



# SURVEY OF PROFESSIONAL FORECASTERS

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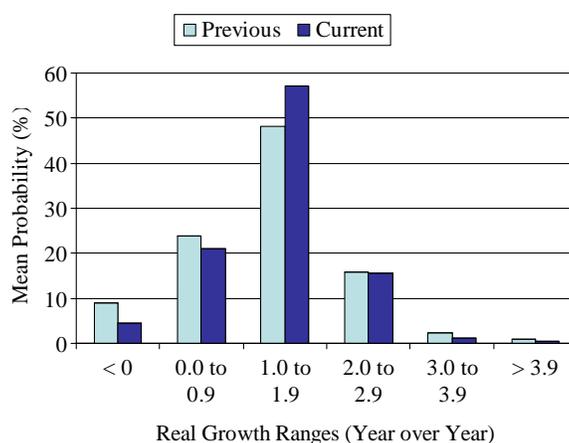
## THIRD QUARTER 2008

### Forecasters Project Another Round of Cuts to the Outlook for Short-Term Growth

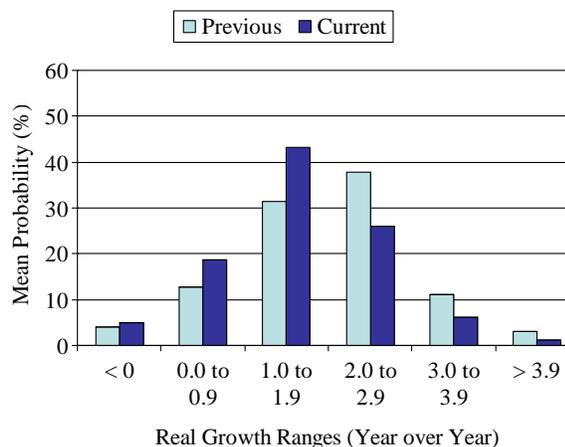
Growth in U.S. real output over the next few quarters looks slower now than it did just three months ago, according to 47 forecasters surveyed by the Federal Reserve Bank of Philadelphia. This is the sixth survey, beginning with the survey of the second quarter of 2007, in which the outlook for growth appears weaker. In the current quarter, real GDP is expected to grow at an annual rate of 1.2 percent, down from the previous estimate of 1.7 percent. The largest downward revision (1.1 percentage points at an annual rate) is for the fourth quarter, when real GDP is projected to grow at an annual rate of 0.7 percent, down from the previous projection of 1.8 percent. The forecasters also reduced their estimates by 0.7 percentage point for growth in the first quarter of 2009 and by 0.4 percentage point for growth in the second quarter of 2009. Year over year, growth is expected to average 1.7 percent in 2008 and 1.5 percent in 2009. Previously, the forecasters expected growth of 1.5 percent this year and 2.2 percent in 2009.

The charts below provide some information on the degree of uncertainty the forecasters have about year-over-year growth. Each chart presents the forecasters' estimates of the probability that growth will fall into each of six ranges. For 2008, the forecasters have increased their estimates that growth will be in the range of 1.0 to 1.9 percent, compared with their estimates of three months ago. Conversely, they have reduced their estimates that growth will be in the other five ranges. For 2009, the forecasters have raised their estimates that growth will be in the range of 1.9 percent or lower, compared with their estimates of three months ago. They see a lower chance that growth will be 2.0 percent or more. The forecasters see a 57 percent chance that year-over-year growth in 2008 will fall in the range of 1.0 to 1.9 percent. For 2009, they forecast a probability of 43 percent that year-over-year growth will fall in the range of 1.0 to 1.9 percent.

Mean Probabilities for Real GDP Growth in 2008



Mean Probabilities for Real GDP Growth in 2009



### ***Deteriorating Conditions in the Labor Market***

A weaker near-term outlook for the labor market accompanies the outlook for slower output growth. The forecasters predict unemployment will rise from 5.7 percent this quarter to 6.0 percent in the first quarter of 2009. Previously, they forecasted unemployment would rise from 5.4 percent to 5.5 percent over the same period. Unemployment is expected to average 5.4 percent this year and 6.0 percent in 2009. On the jobs front, the forecasters project job losses in the current quarter at a rate of 46,500 per month. They also see a reduction in jobs of 45,400 per month in the fourth quarter of 2008 and 29,800 in the first quarter of 2009. They previously estimated job losses of 4,800 in the current quarter and job gains of 26,500 and 55,500 per month in the fourth quarter of 2008 and the first quarter of 2009. On an annual average basis, monthly jobs are expected to be flat in 2008, down from a gain of 18,300 previously, and they are expected to gain only 1,800 in 2009, down from a gain of 61,600 in the last survey.

