



# *A comparison of U.S. Economic Forecasts*

Market Data Group

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## A REFERENCE FOR:

- ✓ Strategic Planning
- ✓ Forecasting and budgeting
- ✓ Customer and staff presentation
- ✓ Business reviews
- ✓ Trend analysis
- ✓ Benchmarking
- ✓ Pricing decisions
- ✓ Report writing
- ✓ General reference

# **US** *economic indicators report* **July 2009**

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**This July 2009 report is based on data available as of June 20, 2009**

## ABOUT THIS REPORT

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In the business planning and review process, today's decision makers are often presented with the economic forecasts of one economist or one organization without information as to how the forecasts may differ from others. In order to help develop a more complete picture it is often useful to compare the figures from various sources and from that comparison to develop a framework for business planning, analysis and forecasting.

On a quarterly basis, Market Data Group, compares the economic forecasts from a cross section of economists. The results are reported in this report. The **U.S. ECONOMIC INDICATORS REPORT** summarizes the average of the forecasts and shows the range in the key economic indicator forecasts. To ensure that a cross section of views and perspectives are represented, a variety of organizations are referenced which include both large and small banks, a brokerage firm, associations representing both large and small businesses and foreign banks from North America and overseas.

This report is intended as a tool to assist in the business planning and review process and is issued at the end of each calendar quarter: January, April, July, and October.

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# HIGHLIGHTS

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- \* The U.S. economy continued to contract in the first quarter of this year reflecting declines in business spending, exports and construction. However, economists suggest that recent economic data shows that the pace of economic contraction may be moderating. The consensus forecast is for the economy to contract by -2.9% in 2009. Although economic activity is likely to remain weak for some time, a modest recovery is expected in response to the aggressive monetary and fiscal stimulus in place. An expected stabilization in housing markets and further improvements in financial markets are also expected to support a return to positive economic growth next year. The consensus forecast is for Real GDP to grow by 1.6% in 2010.

Real GDP 2008:	1.1%
Average Forecast for 2009:	-2.9%
Average Forecast for 2010:	1.6%

- \* The rate of inflation turned negative in March and April for the first time since the 1950's. Prices are expected to remain low into 2010 and there has been little change in the forecasts for the Consumer Price Index (CPI). The consensus forecast is for the CPI to decline by -0.8% this year and to increase by 1.1% in 2010.

Consumer Price Index (CPI) 2008:	3.8%
Average Forecast for 2009:	-0.8%
Average Forecast for 2010:	1.1%

- \* Labor markets remain weak with continued job losses, declines in hours worked and an increase in the duration of unemployment. The unemployment rate surged to 9.4% in May. The weak outlook for economic growth is expected to continue to put pressure on labor markets and to keep the unemployment rate high into next year. The consensus forecast is for the unemployment rate to end 2009 at 9.2% and to increase to 10.1% in 2010.

Unemployment Rate 2008:	5.8%
Average Forecast for 2009:	9.2%
Average Forecast for 2010:	10.1%

- \* Tighter credit conditions, high unemployment and decreased net worth due to falling house values and stock prices are expected to continue to put downward pressure on spending. Consumers that overspent in the last expansion are paying down debt and increasing savings. The consensus forecast is for consumer spending to decline by -0.8% in 2009 and to return to a modest positive growth rate of 1.3% in 2010.

Consumer Spending 2008:	0.2%
Average Forecast for 2009:	-0.8%
Average Forecast for 2010:	1.3%

- \* The Federal Reserve has committed to facilitate the “extension of credit to households and business by supporting financial markets through a range of liquidity programs.” It has also committed to maintaining the federal funds rate target at 0-0.25% for an “extended period”. The consensus forecast is for the Prime Rate to average 3.25% in 2009 and 3.56% in 2010.

## FORECAST COMPARISON - 2009

Annual Percent Change  
(except where noted)

