TABLE 2

EVALUATION OF INFLATION FORECASTS

Out-of-Sample j–Step Ahead Forecasts: 1953:2–1985:3

Method[a]	Obs.	Mean	Std. Dev.	RMSE	MAE	Corr.
One Quarter Forecasts: 1953:3–1985:3						
Actual	129	.010946	.007591			
Time Series	129	.010863	.007182	.003532	.002523	.8594
Time Series Window	129	.010713	.007217	.003611	.002594	.8538
Random Walk	129	.010911	.007620	.003919	.002849	.8350
Treasury Bill(Avg.)	129	.011178	.007898	.003662	.002462	.8623
Treasury Bill(Spot)	129	.011270	.007991	.003740	.002485	.8589
Two Quarter Forecasts: 1959:3–1985:3						
Actual	105	.024714	.014489			
Time Series	105	.024502	.014301	.005935	.003592	.8702
Time Series Window	105	.024131	.014459	.006177	.003762	.8615
Random Walk	105	.024637	.015142	.006457	.004047	.8556
Treasury Bill(Avg.)	105	.026926	.015909	.006906	.003967	.8569
Treasury Bill(Spot)	105	.026780	.016066	.006965	.004103	.8552
Three Quarter Forecasts: 1964:3–1985:3						
Actual	85	.042756	.019659			
Time Series	85	.042209	.020161	.008882	.004937	.8123
Time Series Window	85	.041538	.020642	.009230	.005155	.8043
Random Walk	85	.042467	.021500	.009083	.005194	.8193
Treasury Bill(Avg.)	85	.046614	.022686	.010222	.005342	.8053
Treasury Bill(Spot)	85	.046276	.023435	.010520	.005476	.8017
Four Quarter Forecasts: 1964:3–1985:3						
Actual	85	.056912	.025860			
Time Series	85	.055996	.027165	.012679	.007125	.7852
Time Series Window	85	.055108	.027789	.013040	.007214	.7809
Random Walk	85	.056369	.028921	.012923	.007418	.7951
Treasury Bill(Avg.)	85	.062535	.030771	.014643	.007637	.7802
Treasury Bill(Spot)	85	.061532	.030758	.014834	.007705	.7668
One Year Forecasts: 1900–1983						
Actual	83	.030211	.041448			
Time Series	83	.025563	.038486	.027709	.019346	.7660
Time Series Window	83	.026813	.040468	.031271	.022591	.7087
Random Walk	83	.029999	.041454	.029301	.020221	.7471
Bond (Average)	83	.029054	.042059	.029086	.021286	.7548

[a] Parameters are re–estimated at every point in time series RMSE = root mean squared error, MAE = mean absolute error, Corr. = correlation between actual and fitted.