



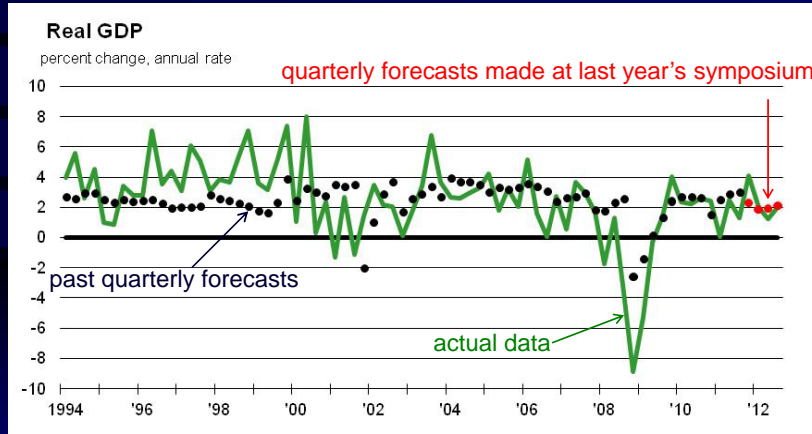
26TH ANNUAL | **ECONOMIC OUTLOOK SYMPOSIUM** 
FRIDAY, NOVEMBER 30, 2012

Consensus Forecast for 2013

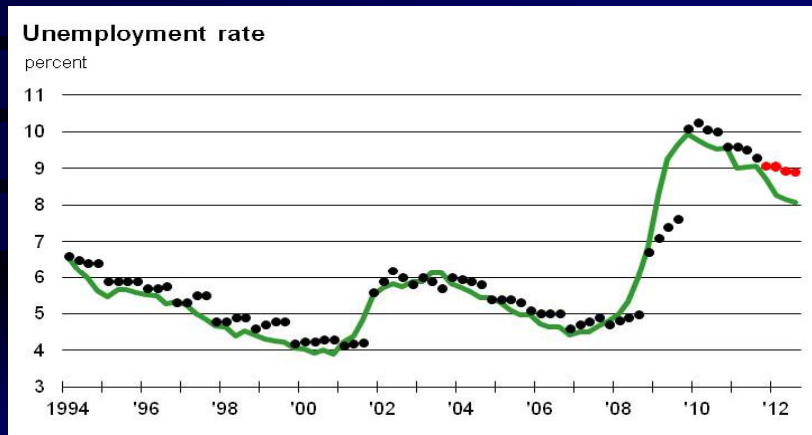
William Strauss
Senior Economist and Economic Advisor
Federal Reserve Bank of Chicago

Review of past performance

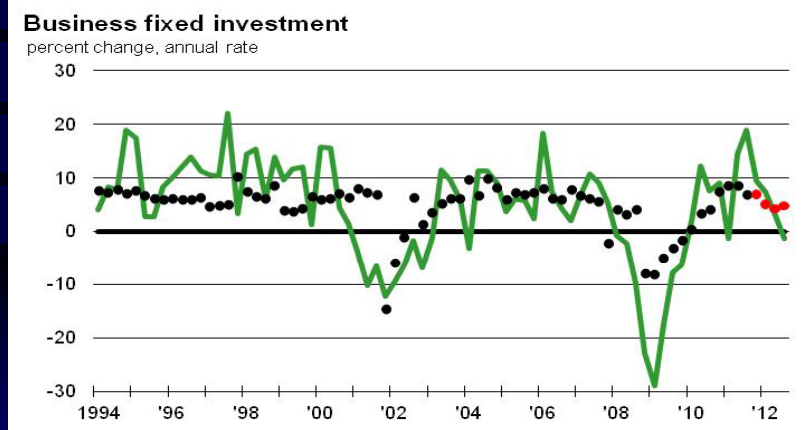
The growth in real GDP was in-line with expectations



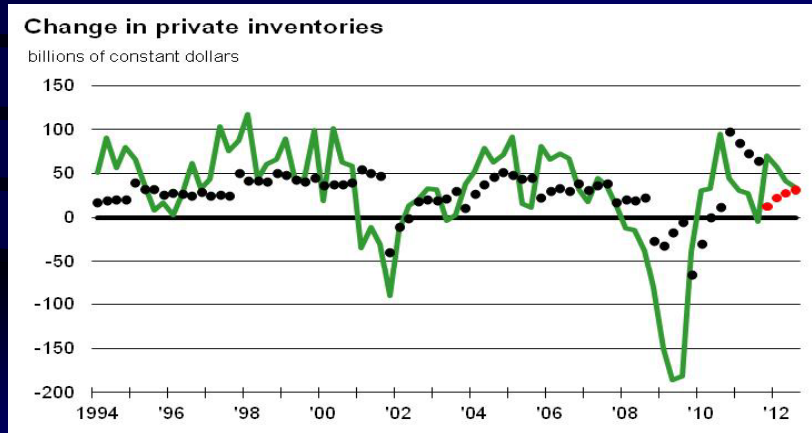
However, as has been the case for the previous two years, the unemployment rate came in lower than predicted



