



19TH ANNUAL  
AUTOMOTIVE OUTLOOK  
SYMPOSIUM

FRIDAY, JUNE 1, 2012

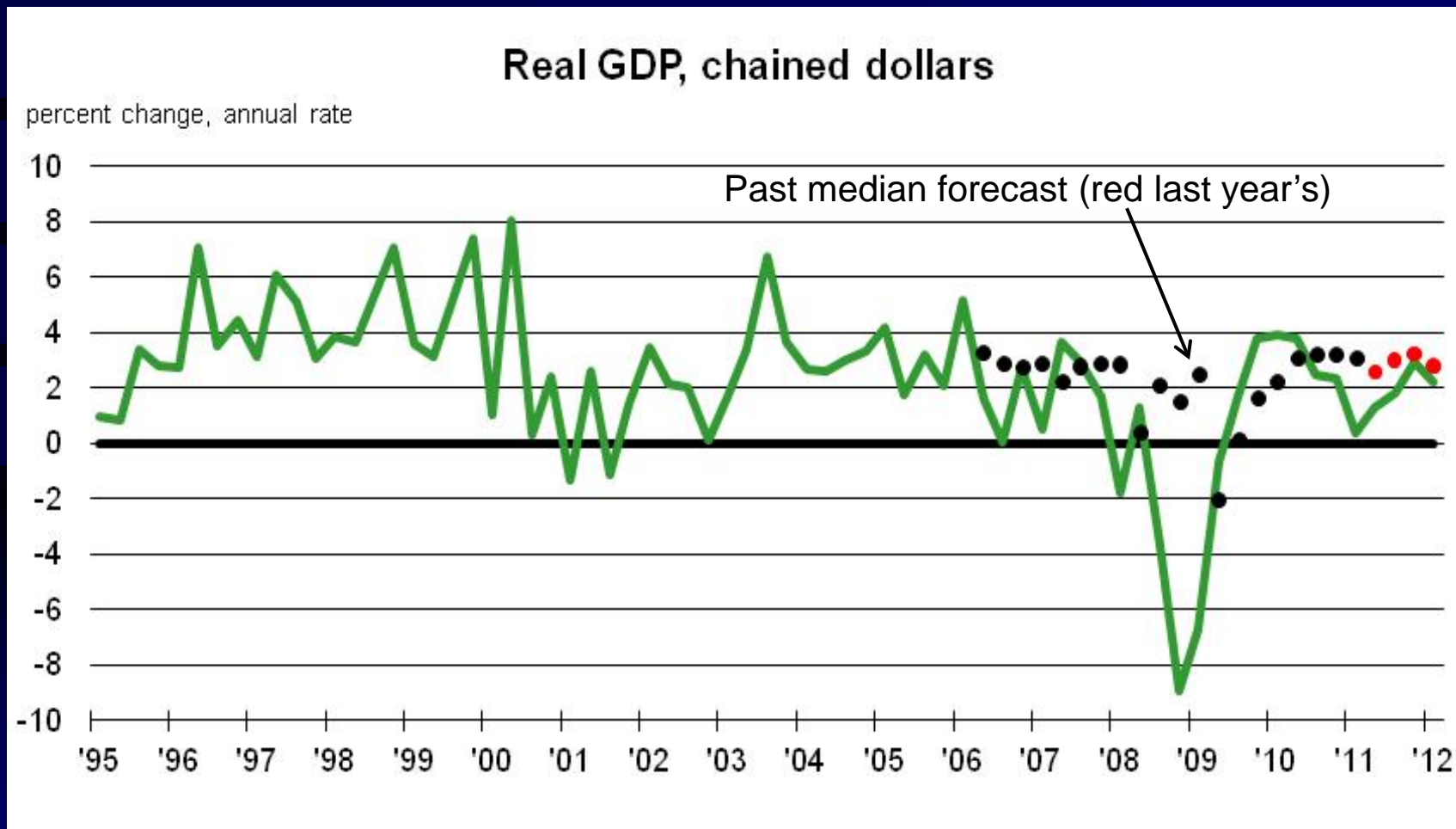
# Consensus Forecast 2012 and 2013

**Nineteenth Annual  
Automotive Outlook Symposium**  
Detroit, Michigan  
June 1, 2012

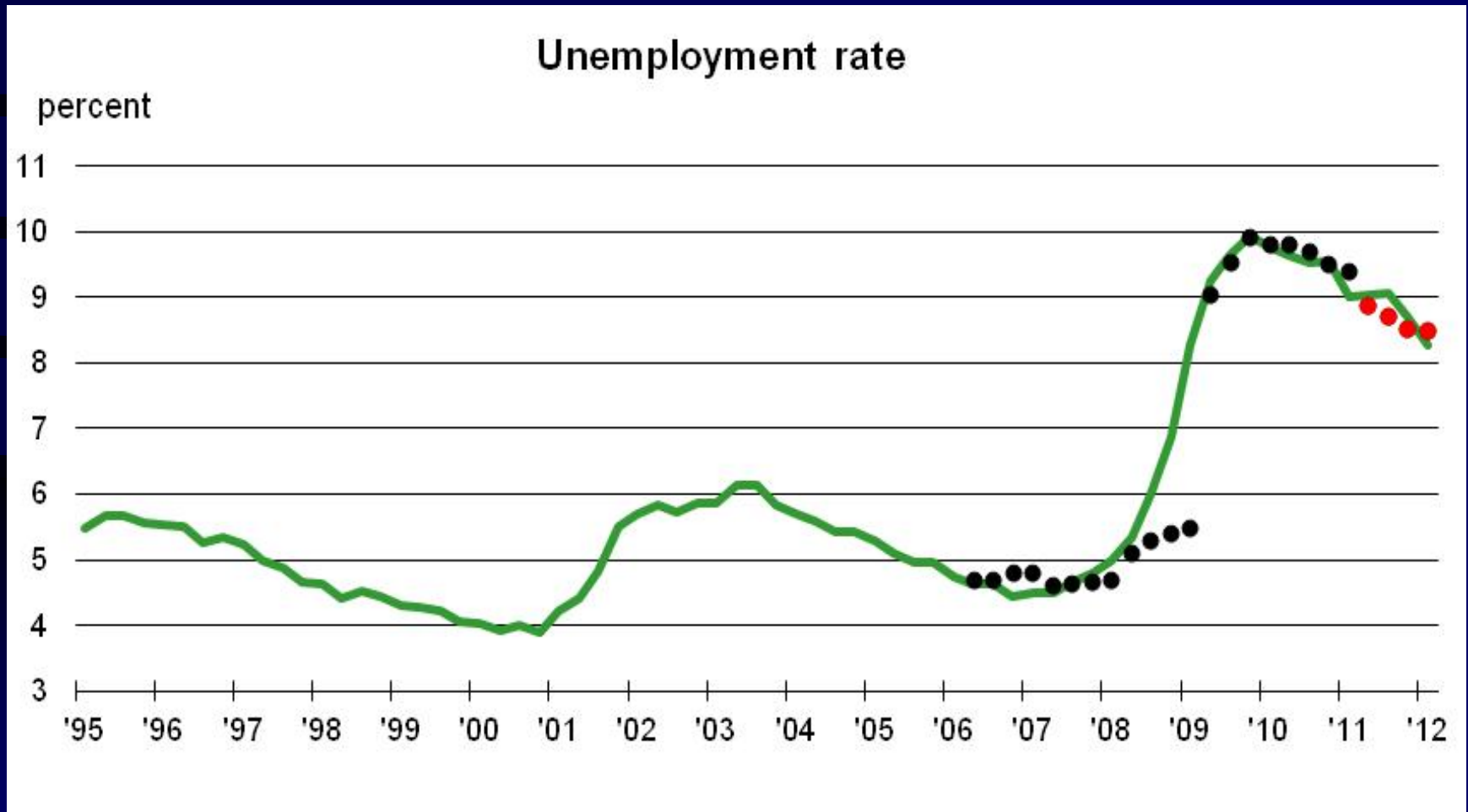
**William Strauss**  
Senior Economist  
and Economic Advisor  
Federal Reserve Bank of Chicago

# Review of past performance

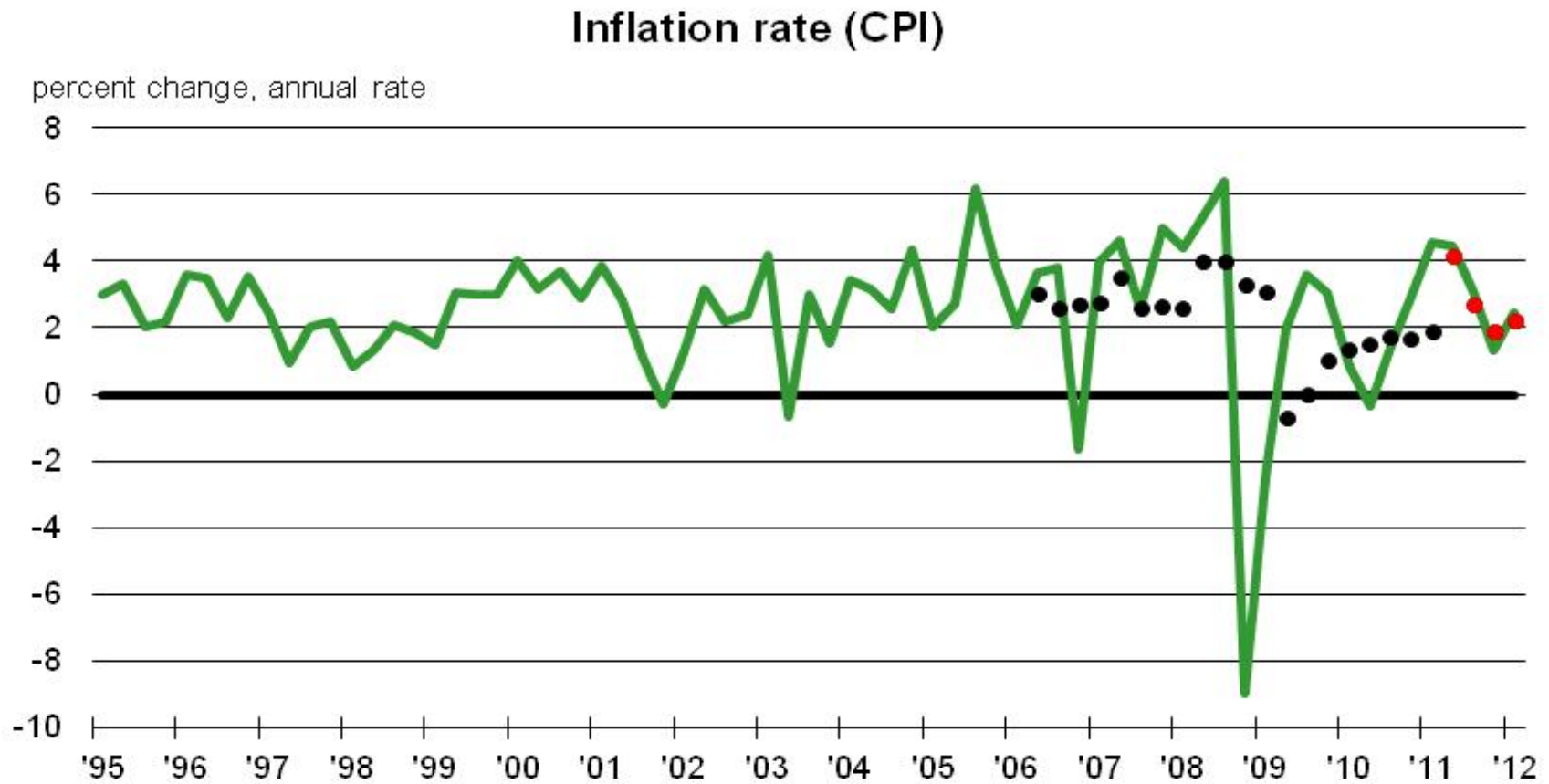
## GDP growth was just slightly lower than the consensus



