



THE

LIVINGSTON SURVEY

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DECEMBER 2009

Forecasters Predict Economic Growth, Delayed Labor Recovery Over Next Two Years

The 39 participants in the December Livingston Survey see modest output growth through 2010. 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 3.1 percent during the second half of 2009. Moreover, output is expected to increase by 2.6 percent (annual rate) in the first half of 2010, followed by an increase of 3.0 percent (annual rate) in the second half of 2010. The current projection for growth in the second half of 2009 was increased by two full percentage points from the survey of six months ago, while the forecast for the first half of 2010 was unrevised.

The panelists expect to see more slack appear in the labor market prior to a gradual recovery, with the unemployment rate at 10.3 percent in both December 2009 and June 2010. These estimates represent increases of 0.4 and 0.5 percentage point, respectively, from the survey of six months ago. The unemployment rate is then expected to fall slightly lower to 9.9 percent in December 2010.

	<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>					
2009 Q2 to 2009 Q4	1.1	3.1	December 2009	9.9	10.3
2009 Q4 to 2010 Q2	2.6	2.6	June 2010	9.8	10.3
2010 Q2 to 2010 Q4	N.A.	3.0	December 2010	N.A.	9.9

Inflation Outlook Revised Upward

The forecasters' projections for inflation have picked up slightly for 2009 and 2010. In 2009 consumer prices (CPI) are expected to fall at an annual rate of 0.3 percent, revised upward from -0.7 percent in the June survey. Consumer price inflation is then expected to average 2.2 percent in 2010, increased from 1.7 percent in the prior survey. In 2011 consumer price inflation is expected to average 1.8 percent. Large upward revisions characterize the outlook for PPI inflation.

	<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>				
2008 to 2009	-0.7	-0.3	-3.6	-2.7
2009 to 2010	1.7	2.2	1.3	2.4
2010 to 2011	N.A.	1.8	N.A.	2.2

Interest Rates Revised Downward But Will Climb Over the Next Two Years

Forecasts for interest rates on three-month Treasury bills and 10-year Treasury bonds are lower than those made in our last survey. At the end of June 2010, the interest rate on three-month Treasury bills is predicted to be 0.25 percent, revised down from 0.54 percent in the survey of six months ago. Livingston forecasters predict that the rate will then rise to 1.0 percent at the end of 2010, and then to 2.71 percent at the end of 2011. The interest rate on 10-year Treasury bonds is predicted to reach 3.76 percent at the end of June 2010, down from the previous estimate of 4.00 percent. According to the forecasters, it will then rise to 4.10 percent at the end of 2010, and to 4.64 percent at the end of 2011.

	<i>3-Month Treasury Bill</i>		<i>10-Year Treasury Bond</i>	
	<i>Interest Rate</i>		<i>Interest Rate</i>	
	<i>Previous</i>	<i>New</i>	<i>Previous</i>	<i>New</i>
Dec. 31, 2009	0.30	0.10	3.75	3.45
June 30, 2010	0.54	0.25	4.00	3.76
Dec. 31, 2010	1.19	1.00	4.28	4.10
Dec. 30, 2011	N.A.	2.71	N.A.	4.64

2009 Livingston Survey Participants

E. Beeson Zentner	Bank of Tokyo-Mitsubishi, Ltd.	P. Hooper	Deutsche Bank
R. Berner	Morgan Stanley & Co.	B. Horrigan	Loomis Sayles & Co.
J. Butkiewicz	University of Delaware	J. Jacobs	Cessna Aircraft
J. Carson	Alliance Capital Management	D. Knop	Williams Gas Pipeline Corp.
R. Chase	Chase Economics	T. Lam	OSK-DMG
C. Chrappa	Independent Equipment Company	E. Leamer	University of California, Los Angeles
D. Crowe	National Association of Home Builders	D. Maki	Barclays Capital
R. Dhawan	Georgia State University	G. Mokrzan	Huntington National Bank
F. Dixon	Economic Insights	M. Moran	Daiwa Securities America
M. Drury	McVean Trading & Investments, LLC	J. Mueller	LBMC, LLC
R. Dye	PNC Bank	F. Nothaft	Federal Home Loan Mortgage Corp.
M. Englund	Action Economics, LLC	M. Regalia	U.S. Chamber of Commerce
R. Fry	DuPont	J. Silvia	Wells Fargo Securities, LLC
T. Gill	National Electrical Manufacturers Assoc.	A. Sinai	Decision Economics, Inc.
D. Goebel	R.L. Polk	J. Smith	Parsec Financial Management, Inc.
K. Goldstein	The Conference Board	S. Snaith	University of Central Florida
J. Gonzalez	Tennessee Valley Authority	D. Torgerson	USDA
E. Harris	Bank of America Merrill Lynch	B. Wesbury	First Trust Advisors, L.P.
T. Higgins	Payden & Rygel Investment Counsel	L. Yun	National Association of Realtors
D. Hofmann	Zurich Insurance Company	M. Zandi	Moody's Economy.com

Long-Term Inflation Outlook Is Lowered

The forecasters' view of long-term output growth has remained steady, while predictions for long-term inflation have edged slightly downward. The panelists think that real GDP will grow 2.7 percent on average over the next 10 years. Inflation (as measured by the consumer price index) is predicted to average 2.4 percent over the next 10 years, slightly lower than the forecast of 2.5 percent reported in the prior 16 surveys, and thus representing the first change in expected inflation since the survey of December 2001.

