ECONOMIC OUTLOOK SURVEY

FIRST QUARTER 1991

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According to the February survey, 35 professional forecasters were unanimous in saying that the U.S. economy is currently in recession, although the recession has not yet been officially declared by the National Bureau of Economic Research. Despite the recent gloom, the 35 forecasters still expect the economic recovery to begin in the second quarter. They also expect lower inflation for 1991 and see further slight declines in interest rates. In contrast to the past few years, net exports are not seen as a major source of strength for 1991.

More Pessimism in Near Term Outlook

The forecasters see a 90 percent chance that real GNP will decline in the first quarter, which shows more pessimism than at the time of the last survey. But they now expect a stronger second half recovery. A comparison of expected real GNP growth in the December 1990 and February 1991 surveys follows:

	December 1990 Survey	*February 1991 Survey*
1991:Q1	-0.9	-1.9
Q2	0.1	0.2
Q3	1.3	1.7
Q4	2.5	2.9
1992:Q1	n.a.	3.2

The average level of real GNP is now expected to be 0.3 percent lower in 1991 than in 1990. The forecasters' probability estimates have shifted downward, reflecting the slightly greater pessimism. The mean probabilities attached to the 1991 changes in real GNP are as follows:

Change in Real GNP 1991	*December 1990 Survey*	*February 1991 Survey*
4 percent or more	1	1
2.0 to 3.9 percent	9	7
0.0 to 1.9 percent	43	34
-2.0 to -0.1 percent	38	48
less than -2.0 percent	8	9

More Optimism on Inflation

Partly because oil prices have fallen much more quickly than was anticipated at the time of the last survey, the expected inflation rate for 1991 has fallen about 1 percent for the CPI and 0.5 percent for the deflator. The 1991 inflation rate is now expected to be 4.2 percent for the CPI and 3.8 percent for the GNP deflator. The mean probabilities attached to the 1991 changes in the GNP deflator have also shifted downward:

Change in GNP Deflator 1991	*December 1990 Survey*	*February 1991 Survey*
8 percent or more	1	1
6.0 to 7.9 percent	6	5
4.0 to 5.9 percent	58	44
2.0 to 3.9 percent	30	43
less than 2.0 percent	5	7

Interest Rates Expected to Bottom Out in Mid-1991

The three-month Treasury Bill rate is expected to fall from a quarterly average of 6.0 percent (discount basis) in the first quarter to 5.75 percent in the third quarter, before rising back to 6.0 percent by year-end. Similarly, yields on high-grade corporate bonds are expected to fall from 8.8 percent to 8.5 percent in the third quarter before rising slightly.

Most Sectors Follow Real GNP Path

As in the last survey, personal consumption expenditures, nonresidential and residential investment all are expected to decline in the first half of 1991, but to recover in the second half.

In contrast to the previous survey, further substantial increases in net exports are not expected for 1991. And due to the outbreak of war, federal government purchases are now expected to be strong in the first half of 1991.

Major Assumptions

As usual, the outlook is based on several assumptions. The Persian Gulf war is expected to end by the Spring of 1991 with no damage to Saudi oil facilities. Oil prices are assumed to fall sharply when the war ends, and then stabilize around $22 per barrel at year-end. Most of the forecasters see the federal funds rate declining to between 5.50 and 5.75 by mid-1991 and rising thereafter. No new federal tax initiatives are expected, and the budget deficit is projected to be over $300 billion in FY 1991, declining slightly in FY 1992.

This survey was formerly conducted by the National Bureau of Economic Research and the American Statistical Association. The quarterly survey began in 1968. After consulting with the NBER, Dean Croushore and Leonard Mills took over the survey beginning in June 1990. For further information, please contact:

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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)	5463.0	5648.0	5994.0	3.4	6.1
2. GNP IMPLICIT PRICE DEFLATOR (1982=100)	131.5	136.5	141.2	3.8	3.4
3. GNP IN CONSTANT DOLLARS (BILLIONS OF 1982 DOLLARS)	4155.8	4143.9	4250.0	-.3	2.6
4. UNEMPLOYMENT RATE (PERCENT)	5.5	6.7	6.4	1.2	-.3[1]
5. CORPORATE PROFITS AFTER TAXES ($ BILLIONS)	171.3	165.0	182.0	-3.7	10.3
6. NONRESIDENTIAL FIXED INVESTMENT (BILLIONS OF 1982 DOLLARS)	513.9	501.0	515.0	-2.5	2.8
7. NEW PRIVATE HOUSING UNITS STARTED (ANNUAL RATE, MILLIONS)	1.2	1.1	1.3	-9.9	18.4
8. CHANGE IN BUSINESS INVENTORIES (BILLIONS OF 1982 DOLLARS)	-1.1	-1.2	13.4	-.1	14.6[2]
9. TREASURY BILL RATE (3-MONTH, PERCENT)	7.5	5.9	6.3	-1.6	.4[1]
10. CONSUMER PRICE INDEX (ANNUAL RATE)	6.3	4.2	3.8	-2.1	-.4[1]

SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA, ECONOMIC OUTLOOK SURVEY, FEBRUARY 1991.

THE FIGURES ON EACH LINE ARE MEDIANS OF 35 INDIVIDUAL FORECASTS.

[1] CHANGE IN RATE, IN PERCENTAGE POINTS.
[2] CHANGE IN BILLIONS OF DOLLARS.

PROJECTIONS OF GNP AND OTHER ECONOMIC INDICATORS, 1991-92

	QUARTERLY							
	1990 Q4 ACTUAL	1991 Q1	Q2	1992 Q3	Q4	Q1	PERCENT CHANGE Q4 90 TO Q4 91	PERCENT CHANGE Q1 91 TO Q1 92
		FORECAST						
1. GROSS NATIONAL PRODUCT ($ BILLIONS)	5518.9	5552.0	5598.0	5683.0	5768.2	5863.1	4.5	5.6
2. GNP IMPLICIT PRICE DEFLATOR (1982=100)	133.1	134.5	135.8	137.1	138.1	139.4	3.8	3.6
3. GNP IN CONSTANT DOLLARS (BILLIONS OF 1982 DOLLARS)	4147.6	4128.0	4130.0	4147.0	4177.0	4210.1	.7	2.0
4. UNEMPLOYMENT RATE (PERCENT)	5.9	6.3	6.7	6.9	6.8	6.7	.9	.4[1]
5. CORPORATE PROFITS AFTER TAXES ($ BILLIONS)	N.A.	158.5	157.6	168.1	174.0	179.5	-3.0	13.2
6. NONRESIDENTIAL FIXED INVESTMENT (BILLIONS OF 1982 DOLLARS)	513.2	503.8	498.0	498.0	499.0	508.0	-2.8	.8
7. NEW PRIVATE HOUSING UNITS STARTED (ANNUAL RATE, MILLIONS)	1.0	1.0	1.0	1.1	1.2	1.2	12.8	22.7
8. CHANGE IN BUSINESS INVENTORIES (BILLIONS OF 1982 DOLLARS)	-16.3	-8.3	-2.5	.9	6.0	10.1	22.3	18.5[2]
9. TREASURY BILL RATE (3-MONTH, PERCENT)	7.0	6.0	5.8	5.8	6.0	6.2	-1.0	.1[1]
10. CONSUMER PRICE INDEX (ANNUAL RATE)	6.9	3.9	3.5	3.6	3.7	3.9	-3.2	.0[1]

SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA, ECONOMIC OUTLOOK SURVEY, FEBRUARY 1991.

THE FIGURES ON EACH LINE ARE MEDIANS OF 35 INDIVIDUAL FORECASTS.

[1]CHANGE IN RATE, IN PERCENTAGE POINTS.
[2]CHANGE IN BILLIONS OF DOLLARS.