## The unemployment rate was accurately predicted

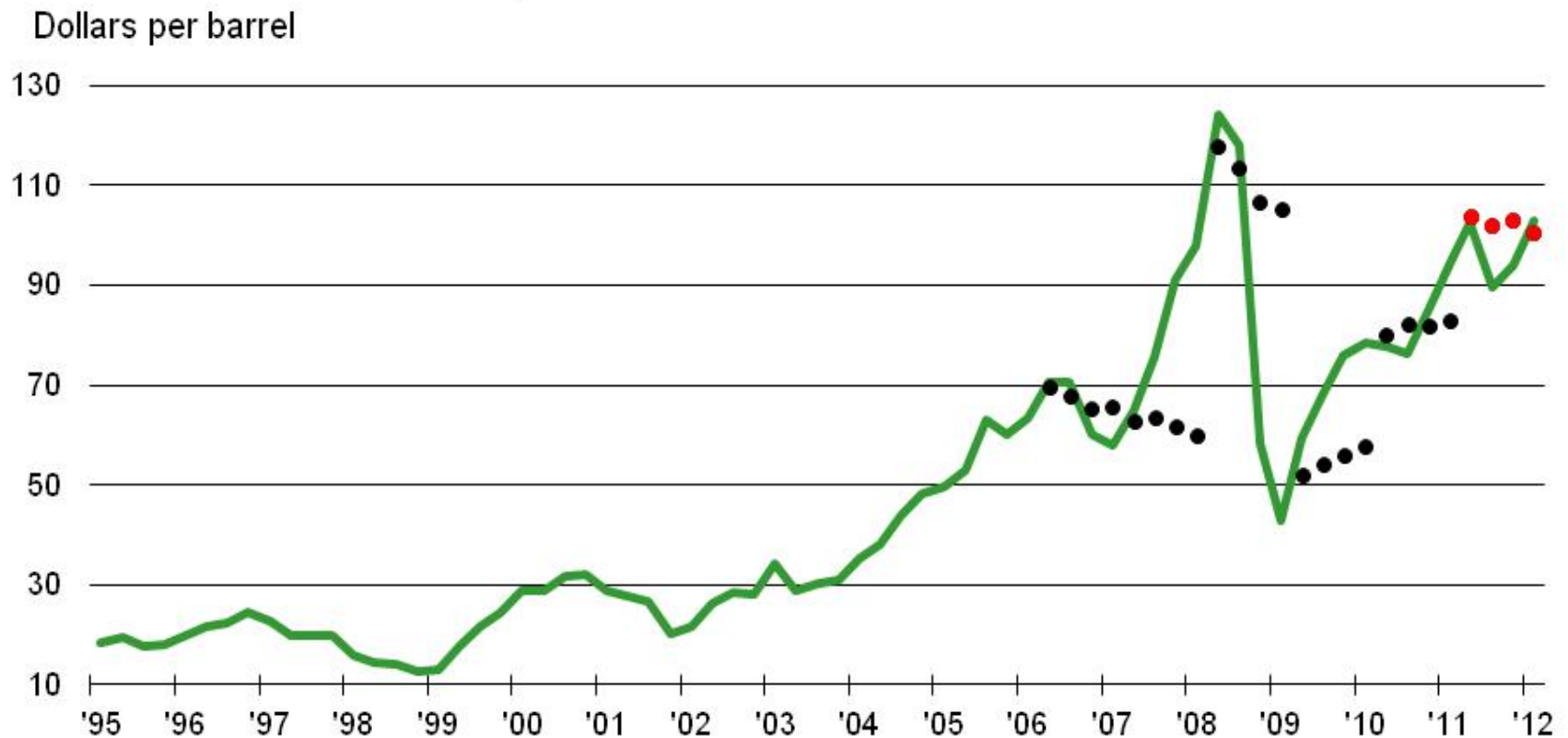


## The disinflation was perfectly predicted

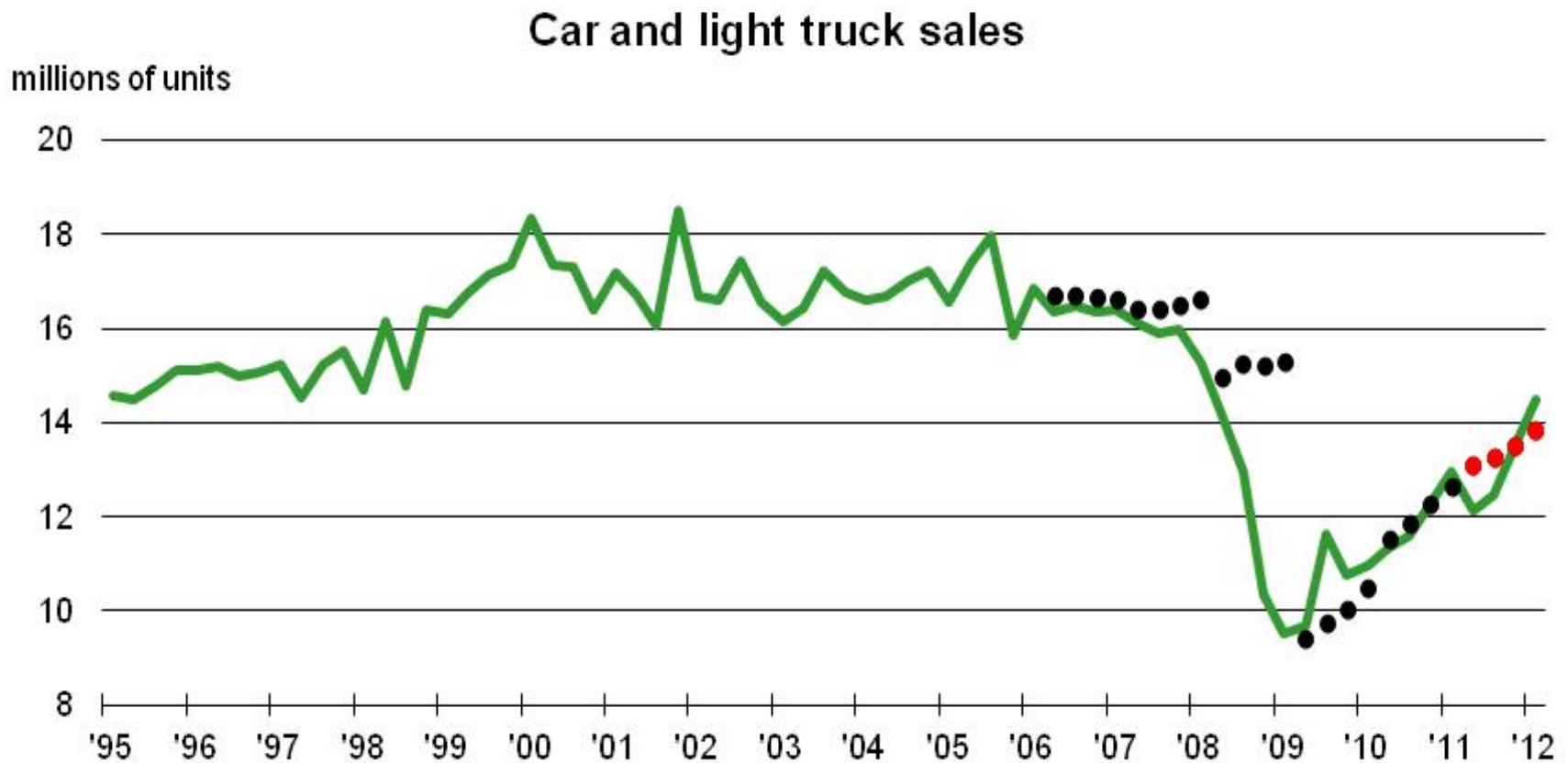


**Oil prices were lower than expected,  
although ended near the amount forecast**

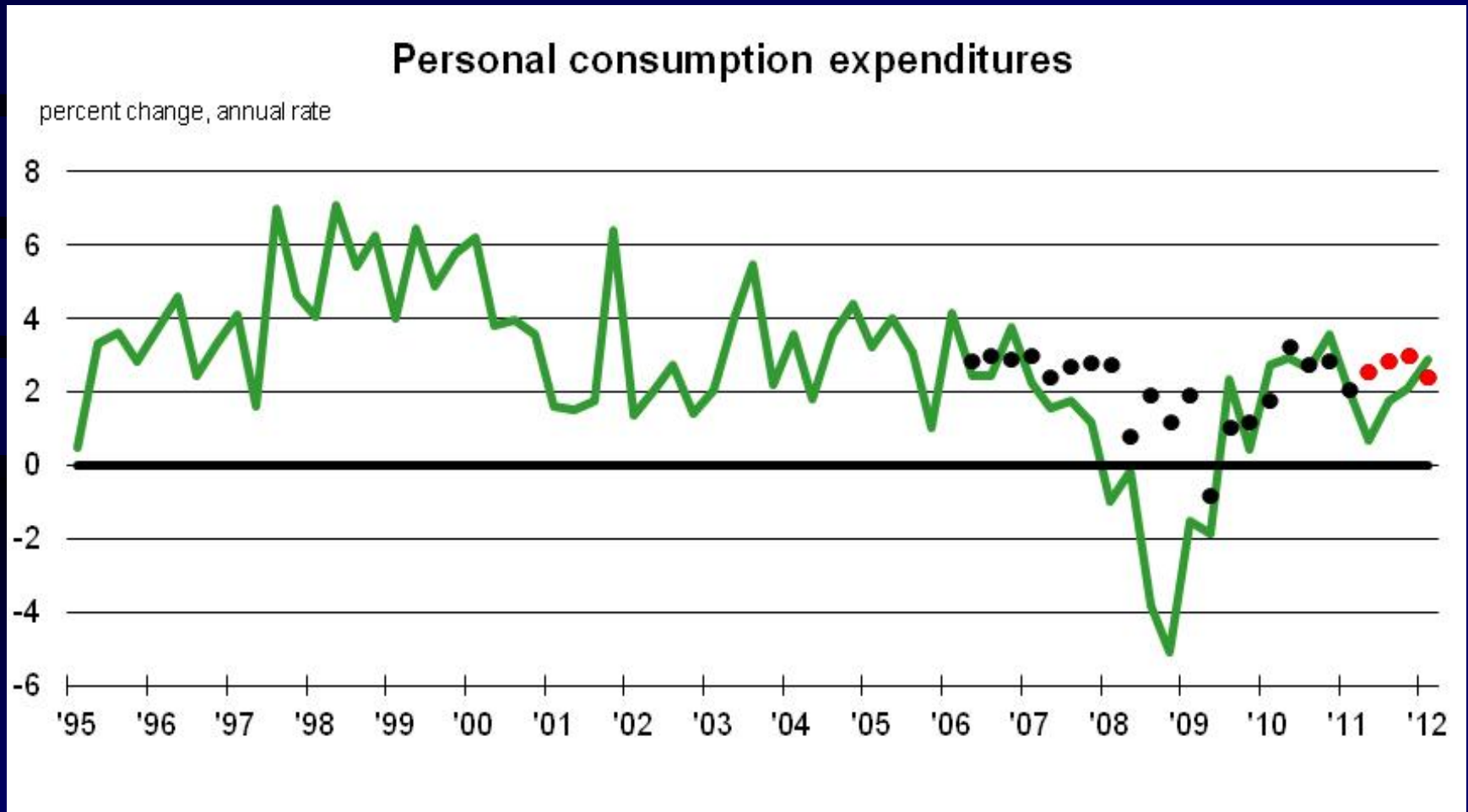
Oil prices - West Texas Intermediate



## The general path for car and light truck sales were accurately predicted

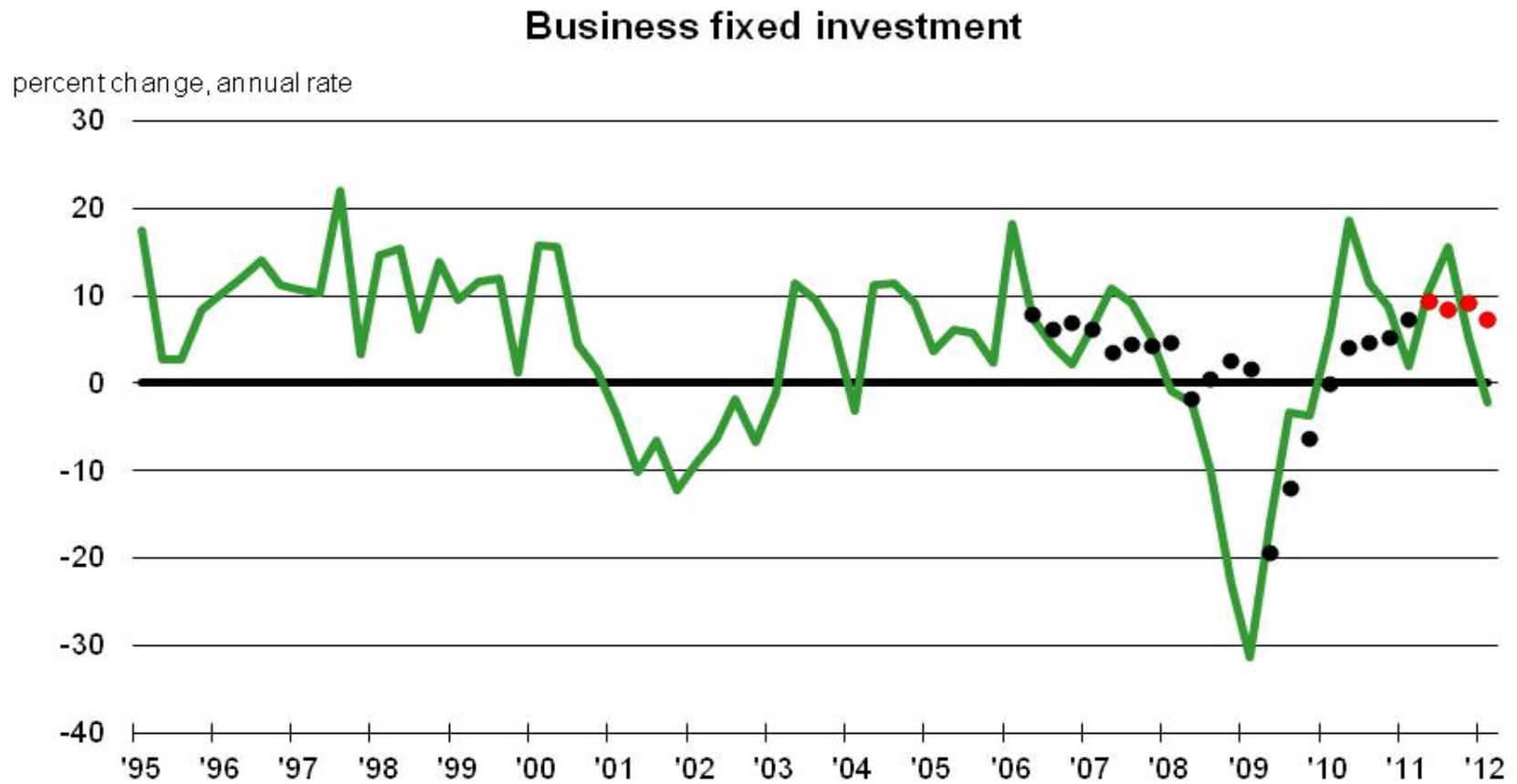


## Consumer spending was somewhat weaker than forecast





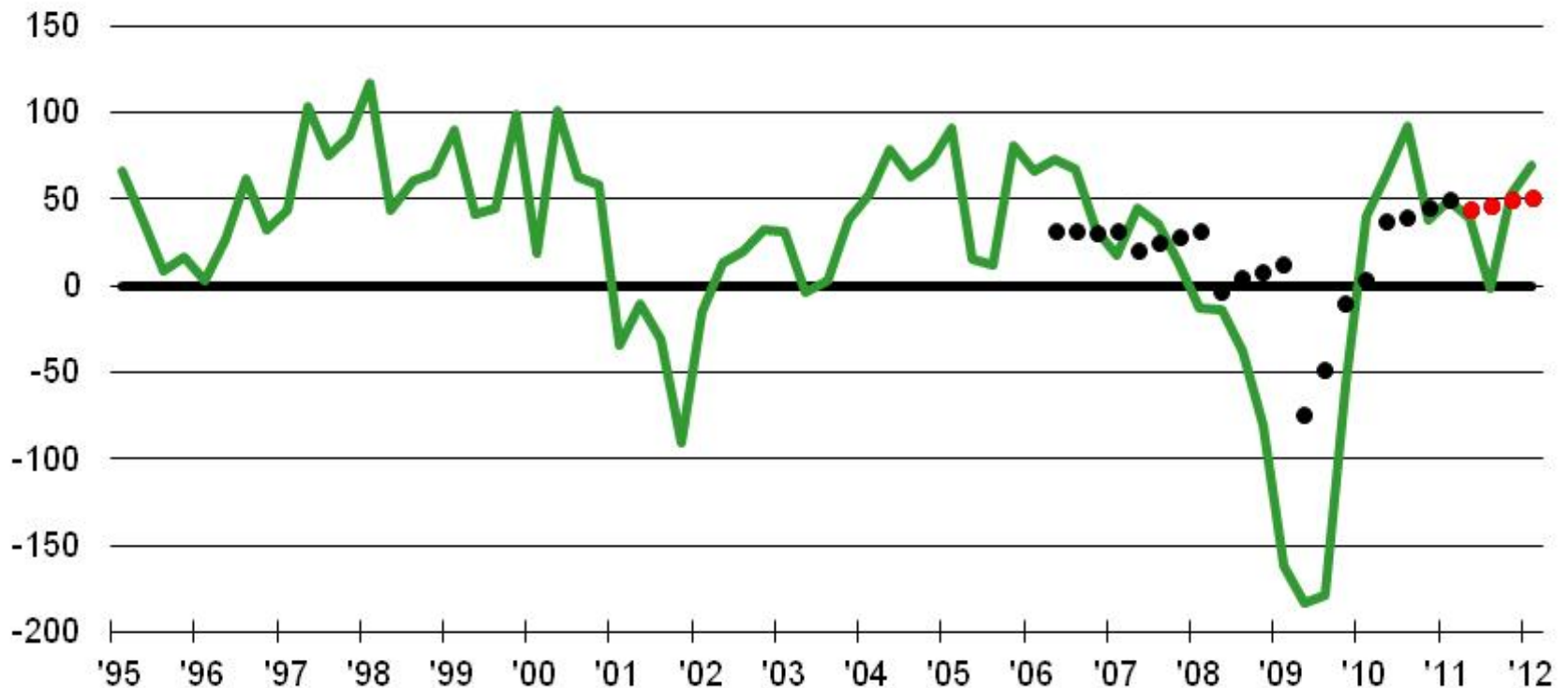
**Business investment growth improved initially at a much faster rate than expected, but slowed more recently**



