



THE

LIVINGSTON SURVEY

Release Date: June 7, 2012

JUNE 2012

Forecasters See Higher Growth and Lower Unemployment for 2012

The 32 participants in the June Livingston Survey have raised their estimates of output growth for 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 grow at an annual rate of 2.2 percent during the first half of 2012 and 2.6 percent during the second half of 2012, followed by growth of 2.3 percent (annual rate) in the first half of 2013.

Projections for the unemployment rate have been revised downward throughout 2012. The forecasters predict that the unemployment rate will be 8.1 percent in June 2012 and 8.0 percent in December 2012. The unemployment rate is expected to decrease further, to 7.8 percent in June 2013. On an annual average basis, the unemployment rate is expected to be 8.1 percent in 2012 and 7.7 percent in 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>					
2011 Q4 to 2012 Q2	2.1	2.2	June 2012	8.9	8.1
2012 Q2 to 2012 Q4	2.5	2.6	December 2012	8.7	8.0
2012 Q4 to 2013 Q2	N.A.	2.3	June 2013	N.A.	7.8

Lower Inflation Outlook for 2013

The forecasters' projections for inflation in 2013 are lower than those of six months ago. On an annual average basis, CPI inflation is expected to be 2.3 percent in 2012 and 2.0 percent in 2013, compared to the previous estimates of 2.2 percent and 2.3 percent, respectively. PPI inflation is expected to be 2.1 percent in 2012 and 2013, compared to the previous estimates of 2.3 percent in 2012 and 2.6 percent in 2013.

	<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	2.2	2.3	2.3	2.1
2012 to 2013	2.3	2.0	2.6	2.1

RESEARCH DEPARTMENT FEDERAL RESERVE BANK OF PHILADELPHIA

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Reduced Long-Term Interest Rates over the Next Two Years

The forecasts for interest rates on three-month Treasury bills have changed little from those made six months ago. However, the forecasts for interest rates on 10-year Treasury notes have fallen from the previous survey. The interest rate on three-month Treasury bills is expected to be 0.09 percent at the end of June, up slightly from the previous estimate of 0.05 percent. It is then expected to increase to 0.2 percent by the end of 2013. The interest rate for 10-year Treasury notes is expected to be 1.8 percent at the end of June, down from the previous estimate of 2.4 percent. It is then expected to rise to 2.75 percent by the end of 2013, about 0.4 percentage point lower than the previous estimate of 3.16 percent.

	<i>3-Month Treasury Bill</i>		<i>10-Year Treasury Note</i>	
	<i>Interest Rate</i>		<i>Interest Rate</i>	
	<i>Previous</i>	<i>New</i>	<i>Previous</i>	<i>New</i>
June 29, 2012	0.05	0.09	2.40	1.80
Dec. 31, 2012	0.09	0.10	2.75	2.20
June 28, 2013	N.A.	0.12	N.A.	2.50
Dec. 31, 2013	0.38	0.20	3.16	2.75

2012 Livingston Survey Participants

B. Bovino	Standard & Poor's	K. Mayland	Clear View Economics
J. Butkiewicz	University of Delaware	A. Mobasher	AIG Global Economic Research
R. Chase	Economic & Policy Resources Inc	G. Mokrzan	Huntington National Bank
C. Chruppa	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.
D. Dinas	United Mergers & Acquisitions Consultants	M. Regalia	U.S. Chamber of Commerce
M. Englund	Action Economics, LLC	C. Rupkey	Bank of Tokyo-Mitsubishi UFJ
T. Gill	National Electrical Manufacturers Assoc.	J. Silvia	Wells Fargo Securities
D. Greenlaw/V. Reinhart	Morgan Stanley & Co.	A. Sinai	Decision Economics, Inc.
B. Horrigan	Loomis Sayles & Co.	J. Smith	Parsec Financial Management, Inc.
S. Kahan	Kahan Consulting Ltd.	S. Snaith	University of Central Florida
D. Knop	Independent Economist	S. Stanley	Pierpont Securities
T. Lam	OSK-DMG	D. Torgerson	USDA
E. Leamer/D. Shulman	University of California, Los Angeles	B. Wesbury/R. Stein	First Trust Advisors, L.P.
J. Lonski	Moody's Capital Markets Group	L. Yun	National Association of Realtors

Long-Term Outlook for Output Growth and Inflation Remained Stable

The forecasters predict that real GDP will grow 2.7 percent annually over the next 10 years, slightly higher than the forecast of 2.6 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 as the forecast in the previous survey.

