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# **CNB Economic Research: Focus on 2003–2004**

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## **I. Introduction**

This is the second report focusing on the economic research activities of the Czech National Bank (CNB). The first report, covering the start-up period (2001–2002) of the CNB's Economic Research Department (ERD), was published in 2003.

The aim of this report is to review the 2003–2004 period and compare the CNB's research arrangements, research outcomes and research-related activities with those of the previous and current periods.

The report provides a summary of arrangements, outcomes and activities rather than detailed information about individual projects, papers or seminars. Summary tables of the 2003–2004 projects can be found in the Appendix. More information on the CNB's various research activities can be found at <http://www.cnb.cz/en/research>.

## **II. Arrangements**

### ***The ERD***

The ERD was established in mid-2001. It is responsible for defining research priorities, coordinating economic research activities, supervising the quality of research outcomes and distributing those outcomes externally. In 2001–2002, a small team (four research coordinators, one visiting researcher and one assistant) laid the groundwork for the CNB's economic research in this new institutional framework, set the priorities for 2001–2006, organised the first call for projects and started coordinating the projects approved by the Board. In 2003–2004, a team of similar size (five research coordinators and one assistant) organised two new calls on an annual basis (one main call and one interim call), supervised the ongoing approved research projects from the two Research Programmes (2001–2002 and 2003–2004) and started disseminating research outcomes externally. In this period, the ERD was faced with a major challenge caused by two parallel new needs: (i) to coordinate research in more areas (with financial stability gaining in prominence) and (ii) to start working on the communication and dissemination of outcomes (as sufficient outcomes gradually became available). As a result, the ERD started suffering from a lack of human resources to conduct its own research. In 2004, the Board decided to establish a Financial Stability Unit inside the ERD, and in 2005 two new research positions were created, together with one position for a visiting PhD student.

## ***The RAC***

The CNB Research Advisory Committee (RAC) is a standing advisory body to the CNB Bank Board for economic research issues. Since its establishment in 2001 the RAC has met every autumn to discuss the documents prepared by the ERD. The RAC makes recommendations regarding these documents before they are discussed by the Board. The ERD submits economic research priorities and project proposals and reports on its activities to the RAC for discussion. The President of the RAC is the Governor of the CNB, who may be represented by a board member nominated by him. The RAC typically has around 15 members, six of whom must be distinguished external experts. Table 1 shows the members of the RAC in the 2001–2006 period.

**Table 1 Research Advisory Committee**

	2001	2002	2003	2004	2005	2006
<b>President</b>	Z. Tůma	Z. Tůma	Z. Tůma	Z. Tůma	Z. Tůma	Z. Tůma
<b>Chair</b>					M. Singer	M. Singer
<b>Secretary to the RAC</b>	M. Hrnčíř	M. Hrnčíř	M. Hrnčíř	M. Hrnčíř	K. Šmídková	K. Šmídková
<b>External members</b>	A. Bulíř	A. Bulíř	A. Bulíř	A. Bulíř	A. Bulíř	A. Bulíř
	Z. Drábek	Z. Drábek	Z. Drábek	L. Halpern	L. Halpern	L. Halpern
	E. Hochreiter	E. Hochreiter	E. Hochreiter	E. Hochreiter	E. Hochreiter	S. Cecchetti
	J. Jonáš	J. Jonáš	J. Jonáš	I. Angeloni	C. Detken	C. Detken
	L. Mahadeva	L. Mahadeva	L. Mahadeva	N. Batini	N. Batini	N. Batini
	D. Mayes	D. Mayes	D. Mayes	D. Mayes	D. Mayes	A. Blake
<b>CNB – Department Directors</b>	A. Čapek	A. Čapek	A. Čapek	T. Holub	T. Holub	T. Holub
	V. Mašindová	V. Mašindová	V. Mašindová	L. Pýtr	L. Pýtr	L. Pýtr
	J. Schmidt	J. Schmidt	J. Schmidt	J. Schmidt	J. Schmidt	J. Schmidt
	P. Vojtíšek	P. Vojtíšek	x	x	x	P. Hollmann
<b>CNB – Advisers to the Board</b>	V. Flek	V. Flek	V. Flek	V. Flek	V. Flek	V. Flek
	T. Hlédik	T. Hlédik	T. Hlédik	T. Hlédik	J. Antal	J. Antal
	K. Šmídková	K. Šmídková	K. Šmídková	K. Šmídková	M. Cincibuch	M. Cincibuch
			V. Bezděk	V. Bezděk	V. Bezděk	V. Bezděk
				A. Čapek	M. Hlaváček	M. Hlaváček

