



# SURVEY OF PROFESSIONAL FORECASTERS

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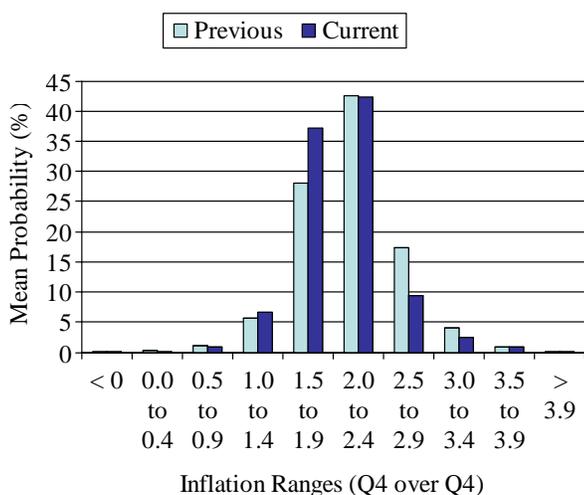
## THIRD QUARTER 2007

### Forecasters Reduce Their Near-Term Estimates for Core Inflation

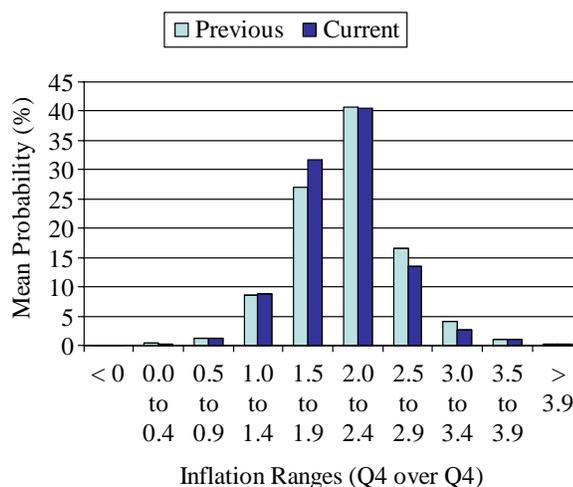
Core inflation during the next three years is projected to remain roughly steady but at a lower level than was forecast in the survey of three months ago, according to 49 forecasters surveyed by the Federal Reserve Bank of Philadelphia. Core PCE inflation (fourth quarter over fourth quarter) will average 1.9 percent this year, down from the previous estimate of 2.1 percent, and 2.0 percent in each of the following two years, down from 2.1 percent in each year. The forecasters have a similar outlook for core CPI inflation, which is expected to average 2.2 percent in each of the next three years, down 0.1 percentage point from the previous estimates of 2.3 percent each year.

The figures below show the probabilities the forecasters are assigning to the possibility that fourth-quarter over fourth-quarter core PCE inflation in 2007 and 2008 will fall into each of 10 ranges. The figures show the estimates for the current survey and the survey of three months ago. Similar revisions to these estimates characterize both years, though the revisions are more pronounced in 2007 than in 2008. For 2007, the probability that inflation will average between 1.5 percent and 1.9 percent is now 37 percent, up from 28 percent previously. There is little change to the probability that inflation will average between 2.0 and 2.4 percent in 2007. The forecasters have reduced their probability estimates that inflation will average 2.5 percent or more in 2007. A qualitatively similar pattern of revisions to the probabilities characterizes the outlook for inflation in 2008.

Mean Probabilities for Core PCE Inflation in 2007



Mean Probabilities for Core PCE Inflation in 2008



The table below provides additional details on the outlook for inflation, including the projections for headline measures and the projections for longer horizons. Headline inflation incorporates the influence of food and energy prices, and these projections are a bit higher at the short horizons than the projections for core inflation. Over the next five years, headline CPI inflation will average 2.45 percent, unchanged from the forecasters' previous estimate (not shown). Likewise, the forecasters have left unrevised their estimate for headline CPI inflation over the next 10 years. That estimate stands at 2.40 percent. Prior to this year's first-quarter survey, the forecasters had held their projections for this measure constant at 2.50 percent for quite some time. This marks the third consecutive survey in which 10-year expectations are below 2.50 percent. The forecasters expect headline PCE inflation to average 2.20 percent over the next five years and 2.10 percent over the next 10 years. These estimates are slightly higher than the projections of 2.08 percent and 2.00 percent, respectively, in the last survey (not shown).

