

## Empirical Modeling in Barbados

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### Abstract:

A macroeconometric model for forecasting and policy analysis is under construction in the Ministry of Finance for the Bajan economy. Barbados is a small Caribbean island open economy with a fixed exchange rate and highly dependent on trade in goods and services. The model is small and flexible describing the nine key economic sectors. It attempts to capture the properties of the data and explain their economic implications within and across sectors. The Theory of Reduction and *Autometrics* are important tools in this effort. The econometric software is valuable for capacity building and research in emerging and developing economies where modeling and staff resources are limited. This paper briefly describes the model design and methodological approach used in the model. In addition, examples of estimated equations in the model are provided and scenario is illustrated. These include: aggregate supply or a production function, personal consumption, capital formation in buildings and equipment, exports, imports, and inflation.

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