



THE

LIVINGSTON SURVEY

Release Date: June 10, 2008

JUNE 2008

Forecasters Lower Projections for Economic Growth Through 2008

The 34 participants in the June Livingston Survey have lowered their estimates of output growth through 2008. The forecasters, who are surveyed by the Federal Reserve Bank of Philadelphia twice a year, project that the economy's output (real GDP) will rise at an annual rate of 0.6 percent in the first half of 2008 and 1.7 percent in the second half. Both of these estimates are lower than those from the previous survey. Growth for the first half of 2009 is predicted to improve to 2.1 percent.

The unemployment rate is expected to edge higher over the next six months, from a predicted 5.2 percent in June to 5.5 percent in December. The forecasters predict that unemployment will remain at 5.5 percent in June 2009. These forecasts are higher than those from six months ago, suggesting a weakening in the labor market. On an annual average basis, the unemployment rate will be 5.2 percent in 2008 and 5.5 percent in 2009.

	<i>Growth Rate of Real GDP (%)</i>			<i>Unemployment Rate (%)</i>	
	<i>Previous</i>	<i>New</i>		<i>Previous</i>	<i>New</i>
<i>Half-year data:</i>					
2007 Q4 to 2008 Q2	1.9	0.6	June 2008	5.0	5.2
2008 Q2 to 2008 Q4	2.8	1.7	December 2008	4.9	5.5
2008 Q4 to 2009 Q2	N.A.	2.1	June 2009	N.A.	5.5

Short-Run Outlook for Inflation Worsens

The forecasters' projections for inflation show an increase from those of six months ago for consumer prices and producer prices. Consumer price (CPI) inflation is expected to average 3.9 percent in 2008, up from the previous estimate of 3.0 percent, and then fall to 2.6 percent in 2009. Similarly, the forecasters predict inflation of 6.4 percent in the PPI in 2008, higher than the forecast of 2.8 percent made six months ago. PPI inflation is then expected to fall back to 2.4 percent for 2009, the same as predicted previously.

	<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>				
2007 to 2008	3.0	3.9	2.8	6.4
2008 to 2009	2.1	2.6	2.4	2.4

Projections for Interest Rates Revised Downward

The forecasts for interest rates on three-month Treasury bills and 10-year Treasury notes have fallen from those made six months ago. The interest rate on three-month Treasury bills is expected to be 1.75 percent at the end of June, down from the previous estimate of 3.50 percent. It is then expected to rise to 3.00 percent by the end of 2009. The interest rate for 10-year Treasury notes is expected to be 3.90 percent at the end of June, down from the previous estimate of 4.41 percent. It is then expected to rise to 4.50 percent by the end of 2009, lower than the previous estimate of 5.00 percent.

	<i>3-Month Treasury Bill Interest Rate</i>		<i>10-Year Treasury Bond Interest Rate</i>	
	<i>Previous</i>	<i>New</i>	<i>Previous</i>	<i>New</i>
June 30, 2008	3.50	1.75	4.41	3.90
Dec. 31, 2008	3.84	1.90	4.68	4.00
June 30, 2009	N.A.	2.45	N.A.	4.29
Dec. 31, 2009	4.10	3.00	5.00	4.50

2008 Livingston Survey Participants

S. Anderson	Wells Fargo and Company	M. Levy	Bank of America
E. Beeson Zentner	Bank of Tokyo-Mitsubishi, Ltd.	J. Lonski	Moody's Investors Service, Inc.
R. Berner	Morgan Stanley & Co., Inc.	D. Maki	Barclays Capital
J. Butkiewicz	University of Delaware	M. Moran	Daiwa Securities America
R. Chase	Chase Economics	J. Mueller	LBMC LLC
G. Ciminero	Rhode Island State House Policy Office	F. Nothaft	Federal Home Loan Mortgage Corp.
R. DeKaser	National City Corporation	M. Regalia	U.S. Chamber of Commerce
R. Dhawan	Georgia State University	D. Seiders	National Association of Home Builders
D. Duncan	Mortgage Bankers Association	J. Silvia	Wachovia Corporation
S. Gallagher	Societe Generale	A. Sinai	Decision Economics, Inc.
K. Goldstein	The Conference Board	J. Smith	Parsec Financial Management, Inc.
J. Gonzalez	Tennessee Valley Authority	S. Snaith	University of Central Florida
B. Horrigan	Loomis Sayles & Co.	S. Stanley	RBS Greenwich Capital
S. Hymans	University of Michigan	D. Torgerson	U.S. Department of Agriculture
D. Knop	Williams Gas Pipeline Corp.	B. Wesbury	First Trust Advisors, L.P.
T. Lam	United Overseas Bank, Ltd.	R. Yamarone	Argus Research Group
E. Leamer	University of California, Los Angeles	L. Yun	National Association of Realtors

Slight Change in the Long-Term Outlook

The forecasters' views of long-term output growth are slightly lower, while their predictions for long-term inflation continue to hold steady. The panelists think that real GDP will grow 2.7 percent annually over the next 10 years, down from 2.9 percent in the previous survey. Inflation (measured by the consumer price index) will average 2.5 percent over the next 10 years, unchanged from the last 14 surveys dating back to December 2001.

