



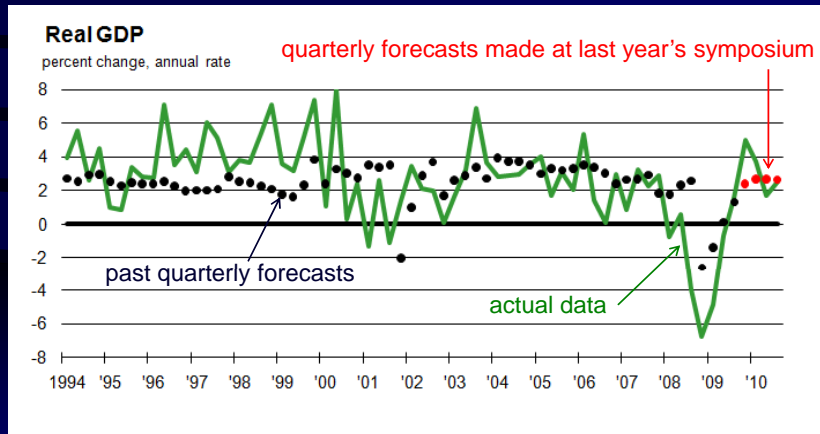
**24TH
ANNUAL** | **ECONOMIC
OUTLOOK
SYMPOSIUM** 
FRIDAY, DECEMBER 3, 2010

Consensus Forecast for 2011

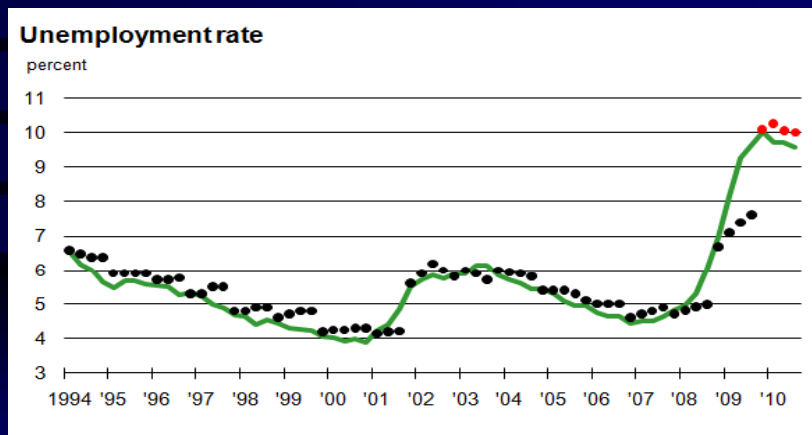
William Strauss
Senior Economist and Economic Advisor
Federal Reserve Bank of Chicago

Review of past performance

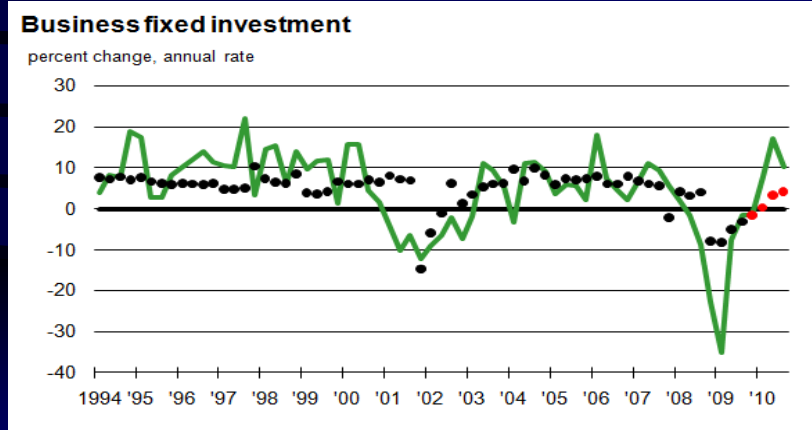
**The growth in real GDP came in initially
at a faster pace than was anticipated**



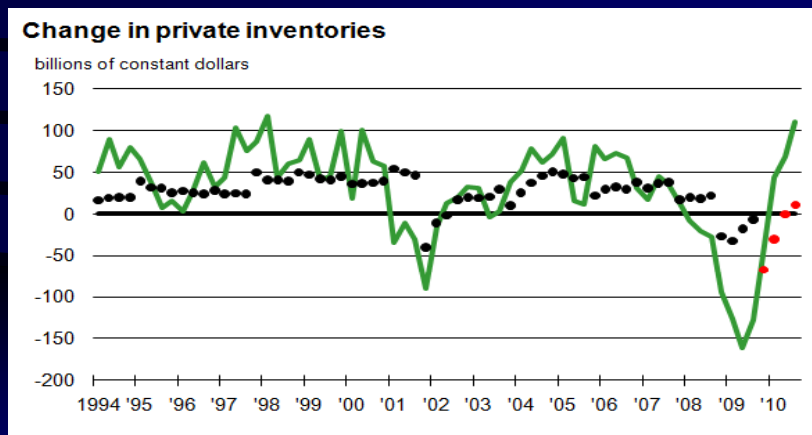
This led to a slight over-prediction of the unemployment rate



