Consensus Forecast 2011 and 2012

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Review of past performance
GDP growth was just slightly lower than the consensus forecast in the last two quarters.
The unemployment rate prediction was extremely accurate.
Inflation came in higher than the consensus group anticipated during the last two quarters.
This is not too surprising given the stronger than expected rebound in oil prices.
Car and light truck sales were nailed
Consumer spending was also accurately forecast.
Business investment growth improved initially at a much faster rate than expected, but slowed over the remaining quarters.
Business inventories initially increased at a faster pace than expected and then increases eased.
Industrial production growth was initially a bit stronger than expected.
Government spending started off higher than predicted and then came in lower than forecast over the past two quarters.
The trade deficit was below the level forecast.
The dollar was weaker than expected
The housing sector returned to its pattern of disappointing the consensus outlook.
This led to an over-prediction for residential investment.
Long-term interest rates were lower than expected
Short-term interest rates were expected to move higher, however they edged lower.
Forecast for 2011 and 2012
Median forecast of GDP and related items (page 1 of book)

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP, current dollars*</td>
<td>4.2%</td>
<td>4.8%</td>
<td>4.7%</td>
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<tr>
<td>GDP price index, chain-type*</td>
<td>1.3%</td>
<td>1.9%</td>
<td>1.8%</td>
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<tr>
<td>Real GDP, chained dollars*</td>
<td>2.8%</td>
<td>2.6%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Personal consumption expenditures*</td>
<td>2.6%</td>
<td>2.8%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Business fixed investment*</td>
<td>10.6%</td>
<td>7.7%</td>
<td>6.8%</td>
</tr>
<tr>
<td>Residential investment*</td>
<td>-4.6%</td>
<td>3.8%</td>
<td>16.2%</td>
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<tr>
<td>Change in private inventories (billions of constant dollars)**</td>
<td>$16.2</td>
<td>$50.3</td>
<td>$50.0</td>
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<tr>
<td>Net exports of goods and services (billions of constant dollars)**</td>
<td>-$397.7</td>
<td>-$405.5</td>
<td>-$400.0</td>
</tr>
<tr>
<td>Government consumption expenditures and gross investment*</td>
<td>1.1%</td>
<td>-1.7%</td>
<td>-0.2%</td>
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*Q4 over Q4
**Q4 value
Median forecast of GDP and related items
(page 1 of book)

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<tr>
<td>Industrial production*</td>
<td>6.3%</td>
<td>5.4%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Car &amp; light truck sales (millions - calendar year including imports)**</td>
<td>11.6</td>
<td>13.2</td>
<td>14.4</td>
</tr>
<tr>
<td>Housing starts (millions)**</td>
<td>0.58</td>
<td>0.59</td>
<td>0.78</td>
</tr>
<tr>
<td>Oil price (dollars per barrel of West Texas Intermediate)**</td>
<td>$85.03</td>
<td>$103.17</td>
<td>$103.30</td>
</tr>
<tr>
<td>Unemployment rate**</td>
<td>9.6%</td>
<td>8.5%</td>
<td>8.2%</td>
</tr>
<tr>
<td>Inflation rate (consumer price index)*</td>
<td>1.2%</td>
<td>2.6%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Treasury constant maturity 1-year rate**</td>
<td>0.26%</td>
<td>0.38%</td>
<td>1.36%</td>
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<tr>
<td>Treasury constant maturity 10-year rate**</td>
<td>2.86%</td>
<td>3.70%</td>
<td>4.20%</td>
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<tr>
<td>J.P. Morgan trade weighted OECD dollar*</td>
<td>-2.1%</td>
<td>-0.3%</td>
<td>0.7%</td>
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</tbody>
</table>

*Q4 over Q4
**Q4 value
***Yearly average
Real GDP growth is forecast to rise at a rate that is just slightly above trend in 2011 and 2012.
The unemployment rate is forecast to edge down to 8.5% at the end of this year and to 8.2% by the end of next year.
Oil prices are expected to remain relatively flat, although at an elevated level.
The jump in inflation is viewed as transitory and is anticipated to fall to 2.2% in 2012.
Short-term interest rates are forecast to increase 109 basis points over the next year and a half reaching 1.36% by the end of 2012.
Light vehicle sales are forecast to continue improving, coming in at 13.2 million units this year and 14.4 million units in 2012.
Consumption growth is expected to rise at a solid pace.
Housing starts are once again expected to rise at a moderate pace.
Residential investment is forecast to rise at a strong pace through next year.
Long-term interest rates are forecast to rise by 84 basis points in 2011 and then rise by 50 basis points in 2012.
Business spending is anticipated to rise 7.7% in 2011 and then rise 6.8% next year.
Inventories are expected to rise at a pace that maintains the inventory to GDP ratio.
Industrial output growth is forecast to increase at a strong although slower pace through next year.
Government purchases is forecast to edge lower, decreasing by 1.7% in 2011 and 0.2% and 2012.
Net exports are expected to remain flat over the forecast horizon.
The dollar is forecast to remain relatively flat both this year and next year.
The economy is forecast to rise at a solid pace in 2011 and 2012 with growth slightly above potential.

The unemployment rate is expected to gradually improve, falling to 8.5% at the end of this year and 8.2% at the end of next year.

Inflation is expected to come in at 2.6% in 2011 and then ease to 2.2% in 2012.

Light vehicle sales are forecast to be 13.2 million units this year and then improve to 14.4 million in 2012.

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