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Meet Bernard Baumohl, WSJ Survey's Most Accurate Economic Forecaster in 2018

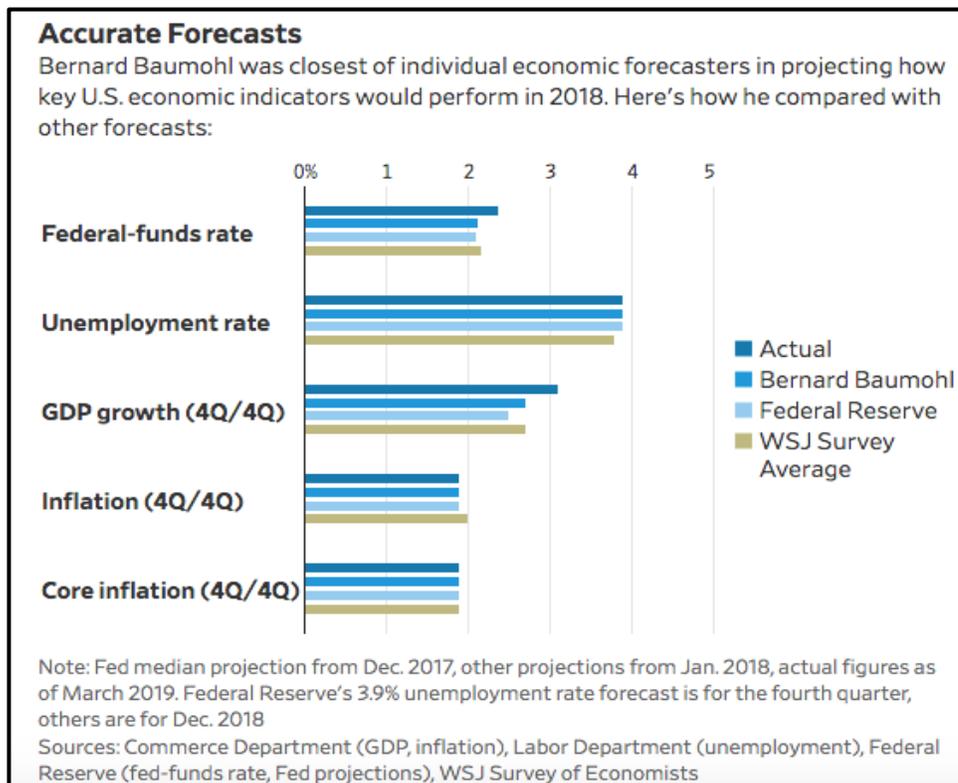
The Economic Outlook Group chief economist issued the most accurate set of forecasts in last year's survey

By Harriet Torry
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WASHINGTON—Bernard Baumohl has a beef with traditional economic-forecasting models.

Mr. Baumohl, chief global economist at The Economic Outlook Group, was the most accurate forecaster for 2018 in The Wall Street Journal's monthly survey.

Conventional models, such as those deployed by the Federal Reserve, don't properly capture the way technological change has affected how Americans live and spend, according to Mr. Baumohl.



The Princeton, N.J.-based firm he founded in 2008, which has three other employees, strives to insert “more of a human analysis” that goes beyond the rigidity of models, he says, which “fail to take account of dramatic changes in the economy.”

Mr. Baumohl expects growth to slow in 2019, although he says there should be enough momentum in the economy to keep it from contracting this year. And he doesn't expect traditional models will be particularly effective at predicting when the eventual contraction does come.

“Come July, we're going to be in completely uncharted territory,” when the current economic expansion becomes the longest ever, entering its 11th year of growth, he said.

Mr. Baumohl expects the next recession to start in the first quarter of 2021, according to the most recent monthly Wall Street Journal survey, conducted in early March. He was one of about a third of forecasters who expect a downturn in 2021, while a larger number, just under half, see the next recession starting next year.

Mr. Baumohl, who wrote his 2004 book, “The Secrets of Economic Indicators,” after working as a Time magazine economics reporter, had previously worked as an economist for European American Bank, now part of Citigroup Inc. Unlike some of his peers, he doesn't have a Ph.D. in economics, but rather a master's in international affairs and economics from Columbia University.

Mr. Baumohl says the lion's share of his work involves giving presentations to trade groups, manufacturers and service providers on the economic and geopolitical outlook. He also lectures in economics journalism, most recently at Florida Gulf Coast University in Fort Myers.

He correctly projected a jobless rate of 3.9% at year's end, and was the only forecaster to nail the 1.9% acceleration in two separate measures of year-over-year inflation measured from the fourth quarter of 2017.

The Federal Reserve's median projections from December 2017 also correctly predicted both rates of inflation in the fourth quarter of 2018, although Fed

officials projected lower GDP growth and interest rates in late 2018 than came to pass.

Beth Ann Bovino and Satyam Panday at S&P Global, followed by Michelle Girard at NatWest Markets, rounded out the most accurate forecasters of 2018.

The Journal's rankings for 2018 were based on forecasts made by 68 forecasters in January 2018 for five key indicators: the federal-funds rate at the end of 2018; the unemployment rate in December 2018; GDP growth in the fourth quarter of 2018 from a year earlier; and inflation in the fourth quarter of 2018 from a year earlier as measured by the personal-consumption expenditures price index, both in overall terms and excluding food and energy.

The forecasters were ranked, first to last, for each indicator based on their absolute percent deviation from the actual figures as available in March 2019. Those five rankings were then averaged together. Mr. Baumohl had the lowest average ranking, indicating he was the most accurate forecaster. Lindsey Piegza, chief economist at Stifel Nicolaus & Co., had the highest ranking.

"I think we were a little early in our call for weakness to become evident," Ms. Piegza said, adding the Trump administration's tax overhaul had a strong psychological impact on confidence.

"We underestimated the impact of fiscal stimulus in 2018," she said.

As the investment ads say, past performance doesn't guarantee future results. Mr. Baumohl ranked 23rd out of 67 economists in 2017. The most accurate forecaster of 2017, Macroeconomic Advisers co-founder Chris Varvares, dropped to 58th place in 2018.

Mr. Varvares attributed his firm's miss on gross domestic product to the fact that the Bipartisan Budget Act hadn't been signed into law when economists submitted their 2018 forecasts for the Journal's survey in early January last year.

He also noted that economic growth in the fourth quarter could be revised lower when the Commerce Department releases its latest GDP reading on Thursday.

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