Opponering

The forecasting ability of consumer condence on consumption expenditures for Sweden

Anton Flodin Sedenius/Andreas Timoudas

Purpose:

Investigate the forecasting ability of consumer confidence of real household consumption expenditures for Sweden, using data between 1996Q1 and 2021Q3.

Main empirical evaluation criteria is to compare RMSE forecast errors of VAR-models.

1. Why do you think forecasting consumption expenditures has proven to be a difficult task?
2. What does this thesis do differently from Assarsson & Österholm (2015)
3. What are the different aspects of Swedish consumer confidence?
4. What is the difference between Table 7 and 8?
5. Some models have up to 6 variables, how do you think that significantly affects parameter estimation or the precision of the forecasts?

“VAR models with many variables and long lags contain many parameters. Unrestricted estimation of these models reqires lots of data and often the estimated parameters are not very precise, the results are hard to interpret, and forecasts may appear more precise than they really are because standard error bands do not account for parameter uncertainty.”

1. If consumer confidence indices would considered by policy makers, do you think Goodhart’s Law would take over? Why/why not?

Goodhart's Law: when a measure becomes a target, it cease to be a good measure. In other words, if you pick a measure to assess people's performance, then we find a way to game it.