



THE

LIVINGSTON SURVEY

Release Date: June 7, 2007

JUNE 2007

Forecasters Predict Slower Economic Growth in 2007

The 39 participants in the June Livingston Survey are cutting their estimates for growth in 2007. The forecasters, who are surveyed by the Federal Reserve Bank of Philadelphia twice a year, project that the economy's output will grow at an annual rate of 1.8 percent in the first half of 2007. They see the growth rate of economic output (real GDP) improving to 2.6 percent in the second half of 2007 and then rising to an annual rate of 2.9 percent in the first half of 2008. The forecasts for the first half and the second half of 2007 are both lower than in the previous survey, suggesting output growth might not be as strong in the short run.

The unemployment rate is expected to rise from 4.5 percent in June 2007 to 4.7 percent in December 2007 and increase slightly to 4.8 percent in June 2008. These forecasts are lower than those of the survey six months ago, suggesting an improvement in the employment situation. On an annual average basis, the unemployment rate is predicted to be 4.6 percent in 2007 and 4.8 percent in 2008. These forecasts suggest that the unemployment rate will increase gradually over the horizon.

	<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>					
2006 Q4 to 2007 Q2	2.8	1.8	June 2007	4.8	4.5
2007 Q2 to 2007 Q4	3.1	2.6	December 2007	4.9	4.7
2007 Q4 to 2008 Q2	N.A.	2.9	June 2008	N.A.	4.8

Short-Run Inflation Outlook Revised Upward

The forecasters' projections for inflation in 2007 are higher than those of six months ago for consumer prices and producer prices. Consumer price (CPI) inflation will average 2.6 percent in 2007, then fall to 2.3 percent in 2008. The forecasters project that producer price inflation in 2007 will be 3.2 percent, noticeably higher than the 1.4 percent predicted six months ago. They see PPI inflation decelerating in 2008, to 2.4 percent, which is higher than the previous survey's prediction of 2.0 percent.

	<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>				
2006 to 2007	2.1	2.6	1.4	3.2
2007 to 2008	2.3	2.3	2.0	2.4

Interest Rates Will Increase Slightly in the Near Term

Interest rates on three-month Treasury bills will essentially remain steady over the next year and a half, rising slightly by the end of 2008, according to the forecasters. They expect the interest rate to be 4.90 percent in June 2007, 4.93 percent in December 2007, and 4.92 percent in June 2008. They predict the rate will increase to 4.95 percent by December 2008.

Long-term interest rates are expected to rise over the next year and a half. The interest rate on 10-year Treasury bonds is projected to be 4.78 percent by the end of June 2007 and then to rise to 4.95 percent by December 2007. In 2008, a more gradual increase is expected: the forecasters predict that the rate will be 5.00 percent by June 2008 and that it will inch up to 5.05 percent by December 2008. The current forecasts are slightly lower, on average, than the December 2006 forecasts.

	<i>3-Month Treasury Bill</i>		<i>10-Year Treasury Bond</i>	
	<i>Interest Rate</i>	<i>Interest Rate</i>	<i>Interest Rate</i>	<i>Interest Rate</i>
	<i>Previous</i>	<i>New</i>	<i>Previous</i>	<i>New</i>
June 29, 2007	4.99	4.90	4.91	4.78
Dec. 31, 2007	4.98	4.93	5.05	4.95
June 30, 2008	N.A.	4.92	N.A.	5.00
Dec. 31, 2008	4.97	4.95	5.05	5.05

2007 Livingston Survey Participants

S. Anderson	Wells Fargo and Company	D. Lereah	National Association of Realtors
E. Beeson Zentner	Bank of Tokyo-Mitsubishi, Ltd.	M. Levy	Bank of America
R. Berner	Morgan Stanley & Co., Inc.	J. Lonski	Moody's Investors Service, Inc.
J. Butkiewicz	University of Delaware	D. Maki	Barclays Capital
R. Chase	Chase Economics	E. McKelvey	Goldman Sachs and Company
R. DeKaser	National City Corporation	M. Moran	Daiwa Securities America
R. Dhawan	Georgia State University	F. Nothhaft	Federal Home Loan Mortgage Corp.
D. Duncan	Mortgage Bankers Association	M. Regalia	U.S. Chamber of Commerce
M. Englund	Action Economics, LLC	J. Ryding	Bear, Stearns and Company
K. Goldstein	The Conference Board	D. Seiders	National Association of Home Builders
J. Gonzalez	Tennessee Valley Authority	J. Silvia	Wachovia Corporation
J. Hall	Thomson Financial	A. Sinai	Decision Economics, Inc.
B. Horrigan	Loomis Sayles & Co.	J. Smith	Parsec Financial Management, Inc.
S. Hymans	University of Michigan	S. Snaith	University of Central Florida
P. Jaquette	Weyerhaeuser Company	S. Stanley	RBS Greenwich Capital
I. Kellner	North Fork Bank	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.	D. Wyss	Standard & Poor's
E. Leamer	University of California, Los Angeles	R. Yamarone	Argus Research Group
D. Lee	Economics from Washington		

Lower Long-Term Outlook for Output Growth but Steady Long-Term Inflation

The panelists think that real GDP will grow 3.0 percent annually over the next 10 years, slightly lower than the 3.1 percent predicted in the last survey. Inflation (as measured by the consumer price index) will average 2.5 percent over the next 10 years, unchanged from the last 12 surveys dating back to December 2001.

