



**The Conference Board Economic Forecast for the U.S. Economy
August 5, 2009**

A Case for a W-shaped Recovery

It is a long haul to economic recovery in the United States, and the chances of a W-shaped recovery have significantly increased with the recent signs of a possible rebound. Even the contraction of the U.S. output by 1 percent (annualized) during the second quarter is seen as a piece of good news, and it obviously raises hopes a further improvement in GDP— also given the strong performance of The Conference Board Leading Economic Index™ in June. Having experienced the deepest recession in the post World War II period we need a significant recovery if only to get our heads back above water. But there is little hope for a V-shaped recovery. The forecasted 2 percent GDP growth for the third quarter will largely come from a significant slowing in the runoff on inventories (which declined at a record level of US\$141 billion in the second quarter), and moderate contributions from an improvement in production and positive government spending. However, consumption remains the Achilles heel' of recovery. Consumer expectations in The Conference Board Consumer Confidence Index have stalled for two months during June and July, and consumer spending is likely to remain flat in the third quarter. While consumption may rise faster during the holiday season, it may slow again in early 2010 and pull the economy back to stagnant performance by the beginning of 2010.

The U.S. Economic Forecast

	2009			2010			2008	2009	2010
	II Q*	III Q	IV Q	I Q	II Q	III Q	ANNUAL	ANNUAL	ANNUAL
Real GDP	-1.0	2.0	1.6	0.3	1.9	2.8	0.4	-2.8	1.5
Real Consumer Spending	-1.2	0.0	1.1	0.3	1.9	2.1	-0.2	-1.0	0.9
Housing Starts Mil. Units	0.51	0.55	0.54	0.56	0.58	0.67	0.90	0.53	0.63
Real Capital Spending	-9.0	-4.5	1.0	5.2	7.1	12.0	1.6	-17.7	3.9
Net Exports Bil. '00\$	-339.3	-346.2	-386.5	-405.7	-416.0	-413.1	-494.2	-364.6	-409.6

* Actual Value

Source: The Conference Board