



August 2007

Forecast of the Nation

“Code Red” Risk Alert

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ECONOMIC
FORECASTING
CENTER

Business Intelligence at Its Best

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August 2007

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ANNUAL SUBSCRIPTION ORDER FORM





“CODE RED” RISK ALERT

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AUGUST 10, 2007

FORECAST COMMENTARY

For those who live in big metropolitan areas, smog alerts are part and parcel of summer life. This summer the economy needs a code alert of its own when it comes to the credit market and rapidly developing financial risks. Just one month ago, analysts thought the subprime default fiasco would be contained at the borrower level, making for a “code orange” risk alert. Just like alerts for air quality, coding the level of risk for the economy was hazardous for sensitive groups: low-income households, aggressive mortgage lenders, and the hedge funds that invested in them.

Hedge funds, a misnomer in any case, were snapping up risky subprime loans in the securitized market to generate that extra rate of return for their investors. In this post dot-com era, with the 10-year bond paying less than 5% and investment grade corporate bonds recently falling below 6%, hedge fund managers have had to be creative to get the “alpha” they promised investors. These investors happened to be pension funds, insurance companies, aggressive money managers, and even other hedge funds. In essence, these “demanders” represented middle-class America, which was looking to boost returns in the era of a “global saving glut”—a phrase coined by our current FOMC chairman Ben Bernanke in 2003. The “enablers” in this risk game were (and still are) the Wall Street investment banks that provided lines of credit to the mortgage lenders.

The fallout from enablers pulling their lines of credit was supposed to be contained at the mortgage lender and the hedge fund level. This scenario is precisely what unfolded from April to late July. For example, New Century Financial Corp., the nation’s second largest subprime lender in 2006, folded this April.

The most recent casualty of the subprime scare was American Home Mortgage Investment Corp., which collapsed in early August (see the website www.mortgageimplode.com for a current list of “imploded” lenders.) The collapse of these unregulated mega-lenders led in turn to losses for numerous hedge funds that bought those securitized mortgages. The situation turned almost comedic when one of the Wall Street stalwarts in the fixed income business, Bear Sterns, saw two of its off-balance-sheet hedge funds go belly up. In all these cases, the dreaded but necessary mark-to-market action led to margin calls that eroded the capital of these hedge funds.

Despite this fallout, the damage to the economy was expected to be contained among subprime consumers and speculators, with only a minor impact on the rest of the economy. As in “code orange” smog alerts, analysts judged that the majority of the population who were healthy could go on with normal activities tempered by a few common sense precautions. The stock market performance in this time-period reinforced this view with the Dow Jones index crossing 14,000 in mid-July. This spike even happened after Ben Bernanke admitted in his semi-annual testimony to the Congress on July 18 that housing woes could spill over to consumer spending. But his obligatory words on fighting the inflation monster and assuring the committee that the economy was strong enough, lulled the market to overlook this warning. The market looked the other way even though the Fed had significantly downgraded its growth outlook during the past six months.

The situation has changed for the worse in the past few weeks, and now the risk indicator is signaling “code red” as credit market conditions have deteriorated for almost every participant. For example, the

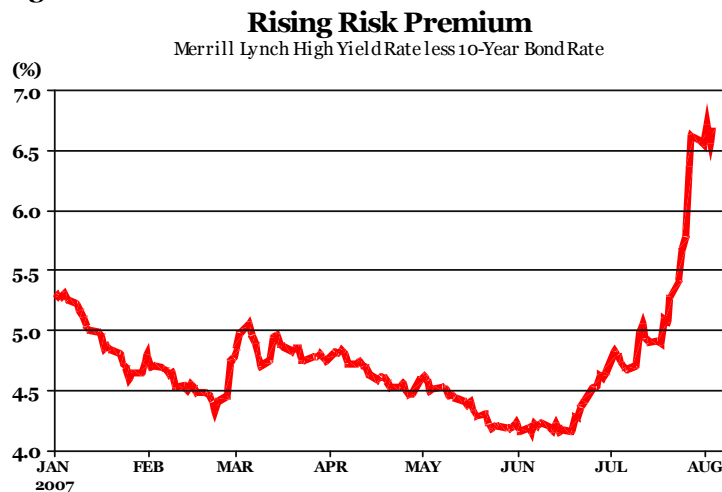
bond offering by Chrysler, now under private-equity management by Cerberus, had to be withdrawn in late July. This happened just weeks after the Blackstone group did a successful IPO, signaling that the appetite for risk was healthy and alive (out of control, I should add, when one considers why a private-equity group would go public!).

Figure 1 shows the rising level of risk premium in the junk bond market. Even after the sharp rise in the premium value in late July, the levels are low by historical standards. However, this rising level of risk has made life difficult—or will do so very soon—for the debt-financed stock repurchase activity, which has kept the stock market roaring in the past few years. For instance, in 2006, corporations spent almost \$500 billion in the S&P 500 index on stock buybacks. Withdrawal of this stimulus is bad news for the general investor in the stock market now. It is unwise to borrow from Peter to pay Paul.

In the housing market, analysts predicted the withdrawal of credit lines would impact only subprime lenders and their unfortunate borrowers, who admittedly were almost 15% of the mortgage market by numbers. In 2006, almost half the loans by dollar volume were in the subprime and Alt-A category. The collateralized debt obligations (CDOs) secured these loans in the market by pooling the risk. Tranches or slices of debt were sold off to investors with different risk appetites ranging from AAA to junk bond status. The CDO market catapulted into severe turmoil when debt rating agencies started to downgrade the debt in tranches. Suddenly, those AAA ratings for the first tier CDO tranches vanished. (If we ask ourselves of the thousands of these AAA tranches, how many corporations have AAA credit rating, the answer can be counted on two hands.) This downgrade created all manner of trouble, ranging from margin calls for holders of these CDOs—a run toward safety of treasury bonds to shore up their doddering balance sheets—to contractual buybacks by the issuers.

As a result of these debt downgrades, Wall Street banks now have shied away from this market, which

Figure 1



Source: Merrill Lynch, Federal Reserve Board

is beginning to affect loan originations in the prime borrower category, too. Freddie and Fannie could have stepped into the void, but they are hobbled by two factors. One, they are battling their own accounting scandals, which have restricted their ability to be aggressive buyers in this market. Two, by law they are unable to participate in the jumbo loan market, i.e. loans above the \$417,000 level. And the majority of prime loans in places like D.C., Hawaii, Los Angeles, Miami, New York, and San Francisco are jumbo in size. These places will suffer a double whammy of declining home prices as well as fewer loan originations in coming months.

So what *should* the Fed do and what *will* it do in the coming months? On August 7, the agency acknowledged tightened credit conditions in its statement, but it contended that the downside risks to growth are small enough to warrant no intervention. My reading of the FOMC statement is that the Fed will cut the funds rate at its October meeting or even earlier given their recent open market interventions. A series of cuts, totaling 75 basis points, will help the economy pick up steam by mid-2008.

Are these actions enough? Are the solutions that simple? No is the answer to both questions. The rate cuts will do the usual trick of getting liquidity in the market for corporate bonds and interest relief to the general borrower. They also will signal Fed’s intention to open its non-traditional methods—discount windows, lines of credit to bond firms, etc.—to alleviate the

credit crunch for small businesses. However, to help the housing market, the Fed will have to partner with GSEs (Freddie and Fannie), which makes for a tricky non-conventional method. The next section discusses this approach and the lifeguard duties of the Fed in detail. For now, I am confident that the Fed can pull this off, but there still remains concern about the moral hazard associated with this action. More on that worry in the next section.

Table 1 on the next page summarizes the current forecast. Real GDP growth will be consistently below trend for the coming four quarters. The second half of 2007 will show a growth of only 2.1%, the same as the first half. Therefore, 2007 will see a sub-par 2.1% GDP growth before getting close to a trend with 2.6% in 2008 and 3.0% in 2009. The big story is moderation in consumption, which after hitting 3.1% in 2006 will be 2.7% in 2007 and then drop again to 2.3% in 2008. Investment growth also will be anemic in 2007 at 0.6% before it picks up steam in 2008 to 4.9% and to 7.6% in 2009.

The trade-weighted real dollar will weaken by 5.1% in 2007, 3.1% in 2008, and by 1.2% in 2009. This news is good for exports, which after growing by 6.7% in 2007, will grow over 8.0% in 2008 and 2009. The import growth, on the other hand, is much weaker than export growth. Therefore, the trade deficit will come down in both nominal and real terms for the first time in more than a decade. As a result, when capital inflow moderates (the opposite of the trade deficit), the pressure increases for the long-term bond yield to rise. However, that increase still will fail to cross the 6.0% mark for the forecast duration. Oil prices will fall slightly in 2007 as the world economy slows, but they will rise slightly in 2008 as growth returns. Housing starts will see the low of this decade in 2007 at 1.454 million units as consumers' desires for housing temper for the right reasons. Auto sales will remain below the 16.0 million units mark for this forecast horizon.

Although this forecast represents a glass half-full, it is based on the downside of risks to growth, which are numerous and worsening as every week passes.

LIFEGUARD DUTIES OF THE FED

So why doesn't the Fed jump in with rate cuts when the economy seems to be caught in a riptide of financial risk factors? For the Fed to intervene, it has to be convinced that the swimmer is really in trouble rather than just thrashing around because of some flotsam that's interfering with enjoyment. However, another interpretation of that thrashing about is that the frantic swimmer has seen a dorsal fin approaching fast! Therefore, the choices are riptide or a looming shark attack. Let's ignore the second choice for the moment.

The FOMC statement of August 7 carried the usual caveat of a predominant concern that inflation will fail to moderate as expected. Any self-respecting Central Bank with an ounce of credibility has to make a similar statement if it chooses to forego a rate cut at its regular meeting. However, the first paragraph of the FOMC statement is so lucid and direct that I am delighted by reading it. First, the Fed acknowledged all of the current problems: subpar first-half growth, credit market difficulties, and an ongoing housing correction. However, by the last sentence of the paragraph, which began with the typical, boiler plate statement about moderate future growth expectations, I was disappointed. Here is the line with the offending phrase underlined for emphasis:

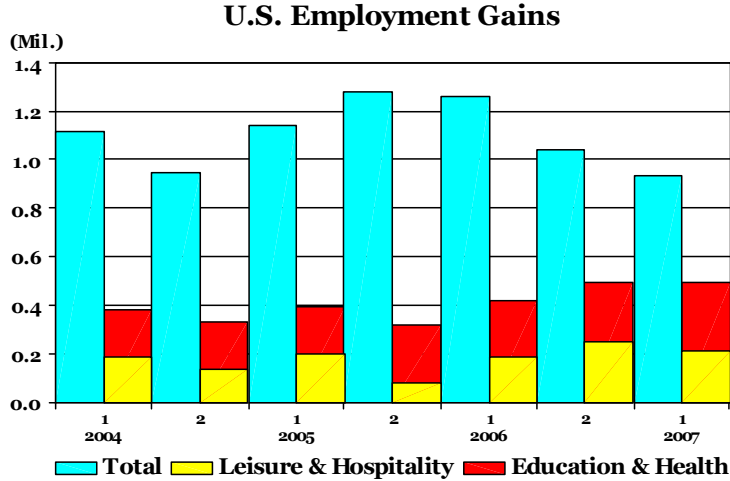
“Nevertheless, the economy seems likely to continue to expand at a moderate pace over coming quarters, supported by solid growth in employment and incomes and a robust global economy.”

Let's examine the claim about solid growth in employment first. Monthly job gains in the last six months have averaged 132,000, which is about 30% lower than the 2006 monthly job creation and is well below the potential of 150,000. This calculation is before any revisions—most likely downward—that will happen with the benchmarking in January. That point, however, is not my only quibble with the FOMC. Did they examine this job growth for the

Table 1
U.S. Forecast Summary, August 2007

	Quarterly						Annual		
	07'Q3	07'Q4	08'Q1	08'Q2	08'Q3	08'Q4	2007	2008	2009
GDP DETAILS									
Real GDP Growth	2.0	2.3	2.6	2.7	3.1	3.1	1.9	2.6	3.0
Consumption Growth	1.9	2.1	2.4	2.6	2.6	2.9	2.7	2.3	2.8
Investment Growth	3.5	3.4	3.7	4.1	4.2	5.3	3.3	4.1	5.1
Inventory Change (bil. 2000\$)	14.2	19.4	22.7	20.5	24.6	27.0	9.3	23.7	32.2
Export Growth	7.9	8.3	8.8	8.8	8.2	8.5	6.7	8.4	8.5
Import Growth	3.7	3.7	3.9	3.7	4.3	4.7	2.2	3.5	4.8
Net Exports (bil. 2000\$)	-569.1	-558.9	-547.5	-534.8	-526.3	-518.6	-579.5	-531.8	-502.4
MAJOR INDICATORS									
Housing Starts (mil.)	1.442	1.454	1.478	1.501	1.574	1.579	1.454	1.533	1.619
Autos and Light Truck Sales (mil.)	15.5	15.2	15.3	15.6	15.7	15.7	15.8	15.6	15.8
Industrial Production Growth	2.7	2.6	4.3	4.5	4.6	4.7	1.9	3.8	4.4
Nonfarm Employment (mil.)	138.1	138.4	138.8	139.2	139.6	140.1	138.0	139.4	141.3
INTEREST RATES & INFLATION									
90-day Treasury Bills	4.7	4.7	4.3	4.3	4.3	4.4	4.8	4.3	4.5
10-year Treasury Bonds	5.1	5.1	5.1	5.2	5.2	5.2	4.9	5.2	5.4
Crude Oil Price (\$/bbl)	71.0	68.2	68.5	68.2	70.0	69.1	65.6	68.9	67.0
Consumer Price Index	1.2	0.8	1.7	1.8	2.0	1.7	2.5	1.8	1.8
Total Less Food & Energy	1.9	2.0	1.8	2.0	2.0	2.0	2.2	1.9	2.1
Producers Price Index	3.1	1.0	3.3	1.9	1.9	1.5	3.6	2.7	1.0
POLICY VARIABLES									
Federal Funds Rate	5.3	5.0	4.6	4.5	4.5	4.5	5.2	4.5	4.6
Fiscal Deficit (bil. \$)	-252.8	-269.7	-281.4	-304.1	-299.2	-307.0	-236.2	-297.9	-290.5
Real U.S. Dollar (% change)	-7.2	-2.7	-2.1	-0.4	-0.9	-2.1	-5.1	-3.1	-1.2

Figure 2



quality of purchasing power and whether the growth was lopsided?

No. I am not going to take the cheap shot of bringing up the loss of manufacturing jobs. **Figure 2** shows total job gains since 2004 at the semiannual frequency. Next to this blue bar are the job gains in two sectors: Leisure & Hospitality and Education & Health. These two sectors make up about 23% of the employment base but have contributed more than 66% of total jobs created in the first half of this year! The last time these two sectors contributed their fair share to job creation was early 2006. So solid is not a word I would use to describe growth in employment.

Now, let's count all the risk factors that exist for consumer spending going forward. The most obvious factor is consistently high gasoline prices that cut into discretionary spending. Guess what these higher prices will impact the most: eating out, going to the movies, and traveling. Cutbacks in these activities bode poorly for the hospitality sector. Add in the fact that business travel will be the first casualty of upcoming moderate growth, and it's hard for me to expect this sector to shoulder the burden for future job growth as it has done so far.

