

Economic Modelling at De Nederlandsche Bank: An Overview of Models and Procedures

Presentation at seminar on

‘Forecasting Models and Procedures of EU Central Banks’

at the Bulgarian National Bank, Sofia, 23 April 2008

by

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Please note:

Views expressed are not necessarily those of de Nederlandsche Bank

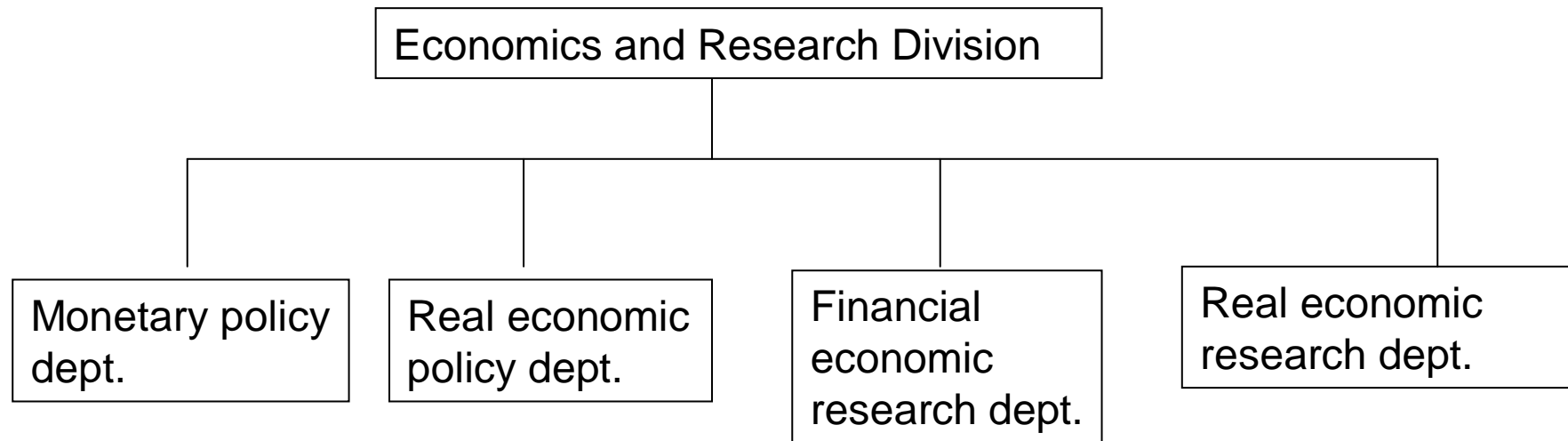
A bit of history

- * Tradition of economic modelling at DNB goes back to the 1970s.
- * Researchers worked on components of what later would become DNB's structural macroeconomic model
- * First version of MORKMON operational in 1984.

