

**€ABCN**

**Euro Area Business Cycle Network**

# 2013-14 Annual Report

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1<sup>st</sup> July 2013 – 30<sup>th</sup> June 2014

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# 1 Introduction

The Euro Area Business Cycle Network (EABCN) provides a forum for the better understanding of the business cycle in the euro area, by linking academics and researchers in central banks and other policy institutions involved in its empirical analysis.

The network was launched officially on 1 April 2002. The first EABCN Steering Committee meeting, hosted by Banca d'Italia in September 2002, ratified the network's organisational structure and approved its ability to spend network funds. During the second Steering Committee meeting in September 2003 various possibilities for expanding the network's scope and activities were endorsed, including a Real Time Database and improvement of the website.

The network currently consists of nineteen institutional members and over 1,100 individual members. Its organisational structure consists of an executive group, a scientific committee and a steering committee.

## Executive Group

The Executive Committee consists of the Chair of the Steering Committee, the Chair of the Scientific Committee and a CEPR senior representative. The Executive Committee reports to the Steering Committee and approves deviations from the budget during the year. Major changes to the budget are communicated to the Steering Committee and approved by written procedure.

**Richard Baldwin**, CEPR's Director, is its representative in the Executive Group.

## The Scientific Committee

**Massimiliano Marcellino** is Chair of the Scientific Committee. He is professor of econometrics at Bocconi University and CEPR fellow. He has published extensively on econometrics, time series analysis and applied macroeconomics. He is currently an editor of the Journal of Forecasting and coordinator of the European Forecasting Network. He has worked as a consultant for the ECB, several National Central Banks, the European Commission, Eurostat and the IMF.

**Klaus Adam** is Vice-Chair. He is Professor of Economics at the University of Mannheim, Research Professor at the Deutsche Bundesbank, a CEPR fellow and an Associate Editor for the Journal of Monetary Economics. Prior to joining Mannheim University he was Principal Economist at the Monetary Policy Research Division of the ECB. Klaus obtained his Ph.D. from the European University Institute in Florence and held assistant professorships at the University of Salerno and Goethe University in Frankfurt.

The Scientific Committee consists of between four and seven people, each with a two-year term. The committee comprises of a mix of academic and central bank representatives in order to ensure balance in approach and thought. It currently includes: Katrin Assenmacher-Wesche (Swiss National Bank), Fabio Canova (European University Institute and CEPR), Siem Jan Koopman (VU University Amsterdam, FEWEB, Department of Econometrics) and Stefano Neri (Banca d'Italia).

## **The Steering Committee**

**Frank Smets** is Chair of the Scientific Committee. He is Adviser to the President of the ECB and was Head of Research there from 2008 until 2013. He is Professor at the Centre for Economic Studies of the KU Leuven and honorary Duisenberg Professor at the University of Groningen. He is a CEPR Research Fellow and has published extensively on monetary, macroeconomic, financial and international issues mostly related to central banking. He was Managing Editor of the International Journal of Central Banking from 2008 until 2010. He holds a PhD in Economics from Yale University.

This Steering Committee consists of representatives of all institutional members and meets annually to approve the EABCN budget and discuss the annual report.

The Bank of Greece has continued to suspend its EABCN membership in 2014, due to which George Hondroyannis is no longer a representative on the steering committee. Following a review at the end of the year, the Bank of Greece will consider renewing its EABCN membership in 2015.

## **Network Co-ordinator**

The Network Coordinator, Elisa Faraglia, works in collaboration with the Chair and Vice Chair of the Scientific Committee, the Scientific Committee and the relevant Officer(s) at CEPR to monitor and facilitate the planned network activities. The Network Coordinator works to ensure activities occur on schedule and to a high scientific standard.

Elisa's contract lasts until December 2014, at which point it will be considered for extension.

## 2 Recent Activities

### Conferences and Workshops

#### **Conference: "Inflation Developments after the Great Recession"**

**Hosted by the Deutsche Bundesbank**

**Eltville (Frankfurt), 6-7 December 2013**

This conference focused on empirical and theoretical contributions providing an assessment of various issues related to inflation developments, offering new perspectives on structural analysis, forecasting and economic policy design and assessment. Topics included:

- Heterogeneity of inflation/inflation expectations in a monetary union
- Implications of rising fiscal deficits and public debt for inflation
- National and international effects of unconventional monetary policy on inflation, asset prices, commodity prices
- Measurement and drivers of global liquidity
- Shock transmission/monetary policy effectiveness in uncertain times, effects of inflation uncertainty
- Deflation risks in the euro area
- Non-linearities in the development of inflation
- Determinants of inflation expectations
- Models to now- and forecast inflation
- Distributional effects of inflation

