



November 2007

Forecast of the Nation

Credit Storm: Phase II Better Be Brief

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ECONOMIC
FORECASTING
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Business Intelligence at Its Best

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November 2007

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ANNUAL SUBSCRIPTION ORDER FORM





CREDIT STORM: PHASE II BETTER BE BRIEF

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NOVEMBER 5, 2007

FORECAST COMMENTARY

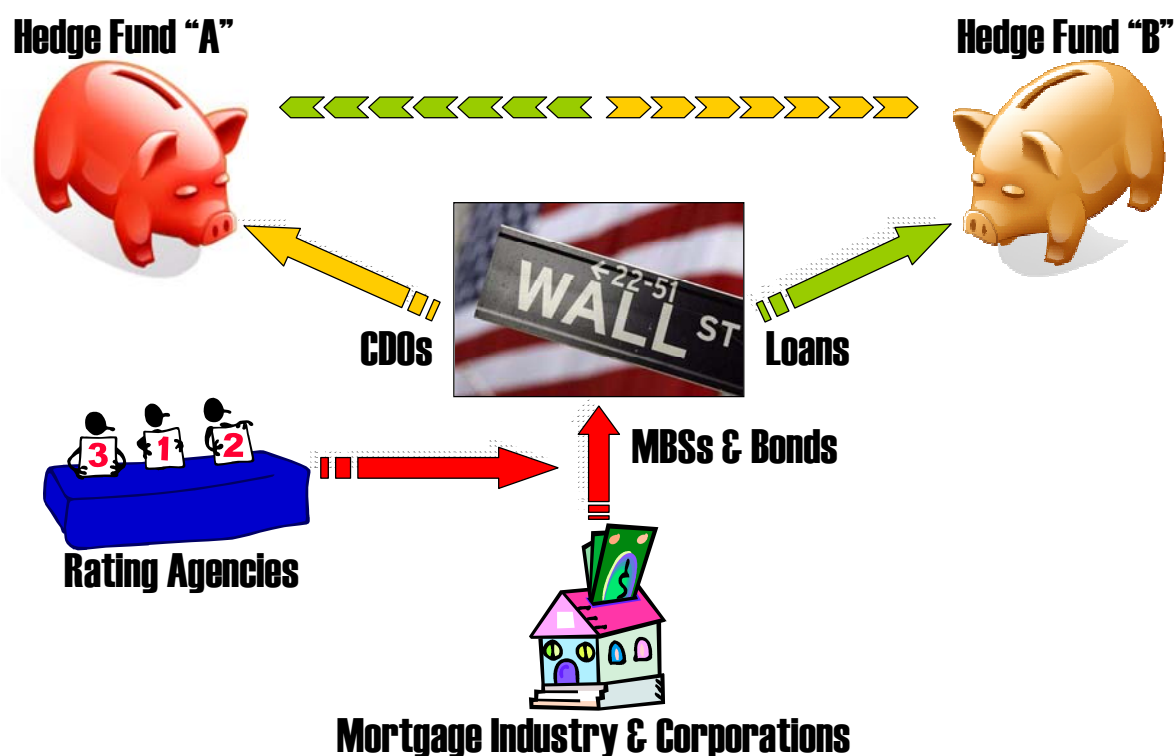
The first phase of this summer's credit storm is over, thanks to the aggressive cut of 50 basis points by the Fed on September 16. The current casualty list of this credit storm ranges from failed hedge funds, weakened balance sheets, and bruised egos of Wall Street banking stalwarts to the ousted CEOs of Merrill Lynch and Citigroup. Other sacrifices will have to be made at the altar of the subprime debacle before the storm abates. So expect more CEO firings as further write downs and profit warnings are released. The Fed enacted a cut of 25 basis points on October 31, but the statement it released to explain the cut only confused the stock market, which first fell and then rallied to finish the day up. However, the very next day, the market gave up all the gains and more when analysts suggested that Citigroup might run short of capital and potentially have to cut dividends or sell assets to raise funds.

After the performance of the financial markets in the last few months, the 3.9% GDP growth in the third quarter was welcome news. Examining the components of this quarter reveals a good report. Exports grew superbly to make up for the weakness in residential construction, and strong government spending lifted the growth rate above the 3.0% mark. Investment growth picked up some momentum, and inventory change was positive and decent. The price indexes displayed moderate inflation, and nondurable consumption growth was healthy despite elevated gas prices last quarter. The good news is that the economy is not so weak as to crumble in the near future. More than a few months of financial turmoil will be necessary to bring a decisive change. However, the economy falls short of being as strong as the latest job growth numbers indicate, especially

considering the revisions concentrated in the local government jobs sector. The bad news is that the GDP report unfortunately tied the Fed's hand in being more aggressive with its rate cut that day. The report failed to provide the Fed with enough ammunition to cut another 50 basis points. Bill Gross of PIMCO nailed this hesitation in his October opinion piece. He argued that false hopes of a housing bottom, fears of a dollar crisis, or misinterpretation of one month's signs of employment gains and faux economic strength all could interrupt the Fed's easing stance. To this list add another reason: incessant chatter in the media that the Fed's actions to provide liquidity actually are a bailout for banks, which instead should be paying the price for their greed in contributing to the subprime mess.

So what is the Fed planning in the near future? The consensus thinking is that the Fed is done with its rate cuts. I don't blame people for thinking this way because a simple read of the risk statement leads to that conclusion. However, my own read of the Fed's statement is that it has kept the door open for further action (or multiple actions, if necessary). The agency will enact another rate cut in December to buy insurance against negative spillovers from the credit market turmoil. If the economic indicators have worsened no further, the cuts will then stop. But if the economy seems to be worsening more than expected, then the Fed will have no hesitation in getting back into the game.

I am expecting this current phase (the second and last one) of credit market disruption to be brief. The economy will slow down to a subpar GDP growth of below 2% in the next six months and then start to recover in mid-2008. Consumption growth definitely will falter as home prices continue to fall, which in

Figure 1**21st - Century Bank Run**

turn will temper consumers' desires to purchase big ticket items. (Likewise, car producers soon will run out of shareholder equity to indulge in price discounts.) The consumption slack is made up somewhat by strong export growth as the dollar continues to weaken, but investment growth will be lackluster, making for tepid job gains. The unemployment rate will rise slightly, but the good news is that we will avoid a recession. I base this prediction on the assumption that the second phase of this credit storm will be brief, the run up in oil prices is only temporary, and the chatter on an Iran offensive is just that. The Fed also is banking on this logic to a large extent, and I hope we both are right.

Why am I still so nervous when the October job growth was a respectable 166,000 job gains, and the previous month's revisions to the August payroll numbers were huge (going from a loss of 4,000 to a gain of 89,000)? CNBC's Larry Kudlow and others of his ilk in the media are dubbing the current climate as a Goldilocks economy: real GDP growth above 3%, inflation below 2% (core PCE deflator), and job

growth that is picking up. To this, I have only CNBC's Rick Santelli's perfect retort: three bears named S, I, and V are just around the corner! SIVs, or structured investment vehicles that Wall Street banks set up to profit from the mortgage loan securitization wave of the last decade, now hold the key to the continued growth of this economy. The bears in the market are calling for a recession in 2008. (By contrast, Alan Greenspan is talking about turning a corner in the current credit squeeze!) To understand the situation better, we need to understand what caused the turmoil in August.

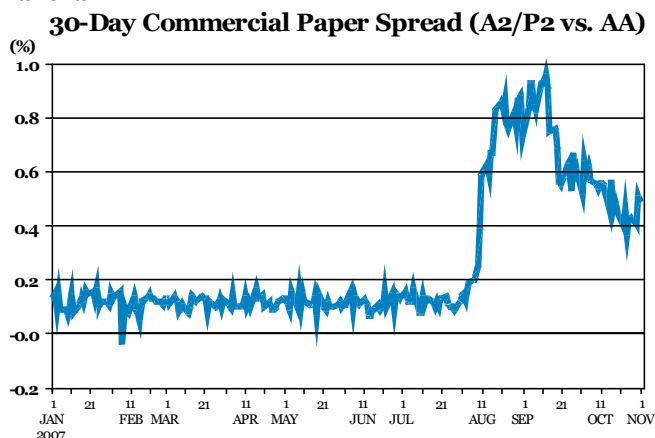
Figure 1 shows the basics of what unfolded in August, what I call a 21st-century bank run. Let me quickly explain what a bank run is, in theory. Banks borrow from depositors at a short maturity and make loans (corporate and real estate) at a longer maturity. Sometimes friction or a run occurs when the majority of depositors try to withdraw funds suddenly. The banks are caught then in a liquidity squeeze, because the assets or long-term loans they made are anything but liquid. When too many people try to withdraw at

Table 1
U.S. Forecast Summary, November 2007

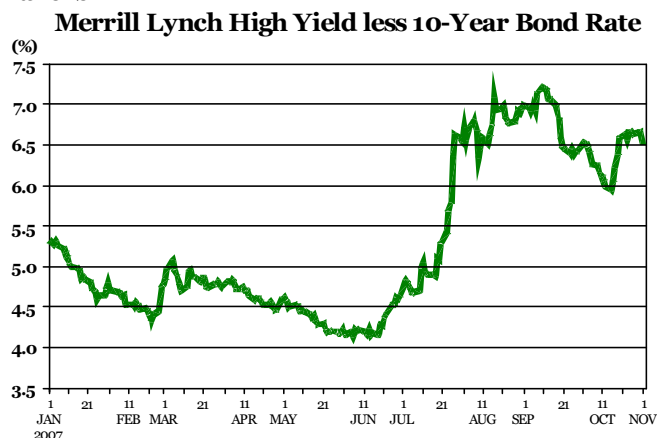
	Quarterly						Annual		
GDP DETAILS	07'Q4	08'Q1	08'Q2	08'Q3	08'Q4	09'Q1	2007	2008	2009
Real GDP Growth	1.6	1.5	2.0	2.5	2.9	2.8	2.1	2.3	2.7
Consumption Growth	1.6	1.8	2.0	2.2	2.6	2.8	2.9	2.0	2.7
Investment Growth	2.5	4.0	4.1	3.7	4.7	4.6	4.3	4.6	4.6
Inventory Change (bil. 2000\$)	17.4	18.9	16.9	17.4	18.7	21.0	9.8	18.0	30.6
Export Growth	9.3	8.5	6.8	7.5	7.2	7.6	7.9	8.9	7.3
Import Growth	2.5	3.3	3.1	3.9	3.6	4.9	2.3	3.0	5.0
Net Exports (bil. 2000\$)	-526.1	-512.3	-502.7	-494.4	-485.4	-481.0	-564.6	-498.7	-487.8
MAJOR INDICATORS									
Housing Starts (mil.)	1.210	1.114	1.185	1.225	1.257	1.259	1.358	1.195	1.325
Autos and Light Truck Sales (mil.)	15.2	14.9	15.0	15.4	15.4	15.4	15.9	15.2	15.5
Industrial Production Growth	2.1	1.7	0.8	0.7	2.4	1.3	2.2	1.9	1.8
Nonfarm Employment (mil.)	138.5	138.7	139.0	139.4	139.8	140.2	138.0	139.2	140.8
INTEREST RATES & INFLATION									
90-day Treasury Bills	3.7	3.7	3.8	3.9	4.0	4.3	4.4	3.9	4.5
10-year Treasury Bonds	4.5	4.9	5.0	5.2	5.2	5.3	4.7	5.1	5.3
Crude Oil Price (\$/bbl)	85.0	74.3	71.5	67.3	69.8	68.7	70.8	70.8	67.1
Consumer Price Index	2.6	0.9	1.0	0.7	1.6	1.5	2.8	1.7	1.5
Total Less Food & Energy	2.0	1.7	1.7	1.6	1.6	1.7	2.3	1.9	1.7
Producers Price Index	5.6	1.1	1.1	-0.2	2.2	2.5	3.6	2.3	1.7
POLICY VARIABLES									
Federal Funds Rate	4.5	4.3	4.3	4.3	4.3	4.5	5.0	4.3	4.6
Fiscal Deficit (bil. \$)	-213.4	-250.6	-287.4	-298.5	-310.1	-314.9	-206.0	-286.6	-321.5
Real U.S. Dollar (% change)	-17.3	-5.8	1.5	3.0	3.8	4.2	-6.6	-6.4	3.1

Credit Squeeze Indicators

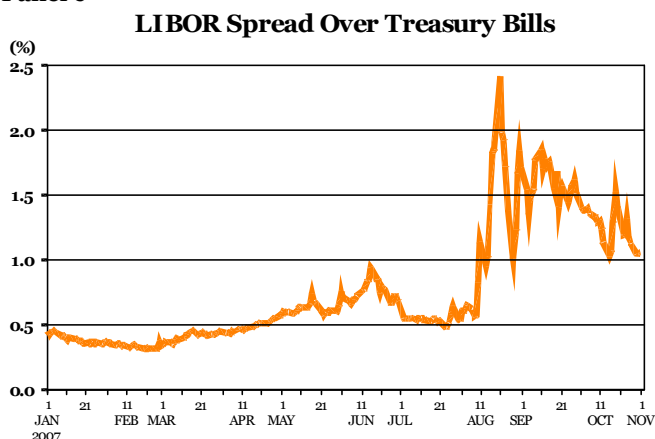
Panel a



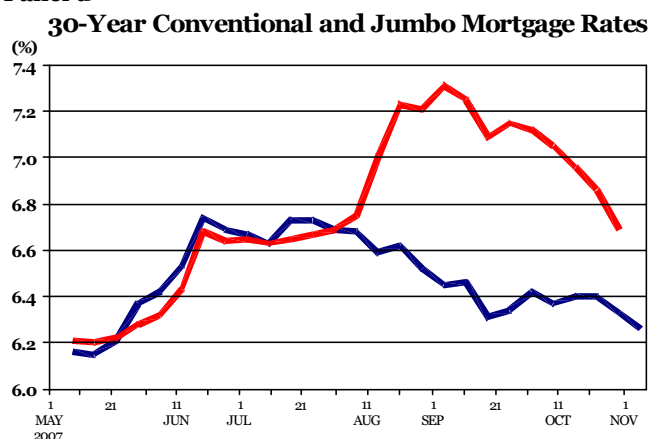
Panel b



Panel c



Panel d



the same time, the banks may even fail because they are unable to honor their promise of liquidity to depositors. They can borrow from other banks, but those supports may fall short. This scenario is where the central bank comes into the picture. It is the lender of last resort, providing liquidity or cash against bank assets (loans) as collateral.

Modern day banking is a bit more complicated in execution. Figure 1 shows that mortgage loans and bonds (issued by corporations), after getting a seal of approval from the rating agencies, are securitized by Wall Street to be sold off to hedge funds all over the world. The hedge funds are conduits through which not only well-heeled people but also pension funds, foreign investors, and even mutual funds invested, all

looking for that excess return or alpha. This process presents no problems as long as the SIVs are not in the picture. However, Wall Street banks created SIVs as the off-balance hedge funds to play this lucrative market. Everybody wants those juicy returns, so why should bank shareholders be left out? Even though the banks never directly funded these SIVs, they lent their expertise for fees (and an implicit guarantee of credit lines).

