



SURVEY OF PROFESSIONAL FORECASTERS

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FOURTH QUARTER 2007

Forecasters State Views on Inflation Targeting

In a special question in this survey, the Federal Reserve Bank of Philadelphia asked its panelists for their views on inflation targeting. We asked them if they think the FOMC has a numerical target for long-run inflation, which we defined as inflation over the next 10 years, and if so, the measure of inflation that they think the FOMC is targeting and the numerical value of the target. For the question on the measure of inflation targeted, we asked our panelists to choose one measure from a list of four: headline CPI inflation, core CPI inflation, headline inflation in the PCE price index, and inflation in the core PCE price index. We begin this newsletter with a discussion of these results. Our usual discussion of the forecasts follows.

Forty-eight panelists participated in this survey, and nearly all—45—answered the special question. Of the 45 panelists who answered the question, 23 think the FOMC has an inflation target. All 23 agree that the target is for either headline PCE inflation or core PCE inflation. No panelist thinks the FOMC is targeting a CPI-based measure of inflation. Moreover, there is a consensus on whether the target is for headline PCE inflation or core PCE inflation: Of the 23 panelists who think the FOMC is targeting a PCE-based inflation measure, 20 think the target is for core PCE inflation. Three think the target is for the headline measure.

The median estimate (across 20 forecasters) of the core PCE inflation target is 1.63 percent. (The three panelists who think the target is for headline PCE inflation said that the target is 2.00 percent.) How does this estimate compare with the forecasters' projection for long-run inflation? We conducted a special analysis comparing the 20 panelists' 10-year annual-average forecasts for headline PCE inflation with their estimates of the core PCE inflation target, also defined over a 10-year horizon. We found that the median estimate for long-run headline PCE inflation is 2.15 percent. Thus, among the group of 20 forecasters who think that the FOMC is targeting core PCE inflation, the median forecast for long-term headline PCE inflation (2.15 percent) exceeds the median estimate of the core PCE inflation target (1.63 percent). An analysis of the individual responses shows that almost all 20 forecasters think actual long-run inflation will exceed their estimate of the FOMC's inflation target. Indeed, among those who chose a core PCE target, only three have long-run forecasts matching their estimates of the numerical target. (For the three panelists who chose the headline PCE target, all had long-run forecasts matching their numerical target.) In the last part of our special question, we asked the panelists to explain why their long-run forecast for inflation would exceed their estimate of the target for inflation. Many pointed to the effect on actual inflation from supply shocks and the influence of additional goals that the FOMC might have.

Little Reason Seen to Change the Outlook for Inflation

The outlook for inflation — over the near term and at longer horizons — is about the same now as it was three months ago, according to the 48 forecasters polled by the Federal Reserve Bank of Philadelphia. The forecasters expect core CPI inflation to average 2.2 percent (fourth quarter over fourth quarter) in each of the next three years. This projection is unchanged from the last survey. Core PCE inflation will average 1.9 percent in each of the next three years. This projection is nearly identical to that of the last survey.

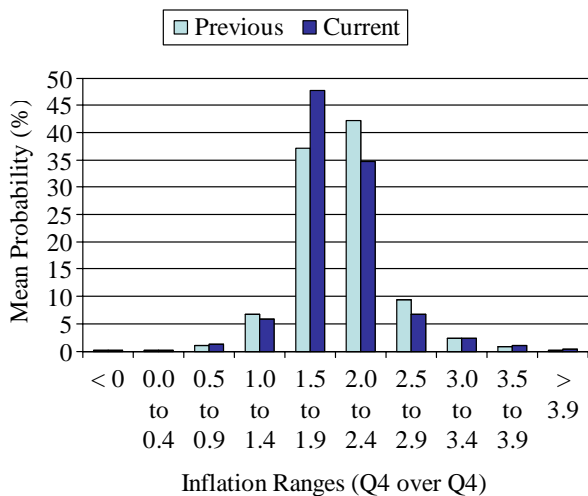
Turning to the long run, as the table below shows, headline CPI inflation will average 2.50 percent over the next five years and 2.40 percent over the next 10 years. The five-year estimate is up from 2.45 percent in the last survey, while the 10-year estimate is unchanged (not shown). Headline PCE inflation will average 2.20 percent and 2.10 percent over the same periods, respectively. These estimates are unchanged from the previous survey.