*Applications: 100; attendees: 61*

#### **Conference: 'Judgement and Combination in Forecasting and Policy Models'**

**London, 20-21 March 2014**

Judgement and expert knowledge is widely thought to be important in the successful practice of forecasting. For policymakers, forecasts also embody judgements about the state of the economy, the transmission of shocks and optimal policy responses which necessitate the use of structural models. DSGE models estimated by Bayesian methods have become popular, partly because the models have become popular, partly because the models have well defined structural interpretations and because the Bayesian framework allows judgements about model properties to be embodied in priors. There is, however, uncertainty about both model parameters and the correct model.

This conference brought together policymakers and academics interested in these issues.

*Applications: 124; attendees: 75*

**Conference: 'Macroeconomic Stabilization and Economic Recovery after the Financial Crisis' Cambridge (UK), 9-10 May 2014**

In the aftermath of the recent financial crisis a number of policy issues have been brought to the centre stage of both policy debates and academic research. This conference brought together some of the recent papers on: economic recovery following boom-bust episodes; debt consolidation and sustainability and crisis; fiscal and monetary policy in a liquidity trap; the effects of newly designed policy institutions; and institutional reform in the European Union. Participants included Mark Aguiar (Princeton), Emmanuel Farhi (Harvard and CEPR), Ricardo Reis (Columbia and CEPR) and Jaume Ventura (CREI and CEPR).

*Applications: 189; attendees: 87*

**Training Schools**

**First joint EABCN and MNB training school: 'Markov Switching VARs and DSGEs'**

**Hosted by the Magyar Nemzeti Bank**

**Budapest 22-26 July 2013**

The first joint training school organized by the EABCN and Budapest School for Central Bank Studies was a five-day course entitled "Markov Switching VARs and DSGEs". Prof. Tao Zha (Emory University and Federal Reserve Bank of Atlanta) taught the course. The objectives of the course were to introduce participants to the main identification and estimation issues of structural VARs and DSGE models, and to develop the theory, estimation and applications of a wide range of Markov switching models.

**19th Training School: 'Volatility: Measurement, Modelling and Forecasting'**

**Hosted by the European University Institute**

**Florence 13-15 November 2013**

Hosted by the European University Institute, the 19<sup>th</sup> Training School was a three-day course led by Professor Torben G. Andersen (Northwestern University). It was primarily aimed at participants in the Euro Area Business Cycle Network but others were also considered.

This course covered empirical methods for volatility measurement, modelling and forecasting. Part 1 considered the highly parametric setting of GARCH models as well as the more complex setting of stochastic volatility models. Part 2 focused on the relatively simple model-free realized volatility measures. Finally, Part 3 explored the implied volatility measures and the related procedures for extracting measures of the time-varying volatility risk premium. In all cases, participants considered the complications and possibilities associated with longer term volatility forecasts, and the inclusion of macroeconomic variables in the forecast procedures.

*Applications: 69; attendees: 37*

## **21<sup>st</sup> Training School: 'Financial Econometrics, Macroeconometrics, and Predictive Modelling'**

**Hosted by the European University Institute**

**Florence, 12-14 May 2014**

The 21st EABCN training school was a three-day course taught by Professor Francis Diebold of the University of Pennsylvania. The course focused on recent developments in measurement, modelling and forecasting in macroeconomic contexts, financial economic contexts and the interface. The training school took place at the European University Institute, Florence.

*Applications: 33; attendees: 21*

### **Monitoring training schools**

As a result of discussion in previous steering committee meetings, two new measures of feedback have been implemented to gather information about participants' experiences at some of our recent schools – we now conduct surveys both immediately after the event and also 1 year after to gauge the longer term impact. The number of participants that have completed the surveys has not been significant yet, especially in the case of the one-year survey. However preliminary results are taking shape and will become more informative as we continue to improve the process of feedback collection.

### **Other events**

#### **Discussion Forum: "Fiscal Fragmentation in the Euro Area: Sources, Implications and Policy Responses"**

**Frankfurt, 23 September 2013**

This EABCN Discussion Forum has considered a range of issues related to the state of current financial fragmentation in the Euro area. This included the spillovers from financial fragmentation to good market fragmentation; the consequences of financial fragmentation for the resolution of the crisis and the rebalancing of the Euro area economy; the short run policy actions taken in response to financial fragmentation; and the longer-term institutional reforms such as banking union that need to be undertaken in order to avoid fragmentation in the future.

