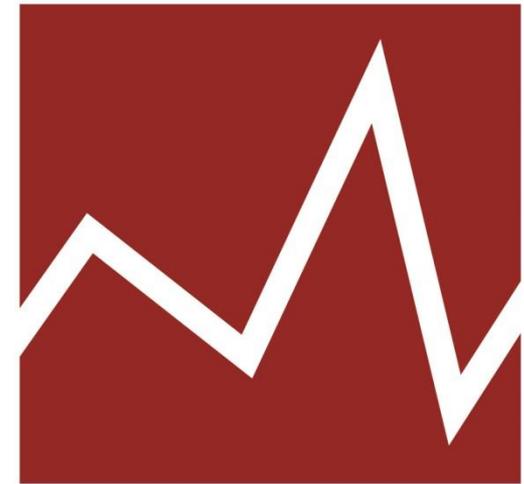


28TH ANNUAL
ECONOMIC
OUTLOOK
SYMPOSIUM



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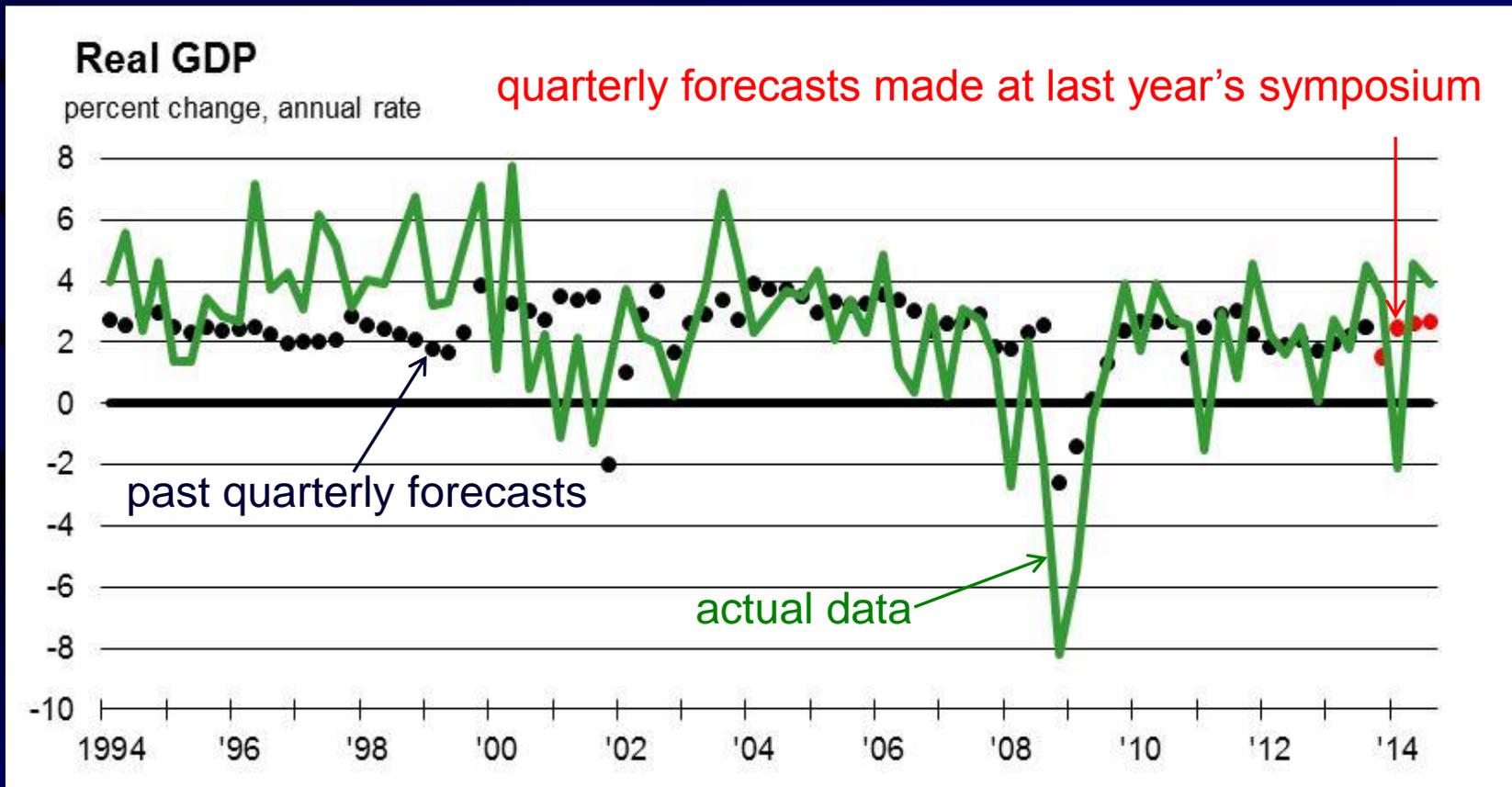
Consensus Forecast for 2015

William Strauss

Senior Economist and Economic Advisor
Federal Reserve Bank of Chicago

Review of past performance

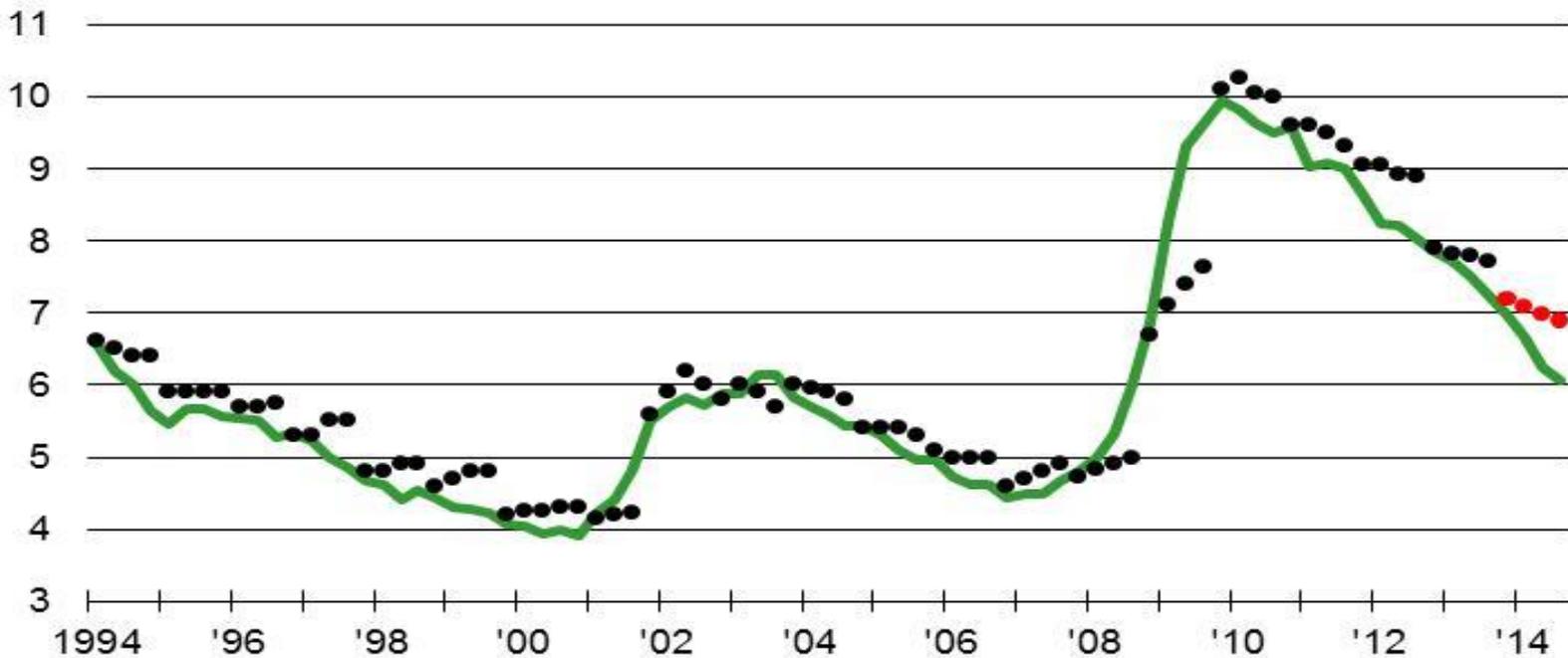
Although more volatile, the growth in real GDP was close to the forecast



