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The SPF for Russia: Is It Useful in Predicting Cyclical Turning Points?

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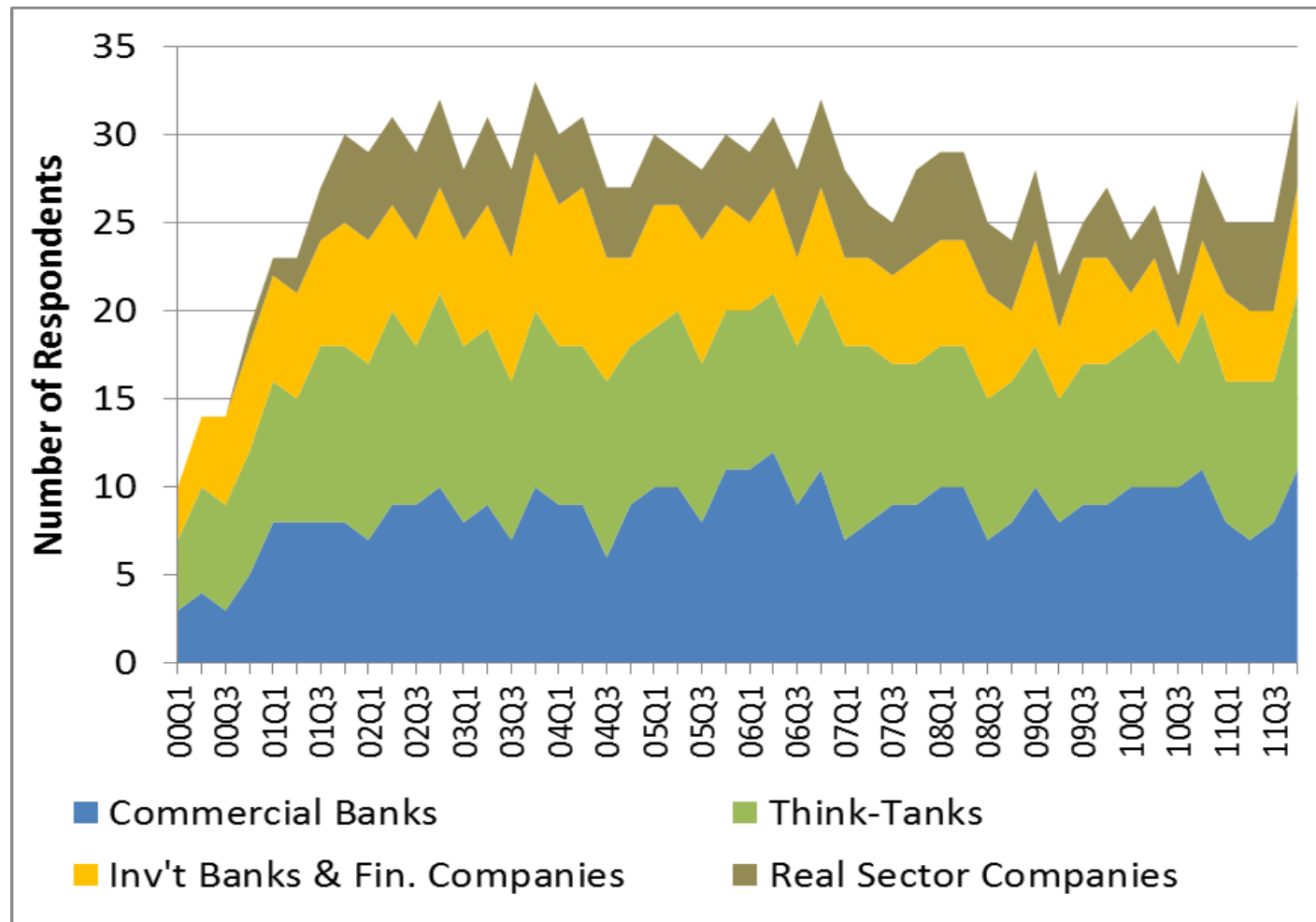
General outline

