# SURVEY OF PROFESSIONAL FORECASTERS

**Release Date: August 22, 2002**

***THIRD QUARTER 2002***

***Forecasters Scale Back Their Estimates for Near-Term Growth***

Although the U.S. economy is expected to grow in each of the next five quarters, such growth will likely be at rates lower than those expected just three months ago, according to 35 forecasters surveyed by the Federal Reserve Bank of Philadelphia. The forecasters are marking down their estimates for growth over the remainder of 2002; they expect the economy to grow at an annual rate of 2.4 percent in the third quarter and 2.6 percent in the fourth quarter. In the survey of three months ago, the forecasters thought the economy would expand at an annual rate of 3.2 percent in the third quarter and 3.4 percent at year's end. On a year-over-year basis, the forecasters have reduced their forecasts for growth 0.4 percentage point in 2002 and 2003. At present, those forecasts stand at 2.3 percent in 2002 and 3.0 percent in 2003.

Not surprisingly, the forecasters anticipate a slightly higher rate of unemployment over the next five quarters than they did in the last survey. That rate will hold steady at 6.0 percent in each of the remaining quarters of this year before falling gradually to 5.6 percent in the third quarter of next year. Previously, the forecasters projected the unemployment rate would average 5.9 percent in the third quarter and drop to 5.8 percent in the fourth quarter. On an annual average basis, the unemployment rate is expected to fall from 5.9 percent this year to 5.7 percent in 2003, although these projections mark increases of 0.1 and 0.2 percentage point, respectively, over the projections of three months ago.

A flatter path for inflation over the near term accompanies the outlook for slower growth and higher unemployment. Measured by the fourth-quarter over fourth-quarter rate of change in the CPI, inflation will average 2.3 percent in both 2002 and 2003. In contrast, in the survey of three months ago, the forecasters thought CPI inflation would accelerate from 2.2 percent in 2002 to 2.5 percent in 2003.

The following table compares forecasts for selected variables from the current survey with those from three months ago.

| | *Real GDP (%)* | | *Unemployment Rate (%)* | | *CPI Inflation (%)* | |
|---|---|---|---|---|---|---|
| | *Previous* | *New* | *Previous* | *New* | *Previous* | *New* |
| *Quarterly data:* | | | | | | |
| 2002: Q3 | 3.2 | 2.4 | 5.9 | 6.0 | 2.2 | 2.0 |
| Q4 | 3.4 | 2.6 | 5.8 | 6.0 | 2.2 | 2.1 |
| 2003: Q1 | 3.5 | 3.4 | 5.6 | 5.8 | 2.5 | 2.3 |
| Q2 | 3.6 | 3.1 | 5.6 | 5.7 | 2.5 | 2.4 |
| Q3 | N.A. | 3.7 | N.A. | 5.6 | N.A. | 2.4 |
| *Annual average data:* | | | | | | |
| 2002 | 2.7 | 2.3 | 5.8 | 5.9 | 2.2 | 2.3 |
| 2003 | 3.4 | 3.0 | 5.5 | 5.7 | 2.5 | 2.3 |

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***Interest Rates Seen at Lower Levels***

The forecasters are cutting their forecasts for interest rates over the next two years. The rate on three-month Treasury bills is now expected to average 1.7 percent in 2002 and 2.5 percent in 2003. In the survey of three months ago, the forecasters expected the three-month rate to average 2.0 percent in 2002 and 3.4 percent in 2003. Similar downward revisions characterize the outlook for long-term rates, as measured by the rate on 10-year Treasury bonds. The forecasters see that rate averaging 4.8 percent in 2002 and 5.2 percent in 2003, down from 5.3 percent and 5.7 percent, previously.

***A Slightly Higher Chance of a Negative Quarter Is Seen***

A slightly higher chance of a decline in real GDP in the next four quarters accompanies the downward revisions to the outlook for growth. The forecasters see a 15 percent chance that real GDP will decline in the current quarter, up a bit from their previous estimate of 14 percent. That chance rises to 19 percent in the fourth quarter, marking an upward revision from 12 percent in the previous survey, as the table below shows.

| | *Risk of a Negative Quarter (%)* | |
|---|---|---|
| | *Previous Survey* | *New Survey* |
| *Quarterly data:* | | |
| 2002: Q3 | 14 | 15 |
| Q4 | 12 | 19 |
| 2003: Q1 | 9 | 16 |
| Q2 | 9 | 16 |
| Q3 | N.A. | 14 |

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

Long-term expectations for inflation are holding steady. The forecasters expect the annual average rate of change in the Consumer Price Index over the next 10 years to be 2.50 percent, the same rate expected in the last survey. The middle range of forecasts is 2.40 percent to 2.70 percent.

