

Survey of Professional Forecasters

August 21, 1991

Economic Research Department

THIRD QUARTER 1991

The economy looks better in August than it did in May, according to economic forecasters surveyed by the Federal Reserve Bank of Philadelphia. The forecasters see higher real GNP growth, reduced unemployment, lower inflation, and lower interest rates in their current forecast, compared to their forecast of three months ago.

The results are based on a median forecast of 33 professional forecasters working in academic institutions, professional associations, and such sectors as financial services, manufacturing, transportation, and energy.

The forecasters expect real GNP to grow at a 2.7 percent annual rate in the current quarter, and to maintain growth of 2.5 percent to 3.2 percent each quarter for the next year. Along with this steady growth in output, the forecasters expect the unemployment rate to decline from 6.9 percent in the current quarter to 6.4 percent one year from now.

The inflation rate (using the CPI) is expected to be only 3.2 percent in the current quarter, rising to about 3.8 percent over the next year. On an annual basis, the inflation rate is expected to be 4.2 percent in 1991, falling to 3.7 percent in 1992.

Median Forecasts

	Real GNP Growth	Unemployment Rate	CPI Inflation Rate
1991: Q2 (actual)	0.4	6.8	2.1
Q3	2.7	6.9	3.2
Q4	2.5	6.8	3.6
1992: Q1	2.8	6.6	3.9
Q2	3.2	6.5	3.8
Q3	2.8	6.4	3.8



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GNP Components

Consumption is expected to grow steadily at between 2.1 percent and 2.6 percent over the next five quarters. Residential investment is expected to grow rapidly after declining sharply during the recession, while nonresidential fixed investment is forecast to have one more negative quarter before improving during the fourth quarter. Government purchases are forecast to decline slowly over the forecast period. The forecasters see net exports remaining negative, but steady. The change in business inventories is forecast to increase steadily over the next year.

Little Chance of a Double-Dip Recession

Most forecasters see little likelihood of a double-dip recession. However, the forecasters now see a slightly greater chance of a decline in real GNP within the next five quarters than they did in the previous survey.

<i>Mean Probability of a Decline in Real GNP</i>	<i>May 1991 Survey</i>	<i>August 1991 Survey</i>
1991: Q3	31	19
Q4	17	20
1992: Q1	11	17
Q2	10	15
Q3	n.a.	15

Interest Rate Forecasts

Interest rates are forecast to decline slightly through the rest of 1991, then to increase early next year. The three-month Treasury bill averaged 5.6 percent in the second quarter and is expected to decline to 5.5 percent in the third and fourth quarters, before gradually rising to 6.0 percent one year from now. Little movement is expected in the AAA corporate bond yield, which falls slightly from 8.9 percent in the second quarter to 8.8 percent in the fourth quarter, then rises to 9.0 percent next year.

The Philadelphia Fed's Survey of Professional Forecasters was formerly conducted by the American Statistical Association (ASA) and the National Bureau of Economic Research (NBER) and was known as the ASA/NBER survey. 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.

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PROJECTIONS OF GNP AND OTHER ECONOMIC INDICATORS, 1991-92

	ANNUAL			PERCENT CHANGE	
	1990 ACTUAL	1991 FORECAST	1992 FORECAST	1990 TO 1991	1991 TO 1992
1. GROSS NATIONAL PRODUCT (\$ BILLIONS)	5465.1	5665.0	6017.0	3.7	6.2
2. GNP IMPLICIT PRICE DEFULATOR (1982=100)	131.5	136.6	141.2	3.9	3.4
3. GNP IN CONSTANT DOLLARS (BILLIONS OF 1982 DOLLARS)	4157.3	4148.0	4258.0	-2	2.7
4. UNEMPLOYMENT RATE (PERCENT)	5.5	6.8	6.5	1.3	-.3 ¹
5. CORPORATE PROFITS AFTER TAXES (\$ BILLIONS)	172.6	170.2	193.0	-1.4	13.4
6. NONRESIDENTIAL FIXED INVESTMENT (BILLIONS OF 1982 DOLLARS)	515.4	494.9	511.2	-4.0	3.3
7. NEW PRIVATE HOUSING UNITS STARTED (ANNUAL RATE, MILLIONS)	1.2	1.0	1.2	-14.6	17.8
8. CHANGE IN BUSINESS INVENTORIES (BILLIONS OF 1982 DOLLARS)	-3.6	-13.1	12.3	-9.5	25.4 ²
9. TREASURY BILL RATE (3-MONTH, PERCENT)	7.5	5.6	6.0	-1.9	.4 ¹
10. CONSUMER PRICE INDEX (ANNUAL RATE)	5.4	4.2	3.7	-1.2	-.5 ¹

SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA, SURVEY OF PROFESSIONAL FORECASTERS, THIRD QUARTER 1991.
 THE FIGURES ON EACH LINE ARE MEDIANS OF 33 INDIVIDUAL FORECASTS.

¹CHANGE IN RATE, IN PERCENTAGE POINTS.

²CHANGE IN BILLIONS OF DOLLARS.

PROJECTIONS OF GNP AND OTHER ECONOMIC INDICATORS, 1991-92

	QUARTERLY						PERCENT CHANGE	
	1991 Q2 ACTUAL	1991			1992			
		Q3	Q4	Q1	Q2	Q3		
1. GROSS NATIONAL PRODUCT (\$ BILLIONS)	5620.5	5699.0	5783.0	5876.9	5968.4	6046.5	6.2	
2. GNP IMPLICIT PRICE DEFULATOR (1982=100)	136.1	137.2	138.3	139.4	140.7	141.8	3.4	
3. GNP IN CONSTANT DOLLARS (BILLIONS OF 1982 DOLLARS)	4128.4	4156.0	4181.6	4211.0	4244.0	4273.0	2.8	
4. UNEMPLOYMENT RATE (PERCENT)	6.8	6.9	6.8	6.6	6.5	6.4	-.3	
5. CORPORATE PROFITS AFTER TAXES (\$ BILLIONS)	n.a.	171.7	176.0	184.0	190.0	197.8	10.1	
6. NONRESIDENTIAL FIXED INVESTMENT (BILLIONS OF 1982 DOLLARS)	493.9	492.4	496.0	501.0	507.2	516.1	2.7	
7. NEW PRIVATE HOUSING UNITS STARTED (ANNUAL RATE, MILLIONS)	1.0	1.1	1.1	1.2	1.2	1.2	19.8	
8. CHANGE IN BUSINESS INVENTORIES (\$ BILLIONS OF 1982 DOLLARS)	-21.2	-7.9	1.7	9.4	12.7	14.4	33.9	
9. TREASURY BILL RATE (3-MONTH, PERCENT)	5.6	5.5	5.5	5.7	5.9	6.0	.3	
10. CONSUMER PRICE INDEX (ANNUAL RATE)	2.1	3.2	3.6	3.9	3.8	3.8	.6 ¹	

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

THE FIGURES ON EACH LINE ARE MEDIANS OF 33 INDIVIDUAL FORECASTS.

¹CHANGE IN RATE, IN PERCENTAGE POINTS.

²CHANGE IN BILLIONS OF DOLLARS.