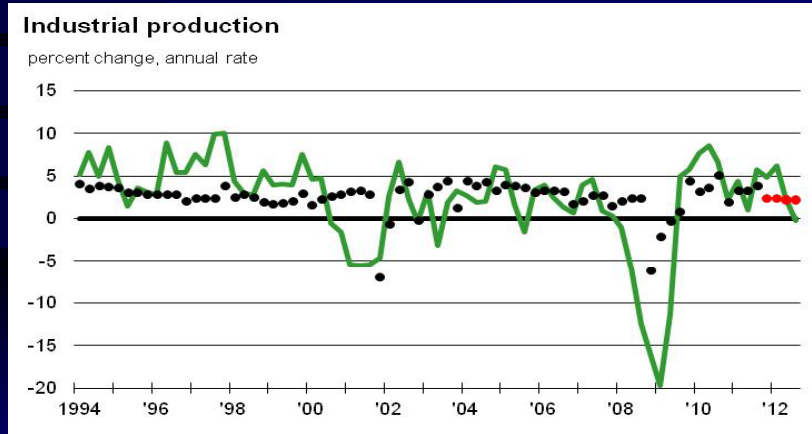
Business fixed investment started much stronger than forecast, but by the third quarter, growth moderated significantly



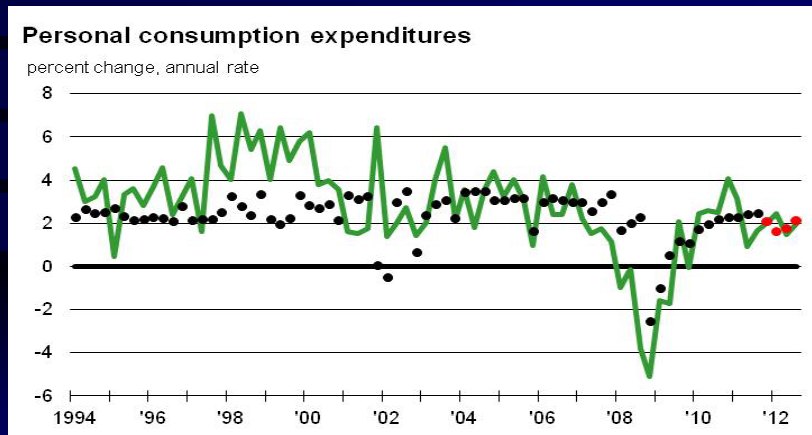
In a similar path, inventory building was initially much stronger than anticipated, but moderated as 2012 progressed



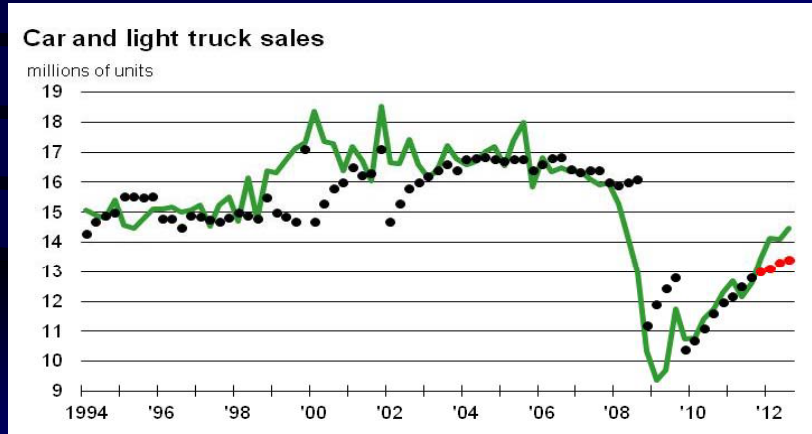
**The same weakening pattern also occurred
for the industrial sector**



