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Description Provides fast and efficient procedures for Bayesian estimation and forecasting using state-of-the-art Vector Autoregressions. This package includes the model proposed by Chan (2020) <[doi:10.1080/07350015.2018.1451336](https://doi.org/10.1080/07350015.2018.1451336)>, that is, a Bayesian Vector Autoregression with Minnesota priors and a flexible structure of the error term specification. The latter includes: conditional multivariate normal or Student's t distributions, as well as homoskedastic or heteroskedastic specifications with a common volatility modelled by centred or non-centred Stochastic Volatility. Additionally, the package facilitates predictive analyses using density forecasting and forecast-error variance decompositions. All this is complemented by simple workflows, useful plots and summary functions, and comprehensive documentation. The 'bvars' package aligns with R packages 'bsvars' by Woźniak (2024) <[doi:10.32614/CRAN.package.bsvars](https://doi.org/10.32614/CRAN.package.bsvars)>, 'bsvarSIGNs' by Wang & Woźniak (2025) <[doi:10.32614/CRAN.package.bsvarSIGNs](https://doi.org/10.32614/CRAN.package.bsvarSIGNs)>, and 'bpvars' by Woźniak (2025) <[doi:10.32614/CRAN.package.bpvars](https://doi.org/10.32614/CRAN.package.bpvars)> regarding objects, workflows, and code structure, and they constitute an integrated toolset.

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bvars-package

Bayesian Forecasting with Large Vector Autoregressions

Description

Provides fast and efficient procedures for Bayesian estimation and forecasting using state-of-the-art Vector Autoregressions. This package includes the model proposed by Chan (2020) <doi:10.1080/07350015.2018.1451336>, that is, a Bayesian Vector Autoregression with Minnesota priors and a flexible structure of the error term specification. The latter includes: conditional multivariate normal or Student's t distributions, as well as homoskedastic or heteroskedastic specifications with a common volatility modelled by centred or non-centred Stochastic Volatility. Additionally, the package facilitates predictive analyses using density forecasting and forecast-error variance decompositions. All this is complemented by simple workflows, useful plots and summary functions, and comprehensive documentation. The 'bvars' package aligns with R packages 'bsvars' by Woźniak (2024) <doi:10.32614/CRAN.package.bsvars>, 'bsvarSIGNS' by Wang & Woźniak (2025) <doi:10.32614/CRAN.package.bsvarSIGNS>, and 'bpvars' by Woźniak (2025) <doi:10.32614/CRAN.package.bpvars> regarding objects, workflows, and code structure, and they constitute an integrated toolset.

Details

Models. All the BVAR models in this package are specified by two equations, including the reduced form equation:

$$Y = AX + E$$

where Y is an $N \times T$ matrix of dependent variables, X is a $K \times T$ matrix of explanatory variables, E is an $N \times T$ matrix of reduced form error terms, and A is an $N \times K$ matrix of autoregressive slope coefficients and parameters on deterministic terms in X .

This package assumes that the error matrix follows a matrix normal distribution:

$$E | X \sim \mathcal{MN}_{N \times T}(\mathbf{0}, \Sigma, \Omega)$$

where Σ is the $N \times N$ covariance matrix of the error term at time t , and Ω is a $T \times T$ diagonal matrix.

The diagonal elements of Ω determine the specification of the error term covariance structure. Specifically, the error term at time t follows the multivariate normal distribution

$$e_t \sim \mathcal{N}_N(\mathbf{0}, \sigma_t^2 \lambda_t \Sigma)$$

where the scalar processes σ_t^2 and λ_t determine the diagonal elements of Ω . The process σ_t^2 specifies conditional variance and includes three options:

$\sigma_t^2 = 1$ homoskedastic error term

σ_t^2 estimated and following non-centred stochastic volatility

σ_t^2 estimated and following centred stochastic volatility

The process λ_t specifies the conditional distribution of the error term and includes two options:

$\lambda_t = 1$ Gaussian error term specification

λ_t estimated and following a priori an inverse gamma 2 distribution $\mathcal{IG}2(\nu - 2, \nu)$, where $\nu > 2$ is a degrees of freedom parameter

Prior distributions. The autoregressive matrix A is assigned matrix-variate normal distribution:

$$\mathbf{A} | \underline{\mathbf{A}}, \mathbf{V}, \Sigma \sim \mathcal{MN}_{N \times K}(\underline{\mathbf{A}}, \Sigma, \mathbf{V})$$

with the mean matrix $\underline{\mathbf{A}}$, and covariance matrices $\Sigma_{N \times N}$ and $\mathbf{V}_{K \times K}$ defining the row- and column-covariance structures.

This is complemented by the inverse Wishart prior for the error term covariance Σ :

$$\Sigma | \underline{\mathbf{S}}, \underline{\nu} \sim \mathcal{IW}(\underline{\mathbf{S}}, \underline{\nu})$$

with the scale matrix $\underline{\mathbf{S}}$ and degrees of freedom $\underline{\nu}$.

Note

This package is currently in active development. Your comments, suggestions and requests are warmly welcome!

