

# Blue Chip Economic Indicators

Top Analysts' Forecasts Of The U.S.  
Economic Outlook For The Year Ahead

Vol. 25, No. 1  
January 10, 2000

## BLUE CHIP ECONOMIC INDICATORS

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**Subscriptions:** One year \$597. For subscriptions outside the U.S., please add \$12 for postage.

Single issue \$60, except for March and October issues containing long-range forecasts. These issues are \$160. For multiple-copy rates and site-license agreements call (800) 783-4903.

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**Blue Chip Economic Indicators** (ISSN: 0193-4600) is published monthly by Panel Publishers, a division of Aspen Publishers, Inc., a **Wolters Kluwer Company**, P.O. Box 1454, Alexandria, VA 22313-2054.



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## Consensus Forecast Of Real GDP Growth In 2000 Jumps To 3.6%

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**Domestic Commentary** Faced with an economy that continued to exhibit strong underlying momentum as 1999 came to a close and a lack of major Y2K disruptions, an overwhelming majority of our panel members have again raised their forecasts of economic growth this year. The consensus forecast of calendar year real GDP growth in 2000 jumped a sizable 0.4 of a percentage point this month to 3.6%. Moreover, this month's rise follows increases of 0.2 of a percentage point in each of the prior two months. Looked at another way, real GDP is now expected to grow 3.2% this year on Q4-over-Q4 basis. Interestingly, the steady rise in forecasts of economic growth this year has not come at the expense of rising estimates of inflation. The consensus forecast of nominal GDP growth in 2000 now stands at 5.3%, up 0.3 of a percentage point since last month and 1.3 percentage points higher than in March of last year. But consensus forecasts of this year's change in the chained GDP price index and the Consumer Price Index (CPI) remained at 1.7% and 2.5%, respectively, this month and have barely budged over the past thirteen months. Thus while most panel members still expect inflation to increase a bit faster this year than last, inflationary expectations have been relatively contained—at least so far. This is largely attributable to the fact that a sharp rise in energy and tobacco prices largely accounts for the modest rise in overall CPI inflation during 1999. Excluding food and energy prices, the increase in the core CPI was less in 1999 than in 1998. In fact, the core CPI last year rose more slowly than at any time since the mid-1960s.

Several factors have helped hold core inflation down. Intense competition and price conscious consumers continue to make it difficult for firms to raise prices, particularly for durable and non-durable goods. Increased consumer buying via the Internet and the desire by dot.com firms to build market share—often at the expense of profits—has compounded this phenomenon. The acceleration in the pace of productivity growth is also helping hold inflation in check by allowing firms to continue to grow profits without raising prices. There are, nonetheless, some signs of rising inflationary pressures. The crude and intermediate index components of the Producer Price Index (PPI) have accelerated sharply, suggesting a build up of pipeline inflation that is yet to show up in broader measures of inflation. Moreover, the housing, medical care and services components of the CPI are exhibiting strength. The core CPI accelerated to a 3.0% annualized rate of change in the three months ended in November. Bottom line, the continued strength in U.S. domestic demand, coupled with accelerating growth abroad, still present the risk of a cyclical rise in inflation despite the favorable secular backdrop.

While we've witnessed a significant rise in the consensus forecast of real GDP growth this year, most analysts continue to believe it will not match that witnessed during the 1996-1999 period when calendar year growth averaged 4.1%. The primary source of the slowdown will be a more subdued pace in consumer spending brought on by the rise in interest rates and energy prices. Many analysts also suspect a sustained correction in equity prices may cause consumers to boost savings, reduce borrowing and cut back spending. Real personal consumption expenditures are expected to grow 3.8% compared with growth in excess of 5% in 1999—the best performance since 1984. Residential investment is expected to be an outright drag on growth this year as higher mortgage rates reduce home buying, producing a decline in new housing starts of about 7% in 2000. The rate of growth in business investment is also expected to slow this year, but by much less than earlier thought. As recently as last summer, the consensus expected non-

residential fixed investment to rise just 5.6% this year compared with a likely gain in excess of 9% in 1999. Now, capital spending is expected to increase 8.2%, a 0.5% of a percentage point rise in just the past month. Many analysts are now more confident firms will boost purchases of computers and telecommunications equipment since Y2K turned out to be a nonevent. Many also suspect business investment in structures—which was a drag on GDP growth last year—will be less so in 2000. Net exports are also expected to exert less drag on GDP growth this year. Owing to strengthening export demand as overseas growth accelerates and weakening import growth as domestic demand slows, the consensus predicts the net export deficit has just about peaked. However, any meaningful contribution made by a shrinking net export deficit is unlikely to occur until 2001, according to the consensus.

To a significant extent, the pace of growth this year will depend on the Federal Reserve's assessment of inflation risks. The Fed has already raised interest rates three times but remains concerned that exceedingly tight labor markets may cause an acceleration in wage growth that ultimately is translated into higher inflation as firms pass on their increased costs. The consensus prediction of an average unemployment rate this year of 4.1% likely envisions a drop below the psychologically important 4% level at some point. That's sure to set off alarm bells at the Fed. As a result, quarterly consensus forecasts of short-term interest rates predict about another 50 basis points of tightening from the Fed by this summer.

Our panel member's initial take on the U.S. economy's performance in 2001 envisions a further slowing of growth. The consensus predicts real GDP growth will drop to 3% on a calendar year basis and 2.9% on a Q4-over-Q4 basis. Nominal GDP growth is pegged at 4.9% on a calendar year basis. As is the case for this year, the primary catalyst for slowing growth next year will be a further curtailment in consumer spending. Consumer price inflation is expected to rise 2.5%—the same as in 2000—but quarterly consensus forecasts suggest inflation will be trending upward over the course of the year. After remaining fairly steady in 2000, the unemployment rate is expected to gradually work its way higher, averaging 4.3% for the year.

**International Commentary** Panelists continue to grow more optimistic about the prospects for global economic growth this year. Consensus forecasts of 2000 real growth in America's four largest trading partners—Canada, Mexico, Japan and the U.K.—now stand at 3.1%, 4.5%, 1.4% and 2.9%, respectively. In our panel members first stab at forecasting economic conditions in the Euro-11 bloc, the consensus forecasts real GDP growth this year will hit 3%, compared with growth of about 2.1% in 1999. Inflation is expected to rise modestly in Euroland, but average less than 2% for the year. The modest rise in inflation, coupled with accelerating growth and short-term interest rates that remain near historically low levels, is expected to prompt 50-75 basis points of tightening this year by the European Central Bank. But that is less than financial markets appear to be discounting. Forecasts of GDP growth in non-Japan Asia also rose this month. Real GDP growth in South Korea is pegged at 6.5%, in Taiwan at 6.1%, and in Singapore at 5.8% (*see pages 6 and 7 for international forecasts*).

**Special Questions** Low inflation was ranked by the panel members as the most important positive for the U.S. economy in 2000. A bubble in the stock market was ranked as the most likely negative. An overwhelming 97% of the panelists think the Fed will hike interest rates in February or March. Almost 80% believe wage growth will accelerate this year (*see page 14 for details*).

**GREEN** indicates the Blue Chip consensus forecast of U.S. inflation adjusted economic growth (real GDP) is 2.5 percent or higher.

**YELLOW** reflects consensus forecast of real GDP growth between zero and 2.4 percent.

**RED** warns that consensus forecast of real GDP growth may dip below zero.

## 2000 Real GDP Consensus Forecast Jumps To 3.6%

JANUARY 2000 Forecast For 2000 SOURCE:	----- Percent Change 2000 From 1999 (Year-Over-Year) -----									--- Average For 2000 ---			- Total Units-2000 -		-2000-
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Real GDP (Chained) (\$'96 \$)	GDP Price Index	Nominal GDP (Cur. \$)	Consumer Price Index	Indust. Prod. (Total)	Dis. Pers. Income (\$'96 \$)	Personal Cons. Exp (\$'96 \$)	Non-Res. Fix. Inv. (\$'96 \$)	Corp. Profits (Cur. \$)	Treas. Bills 3-mo.	Treas. Notes 10-Year	Unempl. Rate (Civ.)	Housing Starts (Mil.)	Auto/Truck Sales (Mil.)	Net Exports (\$'96 \$)
Evans, Carroll & Assoc.*	4.2 H	1.4	5.7	2.5	5.2	4.1	4.9 H	10.6	5.2	5.6	6.6	3.9	1.58	17.6 H	-380.0
Morgan Stanley Dean Witter	4.0	1.9	6.0	2.7	5.0	4.0	4.4	11.4	6.1	5.7	6.4	4.0	1.43 L	16.9	-372.9
Goldman Sachs & Co.	4.0	1.7	5.7	2.7	5.2	3.8	4.0	6.9	0.8	5.9	6.4	3.9	1.58	16.8	-378.8
Credit Suisse First Boston	4.0	1.1	5.1	2.4	4.2	3.7	4.6	6.5	12.3 H	5.9	6.9	3.7 L	1.61	17.3	-358.0
Deutsche Bank Securities	4.0	1.0 L	5.2	1.2 L	3.9	4.2	4.4	12.1 H	10.9	5.9	6.4	4.0	1.70 H	16.0	-429.0 L
Bear Stearns & Co., Inc.	4.0	1.0 L	5.1	1.5	5.5 H	3.5	3.9	10.6	11.9	5.6	6.2	4.0	1.60	17.5	-384.0
Conference Board	3.9	2.3	6.3 H	2.7	5.0	3.2	3.7	7.1	10.4	5.4	6.3	3.9	1.48	16.3	-348.0
Wayne Hummer Investments LLC*	3.9	2.3	6.1	3.0	4.4	3.8	4.1	8.5	5.5	5.8	6.8	4.1	1.54	16.9	-374.0
Inforum - Univ. of Maryland	3.9	1.7	5.6	2.3	3.4	3.2	4.0	8.5	4.9	5.2 L	6.2	4.0	1.65	15.7	-333.8
Merrill Lynch	3.9	1.1	5.0	2.2	4.2	4.3	4.0	8.6	7.8	5.5	6.4	4.1	1.57	16.5	-344.0
Comerica	3.8	1.9	5.8	2.7	2.9	3.3	3.7	6.0	6.0	5.9	6.8	4.0	1.55	16.5	-362.0
Mortgage Bankers Assn. Of Amer.*	3.8	1.8	5.6	2.8	4.2	3.5	4.3	9.9	0.8	5.7	6.6	4.1	1.52	16.7	-400.0
Eggert Economic Enterprises, Inc.	3.8	1.8	5.6	2.5	3.2	3.5	3.7	8.2	7.9	5.2 L	6.1	4.1	1.49	16.6	-391.0
Banc of America Corp.	3.8	1.6	5.4	2.7	4.1	3.9	4.0	6.0	6.0	5.6	6.3	4.0	1.57	15.9	-333.0
Bank One	3.7	2.0	5.7	2.6	3.8	3.9	3.9	11.4	12.0	6.0 H	7.1 H	4.0	1.57	16.8	-386.0
Investor's Briefing	3.7	1.9	5.6	2.6	4.8	3.2	3.6	9.2	6.1	5.6	6.4	4.1	1.53	16.3	-371.0
U.S. Trust Co.	3.7	1.8	5.6	2.6	4.1	3.1	3.8	9.3	8.5	5.4	6.3	4.0	1.54	16.7	-375.0
US Chamber of Commerce	3.7	1.8	5.6	2.9	3.3	3.0	3.9	8.3	5.5	5.3	6.1	4.3	1.50	16.1	-341.0
Fannie Mae	3.7	1.8	5.4	2.7	3.6	3.2	3.8	10.9	-5.1	5.4	6.5	4.5 H	1.56	na	-368.0
J P Morgan	3.7	1.5	5.4	2.5	4.8	3.6	4.3	6.9	2.9	5.8	6.8	3.9	1.55	16.8	-368.0
Chicago Capital, Inc.	3.7	1.3	5.0	2.2	4.6	2.8	3.7	na	6.9	5.2 L	6.0	4.4	1.60	17.0	na
Standard & Poors Corp.*	3.7	1.2	4.9	2.3	3.2	3.9	4.1	9.2	0.0	5.4	6.5	4.0	1.57	16.6	-384.4
Weyerhaeuser Company	3.6	2.1	5.8	3.1 H	3.6	3.0	3.9	10.1	5.0	5.4	6.1	4.1	1.57	16.2	-406.0
Northern Trust Company	3.6	2.0	5.6	2.8	3.0	2.5 L	3.5	6.2	2.4	5.8	6.7	4.0	1.57	16.6	-322.6
Macroeconomic Advisers, LLC**	3.6	1.8	5.4	2.5	3.9	3.4	4.1	9.6	-0.1	5.6	6.5	4.2	1.48	16.6	-393.7
Moody's Investors Service	3.6	1.8	5.4	2.7	3.8	3.8	3.5	7.2	7.8	5.6	6.5	4.0	1.54	16.0	-332.2
Prudential Insurance Co.	3.6	1.6	5.2	2.8	3.1	3.0	3.5	10.4	5.5	5.2 L	5.8	4.3	1.45	na	-390.0
Motorola	3.6	1.4	5.1	2.3	2.9	3.8	4.0	9.1	na	5.4	6.3	4.0	1.59	16.7	-384.6
DaimlerChrysler AG	3.5	2.1	5.6	2.7	3.7	3.3	4.0	8.1	6.0	5.5	6.3	4.2	1.51	16.6	-360.0
National Assn. of Home Builders	3.5	2.1	5.6	2.6	3.1	2.9	3.6	9.2	2.0	5.7	6.5	4.2	1.54	16.4	-356.0
Federal Express Corp.	3.5	1.8	5.3	2.6	2.8	3.0	3.9	6.5	4.5	5.2 L	6.5	4.3	1.56	15.5	-345.0
Ford Motor Company*	3.5	1.8	5.2	2.7	3.7	3.3	4.0	9.3	na	5.7	6.5	4.5 H	1.47	na	-390.0
National City Corporation	3.5	1.4	4.8	2.6	2.5	5.6 H	3.8	9.1	3.3	5.4	6.5	4.1	1.54	16.8	-380.0
KeyCorp	3.5	1.3	4.8	2.7	3.7	3.6	3.5	8.6	2.8	5.7	6.5	4.0	1.52	16.2	-369.0
LaSalle National Bank	3.4	2.0	5.5	2.5	2.8	3.8	3.8	7.8	6.0	5.7	6.3	4.2	1.53	16.2	-357.0
Perma Associates	3.4	1.9	5.4	2.9	3.2	2.6	3.7	7.2	3.7	5.7	6.2	4.1	1.49	16.7	-359.0
DuPont**	3.4	1.6	5.1	2.5	3.9	2.8	3.4	6.3	5.0	5.3	6.3	4.1	1.50	16.3	-336.0
First Union Corp.	3.4	1.6	5.0	2.7	3.4	3.3	3.4	6.1	5.2	5.6	6.2	4.4	1.45	15.4	-313.0
Georgia State University*	3.4	1.5	5.0	2.5	3.3	3.2	3.6	5.9 L	4.3	5.9	6.6	3.9	1.55	17.2	-337.0
Chase Securities, Inc.	3.4	1.3	4.8	2.2	3.9	3.1	3.5	8.2	3.6	5.7	6.3	4.2	1.51	16.6	-384.0
Wells Capital Management	3.4	1.3	4.3	2.4	3.5	2.9	3.2	6.6	3.7	5.7	6.7	4.2	1.57	15.9	-369.0
Eaton Corporation	3.3	2.4 H	5.7	2.5	3.9	3.2	3.1	9.0	3.1	5.6	5.7 L	3.9	1.53	16.7	-364.4
Prudential Securities, Inc.	3.3	1.7	4.0 L	2.6	4.2	3.0	3.4	7.0	6.8	5.6	na	4.1	1.56	16.5	-337.5
Turning Points (Micrometrics)	3.3	1.5	4.8	2.6	3.3	2.9	4.1	9.0	7.0	5.4	6.4	4.2	1.56	17.2	-354.5
Nomura Securities	3.3	1.3	4.6	2.0	3.0	3.6	3.7	9.3	-8.8 L	5.2 L	6.2	4.2	1.52	16.6	-374.5
UCLA Business Forecasting Proj.*	3.2	1.6	4.8	3.0	2.0 L	3.6	3.4	5.9 L	2.4	5.5	6.6	4.4	1.51	15.8	-360.5
WEFA Group	3.2	1.5	4.7	2.5	2.5	3.2	3.8	7.1	5.4	5.5	6.5	4.4	1.50	15.4	-371.0
National Assn. of Realtors	3.1	1.7	4.8	2.1	3.0	3.7	3.4	7.8	6.0	5.4	6.5	4.0	1.60	17.1	-368.0
General Motors Corporation	3.1	1.7	4.8	2.6	2.6	3.1	3.1	6.0	1.0	5.5	6.3	4.5 H	1.45	na	-345.0
Econoclast	3.0	2.0	5.0	2.8	3.3	3.0	3.2	6.0	4.0	5.9	6.4	4.0	1.45	15.2 L	-338.0
Kellner Economic Advisers	3.0	1.7	4.7	2.3	2.5	3.0	2.8 L	6.7	4.0	5.6	5.9	4.4	1.50	15.5	-335.0
Naroff Economic Advisors	2.9 L	2.1	5.0	2.6	2.8	3.1	3.0	8.0	6.5	5.8	6.3	4.2	1.55	15.9	-290.0 H
<b>2000 Consensus: Jan. Avg.</b>	<b>3.6</b>	<b>1.7</b>	<b>5.3</b>	<b>2.5</b>	<b>3.6</b>	<b>3.4</b>	<b>3.8</b>	<b>8.2</b>	<b>4.8</b>	<b>5.6</b>	<b>6.4</b>	<b>4.1</b>	<b>1.54</b>	<b>16.4</b>	<b>-362.8</b>
Top 10 Avg.	4.0	2.1	5.8	2.9	4.9	4.2	4.3	10.7	9.7	5.9	6.7	4.4	1.61	17.2	-327.0
Bottom 10 Avg.	3.1	1.2	4.6	2.0	2.6	2.8	3.2	6.1	-0.5	5.3	6.0	3.9	1.46	15.6	-395.5
December Avg.	3.2	1.7	5.0	2.5	3.2	3.1	3.4	7.7	4.2	5.2	6.1	4.3	1.52	16.1	-354.9
Historical Data 1996	3.7	1.8	5.6	3.0	4.4	2.6	3.3	9.3	12.8	5.0	6.4	5.4	1.48	15.5	-89.0
1997	4.5	1.7	6.2	2.3	6.4	3.6	3.7	8.5	11.1	5.1	6.4	4.9	1.47	15.5	-109.8
1998	4.3	1.2	5.5	1.6	4.2	4.1	4.9	11.8	1.0	4.8	5.3	4.5	1.62	16.0	-215.1
December 1999 Consensus for: 1999	3.9	1.4	5.4	2.2	2.8	3.7	5.1	9.2	6.6	4.6	5.7	4.2	1.66	16.8	-325.7
Number Of Forecasts Changed From A Month Ago:															
Down	2	16	11	11	8	6	4	15	12	3	4	33	13	7	26
Same	9	21	7	23	9	10	5	7	12	5	4	17	17	11	9
Up	41	15	34	18	35	36	43	29	23	44	42	2	22	30	16
January Median	3.6	1.7	5.3	2.6	3.6	3.3	3.8	8.2	5.2	5.6	6.4	4.1	1.54	16.6	-368.0
January Diffusion Index	88 %	49 %	72 %	57 %	76 %	79 %	88 %	64 %	62 %	89 %	88 %	20 %	59 %	74 %	40 %