Once again, the unemployment rate fell at a faster pace than predicted

Unemployment rate

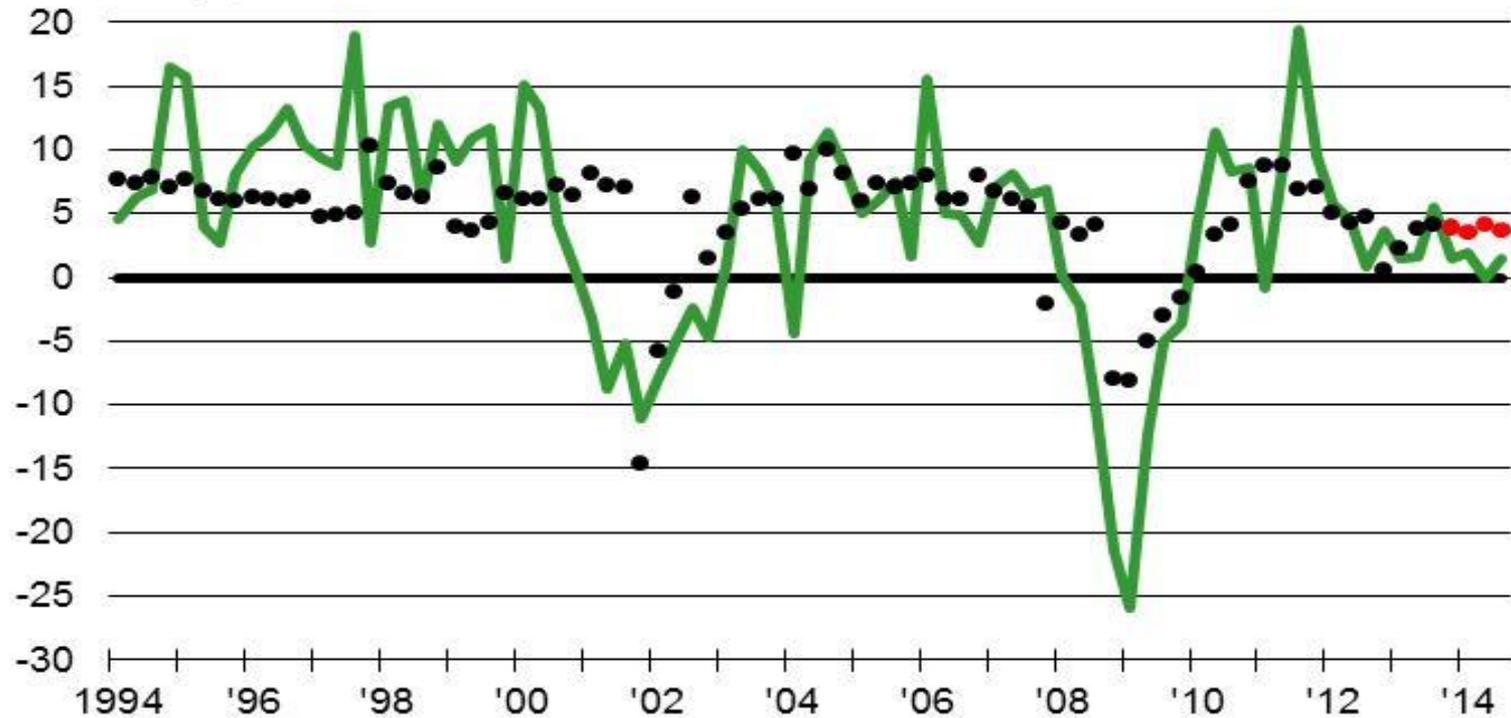
percent



Business fixed investment was weaker than forecast

Business fixed investment

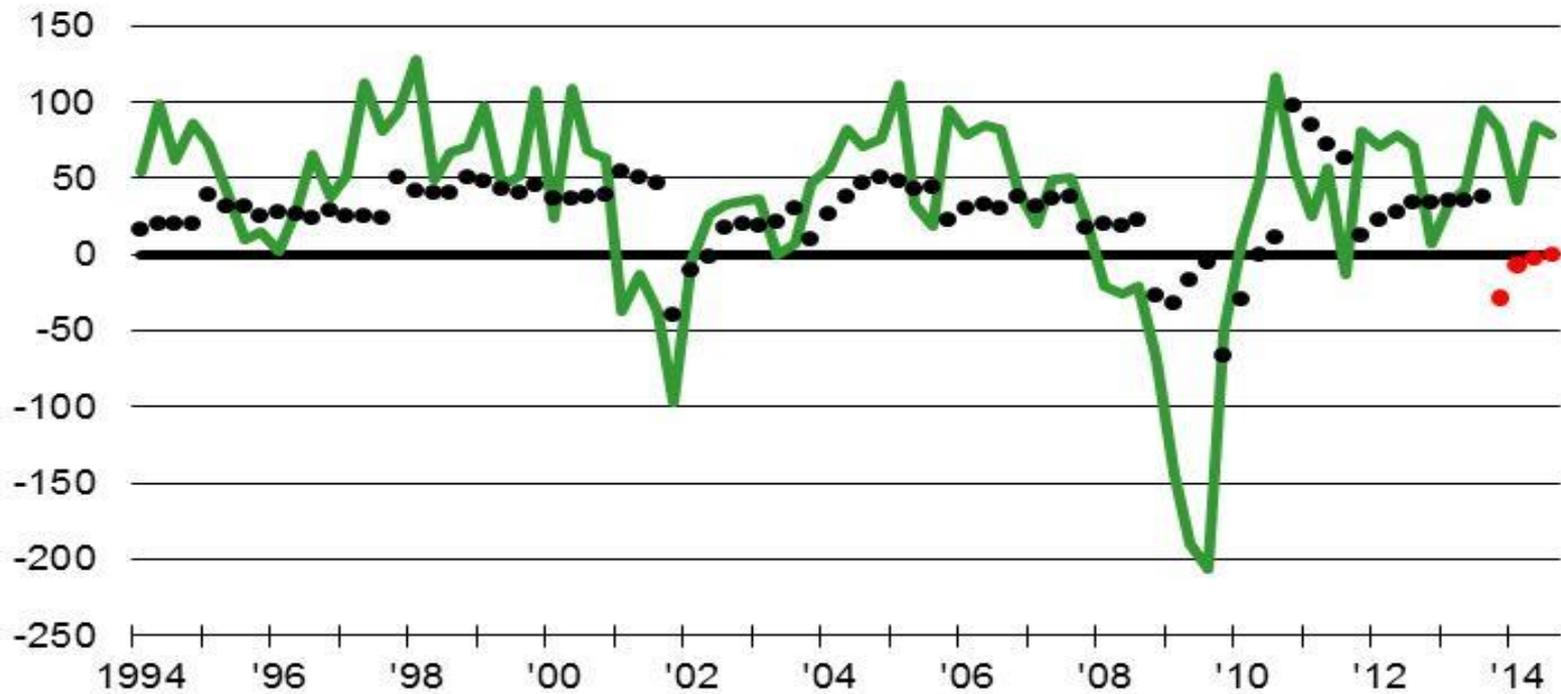
percent change, annual rate



Inventories built up at a faster rate than anticipated

Change in private inventories

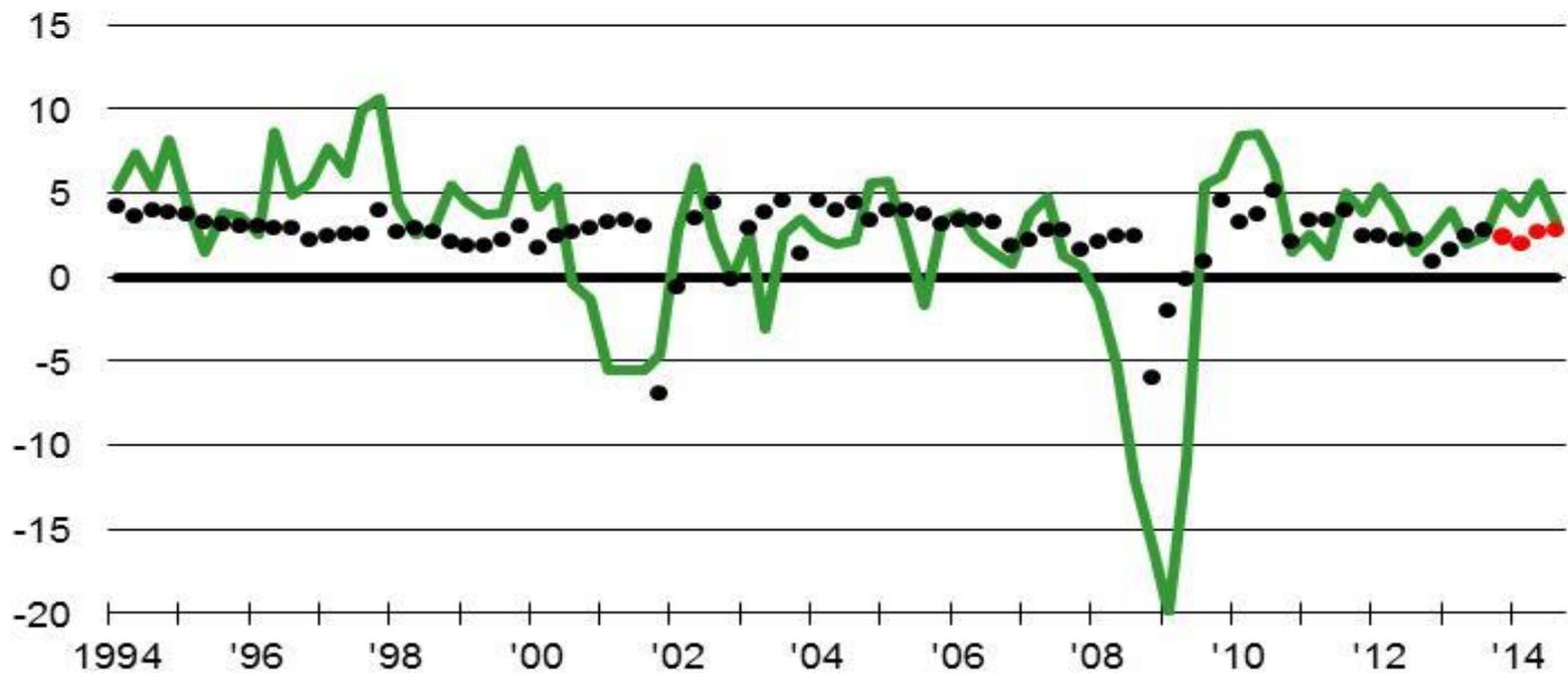
billions of constant dollars



Industrial production growth was stronger than predicted

Industrial production

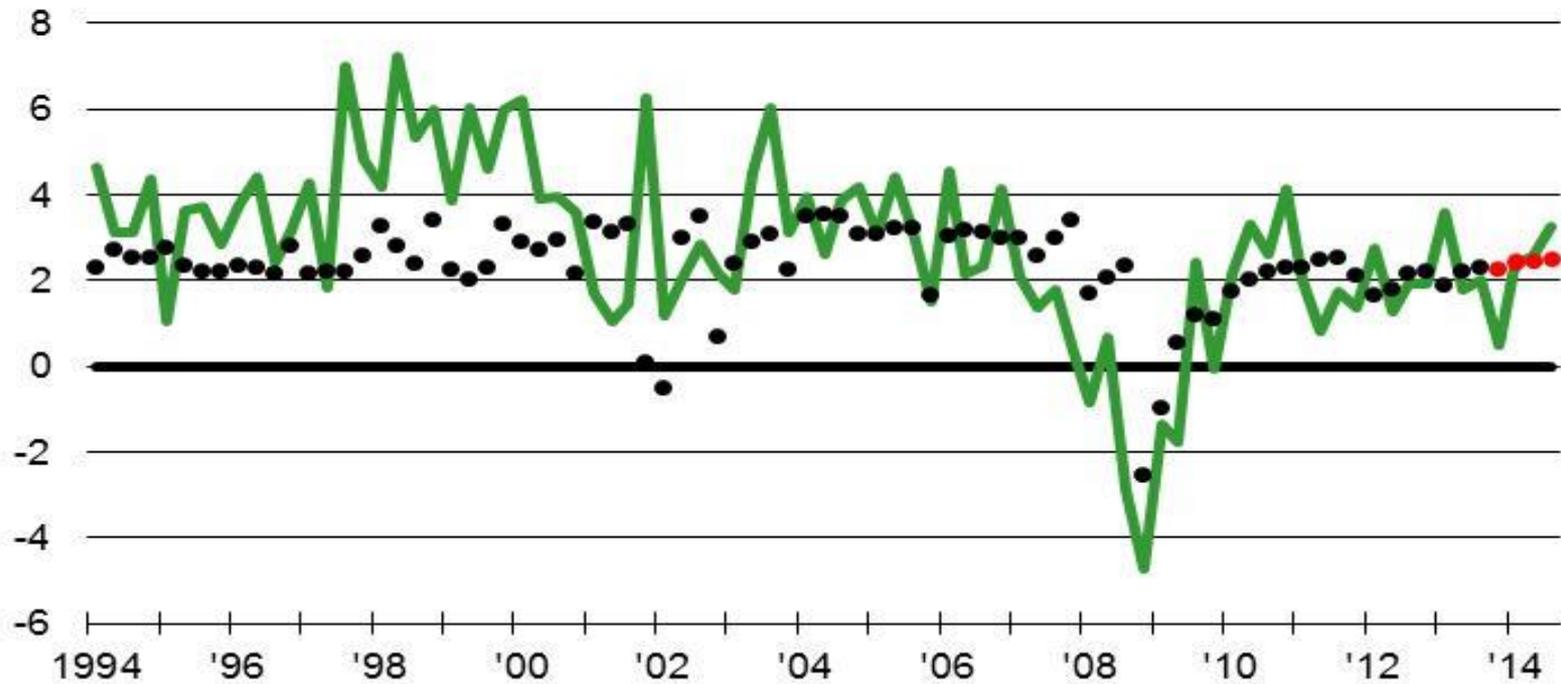
percent change, annual rate



Consumer spending predictions were fairly accurate compared with actual expenditures