The situation gets tricky, as happened in August, when hedge fund A, which was sold collateralized debt obligations (CDOs) by the street, was being speculated against by the SIVs as hedge fund B. When the bets came due, especially on subprime backed securities, we saw a situation where the dog chases its own

tail. Consequently, the market for assets held by hedge funds became thin or even collapsed because no buyers existed for these products. When the depositors tried to withdraw funds, that led to a run for liquidity. Bear Stearns was the first casualty, and the contagion quickly spread to other banks. Banks immediately stopped providing loans to each other, even in the overnight market, for example, hoarding their liquidity and creating a system-wide problem. The solution to this type of loss of liquidity is lending by a central bank, against good collateral, albeit with a penalty. That's what the Fed did on August 10, and when that action alone didn't calm the markets, the Fed had to next cut the discount rate by 50 basis points on August 17. It also went a step further and agreed to take home mortgages as collateral, and it agreed to give loans up to 30 days rather than the customary 1-3 day time periods. This action did stem the panic finally in late September, after the Fed made the 50-basis-point cut in its targeted federal fund rate.

How much has the credit situation stabilized? The credit markets are frozen in multiple ways. The four panels on the opposite page depict the different measures of the credit squeeze. **Panel a** charts the junk bond yield spread over the 10-year bond rate. This spread rose by almost 250 basis points in August and early September. **Panel b** shows the three-month LIBOR spread over the treasuries, which at times was 250 basis points but since has retreated towards 100 basis points. Normally this spread is only 50 basis points, and the liquidity needs of the European banks are reflective of this spread. The ECB was the first to pump liquidity on August 9 (by default or design is debatable), and the Bank of England finally intervened when the Northern Rock episode threatened to derail the U.K.'s banking system.

Panel c shows that the spread between jumbo home loans (those above \$417,000) and conventional home loans rose dramatically in August to almost 100 basis points. Why did this separation happen? Currently, jumbo loans are hard to securitize because the market for them has dried up since hedge funds and foreign investors are skittish about investing in them. Therefore, originating banks have to keep these loans

on their books now, just as in the 1980s, which in turn requires more capital for risk management and understandably an insistence on a premium to make the loan. In a way, the banks will be making money if they give those 80/20 loans to creditable borrowers, provided home prices don't tank more than 20% over the next few years. The trouble is that, in places like California and South Florida, home prices already are down by more than 10% in many neighborhoods, and the end is nowhere in sight.

The last panel shows the key credit spread in this whole lending squeeze game. **Panel d** depicts the spread between the 30-day AA and A2 asset-backed commercial paper. Normally this spread is about 10 basis points, which is what we see until July. In early August, however, the spread rose dramatically, notwithstanding the Fed's direct interventions and the 50 basis point cut in the discount rate. The spread declined in mid-September following the 50 basis point funds rate cut, but, whenever any Wall Street bank puts out bad news, it tends to edge up. As I said, this spread is key because SIVs used the commercial paper market to raise investment funds to buy all those mortgage backed securities (MBSs) and CDOs based on these MBSs. Just like a bank, they borrowed short and lent long except they are not a bank and have to rollover debt every 30 to 90 days!

If the SIVs fail to renew their debt, they either have to liquidate their assets to pay off the commercial paper or declare default if they are unable to find a market for their esoteric assets. The lenders (you and me via our banks and money market funds) are skittish about rolling over their debt because they don't believe in the value of their collateral. If one SIV is unable to sell its assets without taking a big hit to its valuations (markets are very thin), it then prompts other SIVs (and their patron banks) to mark their own assets to the lower market value. This scenario is what the major Wall Street players are facing now. So when Merrill Lynch surprised the street with its additional write downs two weeks after conveying initial estimates, it cost the CEO his job. Estimates put this asset-backed commercial paper, coming due in the next few months, at approximately \$350 billion dollars, and buyers so far are nowhere in sight.

SUPERFUND AND THE CRISIS OF CONFIDENCE

The creative solution proposed by the Treasury is for the Wall Street banks to pool their credit lines to form a superfund. The SIVs can sell assets to the banks for a penalty when the time comes to refinance the commercial paper debt. This is a form of self-insurance by private banks with the moral support of the Treasury. Why is it needed? Suppose Bank A uses the fund today only to balk at lending money tomorrow when Bank B's turn comes. To avoid this free-loader problem, an outside referee, Treasury, must enforce the rules of the game. If investors are smart, they won't cross Hank Paulsen, who knows everybody on Wall Street.

Some people have objected to the superfund mechanism. The first objection is that it sweeps the valuation problem of these esoteric CDOs under the rug. Just bring out the valuations in the open, write them down, and get over it, the objectors argue. They see no need for a secretive process to delay the inevitable. While it's a valid argument, it misses the point. What we are experiencing is a type of market failure resulting from buyers having lost confidence in the ability of rating agencies, who initially priced these CDOs and bonds as investment grade and now are downgrading them. This crisis of confidence is what prevents the fair valuation of these securities.

The rating agencies have to take some blame in creating this crisis, but still the caution for buyers to beware is valid. Also, hedge funds and their backers should have done their due diligence. They are doing it now in what I dub ex-post calculations. For example, in the CDO market, the pool of MBS securities is sliced up or tranching into multiple grades ranging from AAA to less than investment grade. Statistically, this arrangement is possible because not all securities—even when comprised of only subprime home loans—will default at once. So an investment grade rating (BAA and above) to a subprime tranche is feasible. However, people are belatedly looking at the default rate of subprime loans, which is still only 15%, and multiplying it by the share of subprime loans

(about 15%) and arriving at the ex-post conclusion that the expected default probability is 2.25%. But BAA security is supposed to have an ex-ante default rate of 0.15%, almost 15 times lower than this back-of-the-envelope calculation. Ergo, investors refuse to buy asset-backed debt as they have no confidence in the rating agency's debt valuation prowess. Agencies downgrading thousands of CDOs (rightly so) in August and September didn't help either.

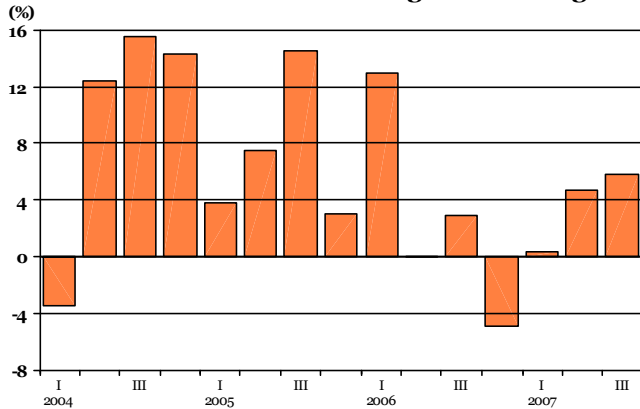
This confidence crisis is something new to the system. The superfund construct definitely buys time as the underlying assets are certainly worth more than where the market is pricing them. Let me illustrate this with a simple example. Imagine a used car dealer has 100 cars on the lot, and of those, only 2 are lemons. The lemon's premium implies that it will be impossible to get the fair value of the car. An innovation, pioneered by companies like CARMAX, is that the car dealer provides a warranty (for a price). For example, a buyer can return a lemon car within 60 days. Consequently, the thin market will fill up with buyers, and prices will be closer to fair value. This innovation has shored up the value of used cars, especially when we trade in our old cars at the dealership! The trouble arises if the buyer doesn't believe in this warranty. Thus, the entire process falls apart.

The solution is for the car dealer to do a price cut. Price cuts first draw in the looky loos, and these turn into buyers when enough people are looking at the cars. Why? If lots of people are looking, then a buyer might conclude that those two lemons have a good chance of being sold. Therefore, he can now enter the market. Once the buyer walks in, the market is open by definition. If apart from a price cut, a reputable outsider is brought in to vouch for the warranty, the buying desire is strengthened. That is the role of the Treasury.

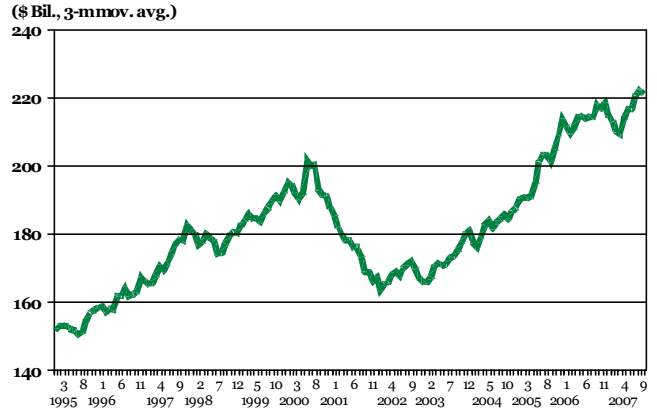
Enter the other puritan objection to the superfund. What if the private funding of the superfund is not enough to mop up the mess, and the Treasury has to bailout the fund by using taxpayers' money? That risk is there, granted, but something has to be tried. Any tie up in the commercial paper market ultimately affects the legitimate borrowers: corporations that need

Economy's Health at a Glance

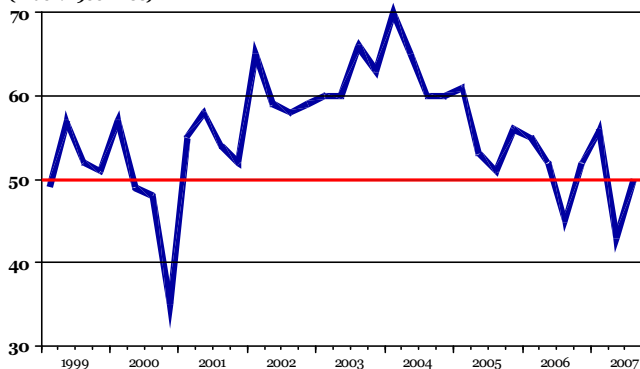
Graph i
Investment Deceleration Began a While Ago!



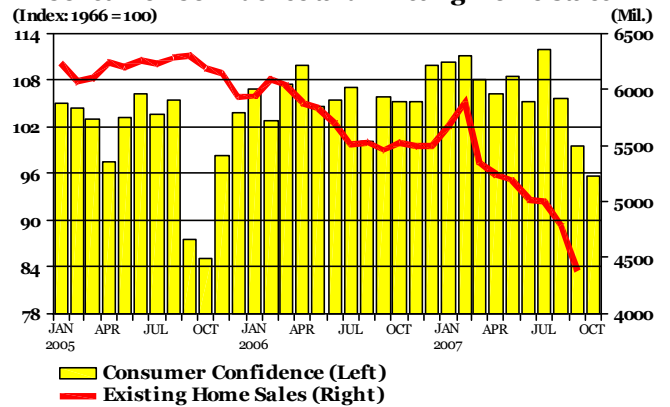
Graph ii
Durable Goods Orders



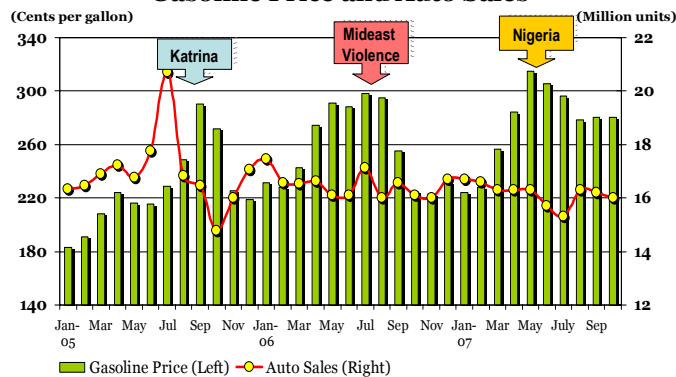
Graph iii
Chief Executive Confidence
Expectations of Business Conditions in Own Industry 6 Months Ahead (Index: 1966 = 100)



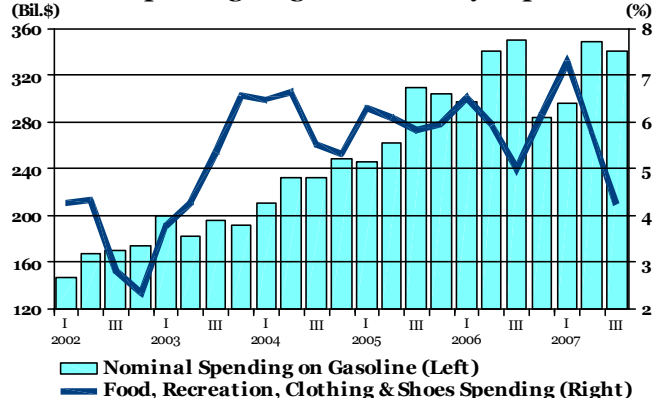
Graph iv
Consumer Confidence and Existing Home Sales
(Index: 1966 = 100) (Mil.)



Graph v
Gasoline Price and Auto Sales



Graph vi
Gas Spending Dings Discretionary Expenses

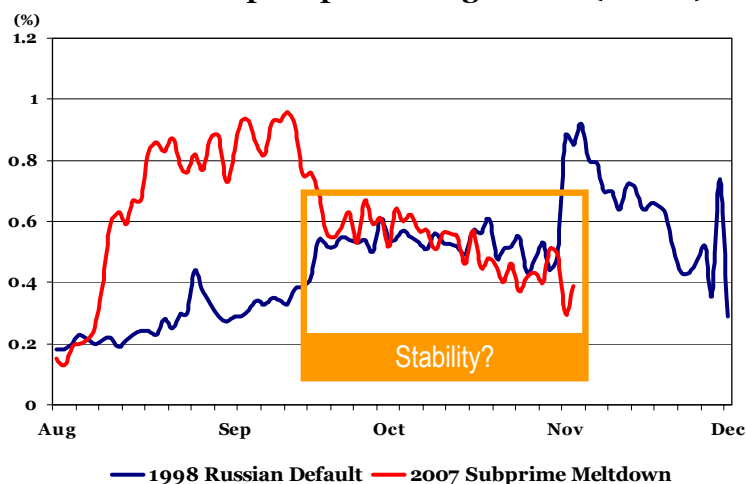


to borrow to make up for their genuine cash flow needs. If banks are nervous about lending directly or indirectly, that results in either higher interest rates or credit rationing. Both are bad for economic activity especially for the investment desire of corporations.

Graph i depicts investment growth in the economy. From 2004 to early 2006, the quarterly investment growth rate averaged just about 10%. So what was the job growth? Almost 200,000 jobs per month were created in this period. (In the go-go 90s, the investment growth rate was almost 15% and the economy was adding more than a quarter million jobs per month!) In the last six quarters, investment growth has slowed to less than 4.0%, but the job creation pace has failed to slow slightly. Only in the last six months has it dropped to approximately a 120,000 monthly pace from 160,000 a year ago. This number will be revised downwards next year as preliminary benchmark estimates for March 2007 show a reduction of almost 300,000 jobs. Net-net, 160,000 may be only as good as 120,000.

Graph ii shows the value of durable goods orders, and they did dip early this year (when investment growth was almost negligible). However, they have picked up since. To get an idea of what the investment desire is going forward, see the survey of CEO confidence in **graph iii**. The survey shows that this confidence peaked in early 2004 and has been declining ever since. Presently CEO confidence stands at 50, and the question is, how will this measure hold up going forward? An indicator of CEO confidence is the confidence of consumers. **Graph iv** shows that consumer confidence has fallen considerably since July as existing home sales and values continue to weaken. If consumers feel that their most valuable asset, their homes, are not only losing value but also are illiquid, then there is the real danger that the negative wealth effect will kick in. The confidence problem gets compounded by the fact that oil futures are climbing towards record territory every day. Net-net, a sharp fall in consumer confidence can spook CEOs, who may be reluctant to open their wallets for investment. **Graph v** shows that car sales so far have

Figure 2
Commercial Paper Spread Progression (AA-A2)



been immune to gasoline price spikes, thanks to discounts. However, higher gas prices do ding discretionary spending, as **graph vi** clearly shows. In short, the risk exists of a slowdown led by a decline in consumer confidence, which in turn may spook the CEOs to pull back resources, notwithstanding a resolution of the current credit market turmoil.

