Attachment 2

Economic Outlook

Presented by

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Economy.com, Inc.

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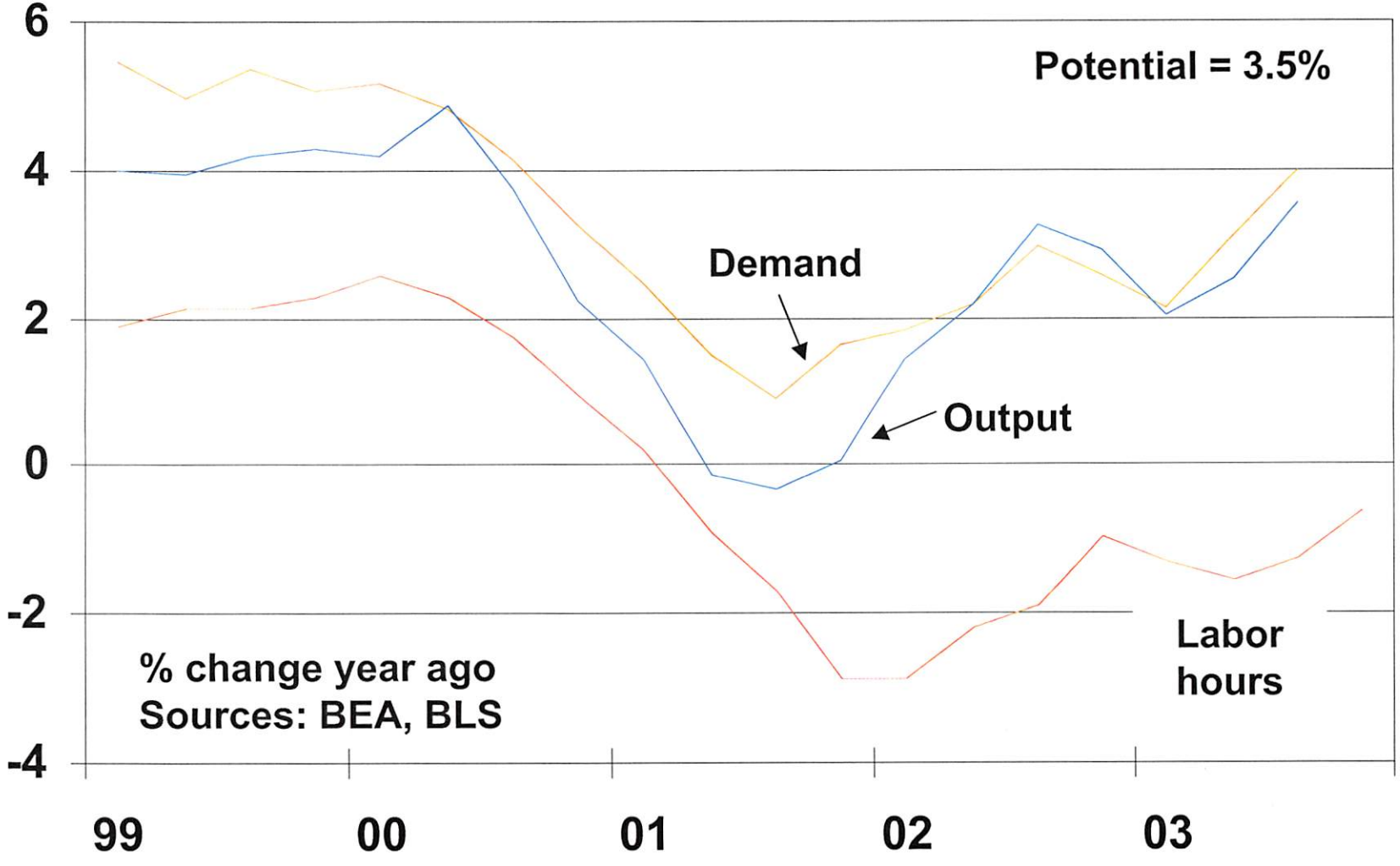
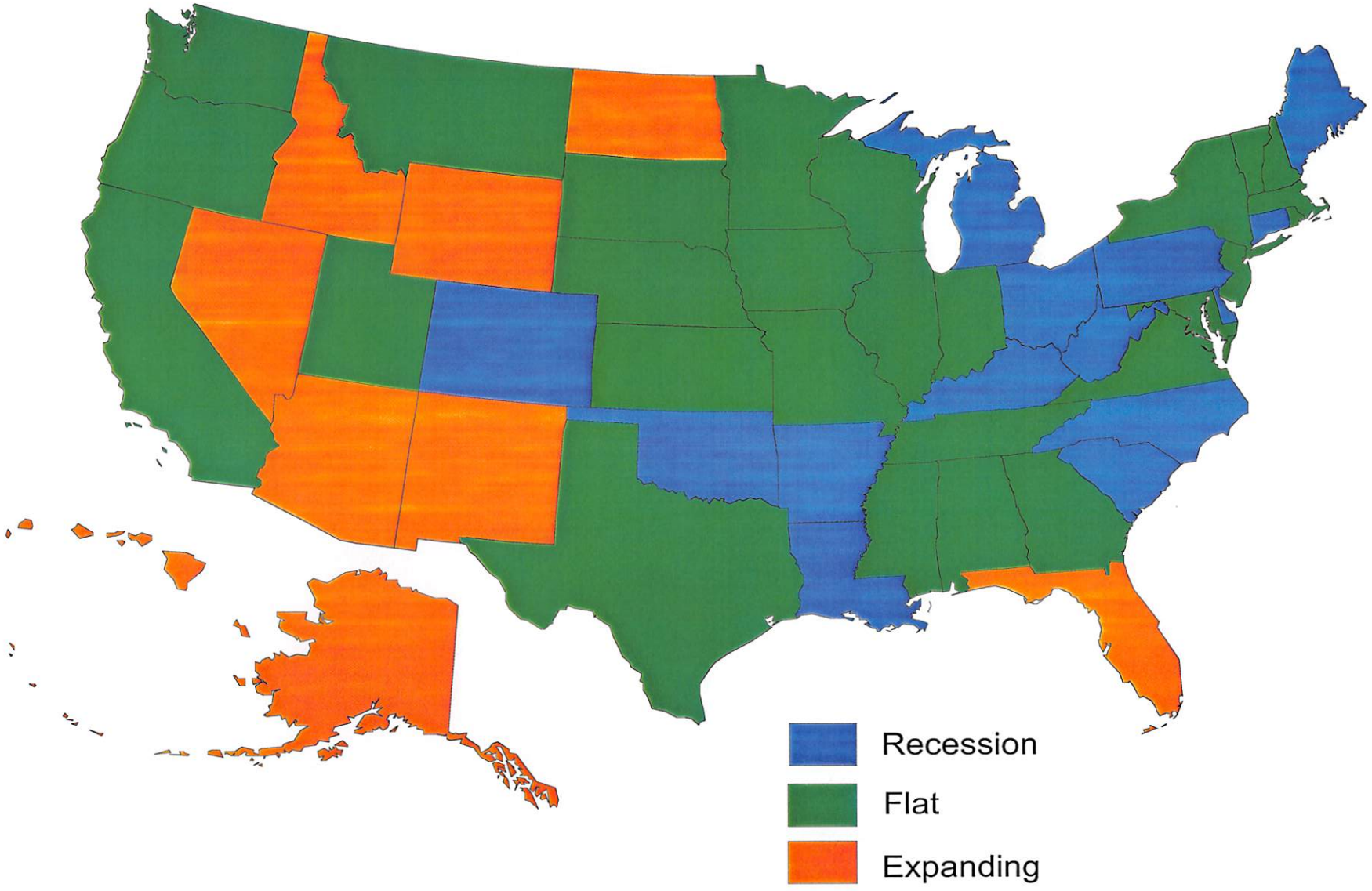
An Improving Economy



