

## Early Warning during recession – time is of the essence.

The work of a risk manager is not easy. They must be able to recognize, and preferably anticipate, emerging risks. They must also estimate the impact of those risks on their business and take appropriate action to mitigate them. During times of recession, this becomes even more difficult. The variety and frequency of risks can increase, leaving the risk manager with less time to react. Time is of the essence, and an efficient early warning system can be the answer.

However, an efficient early warning system is not a one-size-fits-all solution. It requires the selection of appropriate data and technology to meet the needs of the portfolio. In this article, we investigate two key components of an efficient early warning system: (a) the timeliness of the information and (b) its comprehensiveness.

For (a), we investigate how advanced the risk prediction of credit deterioration is, produced from different types of data, such as financial, transaction, behavioural trends, and external information, such as news articles and macro changes. For (b), we investigate whether combining different data types adds value to the overall prediction of emerging risks.