- ❖ Historical information on the SPF for Russia
- ❖ Suitability of the SPF for predicting cyclical turning points
 - In Russia
 - In the USA

Part I. Historical Information

- ❖ Regular polls since 2000
- ❖ Quarterly (January, April, July, and October)
- ❖ Usual number of respondents: 25-30
- ❖ Point forecasts for 17 macroeconomic indicators
- ❖ Some qualitative questions

SPF for Russia: Number of Participants



Our Respondents: Who are They?

Type of Company	Russian	Foreign / International	Total
Commercial Bank	10	16	26
Investment Bank or Fin. Company	8	10	18
Real Sector Company	5	1	6
Think-Tank	10	7	17
Total	33	34	67

Note: 48 Polls During 2000-2011

Questionnaires:

- ❖ Point forecasts for current and next years: 17 indicators
- ❖ Point forecasts for seven years ahead: 4 indicators
- ❖ Probability of a recession during each of five years ahead
- ❖ Additional qualitative questions

Two-year Forecasts: an Excel sheet

Poll of Professional Forecasters
Section A. Short-Run Estimates
(if you don't estimate an indicator leave blank cell)

Indicators	Historical Data				Your Forecast		Unit
	Annual		Jan.- June				
	2010	2011	2011	2012			
Real GDP ^(p)	4.3	4.3	3.7	4.4			% change (y-o-y)
Nominal GDP ^(p)	45173	54586	24718	28075			Bln. Rb, Current Prices
Index of Industrial Production	8.2	4.7	5.3	3.1			% change (y-o-y)
Retail Sales, Real	6.4	7.0	5.4	7.1			% change (y-o-y)
Fixed Capital Investment, Real	6.0	8.3	2.7	10.2			% change (y-o-y)
Disposable Personal Income, Real	5.1	0.8	-0.6	2.7			% change (y-o-y)
Average Monthly Wage	698	806	887	919			USD
Consumer Price Index	8.8	6.1	9.5	3.8			% change (eop/Dec)
Exchange Rate	30.5	32.2	28.1	32.1			Rb/USD (eop)
M2-Money (national definition)	31.1	22.6	3.7	-0.4*			% change (eop/Dec)
Federal Budget Balance	-4.0	0.8	2.8	-0.9			% of GDP
Merchandise Export (fob)	401	522	274	265			Bln. USD
Merchandise Import (fob)	249	324	190	155			Bln. USD
Trade Balance (fob-fob)	152	198	84	110			Bln. USD
Current Account Balance	71	99	53	58			Bln. USD
Foreign Currency Reserves (excl. Gold)	444	454	484	468			Bln. USD (eop)
Average Price of Urals Crude Oil	78	110	109	111			USD per barrel

p - Preliminary estimates of real GDP (by Ministry of Economic Development) and of nominal GDP (by Ministry of Finance)

** - For January-May. For five months of 2011 the figure was equal to +0.9%.*

Seven-year Forecasts: an Excel sheet

Section B. Long-term Estimates

	Real GDP	Consumer Price Index	Exchange Rate	Urals Oil Price
	% change (y-o-y)	% change (Dec/Dec)	Rb/USD (eop)	USD/bbl (Average)
2012				
2013				
2014				
2015				
2016				
2017				
2018				

