LSC and OBM GRF Revenue Forecasts Compared

GRF Amounts by Source (dollar amounts in millions)

	FY 2001			FY 2002			FY 2003		
REVENUE SOURCE	OBM	LSC	Difference	OBM	LSC	Difference	OBM	LSC	Difference
Auto Sales & Use	$805.0	$792.9	-$12.1	$825.0	$821.0	-$4.0	$845.0	$843.2	-$1.8
Non-Auto Sales & Use	$5,175.0	$5,160.5	-$14.5	$5,415.0	$5,363.8	-$51.2	$5,675.0	$5,645.0	-$30.0
Total Sales & Use	$5,980.0	$5,953.4	-$26.6	$6,240.0	$6,184.8	-$55.2	$6,520.0	$6,488.2	-$31.8
Personal Income	$7,250.0	$7,268.6	$18.6	$8,175.0	$8,182.8	$7.8	$8,735.0	$8,739.2	$4.2
Corporate Franchise	$930.0	$921.8	-$8.2	$970.0	$923.1	-$46.9	$1,030.0	$981.3	-$48.7
Public Utility	$644.5	$627.4	-$17.1	$246.0	$230.5	-$15.5	$285.0	$236.0	-$49.0
Kilowatt-Hour	$25.0	$25.4	$0.4	$329.0	$349.1	$20.1	$335.0	$353.6	$18.6
Foreign Insurance	$219.5	$220.0	$0.5	$230.0	$215.5	-$14.5	$245.0	$215.7	-$29.3
Domestic Insurance	$109.6	$92.3	-$17.3	$115.0	$106.5	-$8.5	$125.0	$118.3	-$6.7
Business & Property	$7.5	$7.5	$0.0	$8.3	$8.3	$0.0	$9.5	$8.4	-$1.1
Cigarette	$280.0	$282.5	$2.5	$280.0	$279.1	-$0.9	$280.0	$275.7	-$4.3
Alcoholic Beverage	$55.0	$56.3	$1.3	$56.0	$58.0	$2.0	$58.0	$59.6	$1.6
Liquor Gallonage	$29.0	$29.4	$0.4	$29.0	$30.0	$1.0	$30.0	$30.8	$0.8
Estate	$152.0	$142.0	-$10.0	$125.0	$112.6	-$12.4	$75.0	$68.5	-$6.5
Total Taxes	**$15,682.1**	**$15,626.6**	**-$55.5**	**$16,803.3**	**$16,680.3**	**-$123.0**	**$17,727.5**	**$17,575.3**	**-$152.2**
Earnings on Investment	$145.0	$145.0	$0.0	$135.0	$135.0	$0.0	$125.0	$125.0	$0.0
Licenses and fees	$33.0	$33.0	$0.0	$35.0	$35.0	$0.0	$35.0	$35.0	$0.0
Other Income	$90.0	$90.0	$0.0	$93.0	$93.0	$0.0	$95.0	$95.0	$0.0
ISTV's & IDC's	$85.0	$85.0	$0.0	$60.0	$60.0	$0.0	$60.0	$60.0	$0.0
Total Non-Tax Receipts	**$353.0**	**$353.0**	**$0.0**	**$323.0**	**$323.0**	**$0.0**	**$315.0**	**$315.0**	**$0.0**
Liquor Transfers	$101.0	$101.0	$0.0	$98.0	$98.0	$0.0	$94.6	$94.6	$0.0
Transfers In - Other	$621.4	$621.4	$0.0	$40.0	$40.0	$0.0	$10.0	$10.0	$0.0
Transfers In - Temporary	$27.1	$27.1	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Total Transfers In	**$749.5**	**$749.5**	$0.0	**$138.0**	**$138.0**	$0.0	**$104.6**	**$104.6**	$0.0
Total Sources Excluding Federal	**$16,784.6**	**$16,729.1**	**-$55.5**	**$17,264.3**	**$17,141.3**	**-$123.0**	**$18,147.1**	**$17,994.9**	**-$152.2**

LSC GRF Revenue Forecasts Compared

GRF Amounts by Source (dollar amounts in millions)