***Equilibrium Unemployment Rises***

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. For the third-quarter surveys conducted since 1996, the following table tracks the median estimate of the natural rate (computed from the responses of those forecasters who use the natural rate concept in preparing their projections), as well as the percentage of forecasters who use the concept, and the lowest and highest estimates (among those who use the concept). Sixteen of the 32 participants who answered the question report that they use the natural rate in their forecasts. Among these 16, the median estimate for the natural rate is 5.10 percent, marking an increase from the previous survey's estimate of 4.88 percent. The lowest estimate of the natural rate is 3.80 percent, and the highest estimate is 5.50 percent.

| *Survey Date* | *Percentage Who Use The Natural Rate (%)* | *Median Estimate (%)* | *Low (%)* | *High (%)* |
|---|---|---|---|---|
| 1996:Q3 | 62 | 5.65 | 5.00 | 6.00 |
| 1997:Q3 | 59 | 5.25 | 4.50 | 5.88 |
| 1998:Q3 | 47 | 5.30 | 4.50 | 5.80 |
| 1999:Q3 | 43 | 5.00 | 4.13 | 5.60 |
| 2000:Q3 | 48 | 4.50 | 4.00 | 5.00 |
| 2001:Q3 | 34 | 4.88 | 3.50 | 5.50 |
| 2002:Q3 | 50 | 5.10 | 3.80 | 5.50 |

***Forecasters Peg the End of the Recession***

The National Bureau of Economic Research (NBER), the nation's official arbiter of the dating of peaks and troughs in economic activity, declared that a peak in economic activity occurred in March 2001. The NBER declares peaks and

troughs some months after the month of the peak or trough. In this survey, we asked the forecasters about their views on the date the NBER will say marks the corresponding trough in economic activity. Thirty-one participants answered the question. As the table below shows, a large number (12) of the forecasters think the NBER will declare the trough occurred in December 2001. A slightly smaller number (8) think the trough occurred just a bit later, in January or February of this year. Notably, only two forecasters think the recession has not yet ended.

*Number of Forecasters Who Think the NBER Will Declare a Trough Occurred in the Indicated Month and Year*

| | Jan. | Feb. | Mar. | Apr. | May | Jun. | Jul. | Aug. | Sep. | Oct. | Nov. | Dec. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2001 | N.A. | N.A. | N.A. | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 4 | 12 |
| 2002 | 4 | 4 | 1 | 1 | 1 | 0 | 1 | 0 | 1 | 0 | 0 | 1 |

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

**Joseph T. Abate**, Lehman Brothers; **David W. Berson**, Fannie Mae; **Brian A. Bethune**, Caterpillar, Inc.; **Joel I. Brest** and **Brian P. O'Connor**, MarketView Publishing Corp.; **Gary Ciminero, CFA**, Independent Economic Advisory; **Michael Cosgrove**, Econoclast; **Louis Crandall**, Wrightson Associates; **Richard DeKaser**, National City Corporation; **Rajeev Dhawan**, Georgia State University; **Michael R. Englund**, Standard & Poor's MMS; **Gerard F. Fuda**, Independent Economist; **James Glassman**, JP Morgan Chase & Co.; **James M. Goldberg**, Trust Company of the West; **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/CBS MarketWatch/North Fork Bank; **Joseph Liro**, Stone & McCarthy Research Associates; **John Lonski**, Moody's Investors Service; **Edward F. McKelvey**, Goldman Sachs; **Jim Meil**, Eaton Corporation; **Joel L. Naroff**, Naroff Economic Advisors; **Herbert E. Neil**, Financial and Economic Strategies Corp.; **Michael P. Niemira**, Bank of Tokyo-Mitsubishi, Ltd.; **Martin A. Regalia**, U.S. Chamber of Commerce; **David Resler**, Nomura Securities International, Inc.; **David F. Seiders** and **Stanley F. Duobinis**, National Association of Home Builders; **Constantine G. Soras, Ph.D.**, Verizon Communications; **Bruce Steinberg**, Merrill Lynch; **Susan M. Sterne**, Economic Analysis Associates, Inc.; **Lea Tyler**, Oxford Economics USA, Inc.; **Albert M. Wojnilower**; **Richard Yamarone**, Argus Research Group; **Mark Zandi**, Economy.com.