States in Recession



Based on employment and IP data
as of October 2003

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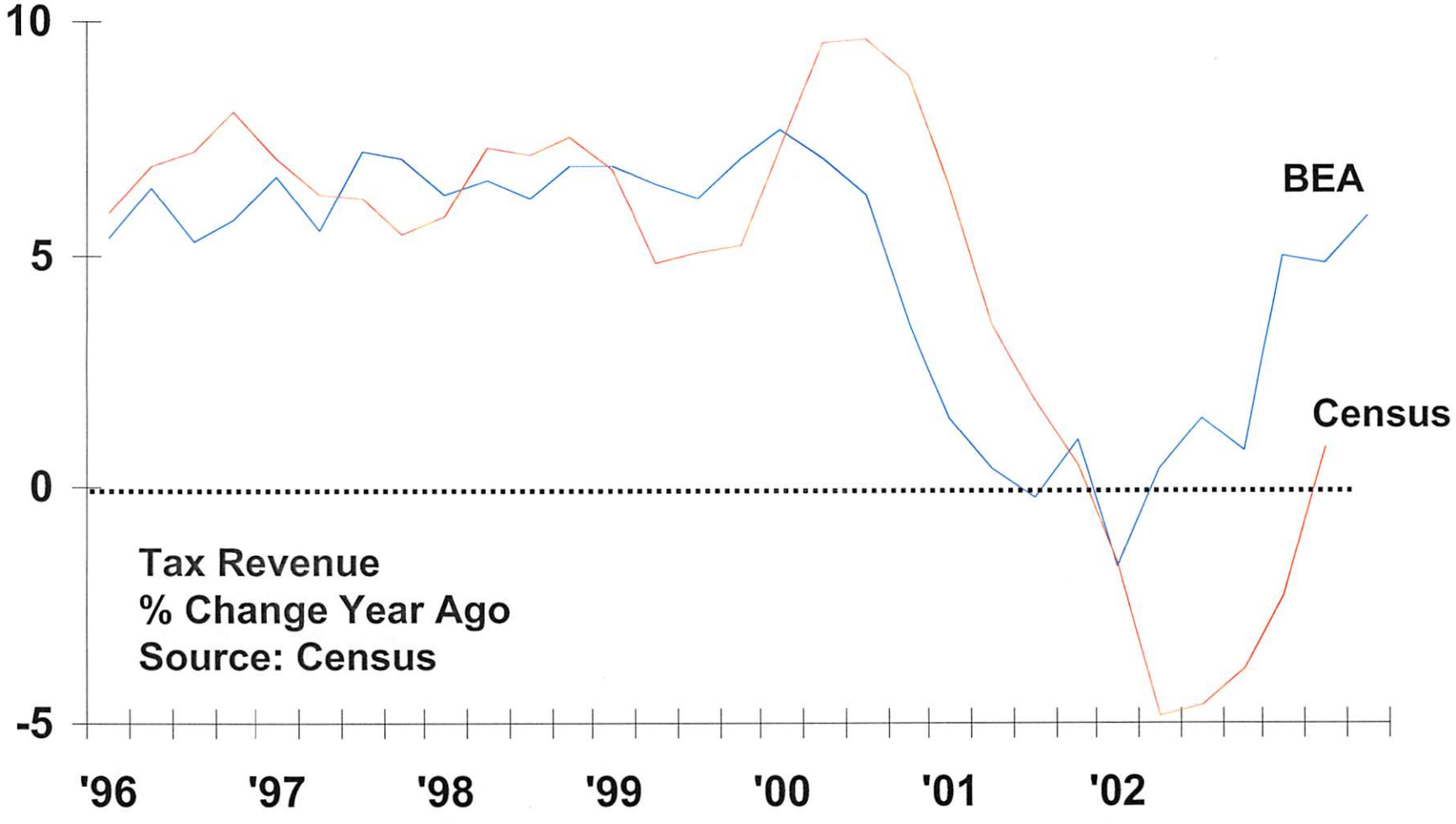
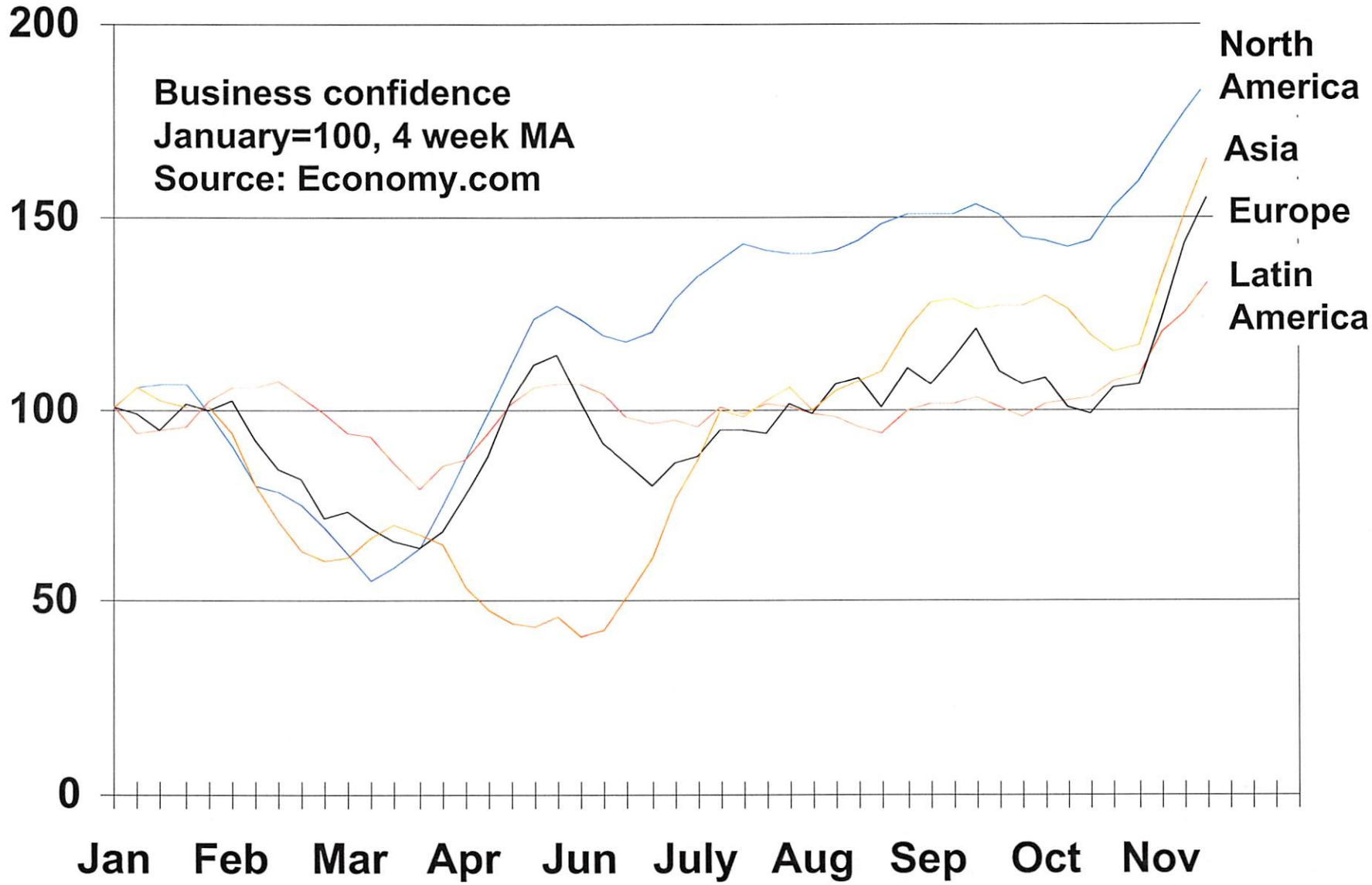
Tax Revenues Stabilize



