

27TH ANNUAL
ECONOMIC
OUTLOOK
SYMPOSIUM



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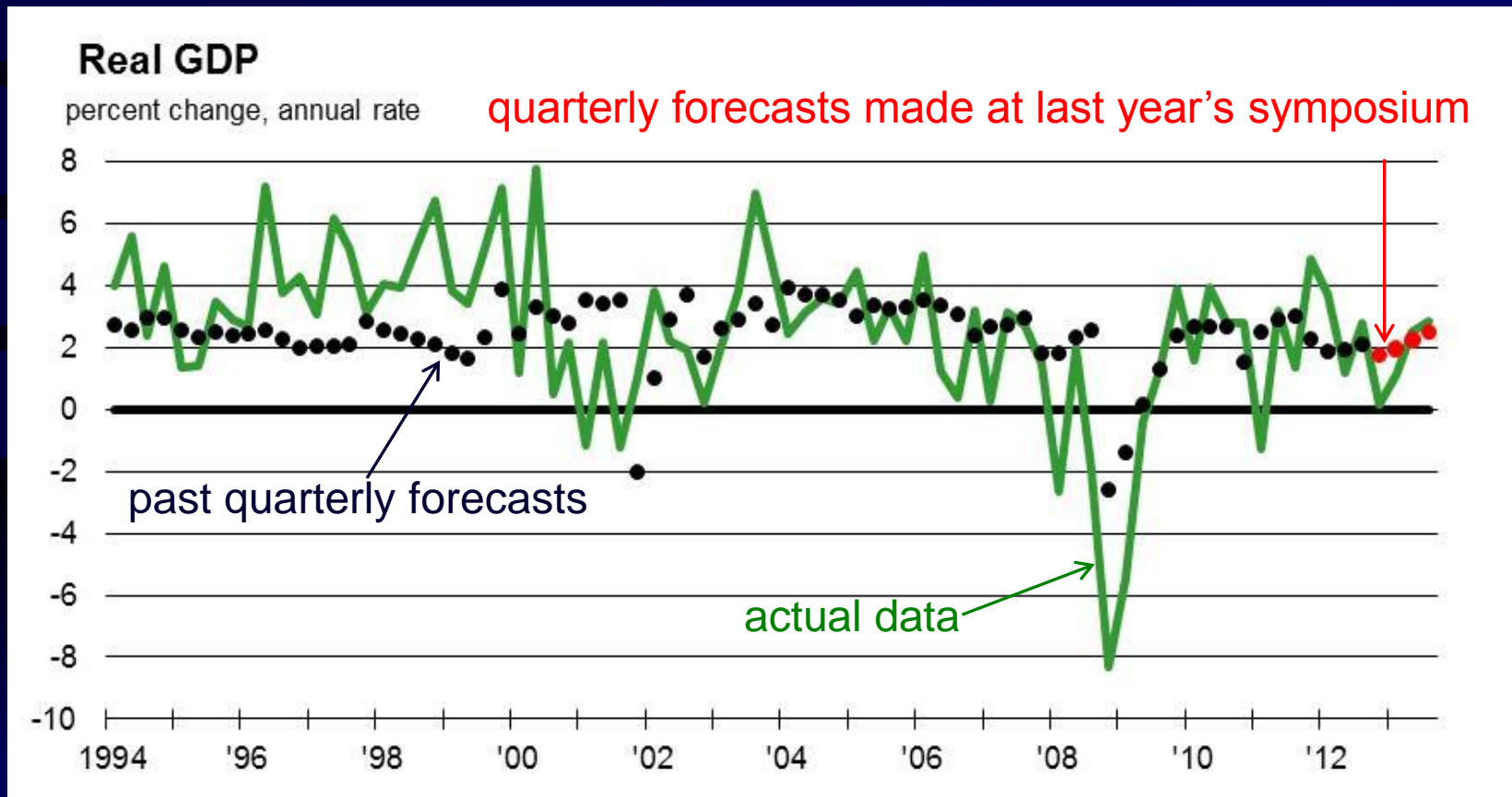
Consensus Forecast for 2014

William Strauss

Senior Economist and Economic Advisor
Federal Reserve Bank of Chicago

Review of past performance

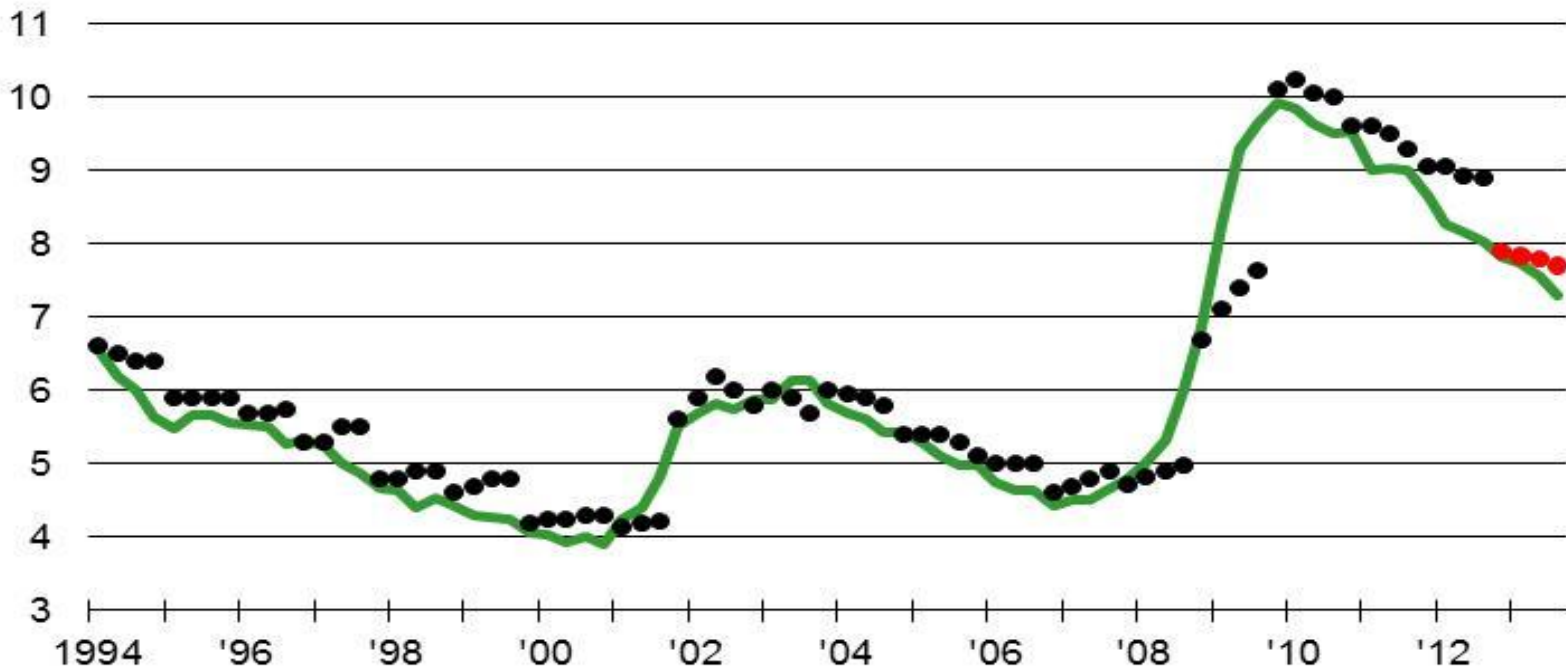
The growth in real GDP was weaker than initially forecast



The unemployment rate came in a bit lower than predicted

Unemployment rate

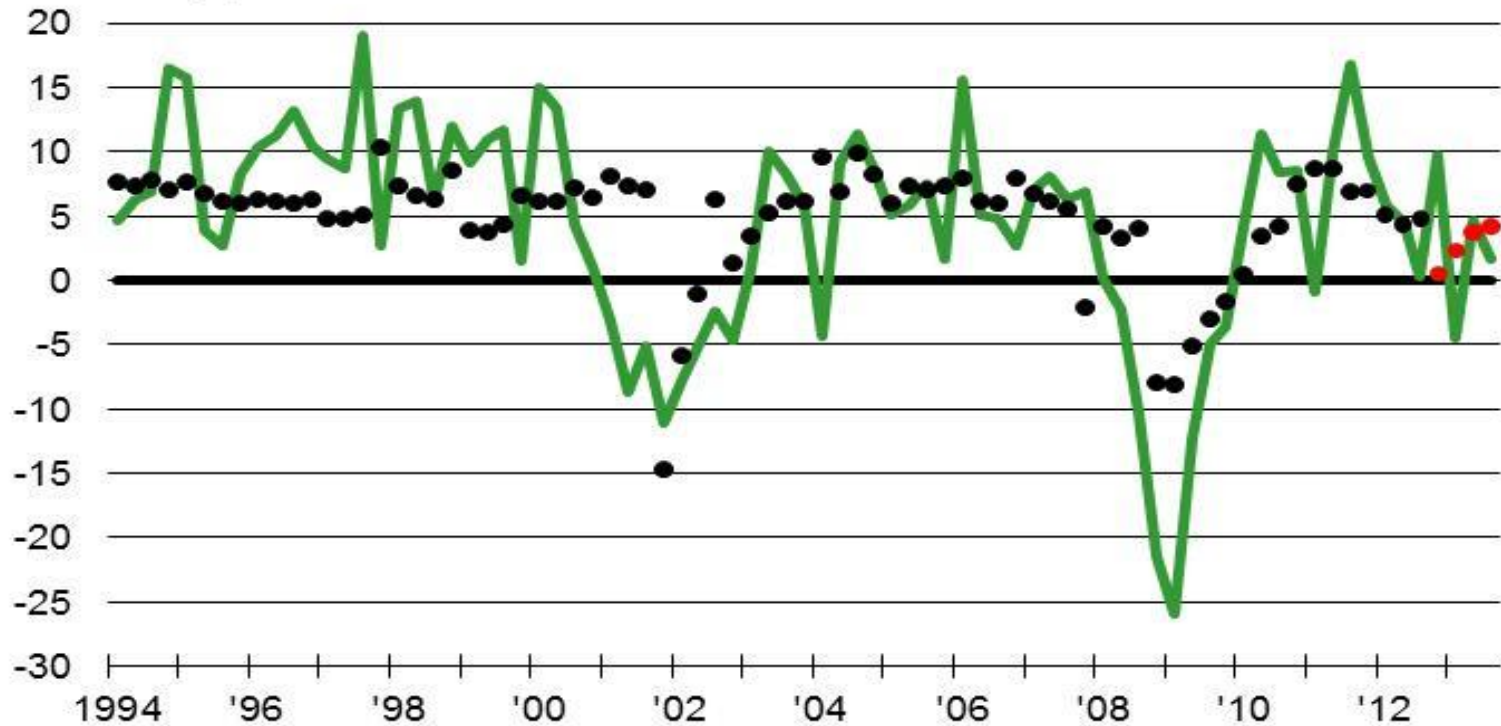
percent



Business fixed investment was more volatile than forecast, but relatively accurate

