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ABSTRACTS

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FORECASTS WITH SINGLE-EQUATION MARKOV-SWITCHING MODEL: AN APPLICATION TO THE GROSS DOMESTIC PRODUCT OF LATVIA

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The paper compares one-period ahead forecasting performance of linear vector autoregressive (VAR) models and single-equation Markov-switching (MS) models for two cases: when leading information is available and when it is not. The results show that single-equation MS models tend to perform slightly better than linear VAR models when no leading information is available. However, if reliable leading information is available, single-equation MS models tend to give somewhat less precise forecasts than linear VAR models.

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