

10.5 Middle-out approach

The middle-out approach combines bottom-up and top-down approaches. First, a “middle level” is chosen and forecasts are generated for all the series at this level. For the series above the middle level, coherent forecasts are generated using the bottom-up approach by aggregating the “middle-level” forecasts upwards. For the series below the “middle level,” coherent forecasts are generated using a top-down approach by disaggregating the “middle level” forecasts downwards.

This approach is implemented in the `forecast()` function by setting `method="mo"` and by specifying the appropriate middle level via the `level` argument. For the top-down disaggregation below the middle level, the top-down forecast proportions method is used.