

# The Livingston Survey

June 1991

## Economic Research Department

The recession is over and a modest economic recovery is under way. That's the opinion of the nearly 70 economists who responded to the latest Livingston Survey.

Asked when they thought the current recession would end, two-thirds of the respondents said that the turnaround began sometime between April and June. May was the most popular choice. If the forecasters are correct, then the recession, which began in July 1990, lasted 10 months—about average for postwar downturns.

But the forecasters do not expect a particularly robust recovery. The consensus is that real GNP will grow at just a 2.2 percent annual rate through the middle of 1992. In contrast, real growth has averaged closer to 6 percent during the first year of the past eight expansions.

With output growth so sluggish, the economists anticipate little near-term improvement in the unemployment picture. They see the civilian unemployment rate lingering at or above 6.5 percent over the next year.

On the plus side, the slow recovery should keep a lid on inflation. According to the Livingston forecasters, consumer prices—which rose over 6 percent in 1990—will increase only 3.4 percent in 1991, then inch up to a 4.2 percent annual rate of increase in the first half of 1992.

Pay increases for the typical manufacturing worker, however, may not

keep pace with even these more modest inflation rates. Average weekly earnings in manufacturing are predicted to increase at just a 2.5 percent annual rate during 1991 and the first half of 1992.

One reason for the recovery's slow start is that it will get little spending support from government. Defense spending is expected to slip a bit over the next year.

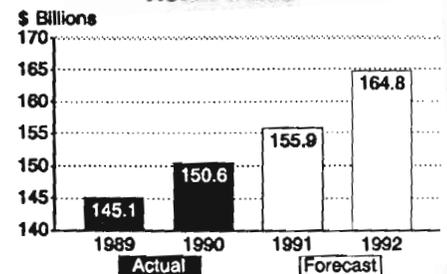
Business spending on new plant and equipment is expected to remain flat through year-end, on an inflation-adjusted basis. Stable interest rates, a rising profile of corporate profits, and higher stock prices are expected to provide a favorable investment climate. But the economists see businesses picking up the pace of real investment spending only as the expansion takes hold in the first half of 1992.

Simply put, a drop-off in consumer spending brought on the recession and the forecasters expect it will take a rebound in consumer spending to get us out. The Livingston panelists see retail sales making up some lost ground in the second half of this year, then picking up more momentum early next year. The auto and housing industries, mired in deep slumps, will be slower to improve. (See Chart).

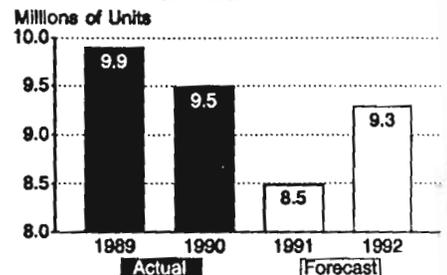
Taking a longer-term perspective, the forecasters see real growth averaging 2.5 percent per year over the next 10 years. And consumer price inflation over the same period is expected to average 4.1 percent per year.

### Consumers Will Come Back Slowly

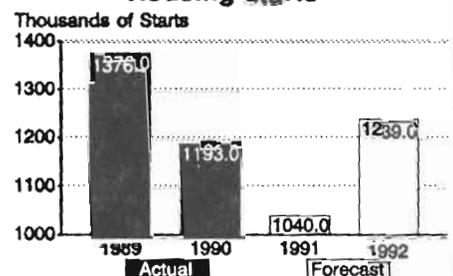
#### Retail Sales



#### Auto Sales



#### Housing Starts



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 1991**

INDICATOR	Latest	Dec. 1991	June 1992	Full Yr. 1991	Full Yr. 1992
Gross National Product (billions) <sup>1</sup>	\$5,561.7 <sup>a</sup>	5796.4 <sup>a</sup>	5978.7 <sup>a</sup>	5673.8	6022.6
Gross National Product (billions) <sup>1</sup>	\$4,126.5 <sup>a</sup>	4178.5 <sup>a</sup>	4237.9 <sup>a</sup>	4146.3	4256.8
Industrial Production	105.1 <sup>b</sup>	107.6	109.9	106.3	110.4
Nonresidential Fixed Investment (billions) <sup>1</sup>	\$504.2 <sup>a</sup>	503.1 <sup>a</sup>	518.5 <sup>a</sup>	501.4	523.4
Total Private Housing Starts (thousands) <sup>1</sup>	957 <sup>b</sup>	1,144	1,228	1,040	1,239
Major National Defense Purchases (billions) <sup>1</sup>	\$330.8 <sup>a</sup>	323.2 <sup>a</sup>	321.9 <sup>a</sup>	326.2	322.7
Corporate Profits after taxes (billions) <sup>1</sup>	\$167.6 <sup>a</sup>	183.2 <sup>a</sup>	194.8 <sup>a</sup>	173.8	195.7
Producer Prices - Finished Goods	120.9 <sup>b</sup>	123.2	125.4	122.2	126.0
Consumer Prices	135.2 <sup>b</sup>	138.4	141.3	136.4	141.7
Prime Interest Rate (%)	8.5 <sup>d</sup>	8.6	8.9	8.7	8.9
Stock Prices (S&P 500)	382.80 <sup>d</sup>	395.76 <sup>*</sup>	409.31 <sup>*</sup>		417.29 <sup>*</sup>
Unemployment Rate (%)	6.6 <sup>b</sup>	6.8	6.5	6.7	6.5
Average Weekly Earnings in Manufacturing	\$445.91 <sup>b</sup>	455.57	464.12	449.17	465.44
Retail Trade (billions) <sup>1</sup>	\$151.5 <sup>b</sup>	156.59	160.94	155.92	164.76
Automobile Sales, including foreign (millions) <sup>1</sup>	7.9 <sup>b</sup>	8.9	9.2	8.5	9.3

<sup>1</sup> - Seasonally adjusted annual rate

<sup>a</sup> - 1st quarter

<sup>d</sup> - May 29

<sup>a</sup> - Forecast for quarter

<sup>b</sup> - April

<sup>\*</sup> For stock prices, give end of month or year

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