## ***Documents***

The ERD's responsibilities mentioned above are reflected in the main documents prepared by the ERD for the annual RAC meetings. These documents are then finalised to reflect the RAC's discussion and submitted to the Board. In specific cases, such as the medium-term priorities, the RAC may discuss the topic at its two subsequent meetings. Every two years, the RAC discusses the two-year Research Programmes (RPs), which consist of research proposals, a summary of research outcomes and an overview of the research-related activities of the ERD. Table 2 summarises the documents prepared and topics discussed in the 2001–2006 period. It shows that two specific issues arose in 2003–2004. First, the ERD organised its first interim call in order to reflect demand from the researchers who joined the CNB between the two subsequent RPs. Second, the RAC began discussing which topics will be worth researching in central banks in the future.

**Table 2 ERD Documents**

	2001	2002	2003	2004	2005	2006
<b>Documents submitted to the Board</b>	RP 2001–2002	RP 2003–2004	CNB Economic Research 2003	RP 2005–2006	CNB Economic Research 2005	RP 2007–2008
<b>Topics discussed by the RAC</b>	Priorities 2001–2006	Project proposals 2003–2004	Interim call 2003–2004	Project proposals 2005–2006	Priorities 2007–2012	Project proposals 2007–2008
	Project proposals 2001–2002		ERD Report 2001–2002	Topics worth researching	Interim call 2005–2006	Research outcomes

### **The Board**

The RAC recommends to the Board which priority topics should be researched and which projects should be approved. The final decision about the priorities and projects is taken by the Board. The Board members are also involved in refereeing process. The Board's involvement in formulating the CNB's economic research objectives and standards is intended to heighten the relevance of the research outputs to the work of the central bank.

### **Researchers**

A specific feature of the CNB's economic research is its project-based management. This provides a great deal of flexibility regarding the research teams, since researchers from all CNB departments with co-authors from other domestic as well as foreign institutions can submit project proposals. Table 3 illustrates that each coordinator was on average supervising 6 projects and 16 researchers in 2003–2004 (each year) and that this period indeed saw increased demands on the ERD's coordinating capacity compared to the starting period 2001–2002. On average, each coordinator chaired three refereeing processes per year.

**Table 3 Coordinators, projects and researchers**

	2002	2003	2004	2005	2006	average
<b>Coordinators</b>	4	4	5	5	5	5
<b>Projects per coordinator</b>	4	7	6	6	6	6
<b>Researchers per coordinator*</b>	11	18	14	14	14	14
<b>% of ERD researchers*</b>	13	11	4	10	7	9
<b>% of external researchers*</b>	22	25	43	17	29	27

\* In man years (i.e. repetition of names not addressed)

Table 3 also shows that the researchers participating in the projects form a much larger group than the ERD team itself. The ERD team contributes 9% of the man years on average. Other CNB departments account for 64%, out of which the Monetary and Statistics Department accounts for 49%. External researchers contribute 27% of the man years on average. The share of external researchers was highest in 2003–2004. The external researchers come typically from the following institutions: domestic universities (e.g. CERGE–EI, Faculty of Social Sciences at Charles University, Prague University of Economics), government ministries (e.g. Ministry of Finance), international institutions (e.g. IMF, ECB) and other institutions abroad.

