



THE

LIVINGSTON SURVEY

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JUNE 2011

Higher Growth, Lower Unemployment Predicted for Second Half of 2011

The 35 participants in the June Livingston Survey have raised their estimates of output growth for the second half of 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 2.2 percent during the first half of 2011 and 3.2 percent during the second half of 2011, followed by growth of 3.0 percent (annual rate) in the first half of 2012. The projection for slower real GDP growth in the first half of 2011, which is 0.3 percentage point lower than the projection in the survey of six months ago, will be compensated with stronger growth in the second half of 2011.

Projections for the unemployment rate have been revised downward throughout 2011. The forecasters predict that the unemployment rate will be 8.9 percent in June 2011 and 8.6 percent in December 2011. The unemployment rate is expected to decrease further, to 8.3 percent in June 2012. On an annual average basis, the unemployment rate is expected to be 8.8 percent in 2011 and 8.2 percent in 2012.

	<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 Q4 to 2011 Q2	2.5	2.2	June 2011	9.4	8.9
2011 Q2 to 2011 Q4	2.9	3.2	December 2011	9.2	8.6
2011 Q4 to 2012 Q2	N.A.	3.0	June 2012	N.A.	8.3

Forecasters See Higher CPI and PPI Inflation

The forecasters have increased their projections for consumer price (CPI) inflation and producer price (PPI) inflation over the next two years. On an annual average basis, CPI inflation is expected to be 3.1 percent in 2011 and 2.2 percent in 2012, both higher than the previous estimates of 1.6 percent and 2.0 percent, respectively. PPI inflation is expected to be 6.3 percent in 2011 and 2.5 percent in 2012, compared to the previous estimates of 1.9 percent in both years.

	<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	1.6	3.1	1.9	6.3
2011 to 2012	2.0	2.2	1.9	2.5

RESEARCH DEPARTMENT FEDERAL RESERVE BANK OF PHILADELPHIA

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Mixed Outlook for Interest Rates

The forecasts for interest rates on three-month Treasury bills have fallen from those made six months ago. However, the forecasts for interest rates on 10-year Treasury notes have risen from the previous survey. The interest rate on three-month Treasury bills is expected to be 0.08 percent at the end of June, down from the previous estimate of 0.19 percent. It is then expected to increase to 1.58 percent by the end of 2012. The interest rate for 10-year Treasury notes is expected to be 3.25 percent at the end of June, up from the previous estimate of 2.93 percent. It is then expected to rise to 4.50 percent by the end of 2012, higher than the previous estimate of 4.00 percent.

	<i>3-Month Treasury Bill Interest Rate</i>		<i>10-Year Treasury Note Interest Rate</i>	
	<i>Previous</i>	<i>New</i>	<i>Previous</i>	<i>New</i>
June 30, 2011	0.19	0.08	2.93	3.25
Dec. 30, 2011	0.35	0.20	3.26	3.72
June 29, 2012	N.A.	0.89	N.A.	4.18
Dec. 31, 2012	1.63	1.58	4.00	4.50

2011 Livingston Survey Participants

R. Berner	Morgan Stanley & Co.	T. Lam	OSK Group/DMG & Partners
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. 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
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.
E. Harris	Bank of America Merrill Lynch	S. Snaith	University of Central Florida
P. Hooper	Deutsche Bank	S. Stanley	Pierpont Securities
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

Little Change in the Long-Term Outlook

The panelists project slightly lower long-term output growth and long-term inflation. The forecasters predict that real GDP will grow 2.7 percent annually over the next 10 years, slightly lower than the forecast of 2.8 percent in the survey of six months ago. Inflation (measured by the consumer price index) is expected to average 2.4 percent over the next 10 years, slightly lower than the 2.5 percent estimated from the previous survey.

Stock-Price Projections Revised Upward

The forecasters see an overall increase in stock prices in 2011 and 2012. The projected value for the S&P 500 index is 1340.0 for the end of June and is expected to rise to 1380.0 by the end of 2011. These forecasts for 2011 are higher than those of the previous survey, as shown in the table below. The index is projected to rise to 1463.5 by the end of 2012, higher than the previous estimate of 1350.0.