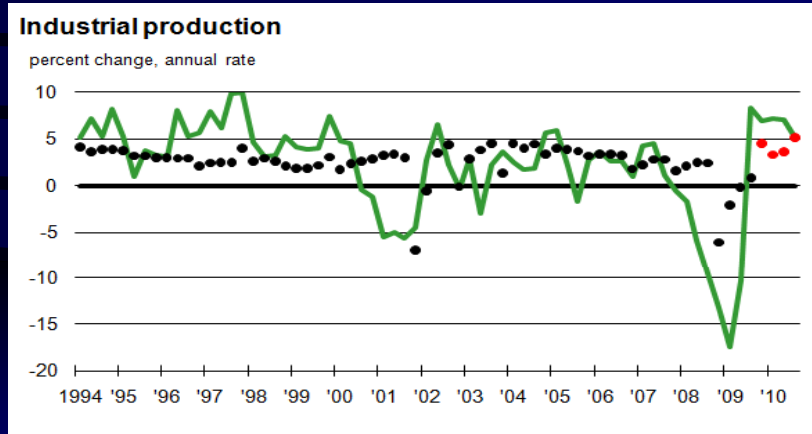
Business investment growth came in at a more significant pace than predicted



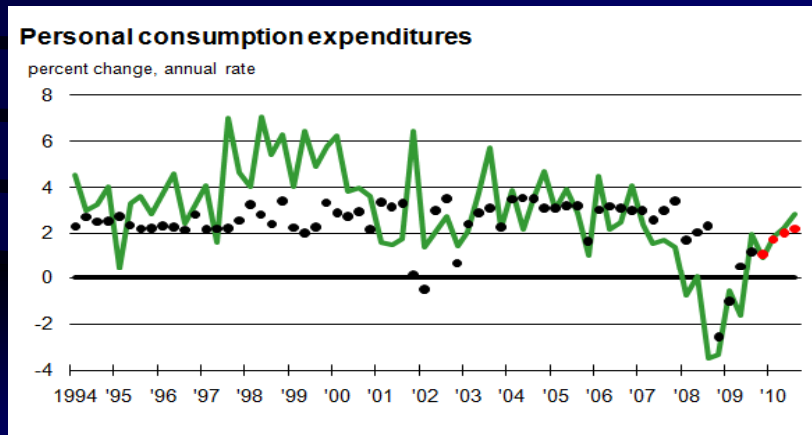
Inventory restocking was even larger than forecast



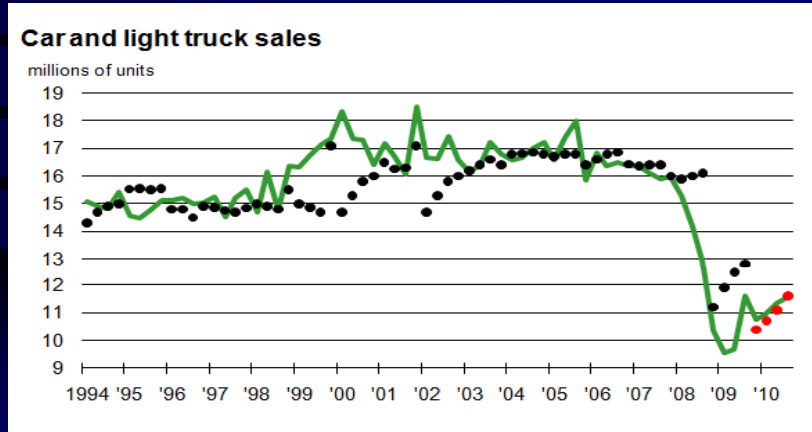
The industrial sector was also stronger than expected



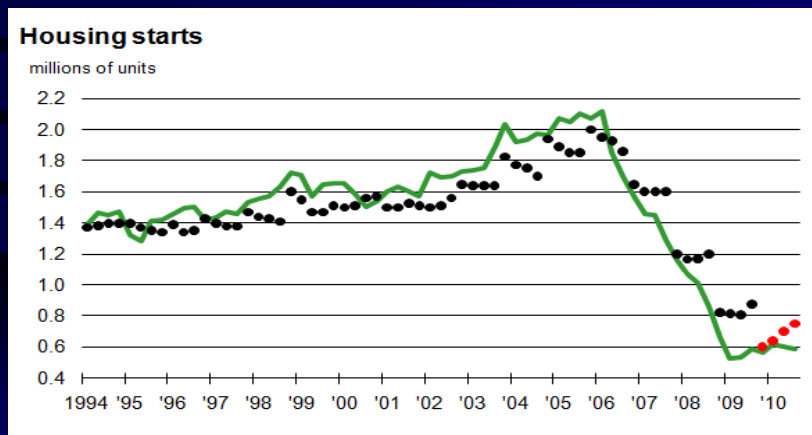
Consumer spending predictions were in-line with actual expenditures