The education sector's growth will depend upon the fiscal health of state budgets, which are beginning to be impacted by slowing sales tax collections. This decline has resulted from

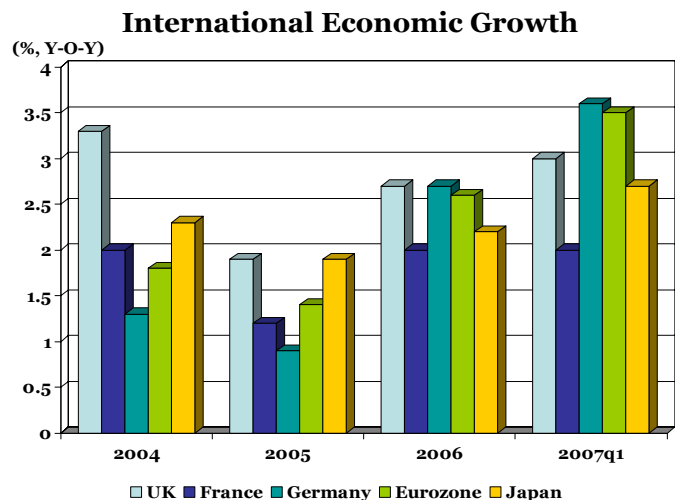
the sharp pullback in housing construction and declines in home prices in once-hot areas, affecting retail sales at the local level. Because this sector is only 2% of the job base, any fluctuations here are small. However, the cause of those fluctuations is going to be responsible for job slowdown in other sectors, known also as a spillover from housing. The health care sector is always growing, even in a recession, but it will be unable to shoulder the entire growth burden of the economy. In addition, the economy experts have failed to examine the average wages and salaries of these two sectors, especially Hospitality salaries, which lie at less than half the national average. Net-

net, I fall short of envisioning solid job growth in coming quarters.

Did I hear anybody mention strong income growth? While that growth happened in the past, it was due in part to strong capital gains and bonuses on Wall Street. These extras tend to vanish quickly when the stock market goes sideways. Furthermore, no one can foretell how the market will behave in the coming months. Therefore, I would hesitate to bank upon this fickle entity for solid income gains in the future.

Last but not the least is the factor of the global economy which admittedly is currently robust. The issue is will it remain robust when we slow down further? **Figure 3** displays the growth of the Euro Zone, the United Kingdom, Germany, France, and Japan in the

Figure 3



Source: Global Insight, Inc.

past few years. The bars are generally higher now for all countries except the U.K., and even France, with shortened work-week rules, is now faring much better. The urban riots of last year are a distant memory, and tourists have returned to Paris. But these improvements in the Euro Zone’s growth fall too short to make up for our domestic slowdown, period. As the U.S. consumer is unable to withdraw from the housing ATM to buy foreign made autos, in particular from Germany, European growth will slow, creating less demand for our industrial products.

Additionally, a very strong Euro and pound hurt the continent’s export capacity, which in turn hurts European corporations’ and consumers’ abilities to buy products from the United States. Thus, the price effect of a strong currency is swamped by the income effect. In technical terms, the feedback effect from Europe, and in particular the global economy, is not strong enough now (and never has been) to compensate for slowing domestic demand. The only category where I see a recession-proof demand is for airplanes made by Boeing. However, Boeing’s sales of approximately \$60 billion last year will fail to make a dent in overall U.S. exports that number well above \$1 trillion.

I intentionally failed to plot China’s growth rate because that calculation would have skewed the graph scale by making European gains seem miniscule. Plus, we run a deficit with China. Therefore it fails to add a net positive to the external demand for our industrial products. Also, the Chinese burst in construction is about to wane as Beijing nears completion of all major projects for the Olympics. This wrapping up is bad news for Caterpillar and other equipment manufacturers, who have ridden the Chinese wave simultaneously with a once-booming domestic housing market. Both will be receding in tandem. The only wild card on the horizon is the rebuilding of New Orleans’ hurricane defenses by the U.S. Army Corps. The government has allocated approximately \$40 billion for the effort, almost 10 times the annual budget of the Corps. Although this boost will bode well for Louisiana’s growth, it will fail to answer any of the woes of the national economy.

In summary, I see no boost from the avenues that the FOMC mentioned as sources of strong and sustained growth. The economy is caught in a riptide, and it needs help. How exactly that help is provided is up to the lifeguard on duty. Rate cuts now will fail to rescue the housing market although they will ease credit conditions in the bond market. Additionally, rate cuts signal the Fed’s commitment to provide liquidity to traditional banks as well as Wall Street firms. But just getting to the swimmer may fall short here. Perhaps the help of a Jet-Ski is needed. What I suggest is to bring aboard the Treasury to lift the cap on jumbo mortgages so that they can be bought by Freddie and Fannie and keep the prime mortgage market liquid. This action could provide substantial relief and lower the risk alert to yellow. To get the economy to the shore will then take additional time.

But would these actions create a moral hazard problem? The Fed jumps in frequently when the financial markets are in upheaval. That happened in 1987, 1998, and 2001, and in fact, the move is now known as “Greenspan’s put” (Bill Gross of PIMCO’s fame coined this phrase). Think of the situation this way. We never hear about drowning deaths at beaches unmanned by lifeguards. Why? Because people don’t risk their lives on unprotected beaches, which comprise 99.9% of the shoreline. When people feel secure that they will be rescued no matter the consequences of their actions, they end up entering unsafe waters with riptides and sharks circling. After all, they think they have paid their taxes for the lifeguard services so why not use them!

So if the Fed refuses to do anything this time to rescue the swimmers, this pattern of excessive risk taking and subsequent Fed bailouts will be broken. The speculators will learn a harsh lesson (or two, when Congress passes its misguided proposals to regulate mortgage lending), and the country will be free of these pesky cycles. Ben Bernanke and his team may yet rid us of this moral hazard problem, which to me is the last frontier of having an ideal Fed unfettered by the black box of human intervention. Rules and targets are what really matter for an optimal monetary policy for sustainable growth at our full potential. It’s time to retire the Greenspan put. The former

Fed chair has screeched, “Repent, recession is here,” but why should we heed him? This new direction will also mute the nametag of “Helicopter Ben” that the financial press has attached to the new chairman.

I think even those who feverishly believe in the emergence of democracy in Iraq will have trouble believing the above explanation for the Fed’s inaction. The reality is that the Fed is grappling with the fallout from its engineering of a soft landing via the ultra low-rate policy that followed the dot-com bubble. The mop up this time will be more difficult, requiring additional means than just rate cuts, and it may take longer than previous interventions. The Fed definitely is taking a gamble by putting more weight on inflation than credit market jitters.

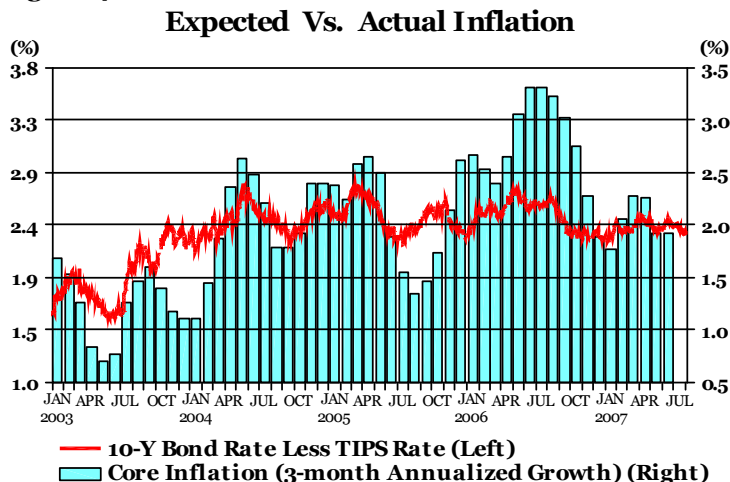
Figure 4 graphs the 10-year bond rate minus the TIPS rate—a quick and easy proxy for inflation expectations—and the Core inflation. Inflationary expectations are stable around the 2.4% mark, maybe slightly higher than the comfort range of the Fed. However, they have not gone any higher in the last 18 months. Core inflation, on the other hand, has moderated quite nicely in the last six months as the economy has lost momentum. With the expected slowdown in consumption in the next few quarters, this inflation rate will fall even further. High oil prices are not the cause of inflation. But people use those high prices as an excuse to raise other prices (both unions and corporations). Market power is what causes inflation.

This is not the situation at present. The economic horizon is more cloudy now, and pre-election politics are in full swing, much to the discomfort of the corporate sector. However, I believe that the Fed is not tied to inaction under Milton Friedman’s philosophy of strict adherence to money supply rules and its new avatar known as inflation targeting, at least not yet. The Fed can make a move any time it desires. The Fed will exercise this flexibility if the alert level moves up a notch in its analysis, not mine. Until then, some economic participants, myself included, will keep their fingers crossed. The honeymoon is over for the Bernanke-led Fed, and its most crucial test period lies just ahead. Unlike the Monopoly game where others might bail you out, history only gives you one chance.

A BAD MOON RISING ON THE HOUSING MARKET

I am a big fan of Creedence Clearwater Revival’s music and their song about “fast approaching bad times” seems to fit what is happening in the housing market. We understand well the troubles that mortgage brokers and their enablers face now, including borrowers in the less-than-prime category. But what about the prime borrower, on whom everybody—brokers, the Fed, rest of the world—is resting their hopes? When will this downturn in residential construction end? How will home prices hold up in the coming years?

Figure 4



Let’s start with the easiest of all. The prime borrower, by definition, will be fine. Most of these people will make their mortgage payments on time. Technically, construction activity bottoms out by next year, but even then, housing starts will be above the average for the 90s. The tough nut to crack is what will happen to home prices. In the short-run, say next year or so, they will fall on the national level. But as real estate pricing depends on location or local factors, the decline (or lack of it) will depend on the characteristics of specific areas. The trouble I see developing on the far horizon is based on what the population growth will be in coming years and how much of over-

building has occurred in the economy so far.

Chart 1 analyzes population growth, household formation, and home building since 1960s. The numbers are reported for changes in each category over a five-year interval. Population growth was highest in 1995 in absolute terms and strongest in growth rate terms in 1965. Both of these years happen to be the mid-point for the two longest booms in the U.S. economy. The second column in the chart is the average household size, which has declined throughout this entire period. However, the average home size has increased steadily over time, making for a large per capita living space. This point is an important one, and its implication will be clear in a moment. The third and fourth columns are the housing starts and household formations in five-year intervals. If you subtract column four from three, you get a measure of excess building in the economy. By this metric, a balance existed in 1995 and, to some extent, in 1980 (under building). No wonder home prices rose significantly during the 1980-2000 period. 1965 is a year with a significant amount of excess building, and, interestingly, the home price index from 1960 to 1970 was essentially flat.

In 2005 a high excess building number was recorded as well as a population growth rate of 1.0%, almost 33% less than what was experienced 10 years earlier. Now add in the fact that the first wave of baby boomers will retire soon. They will either want to sell their McMansions to downsize or cash in their capital gains. They are counting on houses, some with even two vacation homes, to fund their retirement after having lost other wealth in the dot-com bust. That creates a big problem with home price appreciation in the coming decade. At best, home prices will remain flat as in the 1960s only to correct sharply over time. The latter is a more credible possibility because after every run-up in valuations of assets, an eventual correction or reversion to the mean occurs.

In the case of stocks and other manias, the recovery is very quick. However, the traditional view holds that homes don't lose values that much and that quickly. The citizens of L.A, Houston, and New York, who have experienced these fast and furious corrections tell another story. Only time will tell how much excess consumption of housing services we actually did in the era of cheap money, which is over now.

Chart 1

Population Growth, Household Formation and Home Building

Year	Population (5-Yr. Change in Mil.)	Household Size	Housing Starts (5-Yr. Total in Mil.)	Households (5-Yr. Change in Mil.)	Excess Building
1965	13.52	3.41	7.37	4.72	2.65
1970	10.82	3.21	6.88	6.12	0.76
1975	10.83	3.01	8.93	7.58	1.05
1980	11.75	2.80	8.51	9.57	-1.06
1985	10.76	2.73	7.37	6.04	1.32
1990	11.85	2.67	7.52	6.36	1.16
1995	16.38	2.67	6.31	6.33	-0.03
2000	15.82	2.64	7.79	6.93	0.85
2005	14.17	2.61	9.19	6.65	2.54

Source: U.S. Census Bureau



ECONOMIC INDICATORS

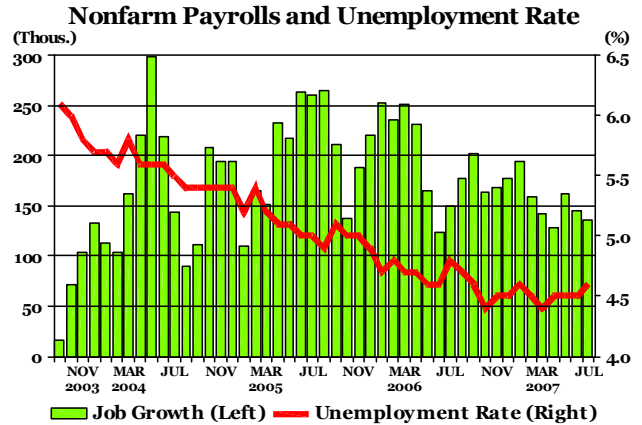


Table 2
Summary of Recent Evidence

Indicator	Last 6 months						Last 4 quarters			
	Feb	Mar	Apr	May	Jun	Jul	06'Q3	06'Q4	07'Q1	07'Q2
Consumer Spending										
Retail Sales (\$billions)	369.3	372.9	371.7	377.3	373.9		363.4	364.2	369.8	374.3
Automobile Sales (million units)	16.5	16.2	16.2	16.3	15.6	15.5	16.6	16.3	16.5	16.0
Consumer Confidence (index)	111.2	108.2	106.3	108.5	105.3	112.6	104.4	106.8	109.8	106.7
Personal Income (\$billions)	11,480	11,571	11,548	11,598	11,650		10,965	11,065	11,484	11,598
Personal Consumption (\$billions)	9,551	9,573	9,627	9,689	9,700		9,347	9,422	9,540	9,672
Housing and Construction										
Housing Starts (million units)	1.487	1.491	1.485	1.434	1.467		1.714	1.564	1.460	1.462
Existing Home Sales (million units)	6.680	6.150	6.010	5.980	5.750		6.287	6.263	6.423	5.913
New Home Sales (million units)	0.840	0.830	0.913	0.893	0.834		1.007	0.992	0.853	0.880
Manufacturing										
Industrial Production (index)	112.5	112.4	112.9	112.8	113.4		112.3	112.2	112.2	113.0
Capacity Utilization (% of capacity)	81.6	81.4	81.6	81.4	81.7		82.3	81.7	81.3	81.5
ISM Index	52.3	50.9	54.7	55.0	56.0	53.8	54.0	50.7	50.8	55.2
Durable Goods Orders (\$billions)	206.2	216.7	219.0	214.0	217.1		216.7	215.9	209.3	216.7
Deficit & Interest Rates										
Trade Deficit (\$billions)	-57.6	-62.4	-58.7	-60.0			-66.8	-59.5	-58.9	
10-Year Note (% per annum)	4.7	4.6	4.7	4.8	5.1	5.0	4.9	4.6	4.7	4.9
3-Month Bill (% per annum)	5.2	5.1	5.0	4.9	4.7	5.0	5.0	5.0	5.1	4.9
Inflation										
CPI (year-over-year % change)	2.4	2.8	2.6	2.7	2.7		3.3	2.0	2.4	2.7
Core CPI (year-over-year % change)	2.7	2.5	2.4	2.3	2.2		2.8	2.7	2.6	2.3
PPI (year-over-year % change)	2.5	3.1	3.2	3.9	3.2		2.9	0.2	1.9	3.4
Employment										
Non-Farm Job Gains (thou.)	90.0	175.0	122.0	188.0	126.0	92.0	606.0	531.0	427.0	436.0
U.S. Layoffs (thou. units)	84.0	49.0	70.7	71.7	55.7	42.9	67.6	66.7	65.3	65.8
Unemployment Rate (%)	4.5	4.4	4.5	4.5	4.5	4.6	4.7	4.5	4.5	4.5

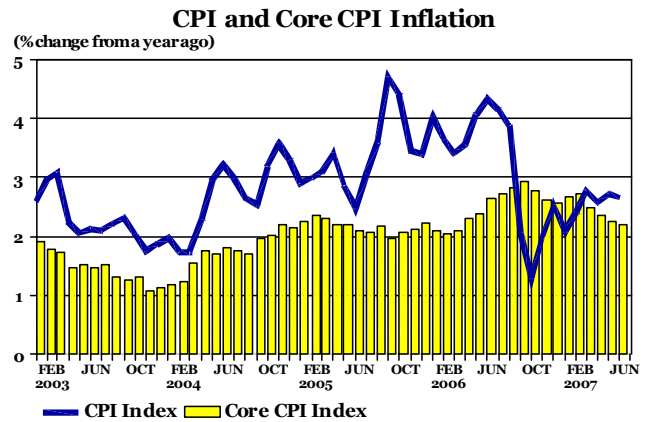
Employment Situation

Total non-farm employment grew by only 92,000 jobs in July, while May and June job gains were revised downward by a combined 8,000. These gains and losses make for an average of 135,000 jobs in the last three months. Manufacturing and Construction have lost a combined 144,000 jobs since January. Meanwhile, the Education & Health and Hospitality sectors have created 62% of the total jobs gains in the last six months. The unemployment rate has hovered around 4.5% since September of last year. Corporate layoffs were 43,000 in July, an increase of 15.4% from levels a year ago.



