

## News Release

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# Solid U.S. Economic Growth Forecasted for 2010, Chicago Fed Economic Outlook Symposium Participants Say

The twenty-third annual Economic Outlook Symposium, held in Chicago on December 4, drew participants from manufacturing, banking, and auto industries, as well as academia and consulting and service firms. One session of the symposium presented the results from the consensus economic outlook. This year, 31 individuals provided a consensus outlook—forecasts for major components of real gross domestic product (GDP), as well as several key statistics for the U.S. economy. The median forecast results are presented in the table. According to the median forecast of symposium participants, the nation's economic growth is expected to increase at a solid pace in 2010, inflation is predicted to move higher next year, and the unemployment rate is forecasted to decrease slightly in 2010. The consensus outlook shows that real GDP is forecasted to decrease 0.4% this year and then rise by 2.5% in 2010. Inflation, as measured by the Consumer Price Index, is expected to rise 1.2% this year and then increase to 2.2% in 2010. The unemployment rate is forecasted to climb to 10.1% by the end of this year and edge down to a still quite high 9.8% by the end of next year.

Consumer spending is predicted to rise at a moderate pace next year, according to the consensus economic outlook. Business spending is expected to increase in 2010. The housing sector is forecasted to improve substantially after experiencing four years of decline. In particular, the consensus outlook shows residential investment is expected to decrease 11.8% this year but then rise 11.4% in 2010. Car and light truck sales are expected to increase to 11.4 million units in 2010—above this year's anticipated sales of 10.2 million units. Oil prices are expected to rise to \$77.50 per barrel in the final quarter of this year and then edge higher to around \$83 per barrel by the end of 2010. Industrial production growth is forecasted to decline 5.5% in 2009 and then rise by 4.0% next year. The short-term interest rate (one-year Treasury rate) is expected to go up by 75 basis points from 2009 to 2010, and the long-term

rate (ten-year Treasury rate) is predicted to increase 59 basis points over the same time period. The trade-weighted U.S. dollar is expected to edge lower in 2010.

A summary of the twenty-third annual Economic Outlook Symposium will be published in an upcoming issue of *Chicago Fed Letter*.

—William A. Strauss • Senior Economist and  
Economic Advisor • 312-322-8151

| Forecasts from Twenty-Third Annual Economic Outlook Symposium              | 2008     | 2009          | 2010          |
|--|----------|---------------|---------------|
|  | (Actual) | (Forecast)    | (Forecast)    |
| Real gross domestic product <sup>a</sup>                                   | -1.9     | <b>-0.4</b>   | <b>2.5</b>    |
| Real personal consumption expenditures <sup>a</sup>                        | -1.8     | <b>1.0</b>    | <b>2.0</b>    |
| Real business fixed investment <sup>a</sup>                                | -6.0     | <b>-14.8</b>  | <b>3.5</b>    |
| Real residential investment <sup>a</sup>                                   | -21.0    | <b>-11.8</b>  | <b>11.4</b>   |
| Change in private inventories <sup>b</sup>                                 | -37.4    | <b>-66.9</b>  | <b>25.0</b>   |
| Net exports of goods and services <sup>b</sup>                             | -470.9   | <b>-355.0</b> | <b>-375.0</b> |
| Real government consumption expenditures and gross investment <sup>a</sup> | 3.1      | <b>2.0</b>    | <b>1.4</b>    |
| Industrial production <sup>a</sup>   | -6.7     | <b>-5.5</b>   | <b>4.0</b>    |
| Car and light truck sales (millions of units)                              | 13.2     | <b>10.2</b>   | <b>11.4</b>   |
| Housing starts (millions of units)   | 0.90     | <b>0.57</b>   | <b>0.74</b>   |
| Unemployment rate <sup>c</sup>   | 6.9      | <b>10.1</b>   | <b>9.8</b>    |
| Consumer Price Index <sup>a</sup>  | 1.5      | <b>1.2</b>    | <b>2.2</b>    |
| One-year Treasury rate (constant maturity) <sup>c</sup>                    | 0.99     | <b>0.45</b>   | <b>1.20</b>   |
| Ten-year Treasury rate (constant maturity) <sup>c</sup>                    | 3.25     | <b>3.41</b>   | <b>4.00</b>   |
| J. P. Morgan Trade-Weighted Dollar Index <sup>a</sup>                      | 9.2      | <b>-5.7</b>   | <b>-1.8</b>   |
| Oil price (dollars per barrel of West Texas Intermediate) <sup>c</sup>     | 58.37    | <b>77.50</b>  | <b>82.51</b>  |

<sup>a</sup>Percent change, fourth quarter over fourth quarter.  
<sup>b</sup>Billions of chained (2000) dollars in the fourth quarter at a seasonally adjusted annual rate.  
<sup>c</sup>Fourth quarter average.