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

	<i>CPI (%)</i>		<i>PCE Price Index (%)</i>	
	<i>Headline</i>	<i>Core</i>	<i>Headline</i>	<i>Core</i>
<i>Quarterly data:</i>				
2007: Q3	2.6	2.3	2.0	1.9
Q4	2.0	2.2	1.8	1.9
2008: Q1	2.3	2.2	2.0	2.0
Q2	2.4	2.3	2.1	2.0
Q3	2.3	2.3	2.1	2.0
<i>Fourth-quarter over fourth-quarter data:</i>				
2007	3.6	2.2	2.9	1.9
2008	2.2	2.2	2.0	2.0
2009	2.3	2.2	2.1	2.0
<i>Long-run projections:</i>				
2007-2011	2.45	N.A.	2.20	N.A.
2007-2016	2.40	N.A.	2.10	N.A.

***Downward Revisions Characterize the Short-run Outlook for Growth***

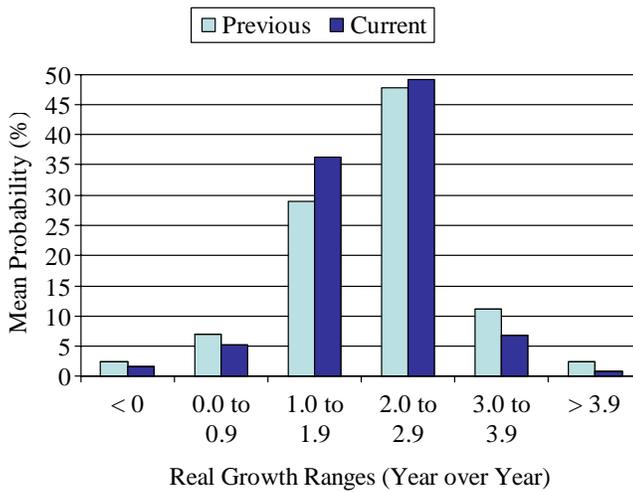
The forecasters have cut their estimates for growth, but their revision is minor and largely confined to this year's fourth quarter and next year's first quarter. Growth this quarter will average 2.5 percent (annual rate), down just 0.1 percentage point from the previous estimate of 2.6 percent. Larger revisions (-0.2 percentage point) characterize the following two quarters, when growth is now expected to average 2.7 percent. Year over year, growth will average 1.9 percent this year, down from 2.1 percent in the last survey. The forecasters see growth rebounding, to 2.8 percent, in 2008.

Downward revisions to output growth are not translating into deteriorating conditions in the labor market, as the table below shows. The unemployment rate is seen averaging 4.6 percent this year, unchanged from the estimate in the last survey, and 4.7 percent next year, down from 4.8 percent previously. Moreover, the forecasters are raising their estimate for monthly job gains this year, to 156,000 from 151,000 previously. Next year, payrolls will increase at a rate of 118,000 per month, down just a bit from the estimate of three months ago.

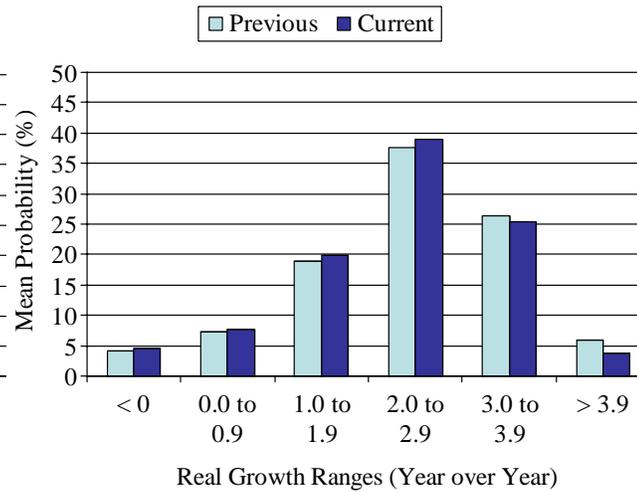
	<i>Real GDP (%)</i>		<i>Unemployment Rate (%)</i>		<i>Payrolls (000s/month)</i>	
	<i>Previous</i>	<i>New</i>	<i>Previous</i>	<i>New</i>	<i>Previous</i>	<i>New</i>
<i>Quarterly data:</i>						
2007:Q3	2.6	2.5	4.6	4.6	117.9	123.2
Q4	2.9	2.7	4.7	4.7	105.4	114.5
2008:Q1	2.9	2.7	4.8	4.7	128.9	113.8
Q2	3.0	2.9	4.8	4.7	129.3	114.6
Q3	N.A.	2.7	N.A.	4.7	N.A.	121.1
<i>Annual average data:</i>						
2007	2.1	1.9	4.6	4.6	150.8	156.0
2008	2.9	2.8	4.8	4.7	122.0	118.0

