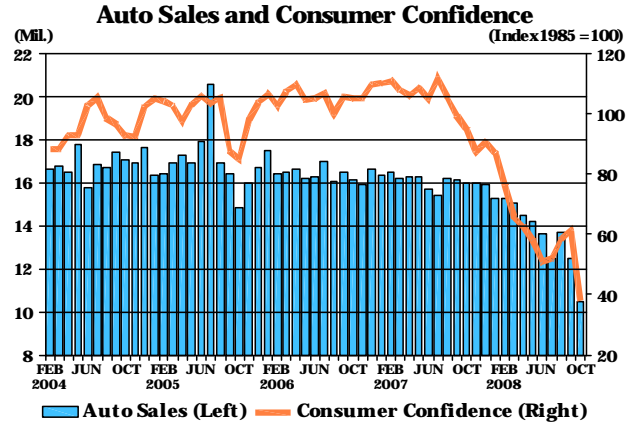
Retail Sales

Total retail sales fell 1.2% in September, following a 0.4% decline in August and a 0.6% drop in July. Gas stations and drug stores were the only major outlets to post gains, while sales of autos and parts have plunged 23.0% in the past three months. Other than auto dealers, declines were largest for furniture (15.0% drop in the past three months), electronics (9.9%), and department stores (7.3%). Sales, excluding auto dealers and gasoline, fell 0.7% in September and were up only 0.1% in the third quarter. On a year-ago basis, total sales sank 1.0%, posting the first decline in six years.



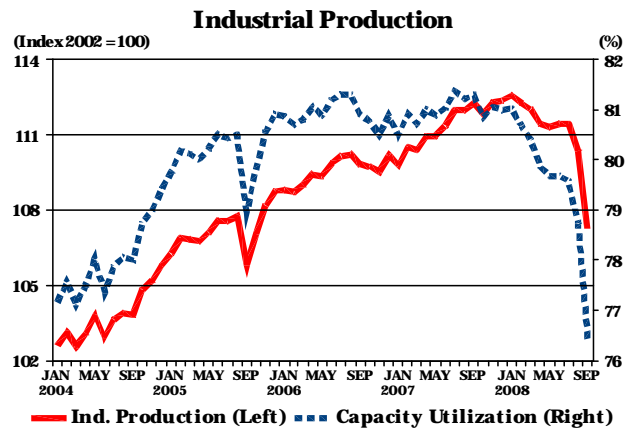
Auto Sales and Consumer Confidence

The credit crunch continues to take its toll on the auto industry. Auto sales plunged from what was already a bad performance at 12.5 million units in September to a new 26-year low of 10.5 million units in October. Of the Big 3, GM posted the largest decline, 45.1% down from levels of a year ago. The consumer confidence index plummeted from 61.4 in September to 38.0 in October, its lowest reading ever. Both the present situation and the expectation indexes sank, as consumers grew more pessimistic, reflecting the strains of falling labor and stock markets and tightening credit.



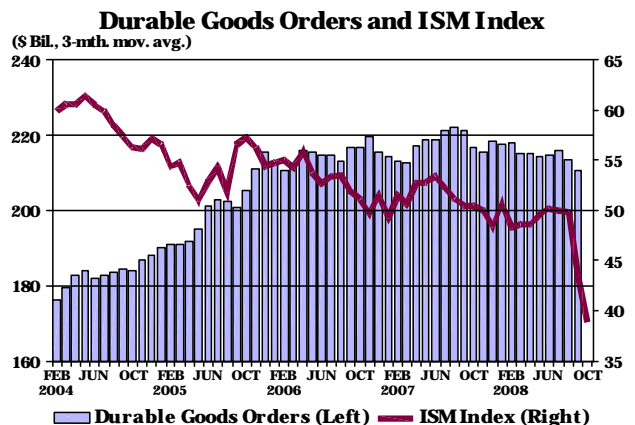
Industrial Production

The Industrial Production index plunged 2.8% in September, being slammed by the strike at Boeing and the closing of refineries along the Gulf Coast after Hurricanes Gustav and Ike. As a result, mining production dropped 7.8% and manufacturing output fell 2.7%. Utilities output rose 2.2%, partially reversing a 3.1% decline in August. Over the past six months, the overall index contracted at an annualized rate of 8.3%. The index also fell 6.0% in the third quarter of 2008, posting the biggest quarterly decline since 1991. The capacity utilization rate fell by 1.3 points in September to 76.4%.



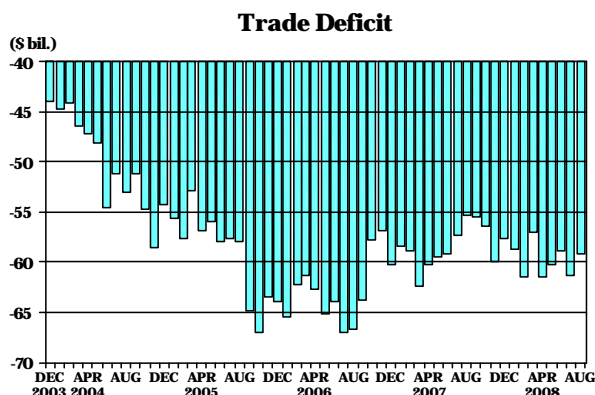
The ISM and Durable Goods Orders

The ISM index contracted for the fourth consecutive month in October, falling 4.6 points from 43.5 to 38.9. The index has declined 11.3 points over the past several months, quickly descending from neutral to severe recessionary levels. Currently, the ISM index is at its lowest level since the 1982 recession. Surprisingly, durable goods orders rose from \$206.2 billion in August to \$207.8 billion in September. However, these numbers are misleading because these increases were largely due to massive gains in defense and aircraft orders, offsetting losses elsewhere.



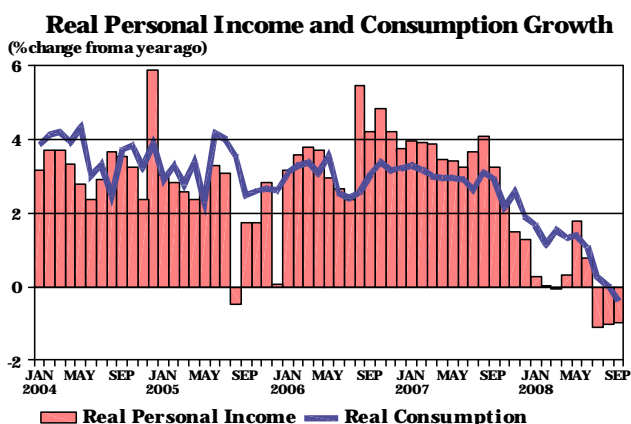
International Trade

The trade deficit narrowed by \$2.2 billion, from a \$61.3 billion deficit in July to \$59.1 billion in August. The main reason behind this decline was a sharp 14.4%, or \$7.3 billion, drop in net petroleum imports. Total imports fell 2.4% since July, while exports decreased 2.0%. On a year-ago basis, exports are still up 15.9% from last year, and import growth has doubled from last year's 6.1% to 13.4% in August. However, these numbers are primarily related to fluctuations in oil prices. Overall, the year-to-date deficit numbers are \$7.1 billion, or 1.5%, more than during the same period last year.



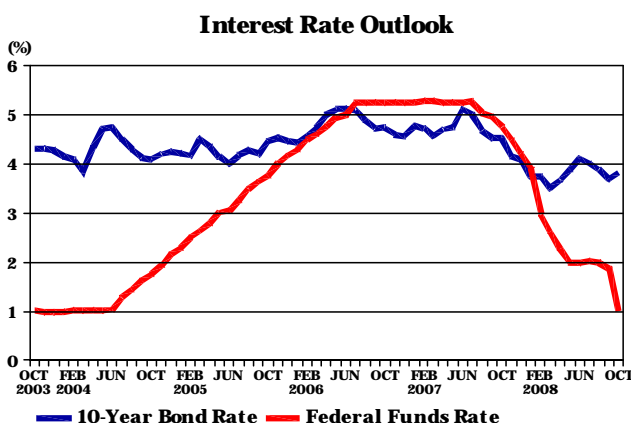
Personal Income and Consumption

Personal income rose 0.2% in September, after rising 0.4% in August. At the same time, consumer spending fell 0.3%, following two straight months of zero growth. Adjusted for inflation, real spending dropped 0.4% in September. On a year-over-year basis, real spending also fell by an identical 0.4%, posting the first negative annual growth rate since February 1991. On a quarterly basis, real consumer spending fell 3.1% in the third quarter, a rate last seen in the 1980 recession. The core PCE index rose at an annual rate of 2.4%, slightly below the August reading of 2.5%.



The Fed Funds and 10-Year Bond Rates

With two FOMC meetings in October (one emergency and one scheduled), the Fed cut the federal funds rate by a total of 100 basis points from 2.0% to 1.0%. The FOMC statement noted the weakness in consumer spending, lackluster business investment, and tight credit as the primary reasons for the slowdown in economic activity. Meanwhile, as the financial crisis intensified and recession worries turned into grim reality, investors rushed to the safety of government-issued securities, prompting the yield on a 10-year T-bond to fall from 4.0% in August to 3.7% in late October.