Short-Run and Long-Run Projections for Inflation

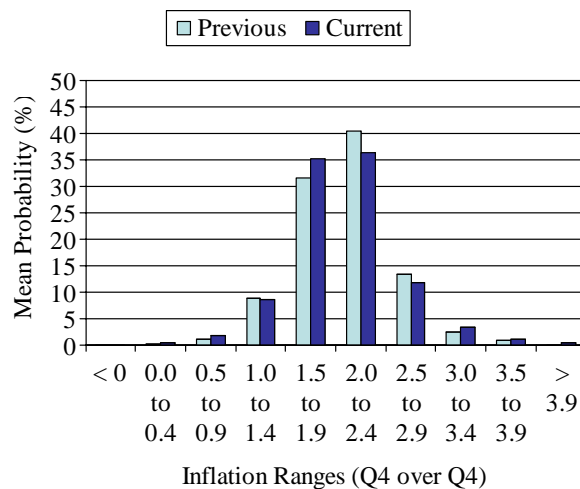
	CPI (%)		PCE Price Index (%)	
	Headline	Core	Headline	Core
<i>Quarterly data:</i>				
2007: Q4	3.0	2.2	2.7	1.9
2008: Q1	2.9	2.2	2.2	1.9
Q2	2.4	2.2	1.9	1.9
Q3	2.3	2.2	2.1	1.9
Q4	2.2	2.2	2.1	1.9
<i>Fourth-quarter over fourth-quarter data:</i>				
2007	3.6	2.2	3.0	1.9
2008	2.5	2.2	2.2	1.9
2009	2.3	2.2	2.1	1.9
<i>Long-run projections:</i>				
2007-2011	2.50	N.A.	2.20	N.A.
2007-2016	2.40	N.A.	2.10	N.A.

The figures below show the probabilities that the forecasters are assigning to the possibility that fourth-quarter over fourth-quarter core PCE inflation in 2007 and 2008 will fall into each of 10 ranges. We show the estimates for the current survey and the survey of three months ago. For 2007, the forecasters have raised the probability that inflation will fall in the range of 1.5 percent to 1.9 percent. That estimate now stands at 48 percent, up from 37 percent previously. The probability that inflation will fall in the range of 2.0 to 2.4 percent is now 35 percent, down from 42 percent. For 2008, the forecasters think there is a 72 percent chance that inflation will fall in the combined range of 1.5 percent and 2.4 percent, with the chance split roughly equally between the ranges of 1.5 percent to 1.9 percent and 2.0 to 2.4 percent.

Mean Probabilities for Core PCE Inflation in 2007



Mean Probabilities for Core PCE Inflation in 2008



Another Round of Cuts to the Outlook for Short-Term Growth

The forecasters are cutting their estimates for growth over the remainder of this year and the first half of 2008. This marks the third survey in which the outlook for growth appears weaker. The largest downward revision (1.2 percentage points) is for the current quarter, when real GDP will grow at an annual rate of just 1.5 percent, down from the previous projection

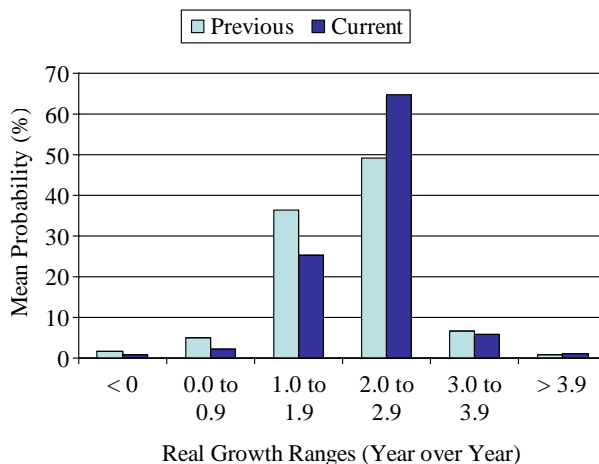
of 2.7 percent. Downward revisions of about 0.5 percentage point characterize the outlook for the first two quarters of 2008, when growth will average 2.2 percent and 2.3 percent, respectively. On an annual-average over annual-average basis, real GDP will grow 2.1 percent in 2007 and 2.5 percent in 2008. Notably, the forecasters have revised downward their estimates for annual growth continually since the survey of 2007 Q1, when they thought growth would be 2.8 percent in 2007 and 3.0 percent in 2008.

