University of OEB **Academic Year: 2024/2025**

Department of Economic Sciences

Third Year Licence Quantitative Economics

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Lecture One: Economic Forecasting

Economic forecasting is the process of predicting future economic conditions based on past and present data. Governments, businesses, and financial institutions rely on economic forecasts to make informed decisions about policies, investments, and financial planning.

There are two main types of economic forecasting: qualitative and quantitative. Qualitative forecasting is based on expert opinions, market trends, and surveys. It is useful when there is little historical data available. On the other hand, quantitative forecasting uses mathematical models and statistical techniques to analyze economic indicators such as GDP growth, inflation rates, employment levels, and interest rates.

One of the most commonly used methods in quantitative forecasting is time series analysis, which examines past economic data to identify patterns and trends. Another method is econometric modeling, which uses equations to describe the relationships between different economic variables.

Although economic forecasting is an essential tool, it is not always accurate. Unpredictable events, such as natural disasters, political instability, or financial crises, can cause sudden economic changes. Despite these challenges, economic forecasting helps policymakers and businesses reduce risks and plan for the future.

Reading Comprehension Questions

A. True or False

- Economic forecasting is only used by governments.
- Qualitative forecasting relies on mathematical models.
- Time series analysis examines past data to find patterns.
- Economic forecasts are always 100% accurate.
- Businesses use economic forecasting to make investment decisions.

B. Short Answer Questions

- What is economic forecasting?
- Name two types of economic forecasting.
- What is time series analysis?
- Why is economic forecasting important for businesses?
- What factors can make economic forecasts inaccurate?

Vocabulary Section

A. Match the words to their definitions:

- Forecast
- Indicator
- Inflation
- Investment
- Trend
- Uncertainty
- GDP
- Analysis

Definitions:

a. A general direction in which something is developing.

b. A measure that provides information about an economic condition.

c. The process of predicting future conditions based on data.

d. The increase in the prices of goods and services over time.

e. The total value of goods and services produced in a country.

f. The process of studying data to identify patterns and insights.

g. The act of putting money into something to gain profit.

h. A situation where outcomes are unpredictable.

Grammar Section: "Will" for Predictions

1. Explanation: Using "Will" for Predictions

We use "will" to talk about future events that we think will happen.

In economic forecasting, we use "will" to predict trends based on current data.

Structure:

✅ Subject + will + base verb + (object)

Examples in Economics:

- The economy will grow next year.
- Prices will increase due to inflation.
- Many people will invest in real estate.
- Unemployment will decrease soon.

- ***Negative Form:***

✅ Subject + will not (won't) + base verb + (object)

Examples:

- Interest rates will not go down next year.
- The market won’t recover quickly.

- ***Question Form:***

✅ Will + subject + base verb + (object)?

Examples:

- Will the economy improve next year?
- Will companies hire more workers?

Activity: Rewrite the following sentences using "Will" to mean prediction:

- The economy is going to grow next year.
- The bank is going to lower interest rates.
- More companies are going to invest in technology.
- The inflation rate is not going to decrease.
- The government is going to introduce new economic policies.