Miller COLLEGE OF BUSINESS Ball State University

Business Forecasting Roundtable Ball State University

The U.S. Economy

Gary J. Santoni

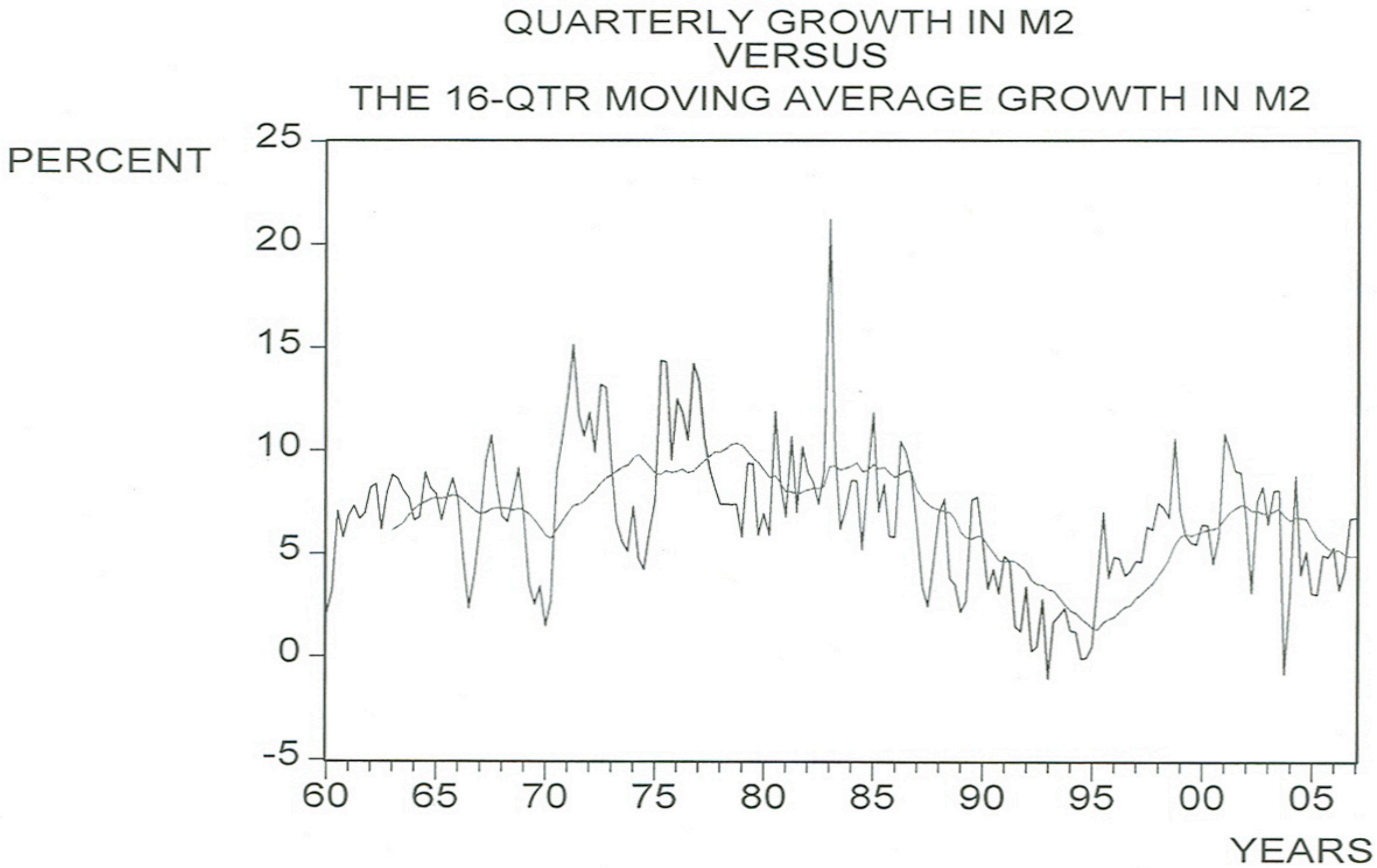
Ball State University

June 26, 2008

U.S. Economy in 2007

VARIABLE	Avg. 2006	TIME SERIES FORECAST 2007					CONSENSUS	
		Qtr 1	Qtr 2	Qtr 3	Qtr 4	Model	Round-table	Blue Chip
Real GDP Growth	3.1	1.3 1.3	2.3	5.1	2.9	2.9	3.0	2.8
Inflation	2.5	2.4 4.0	2.7	2.4	2.4	2.5	3.0	2.3
Unempl. Rate	4.6	4.9 4.6	5.0	5.0	5.0	5.0	4.9	4.9
10-Year T-Bond	4.8	4.7 4.7	4.7	4.7	4.6	4.7	4.9	4.9

Quarterly Growth in M2



Regression Estimate

Dependent Variable	DLP
Method	Least squares
Sample (adjusted)	1963:4 2006:4
Included observations	173 after adjusting endpoints