This is a partial list of participants. We also thank those who wish to remain anonymous.

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:
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To subscribe to the survey, contact the 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

## Third Quarter 2002

## 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 31; the tables do not reflect subsequent revisions to the data. All forecasts were received on or before August 14.

SURVEY OF PROFESSIONAL FORECASTERS
MAJOR MACROECONOMIC INDICATORS, 2002-2003

| | 2002 Q3 | 2002 Q4 | 2003 Q1 | 2003 Q2 | 2003 Q3 | ANNUAL AVERAGE 2002 | ANNUAL AVERAGE 2003 |
|---|---|---|---|---|---|---|---|
| | FORECAST | | | | | | |
| PERCENT GROWTH AT ANNUAL RATES | | | | | | | |
| 1. REAL GDP (BILLIONS, CHAIN WEIGHTED) | 2.4 | 2.6 | 3.4 | 3.1 | 3.7 | 2.3 | 3.0 |
| 2. GDP PRICE INDEX (1996=100) | 1.6 | 1.8 | 1.8 | 2.2 | 1.8 | 1.2 | 1.8 |
| 3. GROSS DOMESTIC PRODUCT (GDP) ($ BILLIONS) | 4.1 | 4.6 | 5.5 | 5.6 | 5.7 | 3.6 | 5.0 |
| 4. CONSUMER PRICE INDEX (CPI-U) (ANNUAL RATE) | 2.0 | 2.1 | 2.3 | 2.4 | 2.4 | 2.3 | 2.3 |
| VARIABLES IN LEVELS | | | | | | | |
| 5. UNEMPLOYMENT RATE (PERCENT) | 6.0 | 6.0 | 5.8 | 5.7 | 5.6 | 5.9 | 5.7 |
| 6. 3-MONTH TREASURY BILL RATE (PERCENT) | 1.7 | 1.7 | 1.9 | 2.3 | 2.7 | 1.7 | 2.5 |
| 7. 10-YEAR TREASURY BOND YIELD (PERCENT) | 4.5 | 4.6 | 4.9 | 5.2 | 5.3 | 4.8 | 5.2 |

SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA, SURVEY OF PROFESSIONAL FORECASTERS, THIRD QUARTER 2002.

NOTES: THE FIGURES ON EACH LINE ARE MEDIANS OF 35 INDIVIDUAL FORECASTS. NA = NOT APPLICABLE.

TABLE ONE

MAJOR MACROECONOMIC INDICATORS, 2002-2003
MEDIANS OF FORECASTER PREDICTIONS

| | NUMBER OF FORE-CASTERS | ACTUAL 2002 Q2 | FORECASTS 2002 Q3 | 2002 Q4 | 2003 Q1 | 2003 Q2 | 2003 Q3 | ACTUAL 2001 | FORECAST 2002 | FORECAST 2003 |
|---|---|---|---|---|---|---|---|---|---|---|
| 1. GROSS DOMESTIC PRODUCT (GDP) ($ BILLIONS) | 35 | 10369.9 | 10475.0 | 10593.0 | 10735.1 | 10883.4 | 11036.3 | 10082.2 | 10442.6 | 10960.8 |
| 2. GDP PRICE INDEX (1996=100) | 35 | 110.46 | 110.90 | 111.40 | 111.90 | 112.50 | 113.00 | 109.42 | 110.73 | 112.76 |
| 3. CORPORATE PROFITS AFTER TAXES ($ BILLIONS) | 26 | N.A. | 454.6 | 461.6 | 474.5 | 493.5 | 507.2 | 470.9 | 453.7 | 506.7 |
| 4. UNEMPLOYMENT RATE (PERCENT) | 35 | 5.9 | 6.0 | 6.0 | 5.8 | 5.7 | 5.6 | 4.8 | 5.9 | 5.7 |
| 5. INDUSTRIAL PRODUCTION (1992=100) | 33 | 139.7 | 141.0 | 142.3 | 143.8 | 145.5 | 147.0 | 140.4 | 140.3 | 146.1 |
| 6. NEW PRIVATE HOUSING STARTS (ANNUAL RATE, MILLIONS) | 34 | 1.66 | 1.64 | 1.62 | 1.61 | 1.62 | 1.61 | 1.60 | 1.66 | 1.62 |
| 7. CONSUMER PRICE INDEX (CPI-U) (ANNUAL RATE) | 34 | 3.4 | 2.0 | 2.1 | 2.3 | 2.4 | 2.4 | 1.9 | 2.3 | 2.3 |
| 8. 3-MONTH TREASURY BILL RATE (PERCENT) | 33 | 1.72 | 1.70 | 1.70 | 1.90 | 2.28 | 2.70 | 3.39 | 1.71 | 2.53 |
| 9. AAA CORPORATE BOND YIELD (PERCENT) | 28 | 6.71 | 6.41 | 6.40 | 6.60 | 6.71 | 6.80 | 7.08 | 6.55 | 6.73 |
| 10. 10-YEAR TREASURY BOND YIELD (PERCENT) | 33 | 5.10 | 4.50 | 4.60 | 4.90 | 5.18 | 5.30 | 5.02 | 4.80 | 5.22 |

SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA, SURVEY OF PROFESSIONAL FORECASTERS, THIRD QUARTER 2002.

TABLE ONE CONTINUED

MAJOR MACROECONOMIC INDICATORS, 2002-2003
MEDIANS OF FORECASTER PREDICTIONS

| | NUMBER OF FORE-CASTERS | ACTUAL 2002 Q2 | FORECASTS 2002 Q3 | 2002 Q4 | 2003 Q1 | 2003 Q2 | 2003 Q3 | ACTUAL 2001 | FORECAST 2002 | FORECAST 2003 |
|---|---|---|---|---|---|---|---|---|---|---|
| 11. REAL GDP (BILLIONS, CHAIN WEIGHTED) | 35 | 9387.9 | 9443.7 | 9505.3 | 9586.0 | 9658.3 | 9745.4 | 9214.5 | 9425.1 | 9709.2 |
| 12. TOTAL CONSUMPTION EXPENDITURES (BILLIONS, CHAIN WEIGHTED) | 35 | 6544.2 | 6595.0 | 6632.6 | 6682.3 | 6727.3 | 6779.3 | 6377.2 | 6571.5 | 6757.4 |
| 13. NONRESIDENTIAL FIXED INVESTMENT (BILLIONS, CHAIN WEIGHTED) | 35 | 1183.6 | 1184.7 | 1195.0 | 1214.0 | 1235.5 | 1256.3 | 1255.1 | 1188.0 | 1245.0 |
| 14. RESIDENTIAL FIXED INVESTMENT (BILLIONS, CHAIN WEIGHTED) | 35 | 388.2 | 389.2 | 390.9 | 392.0 | 392.8 | 396.0 | 373.5 | 388.0 | 394.4 |
| 15. FEDERAL GOVERNMENT C & I (BILLIONS, CHAIN WEIGHTED) | 34 | 608.6 | 618.0 | 625.8 | 630.7 | 637.1 | 641.0 | 570.6 | 612.3 | 639.0 |
| 16. STATE AND LOCAL GOVT C & I (BILLIONS, CHAIN WEIGHTED) | 35 | 1096.3 | 1099.0 | 1102.0 | 1107.0 | 1111.0 | 1116.6 | 1069.4 | 1099.5 | 1114.1 |
| 17. CHANGE IN PRIVATE INVENTORIES (BILLIONS, CHAIN WEIGHTED) | 35 | 1.0 | 10.0 | 20.0 | 26.4 | 32.0 | 36.5 | -61.4 | 0.0 | 34.9 |
| 18. NET EXPORTS (BILLIONS, CHAIN WEIGHTED) | 35 | -497.5 | -500.0 | -502.5 | -510.0 | -511.8 | -510.1 | -415.9 | -487.0 | -512.0 |

SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA, SURVEY OF PROFESSIONAL FORECASTERS, THIRD QUARTER 2002.

