

Title: Does the Survey of Professional Forecasters Help Predict the Shape of Recessions in Real Time?

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Abstract: An updated version of our Markov-switching model of U.S. real GDP clearly suggests the COVID-19 recession was more U shaped than L shaped. As with linear time series models, it is important to account for extreme outliers during the pandemic, but a simple decay function for volatility from 2020Q2 leads to robust inferences. When we consider whether our model could have predicted the shape of recessions in real time, we find that feeding in Survey of Professional Forecasters data helps to accurately predict the nature of recovery at the time of the trough for each of the last four recessions.