

Firm-Level Planning Frequencies and Forecast Horizons

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Abstract: We elicit new information about planning frequencies and forecast horizons from a survey of 500 US firms conducted in August 2018 and again in April-May 2021. Most firms update capital investment plans yearly, while updating plans for employment, prices and sales at monthly or quarterly intervals. Around one third of firms, mostly smaller ones, report having no formal plans. The most common forecast horizon for own-firm outcomes is one year ahead, with significant variation across firms. Planning frequencies and forecast horizons are extremely similar before and after the onset of the COVID-19 pandemic, which suggests they are rather insensitive to external economic conditions.

Keywords: Planning Horizon, Planning Updates, Forecast Horizon, Uncertainty

JEL Classification: L2, M2, O32, O33.

Disclaimer: Any opinions and conclusions expressed herein are those of the authors and do not necessarily represent the views of the Federal Reserve Bank of Atlanta. All results have been reviewed to ensure that no confidential information was disclosed.

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Introduction

The role of planning frequencies and forecast horizons in business decision-making cuts across multiple areas of economics, finance, and management. Examples include investment under uncertainty (Majd and Pindyck, 1987), demand management under uncertainty (Mentzer and Moon, 2004), supply chain management (Stadtler, 2005), technology implementation and its integration across business segments (Lindberg, 1990), models of aggregate economic fluctuations (Kydland and Prescott, 1982), and the effects of commitment in the conduct of monetary policy (Woodford, 2018).

However, evidence on actual business planning frequencies and forecast horizons is scarce. Poterba and Summers (1995) provide survey-based evidence on CEO hurdle rates for investment decisions, the planning horizons that enter into those decisions, and how planning horizons are influenced by the policy environment. Petya (2000) gathers evidence on time-to-build for new manufacturing plants.

We draw on the panel Survey of Business Uncertainty (Altig et al., 2020) to provide evidence on planning frequencies and forecast horizons for a sample of roughly 500 U.S. firms that covers all major industries and regions of the country.

Our data is from the Survey of Business Uncertainty

The Survey of Business Uncertainty is a monthly survey of up to 500 US firms covering the US private sector across industries and regions.

Firms are recruited by telephone by the Atlanta Federal Reserve Bank survey team and answer a 5-10 minute online monthly survey on a variety of topics.

Respondees are decision makers, 81 percent of whom are CEOs, CFOs or senior managers.

To scale up to national averages, we weight survey responses by firm size and industry size

