



**The most adequate way
of presenting
actual data along with forecast data**

**Sixth Joint European Commission – OECD workshop
on business and consumer opinion surveys,
Brussels, 14 – 15 November 2013**

Who Are We?

- 🔧 Daphna Aviram-Nitzan
- 🔧 Director of Economic Research Division at the Manufacturers' Association of Israel = MAI
- 🔧 An Independent private organization.
- 🔧 Self-Financed.
- 🔧 Representing “The voice of Industry”
- 🔧 Israel’s largest and most influential economic organization

MAI Tendency survey = Survey of Expectations in Industry

- 🔧 In order to professionally and reliably represent the Manufacturers' economic trends, we conducted a tendency survey.
- 🔧 Carried out since 1978 Among a representative sample of more than 700 industrial companies.

MAI Tendency survey = Survey of Expectations in Industry

- ❁ We named it “**Survey of Expectations in Industry**” because in our report we are focusing in analyzing the forecast observations.
- ❁ The survey Exhibit:
actual trends during the last quarter
expected trends for the next quarter
- ❁ It is a qualitative survey.

The Questionnaire - A sample

A - General Information

Past tendencies in your firm in the last three months, comparing with the three months before them (regarding production activity)

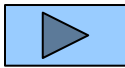
Mark the answer	Significant Decrease	Slight Decrease	No Change	Slight Increase	Significant Increase
1. Production volume (quantitative)	1	2	3	4	5
2. Stock of finished goods (quantitative)	1	2	3	4	5
3. Stock of raw materials (quantitative)	1	2	3	4	5
4. Utilization rate of capital stock (machines & equipment)	1	2	3	4	5
5. Financing expenditures (real)	1	2	3	4	5
6. Number of employees	1	2	3	4	5
7. Investment in machines & equipment	1	2	3	4	5
8. Difficulties recruiting unprofessional workers	1	2	3	4	5
9. Difficulties recruiting professional workers	1	2	3	4	5

