



THE

# LIVINGSTON SURVEY

Release Date: June 6, 2013

*JUNE 2013*

### ***Forecasters See Higher Economic Growth and Lower Unemployment for 2013***

The 30 participants in the June Livingston Survey have raised their estimates of output growth for 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 grow at an annual rate of 2.2 percent during the first half of 2013 and 2.3 percent during the second half of 2013, followed by growth of 2.8 percent (annual rate) in the first half of 2014.

Projections for the unemployment rate have been revised downward throughout 2013. The forecasters predict that the unemployment rate will be 7.5 percent in June 2013 and 7.4 percent in December 2013. The unemployment rate is expected to decrease further, to 7.2 percent in June 2014. On an annual average basis, the unemployment rate is expected to be 7.5 percent in 2013 and 7.1 percent in 2014.

	<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 Q4 to 2013 Q2	2.1	2.2	June 2013	7.8	7.5
2013 Q2 to 2013 Q4	2.3	2.3	December 2013	7.7	7.4
2013 Q4 to 2014 Q2	N.A.	2.8	June 2014	N.A.	7.2

### ***Inflation Predictions Revised Downward***

The forecasters' projections for inflation in 2013 and 2014 are lower than those of six months ago. On an annual average basis, CPI inflation is expected to be 1.5 percent in 2013 and 2.0 percent in 2014, compared with the previous estimates of 2.1 percent in 2013 and 2014. PPI inflation is expected to be 1.3 percent in 2013 and 1.5 percent in 2014, compared with the previous estimates of 2.4 in 2013 and 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>				
2012 to 2013	2.1	1.5	2.4	1.3
2013 to 2014	2.1	2.0	2.4	1.5

**RESEARCH DEPARTMENT** FEDERAL RESERVE BANK OF PHILADELPHIA

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***Little Change to Projections for Interest Rates***

The forecasts for interest rates on three-month Treasury bills and 10-year Treasury notes have changed little from those made six months ago. 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 0.11 percent. It is then expected to rise to 0.20 percent by the end of 2014, the same as the forecast in the previous survey. The interest rate for 10-year Treasury notes is expected to be 2.00 percent at the end of June, up from the previous estimate of 1.88 percent. It is then expected to rise to 2.65 percent by the end of 2014, slightly lower than the previous estimate of 2.75 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 28, 2013	0.11	0.08	1.88	2.00
Dec. 31, 2013	0.11	0.10	2.20	2.20
June 30, 2014	N.A.	0.14	N.A.	2.38
Dec. 31, 2014	0.20	0.20	2.75	2.65

**2013 Livingston Survey Participants**

<b>B. Bovino</b>	<b>Standard &amp; Poor's</b>	<b>K. Mayland</b>	<b>Clear View Economics</b>
<b>J. Butkiewicz</b>	<b>University of Delaware</b>	<b>K. Goldstein</b>	<b>Conference Board</b>
<b>R. Chase</b>	<b>Economic &amp; Policy Resources Inc</b>	<b>R. Yamarone</b>	<b>Bloomberg, LP</b>
<b>C. Chrappa</b>	<b>Independent Equipment Company</b>	<b>M. Moran</b>	<b>Daiwa Capital Markets America</b>
<b>D. Crowe</b>	<b>National Association of Home Builders</b>	<b>J. Mueller</b>	<b>LBMC, LLC</b>
<b>R. Dhawan</b>	<b>Georgia State University</b>	<b>F. Nothaft</b>	<b>Federal Home Loan Mortgage Corp.</b>
<b>D. Dinas</b>	<b>United Mergers &amp; Acquisitions Consultants</b>	<b>M. Regalia</b>	<b>U.S. Chamber of Commerce</b>
<b>M. Englund</b>	<b>Action Economics, LLC</b>	<b>J. Silvia</b>	<b>Wells Fargo Securities</b>
<b>P. Hooper</b>	<b>Deutsche Bank Securities Inc.</b>	<b>A. Sinai</b>	<b>Decision Economics, Inc.</b>
<b>D. Greenlaw/V. Reinhart</b>	<b>Morgan Stanley &amp; Co.</b>	<b>S. Snaith</b>	<b>University of Central Florida</b>
<b>B. Horrigan</b>	<b>Loomis Sayles &amp; Co, LP</b>	<b>S. Stanley</b>	<b>Pierpont Securities</b>
<b>D. Maki</b>	<b>Barclays Capital</b>	<b>D. Torgerson</b>	<b>USDA</b>
<b>D. Knop</b>	<b>Independent Economist</b>	<b>B. Wesbury/R. Stein</b>	<b>First Trust Advisors, L.P.</b>
<b>T. Lam</b>	<b>OSK-DMG/RHB</b>	<b>L. Yun</b>	<b>National Association of Realtors</b>
<b>E. Leamer/D. Shulman</b>	<b>University of California, Los Angeles</b>		
<b>S. Anderson</b>	<b>Bank of the West</b>		

***Long-Term Outlook for Output Growth and Inflation Remains Stable***

The forecasters predict that real GDP will grow 2.6 percent annually over the next 10 years, slightly higher than the forecast of 2.5 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.

