



THE

LIVINGSTON SURVEY

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DECEMBER 2011

Forecasters Predict Lower Economic Growth and Slower Labor Recovery

The 35 participants in the December Livingston Survey see sustained output growth through the end of 2012. 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 2.5 percent during the second half of 2011. They see the growth rate of economic output slowing to 2.1 percent (annual rate) in the first half of 2012, and they predict that it will then increase to 2.5 percent (annual rate) in the second half of the year. The current projection for growth in the second half of 2011 was lowered 0.7 percentage point from the survey of six months ago, while the forecast for the first half of 2012 was lowered 0.9 percentage point.

The panelists expect a slow recovery in the labor market, with the unemployment rate at 9.0 percent in December 2011 and at 8.9 percent in June 2012. These estimates represent increases of 0.4 and 0.6 percentage point, respectively, from the survey of six months ago. The unemployment rate is then expected to fall to 8.7 percent in December 2012. (Note that the forecasters completed the questionnaires for this survey before the Friday, December 2, employment report.)

	<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>					
2011 Q2 to 2011 Q4	3.2	2.5	December 2011	8.6	9.0
2011 Q4 to 2012 Q2	3.0	2.1	June 2012	8.3	8.9
2012 Q2 to 2012 Q4	N.A.	2.5	December 2012	N.A.	8.7

Forecasters See Little Reason to Change Their Outlook for Inflation

The forecasters' projections for inflation over the next two years look about the same now as they did six months ago. On an annual-average over annual-average basis, CPI inflation is expected to be 3.2 percent in 2011 and 2.2 percent in 2012, compared to the previous estimates of 3.1 percent and 2.2 percent, respectively. PPI inflation is expected to be 6.1 percent in 2011 and 2.3 percent in 2012, compared to the previous estimates of 6.3 percent and 2.5 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>				
2010 to 2011	3.1	3.2	6.3	6.1
2011 to 2012	2.2	2.2	2.5	2.3
2012 to 2013	N.A.	2.3	N.A.	2.6

Interest Rates Revised Downward

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 2012, the interest rate on three-month Treasury bills is predicted to be 0.05 percent, revised down from 0.89 percent in the survey of six months ago. Livingston forecasters predict that the rate will then rise slightly to 0.09 percent in December 2012 and then to 0.38 percent in December 2013. The interest rate on 10-year Treasury bonds is predicted to reach 2.40 percent at the end of June 2012, down from the previous estimate of 4.18 percent. According to the forecasters, it will then rise to 2.75 percent in December 2012 and to 3.16 percent at the end of 2013.

	<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, 2011	0.20	0.01	3.72	2.10
June 29, 2012	0.89	0.05	4.18	2.40
Dec. 31, 2012	1.58	0.09	4.50	2.75
Dec. 31, 2013	N.A.	0.38	N.A.	3.16

2011 Livingston Survey Participants*

B. Bovino	Standard & Poor's	E. Leamer	University of California, Los Angeles
J. Butkiewicz	University of Delaware	J. Lonski	Moody's Capital Markets Group
R. Chase	Economic & Policy Resources Inc	D. Maki	Barclays Capital
C. Chruppa	Independent Equipment Company	K. Mayland	Clear View Economics
D. Crowe	National Association of Home Builders	A. Mobasher	AIG Global Economic Research
R. Dhawan	Georgia State University	G. Mokrzan	Huntington National Bank
D. Dinas	United Mergers & Acquisitions Consultants	M. Moran	Daiwa Capital Markets America
F. Dixon	Economic Insights	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
T. Gill	National Electrical Manufacturers Assoc.	A. Sinai	Decision Economics, Inc.
K. Goldstein	Conference Board	J. Smith	Parsec Financial Management, Inc.
D. Greenlaw/V. Reinhart	Morgan Stanley & Co.	S. Snaith	University of Central Florida
E. Harris	Bank of America Merrill Lynch	S. Stanley	Pierpont Securities
P. Hooper	Deutsche Bank	D. Torgerson	USDA
B. Horrigan	Loomis Sayles & Co.	B. Wesbury	First Trust Advisors, L.P.
S. Kahan	Kahan Consulting Ltd.	L. Yun	National Association of Realtors
D. Knop	Independent Economist	M. Zandi	Moody's Economy.com
T. Lam	OSK Group/DMG & Partners		

* This is a list of all 2011 participants, some of whom may not have participated in the December survey.

Slight Change in the Long-Term Outlook

The panelists project slightly lower long-term output growth and slightly higher long-term inflation. The forecasters predict that real GDP will grow 2.6 percent annually over the next 10 years, slightly lower than the forecast of 2.7 percent in the survey of six months ago. Inflation (measured by the consumer price index) is expected to average 2.5 percent over the next 10 years, slightly higher than the 2.4 percent estimated in the previous survey.

