



# SURVEY OF PROFESSIONAL FORECASTERS

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## FIRST QUARTER 2007

### *Forecasters Provide Views on New Measures of Inflation and Long-Term Expectations for Inflation Decline*

Two measures of core inflation in the U.S. economy will decelerate in 2007 and hold nearly steady over the following two years, according to 49 forecasters surveyed by the Federal Reserve Bank of Philadelphia. Measured on a fourth-quarter over fourth-quarter basis, core CPI inflation will fall to 2.3 percent this year and hold steady at that rate in 2008 and 2009. An alternative measure of core inflation, the rate of change in the price index for personal consumption expenditures (PCE), is also expected to decelerate, to 2.0 percent, in 2007 before rising to 2.1 percent in 2009. Core inflation measures the rate of change in a price index that excludes the prices of food and energy. This is the first Survey of Professional Forecasters to report projections for core inflation.

This survey also incorporates, for the first time, projections for inflation in the headline PCE price index. Like the headline CPI, which has been included in the survey since 1981, this index incorporates food and energy prices. The forecasters see headline PCE inflation averaging 2.1 percent this year before falling to 2.0 percent in 2008 and 2009. A difference in the outlook for inflation in a headline price index and the corresponding core price index reflects the influence of recent past or expected future changes in the prices of food and energy. The table below summarizes the current outlook for inflation and shows little difference between the headline and core forecasts in 2008 and 2009. On an annual basis, only the projection for core PCE inflation shows a hint of acceleration, with the projection rising from 2.0 percent in 2008 to just 2.1 percent in 2009. Notably, the forecasters have trimmed their forecasts for headline CPI inflation in this survey. Previously, they thought this measure would average 2.6 percent in 2007 (not shown in the table) and 2.5 percent in 2008 (not shown).

	CPI (%)		PCE Price Index (%)	
	Headline	Core	Headline	Core
<i>Quarterly data:</i>				
2007: Q1	2.4	2.2	1.7	2.0
Q2	2.6	2.3	2.2	2.0
Q3	2.5	2.4	2.2	2.0
Q4	2.4	2.3	2.0	2.0
2008: Q1	2.3	2.2	2.0	2.0
<i>Fourth-quarter over fourth-quarter data:</i>				
2007	2.5	2.3	2.1	2.0
2008	2.3	2.3	2.0	2.0
2009	2.3	2.3	2.0	2.1
<i>Long-run projections:</i>				
2007-2011	2.40	N.A.	2.10	N.A.
2007-2016	2.35	N.A.	2.00	N.A.

The preceding table also shows the forecasters' views on inflation at longer horizons. Over the next five years, they expect headline CPI inflation to average 2.40 percent (annual rate). The forecasters peg CPI inflation over the next 10 years at an annual rate of 2.35 percent, down from the rate of 2.50 percent they reported in the last survey. Readers of this survey know that this is a surprising revision because the forecasters have been projecting 10-year annual average inflation of 2.50 percent since 1998. Using the responses of each forecaster available on our web page, we conducted an investigation of the revision by comparing the responses of this survey to those of the last one. There were 38 forecasters who participated in both surveys. Of these 38, seven raised their estimates in this survey, but 16 cut their estimates. The mean and median amounts by which the seven raised their estimates were 0.21 and 0.10 percentage point, respectively. The mean and median amounts by which the 16 lowered their estimates were 0.17 and 0.10 percentage point, respectively. When we recomputed the median estimate for each survey, using only the 38 responses of those who participated in both surveys, we found a long-run projection of 2.50 percent in the survey of 2006 Q4, the same estimate we reported last quarter for the full sample, and 2.40 percent in this survey, very close to the median estimate of 2.35 percent in this survey's full sample. We conclude that changing views on the long-run inflation outlook among those participants who submitted projections in both surveys accounts for some of the downward revision to the full-sample median estimates. Notably, eight forecasters participated in this survey who did not also participate in the previous one. The median estimate of these eight forecasters is 2.05 percent. This suggests that a changing composition of the panel of forecasters over the last two surveys also contributes to the downward revision to the consensus long-term CPI inflation outlook.