So when will this turmoil end? When the commercial paper spread (AA versus A2) consistently drops below 10 basis points. The last time this spread widened was the fall of 1998, and the Russians had just defaulted on their bonds. Consequently, every bank had to mark to-market securities of an equivalent nature to junk status, which led to a stampede for liquidity. **Figure 2** charts the last crisis versus the current episode. It looks like we came out of the gate much faster (higher), but the Fed's actions have created a plateau at approximately 50 basis points. In 1998, it took three 25 basis point rate cuts, including an intermeeting cut, to get the situation under control. There was one last gasp in late December, and then the problem just vanished. Last time, the banks knew what they had to do or how much to mark down. Although the adjustment took some time, it was over once and for all. This time around, we are dealing with a moving target. Every week brings news about new markdowns because the underlying housing loans continue to weaken. A gyration within some limits is what the system can handle. History has shown us, at least once, what those limits are. Hopefully, those bounds will not be breached this time.



ECONOMIC INDICATORS

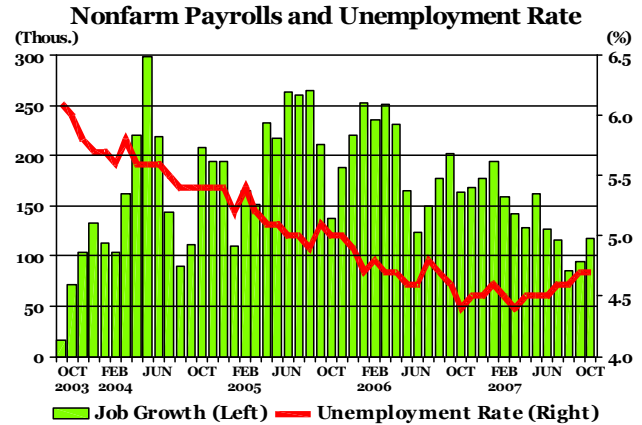


Table 2
Summary of Recent Evidence

Indicator	Last 6 months						Last 4 quarters			
	May	Jun	Jul	Aug	Sep	Oct	06'Q4	07'Q1	07'Q2	07'Q3
Consumer Spending										
Retail Sales (\$billions)	377.7	374.7	376.9	378.0	380.2		364.2	369.8	374.7	378.4
Automobile Sales (million units)	16.3	15.6	15.2	16.2	16.2	16.0	16.3	16.5	16.0	15.9
Consumer Confidence (index)	108.5	105.3	111.9	105.6	99.5	95.6	106.8	109.8	106.7	105.7
Personal Income (\$billions)	11,620	11,673	11,733	11,786	11,834		11,065	11,484	11,619	11,784
Personal Consumption (\$billions)	9,684	9,706	9,741	9,793	9,823		9,422	9,540	9,674	9,786
Housing and Construction										
Housing Starts (million units)	1.440	1.468	1.371	1.327	1.191		1.564	1.460	1.464	1.296
Existing Home Sales (million units)	5.980	5.760	5.750	5.480	5.040		6.263	6.423	5.917	5.423
New Home Sales (million units)	0.861	0.797	0.798	0.735	0.770		0.992	0.853	0.855	0.768
Manufacturing										
Industrial Production (index)	113.0	113.5	114.2	114.3	114.4		112.2	112.2	113.2	114.3
Capacity Utilization (% of capacity)	81.5	81.8	82.2	82.1	82.1		81.7	81.3	81.7	82.1
ISM Index	55.0	56.0	53.8	52.9	52.0	50.9	50.7	50.8	55.2	52.9
Durable Goods Orders (\$billions)	213.8	217.6	230.5	218.4	214.7		215.9	209.3	216.8	221.2
Deficit & Interest Rates										
Trade Deficit (\$billions)	-59.6	-59.4	-59.0	-57.6			-59.5	-58.9	-59.2	
10-Year Note (% per annum)	4.8	5.1	5.0	4.7	4.5	4.5	4.6	4.7	4.9	4.7
3-Month Bill (% per annum)	4.9	4.7	5.0	4.3	4.0	4.0	5.0	5.1	4.9	4.4
Inflation										
CPI (year-over-year % change)	2.7	2.7	2.4	1.9	2.8		2.0	2.4	2.7	2.4
Core CPI (year-over-year % change)	2.3	2.2	2.2	2.1	2.1		2.7	2.6	2.3	2.1
PPI (year-over-year % change)	3.7	3.2	3.9	2.1	4.4		0.2	1.9	3.4	3.5
Employment										
Non-Farm Job Gains (thou.)	188.0	69.0	93.0	93.0	96.0	166.0	531.0	427.0	379.0	282.0
U.S. Layoffs (thou. units)	71.7	55.7	42.9	79.5	71.7	63.1	66.7	65.3	65.8	64.7
Unemployment Rate (%)	4.5	4.5	4.6	4.6	4.7	4.7	4.5	4.5	4.5	4.6

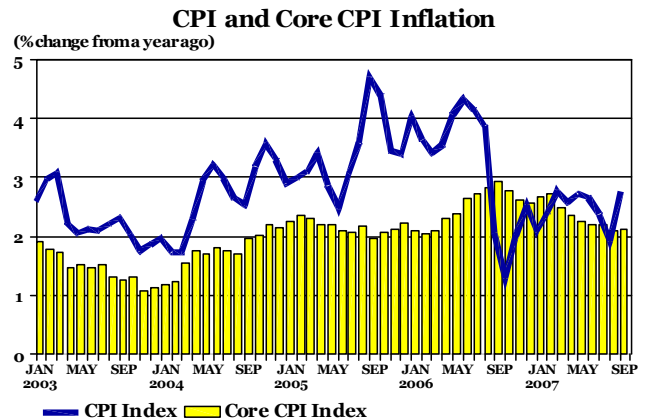
Employment Situation

Total non-farm employment grew by 166,000 jobs in October after adding 96,000 jobs in September. The revised August job gains are now at 93,000 rather than a loss of 4,000 jobs. Still, the three-month job gains average of 118,000 is almost half the pace of 206,000 monthly jobs averages experienced in 2006. Across categories, construction has lost 106,000 jobs in the last twelve months, while Education and Health added 580,000 jobs in the same time period. Corporate layoffs were 63,114 in October, a decrease of 8.8% from levels a year ago. The unemployment rate is still below 5.0%.



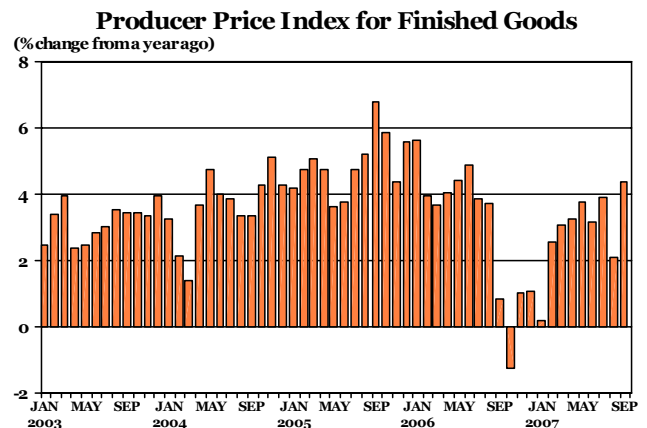
Consumer Price Index

The CPI rose 0.3% in September, following a 0.1% decline in August. Key contributors to this increase were the food and energy components, which grew by 0.5% and 0.4%, respectively. Over the last three months, the headline index has advanced at a 1.0% annualized rate, a sharp moderation from the 5.2% pace in June. Meanwhile, the core CPI rose 0.2% in September, which makes for a 2.5% growth in the third quarter. However, on a year-over-year basis, core inflation is running at only 2.1%. These core numbers indicate that underlying inflation remains under control.



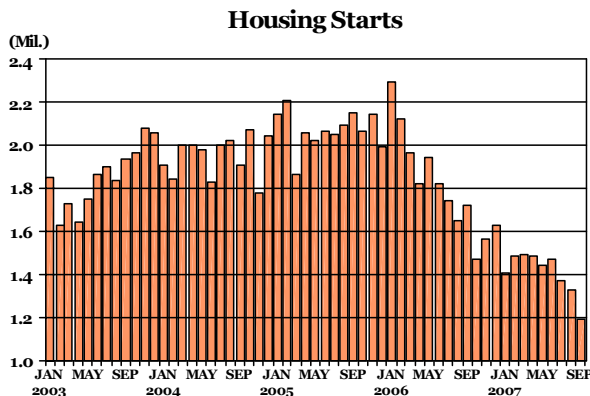
Producer Price Index

Producer prices for finished goods have been on a roller coaster during the past several months. The headline index kept rising and falling in response to volatile movements in prices for food and energy products. Recently, the producer price index rose again by 1.1% in September, after falling by 1.4% in August. Excluding food and energy, however, prices rose only a moderate 0.1%, following a 0.2% increase in August. During the third quarter, the PPI index rose at a 1.4% annualized rate, led again by rising food prices, while during the same period core prices fell at a 0.5% rate.



Housing Starts

The housing market news keeps getting more and more gloomy. Following two consecutive months of declines, housing starts plunged again by 10.2% in September to 1.197 million units and hit their lowest level since March '93. Total starts are now 30.8% below the levels seen a year ago. This situation is reflected geographically, too—while the Northeast region starts rose 2.9%, they have fallen 34.8% in the Midwest, 33.9% in the South, and 32.4% in the West in the last 12 months. Finally, housing permits decreased 7.3% in September, signaling a future drop in housing starts.



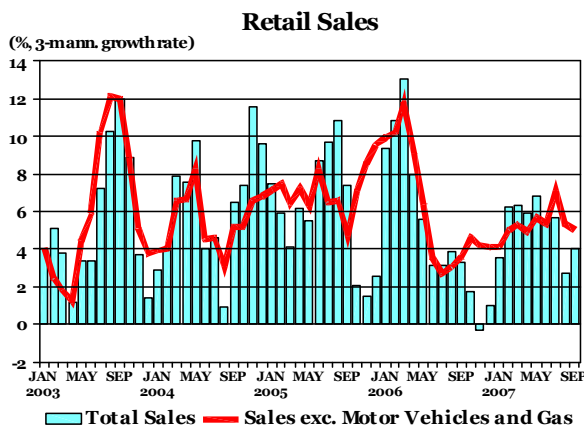
Existing and New Home Sales

The home sales market continues to weaken despite falling interest rates. After dropping 4.7% in August, home sales plunged 8.0% in September hitting an all-time low level at 5.040 million units. Across the nation, total sales plunged in all four regions—on a year-ago basis, sales fell 14.7% in the Northeast, 16.0% in the Midwest, 19.0% in the South, and 28.9% in the West. At the same time, new home sales rebounded unexpectedly in September, increasing 4.8% to 0.777 million units. However, the estimates for the previous three months were revised downward.



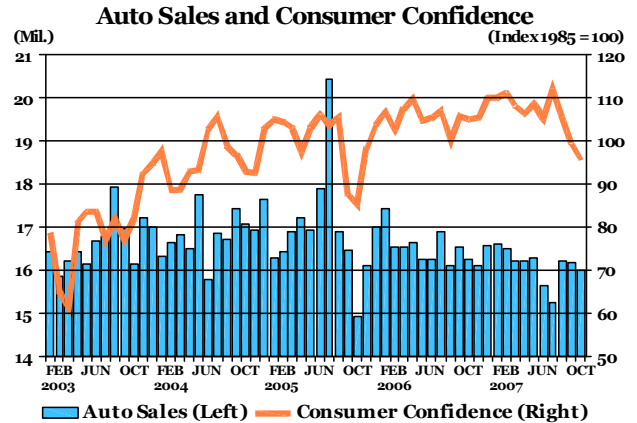
Retail Sales

Total retail sales rose 0.6% in September, doubling their August gain of 0.3%, thanks to strong sales gains at auto dealers, gasoline stations, non-store retailers, and electronics and appliance stores. Sales, excluding auto dealers and gasoline, rose only 0.2% from the previous month. Meanwhile, the ongoing housing slowdown was reflected in sales at home furnishings stores, which fell 0.6% in September after a 0.1% dip in August, and sales of building material dealers, which grew by an anemic 0.1% following a 1.3% decline in August. Overall, total sales grew 4.0% in the third quarter.



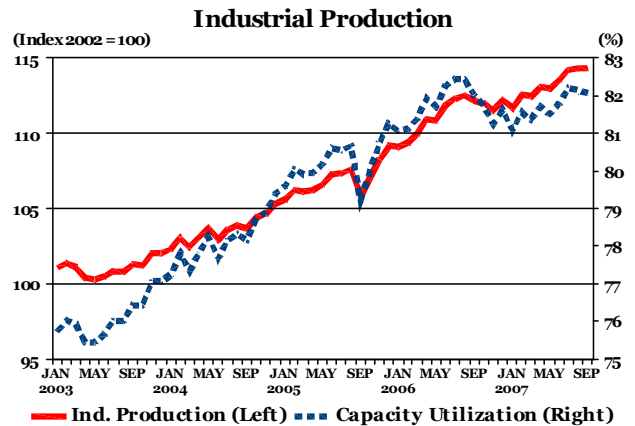
Auto Sales and Consumer Confidence

Auto sales fell to 16.0 million units in October, down from 16.2 million units in September. Overall, sales for the year are running now at 16.1 million units, compared to 16.5 million in 2006. Meanwhile, the Big Three's share of sales has diminished from 53.8% a year earlier to 51.3% now, with Japanese automakers posting strong gains. The consumer confidence index fell for the third consecutive month in October, slipping from a six-year high of 111.9 in July to 95.6 last month, as a deteriorating housing market and high gasoline prices kept consumers anxiety levels elevated.



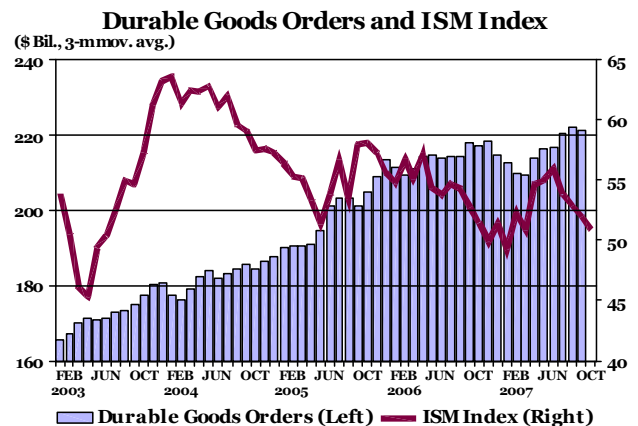
Industrial Production

The Industrial Production Index rose 0.1% in September, with little movement in all three components. Mining production increased 0.2%, and manufacturing output added 0.1%, while utility output eased 0.1% following a 4.6% surge in August. On a year-over-year basis, the index growth has decelerated substantially from a 4%-plus levels seen in 2006 to only 1.9% in September 2007. Meanwhile, the capacity utilization rate was unchanged in September at 82.1%, while the August reading was revised up from the original 81.1% to 82.1%.



