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An Extended Quarterly Projection Model for the Central Bank of Jordan

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ABSTRACT: The Central Bank of Jordan (CBJ) has developed a Forecasting and Policy Analysis System (FPAS) to serve as a reliable analytical framework for macroeconomic analysis, forecasting and decision-making under a pegged exchange rate regime. At the heart of the FPAS is the CBJ's extended Jordan Analysis Model (JAM2.0). The model captures the monetary transmission mechanism and provides a consistent monetary policy framework that uses the exchange rate as an effective nominal anchor. This paper outlines the structure and properties of JAM2.0 and emphasizes the enhanced interplay and tradeoffs among monetary, fiscal, and foreign exchange management policies. Simulation and forecasting exercises demonstrate JAM2.0's ability to match key stylized facts of the Jordanian economy, produce accurate forecasts of important macroeconomic variables, and explain the critical relationships among policies.

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