

DGE–CRED Practical Session 1: Model comparison

Andrej Drygalla, Katja Heinisch and Christoph Schult* | October 2022
Halle Institute for Economic Research

giz Deutsche Gesellschaft
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IWH
Leibniz-Institut für
Wirtschaftsforschung Halle

On behalf of:



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for the Environment, Nature Conservation
and Nuclear Safety

of the Federal Republic of Germany

Task 1: Create the ModelSimulationandCalibration3Sectorsand1Region.xlsx File

- Use the CreateRawExcelInputFileRobust.m in the function folder under Miscellaneous
- Sectors and subsectors are: Agriculture, forestry and fishing; Industry; Services
- Region: Vietnam
- Climate variables regional: surface temperature (tas)
- Climate variables national: sea level (SL)

Task 2: Calibrate the value-added shares of the model

- Use the Vietnam IO Table.xlsx to compute value-added shares for different sectors in Vietnam.
- For agriculture, forestry and fishery, use the value added stated in the IO Table row 57 for agriculture, forestry plus fishing and aquaculture.
- For industry, use all sectors from Mining and Quarrying (column E) to Construction (column AA)
- For services, use all sectors after construction (column AB) to the last column with value added (column AU).
- Check whether the sum is equal to one.

Task 3: Calibrate the employment shares

- Use the Employment.xlsx file to compute employment shares for different sectors in Vietnam.
- For industry, use all sectors from Mining and Quarrying to Construction
- For services, use the remaining ones.
- Check whether the sum is one.

Task 4: Calibrate labour cost shares

- Use the LabourShare.xlsx file to calibrate labour costs relative to value-added.
- For agriculture, forestry and fishery, use row 10.
- For industry use row 74 and row 44 and weight them with the value added share of each sector.
- For services, use row 75.
- Divide the values by 100.

Task 5: Calibrate export shares

- Use the Vietnam IO Table.xlsx to compute export shares relative to the output of the respective sectors.
- Divide the individual cells in column BC by cells in row 58.
- Use the same sectoral classification as in task 1.

Task 6: Calibrate import shares

- Use the Vietnam IO Table.xlsx to compute import shares relative to total imports for each sector.
- Use the values in column BD.
- Use the same sectoral classification as in task 1.

Task 7: Calibrate intermediate input shares.

- Use the Vietnam IO Table.xlsx to compute intermediate input shares relative to the total output of each sector.
- Use the values in rows 56 and 58.
- Use the same sectoral classification as in task 1.

Task 8: Calibrate initial population, GDP, import share, housing to population ratio and investments in residential buildings.

- Set initial population to $\frac{97340000}{100000000}$.
- Initial GDP is 1.
- Import share is the absolute value of the sum of the range BD9 to BD55 in VietnamIOTable.xlsx.
- Housing to population ratio is 23.
- Investments in residential buildings is 0.01.

Task 9: Run UpdateDataExcelFileRobust.m

- Modify line with inbsubsectors_p and inbregions_p such that you have 3 sectors and 1 region.

Task 10: Create the Baseline scenario for simulation.

- In the Baseline worksheet, define growth paths for value-added and employment for the different sectors.
- For agriculture, forestry and fishery use an annual growth rate of 2.8 per cent for value-added and -5.2 per cent for employment.
- For industry, use an annual growth rate of 7.4 percent for value-added and 5.7 percent for employment.
- For services use an annual growth rate of 8.3 percent for value-added and 2.7 percent for employment.
- Assume a factor of decay of 0.95.

Task 11: Run the Baseline scenario.

- Open RunSimulation.m file in Matlab.
- Check whether you add the right dynare version.
- Check whether you have the correct number of sectors and subsectors specified (1,2,3).
- Check whether you have the correct number of regions specified (1).
- Run the script.

Task 12: Create the SSP 585 scenario.

- Copy the Scenario sheet in the ModelSimulationandCalibration3Sectorsand1Region.xlsx file and name the copy SSP585.
- Please open the Temperature.xlsx file.
- Select the model MIROC6 and copy the change in temperature
- Delete all rows after row 81.
- Assume that a 1°C leads to a decline in TFP by 3.6 percent

Task 13: Create a Figure to illustrate the impact of climate change on GDP and its components.

- Use the Data/Figures.xlsx file to illustrate the differences between GDP, consumption, investment and net exports in the Baseline and the SSP 585 scenario.
- Make sure the ResultsScenarios3Sectorsand1Regions.xlsx file is open.
- Change the cell value A2 in sheet Var to ResultsScenarios3Sectorsand1Regions.
- Further adapt the names of the variables you want to illustrate for GDP (Y), consumption (C), investment (I), Net exports (NX) and Housing Expenditures.
- Interpret the results.

Task 14: Add Damages to labour productivity, crop yields and mortality.

- Assume that labour productivity declines with 1°C by 2.7 percent.
- Crop yields decline by 6.9 percent for 1°C.
- Assume that the mortality rate in Vietnam is 0.6 percent, and for each 1°C increase, the mortality rate increases by 4 percent.
- Include the damages into the SSP 585 scenario and rerun it.
- Take a look at the impact of climate change on GDP and its components.

Task 15: Create scenarios to compare the impact of the different damage types.

- Create SSP585TFP, SSP585Lab, SSP585Mort, SSP585Crop.
- SSP585TFP, only TFP shocks are turned on.
- SSP585Lab only labour productivity shocks are turned on.
- SSP585Mort only mortality shocks are turned on.
- SSP585Crop only crop yield shocks are turned on.

Task 16: Create a figure to illustrate which impact channel matters the most for GDP.

- Use the figure for GDP components from Task 14 as a basis.
- Modify the figure such that you can see the GDP effect for each damage type as a stacked bar and all damage types simultaneously as a point.
- What impact channel is the most severe one?

Task 17: Create scenarios SSP119 and 245 for the MIROC6 model and compare GDP effects with SSP585.

- Copy the sheet SSP 585 two times.
- Rename the copied sheets into SSP119 and SSP245.
- Copy the change in temperature from Temperature.xlsx into the respective sheets.

Task 18: Sensitivity Analysis SSP 585 effect for three different climate models.

- Create the following scenarios: SSP585FGOALSg3, SSP585CanESM5, SSP585MIROCES2L
- Each scenario is the SSP 585 scenario from a different climate model (FGOALS-g3, CanESM5, MIROC-ES2L).
- Note: I deleted special characters from the scenario names.
- Plot the range of results for GDP effects compared to the Baseline for the different climate models.

Task 19: Sensitivity Analysis SSP 585 effect for export price elasticity.

- Analyse the role of η^X for the simulation results. $X_{s,t} = D_s^X \left(\frac{P_{s,t}^D}{P_{s,t}^M} \right)^{-\eta^X}$
- What do you think will be the impact of an increase in η^X or decrease in η^X ?
- Copy the ModelSimulationandCalibration3Sectorsand1Regions.xlsx file two times.
- Rename the copies into
ModelSimulationandCalibration3Sectorsand1Regions_etaXhigh.xlsx and
ModelSimulationandCalibration3Sectorsand1Regions_etaXlow.xlsx
- Change the value of etaX_p to 1.5 and 0.3 for high and low, respectively. The parameter is listed in the StructuralParameters sheet.
- Execute the RunSimulation.m file. You need to change the sSensitivity in line 21 to _etaXhigh and _etaXlow. Further, you need to first run the Baseline scenario.

Task 20: Create GDP component plots to identify the sensitivity of GDP effects on ηX_p .

- Are net exports higher or lower with an increase in ηX_p ?