



SURVEY OF PROFESSIONAL FORECASTERS

Release Date: May 13, 2008

SECOND QUARTER 2008

Forecasters See Home Prices Declining Over the Next Two Years and Rebounding in 2010

In a special question in this survey, the Federal Reserve Bank of Philadelphia asked its panelists for their projections for home prices, as measured by the S&P/Case-Shiller home price index, the OFHEO house price index, and the OFHEO purchase only index. We asked them to provide their projections for fourth-quarter over fourth-quarter growth (percentage points) in the index level in 2008, 2009, and 2010. We also asked the forecasters to estimate the year and quarter in which home prices will stop declining by a significant amount. Finally, we asked the forecasters to tell us the primary index they use in their model.

Fifty panelists participated in this survey, and slightly more than two-thirds — 36 — answered the special question. The table below summarizes the forecasters' median projections for the three home price indices over the next three years. The forecasters project that home prices, as measured by the Case-Shiller index, will decline 12.0 percent in 2008 and 0.3 percent in 2009. These forecasters see the Case-Shiller index rebounding 3.8 percent in 2010. The OFHEO U.S. total index will fall 4.6 percent this year and 1.0 percent in 2009, before rising 2.1 percent in 2010. Finally, the forecasters expect the OFHEO purchase only index to decline 5.4 percent this year and 0.1 percent next year. The OFHEO purchase only index will increase 2.6 percent in 2010.

Projections for the Growth of Home Prices
(Fourth-Quarter over Fourth-Quarter, Percentage Points)

	2008	2009	2010
<i>S&P/Case-Shiller Home Price Index</i> (U.S. National)	-12.0	-0.3	3.8
<i>OFHEO House Price Index</i> (U.S. Total)	-4.6	-1.0	2.1
<i>OFHEO House Price Index</i> (Purchase Only)	-5.4	-0.1	2.6

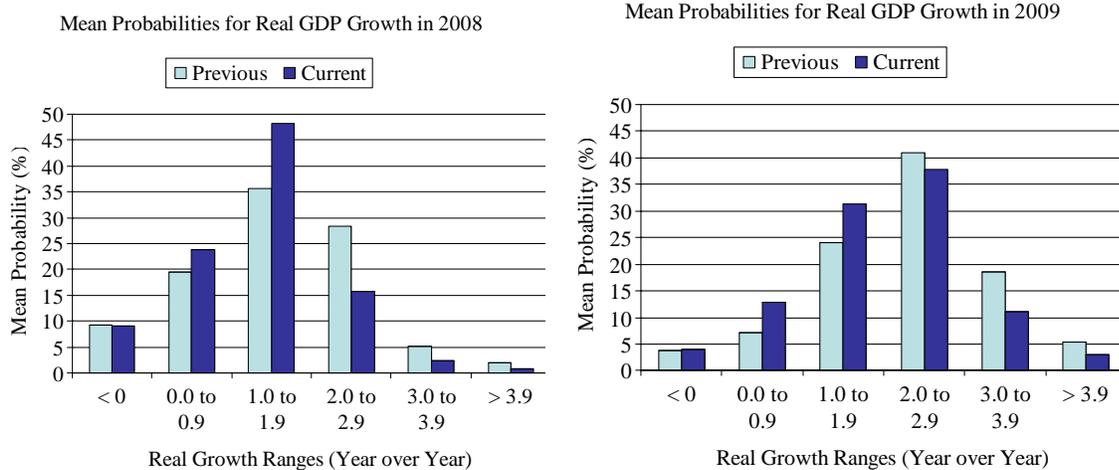
We asked the forecasters for their estimate of the year and quarter in which each index will stop declining by a “significant amount.” The median response of those who answered this question for the Case-Shiller index is that this measure will stop declining significantly in the second quarter of 2009. The median response for the two OFHEO measures is that they will stop declining significantly in the first quarter of 2009.

Eight forecasters told us that their primary measure of home prices is the Case-Shiller index. Sixteen indicated that the OFHEO U.S. total index is their primary measure. Four said that the OFHEO purchase only index is their main measure.

Further Cuts to the Outlook for Short-Term Growth; Negative Growth Is Not Expected

The forecasters are cutting their projections for quarter-over-quarter growth compared with their projections in the survey of three months ago. The largest downward revisions (1.1 percentage points at an annual rate) are for the current quarter and the next quarter. In the current quarter, real GDP will grow at an annual rate of just 0.2 percent, down from the previous estimate of 1.3 percent. And for the next quarter, real GDP will grow at an annual rate of 1.7 percent, down from the previous projection of 2.8 percent. The forecasters also cut their estimates one percentage point for growth in the fourth quarter of this year and 0.8 percentage point for growth in the first quarter of 2009. The forecasters do not expect a contraction in real GDP in any of the next five quarters, as the table on the next page shows.

