

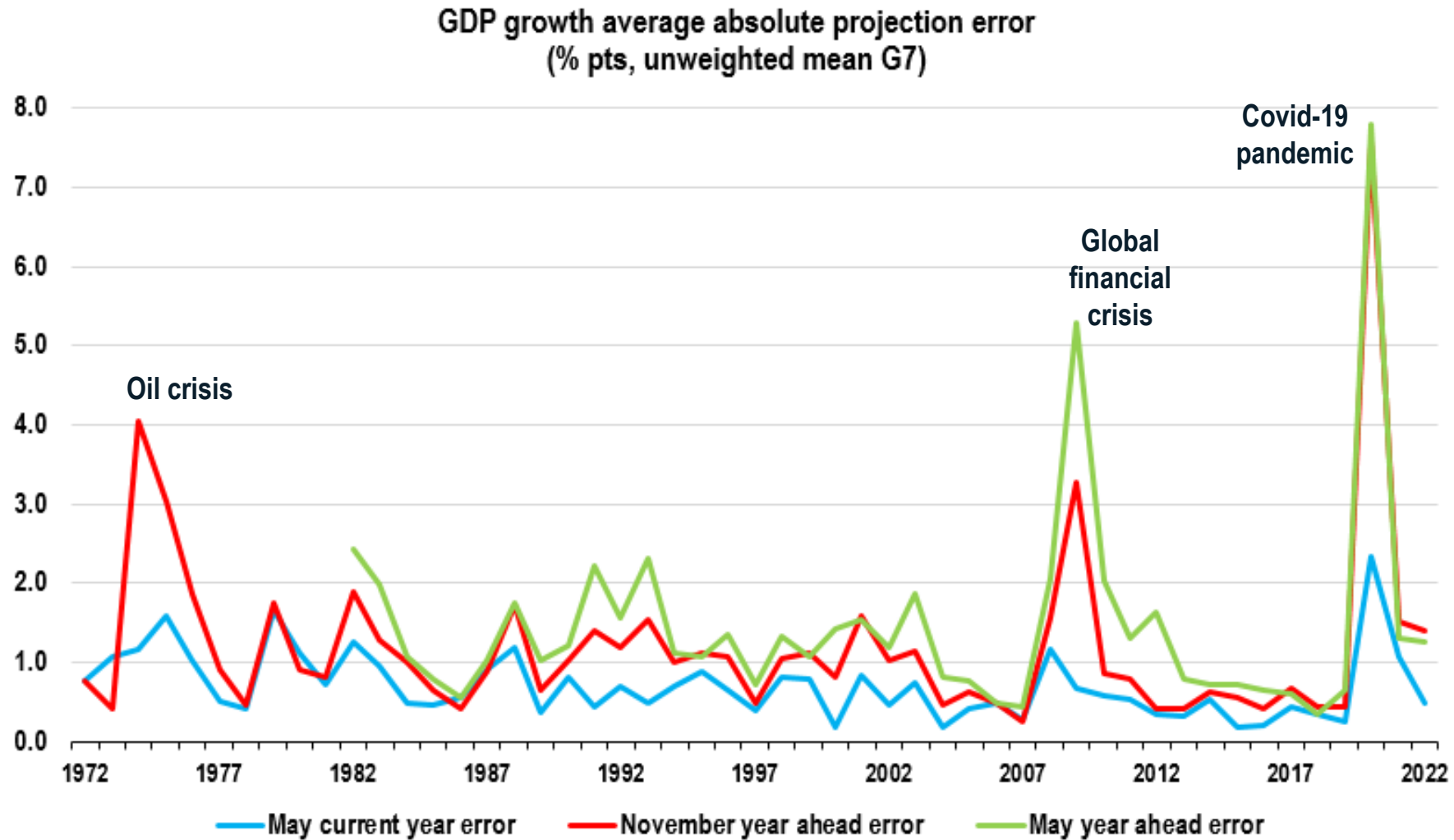
# Lessons from recent experiences in macroeconomic forecasting

