

Kiel Institute for the World Economy | Kiel, 1 November 2016
Special Staff Seminar

The Joint Economic Forecast

Gemeinschaftsdiagnose im Frühjahr und Herbst

Stefan Kooths
Forecasting Center



Internationally unique consulting project

- Bi-annual comprehensive macroeconomic forecast
 - Group of independent economic research institutes
 - Participants must publish forecasts on a regular basis
 - Previous tenders
 - » Four 3-year contracts
 - Last tender (starting in autumn 2016)
 - » Two 4-year contracts
 - » Two 2-year contracts
- ⇒ On behalf of BMWi
(Federal German Ministry of Economics and Energy)
- » Federal Ministry of Finance
 - » Federal Ministry of Labor

- Every contractor must be able to **fulfil all requirements (GD = essence of independent expertise)**
- **Experience and expertise in preparing forecasts**, i.e. national accounting, business cycle indicators and other relevant data, empirical business cycle forecasts
- **In-depth knowledge of relevant institutional framework** in Germany (labor market, public finance,...)
- **Description** of methods and theoretical considerations used in the forecast
- Formal independence, scientific excellence

- **Detailed short-run macroeconomic developments in Germany for the current and the following year**
 - » Diagnostics and forecast (national and international conditions)
 - » Fully integrated into national accounts framework
 - » Quarterly and half-yearly frequencies

- **Medium-run projection (5-year horizon)**
 - » **Potential output estimates** (EU-COM approach)
 - » Annual frequency for main aggregates

- **Plus:**
 - » **Self-evaluation** of previous forecasts
 - » Detailed study of **special topic**

Joint forecast \neq mean value of individual forecasts

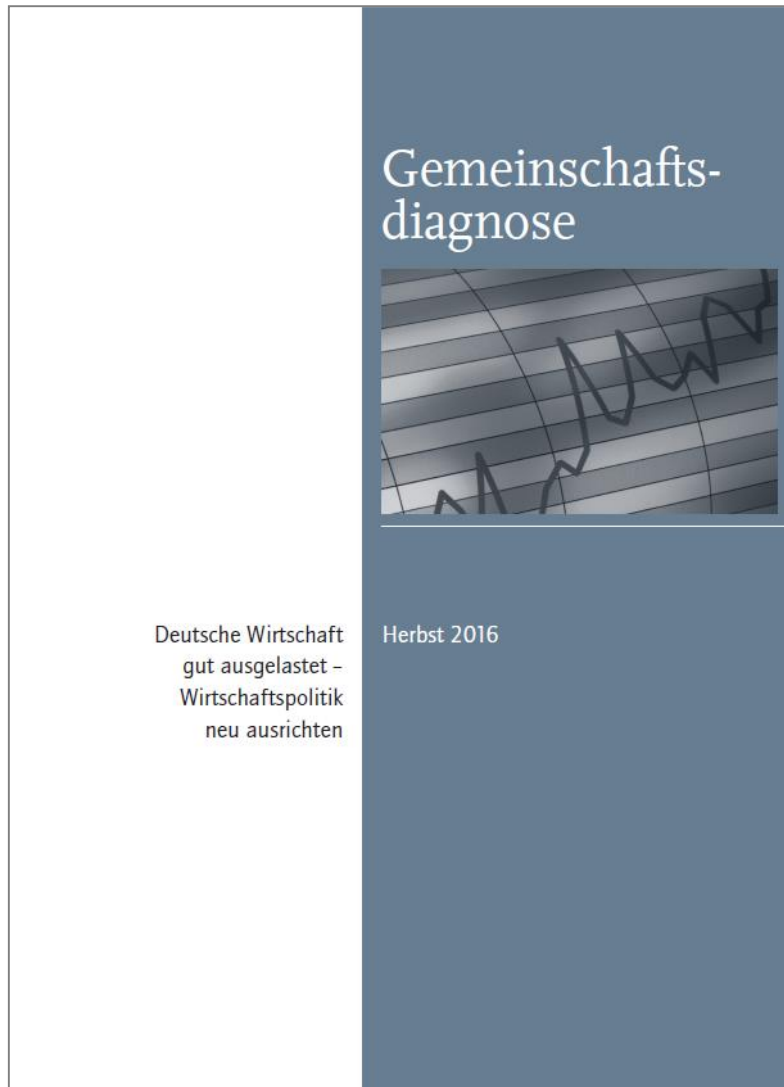
Exception, ...

... but sometimes unavoidable
(as last time)

Currently participating institutes/consortia

- ***RWI Essen***
 - » in cooperation with IHS (Vienna)
- ***Kiel Institute***
- ***ifo Institute Munich***
 - » in cooperation with KOF (ETH Zurich)
- **IWH Halle**
- ***DIW Berlin***
 - » in cooperation with WIFO (Vienna)

***Founding
institutes
(1950)
↓
“joint
diagnosis”***



- World economy
- European Union
- German economy (short term outlook)
- German economy (medium-term projections)
- Economic policy
- Special topic

- (80+ pages)

■ Preceding consultations/hearings

- » European Central Bank
- » Deutsche Bundesbank
- » Council of Economic Advisors (SVR)
- » Federal Office of Statistics
- » Federal government
(Economics, Finance, Labor)

■ Preparation of full-fledged forecast by each institute

■ Retreat (12 working days, three weeks)

- » Rotating host institutes (Kiel: Autumn 2017)
- » 12 working groups
- » 3 days with “silent” government observer
- » Last Tuesday (night): Preliminary version to federal government
- » Last Thursday (morning): Official handover/Publication/Press conference
- » Last Thursday (afternoon): Presentation/discussion with federal government

Working groups (IfW representatives)

- Steering group (Stefan Kooths) [+ Adlati]
- World economy, raw material markets (Klaus-Jürgen Gern)
- US economy, emerging markets (Philipp Hauber)
- European economy (Ulrich Stolzenburg)
- Monetary policy, financial markets (Salomon Fiedler)
- National accounts and private consumption (Nils Jannsen)
- Public finance (Jens Boysen-Hogrefe)
- Labor market (Dominik Groll)
- External trade (Galina Potjagailo)
- Investment, production, potential output (Martin Plödt)
- + Special topic experts

- Key input for federal government's projections
 - » Annual economic report
 - » Forecast of tax revenues

- Framework
 - » German Fiscal Board: Potential output estimations
 - » So far: Informal research project of federal government
 - » Future: Institutionalized (by law) to fulfill EU fiscal regulation

- Public outreach (media)

⇒ **Strengthening independence of economic analysis**

How you may get involved: Cooperation with the Forecasting Center



- Visibility in discussion on current economic issues
 - » IfW-Box (within Kieler Konjunkturberichte) and KKG-presentations as slots/platforms to promote related research
 - » Contributing to the theoretical/methodological and institutional/empirical foundations of forecasting

- Dealing with GD-related topics
 - » Joining the joint forecast as expert on special topics
 - » Applications for BMWi tenders

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