



THE

LIVINGSTON SURVEY

Release Date: December 12, 2012

DECEMBER 2012

Forecasters Predict Lower Economic Growth and Modest Labor Recovery

The 32 participants in the December Livingston Survey see sustained output growth through the end of 2013. 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 1.8 percent during the second half of 2012. They see the growth rate of economic output increasing to 2.1 percent (annual rate) in the first half of 2013, and they predict that it will then further increase to 2.3 percent (annual rate) in the second half of 2013. The current projection for growth in the second half of 2012 was lowered 0.8 percentage point from the survey of six months ago, while the forecast for the first half of 2013 was lowered 0.2 percentage point.

The panelists expect a modest recovery in the labor market, with the unemployment rate at 7.9 percent in December 2012 and at 7.8 percent in June 2013. The current projection for December 2012 is down 0.1 percentage point from the last survey, while the projection for June 2013 is unchanged from the last survey. The unemployment rate is then expected to fall to 7.7 percent in December 2013.

	<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>					
2012 Q2 to 2012 Q4	2.6	1.8	December 2012	8.0	7.9
2012 Q4 to 2013 Q2	2.3	2.1	June 2013	7.8	7.8
2013 Q2 to 2013 Q4	N.A.	2.3	December 2013	N.A.	7.7

Forecasters See CPI Inflation Holding Steady

The forecasters' projections for CPI inflation over the next two years are holding steady at 2.1 percent. On an annual-average over annual-average basis, CPI inflation is expected to be 2.1 percent in 2012, 2013, and 2014. PPI inflation is expected to rise to 2.4 percent in 2013 (from a projection of 2.1 percent in 2012), but hold steady at that rate in 2014.

	<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>				
2011 to 2012	2.3	2.1	2.1	2.1
2012 to 2013	2.0	2.1	2.1	2.4
2013 to 2014	N.A.	2.1	N.A.	2.4

RESEARCH DEPARTMENT FEDERAL RESERVE BANK OF PHILADELPHIA

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Short-Term Interest Rates Are Seen Holding Steady Through 2013

The forecasters see the rate on three-month Treasury bills holding steady at roughly 0.10 percentage point through the end of 2013 before rising to 0.20 percentage point by December 2014. Previously, the forecasters thought short-term rates would rise to 0.20 percentage point by December 2013. The forecasters continue to see the rate on 10-year Treasury bonds rising over time, but now they see the rate at lower levels than they did six months ago. Previously, they thought 10-year Treasuries would yield 2.75 percent in December 2013. They now see Treasuries yielding 2.75 percent a full year later, in December 2014.

	<i>3-Month Treasury Bill Interest Rate</i>		<i>10-Year Treasury Bond Interest Rate</i>	
	<i>Previous</i>	<i>New</i>	<i>Previous</i>	<i>New</i>
Dec. 31, 2012	0.10	0.10	2.20	1.70
June 28, 2013	0.12	0.11	2.50	1.88
Dec. 31, 2013	0.20	0.11	2.75	2.20
Dec. 31, 2014	N.A.	0.20	N.A.	2.75

2012 Livingston Survey Participants

S. Anderson	Bank of the West	D. Maki	Barclays Capital
J. Butkiewicz	University of Delaware	K. Mayland	Clear View Economics
R. Chase	Economic & Policy Resources Inc	G. Mokrzan	Huntington National Bank
C. Chrappa	Independent Equipment Company	M. Moran	Daiwa Capital Markets America
D. Crowe	National Association of Home Builders	J. Mueller	LBMC, LLC
R. Dhawan	Georgia State University	F. Nothaft	Federal Home Loan Mortgage Corp.
M. Englund	Action Economics, LLC	M. Regalia	U.S. Chamber of Commerce
T. Gill	National Electrical Manufacturers Assoc.	C. Rupkey	Bank of Tokyo-Mitsubishi UFJ
K. Goldstein	Conference Board	J. Silvia	Wells Fargo Securities
P. Hooper	Deutsche Bank Securities Inc.	A. Sinai	Decision Economics, Inc.
B. Horrigan	Loomis Sayles & Co.	J. Smith	Parsec Financial Management, Inc.
J. Jacobs	Cessna Aircraft	S. Snaith	University of Central Florida
S. Kahan	Kahan Consulting Ltd.	S. Stanley	Pierpont Securities
D. Knop	Independent Economist	D. Torgerson	USDA
T. Lam	OSK-DMG	B. Wesbury/R. Stein	First Trust Advisors, L.P.
E. Leamer/D. Shulman	University of California, Los Angeles		
J. Lonski	Moody's Capital Markets Group		

Long-Term Growth Outlook Revised Downward

The panelists project slightly lower long-term output growth and an unchanged long-term inflation rate. The forecasters now predict that real GDP will grow 2.5 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, the same estimate as in the previous survey.