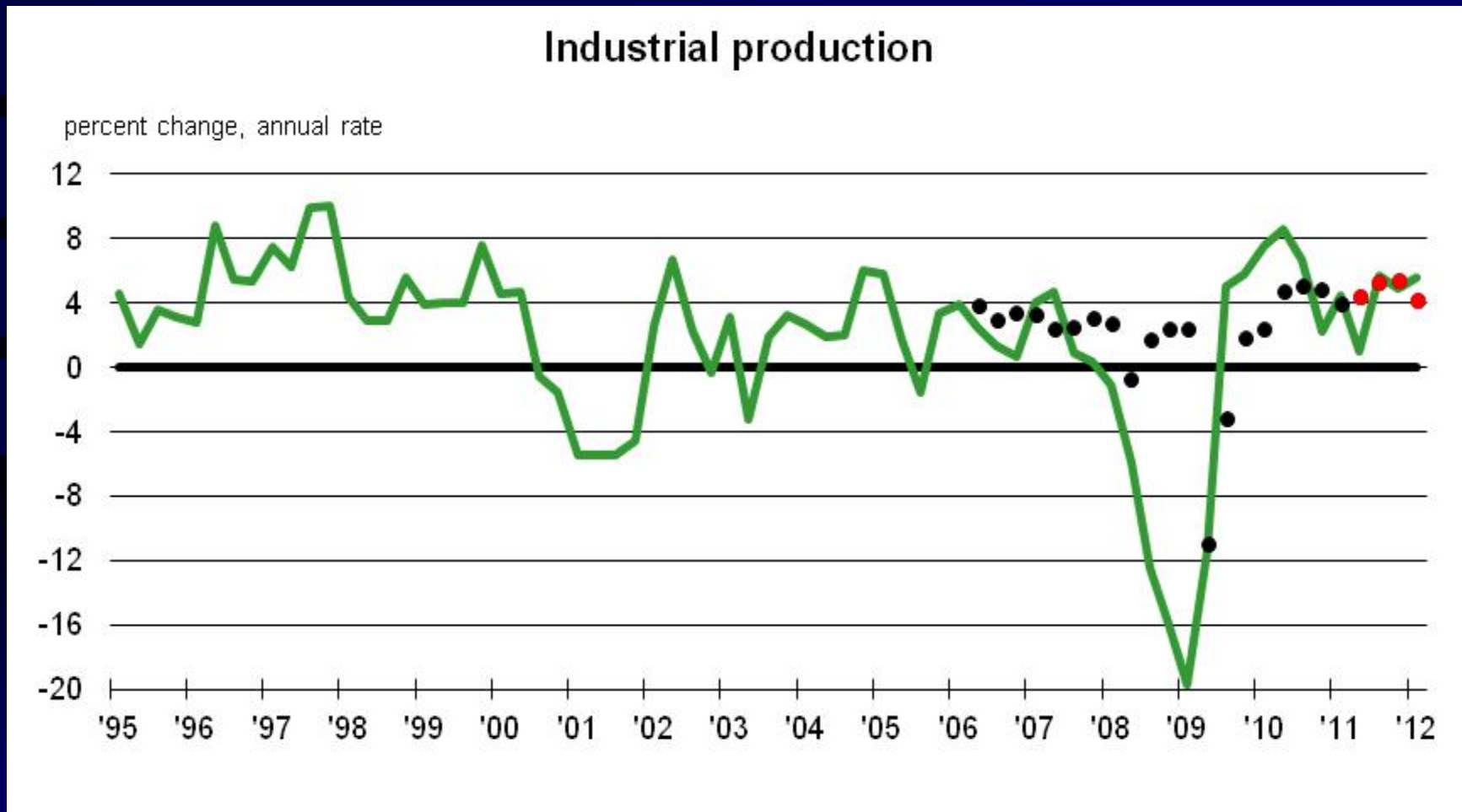
## Business inventories initially increased at a slower pace than expected and then rose more rapidly

