

Survey of Professional Forecasters

November 21, 1991

Economic Research Department

FOURTH QUARTER 1991

Forecasters See Slower Growth and Lower Inflation

The economy looks weaker in November than it did in August, according to economic forecasters surveyed by the Federal Reserve Bank of Philadelphia. The forecasters predict lower real GNP growth and higher unemployment rates than they did in their forecast of three months ago. The only good news is that they forecast lower inflation and interest rates than they did previously.

The results are based on a median forecast of 39 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 slow 1.5 percent annual rate in the current quarter, but to begin growing faster in 1992, at a 2.2 percent rate in the first quarter, increasing to 3.0 percent in the second quarter. They expect the unemployment rate to rise slightly to 6.9 percent in the current quarter, then to decline gradually to 6.5 percent by the end of next year.

The inflation rate (using the CPI) is expected to be only 3.2 percent in the current quarter, rising gradually to about 3.7 percent by the end of 1992.

Median Forecasts

	Real GNP Growth	Unemployment Rate	CPI Inflation Rate
1991: Q3 (actual)	2.4	6.8	3.0
Q4	1.5	6.9	3.2
1992: Q1	2.2	6.8	3.4
Q2	3.0	6.8	3.5
Q3	3.4	6.7	3.6
Q4	2.7	6.5	3.7



FEDERAL
RESERVE BANK OF
PHILADELPHIA

Increased Risk of a Double-Dip Recession

The forecasters see an increased risk of a decline in real GNP in the current quarter and early next year. However, they expect any such decline to be short-lived.

<i>Mean Probability of a Decline in Real GNP</i>	<i>May 1991 Survey</i>	<i>August 1991 Survey</i>	<i>November 1991 Survey</i>
1991: Q4	17	20	32
1992: Q1	11	17	26
Q2	10	15	15
Q3	n.a.	15	13
Q4	n.a.	n.a.	11

Long-Term Inflation Expectations

For the first time in this survey, forecasters were asked to predict the average CPI rate of inflation over the next 10 years. Predictions ranged from 2.5 percent to 5.6 percent with a median forecast of 4.0 percent.

Interest Rate Forecasts

Interest rates are forecast to continue to decline this year and early in 1992, with the three-month T-Bill falling to a yield of 4.7 percent in the first quarter of 1991. After that, the T-Bill interest rate is expected to rise gradually, reaching a rate of 5.2 percent by the end of 1992.

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	1991 TO 1992	
1. GROSS NATIONAL PRODUCT (\$ BILLIONS)	5465.1	5643.5	5944.9	3.3	5.3
2. GNP IMPLICIT PRICE DEFULATOR (1982=100)	131.5	136.5	140.5	3.8	2.9
3. GNP IN CONSTANT DOLLARS (BILLIONS OF 1982 DOLLARS)	4157.3	4136.6	4228.2	-.5	2.2
4. UNEMPLOYMENT RATE (PERCENT)	5.5	6.7	6.7	1.2 ¹	.0 ¹
5. CORPORATE PROFITS AFTER TAXES (\$ BILLIONS)	172.6	164.0	181.0	-5.0	10.4
6. NONRESIDENTIAL FIXED INVESTMENT (BILLIONS OF 1982 DOLLARS)	515.4	501.6	514.5	-2.7	2.6
7. NEW PRIVATE HOUSING UNITS STARTED (ANNUAL RATE, MILLIONS)	1.2	1.0	1.2	-16.6	16.6
8. CHANGE IN BUSINESS INVENTORIES (\$ BILLIONS OF 1982 DOLLARS)	-3.6	-19.6	9.8	-16.0 ²	29.4 ²
9. TREASURY BILL RATE (3-MONTH, PERCENT)	7.5	5.5	5.0	-2.0 ¹	-.5 ¹
10. CONSUMER PRICE INDEX (ANNUAL RATE)	5.4	4.2	3.5	-1.2 ¹	-.7 ¹

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

THE FIGURES ON EACH LINE ARE MEDIANS OF 39 INDIVIDUAL FORECASTS.

