

5.7 The Economic Expert Survey (EES): A Quarterly Global Survey of Economic Experts

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5.7.1 Introduction

The Economic Experts Survey (EES) of the ifo Institute and the Swiss Economic Institute (IWP) surveys around 8,000 economic experts from 135 countries. The purpose of the EES is portraying the views of economic experts on economic policies and the political situation in their home country. It also covers views on current economic outcomes such as inflation. The first survey took place in February 2022. The EES is run quarterly. It succeeded the World Economic Survey (WES) that was installed at the ifo Institute in 1981. The WES asked around 1,500 experts from 100 countries primarily on business cycle expectations.¹³ The EES includes the 1,500 WES-experts and was extended by another 6,500 experts. We recruited these 6,500 experts via the research network *repec*. Our sample exceeds any international expert panel by an order of magnitude. Our survey includes participants from countries that cover around 99 percent of world GDP, 95 percent of world population, and 92 percent of global land area.

The EES complements the Economists' Panel of the ifo Institute and the *Frankfurter Allgemeine Zeitung* (FAZ) in an excellent manner. The Economists' Panel surveys tenured economics professors at German universities (Section 5.6).

The major purpose of the EES is to provide service to the general public. The results are published on the webpage of the ifo Institute. Press releases inform journalists about the results. We are prepared to respond to recent economic policy debates such as the drastic increase in inflation in the year 2022 and describe experts' views on the individual issues.

5.7.2 Implementation of the Surveys

We distribute the surveys via Qualtrics, the most often used software for surveys (Fuster and Zafar 2022). We identify the participants to be experts for an individual country. For example, the president of Germany's ifo Institute, Clemens Fuest, is identified to be an expert for Germany. At the beginning of the survey, we tell Clemens that he has been identified as an expert for Germany and ask him to confirm or choose another country. We invite participants to answer our questions within two weeks and send three or four reminders to the participants.

¹³ For more information on the WES see Garnitz et al. (2019).

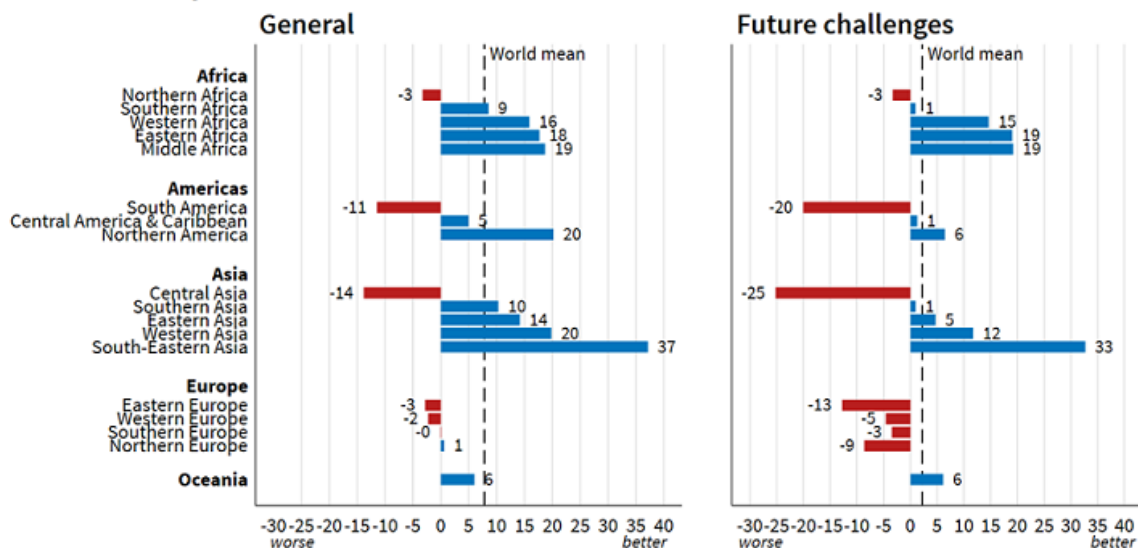
5.7.3 Questions on Economic Policies and the Political Situation

We ask four core questions about economic policies and the political situation. Regarding economic policies, we ask participants “How do you rate your country’s current economic policy?” and “How well does your country’s economic policies address the challenges of the future?” Participants are asked to make their assessments as compared to the previous quarter and express their views on a scale from –100 (worse) to 100 (better). We average data first at the country level and then for 18 regions worldwide.

