

An Analysis of Firms' Expectations about Activity and Employment†

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Abstract

This paper uses individual firm data from the Cyprus Business Surveys for the period May 2009 - April 2011 to assess the extent to which expectations about activity and employment stated in a given month agree with realisations reported by the same firms in subsequent Surveys. The results show that the probability of a firm stating expectations that are consistent with future realisations varies systematically with firm-specific characteristics such as size, district and sub-sector of operation. The heterogeneity in this probability can be viewed as a description of the shocks experienced ex post by different types of firms.

Keywords: business surveys, expectations, firm-level data, probit model.

† Business and Consumer Surveys in Cyprus for the period May 2008 - April 2011 were funded by the European Commission and the Ministry of Finance.

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