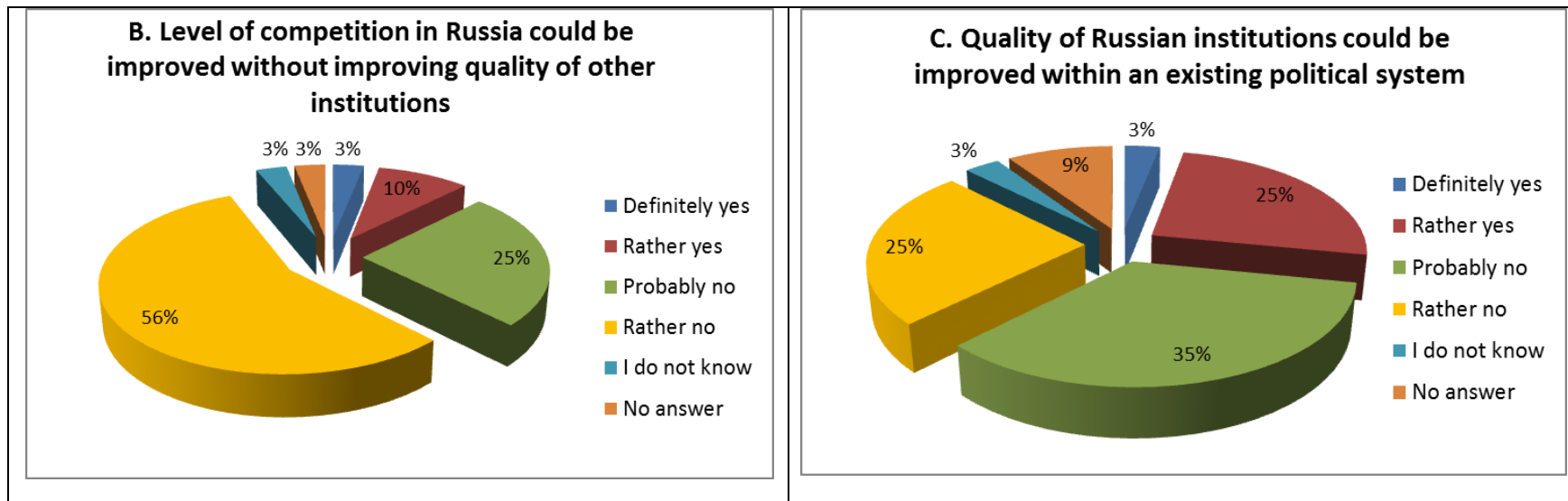
Probability of a Recession: an Excel sheet

Section D. Probability of a Decline (**Negative** % Change) in Real GDP

(Please select your answer- **for each of the following five years**)

		2008	2009	2010	2011	2012
Very low	(0-20%)	v				
Low	(20-40%)			v	v	v
Middle	(40-60%)		v			
High	(60-80%)					
Very high	(80-100%)					

