

# Confessions of a crisis-era nowcaster

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The logo for OMERS, featuring a stylized white circle with a gap on the left side, followed by the letters "OMERS" in a bold, white, sans-serif font. The logo is positioned in the bottom right corner of the slide, partially overlapping a decorative graphic of three concentric white arcs that curve from the right edge towards the center.

OMERS

# Key Takeaways

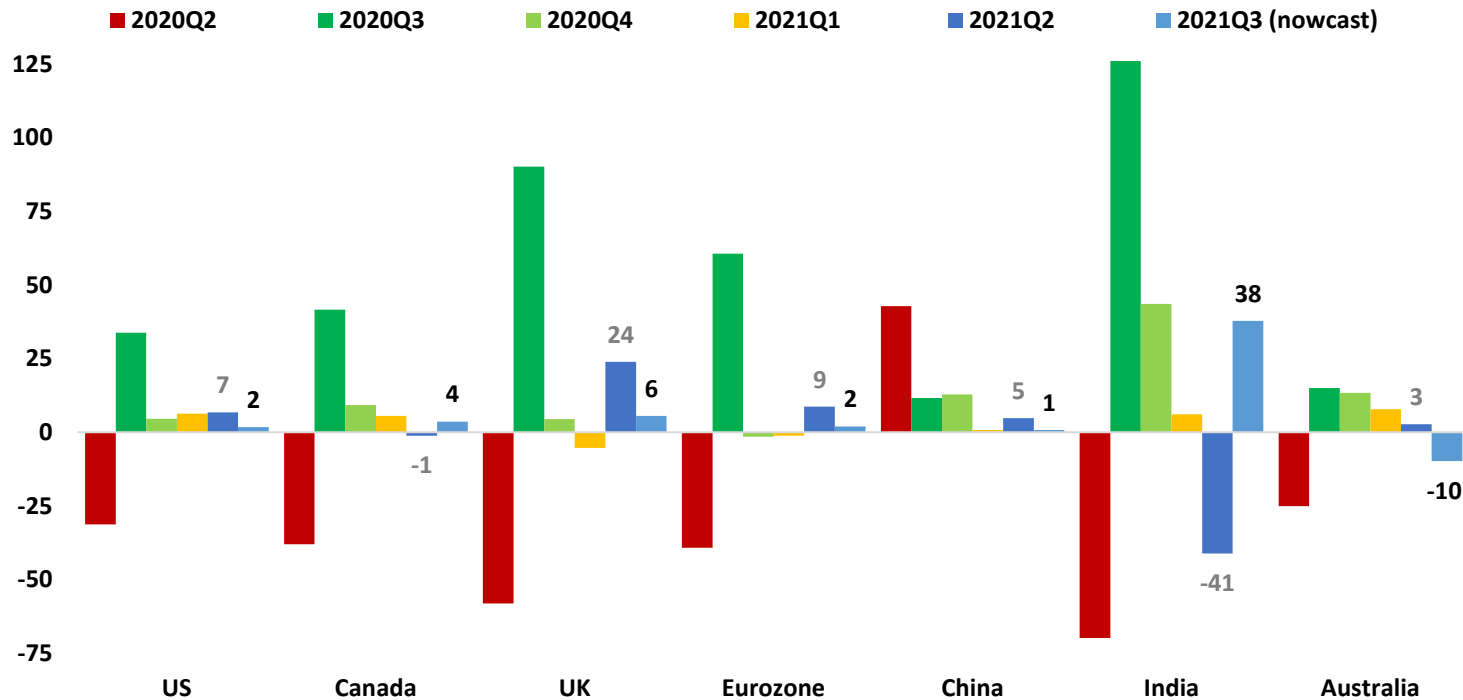
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- **What is nowcasting and what is it used for?**
  - Nowcasting is a guide to recent economic activity
  - Nowcasting models are useful tools in a forecaster's tool kit
  - Nowcasting methods can be applied to a broad group of countries
  
- **Confessions of a crisis-era nowcaster:**
  1. Official data is delayed, and can make nowcasts delayed as well
  2. Alternative data can fill the gap but also lead you astray
  3. Higher-frequency data can give a false sense of security
  4. Unexpected data revisions can unduly impact nowcasts
  5. Missing data is a source of significant and ongoing pain
  6. Seasonal adjustment can be challenging, particularly in EMs

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# Nowcasting is a guide to recent economic activity

Quarterly Real GDP Growth  
(%, q/q, saar)

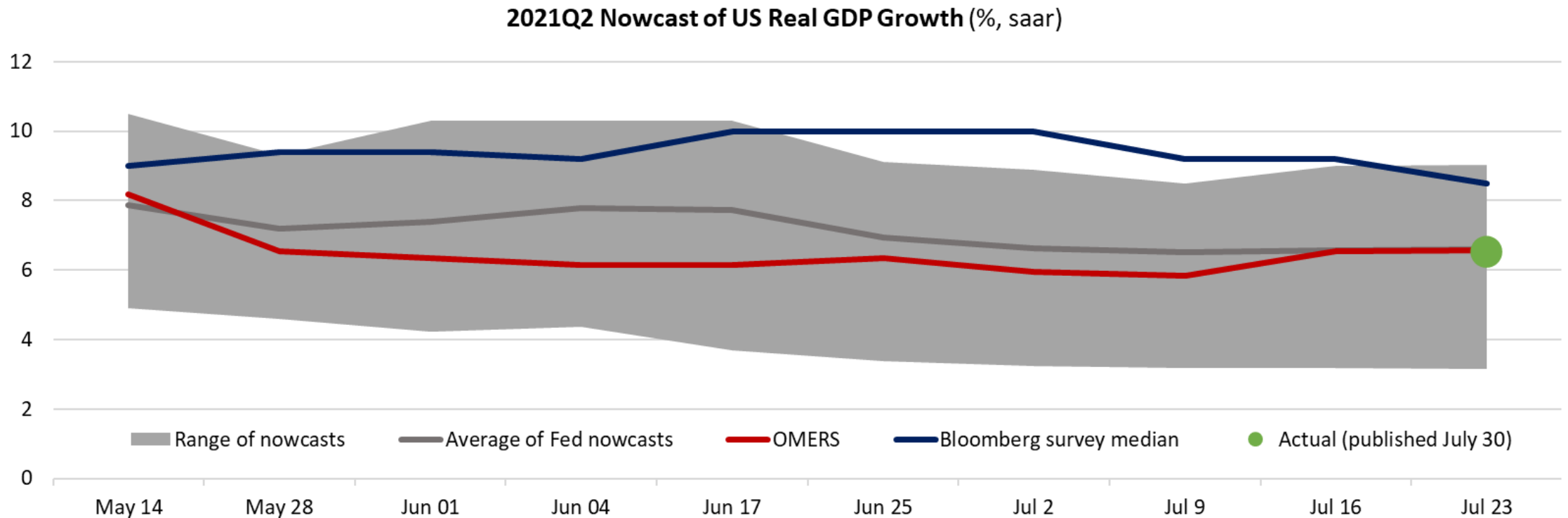


**Nowcasting** refers to a set of forecasting models that are used to predict the current state of the economy as well as the recent past.

