Survey of
# PROFESSIONAL
FORECASTERS

Federal Reserve Bank of Philadelphia

**Release Date: May 21, 2001**

*SECOND QUARTER 2001*

***Forecasters Cut Their Estimates for Near-Term Growth***

The U.S. economy is poised for somewhat slower growth over the next two years than was projected just three months ago, according to 33 forecasters surveyed by the Federal Reserve Bank of Philadelphia. In the current quarter, the forecasters expect growth at an annual rate of just 1.2 percent, down a full percentage point from their previous projection of 2.2 percent. Although the current outlook calls for growth to ratchet up gradually, to 3.6 percent in the second quarter of 2002, these projections remain below those of the last survey. Growth over the second half of 2001 is expected to average 2.3 percent, down more than a full percentage point from the last survey's projection of 3.5 percent. On a year-over-year basis, the forecasters see growth of 2.0 percent in 2001, down from 2.2 percent in the last survey, and 2.8 percent in 2002, down from 3.6 percent previously.

Not surprisingly, the forecasters see the unemployment rate at levels higher than they expected three months ago. The rate is expected to average 4.5 percent this quarter, up from 4.4 percent previously, and rise further to 4.8 percent by year's end, up from 4.5 percent previously. The good news is that the forecasters see no further rise in unemployment beyond its fourth-quarter level: unemployment will hold steady at 4.8 percent in 2002.

On the short-term inflation front, the forecasters see prices rising at a somewhat faster pace in 2001 than they projected in the last survey. But these upward revisions do not appear to signal permanently higher inflation, since the current forecasts for 2002 are in line with those of the last survey. Measured by the fourth-quarter over fourth-quarter rate of change in the CPI, inflation is expected to average 3.0 percent in 2001, up from 2.4 percent in the last survey, and 2.5 percent in 2002, up just 0.1 percentage point from the previous estimate. Likewise, the GDP price index will rise at an annual rate of 2.3 percent in 2001, up 0.2 percentage point from the previous estimate of 2.1 percent, but will average 2.1 percent in 2002, down just a bit from the forecasters' previous estimate of 2.2 percent.

| | *Real GDP (%)* | | *Unemployment Rate (%)* | | *CPI Inflation (%)* | |
|---|---|---|---|---|---|---|
| | *Previous* | *New* | *Previous* | *New* | *Previous* | *New* |
| *Quarterly data:* | | | | | | |
| 2001: Q2 | 2.2 | 1.2 | 4.4 | 4.5 | 2.5 | 3.0 |
| Q3 | 3.3 | 2.0 | 4.5 | 4.7 | 2.5 | 2.5 |
| Q4 | 3.7 | 2.6 | 4.5 | 4.8 | 2.4 | 2.5 |
| 2002: Q1 | 3.7 | 3.1 | 4.5 | 4.8 | 2.5 | 2.5 |
| Q2 | N.A. | 3.6 | N.A. | 4.8 | N.A. | 2.5 |
| *Annual average data:* | | | | | | |
| 2001 | 2.2 | 2.0 | 4.4 | 4.5 | 2.4 | 3.0 |
| 2002 | 3.6 | 2.8 | 4.5 | 4.8 | 2.4 | 2.5 |

Economic Research Division Ten Independence Mall, Philadelphia, PA 19106-1574

FEDERAL RESERVE BANK OF PHILADELPHIA

*Short-Term Rates Are Seen at Lower Levels*

A sizable downward revision to the outlook for short-term interest rates characterizes the current forecast—even as the outlook for long-term rates remains relatively unchanged. Measured by the rate on three-month Treasury bills, short-term rates are expected to average 3.9 percent in 2001, down almost a full percentage point from the previous forecast of 4.8 percent. The short rate will average 4.0 percent in 2002, marking a downward revision of 0.8 percentage point from the previous forecast of 4.8 percent. The forecasters anticipate the three-month rate will fall from a projected rate of 3.8 percent in the second quarter to a projected 3.5 percent in the third quarter. However, that projected cut is expected to be reversed over the following three quarters. In contrast, the forecasters see little reason to revise their expectations for long-term rates, as measured by the rate on 10-year Treasuries: Their current forecast of 5.1 percent in 2001 is unchanged from their expectation in the last survey, and their forecast of 5.2 percent in 2002 is down just 0.1 percentage point from their previous forecast. Taken together, these forecasts suggest a substantial upward revision in the projection for the yield spread (defined as the difference between long- and short-term interest rates), as the following table shows.

