



ISSN 1814-1455 (Print)
ISSN 1814-1463 (Online)

The Oracle

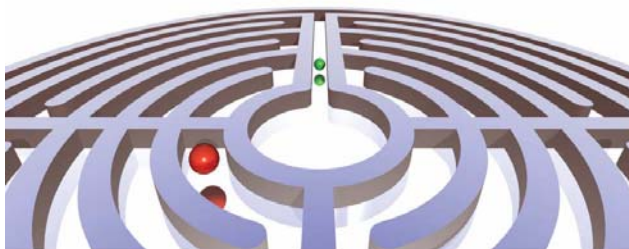
Volume 7 Number 1

Editor: Paul Goodwin. Email: mnspg@bath.ac.uk

Here comes the IIF's new practitioner journal...

FORESIGHT

The International Journal of Applied Forecasting



Volume 1 Number 1 June 2005

The IIF will publish the first issue of its new practitioner-oriented journal, *Foresight: The International Journal of Applied Forecasting*, in June 2005. This free inaugural issue will be distributed at the 25th anniversary ISF in San Antonio, and mailed free to those on our mailing list.

Like its sister publication, the *International Journal of Forecasting*, **FORESIGHT** will publish high-quality, peer-reviewed articles. The articles will be written in a concise, accessible style for the forecasting student, analyst and manager.

FORESIGHT topics include:

- Design and implementation of forecasting processes
- Management of the forecasting function
- Forecasting principles and methods
- Forecasting software and other tools
- Recommended books
- Forecasting-application issues in related fields, including demand planning, logistics, marketing, accounting and finance, and, information technology
- Forecasting FAQ
- Briefings on new research

To add your name to the **FORESIGHT** mailing list for the free inaugural issue, contact Bill Wicker, Business Manager, at billwicker@adelphia.net

To reserve advertising space or to receive our media kit, contact Sue Harvey, Marketing Director, at sue.harvey@comcast.net.

For contribution of articles or service as a reviewer or editor, contact Len Tashman, Founding Editor, at lentashman@cs.com.



See you in San Antonio for a great symposium:

News about ISF 2005, June 12-15

Abstracts proposing some exciting sessions are planned for ISF 2005. Many stress new unexplored topics in forecasting, while others highlight topics that need emphasis. All have outstanding speakers. Just a few are listed below. For further details please go to: www.ISF2005.org



25 Years of Progress in Combining Forecasts

This session overviews 25 years progress in the area of combining forecasts. Four presentations are given, each focusing on different areas of combining, to provide a complete view of the field. The session begins with a general perspective of 25 year progress in the field (Nada Sanders, Wright State University). This is followed by presentations that focus on various

aspects of combining, such as the importance judgmental inputs in the combination process (Marcus O'Connor, University of Sydney), judgmental adjustments (Paul Goodwin, University of Bath), and Rule-Based forecasting (Monica Adya, Marquette University).

Political Forecasts

Alfred Cuzan and Randy Jones have put together two panels for San Antonio, with a possibility for two more. The first is with Ray Fair (Yale University) responding to comments and criticisms on his presidential vote equation. Professor Fair is also one of the keynote speakers at ISF 2005. The second panel includes presentations on the 2004 presidential election models that did reasonably well.

Issues in Healthcare Forecasting, Quality and Productivity

Hans Levenbach and Paul Savage will present sessions that focus on the analytical opportunities and forecasting difficulties faced by practitioners in the industry. The speakers will explore the problems and issues in healthcare management in terms of mining data repositories, identifying the value of forecasting throughout the production environment, exploring the problems of measuring and improving cost and quality performance.

Rule-Based Forecasting

Fred Collopy and Monica Adya have arranged two panels on Rule-Based forecasting (RBF). The first will talk about what makes RBF work. The panelists (Scott Armstrong, Fred Collopy, Monica Adya, Robert Vokurka, and Len Tashman) will recap 15 years of research efforts that have gone into design, validation, and improvement of RBF rules and feature identification. The second panel emphasizes talks about rule-based forecasting research needed in the future. The panel includes Fred and Monica plus Michele Hibon and Konstantinos Nikolopoulos.

Improper forecasting models: Do sophisticated econometric methods produce better forecasts?

