



INTRODUCTORY CONFERENCE

13 September 2013, Moscow, Russia

# EECFA'S ANALYSIS AND FORECASTING METHODOLOGY

Áron Horváth, PhD.

EECFA-ELTINGA



- I. **Analysing the sectors of construction: the basics**
- II. Central body in EECFA: many methodological advantages

# Sectoral breakdown of the construction industry



different market forces play a role

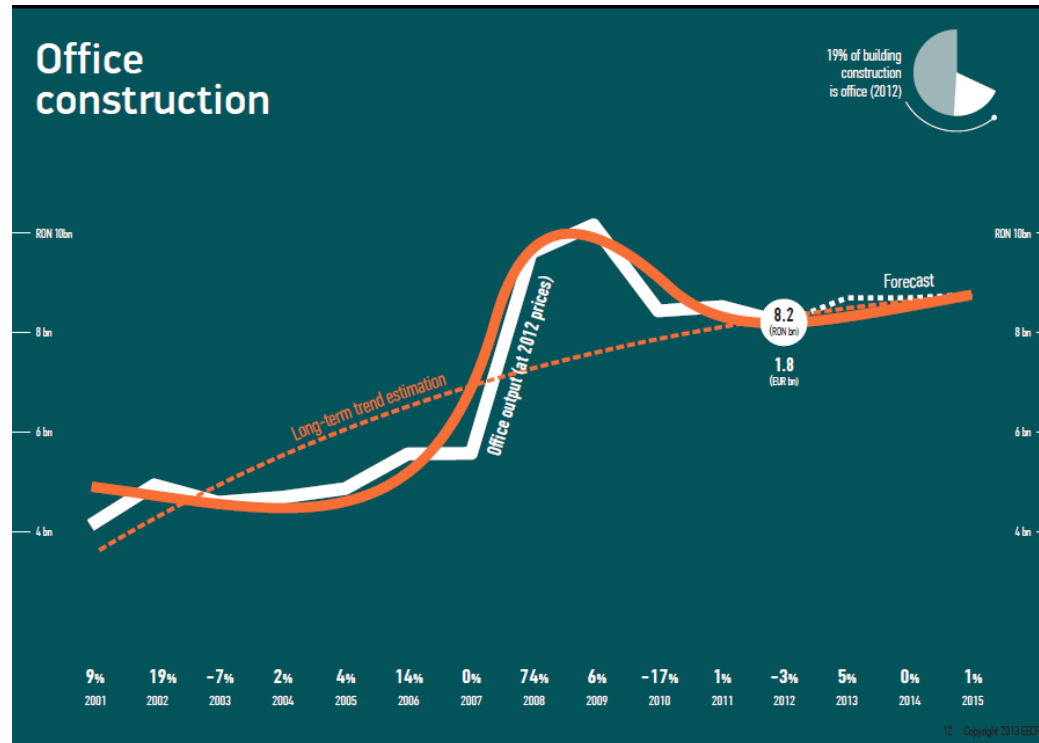
Sector	Main driving forces
<b>Residential</b>	Households' income, demographics Financial environment
<b>Office</b>	Office-related employment
<b>Commercial</b>	Retail turnover, households' income Market maturity
<b>Industrial</b>	Industrial production prospects, employment
<b>Education, health</b>	Governmental policy, coverage, demographics

# Decomposing the time series according to the horizon

Recent past,  
present, „nowcast”

Business cycle  
movements

Long-run trend



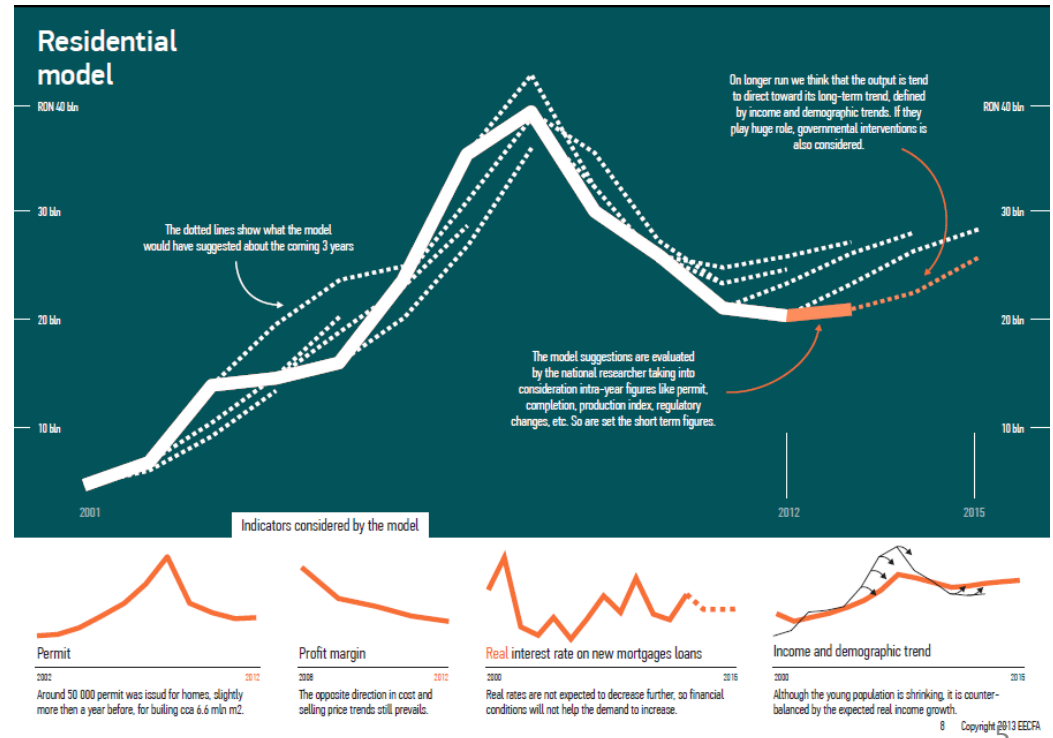
Different indicators are taken into consideration for each.

