Consensus Forecast 2013 and 2014

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Review of past performance
Once again, GDP growth was slightly lower than the consensus.
The unemployment rate was accurately predicted.
Inflation was lower than forecast
Perhaps in part because oil prices came in lower than expected.
The general path for car and light truck sales were accurately predicted.
Consumer spending was close to forecast
Business investment growth was somewhat slower than expected.
Business inventories grew at a slightly slower pace than expected.
Industrial production growth was close to what was expected.
Government spending was quite a bit lower than predicted.
The trade deficit accurately forecast
While more volatile, the movement of the dollar was close to what was expected.
Housing starts improved at a faster pace than forecast
Residential investment rose at a faster pace than predicted.
Perhaps in part due to long-term interest rates coming in lower than expected.
Short-term interest rates were expected to remain very low, and they did.
Forecast for 2013 and 2014
<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP, current dollars*</td>
<td>3.5%</td>
<td>3.8%</td>
<td>4.7%</td>
</tr>
<tr>
<td>GDP price index, chain-type*</td>
<td>1.8%</td>
<td>1.3%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Real GDP, chained dollars*</td>
<td>1.7%</td>
<td>2.3%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Personal consumption expenditures*</td>
<td>1.8%</td>
<td>2.7%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Business fixed investment*</td>
<td>5.5%</td>
<td>3.5%</td>
<td>4.6%</td>
</tr>
<tr>
<td>Residential investment*</td>
<td>14.9%</td>
<td>13.9%</td>
<td>15.1%</td>
</tr>
<tr>
<td>Change in private inventories (billions of constant dollars)**</td>
<td>$13.3</td>
<td>$50.0</td>
<td>$42.0</td>
</tr>
<tr>
<td>Net exports of goods and services (billions of constant dollars)**</td>
<td>-$384.7</td>
<td>-$408.0</td>
<td>-$417.8</td>
</tr>
<tr>
<td>Government consumption expenditures and gross investment*</td>
<td>-1.8%</td>
<td>-2.0%</td>
<td>0.1%</td>
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</tbody>
</table>

* Q4 over Q4
** Q4 value
## Median forecast of GDP and related items

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<table>
<thead>
<tr>
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<th>2012</th>
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<th>2014</th>
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<tbody>
<tr>
<td><strong>Industrial production</strong>*</td>
<td>2.8%</td>
<td>3.2%</td>
<td>2.9%</td>
</tr>
<tr>
<td><strong>Car &amp; light truck sales (millions - calendar year including imports)</strong></td>
<td>14.4</td>
<td>15.3</td>
<td>15.8</td>
</tr>
<tr>
<td><strong>Housing starts (millions)</strong></td>
<td>0.78</td>
<td>1.02</td>
<td>1.17</td>
</tr>
<tr>
<td><strong>Oil price (dollars per barrel of West Texas Intermediate)</strong> **</td>
<td>$88.16</td>
<td>$92.96</td>
<td>$93.50</td>
</tr>
<tr>
<td><strong>Unemployment rate</strong> **</td>
<td>7.8%</td>
<td>7.3%</td>
<td>6.9%</td>
</tr>
<tr>
<td><strong>Inflation rate (consumer price index)</strong> *</td>
<td>1.9%</td>
<td>1.8%</td>
<td>2.0%</td>
</tr>
<tr>
<td><strong>Treasury constant maturity 1-year rate</strong> **</td>
<td>0.17%</td>
<td>0.17%</td>
<td>0.30%</td>
</tr>
<tr>
<td><strong>Treasury constant maturity 10-year rate</strong> **</td>
<td>1.71%</td>
<td>2.00%</td>
<td>2.47%</td>
</tr>
<tr>
<td><strong>J.P. Morgan trade weighted OECD dollar</strong> *</td>
<td>-0.5%</td>
<td>0.4%</td>
<td>0.5%</td>
</tr>
</tbody>
</table>

* Q4 over Q4

** Q4 value
Real GDP growth is forecast to rise at a rate that is close to trend this year and somewhat above trend in 2014.
The unemployment rate is forecast to edge down to 7.3% at the end of this year and to 6.9% by the end of next year.
Oil prices are expected to remain relatively flat, although at an elevated level.
Inflation is anticipated to remain restrained at 1.8% this year and 2.0% in 2014.
Short-term interest rates are forecast to remain very low, edging up 20 basis points in the second half of 2014.
Light vehicle sales are forecast to continue improving, coming in at 15.3 million units this year and 15.8 million units in 2014.
Consumption growth is expected to rise at a moderate pace.
Housing starts are expected to continue to rise at a moderate pace
Residential investment is forecast to continue to rise at a strong pace through next year.
Long-term interest rates are forecast to rise by 29 basis points in 2013 and then rise by 47 basis points in 2014.
Business spending is anticipated to rise 3.5% in 2013 and then rise 4.6% 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 pace close to its historical rate through next year.
Government purchases is forecast to move lower this year, decreasing by 2.0% and remain relatively unchanged in 2014.
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.
Summary

• The economy is forecast to rise at a pace around potential in 2013 and somewhat above trend in 2014.

• The unemployment rate is expected to gradually improve falling to 7.3% at the end of this year and 6.9% at the end of next year.

• Inflation is expected to come in at 1.8% in 2013 and 2.0% next year.

• Light vehicle sales are forecast to be 15.3 million units this year and then improve to 15.8 million in 2014.

• www.chicagofed.org