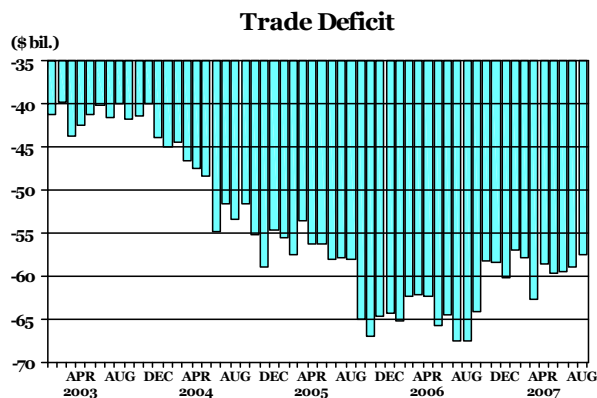
The ISM and Durable Goods Orders

The ISM index eased 1.1 points from 52.0 in September to 50.9 in October. That marks the fourth consecutive month the index has declined, and it now stands at its lowest level since March. Durable goods orders fell from \$218.4 billion in August to \$214.7 in September. This drop was primarily due to a big drop in defense orders. However, excluding defense, orders improved from \$204.8 billion to \$206.1 billion. Additionally, in the third quarter, durable goods orders advanced at an annualized growth rate of 8.2%, the rate that is substantially below the 15.1% pace seen in the second quarter.



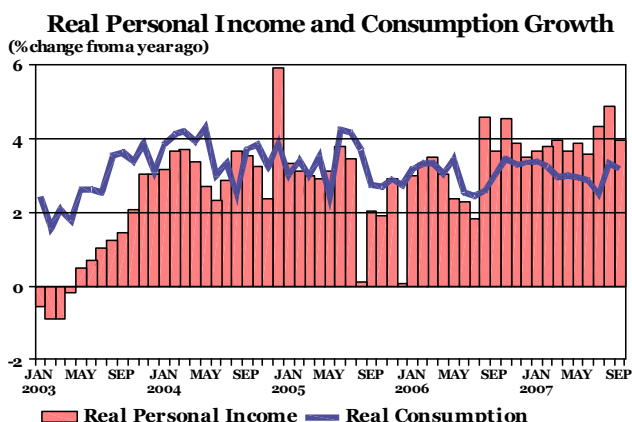
International Trade

The trade deficit narrowed slightly by 2.4%, from a \$59.0 billion deficit in July to \$57.6 billion in August. Despite an increase in country's oil bill, imports eased by 0.4%, while exports grew by an identical 0.4% in August for a sixth consecutive monthly advance. Export growth, on a year-ago basis, is running now at 12.8%, significantly higher than the import growth of 3.0%. Through August, the trade deficit is running at an annual rate of \$707.8 billion, 6.7% lower than last year's \$758.5 billion deficit. However, current numbers are still about 25% higher than the numbers of late 2004.



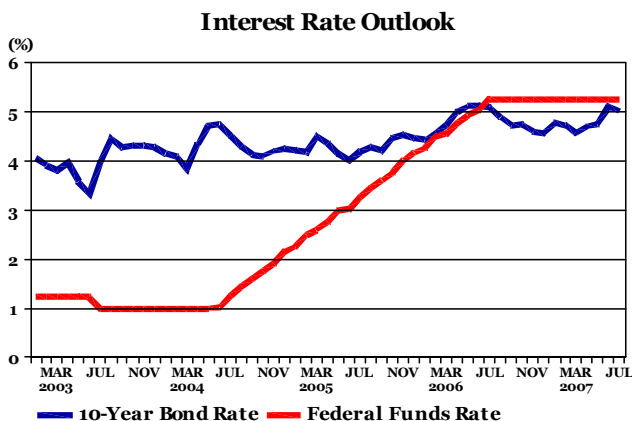
Personal Income and Consumption

Personal income rose 0.4% for the second consecutive month in September, thanks to a 0.6% increase in wages and salaries. On a year-ago basis, the income growth has accelerated slightly from its 6.3% average earlier this year to a 6.8% rate in the last three months. Consumer spending rose 0.3% in September, down from a 0.5% gain in August. However, the year-over-year growth rate of 5.6% is consistent with the pace seen earlier this year. Finally, the core PCE index grew 0.2%, and the 1.8% year-over-year growth rate brings good news to the Fed.



The Fed Funds and 10-Year Bond Rates

In a widely anticipated move, the FOMC voted to cut the federal funds rates by 25 basis points in October, but then it retreated to "neutral policy" territory. The committee noted that rate cuts "should help forestall some of the adverse effects on the broader economy that might otherwise arise from the disruptions in financial markets and promote moderate growth over time." Investors' flight to liquidity in the last three months has prompted a massive buyout of Treasury bonds. As a result, the yield on the 10-year T-bond has fallen from a high of 5.2% in June to 4.5% in early November.



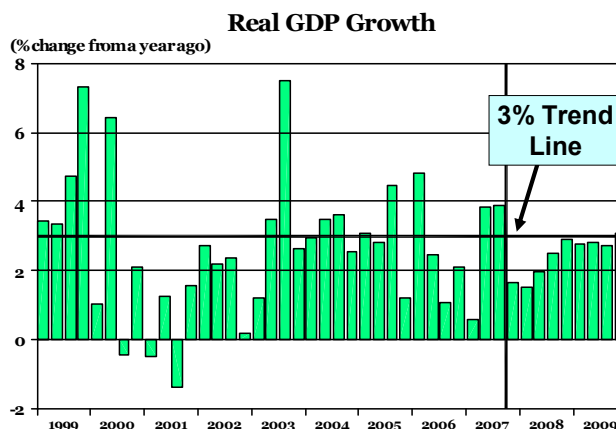


FORECAST HIGHLIGHTS



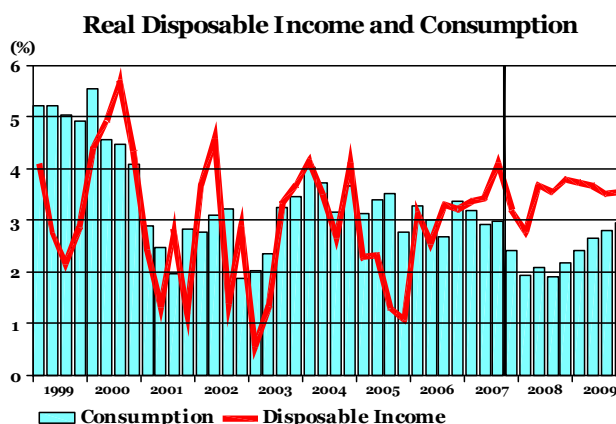
Real GDP

Real GDP will grow a subpar 1.6% in the fourth quarter of 2007. Coupled with 3.9% growth rate in the third quarter, this slim growth will still result in a solid 2.8% pace in the second half of 2007. Going into 2008, the economy will grow an anemic 1.5% in the first quarter and then 2.0% in the second quarter. The major drag on the economy in the coming quarters will be moderating consumption and slowing business investment growth. Overall, for 2007, real GDP growth will be 2.1%, but it will accelerate slightly to a 2.3% rate in 2008. In 2009, real GDP will grow by 2.5%.



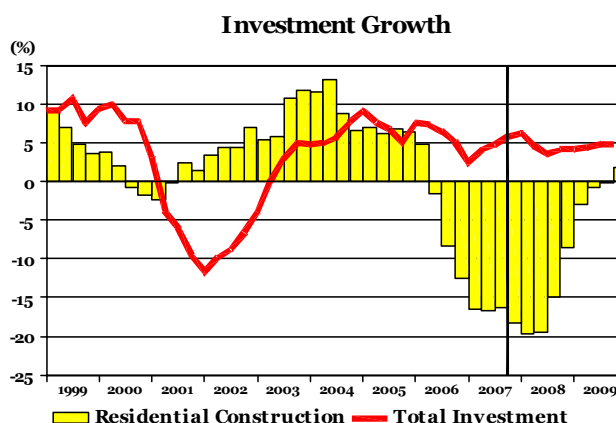
Personal Consumption Expenditures

Consumption growth is expected to be 1.6% in the fourth quarter of 2007, and that figure will push total consumption growth to 2.9% for the year. It will moderate sharply to 2.0% in 2008 and then grow by 2.7% in 2009. Durable goods consumption growth will average 4.4% in 2007, followed by a sharp 0.8% decline in 2008 and a 3.3% recovery in 2009. Meanwhile, nondurable goods consumption will remain steady at approximately 2.5% in 2007 and 2008 before rising to 2.8% in 2009. Service consumption is expected to grow by 2.8% in 2007, 2.3% in 2008, and 2.5% in 2009.



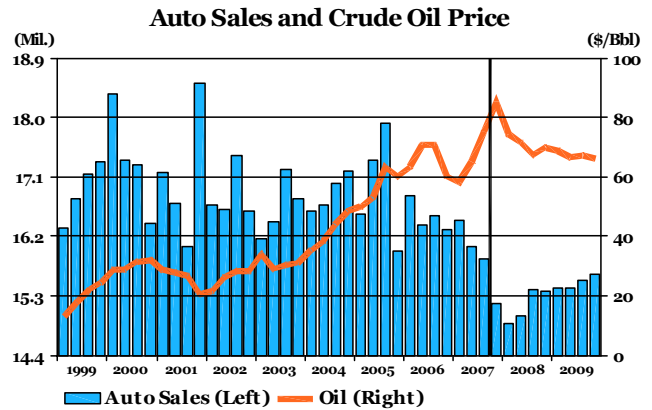
Business Fixed Investment

Business fixed investment growth will be 4.3% in 2007 and will expand by 4.6% in both 2008 and 2009. Investment in producers' durable equipment will grow by an anemic 1.3% in 2007 before rising by 4.7% in 2008 and then growing by an even stronger 6.8% in 2009. Investment in structures is expected to rise by 11.6% in 2007, slow to 4.4% in 2008, and fall into negative territory in 2009. Residential investment will decline by 16.9% in 2007 as housing market continues to crumble. It will decline by 15.8% in 2008 and again by 0.5% in 2009.



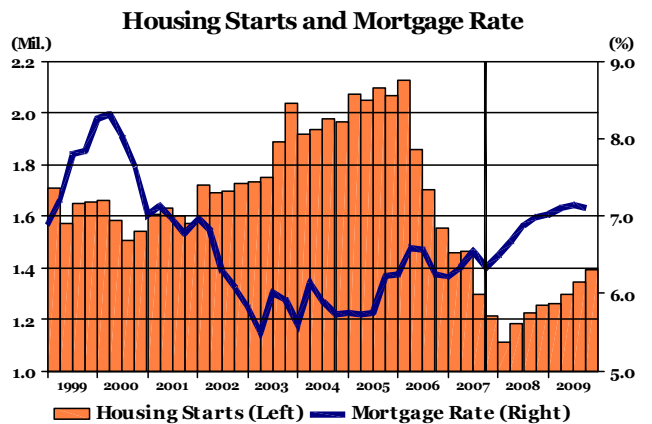
Oil and Vehicle Sales

In the last quarter of the year, the price of oil will average \$85.0 per barrel, making for an annual average of \$70.8 per barrel in 2007. Going forward, the price of oil will continue to remain elevated at around the \$70 dollar per barrel mark and will again average \$70.8 in 2008. Oil prices will moderate a bit to \$67.1 in 2009. Automobile and light truck sales, which were 16.5 million units in 2006, will average only 15.9 million units in 2007. In 2008, auto sales again will decline sharply to 15.2 million units. A modest recovery is expected in 2009 with projected sales of 15.5 million units.



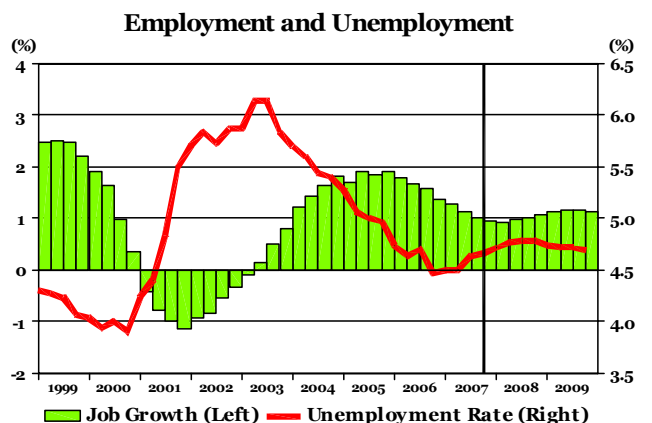
New Residential Construction

After averaging some 1.407 million units in the first nine months of 2007, housing starts will be 1.210 million units in the last quarter of 2007. New residential construction reaches its 15-year low of 1.114 million units in the first quarter of 2008, and then it starts to recover modestly. On an annual basis, starts will average 1.358 million units in 2007, drop sharply to 1.195 million units in 2008, and then rise to 1.325 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 7.1% in 2009.



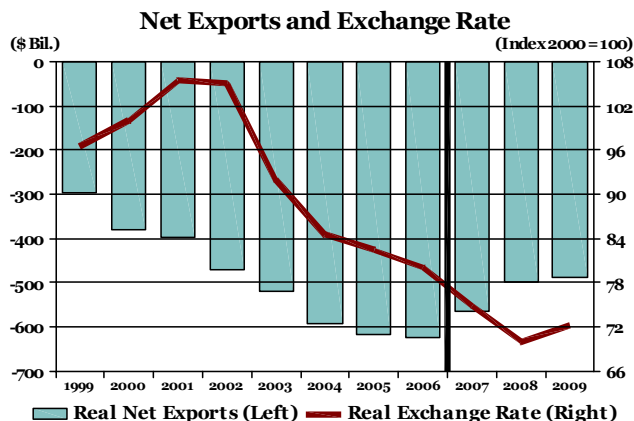
Job Growth

In the first nine months of 2007, the economy created new jobs at a monthly rate of 122,000 jobs per month, and this rate will deteriorate considerably to 80,000 monthly job gains in the fourth quarter. Therefore, the economy will add an average of 112,000 jobs per month in 2007 for a total payroll gain of approximately 1.3 million jobs. In 2008, the economy again will add jobs at a lackluster rate of 102,000 jobs per month before improving to a monthly rate of 136,000 jobs in 2009. The unemployment rate will rise from 4.6% in 2007 to 4.8% in 2008 and then decline to 4.7% in 2009.



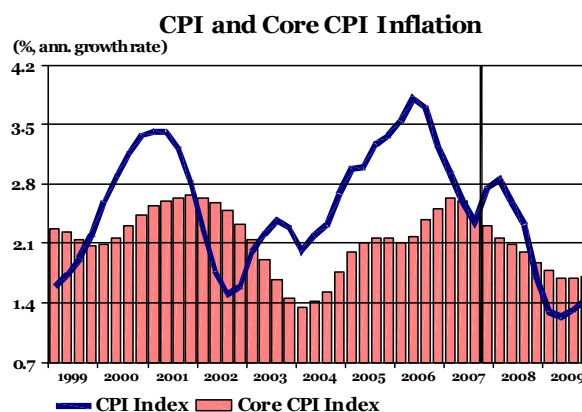
International Trade

The real trade-weighted dollar index will decline 6.6% in 2007 and 6.4% in 2008 before finally appreciating to 3.1% in 2009. In 2006, exports grew robustly by 8.4% compared to a 5.9% increase in imports. In 2007, exports will grow at a 7.9% rate while import growth will moderate to 2.3%. In 2008, exports growth will pick up to 8.9% whereas import growth will lag at 3.0%. In 2009, exports will grow again by a strong 7.3% rate to again trump the 5.0% import growth. The trade deficit will moderate gradually from \$713.3 billion in 2007 to \$599.8 billion in 2009.