# Quantified relationships result in a verifiable system

Forecast error has two sources: external and internal.

- External comes from imprecise macro forecasts.
- Internal comes from misjudging the links between the macroeconomy and the construction industry.

As correspondances are clear, we can test their performance, and refurbish them.



# Forecasting is not foreseeing

understand

- A good forecast comes from the deeper understanding of economic relationships.

highlight

- The quantifications – elasticities – help to highlight the importance of main indicators.

use

- These correspondences are the key to evaluating the incoming news.

- I. *Analysing the sectors of construction: the basics*
- II. **Central body in EECFA: many methodological advantages**

# Methodological goals of centralization

## Opportunity

Spreading the knowledge among the participants.

- Pooled analysis: joint analysis improves credibility.
- Cross country learning: findings in one country can inspire the analysis in other countries.

## Assurance

- Maintaining consistency among the sectoral analyses of different countries.



# Pooled analysis

Most of the data series are short (based on a few years of observations).

Demand elasticities, response lags could be estimated on the cross-country database.

Joint publications will strengthen the credibility of the credibility of the whole project.

A lot of „noise” (fundamental macroeconomic noise and the effects of policy changes) takes place during the observed period.

Statistical tools work better on broader data sets.

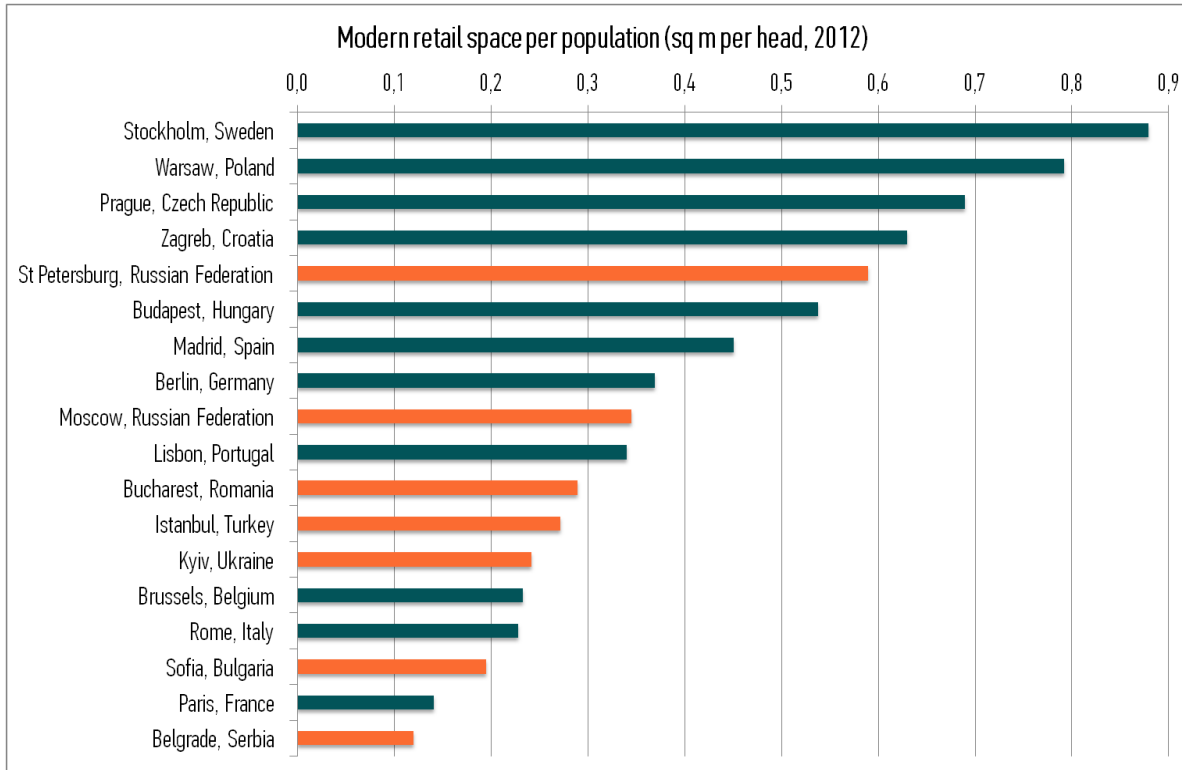
# Cross-country learning

Experiences, research results from individual countries could be used more efficiently through the Central Body, as it will be responsible for spreading it.

- These Eastern-European countries' markets are heavily influenced by government interventions.
- System of EU Funds are similar in Hungary, Romania, Bulgaria, Croatia.

# Cross-country consistency

Avoiding the threat of inconsistency among the reports.



If a report states that the region's retail space lags behind the Western level, the analysts have to keep that in mind.

Thank you for your attention!