The usefulness of nowcasting is in its ability to aggregate disparate information into a coherent estimate of current economic activity. But nowcasting is only as good as the models and data used.

This data-driven approach minimizes judgment in short-term forecasts, but is only as good as the models and data used

# Nowcasting models are useful tools in a forecaster's tool kit



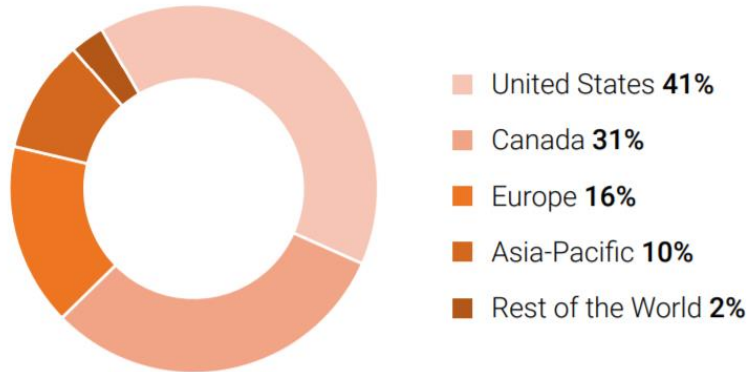
Sources: Atlanta Fed, New York Fed, St. Louis Fed, Bloomberg, OMERS Economic Research.

**Nowcasts can outperform consensus, particularly in an environment of significant uncertainty because they are data-driven**

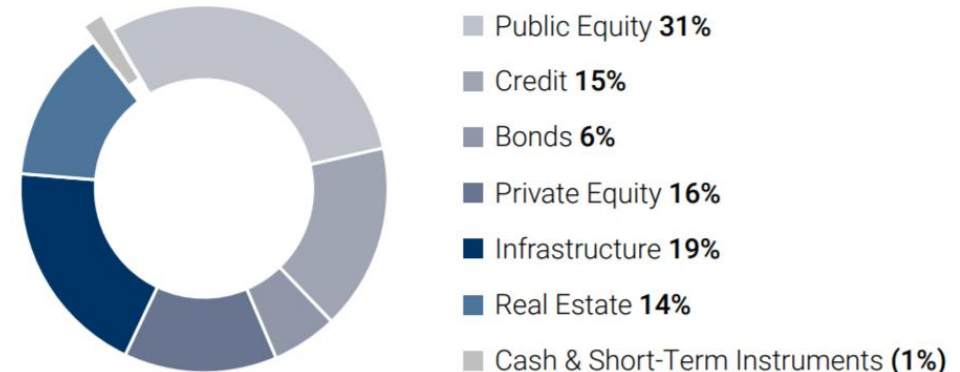
# Nowcasts can be applied to a broad group of countries

## Diversified by Geography and Asset Class

### Geographical Distribution



### Asset Mix



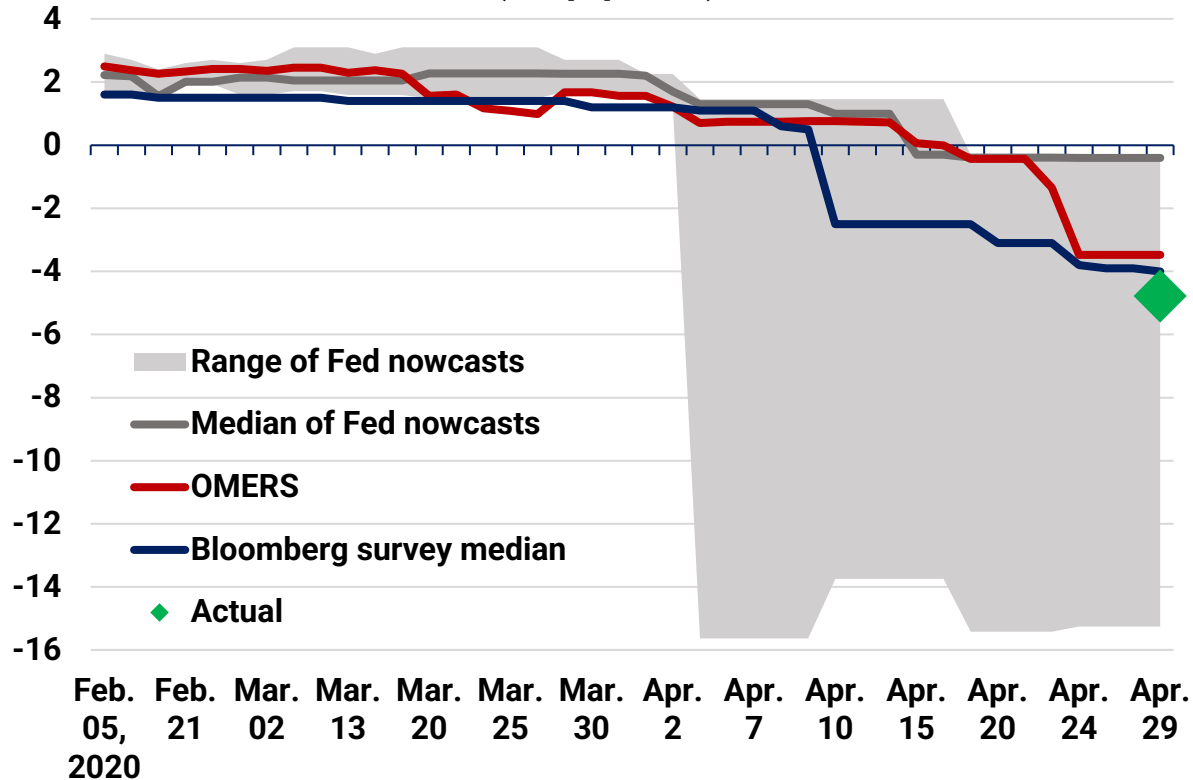
OMERS portfolio of high-quality investments continues to be diversified across asset type and geography. Our asset mix at June 30, 2021 reflects a slight increase in allocation towards private equity, primarily as a result of the particularly strong valuation increases in these investments. This increase was offset by a decrease in private credit.

During the period, we deployed \$3.6 billion into our private asset classes, including into European logistics and warehousing real estate, into US solar energy development, and our growing, global platform of life sciences assets. We continue to target increased capital allocation to the Asia-Pacific region, with over \$13 billion invested as of June 30 across each of our asset classes.

