Survey of Professional Forecasters

May 24, 1991

Economic Research Department

SECOND QUARTER 1991

Sticking by their outlook from February, the economic forecasters surveyed in May by the Federal Reserve Bank of Philadelphia still expect the recession to end this summer and modest economic growth and lower inflation to follow next year.

The results are based on a median forecast of 42 professional forecasters working in academic institutions, professional associations, and such sectors as financial services, manufacturing, transportation, and energy.

The forecasters expect real GNP growth to be flat in the second quarter, but to increase about 2.4 percent in the second half of 1991. Overall, they forecast a 2.6 percent rate of real GNP growth for next year.

Consumer price inflation is still expected to be lower in 1992, falling to 3.9 percent. Unlike in February, however, the forecasters now think interest rates are as low as they will get in the next 12 months.

Median Forecasts

	Real GNP Growth	Unemployment Rate	CPI Inflation Rate	Treasury Bill Rate (discount)
1991: Q1 (actual)	-2.8	6.5	3.5	6.1
Q2	-0.2	6.8	2.8	5.6
Q3	1.9	6.9	3.8	5.5
Q4	2.8	6.8	3.8	5.7
1992: Q1	3.0	6.7	4.0	6.0
Q2	3.1	6.6	3.8	6.2

Consumption Recovers First

Leading the way out of recession will be personal consumption, followed by residential investment and, later, business fixed investment. Inventories are also expected to grow. The forecasters foresee no growth in government expenditures and slight declines in net exports, both reversing recent trends.

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Reduced Chances of an Extended Recession
The forecasters are slightly more optimistic now than in February that recession will end after the second quarter. The mean probabilities for a decline in real GNP for each quarter are as follows:

Mean Probability of a Decline In Real GNP	*February 1991 Survey*	*May 1991 Survey*
1991: Q2	60	60
Q3	33	31
Q4	19	17
1992: Q1	12	11
Q2	n.a.	10

Improvement Foreseen for 1992

The forecasters continue to believe that economic growth and inflation will improve in 1992. Real GNP is expected to grow 2.6 percent next year after declining 0.5 percent in 1991. Inflation as measured by the Consumer Price Index is expected to fall to 3.9 percent, down from 4.4 percent in 1991. Measured by the GNP deflator, inflation falls to 3.4 percent, from 3.9 percent.

The forecasters assessed their uncertainties by assigning the following probabilities to their forecasts:

Change In Real GNP	*1990-91*	*1991-92*
4 percent or more	1	8
2.0 to 3.9 percent	6	55
0.0 to 1.9 percent	30	29
-2.0 to -0.1 percent	58	6
less than -2.0 percent	5	1

Change in GNP Deflator	*1990-91*	*1991-92*
8 percent or more	1	2
6.0 to 7.9 percent	4	7
4.0 to 5.9 percent	43	35
2.0 to 3.9 percent	47	51
less than 2.0 percent	5	5

The Philadelphia Fed's Survey of Professional Forecasters was formerly conducted by the National Bureau of Economic Research (NBER) and the American Statistical Association. The survey, which began in 1968, is conducted each quarter. The Federal Reserve Bank of Philadelphia, in cooperation with the NBER, assumed responsibility for the survey in June 1990.

For further information about the Survey of Professionai Forecasters, please contact:

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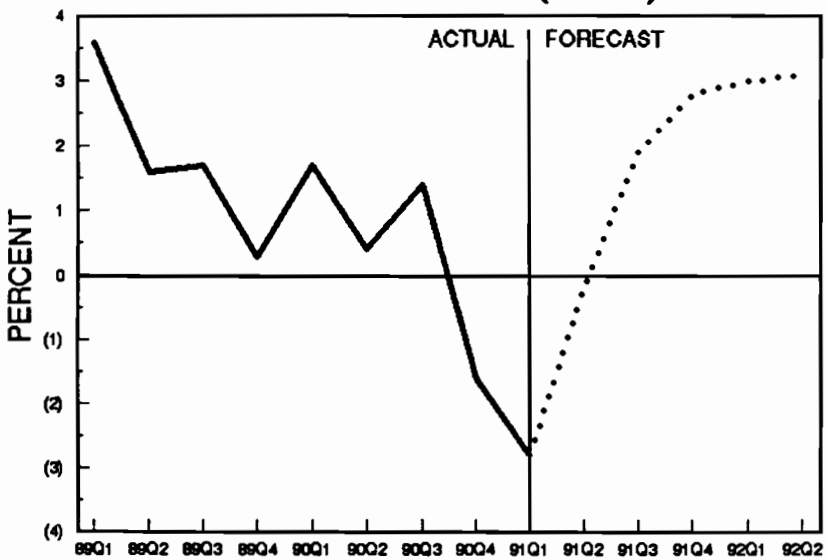
SURVEY OF PROFESSIONAL FORECASTERS

