THE CONFERENCE BOARD

The Conference Board Economic Forecast for the U.S. Economy
July 15, 2009

Optimism is waning: looking at a slow summer and an anemic fall recovery

Moving into the second half of what will surely remain a dismal year, the consensus calls for a third quarter that might, at best, avoid further contraction in the U.S. economy. Supply-side conditions ease a bit with a slowing run-off in inventories, less negative industrial production and export growth, and stronger federal government purchases due to the fiscal stimulus measures. Strong recent improvement in business confidence, as measured by The Conference Board CEO Confidence Index, is likely to produce some easing in the decline of capital spending as well. However, consumer spending remains choked, because personal-income growth will come to a standstill in the third quarter, with the waning effects of social transfers and tax breaks. Consumers continue to face difficulty accessing credit, which makes them feel their wealth losses even more keenly. The big question is whether the "real economic" cycle can accelerate without a recovery in the financial cycle. Both cycles depend on access to capital, which remains *the* scarce commodity of this crisis, despite a continuing trend toward normalization of equity and credit markets. Constrained availability, higher cost, and uncertainties about the quality of capital will slowly begin to eat into potential output growth, as cutbacks in physical, human, and other intangible capital continue, and the economy moves onto a slower growth path that will continue through 2010 and possibly beyond.

The U.S. Economic Forecast

	2009				2010		2008	2009	2010
	I Q*	II Q	III Q	IV Q	I Q	II Q	ANNUAL	ANNUAL	ANNUAL
Real GDP	-5.5	-2.8	0.8	1.9	2.1	2.0	1.1	-2.8	1.7
Real Consumer Spending	1.4	-0.5	1.3	1.4	1.3	2.4	0.3	-0.8	1.6
Housing Starts Mil. Units	0.53	0.51	0.51	0.55	0.57	0.58	0.90	0.52	0.63
Real Capital Spending	-37.3	-16.4	-10.6	-4.2	3.3	4.6	1.6	-19.2	0.6
Net Exports Bil. '00$	-296.8	-310.1	-304.4	-325.5	-343.3	-352.5	-390.2	-309.2	-345.8

* Actual Value

Source: The Conference Board