Qualitative Questions on Competitiveness of Russian Economy: Examples



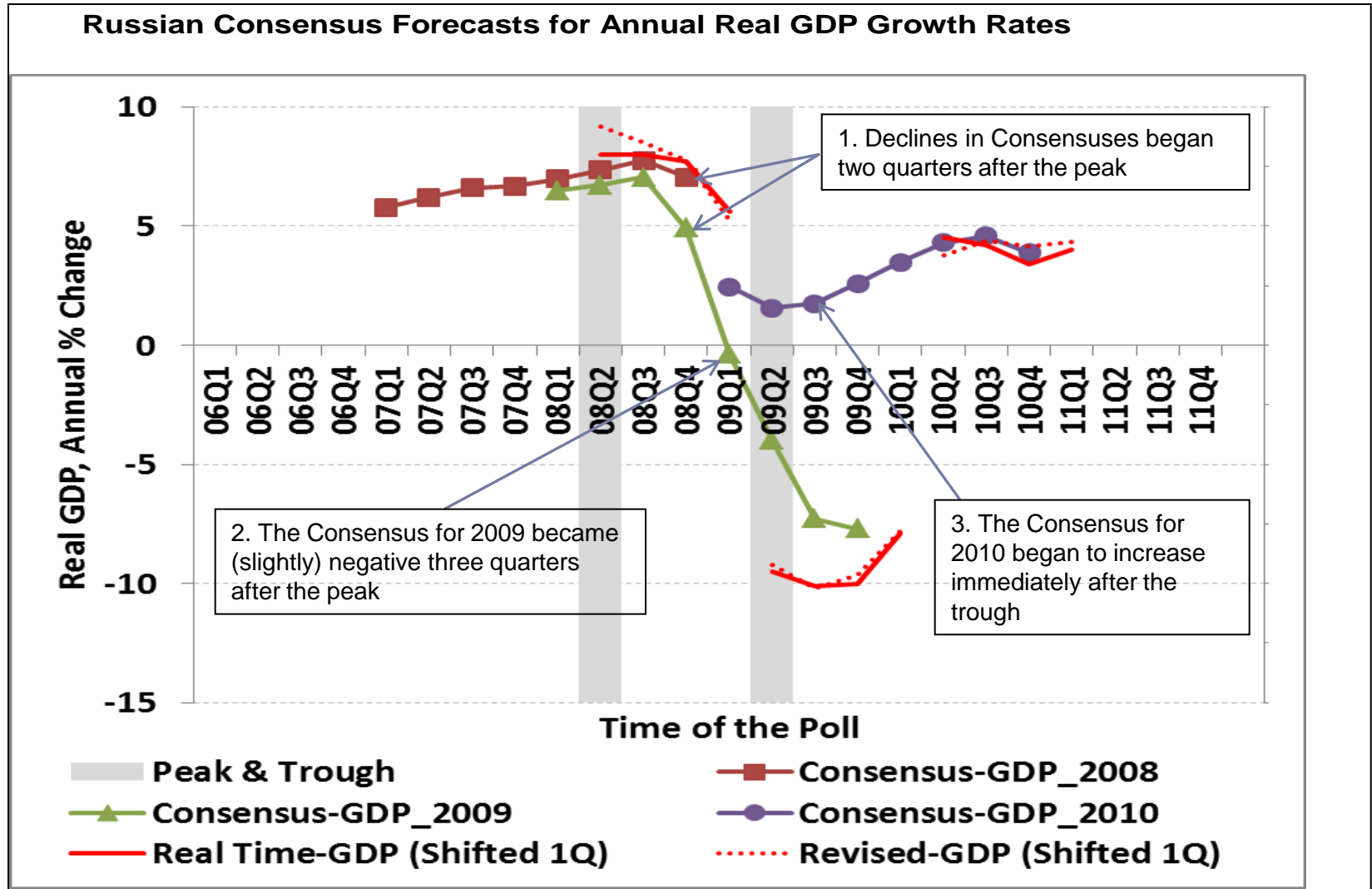
Results:

- ❖ 81% of experts thought that the level of competition in Russia could not be improved without improving quality of other institutions;
- ❖ 60% of experts thought that the quality of Russian institutions could not be improved within an existing political system