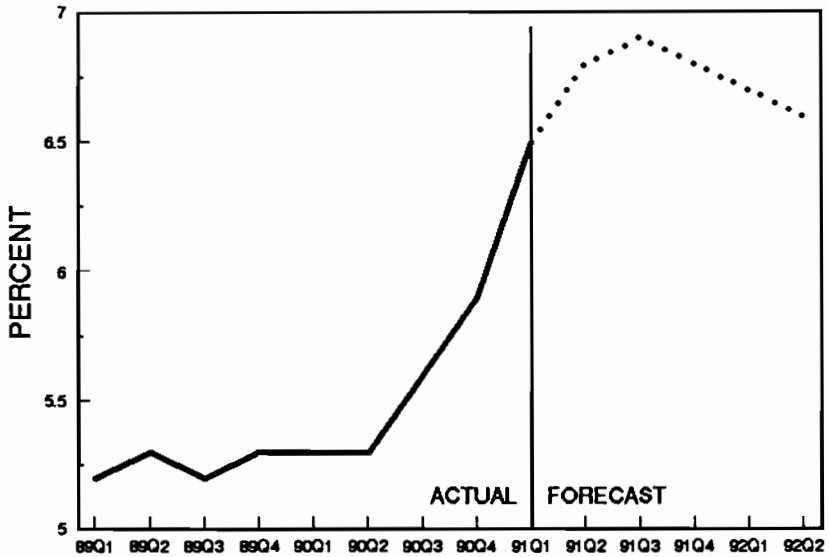
SECOND QUARTER 1991

TABLES AND CHARTS

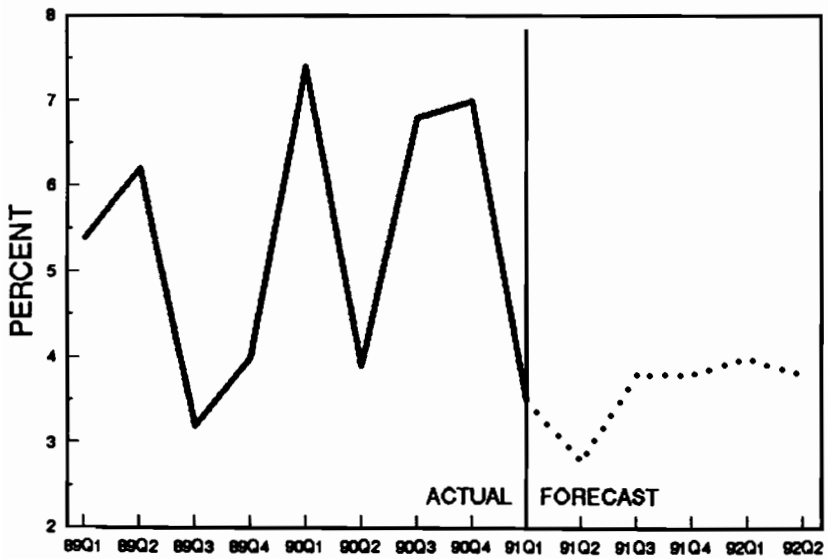
REAL GNP GROWTH (SAAR)