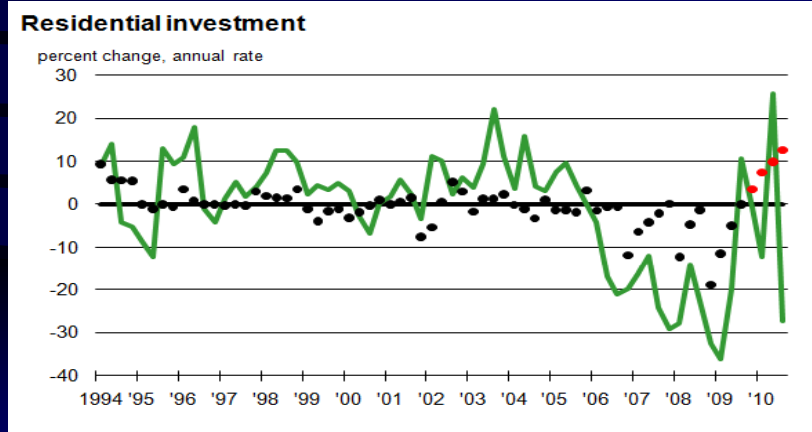
Light vehicle sales were also accurately predicted



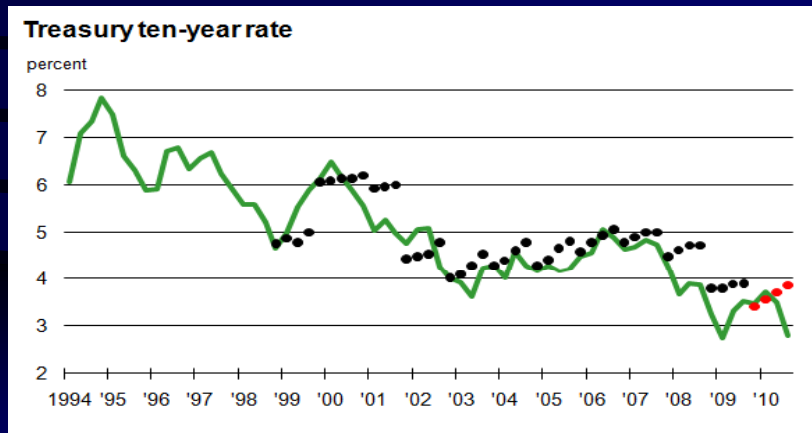
**Housing starts were anticipated to rise,
but housing starts showed no improvement**



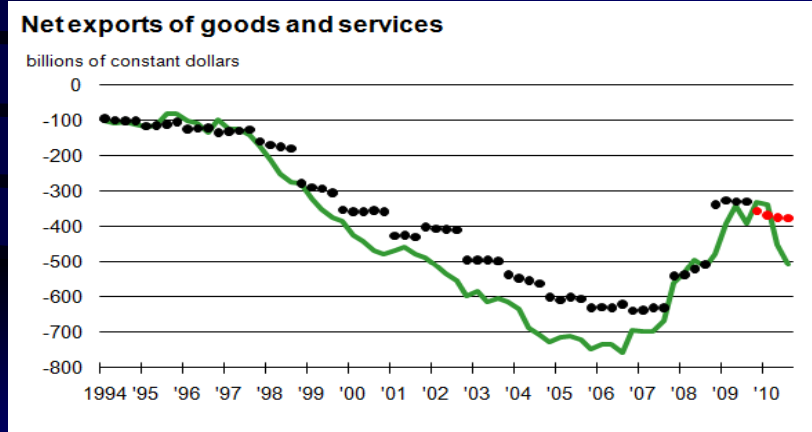
**Residential investment has experienced extreme volatility
due to government stimulus programs**



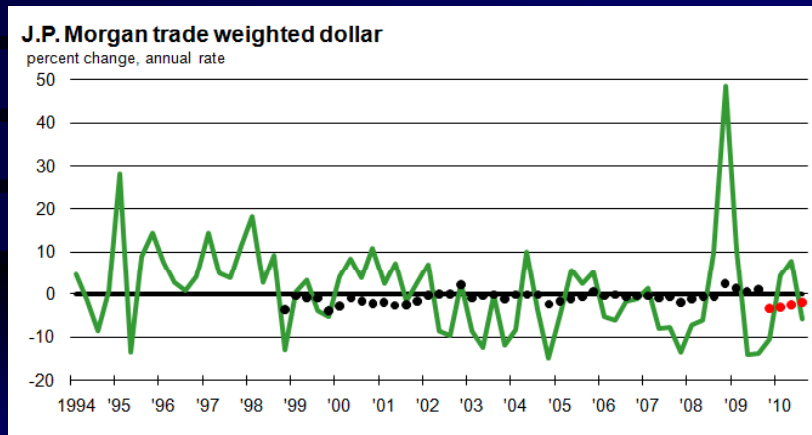
**Long-term interest rates were also expected to rise,
but fell quite sharply**