Mixed Stock-Price Projections

The forecasters predict that the S&P 500 index will finish 2012 at a level of 1402.0, an upward revision from the previous estimate of 1393.0. The forecasters project an increase in stock prices over the next two years, with the index rising to 1437.4 by the end of June 2013 and to 1460.0 by the end of 2013, below the previous estimates of 1449.2 and 1490.3, respectively.

Stock Prices (end of period)
S&P 500 Index
Previous New

Dec. 31, 2012	1393.0	1402.0
June 28, 2013	1449.2	1437.4
Dec. 31, 2013	1490.3	1460.0
Dec. 31, 2014	N.A.	1550.0

Technical Notes

This news release reports the median value across the 32 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, 2012-2014

QUARTERLY INDICATORS (percentage changes at annual rates)	Q2 2012 TO Q4 2012	Q4 2012 TO Q2 2013	Q2 2013 TO Q4 2013	2011 TO 2012	2012 TO 2013	2013 TO 2014
Real Gross Domestic Product	1.8	2.1	2.3	2.2	1.9	2.5
Nominal Gross Domestic Product	4.1	3.6	4.6	4.1	3.9	4.7
Nonresidential Fixed Investment	-0.1	3.9	7.4	7.2	3.2	7.4
Corporate Profits After Taxes	8.2	1.0	6.9	3.6	5.4	5.1
MONTHLY INDICATORS (percentage changes at annual rates)	JUN 2012 TO DEC 2012	DEC 2012 TO JUN 2013	JUN 2013 TO DEC 2013	2011 TO 2012	2012 TO 2013	2013 TO 2014
Industrial Production	-0.2	2.9	3.1	3.5	1.9	3.1
Producer Prices - Finished Goods	6.2	1.2	2.3	2.1	2.4	2.4
Consumer Price Index (CPI-U)	2.7	2.1	2.4	2.1	2.1	2.1
Average Weekly Earnings in Mfg.	0.5	2.1	2.1	1.4	1.8	2.3
Retail Trade	7.1	2.9	5.1	5.1	3.9	3.9
(levels of variables)	DEC 2012	JUN 2013	DEC 2013	2012	2013	2014
Total Private Housing Starts (annual rate, millions)	0.858	0.945	1.012	0.775	0.953	1.140
Unemployment Rate (percent)	7.9	7.8	7.7	8.1	7.8	7.4
Automobile Sales (incl. foreign) (annual rate, millions)	7.5	7.5	7.7	7.3	7.6	7.9
FINANCIAL INDICATORS (levels of variables at end of month)	DEC 2012	JUN 2013	DEC 2013	DEC 2014		
Prime Interest Rate	3.25	3.25	3.25	3.25		
10-Year Treasury Note Yield	1.70	1.88	2.20	2.75		
3-Month Treasury Bill Rate	0.10	0.11	0.11	0.20		
Stock Prices (S&P500)	1402.0	1437.4	1460.0	1550.0		

LONG-TERM OUTLOOK

Average Annual Growth Rate for the Next Ten Years

Real GDP 2.5

Consumer Price Index 2.5

Source: Research Department, Federal Reserve Bank of Philadelphia, Livingston Survey, December 2012

LIVINGSTON SURVEY

December 2012

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 Nov 21; the tables do not reflect subsequent revisions to the data. All forecasts were received on or before December 5.

TABLE ONE
MAJOR MACROECONOMIC INDICATORS, 2012-2014
MEDIANS OF FORECASTER PREDICTIONS

QUARTERLY INDICATORS	NUMBER OF FORE- CASTERS	ACTUAL	FORECASTS		ACTUAL	FORECASTS			
		2012 Q2	2012 Q4	2013 Q2	2013 Q4	2011	2012	2013	2014
1. Real Gross Domestic Product (billions, chain weighted)	32	13548.5	13667.1	13811.8	13971.1	13299.1	13589.5	13854.2	14206.8
2. Nominal Gross Domestic Product (\$ billions)	31	15585.6	15902.7	16187.4	16555.1	15075.7	15689.0	16295.2	17061.2
3. Nonresidential Fixed Investment (billions, chain weighted)	30	1482.9	1481.9	1510.3	1565.3	1378.2	1477.5	1525.5	1638.9
4. Corporate Profits After Taxes (\$ billions)	22	1478.5	1537.6	1545.0	1597.5	1447.9	1500.4	1581.1	1661.1
MONTHLY INDICATORS		ACTUAL JUN 2012	DEC 2012	FORECASTS		ACTUAL 2011	2012	FORECASTS	
				JUN 2013	DEC 2013			2013	2014
5. Industrial Production (2007=100)	29	97.3	97.2	98.6	100.1	93.7	97.0	98.9	102.0
6. Total Private Housing Starts (annual rate, millions)	30	0.754	0.858	0.945	1.012	0.612	0.775	0.953	1.140
7. Producer Prices - Finished Goods (index level)	28	191.9	197.7	198.9	201.2	190.8	194.8	199.4	204.3
8. Consumer Price Index (CPI-U) (index level)	31	228.6	231.7	234.1	236.9	224.9	229.7	234.6	239.7
9. Unemployment Rate (percent)	31	8.2	7.9	7.8	7.7	8.9	8.1	7.8	7.4
10. Average Weekly Earnings in Mfg. (\$)	14	797.9	800.0	808.4	816.7	784.6	795.4	809.6	828.5
11. Retail Trade (\$ billions)	20	400.6	414.5	420.4	431.0	387.3	407.0	423.0	439.7
12. Automobile Sales (incl. foreign) (annual rate, millions)	20	7.2	7.5	7.5	7.7	6.2	7.3	7.6	7.9

