

25 July 2008

Economic forecast summary

Real Economic Activity, % SAAR	4Q2007	1Q2008	2Q2008	3Q2008	4Q2008	1Q2009	2Q2009	3Q2009	4Q2009	2007	2008F	2009F
Real GDP	0.6	1.0	1.6	1.1	-2.5	-2.3	-0.5	2.0	2.5	2.2	1.5	-0.5
% Change, Year Ago	2.5	2.5	2.0	1.1	0.3	-0.5	-1.0	-0.8	0.4			
Final Sales	2.4	0.9	2.5	0.0	-2.4	-2.4	-0.1	1.4	2.5	2.5	1.7	-0.6
Domestic Demand	1.3	0.1	1.5	-0.2	-2.5	-3.3	-0.8	1.2	2.3	1.8	0.8	-1.1
Consumer Spending	2.3	1.1	1.4	0.2	-3.0	-2.4	0.0	1.8	2.5	2.9	1.2	-0.7
Durables	2.0	-6.0	-4.0	-0.7	-18.5	-10.0	0.5	2.5	3.5	4.7	-2.6	-6.0
Nondurables	1.2	-0.2	1.0	-3.5	-6.0	-3.5	-3.0	1.5	2.0	2.4	-0.2	-2.7
Services	2.8	3.1	2.5	2.3	1.3	-0.5	1.3	1.8	2.5	2.8	2.6	1.2
Residential Investment	-25.2	-24.5	-12.3	-14.2	-20.2	-21.0	-7.9	4.4	5.1	-17.0	-19.7	-12.8
Nonresidential Investment	6.0	0.5	6.8	-1.9	-1.0	-12.3	-8.7	-5.5	1.6	4.7	4.0	-5.4
Structures	12.4	1.3	9.7	-5.0	-9.0	-10.8	-8.0	-5.0	1.0	12.9	6.5	-6.6
Equipment and Software	3.1	0.2	5.3	-0.4	3.0	-13.0	-9.0	-5.8	2.0	1.3	2.8	-4.9
Government	1.9	2.1	1.8	1.7	1.9	1.7	1.8	1.8	1.6	2.0	2.3	1.8
Exports	6.5	5.5	10.9	5.2	4.8	3.0	2.8	3.2	2.4	8.1	8.3	4.0
Imports	-1.4	-0.7	2.7	2.6	2.5	-4.0	-2.4	1.0	1.5	1.9	0.9	-0.3
Net Exports (Bil 00\$)	-503.2	-480.2	-454.4	-447.8	-441.9	-409.7	-386.8	-379.2	-377.1	-555.6	-456.1	-388.2
Inventory Accumulation (Bil \$)	-18.3	-19.6	-44.6	-11.2	-13.5	-11.1	-21.0	-6.3	-7.3	4.6	-22.2	-11.4
Nominal GDP (Bil \$)	14074	14201	14308	14477	14520	14516	14518	14613	14741	13841	14376	14597
% SAAR	3.0	3.7	3.0	4.8	1.2	-0.1	0.1	2.7	3.6	4.9	3.9	1.5
% Change, Year Ago	5.1	4.8	3.9	3.6	3.2	2.2	1.5	0.9	1.5			
Key Indicators												
Industrial Production (% SAAR)	0.2	0.6	-3.2	0.0	-5.5	-7.3	-2.8	1.0	1.5	1.7	-0.1	-3.4
Capacity Utilization (%)	81.0	80.6	79.8	79.4	78.0	76.2	75.3	75.2	75.2	81.0	79.4	75.5
Civilian Unemployment Rate (%)	4.8	4.9	5.3	6.2	6.5	6.7	7.0	7.0	6.8	4.6	5.7	6.9
Productivity (% SAAR)	1.8	2.6	2.0	3.2	-0.7	0.4	2.5	3.1	2.5	1.8	2.6	1.5
% Change, Year Ago	2.9	3.3	3.1	2.4	1.8	1.2	1.3	1.3	2.1			
Real Disp. Personal Inc. (% SAAR)	0.9	1.4	13.7	-7.4	-3.6	1.0	2.2	2.9	3.0	3.1	2.2	0.3
% Change, Year Ago	2.4	1.4	4.9	1.9	0.7	0.6	-2.0	0.6	2.3			
Personal Savings Rate (%)	0.2	0.4	3.0	0.9	0.8	1.3	1.9	2.3	2.7	0.5	1.3	2.1
Light Vehicle Sales (Millions SAAR)	16.2	15.3	14.1	13.6	12.8	12.9	13.5	13.8	14.0	16.4	14.0	13.6
Housing Starts (Thous. SAAR)	1151	1053	1016	880	730	675	750	795	820	1341	920	760
Current Account (Bil \$)	-167.2	-176.4	-200.1	-213.8	-206.5	-192.2	-178.5	-177.6	-182.4	-731.2	-796.8	-730.7
U.S. Budget Balance (Bil \$)										-163	-425	-500
Corporate Profits and Earnings												
Operating Corp. Profits After Tax (Bil \$)	1114.6	1141.9	1084.4	939.5	805.5	849.8	863.7	892.6	943.7	1128.6	992.8	887.4
% Change, Year Ago	3.3	4.3	-5.9	-18.5	-27.7	-25.6	-20.4	-5.0	17.1	2.6	-12.0	-10.6
S&P 500 Reported EPS (\$)	7.8	15.5	17.0	12.5	10.7	12.2	12.6	12.3	14.0	66.2	55.8	51.0
% Change, Year Ago	-61.4	-27.1	-22.3	-17.5	37.1	-21.7	-25.8	-1.7	30.3	-18.8	-15.7	-8.5
S&P 500 Operating EPS (\$)	15.2	16.6	18.8	16.7	15.8	15.0	15.5	15.7	16.8	82.5	68.0	63.0
% Change, Year Ago	-30.8	-25.8	-21.7	-20.0	3.8	-9.7	-17.8	-6.0	6.6	-5.9	-17.7	-7.2
Inflation												
GDP Price Index (% SAAR)	2.4	2.7	1.4	3.7	3.7	2.2	0.5	0.7	1.1	2.7	2.4	2.0
% Change, Year Ago	2.6	2.2	1.9	2.6	2.9	2.7	2.5	1.8	1.1			
CPI, Consumer Prices (% SAAR)	5.0	4.3	5.0	8.4	4.4	1.7	-0.2	0.3	1.1	2.9	4.9	2.6
% Change, Year Ago	4.0	4.2	4.3	5.7	5.5	4.9	3.5	1.5	0.7			
CPI ex Food & Energy (% SAAR)	2.5	2.5	1.9	3.1	2.5	1.9	1.4	1.4	1.7	2.3	2.4	2.0
% Change, Year Ago	2.3	2.4	2.3	2.5	2.5	2.4	2.3	1.8	1.6			