Headline PCE inflation is expected to average 2.10 percent over the next five years. Ten-year average PCE inflation will be 2.00 percent.

The current survey also marks the beginning of two new questions on probability ranges. We now ask the forecasters to provide their estimates of the chance that fourth-quarter over fourth-quarter core CPI and PCE inflation will fall into each of 10 different ranges in the each of the next two years. This helps analysts to assess the degree of uncertainty surrounding the forecasters' annual estimates of core inflation, discussed above. As the table below shows for core PCE inflation, the forecasters think there is a 38 percent chance inflation will be between 2.0 and 2.4 percent in 2007. There is also a substantial chance, nearly 35 percent, inflation will average between 1.5 percent and 1.9 percent.

Mean Probability Attached to Core PCE Inflation

	06Q4 TO 07Q4	07Q4 TO 08Q4
	—————	—————
4 percent or more	0.14	0.12
3.5 to 3.9 percent	0.54	0.64
3.0 to 3.4 percent	2.30	2.42
2.5 to 2.9 percent	12.35	13.06
2.0 to 2.4 percent	38.00	37.79
1.5 to 1.9 percent	34.97	31.06
1.0 to 1.4 percent	8.89	11.39
0.5 to 0.9 percent	2.08	2.58
0.0 to 0.4 percent	0.67	0.76
Will decline	0.06	0.18

***Forecasters See Higher Growth, Stronger Labor Market in 2007***

The forecasters have raised their estimates for real GDP growth this year. On a year-over-year basis, real GDP is seen growing 2.8 percent this year, up from the forecasters' previous estimate of 2.6 percent. A slightly stronger labor market will accompany the outlook for growth. Nonfarm payroll employment will increase at a rate of 135,000 jobs per month in 2007, up slightly from 119,000 previously, while the unemployment rate will average 4.7 percent, down from 4.8 percent.

As the table below shows, the forecasters see real GDP growing 3.0 percent in 2008 and the unemployment rate rising to 4.8 percent.

	<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>						
2007:Q1	2.7	2.6	4.7	4.6	117.2	136.6
Q2	2.9	2.7	4.8	4.7	99.4	116.5
Q3	2.9	3.0	4.8	4.7	118.7	115.8
Q4	2.9	3.2	4.9	4.8	118.1	131.1
2008:Q1	N.A.	3.1	N.A.	4.8	N.A.	130.2
<i>Annual average data:</i>						
2007	2.6	2.8	4.8	4.7	119.0	135.1
2008	N.A.	3.0	N.A.	4.8	N.A.	131.2

### ***Forecasters Trim Estimates for Long-Run Growth in Output and Productivity***

In first-quarter surveys, the forecasters provide their long-run projections for an expanded set of variables, including growth in output and productivity, as well as returns on financial assets. Over the next 10 years, the forecasters now think real GDP will grow at an annual rate of 3.00 percent, down from their previous estimate of 3.20 percent. Labor productivity is seen growing 2.20 percent at an annual rate over the same period, down from 2.44 percent. The forecasters have raised their estimate of the returns to stocks and Treasury bills, to 7.50 percent and 4.50 percent, respectively, but they continue to think 10-year Treasury bonds will return 5.00 percent.

