

Challenges in forecasting: Part 1

1. Limitations of economic data

common issues:

- time lags

- revisions to initial data

- changes to definitions and calculation methods

2. Data measurement errors and biases

common issues:

- transcription errors:

- survivorship bias:

- appraisal (smoothed) data:

3. Limitations of historical estimates

- REGIME CHANGES

- Higher-frequency data

- Normal distribution versus fat tails and skewness

4. Ex post risk can be a biased measure of ex ante risk