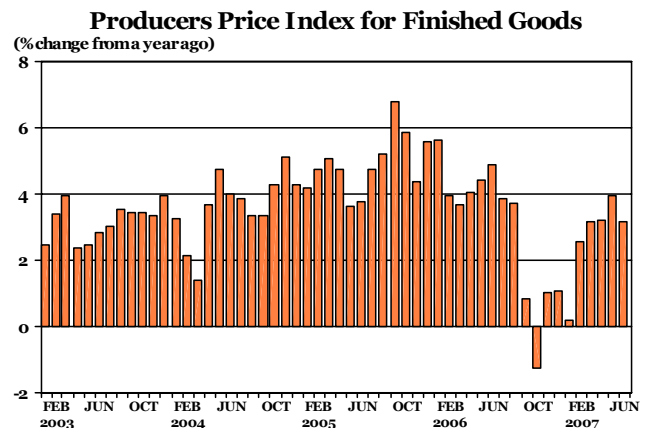
Consumer Price Index

The CPI rose 0.2% in June, following a 0.7% increase in May. We can attribute this improvement to deceleration in gasoline prices from 10.5% in May to negative 1.1% in June. Overall, the inflation trend is leaning toward moderation, as compared to a year ago. The CPI has fallen from its 4.3% level last June to 2.6% currently. Meanwhile, the core CPI also has risen 0.2% in June, and it is now at 2.2% on a year-over-year basis after running at 2.7% earlier this year. In the second quarter of 2007, the core CPI increased at an annual rate of 1.9%, down from 2.3% in the previous quarter.



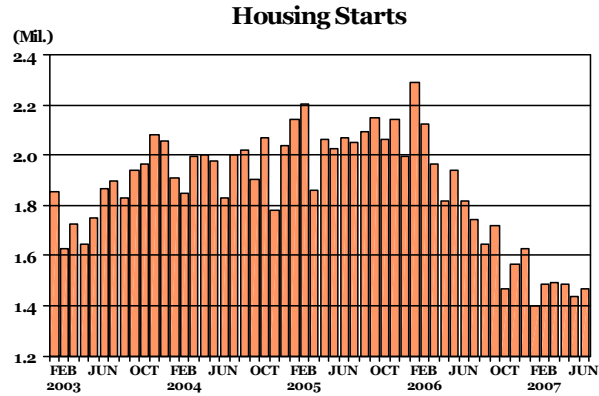
Producers Price Index

In four of the past five months, producer prices have risen sharply across all stages of processing. However, much of this rise in inflation can be traced to volatile food and energy prices. When rising energy prices recently leveled off and food prices simultaneously stabilized, producers' prices fell 0.2% in June. Excluding food and energy, core prices rose 0.3%. On a year-ago basis, the PPI index moderated slightly from a 3.9% growth rate in May to 3.2% in June. Meanwhile, the core index has remained largely contained within the 1.6%-1.8% range during the past several months.



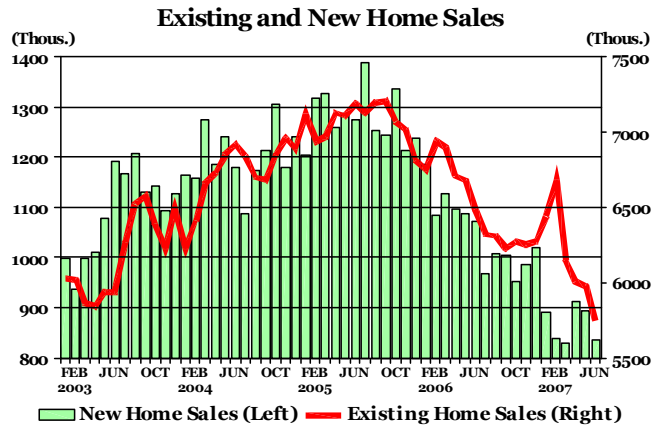
Housing Starts

Following two consecutive months of declines, housing starts rose 2.3% in June to 1.467 million units. However, May’s number was revised downward from the originally reported 1.474 million units to 1.434 million. On a year-ago basis, total starts are now 19.4% below the levels last year. Across the nation, starts have fallen 3.6% in the Northeast, 20.2% in the Midwest and 20.4% in the South, while the West has suffered the loss of 22.5% since June of last year. Housing permits, a better indicator of future housing activity, decreased 7.5% to 1.406 million units in June.



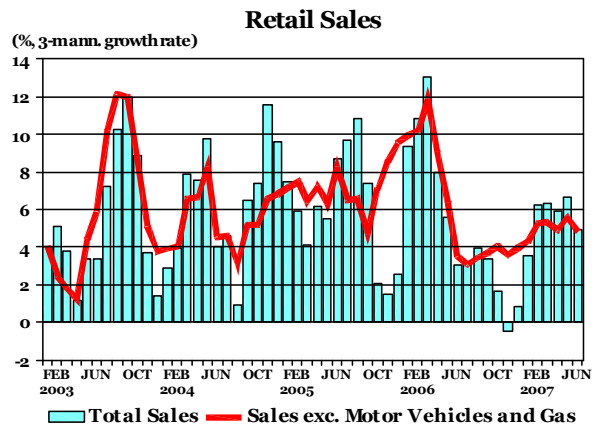
Existing and New Home Sales

Mounting problems in the subprime mortgage market and deteriorating credit quality issues led to the sharp fallout in existing and new home sales. After a dramatic plunge of 7.9% in March, sales dropped by 2.3% in April, 0.5% in May, and again by 3.8% in June, reaching their lowest level since November 2002 at 5.750 million units. By region, sales fell 1.7% in the South, 2.8% in the Midwest, 6.8% in the West, and 7.3% in the Northeast. At the same time, new home sales declined 6.6% in June to 0.834 million units, pushing supply up to 7.8 months.



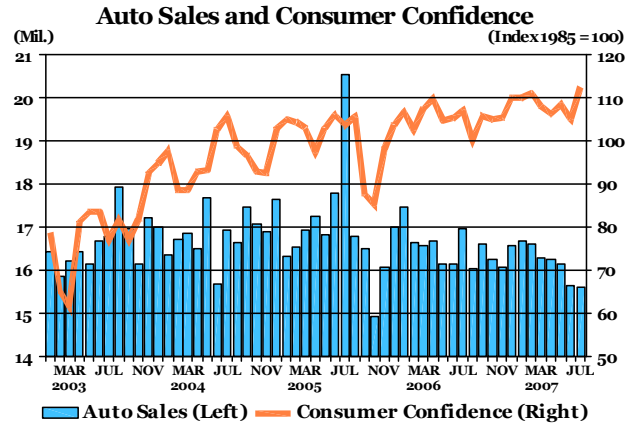
Retail Sales

Total retail sales tumbled 0.9% in June, reversing a large portion of 1.5% gain in May. Declines in sales were broad-based with furniture stores, auto parts dealers, and building and garden supply stores posting the biggest losses. At the same time, core sales, i.e. sales excluding auto dealers and gasoline stations, fell only 0.3% from the previous month, and they are up 4.6% from last year. On a year-over-year basis, retail sales growth remains merely average as the current growth rate of 3.8% is substantially below the 5.3% growth rate last year.



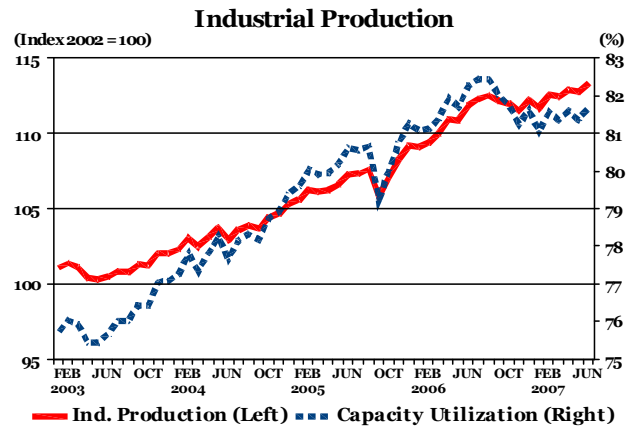
Auto Sales and Consumer Confidence

Auto sales have moderated gradually from a high of 16.7 million units in January to just 15.5 million units in June, with year-to-date sales averaging 16.2 million units. This month marks the first time that the Big Three's share of sales has fallen below 50%. Sales are now almost 1 million units below the 16.5 million average for 2006. Despite recent spikes in gasoline prices and an ongoing shakeout in the housing market, the consumer confidence index jumped 9.3 points in July to 112.6, due to improved assessments of labor market conditions by survey respondents.



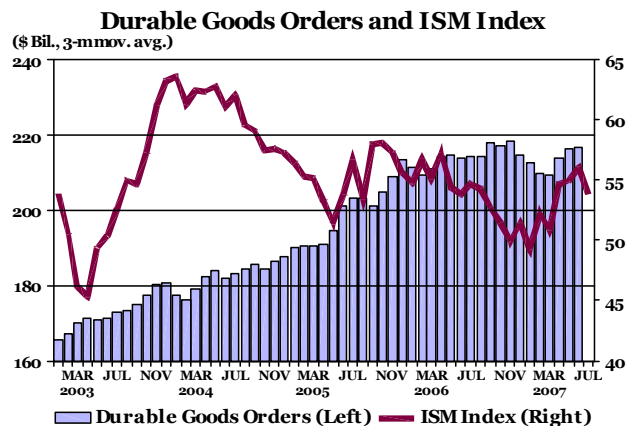
Industrial Production

The Industrial Production Index rebounded 0.5% in June, following a minor dip of 0.1% in May. Across categories, manufacturing output increased 0.6%, and mining production was up 0.5%. Utility output rebounded 0.3% in June, following a 1.6% weather-related decline in May. However, the general trend in the Industrial Production Index is toward moderation because the ISM index is on the decline. Currently, the index stands only 1.4% above its year-ago level. Meanwhile, the capacity utilization rate increased in June to 81.7%, its highest level since last October.



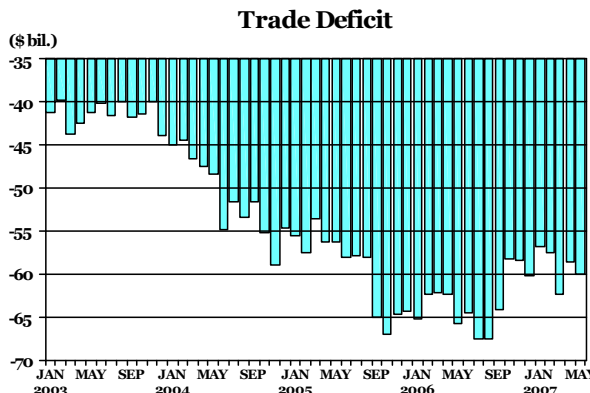
The ISM and Durable Goods Orders

The ISM index slipped 2.2 points to 53.8 in July, but it was still the sixth consecutive reading above 50. New orders, the largest component of the index, eased from 60.3 in June to 57.5 in July. Meanwhile, durable goods orders rose from \$214.0 billion in May to 217.1\$ billion in June. However, outside the volatile transportation equipment category, new orders were weak—excluding transportation, new orders fell from 151.7\$ billion to \$150.9 billion. Additionally, on a three-month moving average basis, durable goods orders were only up by 1.2% from levels a year ago.



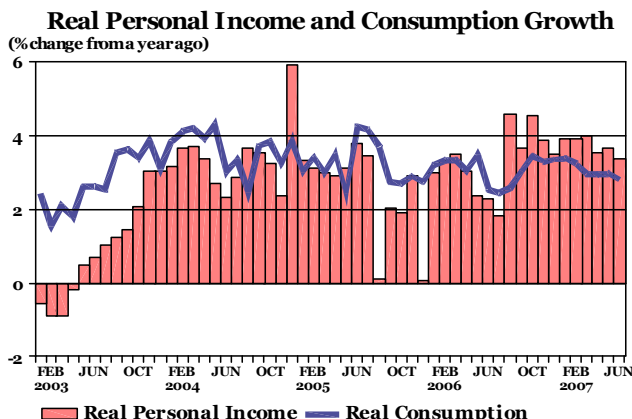
International Trade

The trade deficit widened by 2.3%, from a \$58.7 billion deficit in April to \$60.0 billion in May. Imports rose 2.3%, following an almost identical 2.0% decline in April. Exports also grew 2.2% in May, following a subtle drop of 0.1% the prior month. Export growth, on a year-ago basis, is running now at 9.8%, significantly higher than the import growth of 4.6%. Through May, the trade deficit is running at an annual rate of \$709.2 billion, 6.5% lower than last year’s \$758.5 billion deficit. However, current numbers are still 25% higher than the numbers of late 2004.



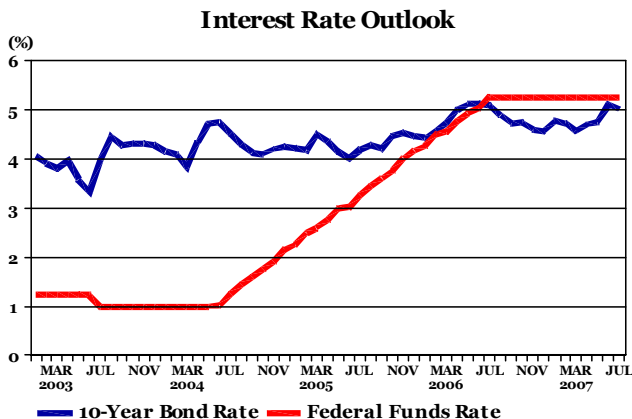
Personal Income and Consumption

Personal income rose 0.4% for the second consecutive month in June, thanks to a 0.5% increase in wages and salaries. However, on a year-ago basis, the income growth has remained essentially flat at approximately 6.0% in the last 12 months. Consumer spending rose 0.1% in June, down from a 0.6% gain in May with year-over-year growth of 5.2%. That rate is below last year’s pace of 6.0%. Finally, the core PCE index grew 0.1% for the fourth straight month. With the year-ago growth rate at 1.9%, that rate sits just inside the Fed’s comfort zone.



The Fed Funds and 10-Year Bond Rates

The FOMC held the Fed funds rate steady at 5.25% at its August meeting. Although the committee noted the tighter credit market conditions, its statement still predicted a moderate rate of growth for the economy. The statement also acknowledged that the downside of risks to its growth forecast has increased. However, the Fed maintained the inflation bias in the statement. Meanwhile, investors fled for the safety of government bonds in lieu of mounting problems in the credit markets. Yield on the 10-year T-bond fell from a high of 5.2% in June to a low of 4.7% in early August.