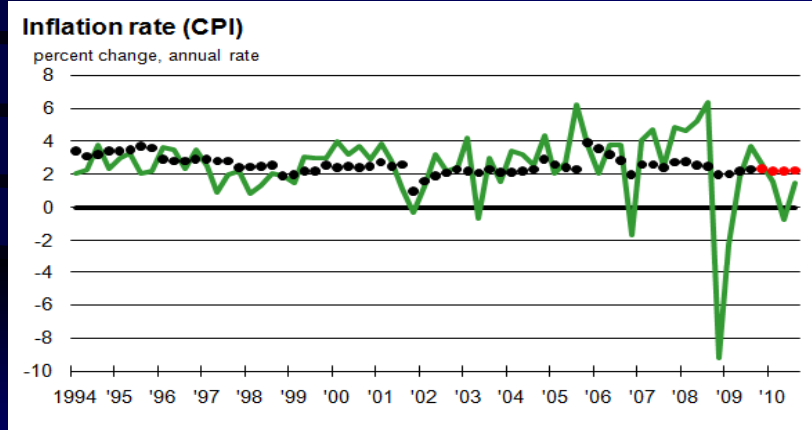
The balance of trade was predicted to edge lower, but it fell at a more rapid pace



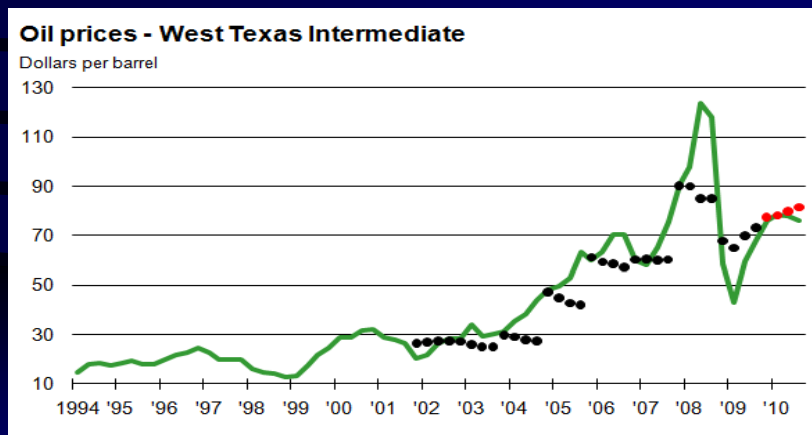
The dollar was predicted to decline 2.8% and it fell by 1.3%



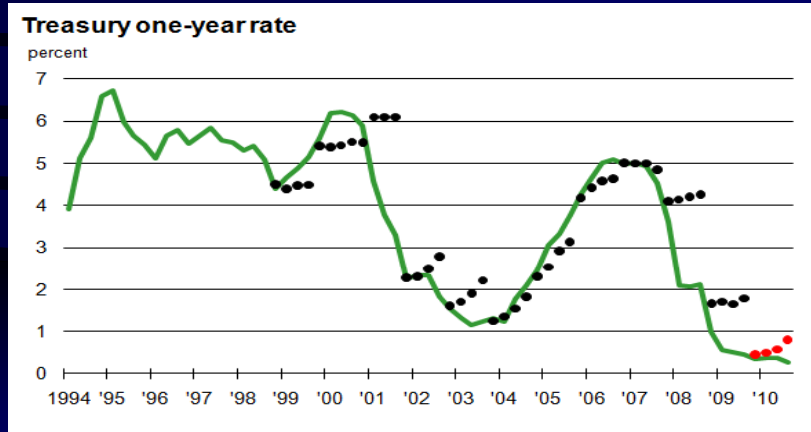
Inflation was much lower than forecast



...even though oil prices were in-line with expectations



**Short-term interest rates were expected to increase slightly,
but actually fell to an even lower level**



Forecast for 2011

Median forecast of GDP and related items (page 1 in the Consensus Forecast book)

	2009	2010	2011
GDP, current dollars*	0.6%	4.0%	4.0%
GDP price index, chain-type*	0.5%	1.6%	1.3%
Real GDP, chained dollars*	0.2%	2.4%	3.0%
Personal consumption expenditures*	0.2%	2.3%	2.5%
Business fixed investment*	-12.7%	10.6%	7.4%
Residential investment*	-13.4%	-4.7%	9.6%
Change in private inventories (billions of constant dollars)**	-\$36.7	\$97.2	\$60.3
Net exports of goods and services (billions of constant dollars)**	-\$330.1	-\$518.2	-\$500.1
Government consumption expenditures and gross investment*	0.8%	1.5%	0.5%