Stock-Price Projections Revised Upward

The forecasters see the S&P 500 at 1525.8 at the end of June 2007. They project an overall increase in stock prices over the next two years, with the index rising to 1557.4 by the end of 2007. These forecasts for 2007 are higher than those of the previous survey, as shown in the table below. The index is projected to rise to 1600.0 by June 2008 and 1635.0 by the end of 2008, higher than in the previous survey.

	<i>Stock Prices</i>	
	<i>S&P 500 Index</i>	
	<i>Previous</i>	<i>New</i>
June 29, 2007	1433.6	1525.8
Dec. 31, 2007	1475.0	1557.4
June 30, 2008	N.A.	1600.0
Dec. 31, 2008	1563.7	1635.0

Technical Notes

This news release reports the median value across the 39 forecasters on the survey's panel.

This is the third survey in which we asked forecasters for their projections for corporate profits after tax *with inventory valuation and capital consumption adjustments*. (Previously, the survey used the after-tax measure without the adjustments.)

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/phil_mailing_list/dsp_user_login.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, 2007-2008

QUARTERLY INDICATORS (percentage changes at annual rates)	Q4 2006 TO Q2 2007	Q2 2007 TO Q4 2007	Q4 2007 TO Q2 2008	2006 TO 2007	2007 TO 2008
Real Gross Domestic Product	1.8	2.6	2.9	2.2	2.9
Nominal Gross Domestic Product	5.1	5.0	5.2	4.8	5.2
Nonresidential Fixed Investment	3.5	5.3	3.9	3.3	5.0
Corporate Profits After Taxes	4.1	5.8	5.0	5.9	4.9
MONTHLY INDICATORS (percentage changes at annual rates)	DEC 2006 TO JUN 2007	JUN 2007 TO DEC 2007	DEC 2007 TO JUN 2008	2006 TO 2007	2007 TO 2008
Industrial Production	2.2	2.8	2.8	2.0	2.9
Producer Prices - Finished Goods	5.7	1.8	2.2	3.2	2.4
Consumer Price Index (CPI-U)	4.2	2.1	2.5	2.6	2.3
Average Weekly Earnings in Mfg.	-1.3	3.3	2.2	2.5	3.3
Retail Trade	4.5	5.1	3.6	4.2	4.3
(levels of variables)	JUN 2007	DEC 2007	JUN 2008	2007	2008
Total Private Housing Starts (annual rate, millions)	1.454	1.465	1.519	1.471	1.531
Unemployment Rate (percent)	4.5	4.7	4.8	4.6	4.8
Automobile Sales (incl. foreign) (annual rate, millions)	7.5	7.6	7.6	7.6	7.6
FINANCIAL INDICATORS (levels of variables at end of month)	JUN 2007	DEC 2007	JUN 2008	DEC 2008	
Prime Interest Rate	8.25	8.25	8.25	8.25	
10-Year Treasury Note Yield	4.78	4.95	5.00	5.05	
3-Month Treasury Bill Rate	4.90	4.93	4.92	4.95	
Stock Prices (S&P500)	1525.8	1557.4	1600.0	1635.0	
LONG-TERM OUTLOOK Average Annual Growth Rate for the Next Ten Years					
Real GDP	3.0				
Consumer Price Index	2.5				

LIVINGSTON SURVEY

June 2007

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 17; the tables do not reflect subsequent revisions to the data. All forecasts were received on or before May 30.