SURVEY OF PROFESSIONAL FORECASTERS

Third Quarter 1991

Tables

TABLE ONE

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

	NUMBER OF FORE- CASTERS	ACTUAL 1991 Q2	FORECASTS			ACTUAL 1990	FORECAST 1991	FORECAST 1992
			Q3	Q4	1992			
1. GROSS NATIONAL PRODUCT (\$ BILLIONS)	33	5620.5	5699.0	5783.0	5876.9	5968.4	6046.5	6125.0
2. GNP IMPLICIT PRICE DEFULATOR (1982=100)	33	136.1	137.2	138.3	139.4	140.7	141.8	142.9
3. CORPORATE PROFITS AFTER TAXES (\$ BILLIONS)	31	n.a.	171.7	176.0	184.0	190.0	197.8	205.0
4. UNEMPLOYMENT RATE (PERCENT)	33	6.8	6.9	6.8	6.6	6.5	6.4	6.5
5. INDUSTRIAL PRODUCTION (1987=100)	32	106.2	107.4	109.0	110.1	111.1	112.1	113.0
6. NEW PRIVATE HOUSING STARTS (ANNUAL RATE, MILLIONS)	32	1.00	1.07	1.11	1.16	1.20	1.24	1.28
7. CONSUMER PRICE INDEX (ANNUAL RATE)	33	2.1	3.2	3.6	3.9	3.8	3.8	3.7
8. TREASURY BILL RATE (3-MONTH)	32	5.59	5.49	5.50	5.70	5.91	6.00	7.51
9. AAA CORPORATE BOND YIELD (MOODY'S)	31	8.91	8.90	8.81	8.90	9.00	9.00	9.00
10. GNP IN CONSTANT DOLLARS (\$BILLIONS OF 1982 DOLLARS)	31	4128.4	4156.0	4181.6	4211.0	4244.0	4273.0	4307.3

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

TABLE ONE CONTINUED

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

	NUMBER OF FORE- CASTERS	ACTUAL 1991 Q2	FORECASTS 1992				ACTUAL 1990	FORECAST 1991	FORECAST 1992
			Q3	Q4	Q1	Q2			
11.	TOTAL CONSUMPTION EXPENDITURES (BILLIONS OF 1982 DOLLARS)	31	2687.2	2703.7	2718.1	2733.7	2750.5	2768.0	2681.6
12.	NONRESIDENTIAL FIXED INVESTMENT (BILLIONS OF 1982 DOLLARS)	31	493.9	492.4	496.0	501.0	507.2	516.1	515.4
13.	RESIDENTIAL FIXED INVESTMENT (BILLIONS OF 1982 DOLLARS)	31	153.2	155.6	159.0	162.5	167.7	170.6	176.8
14.	FEDERAL GOVERNMENT PURCHASES (BILLIONS OF 1982 DOLLARS)	29	353.8	350.0	346.0	347.0	344.0	344.5	343.7
15.	STATE AND LOCAL GOVERNMENT PURCHASES (BILLIONS OF 1982 DOLLARS)	29	480.1	480.0	482.0	483.3	484.8	488.2	477.1
16.	CHANGE IN BUSINESS INVENTORIES (BILLIONS OF 1982 DOLLARS)	31	-21.2	-7.9	1.7	9.4	12.7	14.4	-3.6
17.	NET EXPORTS OF GOODS AND SERVICES (BILLIONS OF 1982 DOLLARS)	31	-18.6	-18.0	-18.3	-19.8	-19.5	-21.0	-33.8
								-11.6	-20.1

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

TABLE TWO

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

	NUMBER OF FORE- CASTERS	Q2 1991 TO Q3 1991	Q3 1991 TO Q4 1991	Q4 1991 TO Q1 1992	Q1 1992 TO Q2 1992	Q2 1992 TO Q3 1992	Q3 1992 TO 1991	1990 TO 1991	1990 TO 1992
1. GROSS NATIONAL PRODUCT (\$ BILLIONS)	33	5.7	6.0	6.7	6.4	5.3	3.7	6.2	
2. GNP IMPLICIT PRICE DEFULATOR (1982=100)	33	3.3	3.2	3.2	3.8	3.2	3.9	3.4	
3. CORPORATE PROFITS AFTER TAXES (\$ BILLIONS)	31	-2.1	10.4	19.5	13.7	17.5	-1.4	13.4	
4. UNEMPLOYMENT RATE (PERCENT)	33	.1	-.1	-.2	-.1	-.1	1.3	-.3	
5. INDUSTRIAL PRODUCTION (1987=100)	32	4.4	6.3	3.9	4.1	3.5	-2.0	4.5	
6. NEW PRIVATE HOUSING STARTS (ANNUAL RATE, MILLIONS)	32	30.0	15.8	19.3	14.5	14.0	-14.6	17.8	
7. CONSUMER PRICE INDEX (ANNUAL RATE)	33	1.1	.4	.3	-.1	.0	-1.2	-.5	
8. TREASURY BILL RATE (3-MONTH)	32	-.10	.01	.20	.21	.09	-1.89	.38	
9. AAA CORPORATE BOND YIELD (MOODY'S)	31	-.01	-.09	.09	.10	.00	-.42	.10	
10. GNP IN CONSTANT DOLLARS (\$ BILLIONS OF 1982 DOLLARS)	31	2.7	2.5	2.8	3.2	2.8	-.2	2.7	

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, THIRD QUARTER 1991.