**OMERS Economics' focuses its macroeconomic analysis on countries where OMERS has current and planned capital allocation**

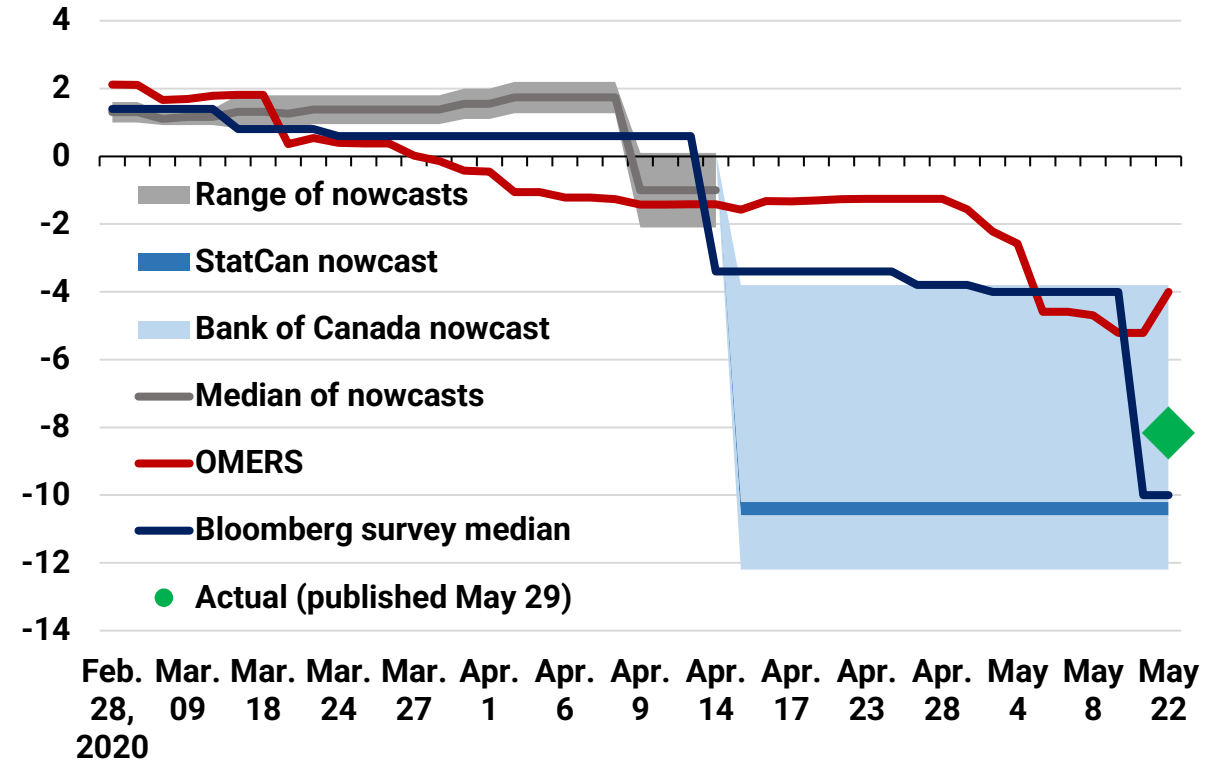
# Confession 1: Official data is delayed, and can make nowcasts delayed as well

2020Q1 Nowcast of US Real GDP Growth  
(%, q/q, saar)



Sources: Atlanta Fed, New York Fed, St. Louis Fed, Bloomberg, OMERS Economic Research.

2020Q1 Nowcast of Canada Real GDP Growth  
(%, q/q, saar)

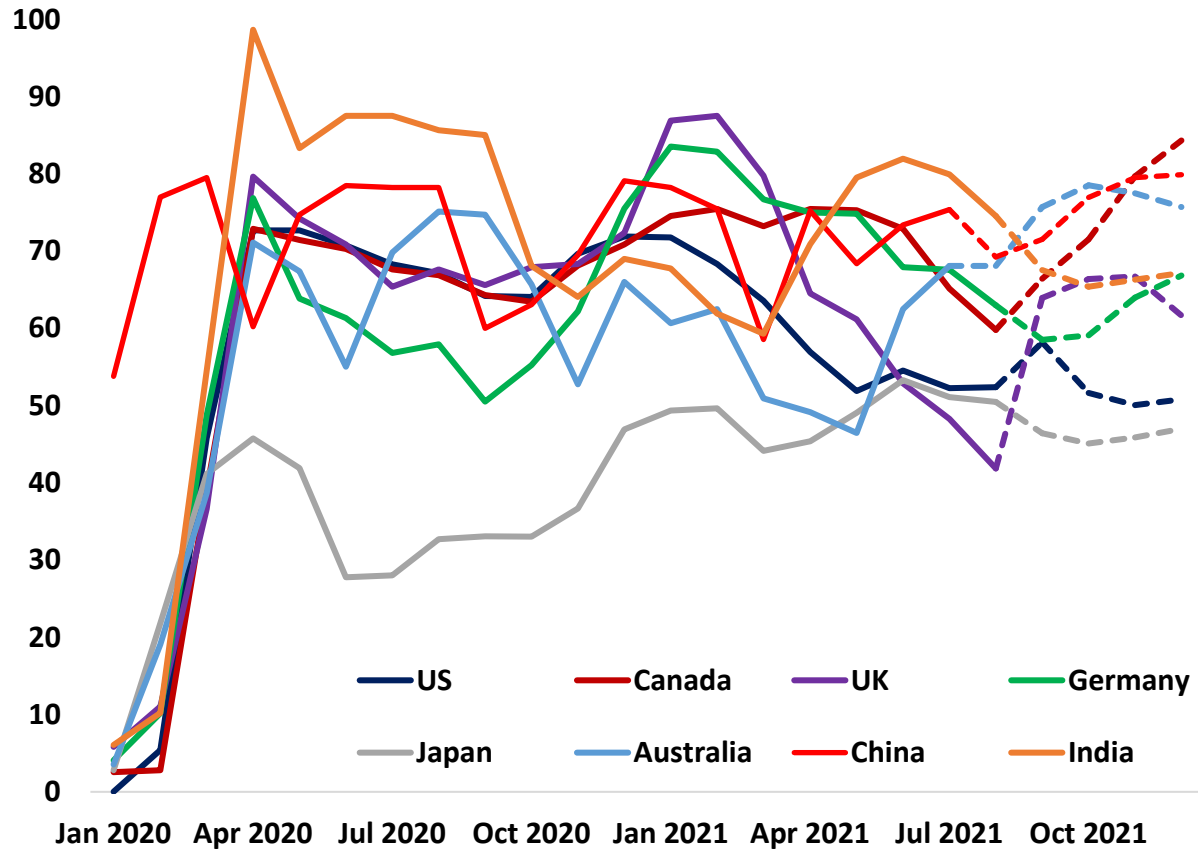


Sources for Canada: Nowcast Canada, Scotiabank, Bloomberg, OMERS Economic Research.