Survey of Expectations in Industry

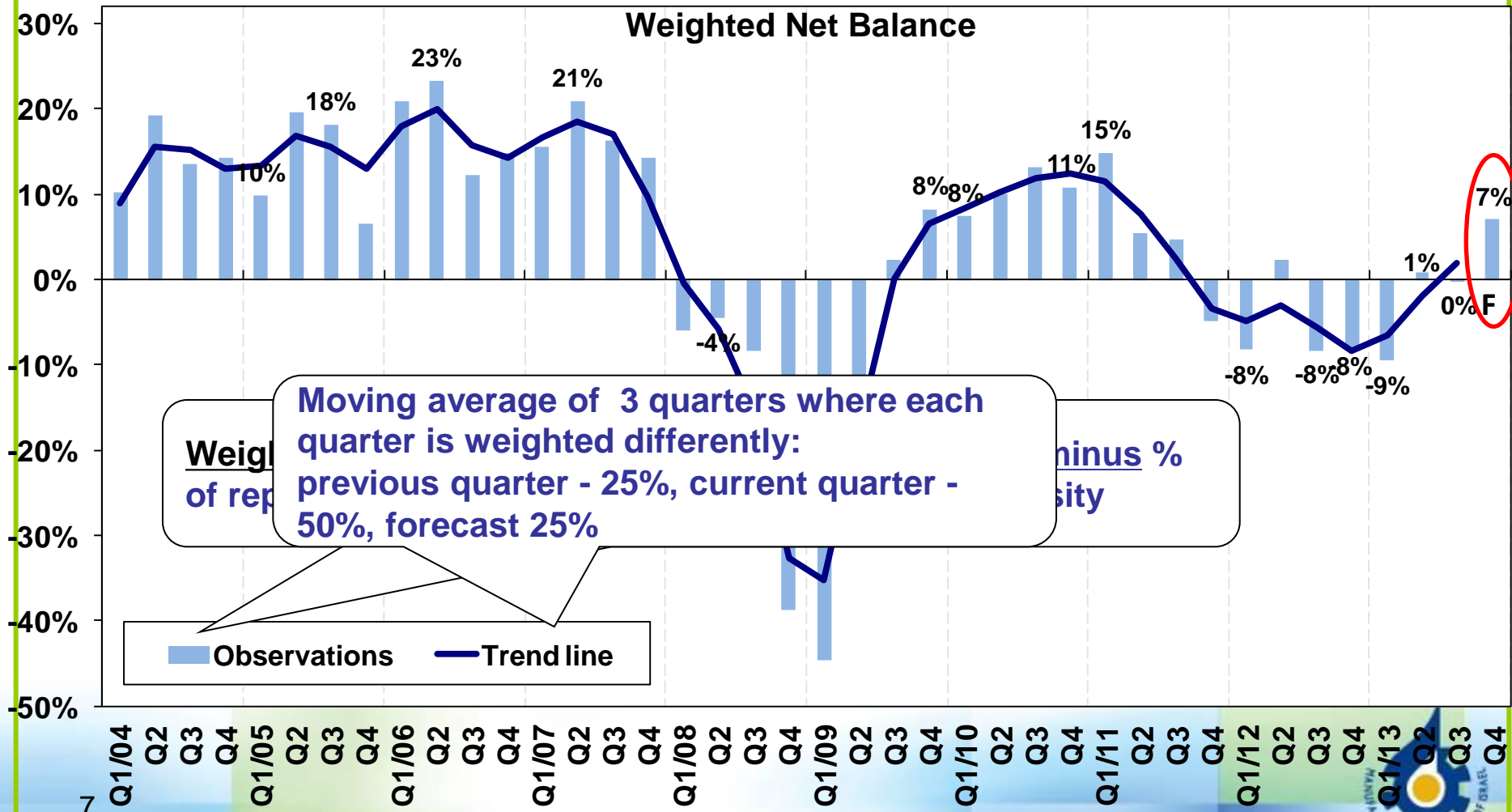
Main parameters (actual & future tendency)

- Industrial output
- Sales to domestic market
- Industrial export shipments
- Order books (domestic market & export)
- Employed Persons
- Export Prices (foreign currency)
- Financing expenditures (real)
- Investments (Machinery & equipment)
- And more....

