



THE

LIVINGSTON SURVEY

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DECEMBER 2010

Forecasters Predict Modest Economic Growth, Slow Labor Recovery in 2011

The 33 participants in the December Livingston Survey see modest output growth through 2011. 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 2.3 percent during the second half of 2010. Moreover, output is expected to grow 2.5 percent (annual rate) in the first half of 2011, followed by growth of 2.9 percent (annual rate) in the second half of 2011. The current projection for growth in the second half of 2010 was lowered one full percentage point from the survey of six months ago, while the forecast for the first half of 2011 was lowered 0.5 percentage point.

The panelists expect to see a slow recovery in the labor market, with the unemployment rate at 9.6 percent in December 2010 and at 9.4 percent in June 2011. These estimates represent increases of 0.1 and 0.3 percentage point, respectively, from the survey of six months ago. The unemployment rate is then expected to fall slightly lower, to 9.2 percent in December 2011.

	<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>					
2010 Q2 to 2010 Q4	3.3	2.3	December 2010	9.5	9.6
2010 Q4 to 2011 Q2	3.0	2.5	June 2011	9.1	9.4
2011 Q2 to 2011 Q4	N.A.	2.9	December 2011	N.A.	9.2

Inflation Outlook Falls Slightly

The forecasters' projections for inflation have fallen slightly for 2010 and 2011. In both 2010 and 2011, consumer prices (CPI) are expected to rise at an annual rate of 1.6 percent. These forecasts are 0.2 and 0.1 percentage point lower than the forecasts from the survey of six months ago. Consumer price inflation is expected to average 2.0 percent in 2012. Downward revisions also characterize the outlook for PPI inflation in 2011.

	<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>				
2009 to 2010	1.8	1.6	4.1	4.1
2010 to 2011	1.7	1.6	2.4	1.9
2011 to 2012	N.A.	2.0	N.A.	1.9

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 2011, the interest rate on three-month Treasury bills is predicted to be 0.19 percent, revised down from 1.21 percent in the survey of six months ago. Livingston forecasters predict that the rate will then rise slightly to 0.35 percent in December 2011, and then rise to 1.63 percent in December 2012. The interest rate on 10-year Treasury bonds is predicted to reach 2.93 percent at the end of June 2011, down from the previous estimate of 4.28 percent. According to the forecasters, it will then rise to 3.26 percent in December 2011, and to 4.00 percent at the end of 2012.

	<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. 30, 2010	0.40	0.15	4.00	2.80
June 30, 2011	1.21	0.19	4.28	2.93
Dec. 30, 2011	1.99	0.35	4.55	3.26
Dec. 31, 2012	N.A.	1.63	N.A.	4.00

2010 Livingston Survey Participants

E. Beeson Zentner	Bank of Tokyo-Mitsubishi, Ltd.	E. Leamer	University of California, Los Angeles
R. Berner	Morgan Stanley & Co.	D. Maki	Barclays Capital
J. Butkiewicz	University of Delaware	A. Markowska	Societe Generale
C. Chrappa	Independent Equipment Company	K. Mayland	Clear View Economics
D. Crowe	National Association of Home Builders	G. Mokrzan	Huntington National Bank
R. Dhawan	Georgia State University	M. Moran	Daiwa Capital Markets America
F. Dixon	Economic Insights	J. Mueller	LBMC, LLC
M. Drury	McVean Trading & Investments, LLC	F. Nothaft	Federal Home Loan Mortgage Corp.
R. Dye	PNC Bank	M. Regalia	U.S. Chamber of Commerce
T. Gill	National Electrical Manufacturers Assoc.	J. Silvia	Wells Fargo Securities
K. Goldstein	Conference Board	A. Sinai	Decision Economics, Inc.
J. Gonzalez	Tennessee Valley Authority	S. Snaith	University of Central Florida
E. Harris	Bank of America Merrill Lynch	S. Stanley	Pierpont Securities
B. Horrigan	Loomis Sayles & Co.	D. Torgerson	USDA
J. Jacobs	Cessna Aircraft	B. Wesbury	First Trust Advisors, L.P.
S. Kahan	Kahan Consulting Ltd.	L. Yun	National Association of Realtors
D. Knop	Williams Gas Pipeline Corp.	M. Zandi	Moody's Economy.com

Long-Term Inflation Outlook Revised Upward

The forecasters' view of long-term output growth has remained steady, while predictions for long-term inflation have edged slightly upward. The panelists think that real GDP will grow 2.8 percent on average over the next 10 years. Inflation (as measured by the consumer price index) is predicted to average 2.5 percent over the next 10 years, slightly higher than the forecast of 2.3 percent reported in the prior survey.