The results for the fourth quarter (Q4) 2022 show, for example, that in a global comparison, the assessments of economic experts on current economic policy differed greatly (Figure 5.28). In Europe, a worse assessment was observed across all regions compared with Q3 2022. In contrast, the countries in Asia, except for Central Asia, had a more positive assessment of economic policy than in the previous quarter. Experts in Eastern, Central, and Western Africa were equally confident, while in contrast, economic policy in Northern Africa was rated more pessimistically. Regarding the assessments in the American regions, the picture in North and Central America was more positive than in the previous quarter, whereas the assessments in South America were more negative.

Figure 5.28: Economic Policy Assessment Q4 2022.

Economic Policy Assessment



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Source: Economic Experts Survey in Q4 2022.

Notes: The figure shows the regional average of the questions “How do you rate your country’s current economic policy?” (left panel) and “How well does your country’s economic policies address the challenges of the future?” (right panel). The questions are asked with a comparison to the previous quarter, with response options ranging from –100 (“worse”) to 100 (“better”). The data is first averaged at the country level and then within 18 world regions.

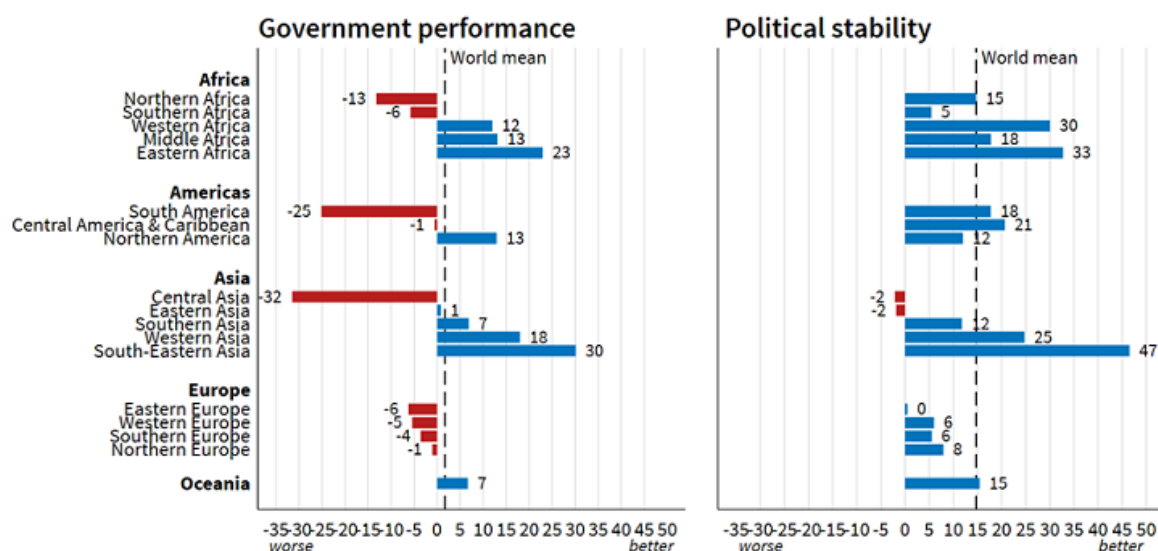
5 Other ifo Surveys

To describe the experts' views on the political situation in their country we ask “How do you rate the performance of your country’s current government?” and “How do you rate the stability of your country’s current political situation?” Participants are asked to make their assessments as compared to the previous quarter and express their views on a scale from –100 (worse) to 100 (better).