Survey of Expectations in Israeli Industry



Industrial production



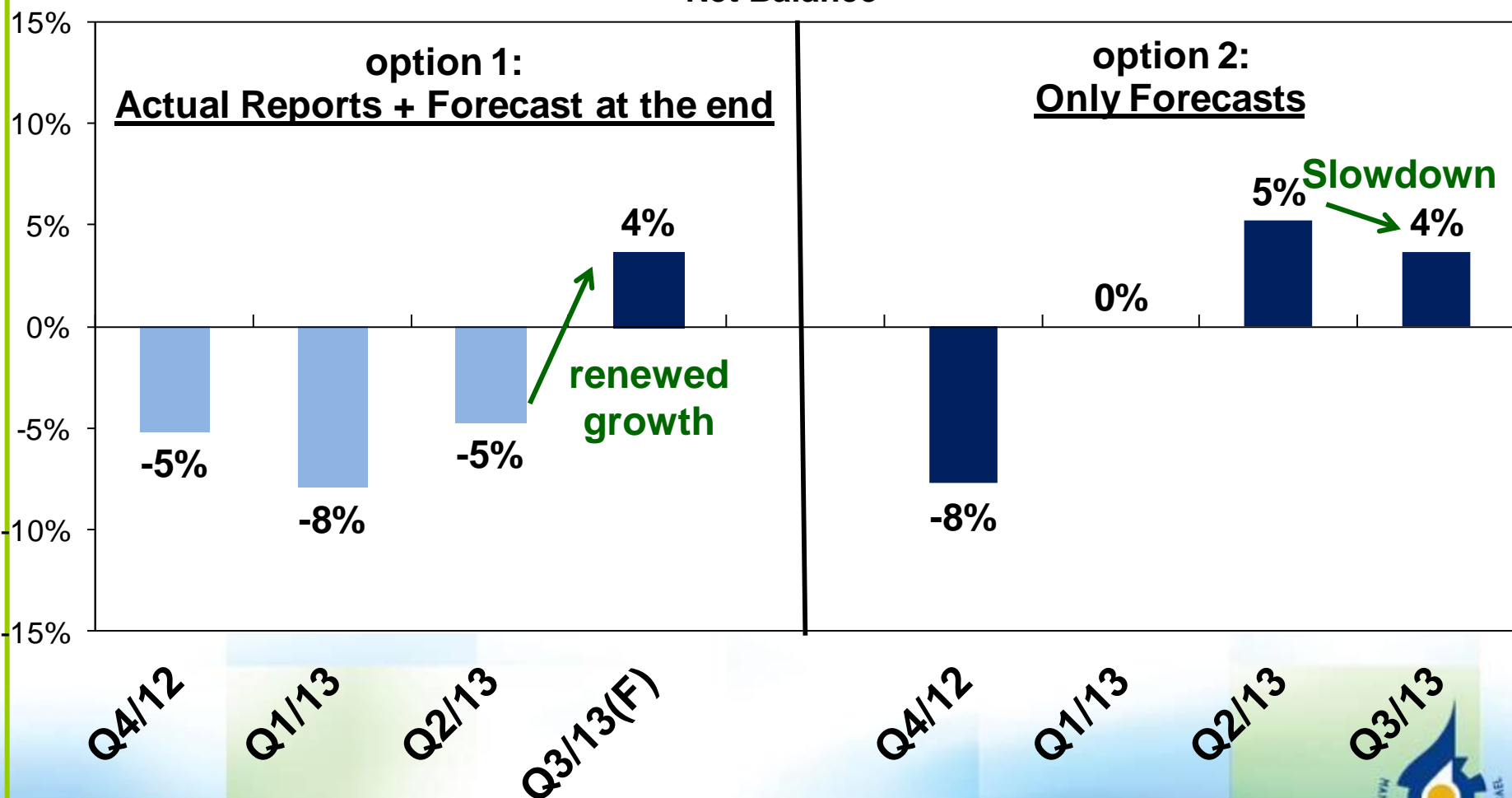
DILEMMA

**Which why is The most adequate way of
presenting forecast data**