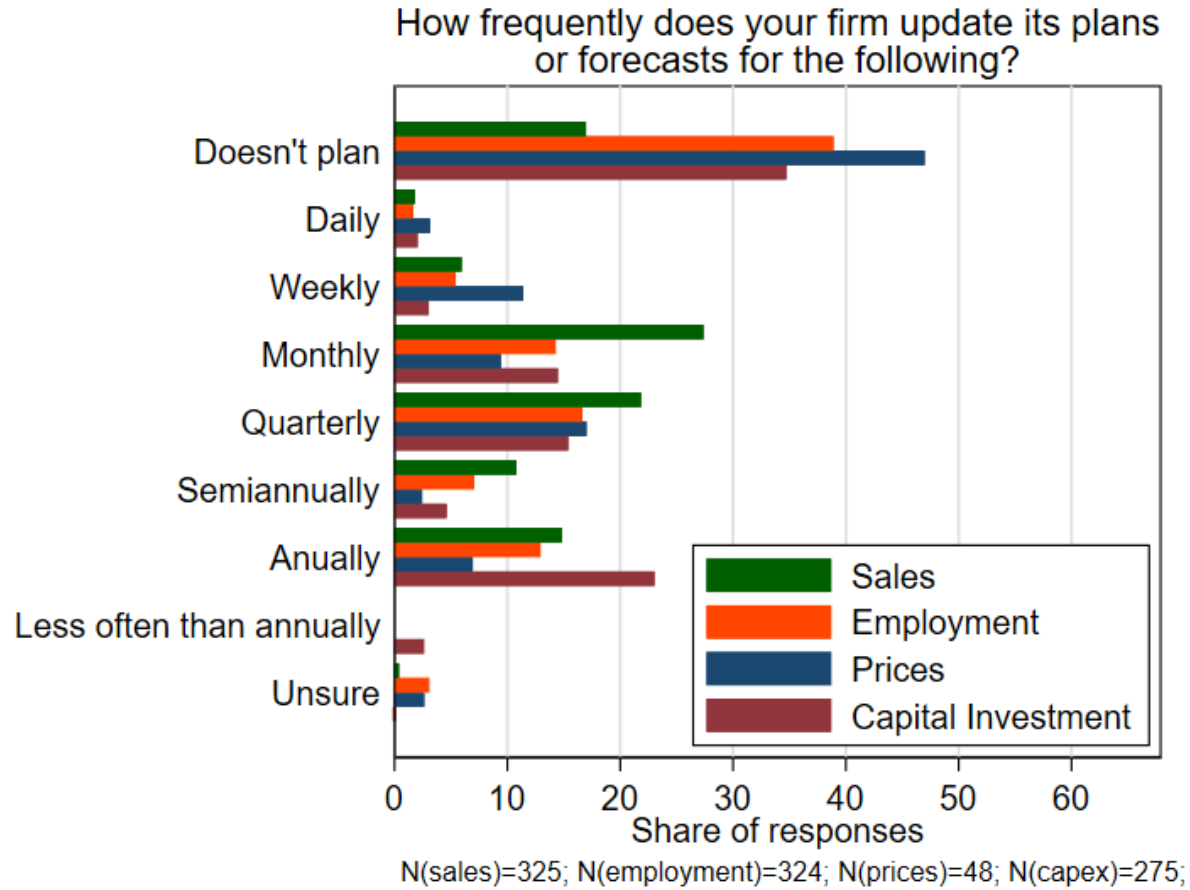
Further details on the survey are available on:

The website: <https://www.atlantafed.org/research/surveys/business-uncertainty>

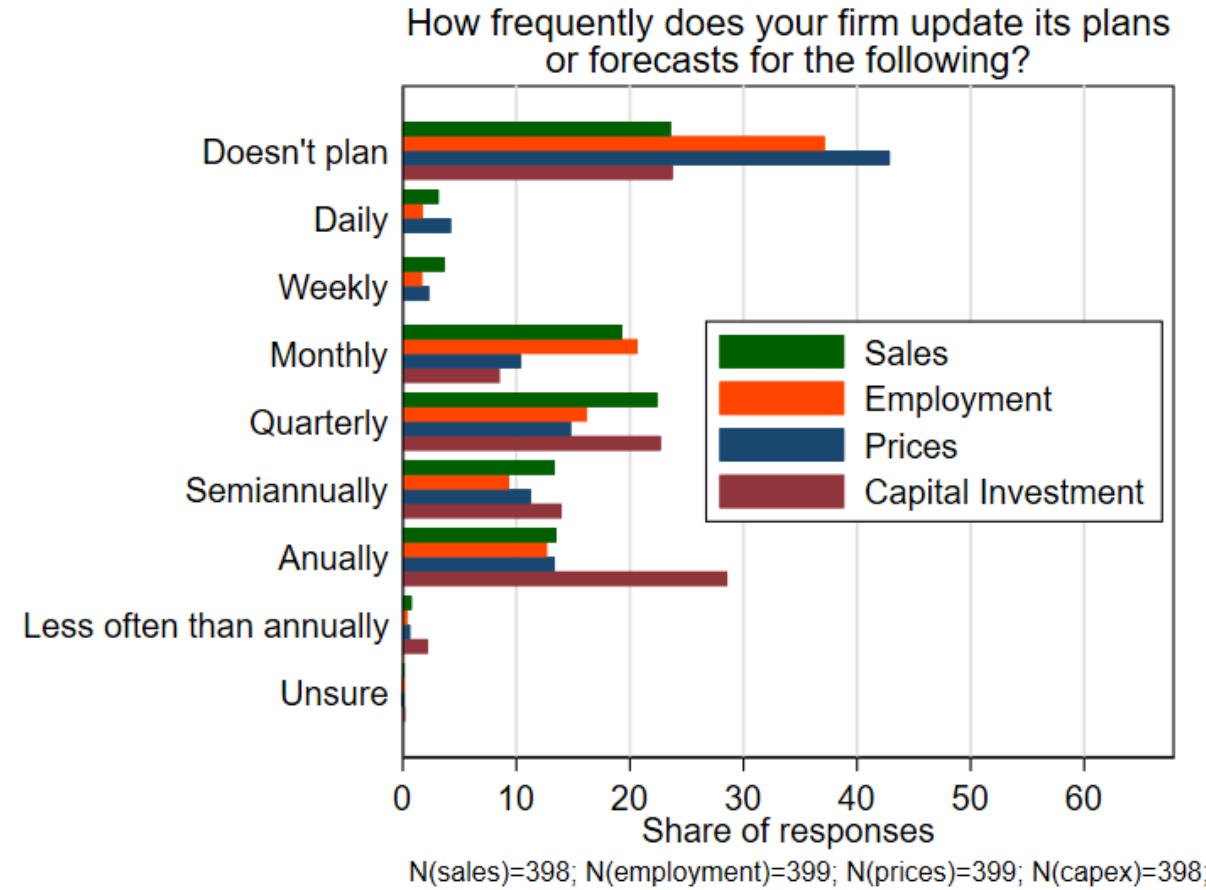
The technical paper: “Surveying Business Uncertainty”, David Altig, Jose Barrero, Nicholas Bloom, Steven J Davis, Brent Meyer and Nicholas Parker, Journal of Econometrics, September 2020

How frequently does your firm update its plans or forecasts for the following? (Reweighted by Employment and to Match Industry Shares)