\*Former winner of Annual Blue Chip Economic Forecasting Award, sponsored by Charles H. Brunie and the Manhattan Institute, N.Y., NY. \*\*Denotes two-time winner.

## 2001 Real GDP Consensus Forecast Starts At 3.0%

JANUARY 2000 Forecast For 2001 SOURCE:	----- Percent Change 2001 From 2000 (Year-Over-Year) -----									---- Average For 2001 ----			- Total Units-2001 -		-2001-
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Real GDP (Chained '96 \$)	GDP Price Index	Nominal GDP (Cur. \$)	Consumer Price Index	Indust. Prod. (Total)	Dis. Pers. Income (96 \$)	Personal Cons. Exp (96 \$)	Non-Res. Fix. Inv. (96 \$)	Corp. Profits (Cur. \$)	Treas. Bills 3-mo.	Treas. Notes 10-Year	Unempl. Rate (Civ.)	Housing Starts (Mil.)	Auto/Truck Sales (Mil.)	Net Exports (96 \$)
Evans, Carroll & Assoc.*	4.1 H	1.5	5.7	2.3	5.3	4.0	3.7	8.9	5.1	6.1	6.8	3.6 L	1.60	18.0 H	-427.0
Conference Board	4.0	3.4 H	7.6 H	2.5	4.1	3.5	2.8	6.3	1.9	5.6	6.5	3.9	1.37	16.0	-342.0
Chicago Capital, Inc.	4.0	1.1	5.1	1.3 L	4.3	3.8	4.0 H	na	7.2	5.2	5.8	4.3	1.60	17.3	na
Morgan Stanley Dean Witter	3.7	2.6	6.4	3.1	7.3 H	3.7	3.4	9.2	6.8	6.0	6.6	3.8	1.49	16.9	-375.9
US Chamber of Commerce	3.7	2.2	6.0	2.7	2.8	3.1	3.2	7.8	5.8	5.3	6.1	4.4	1.50	16.0	-331.0
Eggert Economic Enterprises, Inc.	3.5	2.1	5.6	2.6	3.0	3.3	3.5	7.2	6.9	5.3	5.9	4.2	1.46	16.3	-415.0
First Union Corp.	3.5	1.8	5.5	2.8	2.9	3.0	2.8	5.5	5.5	5.9	6.5	4.7	1.50	15.7	-295.0
Prudential Insurance Co.	3.5	1.7	5.2	2.8	3.0	3.0	3.2	10.2	5.5	5.2	5.7	4.3	1.45	na	-390.0
Merrill Lynch	3.5	1.0 L	4.5	1.6	3.2	3.9	3.1	7.7	5.3	5.3	6.0	4.2	1.55	16.2	-331.0
Bank One	3.4	1.9	5.3	2.7	2.7	3.8	3.1	10.8 H	5.7	6.9 H	8.3 H	3.7	1.47	16.3	-420.0
WEFA Group	3.4	1.7	5.2	2.5	3.3	3.6	3.0	5.0	-0.3	5.6	6.5	4.3	1.40	15.5	-370.0
Banc of America Corp.	3.3	1.7	4.9	2.4	3.3	3.2	3.2	5.0	4.5	5.6	6.1	4.2	1.59	16.3	-306.0
Mortgage Bankers Assn. Of Amer.*	3.2	2.5	5.7	3.3 H	3.0	2.8	3.0	8.3	2.8	5.8	6.8	4.2	1.43	16.5	-415.0
Comerica	3.2	2.5	5.7	2.9	2.5	2.9	3.0	5.2	4.0	5.5	6.3	4.0	1.55	16.0	-340.0
DaimlerChrysler AG	3.2	2.3	5.6	2.4	3.5	3.2	3.5	5.0	5.0	5.3	6.2	4.4	1.43	15.9	-360.0
National Assn. of Home Builders	3.1	2.4	5.7	2.6	2.6	2.9	2.7	6.2	3.2	5.8	6.4	4.5	1.54	15.8	-339.0
Perma Associates	3.1	2.4	5.6	3.1	2.8	2.4	3.1	5.7	7.8	5.7	6.0	4.2	1.45	16.6	-365.0
Motorola	3.1	1.5	4.6	2.1	3.8	3.4	3.4	5.3	na	5.6	6.2	4.2	1.52	16.5	-397.2
Standard & Poors Corp.*	3.1	1.5	4.6	2.1	3.9	3.4	3.4	5.5	-0.3	5.4	6.4	4.2	1.51	16.5	-387.0
Credit Suisse First Boston	3.1	1.0 L	4.1	2.1	2.8	3.1	3.5	3.9	3.4	6.1	6.5	4.3	1.54	15.9	-366.0
LaSalle National Bank	3.0	2.3	5.4	2.5	2.6	3.6	2.9	6.5	6.0	5.6	6.2	4.4	1.50	15.5	-377.0
Goldman Sachs & Co.	3.0	1.9	4.9	2.7	5.2	2.9	2.7	6.9	0.1	6.6	6.8	3.9	1.45	16.1	-381.9
Investor's Briefing	2.9	2.4	5.4	3.0	4.6	3.0	3.2	8.1	6.5	5.7	6.6	4.1	1.54	16.2	-366.0
Eaton Corporation	2.9	1.9	4.8	2.8	4.3	2.8	2.3	8.9	10.4 H	5.1	5.1 L	3.6 L	1.51	16.0	-382.5
Inforum - Univ. of Maryland	2.9	1.6	4.6	2.0	3.2	3.2	3.3	8.2	4.6	5.0 L	6.0	4.0	1.64 H	15.3	-289.0
National City Corporation	2.9	1.6	4.4	2.4	3.1	5.0 H	3.2	4.7	2.4	5.4	6.4	4.5	1.48	16.5	-376.0
Nomura Securities	2.9	1.5	4.4	1.8	2.6	2.8	2.8	7.4	-3.3	5.2	6.1	4.5	1.48	16.6	-400.3
KeyCorp	2.9	1.4	4.3	2.4	3.4	3.4	2.7	6.0	3.8	6.0	6.4	4.1	1.51	15.7	-386.0
Weyerhaeuser Company	2.8	2.7	5.6	3.3 H	2.9	3.8	2.9	7.2	3.0	6.0	6.2	4.1	1.46	15.8	-439.0 L
Ford Motor Company*	2.8	2.2	5.1	2.6	2.4	2.6	2.4	7.1	na	5.7	6.5	4.7	1.38	na	-393.0
Moody's Investors Service	2.8	2.1	4.9	2.5	3.5	2.9	2.7	4.2	5.0	5.2	6.1	4.2	1.50	15.6	-325.8
Federal Express Corp.	2.8	2.0	4.8	2.9	2.5	2.8	3.3	5.0	3.0	5.3	6.7	4.4	1.50	14.8	-323.0
UCLA Business Forecasting Proj.*	2.8	1.5	4.4	2.7	1.7	3.5	2.4	3.9	-4.4 L	5.1	6.2	4.9	1.42	15.1	-335.2
Macroeconomic Advisers, LLC**	2.7	2.3	5.1	2.8	2.3	2.6	2.5	7.3	1.2	5.7	6.5	4.5	1.39	16.1	-394.8
Northern Trust Company	2.7	2.2	5.0	2.7	2.0	2.5	2.6	3.2	2.3	6.0	6.6	4.3	1.59	16.2	-305.7
Fannie Mae	2.7	2.1	4.9	2.5	2.5	2.2	2.3	6.2	-1.3	5.4	6.4	5.1 H	1.59	na	-361.0
General Motors Corporation	2.7	2.0	4.8	2.8	2.3	2.8	2.8	5.0	0.0	5.1	6.0	4.7	1.40	na	-328.0
DuPont**	2.7	1.8	4.5	2.5	3.2	2.8	2.7	4.1	2.0	5.0 L	6.0	4.2	1.50	15.9	-335.0
J P Morgan	2.6	2.1	4.5	2.6	3.6	3.9	2.8	5.0	-3.5	6.8	6.8	4.1	1.51	16.4	-379.0
Turning Points (Micrometrics)	2.5	1.5	4.0	2.5	2.3	2.8	2.9	1.6 L	4.1	5.4	6.4	4.2	1.48	16.5	-373.2
Wells Capital Management	2.4	1.8	4.3	2.9	2.7	2.2	2.8	6.3	2.8	5.8	6.8	4.4	1.50	15.0	-376.0
Econoclast	2.2	2.0	4.2	2.6	3.0	2.6	2.3	5.0	3.0	5.4	5.9	4.3	1.43	15.0	-273.0
Georgia State University*	2.2	1.6	3.9	2.9	1.6	2.2	2.5	2.7	-1.5	5.8	6.7	4.2	1.56	17.0	-343.0
Naroff Economic Advisors	2.1	1.8	4.0	2.2	1.8	2.0	1.9	4.0	-4.0	5.6	5.5	4.6	1.35	14.0 L	-240.0 H
Kellner Economic Advisers	2.0	1.0 L	3.0 L	1.7	1.7	2.7	2.2	4.7	2.7	5.0 L	5.1 L	4.7	1.52	15.0	-275.0
National Assn. of Realtors	1.7 L	1.3	3.0 L	2.7	0.4 L	1.6 L	1.7 L	7.4	4.2	6.9 H	7.0	4.6	1.25 L	15.8	-409.0
<b>2001 Consensus: Jan. Avg.</b>	<b>3.0</b>	<b>1.9</b>	<b>4.9</b>	<b>2.5</b>	<b>3.1</b>	<b>3.1</b>	<b>2.9</b>	<b>6.1</b>	<b>3.1</b>	<b>5.6</b>	<b>6.3</b>	<b>4.3</b>	<b>1.49</b>	<b>16.0</b>	<b>-358.7</b>
Top 10 Avg.	3.7	2.6	6.0	3.0	4.6	3.9	3.5	8.8	6.9	6.3	6.9	4.7	1.58	16.8	-296.1
Bottom 10 Avg.	2.3	1.3	3.9	1.9	1.9	2.3	2.3	3.7	-1.9	5.1	5.7	3.9	1.38	15.1	-411.0
December Avg.	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na
Number Of Forecasts Changed From A Month Ago:															
Down	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na
Same	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na
Up	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na
January Median	2.9	1.9	4.9	2.6	3.0	3.0	2.9	6.0	3.3	5.6	6.4	4.3	1.50	16.0	-366.0
January Diffusion Index	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na

\*Former winner of Annual Blue Chip Economic Forecasting Award, sponsored by Charles H. Brunie and the Manhattan Institute, N.Y., NY. \*\*Denotes two-time winner.

