

## News Release

Embargoed for release:  
Monday, June 3, 2013—  
10:00 a.m. (ET)  
9:00 a.m. (CT)

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# Solid and Improving Economic Growth Expected in 2013 and 2014, Chicago Fed Automotive Outlook Symposium Participants Say

The 20th annual Automotive Outlook Symposium was held in Detroit on Thursday and Friday, May 30 and 31, and drew more than 80 participants from the manufacturing and banking industries, as well as consulting and service firms and academia. This year, 25 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 rate in 2013 is expected to be higher than in 2012, the rate of inflation is predicted to tick lower, and the unemployment rate is anticipated to move lower. The pace of economic growth in 2014 is expected to move higher, with inflation edging up and the unemployment rate continuing to head lower. At 1.7% in 2012, the growth rate of real GDP is forecasted to be 2.3% in 2013 and 2.9% in 2014. At 1.9% last year, inflation, as measured by the Consumer Price Index, is expected to fall to 1.8% this year and move up to 2.0% in 2014. The unemployment rate, after having averaged 7.8% in the fourth quarter of 2012, is predicted to fall to 7.3% in the final quarter of 2013 and then move further down to 6.9% in the last quarter of 2014.

Real residential investment is anticipated to grow at a strong pace in 2013, and most of the other major components of real GDP are expected to expand at a solid pace this year. The pace of economic growth is forecasted to move higher in 2014, with activity improving across many sectors of the economy. Industrial production is expected to increase at a solid pace in 2013 and 2014. Car and light truck sales are projected to rise in 2013, to 15.3 million units; and they are expected to improve further in 2014, to 15.8 million units. The one-year Treasury rate is anticipated to remain unchanged this year, while the ten-year Treasury rate is forecasted to rise slightly. Both rates are predicted to increase in 2014. Oil prices are forecasted to average almost \$93 per barrel by the end of 2013 and then remain near that level through the

end of 2014. The trade-weighted U.S. dollar is predicted to edge higher both this year and next.

A summary of the 20th annual Automotive Outlook Symposium will be published in an upcoming special issue of the *Chicago Fed Letter*.

—William A. Strauss • Senior Economist and  
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### Forecasts from the 20th Annual Automotive Outlook Symposium

|  | 2012<br>(Actual) | 2013<br>(Forecast) | 2014<br>(Forecast) |
|--|------------------|--------------------|--------------------|
| Real gross domestic product <sup>a</sup>                                   | 1.7              | 2.3                | 2.9                |
| Real personal consumption expenditures <sup>a</sup>                        | 1.8              | 2.7                | 2.7                |
| Real business fixed investment <sup>a</sup>                                | 5.5              | 3.5                | 4.6                |
| Real residential investment <sup>a</sup>                                   | 14.9             | 13.9               | 15.1               |
| Change in private inventories <sup>b</sup>                                 | 13.3             | 50.0               | 42.0               |
| Net exports of goods and services <sup>b</sup>                             | -384.7           | -408.0             | -417.8             |
| Real government consumption expenditures and gross investment <sup>a</sup> | -1.8             | -2.0               | 0.1                |
| Industrial production <sup>a</sup>   | 2.8              | 3.2                | 2.9                |
| Car and light truck sales (millions of units)                              | 14.4             | 15.3               | 15.8               |
| Housing starts (millions of units)   | 0.78             | 1.02               | 1.17               |
| Unemployment rate <sup>c</sup>   | 7.8              | 7.3                | 6.9                |
| Consumer Price Index <sup>a</sup>  | 1.9              | 1.8                | 2.0                |
| One-year Treasury rate (constant maturity) <sup>c</sup>                    | 0.17             | 0.17               | 0.30               |
| Ten-year Treasury rate (constant maturity) <sup>c</sup>                    | 1.71             | 2.00               | 2.47               |
| J. P. Morgan Trade-Weighted Dollar Index <sup>a</sup>                      | -0.5             | 0.4                | 0.5                |
| Oil price (dollars per barrel of West Texas Intermediate) <sup>c</sup>     | 88.16            | 92.96              | 93.50              |

<sup>a</sup>Percent change, fourth quarter over fourth quarter.

<sup>b</sup>Billions of chained (2005) dollars in the fourth quarter at a seasonally adjusted annual rate.

<sup>c</sup>Fourth quarter average.

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