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**JUNE 2000**

***Projections for Output Growth and Corporate Profits in 2000 Are Revised Up***

The forecasters surveyed by the Federal Reserve Bank of Philadelphia for the semi-annual Livingston Survey are projecting much faster economic growth in 2000 than they did six months ago. The chart below shows that the forecasters now think real GDP will grow 4.9 percent this year, compared with 3.4 percent in the forecast made six months earlier. The forecasters think real output growth in 2001 will slow to 3.0 percent, the same rate they projected six months ago.

Along with the projection of faster real GDP growth, forecasters' projections of after-tax corporate profits in 2000 are substantially higher than they were before. Profits are now expected to grow 8.3 percent this year, compared with 5.4 percent in the survey six months earlier. In 2001, corporate profits are expected to rise 3.8 percent, compared with 4.4 percent in the previous survey.

	<i>Growth Rate of Real GDP (%)</i>		<i>Growth Rate of After-Tax Corporate Profits (%)</i>	
	<i>Previous</i>	<i>New</i>	<i>Previous</i>	<i>New</i>
<i>Annual average data:</i>				
1999 to 2000	3.4	4.9	5.4	8.3
2000 to 2001	3.0	3.0	4.4	3.8

***Forecasters See More Inflation in 2000***

Forecasters' projections for inflation in 2000 are somewhat higher than those of six months ago. Consumer prices are expected to increase 3.4 percent in 2000, significantly higher than the previous survey's forecast of 2.6 percent. The CPI inflation forecast for 2001 is 2.5 percent, only slightly higher than the 2.4 percent forecast made in December.

Forecasts of producer prices in 2000 are also higher than those made earlier. The inflation rate based on the producer price index (PPI) for finished goods is now expected to be 3.2 percent in 2000 (versus 2.6 percent in the previous survey) and 1.8 percent in 2001 (unchanged from the previous survey).

	<i>CPI Inflation (%)</i>		<i>PPI Inflation (%)</i>	
	<i>Previous</i>	<i>New</i>	<i>Previous</i>	<i>New</i>
<i>Annual average data:</i>				
1999 to 2000	2.6	3.4	2.6	3.2
2000 to 2001	2.4	2.5	1.8	1.8

**Panelists Revise Up Forecasts of Short-Term Rates, Revise Down Forecasts of Long-Term Rates and Stock Prices**

The forecasters have changed their views about interest rates and stock prices, but they are not forecasting dramatic changes over the next year and a half.

The interest rate on three-month Treasury bills is now expected to be 6.3 percent by December 2000; the previous survey projected that the rate would be 5.4 percent. But the forecasters expect the interest rate to decline slightly in 2001, falling to 6.0 percent by June 2001 and remaining at that level through the end of the year.

The interest rate on 30-year Treasury bonds is now projected to be somewhat lower than in the forecast made six months ago. The interest rate is expected to be 6.1 percent at the end of June 2000, rising to 6.3 percent in December 2000, then declining to 6.2 percent in June 2001 and remaining at that level through December 2001.

Stock prices (as measured by the S&P 500 index) are expected to increase very slowly in 2000. The forecasters project that the index will rise from 1470 at the end of June 2000 to just 1480 by the end of the year. But stocks should appreciate more in 2001, rising to 1531 in June and 1564 in December.

	<i>3-Month Treasury Bill</i>		<i>30-Year Treasury Bond</i>		<i>S&amp;P 500 Index</i>	
	<i>Interest Rate</i>		<i>Interest Rate</i>		<i>Previous</i>	<i>New</i>
	<i>Previous</i>	<i>New</i>	<i>Previous</i>	<i>New</i>	<i>Previous</i>	<i>New</i>
<i>Semi-annual data:</i>						
June 2000	5.3	6.0	6.3	6.1	1450.0	1470.0
Dec. 2000	5.4	6.3	6.4	6.3	1500.0	1480.0
June 2001	N.A.	6.0	N.A.	6.2	N.A.	1531.1
Dec. 2001	5.3	6.0	6.2	6.2	1590.0	1564.0