Stock-Price Projections Revised Downward

The projected value for the S&P 500 index is 1397.0 for the end of June and is expected to rise to 1447.0 by the end of 2008, both falling below previous estimates of 1550.0 and 1619.1 for June and December, respectively. The index is expected to finish 2009 at 1555.0, also short of the previous estimate of 1700.0.

Stock Prices (end of year)

S&P 500 Index

Previous New

June 30, 2008	1550.0	1397.0
Dec. 31, 2008	1619.1	1447.0
June 30, 2009	N.A.	1496.5
Dec. 31, 2009	1700.0	1555.0

Technical Notes

This news release reports the median value across the 34 forecasters on the survey's panel.

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, go to: http://www.philadelphiafed.org/philscriber/user/dsp_content.cfm. This four-page write-up contains partial results of the survey; more detailed tables are available. These tables can be accessed on the Internet at: <http://www.philadelphiafed.org/econ/liv/index.html>.

LIVINGSTON SURVEY
MAJOR MACROECONOMIC INDICATORS, 2008-2009

QUARTERLY INDICATORS (percentage changes at annual rates)	Q4 2007 TO Q2 2008	Q2 2008 TO Q4 2008	Q4 2008 TO Q2 2009	2007 TO 2008	2008 TO 2009
Real Gross Domestic Product	0.6	1.7	2.1	1.6	1.9
Nominal Gross Domestic Product	3.3	3.8	4.5	3.9	4.4
Nonresidential Fixed Investment	-0.8	0.4	0.9	2.6	1.0
Corporate Profits After Taxes	5.0	5.5	-0.7	1.3	3.5
MONTHLY INDICATORS (percentage changes at annual rates)	DEC 2007 TO JUN 2008	JUN 2008 TO DEC 2008	DEC 2008 TO JUN 2009	2007 TO 2008	2008 TO 2009
Industrial Production	-1.3	2.2	2.4	0.7	2.3
Producer Prices - Finished Goods	7.0	2.7	2.1	6.4	2.4
Consumer Price Index (CPI-U)	3.3	2.7	2.5	3.9	2.6
Average Weekly Earnings in Mfg.	-2.1	1.7	1.9	1.3	2.0
Retail Trade	1.6	3.4	3.1	2.2	3.2
(levels of variables)	JUN 2008	DEC 2008	JUN 2009	2008	2009
Total Private Housing Starts (annual rate, millions)	0.920	0.950	1.090	0.949	1.096
Unemployment Rate (percent)	5.2	5.5	5.5	5.2	5.5
Automobile Sales (incl. foreign) (annual rate, millions)	7.3	7.2	7.5	7.4	7.5
FINANCIAL INDICATORS (levels of variables at end of month)	JUN 2008	DEC 2008	JUN 2009	DEC 2009	
Prime Interest Rate	5.00	5.00	5.50	6.00	
10-Year Treasury Note Yield	3.90	4.00	4.29	4.50	
3-Month Treasury Bill Rate	1.75	1.90	2.45	3.00	
Stock Prices (S&P500)	1397.0	1447.0	1496.5	1555.0	
LONG-TERM OUTLOOK					
Average Annual Growth Rate for the Next Ten Years					
Real GDP	2.7				
Consumer Price Index	2.5				

Source: Research Department, Federal Reserve Bank of Philadelphia, Livingston Survey, June 2008

LIVINGSTON SURVEY

June 2008

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 21; the tables do not reflect subsequent revisions to the data. All forecasts were received on or before June 3.