### III. Outcomes

#### ***Research Projects***

A total of 89 research proposals were submitted under the three RPs put together in line with the first medium-term research priorities. Of these, 35 were completed successfully (with a CNB research publication) and 28 are ongoing. Tables 4 and 5 show that RP 2003–2004 contained more projects than the first RP – due to the introduction of the interim call – and was of comparable size to the subsequent RP 2005–2006. Of the 2003–2004 project proposals, 74% were approved. In all, 74% of the approved projects were completed successfully and 9% were cancelled at the decision of the project coordinator. As for the remaining 17% of the approved projects, their deadlines were postponed for serious reasons (e.g. new research teams had to be formed after the initially proposed team members left their positions). The total drop-out rate of 32% illustrates that both the selection of the projects from proposals and the coordination of the approved projects were effective in focusing the research projects on the priority topics and in maintaining the desired quality of CNB research. The summarising ratios were of a similar magnitude to those for RP 2001–2002 and are likely to be similar for RP 2005–2006 in a comparable time span.

**Table 4 Monitoring project progress**

Year of RAC Meeting	2001	2002	2003	2004	2005
Research Programme*	2001–2002	2003–2004	2003–2004 IC	2005–2006	2005–2006 IC
Project proposals	26	25	6	18	14
Proposals not approved by ERD/RAC	4	4	1	2	3
Proposals not approved by Bank Board	0	1	2	0	1
Projects cancelled by coordinators	2	2	0	0	0
Projects ongoing	0	3	1	14	10
Projects completed internally (IDP)	4	0	0	0	0
Projects completed successfully (WP/RPN)	16	15	2	2	0

\* The data on project progress are from June 2006. IC=Interim call.

**Table 5 Summarising ratios (in %)**

Research Programme*	2001–2002	2003–2004	2005–2006
Proposals not approved by ERD/RAC	15	16	16
Proposals not approved by BB	0	10	3
Projects approved	85	74	81
Projects completed out of projects approved	73	74	8
Projects cancelled out of projects approved	9	9	0
Drop-out rate for projects approved	27	9	0
Projects ongoing out of projects approved	0	17	92
Proposals not resulting in research publication (total drop-out rate)	38	32	19

\* Calculations based on data from June 2006.

#### ***Working Papers and Research and Policy Notes***

The CNB's economic research is published in two series of publications. Both are refereed internationally. They are intended to disseminate the results of the CNB's research projects and

the other research activities of the staff of the CNB and collaborating outside contributors. Working Papers (WPs) aim to present original research contributions relevant to central banks. Research and Policy Notes (RPNs) aim to present topics related to strategic issues or specific aspects of monetary policy and financial stability in a less technical manner than WPs. Table 6 shows the number of publications in each series. The 2003–2004 period saw a significant increase in the number of papers published compared to the initial period. In 2005, the number of papers published kept increasing. It is worth noting that some papers were refereed off project. These are papers invited by the Board covering topical issues or prepared by visiting researchers or new CNB experts who could not participate in a regular call. Off-project papers gained in importance in 2005.

**Table 6 CNB Research Papers**

Year	2002	2003	2004	2005	2006*
WPs published from projects	3	11	9	9	5
WPs published off project	1	1	1	3	0
WPs by invited speakers	0	0	0	2	0
RPNs published from projects	0	2	3	4	1
RPNs published off project	0	0	1	1	0
WPs total	4	12	10	14	5
RPNs total	0	2	4	5	1
Publications TOTAL	4	14	14	19	6

\* As of June 2006 (papers published or prepared for publication).

### **Academic publications**

Both WPs and RPNs are typically published in an academic journal with an average time lag of 2 years. Given that the average project length was around 2.5 years in 2001–2005, the research outcomes were available to the readers of academic journals 4.5 years after proposal approval. This is comparable to other institutions. Table 7 shows that publications from the 2003–2004 period reached academic journals in 65% of cases on average. Specifically, they were published in the Czech Journal of Economics and Finance, European Economic Review, Economics of Transition, Prague Economic Papers, Applied Economics Letters and Economic Systems, as shown in Table 8. The academic journals considered are those with a non-zero impact factor, and all are refereed. The 2002 publications made it to journals in 75% of cases. Out of the 2005 publications, 16% have already reached the academic audience, but the time span is too short to judge the final academic impact yet.