Heightened Optimism



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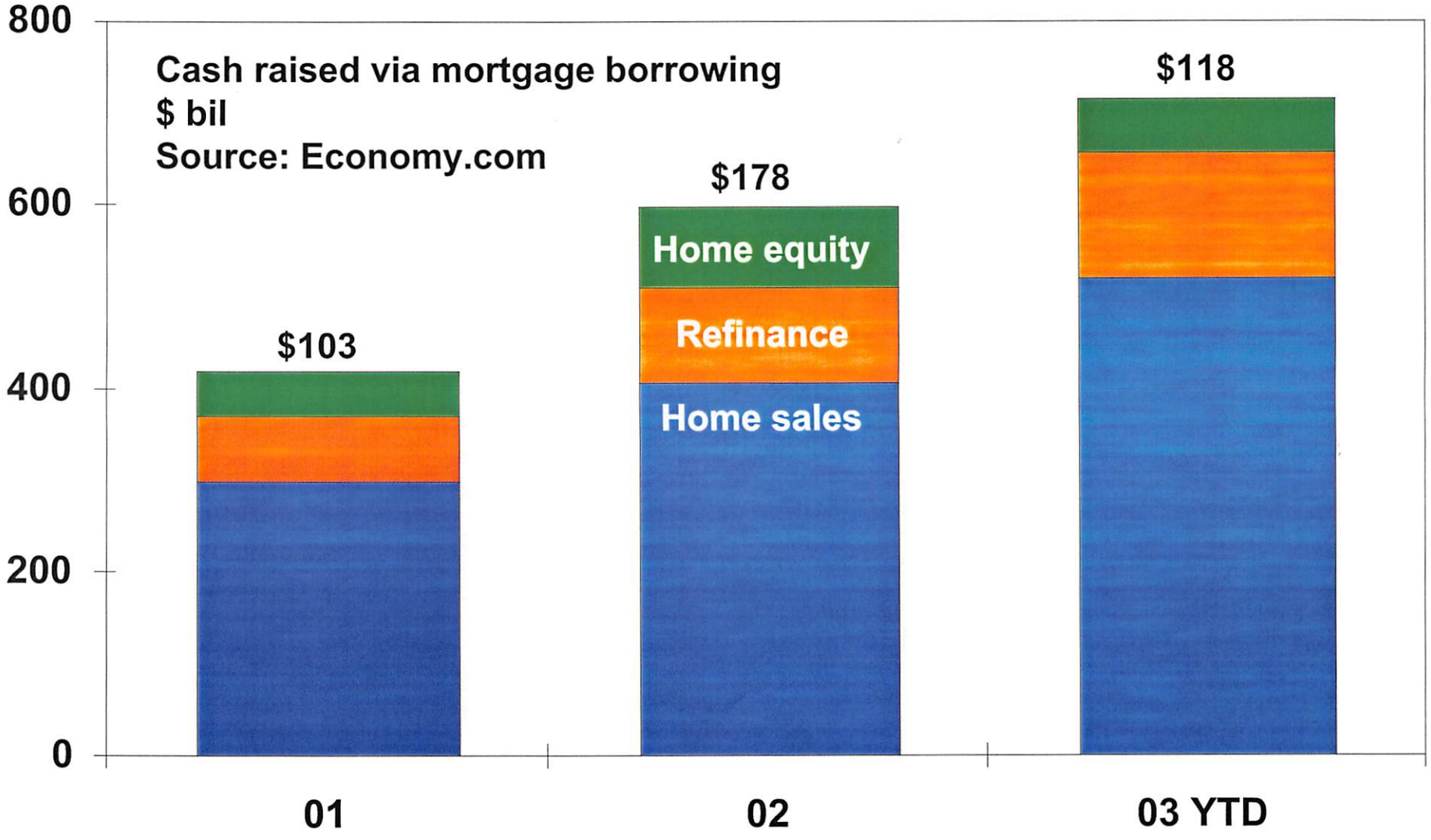
Surging Mortgage Borrowing