Author(s)

Rui Liu <r13023@columbia.edu>, Andres Ramirez Hassan <aramir21@gmail.com>, Tomasz Woźniak <wozniak.tom@pm.me>

References

Chan (2020) Large Bayesian VARs: A Flexible Kronecker Error Covariance Structure, *Journal of Business and Economic Statistics*, 38(1), 68–79, <doi:10.1080/07350015.2018.1451336>.

See Also

Useful links:

- <https://bsvars.org/bvars/>
- Report bugs at <https://github.com/bsvars/bvars/issues>

Examples

```
# simple workflow
#####
spec = specify_bvar$new(us_macro_chan)      # specify the model
burn = estimate(spec, 5)                   # run the burn-in
post = estimate(burn, 10)                  # estimate the model

# workflow with the pipe |>
#####
us_macro_chan |>
  specify_bvar$new() |>
  estimate(S = 5) |>
  estimate(S = 10) -> post
```

```
compute_fitted_values.PosteriorBVAR
```

Computes posterior draws from data predictive density

Description

Each of the draws from the posterior estimation of the BVAR model is transformed into a draw from the data predictive density.

Usage

```
## S3 method for class 'PosteriorBVAR'
compute_fitted_values(posterior)
```

Arguments

posterior posterior estimation outcome - an object of class PosteriorBVAR obtained by running the estimate function.

Value

An object of class `PosteriorFitted`, that is, an $N \times T \times S$ array with attribute `PosteriorFitted` containing S draws from the data predictive density.

Author(s)

Tomasz Woźniak <wozniak.tom@pm.me>

Examples

```
spec = specify_bvar$new(us_macro_chan)      # specify the model
burn = estimate(spec, 5)                    # run the burn-in
post = estimate(burn, 10)                   # estimate the model
fitt = compute_fitted_values(post)          # fitted values

# workflow with the pipe |>
#####
us_macro_chan |>
  specify_bvar$new() |>
  estimate(S = 5) |>
  estimate(S = 5) |>
  compute_fitted_values() -> fitt
```

compute_shocks

Computes posterior draws of shocks

Description

Each of the draws from the posterior estimation of models from the package **bvars** is transformed into a draw from the posterior distribution of the structural shocks.

Usage

```
compute_shocks(posterior)
```

Arguments

posterior posterior estimation outcome obtained by running the estimate function.

Value

An object of class `PosteriorShocks`, that is, an $N \times T \times S$ array with attribute `PosteriorShocks` containing S draws of the shocks.

Author(s)

Tomasz Woźniak <wozniak.tom@pm.me>

Examples

```

# simple workflow
#####
spec = specify_bvar$new(us_macro_chan)      # specify the model
burn = estimate(spec, 5)                   # run the burn-in
post = estimate(burn, 10)                  # estimate the model
shoc = compute_shocks(post)                # compute shocks
plot(shoc)

# workflow with the pipe |>
#####
us_macro_chan |>
  specify_bvar$new() |>
  estimate(S = 5) |>
  estimate(S = 10) |>
  compute_shocks() |> plot()

```

```
compute_shocks.PosteriorBVAR
```

Computes posterior draws of shocks

Description

Each of the draws from the posterior estimation of the BAVR model is transformed into a draw from the posterior distribution of the shocks.

Usage

```
## S3 method for class 'PosteriorBVAR'
compute_shocks(posterior)
```

Arguments

posterior posterior estimation outcome - an object of class PosteriorBVAR obtained by running the estimate function.

Value

An object of class PosteriorShocks, that is, an NxTxS array with attribute PosteriorShocks containing S draws of the shocks.

Author(s)

Tomasz Woźniak <wozniak.tom@pm.me>

Examples

```

# simple workflow
#####
spec = specify_bvar$new(us_macro_chan)      # specify the model
burn = estimate(spec, 5)                   # run the burn-in
post = estimate(burn, 10)                  # estimate the model
shoc = compute_shocks(post)                # compute shocks

# workflow with the pipe |>
#####
us_macro_chan |>
  specify_bvar$new() |>
  estimate(S = 5) |>
  estimate(S = 10) |>
  compute_shocks() -> shoc

```

```
compute_variance_decompositions.PosteriorBVAR
```

Computes posterior draws of the forecast error variance decomposition

Description

Each of the draws from the posterior estimation of the Vector Autoregression is transformed into a draw from the posterior distribution of the forecast error variance decomposition.

Usage

```
## S3 method for class 'PosteriorBVAR'
compute_variance_decompositions(posterior, horizon)
```

Arguments

posterior	posterior estimation outcome obtained by running the estimate function.
horizon	a positive integer number denoting the forecast horizon for the forecast error variance decomposition computations.

Value

An object of class `PosteriorFEVD`, that is, an $N \times N \times (\text{horizon} + 1) \times S$ array with attribute `PosteriorFEVD` containing S draws of the forecast error variance decomposition.

Author(s)

Tomasz Woźniak <wozniak.tom@pm.me>

References

Kilian, L., & Lütkepohl, H. (2017). Structural VAR Tools, Chapter 4, In: Structural vector autoregressive analysis. Cambridge University Press.