ECB Forum on Central Banking 2023  
28 June 2023

Clare Lombardelli  
OECD Chief Economist



# Projections errors are larger around tail events



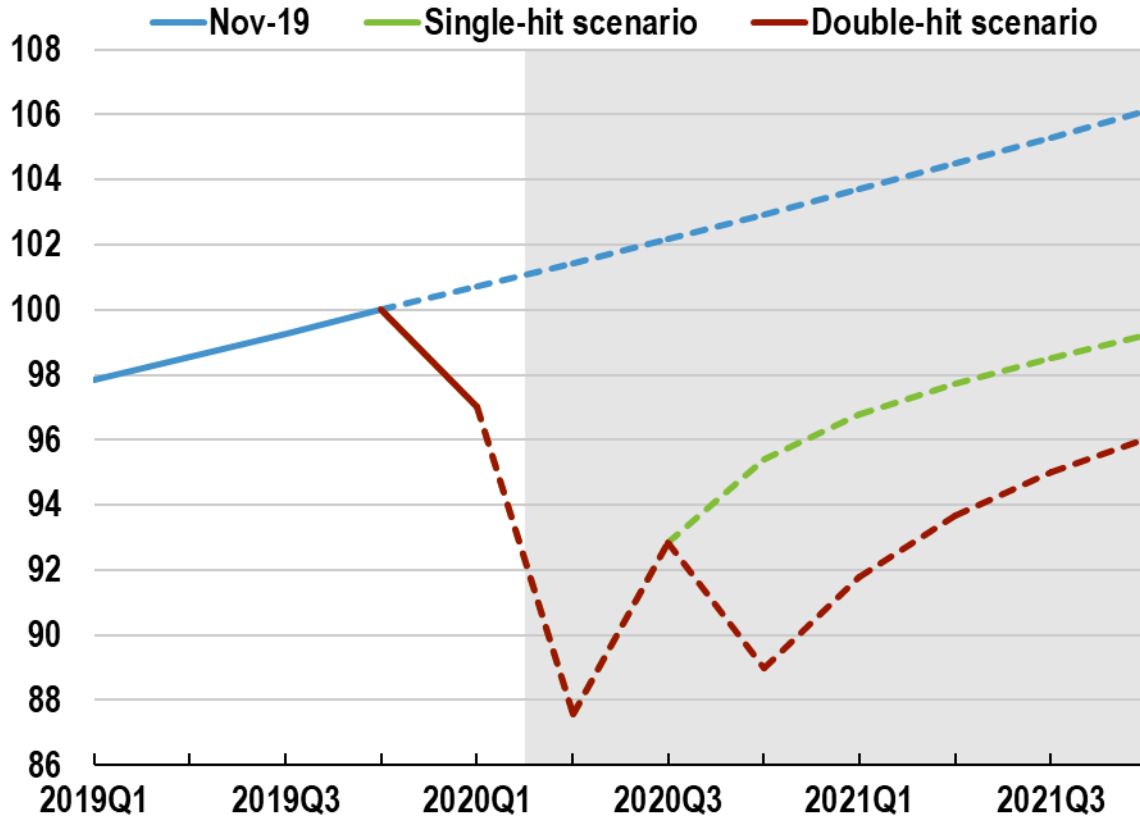
Note: The forecast error for year  $t$  is defined as  $\text{Outturn} - \text{Forecast}$ , where the Outturn is the official estimate for growth published in the May Economic Outlook in year  $t+1$ . Three sets of forecasts for year  $t$  are considered: the forecast published in the May Economic Outlook in year  $t$ , and the forecasts published in the May and November Economic Outlooks in year  $t-1$ .  
Source: OECD Economic Outlook database; and OECD calculations.