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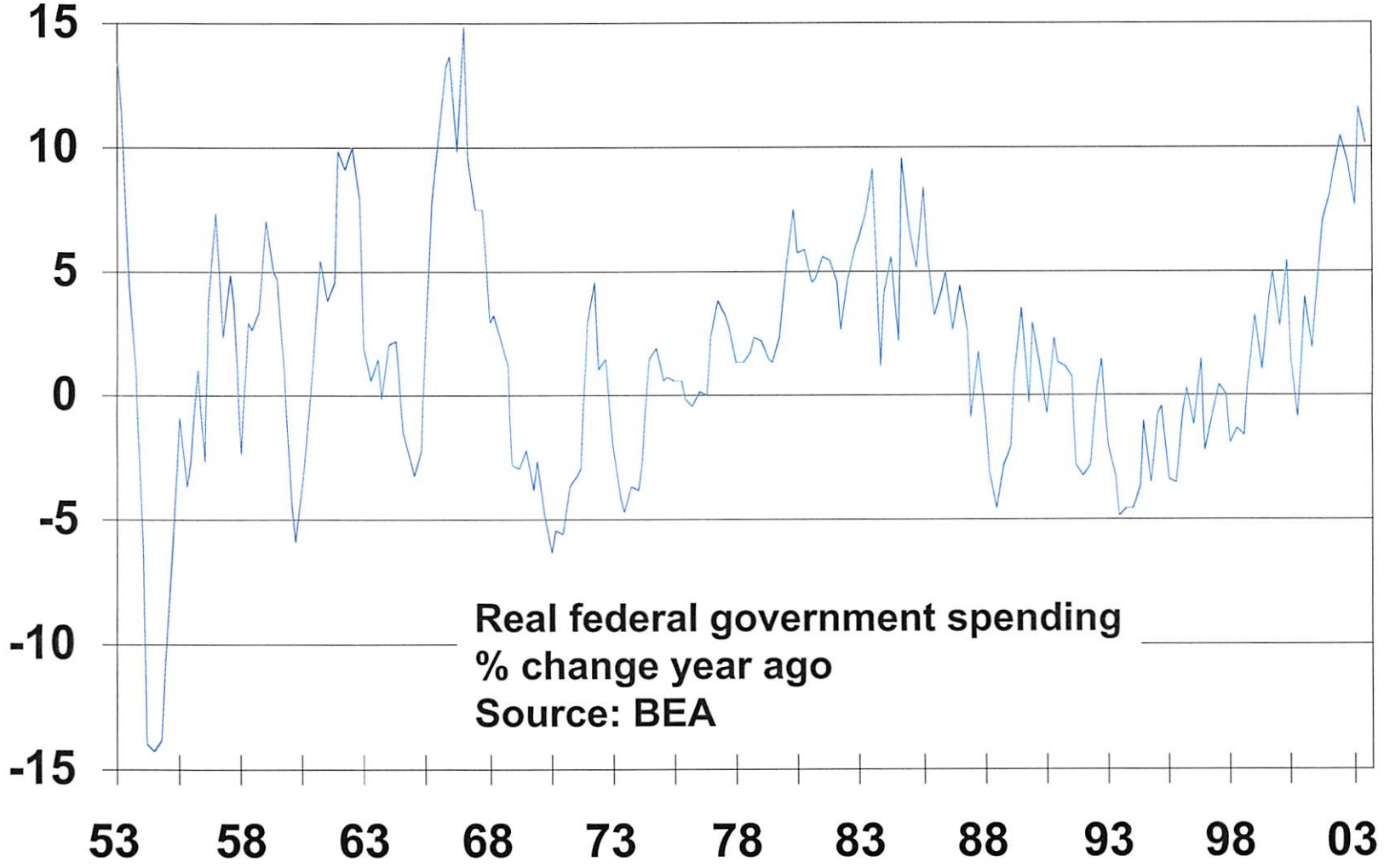
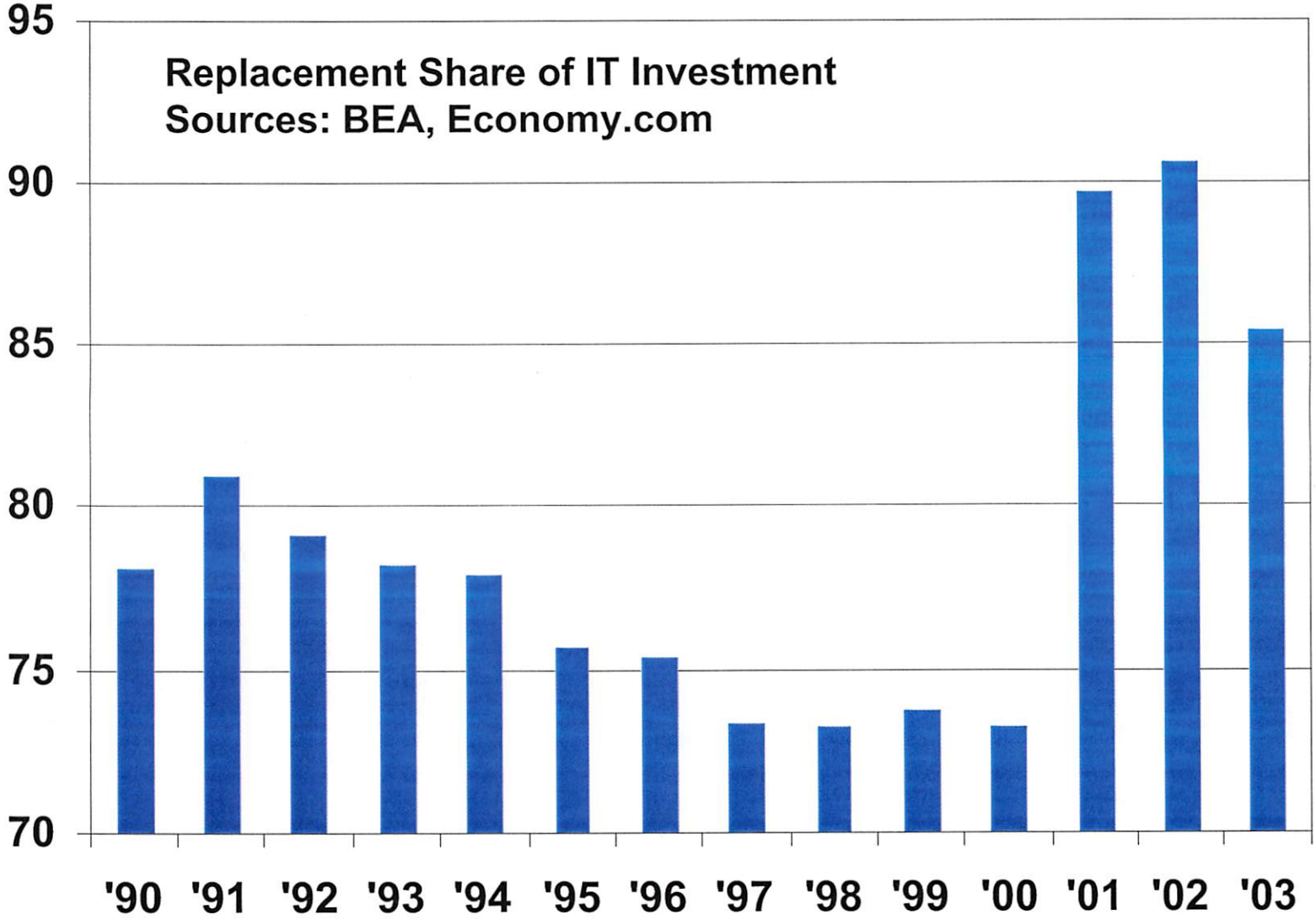
Soaring Government Outlays



