

The Livingston Survey

December 1992

Economic Research Division

The economic recovery is taking hold, but it will be characterized by continued moderate growth. That is the opinion of the 41 economists responding to the latest Livingston Survey.

The forecasters see real gross domestic product (GDP) growing at about a 3 percent annual rate over the next 12 months, a slight improvement from the 2.6 percent growth predicted for 1992. (The economists expect real GDP growth in 1992's fourth quarter to run at about a 2.2 percent annual rate.) Looking further ahead, the forecasters predict real GDP growth of 3.1 percent in 1994. According to the survey respondents, then, we are unlikely to see the 6 percent rate of growth that has been the average for postwar recoveries.

With the continuation of a moderate recovery, the economists anticipate a slowly declining unemployment rate. By June 1993, the economists expect that the civilian unemployment rate will have fallen to about 7.1 percent of the labor force. Further gains are anticipated in the second half of 1993, with the unemployment rate predicted to stand at 6.8 percent by year-end.

The modest growth in output and employment is good news for inflation. The survey respondents expect consumer prices to rise at a 3.4 annual rate over the next 12 months, edging up slightly to 3.6 percent in 1994. Producer prices are expected to rise even more slowly than consumer prices in 1993 and 1994.

In some encouraging news for manufacturing workers, the economists estimate that pay increases will run slightly ahead of inflation in 1993 and 1994. Average weekly earnings in manufacturing are forecasted to increase 3.6 percent over the next 12 months and 3.8 percent in 1994.

Consumer spending has been leading the recovery, and the forecasters anticipate continued gains on this front. Retail sales are expected to rise at about a 5.8 percent annual rate through 1993. The housing sector is predicted to put in a strong

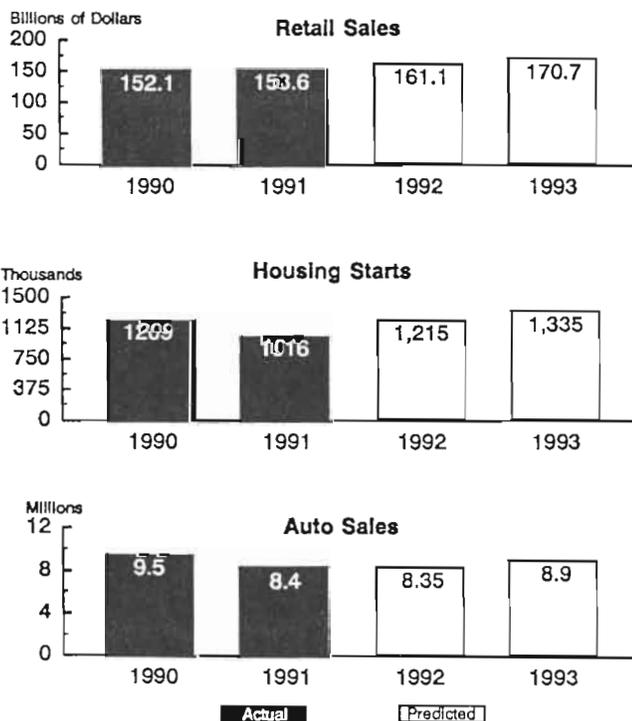
performance; total private housing starts should run at a pace of 1.335 million units in 1993. In addition, auto sales are expected to make up lost ground, rising to 9.1 million units by December 1993, resulting in annual average sales of 8.9 million units (see Chart).

Stable interest rates, rising corporate profits, and higher stock prices are factors expected to contribute to a favorable business-investment

climate. Growth in business spending on new plant and equipment is predicted to run at slightly over 6 percent for the next 12 months. Investment growth then ticks up in 1994 to 6.5 percent.

When asked about long-term expectations, the survey respondents envisioned real GDP growth averaging about 2.7 percent over the next 10 years. Over the same time span, the average rate of inflation is expected to be 3.85 percent per year.

Consumer Spending



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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, DECEMBER 1992

INDICATOR	Dec. <u>1992</u>	June <u>1993</u>	Dec. <u>1993</u>	Full Yr. <u>1992</u>	Full Yr. <u>1993</u>	Full Yr. <u>1994</u>
Gross Domestic Product (billions) ¹	\$6056.1 ^a	6222.1 ^q	6401.1 ^q	5948.3	6271.0	6654.7
Real Gross Domestic Product (bil. '87) ¹	\$4966.7 ^a	5037.0 ^q	5112.0 ^q	4921.4	5057.0	5212.5
Real Nonresidential Fixed Investment (bil. '87) ¹	\$522.4 ^a	537.7 ^q	554.9 ^q	512.5	541.6	576.6
Corporate Profits after taxes (billions) ¹	\$238.6 ^a	254.3 ^q	268.1 ^q	229.8	257.6	280.7
Industrial Production (1987=100)	109.9 ^b	112.0	114.2	108.6	112.3	116.2
Total Private Housing Starts (millions)	1.261 ^b	1.334	1.364	1.215	1.335	1.394
Producer Prices - Finished Goods	124.4 ^b	125.9	127.8	123.3	126.3	129.9
Consumer Prices	142.4 ^b	144.7	147.2	140.9	145.4	150.6
Unemployment Rate (%)	7.3 ^b	7.1	6.8	7.4	7.0	6.5
Average Weekly Earnings in Manufacturing	\$477.6 ^b	485.6	494.7	469.3	486.4	504.9
Retail Trade (billions) ¹	\$165.2 ^b	169.7	174.7	161.1	170.7	180.2
Automobile Sales, including foreign (millions) ¹	8.4 ^b	8.9	9.1	8.4	8.9	9.3
Prime Interest Rate (%)	6.00 ^c	6.14 [*]	6.54 [*]			7.29 [*]
30-Yr. U.S. Treasury Bond (%)	7.54 ^c	7.60 [*]	7.72 [*]			7.94 [*]
90-Day U.S. Treasury Bill (%)	3.23 ^c	3.62 [*]	3.82 [*]			4.57 [*]
Stock Prices (S&P 500)	431.0 ^c	445.5 [*]	452.1 [*]			471.9 [*]

¹ - Seasonally adjusted annual rate

^a - 4th quarter, 1992

^b - December 1992

^c - November 20, 1992

^q - Forecast for quarter

^{*} - End of month or year

DECEMBER 1992 LIVINGSTON SURVEY PARTICIPANTS

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