| | *3-Month Rate (%)* | | *10-Year Rate (%)* | | *10-Year Minus 3-Month (%)* | |
|---|---|---|---|---|---|---|
| | *Previous* | *New* | *Previous* | *New* | *Previous* | *New* |
| *Quarterly data:* | | | | | | |
| 2001: Q2 | 4.8 | 3.8 | 5.1 | 5.1 | 0.3 | 1.3 |
| Q3 | 4.7 | 3.5 | 5.2 | 5.0 | 0.5 | 1.5 |
| Q4 | 4.7 | 3.6 | 5.2 | 5.0 | 0.5 | 1.4 |
| 2002: Q1 | 4.8 | 3.7 | 5.3 | 5.1 | 0.5 | 1.4 |
| Q2 | N.A. | 3.8 | N.A. | 5.1 | N.A. | 1.3 |
| *Annual average data:* | | | | | | |
| 2001 | 4.8 | 3.9 | 5.1 | 5.1 | 0.3 | 1.2 |
| 2002 | 4.8 | 4.0 | 5.3 | 5.2 | 0.5 | 1.2 |

***Expectations for Long-Term Inflation Hold Steady***

The projected increase in the yield spread noted above may reflect the forecasters' concern about higher future inflation. However, our measure of expectations for long-term inflation suggests otherwise. That measure—given by the forecasters' projection for CPI inflation over the next 10 years—is unchanged from its level in the last survey. The forecasters continue to anticipate that CPI inflation will average 2.50 percent over the next 10 years.

***Forecasters See Increased Likelihood of a Negative Quarter***

Although the forecasters see the same chance as in the previous survey that real GDP's rate of growth in the second quarter will be negative, they now assign a slightly higher probability to negative growth in the following three quarters. As the following table shows, the forecasters think there is roughly a one-in-three chance of negative growth in the current quarter, the same chance assigned previously. The chance of a negative quarter declines over the next few quarters but remains about 5 to 6 percentage points above that assigned in the last survey.

| | *Risk of a Negative Quarter (%)* | |
|---|---|---|
| | *Previous Survey* | *New Survey* |
| *Quarterly data:* | | |
| 2001: Q2 | 32 | 32 |
| Q3 | 23 | 29 |
| Q4 | 18 | 23 |
| 2002: Q1 | 13 | 18 |
| Q2 | N.A. | 13 |

*Forecasters Peg Odds of a Recession*

In a special question, we asked the forecasters to assign a probability to the chance that a recession—as defined by the National Bureau of Economic Research (NBER)—occurred in 2000 and that one will occur in 2001 or 2002. As the nation's official arbiter of downturns, the NBER relies on a methodology to identify recessions (after they occur) that may extend beyond the conventional wisdom of two consecutive quarters of negative growth in real GDP. On average, the forecasters think there is just a 7 percent chance that a recession occurred in 2000. However, the probabilities are higher for the next two years: about one in three (35 percent) in 2001 and one in five (20 percent) in 2002. Thus, the forecasters see almost no chance that a recession occurred last year, and a recession in 2001 is more likely than a recession in 2002.

*Forecasters Split on Equity Valuations*

In a second special question, we asked the forecasters to assess whether equities—as measured by the value of the S&P 500 index on April 26, 2001, which stood at 1234.52—are properly valued relative to their underlying economic fundamentals. The forecasters were given the seven possibilities listed below and asked to choose one. As the table shows, of the 26 forecasters who answered the question, 11 thought the S&P index was overvalued 10 to 30 percent, 13 thought the index was valued correctly (within 10 percent of its fundamental value), and one thought equities were undervalued. Notably, only one forecaster thought equities were overvalued more than 30 percent.

| *Valuation* | *Number of Forecasters* |
|---|---|
| More Than 50 Percent Overvalued | 0 |
| 31 to 50 Percent Overvalued | 1 |
| 10 to 30 Percent Overvalued | 11 |
| Valued Correctly (within 10 percent) | 13 |
| 10 to 30 Percent Undervalued | 1 |
| 31 to 50 Percent Undervalued | 0 |
| More Than 50 Percent Undervalued | 0 |

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.