	<i>Long-Term (10-year) Forecasts (%)</i>	
	<i>First Quarter 2006</i>	<i>Current Survey</i>
<i>Real GDP Growth</i>	3.20	3.00
<i>Productivity Growth</i>	2.44	2.20
<i>Stock Returns (S&amp;P 500)</i>	7.00	7.50
<i>Bond Returns (10-year)</i>	5.00	5.00
<i>Bill Returns (3-month)</i>	4.25	4.50

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

**Scott Anderson**, Wells Fargo and Company; **Robert J. Barbera**, ITG Inc.; **David W. Berson**, Fannie Mae; **Joseph Carson**, Alliance Capital Management; **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**; **Keith Hembre**, First American Funds; **David Huether**, National Association of Manufacturers; **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/MarketWatch/North Fork Bank; **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; **Dean Maki**, Barclays Capital; **Drew Matus**, Lehman Brothers; **Edward F. McKelvey**, Goldman Sachs; **Jim Meil**, Eaton Corporation; **Anthony Metz**, Pareto Optimal Economics; **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; **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; **Xiaobing Shuai, Ph.D.**, Chmura Economics & Analytics; **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.; **Thomas Kevin Swift**, American Chemistry Council; **David Teolis**, General Motors Corporation; **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, 2007-2009

	2007 Q1	2007 Q2	2007 Q3	2007 Q4	2008 Q1	2007 (YEAR-OVER-YEAR)	2008	
PERCENT GROWTH AT ANNUAL RATES								
1. REAL GDP (BILLIONS, CHAIN WEIGHTED)	2.6	2.7	3.0	3.2	3.1	2.8	3.0	
2. GDP PRICE INDEX (PERCENT CHANGE)	2.4	2.2	2.1	2.1	2.2	2.1	2.1	
3. NOMINAL GDP (\$ BILLIONS)	5.1	4.9	5.3	5.4	5.1	5.0	5.3	
4. NONFARM PAYROLL EMPLOYMENT (PERCENT CHANGE)	1.2	1.0	1.0	1.2	1.1	1.2	1.1	
(AVG MONTHLY CHANGE)	136.6	116.5	115.8	131.1	130.2	135.1	131.2	
VARIABLES IN LEVELS								
5. UNEMPLOYMENT RATE (PERCENT)	4.6	4.7	4.7	4.8	4.8	4.7	4.8	
6. 3-MONTH TREASURY BILL (PERCENT)	5.0	5.0	5.0	4.9	4.9	5.0	4.9	
7. 10-YEAR TREASURY BOND (PERCENT)	4.8	4.8	4.9	5.0	5.0	4.9	5.0	
	2007 Q1	2007 Q2	2007 Q3	2007 Q4	2008 Q1	2007	2008	2009
						(Q4-OVER-Q4)		
INFLATION INDICATORS								
8. CPI (ANNUAL RATE)	2.4	2.6	2.5	2.4	2.3	2.5	2.3	2.3
9. CORE CPI (ANNUAL RATE)	2.2	2.3	2.4	2.3	2.2	2.3	2.3	2.3
10. PCE (ANNUAL RATE)	1.7	2.2	2.2	2.0	2.0	2.1	2.0	2.0
11. CORE PCE (ANNUAL RATE)	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.1

THE FIGURES ON EACH LINE ARE MEDIANS OF 49 INDIVIDUAL FORECASTERS.

SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA.  
 SURVEY OF PROFESSIONAL FORECASTERS, FIRST QUARTER 2007.

# **SURVEY OF PROFESSIONAL FORECASTERS**

**First Quarter 2007**

**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 January 31; the tables do not reflect subsequent revisions to the data. All forecasts were received on or before February 8, 2007.

