

News Release

Embargoed for release:
Monday, June 8, 2009—
12:00 p.m. (ET)
11:00 a.m. (CT)

Contact: Laura LaBarbera
Media Relations
312-322-2387

Federal Reserve Bank of Chicago
230 South LaSalle Street
Chicago, IL 60604
www.chicagofed.org

Solid Economic Growth Expected in 2010, According to Chicago Fed Automotive Outlook Symposium Participants

The sixteenth annual Automotive Outlook Symposium was held in Detroit on Thursday and Friday, June 4–5, and drew more than 90 participants from manufacturing, banking, consulting and service firms, and academia. This year, 20 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 2009 will be substantially slower than in 2008, inflation will turn negative (because of lower energy prices and the large amount of slack in the economy), and the unemployment rate will rise substantially. Real GDP, after having fallen 0.8% last year, is forecasted to decrease 1.8% this year and then rise to an above-trend rate of 3.2% in 2010. After rising 1.5% last year, inflation, as measured by the Consumer Price Index, is expected decline 0.5% this year and then rise at a moderate pace of 1.6% in 2010. The unemployment rate, after having averaged 6.9% in the fourth quarter of 2008, is forecasted to peak at 9.9% in the final quarter of 2009 and then edge down to 9.5% by the end of 2010.

Most of the major components of real GDP—particularly business fixed investment—are expected to contribute to the slow forecast for economic growth in 2009. Economic growth is forecasted to improve in 2010, in large part because of an expansion in spending in residential investment. Industrial production is forecasted to decline at a fast pace in 2009 and then increase at a much faster rate than the overall economy in 2010. Net exports are predicted to improve in 2009 and edge down in 2010. Car and light truck sales are projected to be very weak in 2009, with sales at 9.7 million units—the slowest selling rate in more than 40 years; and they are expected to improve to 11.3 million units in 2010—the slowest rate since 1982. Interest rates (one- and ten-year Treasury rates) are anticipated to fall this year and then rise next year. Oil prices are expected average \$56 per barrel by

the end of 2009 and then rise to just over \$65 per barrel at the end of 2010. The trade-weighted U.S. dollar is expected to rise both this year and next.

A summary of the sixteenth 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 Sixteenth Annual Automotive Outlook Symposium

	2008 (Actual)	2009 (Forecast)	2010 (Forecast)
Real gross domestic product ^a	-0.8	-1.8	3.2
Real personal consumption expenditures ^a	-1.5	0.8	2.3
Real business fixed investment ^a	-5.2	-18.8	2.0
Real residential investment ^a	-19.4	-16.8	5.8
Change in private inventories ^b	-25.8	-10.0	28.1
Net exports of goods and services ^b	-364.5	-333.8	-339.2
Real government consumption expenditures and gross investment ^a	3.2	1.7	2.9
Industrial production ^a	-6.7	-7.5	5.4
Car and light truck sales (millions of units)	13.2	9.7	11.3
Housing starts (millions of units)	0.90	0.53	0.74
Unemployment rate ^c	6.9	9.9	9.5
Consumer Price Index ^a	1.5	-0.5	1.6
One-year Treasury rate (constant maturity) ^c	0.99	0.71	1.30
Ten-year Treasury rate (constant maturity) ^c	3.25	3.02	3.75
JPMorgan Trade-Weighted Dollar Index ^a	9.2	3.9	0.9
Oil price (dollars per barrel of West Texas Intermediate) ^c	58.37	56.00	65.50

^aPercentage change, fourth quarter over fourth quarter.

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

^cFourth quarter average.