Jason Dana and Robyn Dawes

Improper models are simple, non-optimized strategies for combining data to make forecasts. Common examples of improper linear models for cross-sectional data include adding scores with equal weight or weighted by zero order correlations with the criterion. Such coefficients are biased, inconsistent, and almost always wrong estimates of the truth. Yet, in problems with finite samples and ill-conditioned matrices, improper models can forecast more efficiently than best unbiased estimators.

We support this claim of improper models yielding superior predictive accuracy with results of extensive simulations. An analytic demonstration of why and under what conditions this result occurs will also be provided. Dana and Dawes general conclusion is that sophisticated econometric models are unnecessary for messy forecasting problems. There simply is no need for sophisticated models in cases where our measurements are highly imprecise. Often we are best served, as Einhorn argued, to "accept error to make less error" and use models that are wrong but robust.



Forecasting For Conflicts

Forecasting for conflicts was introduced as a separate track at ISF 2004 in Sydney. They were two well-attended sessions with a war and terrorism theme. In San Antonio, we would like to see papers on forecasting for negotiations, commercial competition and collaboration, and mergers and acquisitions, for example. Please send your proposals to Kesten Green at kestengreen.com.

Sometimes there are big delays before improved methods are widely used. There will be a panel session titled "How to accelerate adoption of superior conflict forecasting methods" to address this issue.

The Use of Judgment in Forecasting

Mathew Parackal will have an important session on judgment forecasting. He will focus on direct methods that employ survey techniques. It will cover topics on forecasting market share, product adoption, purchase behavior, decision-making, consumer behavior, and election results. The session will also include methodological investigation on various scales (Juster, probability, Likert) and information acceleration used for collecting data. Many excellent potential speakers are promised.

Forecasting Software

There will be a panel talking about the innovations in forecasting software. Members of the panel will be Tom Willemain (Smart Software), Charlie Chase (SAS), Ana Timberlake (Timberlake) and Eric Stellwagen (Forecast Pro). Other software companies are invited to join.

Commercial Links: Your views

In the last issue of the *Oracle* we asked for your views about the IIF's links with commercial organisations. This followed the publication in the *International Journal of Forecasting* of a paper which presented a patented algorithm. The IIF also has been running a series of Forecasting Summits in collaboration with a forecasting software company. Here **Michael Lawrence** gives his views:

"I think the important issue that needs most careful thought is that of IIF financial support of these meetings. I understand that support has now been given for two years to the Forecasting Summit which, as a practitioner focussed event, particularly troubles me.

The main meeting each year, and the one on which the future of the IIF critically depends, is the ISF. This is largely academic rather than practitioner focussed and does not receive any support from the IIF, except in the situation of an unforeseen loss which has only happened twice in the history of the ISF's. A few students have been supported to attend but no regular members' or other support has been given. On this precedent and background, I believe the principle should be 'NO financial support for a large scale forecasting meeting particularly one aimed principally at practitioners'. Practitioners are the richer end of the economy compared to academics and are used to paying for what they receive. It is not right and does not make sense to take money gained largely from the academic sector and use that to subsidise the practitioner end. If the practitioners value the service they are willing to support it and if they don't value it enough for that then it should not be offered.

The meetings that the IIF should be supporting are the small workshops aimed at increasing forecasting knowledge. These can be a most valuable means of bringing together academics to work cooperatively and can be seen to contribute to new knowledge and publications."



Honorary Fellows

Congratulations to Chris Chatfield and Keith Ord who have been elected as Honorary Fellows of the International Institute of Forecasters.

Chris Chatfield



From the early years (1984) of the founding of the Institute and the *Journal of Forecasting* Chris has been an active associate editor of the journals. He has contributed regularly to both journals including a number of influential papers including the Future of Time-series Forecasting. Perhaps his comments, on the various competitions, on loss functions and on neural networks have proved even more stimulating. His research contributions on exponential smoothing (in the IJF and elsewhere), on uncertainty and confidence intervals (in RSS and JBES) and on model comparisons (RSS with the airline data and on neural networks) have raised the profile of forecasting within the statistical community, bringing to their attention some results on model complexity which are commonplace in forecasting research but remain controversial in statistical research. Finally, his text books on time series analysis and forecasting are models of clarity for their chosen audience.