Powerful Replacement Cycle



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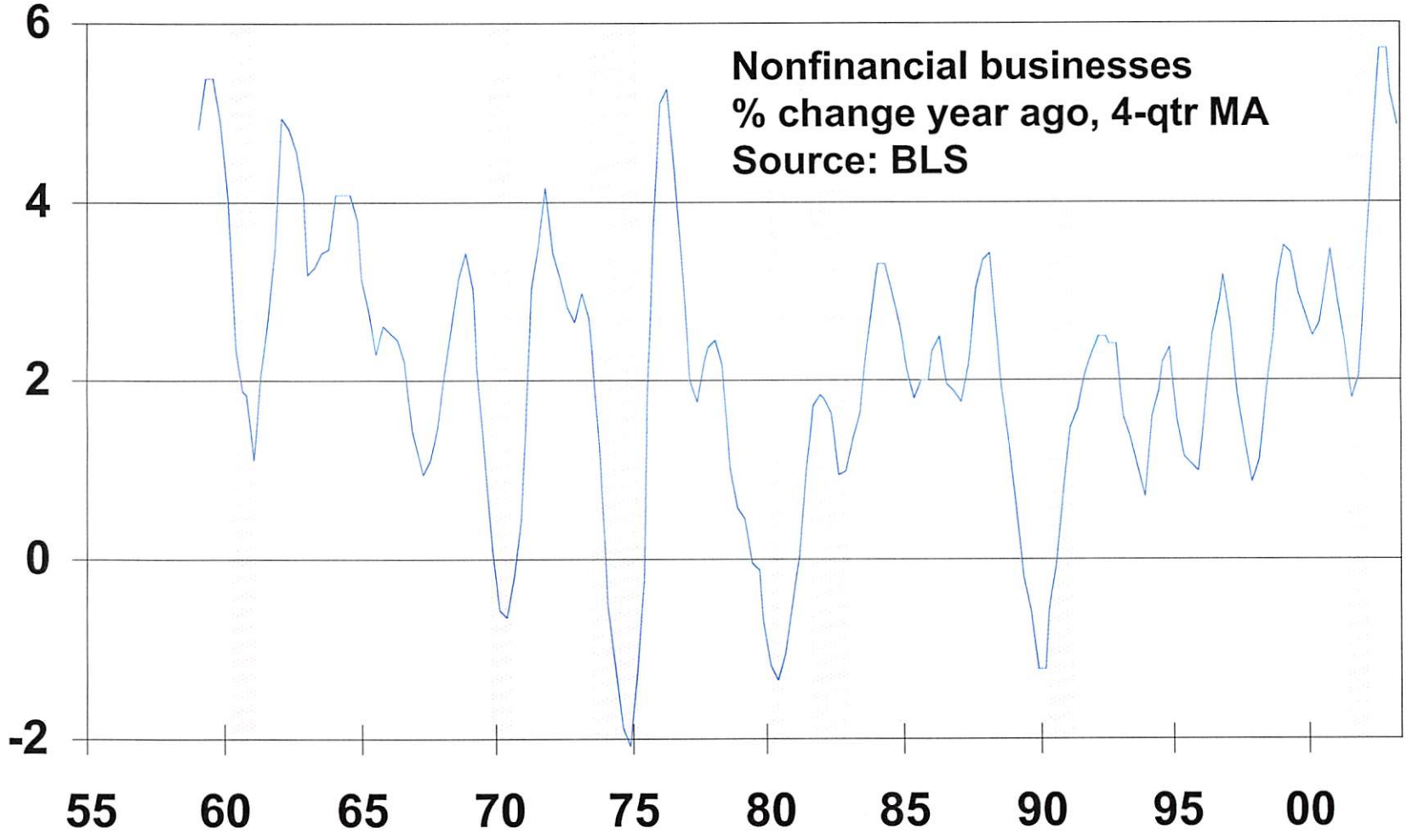
Amazing Productivity Growth...