TABLE ONE (CONTINUED)

INTEREST RATES & STOCK PRICES (end of period)		ACTUAL	FORECASTS			
		JUN 2012	DEC 2012	JUN 2013	DEC 2013	DEC 2014
13. Prime Interest Rate (percent)	31	3.25	3.25	3.25	3.25	3.25
14. 10-Year Treasury Note Yield (percent)	31	1.67	1.70	1.88	2.20	2.75
15. 3-Month Treasury Bill Rate (percent)	30	0.09	0.10	0.11	0.11	0.20
16. Stock Prices (S&P500) (index level)	23	1362.2	1402.0	1437.4	1460.0	1550.0

Source: Research Department, Federal Reserve Bank of Philadelphia, Livingston Survey, December 2012

TABLE TWO
 MAJOR MACROECONOMIC INDICATORS, 2012-2014
 PERCENTAGE CHANGES AT ANNUAL RATES

QUARTERLY INDICATORS	NUMBER OF FORE- CASTERS	Q2 2012	Q4 2012	Q2 2013	2011	2012	2013
		TO Q4 2012	TO Q2 2013	TO Q4 2013	TO 2012	TO 2013	TO 2014
1. Real Gross Domestic Product	32	1.8	2.1	2.3	2.2	1.9	2.5
2. Nominal Gross Domestic Product	31	4.1	3.6	4.6	4.1	3.9	4.7
3. Nonresidential Fixed Investment	30	-0.1	3.9	7.4	7.2	3.2	7.4
4. Corporate Profits After Taxes	22	8.2	1.0	6.9	3.6	5.4	5.1
MONTHLY INDICATORS		JUN 2012	DEC 2012	JUN 2013	2011	2012	2013
		TO DEC 2012	TO JUN 2013	TO DEC 2013	TO 2012	TO 2013	TO 2014
5. Industrial Production	29	-0.2	2.9	3.1	3.5	1.9	3.1
6. Total Private Housing Starts	30	0.104	0.087	0.067	0.163	0.178	0.187
7. Producer Prices - Finished Goods	28	6.2	1.2	2.3	2.1	2.4	2.4
8. Consumer Price Index (CPI-U)	31	2.7	2.1	2.4	2.1	2.1	2.1
9. Unemployment Rate	31	-0.3	-0.1	-0.1	-0.8	-0.3	-0.4
10. Average Weekly Earnings in Mfg.	14	0.5	2.1	2.1	1.4	1.8	2.3
11. Retail Trade	20	7.1	2.9	5.1	5.1	3.9	3.9
12. Automobile Sales (incl. foreign)	20	0.3	0.0	0.2	1.1	0.3	0.3

		JUN 2012	DEC 2012	JUN 2013	DEC 2013
		TO	TO	TO	TO
INTEREST RATES & STOCK PRICES		DEC 2012	JUN 2013	DEC 2013	DEC 2014
13. Prime Interest Rate	31	0.00	0.00	0.00	0.00
14. 10-Year Treasury Note Yield	31	0.03	0.18	0.32	0.55
15. 3-Month Treasury Bill Rate	30	0.01	0.01	0.01	0.09
16. Stock Prices (S&P500)	23	5.9	5.1	3.2	6.2

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, December 2012

TABLE THREE
LONG-TERM (10 YEAR) FORECASTS

SERIES: CPI Inflation Rate

STATISTIC	
Minimum	1.20
Lower Quartile	2.10
Median	2.50
Upper Quartile	2.70
Maximum	3.40
Mean	2.42
Std. Deviation	0.45
N	30
Missing	2

SERIES: Real GDP

STATISTIC	
Minimum	1.80
Lower Quartile	2.39
Median	2.50
Upper Quartile	2.80
Maximum	3.50
Mean	2.58
Std. Deviation	0.37
N	30
Missing	2