Overall, the economic experts assessed the political climate as better than in the previous quarter (Figure 5.29). This was particularly true of the assessments from Eastern, Central, and Western Africa and Southeast Asia, and to a lesser extent also from Western and Southern Asia, Oceania, and North and Central America. Assessments in Northern, Southern, and Western Europe also improved again compared with the previous quarter. In Central and Eastern Asia, Eastern Europe, and South America, there was a decline in the assessment of the political situation.

Figure 5.29: Political Assessment Q4 2022.

Political Assessment



Source: Economic Experts Survey in Q4 2022.

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Notes: The figure shows the regional average of the questions “How do you rate the performance of your country’s current government?” (left panel) and “How do you rate the stability of your country’s current political situation?” (right panel). The questions are asked with a comparison to the previous quarter, with response options ranging from –100 (“worse”) to 100 (“better”). The data is first averaged at the country level and then within 18 world regions.

Scholars examine consequences of political (in)stability. An example is how political instability influences economic growth (Jong-A-Pin 2009). Our expert assessments on political stability may well help contribute to the debate on measuring political (in)stability and investigating its consequences.

5.7.4 Inflation Expectations

Inflation was quite low before the COVID-19 pandemic. Over the period 2010-2019, for example, the World Bank reports a median inflation rate of 2.7 percent. In the year 2022, inflation rates increased drastically. We have asked the participants of the EES about their expected inflation rates. Doing so is a prime example of special modules in the EES. Inflation expectations are very important among macroeconomic expectations. Coibion et al. (2018, p. 1448) describe: “The crucial role played by inflation expectations on aggregate outcomes and policy decisions was highlighted by former Fed Chairman Alan Greenspan “I am not saying what [inflation expectations] is a function of. We know it’s a very difficult issue, but *that is the key variable*. It’s important, but just because we can’t make a judgment as to what these driving forces are in an econometric sense doesn’t mean that it’s not real.” [italics added]”. There is no other expert panel providing such a large coverage of inflation expectations in times of rising inflation rates.

The results of our survey in Q4 2022 show that, for 2023, the global average expected inflation rate was 7.1 percent. This is the median of the average expected inflation rates at country level. The median is used because expected inflation rates vary greatly from region to region and are drastically higher in individual countries and regions such as Africa than in the rest of the world.

The average rate of 7.1 percent expected in the fourth quarter represents a significant decrease compared with the expected rate of 9.5 percent in our survey in Q3 2022. In any event, the experts expected inflation rates to remain high worldwide in the years ahead. With an average inflation rate of 5.8 percent in 2024, a decline compared with 2023 was expected. In the longer term, too, with a view to 2026, inflation expectations remain high at 4.5 percent (Figure 5.30).

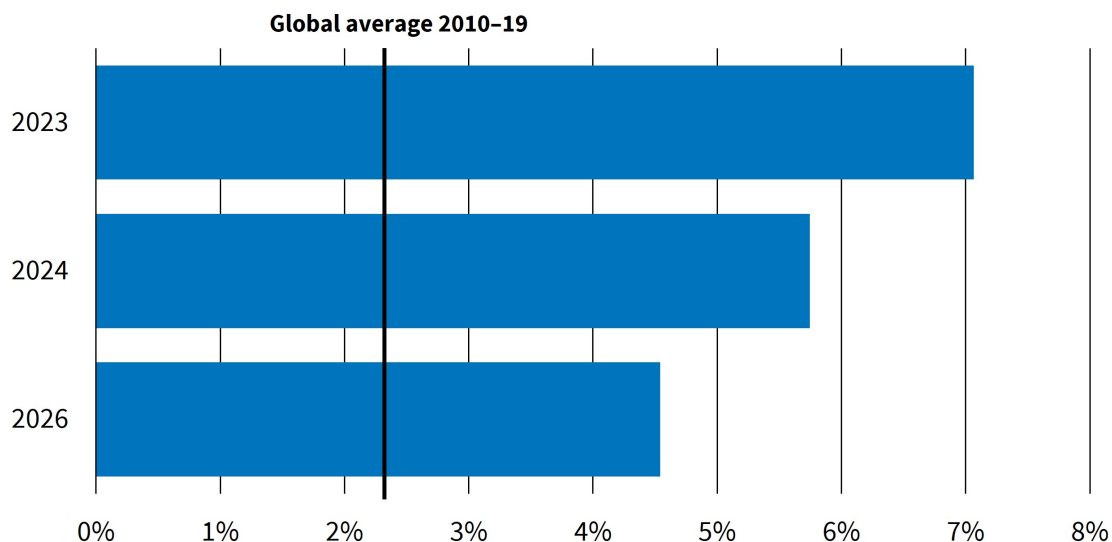
A breakdown by individual regions of the world reveals major disparities in inflation expectations. For 2023, experts expected the highest price increases in East Africa (almost 35 percent), North Africa (32 percent), South America (25 percent), and South Asia (23 percent). In North America (5.2 percent), Southeast Asia (5.3 percent), and Western Europe (5.4 percent), however, inflation expectations for 2023 were well below the global average.

