Consensus Forecast for 2014

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Review of past performance
The growth in real GDP was weaker than initially forecast.
The unemployment rate came in a bit lower than predicted.
Business fixed investment was more volatile than forecast, but relatively accurate.
Inventories built up at a faster rate than anticipated
Industrial production was initially a bit stronger than predicted.
Consumer spending predictions were fairly accurate compared with actual expenditures.
However, light vehicle sales were stronger than predicted
Housing starts were accurately forecast through the first half of the year.
But residential investment increased at a more robust pace than anticipated.
Longer-term interest rates were accurately forecast until the third quarter of this year.
The balance of trade was forecast perfectly to remain flat.
The dollar was predicted to remain unchanged, but it increased 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 to remain low.
Forecast for 2014
### Median forecast of GDP and related items

(page 1 in the Consensus Forecast book)

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP, current dollars*</td>
<td>3.8%</td>
<td>3.3%</td>
<td>4.3%</td>
</tr>
<tr>
<td>GDP price index, chain-type*</td>
<td>1.8%</td>
<td>1.3%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Real GDP, chained dollars*</td>
<td>2.0%</td>
<td>2.0%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Personal consumption expenditures*</td>
<td>2.0%</td>
<td>2.0%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Business fixed investment*</td>
<td>5.0%</td>
<td>1.3%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Residential investment*</td>
<td>15.5%</td>
<td>12.1%</td>
<td>13.8%</td>
</tr>
<tr>
<td>Change in private inventories (billions of constant dollars)**</td>
<td>$7.3</td>
<td>-$28.5</td>
<td>$0.0</td>
</tr>
<tr>
<td>Net exports of goods and services (billions of constant dollars)**</td>
<td>-$412.1</td>
<td>-$408.7</td>
<td>-$416.7</td>
</tr>
<tr>
<td>Government consumption expenditures and gross investment*</td>
<td>-1.1%</td>
<td>-1.5%</td>
<td>0.0%</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>2012</th>
<th>2013</th>
<th>2014</th>
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<tbody>
<tr>
<td>Industrial production*</td>
<td>2.8%</td>
<td>2.5%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Car &amp; light truck sales (millions - calendar year including imports)***</td>
<td>14.4</td>
<td>15.5</td>
<td>16.0</td>
</tr>
<tr>
<td>Housing starts (millions)***</td>
<td>0.78</td>
<td>0.91</td>
<td>1.07</td>
</tr>
<tr>
<td>Oil price (dollars per barrel of West Texas Intermediate)**</td>
<td>$88.16</td>
<td>$97.60</td>
<td>$96.00</td>
</tr>
<tr>
<td>Unemployment rate**</td>
<td>7.8%</td>
<td>7.2%</td>
<td>6.8%</td>
</tr>
<tr>
<td>Inflation rate (consumer price index)*</td>
<td>1.9%</td>
<td>1.5%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Treasury constant maturity one-year rate**</td>
<td>0.17%</td>
<td>0.13%</td>
<td>0.20%</td>
</tr>
<tr>
<td>Treasury constant maturity ten-year rate**</td>
<td>1.71%</td>
<td>2.67%</td>
<td>3.03%</td>
</tr>
<tr>
<td>J.P. Morgan trade weighted OECD dollar*</td>
<td>-0.5%</td>
<td>1.5%</td>
<td>1.0%</td>
</tr>
</tbody>
</table>

* Q4 over Q4
** Q4 value
*** Yearly average
Real GDP growth is expected to increase by 2.7% next year.
The unemployment rate is projected to edge lower, reaching 6.8% in the final quarter of next year.
Business fixed investment growth is forecast to increase to 3.7% over the coming year.
Inventories are anticipated to remain unchanged in 2014.
Industrial output is forecast to increase 2.7% next year.
Consumer spending growth is expected to improve to 2.5% next year.
Vehicle sales are forecast to continue moving higher with sales of 16.0 million units next year.
Housing starts are forecast to continue increasing, rising to 1,067,000 starts.
Residential investment is expected to rise by a strong 13.8% in 2014
Ten-year interest rates are expected to increase slightly, rising 36 basis points next year.
The trade balance is forecast to remain relatively unchanged.
The dollar is forecast to remain relatively unchanged in 2014.
Oil prices are predicted to edge lower, averaging $96.00 per barrel by the end of 2014
Inflation is forecast to tick up to 1.7% next year.
Short-term interest rates are predicted to remain low.
Summary

• The economy is forecast to rise at a pace somewhat above trend in 2043

• The unemployment rate will edge lower next year

• Inflation is anticipated to increase at roughly the same rate as in 2013

• Manufacturing growth is expected to improve at a moderate pace

• Light vehicle sales are forecast to rise to 16.0 million units

• Housing starts are predicted to increase to 1,067,000 units

• www.chicagofed.org