**2000 Livingston Survey Participants**

J. Benderly	Benderly Economic Associates	D. Knop	Transcontinental Gas Pipeline Corp
R. Berner	Morgan Stanley Dean Witter	J. Lonski	Moody's Investors Service Inc.
K. Bockman	National Association of Realtors	R. Monaco	University of Maryland
W. Brown	Morgan Guaranty Trust Company	J. Mueller	Lehrman Bell Mueller Cannon Inc.
J. Butkiewicz	University of Delaware	F. Rafeld	Ashland University
R. Chandross	Republic National Bank of New York	D. Ratajczak	Georgia State University
R. Chase	Chase Economics	M. Regalia	U.S. Chamber of Commerce
R. DeKaser	National City Bank	D. Rippe	Prudential Securities
R. Dhawan	UCLA Anderson Forecasts	D. Seiders	National Association of Home Builders
F. Dixon	Economic Insights	J. Skorburg	American Farm Bureau Federation
M. Englund	MMS Intl.	R. Welk	Rowtek Economics
J. Gonzalez	Tennessee Valley Authority	M. Willoughby	BVS
S. Hickok	Prudential Insurance Company of America	D. Wyss	Data Resources, Inc.
S. Hoffman	PNC Bank	R. Yamarone	Argus Research Corp.
S. Hymans	University of Michigan	J. Young	BellSouth Corp.
I. Kellner	Hofstra University		

***Long-Term Outlook: Economy Will Grow More Than 3 Percent, Inflation Will Average 2.5 Percent***

The forecasters have increased their projection for economic growth over the next 10 years: the annual average growth rate of real GDP will be 3.2 percent, compared with 3.0 percent in the previous survey. This faster growth is not expected to be accompanied by higher inflation, as the forecasters project that the consumer price index will rise 2.5 percent on average over the next 10 years, the same as in the previous survey.

***Panelists Revise Down Forecasts for the Unemployment Rate and Revise Up Forecasts for Industrial Production***

In line with their projection of faster output growth, the survey panelists are forecasting a lower unemployment rate than they did six months ago, averaging just 4.0 percent this year and 4.2 percent next year. Also, they've revised their earlier projection of a 3.7 percent rise in industrial production in 2000 to 5.0 percent. Unemployment is expected to be slightly lower in 2001, and industrial production slightly higher, compared with the projection in the previous survey.

	<i>Unemployment Rate (%)</i>		<i>Growth Rate of Industrial Production (%)</i>	
	<i>Previous</i>	<i>New</i>	<i>Previous</i>	<i>New</i>
<i>Annual average data:</i>				
1999 to 2000	4.2	4.0	3.7	5.0
2000 to 2001	4.3	4.2	2.7	3.0

***Technical Note***

This news release reports the median value across the 31 forecasters on the survey's panel rather than the mean value that had been reported in previous news releases. Thus, the numbers reported in this news release compare the previous survey's median value with the new survey's median value. The switch from mean to median was made to make this survey comparable to similar surveys, in particular, the quarterly Survey of Professional Forecasters, also conducted by the Federal Reserve Bank of Philadelphia. Please note that the mean and median are seldom significantly different.

The Philadelphia Fed's Livingston Survey is the oldest continuous survey of economists' expectations. The survey was started in 1946 by the late columnist Joseph A. Livingston. It summarizes the forecasts of economists from industry, government, banking, and academia. It is published twice a year, in June and December.

To subscribe to the survey, contact the Research Department's Publications Desk at (215) 574-6428.