Slightly weaker conditions in the labor market accompany the outlook for growth. Projections for the unemployment rate are higher in each quarter of 2008 than they were in the previous survey. On an annual-average basis, unemployment will be 4.6 percent in 2007, unchanged from the previous survey, and 4.9 percent in 2008, up from 4.7 percent previously. As the table below shows, gains in nonfarm payroll employment will average 152,000 jobs per month in 2007 and 104,000 per month in 2008, both down somewhat from the last survey.

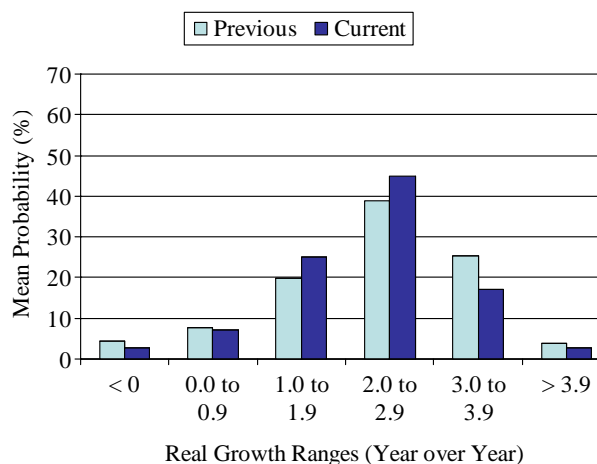
	Real GDP (%)		Unemployment Rate (%)		Payrolls (000s/month)	
	Previous	New	Previous	New	Previous	New
<i>Quarterly data:</i>						
2007:Q4	2.7	1.5	4.7	4.7	114.5	114.7
2008:Q1	2.7	2.2	4.7	4.8	113.8	100.6
Q2	2.9	2.3	4.7	4.9	114.6	75.7
Q3	2.7	2.8	4.7	5.0	121.1	119.2
Q4	N.A.	2.8	N.A.	5.0	N.A.	134.4
<i>Annual average data:</i>						
2007	1.9	2.1	4.6	4.6	156.0	151.6
2008	2.8	2.5	4.7	4.9	118.0	103.5

The charts below provide some information on the degree of uncertainty the forecasters have about their views on year-over-year growth in real GDP in 2007 and 2008. Each chart presents, for the current and previous survey, the forecasters' estimates of the probability that growth will fall into each of six ranges. In 2007, the forecasters think there is a 65 percent chance that year-over-year growth will average between 2.0 and 2.9 percent. Their previous estimate was nearly 50 percent. The chart for 2008 shows the weakness in the current forecast. The forecasters have raised the chance that growth will fall in the combined range of 1.0 to 2.9 percent while cutting the chance that growth will fall into the higher range of 3.0 to 3.9 percent.

Mean Probabilities for Real GDP Growth in 2007



Mean Probabilities for Real GDP Growth in 2008



Upward Revisions to the Risk of a Downturn

A slightly higher risk of a negative quarter accompanies the forecast. As the table below shows, the forecasters have revised upward the chance of a quarter of negative growth over the next four quarters. That chance now hovers around 20 percent or more in each quarter of 2008.