**Consumer spending predictions were
extremely accurate compared with actual expenditures**



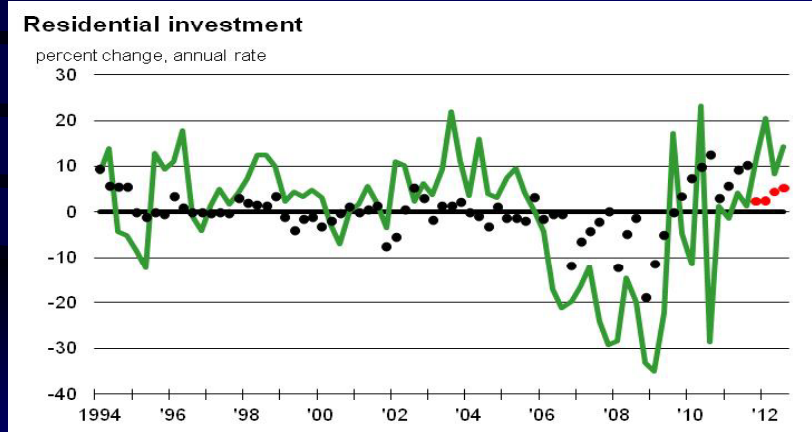
Light vehicle sales were stronger than predicted



After five years of over-predicting housing starts, housing starts increased at a stronger pace than forecast



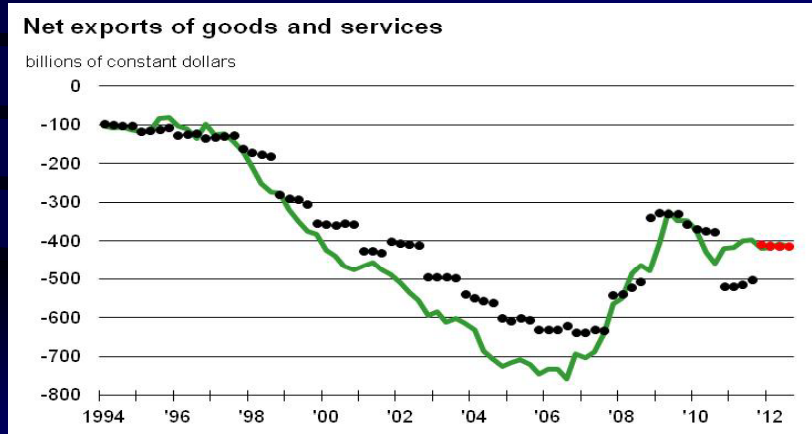
**Similarly, residential investment increased
at a more robust pace than anticipated**



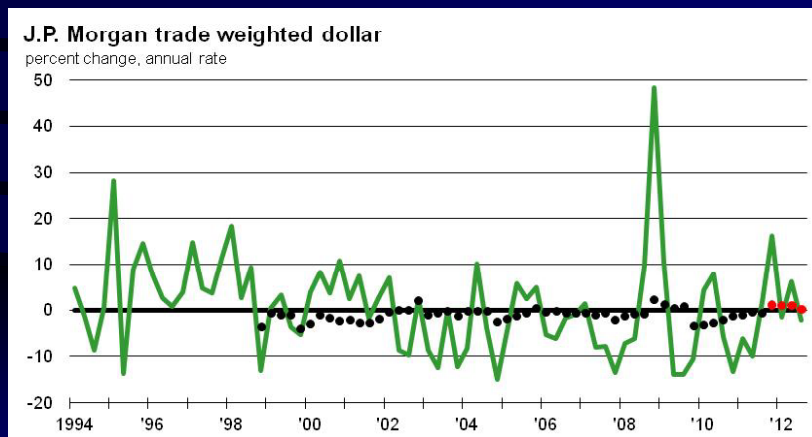
**Perhaps in part due to longer-term
interest rates falling further compared
with an expectation that they would rise**



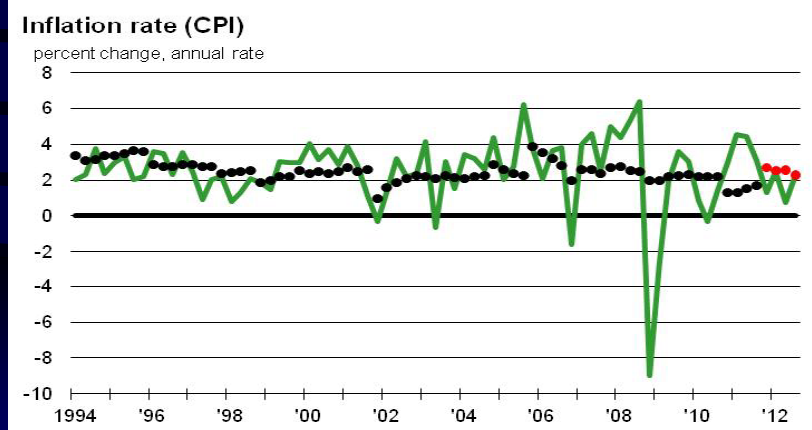
The balance of trade was forecast was perfect