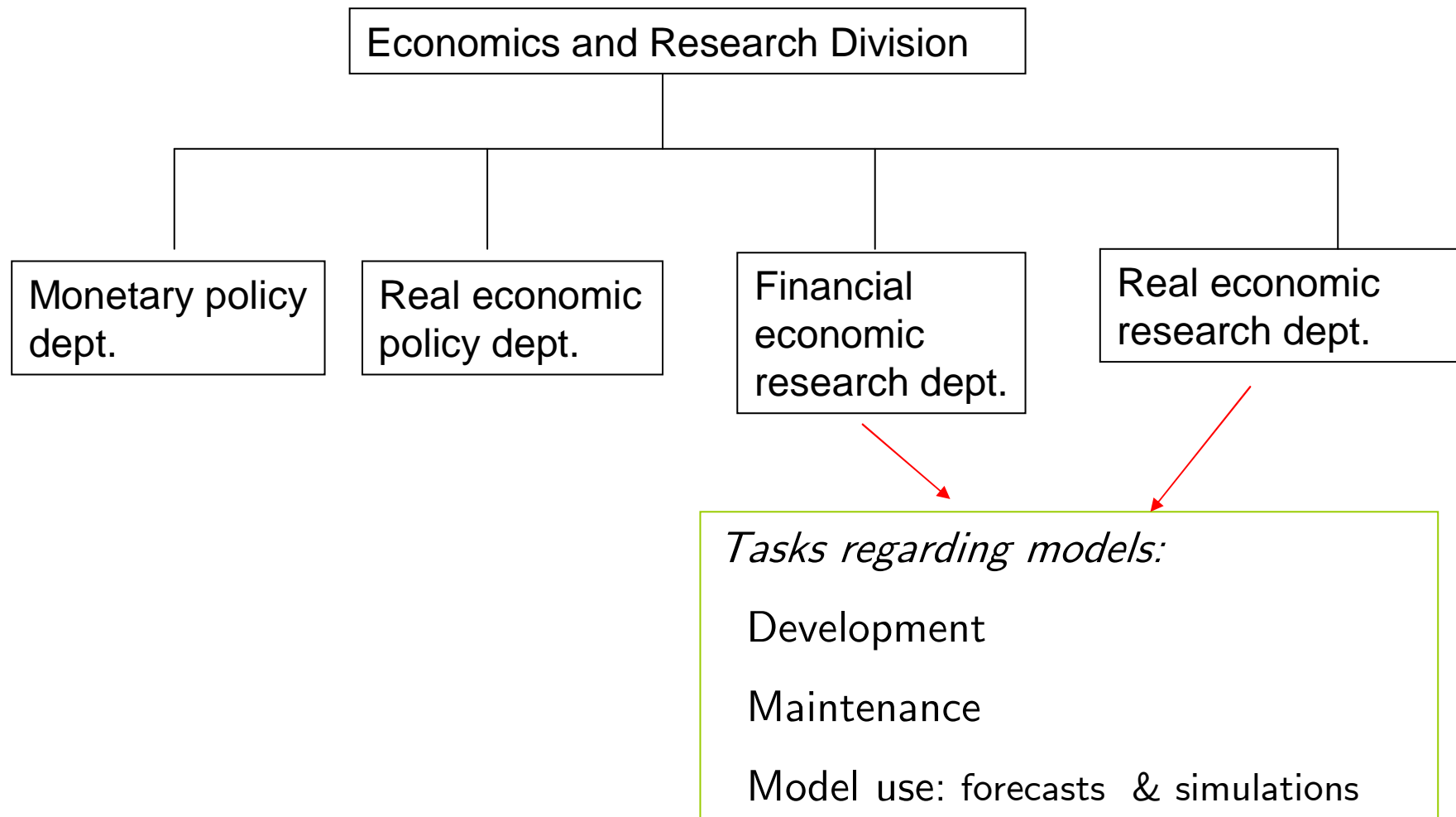
Four issues:

1. Who benefits?
2. How is the work organised?
3. Which models are used?
4. What are the challenges?

Organisation



Organisation: who works on the models?