Business fixed investment

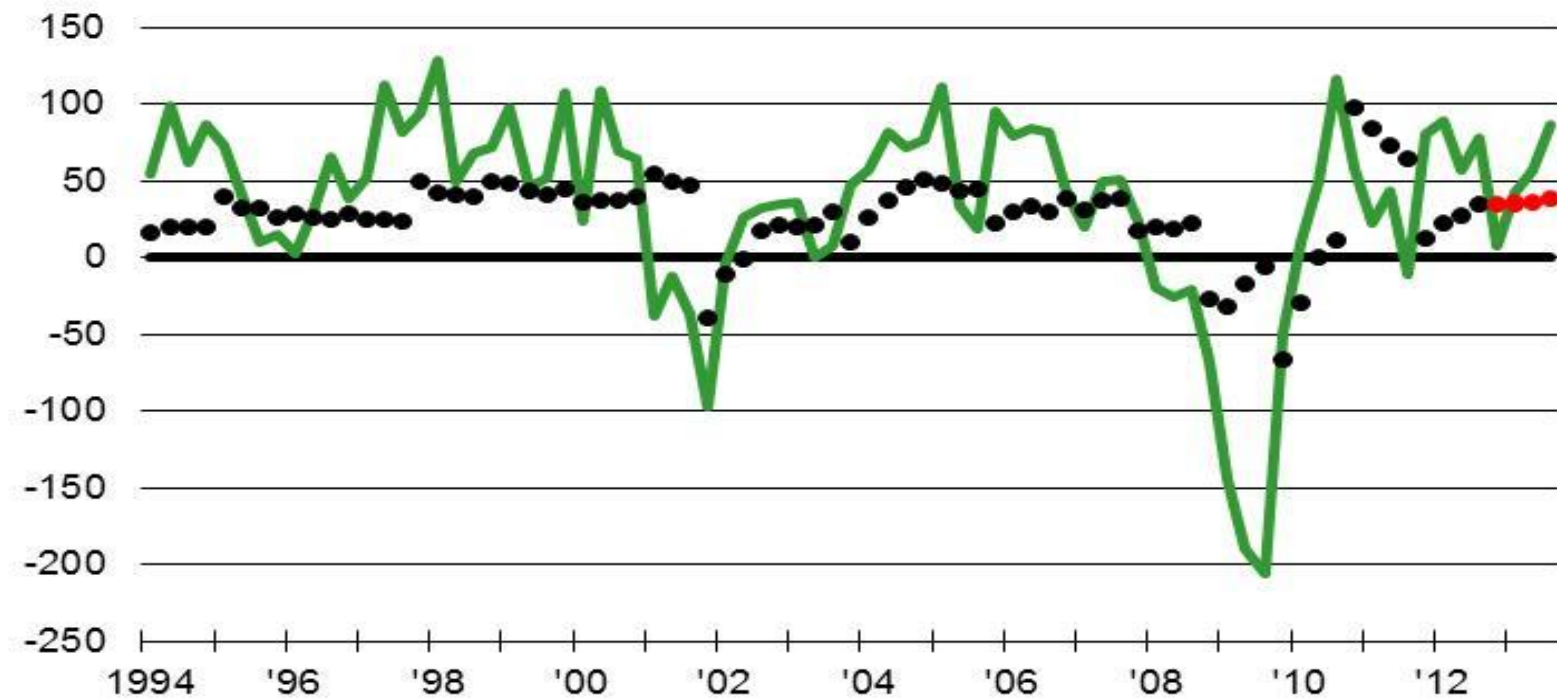
percent change, annual rate



Inventories built up at a faster rate than anticipated

Change in private inventories

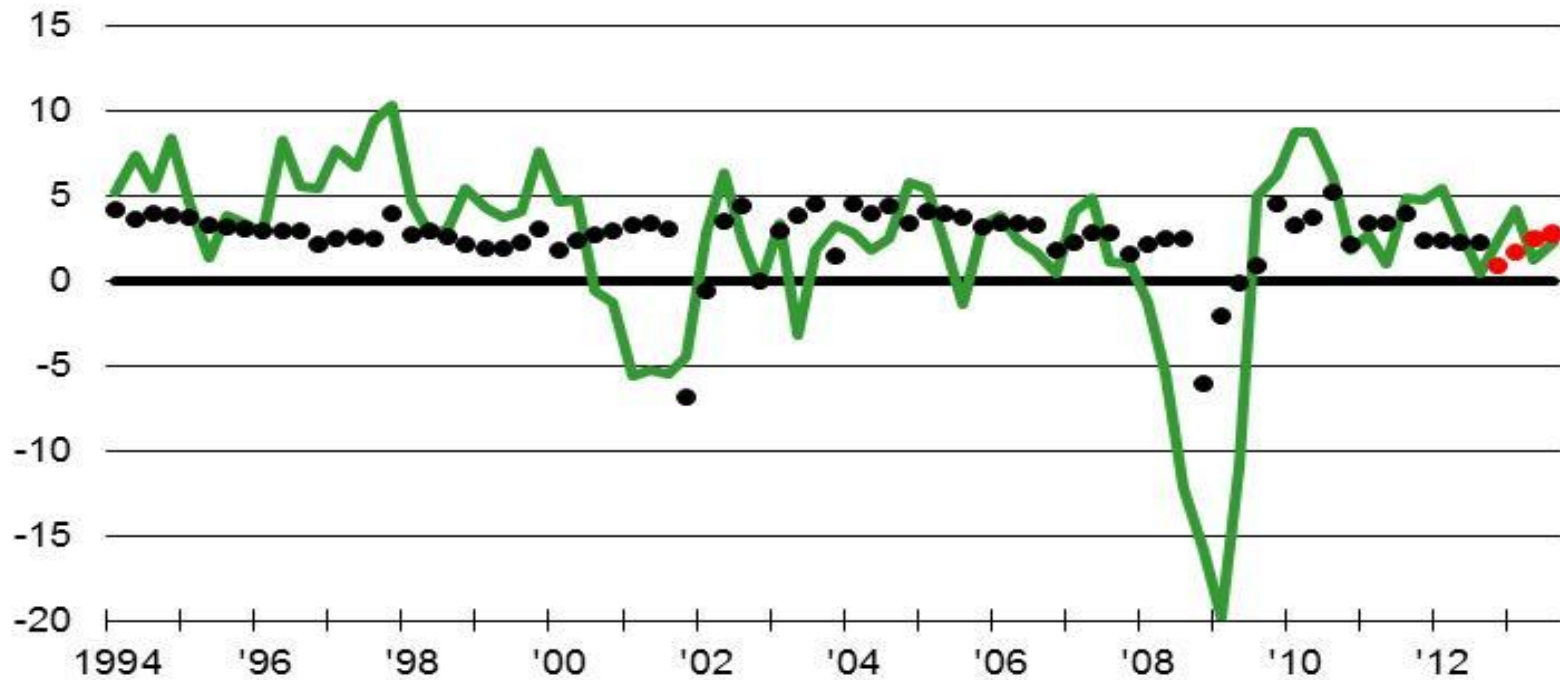
billions of constant dollars



Industrial production was initially a bit stronger than predicted

Industrial production

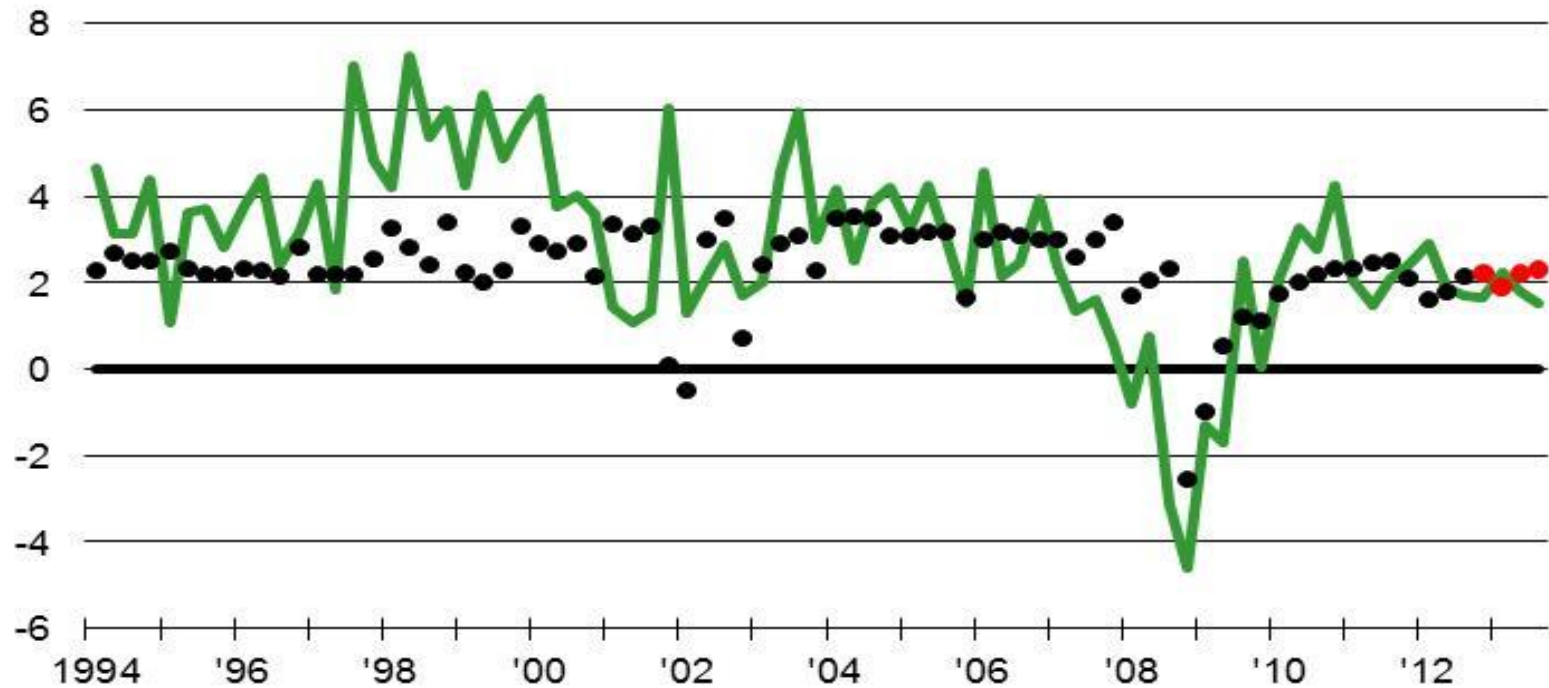
percent change, annual rate



Consumer spending predictions were fairly accurate compared with actual expenditures