Change in business inventories

billions of constant dollars

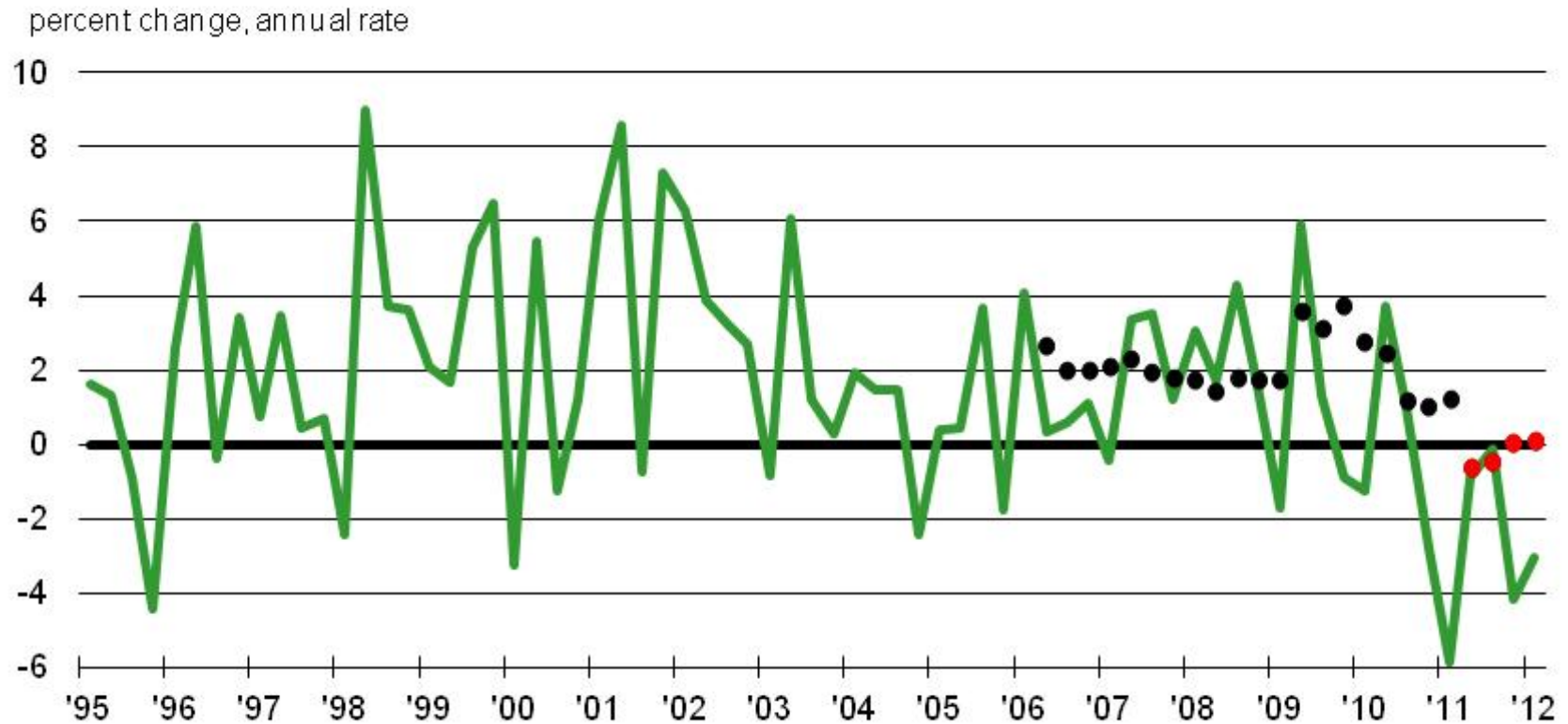


# Industrial production growth was close to what was expected



## Government spending was a lot lower than predicted in the final past two quarters

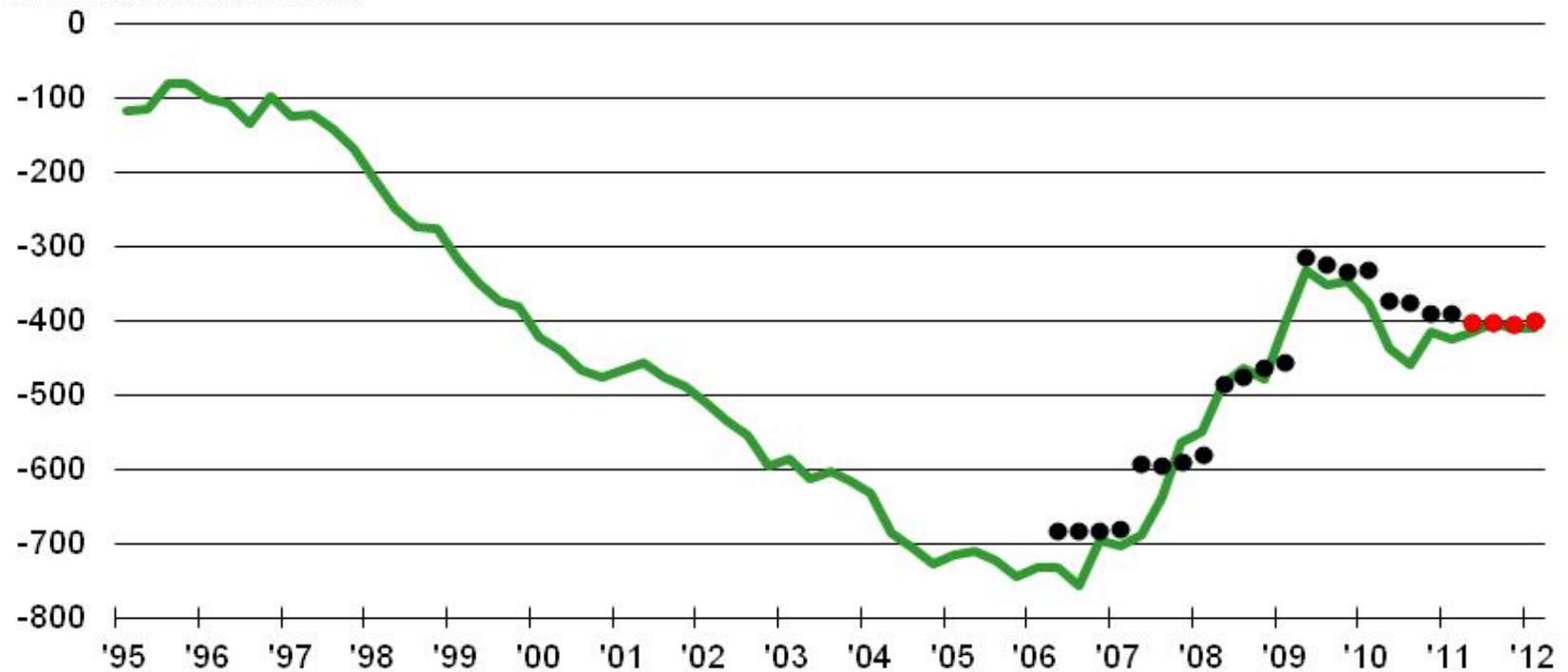
### Government consumption



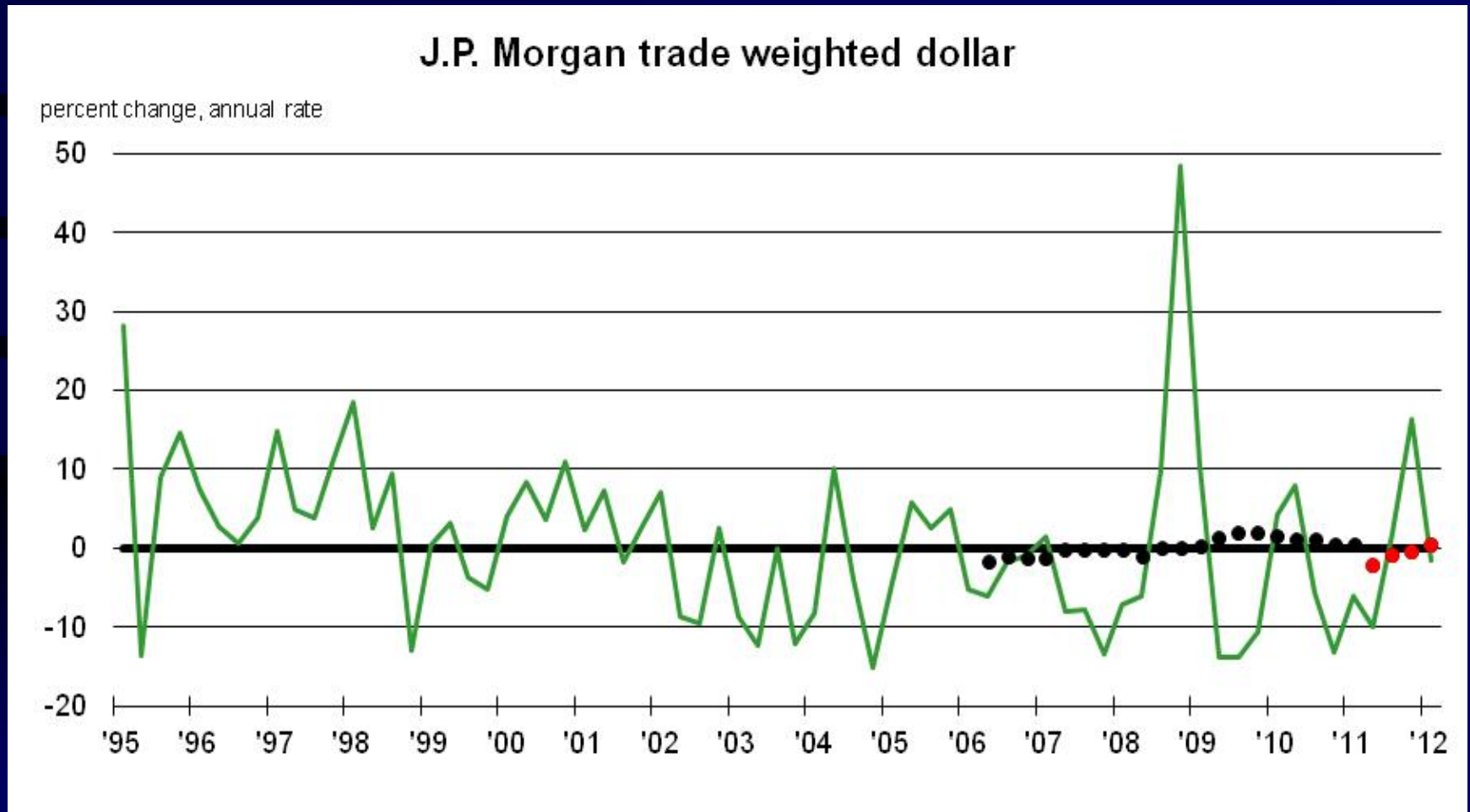
## The trade deficit was nailed

Net exports of goods and services

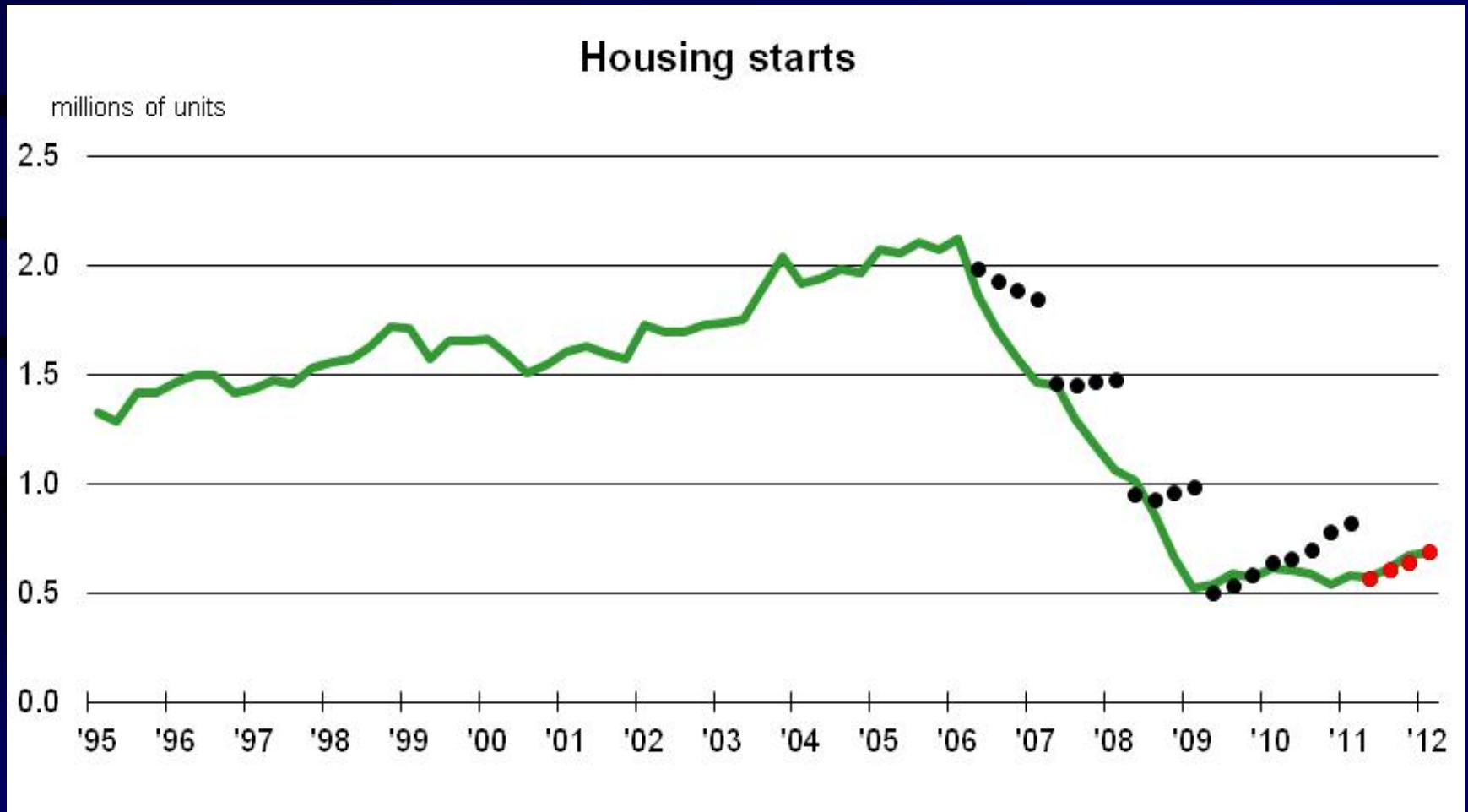
billions of constant dollars



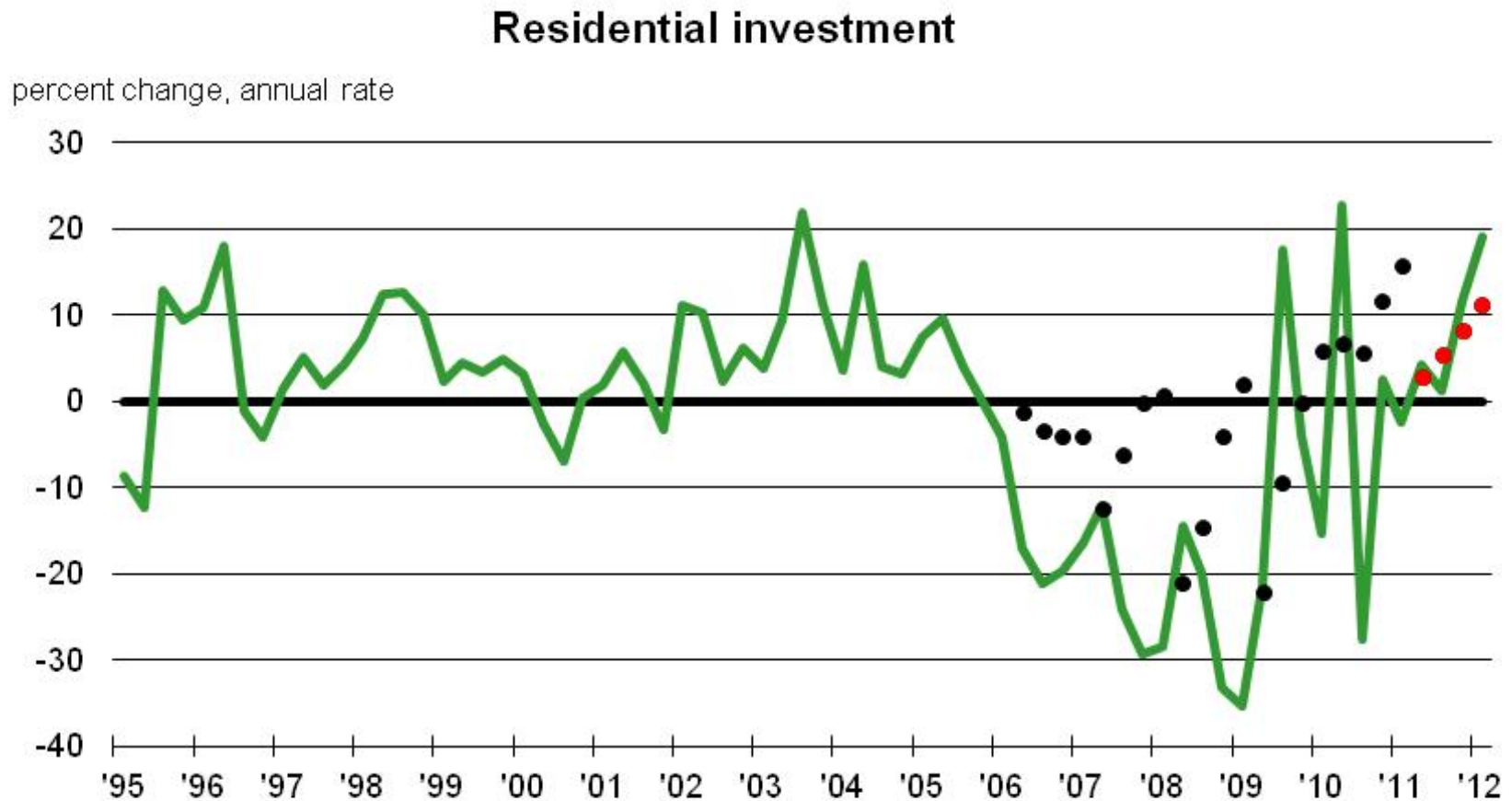
## The dollar was stronger than expected



## Housing starts were accurately forecast

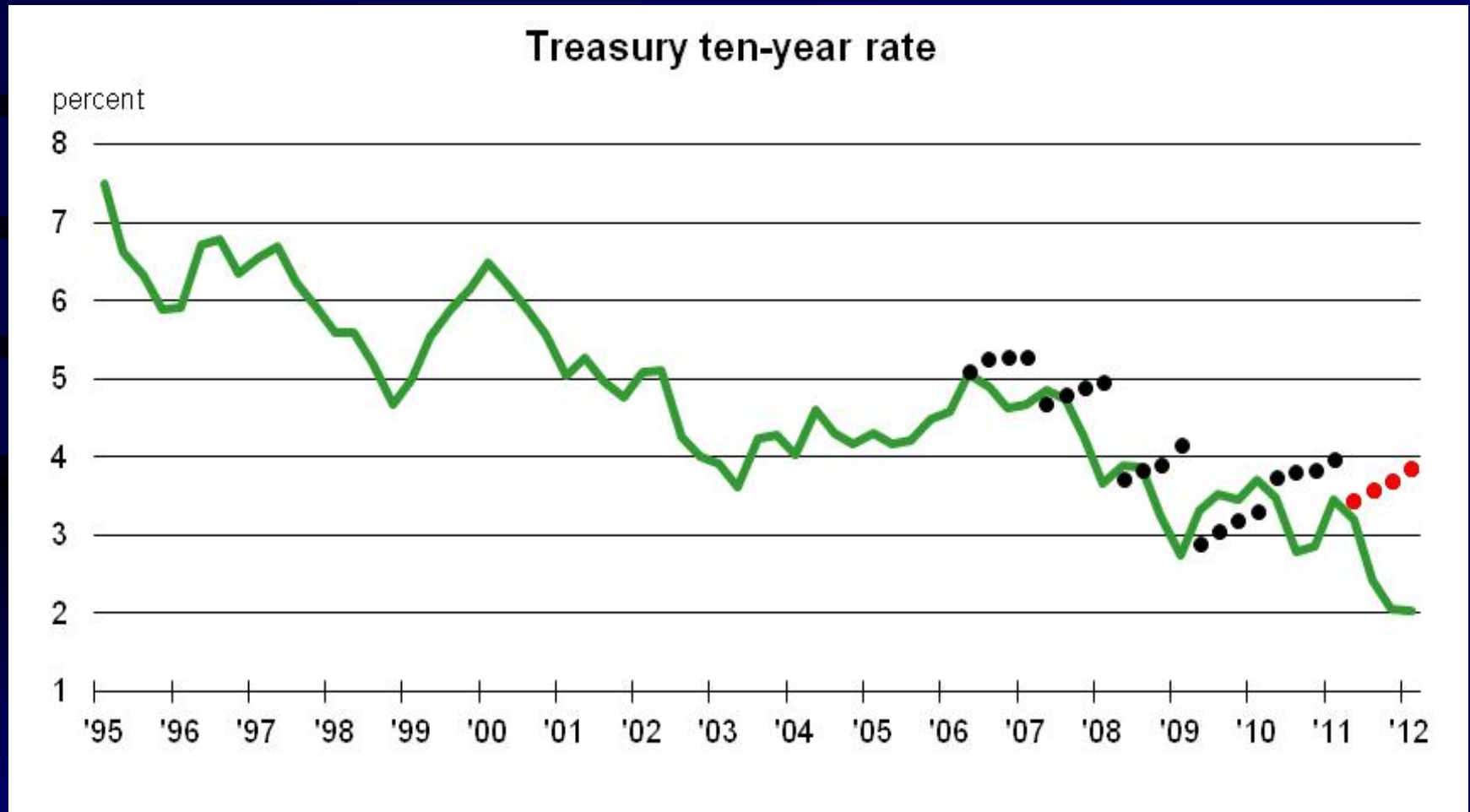


**Residential investment was predicted to improve over the past year and it rose at a faster pace in the most recent quarter**