Personal consumption expenditures

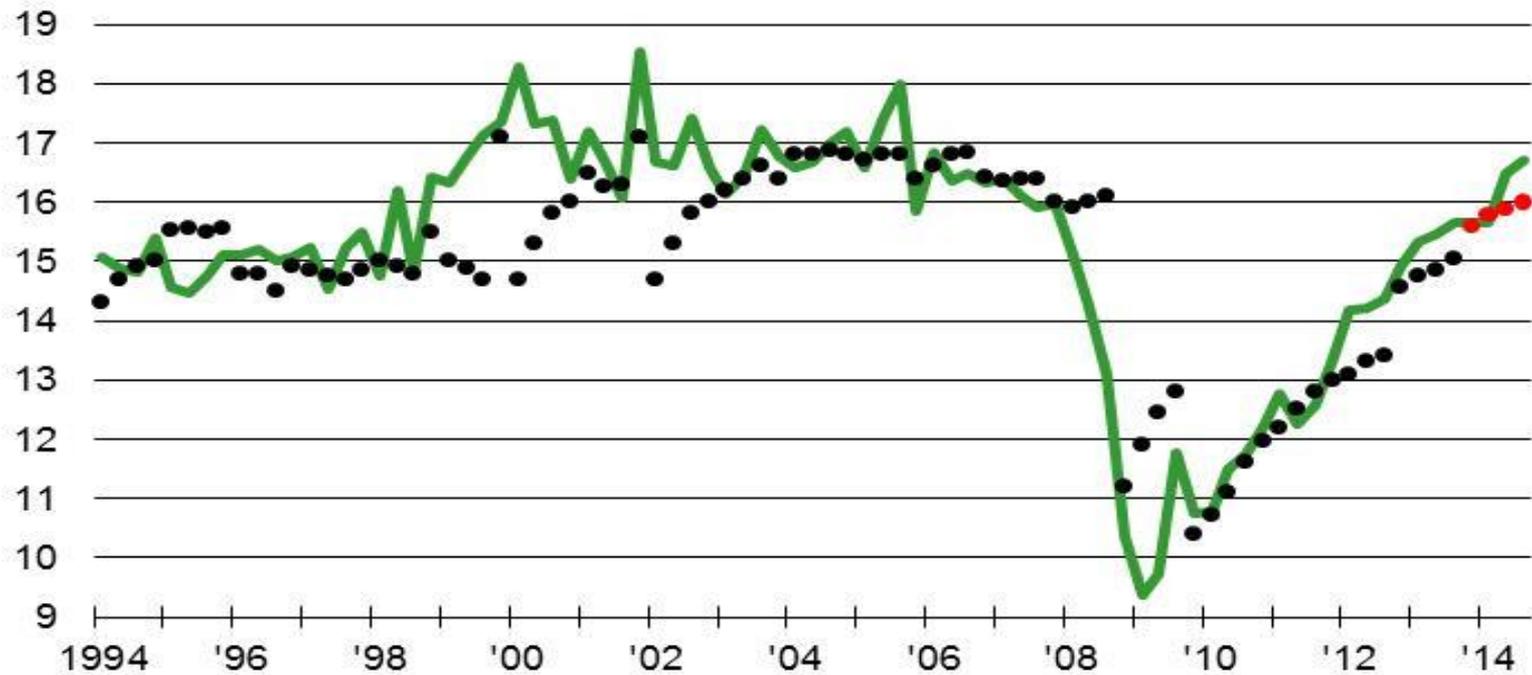
percent change, annual rate



However, light vehicle sales were stronger than predicted

Car and light truck sales

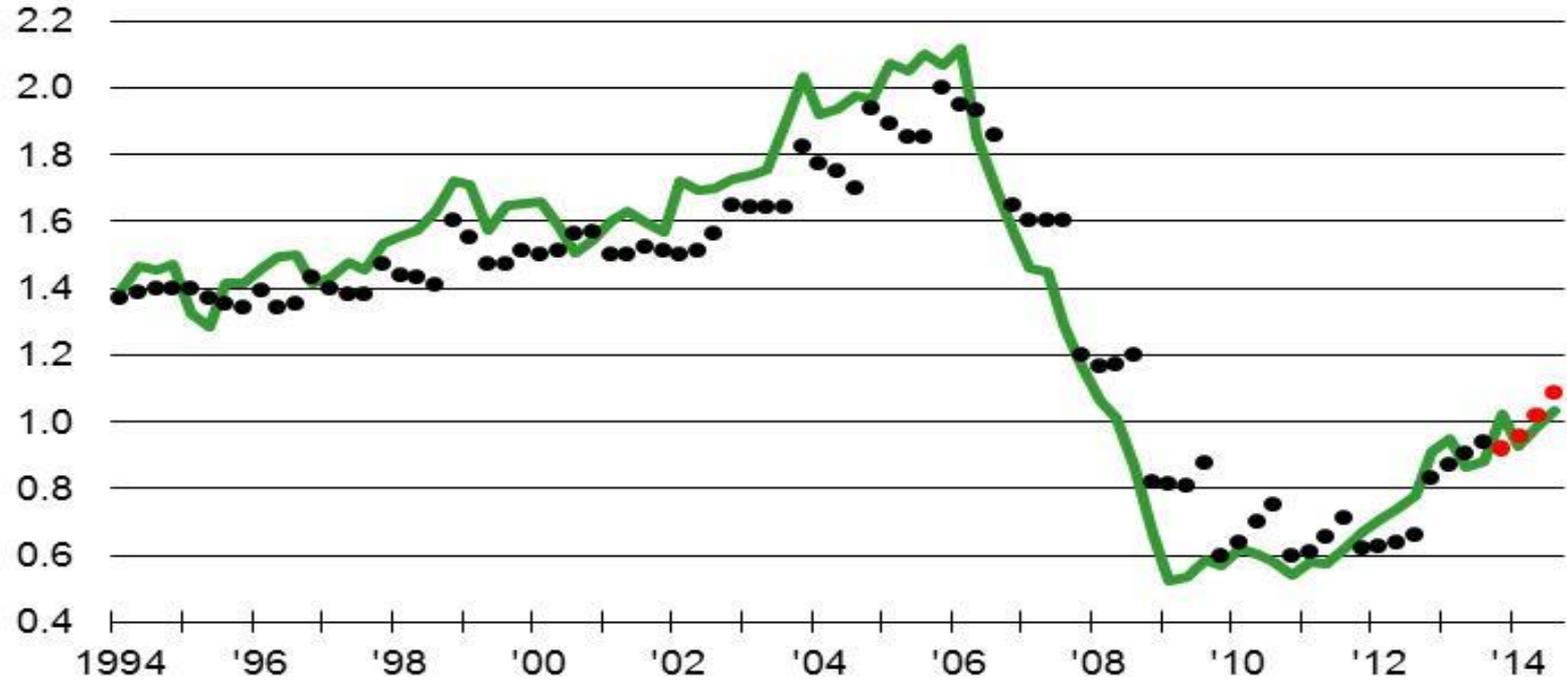
millions of units



Housing starts were accurately forecast

Housing starts

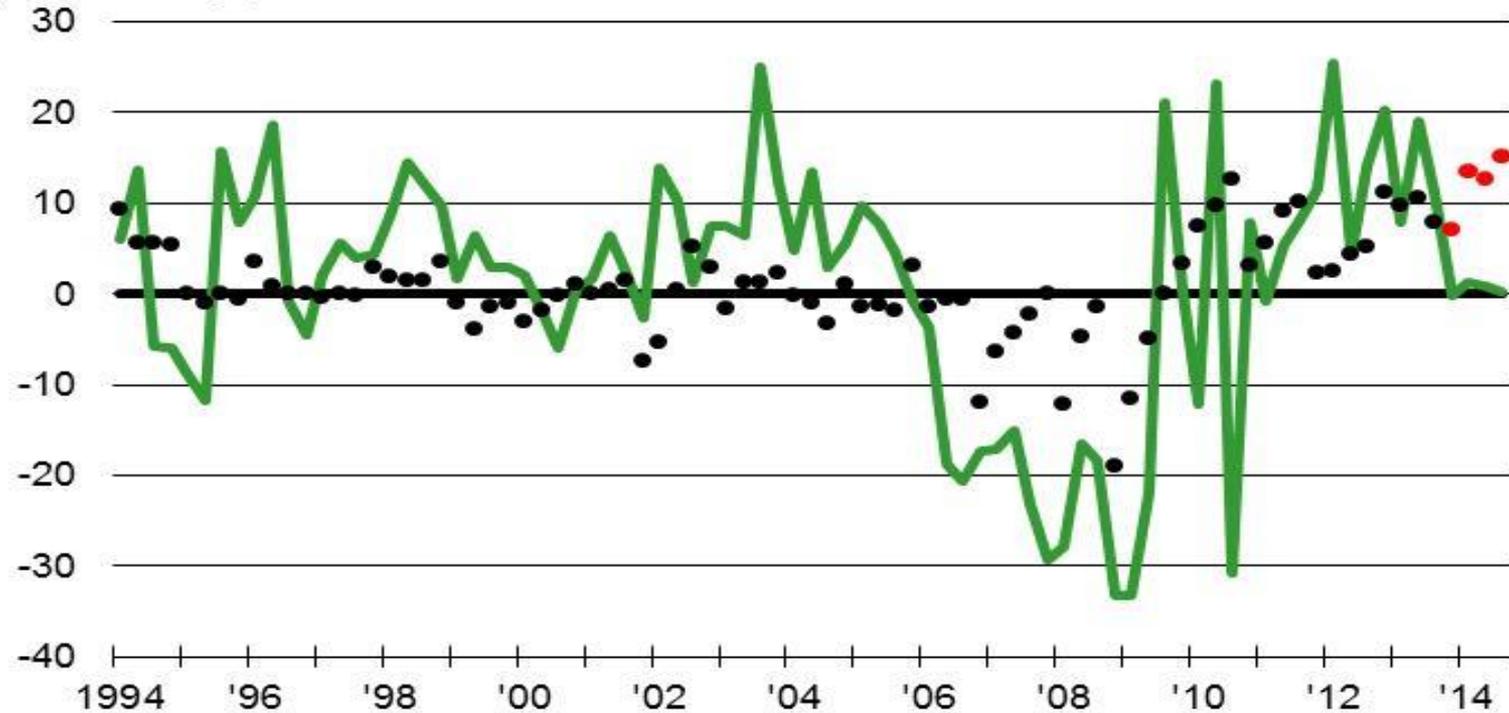
millions of units



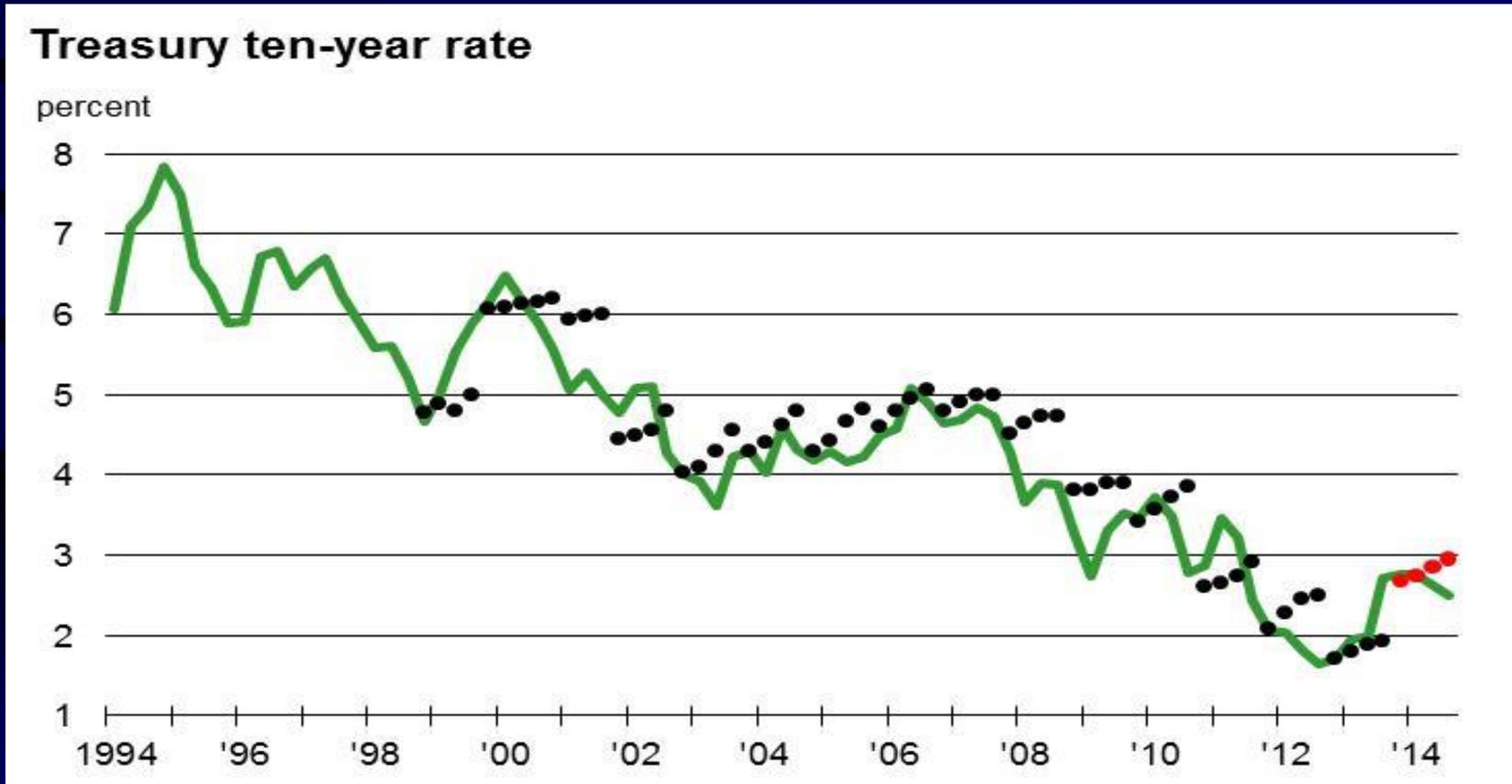
**But residential investment increased
at a much slower pace than anticipated**

Residential investment

percent change, annual rate



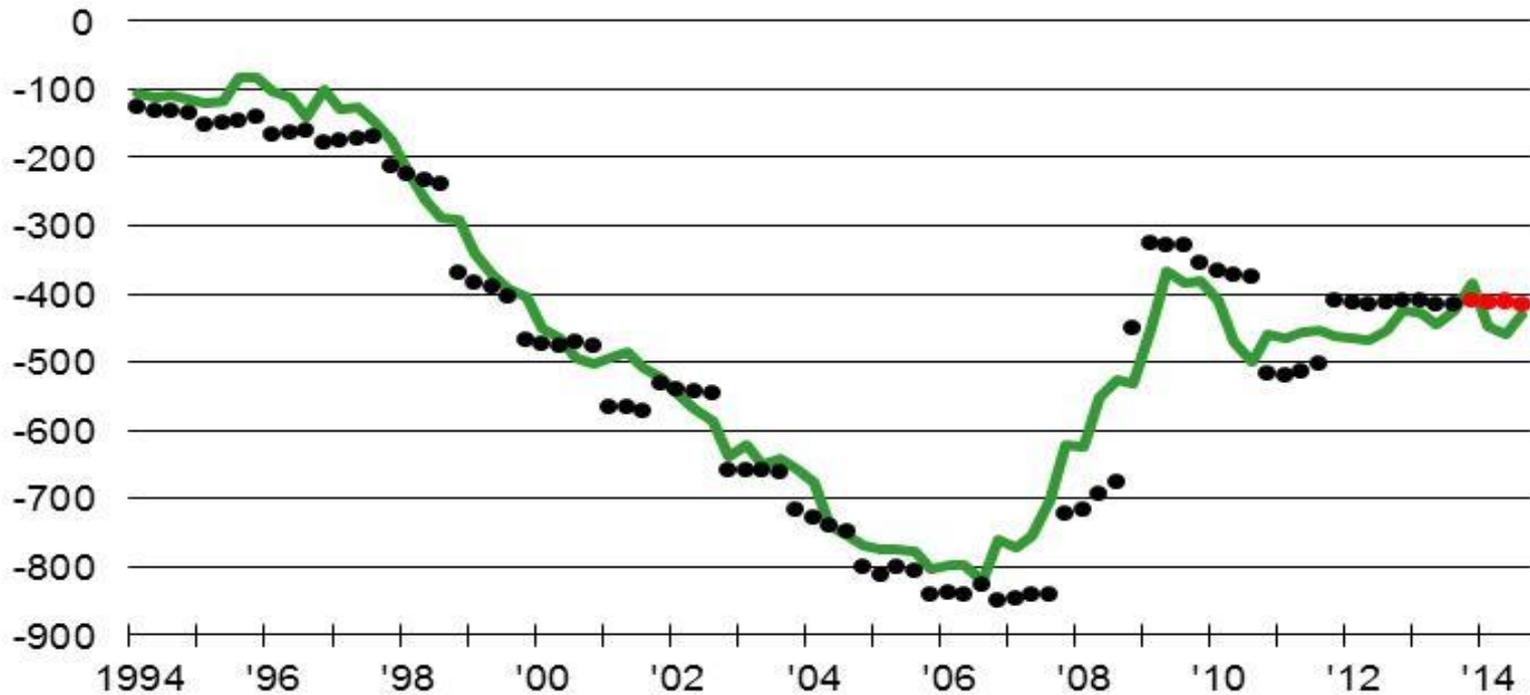
The ten-year interest rate was expected to edge higher, but it moved lower