Personal consumption expenditures

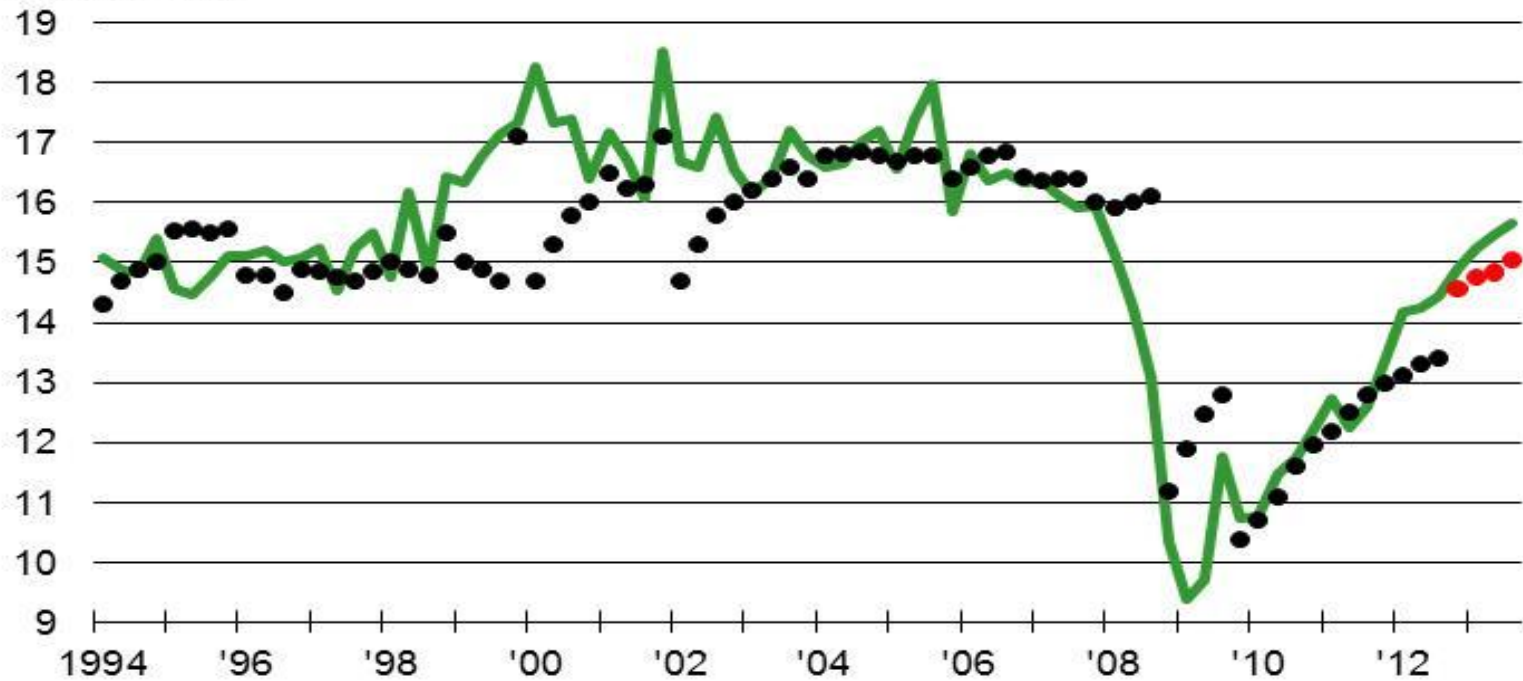
percent change, annual rate



However, light vehicle sales were stronger than predicted

Car and light truck sales

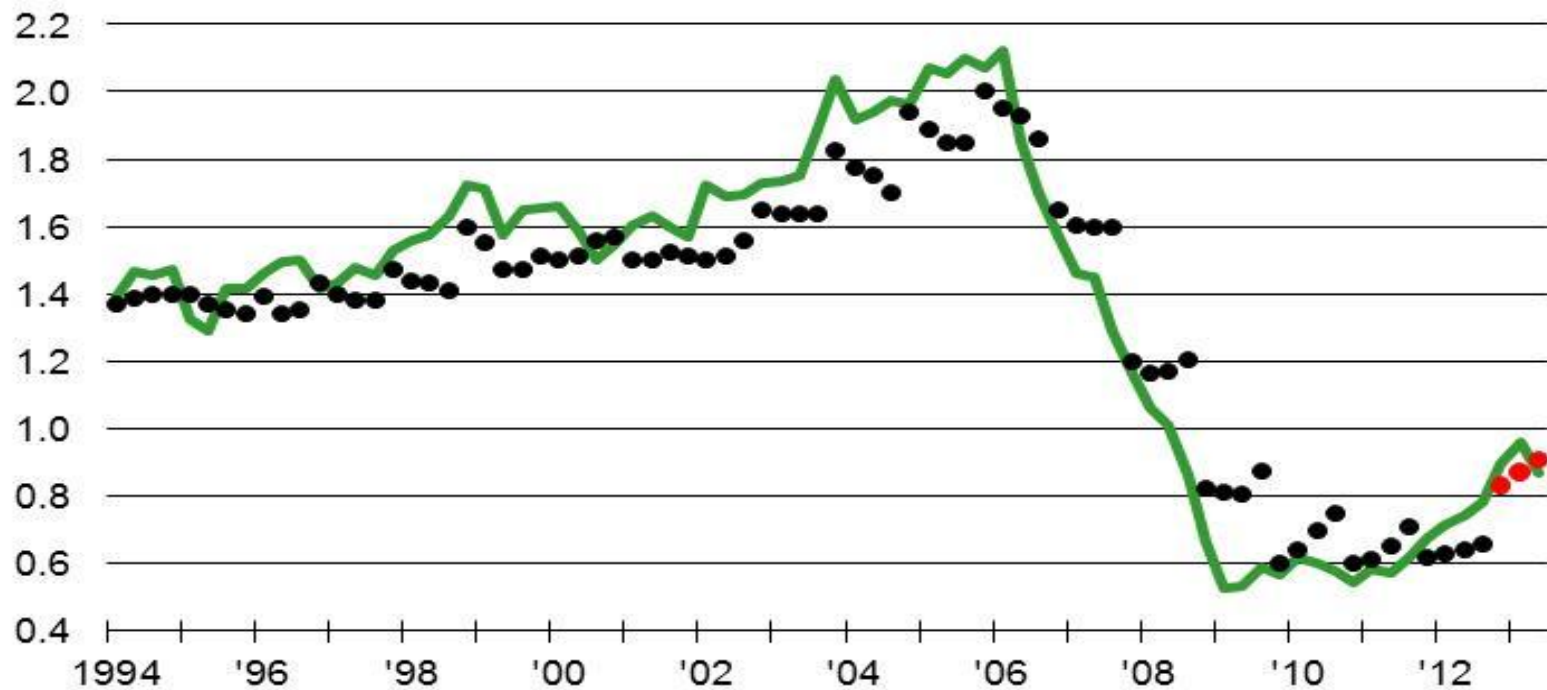
millions of units



Housing starts were accurately forecast through the first half of the year

Housing starts

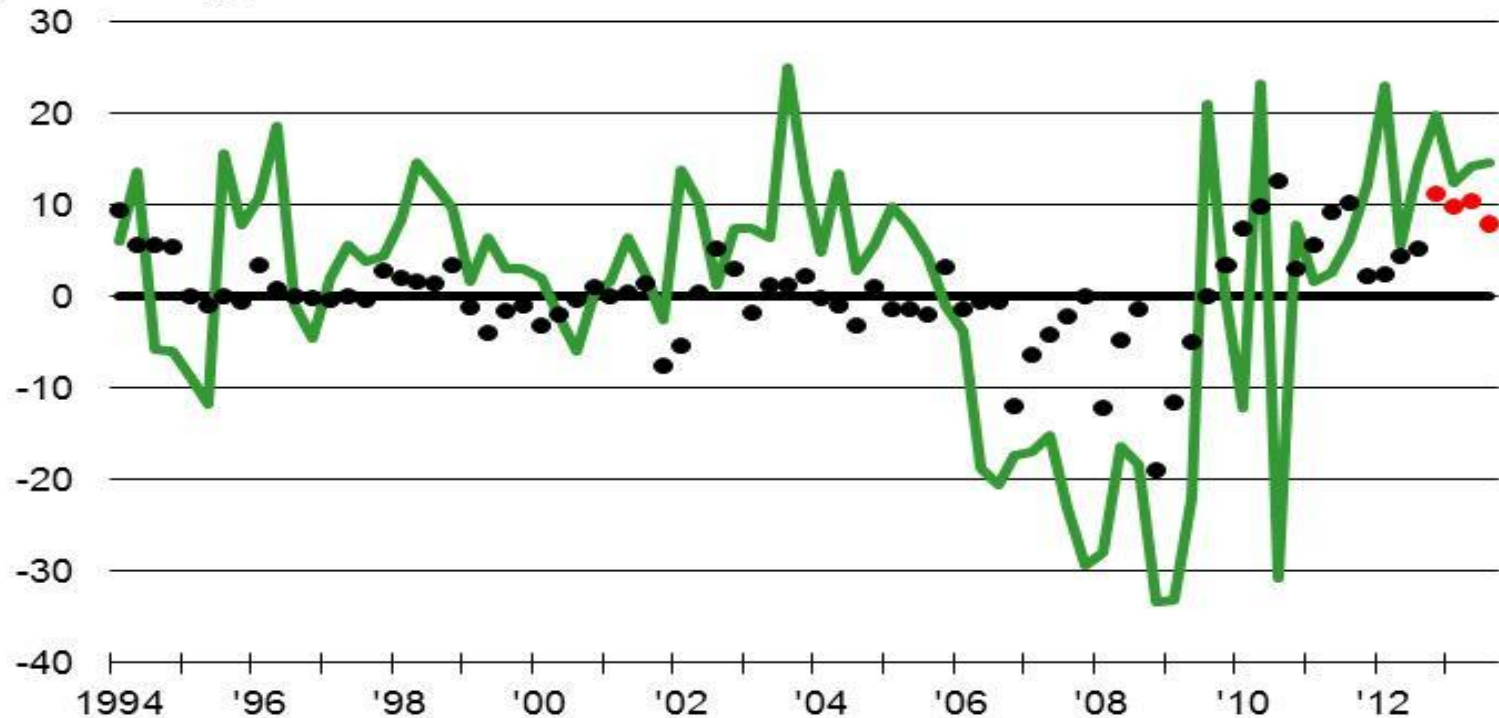
millions of units



**But residential investment increased
at a more robust pace than anticipated**

Residential investment

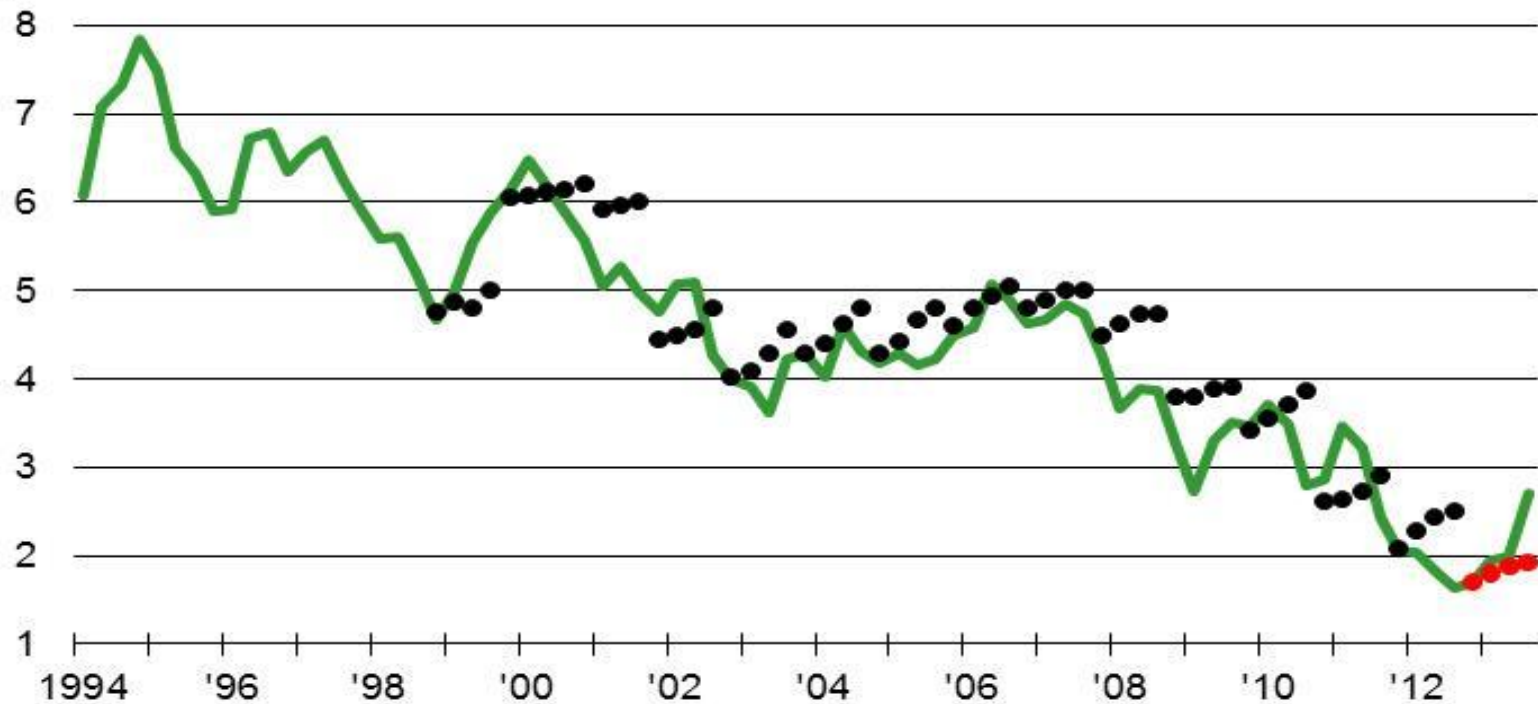
percent change, annual rate



Longer-term interest rates were accurately forecast until the third quarter of this year