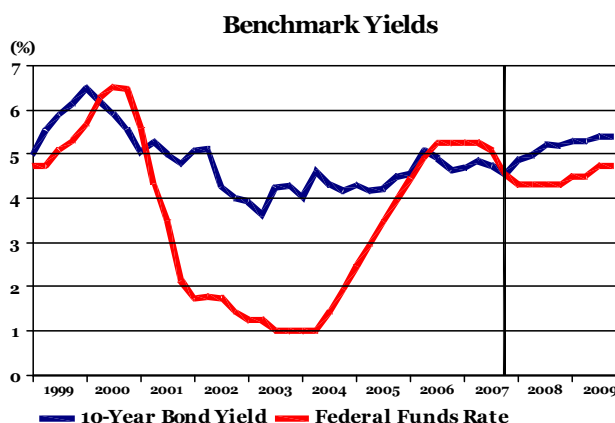
Inflation

In the fourth quarter of 2007, the CPI inflation rate will be 2.6%, but it will moderate to below -1% levels in the coming quarters as the slowdown in the economy relieves inflationary pressures. For 2007, the inflation rate will average 2.8%, moderating to 1.7% in 2008 and 1.5% in 2009. Meanwhile, the core CPI inflation rate will ease from its 2.5% level in 2006 to 2.3% in 2007. In 2008, it will average 1.9% and will moderate to 1.7% in 2009. Wage compensation in the business sector grew at a 3.9% rate in 2006, and it will grow by 5.5% in 2007, 3.8% in 2008, and 3.6% in 2009.



Interest Rates

In August and October, the Fed made a series of bold moves and cut the Federal Funds Rate by a total of 75 basis points from 5.25% to 4.5%. Going forward, expect another 25 basis point cut in December that will take the Fed Fund rate down to 4.25%. Meanwhile, in the first nine months of 2007, the 10-year bond rate averaged 4.8%, but it will fall to 4.5% by the year-end. On an annual basis, the 10-year bond rate will average 4.7% in 2007, rise to 5.1% in 2008, and average 5.3% in 2009. Therefore, the 10-year rate is not expected to cross the 6.0% mark in the coming years.



FORECAST OF THE NATION

NOVEMBER 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	0.0	2.7	3.5
Money Supply (M2)	7.2	7.4	5.9	8.7	7.5	7.0	4.7	4.4	4.8	6.0	3.4	3.0
Currency	7.7	9.7	7.5	5.9	9.5	6.2	5.1	4.2	4.1	2.7	4.2	4.6
GDP Deflator	1.1	1.4	2.2	2.4	1.7	2.1	2.9	3.2	3.2	2.6	1.8	1.8
Real GDP	4.2	4.4	3.7	0.8	1.6	2.5	3.6	3.1	2.9	2.1	2.3	2.7
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	4.4	3.9	4.5
10-year Treasury Bonds	5.3	5.6	6.0	5.0	4.6	4.0	4.3	4.3	4.8	4.7	5.1	5.3
30-year Treasury Bonds	5.6	5.9	5.9	5.5	5.4	5.1	5.1	4.6	4.9	4.9	5.2	5.6
Prime Rate	8.4	8.0	9.2	6.9	4.7	4.1	4.3	6.2	8.0	8.1	7.3	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	5.6	6.3	6.6
Prime Rate Less Inflation	6.8	5.8	5.9	4.1	3.1	1.8	1.7	2.8	4.7	5.3	5.6	6.2
Federal Fiscal Policy												
Effective Tax Rates (%):												
Personal Income	21.8	21.4	21.8	23.1	20.1	18.4	16.9	17.9	18.5	18.7	18.8	18.6
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	6.1	7.6	3.1
Constant \$	-2.1	1.9	-0.5	3.9	7.4	8.7	5.8	1.5	1.9	3.2	4.7	0.9
Other Expenditures--% change												
Transfers to Persons	3.0	4.2	5.3	9.0	9.9	6.9	4.7	6.4	6.6	7.1	5.9	4.6
Grants to S&L Gov't	7.1	9.5	6.2	11.6	10.3	11.1	3.1	3.5	-0.7	5.8	6.5	4.8
Billions of Current Dollars												
Revenues	1773.8	1891.2	2053.9	2016.2	1853.2	1879.9	2008.9	2243.4	2495.8	2689.7	2777.3	2881.4
Expenditures	1735.0	1787.6	1864.4	1969.5	2101.1	2252.1	2379.5	2561.6	2715.8	2895.7	3063.9	3202.9
Deficit	38.8	103.7	189.5	46.7	-247.9	-372.2	-370.6	-318.3	-220.1	-206.0	-286.6	-321.5
As Shares of GDP												
Revenues	20.3	20.4	20.9	19.9	17.7	17.2	17.2	18.0	18.9	19.5	19.3	19.1
Expenditures	19.8	19.3	19.0	19.4	20.1	20.5	20.4	20.6	20.6	21.0	21.3	21.3
Defense Purchases	4.0	3.9	3.8	3.9	4.2	4.5	4.7	4.7	4.7	4.8	5.0	4.9
Transfers to Persons	10.8	10.6	10.6	11.2	11.9	12.1	11.9	11.9	11.9	12.2	12.4	12.4
Deficit	0.4	1.1	1.9	0.5	-2.4	-3.4	-3.2	-2.6	-1.7	-1.5	-2.0	-2.1
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	2.1	2.3	2.7
Final Sales	4.2	4.5	3.8	1.7	1.1	2.5	3.3	3.3	2.8	2.4	2.2	2.6
Consumption	5.0	5.1	4.7	2.5	2.7	2.8	3.6	3.2	3.1	2.9	2.0	2.7
Business Fixed Investment	11.1	9.2	8.7	-4.2	-9.2	1.0	5.8	7.1	6.6	4.3	4.6	4.6
Producers Durable Equip.	13.3	12.7	9.4	-4.9	-6.2	2.8	7.4	9.6	5.9	1.3	4.7	6.8
Structures	5.1	-0.4	6.8	-2.3	-17.1	-4.1	1.3	0.5	8.4	11.6	4.4	-0.2
Residential Construction	7.6	6.0	0.8	0.4	4.8	8.4	10.0	6.6	-4.6	-16.9	-15.8	-0.5
Exports	2.4	4.3	8.7	-5.4	-2.3	1.3	9.7	6.9	8.4	7.9	8.9	7.3
Imports	11.6	11.5	13.1	-2.7	3.4	4.1	11.3	5.9	5.9	2.3	3.0	5.0
Federal Purchases	-1.1	2.2	0.9	3.9	7.0	6.8	4.2	1.5	2.2	1.9	3.4	1.0
State & Local Purchases	3.6	4.7	2.7	3.2	3.1	0.2	-0.2	0.3	1.6	2.3	1.9	1.0
Billions of 2000 Dollars												
Real GDP	9067	9470	9817	9891	10049	10301	10676	11004	11319	11560	11824	12147
Final Sales	8994	9401	9760	9922	10036	10287	10621	10970	11279	11551	11806	12117
Inventory Change	72.6	68.9	56.5	-31.7	12.5	14.3	54.3	33.3	40.3	9.8	18.0	30.6

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	2.2	1.9	1.8
Capacity Util. Manuf. (%)	81.7	80.8	80.1	73.9	73.0	74.2	76.6	78.8	80.4	80.3	79.5	79.2
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	15.7	15.1	15.2
Nonfarm Employment (mil.)	125.9	129.0	131.8	131.8	130.3	130.0	131.4	133.7	136.2	138.0	139.2	140.8
Unemployment Rate (%)	4.5	4.2	4.0	4.7	5.8	6.0	5.5	5.1	4.6	4.6	4.8	4.7
Inflation--% change												
Consumer Price Index	1.5	2.2	3.4	2.8	1.6	2.3	2.7	3.4	3.2	2.8	1.7	1.5
Total less Food & Energy	2.3	2.1	2.4	2.7	2.3	1.5	1.8	2.2	2.5	2.3	1.9	1.7
Consumption Deflator	0.9	1.7	2.5	2.1	1.4	2.0	2.6	2.9	2.8	2.4	1.8	1.5
GDP Deflator	1.1	1.4	2.2	2.4	1.7	2.1	2.9	3.2	3.2	2.6	1.8	1.8
Producers Price Index	-0.9	1.8	3.8	1.9	-1.3	3.2	3.6	4.9	2.9	3.6	2.3	1.7
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	5.5	3.8	3.6
Productivity	2.8	2.9	2.8	2.6	4.1	3.7	2.7	1.9	1.0	1.4	1.8	2.0
Unit Labor Costs	3.1	1.8	4.2	1.5	-0.5	0.3	0.8	2.0	2.9	4.0	1.9	1.6
Crude Oil Price (\$/bbl)	14.4	19.3	30.4	26.0	26.1	31.1	41.5	56.6	66.1	70.8	70.8	67.1
New Home Price (\$1000)	152.0	159.8	166.5	172.6	185.0	191.4	217.8	234.2	243.1	242.1	222.4	208.5
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	6.0	5.3	5.2
Real Disposable Income	5.8	3.0	4.8	1.9	3.1	2.2	3.6	1.7	3.1	3.5	3.4	3.6
Real Consumption	5.0	5.1	4.7	2.5	2.7	2.8	3.6	3.2	3.1	2.9	2.0	2.7
Savings Rate (%)	4.3	2.4	2.4	1.8	2.4	2.1	2.1	0.5	0.4	0.9	2.1	2.9
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	1.358	1.195	1.325
Existing SF Home Sales	4.492	4.636	4.614	4.727	4.997	5.443	5.914	6.182	5.707	5.015	4.213	4.431
Auto and Light Truck Sales	15.5	16.9	17.3	17.1	16.8	16.6	16.9	16.9	16.5	15.9	15.2	15.5
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	1886.3	1840.8	1873.0
After Taxes	470.0	517.2	508.2	503.8	575.8	664.8	897.3	1186.7	1351.9	1413.6	1387.1	1409.1
Percent Change												
Before Taxes	-10.0	8.0	-0.3	-8.5	8.6	18.2	32.7	31.1	14.3	4.5	-2.4	1.8
After Taxes	-14.9	10.1	-1.7	-0.9	14.3	15.4	35.0	32.3	13.9	4.6	-1.9	1.6
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	-5.6	-7.4	1.5
Exports--% change	0.1	3.7	10.6	-5.8	-2.6	3.5	13.6	10.7	12.1	11.7	10.9	7.9
Imports--% change	5.6	12.2	17.9	-5.1	2.2	7.7	16.7	12.6	10.2	5.6	5.2	3.6
Net Exports (bil. \$)	-160.0	-260.5	-379.5	-367.0	-424.4	-499.4	-615.4	-714.6	-762.0	-715.9	-659.2	-605.0
Real												
U.S. Dollar--% change	5.1	0.7	3.7	5.4	-0.4	-12.4	-8.1	-2.5	-2.8	-6.6	-6.4	3.1
Exports--% change	2.4	4.3	8.7	-5.4	-2.3	1.3	9.7	6.9	8.4	7.9	8.9	7.3
Imports--% change	11.6	11.5	13.1	-2.7	3.4	4.1	11.3	5.9	5.9	2.3	3.0	5.0
Net Exports (bil. 2000\$)	-203.8	-296.2	-379.5	-399.1	-471.4	-518.9	-593.8	-618.0	-624.5	-564.6	-498.7	-487.8

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)	2.3	-1.5	5.8	1.6	4.9	1.2	3.9	1.8	6.4	3.7	2.7
Money Supply (M2)	6.7	5.2	4.1	2.1	2.8	1.9	4.8	2.3	2.5	3.3	4.3
Currency	2.0	2.2	11.0	2.0	3.2	3.6	4.3	3.5	6.2	6.8	4.6
GDP Deflator	2.6	0.8	1.6	2.1	2.0	1.7	1.5	2.0	1.9	1.9	1.9
Real GDP	3.8	3.9	1.6	1.5	2.0	2.5	2.9	2.8	2.8	2.7	3.1
Interest Rates (%) on:											
90-day Treasury Bills	4.7	4.4	3.7	3.7	3.8	3.9	4.0	4.3	4.4	4.5	4.6
10-year Treasury Bonds	4.8	4.7	4.5	4.9	5.0	5.2	5.2	5.3	5.3	5.4	5.4
30-year Treasury Bonds	5.0	4.9	4.8	5.1	5.2	5.4	5.4	5.5	5.5	5.6	5.7
Prime Rate	8.3	8.2	7.5	7.3	7.3	7.3	7.3	7.5	7.5	7.7	7.7
Moody's Corporate Aaa Bonds	5.6	5.8	5.6	6.0	6.2	6.4	6.4	6.5	6.6	6.6	6.7
Prime Rate Less Inflation	2.3	6.3	4.9	6.4	6.3	6.6	5.7	6.0	5.9	5.9	6.2
Federal Fiscal Policy											
Effective Tax Rates (%):											
Personal Income	18.7	18.7	18.7	18.9	18.8	18.7	18.6	18.7	18.5	18.5	18.6
Corporate Profits	4.3	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2
Defense Purchases--%change											
Current \$	13.0	11.5	9.3	8.8	4.4	3.4	3.3	5.6	0.8	0.9	2.5
Constant \$	8.5	9.7	6.7	3.4	2.8	2.1	1.8	0.9	-0.5	-0.5	1.3
Other Expenditures--% change											
Transfers to Persons	1.3	5.6	6.3	8.8	4.8	4.5	4.5	6.0	3.9	3.4	3.7
Grants to S&L Gov't	2.3	3.2	9.5	8.1	6.2	5.5	5.4	5.1	3.9	4.0	3.9
Billions of Current Dollars											
Revenues	2684.3	2716.3	2738.6	2761.2	2766.8	2779.4	2801.6	2850.2	2868.9	2890.2	2916.3
Expenditures	2876.9	2915.8	2952.0	3011.9	3054.1	3077.9	3111.7	3165.2	3198.0	3211.8	3236.6
Deficit	-192.6	-199.5	-213.4	-250.6	-287.4	-298.5	-310.1	-314.9	-329.1	-321.6	-320.3
As Shares of GDP											
Revenues	19.5	19.5	19.5	19.5	19.3	19.2	19.2	19.3	19.2	19.1	19.0
Expenditures	20.9	20.9	21.0	21.3	21.3	21.3	21.3	21.4	21.4	21.2	21.1
Defense Purchases	4.8	4.8	4.9	5.0	5.0	5.0	4.9	4.9	4.9	4.9	4.8
Transfers to Persons	12.1	12.2	12.3	12.4	12.4	12.4	12.4	12.5	12.4	12.4	12.4
Deficit	-1.4	-1.4	-1.5	-1.8	-2.0	-2.1	-2.1	-2.1	-2.2	-2.1	-2.1
Details of Real GDP--% change											
Real GDP	3.8	3.9	1.6	1.5	2.0	2.5	2.9	2.8	2.8	2.7	3.1
Final Sales	3.6	3.5	1.6	1.5	2.0	2.5	2.9	2.7	2.5	2.6	3.0
Consumption	1.4	3.0	1.6	1.8	2.0	2.2	2.6	2.8	2.9	2.9	3.2
Business Fixed Investment	11.0	7.9	2.5	4.0	4.1	3.7	4.7	4.6	4.9	5.0	4.7
Producers Durable Equip.	4.7	5.9	3.4	3.4	5.4	6.1	6.6	8.2	7.2	5.7	5.2
Structures	26.2	12.3	0.5	5.3	1.2	-1.4	0.7	-3.2	-0.3	3.5	3.4
Residential Construction	-11.8	-20.1	-25.2	-22.1	-9.1	1.0	-1.1	-2.0	-1.0	3.9	7.0
Exports	7.5	16.2	9.3	8.5	6.8	7.5	7.2	7.6	7.4	7.0	6.5
Imports	-2.7	5.2	2.5	3.3	3.1	3.9	3.6	4.9	6.0	6.8	6.5
Federal Purchases	6.0	6.8	4.6	2.5	2.1	1.7	1.6	1.0	0.1	0.1	2.0
State & Local Purchases	3.0	2.0	3.9	1.4	1.0	0.9	1.1	1.0	0.9	0.8	0.8
Billions of 2000 Dollars											
Real GDP	11520.1	11630.7	11678.2	11722.9	11780.1	11853.2	11938.2	12020.6	12103.8	12186.0	12278.7
Final Sales	11514.3	11615.0	11660.8	11704.0	11763.3	11835.8	11919.5	11999.6	12074.5	12151.8	12240.9
Inventory Change	5.8	15.7	17.4	18.9	16.9	17.4	18.7	21.0	29.3	34.2	37.8

