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### **CREDIT UNION ECONOMISTS SEE MODEST ECONOMIC GAINS**

#### ***Credit Union Economics Group July Report 'Guarded' Due to Jobless Concerns, Tepid Recovery***

Credit unions can expect a modest pick-up in the economy for the remainder of 2003 and into 2004, a group of the credit union industry's leading economists report in their July 2003 Consensus Forecast.

In its recently released quarterly report, the Credit Union Economics Group (CUEG) expects overall GDP growth of 2.4 percent in 2003. The group of credit union economists also anticipates an "uptick" in interest rates and flatter vehicle sales.

"We are beginning to feel the impact of the federal tax cut and government spending programs," said Dave Colby, CUNA Mutual economist. "While there is a good deal of stimulus in the system, we haven't fully seen it work through the economy. Therefore we remain guarded in our forecast due in part to a weakness in the employment outlook."

CUEG economists have lowered their forecast for credit union loan growth in 2003 from 7.0 percent to 6.6 percent, reflecting the continued weakness in consumer installment lending, particularly new auto. "Consumers may be hesitant to take on new debt," said Scott Mainwaring, executive vice president/CFO, Vystar Credit Union, Jacksonville, FL. "In addition, we don't expect new-vehicle loans to pick up because the Fed rate cut will make it cheaper for manufacturers and dealers to offer incentive financing. Those incentive programs will be pushed aggressively and will cut into credit union opportunities."

On other segments of the economy, CUEG's July Consensus Forecast said:

- **Unemployment-rate** forecasts were revised up to reflect business hesitation at expanding payrolls. With weekly reports of initial claims of unemployment above 400,000, the 2003 jobless rate is expected to average 6.3 percent, with a dip to 6.2 percent in 2004.
- **Share inflows** were exceptional for credit unions in the first half of 2003 due to employment uncertainty. Because of this, the 2003 share growth forecast was

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increased 2.5 percentage points to 11.3 percent. **Mortgage originations** are expected to remain strong for the rest of 2003 despite the recent increase in mortgage rates, and credit unions will have to actively manage their interest rate risk exposures, particularly on fixed-rate first mortgages.

- **Inflation** is expected to remain below 2.2 percent for the next two years, but the upper end could be 2.8 percent due to stubbornly high energy prices.
- **Sales of new, light vehicles** are forecast at 16.2 million units in 2003 and 16.5 million in 2004.

"While the CUEG group expects an improving economic environment over the next six months, credit unions are likely to continue to experience relatively strong share growth, with loan demand concentrated in real estate and used-auto products," said NAFCU senior economist Jeff Taylor.

CUEG is a geographically dispersed group of some of the nation's leading credit union economic observers who aim to provide credit unions with a strategic view of the economy, and consumer financial services. Bi-annually, CUEG prepares a regional economic and descriptive credit union trends report, as well as a consensus macroeconomic and industry-trend forecast. Available on the CUEG Web site [www.cueg.org](http://www.cueg.org). These reports are provided to give credit unions an independent economic view as an environmental backdrop for their planning processes.

CUEG members include:

- Bruce Beaudette, president/CEO, Sunmark FCU, Schenectady, NY;
- Bob Burrell, executive vice president/CIO, Western Corporate FCU, San Dimas, CA;
- Dave Colby, assistant vice president/corporate economist, CUNA Mutual Group, Madison, WI
- Dave Dickens, senior vice president, asset/liability Management, U.S. Central CU, Lenexa, KS
- Bruce Fox, senior vice president/SIO, Southwest Corporate FCU, Dallas, TX
- Scott Mainwaring, executive vice president/CFO, Vystar Credit Union, Jacksonville, FL
- Brian McVeigh, senior vice president/CFO, State Employees CU, Lansing, MI
- Jeff Taylor, senior economist, NAFCU, Arlington, VA
- Tun Wai, director research/chief economist, NAFCU, Arlington, VA

The Credit Union Economics Group (CUEG) is a working group of credit union officials who have dedicated themselves to the current and future financial well being of these not-for-profit cooperatives. CUEG's objective is to provide credit unions with consensus macroeconomic forecasts and industry trend analyses that will be helpful in their planning and operations. This independent, non-profit group also provides a credit union perspective on regional economic trends by exchanging information with the NCUA, the Federal Reserve Board and the various Federal Reserve District Banks.

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