**BASIC DATA SOURCES:** <sup>1</sup>Gross Domestic Product (GDP), chained 1996\$, National Income and Product Accounts (NIPA), Bureau of Economic Analysis (BEA); <sup>2</sup>GDP Chained Price Index, NIPA, BEA; <sup>3</sup>GDP, current dollars, NIPA, BEA; <sup>4</sup>Consumer Price Index-All Urban Consumers, Bureau of Labor Statistics (BLS); <sup>5</sup>Total Industrial Production, Federal Reserve Board (FRB); <sup>6</sup>Disposable Personal Income, 1996\$, NIPA, BEA; <sup>7</sup>Personal Consumption Expenditures, 1996\$, NIPA, BEA; <sup>8</sup>Non-residential Fixed Investment, 1996\$, NIPA, BEA; <sup>9</sup>Corporate Profits Before Taxes, current dollars, with inventory valuation and capital consumption adjustments, NIPA, BEA; <sup>10</sup>Treasury Bills, 3-month, secondary market, bank discount basis, FRB; <sup>11</sup>10-Year Treasury note yield, FRB; <sup>12</sup>Unemployment Rate, civilian work force, BLS; <sup>13</sup>Housing Starts, Bureau of Census; <sup>14</sup>Total U.S. Auto and Truck sales (includes imports and all weight classes of trucks), BEA; <sup>15</sup>Net Exports of Goods and Services, 1996\$, NIPA, BEA

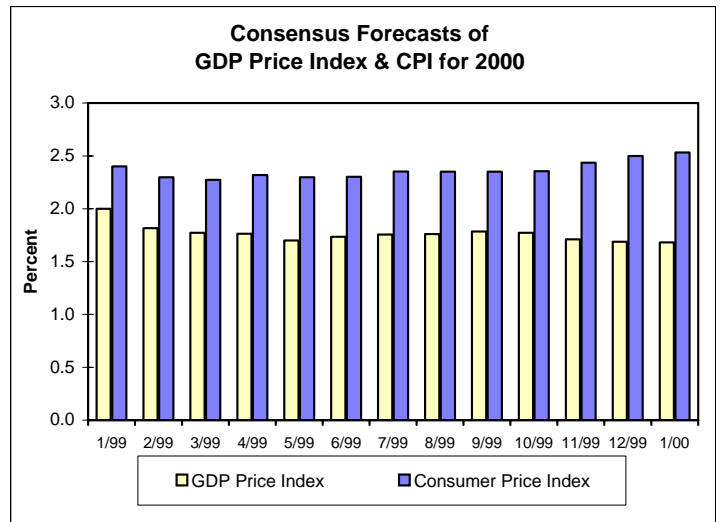
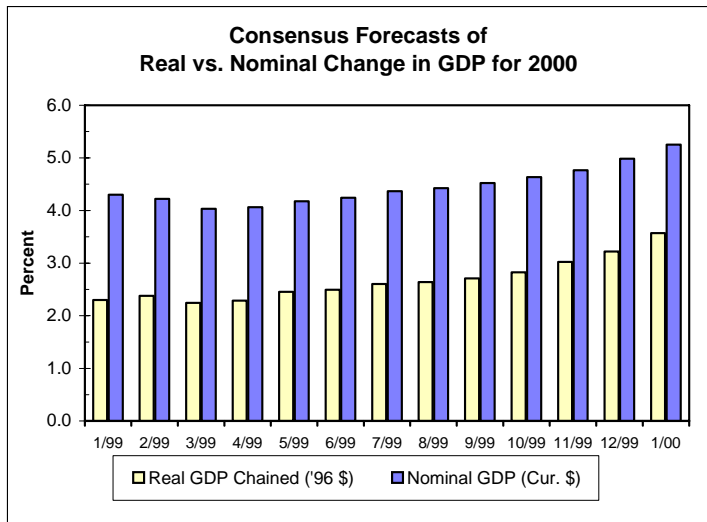
## Previous Consensus Forecasts

Consensus Forecasts For 1999	Real GDP	GDP	Nominal	Consumer	Indust.	Dis. Pers.	Personal	Non-Res.	Corp.	Treas.	Treas.	Unempl.	Housing	Auto/ Truck	Net
	Chained ('96 \$)	Price Index	GDP (Cur. \$)	Price Index	Prod. (Total)	Income ('96 \$)	Cons. Exp. ('96 \$)	Fix. Inv. ('96 \$)	Profits (Cur. \$)	Bills 3-mo.	Notes 10-Year	Rate (Civ.)	Starts (Mil.)	Sales (Mil.)	Exports ('96 \$)
January 1999 Consensus	2.4	1.4	3.9	2.0	1.8	2.8	3.2	5.3	0.4	4.3	4.9	4.7	1.53	15.1	-295.0
February 1999 Consensus	2.9	1.4	4.3	2.0	2.3	3.0	3.5	7.0	1.1	4.3	4.9	4.6	1.55	15.2	-299.5
March 1999 Consensus	3.3	1.3	4.5	1.9	2.3	3.1	3.6	7.8	1.7	4.5	5.0	4.4	1.58	15.4	-294.5
April 1999 Consensus	3.5	1.2	4.8	1.9	2.3	3.3	3.9	7.6	1.8	4.5	5.1	4.3	1.62	15.7	-295.6
May 1999 Consensus	3.8	1.3	5.1	1.9	2.3	3.6	4.4	7.6	3.1	4.5	5.2	4.3	1.65	15.8	-312.2
June 1999 Consensus	3.9	1.4	5.3	2.1	2.6	3.6	4.6	8.0	4.5	4.6	5.3	4.3	1.65	15.9	-319.7
July 1999 Consensus	4.0	1.4	5.4	2.1	2.7	3.6	4.8	8.3	5.9	4.7	5.6	4.3	1.66	16.2	-308.8
August 1999 Consensus	3.9	1.4	5.3	2.1	2.6	3.4	4.8	8.5	6.3	4.7	5.6	4.3	1.64	16.4	-325.9
September 1999 Consensus	3.8	1.4	5.3	2.1	2.6	3.4	4.9	8.8	6.6	4.7	5.6	4.3	1.64	16.6	-331.4
October 1999 Consensus	3.8	1.4	5.2	2.1	2.7	3.4	5.0	8.9	6.7	4.7	5.6	4.3	1.65	16.7	-337.2
November 1999 Consensus	3.9	1.4	5.3	2.2	2.7	3.6	5.0	9.4	6.7	4.7	5.7	4.3	1.65	16.8	-328.6
December 1999 Consensus	3.9	1.4	5.4	2.2	2.8	3.7	5.1	9.2	6.6	4.7	5.7	4.2	1.66	16.8	-325.7
Difference From Jan. 1999 Forecast	1.5	0.0	1.5	0.2	1.0	0.9	1.9	3.9	6.2	0.4	0.8	-0.5	0.13	1.7	-30.7
Forecast High	4.0	1.4	5.4	2.2	2.8	3.7	5.1	9.4	6.7	4.7	5.7	4.7	1.66	16.8	-294.5
Forecast Low	2.4	1.2	3.9	1.9	1.8	2.8	3.2	5.3	0.4	4.3	4.9	4.2	1.53	15.1	-337.2

**The initial government estimates of total GDP growth in 1999 will be released January 28.**

Consensus Forecasts For 2000	Real GDP	GDP	Nominal	Consumer	Indust.	Dis. Pers.	Personal	Non-Res.	Corp.	Treas.	Treas.	Unempl.	Housing	Auto/ Truck	Net
	Chained ('96 \$)	Price Index	GDP (Cur. \$)	Price Index	Prod. (Total)	Income ('96 \$)	Cons. Exp. ('96 \$)	Fix. Inv. ('96 \$)	Profits (Cur. \$)	Bills 3-mo.	Notes 10-Year	Rate (Civ.)	Starts (Mil.)	Sales (Mil.)	Exports ('96 \$)
January 1999 Consensus	2.3	2.0	4.3	2.4	2.3	2.6	2.6	5.1	2.3	4.4	5.1	4.8	1.47	15.1	-302.7
February 1999 Consensus	2.4	1.8	4.2	2.3	2.3	2.7	2.6	5.3	2.7	4.4	5.1	4.7	1.49	15.1	-310.2
March 1999 Consensus	2.2	1.8	4.0	2.3	2.1	2.6	2.5	5.0	1.5	4.6	5.2	4.6	1.49	15.1	-308.1
April 1999 Consensus	2.3	1.8	4.1	2.3	2.3	2.6	2.5	4.9	1.6	4.6	5.2	4.5	1.51	15.2	-307.9
May 1999 Consensus	2.5	1.7	4.2	2.3	2.3	2.8	2.7	5.0	1.7	4.6	5.3	4.5	1.52	15.3	-323.5
June 1999 Consensus	2.5	1.7	4.2	2.3	2.5	2.9	2.7	5.3	2.0	4.7	5.4	4.4	1.52	15.4	-331.2
July 1999 Consensus	2.6	1.8	4.4	2.4	2.7	3.0	2.8	5.6	2.3	4.9	5.8	4.4	1.53	15.6	-338.6
August 1999 Consensus	2.6	1.8	4.4	2.4	2.7	2.9	2.9	5.8	2.7	4.8	5.8	4.4	1.52	15.7	-344.1
September 1999 Consensus	2.7	1.8	4.5	2.4	2.8	2.9	2.9	5.9	3.1	4.9	5.8	4.4	1.52	15.8	-352.3
October 1999 Consensus	2.8	1.8	4.6	2.4	2.9	3.0	3.0	6.4	3.5	5.0	5.9	4.3	1.52	15.9	-358.5
November 1999 Consensus	3.0	1.7	4.8	2.4	3.0	3.0	3.1	7.4	3.6	5.1	6.0	4.3	1.52	15.9	-353.5
December 1999 Consensus	3.2	1.7	5.0	2.5	3.2	3.1	3.4	7.7	4.2	5.2	6.1	4.3	1.52	16.1	-354.9
<b>January 2000 Consensus</b>	<b>3.6</b>	<b>1.7</b>	<b>5.3</b>	<b>2.5</b>	<b>3.6</b>	<b>3.4</b>	<b>3.8</b>	<b>8.2</b>	<b>4.8</b>	<b>5.6</b>	<b>6.4</b>	<b>4.1</b>	<b>1.54</b>	<b>16.4</b>	<b>-362.8</b>
Difference From Jan. 1999 Forecast	1.3	-0.3	1.0	0.1	1.3	0.8	1.2	3.1	2.5	1.2	1.3	-0.7	0.07	1.3	-60.1
Forecast High	3.6	2.0	5.3	2.5	3.6	3.4	3.8	8.2	4.8	5.6	6.4	4.8	1.54	16.4	-302.7
Forecast Low	2.2	1.7	4.0	2.3	2.1	2.6	2.5	4.9	1.5	4.4	5.1	4.1	1.47	15.1	-362.8

Consensus Forecasts For 2001	Real GDP	GDP	Nominal	Consumer	Indust.	Dis. Pers.	Personal	Non-Res.	Corp.	Treas.	Treas.	Unempl.	Housing	Auto/ Truck	Net
	Chained ('96 \$)	Price Index	GDP (Cur. \$)	Price Index	Prod. (Total)	Income ('96 \$)	Cons. Exp. ('96 \$)	Fix. Inv. ('96 \$)	Profits (Cur. \$)	Bills 3-mo.	Notes 10-Year	Rate (Civ.)	Starts (Mil.)	Sales (Mil.)	Exports ('96 \$)
<b>January 2000 Consensus</b>	<b>3.0</b>	<b>1.9</b>	<b>4.9</b>	<b>2.5</b>	<b>3.1</b>	<b>3.1</b>	<b>2.9</b>	<b>6.1</b>	<b>3.1</b>	<b>5.6</b>	<b>6.3</b>	<b>4.3</b>	<b>1.5</b>	<b>16.0</b>	<b>-358.7</b>
Difference From Jan. 1999 Forecast	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na
Forecast High	3.0	1.9	4.9	2.5	3.1	3.1	2.9	6.1	3.1	5.6	6.3	4.3	1.5	16.0	-358.7
Forecast Low	3.0	1.9	4.9	2.5	3.1	3.1	2.9	6.1	3.1	5.6	6.3	4.3	1.5	16.0	-358.7



**3. Blue Chip Consensus: Quarterly Annualized Percent Change From Prior Quarter And Averages For Quarter.\***

Actuals <sup>1</sup>	% Change From Prior Quarter At Annualized Rate							Average For Quarter				
	Real GDP	GDP Price Index	CPI	Producer Prices	Indust. Prod.	Dis. Pers. Income	Personal Con. Exp.	Unempl. Rate	Treas. Bills	10-Year T-Notes	Ch. Prv. Invent.	Net Exports
<b>1999</b> 1Q	3.7	2.0	1.5	1.3	2.0	4.1	6.5	4.3	4.4	5.0	50.1	-284.5
2Q	1.9	1.3	3.4	2.8	4.7	3.2	5.1	4.3	4.6	5.5	14.0	-319.0
3Q	5.7	1.1	2.7	3.7	4.7	2.9	4.9	4.2	4.7	5.9	38.0	-338.2