Robert Fildes

Keith Ord



Keith Ord is a Professor of Decision Sciences at Georgetown University, Washington DC. Through his books, numerous articles and his long teaching career he has made a significant contribution to the art and science of forecasting.

He got his Ph. D. from London School of Economics in 1967, and his first scientific article was published the same year. From the very start his papers appeared in the best statistical journals (Annals of Statistics, Biometrika, Econometrica, JASA, JRSS, etc.). He is a co-author of Kendall's Advanced Theory of Statistics, a two-volume reference work now in its sixth edition. He became interested in forecasting in the late 70s and has published nine articles in the International Journal of Forecasting (IJF). He was Associate Editor of IJF 1987-1995 and Editor 1995-2002. Keith served for many years on the board of the International Institute of Forecasters, and has presented his latest research results at nearly every International Symposium on Forecasting (ISF), acting as Program Chair at the ISF 1991 in New York City.

Keith Ord is a versatile researcher who has developed models for both the time domain and the spatial domain. His IIF fellowship complements Honorary Geographer and Fellowship of the American Statistical Association.

Lars-Erik Öller



Nomination of Fellows of the IIF

The Board of Directors invites the IIF members to send nominations for Fellows to the following e-mail address, before 1 June, 2005 to:

Victor M. Guerrero
Department of Statistics – ITAM
guerrero@itam.mx

The first selection of Fellows of the Institute took place in 1996, and the Board of Directors wishes to make a further round of selections in order to recognize the successful candidates at the ISF in June 2005.

The guidelines approved by the board for the selection of Fellows and a list of current fellows are given below.

Nominations should include a brief statement by the proposer indicating the qualifications of the candidate in the areas listed under Guideline #5.

The Board of Directors will then vote to select the successful candidates.

GUIDELINES

1. A maximum of six Fellows may be selected in the first year and a maximum of three per year thereafter. Normally, only one or two members will be so honored.
2. Candidates for fellow should be nominated by at least three members of the Institute. The nomination should include a letter of nomination that describes the candidate's contributions in each of the areas listed in item 5 below. The nominations process would start afresh each year; that is, unsuccessful candidates would need to be re-nominated.
3. Nominees should be current members of the Institute.
4. Current members of the Board of Directors are not eligible for election as Fellows, nor are immediate past directors for a period of two years.
5. A candidate should have performed with distinction in two or more of the following areas:
 - Forecasting practice;
 - Research and scholarship in forecasting;
 - Teaching and/or administration in forecasting;
 - Service to the Institute or the Journal.

Fellows of the International Institute of Forecasters (as of July, 2004) are:

Scott Armstrong	Muhittin Oral
Robert G. Brown	J. Keith Ord
Estela Dagum	Herman Stekler
Robert Goodrich	Kenneth F. Wallis
Christopher Chatfield	Victor Zarnowitz
Clive Granger	Arnold Zellner
David Hendry	
Hans Levenbach	
Spyros Makridakis	
Stephen K. McNees	
Geoffrey H. Moore	



Knighthood for Clive Granger

Congratulations to Clive Granger who will be knighted at a ceremony in on March 9 and will then become Sir Clive Granger. Sir Clive won the Bank of Sweden Prize in Economic Sciences in Memory of Alfred Nobel (the Nobel Prize in Economics) in 2003. He was born in Swansea in Wales (U.K.) and is affiliated to the University of California, San Diego.

New book by Michael Clements

EVALUATING ECONOMETRIC FORECASTS OF ECONOMIC AND FINANCIAL VARIABLES by Michael P Clements of the University of Warwick has just been published by Palgrave.

Palgrave's announcement of the new book reads as follows: "Financial econometrics is one of the greatest on-going success stories of recent decades as it has become one of the most active areas of research in econometrics. In this new book, Michael Clements presents a clear and logical explanation of the key concepts and ideas of forecasts of economic and financial variables."

For more information and to read a sample chapter, please click here:

<http://www.palgrave.com/products/Catalogue.aspx?is=1403941572>

Best paper and outstanding papers now available on the Forecasting Principles site

In its December 2004 issue, the International Journal of Forecasting announced the Best Paper Award, selected by the Editors and Associate Editors. Papers must have been published at least three years ago, to allow time for reflection. All papers that were published in the 2001 and 2002 volumes of the IJF were eligible. The 2004 winning paper was McCullough's (2000), "Is it safe to assume that software is accurate?" IJF, 16, 349-357. The answer, surprisingly, is "no." Not only are there errors in the programs, but they often remain long after they have been identified. As a result, accuracy suffers. For the first time, the IJF Editors also announced "Outstanding Papers," in this case three of them. Thanks to Elsevier, all four papers are provided in full-text on the Journals page of forecastingprinciples.com.