***Stock-Price Projections Revised Upward***

The forecasters see stock prices rising in 2013 and 2014. The projected value for the S&P 500 index is 1643.5 for the end of June and is expected to rise to 1667.8 by the end of 2013. These forecasts for 2013 are higher than those of the previous survey, as shown in the table below. The index is expected to rise to 1750.0 by the end of 2014, higher than the previous estimate of 1550.0.

	<i>Stock Prices</i>	
	<i>S&amp;P 500 Index</i>	
	<i>Previous</i>	<i>New</i>
June 28, 2013	1437.4	1643.5
Dec. 31, 2013	1460.0	1667.8
June 30, 2014	N.A.	1713.1
Dec. 31, 2014	1550.0	1750.0

***Technical Notes***

This news release reports the median value across the 30 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](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, 2013-2014

QUARTERLY INDICATORS (percentage changes at annual rates)	Q4 2012 TO Q2 2013	Q2 2013 TO Q4 2013	Q4 2013 TO Q2 2014	2012 TO 2013	2013 TO 2014
Real Gross Domestic Product	2.2	2.3	2.8	1.9	2.6
Nominal Gross Domestic Product	3.5	4.2	4.6	3.4	4.5
Nonresidential Fixed Investment	3.4	5.2	5.8	4.7	5.8
Corporate Profits After Taxes	2.0	2.5	4.8	5.4	4.8
MONTHLY INDICATORS (percentage changes at annual rates)	DEC 2012 TO JUN 2013	JUN 2013 TO DEC 2013	DEC 2013 TO JUN 2014	2012 TO 2013	2013 TO 2014
Industrial Production	2.5	2.9	3.5	2.8	3.1
Producer Prices - Finished Goods	0.3	2.2	1.2	1.3	1.5
Consumer Price Index (CPI-U)	1.3	2.1	2.1	1.5	2.0
Average Weekly Earnings in Mfg.	-1.9	2.0	1.7	1.5	1.6
Retail Trade	2.9	3.3	4.5	3.9	5.0
(levels of variables)	JUN 2013	DEC 2013	JUN 2014	2013	2014
Total Private Housing Starts (annual rate, millions)	0.978	1.050	1.150	0.993	1.180
Unemployment Rate (percent)	7.5	7.4	7.2	7.5	7.1
Automobile Sales (incl. foreign) (annual rate, millions)	7.5	7.6	7.8	7.6	7.8
FINANCIAL INDICATORS (levels of variables at end of month)	JUN 2013	DEC 2013	JUN 2014	DEC 2014	
Prime Interest Rate	3.25	3.25	3.25	3.25	
10-Year Treasury Note Yield	2.00	2.20	2.38	2.65	
3-Month Treasury Bill Rate	0.08	0.10	0.14	0.20	
Stock Prices (S&P500)	1643.5	1667.8	1713.1	1750.0	
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, June 2013

# **LIVINGSTON SURVEY**

**June 2013**

**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 May 31.**

TABLE ONE  
 MAJOR MACROECONOMIC INDICATORS, 2013-2014  
 MEDIANS OF FORECASTER PREDICTIONS

QUARTERLY INDICATORS	NUMBER OF FORE- CASTERS	ACTUAL	FORECASTS		ACTUAL	FORECASTS		
		2012 Q4	2013 Q2	2013 Q4	2014 Q2	2012	2013	2014
1. Real Gross Domestic Product (billions, chain weighted)	30	13665.4	13816.2	13976.3	14170.2	13593.2	13854.3	14216.2
2. Nominal Gross Domestic Product (\$ billions)	29	15864.1	16137.0	16470.0	16845.2	15684.8	16225.2	16955.3
3. Nonresidential Fixed Investment (billions, chain weighted)	28	1522.4	1547.8	1587.7	1633.3	1487.9	1558.1	1648.7
4. Corporate Profits After Taxes (\$ billions)	19	1565.0	1580.6	1600.2	1638.0	1501.3	1582.7	1658.3
MONTHLY INDICATORS		ACTUAL DEC 2012	JUN 2013	FORECASTS		ACTUAL 2012	FORECASTS	
				DEC 2013	JUN 2014		2013	2014
5. Industrial Production (2007=100)	24	98.2	99.4	100.8	102.6	97.1	99.8	102.9
6. Total Private Housing Starts (annual rate, millions)	27	0.983	0.978	1.050	1.150	0.783	0.993	1.180
7. Producer Prices - Finished Goods (index level)	26	195.8	196.1	198.3	199.4	194.5	197.0	200.0
8. Consumer Price Index (CPI-U) (index level)	28	231.1	232.6	235.0	237.5	229.6	233.0	237.8
9. Unemployment Rate (percent)	28	7.8	7.5	7.4	7.2	8.1	7.5	7.1
10. Average Weekly Earnings in Mfg. (\$)	13	813.4	805.6	813.8	820.6	794.8	807.0	820.1
11. Retail Trade (\$ billions)	17	416.1	422.0	428.9	438.6	407.0	423.0	444.0
12. Automobile Sales (incl. foreign) (annual rate, millions)	21	7.8	7.5	7.6	7.8	7.4	7.6	7.8

