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Forecast robustness in macroeconometric models. (English) Zbl 1397.62333

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Summary: This paper investigates potential invariance of mean forecast errors to structural breaks in the data generating process. From the general forecasting literature, such robustness is expected to be a rare occurrence. With the aid of a stylized macro model we are able to identify some economically relevant cases of robustness and to interpret them economically. We give an interpretation in terms of co-breaking. The analytical results resound well with the forecasting record of a medium-scale econometric model of the Norwegian economy.

MSC:

62M20	Inference from stochastic processes and prediction
62P20	Applications of statistics to economics
91B64	Macroeconomic theory (monetary models, models of taxation)

Keywords:

co-breaking; dynamic homogeneity; equilibrium correction; structural breaks

Full Text: DOI