Constructing a new monetary aggregates

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Abstract

This study proposes a new kind of monetary aggregates that explains the more moneyness of money assets than the simple sum monetary aggregates. Our primary purpose is to shed light on PLS modeling as a structural equation modeling (SEM) technique and to deliver guidelines for the use in money and banking. This article indentifies PLS monetary aggregates that have greater predictable power when forecasting economic activities as elements of monetary index numbers. Our findings suggest policymakers to adopt a more holistic perspective by using the SEM method based on the key objectives of monetary policy.

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