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# Alternative Macro Scenarios

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# Four Alternative Approaches

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- Our baseline forecast
- Our alternative forecasts
- Blue Chip forecast
- PJM customized forecast

# The Great Recession Will End This Year

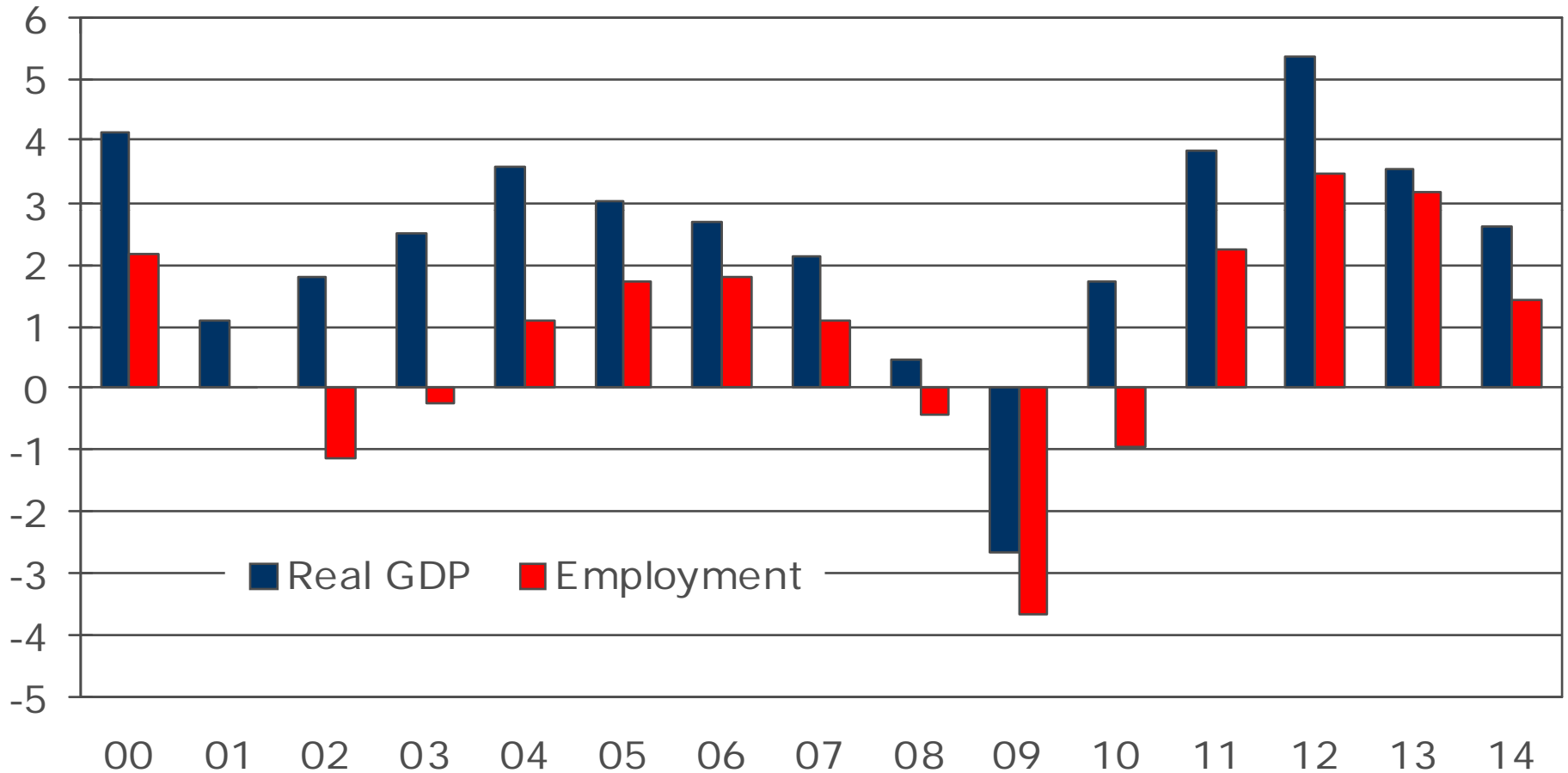
## Recessions since World War II

Peak	Trough	Duration in Months		Peak-to-Trough % Change		Jobless Rate		
		Recession Peak to Trough	Expansion Trough to Peak	Real GDP	Nonfarm Employment	Low	High	Change
<b>Dec 2007</b>	<b>September 2009</b>	<b>22</b>	<b>73</b>	<b>-3.9</b>	<b>-5.5</b>	<b>4.4</b>	<b>10.1</b>	<b>5.7</b>
Mar 2001	Nov 2001	8	120	-0.4	-2.0	3.8	6.3	2.5
Jul 1990	Mar 1991	8	92	-1.3	-1.5	5.0	7.8	2.8
Jul 1981	Nov 1982	16	12	-2.9	-3.1	7.2	10.8	3.6
Jan 1980	Jul 1980	6	58	-2.2	-1.3	5.6	7.8	2.2
Nov 1973	Mar 1975	16	36	-3.1	-2.7	4.6	9.0	4.4
Dec 1969	Nov 1970	11	106	-1.0	-1.4	3.4	6.1	2.7
Apr 1960	Feb 1961	10	24	-1.3	-2.3	4.8	7.1	2.3
Aug 1957	Apr 1958	8	39	-3.8	-4.4	3.7	7.5	3.8
Jul 1953	May 1954	10	45	-2.7	-3.3	2.5	6.1	3.6
Nov 1948	Oct 1949	11	37	-1.7	-5.1	3.4	7.9	4.5
<b>Average for past recessions</b>		<b>10</b>	<b>57</b>	<b>-2.0</b>	<b>-2.7</b>	<b>4.4</b>	<b>7.6</b>	<b>3.2</b>

