Asymmetry and Interdependence when Evaluating U.S. Energy Information Administration Forecasts

Garratt, Anthony and Petrella, Ivan and Zhang, Yunyi

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Anthony Garratt†
University of Warwick

Ivan Petrella‡
University of Warwick

Yunyi Zhang§
Xiamen University

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Abstract

We evaluate US Energy Information Administration (EIA) forecasts of the world petroleum market, emphasising the importance of taking a multivariate perspective, considering asymmetric loss and allowing for time-variation. Forecasts for total demand, total supply, total stock withdrawals and the oil prices are biased, with biases that change over time and differ across variables. A loss function that takes into account asymmetry and interdependence can rationalise these biases. The implied asymmetric loss gives less weight to under-prediction of both demand and supply, while for oil prices, we document significant regime changes in the implied loss due to asymmetry. The EIA forecasts dominate a simple random walk benchmark when evaluated using symmetric and independent loss in the form of MSE statistical criteria. Yet, when allowing for asymmetry and interdependence that rationalize the EIA forecasts, the performance of the EIA forecasts worsens and is comparable to the random walk benchmark.

JEL codes: C32; C53; E37; Q47.

Keywords: EIA forecasts, oil market, forecast rationality, non-separable loss, asymmetric loss.

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†Warwick Business School, University of Warwick. Email: Anthony.Garratt@wbs.ac.uk

‡Warwick Business School, University of Warwick and CEPR. Email: Ivan.Petrella@wbs.ac.uk

§Corresponding Author: School of Management, China Institute for Studies in Energy Policy, Xiamen University. Email: yunyi_zhang@xmu.edu.cn

1 Introduction

The use and influence of the many types of energy forecasts produced by the U.S. Department of Energy's Energy Information Administration (EIA) is widespread. Numerous public, private sector, government organisations and analysts use EIA energy forecasts as important inputs into their environmental, energy, monetary, fiscal and investment policy decisions. Therefore developing a greater understanding and assessing the accuracy of EIA forecasts, over long sample periods and overtime, is an important and useful exercise to undertake. The forecasts performance determines their usefulness as inputs to the many decisions they are currently used for. Existing evaluations of EIA forecasts, such as those undertaken by the EIA of their annual reference case projections forecasts (EIA, 2020), and those undertaken in the academic literature have their limitations. In particular, very little emphasis is placed on how forecast performance varies over time, and it is often the case that only short samples are considered. The range of variables and forecast horizons analysed is limited, and, most importantly, evaluations are often based on the assumption that the forecasts are unrelated to one another. In fact, there are good reasons to suppose that forecasts are formulated jointly – not least because the demand and supply forecasts are conditional on a baseline scenario for future oil prices – suggesting alternative approaches to forecast evaluation allowing for joint determination and interdependence is an important aspect to be considered.

In this paper, we seek to further our understanding of the EIA's ability to produce accurate forecasts of the world petroleum market. To this end, we examine the EIA forecasts for total demand, supply, stock withdrawals in the world petroleum market and Refiner Acquisition Cost (RAC) oil prices, for the period 1983Q1-2019Q4. We consider a wide range of horizons, from a one quarter backcast, the current period or nowcast, through to forecasts for the next six quarters. The value of constructing and analysing a forecast data set with a long-time span and broad set of energy variables is twofold. First, the longer time span enables a thorough and rigorous examination of time variation. The energy market has undergone several substantial changes, in particular over the last 10/20 years, and knowing whether the predictions of the EIA are currently as reliable as they were documented to be in the past is important. As we aim to identify changing and evolving patterns/trends in the consumption of oil, the EIA forecasts play an important role potentially acting as a guide on, for example, how fast the economy is moving towards a "green economy". Second, by examining more variables, particularly the interaction between demand/supply/inventories and how these relate to prices, allows us to understand whether the overall balance between demand and supply is consistent, even when the exact forecast is imprecise.

The forecasts produced by the EIA are widely used by policymakers and the energy industry as an exogenous inputs to the decision making process. Often users assume that forecast producers use symmetric loss functions, which may not be the case. This misperception would result in a suboptimal outcome for the forecast user. A distinguishing feature of our analysis is the emphasis we place on, and the evidence we provide for, the importance of taking into account directional asymmetries and the likely correlations and interdependence of the forecast variables when evaluating forecasts (see Komunjer and Owyang, 2012). Forecasts from a directionally asymmetric loss functions will be biased, and we establish which variables the EIA systematically under-predicts or over-predicts. Separability implies that the costs of forecast errors for one variable do not depend on the forecast errors of others. Not accounting for this potential interdependence is clearly undesirable as the interdependence of the variables we examine would naturally arise in a classical theory of storage (Working, 1949; Pindyck, 1980). Uncertainty in future demand and supply fundamentals induces storage, which in turn, plays a stabilising role in consumption, production and prices. If demand and supply of crude oil are inelastic in the short run, any deviations from equilibrium storage levels could have an immediate impact on futures prices and volatility. Therefore, it makes sense to consider the inter- relationships when evaluating the forecasts.

We find evidence of bias in EIA forecasts. When time variation in the forecasting performance is not explicitly considered, there is a statistically significant tendency to under-predict total demand and supply, but forecasts for stock withdrawals and the RAC oil price are unbiased. In fact, we reject the rationality of the forecasts of total demand, supply and stock withdrawals. Forecast error distributions are characterised by outliers and fat tails and there is also a suggestion of multimodality for demand and supply. The latter may potentially reflect time-variation in the properties of the forecast errors. Indeed, we document significant degrees of time variability in the bias and in the distributions of the forecast errors. The early part of our sample (until the late 90s), as well as the last part in our sample (post-2010), are characterised by a broad under-prediction of both demand and supply of oil, and over-prediction in price forecasts. Whereas the decade running up to the Great Recession is distinguished by under-prediction in the price forecasts, a somewhat over-prediction in the forecast of demand and production and positive bias in the stock of inventories.

Motivated by this first look at the forecast error characteristics we move away from assuming symmetric quadratic loss and undertaking individual variable forecast evaluation, in favour of joint evaluation under non-separable asymmetric loss (along the lines of Komunjer and Owyang, 2012). Adopting a different loss function alters the perspective on bias. We find strong evidence in the full-sample that asymmetries are important and we can no longer reject the null of rationality, for all of our forecasts. The size of the asymmetries in the EIA implicit loss function, as with the bias, varies overtime, moreover there is strong evidence of non-separability between the forecasts when specifying the loss function throughout the sample being analysed. The implied asymmetric loss gives less weight to under-prediction of both demand and supply, while for oil prices, we document significant regime changes in the implied loss due to asymmetry. Taken together those features of the asymmetric loss allow us to rationalize the time varying biases in the EIA forecasts.

Last, we conduct a relative forecast evaluation exercise, comparing the EIA forecasts to random walk-based benchmarks. For the full-sample period, we find mean square error ratios that indicate good comparative performance of the EIA forecasts, particularly at shorter time horizons, but where the RAC oil price performs noticeably worse. Moreover, these ratios show a large degree of time variation. However, if we adopt an asymmetric and nonseparable loss function, which is consistent with rational forecasts for the EIA, we observe a worsening of the EIA forecast performance, where the loss is no longer significantly different to the random walk benchmark, with especially poor performance at short horizons.

Previous related studies that examine the accuracy of EIA forecasts are varied in terms of objective function, horizon, specific variable or variables examined and evaluation methods. For example, and among others, studies which focus on a symmetric point forecast evaluation include Winebrake and Sakva (2006), Sanders et al. (2008), Sanders et al. (2009), and Lady (2010). Overall, they suggest EIA forecasts have good performance, with relatively small mean squared prediction errors, and largely rational forecasts, particularly at short horizons, less so for long horizons. The accuracy of EIA projections has also been tested by the EIA themselves. In the Annual Energy Outlook (AEO) Dec 2020 EIA evaluation document, when comparing AEO reference annual case projections with realised outcomes from 1994 to 2019, of the 25 variables examined greater than 50 percent over estimate the actual.[1] In addition to the more conventional energy EIA based forecast evaluation, is a closely related macro-based forecasting literature, whose focus is on forecasting the oil price. Baumeister et al. (2014) examine oil price forecasts, making a direct comparison with the forecasts produced by the EIA. Baumeister and Kilian (2015) compare the forecasting performance of six econometric models for the real oil price, individually and in combination always assuming a symmetric loss function.[2] Evaluation methods assuming asymmetric loss functions are used to evaluate the rationality of EIA forecasts in for example Auffhammer (2007) and Mamatzakis and Koutsomanoli-Filippaki (2014). However, prior to this paper, methods which account for interdependence between forecasts, applied by Caunedo et al. (2020) to evaluate forecasts produced by the Federal Reserve and by Bora et al. (2021) to evaluate the forecasts of the U.S. Department of Agriculture, have yet to be used on EIA forecasts. Our emphasis is on modelling interdependence, as well as asymmetries, between the EIA forecasts of the key variables of world petroleum market. Our results highlight that the EIA forecasts of demand, supply, stock withdrawals and prices, together, reflect a joint view of the developments in the world petroleum market from the EIA, who when producing their forecasts

[1]More recently, Kaach et al. (2017) have developed and evaluated EIA forecast prediction intervals (densities), based around empirical density forecasting methods (using observed point forecast errors and assuming normality).

[2]For a review of this literature see Alquist et al. (2013).

do not always weight equally costs associated with over- and under-predictions of the variables of interest. Therefore, users should be careful when taking each separate forecast in isolation of the others, or as a reflection of the EIA unconditional view of the variables of interest, when using those as inputs in their decision processes.

The remainder of this paper is organised as follows. In Section 2 we define the EIA forecast variables we analyse. Section 3 takes a first look at the EIA forecasts, adopting an absolute forecast evaluation approach analysing unconditional bias and testing for rationality, for both the full-sample and over time. In Section 4 we adopt alternative loss functions allowing for non-separability and asymmetry, where we test for joint rationality. Section 5 conducts a relative forecast evaluation exercise using ratio which use MSE and alternative loss function estimated in Section 4. Section 6 concludes.

2 Data

We examine quarterly EIA world petroleum market forecasts from 1983Q1 to 2019Q4 for four key variables: total demand, total supply, total stock withdrawals (inventory) and the Refiners' Acquisition Cost (RAC) oil price. We use the natural logarithm of total demand and supply, measured in millions of barrels per day. Total stock withdrawals is also defined in millions of barrels per day. The RAC oil price is defined as dollars per barrel and in the empirical analysis we use the natural logarithm of this series. See Appendix A for additional details of the variable definitions and descriptive statistics of the data.

As the EIA began forecasting these variables in 1983, the sample period represents the longest history available to examine time variation in forecast performance, which is longer than typical previous comparable research in the literature. For example, this represents ten additional years of observations compared to recent EIA forecast evaluations (AEO Dec 2020) and is longer than the sample periods from academic studies cited in the introduction. To construct the long sample of quarterly data we spliced forecasts over different reporting frequencies. Up to 1997Q1, the EIA produced quarterly reports documenting observations and forecasts at a quarterly frequency. Specifically, in each quarter, the EIA produced a backcast for the last quarter, a nowcast of the current quarter and forecasts of one through to six quarters ahead, i.e. for horizons $h = -1, 0, 1, 2, ..., 6$. In March of 1997 the EIA switched to producing monthly reports, which continued to document quarterly observations and forecasts, but for each of the start, mid and end months in any quarter. From 1997Q2 through to 2007Q3, we choose to use the quarterly forecasts from the first or start month reported in the quarter.[3] Since October 2007 only monthly observations

[3]Using the first or start month forecast, as opposed to mid or end month, has no significant effect on the results. As, in the appendices, we document some basic features of the forecasts and forecast errors using forecasts reported at the start, mid and end of each month and find they have very similar properties. Note that for the RAC oil price the switch to monthly reporting occurred later in July 2004.

and forecasts have been reported by the EIA for variables on the international balance sheet. Hence from 2007Q4 through to 2019Q4 we use the average of the monthly forecasts. We take the vintage of data available in June 2020 as the target for the forecast evaluation throughout the paper.[4]

While we evaluate the EIA forecasts as if they reflect the EIA unconditional expectations of future developments in the oil market, it is worth highlighting that they are in fact projections of what may happen given the assumptions in the underlying National Energy Modelling System of the EIA. Those assumptions include projections of oil prices and gross domestic product. Moreover, those projections assume current laws and regulations, and include current views of economic and demographic trends and technology improvements (see, e.g., EIA, 2020). Nonetheless, the forecasts produced by the EIA are widely used by policymakers, industry and modellers, often under the assumption of a symmetric loss function. Therefore, our analysis will allow forecast users to gain a better understanding of the implicit loss function of the EIA, where this reflects the complex process of producing projections of the oil market.

As part of our emphasis on time-variation when conducting our forecast evaluation, we identify three sub-samples in the oil market, reflecting different regimes. The three periods are: 1983Q4-1999Q4, 2000Q1-2009Q4 and 2010Q1-2019Q4. The first pre 2000's period, is one which is dominated by advanced economies being the drivers of demand and normal supply, and where volatility is relatively low. The mid-2000 period is characterized by excess demand dominated by emerging markets (China) and supply constraints, where we observe high oil price growth and a large price fall in 2008 (Hamilton, 2009). Finally, the post 2010 period stands out as a time of distinct change, with episodes of supply disruption (shale revolution) and demand changes (climate related concerns to lower demand) and more generally high volatility.

3 A first look at the EIA Forecasts

In this section we document the basic univariate properties, unconditional bias and conditional bias or rationality of the EIA forecasts. We introduce the importance of taking into account how the forecast errors vary overtime, highlighting their potential inter-dependencies across variables. Here, in contrast to the subsequent analysis in Section 4, we evaluate the forecast errors of our four EIA variables, assuming they are independent of each other, using a symmetric quadratic loss function, the implication of which is that a basic requirement for a rational forecast is it be unconditionally unbiased.[5] We then estimate (for the full-sample and allowing for time-varying

[4]Results are robust to using the first vintage of data available for each quarter as an alternative target.

[5]Evidence of bias in the forecasts are of obvious interest to policymakers and energy planners, who often use those forecasts either as benchmarks or as inputs to other forecasts. In addition, whilst we assess each of the forecast independently, we are conscious that those forecasts are jointly developed by the EIA using different modelling assumption as discussed in Section 2.

parameters) a re-parameterised Mincer-Zarnowitz regression, allowing us to test unconditional and conditional bias or rationality (under a quadratic loss), over the full-sample and how it changes over time.

We define forecast errors, for total demand, supply and the oil price as:

$$e_{t+h|t} = 100 \times (y_{t+h} - f_{t+h|t}), \tag{1}$$

where $y_{t+h} = log(Y_{t+h})$, $f_{t+h|t} = log(F_{t+h|t})$ and Y_{t+h} and $F_{t+h|t}$ are the observed outcomes of our variables at time $t+h$ and their forecasts, for period $t+h$, made at time t, respectively. We consider forecast horizons $h = -1,\ 0,\ 1,\ \ldots,\ 6$, where $h = -1$ denotes backcasts and $h = 0$ nowcasts. The forecast errors for total stock withdraws are defined as: $Y_{t+h} - F_{t+h|t}$. A *positive* value of a forecast error implies that a forecast *under-predicts* the actual observed outcome, whereas a *negative* forecast error is associated with a forecast that *over-predicts*.

3.1 Are the EIA Forecasts Biased?

In Table 1 we report results analysing unconditional bias measured by the mean, but also document the standard deviation, mean squared error (MSE), mean absolute error (MAE) and skew. The violin plots in Figure 1 present the distributions of the forecast errors, for each variable, at each forecast horizon.[6] For total demand and supply, at all forecast horizons (with the exception of $h = 6$), we observe statistically significant (where the largest p-value is 0.02) positive (unconditional) bias i.e. forecasts under-predict. The size of the under predictions in total demand and supply, whilst statistically significant, are relatively small, ranging from around 0.6% to 0.8% for demand and from 0.7% to 1.0% for supply. In contrast, forecasts for stock withdrawals and the RAC oil price do not exhibit any statistically significant bias.

The violin plots in Figure 1 visualise characteristics or features of the forecast error distributions not immediately apparent from the Table 1.[7] For example, the violin plots for RAC oil price forecast errors show the largest variability across all forecast horizons (note the scaling of the axis). The narrowest range is exhibited in the nowcast ($h = 0$) distributions, increasing considerably at longer forecast horizons, with clear outlier observations associated with large oil price changes. The orders of magnitude are large with standard deviations ranging from around 8% through to

[6] In the appendix we report the same violin plots comparing start, mid and end month quarter forecasts. These indicate that the forecast error distributions (and the bias results) are very similar for the three different forecast timings. This observation applies to all four variables across all forecast horizons.

[7] We observe forecast error means (the red line) above zero (for all forecast horizons), indicating positive bias, for demand and supply and no bias for total withdrawals and the RAC oil price. For the demand and supply forecast error distributions, we observe at the longer forecast horizons a more stretched shape, indicating increasing standard deviations (from around 1.8% for short-run forecasts, increasing to 3.0% for longer forecast horizons). This contrasts with violin plots for stock withdrawal forecast errors, which show an (approximate) similar range over the forecast horizons, indicating a constant standard deviation (of around 1.1 to 1.2 billion barrels a day).