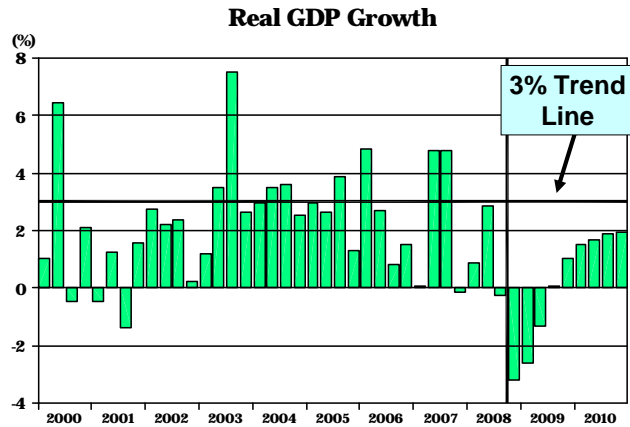


FORECAST HIGHLIGHTS



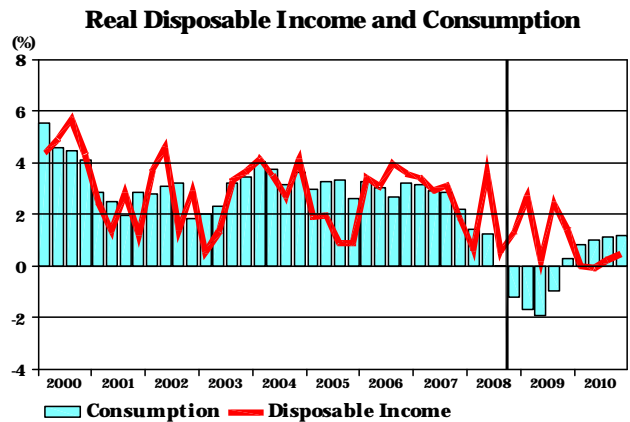
Real GDP

The economy will post a second consecutive quarter of decline in the fourth quarter of 2008, putting the economy officially in recession. In the last quarter of 2008, real GDP will decline by 3.2%, and going into 2009, the economy will decline again by 2.6% in the first and 1.3% in the second quarters. Overall, this recession is going to be characterized by a massive drop in consumer spending and a sharp deceleration in export growth. Real GDP growth for 2008 will be 1.3%, decelerating sharply to a negative 1.3% in 2009. In 2010, real GDP will grow by a subpar 1.2%.



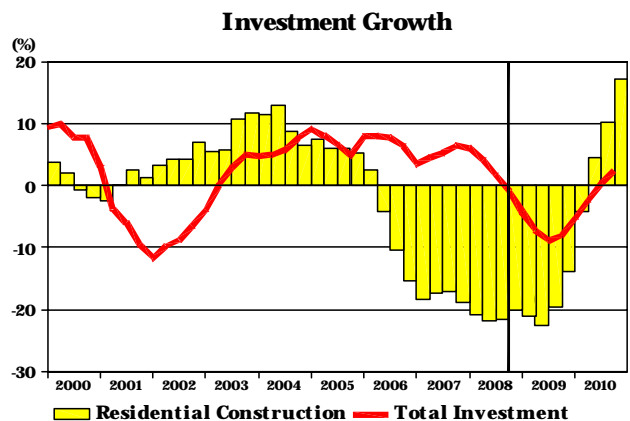
Personal Consumption Expenditures

Consumption growth is expected to be negative in the next two quarters before it improves to a barely positive 0.3% growth rate in the second quarter of 2009. For 2008, consumption growth will average only 0.4%, decline by 1.1% in 2009, and then grow weakly by 1.0% in 2010. Durable goods consumption will fall by 4.3% in 2008 and 9.3% in 2009, before experiencing a 5.2% rise in 2010. Nondurable goods consumption will dip 0.1% in 2008 and by 0.9% in 2009, before rising 0.8% in 2010. Consumption of services is expected to grow by 1.4% in 2008, only 0.2% in 2009, and by 0.6% in 2010.



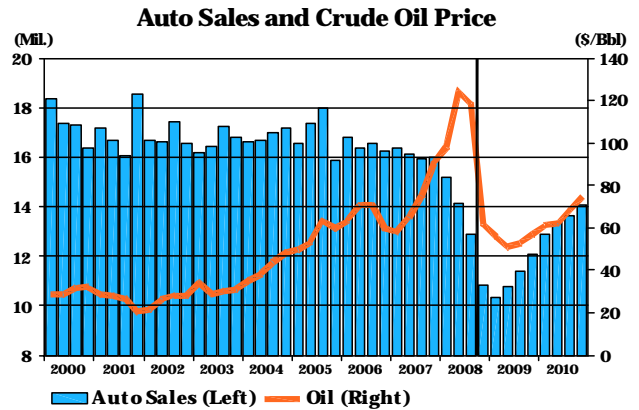
Business Fixed Investment

Private fixed investment growth will be an anemic 2.8% in 2008. It will then decelerate sharply by 7.1% in 2009 and 1.2% in 2010. Investment in equipment and software will retreat 1.3% in 2008 and then another 8.7% in 2009. It will decline again by 0.4% in 2010. Investment in structures is expected to rise by a solid 11.4% in 2008, and then decline 4.1% in 2009, and again 2.6% in 2010. Meanwhile, as the housing market crumbles, residential investment will decline by 21.1% in 2008 and then again by 19.4% in 2009, before it finally recovers in 2010, rising 6.6%.



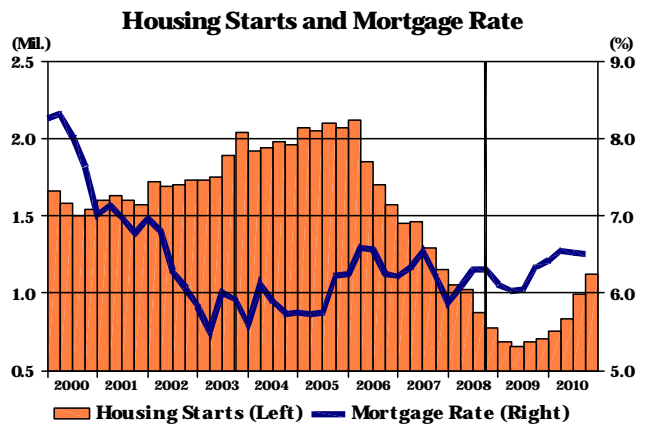
Oil and Vehicle Sales

Oil prices have moderated drastically over the last four months, coming down from almost \$150 per barrel in July to around \$60 per barrel in early November. Expect the price of oil to drop even further as recession trims the demand for energy. Thus, after averaging \$100 per barrel in 2008, oil prices will average only \$54.2 per barrel in 2009 and then rise to \$66.7 per barrel in 2010. Vehicle sales will drop from their 13.3 million pace in 2008 to only 11.2 million units in 2009. A modest recovery is expected in 2010 with projected sales of 13.5 million units.



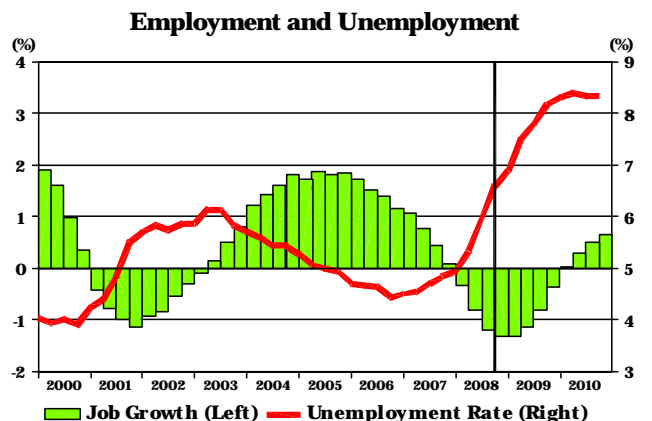
New Residential Construction

Housing starts, which have experienced a downward trajectory for almost three years, will finally bottom out by mid-2009. After averaging 0.788 million units in the fourth quarter of 2008, starts will decline another 18.1% in the first half of 2009, before reversing the slide. Thus, after averaging 0.934 million units in 2008, starts will drop to 0.684 million units in 2009. Housing starts will recover to 0.928 million units in 2010. The effective mortgage rate will average 6.1% in both 2008 and 2009. It will rise to 6.5% in 2010. The mortgage rate will still be below the levels seen in 2000.