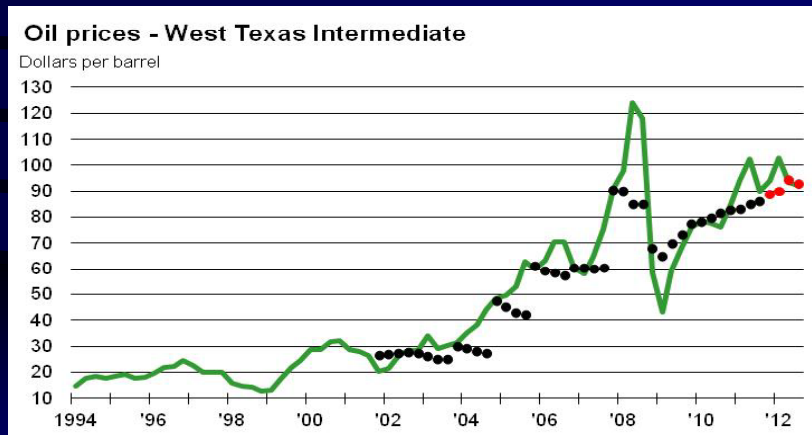
The dollar was predicted to edge higher, but rose at a more pronounced rate



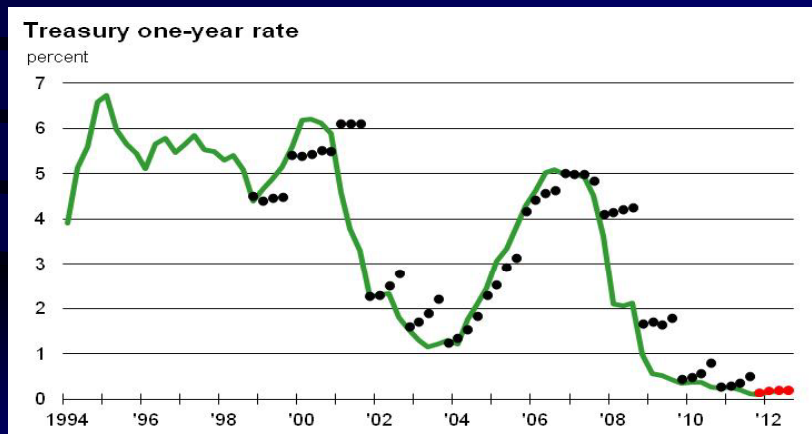
Inflation came in lower than forecast



Even though oil prices were higher than was expected



Short-term interest rates were accurately forecast



Forecast for 2013

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

	2011	2012	2013
GDP, current dollars*	4.0%	3.8%	4.1%
GDP price index, chain-type*	2.0%	2.0%	1.8%
Real GDP, chained dollars*	2.0%	1.7%	2.3%
Personal consumption expenditures*	1.9%	2.0%	2.3%
Business fixed investment*	10.2%	2.5%	3.5%
Residential investment*	3.9%	13.6%	9.4%
Change in private inventories (billions of constant dollars)**	\$70.5	\$34.5	\$39.8
Net exports of goods and services (billions of constant dollars)**	-\$418.0	-\$410.0	-\$417.0
Government consumption expenditures and gross investment*	-3.3%	-0.2%	-0.4%