TABLE ONE  
MAJOR MACROECONOMIC INDICATORS, 2007-2008  
MEDIAN OF FORECASTER PREDICTIONS

	NUMBER OF FORECASTERS	ACTUAL		FORECAST				ACTUAL		FORECAST	
		2006 Q4	2007 Q1	2007 Q2	2007 Q3	2007 Q4	2008 Q1	2006 ANNUAL	2007 ANNUAL	2008 ANNUAL	
1. GROSS DOMESTIC PRODUCT (GDP) (\$ BILLIONS)	48	13487.2	13655.3	13819.3	13999.1	14182.9	14359.9	13253.9	13913.6	14648.1	
2. GDP PRICE INDEX (2000=100)	48	116.89	117.59	118.22	118.83	119.45	120.10	116.05	118.50	121.02	
3. CORPORATE PROFITS AFTER TAXES (\$ BILLIONS)	34	N.A.	1207.1	1225.0	1241.8	1260.0	1293.5	N.A.	1233.3	1308.8	
4. UNEMPLOYMENT RATE (PERCENT)	49	4.5	4.6	4.7	4.7	4.8	4.8	4.6	4.7	4.8	
5. NONFARM PAYROLL EMPLOYMENT (THOUSANDS)	44	136051	136461	136811	137158	137551	137941	135374	136995	138569	
6. INDUSTRIAL PRODUCTION (2002=100)	46	112.2	112.8	113.6	114.5	115.3	116.2	111.3	114.2	117.6	
7. NEW PRIVATE HOUSING STARTS (ANNUAL RATE, MILLIONS)	42	1.56	1.54	1.55	1.55	1.58	1.62	1.82	1.56	1.65	
8. 3-MONTH TREASURY BILL RATE (PERCENT)	46	4.90	5.00	5.00	4.95	4.90	4.90	4.73	4.98	4.85	
9. AAA CORPORATE BOND YIELD (PERCENT)	41	5.39	5.50	5.62	5.70	5.78	5.85	5.59	5.64	5.88	
10. 10-YEAR TREASURY BOND YIELD (PERCENT)	47	4.63	4.79	4.83	4.87	4.98	5.00	4.79	4.87	5.00	
11. REAL GDP (BILLIONS, CHAIN WEIGHTED)	49	11541.6	11614.9	11693.5	11780.3	11872.7	11962.6	11422.4	11741.3	12099.1	
12. TOTAL CONSUMPTION EXPENDITURE (BILLIONS, CHAIN WEIGHTED)	48	8199.2	8264.0	8319.2	8378.6	8437.4	8497.4	8092.3	8351.0	8587.3	
13. NONRESIDENTIAL FIXED INVESTMENT (BILLIONS, CHAIN WEIGHTED)	46	1332.8	1357.1	1379.1	1399.0	1417.3	1434.6	1314.7	1388.9	1458.2	
14. RESIDENTIAL FIXED INVESTMENT (BILLIONS, CHAIN WEIGHTED)	46	540.7	526.3	518.5	519.7	518.4	521.1	582.5	522.4	530.0	
15. FEDERAL GOVERNMENT C & I (BILLIONS, CHAIN WEIGHTED)	44	747.1	750.9	754.9	757.5	760.4	763.7	741.9	756.0	766.9	
16. STATE AND LOCAL GOVT C & I (BILLIONS, CHAIN WEIGHTED)	44	1270.5	1278.4	1286.0	1293.0	1300.0	1306.0	1256.8	1290.0	1313.7	
17. CHANGE IN PRIVATE INVENTORIES (BILLIONS, CHAIN WEIGHTED)	46	35.3	30.0	32.5	35.0	35.0	37.0	46.4	32.9	39.5	
18. NET EXPORTS (BILLIONS, CHAIN WEIGHTED)	46	-581.4	-589.6	-587.8	-590.5	-587.4	-582.8	-617.8	-591.0	-578.4	

SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA. SURVEY OF PROFESSIONAL FORECASTERS, FIRST QUARTER 2007.

