

“Inflation Forecasting Using Autoregressive Distributed Lag (ARDL) Models”
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Submission of a manuscript to the Jurnal Ekonomi & Studi Pembangunan

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Dear Editor of Jurnal Ekonomi & Studi Pembangunan,

I wish to submit an original research article entitled “Inflation Forecasting Using Autoregressive Distributed Lag (ARDL) Models” for consideration by Jurnal Ekonomi & Studi Pembangunan.

I confirm that the paper is the result of my own work.

In this paper, I compare the forecasting performance of various ARDL Models. Specifically, I construct formally ARDL model, beginning with stationarity test, lag length determination, Johannsen cointegration test, and finally model development. According to the formal construction, the ARDL models that should be employed is ARDL(2,2). This formal construction of ARDL model is usually employed by research that purports to examine the influence of independent variables against dependent variable. Besides the formal model, I also employed several other models namely, ARDL(1,0), ARDL(2,0), ARDL(0,1), ARDL(0,2), and ARDL(1,1). This research will shed lights on the forecasting performance of ARDL model in general and also whether formally developed ARDL model has the best forecasting accuracy in particular. The research shows that formally developed ARDL model does not perform best. The best model is ARDL(1,0) followed by ARDL(0,2). ARDL(2,2) is in the third place. Overall, we do not have to develop ARDL model formally for forecasting purpose. I also found that ARDL tend to generate stable forecasts. This is very suitable for good economic condition. Research on forecasting model using ARDL is very rare, let alone for inflation forecasting. This research contributes by revealing the behavior of ARDL models in forecasting. Thank you for your consideration of this manuscript to be published on Jurnal Ekonomi & Studi Pembangunan.

Sincerely,



Regi Muzio Ponziani