MAGYAR NEMZETI BANK

Válogatás

az ECB, az EU, az IMF, a BIS és az OECD

dokumentumaiból

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1. MONETÁRIS POLITIKA/INFLÁCIÓ

Monetary policy, housing booms and financial (im)balances, 21/04/2010 http://www.ecb.int/pub/pdf/scpwps/ecbwp1178.pdf This paper uses a factor-augmented vector autoregressive model (FAVAR) estimated on U.S. data in order to analyze monetary transmission via private sector balance sheets, credit risk spreads and asset markets in an integrated setup and to explore the role of monetary policy in the three imbalances that were observed prior to the global financial crisis: high house price inflation, strong private debt growth and low credit risk spreads. The results suggest that (i) monetary policy shocks have a highly significant and persistent effect on house prices, real estate wealth and private sector debt as well as a strong short-lived effect on risk spreads in the money and mortgage markets; (ii) monetary policy shocks have contributed discernibly, but at a late stage to the unsustainable developments in house and credit markets that were observable between 2001 and 2006; (iii) financial shocks have influenced the path of policy rates prior to the crisis, and the feedback effects of financial shocks via lower policy rates on property and credit markets are found to have probably been considerable.	ECB Working Paper
Evolving Phillips trade-off, 21/04/2010 http://www.ecb.int/pub/pdf/scpwps/ecbwp1176.pdf We characterise the evolution of the U.S. unemployment-inflation trade-off since the late XIX century era via a Bayesian time-varying parameters structural VAR. The Great Inflation episode appears as historically unique along several dimensions. In particular, the shape of the 'Phillips loop'–which is defined in terms of the impulse-response functions of inflation and unemployment's deviations from equilibrium–was, during those years, clearly out of line with respect to the rest of the sample period for all structural innovations except money demand shocks. During the Great Depression, on the other hand, the Phillips trade-off did not exhibit any peculiar qualitative feature, so that, when seen through these lenses, the 1930s only stand out because of the sheer size of the macroeconomic fluctuation. The historical evolution of the Phillips trade-off exhibits virtually no connection with the evolution of the extent of trade openness of the U.S. economy. Although, by itself, this does not rule out a possible impact of globalisation on the slope of the trade-off in recent years, it clearly suggests that, historically, the evolution of the trade-off has been dominated by factors other than trade openness.	ECB Working Paper
Tools for preparing short-term projections of the euro area inflation, 15/04/2010 Monthly Bulletin Article, March 2010, pp 65-73 http://www.ecb.int/pub/pdf/other/art1_mb201004en_pp65-73en.pdf Assessing the short-term evolution of inflation entails identifying the driving forces of inflation and interpreting their nature. In particular, it is important to assess whether such forces have only temporary effects on inflation or are likely to be more persistent and thus relevant for monetary policy. Within the Eurosystem, short-term inflation projections form the starting-point for the medium to longer-term inflation projections, making timely use of disaggregated and detailed information that is not always easy to incorporate in more stylised structural macroeconomic models. This article focuses on two short-term forecasting tools used at the ECB: one which models prices in specific sectors separately in terms of their macroeconomic determinants, and another which uses an integrated approach, allowing also for the interactions among different sectoral prices. A comparative analysis of the forecasts produced using the different models supports the cross-checking of the outcomes of different tools when assessing the short-term outlook for inflation.	ECB Publication
The external finance premium in the euro area - A useful indicator for monetary policy? 14/04/2010 http://www.ecb.int/pub/pdf/scpwps/ecbwp1171.pdf	ECB Working Paper

