

Measuring Macroeconomic Uncertainty From Unpredictable Data Revisions

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Abstract

This paper constructs internationally comparable measures of macroeconomic uncertainty from revisions in data that are compiled according to the internationally agreed standards of the system of national accounts. We design an econometric framework that allows to extract uncertainty from the conditional volatility of the unpredictable part of data revisions. We apply our model to quarterly post-WWII real-time data, estimating macroeconomic uncertainty for 39 countries. We exploit the cross-country dimension of our uncertainty data to identify the effects of uncertainty shocks on economic activity under different employment protection legislation. Our empirical findings suggest that the effects of uncertainty shocks are stronger and more persistent in countries with low employment protection than in countries with high employment protection. We reproduce our findings using a theoretical model with varying firing costs.