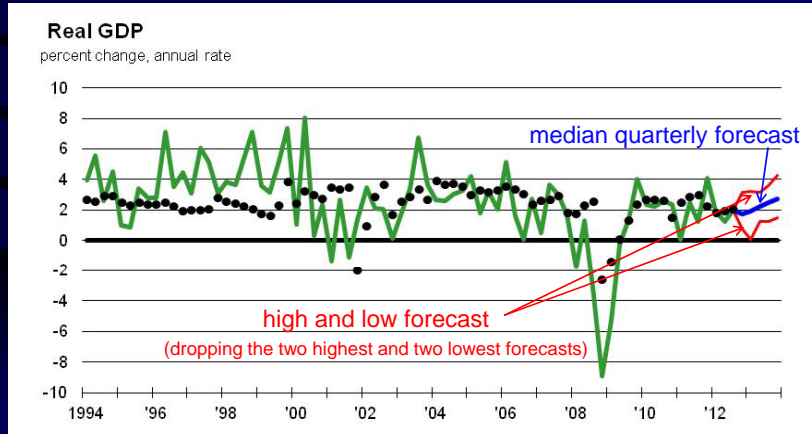
*Q4 over Q4
 **Q4 value

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

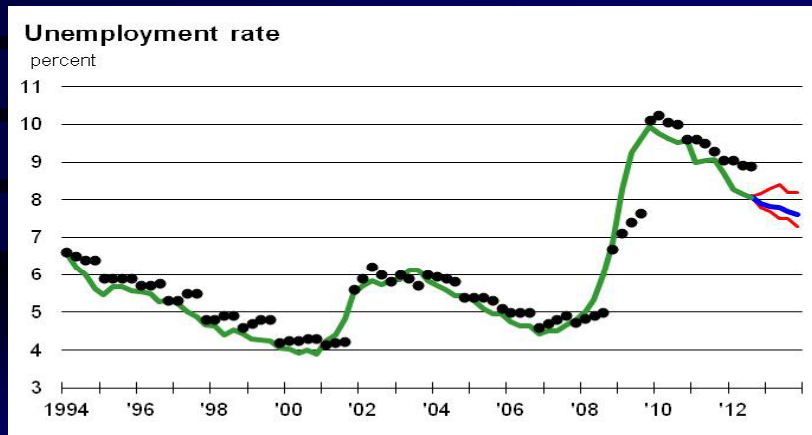
	2011	2012	2013
Industrial production*	4.0%	2.3%	2.7%
Car & light truck sales (millions - calendar year including imports)***	12.7	14.3	15.0
Housing starts (millions)***	0.61	0.77	0.95
Oil price (dollars per barrel of West Texas Intermediate)**	\$94.06	\$89.83	\$93.75
Unemployment rate**	8.7%	7.9%	7.6%
Inflation rate (consumer price index)*	3.3%	2.0%	2.1%
Treasury constant maturity one-year rate**	0.11%	0.18%	0.20%
Treasury constant maturity ten-year rate**	2.05%	1.70%	2.02%
J.P. Morgan trade weighted OECD dollar*	0.0%	0.5%	0.1%

*Q4 over Q4
 **Q4 value
 ***Yearly average

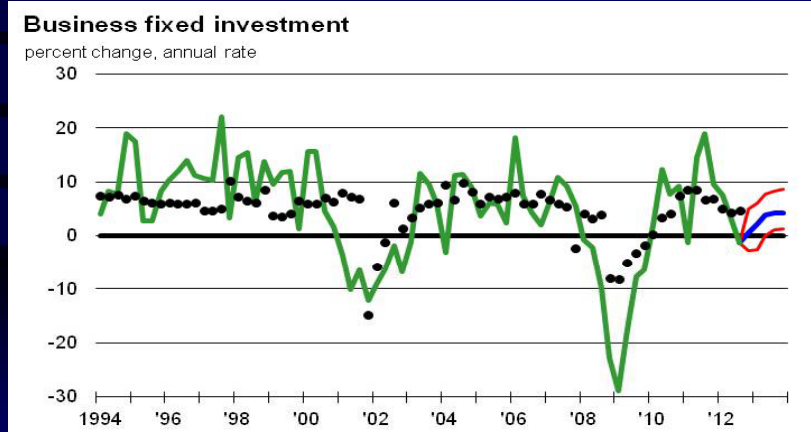
Real GDP growth is expected to increase by 2.3% next year



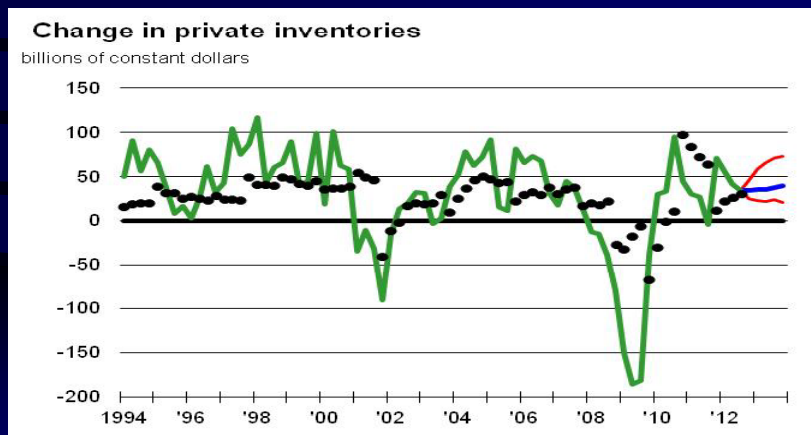
The unemployment rate is projected to edge lower, reaching 7.6% in the final quarter of next year



