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HeiKaMEtrics-Seminar

Joint Heidelberg, Karlsruhe and Mannheim research seminar in Econometrics

Modeling Time-Varying Uncertainty of Multiple-Horizon Forecast Errors

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Monday, October 22, 2018
13:30 – 14:30
Alfred-Weber-Institute
Bergheimer Str. 58, Room 00.010
Heidelberg University

Abstract:

We estimate uncertainty measures for point forecasts obtained from survey data, pooling information embedded in observed forecast errors for different forecast horizons. To track time-varying uncertainty in the associated forecast errors, we derive a multiple-horizon specification of stochastic volatility. We apply our method to forecasts for various macroeconomic variables from the Survey of Professional Forecasters. Compared to simple variance approaches, our stochastic volatility model improves the accuracy of uncertainty measures for survey forecasts.

(joint with Todd E. Clark and Michael W. McCracken)