TABLE ONE
 MAJOR MACROECONOMIC INDICATORS, 2008-2009
 MEDIANS OF FORECASTER PREDICTIONS

QUARTERLY INDICATORS	NUMBER OF FORE- CASTERS	ACTUAL				FORECASTS		
		2007 Q4	2008 Q2	2008 Q4	2009 Q2	2007	2008	2009
1. Real Gross Domestic Product (billions, chain weighted)	34	11675.7	11710.3	11808.1	11929.6	11566.8	11747.5	11976.4
2. Nominal Gross Domestic Product (\$ billions)	33	14074.2	14302.3	14574.8	14902.3	13841.4	14383.3	15009.1
3. Nonresidential Fixed Investment (billions, chain weighted)	32	1407.8	1402.2	1404.8	1411.2	1368.4	1404.1	1418.4
4. Corporate Profits After Taxes (\$ billions)	21	1114.6	1141.9	1173.1	1168.9	1128.6	1143.6	1184.1
MONTHLY INDICATORS		ACTUAL		FORECASTS		ACTUAL		FORECASTS
		DEC 2007	JUN 2008	DEC 2008	JUN 2009	2007	2008	2009
5. Industrial Production (2002=100)	30	112.4	111.7	112.9	114.2	111.4	112.2	114.7
6. Total Private Housing Starts (annual rate, millions)	31	1.000	0.920	0.950	1.090	1.341	0.949	1.096
7. Producer Prices - Finished Goods (index level)	27	171.4	177.3	179.7	181.6	166.6	177.2	181.4
8. Consumer Price Index (CPI-U) (index level)	32	211.7	215.1	218.0	220.7	207.3	215.4	220.9
9. Unemployment Rate (percent)	32	5.0	5.2	5.5	5.5	4.6	5.2	5.5
10. Average Weekly Earnings in Mfg. (\$)	12	728.4	720.7	726.7	733.8	711.3	720.4	735.0
11. Retail Trade (\$ billions)	14	377.9	380.9	387.2	393.2	373.8	382.1	394.3
12. Automobile Sales (incl. foreign) (annual rate, millions)	24	7.9	7.3	7.2	7.5	7.6	7.4	7.5

TABLE ONE (CONTINUED)

INTEREST RATES & STOCK PRICES (end of period)		ACTUAL		FORECASTS		
		DEC 2007	JUN 2008	DEC 2008	JUN 2009	DEC 2009
13. Prime Interest Rate (percent)	32	7.25	5.00	5.00	5.50	6.00
14. 10-Year Treasury Note Yield (percent)	33	4.04	3.90	4.00	4.29	4.50
15. 3-Month Treasury Bill Rate (percent)	31	3.29	1.75	1.90	2.45	3.00
16. Stock Prices (S&P500) (index level)	20	1468.4	1397.0	1447.0	1496.5	1555.0

Source: Research Department, Federal Reserve Bank of Philadelphia, Livingston Survey, June 2008

TABLE TWO
 MAJOR MACROECONOMIC INDICATORS, 2008-2009
 PERCENTAGE CHANGES AT ANNUAL RATES

QUARTERLY INDICATORS	NUMBER OF FORE- CASTERS	Q4 2007	Q2 2008	Q4 2008	2007	2008
		TO Q2 2008	TO Q4 2008	TO Q2 2009	TO 2008	TO 2009
1. Real Gross Domestic Product	34	0.6	1.7	2.1	1.6	1.9
2. Nominal Gross Domestic Product	33	3.3	3.8	4.5	3.9	4.4
3. Nonresidential Fixed Investment	32	-0.8	0.4	0.9	2.6	1.0
4. Corporate Profits After Taxes	21	5.0	5.5	-0.7	1.3	3.5
MONTHLY INDICATORS		DEC 2007	JUN 2008	DEC 2008	2007	2008
		TO JUN 2008	TO DEC 2008	TO JUN 2009	TO 2008	TO 2009
5. Industrial Production	30	-1.3	2.2	2.4	0.7	2.3
6. Total Private Housing Starts	31	-0.080	0.030	0.140	-0.392	0.147
7. Producer Prices - Finished Goods	27	7.0	2.7	2.1	6.4	2.4
8. Consumer Price Index (CPI-U)	32	3.3	2.7	2.5	3.9	2.6
9. Unemployment Rate	32	0.2	0.3	0.0	0.6	0.3
10. Average Weekly Earnings in Mfg.	12	-2.1	1.7	1.9	1.3	2.0
11. Retail Trade	14	1.6	3.4	3.1	2.2	3.2
12. Automobile Sales (incl. foreign)	24	-0.6	-0.1	0.3	-0.2	0.1

		DEC 2007	JUN 2008	DEC 2008	JUN 2009
		TO	TO	TO	TO
INTEREST RATES & STOCK PRICES		JUN 2008	DEC 2008	JUN 2009	DEC 2009
13. Prime Interest Rate	32	-2.25	0.00	0.50	0.50
14. 10-Year Treasury Note Yield	33	-0.14	0.10	0.29	0.21
15. 3-Month Treasury Bill Rate	31	-1.54	0.15	0.55	0.55
16. Stock Prices (S&P500)	20	-9.5	7.3	7.0	8.0

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 2008

TABLE THREE
LONG-TERM (10 YEAR) FORECASTS

SERIES: CPI Inflation Rate

STATISTIC	
Minimum	1.06
Lower Quartile	2.30
Median	2.50
Upper Quartile	2.75
Maximum	3.60
Mean	2.48
Std. Deviation	0.53
N	31
Missing	3

SERIES: Real GDP

STATISTIC	
Minimum	2.20
Lower Quartile	2.55
Median	2.70
Upper Quartile	3.00
Maximum	3.50
Mean	2.76
Std. Deviation	0.30
N	31
Missing	3