For further information about the Survey of Professional Forecasters, contact:
Dean Croushore, Assistant Vice President and Economist, Federal Reserve Bank of Philadelphia,
Ten Independence Mall, Philadelphia, PA 19106 (215) 574-3809 email: dean.croushore@phil.frb.org

To subscribe to the survey, contact the Research Department's Publications Desk at (215) 574-6428. This three-page writeup contains partial results of the survey. More detailed tables are available. These tables can be accessed on the Internet at: http://www.phil.frb.org/econ/spf/index.html.

SURVEY OF PROFESSIONAL FORECASTERS
MAJOR MACROECONOMIC INDICATORS, 2001-2002

| | 2001 Q2 | Q3 | Q4 | 2002 Q1 | Q2 | ANNUAL AVERAGE 2001 | ANNUAL AVERAGE 2002 |
|---|---|---|---|---|---|---|---|
| | FORECAST | | | | | | |
| PERCENT GROWTH AT ANNUAL RATES | | | | | | | |
| 1. REAL GDP (BILLIONS, CHAIN WEIGHTED) | 1.2 | 2.0 | 2.6 | 3.1 | 3.6 | 2.0 | 2.8 |
| 2. GDP PRICE INDEX (1996=100) | 2.3 | 1.8 | 2.2 | 2.2 | 2.0 | 2.3 | 2.1 |
| 3. GROSS DOMESTIC PRODUCT (GDP) ($ BILLIONS) | 3.8 | 3.8 | 5.1 | 6.2 | 5.8 | 4.3 | 5.4 |
| 4. CONSUMER PRICE INDEX (CPI-U) (ANNUAL RATE) | 3.0 | 2.5 | 2.5 | 2.5 | 2.5 | 3.0 | 2.5 |
| VARIABLES IN LEVELS | | | | | | | |
| 5. UNEMPLOYMENT RATE (PERCENT) | 4.5 | 4.7 | 4.8 | 4.8 | 4.8 | 4.5 | 4.8 |
| 6. 3-MONTH TREASURY BILL RATE (PERCENT) | 3.8 | 3.5 | 3.6 | 3.7 | 3.8 | 3.9 | 4.0 |
| 7. 10-YEAR TREASURY BOND YIELD (PERCENT) | 5.1 | 5.0 | 5.0 | 5.1 | 5.1 | 5.1 | 5.2 |

SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA, SURVEY OF PROFESSIONAL FORECASTERS, SECOND QUARTER 2001.

NOTES: THE FIGURES ON EACH LINE ARE MEDIANS OF 33 INDIVIDUAL FORECASTS. NA = NOT APPLICABLE.

# SURVEY OF PROFESSIONAL FORECASTERS

## Second Quarter 2001

## 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 27; the tables do not reflect subsequent revisions to the data. All forecasts were received on or before May 12.

TABLE ONE

MAJOR MACROECONOMIC INDICATORS, 2001-2002
MEDIANS OF FORECASTER PREDICTIONS

| | NUMBER OF FORE-CASTERS | ACTUAL 2001 Q1 | FORECASTS 2001 Q2 | 2001 Q3 | 2001 Q4 | 2002 Q1 | 2002 Q2 | ACTUAL 2000 | FORECAST 2001 | FORECAST 2002 |
|---|---|---|---|---|---|---|---|---|---|---|
| 1. GROSS DOMESTIC PRODUCT (GDP) ($ BILLIONS) | 33 | 10243.6 | 10339.6 | 10436.1 | 10566.8 | 10728.0 | 10879.5 | 9963.1 | 10395.6 | 10957.7 |
| 2. GDP PRICE INDEX (1996=100) | 31 | 108.59 | 109.20 | 109.70 | 110.30 | 110.90 | 111.46 | 106.99 | 109.44 | 111.77 |
| 3. CORPORATE PROFITS AFTER TAXES ($ BILLIONS) | 26 | N.A. | 617.6 | 614.4 | 628.8 | 641.0 | 653.8 | 641.4 | 615.6 | 662.6 |
| 4. UNEMPLOYMENT RATE (PERCENT) | 33 | 4.2 | 4.5 | 4.7 | 4.8 | 4.8 | 4.8 | 4.0 | 4.5 | 4.8 |
| 5. INDUSTRIAL PRODUCTION (1992=100) | 31 | 146.3 | 146.3 | 146.7 | 147.6 | 149.4 | 150.2 | 147.0 | 146.9 | 151.0 |
| 6. NEW PRIVATE HOUSING STARTS (ANNUAL RATE, MILLIONS) | 33 | 1.64 | 1.58 | 1.55 | 1.57 | 1.56 | 1.58 | 1.59 | 1.58 | 1.57 |
| 7. CONSUMER PRICE INDEX (CPI-U) (ANNUAL RATE) | 31 | 4.2 | 3.0 | 2.5 | 2.5 | 2.5 | 2.5 | 3.4 | 3.0 | 2.5 |
| 8. 3-MONTH TREASURY BILL RATE (PERCENT) | 31 | 4.82 | 3.80 | 3.53 | 3.60 | 3.71 | 3.80 | 5.82 | 3.91 | 4.00 |
| 9. AAA CORPORATE BOND YIELD (PERCENT) | 26 | 7.08 | 7.20 | 7.07 | 7.00 | 7.02 | 7.07 | 7.62 | 7.10 | 7.06 |
| 10. 10-YEAR TREASURY BOND YIELD (PERCENT) | 30 | 5.05 | 5.13 | 5.03 | 5.03 | 5.10 | 5.14 | 6.03 | 5.08 | 5.23 |

SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA, SURVEY OF PROFESSIONAL FORECASTERS, SECOND QUARTER 2001.

TABLE ONE CONTINUED

MAJOR MACROECONOMIC INDICATORS, 2001-2002
MEDIANS OF FORECASTER PREDICTIONS

| | NUMBER OF FORE-CASTERS | ACTUAL 2001 Q1 | FORECASTS 2001 Q2 | 2001 Q3 | 2001 Q4 | 2002 Q1 | 2002 Q2 | ACTUAL 2000 | FORECAST 2001 | FORECAST 2002 |
|---|---|---|---|---|---|---|---|---|---|---|
| 11. REAL GDP (BILLIONS, CHAIN WEIGHTED) | 33 | 9439.9 | 9469.0 | 9515.1 | 9576.7 | 9650.0 | 9734.9 | 9318.5 | 9502.1 | 9771.0 |
| 12. TOTAL CONSUMPTION EXPENDITURES (BILLIONS, CHAIN WEIGHTED) | 33 | 6422.6 | 6451.3 | 6480.1 | 6523.5 | 6570.2 | 6612.2 | 6294.3 | 6466.7 | 6645.0 |
| 13. NONRESIDENTIAL FIXED INVESTMENT (BILLIONS, CHAIN WEIGHTED) | 32 | 1442.2 | 1438.8 | 1447.0 | 1461.8 | 1472.5 | 1495.3 | 1413.7 | 1446.2 | 1505.4 |
| 14. RESIDENTIAL FIXED INVESTMENT (BILLIONS, CHAIN WEIGHTED) | 31 | 361.9 | 362.7 | 363.5 | 365.0 | 366.0 | 367.7 | 366.3 | 363.4 | 369.6 |
| 15. FEDERAL GOVERNMENT C & I (BILLIONS, CHAIN WEIGHTED) | 32 | 558.6 | 561.1 | 565.0 | 568.2 | 571.8 | 575.4 | 548.2 | 563.3 | 576.0 |
| 16. STATE AND LOCAL GOVT C & I (BILLIONS, CHAIN WEIGHTED) | 32 | 1046.0 | 1052.5 | 1059.7 | 1067.3 | 1075.0 | 1082.6 | 1030.5 | 1056.5 | 1085.7 |
| 17. CHANGE IN PRIVATE INVENTORIES (BILLIONS, CHAIN WEIGHTED) | 32 | -7.1 | 4.4 | 13.9 | 24.6 | 30.0 | 31.1 | 60.9 | 8.3 | 33.0 |
| 18. NET EXPORTS (BILLIONS, CHAIN WEIGHTED) | 32 | -404.9 | -414.5 | -414.3 | -423.2 | -426.0 | -434.3 | -412.4 | -413.1 | -443.0 |

SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA, SURVEY OF PROFESSIONAL FORECASTERS, SECOND QUARTER 2001.

