Strategic partnership for
confident decision making

Capital Economics

Macroeconomic Scenarios for CECL

Reasonable and supportable forecast scenarios for Current Expected Credit Loss compliance

Strategic partnership for confident decision making

Capital Economics scenarios for CECL and strategic planning, grounded in our award-winning macro insight

US lenders face a volatile economic backdrop, heightened regulatory scrutiny and rapidly evolving credit risks. The Current Expected Credit Loss standard (CECL, ASC 326) requires institutions to build forward-looking, defensible views of potential losses rather than relying on historical experience alone. Getting that right demands both rigorous economic forecasting and the credibility to stand behind it with auditors and regulators. Capital Economics provides independent, trusted insight to help you navigate these complexities with clarity and confidence.

WHY CAPITAL ECONOMICS

Our CECL macroeconomic scenario service combines forward-looking scenario probabilities, a proprietary stress testing model, clear narratives and the expert judgement of our award-winning economists to deliver scenarios you can confidently use for both regulatory requirements and business planning. Our analysis and forecasts are independent, and we are a trusted provider of insights to the financial sector, with a strong track record of accuracy awards from organisations including LSEG, Consensus Economics and FocusEconomics.

For many clients, our CECL scenario service is a natural extension of an existing CE relationship, bringing the same economist credibility and analytical rigour they already rely on directly into their credit risk process.

What we deliver

REGULATORY CONFIDENCE

Confidently meet CECL requirements for reasonable and supportable forecasts under FASB ASC 326 with our independently produced macroeconomic scenarios. All supporting model documentation and scenario narratives are audit-ready.

STRESS TESTING COMPATABILITY

Our scenarios can be designed to complement your broader stress testing framework, with severities tailored to your requirements and, where relevant, calibrated to be broadly consistent with Federal Reserve stress testing benchmarks.

TIMELY INSIGHTS

Economic conditions can shift quickly. We update our scenarios regularly, and in real time during periods of volatility, ensuring your models remain relevant and your decisions well informed.

BESPOKE FLEXIBILITY

Our service is tailored to your institution's specific needs – the right scenarios, indicators and geographic coverage to match your risk profile. We work to your timeline rather than a fixed publication schedule. For institutions that also report under IFRS 9, our scenarios can serve both standards simultaneously.

BEYOND CECL

Our macroeconomic scenarios have applications well beyond regulatory compliance — from corporate stress testing and capital planning to asset allocation and long-run actuarial projections. The same scenarios that serve your CECL process can support a much broader set of decisions across your organisation.

*Three-time top-forecaster of major economies by Refinitiv 2024-2025

Strategic partnership for confident decision making

From macroeconomic and market insight to CECL-ready scenarios

How we build our scenarios

BASELINE FORECASTS

Our baseline forecasts are built on detailed analysis of economic data, historical context and evolving relationships within a robust analytical framework, rather than relying solely on large-scale econometric models. This approach allows us to clearly explain the drivers of our forecasts, including the impact of one-off events. Our economists combine statistical techniques with experience and expert judgement to derive the baseline, with senior economists regularly reviewing and challenging the outlook to identify new trends and reassess assumptions as conditions evolve.

SCENARIO CONSTRUCTION AND STRESS TESTING

Our scenarios are produced using a proprietary macroeconomic stress testing model of the US economy, built and maintained in-house and underpinned by economic theory. The model ensures internal consistency across scenarios and across updates, with shocks propagating through the system in line with expected economic relationships. While the model provides a robust framework, the expert judgement of our award-winning economists is central to the construction of our scenarios, ensuring that each scenario reflects a coherent and credible economic narrative rather than a purely mechanical output.

A suite of scenarios complements our baseline outlook, spanning upside and downside outcomes across a range of severities. Our severe downside scenario can be calibrated to be broadly comparable in severity to the Federal Reserve's Severely Adverse CCAR scenario, providing a familiar and defensible anchor for institutions that also undertake regulatory stress testing. Each scenario is accompanied by a concise, jargon-free narrative and clearly defined assumptions, tailored to your portfolio or regulatory requirements.

NATIONAL AND STATE-LEVEL COVERAGE

For US institutions, the geographic composition of a loan portfolio can be as important as the national outlook. Our scenarios are fully consistent across national and state-level variables for all 50 states, allowing institutions with regionally concentrated portfolios to condition their ECL estimates on the economic outlook most relevant to their exposure.

REASONABLE AND SUPPORTABLE FORECAST HORIZON

CECL's requirement for reasonable and supportable forecasts extends to how scenarios behave beyond the near-term horizon. Each of our scenario paths is fully documented, including the assumptions governing how variables return to equilibrium over time, giving your team and auditors the transparency needed to defend your methodology.

Strategic partnership for confident decision making

Senior macro expertise. Decisions you can stand behind.

Meet the senior team

Our consultancy and modelling teams partner with financial institutions to transform the complexities of CECL into clear, defensible and commercially robust solutions. The teams are fully integrated with our award-winning Economics teams, whose internally produced baseline forecasts and ongoing peer review ensure that our CECL work is grounded in robust, independently validated macroeconomic thinking. From initial scoping and ECL model development to audit support and ongoing model refresh cycles, we provide the technical expertise and practical experience needed to support successful implementation and sustained compliance.

Paul Ashworth

CHIEF DATA AND MODELLING ECONOMIST

Paul Ashworth is the Chief Data & Modelling Economist at Capital Economics. He joined CE in 2001 from the National Institute of Economic and Social Research (NIESR), where he worked on developing their macroeconometric model of the world economy (NiGEM), after taking degrees in Economics and Mathematics at Strathclyde University (BSc) and Warwick University (MSc) and completing a PhD on asymmetric adjustment in macroeconomic models.

Stephen Brown

CHIEF NORTH AMERICA ECONOMIST

Stephen Brown is our Chief North America Economist and has been with Capital Economics since 2014. He has worked from both our London and Toronto offices, covering the economies of the US, Canada and previously Europe. Stephen has won multiple awards for forecast accuracy from LSEG, FocusEconomics and Consensus Economics. He holds degrees from the University of Bath and the London School of Economics.

Alexandra Dreisin

HEAD OF MODELLING

Alexandra Dreisin is Head of Modelling at Capital Economics, where she leads the firm's quantitative modelling work, including the design and development of macroeconomic models for IFRS 9 and CECL scenario frameworks. Prior to this role, she spent over 10 years on the Consultancy team. Before joining Capital Economics in 2014, she was a research analyst at macro investment firm SLJ Macro Partners, and prior to that an economist at the US Bureau of Labor Statistics specialising in quantitative analysis and seasonal adjustment of the Consumer Price Index.

Grant Colqhoun

CHIEF CONSULTANCY ECONOMIST

Grant is Chief Consultancy Economist and since joining Capital Economics in January 2018 has led due diligence, scenario planning and advocacy projects covering a range of countries. In previous roles he was Group Economist at a leading mining and metals consultancy, headed Oxford Economics sectoral forecasting service and held economist positions at HM Treasury and British Steel. Grant has extensive experience of the Chinese economy and in analysing and forecasting economic sectors internationally.

> We're now fully integrating Capital Economics' risk scores into our internal reporting for monthly collectability assessments under US GAAP and IFRS. We fully trust the quality of Capital Economics' service and look forward to continuing and expanding our strategic partnership with the CE team.
>
> **Global Credit Risk Data Solutions**
> Meta Platforms

FIND OUT MORE

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