Policy scenarios

Given that the model is applied on an actual economy, the search of a steady-state is irrelevant. On the contrary, what is important is to examine first the growth trajectory the economy is currently following and then to implement policy scenarios and see if growth improves or deteriorates.

1. **External vulnerabilities**

As a first step run the model for 20-30 out-of-sample periods (years in our case). Assuming that the model is solved, it is important to examine if there are any sort of imbalances (large trade deficit, balance of payments deficit (IA), exchange rate depreciation/appreciation, excessive accumulation of reserves by the CB).

These findings will indicate what types of shock you would like to impose to the model.

Regardless of the above it is highly recommended to introduced alternative scenarios regarding: a) a 5% increase of FDI in other sectors than greenfield and a different one for green FDI, b) a similar increase of portfolio inflows, c) an exogenous increase of implicit FDI profitability and d) an exogenous increase in expected foreign yield.

I’m not sure if a change of remittances would be of any significance but still it’s one further scenario one could run vis-à-vis the external sector.

1. **Fiscal vulnerabilities**
2. **Monetary vulnerabilities**