In this paper I estimate a New Keynesian Dynamic Stochastic General Equilibrium model for the Euro Area, which closely follows the structure of the model developed by Smets and Wouters (2003, 2005, 2007), with the addition of the so-called financial accelerator mechanism developed in Bernanke, Gertler and Gilchrist (1999). The main aim is to obtain a time series for the unobserved external finance premium that entrepreneurs pay on their loans, with the further aim of providing a dynamic analysis of it. Results confirm in general what was recently found for the US by De Graeve (2008), namely that (1) the model incorporating financial frictions can generate a series for the premium, without using any financial macroeconomic aggregates, that is highly correlated with available proxies for it, (2) the estimated premium is not necessarily counter-cyclical (this depends on the shock considered). Nevertheless, although in addition the model with financial frictions better describes Euro Area data than the model without them, the former is not satisfactory in many other respects. For instance, the accelerator effect turns out to be statistically not significant. However, this does not impede financial frictions from remaining a key ingredient to model. In fact, I found that the estimated premium is a very powerful predictor of inflation. It overcomes, in terms of the Mean Squared Forecast Error, the traditional output gap measure in a Phillips curve specification.	
Food price pass-through in the euro area - The role of asymmetries and non-linearities, 14/04/2010 http://www.ecb.int/pub/pdf/scpwps/ecbwp1168.pdf In this paper we analyse the pass-through of a commodity price shock along the food price chain in the euro area. Unlike the existing literature, which mainly focuses on food commodity prices quoted in international markets, we use a novel database that accounts for the role of the Common Agricultural Policy in the European Union. We model several departures from the linear pass-through benchmark and compare alternative specifications with aggregate and disaggregate food data. Overall, when the appropriate dataset and methodology are used, it is possible to identify a significant and longlasting food price pass-through. The results of our regressions are applied to the strong increase in food prices in the 2007-08 period; a simple decomposition exercise shows that commodity prices are the main determinant of the increase in producer and consumer prices, thus solving the pass-through puzzle highlighted in the existing literature for the euro area.	ECB Working Paper
Oil shocks and optimal monetary policy, 15 April 2010 No 307 http://www.bis.org/publ/work307.pdf?noframes=1 In practice, central banks have been confronted with a trade-off between stabilising inflation and output when dealing with rising oil prices. This contrasts with the result in the standard New Keynesian model that ensuring complete price stability is the optimal thing to do, even when an oil shock leads to large output drops. To reconcile this apparent contradiction, this paper investigates how monetary policy should react to oil shocks in a microfounded model with staggered price-setting and with oil as an input in a CES production function. In particular, we extend Benigno and Woodford (2005) to obtain a second order approximation to the expected utility of the representative household when the steady state is distorted and the economy is hit by oil price shocks. The main result is that oil price shocks generate an endogenous trade-off between inflation and output stabilisation when oil has low substitutability in production. Therefore, it becomes optimal for the monetary authority to stabilise partially the effects of oil shocks on inflation and some inflation is desirable. We also find, in contrast to Benigno and Woodford (2005), that this trade-off is reduced, but not eliminated, when we get rid of the effects of monopolistic distortions in the steady state. Moreover, the size of the endogenous "cost-push" shock generated by fluctuations in the oil price increases when oil is more difficult to substitute by other factors.	BIS Working Papers

2. PÉNZÜGYI STABILITÁS/PÉNZÜGYI PIACOK

Has the financial sector grown too big? http://www.ecb.int/press/key/date/2010/html/sp100415.en.html Speech by **Lorenzo Bini Smaghi**, Member of the Executive Board of the ECB at Nomura Seminar, The paradigm shift after the financial crisis, Kyoto, 15 April 2010	ECB Speech
Backstopping global banking http://www.bis.org/speeches/sp100415.htm Speaking notes of **Mr Jaime Caruana,** General Manager of the BIS, prepared for a high-level policy panel at the conference: "Financial integration and stability: the legacy of the crisis", jointly sponsored and organised by the ECB and the European Commission, Frankfurt am Main, 12 April 2010.	BIS Management Speech
Information gaps: what has the crisis taught us? http://www.bis.org/speeches/sp100419.htm Opening remarks by **Hervé Hannoun**, Deputy General Manager of the BIS, at the Conference for senior officials to help develop a concrete plan of action to implement the recommendations in the IMF-FSB report "The financial crisis and information gaps", prepared for the G20 Finance Ministers and central bank Governors, Basel, 8-9 April 2010.	BIS Management Speech
The importance of being savvy - lessons on European crisis management http://www.bis.org/review/r100420a.pdf Speech by **Mr Stefan Ingves**, Governor of the Sveriges Riksbank, at the Fundacion Rafael del Pino, Madrid, 15 April 2010.	BIS Central Banker Speech
Involving markets and the public in financial regulation http://www.bis.org/review/r100416e.pdf Speech by **Mr Daniel K Tarullo**, Member of the Board of Governors of the Federal Reserve System, at the Council of Institutional Investors meeting, Washington DC, 13 April 2010.	BIS Central Banker Speech
IMF and FSB Hold Joint Conference on Implementing G-20 Recommendations on Information Gaps, April 16, 2010 http://www.imf.org/external/np/sec/pr/2010/pr10155.htm	IMF Press Release
Credit supply - Identifying balance-sheet channels with loan applications and granted loans, 21/04/2010 http://www.ecb.int/pub/pdf/scpwps/ecbwp1179.pdf To identify credit availability we analyze the extensive and intensive margins of lending with loan applications and all loans granted in Spain. We find that during the period analyzed both worse economic and tighter monetary conditions reduce loan granting, especially to firms or from banks with lower capital or liquidity ratios. Moreover, responding to applications for the same loan, weak banks are less likely to grant the loan. Our results suggest that firms cannot offset the resultant credit restriction by turning to other banks. Importantly the bank-lending channel is notably stronger when we account for unobserved time-varying firm heterogeneity in loan demand and quality.	ECB Working Paper
Measures taken by euro area governments in support of the financial sector, 15/04/2010 Monthly Bulletin Article, March 2010, pp 75-90 http://www.ecb.int/pub/pdf/other/art2_mb201004en_pp75-90en.pdf The extensive measures taken by euro area governments in support of the fi nancial sector have played a key role in the management of the fi nancial crisis that erupted in mid-2007 and intensifi ed after the bankruptcy of Lehman Brothers. This article describes the measures taken by euro area governments to contain the impact of the crisis on the fi nancial sector and discusses potential exit strategies.	ECB Publication