Stock-Price Projections Revised Downward

The forecasters predict that the S&P 500 index will finish 2011 at a level of 1267.7, a downward revision from the previous estimate of 1380.0. The forecasters project an increase in stock prices over the next two years, with the index rising to 1322.5 by the end of June 2012 and then to 1395.0 by the end of 2012.

Stock Prices (end of period)

S&P 500 Index

Previous New

Dec. 30, 2011	1380.0	1267.7
June 29, 2012	1413.5	1322.5
Dec. 31, 2012	1463.5	1395.0
Dec. 31, 2013	N.A.	1480.0

Technical Notes

This news release reports the median value across the 35 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, 2011-2013

QUARTERLY INDICATORS (percentage changes at annual rates)	Q2 2011 TO Q4 2011	Q4 2011 TO Q2 2012	Q2 2012 TO Q4 2012	2010 TO 2011	2011 TO 2012	2012 TO 2013
Real Gross Domestic Product	2.5	2.1	2.5	1.8	2.2	2.7
Nominal Gross Domestic Product	4.5	4.0	4.0	4.0	4.2	4.2
Nonresidential Fixed Investment	11.6	6.2	7.6	8.9	8.4	5.8
Corporate Profits After Taxes	7.7	2.2	5.3	10.0	4.8	6.0
MONTHLY INDICATORS (percentage changes at annual rates)	JUN 2011 TO DEC 2011	DEC 2011 TO JUN 2012	JUN 2012 TO DEC 2012	2010 TO 2011	2011 TO 2012	2012 TO 2013
Industrial Production	4.3	2.9	3.2	4.0	3.1	3.2
Producer Prices - Finished Goods	2.4	2.4	2.4	6.1	2.3	2.6
Consumer Price Index (CPI-U)	2.6	1.9	2.3	3.2	2.2	2.3
Average Weekly Earnings in Mfg.	3.2	2.3	3.5	2.6	3.1	3.3
Retail Trade	6.6	4.2	5.0	7.7	4.8	4.0
(levels of variables)	DEC 2011	JUN 2012	DEC 2012	2011	2012	2013
Total Private Housing Starts (annual rate, millions)	0.630	0.666	0.723	0.598	0.676	0.885
Unemployment Rate (percent)	9.0	8.9	8.7	9.0	8.9	8.4
Automobile Sales (incl. foreign) (annual rate, millions)	6.5	6.7	7.0	6.2	6.8	7.2
FINANCIAL INDICATORS (levels of variables at end of month)	DEC 2011	JUN 2012	DEC 2012	DEC 2013		
Prime Interest Rate	3.25	3.25	3.25	3.44		
10-Year Treasury Note Yield	2.10	2.40	2.75	3.16		
3-Month Treasury Bill Rate	0.01	0.05	0.09	0.38		
Stock Prices (S&P500)	1267.7	1322.5	1395.0	1480.0		
LONG-TERM OUTLOOK Average Annual Growth Rate for the Next Ten Years						
Real GDP	2.6					
Consumer Price Index	2.5					

Source: Research Department, Federal Reserve Bank of Philadelphia, Livingston Survey, December 2011

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December 2011

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 2.

TABLE ONE
MAJOR MACROECONOMIC INDICATORS, 2011-2013
MEDIAN OF FORECASTER PREDICTIONS

QUARTERLY INDICATORS	NUMBER OF FORE- CASTERS	ACTUAL				FORECASTS			
		2011 Q2	2011 Q4	2012 Q2	2012 Q4	2010	2011	2012	2013
1. Real Gross Domestic Product (billions, chain weighted)	35	13271.8	13433.6	13574.0	13742.7	13088.0	13318.6	13615.3	13984.0
2. Nominal Gross Domestic Product (\$ billions)	35	15012.8	15346.6	15650.0	15963.0	14526.5	15103.0	15738.6	16394.7
3. Nonresidential Fixed Investment (billions, chain weighted)	32	1413.2	1492.8	1538.1	1595.6	1319.2	1437.0	1557.1	1647.2
4. Corporate Profits After Taxes (\$ billions)	27	1517.1	1574.4	1592.0	1633.8	1389.1	1528.0	1601.6	1698.2
MONTHLY INDICATORS		ACTUAL		FORECASTS		ACTUAL		FORECASTS	
		JUN 2011	DEC 2011	JUN 2012	DEC 2012	2010	2011	2012	2013
5. Industrial Production (2007=100)	32	93.0	95.0	96.4	97.9	90.1	93.7	96.6	99.7
6. Total Private Housing Starts (annual rate, millions)	32	0.615	0.630	0.666	0.723	0.585	0.598	0.676	0.885
7. Producer Prices - Finished Goods (index level)	30	190.7	192.9	195.2	197.6	179.9	190.8	195.2	200.2
8. Consumer Price Index (CPI-U) (index level)	33	224.3	227.2	229.4	232.0	218.1	225.0	229.9	235.1
9. Unemployment Rate (percent)	33	9.2	9.0	8.9	8.7	9.6	9.0	8.9	8.4
10. Average Weekly Earnings in Mfg. (\$)	16	783.1	795.6	804.6	818.3	765.0	784.8	809.4	836.5
11. Retail Trade (\$ billions)	20	388.3	401.0	409.4	419.5	362.8	390.7	409.3	425.7
12. Automobile Sales (incl. foreign) (annual rate, millions)	24	5.6	6.5	6.7	7.0	5.7	6.2	6.8	7.2

