



PRESS RELEASE

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For Immediate Release
4 October 2006

NABE FORECAST AGGREGATION EXPERIMENT GENERATES PREDICTION OF SEPTEMBER EMPLOYMENT DATA

At 11:30AM EDT yesterday, a group of 23 NABE Outlook Survey panelists participated in an innovative forecast aggregation experiment that predicted the one-month increase in private non-farm payroll data for September 2006 to be reported in the BLS Employment Report at 8:30AM EDT this Friday, October 6. Using a website designed by Professor Charles Plott's experimental economics laboratory at the California Institute of Technology, the panelists provided their forecasts of the number of private non-farm payroll jobs added in September.

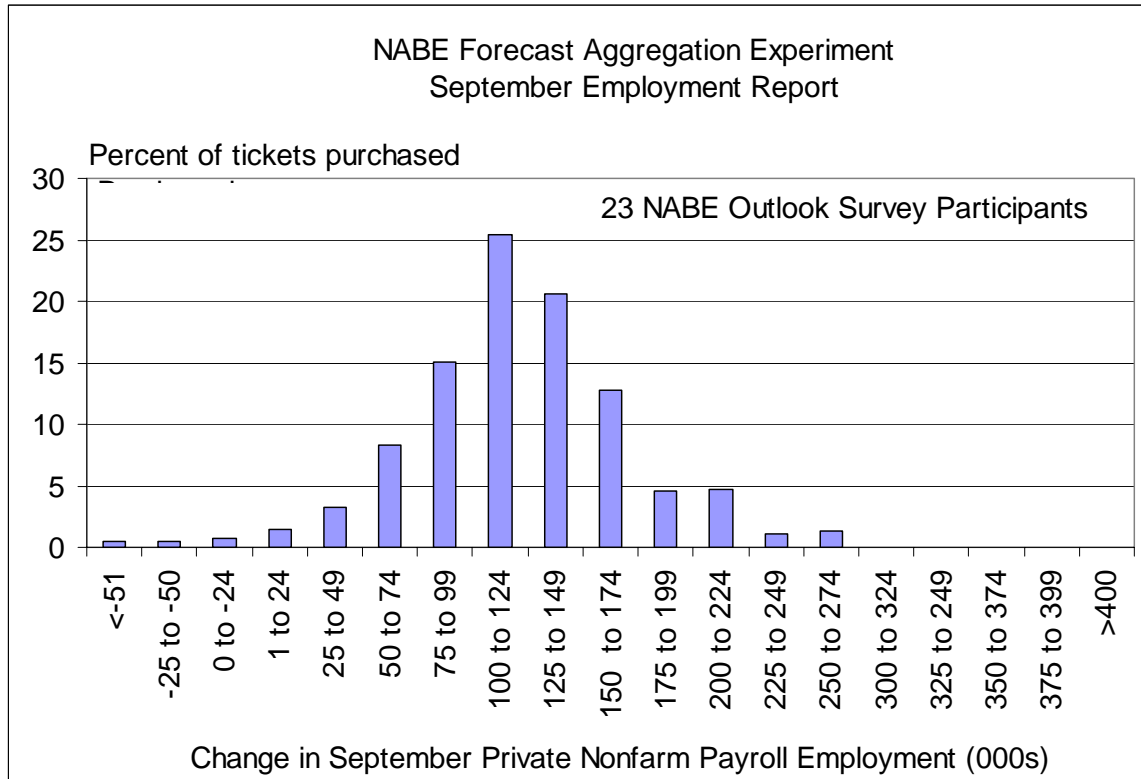
The experiment involved a type of "pari-mutuel" betting process in which participants spend a limited budget of "house money" to purchase and place tickets on a range of possible outcomes—in this case, job gains in September 2006. In describing the experiment, former NABE board member and president of Macroeconomic Advisers Chris Varvares 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 the distribution of "bets" generated by today's exercise.

"We believe that this experimental approach to forecasting is potentially a useful and valuable addition to the NABE Outlook Survey, a quarterly consensus macroeconomic forecast of 50 NABE members," said Ellen Hughes-Cromwick, NABE vice president and chief economist at Ford Motor Company.

Participants in today's experiment revealed that they believe that a private payroll gain in September of 100,000 to 124,000 is the most likely outcome, with roughly a 25% probability. The average expected gain was also within this range at 121,000. This compared with an average gain so far this year of 127,000, and an average increase over the last four months of just 102,000. The distribution of expected outcomes implies that the participants believe there is roughly a 75% chance that the employment change in September will be between 75,000 and 174,000. By way of contrast, consensus estimates available

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through Bloomberg project total job gains in the range of 90,000 to 125,000. Over the past year, governments have added an average of 11,000 jobs per month. Subtracting this from the Bloomberg consensus range would put it at roughly 80,000 to 115,000 for private payroll employment gains.



This was the second such forecast aggregation experiment 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 experiments, with the eventual goal of moving this “out of the laboratory” and into the mainstream of forecast collection. That will require a regular source of funding since each forecast aggregation procedure requires a sum of money that will be distributed to the participants in accordance with the percentage of tickets they hold in the range corresponding to the actual outcome. Interested parties are encouraged to contact the NABE office at nabe@nabe.com.

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 2,500 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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