

Economic Outlook

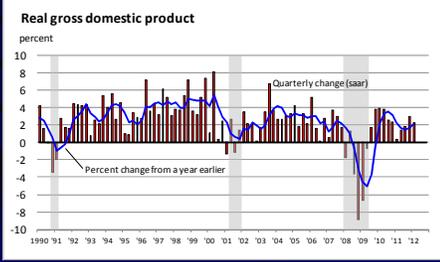
Automotive Market Research Council
Las Vegas, NV
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William Strauss
Senior Economist
and Economic Advisor
Federal Reserve Bank of Chicago



The "Great Recession" ended in June 2009, but the economy expanded by 2.1% over the past year

Real gross domestic product



percent

Quarterly change (saar)

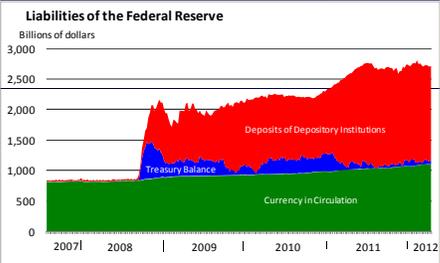
Percent change from a year earlier

1990 '91 '92 '93 '94 '95 '96 '97 '98 '99 '00 '01 '02 '03 '04 '05 '06 '07 '08 '09 '10 '11 '12



The liabilities side of the Fed's balance sheet shows large amount of excess reserves

Liabilities of the Federal Reserve



Billions of dollars

Deposits of Depository Institutions

Treasury Balance

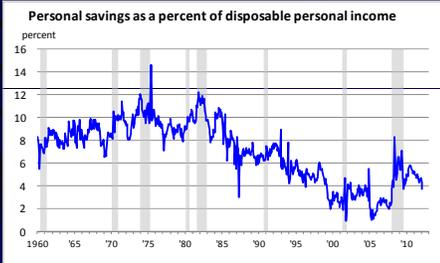
Currency in Circulation

2007 | 2008 | 2009 | 2010 | 2011 | 2012



The personal savings rate has recently moved lower

Personal savings as a percent of disposable personal income



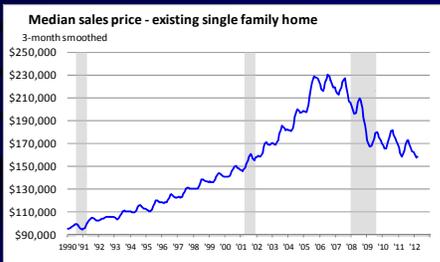
percent

1960 '65 '70 '75 '80 '85 '90 '95 '00 '05 '10



Existing home prices fell by over 30%

Median sales price - existing single family home



3-month smoothed

1990 '91 '92 '93 '94 '95 '96 '97 '98 '99 '00 '01 '02 '03 '04 '05 '06 '07 '08 '09 '10 '11 '12



The stock market has improved since March 2009, but remains below previous levels

S&P 500 stock index

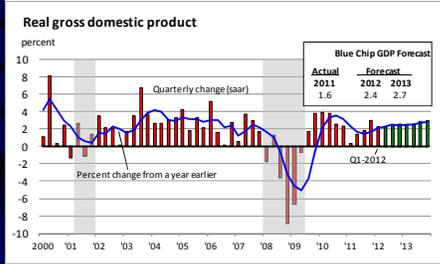


Index: 1941-43 = 10

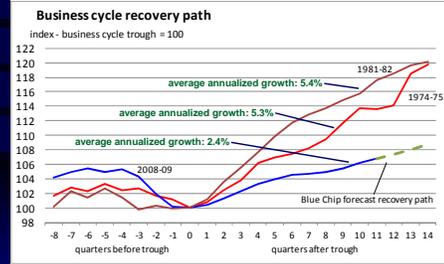
1990 '91 '92 '93 '94 '95 '96 '97 '98 '99 '00 '01 '02 '03 '04 '05 '06 '07 '08 '09 '10 '11 '12



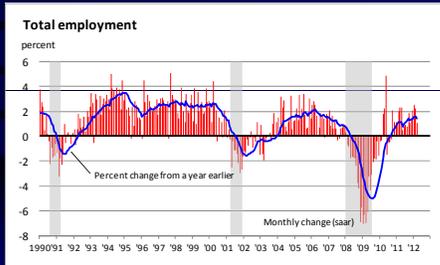
GDP is forecast to grow near trend in 2012 and slightly above trend in 2013