Treasury ten-year rate

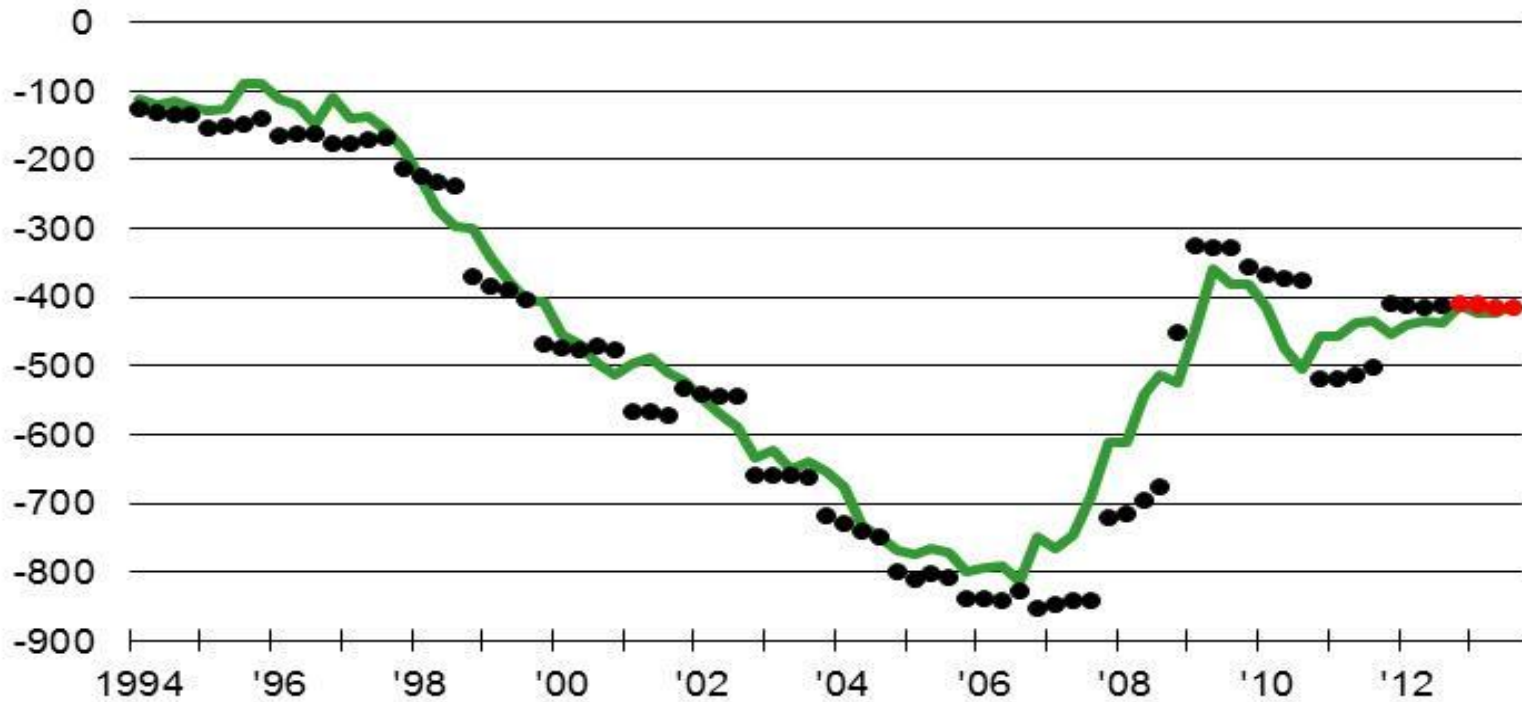
percent



The balance of trade was forecast perfectly to remain flat

Net exports of goods and services

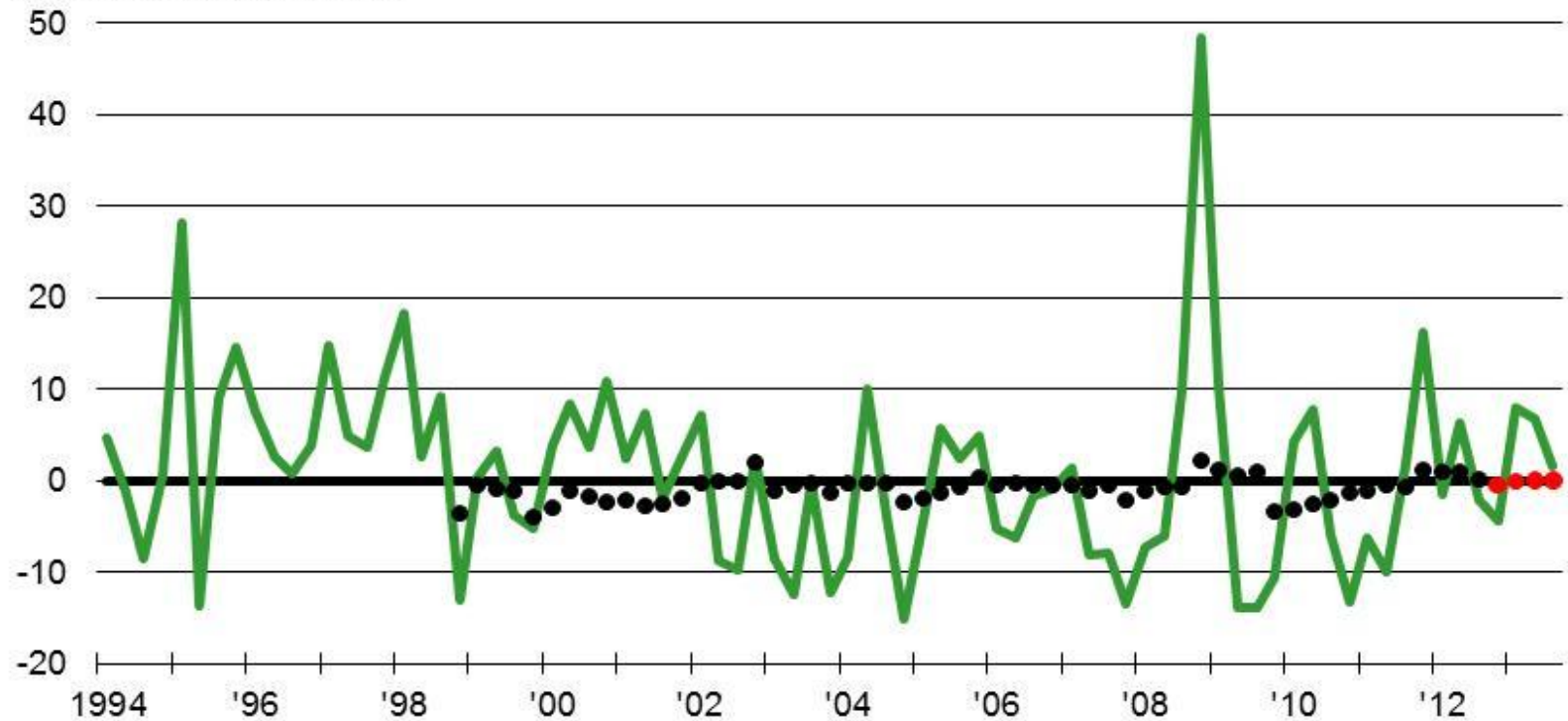
billions of constant dollars



The dollar was predicted to remain unchanged, but it increased at a more pronounced rate

J.P. Morgan trade weighted dollar

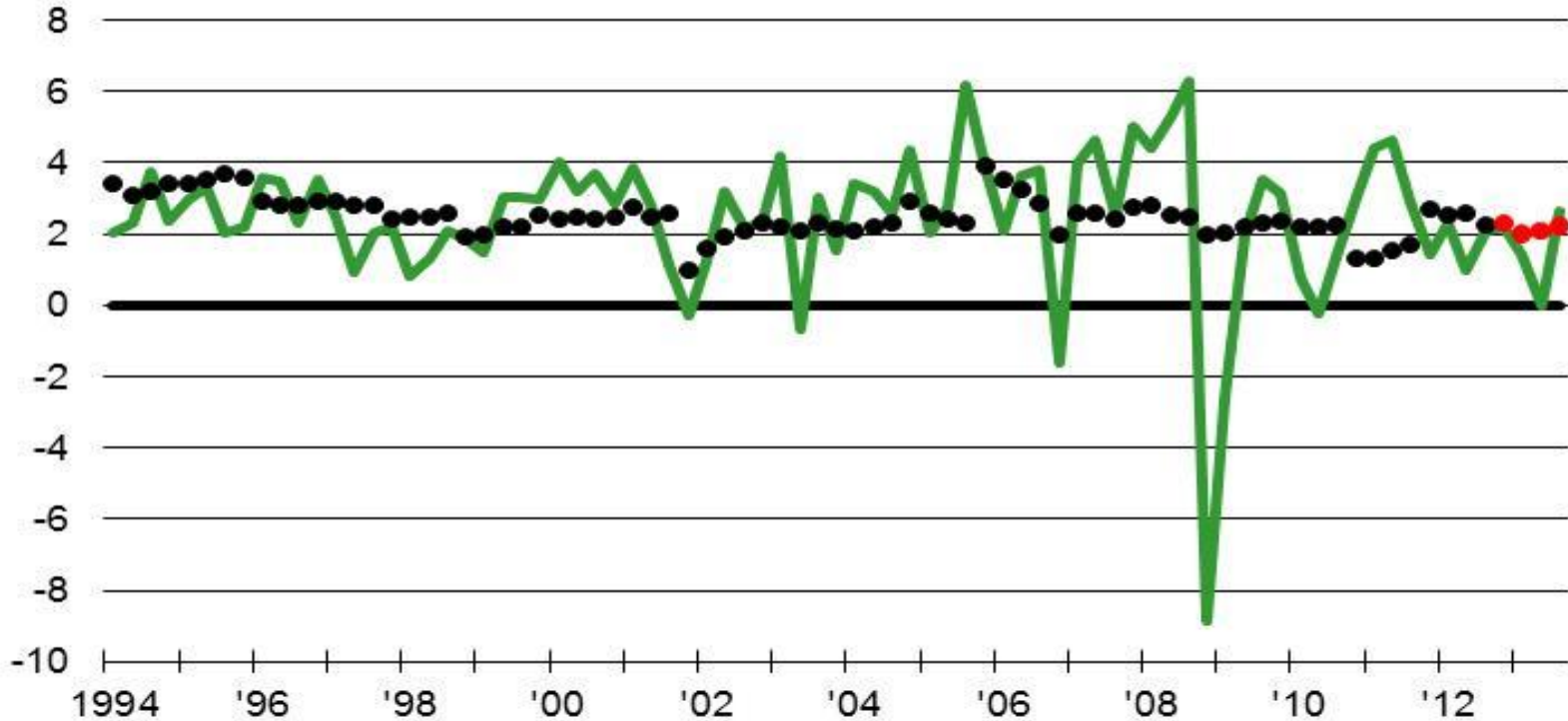
percent change, annual rate



Inflation came in lower than forecast

Inflation rate (CPI)

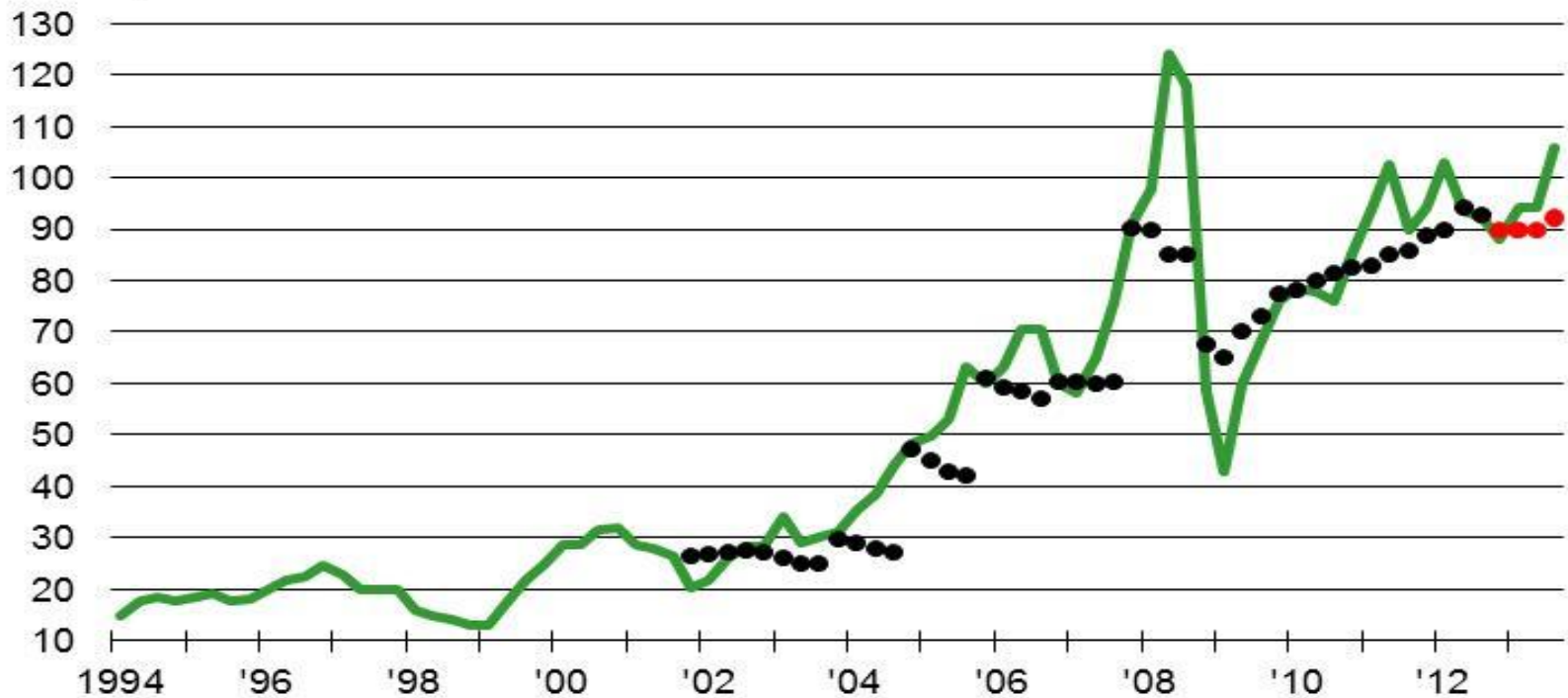
percent change, annual rate



Even though oil prices were higher than was expected

Oil prices - West Texas Intermediate

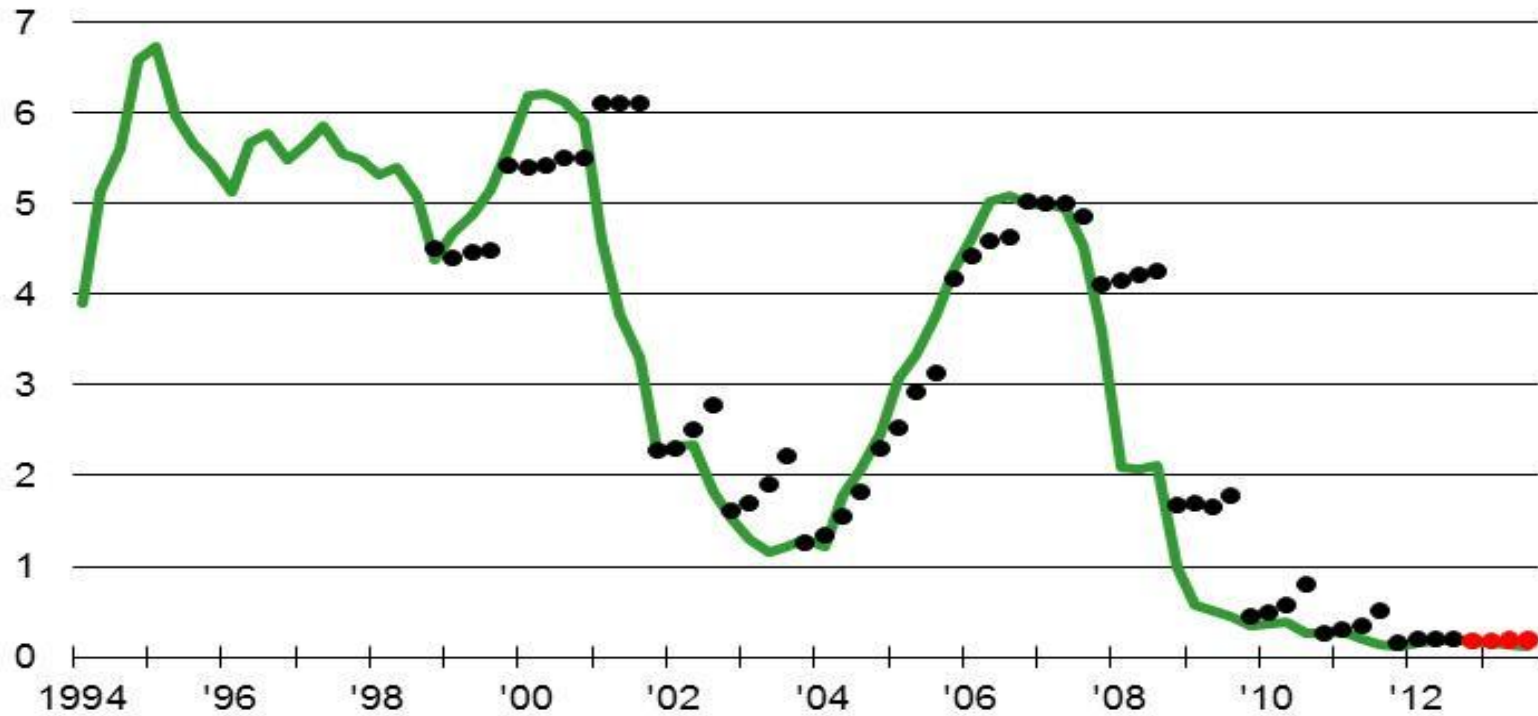
Dollars per barrel



Short-term interest rates were accurately forecast to remain low

Treasury one-year rate

percent



Forecast for 2014

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

	2012	2013	2014
GDP, current dollars*	3.8%	3.3%	4.3%
GDP price index, chain-type*	1.8%	1.3%	1.6%
Real GDP, chained dollars*	2.0%	2.0%	2.7%
Personal consumption expenditures*	2.0%	2.0%	2.5%
Business fixed investment*	5.0%	1.3%	3.7%
Residential investment*	15.5%	12.1%	13.8%
Change in private inventories (billions of constant dollars)**	\$7.3	-\$28.5	\$0.0
Net exports of goods and services (billions of constant dollars)**	-\$412.1	-\$408.7	-\$416.7
Government consumption expenditures and gross investment*	-1.1%	-1.5%	0.0%