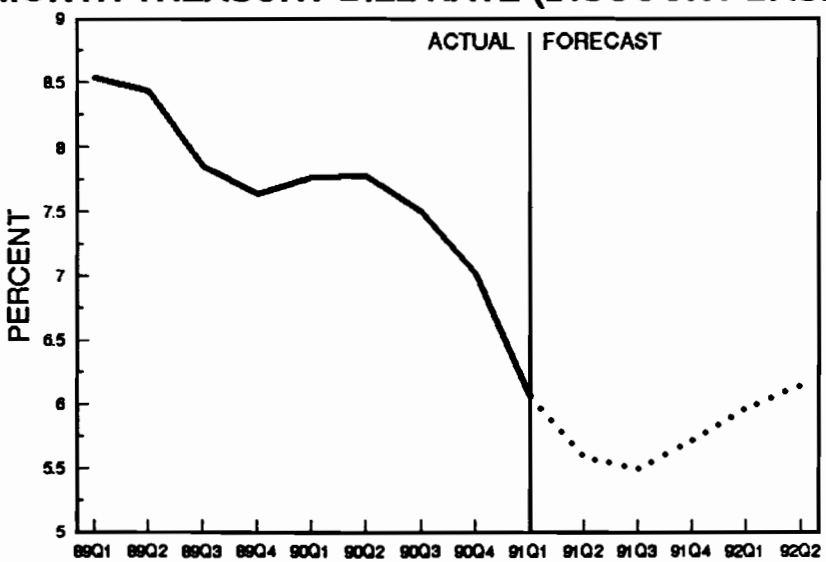
CIVILIAN UNEMPLOYMENT RATE



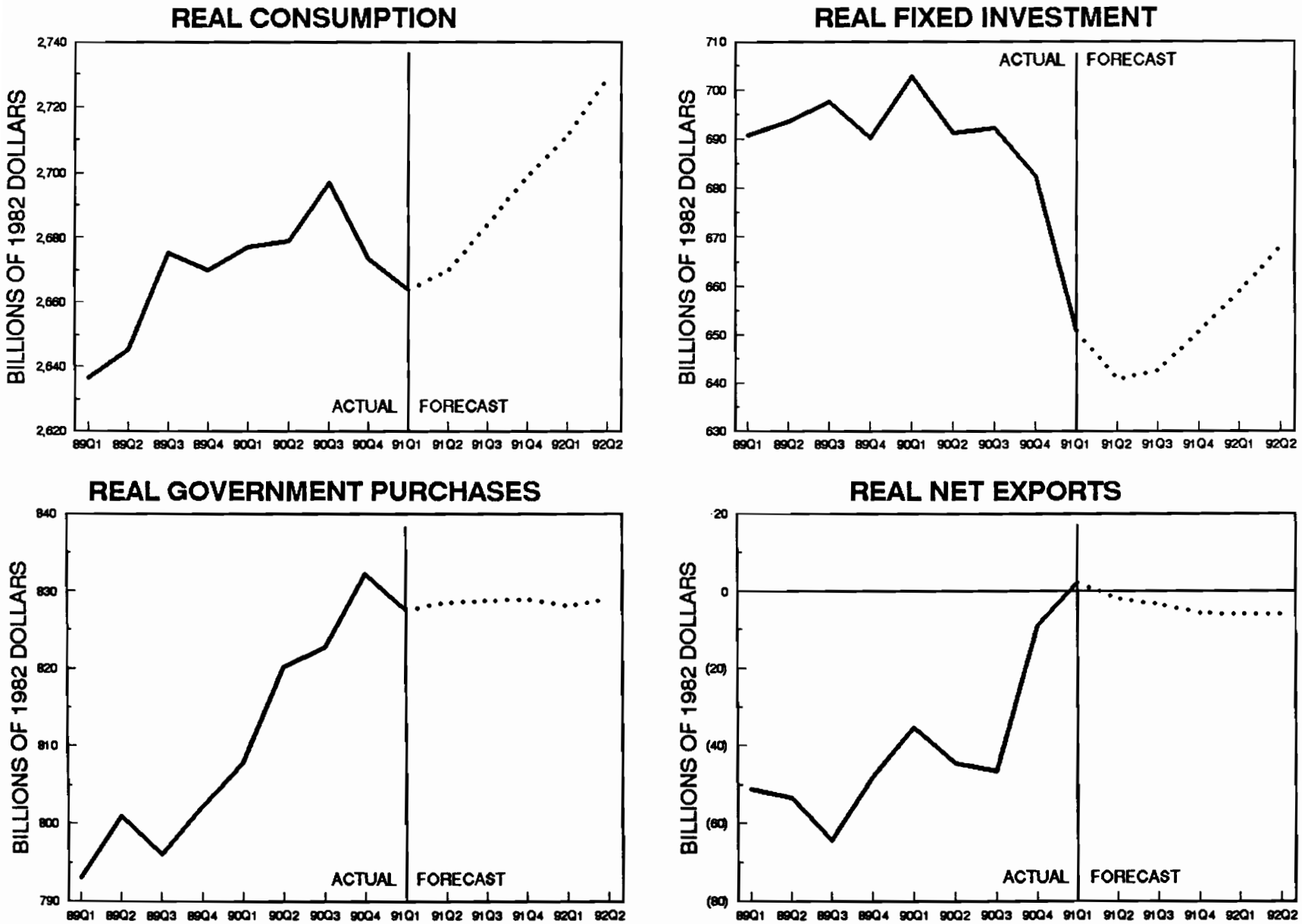
CONSUMER PRICE INFLATION



3-MONTH TREASURY BILL RATE (DISCOUNT BASIS)



SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA
SURVEY OF PROFESSIONAL FORECASTERS, MAY 1991



SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA
SURVEY OF PROFESSIONAL FORECASTERS, MAY 1991

TABLE ONE

PROJECTIONS OF GNP AND OTHER ECONOMIC INDICATORS, 1991-92
MEDIANS OF FORECASTER PREDICTIONS

	NUMBER OF FORE-CASTERS	ACTUAL 1991 Q1	FORECASTS 1991 Q2	1991 Q3	1991 Q4	1992 Q1	1992 Q2	ACTUAL 1990	FORECAST 1991	FORECAST 1992
1. GROSS NATIONAL PRODUCT ($ BILLIONS)	42	5562.3	5606.0	5679.6	5769.4	5862.0	5950.8	5465.1	5654.3	6002.0
2. GNP IMPLICIT PRICE DEFLATOR (1982=100)	42	134.9	136.0	137.2	138.3	139.4	140.6	131.5	136.6	141.3
