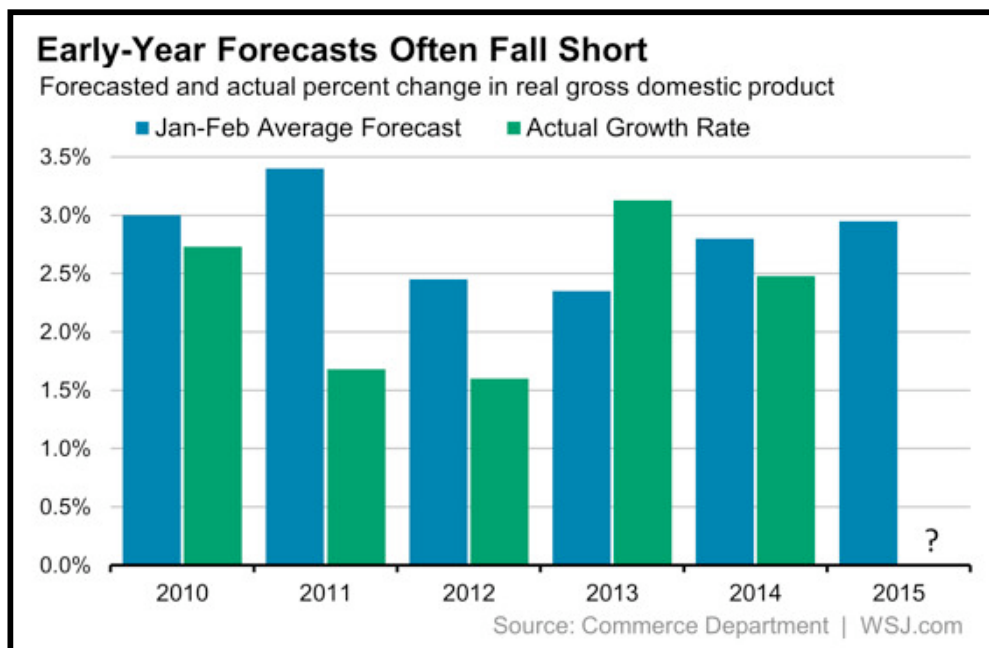


## WSJ Survey: Forecasters See Blue Skies Ahead, But Check Back Later

By KATHLEEN MADIGAN February 12, 2015



A new year inspires people to be hopeful about all the good that will come in the next 12 months. So maybe it is not surprising that economists in The **Wall Street Journal** survey of forecasters typically kick off the year feeling all warm and fuzzy about the economy's prospects. Throughout most of this expansion, however, reality has forced the forecasters to scale back their expectations.

In four of the five full years of this expansion, forecasters in the January and February surveys on average expected very solid growth in inflation-adjusted gross domestic product. But only in 2013 did actual GDP growth come in stronger than what was expected (3.1% versus the 2.35% forecast in the first two months of 2013).

The challenge for economists is the inability to forecast the unexpected, whether from Mother Nature or Washington. Last year, for instance, economists thought the economy would expand by 2.8%, but no one foresaw how the severe and prolonged winter weather would cause economic activity to contract in the first quarter. That put GDP in the hole and growth for 2014 was only 2.5%.

Similarly, the average forecast in early 2011 called for robust GDP growth of 3.4% that year. Then Washington battled over the budget and S&P unexpectedly downgraded U.S. debt in August, a move that rattled both business and consumer confidence. The resulting budget cuts and uncertainty subtracted from growth, which finished the year at just 1.7%.

Some economists say it actually is different this time. Fiscal problems are unlikely to detract from growth. Oil prices will remain low. Tighter labor markets should lead to better wage growth.

“Rarely in history have we seen an alignment of so many positive forces that support economic growth,” said **Bernard Baumohl** of the **Economic Outlook Group**.

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