*Q4 over Q4

**Q4 value

Median forecast of GDP and related items (page 1 in the Consensus Forecast book)

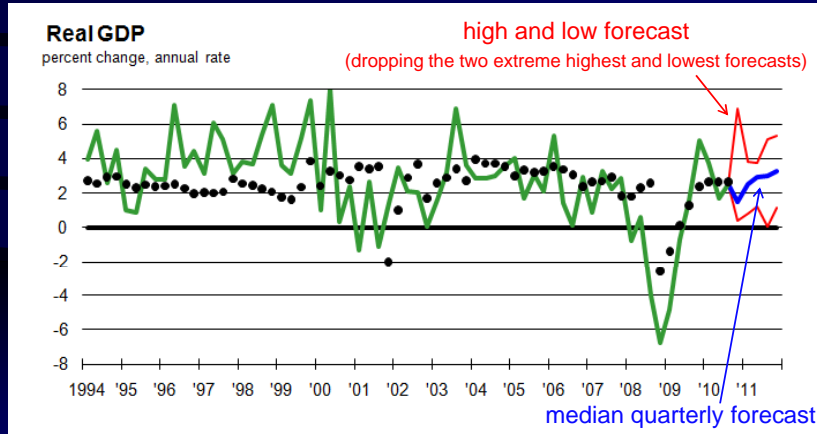
	2009	2010	2011
Industrial production*	-3.8%	5.4%	4.3%
Car & light truck sales (millions - calendar year including imports)***	10.4	11.5	12.7
Housing starts (millions)***	0.55	0.60	0.69
Oil price (dollars per barrel of West Texas Intermediate)**	\$76.07	\$82.67	\$85.30
Unemployment rate**	10.0%	9.6%	9.2%
Inflation rate (consumer price index)*	1.5%	0.9%	1.6%
Treasury constant maturity one-year rate**	0.35%	0.27%	0.62%
Treasury constant maturity ten-year rate**	3.46%	2.61%	3.07%
J.P. Morgan trade weighted OECD dollar*	-7.5%	1.1%	0.0%

*Q4 over Q4

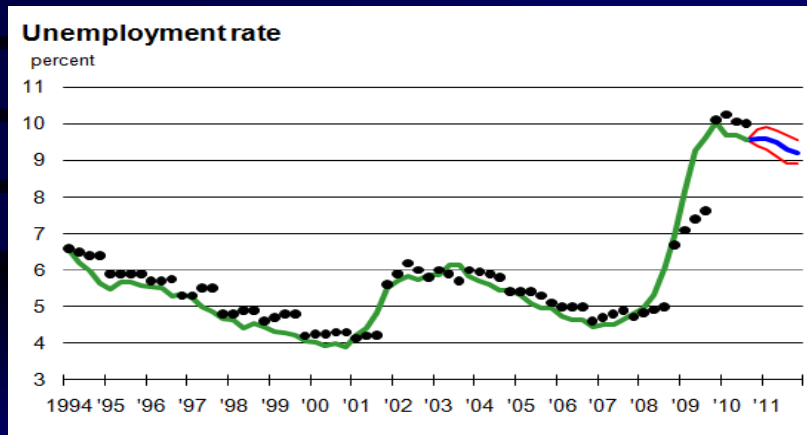
**Q4 value

***Yearly average

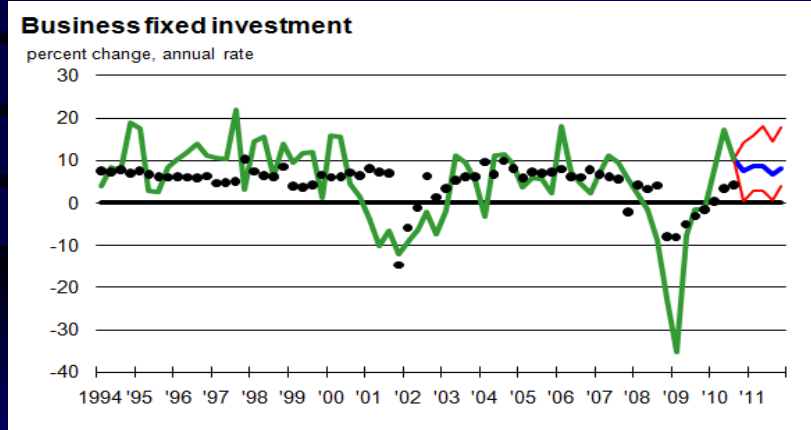
Real GDP growth is expected to increase by 3.0% next year