The forecast path of the current recovery is relatively muted compared with past deep recession recovery cycles



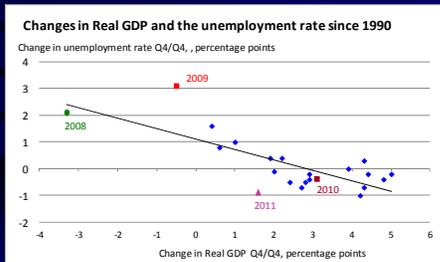
Employment fell by over 8.7 million jobs between December 2007 and February 2010, but began to rise and has added 1.9 million jobs over the past 12 months



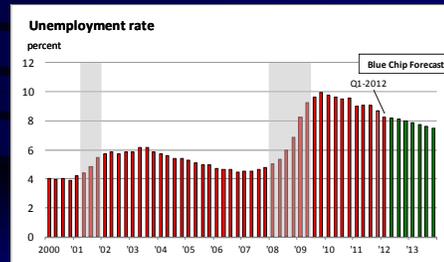
After peaking in October 2009, the unemployment rate has fallen by 1.8 percentage points

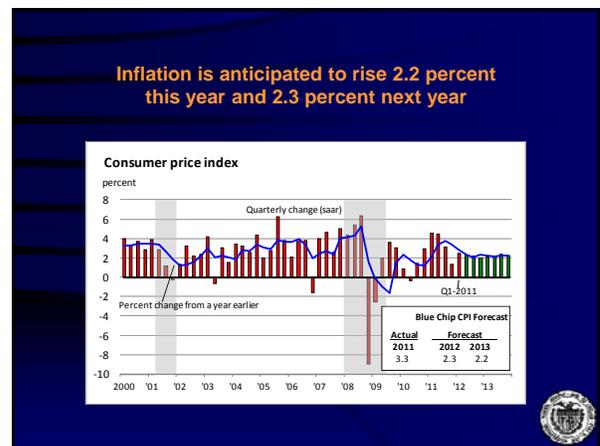
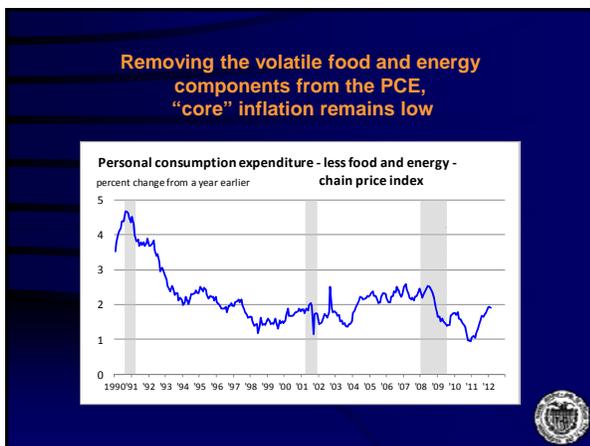
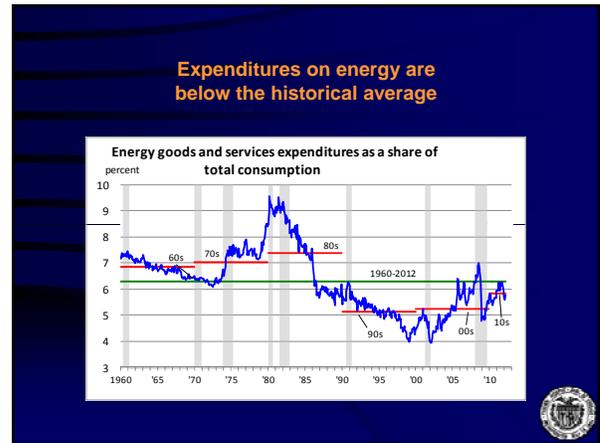
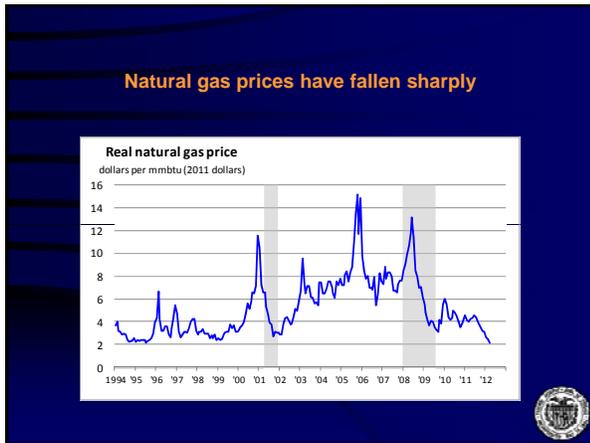