Guest Speakers included Yves Mersch (European Central Bank), Victor Gaspar (Banco de Portugal), Eric Nielsen (UniCredit Bank), Jaume Ventura (CREI & CEPR), and Klaus Adam (University of Mannheim & CEPR)

### **Joint EABCN/CEPR Discussion papers**

The network continues to publish selected papers that have been presented during its conferences and meetings in the CEPR Discussion Paper series. These Discussion Papers, which are circulated to CEPR Fellows, Affiliates and institutional subscribers, acknowledge the funding from the network and also carry an explanation about network activities and a link to the website. To date, 82 working and research papers have been published through the CEPR series.

## **Other ongoing activities**

**New EABCN Members:** Applicants for the EABCN can apply to become individual members through the online system on the EABCN website. Recent website usage has been low. Out of the 1,200 individual members registered on the website, only 400 have logged in on the site and only 100 have done so in the last six months. Proposals to overhaul the website have been carried forward by CEPR, as discussed at the previous steering committee meeting.



## 3 Future Events

### Conferences and workshops

#### **Conference: 'Inequality and Macroeconomics'**

**Stockholm, 12-13 December 2014**

Accounting for agents' heterogeneity can have important implications when studying responses to economic shocks and effectiveness of economic policy. This conference aims to include both theoretical and empirical contributions discussing these issues. Relevant topics include, but are not limited to:

- recent developments in heterogeneous-agent modelling;
- the empirics of heterogeneity: micro data collection and model testing;
- effects of monetary and fiscal policies in heterogeneous-agent economies

Invited speakers include: Fatih Guvenen (U. Minnesota), W. den Haan (LSE), A. McKay (Boston U.), A. Sahin (NY Fed), T. Smith (Yale U.)

*Deadline: passed*

#### **Conference: 'Nonlinearities in Macroeconomics and Finance in Light of Crisis'**

**Frankfurt, 15-16 December 2014**

The importance and usefulness of nonlinear models has been emphasised by recent turbulent times. These models are crucial in fields of research and research-based policy advice regarding the nexus between financial instabilities and the macroeconomy, the housing market, the effects of standard and non-standard monetary policies, the effects of fiscal policies and the role of financial variables as providers of information regarding agents' attitude with respect to risk and stress conditions in financial markets. The conference will cover a broad range of themes in macroeconomics and finance where nonlinearities are relevant.

Chris Sims (Princeton University) will be the keynote speaker. Monika Piazzesi, Frank Schorfheide, Martin Schneider and Philippe Bacchetta have agreed to participate.

*Deadline: passed*

#### **Conference: "Econometric methods for business cycle analysis, forecasting and policy simulations"**

**Oslo, 11-12 June 2015**

The recent economic and financial crisis has stimulated research on new econometric methods for business cycle analysis, forecasting and policy simulations. This conference aims at gathering together academics and economists in central banks working on these topics, giving them the opportunity to present and discuss theoretical and empirical papers.

Fabio Canova, Herman van Dijk, Hashem Pesaran, Jesus Villa-Verde have agreed to participate.

## **Training schools**

### **20<sup>th</sup> EABCN training school: 'International Dimension of Optimal Monetary Policy'**

**Cambridge (UK), 3-5 July 2014**

Postponed from 1<sup>st</sup>-3<sup>rd</sup> February, the 20th EABCN training school will be a three-day course on 'International Dimension of Optimal Monetary Policy' taught by Professor Giancarlo Corsetti (University of Cambridge and CEPR). The course will focus on:

- Trade-offs between internal and external objectives reconsidered. Open-economy Phillips Curve, loss function and targeting rules. Monetary versus macro-prudential policies;
- Open issues in the design of DSGE models for policy design and assessment:
  - Local currency price stability of imports;
  - Competitiveness;
  - Stabilization under fixed exchange rates: pitfalls in the so-called Walters' critique. Are multipliers larger under fixed exchange rate regime?
  - The transmission of sovereign risk.

*Deadline: passed*

### **22<sup>nd</sup> EABCN training school: 'Financial Frictions and Macroeconomic Activity'**

**European University Institute**

**Florence, 15-17 September 2014**

The 22nd EABCN training school will be a three day course on 'Finance and the Macroeconomy' taught by professor Simon Gilchrist (Boston University), The course will cover both the theoretical and empirical issues related to finance and the macroeconomy through the lenses of financial accelerator type models. The course will be followed by the conference "Macroeconomic Stability, Banking Supervision and Financial Regulation", September 18-19.