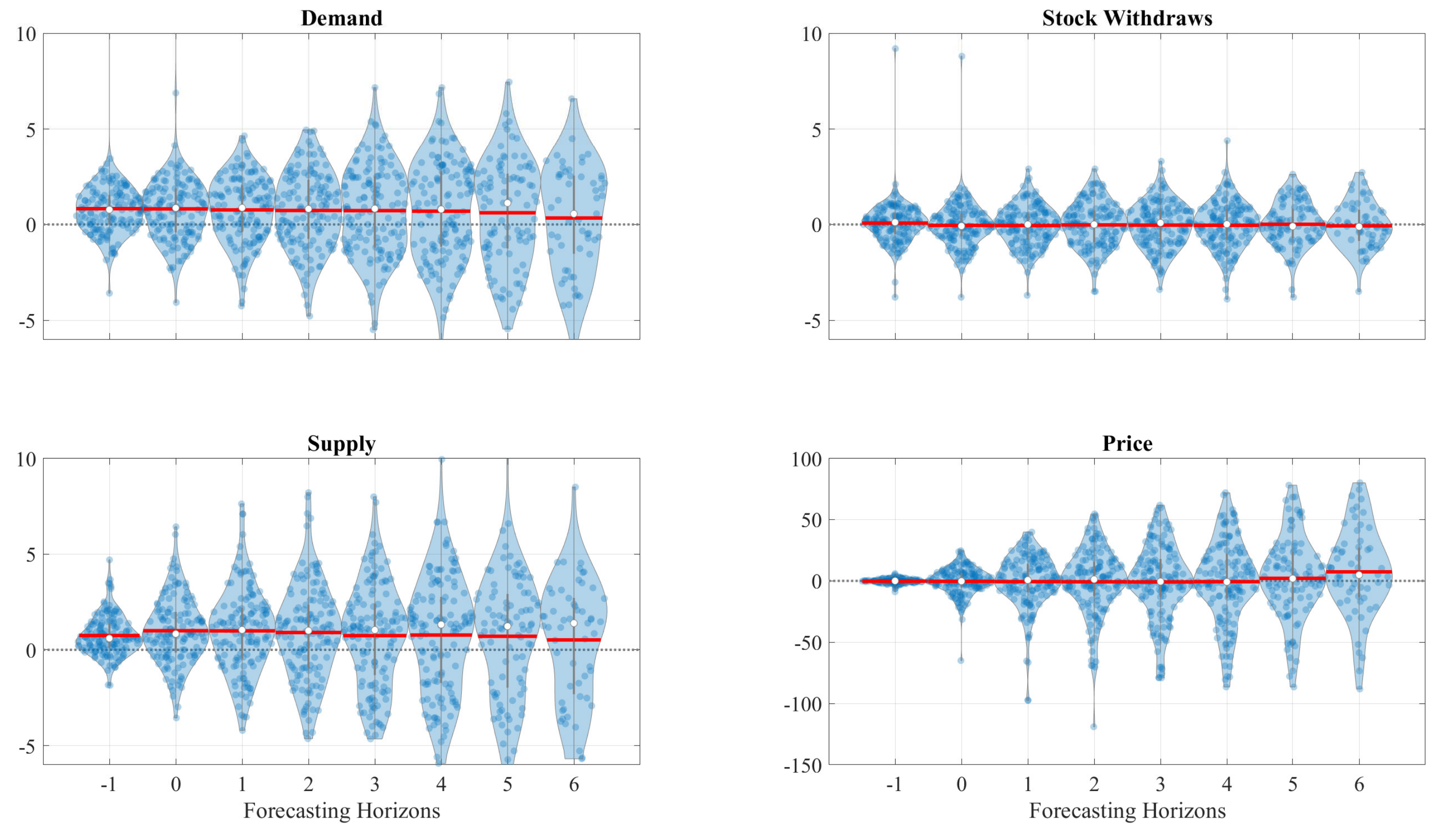
Table 1: FORECAST ERRORS DESCRIPTIVE STATISTICS

	1-Quarter Backcasts					Nowcasts					1-Quarter Forecasts					2-Quarter Forecasts				
	Mean	Std.	MSE	MAE	Skew.	Mean	Std.	MSE	MAE	Skew.	Mean	Std.	MSE	MAE	Skew.	Mean	Std.	MSE	MAE	Skew.
Dmand	**0.82** (0.00)	1.65	3.39	1.20	4.07	**0.81** (0.00)	1.78	3.80	1.43	1.67	**0.76** (0.00)	1.70	3.44	1.53	-0.39	**0.73** (0.00)	1.98	4.42	1.72	-0.16
Supply	**0.75** (0.00)	1.05	1.64	0.96	0.72	**1.00** (0.00)	1.71	3.89	1.53	0.30	**0.99** (0.00)	2.19	5.76	1.89	0.30	**0.90** (0.00)	2.49	6.95	2.09	0.26
Stock withdraws	0.07 (0.22)	1.14	1.30	0.71	3.05	-0.05 (0.31)	1.21	1.47	0.81	2.34	-0.06 (0.25)	1.05	1.09	0.82	-0.13	-0.03 (0.39)	1.15	1.32	0.91	-0.20
Price	-0.19 (0.12)	2.01	4.04	1.44	-0.55	-0.40 (0.34)	11.43	129.88	8.14	-1.35	-0.60 (0.37)	22.13	486.81	15.67	-1.48	-0.76 (0.37)	27.24	737.28	19.74	-0.92

	3-Quarter Forecasts					4-Quarter Forecasts					5-Quarter Forecasts					6-Quarter Forecasts				
	Mean	Std.	MSE	MAE	Skew.	Mean	Std.	MSE	MAE	Skew.	Mean	Std.	MSE	MAE	Skew.	Mean	Std.	MSE	MAE	Skew.
Dmand	**0.72** (0.00)	2.29	5.75	1.98	-0.04	**0.69** (0.00)	2.55	6.93	2.21	-0.10	**0.61** (0.02)	2.71	7.65	2.36	-0.07	0.34 (0.18)	2.75	7.51	2.35	-0.25
Supply	**0.74** (0.00)	2.69	7.75	2.31	0.03	**0.77** (0.00)	2.98	9.42	2.58	0.01	**0.71** (0.02)	3.19	10.58	2.73	-0.10	0.52 (0.11)	3.11	9.73	2.70	-0.18
Stock withdraws	-0.04 (0.36)	1.17	1.35	0.94	-0.08	-0.04 (0.34)	1.21	1.46	0.93	-0.05	0.01 (0.47)	1.14	1.30	0.88	-0.38	-0.07 (0.32)	1.16	1.33	0.89	0.01
Price	-0.91 (0.36)	30.39	917.82	22.75	-0.48	-0.68 (0.40)	32.81	1069.45	24.98	-0.35	2.07 (0.27)	33.58	1120.58	25.33	-0.19	**7.33** (0.06)	36.01	1329.11	28.06	-0.26

Notes: The forecasting errors are defined as, $e_{t+h|t} = 100 \times [log(Y_{t+h}) - log(F_{t+h|t})]$, for total demand, supply, RAC oil price; and as $E_{t+h|t} = Y_{t+h} - F_{t+h|t}$, for total stock withdraws, where we denote the errors at forecasting horizon h ($h = -1,\ 0,\ 1,\ \ldots,\ 6$) for the quarter t as $E_{t+h|t}$. P-values of Newey-West adjusted t-tests are reported in parentheses, where boldface indicates the Newey–West corrected t-test for the null hypothesis that the forecasting error is significantly different from 0 at the 10% level. Further, the forecasts from EIA are Starting-month Report 1983Q1-2019Q4 (reported on Jan., Apr., Jul., Oct. since 1997:03).

Figure 1: Forecast Error Distributions



Note: For each variable the violin plots summarize the statistical properties of the forecast errors: the mean is denoted by the red line, the median by a white dot, the interquartile range by the vertical grey bar in the center of violin, the lower/upper adjacent values by the grey vertical lines stretched from the bar, defined as first quartile — 1.5 times the inter quartile range (IQR) and the third quartile + 1.5 times the IQR respectively. Wider sections of the violin plot represent a higher probability of observations taking that value, and the narrower sections correspond to a lower probability. Sample: 1983Q1–2019Q4.

35%. The violin plots also allow us to visualize the skewness in the forecast errors more easily. For demand, supply and stock withdrawals forecast errors we observe positive skew for the backcast and nowcast horizons, i.e., we observe more of the probability mass above the zero value. For the RAC oil price forecast errors, we observe a positive skew throughout, where the pattern is one of skew diminishing with longer forecast horizons. Moreover, both total demand and supply forecast errors suggest some degree of bi-modality at higher forecasts horizons. Moreover forecast errors, in particular, for RAC oil price at short forecast horizon as well as total demand and supply display large outliers, which can effect usual moment based estimates of skewness.

We estimate standard joint (conditional) tests of unbiasedness or rationality, based on the following re-parameterised Mincer-Zarnowitz regression:

$$e_{t+h|t} = \alpha_h + \beta_h \tilde{f}_{t+h|t} + \varepsilon_{t,h}, \tag{2}$$

where $\tilde{f}_{t+h|t} = f_{t+h|t} - \mu_f$ is the demeaned forecast term, using the log level for total demand, total supply, and the RAC oil price and the level for total stock withdrawals.[8] Estimates of α_h reported in Table 2 (identical to estimates of the mean reported in Table 1) measure the forecast bias over the whole sample, whereas the interpretation of β_h is one of forecasts under predicting the outcomes if negative and over predicting if positive.[9] In Table 2 we report the estimated coefficients $\hat{\alpha}_h$, $\hat{\beta}_h$ and their p-values (in parentheses), testing *separate* conditional bias null hypotheses: $\alpha_h = 0$ and $\beta_h = 0$, respectively. We also report the p-value of χ^2-statistic for the *joint* test of the null hypothesis: $\alpha_h = 0 \ \cap \ \beta_h = 0$. The results in Table 2 are consistent with the unconditional bias results reported in Table 1. They provide evidence that the backcasts, nowcasts and forecasts, for horizons $h = 1, 2, ..., 5$, for total demand, supply and stock withdrawals are biased (not rational). The joint null, $\alpha_h = 0 \ \cap \ \beta_h = 0$, is strongly rejected, with p-values below 1% (in most cases) for demand, supply and stock withdrawals. In contrast, as in the unconditional case, we find evidence suggesting RAC oil prices forecasts are rational, Where the p-values for the RAC oil price forecasts range from 0.11 to 0.82, providing strong evidence not rejecting the joint null.[10]

3.2 Time-variation and interdependence in the EIA forecast errors

During the full sample period there have been different policy regimes and business cycles, and a wide range of crisis and economic events have occurred. Therefore, it is useful to evaluate

[8]See Appendix B defining the re-parameterisation.

[9]Here $\beta_h = b_h - 1$, where b_h is the coefficient from the conventional Mincer-Zarnowitz regression which regresses the outcome on a constant and the forecast.

[10]The exception to this pattern of results are at the longer forecast horizon of $h = 6$. The forecasts of total demand and supply are now unbiased, with p-values of 0.62 and 0.37 respectively, whilst the RAC oil price $h = 6$ forecast is biased, with a p-value of 0.01. Stock withdrawals remain biased at forecast horizon $h = 6$.

Table 2: MINCER-ZARNOWITZ FORECAST RATIONALITY TESTS

	1-Quarter Backcasts			Nowcasts			1-Quarter Forecasts			2-Quarter Forecasts		
	α	β	P (χ^2)	α	β	P (χ^2)	α	β	P (χ^2)	α	β	P (χ^2)
Dmand	**0.82**	**-0.01**	**0.00**	**0.81**	**-0.02**	**0.00**	**0.76**	**-0.01**	**0.00**	**0.73**	**-0.02**	**0.00**
	(0.00)	(0.10)		(0.00)	(0.02)		(0.00)	(0.01)		(0.00)	(0.01)	
Supply	**0.75**	**-0.01**	**0.00**	**1.00**	**-0.02**	**0.00**	**0.99**	**-0.02**	**0.00**	**0.90**	**-0.02**	**0.00**
	(0.00)	(0.03)		(0.00)	(0.00)		(0.00)	(0.01)		(0.00)	(0.01)	
Stock withdraws	0.07	**-0.46**	**0.01**	-0.05	**-0.52**	**0.00**	-0.06	**-0.40**	**0.00**	-0.03	**-0.51**	**0.00**
	(0.19)	(0.00)		(0.28)	(0.00)		(0.23)	(0.00)		(0.38)	(0.00)	
Price	-0.19	0.00	0.43	-0.40	-0.01	0.82	-0.60	-0.04	0.50	-0.76	**-0.06**	0.36
	(0.12)	(0.46)		(0.34)	(0.29)		(0.37)	(0.12)		(0.37)	(0.08)	

	3-Quarter Forecasts			4-Quarter Forecasts			5-Quarter Forecasts			6-Quarter Forecasts		
	α	β	P (χ^2)	α	$\beta_{0,V}$	P (χ^2)	α	β	P (χ^2)	α	β	P (χ^2)
Dmand	**0.72**	**-0.02**	**0.00**	**0.69**	**-0.02**	**0.00**	**0.61**	-0.02	**0.07**	0.34	-0.01	0.62
	(0.00)	(0.00)		(0.00)	(0.00)		(0.01)	(0.14)		(0.18)	(0.34)	
Supply	**0.74**	**-0.02**	**0.00**	**0.77**	**-0.03**	**0.00**	**0.71**	**-0.03**	**0.02**	0.52	-0.03	0.37
	(0.00)	(0.02)		(0.00)	(0.01)		(0.01)	(0.02)		(0.11)	(0.22)	
Stock withdraws	-0.04	**-0.54**	**0.00**	-0.04	**-0.59**	**0.00**	0.01	**-0.59**	**0.00**	-0.07	**-0.58**	**0.00**
	(0.34)	(0.00)		(0.31)	(0.00)		(0.47)	(0.00)		(0.30)	(0.00)	
Price	-0.91	**-0.07**	0.21	-0.68	**-0.09**	0.12	2.07	**-0.09**	0.11	**7.33**	**-0.16**	**0.01**
	(0.36)	(0.04)		(0.40)	(0.02)		(0.26)	(0.03)		(0.05)	(0.01)	

Notes: This table reports the estimated values from the following regressions: $e_{t+h|t} = \alpha_h + \beta_h(f_{t+h|t} - \overline{f}_{t+h|t}) + \varepsilon_{t,h}$, for variables total demand, supply, RAC; and $E_{t+h|t} = \alpha_h + \beta_h(F_{t+h|t} - \overline{F}_{t+h|t}) + \varepsilon_{t,h}$, for total stock withdraws. All parameters are estimated using Newey-West adjusted heteroscedastic-serial consistent Least-squares Regression. We report α_h, β_h and their p-values of the standard t-test statistic (in parentheses). We also report the p-value of χ^2-statistic for the joint test of the null hypothesis: $\alpha_h = 0 \cap \beta_h = 0$. P-values less than 0.10 are marked with boldface. If the forecasts are unbiased, the α_h should be statistically insignificantly different from zero; if the forecasts are optimal, the β_h should be statistically insignificantly different from zero. Sample: 1983Q1–2019Q4.

to what extent the properties of the forecasts have changed over time.

To examine time variation in unconditional and conditional bias, we estimate equation (2) recursively, using a 10-year rolling window. Figure 2 reports estimates of $\hat{\alpha}_h$, $\hat{\beta}_h$ (and their 95% confidence bands) and the values of the χ^2-statistic for the joint test of rationality. The estimated values of the unconditional bias of the EIA forecasts, $\hat{\alpha_h}$, exhibit large degrees of time variation, both in terms of size and direction, throughout the full sample period. For example, the tendency of demand and supply forecasts to under-predict in the full sample looks to be driven by the period prior to the early 2000's and after 2010, with positive estimates. However, for the approximate period 2001 through to 2010 the forecasts over-predict. Demand and supply forecast error bias show strong positive co-movements, where the patterns are similar for $h = 1$ and $h = 4$ forecast horizons. Higher levels of negative bias or over-prediction are associated with recession periods.[11] The estimates of $\hat{\beta}_h$, plotted in the second column of Figure 2, highlight the degree of time variation of conditional bias. For total demand and supply the estimated values are negative, suggesting under-prediction, up until the period around 2012, where they become positive and hence over-predict. For stock withdrawals the estimated values are negative, but slowly become less negative over the period, suggesting under prediction which decreases in size overtime. For the RAC oil price forecast errors we observe negative estimates and under-prediction between 1992Q4 and 2005, which becomes less negative suggesting a switch towards a reduced tendency to under-predict.[12] The p-values of the χ^2-statistic, plotted in the third column of Figure 2, highlight the (approximate) period between 2004 and 2007 as having the strongest evidence of rational forecasts (for most variables). However, the data implies that the forecasts are *not* rational for the majority of the sample, across all variables, since the χ^2-statistic p-values reject the joint tests of rationality.[13]

To examine in more detail the change in forecast error distributions and interdependence overtime, in Figure 3 (on the diagonal) we plot the (marginal) probability density functions (PDFs) of the forecast errors for three sub-periods: 1983Q4-1999Q4 (blue), 2000Q1-2009Q4 (green) and 2010Q1-2019Q4 (purple), focusing on the forecast horizon $h = 4$. Overall we observe a large degree of time-variation in the distribution of forecast errors, in terms of mean values, standard

[11]There is also (a less pronounced) positive co-movement between the unconditional forecast bias for stock withdrawals and the RAC oil price. Both estimated parameters are positive, suggesting over prediction in 1992Q4, but then slowly evolve and become negative and therefore under predict from around 2000 on-wards. Notably, they exhibit high negative values during the 2008 recession. However, we then observe a rise in the size of the bias (which is much larger for the RAC oil price) which drifts upwards from around 2008 on-wards towards zero, and in the case of the RAC oil price becomes positive.

[12]Examination of the time varying variance of the residuals from the re-parameterised Mincer-Zarnowitz regressions, which can be thought of as a bias adjusted forecast error volatility, reveal large fluctuations over time. For total demand and supply the movements (across both forecast horizons examined) range from around 1% to 3% and where the volatility for the RAC oil price is much larger ranging from around 15% to 35%. Stock withdrawals variability is between 0.5% and 1% (see Appendix D).

[13]Exceptions to this, other than the 2004-2007 period, are the $h = 1$ RAC oil price forecasts, which rejects rationality for a sustained period 2000-2007, but notably not for the 2008 crisis period.

