



THE

LIVINGSTON SURVEY

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JUNE 2010

Modest Growth, High Unemployment Predicted for Second Half of 2010

The 40 participants in the June Livingston Survey have raised their estimates of 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 3.3 percent for both halves of 2010. Both of these estimates are higher than those of the previous survey. Growth for the first half of 2011 is predicted to fall to 3.0 percent.

Projections for the unemployment rate have been revised downward throughout 2010, but it is still expected to remain above 9 percent into the middle of 2011. The forecasters predict that the unemployment rate will be 9.8 percent in June 2010 and that it will fall to 9.5 percent in December 2010. The unemployment rate in the middle of 2011 is expected to be 9.1 percent. On an annual average basis, the unemployment rate is expected to be 9.7 percent in 2010 and 9.1 percent in 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>					
2009 Q4 to 2010 Q2	2.6	3.3	June 2010	10.3	9.8
2010 Q2 to 2010 Q4	3.0	3.3	December 2010	9.9	9.5
2010 Q4 to 2011 Q2	N.A.	3.0	June 2011	N.A.	9.1

CPI Inflation Predictions Revised Downward

The forecasters have lowered their predictions for consumer price (CPI) inflation over the next six months to 1.8 percent, compared to 2.2 percent from the survey of six months ago. On an annual average basis, CPI inflation is expected to be 1.8 percent in 2010 and 1.7 percent in 2011, both lower than the previous estimates of 2.2 percent and 1.8 percent, respectively. Producer price (PPI) inflation is expected to be 4.1 percent in 2010 and then fall to 2.4 percent in 2011, compared to the previous estimates of 2.4 percent and 2.2 percent, respectively.

	<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	2.2	1.8	2.4	4.1
2010 to 2011	1.8	1.7	2.2	2.4

Projections for Interest Rates Revised Downward

The forecasts for interest rates on three-month Treasury bills and 10-year Treasury notes have fallen from those made six months ago. The interest rate on three-month Treasury bills is expected to be 0.16 percent at the end of June, down from the previous estimate of 0.25 percent. It is then expected to rise to 0.40 percent by the end of 2010. The interest rate for 10-year Treasury notes is expected to be 3.50 percent at the end of June, down from the previous estimate of 3.76 percent. It is then expected to rise to 4.00 percent by the end of 2010, lower than the previous estimate of 4.10 percent.

	<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>
June 30, 2010	0.25	0.16	3.76	3.50
Dec. 31, 2010	1.00	0.40	4.10	4.00
June 30, 2011	N.A.	1.21	N.A.	4.28
Dec. 30, 2011	2.71	1.99	4.64	4.55

2010 Livingston Survey Participants

E. Beeson Zentner	Bank of Tokyo-Mitsubishi, Ltd.	S. Kahan	A.S.K. Financial Research
R. Berner	Morgan Stanley & Co.	D. Knop	Williams Gas Pipeline Corp.
J. Butkiewicz	University of Delaware	T. Lam	OSK-DMG
J. Carson	Alliance Capital Management	E. Leamer	University of California, Los Angeles
R. Chase	Chase Economics	D. Maki	Barclays Capital
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
D. Dinas	United Mergers & Acquisition Consultants	J. Mueller	LBMC, LLC
M. Drury	McVean Trading & Investments, LLC	F. Nothhaft	Federal Home Loan Mortgage Corp.
R. Dye	PNC Bank	M. Regalia	U.S. Chamber of Commerce
M. Englund	Action Economics, LLC	J. Silvia	Wells Fargo Securities
S. Gallagher	Societe Generale	A. Sinai	Decision Economics, Inc.
T. Gill	National Electrical Manufacturers Assoc.	J. Smith	Parsec Financial Management, Inc.
J. Gonzalez	Tennessee Valley Authority	S. Snaith	University of Central Florida
E. Harris	Bank of America Merrill Lynch	S. Stanley	RBS Greenwich Capital
D. Hofmann	Zurich Insurance Company	D. Torgerson	USDA
P. Hooper	Deutsche Bank	B. Wesbury	First Trust Advisors, L.P.
B. Horrigan	Loomis Sayles & Co.	L. Yun	National Association of Realtors
J. Jacobs	Cessna Aircraft	M. Zandi	Moody's Economy.com

Slight Change in the Long-Term Outlook

The forecasters' predictions for long-term output growth are slightly higher, while their predictions for long-term inflation are slightly lower. The panelists think that real GDP will grow 2.8 percent annually over the next 10 years, up from 2.7 percent in the previous survey. Inflation (measured by the consumer price index) is expected to average 2.3 percent over the next 10 years, slightly lower than the 2.4 percent estimated from the survey of six months ago.

