



Some small comments on

The OBR macroeconomic model and forecasting process

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A pragmatic approach...



- Large scale macroeconomic model is basic vehicle of analysis
 - Iterative process
 - Cross-checking and interaction with a wide range of other models/approaches
 - Judgement and discussion
- How should all this additional information from all possible sources be built in to model-results and forecasts?
 - Probably by being good economists...
 - To what extent are mechanisms and «story-telling» capabilities crucial for the OBR's purpose?



Some questions (i)

- The focus of the OBR is on *forecasting the public finances*
- Detailed treatment of public sector
 - But the model captures aggregate household spending – not behavior by individual household types
 - Can this be problematic when it comes to the modelling of several types of public income items and expenditures?
 - For example social security expenditures?
 - And what about incentive effects of taxes and social security?
 - Demographic modeling?
 - Public expenditures and revenues sensitive to demographic structure



Some questions (ii)

- Wealth effects
 - The wealth effect of housing wealth on consumption seems rather high
 - Interesting in light of recent experience with house price fluctuations
 - Is this high estimate the result of recent estimations?
- Output gap determined outside of model
 - Output gap determined from considerations of several different estimations/methods
 - Can something be said about which method(s) that is deemed as favorable?