Statistics 1B Interludes

14. Predicting with uncertainty

Stop ‘anchoring’ by not showing central prediction

“Cone of Uncertainty” for hurricane warnings

Bank of England Fan Charts - inflation
Bank of England Fan Charts - growth

If economic circumstances identical to today’s were to prevail on 100 occasions...

Consequently, GDP growth is expected to lie somewhere within the entire fan on 90 out of 100 occasions...

Can compare with what happened

2011: Hurricane Irene
• What if cannot produce closed-form model?
• Produce multiple runs and consider as ‘possible futures’
• ‘Ensembles of models’

If really believe that spread represents probabilities, called “Monte Carlo”

2011: NBC News for Hurricane Irene

‘Possible futures’ metaphor

24 ‘possible futures’ from Met Office

Figure 8.1.7: T+120 MOGREPS-15 postage stamps of PMSL for VT 122 18/01/2007