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	3.5	4.0	2.1	1.7	0.8	0.7	2.5	1.3	2.2	2.6	2.5
Capacity Util. Manuf. (%)	80.3	80.6	80.5	80.0	79.7	79.3	79.2	79.3	79.3	79.2	79.0
Real Bus. Investment as % of Real GDP	15.9	15.7	15.3	15.1	15.1	15.1	15.1	15.1	15.1	15.2	15.3
Nonfarm Employment (mil.)	137.9	138.2	138.5	138.7	139.0	139.4	139.8	140.2	140.6	141.0	141.4
Unemployment Rate (%)	4.5	4.6	4.7	4.7	4.8	4.8	4.8	4.7	4.7	4.7	4.7
Inflation--% change											
Consumer Price Index	6.0	1.9	2.6	0.9	1.0	0.7	1.6	1.5	1.6	1.8	1.5
Total less Food & Energy	1.9	2.5	2.0	1.7	1.7	1.6	1.6	1.7	1.7	1.8	1.8
Consumption Deflator	4.3	1.7	2.5	1.3	1.3	1.1	1.6	1.5	1.6	1.8	1.5
GDP Deflator	2.6	0.8	1.6	2.1	2.0	1.7	1.5	2.0	1.9	1.9	1.9
Producers Price Index	9.8	1.0	5.5	1.1	1.1	-0.2	2.2	2.5	2.2	1.4	0.6
Factors Related to Inflation--%change											
Nonfarm Business Sector											
Wage Compensation	4.1	4.8	3.8	3.7	3.4	3.4	3.4	3.7	3.5	3.7	3.8
Productivity	2.6	4.0	1.3	1.1	1.5	1.9	2.1	1.9	1.9	2.1	2.4
Unit Labor Costs	1.4	0.7	2.7	2.6	1.9	1.5	1.3	1.8	1.6	1.6	1.4
Crude Oil Price (\$/bbl)	65.0	75.2	85.0	74.3	71.5	67.3	69.8	68.7	66.7	67.0	66.0
New Home Price (\$1000)	241.0	238.6	233.1	243.1	222.5	212.1	212.0	218.5	201.2	204.9	209.3
Income, Consumption and Saving--%change											
Disposable Income	4.8	6.1	5.1	5.1	5.5	5.0	5.2	5.0	5.4	5.0	5.2
Real Disposable Income	0.6	4.4	2.5	3.7	4.1	3.8	3.5	3.5	3.8	3.2	3.7
Real Consumption	1.4	3.0	1.6	1.8	2.0	2.2	2.6	2.8	2.9	2.9	3.2
Savings Rate (%)	0.6	0.9	1.0	1.5	2.0	2.4	2.5	2.7	2.9	3.0	3.1
Housing and Automobiles--millions of units											
Housing Starts	1.464	1.296	1.210	1.114	1.185	1.225	1.257	1.259	1.299	1.346	1.395
Existing SF Home Sales	5.150	4.723	4.554	4.253	4.192	4.199	4.209	4.298	4.378	4.473	4.573
Auto and Light Truck Sales	16.0	15.9	15.2	14.9	15.0	15.4	15.4	15.4	15.4	15.5	15.6
Corporate Profits											
Billions of Dollars											
Before Taxes	1931.5	1924.7	1873.1	1827.3	1838.8	1834.4	1862.7	1869.7	1881.1	1868.6	1872.7
After Taxes	1441.4	1442.6	1407.0	1374.5	1385.2	1383.6	1405.1	1407.6	1415.4	1405.2	1408.2
Percent Change											
Before Taxes	28.0	-1.4	-10.3	-9.4	2.5	-0.9	6.3	1.5	2.5	-2.6	0.9
After Taxes	25.0	0.3	-9.5	-8.9	3.2	-0.5	6.4	0.7	2.2	-2.8	0.9
International Trade											
Nominal											
U.S. Dollar--% change	-11.9	-11.4	-17.5	-6.6	-0.7	0.7	1.6	2.5	1.2	1.4	1.4
Exports--% change	13.2	20.8	13.6	8.9	7.4	7.6	8.2	8.3	7.9	7.7	7.0
Imports--% change	8.9	13.8	11.1	2.0	0.3	0.9	4.7	3.3	3.8	6.2	4.5
Net Exports (bil. \$)	-714.2	-712.8	-722.4	-697.0	-667.4	-639.8	-632.3	-615.2	-602.0	-604.1	-598.7
Real											
U.S. Dollar--% change	-12.6	-11.2	-17.3	-5.8	1.5	3.0	3.8	4.2	2.4	2.2	2.1
Exports--% change	7.5	16.2	9.3	8.5	6.8	7.5	7.2	7.6	7.4	7.0	6.5
Imports--% change	-2.7	5.2	2.5	3.3	3.1	3.9	3.6	4.9	6.0	6.8	6.5
Net Exports (bil. 2000\$)	-573.9	-546.2	-526.1	-512.3	-502.7	-494.4	-485.4	-481.0	-482.8	-490.0	-497.6

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	13821.7	14386.4	15053.1
Personal Consumption											
Expenditures	6282.5	6739.4	7055.0	7350.7	7703.6	8195.9	8707.8	9224.5	9721.3	10092.1	10520.9
Durable Goods	817.6	863.3	883.7	923.9	942.7	983.9	1023.9	1048.9	1075.6	1052.8	1076.2
Autos and Parts	370.8	386.5	407.9	429.3	431.7	436.8	444.9	434.2	433.6	416.4	438.0
Nondurable Goods	1804.8	1947.2	2017.1	2079.6	2190.2	2343.7	2516.2	2688.0	2830.5	2934.0	3039.0
Services	3660.0	3928.8	4154.3	4347.2	4570.8	4868.3	5167.8	5487.6	5815.2	6105.3	6405.6
Gross Private Domestic											
Investment	1625.7	1735.5	1614.4	1582.1	1664.1	1888.6	2077.2	2209.2	2127.1	2117.4	2208.0
Residential	424.9	446.9	469.3	503.9	572.4	675.5	768.2	764.8	641.2	544.3	551.5
Nonres. Structures	282.2	313.2	322.6	279.2	277.2	298.2	334.6	405.1	465.9	488.1	488.4
Producers Dur. Equip	851.7	918.9	854.2	787.1	800.2	856.3	937.5	992.6	1010.2	1064.6	1133.2
Change In Inv.	66.9	56.5	-31.7	11.9	14.3	58.6	37.0	46.7	9.8	20.3	34.9
Net Exports	-260.5	-379.5	-367.0	-424.4	-499.4	-615.4	-714.6	-762.0	-715.9	-659.2	-605.0
Exports	991.3	1096.3	1032.8	1005.9	1040.8	1182.4	1309.4	1467.6	1638.7	1817.1	1961.0
Imports	1251.8	1475.8	1399.9	1430.3	1540.2	1797.8	2024.0	2229.6	2354.6	2476.3	2566.0
Government Purchases	1620.8	1721.6	1825.6	1961.2	2092.5	2216.9	2363.5	2523.0	2689.1	2836.1	2929.2
Federal	555.8	578.8	612.9	679.7	756.4	825.6	878.5	932.5	977.9	1039.0	1073.3
Defense	360.6	370.3	392.6	437.1	497.2	550.7	588.7	624.3	662.4	712.5	734.6
Other	195.2	208.5	220.3	242.5	259.2	274.9	289.8	308.2	315.5	326.5	338.8
State and Local	1065.0	1142.8	1212.8	1281.5	1336.0	1391.3	1485.0	1590.5	1711.2	1797.1	1855.9
Billions of 2000 Dollars											
Gross Domestic Product	9470.4	9817.0	9890.7	10048.9	10301.1	10675.7	11003.5	11319.4	11560.4	11823.6	12147.3
Personal Consumption											
Expenditures	6438.6	6739.4	6910.4	7099.3	7295.4	7561.3	7803.6	8044.1	8275.8	8443.1	8671.2
Durable Goods	804.5	863.3	900.7	964.8	1020.6	1084.8	1137.4	1180.5	1232.3	1222.2	1263.0
Autos & Parts	372.4	386.5	405.8	429.0	442.1	450.8	451.3	437.3	439.3	417.4	433.7
Nondurable Goods	1876.6	1947.2	1986.7	2037.1	2103.0	2177.6	2255.4	2337.6	2395.7	2453.4	2523.2
Services	3758.0	3928.8	4023.2	4100.4	4178.8	4310.9	4427.3	4545.5	4672.3	4782.0	4902.8
Gross Private Domestic											
Investment	1642.6	1735.5	1598.4	1557.2	1613.1	1770.2	1869.3	1919.6	1827.3	1808.1	1879.5
Residential	443.6	446.9	448.5	469.9	509.4	560.2	597.1	569.5	473.1	398.4	396.5
Nonres. Structures	293.2	313.2	306.1	253.8	243.5	246.7	247.8	268.6	299.8	313.0	312.5
Producers Dur. Equip	840.2	918.9	874.2	820.2	843.1	905.1	991.8	1050.6	1064.3	1114.6	1190.0
Change In Inv.	68.9	56.5	-31.7	12.5	14.3	54.3	33.3	40.3	9.8	18.0	30.6
Net Exports	-296.2	-379.5	-399.1	-471.4	-518.9	-593.8	-618.0	-624.5	-564.6	-498.7	-487.8
Exports	1008.2	1096.3	1036.7	1013.3	1026.1	1126.1	1203.4	1304.1	1407.7	1533.7	1645.3
Imports	1304.5	1475.8	1435.8	1484.6	1545.0	1720.0	1821.5	1928.6	1972.3	2032.4	2133.1
Government Purchases	1687.0	1721.6	1780.4	1858.8	1904.8	1931.8	1946.3	1981.4	2024.2	2073.7	2094.1
Federal	573.7	578.8	601.4	643.4	687.1	715.9	726.5	742.3	756.7	782.3	790.4
Defense	372.2	370.3	384.9	413.2	449.0	475.1	482.4	491.5	507.2	530.9	535.9
Other	201.5	208.5	216.5	230.3	238.1	240.7	243.9	250.7	249.1	250.8	253.9
State and Local	1113.2	1142.8	1179.0	1215.5	1217.8	1215.8	1219.7	1239.0	1267.4	1291.5	1303.9

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	4.8	4.1	4.6
Personal Consumption											
Expenditures	6.9	7.3	4.7	4.2	4.8	6.4	6.2	5.9	5.4	3.8	4.2
Durable Goods	9.0	5.6	2.4	4.6	2.0	4.4	4.1	2.4	2.5	-2.1	2.2
Autos and Parts	10.3	4.2	5.5	5.2	0.6	1.2	1.9	-2.4	-0.1	-4.0	5.2
Nondurable Goods	7.2	7.9	3.6	3.1	5.3	7.0	7.4	6.8	5.3	3.7	3.6
Services	6.2	7.3	5.7	4.6	5.1	6.5	6.2	6.2	6.0	5.0	4.9
Gross Private Domestic											
Investment	7.7	6.8	-7.0	-2.0	5.2	13.5	10.0	6.4	-3.7	-0.5	4.3
Residential	10.1	5.2	5.0	7.4	13.6	18.0	13.7	-0.4	-16.2	-15.1	1.3
Nonres. Structures	2.5	11.0	3.0	-13.5	-0.7	7.6	12.2	21.1	15.0	4.8	0.1
Producers Dur. Equip	9.6	7.9	-7.0	-7.9	1.7	7.0	9.5	5.9	1.8	5.4	6.4
Exports	3.7	10.6	-5.8	-2.6	3.5	13.6	10.7	12.1	11.7	10.9	7.9
Imports	12.2	17.9	-5.1	2.2	7.7	16.7	12.6	10.2	5.6	5.2	3.6
Government Purchases	6.7	6.2	6.0	7.4	6.7	5.9	6.6	6.8	6.6	5.5	3.3
Federal	4.8	4.1	5.9	10.9	11.3	9.1	6.4	6.2	4.9	6.2	3.3
Defense	4.3	2.7	6.0	11.3	13.8	10.8	6.9	6.1	6.1	7.6	3.1
Other	5.7	6.8	5.7	10.1	6.9	6.0	5.4	6.4	2.4	3.5	3.7
State and Local	7.8	7.3	6.1	5.7	4.3	4.1	6.7	7.1	7.6	5.0	3.3
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	2.1	2.3	2.7
Personal Consumption											
Expenditures	5.1	4.7	2.5	2.7	2.8	3.6	3.2	3.1	2.9	2.0	2.7
Durable Goods	11.7	7.3	4.3	7.1	5.8	6.3	4.9	3.8	4.4	-0.8	3.3
Autos & Parts	9.9	3.8	5.0	5.7	3.0	2.0	0.1	-3.1	0.5	-5.0	3.9
Nondurable Goods	4.6	3.8	2.0	2.5	3.2	3.5	3.6	3.6	2.5	2.4	2.8
Services	4.0	4.5	2.4	1.9	1.9	3.2	2.7	2.7	2.8	2.3	2.5
Gross Private Domestic											
Investment	7.8	5.7	-7.9	-2.6	3.6	9.7	5.6	2.7	-4.8	-1.0	3.9
Residential	6.0	0.8	0.4	4.8	8.4	10.0	6.6	-4.6	-16.9	-15.8	-0.5
Nonres. Structures	-0.4	6.8	-2.3	-17.1	-4.1	1.3	0.5	8.4	11.6	4.4	-0.2
Producers Dur. Equip	12.7	9.4	-4.9	-6.2	2.8	7.4	9.6	5.9	1.3	4.7	6.8
Exports	4.3	8.7	-5.4	-2.3	1.3	9.7	6.9	8.4	7.9	8.9	7.3
Imports	11.5	13.1	-2.7	3.4	4.1	11.3	5.9	5.9	2.3	3.0	5.0
Government Purchases	3.9	2.1	3.4	4.4	2.5	1.4	0.7	1.8	2.2	2.4	1.0
Federal	2.2	0.9	3.9	7.0	6.8	4.2	1.5	2.2	1.9	3.4	1.0
Defense	1.9	-0.5	3.9	7.4	8.7	5.8	1.5	1.9	3.2	4.7	0.9
Other	2.8	3.5	3.8	6.4	3.4	1.1	1.4	2.8	-0.6	0.7	1.2
State and Local	4.7	2.7	3.2	3.1	0.2	-0.2	0.3	1.6	2.3	1.9	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	139.2	140.8
Private	108.7	111.0	110.7	108.8	108.4	109.8	111.9	114.2	115.7	116.5	117.9
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	7.4	7.3
Manufacturing	17.3	17.3	16.4	15.3	14.5	14.3	14.2	14.2	14.1	13.8	13.6
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	21.8
Financial Activities	7.6	7.7	7.8	7.8	8.0	8.0	8.2	8.4	8.4	8.4	8.6
Education & Health	14.8	15.1	15.6	16.2	16.6	17.0	17.4	17.8	18.4	18.7	19.1
Prof. and Bus. Ser.	16.0	16.7	16.5	16.0	16.0	16.4	16.9	17.6	17.9	18.2	18.9
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	13.5	13.9	14.2
Government	20.3	20.8	21.1	21.5	21.6	21.6	21.8	22.0	22.3	22.6	22.7
Federal	2.8	2.9	2.8	2.8	2.8	2.7	2.7	2.7	2.7	2.7	2.8
State & Local	17.5	17.9	18.4	18.7	18.8	18.9	19.1	19.3	19.6	19.9	20.0
	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	154.5	155.9
Unemployment (%)	4.2	4.0	4.7	5.8	6.0	5.5	5.1	4.6	4.6	4.8	4.7

