

FPAS Mark II Monetary Policy Relevant Output Gaps

2023-01-31

WP 2023/03

Central Bank of Armenia

Working Paper 2023/03

FPAS Mark II Monetary Policy Relevant Output Gaps

Vahe Avagyan, Hayk Avetisyan and Martin Galstyan

January 31, 2023

Abstract

This paper is the second in a series exploring ways of conducting current macroeconomic analysis using the MPMOD framework. The preceding paper in this series laid the groundwork for this approach, delving into the historical narrative of the US economy in the context of MPMOD and fleshed out important analytical ideas during the time of COVID and COVID-related shocks. This paper provides an update of the MPMOD results with almost all variables updated to 2022 with an accompanying 10-year projection starting in 2023. We also provide the basis of a Case A (Hard Landing) and Case B scenario (Soft Landing) and think critically about the timing that will be relevant for policymakers as the US economy heads into 2023, with a combination of strong disinflationary forces in some sectors (goods and commodities) and persistent, if not accelerating, inflation in others (service and shelter).

[FPAS Mark II Monetary Policy Relevant Output Gaps](#)