Stock Prices Projected to Rise

The forecasters predict that the S&P 500 index will finish 2010 at a level of 1200.0, an upward revision from the previous estimate of 1187.6. The forecasters project an increase in stock prices over the next two years, with the index rising to 1250.0 by the end of June 2011 and then to 1298.5 by the end of 2011.

Stock Prices (end of period)

S&P 500 Index

Previous New

Dec. 30, 2010	1187.6	1200.0
June 30, 2011	1243.5	1250.0
Dec. 30, 2011	1280.0	1298.5
Dec. 31, 2012	N.A.	1350.0

Technical Notes

This news release reports the median value across the 33 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.

LIVINGSTON SURVEY
MAJOR MACROECONOMIC INDICATORS, 2010-2012

QUARTERLY INDICATORS (percentage changes at annual rates)	Q2 2010 TO Q4 2010	Q4 2010 TO Q2 2011	Q2 2011 TO Q4 2011	2009 TO 2010	2010 TO 2011	2011 TO 2012
Real Gross Domestic Product	2.3	2.5	2.9	2.8	2.4	3.0
Nominal Gross Domestic Product	4.0	3.7	4.3	3.8	3.9	4.8
Nonresidential Fixed Investment	8.9	7.5	7.7	5.8	8.4	6.9
Corporate Profits After Taxes	8.8	4.3	2.5	21.1	6.4	4.6
MONTHLY INDICATORS (percentage changes at annual rates)	JUN 2010 TO DEC 2010	DEC 2010 TO JUN 2011	JUN 2011 TO DEC 2011	2009 TO 2010	2010 TO 2011	2011 TO 2012
Industrial Production	3.2	3.0	4.4	5.5	3.7	3.7
Producer Prices - Finished Goods	4.0	1.2	2.1	4.1	1.9	1.9
Consumer Price Index (CPI-U)	2.4	1.3	1.8	1.6	1.6	2.0
Average Weekly Earnings in Mfg.	4.7	3.1	3.2	5.2	3.3	4.3
Retail Trade	8.3	4.7	4.8	6.2	5.6	5.4
(levels of variables)	DEC 2010	JUN 2011	DEC 2011	2010	2011	2012
Total Private Housing Starts (annual rate, millions)	0.568	0.672	0.768	0.590	0.694	0.900
Unemployment Rate (percent)	9.6	9.4	9.2	9.7	9.4	9.0
Automobile Sales (incl. foreign) (annual rate, millions)	5.9	6.2	6.5	5.7	6.3	6.9
FINANCIAL INDICATORS (levels of variables at end of month)	DEC 2010	JUN 2011	DEC 2011	DEC 2012		
Prime Interest Rate	3.25	3.25	3.28	4.50		
10-Year Treasury Note Yield	2.80	2.93	3.26	4.00		
3-Month Treasury Bill Rate	0.15	0.19	0.35	1.63		
Stock Prices (S&P500)	1200.0	1250.0	1298.5	1350.0		

LONG-TERM OUTLOOK
Average Annual Growth Rate for the Next Ten Years

Real GDP	2.8
Consumer Price Index	2.5

Source: Research Department, Federal Reserve Bank of Philadelphia, Livingston Survey, December 2010

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December 2010

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 18; the tables do not reflect subsequent revisions to the data. All forecasts were received on or before December 9.

TABLE ONE
MAJOR MACROECONOMIC INDICATORS, 2010-2012
MEDIAN OF FORECASTER PREDICTIONS

QUARTERLY INDICATORS	NUMBER OF FORE- CASTERS	ACTUAL				FORECASTS			
		2010 Q2	2010 Q4	2011 Q2	2011 Q4	2009	2010	2011	2012
1. Real Gross Domestic Product (billions, chain weighted)	33	13194.9	13345.7	13508.4	13703.9	12880.6	13238.4	13560.0	13970.0
2. Nominal Gross Domestic Product (\$ billions)	32	14578.7	14869.1	15143.4	15462.7	14119.1	14659.8	15235.2	15960.5
3. Nonresidential Fixed Investment (billions, chain weighted)	32	1355.3	1414.3	1466.6	1522.2	1290.8	1365.5	1480.2	1582.8
4. Corporate Profits After Taxes (\$ billions)	22	1208.5	1260.7	1287.6	1303.6	1003.1	1214.4	1292.0	1351.0
MONTHLY INDICATORS		ACTUAL		FORECASTS		ACTUAL		FORECASTS	
		JUN 2010	DEC 2010	JUN 2011	DEC 2011	2009	2010	2011	2012
5. Industrial Production (2007=100)	30	92.6	94.1	95.5	97.5	87.7	92.5	95.9	99.4
6. Total Private Housing Starts (annual rate, millions)	30	0.539	0.568	0.672	0.768	0.554	0.590	0.694	0.900
7. Producer Prices - Finished Goods (index level)	27	178.3	181.8	182.9	184.8	172.7	179.8	183.3	186.8
8. Consumer Price Index (CPI-U) (index level)	31	216.9	219.5	220.9	222.9	214.5	218.0	221.4	225.9
9. Unemployment Rate (percent)	31	9.5	9.6	9.4	9.2	9.3	9.7	9.4	9.0
10. Average Weekly Earnings in Mfg. (\$)	12	760.8	778.6	790.5	803.2	726.2	764.1	789.5	823.5
11. Retail Trade (\$ billions)	17	361.2	375.9	384.7	393.8	344.3	365.5	385.8	406.7
12. Automobile Sales (incl. foreign) (annual rate, millions)	22	5.5	5.9	6.2	6.5	5.5	5.7	6.3	6.9