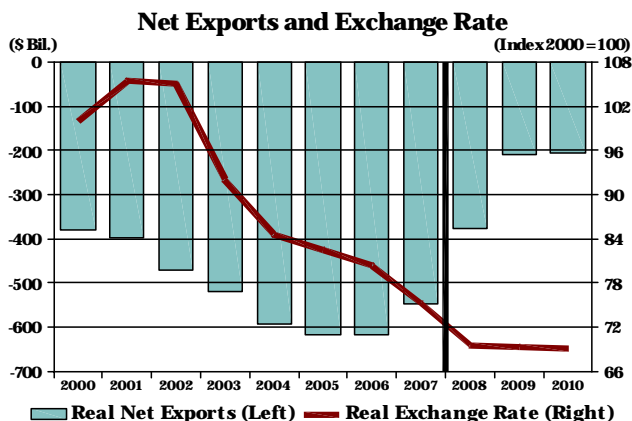
Job Growth

In the first 10 months, the economy lost jobs at a monthly rate of 118,000, and this rate is expected to deteriorate. In the first half of 2009, the economy will shed jobs at a worrisome rate of almost 210,000 jobs per month. In the second half of 2009, this job loss rate will moderate to 89,000. The job market finally shows job growth in 2010 when jobs additions average 50,000 per month. The unemployment rate will rise sharply from its 5.7% average to 7.6% in 2009 and then rise further to 8.3% in 2010. During this recession the economy will lose a total of three million jobs.



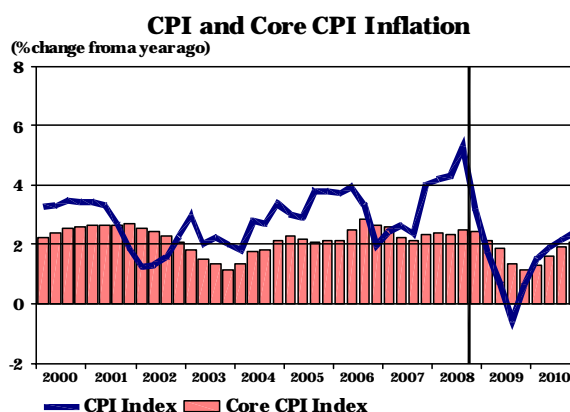
International Trade

The real trade-weighted dollar index will decline 7.4% in 2008 and then by 0.3% in both 2009 and 2010. In 2008, exports will grow at a 8.5% rate whereas imports will decline 2.5%. In 2009, however, export growth will moderate sharply to 3.7% while imports will decline again by 5.6%. In 2010, exports will grow 3.6% while import growth will be in positive territory (3.0%) as the economy slowly recovers. The trade deficit will moderate substantially from \$653.3 billion in 2008 to \$278.2 billion in 2009, before rising slightly to \$310.3 billion in 2010.



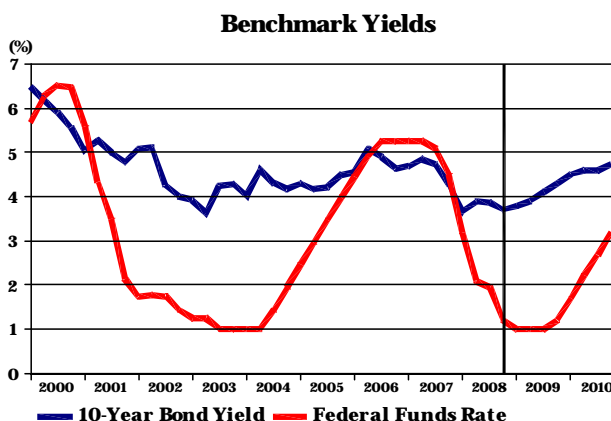
Inflation

In the fourth quarter of 2008, the CPI inflation rate will be a negative 3.0% due to a sharp deceleration in energy prices. Still, for 2008, the inflation rate will average 4.2%, but it is expected to moderate sharply to a 0.6% rate in 2009. In 2010, the inflation rate will be a somewhat higher 2.0%. Meanwhile, the core CPI inflation rate will average 2.4% in 2008, followed by a moderate 1.6% rate in 2009 and 1.7% in 2010. Wage compensation in the business sector will increase by 4.0% in 2008. It will moderate slightly to 3.9% in 2009 and then drop further to 2.5% in 2010.



Interest Rates

As the global financial crisis keeps deepening and the U.S. economy enters a recession, the Fed has responded by cutting the Federal Funds Rate to a four-year low of 1.0% in October. Expect the target rate to remain at this level, as the Fed goes into a neutral monetary stance. The Fed will start raising rates again by late 2009. Meanwhile, the benchmark 10-year bond rate averaged 3.9% in the third quarter of 2008 and will fluctuate around this level in the next few quarters. On an annual basis, the 10-year bond rate will average 3.8% in 2008, 4.0% in 2009, and rise to 4.6% in 2010.



FORECAST OF THE NATION

NOVEMBER 2008 REPORT

TABLES



ECONOMIC FORECASTING CENTER
J. MACK ROBINSON COLLEGE OF BUSINESS
GEORGIA STATE UNIVERSITY
COPYRIGHT © 2008

Forecast Tables - Summary

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

	QUARTERLY									ANNUAL		
	08:3	08:4	09:1	09:2	09:3	09:4	10:1	10:2	10:3	2008	2009	2010
Details of Real GDP (annualized % change)												
Real GDP	-0.3	-3.2	-2.6	-1.3	0.1	1.0	1.5	1.7	1.9	1.3	-1.3	1.2
Final Sales	-0.7	-3.2	-1.8	-0.2	0.2	0.4	0.3	0.4	1.1	1.6	-0.9	0.5
Consumption	-3.1	-3.7	-1.1	0.3	0.7	1.2	1.0	1.1	1.2	0.4	-1.1	1.0
Private Fixed Investment	-1.0	-7.0	-11.4	-9.4	-7.5	-3.3	-0.0	1.5	3.8	2.8	-7.1	-1.2
Equipment & Software	-5.5	-8.8	-12.6	-9.5	-7.4	-3.5	1.2	3.4	4.5	-1.3	-8.7	-0.4
Structures	7.9	-3.8	-9.3	-9.4	-7.6	-3.0	-2.3	-1.7	2.5	11.4	-4.1	-2.6
Residential Investment	-19.1	-22.9	-29.7	-18.9	-2.9	1.3	5.7	14.3	19.9	-21.1	-19.4	6.6
Exports	5.9	2.8	3.0	2.5	2.4	3.7	3.9	3.9	3.9	8.5	3.7	3.6
Imports	-1.9	-5.8	-7.6	-7.4	-4.6	1.7	5.1	7.2	5.8	-2.5	-5.6	3.0
Federal Purchases	13.8	-2.2	0.9	1.4	0.1	-0.8	-0.5	-0.7	-1.1	5.4	2.1	-0.5
State & Local Purchases	1.4	-2.2	-3.9	-2.9	-3.8	-2.7	-2.0	-1.6	-1.1	1.1	-2.3	-2.2
Interest Rates (%)												
Federal Funds Rate	1.9	1.2	1.0	1.0	1.0	1.2	1.7	2.2	2.7	2.1	1.1	2.4
90-day Treasury Bills	1.5	0.7	1.1	1.2	1.3	1.5	2.0	2.5	2.9	1.5	1.3	2.7
10-year Treasury Bonds	3.9	3.7	3.8	3.9	4.1	4.3	4.5	4.6	4.6	3.8	4.0	4.6
30-Year Mortgage Rate	6.3	6.3	6.1	6.0	6.0	6.3	6.4	6.6	6.5	6.1	6.1	6.5
Corporate Aaa Bonds	5.7	6.2	6.3	6.5	6.6	6.6	6.7	6.7	6.7	5.7	6.5	6.7
Inflation (annualized % change)												
Consumer Price Index	6.7	-3.0	-1.5	0.7	1.5	1.9	2.0	2.2	2.6	4.2	0.6	2.0
Total less Food & Energy	3.2	2.2	1.2	0.8	1.1	1.5	1.8	2.1	2.3	2.4	1.6	1.7
Pers. Consumption Deflator	5.4	-3.3	-0.7	-0.1	1.0	1.5	2.0	1.7	2.3	3.5	0.3	1.7
GDP Deflator	4.2	2.8	1.7	0.3	0.9	0.9	1.5	1.4	1.4	2.4	1.8	1.2
Producer Price Index	8.6	-16.0	-7.3	-6.5	0.4	0.7	2.7	2.0	3.3	6.6	-4.6	1.5
Factors Related to Inflation (annualized % change)												
Non-farm Business Sector												
Wage Compensation	4.7	4.8	4.1	3.4	3.0	2.5	2.7	2.2	2.3	4.0	3.9	2.5
Productivity	1.1	1.2	-0.8	1.3	1.4	2.1	1.8	1.3	0.9	2.7	0.9	1.5
Unit Labor Costs	3.6	3.5	4.9	2.1	1.5	0.5	0.9	0.8	1.4	1.3	2.9	1.0
Crude Oil Price (\$/bbl)	118.3	61.7	55.8	51.0	52.9	57.0	61.2	62.0	68.6	100.4	54.2	66.7
New Home Price (\$1000)	225.4	222.9	227.7	211.3	218.4	212.3	213.3	208.9	213.1	230.1	217.4	211.8
Housing and Automobiles (millions of units)												
Housing Starts	0.879	0.780	0.683	0.660	0.686	0.707	0.753	0.836	0.999	0.934	0.684	0.928
Single-family	0.602	0.551	0.429	0.440	0.506	0.535	0.599	0.683	0.827	0.639	0.478	0.761
Multi-family	0.277	0.229	0.254	0.220	0.180	0.172	0.154	0.153	0.172	0.295	0.206	0.167
Existing SF Home Sales	4.460	3.902	3.688	3.703	3.797	3.828	3.699	3.728	3.879	4.273	3.754	3.827
Auto & Light Truck Sales	12.9	10.8	10.4	10.8	11.4	12.1	12.9	13.4	13.6	13.3	11.2	13.5
Billions of 2000 Dollars												
Real GDP	11,720	11,624	11,547	11,508	11,510	11,540	11,582	11,630	11,684	11,679	11,526	11,659
Final Sales	11,759	11,663	11,609	11,604	11,609	11,621	11,630	11,642	11,674	11,714	11,611	11,666
Inventory Change	-38.5	-38.3	-61.7	-95.6	-99.2	-81.0	-47.7	-11.7	10.7	-34.4	-84.3	-6.7