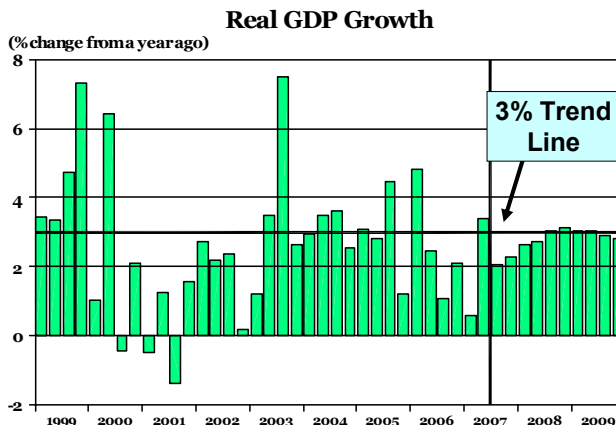


FORECAST HIGHLIGHTS



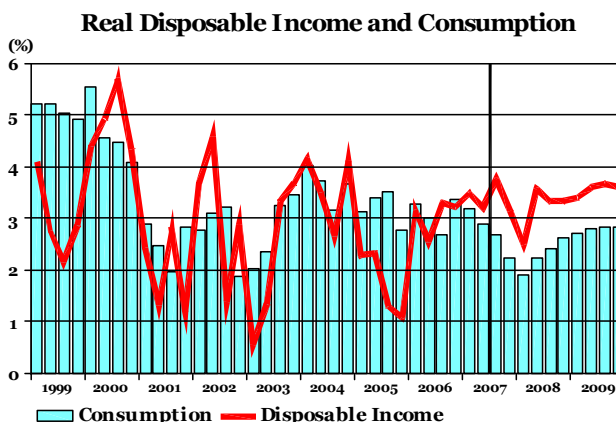
Real GDP

Real GDP will grow a sub-par 2.0% in the third quarter of 2007, down from 3.4% seen in the second quarter. In the last quarter of 2007, the economy will grow again by an anemic 2.3%. The major drag on the economy in the coming quarters will be moderating consumption, anemic business investment growth, and slowing exports. After growing by 2.9% in 2006, real GDP growth will be 1.9% in 2007. Growth will accelerate to a 2.6% rate in 2008 as consumption recovers and the housing market stabilizes. In 2009, real GDP will grow by 3.0% rate, which is closer to the trend growth rate.



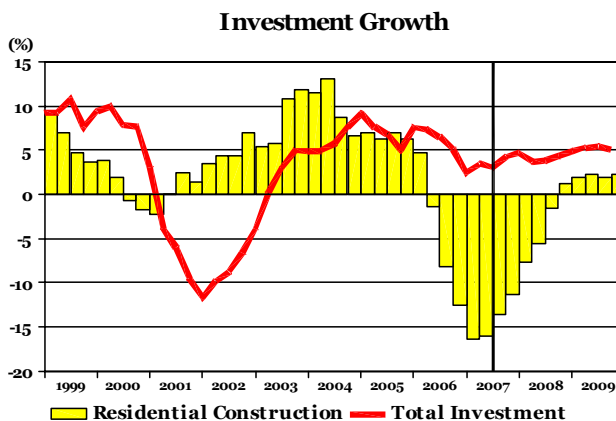
Personal Consumption Expenditures

Consumption growth will be 1.9% in the third quarter of 2007 and subsequently rise to 2.1% by the year-end. For 2007, consumption growth will be 2.7%. It will moderate sharply to 2.3% in 2008 and then grow by 2.8% in 2009. Durable goods consumption growth will average 3.2% in 2007, followed by moderation to only 1.0% in 2008 and eventually a rebound to 4.3% in 2009. Nondurable goods consumption will grow by 2.4% in 2007 and 2.3% in 2008, before accelerating to a 2.5% rate in 2009. Service consumption will grow by 2.8% in 2007, 2.5% in 2008, and 2.7% in 2009.



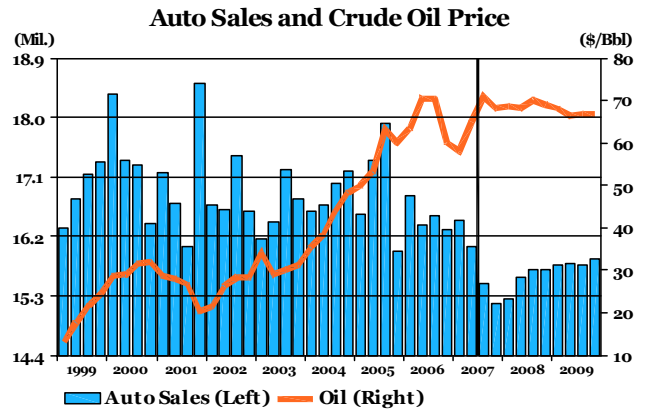
Business Fixed Investment

Business fixed investment growth will be 3.3% in 2007. However, it will rebound to 4.1% in 2008, then to a 5.1% pace in 2009. Investment in producers’ durable equipment will post 0.6% growth in 2007 before rising to 4.9% in 2008 and making an even stronger showing at 7.6% in 2009. Investment in structures will rise by 9.8% in 2007, slow to 2.5% in 2008, and fall into negative territory in 2009. Residential investment will decline by 14.4% in 2007 as housing starts continue to moderate. It again declines by 3.5% in 2008 and recovers to a 2.1% growth rate in 2009.



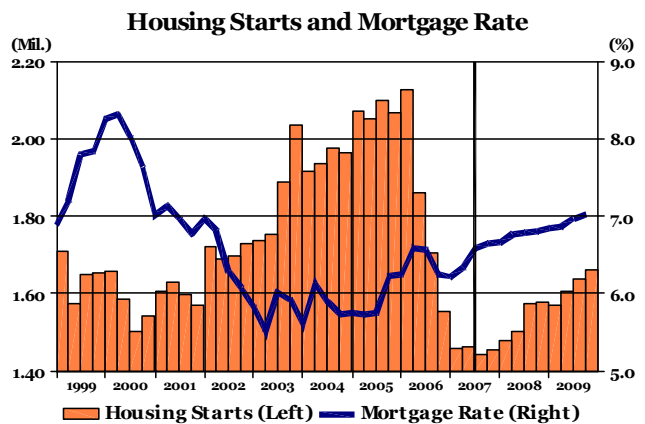
Oil and Vehicle Sales

In the third quarter of 2007, the price of oil will average \$71.0 per barrel, moderate slightly to \$68.2 in the fourth quarter, and remain ear this level in the early part of 2008. Therefore, for 2007, oil prices will average a \$65.6 rise to \$68.9 in 2008 and then drop to \$67.0 in 2009. Automobile and light truck sales, which were 16.5 million units in 2006, have moderated to the 16.0-million level in mid-2007. Auto sales will average only 15.8 million units in 2007. In 2008, auto sales will average 15.6 million units and rise modestly to 15.8 million units in 2009.



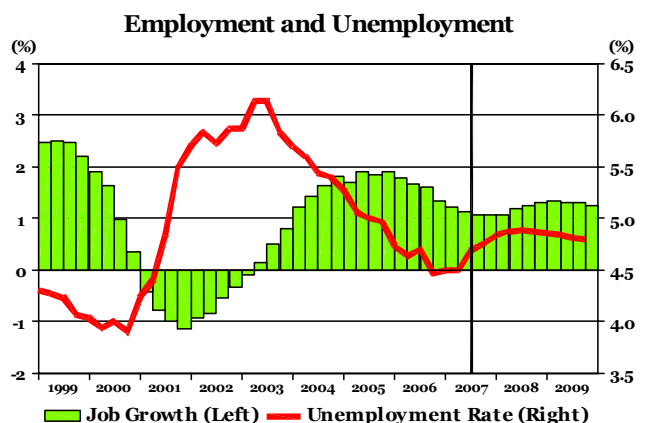
New Residential Construction

Housing starts, which have falling downward since January 2006 finally will bottom out in the next quarter. After averaging 1.465 million units in the first half of 2007, housing starts will reach their 10-year low of 1.442 million units in the third quarter, when they will start recovering. On an annual basis, starts will average 1.454 million units in 2007, rise to 1.533 million units in 2008, and continue to rise to 1.619 million units in 2009. At the same time, the effective mortgage rate will average 6.4% in 2007 and rise gradually to 6.8% in 2008 and 6.9% in 2009.



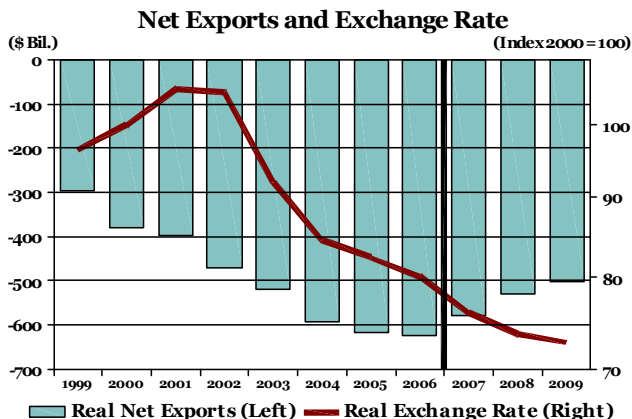
Job Growth

In the first half of 2007, the economy created new jobs at a monthly rate of 143,000 jobs per month. This rate, however, will deteriorate considerably to 103,000 jobs per month in the second half of 2007. Therefore, the economy will add an average of 122,000 jobs per month in 2007 for a total payroll gain of approximately 1.5 million jobs. In 2008, the economy will add jobs at a slightly better monthly rate of 139,000 before rising to a monthly rate of 155,000 jobs in 2009. The unemployment rate will rise from 4.6% in 2007 to 4.9% in 2008 and drop slightly to 4.8% in 2009.



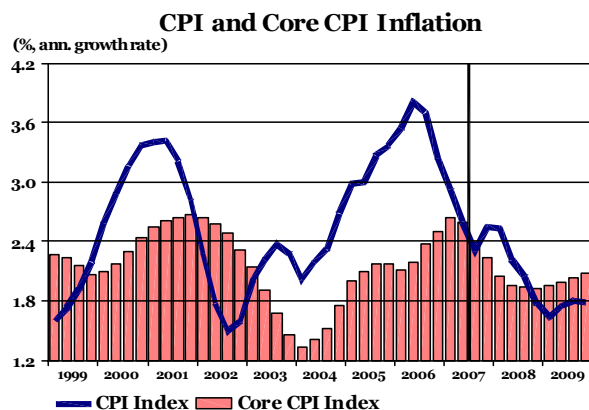
International Trade

The real trade-weighted dollar index will decline by 5.1% in 2007, 3.1% in 2008, and then again by 1.2% in 2009. In 2006, exports grew robustly by 8.4% compared to a 5.9% increase in real imports. In 2007, exports will grow at a 6.7% rate while import growth will moderate to 2.2%. In 2008, exports growth will pick up to 8.4% whereas imports growth will lag at 3.5%. In 2009, exports will grow again by a strong 8.5% rate to again trump import growth, which will be 4.8%. The trade deficit will moderate gradually from \$726.3 billion in 2007 to \$644.3 billion in 2009.



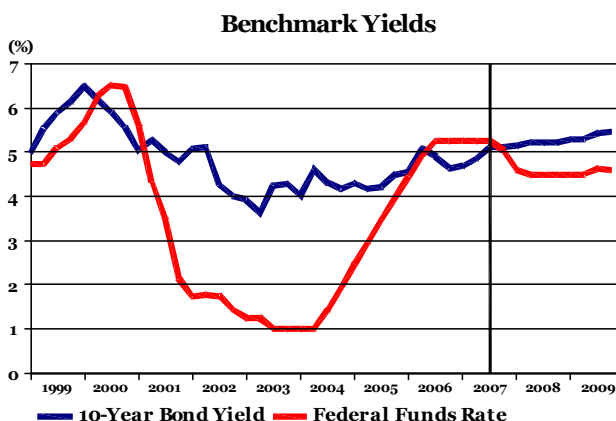
Inflation

In the first half of 2007, the CPI inflation rate rose 4.9% due to elevated energy prices, but it will moderate to approximately 1.0% in the coming quarters. For 2007, the inflation rate will be 2.5% but will moderate to 1.8% in 2008 and 2009. Meanwhile, the core CPI inflation rate will ease from its 2.5% level in 2006 to 2.2% in 2007. In 2008, it will average 1.9% before rising mildly to 2.1% in 2009. Wage compensation in the non-farm business sector grew at a 3.9% rate in 2006, and it will grow by 4.8% in 2007, and 3.7% in 2008 and 2009.



Interest Rates

The Fed has stood pat at a 5.25% Federal Funds Rate for the last nine meetings, and this rate will remain unchanged until late 2007. By early 2008, the Fed will gradually cut rates to 4.50% in light of the ongoing economic moderation. In the first half of 2007, the benchmark 10-year bond rate averaged 4.8%, and it will rise to 5.1% by the year-end. On an annual basis, the 10-year bond rate will average 4.9% in 2007, rise to 5.2% in 2008, and average 5.4% in 2009, a modest increase from the preceding year. Thus, the 10-year rate is not expected to cross the 6.0% mark in the coming years.



FORECAST OF THE NATION

AUGUST 2007 REPORT

TABLES



ECONOMIC FORECASTING CENTER
J. MACK ROBINSON COLLEGE OF BUSINESS
GEORGIA STATE UNIVERSITY
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Forecast Tables - Summary

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

	HISTORY									FORECAST		
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Money Supply (M1)	1.0	2.0	0.1	3.3	4.9	6.5	5.6	2.0	0.2	-0.2	2.2	3.6
Money Supply (M2)	7.2	7.4	5.9	8.7	7.5	7.0	4.7	4.3	4.7	5.8	4.1	4.0
Currency	7.7	9.7	7.5	5.9	9.5	6.3	5.1	4.2	4.1	2.5	4.4	5.1
GDP Deflator	1.1	1.4	2.2	2.4	1.7	2.1	2.9	3.2	3.2	2.6	2.0	2.0
Real GDP	4.2	4.4	3.7	0.8	1.6	2.5	3.6	3.1	2.9	1.9	2.6	3.0
Interest Rates (%) on:												
90-day Treasury Bills	4.8	4.6	5.8	3.4	1.6	1.0	1.4	3.1	4.7	4.8	4.3	4.5
10-year Treasury Bonds	5.3	5.6	6.0	5.0	4.6	4.0	4.3	4.3	4.8	4.9	5.2	5.4
30-year Treasury Bonds	5.6	5.9	5.9	5.5	5.4	5.1	5.1	4.6	4.9	5.1	5.4	5.7
Prime Rate	8.4	8.0	9.2	6.9	4.7	4.1	4.3	6.2	8.0	8.2	7.5	7.6
Moody's Corporate Aaa Bonds	6.5	7.0	7.6	7.1	6.5	5.7	5.6	5.2	5.6	5.7	5.9	6.2
Prime Rate Less Inflation	6.8	5.8	5.9	4.1	3.1	1.8	1.7	2.8	4.7	5.7	5.7	5.8
Federal Fiscal Policy												
Effective Tax Rates (%):												
Personal Income	21.8	21.4	21.8	23.0	20.1	18.3	16.9	18.2	18.5	18.7	18.8	18.8
Corporate Profits	5.9	5.7	6.0	6.0	5.5	4.9	4.3	4.2	4.1	4.2	4.2	4.2
Defense Purchases--%change												
Current \$	-1.1	4.3	2.7	6.0	11.3	13.8	10.8	6.9	6.1	4.9	4.7	1.6
Constant \$	-2.1	1.9	-0.5	3.9	7.4	8.7	5.8	1.5	1.9	2.1	1.9	-0.6
Other Expenditures--% change												
Transfers to Persons	3.0	4.2	5.3	9.0	9.9	6.9	4.7	6.4	6.6	7.2	6.2	5.0
Grants to S&L Gov't	7.1	9.5	6.2	11.6	10.3	11.1	3.1	3.5	-0.7	6.3	6.1	5.1
Billions of Current Dollars												
Revenues	1773.8	1891.2	2053.9	2016.2	1853.2	1879.9	2008.9	2243.4	2495.8	2658.7	2758.9	2894.6
Expenditures	1735.0	1787.6	1864.4	1969.5	2101.1	2252.1	2379.5	2561.6	2715.8	2887.9	3043.0	3171.3
Deficit	38.8	103.6	189.5	46.7	-248.0	-372.2	-370.6	-318.3	-220.1	-236.2	-297.9	-290.5
As Shares of GDP												
Revenues	20.3	20.4	20.9	19.9	17.7	17.2	17.2	18.0	18.9	19.3	19.1	19.1
Expenditures	19.8	19.3	19.0	19.4	20.1	20.5	20.4	20.6	20.6	20.9	21.1	20.9
Defense Purchases	4.0	3.9	3.8	3.9	4.2	4.5	4.7	4.7	4.7	4.7	4.7	4.6
Transfers to Persons	10.8	10.6	10.6	11.2	11.9	12.1	11.9	11.9	11.9	12.3	12.4	12.4
Deficit	0.4	1.1	1.9	0.5	-2.4	-3.4	-3.2	-2.6	-1.7	-1.7	-2.1	-1.9
Details of Real GDP--% change												
Real GDP	4.2	4.4	3.7	0.8	1.6	2.5	3.6	3.1	2.9	1.9	2.6	3.0
Final Sales	4.2	4.5	3.8	1.7	1.1	2.5	3.3	3.3	2.8	2.1	2.5	2.9
Consumption	5.0	5.1	4.7	2.5	2.7	2.8	3.6	3.2	3.1	2.7	2.3	2.8
Business Fixed Investment	11.1	9.2	8.7	-4.2	-9.2	1.0	5.8	7.1	6.6	3.3	4.1	5.1
Producers Durable Equip.	13.3	12.7	9.4	-4.9	-6.2	2.8	7.4	9.6	5.9	0.6	4.9	7.6
Structures	5.1	-0.4	6.8	-2.3	-17.1	-4.1	1.3	0.5	8.4	9.8	2.5	-0.3
Residential Construction	7.6	6.0	0.8	0.4	4.8	8.4	10.0	6.6	-4.6	-14.4	-3.5	2.1
Exports	2.4	4.3	8.7	-5.4	-2.3	1.3	9.7	6.9	8.4	6.7	8.4	8.5
Imports	11.6	11.5	13.1	-2.7	3.4	4.1	11.3	5.9	5.9	2.2	3.5	4.8
Federal Purchases	-1.1	2.2	0.9	3.9	7.0	6.8	4.2	1.5	2.2	1.3	1.5	-0.0
State & Local Purchases	3.6	4.7	2.7	3.2	3.1	0.2	-0.2	0.3	1.6	2.0	1.1	1.0
Billions of 2000 Dollars												
Real GDP	9067	9470	9817	9891	10049	10301	10676	11004	11319	11529	11834	12190
Final Sales	8994	9401	9760	9922	10036	10287	10621	10970	11279	11520	11810	12158
Inventory Change	72.6	68.9	56.5	-31.7	12.5	14.3	54.3	33.3	40.3	9.3	23.7	32.2