On an annual-average over annual-average basis, real GDP will grow 1.5 percent in 2008 and 2.2 percent in 2009. The projections for 2008 and 2009 are down from 1.8 percent and 2.8 percent, respectively, in the last survey. The charts below provide some information on the degree of uncertainty the forecasters have about their views on year-over-year growth. Each chart presents the forecasters' estimates of the probability that growth will fall into each of six ranges. For 2008 and 2009, the forecasters have increased 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 think there is a 48 percent chance that year-over-year growth in 2008 will fall in the range of 1.0 to 1.9 percent. For 2009, they estimate a probability of 38 percent that year-over-year growth in 2009 will fall in the range of 2.0 to 2.9 percent.



The forecasters see a labor market weaker than that predicted in the last survey. They now predict unemployment will rise from 5.1 percent this quarter to 5.5 percent in the fourth quarter. Previously, they thought unemployment would rise from 5.1 percent to 5.2 percent over the same period. Unemployment will average 5.3 percent this year and 5.6 percent in 2009.

The outlook for growth in nonfarm payroll employment also looks weaker now than it did in the last survey. The forecasters project job losses in the current quarter at a rate of 45,000 per month. They also see a reduction in jobs of 5,000 per month in the next quarter. They previously estimated job gains of 46,000 and 80,000 per month in the current and the next quarter. Monthly job gains will average 18,000 in 2008, down from 75,000 previously, and 62,000 in 2009, down from nearly 100,000 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:Q2	1.3	0.2	5.1	5.1	45.6	-45.0
Q3	2.8	1.7	5.2	5.4	79.8	-4.8
Q4	2.8	1.8	5.2	5.5	92.9	26.5
2009:Q1	3.1	2.3	5.2	5.5	85.4	55.5
Q2	N.A.	2.5	N.A.	5.5	N.A.	79.3
<i>Annual average data:</i>						
2008	1.8	1.5	5.1	5.3	74.6	18.3
2009	2.8	2.2	5.1	5.6	99.5	61.6

Increased Risk of a Negative Quarter

A higher risk of a contraction accompanies the forecast. As the table below shows, the forecasters have revised upward the chance of a quarter of negative growth for the current quarter, the fourth quarter of 2008, and the first quarter of 2009. The forecasters see a 49 percent chance of negative growth this quarter, up from 43 percent in the last survey.

Risk of a Negative Quarter (%)

	<i>Previous</i>	<i>New</i>
<i>Quarterly data:</i>		
2008: Q2	42.9	49.1
Q3	29.9	28.7
Q4	22.9	29.9
2009: Q1	20.6	24.3
Q2	N.A.	18.8

Upward Revisions to the Outlook for Short-Term Inflation

The outlook for core inflation during the next three years is expected to remain steady, but at a level slightly higher than that forecast in the survey of three months ago. Core CPI inflation (fourth-quarter over fourth-quarter) will average 2.3 percent over each of the next three years, up from the previous estimate of roughly 2.2 percent in each of the next three years (not shown in the table below). The forecasters have a qualitatively similar outlook for core PCE inflation, which is expected to average about 2.1 percent in each of the next three years, up from the previous estimates of 2.0 percent each year (not shown in the table below).

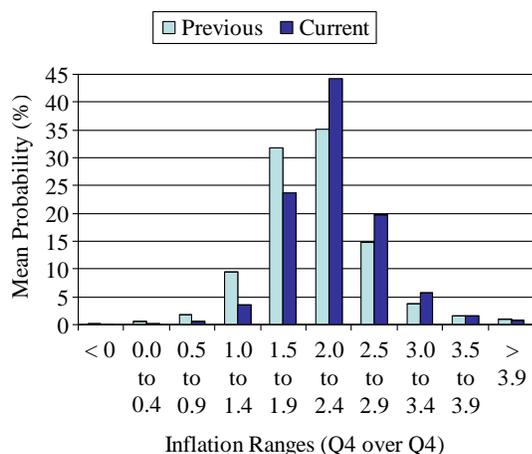
The table below provides more details on the outlook for inflation, including the projections for headline measures and the projections for longer horizons. Headline inflation incorporates the influence of food and energy prices, and these projections are a bit higher at the short horizons than the projections for core inflation. Over the next five years, 2008-2012, headline CPI inflation will average 2.60 percent, 0.20 percentage point higher than the forecasters' previous estimate (not shown). However, the forecasters have not changed the estimate for headline CPI inflation over the next 10 years, 2008-2017. That estimate remains at 2.50 percent. The forecasters predict headline PCE inflation to average 2.30 percent over the next five years, slightly higher than their previous estimate of 2.25 percent (not shown). The forecasters have not changed their estimate for headline PCE inflation over the next 10 years. That estimate stands at 2.20 percent.

