

National Institute of Economic and Social Research**Martin Weale to deliver Inaugural Dow Lecture on
data on expectations*****FOR IMMEDIATE RELEASE***

Martin Weale presents the first Dow Lecture at the National Institute of Economic and Social Research as part of the [Festival of Social Science](#), on 6th November 2019. In his lecture, titled *'Do Economists expect too much from Expectations?'*, he explores data on expectations, looking at the factors which influenced those expectations, their possible role in economic behaviour and the connection between expectations and outturns.

He observes that the current dollar/sterling exchange rate provides a better predictor of the future exchange rate than the forward market offers. The Monetary Policy Committee continues to assume that the future exchange rate will be the average between the forward rate and the spot rate, but the evidence continues to suggest that forecasts would be improved if they relied only on the spot rate.

Similarly, measures of inflation as implied by the market for indexed gilts are not very informative. Between 2011 and 2015 they were low when inflation turned out to be high and *vice versa*.

He then discusses the link between expectations and outturns in the Confederation of British Industry's *Industrial Trends Survey*, focusing on the responses of individual firms provided by the CBI on an anonymous and unidentifiable basis. He finds evidence to support the idea of a connection between past forecasts of price and wage increases and subsequent realisations. Nevertheless, the relationship is found to be considerably weaker than is widely assumed in modern models used for policy analysis.

Martin also finds that particularly high or low forecasts of price increases by firms tend not to be realised and also that there is a connection between firms' price forecast errors and the inflation and growth forecast errors made by the Monetary Policy Committee.

Professor Weale summarises his results by stating *"Economists often make the assumption that forecasts are on average correct. But these results show that they are not. There is more work to do in understanding the importance of systematic forecast errors for economic behaviour"*.

ENDS

Notes for editors:

Martin Weale is Professor of Economics at King's College, London and was a member of the Monetary Policy Committee from 2010 to 2016. He was Director of NIESR from 1995 to 2010.

The Dow lecture on Macroeconomic Policy has been established in memory of Christopher Dow who worked at the National Institute from 1954 to 1962, becoming Deputy Director, and again from 1984 until his death in 1998. His last book, *Major Recessions*, was published in 1998. He helped establish the *National Institute Economic Review* in 1959 and wrote the classic treatment of post-war British Economy. He also had been Executive Director of the Bank of England and had spells at the OECD and HMT.

To attend the lecture please RSVP to: foss@niesr.ac.uk

For further information or to arrange interviews, please contact the NIESR Press Office or Luca Pieri on 0207 654 1931/ l.pieri@niesr.ac.uk

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