Forecast Tables - Summary

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

	HISTORY									FORECAST		
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Industrial Production and Resource Utilization												
Production--% change	6.1	4.7	4.5	-3.5	0.0	1.1	2.5	3.2	4.0	1.9	3.8	4.4
Capacity Util. Manuf. (%)	81.7	80.8	80.1	73.9	73.0	74.2	76.6	78.8	80.4	80.1	80.5	80.6
Real Bus. Investment as % of Real GDP	16.0	16.6	17.1	16.5	15.4	15.5	16.0	16.6	16.6	15.9	15.8	16.0
Nonfarm Employment (mil.)	125.9	129.0	131.8	131.8	130.3	130.0	131.4	133.7	136.2	138.0	139.4	141.3
Unemployment Rate (%)	4.5	4.2	4.0	4.7	5.8	6.0	5.5	5.1	4.6	4.6	4.9	4.8
Inflation--% change												
Consumer Price Index	1.5	2.2	3.4	2.8	1.6	2.3	2.7	3.4	3.2	2.5	1.8	1.8
Total less Food & Energy	2.3	2.1	2.4	2.7	2.3	1.5	1.8	2.2	2.5	2.2	1.9	2.1
Consumption Deflator	0.9	1.7	2.5	2.1	1.4	2.0	2.6	2.9	2.8	2.3	2.0	1.9
GDP Deflator	1.1	1.4	2.2	2.4	1.7	2.1	2.9	3.2	3.2	2.6	2.0	2.0
Producers Price Index	-0.9	1.8	3.8	1.9	-1.3	3.2	3.6	4.9	2.9	3.6	2.7	1.0
Factors Related to Inflation--%change												
Nonfarm Business Sector												
Wage Compensation	6.0	4.7	7.1	4.1	3.6	4.0	3.6	4.0	3.9	4.8	3.7	3.7
Productivity	2.8	2.9	2.8	2.6	4.1	3.7	2.7	1.9	1.0	1.0	2.0	1.9
Unit Labor Costs	3.1	1.8	4.2	1.5	-0.5	0.3	0.8	2.0	2.9	3.7	1.6	1.7
Crude Oil Price (\$/bbl)	14.4	19.3	30.4	26.0	26.1	31.1	41.5	56.6	66.1	65.6	68.9	67.0
New Home Price (\$1000)	152.0	159.8	166.5	172.6	185.0	191.4	217.8	234.2	243.1	242.9	242.0	238.9
Income, Consumption and Saving--%change												
Disposable Income	6.8	4.7	7.5	4.1	4.6	4.2	6.4	4.7	5.9	5.8	5.2	5.5
Real Disposable Income	5.8	3.0	4.8	1.9	3.1	2.2	3.6	1.7	3.1	3.4	3.2	3.6
Real Consumption	5.0	5.1	4.7	2.5	2.7	2.8	3.6	3.2	3.1	2.7	2.3	2.8
Savings Rate (%)	4.3	2.4	2.4	1.8	2.4	2.1	2.1	0.5	0.4	0.6	1.2	1.9
Housing and Automobiles--millions of units												
Housing Starts	1.621	1.647	1.573	1.601	1.710	1.854	1.949	2.073	1.812	1.454	1.533	1.619
Existing SF Home Sales	4.492	4.636	4.614	4.727	4.997	5.443	5.914	6.182	5.707	5.152	4.810	5.044
Auto and Light Truck Sales	15.5	16.9	17.3	17.1	16.8	16.6	16.9	16.9	16.5	15.8	15.6	15.8
Corporate Profits												
Billions of Dollars												
Before Taxes	718.3	775.9	773.4	707.9	768.5	908.1	1204.7	1579.6	1805.8	1837.2	1897.9	1927.9
After Taxes	470.0	517.2	508.2	503.8	575.8	664.8	897.3	1186.7	1351.9	1374.7	1415.4	1431.2
Percent Change												
Before Taxes	-10.0	8.0	-0.3	-8.5	8.6	18.2	32.7	31.1	14.3	1.7	3.3	1.6
After Taxes	-14.9	10.1	-1.7	-0.9	14.3	15.4	35.0	32.3	13.9	1.7	3.0	1.1
International Trade												
Nominal												
U.S. Dollar--% change	4.8	-1.6	4.9	6.0	-1.5	-12.3	-8.2	-1.9	-1.5	-4.3	-4.3	-2.4
Exports--% change	0.1	3.7	10.6	-5.8	-2.6	3.5	13.6	10.7	12.1	9.8	10.2	9.3
Imports--% change	5.6	12.2	17.9	-5.1	2.2	7.7	16.7	12.6	10.2	4.9	5.4	5.0
Net Exports (bil. \$)	-160.0	-260.5	-379.5	-367.0	-424.4	-499.4	-615.4	-714.6	-762.0	-726.3	-687.5	-644.3
Real												
U.S. Dollar--% change	5.1	0.7	3.7	5.4	-0.4	-12.4	-8.1	-2.5	-2.8	-5.1	-3.1	-1.2
Exports--% change	2.4	4.3	8.7	-5.4	-2.3	1.3	9.7	6.9	8.4	6.7	8.4	8.5
Imports--% change	11.6	11.5	13.1	-2.7	3.4	4.1	11.3	5.9	5.9	2.2	3.5	4.8
Net Exports (bil. 2000\$)	-203.8	-296.2	-379.5	-399.1	-471.4	-518.9	-593.8	-618.0	-624.5	-579.5	-531.8	-502.4

Forecast Tables - Summary

Table 2A. Quarterly Summary of the Georgia State University Forecast of the Nation

	2007:2	2007:3	2007:4	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Monetary Aggregates, Velocity, GDP--%change											
Money Supply (M1)	2.2	-1.2	1.5	1.8	5.4	1.7	3.6	2.2	6.6	3.5	2.7
Money Supply (M2)	6.9	3.4	4.4	3.8	3.8	3.7	4.8	3.3	4.3	4.3	4.2
Currency	2.0	4.0	4.8	4.1	4.9	5.2	4.2	4.2	6.4	6.4	4.4
GDP Deflator	2.7	0.8	1.7	2.5	2.3	2.1	2.0	2.2	1.8	1.9	1.8
Real GDP	3.4	2.0	2.3	2.6	2.7	3.1	3.1	3.0	3.0	2.9	2.8
Interest Rates (%) on:											
90-day Treasury Bills	4.7	4.7	4.7	4.3	4.3	4.3	4.4	4.4	4.4	4.5	4.5
10-year Treasury Bonds	4.8	5.1	5.1	5.1	5.2	5.2	5.2	5.3	5.3	5.4	5.4
30-year Treasury Bonds	5.0	5.2	5.3	5.3	5.4	5.4	5.5	5.6	5.6	5.8	5.8
Prime Rate	8.3	8.3	8.0	7.6	7.5	7.5	7.5	7.5	7.5	7.6	7.6
Moody's Corporate Aaa Bonds	5.6	5.8	5.9	5.9	5.9	5.9	6.0	6.0	6.1	6.3	6.3
Prime Rate Less Inflation	2.3	7.1	7.3	5.9	5.7	5.5	5.8	5.7	5.9	5.8	5.8
Federal Fiscal Policy											
Effective Tax Rates (%):											
Personal Income	18.8	18.7	18.7	18.9	18.8	18.8	18.7	18.8	18.7	18.7	18.9
Corporate Profits	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2
Defense Purchases--%change											
Current \$	13.4	2.8	5.9	6.8	2.8	1.6	1.4	3.3	0.2	0.6	0.4
Constant \$	9.4	0.9	3.7	1.3	1.1	-0.0	-0.0	-1.3	-1.0	-0.7	-0.7
Other Expenditures--% change											
Transfers to Persons	1.4	6.1	6.3	8.8	5.3	5.1	4.7	6.7	4.3	3.7	4.0
Grants to S&L Gov't	2.3	8.8	6.8	6.0	5.7	5.4	5.2	5.0	5.0	5.0	4.9
Billions of Current Dollars											
Revenues	2665.9	2662.6	2677.9	2724.8	2743.8	2771.6	2795.4	2856.7	2876.8	2907.4	2937.5
Expenditures	2878.1	2901.6	2933.8	2992.4	3034.1	3056.9	3088.5	3136.3	3168.1	3180.1	3200.6
Deficit	-212.2	-252.8	-269.7	-281.4	-304.1	-299.2	-307.0	-293.4	-305.2	-286.5	-276.9
As Shares of GDP											
Revenues	19.4	19.2	19.1	19.2	19.1	19.1	19.0	19.2	19.1	19.1	19.0
Expenditures	20.9	21.0	21.0	21.1	21.2	21.0	21.0	21.0	21.0	20.8	20.7
Defense Purchases	4.8	4.8	4.8	4.8	4.8	4.7	4.7	4.7	4.6	4.6	4.5
Transfers to Persons	12.2	12.2	12.3	12.4	12.4	12.4	12.4	12.5	12.4	12.4	12.4
Deficit	-1.5	-1.8	-1.9	-2.0	-2.1	-2.1	-2.1	-2.0	-2.0	-1.9	-1.8
Details of Real GDP--% change											
Real GDP	3.4	2.0	2.3	2.6	2.7	3.1	3.1	3.0	3.0	2.9	2.8
Final Sales	3.3	1.7	2.1	2.5	2.8	2.9	3.0	2.9	3.0	2.8	2.9
Consumption	1.3	1.9	2.1	2.4	2.6	2.6	2.9	2.8	2.9	2.7	2.9
Business Fixed Investment	8.1	3.5	3.4	3.7	4.1	4.2	5.3	6.0	5.7	4.7	3.8
Producers Durable Equip.	2.3	3.6	4.1	4.6	5.5	6.0	8.5	8.6	9.0	6.1	5.0
Structures	22.1	3.3	1.8	1.8	0.9	0.3	-1.6	0.1	-1.8	1.2	0.8
Residential Construction	-9.2	-11.2	-8.0	-2.2	-0.0	4.6	2.5	0.3	1.6	3.5	3.6
Exports	6.4	7.9	8.3	8.8	8.8	8.2	8.5	8.5	8.5	8.4	8.1
Imports	-2.6	3.7	3.7	3.9	3.7	4.3	4.7	4.8	5.0	5.3	5.7
Federal Purchases	6.7	1.3	2.7	1.1	0.9	0.2	0.3	-0.5	-0.3	-0.1	0.6
State & Local Purchases	2.9	1.4	1.2	0.9	0.6	1.4	0.9	1.0	1.0	1.2	1.0
Billions of 2000 Dollars											
Real GDP	11507.9	11566.1	11631.1	11707.1	11786.5	11875.6	11967.3	12057.3	12147.9	12235.3	12320.0
Final Sales	11504.3	11552.0	11611.8	11684.4	11766.0	11851.0	11940.4	12026.7	12116.2	12201.3	12287.5
Inventory Change	3.6	14.2	19.4	22.7	20.5	24.6	27.0	30.7	31.7	34.0	32.4

Forecast Tables - Summary

Table 2B. Quarterly Summary of the Georgia State University Forecast of the Nation

	2007:2	2007:3	2007:4	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Industrial Production and Resource Utilization											
Production--% change	2.9	2.7	2.6	4.3	4.5	4.6	4.7	4.4	4.2	4.3	4.5
Capacity Util. Manuf. (%)	80.1	80.3	80.2	80.4	80.5	80.6	80.5	80.6	80.7	80.7	80.5
Real Bus. Investment as % of Real GDP	15.9	15.9	15.8	15.8	15.8	15.8	15.9	15.9	16.0	16.0	16.1
Nonfarm Employment (mil.)	137.9	138.1	138.4	138.8	139.2	139.6	140.1	140.6	141.0	141.5	142.0
Unemployment Rate (%)	4.5	4.7	4.8	4.8	4.9	4.9	4.9	4.9	4.8	4.8	4.8
Inflation--% change											
Consumer Price Index	6.0	1.2	0.8	1.7	1.8	2.0	1.7	1.8	1.6	1.8	1.8
Total less Food & Energy	1.9	1.9	2.0	1.8	2.0	2.0	2.0	2.2	2.1	2.1	2.1
Consumption Deflator	4.3	1.3	1.4	2.1	2.1	2.1	1.9	1.9	1.7	1.8	1.7
GDP Deflator	2.7	0.8	1.7	2.5	2.3	2.1	2.0	2.2	1.8	1.9	1.8
Producers Price Index	9.9	3.1	1.0	3.3	1.9	1.9	1.5	1.3	-0.1	0.5	0.6
Factors Related to Inflation--%change											
Nonfarm Business Sector											
Wage Compensation	3.9	4.2	4.0	3.5	3.3	3.3	3.4	3.9	3.8	3.9	3.8
Productivity	1.8	1.6	2.3	2.0	2.1	2.2	2.1	1.9	1.9	1.8	1.8
Unit Labor Costs	2.1	2.4	1.7	1.4	1.2	1.1	1.4	2.0	1.8	2.1	2.0
Crude Oil Price (\$/bbl)	65.0	71.0	68.2	68.5	68.2	70.0	69.1	68.1	66.4	66.7	66.9
New Home Price (\$1000)	239.7	236.1	240.0	251.0	243.7	235.8	237.5	241.3	235.6	237.7	241.1
Income, Consumption and Saving--%change											
Disposable Income	3.5	5.4	5.0	5.3	5.5	5.3	5.6	5.4	5.9	5.3	5.1
Real Disposable Income	-0.8	4.0	3.6	3.2	3.4	3.1	3.6	3.5	4.1	3.4	3.4
Real Consumption	1.3	1.9	2.1	2.4	2.6	2.6	2.9	2.8	2.9	2.7	2.9
Savings Rate (%)	0.5	0.3	0.7	0.9	1.1	1.2	1.4	1.6	1.9	2.1	2.2
Housing and Automobiles--millions of units											
Housing Starts	1.462	1.442	1.454	1.478	1.501	1.574	1.579	1.571	1.604	1.639	1.663
Existing SF Home Sales	5.147	4.999	4.828	4.729	4.763	4.836	4.911	4.980	5.028	5.071	5.098
Auto and Light Truck Sales	16.0	15.5	15.2	15.3	15.6	15.7	15.7	15.8	15.8	15.8	15.8
Corporate Profits											
Billions of Dollars											
Before Taxes	1881.8	1834.5	1816.9	1857.9	1885.9	1914.4	1933.5	1935.2	1933.5	1925.7	1917.2
After Taxes	1415.7	1365.2	1354.8	1384.6	1406.6	1428.0	1442.2	1435.7	1435.1	1429.5	1424.3
Percent Change											
Before Taxes	15.4	-9.7	-3.8	9.3	6.2	6.2	4.0	0.3	-0.4	-1.6	-1.7
After Taxes	16.3	-13.5	-3.0	9.1	6.5	6.2	4.0	-1.8	-0.2	-1.5	-1.5
International Trade											
Nominal											
U.S. Dollar--% change	-11.9	-8.1	-3.5	-3.5	-2.4	-2.8	-3.6	-3.1	-4.2	2.0	2.2
Exports--% change	11.6	10.1	10.2	10.6	10.1	9.5	9.6	9.3	9.1	9.1	8.6
Imports--% change	9.2	10.4	5.0	4.2	3.4	5.1	5.1	4.9	4.8	5.4	5.5
Net Exports (bil. \$)	-721.6	-740.4	-729.1	-711.2	-689.6	-680.0	-669.3	-658.0	-647.0	-639.0	-633.1
Real											
U.S. Dollar--% change	-12.2	-7.2	-2.7	-2.1	-0.4	-0.9	-2.1	-2.0	-3.4	2.6	2.7
Exports--% change	6.4	7.9	8.3	8.8	8.8	8.2	8.5	8.5	8.5	8.4	8.1
Imports--% change	-2.6	3.7	3.7	3.9	3.7	4.3	4.7	4.8	5.0	5.3	5.7
Net Exports (bil. 2000\$)	-577.9	-569.1	-558.9	-547.5	-534.8	-526.3	-518.6	-511.1	-504.1	-498.5	-496.1