Short-Run and Long-Run Projections for Inflation

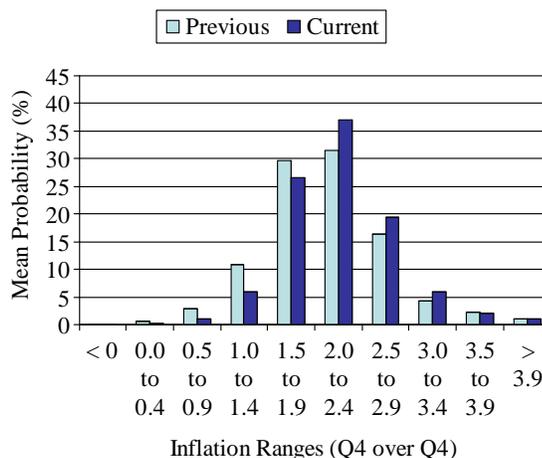
	CPI (%)		PCE Price Index (%)	
	Headline	Core	Headline	Core
<i>Quarterly data:</i>				
2008: Q2	3.5	2.3	3.0	2.1
Q3	3.2	2.3	2.8	2.1
Q4	2.5	2.3	2.3	2.1
2009: Q1	2.6	2.3	2.3	2.1
Q2	2.4	2.3	2.2	2.1
<i>Fourth-quarter over fourth-quarter data:</i>				
2008	3.3	2.3	3.0	2.1
2009	2.4	2.3	2.2	2.1
2010	2.3	2.3	2.2	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 both 2008 and 2009, the forecasters have lowered their estimates that core PCE inflation will be in the range of 1.9 percent or lower compared with their estimates of three months ago. They see a higher chance that core PCE inflation will be 2.0 percent or more. For 2008, the probability that inflation will average between 1.5 percent and 1.9 percent is now 24 percent, down from 32 percent previously. On the other hand, the probability that inflation will average between 2.0 and 2.4 percent in 2008 is now 44 percent, up from 35 percent in the last survey. A qualitatively similar pattern of revisions to the probabilities characterizes the outlook for inflation in 2009.

Mean Probabilities for Core PCE Inflation in 2008



Mean Probabilities for Core PCE Inflation in 2009



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.; **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; **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**; **Jeff Hall**, Thomson Financial, IFR; **Ethan Harris**, Lehman Brothers; **Keith Hembre**, First American Funds; **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; **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; **John Ryding**, Bear, Stearns, and Company, Inc.; **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**; **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 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2008 (YEAR-OVER-YEAR)	2009	
PERCENT GROWTH AT ANNUAL RATES								
1. REAL GDP (BILLIONS, CHAIN WEIGHTED)	0.2	1.7	1.8	2.3	2.5	1.5	2.2	
2. GDP PRICE INDEX (PERCENT CHANGE)	2.6	2.4	2.3	2.4	2.5	2.3	2.4	
3. NOMINAL GDP (\$ BILLIONS)	3.2	4.4	4.5	4.1	5.0	3.9	4.4	
4. NONFARM PAYROLL EMPLOYMENT (PERCENT CHANGE)	-0.4	-0.0	0.2	0.5	0.7	0.2	0.5	
(AVG MONTHLY CHANGE)	-45.0	-4.8	26.5	55.5	79.3	18.3	61.6	
VARIABLES IN LEVELS								
5. UNEMPLOYMENT RATE (PERCENT)	5.1	5.4	5.5	5.5	5.5	5.3	5.6	
6. 3-MONTH TREASURY BILL (PERCENT)	1.5	1.7	1.8	1.9	2.2	1.7	2.4	
7. 10-YEAR TREASURY BOND (PERCENT)	3.8	3.8	3.9	4.1	4.2	3.8	4.3	
	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2008	2009	2010
						(Q4-OVER-Q4)		
INFLATION INDICATORS								
8. CPI (ANNUAL RATE)	3.5	3.2	2.5	2.6	2.4	3.3	2.4	2.3
9. CORE CPI (ANNUAL RATE)	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
10. PCE (ANNUAL RATE)	3.0	2.8	2.3	2.3	2.2	3.0	2.2	2.2
11. CORE PCE (ANNUAL RATE)	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.0

THE FIGURES ON EACH LINE ARE MEDIANS OF 50 INDIVIDUAL FORECASTERS.

