

# Discussion of



## 'A Comparison of Forecast Performance Between Federal Reserve Staff Forecasts, Simple reduced-Form Models, and a DSGE Model'

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# Overview



- Quick recap of the paper
- Few questions
- Forecast comparisons in practice: The BoE experience

# Summary of the paper



- A comparison of the forecast performance of:
  1. FED staff (Greenbook)
  2. Atheoretical models
  3. Estimated DSGE
- Finding: 2+3 beat 1 on GDP growth, not on inflation
  - ⇒ DSGE models belong to forecasting toolbox

# Few questions



What lessons have you learned from the exercise regarding:

- the structure of the DSGE model?
- the shocks?
- the robustness of the model?

# Forecast comparisons in practice: The BoE experience



- The Suite of Forecasting Models:  
21 forecasts (13 individual, 8 combinations)

# Forecast comparisons in practice: The BoE experience



## Forecast errors

Table 1: GDP growth

Horizon	Suite	IR
0	0.31	0.62
1	0.47	0.73
2	0.59	0.84
3	0.65	0.87
4	0.70	0.83
5	0.77	0.76
6	0.80	0.71
7	0.82	0.73
8	0.84	0.75

Table 2: Inflation

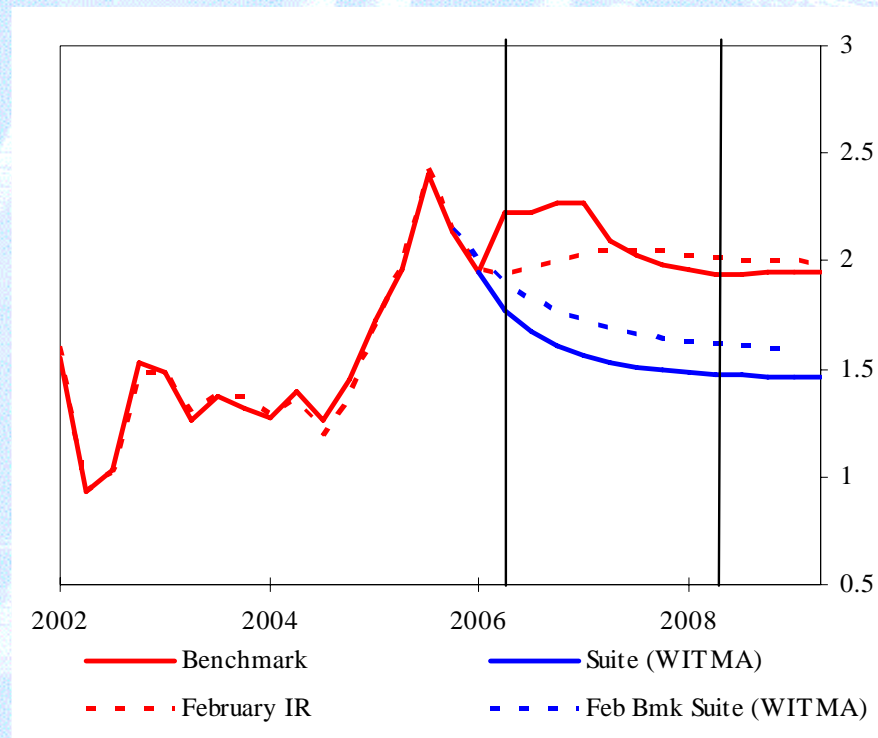
Suite	IR
0.18	0.12
0.21	0.18
0.23	0.20
0.28	0.27
0.29	0.32
0.31	0.35
0.32	0.38
0.32	0.39
0.33	0.37

# Forecast comparisons in practice: The BoE experience

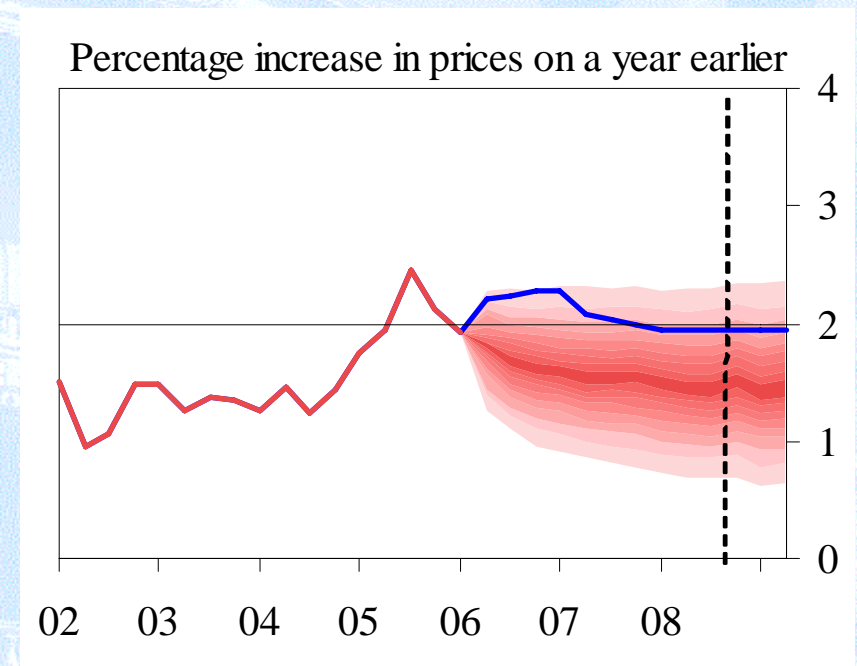


## CPI inflation

*Suite and BEQM projections*



*Suite fan chart (BEQM forecast in blue)*



# Conclusions



- Forecast comparisons is useful diagnostic tool for DSGE model
- BoE experience is that it can be made part of forecasting process