Industrial Trends and Macroeconomic Forecasts

Jeffrey T Brookman*
Department of Economics, University of Nevada, Las Vegas, United States

Perspective

We investigate the extent to which present industry downsizing intensity, changes in future macroeconomic outlook and a firm’s prior performance trend influence the relationship between downsizing magnitude and investor response, based on behavioural decision-making theory. Our findings show that negative investor reactions to downsizings are amplified during periods of industry downsizing waves, in the face of changes in macroeconomic outlook, and after deteriorating firm financial performance, based on an analysis of a large-scale sample of downsizing announcements in the United States over a 12-year period. When non-union employees were downsized throughout each event period studied, the market reaction was more unfavourable than when unionised staff was downsized. The market reaction to the layoff news of unionised staff was actually positive in the two days preceding the release, whereas the reaction was negative when non-union employees were the topic of the statement. The Economist Intelligence Unit has long been the gold standard in nation analysis and macroeconomic forecasting, with one of the world’s largest and most experienced teams of country experts. Our experts are now projecting major industry trends by country, based on our forecasting model, and using the same tools including econometric modelling that have earned us a reputation for forecasting. In addition to our country expertise, we have a dedicated editorial staff that focuses on industry-specific topics.

Industry forecasts assist you by:

• Compare countries over time using five-year forecasts for eight key industries in 60 countries, presented in a concise and consistent format
• Get data and analysis in the most cost-effective and flexible way possible.

When non-union employees were laid off throughout each event period studied, the market reaction was more unfavourable than when unionised staff was laid off. The market reaction to the layoff notice of unionised staff was actually favourable in the two days leading up to the announcement, whereas the reaction to the layoff news of non-union employees was negative. We argue that employees in medium-scale downsizing try to rescue the compromised, partially working routines, whereas large-scale downsizing necessitates a more fundamental rethinking and re-creation of routines, resulting in more positive outcomes. Our research contributes to downsizing research by using the organisational routine approach to understand downsizing financial results. We differ from the widely held notion in the downsizing literature that the link between downsizing magnitude and firm performance is linear in this way. Our research also builds on previous work on organisational routines by emphasising the value of viewing routines as mindful successes, in which the temptation to engage in path-breaking cognitive effort may produce greater benefits than path-dependent routine restoration.

More than 100 in-house editors and economists, as well as a global network of more than 650 contributors, contribute to The Economist Intelligence Unit’s nation and industry analyses. Our professionals are competent at extracting data and information from primary sources and analysing it. You’ll get unbiased, in-depth, and accurate forecasts and overviews. Each forecast is examined for accuracy and consistency by an Economist Intelligence Unit expert, who takes into account any specific factors likely to have an impact on the sector over the next five years, such as new legislation or technology, and provides commentary to outline the implications of macroeconomic trends for companies in each industry.

How to cite this article: Jeffrey T Brookman. “Industrial Trends and Macroeconomic Forecasts.” Ind Eng Manage 10 (2021): 314.