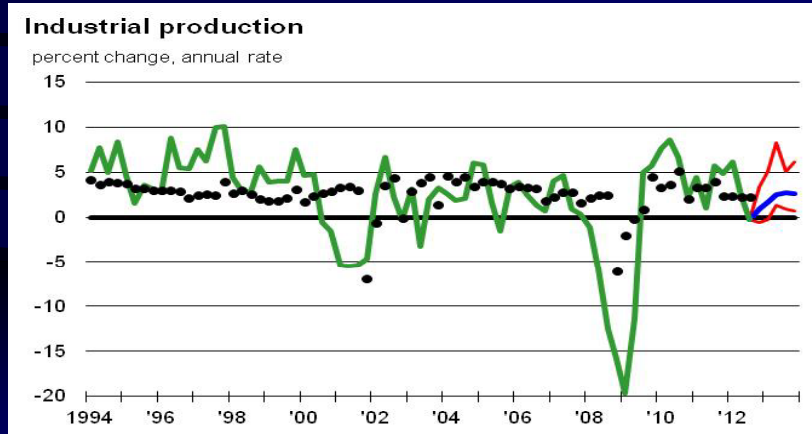
Business fixed investment growth is forecast to increase to 3.5% over the coming year



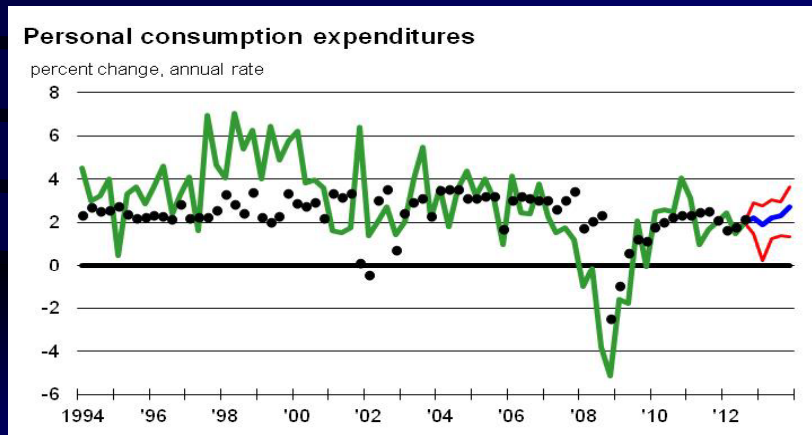
Inventories are anticipated to increase at a slow pace over the course 2013



Industrial output is forecast to increase 2.7% next year



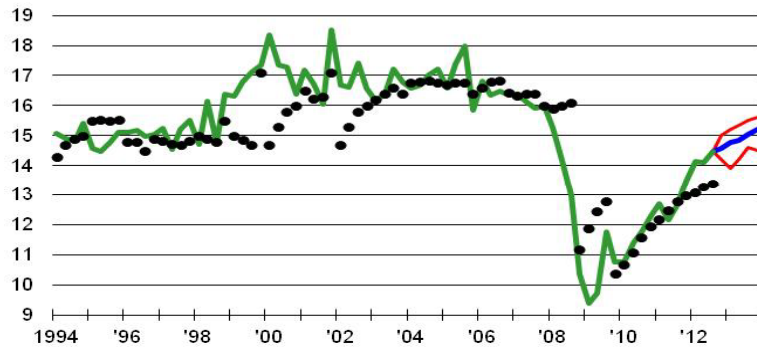
Consumer spending growth is expected to improve slightly compared with this past year