Risk of a Negative Quarter (%)

<i>Quarterly data:</i>	<i>Previous</i>	<i>New</i>
2007: Q4	16.95	18.89
2008: Q1	19.14	22.51
Q2	18.73	21.50
Q3	18.68	20.07
Q4	N.A.	19.93

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

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; **Christine Chmura, Ph.D.** and **Xiaobing Shuai, Ph.D.**, Chmura Economics & Analytics; **Louis Crandall**, Wrightson ICAP LLC; **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**; **Jeff Hall**, Thomson Financial; **Keith Hembre**, First American Funds; **William B. Hummer**, Wayne Hummer Investments; **Saul Hymans**, **Joan Crary**, and **Janet Wolfe**, RSQE, The University of Michigan; **Peter Jaquette**, Weyerhaeuser Company; **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; **Jack Kleinhenz**, Kleinhenz & Associates, Inc.; **Thomas Lam**, UOB Group; **L. Douglas Lee**, Economics from Washington; **Allan R. Leslie**, Economic Consultant; **Mickey D. Levy**, Bank of America; **Joseph Liro**, Stone & McCarthy Research Associates; **John Lonski**, Moody's Investors Service; **Macroeconomic Advisers, LLC**; **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; **Julian Silk**, UMUC; **John Silvia**, Wachovia Corporation; **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; **Gary Thayer**, A.G. Edwards; **Lea Tyler**, Oxford Economics USA, Inc.; **Albert M. Wojnilower**; **Jay N. Woodworth**, Woodworth Holdings, Ltd.; **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 Q4	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2007 (YEAR-OVER-YEAR)	2008	
PERCENT GROWTH AT ANNUAL RATES								
1. REAL GDP (BILLIONS, CHAIN WEIGHTED)	1.5	2.2	2.3	2.8	2.8	2.1	2.5	
2. GDP PRICE INDEX (PERCENT CHANGE)	2.2	2.5	2.1	2.2	2.2	2.6	2.1	
3. NOMINAL GDP (\$ BILLIONS)	4.0	4.4	4.3	5.1	5.1	4.8	4.6	
4. NONFARM PAYROLL EMPLOYMENT (PERCENT CHANGE)	1.0	0.9	0.7	1.0	1.2	1.3	0.9	
(AVG MONTHLY CHANGE)	114.7	100.6	75.7	119.2	134.4	151.6	103.5	
VARIABLES IN LEVELS								
5. UNEMPLOYMENT RATE (PERCENT)	4.7	4.8	4.9	5.0	5.0	4.6	4.9	
6. 3-MONTH TREASURY BILL (PERCENT)	4.0	3.9	3.9	3.9	4.1	4.5	4.0	
7. 10-YEAR TREASURY BOND (PERCENT)	4.5	4.5	4.6	4.7	4.8	4.7	4.6	
	2007 Q4	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2007	2008	2009
						(Q4-OVER-Q4)		
INFLATION INDICATORS								
8. CPI (ANNUAL RATE)	3.0	2.9	2.4	2.3	2.2	3.6	2.5	2.3
9. CORE CPI (ANNUAL RATE)	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
10. PCE (ANNUAL RATE)	2.7	2.2	1.9	2.1	2.1	3.0	2.2	2.1
11. CORE PCE (ANNUAL RATE)	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9

THE FIGURES ON EACH LINE ARE MEDIANS OF 48 INDIVIDUAL FORECASTERS.

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

SURVEY OF PROFESSIONAL FORECASTERS

Fourth 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 October 31; the tables do not reflect subsequent revisions to the data. All forecasts were received on or before November 7, 2007.

