Comparison of our forecast errors with other forecasters

Editor's note

Having completed basic statistical analysis of our errors, and some investigations into what we believed was driving our errors, the next step was to compare our forecasts to those of others.

Interpreting results from comparison with other forecasters is not straightforward. For one thing, the forecasters at each institution are constantly changing, so that gathering the forecasts under the banner of a single institution may be misleading. Second, we do not know the macroeconomic models being used by each forecaster. We can therefore draw only very tentative conclusions about what may be driving any difference in the forecasts. A third issue is that forecasts are seldom prepared in exactly the same week. Later forecasts may benefit significantly from additional data revealing the current state of the economy. An additional practical issue is that the sample size was very small for several forecasters, making statistical comparison difficult.

With these provisos in mind, the following articles examine our relative forecast performance for CPI inflation, GDP growth, short-term interest rates, the TWI, and world prices for our imports.

Initially we compared our inflation forecasts with a wide range of forecasters. We found that two, the National Bank of New Zealand (NBNZ) and the New Zealand Institute of Economic Research (NZIER), had inflation forecasts that outperformed our own over comparable sample periods. We therefore examined their forecasts of other variables in greater detail. We also stepped back from numerical analysis and considered how our forecast stories compared with those of the NZIER.