# Scenario analysis and innovative data can help to address uncertainty

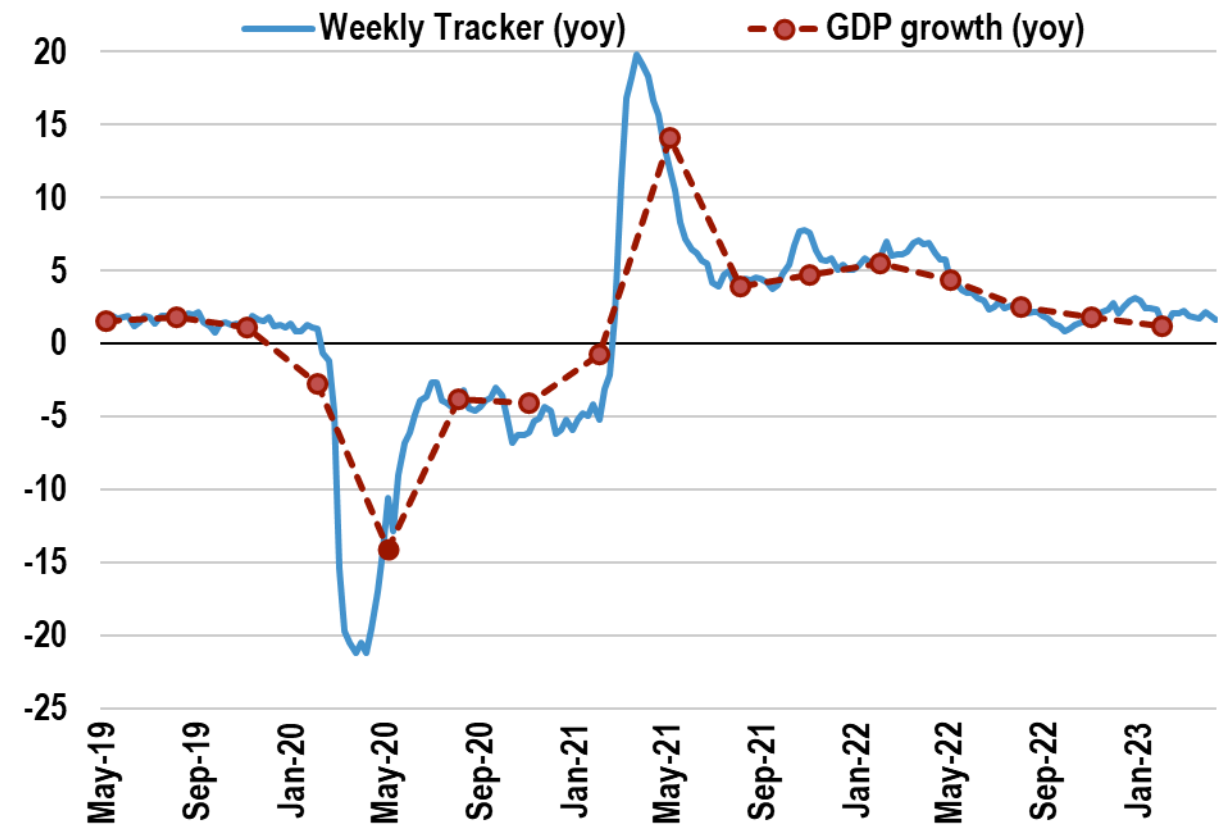
## Two-scenario GDP projections

Global real GDP index, 2019Q4 = 100, EO107(June 2020)



## Weekly Tracker of Economic Activity

Euro area



Note: The chart shows the global GDP projection based on the OECD Economic Outlook 106 (EO106) released in November 2019 and EO107 in June 2020. Double-hit scenario assumes a second wave of infections hits and triggers a return to lock-downs before the end of 2020. Single-hit scenario assumes a second wave is avoided. Shaded area indicates projection period. Source: OECD Economic Outlook 106 database; OECD Economic Outlook 107 database; and OECD calculations.

