



TRAINING COURSE

ECONOMIC FORECASTING FOR BANKING

Organised by: The Florence School of Banking and Finance

Course Instructor: **Massimiliano Marcellino** | Bocconi University and EUI

Teatro

Badia Fiesolana, Via dei Roccettini, 9 - San Domenico di Fiesole

5-7 NOVEMBER 2018

■ INTRODUCTION

Forecasting is a key ingredient of decision making both in the public and in the private sector. It is particularly important in the context of banking, both for their management and for their supervision. Banks' assets and liabilities are influenced by a number of factors, such as general economic and financial conditions, interest rates, and the prices of financial assets. As these variables are the result of a vast, complex, dynamic and stochastic system, forecasting them is very difficult and forecast errors are unavoidable. Yet, forecast errors can be reduced and forecast precision enhanced by using proper econometric models and methods. This course provides a primer on econometric methods for forecasting economic and financial variables relevant in a banking context, and it also discusses some more advanced topics related to forecast construction and evaluation.

■ PROGRAMME

5 NOVEMBER

13.45 - 14.00 Welcome and presentation of the Florence School of Banking and Finance, *Tour de table*

14.00 - 16.00 **Session 1: Modelling economic and financial variables**

- The main macroeconomic and financial drivers of banking performance
- Using the linear regression model for economic and financial variables: general issues and assumptions

- Estimating the model parameters and testing hypotheses on them
- Selecting the explanatory variables
- Measuring the goodness of fit

16.00 - 16.30

Coffee break

16.30 - 17.30

Session 2: Empirical applications in E-Views using simulated and actual economic and financial data, possibly provided by the course participants

After the course

Social activities

6 NOVEMBER

09.30 - 11.00

Session 3: Forecasting economic and financial variables using the linear regression model

- Constructing and interpreting point, interval and density forecasts
- Main sources of forecast errors
- Back to the model assumptions: implications for forecasting and tests for their validity

11.00 - 11.30

Coffee break

11.30 - 13.00

Session 4: Empirical applications in E-Views using simulated and actual economic and financial data (focus on the testing the model assumptions and their link with forecasting performance)

13.00 - 14.00

Lunch break

14.00 - 16.00

Session 5: Improved Forecasting: handling instability and dynamics

- The effects of crisis and institutional changes
- Assessing the effects of parameter instability
- Testing for parameter stability
- Simple methods to model parameter instability
- A typology of dynamic models
- Dynamic forecasting

16.00 -16.30

Coffee break

16.30 - 17.30

Session 6: Empirical applications in E-Views using simulated and actual economic and financial data (focus on assessing the role of parameter instability and dynamics for the forecasting performance)

7 NOVEMBER

09.30 - 11.00	Session 7: Forecast evaluation, comparison, combination
11.00 - 11.30	<i>Coffee break</i>
11.30 - 12.45	Session 8: Empirical applications in E-Views using simulated and actual economic and financial data (focus on forecast evaluation, comparison, combination)
12.45 - 13.00	Closing remarks