TABLE ONE
MAJOR MACROECONOMIC INDICATORS, 2007-2008
MEDIAN OF FORECASTER PREDICTIONS

QUARTERLY INDICATORS	NUMBER OF FORE- CASTERS	ACTUAL	FORECASTS		ACTUAL	FORECASTS		
		2006 Q4	2007 Q2	2007 Q4	2008 Q2	2006	2007	2008
1. Real Gross Domestic Product (billions, chain weighted)	39	11513.0	11617.8	11765.7	11937.7	11415.3	11661.9	11999.3
2. Nominal Gross Domestic Product (\$ billions)	38	13458.2	13799.7	14137.8	14498.1	13246.6	13884.9	14611.3
3. Nonresidential Fixed Investment (billions, chain weighted)	36	1323.7	1346.7	1382.2	1409.0	1312.4	1355.8	1423.7
4. Corporate Profits After Taxes (\$ billions)	24	1172.3	1196.1	1230.3	1260.5	1140.7	1207.6	1267.0
MONTHLY INDICATORS		ACTUAL DEC 2006	JUN 2007	FORECASTS		ACTUAL 2006	FORECASTS	
				DEC 2007	JUN 2008		2007	2008
5. Industrial Production (2002=100)	34	112.2	113.4	115.0	116.6	111.2	113.5	116.8
6. Total Private Housing Starts (annual rate, millions)	34	1.629	1.454	1.465	1.519	1.812	1.471	1.531
7. Producer Prices - Finished Goods (index level)	33	161.5	166.0	167.4	169.3	160.4	165.4	169.4
8. Consumer Price Index (CPI-U) (index level)	36	202.8	207.0	209.1	211.8	201.6	206.8	211.5
9. Unemployment Rate (percent)	36	4.5	4.5	4.7	4.8	4.6	4.6	4.8
10. Average Weekly Earnings in Mfg. (\$)	13	712.7	708.0	719.5	727.2	690.8	708.4	731.9
11. Retail Trade (\$ billions)	20	367.3	375.5	385.0	391.9	361.4	376.7	393.0
12. Automobile Sales (incl. foreign) (annual rate, millions)	26	8.1	7.5	7.6	7.6	7.8	7.6	7.6

TABLE ONE (CONTINUED)

INTEREST RATES & STOCK PRICES (end of period)		ACTUAL	FORECASTS			
		DEC 2006	JUN 2007	DEC 2007	JUN 2008	DEC 2008
13. Prime Interest Rate (percent)	35	8.25	8.25	8.25	8.25	8.25
14. 10-Year Treasury Note Yield (percent)	37	4.71	4.78	4.95	5.00	5.05
15. 3-Month Treasury Bill Rate (percent)	37	4.89	4.90	4.93	4.92	4.95
16. Stock Prices (S&P500) (index level)	23	1418.3	1525.8	1557.4	1600.0	1635.0

Source: Research Department, Federal Reserve Bank of Philadelphia, Livingston Survey, June 2007

TABLE TWO
 MAJOR MACROECONOMIC INDICATORS, 2007-2008
 PERCENTAGE CHANGES AT ANNUAL RATES

QUARTERLY INDICATORS	NUMBER OF FORE- CASTERS	Q4 2006	Q2 2007	Q4 2007	2006	2007
		TO Q2 2007	TO Q4 2007	TO Q2 2008	TO 2007	TO 2008
1. Real Gross Domestic Product	39	1.8	2.6	2.9	2.2	2.9
2. Nominal Gross Domestic Product	38	5.1	5.0	5.2	4.8	5.2
3. Nonresidential Fixed Investment	36	3.5	5.3	3.9	3.3	5.0
4. Corporate Profits After Taxes	24	4.1	5.8	5.0	5.9	4.9
MONTHLY INDICATORS		DEC 2006	JUN 2007	DEC 2007	2006	2007
		TO JUN 2007	TO DEC 2007	TO JUN 2008	TO 2007	TO 2008
5. Industrial Production	34	2.2	2.8	2.8	2.0	2.9
6. Total Private Housing Starts	34	-0.175	0.011	0.054	-0.341	0.060
7. Producer Prices - Finished Goods	33	5.7	1.8	2.2	3.2	2.4
8. Consumer Price Index (CPI-U)	36	4.2	2.1	2.5	2.6	2.3
9. Unemployment Rate	36	0.0	0.2	0.1	0.0	0.2
10. Average Weekly Earnings in Mfg.	13	-1.3	3.3	2.2	2.5	3.3
11. Retail Trade	20	4.5	5.1	3.6	4.2	4.3
12. Automobile Sales (incl. foreign)	26	-0.6	0.1	0.0	-0.2	0.1

		DEC 2006	JUN 2007	DEC 2007	JUN 2008
		TO	TO	TO	TO
INTEREST RATES & STOCK PRICES		JUN 2007	DEC 2007	JUN 2008	DEC 2008
13. Prime Interest Rate	35	0.00	0.00	0.00	0.00
14. 10-Year Treasury Note Yield	37	0.07	0.17	0.05	0.05
15. 3-Month Treasury Bill Rate	37	0.01	0.03	-0.01	0.03
16. Stock Prices (S&P500)	23	15.7	4.2	5.5	4.4

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 2007

TABLE THREE
LONG-TERM (10 YEAR) FORECASTS

SERIES: CPI Inflation Rate

STATISTIC	
Minimum	1.10
Lower Quartile	2.20
Median	2.50
Upper Quartile	2.60
Maximum	3.20
Mean	2.39
Std. Deviation	0.38
N	35
Missing	4

SERIES: Real GDP

STATISTIC	
Minimum	2.20
Lower Quartile	2.80
Median	3.00
Upper Quartile	3.20
Maximum	3.50
Mean	3.00
Std. Deviation	0.29
N	35
Missing	4
