

*In the name of God*

**Application of Genetic Algorithm  
in the Combination of Inflation Forecasts**

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**Abstract**

Inflation forecasting is considered as a requirement in the implementation of monetary policy in countries where inflation targeting is being used by monetary authorities. In view of the central bank independence on one hand and the lagged effect of monetary policy on inflation on the other, monetary authorities should have a clear picture of inflation outlook upon which could be able to pursue the inflation targeting.

Recent studies indicate that empirically and theoretically, in forecasting inflation, a combination of various models instead of a single model forecast could lead to better results. However, each has advantages and disadvantages over the other. In the present paper, the genetic algorithm approach is being used to find the optimal combination weights for inflation forecasts in Iran.

**Keywords:** Combination of Inflation Forecasts, Random Search, Genetic Algorithm