* Q4 over Q4

** Q4 value

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

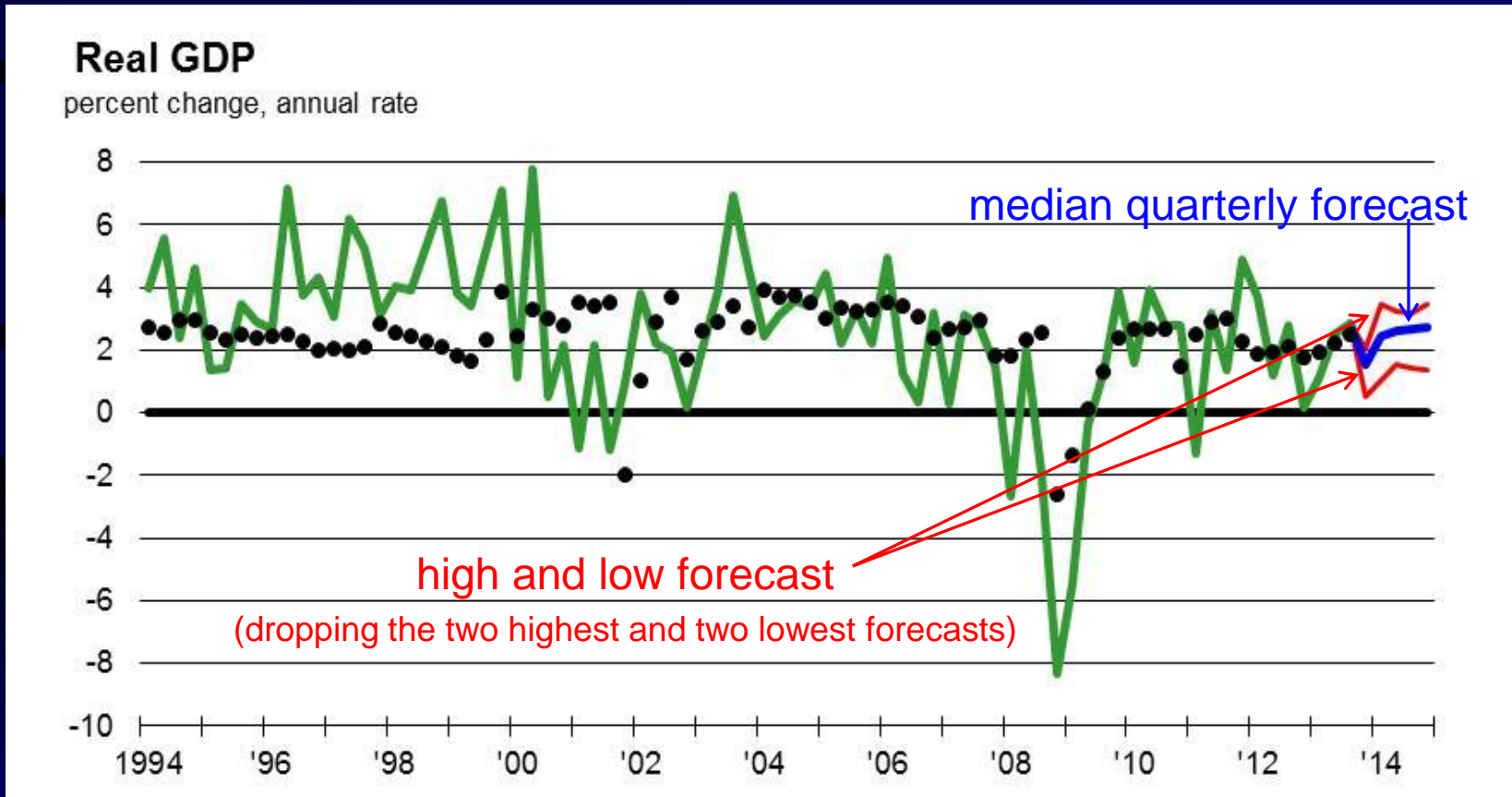
	2012	2013	2014
Industrial production*	2.8%	2.5%	2.7%
Car & light truck sales (millions - calendar year including imports)***	14.4	15.5	16.0
Housing starts (millions)***	0.78	0.91	1.07
Oil price (dollars per barrel of West Texas Intermediate)**	\$88.16	\$97.60	\$96.00
Unemployment rate**	7.8%	7.2%	6.8%
Inflation rate (consumer price index)*	1.9%	1.5%	1.7%
Treasury constant maturity one-year rate**	0.17%	0.13%	0.20%
Treasury constant maturity ten-year rate**	1.71%	2.67%	3.03%
J.P. Morgan trade weighted OECD dollar*	-0.5%	1.5%	1.0%

* Q4 over Q4

** Q4 value

*** Yearly average

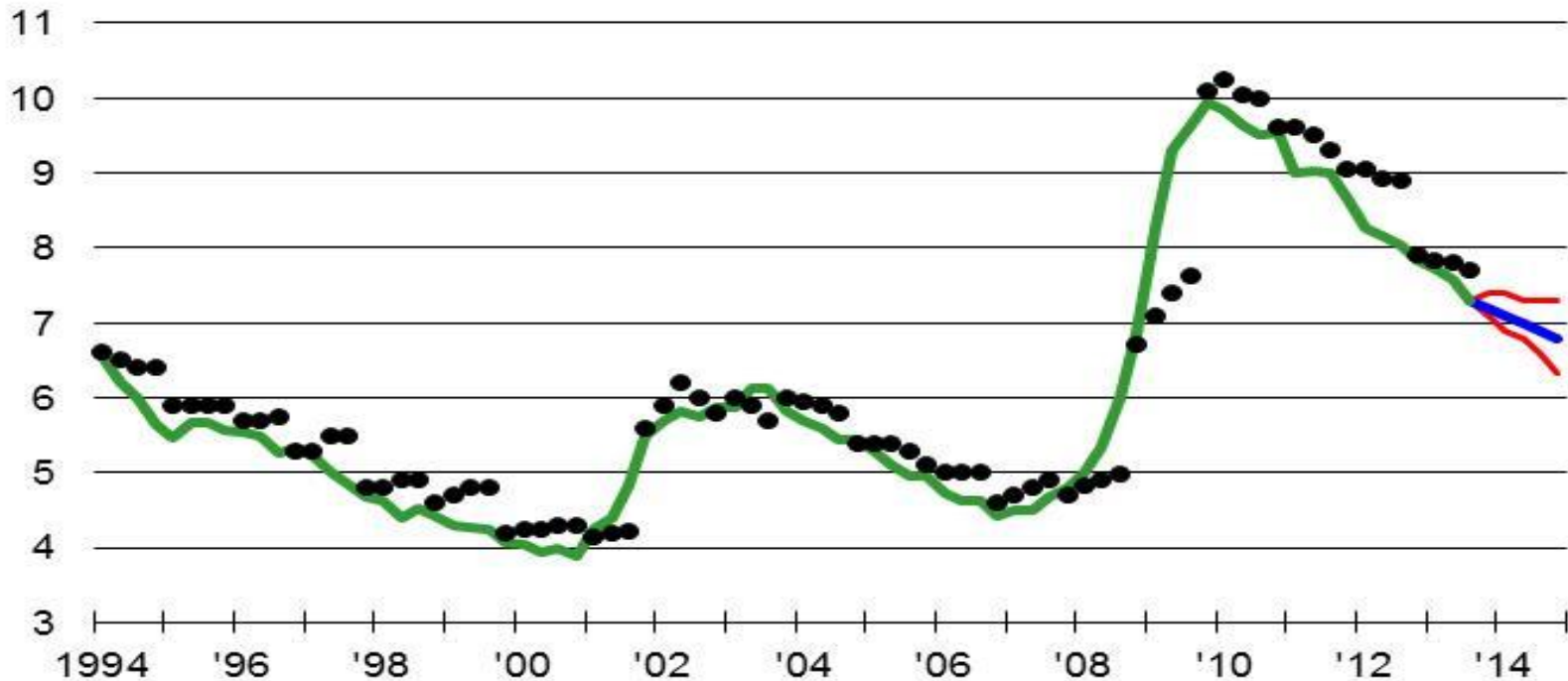
Real GDP growth is expected to increase by 2.7% next year



The unemployment rate is projected to edge lower, reaching 6.8% in the final quarter of next year

Unemployment rate

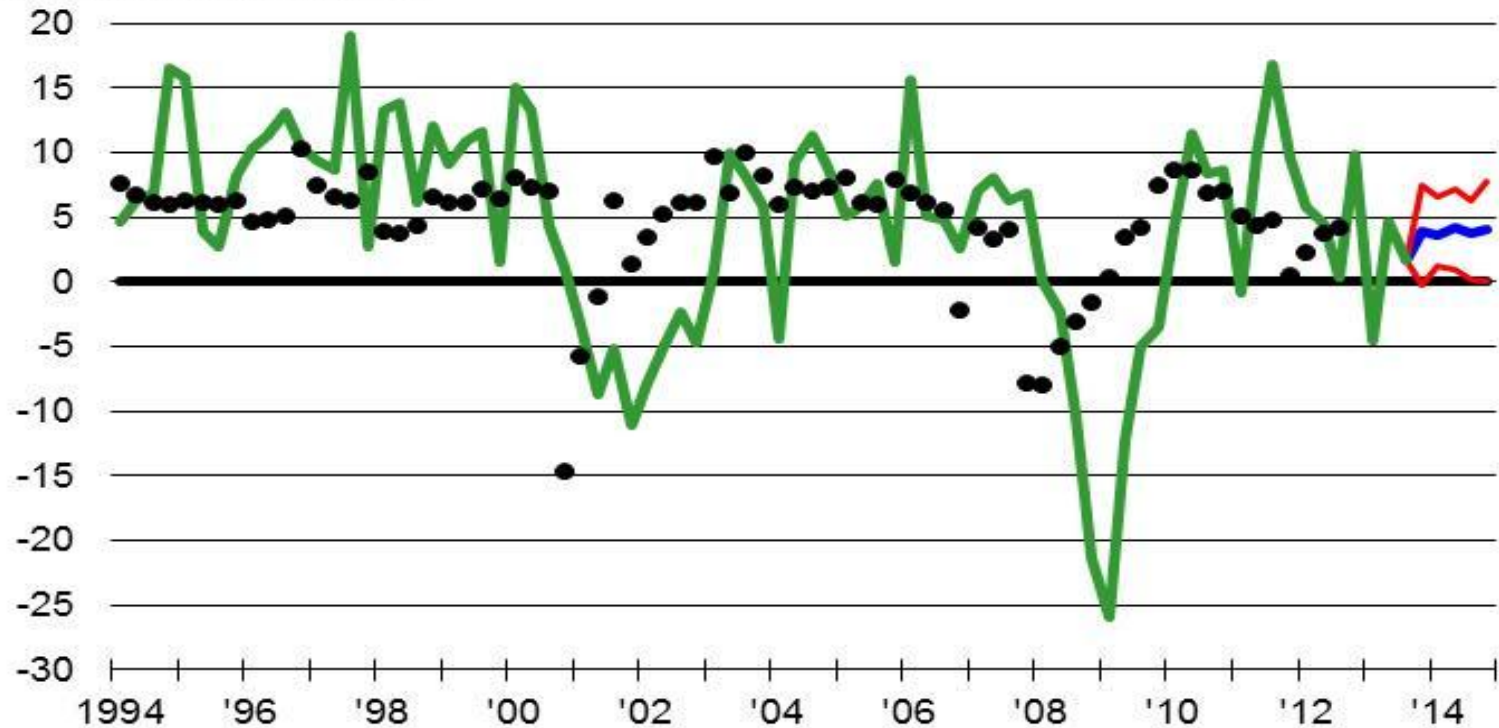
percent



Business fixed investment growth is forecast to increase to 3.7% over the coming year