Stock-Price Projections Revised Downward

The projected value for the S&P 500 index is 1115.0 for the end of June and is expected to rise to 1187.6 by the end of 2010, below the previous estimates of 1155.2 and 1197.0, respectively. The index is expected to finish 2011 at 1280.0, higher than the previous estimate of 1250.0.

	<i>Stock Prices</i>	
	<i>S&P 500 Index</i>	
	<i>Previous</i>	<i>New</i>
June 30, 2010	1155.2	1115.0
Dec. 31, 2010	1197.0	1187.6
June 30, 2011	N.A.	1243.5
Dec. 30, 2011	1250.0	1280.0

Technical Notes

This news release reports the median value across the 40 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. 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/research-and-data/real-time-center/livingston-survey/>.

LIVINGSTON SURVEY
MAJOR MACROECONOMIC INDICATORS, 2010-2011

QUARTERLY INDICATORS (percentage changes at annual rates)	Q4 2009 TO Q2 2010	Q2 2010 TO Q4 2010	Q4 2010 TO Q2 2011	2009 TO 2010	2010 TO 2011
Real Gross Domestic Product	3.3	3.3	3.0	3.3	3.1
Nominal Gross Domestic Product	4.6	4.3	4.3	4.2	4.4
Nonresidential Fixed Investment	5.3	7.2	7.6	3.2	7.7
Corporate Profits After Taxes	9.1	9.8	3.4	16.8	7.9
MONTHLY INDICATORS (percentage changes at annual rates)	DEC 2009 TO JUN 2010	JUN 2010 TO DEC 2010	DEC 2010 TO JUN 2011	2009 TO 2010	2010 TO 2011
Industrial Production	6.1	5.5	3.9	5.4	4.8
Producer Prices - Finished Goods	3.3	1.7	2.8	4.1	2.4
Consumer Price Index (CPI-U)	0.6	1.5	1.9	1.8	1.7
Average Weekly Earnings in Mfg.	1.6	2.5	2.4	5.2	2.9
Retail Trade	8.4	4.6	4.9	7.0	5.3
(levels of variables)	JUN 2010	DEC 2010	JUN 2011	2010	2011
Total Private Housing Starts (annual rate, millions)	0.673	0.773	0.882	0.680	0.903
Unemployment Rate (percent)	9.8	9.5	9.1	9.7	9.1
Automobile Sales (incl. foreign) (annual rate, millions)	5.8	6.3	6.6	5.9	6.6
FINANCIAL INDICATORS (levels of variables at end of month)	JUN 2010	DEC 2010	JUN 2011	DEC 2011	
Prime Interest Rate	3.25	3.25	4.25	5.00	
10-Year Treasury Note Yield	3.50	4.00	4.28	4.55	
3-Month Treasury Bill Rate	0.16	0.40	1.21	1.99	
Stock Prices (S&P500)	1115.0	1187.6	1243.5	1280.0	
LONG-TERM OUTLOOK Average Annual Growth Rate for the Next Ten Years					
Real GDP	2.8				
Consumer Price Index	2.3				

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

LIVINGSTON SURVEY

June 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 May 20; the tables do not reflect subsequent revisions to the data. All forecasts were received on or before June 9.

TABLE ONE
MAJOR MACROECONOMIC INDICATORS, 2010-2011
MEDIAN OF FORECASTER PREDICTIONS

QUARTERLY INDICATORS	NUMBER OF FORE- CASTERS	ACTUAL	FORECASTS				ACTUAL	FORECASTS	
		2009 Q4	2010 Q2	2010 Q4	2011 Q2	2009	2010	2011	
1. Real Gross Domestic Product (billions, chain weighted)	40	13149.5	13363.0	13581.1	13784.9	12987.4	13416.5	13834.2	
2. Nominal Gross Domestic Product (\$ billions)	40	14453.8	14779.5	15095.8	15419.0	14256.3	14851.4	15505.8	
3. Nonresidential Fixed Investment (billions, chain weighted)	38	1285.5	1319.1	1365.5	1416.7	1291.0	1332.3	1434.5	
4. Corporate Profits After Taxes (\$ billions)	26	1105.7	1155.0	1210.5	1231.0	994.2	1161.6	1253.6	
MONTHLY INDICATORS		ACTUAL DEC 2009	FORECASTS				ACTUAL 2009	FORECASTS	
			JUN 2010	DEC 2010	JUN 2011		2010	2011	
5. Industrial Production (2002=100)	35	100.2	103.2	106.0	108.1	98.2	103.5	108.5	
6. Total Private Housing Starts (annual rate, millions)	36	0.576	0.673	0.773	0.882	0.554	0.680	0.903	
7. Producer Prices - Finished Goods (index level)	32	177.1	180.0	181.5	184.1	172.7	179.8	184.1	
8. Consumer Price Index (CPI-U) (index level)	36	217.2	217.9	219.5	221.6	214.5	218.3	222.1	
9. Unemployment Rate (percent)	37	10.0	9.8	9.5	9.1	9.3	9.7	9.1	
10. Average Weekly Earnings in Mfg. (\$)	18	758.7	764.6	774.2	783.3	726.2	763.7	785.6	
11. Retail Trade (\$ billions)	23	354.1	368.7	377.2	386.3	344.3	368.5	387.9	
12. Automobile Sales (incl. foreign) (annual rate, millions)	30	5.9	5.8	6.3	6.6	5.4	5.9	6.6	