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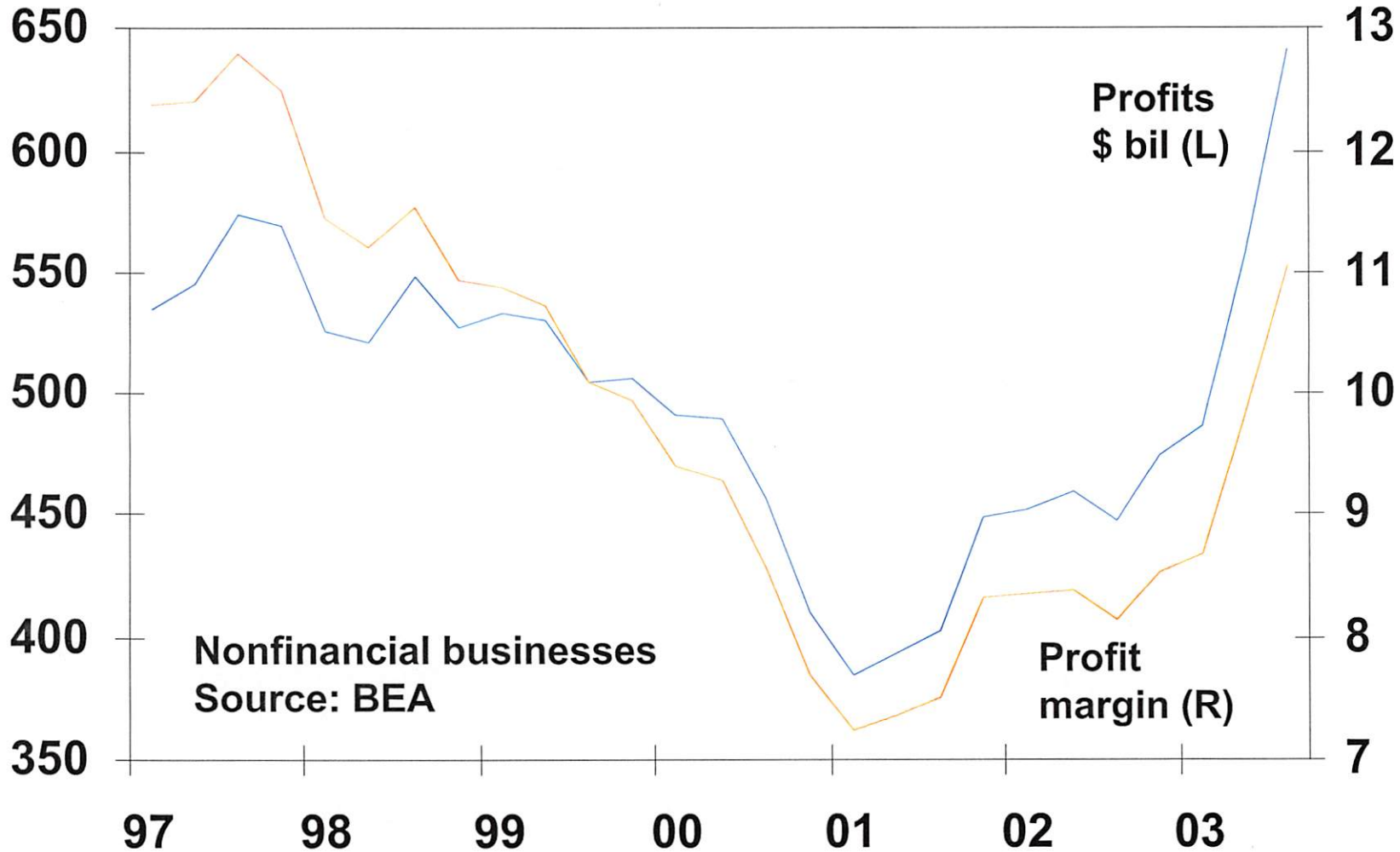
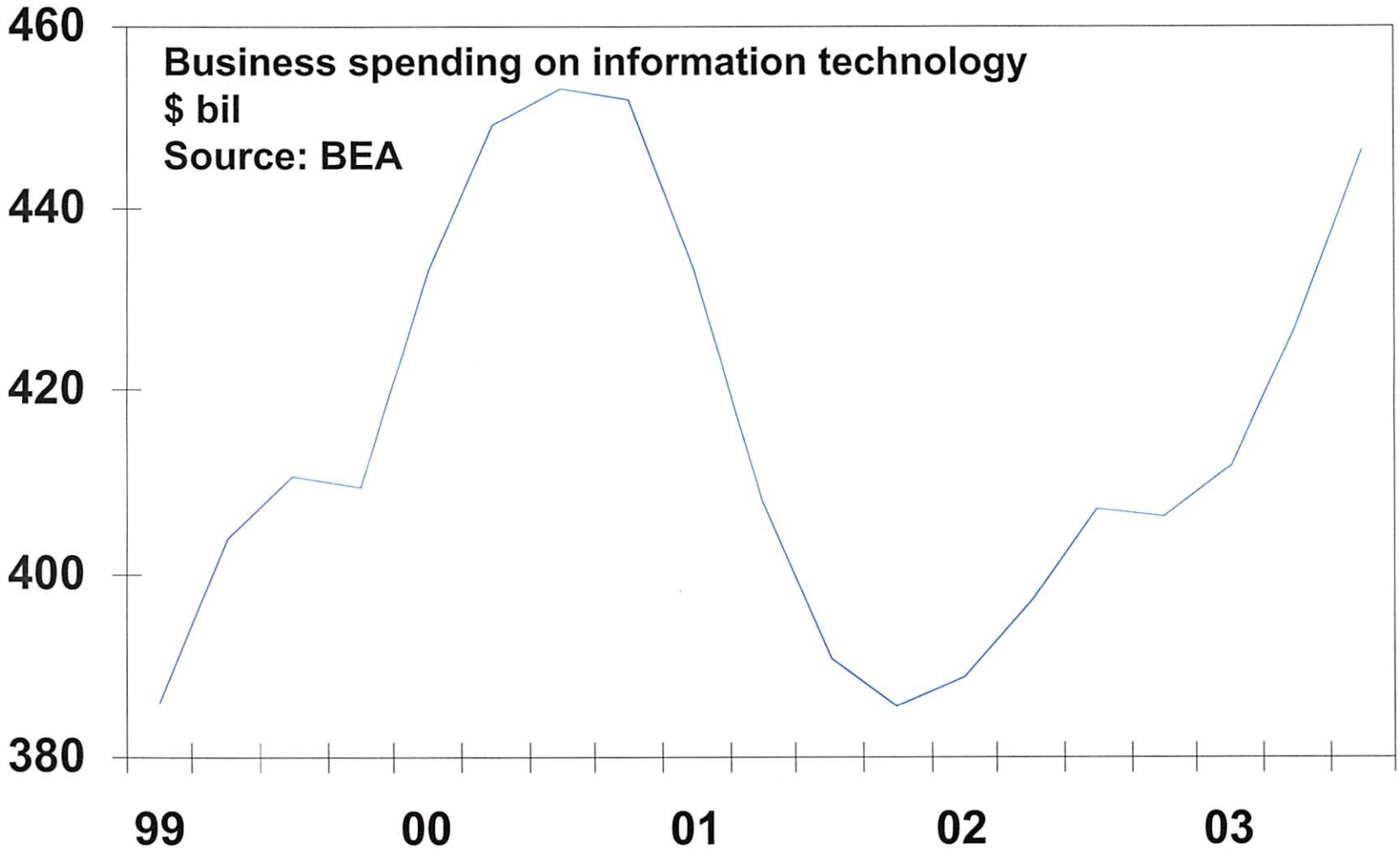
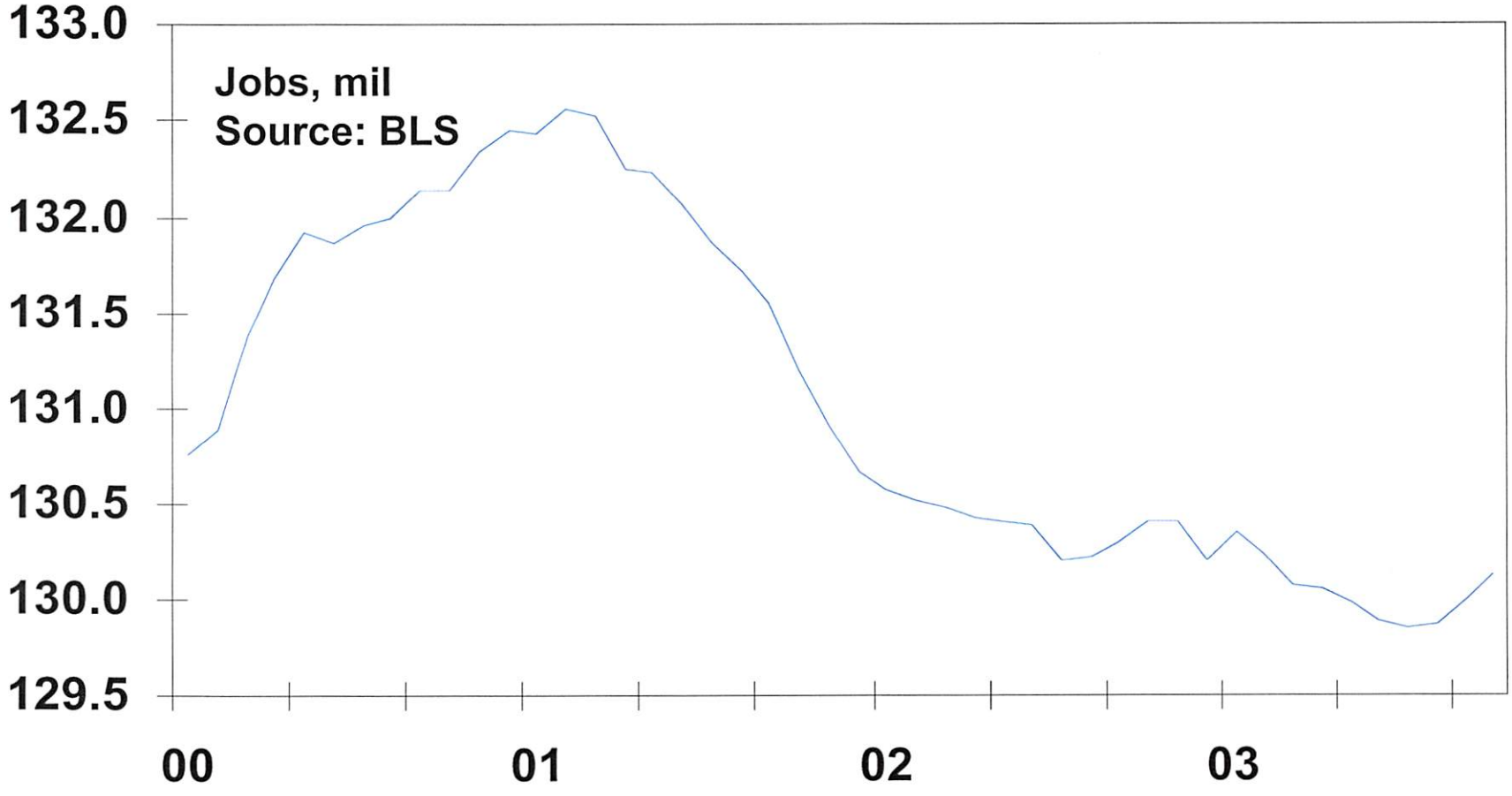
...Lifts Profitability...