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

SURVEY OF PROFESSIONAL FORECASTERS

Second 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 April 30; the tables do not reflect subsequent revisions to the data. All forecasts were received on or before May 8, 2008.

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

	NUMBER OF FORECASTERS	ACTUAL	FORECAST					ACTUAL	FORECAST	
		2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2007 ANNUAL	2008 ANNUAL	2009 ANNUAL
1. GROSS DOMESTIC PRODUCT (GDP) (\$ BILLIONS)	47	14185.2	14297.3	14452.3	14613.5	14759.5	14941.3	13841.4	14383.6	15016.3
2. GDP PRICE INDEX (2000=100)	46	121.34	122.11	122.83	123.52	124.26	125.03	119.67	122.46	125.39
3. CORPORATE PROFITS AFTER TAXES (\$ BILLIONS)	27	N.A.	1135.2	1159.2	1174.1	1178.9	1219.0	1128.6	1158.6	1223.6
4. UNEMPLOYMENT RATE (PERCENT)	49	4.9	5.1	5.4	5.5	5.5	5.5	4.6	5.3	5.6
5. NONFARM PAYROLL EMPLOYMENT (THOUSANDS)	40	137925	137790	137776	137855	138022	138260	137618	137837	138576
6. INDUSTRIAL PRODUCTION (2002=100)	45	112.2	112.0	112.3	112.8	113.6	114.3	111.4	112.3	114.8
7. NEW PRIVATE HOUSING STARTS (ANNUAL RATE, MILLIONS)	41	1.04	0.96	0.95	0.96	1.00	1.07	1.34	0.98	1.11
8. 3-MONTH TREASURY BILL RATE (PERCENT)	45	2.04	1.51	1.68	1.75	1.92	2.20	4.35	1.74	2.43
9. AAA CORPORATE BOND YIELD (PERCENT)	40	5.46	5.47	5.44	5.50	5.56	5.60	5.56	5.45	5.72
10. 10-YEAR TREASURY BOND YIELD (PERCENT)	47	3.66	3.75	3.80	3.93	4.10	4.20	4.63	3.78	4.25
11. REAL GDP (BILLIONS, CHAIN WEIGHTED)	50	11693.1	11699.1	11748.5	11802.1	11868.5	11942.7	11566.8	11737.9	11999.5
12. TOTAL CONSUMPTION EXPENDITURE (BILLIONS, CHAIN WEIGHTED)	48	8369.1	8385.8	8437.9	8456.6	8492.9	8539.6	8277.8	8414.9	8566.3
13. NONRESIDENTIAL FIXED INVESTMENT (BILLIONS, CHAIN WEIGHTED)	45	1398.8	1391.8	1393.5	1404.3	1403.0	1414.2	1368.4	1395.7	1414.8
14. RESIDENTIAL FIXED INVESTMENT (BILLIONS, CHAIN WEIGHTED)	46	398.8	377.2	364.1	358.0	357.9	365.7	472.8	374.3	371.9
15. FEDERAL GOVERNMENT C & I (BILLIONS, CHAIN WEIGHTED)	44	773.7	777.4	781.2	785.0	789.5	793.0	755.1	779.2	792.9
16. STATE AND LOCAL GOVT C & I (BILLIONS, CHAIN WEIGHTED)	44	1280.1	1284.1	1288.2	1293.5	1298.3	1302.4	1266.4	1286.6	1305.3
17. CHANGE IN PRIVATE INVENTORIES (BILLIONS, CHAIN WEIGHTED)	46	1.8	-5.3	3.5	5.0	10.0	14.2	4.6	1.5	16.3
18. NET EXPORTS (BILLIONS, CHAIN WEIGHTED)	46	-495.9	-480.7	-466.1	-454.0	-445.2	-437.4	-555.6	-474.2	-439.9