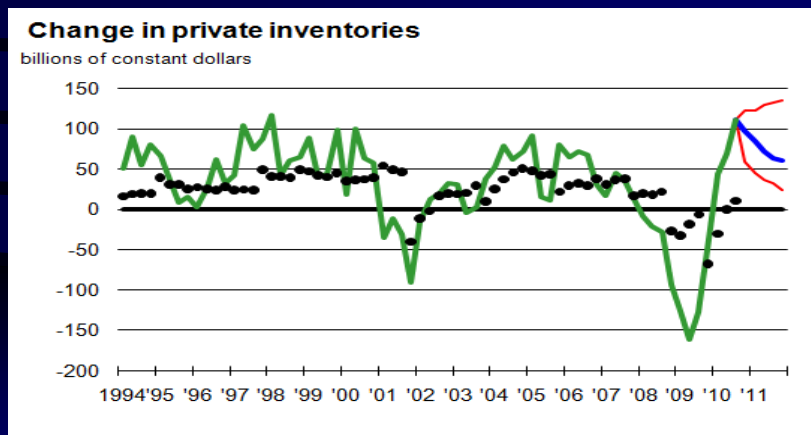
The unemployment rate is projected to edge lower, reaching 9.2% in the final quarter of next year



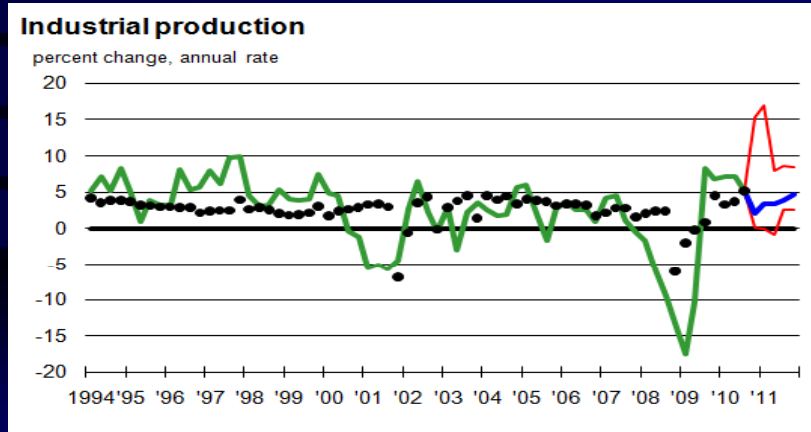
Business fixed investment growth is forecast to remain solid, averaging 7.4% over the coming year



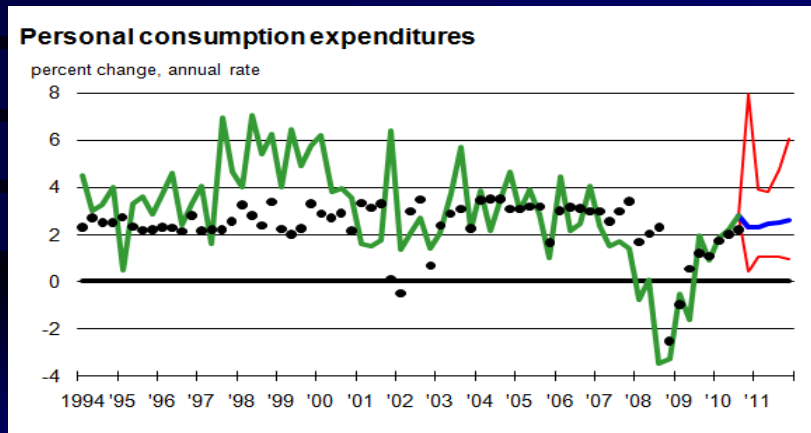
Inventories are anticipated to increase at a slower pace over the course 2011



**Industrial output is forecast to increase 4.3% next year
with the growth rate increasing throughout the year**



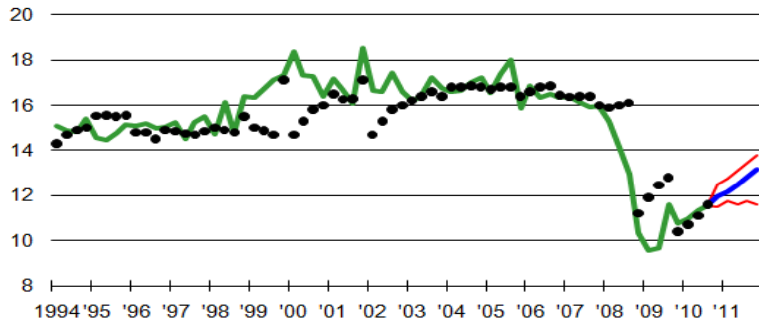
**Consumer spending growth is expected
to remain flat at a moderate rate during 2011**



