Abstract

This Ph.D. thesis includes three essays on forecasting. In the first essay, quarter over quarter, year over year and annual GDP growth rates are nowcasted using dynamic factor models. Results show that dynamic factor models outperform univariate models and professional forecasters. Moreover in line with the literature, we find that real variables play the most important role for nowcasting GDP, but in contrast to the literature we show that financial variables are as important as surveys for nowcasting GDP. In the second thesis, the inflation rate is forecasted using various dynamic factor models. Results show that small scale dynamic factor models outperform larger scale dynamic factor models and rankings of dynamic factor models are instable. In the last essay, the unemployment rate is nowcasted using forecast combination schemes. Results show that advanced forecasting techniques outperform simple forecasting schemes and perform as well as dynamic factor models.