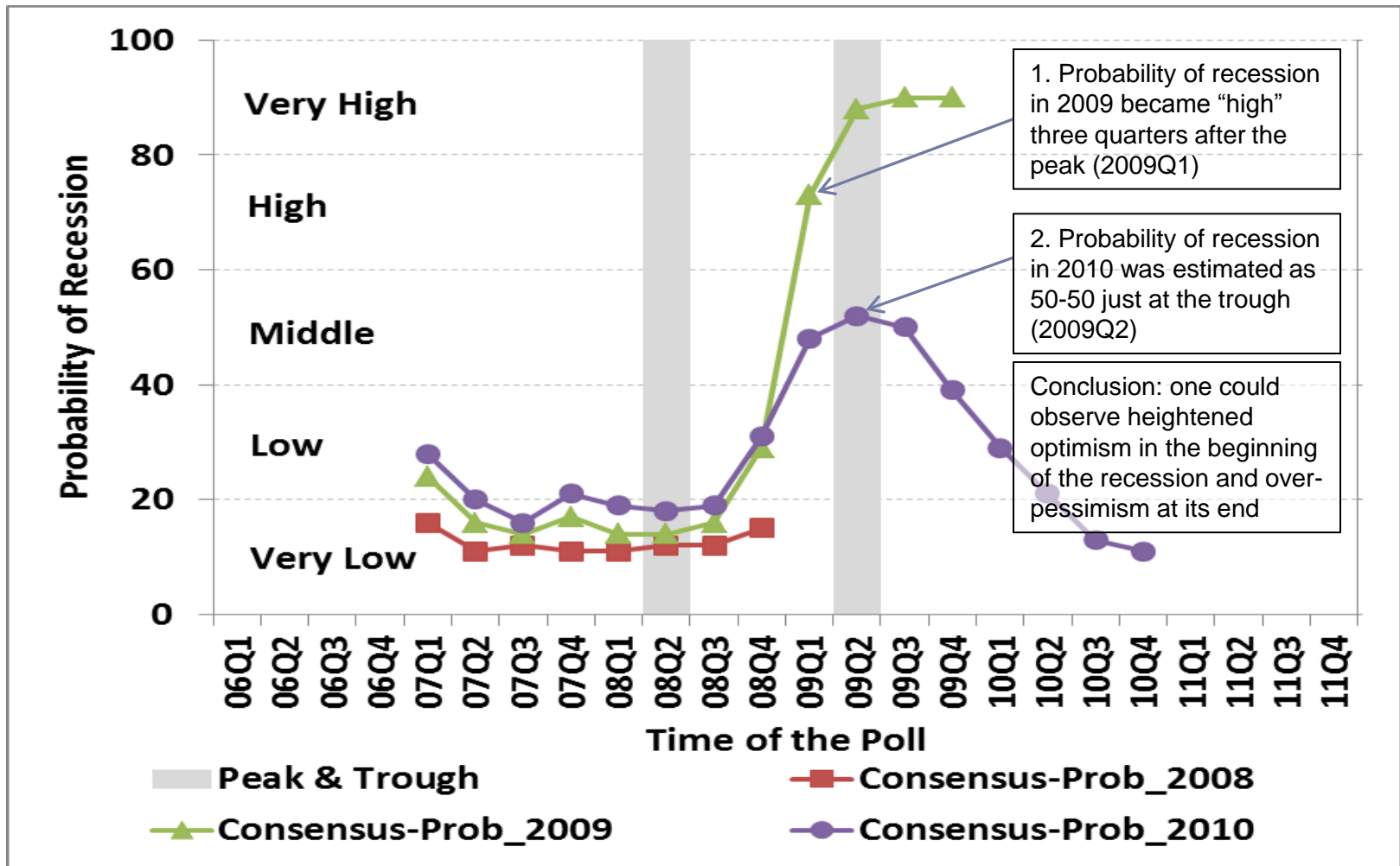
Part II. Suitability of the SPF for predicting cyclical turning points

- ❖ Russia: Predicting the 2008 peak and the 2009 trough
- ❖ Russia: Probability of a Recession in 2008-2009
- ❖ The USA: Predicting the 2007 peak and the 2009 trough