**Vehicle sales are forecast to improve each quarter
with sales of 12.7 million units next year**

Car and light truck sales

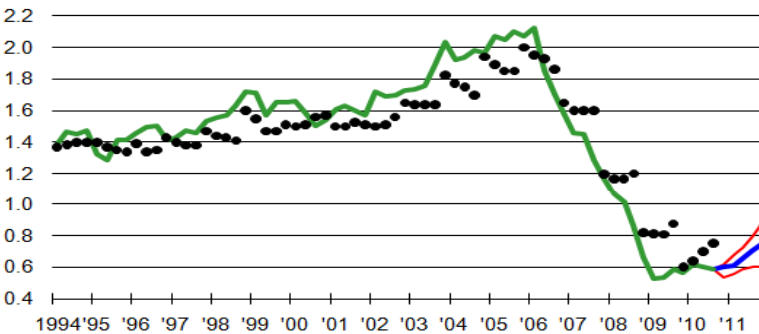
millions of units



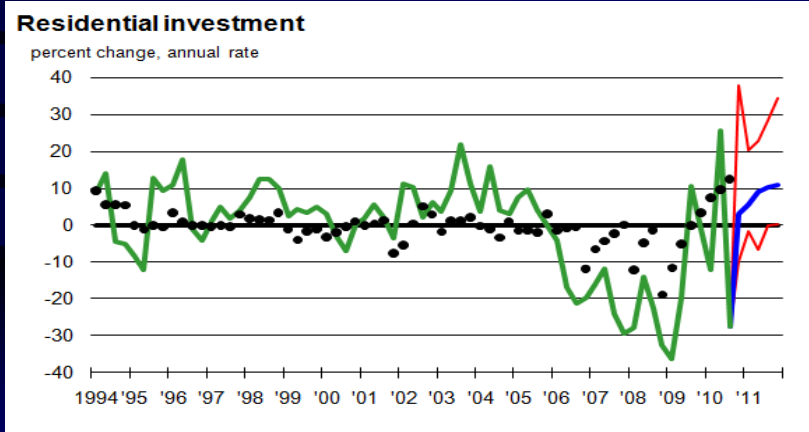
Housing starts are, once again, forecast to increase

Housing starts

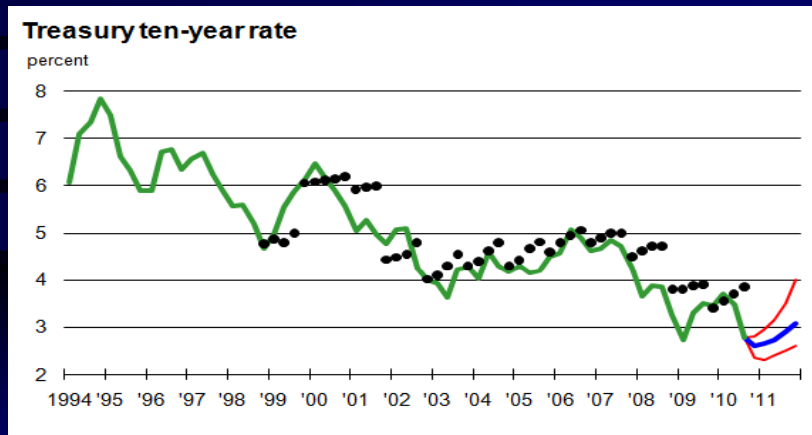
millions of units



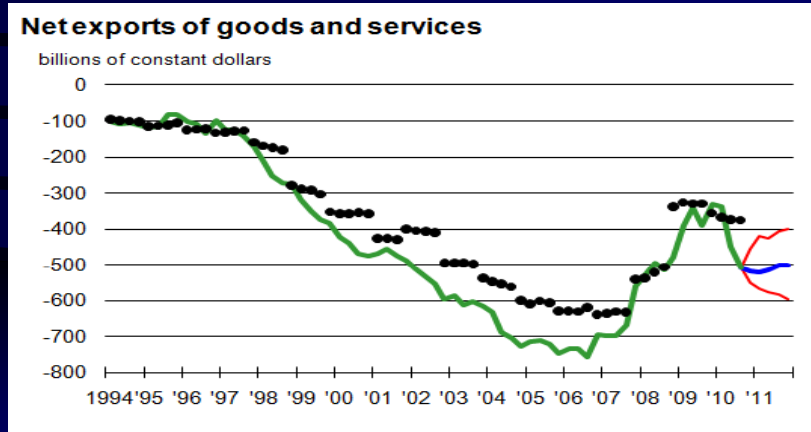
After falling by a forecasted 4.7% in 2010, residential investment is expected to bounce back rising 9.6%



