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Measuring Data Uncertainty: An Application using the Bank of England's 'Fan Charts' for Historical GDP Growth

Abstract:

Historical economic data are often uncertain due to sampling and non-sampling errors. But data uncertainty is rarely communicated quantitatively. An exception are the fan charts for historical GDP growth published at the Bank of England. We propose a generic loss function based approach to extract from these ex ante density forecasts a quantitative measure of unforecastable data uncertainty. We find GDP data uncertainty in the UK rose sharply at the onset of the 2008/9 recession; and that data uncertainty is positively correlated with popular estimates of macroeconomic uncertainty.

(joint with J. Mitchell)