

ECON 5P08-Term Project

Part 1

Due date: Short presentations will be held on March 30 and April 1, a sign up sheet will follow. The project is due on the day of the final examination.

Report: The term project involves a country analysis of macroeconomic variables with focus on the balance of payments. Pick a country that is different from your country of origin, and analyze the following data over the last three decades: trade balance, current account, bilateral trade with major trade partners, country's net international investment position and the impact of valuations. (Note this list is not exhaustive: depending on the country you might need additional information. Include both levels and output ratios.). Examine the country's balance of payments over the last few years and determine which component contributes the most to the current account. Detrend data series using different detrending filters that will be discussed in class to analyze characteristics of the business cycles.

The main objective of the project is to explain observations in the data using some of the models that we cover in the course. The report should be on average 1500 words.

Presentation: A 20 minute presentation worth 5 percent of the total mark will be held at the end of the course.

Part 2

The second part of the term project involves estimating the Small Open Economy-Real Business Cycle model in MATLAB. Download from Sakai all files in the folder named SOE-RBC and place them in the same folder. Using MATLAB from the graduate computer lab run the file named "edeir_run.m" to estimate the model.

Using the model, estimate the impact of a change in the persistence of technology shocks and capital adjustment costs on the second moments of all macroeconomic variables. Write a short paragraph and provide an economic interpretation of these responses.