Scott Armstrong

The Oracle now has two ISSNs

The International ISSN Centre in Paris has assigned two International Standard Serial Numbers (ISSNs) to *the Oracle*, one for the print version and the other for the on-line version. These are displayed at the top of the first page of this issue.



Forecasting Summits



The first Forecasting Summit conference for 2005—held February 14-16 in Orlando, Florida—was a success, confirming the demand for two events to be held each year. The conference facilitated interaction between scholars and practitioners about how to improve forecasting performance, and the learning and exchange among the participants was invaluable. The tropical poolside party sponsored by SAS provided a welcome escape from the cold days of winter!

Several IIF members—including Roy Pearson, Len Tashman, Mark Moon, Bernie Morzuch, Paul Goodwin, Fred Collopy, Ken Kahn, George Wright and Kesten Green—presented “Tutorials and Perspectives” sessions and pre-conference workshops. The reviews of the Summit were outstanding, as reflected in the comments of attendees:

“The Forecasting Summit allowed me to make connections with key players in the field. It was beneficial to bounce ideas off others who can make intelligent suggestions and comments.”

Steve Horne
TransUnion LLC

“The presentations were very accessible while also providing high-level content.”

Andy Knudsen
Hu-Friedy Mfg. Co., Inc.

“As someone who is just starting out in the forecasting field, I felt the Summit provided useful information on a wide variety of topics.”

Kevin Engelbart
Intel Corporation

Upcoming Forecasting Summit in September 2005

The next Forecasting Summit will be held in Boston on September 26-28, 2005. The two-day main conference includes tutorials, Q & A sessions, lectures, and practitioner presentations, with an entire track once again being presented by IIF members. In addition, the conference features a variety of optional pre-conference workshops, enabling in-depth exploration of important topics in forecasting.

The agenda for September is under development—updates will be posted on the Forecasting Summit site as they become available. Attendees with academic affiliation can register at the reduced fee of \$895; for more information visit the Forecasting Summit site at www.forecasting-summit.com

Holly Stanton



Special Journal Issue on Transportation Forecasting

In January 2005, the Bureau of Transportation Statistics, an agency with the U.S. Department of Transportation, published a special issue on Transportation Forecasting in the JOURNAL OF TRANSPORTATION AND STATISTICS. This particular journal issue, co-edited by Keith Ord and Peg Young, encompasses both statistical and economic research on various international modes of transportation. Below is the Table of Contents.

JOURNAL OF TRANSPORTATION AND STATISTICS Papers in Volume 7, Number 1 (published January 2005)

Introduction to the Special Issue on Forecasting

Guest Editors, Keith Ord and Peg Young

Economic:

Borderplex Bridge and Air Econometric Forecast Accuracy

Thomas M. Fullerton, Jr., University of Texas at El Paso

Estimating Commodity Inflows to a Substate Region Using Input-Output Data: Commodity Flow Survey Accuracy Tests

Louie Nan Liu, Zhejiang University, Hangzhou, People's Republic of China and Pierre Vilain, The Louis Berger Group

Surface Transportation:

Monthly Forecasts of Integrated Public Transport Systems: The Case of the Madrid Metropolitan Area

Antonio García-Ferrer, Aránzazu de Juan, and Pilar Poncela, Universidad Autónoma de Madrid, Spain; and Marcos Bujosa, Universidad Complutense de Madrid, Spain

Predicting and Monitoring Casualty Numbers in Great Britain

Robert Raeside, Napier University, Edinburgh, Scotland

Airline Networks: An Econometric Framework to Analyze Domestic U.S. Air Travel

Dipasis Bhadra and Pamela Texter, The MITRE Corp.

