Using the Economic Outlook Update
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The Economic Outlook Update™ (EOU) is a very useful tool to save time and ensure accuracy in valuation report writing. Published monthly and quarterly by Business Valuation Resources, the EOU enables subscribers to use all or any part of the publication in their reports and provides the subscriber with the proper citation language. Each issue is available in Word, Excel and PDF formats.

The EOU is compiled from 20 well-respected sources. Using the report saves the appraiser the time of searching through those sources, finding the applicable information, and converting the data into usable language for a business valuation report. A single subscription to the EOU also saves the subscriber the thousands of dollars in subscription fees to those base publications.

A typical Table of Contents for a quarterly issue of the EOU is shown below:

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A typical issue contains about 10 pages of text and eight pages of tables summarizing hundreds of points of data.

For certain broad industries (e.g., construction, manufacturing, services, and real estate), an appraiser may also use excerpts from the EOU in the Industry section of a valuation report.

Data from the EOU will withstand challenges in court. An important exception to the ban on hearsay evidence applies to expert witnesses as opposed to lay witnesses. That is, in their courtroom testimony and opinion evidence, experts are allowed to quote from material normally used by similar experts. Rule 703 of the Federal Rules of Evidence states:

The facts or data in the particular case upon which an expert bases an opinion or inference may be those perceived by or made known to the expert at or before the hearing. If of a type reasonably relied upon by experts in the particular field in forming opinions or inferences upon the subject, the facts or data need not be admissible in evidence in order for the opinion or inference to be admitted.

The fifth edition of *Valuing a Business* discusses this very excerpt from Rule 703: “Correctly analyzed, it is the opinion of the expert that is the evidence, not the hearsay information that supports it.” Although business appraisers are expected to have a working knowledge of economics, most of us are not economists. Therefore, we usually quote credible economic sources for the economic section of our reports.

Each issue of EOU is compiled from sources that most people consider highly credible and these sources are listed in each issue. These sources include, for example: the U.S. Bureau of Economic Analysis; U.S. Department of Commerce; U.S. Department of Labor; Consensus Economics, Inc.; Economic Policy Institute; U.S. Department of Energy; National Association of Realtors; and many others.

Consensus Economics, Inc., the authors of *Consensus Forecasts-USA*, conducts monthly surveys of a panel of prominent U.S. economic forecasters for a range of variables including future growth and inflation. This is the source of Shannon Pratt Valuation’s five- and 10-year forecasts, as footnoted in the tables and charts. These long-term forecasts are scarce and expensive, yet are important inputs to a business valuation, especially the terminal value in the income approach.

A subscriber was once asked on the witness stand whether he knew who wrote the EOU. The staff is listed in each issue.

He then was asked whether the witness knew their qualifications. These are not disclosed in the *Update*, so here they are:

**Adam Manson, Managing Editor**, has a BS from Seattle Pacific University with a concentration in finance and an MBA with a concentration in finance from Portland State University. He has also passed all the ASA basic business valuation courses.

**Doug Twitchell, Contributing Editor**, has a BS in Mechanical and Industrial Engineering from Clarkson University, an MBA from Portland State University and a Graduate Certificate in

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Computational Finance from the Oregon Graduate Institute. He has also passed all the ASA basic business valuation courses.

The attorney then asked whether the witness had personally read the sources cited. In almost 300 times on the witness stand, I have never been asked that question with respect to general economic information. However, if that is a concern to you, I advise you to download or print the internet sources cited in the issue.

The attorney also asked whether the witness had spoken with a staff member of the EOU. This is another question I’ve never been asked with respect to general economic data. Nonetheless, the editors are available by phone or by email and will be pleased to talk with you. They even can give you many sources of forecasts which Consensus Forecasts-USA polls for its economic forecasts.

As a testimony, we at Shannon Pratt Valuations make very good use of the EOU.