Blue Chip Forecasts	% Change From Prior Quarter At Annualized Rate							Average For Quarter				
	Real GDP	GDP Price Index	CPI	Producer Prices	Indust. Prod.	Dis. Pers. Income	Personal Con. Exp.	Unempl. Rate	Treas. Bills	10-Year T-Notes	Ch. Prv. Invent.	Net Exports
<b>4Q Consensus</b>	<b>4.5</b>	<b>1.6</b>	<b>2.8</b>	<b>3.1</b>	<b>4.6</b>	<b>4.2</b>	<b>4.6</b>	<b>4.1a</b>	<b>5.0a</b>	<b>6.1a</b>	<b>51.0</b>	<b>-349.3</b>
Top 10 Avg.	5.3	2.3	3.3	4.5	6.0	6.0	5.5	--	--	--	67.6	-330.5
Bot. 10 Avg.	3.9	1.1	2.3	1.3	3.0	2.5	3.5	--	--	--	38.8	-365.1
<b>2000 1Q Consensus</b>	<b>3.0</b>	<b>1.8</b>	<b>2.5</b>	<b>1.9</b>	<b>3.0</b>	<b>3.4</b>	<b>3.4</b>	<b>4.1</b>	<b>5.4</b>	<b>6.4</b>	<b>37.9</b>	<b>-355.2</b>
Top 10 Avg.	3.9	2.5	3.0	3.0	4.5	4.8	4.5	4.3	5.6	6.7	51.2	-329.8
Bot. 10 Avg.	2.0	1.1	1.8	0.5	1.1	2.4	2.0	4.0	5.2	6.1	20.7	-378.9
<b>2Q Consensus</b>	<b>3.2</b>	<b>1.7</b>	<b>2.4</b>	<b>1.4</b>	<b>3.3</b>	<b>3.3</b>	<b>3.3</b>	<b>4.1</b>	<b>5.6</b>	<b>6.4</b>	<b>37.5</b>	<b>-360.8</b>
Top 10 Avg.	3.9	2.3	3.1	2.5	5.0	4.4	4.1	4.4	5.9	6.8	49.9	-325.9
Bot. 10 Avg.	2.4	1.0	1.6	0.1	1.9	2.0	2.3	3.9	5.2	6.0	23.0	-389.2
<b>3Q Consensus</b>	<b>3.4</b>	<b>1.8</b>	<b>2.4</b>	<b>1.5</b>	<b>3.4</b>	<b>3.4</b>	<b>3.2</b>	<b>4.1</b>	<b>5.7</b>	<b>6.4</b>	<b>37.8</b>	<b>-355.8</b>
Top 10 Avg.	4.4	2.5	3.0	2.8	5.3	4.3	4.0	4.5	6.1	6.9	51.1	-281.8
Bot. 10 Avg.	2.6	1.1	1.6	-0.1	1.9	2.6	2.4	3.8	5.2	5.9	24.5	-400.8
<b>4Q Consensus</b>	<b>3.2</b>	<b>1.8</b>	<b>2.5</b>	<b>1.5</b>	<b>3.3</b>	<b>3.1</b>	<b>3.0</b>	<b>4.1</b>	<b>5.7</b>	<b>6.4</b>	<b>37.9</b>	<b>-362.2</b>
Top 10 Avg.	4.4	2.5	3.0	2.7	5.3	3.9	3.9	4.5	6.1	6.9	54.4	-308.4
Bot. 10 Avg.	2.1	1.2	1.6	0.0	1.7	2.2	2.1	3.8	5.3	5.9	23.6	-407.0
<b>2001 1Q Consensus</b>	<b>2.9</b>	<b>2.0</b>	<b>2.6</b>	<b>1.7</b>	<b>3.1</b>	<b>3.3</b>	<b>2.7</b>	<b>4.2</b>	<b>5.7</b>	<b>6.4</b>	<b>36.3</b>	<b>-361.1</b>
Top 10 Avg.	3.7	2.7	3.0	2.9	4.8	4.5	3.4	4.5	6.1	6.9	49.0	-304.9
Bot. 10 Avg.	1.8	1.3	2.1	0.6	1.6	2.3	1.8	3.9	5.2	5.8	22.2	-404.2
<b>2Q Consensus</b>	<b>2.8</b>	<b>1.9</b>	<b>2.6</b>	<b>1.9</b>	<b>3.0</b>	<b>2.7</b>	<b>2.7</b>	<b>4.3</b>	<b>5.7</b>	<b>6.4</b>	<b>34.9</b>	<b>-357.0</b>
Top 10 Avg.	3.5	2.6	3.2	3.0	4.6	3.8	3.3	4.6	6.3	7.0	49.8	-293.1
Bot. 10 Avg.	2.0	1.3	2.1	0.9	1.7	1.3	1.9	3.9	5.2	5.7	19.7	-409.1
<b>3Q Consensus</b>	<b>2.9</b>	<b>1.9</b>	<b>2.7</b>	<b>2.0</b>	<b>3.0</b>	<b>2.9</b>	<b>2.6</b>	<b>4.3</b>	<b>5.7</b>	<b>6.3</b>	<b>36.2</b>	<b>-351.7</b>
Top 10 Avg.	3.8	2.5	3.2	2.8	5.0	3.7	3.2	4.7	6.3	6.9	51.3	-281.3
Bot. 10 Avg.	2.0	1.3	2.3	1.3	1.4	2.0	1.7	3.8	5.2	5.7	19.3	-404.8
<b>4Q Consensus</b>	<b>2.9</b>	<b>1.9</b>	<b>2.7</b>	<b>2.1</b>	<b>2.9</b>	<b>2.8</b>	<b>2.6</b>	<b>4.3</b>	<b>5.6</b>	<b>6.3</b>	<b>35.3</b>	<b>-345.9</b>
Top 10 Avg.	3.8	2.5	3.2	3.0	4.6	3.6	3.4	4.8	6.3	6.9	53.8	-268.0
Bot. 10 Avg.	1.8	1.4	2.3	1.3	1.0	1.9	1.7	3.8	5.1	5.6	15.0	-402.1

**4. Blue Chip Consensus: Quarterly Annualized Values And Percent Change From Same Quarter In Prior Year.\***

**Real Gross Domestic Product**

Billions Of Chained 1996\$ (SAAR)		% Change From Same Quarter In Prior Year <sup>2</sup>			
Actual	Forecast <sup>1</sup>	Actual	Forecast	Actual	Forecast

Quarter	1999	2000	2001	1999	2000	2001
1Q	8737.9	<b>9065.4</b>	<b>9351.1</b>	3.9	<b>3.7</b>	<b>3.2</b>
2Q	8778.6	<b>9136.9</b>	<b>9415.7</b>	3.8	<b>4.1</b>	<b>3.1</b>
3Q	8900.6	<b>9212.6</b>	<b>9483.2</b>	4.2	<b>3.5</b>	<b>2.9</b>
4Q	<b>8999.4</b>	<b>9285.2</b>	<b>9551.3</b>	<b>3.9</b>	<b>3.2</b>	<b>2.9</b>

**GDP Chained Price Index**

Index 1996 = 100 (SAAR)		% Change From Same Quarter In Prior Year <sup>2</sup>			
Actual	Forecast <sup>1</sup>	Actual	Forecast	Actual	Forecast

Quarter	1999	2000	2001	1999	2000	2001
1Q	103.8	<b>105.3</b>	<b>107.2</b>	1.3	<b>1.5</b>	<b>1.8</b>
2Q	104.1	<b>105.7</b>	<b>107.7</b>	1.4	<b>1.5</b>	<b>1.9</b>
3Q	104.4	<b>106.2</b>	<b>108.2</b>	0.8	<b>1.7</b>	<b>1.9</b>
4Q	<b>104.8</b>	<b>106.7</b>	<b>108.8</b>	<b>1.5</b>	<b>1.8</b>	<b>2.0</b>

**Industrial Production**

Index 1992 = 100 (SAAR)		% Change From Same Quarter In Prior Year <sup>2</sup>			
Actual	Forecast <sup>1</sup>	Actual	Forecast	Actual	Forecast

Quarter	1999	2000	2001	1999	2000	2001
1Q	134.6	<b>140.3</b>	<b>144.9</b>	2.8	<b>4.2</b>	<b>3.3</b>
2Q	136.1	<b>141.4</b>	<b>146.0</b>	3.2	<b>3.9</b>	<b>3.2</b>
3Q	137.7	<b>142.6</b>	<b>147.0</b>	3.5	<b>3.6</b>	<b>3.1</b>
4Q	<b>139.3</b>	<b>143.8</b>	<b>148.1</b>	<b>4.0</b>	<b>3.2</b>	<b>3.0</b>

**Consumer Price Index**

Index 1982-1984 = 100 (SAAR)		% Change From Same Quarter In Prior Year <sup>2</sup>			
Actual	Forecast <sup>1</sup>	Actual	Forecast	Actual	Forecast

Quarter	1999	2000	2001	1999	2000	2001
1Q	164.8	<b>169.5</b>	<b>173.6</b>	1.7	<b>2.8</b>	<b>2.4</b>
2Q	166.2	<b>170.5</b>	<b>174.8</b>	2.1	<b>2.6</b>	<b>2.5</b>
3Q	167.3	<b>171.5</b>	<b>175.9</b>	2.3	<b>2.5</b>	<b>2.6</b>
4Q	<b>168.5</b>	<b>172.5</b>	<b>177.1</b>	<b>2.6</b>	<b>2.4</b>	<b>2.6</b>

\* See explanatory notes on inside of back cover for details of how this data is compiled.

## BLUE CHIP INTERNATIONAL CONSENSUS FORECASTS

	-----ANNUAL DATA-----						-----END OF YEAR-----			
	Real Economic Growth % Change GDP		Inflation % Change Consumer Prices		Current Account In Billions Of U.S. Dollars		Exchange Rate <sup>1</sup> Units Per U.S. \$		Interest Rates 3-Month	
	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
<b>CANADA</b>										
<b>January Consensus</b>	<b>3.1</b>	<b>2.8</b>	<b>2.2</b>	<b>2.3</b>	<b>-7.7</b>	<b>-6.2</b>	<b>1.41</b>	<b>1.42</b>	<b>5.31</b>	<b>5.36</b>
Top 3 Avg.	3.6	3.1	2.5	2.6	-3.8	1.0	1.45	1.44	5.64	5.92
Bottom 3 Avg.	2.8	2.4	1.8	1.8	-10.8	-11.3	1.38	1.39	4.96	4.77
Last Month Avg.	3.0	na	2.1	na	-9.9	na	1.43	na	5.17	na
Actual	1998*	1999**	1998*	1999**	1998*	1999**	Latest	Year Ago	Latest	Year Ago
	3.1	3.6	1.0	1.7	-12.4	-9.0	1.45	1.52	4.88	4.68
<b>MEXICO</b>										
<b>January Consensus</b>	<b>4.5</b>	<b>4.5</b>	<b>11.6</b>	<b>10.6</b>	<b>-8.6</b>	<b>-9.4</b>	<b>10.60</b>	<b>11.22</b>	<b>17.40</b>	<b>16.58</b>
Top 3 Avg.	4.9	5.2	12.8	12.9	-2.2	-3.2	11.05	12.23	19.50	18.74
Bottom 3 Avg.	4.1	4.0	10.5	8.7	-14.1	-15.1	10.05	10.26	15.37	14.61
Last Month Avg.	4.1	na	11.6	na	-9.7	na	10.74	na	17.25	na
Actual	1998*	1999**	1998*	1999**	1998*	1999**	Latest	Year Ago	Latest	Year Ago
	4.6	3.4	16.7	12.8	-15.8	-9.1	9.52	9.79	16.25	31.20
<b>JAPAN</b>										
<b>January Consensus</b>	<b>1.4</b>	<b>2.0</b>	<b>0.3</b>	<b>0.9</b>	<b>116.0</b>	<b>117.9</b>	<b>104.2</b>	<b>106.3</b>	<b>0.50</b>	<b>0.97</b>
Top 3 Avg.	2.0	2.7	0.6	1.3	126.7	127.2	112.9	111.5	0.80	1.59
Bottom 3 Avg.	1.0	1.3	-0.1	0.5	104.0	108.6	96.5	97.8	0.22	0.37
Last Month Avg.	1.2	na	0.4	na	114.5	na	108.5	na	0.55	na
Actual	1998*	1999**	1998*	1999**	1998*	1999**	Latest	Year Ago	Latest	Year Ago
	-2.8	1.0	0.6	-0.4	116.0	119.9	104.3	111.3	0.05	0.50
<b>UNITED KINGDOM</b>										
<b>January Consensus</b>	<b>2.9</b>	<b>2.8</b>	<b>2.6</b>	<b>2.5</b>	<b>-17.3</b>	<b>-16.9</b>	<b>1.64</b>	<b>1.61</b>	<b>6.12</b>	<b>6.01</b>
Top 3 Avg.	3.3	3.2	2.9	2.8	-13.7	-13.0	1.66	1.65	6.44	6.30
Bottom 3 Avg.	2.5	2.3	2.3	2.2	-20.9	-21.1	1.60	1.57	5.71	5.64
Last Month Avg.	2.7	na	2.7	na	-18.4	na	1.63	na	5.92	na
Actual	1998*	1999**	1998*	1999**	1998*	1999**	Latest	Year Ago	Latest	Year Ago
	2.2	1.6	2.7	2.0	2.5	-16.1	1.64	1.65	6.06	5.88
<b>SOUTH KOREA</b>										
<b>January Consensus</b>	<b>6.5</b>	<b>6.1</b>	<b>3.0</b>	<b>3.7</b>	<b>16.8</b>	<b>13.5</b>	<b>1086</b>	<b>1105</b>	<b>7.71</b>	<b>7.62</b>
Top 3 Avg.	7.2	6.3	3.5	4.3	19.2	16.7	1143	1151	8.15	8.37
Bottom 3 Avg.	5.8	5.8	2.5	3.2	14.3	10.9	1025	1059	7.23	6.80
Last Month Avg.	6.2	na	3.3	na	14.8	na	1104	na	7.77	na
Actual	1998*	1999**	1998*	1999**	1998*	1999**	Latest	Year Ago	Latest	Year Ago
	-5.8	7.7	7.5	1.1	37.6	22.4	1135	1165	7.35	7.70
<b>GERMANY</b>										
<b>January Consensus</b>	<b>2.7</b>	<b>2.8</b>	<b>1.5</b>	<b>1.7</b>	<b>2.0</b>	<b>4.0</b>	<b>1.12</b>	<b>1.14</b>	<b>3.80</b>	<b>3.96</b>
Top 3 Avg.	3.1	3.2	1.6	2.0	7.3	10.6	1.17	1.20	4.07	4.34
Bottom 3 Avg.	2.3	2.3	1.2	1.4	-3.2	-1.7	1.07	1.08	3.61	3.56
Last Month Avg.	2.6	na	1.5	na	1.7	na	1.14	na	3.69	na
Actual	1998*	1999**	1998*	1999**	1998*	1999**	Latest	Year Ago	Latest	Year Ago
	2.3	1.5	0.6	0.7	-3.5	-1.0	1.03	1.18	3.34	3.24
<b>TAIWAN</b>										
<b>January Consensus</b>	<b>6.1</b>	<b>5.7</b>	<b>1.9</b>	<b>2.5</b>	<b>5.8</b>	<b>6.2</b>	<b>31.58</b>	<b>32.24</b>	<b>5.31</b>	<b>5.52</b>
Top 3 Avg.	6.8	6.4	2.2	3.0	6.9	8.0	32.48	33.40	5.71	6.15
Bottom 3 Avg.	5.4	5.1	1.6	2.1	4.7	4.5	30.76	31.08	4.91	4.89
Last Month Avg.	5.5	na	2.1	na	5.9	na	31.44	na	5.32	na
Actual	1998*	1999**	1998*	1999**	1998*	1999**	Latest	Year Ago	Latest	Year Ago
	4.9	4.9	1.7	0.9	5.0	5.5	30.73	32.18	5.50	6.00
<b>NETHERLANDS</b>										
<b>January Consensus</b>	<b>3.3</b>	<b>3.2</b>	<b>2.3</b>	<b>2.4</b>	<b>19.3</b>	<b>19.8</b>	<b>1.12</b>	<b>1.14</b>	<b>3.80</b>	<b>3.96</b>
Top 3 Avg.	3.5	3.4	2.5	2.6	20.2	21.2	1.17	1.20	4.07	4.34
Bottom 3 Avg.	3.1	2.9	2.1	2.1	18.4	18.4	1.07	1.08	3.61	3.56
Last Month Avg.	3.0	na	2.4	na	18.6	na	1.14	na	3.69	na
Actual	1998*	1999**	1998*	1999**	1998*	1999**	Latest	Year Ago	Latest	Year Ago
	3.8	2.9	2.0	2.2	20.2	18.6	1.03	1.18	3.34	3.24

\*Best estimates available. \*\* In most cases, actual data for 1999 is not yet available. Where we don't have actual data, figures are consensus forecasts from the December 10, 1999 issue. <sup>1</sup>All rates are amount of currency per U.S. dollar, except for U.K. Australia and Euro, which are the reciprocal.

