

## FORECASTING METHODS: ALL WHAT POLICY MAKER NEEDS\*

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**Abstract.** We are now in the era of intellectual racing. The speed of any scientific activity including forecasting becomes more and more determinant. To be better than competitors is not enough. It must be better and faster and cheaper and more comfortable. These are also the basic requirements encountered by policy makers in time series modelling for forecasting. For them, the goal is not only to find an accurate model but more importantly to find in a very short period of time a simple model with fewer parameters, less computational effort and cheap computational cost. Faster process to get the model and the forecast – compared to the competitors' capability – is at the highest priority. Unfortunately, the methods available in the literature do not support these requirements. Even the most adopted method like ARIMA is, in general, computationally time consuming. Although automatic procedure of ARIMA might be helpful, its use is not recommended especially when comparable results can be achieved with simple method. This paper is to fill the gap between rigorous theoretical background of time series modelling for forecasting and its practicality required by policy makers. For this purpose, a method of model building is introduced where its implementation does not require special skills in statistics – except probably when removing the seasonal effect from the data – and no special statistical package is needed. MS Excel is enough. This method is all what policy maker needs. Therefore, we recommend the policy makers to use the standard practice of modelling such as ARIMA only if the method proposed here does not provide satisfactory model. To illustrate the advantages of the proposed method in terms of its simplicity, practicality, computational running time, and accuracy, real examples using seasonal as well as non-seasonal data will be delivered.

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