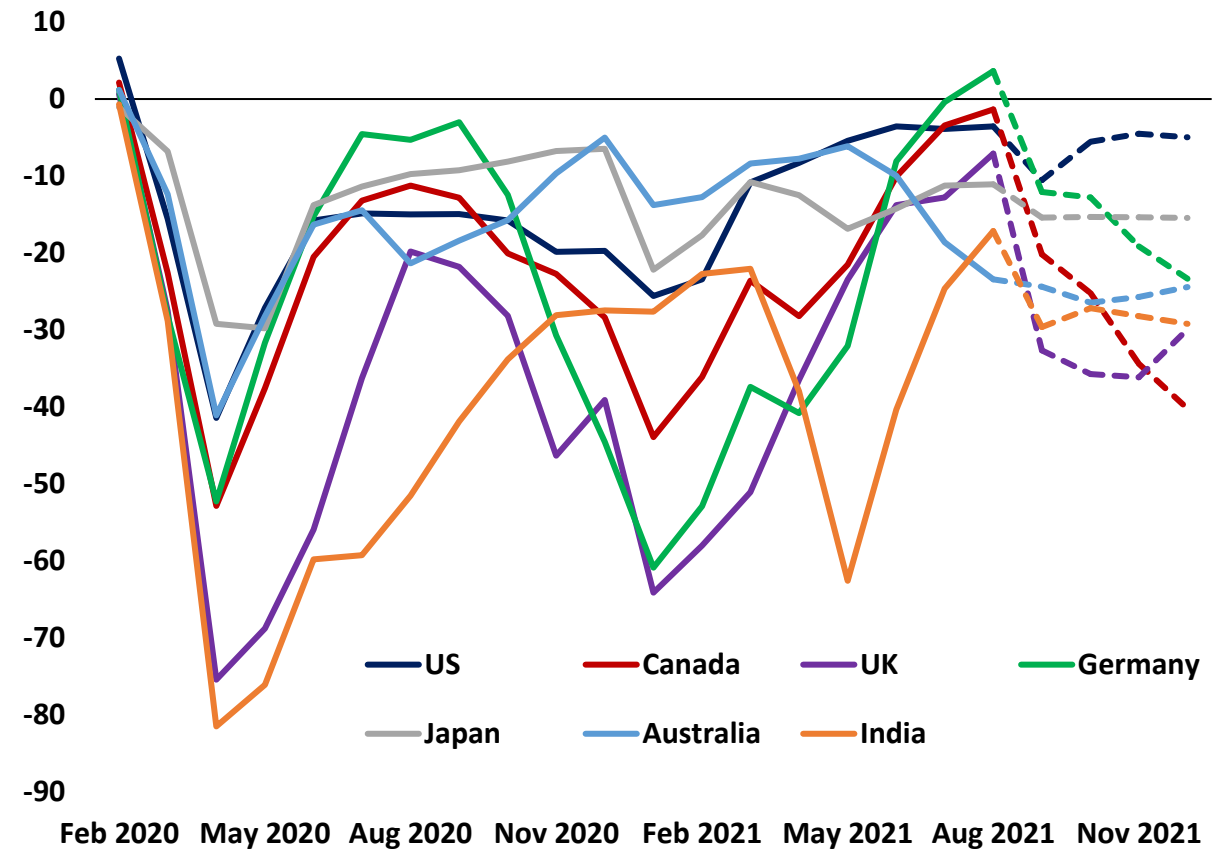
This is particularly problematic when a shock occurs at the end of quarter, and speaks to the data 'ragged edge' in nowcasting

