Consensus Forecast 2010 and 2011

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Automotive Outlook Symposium
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Review of past performance
GDP growth was a bit higher than the consensus forecast.
The unemployment rate prediction was extremely accurate.
Inflation came in higher than the consensus group anticipated.
This is not too surprising given the stronger than expected rebound in oil prices.
Car and light truck sales improved at a slightly faster pace than expected.
Consumer spending growth showed a similar pattern.
Business investment growth improved at a slightly faster rate than expected.
Businesses did not increase their inventories as much as forecast.

Change in business inventories

billions of constant dollars

1995  '96  '97  '98  '99  '00  '01  '02  '03  '04  '05  '06  '07  '08  '09  '10
Industrial production growth was quite a bit stronger than expected.
Even with large federal stimulus, government spending was lower than predicted.
The trade deficit was just a bit below the level forecast.
The dollar was weaker than expected
The consensus correctly anticipated that housing starts would bottom and begin to edge higher.
While the pattern of residential investment was volatile, the improvement was predicted.
Long-term interest rates increased at a faster pace than expected.
Short-term interest rates were expected to move higher, however they edged lower.
Forecast for 2010 and 2011
## Median forecast of GDP and related items

*(page 1 of book)*

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP, current dollars*</td>
<td>0.7%</td>
<td>4.4%</td>
<td>4.7%</td>
</tr>
<tr>
<td>GDP price index, chain-type*</td>
<td>0.7%</td>
<td>1.1%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Real GDP, chained dollars*</td>
<td>0.1%</td>
<td>3.1%</td>
<td>3.1%</td>
</tr>
<tr>
<td>Personal consumption expenditures*</td>
<td>1.0%</td>
<td>3.2%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Business fixed investment*</td>
<td>-14.1%</td>
<td>4.6%</td>
<td>6.7%</td>
</tr>
<tr>
<td>Residential investment*</td>
<td>-12.6%</td>
<td>2.2%</td>
<td>14.3%</td>
</tr>
<tr>
<td>Change in private inventories (billions of constant dollars)**</td>
<td>-$19.7</td>
<td>$45.1</td>
<td>$52.5</td>
</tr>
<tr>
<td>Net exports of goods and services (billions of constant dollars)**</td>
<td>-$348.0</td>
<td>-$389.7</td>
<td>-$391.8</td>
</tr>
<tr>
<td>Government consumption expenditures and gross investment*</td>
<td>1.3%</td>
<td>0.6%</td>
<td>0.6%</td>
</tr>
</tbody>
</table>

*Q4 over Q4

**Q4 value
## Median forecast of GDP and related items

*(page 1 of book)*

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<tr>
<td><strong>Industrial production</strong>*</td>
<td>-4.7%</td>
<td>5.7%</td>
<td>4.2%</td>
</tr>
<tr>
<td><strong>Car &amp; light truck sales (millions - calendar year including imports)</strong>*</td>
<td>10.4</td>
<td>11.6</td>
<td>13.3</td>
</tr>
<tr>
<td><strong>Housing starts (millions)</strong>*</td>
<td>0.55</td>
<td>0.68</td>
<td>0.94</td>
</tr>
<tr>
<td><strong>Oil price (dollars per barrel of West Texas Intermediate)</strong></td>
<td>$76.07</td>
<td>$82.00</td>
<td>$87.81</td>
</tr>
<tr>
<td><strong>Unemployment rate</strong></td>
<td>10.0%</td>
<td>9.5%</td>
<td>8.8%</td>
</tr>
<tr>
<td><strong>Inflation rate (consumer price index)</strong></td>
<td>1.5%</td>
<td>1.7%</td>
<td>1.9%</td>
</tr>
<tr>
<td><strong>Treasury constant maturity 1-year rate</strong></td>
<td>0.35%</td>
<td>0.63%</td>
<td>1.60%</td>
</tr>
<tr>
<td><strong>Treasury constant maturity 10-year rate</strong></td>
<td>3.46%</td>
<td>3.85%</td>
<td>4.60%</td>
</tr>
<tr>
<td><strong>J.P. Morgan trade weighted OECD dollar</strong></td>
<td>-7.5%</td>
<td>2.0%</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

*Q4 over Q4

**Q4 value

***Yearly average
Real GDP growth is forecast to rise at a solid rate in 2010 and 2011
The unemployment rate is forecast to edge down to 9.5% at the end of this year and to 8.8% by the end of the year.
Oil prices are expected to continue to rise, reaching $88 in the final quarter of next year.
The inflation rate is expected to edge higher reaching 2.1% by the end of 2011
Short-term interest rates are forecast to increase 123 basis points over the next year and a half reaching 1.6% by the end of 2011.
Light vehicle sales are forecast to improve, coming in at 11.6 million units this year and 13.3 million units in 2011.
Consumption growth is expected to rise at a slower pace.
Housing starts are expected to continue rising at a moderate pace, reaching just over a million housing starts at the end of next year.
Residential investment is forecast to rise at a strong pace through next year.
Long-term interest rates are forecast to rise by 39 basis points in 2010 and then rise by 75 basis points in 2011.
Business spending is anticipated to rise 4.6% in 2010 and then rise 6.7% next year.
A solid increase in inventories is expected to take place over the forecast horizon.
Industrial output growth is forecast to increase at a strong although slower pace through next year.
Government purchases is forecast rise at a slow pace, increasing by 0.6% in both 2010 and 2011.
Net exports are expected to edge lower over the forecast horizon
The dollar is forecast to remain relatively flat both this year and next.
The economy is forecast to rise at a solid pace in 2010 and 2011 with growth slightly above potential.

The unemployment rate is expected to gradually improve, falling to 9.5% at the end of this year and 8.8% at the end of next year.

Inflation is expected to rise gradually through 2011.

Light vehicle sales are forecast to be 11.6 million units this year, the lowest level since 1983, and then improve to 13.3 million in 2011, the lowest level since 1992.

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