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	11701.8	12302.9	12921.5
Wages & Salaries	4466.3	4829.2	4942.8	4980.9	5112.7	5394.5	5667.9	6018.2	6407.3	6712.8	7032.5
Other Labor Income	562.4	609.9	642.7	745.1	815.6	868.5	927.7	970.7	1016.8	1054.1	1092.0
Nonfarm Income	649.7	705.7	752.2	757.8	782.1	874.3	939.1	987.4	1007.0	1056.5	1121.6
Farm Income	28.6	22.7	19.7	10.6	29.2	37.4	30.8	19.4	34.5	31.2	29.8
Rental Income	147.4	150.3	167.4	153.0	133.0	118.4	42.9	54.6	61.9	51.5	26.8
Dividends	335.6	376.1	369.0	397.2	422.6	537.1	598.9	696.3	794.0	875.1	926.7
Interest Income	928.6	1011.0	1011.0	936.1	914.1	895.1	1018.9	1100.2	1152.7	1214.4	1318.0
Transfer Payments	1022.1	1084.1	1193.9	1286.2	1351.0	1422.5	1520.7	1612.5	1733.6	1836.0	1928.3
Personal Contributions For Social Insurance	338.1	359.2	374.5	384.8	396.5	420.5	445.7	475.7	506.0	528.9	554.1
Personal Tax and Nontax Payments	1107.5	1235.7	1237.3	1051.8	1001.1	1046.3	1209.1	1354.3	1490.4	1553.9	1616.1
Disposable Income	6694.9	7194.0	7486.8	7830.1	8162.5	8680.9	9092.0	9629.1	10211.5	10749.4	11305.8
Consumption	6282.5	6739.4	7055.0	7350.7	7703.6	8195.9	8707.8	9224.5	9721.3	10092.1	10520.9
Interest	181.0	204.7	212.3	196.4	182.5	191.3	217.7	238.0	264.3	284.5	292.1
Transfers To Foreigners	28.3	31.5	33.0	40.0	40.3	43.1	47.3	48.8	50.9	54.1	58.2
Personal Saving	158.6	168.5	132.4	184.7	174.9	181.7	44.6	38.8	88.2	222.6	331.6
Personal Saving Rate(%)	2.4	2.4	1.8	2.4	2.1	2.1	0.5	0.4	0.9	2.1	2.9

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	9721.3	10092.1	10520.9
Durable Goods	817.6	863.3	883.7	923.9	942.7	983.9	1023.9	1048.9	1075.6	1052.8	1076.2
Autos and Parts	370.8	386.5	407.9	429.3	431.7	436.8	444.9	434.2	433.6	416.4	438.0
Nondurable Goods	1804.8	1947.2	2017.1	2079.6	2190.2	2343.7	2516.2	2688.0	2830.5	2934.0	3039.0
Services	3660.0	3928.8	4154.3	4347.2	4570.8	4868.3	5167.8	5487.6	5815.2	6105.3	6405.6
Billions of 2000 Dollars											
Personal Consumption	6438.6	6739.4	6910.4	7099.3	7295.4	7561.3	7803.6	8044.1	8275.8	8443.1	8671.2
Durable Goods	804.5	863.3	900.7	964.8	1020.6	1084.8	1137.4	1180.5	1232.3	1222.2	1263.0
Autos and Parts	372.4	386.5	405.8	429.0	442.1	450.8	451.3	437.3	439.3	417.4	433.7
Nondurable Goods	1876.6	1947.2	1986.7	2037.1	2103.0	2177.6	2255.4	2337.6	2395.7	2453.4	2523.2
Services	3758.0	3928.8	4023.2	4100.4	4178.8	4310.9	4427.3	4545.5	4672.3	4782.0	4902.8
Annual Rates of Real Growth											
Personal Consumption	5.1	4.7	2.5	2.7	2.8	3.6	3.2	3.1	2.9	2.0	2.7
Durable Goods	11.7	7.3	4.3	7.1	5.8	6.3	4.9	3.8	4.4	-0.8	3.3
Autos and Parts	9.9	3.8	5.0	5.7	3.0	2.0	0.1	-3.1	0.5	-5.0	3.9
Furniture	14.7	11.5	6.0	9.8	9.2	11.9	10.6	11.9	8.5	3.5	4.3
Other Durables	10.3	8.0	-0.4	5.6	6.3	6.5	5.3	4.1	4.9	-0.7	0.6
Nondurable Goods	4.6	3.8	2.0	2.5	3.2	3.5	3.6	3.6	2.5	2.4	2.8
Food and Beverages	3.2	3.5	1.6	1.5	2.4	3.2	4.0	4.0	2.2	2.1	3.0
Gasoline and Oil	3.5	-0.3	1.5	2.1	0.7	1.9	-0.3	0.4	-1.7	4.1	3.5
Fuel	2.3	-3.6	-4.2	2.5	-0.7	-5.6	-9.0	-9.7	8.1	1.1	1.0
Clothing and Shoes	7.4	5.3	2.0	4.8	5.0	4.9	6.2	5.0	5.1	1.9	2.7
Other Nondurables	5.7	4.8	3.1	3.2	4.6	4.2	3.4	4.2	3.3	2.5	2.5
Services	4.0	4.5	2.4	1.9	1.9	3.2	2.7	2.7	2.8	2.3	2.5
Housing	3.1	2.9	2.7	0.8	0.9	3.0	3.2	2.7	2.3	1.7	1.2
Household Operation	4.1	4.9	0.2	0.6	1.4	2.4	1.9	-0.8	2.2	0.9	2.3
Transportation Serv.	4.2	2.8	-1.1	-2.7	0.1	1.4	1.1	1.2	2.9	1.9	1.9
Medical Care	1.9	3.8	4.7	5.7	3.9	3.0	3.4	3.3	2.7	2.6	2.4
Other Services	3.8	6.4	5.0	2.9	1.6	1.7	0.2	3.5	1.4	2.7	4.3

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	1.358	1.195	1.325
Single-family	1.306	1.232	1.272	1.363	1.505	1.604	1.719	1.474	1.062	0.888	0.998
Multi-family	0.341	0.341	0.330	0.347	0.349	0.345	0.354	0.338	0.296	0.307	0.327
Residential Construction Expenditures (Billions of Dollars)											
Current Dollars	424.9	446.9	469.3	503.9	572.4	675.5	768.2	764.8	641.2	544.3	551.5
2000 Dollars	443.6	446.9	448.5	469.9	509.4	560.2	597.1	569.5	473.1	398.4	396.5
% Change	6.0	0.8	0.4	4.8	8.4	10.0	6.6	-4.6	-16.9	-15.8	-0.5
Treas. Bill Rate	4.6	5.8	3.4	1.6	1.0	1.4	3.1	4.7	4.4	3.9	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	7.1
Median Sales Price of											
New Homes (Thous \$)	159.8	166.5	172.6	185.0	191.4	217.8	234.2	243.1	242.1	222.4	208.5
Real Disp. Income	6861.7	7194.0	7333.3	7562.5	7729.9	8008.7	8148.0	8397.0	8693.0	8992.9	9318.0
% Change	3.0	4.8	1.9	3.1	2.2	3.6	1.7	3.1	3.5	3.4	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	1476.1	1552.8	1621.7
Producers Dur. Equip.	851.7	918.9	854.2	787.1	800.2	856.3	937.5	992.6	1010.2	1064.6	1133.2
Nonresidential Structures	282.2	313.2	322.6	279.2	277.2	298.2	334.6	405.1	465.9	488.1	488.4
Buildings (excl. Farm)	207.6	222.8	216.4	180.6	174.7	188.4	203.2	236.6	275.9	287.2	293.3
Commercial	109.1	121.3	118.2	97.0	91.7	101.1	109.5	124.8	143.5	144.5	141.3
Industrial	32.6	31.8	29.5	17.8	16.7	18.5	23.3	26.8	28.2	32.3	41.6
Other Buildings	65.8	69.7	68.7	65.8	66.2	68.9	70.4	85.0	104.2	110.5	110.4
Utilities	44.5	51.5	54.4	54.6	49.2	44.7	47.0	54.1	64.0	65.9	67.0
Mining Exploration	20.6	27.2	39.2	35.6	45.7	55.7	73.7	105.4	116.5	123.7	115.3
Billions of 2000 Dollars											
Business Fixed Investment	1133.3	1232.1	1180.5	1071.5	1081.8	1144.3	1225.8	1306.8	1363.1	1426.1	1491.5
Producers Dur. Equip.	840.2	918.9	874.2	820.2	843.1	905.1	991.8	1050.6	1064.3	1114.6	1190.0
Nonresidential Structures	293.2	313.2	306.1	253.8	243.5	246.7	247.8	268.6	299.8	313.0	312.5
Buildings (excl. Farm)	216.6	222.8	208.4	170.0	160.3	163.1	161.9	174.9	194.0	198.6	199.4
Commercial	113.5	121.3	114.2	91.2	83.9	86.9	85.9	90.2	98.5	97.9	94.4
Industrial	33.9	31.8	28.5	16.7	15.4	16.2	19.0	20.4	20.6	22.5	27.9
Other Buildings	69.2	69.7	65.6	62.1	61.0	60.0	56.9	64.3	75.0	78.4	77.3
Utilities	45.9	51.5	52.8	51.8	45.6	38.8	38.0	41.0	46.8	46.3	45.7
Mining Exploration	21.3	27.2	32.0	24.5	29.0	33.3	35.1	39.8	45.1	50.6	49.6
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	4.3	4.6	4.6
Producers Dur. Equip.	12.7	9.4	-4.9	-6.2	2.8	7.4	9.6	5.9	1.3	4.7	6.8
Nonresidential Structures	-0.4	6.8	-2.3	-17.1	-4.1	1.3	0.5	8.4	11.6	4.4	-0.2
Buildings (excl. Farm)	-2.1	2.9	-6.5	-18.4	-5.7	1.7	-0.8	8.0	10.9	2.4	0.4
Commercial	4.5	6.8	-5.9	-20.2	-8.1	3.7	-1.1	5.0	9.2	-0.7	-3.6
Industrial	-22.5	-6.1	-10.3	-41.6	-7.3	4.9	17.3	7.7	0.9	9.2	24.0
Other Buildings	0.7	0.7	-5.9	-5.4	-1.7	-1.7	-5.1	12.9	16.6	4.6	-1.5
Utilities	12.0	12.1	2.5	-1.8	-11.9	-15.0	-2.1	8.1	13.9	-1.1	-1.1
Mining, Shafts & Wells	-8.8	27.8	17.8	-23.3	18.1	14.8	5.6	13.5	13.2	12.1	-1.9
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	0.5	0.6	-0.3
Structures	3.0	3.9	5.4	4.4	3.5	6.2	11.7	11.7	3.1	0.3	0.2
Moody's AAA Rate(%)	7.0	7.6	7.1	6.5	5.7	5.6	5.2	5.6	5.6	6.3	6.6
Capacity Utilization in											
Manufacturing(%)	80.8	80.1	73.9	73.0	74.2	76.6	78.8	80.4	80.3	79.5	79.2
Final Sales (Bil 2000 \$)	9401.5	9760.5	9922.4	10036.4	10286.8	10621.4	10970.3	11279.1	11550.7	11805.6	12116.7
Change in Business Inventories											
Current Dollars	66.9	56.5	-31.7	11.9	14.3	58.6	37.0	46.7	9.8	20.3	34.9
2000 Dollars	68.9	56.5	-31.7	12.5	14.3	54.3	33.3	40.3	9.8	18.0	30.6

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	2689.7	2777.3	2881.4
Personal Tax and											
Nontax Receipts	893.0	999.1	994.5	830.5	774.5	797.4	932.4	1053.2	1168.3	1216.3	1258.0
Corp. Profits Tax Accruals	213.0	219.5	164.7	150.5	197.8	250.3	319.8	373.1	388.7	376.7	385.6
Indirect Business Tax and											
Nontax Accruals	83.9	87.8	85.8	87.3	89.7	94.6	99.0	98.6	100.4	101.6	103.2
Contributions For											
Social Insurance	651.7	691.7	717.5	734.3	758.9	805.2	849.3	901.7	958.0	1001.0	1048.9
Expenditures	1787.6	1864.4	1969.5	2101.1	2252.1	2379.5	2561.6	2715.8	2895.7	3063.9	3202.9
Purchases Goods & Serv.	555.8	578.8	612.9	679.7	756.4	825.6	878.5	932.5	977.9	1039.0	1073.3
National Defense	360.6	370.3	392.6	437.1	497.2	550.7	588.7	624.3	662.4	712.5	734.6
Other	195.2	208.5	220.3	242.5	259.2	274.9	289.8	308.2	315.5	326.5	338.8
Transfer Payments	986.1	1038.1	1131.4	1243.0	1328.7	1390.6	1479.1	1576.1	1687.6	1787.1	1869.0
To Persons	735.7	770.0	838.7	916.9	963.7	1012.3	1079.3	1184.6	1272.9	1346.3	1407.4
To Foreigners	28.3	31.5	33.0	40.0	40.3	43.1	47.3	48.8	50.9	54.1	58.2
Grants-in-Aid to State and											
Local Governments	232.9	247.3	276.1	304.6	338.5	349.1	361.2	358.6	379.3	403.9	423.5
Net Interest	264.7	263.2	240.2	213.7	196.5	203.8	238.4	260.5	287.1	300.7	325.8
Subsidies Less Surplus of											
Govt. Enterprises	44.1	46.1	53.1	39.1	45.4	45.5	62.9	52.6	48.7	45.9	45.7
Surplus (+) or Deficit (-)	103.7	189.5	46.7	-247.9	-372.2	-370.6	-318.3	-220.1	-206.0	-286.6	-321.5

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	1297.7	1345.4	1402.4
As Share of GDP	9.1	9.1	9.0	8.9	8.9	9.1	9.3	9.3	9.4	9.4	9.3
Personal Tax and Nontax											
Receipts	214.5	236.6	242.7	221.3	226.6	249.0	276.7	301.2	322.1	337.6	358.1
Corporate Profits	35.8	35.6	30.2	32.2	35.3	43.0	56.7	62.5	64.7	61.8	62.6
Indirect Business Tax and											
Nontax Accruals	590.2	621.1	642.8	675.5	717.5	769.2	822.6	868.8	911.0	945.9	981.7
Contributions For Social											
Insurance	9.8	11.0	13.7	15.8	19.8	23.6	25.5	26.0	26.0	26.9	27.8
Federal Grants-in-Aid	232.9	247.3	276.1	304.6	338.5	349.1	361.2	358.6	379.3	403.9	423.5
Expenditures	1186.3	1269.5	1368.2	1444.3	1514.6	1592.8	1691.7	1773.1	1896.2	1992.7	2071.8
As Share of GDP	12.8	12.9	13.5	13.8	13.8	13.6	13.6	13.4	13.7	13.9	13.8
Purchases	1065.0	1142.8	1212.8	1281.5	1336.0	1391.3	1485.0	1590.5	1711.2	1797.1	1855.9
Transfer Payments	252.4	271.7	305.2	332.0	353.0	383.8	403.8	400.8	432.8	461.2	491.1
Interest Received	-3.8	-4.5	5.2	16.5	24.8	24.1	21.4	21.6	23.0	21.7	22.0
Net Subsidies	-10.0	-7.1	3.6	-1.6	0.7	3.4	10.7	11.1	12.3	9.8	8.8
Dividends Received	1.8	1.9	2.0	2.0	2.2	2.4	2.5	2.6	2.7	2.7	2.8
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	-2.6	-11.7	-1.2