	2008 ACTUAL	2009 ESTIMATES								2009 FORECAST RANGE	2009 FORECAST AVERAGE
		Conference Board	Merrill Lynch	Chamber of Commerce	Citigroup	Wachovia / Wells Fargo	BNP Paribas	Harris Bank	Royal Bank of Canada		
<u>ECONOMIC ACTIVITY</u>											
Real GDP	1.1	-2.9	-2.8	-2.8	-2.8	-2.7	-3.6	-3.0	-2.9	-3.6 - -2.7	-2.9
<u>CONSUMER SECTOR</u>											
Consumer Price Index	3.8	-1.1	-0.6	na	-0.7	-1.1	-0.7	-0.7	-0.6	-1.1 - -0.6	-0.8
Unemployment Rate	5.8	9.3	9.3	9.3	8.8	9.4	9.1	9.2	9.2	8.8 - 9.4	9.2
Real Consumer Expenditure	0.2	-0.7	-1.0	-0.3	-1.1	-0.7	-0.6	-1.6	-0.7	-1.6 - -0.3	-0.8
Car & Light Truck sales (million units)	13.10	9.34	10.20	na	na	9.90	na	10.30	10.10	9.34 - 10.30	9.97
(% change)	-18.6	-28.7	-22.1	na	na	-24.4	na	-21.4	-22.9	-28.7 - -21.4	-23.9
Housing Starts (million units)	0.90	0.52	0.48	na	na	0.51	na	0.51	0.60	0.48 - 0.60	0.52
(% change)	-33.8	-42.2	-46.7	na	na	-43.3	na	-43.3	-33.3	-46.7 - -33.3	-41.8
<u>BUSINESS SECTOR</u>											
Industrial Production	-2.2	-12.1	-14.0	na	-10.0	-11.4	-12.5	-11.7	na	-14.0 - -10.0	-12.0
Corporate Profits Before Tax	-15.3	-15.5	na	na	na	-13.8	na	-13.9	-14.3	-15.5 - -13.8	-14.4
After Tax	-14.3	na	-5.4	na	na	-10.9	na	na	na	-10.9 - -5.4	-8.2
Change in Inventories (billions of 2000\$)	-29.0	-59.2	-114.6	-70.9	-55.6	-73.0	na	-63.3	-98.0	-114.6 - -55.6	-76.4
Real Non Residential Investment	1.6	-20.6	-17.3	-21.9	-14.9	-20.2	-23.6	-22.0	na	-23.6 - -14.9	-20.1
<u>FINANCIAL SECTOR</u>											
Federal Funds Rate (annual avg ,%)	1.92	0.20	0.22	0.20	0.13	0.25	0.22	0.13	0.03	0.03 - 0.25	0.17
Bank Prime Rate (annual avg ,%)	5.09	3.25	na	na	na	3.25	na	na	na	3.25 - 3.25	3.25
U.S. Exchange Rate Jap. Yen (yen/\$)	103.4	95.0	104.5	na	96.0	102.3	93.0	97.0	95.3	93.0 - 104.5	97.6
Euro (US\$/ECU)	1.47	1.39	1.23	na	1.38	1.32	1.40	1.35	1.35	1.23 - 1.40	1.35
90 Day Treasury Bills (%)	1.48	0.23	0.22	0.30	na	0.28	0.62	0.17	0.20	0.17 - 0.62	0.29
10 Year Treasury Bonds (%)	3.66	3.37	3.57	3.40	2.80	3.52	3.22	3.38	2.82	2.80 - 3.57	3.26

This report is based on data available June 20, 2009

## FORECAST COMPARISON - 2010

Annual Percent Change  
(except where noted)

### 2010 FORECAST

	Conference Board	Merrill Lynch	Chamber of Commerce	Citigroup	Wachovia / Wells Fargo	BNP Paribas	Harris Bank	Royal Bank of Canada	2010 FORECAST RANGE	2010 FORECAST AVERAGE
<b><u>ECONOMIC ACTIVITY</u></b>										
Real GDP	1.6	1.6	1.8	1.8	2.1	-0.1	1.7	2.1	-0.1 - 2.1	1.6
<b><u>CONSUMER SECTOR</u></b>										
Consumer Price Index	1.5	1.4	na	0.2	1.1	0.8	1.6	1.4	0.2 - 1.6	1.1
Unemployment Rate	10.2	10.2	9.9	9.8	10.6	10.8	9.9	9.7	9.7 - 10.8	10.1
Real Consumer Expenditure	1.7	1.2	1.7	1.5	1.4	1.1	0.2	1.8	0.2 - 1.8	1.3
Car & Light Truck sales (million units)	10.68	10.20	na	na	11.20	na	13.40	11.70	10.20 - 13.40	11.44
(% change)	14.4	0.0	na	na	13.1	na	30.1	15.8	0.0 - 30.1	14.7
Housing Starts (million units)	0.64	0.55	na	na	0.74	na	0.75	0.65	0.55 - 0.75	0.67
(% change)	23.1	14.6	na	na	45.1	na	47.1	8.3	8.3 - 47.1	27.6
<b><u>BUSINESS SECTOR</u></b>										
Industrial Production	1.4	-2.5	na	0.8	1.2	-2.4	-0.2	na	-2.5 - 1.4	-0.3
Corporate Profits Before Tax	3.6	na	na	na	5.8	na	0.8	2.2	0.8 - 5.8	3.1
After Tax	na	14.0	na	na	8.1	na	na	na	8.1 - 14.0	11.1
Change in Inventories (billions of 2000\$)	23.0	-88.2	-4.5	-4.9	11.1	na	9.5	-31.3	-88.2 - 23.0	-12.2
Real Non Residential Investment	-1.0	0.7	-3.5	-4.1	-5.0	-12.5	-5.0	na	-12.5 - 0.7	-4.3
<b><u>FINANCIAL SECTOR</u></b>										
Federal Funds Rate (annual avg ,%)	0.66	0.25	0.60	0.13	0.44	na	0.78	0.13	0.13 - 0.78	0.43
Bank Prime Rate (annual avg ,%)	3.69	na	na	na	3.43	na	na	na	3.43 - 3.69	3.56
U.S. Exchange Rate Jap. Yen (yen/\$)	100.0	115.0	na	93.0	111.0	85.0	103.0	94.5	85.0 - 115.0	100.2
Euro (US\$/ECU)	1.47	1.27	na	1.36	1.27	1.29	1.48	1.48	1.27 - 1.48	1.37
90 Day Treasury Bills (%)	0.69	0.27	1.00	na	0.58	na	0.83	0.49	0.27 - 1.00	0.64
10 Year Treasury Bonds (%)	4.00	3.65	4.20	3.50	4.05	na	4.38	3.13	3.13 - 4.38	3.84

This report is based on data available June 20, 2009

## HISTORICAL AND YEAR TO DATE

Annual percent change, seasonally adjusted  
(except where noted)