Little Change to Projections for Stock Prices

The forecasters see little reason to change their projections for stock prices in 2012 and 2013. The projected value for the S&P 500 index is 1325.4 at the end of June and 1393.0 by the end of 2012. The index is projected to rise to 1490.3 by the end of 2013, higher than the previous estimate of 1480.0.

Stock Prices
S&P 500 Index
Previous New

June 29, 2012	1322.5	1325.4
Dec. 31, 2012	1395.0	1393.0
June 28, 2013	N.A.	1449.2
Dec. 31, 2013	1480.0	1490.3

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. 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, 2012-2013

QUARTERLY INDICATORS (percentage changes at annual rates)	Q4 2011 TO Q2 2012	Q2 2012 TO Q4 2012	Q4 2012 TO Q2 2013	2011 TO 2012	2012 TO 2013
Real Gross Domestic Product	2.2	2.6	2.3	2.3	2.4
Nominal Gross Domestic Product	3.9	4.2	4.4	4.0	4.4
Nonresidential Fixed Investment	2.7	6.8	5.8	5.6	6.7
Corporate Profits After Taxes	2.6	2.9	2.6	5.3	3.2
MONTHLY INDICATORS (percentage changes at annual rates)	DEC 2011 TO JUN 2012	JUN 2012 TO DEC 2012	DEC 2012 TO JUN 2013	2011 TO 2012	2012 TO 2013
Industrial Production	3.8	2.9	3.1	4.3	3.1
Producer Prices - Finished Goods	1.2	2.4	1.6	2.1	2.1
Consumer Price Index (CPI-U)	2.3	2.1	2.1	2.3	2.0
Average Weekly Earnings in Mfg.	-0.1	2.7	2.4	2.5	2.4
Retail Trade	6.5	4.6	3.8	6.2	4.4
(levels of variables)	JUN 2012	DEC 2012	JUN 2013	2012	2013
Total Private Housing Starts (annual rate, millions)	0.725	0.771	0.858	0.730	0.860
Unemployment Rate (percent)	8.1	8.0	7.8	8.1	7.7
Automobile Sales (incl. foreign) (annual rate, millions)	7.5	7.6	7.7	7.5	7.7
FINANCIAL INDICATORS (levels of variables at end of month)	JUN 2012	DEC 2012	JUN 2013	DEC 2013	
Prime Interest Rate	3.25	3.25	3.25	3.25	
10-Year Treasury Note Yield	1.80	2.20	2.50	2.75	
3-Month Treasury Bill Rate	0.09	0.10	0.12	0.20	
Stock Prices (S&P500)	1325.4	1393.0	1449.2	1490.3	
LONG-TERM OUTLOOK					
Average Annual Growth Rate for the Next Ten Years					
Real GDP	2.7				
Consumer Price Index	2.5				

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

LIVINGSTON SURVEY

June 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 May 17; the tables do not reflect subsequent revisions to the data. All forecasts were received on or before June 1.

TABLE ONE
MAJOR MACROECONOMIC INDICATORS, 2012-2013
MEDIAN OF FORECASTER PREDICTIONS

QUARTERLY INDICATORS	NUMBER OF FORE- CASTERS	ACTUAL				FORECASTS		
		2011 Q4	2012 Q2	2012 Q4	2013 Q2	2011	2012	2013
1. Real Gross Domestic Product (billions, chain weighted)	32	13429.0	13572.7	13748.5	13904.1	13315.1	13621.3	13946.0
2. Nominal Gross Domestic Product (\$ billions)	30	15319.4	15615.2	15938.5	16284.4	15094.0	15697.5	16384.9
3. Nonresidential Fixed Investment (billions, chain weighted)	29	1484.2	1503.8	1554.0	1598.5	1435.5	1516.3	1617.4
4. Corporate Profits After Taxes (\$ billions)	22	1576.2	1596.9	1620.0	1641.0	1526.5	1606.8	1657.4
MONTHLY INDICATORS		ACTUAL		FORECASTS		ACTUAL		FORECASTS
		DEC 2011	JUN 2012	DEC 2012	JUN 2013	2011	2012	2013
5. Industrial Production (2007=100)	29	95.9	97.7	99.1	100.6	93.7	97.8	100.8
6. Total Private Housing Starts (annual rate, millions)	30	0.697	0.725	0.771	0.858	0.612	0.730	0.860
7. Producer Prices - Finished Goods (index level)	26	193.1	194.2	196.6	198.1	190.8	194.8	199.0
8. Consumer Price Index (CPI-U) (index level)	31	227.0	229.6	232.0	234.5	224.9	230.0	234.7
9. Unemployment Rate (percent)	31	8.5	8.1	8.0	7.8	8.9	8.1	7.7
10. Average Weekly Earnings in Mfg. (\$)	13	801.8	801.5	812.3	821.9	784.6	804.6	823.9
11. Retail Trade (\$ billions)	17	398.0	410.7	420.0	428.0	387.3	411.3	429.4
12. Automobile Sales (incl. foreign) (annual rate, millions)	23	6.5	7.5	7.6	7.7	6.2	7.5	7.7