	FY 2001			FY 2002			FY 2003		
REVENUE SOURCE	January	May	Difference	January	May	Difference	January	May	Difference
Auto Sales & Use	$815.5	$792.9	-$22.6	$881.0	$821.0	-$60.0	$926.4	$843.2	-$83.2
Non-Auto Sales & Use	$5,225.6	$5,160.5	-$65.1	$5,598.5	$5,363.8	-$234.7	$5,917.9	$5,645.0	-$272.9
Total Sales & Use	$6,041.1	$5,953.4	-$87.7	$6,479.5	$6,184.8	-$294.7	$6,844.3	$6,488.2	-$356.1
Personal Income	$7,435.4	$7,268.6	-$166.8	$8,426.7	$8,182.8	-$243.9	$8,959.2	$8,739.2	-$220.0
Corporate Franchise	$921.8	$921.8	$0.0	$907.8	$923.1	$15.3	$931.6	$981.3	$49.7
Public Utility	$627.7	$627.4	-$0.3	$197.1	$230.5	$33.4	$216.4	$236.0	$19.6
Kilowatt-Hour	$25.4	$25.4	$0.0	$354.3	$349.1	-$5.2	$354.7	$353.6	-$1.1
		$0.0			$0.0			$0.0	
Foreign Insurance	$247.4	$220.0	-$27.4	$242.4	$215.5	-$26.9	$242.6	$215.7	-$26.9
Domestic Insurance	$90.2	$92.3	$2.1	$104.1	$106.5	$2.4	$115.6	$118.3	$2.7
Business & Property	$7.5	$7.5	$0.0	$8.3	$8.3	$0.0	$8.4	$8.4	$0.0
Cigarette	$282.5	$282.5	$0.0	$279.1	$279.1	$0.0	$275.7	$275.7	$0.0
Alcoholic Beverage	$56.3	$56.3	$0.0	$58.0	$58.0	$0.0	$59.6	$59.6	$0.0
Liquor Gallonage	$29.4	$29.4	$0.0	$30.0	$30.0	$0.0	$30.8	$30.8	$0.0
Estate	$160.0	$142.0	-$18.0	$95.5	$112.6	$17.1	$60.6	$68.5	$7.9
Total Taxes	**$15,924.7**	**$15,626.6**	**-$298.1**	**$17,182.8**	**$16,680.3**	**-$502.5**	**$18,099.5**	**$17,575.3**	**-$524.2**
Earnings on Investment	$130.0	$145.0	$15.0	$130.0	$135.0	$5.0	$125.0	$125.0	$0.0
Licenses and fees	$35.0	$33.0	-$2.0	$35.0	$35.0	$0.0	$35.0	$35.0	$0.0
Other Income	$85.0	$90.0	$5.0	$90.0	$93.0	$3.0	$90.0	$95.0	$5.0
ISTV's & IDC's	$85.0	$85.0	$0.0	$60.0	$60.0	$0.0	$60.0	$60.0	$0.0
Total Non-Tax Receipts	**$335.0**	**$353.0**	**$18.0**	**$315.0**	**$323.0**	**$8.0**	**$310.0**	**$315.0**	**$5.0**
Liquor Transfers	$93.0	$101.0	$8.0	$95.0	$98.0	$3.0	$92.0	$94.6	$2.6
Transfers In - Other	$599.0	$621.4	$22.4	$40.0	$40.0	$0.0	$10.0	$10.0	$0.0
Transfers In - Temporary	$15.9	$27.1	$11.2	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Total Transfers In	**$707.9**	**$749.5**	$41.6	**$135.0**	**$138.0**	$3.0	**$102.0**	**$104.6**	$2.6
Total Sources Excluding Federal	**$16,967.6**	**$16,729.1**	**-$238.5**	**$17,632.8**	**$17,141.3**	**-$491.5**	**$18,511.5**	**$17,994.9**	**-$516.6**

Economic Forecast

In January, we began our economic forecast overview with four statements:

The U.S. economy has slowed.

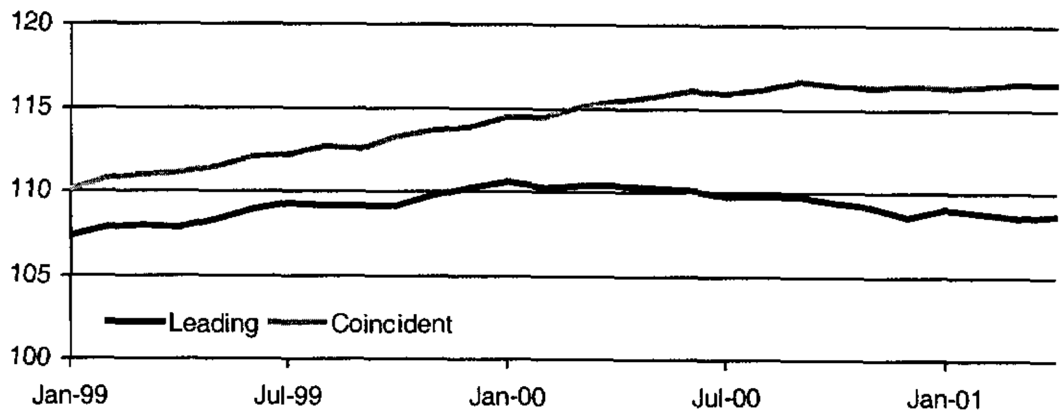
How much it has slowed remains to be seen.