Figure 2: Time Variation in Forecast Bias and Rationality

Note: The plots report the results of Mincer-Zarnowitz coefficients and forecast rationality tests of 1 and 4-quarter ahead Forecasts, 1992Q1–2019Q4 (rolling 10-year windows, the first estimation sample is 1983q1-1992q4 and the last 2010q1-2019q4.). The 90% confidence bands for the intercepts and slopes are calculated according to the Newey-West standard errors on parameters. Grey shading highlights periods of NBER designated US recessions.

deviations and shape, which shows non-normality and large amounts of skew. To highlight the interdependence of the forecast errors, we also plot the *joint* probability densities for all the bi-variate pairings of our forecast errors. The darker the shading (for each colour) the higher is the probability mass. As an approximation, the greater the difference in interdependence over time, the more distinct each set of contour colours are. A visual examination of Figure 3 suggests that notable change over time is also a relevant feature of the data that needs to be dealt with when considering potential interdependence in the forecast errors. The joint distributions for the first two periods show greater dispersion across the range of forecast error combinations across variables, whereas the joint distributions for the post-2010 period (purple) are tighter, and where the most likely forecast error combination across variables differs from the earlier periods. This suggests interdependence has increased over time.[14]

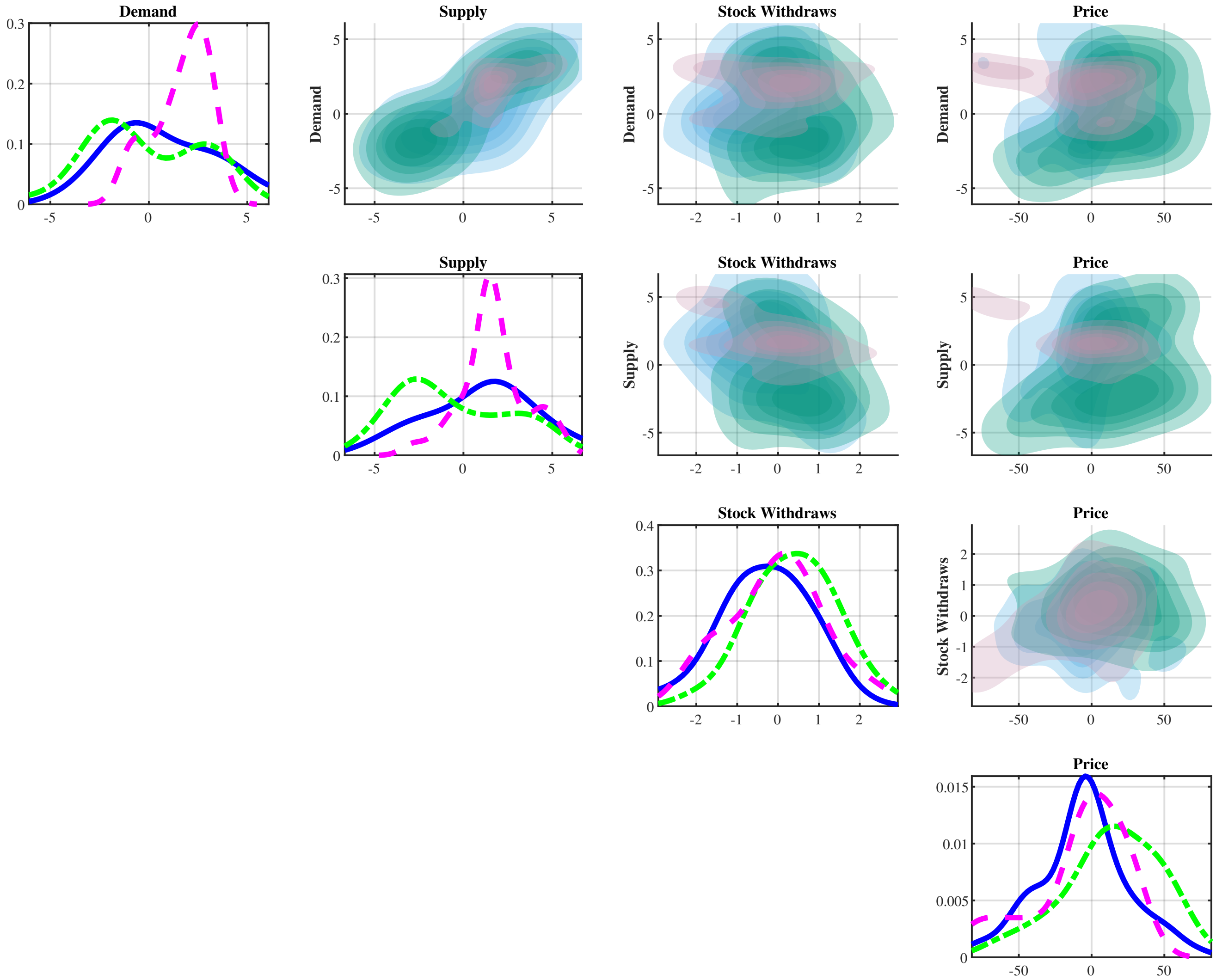
For supply and stock withdrawal forecast errors, small negative demand forecast error concentrations are centred around 0% for earlier time periods. However, from 2010 onwards, the joint density suggests a significant frequency of occurrence of large positive forecast error, which clearly differs from earlier periods. Most importantly, the joint bi-variate distributions reveal significant multi-modalities. For instance, forecast errors for supply and demand over the past ten years reveal instances where both are positive or both are negative. This decade is characterised by risk-skewed price forecast error distributions and positive mistakes (i.e., under-prediction of both supply and demand), while forecast errors in stock withdraws remain generally more muted. Another important features of the data is the narrowing of the forecast error variance post 2010, where the variance for supply is typically larger than that of demand. This alternatively shaped joint density, toward positive RAC oil prices and right skew, is also true of supply (which, in general, is similar to demand) and, to a much lesser extent, stock withdrawal forecast errors. In fact, interactions with RAC oil price forecast errors appear to have the highest degree of time-variation, with the ability to distinguish the three sets of joint densities colours, illustrating the extent of the change in interdependence over time. Whereas the joint densities involving stock withdrawals appear to be dispersed, implying weaker interdependence with other variables.

4 Can we rationalize the EIA forecasts?

Up until this point we have implicitly assumed that the EIA, when producing forecasts, is seeking to minimise a linear symmetric quadratic loss function, which is directionally symmetric, separable across variables, and is time-invariant. If that were the case the evidence is pointing to biases in the EIA forecast. However, the bias we have documented need not indicate non rational forecasts but rather they reflect an underlying asymmetric loss function, as the EIA prefers to

[14]Note the pattern of the joint distribution varies across forecast horizons (see Appendix A), for example the $h = 1$ forecast horizon joint densities show less dispersion than those at $h = 6$.

Figure 3: Forecast Errors Distribution (4 quarters ahead forecasts)



Note: Probability Density Functions of the Forecast Errors (4 quarters ahead), for three sub-samples 1983Q4-1999Q4 (blue), 2000Q1-2009Q4 (green) and 2010Q1-2019Q4 (purple).

either systematically under-predict or over-predict. In addition, when constructing the forecasts, the EIA uses the same model to produce or guide forecasts for the wide range of variables and as such they are not independent of one another. Moreover, any judgemental adjustments the EIA make to their model forecasts, reflecting off-model information for example, could take into consideration various interactions and dependencies that are known to exist between variable in the energy market.

Therefore in this section, we study the EIA's forecasting behaviour in an environment in which the loss functions, which use the forecast errors in demand, supply, stock withdrawal and the RAC oil prices are allowed to be asymmetric, and take into account inter-dependencies between the variables forecasted. To this end, we adopt the approach described in Komunjer and Owyang (2012), who propose a family of multivariate loss functions to test rationality of vector forecasts without assuming independence across variables. In Table 3, we report the results of the multivariate rationality tests of Komunjer and Owyang (2012).[15] We test rationality conditional on three types of loss function: separable assuming symmetry (SS), separable with asymmetry (SA) and non-separable with asymmetry (NSA). The separable symmetric loss function takes the following form:

$$L_{SS} = \sum_{j=1}^{4} e_j^2, \tag{3}$$

the separable asymmetric loss is defined as:

$$L_{SA} = \sum_{j=1}^{4} e_j^2 + \sum_{j=1}^{4} \tau_j sign(e_j) e_j, \tag{4}$$

and non-separable asymmetric loss as:

$$L_{NSA} = \sum_{j=1}^{4} e_j^2 + \left(\sum_{j=1}^{4} \tau_j e_j \right) \left(\sum_{j=1}^{4} e_j^2 \right)^{1/2} \tag{5}$$

where e_1, e_2, e_3 and e_4 are the forecast errors for demand, supply, stock withdrawals and the RAC oil price, and τ_1, τ_2, τ_3 and τ_4 are their asymmetry parameters. Where we assume asymmetry, we report the estimated asymmetry parameters τ (which take values between -1 and 1), and their t-statistics p-values. Joint J-tests of rationality are reported along with Wald tests testing the joint significance of the asymmetry parameters (see Komunjer and Owyang, 2012, for further details).[16]

We first consider the separable symmetric loss function L_{SS}, as this is the closest to the loss function used when assessing the results reported in Tables 1 and 2. Here the distinction is one of joint as opposed to independent evaluation, as no interdependence is allowed for. When analysed individually for the full-sample, we found clear evidence of bias and non-rationality for energy demand, supply and stock withdrawals but found no evidence of bias and non-rationality for the RAC oil price If we test the rationality assumption of the forecast errors jointly however, assuming a L_{SS} loss function, we find the results on rationality are weaker (see the first row of Table 3). When evaluating the variables in the full-sample separately, the J-tests reject the null of rationality at the 10% significance level for backcasts, nowcasts and forecast horizons $h = 1$ and $h = 2$. But, using a joint test, we cannot reject the null of rational forecasts for the longer forecast horizons $h = 3$ through to $h = 6$. Hence, joint evaluation makes a difference, particularly

[15]In Appendix A1 we examine the forecast errors and report unit root tests confirming the level error terms satisfy the strict conditions on stationarity required of the Komunjer and Owyang (2012) methodology.

[16]Following Komunjer and Owyang (2012), the instruments we use to test rationality are one lag of each of the forecasted series (in growth rate), available at the time the forecast is released. Note that the results are robust if the absolute values of lagged forecast errors are used as instruments.

at the longer horizons.

If you allow the loss function to accommodate asymmetric behaviour whilst retaining separability, as in L_{SA}, we observe J-tests which do not reject the null of rationality, for all forecast horizons (see seventh row of Table 3, where the smallest p-value is 0.47). Hence the introduction of asymmetric loss, coupled with joint evaluation, suggests that the EIA forecasts can be viewed as being rational.[17] The estimated asymmetry parameters for demand and supply, τ_1 and τ_2, are negative and significant (mostly with p-values of zero and where the largest is 0.07) at all forecast horizons. Values greater (less) than 0 indicate a greater loss for positive (negative) forecast errors, i.e. in this instance the positive errors we observe suggest under-prediction induce *lower* loss. We observe the size of the asymmetry diminishing as the forecast horizon gets longer, with estimates of around -0.8 for short run horizons up to $h = 2$, which then fall to around -0.4 for $h = 3$ to $h = 5$, only to increase again back to around -0.8 for $h = 6$. The estimated asymmetry parameters for stock withdrawals and the RAC oil price, τ_3 and τ_4, are not significantly different from zero, implying symmetric loss (with the notable exception of forecast horizon $h = 6$). The Wald tests strongly reject the joint null of symmetry, $\tau_1 = \tau_2 = \tau_3 = \tau_4 = 0$, for all horizons, providing further evidence of the prevalence of asymmetric loss.

Finally, relaxing the assumption of separability and adopting the loss function L_{NSA}, which allows for interaction between variables and asymmetry, the evidence for rational forecasts and significant asymmetry is retained. The pattern of results, for the J-tests, Wald tests and significance of the τ parameters are very similar to those under the L_{SA} loss function. However, the degree of directional asymmetry is markedly reduced, suggesting that assuming separability leads us to infer more directional asymmetry than may actually be the case. These results are consistent with Komunjer and Owyang (2012)'s Monte Carlo study, which highlights that not allowing for interdependence can exaggerate the true degree of asymmetry. They also rationalize previous findings of strong asymmetry in energy forecasts by other researchers using separable loss (e.g., Mamatzakis and Koutsomanoli-Filippaki, 2014). In fact, we find evidence for strong asymmetry only for oil prices at very long horizon ($h = 6$).

Nonetheless, allowing for interactions between variables does not remove all the asymmetry and the asymmetries present in the implicit loss function remain important. In particular for short horizon forecasts and for $h = 6$ the estimated asymmetry parameters are significant at 1% level. If we examine estimates for the loss function, we observe that both the demand and the supply estimates for τ are significantly negative. This implies that over-predicting demand and supply (i.e. large negative forecast errors in the two variables) is typically less costly than under-predicting. The overall loss is also a function of the actual level of the forecast error in oil prices and, to a much lesser degree, of stock withdrawals. For example, if we assume a 10% over-

[17] Note these results are consistent with those reported in Auffhammer (2007) and Mamatzakis and Koutsomanoli-Filippaki (2014), who finds evidence of asymmetric loss for a range of EIA forecasts.

Table 3: Multivariate Rationality Test

			Forecasts					
	Backcasts	Nowcasts	1-Quarter	2-Quarters	3-Quarters	4-Quarters	5-Quarters	6-Quarters
				Separable & Symmetric Loss				
J–stat	**24.37**	**24.62**	**24.15**	**23.71**	17.30	16.52	14.99	11.33
	(0.08)	(0.08)	(0.09)	(0.10)	(0.37)	(0.42)	(0.53)	(0.79)
				Separable & Asymmetric Loss				
Demand	**-0.79**	**-0.82**	**-0.78**	**-0.84**	**-0.36**	**-0.45**	**-0.43**	**-0.80**
	(0.00)	(0.00)	(0.00)	(0.00)	(0.02)	(0.01)	(0.01)	(0.00)
Supply	**-0.91**	**-0.85**	**-0.80**	**-0.77**	**-0.34**	**-0.49**	**-0.43**	**-0.84**
	(0.00)	(0.00)	(0.00)	(0.00)	(0.04)	(0.01)	(0.02)	(0.00)
Stock withdraws	-0.20	-0.00	0.11	-0.03	-0.02	0.16	0.05	**0.35**
	(0.11)	(0.98)	(0.35)	(0.79)	(0.87)	(0.24)	(0.70)	(0.02)
Price	0.18	-0.13	-0.04	-0.22	-0.23	-0.02	-0.01	**0.54**
	(0.25)	(0.29)	(0.75)	(0.18)	(0.20)	(0.90)	(0.94)	(0.03)
Wald $\chi^2(4)$	**518.13**	**319.24**	**126.43**	**183.04**	**18.81**	**23.70**	**24.58**	**93.28**
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
J–stat	13.94	14.71	14.41	15.67	15.76	12.60	13.51	8.83
	(0.60)	(0.55)	(0.57)	(0.48)	(0.47)	(0.70)	(0.63)	(0.92)
				Nonseparable & Asymmetric Loss				
Demand	**-0.48**	**-0.24**	**-0.16**	**-0.15**	**-0.07**	**-0.07**	**-0.06**	**-0.09**
	(0.00)	(0.00)	(0.00)	(0.00)	(0.03)	(0.04)	(0.06)	(0.01)
Supply	**-0.45**	**-0.27**	**-0.19**	**-0.15**	**-0.07**	**-0.08**	**-0.07**	**-0.11**
	(0.00)	(0.00)	(0.00)	(0.00)	(0.04)	(0.04)	(0.07)	(0.00)
Stock withdraws	-0.01	-0.00	0.00	-0.01	-0.00	-0.00	-0.00	0.00
	(0.78)	(0.99)	(0.67)	(0.23)	(0.69)	(0.87)	(0.83)	(0.60)
Price	0.19	-0.03	-0.13	-0.28	-0.12	0.01	-0.19	**-0.75**
	(0.10)	(0.78)	(0.35)	(0.14)	(0.54)	(0.97)	(0.42)	(0.00)
Wald $\chi^2(4)$	**151.35**	**86.48**	**64.10**	**63.83**	**12.46**	**10.92**	**11.17**	**158.24**
	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.03)	(0.02)	(0.00)
J–stat	17.36	14.74	15.98	15.23	14.68	11.61	13.66	10.00
	(0.36)	(0.54)	(0.45)	(0.51)	(0.55)	(0.77)	(0.62)	(0.87)

Notes: The table reports: (i) J–stat tests of the null of rationalizability of the forecasts (see Komunjer and Owyang, 2012). Where P-Values of the J–test correspond to a χ^2 distribution with 16 degrees of freedom, (ii) for the asymmetric loss functions we report the estimated asymmetric loss parameters (τ, with p-values are shown in parentheses), and (iii) Wald Tests of the null that the asymmetric parameters are jointly equal to zero (and associated p-value in parentheses). The instruments are $([1,\ \Delta_h D_t,\ \Delta_h S_t,\ \Delta_h I_t,\ \Delta_h P_t])$: $\Delta_h D_t = \frac{400}{h} \times [log(D_t) - log(D_{t-h})]$, $\Delta_h S_t = \frac{400}{h} \times [log(S_t) - log(S_{t-h})]$, $\Delta_h I_t = I_t - I_{t-h}$, and $\Delta_h P_t = \frac{400}{h} \times [log(P_t) - log(P_{t-h})]$, all calculated in real-time where we use annual rate (i.e. h=4). Boldface denotes significance at the 10% level.

prediction in the oil price for next quarter forecasts, then a forecast error of -10% in both supply and demand, would be almost 30% more costly than the equivalent loss under a quadratic loss function, whereas for *positive* forecast errors of the same size, the loss is roughly 10% smaller than when using a quadratic loss function. For a 10% under-prediction of the oil price the overall costs are reduced, where for example in this case over-prediction of supply and demand are associated with only 10% higher losses, with respect to the symmetric loss case (compared to almost 30% when oil prices are over-predicted). Interestingly, when the τ estimates for demand and supply are of roughly equal size, one has that forecast errors in demand and supply of opposite signs are associated with a loss that is in line with the symmetric case. In this case, any asymmetry is dependent only on the sign of the oil price forecasts error. [18]

In our analysis we opt to focus on the log levels of demand, supply and the price of oil, and for stock withdrawals the level, defining a flow or change in stocks. This choice is based on the EIA's main focus being levels when analysing their own forecasts, and also reflects levels often being the main concern in financial markets and macro commentary more generally. It is also consistent with a number of other studies, for example Mamatzakis and Koutsomanoli-Filippaki (2014), who focus on levels. Nonetheless, forecasts of growth rates are also of interest, and hence in Appendix C we briefly examine forecast errors of growth rates, reproducing the Mincer-Zarnowitz forecast rationality tests and the multivariate rationality tests of Komunjer and Owyang (2012). As with level forecasts, growth forecasts also present some noticeable bias over the sample analysed for all variables, with the exception of the forecasts of oil price growth which appear to the unbiased at all horizons apart from $h = 6$. These biases can be rationalized by a nonseparable loss function which shares many of the characteristics of the forecasts in levels.

