

La serie Borradores de Economía es una publicación de la Subgerencia de Estudios Económicos del Banco de la República. Los trabajos son de carácter provisional, las opiniones y posibles errores son responsabilidad exclusiva del autor y sus contenidos no comprometen al Banco de la República ni a su Junta Directiva.

Autor o Editor

Eliana González

An application of Bayesian Model Averaging, BMA, is implemented to construct combined forecasts for the Colombian inflation for the short and medium run. A model selection algorithm is applied over a set of linear models with a large dataset of potential predictors using marginal as well as predictive likelihood. The forecasts obtained when using predictive likelihood outperformed the ones obtained when using marginal likelihood. BMA forecasts reduce forecasting error compared to the individual forecasts, equal weighted average, dynamic factors model and random walk forecasts for most horizons. Additionally, the BMA outperformed for some horizons the frequentist Information theoretic model average, ITMA, when the weights of both methodologies are built based on the predictive ability of the models.

The points of view expressed in the document are those of the authors and do not represent those of the Banco de la República or the Board of Directors. The authors are the only ones responsible for any error in the document.