The balance of trade averaged a bit larger deficit than forecast

Net exports of goods and services

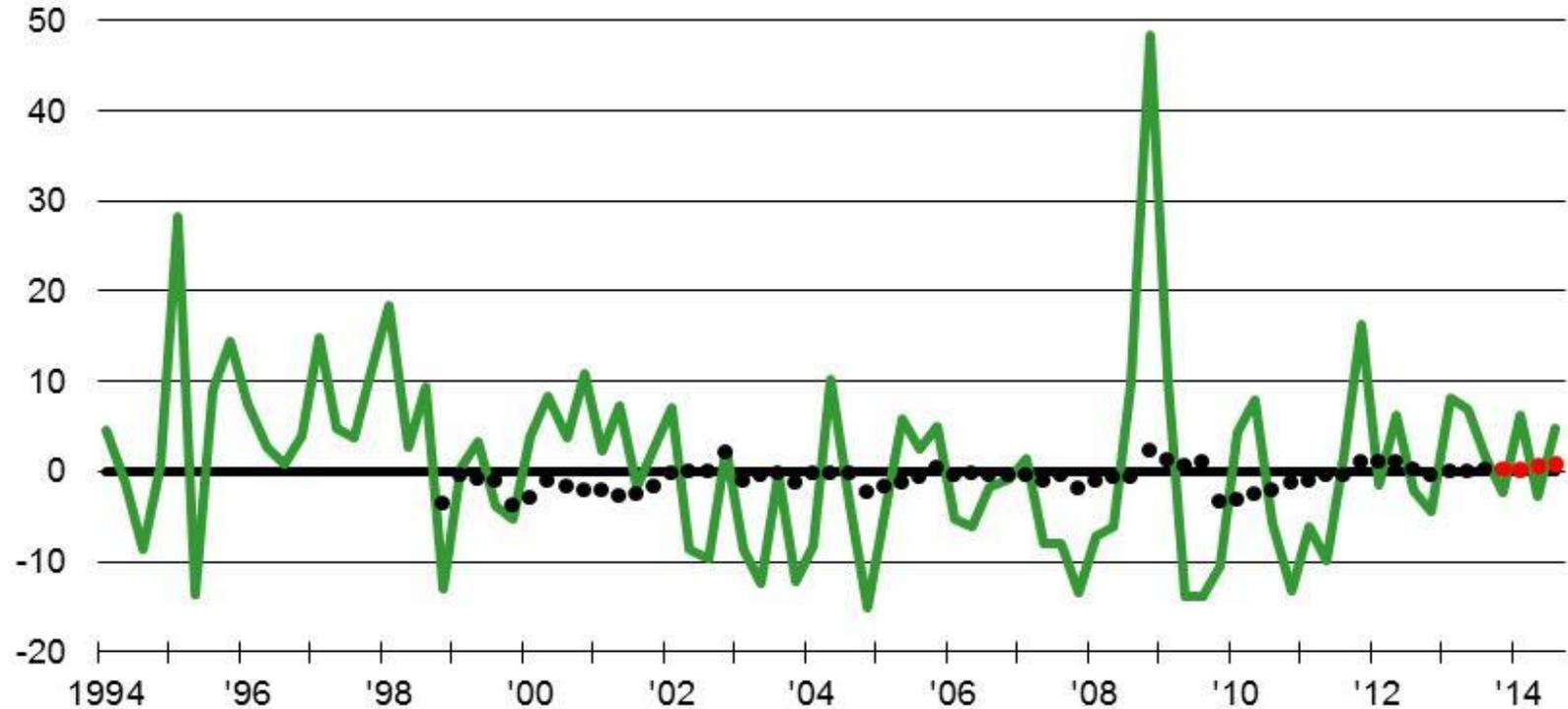
billions of constant dollars



The dollar was predicted to edge higher,
but it increased at a bit faster rate

J.P. Morgan trade weighted dollar

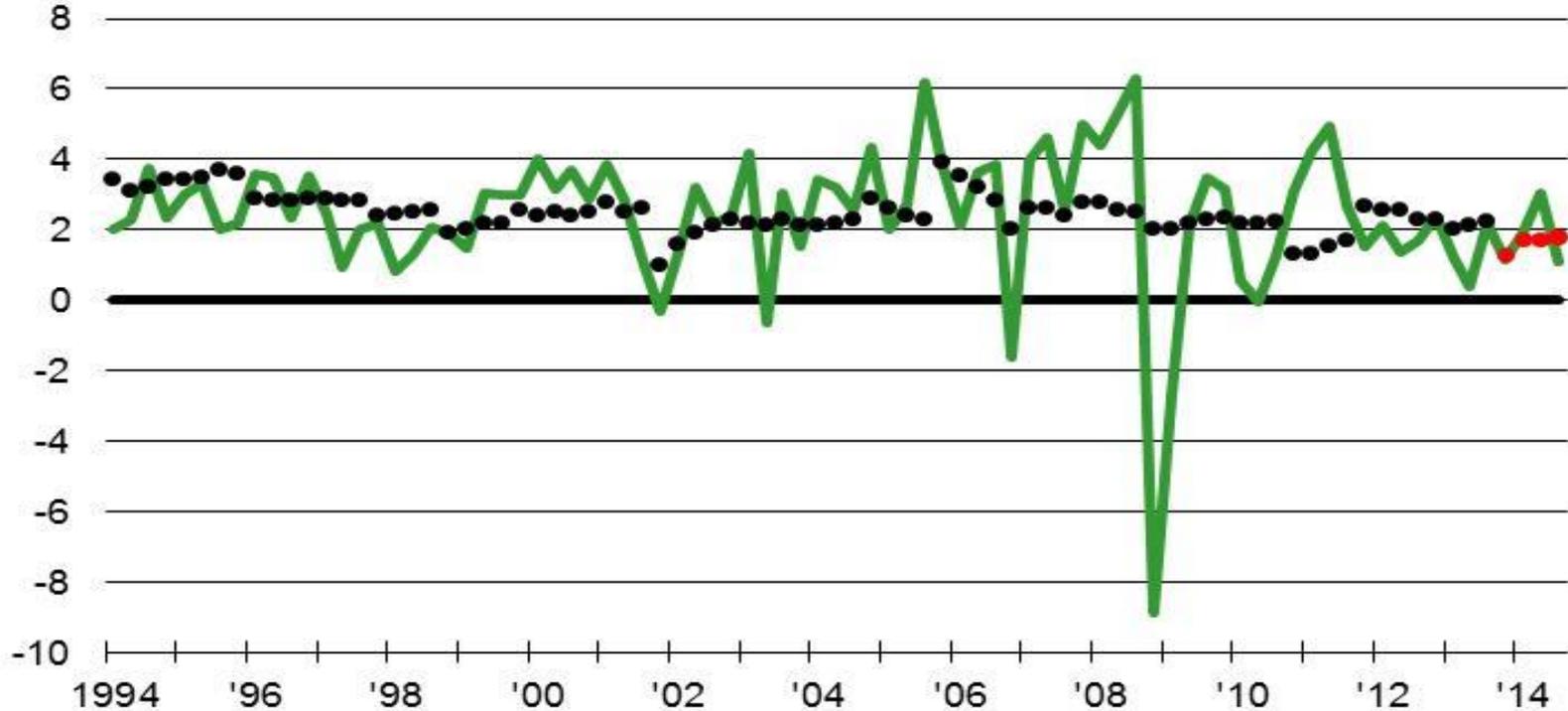
percent change, annual rate



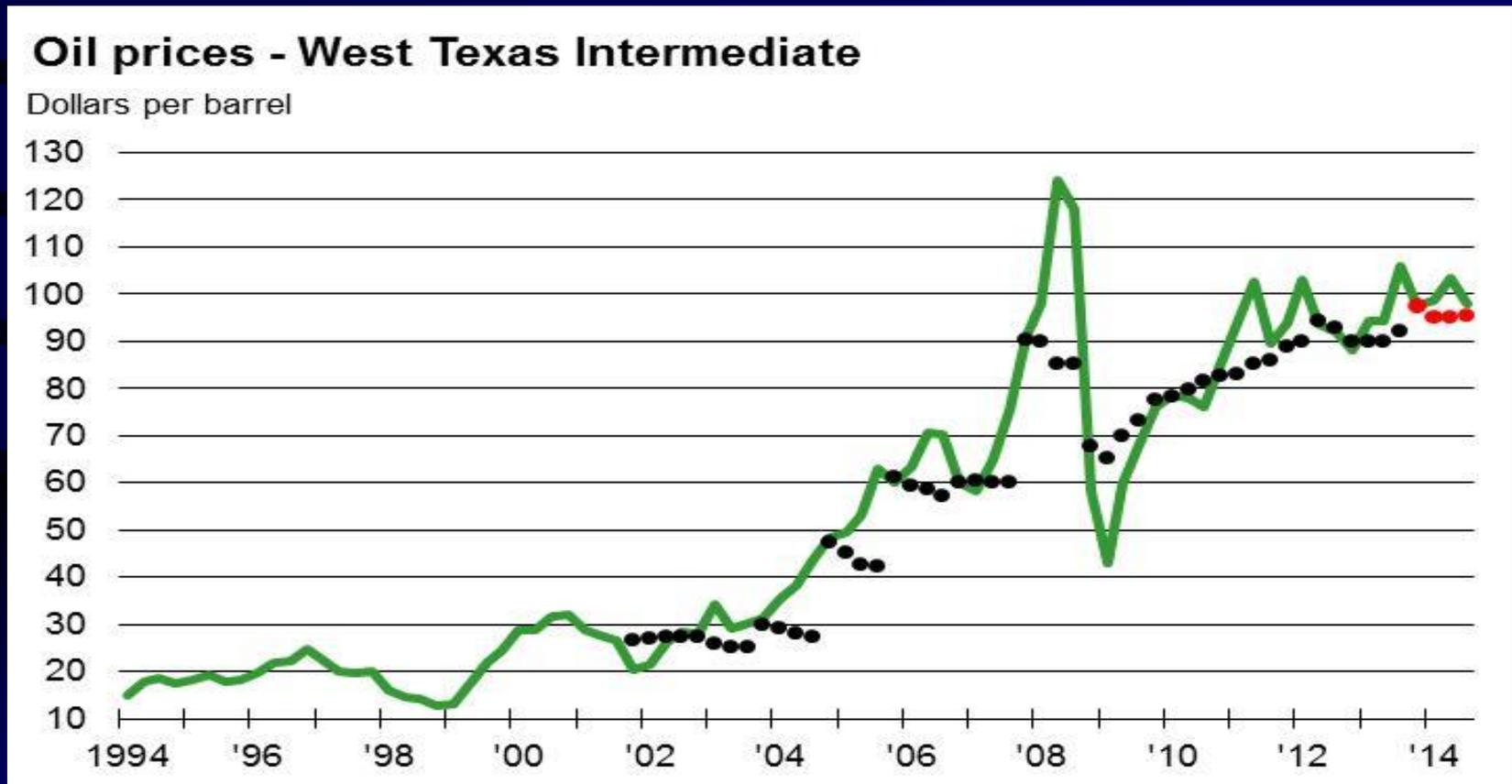
Inflation came in roughly as forecast

Inflation rate (CPI)

percent change, annual rate



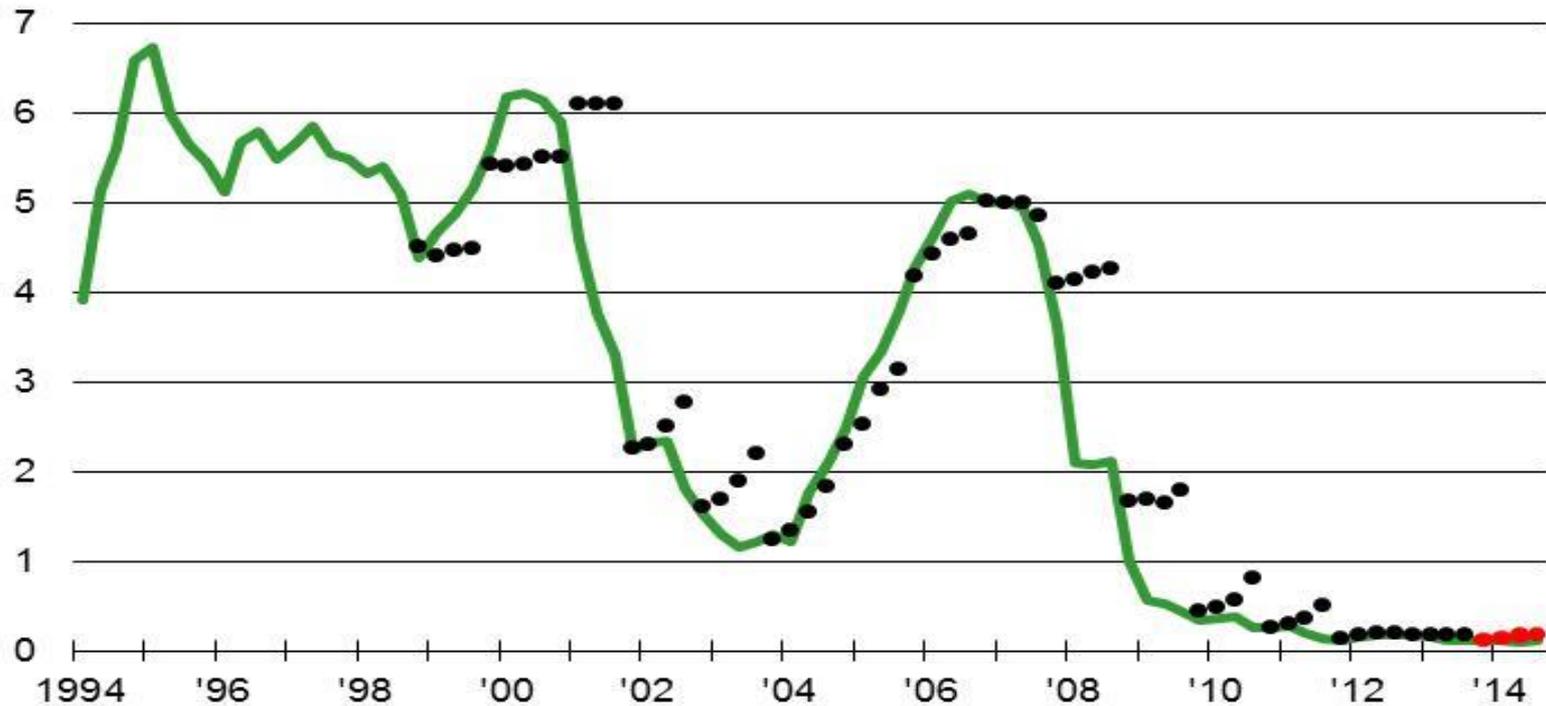
Even though oil prices were higher than was expected



