

ATMOSPHERICS

11.03.23

ECONOMIC FORECASTS



Bottom Line Up Front:

- Economic forecasts use data and models to predict future trends and outcomes, guiding policymakers and businesses in strategic decisions. These include macroeconomic forecasts for broader economic indicators like GDP and inflation, and microeconomic forecasts for industry-specific trends, both essential yet subject to varying accuracy.
- Economic forecasts often diverge in accuracy due to the unpredictable nature of external factors, such as sudden political events, technological changes, and global crises, which can dramatically shift economic conditions beyond what the models might foresee. Additionally, the complexity of economic interactions and the limitations of available data can result in varied outcomes from different forecasting methods and assumptions.
- The COVID-19 pandemic is a great example of how a singular event can disrupt established forecasting models, with more than three years of abnormal data introducing unprecedented uncertainty and challenging economists to reassess how economies will rebound after extended lockdowns and altered consumer/business behaviors.
- Because problems can no longer exist in isolation, the increasing importance of holistic data analysis will lie in its ability to sift through noise, revealing non-obvious correlations and uncovering surprising cause-and-effect dynamics.

INFORMATION



A view of the information space related to the topic of the week, based on headline frequency.

Economic Forecasts defined: Economic forecasts are predictions about future economic conditions based on data analysis and economic models. They can be broadly categorized into macroeconomic forecasts, which focus on broad indicators like GDP, unemployment, and inflation at the national or global level, and microeconomic forecasts, which concentrate on specific industries, markets, or firms, predicting supply, demand, and pricing. These forecasts guide policymakers, businesses, and investors in decision-making, though their accuracy can vary due to inherent assumptions and model limitations.

Why this topic is important right now: Economic forecasts are vital during challenging times, such as post-pandemic recovery and periods of geopolitical unrest. They offer insights into potential future economic scenarios, guiding governments and businesses through uncertainty. Significant events, like the global health crisis with COVID and wars like those in Ukraine and between Israel and Hamas, emphasize the need for such forecasts. They assist in resource allocation, promote economic growth, and help mitigate risks. Yet, what's arguably more essential than the forecasts themselves is the amount of 'trust' placed in their accuracy. As we continue to navigate today's Economic Shifts, a view into when/where economic forecasts have been right vs. wrong will help navigate said uncertainty.

To consider: Definitely measuring right vs. wrong when it comes to economic forecasts can be very difficult, especially when trying to compare one entity/organization's track record with another. This is in part due to the nature of 'what' is being measured and over what 'time', as accuracy fluctuates with the extremely near-term and longer-term predictions.

TECHNOLOGY



“ In contemporary analysis, the abundance of data and advancements in technology offer significant tools for economic exploration. Yet, it is the integration of these tools with rigorous economic theory and seasoned judgment that yields genuine insights. As quantitative methods elucidate patterns, qualitative discernment provides the necessary contextual framework. This symbiotic relationship between technology and theory underscores the modern approach to economic forecasting. ” - ChatGPT

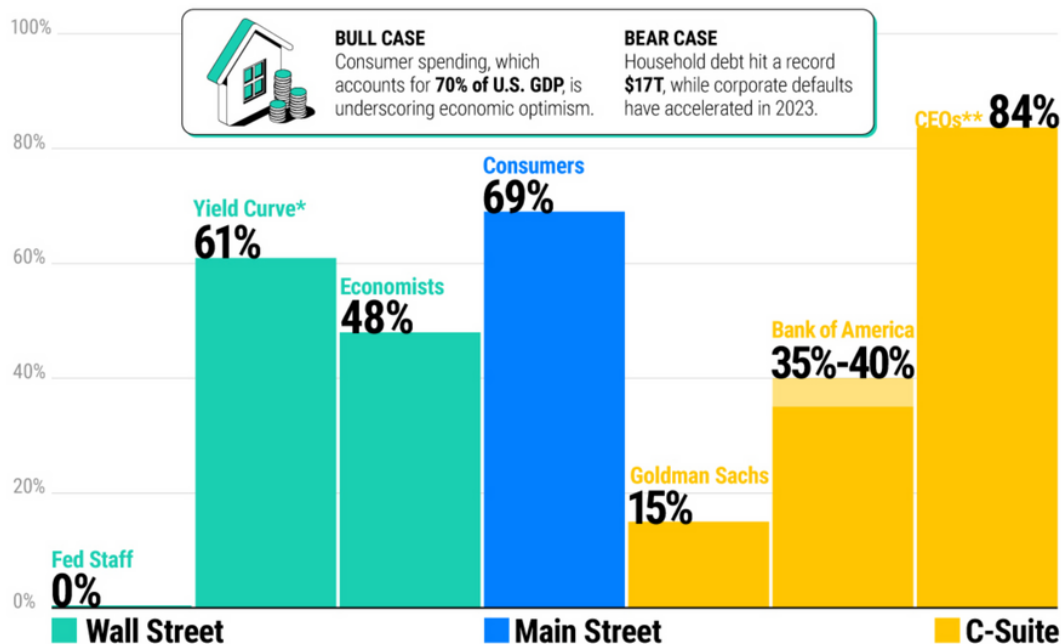
The rapid technological advancements of the 21st century have ushered in a transformative era for economic forecasting. As we transition into a data-driven age, technology becomes an indispensable tool, refining the scope and accuracy of predictions that shape global economic strategies.

