



KATHOLIEKE UNIVERSITEIT LEUVEN

Statistics and Econometrics Seminar

Joint organization by
ORSTAT, Faculty of Business and Economics and the Statistics Research Group,
Faculty of Science
Leuven Statistics Research Center

Prof. Dr. Pilar Poncela

Quantitative Economics, Universidad Autónoma de Madrid, Spain

“Markov-switching dynamic factor models in real time”

Thursday, April 7, 2011

12.00–13.00h

Location: Room HOG 03.101, Naamsestraat 69, Leuven.

Supporting research project: GOA-project 2007/04

Abstract. We extend the Markov-switching dynamic factor model to account for the specificities of the day to day monitoring of economic developments such as ragged edges and mixed frequencies. We also analyze the consequences of increasing the number of series N in the model. All these issues have been contemplated in the linear framework, but they have not been considered yet in the Markov switching context. We also show that extracting a linear univariate common factor and applying afterwards a Markov switching mechanism leads to wrong inference about the probability of being in a certain state. We will use the dynamic common factor Markov switching model to compute inferences of the percentage chance that a certain economy (US, euro area) faces a recession in the short term.