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Abstract

Economic policy decision-making requires constantly assessing the state of economic activity. However, this is not an easy task: offcial figures have significant lags, and the timely information is usually partial and has different frequencies. This paper applies two types of short-term forecasting methodologies (Factor-MIDAS and DFM) for Colombian economic activity involving information with mixed frequencies. We present a heuristic process to select relevant variables, and we evaluate the proposed models' fits by comparing them with traditional forecasting methodologies. Overall, DFM and Factor-MIDAS forecasts are better than those generated by conventional methodologies, especially as the ow of information increases. In times of COVID-19, the model with the best relative fit was the DFM.