August 2018



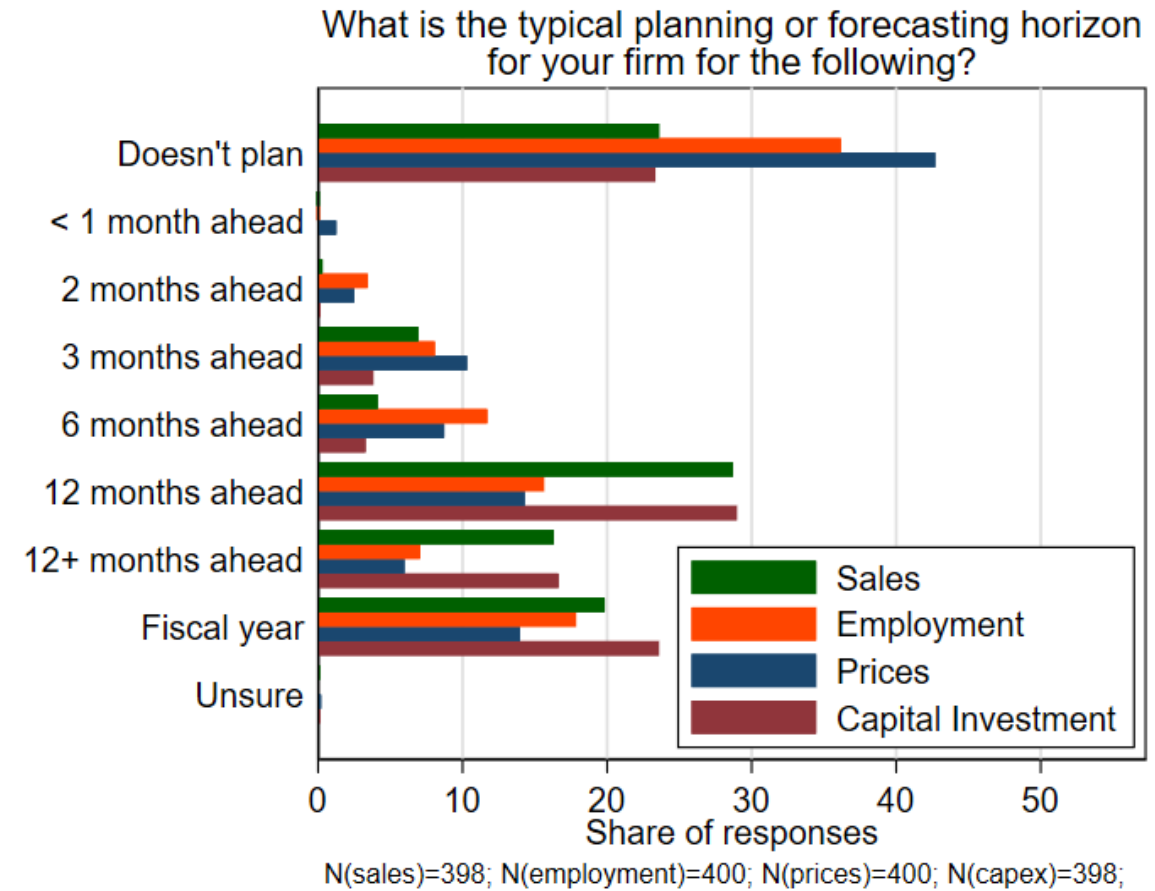
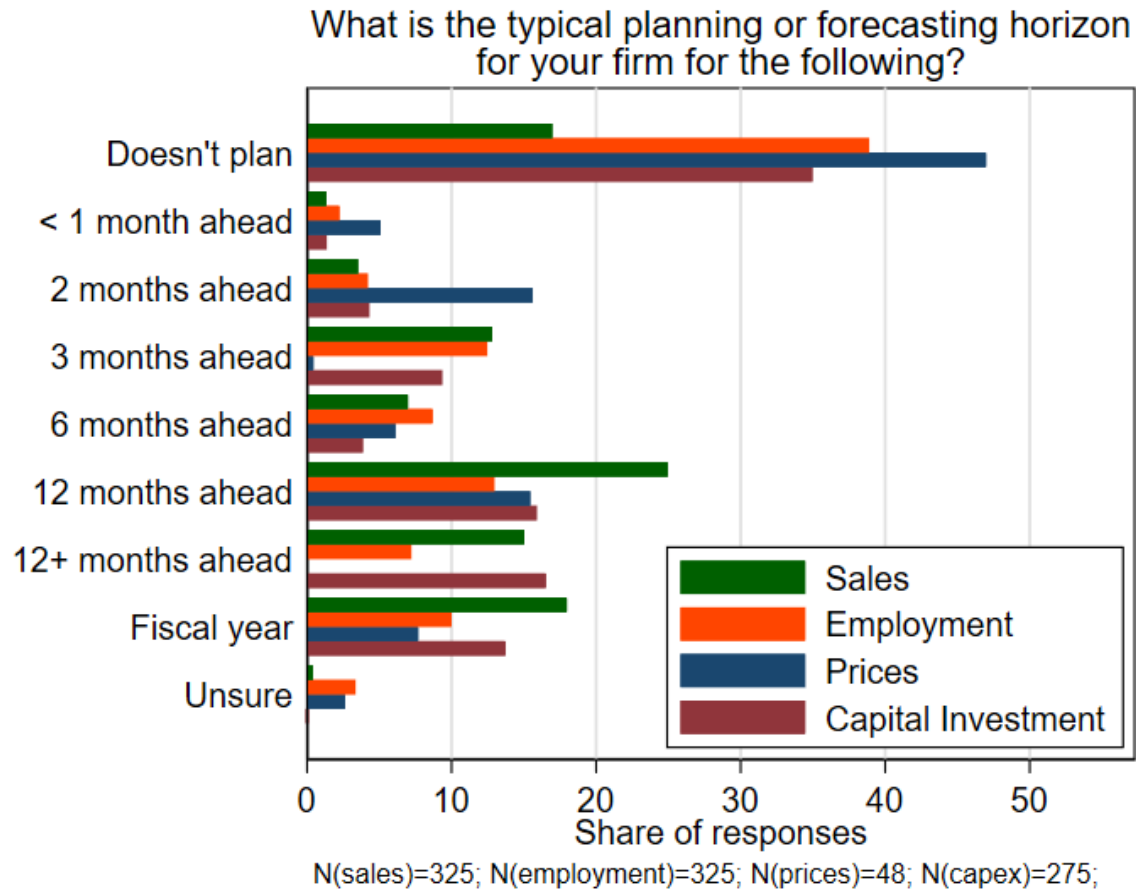
April & May 2021