**Vehicle sales are forecast to improve each quarter
with sales of 15.0 million units next year**

Car and light truck sales

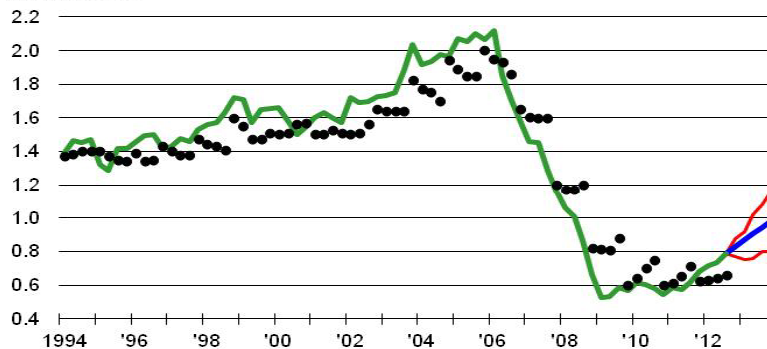
millions of units



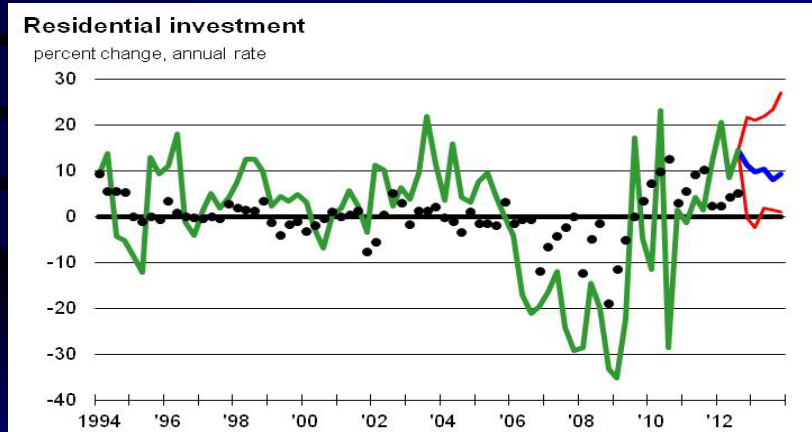
**Housing starts are forecast continue increasing,
rising to 950,000 starts**

Housing starts

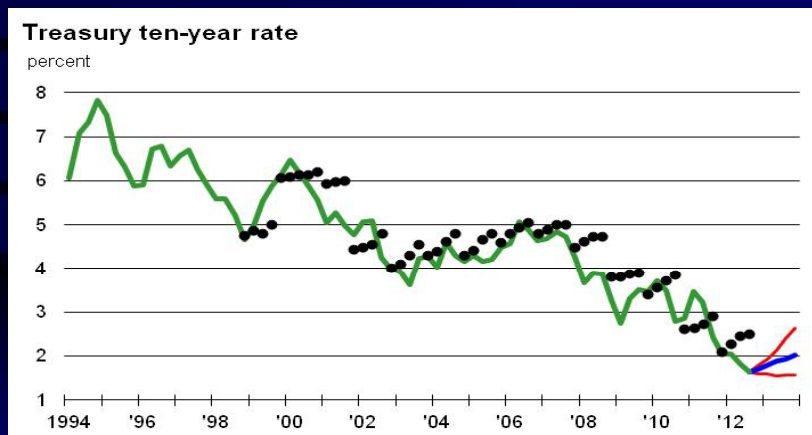
millions of units



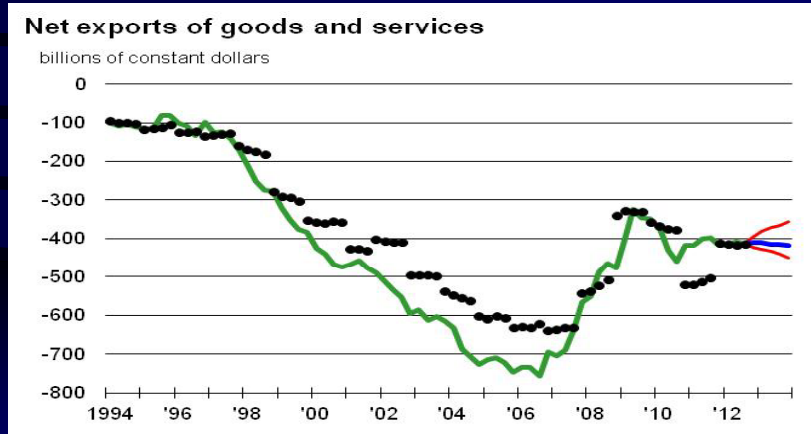
After rising by a forecasted 13.6% in 2012, residential investment is expected to rise by a strong 9.4% in 2013



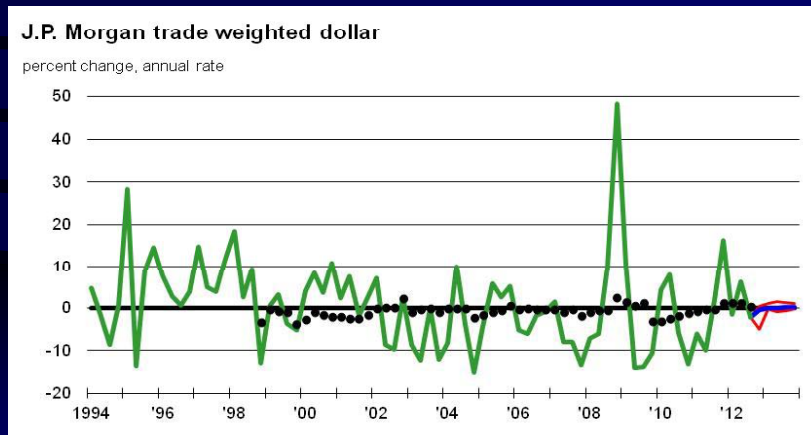
Ten-year interest rates are expected to increase modestly, rising 32 basis points in 2013