Short-term interest rates were accurately forecast to remain low

Treasury one-year rate

percent



Forecast for 2015

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

	2013	2014	2015
GDP, current dollars*	4.6%	3.7%	4.3%
GDP price index, chain-type*	1.4%	1.5%	1.7%
Real GDP, chained dollars*	3.1%	2.1%	2.7%
Personal consumption expenditures*	2.8%	2.0%	2.6%
Business fixed investment*	4.7%	5.2%	4.2%
Residential investment*	6.9%	2.4%	7.5%
Change in private inventories (billions of constant dollars)**	\$81.8	\$65.0	\$50.0
Net exports of goods and services (billions of constant dollars)**	-\$384.0	-\$415.0	-\$432.9
Government consumption expenditures and gross investment*	-1.9%	1.2%	0.9%

* Q4 over Q4

** Q4 value

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

	2013	2014	2015
Industrial production*	3.3%	4.1%	3.0%
Car & light truck sales (millions - calendar year including imports)***	15.5	16.4	16.8
Housing starts (millions)***	0.93	1.00	1.14
Oil price (dollars per barrel of West Texas Intermediate)**	\$97.39	\$80.00	\$83.84
Unemployment rate**	7.0%	5.8%	5.6%
Inflation rate (consumer price index)*	1.2%	1.8%	1.7%
Treasury constant maturity one-year rate**	0.12%	0.11%	0.47%
Treasury constant maturity ten-year rate**	2.75%	2.36%	3.00%
J.P. Morgan trade weighted OECD dollar*	3.5%	2.3%	0.5%

* Q4 over Q4

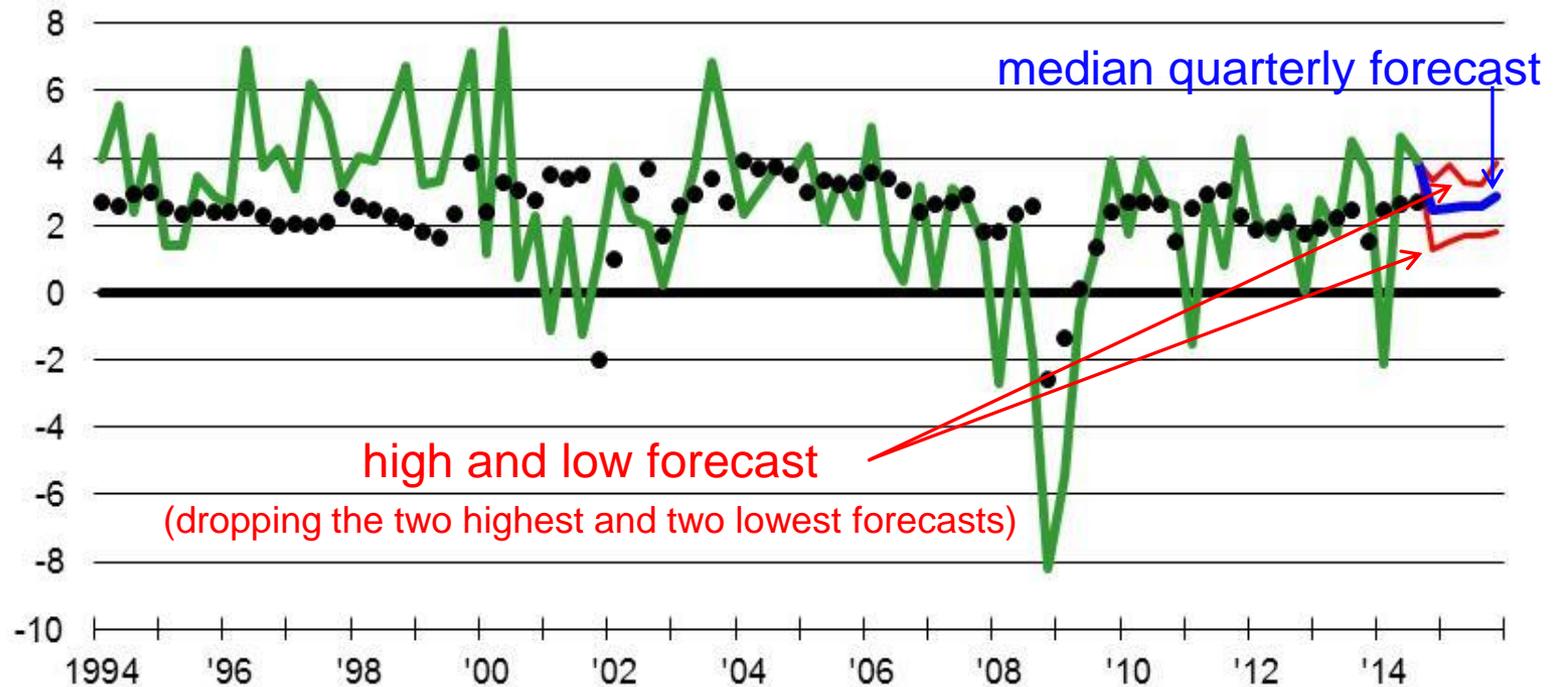
** Q4 value

*** Yearly average

Real GDP growth is expected to increase by 2.7% next year

Real GDP

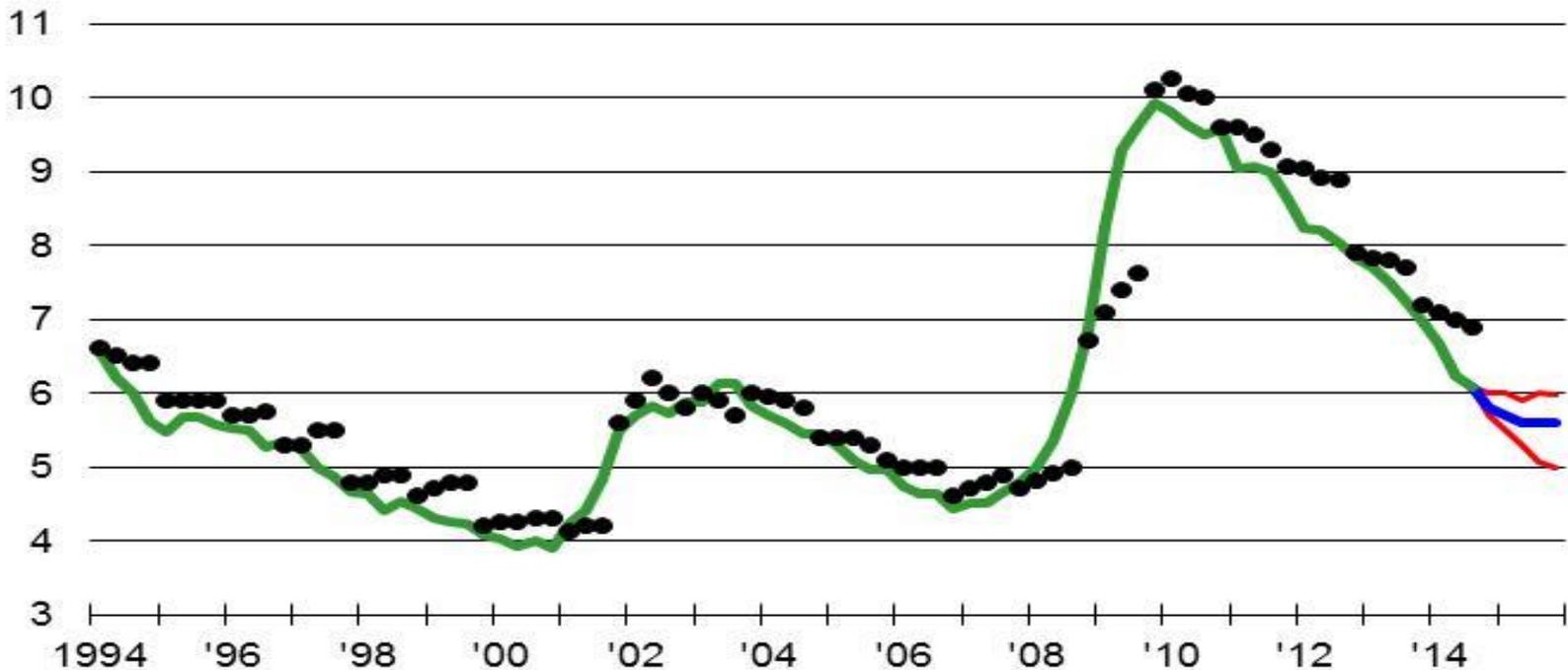
percent change, annual rate



The unemployment rate is projected to edge lower, reaching 5.6% in the final quarter of next year

Unemployment rate

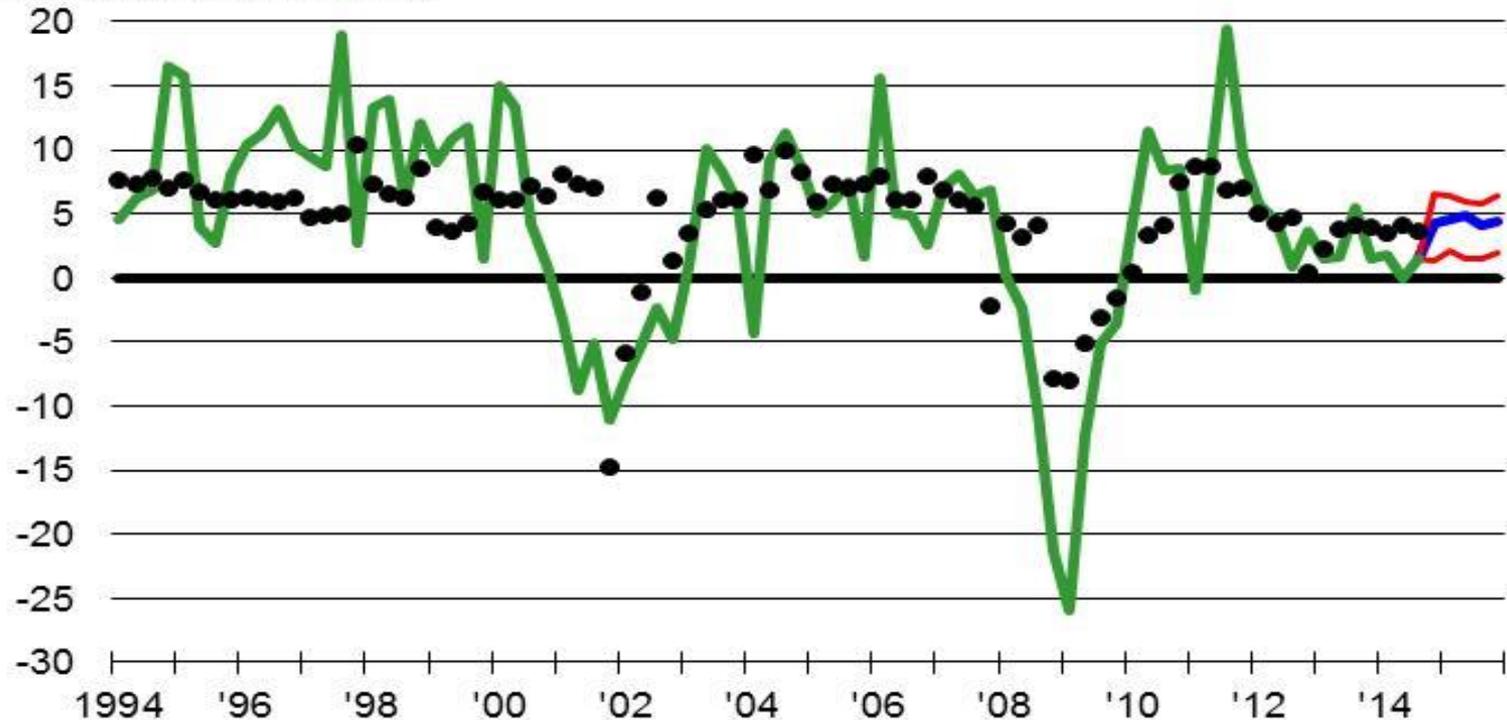
percent



Business fixed investment growth is forecast to increase to 4.2% over the coming year