Within the continents, equally large differences were observed in the experts’ expectations. Within Europe, Eastern Europe has by far the highest inflation expectations for 2023 (15 percent), whereas within Africa, Southern Africa is a downward outlier at 6.5 percent.

Figure 5.30: Global inflation expectations in Q4 2022.

Global Inflation Expectations

Expected inflation as a global average for the year...



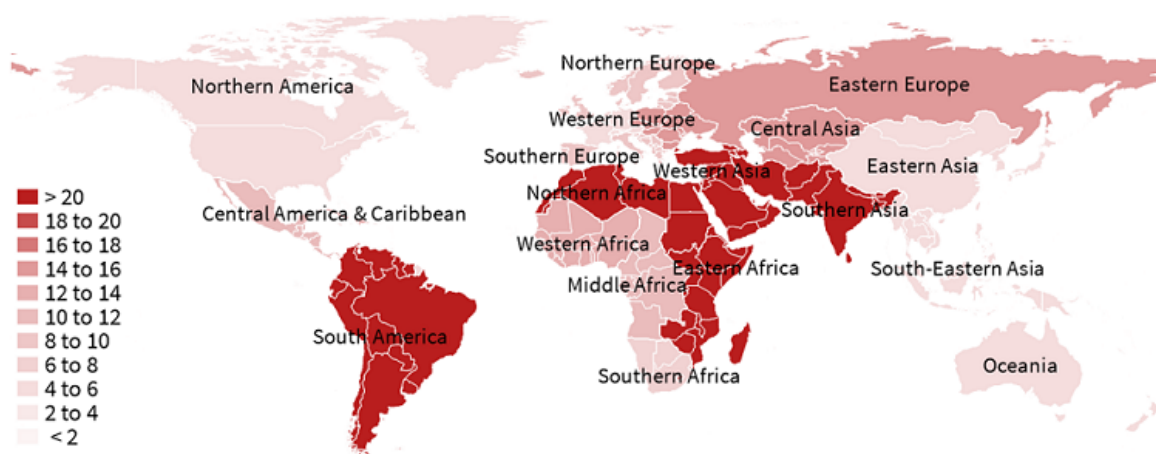
Source: Economic Experts Survey 2022Q4.

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Notes: The figure shows the expected inflation rates on a global average for 2023 (7.1 percent), 2024 (5.8 percent) and 2026 (4.5 percent). The median of the averages at the country level is shown.

Figure 5.31: Inflation expectations for 2023 across regions (Q4 2022).

Inflation Expectation 2023



Source: Economic Experts Survey in Q4 2022.

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Notes: The figure shows the arithmetic mean of the expected inflation rates in the regions for 2023.