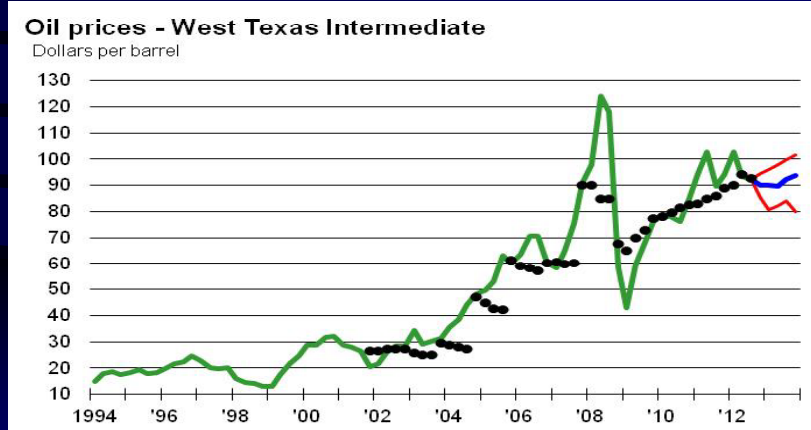
The trade balance is forecast to remain relatively unchanged



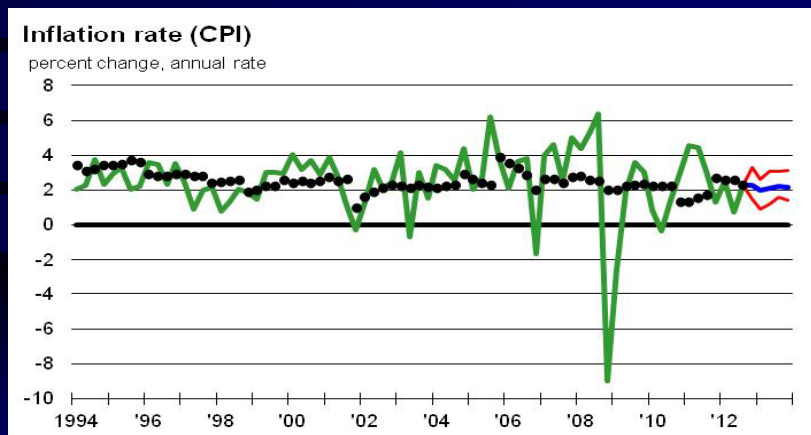
The dollar is forecast to remain unchanged



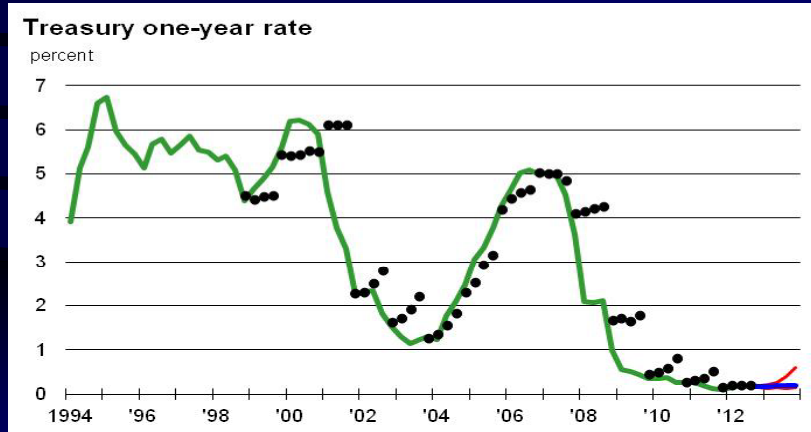
**Oil prices are predicted to rise moderately,
averaging \$93.75 per barrel by the end of 2013**



Inflation is forecast to tick up to 2.1% next year



Short-term interest rates are predicted to remain low



Summary

- The economy is forecast to rise at a pace slightly above trend in 2013
- The unemployment rate will edge lower next year
- Inflation is anticipated to increase at roughly the same rate as in 2012
- Manufacturing growth is expected to improve
- Light vehicle sales are forecast to rise to 15.0 million units
- Housing starts are predicted to increase to 950,000 units
- www.chicagofed.org