

## **Probabilistic Forecast Paths in Economics and Finance**

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### **Abstract**

Communicating interest rate strategies constitutes a primary task of monetary policy-makers. The US Federal Reserve and other central banks frequently give guidance to financial markets about the likely path of the short interest rate over time. In this paper, we review briefly the existing approaches adopted by policymakers and contrast them with the probabilistic methods adopted by the Australian shadow board at the Centre for Applied Macroeconomic Analysis.

Keywords: interest rates; probability forecasting; monetary policy communication