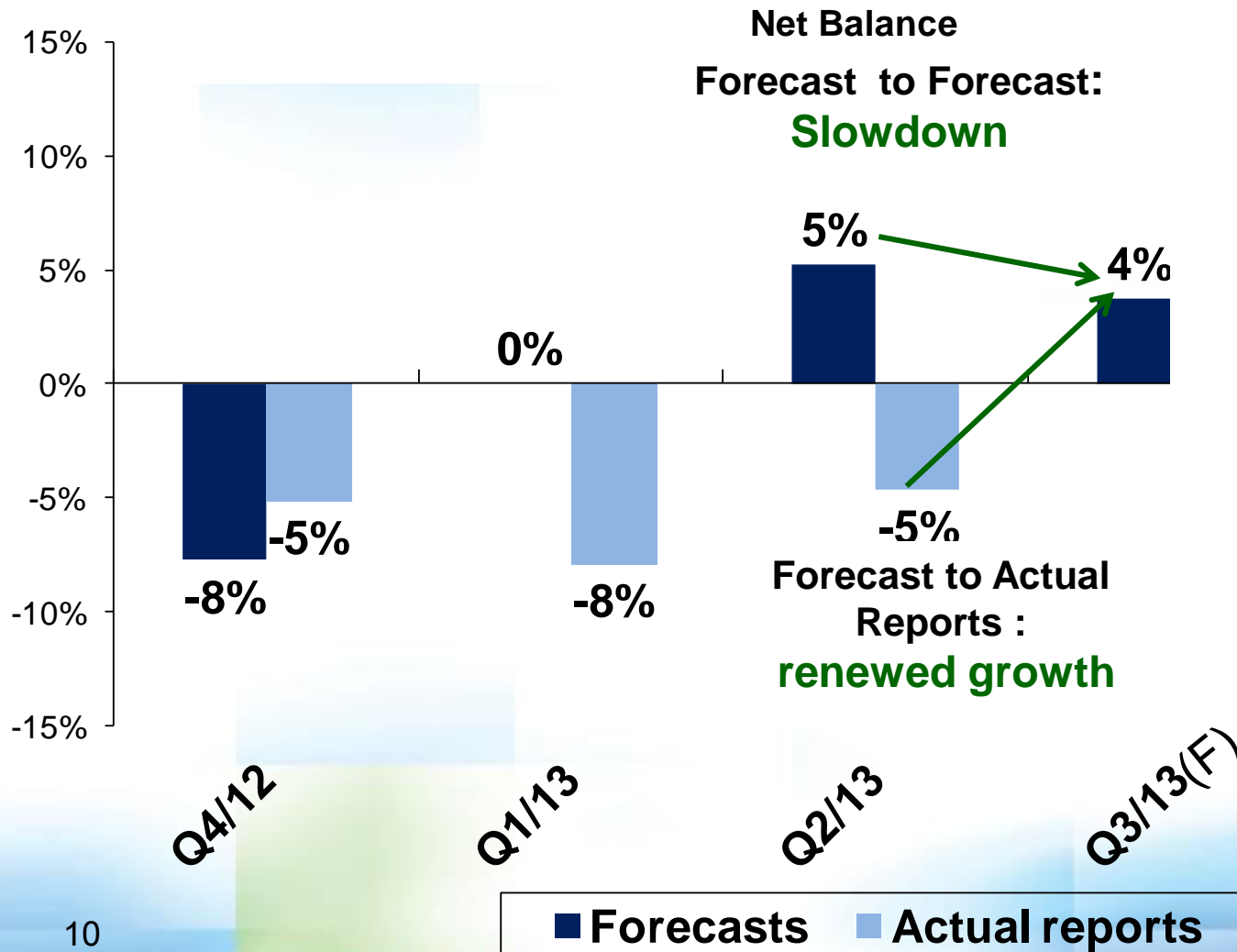
Two ways of presenting the forecasts

Export Shipments

Net Balance



The dilemma: Which way is The most adequate way?