¹CHANGE IN RATE, IN PERCENTAGE POINTS.

²CHANGE IN BILLIONS OF 1982 DOLLARS.

PROJECTIONS OF GNP AND OTHER ECONOMIC INDICATORS, 1991-92

	QUARTERLY								PERCENT CHANGE	
	1991		1992		FORECAST		91 TO 92			
	Q3	Q4	Q1	Q2	Q3	Q4	Q3	Q4		
1. GROSS NATIONAL PRODUCT (\$ BILLIONS)	5670.8	5730.3	5808.7	5890.5	5983.6	6077.5	5.5	6.1		
2. GNP IMPLICIT PRICE DEFULATOR (1982=100)	136.9	137.8	138.9	139.9	141.0	142.2	3.0	3.2		
3. GNP IN CONSTANT DOLLARS (BILLIONS OF 1982 DOLLARS)	4143.1	4158.6	4181.0	4212.0	4267.6	4275.7	2.5	2.6		
4. UNEMPLOYMENT RATE (PERCENT)	6.8	6.9	6.8	6.8	6.7	6.5	-.1 ¹	-.4 ¹		
5. CORPORATE PROFITS AFTER TAXES (\$ BILLIONS)	N.A.	165.8	173.9	178.8	186.5	188.6	14.9	13.8		
6. NONRESIDENTIAL FIXED INVESTMENT (BILLIONS OF 1982 DOLLARS)	506.5	504.6	505.0	511.0	517.9	524.0	2.3	3.8		
7. NEW PRIVATE HOUSING UNITS STARTED (ANNUAL RATE, MILLIONS)	1.0	1.1	1.1	1.1	1.2	1.2	14.7	17.9		
8. CHANGE IN BUSINESS INVENTORIES (BILLIONS OF 1982 DOLLARS)	-15.1	-6.0	2.0	7.0	12.0	14.0	27.1 ²	20.0 ²		
9. TREASURY BILL RATE (3-MONTH, PERCENT)	5.4	4.8	4.7	4.9	5.1	5.2	-.3 ¹	.4 ¹		
10. CONSUMER PRICE INDEX (ANNUAL RATE)	3.0	3.2	3.4	3.5	3.6	3.7	.6 ¹	.5 ¹		

SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA, SURVEY OF PROFESSIONAL FORECASTERS, FOURTH QUARTER 1991.
THE FIGURES ON EACH LINE ARE MEDIANS OF 39 INDIVIDUAL FORECASTS.

¹CHANGE IN RATE, IN PERCENTAGE POINTS.
²CHANGE IN BILLIONS OF 1982 DOLLARS.

SURVEY OF PROFESSIONAL FORECASTERS

Fourth Quarter 1991

Tables

TABLE ONE

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

	NUMBER OF FORE- CASTERS	ACTUAL 1991 Q3	FORECASTS 1992				ACTUAL 1990	FORECAST 1991	FORECAST 1992	
			Q4	Q1	Q2	Q3				
			—	—	—	Q4				
1.	GROSS NATIONAL PRODUCT (\$ BILLIONS)	39	5670.8	5730.3	5808.7	5890.5	5983.6	6077.5	5465.1	5643.5
2.	GNP IMPLICIT PRICE DEFULATOR (1982=100)	39	136.9	137.8	138.9	139.9	141.0	142.2	131.5	136.5
3.	CORPORATE PROFITS AFTER TAXES (\$ BILLIONS)	28	N.A.	165.8	173.9	178.8	184.5	188.6	172.6	164.0
4.	UNEMPLOYMENT RATE (PERCENT)	39	6.8	6.9	6.8	6.8	6.7	6.5	5.5	6.7
5.	INDUSTRIAL PRODUCTION (1987=100)	39	108.0	108.4	109.3	110.3	111.6	112.8	109.2	107.1
6.	NEW PRIVATE HOUSING STARTS (ANNUAL RATE, MILLIONS)	39	1.05	1.05	1.10	1.15	1.20	1.24	1.20	1.00
7.	CONSUMER PRICE INDEX (ANNUAL RATE)	39	3.0	3.2	3.4	3.5	3.6	3.7	5.4	4.2
8.	TREASURY BILL RATE (3-MONTH)	39	5.41	4.80	4.70	4.90	5.08	5.20	7.51	5.49
9.	AAA CORPORATE BOND YIELD (MOODY'S)	39	8.79	8.50	8.41	8.38	8.41	8.49	9.32	8.80
10.	GNP IN CONSTANT DOLLARS (BILLIONS OF 1982 DOLLARS)	39	4143.1	4158.6	4181.0	4212.0	4247.6	4275.7	4157.3	4136.6
										4228.2