Examples

```
spec = specify_bvar$new(us_macro_chan)      # specify the model
burn = estimate(spec, 5)                   # run the burn-in
post = estimate(burn, 10)                  # estimate the model
fevd = compute_variance_decompositions(post, horizon = 4)

# workflow with the pipe |>
#####
us_macro_chan |>
  specify_bvar$new() |>
  estimate(S = 5) |>
  estimate(S = 10) |>
  compute_variance_decompositions(horizon = 4) -> fevd
```

estimate.BVAR

Bayesian Estimation via Gibbs sampler of a Bayesian VAR with a Flexible Error Term Specification

Description

Estimates the model by Chan (2020) <doi:10.1080/07350015.2018.1451336>, that is, a Bayesian Vector Autoregression with Minnesota priors and a flexible structure of the error term specification. The latter includes: conditional multivariate normal or Student's t distributions, as well as homoskedastic or heteroskedastic specifications with a common volatility modelled by centred or non-centred Stochastic Volatility. The estimation is conducted via an efficient Gibbs sampler employing frontier numerical techniques and algorithms written in C++ for excellent computational speed.

Usage

```
## S3 method for class 'BVAR'
estimate(specification, S, thin = 1, show_progress = TRUE)
```

Arguments

specification	an object of class BVAR generated using the <code>specify_bvar\$new()</code> function.
S	a positive integer, the number of posterior draws to be generated
thin	a positive integer, specifying the frequency of MCMC output thinning
show_progress	a logical value, if TRUE the estimation progress bar is visible

Value

An object of class PosteriorBVAR containing the Bayesian estimation output and containing two elements:

posterior a list with a collection of S draws from the posterior distribution generated via Gibbs sampler containing:

A an $N \times K \times S$ array with the posterior draws for matrix A

Sigma an $N \times N \times S$ array with the posterior draws for matrix Σ

V a $K \times K \times S$ array with the posterior draws for the hyper-parameter matrix Σ

last_draw an object of class BVAR with the last draw of the current MCMC run as the starting value to be passed to the continuation of the MCMC estimation using estimate().

Author(s)

Rui Liu <r13023@columbia.edu>, Andres Ramirez Hassan <aramir21@gmail.com> & Tomasz Woźniak <wozniak.tom@pm.me>

References

Barndorff-Nielsen, Blaesild, Jensen, Jorgensen (1982) Exponential Transformation Models, Proceedings of the Royal Society of London. A. Mathematical and Physical Sciences, 379, 41–65, <doi:10.1098/rspa.1982.0004>.

Chan (2020) Large Bayesian VARs: A Flexible Kronecker Error Covariance Structure, Journal of Business and Economic Statistics, 38(1), 68–79, <doi:10.1080/07350015.2018.1451336>.

Hamura, Irie, Sugawara (2024) Gibbs Sampler for Matrix Generalized Inverse Gaussian Distributions, Journal of Computational and Graphical Statistics, 33(2), 331–340, <doi:10.1080/10618600.2023.2258186>.

Thabane, Safiul Haq (2004) On the Matrix-Variate Generalized Hyperbolic Distribution and Its Bayesian Applications, Statistics: A Journal of Theoretical and Applied Statistics, 38(6), 511–526, <doi:10.1080/02331880412331319279>.

Woźniak (2016) Bayesian Vector Autoregressions, Australian Economic Review, 49(3), 365–380, <doi:10.1111/1467-8462.12179>.

See Also

[specify_bvar](#), [specify_posterior_bvar](#)

Examples

```
# simple workflow
#####
spec = specify_bvar$new(us_macro_chan)      # specify the model
burn = estimate(spec, 5)                   # run the burn-in
post = estimate(burn, 10)                  # estimate the model

# workflow with the pipe |>
#####
us_macro_chan |>
```

```

specify_bvar$new() |>
estimate(S = 5) |>
estimate(S = 10) -> post

```

```
estimate.PosteriorBVAR
```

Bayesian Estimation via Gibbs sampler of a Bayesian VAR with a Flexible Error Term Specification

Description

Estimates the model by Chan (2020) <doi:10.1080/07350015.2018.1451336>, that is, a Bayesian Vector Autoregression with Minnesota priors and a flexible structure of the error term specification. The latter includes: conditional multivariate normal or Student's t distributions, as well as homoskedastic or heteroskedastic specifications with a common volatility modelled by centred or non-centred Stochastic Volatility. The estimation is conducted via an efficient Gibbs sampler employing frontier numerical techniques and algorithms written in C++ for excellent computational speed.

Usage

```

## S3 method for class 'PosteriorBVAR'
estimate(specification, S, thin = 1, show_progress = TRUE)

```

Arguments

specification an object of class PosteriorBVAR generated using the estimate.BVAR() function. This setup facilitates the continuation of the MCMC sampling starting from the last draw of the previous run.

S a positive integer, the number of posterior draws to be generated

thin a positive integer, specifying the frequency of MCMC output thinning

show_progress a logical value, if TRUE the estimation progress bar is visible

Value

An object of class PosteriorBVAR containing the Bayesian estimation output and containing two elements:

posterior a list with a collection of S draws from the posterior distribution generated via Gibbs sampler containing:

A an $N \times K \times S$ array with the posterior draws for matrix A

Sigma an $N \times N \times S$ array with the posterior draws for matrix Σ

V a $K \times K \times S$ array with the posterior draws for the hyper-parameter matrix Σ

last_draw an object of class BVAR with the last draw of the current MCMC run as the starting value to be passed to the continuation of the MCMC estimation using estimate().