Forecast Tables - Summary

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

	QUARTERLY									ANNUAL		
	08:3	08:4	09:1	09:2	09:3	09:4	10:1	10:2	10:3	2008	2009	2010
Industrial Production and Resource Utilization												
Industrial Production	109.7	108.3	107.4	106.9	107.3	107.7	108.2	108.5	108.9	110.4	107.3	108.8
% Change	-6.0	-5.0	-3.2	-1.8	1.3	1.5	1.8	1.4	1.5	-0.9	-2.8	1.4
Capacity Util. Manuf. (%)	76.1	74.6	73.1	71.0	70.5	70.7	71.1	71.3	71.6	76.8	71.3	71.4
Total Employment (mil.)	137.4	136.8	136.1	135.5	135.2	135.0	135.0	135.1	135.3	137.4	135.5	135.2
Job Additions ('000)	-328.7	-590.7	-719.0	-522.0	-342.0	-192.0	17.0	85.0	190.0	-176.2	-1,991.3	-202.2
Unemployment Rate (%)	6.0	6.6	6.9	7.5	7.8	8.2	8.3	8.4	8.3	5.7	7.6	8.3
Income, Consumption and Saving (annualized % change)												
Disposable Income	-3.7	0.3	4.1	1.3	1.0	1.1	0.9	2.9	3.6	5.0	2.0	1.8
Real Disposable Income	-8.7	3.8	4.9	1.4	-0.0	-0.4	-1.1	1.2	1.2	1.5	1.7	0.1
Real Consumption	-3.1	-3.7	-1.1	0.3	0.7	1.2	1.0	1.1	1.2	0.4	-1.1	1.0
Savings Rate (%)	1.3	3.2	4.6	4.9	4.7	4.4	3.9	3.9	3.9	1.8	4.6	3.9
Corporate Profits												
Before Taxes (bil. \$)	1,689	1,404	1,612	1,605	1,674	1,711	1,727	1,760	1,776	1,649	1,650	1,764
% Change	-13.2	-52.3	73.7	-1.8	18.5	9.2	3.8	7.7	3.8	-12.6	0.1	6.8
After Taxes (bil. \$)	1,292	1,077	1,229	1,226	1,275	1,303	1,307	1,330	1,342	1,265	1,258	1,333
% Change	-14.4	-51.7	69.4	-1.0	17.0	9.1	1.4	7.2	3.6	-11.9	-0.6	5.9
International Trade (annualized % change)												
Nominal (% change)												
U.S. Dollar	15.7	7.6	-5.4	-5.5	0.3	-1.0	-0.1	-0.6	-0.9	-6.5	0.3	-0.8
Exports	12.6	-2.6	-1.2	-1.4	1.2	3.7	4.7	4.5	5.4	15.7	2.1	3.9
Imports	7.2	-30.9	-20.5	-12.7	-6.2	3.4	8.5	8.2	11.7	8.7	-13.0	4.8
Net Exports (bil. \$)	-706.7	-482.8	-351.7	-281.3	-239.6	-240.2	-263.3	-285.9	-323.4	-653.3	-278.2	-310.3
Real (% change)												
U.S. Dollar	11.9	4.7	-5.8	-4.1	2.1	-0.1	0.0	-0.5	-1.1	-7.5	-0.3	-0.3
Exports	5.9	2.8	3.0	2.5	2.4	3.7	3.9	3.9	3.9	8.5	3.7	3.6
Imports	-1.9	-5.8	-7.6	-7.4	-4.6	1.7	5.1	7.2	5.8	-2.5	-5.6	3.0
Net Exports (bil. 2000\$)	-350.0	-310.7	-261.8	-217.0	-186.4	-179.3	-186.1	-202.3	-212.6	-376.0	-211.1	-206.3
Federal Fiscal Policy (annualized % change)												
Defense Purchases												
Current \$	21.6	-3.4	4.2	1.4	0.1	-1.1	2.5	-0.8	-0.5	10.8	3.9	0.3
Constant \$	18.2	-3.1	1.2	1.7	-0.4	-2.1	-2.1	-1.9	-1.9	6.7	2.4	-1.6
Other Expenditures												
Transfers to Persons	-13.3	3.4	11.4	7.7	4.9	3.2	3.1	1.5	2.0	7.9	5.7	3.2
Grants to S&L Gov't	2.3	6.7	12.4	11.5	5.4	5.1	5.3	-0.5	-0.6	2.6	8.0	3.7
Revenues												
As Share of GDP	18.1	17.8	18.0	18.0	18.0	18.1	18.4	18.3	18.3	18.1	18.0	18.3
Expenditures												
As Share of GDP	21.8	21.9	22.4	22.9	23.0	23.0	23.0	23.0	22.8	21.7	22.8	22.9
Deficit												
As Share of GDP	-526.4	-581.8	-635.9	-700.3	-712.7	-704.7	-672.6	-677.9	-670.5	-519.7	-688.4	-669.4
As Share of GDP	-3.6	-4.0	-4.4	-4.9	-5.0	-4.9	-4.6	-4.6	-4.5	-3.6	-4.8	-4.5

Forecast Tables - Detailed

Table 3. Gross Domestic Product

	QUARTERLY									ANNUAL		
	08:3	08:4	09:1	09:2	09:3	09:4	10:1	10:2	10:3	2008	2009	2010
Billions of 2000 Dollars												
Gross Domestic Product	11,720	11,624	11,547	11,508	11,510	11,540	11,582	11,630	11,684	11,679	11,526	11,659
Personal Consumption Expenditures	8,275	8,197	8,175	8,180	8,195	8,220	8,241	8,263	8,287	8,282	8,192	8,277
Durable Goods	1,183	1,107	1,071	1,069	1,078	1,097	1,118	1,128	1,136	1,189	1,079	1,135
Nondurable Goods	2,381	2,363	2,364	2,367	2,369	2,375	2,380	2,383	2,390	2,391	2,369	2,387
Services	4,719	4,712	4,714	4,717	4,724	4,729	4,732	4,742	4,754	4,712	4,721	4,748
Gross Private Domestic Investment	1,694	1,645	1,548	1,463	1,433	1,443	1,482	1,535	1,586	1,699	1,471	1,559
Equipment & Software	1,060	1,035	1,001	977	958	950	953	961	971	1,065	972	967
Structures	347	344	335	327	321	318	317	315	317	339	325	317
Residential Investment	351	328	301	285	283	284	288	298	312	358	288	308
Change in Inventories	-38.5	-38.3	-61.7	-95.6	-99.2	-81.0	-47.7	-11.7	10.7	-34.4	-84.3	-6.7
Net Exports	-350	-311	-262	-217	-186	-179	-186	-202	-213	-376	-211	-206
Exports	1,567	1,578	1,590	1,599	1,609	1,623	1,639	1,655	1,671	1,548	1,605	1,664
Imports	1,917	1,889	1,851	1,816	1,795	1,803	1,825	1,857	1,883	1,924	1,816	1,870
Government Purchases	2,088	2,077	2,066	2,059	2,047	2,037	2,030	2,023	2,018	2,066	2,052	2,021
Federal	811	806	808	811	811	810	809	807	805	794	810	806
Defense	551	546	548	550	550	547	544	541	539	536	549	540
Other	259	259	260	260	261	262	264	266	266	257	261	265
State & Local	1,279	1,272	1,259	1,250	1,238	1,230	1,224	1,219	1,215	1,273	1,244	1,217
Annual Growth Rate (% change from a year ago)												
Gross Domestic Product	0.8	0.0	-0.9	-1.9	-1.8	-0.7	0.3	1.1	1.5	1.3	-1.3	1.2
Personal Consumption Expenditures	-0.0	-1.2	-1.7	-1.9	-1.0	0.3	0.8	1.0	1.1	0.4	-1.1	1.0
Durable Goods	-5.4	-11.4	-13.4	-12.9	-8.8	-1.0	4.4	5.5	5.4	-4.3	-9.2	5.2
Nondurable Goods	-0.7	-1.5	-1.4	-2.2	-0.5	0.5	0.6	0.7	0.9	-0.1	-0.9	0.7
Services	1.3	0.8	0.2	0.1	0.1	0.4	0.4	0.5	0.6	1.4	0.2	0.6
Gross Private Domestic Investment	-7.9	-7.7	-11.8	-14.1	-15.4	-12.3	-4.3	5.0	10.7	-6.1	-13.4	6.0
Equipment & Software	-2.6	-5.0	-8.0	-9.1	-9.6	-8.3	-4.9	-1.7	1.4	-1.3	-8.7	-0.4
Structures	10.8	7.5	2.8	-3.9	-7.6	-7.4	-5.6	-3.7	-1.1	11.4	-4.1	-2.6
Residential Investment	-21.3	-20.2	-21.5	-22.8	-19.2	-13.4	-4.2	4.4	10.1	-21.1	-19.4	6.6
Exports	6.9	6.5	5.9	3.5	2.7	2.9	3.1	3.5	3.9	8.5	3.7	3.6
Imports	-3.1	-4.0	-5.7	-5.7	-6.4	-4.6	-1.4	2.2	4.9	-2.5	-5.6	3.0
Government Purchases	3.1	2.3	1.3	0.0	-2.0	-1.9	-1.7	-1.7	-1.4	2.7	-0.7	-1.5
Federal	6.3	5.9	4.6	3.3	0.1	0.4	0.1	-0.5	-0.8	5.4	2.1	-0.5
Defense	7.7	7.1	5.6	4.2	-0.1	0.1	-0.7	-1.6	-2.0	6.7	2.4	-1.6
Other	3.3	3.1	2.5	1.5	0.5	1.1	1.8	2.1	2.0	2.6	1.4	1.8
State & Local	1.3	0.3	-0.6	-1.9	-3.2	-3.3	-2.8	-2.5	-1.8	1.1	-2.3	-2.2

