Expert meeting on macroforecasting in CESEE

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As part of its CESEEnet research information network activities, the OeNB hosted a workshop on macroforecasting on June 30, 2016. The event brought together researchers from various central banks in Central, Eastern and Southeastern Europe (CESEE), the ECB, the Banco de Portugal and the Vienna University of Business and Economics (WU Wien).

The first session of the workshop discussed issues related to forecast evaluation and measures of forecast accuracy. Marián Vávra (NBS) presented a new test to judge whether forecasts based on a given model systematically outperform those based on competing models. The test has particularly useful properties when dealing with short time series and might be used at the NBS in the near future. František Brázdik (CNB) presented how the CNB decomposes forecast revisions from a structural model. This approach allows the assessment of how much of a revision of a forecast can be attributed to revisions in the underlying data, conditioning information or expert judgement. The second session was devoted to nowcasting, which uses high-frequency data to predict the near future or the recent past of macroeconomic aggregates that are only available with a time lag. Rafael Ravnik (HNB) presented MIRA (monthly indicator of real economic activity), the nowcasting model the Croatian central bank introduced in 2009. The model includes a set of foreign variables to capture revenues from tourism and has a proven track record in terms of forecast accuracy. Peter Tóth (NBS) presented results from a horse race between models to nowcast GDP in several CESEE economies. He concluded that both model specifications and the set of best short-term predictors vary across countries. An innovative and new short-term high frequency indicator was introduced by the next speaker, Paulo Rodrigues (Banco de Portugal). He presented research utilizing cash withdrawals and point-of-sale revenues to nowcast private consumption in Portugal. The Portuguese network of ATMs is one of the most highly developed and strongly used networks in Europe. Consequently, the use of cash withdrawals could help significantly improve private consumption forecasts. Unfortunately, similar data for other countries are hardly available. Finally, the third session discussed new approaches to forecasting on a more general basis. Alistair Dieppe (ECB) gave an overview of the BEAR (Bayesian estimation analysis and regression) toolbox developed at the ECB that allows the estimation and inference of a battery of models for policy analysis and forecasting purposes. Florian Huber (WU Wien) presented work on a heavy-tailed prior distribution in Bayesian vector autoregressions that excels in forecasting. Finally, Anca-Adriana Galatescu (BNR) used non-linear single indicator models to successfully predict turning points in the Romanian and the euro area business cycles.