	2004	2005	2006	2007	2008	2008 QUARTERLY				2009 QUARTERLY	
						Q1	Q2	Q3	Q4	Q1	
<b><u>ECONOMIC ACTIVITY</u></b>											
<b>Real GDP</b>											
(billions, 2000\$)	10,675.8	10,989.5	11,294.8	11,523.9	11,652.0	11,646.0	11,727.4	11,712.4	11,522.1		11,353.7
(% change)	3.6	2.9	2.8	2.0	1.1	2.5	2.1	0.7	-0.8		-2.5
<b>Nominal GDP</b>											
(billions, current \$)	11,685.9	12,421.9	13,178.4	13,807.5	14,264.6	14,150.8	14,294.5	14,412.8	14,200.3		14,089.7
(% change)	6.6	6.3	6.1	4.8	3.3	4.7	4.1	3.3	1.2		-0.4
<b><u>CONSUMER SECTOR</u></b>											
<b>Consumer Price Index (Index 1982-84=100)</b>											
(% change)	2.7	3.4	3.2	2.8	3.8	4.1	4.3	5.3	1.6		-0.1
<b>Unemployment Rate</b>	5.5	5.1	4.6	4.6	5.8	4.9	5.4	6.1	6.9		8.1
<b>Real Consumer Expenditure (billions, 2000\$)</b>											
(% change)	3.6	3.0	3.0	2.8	0.2	1.5	1.3	-0.2	-1.5		-1.4
<b>Car &amp; Light Truck Sales (million units)*</b>											
(% change)	1.2	0.6	-2.4	-2.4	-18.6	-6.7	-12.4	-18.9	-35.6		-37.5
<b>Housing Starts (million units)</b>											
(% change)	5.9	5.6	-12.9	-24.4	-33.8	-28.1	-29.6	-32.7	-43.8		-49.6

Source: U.S. Department of Commerce, Bureau of Economic Analysis unless otherwise specified

## HISTORICAL AND YEAR TO DATE

Annual percent change, seasonally adjusted  
(except where noted)

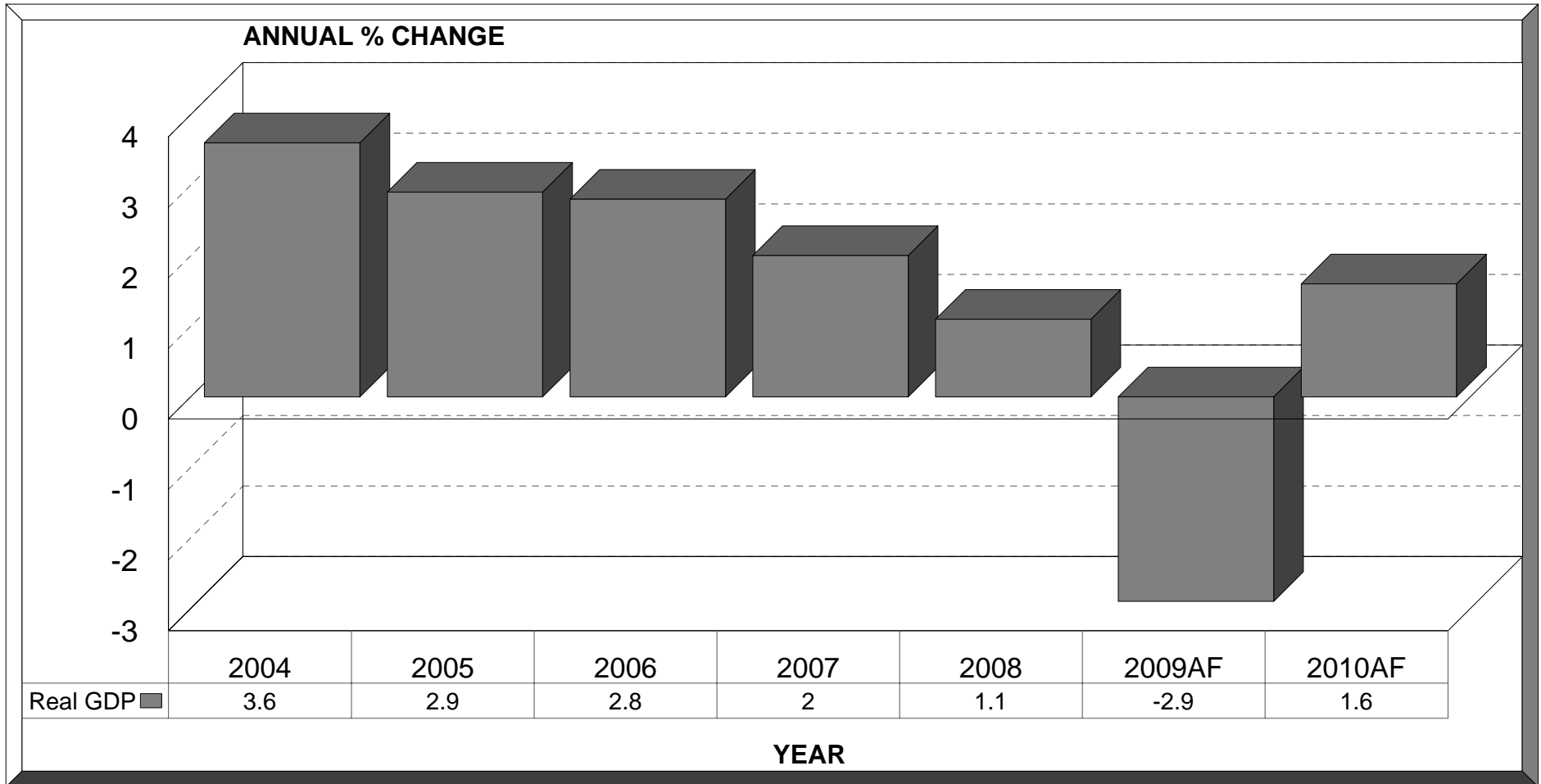
	2004	2005	2006	2007	2008	2008 QUARTERLY				2009 QUARTERLY