TABLE TWO

MAJOR MACROECONOMIC INDICATORS, 2002-2003
PERCENTAGE CHANGES AT ANNUAL RATES

| | NUMBER OF FORE-CASTERS | Q2 2002 TO Q3 2002 | Q3 2002 TO Q4 2002 | Q4 2002 TO Q1 2003 | Q1 2003 TO Q2 2003 | Q2 2003 TO Q3 2003 | 2001 TO 2002 | 2002 TO 2003 |
|---|---|---|---|---|---|---|---|---|
| 1. GROSS DOMESTIC PRODUCT (GDP) ($ BILLIONS) | 35 | 4.1 | 4.6 | 5.5 | 5.6 | 5.7 | 3.6 | 5.0 |
| 2. GDP PRICE INDEX (1996=100) | 35 | 1.6 | 1.8 | 1.8 | 2.2 | 1.8 | 1.2 | 1.8 |
| 3. CORPORATE PROFITS AFTER TAXES ($ BILLIONS) | 26 | 12.3 | 6.3 | 11.6 | 17.1 | 11.5 | -3.7 | 11.7 |
| 4. UNEMPLOYMENT RATE (PERCENT) | 35 | 0.1 | 0.0 | -0.2 | -0.1 | -0.1 | 1.1 | -0.2 |
| 5. INDUSTRIAL PRODUCTION (1992=100) | 33 | 3.8 | 3.7 | 4.3 | 4.8 | 4.2 | -0.1 | 4.2 |
| 6. NEW PRIVATE HOUSING STARTS (ANNUAL RATE, MILLIONS) | 34 | -4.0 | -4.9 | -1.7 | 0.7 | -2.8 | 3.4 | -2.6 |
| 7. CONSUMER PRICE INDEX (CPI-U) (ANNUAL RATE) | 34 | -1.4 | 0.1 | 0.2 | 0.2 | 0.0 | 0.4 | 0.0 |
| 8. 3-MONTH TREASURY BILL RATE (PERCENT) | 33 | -0.02 | 0.00 | 0.20 | 0.38 | 0.42 | -1.68 | 0.82 |
| 9. AAA CORPORATE BOND YIELD (PERCENT) | 28 | -0.30 | -0.01 | 0.20 | 0.11 | 0.09 | -0.53 | 0.18 |
| 10. 10-YEAR TREASURY BOND YIELD (PERCENT) | 33 | -0.60 | 0.10 | 0.30 | 0.28 | 0.12 | -0.22 | 0.42 |

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, THIRD QUARTER 2002.

TABLE TWO CONTINUED

MAJOR MACROECONOMIC INDICATORS, 2002-2003
PERCENTAGE CHANGES AT ANNUAL RATES

| | NUMBER OF FORE-CASTERS | Q2 2002 TO Q3 2002 | Q3 2002 TO Q4 2002 | Q4 2002 TO Q1 2003 | Q1 2003 TO Q2 2003 | Q2 2003 TO Q3 2003 | 2001 TO 2002 | 2002 TO 2003 |
|---|---|---|---|---|---|---|---|---|
| 11. REAL GDP (BILLIONS, CHAIN WEIGHTED) | 35 | 2.4 | 2.6 | 3.4 | 3.1 | 3.7 | 2.3 | 3.0 |
| 12. TOTAL CONSUMPTION EXPENDITURES (BILLIONS, CHAIN WEIGHTED) | 35 | 3.1 | 2.3 | 3.0 | 2.7 | 3.1 | 3.0 | 2.8 |
| 13. NONRESIDENTIAL FIXED INVESTMENT (BILLIONS, CHAIN WEIGHTED) | 35 | 0.4 | 3.5 | 6.5 | 7.3 | 6.9 | -5.3 | 4.8 |
| 14. RESIDENTIAL FIXED INVESTMENT (BILLIONS, CHAIN WEIGHTED) | 35 | 1.0 | 1.8 | 1.1 | 0.8 | 3.3 | 3.9 | 1.6 |
| 15. FEDERAL GOVERNMENT C & I (BILLIONS, CHAIN WEIGHTED) | 34 | 6.3 | 5.2 | 3.1 | 4.1 | 2.5 | 7.3 | 4.4 |
| 16. STATE AND LOCAL GOVT C & I (BILLIONS, CHAIN WEIGHTED) | 35 | 1.0 | 1.1 | 1.8 | 1.5 | 2.0 | 2.8 | 1.3 |
| 17. CHANGE IN PRIVATE INVENTORIES (BILLIONS, CHAIN WEIGHTED) | 35 | 9.0 | 10.0 | 6.4 | 5.6 | 4.5 | 61.4 | 34.9 |
| 18. NET EXPORTS (BILLIONS, CHAIN WEIGHTED) | 35 | -2.5 | -2.5 | -7.5 | -1.8 | 1.6 | -71.1 | -25.0 |

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, THIRD QUARTER 2002.

