



THE

LIVINGSTON SURVEY

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JUNE 2015

Higher Growth, Lower Unemployment Predicted for Second Half of 2015

The 28 participants in the June Livingston Survey predict higher output growth for the second half of 2015 than they did in the December survey. 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 0.9 percent during the first half of 2015 and 3.1 percent during the second half of 2015, followed by growth of 2.9 percent (annual rate) in the first half of 2016. A downward revision for real GDP growth in the first half of 2015 is accompanied by an upward revision to growth in the second half of 2015, which is 0.4 percentage point higher than the projection in the survey of six months ago.

The forecasters see the unemployment rate falling in the second half of this year, and the projections have been revised downward. The forecasters predict that the unemployment rate will be 5.4 percent in June 2015 and 5.1 percent in December 2015. The unemployment rate is expected to decrease further to 5.0 percent in June 2016. On an annual-average basis, the unemployment rate is expected to be 5.3 percent in 2015 and 5.0 percent in 2016.

	<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>					
2014 Q4 to 2015 Q2	2.9	0.9	June 2015	5.6	5.4
2015 Q2 to 2015 Q4	2.7	3.1	December 2015	5.4	5.1
2015 Q4 to 2016 Q2	N.A.	2.9	June 2016	N.A.	5.0

Unchanged Outlook for CPI Inflation in 2016

On an annual-average over annual-average basis, CPI inflation is expected to be 0.1 percent in 2015 and 2.1 percent in 2016. The 2016 projection is identical to the estimate in the December survey. PPI inflation for finished goods is expected to be -3.2 percent this year and 1.9 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>				
2014 to 2015	1.4	0.1	1.1	-3.2
2015 to 2016	2.1	2.1	1.5	1.9

RESEARCH DEPARTMENT FEDERAL RESERVE BANK OF PHILADELPHIA

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Forecasters See Lower Short-Term and Long-Term Interest Rates

The panelists have reduced their forecast for the interest rates on three-month Treasury bills and the forecast for 10-year Treasury bonds from that of six months ago. At the end of December 2015, the interest rate on three-month Treasury bills is predicted to be 0.59 percent, revised down from 0.81 percent in the survey of six months ago. The forecasters predict that the rate will be 1.11 percent at the end of June 2016 and 1.50 percent in December 2016. The interest rate on 10-year Treasury bonds is predicted to reach 2.50 percent at the end of December 2015, down from the previous estimate of 3.20 percent. According to the forecasters, the 10-year rate will rise to 2.84 percent at the end of June 2016 and to 3.00 percent in December 2016, down from the previous projection of 3.75 percent.

	<i>3-Month Treasury Bill</i>		<i>10-Year Treasury Bond</i>	
	<i>Interest Rate</i>		<i>Interest Rate</i>	
	<i>Previous</i>	<i>New</i>	<i>Previous</i>	<i>New</i>
June 30, 2015	0.25	0.05	2.72	2.16
Dec. 31, 2015	0.81	0.59	3.20	2.50
June 30, 2016	N.A.	1.11	N.A.	2.84
Dec. 30, 2016	2.25	1.50	3.75	3.00

2015 Livingston Survey Participants

S. Anderson	Bank of the West	T. Lam	RHB Securities Singapore Pte. Ltd.
B. Bovino/S. Panday	Standard & Poor's	E. Leamer/D. Shulman	University of California, Los Angeles
J. Butkiewicz	University of Delaware	J. Lonski	Moody's Capital Markets Group
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	M. Regalia	U.S. Chamber of Commerce
R. Dhawan	Georgia State University	C. Rupkey	MUFG Union Bank, N.A.
M. Englund	Action Economics, LLC	J. Silvia	Wells Fargo Securities, LLC
T. Gill	National Electrical Manufacturers Association	J. Smith	Parsec Financial Management, Inc.
K. Goldstein/B. Ark	Conference Board	S. Snaith	University of Central Florida
P. Hooper	Deutsche Bank Securities, Inc.	S. Stanley	Amherst Pierpont Securities
B. Horrigan	Loomis, Sayles & Co.	B. Wesbury/R. Stein	First Trust Advisors, L.P.
S. Kahan	Kahan Consulting Ltd.	R. Yamarone	Bloomberg, L.P.
D. Knop	Independent Economist	L. Yun/D. Hale	National Association of Realtors

Outlook for Long-Term Inflation Nearly Unchanged

The panelists project slightly lower long-term inflation, compared with their projection in the December 2014 survey, but their projection for long-term output growth is unchanged. The forecasters now predict that inflation (measured by the CPI) will grow 2.20 percent annually over the next 10 years, which is a little lower than the forecast of 2.25 percent in the survey of six months ago. Real GDP growth is expected to average 2.50 percent over the next 10 years, the same estimate as in the previous survey.