Author(s)

Rui Liu <r13023@columbia.edu>, Andres Ramirez Hassan <aramir21@gmail.com> & Tomasz Woźniak <wozniak.tom@pm.me>

References

- Barndorff-Nielsen, Blaesild, Jensen, Jorgensen (1982) Exponential Transformation Models, Proceedings of the Royal Society of London. A. Mathematical and Physical Sciences, 379, 41–65, <doi:10.1098/rspa.1982.0004>.
- Chan (2020) Large Bayesian VARs: A Flexible Kronecker Error Covariance Structure, Journal of Business and Economic Statistics, 38(1), 68–79, <doi:10.1080/07350015.2018.1451336>.
- Hamura, Irie, Sugawara (2024) Gibbs Sampler for Matrix Generalized Inverse Gaussian Distributions, Journal of Computational and Graphical Statistics, 33(2), 331–340, <doi:10.1080/10618600.2023.2258186>.
- Thabane, Safiul Haq (2004) On the Matrix-Variate Generalized Hyperbolic Distribution and Its Bayesian Applications, Statistics: A Journal of Theoretical and Applied Statistics, 38(6), 511–526, <doi:10.1080/02331880412331319279>.
- Woźniak (2016) Bayesian Vector Autoregressions, Australian Economic Review, 49(3), 365–380, <doi:10.1111/1467-8462.12179>.

See Also

[specify_bvar](#), [specify_posterior_bvar](#)

Examples

```
# simple workflow
#####
spec = specify_bvar$new(us_macro_chan)      # specify the model
burn = estimate(spec, 5)                   # run the burn-in
post = estimate(burn, 10)                  # estimate the model

# workflow with the pipe |>
#####
us_macro_chan |>
  specify_bvar$new() |>
  estimate(S = 5) |>
  estimate(S = 10) -> post
```

Description

Samples from the joint predictive density of all of the dependent variables for the model by Chan (2020) <doi:10.1080/07350015.2018.1451336>, that is, a Bayesian Vector Autoregression with Minnesota priors and a flexible structure of the error term specification. The latter includes: conditional multivariate normal or Student's t distributions, as well as homoskedastic or heteroskedastic specifications with a common volatility modelled by centred or non-centred Stochastic Volatility.

Usage

```
## S3 method for class 'PosteriorBVAR'
forecast(
  object,
  horizon = 1,
  exogenous_forecast = NULL,
  conditional_forecast = NULL,
  ...
)
```

Arguments

object	posterior estimation outcome - an object of class PosteriorBVAR obtained by running the estimate function.
horizon	a positive integer, specifying the forecasting horizon.
exogenous_forecast	a matrix of dimension horizon x d containing forecasted values of the exogenous variables.
conditional_forecast	a horizon x N matrix with forecasted values for selected variables. It should only contain numeric or NA values. The entries with NA values correspond to the values that are forecasted conditionally on the realisations provided as numeric values.
...	not used

Value

A list of class Forecasts containing the draws from the predictive density and data. The output list includes element:

forecasts an $N \times T \times S$ array with the draws from predictive density

forecast_mean an $N \times \text{horizon} \times S$ array with the mean of the predictive density

forecast_covariance an $N \times N \times \text{horizon} \times S$ array with the covariance of the predictive density

Y an $N \times T$ matrix with the data on dependent variables

Author(s)

Rui Liu <r13023@columbia.edu>, Andres Ramirez Hassan <aramir21@gmail.com> & Tomasz Woźniak <wozniak.tom@pm.me>

Examples

```

spec = specify_bvar$new(us_macro_chan) # specify the model
burn = estimate(spec, 5)               # run the burn-in
post = estimate(burn, 5)               # estimate the model
pred = forecast(post, 4)              # forecast 1 year ahead

# workflow with the pipe |>
#####
set.seed(123)
us_macro_chan |>
  specify_bvar$new() |>
  estimate(S = 5) |>
  estimate(S = 5) |>
  forecast(horizon = 4) -> pred

```

rmatnorm1

Samples random numbers from the matrix-variate normal distribution

Description

Samples random numbers from the matrix-variate normal distribution

Usage

```
rmatnorm1(M, V, S)
```

Arguments

M a real-valued matrix of the expected values
V a positive definite symmetric matrix of column-specific covariance
S a positive definite symmetric matrix of row-specific covariance

Value

a matrix - a draw from the matrix-variate normal distribution

Examples

```
rmatnorm1(matrix(0, 2, 3), diag(2), diag(3))
```

specify_bvar

*R6 Class representing the specification of the BVAR model***Description**

The class BVAR presents complete specification for the BVAR model.

Public fields

`p` a non-negative integer specifying the autoregressive lag order of the model.

`prior` an object `PriorBVAR` with the prior specification.

`data_matrices` an object `DataMatricesBSVAR` with the data matrices.

`starting_values` an object `StartingValuesBVAR` with the starting values.

