



THE

LIVINGSTON SURVEY

Release Date: June 4, 2014

JUNE 2014

Higher Growth, Lower Unemployment Predicted for Second Half of 2014

The 28 participants in the June Livingston Survey have raised their estimates of output growth for the second half of 2014. 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 1.5 percent during the first half of 2014 and 3.0 percent during the second half of 2014, followed by growth of 2.9 percent (annual rate) in the first half of 2015. A downward revision for real GDP growth in the first half of 2014, which is 1.0 percentage point lower than the projection in the survey of six months ago, is accompanied by an upward revision to growth in the second half of 2014.

Projections for the unemployment rate have been revised downward throughout 2014. The forecasters predict that the unemployment rate will be 6.3 percent in June 2014 and 6.1 percent in December 2014. The unemployment rate is expected to decrease further, to 5.9 percent in June 2015. On an annual-average basis, the unemployment rate is expected to be 6.3 percent in 2014 and 5.9 percent in 2015.

	<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>					
2013 Q4 to 2014 Q2	2.5	1.5	June 2014	7.0	6.3
2014 Q2 to 2014 Q4	2.8	3.0	December 2014	6.7	6.1
2014 Q4 to 2015 Q2	N.A.	2.9	June 2015	N.A.	5.9

Nearly Unchanged Outlook for CPI Inflation

On an annual-average over annual-average basis, CPI inflation is expected to be 1.8 percent in 2014 and 2.0 percent in 2015. The 2015 projection is only slightly lower (0.1 percentage point) than the estimate in the December survey. PPI inflation for finished goods is expected to be 2.4 percent this year and 1.7 percent next year.

	<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>				
2013 to 2014	1.8	1.8	N.A.	2.4
2014 to 2015	2.1	2.0	N.A.	1.7

RESEARCH DEPARTMENT FEDERAL RESERVE BANK OF PHILADELPHIA

Ten Independence Mall, Philadelphia, PA 19106-1574 • www.philadelphiafed.org

Projections for Three-Month Treasury-Bill Rates Revised Upward for December 2015 Even as Projections for Long-Term Rates Are Revised Downward

The forecasters have raised their estimates 20 basis points for the rate on three-month Treasury bills in December 2015. They currently peg the three-month rate at 0.95 percentage point, marking an upward revision from 0.75 percentage point in the December survey. At the same time, the forecasters see the rate on 10-year Treasuries at levels lower than they anticipated in December. The 10-year Treasury rate will be 3.10 percent at the end of December 2014, down from the previous projection of 3.25 percent, and 3.75 percent in December 2015, down from the previous projection of 3.88 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 30, 2014	0.09	0.04	3.01	2.70
Dec. 31, 2014	0.15	0.07	3.25	3.10
June 30, 2015	N.A.	0.20	N.A.	3.50
Dec. 31, 2015	0.75	0.95	3.88	3.75

2014 Livingston Survey Participants

S. Anderson	Bank of the West	G. Mokrzan	Huntington National Bank
B. Bovino	Standard & Poor's	M. Moran	Daiwa Capital Markets America
J. Butkiewicz	University of Delaware	J. Mueller	LBMC, LLC
R. Chase	Economic & Policy Resources, Inc.	F. Nothaft	Federal Home Loan Mortgage Corp.
C. Chrappa	Independent Equipment Company	M. Regalia	U.S. Chamber of Commerce
D. Crowe	National Association of Home Builders	C. Rupkey	Bank of Tokyo-Mitsubishi UFJ
R. Dhawan	Georgia State University	J. Silvia	Wells Fargo Securities, LLC
D. Dinas	United Mergers & Acquisitions Consultants	J. Smith	Parsec Financial Management, Inc.
K. Goldstein/B. Ark	Conference Board	S. Snaith	University of Central Florida
B. Horrigan	Loomis Sayles & Co.	S. Stanley	Pierpont Securities
S. Kahan	Kahan Consulting Ltd.	B. Wesbury/R. Stein	First Trust Advisors, LP
D. Knop	Independent Economist	R. Yamarone	Bloomberg, LP
T. Lam	OSK-DMG		
E. Leamer/D. Shulman	University of California, Los Angeles		
D. Maki	Barclays Capital		
K. Mayland	Clear View Economics		

Long-Term Outlook for Output Growth Falls Slightly, While the Long-Term Inflation Outlook Holds Steady

The forecasters predict that real GDP will grow 2.50 percent annually over the next 10 years, slightly lower than the forecast of 2.60 percent in the survey of six months ago. Inflation (measured by the CPI) is expected to average 2.35 percent over the next 10 years, the same rate predicted in the December survey.

