

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

DIVISION OF RESEARCH AND STATISTICS

Date: May 30, 2018
To: Research Directors
From: David Wilcox
Subject: Measuring the uncertainty of judgmental estimates of unobserved variables

In the June Tealbook we are formally introducing improvements we have made to our process for judgmentally estimating the output gap in recent years. A memo on the topic is being sent to the FOMC. As part of that process we have created a new exhibit in the Tealbook focusing on the near-term cyclical position of the economy. This exhibit includes confidence intervals around the staff estimates of the output gap and the natural rate. The attached memorandum, prepared by Travis Berge, of the Division of Research and Statistics, describes the methodology for creating those confidence intervals.

Please feel free to contact Travis Berge or Andrew Figura if you have questions about the memo.