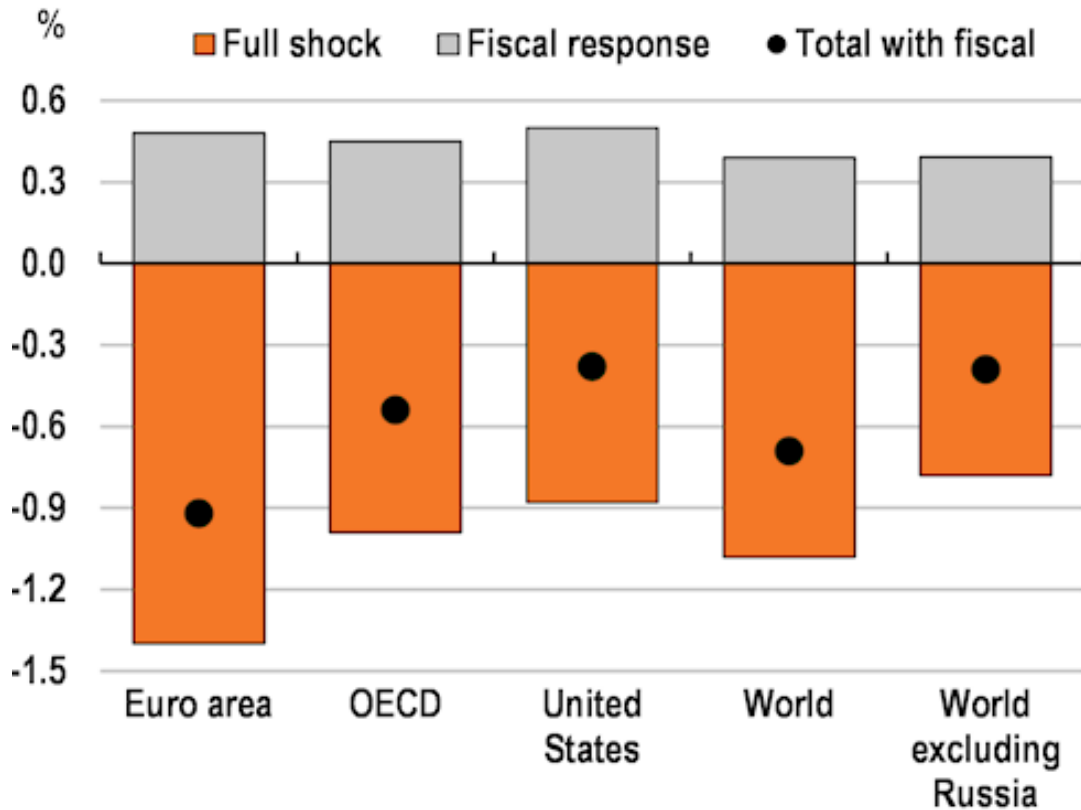
Note: The Weekly Tracker provides an estimate of weekly GDP based on Google Trends search data and machine learning. PPP-weighted Eurozone average. Source: OECD Weekly Tracker (Woloszko, 2020); <https://www.oecd.org/economy/weekly-tracker-of-gdp-growth/>; and OECD Quarterly National Accounts.



# Scenario analysis and innovative data can help to highlight risks

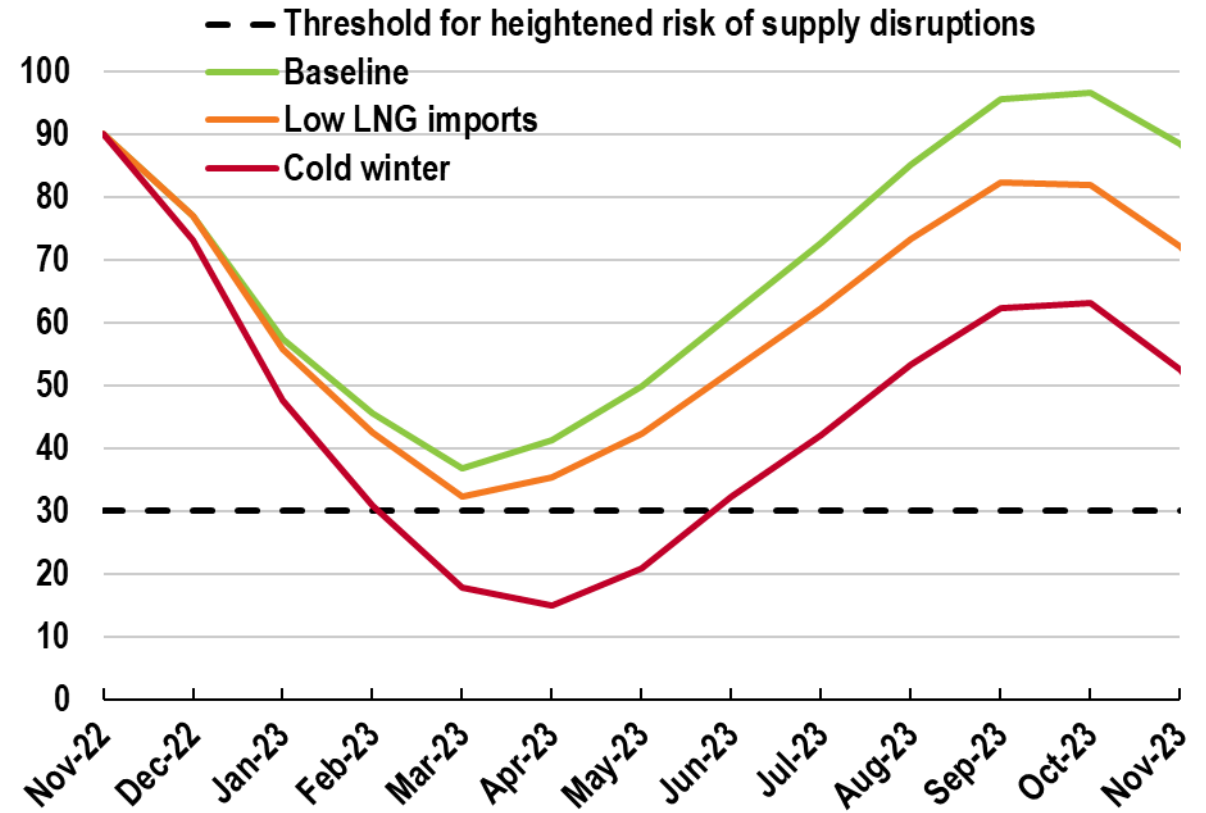
## Simulations of the potential GDP impact of the Russia-Ukraine conflict