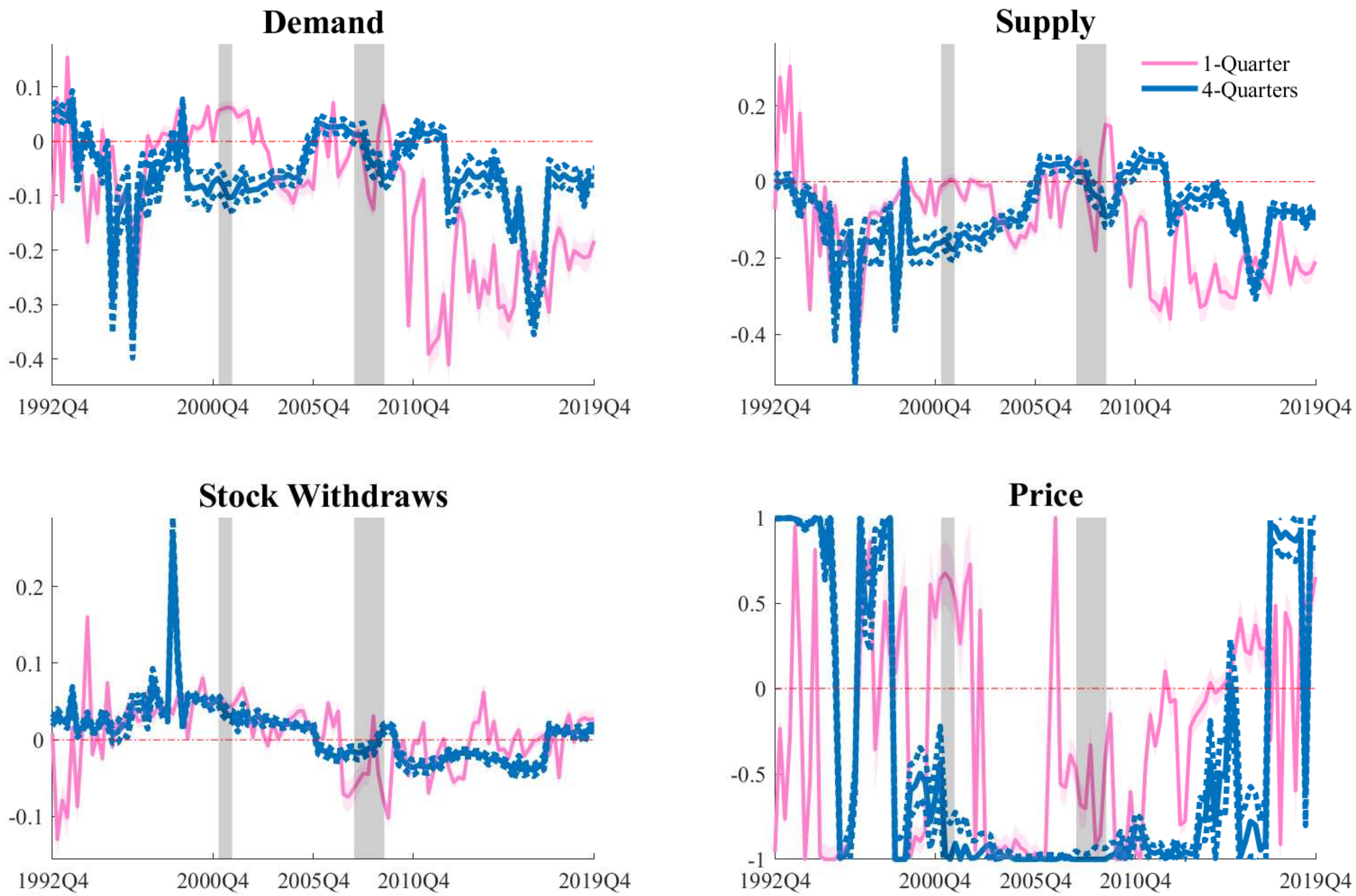
4.1 Time-varying Asymmetry and Rationality Tests

In this section we examine whether the full-sample results – using joint evaluation, examining asymmetries and allowing for interactions between forecasts – vary over time. Constructing J-tests tests using forecast errors from a sequence of 10-year rolling-window samples shows that multivariate rationality is not rejected for any of the subsamples considered.[19] Figure 4 plots the estimated asymmetry parameters, τ_1, τ_2, τ_3 and τ_4, for the forecasts of demand, supply, stock withdrawals and the oil price respectively. The estimates use the most general loss function which allows for non-separability and asymmetry, L_{NSA}, and we plot two forecast horizons, $h = 1$ and $h = 4$. Overall, we observe sizeable time-variation in the degree of asymmetric loss for the forecasts of our four variables. The estimated RAC oil price asymmetry parameter, τ_4 (bottom

[18]Figure D.2 visualises the non-separable asymmetric loss compared to the symmetric separable loss for different forecast horizons. This highlights quantitatively relevant asymmetries for short run forecasts and for $h = 6$, whereas the difference with the symmetric seprable loss is more limited for forecast at $h = 4$.

[19]Plots of the J-tests are available in the appendix D.

Figure 4: Time varying estimates of the asymmetry parameters (τ)



Notes: The estimated asymmetry parameters for the forecasts of demand, supply, stock withdrawals and the oil price, 1992Q1–2019Q4 (rolling 10 year window). The pink shaded area and dotted blue lines are the 95% confidence intervals of 1 and 4-quarter ahead Forecasts respectively.

right panel), exhibits the highest degree of time-variation, with large fluctuations, suggesting both positive and negative asymmetric loss. For $h = 1$ we observe fluctuations in τ_4 of between 1 and -1, which contrasts with the full-sample estimated value of -0.13. For $h = 4$, the asymmetric loss is volatile for the periods up to around 2000 and after 2015, but is constant with an estimated value for τ_4 of near -1 between these two periods. The fluctuating estimate of the RAC oil price asymmetry parameter, between two extreme regimes makes for a different implication regarding the loss. The positive bias in the forecast observed for the period 2000-2015 in Figure 2, implying under-prediction, reflects the presence of asymmetry in the EIA loss. Specifically, negative values of τ_4 imply greater loss penalising negative forecast errors, i.e. over this period over-predicting prices is more costly and hence under-prediction minimises the loss.

The time fluctuations in the asymmetry parameters for demand and supply also suggest that during the post 2010 period (and early 1990's) the size of the loss for a given degree of under-prediction is greater than that incurred during the mid 2000 period. Furthermore, a feature of the estimated asymmetry parameters for demand and supply forecast errors, τ_2 and τ_3, is their high level of co-movement and significant degrees of time-variation compared to the full sample estimates. Higher positive asymmetry, for both $h = 1$ and $h = 4$, are apparent between 1992-1998 and in the post 2010 periods.[20] This is particularly true for the $h = 1$ forecast horizon, with estimated values of τ_2 and τ_3 of around 0.2/0.3, slightly higher than the full sample estimates. However, a notable feature, for both $h = 1$ and $h = 4$, is the period between 1998-2010, where the estimated asymmetry parameters are around zero suggesting symmetric loss is dominant during this period.[21]

5 Can the EIA beat the Random Walk forecast?

In this section we undertake a relative evaluation exercise of the EIA point forecasts, first adopting the conventional univariate based approach assuming a symmetric quadratic loss function, as used by the EIA, and then widening the evaluation exercise by adopting loss functions which evaluate the variables jointly, allowing for non-separability and asymmetry.

We examine the forecasts mean square errors (MSE) relative to those generated by a random walk (plus seasonal dummy) benchmark model, over the full sample period 1983Q1-2019Q4 and overtime.[22] The benchmark model differs for the RAC oil price forecasts, where we adopt the

[20]Figure D.3 reports the estimated relative loss over the symmetric loss for the last decade in our sample. This highlights the quantitative significance of the deviations with respect to the symmetric loss over the last decade.

[21]The estimated asymmetry parameter, τ_3, for stock withdrawals forecast errors are the least volatile and close to zero, mostly indicating symmetric loss over the period.

[22]The conventional benchmark model is typically a pure random-walk, but such a model is disadvantaged when considering total demand, supply, and stock withdrawals by not including seasonality, which is likely to be present in the underlying series. EIA forecasts most likely explicitly factor these seasonal effects into their forecasts, and as such would make a comparison with a model that does not take this into account uneven. We therefore adopt as

pure random walk forecasts, as used in Baumeister and Kilian (2015) and Garratt et al. (2019). Table 4 reports the MSE ratios relative to the benchmarks, where in parentheses we report the p-value of the Harvey et al. (1997) small-sample adjusted Diebold and Mariano (1995) two-sided test statistic of whether the EIA forecasts are significantly different from the benchmark models. A value of less than one favours the EIA forecasts over the benchmark models.

Table 4: MSE RATIOS

	Backcast	Nowcast	1-Quarter	2-Quarters	3-Quarters	4-Quarters	5-Quarters	6-Quarters
Dmand	**0.44**	**0.39**	**0.64**	1.09	0.68	**0.59**	0.96	**1.26**
	(0.00)	(0.00)	(0.00)	(0.74)	(0.15)	(0.07)	(0.87)	(0.02)
Supply	**0.32**	**0.48**	0.68	0.67	0.59	0.72	0.82	**1.38**
	(0.00)	(0.01)	(0.11)	(0.31)	(0.23)	(0.28)	(0.51)	(0.02)
Stock withdraws	**0.39**	**0.37**	**0.41**	**0.46**	**0.34**	**0.27**	**0.32**	**0.56**
	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.01)	(0.03)	(0.02)
Price	**0.25**	**1.89**	1.17	1.05	0.98	0.89	0.89	0.92
	(0.00)	(0.02)	(0.28)	(0.43)	(0.80)	(0.32)	(0.40)	(0.67)

Notes: The table reports Mean Squared Error (MSE) ratios, of the EIA forecasts relative to the random walk plus seasonal adjustment benchmark for demand, supply and stock withdraws and random walk for oil prices. A value of less than one represents an improvement of the EIA over the benchmark. P-values of a Harvey et al. (1997) small-sample adjusted Diebold and Mariano (1995) 2-sided test are reported in brackets after the MSE ratios. Boldface denotes significance at the 10% level.

We observe that a majority of MSE ratios are less than one, implying improved performance of EIA forecasts relative to the benchmark.[23] The gains are large and statistically significant (with p-values below 1%), in particular for backcasts, nowcasts and at forecast horizon $h = 1$ (ranging from around 30% to 60%), but they tend to worsen as the forecast horizons increases, $h = 2$ through to $h = 6$. There are notable differences in forecast performance across variables. Only for the backcasts are the RAC oil price forecasts significantly improved relative to the benchmark. Whereas for the RAC oil price nowcasts and forecasts we cannot reject the null that the EIA forecasts are not significantly different from the benchmark. In contrast, stock withdrawals show large significant MSE ratio gains even for long horizon forecasts (typically around 60% and up to 73%, with the largest p-value still below 5%). Statistically significant MSE gains for demand and supply, are observed for the backcasts, nowcasts and at forecast horizon $h = 1$. Beyond $h = 1$, into the longer horizon forecasts, whilst we mostly observe MSE ratios of less than one, these are not statistically significant from the benchmark (one exception being for demand at $h = 4$).

a benchmark a random walk with seasonal drift coefficients, the latter are estimated using real time information. Our benchmark is deliberately chosen so as to be simple and easily replicable. See Appendix E for a more detailed description of the benchmark models.

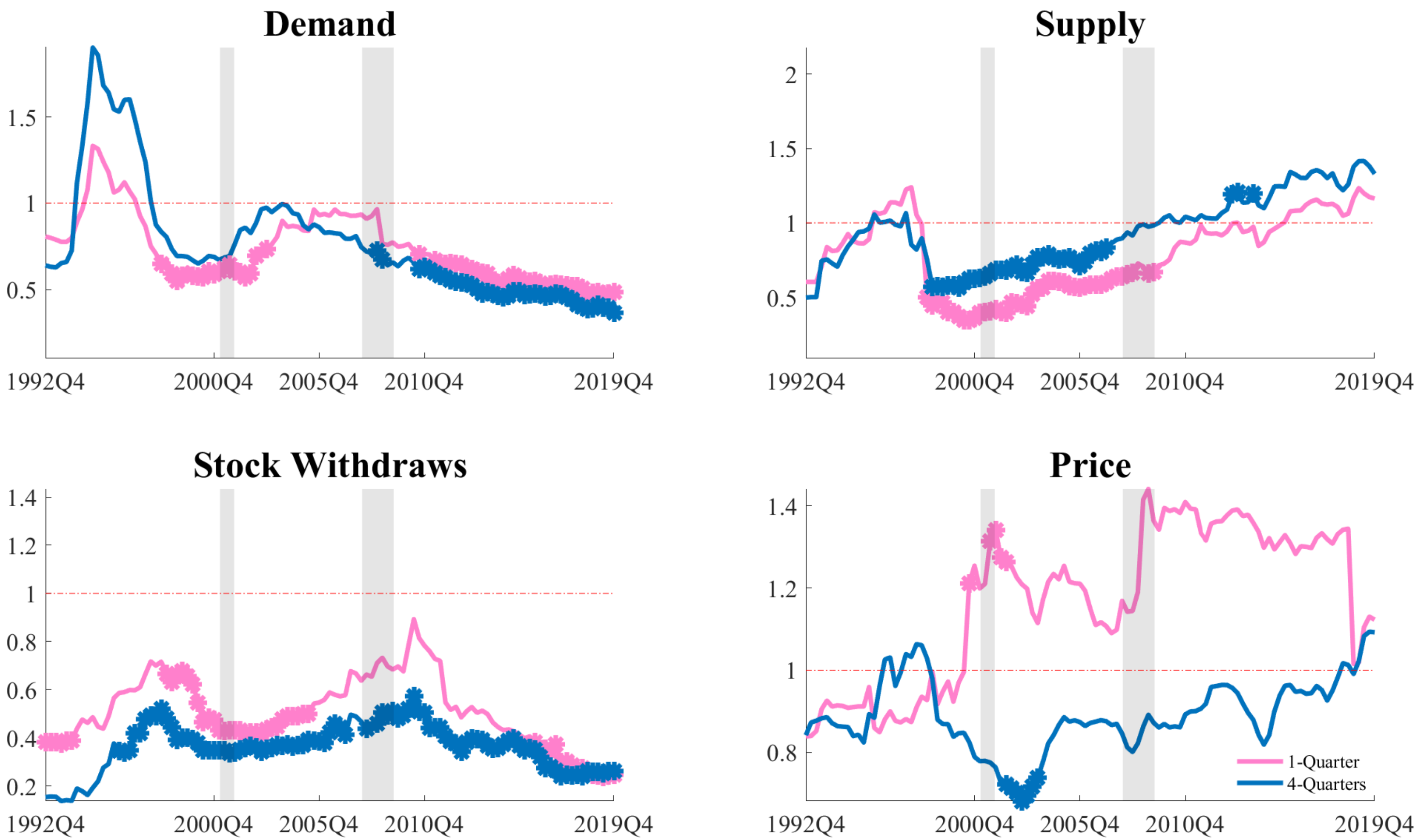
[23]In addition, we also evaluate to what extent the EIA forecasts are successful in providing an assessment of the direction of change of the underlying variables. Looking at the annual growth/change forecasts, we note a strong ability of the EIA forecasts to detect the direction of change in all the variables. Results are available in Table D.1 in Appendix D.

To evaluate the stability of the relative performance of the EIA forecasts with respect to our random walk with seasonal drift benchmark, we plot in Figure 5 MSE ratios calculated over rolling 10 years windows. We observe considerable time variation in relative forecast performance. In particular, the EIA forecasts show significant gains in predicting stock withdrawals, especially 4 quarters ahead, at all points in the sample. The inability of improving over the simple benchmark for RAC oil prices forecasts is confirmed for all periods, with the exception of a short period after the 2001 recession, where the EIA forecasts are superior for long range forecasts but are worse for short term predictions. For the forecasts of demand and supply, we document significant superior forecasts for oil production for the decade starting around 1997, whereas the EIA forecasts for demand appear to be significantly more accurate than the simple benchmark after the Great Recession and for a small period around the 2001 recession for short term predictions.

The evidence presented in Section 4 suggested a role for loss functions that allow for asymmetry and non-separability, as under this type of loss, we cannot reject the null of rationality for the EIA forecasts, in contrast to when using symmetric separable loss, where we find evidence of bias or non-rationality. A natural question to ask therefore is: how do the EIA forecasts compare to benchmark models using joint or multivariate, asymmetric, non-separable loss functions? Do we form a different view of the performance of the EIA forecasts relative to standard benchmarks, if we move away from the symmetric separable quadratic loss functions? To answer these questions we construct loss ratios, using the EIA and benchmark forecast errors, defined as: L_{SS}^{EIA}/L_{SS}^{RW}, L_{SA}^{EIA}/L_{SA}^{RW} and $L_{NSA}^{EIA}/L_{NSA}^{RW}$, where RW denotes the random walk benchmark, and the loss functions are as defined in Section 4. For the τ asymmetry parameters, we use the estimated values reported in Table 3. Table 5 reports the three multivariate loss ratios, where values less than one indicate an improvement relative to the benchmark model, and we test whether they are significantly different from the benchmarks using Harvey et al. (1997) small-sample adjusted Diebold and Mariano (1995) two-sided test.

For the backcasts, we observe large (around 65%) and significant (with p-values of zero) improvements relative to the benchmark models. However, we observe a strong reversal of this result for nowcasts and forecast horizons $h = 1$ and $h = 2$, with loss ratios larger than one, although (with the exception of the nowcasts) they are not significantly different from the benchmarks. For the forecast horizons $h = 3$ through to $h = 6$, the loss ratios are less than one, with the lowest showing a 13% improvement. But, in all cases, we cannot reject the null of being equal to the benchmark model losses. Overall, using alternative loss functions, suggests a worsening of the EIA forecast performance relative to the benchmarks, where the major change is the poor performance at the shorter forecast horizons.

Figure 5: Rolling MSE Ratios



Note: Rolling MSE Ratios of 1 and 4-quarter ahead Forecasts, 1992Q1–2019Q4 (rolling 10 year window). Marks denote p-values < 10% for the Harvey et al. (1997) small-sample adjusted Diebold and Mariano (1995) 2-sided test.

Table 5: **MULTIVARIATE LOSS RATIOS (Full Sample)**

	Backcast	Nowcast	1-Quarter	2-Quarters	3-Quarters	4-Quarters	5-Quarters	6-Quarters
Sep. & Symmetry	**0.31**	**1.72**	1.24	1.05	0.95	0.87	0.88	0.90
	(0.00)	(0.03)	(0.11)	(0.44)	(0.56)	(0.24)	(0.32)	(0.58)
Sep. & Asymmetry	**0.35**	**1.64**	1.23	1.03	0.92	0.87	0.87	0.97
	(0.00)	(0.03)	(0.11)	(0.71)	(0.43)	(0.24)	(0.32)	(0.82)
Nonsep. & Asymmetry	**0.35**	**1.71**	1.22	1.02	0.94	0.88	0.85	0.83
	(0.00)	(0.03)	(0.11)	(0.78)	(0.50)	(0.25)	(0.29)	(0.50)

Notes: The table reports multivariate loss ratios of the EIA forecasts relative to the RW with seasonal dummies benchmark. The loss functions are as defined in the text: separable and symmetric, separable and asymmetric and non-separable and asymmetric. A value of less than one represents an improvement of the EIA over the benchmark. p-values of a Harvey et al. (1997) small-sample adjusted Diebold and Mariano (1995) 2-sided test are reported in brackets. Boldface denotes significance at the 10% level.