Forecast Tables - Detailed

Table 3A. Gross Domestic Product

	HISTORY								FORECAST		
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Billions of Current Dollars											
Gross Domestic Product	9268.4	9817.0	10128.0	10469.6	10960.8	11685.9	12433.9	13194.7	13786.4	14437.1	15168.7
Personal Consumption											
Expenditures	6282.5	6739.4	7055.0	7350.7	7703.6	8195.9	8707.8	9224.5	9699.1	10119.0	10599.2
Durable Goods	817.7	863.3	883.7	923.9	942.7	983.9	1023.9	1048.9	1063.7	1067.5	1108.3
Autos and Parts	370.8	386.5	407.9	429.3	431.7	436.8	444.9	434.2	427.7	424.1	442.7
Nondurable Goods	1804.8	1947.2	2017.1	2079.6	2190.2	2343.7	2516.2	2688.0	2816.3	2918.1	3028.2
Services	3660.1	3928.8	4154.3	4347.2	4570.8	4868.3	5167.8	5487.6	5819.2	6133.3	6462.7
Gross Private Domestic											
Investment	1625.7	1735.5	1614.4	1582.1	1664.1	1888.6	2077.2	2209.2	2138.0	2215.9	2339.4
Residential	424.9	446.9	469.3	503.9	572.4	675.5	768.2	764.8	666.5	660.4	691.1
Nonres. Structures	282.2	313.2	322.6	279.2	277.2	298.2	334.6	405.1	459.4	472.2	471.8
Producers Dur. Equip	851.7	918.9	854.2	787.1	800.2	856.3	937.5	992.6	1005.6	1062.3	1145.6
Change In Inv.	66.9	56.5	-31.7	11.9	14.3	58.6	37.0	46.7	6.5	21.0	30.9
Net Exports	-260.5	-379.5	-367.0	-424.4	-499.4	-615.4	-714.6	-762.0	-726.3	-687.5	-644.3
Exports	991.3	1096.3	1032.8	1005.9	1040.8	1182.4	1309.4	1467.6	1611.8	1776.7	1942.1
Imports	1251.8	1475.8	1399.9	1430.3	1540.2	1797.8	2024.0	2229.6	2338.1	2464.2	2586.4
Government Purchases	1620.8	1721.6	1825.6	1961.2	2092.5	2216.9	2363.5	2523.0	2675.6	2789.7	2874.4
Federal	555.8	578.8	612.9	679.7	756.4	825.6	878.5	932.5	970.8	1013.3	1036.1
Defense	360.6	370.3	392.6	437.1	497.2	550.7	588.7	624.3	654.6	685.6	696.5
Other	195.2	208.5	220.3	242.5	259.2	274.9	289.8	308.2	316.2	327.8	339.7
State and Local	1065.0	1142.8	1212.8	1281.5	1336.0	1391.3	1485.0	1590.5	1704.8	1776.5	1838.3
Billions of 2000 Dollars											
Gross Domestic Product	9470.4	9817.0	9890.7	10048.9	10301.1	10675.7	11003.5	11319.4	11529.4	11834.2	12190.1
Personal Consumption											
Expenditures	6438.6	6739.4	6910.4	7099.3	7295.4	7561.3	7803.6	8044.1	8265.2	8454.6	8690.4
Durable Goods	804.5	863.3	900.7	964.8	1020.6	1084.8	1137.4	1180.5	1217.9	1230.4	1282.9
Autos & Parts	372.4	386.5	405.8	429.0	442.1	450.8	451.3	437.3	433.7	421.9	432.1
Nondurable Goods	1876.6	1947.2	1986.7	2037.1	2103.0	2177.6	2255.4	2337.6	2394.0	2449.8	2509.9
Services	3758.1	3928.8	4023.2	4100.4	4178.8	4310.9	4427.3	4545.5	4674.1	4791.3	4920.3
Gross Private Domestic											
Investment	1642.6	1735.5	1598.4	1557.2	1613.1	1770.2	1869.3	1919.6	1830.8	1877.7	1964.9
Residential	443.6	446.9	448.5	469.9	509.4	560.2	597.1	569.5	487.5	470.7	480.4
Nonres. Structures	293.2	313.2	306.1	253.8	243.5	246.7	247.8	268.6	295.0	302.5	301.5
Producers Dur. Equip	840.2	918.9	874.2	820.2	843.1	905.1	991.8	1050.6	1057.1	1108.4	1192.4
Change In Inv.	68.9	56.5	-31.7	12.5	14.3	54.3	33.3	40.3	9.3	23.7	32.2
Net Exports	-296.2	-379.5	-399.1	-471.4	-518.9	-593.8	-618.0	-624.5	-579.5	-531.8	-502.4
Exports	1008.2	1096.3	1036.7	1013.3	1026.1	1126.1	1203.4	1304.1	1390.9	1507.1	1634.5
Imports	1304.5	1475.8	1435.8	1484.6	1545.0	1720.0	1821.5	1928.6	1970.3	2038.8	2136.8
Government Purchases	1687.0	1721.6	1780.4	1858.8	1904.8	1931.8	1946.3	1981.4	2015.9	2041.9	2054.8
Federal	573.7	578.8	601.4	643.4	687.1	715.9	726.5	742.3	751.7	763.3	763.0
Defense	372.2	370.3	384.9	413.2	449.0	475.1	482.4	491.5	501.7	511.2	508.2
Other	201.5	208.5	216.5	230.3	238.1	240.7	243.9	250.7	249.7	251.7	254.5
State and Local	1113.2	1142.8	1179.0	1215.5	1217.8	1215.8	1219.7	1239.0	1264.0	1278.5	1291.5

Forecast Tables - Detailed

Table 3B. Gross Domestic Product

	HISTORY								FORECAST		
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Annual Rates of Change of Current Dollar GDP Components (%)											
Gross Domestic Product	6.0	5.9	3.2	3.4	4.7	6.6	6.4	6.1	4.5	4.7	5.1
Personal Consumption											
Expenditures	6.9	7.3	4.7	4.2	4.8	6.4	6.2	5.9	5.1	4.3	4.7
Durable Goods	9.0	5.6	2.4	4.6	2.0	4.4	4.1	2.4	1.4	0.4	3.8
Autos and Parts	10.3	4.2	5.5	5.2	0.6	1.2	1.9	-2.4	-1.5	-0.8	4.4
Nondurable Goods	7.2	7.9	3.6	3.1	5.3	7.0	7.4	6.8	4.8	3.6	3.8
Services	6.2	7.3	5.7	4.6	5.1	6.5	6.2	6.2	6.0	5.4	5.4
Gross Private Domestic											
Investment	7.7	6.8	-7.0	-2.0	5.2	13.5	10.0	6.4	-3.2	3.6	5.6
Residential	10.1	5.2	5.0	7.4	13.6	18.0	13.7	-0.4	-12.8	-0.9	4.6
Nonres. Structures	2.5	11.0	3.0	-13.5	-0.7	7.6	12.2	21.1	13.4	2.8	-0.1
Producers Dur. Equip	9.6	7.9	-7.0	-7.9	1.7	7.0	9.5	5.9	1.3	5.6	7.8
Exports	3.7	10.6	-5.8	-2.6	3.5	13.6	10.7	12.1	9.8	10.2	9.3
Imports	12.2	17.9	-5.1	2.2	7.7	16.7	12.6	10.2	4.9	5.4	5.0
Government Purchases	6.7	6.2	6.0	7.4	6.7	5.9	6.6	6.8	6.0	4.3	3.0
Federal	4.8	4.1	5.9	10.9	11.3	9.1	6.4	6.2	4.1	4.4	2.3
Defense	4.3	2.7	6.0	11.3	13.8	10.8	6.9	6.1	4.9	4.7	1.6
Other	5.7	6.8	5.7	10.1	6.9	6.0	5.4	6.4	2.6	3.7	3.6
State and Local	7.8	7.3	6.1	5.7	4.3	4.1	6.7	7.1	7.2	4.2	3.5
Annual Rates of Change of Constant Dollar GDP Components (%)											
Gross Domestic Product	4.4	3.7	0.8	1.6	2.5	3.6	3.1	2.9	1.9	2.6	3.0
Personal Consumption											
Expenditures	5.1	4.7	2.5	2.7	2.8	3.6	3.2	3.1	2.7	2.3	2.8
Durable Goods	11.7	7.3	4.3	7.1	5.8	6.3	4.9	3.8	3.2	1.0	4.3
Autos & Parts	9.9	3.8	5.0	5.7	3.0	2.0	0.1	-3.1	-0.8	-2.7	2.4
Nondurable Goods	4.6	3.8	2.0	2.5	3.2	3.5	3.6	3.6	2.4	2.3	2.5
Services	4.0	4.5	2.4	1.9	1.9	3.2	2.7	2.7	2.8	2.5	2.7
Gross Private Domestic											
Investment	7.8	5.7	-7.9	-2.6	3.6	9.7	5.6	2.7	-4.6	2.6	4.6
Residential	6.0	0.8	0.4	4.8	8.4	10.0	6.6	-4.6	-14.4	-3.5	2.1
Nonres. Structures	-0.4	6.8	-2.3	-17.1	-4.1	1.3	0.5	8.4	9.8	2.5	-0.3
Producers Dur. Equip	12.7	9.4	-4.9	-6.2	2.8	7.4	9.6	5.9	0.6	4.9	7.6
Exports	4.3	8.7	-5.4	-2.3	1.3	9.7	6.9	8.4	6.7	8.4	8.5
Imports	11.5	13.1	-2.7	3.4	4.1	11.3	5.9	5.9	2.2	3.5	4.8
Government Purchases	3.9	2.1	3.4	4.4	2.5	1.4	0.7	1.8	1.7	1.3	0.6
Federal	2.2	0.9	3.9	7.0	6.8	4.2	1.5	2.2	1.3	1.5	-0.0
Defense	1.9	-0.5	3.9	7.4	8.7	5.8	1.5	1.9	2.1	1.9	-0.6
Other	2.8	3.5	3.8	6.4	3.4	1.1	1.4	2.8	-0.4	0.8	1.1
State and Local	4.7	2.7	3.2	3.1	0.2	-0.2	0.3	1.6	2.0	1.1	1.0

Forecast Tables - Detailed

Table 4. Employment

	HISTORY								FORECAST		
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
	Employment (Millions)										
Total	129.0	131.8	131.8	130.3	130.0	131.4	133.7	136.2	138.0	139.4	141.3
Private	108.7	111.0	110.7	108.8	108.4	109.8	111.9	114.2	115.8	117.1	118.8
Mining	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7
Construction	6.5	6.8	6.8	6.7	6.7	7.0	7.3	7.7	7.6	7.6	7.6
Manufacturing	17.3	17.3	16.4	15.3	14.5	14.3	14.2	14.2	14.1	14.0	13.9
Trans. & Util.	4.9	5.0	5.0	4.8	4.8	4.8	4.9	5.0	5.1	5.2	5.3
Trade	20.9	21.2	21.0	20.7	20.5	20.7	21.0	21.2	21.4	21.5	21.7
Financial Activities	7.6	7.7	7.8	7.8	8.0	8.0	8.2	8.4	8.4	8.5	8.6
Education & Health	14.8	15.1	15.6	16.2	16.6	17.0	17.4	17.8	18.3	18.6	18.9
Prof. and Bus. Ser.	16.0	16.7	16.5	16.0	16.0	16.4	16.9	17.6	18.0	18.6	19.4
Information	3.4	3.6	3.6	3.4	3.2	3.1	3.1	3.1	3.1	3.1	3.1
Leisure & Hospt.	11.5	11.9	12.0	12.0	12.2	12.5	12.8	13.1	13.6	13.9	14.0
Government	20.3	20.8	21.1	21.5	21.6	21.6	21.8	22.0	22.3	22.5	22.6
Federal	2.8	2.9	2.8	2.8	2.8	2.7	2.7	2.7	2.7	2.7	2.7
State & Local	17.5	17.9	18.4	18.7	18.8	18.9	19.1	19.3	19.6	19.8	19.9
	Population and Labor Force (Millions)										
Population aged 16+	215.8	218.5	221.3	224.1	226.7	229.4	232.2	235.0	237.7	240.2	242.6
Labor Force	141.0	142.6	143.9	145.1	146.5	147.4	149.3	151.4	153.1	154.4	155.8
Unemployment (%)	4.2	4.0	4.7	5.8	6.0	5.5	5.1	4.6	4.6	4.9	4.8

Table 5. Personal Income and Its Disposition

	HISTORY								FORECAST		
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
	Billions of Current Dollars										
Personal Income	7802.4	8429.7	8724.1	8881.9	9163.6	9727.2	10301.1	10983.4	11680.0	12281.0	12958.9
Wages & Salaries	4466.3	4829.2	4942.8	4980.9	5112.7	5394.5	5667.9	6018.2	6398.7	6692.1	7031.1
Other Labor Income	562.4	609.9	642.7	745.1	815.6	868.5	927.7	970.7	1017.4	1051.1	1083.9
Nonfarm Income	649.7	705.7	752.2	757.8	782.1	874.3	939.1	987.4	1013.9	1074.3	1144.1
Farm Income	28.6	22.7	19.7	10.6	29.2	37.4	30.8	19.4	26.2	22.0	20.7
Rental Income	147.4	150.3	167.4	153.0	133.0	118.4	42.9	54.6	57.4	48.2	32.3
Dividends	335.6	376.1	369.0	397.2	422.6	537.1	598.9	696.3	791.4	865.2	938.7
Interest Income	928.6	1011.0	1011.0	936.1	914.1	895.1	1018.9	1100.2	1146.2	1212.2	1320.6
Transfer Payments	1022.1	1084.1	1193.9	1286.2	1351.0	1422.5	1520.7	1612.5	1735.1	1844.3	1943.4
Personal Contributions For Social Insurance	338.1	359.2	374.5	384.8	396.5	420.5	445.7	475.7	506.4	528.4	555.8
Personal Tax and Nontax Payments	1107.5	1235.7	1237.3	1051.8	1001.1	1046.3	1209.1	1354.3	1491.7	1562.4	1649.9
Disposable Income	6694.9	7194.0	7486.8	7830.1	8162.5	8680.9	9092.0	9629.1	10188.1	10718.1	11308.5
Consumption	6282.5	6739.4	7055.0	7350.7	7703.6	8195.9	8707.8	9224.5	9699.1	10119.0	10599.2
Interest	181.0	204.7	212.3	196.4	182.5	191.3	217.7	238.0	248.9	259.5	270.1
Transfers To Foreigners	28.3	31.5	33.0	40.0	40.3	43.1	47.3	48.8	51.1	54.2	58.1
Personal Saving	158.6	168.5	132.4	184.7	174.9	181.7	44.6	38.8	66.9	120.7	209.1
Personal Saving Rate(%)	2.4	2.4	1.8	2.4	2.1	2.1	0.5	0.4	0.6	1.2	1.9