						Q1	Q2	Q3	Q4	Q1
<b><u>BUSINESS SECTOR</u></b>										
Industrial Production (index 2002=100)	103.4	107.6	110.3	111.3	108.8	112.0	110.7	108.1	104.5	99.0
(% change)	2.5	3.3	2.3	1.5	-2.2	1.4	0.4	-3.2	-6.9	-11.8
Corporate Profits (before tax, \$billions)	1204.7	1620.6	1873.7	1886.3	1597.3	1,750.9	1,750.0	1,693.7	1,194.5	1,346.6
(% change)	24.6	34.5	15.6	0.7	-15.3	-4.8	-8.6	-10.7	-36.9	-23.1
Corporate Profits (after tax, \$billions)	897.3	1206.9	1404.8	1435.9	1230.6	1348.0	1343.2	1300.1	931.2	1051.8
(% change)	39.2	34.5	16.4	2.2	-14.3	-3.0	-7.1	-10.1	-36.2	-22.0
Chg in Private Inventories (billions, 2000\$)	54.3	38.9	-7.1	-17.9	-29.0	-10.2	-50.6	-29.6	-25.8	91.4
Real Non Residential Investment (billions, 2000\$)	1,144.3	1,226.2	1,318.2	1,382.9	1,405.4	1,423.1	1,431.8	1,425.7	1,341.1	1,195.1
(% change)	5.8	7.2	7.5	4.9	1.6	6.2	4.2	1.6	-5.2	-16.0
<b><u>FINANCIAL SECTOR</u></b>										
Federal Funds Rate (% average)	1.35	3.22	4.97	5.02	1.92	3.16	2.09	1.94	0.51	0.18
Bank Prime Rate (% annual average)	4.34	6.19	7.96	8.05	5.09	6.21	5.08	5.00	3.87	3.25
U.S. Exchange Rate * Jap. Yen (Yen/\$)	108.2	110.1	116.3	117.8	103.4	105.2	104.7	107.6	96.1	93.6
Euro (US\$/ECU)	1.244	1.25	1.26	1.37	1.47	1.50	1.56	1.50	1.32	1.30
90 Day Treasury Bills (% annual average)	1.38	3.16	4.73	4.41	1.48	2.09	1.64	1.49	0.35	0.22
10 Year Treasury Bond (%)*	4.27	4.29	4.80	4.63	3.66	3.66	3.89	3.86	3.25	2.74