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

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

	NUMBER OF FORECASTERS	Q1 2008 TO Q2 2008	Q2 2008 TO Q3 2008	Q3 2008 TO Q4 2008	Q4 2008 TO Q1 2009	Q1 2009 TO Q2 2009	2007 TO 2008	2008 TO 2009
1. GROSS DOMESTIC PRODUCT (GDP) (\$ BILLIONS)	47	3.2	4.4	4.5	4.1	5.0	3.9	4.4
2. GDP PRICE INDEX (2000=100)	46	2.6	2.4	2.3	2.4	2.5	2.3	2.4
3. CORPORATE PROFITS AFTER TAXES (\$ BILLIONS)	27	2.5	8.7	5.2	1.7	14.3	2.7	5.6
4. UNEMPLOYMENT RATE (PERCENT)	49	0.2	0.3	0.1	0.0	0.0	0.7	0.3
5. NONFARM PAYROLL EMPLOYMENT (PERCENT CHANGE)	40	-0.4	-0.0	0.2	0.5	0.7	0.2	0.5
(AVG MONTHLY CHANGE)	40	-45.0	-4.8	26.5	55.5	79.3	18.3	61.6
6. INDUSTRIAL PRODUCTION (2002=100)	45	-0.7	1.0	2.0	2.7	2.5	0.8	2.2
7. NEW PRIVATE HOUSING STARTS (ANNUAL RATE, MILLIONS)	41	-27.4	-2.3	5.9	15.9	30.8	-27.4	13.8
8. 3-MONTH TREASURY BILL RATE (PERCENT)	45	-0.53	0.17	0.07	0.17	0.28	-2.61	0.69
9. AAA CORPORATE BOND YIELD (PERCENT)	40	0.01	-0.03	0.06	0.06	0.04	-0.11	0.27
10. 10-YEAR TREASURY BOND YIELD (PERCENT)	47	0.09	0.05	0.13	0.17	0.10	-0.85	0.47
11. REAL GDP (BILLIONS, CHAIN WEIGHTED)	50	0.2	1.7	1.8	2.3	2.5	1.5	2.2
12. TOTAL CONSUMPTION EXPENDITURE (BILLIONS, CHAIN WEIGHTED)	48	0.8	2.5	0.9	1.7	2.2	1.7	1.8
13. NONRESIDENTIAL FIXED INVESTMENT (BILLIONS, CHAIN WEIGHTED)	45	-2.0	0.5	3.1	-0.4	3.2	2.0	1.4
14. RESIDENTIAL FIXED INVESTMENT (BILLIONS, CHAIN WEIGHTED)	46	-20.0	-13.2	-6.5	-0.1	9.0	-20.8	-0.6
15. FEDERAL GOVERNMENT C & I (BILLIONS, CHAIN WEIGHTED)	44	2.0	2.0	1.9	2.3	1.8	3.2	1.8
16. STATE AND LOCAL GOVT C & I (BILLIONS, CHAIN WEIGHTED)	44	1.2	1.3	1.7	1.5	1.2	1.6	1.4
17. CHANGE IN PRIVATE INVENTORIES (BILLIONS, CHAIN WEIGHTED)	46	-7.1	8.7	1.6	5.0	4.2	-3.1	14.8
18. NET EXPORTS (BILLIONS, CHAIN WEIGHTED)	46	15.2	14.6	12.1	8.8	7.8	81.4	34.3

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, SECOND 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 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2007 ANNUAL	2008 ANNUAL	2009 ANNUAL	2010 ANNUAL
1. CONSUMER PRICE INDEX (ANNUAL RATE)	47	4.3	3.5	3.2	2.5	2.6	2.4	4.0	3.3	2.4	2.3
2. CORE CONSUMER PRICE INDEX (ANNUAL RATE)	44	2.5	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
3. PCE PRICE INDEX (ANNUAL RATE)	38	3.5	3.0	2.8	2.3	2.3	2.2	3.4	3.0	2.2	2.2
4. CORE PCE PRICE INDEX (ANNUAL RATE)	42	2.2	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.0

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

TABLE FOUR
ESTIMATED PROBABILITY OF DECLINE IN REAL GDP

ESTIMATED PROBABILITY (CHANGES IN 100)	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009
	TO Q2 2008	TO Q3 2008	TO Q4 2008	TO Q1 2009	TO Q2 2009
NUMBER OF FORECASTERS					
10 OR LESS	3	10	8	9	16
11 TO 20	2	8	7	18	14
21 TO 30	3	12	11	4	5
31 TO 40	7	7	11	7	6
41 TO 50	12	5	5	4	2
51 TO 60	6	0	2	2	0
61 TO 70	7	1	0	0	0
71 TO 80	3	2	1	0	0
81 TO 90	1	0	0	0	0
91 AND OVER	1	0	0	0	0
NOT REPORTING	5	5	5	6	7
MEAN AND MEDIAN					
MEDIAN PROBABILITY	50.00	25.00	30.00	20.00	20.00
MEAN PROBABILITY	49.07	28.67	29.87	24.27	18.84