The table below summarizes the forecasts for real GDP and the labor market and compares the current projections with those of three months ago.

	<i>Real GDP (%)</i>		<i>Unemployment Rate (%)</i>		<i>Payrolls (000s/month)</i>	
	<i>Previous</i>	<i>New</i>	<i>Previous</i>	<i>New</i>	<i>Previous</i>	<i>New</i>
<i>Quarterly data:</i>						
2008:Q3	1.7	1.2	5.4	5.7	-4.8	-46.5
Q4	1.8	0.7	5.5	5.8	26.5	-45.4
2009:Q1	2.3	1.6	5.5	6.0	55.5	-29.8
Q2	2.5	2.1	5.5	6.0	79.3	57.9
Q3	N.A.	2.5	N.A.	6.0	N.A.	63.1
<i>Annual average data:</i>						
2008	1.5	1.7	5.3	5.4	18.3	0.0
2009	2.2	1.5	5.6	6.0	61.6	1.8

### ***Increased Chance of a Downturn***

The risk for a quarter of negative growth in real GDP has risen. As the table below shows, the forecasters have revised upward the likelihood of a quarter of negative growth over the next four quarters. The forecasters see a 47 percent chance of negative growth in the fourth quarter of 2008, up from 30 percent in the last survey.

#### *Risk of a Negative Quarter (%)*

	<i>Previous</i>	<i>New</i>
<i>Quarterly data:</i>		
2008: Q3	28.7	34.1
Q4	29.9	46.6
2009: Q1	24.3	32.9
Q2	18.8	22.4
Q3	N.A.	17.4

### ***Little Change to Near-Term Core Inflation Forecasts***

The outlook for core CPI inflation (fourth-quarter over fourth-quarter) averages about 2.2 percent over each of the next three years, down slightly from the previous estimate of 2.3 percent in each of the next three years (not shown in the table on the next page). Conversely, the forecasters have raised their estimates 0.1 percentage point for core PCE inflation in 2008, from 2.1 percent (not shown) to 2.2 percent. The forecasters see slightly lower core PCE inflation for 2009 and 2010—from about 2.1 percent in both years (not shown) in the last survey to 2.0 percent in this survey.

**Long-Term Expectations for Headline Inflation Hold Steady**

Turning to the long run, as the table below shows, headline CPI inflation will average 2.6 percent over the next five years, matching the forecasters' previous estimate (not shown). Similarly, the forecasters have not changed the estimate for headline CPI inflation over the next 10 years, 2008-2017. That estimate remains at 2.5 percent. The forecasters predict headline PCE inflation will average 2.3 percent over the next five years and 2.2 percent over the next 10 years, the same as in their previous estimates (not shown).

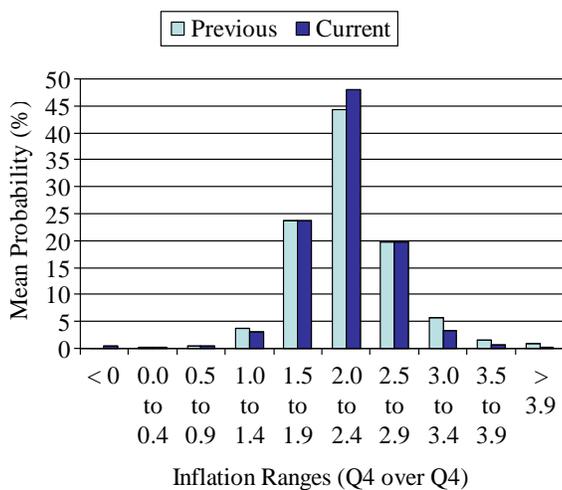
*Short-Run and Long-Run Projections for Inflation*

	CPI (%)		PCE Price Index (%)	
	Headline	Core	Headline	Core
<i>Quarterly data:</i>				
2008: Q3	5.3	2.5	4.1	2.2
Q4	2.9	2.3	2.6	2.1
2009: Q1	2.6	2.3	2.4	2.1
Q2	2.3	2.2	2.0	2.0
Q3	2.3	2.3	2.0	2.0
<i>Fourth-quarter over fourth-quarter data:</i>				
2008	4.3	2.3	3.7	2.2
2009	2.4	2.2	2.1	2.0
2010	2.4	2.2	2.2	2.0
<i>Long-run projections:</i>				
2008-2012	2.6	N.A.	2.3	N.A.
2008-2017	2.5	N.A.	2.2	N.A.

