



PRESS RELEASE

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NABE FORECAST AUCTION EXERCISE GENERATES PREDICTION OF 344,000 NONFARM PAYROLL JOB LOSSES IN JUNE

At 1:00PM EDT on Tuesday, June 30, 2009, a group of 20 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 June nonfarm payroll jobs. Forty-eight hours before the jobs data are to 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 June 2009. The exercise implied that the expected job loss is between -300,000 and -349,000, with a mean forecast of -344,000.

Co-funded by the NABE Foundation and Caltech, the exercise tests an information aggregation tool applied to expert forecasts of the employment change in June 2009. This is the fourth such exercise this year. 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 "forecast exercise has great potential to add value to the financial market participants because the results provide the entire probability distribution of possible outcomes rather than just a consensus snapshot." The chart on the next page shows that distribution as generated by yesterday's exercise.

"We are in the process of doing as many FAEs as possible to determine whether the results prove to be an accurate reading of the upcoming statistical release of actuals, and to learn whether market participants find value in knowing what forecasters assess to be the distribution of potential outcomes. 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.

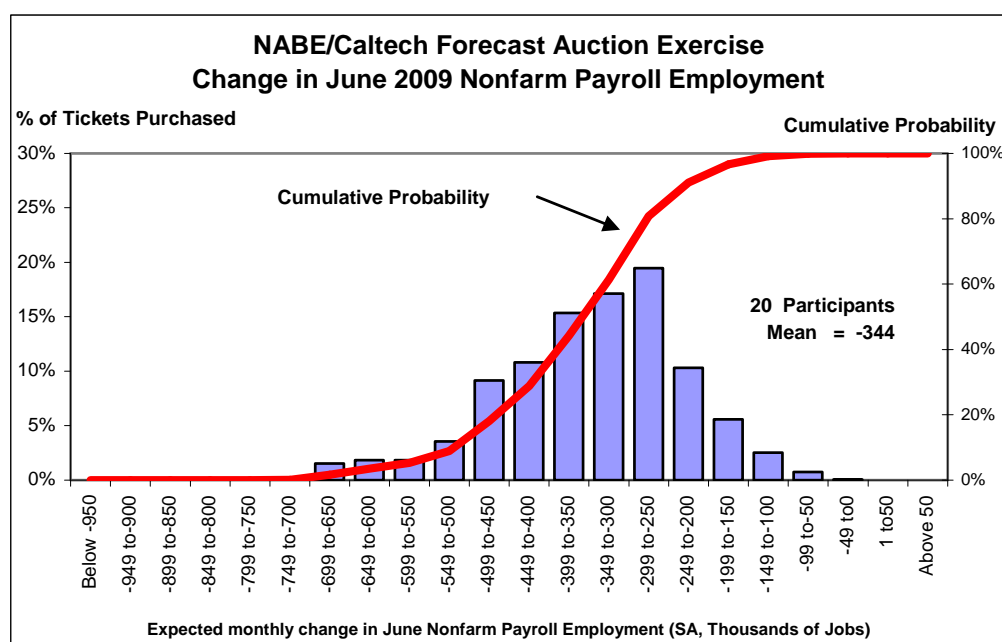
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In yesterday's exercise, the median expected job losses (the range within the cumulative probability crosses 50%) in June were in the range of -300,000 to -349,000. The distribution of expected outcomes implies that the participants believed there was a 56% chance that employment losses in June would be 300,000 or worse. This is the first employment FAE this year where the mode of the distribution (the range with the greatest number of tickets) was better (i.e., lower job loss) than the mean. This is suggesting, perhaps, that the balance of risks and opportunities are shifting more positively. Such an outcome may give financial market participants more information as they prepare positions leading up to the release of the data on Thursday.

The figures calculated for this FAE compared to a Bloomberg Consensus estimate of a 350,000 loss in total nonfarm employment. This morning's ADP National Employment Report estimates a 473,000 loss in *private* nonfarm employment.



NABE has conducted FAEs since 2005 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 one additional FAE between now and August 2009. The next FAE will collect forecast distributions for second-quarter real GDP growth, and is scheduled for July 28, 2009, with the GDP report released by the U.S. Bureau of Economic Analysis set for Friday, July 31, 2009.

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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