LIVINGSTON SURVEY  
MAJOR MACROECONOMIC INDICATORS, 2000-2001

QUARTERLY INDICATORS (percentage changes at annual rates)	Q4 1999 TO Q2 2000	Q2 2000 TO Q4 2000	Q4 2000 TO Q2 2001	1999 TO 2000	2000 TO 2001
Real Gross Domestic Product	4.8	3.0	2.7	4.9	3.0
Nominal Gross Domestic Product	7.4	5.2	5.0	7.0	5.1
Nonresidential Fixed Investment	16.6	6.4	6.9	11.2	6.3
Corporate Profits After Taxes	11.6	3.1	-1.5	8.3	3.8
MONTHLY INDICATORS (percentage changes at annual rates)	DEC 1999 TO JUN 2000	JUN 2000 TO DEC 2000	DEC 2000 TO JUN 2001	1999 TO 2000	2000 TO 2001
Industrial Production	5.4	3.1	3.0	5.0	3.0
Producer Prices - Finished Goods	4.2	0.9	2.0	3.2	1.8
Consumer Price Index (CPI-U)	4.4	2.1	2.8	3.4	2.5
Average Weekly Earnings in Mfg.	-1.3	3.8	3.9	3.5	3.6
Retail Trade	6.7	4.4	7.3	8.5	4.5
(levels of variables)	JUN 2000	DEC 2000	JUN 2001	2000	2001
Total Private Housing Starts (annual rate, millions)	1.640	1.550	1.527	1.620	1.520
Unemployment Rate (percent)	4.0	4.0	4.2	4.0	4.2
Automobile Sales (incl. foreign) (annual rate, millions)	9.0	8.8	8.7	9.0	8.7
FINANCIAL INDICATORS (levels of variables)	JUN 2000	DEC 2000	JUN 2001	DEC 2001	
Prime Interest Rate	9.5	9.8	9.8	9.5	
30-Year Treasury Bond Yield	6.1	6.3	6.2	6.2	
3-Month Treasury Bill Rate	6.0	6.3	6.0	6.0	
Stock Prices (S&P500)	1470.0	1480.0	1531.1	1564.0	

LONG-TERM OUTLOOK

Average Annual Growth Rate for the Next Ten Years

Real GDP	3.2
Consumer Price Index	2.5

Source: Research Department, Federal Reserve Bank of Philadelphia, Livingston Survey, June 2000

# **LIVINGSTON SURVEY**

**June 2000**

**Tables**

**Note: Data in these tables listed as “actual” are the data that were available to the forecasters when they were sent the survey questionnaire on May 16; the tables do not reflect subsequent revisions to the data. All forecasts were received on or before June 7.**

TABLE ONE  
MAJOR MACROECONOMIC INDICATORS, 2000-2001  
MEDIAN OF FORECASTER PREDICTIONS

QUARTERLY INDICATORS	NUMBER OF FORECASTERS	ACTUAL	2000 Q2	FORECASTS		ACTUAL	FORECASTS	
		1999 Q4		2000 Q4	2001 Q2	1999	2000	2001
1. Real Gross Domestic Product (billions, chain weighted)	31	9037.2	9251.0	9390.2	9517.0	8848.2	9279.2	9555.0
2. Nominal Gross Domestic Product (\$ billions)	30	9507.9	9851.5	10104.8	10355.3	9256.2	9907.0	10412.0
3. Nonresidential Fixed Investment (billions, chain weighted)	28	1243.2	1342.2	1384.8	1431.9	1215.8	1352.2	1438.1
4. Corporate Profits After Taxes (\$ billions)	27	610.6	645.0	655.0	650.0	589.1	637.8	661.8
MONTHLY INDICATORS		ACTUAL DEC 1999	JUN 2000	FORECASTS		ACTUAL 1999	FORECASTS	
				DEC 2000	JUN 2001		2000	2001
5. Industrial Production (1992=100)	29	140.1	143.8	146.0	148.2	137.0	143.9	148.2
6. Total Private Housing Starts (annual rate, millions)	30	1.769	1.640	1.550	1.527	1.676	1.620	1.520
7. Producer Prices - Finished Goods (index level)	25	134.9	137.7	138.3	139.7	133.0	137.2	139.7
8. Consumer Price Index (CPI-U) (index level)	30	168.3	171.9	173.8	176.2	166.0	171.7	176.0
9. Unemployment Rate (percent)	30	4.1	4.0	4.0	4.2	4.2	4.0	4.2
10. Average Weekly Earnings in Mfg. (\$)	15	603.9	600.0	611.3	623.2	580.2	600.5	622.0
11. Retail Trade (\$ billions)	19	259.8	268.3	274.1	283.9	247.5	268.5	280.7
12. Automobile Sales (incl. foreign) (annual rate, millions)	26	8.8	9.0	8.8	8.7	8.7	9.0	8.7