TABLE TWO

MAJOR MACROECONOMIC INDICATORS, 2001-2002
PERCENTAGE CHANGES AT ANNUAL RATES

| | NUMBER OF FORE-CASTERS | Q1 2001 TO Q2 2001 | Q2 2001 TO Q3 2001 | Q3 2001 TO Q4 2001 | Q4 2001 TO Q1 2002 | Q1 2002 TO Q2 2002 | 2000 TO 2001 | 2001 TO 2002 |
|---|---|---|---|---|---|---|---|---|
| 1. GROSS DOMESTIC PRODUCT (GDP) ($ BILLIONS) | 33 | 3.8 | 3.8 | 5.1 | 6.2 | 5.8 | 4.3 | 5.4 |
| 2. GDP PRICE INDEX (1996=100) | 31 | 2.3 | 1.8 | 2.2 | 2.2 | 2.0 | 2.3 | 2.1 |
| 3. CORPORATE PROFITS AFTER TAXES ($ BILLIONS) | 26 | -0.6 | -2.0 | 9.7 | 8.0 | 8.3 | -4.0 | 7.6 |
| 4. UNEMPLOYMENT RATE (PERCENT) | 33 | 0.3 | 0.2 | 0.1 | 0.0 | 0.0 | 0.5 | 0.3 |
| 5. INDUSTRIAL PRODUCTION (1992=100) | 31 | 0.0 | 1.1 | 2.5 | 5.0 | 2.2 | 0.0 | 2.8 |
| 6. NEW PRIVATE HOUSING STARTS (ANNUAL RATE, MILLIONS) | 33 | -13.6 | -7.4 | 5.0 | -1.3 | 2.8 | -0.9 | -0.9 |
| 7. CONSUMER PRICE INDEX (CPI-U) (ANNUAL RATE) | 31 | -1.1 | -0.5 | 0.0 | 0.0 | 0.0 | -0.4 | -0.5 |
| 8. 3-MONTH TREASURY BILL RATE (PERCENT) | 31 | -1.02 | -0.27 | 0.07 | 0.11 | 0.09 | -1.91 | 0.09 |
| 9. AAA CORPORATE BOND YIELD (PERCENT) | 26 | 0.12 | -0.13 | -0.07 | 0.02 | 0.05 | -0.52 | -0.04 |
| 10. 10-YEAR TREASURY BOND YIELD (PERCENT) | 30 | 0.07 | -0.09 | 0.00 | 0.07 | 0.04 | -0.95 | 0.15 |

NOTE: FIGURES FOR UNEMPLOYMENT RATE, PERCENT CHANGE IN CONSUMER PRICE INDEX, TREASURY BILL RATE, AAA CORPORATE BOND YIELD, AND 10-YEAR TREASURY 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, SECOND QUARTER 2001.

TABLE TWO CONTINUED

MAJOR MACROECONOMIC INDICATORS, 2001-2002
PERCENTAGE CHANGES AT ANNUAL RATES

| | NUMBER OF FORE-CASTERS | Q1 2001 TO Q2 2001 | Q2 2001 TO Q3 2001 | Q3 2001 TO Q4 2001 | Q4 2001 TO Q1 2002 | Q1 2002 TO Q2 2002 | 2000 TO 2001 | 2001 TO 2002 |
|---|---|---|---|---|---|---|---|---|
| 11. REAL GDP (BILLIONS, CHAIN WEIGHTED) | 33 | 1.2 | 2.0 | 2.6 | 3.1 | 3.6 | 2.0 | 2.8 |
| 12. TOTAL CONSUMPTION EXPENDITURES (BILLIONS, CHAIN WEIGHTED) | 33 | 1.8 | 1.8 | 2.7 | 2.9 | 2.6 | 2.7 | 2.8 |
| 13. NONRESIDENTIAL FIXED INVESTMENT (BILLIONS, CHAIN WEIGHTED) | 32 | -0.9 | 2.3 | 4.2 | 3.0 | 6.3 | 2.3 | 4.1 |
| 14. RESIDENTIAL FIXED INVESTMENT (BILLIONS, CHAIN WEIGHTED) | 31 | 0.9 | 0.9 | 1.6 | 1.1 | 1.9 | -0.8 | 1.7 |
| 15. FEDERAL GOVERNMENT C & I (BILLIONS, CHAIN WEIGHTED) | 32 | 1.8 | 2.8 | 2.3 | 2.6 | 2.5 | 2.7 | 2.3 |
| 16. STATE AND LOCAL GOVT C & I (BILLIONS, CHAIN WEIGHTED) | 32 | 2.5 | 2.8 | 2.9 | 2.9 | 2.9 | 2.5 | 2.8 |
| 17. CHANGE IN PRIVATE INVENTORIES (BILLIONS, CHAIN WEIGHTED) | 32 | 11.5 | 9.5 | 10.7 | 5.4 | 1.1 | -52.7 | 24.8 |
| 18. NET EXPORTS (BILLIONS, CHAIN WEIGHTED) | 32 | -9.6 | 0.2 | -8.9 | -2.8 | -8.3 | -0.7 | -29.9 |

NOTE: FIGURES FOR 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 2001.