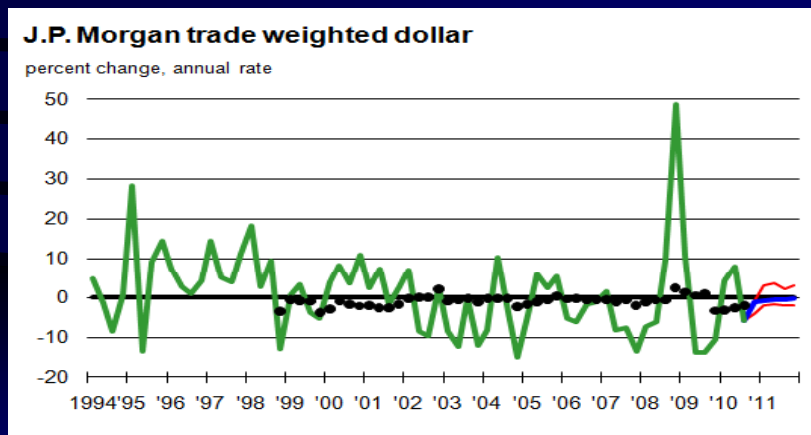
Ten-year interest rates are expected to increase modestly, rising 46 basis points



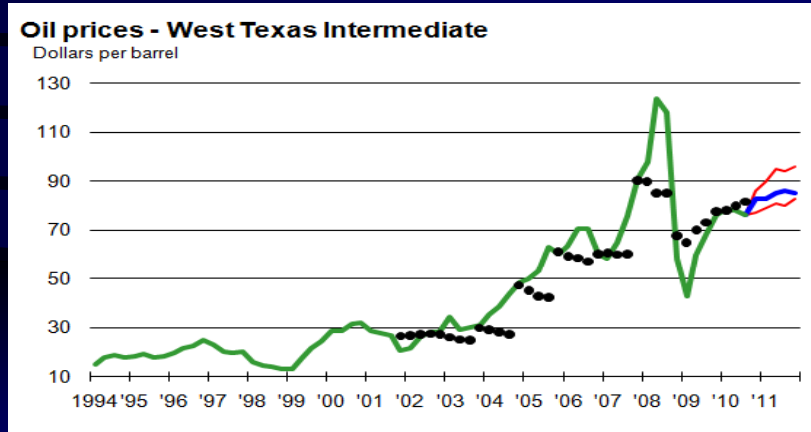
The trade balance is forecast to edge higher



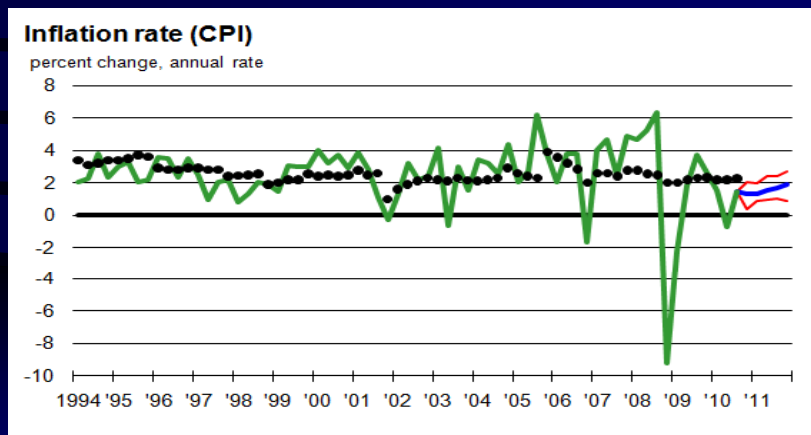
The dollar is forecast to remain unchanged



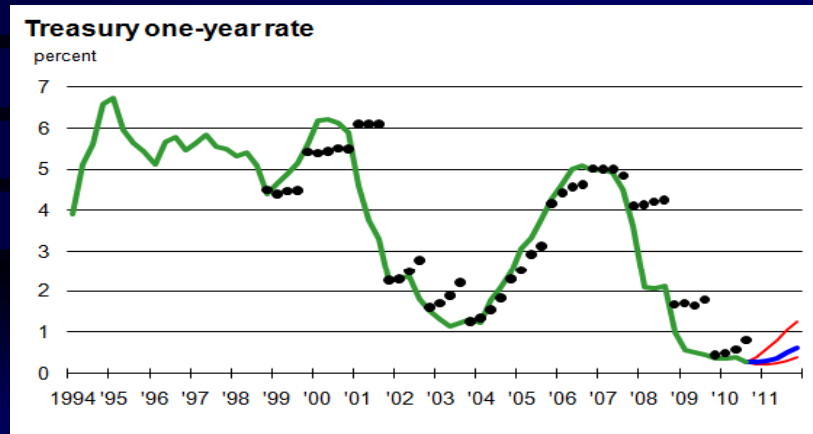
**Oil prices are predicted to rise moderately
Averaging \$85.30 per barrel by the end of 2011**



Prices are forecast to rise 1.6% next year



**Short-term interest rates are predicted to edge higher,
rising by 35 basis points next year**



Summary

- The economy is forecast to rise at a solid pace in 2011
- With economic growth just slightly above potential, the unemployment rate does not show much improvement
- Inflation is anticipated to rise to remain quite low
- Manufacturing is expected to continue doing well
- Light vehicle sales are forecast to rise to 12.7 million units
- Housing starts are predicted to increase to 690,000 units
- www.chicagofed.org

