



澳門大學  
UNIVERSIDADE DE MACAU  
UNIVERSITY OF MACAU

**Faculty of Business Administration**  
**SEMINAR SERIES No.6/1819**  
***FBE***

*Forecast Performance in Times of Terrorism*

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**Abstract**

Governments, central banks, and private companies make extensive use of expert and market-based forecasts in their decision-making processes. These forecasts can be affected by terrorism, which should be considered by decision makers. We focus on terrorism, as a mostly endogenously driven form of political uncertainty, and use new econometric tests to assess the forecasting performance of market and professional inflation and exchange-rate forecasts in Israel. We show that expert forecasts are better than market-based forecasts, particularly during periods of terrorism. However, forecasting performance and abilities of both market-based and expert forecasts are significantly reduced during such periods. Thus, policymakers should be particularly attentive to terrorism when considering inflation and exchange-rate forecasts.

**Date:** 4 December, 2018 (Tuesday)  
**Time:** 16:30~18:00  
**Venue:** Faculty of Business Administration, E22-2007

**A Short Biography of Prof. Dr. Makram El-Shagi**

Prof. Dr. Makram El-Shagi obtained his PhD degree and postdoctoral qualification from the University of Mannheim. He is currently Full Professor of Economics and Director of the Center for Financial Development and Stability at Henan University in China. He is also a Research Professor at the Halle Institute for Economic Research in Germany, and a Research Affiliate at the Center for Economic Research of the University of Wisconsin at River Falls in the US.

He has research interest in monetary macroeconomics, international macroeconomics, and econometrics. He is a prolific researcher, and has published numerous journal papers in areas such as monetary policy, regulation of financial markets, and computational and time series econometrics. He is placed 50th in the top 100 economists at Chinese University according to RePEC in 2018, and among the top 100 economists under 40 originating from Germany, Australia or Switzerland according to Handelsblatt.

**ALL ARE WELCOME!**