SOUTH-EAST EUROPEAN RESEARCH CENTRE

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RESEARCH STUDENTS' SEMINAR SERIES

Tuesday 23 February 2016
18:00 – 19:00

SEERC Conference Room
3rd Floor, Strategakis Bldg

"Interactions of monetary policies in SEEC in an EMU context. A Global VAR model. "

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ABSTRACT

This thesis discusses the interactions of monetary policies in the Southeastern European Countries (SEEC) in a European Monetary Union (EMU) context, by modelling via a Global Vector Autoregressive Model (G-VAR) the interdependencies arising between the member states and the related financial institutions and authorities. The EMU and its relation to monetary or economic policy interactions has been heavily and effectively researched by numerous researchers including, indicatively, the Nobel laureate Mundell (1961) who theoretically and empirically considered and examined the effects of monetary and fiscal policies coordination on real output, interest rates and exchange rates with the aim of increasing the benefits that could arise from an optimum currency area (OCA). A G-VAR model for SEE, however, has not been applied and foreign exchange reserves have not yet been considered within such a contextual framework. There is a gap to fill in on the theoretical and empirical relation of the aforementioned variables using econometrics and we will do so by using a multi-simultaneous equations system with weak exogeneity i.e. a G-VAR. The incorporated variables are: the foreign exchange reserves, the exchange rates, the growth approximated by the industrial production index (I.P.I.), the inflation rate approximated by the consumer price index (C.P.I.) and the monetary policy which is quantified through interest rates and specifically by the money and market rate. The variables that will be treated as weakly exogenous within the G-VAR system are the euro and the money and market rate. The frequency of the data is monthly and will cover the period from 2000 to 2015. The analysis is conducted with the use of secondary data which is acquired through publicly available published data and reports from Central Banks, the European Central Bank (ECB), Eurostat, OECD and the World Bank. The European Countries that are considered are Greece, Romania, Bulgaria, Serbia and FYROM. The European Monetary Union and its role are captured and quantified by the related interest rate which is also the money and market rate. The main task of the project is to capture the transmission mechanism from the monetary to real economy by considering the role and the importance of stability promoted by the usage and adequacy of international reserves in the case of SEE countries, which adds to the understanding of the economic policy effect on real and nominal variables, improves and suggests a better macroeconomic policy design and also adds to the efficiency of the implementation of monetary policy capturing complexities that are related to OCA.

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