Although the focus is on the measures implemented by euro area governments, the article also compares these measures with the ones taken in the United Kingdom and the United States. The crisis responses in these three economic regions share a number of common features, both in terms of tools and scope. However, there have also been some important differences, not only between the European Union and the United States, but also within the European Union.	
Russian Federation: Financial Sector Stability Assessment Update, April 21, 2010 Country Report No. 10/96 http://www.imf.org/external/pubs/ft/scr/2010/cr1096.pdf The main findings include: • Indicators of bank soundness and performance are broadly favorable but credit risk poses a challenge over the medium term and capitalization should rise to support continued banking sector development. • The system has weathered the global credit crunch that began in mid-2007 yet the funding model is coming under strain as the turmoil in global markets continues. • The CBR has responded effectively to the recent liquidity pressures, but its tools for maintaining financial sector stability and problem bank resolution could be strengthened. • Banking supervision has improved but supervision should become increasingly risk-based. • Capital markets have grown dramatically in recent years but remain highly concentrated.	IMF Publication
Global Financial Stability Report: Meeting New Challenges to Stability and Building a Safer System, April 20, 2010 Chapter I. Resolving the Crisis Legacy and Meeting New Challenges to Financial Stability http://www.imf.org/external/pubs/ft/gfsr/2010/01/pdf/chap1.pdf Chapter II. Systemic Risk and the Redesign of Financial Regulation http://www.imf.org/external/pubs/ft/gfsr/2010/01/pdf/chap2.pdf Chapter III. Making Over-the-Counter Derivatives Safer: The Role of Central Counterparties http://www.imf.org/external/pubs/ft/gfsr/2010/01/pdf/chap3.pdf Chapter IV. Global Liquidity Expansion: Effects on "Receiving" Economies and Policy Response Options http://www.imf.org/external/pubs/ft/gfsr/2010/01/pdf/chap4.pdf Statistical Appendix http://www.imf.org/external/pubs/ft/gfsr/2010/01/pdf/statappx.pdf	IMF Publication
The Global Credit Crunch and Foreign Banks' Lending to Emerging Markets: Why Did Latin America Fare Better? April 19, 2010 Working Paper No. 10/102 http://www.imf.org/external/pubs/ft/wp/2010/wp10102.pdf The recent global financial turmoil raised questions about the stability of foreign banks' financing to emerging market countries. While foreign banks' lending growth to most emerging market regions contracted sharply, lending to Latin America and the Caribbean (LAC) was significantly more resilient. Analyzing detailed BIS data on global banks' lending to LAC countries-whether extended directly by their headquarters abroad or by their local affiliates in host countries-we show that the propagation of the global credit crunch was significantly more muted in countries where most of foreign banks' lending was channeled in domestic currency. We also show that foreign banks' involvement in LAC has differed in fundamental ways from that in other regions, with most of their lending to LAC conducted by their local subsidiaries, denominated in domestic currency and funded from a domestic deposit base. These characteristics help explain why LAC has not been struck as hard as other emerging markets by the global deleveraging and pullback in foreign banks' lending.	IMF Working Paper

Cross-Cutting Themes in Economies with Large Banking Systems, April 19, 2010 http://www.imf.org/external/np/pp/eng/2010/041610.pdf This paper examines cross-country perspectives on economies with large banking systems relative to GDP. As such economies tend to have domestic institutions with major foreign currency cross-border activities, strong links are generated between the health of the financial system and sovereign sustainability. These links are of central interest to the paper. It does not cover off-shore centers as their international links tend to be relatively unrelated to domestic activities. To make the analysis more concrete, the experience of five economies—Hong Kong SAR, Iceland, Ireland, Singapore, and Switzerland—are featured (plus a Box on the Benelux region). These economies had large and relatively diversified international banking sectors compared to their fiscal capacity before the global financial crisis of 2007–09, and divergent experiences over the crisis. The paper analyzes the reasons for these outcomes. (A range of private and public sector individuals were interviewed during missions to Belgium, Hong Kong SAR, Ireland, Singapore, Switzerland, and the United Kingdom.)	IMF Policy Paper
Quantitative Properties of Sovereign Default Models: Solution Methods Matter, April 16, 2010, Working Paper No. 10/100 http://www.imf.org/external/pubs/ft/wp/2010/wp10100.pdf We study the sovereign default model that has been used to account for the cyclical behavior of interest rates in emerging market economies. This model is often solved using the discrete state space technique with evenly spaced grid points. We show that this method necessitates a large number of grid points to avoid generating spurious interest rate movements. This makes the discrete state technique significantly more inefficient than using Chebyshev polynomials or cubic spline interpolation to approximate the value functions. We show that the inefficiency of the discrete state space technique is more severe for parameterizations that feature a high sensitivity of the bond price to the borrowing level for the borrowing levels that are observed more frequently in the simulations. In addition, we find that the efficiency of the discrete state space technique can be greatly improved by (i) finding the equilibrium as the limit of the equilibrium of the finite-horizon version of the model, instead of iterating separately on the value and bond price functions and (ii) concentrating grid points in asset levels at which the bond price is more sensitive to the borrowing level and in levels that are observed more often in the model simulations. Our analysis questions the robustness of results in the sovereign default literature and is also relevant for the study of other credit markets.	IMF Working Paper

