



**The Conference Board Economic Forecast for the U.S. Economy
February 9, 2010**

Investment key to U.S. recovery

The strong Q4 GDP growth (5.7 percent) and January's slight fall in unemployment (to 9.7 percent) look like good news for the U.S. economy's near-term growth prospects – but only at face value. While Q4 was better than we had forecast, neither Q4's strong GDP nor January's unemployment figure fundamentally changes the weak-recovery picture. For one thing, about two-thirds of the Q4 recovery resulted from a slowing in inventory depletion – which is a transitory effect that fades as inventory levels re-normalize. And while January's unemployment dip came as a pleasant surprise, it results at least in part from statistical revisions and adjustments. Even with this year's reasonably good start, GDP growth is likely to be only 2.7 percent for 2010, less than half what we saw in Q4. Real consumer spending will increase but only slowly (1.4 percent), export growth will be good (9.6 percent) but still only half Q4's 18.1 percent. A bright spot is Q1 investment growth (4.9 percent), in particular capital spending on machinery and software (13.3 percent), which suggests businesses have regained some confidence and are making up for at least some of 2009's losses – however, it remains to be seen whether the capex recovery will be solid enough to last through the rest of the year. With slow growth in Europe and Japan, moderate growth in emerging economies, and weak domestic consumer demand, we expect the U.S. economy will enter a slow-growth scenario by mid-2010 that may last well into 2011.

The U.S. Economic Forecast

THE CONFERENCE BOARD'S ECONOMIC OUTLOOK, 2009-2011
Percentage Change, Seasonally Adjusted Annual Rates
(except where note)

	2009 IV Q*	2009 I Q	2010 II Q	2010 III Q	2010 IV Q	2011 I Q	2009 ANNUAL	2010 ANNUAL	2011 ANNUAL
Real GDP	5.7	2.7	2.6	0.8	1.2	1.7	-2.4	2.7	1.8
Real Consumer Spending	2.0	1.4	1.6	1.5	0.9	1.1	-0.6	1.6	1.6
Housing Starts Mil. Units	0.57	0.61	0.63	0.65	0.72	0.81	0.56	0.65	0.99
Real Capital Spending	2.9	4.9	3.3	-3.0	-1.8	3.9	-17.9	0.5	2.8
Net Exports Bil. '00\$	-341.1	-355.4	-357.3	-354.2	-351.2	-351.1	-353.8	-354.5	-363.4
* actual value									

Source: The Conference Board