News Release

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U.S. Economic Growth Will Be Weak in 2008 and Then Improve in 2009, Chicago Fed Automotive Outlook Symposium Participants Say

The fifteenth annual Automotive Outlook Symposium was held in Detroit on Thursday and Friday, June 5–6, and drew more than 90 participants from manufacturing, banking, consulting and service firms, and academia. This year, 27 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 in 2008 will be substantially slower than in 2007, inflation will remain relatively high, and the unemployment rate will increase. Real GDP, after having risen 2.5% last year, is forecasted to increase 1.2% this year and rise to a rate of 2.9% in 2009. After rising 4.0% last year, inflation, as measured by the Consumer Price Index, is expected to remain at nearly the same rate at 3.9% this year and then to fall to 2.8% in 2009. The unemployment rate, after having averaged 4.8% in the fourth quarter of 2007, is forecasted to rise to 5.4% in 2008 and then edge down to 5.3% in 2009.

Most of the major components of real GDP—particularly business fixed investment—are expected to contribute to the slower than usual forecast for economic growth in 2008. Economic growth is forecasted to improve in 2009, in large part because of an expansion in spending in residential investment. Industrial production is forecasted to grow at a slower pace in 2008 and then increase at a bit faster pace in 2009. Net exports are predicted to continue to make a positive contribution to GDP in 2008 and 2009. Light vehicle sales are projected to be 15.2 million units in 2008, the slowest selling rate in ten years, and then to improve to 15.6 million units in 2009. Symposium participants anticipate that interest rates will fall this year and then rise next year. Oil prices are expected to average just under $107 per barrel by the end of 2008 and then edge lower the following year. The U.S. dollar is expected to fall this year and then edge higher in 2009.

A summary of the fifteenth annual Automotive Outlook Symposium will be published in an upcoming special issue of the ***Chicago Fed Letter***.

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

Forecasts from the Fifteenth Annual Automotive Outlook Symposium

	2007 (Actual)	2008 (Forecast)	2009 (Forecast)
Real Gross Domestic Product[a]	2.5	1.2	2.9
Real Personal Consumption Expenditures[a]	2.6	1.1	2.2
Real Business Fixed Investment[a]	7.1	–0.3	2.7
Real Residential Investment[a]	–18.6	–16.3	5.6
Change in Private Inventories[b]	–18.3	8.2	24.2
Net Exports of Goods and Services[b]	–503.2	–462.5	–435.0
Real Government Consumption Expenditures and Gross Investment[a]	2.3	1.7	1.6
Industrial Production[a]	2.2	0.7	3.0
Car & Light Truck Sales (Millions of Units)[c]	16.1	15.2	15.6
Housing Starts (Millions of Units)[c]	1.34	0.97	1.06
Unemployment Rate[d]	4.8	5.4	5.3
Consumer Price Index[a]	4.0	3.9	2.8
1-year Treasury Rate (Constant Maturity)[d]	3.62	2.03	2.90
10-year Treasury Rate (Constant Maturity)[d]	4.26	3.92	4.50
J.P. Morgan Trade Weighted Dollar Index[a]	–7.1	–2.2	0.5
Oil Price (Dollars per Barrel of West Texas Intermediate)	90.85	106.93	104.62

[a]Fourth quarter over fourth quarter percent change.
[b]Billions of chained (2000) dollars.
[c]Fourth quarter average.
[d]Percent.