Sources: NBER, BEA, FRB, BLS, Moody's Economy.com

# Slow Recovery But Some Pent-up Demand

% change



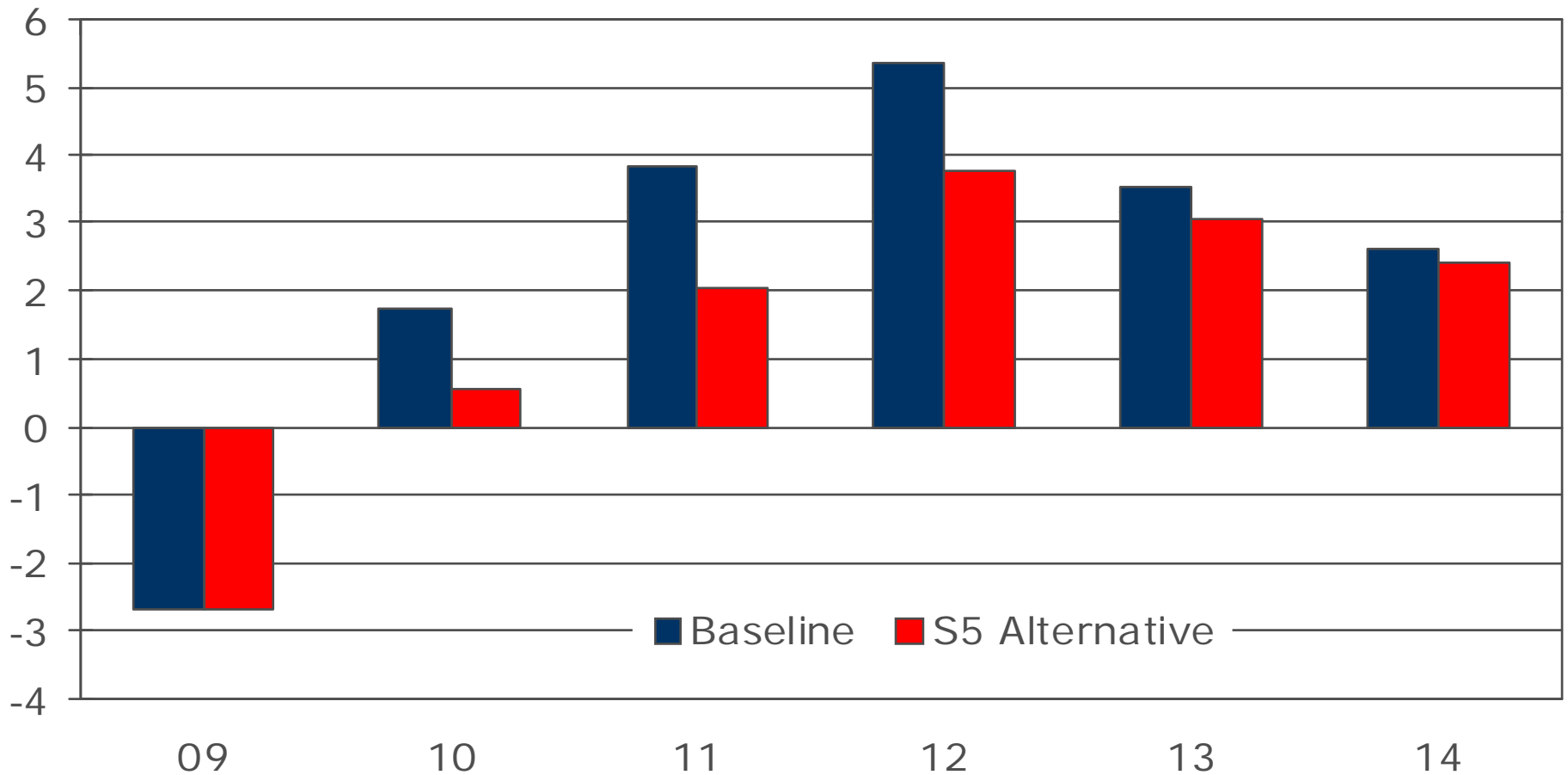
## Our Alternatives, Updated Monthly

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- **S1: Confidence Rebounds, Quicker Recovery**
- **S2: Longer Recession, Weaker Recovery**
- **S3: Prolonged Credit Squeeze, Very Severe Recession**
- **S4: Complete Collapse, Depression**
- **S5: Aborted Recovery, Below-Trend Long-Term Growth**

## S5 Is Closer to Slower Path of Blue Chip

S5: Aborted recovery; below-trend long-term growth



## Using An MEDC Alternative Scenario

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- Provides a scenario with consistent assumptions.
- Is updated monthly for U.S., states, metro areas and counties.
- Ensures all identities are properly accounted for in both near and long term.
- Model system links the NIPA accounts and financial assumptions with detailed gross product forecasts.

# Using the Blue Chip Indicators

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## Technical issues need to be considered

- Blue Chip is not a scenario. To use it as a model, the details have to make sense.
- Consistency across all macro components is required for proper model behavior and for flow through geographic model systems.

# Using the Blue Chip Indicators

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## Technical issues need to be considered

- Blue Chip does provide “econometric detail” in March, June, September and December. Periodicity of data is quarterly.
  - GDP components
  - Prices, wages and productivity
  - Money supply, interest rates and deficit
  - Income, saving rate, profits
  - Labor market and consumption

# Using the Blue Chip Indicators

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## Econometric detail

- Econometric details only projected two years.
- Components are reconciled by Macroeconomic Advisors.
- Process is “mechanical”. It does not represent a scenario.
- Components do not necessarily match Blue Chip Indicators.
- A considerable residual is evident in chained or real deflated values.

## Using the Blue Chip Indicators

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- Redistribution of Blue Chip and Macroeconomic Advisors work needs to be approved through legal departments.

# Using a PJM Customized Forecast

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## Another alternative solution

- PJM can work with our staff in an iterative process to create a desired scenario.
- Forecast would be created from the bottom up, creating consistency across components.
- All macro assumptions can be reviewed and adjusted.
- Gross product details would be very clear.

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