- **The Power of Data:** The digital age has spawned an astronomical increase in data availability. This data deluge, spanning from real-time metrics to historical datasets, equips economic models with a richer informational foundation. Big Data & Analytics tools stand at the forefront, meticulously combing through this vast digital ocean to discern patterns and correlations that might evade smaller datasets.
- **Adaptive Learning & Real-time Responses:** Machine Learning and Artificial Intelligence (AI) technologies herald a new dawn for predictive modeling. These self-evolving algorithms, armed with the ability to decipher intricate, non-linear patterns, adapt to fresh data, recalibrating their predictions in real-time. Such immediacy becomes indispensable during swift economic shifts or unforeseen crises.
- **Collaboration & Simulation:** The interconnected digital ecosystem promotes a collaborative approach to forecasting. Experts worldwide can pool their insights, forging a holistic outlook enriched by diverse perspectives. Moreover, enhanced computational prowess facilitates exhaustive scenario simulations, equipping policymakers with a spectrum of potential outcomes to inform their strategies.
- **Emerging Economic Forces & Transparency:** The rise of digital currencies like cryptocurrencies necessitates their inclusion in advanced economic models, given their burgeoning influence on global markets. Furthermore, as data becomes ubiquitous, maintaining transparency and accountability in forecasting methodologies becomes paramount. A democratized information landscape mandates that predictions are not only accurate but also transparent and verifiable.

In summation, the confluence of technology and economic forecasting promises a future rife with precise, timely, and actionable insights. As the digital tapestry continues to evolve, it will indubitably weave new methodologies and tools, striving for pinnacle predictive accuracy in an ever-changing global economy.

SENTIMENT

ESTIMATED U.S. RECESSION PROBABILITY IN THE NEXT 12 MONTHS



Here are some common sentiments and attitudes people may have towards economic forecasts:

Skepticism: Many individuals are skeptical about the accuracy of economic forecasts. They may view them as educated guesses or even biased predictions influenced by political or economic interests.

Anxiety: Economic forecasts can create anxiety, especially when they predict negative trends such as recessions, inflation, or unemployment. People may feel worried about their financial well-being in light of these forecasts.

Hope: Positive economic forecasts can generate hope and optimism. When forecasts predict economic growth, low unemployment, and rising stock markets, people may feel more confident about their financial future.

Reliance: Businesses and policymakers often rely on economic forecasts to make important decisions. These groups may have a more pragmatic and utilitarian approach, using forecasts as tools to plan for the future.

Frustration: Some people may become frustrated when forecasts change frequently or when forecasts fail to accurately predict economic developments. This frustration can erode trust in forecasters and their methodologies.

Indifference: Many people may not pay much attention to economic forecasts unless they have a direct impact on their lives. For example, individuals not actively engaged in the stock market or business may be largely indifferent to these forecasts.

Informed decision-making: Some individuals and organizations view economic forecasts as valuable sources of information that can help them make informed decisions about investments, hiring, or other financial matters.

Political influence: Economic forecasts can be a source of political debate and controversy. Different political parties may use forecasts to support their economic agendas, leading to skepticism and polarization.

Public perception: People's feelings about economic forecasts can be influenced by how the media portrays them. Media coverage may emphasize the most sensational or dire predictions, contributing to public concern or unease.

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