3. KÖLTSÉGVETÉSI POLITIKA, ADÓK

How far are we from the slippery slope? The Laffer curve revisited, 21/04/2010 http://www.ecb.int/pub/pdf/scpwps/ecbwp1174.pdf We characterize the Laffer curves for labor taxation and capital income taxation quantitatively for the US, the EU-14 and individual European countries by comparing the balanced growth paths of a neoclassical growth model featuring ”constant Frisch elasticity” (CFE) preferences. We derive properties of CFE preferences. We provide new tax rate data. For benchmark parameters, we find that the US can increase tax revenues by 30% by raising labor taxes and 6% by raising capital income taxes. For the EU-14 we obtain 8% and 1%. Denmark and Sweden are on the wrong side of the Laffer curve for capital income taxation.	ECB Working Paper
Market power and fiscal policy in OECD countries, 21/04/2010 http://www.ecb.int/pub/pdf/scpwps/ecbwp1173.pdf	ECB Working Paper

We compute average mark-ups as a measure of market power throughout time and study their interaction with fiscal policy and macroeconomic variables in a VAR framework. From impulse-response functions the results, with annual data for a set of 14 OECD countries covering the period 1970-2007, show that the mark-up (i) depicts a pro-cyclical behaviour with productivity shocks and (ii) a mildly counter-cyclical behaviour with fiscal spending shocks. We also use a Panel Vector Auto-Regression analysis, increasing the efficiency in the estimations, which confirms the countryspecific results.	
The impact of numerical expenditure rules on budgetary discipline over the cycle, 14/04/2010 http://www.ecb.int/pub/pdf/scpwps/ecbwp1169.pdf We study the impact of numerical expenditure rules on the propensity of governments to deviate from expenditure targets in response to surprises in cyclical conditions. Theoretical considerations suggest that due to political fragmentation in the budgetary process expenditure policy might be prone to a pro-cyclical bias. However, this tendency may be mitigated by numerical expenditure rules. These hypotheses are tested against data from a panel of EU Member States. Our key findings are that (i) deviations between actual and planned government expenditure are positively related to unanticipated changes in the output gap, and (ii) numerical expenditure rules reduce this pro-cyclical bias. Moreover, the pro-cyclical spending bias is found to be particularly pronounced for spending items with a high degree of budgetary flexibility.	ECB Working Paper
Staff Guidance Note on the Use of Fund Resources for Budget Support, April 20, 2010 http://www.imf.org/external/np/pp/eng/2010/032310.pdf This note provides operational guidance and background information on the use of Fund resources for budgetary financing. It does this in the context of concerns expressed by some Executive Board Directors that, by providing such financing, the Fund might be held accountable for the quality of budgetary spending; that repayment could be subject to country budgetary processes; and that budget financing is the role of other institutions.	IMF Policy Paper
Absorption Boom and Fiscal Stance: What Lies Ahead in Eastern Europe? April 15, 2010 Working Paper No. 10/97 http://www.imf.org/external/pubs/ft/wp/2010/wp1097.pdf This paper estimates revenue and expenditure pro-cyclicality with respect to output and domestic absorption in new member states of the European Union and Croatia to assess whether these countries used the boom years of 2003-07 to create sufficient fiscal space. The current crisis has found many countries short of fiscal space. As these countries enter a different phase of capital inflows, some with large vulnerabilities and inflexible monetary policy options, the role of fiscal policy becomes more important. This paper also looks at these issues to see how fiscal policy can play a more effective role in demand management in these countries.	IMF Working Paper
Public-private partnerships: Making the right choice for the right reason, 20-Apr-2010 http://www.oecdobserver.org/news/fullstory.php/aid/3228/Public-private_partnerships.html	OECD Article
Further advancing pro-growth tax and benefit reform in the Czech Republic, 19-Apr-2010 http://www.olis.oecd.org/olis/2010doc.nsf/LinkTo/NT00002932/$FILE/JT03282010.PDF In 2008, the Czech government implemented a major overhaul of the personal income tax, replacing the previous progressive rate schedule with a single 15% rate levied on an enlarged base. This was accompanied by significant changes to the corporate income tax and an increase in the concessionary rate of value added tax applied to many goods and services.	OECD Working Paper