Methods**Public methods:**

- `specify_bvar$new()`
- `specify_bvar$get_normal()`
- `specify_bvar$get_homoskedastic()`
- `specify_bvar$get_centred_sv()`
- `specify_bvar$get_data_matrices()`
- `specify_bvar$get_prior()`
- `specify_bvar$get_starting_values()`
- `specify_bvar$clone()`

Method `new()`: Create a new specification of the BVAR model.

Usage:

```
specify_bvar$new(
  data,
  p = 1L,
  exogenous = NULL,
  common_volatility = c("homoskedastic", "ncSV", "cSV"),
  distribution = c("norm", "t"),
  stationary = rep(FALSE, ncol(data))
)
```

Arguments:

`data` a $(T+p) \times N$ matrix with time series data.

`p` a positive integer providing model's autoregressive lag order.

`exogenous` a $(T+p) \times d$ matrix of exogenous variables.

`common_volatility` a character string specifying the common volatility component of the error term covariance matrix. It can take three values: `homoskedastic` - the model assumes homoskedastic errors, `ncSV` - the model assumes non-centred stochastic volatility, and `cSV` - the model assumes centred stochastic volatility.

distribution a character string specifying the conditional distribution of structural shocks. Value "norm" sets it to the normal distribution, while value "t" sets the Student-t distribution.

stationary an N logical vector - its element set to FALSE sets the prior mean for the autoregressive parameters of the Nth equation to the white noise process, otherwise to random walk.

Returns: A new complete specification for the BVAR model.

Method `get_normal()`: Returns the logical value of whether the conditional shock distribution is normal.

Usage:

```
specify_bvar$get_normal()
```

Examples:

```
spec = specify_bvar$new(us_macro_chan)
spec$get_normal()
```

Method `get_homoskedastic()`: Returns the logical value of whether the common volatility is homoskedastic.

Usage:

```
specify_bvar$get_homoskedastic()
```

Examples:

```
spec = specify_bvar$new(us_macro_chan)
spec$get_homoskedastic()
```

Method `get_centred_sv()`: Returns the logical value of whether the common volatility is centred Stochastic Volatility

Usage:

```
specify_bvar$get_centred_sv()
```

Examples:

```
spec = specify_bvar$new(us_macro_chan)
spec$get_centred_sv()
```

Method `get_data_matrices()`: Returns the data matrices as the DataMatricesBSVAR object.

Usage:

```
specify_bvar$get_data_matrices()
```

Examples:

```
spec = specify_bvar$new(us_macro_chan)
spec$get_data_matrices()
```

Method `get_prior()`: Returns the prior specification as the PriorBVAR object.

Usage:

```
specify_bvar$get_prior()
```

Examples:

```
spec = specify_bvar$new(us_macro_chan)
spec$get_prior()
```

Method `get_starting_values()`: Returns the starting values as the StartingValuesBVAR object.

Usage:

```
specify_bvar$get_starting_values()
```

Examples:

```
spec = specify_bvar$new(us_macro_chan)
spec$get_starting_values()
```

Method `clone()`: The objects of this class are cloneable with this method.

Usage:

```
specify_bvar$clone(deep = FALSE)
```

Arguments:

`deep` Whether to make a deep clone.

Examples

```
spec = specify_bvar$new(us_macro_chan)

## -----
## Method `specify_bvar$get_normal`
## -----

spec = specify_bvar$new(us_macro_chan)
spec$get_normal()

## -----
## Method `specify_bvar$get_homoskedastic`
## -----

spec = specify_bvar$new(us_macro_chan)
spec$get_homoskedastic()

## -----
## Method `specify_bvar$get_centred_sv`
## -----

spec = specify_bvar$new(us_macro_chan)
```

```

spec$get_centred_sv()

## -----
## Method `specify_bvar$get_data_matrices`
## -----

spec = specify_bvar$new(us_macro_chan)
spec$get_data_matrices()

## -----
## Method `specify_bvar$get_prior`
## -----

spec = specify_bvar$new(us_macro_chan)
spec$get_prior()

## -----
## Method `specify_bvar$get_starting_values`
## -----

spec = specify_bvar$new(us_macro_chan)
spec$get_starting_values()

```

specify_posterior_bvar

R6 Class Representing PosteriorBVAR

Description

The class `PosteriorBVAR` contains posterior output and the specification including the last MCMC draw for the BVAR model. Note that due to the thinning of the MCMC output the starting value in element `last_draw` might not be equal to the last draw provided in element `posterior`.

Public fields

`last_draw` an object of class `BVAR` with the last draw of the current MCMC run as the starting value to be passed to the continuation of the MCMC estimation using `estimate()`.

`posterior` a list containing Bayesian estimation output collected in elements `A`, `Sigma`, and `V`.

Methods

Public methods:

- [specify_posterior_bvar\\$new\(\)](#)
- [specify_posterior_bvar\\$get_posterior\(\)](#)

- `specify_posterior_bvar$get_last_draw()`
- `specify_posterior_bvar$clone()`

Method `new()`: Create a new posterior output PosteriorBVAR.

Usage:

```
specify_posterior_bvar$new(specification_bvar, posterior_bvar)
```

Arguments:

`specification_bvar` an object of class BVAR with the last draw of the current MCMC run as the starting value.