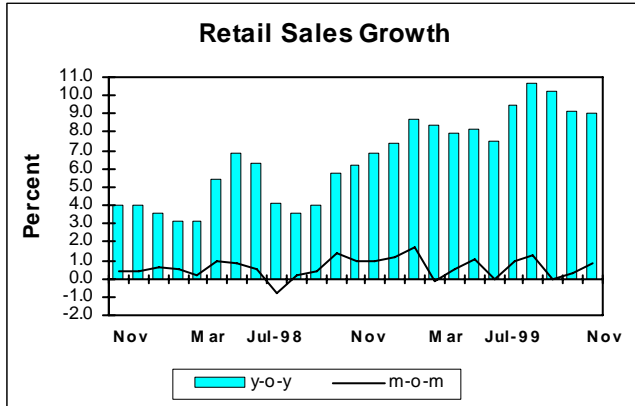
**BLUE CHIP INTERNATIONAL CONSENSUS FORECASTS**

	-----ANNUAL DATA-----						-----END OF YEAR-----			
	Real Economic Growth % Change GDP		Inflation % Change Consumer Prices		Current Account In Billions Of U.S. Dollars		Exchange Rate <sup>1</sup> Units Per U.S. \$		Interest Rates 3-Month	
	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
<b>SINGAPORE</b>										
<b>January Consensus</b>	<b>5.8</b>	<b>5.6</b>	<b>1.4</b>	<b>1.6</b>	<b>16.0</b>	<b>17.6</b>	<b>1.63</b>	<b>1.62</b>	<b>3.54</b>	<b>3.79</b>
Top 3 Avg.	6.3	6.2	1.7	1.9	17.1	18.8	1.67	1.68	3.82	4.23
Bottom 3 Avg.	5.2	5.0	1.1	1.4	15.0	16.5	1.59	1.55	3.25	3.31
Last Month Avg.	5.2	na	1.4	na	15.7	na	1.64	na	3.59	na
	1998*	1999**	1998*	1999**	1998*	1999**	Latest	Year Ago	Latest	Year Ago
Actual	0.3	4.2	-0.3	0.5	16.0	15.9	1.66	1.67	2.43	1.75
<b>FRANCE</b>										
<b>January Consensus</b>	<b>3.3</b>	<b>3.0</b>	<b>1.3</b>	<b>1.7</b>	<b>35.6</b>	<b>37.4</b>	<b>1.12</b>	<b>1.14</b>	<b>3.80</b>	<b>3.96</b>
Top 3 Avg.	3.7	3.4	1.5	2.0	37.9	43.5	1.17	1.20	4.07	4.34
Bottom 3 Avg.	3.0	2.6	1.0	1.3	33.3	31.2	1.07	1.08	3.61	3.56
Last Month Avg.	3.0	na	1.4	na	35.9	na	1.14	na	3.69	na
	1998*	1999**	1998*	1999**	1998*	1999**	Latest	Year Ago	Latest	Year Ago
Actual	3.2	2.5	0.7	0.6	40.1	34.9	1.03	1.18	3.34	3.24
<b>BRAZIL</b>										
<b>January Consensus</b>	<b>3.1</b>	<b>4.0</b>	<b>6.8</b>	<b>6.0</b>	<b>-21.8</b>	<b>-20.8</b>	<b>1.94</b>	<b>1.98</b>	<b>19.25</b>	<b>16.94</b>
Top 3 Avg.	3.6	4.5	7.2	7.1	-20.7	-19.5	2.00	2.10	22.34	18.65
Bottom 3 Avg.	2.7	3.4	6.2	5.0	-23.0	-21.7	1.88	1.87	16.17	15.23
Last Month Avg.	3.2	na	6.3	na	-22.3	na	1.99	na	18.34	na
	1998*	1999**	1998*	1999**	1998*	1999**	Latest	Year Ago	Latest	Year Ago
Actual	0.1	-0.4	3.8	6.4	-30.8	-25.1	1.84	1.21	19.04	29.30
<b>HONG KONG</b>										
<b>January Consensus</b>	<b>3.1</b>	<b>4.1</b>	<b>1.5</b>	<b>2.6</b>	<b>2.9</b>	<b>4.0</b>	<b>7.70</b>	<b>7.82</b>	<b>7.16</b>	<b>7.17</b>
Top 3 Avg.	3.7	5.0	3.0	3.3	4.2	4.9	7.80	7.88	7.55	7.61
Bottom 3 Avg.	2.5	3.2	0.1	1.9	1.3	2.9	7.56	7.76	6.77	6.73
Last Month Avg.	2.9	na	1.3	na	2.6	na	7.77	na	7.08	na
	1998*	1999**	1998*	1999**	1998*	1999**	Latest	Year Ago	Latest	Year Ago
Actual	-5.1	0.7	2.6	-2.4	-1.9	3.6	7.78	7.75	5.67	5.62
<b>BELGIUM</b>										
<b>January Consensus</b>	<b>2.8</b>	<b>2.9</b>	<b>1.5</b>	<b>1.8</b>	<b>11.6</b>	<b>11.8</b>	<b>1.12</b>	<b>1.14</b>	<b>3.80</b>	<b>3.96</b>
Top 3 Avg.	2.9	3.2	1.7	2.1	12.7	13.3	1.17	1.20	4.07	4.34
Bottom 3 Avg.	2.6	2.6	1.3	1.5	10.6	10.5	1.07	1.08	3.61	3.56
Last Month Avg.	2.7	na	1.5	na	11.5	na	1.14	na	3.69	na
	1998*	1999**	1998*	1999**	1998*	1999**	Latest	Year Ago	Latest	Year Ago
Actual	2.9	1.8	0.9	1.1	10.0	11.3	1.03	1.18	3.34	3.24
<b>CHINA</b>										
<b>January Consensus</b>	<b>7.0</b>	<b>7.1</b>	<b>1.4</b>	<b>2.6</b>	<b>14.5</b>	<b>14.0</b>	<b>8.53</b>	<b>8.74</b>	<b>5.57</b>	<b>6.58</b>
Top 3 Avg.	7.4	7.7	2.3	3.4	14.9	15.5	8.78	9.12	6.55	7.80
Bottom 3 Avg.	6.6	6.7	0.5	1.8	14.1	12.1	8.29	8.35	4.53	5.68
Last Month Avg.	6.8	na	1.9	na	15.0	na	8.84	na	6.56	na
	1998*	1999**	1998*	1999**	1998*	1999**	Latest	Year Ago	Latest	Year Ago
Actual	7.8	7.1	-0.8	-1.0	25.0	16.4	8.28	8.28	1.98	9.00
<b>AUSTRALIA</b>										
<b>January Consensus</b>	<b>3.6</b>	<b>3.3</b>	<b>3.1</b>	<b>2.7</b>	<b>-19.2</b>	<b>-20.4</b>	<b>0.69</b>	<b>0.69</b>	<b>5.55</b>	<b>5.68</b>
Top 3 Avg.	3.9	3.6	4.3	3.2	-14.3	-17.1	0.71	0.71	5.92	6.30
Bottom 3 Avg.	3.3	3.1	2.2	2.1	-24.8	-23.9	0.67	0.67	5.18	5.09
Last Month Avg.	3.3	na	3.0	na	-19.2	na	0.69	na	5.39	na
	1998*	1999**	1998*	1999**	1998*	1999**	Latest	Year Ago	Latest	Year Ago
Actual	5.1	3.8	1.6	1.6	-17.4	-20.8	0.66	0.61	5.62	4.70
<b>EURO-11</b>										
<b>January Consensus</b>	<b>3.0</b>	<b>2.9</b>	<b>1.7</b>	<b>2.2</b>	<b>71.1</b>	<b>72.3</b>	<b>1.12</b>	<b>1.14</b>	<b>3.80</b>	<b>3.96</b>
Top 3 Avg.	3.2	3.2	2.1	2.6	80.4	85.2	1.17	1.20	4.07	4.34
Bottom 3 Avg.	2.8	2.6	1.4	1.7	60.8	60.6	1.07	1.08	3.61	3.56
Last Month Avg.	na	na	na	na	na	na	na	na	na	na
	1998*	1999**	1998*	1999**	1998*	1999**	Latest	Year Ago	Latest	Year Ago
Actual	2.7	2.1	1.1	1.2	84.0	59.9	1.03	1.18	3.34	3.24

\*Best estimates available. Contributors to Blue Chip International Survey: Ford Motor Company, USA; Federal Express Corporation, USA; Wells Capital Management, USA; J.P. Morgan, USA; Comerica, USA; Deutsche Bank Research, Germany; National City Corporation, USA; Westdeutsche Landesbank; Germany; Morgan Stanley Dean Witter, USA; Chase Securities, USA; Moody's Investor Services, USA; WEFA, USA; First Union Corp., USA; LaSalle/ABN AMRO, USA; Wayne Hummer Investments, LLC, USA; Grupo de Economistas y Asociados, Mexico; Georgia State University Forecasting Center, USA; Eaton Corporation, USA; The Northern Trust Company, USA; Infometrica, USA; EULER-Paris, France; and International Monetary Fund, World Economic Outlook, USA.

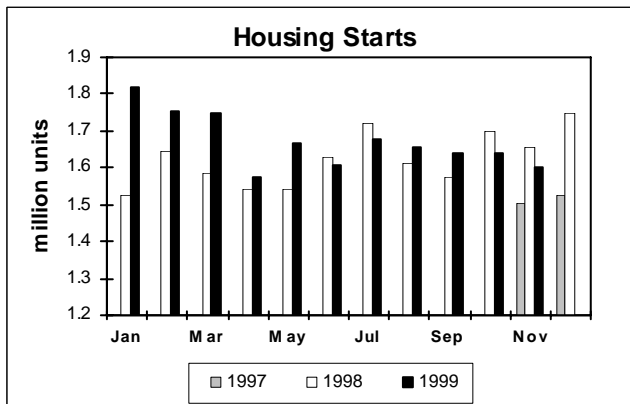
## Recent Developments:

### Retail Sales Finished Year On Strong Note



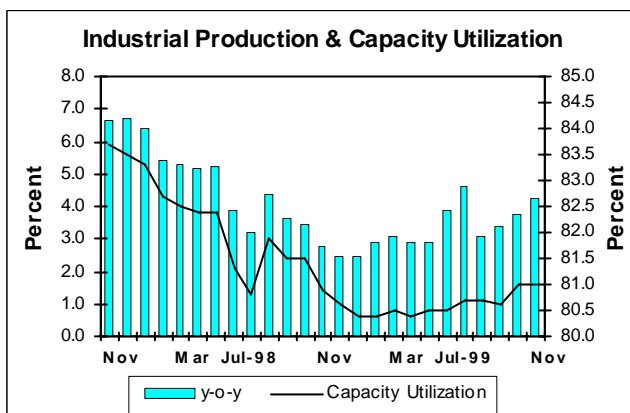
**Total retail sales** finished 1999 on a strong note. December chain store sales appear to have posted their largest gain since 1992. Sales of cars and light trucks in December also were up from the prior month. Total retail sales rose a solid 0.9% in November but likely soared by more than 1.0% in December. Precautionary Y2K-related buying of gasoline, food, etc. in December will be reversed out in January. Unseasonably warm weather also may continue to hamper apparel sales. Vehicle sales in January also are likely dip from year end levels unless dealers bolster incentive programs. Despite expected weakness in January, retail sales are traditionally strong in Q1, aided by income tax refunds and the payment of annual bonus money. This year should be no exception. Moreover, solid income growth, low levels of unemployment and high levels of consumer confidence should continue to provide a favorable fundamental backdrop to consumer spending in the first half of the year.

### Higher Mortgage Rates Will Take A Toll On Residential Housing Demand In Coming Year



**Housing starts** fell 2.3% to a 1.60 million annual rate in November. Single-family starts fell 3.6% and offset a 3.5% rise in the prior month. Weakness was concentrated in the South where starts dropped 9.9%. Starts in the Midwest also fell 6.8%, but the decline followed three months of solid gains. A 1.4% rise November permits and the unseasonably mild weather experienced across much of the nation in the final month of the year, suggest total housing starts likely rebounded to an annual rate of 1.63 million or more in December. **Existing home sales** rose a surprisingly large 6% in November, breaking a string of four consecutive monthly declines. Moreover, the supply of existing unsold homes fell its lowest level in a year in November. But new home sales fell 7.1%, following a 9% rise in October. While underlying demand for residential homes will start the new year in pretty good shape, the continued sharp rise in mortgage rates will inevitably take a toll in coming months, particularly if accompanied by weaker equity markets.

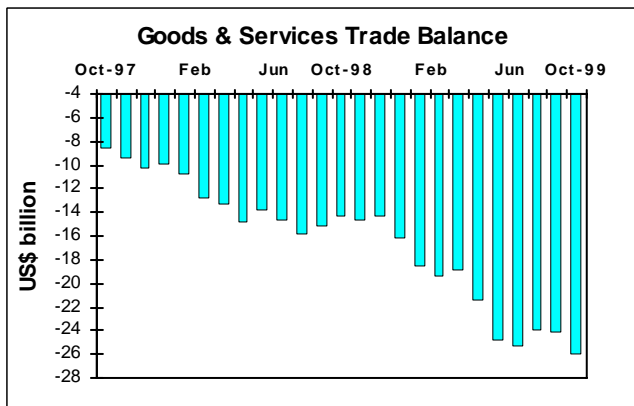
### Manufacturing Sector Continues To Post Solid Growth



**Total industrial production** rose 0.3% in November, supported by a 0.5% rise in manufacturing and a 0.7% rise in mining. Durables production was up 0.6% and nondurable output rose 0.3%. Utility output fell 2.3% due to unseasonable mild weather. The rise in durables production was largely spurred by a 1.1% gain in motor vehicle production. More unseasonable mild weather in the final month of the year will likely produce another weak reading for utility output, but strength elsewhere will likely produce an overall gain in total industrial production of about 0.3%-0.4%. The December employment data also implies a gain of that magnitude. That would leave total production growing at about a 5.3% pace in Q4, its strongest quarterly performance of the year. The December NAPM data also suggest the factory sector ended the year on a solid note. While the overall index slipped from 56.2% in November to 55.2% in December, the production index rose from 57.4% to 58.7% and the employment index jumped from 52.2% to 54.3%. The NAPM prices paid index continues to climb.