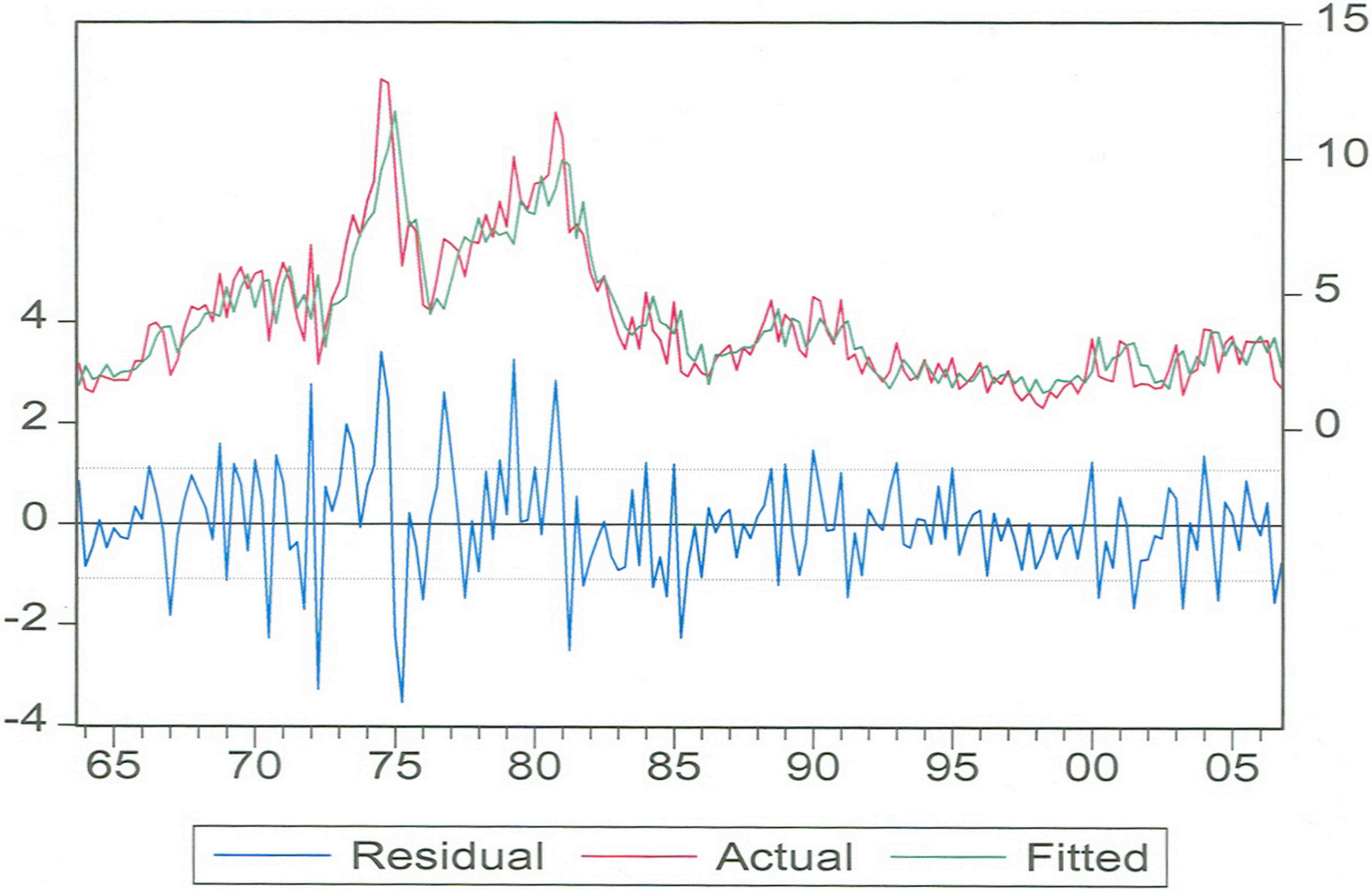
VARIABLE	COEFFICIENT	PROB.
C	0.57	0.69
MOVM216	0.52	0.01
AR(1)	0.69	0.00
AR(3)	0.20	0.00
MA(4)	0.18	0.02
MA(9)	-0.20	0.01
MA(11)	-0.19	0.01

R-squared	0.82
Durbin-Watson Stat	2.02
F-statistic	122.79
Prob (F-statistic)	0.00

The Inflation Money Growth Equation

Inflation = 0.52 (long-term growth in M2)

Fitted Values



Money Growth Data

YEAR	DLM2	MOVM216
2003.2	8.05	7.06
2003.3	8.07	7.22
2003.4	-0.83	6.83
2004.1	3.00	6.61
2004.2	8.76	6.76
2004.3	4.00	6.73
2004.4	5.12	6.68
2005.1	3.07	6.20
2005.2	3.04	5.77
2005.3	4.95	5.51
2005.4	4.85	5.26
2006.1	5.33	5.17
2006.2	3.26	5.18
2006.3	4.18	4.97
2006.4	6.72	4.88
2007.1	6.73	4.89