Some remarks on Benčík

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Overview of the paper

- Development of a macroeconometric model of the Slovak economy
- Conditional forecast of the exchange rate interpreted as the equilibrium exchange rate
- Simulations
Model based approach - advantages

• taking into account interactions between the exchange rate and its determinants

• reduction of the number of exogenous assumptions

• possibility of simulation exercises
Model based approach
- limitations

• adoption of a specific model of the economy, especially problematic in the CEECs
  – availability and reliability of the data
  – ongoing structural changes in the economy

• complexity
Model based approach - requirement

- the model in use should have a well defined equilibrium
Suggestions for improvement and further research

• Development of the model
  – time series characteristics of the data
  – econometric techniques
  – medium- and long-term properties of the model
  – model equations
    • exchange rate
    • net trade
    • output gap