Forecast Tables - Detailed

Table 4. Employment

	QUARTERLY									ANNUAL		
	08:3	08:4	09:1	09:2	09:3	09:4	10:1	10:2	10:3	2008	2009	2010
Total Non-Farm Payrolls (millions)												
Total	137.4	136.8	136.1	135.5	135.2	135.0	135.0	135.1	135.3	137.4	135.5	135.2
Job Additions ('000)	-328.7	-590.7	-719.0	-522.0	-342.0	-192.0	17.0	85.0	190.0	-176.2	-1991.3	-202.2
Private	114.9	114.3	113.7	113.3	113.1	113.0	113.1	113.2	113.5	115.0	113.3	113.4
Job Additions ('000)	-337.7	-597.9	-651.2	-414.1	-177.7	-48.3	28.1	156.4	255.9	-401.1	-1,754.7	114.7
Construction	7.2	7.1	6.9	6.7	6.6	6.5	6.4	6.4	6.3	7.2	6.7	6.4
Job Additions ('000)	-89.3	-97.0	-155.2	-187.8	-115.9	-82.5	-70.6	-57.4	-42.7	-407.3	-527.5	-302.1
Manufacturing	13.4	13.3	13.1	12.8	12.6	12.3	12.2	12.1	12.1	13.5	12.7	12.2
Job Additions ('000)	-130.7	-164.6	-204.6	-268.0	-245.2	-214.4	-147.0	-49.8	-18.4	-394.0	-802.4	-530.5
Trans. & Warehousing	4.5	4.5	4.4	4.4	4.3	4.3	4.3	4.3	4.3	4.5	4.3	4.3
Job Additions ('000)	-19.3	-46.7	-67.2	-41.9	-24.5	-4.6	-5.4	13.9	17.9	-29.5	-159.3	-10.7
Utilities	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Job Additions ('000)	3.1	0.9	2.2	0.4	2.1	4.1	1.3	-0.0	-0.7	6.0	6.8	5.0
Retail Trade	15.3	15.0	14.9	14.9	15.0	15.1	15.3	15.3	15.4	15.3	15.0	15.3
Job Additions ('000)	-65.1	-226.7	-166.2	6.1	116.0	116.9	143.7	77.3	53.7	-215.0	-301.2	375.4
Wholesale Trade	6.0	5.9	5.8	5.8	5.8	5.7	5.7	5.7	5.7	6.0	5.8	5.7
Job Additions ('000)	-28.9	-78.7	-111.9	-41.8	-18.5	-14.2	-29.4	-4.9	3.2	-17.9	-234.8	-66.1
Financial Activities	8.2	8.2	8.1	8.2	8.3	8.3	8.3	8.2	8.3	8.2	8.2	8.3
Job Additions ('000)	-25.7	-20.8	-30.3	44.4	65.3	26.1	-23.1	-10.3	40.8	-101.8	10.6	64.0
Prof. & Bus. Services	17.9	17.7	17.5	17.2	17.1	17.1	17.2	17.4	17.5	17.9	17.2	17.5
Job Additions ('000)	-113.7	-128.9	-200.4	-305.6	-143.2	31.9	125.8	136.7	145.3	-54.1	-667.3	226.8
Education & Health	19.0	19.1	19.3	19.5	19.6	19.7	19.9	20.0	20.1	18.9	19.5	20.0
Job Additions ('000)	0.2	0.1	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.6	0.7	0.5
Health Care	15.9	15.9	16.1	16.3	16.4	16.5	16.6	16.7	16.8	15.8	16.3	16.8
Job Additions ('000)	96.1	45.8	161.2	229.5	123.9	102.6	119.4	94.5	82.8	418.2	530.8	441.7
Leisure & Hospitality	13.6	13.7	13.7	13.8	13.8	13.8	13.7	13.7	13.7	13.7	13.8	13.7
Job Additions ('000)	-40.0	63.0	42.5	62.3	9.0	-33.7	-70.9	-45.0	-10.0	202.7	118.1	-128.7
Information	3.0	3.0	3.0	2.9	2.9	2.9	2.9	2.9	2.9	3.0	2.9	2.9
Job Additions ('000)	-18.3	-12.8	0.7	-31.5	-10.7	-22.7	-18.0	-13.9	-21.5	-36.2	-55.8	-70.3
Government	22.5	22.5	22.5	22.4	22.2	22.0	22.0	22.0	21.9	22.5	22.3	21.9
Job Additions ('000)	86.7	7.6	-68.8	-107.9	-164.3	-143.7	-11.1	-71.4	-65.9	263.7	-198.6	-316.9
Federal	2.7	2.7	2.8	2.8	2.8	2.8	2.9	2.8	2.8	2.7	2.8	2.8
Job Additions ('000)	9.7	0.9	0.1	3.5	4.2	8.1	91.6	-20.8	-60.2	13.7	16.5	49.2
State & Local	19.8	19.8	19.7	19.6	19.4	19.3	19.2	19.1	19.1	19.7	19.5	19.1
Job Additions ('000)	77.0	6.6	-68.9	-111.3	-168.4	-151.8	-102.7	-50.7	-5.7	250.0	-215.1	-366.2
Population and Labor Force (millions)												
Population aged 16+	240.3	241.0	241.6	242.3	243.0	243.6	244.3	244.9	245.6	240.0	242.6	245.2
Civilian Labor Force	154.7	154.9	155.1	155.2	155.3	155.4	155.6	155.8	156.1	154.4	155.2	156.0
Unemployment Rate (%)	6.0	6.6	6.9	7.5	7.8	8.2	8.3	8.4	8.3	5.7	7.6	8.3