3. CORPORATE PROFITS AFTER TAXES ($ BILLIONS)	38	177.6	168.3	175.8	179.5	186.0	191.4	172.5	174.2	195.5
4. UNEMPLOYMENT RATE (PERCENT)	42	6.5	6.8	6.9	6.8	6.7	6.6	5.5	6.8	6.5
5. INDUSTRIAL PRODUCTION (1987=100)	41	105.9	105.3	106.0	107.2	108.2	109.4	109.2	106.0	110.2
6. NEW PRIVATE HOUSING STARTS (ANNUAL RATE, MILLIONS)	41	.91	.98	1.05	1.12	1.20	1.24	1.20	1.02	1.24
7. CONSUMER PRICE INDEX (ANNUAL RATE)	40	3.5	2.8	3.8	3.8	4.0	3.8	6.3	4.4	3.9
8. TREASURY BILL RATE (3-MONTH)	42	6.06	5.59	5.50	5.72	5.97	6.15	7.51	5.70	6.10
9. NEW HIGH-GRADE CORPORATE BOND YIELD	40	8.94	8.80	8.75	8.82	8.81	8.93	9.32	8.81	8.90
10. GNP IN CONSTANT DOLLARS (BILLIONS OF 1982 DOLLARS)	42	4123.9	4122.0	4141.0	4169.8	4201.0	4233.4	4157.3	4138.1	4246.4

SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA, SURVEY OF PROFESSIONAL FORECASTERS, MAY 1991.

