



FEDERAL RESERVE BANK OF PHILADELPHIA

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To: Panelists on the Survey of Professional Forecasters

From: Tom Stark

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Subject: Implied Forward Inflation Rates

In recent years, there has been strong interest in the survey's implied projections for four-year-ahead, two-year annual-average inflation and five-year-ahead, five-year annual-average inflation, as measured by the CPI and PCE price index. These implied forward inflation rates can be computed from the survey's projections for annual inflation in the current and following two years and the survey's projections for five-year annual-average inflation and 10-year annual-average inflation.

In response to this interest, we will add a special section to the questionnaire (immediately following the usual section on long-term forecasts) that shows your implied projections for forward inflation rates, given your projections for annual inflation in the current and following two years and your projections for five-year and 10-year annual-average inflation. We use geometric averages to compute your implied forward projections. *This new section requires no additional responses on your part.*

The special section, shown below, will report "Not Available" until you enter your annual forecasts for inflation and your forecasts for five- and 10-year annual-average inflation. We hope this new section makes it easier for you to see the implications of your inflation projections.

New Section on Forward Inflation Projections

The yellow cells below will show your implied projections for forward inflation over the years and horizons indicated. The cells containing the words “Not Available” are protected and will change to show your projections.

Your Implied Forward Inflation Projections

Based on your annual projections in Section 3 and the five-year projections in Section 7, your implied annual-average inflation projections over the two-year period, 2014-2015, are shown below.

Two-Year Annual-Average Inflation Projections in Years 2014-2015

The CPI inflation rate	Not Available
The PCE inflation rate	Not Available

Based on your five-year and 10-year projections in Section 7, your implied annual-average inflation projections over the 5-year period, 2016-2020, are shown below.

Five-Year Annual-Average Inflation Projections in Years 2016-2020

The CPI inflation rate	Not Available
The PCE inflation rate	Not Available