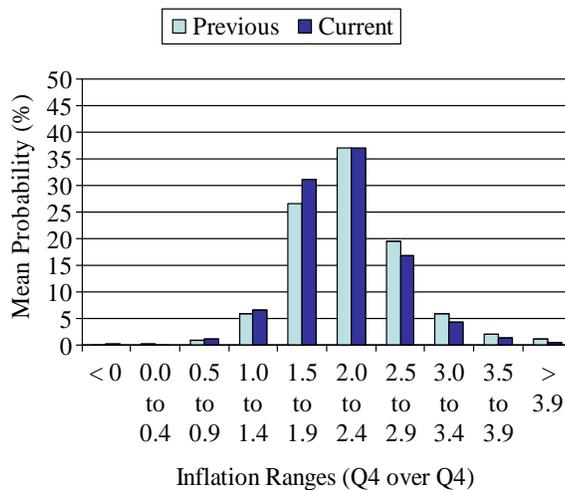
The figures below show the probabilities that the forecasters are assigning to the possibility that fourth-quarter over fourth-quarter core PCE inflation in 2008 and 2009 will fall into each of 10 ranges. The figures show the estimates for the current survey and the survey of three months ago.

For 2008, the forecasters have raised the probability that inflation will be in the range of 2.0 to 2.4 percent. That estimate now stands at 48 percent, up from 44 percent previously. The probabilities that inflation will fall in the range of 1.5 to 1.9 percent and 2.5 to 2.9 percent are little changed from those the forecasters assigned in the survey of three months ago. For 2009, the forecasters have increased their estimates that core PCE inflation will be in the range of 2.4 percent or lower compared with their estimates of three months ago. They also see a lower chance that core PCE will be 2.5 percent or more.

Mean Probabilities for Core PCE Inflation in 2008



Mean Probabilities for Core PCE Inflation in 2009



### ***Equilibrium Unemployment Pegged at 5 Percent***

In third-quarter surveys, we ask the forecasters to provide their estimates of the natural rate of unemployment — the rate of unemployment that occurs when the economy reaches equilibrium. The forecasters peg this rate at 5 percent, up from their estimate of 4.65 percent in last year’s third-quarter survey. The table below shows, for each third-quarter survey since 2001, the percentage of respondents who use the natural rate in their forecasts, and for those who use it, the median estimate and the highest and lowest estimates. In the current survey, 48 percent of the 42 forecasters who answered the question report that they use the natural rate in their forecasts. The lowest estimate is 4 percent and the highest estimate is 5.5 percent.

#### *Median Estimates of the Natural Rate of Unemployment*

Survey Date	Percentage Who Use The Natural Rate	Median Estimate (%)	Low (%)	High (%)
2001:Q3	34	4.88	3.50	5.50
2002:Q3	50	5.10	3.80	5.50
2003:Q3	41	5.00	4.31	5.40
2004:Q3	46	5.00	4.00	5.50
2005:Q3	51	5.00	4.25	5.50
2006:Q3	53	4.95	4.00	5.50
2007:Q3	52	4.65	4.20	5.50
2008:Q3	48	5.00	4.00	5.50

The Federal Reserve Bank of Philadelphia thanks the following forecasters for their participation in our surveys:

**Scott Anderson**, Wells Fargo and Company; **Robert J. Barbera**, ITG Inc.; **Jay Brinkmann**, Mortgage Bankers Association; **Joseph Carson**, Alliance Capital Management; **Christine Chmura, Ph.D.** and **Xiaobing Shuai, Ph.D.**, Chmura Economics & Analytics; **Gary Ciminero, CFA**, Rhode Island House Policy Office; **Richard DeKaser**, National City Corporation; **Rajeev Dhawan**, Georgia State University; **Shawn Dubravac**, Consumer Electronics Association; **Michael R. Englund**, Action Economics, LLC; **Fannie Mae**; **Gerard F. Fuda**, Independent Economist; **Stephen Gallagher**, Societe Generale; **James Glassman**, JP Morgan Chase & Co.; **Global Insight**; **Jeoff Hall**, Thomson Financial, IFR; **Ethan Harris**, Lehman Brothers; **Keith Hembre**, First American Funds; **Peter Hooper**, Deutsche Bank Securities, Inc.; **William B. Hummer**, Wayne Hummer Investments; **Saul Hymans**, **Joan Crary**, and **Janet Wolfe**, RSQE, University of Michigan; **Peter Jaquette**, Weyerhaeuser Company; **Fred Joutz**, Benchmark Forecasts and Research Program on Forecasting, George Washington University; **Kurt Karl**, Swiss Re; **Nathaniel Karp**, Compass Bank; **Dr. Irwin Kellner**, Hofstra University/MarketWatch/North Fork Bank; **Jack Kleinhenz**, Kleinhenz & Associates, Inc.; **Thomas Lam**, UOB Group; **L. Douglas Lee**, Economics from Washington; **Allan R. Leslie**, Economic Consultant; **Mickey D. Levy**, Bank of America; **Joseph Liro**, Stone & McCarthy Research Associates; **John Lonski**, Moody’s Investors Service; **Macroeconomic Advisers, LLC**; **Dean Maki**, Barclays Capital; **Edward F. McKelvey**, Goldman Sachs; **Jim Meil**, Eaton Corporation; **Anthony Metz**, Pareto Optimal Economics; **Ardavan Mobasher**, RCAM Capital; **Michael Moran**, Daiwa Securities America; **Joel L. Naroff**, Naroff Economic Advisors; **Mark Nielson, Ph.D.**, MacroEcon Global Advisors; **Michael P. Niemira**, International Council of Shopping Centers; **Luca Noto**, Monte Paschi Asset Management; **Martin A. Regalia**, U.S. Chamber of Commerce; **David Resler**, Nomura Securities International, Inc.; **David Rosenberg**, Merrill Lynch; **David F. Seiders**, National Association of Home Builders; **John Silvia**, Wachovia Corporation; **Allen Sinai**, Decision Economics, Inc; **Tara M. Sinclair**, Research Program on Forecasting, George Washington University; **Sean M. Snaith, Ph.D.**, University of Central Florida; **Constantine G. Soras, Ph.D.**, Verizon Communications; **Neal Soss**, Credit Suisse; **Stephen Stanley**, RBS Greenwich Capital; **Susan M. Sterne**, Economic Analysis Associates, Inc.; **Edward Sullivan**, Portland Cement Association; **Thomas Kevin Swift**, American Chemistry Council; **Lea Tyler**, Oxford Economics USA, Inc.; **Albert M. Wojnilower**; **Jay N. Woodworth**, Woodworth Holdings, Ltd.; **Richard Yamarone**, Argus Research Group; **Mark Zandi**, Economy.com; **Ellen Beeson Zentner**, Bank of Tokyo-Mitsubishi UFJ, Ltd.

This is a partial list of participants. We also thank those who wish to remain anonymous.

SUMMARY TABLE  
 SURVEY OF PROFESSIONAL FORECASTERS  
 MAJOR MACROECONOMIC INDICATORS, 2008-2010

	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2008 (YEAR-OVER-YEAR)	2009	
PERCENT GROWTH AT ANNUAL RATES								
1. REAL GDP (BILLIONS, CHAIN WEIGHTED)	1.2	0.7	1.6	2.1	2.5	1.7	1.5	
2. GDP PRICE INDEX (PERCENT CHANGE)	2.6	2.4	2.4	2.4	1.7	2.2	2.2	
3. NOMINAL GDP (\$ BILLIONS)	4.3	3.1	4.0	4.4	4.8	3.8	4.1	
4. NONFARM PAYROLL EMPLOYMENT (PERCENT CHANGE)	-0.4	-0.4	-0.3	0.5	0.6	0.0	0.0	
(AVG MONTHLY CHANGE)	-46.5	-45.4	-29.8	57.9	63.1	0.0	1.8	
VARIABLES IN LEVELS								
5. UNEMPLOYMENT RATE (PERCENT)	5.7	5.8	6.0	6.0	6.0	5.4	6.0	
6. 3-MONTH TREASURY BILL (PERCENT)	1.8	1.9	2.1	2.3	2.6	1.8	2.5	
7. 10-YEAR TREASURY BOND (PERCENT)	4.0	4.1	4.2	4.3	4.5	3.9	4.4	
	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2008	2009	2010
						(Q4-OVER-Q4)		
INFLATION INDICATORS								
8. CPI (ANNUAL RATE)	5.3	2.9	2.6	2.3	2.3	4.3	2.4	2.3
9. CORE CPI (ANNUAL RATE)	2.5	2.3	2.3	2.2	2.3	2.3	2.2	2.2
10. PCE (ANNUAL RATE)	4.1	2.6	2.4	2.0	2.0	3.7	2.1	2.2
11. CORE PCE (ANNUAL RATE)	2.2	2.1	2.1	2.0	2.0	2.2	2.0	2.0