Business fixed investment

percent change, annual rate



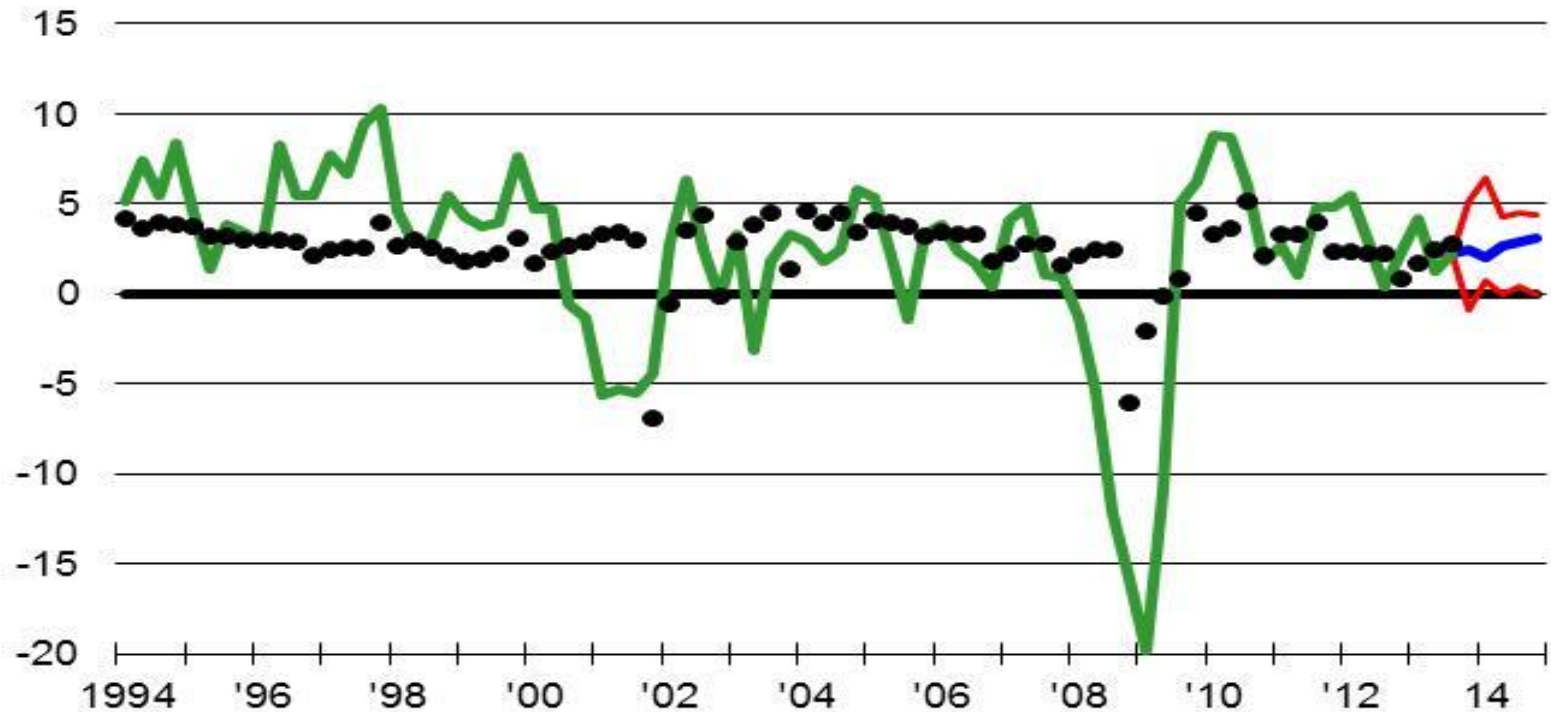
Inventories are anticipated to remain unchanged in 2014



Industrial output is forecast to increase 2.7% next year

Industrial production

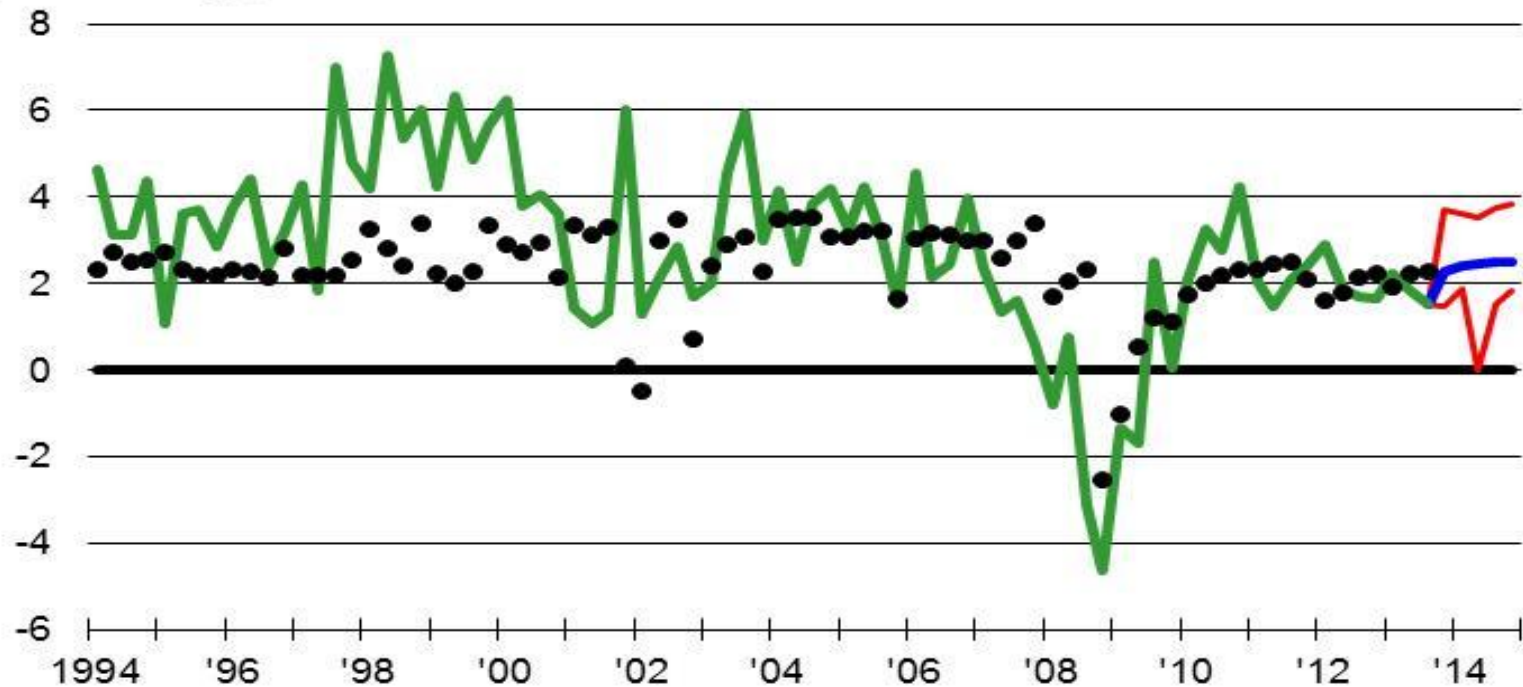
percent change, annual rate



Consumer spending growth is expected to improve to 2.5% next year

Personal consumption expenditures

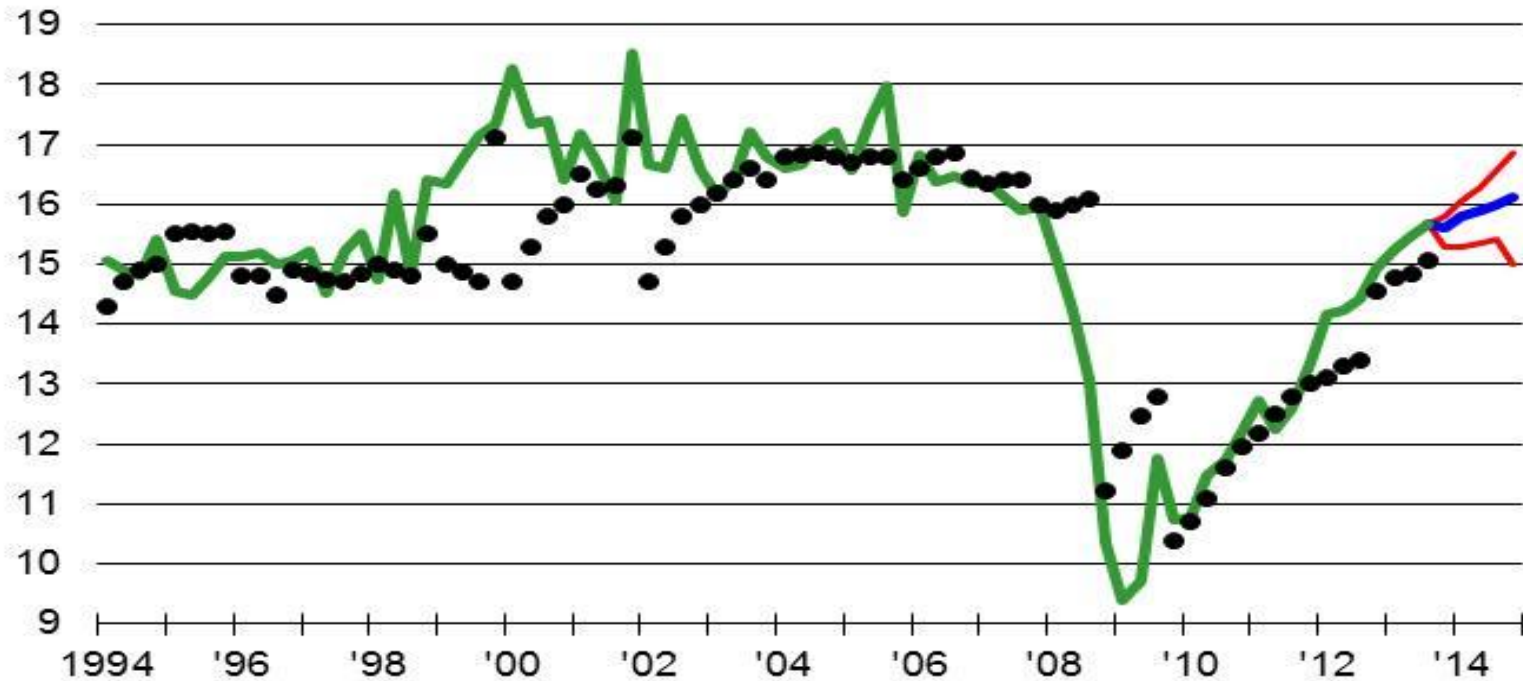
percent change, annual rate



Vehicle sales are forecast to continue moving higher with sales of 16.0 million units next year