# Confession 2: Alternative data can fill the gap but also lead you astray

Oxford Stringency Index and ICU-Capacity Based Forecast



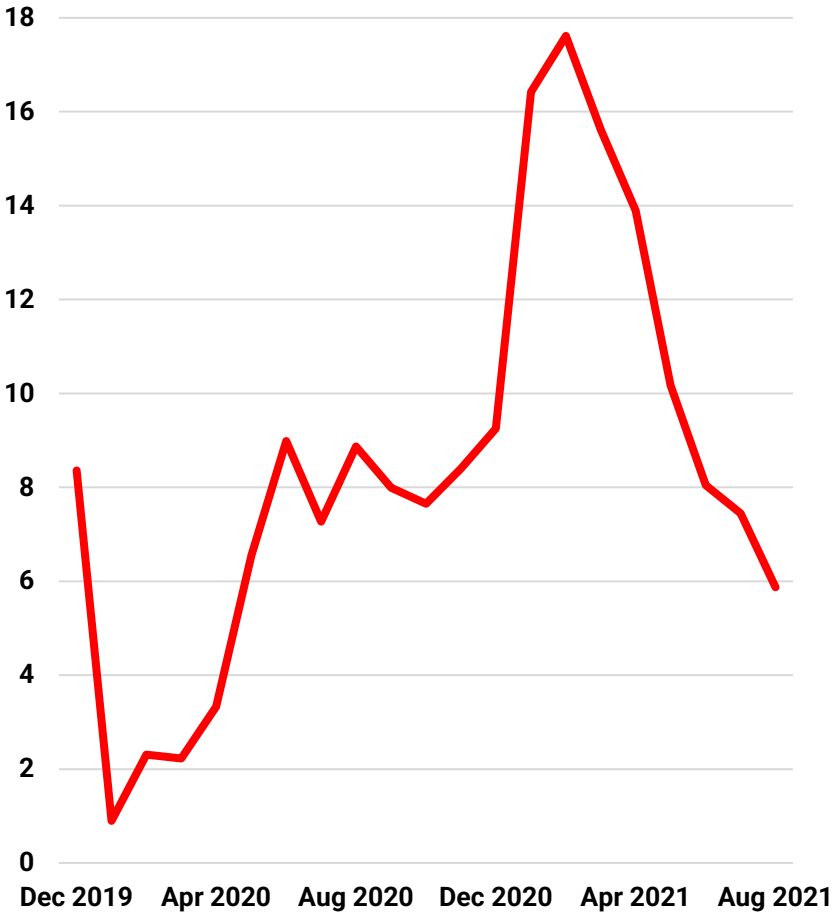
Google Retail Mobility and Forecast



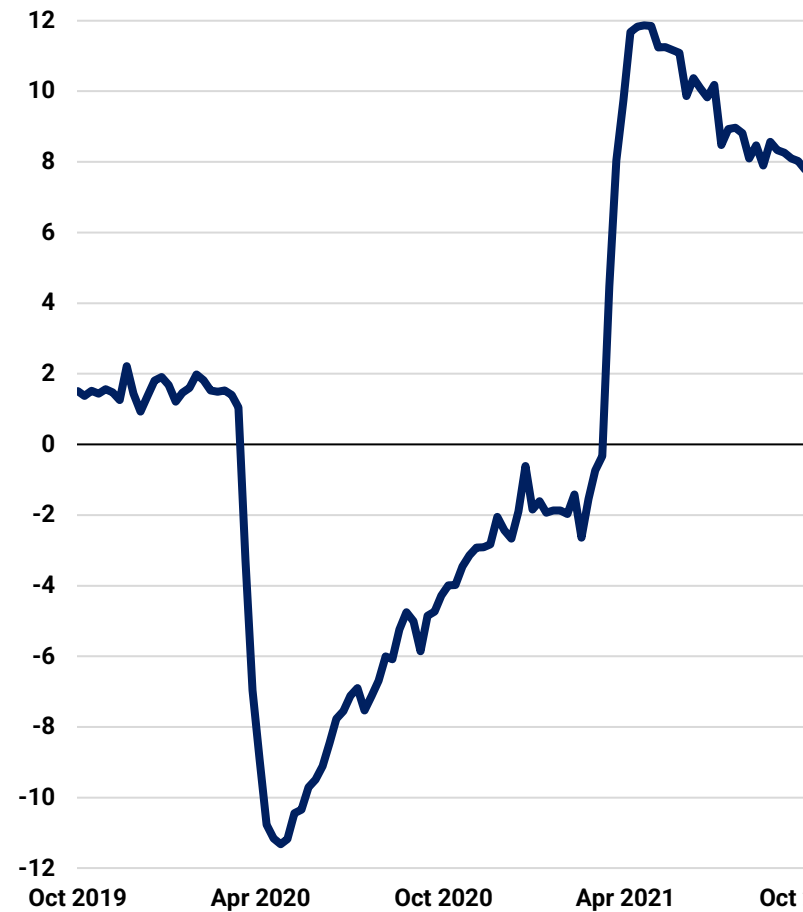
From health and public policy to mobility and payments data, we continue to improve on how we use this data in nowcasting

# Confession 3: Higher-frequency data can give a false sense of security

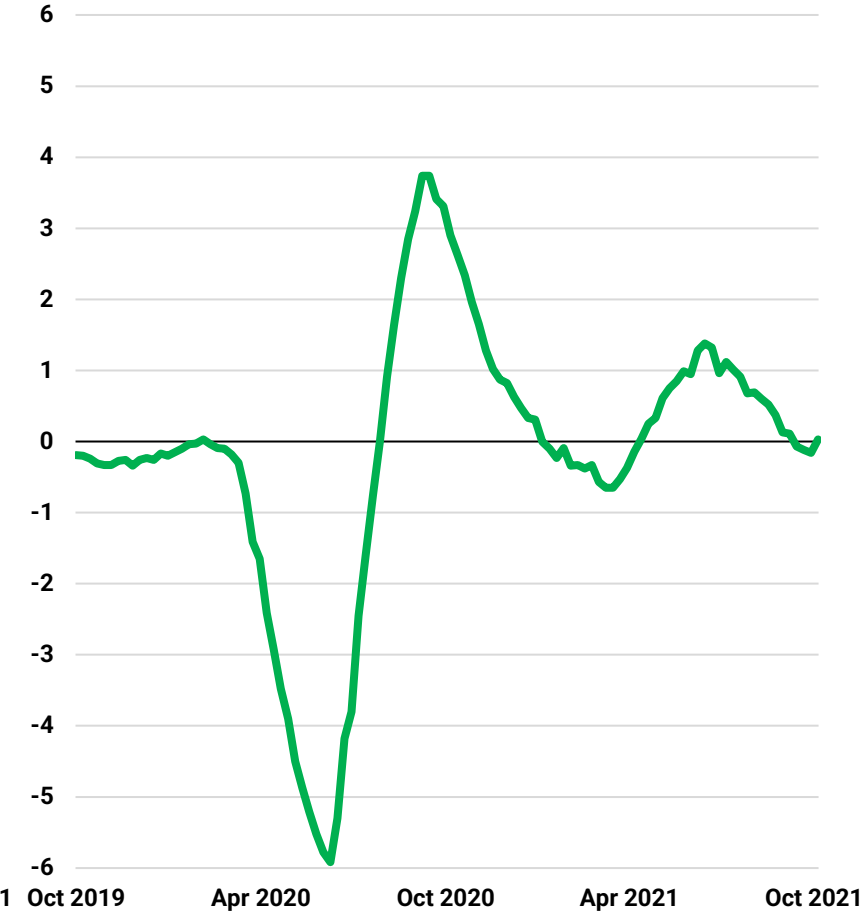
Li Qiang 'Old Economy' Index



US Weekly Activity Index (% y/y)



German Weekly Activity Index (% q/q)

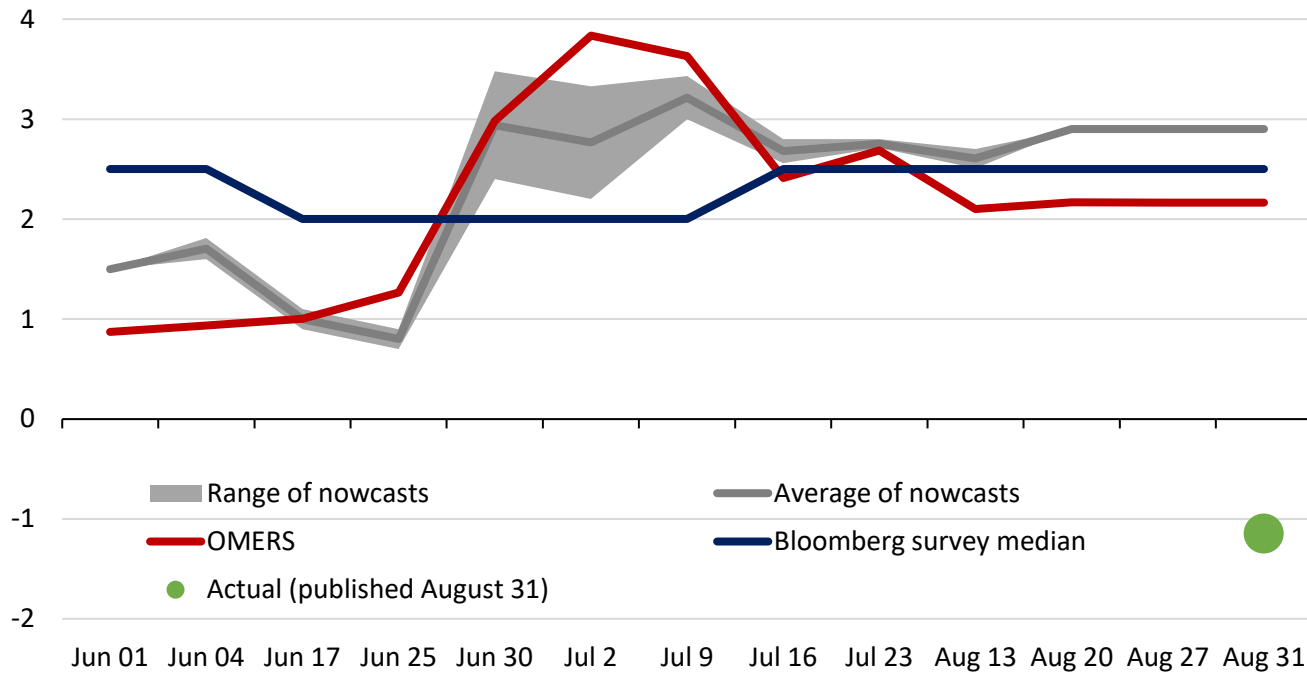


Higher-frequency activity measures provide particularly useful benchmarks for nowcasts but can be misleading at times



