Economic Optimism Index

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AI For Economic Development Conference
How Can We Measure Optimism?
Using Text as Data
Economic Optimism Index
Nowcasting of Economic Activity

Argentina

Malaysia

Mexico

India
Humans vs Machines?

- November: Optimism Index 1 Month Ahead
- December: GDP Forecast 1 Month Ahead
- January: GDP Announcement
- February:
### Optimism Index Not Captured in Surveys

Table 1: GDP Consensus Forecasts And News Sentiments

<table>
<thead>
<tr>
<th></th>
<th>1M</th>
<th>2M</th>
<th>6M</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Positive Words</td>
<td>0.003***</td>
<td>0.002***</td>
<td>0.004***</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>% Negative Words</td>
<td>−0.002***</td>
<td>−0.002**</td>
<td>−0.003**</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>Consensus Forecast</td>
<td>1.008***</td>
<td>1.005***</td>
<td>1.002***</td>
</tr>
<tr>
<td></td>
<td>(0.023)</td>
<td>(0.020)</td>
<td>(0.033)</td>
</tr>
<tr>
<td>Observations</td>
<td>478</td>
<td>470</td>
<td>468</td>
</tr>
<tr>
<td>Adjusted R(^2)</td>
<td>0.890</td>
<td>0.878</td>
<td>0.760</td>
</tr>
</tbody>
</table>

**Note:** *p<0.1; **p<0.05; ***p<0.01
Humans + Machines

% Reduction in GDP Forecast Error

Argentina  Chili  Korea  Malaysia  Peru  Thailand

14.6%
What’s Next?