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

TABLE ONE CONTINUED

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

	NUMBER OF FORE- CASTERS	ACTUAL 1991 Q3	FORECASTS 1992				ACTUAL 1990	FORECAST 1991	FORECAST 1992
			Q4	Q1	Q2	Q3			
11.	TOTAL CONSUMPTION EXPENDITURES (BILLIONS OF 1982 DOLLARS)	37	2705.3	2713.2	2728.0	2742.1	2759.7	2778.3	2681.6
12.	NONRESIDENTIAL FIXED INVESTMENT (BILLIONS OF 1982 DOLLARS)	37	506.5	504.6	505.0	511.0	517.9	524.0	515.4
13.	RESIDENTIAL FIXED INVESTMENT (BILLIONS OF 1982 DOLLARS)	37	159.7	162.1	164.0	166.6	170.0	171.8	176.8
14.	FEDERAL GOVERNMENT PURCHASES (BILLIONS OF 1982 DOLLARS)	36	340.8	340.4	339.2	338.5	338.1	335.0	343.7
15.	STATE AND LOCAL GOVERNMENT PURCHASES (BILLIONS OF 1982 DOLLARS)	36	478.7	479.0	480.0	482.0	484.0	486.0	477.1
16.	CHANGE IN BUSINESS INVENTORIES (BILLIONS OF 1982 DOLLARS)	37	-15.1	-6.0	2.0	7.0	12.0	14.0	-3.6
17.	NET EXPORTS OF GOODS AND SERVICES (BILLIONS OF 1982 DOLLARS)	37	-32.8	-31.0	-30.0	-30.5	-30.8	-29.4	-33.8
								-17.7	-29.9

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

TABLE TWO

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

	NUMBER OF FORE- CASTERS	Q3 1991 TO Q4 1991	Q4 1991 TO Q1 1992	Q1 1992 TO Q2 1992	Q2 1992 TO Q3 1992	Q3 1992 TO Q4 1992	Q4 1992 TO 1991	1990 TO 1991	1990 TO 1992
1. GROSS NATIONAL PRODUCT (\$ BILLIONS)	39	4.3	5.6	5.8	6.5	6.4	3.3	5.3	5.3
2. GNP IMPLICIT PRICE DEFULATOR (1982=100)	39	2.7	3.2	2.9	3.2	3.4	3.8	2.9	
3. CORPORATE PROFITS AFTER TAXES (\$ BILLIONS)	28	13.6	21.0	11.8	13.4	9.2	-5.0	10.4	
4. UNEMPLOYMENT RATE (PERCENT)	39	.1	-.1	.0	-.1	-.2	1.2	.0	
5. INDUSTRIAL PRODUCTION (1987=100)	39	1.7	3.0	3.7	5.0	4.4	-1.9	3.7	
6. NEW PRIVATE HOUSING STARTS (ANNUAL RATE, MILLIONS)	39	2.3	19.5	18.2	19.8	14.0	-16.6	16.6	
7. CONSUMER PRICE INDEX (ANNUAL RATE)	39	.2	.2	.1	.1	.1	-1.2	-.7	
8. TREASURY BILL RATE (3-MONTH)	39	-.61	-.10	.20	.18	.12	-2.02	-.49	
9. AAA CORPORATE BOND YIELD (MOODY'S)	39	-.29	-.09	-.04	.03	.08	-.52	-.37	
10. GNP IN CONSTANT DOLLARS (\$BILLIONS OF 1982 DOLLARS)	39	1.5	2.2	3.0	3.4	2.7	-.5	2.2	

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, FOURTH QUARTER 1991.

