Consensus Forecast for 2015

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Review of past performance
Although more volatile, the growth in real GDP was close to the forecast.

- Past quarterly forecasts at last year’s symposium.
- Actual data.

Graph showing real GDP percent change, annual rate from 1994 to 2014.
Once again, the unemployment rate fell at a faster pace than predicted.
Business fixed investment was weaker than forecast
Inventories built up at a faster rate than anticipated
Industrial production growth was 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
But residential investment increased at a much slower pace than anticipated.
The ten-year interest rate was expected to edge higher, but it moved lower.
The balance of trade averaged a bit larger deficit than forecast.
The dollar was predicted to edge higher, but it increased at a bit faster rate.
Inflation came in roughly as forecast
Even though oil prices were higher than was expected.
Short-term interest rates were accurately forecast to remain low.
Forecast for 2015
Median forecast of GDP and related items (page 1 in the Consensus Forecast book)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP, current dollars*</td>
<td>4.6%</td>
<td>3.7%</td>
<td>4.3%</td>
</tr>
<tr>
<td>GDP price index, chain-type*</td>
<td>1.4%</td>
<td>1.5%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Real GDP, chained dollars*</td>
<td>3.1%</td>
<td>2.1%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Personal consumption expenditures*</td>
<td>2.8%</td>
<td>2.0%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Business fixed investment*</td>
<td>4.7%</td>
<td>5.2%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Residential investment*</td>
<td>6.9%</td>
<td>2.4%</td>
<td>7.5%</td>
</tr>
<tr>
<td>Change in private inventories (billions of constant dollars)**</td>
<td>$81.8</td>
<td>$65.0</td>
<td>$50.0</td>
</tr>
<tr>
<td>Net exports of goods and services (billions of constant dollars)**</td>
<td>-$384.0</td>
<td>-$415.0</td>
<td>-$432.9</td>
</tr>
<tr>
<td>Government consumption expenditures and gross investment*</td>
<td>-1.9%</td>
<td>1.2%</td>
<td>0.9%</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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<tr>
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<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial production*</td>
<td>3.3%</td>
<td>4.1%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Car &amp; light truck sales (millions - calendar year including imports)***</td>
<td>15.5</td>
<td>16.4</td>
<td>16.8</td>
</tr>
<tr>
<td>Housing starts (millions)***</td>
<td>0.93</td>
<td>1.00</td>
<td>1.14</td>
</tr>
<tr>
<td>Oil price (dollars per barrel of West Texas Intermediate)**</td>
<td>$97.39</td>
<td>$80.00</td>
<td>$83.84</td>
</tr>
<tr>
<td>Unemployment rate**</td>
<td>7.0%</td>
<td>5.8%</td>
<td>5.6%</td>
</tr>
<tr>
<td>Inflation rate (consumer price index)*</td>
<td>1.2%</td>
<td>1.8%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Treasury constant maturity one-year rate**</td>
<td>0.12%</td>
<td>0.11%</td>
<td>0.47%</td>
</tr>
<tr>
<td>Treasury constant maturity ten-year rate**</td>
<td>2.75%</td>
<td>2.36%</td>
<td>3.00%</td>
</tr>
<tr>
<td>J.P. Morgan trade weighted OECD dollar*</td>
<td>3.5%</td>
<td>2.3%</td>
<td>0.5%</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 5.6% in the final quarter of next year.
Business fixed investment growth is forecast to increase to 4.2% over the coming year.
Inventories are anticipated to increase at a slower pace in 2015.
Industrial output is forecast to increase 3.0% next year.
Consumer spending growth is expected to improve to 2.6% next year.
Vehicle sales are forecast to continue moving higher with sales of 16.8 million units next year.
Housing starts are forecast to continue increasing, rising to 1,143,000 starts in 2015.
Residential investment is expected to rise by 7.5% in 2015.
Ten-year interest rates are expected to Increase by 64 basis points next year.
The trade deficit is forecast to edge higher
The dollar is forecast to remain relatively unchanged in 2015
Oil prices are predicted to remain relatively low, averaging $83.84 per barrel by the end of 2015.
Inflation is forecast to tick down to 1.7% next year
Short-term interest rates are predicted to increase by 36 basis points next year.
Summary

• The economy is forecast to rise at a pace somewhat above trend in 2015
• The unemployment rate will edge lower next year
• Inflation is anticipated to increase next year at roughly the same rate as in 2014
• Manufacturing growth is expected to improve at a trend pace
• Light vehicle sales are forecast to rise to 16.8 million units
• Housing starts are predicted to increase to 1,143,000 units
• www.chicagofed.org