...Which Prompts Business to Invest...

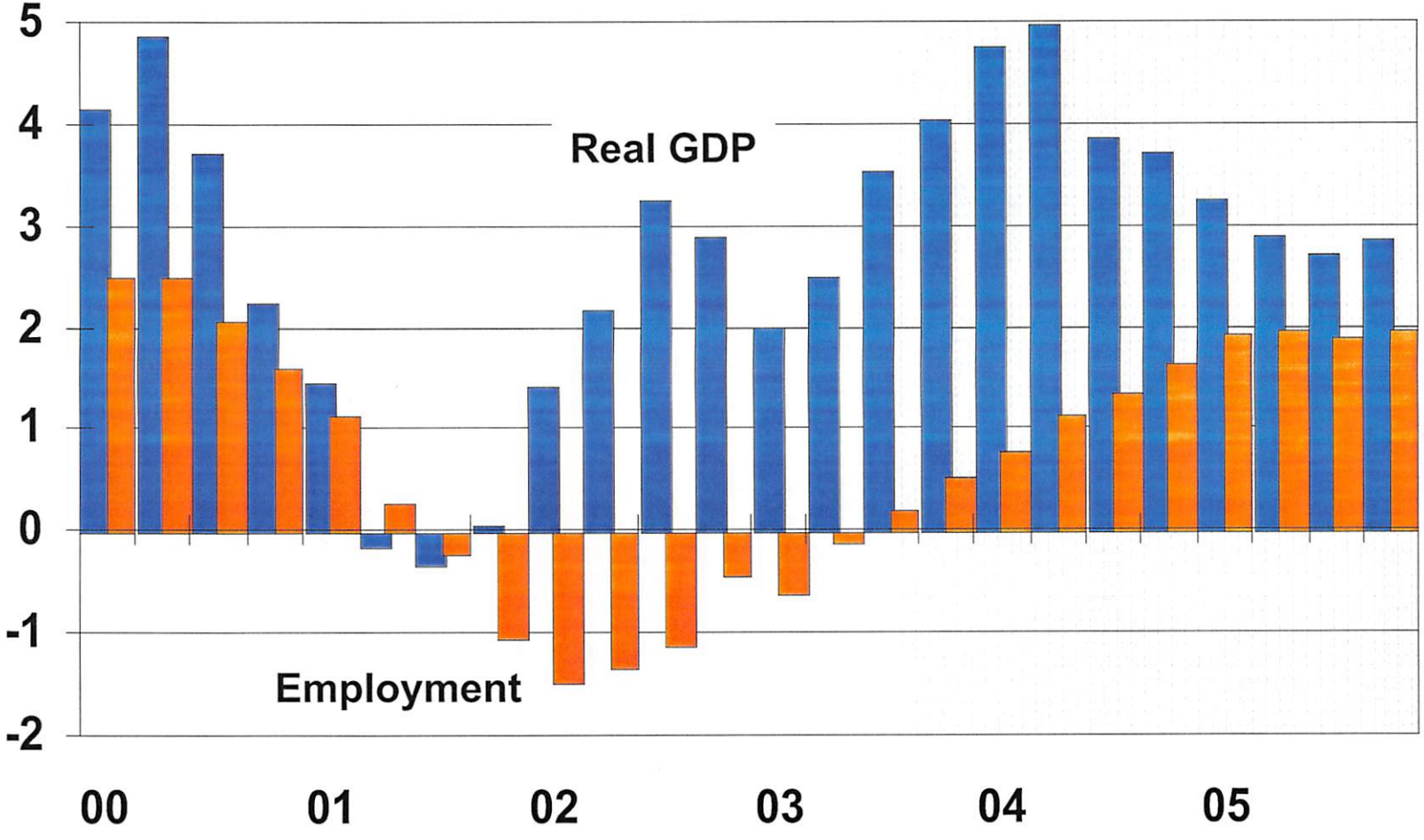


...and Finally to Hire?