The charts below provide some information on the degree of uncertainty the forecasters have about their views on year-over-year growth in real GDP in 2007 and 2008. Each chart presents, for the current and previous survey, the forecasters' estimates of the probability that growth will fall into each of six ranges. The forecasters are raising their estimates of the probability that growth in 2007 will average either 1.0 to 1.9 percent or 2.0 to 2.9 percent, but they are cutting their estimates of the probability that growth will average even more. Their probability estimates for growth in 2008 are little changed from the estimates in the last survey.

Mean Probabilities for Real GDP Growth in 2007



Mean Probabilities for Real GDP Growth in 2008



### Higher Estimates of the Probability of a Downturn at Year-End

The forecasters' downward revision to their projections for output growth in this year's fourth quarter and next year's first quarter, noted above, is translating into slightly higher probabilities of negative growth in these same quarters. As the table below shows, although the risk of a negative current quarter is lower now (12.44 percent) than in the previous survey (14.00 percent), the risk is higher in the following three quarters. The risk of a downturn in the fourth quarter is now nearly 17 percent, up from 15.42 percent previously. The risk rises in the first quarter of next year, to 19.14 percent, marking an upward revision from 16.31 percent previously.

Risk of a Negative Quarter (%)

	Previous	New
<i>Quarterly data:</i>		
2007: Q3	14.00	12.44
Q4	15.42	16.95
2008: Q1	16.31	19.14
Q2	16.63	18.73
Q3	N.A.	18.68

### Equilibrium Unemployment Pegged at 4.65 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 4.65 percent, down from their estimate of 4.95 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, 52 percent of the 46 forecasters who answered the question report that they use the natural rate in their forecasts. The lowest estimate is 4.20 percent and the highest estimate is 5.50 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

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

**Scott Anderson**, Wells Fargo and Company; **Robert J. Barbera**, ITG Inc.; **David W. Berson**, Fannie Mae; **Joseph Carson**, Alliance Capital Management; **Gary Ciminero**, CFA, Rhode Island House Policy Office; **Louis Crandall**, Wrightson ICAP LLC; **Richard DeKaser**, National City Corporation; **Rajeev Dhawan**, Georgia State University; **Doug Duncan**, Mortgage Bankers Association; **Michael R. Englund**, Action Economics, LLC; **Gerard F. Fuda**, Independent Economist; **Stephen Gallagher**, Societe Generale; **James Glassman**, JP Morgan Chase & Co.; **Global Insight**; **Jeoff Hall**, Thomson Financial–IFR; **Keith Hembre**, First American Funds; **William B. Hummer**, Wayne Hummer Investments; **Saul Hymans**, **Joan Crary**, and **Janet Wolfe**, RSQE, The University of Michigan; **Fred Joutz**, Benchmark Forecasts and Research Program on Forecasting, George Washington University; **Kurt Karl**, Swiss Re; **Dr. Irwin Kellner**, Hofstra University/MarketWatch/North Fork Bank; **Jack Kleinhenz**, Kleinhenz & Associates, Inc.; **Thomas Lam**, UOB Group; **L. Douglas Lee**, Economics from Washington; **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; **Drew Matus**, Lehman Brothers; **Edward F. McKelvey**, Goldman Sachs; **Jim Meil**, Eaton Corporation; **Anthony Metz**, Pareto Optimal Economics; **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; **Martin A. Regalia**, U.S. Chamber of Commerce; **David Resler**, Nomura Securities International, Inc.; **David Rosenberg**, Merrill Lynch; **John Ryding**, Bear, Stearns, and Company, Inc.; **David F. Seiders**, National Association of Home Builders; **Xiaobing Shuai, Ph.D.**, Chmura Economics & Analytics; **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.; **Thomas Kevin Swift**, American Chemistry Council; **David Teolis**, General Motors Corporation; **Lea Tyler**, Oxford Economics USA, Inc.; **Albert M. Wojnilower**; **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, 2007-2009