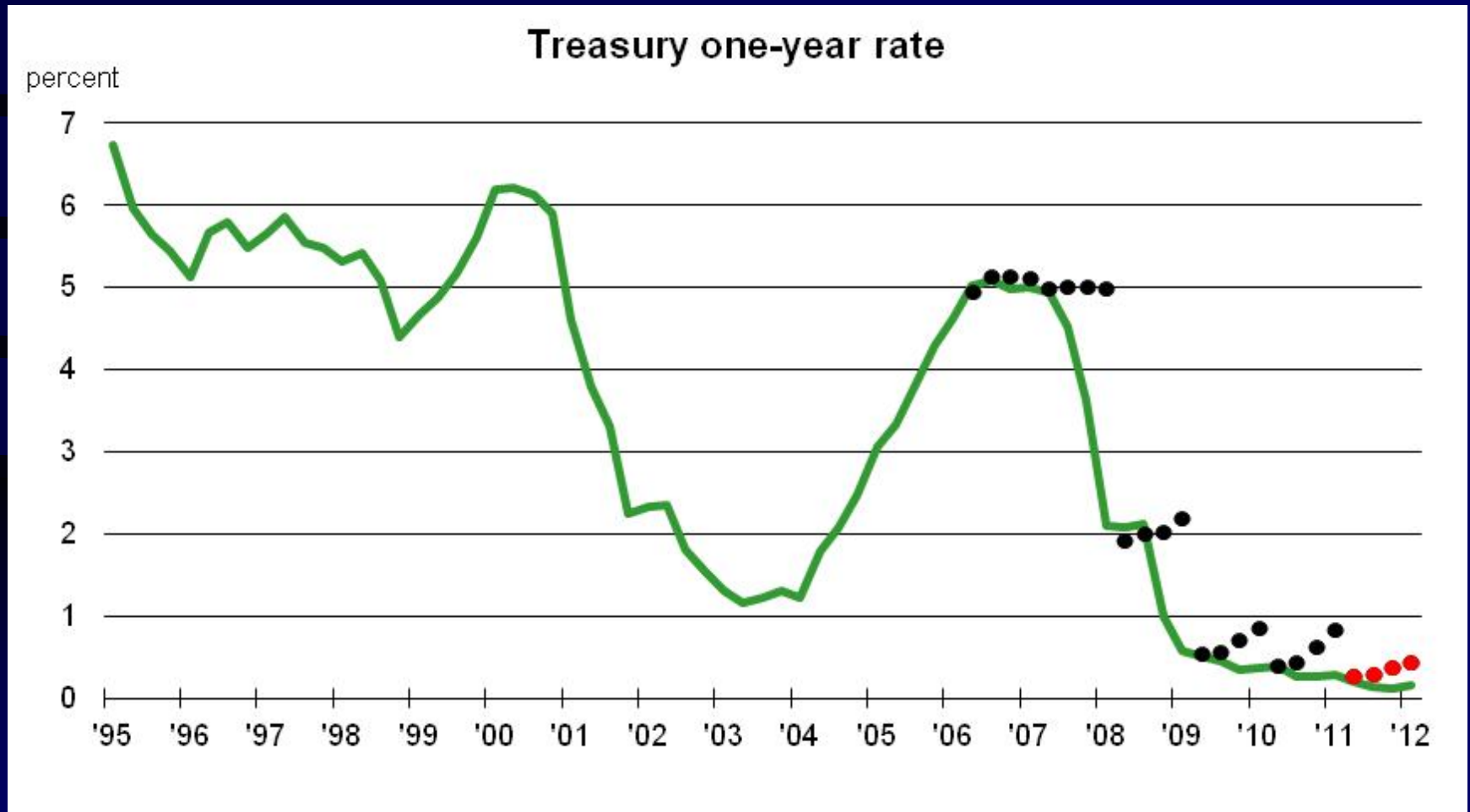




## Long-term interest rates moved in the opposite direction than expected



**Short-term interest rates were expected to edge higher,  
however they edged lower**



# Forecast for 2012 and 2013

## Median forecast of GDP and related items (page 1 of book)

	2011	2012	2013
GDP, current dollars*	3.8%	<b>3.9%</b>	<b>4.5%</b>
GDP price index, chain-type*	2.1%	<b>1.6%</b>	<b>1.9%</b>
Real GDP, chained dollars*	1.6%	<b>2.3%</b>	<b>2.6%</b>
Personal consumption expenditures*	1.6%	<b>2.5%</b>	<b>2.5%</b>
Business fixed investment*	8.2%	<b>4.0%</b>	<b>5.3%</b>
Residential investment*	3.5%	<b>12.2%</b>	<b>13.0%</b>
Change in private inventories (billions of constant dollars)**	\$52.2	<b>\$60.6</b>	<b>\$55.5</b>
Net exports of goods and services (billions of constant dollars)**	-\$410.8	<b>-\$412.0</b>	<b>-\$395.0</b>
Government consumption expenditures and gross investment*	-2.8%	<b>-1.3%</b>	<b>-0.7%</b>

\* Q4 over Q4

\*\* Q4 value

## Median forecast of GDP and related items (page 1 of book)

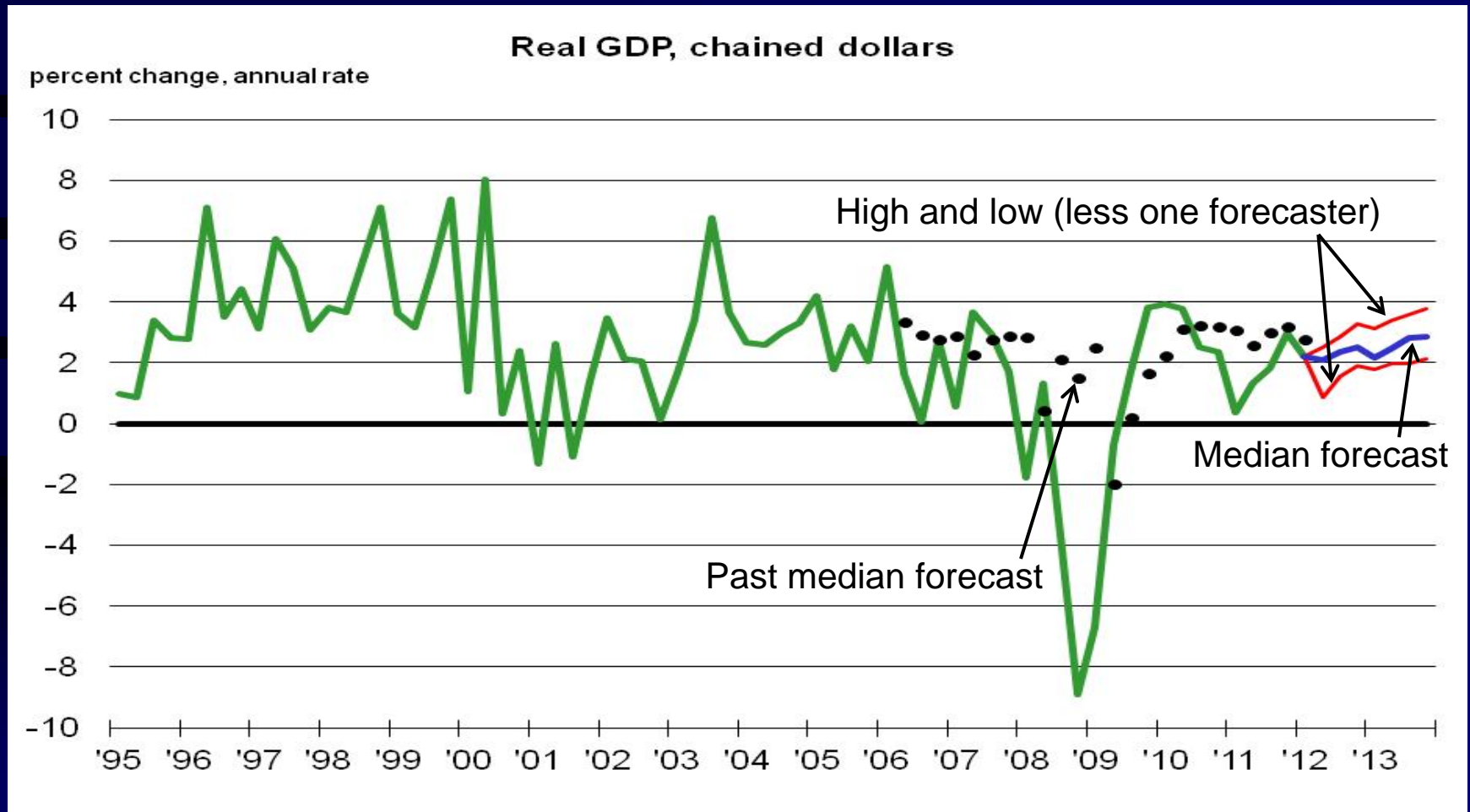
	2011	2012	2013
Industrial production*	4.0%	<b>3.2%</b>	<b>2.4%</b>
Car & light truck sales (millions - calendar year including imports)***	12.7	<b>14.5</b>	<b>15.0</b>
Housing starts (millions)***	0.61	<b>0.71</b>	<b>0.85</b>
Oil price (dollars per barrel of West Texas Intermediate)**	\$94.06	<b>\$103.57</b>	<b>\$104.25</b>
Unemployment rate**	8.7%	<b>7.9%</b>	<b>7.6%</b>
Inflation rate (consumer price index)*	3.3%	<b>2.1%</b>	<b>2.1%</b>
Treasury constant maturity 1-year rate**	0.11%	<b>0.20%</b>	<b>0.25%</b>
Treasury constant maturity 10-year rate**	2.05%	<b>2.21%</b>	<b>2.52%</b>
J.P. Morgan trade weighted OECD dollar*	0.0%	<b>-0.4%</b>	<b>0.2%</b>