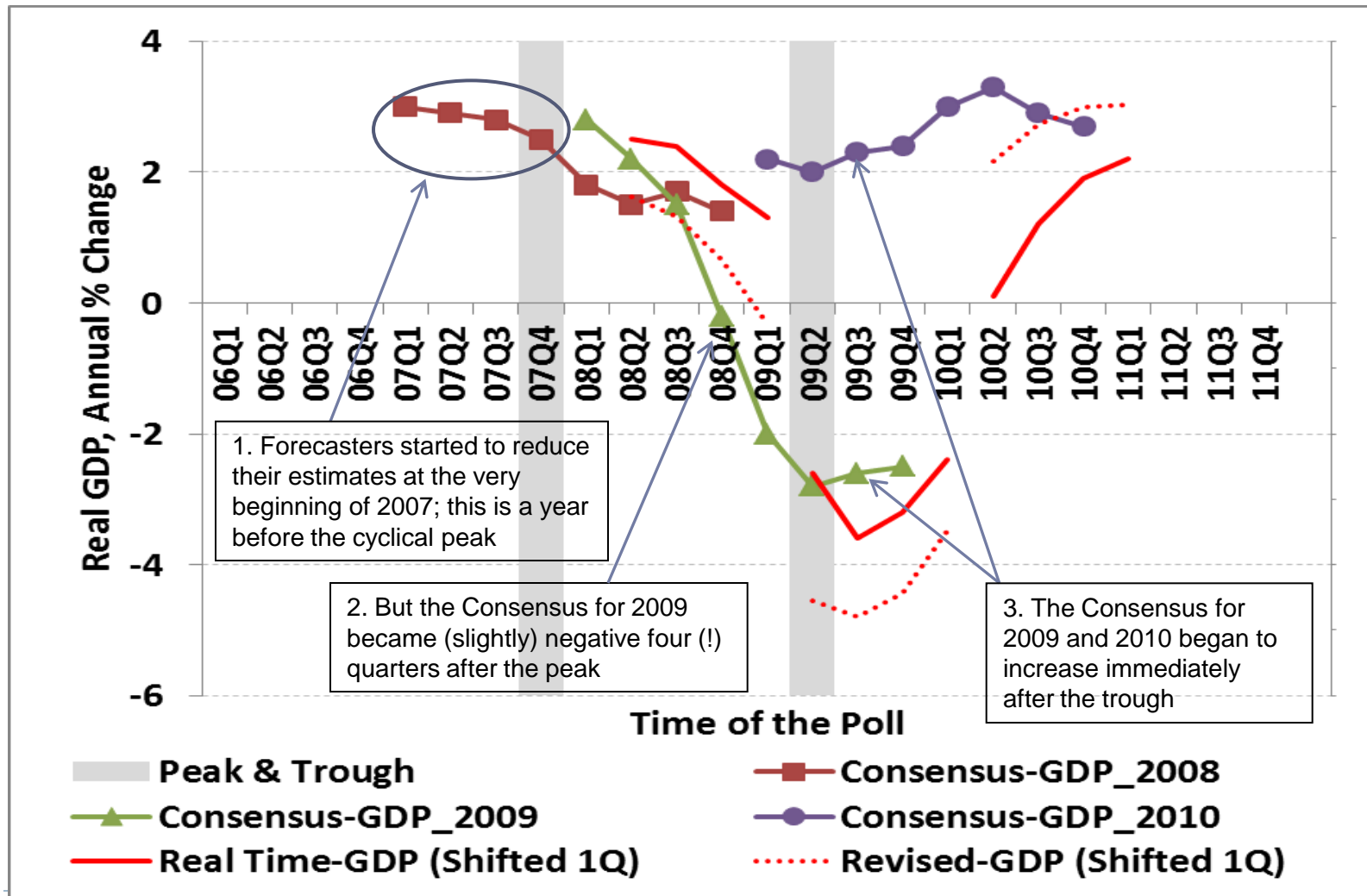
Russia: Predicting the 2008 peak and the 2009 trough



Russia: Probability of a Recession in 2008-2010



The USA: Predicting the 2007 peak and the 2009 trough



Conclusions

- ❖ Consensus forecasts for GDP 2009 became *negative* three quarters after the peak (2008Q2) in Russia and four quarters after the peak (2007Q4) in the USA;
- ❖ This means that Consensuses pointed rather to a slower growth but not to the decline of real GDP (and hence not to recession);
- ❖ Our hypothesis is that some ‘wishful bias’ in predicting recessions does really exist: even professional forecasters do not like to predict annoying and undesirable events. And definitely a recession is one of these.

Thank you for your attention

