

# Discussion on Forecasting at the Bank of England

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# Purpose and Design of Forecasting

- ▶ Hierarchy of purposes:
  1. Support MPC's remit
  2. Support other Bank policy functions
  3. Seek good forecast performance
- ▶ Implications of this prioritization
- ▶ Forecast design:
  - \* MPC-owned, staff-led
  - \* Incremental, channel-by-channel approach
  - \* Focus on narrative

# Forecasting Process and Challenges

- ▶ "Organized chaos": Multiple teams, intricate schedule
- ▶ Standard channels vs. ultimate drivers
  - \* Example: Impact of Russia-Ukraine conflict
- ▶ Adapting to change:
  - \* Balance between models and judgment
  - \* Process for model revisions

# Concluding Thoughts

- ▶ Robust and well-considered approach
- ▶ Reflects deep understanding of central bank forecasts' role
- ▶ Challenges in balancing multiple objectives
- ▶ Importance of adaptability in changing economic landscape

# Key Questions for Discussion

1. How is forecast success evaluated given accuracy isn't primary?
2. How might forecasting evolve in era of increasing uncertainty?
3. Balancing consistency with flexibility in forecasting approach?
4. Ensuring narrative doesn't unduly influence quantitative forecasts?