Business fixed investment

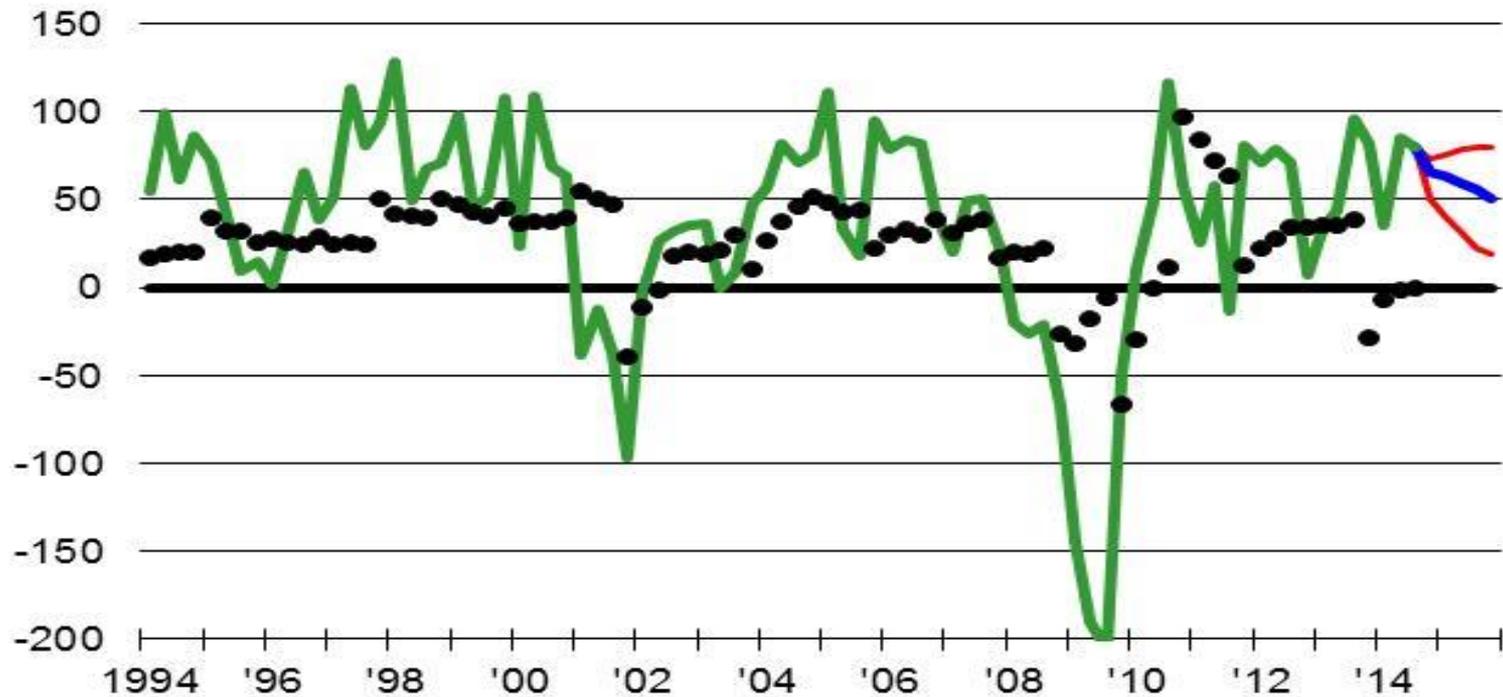
percent change, annual rate



Inventories are anticipated to increase at a slower pace in 2015

Change in private inventories

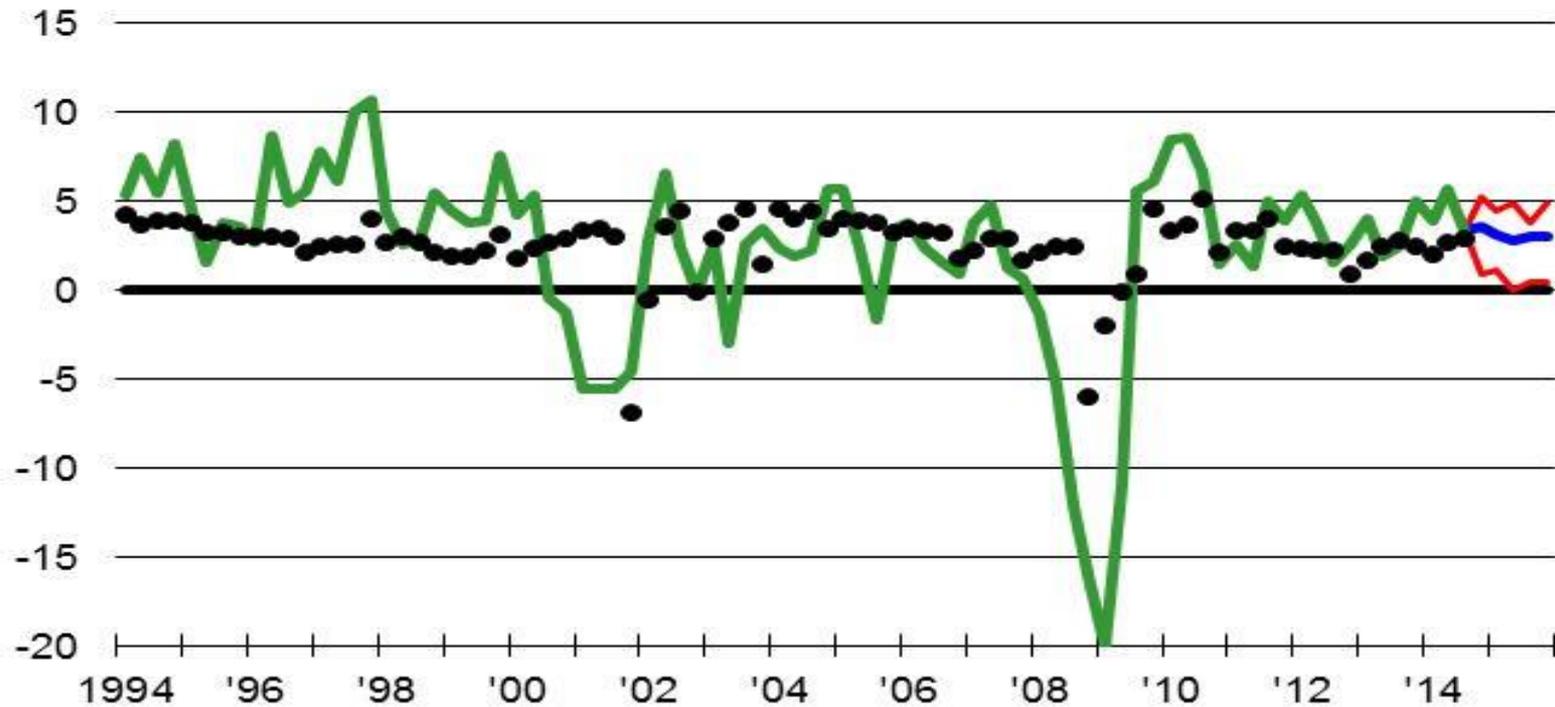
billions of constant dollars



Industrial output is forecast to increase 3.0% next year

Industrial production

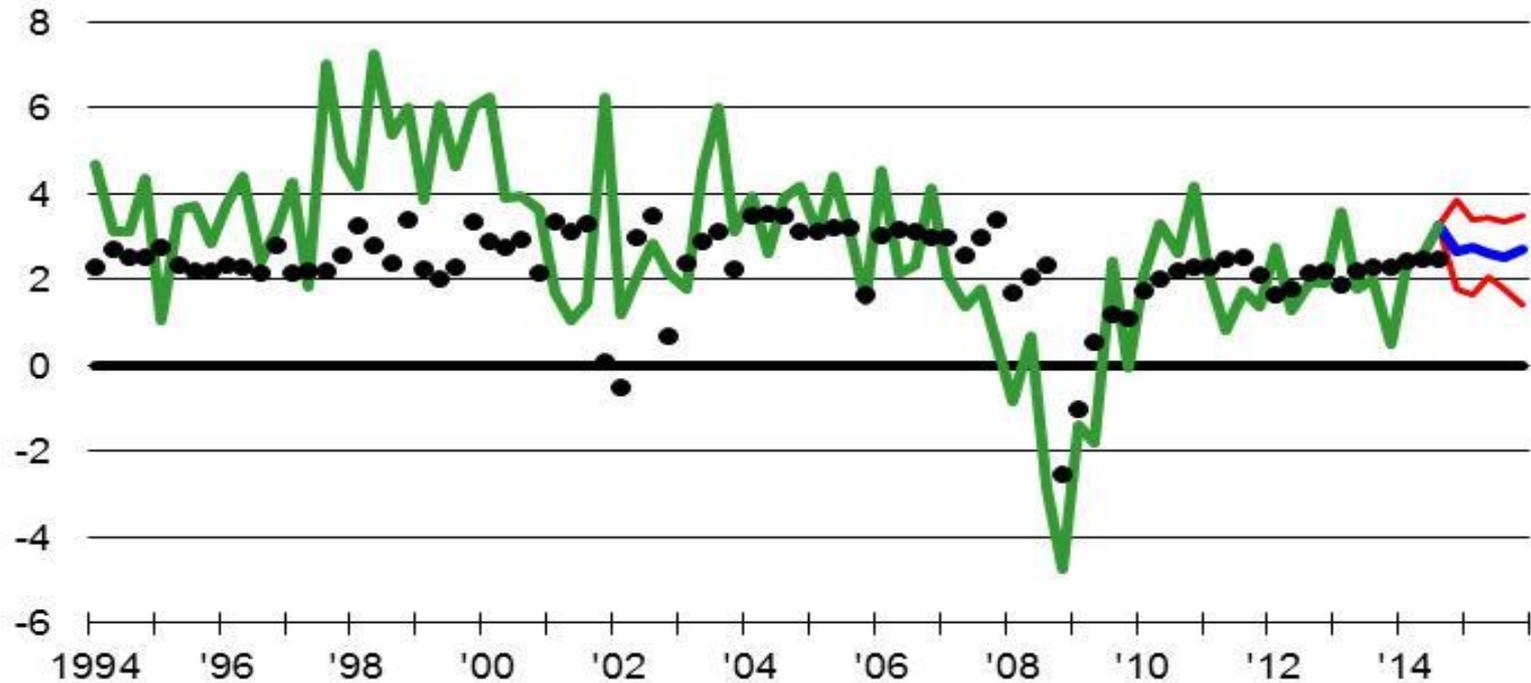
percent change, annual rate



Consumer spending growth is expected to improve to 2.6% next year

Personal consumption expenditures

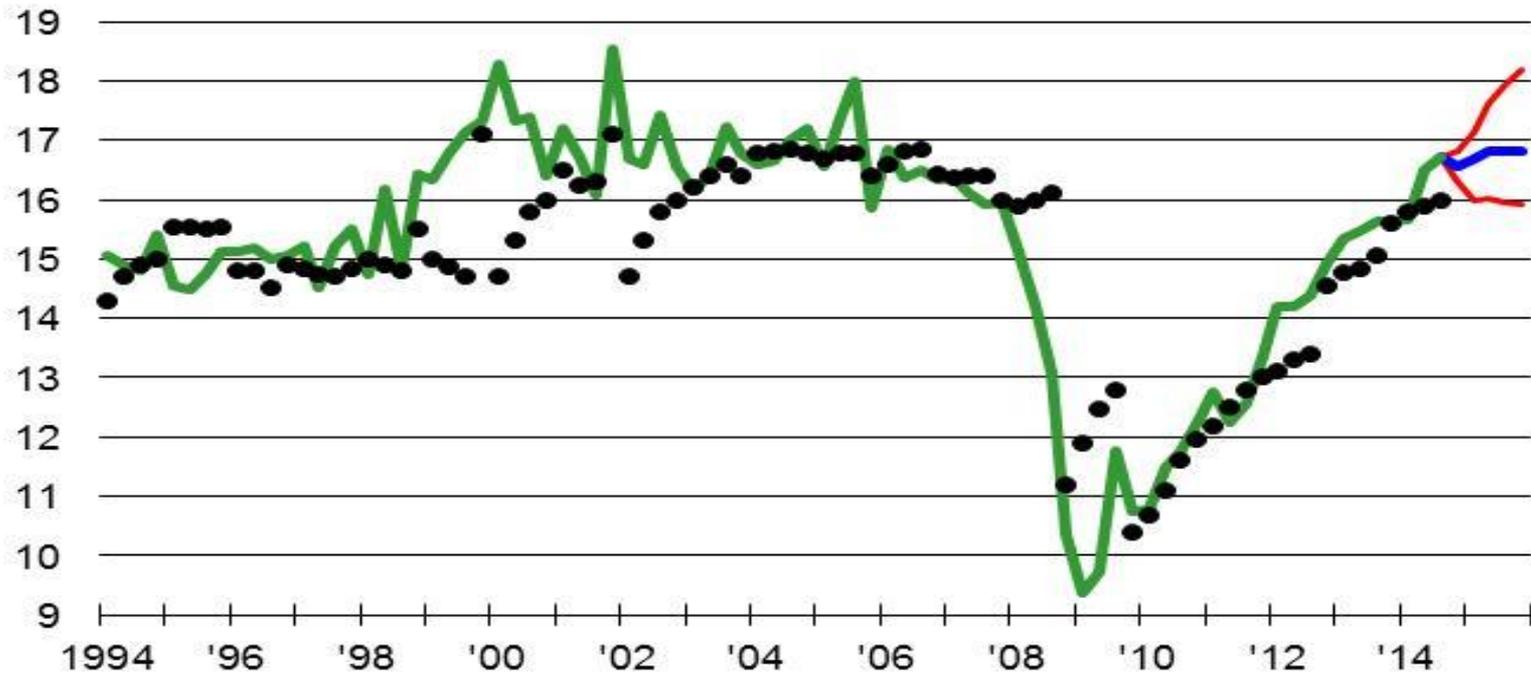
percent change, annual rate



Vehicle sales are forecast to continue moving higher with sales of 16.8 million units next year