Previously, we identified the post 2010 period as being one where both the univariate and joint distributions of the forecast errors showed significant differences compared to those in the pre 2010 period. Therefore, in Table 6, we report the same set of multivariate loss ratios as in Table 5 but for the 2010Q1-2019Q4 period. The results are similar to the full sample results, in that EIA backcasts do well relative to the benchmarks, but at most other horizons either do worse or are not significantly different from the benchmark.[24] Time -variation is also a feature of the multi-variate loss ratios, as illustrated in Figure 6 which plots the non-separable asymmetric loss (the most general loss function) for forecast horizons $h = 1$ and $h = 4$, for the period 1992Q1-2019Q4, calculated using a 10-year rolling window. Although there is time variation in the results, overall they confirm the full-sample results. Namely, that EIA forecasts perform worse than the RW+SD benchmark models at short forecast horizons (in the figure $h = 1$) for all periods, and at the longer forecast horizons ($h = 4$) have ratios less than one with a tendency to increase towards one over time. However, they are (nearly) always not significantly different from the RW+SD benchmark model. The exception to this is a short period around 2002-2003, where the $h = 4$ ratio is around 0.7 and is significantly different from the benchmark.

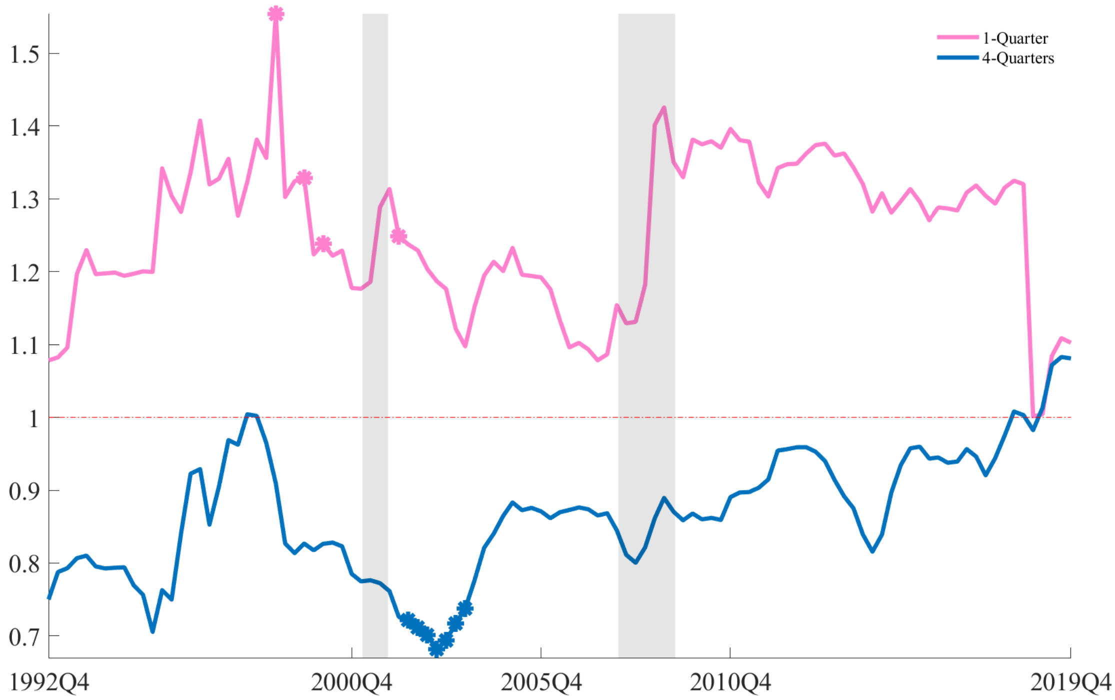
[24]A notable exception to this is at forecast horizon $h = 5$, for asymmetric loss functions with separability and non-separability. Here we observe ratio of 0.67, which is significantly different from the benchmark. Hence, there are, albeit limited, differences in the post 2010 performance.

Table 6: **MULTIVARIATE LOSS RATIOS (Post-2010 Sample)**

	Backcast	Nowcast	1-Quarter	2-Quarters	3-Quarters	4-Quarters	5-Quarters	6-Quarters
Sep. & Symmetry	**0.51**	1.54	1.10	1.06	1.13	1.08	0.89	0.94
	(0.01)	(0.12)	(0.20)	(0.75)	(0.62)	(0.72)	(0.28)	(0.27)
Sep. & Asymmetry	**0.43**	1.38	1.09	1.10	1.29	1.26	1.08	0.39
	(0.01)	(0.19)	(0.30)	(0.67)	(0.45)	(0.41)	(0.47)	(0.11)
Nonsep. & Asymmetry	**0.58**	1.51	1.10	1.11	1.29	1.26	**0.67**	0.84
	(0.06)	(0.13)	(0.26)	(0.67)	(0.44)	(0.41)	(0.03)	(0.26)

Notes: The table reports multivariate loss ratios of the EIA forecasts relative to the RW with seasonal dummies benchmark. The loss functions are as defined in the text: separable and symmetric, separable and asymmetric and non-separable and asymmetric. A value of less than one represents an improvement of the EIA over the benchmark. p-values of a Harvey et al. (1997) small-sample adjusted Diebold and Mariano (1995) 2-sided test are reported in brackets. Boldface denotes significance at the 10% level.

Figure 6: Non-separable Asymmetric Loss Ratios



Notes: 1 and 4-quarter ahead forecasts relative multivariate loss assuming non-separable and asymmetric loss, $L^{EIA}_{NSA}/L^{RW}_{NSA}$, where RW denotes the random walk benchmark, and the loss functions are as defined in Section 4. The forecasts are evaluated on a rolling 10 year window (for the period 1992Q1-2019Q4).

6 Conclusions

The EIA's forecasts represent and quantify the agency's narrative of the evolving forces in the oil market, which embody a view of the strength of global demand and supply, their balance, as well as their impact on prices. When evaluating these forecasts, it is important to account for the inherent inter-dependencies across the forecast variables as well as any potential asymmetries in the implicit loss function faced by the forecaster. Conventional use of separable and symmetric loss functions do not consider differing costs of over and under predicting that we observe, nor do they allow for the process which produces the forecast which intrinsically link forecasts together.

We document substantial, time varying, biases in the individual forecasts produced by the EIA. However, by using non-separable and asymmetric loss, we find we can rationalise these biases. The implied asymmetric loss gives less weight to under-prediction of both demand and supply, while for oil prices, we document significant regime changes in the implied loss due to asymmetry. In particular, the period of rising oil prices from the late 90s to the oil collapse in 2007 is associated with higher cost of underpredicting prices, whereas the last 10 years, as well as the decade following the collapse of the oil price in the mid 80s, is associated with larger costs of overpredicting prices.

The EIA forecasts outperform the naive random walk forecast when evaluated using the conventional MSE loss. Yet, this loss results in large and significant biases in the EIA forecasts. Allowing for the interactions between the forecast variables and asymmetries embodies the complex relationships between key variables in the world petroleum market. When we evaluate the EIA forecasts allowing for joint evaluation using non-separable asymmetric loss functions, which rationalize the observed biases in the EIA forecasts, we observe a deterioration in the EIA's forecast performance with respect to a naive random walk benchmark, particularly at short forecast horizons. While EIA forecasts are undoubtedly informative, oil market participants and observers should take into account that those forecasts do not necessarily reflect the EIA unbiased view on the market.

Since a forecast is only optimal for a particular forecast user when his or her loss function matches that of the forecast producer (Auffhammer, 2007), accurately describing the loss function of EIA forecasters is an essential first step in forecast evaluation. Given the important role that the EIA forecasts play in informing market participants and policy makers in the energy sector, which moving forward will undoubtedly become increasingly more important as we monitor progress in the development of efforts to mitigate climate change, the EIA should consider the internal and external forces that influence the cost of forecast errors. Therefore, it is important to understand the sources of asymmetric preferences in the production of the EIA forecasts of the oil market. There are different implications as to whether the asymmetries arise from the models employed or from the implicit judgements used throughout the forecasting process. In the first case, more work should be invested into improving existing or developing new forecasting models. In the second, greater transparency on the forecasters' incentives that rationalize the presence of the documented biases in the forecasts, and information on the expert judgment components, would be useful. Alternatively, the EIA should consider explicitly a way of incentivising the forecast producers to release unbiased forecasts. Thus, our findings may help inform future revisions of EIA forecast models and procedures.

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Asymmetry and Interdependence when Evaluating U.S. Energy Information Administration Forecasts

– Online Appendix –

Anthony Garratt
Warwick Business School, University of Warwick
Email: Anthony.Garratt@wbs.ac.uk

Ivan Petrella
Warwick Business School, University of Warwick
Email: ivan.petrella@wbs.ac.uk

Yunyi Zhang
School of Management, China Institute for Studies in Energy Policy, Xiamen University
Email: yunyi_zhang@xmu.edu.cn

A Additional Data Details

We examine quarterly world petroleum market forecasts from 1983Q1 to 2019Q4 for four key variables: total demand, total supply, total stock withdrawals (inventory), and the oil price (Refiners' Acquisition Cost, RAC hereafter). Specifically,

- **Total Demand** is defined as millions of barrels per day. For the OECD countries, this measures the consumption of petroleum and is synonymous with "petroleum product supplied", defined in the glossary of the EIA Petroleum Supply Monthly (DOE/EIA-0109). For the non-OECD countries, consumption of petroleum is "apparent consumption," which includes internal consumption, refinery fuel and loss, and bunkering. In the empirical analysis when defining forecast errors, we use the natural logarithm of this series.

- **Total Supply** is defined as millions of barrels per day. It includes production of crude oil (including lease condensates), natural gas plant liquids, biofuels, other liquids, and refinery processing gains. In the empirical analysis when defining forecast errors, we use the natural logarithm of this series.

- **Stocks Total Withdrawals** is defined as millions of barrels per day. It includes OECD and 'Other Stock Draws and Balance', whose size is larger than the size of OECD draws. As this series can take negative values, in the empirical analysis when defining forecast errors, we use this series as defined and not the natural logarithm.

- **The RAC crude oil price** is defined as dollars per barrel and is the average of all EIA-14 refiners' monthly cost reports. In the empirical analysis when defining forecast errors, we use the natural logarithm of this series.

Missing Forecasts (i) *Demand*: before 1991Q3, total demand included the market economies only; while after (including 1991Q3) it accounts for the world petroleum demand. The EIA data "vintage" reported in 1991Q3, used the new definition for EIA observations starting in 1990Q1 and hence the observations before 1990Q1 have not been reviewed since the data vintage 1991Q3. This caused the actual observations reported under data Vintage 2020:06 to have an 'artificial jump' on 1990Q1. As a consequence, the true observations between 1990Q1-1991Q3+h (7+h observations) use a different definition from the EIA forecast's generated in the previous vintages. Therefore, we opt to drop these observations.
(ii) *Supply*: before 1991Q3, the total supply only accounts for the U.S. (50 states), OPEC, other non-OPEC, and net centrally planned economies exports; while after 1991Q3 (including 1991Q3) it accounts U.S. (50 states), Canada, North Sea, other OECD, OPEC, U.S.S.R., China, Mexico

and other non-OECD. Under data Vintage 1991Q3, EIA reports were started with the observations on 1990Q1. Hence, the observations before 1990Q1 have not been reviewed since the data vintage 1991Q3, and therefore the actual observations reported under Vintage 2020:06 has an 'artificial jump' on 1990Q1. Hence, the true observations between 1990Q1-1991Q3 +h (7+h observations) have a different definition concerning EIA forecasts generated in the previous vintages. Therefore, we opt to drop these observations.
(iii) *Stock withdrawals*: the EIA did not report the international petroleum balance sheet in 1990Q3, including variables in demand and supply and stock withdraws. Hence, we have 1+h-1 missing values since 1990Q3 in this time series.
(iv) *RAC*: for reasons unknown, the EIA did not report the forecasts of the RAC oil price for horizons after h=3, for data Vintage 1991Q2. Hence, we are missing observations of the RAC oil price forecasting errors for 1991Q2.

Table A.1 reports the mean, standard deviation, and skew for the actual observed data that the EIA seeks to forecast, for the sample period 1983Q1-2019Q4. Column 1 reports the *levels* data of our four variables, whilst the remaining columns contain the h-period growth rates.

Table A.2 and Figures A.1 and A.2 describe the forecast errors using forecasts reported at the first, mid and end month of each quarter (for the period where only monthly forecasts are available). Recall that in the main text, we use the first month in the quarter. The violin plots highlight the main point visually, with the numbers in the tables confirming, namely that the forecast error distributions and properties are very similar across the three first, mid and end month definitions. As such, the results in the main text are robust to this choice.

In Figure A.3, we report the probability density functions for the full set of forecast horizons, $h = 0, 1, 2, 3, 4, 5, 6$, for the three sub-periods 1983Q1-1999Q4, 2000Q1-2009Q4 and 2010Q1-2019Q4. They confirm that the general pattern we observed at $h = 4$ in the main text is also true of the other forecast horizons we consider. Finally, Figure A.4 reports the multivariate density of the forecast errors for h=1, matching the equivalent plot for h=4 in Figure 3 in the main text.

Table A.1: DESCRIPTIVE STATISTICS FOR THE OBSERVED DATA

	Level			1-Quarter			2-Quarter			3-Quarter		
	Mean	Std.	Skew.	Mean	Std.	Skew.	Mean	Std.	Skew.	Mean	Std.	Skew.
Demand	75.86	16.49	-0.44	1.60	9.83	-0.58	1.66	6.40	0.16	1.65	3.39	0.78
Supply	75.92	16.49	-0.44	1.85	6.93	0.46	1.76	4.83	0.94	1.70	3.25	0.80
Stock withdraws	-0.13	1.14	0.23	-0.08	1.46	-0.19	-0.02	1.80	-0.37	-0.01	1.55	0.03
Price	40.90	28.62	1.05	1.66	62.77	-1.04	1.79	48.23	-0.97	1.90	38.17	-0.70

	4-Quarter			5-Quarter			6-Quarter		
	Mean	Std.	Skew.	Mean	Std.	Skew.	Mean	Std.	Skew.
Demand	1.64	1.44	-0.58	1.62	2.21	-0.41	1.63	2.28	0.19
Supply	1.64	2.45	0.55	1.66	2.18	0.37	1.67	1.94	0.33
Stock withdraws	-0.01	1.35	-0.22	-0.03	1.75	-0.34	-0.03	1.94	-0.00
Price	1.88	32.54	-0.35	1.88	28.91	-0.34	1.96	25.37	-0.39

Notes: 1. We use the most recent vintage (2020:06) for actual observations, denoted as A_t. The first three columns measure the basic statistics of the *levels* for total demand and supply, total stock withdrawals, and the dollar RAC oil price. 2. The remaining columns calculate the changes in demand, supply and the RAC oil price, defined as: $\Delta A_{t+Qh} = \frac{400}{h} \times [log(A_{t+h}) - log(A_t)]$, while for total stock net withdrawals we use: $\Delta A_{t+Qh} = A_{t+h} - A_t$. Sample period: 1983Q1-2019Q4.

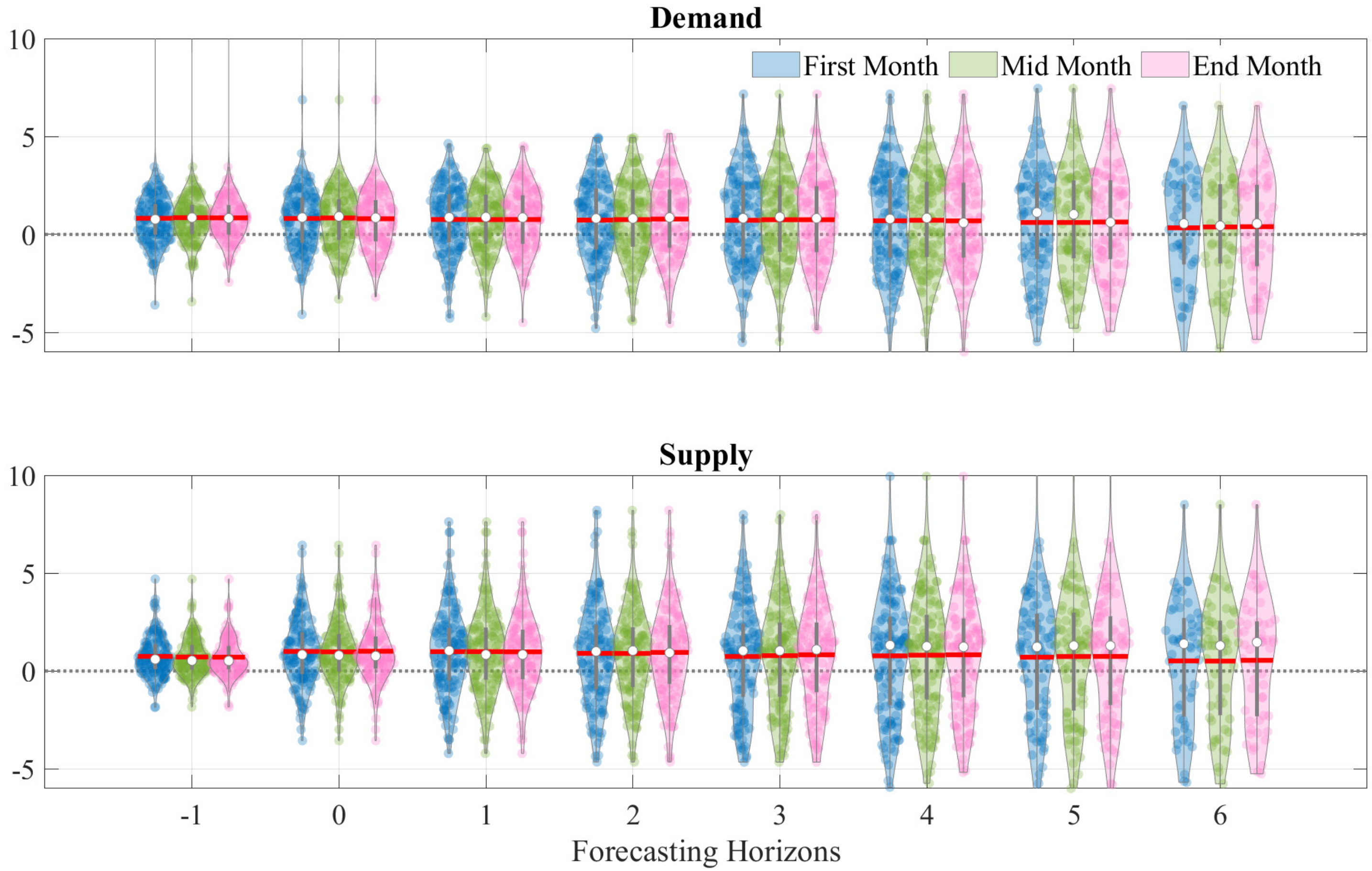
Table A.2: DESCRIPTIVE STATISTICS OF FORECAST ERRORS

