

I think that this is a potentially important paper, which highlights the benefits of careful econometric modelling in obtaining good inflation forecasts. I regard the forecast comparisons between the Norges bank forecasts and those of the outside model as the strength of the paper.

The differences in accuracy are sometimes large. Notwithstanding the smallish numbers of forecasts, some tests of statistical significance of the differences would be desirable.

I was not sure about the formalism in section 3 – the intuition that lags in the transmission mechanism make forecasts more important was clear, but I was not clear about why forecasts are even needed when inflation is regarded as responding immediately to the interest rate (as in the initial setup considered).

As it is the paper is quiet simple. This is not meant as a criticism. But it would be interesting if the improved accuracy of the outside model could be related more closely to key differences between it and the Norges bank model – especially as the outside model is described in some detail.

Finally, much recent interest on central bank inflation forecasts focuses not just on evaluating the point predictions, but also the density forecasts. It would be interesting to see the probability integral transform approach, or something similar, applied here.