Source: Merrill Lynch

Interest rate forecast summary

(% EOP)	4Q 07	1Q 08	2Q 08	3Q 08	4Q 08	1Q 09	2Q 09	3Q 09	4Q 09	2007	2008	2009
Fed Funds	4.25	2.25	2.00	2.00	2.00	1.50	1.50	1.50	2.00	4.25	2.00	2.00
3-Month T-Bill	3.36	1.38	1.74	1.65	1.60	1.40	1.25	1.45	1.90	3.36	1.60	1.90
3-Month LIBOR	4.85	2.95	2.78	2.80	2.75	2.15	2.05	1.95	2.35	4.85	2.75	2.35
2-Year T-Note	3.04	1.62	2.62	2.60	2.25	1.95	1.65	2.05	2.30	3.04	2.25	2.30
5-Year T-Note	3.45	2.46	3.33	3.45	3.20	2.75	2.40	2.60	2.85	3.45	3.20	2.85
10-Year T-Note	4.05	3.45	3.97	4.15	3.90	3.65	3.25	3.50	3.65	4.05	3.90	3.65
30-Year T-Bond	4.45	4.30	4.53	4.75	4.50	4.25	3.75	3.90	4.00	4.45	4.50	4.00

Shaded regions represent Merrill Lynch forecast.

Source: Merrill Lynch