

Pseudo out-of-sample realtime experiment forecasting US inflation

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Some of the variables that are not subject to data revisions are published with a publication lag nonetheless.

1. Each forecast origin, the set of unrevised data is shortened so that it includes only that observations that had been available up to then.
2. The set of realtime and unrevised data are combined.
3. For each variable in the set, 1st and 2nd differences, month-on-month and year-on-year change rates are computed and added.
4. Only the 60 most recent observations are considered to make regressions more adaptable to change.
5. The each of the sets is used to estimate the different models and to compute the 12 month-horizon forecasts.