**Table 7 WPs and RPNs in academic refereed journals with non-zero impact\***

Year	2002	2003	2004	2005
No of WPs later published in journals	3	10	5	3
No of RPNs later published in journals	0	2	2	0
% of WPs published	75	83	50	21
% of RPNs published	-	100	50	0
% of WPs+RPNs published	75	86	50	16

\* As of June 2006.

<sup>1</sup> For the purposes of this report, project length was measured from the starting date of the project to the so-called *closing date* when the coordinator approves the final version of the WP/RPN for publication. It can be expected that the average length will decrease over time as projects from RP 2005–2006 that have a shorter time span are closed.

**Table 8 List of academic publications\***

<b>WP / RPN</b>	<b>Academic publication of the WP/RPN – to be cited as</b>
<b>WP 1/2002</b>	Czech Journal of Economics and Finance, No. 4, 2002.
<b>WP 3/2002</b>	Prague Economic Papers, No. 4, 2003.
<b>WP 4/2002</b>	Czech Journal of Economics and Finance, Nos. 3–4, 2003.
<b>WP 2/2003</b>	Czech Journal of Economics and Finance, No. 11, 2002. Economie Internationale, No. 102, 2005.
<b>WP 3/2003</b>	Chapter in Book, Palgrave, Macmillan, 2003.
<b>WP 5/2003</b>	Czech Journal of Economics and Finance, No. 5, 2005.
<b>WP 6/2003</b>	European Economic Review, No. 4, 2003.
<b>WP 7/2003</b>	Czech Journal of Economics and Finance, Nos. 11–12, 2003.
<b>WP 8/2003</b>	Czech Journal of Economics and Finance, Vol. 53 (2003), Nos. 7–8
<b>WP 9/2003</b>	BIS Paper, No. 22, 2005.
<b>WP 10/2003</b>	Czech Journal of Economics and Finance, No. 2, 2002.
<b>WP 11/2003</b>	Czech Journal of Economics and Finance, No. 6, 2003.
<b>WP 12/2003</b>	Prague Economic Papers, No. 2, 2004.
<b>WP 1/2004</b>	Emerging Markets Finance and Trade, forthcoming, 2006
<b>WP 2/2004</b>	Economics of Transition, Vol. 13(1), 2005.
<b>WP 7/2004</b>	Czech Journal of Economics and Finance, Vol. 55, Nos. 1–2, 2005
<b>WP 9/2004</b>	Economics of Transition 14(3), 2006.
<b>WP 10/2004</b>	Economic Systems, Vol. 29, 2005.
<b>WP 7/2005</b>	Economic Systems, Vol. 30, 2006.
<b>WP 8/2005</b>	Applied Economics Letters, 12(15), 2005.
<b>WP 10/2005</b>	Computational Economics, Nos. 1–2, 2005.
<b>RPN 1/2003</b>	BIS Paper, No. 19, 2003.
<b>RPN 2/2003</b>	Czech Journal of Economics and Finance, Nos. 7–8, 2005.
<b>RPN 1/2004</b>	Contemporary Economic Policy, forthcoming, 2006.
<b>RPN 2/2004</b>	Czech Journal of Economics and Finance, Vol. 53, 2005.

\*As of June 2006.

## IV. Activities

The ERD complements its work on research priorities, research projects and outcomes with a series of research-related activities. These are all aimed at providing information to, and exchanging views with, colleagues from other institutions, both at home and abroad, and at providing information to the general public.

As mentioned above, the ERD's research-related activities started expanding in the 2003–2004 period, because in 2001–2002, when work on all the approved research projects was ongoing, the need to disseminate research outcomes was not so high. In addition to the research-related activities launched during the initial 2001–2002 period (research seminars, cooperation with the CEPR and EEA, WPs/RPNs on the web), the following activities were introduced in the 2003–2004 period.

Firstly, in 2003, a new type of CNB research publication was approved by the Board. The CNB Research Bulletin (RB) summarises the outcomes of research projects relating to a pre-selected topic in the form of several short non-technical articles. The RB also provides information on the CNB's research-related activities. It is distributed internationally, with about 110 names currently on the mailing list.