Source: U.S. Department of Commerce, Bureau of Economic Analysis unless otherwise specified

\*Source: Federal Reserve Bank of New York

# GROSS DOMESTIC PRODUCT

ANNUAL PERCENT CHANGE

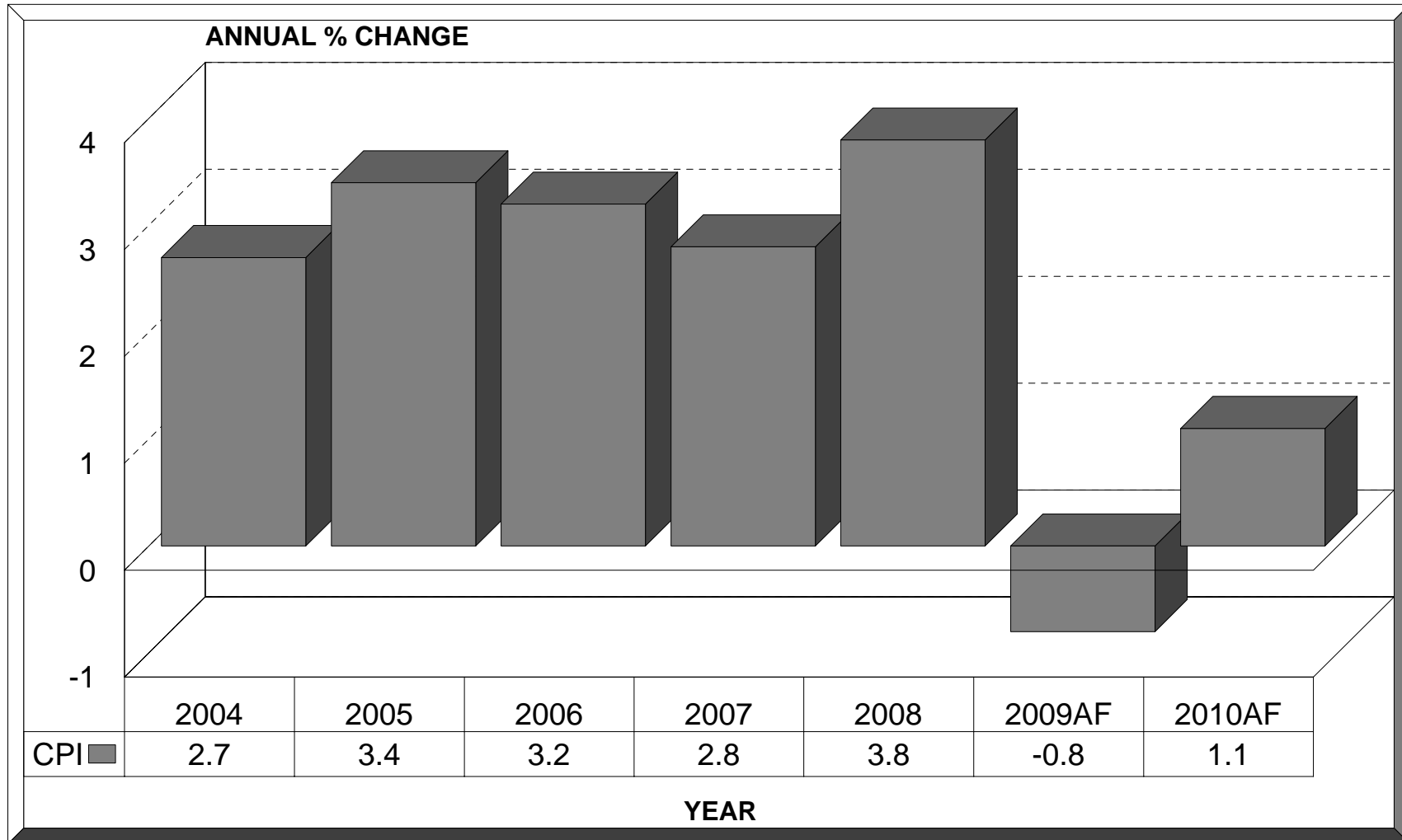


2009AF/2010AF are the Average of the Forecasts where available from sources referenced on pages 6 - 7

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# CONSUMER PRICE INDEX

ANNUAL PERCENT CHANGE

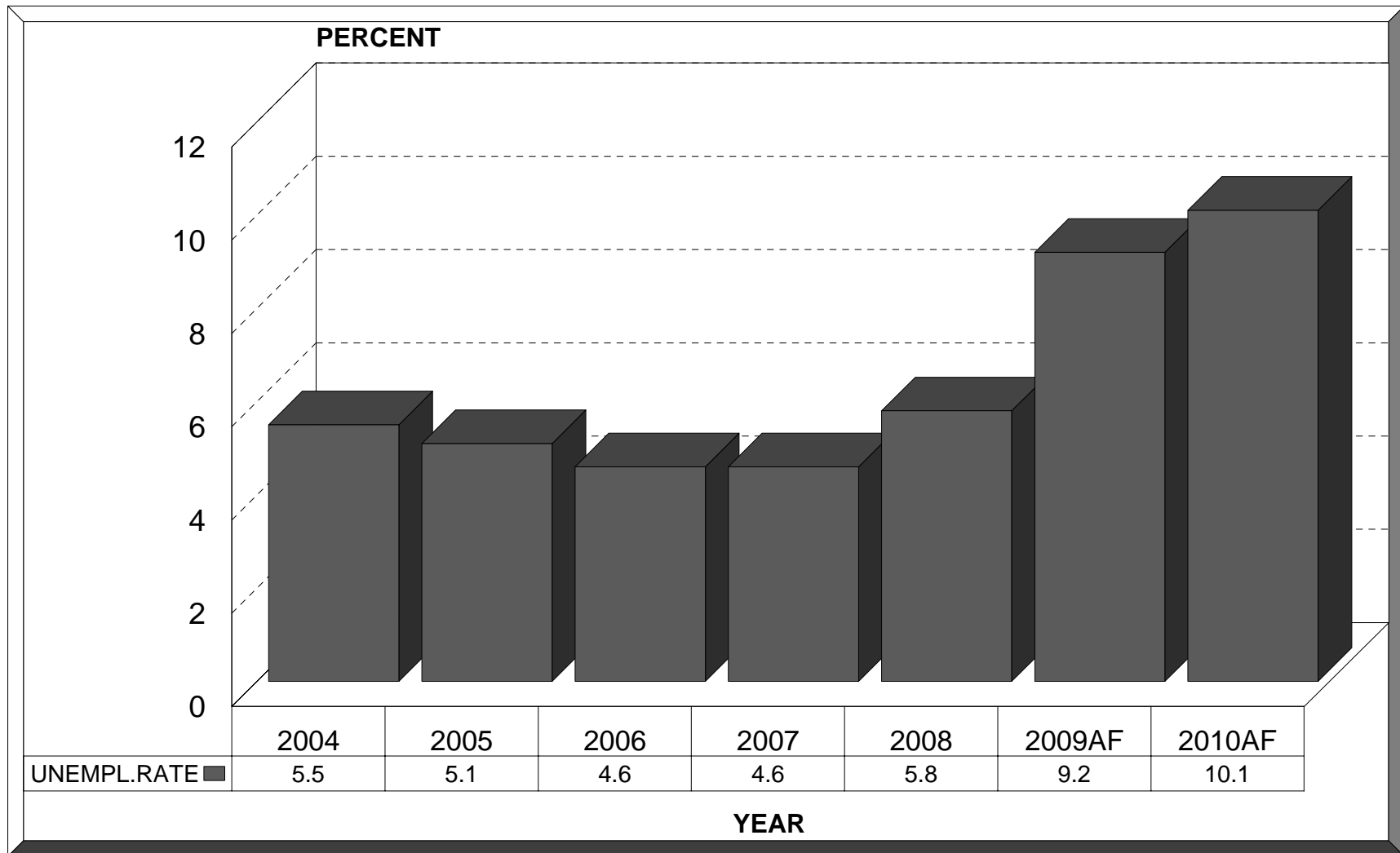


2009AF/2010AF are the Average of the Forecasts where available from sources referenced on pages 6 - 7.