Downward Revision to Stock-Price Projections

The panelists predict the S&P 500 index will finish 2015 at a level of 2158.0, a downward revision from the estimate of 2160.6 in the December 2014 survey. The index is forecast to rise to 2243.0 by the end of 2016, also lower than the previous estimate of 2300.0

*Stock Prices
S&P 500 Index
Previous New*

June 30, 2015	2125.0	2107.7
Dec. 31, 2015	2160.6	2158.0
June 30, 2016	N.A.	2218.0
Dec. 30, 2016	2300.0	2243.0

Technical Notes

This news release reports the median value across the 28 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.

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/.

To subscribe to the survey, go to www.philadelphiafed.org/philscriber/user/dsp_content.cfm.

LIVINGSTON SURVEY
MAJOR MACROECONOMIC INDICATORS, 2015-2016

QUARTERLY INDICATORS (percentage changes at annual rates)	Q4 2014 TO Q2 2015	Q2 2015 TO Q4 2015	Q4 2015 TO Q2 2016	2014 TO 2015	2015 TO 2016
Real Gross Domestic Product	0.9	3.1	2.9	2.2	2.9
Nominal Gross Domestic Product	1.6	4.8	5.0	3.2	4.8
Nonresidential Fixed Investment	0.2	6.1	6.0	3.6	5.8
Corporate Profits After Taxes	-7.6	9.1	5.6	0.1	6.7
MONTHLY INDICATORS (percentage changes at annual rates)	DEC 2014 TO JUN 2015	JUN 2015 TO DEC 2015	DEC 2015 TO JUN 2016	2014 TO 2015	2015 TO 2016
Industrial Production	-0.9	3.1	3.1	2.0	3.0
Producer Prices - Finished Goods	-3.5	2.2	2.4	-3.2	1.9
Consumer Price Index (CPI-U)	0.5	2.2	2.0	0.1	2.1
Average Weekly Earnings in Mfg.	-2.7	2.6	1.9	1.6	2.2
Retail Trade	1.6	5.5	3.5	2.0	4.9
(levels of variables)	JUN 2015	DEC 2015	JUN 2016	2015	2016
Total Private Housing Starts (annual rate, millions)	1.135	1.192	1.256	1.107	1.297
Unemployment Rate (percent)	5.4	5.1	5.0	5.3	5.0
Automobile Sales (incl. foreign) (annual rate, millions)	7.6	7.8	7.9	7.6	7.8
FINANCIAL INDICATORS (levels of variables at end of month)	JUN 2015	DEC 2015	JUN 2016	DEC 2016	
Prime Interest Rate	3.25	3.53	4.25	4.75	
10-Year Treasury Note Yield	2.16	2.50	2.84	3.00	
3-Month Treasury Bill Rate	0.05	0.59	1.11	1.50	
Stock Prices (S&P500)	2107.7	2158.0	2218.0	2243.0	
LONG-TERM OUTLOOK Average Annual Growth Rate for the Next Ten Years					
Real GDP	2.50				
Consumer Price Index	2.20				

Source: Research Department, Federal Reserve Bank of Philadelphia, Livingston Survey, June 2015

LIVINGSTON SURVEY

June 2015

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 26; the tables do not reflect subsequent revisions to the data. All forecasts were received on or before June 5.

TABLE ONE
MAJOR MACROECONOMIC INDICATORS, 2015-2016
MEDIAN OF FORECASTER PREDICTIONS

QUARTERLY INDICATORS	NUMBER OF FORE- CASTERS	ACTUAL	FORECASTS		ACTUAL	FORECASTS		
		2014 Q4	2015 Q2	2015 Q4	2016 Q2	2014	2015	2016
1. Real Gross Domestic Product (billions, chain weighted)	28	16294.7	16365.2	16614.2	16850.1	16085.6	16436.4	16912.2
2. Nominal Gross Domestic Product (\$ billions)	28	17703.7	17846.9	18269.5	18717.1	17418.9	17974.9	18837.9
3. Nonresidential Fixed Investment (billions, chain weighted)	27	2169.8	2172.3	2237.5	2303.4	2116.4	2191.6	2318.8
4. Corporate Profits After Taxes (\$ billions)	17	1542.5	1483.0	1549.3	1591.9	1497.2	1499.0	1600.0
MONTHLY INDICATORS		ACTUAL DEC 2014	FORECASTS		ACTUAL 2014	FORECASTS		
			JUN 2015	DEC 2015	JUN 2016	2015	2016	
5. Industrial Production (2007=100)	25	106.2	105.7	107.3	108.9	104.1	106.2	109.4
6. Total Private Housing Starts (annual rate, millions)	25	1.080	1.135	1.192	1.256	1.001	1.107	1.297
7. Producer Prices - Finished Goods (index level)	20	196.7	193.3	195.4	197.6	200.3	194.0	197.6
8. Consumer Price Index (CPI-U) (index level)	26	236.3	236.8	239.4	241.8	236.7	237.1	242.0
9. Unemployment Rate (percent)	26	5.6	5.4	5.1	5.0	6.2	5.3	5.0
10. Average Weekly Earnings in Mfg. (\$)	10	841.6	830.3	841.2	849.2	822.1	835.7	854.3
11. Retail Trade (\$ billions)	15	437.6	441.1	453.0	460.8	433.8	442.5	464.0
12. Automobile Sales (incl. foreign) (annual rate, millions)	18	7.9	7.6	7.8	7.9	7.7	7.6	7.8