4. FIZETÉSI RENDSZEREK

Report on the lessons learned from the financial crisis with regard to the functioning of European financial market infrastructures, 19/04/2010 http://www.ecb.int/pub/pdf/other/reportlessonslearnedfinancialcrisis201004en.pdf This report considers issues relating to the impact of the financial crisis on the functioning of European financial market infrastructures (FMIs), including systemically important payment systems, central counterparties, and securities settlement systems. It reflects the outcome of bilateral interviews conducted by the Eurosystem central banks, the Bank of England and Sveriges Riksbank with a representative sample of FMIs and financial institutions participating in these FMIs. Related press release: **ECB publishes report on the lessons learned from the financial crisis with regard to the functioning of European financial market infrastructures** http://www.ecb.int/press/pr/date/2010/html/pr100419.en.html	ECB Publication + Press Release

5. ÁLTALÁNOS GAZDASÁGPOLITIKA

Taking stock: where do we stand in the crisis? http://www.ecb.int/press/key/date/2010/html/sp100415_1.en.html Speech by **Jürgen Stark**, Member of the Executive Board of the ECB at BMW Stiftung Herbert Quandt, Washington D.C., 15 April 2010	ECB Speech
Reinforcing economic governance in Europe http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/10/160&format=HTML&aged=0&language=EN&guiLanguage=en Speech by **Olli Rehn**, European Commissioner for Economic and Monetary Policy at the European Policy Centre, Brussels, 15 April 2010	EU Speech
Financing the small business sector - constraints and opportunities http://www.bis.org/review/r100420c.pdf Speech by **Mr Michael C Bonello**, Governor of the Central Bank of Malta, at the European Federation of Ethical and Alternative Banks and Financiers Seminar, St.Julian's, 15 April 2010.	BIS Central Banker Speech
Zapatero is confident that the support for Greece will calm the financial markets, 21/04/2010 http://www.eu2010.es/en/documentosynoticias/noticias/abr21_zapaterocongreso.html	EU Press Release
Iceland: IMF Completes Second Review Under Stand-By Arrangement, Extends the Arrangement, Rephases Access and Approves US $160 Million Disbursement, April 16, 2010 http://www.imf.org/external/np/sec/pr/2010/pr10156.htm	IMF Press Release
Greece: IMF Statement, April 15, 2010 http://www.imf.org/external/np/sec/pr/2010/pr10152.htm	IMF Press Release
Costs, demand, and producer price changes, 21/04/2010 http://www.ecb.int/pub/pdf/scpwps/ecbwp1184.pdf	ECB Working Paper

We estimate an ordered probit model in order to explain the occurence and magnitude of producer price changes in the French manufacturing sector. We use data consisting essentially of the Banque de France monthly business surveys pooled over the years 1998-2005. Our results show that changes in the price of intermediate inputs are the mail driver of producer price changes. Firms also appear to react significantly to changes to the producer price index of their industry. Variations in labour costs as well as in the production level also appear to increase the likelihood of a price change but their influence seems to be of lesser importance. We also show that estimating an unconstrained dynamic model allows improving the estimation results as compared to those associated with a standard state-dependent model. Finally, our results point to an assymetry in price adjustments. When they face a change in their costs, firms adjust their prices upward more often and more rapidly than they do it downward.	
Labor market institutions and the business cycle Unemployment rigidities vs. real wage rigidities, 21/04/2010 http://www.ecb.int/pub/pdf/scpwps/ecbwp1183.pdf This paper investigates the importance of labor market institutions for inflation and unemployment dynamics. Using the New Keynesian framework we argue that labor market institutions should be divided into those institutions that cause Unemployment Rigidities (UR) and those that cause Real Wage Rigidities (RWR). The two types of institutions have opposite effects and their interaction is crucial for the dynamics of inflation and unemployment. We estimate a panel VAR with deterministically varying coefficients and find that there is a profound difference in the responses of unemployment and inflation to shocks under different constellations of the labor market.	ECB Working Paper
Inter-industry wage differentials in EU countries What do cross-country time varying data add to the picture?, 21/04/2010 http://www.ecb.int/pub/pdf/scpwps/ecbwp1182.pdf This paper documents the existence and main patterns of inter-industry wage differentials across a large number of industries for 8 EU countries (Belgium, Germany, Greece, Hungary, Ireland, Italy, Netherlands, and Spain) at two points in time (in general 1995 and 2002) and explores possible explanations for these patterns. The analysis uses the European Structure of Earnings Survey (SES), an internationally harmonised matched employer-employee dataset, to estimate inter-industry wage differentials conditional on a rich set of employee, employer and job characteristics. After investigating the possibility that unobservable employee characteristics lie behind the conditional wage differentials, a hypothesis which cannot be accepted, the paper investigates the role of institutional, industry structure and industry performance characteristics in explaining inter-industry wage differentials. The results suggest that inter-industry wage differentials are consistent with rent sharing mechanisms and that rent sharing is more likely in industries with firm-level collective agreements and with higher collective agreement coverage.	ECB Working Paper
Nominal and real wage rigidities. In theory and in Europe, 21/04/2010 http://www.ecb.int/pub/pdf/scpwps/ecbwp1180.pdf In this paper I study the relation between real wage rigidity (RWR) and nominal price and wage rigidity. I show that in a standard DSGE model RWR is mainly affected by the interaction of the two nominal rigidities and not by other structural parameters. The degree of RWR is, however, considerably influenced by the modelling assumption about the structure of wage contracts (Calvo vs. Taylor) and about other institutional characteristics of wage-setting (clustering of contracts, heterogeneous contract length, indexation). I use survey evidence on price- and wage-setting for 15 European countries to calculate the degrees of RWR implied by the theoretical model. The average levels of RWR are broadly in line with empirical estimates based on macroeconomic data. In order to be able to also match the observed cross-country variation in RWR it is, however, essential to move beyond the country-specific durations of price and wages and to take more institutional details into account.	ECB Working Paper