TABLE ONE (CONTINUED)

INTEREST RATES & STOCK PRICES (end of period)		ACTUAL	FORECASTS			
		JUN 2010	DEC 2010	JUN 2011	DEC 2011	DEC 2012
13. Prime Interest Rate (percent)	32	3.25	3.25	3.25	3.28	4.50
14. 10-Year Treasury Note Yield (percent)	33	2.97	2.80	2.93	3.26	4.00
15. 3-Month Treasury Bill Rate (percent)	33	0.18	0.15	0.19	0.35	1.63
16. Stock Prices (S&P500) (index level)	22	1030.7	1200.0	1250.0	1298.5	1350.0

Source: Research Department, Federal Reserve Bank of Philadelphia, Livingston Survey, December 2010

TABLE TWO
 MAJOR MACROECONOMIC INDICATORS, 2010-2012
 PERCENTAGE CHANGES AT ANNUAL RATES

QUARTERLY INDICATORS	NUMBER OF FORE- CASTERS	Q2 2010	Q4 2010	Q2 2011	2009	2010	2011
		TO Q4 2010	TO Q2 2011	TO Q4 2011	TO 2010	TO 2011	TO 2012
1. Real Gross Domestic Product	33	2.3	2.5	2.9	2.8	2.4	3.0
2. Nominal Gross Domestic Product	32	4.0	3.7	4.3	3.8	3.9	4.8
3. Nonresidential Fixed Investment	32	8.9	7.5	7.7	5.8	8.4	6.9
4. Corporate Profits After Taxes	22	8.8	4.3	2.5	21.1	6.4	4.6
MONTHLY INDICATORS		JUN 2010	DEC 2010	JUN 2011	2009	2010	2011
		TO DEC 2010	TO JUN 2011	TO DEC 2011	TO 2010	TO 2011	TO 2012
5. Industrial Production	30	3.2	3.0	4.4	5.5	3.7	3.7
6. Total Private Housing Starts	30	0.030	0.104	0.096	0.036	0.104	0.206
7. Producer Prices - Finished Goods	27	4.0	1.2	2.1	4.1	1.9	1.9
8. Consumer Price Index (CPI-U)	31	2.4	1.3	1.8	1.6	1.6	2.0
9. Unemployment Rate	31	0.1	-0.2	-0.2	0.4	-0.2	-0.4
10. Average Weekly Earnings in Mfg.	12	4.7	3.1	3.2	5.2	3.3	4.3
11. Retail Trade	17	8.3	4.7	4.8	6.2	5.6	5.4
12. Automobile Sales (incl. foreign)	22	0.4	0.3	0.3	0.2	0.6	0.6

		JUN 2010	DEC 2010	JUN 2011	DEC 2011
		TO	TO	TO	TO
INTEREST RATES & STOCK PRICES		DEC 2010	JUN 2011	DEC 2011	DEC 2012
13. Prime Interest Rate	32	0.00	0.00	0.03	1.22
14. 10-Year Treasury Note Yield	33	-0.17	0.13	0.33	0.74
15. 3-Month Treasury Bill Rate	33	-0.03	0.03	0.16	1.27
16. Stock Prices (S&P500)	22	35.5	8.5	7.9	4.0

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 2010

TABLE THREE
LONG-TERM (10 YEAR) FORECASTS

SERIES: CPI Inflation Rate

STATISTIC	
Minimum	1.30
Lower Quartile	2.00
Median	2.50
Upper Quartile	2.85
Maximum	4.60
Mean	2.51
Std. Deviation	0.63
N	33
Missing	0

SERIES: Real GDP

STATISTIC	
Minimum	2.10
Lower Quartile	2.55
Median	2.80
Upper Quartile	2.95
Maximum	3.50
Mean	2.77
Std. Deviation	0.30
N	33
Missing	0

Source: Research Department, Federal Reserve Bank of Philadelphia, Livingston Survey, December 2010