\* Q4 over Q4

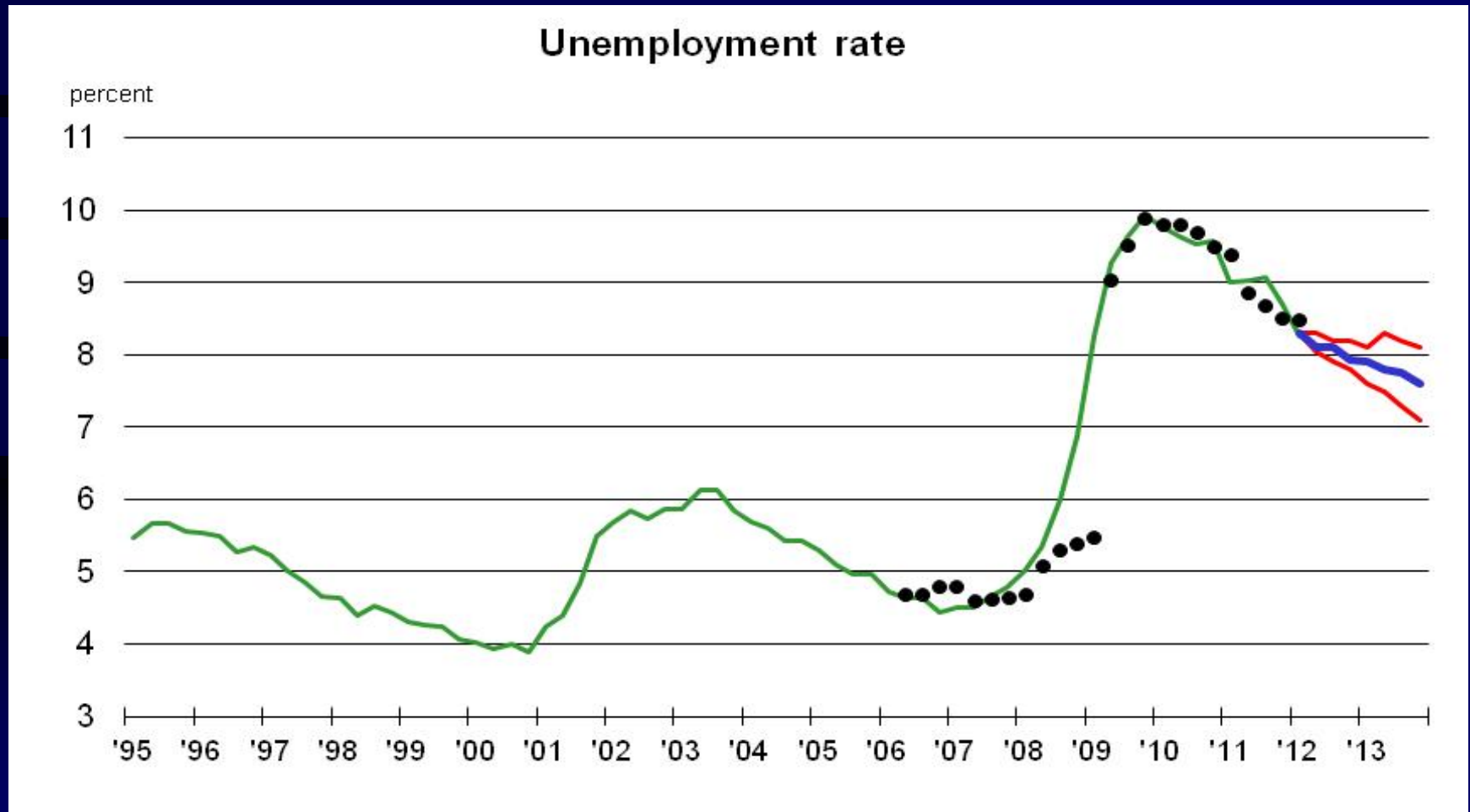
\*\* Q4 value

\*\*\* Yearly average

# Real GDP growth is forecast to rise at a rate that is just around trend in 2012 and 2013

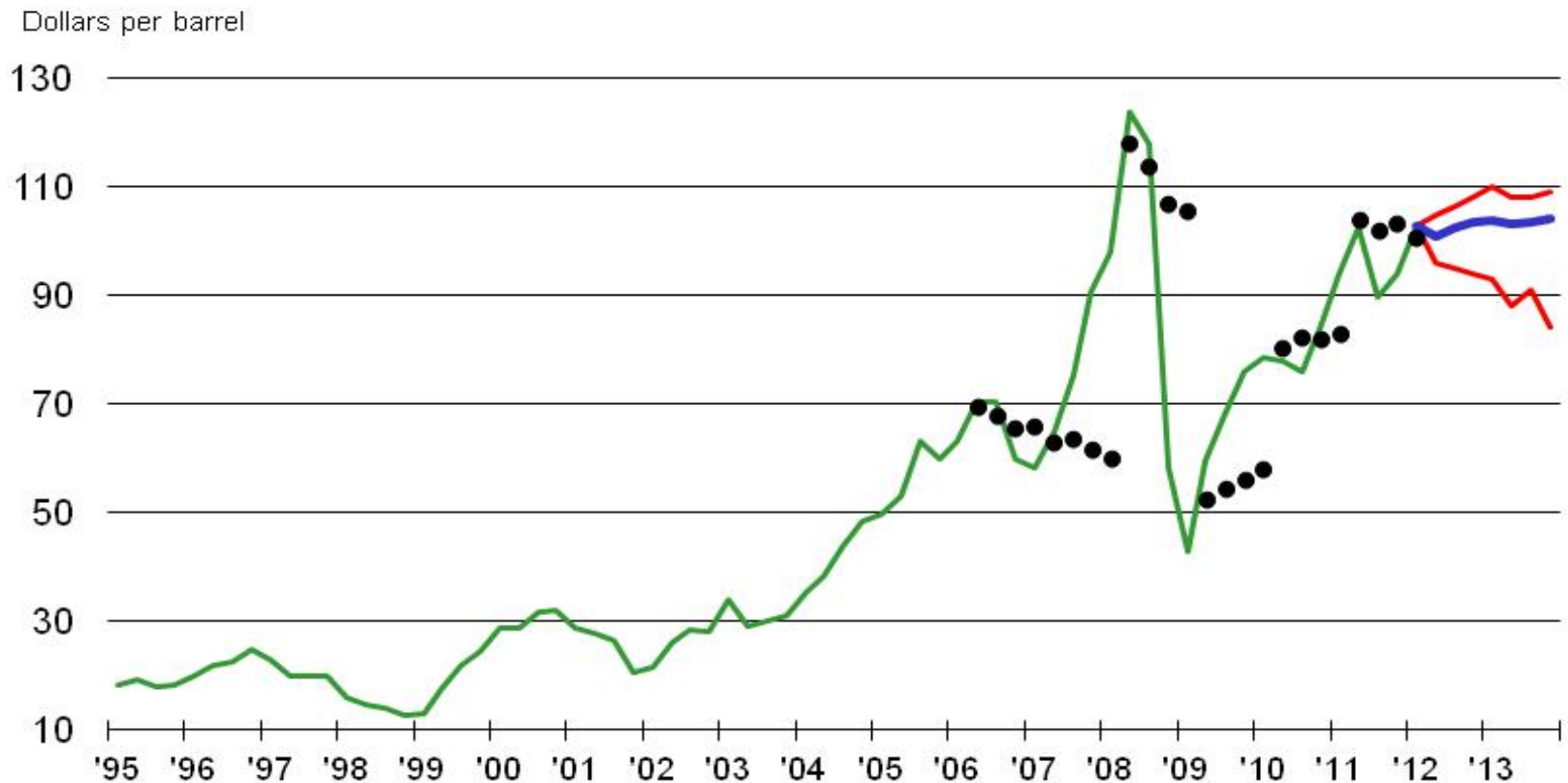


**The unemployment rate is forecast to edge down to 7.9% at the end of this year and to 7.6% by the end of next year**



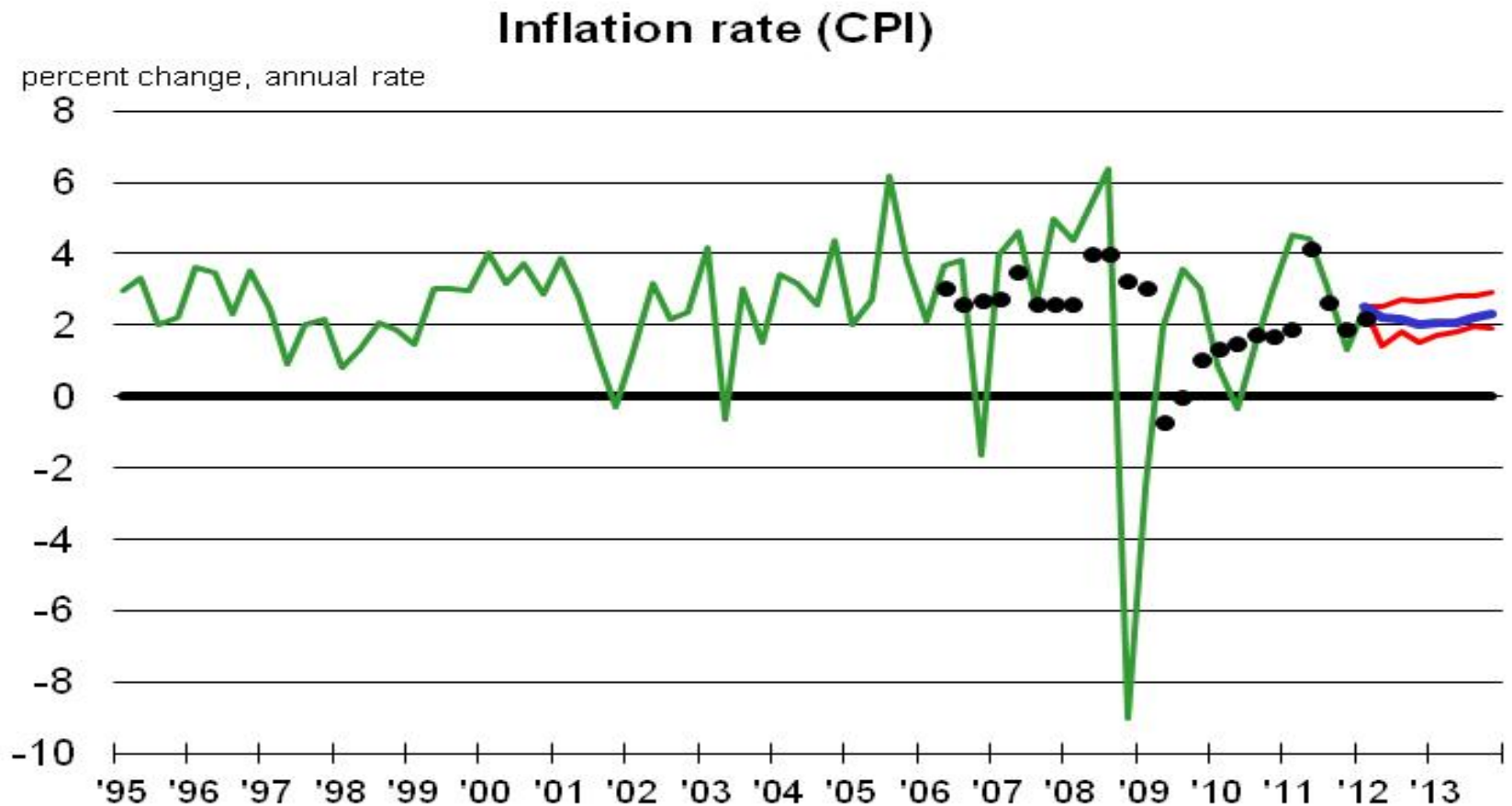
**Oil prices are expected to remain relatively flat, although at an elevated level**

**Oil Prices - West Texas Intermediate**

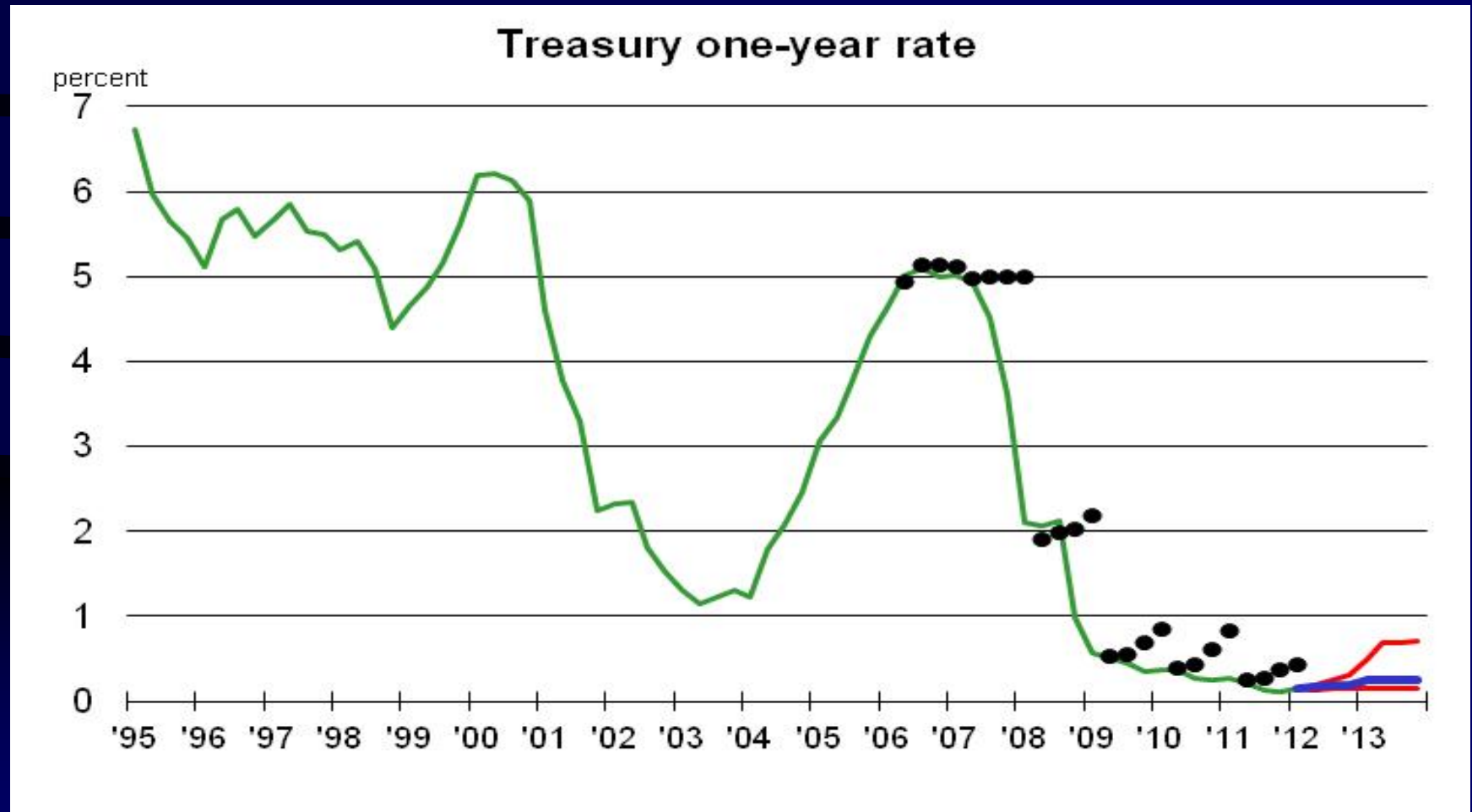




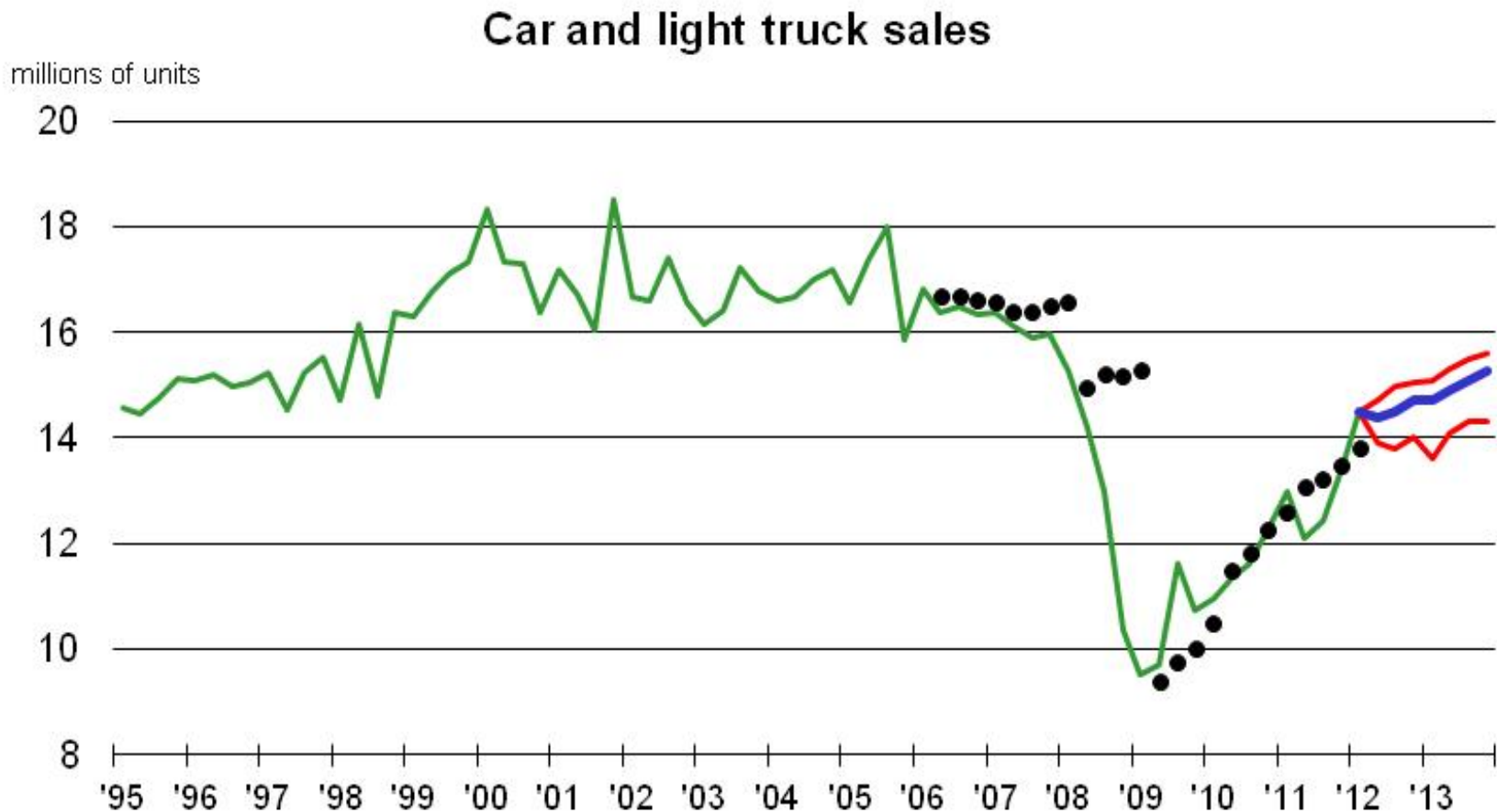
**The jump in inflation is anticipated to remain  
at 2.1% in 2012 and 2013**



**Short-term interest rates are forecast to remain very low, edging just 14 basis by the end of 2013**



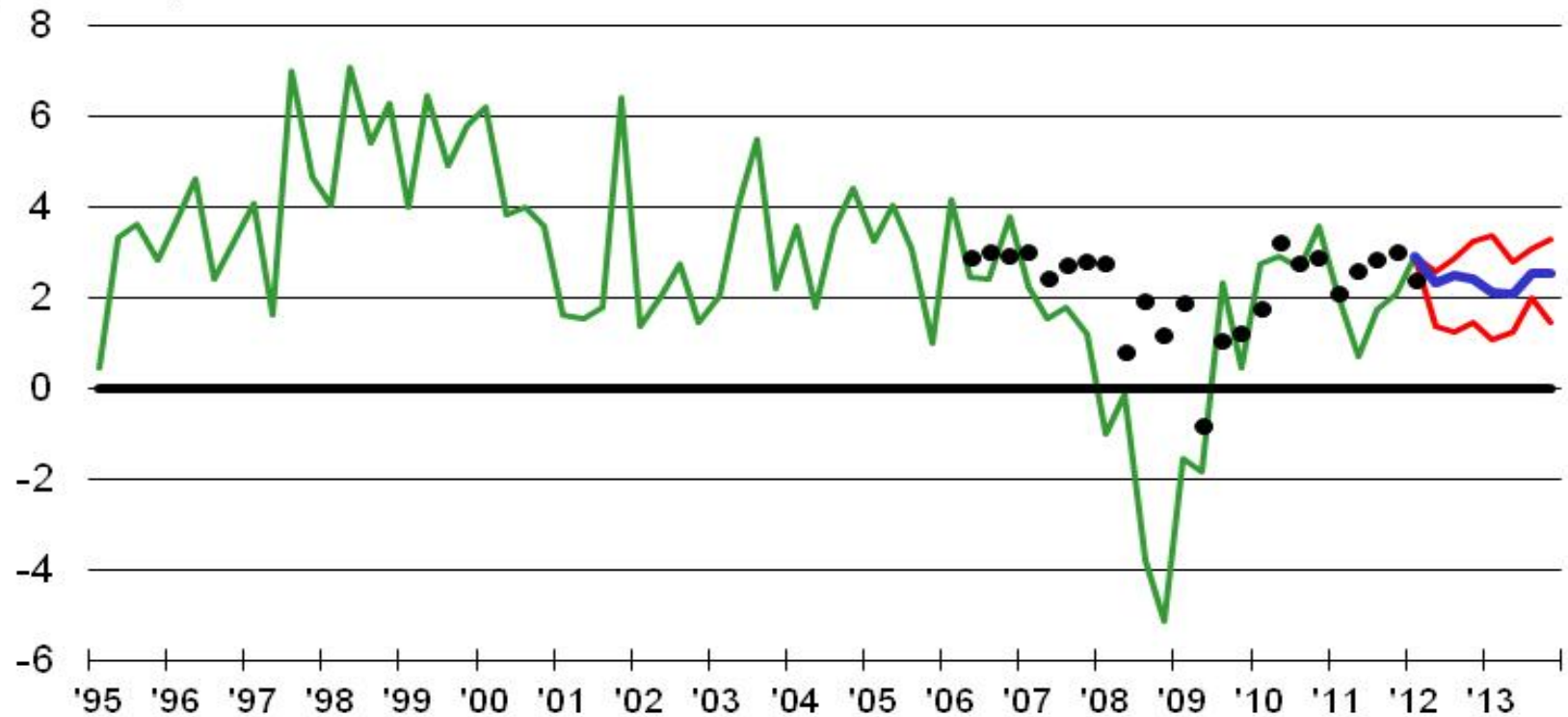
**Light vehicle sales are forecast to continue improving,  
coming in at 14.5 million units this year  
and 15.0 million units in 2013**