TABLE THREE

ESTIMATED PROBABILITY OF DECLINE IN REAL GDP

| ESTIMATED PROBABILITY (CHANCES IN 100) | Q1 2001 TO Q2 2001 | Q2 2001 TO Q3 2001 | Q3 2001 TO Q4 2001 | Q4 2001 TO Q1 2002 | Q1 2002 TO Q2 2002 |
|---|---|---|---|---|---|
| | NUMBER OF FORECASTERS | | | | |
| 10 OR LESS | 6 | 3 | 8 | 11 | 18 |
| 11 TO 20 | 1 | 6 | 9 | 9 | 6 |
| 21 TO 30 | 5 | 12 | 5 | 5 | 3 |
| 31 TO 40 | 10 | 2 | 3 | 1 | 0 |
| 41 TO 50 | 4 | 4 | 2 | 2 | 1 |
| 51 TO 60 | 1 | 0 | 0 | 0 | 0 |
| 61 TO 70 | 0 | 0 | 0 | 0 | 0 |
| 71 TO 80 | 1 | 1 | 1 | 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 |
| MEDIAN PROBABILITY | 35 | 25 | 20 | 15 | 10 |
| MEAN PROBABILITY | 32 | 29 | 23 | 18 | 13 |

NOTE: TOTAL NUMBER OF FORECASTERS REPORTING IS 28.

SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA, SURVEY OF PROFESSIONAL FORECASTERS, SECOND QUARTER 2001.

TABLE FOUR

MEAN PROBABILITY OF CHANGES IN GDP AND PRICES
2000-2001 AND 2001-2002

MEAN PROBABILITY ATTACHED TO POSSIBLE
PERCENT CHANGES IN REAL GDP:

| | 2000-2001 | 2001-2002 |
|---|---|---|
| 6.0 OR MORE | 0.00 | 0.21 |
| 5.0 TO 5.9 | 0.07 | 1.21 |
| 4.0 TO 4.9 | 0.57 | 11.21 |
| 3.0 TO 3.9 | 5.68 | 29.54 |
| 2.0 TO 2.9 | 34.82 | 34.79 |
| 1.0 TO 1.9 | 43.32 | 14.29 |
| 0.0 TO 0.9 | 10.54 | 5.18 |
| -1.0 TO -0.1 | 3.29 | 2.14 |
| -2.0 TO -1.1 | 1.14 | 0.93 |
| LESS THAN -2.0 | 0.57 | 0.50 |

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

| | 2000-2001 | 2001-2002 |
|---|---|---|
| 8.0 OR MORE | 0.00 | 0.00 |
| 7.0 TO 7.9 | 0.00 | 0.04 |
| 6.0 TO 6.9 | 0.00 | 0.12 |
| 5.0 TO 5.9 | 0.19 | 0.69 |
| 4.0 TO 4.9 | 2.74 | 2.69 |
| 3.0 TO 3.9 | 17.63 | 14.94 |
| 2.0 TO 2.9 | 57.96 | 49.27 |
| 1.0 TO 1.9 | 19.22 | 28.42 |
| 0.0 TO 0.9 | 2.15 | 3.25 |
| WILL DECLINE | 0.11 | 0.58 |

NOTE: TOTAL NUMBER OF FORECASTERS REPORTING IS 28.

SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA, SURVEY OF PROFESSIONAL FORECASTERS, SECOND QUARTER 2001.

TABLE FIVE

LONG-TERM (10 YEAR) FORECASTS

SERIES: CPI INFLATION RATE

| STATISTIC | |
|---|---|
| MINIMUM | 1.800 |
| LOWER QUARTILE | 2.450 |
| MEDIAN | 2.500 |
| UPPER QUARTILE | 2.875 |
| MAXIMUM | 4.000 |
| MEAN | 2.612 |
| STD. DEV. | 0.441 |
| N | 29 |
| MISSING | 4 |

SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA, SURVEY OF PROFESSIONAL FORECASTERS, SECOND QUARTER 2001.