TABLE THREE

ESTIMATED PROBABILITY OF DECLINE IN REAL GDP

| ESTIMATED PROBABILITY (CHANCES IN 100) | Q2 2002 TO Q3 2002 | Q3 2002 TO Q4 2002 | Q4 2002 TO Q1 2003 | Q1 2003 TO Q2 2003 | Q2 2003 TO Q3 2003 |
|---|---|---|---|---|---|
| | NUMBER OF FORECASTERS | | | | |
| 10 OR LESS | 16 | 11 | 11 | 12 | 15 |
| 11 TO 20 | 6 | 9 | 10 | 10 | 8 |
| 21 TO 30 | 1 | 4 | 4 | 3 | 5 |
| 31 TO 40 | 2 | 2 | 3 | 3 | 0 |
| 41 TO 50 | 3 | 2 | 0 | 0 | 0 |
| 51 TO 60 | 0 | 0 | 0 | 0 | 0 |
| 61 TO 70 | 0 | 0 | 0 | 0 | 0 |
| 71 TO 80 | 0 | 0 | 0 | 0 | 0 |
| 81 TO 90 | 0 | 0 | 0 | 0 | 0 |
| 91 AND OVER | 0 | 0 | 0 | 0 | 0 |
| NOT REPORTING | 7 | 7 | 7 | 7 | 7 |
| MEDIAN PROBABILITY | 10 | 15 | 15 | 15 | 10 |
| MEAN PROBABILITY | 15 | 19 | 16 | 16 | 14 |

NOTE: TOTAL NUMBER OF FORECASTERS REPORTING IS 28.

SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA, SURVEY OF PROFESSIONAL FORECASTERS, THIRD QUARTER 2002.

TABLE FOUR

MEAN PROBABILITY OF CHANGES IN GDP AND PRICES
2001-2002 AND 2002-2003

MEAN PROBABILITY ATTACHED TO POSSIBLE
PERCENT CHANGES IN REAL GDP:

| | 2001-2002 | 2002-2003 |
|---|---|---|
| 6.0 OR MORE | 0.02 | 0.33 |
| 5.0 TO 5.9 | 0.08 | 1.83 |
| 4.0 TO 4.9 | 1.42 | 9.33 |
| 3.0 TO 3.9 | 11.23 | 34.73 |
| 2.0 TO 2.9 | 62.37 | 34.77 |
| 1.0 TO 1.9 | 20.10 | 12.33 |
| 0.0 TO 0.9 | 3.38 | 4.70 |
| -1.0 TO -0.1 | 1.07 | 1.27 |
| -2.0 TO -1.1 | 0.30 | 0.60 |
| LESS THAN -2.0 | 0.03 | 0.10 |

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

| | 2001-2002 | 2002-2003 |
|---|---|---|
| 8.0 OR MORE | 0.00 | 0.03 |
| 7.0 TO 7.9 | 0.00 | 0.10 |
| 6.0 TO 6.9 | 0.03 | 0.24 |
| 5.0 TO 5.9 | 0.10 | 0.45 |
| 4.0 TO 4.9 | 0.52 | 1.72 |
| 3.0 TO 3.9 | 3.10 | 7.79 |
| 2.0 TO 2.9 | 14.03 | 33.03 |
| 1.0 TO 1.9 | 64.31 | 39.55 |
| 0.0 TO 0.9 | 16.72 | 14.45 |
| WILL DECLINE | 1.17 | 2.62 |

NOTE: TOTAL NUMBER OF FORECASTERS REPORTING IS 30.

SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA, SURVEY OF PROFESSIONAL FORECASTERS, THIRD QUARTER 2002.

TABLE FIVE

LONG-TERM (10 YEAR) FORECASTS

| SERIES: CPI INFLATION RATE | |
|---|---|
| STATISTIC | |
| MINIMUM | 1.750 |
| LOWER QUARTILE | 2.400 |
| MEDIAN | 2.500 |
| UPPER QUARTILE | 2.700 |
| MAXIMUM | 3.500 |
| MEAN | 2.544 |
| STD. DEV. | 0.306 |
| N | 32 |
| MISSING | 3 |

SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA, SURVEY OF PROFESSIONAL FORECASTERS, THIRD QUARTER 2002.