The Kiplinger Letter

FORECASTS FOR EXECUTIVES AND INVESTORS

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Dear Client: Washington, May 23, 2014

Thanks to advances in crunching Big Data...
the reams of information gleaned from Web browsers,
smart phones, traffic cameras and other sources...
Predictive analysis is about to get easier.
Business decisionmakers, doctors, police and others
will be able to predict future probabilities and trends
with a greater sense of confidence in their forecasts.
The payoff: More-informed business decisions,
improved lives, new jobs and welcome economic gains.

TECH With bolder and more-precise forecasts...
Companies can better target their services
and goods, find new customers and personalize prices.
Among the many sectors that will benefit:
Real estate. Beach house rental firms
pitching to people who frequently buy sunscreen.
Retail. Shoe sellers scouring for customers
in databases of people who've recently visited Italy.
E-commerce. E-tailers parsing cart data
to adjust prices for people who leave items behind.
Financial services. Bankers studying info
to woo disgruntled customers from rival institutions.

ECONOMIC FORECASTS

GDP growth
2.4% in '14; picking up to 3%
or better in second half of '14

Interest rates
By end '14, 10-year T-notes at 3%;
3.7% by end '15

Inflation
Rising slightly to 1.8% in '14,
up from 1.5% in '13

Unemployment
Bouncing around;
about 6.3% by end '14

Crude oil
Trading from $95 to $100/bbl.
through June

Federal deficit
3% of GDP in '14,
down from 4.1% in '13

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Law enforcement. Cops checking data on streetlights, abandoned buildings,
weather forecasts, etc., to gauge the probability of crimes in certain neighborhoods.
Sports. Trainers analyzing the velocity of a baseball pitcher's fastball
and spin rate on his curveball to help prevent or minimize an arm injury.
Health care. Researchers detecting early signs of Parkinson's disease
in people with smart phones by analyzing data from motion sensors in the phones.
Energy. Utilities predicting power needs based on historical data, weather
and real-time monitors in homes and businesses to control energy use and trim costs.

Sales of analytic software will boom, growing 30% or so a year through 2017,
nearly six times the growth rate of all other IT spending. Leading sellers of the software
include Oracle, IBM, Microsoft, SAP and SAS, along with smaller ones such as Splunk,
Teradata, Tableau and Cloudera. (Intel recently invested $740 million in Cloudera.)
So will the job market for data-savvy analysts and managers. As firms,
both large and small, scramble to jump aboard the predictive analytics bandwagon,
the need for specialists will be acute. In fact, industry insiders say that by 2018,
the U.S. faces a shortage of 1.5 million analysts and managers to interpret the data.

Of course, privacy concerns won't go away as Big Data continues to expand.
But they'll be somewhat offset as Americans reap more of the benefits...
lower prices, etc. Younger Americans, especially, accept Big Data as a way of life.
Uncle Sam will stay on the sidelines, at least for now. Policymakers
don't want to stifle potential benefits, and will rely on existing rules to police outlaws.