Price and trading response to public information, 21/04/2010 http://www.ecb.int/pub/pdf/scpwps/ecbwp1177.pdf In their seminal paper French and Roll (1986) postulate that public information affects prices before anyone can trade on it. In contrast, several models assuming heterogeneous investors show that public news releases are directly followed by high trading volume. Empirical evidence on this question is still mixed, primarily due to the lack of sufficiently precise data. This paper examines the process of price adjustment to public news in an electronic limit order market, based on very precise information from the largest European bond futures market. The results show that the price response to public news is gradual and accompanied by trading. Good (bad) news releases are followed by a sequence of positive (negative) returns and a large buying (selling) activity in the first seconds after the news release.	ECB Working Paper
Prospects for real and financial imbalances and a global rebalancing, 15/04/2010 Monthly Bulletin Article, March 2010, pp 91-100 http://www.ecb.int/pub/pdf/other/art3_mb201004en_pp91-100en.pdf The article outlines three main points. First, it shows that the build-up of large global real and financial imbalances was one of the early symptoms of the crisis and also reflected common causes, in particular policies inconsistent with sustainable external positions in both deficit and surplus economies. Second, it discusses how the subsequent reduction in global current account imbalances associated with the crisis appears to be largely cyclical and may reverse as the global economic recovery gathers strength, assuming unchanged policies. Third, going forward, if global real and financial imbalances re-emerge and there is an insufficient rebalancing of global growth patterns, risks to the global economy could remain substantial unless rigorous structural policy adjustments in economies with previously large external imbalances are pursued. In this respect, the article concludes that it is important for the main surplus and deficit economies to implement the commitments made at the Pittsburgh G20 Summit to rebalance global demand patterns and ensure a durable and orderly reduction in global imbalances in the period ahead.	ECB Publication
Global commodity cycles and linkages a FAVAR approach, 14/04/2010 http://www.ecb.int/pub/pdf/scpwps/ecbwp1170.pdf In this paper we examine linkages across non-energy commodity price developments by means of a factor-augmented VAR model (FAVAR). From a set of non-energy commodity price series, we extract two factors, which we identify as common trends in metals and a food prices. These factors are included in a FAVAR model together with selected macroeconomic variables, which have been associated with developments in commodity prices. Impulse response functions confirm that exchange rates and of economic activity affect individual nonenergy commodity prices, but we fail to find strong spillovers from oil to non-oil commodity prices or an impact of the interest rate. In addition, we find that individual commodity prices are affected by common trends captured by the food and metals factors.	ECB Working Paper
Size, openness, and macroeconomic interdependence, 14/04/2010 http://www.ecb.int/pub/pdf/scpwps/ecbwp1172.pdf The course of dimensionality, a problem associated with analyzing the interaction of a relatively large number of endogenous macroeconomic variables, is a prevailing issue in the open economy macro literature. The most common practise to mitigate this problem is to apply the so-called Small Open Economy Framework (SOEF). In this paper, we aim to review under which conditions the SOEF is a justifiable approximation and how severe the consequences of violation of key conditions might be. Thereby, we use a multi-country general equilibrium model as a laboratory. First we derive the conditions that ensure the existence of the equilibrium and study the properties of the equilibrium using large N assymptotics. Second, we show that the SOEF is a valid approximation only for economies (i) that have a diversified foreign trade structure and if (ii) there is no globally dominant economy in the system. Third, we illustrate that macroeconomic interdependence is primarily related to the degree of trade diversification, and not to the extent of trade openness. Furthermore, we provide some evidence on the pattern of macroeconomic interdependence by calculating probability impulse response functions in our calibrated multicountry model using data for 153 economies.	ECB Working Paper