Car and light truck sales

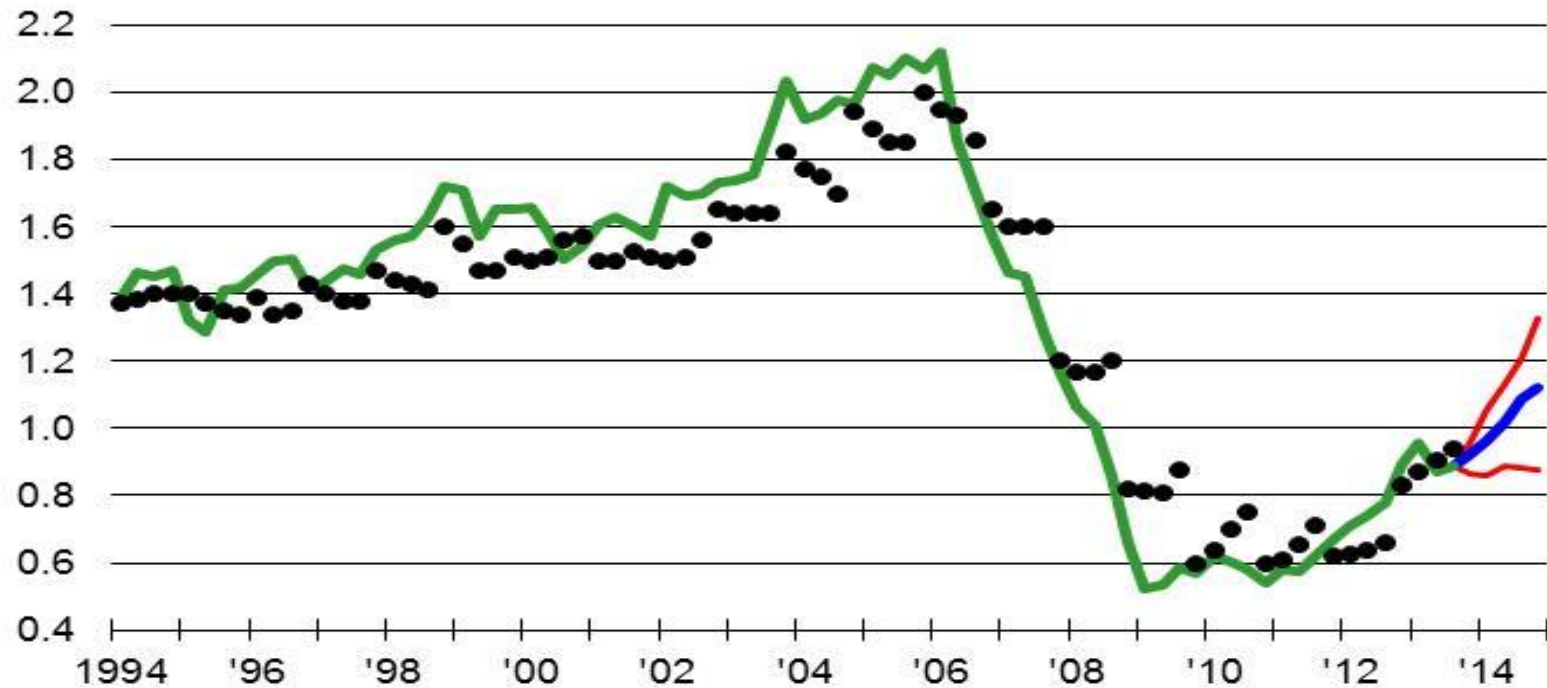
millions of units



Housing starts are forecast continue increasing, rising to 1,067,000 starts

Housing starts

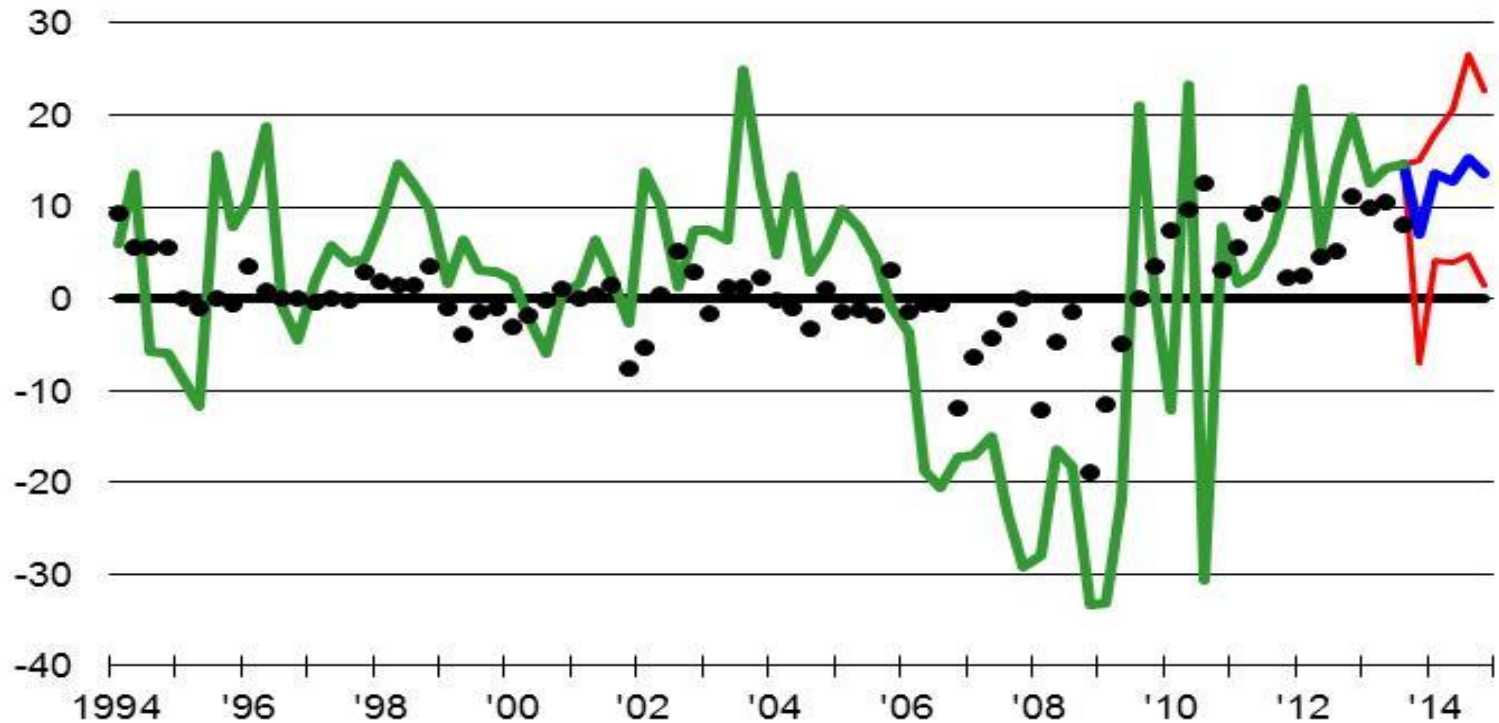
millions of units



Residential investment is expected to rise by a strong 13.8% in 2014

Residential investment

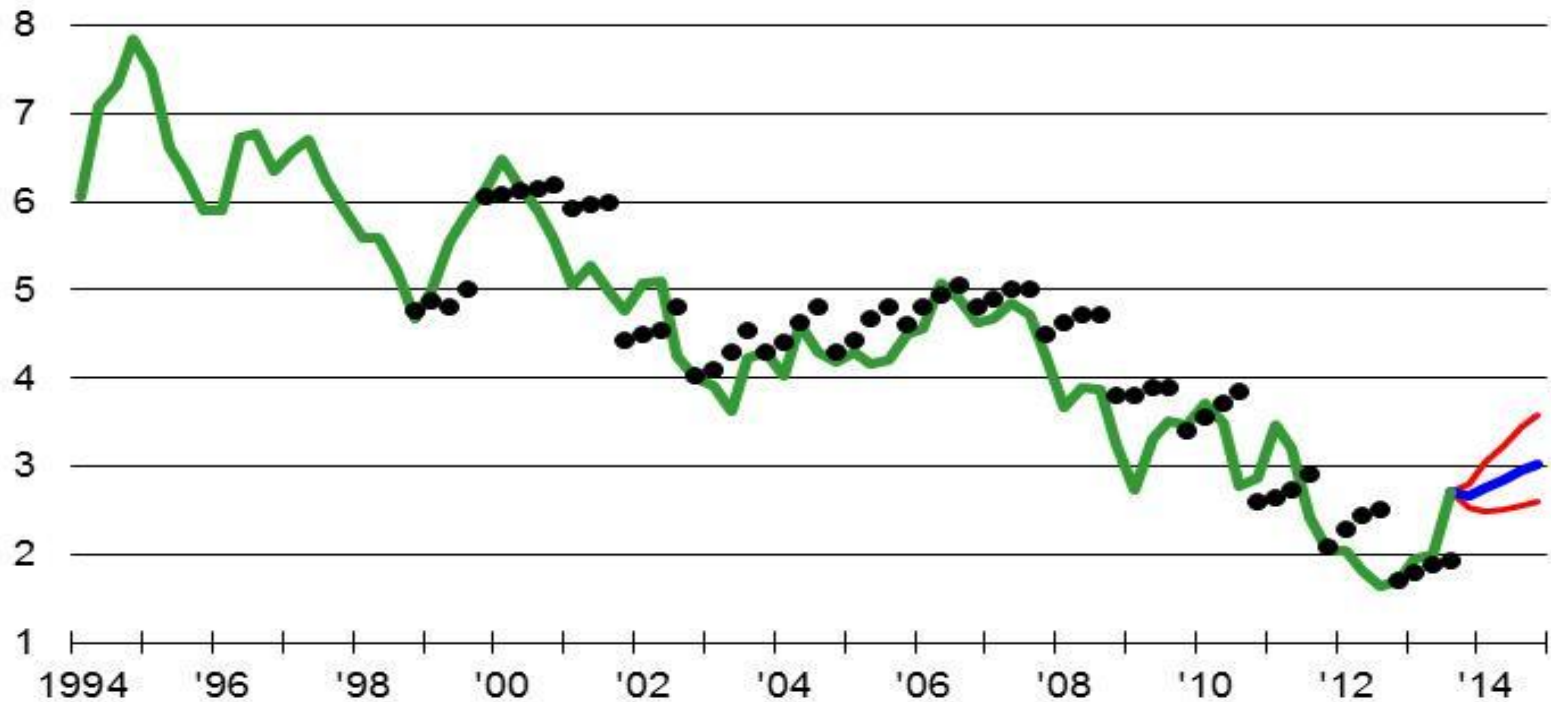
percent change, annual rate



Ten-year interest rates are expected to increase slightly, rising 36 basis points next year