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# UNEMPLOYMENT RATE

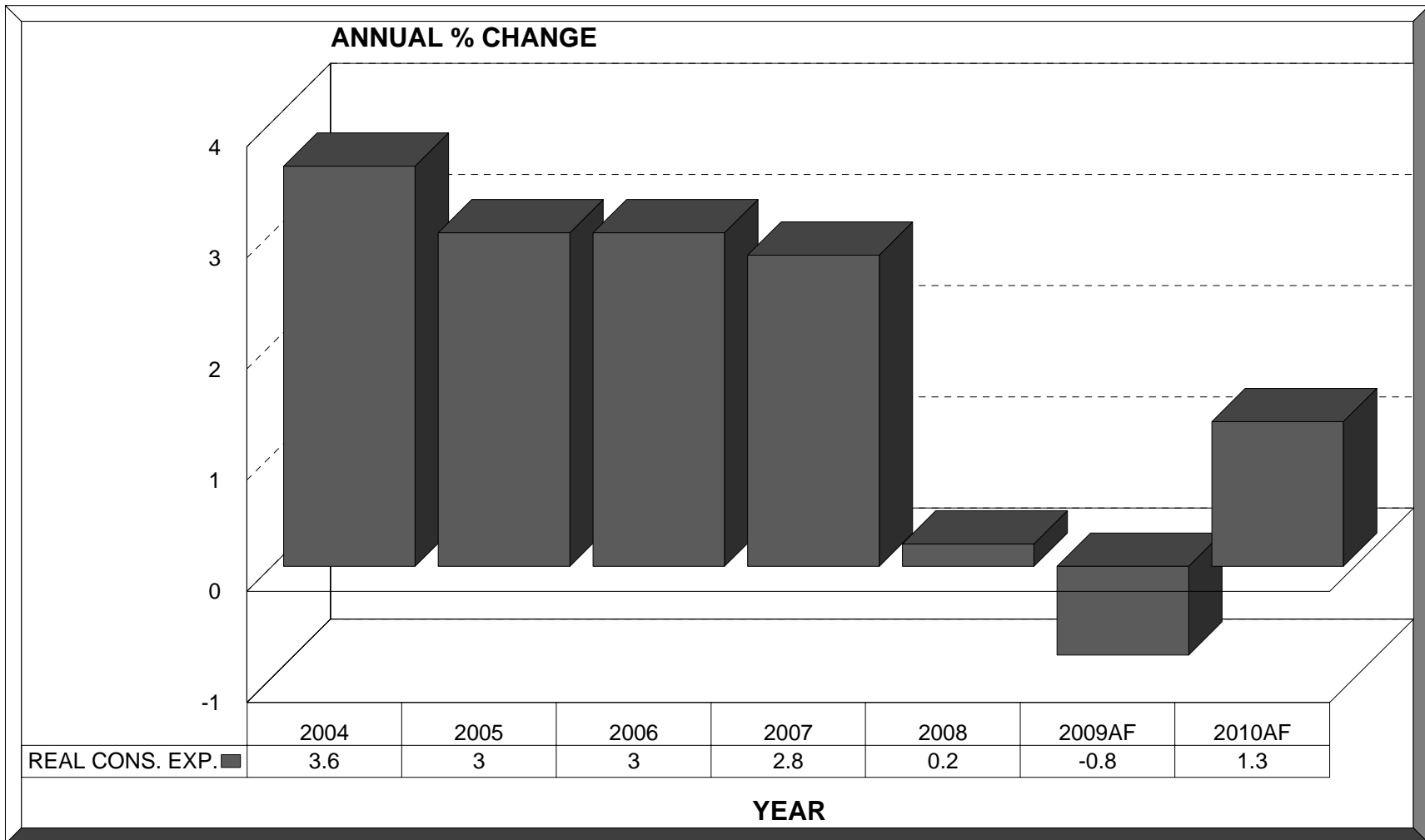
PERCENT



2009AF/2010AF are the Average of the Forecasts where available from sources referenced on pages 6- 7