	2007 Q3	2007 Q4	2008 Q1	2008 Q2	2008 Q3	2007 (YEAR-OVER-YEAR)	2008	
PERCENT GROWTH AT ANNUAL RATES								
1. REAL GDP (BILLIONS, CHAIN WEIGHTED)	2.5	2.7	2.7	2.9	2.7	1.9	2.8	
2. GDP PRICE INDEX (PERCENT CHANGE)	2.1	2.1	2.6	2.2	2.2	2.8	2.3	
3. NOMINAL GDP (\$ BILLIONS)	4.4	4.9	5.1	4.9	4.9	4.8	4.9	
4. NONFARM PAYROLL EMPLOYMENT (PERCENT CHANGE)	1.1	1.0	1.0	1.0	1.0	1.4	1.0	
(AVG MONTHLY CHANGE)	123.2	114.5	113.8	114.6	121.1	156.0	118.0	
VARIABLES IN LEVELS								
5. UNEMPLOYMENT RATE (PERCENT)	4.6	4.7	4.7	4.7	4.7	4.6	4.7	
6. 3-MONTH TREASURY BILL (PERCENT)	4.8	4.9	4.9	4.8	4.8	4.9	4.8	
7. 10-YEAR TREASURY BOND (PERCENT)	4.9	5.0	5.0	5.1	5.1	4.8	5.1	
	2007 Q3	2007 Q4	2008 Q1	2008 Q2	2008 Q3	2007	2008	2009
						(Q4-OVER-Q4)		
INFLATION INDICATORS								
8. CPI (ANNUAL RATE)	2.6	2.0	2.3	2.4	2.3	3.6	2.2	2.3
9. CORE CPI (ANNUAL RATE)	2.3	2.2	2.2	2.3	2.3	2.2	2.2	2.2
10. PCE (ANNUAL RATE)	2.0	1.8	2.0	2.1	2.1	2.9	2.0	2.1
11. CORE PCE (ANNUAL RATE)	1.9	1.9	2.0	2.0	2.0	1.9	2.0	2.0

THE FIGURES ON EACH LINE ARE MEDIANS OF 49 INDIVIDUAL FORECASTERS.

SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA.  
 SURVEY OF PROFESSIONAL FORECASTERS, THIRD QUARTER 2007.

# **SURVEY OF PROFESSIONAL FORECASTERS**

**Third Quarter 2007**

## **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 27; the tables do not reflect subsequent revisions to the data. All forecasts were received on or before August 8, 2007.

