

News Release

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Economy in 2004 Experiences Best Growth in Seven Years, Auto Symposium Participants Predict

The nation's economic growth rate in 2004 will be the highest since 1997, inflation will be little changed, the unemployment rate will decline, and sales of cars and light trucks will pick up, according to the median forecast of participants at the Federal Reserve Bank of Chicago's Automotive Outlook Symposium. For 2005, the group expects economic growth to ease to a pace that many would still consider to be above the economy's potential growth rate, inflation again to be essentially unchanged, the unemployment rate to fall further, and light vehicle sales to edge up slightly. This is all according to the median forecast of participants at the Federal Reserve Bank of Chicago's Automotive Outlook Symposium.

The median forecast of participants at the eleventh annual Automotive Outlook Symposium, held June 3-4, 2004 in Detroit, drew more than 100 industry analysts from vehicle manufacturers, suppliers, and consulting firms. As part of the symposium, a consensus economic outlook was generated from 35 individuals who 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 below.

The consensus outlook for 2004 shows real GDP increasing 4.5 percent in 2004; inflation, as measured by the Consumer Price Index, at 2.4 percent; and the unemployment rate averaging 5.6 percent. For 2005, real GDP is expected to increase 3.8 percent, inflation is forecast to be 2.3 percent, and the unemployment rate is seen falling to an average of 5.3 percent.

Light vehicle sales are seen picking up to 16.8 million units in 2004, and then edging up to 16.9 million units in 2005. If achieved, these levels would be among the strongest sales years on record. Oil prices, as measured by West Texas Intermediate prices, are forecast to average \$35.90 per barrel in 2004, still below average nominal-dollar prices in 1980 and 1981. Oil prices are expected to drop to an average \$31.25 per barrel in 2005. The value of the dollar, as measured by J.P. Morgan's narrow dollar index, is forecast to fall 3.1 percent this year and edge down another 0.7 percent in 2005.

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A summary of the eleventh annual Automotive Outlook Symposium will be published in a July 2004 *Special Issue of the Chicago Fed Letter*.

—William A. Strauss • Senior Economist and
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Forecasts from Eleventh Annual Auto Outlook Symposium

	2003 (Actual)	2004 (Forecast)	2005 (Forecast)
Real Gross Domestic Product ¹	3.1	4.5	3.8
Real Personal Consumption Expenditures ¹	3.1	4.0	3.5
Real Fixed Investment— Nonresidential ¹	3.0	9.5	8.6
Residential ¹	7.5	4.0	-1.1
Change in Private Inventories ²	-0.8	28.2	40.0
Net Exports of Goods and Services ²	-509.1	-520.0	-498.8
Real Government Consumption Expenditures and Gross Investment ¹	3.3	2.2	2.0
Industrial Production ¹	0.3	4.9	5.2
Auto & Light Truck Sales (millions of units)	16.6	16.8	16.9
Housing Starts (millions of units)	1.85	1.83	1.70
Unemployment Rate ³	6.0	5.6	5.3
Inflation Rate (Consumer Price Index) ¹	2.3	2.4	2.3
1-year Treasury Rate (constant maturity) ³	1.24	1.64	2.75
10-year Treasury Rate (constant maturity) ³	4.02	4.60	5.20
J.P. Morgan Narrow Nominal Dollar Index ¹	-6.7	-3.1	-0.7
Oil Price (dollars per barrel, West Texas Intermediate)	31.14	35.90	31.25

¹Percent change from previous year

²Billions of chained (2000) dollars

³Percent