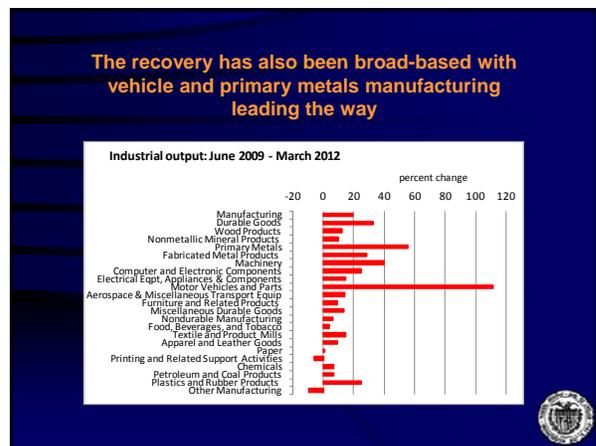
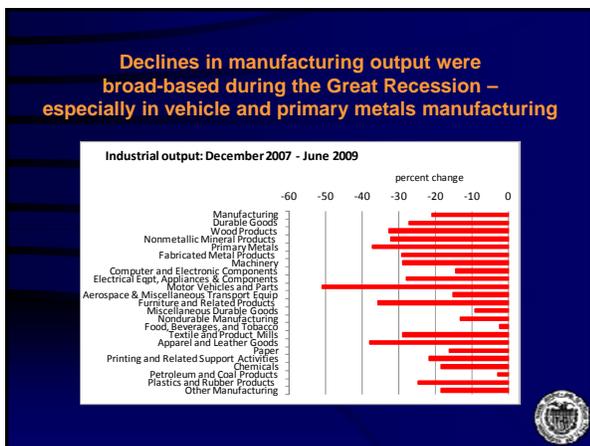
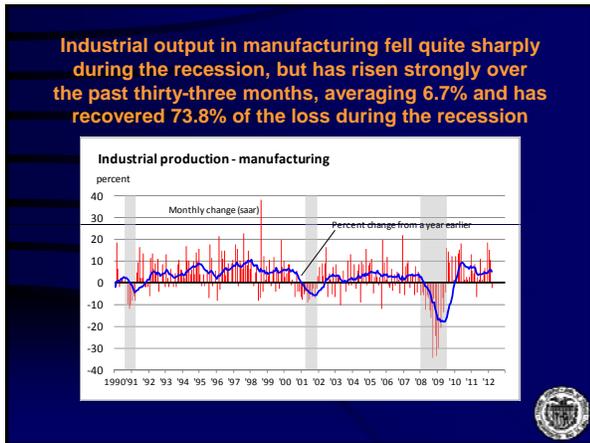
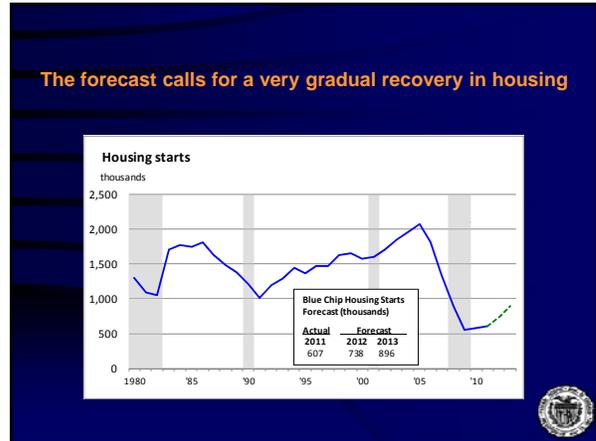
Okun's Law: for every percentage point that GDP growth deviates from its trend – leads to a half percentage change in the unemployment rate in the opposite direction