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

	NUMBER OF FORECASTERS	ACTUAL	FORECAST				ACTUAL	FORECAST		
		2007 Q3	2007 Q4	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2006 ANNUAL	2007 ANNUAL	2008 ANNUAL
1. GROSS DOMESTIC PRODUCT (GDP) (\$ BILLIONS)	47	13926.7	14063.9	14215.6	14367.2	14546.0	14728.0	13194.7	13825.4	14463.5
2. GDP PRICE INDEX (2000=100)	47	119.76	120.40	121.13	121.75	122.42	123.10	116.57	119.60	122.09
3. CORPORATE PROFITS AFTER TAXES (\$ BILLIONS)	25	N.A.	1152.4	1175.0	1200.1	1207.3	1218.2	1099.8	1142.0	1198.0
4. UNEMPLOYMENT RATE (PERCENT)	48	4.6	4.7	4.8	4.9	5.0	5.0	4.6	4.6	4.9
5. NONFARM PAYROLL EMPLOYMENT (THOUSANDS)	40	138162	138506	138808	139035	139393	139796	136175	137995	139236
6. INDUSTRIAL PRODUCTION (2002=100)	45	114.3	114.9	115.5	116.3	117.1	117.8	111.2	113.6	116.7
7. NEW PRIVATE HOUSING STARTS (ANNUAL RATE, MILLIONS)	44	1.30	1.20	1.16	1.15	1.18	1.23	1.81	1.36	1.18
8. 3-MONTH TREASURY BILL RATE (PERCENT)	46	4.30	3.95	3.94	3.91	3.93	4.10	4.73	4.50	3.95
9. AAA CORPORATE BOND YIELD (PERCENT)	39	5.75	5.61	5.69	5.75	5.80	5.85	5.59	5.59	5.76
10. 10-YEAR TREASURY BOND YIELD (PERCENT)	47	4.73	4.45	4.50	4.57	4.68	4.77	4.79	4.68	4.63
11. REAL GDP (BILLIONS, CHAIN WEIGHTED)	48	11630.7	11675.0	11737.3	11803.1	11883.8	11966.0	11319.4	11559.6	11848.0
12. TOTAL CONSUMPTION EXPENDITURE (BILLIONS, CHAIN WEIGHTED)	48	8305.3	8347.3	8387.2	8435.9	8489.1	8543.9	8044.1	8278.0	8464.3
13. NONRESIDENTIAL FIXED INVESTMENT (BILLIONS, CHAIN WEIGHTED)	46	1382.7	1396.9	1411.1	1425.7	1440.1	1452.0	1306.8	1364.3	1429.7
14. RESIDENTIAL FIXED INVESTMENT (BILLIONS, CHAIN WEIGHTED)	46	463.9	440.7	427.8	422.3	419.5	421.1	569.5	475.3	421.8
15. FEDERAL GOVERNMENT C & I (BILLIONS, CHAIN WEIGHTED)	44	763.5	767.2	769.3	773.7	777.4	781.4	742.3	755.5	775.4
16. STATE AND LOCAL GOVT C & I (BILLIONS, CHAIN WEIGHTED)	44	1269.8	1276.1	1282.4	1288.8	1295.0	1301.6	1239.0	1265.9	1292.0
17. CHANGE IN PRIVATE INVENTORIES (BILLIONS, CHAIN WEIGHTED)	46	15.7	15.6	18.6	19.0	21.1	25.0	40.3	9.4	20.0
18. NET EXPORTS (BILLIONS, CHAIN WEIGHTED)	46	-546.2	-538.0	-532.3	-527.9	-518.0	-518.0	-624.5	-567.6	-524.3