TABLE ONE CONTINUED

PROJECTIONS OF GNP AND OTHER ECONOMIC INDICATORS, 1991-92
MEDIANS OF FORECASTER PREDICTIONS

	NUMBER OF FORE-CASTERS	ACTUAL 1991 Q1	FORECASTS 1991 Q2	1991 Q3	1991 Q4	1992 Q1	1992 Q2	ACTUAL 1990	FORECAST 1991	FORECAST 1992
11. TOTAL CONSUMPTION EXPENDITURES (BILLIONS OF 1982 DOLLARS)	42	2664.1	2670.0	2683.9	2699.0	2711.3	2729.0	2681.6	2678.8	2738.3
12. NONRESIDENTIAL FIXED INVESTMENT (BILLIONS OF 1982 DOLLARS)	42	499.6	491.7	490.6	495.0	500.0	505.0	515.4	493.5	510.5
13. RESIDENTIAL FIXED INVESTMENT (BILLIONS OF 1982 DOLLARS)	42	151.2	149.0	152.0	155.7	159.0	163.1	176.8	152.0	165.5
14. FEDERAL GOVERNMENT PURCHASES (BILLIONS OF 1982 DOLLARS)	39	346.8	347.0	345.8	344.6	341.3	340.0	343.7	346.0	340.5
15. STATE AND LOCAL GOVERNMENT PURCHASES (BILLIONS OF 1982 DOLLARS)	39	480.7	481.6	483.0	484.3	486.9	489.1	477.1	482.0	490.0
16. CHANGE IN BUSINESS INVENTORIES (BILLIONS OF 1982 DOLLARS)	42	-20.7	-12.9	-3.8	2.0	8.0	12.0	-3.6	-8.0	14.4
17. NET EXPORTS OF GOODS AND SERVICES (BILLIONS OF 1982 DOLLARS)	42	2.2	-1.8	-3.5	-5.7	-6.0	-6.0	-33.8	-2.4	-5.9

SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA, SURVEY OF PROFESSIONAL FORECASTERS, MAY 1991.

TABLE TWO

PROJECTED PERCENTAGE CHANGES IN GNP AND OTHER ECONOMIC INDICATORS, 1991-92

	NUMBER OF FORE-CASTERS	Q1 1991 TO Q2 1991	Q2 1991 TO Q3 1991	Q3 1991 TO Q4 1991	Q4 1991 TO Q1 1992	Q1 1992 TO Q2 1992	1990 TO 1991	1991 TO 1992
1. GROSS NATIONAL PRODUCT ($ BILLIONS)	42	3.2	5.4	6.5	6.6	6.2	3.5	6.2
2. GNP IMPLICIT PRICE DEFLATOR (1982=100)	42	3.3	3.6	3.2	3.2	3.5	3.9	3.4
3. CORPORATE PROFITS AFTER TAXES ($ BILLIONS)	38	-19.5	19.2	8.7	15.3	12.1	1.0	12.2
4. UNEMPLOYMENT RATE (PERCENT)	42	.3	.1	-.1	-.1	-.1	1.3	-.3
5. INDUSTRIAL PRODUCTION (1987=100)	41	-2.2	2.7	4.6	3.8	4.3	-2.9	4.0
6. NEW PRIVATE HOUSING STARTS (ANNUAL RATE, MILLIONS)	41	31.2	34.5	31.3	27.8	16.3	-15.1	21.9
7. CONSUMER PRICE INDEX (ANNUAL RATE)	40	-.7	1.0	.0	.2	-.2	-1.9	-.5
8. TREASURY BILL RATE (3-MONTH)	42	-.47	-.09	.22	.25	.18	-1.81	.40
9. NEW HIGH-GRADE CORPORATE BOND YIELD	40	-.14	-.05	.07	-.01	.13	-.51	.09
10. GNP IN CONSTANT DOLLARS (BILLIONS OF 1982 DOLLARS)	42	-.2	1.9	2.8	3.0	3.1	-.5	2.6

NOTE: FIGURES FOR UNEMPLOYMENT RATE, PERCENT CHANGE IN CONSUMER PRICE INDEX, TREASURY BILL RATE, AND CORPORATE BOND YIELD ARE CHANGES IN THESE RATES, IN PERCENTAGE POINTS. ALL OTHERS ARE PERCENTAGE CHANGES AT ANNUAL RATES.

SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA, SURVEY OF PROFESSIONAL FORECASTERS, MAY 1991.

