U.S. forecasters put themselves on a limb

by Leif Johnson

Consumer sales, auto sales and housing starts (untampered by the seasonal adjustment) remained flat over the first two months of 1983, and as orders fell 2.2 percent in February, with non-defense capital goods orders registering a large 7.2 percent decline in February. Interest rates went up by 1.5 percent in March. Yet, as the accompanying charts show, the leading econometric forcasters are still pumping the recovery, a myth they did much to launch in autumn 1982.

Data Resources (DRI), the leading economic forecaster, whose services may cost a corporation as much as $250,000 a year, boosted its forecast for 1983 industrial production growth from 1.2 percent in January to 1.8 percent in March.

The next most frequently used forecaster, the prestigious Wharton Econometrics, is even more bullish. From a 1.4 percent growth predicted in January they nearly doubled to 2.5 percent in March. Chase goes slightly the other way (March is not yet reported) while Morgan Guaranty, considered the best "insider," shows an incomprehensibly erratic 2.4, 0.8, and 1.2 percent respectively for the three months. Evans shows gyrations, but ending up lower, will wind up the "least loser" in this lot.

There is no indication that these forecasters are retreating. Donald Straszheim of Wharton Econometrics insisted to the *New York Times* on March 30, "We are quite convinced that the recovery is in place and the economy is going to get better as the year goes along."

The optimism of the econometric was not dampened by the March 30 report of the Commerce Department which found February's manufacturing orders down 2.2 percent. Malcomb Baldrige, Commerce Secretary, said March 30, "the leading indicators for February was good news again." news again for the economy."

Treasury Secretary Donald T. Regan said, the leading indicators "prodvides further confirmation that the recovery is well under way. This latest signal should provide further confidence that the recovery will be both solid and sustained."

Alan Greenspan, a key White House advisory and architect of the "rescue plan" for Social Security which slashed payouts to 36 million retirees, said "We are in the early phases of a recovery and there is nothing in the current data that in any way suggests that there is anything wrong with the recovery."

But *Business Week* magazine does seem concerned to rescue its reputation. In its April 4 issue it discovers that the seasonal adjustment of housing starts will boomerang, showing a decline in housing starts in March (even if the actual figure is up). *Business Week* finds that housing starts in the North Central and Northeast regions in January and February were no higher in February than in November, but were inflated by "seasonal adjustment." This boosted the figures 60 and 100 percent respectively. The magazine could have told its readers that the January-February figures were vastly exaggerated (it gets the same government figures we do) but chose instead the glowing recovery headlines.

Forecasts of industrial output for January, February and March of 1983

(percentage change)