Advanced Empirical Macroeconomic Analysis

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Heterogenouns spillover effects from ECBs monetary decision

Purpose

In this seminar, we investigate how different decisions of the European Central Bank influence key real variables for Eurozone countries. We wish to investigate how this one-sided monetary decision influences the member countries heterogeneously.

Short Description of the Project

To address the inherent endogeneity of ECB decisions, we employ High Frequency Identification (HFI), following Altavilla et al. (2019), to construct exogenous shocks. In particular, we will examine Monetary Policy Shocks, Forward Guidance Shocks, and Quantitative Easing. We then perform LP-IV as well as Panel LP-IV to investigate how the aforementioned shocks affect the Eurozone countries differently.

Structure of the Paper

1) Introduction

2) Literature Overview: Examine the original Jordá paper, along with more recent methodology extensions, as well as the application of local projections in the context of monetary policy.

3) Data and Methodology: Description of the data used and the empirical methods applied.

4) Empirical Analysis: Shock identification, Panel LP-IV, and robustness checks.

5) Conclusion

- References
- Appendix

Empirical Method

Shock-Identification: Use the method by Altavilla et al. (2019), employing HFI to identify the exogenous shocks.

LP-IV We use Local Projection Instrumental Variables to construct impulse response functions using OLS.

Panel-LP-IV: Also analyze how efficiency can be improved by using Panel LP-IV, meaning we estimate with Generalized Least Squares instead of OLS.

Data

- **The Euro Area Monetary Policy Event-Study Database:** Consists of trading data for different lengths of Overnight Interest Rate Swaps (OIS), which will be used for estimating the exogenous shocks.

- **Eurostat:** Provides key variable series for the Eurozone countries, mainly GDP, unemployment, HICP, and more.

- **MONA:** As Eurostat does not contain all the information about Danish variables, some data are drawn from the Danish National Bank.