

GDP forecasts through dynamic factor models

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Abstract

The National Institute of Statistics of Bolivia publishes the Gross Domestic Product data with a lag of between three and four months, thereby reducing the margin of action of economic policy makers against unforeseen changes of this variable. Given this need, the present paper aims to have early estimates of this macroeconomic aggregate through the use of dynamic factor models proposed by Stock and Watson (1988). The data series included in the model correspond to variables related to financial, monetary, real, and external sectors, even price variables. The results obtained show that estimates through this methodology are more robust compared to univariate and multivariate models related to evaluations both inside and outside the sample.

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