2022, with and without policy response, IEO 110 (March 2022)



## Simulations of EU and UK gas storage levels until winter 2023/2024

Stylised scenarios from November 2022, %



Note: The full shock scenario assumes that the commodity and financial market shocks seen in the first two weeks of the conflict persist for at least one year and includes a deep recession in Russia. The fiscal response scenario assumes a well-targeted rise in final government spending of 0.5% of GDP for one year in all the OECD economies. Source: OECD calculations using the NiGEM global macroeconomic model.

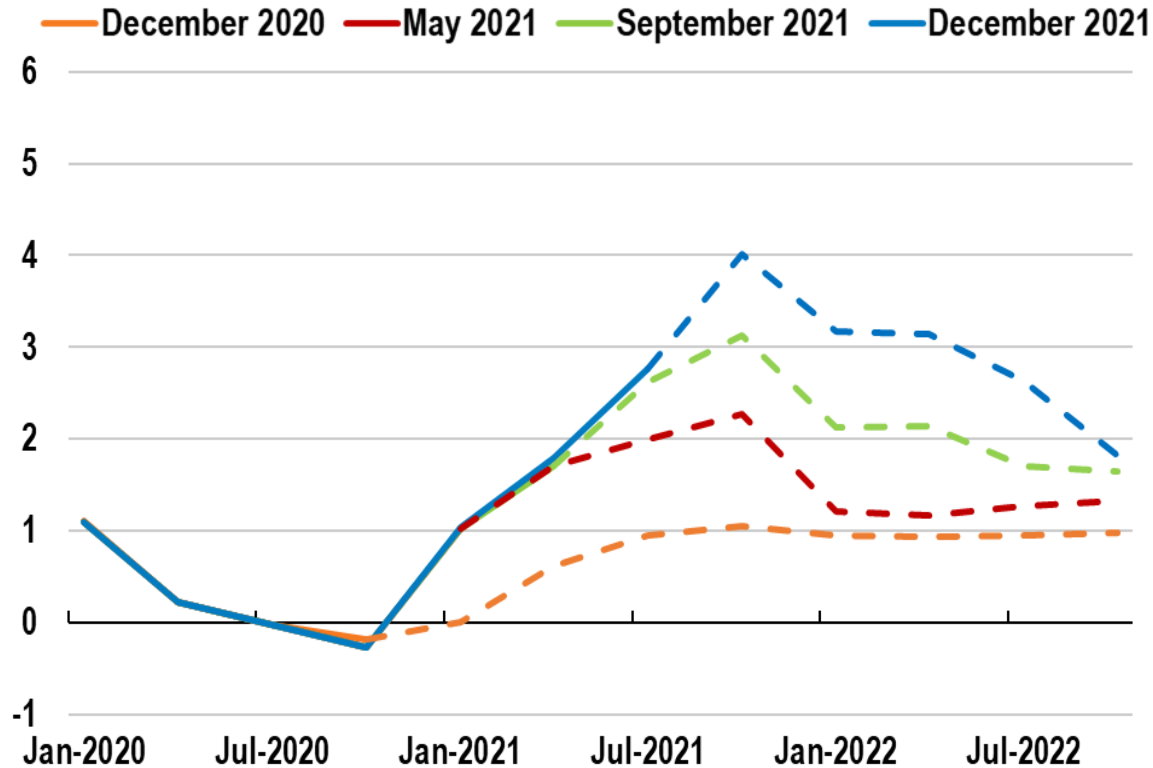
Note: For all scenarios, assuming 90% storage levels at the end of November; no imports from Russia from November 2022 and domestic production at average 2019-2021 levels. In the baseline, we assume "10% reduction" in gas demand relative to the 2017-21 average consumption, imports from other sources at 28 bcm/month, of which 13.5bcm/month from LNG imports. "Cold winter" assumes consumption at the maximum 2017-21 levels, a 10% reduction in gas demand relative to the maximum 2017-2021 levels and imports from other sources, incl. LNG imports, as the baseline. Low LNG imports assumes 12bcm/month of LNG imports starting from 2023 and a 10% reduction in gas demand relative to the 2017-21 average consumption.



