

Third Quarter 2014

Moderate Expansion in 2014 SE MI Economy

The 8 GoldStar Expert Economists are cautiously optimistic about the 2014 economy (6 out of 9, 5 being neutral). This forecast is consistent with the June 2014 national forecast from the Federal Reserve of real GDP growth of 2.2% in 2014. The GoldStar panel upgraded the forecast for housing prices and nominal per-capita personal income. They forecast housing prices will increase 12% (from December to December) in 2014 compared with the March forecast of an average price increase of 8% for 2014. With inflation forecast remaining at 2% real per-capita personal income will gain 1.5% in 2014 up from the March 2014 forecast of 1%.

The local unemployment rate is predicted to continue its steady decline from 8.8% in December 2013 to a forecasted 7.8% in December 2014. It will remain substantially above the Federal Reserve forecast for the nation (June 2014) of 5.5% for the last quarter of 2014.

Beginning this quarter, there have been a number of changes to the GoldStar forecast. First, the panel is forecasting their outlook for the economy in 2014 and 2015. They are using a 9 point scale with 5 being neutral, 1 being very pessimistic and 9 very optimistic. Secondly, the unemployment rate and the growth in housing prices are being forecasted for December (SA) rather than the year average. These changes are more inline with the way the public views the numbers.

2014 FORECAST

| EXPERT & AFFILIATION | POPULATION | CASE-SHILLER HOUSING PRICE | PRIVATE EMPLOYMENT | NOMINAL PER-CAPITA PERSONAL INCOME | U.S. LIGHT VEHICLE SALES (millions) | DECEMBER SA UNEMPLOYMENT RATE | INFLATION RATE | ECONOMIC OUTLOOK (1 to 9) 5 is neutral |
|--|-------------------|----------------------------|--------------------|------------------------------------|-------------------------------------|-------------------------------|-------------------|---|
| Charles Ballard Michigan State University | 0.2% | 12.0% | 1.5% | 4.0% | 16.3M | 7.5% | 2.0% | 6 |
| Charles Chesbrough IHS Automotive | 0.1% | 18.0% ^H | 1.5% | 4.4% ^H | 16.5M ^H | 7.9% | 1.6% | 8H |
| Christopher Douglas UM-Flint | 0.1% | 9.0% | 2.0% ^H | 3.5% | 16.0M | 8.0% | 1.5% ^L | 6 |
| Sean McAlinden Center for Automotive Research | 0.1% | 10.0% | 1.5% | 2.3% | 16.2M | 7.8% | 2.1% | 6 |
| Robert J. Rossana Wayne State University | 0.0% ^L | 17.0% | 1.0% | 2.5% | 16.3M | 7.3% ^L | 2.0% | 6.5 |
| David Sowerby Loomis Sales | 1.0% ^H | 12.0% | 1.5% | 3.8% | 15.7M | 8.8% | 2.0% | 7 |
| Ron Tracy Oakland University | 0.2% | 12.0% | 2.0% ^H | 4.0% | 16.2M | 7.5% | 2.5% ^H | 7 |
| Stephen Woodbury W.E. Upjohn Institute | 0.1% | 7.5% ^L | 0.0% ^L | 1.0% ^L | 15.0M ^L | 9.0% ^H | 2.5% ^H | 4 ^L |
| CONSENSUS Median | 0.1% | 12.0% | 1.5% | 3.5% | 16.2M | 7.85% | 2.0% | 6 |
| Range | 1% | 10.5% | 2% | 3.4% | 1.5M | 1.7% | 1% | 4 |
| Last Quarters Consensus | 0.1% | 8.0% | 1.5% | 3.0% | 16.3M | NA | 2.0% | NA |
| 2 Quarters Ago Consensus | 0.2% | 8.5% | 1.0% | 3.0% | 16.0M | NA | 2.4% | NA |

Increased Expansion Forecasted in 2015 for SE MI Economy

The GoldStar Expert Economists are more optimistic about the 2015 economy (6.5 out of 9). This forecast is consistent with the national forecast from the Federal Reserve of real GDP growth of 3.1% in 2015. Interestingly, the forecast from the Federal Reserve, in recent years, has been optimistic with regular downgrades. For every measure the experts forecasts increased for 2015 compared to last quarter's forecasts. Even though their forecast for inflation increased to 2.5% for 2015, they saw an increase in real incomes of 1.25% compared to last quarter's forecast of 1% (nominal income minus inflation). The local unemployment rate is predicted to continue its decline to 7.2% in December 2015. Although still substantially above the forecast for the nation from the Federal Reserve (June 2014) of 5.3% for the last quarter of 2015, the difference is shrinking.

About the Forecast

Population, Private Employment, Per-capita Personal Income are annual percent change from the previous year for the SE MI region. The Unemployment Rate (SA), CPI, and the Case-Shiller Housing Price Index (SA) are the December year over year rate change for SE MI. U.S. Light Vehicle Sales is the calendar year total in millions of units.

2015 FORECAST

| EXPERT & AFFILIATION | POPULATION | CASE-SHILLER HOUSING PRICE | PRIVATE EMPLOYMENT | PER-CAPITA NOMINAL PERSONAL INCOME | U.S. LIGHT VEHICLE SALES (millions) | DECEMBER UNEMPLOYMENT RATE SA | INFLATION RATE | ECONOMIC OUTLOOK (1 to 9) 5 is neutral |
|--|-------------------|----------------------------|--------------------|------------------------------------|-------------------------------------|-------------------------------|-------------------|--|
| Charles Ballard Michigan State University | 0.2% | 8.0% | 1.5% | 4.0% | 16.5M | 7.0% | 2.0% | 6 |
| Charles Chesbrough IHS Automotive | 0.1% ^L | 15.0 ^H | 1.9% | 5.5% ^H | 17.5M ^H | 7.0% | 1.7% | 8 |
| Christopher Douglas UM-Flint | 0.1% ^L | 6.0% | 2.0% | 3.5% | 16.5M | 7.5% | 1.5% ^L | 6 |
| Sean McAlinden Center for Automotive Research | 0.1% ^L | 5.0% | 1.5% | 2.0% | 16.3M | 7.5% | 2.1% | 6 |
| Robert J. Rossana Wayne State University | 1.5% ^H | 12.0% | 1.6% | 2.7% | 16.8M | 6.8% | 2.7% | 7 |
| David Sowerby Loomis Sales | 1.0% | 13.0% | 2.0% | 3.6% | 15.6M | 8.7% | 2.5% | 8 |
| Ron Tracy Oakland University | 0.5% | 8.0% | 2.5% ^H | 4.0% | 16.4M | 6.7% ^L | 2.5% | 7 |
| Stephen Woodbury W.E. Upjohn Institute | 0.1% ^L | 2.5% ^L | 0.5% ^L | 1.5% ^L | 13.5% ^L | 10.0% ^H | 3.0% ^H | 4 |
| CONSENSUS | | | | | | | | |
| Median | 0.15% | 8.0% | 1.75% | 3.55% | 16.45M | 7.25% | 2.3% | 6.5 |
| Range | 1.4% | 12.5% | 2% | 4% | 4M | 3.3% | 1.5% | 4 |
| Last Quarters Consensus | 0.1% | 5.0% | 1.5% | 3.0% | 16.3M | NA | 2.0% | NA |
| 2 Quarters Ago Consensus | 0.1% | 5.0% | 1.5% | 3.25% | 16.2M | NA | 2.5% | NA |