Stock-Price Projections Revised Upward

The forecasters predict that the S&P 500 index will finish 2009 at a level of 1100.0, an upward revision from the previous estimate of 1000.0. The forecasters project an increase in stock prices over the next two years, with the index rising to 1155.2 by the end of June 2010 and then to 1197.0 by the end of 2010.

Stock Prices (end of period)

S&P 500 Index

Previous New

Dec. 31, 2009	1000.0	1100.0
June 30, 2010	1049.4	1155.2
Dec. 31, 2010	1115.0	1197.0
Dec. 30, 2011	N.A.	1250.0

Technical Notes

This news release reports the median value across the 39 forecasters on the survey's panel. We welcome 16 new forecasters to the panel of this survey.

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.

LIVINGSTON SURVEY
MAJOR MACROECONOMIC INDICATORS, 2009-2011

QUARTERLY INDICATORS (percentage changes at annual rates)	Q2 2009 TO Q4 2009	Q4 2009 TO Q2 2010	Q2 2010 TO Q4 2010	2008 TO 2009	2009 TO 2010	2010 TO 2011
Real Gross Domestic Product	3.1	2.6	3.0	-2.5	2.7	2.9
Nominal Gross Domestic Product	4.1	4.1	4.3	-1.2	3.8	4.6
Nonresidential Fixed Investment	-2.0	1.3	4.2	-17.7	0.0	7.9
Corporate Profits After Taxes	40.1	8.5	9.7	-7.5	16.5	8.7
MONTHLY INDICATORS (percentage changes at annual rates)	JUN 2009 TO DEC 2009	DEC 2009 TO JUN 2010	JUN 2010 TO DEC 2010	2008 TO 2009	2009 TO 2010	2010 TO 2011
Industrial Production	7.3	5.2	4.8	-9.9	3.9	4.1
Producer Prices - Finished Goods	1.9	2.0	2.2	-2.7	2.4	2.2
Consumer Price Index (CPI-U)	2.3	1.7	1.9	-0.3	2.2	1.8
Average Weekly Earnings in Mfg.	6.5	1.8	5.0	0.3	3.4	2.7
Retail Trade	4.4	3.6	4.7	-6.2	3.8	4.8
(levels of variables)	DEC 2009	JUN 2010	DEC 2010	2009	2010	2011
Total Private Housing Starts (annual rate, millions)	0.585	0.710	0.815	0.560	0.740	1.041
Unemployment Rate (percent)	10.3	10.3	9.9	9.3	10.2	9.4
Automobile Sales (incl. foreign) (annual rate, millions)	5.6	5.8	6.5	5.4	5.9	6.7
FINANCIAL INDICATORS (levels of variables at end of month)	DEC 2009	JUN 2010	DEC 2010	DEC 2011		
Prime Interest Rate	3.25	3.25	3.75	5.45		
10-Year Treasury Note Yield	3.45	3.76	4.10	4.64		
3-Month Treasury Bill Rate	0.10	0.25	1.00	2.71		
Stock Prices (S&P500)	1100.0	1155.2	1197.0	1250.0		

LONG-TERM OUTLOOK

Average Annual Growth Rate for the Next Ten Years

Real GDP	2.7
Consumer Price Index	2.4

Source: Research Department, Federal Reserve Bank of Philadelphia, Livingston Survey, December 2009

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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 November 19; the tables do not reflect subsequent revisions to the data. All forecasts were received on or before December 2.

TABLE ONE
MAJOR MACROECONOMIC INDICATORS, 2009-2011
MEDIAN OF FORECASTER PREDICTIONS

QUARTERLY INDICATORS	NUMBER OF FORE- CASTERS	ACTUAL				FORECASTS			
		2009 Q2	2009 Q4	2010 Q2	2010 Q4	2008	2009	2010	2011
1. Real Gross Domestic Product (billions, chain weighted)	39	12901.5	13097.5	13269.0	13466.0	13312.2	12980.4	13330.5	13718.3
2. Nominal Gross Domestic Product (\$ billions)	39	14151.2	14437.0	14733.3	15043.1	14441.4	14262.7	14810.5	15496.0
3. Nonresidential Fixed Investment (billions, chain weighted)	38	1288.4	1275.7	1284.2	1311.2	1569.7	1291.4	1291.9	1393.7
4. Corporate Profits After Taxes (\$ billions)	29	920.6	1089.5	1135.0	1189.0	1068.2	988.3	1151.3	1252.0
MONTHLY INDICATORS		ACTUAL		FORECASTS		ACTUAL		FORECASTS	
		JUN 2009	DEC 2009	JUN 2010	DEC 2010	2008	2009	2010	2011
5. Industrial Production (2002=100)	35	95.8	99.3	101.8	104.2	108.8	98.0	101.9	106.0
6. Total Private Housing Starts (annual rate, millions)	36	0.590	0.585	0.710	0.815	0.900	0.560	0.740	1.041
7. Producer Prices - Finished Goods (index level)	30	173.4	175.0	176.8	178.7	177.3	172.5	176.7	180.6
8. Consumer Price Index (CPI-U) (index level)	35	214.5	217.0	218.9	221.0	215.2	214.5	219.2	223.1
9. Unemployment Rate (percent)	36	9.5	10.3	10.3	9.9	5.8	9.3	10.2	9.4
10. Average Weekly Earnings in Mfg. (\$)	15	719.4	742.3	748.8	767.3	724.3	726.2	751.1	771.3
11. Retail Trade (\$ billions)	23	342.9	350.3	356.6	364.8	366.8	344.2	357.3	374.5
12. Automobile Sales (incl. foreign) (annual rate, millions)	27	5.0	5.6	5.8	6.5	6.8	5.4	5.9	6.7

