

The Livingston Survey

June 1992

Economic Research Department

Real gross domestic product (GDP) will grow at a 1.7 percent annual rate in the second quarter, a marked slowdown from the 2.7 percent growth posted in the first quarter, according to the forecasters who responded to the June Livingston Survey. However, growth is expected to rebound in the second half of 1992, reaching an average rate of 2.9 percent. The forecasters see continued moderate growth in 1993, when real GDP is expected to rise at a 3 percent annual rate.

The moderate growth path for output translates into a slow decline in the rate of unemployment, which stood at 7.5 percent of the labor force in May. Livingston Survey respondents see the unemployment rate falling to 7 percent by December and to 6.8 percent in June of 1993. For 1993 as a whole, unemployment is expected to average 6.7 percent of the labor force. In 1989, the year before the recession hit, the unemployment rate averaged 5.3 percent.

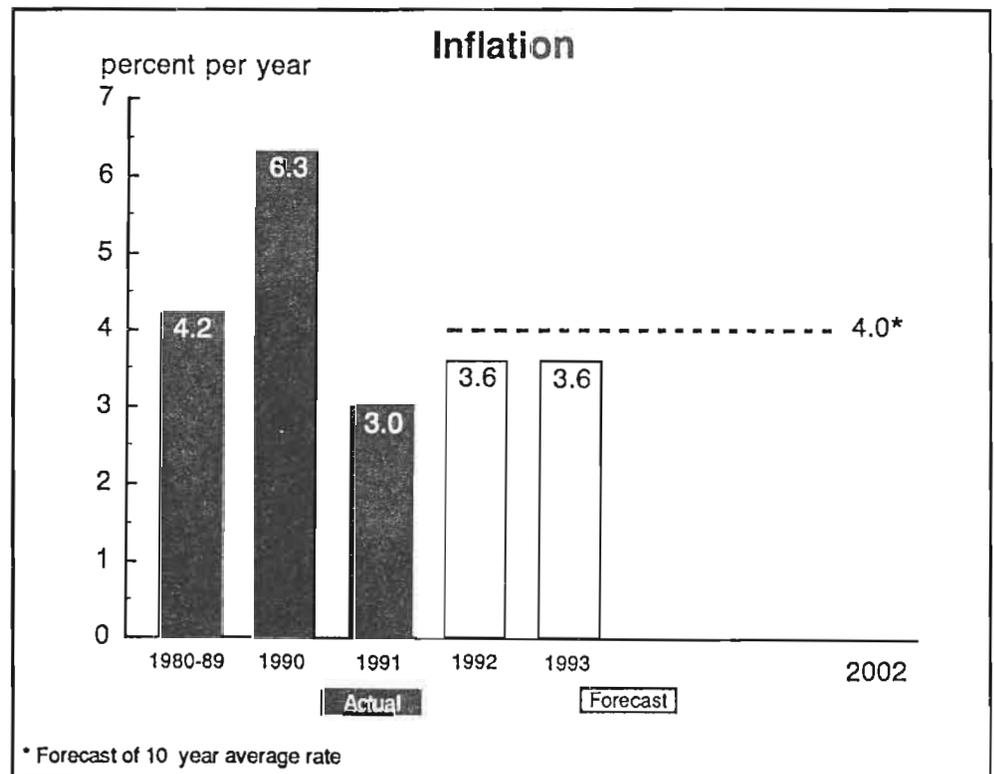
Inflationary expectations remain subdued. The forecasters anticipate that consumer prices will rise an average of 3.6 percent, both in the second half of 1992 and in 1993 as well. Over a longer horizon, survey respondents expect inflation to move above current levels. Inflation, as measured by the consumer price index, is forecast to average 4 percent per year over the next 10 years. However, this long-term average is down slightly from the average 4.2 percent inflation that prevailed through the 1980s.

Demand is expected to show strength in the second half, driving the increase in output. Retail sales are forecast to increase at a 6.6 percent annual rate through the fourth quarter. Automobile sales are expected to grow more strongly, rising at nearly a 12 percent annual rate in the second half.

The residential housing market is expected to post healthy growth in the second half of 1992 as well. Starts are expected to run at an annual pace of 1.29 million units in December, which translates into annual growth of over 14 percent from second-quarter levels.

Business fixed investment is expected to increase at a somewhat more moderate pace of 4.6 percent (at an annual rate) over the next six months. For 1993, the forecasters see business fixed investment growing more rapidly, at a 5.5 percent annual rate.

For the first time, we asked survey respondents to give forecasts of short-term and long-term interest rates. For short-term interest rates, as measured by the three-month Treasury bill, the forecast is for a slight increase in yields to an average of 4 percent at year-end. Long-term rates, as measured by the yield on 30-year maturity Treasury bonds, are expected to be up slightly from current levels, reaching 7.9 percent at year-end. For 1993, long-term interest rates are expected to move up to an average of 8.1 percent.



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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.

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THE LIVINGSTON SURVEY, JUNE 1992

INDICATOR		Dec.	June	Full Yr	Full Yr
	<u>Latest</u>	<u>1992</u>	<u>1993</u>	<u>1992</u>	<u>1993</u>
Gross Domestic Product (billions) ¹	\$5820.6 ^a	6067.3 ^a	6269.7 ^a	5948.3	6315.3
Real Gross Domestic Product (bil. '87) ¹	\$4900.9 ^a	4988.3 ^a	5067.0 ^a	4935.1	5081.5
Real Nonresidential Fixed Investment (bil. '87) ¹	\$509.5 ^a	524.7 ^a	542.5 ^a	517.2	545.7
Corporate Profits after taxes (billions) ¹	\$211.2 ^a	235.2 ^a	248.1 ^a	223.1	249.7
Industrial Production (1987=100)	108.8 ^b	112.0	114.5	109.9	117.8
Total Private Housing Starts (millions)	1.230 ^b	1.294	1.329	1.245	1.327
Producer Prices - Finished Goods	123.1 ^b	125.3	128.5	123.7	128.1
Consumer Prices	139.7 ^b	142.9	145.4	140.8	145.8
Unemployment Rate (%)	7.5 ^b	7.0	6.8	7.2	6.7
Average Weekly Earnings in Manufacturing	\$470.2 ^b	477.5	486.5	469.5	487.5
Retail Trade (billions) ¹	\$158.8 ^b	165.0	170.1	163.8	173.5
Automobile Sales, including foreign (millions) ¹	8.2 ^b	9.0	9.2	8.6	9.4
Prime Interest Rate (%)	6.5 ^c	6.6	7.1		7.3
30-Yr. U.S. Treasury Bond (%)	7.8 ^c	7.9	8.1		8.1
90-Day U.S. Treasury Bill (%)	3.7 ^c	4.0	4.7		4.8
Stock Prices (S&P 500)	403.5 ^c	384.1 [*]	398.0 [*]		414.7 [*]

¹ - Seasonally adjusted annual rate

^a - 1st quarter

^b - May, 1992

^c - June 26, 1992

^a - Forecast for quarter

^{*} - End of month or year

JUNE 1992 LIVINGSTON SURVEY PARTICIPANTS

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