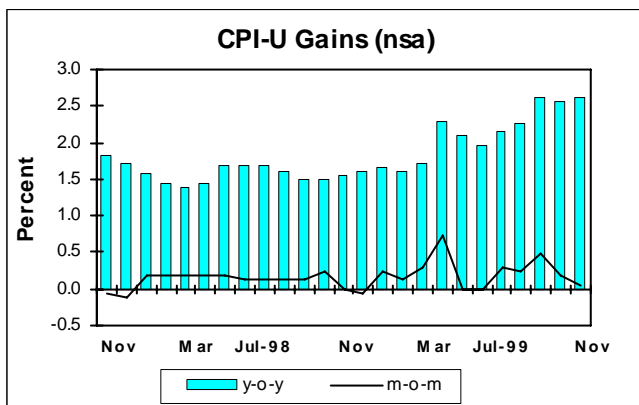
## Recent Developments:

### Goods And Services Trade Deficit Continues To Grow



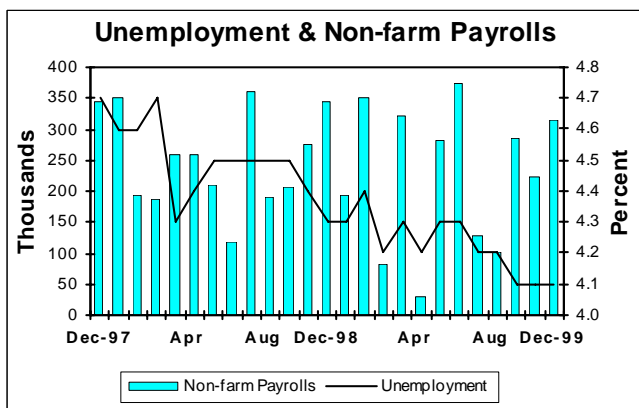
The **goods and services trade deficit** posted another record high in October, rising to \$24.9 billion. The increase resulted from a 1.7% rise in imports and an unexpected 0.4% drop in exports. The strength in imports stemmed from solid demand for consumer goods and capital equipment that reflect the ongoing strength in U.S. domestic demand. Despite a 16.5% rise in aircraft exports, total exports of capital equipment fell 1.5%. The continued deterioration of the trade deficit suggests net exports will end up subtracting from overall GDP growth in Q4 despite earlier expectations to the contrary. The trade deficit has grown by about 60% over the past year and for all of 1999 real net exports will subtract about a percentage point from GDP growth. On the bright side, the deficit is not expected to get a lot worse because foreign demand is picking up and the U.S. dollar is in a downtrend. But a significant improvement must await a meaningful slowdown in domestic demand, an event unlikely to occur until the second half of 2000.

### December CPI Will Rebound, But Weaker Energy Prices May Temper Increases In Early 2000



The overall **Consumer Price Index (CPI)** rose just 0.1% in November while the CPI excluding food and energy prices was up 0.2%. On a 12-month basis, they were up 2.6% and 2.1%, respectively. Moderating the rise in the overall index was a 0.6% decline in gasoline prices that helped offset a 2.6% jump in fuel oil prices and a 2.2% gain in natural gas. The CPI's medical care component rose 0.4% and total service sector prices were up by a similar amount, the biggest monthly rise since July 1996. The December CPI will likely post a larger rise than in November due to a sharp upward spike in gasoline prices. However, recent declines in crude oil prices due to the lack of Y2K-related supply disruptions, coupled with lower prices for fuel oil and natural gas due to unseasonably mild weather, should produce more benign readings in January CPI's energy component. That could offset expectations of continued rises in medical care and housing costs.

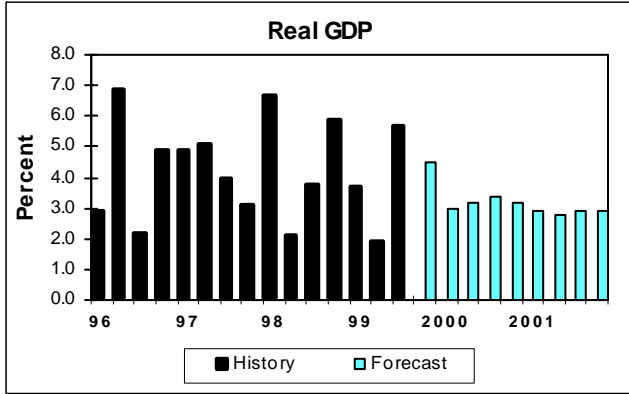
### Payroll Growth Ends 1999 On A Solid Note, But Evidence Of Wage Inflation Remains Scant



**Nonfarm payrolls** rose 315,000 in December, a slightly larger rise than expected. Retail, transportation and government payrolls posted solid gains. Also of note, regular monthly declines in factory payrolls have all but disappeared over the last couple of months. The **unemployment rate** remained unchanged at a 29-year low of 4.1%. The average workweek was unchanged for a third consecutive month, the average factory workweek was unchanged for a second month in a row. Average hourly earnings rose 6 cents or 0.4% of a percentage point. Over the past 12 months, hourly earnings are up 3.7% on both a seasonally adjusted and a nonseasonally adjusted basis. This continues to suggest little acceleration in wage growth despite the tightness in labor markets. Many industries continue to report difficulty finding skilled workers and this may hurt job creation this year. But there remains a good chance we'll see the jobless rate dip below the 4% level during the first half of 2000.

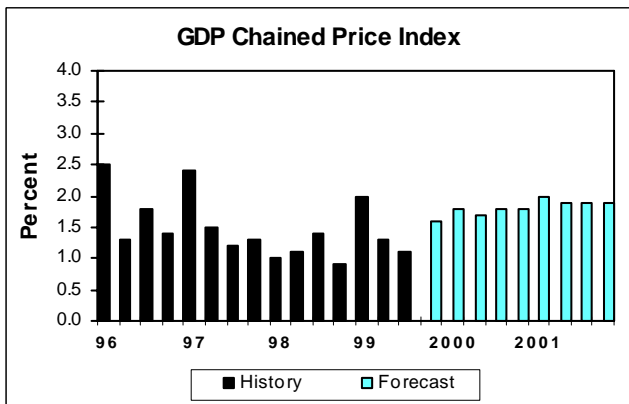
## Quarterly U.S. Forecasts:

### Real GDP



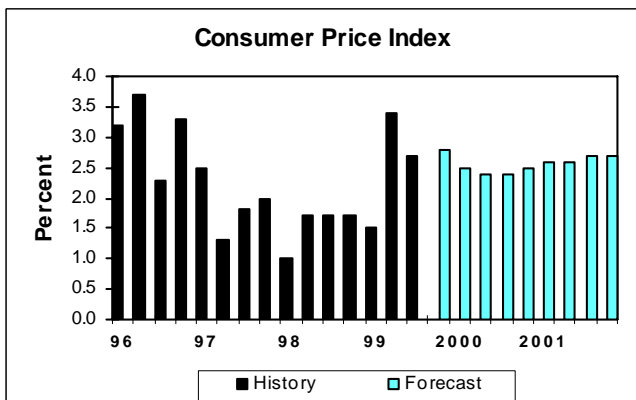
Real GDP grew at a revised annualized rate of 5.7% in Q3 and may not have slowed much in Q4. The consensus puts real GDP growth in the final quarter of the year at 4.5%, but based on the apparent strength in spending during December, personal consumption expenditures likely grew by about 5%, comfortably in excess of the consensus estimate of 4.6% growth. We also suspect capital spending in Q4 was stronger than expected but believe inventory building will contribute less to Q4 growth than the consensus predicts. The consensus forecast of real GDP growth in 2000 rose a large 0.4 of a percentage point this month to 3.6%. The increase appears rooted in raised expectations for consumption and investment during the year. The forecast for nominal GDP growth rose 0.3 to 5.3%. On a Q4-overQ4 basis, growth this year is now estimated at 3.2%. Our panel's first stab at 2001 estimates that real GDP growth will slow to a slightly below trend 3.0%.

### Chained-GDP Price Index



The chained-GDP price index rose at an unrevised annual rate of 1.1% in Q3, compared with growth of 1.3% in Q2 and 2.0% in Q1. The price index for PCE was revised down to 1.8% compared with gains of 2.2% in Q2 and 1.4% in Q1. Falling prices for durable goods have offset rising prices for nondurable goods and services in each of the last five quarters. The price index for imported goods in Q3 was 6.2%, marking the second consecutive quarterly increase. Rising prices of imported energy products largely account for the rebound, but prices for imported services also posted big increases over the past two quarters. Prior to Q2 the price index for imported goods had contracted for nine consecutive quarters. Falling energy prices in 1997-1998 and cheaper imported goods that resulted from the Asian crisis caused this decline. Energy prices may not rise much more but a weaker dollar may keep import prices rising in 2000 and beyond. The consensus now predicts the GDP price index will increase 1.7% in 2000 and 1.9% in 2001.

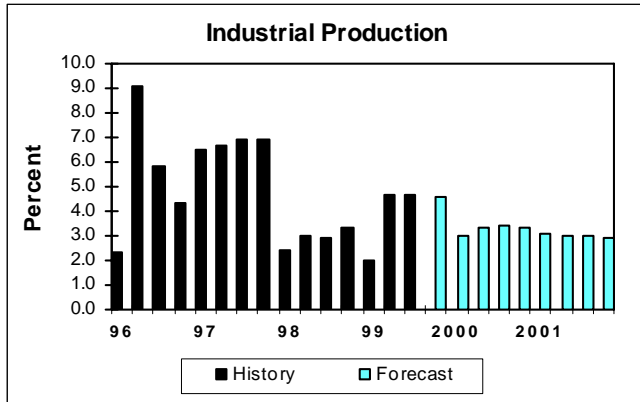
### Consumer Price Index



On a 12-month basis, the CPI and the CPI core were up 2.6% and 2.1%, respectively, in November. The consensus predicts the CPI will increase at an annual rate of 2.8% in Q4, compared with increases of 2.7% in Q3, 3.4% in Q2 and 1.5% in Q1. Higher energy and tobacco prices were big influences on the rise in the CPI in 1999, but rising costs for medical care and housing are beginning to attract analysts attention. Moreover, in November the 12-month change in the intermediate PPI index stood at its highest level since January 1996; the PPI crude index at its highest level since August 1995. These figures also suggest pipeline pressures could show up in headline PPI and CPI figures in coming months even as energy prices stabilize. The consensus now predicts the overall CPI will increase 2.5% in 2000 unchanged for a second month. The CPI is predicted to rise an identical 2.5% in 2001.

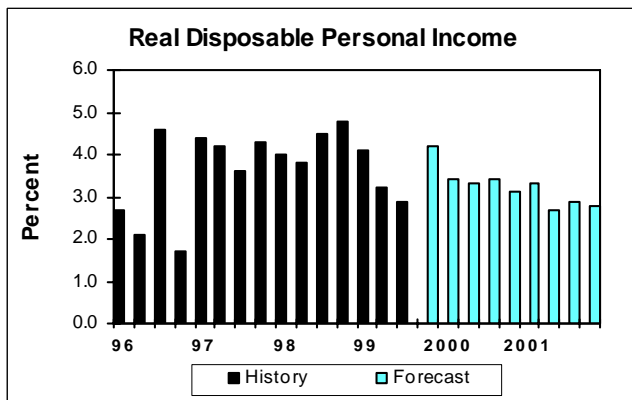
## Quarterly U.S. Forecasts:

### Industrial Production



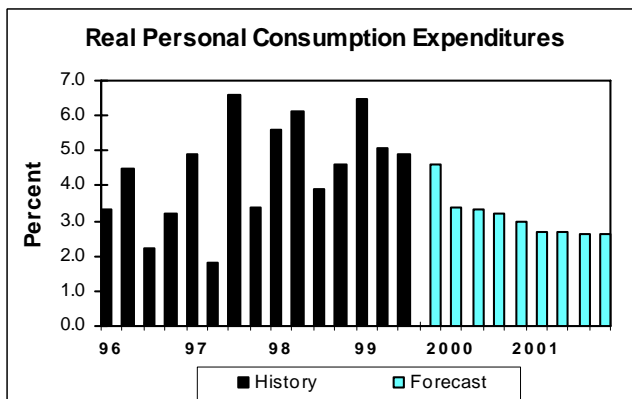
The recent strength in industrial production forced the consensus forecast of Q4 growth in total industrial production (IP) to 4.6% this month compared with 4.3% a month ago. However, we think even this estimate is too low and that growth will easily exceed 5% even if unseasonably warm weather depresses utility output in December. That would make IP growth in the final quarter of the year the strongest in 1999. The manufacturing sector improved throughout 1999 as domestic demand remained strong and improving overseas growth produced a pick-up in export orders. The December NAPM data also suggest the factory sector ended the year with plenty of momentum. Analysts generally say faster export growth will mitigate a cooling of U.S. domestic demand this year. As a result, total IP is now predicted to increase 3.6% in 2000 compared with a gain of about 3% in 1999. A further slowing of domestic demand will hold the 2001 gain in IP to 3.1%, says the consensus.

### Real Disposable Personal Income



Growth in real disposable personal income grew at an upwardly revised annual rate of 2.9% in Q3, but Q4 growth should be much stronger, something on the order of 4%-plus, says the consensus. Q4 DPI growth was boosted by large farm subsidy payments and union signing bonuses but wage and salary growth also remained solid. The consensus does predict quarterly DPI growth will slow to 3.4% in Q1, but that estimate does not appear to incorporate what we expect will be large payments of bonus money, particularly in the financial services sector. Moreover, we tend to think wage and salary growth will pick up a bit more strength in early 2000 due to continued tightness in labor markets. For all of 2000, the consensus predicts DPI will increase 3.4%, down just a bit from the expected gain of 3.7% in 1999 and up 0.3 of a percentage point from a month ago. As economic growth slows next year and labor markets become less tight DPI growth in 2001 will slip to 3.1%

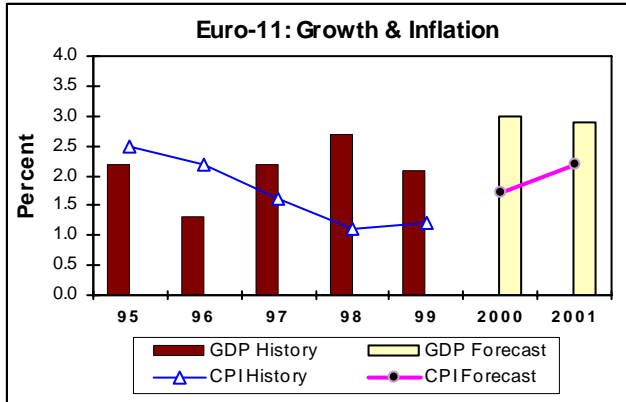
### Real Personal Consumption Expenditures



Real personal consumption expenditures appear to have ended last year on a strong note. Real PCE were up 0.4% and 0.5%, respectively, in November and October. Based on strong sales by chain stores and an apparent increase in auto and light truck sales in December, PCE growth in Q4 likely hit or exceeded the 4.9% rate in Q3. Even if not that high, PCE growth in calendar year 1999 should easily be the strongest of the current expansion. The continued strength in consumption prompted many analysts this month to raise their forecasts of PCE growth in 2000. As a result, the consensus forecast rose 0.4 of a percentage point to 3.8%, compared with an expected gain of about 5.1% or so in 1999. Consumer fundamentals remain strong, say analysts, but rising interest rates and possibly weaker equity markets are expected to dampen consumer spirits as the year wears on, preventing PCE growth from matching 1999's torrid pace. PCE is expected to slow to 2.9% in 2001.