TABLE TWO CONTINUED

PROJECTED PERCENTAGE CHANGES IN GNP AND OTHER ECONOMIC INDICATORS, 1991-92

	NUMBER OF FORE-CASTERS	Q1 1991 TO Q2 1991	Q2 1991 TO Q3 1991	Q3 1991 TO Q4 1991	Q4 1991 TO Q1 1992	Q1 1992 TO Q2 1992	1990 TO 1991	1991 TO 1992
11. TOTAL CONSUMPTION EXPENDITURES (BILLIONS OF 1982 DOLLARS)	42	.9	2.1	2.3	1.8	2.6	-.1	2.2
12. NONRESIDENTIAL FIXED INVESTMENT (BILLIONS OF 1982 DOLLARS)	42	-6.2	-.9	3.6	4.1	4.1	-4.3	3.4
13. RESIDENTIAL FIXED INVESTMENT (BILLIONS OF 1982 DOLLARS)	42	-5.7	8.3	10.1	8.8	10.7	-14.0	8.9
14. FEDERAL GOVERNMENT PURCHASES (BILLIONS OF 1982 DOLLARS)	39	.2	-1.4	-1.4	-3.8	-1.5	.7	-1.6
15. STATE AND LOCAL GOVERNMENT PURCHASES (BILLIONS OF 1982 DOLLARS)	39	.8	1.2	1.1	2.1	1.9	1.0	1.7
16. CHANGE IN BUSINESS INVENTORIES (BILLIONS OF 1982 DOLLARS)	42	7.8	9.1	5.8	5.9	4.0	-4.4	22.4
17. NET EXPORTS OF GOODS AND SERVICES (BILLIONS OF 1982 DOLLARS)	42	-4.0	-1.7	-2.2	-.3	.0	31.4	-3.5

NOTE: FIGURES FOR BUSINESS INVENTORIES AND NET EXPORTS ARE CHANGES IN BILLIONS OF DOLLARS.
ALL OTHERS ARE PERCENTAGE CHANGES AT ANNUAL RATES.

SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA, SURVEY OF PROFESSIONAL FORECASTERS, MAY 1991.

TABLE THREE

ESTIMATED PROBABILITY OF DECLINE IN GNP IN CONSTANT DOLLARS

ESTIMATED PROBABILITY (CHANCES IN 100)	Q1 91 TO Q2 91	Q2 91 TO Q3 91	Q3 91 TO Q4 91	Q4 91 TO Q1 92	Q1 92 TO Q2 92
	NUMBER OF FORECASTERS				
10 OR LESS	1	5	18	30	31
11 TO 20	0	4	13	3	2
21 TO 30	3	17	6	4	6
31 TO 40	5	5	1	1	0
41 TO 50	8	8	2	2	1
51 TO 60	8	0	0	0	0
61 TO 70	4	0	0	0	0
71 TO 80	4	1	0	0	0
81 TO 90	3	0	0	0	0
91 AND OVER	4	0	0	0	0
NOT REPORTING	2	2	2	2	2
MEDIAN PROBABILITY	60	30	15	10	5
MEAN PROBABILITY	60	31	17	11	10

NOTE: TOTAL NUMBER OF FORECASTERS REPORTING IS 40.

SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA, SURVEY OF PROFESSIONAL FORECASTERS, MAY 1991.

TABLE FOUR

MEAN PROBABILITY OF CHANGES IN GNP AND PRICES
1990-91 AND 1991-92

MEAN PROBABILITY ATTACHED TO POSSIBLE
PERCENT CHANGES IN GNP IN 1982 DOLLARS:

	1990-91	1991-92
6.0 OR MORE	.25	1.08
4.0 TO 5.9	.52	7.22
2.0 TO 3.9	5.77	54.75
0.0 TO 1.9	30.40	29.23
-2.0 TO -0.1	57.58	6.30
LESS THAN -2.0	5.47	1.42

MEAN PROBABILITY ATTACHED TO POSSIBLE
PERCENT CHANGES IN GNP IMPLICIT PRICE DEFLATOR:

	1990-91	1991-92
10.0 OR MORE	.15	.38
8.0 TO 9.9	.73	1.15
6.0 TO 7.9	4.25	7.15
4.0 TO 5.9	43.50	35.08
2.0 TO 3.9	46.83	50.92
LESS THAN 2.0	4.55	5.31

NOTE: TOTAL NUMBER OF FORECASTERS REPORTING IS 40.

SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA, SURVEY OF PROFESSIONAL FORECASTERS, MAY 1991.