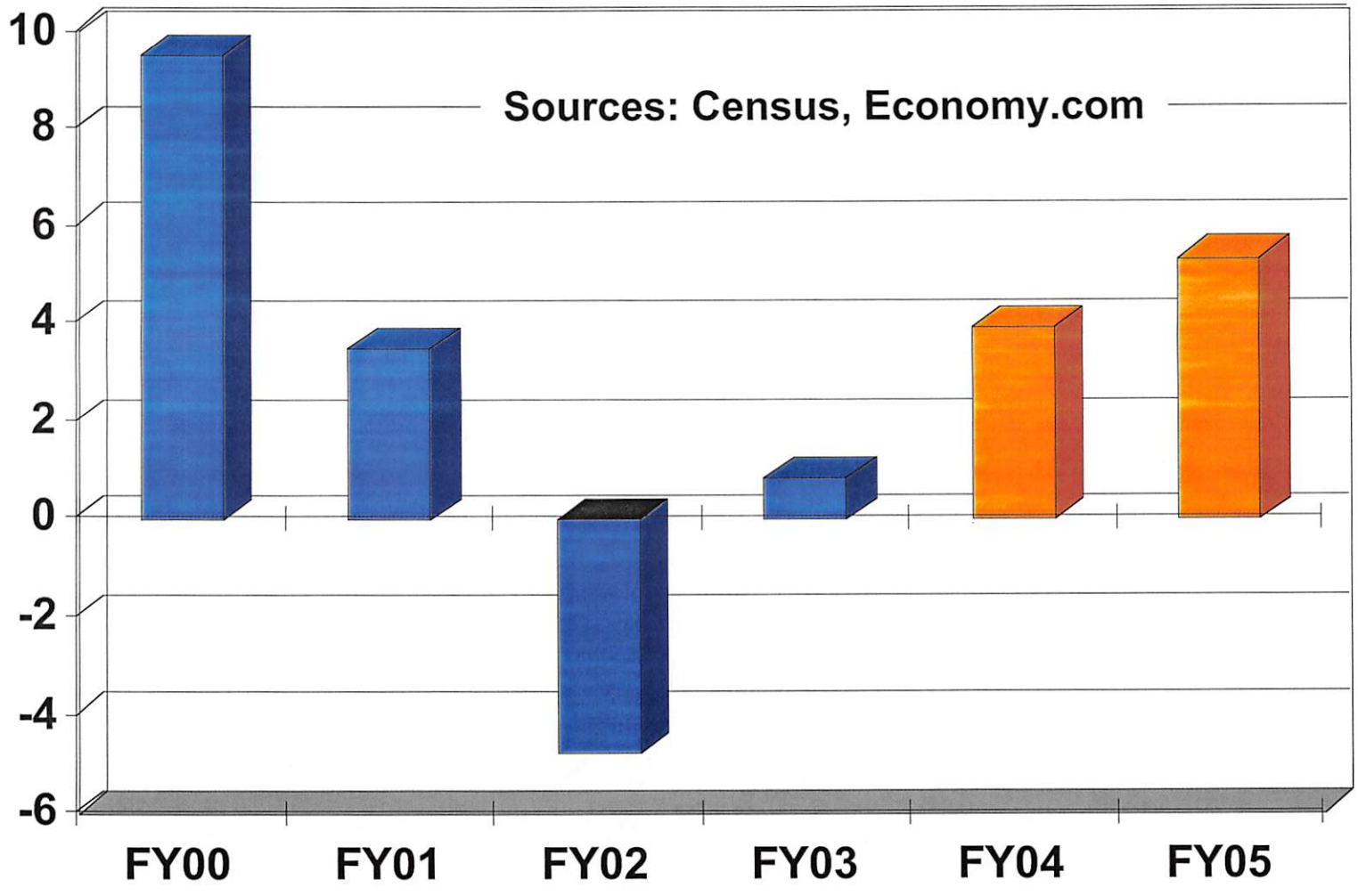
Near-Term Outlook

% change year ago



Outlook for State Tax Revenue

% change year ago



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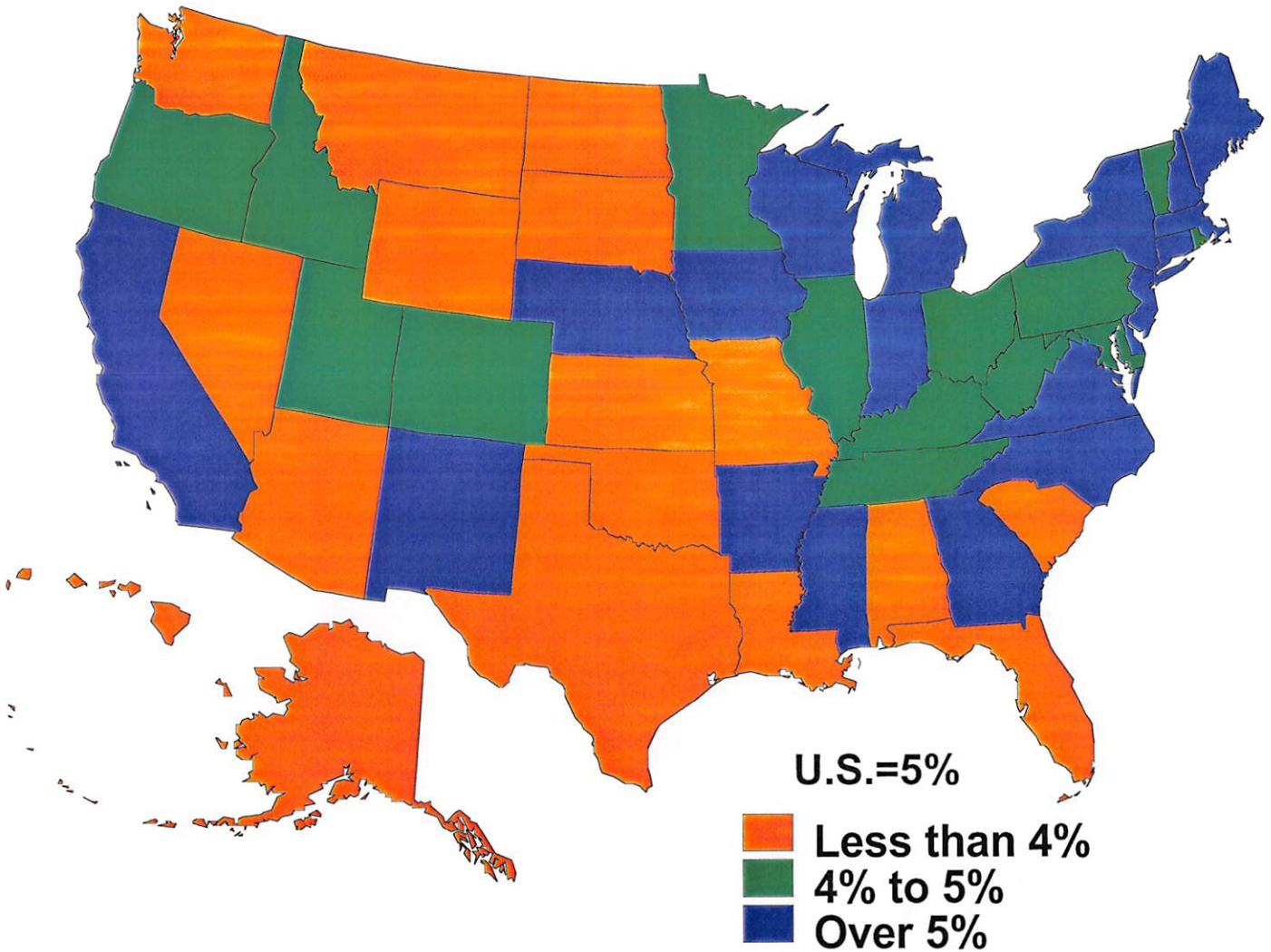
General Fund Revenue Outlook

Annual % change, FY '05 vs FY '03



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Outlook Summary

- The economy is firming, with improving demand and production.
- Massive fiscal and monetary stimulus are the principal supports to the economic revival.
- The economy is also benefiting as a replacement cycle is unfolding and productivity growth remains robust.
- While the economy will come back, it will not coming roaring back. Vehicle and housing demand are spent and household leverage is high.
- The state tax revenue outlook will improve with the economy. Personal income tax growth will lag in early '04 and sales tax growth will lag in late '04 and '05.