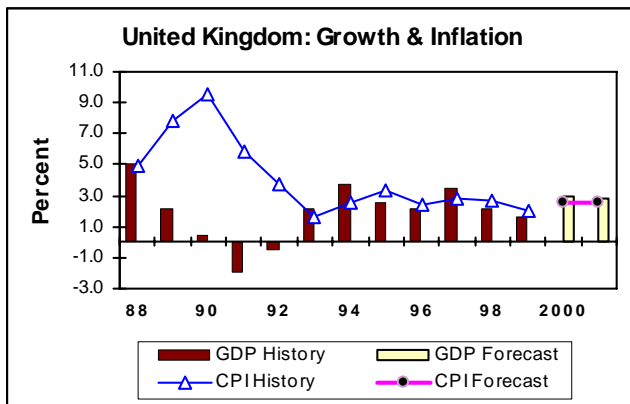
## International Forecasts:

### Euro-11



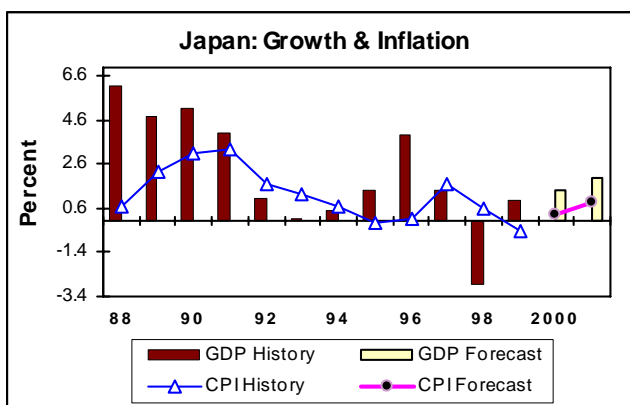
Euro-zone economies are experiencing a meaningful cyclical recovery as 2000 begins. Real GDP growth in the euro area will likely be 3% or more this year and next and be more broad based than in 1999. Driving faster overall growth will be a pick-up in domestic demand, strong growth in business investment and accelerating export growth. Euro zone exports were hard hit by the Asian economic crisis in 1997-1998. But improving growth in Asia and elsewhere should make exports a net contributor to GDP growth this year and next. Private consumption should accelerate due to rapid money growth over the past year, low interest rates, increases in real disposable income and falling unemployment. Investment should be especially strong as firms step-up their purchases of computer and telecommunications equipment. Inflation is expected to rise very modestly this year and next. Short-term interest rates will rise as the central bank reacts to rising inflationary expectations, but hikes may be more modest than markets now discount.

### United Kingdom



The U.K.'s economy is beginning the new year on a strong note. While the consensus now expects real GDP to grow 2.9% in 2000, compared with estimated growth of 1.6% in 1999, we think the odds are good that growth will comfortably exceed 3%. Domestic demand will likely remain strong while the net export deficit exerts less drag on overall growth. A tight labor market is producing growth in real disposable income of more than 4%. And residential housing inflation and strong consumer borrowing also hint that consumer demand will remain robust. Business investment in information processing and telecommunications equipment will likely accelerate with Y2K concerns now out of the way. The continued strength of its currency will mute, but not eliminate the risk of rising inflationary expectations this year. As a result, the central bank will likely hike rates by another 75 basis points or more in 2000. Most analysts continued to believe the U.K. will eventually join the EMU, but not anytime soon.

### Japan



Following signs of improvement during the first half of last year, Japan's economy backtracked in the second half. Real GDP contracted at an annual rate of 3.8% in Q3 and was likely flat in the final quarter of 1999. Japan's economy continues to be hampered by weak consumption and business investment. Declines in personal income and job security concerns are causing consumers to limit spending. Deflation also is influencing demand as consumers postpone spending in the expectation of lower prices in the future. Investment, excluding inventories, also continues to decline as companies restructure. There's still way too much capacity in many Japanese industries. Export growth does remain strong, but the sharp appreciation of the yen over the past year bodes ill for continued export gains. A moderately stimulative monetary policy, continued corporate restructuring, and further fiscal stimulus should produce positive real GDP growth of about 1.5% this year, but Japan remains the sick man of the industrialized world.

**1999**

Monthly Indicator	Jan	Feb	Mar	Apr	May	Jun	Jly	Aug	Sep	Oct	Nov	Dec
Retail Sales (a)	1.2	1.7	-0.1	0.6	1.0	-0.1	1.0	1.5	0.0	0.3	0.9	
Total Auto & Truck Sales (b)	16.16	17.40	16.89	16.81	17.81	17.46	17.53	18.27	17.75	17.12	17.65	
Personal Income (a, current \$)	0.6	0.5	0.2	0.5	0.4	0.8	0.3	0.4	0.1	1.3	0.4	
Personal Consumption (a, current \$)	0.5	0.9	0.9	0.4	0.5	0.5	0.4	0.8	0.5	0.7	0.5	
Consumer Credit (e)	15.0	8.9	6.5	0.3	9.4	3.9	7.9	6.0	3.1	3.7		
Consumer Sentiment (U. of Mich.)	103.9	108.1	105.7	104.6	106.8	107.3	106.0	104.5	107.2	103.2	107.2	105.4
Household Employment (c)	870	-252	-111	36	155	208	-125	104	139	346	189	322
Non-farm Payroll Employment (c)	192	352	83	321	28	281	373	129	103	284	222	315
Unemployment Rate (%)	4.3	4.4	4.2	4.3	4.2	4.3	4.3	4.2	4.2	4.1	4.1	4.1
Average Hourly Earnings ('82\$)	7.83	7.84	7.86	7.83	7.85	7.89	7.88	7.87	7.86	7.87	7.86	
Average Hourly Earnings (Current\$)	13.04	13.06	13.11	13.14	13.18	13.24	13.28	13.29	13.36	13.39	13.40	13.46
Non-farm Workweek (hrs.)	34.6	34.6	34.5	34.4	34.4	34.5	34.5	34.5	34.4	34.5	34.5	34.5
Industrial Production (d)	2.5	2.9	3.1	2.9	2.9	3.9	4.6	3.1	3.4	3.7	4.3	
Capacity Utilization (%)	80.4	80.4	80.5	80.4	80.5	80.5	80.7	80.7	80.6	81.0	81.0	
Purchasing Managers Index(g)	49.5	52.4	54.3	52.8	55.2	57.0	53.4	54.2	57.8	56.6	56.2	55.5
Housing Starts (b)	1.820	1.752	1.746	1.577	1.668	1.607	1.680	1.655	1.637	1.637	1.600	
Housing Permits (b)	1.778	1.738	1.654	1.572	1.591	1.641	1.641	1.619	1.506	1.594	1.614	
New Home Sales (1-family, c)	908	909	885	952	914	932	929	912	854	931	865	
Construction Expenditures (a)	1.7	2.1	0.7	-1.4	-0.9	0.1	0.5	-0.6	0.1	-0.1	2.6	
Consumer Price Index (s.a., d)	1.7	1.6	1.7	2.3	2.1	2.0	2.1	2.3	2.6	2.6	2.6	
CPI ex. Food and Energy (s.a., d)	2.4	2.1	2.1	2.2	2.0	2.1	2.1	1.9	2.0	2.1	2.1	
Producer Price Index (n.s.a., d)	0.9	0.5	0.8	1.1	1.4	1.5	1.5	2.4	3.2	2.7	3.1	
Durable Goods Orders (a)	3.1	-3.9	2.9	-2.4	1.0	0.2	4.3	0.9	-1.5	-0.9	0.9	
Leading Economic Indicators (g)	0.5	0.2	-0.1	-0.1	0.3	0.3	0.3	0.0	-0.1	0.1	0.3	
Balance of Trade & Services (f)	-16.1	-18.5	-19.3	-18.8	-21.4	-24.6	-24.9	-23.5	-24.2	-25.9		
Federal Funds Rate (%)	4.63	4.76	4.81	4.74	4.74	4.76	4.99	5.07	5.22	5.20	5.42	5.30
3-Mo. Treasury Bill Rate (%)	4.34	4.44	4.44	4.29	4.50	4.57	4.55	4.72	4.68	4.86	5.07	5.20
10-Year Treasury Note Yield (%)	4.72	5.00	5.23	5.18	5.54	5.90	5.79	5.94	5.92	6.11	6.03	6.28

**1998**

Monthly Indicator	Jan	Feb	Mar	Apr	May	Jun	Jly	Aug	Sep	Oct	Nov	Dec
Retail Sales (a)	0.6	0.5	0.2	1.0	0.9	0.5	-0.8	0.2	0.4	1.4	0.9	1.0
Total Auto & Truck Sales (b)	16.32	15.49	15.65	15.85	16.56	17.16	14.36	15.23	16.00	16.85	15.90	17.77
Personal Income (a, current \$)	0.4	0.5	0.5	0.4	0.5	0.5	0.7	0.5	0.3	0.5	1.0	-0.1
Personal Consumption (a, current \$)	0.5	0.7	0.5	0.4	1.1	0.4	0.2	0.5	0.2	0.7	0.2	0.8
Consumer Credit (e)	1.3	4.7	8.5	2.7	3.0	9.4	5.0	6.4	7.6	9.3	5.2	2.1
Consumer Sentiment ('67 = 100)	106.6	110.4	106.5	108.7	106.5	105.6	105.2	104.4	100.9	97.4	102.7	100.5
Household Employment (c)	305	78	-113	372	50	-77	-77	88	554	40	255	415
Payroll Employment (c)	351	193	188	259	258	211	119	362	191	206	274	345
Unemployment Rate (%)	4.6	4.6	4.7	4.3	4.4	4.5	4.5	4.5	4.5	4.5	4.4	4.3
Average Hourly Earnings ('82\$)	7.66	7.69	7.72	7.74	7.73	7.75	7.75	7.78	7.79	7.79	7.80	7.81
Average Hourly Earnings (Current\$)	12.54	12.59	12.63	12.70	12.73	12.76	12.79	12.85	12.87	12.90	12.94	12.98
Non-farm Workweek (hrs.)	34.8	34.7	34.6	34.5	34.7	34.6	34.6	34.6	34.4	34.6	34.5	34.6
Industrial Production (d)	6.4	5.4	5.3	5.2	5.3	3.9	3.2	4.4	3.7	3.5	2.8	2.5
Capacity Utilization (%)	83.3	82.7	82.5	82.4	82.4	81.3	80.8	81.9	81.5	81.5	80.9	80.6
Purchasing Managers Index (g)	53.0	53.4	54.2	52.5	51.4	49.7	49.2	48.9	49.1	48.4	47.0	45.3
Housing Starts (b)	1.527	1.644	1.583	1.542	1.541	1.626	1.719	1.615	1.576	1.698	1.654	1.750
Housing Permits (b)	1.553	1.635	1.569	1.523	1.549	1.531	1.626	1.670	1.569	1.726	1.688	1.708
New Home Sales (1-family, c)	853	878	836	892	892	919	877	839	843	903	985	958
Construction Expenditures (a)	1.2	0.7	0.3	0.8	-1.5	2.3	1.1	0.7	1.0	0.0	0.2	1.3
Consumer Price Index (d)	1.6	1.4	1.4	1.4	1.7	1.7	1.7	1.6	1.5	1.5	1.5	1.6
CPI ex. Food and Energy (d)	2.2	2.3	2.1	2.1	2.2	2.2	2.2	2.5	2.5	2.3	2.3	2.4
Producer Price Index (d)	-1.8	-1.6	-1.5	-0.9	-0.8	-0.7	-0.2	-0.8	-0.9	-0.7	-0.6	0.0
Durable Goods Orders (a)	1.3	-0.5	0.0	1.6	-3.3	0.1	2.0	2.0	1.3	-2.2	0.4	3.4
Leading Economic Indicators (g)	0.0	0.4	0.2	0.1	-0.1	-0.2	0.5	0.0	-0.1	0.1	0.5	0.3
Balance of Trade & Services (f)	-10.0	-11.7	-13.6	-14.1	-15.8	-14.3	-15.2	-16.7	-14.6	-14.0	-15.2	-14.1
Federal Funds Rate (%)	5.56	5.51	5.49	5.45	5.49	5.56	5.54	5.55	5.51	5.07	4.83	4.86
3-Mo. Treasury Bill Rate (%)	5.04	5.23	5.03	4.95	5.00	4.98	4.96	4.90	4.61	3.96	4.41	4.25
10-Year Treasury Note Yield (%)	5.54	5.57	5.65	5.64	5.65	5.50	5.46	5.34	4.81	4.53	4.83	4.67

(a) month-over-month % change; (b) millions, saar; (c) thousands, saar; (d) year-over-year % change; (e) annualized % change; (f) \$ billions; (g) level. Most series are subject to frequent government revisions. Use with care.

## Special Questions:

1. What are the five most important POSITIVES for the U.S. economy as the new year begins?

(Ranked according to frequency of mention)

- A. Low inflation.
- B. Rebound in economic growth abroad promotes faster U.S. export growth.
- C. Solid productivity growth.
- D. Strong growth in the technology/internet sector.
- E. Consumer fundamentals remain strong: low jobless rate, high levels of consumer confidence, "wealth effect" from stock market.
- F. Financial markets confidence in the Federal Reserve. Reappointment of Chairman Greenspan.
- G. Federal budget surplus.

2. What are the five most important NEGATIVES for the U.S. economy as the new year begins? (Long-run non-inflationary growth rate of real GDP in U.S.)

(Ranked according to frequency of mention)

- A. Stock market bubble.
- B. Higher interest rates. Aggressive tightening by the Federal Reserve.
- C. Huge current account deficit.
- D. Inflation exceeds expectations: pushed upward by higher oil prices, tight labor markets, continued strength in domestic demand.
- E. Dollar falls. Contributes to rising import price inflation. Causes foreign investors to reduce holdings of dollar-denominated assets.
- F. Too much complacency among consumers, investors and businesses.
- G. Excessive build-up of debt by consumers and businesses.

3. Will the FOMC hike the Federal funds rate target at its February or March meetings?

(Percentage of those mentioning)

<u>Yes</u>	<u>No</u>
97%	3%

4. A. One of the biggest surprises during 1999 was the noticeable deceleration in wage growth despite taut labor market conditions that pushed the unemployment rate to a 29-year low. Do you think wage growth will reaccelerate this year?

(Percentage of those mentioning)

<u>Yes</u>	<u>No</u>
79%	21%

B. List three reasons why wage growth has not accelerated as much as many expected.

(Ranked according to frequency of mention)

- A. Use of alternative uses of compensation: stock options and bonuses.
- B. Low inflation has bolstered real earnings and reduced labor demands for larger nominal increases in wages and salaries.
- C. Foreign competition has forced goods producers to hold the line on wage and salary increases.
- D. Government data does not accurately measure wage and salary inflation.
- E. Employees favor job security over bigger wage increases.
- F. Falling cost of capital equipment has lead employers to substitute equipment for labor.
- G. Wage and salary increases lag increases in inflation by about a year.

