
This paper constructs single-index dynamic factors (DFs) using a sequentially expanding list of 6, 9 and 12 high-frequency activity indicators. These indicators represent various sectors, display high contemporaneous correlation with GDP, and track GDP turning points well. DFs, estimated using a dynamic factor model and representing the common trend underlying diverse indicators, provide a real time assessment of the state of the economy and identify sectors contributing to economic fluctuations. DFs may be used to nowcast quarterly GDP growth well before its official release with better accuracy as compared to alternative time-series models.

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