The U.S. economy will speed up again.

Exactly when it speeds up remains to be seen.

We now have some more information on how the economy is doing, but the extent of the slowdown and the timing of the recovery are still not known. In a recent speech, Federal Reserve Board Chairman Alan Greenspan noted that the current "period of sub-par economic growth is not yet over, and we are not free of the risk that economic weakness will be greater than currently anticipated." Some indicators are pointing up while others are pointing down. The Conference Board's index of leading economic indicators rose by 0.5 percent in January, fell by 0.2 percent in February and March, and rose by 0.1 percent in April. Chart 1 shows both the leading and coincident indices starting in January 1999. The leading index generally declined throughout 2000 while the coincident index flattened out during the second half of the year. The Conference Board reports that "the declining trend in the leading index is softening" and that the Federal Reserve's interest rate cuts should "help keep the pace of economic activity from moderating further." The indices point to "slow growth through the summer of 2001."

Chart 1: Indices of Economic Indicators



There is still much uncertainty surrounding the economy, making forecasting difficult. Different forecasting firms have different forecasts, and firms update their forecasts periodically in response to new reports or policy actions. In January, we based our revenue forecasts on DRI's January economic forecast, which had been revised to take into account the early January Federal Reserve interest rate cut. At the time, it was the most current forecast we had. Since then, DRI, WEFA, and the Governor's Economic Advisory Council (GEAC) have revised their forecasts of the economy's performance. The revisions have been pessimistic in nature. The slowdown is deeper than first thought (it may still turn into a recession) and recovery is expected to take longer.

Gross Domestic Product

The economy slowed drastically during the second half of 2000 seeing growth fall from 5.6 percent annual rate during the second quarter to 1.0 percent during the fourth quarter. The fourth quarter growth rate is the lowest since the second quarter of 1995. The "preliminary" estimate for growth in the first quarter of 2001 is 1.3 percent. This estimate is subject to revision and is likely to be revised downward. Chart 2 depicts growth in real (inflation adjusted) gross domestic product from the first quarter of 1995 through the first quarter of 2001. Both year-over-year growth and quarterly growth at an annualized rate are presented. The second half of 2000 was the third time since 1995 that GDP growth slowed for two consecutive quarters (the third and fourth quarters of 1997 and the first and second quarters of 1999), but the degree of slowing was much worse. In 1997, growth fell from 5.9 percent to 2.8 percent (a 3.1 percent drop or a 53 percent slowing). In 1999, growth fell from 5.6 percent to 2.5 percent (a 3.1 percent drop or a 56 percent slowing). The most recent decrease in growth was from 5.6 percent to 1.0 percent (a 4.6 percent drop or 82 percent slowing). Even if the economy was not technically in a recession (defined a 2 quarters of negative growth), the degree of slowdown was severe enough to make it feel like one.