ECONOMIC OUTLOOK SURVEY

FIRST QUARTER 1991

TABLES

TABLE ONE

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

	NUMBER OF FORE-CASTERS	ACTUAL 1990 Q4	FORECASTS 1991 Q1	Q2	Q3	Q4	1992 Q1	ACTUAL 1990	FORECAST 1991	FORECAST 1992
1. GROSS NATIONAL PRODUCT ($ BILLIONS)	35	5518.9	5552.0	5598.0	5683.0	5768.2	5863.1	5463.0	5648.0	5994.0
2. GNP IMPLICIT PRICE DEFLATOR (1982=100)	35	133.1	134.5	135.8	137.1	138.1	139.4	131.5	136.5	141.2
3. CORPORATE PROFITS AFTER TAXES ($ BILLIONS)	30	N.A.	158.5	157.6	168.1	174.0	179.5	171.3	165.0	182.0
4. UNEMPLOYMENT RATE (PERCENT)	35	5.9	6.3	6.7	6.9	6.8	6.7	5.5	6.7	6.4
5. INDUSTRIAL PRODUCTION (1987=100)	34	108.2	106.6	106.1	107.1	108.2	109.1	109.1	107.0	111.0
6. NEW PRIVATE HOUSING STARTS (ANNUAL RATE, MILLIONS)	33	1.05	1.00	1.03	1.10	1.18	1.23	1.19	1.08	1.27
7. CONSUMER PRICE INDEX (ANNUAL RATE)	35	6.9	3.9	3.5	3.6	3.7	3.9	6.3	4.2	3.8
8. TREASURY BILL RATE (3-MONTH)	35	7.02	6.04	5.80	5.75	6.02	6.17	7.51	5.90	6.30
9. NEW HIGH-GRADE CORPORATE BOND YIELD	31	9.29	8.83	8.60	8.52	8.50	8.60	9.32	8.65	8.70
10. GNP IN CONSTANT DOLLARS (BILLIONS OF 1982 DOLLARS)	35	4147.6	4128.0	4130.0	4147.0	4177.0	4210.1	4155.8	4143.9	4250.0

SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA, ECONOMIC OUTLOOK SURVEY, FEBRUARY 1991.

TABLE ONE CONTINUED

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

	NUMBER OF FORE-CASTERS	ACTUAL 1990 Q4	FORECASTS 1991 Q1	Q2	Q3	Q4	1992 Q1	ACTUAL 1990	FORECAST 1991	FORECAST 1992
11. TOTAL CONSUMPTION EXPENDITURES (BILLIONS OF 1982 DOLLARS)	34	2675.8	2664.5	2670.0	2684.9	2700.0	2714.0	2682.2	2681.1	2738.3
12. NONRESIDENTIAL FIXED INVESTMENT (BILLIONS OF 1982 DOLLARS)	34	513.2	503.8	498.0	498.0	499.0	508.0	513.9	501.0	515.0
13. RESIDENTIAL FIXED INVESTMENT (BILLIONS OF 1982 DOLLARS)	34	165.9	160.0	158.5	160.0	162.0	164.5	177.5	160.4	170.2
14. FEDERAL GOVERNMENT PURCHASES (BILLIONS OF 1982 DOLLARS)	32	351.1	355.0	356.0	353.0	349.9	346.4	344.0	355.5	344.9
15. STATE AND LOCAL GOVERNMENT PURCHASES (BILLIONS OF 1982 DOLLARS)	32	481.4	480.3	482.1	484.0	485.5	487.6	476.8	483.0	490.2
16. CHANGE IN BUSINESS INVENTORIES (BILLIONS OF 1982 DOLLARS)	33	-16.3	-8.3	-2.5	.9	6.0	10.1	-1.1	-1.2	13.4
17. NET EXPORTS OF GOODS AND SERVICES (BILLIONS OF 1982 DOLLARS)	34	-23.6	-25.0	-25.0	-24.1	-22.5	-21.0	-37.5	-26.1	-16.5

SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA, ECONOMIC OUTLOOK SURVEY, FEBRUARY 1991.

TABLE TWO

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

	NUMBER OF FORE-CASTERS	Q4 1990 TO Q1 1991	Q1 1991 TO Q2 1991	Q2 1991 TO Q3 1991	Q3 1991 TO Q4 1991	Q4 1991 TO Q1 1992	1990 TO 1991	1991 TO 1992
1. GROSS NATIONAL PRODUCT ($ BILLIONS)	35	2.4	3.4	6.2	6.1	6.7	3.4	6.1
2. GNP IMPLICIT PRICE DEFLATOR (1982=100)	35	4.3	3.9	3.9	2.9	3.8	3.8	3.4
3. CORPORATE PROFITS AFTER TAXES ($ BILLIONS)	30	-39.1	-2.4	29.4	14.9	13.3	-3.7	10.3
4. UNEMPLOYMENT RATE (PERCENT)	35	.4	.4	.2	-.1	-.1	1.2	-.3
5. INDUSTRIAL PRODUCTION (1987=100)	34	-5.6	-2.2	3.8	4.2	3.6	-1.9	3.7
6. NEW PRIVATE HOUSING STARTS (ANNUAL RATE, MILLIONS)	33	-16.5	12.6	30.1	32.4	17.1	-9.9	18.4
7. CONSUMER PRICE INDEX (ANNUAL RATE)	35	-3.0	-.5	.1	.1	.2	-2.1	-.4
8. TREASURY BILL RATE (3-MONTH)	35	-.98	-.24	-.05	.27	.15	-1.61	.40
9. NEW HIGH-GRADE CORPORATE BOND YIELD	31	-.46	-.23	-.08	-.02	.10	-.67	.06
10. GNP IN CONSTANT DOLLARS (BILLIONS OF 1982 DOLLARS)	35	-1.9	.2	1.7	2.9	3.2	-.3	2.6