TABLE TWO  
MAJOR MACROECONOMIC INDICATORS, 2007-2008  
PERCENTAGE CHANGES AT ANNUAL RATES

	NUMBER OF FORECASTERS	Q4 2006 TO Q1 2007	Q1 2007 TO Q2 2007	Q2 2007 TO Q3 2007	Q3 2007 TO Q4 2007	Q4 2007 TO Q1 2008	2006 TO 2007	2007 TO 2008
1. GROSS DOMESTIC PRODUCT (GDP) (\$ BILLIONS)	48	5.1	4.9	5.3	5.4	5.1	5.0	5.3
2. GDP PRICE INDEX (2000=100)	48	2.4	2.2	2.1	2.1	2.2	2.1	2.1
3. CORPORATE PROFITS AFTER TAXES (\$ BILLIONS)	34	9.8	6.1	5.6	6.0	11.1	8.1	6.1
4. UNEMPLOYMENT RATE (PERCENT)	49	0.1	0.1	0.0	0.1	0.0	0.1	0.1
5. NONFARM PAYROLL EMPLOYMENT (PERCENT CHANGE)	44	1.2	1.0	1.0	1.2	1.1	1.2	1.1
(AVG MONTHLY CHANGE)	44	136.6	116.5	115.8	131.1	130.2	135.1	131.2
6. INDUSTRIAL PRODUCTION (2002=100)	46	2.2	3.0	3.0	3.0	2.9	2.6	3.0
7. NEW PRIVATE HOUSING STARTS (ANNUAL RATE, MILLIONS)	42	-6.6	2.5	1.1	8.4	10.6	-14.2	6.0
8. 3-MONTH TREASURY BILL RATE (PERCENT)	46	0.10	-0.00	-0.04	-0.05	0.00	0.24	-0.13
9. AAA CORPORATE BOND YIELD (PERCENT)	41	0.11	0.12	0.08	0.08	0.07	0.05	0.24
10. 10-YEAR TREASURY BOND YIELD (PERCENT)	47	0.16	0.04	0.04	0.11	0.01	0.08	0.13
11. REAL GDP (BILLIONS, CHAIN WEIGHTED)	49	2.6	2.7	3.0	3.2	3.1	2.8	3.0
12. TOTAL CONSUMPTION EXPENDITURE (BILLIONS, CHAIN WEIGHTED)	48	3.2	2.7	2.9	2.8	2.9	3.2	2.8
13. NONRESIDENTIAL FIXED INVESTMENT (BILLIONS, CHAIN WEIGHTED)	46	7.5	6.6	5.9	5.3	5.0	5.6	5.0
14. RESIDENTIAL FIXED INVESTMENT (BILLIONS, CHAIN WEIGHTED)	46	-10.2	-5.8	1.0	-1.0	2.0	-10.3	1.5
15. FEDERAL GOVERNMENT C & I (BILLIONS, CHAIN WEIGHTED)	44	2.1	2.1	1.4	1.5	1.7	1.9	1.4
16. STATE AND LOCAL GOVT C & I (BILLIONS, CHAIN WEIGHTED)	44	2.5	2.4	2.2	2.2	1.9	2.6	1.8
17. CHANGE IN PRIVATE INVENTORIES (BILLIONS, CHAIN WEIGHTED)	46	-5.3	2.5	2.5	0.0	2.0	-13.5	6.6
18. NET EXPORTS (BILLIONS, CHAIN WEIGHTED)	46	-8.2	1.8	-2.7	3.1	4.6	26.8	12.6

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, FIRST QUARTER 2007.

TABLE THREE  
 MAJOR PRICE INDICATORS, 2007-2009  
 MEDIANS OF FORECASTER PREDICTIONS

	NUMBER OF FORECASTERS	ACTUAL	FORECAST(Q/Q)					ACTUAL	FORECAST(Q4/Q4)		
		2006 Q4	2007 Q1	2007 Q2	2007 Q3	2007 Q4	2008 Q1	2006 ANNUAL	2007 ANNUAL	2008 ANNUAL	2009 ANNUAL
1. CONSUMER PRICE INDEX (ANNUAL RATE)	46	-2.2	2.4	2.6	2.5	2.4	2.3	2.0	2.5	2.3	2.3
2. CORE CONSUMER PRICE INDEX (ANNUAL RATE)	43	1.8	2.2	2.3	2.4	2.3	2.2	2.7	2.3	2.3	2.3
3. PCE PRICE INDEX (ANNUAL RATE)	36	-0.8	1.7	2.2	2.2	2.0	2.0	1.9	2.1	2.0	2.0
4. CORE PCE PRICE INDEX (ANNUAL RATE)	38	2.1	2.0	2.0	2.0	2.0	2.0	2.3	2.0	2.0	2.1

SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA. SURVEY OF PROFESSIONAL FORECASTERS, FIRST QUARTER 2007.