5.7.5 Growth Expectations

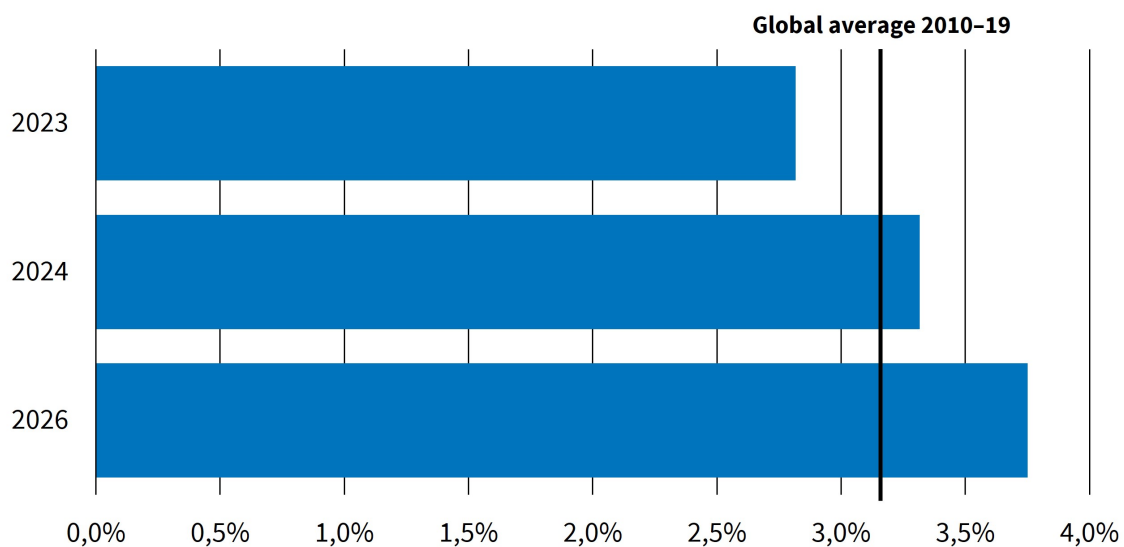
We have also asked the participants of the EES about their expected growth rates in Q4 2022. For 2023, the economists surveyed expected global average economic growth of 2.8 percent. This is the median of the average expected growth rates at country level.

In the coming years, the experts expected economic growth to increase again, to an average of 3.3 percent in 2024 and 3.8 percent in 2026.

Figure 5.32: Global growth expectations in Q4 2022.

Global Growth Expectations

Expected Growth as a Global average for the year...



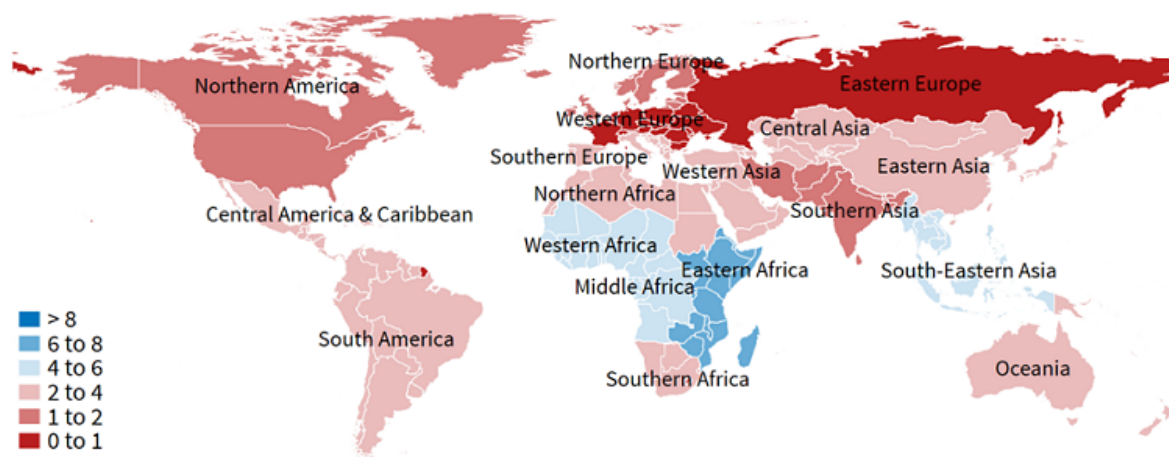
Source: Economic Experts Survey 2022Q4.