Forecast Tables - Detailed

Table 6. Personal Consumption Expenditures By Major Types

	HISTORY								FORECAST		
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Billions of Current Dollars											
Personal Consumption	6282.5	6739.4	7055.0	7350.7	7703.6	8195.9	8707.8	9224.5	9699.1	10119.0	10599.2
Durable Goods	817.7	863.3	883.7	923.9	942.7	983.9	1023.9	1048.9	1063.7	1067.5	1108.3
Autos and Parts	370.8	386.5	407.9	429.3	431.7	436.8	444.9	434.2	427.7	424.1	442.7
Nondurable Goods	1804.8	1947.2	2017.1	2079.6	2190.2	2343.7	2516.2	2688.0	2816.3	2918.1	3028.2
Services	3660.1	3928.8	4154.3	4347.2	4570.8	4868.3	5167.8	5487.6	5819.2	6133.3	6462.7
Billions of 2000 Dollars											
Personal Consumption	6438.6	6739.4	6910.4	7099.3	7295.4	7561.3	7803.6	8044.1	8265.2	8454.6	8690.4
Durable Goods	804.5	863.3	900.7	964.8	1020.6	1084.8	1137.4	1180.5	1217.9	1230.4	1282.9
Autos and Parts	372.4	386.5	405.8	429.0	442.1	450.8	451.3	437.3	433.7	421.9	432.1
Nondurable Goods	1876.6	1947.2	1986.7	2037.1	2103.0	2177.6	2255.4	2337.6	2394.0	2449.8	2509.9
Services	3758.1	3928.8	4023.2	4100.4	4178.8	4310.9	4427.3	4545.5	4674.1	4791.3	4920.3
Annual Rates of Real Growth											
Personal Consumption	5.1	4.7	2.5	2.7	2.8	3.6	3.2	3.1	2.7	2.3	2.8
Durable Goods	11.7	7.3	4.3	7.1	5.8	6.3	4.9	3.8	3.2	1.0	4.3
Autos and Parts	9.9	3.8	5.0	5.7	3.0	2.0	0.1	-3.1	-0.8	-2.7	2.4
Furniture	14.7	11.5	6.0	9.8	9.2	11.9	10.6	11.9	7.5	3.3	5.9
Other Durables	10.3	8.0	-0.4	5.6	6.3	6.5	5.3	4.1	3.1	4.0	4.9
Nondurable Goods	4.6	3.8	2.0	2.5	3.2	3.5	3.6	3.6	2.4	2.3	2.5
Food and Beverages	3.2	3.5	1.6	1.5	2.4	3.2	4.0	4.0	2.1	2.1	2.1
Gasoline and Oil	3.5	-0.3	1.5	2.1	0.7	1.9	-0.3	0.4	-1.4	0.9	2.3
Fuel	2.2	-3.5	-4.2	2.5	-0.7	-5.6	-9.0	-9.7	8.8	-4.1	0.6
Clothing and Shoes	7.5	5.3	2.0	4.8	5.0	4.9	6.2	5.0	4.9	3.0	2.4
Other Nondurables	5.7	4.8	3.1	3.2	4.6	4.2	3.4	4.2	3.2	3.2	3.2
Services	4.0	4.5	2.4	1.9	1.9	3.2	2.7	2.7	2.8	2.5	2.7
Housing	3.1	2.8	2.7	0.8	0.9	3.0	3.2	2.7	2.3	2.0	1.9
Household Operation	4.1	4.9	0.2	0.6	1.4	2.4	1.9	-0.8	1.5	1.3	2.4
Transportation Serv.	4.2	2.8	-1.1	-2.7	0.1	1.4	1.1	1.2	3.2	2.5	2.5
Medical Care	1.9	3.8	4.7	5.7	3.9	3.0	3.4	3.3	2.9	2.3	2.3
Other Services	3.8	6.4	5.0	2.9	1.6	1.7	0.2	3.5	1.8	3.1	4.0

Table 7. Residential Construction and Housing Starts

	HISTORY								FORECAST		
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Housing Starts (Millions of Units)											
Housing Starts	1.647	1.573	1.601	1.710	1.854	1.949	2.073	1.812	1.454	1.533	1.619
Single-family	1.306	1.232	1.272	1.363	1.505	1.604	1.719	1.474	1.164	1.228	1.300
Multi-family	0.341	0.341	0.330	0.347	0.349	0.345	0.354	0.338	0.291	0.305	0.319
Residential Construction Expenditures (Billions of Dollars)											
Current Dollars	424.9	446.9	469.3	503.9	572.4	675.5	768.2	764.8	666.5	660.4	691.1
2000 Dollars	443.6	446.9	448.5	469.9	509.4	560.2	597.1	569.5	487.5	470.7	480.4
% Change	6.0	0.8	0.4	4.8	8.4	10.0	6.6	-4.6	-14.4	-3.5	2.1
Treas. Bill Rate	4.6	5.8	3.4	1.6	1.0	1.4	3.1	4.7	4.8	4.3	4.5
Conventional Home Mortg.											
Rate, Effective	7.4	8.1	7.0	6.5	5.8	5.8	5.9	6.4	6.4	6.8	6.9
Median Sales Price of											
New Homes (Thous \$)	159.8	166.5	172.6	185.0	191.4	217.8	234.2	243.1	242.9	242.0	238.9
Real Disp. Income	6861.7	7194.0	7333.3	7562.5	7729.9	8008.7	8148.0	8397.0	8682.1	8958.2	9278.1
% Change	3.0	4.8	1.9	3.1	2.2	3.6	1.7	3.1	3.4	3.2	3.6

Forecast Tables - Detailed

Table 8. Business Fixed Investment and Inventories

	HISTORY								FORECAST		
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Billions of Current Dollars											
Business Fixed Investment	1133.9	1232.1	1176.8	1066.3	1077.4	1154.5	1272.1	1397.7	1465.0	1534.4	1617.3
Producers Dur. Equip.	851.7	918.9	854.2	787.1	800.2	856.3	937.5	992.6	1005.6	1062.3	1145.6
Nonresidential Structures	282.2	313.2	322.6	279.2	277.2	298.2	334.6	405.1	459.4	472.2	471.8
Buildings (excl. Farm)	207.6	222.8	216.4	180.6	174.7	188.4	203.2	236.6	273.5	284.3	291.7
Commercial	109.1	121.3	118.2	97.0	91.7	101.1	109.5	124.8	141.4	143.7	143.4
Industrial	32.6	31.8	29.5	17.8	16.7	18.5	23.3	26.8	29.6	34.8	41.2
Other Buildings	65.8	69.7	68.7	65.8	66.2	68.9	70.4	85.0	102.5	105.8	107.2
Utilities	44.5	51.5	54.4	54.6	49.2	44.7	47.0	54.1	62.8	67.5	71.1
Mining Exploration	20.6	27.2	39.2	35.6	45.7	55.7	73.7	105.4	112.4	107.2	94.1
Billions of 2000 Dollars											
Business Fixed Investment	1133.3	1232.1	1180.5	1071.5	1081.8	1144.3	1225.8	1306.8	1349.8	1405.6	1477.9
Producers Dur. Equip.	840.2	918.9	874.2	820.2	843.1	905.1	991.8	1050.6	1057.1	1108.4	1192.4
Nonresidential Structures	293.2	313.2	306.1	253.8	243.5	246.7	247.8	268.6	295.0	302.5	301.5
Buildings (excl. Farm)	216.6	222.8	208.4	170.0	160.3	163.1	161.9	174.9	192.0	196.4	197.4
Commercial	113.5	121.3	114.2	91.2	83.9	86.9	85.9	90.2	97.0	97.3	95.3
Industrial	33.9	31.8	28.5	16.7	15.4	16.2	19.0	20.4	21.6	24.5	27.8
Other Buildings	69.2	69.7	65.6	62.1	61.0	60.0	56.9	64.3	73.5	74.9	74.5
Utilities	45.9	51.5	52.8	51.8	45.6	38.8	38.0	41.0	45.8	47.2	48.1
Mining Exploration	21.3	27.2	32.0	24.5	29.0	33.3	35.1	39.8	43.4	44.0	41.7
Percent Change in Real Business Fixed Investment											
Business Fixed Investment	9.2	8.7	-4.2	-9.2	1.0	5.8	7.1	6.6	3.3	4.1	5.1
Producers Dur. Equip.	12.7	9.4	-4.9	-6.2	2.8	7.4	9.6	5.9	0.6	4.9	7.6
Nonresidential Structures	-0.4	6.8	-2.3	-17.1	-4.1	1.3	0.5	8.4	9.8	2.5	-0.3
Buildings (excl. Farm)	-2.1	2.9	-6.5	-18.4	-5.7	1.7	-0.8	8.0	9.8	2.3	0.5
Commercial	4.5	6.8	-5.9	-20.2	-8.1	3.7	-1.1	5.0	7.4	0.4	-2.1
Industrial	-22.5	-6.1	-10.3	-41.6	-7.3	4.9	17.3	7.7	5.9	13.0	13.6
Other Buildings	0.7	0.7	-5.9	-5.4	-1.7	-1.7	-5.1	12.9	14.4	1.8	-0.5
Utilities	12.0	12.1	2.5	-1.8	-11.9	-15.0	-2.1	8.1	11.6	3.0	1.9
Mining, Shafts & Wells	-8.8	27.8	17.8	-23.3	18.1	14.8	5.6	13.5	8.9	1.4	-5.3
Related Concepts											
Annual Growth-Price Deflator For:											
Producers Dur. Equip.	-2.8	-1.3	-2.3	-1.8	-1.1	-0.3	-0.1	-0.0	0.7	0.8	0.3
Structures	3.0	3.9	5.4	4.4	3.5	6.2	11.7	11.7	3.3	0.2	0.2
Moody's AAA Rate(%)	7.0	7.6	7.1	6.5	5.7	5.6	5.2	5.6	5.7	5.9	6.2
Capacity Utilization in											
Manufacturing(%)	80.8	80.1	73.9	73.0	74.2	76.6	78.8	80.4	80.1	80.5	80.6
Final Sales (Bil 2000 \$)	9401.5	9760.5	9922.4	10036.4	10286.8	10621.4	10970.3	11279.1	11520.1	11810.5	12157.9
Change in Business Inventories											
Current Dollars	66.9	56.5	-31.7	11.9	14.3	58.6	37.0	46.7	6.5	21.0	30.9
2000 Dollars	68.9	56.5	-31.7	12.5	14.3	54.3	33.3	40.3	9.3	23.7	32.2

Forecast Tables - Detailed

Table 9. Federal Government Receipts and Expenditures Fiscal Year

	HISTORY								FORECAST		
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
	Billions of Current Dollars										
Receipts	1891.2	2053.9	2016.2	1853.2	1879.9	2008.9	2243.4	2495.8	2658.7	2758.9	2894.6
Personal Tax and											
Nontax Receipts	893.0	999.1	994.5	830.5	774.5	797.4	932.4	1053.2	1163.5	1210.4	1274.4
Corp. Profits Tax Accruals	213.0	219.5	164.7	150.5	197.8	250.3	319.8	373.1	366.4	371.2	384.0
Indirect Business Tax and											
Nontax Accruals	83.9	87.8	85.8	87.3	89.7	94.6	99.0	98.6	97.5	99.2	102.0
Contributions For											
Social Insurance	651.7	691.7	717.5	734.3	758.9	805.2	849.3	901.7	959.1	1000.8	1052.8
Expenditures	1787.6	1864.4	1969.5	2101.1	2252.1	2379.5	2561.6	2715.8	2887.9	3043.0	3171.3
Purchases Goods & Serv.	555.8	578.8	612.9	679.7	756.4	825.6	878.5	932.5	970.8	1013.3	1036.1
National Defense	360.6	370.3	392.6	437.1	497.2	550.7	588.7	624.3	654.6	685.6	696.5
Other	195.2	208.5	220.3	242.5	259.2	274.9	289.8	308.2	316.2	327.8	339.7
Transfer Payments	986.1	1038.1	1131.4	1243.0	1328.7	1390.6	1479.1	1576.1	1689.1	1793.1	1883.4
To Persons	735.7	770.0	838.7	916.9	963.7	1012.3	1079.3	1184.6	1274.6	1356.5	1424.9
To Foreigners	28.3	31.5	33.0	40.0	40.3	43.1	47.3	48.8	51.1	54.2	58.1
Grants-in-Aid to State and											
Local Governments	232.9	247.3	276.1	304.6	338.5	349.1	361.2	358.6	381.2	404.3	425.0
Net Interest	264.7	263.2	240.2	213.7	196.5	203.8	238.4	260.5	284.6	298.8	316.5
Subsidies Less Surplus of											
Govt. Enterprises	44.1	46.1	53.1	39.1	45.4	45.5	62.9	52.6	50.4	49.0	48.7
Surplus (+) or Deficit (-)	103.6	189.5	46.7	-248.0	-372.2	-370.6	-318.3	-220.1	-236.2	-297.9	-290.5

Table 10. State and Local Government Receipts and Expenditures

	HISTORY								FORECAST		
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
	Billions of Current Dollars										
Receipts	840.4	893.2	915.8	929.0	979.5	1061.2	1156.0	1232.3	1296.9	1357.2	1419.9
As Share of GDP	9.1	9.1	9.0	8.9	8.9	9.1	9.3	9.3	9.4	9.4	9.4
Personal Tax and Nontax											
Receipts	214.5	236.6	242.7	221.3	226.6	249.0	276.7	301.2	328.3	352.1	375.5
Corporate Profits	35.8	35.6	30.2	32.2	35.3	43.0	56.7	62.5	61.1	61.6	62.3
Indirect Business Tax and											
Nontax Accruals	590.2	621.1	642.8	675.5	717.5	769.2	822.6	868.8	907.8	944.2	982.7
Contributions For Social											
Insurance	9.8	11.0	13.7	15.8	19.8	23.6	25.5	26.0	26.1	27.0	28.1
Federal Grants-in-Aid	232.9	247.3	276.1	304.6	338.5	349.1	361.2	358.6	381.2	404.3	425.0
Expenditures	1186.3	1269.5	1368.2	1444.3	1514.6	1592.8	1691.7	1773.1	1892.1	1975.4	2055.5
As Share of GDP	12.8	12.9	13.5	13.8	13.8	13.6	13.6	13.4	13.7	13.7	13.6
Purchases	1065.0	1142.8	1212.8	1281.5	1336.0	1391.3	1485.0	1590.5	1704.8	1776.5	1838.3
Transfer Payments	252.4	271.7	305.2	332.0	353.0	383.8	403.8	400.8	432.6	459.4	489.7
Interest Received	-3.8	-4.5	5.2	16.5	24.8	24.1	21.4	21.6	22.3	21.3	22.1
Net Subsidies	-10.0	-7.1	3.6	-1.6	0.7	3.4	10.7	11.1	11.2	7.6	6.6
Dividends Received	1.8	1.9	2.0	2.0	2.2	2.4	2.5	2.6	2.5	2.6	2.6
Net Wage Accruals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Surplus (+) or Deficit (-)	50.4	50.0	4.8	-34.2	-20.4	1.6	15.2	24.6	4.3	20.7	37.1