# Consumption growth is expected to rise at a moderate pace

## Personal consumption expenditures

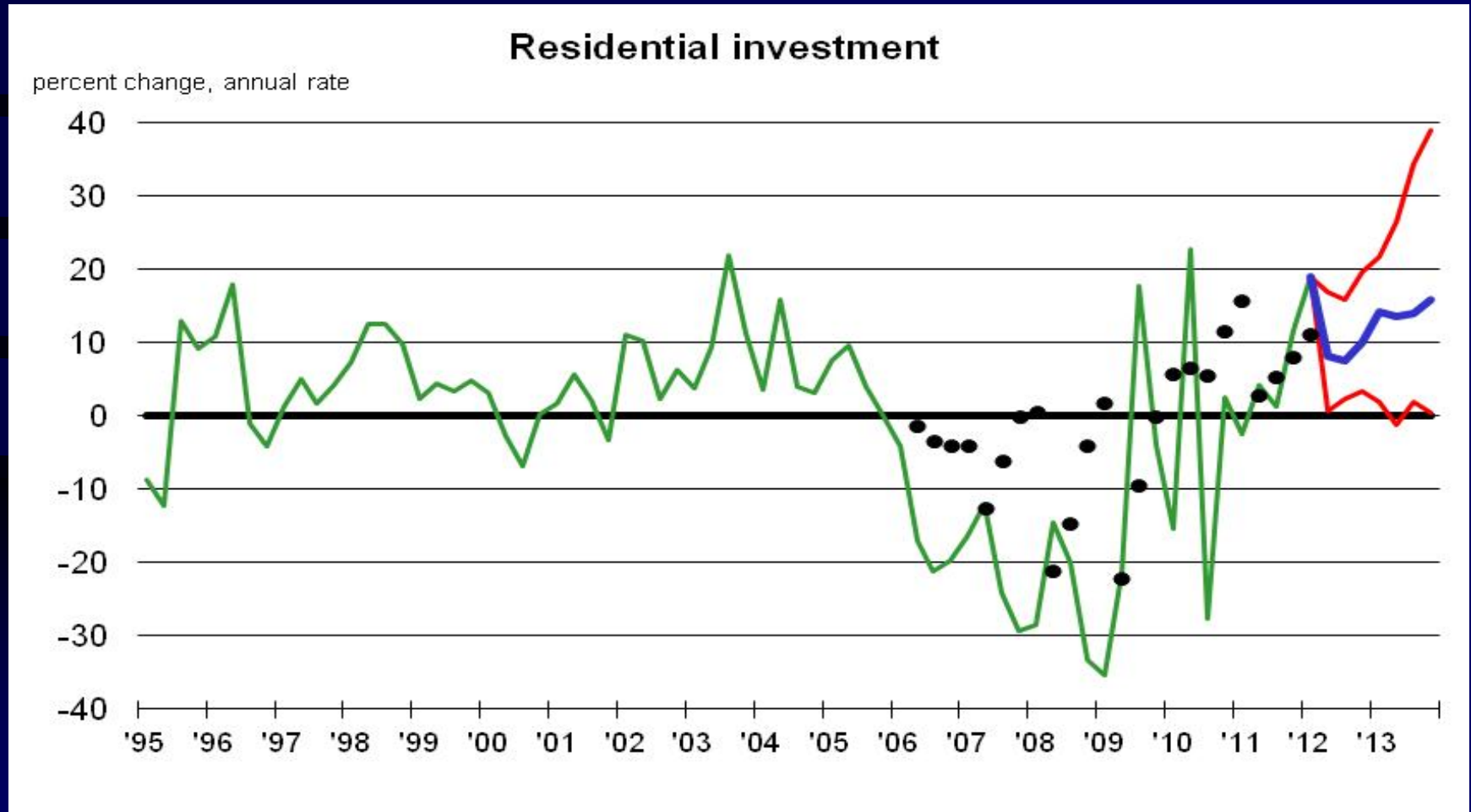
percent change, annual rate



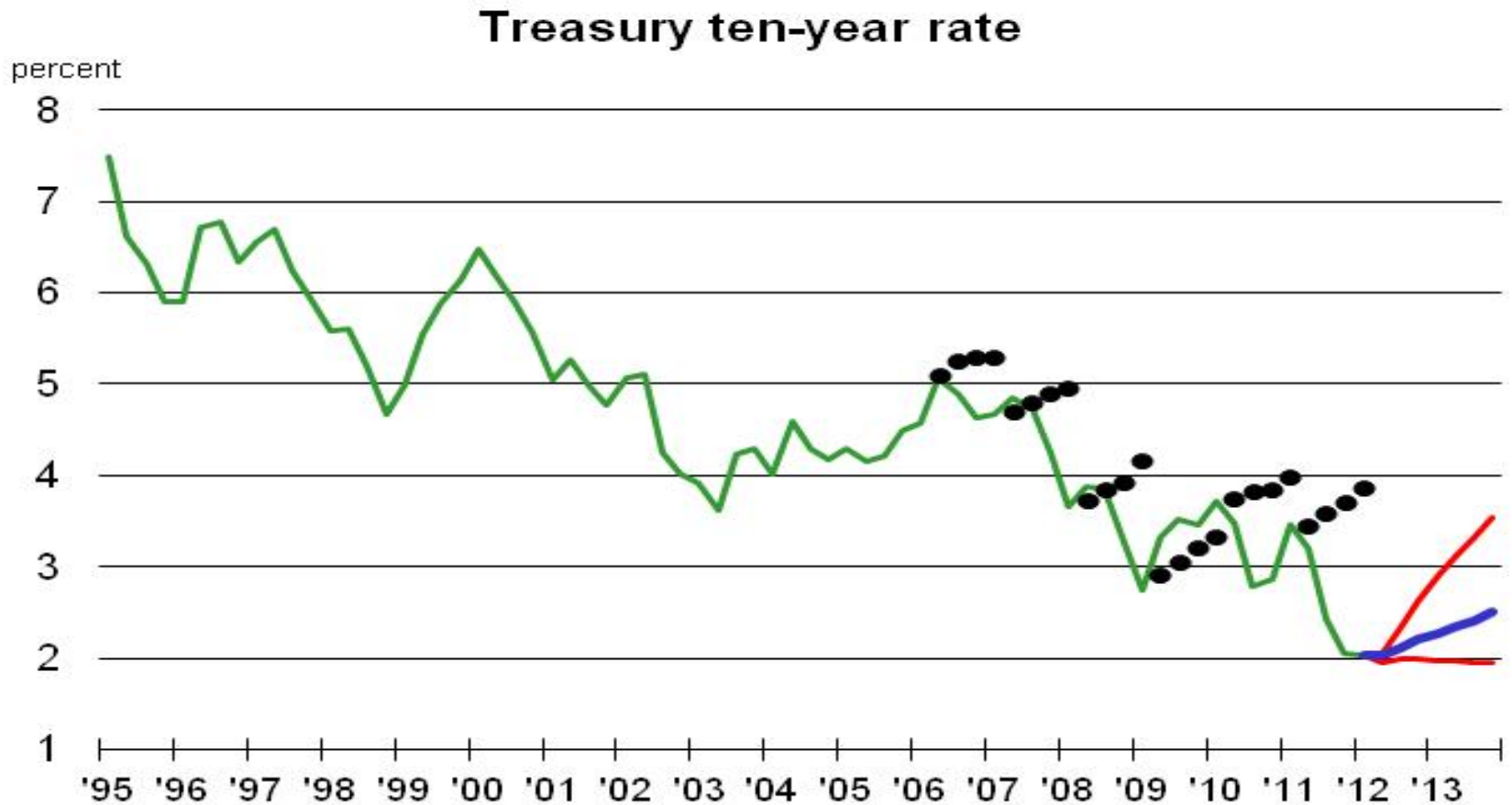
## Housing starts are once again expected to rise at a moderate pace



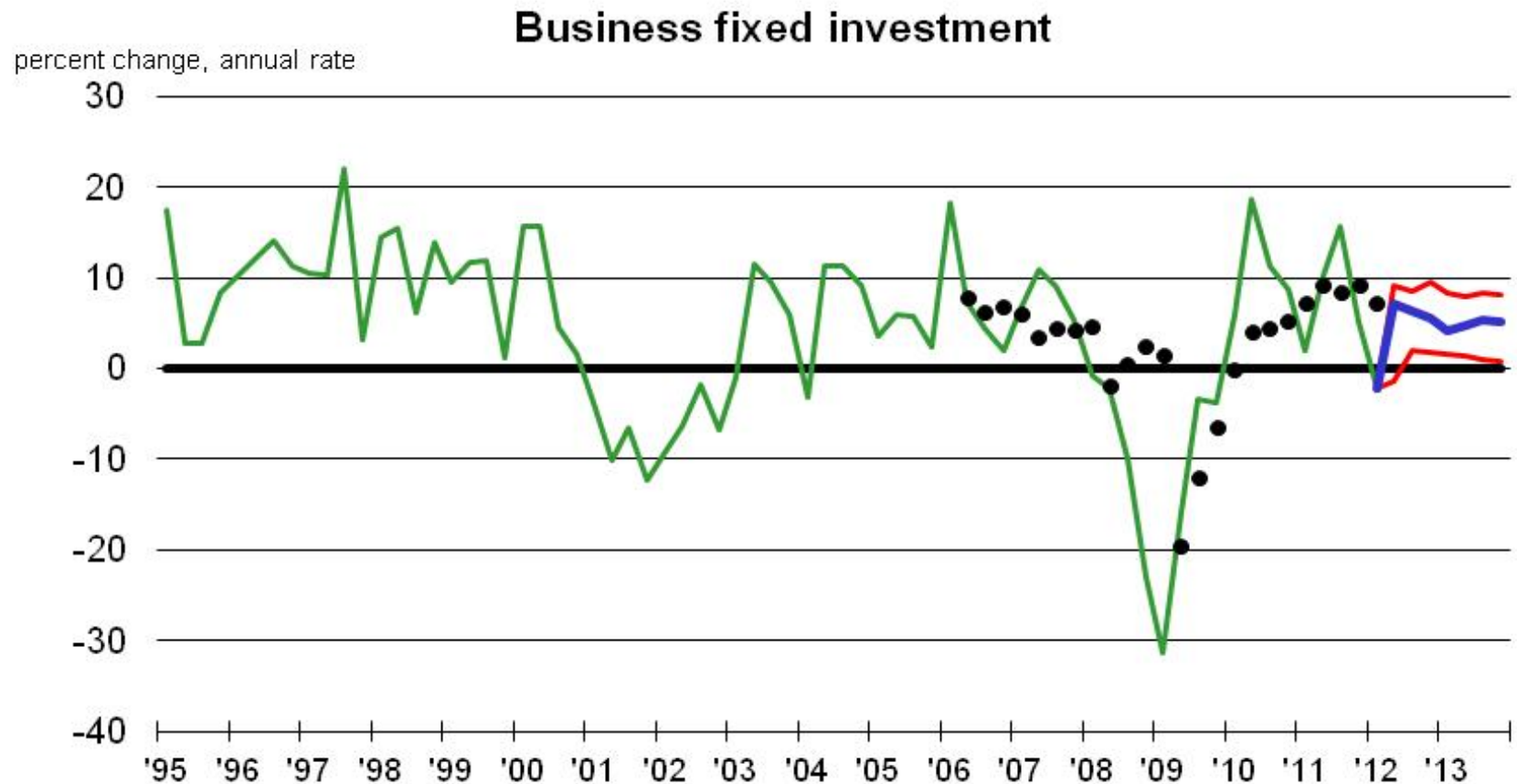
## Residential investment is forecast to rise at a strong pace through next year



**Long-term interest rates are forecast  
to rise by 16 basis points in 2012  
and then rise by 31 basis points in 2013**