Chart 2: Real GDP Growth

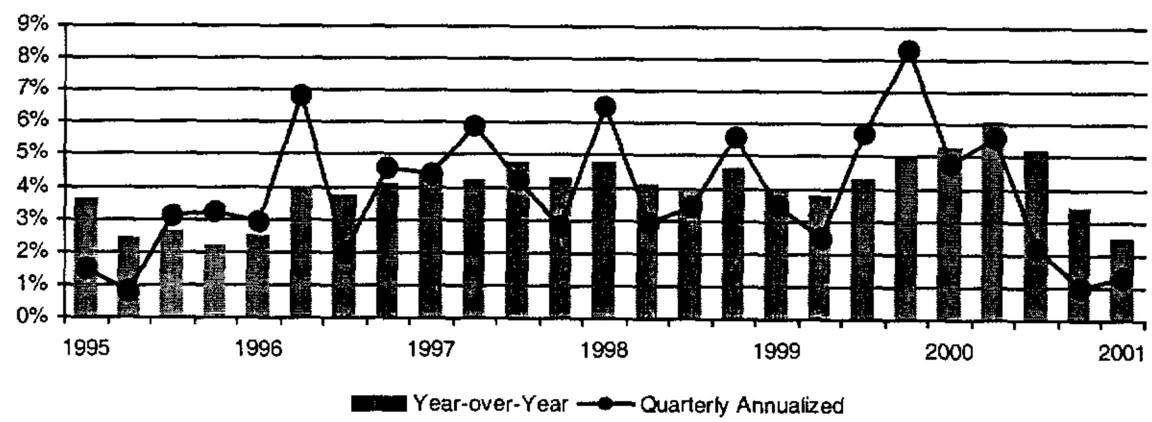
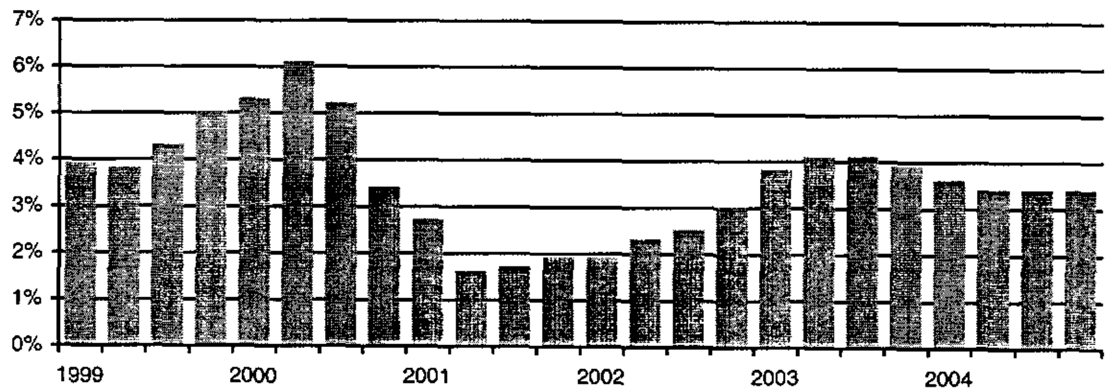


Table 1 summarizes the contributions to real GDP growth for 2000 and the first quarter of 2001. Personal consumption expenditures and gross domestic private investment are the primary contributors to GDP growth. As their growth slowed, so did growth in GDP. As they recover, so will GDP growth.

Table 1: Contributions to Percent Change in Real GDP	2000-1	2000-2	2000-3	2000-4	2001-1
GDP growth	4.8	5.6	2.2	1.0	1.3
Personal Consumption Expenditures	5.0	2.1	3.0	1.9	2.0
Gross Private Domestic Investment	0.9	3.7	0.3	-0.8	-2.6
Government Consumption Expenditures and Gross Investment	-0.2	0.9	-0.2	0.5	0.8
Exports	0.7	1.5	1.5	-0.7	-0.3
Imports	-1.6	-2.5	-2.4	0.2	1.4

Earlier this year, economists discussed whether expected recession would be U-shaped (a gradual decline and a gradual recovery) or V-shaped (a sharp decline and a quick recovery). At the May meeting of the GEAC, one member proposed a "Nike swoosh recession" (a sharp decline and a gradual recovery). This characterization matches the forecasts we have received from WEFA and DRI. Charts 3 portrays the "swoosh recession" using the DRI forecast.

Chart 3: Year-over-Year Real GDP Growth
DRI Forecast



From a peak of 6.1 percent for the second quarter of 2000, year-over-year growth in real GDP fell to 2.7 percent for the first quarter of 2001. Year-over-year real GDP fell by 56 percent in just three quarters and is expected to fall even more. The May forecast from DRI has growth bottoming out in the second quarter of 2001 (at 1.6 percent) while WEFA has the economy reaching bottom during the third quarter (at 1.3 percent). The upward path of recovery has a lower slope than the sharp decline. The economy will take longer to recover and the level of growth to which it recovers is expected to be lower than the level from which it fell.

Table 2 contains the most recent forecasts of real GDP growth by DRI, WEFA, and the GEAC. The GEAC forecast is on an annual basis and the DRI and WEFA forecasts are broken down by quarter. The growth rate for the first quarter of 2001 is the advance estimate released by the Bureau of Economic Analysis on April 27.

