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AUTHOR OR EDITOR

[Eliana González](#) [Luis Fernando Melo](#) [Viviana Monroy](#) [Brayan Rojas](#)

AUTHORS AND/OR EDITORS

[González-Molano, Eliana Rocío](#) [Brayan Rojas](#)

We use a dynamic factor model proposed by Stock and Watson [1998, 1999, 2002a,b] to forecast

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Colombian inflation. The model includes 92 monthly series observed over the period 1999:01-2008:06. The results show that for short-run horizons, factor model forecasts significantly outperformed the autoregressive benchmark model in terms of the root mean squared forecast error statistic.

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