Forecast Tables - Details

Table 5. Personal Income and its Disposition

	QUARTERLY									ANNUAL		
	08:3	08:4	09:1	09:2	09:3	09:4	10:1	10:2	10:3	2008	2009	2010
Billions of Current Dollars												
Personal Income	12,220	12,252	12,316	12,341	12,375	12,416	12,478	12,567	12,670	12,155	12,362	12,624
Wages & Salaries	6,623	6,637	6,657	6,658	6,675	6,696	6,735	6,775	6,826	6,587	6,672	6,804
Other Labor Income	1,031	1,041	1,054	1,065	1,077	1,086	1,095	1,104	1,113	1,028	1,070	1,107
Non-Farm Income	1,049	1,041	1,048	1,046	1,050	1,055	1,063	1,071	1,077	1,040	1,050	1,073
Farm Income	31	40	43	48	47	46	44	44	42	38	46	43
Personal Rental Income	64	73	68	60	52	50	49	49	50	59	57	50
Dividends	838	846	852	848	844	840	839	841	847	839	846	845
Personal Interest Income	1,232	1,217	1,200	1,190	1,178	1,171	1,176	1,191	1,209	1,221	1,185	1,202
Transfer Payments	1,872	1,879	1,924	1,954	1,979	1,996	2,013	2,028	2,046	1,864	1,963	2,038
Contributions For												
Social Insurance Taxes	521	523	529	527	526	524	536	536	539	519	527	538
Personal Tax Payments	1,488	1,510	1,467	1,457	1,464	1,474	1,512	1,523	1,529	1,472	1,465	1,529
Disposable Income	10,732	10,742	10,850	10,885	10,912	10,943	10,966	11,044	11,142	10,684	10,897	11,095
Consumption	10,191	10,010	9,964	9,970	10,014	10,081	10,157	10,226	10,316	10,085	10,007	10,280
Interest Payments	255	258	257	251	245	242	239	238	238	257	249	238
Transfers To Foreigners	62	63	64	65	66	67	68	69	70	61	66	70
Personal Saving	140	345	498	530	517	479	428	435	439	200	506	430
Personal Saving Rate (%)	1.3	3.2	4.6	4.9	4.7	4.4	3.9	3.9	3.9	1.8	4.6	3.9
Annual Growth Rate (% change from a year ago)												
Personal Income	4.2	3.2	3.0	1.2	1.3	1.3	1.3	1.8	2.4	4.2	1.7	2.1
Wages & Salaries	3.8	2.6	2.1	1.4	0.8	0.9	1.2	1.8	2.3	3.5	1.3	2.0
Other Labor Income	3.5	3.5	3.8	3.9	4.4	4.4	3.9	3.6	3.4	3.6	4.1	3.4
Non-Farm Income	3.2	1.4	1.8	0.7	0.1	1.3	1.4	2.3	2.6	2.7	1.0	2.2
Farm Income	-34.2	-15.5	4.3	26.2	50.9	15.7	2.2	-9.1	-9.9	-14.5	22.5	-7.2
Personal Rental Income	53.8	88.3	73.5	1.7	-19.7	-31.4	-28.3	-17.6	-3.5	46.6	-2.5	-13.3
Dividends	5.5	4.0	2.7	0.5	0.6	-0.8	-1.4	-0.8	0.4	6.8	0.8	-0.1
Personal Interest Income	-0.3	-2.0	-2.0	-1.6	-4.4	-3.8	-2.0	0.1	2.6	0.5	-3.0	1.5
Transfer Payments	8.8	8.1	8.2	1.4	5.7	6.2	4.6	3.8	3.4	8.8	5.3	3.8
Contributions For												
Social Insurance Taxes	4.0	3.4	2.6	1.8	0.9	0.2	1.3	1.6	2.5	3.8	1.4	2.2
Personal Tax Payments	-0.9	-0.7	-4.4	7.6	-1.6	-2.4	3.0	4.5	4.5	-1.4	-0.4	4.4
Disposable Income	4.9	3.8	4.1	0.5	1.7	1.9	1.1	1.5	2.1	5.0	2.0	1.8
Consumption	4.4	1.2	-0.4	-1.7	-1.7	0.7	1.9	2.6	3.0	3.9	-0.8	2.7
Interest Payments	-8.3	-6.6	-1.9	-1.0	-3.8	-6.2	-7.0	-5.3	-3.1	-3.1	-3.2	-4.2
Transfers To Foreigners	10.3	9.8	10.7	3.8	6.5	6.7	6.3	6.3	6.2	9.0	6.9	6.3

Forecast Tables - Details

Table 6. Personal Consumption Expenditures and Private Domestic Investment

	QUARTERLY									ANNUAL		
	08:3	08:4	09:1	09:2	09:3	09:4	10:1	10:2	10:3	2008	2009	2010
Personal Consumption Expenditures (bil. 2000\$)												
Personal Consumption	8,275	8,197	8,175	8,180	8,195	8,220	8,241	8,263	8,287	8,282	8,192	8,277
Durable Goods	1,183	1,107	1,071	1,069	1,078	1,097	1,118	1,128	1,136	1,189	1,079	1,135
Nondurable Goods	2,381	2,363	2,364	2,367	2,369	2,375	2,380	2,383	2,390	2,391	2,369	2,387
Services	4,719	4,712	4,714	4,717	4,724	4,729	4,732	4,742	4,754	4,712	4,721	4,748
Personal Consumption Expenditures (annualized % change)												
Personal Consumption	-3.1	-3.7	-1.1	0.3	0.7	1.2	1.0	1.1	1.2	0.4	-1.1	1.0
Durable Goods	-14.1	-23.1	-12.6	-0.5	3.4	7.0	8.0	3.7	2.8	-4.3	-9.2	5.2
Autos & Parts	-25.6	-46.9	-13.4	23.8	27.8	31.2	29.3	13.2	8.8	-13.9	-11.4	21.8
Furniture	-7.6	-6.7	-11.4	-14.5	-11.7	-8.1	-5.6	-5.1	-4.7	3.7	-9.0	-6.7
Other Durables	-4.3	-6.5	-13.7	-5.5	-2.9	-2.1	-2.8	0.9	3.4	-0.1	-6.7	-0.9
Nondurable Goods	-6.4	-2.9	0.2	0.5	0.3	1.0	0.8	0.6	1.1	-0.1	-0.9	0.7
Food & Beverages	-8.6	-2.1	2.9	3.5	3.8	3.5	2.5	2.4	2.1	0.6	0.8	2.8
Gasoline & Motor Oil	-5.1	3.3	9.5	4.0	-4.2	-8.4	-10.6	-6.6	-5.9	-3.0	1.6	-7.2
Fuel	-30.8	89.5	13.8	4.2	3.4	-7.7	-6.0	-1.1	-6.6	-11.6	9.9	-3.8
Clothing & Shoes	-11.0	-10.1	-8.0	-9.6	-11.1	-1.8	1.4	-1.4	-0.2	0.7	-8.0	-2.1
Other Nondurables	0.4	-6.0	-4.8	-1.5	0.7	1.7	2.0	1.1	2.6	0.4	-2.0	1.5
Services	0.6	-0.6	0.2	0.3	0.5	0.5	0.2	0.9	1.0	1.4	0.2	0.6
Housing	0.7	1.0	0.9	0.7	0.6	0.6	0.6	0.6	0.5	1.0	0.8	0.6
Household Operation	-4.5	8.1	-0.1	-0.3	0.6	-0.6	-0.5	0.5	0.5	0.2	0.6	-0.0
Transportation Services	-1.7	-1.9	-2.9	-1.9	-2.0	-2.0	-2.0	-0.9	-0.5	-0.2	-2.2	-1.5
Medical Care	2.9	-0.4	-0.2	-0.4	-0.0	0.9	1.2	1.4	2.6	3.4	0.4	1.2
Other Services	-2.7	-4.3	-0.8	0.4	0.5	1.3	0.6	1.9	2.6	0.5	-1.2	1.3
Private Domestic Investment (bil. 2000\$)												
Private Fixed Investment	1,428	1,402	1,361	1,327	1,302	1,291	1,291	1,296	1,308	1,421	1,320	1,304
Equipment & Software	1,060	1,035	1,001	977	958	950	953	961	971	1,065	972	967
Structures	347	344	335	327	321	318	317	315	317	339	325	317
Residential Investment	351	328	301	285	283	284	288	298	312	358	288	308
Inventory Change	-39	-38	-62	-96	-99	-81	-48	-12	11	-34	-84	-7
Private Domestic Investment (annualized % change)												
Private Fixed Investment	-1.0	-7.0	-11.4	-9.4	-7.5	-3.3	-0.0	1.5	3.8	2.8	-7.1	-1.2
Equipment & Software	-5.5	-8.8	-12.6	-9.5	-7.4	-3.5	1.2	3.4	4.5	-1.3	-8.7	-0.4
Info. Processing Equip.	2.5	-1.8	-9.3	-5.8	-5.0	-1.2	4.5	5.5	8.4	7.2	-3.7	2.3
Industrial Equipment	-10.6	-43.2	11.2	-17.8	-10.7	-27.1	3.3	-9.2	-7.7	-6.6	-15.4	-10.9
Transportation Equip.	-51.0	51.7	-42.7	-7.2	-16.8	29.6	-13.5	17.7	5.4	-23.4	-19.5	3.6
Other Equipment	18.2	-17.4	-19.2	-14.1	-5.7	-3.7	-1.0	-0.1	2.5	-1.0	-10.3	-2.1
Structures	7.9	-3.8	-9.3	-9.4	-7.6	-3.0	-2.3	-1.7	2.5	11.4	-4.1	-2.6
Residential Investment	-19.1	-22.9	-29.7	-18.9	-2.9	1.3	5.7	14.3	19.9	-21.1	-19.4	6.6