NOTE: TOTAL NUMBER OF FORECASTERS REPORTING IS 45.
SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA.
SURVEY OF PROFESSIONAL FORECASTERS, SECOND 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	0.09	0.25
5.0 TO 5.9	0.27	0.57
4.0 TO 4.9	0.51	2.29
3.0 TO 3.9	2.31	11.09
2.0 TO 2.9	15.74	37.65
1.0 TO 1.9	48.30	31.36
0.0 TO 0.9	23.77	12.78
-1.0 TO -0.1	6.14	2.73
-2.0 TO -1.1	2.16	0.93
LESS THAN -2.0	0.71	0.35

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

	2007-2008	2008-2009
8.0 OR MORE	0.14	0.27
7.0 TO 7.9	0.24	0.41
6.0 TO 6.9	0.44	0.87
5.0 TO 5.9	1.42	1.82
4.0 TO 4.9	5.35	5.68
3.0 TO 3.9	23.13	19.20
2.0 TO 2.9	52.19	47.26
1.0 TO 1.9	14.62	19.46
0.0 TO 0.9	2.12	4.37
WILL DECLINE	0.35	0.65

NOTE: TOTAL NUMBER OF FORECASTERS REPORTING IS 44.
 SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA.
 SURVEY OF PROFESSIONAL FORECASTERS, SECOND 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	3.04	0.85
3.5 TO 3.9 PERCENT	2.19	2.53
3.0 TO 3.4 PERCENT	7.82	10.32
2.5 TO 2.9 PERCENT	32.99	26.46
2.0 TO 2.4 PERCENT	39.68	35.59
1.5 TO 1.9 PERCENT	11.69	18.81
1.0 TO 1.4 PERCENT	1.89	4.36
0.5 TO 0.9 PERCENT	0.50	0.67
0.0 TO 0.4 PERCENT	0.14	0.33
WILL DECLINE	0.06	0.08

MEAN PROBABILITY ATTACHED TO CORE PCE INFLATION:

	07Q4 TO 08Q4	08Q4 TO 09Q4
4 PERCENT OR MORE	0.83	1.14
3.5 TO 3.9 PERCENT	1.57	2.24
3.0 TO 3.4 PERCENT	5.71	6.10
2.5 TO 2.9 PERCENT	19.68	19.52
2.0 TO 2.4 PERCENT	44.19	36.89
1.5 TO 1.9 PERCENT	23.60	26.62
1.0 TO 1.4 PERCENT	3.64	5.99
0.5 TO 0.9 PERCENT	0.54	1.11
0.0 TO 0.4 PERCENT	0.17	0.32
WILL DECLINE	0.08	0.07

NOTE: TOTAL NUMBER OF FORECASTERS REPORTING IS 40.
 SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA.
 SURVEY OF PROFESSIONAL FORECASTERS, SECOND 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	
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MINIMUM	1.80	MINIMUM	1.65
LOWER QUARTILE	2.40	LOWER QUARTILE	2.03
MEDIAN	2.60	MEDIAN	2.30
UPPER QUARTILE	2.80	UPPER QUARTILE	2.50
MAXIMUM	5.20	MAXIMUM	4.00
MEAN	2.69	MEAN	2.37
STD. DEVIATION	0.61	STD. DEVIATION	0.50
N	45	N	38
MISSING	5	MISSING	12

ANNUAL AVERAGE OVER THE NEXT 10 YEARS: 2008-2017

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CPI INFLATION RATE		PCE INFLATION RATE	
-----		-----	
MINIMUM	1.75	MINIMUM	1.60
LOWER QUARTILE	2.30	LOWER QUARTILE	2.00
MEDIAN	2.50	MEDIAN	2.20
UPPER QUARTILE	2.70	UPPER QUARTILE	2.40
MAXIMUM	4.30	MAXIMUM	4.10
MEAN	2.58	MEAN	2.28
STD. DEVIATION	0.51	STD. DEVIATION	0.47
N	45	N	38
MISSING	5	MISSING	12

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