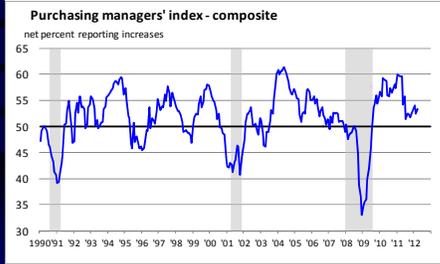
The unemployment rate is forecast to edge lower



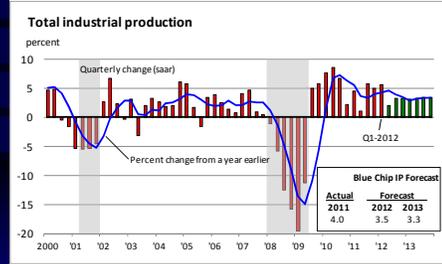




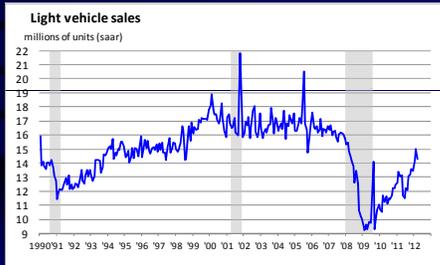
The purchasing managers index remains above 50



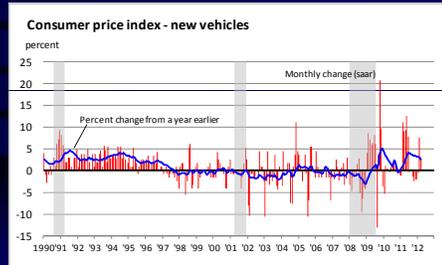
Industrial production is forecast to rise at a solid pace



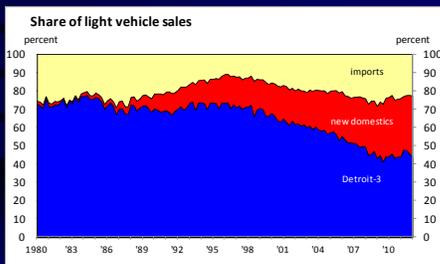
Light vehicle sales have markedly improved



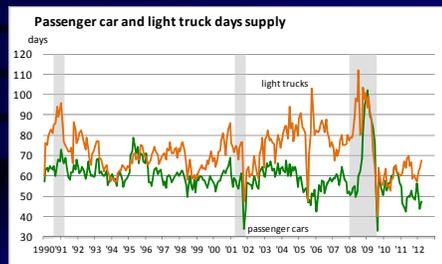
Prices for new vehicles continue to rise



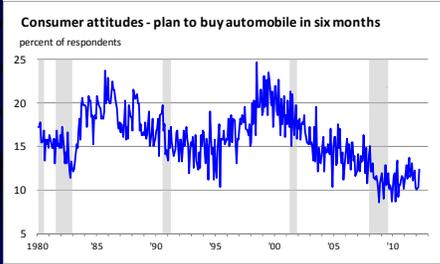
Increases in new domestic production share has offset losses in Detroit-3 market share



