Consensus Forecast for 2012

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Review of past performance
The growth in real GDP came in at a slower pace than was anticipated.

However, the unemployment rate came in a bit lower than predicted.
While the quarterly pattern had more volatility, strong business investment growth was forecast.

Inventory restocking was anticipated to moderate, however inventories increased at an even slower pace.
The industrial sector’s growth was accurately forecast

Consumer spending predictions were in-line with actual expenditures
Light vehicle sales were also accurately predicted

For the fifth year in a row, housing starts came in lower than anticipated
Similarly, residential investment increased at a more reduced pace than forecast.

Long-term interest rates were also expected to rise, and while they initially increased, as the year progressed they declined sharply.
The balance of trade was predicted to remain flat, but it improved over the past year.

Net exports of goods and services
billions of constant dollars

The dollar was predicted to edge lower, but declined at a more pronounced rate.

J.P. Morgan trade weighted dollar
percent change, annual rate
Inflation was much higher than forecast

In large part due to oil prices rising more than was expected
Short-term interest rates were expected to increase slightly, but actually edged lower

Forecast for 2012
### Median forecast of GDP and related items (page 1 in the Consensus Forecast 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>4.7%</td>
<td>4.0%</td>
<td>3.8%</td>
</tr>
<tr>
<td>GDP price index, chain-type*</td>
<td>1.6%</td>
<td>2.3%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Real GDP, chained dollars*</td>
<td>3.1%</td>
<td>1.6%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Personal consumption expenditures*</td>
<td>3.0%</td>
<td>1.8%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Business fixed investment*</td>
<td>11.1%</td>
<td>8.8%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Residential investment*</td>
<td>-6.3%</td>
<td>1.6%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Change in private inventories (billions of constant dollars)**</td>
<td>$38.3</td>
<td>$12.4</td>
<td>$30.0</td>
</tr>
<tr>
<td>Net exports of goods and services (billions of constant dollars)**</td>
<td>-$414.2</td>
<td>-$409.4</td>
<td>-$414.6</td>
</tr>
<tr>
<td>Government consumption expenditures and gross investment*</td>
<td>0.1%</td>
<td>-1.8%</td>
<td>-0.9%</td>
</tr>
</tbody>
</table>

* Q4 over Q4
** Q4 value

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

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<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial production*</td>
<td>6.3%</td>
<td>3.2%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Car &amp; light truck sales (millions - calendar year including imports)***</td>
<td>11.6</td>
<td>12.6</td>
<td>13.4</td>
</tr>
<tr>
<td>Housing starts (millions)***</td>
<td>0.58</td>
<td>0.60</td>
<td>0.66</td>
</tr>
<tr>
<td>Oil price (dollars per barrel of West Texas Intermediate)**</td>
<td>$85.03</td>
<td>$88.88</td>
<td>$92.00</td>
</tr>
<tr>
<td>Unemployment rate**</td>
<td>9.6%</td>
<td>9.1%</td>
<td>8.8%</td>
</tr>
<tr>
<td>Inflation rate (consumer price index)*</td>
<td>1.2%</td>
<td>3.8%</td>
<td>2.4%</td>
</tr>
</tbody>
</table>

* Q4 over Q4
** Q4 value
*** Yearly average
Real GDP growth is expected to increase by 2.0% next year

The unemployment rate is projected to edge lower, reaching 8.8% in the final quarter of next year
Business fixed investment growth is forecast to slow to a still solid 4.7% over the coming year.

Inventories are anticipated to increase at a slow pace over the course 2012.
Industrial output is forecast to increase 2.3% next year with the growth rate decreasing throughout the year.

Consumer spending growth is expected to remain flat at a moderate rate during 2012.
Vehicle sales are forecast to improve each quarter with sales of 13.4 million units next year.

Housing starts are forecast to continue its tepid improvement.
After rising by a forecasted 1.6% in 2011, residential investment is expected to rise 3.4%.

Ten-year interest rates are expected to increase modestly, rising 51 basis points in 2012.
The trade balance is forecast to remain unchanged

Net exports of goods and services
billions of constant dollars

The dollar is forecast to remain unchanged

J.P. Morgan trade weighted dollar
percent change, annual rate
Oil prices are predicted to rise moderately, averaging $92 per barrel by the end of 2012.

Inflation is forecast to ease to 2.4% next year.
Short-term interest rates are predicted to remain low, edging higher by 10 basis points next year

Summary

- The economy is forecast to rise at a slow pace in 2012
- With economic growth slightly below potential, the unemployment rate does not show much improvement
- Inflation is anticipated to ease
- Manufacturing growth is expected to moderate
- Light vehicle sales are forecast to rise to 13.4 million units
- Housing starts are predicted to increase to 660,000 units
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