Forecast Tables - Details

Table 7. Government Receipts and Expenditures

	QUARTERLY									ANNUAL		
	08:3	08:4	09:1	09:2	09:3	09:4	10:1	10:2	10:3	2008	2009	2010
Federal Government Receipts and Expenditures (bil.\$)												
Receipts	2,613	2,571	2,591	2,577	2,594	2,612	2,673	2,688	2,700	2,586	2,594	2,698
Personal Taxes	1,154	1,182	1,146	1,141	1,145	1,159	1,187	1,191	1,189	1,136	1,148	1,194
Corporate Taxes	316	256	303	299	316	323	334	342	346	305	310	343
Production & Imports	95	81	78	74	74	74	75	75	77	92	75	76
Contributions For												
Social Insurance	978	982	993	990	987	984	1,004	1,004	1,010	976	989	1,009
Expenditures	3,140	3,153	3,227	3,277	3,307	3,317	3,346	3,366	3,370	3,106	3,282	3,368
Purchases of Goods & Ser.	1,098	1,092	1,104	1,107	1,109	1,110	1,121	1,123	1,123	1,068	1,107	1,123
National Defense	760	753	761	763	763	761	766	764	764	734	762	764
Other	338	339	343	344	346	349	355	358	360	334	345	358
Transfer Payments	1,795	1,810	1,859	1,894	1,917	1,932	1,947	1,954	1,964	1,798	1,900	1,961
To Resident Persons	1,372	1,381	1,418	1,441	1,458	1,468	1,477	1,486	1,494	1,373	1,446	1,491
To Foreigners	62	63	64	65	66	67	68	69	70	61	66	70
Grants-in-Aid to State												
& Local Governments	387	393	405	416	421	426	432	431	431	386	417	433
Net Interest	320	320	334	345	349	348	351	362	357	307	344	358
Subsidies less Surplus of												
Federal Enterprises	48	53	53	53	53	49	49	49	49	49	52	48
Surplus (+) or Deficit (-)	-526	-582	-636	-700	-713	-705	-673	-678	-671	-520	-688	-669
State and Local Government Receipts and Expenditures (bil. \$)												
Receipts	1,329	1,300	1,288	1,284	1,294	1,301	1,319	1,333	1,346	1,322	1,292	1,340
Personal Taxes	333	329	322	316	319	316	325	333	340	336	318	336
Corporate Taxes	53	43	52	51	55	56	57	58	59	51	54	58
Production & Imports	943	928	915	916	921	928	936	942	947	936	920	945
Contributions For												
Social Insurance	24	24	24	24	24	24	24	24	24	24	24	24
Federal Grants-in-Aid	387	393	405	416	421	426	432	431	431	386	417	433
Expenditures	2,050	2,059	2,057	2,053	2,051	2,054	2,063	2,069	2,079	2,027	2,054	2,076
Purchases of Goods & Ser.	1,848	1,848	1,833	1,823	1,810	1,804	1,802	1,800	1,803	1,821	1,818	1,802
Consumption	1,486	1,491	1,482	1,469	1,458	1,450	1,448	1,447	1,449	1,467	1,465	1,449
Gross Investment	362	361	355	357	356	357	357	357	357	356	356	357
Transfer Payments	458	466	475	483	492	500	508	515	524	456	487	520
Net Interest	14	13	12	12	11	11	12	13	14	14	11	13
Subsidies less Surplus of												
State & Local Enterprises	10	10	9	9	9	11	12	10	8	10	9	9
Surplus (+) or Deficit (-)	-104	-136	-131	-117	-96	-85	-67	-56	-50	-90	-107	-53

Forecast Tables - Details

Table 8. Implicit Price Deflators and Other Inflation Indicators

	QUARTERLY									ANNUAL		
	08:3	08:4	09:1	09:2	09:3	09:4	10:1	10:2	10:3	2008	2009	2010
Chained Price Index (annualized % change)												
GDP	4.2	2.8	1.7	0.3	0.9	0.9	1.5	1.4	1.4	2.4	1.8	1.2
Consumption	5.4	-3.3	-0.7	-0.1	1.0	1.5	2.0	1.7	2.3	3.5	0.3	1.7
Durables	-0.6	-1.7	-2.1	-2.7	-2.9	-2.6	-1.7	-1.1	-0.7	-1.1	-2.0	-1.8
Motor Vehicles	-0.2	-0.4	-1.2	-1.8	-1.8	-1.0	0.4	1.1	1.4	-0.2	-1.1	0.1
Furniture	-2.6	-3.8	-3.7	-4.5	-5.2	-5.5	-5.2	-4.8	-4.3	-4.2	-4.1	-4.9
Nondurables	10.3	-13.9	-5.5	-2.1	0.4	2.3	2.8	1.9	3.8	5.5	-2.8	2.2
Food	8.5	2.9	0.6	0.4	-0.2	0.1	1.0	1.3	1.9	5.3	2.2	0.9
Clothing & Shoes	5.9	-1.7	-1.4	-1.9	-1.5	-1.2	-0.2	-0.1	0.4	-0.4	-0.8	-0.5
Gasoline & Oil	42.1	-70.8	-40.3	-18.8	5.2	22.2	18.9	6.5	20.2	19.0	-28.0	13.3
Fuel	12.9	-58.1	-31.4	-20.1	-7.1	6.6	4.0	-3.9	11.8	31.1	-22.8	1.3
Services	4.0	2.0	1.8	1.3	1.9	1.7	2.1	2.0	2.1	3.4	2.2	1.9
Housing	2.5	1.3	0.9	0.6	0.7	1.1	1.4	1.6	1.9	2.6	1.2	1.3
Household Operation	10.0	-3.3	-2.4	-5.8	0.3	-0.5	1.1	1.9	2.1	5.6	-0.3	0.6
Electricity	13.6	3.8	-0.9	-4.6	-4.5	-2.9	-1.2	0.6	1.7	6.1	1.0	-1.3
Natural Gas	24.3	-34.1	-23.7	-36.7	11.9	-0.3	10.0	12.3	8.8	15.6	-14.3	4.9
Water and Sewer	8.7	4.9	4.7	4.1	3.9	3.6	3.5	3.4	3.2	5.7	4.9	3.5
Transportation	6.7	1.1	0.9	0.9	1.2	1.6	2.4	1.8	2.2	5.0	2.1	1.9
Other Services	3.7	4.9	4.8	4.1	3.5	2.1	1.9	1.5	1.9	4.2	4.3	2.2
Private Fixed Investment	4.2	-0.3	-1.4	-1.6	-1.4	-1.3	-0.6	-0.2	0.4	1.3	-0.3	-0.6
Equipment & Software	2.5	0.5	-0.6	-1.0	-1.2	-1.4	-1.2	-0.9	-0.4	0.5	-0.1	-1.0
Structures	7.2	-1.9	-2.8	-2.6	-1.7	-0.9	0.5	0.9	2.0	3.0	-0.8	0.2
Residential Investment	-1.2	1.1	-2.1	-1.4	-0.9	1.1	1.9	2.6	2.4	-1.4	-1.0	1.4
Exports	6.4	-5.3	-4.1	-3.8	-1.1	0.0	0.7	0.6	1.5	6.6	-1.5	0.2
Imports	9.3	-26.6	-14.0	-5.9	-1.7	1.7	3.3	1.0	5.6	11.5	-7.9	1.8
Government Purchases	4.3	1.4	1.7	0.4	0.9	1.1	2.8	1.2	1.6	5.2	1.9	1.6
Federal Purchases	2.6	0.0	3.4	-0.1	0.6	1.0	4.8	1.1	1.4	3.5	1.6	1.9
State & Local Purchases	5.4	2.2	0.8	0.7	1.1	1.2	1.5	1.3	1.7	6.2	2.1	1.4
Consumer Price Index (annualized % change)												
Consumer Price Index	6.7	-3.0	-1.5	0.7	1.5	1.9	2.0	2.2	2.6	4.2	0.6	2.0
Total less Food & Energy	3.2	2.2	1.2	0.8	1.1	1.5	1.8	2.1	2.3	2.4	1.6	1.7
Producer Price Index (annualized % change)												
All Commodities	10.8	-26.1	-10.4	-10.3	1.1	0.2	2.7	2.0	4.0	11.1	-7.4	1.3
Industrial Commodities	10.5	-28.1	-11.2	-11.2	1.9	0.6	3.2	2.4	4.6	11.0	-8.1	1.8
Textile & Apparel	6.6	-1.6	-0.6	-2.6	-2.0	-2.2	-1.7	-1.0	-0.6	2.2	-0.4	-1.6
Fuels	4.5	-65.9	-23.7	-28.4	15.6	5.9	12.7	8.3	15.8	23.7	-24.1	8.6
Chemicals	35.5	-8.8	-12.8	-7.5	-3.7	-1.7	0.7	0.8	1.7	16.6	-2.0	-0.6
Rubber & Plastic	18.7	-0.4	-6.0	-5.6	-3.2	-2.0	-0.9	-0.1	0.2	6.9	-0.5	-1.3
Lumber & Wood	4.8	-5.3	-8.0	-7.7	-2.3	0.2	2.4	3.4	5.0	-0.6	-3.9	1.5
Pulp & Paper	7.9	1.0	-0.7	-1.3	-1.3	-1.0	0.2	1.0	1.5	4.6	0.7	0.1
Metals & Products	15.2	-20.2	-22.9	-16.7	-4.8	-3.1	-0.3	-0.2	0.5	12.4	-10.5	-2.4
Equipment	5.0	3.1	-0.1	-3.2	-3.0	-2.1	-1.0	-0.6	-0.1	2.1	0.2	-1.4
Intermediate Materials	16.6	-22.3	-13.8	-11.4	-2.1	-1.1	1.4	0.9	2.3	11.3	-7.6	-0.3
Finished Goods	8.6	-16.0	-7.3	-6.5	0.4	0.7	2.7	2.0	3.3	6.6	-4.6	1.5
Consumer Goods	9.5	-20.9	-9.3	-8.1	0.7	0.9	3.3	2.4	4.0	7.8	-6.2	1.8
Producer Goods	4.9	1.5	-0.5	-1.4	-0.5	0.0	0.7	0.9	1.1	2.7	0.7	0.4

