

Forecasts pooling. An application to the inflation in Bolivia

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ABSTRACT

To date the methods used in the Central Bank of Bolivia for the forecast of inflation and other important variables for monetary policy decisions consisted in individual models, mainly statistical and econometric ones. In recent years, in forecasting literature, methods of forecast pooling and factor models have had a marked significance. In this paper we apply these methods to forecast inflation using a monthly sample covering the period 1993 - 2010. Among the important results it was found that pooled forecasts are superior to the individual models, although factor models do not show a clear advantage over the individual models. However, using an encompassing test it was found that none of these methods is superior.

JEL Classification: C01, C51, C52, C53, C59

Keywords: *Forecasts, pooling of forecasts, factor models, monetary policy, encompassing*