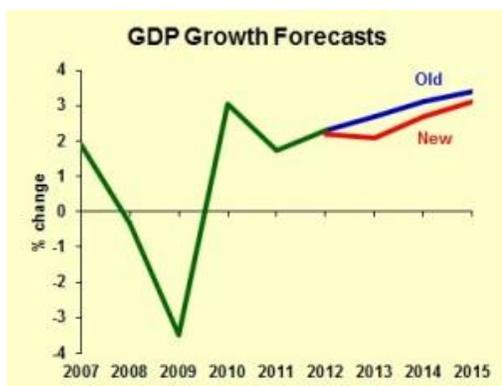


Economic Forecasts Revised Downward--What's a Business Leader to Do?

By: Bill Conerly

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We economists are revising our economic forecasts downward. A good tabulation of prognosticators is provided by the Philadelphia Fed's quarterly [Survey of Professional Forecasters](#). The chart shows the new forecast average in red, compared to the previous quarter's forecast.



What's a corporate executive or small business owner to do when faced with a significant mid-year change in the economic outlook? I suggest that he or she stick to the year's strategy, for the most part. This is not such a large change that drastic alterations in strategy are called for. However, it may be time to look at some of the discretionary projects under consideration.

For example, spending money on new capacity makes less sense in many industries, given the likelihood of weak growth.

That example, however, points up the second piece of advice: figure out if it's YOUR industry that is being revised downward. Digging into the details, the biggest pessimistic changes in the forecast were for business investment spending and government spending, with optimistic forecast changes for residential construction. (Note that the government spending that is in the GDP accounts excludes transfer payments, including only purchases of goods and services and payment of government employees.)

One thing not fully accounted for by the tabulation of average forecasts is the uncertainty that every economist feels right now. Will the Euro zone break up, and if so, with what consequences? Will China get growing again or continue to decelerate? Will American business get so caught up in the political uncertainty that they stop spending altogether? I strongly recommend developing a flexible business plan, one that positions the company for an economy that may grow, but may also contract. See my video posts on the subject, [Business Planning with Risk of Recession: The Stance](#).