THE FIGURES ON EACH LINE ARE MEDIANS OF 47 INDIVIDUAL FORECASTERS.

SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA.  
 SURVEY OF PROFESSIONAL FORECASTERS, THIRD QUARTER 2008.

# **SURVEY OF PROFESSIONAL FORECASTERS**

**Third Quarter 2008**

**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 July 31; the tables do not reflect subsequent revisions to the data. All forecasts were received on or before August 7, 2008.

TABLE ONE  
 MAJOR MACROECONOMIC INDICATORS, 2008-2009  
 MEDIANS OF FORECASTER PREDICTIONS

	NUMBER OF FORECASTERS	ACTUAL	FORECAST					ACTUAL	FORECAST	
		2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2007 ANNUAL	2008 ANNUAL	2009 ANNUAL
1. GROSS DOMESTIC PRODUCT (GDP) (\$ BILLIONS)	45	14256.5	14405.8	14517.7	14660.6	14820.5	14993.6	13807.6	14332.3	14914.1
2. GDP PRICE INDEX (2000=100)	45	121.93	122.71	123.44	124.18	124.92	125.45	119.82	122.41	125.15
3. CORPORATE PROFITS AFTER TAXES (\$ BILLIONS)	25	N.A.	1204.9	1201.5	1198.7	1220.7	1238.6	1192.1	1191.5	1207.1
4. UNEMPLOYMENT RATE (PERCENT)	47	5.3	5.7	5.8	6.0	6.0	6.0	4.6	5.4	6.0
5. NONFARM PAYROLL EMPLOYMENT (THOUSANDS)	37	137702	137563	137426	137337	137511	137700	137618	137618	137639
6. INDUSTRIAL PRODUCTION (2002=100)	43	111.4	111.5	111.7	112.0	112.6	113.0	111.4	111.8	112.9
7. NEW PRIVATE HOUSING STARTS (ANNUAL RATE, MILLIONS)	42	1.02	0.93	0.93	0.95	0.98	1.01	1.34	0.98	0.99
8. 3-MONTH TREASURY BILL RATE (PERCENT)	44	1.63	1.78	1.85	2.06	2.30	2.64	4.35	1.82	2.46
9. AAA CORPORATE BOND YIELD (PERCENT)	40	5.60	5.70	5.79	5.77	5.83	5.94	5.56	5.64	5.85
10. 10-YEAR TREASURY BOND YIELD (PERCENT)	46	3.89	4.00	4.09	4.22	4.31	4.50	4.63	3.90	4.35
11. REAL GDP (BILLIONS, CHAIN WEIGHTED)	47	11700.6	11734.2	11755.0	11801.0	11862.8	11937.3	11523.9	11717.7	11899.0
12. TOTAL CONSUMPTION EXPENDITURE (BILLIONS, CHAIN WEIGHTED)	47	8347.5	8358.0	8365.4	8388.8	8424.9	8466.7	8252.8	8346.2	8448.4
13. NONRESIDENTIAL FIXED INVESTMENT (BILLIONS, CHAIN WEIGHTED)	45	1431.3	1431.3	1431.0	1433.4	1441.0	1449.1	1383.0	1429.1	1445.1
14. RESIDENTIAL FIXED INVESTMENT (BILLIONS, CHAIN WEIGHTED)	44	367.1	353.6	345.0	342.7	345.6	350.2	453.8	362.8	347.8
15. FEDERAL GOVERNMENT C & I (BILLIONS, CHAIN WEIGHTED)	44	785.2	788.1	792.0	795.2	799.4	802.7	752.9	784.4	800.6
16. STATE AND LOCAL GOVT C & I (BILLIONS, CHAIN WEIGHTED)	44	1271.7	1275.0	1279.3	1283.6	1288.6	1292.4	1259.0	1273.1	1290.7
17. CHANGE IN PRIVATE INVENTORIES (BILLIONS, CHAIN WEIGHTED)	44	-62.2	-33.8	-20.0	-3.9	3.6	8.0	-2.5	-30.6	5.2
18. NET EXPORTS (BILLIONS, CHAIN WEIGHTED)	43	-395.2	-390.4	-383.1	-375.0	-367.8	-358.7	-546.5	-408.4	-367.9

SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA. SURVEY OF PROFESSIONAL FORECASTERS, THIRD QUARTER 2008.

