

News Release

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Solid and Steady Economic Growth Forecasted for 2016 and 2017, Chicago Fed Automotive Outlook Symposium Participants Say

The 23rd annual Automotive Outlook Symposium was held in Detroit on Friday, June 3, and drew more than 60 participants from the manufacturing and banking industries, as well as consulting and service firms and academia. This year, 27 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 2016 is expected to be slightly lower than in 2015, the rate of inflation is predicted to increase, and the unemployment rate is anticipated to tick lower. The pace of economic growth in 2017 is projected to increase, with inflation moving up and the unemployment rate edging down. At 2.0% in 2015, the growth rate of real GDP is forecasted to be 1.8% in 2016 and 2.2% in 2017. At 0.4% last year, inflation, as measured by the Consumer Price Index, is expected to increase to 1.2% this year and then rise further to 2.1% in 2017. The unemployment rate, after having averaged 5.0% in the fourth quarter of 2015, is predicted to decrease to 4.9% in the final quarter of 2016 and then move further down to 4.8% in the last quarter of 2017.

Real residential investment is anticipated to grow at a strong pace in 2016, 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 increase in 2017, with activity improving especially for business fixed investment. Industrial production is predicted to grow by 0.2% in 2016 and 1.7% in 2017—a pace still below its long-run average. Car and light truck sales are projected to remain steady in 2016, at 17.3 million units; and they are expected to decrease slightly in 2017, to 17.2 million units. The one-year and ten-year Treasury rates are anticipated to move up this year; both rates are predicted to continue increasing in 2017. Oil prices are forecasted to increase to \$45 per barrel by the end of 2016 and then rise to \$49 per barrel by the end of

2017. The trade-weighted U.S. dollar is predicted to increase 2.4% this year and 3.0% next year.

A summary of the 23rd annual Automotive Outlook Symposium will be published in an upcoming issue of *Chicago Fed Letter*.

—William A. Strauss • Senior Economist and
Economic Advisor • 312-322-8151

Forecasts from the 23rd Annual Automotive Outlook Symposium

	2015 (Actual)	2016 (Forecast)	2017 (Forecast)
Real gross domestic product ^a	2.0	1.8	2.2
Real personal consumption expenditures ^a	2.7	2.5	2.4
Real business fixed investment ^a	1.5	0.4	3.3
Real residential investment ^a	9.4	8.5	6.0
Change in private inventories ^b	78.3	53.8	53.0
Net exports of goods and services ^b	-551.9	-608.6	-631.6
Real government consumption expenditures and gross investment ^a	1.1	1.3	1.0
Industrial production ^a	-1.6	0.2	1.7
Car and light truck sales (millions of units)	17.3	17.3	17.2
Housing starts (millions of units)	1.11	1.17	1.25
Unemployment rate ^c	5.0	4.9	4.8
Consumer Price Index ^a	0.4	1.2	2.1
One-year Treasury rate (constant maturity) ^c	0.46	0.97	1.68
Ten-year Treasury rate (constant maturity) ^c	2.19	2.25	2.69
J. P. Morgan trade-weighted dollar index ^a	11.6	2.4	3.0
Oil price (dollars per barrel of West Texas Intermediate) ^c	42.02	45.00	48.92

^aPercent change, fourth quarter over fourth quarter.

^bBillions of chained (2009) dollars in the fourth quarter at a seasonally adjusted annual rate.

^cFourth quarter average.

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