Table 2: Real GDP Growth (annual rates)

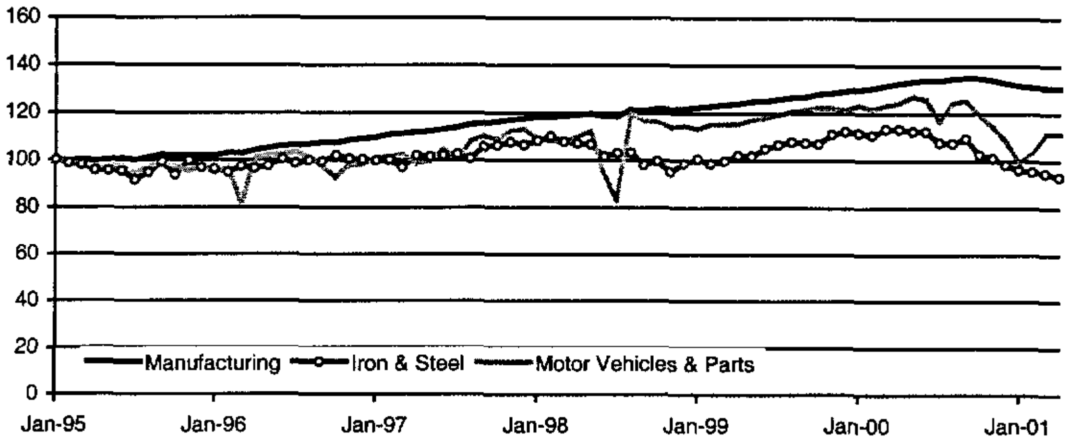
	2001				2002				2003			
GEAC (May 2001)	1.7				3.0				3.6			
DRI (May 2001)	2.0	1.3	2.6	1.9	1.8	2.7	3.5	3.9	5.0	4.0	3.3	3.4
yearly average	1.9				3.0				3.9			
WEFA (May 2001)	2.0	1.1	1.3	2.0	2.8	3.4	3.6	3.4	3.9	2.9	3.1	3.4
yearly average	1.6				3.3				3.3			

Industrial Activity and Manufacturing

Manufacturing remains a significant sector of Ohio's economy. In 1998, manufacturing accounted for 25 percent of Ohio's gross state product (GSP) and 20 percent of its wage and salary employment. By comparison, manufacturing accounted for 16 percent of U.S. gross domestic product and 15 percent of U.S. employment in 1998. Additionally, Ohio is not only concentrated in manufacturing, it is concentrated in durable goods manufacturing. In 1998, 67 percent of Ohio's manufacturing GSP came from durable goods. For the nation as a whole, the figure was 59 percent. Ohio's dependence on manufacturing is important to any Ohio forecast. Changes in U.S. manufacturing will be felt more in Ohio than in the nation as a whole.

The Federal Reserve's index of industrial production fell by 0.9 percent in January, 0.4 percent in February, by 0.1 percent in March, and by 0.3 percent in April. The index is down 1.0 percent compared to April 2000, and has fallen by 2.8 percent since September 2000. The index of manufacturing fell by 0.8 percent in January, by 0.4 percent in February, by 0.2 percent in March, and by 0.3 percent in April. The manufacturing index is down 1.6 percent compared to April 2000, and has fallen by 3.4 percent since September 2000. The output of motor vehicles and parts, which fell at an annual rate of 23.6 percent during the fourth quarter of 2000, fell by 8.8 percent in January before rising by 4.8 percent in February and 7.3 percent in March. April's output was unchanged from March. The bottom appears to have been reached and the climb back may have started. However, there is a long way to go. Output of motor vehicles and parts is down 10.5 percent compared to April 2000. Output of iron and steel is down 18 percent compared to April 2000. Chart 4 shows the recent history of industrial production indices that are important to Ohio's manufacturing sector.

Chart 4: Industrial Production



The National Association of Purchasing Managers (NAPM) index was 41.2 in January, 41.9 in February, 43.1 in March, and 43.2 in April. Although April marked the ninth consecutive month for which the index was below 50 (indicating a contraction in manufacturing), the index was above 42.7 (indicating that the whole economy was not in contraction) for the second straight month. The average for the first quarter (42.1) corresponds to a 0.2 percent annual rate of decrease in GDP. The April value of 43.2 corresponds to a 0.2 percent annual rate of increase in GDP. The production index rose to 42.9 in April. The index for new orders increased to 45.9 while the index for backlog or orders was unchanged at 43.5. The low values for the indices indicate that the recovery may be slow.