TABLE ONE (CONTINUED)

INTEREST RATES & STOCK PRICES (end of period)		ACTUAL	FORECASTS			
		JUN 2011	DEC 2011	JUN 2012	DEC 2012	DEC 2013
13. Prime Interest Rate (percent)	35	3.25	3.25	3.25	3.25	3.44
14. 10-Year Treasury Note Yield (percent)	34	3.18	2.10	2.40	2.75	3.16
15. 3-Month Treasury Bill Rate (percent)	34	0.03	0.01	0.05	0.09	0.38
16. Stock Prices (S&P500) (index level)	22	1320.6	1267.7	1322.5	1395.0	1480.0

Source: Research Department, Federal Reserve Bank of Philadelphia, Livingston Survey, December 2011

TABLE TWO
 MAJOR MACROECONOMIC INDICATORS, 2011-2013
 PERCENTAGE CHANGES AT ANNUAL RATES

QUARTERLY INDICATORS	NUMBER OF FORE- CASTERS	Q2 2011	Q4 2011	Q2 2012	2010	2011	2012
		TO Q4 2011	TO Q2 2012	TO Q4 2012	TO 2011	TO 2012	TO 2013
1. Real Gross Domestic Product	35	2.5	2.1	2.5	1.8	2.2	2.7
2. Nominal Gross Domestic Product	35	4.5	4.0	4.0	4.0	4.2	4.2
3. Nonresidential Fixed Investment	32	11.6	6.2	7.6	8.9	8.4	5.8
4. Corporate Profits After Taxes	27	7.7	2.2	5.3	10.0	4.8	6.0
MONTHLY INDICATORS		JUN 2011	DEC 2011	JUN 2012	2010	2011	2012
		TO DEC 2011	TO JUN 2012	TO DEC 2012	TO 2011	TO 2012	TO 2013
5. Industrial Production	32	4.3	2.9	3.2	4.0	3.1	3.2
6. Total Private Housing Starts	32	0.015	0.036	0.057	0.013	0.078	0.209
7. Producer Prices - Finished Goods	30	2.4	2.4	2.4	6.1	2.3	2.6
8. Consumer Price Index (CPI-U)	33	2.6	1.9	2.3	3.2	2.2	2.3
9. Unemployment Rate	33	-0.2	-0.1	-0.2	-0.6	-0.1	-0.5
10. Average Weekly Earnings in Mfg.	16	3.2	2.3	3.5	2.6	3.1	3.3
11. Retail Trade	20	6.6	4.2	5.0	7.7	4.8	4.0
12. Automobile Sales (incl. foreign)	24	0.9	0.2	0.3	0.5	0.6	0.4

		JUN 2011	DEC 2011	JUN 2012	DEC 2012
		TO	TO	TO	TO
INTEREST RATES & STOCK PRICES		DEC 2011	JUN 2012	DEC 2012	DEC 2013
13. Prime Interest Rate	35	0.00	0.00	0.00	0.19
14. 10-Year Treasury Note Yield	34	-1.08	0.30	0.35	0.41
15. 3-Month Treasury Bill Rate	34	-0.02	0.03	0.05	0.29
16. Stock Prices (S&P500)	22	-7.9	8.8	11.3	6.1

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 2011

TABLE THREE
LONG-TERM (10 YEAR) FORECASTS

SERIES: CPI Inflation Rate

STATISTIC	
Minimum	1.10
Lower Quartile	2.05
Median	2.50
Upper Quartile	2.70
Maximum	3.40
Mean	2.42
Std. Deviation	0.53
N	33
Missing	2

SERIES: Real GDP

STATISTIC	
Minimum	1.90
Lower Quartile	2.50
Median	2.60
Upper Quartile	2.85
Maximum	4.25
Mean	2.70
Std. Deviation	0.42
N	33
Missing	2

Source: Research Department, Federal Reserve Bank of Philadelphia, Livingston Survey, December 2011