TABLE ONE (CONTINUED)

INTEREST RATES & STOCK PRICES (end of period)		ACTUAL	FORECASTS			
		DEC 2011	JUN 2012	DEC 2012	JUN 2013	DEC 2013
13. Prime Interest Rate (percent)	31	3.25	3.25	3.25	3.25	3.25
14. 10-Year Treasury Note Yield (percent)	31	1.89	1.80	2.20	2.50	2.75
15. 3-Month Treasury Bill Rate (percent)	31	0.02	0.09	0.10	0.12	0.20
16. Stock Prices (S&P500) (index level)	22	1257.6	1325.4	1393.0	1449.2	1490.3

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

TABLE TWO
 MAJOR MACROECONOMIC INDICATORS, 2012-2013
 PERCENTAGE CHANGES AT ANNUAL RATES

QUARTERLY INDICATORS	NUMBER OF FORE- CASTERS	Q4 2011	Q2 2012	Q4 2012	2011	2012
		TO Q2 2012	TO Q4 2012	TO Q2 2013	TO 2012	TO 2013
1. Real Gross Domestic Product	32	2.2	2.6	2.3	2.3	2.4
2. Nominal Gross Domestic Product	30	3.9	4.2	4.4	4.0	4.4
3. Nonresidential Fixed Investment	29	2.7	6.8	5.8	5.6	6.7
4. Corporate Profits After Taxes	22	2.6	2.9	2.6	5.3	3.2
MONTHLY INDICATORS		DEC 2011	JUN 2012	DEC 2012	2011	2012
		TO JUN 2012	TO DEC 2012	TO JUN 2013	TO 2012	TO 2013
5. Industrial Production	29	3.8	2.9	3.1	4.3	3.1
6. Total Private Housing Starts	30	0.028	0.046	0.086	0.118	0.130
7. Producer Prices - Finished Goods	26	1.2	2.4	1.6	2.1	2.1
8. Consumer Price Index (CPI-U)	31	2.3	2.1	2.1	2.3	2.0
9. Unemployment Rate	31	-0.4	-0.1	-0.2	-0.8	-0.4
10. Average Weekly Earnings in Mfg.	13	-0.1	2.7	2.4	2.5	2.4
11. Retail Trade	17	6.5	4.6	3.8	6.2	4.4
12. Automobile Sales (incl. foreign)	23	1.0	0.1	0.1	1.3	0.2

		DEC 2011	JUN 2012	DEC 2012	JUN 2013
		TO	TO	TO	TO
INTEREST RATES & STOCK PRICES		JUN 2012	DEC 2012	JUN 2013	DEC 2013
13. Prime Interest Rate	31	0.00	0.00	0.00	0.00
14. 10-Year Treasury Note Yield	31	-0.09	0.40	0.30	0.25
15. 3-Month Treasury Bill Rate	31	0.07	0.01	0.02	0.08
16. Stock Prices (S&P500)	22	11.1	10.5	8.2	5.8

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 2012

TABLE THREE
LONG-TERM (10 YEAR) FORECASTS

SERIES: CPI Inflation Rate

STATISTIC	
Minimum	1.20
Lower Quartile	2.07
Median	2.50
Upper Quartile	2.80
Maximum	3.50
Mean	2.44
Std. Deviation	0.53
N	30
Missing	2

SERIES: Real GDP

STATISTIC	
Minimum	2.00
Lower Quartile	2.50
Median	2.68
Upper Quartile	2.90
Maximum	3.30
Mean	2.69
Std. Deviation	0.29
N	30
Missing	2
