

# Economic Forecast

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# Outline

- 1 Introduction
- 2 Central bank
- 3 Output gap
- 4 GDP forecasts

# Aims

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Draw on what you learnt in EC271 and EC284

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- How do they see the economy?
- What is their main focus/concern?
- Do they have a specific mandate?
- When do they meet? How do they decide policy?  
What is the nature of the usual policy change?

# Output gap

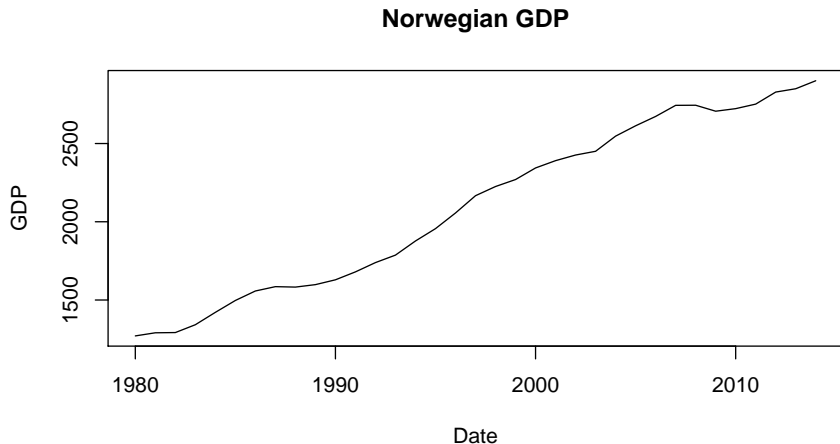


Figure : Norwegian real GDP

# Finding the trend

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- Centered moving average

# Hodrick-Prescott Filter

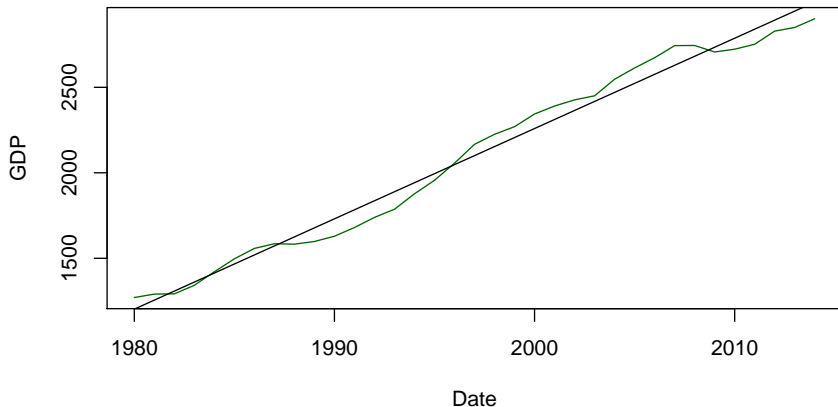
This aims to find a underlying trend by minimising

$$\text{Min}_g \left[ \sum_{t=1}^T (y_t - g_t) + \lambda \sum_{t=1}^T [(g_t - g_{t-1}) - (g_{t-1} - g_{t-2})]^2 \right]$$

where,

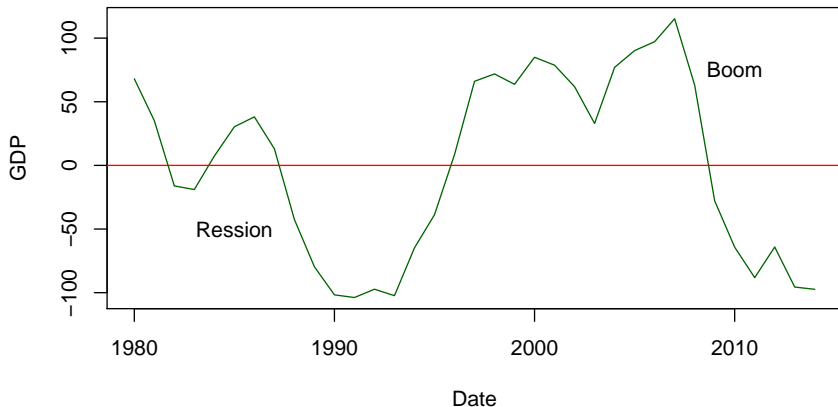
# Linear Trend

**Norwegian GDP and trend**



# Output gap

Norwegian Output gap





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How will these evolve? What the forces/