5. Please provide your nomination for what will turn out to be the biggest economic or financial surprise of 2000.

(Ranked according to frequency of mention)

- A. Stock market bubble bursts.
- B. Continued telecom/internet frenzy.
- C. Real economic growth remains much stronger than consensus expectations.
- D. Bond market rally.
- E. Inflation falls instead of rising.
- F. Fed hikes interest rates much more than expected.
- G. Oil prices collapse.

**A Sampling of Views On The Economy Excerpted From Recent Reports Issued By Our Blue Chip Panel Members Or Others**

**Viewpoints:**

**Yawn-2K, Now Back to Fundamentals**

The much-dreaded Y2K came and went with barely a hiccup, even in countries that were seen as being far less prepared than the United States. As a consequence, investors returned from their turn-of-the-millennium festivities to focus on the fundamentals for the U.S. economy. Since the Federal Reserve's policy statement of December 21 made it clear that the only reason the Fed remained neutral at that day's FOMC meeting was the desire to ensure a smooth transition to the year 2000, the first thing that came back into focus was monetary policy. Fears of a Fed rate hike at the February 1-2 FOMC meeting—especially fears that it might be more than a quarter-point increase—prompted a rise in bond yields, which pushed the 30-year Treasury yield above 6.6%. In turn, fears of the Fed and what we judge to be a major bout of tax-related selling, pushed equity markets, particularly the NASDAQ, sharply lower. With the tightness of the labor market being a major input into Fed policy decisions, all eyes were on the December jobs report. However, although headline payroll growth was somewhat stronger than expected, the report contained no hidden surprises. Since the markets were already braced for a 25-basis-point hike on February 2, and feared a 50-basis-point move, the employment report did not add to pressures to sell bonds and stocks, and equities stabilized and then staged a rally in the wake of the jobs data.

Nonfarm payrolls rose 315,000 in December, which signals that, as expected, the U.S. economy remained strong in December. The household data also confirmed a picture of strong employment growth, with that survey's measure of employment rising by 322,000 in the month. The economy created 2.7 million jobs in 1999, according to the establishment data, which brings the total number of jobs created in the U.S. since the end of 1991 to 21.8 million. The fourth quarter was the strongest quarter of 1999 for job creation, with the annualized pace of job gains running at 3.3 million from September to December, compared to 2.5 million over the prior nine months. At first blush, this would appear to suggest that the economy was accelerating in Q4, which, if true, could add to fears over further interest rate hikes in 2000. However, we believe that the seasonal adjustment factors might have led to an overstatement of Q4 job growth in recent years (which we speculate might be related to the mild winter weather that we have been experiencing). Annualized job creation Q4 1998 was also 3.3 million versus an increase of 2.8 million during the first nine months of that year. The same pattern was also evident in 1997, when payroll growth ran at 3.8 million in Q4 compared to 3.2 million during the earlier part of the year. Also supporting the view that economic growth remained strong in Q4, but likely did not accelerate, are the hours worked data. Total hours worked in the private sector in Q4 increased at an annualized rate of 2.2% versus 2.7% in Q3. We believe that this gain in hours worked is consistent with real GDP increasing at about a 5% pace in Q4 and nonfarm productivity growth exceeding 3% in the quarter.

Although average hourly earnings rose 0.4% in December, wage increases appeared to be rather moderate in Q4. Average hourly earnings growth from September to December averaged an annualized pace of 3.3%, which made Q4 the slowest quarter for wage increases in 1999. Moreover, the 12-month increase in wages in December was only 3.7%, which is in the middle of the 3.4% to

4.0% range seen for that measure of wage increases in 1999. Thus, the December report did not provide evidence that wage growth was accelerating as 1999 drew to a close. We believe this will help persuade the FOMC to raise rates by only 25 basis points on February 2. Furthermore, the wage component of the jobs report sets the stage for a benign employment cost (ECI) report for Q4. Although the number of unemployed fell by 48,000 in December, which was the fifth consecutive monthly decline in the number of unemployed, the drop was not enough to push the unemployment rate lower. Nevertheless, the unemployment rate is at a 30-year low of 4.1%, and thus labor markets in the U.S. remain very tight, which is likely to make the Fed want to raise rates in February as a further insurance against a pickup in inflation in 2000. Moreover, Greenspan's broader measure of unemployment—the so-called "pool of available workers," which includes people who would like a job but are not actively seeking one, dipped to a new low for the cycle, according to our calculations. In short, given the Fed's *modus operandi*, the employment report strongly supports the view that the Fed will raise rates by 25 basis points on February 2, but does not support the view that the members of the FOMC will raise rates by 50 basis points.

The latest data also support the view that the manufacturing sector continued to gain momentum in the fourth quarter. Factory employment was virtually flat in Q4, falling by an average of only 1,000 per month in the quarter, versus an average monthly decline of 29,000 over the prior six quarters. The NAPM's report also confirmed strength in manufacturing in Q4, as the overall activity index averaged 56.1, which was the strongest reading since Q4 1994. Factory orders rose 1.2% in November, which pushed the 12-month growth in orders up to 8.7%, which was the strongest reading on order growth since March 1995. It appears that the manufacturing sector will enter the year 2000 with considerable momentum, and we would expect manufacturing growth to remain strong, fueled in part by robust export growth as economies continue to recover overseas. Moreover, the inventory data that we have for Q4 thus far do not suggest that there is a Y2K-related overhang of inventories that need to be worked down in Q1. Although manufacturing industries accelerated the pace of inventory investment in Q4, the buildup does not appear to be particularly large, or particularly concentrated in finished goods. In October and November, the annualized rate of inventory investment in manufacturing was \$23.9 billion compared to a build of \$11.9 billion in Q3. But, inventories of finished goods rose at an \$8.7 billion rate thus far in Q4 versus an \$11.2 billion increase in finished goods inventories in Q3. Given the estimated strength of retail sales in December, and the known strength of domestic light vehicle sales, inventories of finished goods might have been drawn down at the end of the year.

The best news for the long-term outlook of the financial markets was the nomination of Alan Greenspan to a fourth term as Fed Chairman. This effectively depoliticizes monetary policy in a presidential election year. Market participants may continue to wring their hands over the outlook for short-term interest rates. However, Greenspan's reappointment increases the odds that the Fed remains committed to price-stability, which in turn increases the odds that this expansion will continue for another nine years.

*Wayne D. Angell and John Ryding, Bear Stearns, New York, NY*

## Calendar Of Upcoming Economic Data Releases

<b>Monday January 10</b>	<b>Tuesday 11</b>	<b>Wednesday 12</b>	<b>Thursday 13</b>	<b>Friday 14</b>
	Wholesale Trade (Nov) BTM Chain Store Sales (w) LJR-Redbook Research (w)	Atlanta Fed Mfg. Survey (Dec)	Producer Price Index (Dec) Advance Retail Sales (Dec) Weekly Jobless Claims Factors Affecting Monetary Reserves	Consumer Price Index (Dec) Industrial Production (Dec) Real Earnings (Dec) Manufacturers' Shipments, Inventories, and Orders (Nov) Univ. of Michigan Consumer Sentiment Survey (p Jan)
<b>17</b> <b>Martin Luther King, Jr. Day</b> (US Markets Closed)	<b>18</b> LJR-Redbook Research (w)	<b>19</b> Housing Starts (Dec) BTM Chain Store Sales (w) Fed's Beige Book	<b>20</b> Trade Balance (Nov) Philadelphia Fed Survey (Jan) Weekly Jobless Claims Factors Affecting Monetary Reserves	<b>21</b>
<b>24</b>	<b>25</b> Existing Home Sales (Dec) Conference Board Consumer Confidence Index (Jan) BTM Chain Store Sales (w) LJR-Redbook Research (w)	<b>26</b>	<b>27</b> Durable Goods Mfg. – advance Report (Dec) Employment Cost Index Q4 Weekly Jobless Claims Factors Affecting Monetary Reserves	<b>28</b> Gross Domestic Product (4Q99) Univ. of Michigan Consumer Sentiment Survey (f Jan)
<b>31</b> Chicago PM Survey (Jan) Personal Income & Outlays (Dec)	<b>February 1</b> <b>FOMC Meeting</b> NAPM (Jan) Construction Spending (Dec) BTM Chain Store Sales (w) LJR-Redbook Research (w)	<b>2</b> <b>FOMC Meeting</b> New Home Sales (Dec) Leading Indicators (Dec)	<b>3</b> Manufacturers' Shipments, Inventories, and Orders (Dec) Weekly Jobless Claims Factors Affecting Monetary Reserves FOMC Minutes (12/14 meeting)	<b>4</b> Employment Situation (Jan)
<b>7</b> Consumer Credit (Dec)	<b>8</b> BTM Chain Store Sales (w) LJR-Redbook Research (w)	<b>9</b> Wholesale Trade (Dec)	<b>10</b> Weekly Jobless Claims Factors Affecting Monetary Reserves	<b>11</b> Advance Retail Sales (Jan)
<b>14</b> Atlanta Fed Mfg. Survey (Jan)	<b>15</b> Industrial Production (Jan) BTM Chain Store Sales (w) LJR-Redbook Research (w)	<b>16</b> Housing Starts (Dec)	<b>17</b> Producer Price Index (Jan) Philadelphia Fed Survey (Feb) Weekly Jobless Claims Factors Affecting Monetary Reserves	<b>18</b> Consumer Price Index (Jan) Univ. of Michigan Consumer Sentiment Survey (p Feb) Trade Balance (Dec) Real Earnings (Jan)

# EXPLANATORY NOTES

For more than 20 years, *Blue Chip Economic Indicators* monthly survey of leading business economists has given private and public sector decision-makers timely and accurate forecasts of economic growth, inflation and a host of other critical indicators of business activity. The newsletter uses a standardized format that gives subscribers a fast read on prevailing economic opinion. Each month, we survey almost 100 leading domestic and international economists. We conduct the survey over three days, beginning on the first working day of each month. Within hours of processing the survey data, a summary of the latest results is faxed to subscribers and the newsletter is printed and mailed first class.

The hallmark of *Blue Chip Economic Indicators* is its *consensus forecasts*. Numerous studies have shown that by averaging the opinions of many experts, the resulting consensus forecasts tend to be more accurate over time than those of any single forecaster.

**Annual Forecasts** On pages 2 and 3 are individual and consensus forecasts of U.S. economic performance for this year and next. The names of the institutions that contribute forecasts to these pages are listed on the left of the page. They are ranked from top to bottom based on how fast they expect the U.S. economy to expand. Some of these institutions have an asterisk (\*) after their names. The asterisk denotes former winners of the Annual Blue Chip Forecasting Award. Two asterisks (\*\*) denotes two-time winners.

Across the top of pages 2 and 3 is a list of the variables for which the individual cooperators have provided forecasts. Definitions and organizations that issue estimates for these variables are found at the bottom of page 3. For columns 1-9, the forecasts are for the year-over-year percent change in each variable. Columns 10-12 represent average percentage levels of the year in question. Column 15 is an inflation-adjusted dollar level, measured in billions of chained '92 dollars. High and low forecasts from the panel members for each variable are denoted with an "H" or "L".

Immediately below the forecasts of the individual contributors are this month's consensus forecasts. The consensus is derived by averaging our panel members' forecasts for each variable. Below the consensus forecasts are averages of this month's ten highest and ten lowest forecasts for each variable. Below them are last month's consensus forecasts. To put the forecasts in context, we include four years of historical data for each variable at the bottom of pages 2 and 3. Please note that these figures frequently change due to government revisions of previously released estimates. Below the historical data are the number of forecasts changed from a month ago for each variable, the median forecast for each variable and a diffusion index. The diffusion index serves as a leading indicator of future changes in the consensus forecast. A reading above 50% hints of future increases in the consensus; a reading below 50% hints of future declines. The diffusion index is calculated by adding to the number of forecasters who raised their forecasts for a particular variable this month, half the number of those who left their forecasts unchanged, then dividing the sum by the total number of those contributing forecasts.

**Historical Annual Consensus Forecasts** Page 4 contains all of the historical annual forecasts from previous issues for the current and subsequent year. Each issue will include graphs and analysis focusing on noteworthy changes and trends in the consensus forecasts.

**Quarterly Forecasts** Page 5 contains quarterly historical data

and consensus forecasts of the U.S. economy's performance. For columns 1-7, the forecasts are for the quarter-over-quarter, seasonally-adjusted, annualized percent change in each variable. Columns 8-10 represent average percentage levels for the quarter in question. Columns 11 and 12 represent seasonally-adjusted, annualized levels for the quarter, measured in billions of inflation-adjusted dollars. As is the case on pages 2-3, the consensus quarterly forecasts on the top half of page 5 are simple averages of our contributors forecasts. The high-10 and low-10 forecasts are averages of the 10 highest and 10 lowest forecasts for each variable. At the bottom of page 5 are additional quarterly consensus forecasts for Real GDP, GDP Price Index, Industrial Production and Consumer Price Index. These figures are produced by taking the annualized quarterly consensus forecasts found on the top of page 5 and computing a quarterly dollar value for Real GDP, and average quarterly index levels for the GDP Price Index, Industrial Production and Consumer Price Index. We then compute a year-over-year percentage change between the relevant quarter and the corresponding quarter of the previous year.

**International Forecasts** Pages 6-7 contain historical data and consensus forecasts of five key economic variables for the U.S.'s 15 largest trading partners. Nations are ranked by the dollar value of U.S. goods exported to them in the most recent year for which data is available. A list of the institutions contributing forecasts to these pages can be found at the bottom of page 7. Columns 1 and 2 are forecasts of the year-over-year percent change in inflation-adjusted economic growth and consumer price inflation for this year and next. Column 3 is each nation's estimated current account surplus or deficit, reported in billions of current U.S. dollars. Column 4 is the estimated value of each nation's currency versus the U.S. dollar at the end of this year and next. Column 5 is the estimated level of interest rates on 3-month bank deposits in each nation at the end of this year and next. Immediately below this month's consensus and the highest and lowest estimates for each variable are last month's forecasts and a limited amount of historical data. The historical data may change from month-to-month due to government revisions.

**Special Questions** On page 14, we report on panel members' answers to our special questions. Individuals' responses to the special questions are never displayed, only consensus, top-10 and bottom-10 results. *In March and October, we publish our semi-annual, long-range surveys.* In addition to our usual forecasts for this year and next, the semiannual, long-range survey results provide subscribers with consensus forecasts of all the variables found on pages 2-3 for the each of the following five years, plus an average for the five-year period following that.

**Econometric Detail** With the March, June, September and December issues, subscribers receive a four-page quarterly supplement entitled *Blue Chip Econometric Detail*. The supplement contains forecasts of an expanded list of economic and financial variables based on the consensus forecasts found in *Blue Chip Economic Indicators*. Macroeconomic Advisers, LLC developed the forecast detail based on a simulation of its econometric model of the U.S. economy.

*Should you have questions about the contents, or methods used to produce **Blue Chip Economic Indicators**, please contact Randell E. Moore, Executive Editor, or Assistant Editor, John M. Korcak*