

BANCO DE ESPAÑA EVALUATION PROGRAMME

ACTION PLAN TO THE EXTERNAL EVALUATION OF THE BANCO DE ESPAÑA MACROECONOMIC PROJECTIONS

Banco de España

The main actions that the Banco de España undertakes to implement in the short and medium term in response to the recommendations included in the report are highlighted below.

Section 1: Models, judgement and forecast accuracy

A cost-benefit analysis will be conducted of the potential incorporation into the next version of the main macroeconomic model used in the projections, “Modelo Trimestral del Banco de España (MTBE)”, of some of the “off model tools”, such as the satellite models.

In addition, the version of the model developed in the most recent period, which incorporates different assumptions about agents’ expectations, will be documented and work will continue on refining the model in future versions.

Section 2: Characteristics of the projection exercise

An annual or biennial analysis of the economy’s potential output will be published. In particular, the Banco de España will publish a baseline scenario and, with the assistance of an endogenous growth model currently in development, will study the impact of structural shifts in the economy under various alternative scenarios.

At regular intervals, an assessment of the cyclical position of the economy (e.g. output gap) will be included in the projection exercises.

The Banco de España will, when deemed necessary, again publish alternative scenarios and sensitivity analyses to assess the impact of the materialisation of assumptions different from those included in the baseline scenario.

The Banco de España will assess and, where appropriate, implement a non-quantitative procedure to determine the risk factors in the projections, the likelihood of them materialising and the size of their potential impact.

The Banco de España will extend the practice of creating ad hoc cross-departmental groups to study issues heavily affecting the preparation of the projections.

The Banco de España will strengthen the use of high-frequency and big data, as additional data sources become available and the number of fields in which their utility is proven rises.

Section 3: Procedural aspects

The level of detail in the timetable for projections-related tasks will be increased, indicating more clearly when each step in the process is carried out.

Internal mobility and the rotation of staff responsible for preparing the projections will be encouraged, helping to strengthen the procedures followed in the projections process.

The Banco de España will complete the development of a new platform for preparing the projections with a new, more intuitive procedure that will be documented more accurately.

Section 4: Communication

As regards the macroeconomic projections section of the Banco de España's Economic Bulletin:

- The Banco de España will continue to publish articles in the Economic Bulletin, affording the topics' relevance to current economic developments greater weight in the selection criteria.
- Explicit information about the main judgements made in preparing the projections will be included in order to make them more comprehensible.
- A more detailed description of labour market developments will be incorporated, including changes in the key variables and analysis of the determinants of the projected developments.
- More importance will be attached to the public finances.

Section 5: Governance

Publications relating to the projections will reiterate that the projections are prepared solely by Banco de España staff, without any intervention from the policy level.

Section 6: Staff

For the staff involved, participating in the macroeconomic projections will be one of the goals assessable in the Banco de España's new staff appraisal process. Their work will be afforded more visibility in the external dissemination of the projections.

More staff will be involved in preparing the projections. This will allow the staff involved to perform tasks whose analytical content is higher during certain periods of the year.