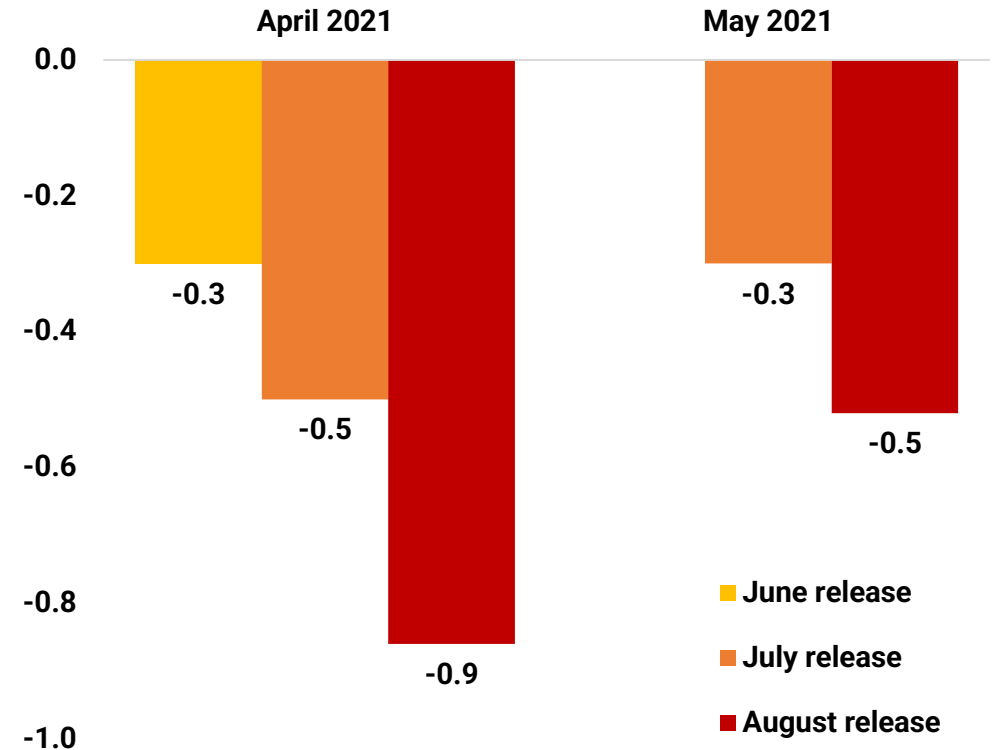
# Confession 4: Unexpected data revisions can unduly impact nowcasts

2021Q2 Nowcast of Canada Real GDP Growth (% , saar)



Sources: Nowcast Canada, Scotiabank, Bloomberg, OMERS Economic Research.

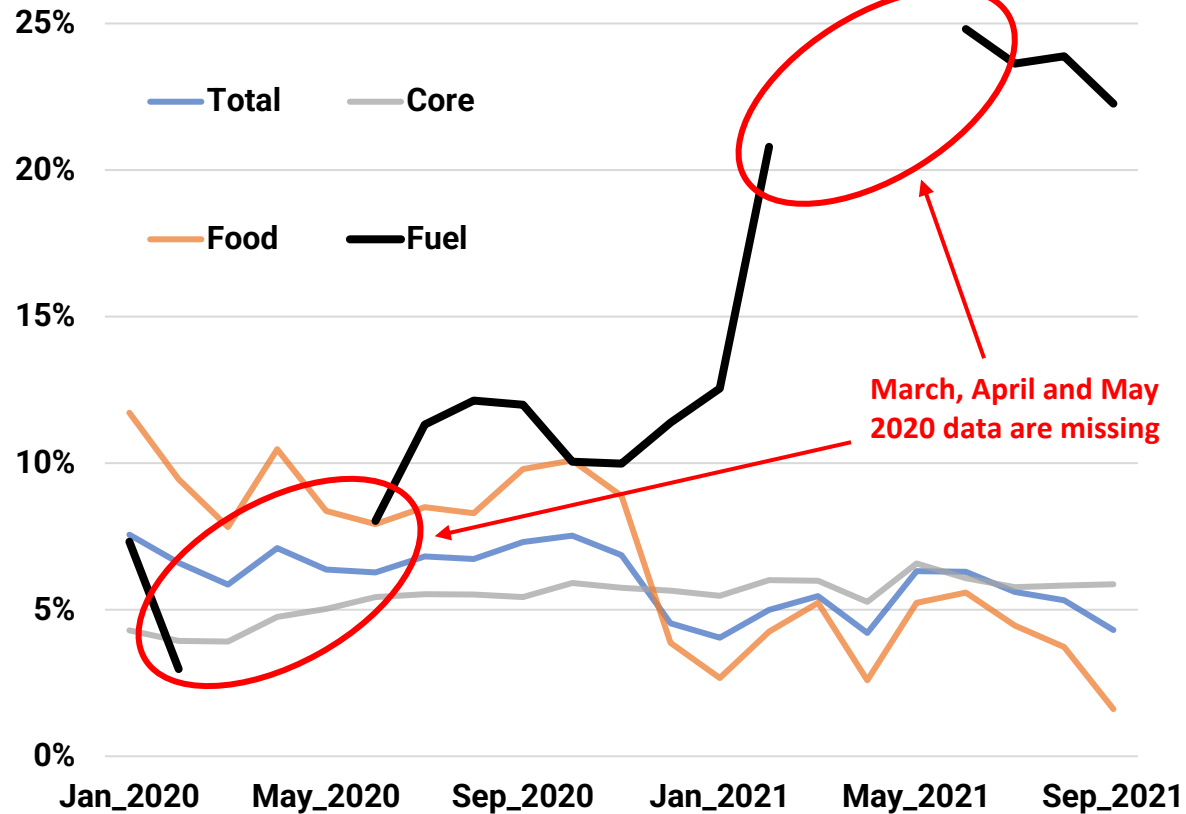
Canada Monthly Real GDP Growth (% , m/m)