Arguments For and Against

Forecast to Actual reports

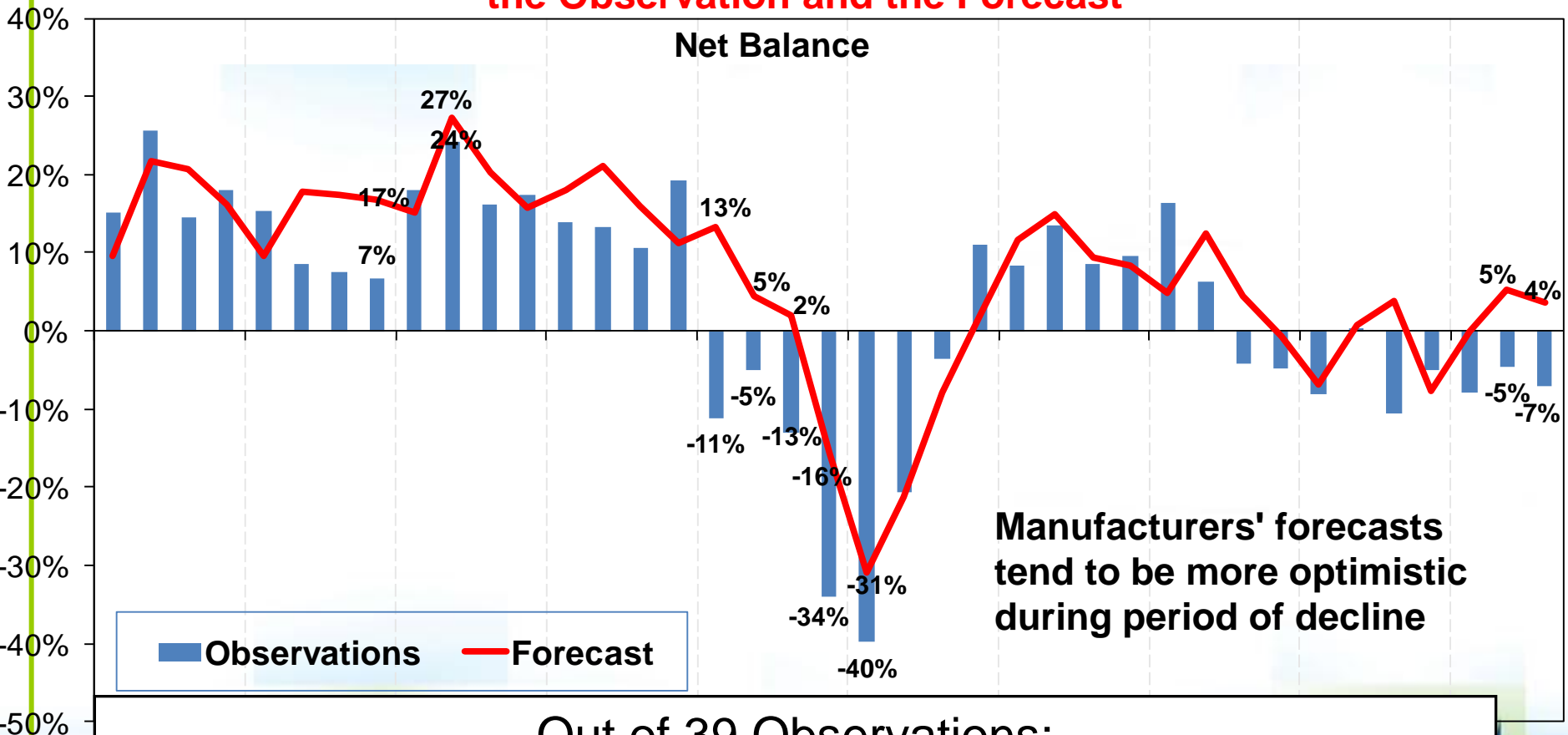
- The same one is answering to the same Question At the same Mood / State of mind

Forecast to Forecast

- Maybe the industrialists are usually optimistic?
In that case we should compare forecast to forecast?

Export Shipments Forecast Compared to Actual Reports

A high & positive correlation coefficient of 0.85 between the Observation and the Forecast



Out of 39 Observations:
in 26 quarters the forecast was higher than actual data
& only in 13 quarters the forecast was lower

Thank you

Daphna Aviram-Nitzan
Head of Economic Research Division
Manufacturers' Association of Israel

dafnan@industry.org.il

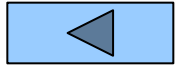
Tel. 972-3-5198806

Mobile: 972-50-7478111



Survey of Expectations in Industry

Methodology



The main index = “Weighted net balances”

- ❑ The index represents the rate of reporting an increase minus the rate of reporting a decrease, weighted according to the intensity of the reported changes.

- ❑ The answers varies between 1 - 5, which means:
 - if 100% answered “3=No change” the index should be 0%.
 - if 100% answered “1=Significant Decrease” the index should be -100%.
 - if 100% answered “5=Significant Increase” the index should be +100%.

- ❑ Stage 1 => Basic index = $(1 \times \%) + (2 \times \%) + (3 \times \%) + (4 \times \%) + (5 \times \%)$
Stage 2 => $(\text{Basic index}/300-1) \times 3/2 = \text{Weighted net balances}$