Car and light truck sales

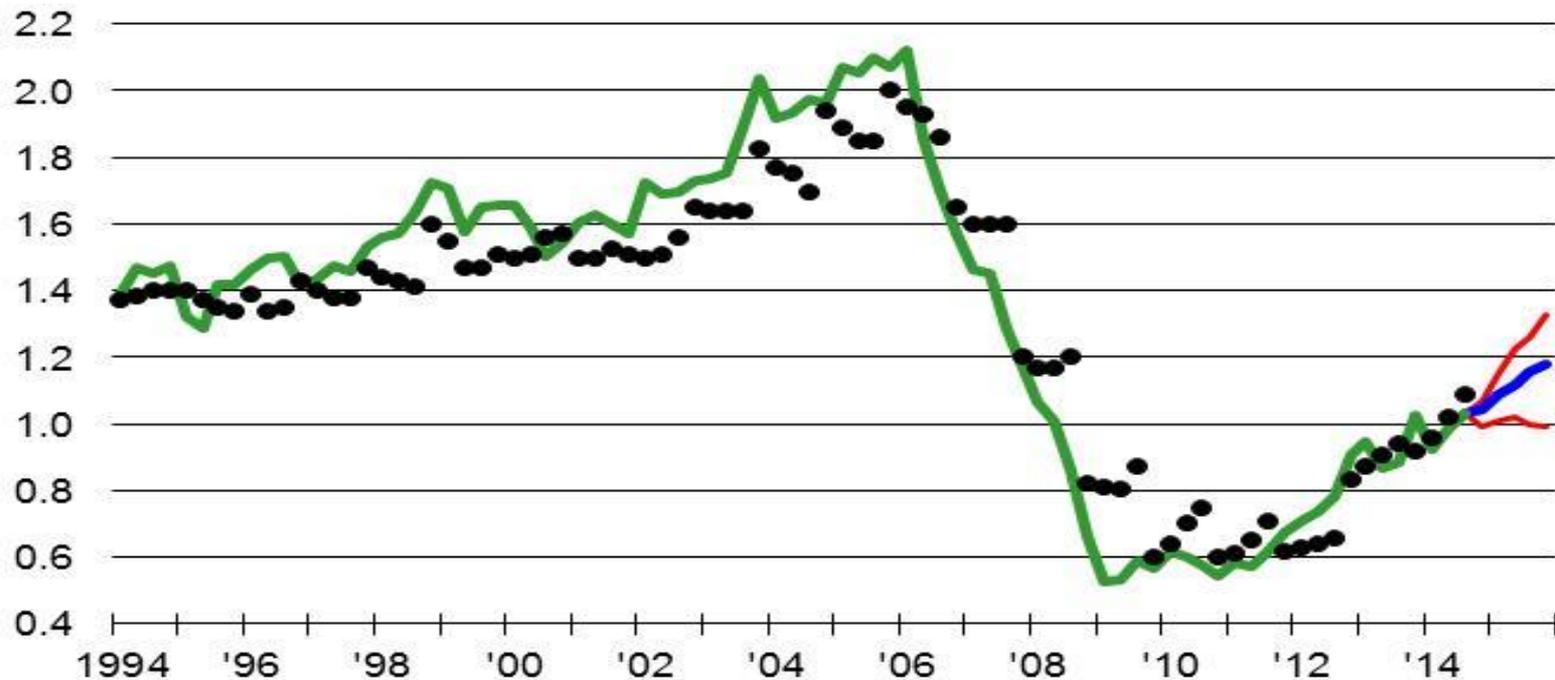
millions of units



Housing starts are forecast continue increasing, rising to 1,143,000 starts in 2015