	<i>Stock Prices</i>	
	<i>S&P 500 Index</i>	
	<i>Previous</i>	<i>New</i>
June 30, 2011	1250.0	1340.0
Dec. 30, 2011	1298.5	1380.0
June 29, 2012	N.A.	1413.5
Dec. 31, 2012	1350.0	1463.5

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. 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, 2011-2012

QUARTERLY INDICATORS (percentage changes at annual rates)	Q4 2010 TO Q2 2011	Q2 2011 TO Q4 2011	Q4 2011 TO Q2 2012	2010 TO 2011	2011 TO 2012
Real Gross Domestic Product	2.2	3.2	3.0	2.5	3.0
Nominal Gross Domestic Product	4.2	5.3	4.8	4.3	5.0
Nonresidential Fixed Investment	5.8	12.0	7.0	8.3	8.8
Corporate Profits After Taxes	6.1	6.8	8.4	7.9	6.9
MONTHLY INDICATORS (percentage changes at annual rates)	DEC 2010 TO JUN 2011	JUN 2011 TO DEC 2011	DEC 2011 TO JUN 2012	2010 TO 2011	2011 TO 2012
Industrial Production	2.4	4.8	4.4	4.5	4.3
Producer Prices - Finished Goods	8.9	2.1	2.3	6.3	2.5
Consumer Price Index (CPI-U)	4.3	2.0	2.0	3.1	2.2
Average Weekly Earnings in Mfg.	-1.4	3.9	0.9	2.6	2.7
Retail Trade	7.7	5.0	5.3	7.9	5.2
(levels of variables)	JUN 2011	DEC 2011	JUN 2012	2011	2012
Total Private Housing Starts (annual rate, millions)	0.570	0.655	0.754	0.604	0.780
Unemployment Rate (percent)	8.9	8.6	8.3	8.8	8.2
Automobile Sales (incl. foreign) (annual rate, millions)	6.5	6.9	7.1	6.8	7.3
FINANCIAL INDICATORS (levels of variables at end of month)	JUN 2011	DEC 2011	JUN 2012	DEC 2012	
Prime Interest Rate	3.25	3.25	3.75	4.50	
10-Year Treasury Note Yield	3.25	3.72	4.18	4.50	
3-Month Treasury Bill Rate	0.08	0.20	0.89	1.58	
Stock Prices (S&P500)	1340.0	1380.0	1413.5	1463.5	

LONG-TERM OUTLOOK

Average Annual Growth Rate for the Next Ten Years

Real GDP 2.7

Consumer Price Index 2.4

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

LIVINGSTON SURVEY

June 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 May 18; the tables do not reflect subsequent revisions to the data. All forecasts were received on or before June 2.

TABLE ONE
 MAJOR MACROECONOMIC INDICATORS, 2011-2012
 MEDIANS OF FORECASTER PREDICTIONS

QUARTERLY INDICATORS	NUMBER OF FORE- CASTERS	ACTUAL				FORECASTS		
		2010 Q4	2011 Q2	2011 Q4	2012 Q2	2010	2011	2012
1. Real Gross Domestic Product (billions, chain weighted)	35	13380.7	13525.1	13739.5	13940.9	13248.2	13584.7	13993.0
2. Nominal Gross Domestic Product (\$ billions)	35	14871.4	15179.1	15574.6	15945.5	14660.4	15286.9	16048.1
3. Nonresidential Fixed Investment (billions, chain weighted)	33	1413.9	1454.5	1539.3	1592.6	1364.9	1478.4	1608.6
4. Corporate Profits After Taxes (\$ billions)	25	1250.2	1288.0	1331.0	1386.0	1208.2	1303.6	1393.0
MONTHLY INDICATORS		ACTUAL DEC 2010	JUN 2011	FORECASTS DEC 2011	JUN 2012	ACTUAL 2010	FORECASTS 2011	2012
5. Industrial Production (2007=100)	31	92.6	93.7	95.9	98.0	90.1	94.1	98.1
6. Total Private Housing Starts (annual rate, millions)	32	0.526	0.570	0.655	0.754	0.585	0.604	0.780
7. Producer Prices - Finished Goods (index level)	28	183.7	191.7	193.7	195.9	179.9	191.2	196.0
8. Consumer Price Index (CPI-U) (index level)	33	220.2	224.9	227.1	229.4	218.1	224.8	229.7
9. Unemployment Rate (percent)	33	9.4	8.9	8.6	8.3	9.6	8.8	8.2
10. Average Weekly Earnings in Mfg. (\$)	12	788.3	782.9	798.1	801.8	765.0	784.5	805.3
11. Retail Trade (\$ billions)	19	376.3	390.6	400.2	410.7	362.8	391.4	411.7
12. Automobile Sales (incl. foreign) (annual rate, millions)	24	6.1	6.5	6.9	7.1	5.7	6.8	7.3