The DRI and WEFA forecasts for industrial activity and manufacturing are presented in tables 3 and 4 below. Both forecasts have declines for the first two quarters of 2001 followed by growth in the second half of the year.

Table 3: DRI Forecasts of Industrial Production (annualized rates)

	2001				2002				2003			
	1	2	3	4	1	2	3	4	1	2	3	4
Industrial Production	-4.7	-0.7	2.6	2.3	1.7	3.7	3.4	4.1	4.0	4.4	3.4	2.7
Manufacturing	-5.6	-1.1	2.7	2.6	2.3	4.5	3.8	4.2	4.1	5.0	3.8	2.8
Durable	-7.4	-0.4	2.3	2.5	2.4	4.9	3.7	4.7	4.3	6.1	4.9	3.7
Nondurable	-3.4	-2.2	3.4	2.8	2.2	4.0	3.9	3.5	3.8	3.3	2.2	1.6

Table 4: WEFA Forecasts of Industrial Production (annualized rates)

	2001				2002				2003			
	1	2	3	4	1	2	3	4	1	2	3	4
Industrial Output	-5.0	0.3	0.8	2.2	1.9	3.6	4.1	3.2	4.0	3.4	3.4	3.6
Manufacturing	-5.6	0.0	0.5	2.4	2.6	3.4	4.2	3.6	4.1	3.6	3.8	4.0
Durable	-7.5	0.2	0.8	3.6	3.3	5.0	6.0	4.8	6.0	4.5	4.9	5.8
Nondurable	-3.4	-0.3	0.0	1.4	1.4	2.1	1.7	2.4	1.7	2.1	2.4	2.4

Employment

The seasonally adjusted national unemployment rate was 4.2 percent in January and February, 4.3 percent in March, and 4.5 percent in April. The Ohio unemployment rate was reported to be 4.2 percent in January, 3.8 percent in February, 3.5 percent in March, and 3.9 percent in April. The Ohio Department of Job and Family Services (ODJFS) believes that the rates do not "reflect the increased number of layoffs, unemployment claims, and decreases in manufacturing employment experienced in this state." Although "the rate is beginning to more accurately reflect the increased number of mass layoffs, high number of claims for unemployment compensation, and decreased manufacturing employment due to the economic slowdown" the department is "still concerned that the reported unemployment rate does not fully reflect the hardships faced by the state's manufacturing sector."

Unemployment compensation claims present a better picture of the employment situation in Ohio. A year-over-year comparison shows that initial claims were up 38.1 percent in January, 100.4 percent in February, 64.1 percent in March, and 68.8 percent in April. A similar pattern exists for continued claims. A year-over-year comparison shows that continued claims were up 49.9 percent in January, 34.8 percent in February, 38.6 percent in March, and 65.3 percent in April. Charts 5 and 6 show trends in Ohio unemployment compensation claims. The areas labeled 12 MMA are twelve-month moving averages. A twelve-month moving average is one way to remove seasonal patterns from data.