*Deadline: passed*

### **23<sup>rd</sup> EABCN training school 'Macroeconomics and Inequality'**

**Stockholm on 9-11 December 2014**

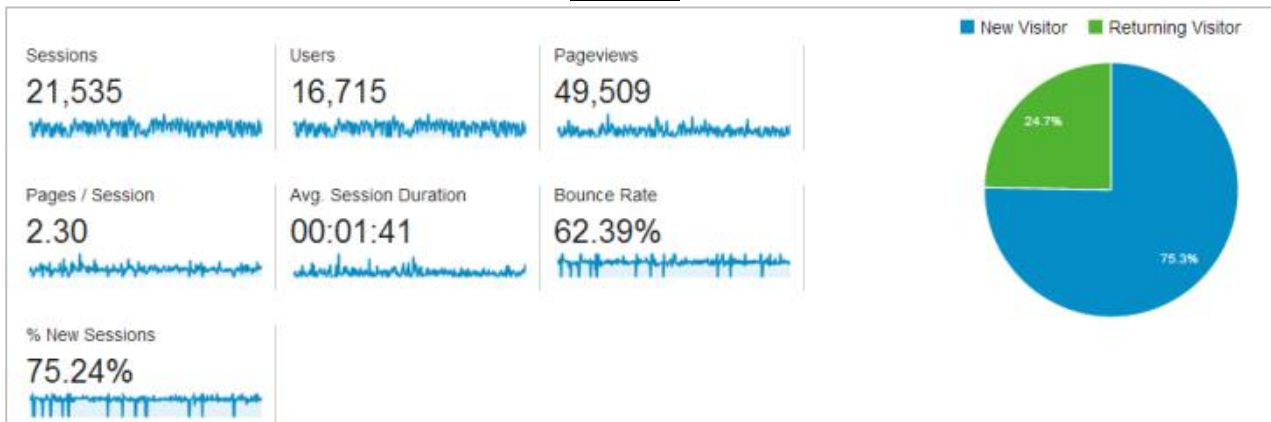
The 23<sup>rd</sup> EABCN training school will be a three days course on 'Macroeconomics and Inequality' taught by professor Per Krusell (Stockholm University) and professor Anthony Smith (Yale University). The course will review the theoretical developments of heterogeneous agents models. The course will also cover the empirical literature on inequality in income and wealth.

*Deadline: 26 September 2014*

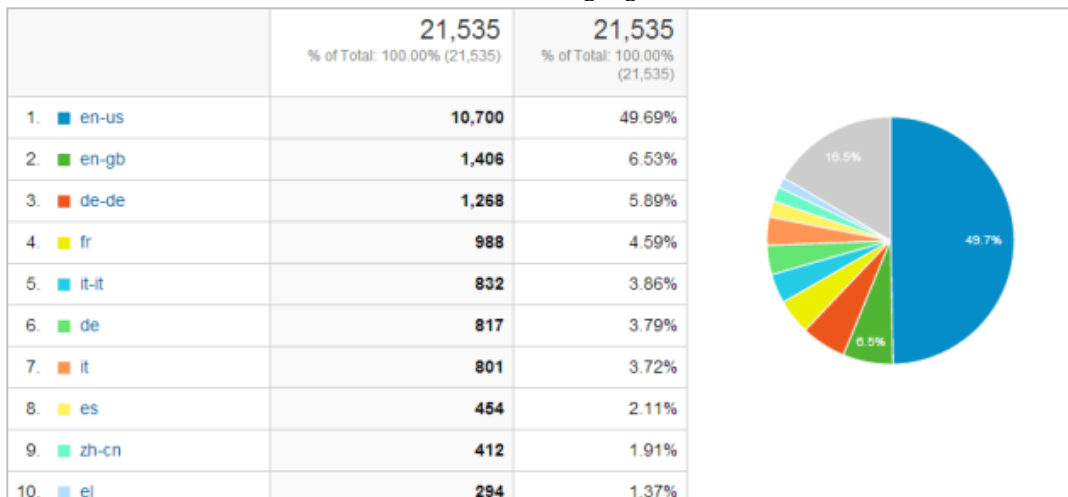
Two further training schools are in advanced planning stages, to be held at the EUI in Florence in September 2015 (Jens Christenses on "Term structure models") and June 2016 (Frank Schorfheide on "Methods for quantitative macroeconomics").

## Annex 2: EABCN Website Statistics

### Overview



### Sessions – language



### Global distribution