TABLE ONE (CONTINUED)

INTEREST RATES & STOCK PRICES (end of period)		ACTUAL	FORECASTS			
		DEC 2010	JUN 2011	DEC 2011	JUN 2012	DEC 2012
13. Prime Interest Rate (percent)	35	3.25	3.25	3.25	3.75	4.50
14. 10-Year Treasury Note Yield (percent)	34	3.30	3.25	3.72	4.18	4.50
15. 3-Month Treasury Bill Rate (percent)	34	0.12	0.08	0.20	0.89	1.58
16. Stock Prices (S&P500) (index level)	21	1257.6	1340.0	1380.0	1413.5	1463.5

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

TABLE TWO
 MAJOR MACROECONOMIC INDICATORS, 2011-2012
 PERCENTAGE CHANGES AT ANNUAL RATES

QUARTERLY INDICATORS	NUMBER OF FORE- CASTERS	Q4 2010	Q2 2011	Q4 2011	2010	2011
		TO Q2 2011	TO Q4 2011	TO Q2 2012	TO 2011	TO 2012
1. Real Gross Domestic Product	35	2.2	3.2	3.0	2.5	3.0
2. Nominal Gross Domestic Product	35	4.2	5.3	4.8	4.3	5.0
3. Nonresidential Fixed Investment	33	5.8	12.0	7.0	8.3	8.8
4. Corporate Profits After Taxes	25	6.1	6.8	8.4	7.9	6.9
MONTHLY INDICATORS		DEC 2010	JUN 2011	DEC 2011	2010	2011
		TO JUN 2011	TO DEC 2011	TO JUN 2012	TO 2011	TO 2012
5. Industrial Production	31	2.4	4.8	4.4	4.5	4.3
6. Total Private Housing Starts	32	0.044	0.085	0.099	0.019	0.176
7. Producer Prices - Finished Goods	28	8.9	2.1	2.3	6.3	2.5
8. Consumer Price Index (CPI-U)	33	4.3	2.0	2.0	3.1	2.2
9. Unemployment Rate	33	-0.5	-0.3	-0.3	-0.8	-0.6
10. Average Weekly Earnings in Mfg.	12	-1.4	3.9	0.9	2.6	2.7
11. Retail Trade	19	7.7	5.0	5.3	7.9	5.2
12. Automobile Sales (incl. foreign)	24	0.4	0.4	0.2	1.1	0.5

		DEC 2010	JUN 2011	DEC 2011	JUN 2012
		TO	TO	TO	TO
INTEREST RATES & STOCK PRICES		JUN 2011	DEC 2011	JUN 2012	DEC 2012
13. Prime Interest Rate	35	0.00	0.00	0.50	0.75
14. 10-Year Treasury Note Yield	34	-0.05	0.47	0.45	0.32
15. 3-Month Treasury Bill Rate	34	-0.04	0.12	0.69	0.68
16. Stock Prices (S&P500)	21	13.5	6.1	4.9	7.2

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 2011

TABLE THREE
LONG-TERM (10 YEAR) FORECASTS

SERIES: CPI Inflation Rate

STATISTIC	
Minimum	1.10
Lower Quartile	2.05
Median	2.40
Upper Quartile	2.70
Maximum	3.40
Mean	2.39
Std. Deviation	0.46
N	33
Missing	2

SERIES: Real GDP

STATISTIC	
Minimum	2.00
Lower Quartile	2.50
Median	2.70
Upper Quartile	2.90
Maximum	3.50
Mean	2.71
Std. Deviation	0.30
N	33
Missing	2

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