Forecast Tables - Details

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

	QUARTERLY									ANNUAL		
	08:3	08:4	09:1	09:2	09:3	09:4	10:1	10:2	10:3	2008	2009	2010
Billions of Current Dollars												
Exports - Goods & Services	1,981	1,968	1,962	1,955	1,961	1,979	2,002	2,024	2,051	1,923	1,964	2,040
Exports of Goods	1,385	1,365	1,355	1,345	1,345	1,354	1,367	1,378	1,393	1,338	1,350	1,387
Food, Feeds & Beverages	119	112	107	102	100	99	99	99	100	115	102	100
Industrial Supplies	425	406	384	373	372	375	378	377	379	394	376	378
Motor Vehicles & Parts	131	125	119	117	116	117	122	127	130	126	117	129
Non-auto Cons. Goods	172	179	182	183	185	189	193	198	203	168	185	200
Capital Goods, Ex. Auto	489	487	507	514	516	517	517	518	519	481	514	519
Other	50	50	50	49	50	51	52	53	54	53	50	54
Services	596	603	607	610	616	625	635	646	659	585	615	653
Imports - Goods & Services	2,688	2,451	2,314	2,236	2,201	2,220	2,265	2,310	2,375	2,577	2,243	2,351
Imports of Goods	2,262	2,026	1,890	1,813	1,778	1,796	1,840	1,881	1,941	2,158	1,819	1,919
Foods, Feeds & Beverage	92	91	90	90	90	90	90	91	92	90	90	92
Petroleum & Products	532	347	275	244	246	268	292	298	322	456	259	318
Industrial Supplies	340	331	307	300	285	283	285	291	295	324	294	292
Motor Vehicles & Parts	236	219	199	182	176	180	196	216	234	241	184	224
Non-auto Cons. Goods	505	487	471	457	446	439	439	442	448	492	453	446
Capital Goods	464	454	453	449	448	450	451	455	460	460	450	458
Other	94	96	93	89	85	84	85	87	89	96	88	88
Services	426	425	424	423	423	423	425	429	434	419	423	432
Net Exports	-707	-483	-352	-281	-240	-240	-263	-286	-323	-653	-278	-310
Current Account Balance	-749	-566	-443	-369	-342	-340	-369	-393	-432	-688	-374	-419
Merchandise Balance	-877	-661	-535	-468	-433	-442	-473	-503	-548	-820	-470	-532
Billions of 2000 Dollars												
Exports - Goods & Services	1,567	1,578	1,590	1,599	1,609	1,623	1,639	1,655	1,671	1,548	1,605	1,664
Exports of Goods	1,109	1,118	1,129	1,138	1,145	1,155	1,165	1,174	1,182	1,091	1,142	1,179
Services	458	460	461	462	464	469	475	481	488	457	464	485
Imports - Goods & Services	1,917	1,889	1,851	1,816	1,795	1,803	1,825	1,857	1,883	1,924	1,816	1,870
Imports of Goods	1,620	1,592	1,556	1,521	1,500	1,509	1,532	1,564	1,590	1,626	1,521	1,577
Services	298	296	295	293	292	292	292	293	294	298	293	293
Net Exports	-350	-311	-262	-217	-186	-179	-186	-202	-213	-376	-211	-206
Annualized Growth Rate (Constant Dollars)												
Exports - Goods & Services	12.6	-2.6	-1.2	-1.4	1.2	3.7	4.7	4.5	5.4	15.7	2.1	3.9
Exports of Goods	12.9	-5.6	-3.0	-3.0	0.0	2.7	3.9	3.4	4.3	16.4	0.9	2.8
Services	11.8	4.5	3.0	2.1	4.0	6.0	6.4	7.1	7.9	14.1	5.0	6.2
Imports - Goods & Services	7.2	-30.9	-20.5	-12.7	-6.2	3.4	8.5	8.2	11.7	8.7	-13.0	4.8
Imports of Goods	6.7	-35.6	-24.3	-15.2	-7.5	4.1	10.1	9.2	13.4	8.7	-15.7	5.5
Services	9.9	-1.1	-0.5	-0.9	-0.4	0.6	1.9	3.7	4.3	8.7	1.1	2.0
U.S. Dollar Exchange Rate	70.0	70.8	69.7	69.0	69.4	69.3	69.3	69.3	69.1	69.6	69.4	69.2
% Change	11.9	4.7	-5.8	-4.1	2.1	-0.1	0.0	-0.5	-1.1	-7.5	-0.3	-0.3

Forecast Tables - Detailed

Table 10. Money, Interest Rates and Corporate Profits

	QUARTERLY									ANNUAL		
	08:3	08:4	09:1	09:2	09:3	09:4	10:1	10:2	10:3	2008	2009	2010
Money (billions \$)												
Money Supply (M1)	1,417	1,373	1,376	1,393	1,405	1,422	1,443	1,472	1,476	1,384	1,399	1,468
% Change	12.8	-11.8	0.7	5.0	3.6	4.8	6.0	8.4	1.1	1.1	1.1	5.0
Money Supply (M2)	7,706	7,717	7,836	7,881	7,880	7,907	8,042	8,104	8,101	7,650	7,876	8,101
% Change	3.7	0.6	6.3	2.3	-0.1	1.4	7.0	3.2	-0.2	5.8	3.0	2.9
Interest Rates (%)												
Federal Funds Rate	1.9	1.2	1.0	1.0	1.0	1.2	1.7	2.2	2.7	2.1	1.1	2.4
Prime Rate	5.0	4.2	4.0	4.0	4.0	4.2	4.7	5.2	5.7	5.1	4.1	5.4
3-Month Treasury Bill	1.5	0.7	1.1	1.2	1.3	1.5	2.0	2.5	2.9	1.5	1.3	2.7
6-Month Treasury Bill	1.8	1.0	1.3	1.3	1.5	1.6	2.1	2.5	3.0	1.7	1.4	2.7
1-Year Treasury Note	2.1	1.4	1.6	1.6	1.7	1.7	2.2	2.7	3.1	1.9	1.7	2.9
2-Year Treasury Note	2.4	1.7	1.9	1.9	2.0	2.1	2.6	3.0	3.4	2.1	2.0	3.2
5-Year Treasury Note	3.1	2.8	2.9	3.0	3.1	3.3	3.6	3.8	4.0	3.0	3.1	3.9
10-Year Treasury Note	3.9	3.7	3.8	3.9	4.1	4.3	4.5	4.6	4.6	3.8	4.0	4.6
30-Year Treasury Bond	4.4	4.2	4.3	4.5	4.6	4.8	4.9	5.0	5.1	4.4	4.6	5.0
Aaa Corporate Bonds	5.7	6.2	6.3	6.5	6.6	6.6	6.7	6.7	6.7	5.7	6.5	6.7
Baa Corporate Bonds	7.2	7.8	7.8	8.1	8.1	8.0	8.0	8.0	8.0	7.2	8.0	8.0
Domestic Municipal Bonds	4.7	5.0	4.9	5.0	5.1	5.2	5.2	5.2	5.1	4.8	5.1	5.2
30-Year Mortgage Rate	6.3	6.3	6.1	6.0	6.0	6.3	6.4	6.6	6.5	6.1	6.1	6.5
Corporate Profits (billions \$)												
Profits Before Taxes	1,689	1,404	1,612	1,605	1,674	1,711	1,727	1,760	1,776	1,649	1,650	1,764
% Change	-13.2	-52.3	73.7	-1.8	18.5	9.2	3.8	7.7	3.8	-12.6	0.1	6.8
Profits After Taxes	1,292	1,077	1,229	1,226	1,275	1,303	1,307	1,330	1,342	1,265	1,258	1,333
% Change	-14.4	-51.7	69.4	-1.0	17.0	9.1	1.4	7.2	3.6	-11.9	-0.6	5.9