

Small macroeconomic model : modelling and forecasting for monetary and fiscal policies in Indonesia

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Abstrak

This paper constructed a small macro econometric model of Indonesia using annual timeseries data from 1986 to 2011. The model consists of 6 behavior, 1 identity equations, 7 endogenous and 5 exogenous variables. The model is generated by using simultaneous equation simulation and the Two Stage Least Square (TSLS) technique. Then the dynamic simulation of the whole model is performed. The performance of the model on the historical data is evaluated based on Root Mean Square Percentage Error (RMSPE). Fiscal and monetary policies are simulated in order to develop the multiplier. Finally, forecasting is generated to identify the future economic performance of Indonesia.