

The State of Cyprus Macroeconomic Forecasting

Elena Andreou, Andros Kourtellos

Abstract

This paper discusses how to address one of the challenges of macroeconomic forecasting for the Cyprus economy, namely how to deal with the fact that different data which are useful for forecasting are available at mixed frequencies. For instance, most of the key macroeconomic variables are available at quarterly or monthly frequencies whereas many other leading indicators or predictors are available at higher frequencies. We provide a review of the univariate, multivariate time series, and structural dynamic forecasting models that allow data sampled at different frequencies. In addition we show how mixed frequency models can be especially useful for real-time forecast updating i.e. nowcasting.