



## PRESS RELEASE

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### ***NABE FORECAST AUCTION EXERCISE GENERATES PREDICTION OF MAY JOBS PICTURE***

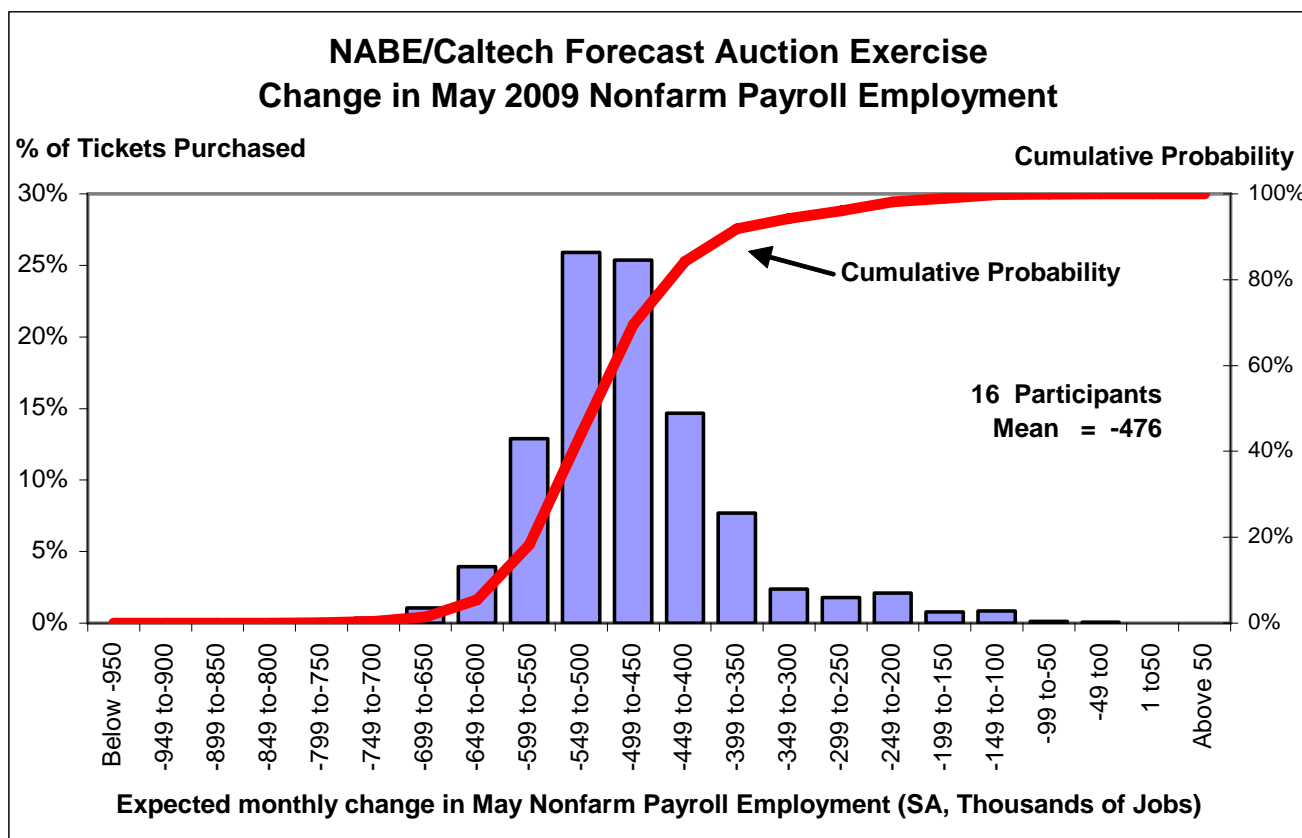
At 11:00AM EDT on Wednesday, June 3, 2009, a group of 16 NABE Outlook Survey panelists participated in an innovative forecast auction exercise (FAE). Using a Web site designed by Professor **Charles Plott's** experimental economics laboratory at the California Institute of Technology, the panelists provided forecasts of May nonfarm payroll jobs. Forty-eight hours before the jobs data will be released by the Bureau of Labor Statistics (BLS), this exercise resulted in a forecast of the one-month change in non-farm payroll employment for May 2009. The exercise implied that the expected job loss was between -450,000 and -499,000, with a mean forecast of -476,000. The BLS will release the Employment Situation for May at 8:30 am, on June 5.

Co-funded by the NABE Foundation and Caltech, the exercise tests an information aggregation tool applied to expert forecasts of the employment change in May 2009. The tool is a process in which participants spend a limited amount of the funding pool to purchase and place tickets on a range of possible outcomes. In describing the experiment, NABE President **Chris Varvares**, president of Macroeconomic Advisers, said that the "overall objective is to get a consensus view from the NABE Outlook panel of the entire probability distribution of possible outcomes rather than just an average of forecast modes." The chart on the next page shows that distribution as generated by this exercise.

"We believe that this approach to forecasting is potentially a useful and valuable addition to the NABE Outlook Survey, our quarterly consensus macroeconomic forecast. Dr. Plott's FAE tool represents a significant contribution to the science of economic forecasting, and our long-term goal is to help move the FAE out of the laboratory and into the mainstream of forecast collection," said **Ellen Hughes Cromwick**, NABE past president and chief economist at Ford Motor Company.

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In this exercise, the median expected job losses (the range within the cumulative probability crosses 50%) in May were in the range of -500,000 to -549,000. The distribution of expected outcomes implies that the participants believed there was roughly a 44% chance that employment losses in May would be worse than 500,000. The figures calculated for this forecast aggregation experiment compared to a Bloomberg Consensus estimate of a 520,000 loss in total nonfarm employment and the ADP National Employment Report estimate of a 532,000 loss in *private* nonfarm employment.



This was the eighth such FAE that NABE has conducted with the Laboratory for Experimental Economics and Political Science at Caltech under the direction of Professor Charles Plott. NABE would like to expand the frequency and range of indicators covered by these exercises, and has received enough funding to perform two additional FAEs.

**ABOUT NABE:** NABE® is an association of professionals who have an interest in business economics and who want to use the latest economic data and trends to enhance their ability to make sound business decisions. There are approximately 2,300 members representing more than 1,500 businesses and other organizations from around the world. Since its founding in 1959, NABE® has continued to attract the attention of the most influential and prestigious economic leaders in business. Past presidents have included several former Federal Reserve governors, the former chairman of the Board of Governors for the Federal Reserve System, Alan Greenspan, and other senior business leaders. NABE's mission is to provide leadership in the use and understanding of economics.

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