Stock-Price Projections Revised Upward

The forecasters see stock prices rising in 2014 and 2015. The projected value for the S&P 500 index is 1910.0 for the end of June and is expected to rise to 1950.0 by the end of 2014. These forecasts for 2014 are higher than those of the previous survey, as shown in the table below. The index is expected to rise to 2026.5 by the end of 2015, higher than the previous estimate of 1948.5

	<i>Stock Prices</i>	
	<i>S&P 500 Index</i>	
	<i>Previous</i>	<i>New</i>
June 30, 2014	1841.1	1910.0
Dec. 31, 2014	1875.0	1950.0
June 30, 2015	N.A.	1999.8
Dec. 31, 2015	1948.5	2026.5

Technical Notes

This news release reports the median value across the 28 forecasters on the survey’s panel.

In previous Livingston surveys, our measure of the producer price index (PPI) was that for finished goods, according to the Bureau of Labor Statistics’ (BLS) Stage of Processing (SOP) aggregation system. Following the recent change in the BLS’s procedures, the survey now switches to the Final Demand-Intermediate Demand (FD-ID) aggregation system for the PPI for finished goods. As in previous surveys, we use the seasonally adjusted index level. Due to the change in the BLS’s procedures, we record the previous PPI projection (page 1) as missing.

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 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 www.philadelphiafed.org/research-and-data/real-time-center/livingston-survey/.

LIVINGSTON SURVEY
MAJOR MACROECONOMIC INDICATORS, 2014-2015

QUARTERLY INDICATORS (percentage changes at annual rates)	Q4 2013 TO Q2 2014	Q2 2014 TO Q4 2014	Q4 2014 TO Q2 2015	2013 TO 2014	2014 TO 2015
Real Gross Domestic Product	1.5	3.0	2.9	2.3	3.0
Nominal Gross Domestic Product	3.2	4.7	5.0	3.9	4.9
Nonresidential Fixed Investment	1.6	5.8	5.7	3.5	5.8
Corporate Profits After Taxes	0.9	5.8	4.5	4.0	5.7
MONTHLY INDICATORS (percentage changes at annual rates)	DEC 2013 TO JUN 2014	JUN 2014 TO DEC 2014	DEC 2014 TO JUN 2015	2013 TO 2014	2014 TO 2015
Industrial Production	3.8	3.4	3.6	3.8	3.6
Producer Prices - Finished Goods	3.4	1.9	1.2	2.4	1.7
Consumer Price Index (CPI-U)	2.1	2.0	2.0	1.8	2.0
Average Weekly Earnings in Mfg.	-2.2	1.7	2.8	1.6	2.6
Retail Trade	4.7	4.2	5.3	3.7	4.8
(levels of variables)	JUN 2014	DEC 2014	JUN 2015	2014	2015
Total Private Housing Starts (annual rate, millions)	1.050	1.183	1.311	1.070	1.250
Unemployment Rate (percent)	6.3	6.1	5.9	6.3	5.9
Automobile Sales (incl. foreign) (annual rate, millions)	7.5	7.7	7.8	7.5	7.8
FINANCIAL INDICATORS (levels of variables at end of month)	JUN 2014	DEC 2014	JUN 2015	DEC 2015	
Prime Interest Rate	3.25	3.25	3.25	3.75	
10-Year Treasury Note Yield	2.70	3.10	3.50	3.75	
3-Month Treasury Bill Rate	0.04	0.07	0.20	0.95	
Stock Prices (S&P500)	1910.0	1950.0	1999.8	2026.5	

LONG-TERM OUTLOOK
Average Annual Growth Rate for the Next Ten Years

Real GDP	2.5
Consumer Price Index	2.3

Source: Research Department, Federal Reserve Bank of Philadelphia, Livingston Survey, June 2014

LIVINGSTON SURVEY

June 2014

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 19; the tables do not reflect subsequent revisions to the data. All forecasts were received on or before May 30.