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

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

	NUMBER OF FORECASTERS	Q3 2007 TO Q4 2007	Q4 2007 TO Q1 2008	Q1 2008 TO Q2 2008	Q2 2008 TO Q3 2008	Q3 2008 TO Q4 2008	2006 TO 2007	2007 TO 2008
1. GROSS DOMESTIC PRODUCT (GDP) (\$ BILLIONS)	47	4.0	4.4	4.3	5.1	5.1	4.8	4.6
2. GDP PRICE INDEX (2000=100)	47	2.2	2.5	2.1	2.2	2.2	2.6	2.1
3. CORPORATE PROFITS AFTER TAXES (\$ BILLIONS)	25	-2.0	8.1	8.8	2.4	3.7	3.8	4.9
4. UNEMPLOYMENT RATE (PERCENT)	48	0.1	0.1	0.1	0.1	0.0	0.0	0.3
5. NONFARM PAYROLL EMPLOYMENT (PERCENT CHANGE)	40	1.0	0.9	0.7	1.0	1.2	1.3	0.9
(AVG MONTHLY CHANGE)	40	114.7	100.6	75.7	119.2	134.4	151.6	103.5
6. INDUSTRIAL PRODUCTION (2002=100)	45	2.1	2.1	2.8	2.8	2.4	2.2	2.7
7. NEW PRIVATE HOUSING STARTS (ANNUAL RATE, MILLIONS)	44	-26.4	-13.6	-2.4	11.0	19.5	-25.1	-13.2
8. 3-MONTH TREASURY BILL RATE (PERCENT)	46	-0.35	-0.01	-0.03	0.01	0.17	-0.23	-0.55
9. AAA CORPORATE BOND YIELD (PERCENT)	39	-0.14	0.08	0.06	0.05	0.05	0.00	0.17
10. 10-YEAR TREASURY BOND YIELD (PERCENT)	47	-0.28	0.05	0.07	0.11	0.09	-0.11	-0.05
11. REAL GDP (BILLIONS, CHAIN WEIGHTED)	48	1.5	2.2	2.3	2.8	2.8	2.1	2.5
12. TOTAL CONSUMPTION EXPENDITURE (BILLIONS, CHAIN WEIGHTED)	48	2.0	1.9	2.3	2.5	2.6	2.9	2.3
13. NONRESIDENTIAL FIXED INVESTMENT (BILLIONS, CHAIN WEIGHTED)	46	4.2	4.1	4.2	4.1	3.4	4.4	4.8
14. RESIDENTIAL FIXED INVESTMENT (BILLIONS, CHAIN WEIGHTED)	46	-18.5	-11.2	-5.1	-2.6	1.5	-16.5	-11.3
15. FEDERAL GOVERNMENT C & I (BILLIONS, CHAIN WEIGHTED)	44	1.9	1.1	2.3	1.9	2.1	1.8	2.6
16. STATE AND LOCAL GOVT C & I (BILLIONS, CHAIN WEIGHTED)	44	2.0	2.0	2.0	1.9	2.0	2.2	2.1
17. CHANGE IN PRIVATE INVENTORIES (BILLIONS, CHAIN WEIGHTED)	46	-0.1	3.0	0.4	2.1	3.9	-30.9	10.6
18. NET EXPORTS (BILLIONS, CHAIN WEIGHTED)	46	8.2	5.7	4.4	9.9	0.0	57.0	43.3

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, FOURTH QUARTER 2007.

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

	NUMBER OF FORECASTERS	ACTUAL	FORECAST(Q/Q)					ACTUAL	FORECAST(Q4/Q4)		
		2007 Q3	2007 Q4	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2006 ANNUAL	2007 ANNUAL	2008 ANNUAL	2009 ANNUAL
1. CONSUMER PRICE INDEX (ANNUAL RATE)	48	1.9	3.0	2.9	2.4	2.3	2.2	2.0	3.6	2.5	2.5
2. CORE CONSUMER PRICE INDEX (ANNUAL RATE)	45	2.5	2.2	2.2	2.2	2.2	2.2	2.7	2.2	2.2	2.2
3. PCE PRICE INDEX (ANNUAL RATE)	36	1.7	2.7	2.2	1.9	2.1	2.1	1.9	3.0	2.2	2.1
4. CORE PCE PRICE INDEX (ANNUAL RATE)	41	1.8	1.9	1.9	1.9	1.9	1.9	2.3	1.9	1.9	1.9

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

TABLE FOUR
ESTIMATED PROBABILITY OF DECLINE IN REAL GDP

ESTIMATED PROBABILITY (CHANGES IN 100)	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008
	TO Q4 2007	TO Q1 2008	TO Q2 2008	TO Q3 2008	TO Q4 2008
NUMBER OF FORECASTERS					
10 OR LESS	19	10	9	12	13
11 TO 20	8	15	16	16	15
21 TO 30	10	11	16	12	9
31 TO 40	6	7	4	6	7
41 TO 50	2	2	1	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	3	3	2	2	4
MEAN AND MEDIAN					
MEDIAN PROBABILITY	15.00	20.00	20.00	20.00	20.00
MEAN PROBABILITY	18.89	22.51	21.50	20.07	19.93