TABLE ONE  
MAJOR MACROECONOMIC INDICATORS, 2007-2008  
MEDIAN OF FORECASTER PREDICTIONS

	NUMBER OF FORECASTERS	ACTUAL			FORECAST			ACTUAL			FORECAST		
		2007 Q2	2007 Q3	2007 Q4	2008 Q1	2008 Q2	2008 Q3	2006 ANNUAL	2007 ANNUAL	2008 ANNUAL			
1. GROSS DOMESTIC PRODUCT (GDP) (\$ BILLIONS)	48	13755.9	13906.1	14073.8	14249.3	14419.1	14592.7	13194.7	13825.8	14501.5			
2. GDP PRICE INDEX (2000=100)	48	119.54	120.17	120.80	121.58	122.24	122.90	116.57	119.80	122.51			
3. CORPORATE PROFITS AFTER TAXES (\$ BILLIONS)	22	N.A.	1131.6	1146.0	1156.9	1172.0	1176.2	1099.8	1124.1	1179.0			
4. UNEMPLOYMENT RATE (PERCENT)	49	4.5	4.6	4.7	4.7	4.7	4.7	4.6	4.6	4.7			
5. NONFARM PAYROLL EMPLOYMENT (THOUSANDS)	40	137887	138257	138600	138941	139285	139648	136175	138048	139463			
6. INDUSTRIAL PRODUCTION (2002=100)	46	113.0	113.8	114.4	115.2	115.9	116.8	111.2	113.4	116.8			
7. NEW PRIVATE HOUSING STARTS (ANNUAL RATE, MILLIONS)	45	1.46	1.42	1.40	1.40	1.43	1.45	1.81	1.44	1.44			
8. 3-MONTH TREASURY BILL RATE (PERCENT)	45	4.74	4.83	4.85	4.90	4.84	4.85	4.73	4.85	4.84			
9. AAA CORPORATE BOND YIELD (PERCENT)	41	5.58	5.70	5.79	5.90	5.95	5.97	5.59	5.60	5.95			
10. 10-YEAR TREASURY BOND YIELD (PERCENT)	46	4.85	4.87	4.98	5.02	5.10	5.13	4.79	4.85	5.11			
11. REAL GDP (BILLIONS, CHAIN WEIGHTED)	49	11507.9	11579.2	11655.5	11732.8	11817.5	11895.6	11319.4	11539.1	11864.2			
12. TOTAL CONSUMPTION EXPENDITURE (BILLIONS, CHAIN WEIGHTED)	48	8241.4	8285.3	8339.7	8390.3	8446.1	8499.2	8044.1	8269.6	8474.3			
13. NONRESIDENTIAL FIXED INVESTMENT (BILLIONS, CHAIN WEIGHTED)	46	1347.6	1360.9	1374.7	1390.3	1405.5	1419.0	1306.8	1351.6	1417.7			
14. RESIDENTIAL FIXED INVESTMENT (BILLIONS, CHAIN WEIGHTED)	46	494.2	483.3	476.1	474.6	475.8	479.4	569.5	489.8	476.8			
15. FEDERAL GOVERNMENT C & I (BILLIONS, CHAIN WEIGHTED)	45	752.3	756.0	759.7	762.3	766.3	769.4	742.3	752.0	767.0			
16. STATE AND LOCAL GOVT C & I (BILLIONS, CHAIN WEIGHTED)	45	1263.1	1270.2	1276.3	1282.0	1287.7	1292.8	1239.0	1266.3	1290.3			
17. CHANGE IN PRIVATE INVENTORIES (BILLIONS, CHAIN WEIGHTED)	47	3.6	17.1	20.5	25.0	28.0	29.5	40.3	10.0	29.5			
18. NET EXPORTS (BILLIONS, CHAIN WEIGHTED)	47	-577.9	-574.3	-570.4	-570.5	-566.9	-562.0	-624.5	-583.9	-564.6			

SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA. SURVEY OF PROFESSIONAL FORECASTERS, THIRD QUARTER 2007.

TABLE TWO  
MAJOR MACROECONOMIC INDICATORS, 2007-2008  
PERCENTAGE CHANGES AT ANNUAL RATES

	NUMBER OF FORECASTERS	Q2 2007 TO Q3 2007	Q3 2007 TO Q4 2007	Q4 2007 TO Q1 2008	Q1 2008 TO Q2 2008	Q2 2008 TO Q3 2008	2006 TO 2007	2007 TO 2008
1. GROSS DOMESTIC PRODUCT (GDP) (\$ BILLIONS)	48	4.4	4.9	5.1	4.9	4.9	4.8	4.9
2. GDP PRICE INDEX (2000=100)	48	2.1	2.1	2.6	2.2	2.2	2.8	2.3
3. CORPORATE PROFITS AFTER TAXES (\$ BILLIONS)	22	1.5	5.2	3.8	5.3	1.4	2.2	4.9
4. UNEMPLOYMENT RATE (PERCENT)	49	0.1	0.1	0.0	0.0	0.0	0.0	0.1
5. NONFARM PAYROLL EMPLOYMENT (PERCENT CHANGE)	40	1.1	1.0	1.0	1.0	1.0	1.4	1.0
(AVG MONTHLY CHANGE)	40	123.2	114.5	113.8	114.6	121.1	156.0	118.0
6. INDUSTRIAL PRODUCTION (2002=100)	46	2.9	2.2	2.6	2.7	2.9	2.0	3.0
7. NEW PRIVATE HOUSING STARTS (ANNUAL RATE, MILLIONS)	45	-11.0	-5.5	0.0	7.3	7.2	-20.7	0.3
8. 3-MONTH TREASURY BILL RATE (PERCENT)	45	0.09	0.02	0.05	-0.06	0.01	0.12	-0.01
9. AAA CORPORATE BOND YIELD (PERCENT)	41	0.12	0.09	0.11	0.05	0.02	0.01	0.35
10. 10-YEAR TREASURY BOND YIELD (PERCENT)	46	0.02	0.11	0.04	0.08	0.03	0.06	0.26
11. REAL GDP (BILLIONS, CHAIN WEIGHTED)	49	2.5	2.7	2.7	2.9	2.7	1.9	2.8
12. TOTAL CONSUMPTION EXPENDITURE (BILLIONS, CHAIN WEIGHTED)	48	2.1	2.7	2.5	2.7	2.5	2.8	2.5
13. NONRESIDENTIAL FIXED INVESTMENT (BILLIONS, CHAIN WEIGHTED)	46	4.0	4.1	4.6	4.5	3.9	3.4	4.9
14. RESIDENTIAL FIXED INVESTMENT (BILLIONS, CHAIN WEIGHTED)	46	-8.6	-5.8	-1.3	1.1	3.1	-14.0	-2.7
15. FEDERAL GOVERNMENT C & I (BILLIONS, CHAIN WEIGHTED)	45	2.0	2.0	1.4	2.1	1.6	1.3	2.0
16. STATE AND LOCAL GOVT C & I (BILLIONS, CHAIN WEIGHTED)	45	2.3	1.9	1.8	1.8	1.6	2.2	1.9
17. CHANGE IN PRIVATE INVENTORIES (BILLIONS, CHAIN WEIGHTED)	47	13.5	3.4	4.5	3.0	1.5	-30.3	19.5
18. NET EXPORTS (BILLIONS, CHAIN WEIGHTED)	47	3.6	3.9	-0.1	3.6	4.9	40.6	19.3

