Joint HKIMR/CCBS Workshop

"Advanced Modelling for Monetary Policy in the Asian-Pacific Region"

Hong Kong, 10th –14th May, 2004

Workshop Directors:
Andrew Blake and Ibrahim Stevens

OBJECTIVE

The objective is for participants to learn to build and use advanced econometric models of monetary policy transmission for policy advice.

This workshop follows up an earlier modelling workshop held at the HKMA in 2002. It is similar in structure to that workshop with a focus on a number of specialised modelling topics. The workshop emphasizes estimation methods, which can be programmed in Eviews together with analysis of resulting models using Winsolve. Similar topics to the last workshop will be covered together with new material including robust estimation methods for rational expectations models, the use of stochastic simulation in analysing policies and DSGE modelling in Winsolve.

In the workshop, participants will learn to build a small structural model of monetary policy transmission and how that model can be used for practical policy forecasting. Any existing models can be bought along to be exposed, developed and refined during the course. Participants will have the opportunity to apply different econometric techniques and simulation techniques to their own data and own issues.

The topics covered on the course could include:

- Causality and exogeneity
- Estimating dynamic equations for forecasting- Single-equation Error Correction Mechanisms
- Estimating structural models-Structural Error Correction Mechanisms
- Unrestricted and structural VARS, Vector Error Correction Mechanisms
- Stochastic simulations and the treatment of uncertainty in the forecast: the fanchart
- How to model the supply-side?
- Simulating models and understanding shocks
- Practical forecasting- incorporating off-model information, conditioning assumptions, common assumptions on world variables for the region?

Each central bank participating will be expected to submit a data set prior to the start of the course and to present results based on this at the end of the course. Participants are also welcome to bring along their own models, particularly if the models are in Winsolve format.

This workshop is intended for -
Economists form the modelling or forecasting department in the central bank. It is strongly preferred that workshop nominees have some prior experience in applied econometrics, and in using the Eviews software package (or an equivalent).

Format
Computer-based syndicate exercises, lectures, discussions and group presentations.

A full data set will comprise:

- GDP components - consumption, investment, government spending, inventories, export and imports.
- Output data - industrial and agricultural production

- Prices - consumer, producer, GDP deflator, import and export prices.

- Monetary Sector - money base, M2, NFA, NDA and net other items of the whole banking sector and the central bank, policy interest rates (on treasury bills or certificate of deposits), foreign currency deposit interest rates and the most important market deposit and lending rates. Also central bank interventions.

- Trade - export and import volumes of good and services

- Exchange rate (please bring both end of period and period average)

- Wages, employment, unemployment and working population.

- Disaggregate data - The aggregate data given above may not always be useful. You may want to consider including the following disaggregate data:

  Consumer prices - Do we need separate data on food and non-food prices and tradable and non-tradable prices?
  Re-exports -
  Exports - Are there any important commodities that dominate exports? Can we have data on their prices and volumes?
  Tradable and nontradable
  Foreign (outside the region) variables: monthly US prices, world commodity prices, and world trade.

Please bring the most that you can from this list, **in all the frequencies** (monthly, quarterly, annual) that you have available.

(i) Course nominees should also send, in Microsoft WORD, a variable list, **so that for each variable the following information is available to us:**

VARIABLE NAME;
VARIABLE DEFINITION;
A DESCRIPTION OF ANY TRANSFORMATIONS;
IFS CODE (where applicable);
FREQUENCY;
SOURCE.

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Advanced Modelling for Monetary Policy in the Asian-Pacific Region
Hong Kong, 10th - 14th May 2004

Venue: Room 5501A-D, 55/F, Two International Finance Centre, Central, Hong Kong

Tentative Programme

	10th May 2004 (Monday)	**11th May 2004 (Tuesday)**	**12th May 2004 (Wednesday)**
09:00 – 10:30	*Opening remarks by Stefan Gerlach Director, HKIMR* *Introduction and Overview* *Participant presentations on the state and content of their own models*	*Important components of structural models: Supply side modelling and New Keynesian Phillips curves*	*Building and simulating economic models in Winsolve*
Coffee			
11:00 – 12:30	*Participant presentations on the state and content of their own models*	*The IS curve in a macro model*	*Exercise on simulating models and understanding shocks*
Lunch	*at HKMA*	*at HKMA*	*at HKMA*
13:30 – 15:00	*Estimation of monetary policy models I: Structural modelling*	*Estimation of monetary policy models II: Rational expectations and ECMs*	*Uncertainty: The role of stochastic simulation and the fanchart*
Tea			
15:30 – 17:00	*15:30 – 16:30* *Exercises on estimating model equations*	*Exercises on individual models*	*Exercise on the fanchart*
	16:30 – 17:45 *Seminar "Taylor Rules and the Deutchemark-Dollar Real Exchange Rate"* *by Kenneth West, University of Wisconsin*		

	13th May 2004 (Thursday)	14th May 2004 (Friday)	15th May 2004 (Saturday)
09:00 – 10:30	*Forecasting with an economic model: The role of adjustments*	*Multivariate methods: VARs, VECMs and impulse responses*	*Social Programme (for half a day) (tbc)*
Coffee			
11:00 – 12:30	*Model exercises*	*Participant presentations of their work*	
Lunch	*at HKMA*	*at HKMA*	
13:30 – 15:00	*Dynamic Stochastic General Equilibrium (DSGE) models and the policy problem*	*Participant presentations of their work (End)*	
Tea			
15:30 – 17:00	*Policy exercise*		
19:00 21:00	*Farewell Dinner (tbc)*		