# Still, despite the innovations, we were in for some surprises...

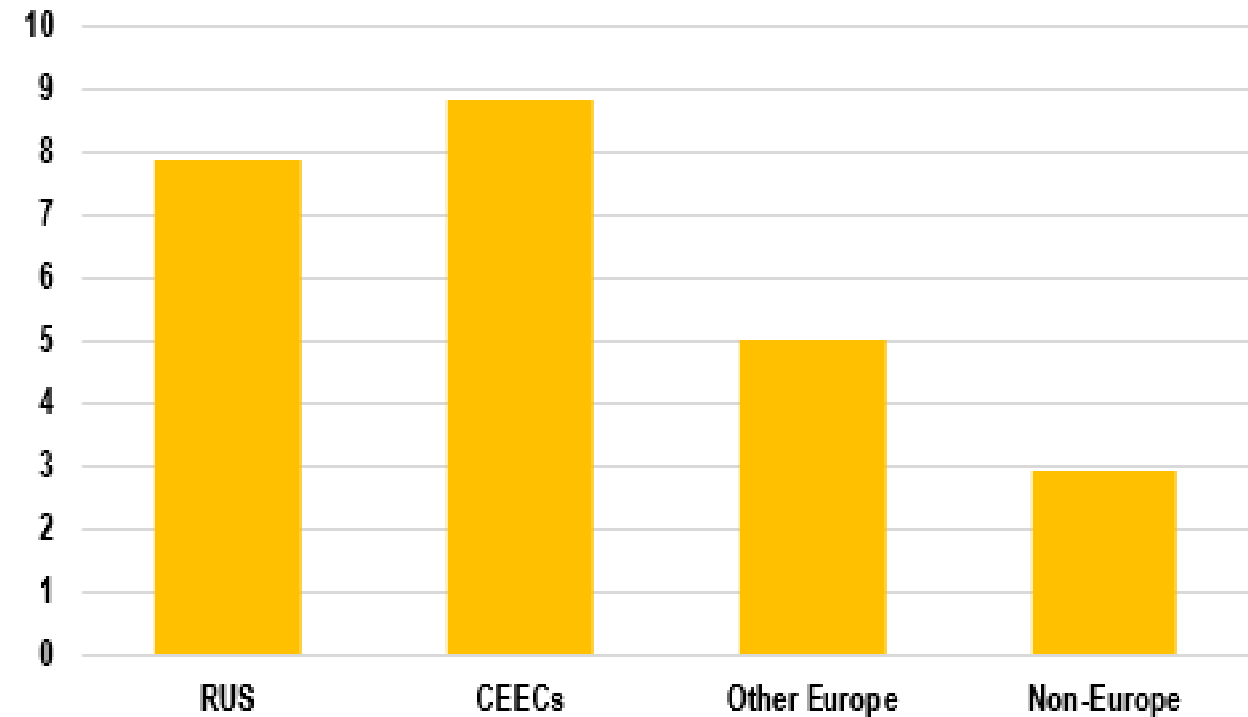
## Euro area

Successive projections of annual inflation, %



## Projection errors of inflation

Projection error of annual inflation projection for 2022 from December 2021, unweighted mean, % pts



Note: Dashed lines represent projections for the headline harmonised consumer price index.  
Source: OECD Economic Outlook 110 database; OECD Economic Outlook 109 database; OECD Economic Outlook 108 database; and OECD calculations.

Note: Projection errors are defined as outturn minus projection. CEECs is broadly defined to include Finland, Sweden and Greece.  
Source: OECD calculations.



## Find out more about our work at:

 <https://www.oecd.org/economic-outlook>

 <https://twitter.com/oecdeconomy>

 [eco.contact@oecd.org](mailto:eco.contact@oecd.org)

 <https://oecdecoscope.blog/>