**Business spending is anticipated to  
rise 4.0% in 2012 and then rise 5.3% next year**

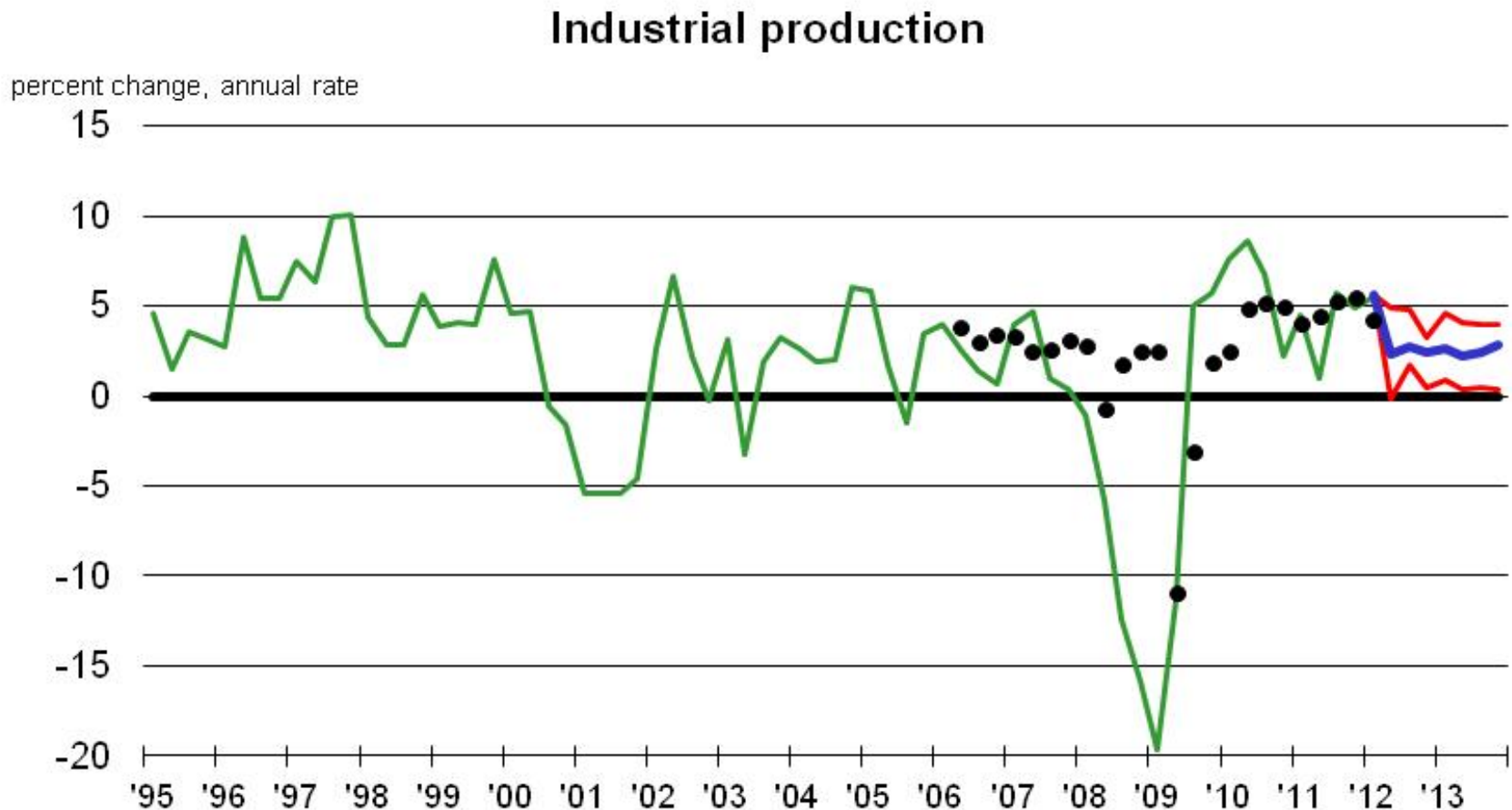




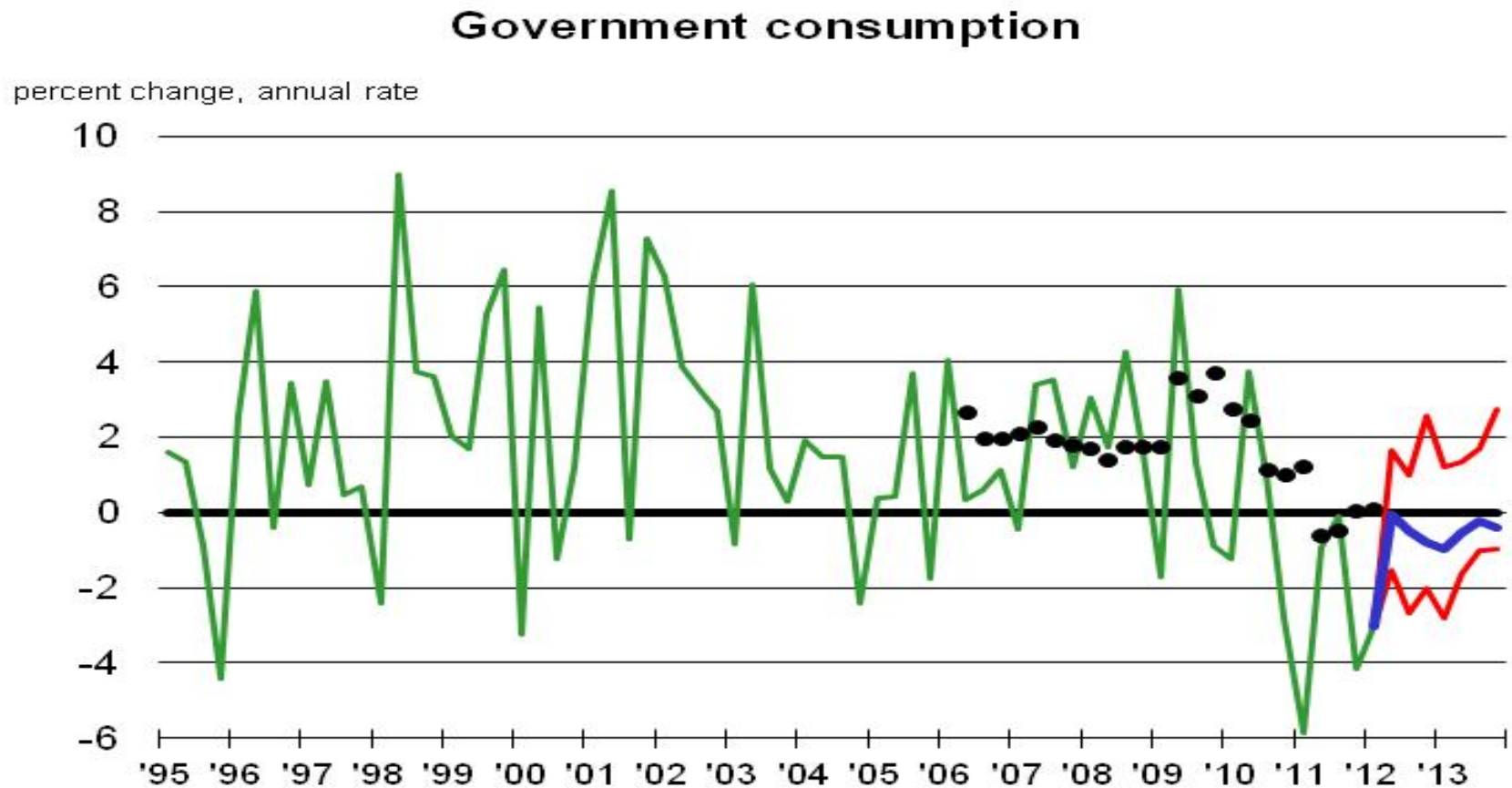
**Inventories are expected to rise at a pace that maintains the inventory to GDP ratio**



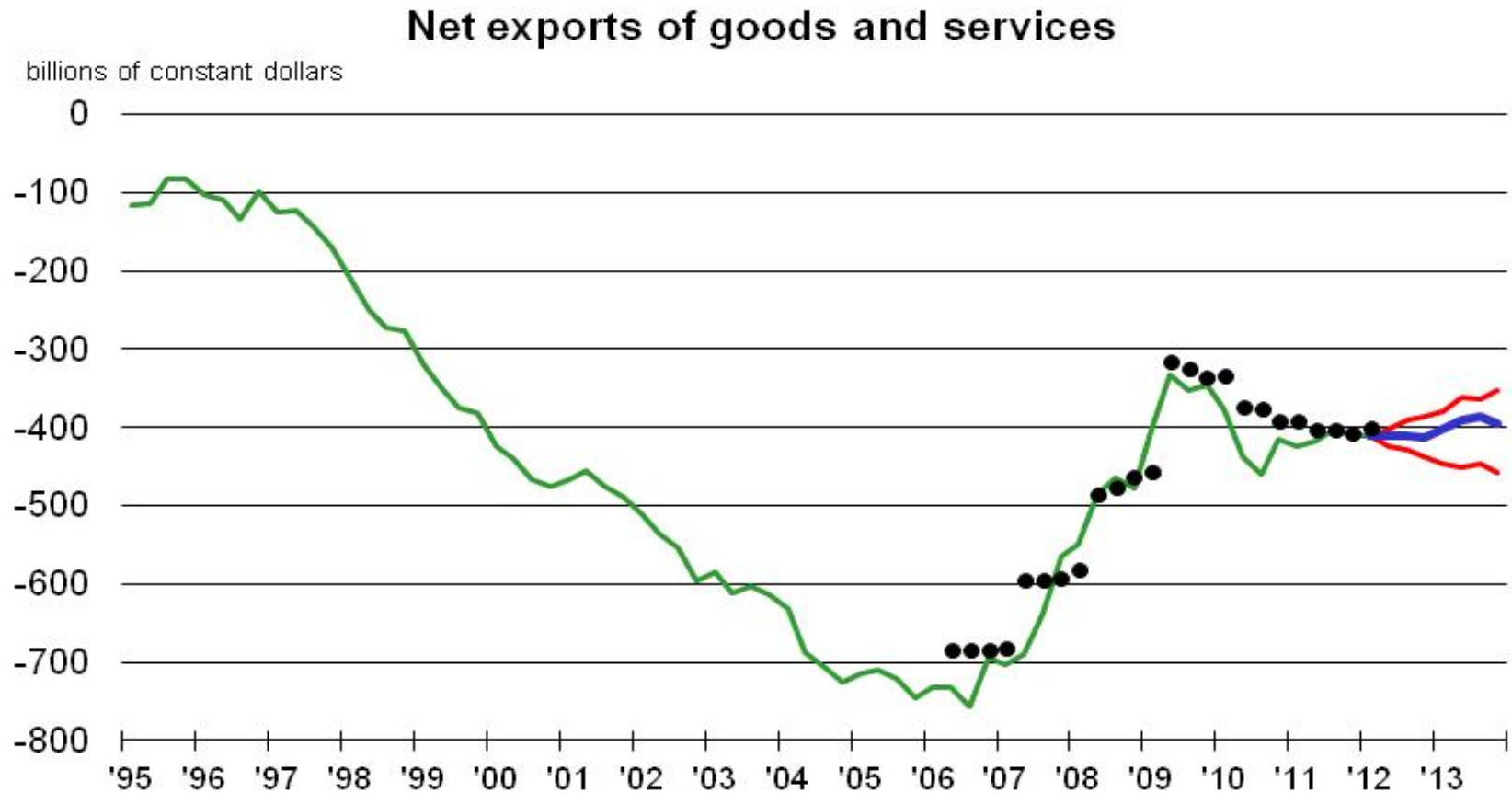
## Industrial output growth is forecast to increase at a solid although slower pace through next year



**Government purchases is forecast to move lower,  
decreasing by 1.3% in 2012 and 0.7% and 2013**



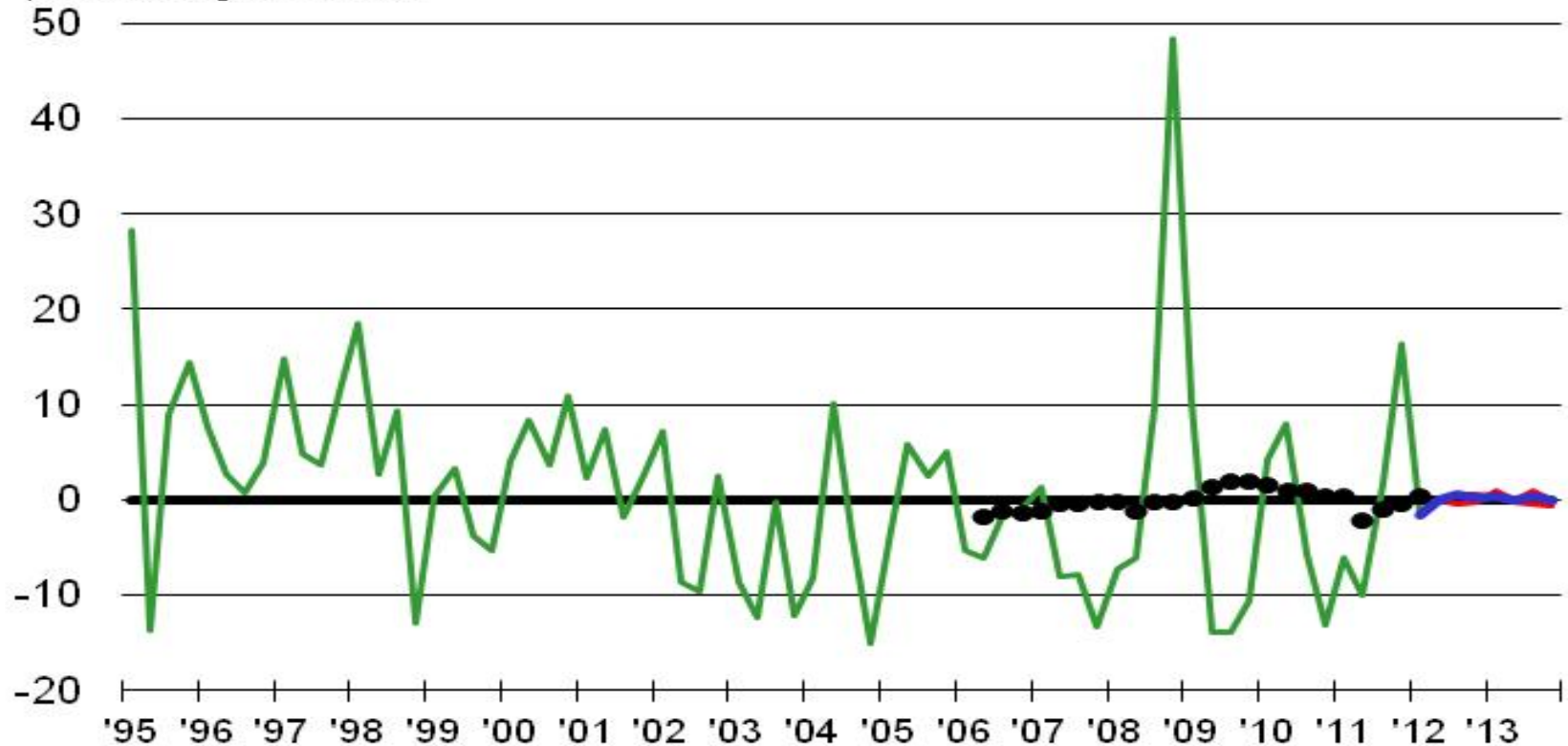
**Net exports are expected to remain relatively flat over the forecast horizon**



**The dollar is forecast to remain relatively flat  
both this year and next year**

### J.P. Morgan trade weighted dollar

percent change, annual rate



# Summary

- The economy is forecast to rise at a pace around potential in 2012 and 2013
- The unemployment rate is expected to gradually improve falling to 7.9% at the end of this year and 7.6% at the end of next year
- Inflation is expected to come in at 2.1% in 2012 and 2013
- Light vehicle sales are forecast to be 14.5 million units this year and then improve to 15.0 million in 2013
- [www.chicagofed.org](http://www.chicagofed.org)