If you are interested in obtaining a copy of this issue, please contact Marsha Fenn, Managing Editor of JTS, at Marsha.Fenn@dot.gov

Collaborative workshop between the IIF and the International Telecommunications Union (ITU)

The first collaborative workshop between the IIF and the International Telecommunications Union (ITU) took place on 25 and 26 October 2004 in Geneva. Members of the IIF and industry practitioners with special interests in telecoms were asked to give presentations that would focus debate onto data management and forecasting telecoms markets when they open up to competition.

The agenda began with a discussion of the role of the ITU by the Director of the TDB, Pape Touré. He emphasised the need for standardisation and the increasing role of government and other policy makers in regulating telecoms markets. Jaroslaw Ponder of the Market, Economics and Finance Unit at the ITU discussed



the need for tools that can be used by stakeholders to clarify the decision making process. Specifically, he encouraged open discussion of the current economic puzzles facing telecoms markets when they deregulate and succumb to competitive market forces.

IIF member dialogue was opened by Robert Fildes of the Lancaster Centre for Forecasting, UK. His presentation described model types and strategies that have been developed and applied to telecoms demand forecasting both at the academic and practitioner level. Next up was Nigel Meade of Imperial College, London who specifically discussed the application of diffusion models to forecast telecoms markets. His workshop included a description of the available models that can forecast single and multigenerational product markets within and across countries. As many of us are aware, an issue that often arises during any market research is that of data availability and it is particularly problematic when markets are new or evolving. Towhidul Islam of the University of Guelph, Canada described how pooled country data could be used to overcome this issue when applied to the linearised Gompertz model of innovation diffusion. Forecast using the Delphi approach also requires little data and Knut Blind of the Fraunhofer Institute for Systems and Innovation Research ISI, Germany gave examples of how this approach has been applied to forecast technology and regulatory developments in telecoms and other fields related to ICTs. He also surveyed delegates over two rounds on these topical areas over the two day period.

The remaining three presentations of the day were given over to invited industry practitioners. Mohsen Hamoudia of France Telecom examined the forecasting methods that can assist and support telco operators decision making when markets transit from regulated to deregulated. Kjell Stordhal of Telenor, Norway was the next practitioner to present. He described the processes used at Telenor to forecast network component cost, and how this model can be applied with product demand forecasts to assess risk based on uncertainties surrounding the initial forecasts. The final workshop of the day was given by David Collings of Business Modelling at British Telecom Exact in the UK. He described the use of agent based modelling that can be used to predict customer behaviour in a socio-economic system under a variety of assumptions about individual behaviours and their interactions. The evening after the first workshop session, delegates were invited to dinner by the ITU in the old city of Geneva.

The following morning, Alastair Robertson of the Lancaster Centre for Forecasting presented a segmental approach to forecasting broadband adoption using an extended diffusion framework. Next up was Paul Rappoport of Temple University, USA who described the modelling of the demand for telecom services using survey data. He then went on describe the approach that was used to forecast the demand for voice over IP using a willingness to pay method. The final workshop was presented by Patrick van der Duin of Delft University, Netherlands that focussed on linking forecasting to innovation management.

The closing panel discussion was chaired by Robert Fildes and highlighted the issues of limited data sources. The issue of data comparability and standardisation was also raised with ITU spokesperson Asenath Mpatwa. She requested IIF expert support so that guidance can be given to practitioners in the field relating to the type of data that should be collected, the format in which it should be stored and finally, how the data would be applied to forecast telecoms markets in developing nations. The workshop was attended by regulatory and industry



representatives of Bulgaria, Lithuania, Serbia and Turkey. It is hoped that future meetings with the IIF and the ITU will take place so the research questions raised at the workshop can be explored in further detail that would be to the benefit of developing nations around the world. For further details please contact Alastair Robertson (A.W.Robertson@lancaster.ac.uk).

Alastair Robertson

Special Issue of the *IJF* on the Role of Judgment in Forecasting

The use of judgement in forecasting is well-established and has been widely employed in economics, marketing and elsewhere. Early methods were mostly pragmatic approaches relying on personal experiences. However, more scientific methods have now been developed. The editors of the *International Journal of Forecasting* are planning to produce a special issue to be published in 2006, the prime objective of which is to explore the key scientific advancements in the use of judgement in forecasting, and to evaluate and compare the various judgemental forecasting methods.