NOTE: TOTAL NUMBER OF FORECASTERS REPORTING IS 45.
SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA.
SURVEY OF PROFESSIONAL FORECASTERS, FOURTH 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	0.07	0.16
5.0 TO 5.9	0.33	0.47
4.0 TO 4.9	0.73	2.10
3.0 TO 3.9	6.01	17.18
2.0 TO 2.9	64.52	45.02
1.0 TO 1.9	25.21	25.00
0.0 TO 0.9	2.29	7.28
-1.0 TO -0.1	0.60	2.13
-2.0 TO -1.1	0.13	0.44
LESS THAN -2.0	0.11	0.22

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

	2006-2007	2007-2008
8.0 OR MORE	0.18	0.23
7.0 TO 7.9	0.30	0.34
6.0 TO 6.9	0.41	0.55
5.0 TO 5.9	0.64	1.82
4.0 TO 4.9	2.16	4.32
3.0 TO 3.9	17.09	16.02
2.0 TO 2.9	66.25	46.50
1.0 TO 1.9	11.64	25.95
0.0 TO 0.9	1.19	3.89
WILL DECLINE	0.14	0.39

NOTE: TOTAL NUMBER OF FORECASTERS REPORTING IS 45.
 SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA.
 SURVEY OF PROFESSIONAL FORECASTERS, FOURTH 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	0.62	0.64
3.5 TO 3.9 PERCENT	1.50	2.31
3.0 TO 3.4 PERCENT	4.02	6.01
2.5 TO 2.9 PERCENT	19.69	20.48
2.0 TO 2.4 PERCENT	53.60	39.48
1.5 TO 1.9 PERCENT	17.26	24.31
1.0 TO 1.4 PERCENT	2.76	5.13
0.5 TO 0.9 PERCENT	0.33	1.24
0.0 TO 0.4 PERCENT	0.17	0.31
WILL DECLINE	0.05	0.10

MEAN PROBABILITY ATTACHED TO CORE PCE INFLATION:

	06Q4 TO 07Q4	07Q4 TO 08Q4
4 PERCENT OR MORE	0.38	0.64
3.5 TO 3.9 PERCENT	1.00	1.33
3.0 TO 3.4 PERCENT	2.29	3.45
2.5 TO 2.9 PERCENT	6.73	11.81
2.0 TO 2.4 PERCENT	34.64	36.28
1.5 TO 1.9 PERCENT	47.74	35.28
1.0 TO 1.4 PERCENT	5.79	8.67
0.5 TO 0.9 PERCENT	1.21	2.00
0.0 TO 0.4 PERCENT	0.10	0.46
WILL DECLINE	0.10	0.08

NOTE: TOTAL NUMBER OF FORECASTERS REPORTING IS 42.
 SOURCE: RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF PHILADELPHIA.
 SURVEY OF PROFESSIONAL FORECASTERS, FOURTH 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	
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MINIMUM	1.80	MINIMUM	1.50
LOWER QUARTILE	2.20	LOWER QUARTILE	1.90
MEDIAN	2.50	MEDIAN	2.20
UPPER QUARTILE	2.80	UPPER QUARTILE	2.50
MAXIMUM	5.00	MAXIMUM	3.30
MEAN	2.56	MEAN	2.26
STD. DEVIATION	0.55	STD. DEVIATION	0.42
N	45	N	43
MISSING	3	MISSING	5

ANNUAL AVERAGE OVER THE NEXT 10 YEARS: 2007-2016

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CPI INFLATION RATE		PCE INFLATION RATE	
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MINIMUM	1.75	MINIMUM	1.50
LOWER QUARTILE	2.20	LOWER QUARTILE	1.90
MEDIAN	2.40	MEDIAN	2.10
UPPER QUARTILE	2.60	UPPER QUARTILE	2.50
MAXIMUM	4.00	MAXIMUM	3.10
MEAN	2.49	MEAN	2.18
STD. DEVIATION	0.45	STD. DEVIATION	0.39
N	45	N	43
MISSING	3	MISSING	5

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