Chart 5: Ohio Initial Unemployment Claims

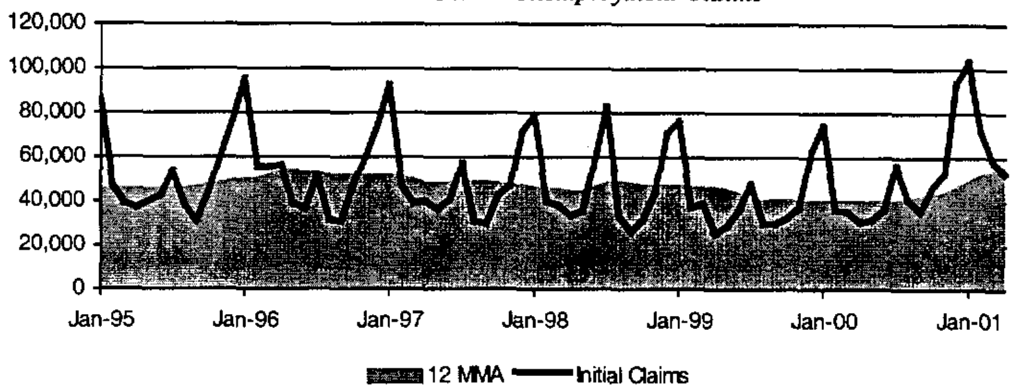
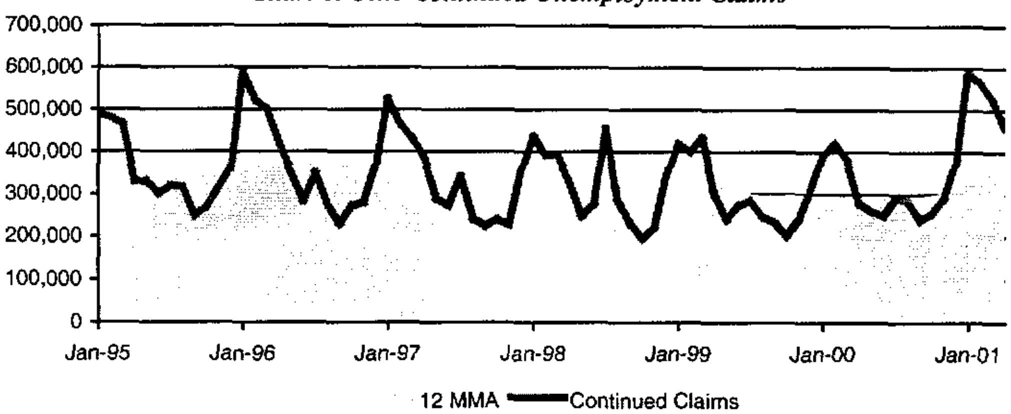


Chart 6: Ohio Continued Unemployment Claims



Forecasts of the employment situation generally move in line with forecasts of GDP. As GDP slows, employment falls and unemployment increases. As the economy recovers, employment rises and unemployment falls. Forecasts of unemployment rates are provided in table 5 below. The Governor's Economic Advisory Council provides forecasts of the unemployment rate for both the U.S. and Ohio. We do not have Ohio specific forecasts from DRI or WEFA.

Table 5: Forecasts of Unemployment Rates

	2001				2002				2003			
	1	2	3	4	1	2	3	4	1	2	3	4
DRI	4.2	4.7	4.9	5.1	5.4	5.6	5.7	5.7	5.7	5.6	5.6	5.5
WEFA	4.2	4.6	4.9	5.0	5.1	5.2	5.2	5.1	5.0	5.1	5.1	5.0
GEAC - US	4.9				4.9				4.8			
GEAC - OH	4.5				4.5				4.4			

Consumers

Personal income grew at a 5.9 percent seasonally adjusted annualized rate (SAAR) during the first quarter of 2001. Wages and salary grew at a 6.5 percent SAAR, dividends grew at a 7.1 percent SAAR, and transfers grew at a 12.1 percent SAAR. Personal interest income fell at a 1.7 percent SAAR. Disposable (after-tax) personal income grew at a 5.3 percent SAAR during the first quarter. During the first quarter, the seasonally adjusted CPI-U grew at a 4.0 percent rate.

Compared to the first quarter of 2000, personal income is up 5.5 percent, wages and salaries are up 6.2 percent, dividends are up 7.1 percent, interest income is up 3.5 percent, and transfers are up 6.5 percent. Disposable personal income is up 4.6 percent compared to the first quarter of 2000. In a similar year-over-year comparison, the CPI-U rose by 3.4 percent.

Personal income is expected to grow at a slower pace than in recent years. Table 6 contains forecasts of U.S. personal income growth. Ohio's personal income growth is generally less than the U.S. rate. Table 6 contains forecasts of Ohio's personal income growth. The GEAC provides a forecast of income growth for Ohio, but DRI and WEFA do not. The estimates labeled DRI and WEFA are based on the past relationship between the Ohio and U.S. rates.

Table 6: U.S. Personal Income Growth (annual rates)

	2001				2002				2003			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GEAC (May 2001)	5.0				5.3				5.7			
DRI (May 2001)	5.9	3.4	4.0	3.2	5.0	4.5	4.9	5.2	6.7	6.1	5.4	5.2
yearly average	4.1				4.9				5.8			
WEFA (May 2001)	5.9	4.7	4.9	4.1	4.3	5.5	5.5	5.0	5.0	4.9	4.8	4.8
yearly average	4.9				5.1				4.9			