There are a number of judgemental forecasting methods in the literature. Based on the source of the data, they can be classified as direct or indirect methods. Direct methods use an approach of collecting information from a sample of the target population for which a forecast is required (e.g. intention/expectation/probability surveys and role playing). Indirect methods collect information from individuals who have knowledge about the target population for which a forecast is required (e.g. unaided judgement, prediction markets, Delphi, structured analysis, judgemental bootstrapping, expert systems, and judgemental adjustment of forecasts from statistical models). These methods differ from one other in the nature of data collected, source of data and analyses performed. They have all been successful in forecasting future events.

The editors of this special issue aim to bring together empirical evaluations and comparisons of these methods (and possibly new methods) in a single volume. It is intended to provide readers with knowledge of these methods, and the opportunity to assess the various advancements made in this area of forecasting.

Paper submission

Submit a proposal to the editors of this special issue, and they will give a quick response as to whether the topic is suitable. Following which, authors may develop a full paper for submission. Authors who plan to do new research may do so once an agreement on the topic as been reached with the editors. Please refer to the journal requirements for preparing papers for submission (<http://authors.elsevier.com/GuideForAuthors.html?PubID=505555&dc=GFA>). Papers received will be subjected to normal refereeing procedures before being selected for inclusion in the special issue.

All proposals and papers should be sent to Dr. Mathew Parackal (mparackal@business.otago.ac.nz), PO Box 56, Department of Marketing, University of Otago, Dunedin, New Zealand. The cut-off date for submission of full papers is 30 January 2006. The editors of this special issue have high expectations. They aim to prepare an issue that will advance knowledge of useful forecasting procedures.

Editors of the Special Issue

Prof Scott Armstrong (armstrong@wharton.upenn.edu), 747 Huntsman, The Wharton School, University of Pennsylvania, Philadelphia, PA 19104-6340 (<http://jscottarmstrong.com>)

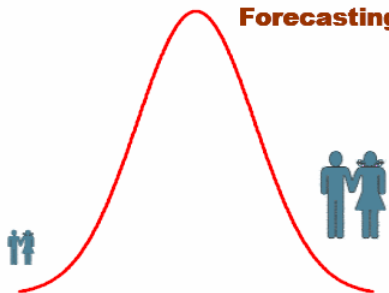
Dr. Mathew Parackal (mparackal@business.otago.ac.nz), PO Box 56, Department of Marketing, University of Otago, Dunedin, New Zealand. (<http://marketing.otago.ac.nz/marketing/staff/parackal.html>)

Prof Phil Harris (pharris@business.otago.ac.nz), PO Box 56, Department of Marketing, University of Otago, Dunedin, New Zealand. (<http://www.phil-harris.com/>)



Demographic Forecasting Workshop

"Stochastic Demographic Forecasting"



Second International Institute of Forecasters' Workshop

Universidad de Salamanca, Spain. July, 28-29, 2005

The second IIF workshop on Stochastic Demographic Forecasting will take place at the Universidad de Salamanca in July 28-29, 2005. Information can be found at <http://web.usal.es/~jaortega/forecasting.htm>

The workshop, will take place at the Colegio Arzobispo Fonseca, a unique example of 16th century university architecture. It takes up the idea of the IIF of complementing the annual symposia with smaller workshops focusing on a particular theme.

Demographic forecasting is a field in transformation, where new alternative approaches that share an increased statistical sophistication are being proposed. The purpose of the workshop is getting together the main contributors to the field in an environment which favours ample discussion. This is guaranteed by limiting the number of speakers to eight, allocating a reasonable time for exposition, assigning one discussant for each paper, and leaving time for a floor debate on each contribution.

The speakers will cover all the main issues in demographic forecasting.

The first day will focus in one of the questions under debate in the field, which is model choice. Demographic forecasts are particularly complex since the data generally have at least two dimensions: age and time, to which often are added sex (in mortality forecasting) or parity (in fertility forecasting). Models need to take this particular data structure into account. Also at debate is the question of estimation techniques and to what extent and how prior information should be taken into account. In the second day presentations will focus on more applied issues: two full sets of demographic forecasts, at the national and multiregional levels, will be presented, together with an evaluation of forecast accuracy. The seminar will be closed with a debate on the future development of the field motivated by a presentation by Wolfgang Lutz.