# REAL CONSUMER EXPENDITURE

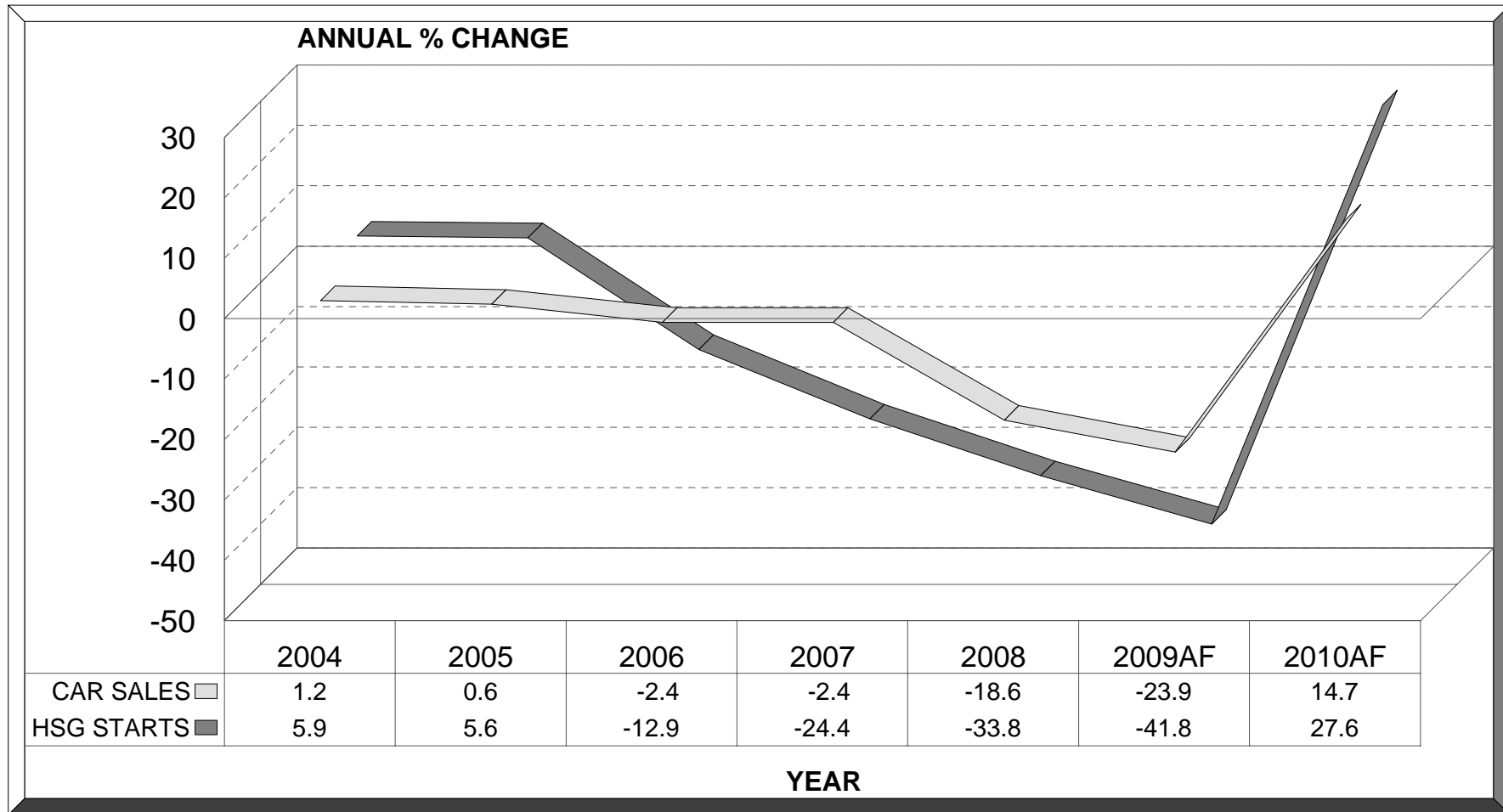
ANNUAL PERCENT CHANGE



2009AF/2010AF are the Average of the Forecasts where available from sources referenced on pages 6 -7  
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# CAR SALES & HOUSING STARTS