TABLE ONE (CONTINUED)

INTEREST RATES & STOCK PRICES (end of period)		ACTUAL	FORECASTS			
		DEC 2014	JUN 2015	DEC 2015	JUN 2016	DEC 2016
13. Prime Interest Rate (percent)	27	3.25	3.25	3.53	4.25	4.75
14. 10-Year Treasury Note Yield (percent)	28	2.17	2.16	2.50	2.84	3.00
15. 3-Month Treasury Bill Rate (percent)	28	0.04	0.05	0.59	1.11	1.50
16. Stock Prices (S&P500) (index level)	18	2058.9	2107.7	2158.0	2218.0	2243.0

Source: Research Department, Federal Reserve Bank of Philadelphia, Livingston Survey, June 2015

TABLE TWO
 MAJOR MACROECONOMIC INDICATORS, 2015-2016
 PERCENTAGE CHANGES AT ANNUAL RATES

QUARTERLY INDICATORS	NUMBER OF FORE- CASTERS	Q4 2014	Q2 2015	Q4 2015	2014	2015
		TO Q2 2015	TO Q4 2015	TO Q2 2016	TO 2015	TO 2016
1. Real Gross Domestic Product	28	0.9	3.1	2.9	2.2	2.9
2. Nominal Gross Domestic Product	28	1.6	4.8	5.0	3.2	4.8
3. Nonresidential Fixed Investment	27	0.2	6.1	6.0	3.6	5.8
4. Corporate Profits After Taxes	17	-7.6	9.1	5.6	0.1	6.7
MONTHLY INDICATORS		DEC 2014	JUN 2015	DEC 2015	2014	2015
		TO JUN 2015	TO DEC 2015	TO JUN 2016	TO 2015	TO 2016
5. Industrial Production	25	-0.9	3.1	3.1	2.0	3.0
6. Total Private Housing Starts	25	0.055	0.057	0.064	0.106	0.190
7. Producer Prices - Finished Goods	20	-3.5	2.2	2.4	-3.2	1.9
8. Consumer Price Index (CPI-U)	26	0.5	2.2	2.0	0.1	2.1
9. Unemployment Rate	26	-0.2	-0.3	-0.1	-0.8	-0.3
10. Average Weekly Earnings in Mfg.	10	-2.7	2.6	1.9	1.6	2.2
11. Retail Trade	15	1.6	5.5	3.5	2.0	4.9
12. Automobile Sales (incl. foreign)	18	-0.3	0.2	0.1	-0.1	0.2

		DEC 2014	JUN 2015	DEC 2015	JUN 2016
		TO	TO	TO	TO
INTEREST RATES & STOCK PRICES		JUN 2015	DEC 2015	JUN 2016	DEC 2016
13. Prime Interest Rate	27	0.00	0.28	0.72	0.50
14. 10-Year Treasury Note Yield	28	-0.01	0.34	0.34	0.16
15. 3-Month Treasury Bill Rate	28	0.01	0.54	0.52	0.39
16. Stock Prices (S&P500)	18	4.8	4.8	5.6	2.3

Note: Figures for housing starts, unemployment rate, auto sales, prime interest rate, 30-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 2015

TABLE THREE
LONG-TERM (10 YEAR) FORECASTS

SERIES: CPI Inflation Rate

STATISTIC	
Minimum	1.60
Lower Quartile	1.95
Median	2.20
Upper Quartile	2.50
Maximum	2.80
Mean	2.20
Std. Deviation	0.31
N	28
Missing	0

SERIES: Real GDP

STATISTIC	
Minimum	1.80
Lower Quartile	2.22
Median	2.50
Upper Quartile	2.59
Maximum	3.10
Mean	2.42
Std. Deviation	0.31
N	28
Missing	0