Scientific program

- **Shripad Tuljapurkar, Stanford University (USA):** "Distributions of death: Dimensionality, cohort and variance"
- **Heather Booth, Australian National University (Australia):** "Stochastic population forecasts using functional data analysis" (with Rob Hyndman)
- **Piet de Jong, Macquarie University Sydney (Australia):** "Stochastic demographic projection using splines"
- **Federico Girosi, Rand Corporation (USA):** "Using prior knowledge in demographic forecasting" (with Gary King)
- **Frank Betz and Oliver Lipps, Mannheim Research Institute for the Economics of Aging (Germany):** "Stochastic population projection for Germany".
- **Juha Alho, University of Joensuu (Finland):** "Stochastic forecasting in a multiregional setting"
- **Nico Keilman, University of Oslo (Norway):** "Did demographic forecast performance in European countries improve since the 1960s?"
- **Wolfgang Lutz, Vienna Institute of Demography and IIASA (Austria):** "What are the methodological and institutional obstacles to a widespread application of probabilistic projections?"

Discussants:

- **Jean-Claude Deville**, CREST/ENSAI (France),
- **Laurent Toulemon**, INED (France),
- **Francesco Billari**, Università Bocconi (Italy),
- **Marek Brabec**, National Institute of Public Health (Czech Republic),
- **Antonio García Ferrer**, UAM (Spain),
- **Pilar Poncela**, UAM (Spain),
- **Cristina Rueda**, Universidad de Valladolid (Spain)



Economic Forecasts

In this section of the *Oracle* we present a set of international economic forecasts prepared by ERISTE (see below), together with a comment by **Antonio García-Ferrer** of Universidad Autónoma de Madrid. It is hoped that this section will become a regular feature of the newsletter.

FEBRUARY 2005

INTERNATIONAL ECONOMY: FORECASTS

	GDP ⁽¹⁾				CPI ⁽¹⁾			
	Last data	2003	2004	2005	Last data	2003	2004	2005
UNITED STATES	3.7 (4 ^o Q)	3.0	4.4	3.8	3.3(Dic.)	2.3	2.7	3.0
EUROZONE	1.6 (4 ^o Q)	0.5	1.7	1.9	2.1 (Ene)	2.1	2.1	2.0
GERMANY	0.6 (4 ^o Q)	-0.1	1.0	1.3	1.6 (Ene.)	1.1	1.6	1.7
FRANCE	2.0 (4 ^o Q)	0.6	2.1	2.3	2.0 (Dic.)	2.1	2.2	2.0
UNITED KINGDOM	2.8 (4 ^o Q)	2.2	3.1	2.5	3.2 (Ene)	2.9	3.0	3.0
SPAIN	2.6 (3 ^o Q)	2.5	2.7*	2.8	3.1 (Ene.)	3.0	3.0	2.9

(1) Year over year rate. * Forecast

COMMENT

The rate of growth of the US economy was increasing at the end of 2004. Clear improvement is seen in industry and employment indicators. On the demand side, consumer confidence is rising, and consumption spending is getting stronger. We expect a robust growth of 3.8% in 2005. The expected outcome for the Eurozone is less favourable, with a stable rate of growth below 2.0%. A strong euro is a drag on growth for Germany. Domestic demand is taking a better tone, but it is still too soon to speak of recovery. Weak consumption in Germany contributes to a feeble domestic demand in the Eurozone. Consumption and housing investment are losing strength in the UK, while business investment could gradually accelerate. There is not much deterioration in consumer prices in Western economies in 2005, in spite of the rise in energy prices, with inflation rates slightly above those of 2004.



ERISTE is a forecasting service which publishes monthly economic reports on international economics, covering the eurozone, with special attention to Germany, France and Spain, the UK, the USA and some Latin-American countries. ERISTE monthly reports have been published over more than 10 years. They are fully produced at Universidad Complutense (Madrid) by academic faculty. Reports contain forecasts for the main economic indicators in each economy for the two upcoming months, as well as for the current and the next year. Full-page economic analysis of international economic forecasts are also published weekly in the Spanish economic press. Regional forecasts for Spain are published quarterly for a savings institution. Economists in the ERISTE team are regular contributors to Spanish economic press, and publish their academic research on applied economics at international academic journals. Experience acquired with forecasting research employing a variety of econometric methods is instrumental in producing ERISTE forecasting reports.