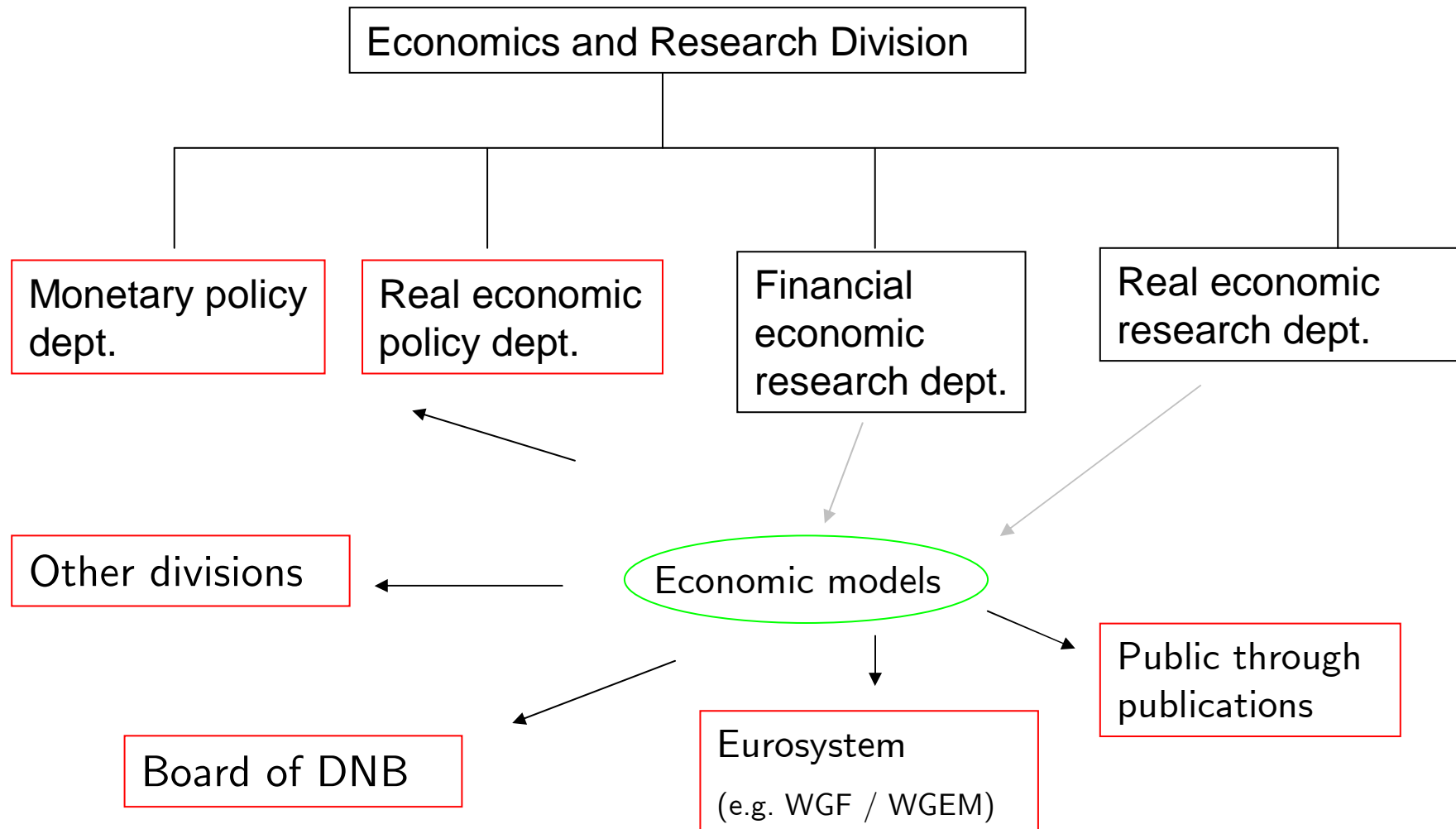


Focus and flexibility

Focus (+/- 5 f.t.e) and flexibility (+/- 15 f.t.e.)

Support: 2 f.t.e statisticians/programmers

Who benefits from the models?



Central bank communication: increasingly important

- * Revolution in thinking and practice:

communication has become an increasingly important aspect of monetary policy.

- * Aims: managing **expectations** and providing **accountability**

- * Blinder, Ehrmann, Fratzscher, De Haan and Jansen (JEL, forthcoming) conclude that:

communication can be an important and powerful part of the central bank's toolkit since it has the ability to move financial markets, to enhance the predictability of monetary policy decisions, and potentially to help achieve central banks' macroeconomic objectives.

Central bank communication on modelling: examples

Central bank communication on modelling and forecasting:

- * describe the tools
- * present the model outcomes

Some examples for DNB:

- * publication of forecast in quarterly bulletin
- * development of computer game
- * publication of monograph with details on the model

Models: important examples and challenges

- * **MORKMON**:
structural econometric model
- * **Inflation forecasting**
(times series model) Den Reijer and Vlaar, De Economist, 2006
- * **Pension Asset and Liability Model for the Netherlands**
(PALMNET)
Because of DNB's role in pension supervision
- * **DSGE**: new direction in modelling
- * **Financial stability**: new dimension in policymaking