		1-Quarter Backcasts					Nowcasts					1-Quarter Forecasts					2-Quarter Forecasts			
	Mean(P)	Std.	MSE	MAE	Skew.	Mean(P)	Std.	MSE	MAE	Skew.	Mean(P)	Std.	MSE	MAE	Skew.	Mean(P)	Std.	MSE	MAE	Skew.
Starting-month Report (reported on Jan., Apr., Jul., Oct. since 1997:03)																				
Demand	**-0.82***(0.00)	1.65	3.39	1.20	-4.07	**-0.81***(0.00)	1.78	3.80	1.43	-1.67	**-0.76***(0.00)	1.70	3.44	1.53	0.39	**-0.73***(0.00)	1.98	4.42	1.72	0.16
Supply	**-0.75***(0.00)	1.05	1.64	0.96	-0.72	**-1.00***(0.00)	1.71	3.89	1.53	-0.30	**-0.99***(0.00)	2.19	5.76	1.89	-0.30	**-0.90***(0.00)	2.49	6.95	2.09	-0.26
Stock withdraws	-0.07(0.22)	1.14	1.30	0.71	-3.05	0.05(0.31)	1.21	1.47	0.81	-2.34	0.06(0.25)	1.05	1.09	0.82	0.13	0.03(0.39)	1.15	1.32	0.91	0.20
Price	0.19(0.12)	2.01	4.04	1.44	0.55	0.40(0.34)	11.43	129.88	8.14	1.35	0.60(0.37)	22.13	486.81	15.67	1.48	0.76(0.37)	27.24	737.28	19.74	0.92
Mid-month Report (reported on Feb., May., Aug., Nov. since 1997:03)																				
Demand	**-0.85***(0.00)	1.60	3.27	1.17	-4.45	**-0.83***(0.00)	1.71	3.59	1.39	-1.94	**-0.75***(0.00)	1.59	3.09	1.45	0.28	**-0.76***(0.00)	1.90	4.16	1.66	0.15
Supply	**-0.72***(0.00)	0.98	1.47	0.90	-0.78	**-0.98***(0.00)	1.59	3.47	1.41	-0.43	**-0.99***(0.00)	2.12	5.43	1.81	-0.40	**-0.90***(0.00)	2.33	6.20	1.98	-0.19
Stock withdraws	-0.10(0.13)	1.10	1.22	0.66	-3.38	0.04(0.36)	1.21	1.46	0.81	-2.33	0.06(0.26)	1.05	1.10	0.83	0.21	0.03(0.35)	1.11	1.22	0.88	0.09
Price	0.06(0.29)	1.44	2.06	1.05	0.33	0.17(0.40)	8.06	64.61	6.06	0.63	0.11(0.47)	19.07	361.26	14.08	1.08	0.31(0.44)	25.32	636.64	18.53	0.97
End-month Report (reported on Mar., Jun., Sep., Dec. since 1997:03)																				
Demand	**-0.84***(0.00)	1.55	3.10	1.11	-5.00	**-0.80***(0.00)	1.70	3.52	1.37	-1.99	**-0.76***(0.00)	1.58	3.06	1.44	0.24	**-0.78***(0.00)	1.90	4.19	1.66	0.13
Supply	**-0.71***(0.00)	0.97	1.43	0.88	-0.85	**-1.01***(0.00)	1.55	3.40	1.38	-0.51	**-0.98***(0.00)	2.01	4.99	1.69	-0.51	**-0.95***(0.00)	2.33	6.32	1.98	-0.22
Stock withdraws	-0.10(0.12)	1.08	1.16	0.64	-3.70	0.08(0.21)	1.24	1.54	0.87	-2.28	0.07(0.19)	1.04	1.07	0.82	0.25	0.04(0.33)	1.09	1.19	0.86	0.09
Price	0.05(0.30)	1.13	1.27	0.63	0.97	0.43(0.22)	6.85	46.85	4.71	0.97	0.63(0.33)	17.69	311.04	12.90	0.99	1.00(0.31)	25.04	623.82	18.17	1.10

		3-Quarter Forecasts					4-Quarter Forecasts					5-Quarter Forecasts					6-Quarter Forecasts			
	Mean(P)	Std.	MSE	MAE	Skew.	Mean(P)	Std.	MSE	MAE	Skew.	Mean(P)	Std.	MSE	MAE	Skew.	Mean(P)	Std.	MSE	MAE	Skew.
Starting-month Report (reported on Jan., Apr., Jul., Oct. since 1997:03)																				
Demand	**-0.72***(0.00)	2.29	5.75	1.98	0.04	**-0.69***(0.00)	2.55	6.93	2.21	0.10	**-0.61***(0.02)	2.71	7.65	2.36	0.07	-0.34(0.18)	2.75	7.51	2.35	0.25
Supply	**-0.74***(0.00)	2.69	7.75	2.31	-0.03	**-0.77***(0.00)	2.98	9.42	2.58	-0.01	**-0.71***(0.02)	3.19	10.58	2.73	0.10	-0.52(0.11)	3.11	9.73	2.70	0.18
Stock withdraws	0.04(0.36)	1.17	1.35	0.94	0.08	0.04(0.34)	1.21	1.46	0.93	0.05	-0.01(0.47)	1.14	1.30	0.88	0.38	0.07(0.32)	1.16	1.33	0.89	-0.01
Price	0.91(0.36)	30.39	917.82	22.75	0.48	0.68(0.40)	32.81	1069.45	24.98	0.35	-2.07(0.27)	33.58	1120.58	25.33	0.19	**-7.33***(0.06)	36.01	1329.11	28.06	0.26
Mid-month Report (reported on Feb., May., Aug., Nov. since 1997:03)																				
Demand	**-0.75***(0.00)	2.22	5.46	1.92	0.01	**-0.72***(0.00)	2.47	6.55	2.12	0.03	**-0.61***(0.01)	2.61	7.12	2.26	-0.05	-0.38(0.15)	2.68	7.18	2.29	0.20
Supply	**-0.78***(0.00)	2.62	7.41	2.25	-0.03	**-0.81***(0.00)	2.96	9.36	2.56	-0.02	**-0.74***(0.01)	3.21	10.76	2.75	0.08	-0.51(0.11)	3.10	9.71	2.70	0.14
Stock withdraws	0.06(0.27)	1.12	1.24	0.88	0.17	0.05(0.32)	1.21	1.46	0.94	0.09	-0.01(0.46)	1.17	1.35	0.87	0.32	0.03(0.41)	1.12	1.24	0.86	-0.09
Price	0.70(0.39)	28.98	834.49	21.72	0.57	0.71(0.39)	31.56	989.35	23.89	0.38	-1.20(0.35)	32.49	1046.77	24.24	0.22	**-6.13***(0.09)	34.99	1241.29	26.58	0.25
End-month Report (reported on Mar., Jun., Sep., Dec. since 1997:03)																				
Demand	**-0.75***(0.00)	2.20	5.35	1.90	-0.01	**-0.69***(0.00)	2.46	6.51	2.10	-0.00	**-0.63***(0.01)	2.61	7.11	2.25	-0.06	-0.39(0.14)	2.71	7.36	2.35	0.13
Supply	**-0.83***(0.00)	2.57	7.23	2.23	-0.01	**-0.83***(0.00)	2.87	8.86	2.49	-0.06	**-0.75***(0.01)	3.14	10.28	2.67	0.01	**-0.55***(0.10)	3.10	9.74	2.71	0.07
Stock withdraws	0.07(0.23)	1.10	1.20	0.87	0.24	0.10(0.16)	1.22	1.50	0.95	0.13	0.00(0.48)	1.13	1.26	0.87	0.18	0.06(0.34)	1.14	1.28	0.88	0.02
Price	1.11(0.32)	28.95	833.67	21.37	0.65	1.07(0.34)	31.62	994.12	23.61	0.36	-0.42(0.45)	32.48	1045.00	24.14	0.19	-5.21(0.12)	34.74	1213.99	26.67	0.19

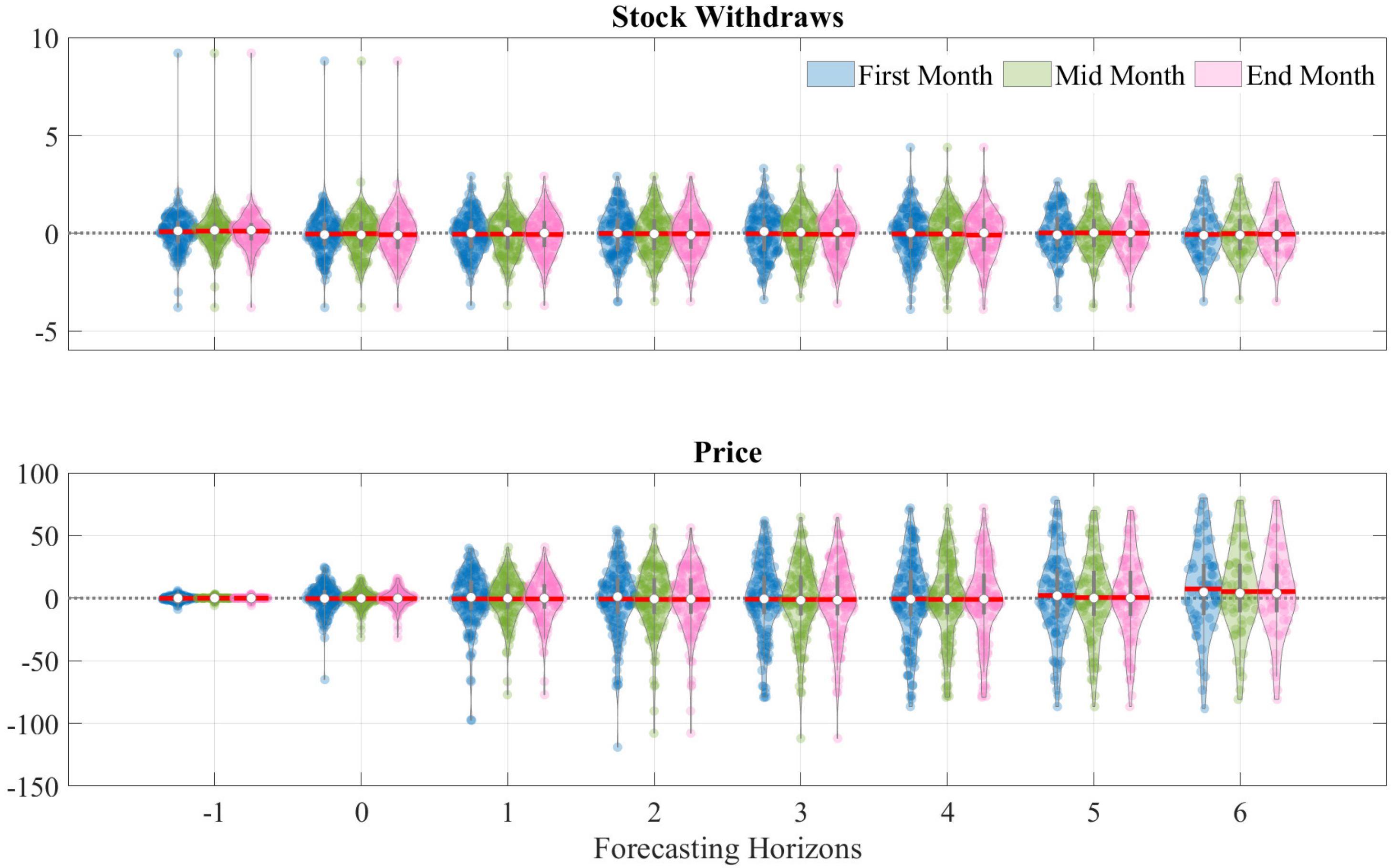
Notes:
1. The forecast errors are defined as: $e_{t+h} = 100 \times [log(F_{t+h|t}) - log(A_{t+h})]$, for total demand, supply, and the RAC oil price, where F denotes forecast and A observed (actual) outcomes; and $E_{t+h} = F_{t+h|t} - A_{t+h}$, for total stock withdrawals, where we denote the errors at forecasting horizon h ($h = -1, 0, 1, \ldots, 6$) for the quarter t as e_{t+h} and E_{t+h}.
2. P-values of Newey-West adjusted t-tests are reported in parantheses where * indicates the Newey–West corrected t-test for the null hypothesis that the forecasting error is significantly different from 0 at 10% level. Sample period: 1983Q1–2019Q4.

Figure A.1: Forecast Error Distributions



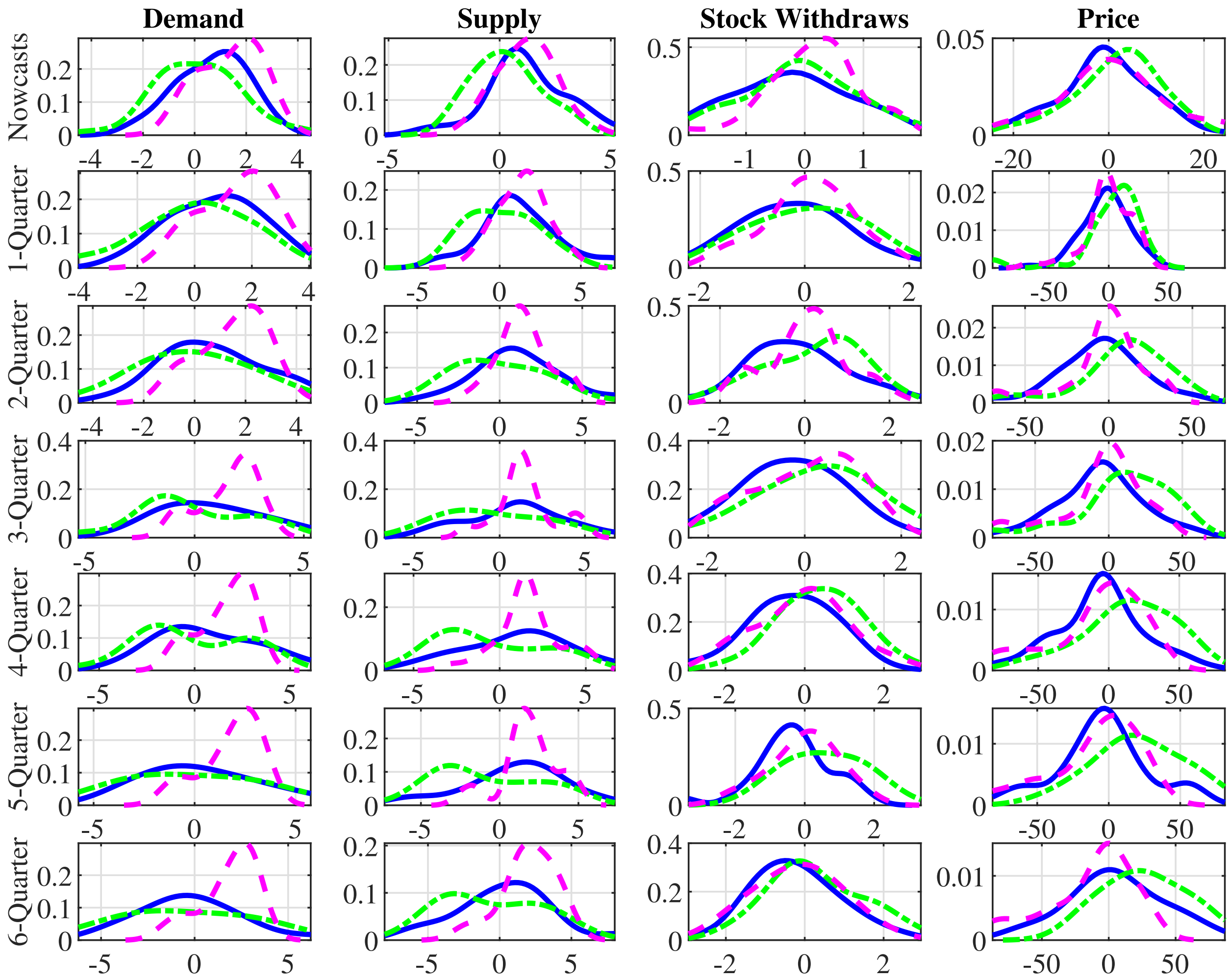
Note: For each variable the violin plots summarize the statistical properties of the forecast errors: the mean is denoted by the red line, the median by a white dot, the interquartile range by the vertical grey bar in the center of violin, the lower/upper adjacent values by the grey vertical lines stretched from the bar, defined as first quartile — 1.5 times the inter quartile range (IQR) and the third quartile + 1.5 times the IQR respectively. Wider sections of the violin plot represent a higher probability of observations taking that value, and the narrower sections correspond to a lower probability. Sample: 1983Q1–2019Q4.