Inventories are below desired levels, especially for passenger cars



Consumer attitudes to car buying remains low

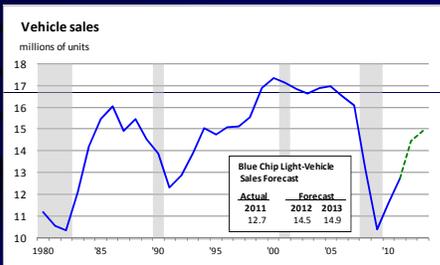


Economic indicators point to moderate growth for vehicles

Key Economic Indicators for the Automotive Industry	From 1990 through 2007:24	During the Great Recession	Since the end of the Great Recession ¹	Latest Data ²	
Real GDP Average Q/Q: @ AR	2.9	-3.4	2.4	2.2	Yellow
Real Consumption Average Q/Q: @ AR	3.2	-2.2	2.2	2.9	Yellow
Index of Consumer Sentiment Average Index	91.2 ³	63.6 ³	70.1	76.2	Yellow
Employment Growth Average change in jobs (thous.)	135.1	-415.5	70.2	120.0	Yellow
Unemployment rate Average %	5.4 ³	6.8 ³	9.3	8.2	Red
Corporate Profits Average Q/Q: @ AR	9.5	-9.1	36.3	10.8	Green
ISM Manufacturing Index Average Index	51.7 ³	43.1 ³	55.5	53.4	Green
New and Existing Home Sales Average, Thousands	5,192	4,659	4,142	4,298	Red
Real Oil Prices - West Texas Intermediate Average \$/barrel (2010 prices)	39.36	87.26	87.22	104.26	Yellow
PCE Inflation Average Y/Y Change	2.4	2.2	1.8	2.3	Yellow
Fed Funds Rate Average %	4.38 ³	1.33 ³	0.14	0.13	Green

Notes:
¹ January 2008 through June 2009
² Beginning in July 2009 for monthly data or 2009:Q3 for quarterly data
³ Latest month or quarter

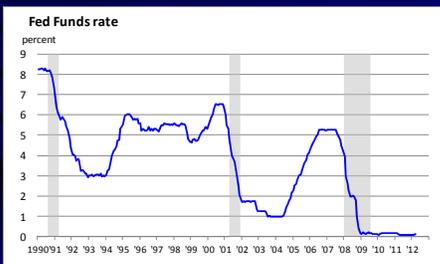
Vehicle sales are expected to rise this year and next year



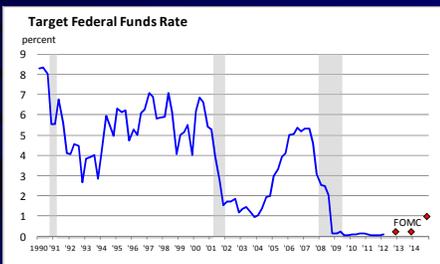
Credit spreads between Corporate High Yield securities and Corporate Aaa securities have been edging lower

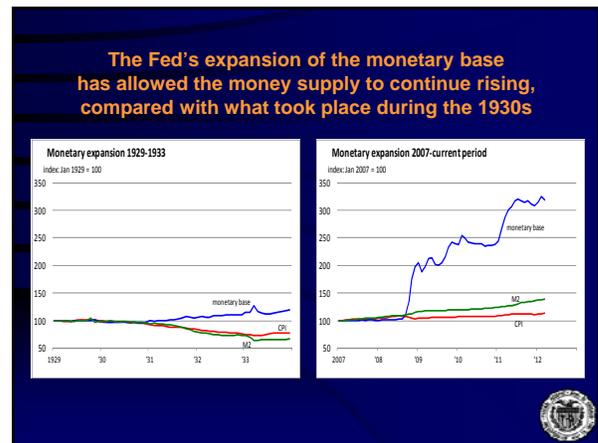
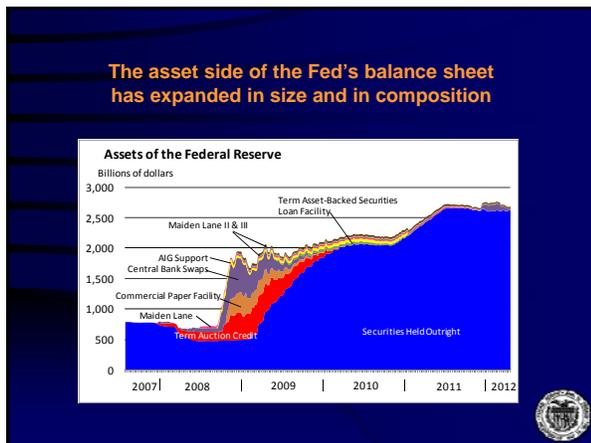


Monetary policy has been very aggressive, keeping the Fed Funds near zero since December 2008



The Federal Funds Rate is anticipated to remain very low over the forecast horizon





- Summary**
- The outlook is for the U.S. economy to expand at a pace below trend this year and slightly above trend in 2013
 - Employment is expected to rise moderately with the unemployment rate edging lower
 - Slackness in the economy will lead to a relatively contained inflation rate
 - Vehicle sales are anticipated to rise at a good pace
 - Growth in manufacturing output should be solid

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