What is the typical planning or forecasting horizon for your firm for the following? (Reweighted by Employment and to Match Industry Shares)

August 2018

April & May 2021



How frequently does your firm update its plans or forecasts for the following? What is the typical planning or forecasting horizon for your firm for the following? August 2018

		Planning Frequency (days)						Planning Horizon (days)					
		August 2018			April-May 2021			August 2018			April-May 2021		
		Unweighted	Weighted	Mean	Unweighted	Weighted	Mean	Unweighted	Weighted	Mean	Unweighted	Weighted	Mean
Sales	Sector	N	Mean	Mean	N	Mean	Mean	N	Mean	Mean	N	Mean	Mean
	Construction, real estate, and mining and utilities	35	90.6	78.8	37	106.5	92.8	35	336.3	365.9	37	386.5	422.7
	Manufacturing	67	98.8	104.2	63	115.1	123.8	66	283.5	291.7	63	295.8	299.2
	Retail and wholesale trade	40	111.8	102.2	45	172.1	153.2	40	245.1	267.0	45	309.0	312.1
	Business Services, Information, Finance, and Insurance	86	150.0	163.6	88	143.8	136.0	86	337.8	358.6	89	320.5	369.6
	Education, health and other services except government	25	146.3	118.1	26	143.6	140.7	25	306.6	295.5	26	366.2	376.9
	Total	253	121.8	123.5	259	136.4	130.4	252	305.6	319.6	260	326.5	350.9
Employment	Construction, real estate, and mining and utilities	16	141.3	137.8	31	146.9	103.7	16	225.6	235.6	31	289.2	223.7
	Manufacturing	38	104.9	99.9	53	104.6	91.8	39	209.6	202.7	54	212.3	215.0
	Retail and wholesale trade	28	84.3	97.7	34	161.2	136.5	28	180.0	215.1	34	269.7	277.8
	Business Services, Information, Finance, and Insurance	62	164.8	169.2	70	150.7	131.3	61	294.4	317.5	71	301.7	336.4
	Education, health and other services except government	19	135.7	137.3	21	171.7	172.6	19	248.7	250.2	22	300.0	314.8
	Total	163	131.3	134.3	209	142.3	122.6	163	242.4	257.6	212	271.8	279.6
	Prices	Construction, real estate, and mining and utilities	0	.	.	25	141.8	135.1	0	.	.	25	306.0
Manufacturing		0	.	.	54	170.0	149.0	0	.	.	54	236.7	214.3
Retail and wholesale trade		28	113.3	96.7	41	152.9	121.0	28	180.7	211.9	41	235.1	260.7
Business Services, Information, Finance, and Insurance		0	.	.	84	196.1	152.3	0	.	.	83	268.6	293.0
Education, health and other services except government		0	.	.	22	203.3	188.3	0	.	.	22	307.0	319.4
Total		28	113.3	96.7	226	176.7	148.7	28	180.7	211.9	225	262.8	262.2
CapEx		Construction, real estate, and mining and utilities	23	117.0	128.4	36	171.9	177.2	24	272.7	345.7	36	357.8
	Manufacturing	55	191.8	196.7	58	195.3	189.0	55	325.8	335.9	59	350.3	354.0
	Retail and wholesale trade	7	55.7	49.9	41	224.9	206.9	7	157.1	176.5	41	363.2	361.3
	Business Services, Information, Finance, and Insurance	62	158.4	162.2	84	213.3	193.5	61	242.3	273.7	83	358.6	399.5
	Education, health and other services except government	19	255.3	246.7	26	244.8	252.2	19	338.7	369.7	27	366.1	372.7
	Total	166	170.5	173.7	245	208.2	200.0	166	281.8	310.8	246	358.1	369.6

