

News Release

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U.S. Economic Growth Will Be Weak in 2009, Chicago Fed Economic Outlook Symposium Participants Say

The twenty-second annual Economic Outlook Symposium, held in Chicago on December 5, drew participants from manufacturing, banking, auto industries, academia, consulting, and service firms. One session of the symposium presented the results from the consensus economic outlook. This year, 26 individuals provided 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 very slow rate in 2009, inflation is predicted to move markedly lower next year, and the unemployment rate is forecasted to rise through 2009. The consensus outlook shows that real GDP is forecasted to increase 0.2% this year and then rise by 0.7% in 2009. This would mark the slowest two-year growth for the economy since the 1981–82 period. Inflation, as measured by the Consumer Price Index, is expected to rise 4.5% this year and then fall to 2.0% in 2009. The unemployment rate is forecasted to rise to 6.7% by the end of this year and increase to 7.8% by the end of next year, suggesting that overall growth in the economy is well below potential.

Consumer spending is predicted to rise at a slow pace next year. Business spending is expected to decline quite substantially in 2009. The drag from the housing sector is forecasted to moderate further next year. In particular, the consensus outlook shows residential investment is expected to decrease 19.2% this year and then fall a significantly smaller 1.7% in 2009. Symposium participants anticipated light vehicle sales to decline to 12.7 million units in 2009, the slowest selling rate since 1991. Oil prices are expected to fall to just under \$68 per barrel in the final quarter of this year and then edge higher by the end of next year, remaining under \$72. Industrial production growth is forecasted to decline 3.7% in 2008 and then rise by 0.4% next year. The short-term interest rate (one-year Treasury rate) is

expected to rise 28 basis points in 2009, and the long-term rate (ten-year Treasury rate) is predicted to increase 20 basis points next year. The trade-weighted U.S. dollar is expected to edge higher in 2009.

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

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

Forecasts from Twenty-Second Annual Economic Outlook Symposium

	2007 (Actual)	2008 (Forecast)	2009 (Forecast)
Real gross domestic product ^a	2.3	0.2	0.7
Real personal consumption expenditures ^a	2.2	-0.9	0.7
Real business fixed investment ^a	6.4	-1.1	-3.9
Real residential investment ^a	-19.0	-19.2	-1.7
Change in private inventories ^b	-8.1	-26.6	15.0
Net exports of goods and services ^b	-484.5	-338.0	-315.5
Real government consumption expenditures and gross investment ^a	2.4	3.0	1.3
Industrial production ^a	2.2	-3.7	0.4
Car and light truck sales (millions of units)	16.1	13.3	12.7
Housing starts (millions of units)	1.34	0.94	0.87
Unemployment rate ^c	4.8	6.7	7.8
Consumer Price Index ^a	4.0	4.5	2.0
One-year Treasury rate (constant maturity) ^c	3.62	1.67	1.95
Ten-year Treasury rate (constant maturity) ^c	4.26	3.80	4.00
JPMorgan Trade-Weighted Dollar Index ^a	-7.1	-0.6	0.9
Oil price (dollars per barrel of West Texas Intermediate) ^c	90.85	67.77	71.70

^aPercent change, fourth quarter over fourth quarter.

^bBillions of chained (2000) dollars in the fourth quarter at a seasonally adjusted annual rate.

^cFourth quarter average.

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