Macroeconomic forecasting and structural change, 14/04/2010 http://www.ecb.int/pub/pdf/scpwps/ecbwp1167.pdf The aim of this paper is to assess whether explicitly modeling structural change increases the accuracy of macroeconomic forecasts. We produce real time out-of-sample forecasts for inflation, the unemployment rate and the interest rate using a Time-Varying Coefficients VAR with Stochastic Volatility (TV-VAR) for the US. The model generates accurate predictions for the three variables. In particular for inflation the TV-VAR outperforms, in terms of mean square forecast error, all the competing models: fixed coefficients VARs, Time-Varying ARs and the na¨ıve random walk model. These results are also shown to hold over the most recent period in which it has been hard to forecast inflation.	ECB Working Paper
House Price Determinants in Selected Countries of the Former Soviet Union, April 21, 2010 Working Paper No. 10/104 http://www.imf.org/external/pubs/ft/wp/2010/wp10104.pdf This paper analyses the recent boom-bust cycle in the housing markets of selected Former Soviet Union (FSU) countries. The analysis is based on a newly constructed database on house prices in the FSU countries. Our estimations suggest that house price developments can largely be explained by the dynamics of fundamentals, such as GDP, remittances, and external financing. Overall, we find that deviations of house prices from their fundamentals have not been pronounced, suggesting that house price bubbles have not been formed in the FSU countries.	IMF Working Paper
Iceland: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding, April 21, 2010 http://www.imf.org/External/NP/LOI/2010/isl/040710.pdf **Iceland: Staff Report for Second Review Under Stand-By Arrangement** http://www.imf.org/external/pubs/ft/scr/2010/cr1095.pdf Indications are growing that Iceland's recession, while deep, will be less severe than expected. Program policies have contributed to this, and all relevant performance criteria for the second review have been met. A recovery is still expected to commence in 2010, but it will face headwinds from the private sector debt overhang (and estimates of private sector external debt were again revised up), and from fiscal consolidation. The discussions focused on how to best support the recovery while meeting fiscal sustainability and financial sector restructuring objectives. The authorities and staff agreed that a better outlook for public sector debt would allow a slightly more gradual fiscal consolidation in 2010; and that to address the private sector debt overhang, private sector debt restructuring needed to be accelerated. The authorities also took actions to directly address program fiscal and financial sector objectives. Landsbankinn (i.e. New Landsbanki) was recapitalized, and with the recapitalization of the savings banks all but complete, the first stage of the bank restructuring process is reaching an end. In addition, a medium-term strategy for public debt management was articulated; supervisory and regulatory reforms were put into draft legislation; and a process was designed to strengthen non-bank financial institutions. The central bank also took steps to support the krona, by tightening the administration of capital controls, which opened up room for interest rate cuts in support of the economy. Financing assurances are in place. In view of lingering uncertainties about the precise timing of external financing, it was agreed the monetary policy would need to place greater emphasis on reserve accumulation.	IMF Publication
The Structural Manifestation of the `Dutch Disease? The Case of Oil Exporting Countries, April 20, 2010 Working Paper No. 10/103 http://www.imf.org/external/pubs/ft/wp/2010/wp10103.pdf	IMF Working Paper