TABLE TWO  
 MAJOR MACROECONOMIC INDICATORS, 2008-2009  
 PERCENTAGE CHANGES AT ANNUAL RATES

	NUMBER OF FORECASTERS	Q2 2008 TO Q3 2008	Q3 2008 TO Q4 2008	Q4 2008 TO Q1 2009	Q1 2009 TO Q2 2009	Q2 2009 TO Q3 2009	2007 TO 2008	2008 TO 2009
1. GROSS DOMESTIC PRODUCT (GDP) (\$ BILLIONS)	45	4.3	3.1	4.0	4.4	4.8	3.8	4.1
2. GDP PRICE INDEX (2000=100)	45	2.6	2.4	2.4	2.4	1.7	2.2	2.2
3. CORPORATE PROFITS AFTER TAXES (\$ BILLIONS)	25	11.3	-1.1	-0.9	7.6	6.0	-0.1	1.3
4. UNEMPLOYMENT RATE (PERCENT)	47	0.4	0.1	0.2	0.0	0.0	0.8	0.6
5. NONFARM PAYROLL EMPLOYMENT (PERCENT CHANGE)	37	-0.4	-0.4	-0.3	0.5	0.6	0.0	0.0
(AVG MONTHLY CHANGE)	37	-46.5	-45.4	-29.8	57.9	63.1	0.0	1.8
6. INDUSTRIAL PRODUCTION (2002=100)	43	0.4	0.6	1.0	2.3	1.5	0.3	1.0
7. NEW PRIVATE HOUSING STARTS (ANNUAL RATE, MILLIONS)	42	-30.8	-0.7	11.3	12.1	12.5	-27.0	1.2
8. 3-MONTH TREASURY BILL RATE (PERCENT)	44	0.15	0.07	0.21	0.24	0.34	-2.53	0.64
9. AAA CORPORATE BOND YIELD (PERCENT)	40	0.10	0.08	-0.01	0.05	0.11	0.08	0.21
10. 10-YEAR TREASURY BOND YIELD (PERCENT)	46	0.11	0.09	0.13	0.09	0.19	-0.73	0.45
11. REAL GDP (BILLIONS, CHAIN WEIGHTED)	47	1.2	0.7	1.6	2.1	2.5	1.7	1.5
12. TOTAL CONSUMPTION EXPENDITURE (BILLIONS, CHAIN WEIGHTED)	47	0.5	0.4	1.1	1.7	2.0	1.1	1.2
13. NONRESIDENTIAL FIXED INVESTMENT (BILLIONS, CHAIN WEIGHTED)	45	0.0	-0.1	0.7	2.1	2.3	3.3	1.1
14. RESIDENTIAL FIXED INVESTMENT (BILLIONS, CHAIN WEIGHTED)	44	-13.9	-9.4	-2.6	3.5	5.4	-20.1	-4.1
15. FEDERAL GOVERNMENT C & I (BILLIONS, CHAIN WEIGHTED)	44	1.5	2.0	1.6	2.1	1.7	4.2	2.1
16. STATE AND LOCAL GOVT C & I (BILLIONS, CHAIN WEIGHTED)	44	1.0	1.4	1.3	1.6	1.2	1.1	1.4
17. CHANGE IN PRIVATE INVENTORIES (BILLIONS, CHAIN WEIGHTED)	44	28.5	13.8	16.1	7.5	4.4	-28.1	35.8
18. NET EXPORTS (BILLIONS, CHAIN WEIGHTED)	43	4.8	7.3	8.1	7.2	9.2	138.1	40.5

NOTE: FIGURES FOR UNEMPLOYMENT RATE, TREASURY BILL RATE, AAA CORPORATE BOND YIELD,  
 AND 10-YEAR TREASURY BOND YIELD ARE CHANGES IN THESE RATES, IN PERCENTAGE POINTS.  
 FIGURES FOR CHANGE IN PRIVATE INVENTORIES AND NET EXPORTS ARE CHANGES IN BILLIONS OF CHAIN-WEIGHTED DOLLARS.  
 ALL OTHERS ARE PERCENTAGE CHANGES AT ANNUAL RATES.

SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA. SURVEY OF PROFESSIONAL FORECASTERS, THIRD QUARTER 2008.

TABLE THREE  
 MAJOR PRICE INDICATORS, 2008-2010  
 MEDIANS OF FORECASTER PREDICTIONS

	NUMBER OF FORECASTERS	ACTUAL	FORECAST(Q/Q)					ACTUAL	FORECAST(Q4/Q4)		
		2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2007 ANNUAL	2008 ANNUAL	2009 ANNUAL	2010 ANNUAL
1. CONSUMER PRICE INDEX (ANNUAL RATE)	45	5.0	5.3	2.9	2.6	2.3	2.3	4.0	4.3	2.4	2.4
2. CORE CONSUMER PRICE INDEX (ANNUAL RATE)	42	1.9	2.5	2.3	2.3	2.2	2.3	2.3	2.3	2.2	2.2
3. PCE PRICE INDEX (ANNUAL RATE)	37	4.2	4.1	2.6	2.4	2.0	2.0	3.5	3.7	2.1	2.2
4. CORE PCE PRICE INDEX (ANNUAL RATE)	39	2.1	2.2	2.1	2.1	2.0	2.0	2.2	2.2	2.0	2.0

SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA. SURVEY OF PROFESSIONAL FORECASTERS, THIRD QUARTER 2008.

TABLE FOUR  
ESTIMATED PROBABILITY OF DECLINE IN REAL GDP

ESTIMATED PROBABILITY (CHANGES IN 100)	Q2 2008 TO Q3 2008	Q3 2008 TO Q4 2008	Q4 2008 TO Q1 2009	Q1 2009 TO Q2 2009	Q2 2009 TO Q3 2009
NUMBER OF FORECASTERS					
10 OR LESS	8	2	4	13	17
11 TO 20	6	0	10	11	14
21 TO 30	7	13	12	9	6
31 TO 40	13	5	7	7	4
41 TO 50	2	11	5	4	1
51 TO 60	4	3	4	0	1
61 TO 70	1	4	1	0	0
71 TO 80	2	3	1	0	0
81 TO 90	1	1	0	0	0
91 AND OVER	0	2	0	0	0
NOT REPORTING	3	3	3	3	4
MEAN AND MEDIAN					
MEDIAN PROBABILITY	33.50	45.00	30.00	20.00	15.00
MEAN PROBABILITY	34.09	46.57	32.89	22.39	17.44

NOTE: TOTAL NUMBER OF FORECASTERS REPORTING IS 44.  
SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA.  
SURVEY OF PROFESSIONAL FORECASTERS, THIRD QUARTER 2008.

TABLE FIVE  
 MEAN PROBABILITY OF CHANGES IN GDP AND PRICES  
 2007-2008 AND 2008-2009

MEAN PROBABILITY ATTACHED TO POSSIBLE  
 PERCENT CHANGES IN REAL GDP:

	2007-2008	2008-2009
6.0 OR MORE	0.04	0.15
5.0 TO 5.9	0.10	0.17
4.0 TO 4.9	0.25	0.89
3.0 TO 3.9	1.26	6.13
2.0 TO 2.9	15.62	26.04
1.0 TO 1.9	57.09	43.08
0.0 TO 0.9	21.06	18.60
-1.0 TO -0.1	3.30	3.23
-2.0 TO -1.1	0.58	1.02
LESS THAN -2.0	0.71	0.71

MEAN PROBABILITY ATTACHED TO POSSIBLE  
 PERCENT CHANGES IN GDP PRICE INDEX:

	2007-2008	2008-2009
8.0 OR MORE	0.18	0.27
7.0 TO 7.9	0.18	0.27
6.0 TO 6.9	0.29	0.41
5.0 TO 5.9	0.81	0.92
4.0 TO 4.9	4.20	4.54
3.0 TO 3.9	16.58	19.19
2.0 TO 2.9	55.37	47.54
1.0 TO 1.9	20.20	21.84
0.0 TO 0.9	2.02	4.60
WILL DECLINE	0.16	0.42

NOTE: TOTAL NUMBER OF FORECASTERS REPORTING IS 43.  
 SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA.  
 SURVEY OF PROFESSIONAL FORECASTERS, THIRD QUARTER 2008.