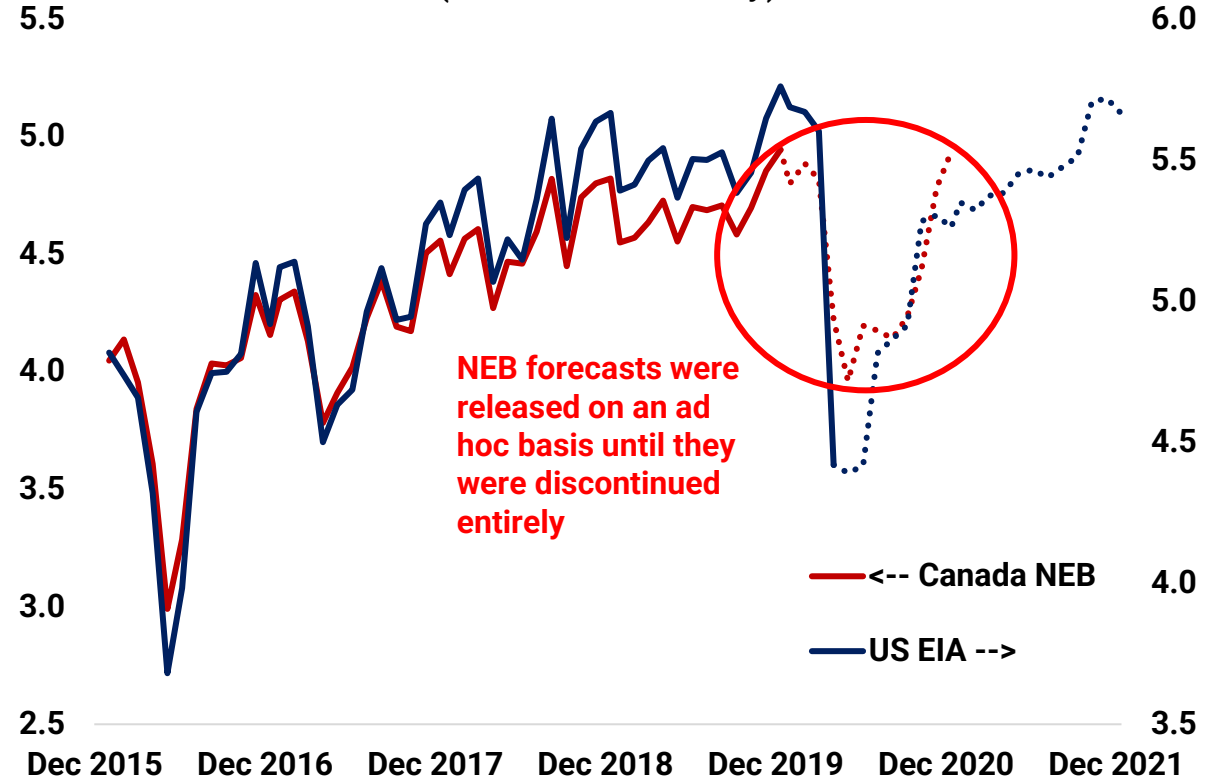
Due to their data-driven nature, nowcasts can swing wildly during periods characterized by substantial data revisions

# Confession 5: Missing data is a source of significant and ongoing pain

India CPI Inflation Components (% y/y)



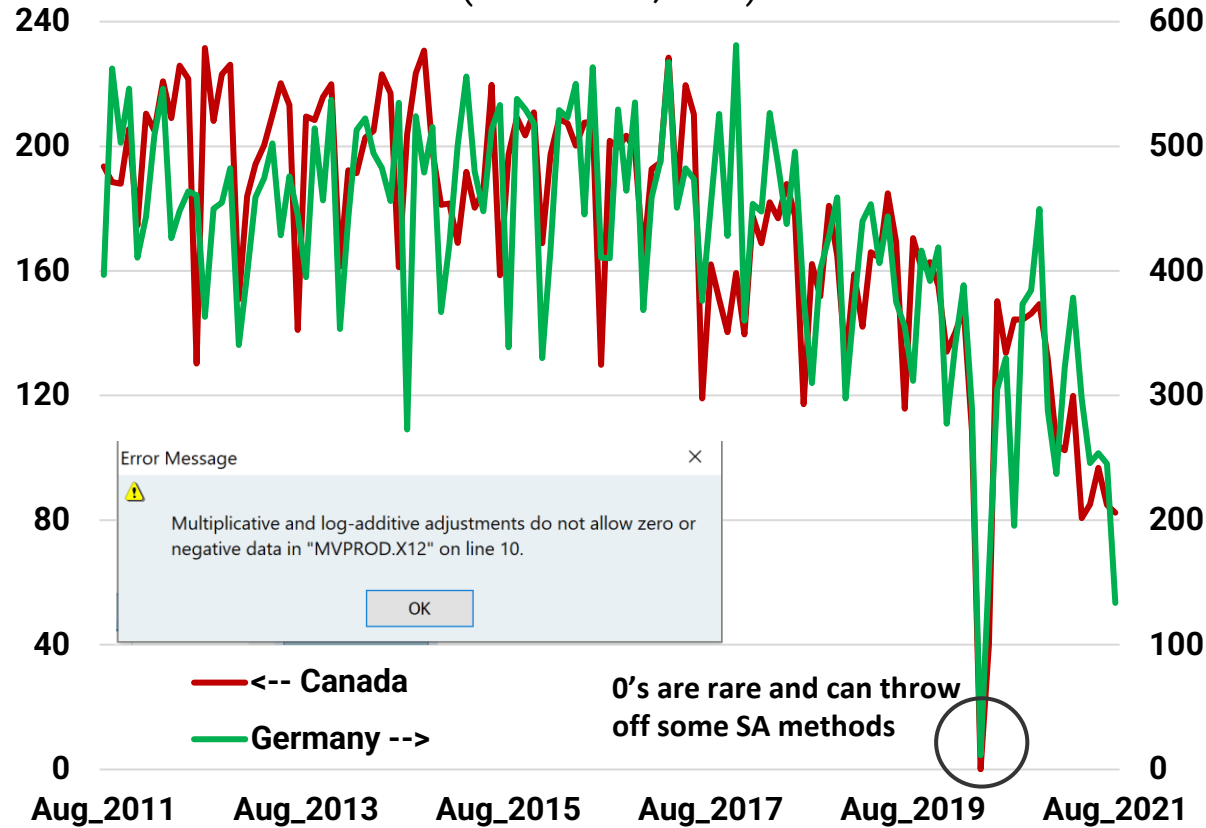
April 2020 Canada Oil Production/Supply Forecasts (millions of bbl/day)