`posterior_bvar` a list containing Bayesian estimation output collected in elements A, Sigma, and V.

Returns: A posterior output PosteriorBVAR.

Method `get_posterior()`: Returns a list containing Bayesian estimation output collected in elements A, Sigma, and V.

Usage:

```
specify_posterior_bvar$get_posterior()
```

Examples:

```
spec = specify_bvar$new(us_macro_chan)
post = estimate(spec, 5)
post$get_posterior()
```

Method `get_last_draw()`: Returns an object of class BVAR with the last draw of the current MCMC run as the starting value to be passed to the continuation of the MCMC estimation using `estimate()`.

Usage:

```
specify_posterior_bvar$get_last_draw()
```

Examples:

```
spec = specify_bvar$new(us_macro_chan)
burn = estimate(spec, 5)
post = estimate(burn, 5)
```

Method `clone()`: The objects of this class are cloneable with this method.

Usage:

```
specify_posterior_bvar$clone(deep = FALSE)
```

Arguments:

`deep` Whether to make a deep clone.

Examples

```
# This is a function that is used within estimate()
spec = specify_bvar$new(us_macro_chan)
post = estimate(spec, 5)
class(post)
```

```
## -----
## Method `specify_posterior_bvar$get_posterior`
## -----

spec = specify_bvar$new(us_macro_chan)
post = estimate(spec, 5)
post$get_posterior()

## -----
## Method `specify_posterior_bvar$get_last_draw`
## -----

spec = specify_bvar$new(us_macro_chan)
burn = estimate(spec, 5)
post = estimate(burn, 5)
```

specify_prior_bvar *R6 Class Representing PriorBVAR*

Description

The class PriorBVAR presents a prior specification for the BVAR model.

#' **The Model.** All the BVAR models in this package are specified by two equations, including the reduced form equation:

$$Y = AX + E$$

where Y is an $N \times T$ matrix of dependent variables, X is a $K \times T$ matrix of explanatory variables, E is an $N \times T$ matrix of reduced form error terms, and A is an $N \times K$ matrix of autoregressive slope coefficients and parameters on deterministic terms in X .

This package assumes that the error matrix follows a matrix normal distribution:

$$E | X \sim \mathcal{MN}_{N \times T}(\mathbf{0}, \Sigma, \Omega)$$

where Σ is the $N \times N$ covariance matrix of the error term at time t , and Ω is a $T \times T$ diagonal matrix.

The diagonal elements of Ω determine the specification of the error term covariance structure. Specifically, the error term at time t follows the multivariate normal distribution

$$e_t \sim \mathcal{N}_N(\mathbf{0}, \sigma_t^2 \lambda_t \Sigma)$$

where the scalar processes σ_t^2 and λ_t determine the diagonal elements of Ω . The process σ_t^2 specifies conditional variance and includes three options:

$\sigma_t^2 = 1$ homoskedastic error term

σ_t^2 estimated and following non-centred stochastic volatility

σ_t^2 estimated and following centred stochastic volatility

The process λ_t specifies the conditional distribution of the error term and includes two options:

$\lambda_t = 1$ Gaussian error term specification

λ_t estimated and following a priori an inverse gamma 2 distribution $\mathcal{IG}2(\nu - 2, \nu)$, where $\nu > 2$ is a degrees of freedom parameter

Prior distributions. The autoregressive matrix A is assigned matrix-variate normal distribution:

$$\mathbf{A} \mid \underline{\mathbf{A}}, \mathbf{V}, \underline{\Sigma} \sim \mathcal{MN}_{N \times K}(\underline{\mathbf{A}}, \underline{\Sigma}, \mathbf{V})$$

with the mean matrix $\underline{\mathbf{A}}$, and covariance matrices $\underline{\Sigma}_{N \times N}$ and $\mathbf{V}_{K \times K}$ defining the row- and column-covariance structures.

This is complemented by the inverse Wishart prior for the error term covariance $\underline{\Sigma}$:

$$\underline{\Sigma} \mid \underline{\mathbf{S}}, \underline{\nu} \sim \mathcal{IW}(\underline{\mathbf{S}}, \underline{\nu})$$

with the scale matrix $\underline{\mathbf{S}}$ and degrees of freedom $\underline{\nu}$.

Public fields

A a real-valued $N \times K$ matrix, the mean matrix A_0 of the matrix-variate normal prior distribution for the parameter matrix A .

S a $N \times N$ positive definite scale matrix S_0 of the Inverse Wishart prior distribution for the error term covariance matrix Σ .

nu a positive scalar, shape parameter ν_0 of the Inverse Wishart prior distribution for the error term covariance matrix Σ .

Psi a $K \times K$ scale matrix Ψ_0 of the matrix generalized inverse Gaussian distribution for the equation-specific prior covariance V

Gamma a $K \times K$ scale matrix Γ_0 of the matrix generalized inverse Gaussian distribution for the equation-specific prior covariance V

lambda a positive scalar shape parameter λ_0 of the matrix generalized inverse Gaussian distribution for the equation-specific prior covariance V

sv_a a positive scalar, the shape parameter of the gamma prior in the hierarchical prior for the common stochastic volatility.

sv_s a positive scalar, the scale parameter of the gamma prior in the hierarchical prior for the common stochastic volatility.