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	-715.9	-659.2	-605.0
Current Account Balance	-301.6	-417.4	-384.7	-459.6	-522.1	-640.2	-754.8	-811.5	-770.6	-705.6	-667.5
Merchandise Balance	-348.3	-459.1	-436.7	-491.8	-559.5	-681.2	-795.0	-850.0	-834.2	-809.5	-775.7
Exports-Goods & Services	991.3	1096.3	1032.8	1005.9	1040.8	1182.4	1309.4	1467.6	1638.7	1817.1	1961.0
Merchandise	697.2	784.4	731.2	697.6	724.4	818.3	907.0	1030.5	1151.5	1275.4	1374.5
Food, Feeds & Beverages	46.0	47.9	49.4	49.6	55.0	56.6	59.0	65.9	83.8	88.7	90.0
Industrial Supplies	142.4	166.7	155.3	153.5	168.3	199.5	227.5	267.3	303.6	321.7	325.4
Motor Vehicles & Parts	75.3	80.4	75.4	78.9	80.7	89.2	98.6	107.2	121.2	138.1	153.0
Capital Goods, Ex. MVP	258.4	308.9	269.1	240.0	247.0	281.5	301.6	338.7	360.8	406.3	445.5
Computer Equipment	46.8	55.5	47.6	38.6	39.9	42.8	45.5	47.6	43.5	46.5	49.8
Other	211.6	253.4	221.6	201.5	207.1	238.7	256.0	291.2	317.2	359.8	395.7
Consumer Goods, Ex. MVP	80.9	89.4	88.3	84.4	89.9	103.3	116.1	130.0	147.0	168.1	189.5
Other	41.4	43.1	41.0	40.7	36.9	38.4	43.6	46.2	49.3	52.3	56.3
Services	294.1	312.0	301.6	308.4	316.4	364.1	402.4	437.1	487.2	541.7	586.5
Imports-Goods & Services	1251.8	1475.8	1399.9	1430.3	1540.2	1797.8	2024.0	2229.6	2354.6	2476.3	2566.0
Merchandise	1045.5	1243.5	1168.0	1189.4	1284.0	1499.5	1702.0	1880.4	1985.7	2084.9	2150.2
Foods, Feeds & Beverage	43.6	46.0	46.6	49.7	55.8	62.1	68.1	75.0	82.9	91.2	93.9
Petroleum & Products	67.8	120.2	103.6	103.5	133.1	180.5	251.9	302.4	326.9	341.4	322.0
Indus Supplies Ex. Petr	147.9	172.8	164.8	158.4	174.4	225.1	264.8	290.1	297.7	304.9	322.1
Motor Vehicles & Parts	179.0	195.9	189.8	203.8	210.1	228.2	239.5	256.7	259.3	264.4	279.2
Capital Goods, Ex. MVP	271.9	320.6	266.7	257.9	271.8	319.3	353.6	389.9	409.6	442.2	466.1
Computer Equipment	81.5	89.8	74.0	75.2	76.5	88.6	93.3	101.4	103.3	110.3	118.7
Other	190.5	230.9	192.7	182.7	195.3	230.7	260.3	288.5	306.3	332.0	347.4
Consumer Goods, Ex. MVP	242.1	282.0	284.5	308.0	334.0	377.2	411.5	446.1	476.4	493.2	505.8
Other	69.5	79.6	80.7	82.8	80.6	82.9	87.0	91.9	98.0	106.8	114.7
Services	206.3	232.3	231.9	241.0	256.2	298.3	322.0	349.2	368.9	391.4	415.8
	Billions of 2000 Dollars										
Net Exports-Goods & Serv.	-296.2	-379.5	-399.1	-471.4	-518.9	-593.8	-618.0	-624.5	-564.6	-498.7	-487.8
Exports-Goods & Services	1008.2	1096.3	1036.7	1013.3	1026.1	1126.1	1203.4	1304.1	1407.7	1533.7	1645.3
Imports-Goods & Services	1304.5	1475.8	1435.8	1484.6	1545.0	1720.0	1821.5	1928.6	1972.3	2032.4	2133.1
	Exports and Imports -- % Change										
Current Dollars											
Exports	3.7	10.6	-5.8	-2.6	3.5	13.6	10.7	12.1	11.7	10.9	7.9
Imports	12.2	17.9	-5.1	2.2	7.7	16.7	12.6	10.2	5.6	5.2	3.6
Constant Dollars											
Exports	4.3	8.7	-5.4	-2.3	1.3	9.7	6.9	8.4	7.9	8.9	7.3
Imports	11.5	13.1	-2.7	3.4	4.1	11.3	5.9	5.9	2.3	3.0	5.0
	Production Indicators - % Change										
U.S. Industrial Production	4.7	4.5	-3.5	0.0	1.1	2.5	3.2	4.0	2.2	1.9	1.8
	Price Indicators										
Price Deflators (% Ch)											
Exports	-0.6	1.7	-0.4	-0.4	2.2	3.5	3.6	3.4	3.4	1.8	0.6
Imports	0.6	4.2	-2.5	-1.2	3.5	4.9	6.3	4.0	3.3	2.1	-1.3
Crude Oil Prices (\$/barrel)	19.3	30.4	26.0	26.1	31.1	41.5	56.6	66.1	70.8	70.8	67.1
U.S. Dollar											
Real Exchange Rate	96.42	100.00	105.37	104.94	91.94	84.48	82.38	80.07	74.76	69.99	72.16
%Change	0.7	3.7	5.4	-0.4	-12.4	-8.1	-2.5	-2.8	-6.6	-6.4	3.1

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	1.8	1.8
Consumption	1.7	2.5	2.1	1.4	2.0	2.6	2.9	2.8	2.4	1.8	1.5
Durables	-2.4	-1.6	-1.9	-2.4	-3.6	-1.8	-0.7	-1.3	-1.8	-1.3	-1.1
Motor Vehicles	0.4	0.4	0.5	-0.4	-2.4	-0.8	1.8	0.7	-0.6	1.0	1.2
Furniture	-6.2	-4.5	-5.9	-5.7	-6.0	-4.1	-3.8	-4.5	-4.4	-4.7	-4.3
Other Durables	-1.6	-0.8	0.3	-0.8	-1.6	0.1	-0.4	0.8	1.0	0.7	0.5
Nondurables	2.5	4.0	1.5	0.5	2.0	3.3	3.7	3.1	2.7	1.2	0.7
Food	1.9	2.3	2.9	2.0	1.9	3.1	2.2	2.3	3.8	2.9	1.6
Clothing & Shoes	-1.6	-1.3	-2.0	-2.7	-2.5	-0.4	-1.0	-0.4	-0.9	-0.6	-0.5
Gasoline & Oil	8.8	27.9	-3.7	-6.1	16.3	17.8	21.7	13.0	7.0	-4.3	-4.7
Fuel	1.2	37.6	1.7	-9.9	19.6	14.4	27.3	13.0	3.8	-7.2	-1.9
Services	2.2	2.7	3.3	2.7	3.2	3.2	3.4	3.4	3.1	2.6	2.3
Housing	2.8	3.2	3.9	3.8	2.5	2.5	2.6	3.6	3.6	1.8	1.8
Household Operat.	-0.1	1.9	4.6	-0.9	3.8	2.1	5.1	5.2	2.6	2.4	2.2
Electricity	-0.7	1.6	8.1	-1.2	2.4	1.7	6.2	12.1	3.6	2.1	1.0
Natural Gas	0.5	16.7	19.9	-14.9	22.5	8.3	19.5	2.5	-0.9	5.4	10.5
Water and Sewer	2.2	2.5	2.9	3.2	3.7	6.1	5.3	4.9	5.1	4.6	4.0
Telephone	-2.4	-3.4	-2.0	0.2	-0.9	-2.0	-0.9	0.8	2.1	0.4	-1.2
Domestic Service	2.9	4.4	3.8	3.7	2.5	2.2	3.4	3.6	3.7	1.8	1.8
Other Operations	3.3	3.8	4.9	4.3	4.8	2.6	3.6	3.8	2.5	2.7	2.5
Transportation	2.2	2.5	1.7	1.2	2.9	2.2	4.0	3.8	2.2	2.7	2.2
Other Services	3.3	3.6	4.0	4.1	4.4	4.6	4.4	3.9	3.5	3.0	2.7
Investment Deflators:											
Nonresidential	-1.3	-0.1	-0.3	-0.2	0.1	1.3	2.9	3.1	1.2	0.5	-0.2
Structures	3.0	3.9	5.4	4.4	3.5	6.2	11.7	11.7	3.1	0.3	0.2
Prod. Dur. Equip.	-2.8	-1.3	-2.3	-1.8	-1.1	-0.3	-0.1	-0.0	0.5	0.6	-0.3
Residential	3.8	4.4	4.6	2.5	4.8	7.3	6.7	4.4	0.9	0.8	1.8
Government Purchases	2.8	4.1	2.5	2.9	4.1	4.5	5.8	4.9	4.3	3.0	2.3
Federal	2.5	3.2	1.9	3.7	4.2	4.7	4.8	3.9	2.9	2.8	2.3
State & Local	2.9	4.5	2.9	2.5	4.1	4.3	6.4	5.4	5.2	3.1	2.3
Exports	-0.6	1.7	-0.4	-0.4	2.2	3.5	3.6	3.4	3.4	1.8	0.6
Imports	0.6	4.2	-2.5	-1.2	3.5	4.9	6.3	4.0	3.3	2.1	-1.3
Other Inflation Related Indicators											
Consumer Price Index	2.2	3.4	2.8	1.6	2.3	2.7	3.4	3.2	2.8	1.7	1.5
Producers Price Index	0.9	5.8	1.1	-2.3	5.3	6.2	7.3	4.7	4.7	2.2	1.2
Nonfarm Sector Indicators											
Wage Compensation	4.7	7.1	4.1	3.6	4.0	3.6	4.0	3.9	5.5	3.8	3.6
Productivity	2.9	2.8	2.6	4.1	3.7	2.7	1.9	1.0	1.4	1.8	2.0
Unit Labor Costs	1.8	4.2	1.5	-0.5	0.3	0.8	2.0	2.9	4.0	1.9	1.6
Crude Oil Prices (dollars/barrel)											
Refiners' Acq. Cost	17.42	28.21	22.95	24.00	28.60	36.91	50.31	60.09	67.42	67.58	63.49

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	4.7	2.2	1.2
Industrial Commodities	1.4	6.6	0.7	-2.4	5.1	6.1	8.6	5.4	3.7	2.4	1.3
Textiles & Apparel	-1.5	0.3	-0.1	-1.2	-0.1	1.0	1.5	1.4	1.1	1.5	-0.3
Fuels	6.9	28.8	1.7	-11.5	21.1	12.4	23.2	6.7	6.0	2.8	2.5
Chemicals	0.2	4.7	0.6	0.0	6.6	7.8	10.1	7.2	4.5	3.8	0.4
Rubber & Plastics	-0.1	2.4	1.4	-0.3	2.6	2.8	7.5	6.9	0.9	2.4	0.2
Lumber & Wood	2.5	-3.0	-2.1	-0.6	2.4	10.2	0.5	-1.1	-0.9	-1.0	0.1
Pulp & Paper	1.4	5.5	0.6	0.6	2.2	3.0	3.5	3.6	3.1	3.4	1.4
Metals & Products	-2.4	2.7	-2.1	0.4	2.6	15.8	7.5	13.0	6.9	1.8	-0.5
Equipment	-0.5	-0.2	-0.3	-0.6	-0.8	0.1	1.3	2.0	1.0	0.8	-0.2
Trans. Equipment	0.4	1.4	1.0	-0.4	0.8	2.0	1.6	1.1	1.7	3.7	3.8
Farm	-5.9	1.1	4.2	-4.6	12.6	10.5	-3.8	-1.2	21.5	-3.0	-0.1
Processed Foods & Feeds	-0.3	1.5	3.2	-0.8	5.3	5.5	1.3	0.5	7.2	2.2	1.3
By Stage of Processing											
Crude Materials	1.6	22.8	0.2	-10.6	25.1	17.5	14.6	1.4	11.0	1.1	2.7
Intermediate Materials	0.1	4.9	0.4	-1.5	4.6	6.6	8.0	6.4	3.9	2.2	0.6
Finished Goods	1.8	3.8	1.9	-1.3	3.2	3.6	4.9	2.9	3.6	2.3	1.7
Consumers	2.4	4.7	2.4	-1.5	4.3	4.4	5.8	3.4	4.1	2.4	1.7
Producers	0.1	0.9	0.6	-0.4	0.3	1.4	2.3	1.5	1.8	2.0	1.6

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	1371.8	1374.7	1375.4	1412.7	1461.7
Money Supply (M2)	4519.3	4787.6	5206.2	5595.6	5986.8	6269.2	6548.2	6862.5	7271.4	7519.1	7746.2
Percent Change											
Money Supply (M1)	2.0	0.1	3.3	4.9	6.5	5.6	2.0	0.2	0.0	2.7	3.5
Money Supply (M2)	7.4	5.9	8.7	7.5	7.0	4.7	4.4	4.8	6.0	3.4	3.0
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	4.43	3.85	4.46
Prime Bank Loans	7.99	9.23	6.92	4.68	4.12	4.34	6.19	7.96	8.05	7.30	7.62
U.S. Government Bond Yields											
1 Year Maturity	5.08	6.11	3.48	2.00	1.24	1.89	3.62	4.93	4.62	4.10	4.62
5 Year Maturity	5.54	6.15	4.55	3.82	2.97	3.43	4.05	4.75	4.46	4.52	5.02
10 Year Maturity	5.64	6.03	5.02	4.61	4.02	4.27	4.29	4.79	4.70	5.06	5.34
30 Year Maturity	5.86	5.95	5.50	5.42	5.05	5.12	4.56	4.87	4.89	5.24	5.56
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	4.44	5.08	5.42
Corporate Bond Yields											
Moodys AAA Corp. Bonc	7.04	7.62	7.08	6.49	5.67	5.63	5.24	5.59	5.57	6.25	6.59
Effective Mortgage Rate	7.43	8.06	6.97	6.54	5.82	5.84	5.86	6.42	6.36	6.76	7.09
Corporate Profits (Billions of Dollars)											
Profits Before Taxes	775.88	773.40	707.90	768.45	908.08	1204.68	1579.58	1805.78	1886.29	1840.79	1873.03
Inventory Valuation Adj.	0.93	-14.08	11.35	-2.23	-13.58	-43.10	-36.15	-36.33	-38.04	2.41	-4.11
Profits After Taxes	517.23	508.20	503.80	575.83	664.78	897.30	1186.70	1351.88	1413.58	1387.11	1409.10

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