

The Livingston Survey

June 1993

Economic Research Division

Continued moderate growth over the next 12 months is the consensus forecast of the 50 economists responding to the June Livingston Survey. The forecasters expect real gross domestic product (GDP) to grow at a 3.1 percent annual rate through the second quarter of 1994. Real GDP growth in 1993 is forecasted to be 2.4 percent, down from the 3.1 percent growth achieved in 1992. The forecasters expect second quarter real output growth to come in at about 2.5 percent, up significantly from the anemic 0.7 percent growth posted in the first quarter of 1993.

Moderate real output growth, continued business restructuring, and the re-entry of workers into the labor force as job prospects improve translate into expectations of a mild decline in the unemployment rate over the next 12 months. By year-end, the forecasters see the unemployment rate falling to 6.8 percent of the labor force. In the second quarter of 1994 they estimate that the unemployment rate will stand at 6.6 percent.

The economists in the survey see the combination of excess capacity in manufacturing and lack of pressure in the labor market as signalling continued moderation in price level increases. The Consumer Price Index (CPI) is expected to rise at a 3.4 percent annual rate over the next 12 months, a slight uptick from the 3.1 percent inflation seen in 1992. Through the end of 1993, expectations are that the CPI will rise at a 3.3 percent annual rate. Producer prices will show moderate increases as well. The forecasters expect the Producer Price Index to rise at a 3 percent annual rate over the next 12 months.

In the June survey, the forecasters are more optimistic about inflation than they were six months ago. The forecasters expect CPI

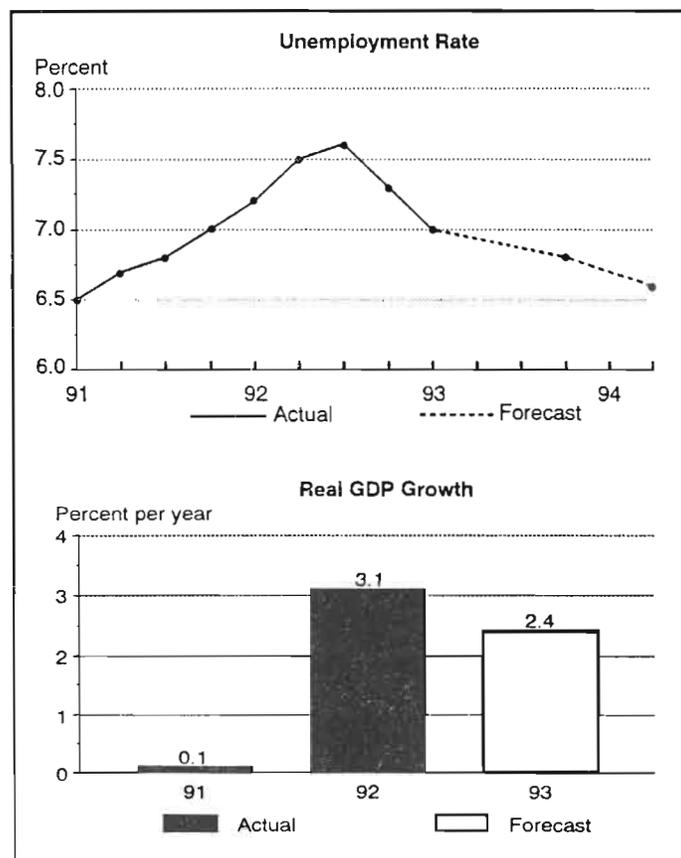
inflation over the next 10 years to average 3.79 percent per year, compared with 3.85 percent in the December 1992 survey.

Manufacturing workers can expect only modest gains in real incomes, according to survey respondents. Average weekly earnings of manufacturing workers are expected to increase at a 3.7 percent annual rate over the next 12 months, only slightly ahead of the CPI inflation rate. However, corporate profits are expected to do quite well, rising at a 10.5 percent annual rate over the next 12 months. The forecasters expect corporate profits to rise at an 11 percent annual rate through the end of 1993.

The economists' forecasts for business and private investment reflect a low interest rate environment, strong profit growth, and business restructuring. Real nonresidential fixed investment is expected to grow at a 7.1 percent annual rate over the next 12 months. Total private housing starts are expected to set an annual pace of 1.37 million units in the second quarter of 1994, up from a rate of 1.29 million units expected in the second quarter of 1993. Starts are expected to rise to a pace of 1.35

million units in the fourth quarter of this year.

Forecasters expect consumer spending to be restrained over the course of the next year. They see retail sales rising at a 5.7 percent annual rate over the next 12 months. Automobile sales are forecasted to run at a pace of 9.1 million units in the fourth quarter of 1993 and 9.2 million units in the second quarter of 1994.



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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, June 1993
(mean forecast)

<u>Quarterly Indicators</u>	<u>Q2</u> <u>1993</u>	<u>Q4</u> <u>1993</u>	<u>Q2</u> <u>1994</u>	<u>Full Yr.</u> <u>1993</u>	<u>Full Yr.</u> <u>1994</u>
Gross Domestic Product (billions, SAAR)	\$6228.3	6407.7	6594.6	6287.2	6664.1
Real Gross Domestic Product (bil. '87, SAAR)	\$5033.6	5111.1	5188.5	5056.1	5210.1
Real Nonresidential Fixed Investment (bil. '87, SAAR)	\$553.2	572.2	592.6	556.9	594.8
Corporate Profits after taxes (billions, SAAR)	\$261.7	276.2	289.2	265.0	290.6
<u>Monthly Indicators</u>	<u>June</u> <u>1993</u>	<u>Dec</u> <u>1993</u>	<u>June</u> <u>1994</u>	<u>Full Yr</u> <u>1993</u>	<u>Full Yr</u> <u>1994</u>
Industrial Production (1987=100)	110.9	113.0	115.3	111.2	115.6
Total Private Housing Starts (millions, SAAR)	1.286	1.349	1.372	1.283	1.369
Producer Prices - Finished Goods	125.9	127.8	129.7	126.2	130.1
Consumer Prices	144.8	147.1	149.7	145.2	150.1
Unemployment Rate (%)	6.9	6.7	6.6	6.9	6.5
Average Weekly Earnings in Manufacturing	\$479.88	489.15	497.26	482.30	498.77
Retail Trade (billions, SAAR)	\$167.5	173.1	176.9	169.7	179.3
Automobile Sales, including foreign (millions, SAAR)	8.9	9.1	9.2	8.9	9.2
<u>Interest Rates & Stock Prices</u> (End-of-Period)	<u>June</u> <u>1993</u>	<u>Dec</u> <u>1993</u>	<u>June</u> <u>1994</u>	<u>Full Yr</u> <u>1994</u>	
Prime Interest Rate (%)	6.0	6.1	6.4	6.7	
30-Yr U.S. Treasury Bond (%)	6.9	7.0	7.1	7.2	
90- Day U.S. Treasury Bill (%)	3.1	3.3	3.6	3.8	
Stock Prices (S&P 500)	451.5	458.2	466.7	473.0	

SAAR - Seasonally Adjusted Annual Rate

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