

Box 6

Procedures and techniques used in Eurosystem staff economic projections

The results of the Eurosystem staff economic projection exercise presented here are part of the material prepared for the Governing Council of the ECB. The exercises are conducted by the Working Group on Forecasting, a working group of ECB and national central bank experts operating under the responsibility and guidance of the Monetary Policy Committee (which is composed of senior staff representatives of the ECB and national central banks). Eurosystem staff economic projection exercises are carried out twice a year, in the spring and in the autumn, and the results are presented to the Governing Council for its meetings at the beginning of June and December.

The projections cover both growth and inflation prospects. They are conditioned on the set of assumptions described in the main text. The exercises ensure that the euro area projections are obtained in a way which is consistent with individual country assessments, incorporating the full range of expertise available and reflecting a consensus among Eurosystem staff.

The staff economic projections combine the use of econometric models with non-model-based judgemental inputs, as econometric models cannot always fully track the most recent developments, reflect sector-specific behaviour, or capture exceptional factors or structural changes. A variety of econometric models are employed to generate, and provide analytical support for, the projections. They provide a detailed structure for the projections, ensuring that they are internally consistent and that the relationships between projected variables are in line with economic theory and econometric evidence. Euro area, country and sectoral assessments also make use of reduced-form equation systems, time series models, leading indicators and judgemental methods. Detailed knowledge of the institutional context and other specific information are therefore also integrated into the projections.