This study derives structural implications of the Dutch disease in oil-exporting countries due to permanent oil price shocks from a typical model. We then test these implications in manufacturing sector data across a wide group of countries including oil-exporters covering 1977 to 2004. The results on oil-exporting countries are four folds. First, we find that permanent increases in oil price negatively impact output in manufacturing as consistent with the Dutch disease. Second, Evidence in the data shows that oil windfall shocks have a stronger impact on manufacturing sectors in countries with more open capital markets to foreign investment. Third, we find that the relative factor price of labor to capital, and capital intensity in manufacturing sectors appreciate as windfall increases. Fourth, we find that manufacturing sectors with higher capital intensity are less affected by windfall shocks than their peers, possibly due to a larger share of the effect being absorbed by more laborintensive tradable sectors. An implication of the fourth result is that having diverse manufacturing sectors in capital intensity helps cushion the volatility of oil shocks.	
Modifications of the Fund's Conditionality Framework, April 19, 2010 Application to the Policy Support Instrument http://www.imf.org/external/np/pp/eng/2009/041309.pdf In connection with its recent review of the GRA Lending Toolkit and Conditionality—Reform Proposals, the Executive Board decided that the Fund would move to a review-based approach to monitor the implementation of structural reforms in the context of Fund-supported programs, including under PRGF or ESF arrangements.	IMF Publication
Trade and the Crisis: Protect or Recover, April 16, 2010 http://www.imf.org/external/pubs/ft/spn/2010/spn1007.pdf The pace of trade reforms waned from the mid-2000s as protectionist sentiment began to increase. With the onset of the global financial crisis, reform progress not only halted but began to reverse. As we show in this note, new trade restrictions have had—in the limited products they targeted—a strong negative impact on trade. The aggregate impact of new restrictions is modest, at about 0.25 percent of global trade, as most countries have resisted a widespread resort to protectionism. Looking ahead, however, in 2010 sustained high unemployment, uneven growth, and an unwinding of government stimulus measures suggest that protectionist pressures may rise. Gaps in World Trade Organization (WTO) commitments leave ample scope to further restrict trade, so unless all countries vigorously resist protectionism this could threaten the economic recovery and drag down future growth. Continuing and further enhancing the monitoring of all protectionist measures and maintaining the high-level political awareness of the associated macroeconomic risks will help. But the surest way to avoid such a downside scenario is to tighten multilateral trade commitments by completing the WTO Doha Round. This can be viewed as a key part of the exit strategy from the global economic crisis.	IMF Staff Position Note
Development Accounting and the Rise of TFP, April 16, 2010 Working Paper No. 10/101 http://www.imf.org/external/pubs/ft/wp/2010/wp10101.pdf The paper presents evidence that the contribution of differences in total factor productivity (TFP) to income differences across countries steadily increased between 1970 and 2000. We verify that our finding is neither imputable to measurement errors in input factors nor dependent on the assumption of factor neutral differences in technology. We conclude that theories explaining cross-country income differences based on institutions or on forces that are constant over time, such as geography or legal origin, should be reconsidered in the light of their consistency with the rise of the explanatory power of TFP.	IMF Working Paper
Advancing structural reforms in OECD countries: Lessons from twenty case studies, 19-Apr-2010 http://www.olis.oecd.org/olis/2010doc.nsf/LinkTo/NT0000292E/$FILE/JT03282008.PDF	OECD Working Paper

This paper presents in summary form the findings that emerge from a study of 20 structural reform episodes in 10 OECD countries. The study's principal messages may be summarised as follows. First, it pays to have an electoral mandate for reform. Secondly, major reforms should be accompanied by consistent co-ordinated efforts to persuade voters and stakeholders of the need for reform and, in particular, to communicate the costs of non-reform. This communications challenge points to the need for policy design to be underpinned by solid research and analysis, which serves both to improve the quality of policy and to enhance prospects for reform adoption. Partly for these reasons, many of the least successful reform attempts were undertaken in haste, often in response to immediate pressures. The cohesion of the government is also critical: if the government is not united around the policy, it will send out mixed messages, and opponents will exploit its divisions. Finally, while much of the political economy literature focuses on agency and the interplay of interests, the condition of the policy regime to be reformed also matters.	
Labour markets and the crisis, 16-Apr-2010 http://www.olis.oecd.org/olis/2010doc.nsf/LinkTo/NT0000290A/$FILE/JT03281945.PDF The deep recession has led to a marked deterioration in labour market conditions in the OECD area. This paper, which draws heavily on other ongoing analytical work at the OECD, takes stock of recent labour market developments, highlights some of the key uncertainties in the early stages of the upturn, and discusses the policy options available to damp any further, structural deterioration in labour markets and facilitate an eventual, sustained, job-rich recovery.	OECD Working Paper

6. STATISZTIKA

Euro area investment fund statistics, 20/04/2010 http://www.ecb.int/press/pdf/if/ofi_201002.pdf	ECB Press Release
Euro area balance of payments in February 2010 and international investment position at the end of 2009, 20/04/2010 http://www.ecb.int/press/pr/stats/bop/2010/html/bp100420.en.html	ECB Press Release
February 2010 compared with January 2010: Construction output down by 3.3% in euro area; Down by 2.9% in the EU27, 19/04/2010 http://europa.eu/rapid/pressReleasesAction.do?reference=STAT/10/53&format=HTML&aged=0&language=EN&guiLanguage=en	EU Press Release
March 2010 - Euro area annual inflation up to 1.4% - EU up to 1.9%, 16/04/2010 http://europa.eu/rapid/pressReleasesAction.do?reference=STAT/10/52&format=HTML&aged=0&language=EN&guiLanguage=en	EU Press Release
February 2010 - Euro area external trade surplus 2.6 bn euro - 6.0 bn euro deficit for EU27, 16/04/2010 http://europa.eu/rapid/pressReleasesAction.do?reference=STAT/10/51&format=HTML&aged=0&language=EN&guiLanguage=en	EU Press Release
Statistics Pocket Book, April 2010 http://www.ecb.int/pub/pdf/stapobo/spb201004en.pdf	ECB Publication

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