



**The Conference Board Economic Forecast for the U.S. Economy  
September 14, 2009**

**Short term looks better but still doesn't guarantee sustainable recovery**

Our revised forecast for U.S. GDP growth of 3.2 percent (annualized) for the third quarter suggests a somewhat more optimistic view of the recovery than before. Such an uptick, while still very moderate in relation to this deep recession, is nonetheless very welcome as it could stem the tide of failing companies and moderate further erosion of income and wealth.

On the supply side, there is good news in the slowing run-off in inventories and moderate upticks in production and investment. But the question remains whether or not these can propel further recovery.

The only positive news on the demand side is the summer's temporary increase in auto sales from the government's CARS or "cash-for-clunkers" program, and a return to positive growth in exports. But car sales won't be subsidized forever, and the improvement in exports is more of a return to "normal" that doesn't necessarily portend vigorous improvement in foreign demand.

Once the improvements in supply meet the continued weak demand, the economy may revert again to a slower-paced recovery –starting in the fourth quarter but more notably unfolding in the first half of 2010 – shaping into a W. We already see some signs of fatigue in the recovery, as the run up in stock prices seems to be stabilizing, non-durable consumption keeps declining and consumer credit has shown larger declines in recent months. The savings rate will remain relatively high as more debt is paid off, but may plateau at around 3 percent once the economy is back on track, taking the average savings behavior of the past 20 years as a guide. Any more sustainable recovery by late 2010 will require broader recovery worldwide, improved access to financing and – above all – a decline in unemployment.

**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	3.2	2.4	0.5	2.3	3.1	0.4	-2.6	2.0
Real Consumer Spending	-1.0	1.4	0.5	0.5	1.8	2.2	-0.2	-0.9	1.1
Housing Starts Mil. Units	0.54	0.61	0.68	0.74	0.80	0.88	0.90	0.59	0.85
Real Capital Spending	-10.9	1.3	-0.8	1.3	7.3	12.2	1.6	-17.5	3.2
Net Exports Bil. '00\$	-331.8	-366.2	-397.5	-405.7	-417.7	-414.6	-494.3	-370.5	-411.0

\*Actual Value

Source: The Conference Board