Methods

Public methods:

- `specify_prior_bvar$new()`
- `specify_prior_bvar$get_prior()`
- `specify_prior_bvar$clone()`

Method `new()`: Create a new prior specification `PriorBVAR`.

Usage:

```
specify_prior_bvar$new(
  N,
  p,
  d = 0,
  stationary = rep(FALSE, N),
  is_homoskedastic = TRUE
)
```

Arguments:

N a positive integer - the number of dependent variables in the model.

p a positive integer - the autoregressive lag order of the VAR model.

d a positive integer - the number of exogenous variables in the model.

stationary an *N* logical vector - its element set to FALSE sets the prior mean for the autoregressive parameters of the *N*th equation to the white noise process, otherwise to random walk.

is_homoskedastic a logical scalar - if TRUE the model assumes homoskedastic errors, otherwise it assumes stochastic volatility.

Returns: A new prior specification PriorBVAR.

Examples:

```
# a prior for 3-variable example with one lag and stationary data
prior = specify_prior_bvar$new(N = 3, p = 1, stationary = rep(TRUE, 3))
prior$A # show autoregressive prior mean
```

Method `get_prior()`: Returns the elements of the prior specification PriorBVAR as a list.

Usage:

```
specify_prior_bvar$get_prior()
```

Examples:

```
# a prior for 3-variable example with four lags
prior = specify_prior_bvar$new(N = 3, p = 4)
prior$get_prior() # show the prior as list
```

Method `clone()`: The objects of this class are cloneable with this method.

Usage:

```
specify_prior_bvar$clone(deep = FALSE)
```

Arguments:

deep Whether to make a deep clone.

Examples

```
prior = specify_prior_bvar$new(N = 3, p = 1) # a prior for 3-variable example with one lag
prior$A # show autoregressive prior mean
```

```
## -----
```

```
## Method `specify_prior_bvar$new`
## -----

# a prior for 3-variable example with one lag and stationary data
prior = specify_prior_bvar$new(N = 3, p = 1, stationary = rep(TRUE, 3))
prior$A # show autoregressive prior mean

## -----
## Method `specify_prior_bvar$get_prior`
## -----

# a prior for 3-variable example with four lags
prior = specify_prior_bvar$new(N = 3, p = 4)
prior$get_prior() # show the prior as list
```

```
specify_starting_values_bvar
```

```
R6 Class Representing StartingValuesBVAR
```

Description

The class `StartingValuesBVAR` presents starting values for the BVAR model.

Public fields

`A` an $N \times K$ matrix of starting values for the autoregressive matrix A .

`Sigma` an $N \times N$ matrix of starting values for the error term covariance Σ .

`V` a $K \times K$ matrix of starting values for the prior equation-specific covariance V of the hierarchical prior distribution for matrix A .

`h` an T -vector with the starting values of the log-volatility processes.

`rho` a scalar for the SV autoregressive parameter.

`omega` a scalar for the SV process conditional standard deviation.

`sigma2v` a scalar for SV process conditional variances.

`S` a T integer vector with the auxiliary mixture component indicator.

`sigma2_omega` a scalar for the variance of the zero-mean normal prior for ω .

`s_` a positive scalar with the scale of the gamma prior of the hierarchical prior for σ_ω^2 .

`lambda` a T -vector of starting values for latent variable.

`df` a scalar greater than 2 with the starting value for the degrees of freedom parameter of the Student-t conditional distribution of error term.

Methods**Public methods:**

- `specify_starting_values_bvar$new()`
- `specify_starting_values_bvar$get_starting_values()`
- `specify_starting_values_bvar$set_starting_values()`
- `specify_starting_values_bvar$clone()`

Method `new()`: Create new starting values `StartingValuesBVAR`.

Usage:

```
specify_starting_values_bvar$new(
  N,
  p,
  T,
  d = 0,
  is_homoskedastic = TRUE,
  is_normal = TRUE,
  ar_sigma2 = rep(1, N),
  kappa = c(0.2^2, 10^2)
)
```

Arguments:

`N` a positive integer - the number of dependent variables in the model.

`p` a positive integer - the autoregressive lag order of the BVAR model.

`T` a positive integer - the number of time periods in the data.

`d` a positive integer - the number of exogenous variables in the model.

`is_homoskedastic` a logical scalar - if TRUE the model assumes homoskedastic errors, otherwise it assumes stochastic volatility.

`is_normal` a logical scalar - if TRUE the model assumes normal error term, otherwise, it assumes Student-t errors.

`ar_sigma2` a positive N-vector with the autoregressive variance estimates for each variable to be used in the Minnesota prior for the autoregressive parameters.

`kappa` a positive 2-vector with the hyperparameters of the Minnesota prior for the autoregressive parameters - the first element is the overall tightness hyperparameter, while the second element is the tightness of the prior on the constant and exogenous variable coefficients.

Returns: Starting values `StartingValuesBVAR`.

Examples:

```
# starting values for a 3-variable BVAR model
sv = specify_starting_values_bvar$new(N = 3, p = 4, T = 100)
```

Method `get_starting_values()`: Returns the elements of the starting values `StartingValuesBVAR` as a list.