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Notes: The figure shows the expected growth rates on a global average for 2023 (2.8 percent), 2024 (3.3 percent) and 2026 (3.8 percent). The median of the averages at the country level is shown.

The expectations for economic growth in 2023 differ a great deal between the world's regions. While economic performance was expected to stagnate in Eastern Europe (0.1 percent) and only slight growth of 1.2 and 0.7 percent on average was forecasted in Northern and Western Europe, expectations in other regions were much more positive. The experts expected the highest growth in East Africa at 8 percent, and very high growth expectations can also be observed in Southeast Asia (4.7 percent), Central Africa (4.7 percent) and West Africa (5.2 percent). With expectations of around 3 percent, experts in the regions of East Asia (2.9 percent), South America (3.0 percent), Oceania (3.0 percent), Southern Europe (3.1 percent), North Africa (3.2 percent), as well as West Asia (3.5 percent) and Central Asia (3.6 percent) were optimistic about the development of economic output. Moderate growth was expected in North America (1.6 percent), South Asia (1.7 percent), Central Asia (2.1 percent) and South Africa (2.3 percent).

Figure 5.33: Growth expectations for 2023 across regions (Q4 2022).

Growth Expectation 2023 (in %)

Source: Economic Experts Survey in Q4 2022.

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Notes: The figure shows the arithmetic mean of expected economic growth in the regions for the year 2023.

5.7.6 Research

The EES (as was the WES) is also used for research on macroeconomic expectations of economic experts and assessments of economic policies. To investigate determinants of macroeconomic expectations, scholars employ, for example, information treatments: a randomly selected group of participants receives information. Research questions to be examined include whether providing this information influences respondents' views on individual economic policy questions and expectations. A prominent example is the study by Andre et al. (2022) that includes survey data from the final waves of the WES. The authors examine people's subjective models of the macroeconomy and disentangle beliefs of economic experts and households. They provide respondents with information about macroeconomic shocks on unemployment and inflation and show that households disagree more about the extent and the consequences of macroeconomic shocks than experts.

The first experimental evidence on peer effects in the formation of macroeconomic expectations among economic experts has been conducted based on EES data (Dräger et al. 2023). The survey was distributed in two waves: From 25 May to 4 June 2022, the authors elicited inflation expectations and monetary policy recommendations of a randomly selected subgroup of global experts. The central experiment, which was conducted in the second wave between 8 June and 18 June 2022, confronts a randomly selected subgroup of experts with their peers' views elicited in the first wave. We uncover large peer effects: when experts are informed about regional inflation expectations of their colleagues, they adjust their inflation

expectations by around 16 percent. The peer effects are driven by non-macroeconomists who are arguably less informed about inflation than macroeconomic experts. Peers' concerns about inflation gave rise to recommending immediate monetary policy action when experts did not believe that the current high inflation was supply-driven. This research on inflation expectations based on the EES endorses research on inflation expectations based on the Economists' Panel (Dräger et al. 2022).

Exogenous variation in information provision also arises when experts are asked to participate in a survey just before and after decisive events. An intriguing example has been the outcome of the 2020 US presidential election. Boumans et al. (2022a) distributed a survey in two waves, where each wave consists of a randomly selected subset of participants. The first wave was collected shortly before the election (the control group). The second wave was collected five days later, directly after Joe Biden had been called president-elect by major US media outlets (the treatment group). The results show that the US incumbent change had significant and economically sizable spillover effects on the formation of global macroeconomic expectations. Those experts who were surveyed after Joe Biden won the 2020 US presidential election expected real GDP growth in their host country in 2021 to be 0.98 percentage points higher than experts surveyed before the election date.

Exogenous events such as the initial global spread of Covid-19 during March 2020 have been shown to influence experts' assessments about economic policies (Gründler and Potrafke 2020a). Other previous studies from the final waves of the WES used experts' assessments on, for example, tax reforms, fiscal rules, public debt, the influence of the media on economic expectation building, terrorism, and the Covid-19 pandemic (Arnemann et al. 2021; Boumans et al. 2020a, 2018, 2020b, 2022b, 2020c; Gründler and Potrafke 2020b).