Predicting Inflation with Neural Networks

Livia Paranhos (PhD Candidate, University of Warwick)

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   - Real, nominal & financial data *versus* CPI data

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3. (By-product)
   - Common components
   - Stochastic initialization

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Main findings

1. Neural nets present better performance than usual benchmarks, especially at the one and two-year horizon forecasts
2. Recurrent neural nets at least as good as the traditional feed-forward neural net at the one and two-year horizon
3. Macroeconomic information is important during periods of high uncertainty

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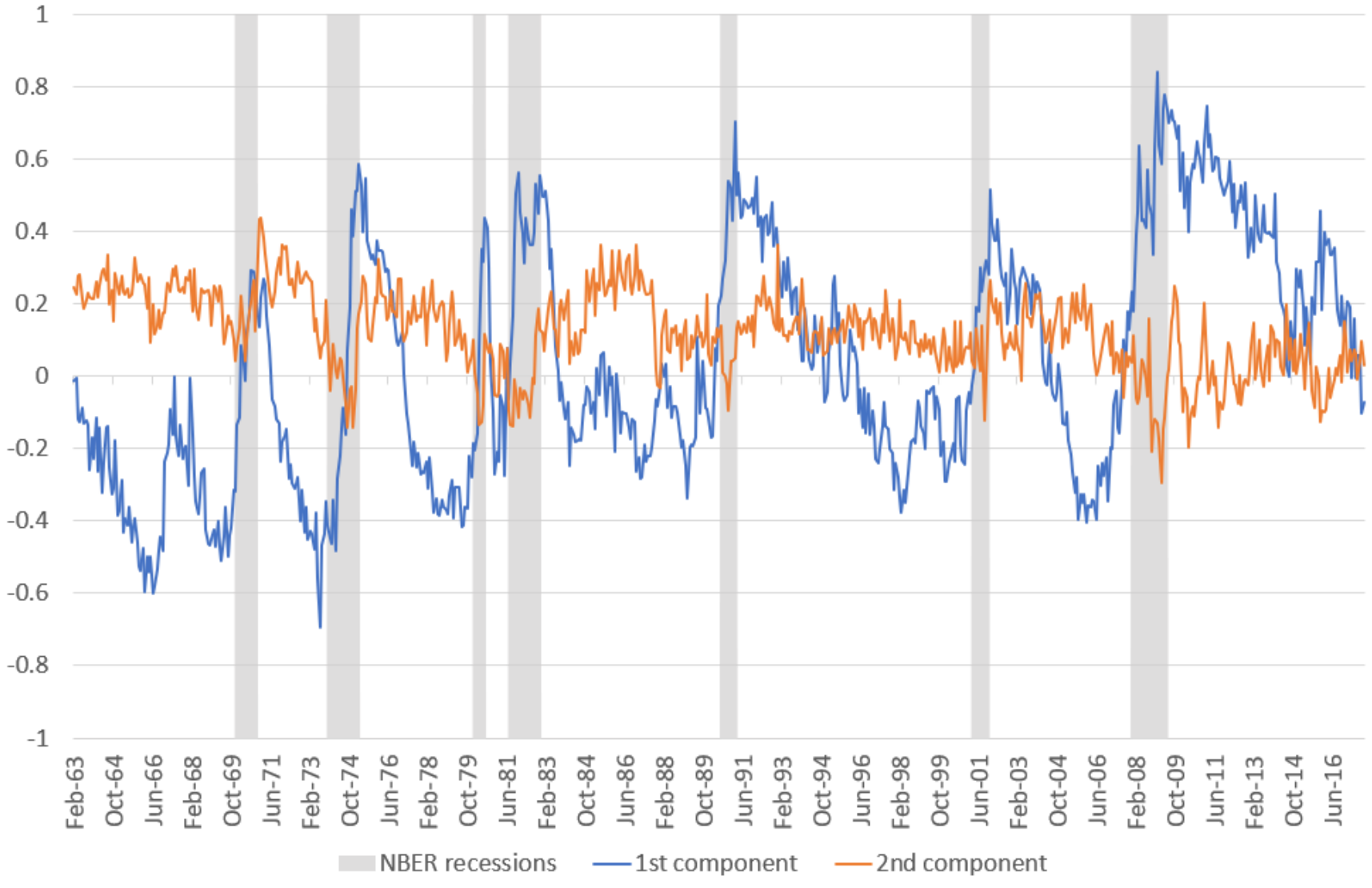

Thank you