Housing starts

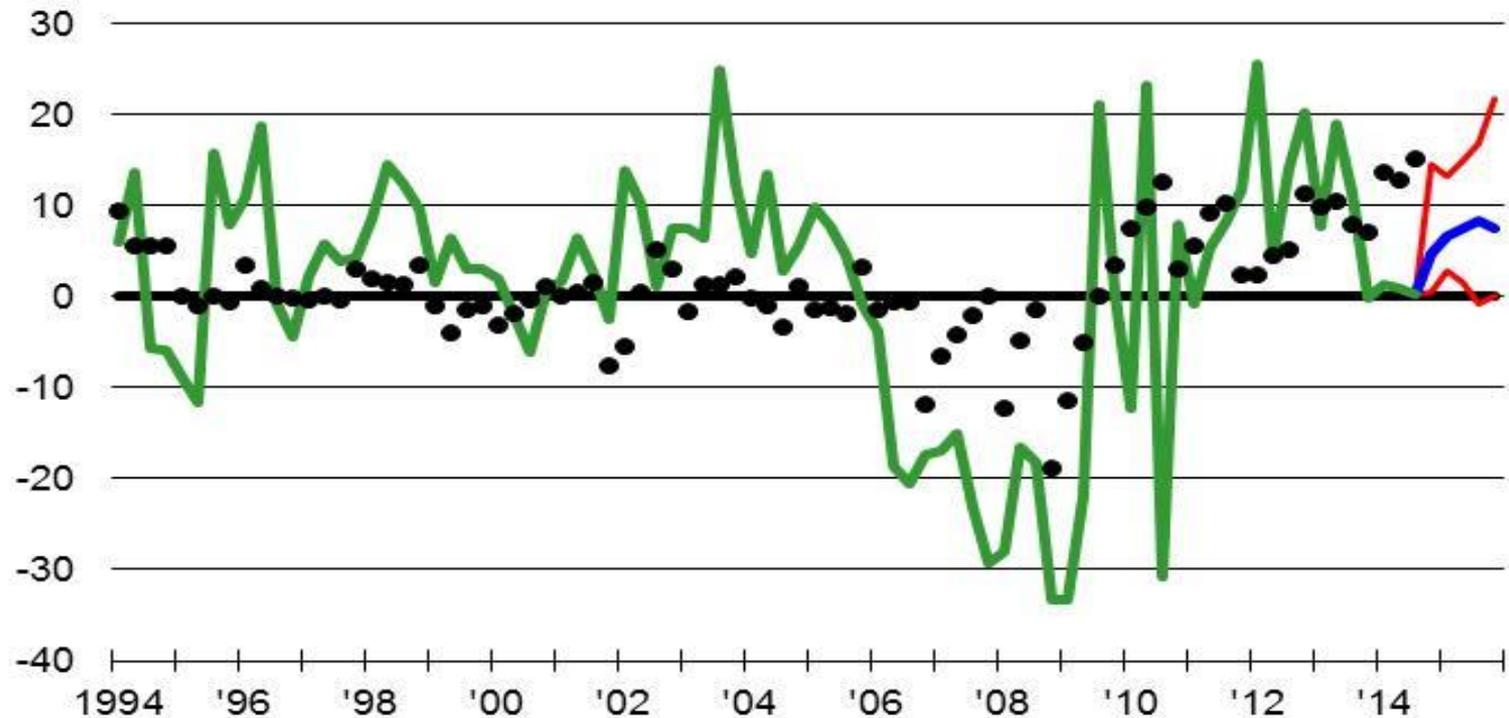
millions of units



Residential investment is expected to rise by 7.5% in 2015

Residential investment

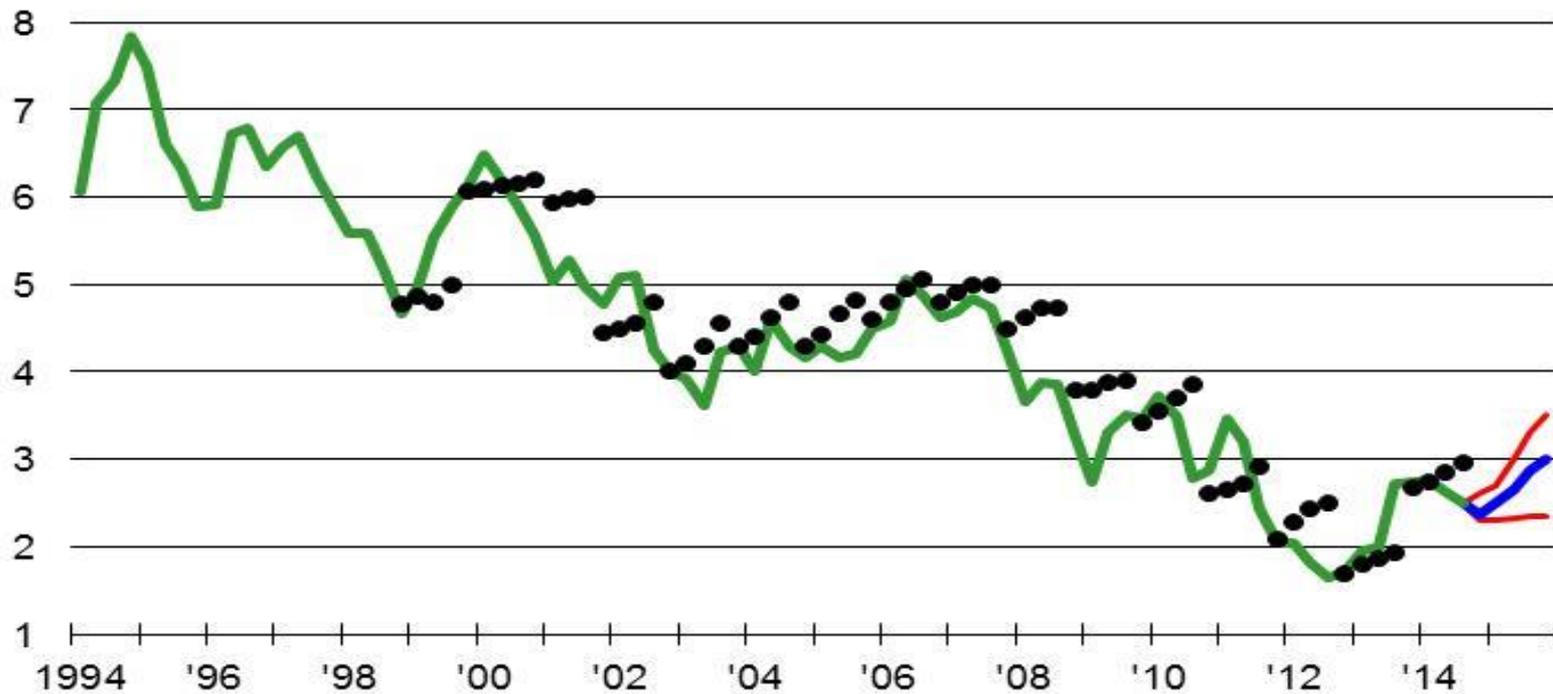
percent change, annual rate



Ten-year interest rates are expected to increase by 64 basis points next year

Treasury ten-year rate

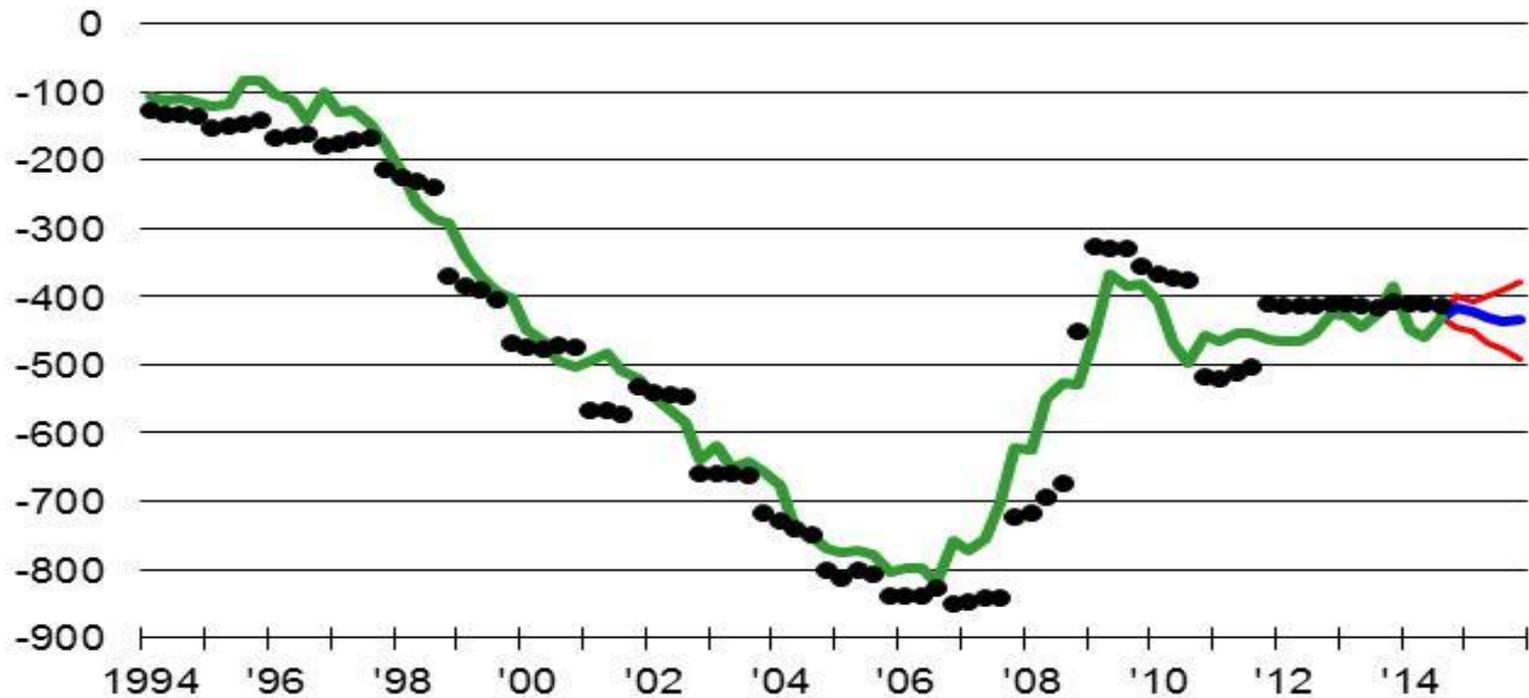
percent



The trade deficit is forecast to edge higher

Net exports of goods and services

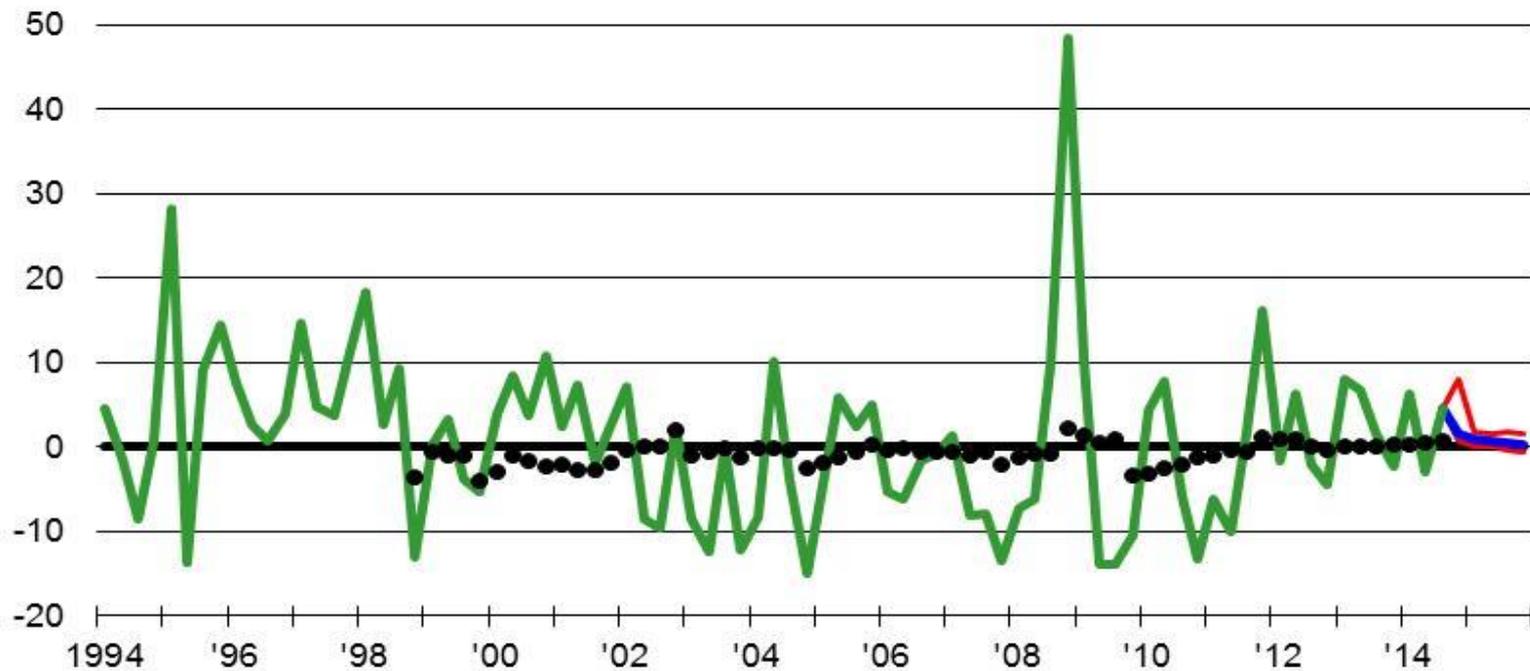
billions of constant dollars



The dollar is forecast to remain relatively unchanged in 2015

J.P. Morgan trade weighted dollar

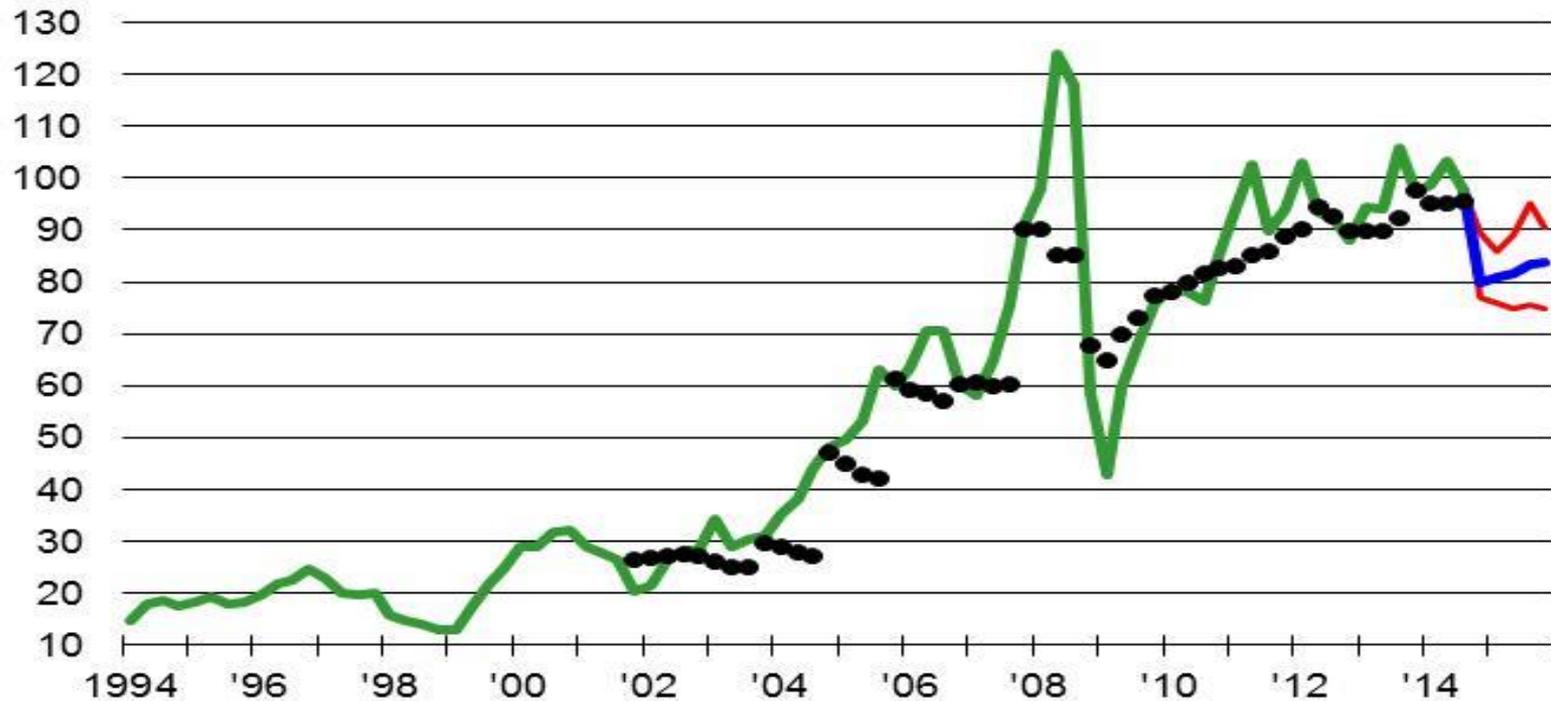
percent change, annual rate



Oil prices are predicted to remain relatively low, averaging \$83.84 per barrel by the end of 2015

Oil prices - West Texas Intermediate

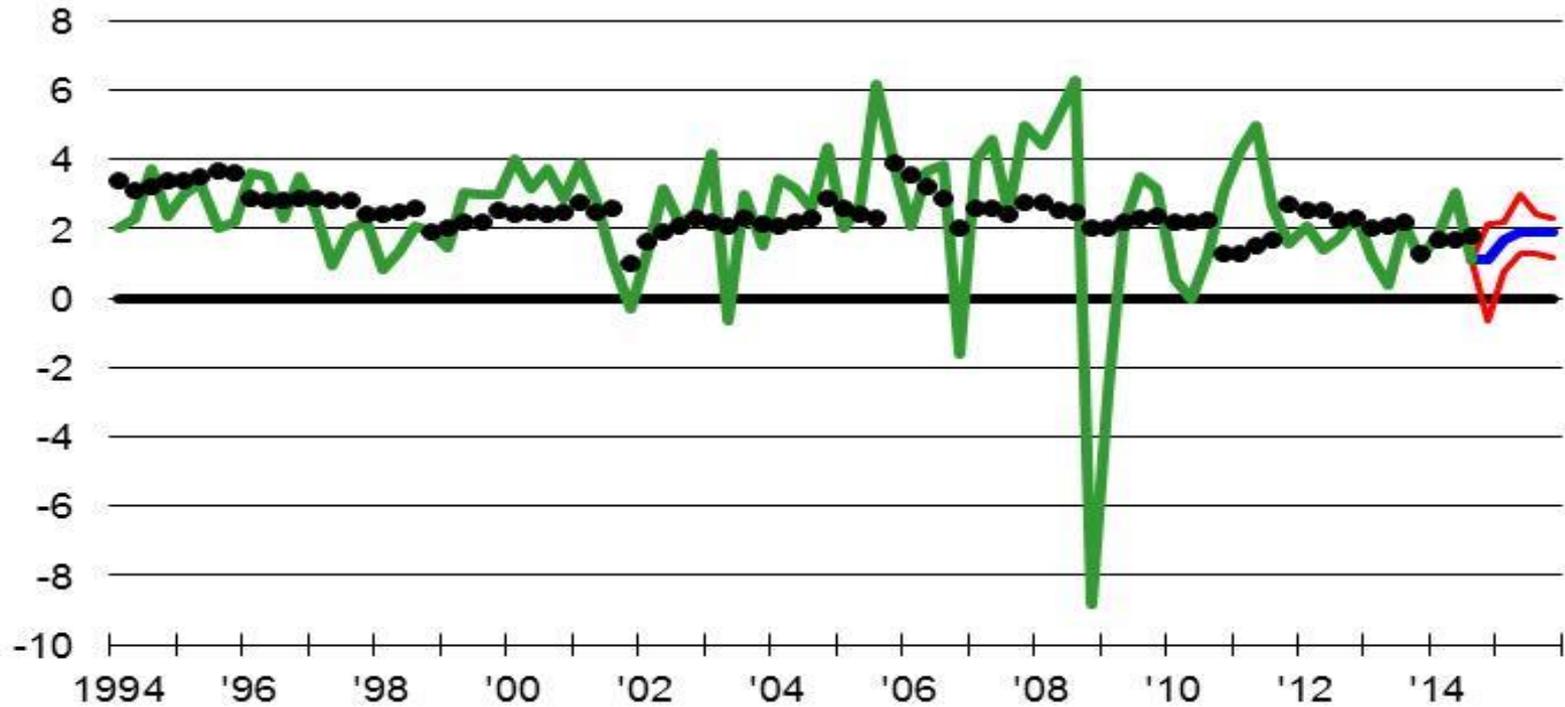
Dollars per barrel



Inflation is forecast to tick down to 1.7% next year

Inflation rate (CPI)

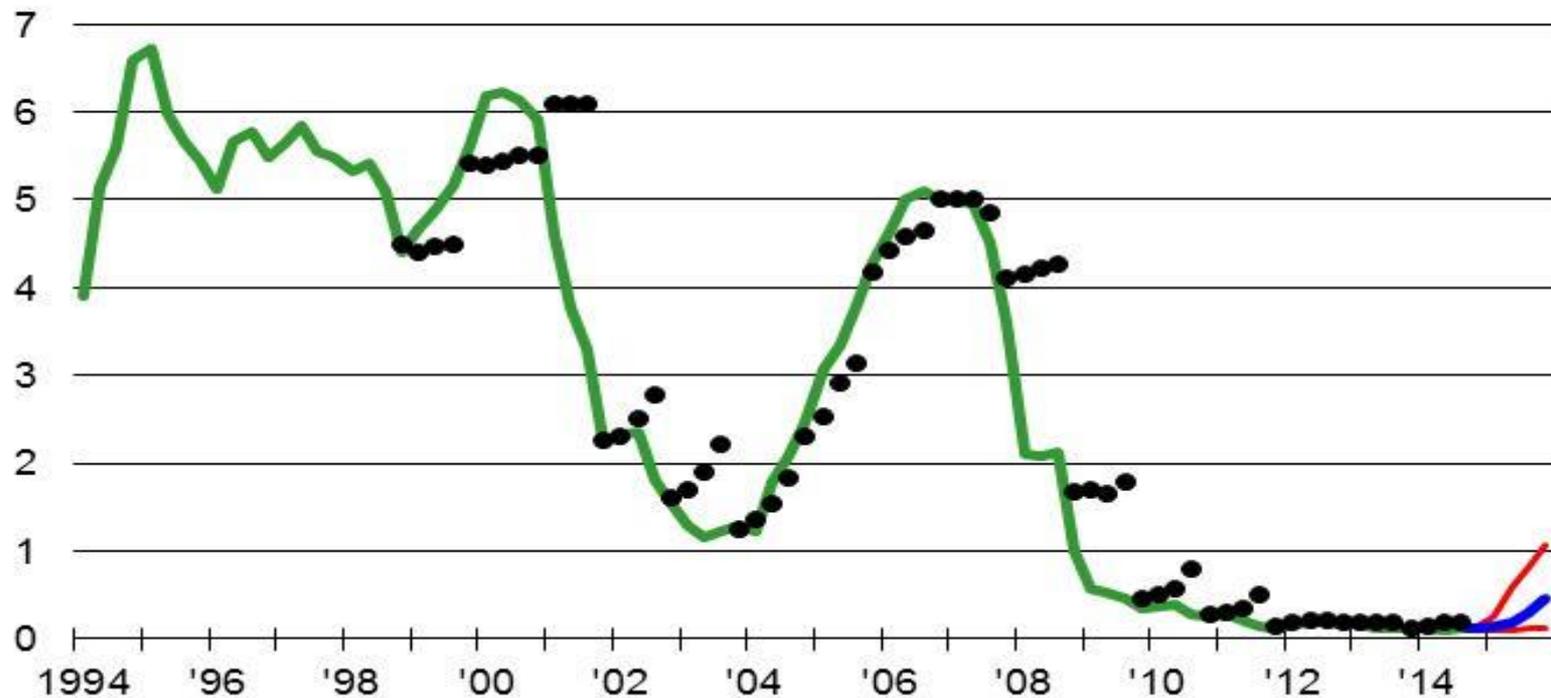
percent change, annual rate



Short-term interest rates are predicted to increase by 36 basis points next year

Treasury one-year rate

percent



Summary

- **The economy is forecast to rise at a pace somewhat above trend in 2015**
- **The unemployment rate will edge lower next year**
- **Inflation is anticipated to increase next year at roughly the same rate as in 2014**
- **Manufacturing growth is expected to improve at a trend pace**
- **Light vehicle sales are forecast to rise to 16.8 million units**
- **Housing starts are predicted to increase to 1,143,000 units**
- **www.chicagofed.org**