Nowcasting models for GDP estimation: an analysis by economic sector for Bolivia*

Juan Carlos Carlo Santos

ABSTRACT

Mixed frequency models used in economics have the objective of obtaining early estimates of some macroeconomic aggregate, as is the case of Gross Domestic Product. Their use has expanded significantly over the years due to the need of economic policy makers to have timely indicators of the current state of the economy. Thus, obtaining these indicators will allow decision making and/or actions to be pertinent, especially now in the current post-pandemic situation, where the aim is to reactivate and boost economic growth. In this sense, this paper develops the BRIDGE and MIDAS models, methodologies widely used by central banks to nowcast economic activity on the supply side. According to the found results, the BRIDGE model has the lowest forecast error as opposed to the MIDAS model and it forecasts year-on-year growth of 3.7% for the first quarter and 4.0% for the second quarter of 2022.

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