TABLE ONE (CONTINUED)

INTEREST RATES & STOCK PRICES (end of period)		ACTUAL	FORECASTS			
		DEC 2012	JUN 2013	DEC 2013	JUN 2014	DEC 2014
13. Prime Interest Rate (percent)	28	3.25	3.25	3.25	3.25	3.25
14. 10-Year Treasury Note Yield (percent)	28	1.78	2.00	2.20	2.38	2.65
15. 3-Month Treasury Bill Rate (percent)	27	0.05	0.08	0.10	0.14	0.20
16. Stock Prices (S&P500) (index level)	17	1426.2	1643.5	1667.8	1713.1	1750.0

Source: Research Department, Federal Reserve Bank of Philadelphia, Livingston Survey, June 2013

TABLE TWO  
 MAJOR MACROECONOMIC INDICATORS, 2013-2014  
 PERCENTAGE CHANGES AT ANNUAL RATES

QUARTERLY INDICATORS	NUMBER OF FORE- CASTERS	Q4 2012	Q2 2013	Q4 2013	2012	2013
		TO Q2 2013	TO Q4 2013	TO Q2 2014	TO 2013	TO 2014
1. Real Gross Domestic Product	30	2.2	2.3	2.8	1.9	2.6
2. Nominal Gross Domestic Product	29	3.5	4.2	4.6	3.4	4.5
3. Nonresidential Fixed Investment	28	3.4	5.2	5.8	4.7	5.8
4. Corporate Profits After Taxes	19	2.0	2.5	4.8	5.4	4.8
MONTHLY INDICATORS		DEC 2012	JUN 2013	DEC 2013	2012	2013
		TO JUN 2013	TO DEC 2013	TO JUN 2014	TO 2013	TO 2014
5. Industrial Production	24	2.5	2.9	3.5	2.8	3.1
6. Total Private Housing Starts	27	-0.005	0.072	0.100	0.210	0.187
7. Producer Prices - Finished Goods	26	0.3	2.2	1.2	1.3	1.5
8. Consumer Price Index (CPI-U)	28	1.3	2.1	2.1	1.5	2.0
9. Unemployment Rate	28	-0.3	-0.1	-0.2	-0.6	-0.4
10. Average Weekly Earnings in Mfg.	13	-1.9	2.0	1.7	1.5	1.6
11. Retail Trade	17	2.9	3.3	4.5	3.9	5.0
12. Automobile Sales (incl. foreign)	21	-0.3	0.1	0.2	0.2	0.2

		DEC 2012	JUN 2013	DEC 2013	JUN 2014
		TO	TO	TO	TO
INTEREST RATES & STOCK PRICES		JUN 2013	DEC 2013	JUN 2014	DEC 2014
13. Prime Interest Rate	28	0.00	0.00	0.00	0.00
14. 10-Year Treasury Note Yield	28	0.22	0.20	0.17	0.28
15. 3-Month Treasury Bill Rate	27	0.03	0.02	0.04	0.06
16. Stock Prices (S&P500)	17	32.8	3.0	5.5	4.4

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 2013

TABLE THREE  
LONG-TERM (10 YEAR) FORECASTS

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SERIES: CPI Inflation Rate

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STATISTIC	
Minimum	1.80
Lower Quartile	2.05
Median	2.50
Upper Quartile	2.60
Maximum	3.00
Mean	2.39
Std. Deviation	0.32
N	29
Missing	1

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SERIES: Real GDP

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STATISTIC	
Minimum	2.00
Lower Quartile	2.50
Median	2.60
Upper Quartile	2.80
Maximum	3.50
Mean	2.60
Std. Deviation	0.33
N	29
Missing	1

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Source: Research Department, Federal Reserve Bank of Philadelphia, Livingston Survey, June 2013