ANNUAL PERCENT CHANGE

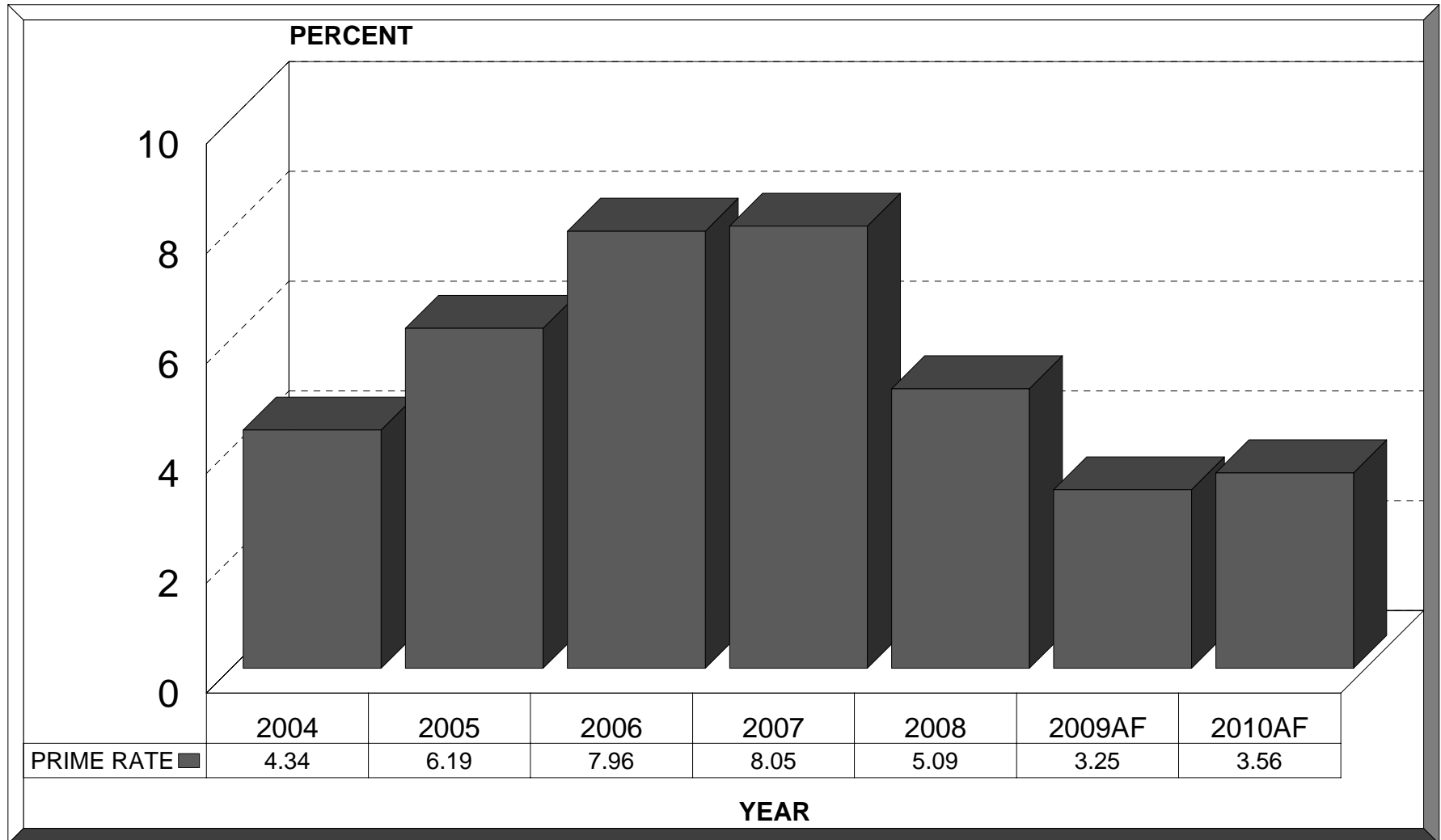


2009AF/2010AF are the Average of the Forecasts where available from sources referenced on pages 6 -7

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# BANK PRIME RATE

PERCENT



2009AF/2010AF are the Average of the Forecasts where available from sources referenced on pages 6 - 7

## ABOUT THE SOURCES

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**THE CONFERENCE BOARD NEW YORK:** The board is a business membership organization connecting companies in more than 60 nations. The board was founded in 1916 and today its membership includes over 2200 companies and other organizations worldwide. It offers a variety of products and services to assist executives including networking, publications, research and conferences.

**MERRILL LYNCH:** Merrill Lynch is a financial management and advisory company with over 56,200 employees and a global presence in over 38 countries worldwide. It has recently been acquired by Bank of America. Together with Bank of America it is now the largest brokerage in the world with more than 20,000 advisors and \$2.5 trillion in client assets.

**U.S. CHAMBER OF COMMERCE:** Established in 1912, the U.S. Chamber is the world's largest federation representing a membership of more than three million businesses and organizations. It plays a strong role in helping business, especially small businesses prosper and provides a strong link between business and government.

**CITIGROUP/SMITH BARNEY:** Smith Barney is the global private wealth management and equity research unit of Citigroup. With more 325,000 employees in 500 offices, it offers a full range of investment services. A division of Citigroup Global Markets, Smith Barney serves more than 9.6 million client accounts representing nearly \$1.56 trillion in client assets.

**WACHOVIA/WELLS FARGO :** Wachovia Corporation was recently acquired by Wells Fargo, the nations 4<sup>th</sup> largest bank. Over the next 3 years the Wachovia brand will be absorbed by the Wells Fargo brand. Wells Fargo is a diversified financial service company with \$1.4 trillion in assets.

**BNP PARIBAS:** One of Europe's largest banks, BNP Paribas operates 2,200 retail branches in France and has operations in 85 other countries. The bank employs 89,100 people. Economic Research is a world-wide function grouping together economists based in Paris, London, New York and Tokyo.

**ROYAL BANK OF CANADA:** Royal Bank of Canada is Canada's largest bank and Canada is one of the major trading partners of the U.S. The bank has 80,000 employees and assets of \$615 billion as of year end Oct. 2008. Its international network includes 300 offices in 30 countries. More than 80% of Canadian exports are to U.S. markets.

**HARRIS BANK:** Harris Bank is one of the largest community bank networks in Illinois serving more than 1 million customers, offering both personal, corporate and investment banking. Harris has 233 locations throughout Chicago area as well as Arizona, California, Florida, Indiana and major American cities. It is wholly owned by BMO Financial Corp., a diversified financial services institution. Harris Bank reported assets of \$43.3 billion as of Oct. 31, 2008.

## **NOTES:**

1. Percent change figures reflect the change from the SAME PERIOD the previous year.
2. Figures are annualized, seasonally adjusted, except where indicated. Seasonally adjusted, annualized figures are calculated by adjusting monthly statistics to provide an indication of the annual total which would be achieved if activity in all other months were at the same level of performance relative to past seasonal patterns.
3. GDP figures expressed in “REAL” terms have been adjusted to remove the effects of inflation and are expressed in chained 2000 dollars where noted .
4. Historical figures are revised on an ongoing basis by the U.S. Department of Commerce and are likewise updated in this report.

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