NOTE: "Less often than annually" category was set to 500 days. Results exclude respondents who said that they don't have any formal planning or forecasting processes set in place.

How frequently does your firm update its plans or forecasts for the following? What is the typical planning or forecasting horizon for your firm for the following? April/May 2021

		Planning Frequency (days)						Planning Horizon (days)					
		August 2018			April-May 2021			August 2018			April-May 2021		
		Unweighted	Weighted		Unweighted	Weighted		Unweighted	Weighted		Unweighted	Weighted	
Sales	Firm Size	N	Mean	Mean	N	Mean	Mean	N	Mean	Mean	N	Mean	Mean
		< 50 employees	54	117.7	126.4	100	130.2	129.4	53	276.9	276.3	101	300.3
	50-99 employees	51	112.1	113.9	50	148.2	144.2	51	292.7	295.4	50	328.1	329.3
	100-249 employees	71	131.3	129.2	59	151.6	152.3	71	319.7	316.4	59	348.7	351.8
	250+ employees	77	122.4	122.5	50	118.9	118.1	77	320.7	325.4	50	351.5	356.9
	Total	253	121.8	123.5	259	136.4	130.4	252	305.6	319.6	260	326.5	350.9
Employment	< 50 employees	25	151.4	144.1	75	169.7	144.0	26	221.0	231.2	77	269.4	273.3
	50-99 employees	33	102.5	99.8	40	136.6	132.4	33	255.6	254.5	40	273.8	269.0
	100-249 employees	47	134.2	125.7	49	128.6	128.6	46	231.7	229.0	49	271.3	269.8
	250+ employees	58	136.7	140.4	45	116.4	117.2	58	252.9	267.2	46	274.6	285.6
	Total	163	131.3	134.3	209	142.3	122.6	163	242.4	257.6	212	271.8	279.6
Prices	< 50 employees	9	93.8	126.9	106	200.0	201.3	9	121.1	149.8	105	269.6	274.9
	50-99 employees	7	143.9	141.6	36	160.5	157.7	7	177.1	172.5	35	247.4	250.7
	100-249 employees	8	138.1	140.3	43	176.9	183.6	8	235.0	241.8	44	259.1	262.1
	250+ employees	4	54.3	54.3	41	130.5	127.6	4	212.5	212.5	41	262.3	262.6
	Total	28	113.3	96.7	226	176.7	148.7	28	180.7	211.9	225	262.8	262.2
CapEx	< 50 employees	27	171.9	173.6	91	211.0	204.4	28	267.5	279.1	92	342.6	353.3
	50-99 employees	35	169.0	178.4	45	200.0	198.1	35	245.4	252.9	45	363.2	360.9
	100-249 employees	48	149.2	149.0	58	225.3	227.6	48	262.2	258.6	58	362.2	363.1
	250+ employees	56	189.0	181.0	51	191.1	187.6	55	329.4	334.9	51	377.0	374.9
	Total	166	170.5	173.7	245	208.2	200.0	166	281.8	310.8	246	358.1	369.6

NOTE: "Less often than annually" category was set to 500 days. Results exclude respondents who said that they don't have any formal planning or forecasting processes set in place.

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