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## A COLLECTION OF AGGREGATIVE ECONOMIC FORECASTS

EIGHT sets of forecasts are used in this report; in subsequent sections they will be referred to as A, B, C, . . . H. The following is a brief summary of some of their main characteristics.

We have collected forecasts that represent a variety of sources and types. In one category are the company forecasts, which are typically the product of small professional teams made up of one or a few principal economists of a firm and a technical staff. In our collection, there are four such company forecasts from industrial, financial, and publishing fields. Another source, which supplies the largest share of the data, is forecasts by groups of business economists. There is one such group, whose membership is now about fifty, for which both summary group measures and forecasts for each individual participant were examined. This is also the case for another smaller group which includes forecasters from various industries, government, and academic institutions. Our list also includes a poll based on a very large number of forecasts (about 100 in the middle 1950's and 300 more recently), but for this set no individual forecasts are available, only medians and ranges.

The great majority of business forecasts are annual; they are made at the end of one calendar year for the next year. For a short-run analysis of business conditions and expectations, however, it is of particular interest to have forecasts for shorter and varying spans. An appraisal of turning-point forecasts, for example, can be really meaningful only for data on periods shorter than one year. Our collection includes some forecasts with spans of six, twelve, and eighteen months, some with spans of one to four quarters, and some with spans of one to six quarters. Forecasts from two sources are annual only.

Another analytical advantage of our forecasts is that some of them

are issued at relatively frequent intervals. While four of the sets consist of forecasts made only once a year, two are forecasts made twice a year, and one provides predictions made at quarterly intervals. These are rich materials for the study of forecast formation and revision.

Long forecast records are obviously preferable to short ones for analytical purposes; but unfortunately they are hard to find. There is an abundance of forecasts, mostly annual, for recent years, but very few also cover earlier years. Few of the collected forecasts reach further back than the early 1950's and there are none before 1947.

Each of the sets of data examined includes forecasts of GNP and most also include the major expenditure components of GNP. An analysis of the principal factors influencing these components, often called the "gross national product approach," is widely used in short-term forecasts of business activity. This approach is undoubtedly adopted by many of the forecasters covered by this report, e.g., in groups D and E; in some cases, it is explicitly the basis of the forecast (set B and a subset of A). However, it often represents no more than a general framework for analysis, which leaves much scope for the exercise of judgment. It also does not preclude the use of other techniques, notably the indicators of cyclical turning points.

The main statistical basis of the work on indicators is a group of series selected in National Bureau business cycle studies. Contacts with forecasters suggest that these data are widely used, but generally in flexible and often loose ways, as part of their statistical equipment to help them appraise the present economic situation and outlook, not as a mechanical predictive device. In some cases, a discussion of the indicators is included in the format of the forecast (A, C, and F).

Business forecasters, like businessmen in general, have come to devote a great deal of attention in recent years to the economic role of the government and to the relation between its policies and the business outlook. Money supply and other monetary indicators are probably important codeterminants of some of the forecasts (notably set F).

As far as one can see, very little use has been made so far of formal econometric models in forecasts of business activity, but recently interest of business firms in this forecasting method has increased. Large companies which have adequately staffed economic departments familiar with computers are the most likely to use this method.

Collecting and averaging other people's forecasts can hardly be regarded as another technique of forecasting, comparable to such approaches as econometric model building or the application of selected indicators. The so-called "opinion poll" will, of course, incorporate as many different techniques as are used by the different respondents. But a set of average forecasts based on many series of individual forecasts can, nevertheless, be of substantial analytical interest. First, given a sufficiently broad basis, a composite forecast of this sort may prove useful as an indicator of expectations, in particular of the climate of opinion in the business community. Second, it can provide an interesting standard of comparison for the individual forecasts. For these reasons, we have compiled a series of averages from the available annual forecasts of GNP beginning in 1954. This set (H) includes forecasts of both individuals and groups (the latter weighted by the number of participants). Its coverage is relatively small (27-31 forecasts) in 1954-55, but much larger though very variable (77-192 forecasts) since 1956.<sup>1</sup>

<sup>1</sup> In six out of the ten years covered, the number of forecasts included exceeds 120. The main source for this compilation is the annual summary of forecasts prepared by the Federal Reserve Bank of Richmond. There is some duplication here since set H includes one of the other forecasters' groups, but it is relatively slight.