Treasury ten-year rate

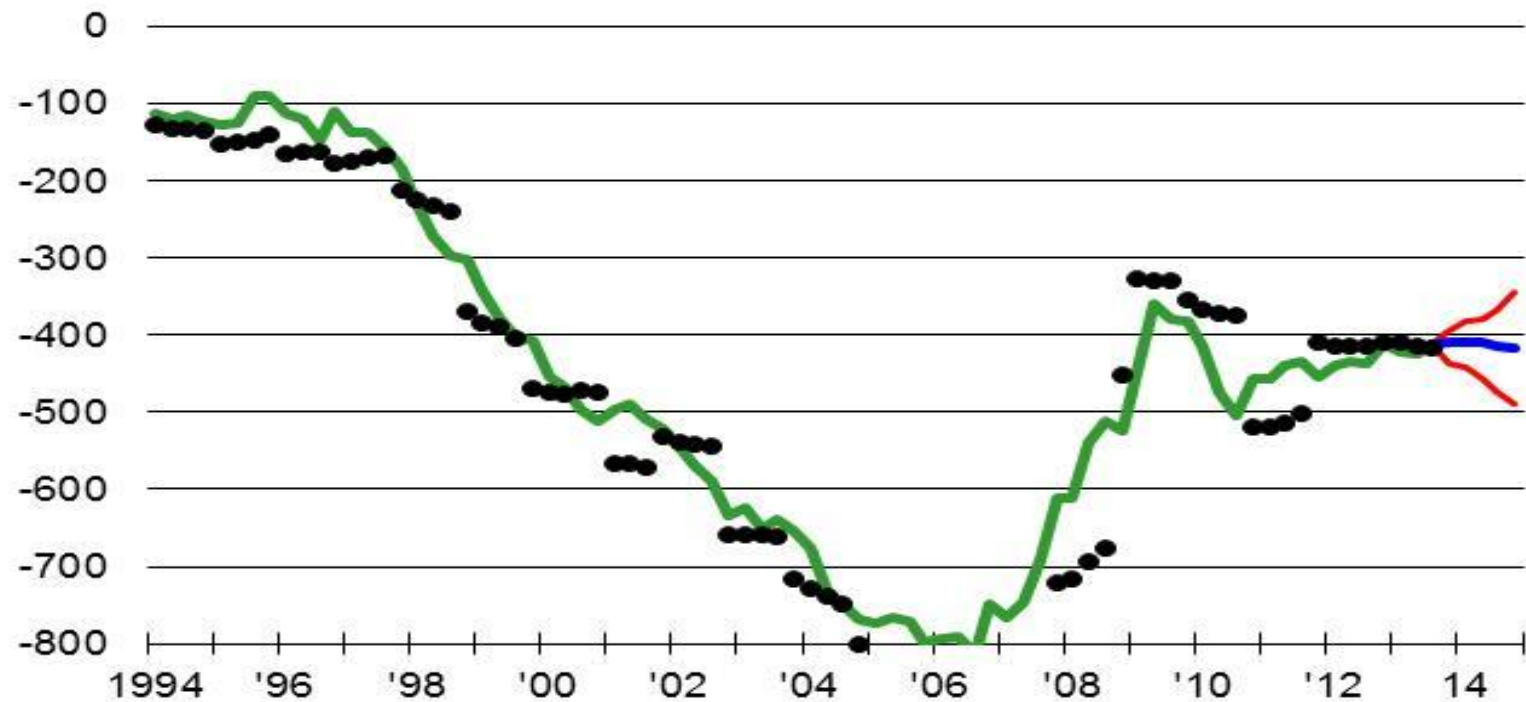
percent



The trade balance is forecast to remain relatively unchanged

Net exports of goods and services

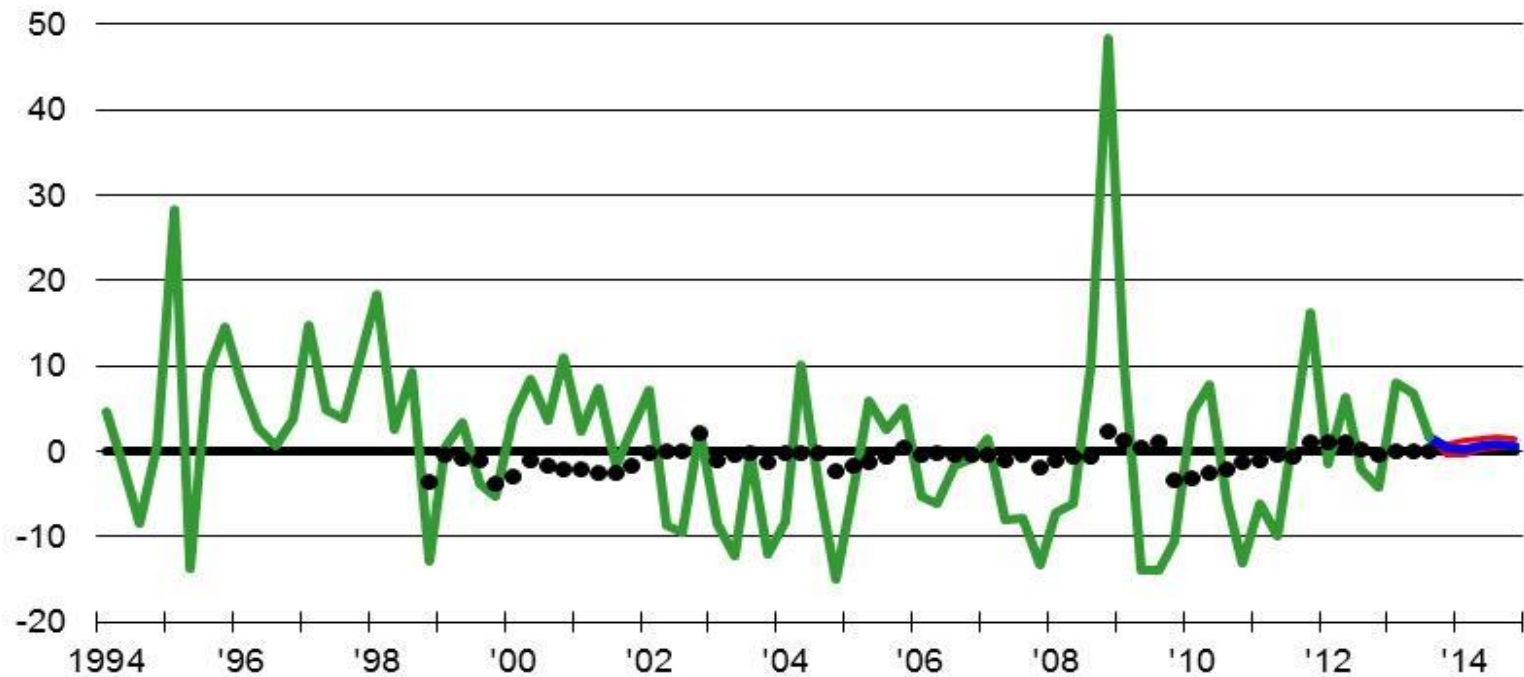
billions of constant dollars



The dollar is forecast to remain relatively unchanged in 2014

J.P. Morgan trade weighted dollar

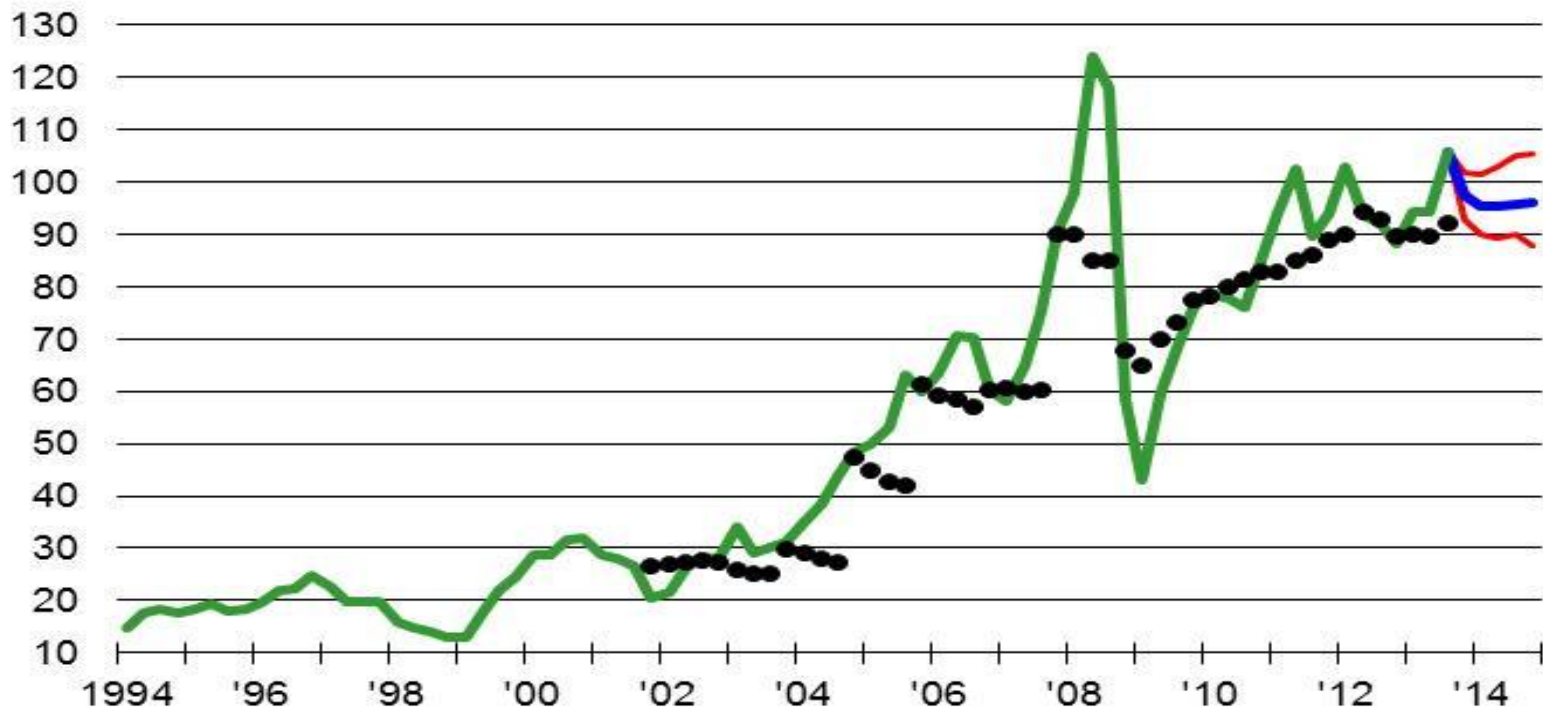
percent change, annual rate



**Oil prices are predicted to edge lower,
averaging \$96.00 per barrel by the end of 2014**

Oil prices - West Texas Intermediate

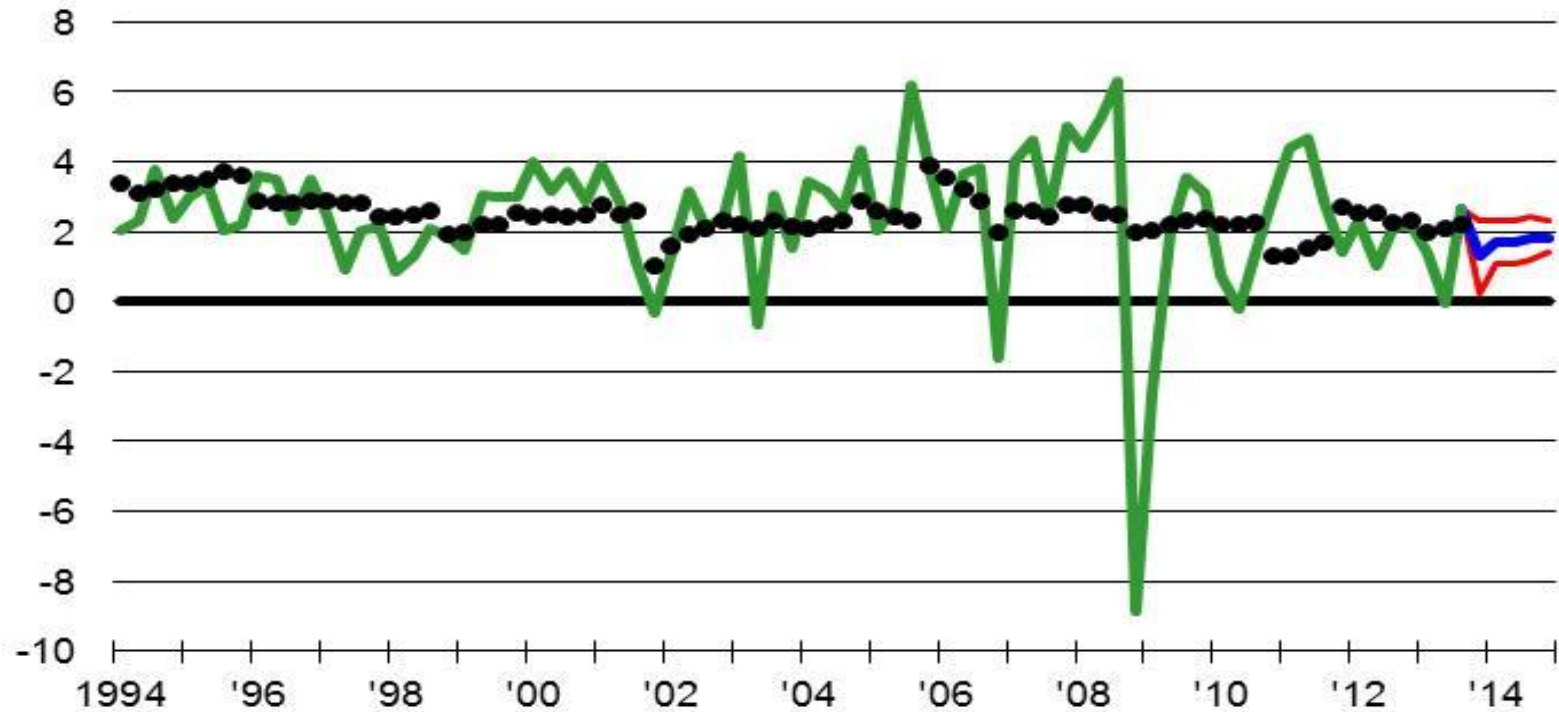
Dollars per barrel



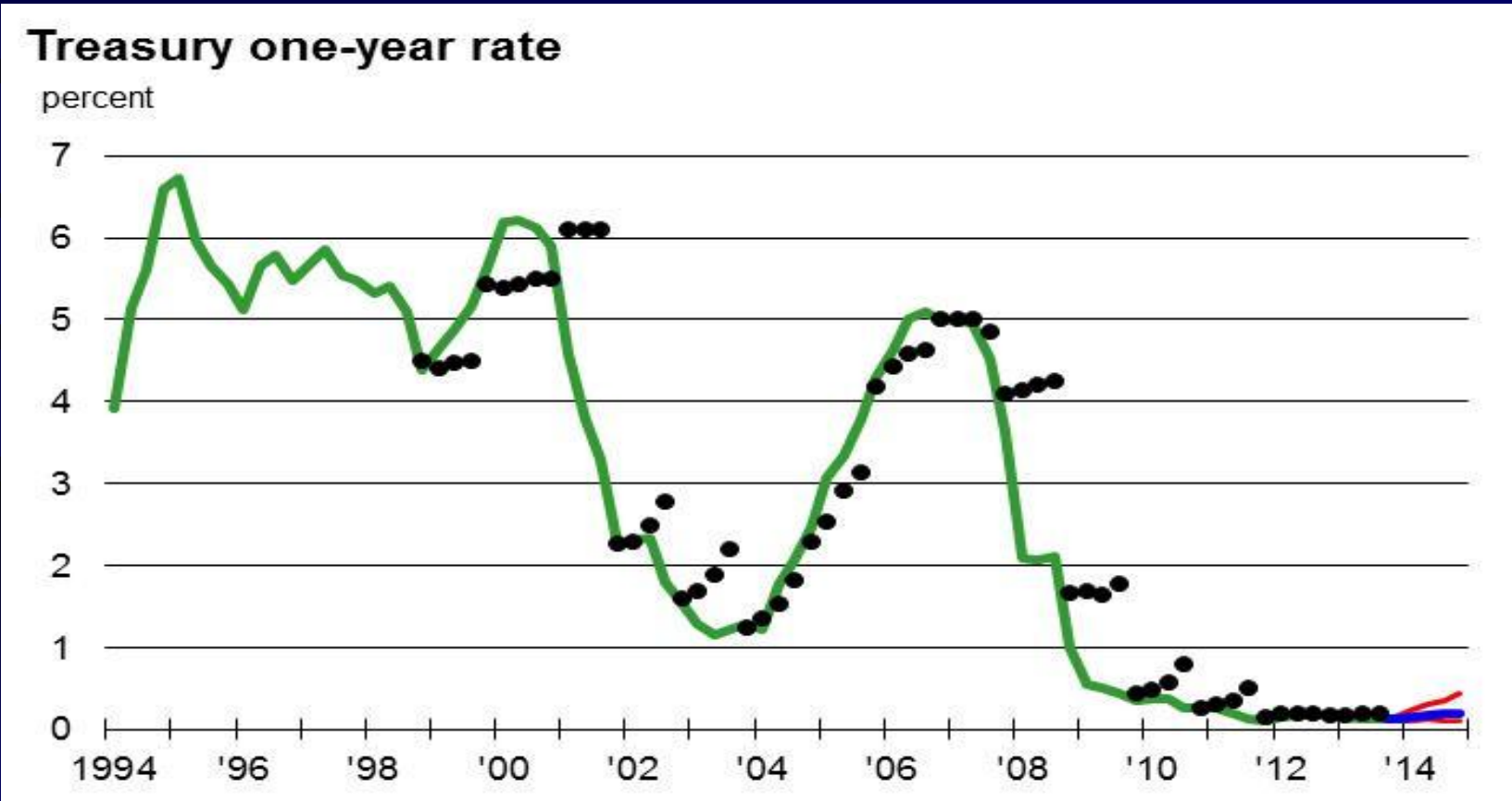
Inflation is forecast to tick up to 1.7% next year

Inflation rate (CPI)

percent change, annual rate



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**
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