Figure A.2: Forecast Error Distributions



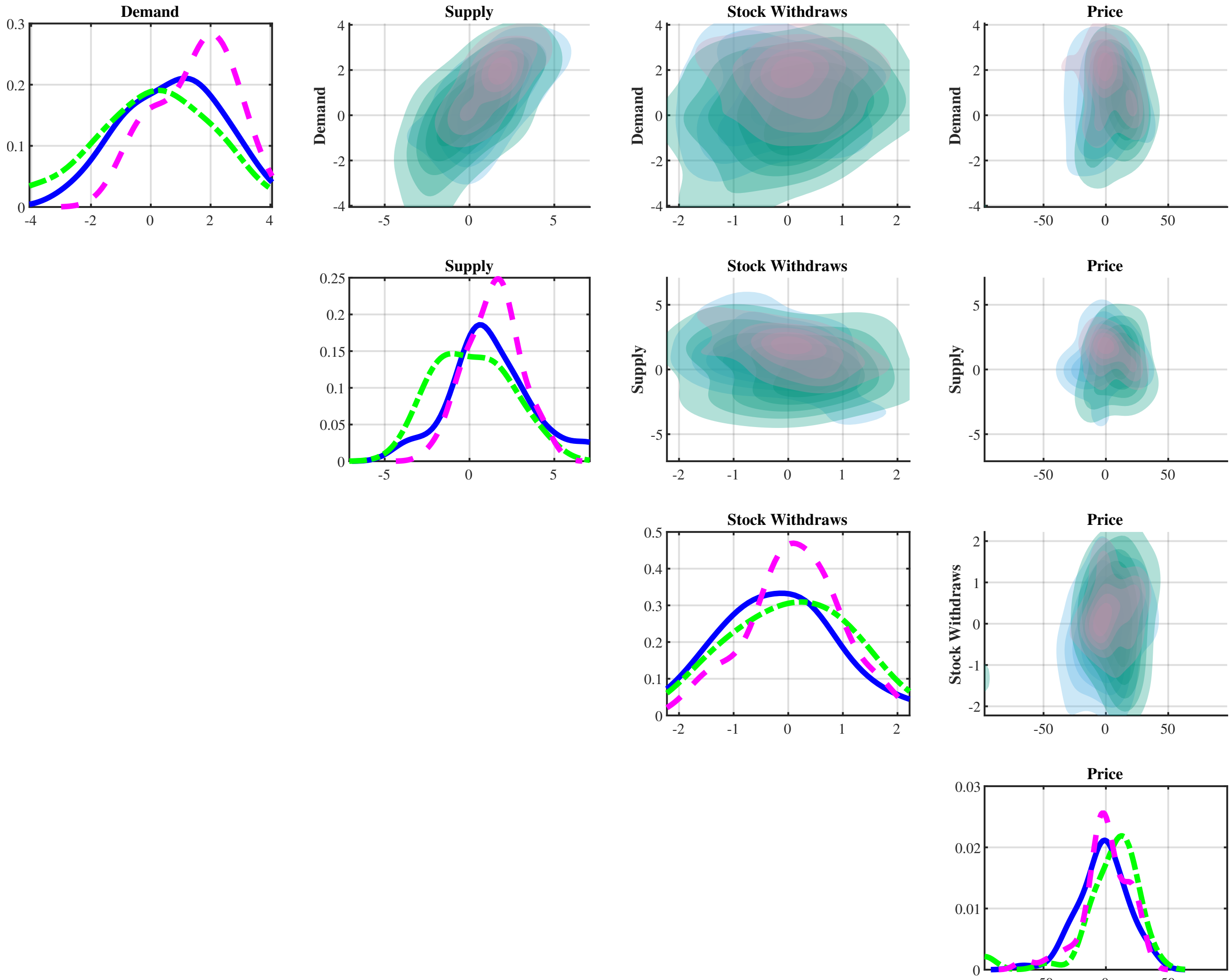
Note: For each variable the violin plots summarize the statistical properties of the forecast errors: the mean is denoted by the red line, the median by a white dot, the interquartile range by the vertical grey bar in the center of violin, the lower/upper adjacent values by the grey vertical lines stretched from the bar, defined as first quartile — 1.5 times the inter quartile range (IQR) and the third quartile + 1.5 times the IQR respectively. Wider sections of the violin plot represent a higher probability of observations taking that value, and the narrower sections correspond to a lower probability. Sample: 1983Q1–2019Q4.

Figure A.3: Forecast Errors Distribution



Note: Probability Density Functions of the Forecast Errors, for three sub-samples 1983Q4-1999Q4 (blue), 2000Q1-2009Q4 (green) and 2010Q1-2019Q4 (purple).

Figure A.4: Forecast Errors Distribution (1 quarter ahead forecasts)



Note: Probability Density Functions of the Forecast Errors (1 quarter ahead), for three sub-samples 1983Q4-1999Q4 (blue), 2000Q1-2009Q4 (green) and 2010Q1-2019Q4 (purple).

A.1 The Stationarity Properties of the Forecast Errors

In this section we document the stationarity properties of the forecast errors for demand, supply, stock withdrawals and RAC oil prices used in the main text. This is important as a key assumption of our adopted methodology, suggested by Komunjer and Owyang (2012), is that the forecast errors and the instruments used in the GMM estimation be stationary.[1]

Causal inspection of Figure A.5, which plots our four forecast errors over the full sample period 1983Q1-2019q4, suggests they are stationary processes. The mean values fluctuate around zero, the variance varies between series but shows no obvious change in size overtime, and where

[1] Here we focus on the stationarity of the forecast errors, as the instrument set used includes lagged variables in growth rates (see notes to Table 3).

demand and supply forecast errors look to be more persistent than stock withdrawals and oil price forecast errors.[2] Table A.3 reports the p-values of two commonly used unit root tests: Augmented Dickey Fuller (ADF) and the Phillips–Perron (PP) test. The latter test is robust with respect to unspecified autocorrelation and heteroscedasticity in the disturbance process of the test equation, and as such might be better suited to evaluate the nonstationarity properties of the forecasts errors for $h > 1$. The tests provide very strong evidence in favour of rejecting the unit root null hypothesis for both the ADF and PP tests.[3]

Figure A.5: Forecast Errors

Notes: Plot of forecast errors, $h = 1$ and $h = 4$. The pattern of missing values visible for some of the series is discussed in the early section of this Appendix.

[2]The estimates of the autoregressive coefficients from an AR(1) model range from around 0.7 to 0.8 for demand and supply, but are much lower at around 0.1 to 0.2 for stock withdrawals and range from around 0.4 to 0.80 for oil prices.

[3]There are a few exceptions for the ADF tests at the 10% level of significance for the longer horizons, notably supply errors errors at $h = 6$ and price errors at $h = 4$ and $h = 6$.

Table A.3: Stationarity Tests

	Demand		Supply		Stock Withdraws		Price	
	ADF	PP	ADF	PP	ADF	PP	ADF	PP
Backcasts	**0.03**	**0.00**	**0.01**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Nowcasts	**0.03**	**0.00**	**0.01**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
1-Quarter	**0.03**	**0.00**	**0.05**	**0.00**	**0.00**	**0.00**	**0.01**	**0.00**
2-Quarters	**0.03**	**0.00**	**0.01**	**0.00**	**0.00**	**0.00**	**0.03**	**0.00**
3-Quarters	**0.03**	**0.00**	**0.02**	**0.00**	**0.00**	**0.00**	**0.06**	**0.00**
4-Quarters	**0.03**	**0.00**	**0.06**	**0.00**	**0.00**	**0.00**	0.16	**0.00**
5-Quarters	**0.03**	**0.00**	**0.01**	**0.00**	**0.01**	**0.00**	**0.09**	**0.00**
6-Quarters	**0.03**	**0.00**	0.22	**0.00**	**0.04**	**0.00**	0.33	**0.00**

Notes: The table reports the p-values of the augmented Dickey–Fuller (ADF) test of the null hypothesis of a unit root against the autoregressive alternative. The ADF test is without a deterministic trend, and the numbers of lags in the ADF regressions are chosen according to BIC for the tests. The table also reports the p-value of the Phillips–Perron test, which has the same null hypothesis as the ADF test. Boldface denotes significance at the 10% level.

B Reparametrization of the Mincer-Zarnowitz regression

The mean values of the forecast errors reported in Table 2 measure unconditional bias and are equivalent to the estimated constant, α_h, from the following regression:

$$e_{t+h} = \alpha_h + u_{t+h},$$

where $e_{t+h} = y_{t+h} - f_{t+h|t}$ and $\alpha_h = \mu_y - \mu_f$. Conventional specifications of the Mincer-Zarnowitz (MZ) regression, testing conditional bias, take either the form: $y_{t+h} = a_h + b_h f_{t+h|t} + u_{t+h}$, where the joint null hypothesis of unbiasedness is $H_0: \ a_h = 0, b_h = 1$, or:

$$e_{t+h} = a_h + \beta_h f_{t+h|t} + u_{t+h},$$

where $\beta_h = b_h - 1$, and the null hypothesis for unbiasedness is $H_0: \ a_h = 0, \beta_h = 0$. The interpretation of β_h or b_h is typically one of either under or over prediction, if $\beta_h < 0$ or $\beta_h > 0$ respectively, or equivalently $b_h < 1$ or $b_h > 1$. Furthermore, it is possible to reparametrize the regression so that the constant term parameter can be interpreted as a measure of (unconditional) bias. In particular, we choose to estimate and report (in Table 3 and Figure 3) estimates of the following *reparamerised* MZ regression:

$$e_{t+h} = \alpha_h + \beta_h \widetilde{f}_{t+h|t} + u_{t+h},$$

where $\widetilde{f}_{t+h|t} = f_{t+h|t} - \mu_f$. The reparametrization leaves the interpretation of the slope coefficient: $\beta_h = \frac{cov\left(e_{t+h}, \widetilde{f}_{t+h|t}\right)}{var\left(\widetilde{f}_{t+h|t}\right)} = \frac{cov\left(e_{t+h}, f_{t+h|t}\right)}{var\left(f_{t+h|t}\right)}$ unaffected, as $\alpha_h = \mu_e = \mu_y - \mu_f$ since $\mu_{\widetilde{f}} = 0$.

C Analysis of growth rate forecasts

In this appendix we report evidence of bias, rationality, asymmetry and interdependence of the *annual growth rates* of the EIA forecasts for demand, supply, and the oil price forecasts. Here we do not include the growth of stock withdrawals as this is already defined as a flow (but for completeness we report the same results as the tables in the main text in the Tables described below). Specifically, we define the forecast errors in the annual growth rates as:

$$\Delta e_{t+h|t} = 100 \times [(y_{t+h} - y_{t+h-4}) - (f_{t+h|t} - f_{t+h-4|t})], \tag{C.1}$$

where $y_{t+h} = log(Y_{t+h})$, $f_{t+h|t} = log(F_{t+h|t})$ and Y_{t+h} and $F_{t+h|t}$ are the observed outcomes of our variables at time $t+h$ and their forecasts, for period $t+h$, made at time t, respectively. We consider forecast horizons $h = -1,\ 0,\ 1,\ \ldots,\ 6$, where $h = -1$ denotes backcasts and $h = 0$ nowcasts. A *positive* value of a forecast error implies that a forecast *under-predicts* the growth rate in the variable, whereas a *negative* forecast error is associated with a forecast that *over-predicts* the growth rate in the underlying variable.

Table C.1 reports the results of the Mincer-Zarnovitz regressions. The overall picture when examining growth rates is in line with the results in the main text when examining levels. We find substantial bias in the forecasts, in particular for the backcasts, nowcasts and forecasts, for all forecast horizons, $h = 1, 2, ..., 6$, for total demand and supply. Whereas for the forecasts of the growth rates in oil prices, as is the case for the level forecasts of the oil price, we find little evidence of bias and predictability of the forecasts errors, where bias is evident only in the long horizon $h = 6$ forecast.

Table C.2 reports the multivariate rationality tests, and broadly speaking confirm the features observed for the level variables. The J-tests suggests we cannot reject the rationality with NSA loss, and yet for some h, the Wald tests rejects the significance of the tau's. The implication being that the loss is non-separable, but symmetric. Yet some of the features of the loss we have in the main text are reproduced. For example, the fact that the tau is never significant for inventories and is always negative and roughly of the same size for supply and demand. The asymmetry for the price also appears significant at times, and it is particularly large for h=6 (as for the forecasts in level).

Table C.1: MINCER-ZARNOWITZ FORECAST RATIONALITY TESTS (Growth Rate)

	1-Quarter Backcasts			Nowcasts			1-Quarter Forecasts			2-Quarter Forecasts		
	α	β	P (χ^2)	α	β	P (χ^2)	α	β	P (χ^2)	α	β	P (χ^2)
Dmand	**0.46**	**-0.51**	**0.00**	**0.31**	**-0.60**	**0.02**	**0.16**	**-0.44**	**0.01**	0.15	**-0.82**	**0.00**
	(0.00)	(0.04)		(0.01)	(0.01)		(0.10)	(0.00)		(0.12)	(0.00)	
Supply	**0.48**	-0.07	**0.00**	**0.66**	-0.06	**0.00**	**0.54**	**-0.24**	**0.00**	**0.34**	**-0.33**	**0.02**
	(0.00)	(0.11)		(0.00)	(0.26)		(0.00)	(0.02)		(0.04)	(0.01)	
Stock withdraws	0.07	**-0.46**	**0.01**	-0.05	**-0.52**	**0.00**	-0.06	**-0.40**	**0.00**	-0.03	**-0.51**	**0.00**
	(0.19)	(0.00)		(0.28)	(0.00)		(0.23)	(0.00)		(0.38)	(0.00)	
Price	-0.19	-0.00	0.49	-0.40	0.01	0.89	-0.60	-0.06	0.76	-0.75	-0.07	0.87
	(0.12)	(0.48)		(0.33)	(0.39)		(0.37)	(0.24)		(0.37)	(0.33)	
	3-Quarter Forecasts			4-Quarter Forecasts			5-Quarter Forecasts			6-Quarter Forecasts		
	α	β	P (χ^2)	α	$\beta_{0,V}$	P (χ^2)	α	β	P (χ^2)	α	β	P (χ^2)
Dmand	-0.11	**-0.79**	**0.00**	-0.15	**-0.98**	**0.00**	-0.17	**-1.24**	**0.00**	**-0.26**	**-1.52**	**0.00**
	(0.18)	(0.00)		(0.12)	(0.00)		(0.12)	(0.00)		(0.06)	(0.00)	
Supply	-0.06	**-0.46**	**0.01**	**-0.28**	**-0.72**	**0.00**	-0.29	**-1.03**	**0.04**	**-0.41**	**-1.43**	**0.00**
	(0.38)	(0.00)		(0.09)	(0.00)		(0.11)	(0.01)		(0.05)	(0.00)	
Stock withdraws	-0.04	**-0.54**	**0.00**	-0.04	**-0.59**	**0.00**	0.01	**-0.59**	**0.00**	-0.07	**-0.58**	**0.00**
	(0.34)	(0.00)		(0.31)	(0.00)		(0.47)	(0.00)		(0.30)	(0.00)	
Price	-0.66	0.02	0.96	-0.25	-0.09	0.97	-0.22	**-0.50**	0.28	1.73	**-0.68**	**0.05**
	(0.40)	(0.47)		(0.46)	(0.41)		(0.47)	(0.06)		(0.33)	(0.01)	

Notes: This table reports the estimated values from the following regressions: $e_{t+h|t} = \alpha_h + \beta_h(f_{t+h|t} - \overline{f}_{t+h|t}) + \varepsilon_{t,h}$, for variables total demand, supply, RAC; and $E_{t+h|t} = \alpha_h + \beta_h(F_{t+h|t} - \overline{F}_{t+h|t}) + \varepsilon_{t,h}$, for total stock withdraws. All parameters are estimated using Newey-West adjusted heteroscedastic-serial consistent Least-squares Regression. We report α_h, β_h and their p-values of the standard t-test statistic (in parentheses). We also report the p-value of χ^2-statistic for the joint test of the null hypothesis: $\alpha_h = 0 \cap \beta_h = 0$. P-values less than 0.10 are marked with boldface. If the forecasts are unbiased, the α_h should be statistically insignificantly different from zero; if the forecasts are optimal, the β_h should be statistically insignificantly different from zero. Sample: 1983Q1–2019Q4.

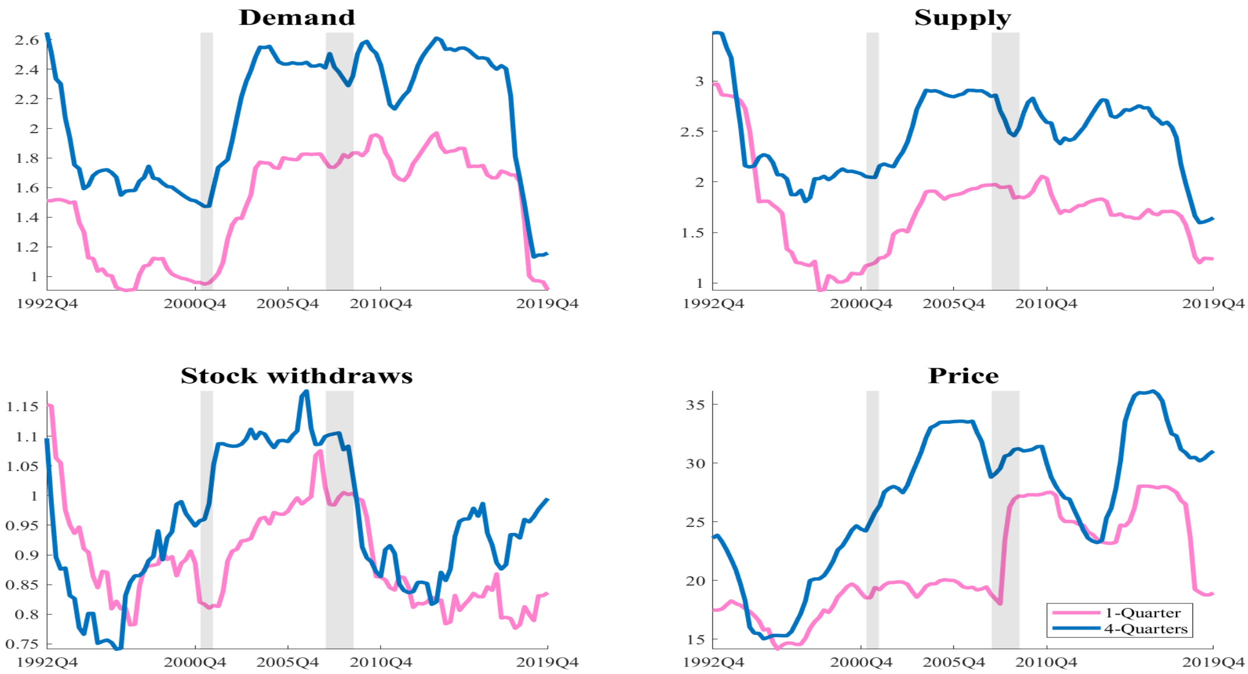
Table C.2: Multivariate Rationality Test (Growth Rate)

			Forecasts					
	Backcasts	Nowcasts	1-Quarter	2-Quarters	3-Quarters	4-Quarters	5-Quarters	6-Quarters
				Separable & Symmetric Loss				
J–stat	18.24	19.44	19.74	18.30	15.22	13.15	15.37	12.64
	(0.31)	(0.25)	(0.23)	(0.31)	(0.51)	(0.66)	(0.50)	(0.70)
				Separable & Asymmetric Loss				
Dmand	**-0.45**	**-0.50**	**-0.37**	**-0.47**	0.13	-0.07	0.06	**0.40**
	(0.01)	(0.01)	(0.04)	(0.01)	(0.39)	(0.63)	(0.66)	(0.00)
Supply	**-0.64**	**-0.70**	**-0.58**	**-0.38**	0.05	-0.04	-0.03	**0.52**
	(0.00)	(0.00)	(0.01)	(0.03)	(0.73)	(0.77)	(0.79)	(0.00)
Stock withdraws	-0.00	0.11	**0.22**	-0.07	0.05	0.05	0.10	-0.05
	(0.97)	(0.30)	(0.10)	(0.57)	(0.71)	(0.72)	(0.44)	(0.56)
Price	0.21	-0.05	0.09	-0.20	-0.19	-0.22	0.27	**-0.55**
	(0.18)	(0.63)	(0.47)	(0.20)	(0.29)	(0.28)	(0.15)	(0.02)
Wald $\chi^2(4)$	**74.64**	**88.58**	**25.56**	**23.24**	3.74	3.39	4.60	**103.88**
	(0.00)	(0.00)	(0.00)	(0.00)	(0.44)	(0.50)	(0.33)	(0.00)
J–stat	14.65	14.48	15.55	14.91	14.73	12.80	14.60	10.75
	(0.55)	(0.56)	(0.48)	(0.53)	(0.54)	(0.69)	(0.55)	(0.82)
				Nonseparable & Asymmetric Loss				
Dmand	**-0.24**	**-0.09**	**-0.06**	**-0.05**	-0.00	0.00	-0.00	**0.02**
	(0.02)	(0.02)	(0.03)	(0.02)	(0.74)	(0.83)	(0.83)	(0.02)
Supply	**-0.29**	**-0.18**	**-0.12**	**-0.08**	-0.01	0.02	0.00	**0.06**
	(0.01)	(0.01)	(0.01)	(0.02)	(0.79)	(0.44)	(0.80)	(0.01)
Stock withdraws	-0.03	0.00	0.01	-0.00	-0.00	0.00	-0.00	-0.01
	(0.55)	(0.85)	(0.26)	(0.65)	(0.59)	(0.93)	(0.86)	(0.23)
Price	0.17	-0.08	0.04	-0.16	-0.19	-0.16	0.25	**-0.70**
	(0.20)	(0.47)	(0.79)	(0.37)	(0.34)	(0.43)	(0.20)	(0.01)
Wald $\chi^2(4)$	**29.73**	**28.35**	**23.55**	**20.78**	1.83	2.70	3.03	**64.28**
	(0.00)	(0.00)	(0.00)	(0.00)	(0.77)	(0.61)	(0.55)	(0.00)
J–stat	14.42	14.17	15.78	14.21	15.36	12.28	14.47	10.61
	(0.57)	(0.59)	(0.47)	(0.58)	(0.50)	(0.72)	(0.56)	(0.83)

Notes: The table reports: (i) J–stat tests of the null of rationalizability of the forecasts (see Komunjer and Owyang, 2012). Where P-Values of the J–test correspond to a χ^2 distribution with 16 degrees of freedom, (ii) for the asymmetric loss functions we report the estimated asymmetric loss parameters (τ, with p-values are shown in parentheses), and (iii) Wald Tests of the null that the asymmetric parameters are jointly equal to zero. The instruments are ($[1,\ \Delta_h D_t,\ \Delta_h S_t,\ \Delta_h I_t,\ \Delta_h P_t]$): $\Delta_h D_t = \frac{400}{h} \times [log(D_t) - log(D_{t-h})]$, $\Delta_h S_t = \frac{400}{h} \times [log(S_t) - log(S_{t-h})]$, $\Delta_h I_t = I_t - I_{t-h}$, and $\Delta_h P_t = \frac{400}{h} \times [log(P_t) - log(P_{t-h})]$, all calculated in real-time where we use annual rate (i.e. h=4). Boldface denotes significance at the 10% level.