Forecast Tables - Detailed

Table 11. U.S. Exports and Imports of Goods and Services

	HISTORY								FORECAST		
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
	Billions of Current Dollars										
Net Exports-Goods & Serv.	-260.5	-379.5	-367.0	-424.4	-499.4	-615.4	-714.6	-762.0	-726.3	-687.5	-644.3
Current Account Balance	-301.6	-417.4	-384.7	-459.6	-522.1	-640.2	-754.8	-811.5	-780.4	-750.7	-725.1
Merchandise Balance	-348.3	-459.1	-436.7	-491.8	-559.5	-681.2	-795.0	-850.0	-843.2	-829.4	-811.1
Exports-Goods & Services	991.3	1096.3	1032.8	1005.9	1040.8	1182.4	1309.4	1467.6	1611.8	1776.7	1942.1
Merchandise	697.2	784.4	731.2	697.6	724.4	818.3	907.0	1030.5	1127.5	1244.3	1359.6
Food, Feeds & Beverages	46.0	47.9	49.4	49.6	55.0	56.6	59.0	65.9	76.1	75.3	75.8
Industrial Supplies	142.4	166.7	155.3	153.5	168.3	199.5	227.5	267.3	294.6	321.0	342.0
Motor Vehicles & Parts	75.3	80.4	75.4	78.9	80.7	89.2	98.6	107.2	118.0	132.2	148.1
Capital Goods, Ex. MVP	258.4	308.9	269.1	240.0	247.0	281.5	301.6	338.7	355.8	390.6	430.3
Computer Equipment	46.8	55.5	47.6	38.6	39.9	42.8	45.5	47.6	43.5	47.7	53.3
Other	211.6	253.4	221.6	201.5	207.1	238.7	256.0	291.2	312.3	342.9	377.0
Consumer Goods, Ex. MVP	80.9	89.4	88.3	84.4	89.9	103.3	116.1	130.0	148.5	171.2	192.9
Other	41.4	43.1	41.0	40.7	36.9	38.4	43.6	46.2	50.2	53.7	58.0
Services	294.1	312.0	301.6	308.4	316.4	364.1	402.4	437.1	484.3	532.4	582.5
Imports-Goods & Services	1251.8	1475.8	1399.9	1430.3	1540.2	1797.8	2024.0	2229.6	2338.1	2464.2	2586.4
Merchandise	1045.5	1243.5	1168.0	1189.4	1284.0	1499.5	1702.0	1880.4	1970.7	2073.8	2170.7
Foods, Feeds & Beverage	43.6	46.0	46.6	49.7	55.8	62.1	68.1	75.0	82.3	87.4	90.8
Petroleum & Products	67.8	120.2	103.6	103.5	133.1	180.5	251.9	302.4	316.7	320.1	308.7
Indus Supplies Ex. Petr	147.9	172.8	164.8	158.4	174.4	225.1	264.8	290.1	299.1	319.4	328.3
Motor Vehicles & Parts	179.0	195.9	189.8	203.8	210.1	228.2	239.5	256.7	253.5	255.5	275.0
Capital Goods, Ex. MVP	271.9	320.6	266.7	257.9	271.8	319.3	353.6	389.9	410.8	441.8	478.0
Computer Equipment	81.5	89.8	74.0	75.2	76.5	88.6	93.3	101.4	105.5	112.5	122.7
Other	190.5	230.9	192.7	182.7	195.3	230.7	260.3	288.5	305.2	329.3	355.3
Consumer Goods, Ex. MVP	242.1	282.0	284.5	308.0	334.0	377.2	411.5	446.1	481.9	510.9	535.6
Other	69.5	79.6	80.7	82.8	80.6	82.9	87.0	91.9	92.2	98.1	108.0
Services	206.3	232.3	231.9	241.0	256.2	298.3	322.0	349.2	367.4	390.5	415.7
	Billions of 2000 Dollars										
Net Exports-Goods & Serv.	-296.2	-379.5	-399.1	-471.4	-518.9	-593.8	-618.0	-624.5	-579.5	-531.8	-502.4
Exports-Goods & Services	1008.2	1096.3	1036.7	1013.3	1026.1	1126.1	1203.4	1304.1	1390.9	1507.1	1634.5
Imports-Goods & Services	1304.5	1475.8	1435.8	1484.6	1545.0	1720.0	1821.5	1928.6	1970.3	2038.8	2136.8
	Exports and Imports -- % Change										
Current Dollars											
Exports	3.7	10.6	-5.8	-2.6	3.5	13.6	10.7	12.1	9.8	10.2	9.3
Imports	12.2	17.9	-5.1	2.2	7.7	16.7	12.6	10.2	4.9	5.4	5.0
Constant Dollars											
Exports	4.3	8.7	-5.4	-2.3	1.3	9.7	6.9	8.4	6.7	8.4	8.5
Imports	11.5	13.1	-2.7	3.4	4.1	11.3	5.9	5.9	2.2	3.5	4.8
	Production Indicators - % Change										
U.S. Industrial Production	4.7	4.5	-3.5	0.0	1.1	2.5	3.2	4.0	1.9	3.8	4.4
	Price Indicators										
Price Deflators (% Ch)											
Exports	-0.6	1.7	-0.4	-0.4	2.2	3.5	3.6	3.4	3.0	1.8	0.8
Imports	0.6	4.2	-2.5	-1.2	3.5	4.9	6.3	4.0	2.6	1.8	0.1
Crude Oil Prices (\$/barrel)	19.3	30.4	26.0	26.1	31.1	41.5	56.6	66.1	65.6	68.9	67.0
U.S. Dollar											
Real Exchange Rate	96.42	100.00	105.37	104.94	91.94	84.48	82.38	80.10	75.97	73.63	72.76
%Change	0.7	3.7	5.4	-0.4	-12.4	-8.1	-2.5	-2.8	-5.1	-3.1	-1.2

Forecast Tables - Detailed

Table 12. Implicit Price Deflators and Other Inflation Indicators (Percent Change)

	HISTORY								FORECAST		
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Implicit Price Deflators											
GDP	1.4	2.2	2.4	1.7	2.1	2.9	3.2	3.2	2.6	2.0	2.0
Consumption	1.7	2.5	2.1	1.4	2.0	2.6	2.9	2.8	2.3	2.0	1.9
Durables	-2.4	-1.6	-1.9	-2.4	-3.6	-1.8	-0.7	-1.3	-1.7	-0.7	-0.4
Motor Vehicles	0.4	0.4	0.5	-0.4	-2.4	-0.8	1.8	0.7	-0.7	1.9	1.9
Furniture	-6.2	-4.5	-5.9	-5.7	-6.0	-4.1	-3.8	-4.5	-4.2	-3.9	-3.5
Other Durables	-1.6	-0.8	0.3	-0.8	-1.6	0.1	-0.4	0.8	1.1	0.8	0.8
Nondurables	2.5	4.0	1.5	0.5	2.0	3.3	3.7	3.1	2.3	1.3	1.3
Food	1.9	2.3	2.9	2.0	1.9	3.1	2.2	2.3	3.7	2.5	1.6
Clothing & Shoes	-1.6	-1.3	-2.0	-2.7	-2.5	-0.4	-1.0	-0.4	-0.7	-0.3	-0.0
Gasoline & Oil	8.8	27.9	-3.7	-6.1	16.3	17.8	21.7	13.0	3.5	-3.2	-1.1
Fuel	1.2	37.6	1.7	-9.9	19.6	14.4	27.3	13.0	-1.1	-6.6	-1.0
Services	2.2	2.7	3.3	2.7	3.2	3.2	3.4	3.4	3.1	2.8	2.6
Housing	2.8	3.2	3.9	3.8	2.5	2.5	2.6	3.6	3.6	2.7	2.6
Household Operat.	-0.1	1.9	4.6	-0.9	3.8	2.1	5.1	5.2	3.1	2.2	0.8
Electricity	-0.7	1.6	8.1	-1.2	2.4	1.7	6.2	12.1	3.4	0.8	0.6
Natural Gas	0.5	16.7	19.9	-14.9	22.5	8.3	19.5	2.5	4.2	9.1	0.8
Water and Sewer	2.2	2.5	2.9	3.2	3.7	6.1	5.3	4.9	4.8	4.0	3.7
Telephone	-2.4	-3.4	-2.0	0.2	-0.9	-2.0	-0.9	0.8	1.7	-0.4	-1.1
Domestic Service	2.9	4.4	3.8	3.7	2.5	2.2	3.4	3.6	4.0	1.9	1.7
Other Operations	3.3	3.8	4.9	4.3	4.8	2.6	3.6	3.8	2.4	2.6	2.5
Transportation	2.2	2.5	1.7	1.2	2.9	2.2	4.0	3.8	1.8	2.6	2.7
Other Services	3.3	3.6	4.0	4.1	4.4	4.6	4.4	3.9	3.3	3.0	3.0
Investment Deflators:											
Nonresidential	-1.3	-0.1	-0.3	-0.2	0.1	1.3	2.9	3.1	1.5	0.6	0.3
Structures	3.0	3.9	5.4	4.4	3.5	6.2	11.7	11.7	3.3	0.2	0.2
Prod. Dur. Equip.	-2.8	-1.3	-2.3	-1.8	-1.1	-0.3	-0.1	-0.0	0.7	0.8	0.3
Residential	3.8	4.4	4.6	2.5	4.8	7.3	6.7	4.4	1.8	2.6	2.5
Government Purchases	2.8	4.1	2.5	2.9	4.1	4.5	5.8	4.9	4.2	2.9	2.4
Federal	2.5	3.2	1.9	3.7	4.2	4.7	4.8	3.9	2.8	2.8	2.3
State & Local	2.9	4.5	2.9	2.5	4.1	4.3	6.4	5.4	5.1	3.0	2.4
Exports	-0.6	1.7	-0.4	-0.4	2.2	3.5	3.6	3.4	3.0	1.8	0.8
Imports	0.6	4.2	-2.5	-1.2	3.5	4.9	6.3	4.0	2.6	1.8	0.1
Other Inflation Related Indicators											
Consumer Price Index	2.2	3.4	2.8	1.6	2.3	2.7	3.4	3.2	2.5	1.8	1.8
Producers Price Index	0.9	5.8	1.1	-2.3	5.3	6.2	7.3	4.7	4.3	2.5	0.5
Nonfarm Sector Indicators											
Wage Compensation	4.7	7.1	4.1	3.6	4.0	3.6	4.0	3.9	4.8	3.7	3.7
Productivity	2.9	2.8	2.6	4.1	3.7	2.7	1.9	1.0	1.0	2.0	1.9
Unit Labor Costs	1.8	4.2	1.5	-0.5	0.3	0.8	2.0	2.9	3.7	1.6	1.7
Crude Oil Prices (dollars/barrel)											
Refiners' Acq. Cost	17.42	28.21	22.95	24.00	28.60	36.91	50.31	60.09	62.84	65.20	62.95

Forecast Tables - Detailed

Table 13. Producers Price Indexes

	HISTORY								FORECAST		
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
	Annual Percent Change										
All Commodities	0.9	5.8	1.1	-2.3	5.3	6.2	7.3	4.7	4.3	2.5	0.5
Industrial Commodities	1.4	6.6	0.7	-2.4	5.1	6.1	8.6	5.4	3.6	2.9	0.7
Textiles & Apparel	-1.5	0.3	-0.1	-1.2	-0.1	1.0	1.5	1.4	1.1	0.9	-0.3
Fuels	6.9	28.8	1.7	-11.5	21.1	12.4	23.2	6.7	5.6	4.5	-0.9
Chemicals	0.2	4.7	0.6	0.0	6.6	7.8	10.1	7.2	3.3	2.4	0.9
Rubber & Plastics	-0.1	2.4	1.4	-0.3	2.6	2.8	7.5	6.9	0.4	1.5	0.7
Lumber & Wood	2.5	-3.0	-2.1	-0.6	2.4	10.2	0.5	-1.1	-1.2	0.7	1.2
Pulp & Paper	1.4	5.5	0.6	0.6	2.2	3.0	3.5	3.6	2.9	2.7	2.0
Metals & Products	-2.4	2.7	-2.1	0.4	2.6	15.8	7.5	13.0	7.7	3.1	0.8
Equipment	-0.5	-0.2	-0.3	-0.6	-0.8	0.1	1.3	2.0	1.2	1.0	0.2
Trans. Equipment	0.4	1.4	1.0	-0.4	0.8	2.0	1.6	1.1	2.1	4.6	3.2
Farm	-5.9	1.1	4.2	-4.6	12.6	10.5	-3.8	-1.2	15.4	-3.6	-2.5
Processed Foods & Feeds	-0.3	1.5	3.2	-0.8	5.3	5.5	1.3	0.5	6.4	1.2	0.3
By Stage of Processing											
Crude Materials	1.6	22.8	0.2	-10.6	25.1	17.5	14.6	1.4	10.1	2.5	-2.0
Intermediate Materials	0.1	4.9	0.4	-1.5	4.6	6.6	8.0	6.4	3.6	2.4	0.6
Finished Goods	1.8	3.8	1.9	-1.3	3.2	3.6	4.9	2.9	3.6	2.7	1.0
Consumers	2.4	4.7	2.4	-1.5	4.3	4.4	5.8	3.4	4.1	2.7	0.8
Producers	0.1	0.9	0.6	-0.4	0.3	1.4	2.3	1.5	2.0	2.5	1.7

Forecast Tables - Detailed

Table 14. Money, Interest Rates and Corporate Profits

	HISTORY								FORECAST		
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Billions of Dollars											
Money Supply (M1)	1102.3	1103.6	1140.2	1196.2	1273.5	1344.4	1371.7	1374.9	1372.5	1402.1	1452.5
Money Supply (M2)	4524.7	4793.2	5209.8	5598.8	5988.5	6268.5	6540.9	6851.5	7246.1	7543.2	7848.5
Percent Change											
Money Supply (M1)	2.0	0.1	3.3	4.9	6.5	5.6	2.0	0.2	-0.2	2.2	3.6
Money Supply (M2)	7.4	5.9	8.7	7.5	7.0	4.7	4.3	4.7	5.8	4.1	4.0
Interest Rates (Percent)											
Short-term Rates											
3-Month Treas. Bills	4.63	5.81	3.43	1.61	1.01	1.36	3.13	4.72	4.77	4.32	4.48
Prime Bank Loans	7.99	9.23	6.92	4.68	4.12	4.34	6.19	7.96	8.20	7.52	7.56
U.S. Government Bond Yields											
1 Year Maturity	5.08	6.11	3.48	2.00	1.24	1.89	3.62	4.93	4.93	4.45	4.66
5 Year Maturity	5.54	6.15	4.55	3.82	2.97	3.43	4.05	4.75	4.84	4.94	5.13
10 Year Maturity	5.64	6.03	5.02	4.61	4.02	4.27	4.29	4.79	4.94	5.20	5.37
30 Year Maturity	5.86	5.95	5.50	5.42	5.05	5.12	4.56	4.87	5.07	5.40	5.68
State and Local Governments Bond Yields											
Domestic Muni. Bonds	5.43	5.70	5.15	5.03	4.74	4.68	4.40	4.40	4.48	4.89	5.32
Corporate Bond Yields											
Moodys AAA Corp. Bonc	7.04	7.62	7.08	6.49	5.67	5.63	5.24	5.59	5.66	5.93	6.18
Effective Mortgage Rate	7.43	8.06	6.97	6.54	5.82	5.84	5.86	6.42	6.45	6.76	6.93
Corporate Profits (Billions of Dollars)											
Profits Before Taxes	775.88	773.40	707.90	768.45	908.08	1204.68	1579.58	1805.78	1837.25	1897.93	1927.87
Inventory Valuation Adj.	0.93	-14.08	11.35	-2.23	-13.58	-43.10	-36.15	-36.33	-24.61	-5.05	3.50
Profits After Taxes	517.23	508.20	503.80	575.83	664.78	897.30	1186.70	1351.88	1374.75	1415.36	1431.16