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 2007.

TABLE THREE  
 MAJOR PRICE INDICATORS, 2007-2009  
 MEDIANS OF FORECASTER PREDICTIONS

	NUMBER OF FORECASTERS	ACTUAL	FORECAST(Q/Q)					ACTUAL	FORECAST(Q4/Q4)		
		2007 Q2	2007 Q3	2007 Q4	2008 Q1	2008 Q2	2008 Q3	2006 ANNUAL	2007 ANNUAL	2008 ANNUAL	2009 ANNUAL
1. CONSUMER PRICE INDEX (ANNUAL RATE)	46	6.0	2.6	2.0	2.3	2.4	2.3	2.0	3.6	2.2	2.2
2. CORE CONSUMER PRICE INDEX (ANNUAL RATE)	41	1.9	2.3	2.2	2.2	2.3	2.3	2.7	2.2	2.2	2.2
3. PCE PRICE INDEX (ANNUAL RATE)	34	4.3	2.0	1.8	2.0	2.1	2.1	1.9	2.9	2.0	2.1
4. CORE PCE PRICE INDEX (ANNUAL RATE)	35	1.4	1.9	1.9	2.0	2.0	2.0	2.3	1.9	2.0	2.0

SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA. SURVEY OF PROFESSIONAL FORECASTERS, THIRD QUARTER 2007.

TABLE FOUR  
ESTIMATED PROBABILITY OF DECLINE IN REAL GDP

ESTIMATED PROBABILITY (CHANGES IN 100)	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008
	TO Q3 2007	TO Q4 2007	TO Q1 2008	TO Q2 2008	TO Q3 2008
NUMBER OF FORECASTERS					
10 OR LESS	23	18	13	13	15
11 TO 20	13	15	20	19	17
21 TO 30	6	7	7	9	8
31 TO 40	1	3	2	1	2
41 TO 50	0	0	1	1	1
51 TO 60	0	0	1	1	1
61 TO 70	0	0	0	0	0
71 TO 80	0	1	0	0	0
81 TO 90	0	0	0	0	0
91 AND OVER	0	0	0	0	0
NOT REPORTING	6	5	5	5	5
MEAN AND MEDIAN					
MEDIAN PROBABILITY	10.00	15.00	20.00	20.00	15.50
MEAN PROBABILITY	12.44	16.95	19.14	18.73	18.68

NOTE: TOTAL NUMBER OF FORECASTERS REPORTING IS 43.  
SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA.  
SURVEY OF PROFESSIONAL FORECASTERS, THIRD QUARTER 2007.