TABLE ONE (CONTINUED)

INTEREST RATES & STOCK PRICES (end of period)		ACTUAL	FORECASTS			
		DEC 2009	JUN 2010	DEC 2010	JUN 2011	DEC 2011
13. Prime Interest Rate (percent)	36	3.25	3.25	3.25	4.25	5.00
14. 10-Year Treasury Note Yield (percent)	40	3.85	3.50	4.00	4.28	4.55
15. 3-Month Treasury Bill Rate (percent)	38	0.06	0.16	0.40	1.21	1.99
16. Stock Prices (S&P500) (index level)	25	1115.1	1115.0	1187.6	1243.5	1280.0

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

TABLE TWO
 MAJOR MACROECONOMIC INDICATORS, 2010-2011
 PERCENTAGE CHANGES AT ANNUAL RATES

QUARTERLY INDICATORS	NUMBER OF FORE- CASTERS	Q4 2009	Q2 2010	Q4 2010	2009	2010
		TO Q2 2010	TO Q4 2010	TO Q2 2011	TO 2010	TO 2011
1. Real Gross Domestic Product	40	3.3	3.3	3.0	3.3	3.1
2. Nominal Gross Domestic Product	40	4.6	4.3	4.3	4.2	4.4
3. Nonresidential Fixed Investment	38	5.3	7.2	7.6	3.2	7.7
4. Corporate Profits After Taxes	26	9.1	9.8	3.4	16.8	7.9
MONTHLY INDICATORS		DEC 2009	JUN 2010	DEC 2010	2009	2010
		TO JUN 2010	TO DEC 2010	TO JUN 2011	TO 2010	TO 2011
5. Industrial Production	35	6.1	5.5	3.9	5.4	4.8
6. Total Private Housing Starts	36	0.097	0.101	0.109	0.126	0.223
7. Producer Prices - Finished Goods	32	3.3	1.7	2.8	4.1	2.4
8. Consumer Price Index (CPI-U)	36	0.6	1.5	1.9	1.8	1.7
9. Unemployment Rate	37	-0.2	-0.3	-0.4	0.4	-0.6
10. Average Weekly Earnings in Mfg.	18	1.6	2.5	2.4	5.2	2.9
11. Retail Trade	23	8.4	4.6	4.9	7.0	5.3
12. Automobile Sales (incl. foreign)	30	-0.1	0.4	0.4	0.5	0.7

		DEC 2009 TO JUN 2010	JUN 2010 TO DEC 2010	DEC 2010 TO JUN 2011	JUN 2011 TO DEC 2011
INTEREST RATES & STOCK PRICES					
13. Prime Interest Rate	36	0.00	0.00	1.00	0.75
14. 10-Year Treasury Note Yield	40	-0.35	0.50	0.28	0.28
15. 3-Month Treasury Bill Rate	38	0.10	0.24	0.81	0.77
16. Stock Prices (S&P500)	25	0.0	13.5	9.6	6.0

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, June 2010

TABLE THREE
LONG-TERM (10 YEAR) FORECASTS

SERIES: CPI Inflation Rate

STATISTIC	
Minimum	1.30
Lower Quartile	2.00
Median	2.34
Upper Quartile	2.80
Maximum	4.75
Mean	2.47
Std. Deviation	0.74
N	37
Missing	3

SERIES: Real GDP

STATISTIC	
Minimum	2.30
Lower Quartile	2.65
Median	2.80
Upper Quartile	3.10
Maximum	3.50
Mean	2.86
Std. Deviation	0.32
N	37
Missing	3