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, ECONOMIC OUTLOOK SURVEY, FEBRUARY 1991.

TABLE TWO CONTINUED

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

	NUMBER OF FORE-CASTERS	Q4 1990 TO Q1 1991	Q1 1991 TO Q2 1991	Q2 1991 TO Q3 1991	Q3 1991 TO Q4 1991	Q4 1991 TO Q1 1992	1990 TO 1991	1991 TO 1992
11. TOTAL CONSUMPTION EXPENDITURES (BILLIONS OF 1982 DOLLARS)	34	-1.7	.8	2.3	2.3	2.1	.0	2.1
12. NONRESIDENTIAL FIXED INVESTMENT (BILLIONS OF 1982 DOLLARS)	34	-7.1	-4.5	.0	.8	7.4	-2.5	2.8
13. RESIDENTIAL FIXED INVESTMENT (BILLIONS OF 1982 DOLLARS)	34	-13.5	-3.7	3.8	5.1	6.3	-9.6	6.1
14. FEDERAL GOVERNMENT PURCHASES (BILLIONS OF 1982 DOLLARS)	32	4.6	1.1	-3.3	-3.5	-4.0	3.3	-3.0
15. STATE AND LOCAL GOVERNMENT PURCHASES (BILLIONS OF 1982 DOLLARS)	32	-.9	1.5	1.5	1.3	1.7	1.3	1.5
16. CHANGE IN BUSINESS INVENTORIES (BILLIONS OF 1982 DOLLARS)	33	8.0	5.8	3.4	5.1	4.1	-.1	14.6
17. NET EXPORTS OF GOODS AND SERVICES (BILLIONS OF 1982 DOLLARS)	34	-1.4	.0	.9	1.7	1.5	11.4	9.6

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, ECONOMIC OUTLOOK SURVEY, FEBRUARY 1991.

TABLE THREE

ESTIMATED PROBABILITY OF DECLINE IN GNP IN CONSTANT DOLLARS

ESTIMATED PROBABILITY (CHANCES IN 100)	Q4 90 TO Q1 91	Q1 91 TO Q2 91	Q2 91 TO Q3 91	Q3 91 TO Q4 91	Q4 91 TO Q1 92
	NUMBER OF FORECASTERS				
10 OR LESS	0	0	3	11	21
11 TO 20	0	1	4	12	8
21 TO 30	0	2	10	8	4
31 TO 40	0	4	10	3	1
41 TO 50	1	6	4	0	0
51 TO 60	1	6	3	0	0
61 TO 70	1	5	0	0	0
71 TO 80	10	6	0	0	0
81 TO 90	10	2	0	0	0
91 AND OVER	11	2	0	0	0
NOT REPORTING	1	1	1	1	1
MEDIAN PROBABILITY	90	60	30	20	10
MEAN PROBABILITY	86	60	33	19	12

NOTE: TOTAL NUMBER OF FORECASTERS REPORTING IS 34.

SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA
ECONOMIC OUTLOOK SURVEY, FEBRUARY 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	.24	1.71
4.0 TO 5.9	1.00	7.29
2.0 TO 3.9	7.09	40.87
0.0 TO 1.9	34.18	33.35
-2.0 TO -0.1	48.38	13.19
LESS THAN -2.0	9.12	3.58

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

	1990-91	1991-92
10.0 OR MORE	.06	.10
8.0 TO 9.9	.44	.90
6.0 TO 7.9	5.03	5.03
4.0 TO 5.9	44.47	41.60
2.0 TO 3.9	43.18	44.87
LESS THAN 2.0	6.82	7.50

NOTE: TOTAL NUMBER OF FORECASTERS REPORTING IS 34.

SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA, ECONOMIC OUTLOOK SURVEY, FEBRUARY 1991.