TABLE FIVE  
 MEAN PROBABILITY OF CHANGES IN GDP AND PRICES  
 2006-2007 AND 2007-2008

MEAN PROBABILITY ATTACHED TO POSSIBLE  
 PERCENT CHANGES IN REAL GDP:

	2006-2007	2007-2008
6.0 OR MORE	0.08	0.15
5.0 TO 5.9	0.18	0.48
4.0 TO 4.9	0.59	3.13
3.0 TO 3.9	6.88	25.39
2.0 TO 2.9	49.02	38.93
1.0 TO 1.9	36.30	19.81
0.0 TO 0.9	5.19	7.61
-1.0 TO -0.1	1.25	3.00
-2.0 TO -1.1	0.30	1.20
LESS THAN -2.0	0.22	0.31

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

	2006-2007	2007-2008
8.0 OR MORE	0.13	0.17
7.0 TO 7.9	0.17	0.19
6.0 TO 6.9	0.24	0.56
5.0 TO 5.9	1.26	1.51
4.0 TO 4.9	4.39	4.09
3.0 TO 3.9	26.26	18.29
2.0 TO 2.9	53.64	45.35
1.0 TO 1.9	12.61	24.42
0.0 TO 0.9	1.12	4.90
WILL DECLINE	0.18	0.52

NOTE: TOTAL NUMBER OF FORECASTERS REPORTING IS 44.  
 SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA.  
 SURVEY OF PROFESSIONAL FORECASTERS, THIRD QUARTER 2007.

TABLE SIX  
 MEAN PROBABILITY OF CORE CPI AND CORE PCE INFLATION (Q4/Q4)  
 2006Q4 TO 2007Q4 AND 2007Q4 TO 2008Q4

MEAN PROBABILITY ATTACHED TO CORE CPI INFLATION:

	06Q4 TO 07Q4	07Q4 TO 08Q4
4 PERCENT OR MORE	0.10	0.21
3.5 TO 3.9 PERCENT	0.74	1.28
3.0 TO 3.4 PERCENT	5.72	4.51
2.5 TO 2.9 PERCENT	24.97	20.05
2.0 TO 2.4 PERCENT	45.31	40.85
1.5 TO 1.9 PERCENT	19.10	27.31
1.0 TO 1.4 PERCENT	2.79	4.69
0.5 TO 0.9 PERCENT	1.15	0.74
0.0 TO 0.4 PERCENT	0.05	0.28
WILL DECLINE	0.05	0.08

MEAN PROBABILITY ATTACHED TO CORE PCE INFLATION:

	06Q4 TO 07Q4	07Q4 TO 08Q4
4 PERCENT OR MORE	0.13	0.21
3.5 TO 3.9 PERCENT	0.83	1.09
3.0 TO 3.4 PERCENT	2.40	2.71
2.5 TO 2.9 PERCENT	9.47	13.47
2.0 TO 2.4 PERCENT	42.23	40.34
1.5 TO 1.9 PERCENT	37.17	31.63
1.0 TO 1.4 PERCENT	6.64	8.87
0.5 TO 0.9 PERCENT	0.94	1.26
0.0 TO 0.4 PERCENT	0.11	0.31
WILL DECLINE	0.07	0.10

NOTE: TOTAL NUMBER OF FORECASTERS REPORTING IS 39.  
 SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA.  
 SURVEY OF PROFESSIONAL FORECASTERS, THIRD QUARTER 2007.

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

ANNUAL AVERAGE OVER THE NEXT 5 YEARS: 2007-2011

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CPI INFLATION RATE		PCE INFLATION RATE	
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MINIMUM	1.80	MINIMUM	1.50
LOWER QUARTILE	2.20	LOWER QUARTILE	2.00
MEDIAN	2.45	MEDIAN	2.20
UPPER QUARTILE	2.73	UPPER QUARTILE	2.40
MAXIMUM	3.50	MAXIMUM	3.30
MEAN	2.48	MEAN	2.23
STD. DEVIATION	0.41	STD. DEVIATION	0.38
N	44	N	42
MISSING	5	MISSING	7

ANNUAL AVERAGE OVER THE NEXT 10 YEARS: 2007-2016

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CPI INFLATION RATE		PCE INFLATION RATE	
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MINIMUM	1.75	MINIMUM	1.50
LOWER QUARTILE	2.20	LOWER QUARTILE	1.95
MEDIAN	2.40	MEDIAN	2.10
UPPER QUARTILE	2.70	UPPER QUARTILE	2.50
MAXIMUM	4.00	MAXIMUM	3.50
MEAN	2.46	MEAN	2.21
STD. DEVIATION	0.41	STD. DEVIATION	0.41
N	44	N	42
MISSING	5	MISSING	7

SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA.  
SURVEY OF PROFESSIONAL FORECASTERS, THIRD QUARTER 2007.