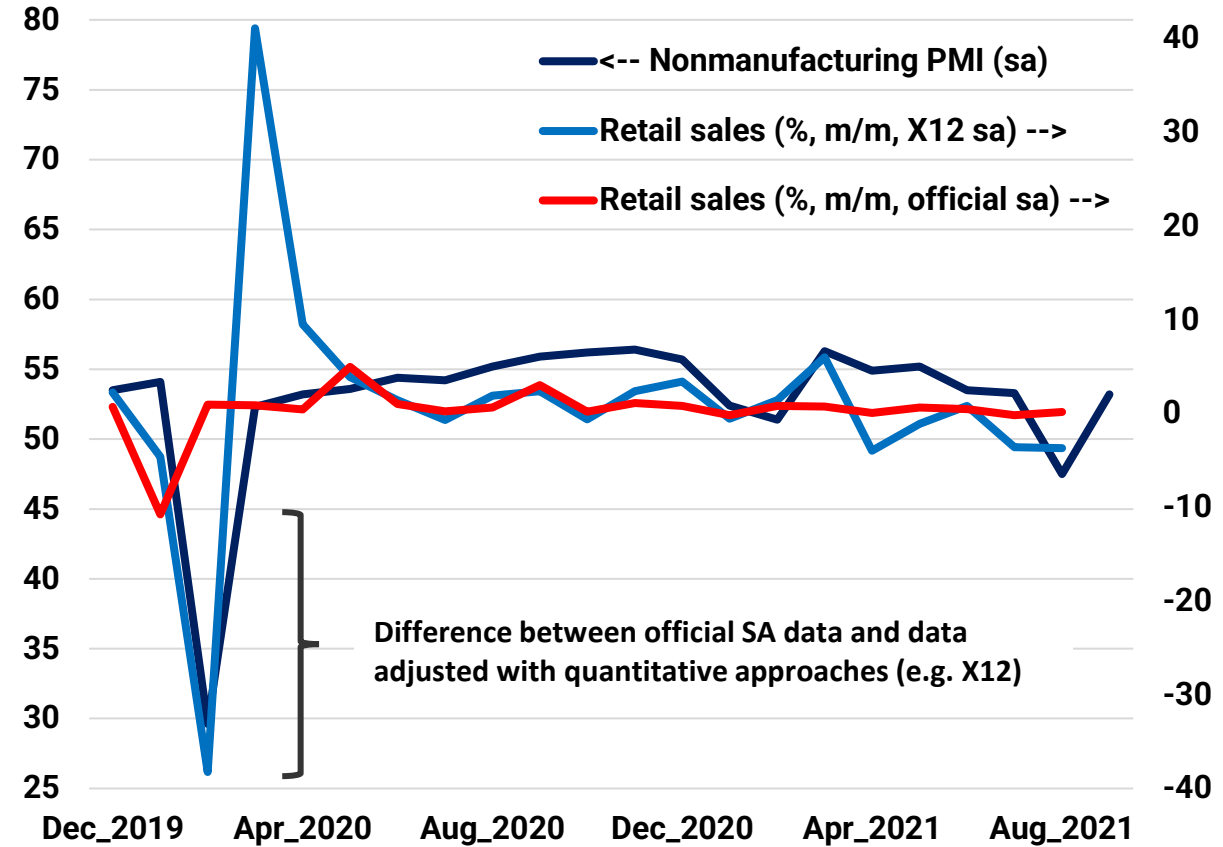
This includes discontinued series, incomplete series, significantly delayed and ad hoc data releases, releases, etc.

# Confession 6: Seasonal adjustment can be challenging, particularly in EMs

Passenger Vehicle Production  
(thousands, NSA)

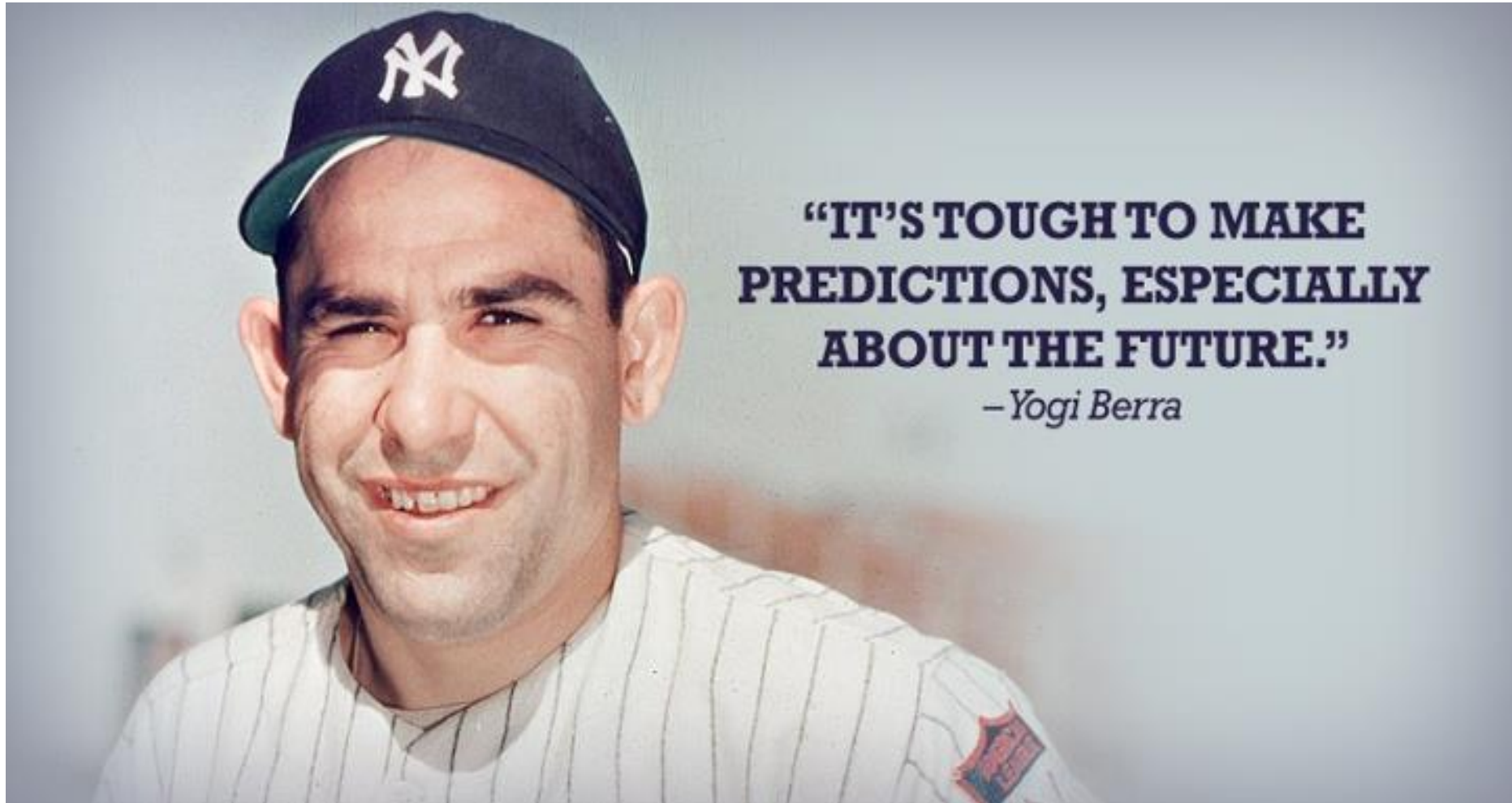


China Nonmanufacturing PMI vs Retails Sales



Some data can cause seasonal-adjustment methods to stop working, while different SA approaches lead to different outcomes

## Conclusion: At the end of the day, forecasting isn't easy



Nowcasting models are just one set of tools in a forecaster’s toolbox, and all efforts to increase insights are appreciated