

# The Livingston Survey

December 1991

## Economic Research Department

A robust recovery is not in the cards for 1992; instead, expect continued slow growth. Such is the majority opinion of the 44 economists responding to this December's Livingston Survey. Most forecasters see positive gains in the first half of the new year and a further increase in economic activity coming in the second half. However, some 12 percent of the respondents are considerably more pessimistic, forecasting second quarter real GNP to be lower than third-quarter 1991 levels.

The average forecast has real GNP increasing at a 2.1 percent annual rate through the second quarter of 1992. The pace is then expected to pick up slightly, with real growth forecast at a 3.2 percent annual rate in the second half. These numbers, however, appear anemic compared to the average 6 percent annual growth seen in the first year of the eight postwar recoveries. Down the road, real GNP is seen to grow at a 3.1 percent annual rate in 1993.

The slow growth portends little improvement in the unemployment numbers. Survey respondents expect the unemployment rate to stand at 6.79 percent by June 1992. The rate is expected to begin falling during the second half of the year and to reach 6.58 percent by next December. For 1993, the economists see the unemployment rate averaging 6.25 percent.

The bright spot in the picture continues to be the inflation rate. Consumer prices are expected to rise at a 3.7 percent annual rate through the second quarter of 1992 and then to inch up to a 3.9 percent rate of increase in the second half. Looking further ahead, Livingston forecasters see prices rising 3.9 percent in 1993.

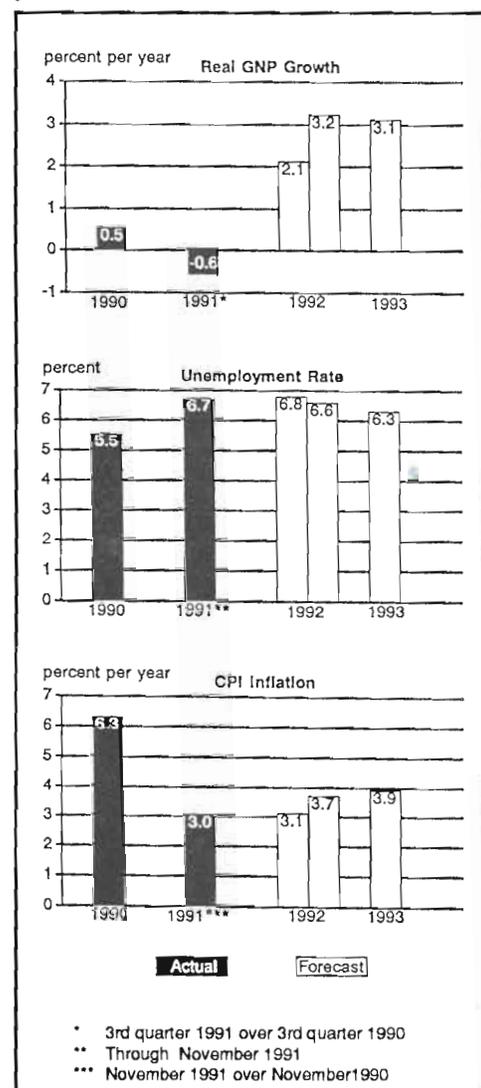
Wage earnings in manufacturing are not expected to fare well in the first half of the new year. In fact, the forecasters see wage increases falling slightly short of inflation. Workers should do better in the latter part of the year, when the expected 4.2 percent annual increase in earnings outpaces expected price level increases. Survey participants forecast 1993 manufacturing earnings to rise 4.1 percent from 1992 levels.

On the demand side, consumers are expected to remain cautious. Retail sales for June 1992 are projected to rise 2.3 percent over October 1991 levels, which translates into a 3.4 percent annual increase. In the third and fourth quarters, sales are expected to pick up on average, increasing at a 6.4 percent annual rate. Housing starts and auto sales should get a boost from lower interest rates. Survey economists see housing starts running at a 1.189-million-unit pace in 1992 and a 1.326-million-unit pace in 1993. Auto sales are expected to rise slightly from current levels to 8.82 million units annually by June 1992 and then to increase further to 9.3 million units by year-end. This still puts auto sales below 1990's 9.5 million units and considerably below 1989's 9.9 million units.

On an inflation-adjusted basis, business investment in plant and equipment is expected to remain flat in the first half of the new year before showing positive gains in the second half. In accord with the investment increases, the forecasters see rising corporate profits in 1992.

Over the long term, the economists expect real GNP to grow 2.5 percent per year over the next decade. Over the same period, inflation, as measured by the CPI, is expected to average 3.91 percent per year, down slightly from the

June 1991 survey average of 4.1 percent per year.



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Started in 1946 by the late columnist Joseph A. Livingston, The Livingston Survey is the oldest continuous survey of economists' expectations. It summarizes the forecasts of economists from industry, government, banking, and academia. It is now published by the Federal Reserve Bank of Philadelphia in June and December. Historical data from past surveys are available. For further information, contact Economic Research Department, Federal Reserve Bank of Philadelphia.

**THE LIVINGSTON SURVEY, DECEMBER 1991**

INDICATOR	Latest	June 1992	Dec. 1992	Full Yr 1992	Full Yr 1993
	Gross National Product (billions) <sup>1</sup>	\$5670.8 <sup>a</sup>	5861.3 <sup>a</sup>	6043.3 <sup>a</sup>	5913.5
Real Gross National Product (bil. '82) <sup>1</sup>	\$4143.1 <sup>a</sup>	4207.1 <sup>a</sup>	4274.4 <sup>a</sup>	4227.4	4358.5
Industrial Production (1987=100)	108.2 <sup>b</sup>	109.7	112.3	110.4	114.8
Nonresidential Fixed Investment (billions) <sup>1</sup>	\$498.8 <sup>a</sup>	507.8 <sup>a</sup>	524.4 <sup>a</sup>	513.1	552.8
Total Private Housing Starts (millions)	1.096 <sup>b</sup>	1.168	1.264	1.189	1.326
Major National Defense Purchases (billions) <sup>1</sup>	\$318.7 <sup>a</sup>	314.4 <sup>a</sup>	309.5 <sup>a</sup>	313.4	303.1
Corporate Profits after taxes (billions) <sup>1</sup>	\$160.6 <sup>c</sup>	174.0 <sup>a</sup>	186.4 <sup>a</sup>	176.0	192.1
Producer Prices - Finished Goods	122.3 <sup>b</sup>	124.0	126.2	124.6	128.9
Consumer Prices	137.4 <sup>b</sup>	140.2	142.8	140.8	146.3
Prime Interest Rate (%)	7.5 <sup>d</sup>	7.2	7.6	7.4	8.1
Stock Prices (S&P 500)	378.52 <sup>d</sup>	386.84 <sup>*</sup>	403.60 <sup>*</sup>		423.93 <sup>*</sup>
Unemployment Rate (%)	6.8 <sup>b</sup>	6.8	6.6	6.7	6.2
Average Weekly Earnings in Manufacturing	\$463.2 <sup>b</sup>	472.61	482.50	473.93	493.35
Retail Trade (billions) <sup>1</sup>	\$152.9 <sup>b</sup>	156.4	161.3	159.2	169.0
Automobile Sales, including foreign (millions) <sup>1</sup>	8.2 <sup>b</sup>	8.8	9.3	8.9	9.5

<sup>1</sup> - Seasonally adjusted annual rate

<sup>a</sup> - 3rd quarter

<sup>b</sup> - October

<sup>c</sup> - 2nd quarter

<sup>d</sup> - Nov. 20

<sup>a</sup> - Forecast for quarter

<sup>\*</sup> - End of month or year

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