TABLE TWO CONTINUED

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

	NUMBER OF FORE- CASTERS	Q2 1991 TO Q3 1991	Q3 1991 TO Q4 1991	Q4 1991 TO Q1 1992	Q1 1992 TO Q2 1992	Q2 1992 TO Q3 1992	Q3 1992 TO 1990	1990 TO 1991	1990 TO 1992
11.	TOTAL CONSUMPTION EXPENDITURES (BILLIONS OF 1982 DOLLARS)	31	2.5	2.1	2.3	2.5	2.6	.4	2.4
12.	NONRESIDENTIAL FIXED INVESTMENT (BILLIONS OF 1982 DOLLARS)	31	-1.2	3.0	4.1	5.0	7.2	-4.0	3.3
13.	RESIDENTIAL FIXED INVESTMENT (BILLIONS OF 1982 DOLLARS)	31	6.4	9.0	9.1	13.4	7.1	-12.3	9.0
14.	FEDERAL GOVERNMENT PURCHASES (BILLIONS OF 1982 DOLLARS)	29	-4.2	-4.5	1.2	-3.4	.6	1.8	-1.3
15.	STATE AND LOCAL GOVERNMENT PURCHASES (BILLIONS OF 1982 DOLLARS)	29	-.1	1.7	1.1	1.2	2.8	.7	1.4
16.	CHANGE IN BUSINESS INVENTORIES (BILLIONS OF 1982 DOLLARS)	31	13.3	9.6	7.7	3.3	1.7	-9.5	25.4
17.	NET EXPORTS OF GOODS AND SERVICES (BILLIONS OF 1982 DOLLARS)	31	.6	-.3	-1.5	.3	-1.5	22.2	-8.5

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, THIRD QUARTER 1991.

TABLE THREE
ESTIMATED PROBABILITY OF DECLINE IN GNP IN CONSTANT DOLLARS

ESTIMATED PROBABILITY (CHANCES IN 100)	NUMBER OF FORECASTERS					
	Q2 TO Q3	Q1 TO Q4	Q3 TO Q4	Q1 TO Q2	Q1 TO Q2	Q2 TO Q3
10 OR LESS	12	10	13	14	14	
11 TO 20	6	8	8	7	7	7
21 TO 30	7	7	4	5	6	
31 TO 40	1	0	2	1	0	
41 TO 50	1	2	0	1	1	
51 TO 60	1	0	1	0	0	
61 TO 70	0	1	0	0	0	
71 TO 80	0	0	0	0	0	
81 TO 90	0	0	0	0	0	
91 AND OVER	0	0	0	0	0	
NOT REPORTING	5	5	5	5	5	5
MEDIAN PROBABILITY	20	20	15	10	10	
MEAN PROBABILITY	19	20	17	15	15	

NOTE: TOTAL NUMBER OF FORECASTERS REPORTING IS 28.

SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA
SURVEY OF PROFESSIONAL FORECASTERS, THIRD QUARTER 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	.07	1.50
4.0 TO 5.9	.75	9.75
2.0 TO 3.9	3.61	56.43
0.0 TO 1.9	35.43	23.82
-2.0 TO -0.1	56.04	6.79
LESS THAN -2.0	4.11	1.71

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

	1990-91	1991-92
10.0 OR MORE	.04	.07
8.0 TO 9.9	.07	.29
6.0 TO 7.9	1.68	4.25
4.0 TO 5.9	39.43	33.93
2.0 TO 3.9	53.43	53.50
LESS THAN 2.0	5.36	7.96

NOTE: TOTAL NUMBER OF FORECASTERS REPORTING IS 28.

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