TABLE ONE (CONTINUED)

INTEREST RATES & STOCK PRICES (end of period)		ACTUAL	FORECASTS			
		JUN 2009	DEC 2009	JUN 2010	DEC 2010	DEC 2011
13. Prime Interest Rate (percent)	36	3.25	3.25	3.25	3.75	5.45
14. 10-Year Treasury Note Yield (percent)	39	3.53	3.45	3.76	4.10	4.64
15. 3-Month Treasury Bill Rate (percent)	38	0.19	0.10	0.25	1.00	2.71
16. Stock Prices (S&P500) (index level)	23	919.3	1100.0	1155.2	1197.0	1250.0

Source: Research Department, Federal Reserve Bank of Philadelphia, Livingston Survey, December 2009

TABLE TWO
 MAJOR MACROECONOMIC INDICATORS, 2009-2011
 PERCENTAGE CHANGES AT ANNUAL RATES

QUARTERLY INDICATORS	NUMBER OF FORE- CASTERS	Q2 2009	Q4 2009	Q2 2010	2008	2009	2010
		TO Q4 2009	TO Q2 2010	TO Q4 2010	TO 2009	TO 2010	TO 2011
1. Real Gross Domestic Product	39	3.1	2.6	3.0	-2.5	2.7	2.9
2. Nominal Gross Domestic Product	39	4.1	4.1	4.3	-1.2	3.8	4.6
3. Nonresidential Fixed Investment	38	-2.0	1.3	4.2	-17.7	0.0	7.9
4. Corporate Profits After Taxes	29	40.1	8.5	9.7	-7.5	16.5	8.7
MONTHLY INDICATORS		JUN 2009	DEC 2009	JUN 2010	2008	2009	2010
		TO DEC 2009	TO JUN 2010	TO DEC 2010	TO 2009	TO 2010	TO 2011
5. Industrial Production	35	7.3	5.2	4.8	-9.9	3.9	4.1
6. Total Private Housing Starts	36	-0.005	0.125	0.105	-0.340	0.180	0.301
7. Producer Prices - Finished Goods	30	1.9	2.0	2.2	-2.7	2.4	2.2
8. Consumer Price Index (CPI-U)	35	2.3	1.7	1.9	-0.3	2.2	1.8
9. Unemployment Rate	36	0.8	0.0	-0.4	3.5	0.9	-0.8
10. Average Weekly Earnings in Mfg.	15	6.5	1.8	5.0	0.3	3.4	2.7
11. Retail Trade	23	4.4	3.6	4.7	-6.2	3.8	4.8
12. Automobile Sales (incl. foreign)	27	0.6	0.2	0.7	-1.4	0.5	0.8

		JUN 2009	DEC 2009	JUN 2010	DEC 2010
		TO	TO	TO	TO
INTEREST RATES & STOCK PRICES		DEC 2009	JUN 2010	DEC 2010	DEC 2011
13. Prime Interest Rate	36	0.00	0.00	0.50	1.70
14. 10-Year Treasury Note Yield	39	-0.08	0.31	0.34	0.54
15. 3-Month Treasury Bill Rate	38	-0.09	0.15	0.75	1.72
16. Stock Prices (S&P500)	23	43.2	10.3	7.4	4.4

Note: Figures for housing starts, unemployment rate, auto sales, prime interest rate, 10-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, December 2009

TABLE THREE
LONG-TERM (10 YEAR) FORECASTS

SERIES: CPI Inflation Rate

STATISTIC	
Minimum	1.30
Lower Quartile	2.00
Median	2.40
Upper Quartile	2.60
Maximum	4.50
Mean	2.36
Std. Deviation	0.60
N	38
Missing	1

SERIES: Real GDP

STATISTIC	
Minimum	2.30
Lower Quartile	2.50
Median	2.70
Upper Quartile	2.97
Maximum	3.50
Mean	2.76
Std. Deviation	0.28
N	38
Missing	1

Source: Research Department, Federal Reserve Bank of Philadelphia, Livingston Survey, December 2009