The Forecasting Season

Once again we are upon the season of forecasts. A quick perusal of any investment website will turn up some very rosy and optimistic forecasts for the coming year and a least a few doom and gloom predictions. Many of these are designed, most likely, to shock and gain readers. But are there useful forecasts?

Thankfully economic forecasts for the year are well researched and quite useful for planning purposes. For local economies forecasts that are targeted for a specific local region, mixed in with national data, are the way to go. This focus on local regions allows the economic model to reduce random variables and thus be more accurate.

The process of forecasting is quite complex. For California they start by developing moderately detailed models for each of the California counties. These individual modelsare combined to create an aggregate forecast and then “disassembled” into detailed local forecasts for each region using over 2,000 stochastic equations by which predictable events and random elements are reconciled.

Groups like the California Economic Forecasthave spent decades refining their model for the California regions and are well respected for their thoughtful and accurate data.

Their economic forecast has valuable information for almost every business person.

Of key concern is industrial space data which will indicate the capacity of a region to expand. When combined with data about expansion plans for specific industry clusters, developers and planners can determine where to put their resources for the coming year.

Retailers typically are interested in the forecast for consumer confidence, discretionary income and spending patterns. This data can be used to manage inventories, make strategic decisions on product mix and determine the proper timing for product launches.

Realtors pay close attention to housing starts, foreclosure rates and shadow inventory. Knowing the true inventory and market for housing is crucial for advising their clients.

Employment figures and job growth will affect almost every aspect of the forecast. Job growth will affect confidence and spending, both retail and housing. Industry specific job growth is useful data for planning and business attraction.

A forecast should also include comparisons to surrounding areas and also a comparison to national trends, along with quantifying risks to the forecast. This type of analysis is important in determining the level of competition from other communities and the competitive advantage we may have in attracting businesses to our community.

College of the Canyons, partnering with the Santa Clarita Valley Economic Development Corporation, is sponsoring the 2013 Economic and Real Estate Outlookconference on Thursday February 21. The conference is at the Hyatt and will run from at two to five in the afternoon followed by a networking cocktail reception. You can get more information on the conference at http://www.scvedc.org/outlook.

Wouldn't it be worth a few hours of your time to get an up-to-date outlook on the local economy for the coming year?

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