TABLE TWO CONTINUED

	PROJECTED PERCENTAGE CHANGES IN GNP AND OTHER ECONOMIC INDICATORS, 1991-92						
	NUMBER	Q3 1991 TO Q4 1991	Q4 1991 TO Q1 1992	Q1 1991 TO Q2 1992	Q2 1992 TO Q3 1992	Q3 1992 TO Q4 1992	1991
11.	TOTAL CONSUMPTION EXPENDITURES (BILLIONS OF 1982 DOLLARS)	37	1.2	2.2	2.1	2.6	2.7
12.	NONRESIDENTIAL FIXED INVESTMENT (BILLIONS OF 1982 DOLLARS)	37	-1.5	.3	4.8	5.5	4.8
13.	RESIDENTIAL FIXED INVESTMENT (BILLIONS OF 1982 DOLLARS)	37	6.1	4.8	6.5	8.4	4.3
14.	FEDERAL GOVERNMENT PURCHASES (BILLIONS OF 1982 DOLLARS)	36	-.5	-1.3	-.8	-.5	-3.6
15.	STATE AND LOCAL GOVERNMENT PURCHASES (BILLIONS OF 1982 DOLLARS)	36	.3	.8	1.7	1.7	1.6
16.	CHANGE IN BUSINESS INVENTORIES (BILLIONS OF 1982 DOLLARS)	37	9.1	8.0	5.0	5.0	2.0
17.	NET EXPORTS OF GOODS AND SERVICES (BILLIONS OF 1982 DOLLARS)	37	1.8	1.0	-.5	-.3	1.4
							16.1
							-12.2

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, FOURTH QUARTER 1991.

TABLE THREE

ESTIMATED PROBABILITY OF DECLINE IN GNP IN CONSTANT DOLLARS

ESTIMATED PROBABILITY (CHANCES IN 100)	NUMBER OF FORECASTERS					
	Q3 TO Q4 91	Q1 TO Q2 92	Q1 TO Q2 92	Q2 TO Q3 92	Q3 TO Q4 92	Q3 TO Q4 92
10 OR LESS	4	5	16	21	25	25
11 TO 20	3	7	13	10	5	5
21 TO 30	12	13	5	3	5	5
31 TO 40	9	8	1	1	1	1
41 TO 50	5	2	1	1	0	0
51 TO 60	1	1	0	0	0	0
61 TO 70	2	0	0	0	0	0
71 TO 80	0	0	0	0	0	0
81 TO 90	0	0	0	0	0	0
91 AND OVER	0	0	0	0	0	0
NOT REPORTING	3	3	3	3	3	3
MEDIAN PROBABILITY	30	25	15	10	10	10
MEAN PROBABILITY	32	26	15	13	11	11

NOTE: TOTAL NUMBER OF FORECASTERS REPORTING IS 36.

SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA
SURVEY OF PROFESSIONAL FORECASTERS, FOURTH 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	.14	1.67
4.0 TO 5.9	.14	6.92
2.0 TO 3.9	.83	46.94
0.0 TO 1.9	19.86	34.67
-2.0 TO -.1	66.06	7.94
LESS THAN -2.0	12.97	1.86

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

	1990-91	1991-92
10.0 OR MORE	.14	.17
8.0 TO 9.9	.14	.49
6.0 TO 7.9	.57	2.54
4.0 TO 5.9	31.34	25.00
2.0 TO 3.9	65.37	61.46
LESS THAN 2.0	2.43	10.34

NOTE: TOTAL NUMBER OF FORECASTERS REPORTING IS 36.

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

TABLE FIVE
STATISTICS ON TEN-YEAR INFLATION FORECAST

MINIMUM	2.500
LOWER QUARTILE	3.500
MEDIAN	4.000
UPPER QUARTILE	4.500
MAXIMUM	5.600
MEAN	3.898
STANDARD DEVIATION	.731

NOTE: TOTAL NUMBER OF FORECASTERS REPORTING IS 36.

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