TABLE FOUR  
ESTIMATED PROBABILITY OF DECLINE IN REAL GDP

ESTIMATED PROBABILITY (CHANGES IN 100)	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007
	TO Q1 2007	TO Q2 2007	TO Q3 2007	TO Q4 2007	TO Q1 2008
NUMBER OF FORECASTERS					
10 OR LESS	40	29	23	20	20
11 TO 20	3	11	16	17	14
21 TO 30	0	4	5	7	8
31 TO 40	2	1	1	1	1
41 TO 50	0	0	1	1	1
51 TO 60	0	0	0	0	0
61 TO 70	1	1	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	3	3	3	3	5
MEAN AND MEDIAN					
MEDIAN PROBABILITY	5.00	10.00	11.25	15.00	13.50
MEAN PROBABILITY	8.28	13.14	13.82	14.93	15.00

NOTE: TOTAL NUMBER OF FORECASTERS REPORTING IS 46.  
SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA.  
SURVEY OF PROFESSIONAL FORECASTERS, FIRST QUARTER 2007.

TABLE FIVE  
 MEAN PROBABILITY OF CHANGES IN GDP AND PRICES  
 2006-2007 AND 2007-2008

MEAN PROBABILITY ATTACHED TO POSSIBLE  
 PERCENT CHANGES IN REAL GDP:

	2006-2007	2007-2008
6.0 OR MORE	0.09	0.29
5.0 TO 5.9	0.37	1.19
4.0 TO 4.9	3.61	7.19
3.0 TO 3.9	28.04	39.57
2.0 TO 2.9	50.91	34.64
1.0 TO 1.9	12.78	10.48
0.0 TO 0.9	2.78	4.40
-1.0 TO -0.1	1.00	1.67
-2.0 TO -1.1	0.26	0.38
LESS THAN -2.0	0.15	0.19

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

	2006-2007	2007-2008
8.0 OR MORE	0.07	0.07
7.0 TO 7.9	0.09	0.08
6.0 TO 6.9	0.13	0.17
5.0 TO 5.9	0.30	0.63
4.0 TO 4.9	2.00	2.93
3.0 TO 3.9	13.57	15.37
2.0 TO 2.9	52.26	45.80
1.0 TO 1.9	27.72	29.29
0.0 TO 0.9	3.50	4.95
WILL DECLINE	0.37	0.71

NOTE: TOTAL NUMBER OF FORECASTERS REPORTING IS 46.  
 SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA.  
 SURVEY OF PROFESSIONAL FORECASTERS, FIRST QUARTER 2007.

TABLE SIX  
 MEAN PROBABILITY OF CORE CPI AND CORE PCE INFLATION (Q4/Q4)  
 2006Q4 TO 2007Q4 AND 2007Q4 TO 2008Q4

MEAN PROBABILITY ATTACHED TO CORE CPI INFLATION:

	06Q4 TO 07Q4	07Q4 TO 08Q4
4 PERCENT OR MORE	0.14	0.32
3.5 TO 3.9 PERCENT	1.02	1.16
3.0 TO 3.4 PERCENT	6.71	6.13
2.5 TO 2.9 PERCENT	26.67	23.45
2.0 TO 2.4 PERCENT	40.57	39.24
1.5 TO 1.9 PERCENT	18.24	21.53
1.0 TO 1.4 PERCENT	5.10	6.24
0.5 TO 0.9 PERCENT	1.24	1.55
0.0 TO 0.4 PERCENT	0.29	0.37
WILL DECLINE	0.02	0.03

MEAN PROBABILITY ATTACHED TO CORE PCE INFLATION:

	06Q4 TO 07Q4	07Q4 TO 08Q4
4 PERCENT OR MORE	0.14	0.12
3.5 TO 3.9 PERCENT	0.54	0.64
3.0 TO 3.4 PERCENT	2.30	2.42
2.5 TO 2.9 PERCENT	12.35	13.06
2.0 TO 2.4 PERCENT	38.00	37.79
1.5 TO 1.9 PERCENT	34.97	31.06
1.0 TO 1.4 PERCENT	8.89	11.39
0.5 TO 0.9 PERCENT	2.08	2.58
0.0 TO 0.4 PERCENT	0.67	0.76
WILL DECLINE	0.06	0.18

NOTE: TOTAL NUMBER OF FORECASTERS REPORTING IS 42.  
 SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA.  
 SURVEY OF PROFESSIONAL FORECASTERS, FIRST QUARTER 2007.

TABLE SEVEN  
LONG-TERM (5-YEAR AND 10-YEAR) FORECASTS

ANNUAL AVERAGE OVER THE NEXT 5 YEARS: 2007-2011

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CPI INFLATION RATE		PCE INFLATION RATE	
-----		-----	
MINIMUM	1.90	MINIMUM	1.50
LOWER QUARTILE	2.20	LOWER QUARTILE	1.90
MEDIAN	2.40	MEDIAN	2.10
UPPER QUARTILE	2.60	UPPER QUARTILE	2.30
MAXIMUM	3.50	MAXIMUM	3.30
MEAN	2.45	MEAN	2.13
STD. DEVIATION	0.38	STD. DEVIATION	0.37
N	46	N	42
MISSING	3	MISSING	7

ANNUAL AVERAGE OVER THE NEXT 10 YEARS: 2007-2016

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CPI INFLATION RATE		PCE INFLATION RATE	
-----		-----	
MINIMUM	1.69	MINIMUM	1.50
LOWER QUARTILE	2.20	LOWER QUARTILE	1.90
MEDIAN	2.35	MEDIAN	2.00
UPPER QUARTILE	2.60	UPPER QUARTILE	2.30
MAXIMUM	4.00	MAXIMUM	3.20
MEAN	2.41	MEAN	2.12
STD. DEVIATION	0.40	STD. DEVIATION	0.39
N	46	N	42
MISSING	3	MISSING	7

REAL GDP GROWTH RATE		PRODUCTIVITY GROWTH RATE	
-----		-----	
MINIMUM	2.50	MINIMUM	1.20
LOWER QUARTILE	2.81	LOWER QUARTILE	2.00
MEDIAN	3.00	MEDIAN	2.20
UPPER QUARTILE	3.20	UPPER QUARTILE	2.30
MAXIMUM	3.50	MAXIMUM	3.00
MEAN	3.01	MEAN	2.15
STD. DEVIATION	0.22	STD. DEVIATION	0.32
N	44	N	38
MISSING	5	MISSING	11

STOCK RETURNS (S&P 500)		BOND RETURNS (10-YEAR)		BILL RETURNS (3-MONTH)	
-----		-----		-----	
MINIMUM	5.00	MINIMUM	2.00	MINIMUM	3.00
LOWER QUARTILE	6.40	LOWER QUARTILE	5.00	LOWER QUARTILE	4.00
MEDIAN	7.50	MEDIAN	5.00	MEDIAN	4.50
UPPER QUARTILE	8.13	UPPER QUARTILE	5.20	UPPER QUARTILE	4.68
MAXIMUM	15.00	MAXIMUM	6.00	MAXIMUM	6.00
MEAN	7.68	MEAN	5.00	MEAN	4.33
STD. DEVIATION	2.05	STD. DEVIATION	0.60	STD. DEVIATION	0.67
N	32	N	39	N	39
MISSING	17	MISSING	10	MISSING	10

SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA.  
SURVEY OF PROFESSIONAL FORECASTERS, FIRST QUARTER 2007.