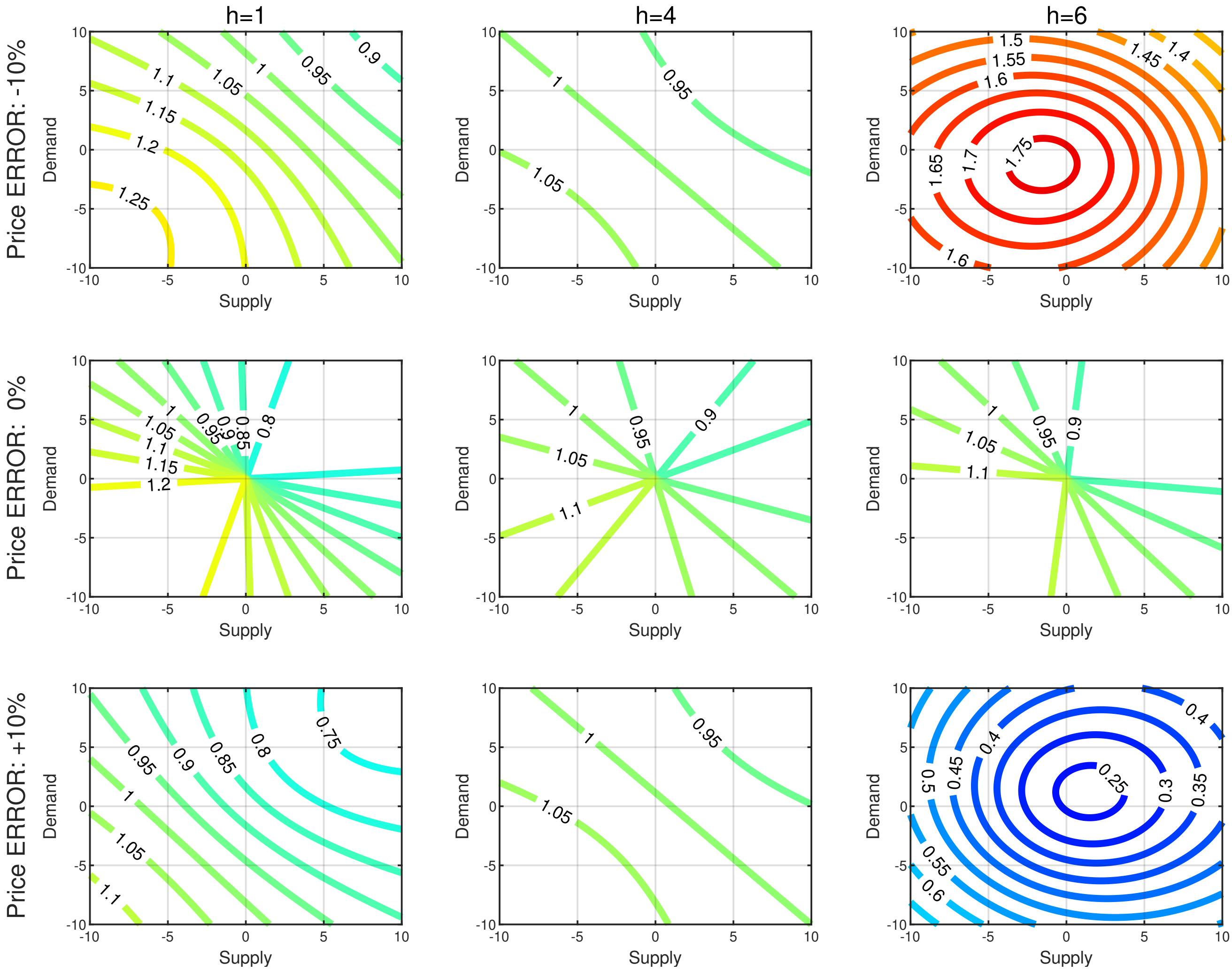
D Additional Results

Figure D.1: Time Varying Variance of The Residuals from The Mincer-Zarnowitz Regressions



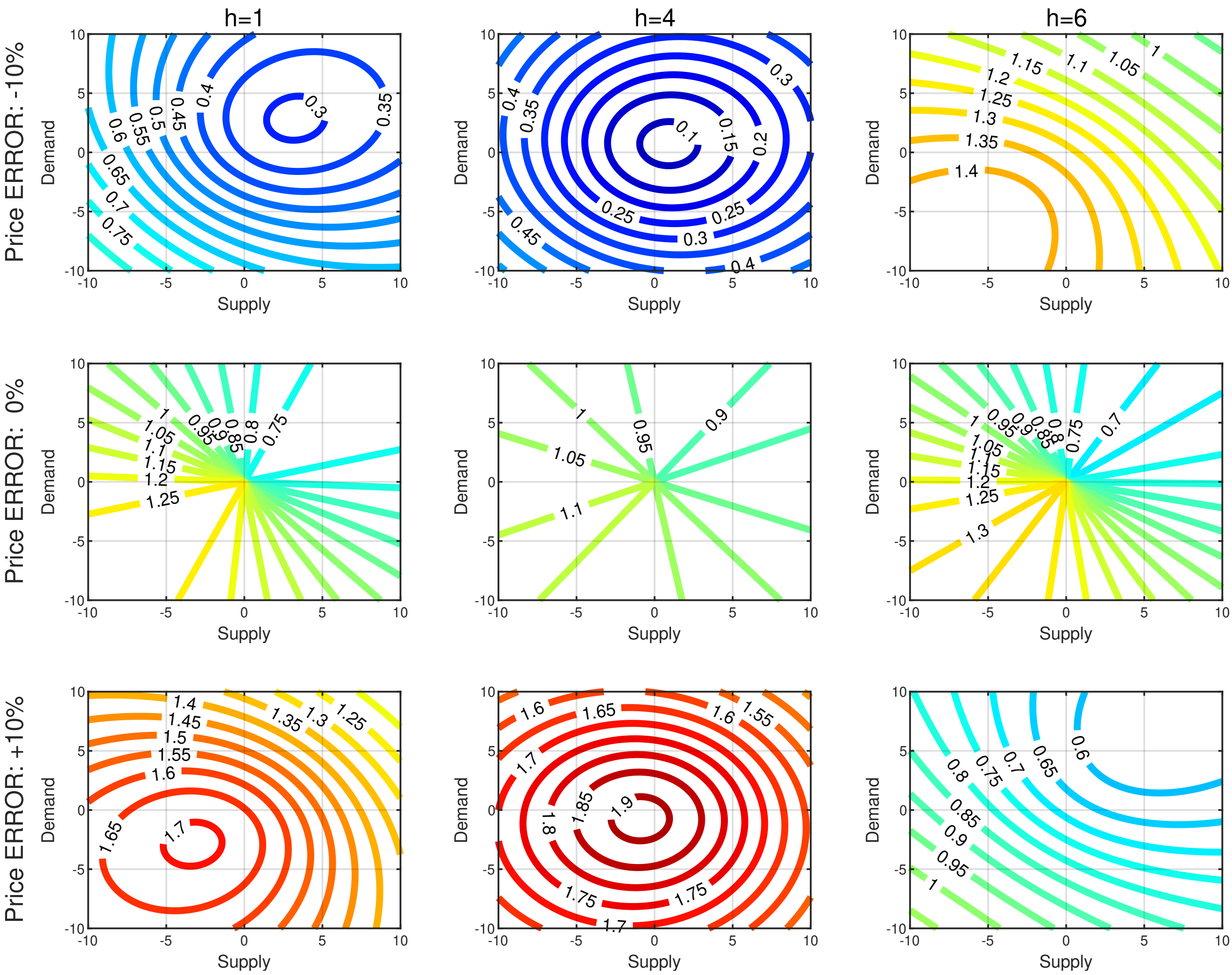
Note: The plots report the results of Mincer-Zarnowitz variance (i.e. the square root of the variance) of 1 and 4-quarter ahead Forecasts, 1992Q1–2019Q4 (rolling 10-year windows, the first estimation sample is 1983q1-1992q4 and the last 2010q1-2019q4.). Grey shading highlights periods of NBER designated US recessions.

Figure D.2: Loss function relative to a symmetric quadratic loss



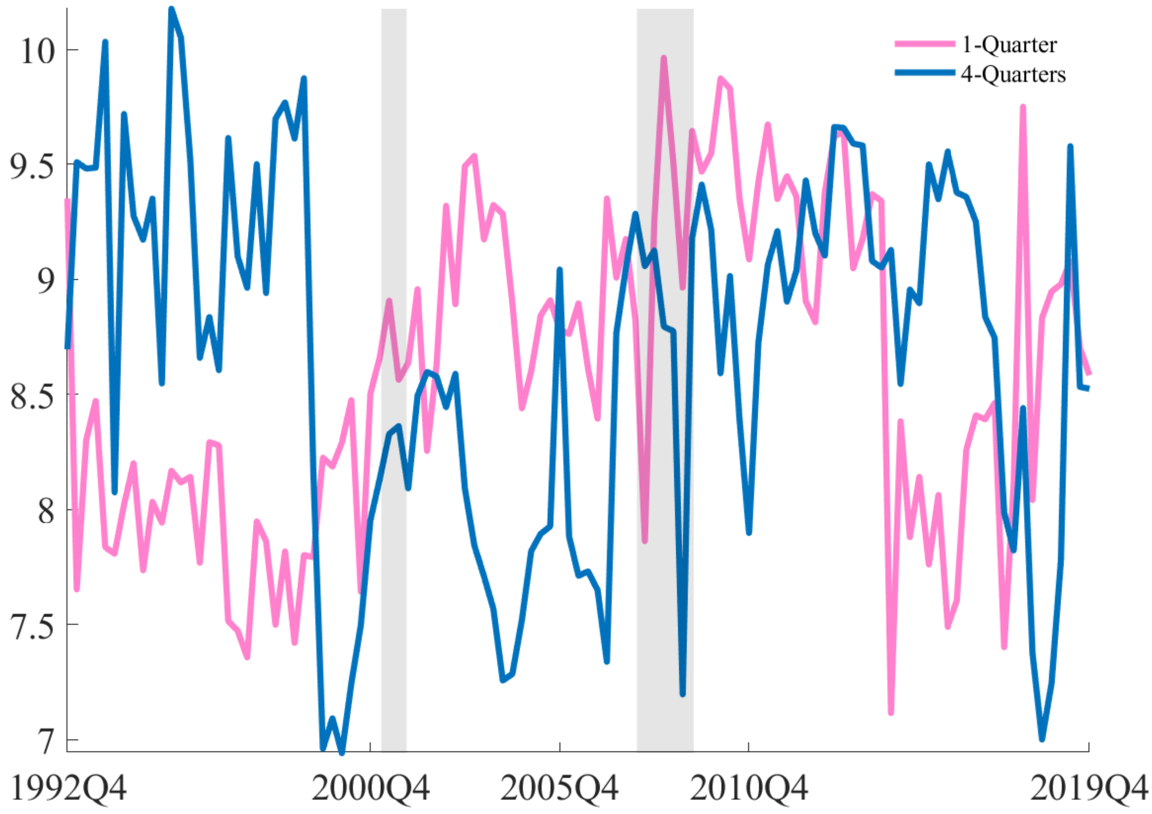
Note: The plot reports a contour map of the (estimated) non-separable asymmetric loss over the symmetric and separable loss for different values of forecast errors for demand, supply and the price of oil. Specifically, these are computed as $\frac{L_{NSA}}{L_{SS}} = 1 + \left(\sum_{j=1}^{4} \tau_j e_j\right)\left(\sum_{j=1}^{4} e_j^2\right)^{-1/2}$, the values of the τ parameters are the ones reported in Table 3.

Figure D.3: Loss function relative to a symmetric quadratic loss (2010-2019)



Note: The plot reports a contour map of the (estimated) non-separable asymmetric loss over the symmetric and separable loss for different values of forecast errors for demand, supply and the price of oil. Specifically, these are computed as $\frac{L_{NSA}}{L_{SS}} = 1 + \left(\sum_{j=1}^{4} \tau_j e_j\right)\left(\sum_{j=1}^{4} e_j^2\right)^{-1/2}$, the values of the τ parameters correspond to the loss function estimated for the last decade in our sample.

Figure D.4: Rolling J-tests of the non-separable asymmetric rationality



Note: Rolling J-statistics of 1 and 4-quarter ahead Forecasts, 1992Q1–2019Q4 (rolling 10 year window). Marks denote the p-values $< 10\%$ from the χ^2-distribution. Please see more details of the J-test in Komunjer and Owyang (2012).

Table D.1: SUCCESS RATIOS

	Backcast	Nowcast	1-Quarter	2-Quarters	3-Quarters	4-Quarters	5-Quarters	6-Quarters
Dmand	**0.82**	**0.87**	**0.82**	0.86	**0.93**	**0.80**	**0.81**	0.95
	(0.00)	(0.00)	(0.00)	(0.77)	(0.00)	(0.00)	(0.01)	(NaN)
Supply	**0.81**	**0.78**	**0.74**	0.70	0.78	0.83	0.84	0.93
	(0.00)	(0.00)	(0.00)	(0.94)	(0.32)	(0.19)	(0.43)	(0.81)
Stock withdraws	**0.79**	**0.90**	**0.78**	**0.63**	**0.76**	**0.85**	**0.81**	**0.73**
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Price	**0.92**	**0.85**	**0.67**	**0.70**	**0.69**	**0.65**	**0.64**	0.60
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.16)

Notes: The table reports Success Ratios, defined as the proportion of EIA forecasts which correctly forecast the direction of change (from the latest available level of the variable). The P-values in brackets are for the Pesaran and Timmermann (2009) 2-sided test, where the null is no directional accuracy or a random walk, i.e. the ratio is equal to 0.5. Boldface denotes significance at the 10% level. Sample 1983Q1:2019Q4.

E Construction of random walk benchmark

The demand, supply, and stock withdrawals display seasonal fluctuations. Hence, we assume as a benchmark a simple random walk with (constant) seasonal drift for these three variables ($RW + SD$). The seasonal dummies of the model are estimated in real-time, e.g. at Vintage T. Specifically, each variable we assume that

$$\triangle y_t = b_0 + b_1 D_{Q1,t} + b_2 D_{Q2,t} + b_3 D_{Q3,t} + b_4 D_{O,t} + e_t, \; e_t \sim N(0, \sigma^2),$$

where $t = 1, \ldots, \bar{t}$ ($\bar{t} = T - 2$), observed at Vintage T. $\triangle y_t$ is the first difference observation, $y_t - y_{t-1}$. $D_{Q1,t}$, $D_{Q2,t}$, and $D_{Q3,t}$ are dummy variables indicating quarters 1 to 3, respectively. The dummy variable $D_{O,t}$ indicates the outlier due to the definition change, which is detailed in Appendix A. More specifically, if the observation on Vintage T is the quarter of the definition change $D_{O,t} = 1$, otherwise $D_{O,t} = 0$. Then, we forecast the variable using:

$$y_{\bar{t}+h|t} = y_{\bar{t}+h-1|t} + \hat{b}_0 + \hat{b}_1 D_{Q1,\bar{t}+h} + \hat{b}_2 D_{Q2,\bar{t}+h} + \hat{b}_3 D_{Q3,\bar{t}+h},$$

where h is the forecast horizon.

As for real-time no change forecasts of the oil price RAC, we follow Baumeister and Kilian (2015) and Garratt et al. (2019) use WTI observations as the RAC has two months delay in real time, e.g. Vintage T's last observation is $T - 2$. Therefore:

$$\begin{aligned} y_{T-1} &= y_{T-2} \times (1 + g_1), \\ y_{T+h} &= y_{t-2|t} \times (1 + g_1) \times (1 + g_2), \end{aligned}$$

where $h = 0, \ldots, 6$. And

$$\begin{aligned} g_1 &= \frac{WTI_{T-1} - WTI_{T-2}}{WTI_{T-2}}, \\ g_2 &= \frac{WTI_T - WTI_{T-1}}{WTI_{T-1}}, \end{aligned}$$

where WTI_T is the average of daily observations of WTI spot prices on Month T. Then, the quarterly forecasts are the average of the monthly forecasts.