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Economic Research

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Survey of Professional Forecasters

The *Survey of Professional Forecasters* is the oldest quarterly survey of macroeconomic forecasts in the United States. The survey began in 1968 and was conducted by the American Statistical Association and the National Bureau of Economic Research. The Federal Reserve Bank of Philadelphia took over the survey in 1990.

Most Current Release: First Quarter 2003

Academic Bibliography: Contains a comprehensive list of academic articles that discuss or use the *Survey of Professional Forecasters*.

Acknowledgments: Thanks to those who helped us with the data, including researchers who spotted data problems.

Anxious Index: The probability of a decline in real GDP in the quarter following the quarter in which the survey is taken.

Business Review article (pdf format). "Introducing: The Survey of Professional Forecasters"

Call for Participants: We're looking for forecasters to join our panel.

Data Sources and Descriptions: Shows the specifications of the economic variables being forecast.

Dates of Previous Surveys: Shows the release dates of previous surveys.

Dates of Future News Releases: Shows when future surveys will be released.

Errata: Shows corrections to the historical data.

Examples of Survey Forms: See a recent survey form and two forms from the past.

Historical Data: Median Forecasts; Individual Forecasts; Mean Forecasts

Long-Term Inflation Forecasts: Expected inflation over the next 10 years.

related links

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- **2003 Releases:**
  First Quarter
- **2002 Releases:**
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- **1998 Releases:**
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Other Forecasting

- Livingston Survey
- Real-Time Data Set

Release Date: February 24, 2003

FIRST QUARTER 2003

Forecasters See Growth Accelerating Over the Next Five Quarters

Slow growth over the first half of the year characterizes the outlook for the U.S. economy, according to 37 forecasters surveyed by the Federal Reserve Bank of Philadelphia. Over the first half of 2003, the forecasters expect the economy to expand at an annual rate of just 2.5 percent, but they see growth a full percentage point stronger (3.5 percent) over the third and fourth quarters. The forecasters' quarterly forecasts suggest that growth will accelerate gradually over each of the next five quarters, from 2.2 percent in the current quarter to 3.8 percent at the beginning of 2004. On a year-over-year basis, real GDP is expected to grow at a rate of 2.5 percent this year—about the same rate expected in the survey of three months ago—and 3.5 percent in 2004.

The acceleration in growth over the second half of the year will be accompanied by a falling rate of unemployment, from an expected steady rate of 6.0 percent in the first half to 5.7 percent by year's end. For the year, the forecasters project the unemployment rate will average 5.9 percent, up a bit from their projection of 5.7 percent in the last survey. The unemployment rate will fall to 5.5 percent in 2004.

The forecasters see little reason to change their projections for inflation in 2003. Measured by the fourth-quarter over fourth-quarter rate of change in the CPI, inflation will average 2.2 percent in 2003, the same rate projected in the last survey. On a year-over-year basis, inflation in the GDP price index will average 1.7 percent in 2003, also unchanged from the projection of three months ago. Both measures of inflation are projected to rise slightly in 2004, to 2.4 percent for the CPI measure and 2.0 percent for the GDP measure.

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:						
2003: Q1	2.6	2.2	5.9	6.0	2.2	2.5
Q2	3.1	2.7	5.8	6.0	2.2	2.1
Q3	3.3	3.4	5.6	5.9	2.2	2.0
Q4	4.2	3.6	5.6	5.7	2.2	2.2
2004: Q1	N.A.	3.8	N.A.	5.6	N.A.	2.2
Annual average data:						
2003	2.6	2.5	5.7	5.9	2.2	2.2
2004	N.A.	3.5	N.A.	5.5	N.A.	2.4

Forecasters Anticipate an Upward Trajectory for Interest Rates

The forecasters expect short- and long-term interest rates to rise over the coming quarters—although these rates are predicted to be at levels lower than projected in the survey of three months ago. The forecasters see short-term rates, as measured by the rate on three-month Treasury bills, holding roughly constant over the first half of the year, averaging about 1.25 percent, then rising as growth accelerates over the second half of 2003, reaching 1.8 percent in the fourth quarter. Additional increases are expected throughout 2004. Similarly, long-term rates, as measured by the rate on 10-year Treasury bonds, are expected to rise from 4.0 percent in the current quarter to 4.6 percent by year's end. The forecasters project that over the next two years short-term rates will average 1.4 percent in 2003, down slightly from their previous projection of 1.6 percent, and 2.8 percent in 2004. Long-term rates will average 4.3 percent in 2003 and rise to 5.1 percent in 2004, as the following table shows.