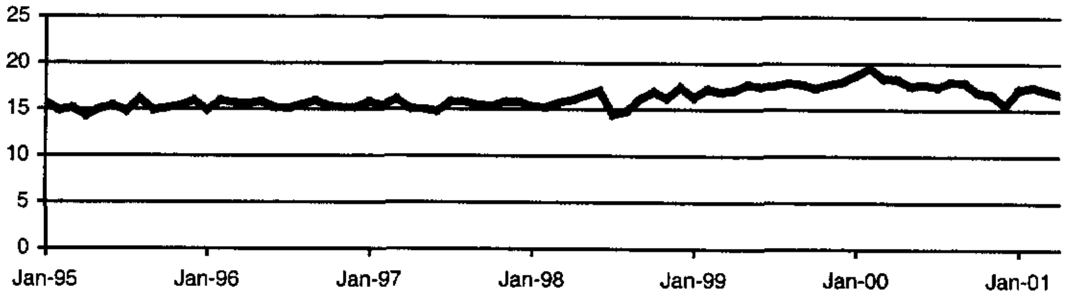
Table 7: Ohio. Personal Income Growth (annual rates)

	2001				2002				2003			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GEAC (May 2001)		4.1				4.8				5.2		
DRI (May 2001)	4.6	2.7	3.1	2.5	3.9	3.5	3.9	4.1	5.2	4.8	4.3	4.1
yearly average		3.2				3.9				4.6		
WEFA (May 2001)	4.6	3.7	3.8	3.2	3.4	4.3	4.3	4.0	3.9	3.9	3.8	3.8
yearly average		3.9				4.0				3.8		

Personal consumption expenditures grew at a 6.5 percent SAAR during the first quarter of 2001 and are up 5.7 percent compared to the first quarter of 2000. Expenditures on durable goods grew at an 11.2 SAAR during the first quarter, but are up only 1.4 percent compared to the first quarter of 2000. The low growth for spending on durable goods is bad news for manufacturing and states (like Ohio) with large manufacturing sectors. Expenditures for nondurable goods grew at a 4.6 percent SAAR during the first quarter and are up 5.4 percent compared to last year. Expenditures for services grew at a 6.6 percent SAAR during the first quarter and are up 6.8 percent compared to the first quarter of 2000. Spending on durable goods accounts for 12 percent of personal consumption expenditures, spending on nondurable goods accounts for 30 percent, and spending on services accounts for 58 percent.

Vehicle sales averaged 17.3 million SAAR during the first quarter, but fell to 16.7 million SAAR in April. Although this rate of sales is down 2.8 million (14.4 percent) from the 19.5 million SAAR of February 2000, it is nevertheless a high rate of sales. The chart below shows total U.S. vehicle sales starting in 1995. Sales dropped during the last quarter of 2000, falling from 17.9 million SAAR in September to 15.5 million in December before bouncing back in January. Sales have been supported by incentives, low prices, and low interest rates. The increase in sales combined with lower production has helped bring sales in line with production. During the first quarter, inventories fell from 102 days to 65 days. Vehicle manufacturing should start to pick up, which would help the manufacturing sector and could help end the current economic slowdown. The GEAC forecasts vehicle sales of 16.0 million in both 2001 and 2002 and sales of 16.2 million in 2003.

Chart 7: Total U.S. Vehicle Sales
SAAR in millions



The housing market, fueled by low mortgage rates, is healthy. Sales of existing homes averaged a seasonally adjusted annual rate (SAAR) of 5.28 million during the first quarter. Sales above 5 million units are considered high. New home sales averaged 964,000 SAAR for the first quarter. Sales over 900,000 indicate a strong market. New home sales fell to 894,000 in April, but seasonally adjusted sales for the first four months of 2001 are 8.3 percent above sales for the same period last year. Sales are down slightly from last year, but considering weather, bad news about the economy, declines in the stock market, and declines in consumer confidence, the housing market is doing surprisingly well. However, weakening in the labor market may lead to weakening in the housing market.

Consumer confidence has fallen significantly since last summer (see chart 8). After peaking in May 2000, the index started to fall in October. For April, the overall index was at 109.2, the index of current conditions was at 155.6, and the index of expectations was at 78.2. Confidence appeared to have rebounded in March, but fell back during April. Although confidence has fallen, the overall index and the index of current conditions remain high. Consumers appear to be confident of their own personal financial situation (as measured by the index of current conditions), but less sure of the condition of the general economy (as measured by the index of expectations). Consumers have continued to spend, but at a slower rate than they did in early 2000. Energy prices are still high, the stock market is uninspiring, and many consumers have overextended their credit. Consumers may be confident, but they are also more cautious than they were a year ago.

Chart 8: Consumer Confidence Index