Usage:

```
specify_starting_values_bvar$get_starting_values()
```

Examples:

```
# starting values for a 3-variable BVAR model
sv = specify_starting_values_bvar$new(N = 3, p = 4, T = 100)
sv$get_starting_values() # show starting values as list
```

Method `set_starting_values()`: Sets the elements of the starting values `StartingValuesBVAR` to provided values.

Usage:

```
specify_starting_values_bvar$set_starting_values(last_draw)
```

Arguments:

`last_draw` a list containing the last draw of elements `A` - a $K \times N$ matrix, `Sigma` - an $N \times N$ matrix, and `V` - a $K \times K$ matrix.

Returns: An object of class `StartingValuesBVAR` including the last draw of the current MCMC as the starting value to be passed to the continuation of the MCMC estimation using `estimate()`.

Examples:

```
# starting values for a 3-variable BVAR model
sv = specify_starting_values_bvar$new(N = 3, p = 4, T = 100)

# Modify the starting values by:
sv_list = sv$get_starting_values() # getting them as list
sv_list$A <- matrix(rnorm(12), 3, 4) # modifying the entry
sv$set_starting_values(sv_list) # providing to the class object
```

Method `clone()`: The objects of this class are cloneable with this method.

Usage:

```
specify_starting_values_bvar$clone(deep = FALSE)
```

Arguments:

`deep` Whether to make a deep clone.

Examples

```
# starting values for a 3-variable BVAR model.
sv = specify_starting_values_bvar$new(N = 3, p = 4, T = 100)

## -----
## Method `specify_starting_values_bvar$new`
## -----

# starting values for a 3-variable BVAR model
sv = specify_starting_values_bvar$new(N = 3, p = 4, T = 100)

## -----
## Method `specify_starting_values_bvar$get_starting_values`
```

```
## -----
# starting values for a 3-variable BVAR model
sv = specify_starting_values_bvar$new(N = 3, p = 4, T = 100)
sv$get_starting_values() # show starting values as list

## -----
## Method `specify_starting_values_bvar$set_starting_values`
## -----

# starting values for a 3-variable BVAR model
sv = specify_starting_values_bvar$new(N = 3, p = 4, T = 100)

# Modify the starting values by:
sv_list = sv$get_starting_values() # getting them as list
sv_list$A <- matrix(rnorm(12), 3, 4) # modifying the entry
sv$set_starting_values(sv_list) # providing to the class object
```

summary.PosteriorBVAR *Provides posterior summary of VAR estimation*

Description

Provides posterior mean, standard deviations, as well as 5 and 95 percentiles of the parameters: autoregressive parameters \mathbf{A} , and the covariance matrix Σ .

Usage

```
## S3 method for class 'PosteriorBVAR'
summary(object, ...)
```

Arguments

object	an object of class PosteriorBVAR obtained using the estimate() function applied to a Bayesian VAR model specification set by function specify_bvar\$new() containing draws from the posterior distribution of the parameters.
...	additional arguments affecting the summary produced.

Value

A list reporting the posterior mean, standard deviations, as well as 5 and 95 percentiles of the parameters: autoregressive parameters \mathbf{A} , and the covariance matrix Σ .

Author(s)

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Examples

```

# simple workflow
#####
spec = specify_bvar$new(us_macro_chan)      # specify the model
burn = estimate(spec, 5)                   # run the burn-in
post = estimate(burn, 10)                  # estimate the model
summary(post)

# workflow with the pipe |>
#####
us_macro_chan |>
  specify_bvar$new() |>
  estimate(S = 5) |>
  estimate(S = 10) |>
  summary()

```

us_macro_chan	<i>A 20-variable US macroeconomic system for the period 1959 Q4 – 2013 Q4</i>
---------------	---

Description

A system of 20 US macroeconomic aggregates used by Chan (2020).

Usage

```
data(us_macro_chan)
```

Format

A matrix and a ts object with time series of 217 observations on 20 variables:

rgdp Real gross domestic product
cpi Consumer price index
FFR Effective Federal funds rate
m2 M2 money stock
pinc Personal income
rpce Real personal consumption expenditure
ip Industrial production index
UR Civilian unemployment rate
hs Housing starts
pci Producer price index
pce Personal consumption expenditures: chain-type price index
ahem Average hourly earnings: manufacturing

mi MI money stock
TMR10Y 10-Year Treasury constant maturity rate
rgpdi Real gross private domestic investment
aetnf All employees: total nonfarm
pmici ISM manufacturing: PMI composite index
noi ISM manufacturing: new orders index
bsro Business sector: real output per hour of all Persons
sp500 Real stock prices (S& P 500 index divided by PCE index)

The series are used and described by Chan (2020) in Appendix B of Supplementary Materials available at <doi:10.1080/07350015.2018.1451336>.

Source

FRED Economic Database, Federal Reserve Bank of St. Louis, <https://fred.stlouisfed.org/>

References

Chan (2020) Large Bayesian VARs: A Flexible Kronecker Error Covariance Structure, Journal of Business and Economic Statistics, 38(1), 68–79, <doi:10.1080/07350015.2018.1451336>.

Examples

```
data(us_macro_chan) # upload the data
```

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