	3-Month Treasury Bill (%)		*10-Year Treasury Bond (%)*	
	Previous	*New*	*Previous*	*New*
Quarterly data:				
2003: Q1	1.3	1.2	4.1	4.0
Q2	1.4	1.3	4.2	4.2
Q3	1.8	1.5	4.5	4.4
Q4	2.1	1.8	4.7	4.6
2004: Q1	N.A.	2.3	N.A.	4.9
Annual average data:				
2003	1.6	1.4	4.4	4.3
2004	N.A.	2.8	N.A.	5.1

Forecasters See a One-in-Five Chance of a Negative Quarter in the First Half

The forecasters are assigning a risk of about 20 percent to the chance that the U.S. economy will contract in the first or second quarter of 2003. Although the risk assigned to the current quarter is down 4 percentage points from that assigned in the last survey, the risk assigned for the second quarter of 2003 is up 3 percentage points from that assigned previously. The forecasters see a declining risk over the next three quarters, as the table below shows.

	Risk of a Negative Quarter (%)	
	Previous Survey	*New Survey*
Quarterly data:		
2003: Q1	24	20
Q2	18	21
Q3	15	18
Q4	14	14
2004: Q1	N.A.	12

Long-Term Forecasts Are Little Changed

In first-quarter surveys, we ask the forecasters to provide long-term forecasts for an expanded set of variables, including growth in real GDP and productivity and returns on financial assets. As the table below shows, these forecasts are little changed from those of the first-quarter survey of 2002. Over the next 10 years, real GDP and productivity are expected to increase at annual average rates of 3.2 percent and 2.3 percent, respectively, marking increases of 0.2 percentage point for both over the forecasts of one year ago. The long-term forecast for inflation stands at 2.50 percent, unchanged from the forecast of one year ago (but marking an uptick of 0.05 percentage point from the survey of three months ago). The return to equities, as measured by the S&P 500 index, is currently projected to be 8.00 percent, up from 7.00 percent previously. Ten-year Treasury bonds and three-month Treasury bills are expected to return an annual average of 5.43 percent and 4.00 percent, respectively, over the next 10 years.

	Long-Term (10-year) Forecasts (%)	
	First-Quarter 2002	*Current Survey*
Real GDP Growth	3.00	3.20
Productivity Growth	2.10	2.30
CPI Inflation	2.50	2.50
Stock Returns (S&P 500)	7.00	8.00
Bond Returns (10-year)	5.50	5.43
Bill Returns (3-month)	3.75	4.00

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 ICAP LLC; **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; **Kurt Karl**, Swiss Re; **Dr. Irwin Kellner**, Hofstra University/CBS MarketWatch/North Fork Bank; **John Lonski**, Moody's Investors Service; **Edward F. McKelvey**, Goldman Sachs; **Joel L. Naroff**, Naroff Economic Advisors; **Herbert E. Neil**, Financial and Economic Strategies Corp.; **Mark Nielson, Ph.D.**, MacroEcon Global Advisors; **Michael P. Niemira**, Bank of Tokyo-Mitsubishi, Ltd.; **Jacob I. Pasternak**, Chmura Economics & Analytics; **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; **Bruce Steinberg**, Merrill Lynch; **Susan M. Sterne**, Economic Analysis Associates, Inc.; **Lea Tyler**, Oxford Economics USA, Inc.; **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 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.

NEXT SURVEY RELEASE (2003Q2): May 20, 2003

SURVEY OF PROFESSIONAL FORECASTERS
MAJOR MACROECONOMIC INDICATORS, 2003-2004

	2003 Q1	Q2	Q3	Q4	2004 Q1	ANNUAL AVERAGE 2003	2004
PERCENT GROWTH AT ANNUAL RATES							
1. REAL GDP (BILLIONS, CHAIN WEIGHTED)	2.2	2.7	3.4	3.6	3.8	2.5	3.5
2. GDP PRICE INDEX (1996=100)	2.0	1.7	1.6	1.9	2.1	1.7	2.0
3. GROSS DOMESTIC PRODUCT (GDP) ($ BILLIONS)	4.1	4.6	5.1	6.2	6.0	4.2	5.7
4. CONSUMER PRICE INDEX (CPI-U) (ANNUAL RATE)	2.5	2.1	2.0	2.2	2.2	2.2	2.4
VARIABLES IN LEVELS							
5. UNEMPLOYMENT RATE (PERCENT)	6.0	6.0	5.9	5.7	5.6	5.9	5.5
6. 3-MONTH TREASURY BILL RATE (PERCENT)	1.2	1.3	1.5	1.8	2.3	1.4	2.8
7. 10-YEAR TREASURY BOND YIELD (PERCENT)	4.0	4.2	4.4	4.6	4.9	4.3	5.1

NOTES: THE FIGURES ON EACH LINE ARE MEDIANS OF 37 INDIVIDUAL FORECASTS.
N.A. = NOT APPLICABLE.