TABLE ONE
MAJOR MACROECONOMIC INDICATORS, 2014-2015
MEDIAN OF FORECASTER PREDICTIONS

QUARTERLY INDICATORS	NUMBER OF FORE- CASTERS	ACTUAL	FORECASTS		ACTUAL	FORECASTS		
		2013 Q4	2014 Q2	2014 Q4	2015 Q2	2013	2014	2015
1. Real Gross Domestic Product (billions, chain weighted)	28	15942.3	16065.2	16303.4	16540.4	15761.3	16117.2	16602.7
2. Nominal Gross Domestic Product (\$ billions)	28	17089.6	17362.4	17768.4	18209.2	16799.7	17462.0	18314.3
3. Nonresidential Fixed Investment (billions, chain weighted)	26	2022.5	2039.0	2097.0	2155.4	1984.4	2053.8	2173.8
4. Corporate Profits After Taxes (\$ billions)	17	1742.5	1750.0	1800.0	1840.0	1683.2	1750.0	1850.0
MONTHLY INDICATORS		ACTUAL DEC 2013	FORECASTS		ACTUAL 2013	FORECASTS		
			JUN 2014	DEC 2014	JUN 2015		2014	2015
5. Industrial Production (2007=100)	26	101.5	103.4	105.1	107.0	99.9	103.7	107.4
6. Total Private Housing Starts (annual rate, millions)	25	1.034	1.050	1.183	1.311	0.930	1.070	1.250
7. Producer Prices - Finished Goods (index level)	19	198.1	201.4	203.3	204.5	196.7	201.4	204.8
8. Consumer Price Index (CPI-U) (index level)	27	234.6	237.0	239.4	241.8	233.0	237.3	242.1
9. Unemployment Rate (percent)	27	6.7	6.3	6.1	5.9	7.4	6.3	5.9
10. Average Weekly Earnings in Mfg. (\$)	10	830.9	821.7	828.8	840.2	807.5	820.8	842.0
11. Retail Trade (\$ billions)	16	427.8	437.7	446.6	458.4	422.3	438.0	459.2
12. Automobile Sales (incl. foreign) (annual rate, millions)	20	7.5	7.5	7.7	7.8	7.6	7.5	7.8

TABLE ONE (CONTINUED)

INTEREST RATES & STOCK PRICES (end of period)		ACTUAL	FORECASTS			
		DEC 2013	JUN 2014	DEC 2014	JUN 2015	DEC 2015
13. Prime Interest Rate (percent)	26	3.25	3.25	3.25	3.25	3.75
14. 10-Year Treasury Note Yield (percent)	27	3.04	2.70	3.10	3.50	3.75
15. 3-Month Treasury Bill Rate (percent)	27	0.07	0.04	0.07	0.20	0.95
16. Stock Prices (S&P500) (index level)	17	1848.4	1910.0	1950.0	1999.8	2026.5

Source: Research Department, Federal Reserve Bank of Philadelphia, Livingston Survey, June 2014

TABLE TWO
 MAJOR MACROECONOMIC INDICATORS, 2014-2015
 PERCENTAGE CHANGES AT ANNUAL RATES

QUARTERLY INDICATORS	NUMBER OF FORE- CASTERS	Q4 2013	Q2 2014	Q4 2014	2013	2014
		TO Q2 2014	TO Q4 2014	TO Q2 2015	TO 2014	TO 2015
1. Real Gross Domestic Product	28	1.5	3.0	2.9	2.3	3.0
2. Nominal Gross Domestic Product	28	3.2	4.7	5.0	3.9	4.9
3. Nonresidential Fixed Investment	26	1.6	5.8	5.7	3.5	5.8
4. Corporate Profits After Taxes	17	0.9	5.8	4.5	4.0	5.7
MONTHLY INDICATORS		DEC 2013	JUN 2014	DEC 2014	2013	2014
		TO JUN 2014	TO DEC 2014	TO JUN 2015	TO 2014	TO 2015
5. Industrial Production	26	3.8	3.4	3.6	3.8	3.6
6. Total Private Housing Starts	25	0.016	0.133	0.128	0.140	0.180
7. Producer Prices - Finished Goods	19	3.4	1.9	1.2	2.4	1.7
8. Consumer Price Index (CPI-U)	27	2.1	2.0	2.0	1.8	2.0
9. Unemployment Rate	27	-0.4	-0.2	-0.2	-1.1	-0.4
10. Average Weekly Earnings in Mfg.	10	-2.2	1.7	2.8	1.6	2.6
11. Retail Trade	16	4.7	4.2	5.3	3.7	4.8
12. Automobile Sales (incl. foreign)	20	0.0	0.2	0.1	-0.1	0.3

INTEREST RATES & STOCK PRICES		DEC 2013 TO JUN 2014	JUN 2014 TO DEC 2014	DEC 2014 TO JUN 2015	JUN 2015 TO DEC 2015
13. Prime Interest Rate	26	0.00	0.00	0.00	0.50
14. 10-Year Treasury Note Yield	27	-0.34	0.40	0.40	0.25
15. 3-Month Treasury Bill Rate	27	-0.03	0.03	0.13	0.75
16. Stock Prices (S&P500)	17	6.8	4.2	5.2	2.7

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 2014

TABLE THREE
LONG-TERM (10 YEAR) FORECASTS

SERIES: CPI Inflation Rate

STATISTIC	
Minimum	1.40
Lower Quartile	2.03
Median	2.35
Upper Quartile	2.57
Maximum	2.80
Mean	2.31
Std. Deviation	0.34
N	28
Missing	0

SERIES: Real GDP

STATISTIC	
Minimum	1.80
Lower Quartile	2.30
Median	2.50
Upper Quartile	2.74
Maximum	3.10
Mean	2.50
Std. Deviation	0.30
N	28
Missing	0