TABLE SIX  
 MEAN PROBABILITY OF CORE CPI AND CORE PCE INFLATION (Q4/Q4)  
 2007Q4 TO 2008Q4 AND 2008Q4 TO 2009Q4

MEAN PROBABILITY ATTACHED TO CORE CPI INFLATION:

	07Q4 TO 08Q4	08Q4 TO 09Q4
4 PERCENT OR MORE	2.09	0.92
3.5 TO 3.9 PERCENT	2.08	2.16
3.0 TO 3.4 PERCENT	5.87	9.33
2.5 TO 2.9 PERCENT	26.93	22.50
2.0 TO 2.4 PERCENT	49.57	42.30
1.5 TO 1.9 PERCENT	11.38	18.50
1.0 TO 1.4 PERCENT	1.36	3.59
0.5 TO 0.9 PERCENT	0.39	0.40
0.0 TO 0.4 PERCENT	0.20	0.17
WILL DECLINE	0.12	0.14

MEAN PROBABILITY ATTACHED TO CORE PCE INFLATION:

	07Q4 TO 08Q4	08Q4 TO 09Q4
4 PERCENT OR MORE	0.27	0.59
3.5 TO 3.9 PERCENT	0.75	1.54
3.0 TO 3.4 PERCENT	3.36	4.32
2.5 TO 2.9 PERCENT	19.83	16.96
2.0 TO 2.4 PERCENT	48.11	36.95
1.5 TO 1.9 PERCENT	23.69	31.04
1.0 TO 1.4 PERCENT	3.00	6.71
0.5 TO 0.9 PERCENT	0.48	1.27
0.0 TO 0.4 PERCENT	0.13	0.20
WILL DECLINE	0.38	0.41

NOTE: TOTAL NUMBER OF FORECASTERS REPORTING IS 41.  
 SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA.  
 SURVEY OF PROFESSIONAL FORECASTERS, THIRD QUARTER 2008.

TABLE SEVEN  
LONG-TERM (5-YEAR AND 10-YEAR) FORECASTS

ANNUAL AVERAGE OVER THE NEXT 5 YEARS: 2008-2012

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CPI INFLATION RATE		PCE INFLATION RATE	
-----		-----	
MINIMUM	1.80	MINIMUM	1.65
LOWER QUARTILE	2.23	LOWER QUARTILE	2.00
MEDIAN	2.60	MEDIAN	2.30
UPPER QUARTILE	3.00	UPPER QUARTILE	2.50
MAXIMUM	4.00	MAXIMUM	3.60
MEAN	2.65	MEAN	2.31
STD. DEVIATION	0.48	STD. DEVIATION	0.45
N	42	N	37
MISSING	5	MISSING	10

ANNUAL AVERAGE OVER THE NEXT 10 YEARS: 2008-2017

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CPI INFLATION RATE		PCE INFLATION RATE	
-----		-----	
MINIMUM	1.75	MINIMUM	1.50
LOWER QUARTILE	2.20	LOWER QUARTILE	2.00
MEDIAN	2.50	MEDIAN	2.20
UPPER QUARTILE	2.70	UPPER QUARTILE	2.40
MAXIMUM	4.10	MAXIMUM	3.90
MEAN	2.51	MEAN	2.25
STD. DEVIATION	0.46	STD. DEVIATION	0.46
N	41	N	36
MISSING	6	MISSING	11

SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA.  
SURVEY OF PROFESSIONAL FORECASTERS, THIRD QUARTER 2008.

TABLE EIGHT  
NON-ACCERELATING INFLATION RATE OF UNEMPLOYMENT (NAIRU)

MINIMUM	4.00
LOWER QUARTILE	4.78
MEDIAN	5.00
UPPER QUARTILE	5.15
MAXIMUM	5.50
MEAN	4.92
STD. DEVIATION	0.34
N	20*

\*IN THE CURRENT SURVEY, 20 OF THE 42 FORECASTERS WHO ANSWERED THE QUESTION ON NAIRU REPORT THAT THEY USE THE NATURAL RATE IN THEIR FORECASTS.

SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA.  
SURVEY OF PROFESSIONAL FORECASTERS, THIRD QUARTER 2008.