TABLE ONE (CONTINUED)

INTEREST RATES & STOCK PRICES (end of period)		ACTUAL		FORECASTS		
		DEC 1999	JUN 2000	DEC 2000	JUN 2001	DEC 2001
13. Prime Interest Rate (percent)	28	8.5	9.5	9.8	9.8	9.5
14. 30-Year Treasury Bond Yield (percent)	30	6.5	6.1	6.3	6.2	6.2
15. 3-Month Treasury Bill Rate (percent)	30	5.2	6.0	6.3	6.0	6.0
16. Stock Prices (S&P500) (index level)	23	1469.3	1470.0	1480.0	1531.1	1564.0

Source: Research Department, Federal Reserve Bank of Philadelphia, Livingston Survey, June 2000

TABLE TWO  
 MAJOR MACROECONOMIC INDICATORS, 2000-2001  
 PERCENTAGE CHANGES AT ANNUAL RATES

QUARTERLY INDICATORS	NUMBER OF FORE- CASTERS	Q4 1999	Q2 2000	Q4 2000	1999	2000
		TO Q2 2000	TO Q4 2000	TO Q2 2001	TO 2000	TO 2001
1. Real Gross Domestic Product	31	4.8	3.0	2.7	4.9	3.0
2. Nominal Gross Domestic Product	30	7.4	5.2	5.0	7.0	5.1
3. Nonresidential Fixed Investment	28	16.6	6.4	6.9	11.2	6.3
4. Corporate Profits After Taxes	27	11.6	3.1	-1.5	8.3	3.8
		DEC 1999	JUN 2000	DEC 2000	1999	2000
MONTHLY INDICATORS		TO JUN 2000	TO DEC 2000	TO JUN 2001	TO 2000	TO 2001
5. Industrial Production	29	5.4	3.1	3.0	5.0	3.0
6. Total Private Housing Starts	30	-0.129	-0.090	-0.023	-0.056	-0.100
7. Producer Prices - Finished Goods	25	4.2	0.9	2.0	3.2	1.8
8. Consumer Price Index (CPI-U)	30	4.4	2.1	2.8	3.4	2.5
9. Unemployment Rate	30	-0.1	0.0	0.2	-0.2	0.2
10. Average Weekly Earnings in Mfg.	15	-1.3	3.8	3.9	3.5	3.6
11. Retail Trade	19	6.7	4.4	7.3	8.5	4.5
12. Automobile Sales (incl. foreign)	26	0.2	-0.2	-0.1	0.3	-0.3

TABLE TWO (CONTINUED)

INTEREST RATES & STOCK PRICES		DEC 1999	JUN 2000	DEC 2000	JUN 2001
		TO JUN 2000	TO DEC 2000	TO JUN 2001	TO DEC 2001
13. Prime Interest Rate	28	1.0	0.3	0.0	-0.3
14. 30-Year Treasury Bond Yield	30	-0.4	0.2	-0.1	0.0
15. 3-Month Treasury Bill Rate	30	0.8	0.3	-0.3	0.0
16. Stock Prices (S&P500)	23	0.1	1.4	7.0	4.3

Note: Figures for housing starts, unemployment rate, auto sales, prime interest rate, 30-year Treasury bond, and 90-day Treasury bill are changes in levels. All others are percentage changes at annual rates.

Source: Research Department, Federal Reserve Bank of Philadelphia, Livingston Survey, June 2000

TABLE THREE  
LONG-TERM (10-YEAR) FORECASTS

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SERIES: CPI Inflation Rate

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STATISTIC	
Minimum	2.000
Lower Quartile	2.450
Median	2.500
Upper Quartile	2.800
Maximum	3.600
Mean	2.636
Std. Deviation	0.447
N	25
Missing	6

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SERIES: Real GDP

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STATISTIC	
Minimum	2.000
Lower Quartile	3.000
Median	3.200
Upper Quartile	3.500
Maximum	3.750
Mean	3.191
Std. Deviation	0.365
N	25
Missing	6

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Source: Research Department, Federal Reserve Bank of Philadelphia, Livingston Survey, June 2000