Secondly, in 2005–2006 work started on developing the CNB's RePEc site (available since 2005) and expanding the research and financial stability area of the CNB website (available since 2006).

Thirdly, the first CNB Research Open Day was held in 2005, and a second followed in May 2006.

Fourthly, ERD experts started participating in two ESCB research networks in 2005–2006.

Lastly, in 2006, a new research visitor scheme was introduced at the CNB.

More details on the ERD's activities are available at <http://www.cnb.cz/en/research>.

## Appendix

**Table 1 List of Research Projects 2003–2004**

	Title	Status
A1	Fulfilment of the Maastricht Inflation Criterion and the Czech Republic: Risks and Policy Options	Completed
A2	The Process of Exchange Rate Convergence of the Czech Republic Towards the Eurozone: The Case of ERM2 Accession	Completed
A3	Inflation Forecast Targeting in Periods without a New Forecast	Not approved
A4	Inflation Targeting in Emerging Economies: What Central Bankers Think They See	Work in progress
B1	Key Properties of the Transmission Mechanism of Czech Monetary Policy	Completed
B2	What is the Role of Banks in the Czech Monetary Transmission Mechanism?	Completed
B3	The Larger Europe – What the Fundamental Real Exchange Rates Tell us?	Completed
B4	The Monetary Policies of the CNB and ECB: Are They Similar Enough to Have Just One?	Work in progress
B5	The Czech Republic's Accession to the EU: Fiscal Policy Stratagem	Completed
B6	Financial Stability Issues: An Overview from the Central Banks' Perspective	Completed
B7	Setting an Inflation Target	Not approved
C1	Developing a New Generation of Core Model for the Forecasting and Policy Analysis System of the CNB	Completed
C2	Monetary Policy Rules in a Medium-Scale Model of the Czech Economy	Completed
C3	SDGE Models of Consumption and Production Substitution	Work in progress
C4	Credit Risk and Bank Lending in the Czech Republic	Completed
C5	Czech Koruna Exchange Risk Management in the Process of Joining the Eurozone	Not approved
C6	Testing the Exchange Rate Equation of the Medium-Term CNB Model: Implied Distribution Approach	Work in progress
C7	External Credit Assessment Institutions (ECAIs) and Eligibility Criteria	Completed
C8	The Application of Structured Feedforward Neural Networks to the Modelling of the Daily Series of Currency in Circulation	Completed
D1	Supply-Side Performance and Structure in the Czech Republic (1993–2003)	Completed
D2	Structural and Cyclical Unemployment: What Can We Derive from the Matching Function?	Completed
D3	External Shocks and the Trade Balance in the Transition Economy January 2002 – December 2003	Cancelled
D4	Determining Factors of the Czech Balance of Trade: Structural Issues in Trade and Growth	Completed
D5	Price-Setting Behaviour of Czech Companies: Why are Prices Sticky?	Cancelled
D6	Households' Behaviour under Alternative Policy Actions and Exogenous Shocks	Completed
D7	Anatomy of the Czech Labour Market: From Over-employment to Under-employment in Ten Years?	Completed

Note: All publications are available at <http://www.cnb.cz/en/research>.

**Table 2 Outcomes of Research Projects 2003–2004**

<b>A1 Fulfilment of the Maastricht Inflation Criterion and the Czech Republic: Risks and Policy Options</b>	
Status	Interim seminar: 4 December 2003. Final review: 8 December 2004
Publication	~ CNB RPN 4/2005 Bárta, V.: Fulfilment of the Maastricht Inflation Criterion and the Czech Republic: Risks and Policy Options. ~ Strategy of the EMU Enlargement, Background, Optimal Choices, Consequences, Warsaw School of Economics, December 2003 (conference volume).
Conferences	~ Conference: Strategy of the EMU Enlargement, Background, Optimal Choices, Consequences, Warsaw School of Economics, December 2003 ~ Conference: Exchange Rates and Capital Flows, Istanbul, March 2004
<b>A2 The Process of the Czech Republic's Exchange Rate Convergence towards the Eurozone: The Case of ERM2 Accession</b>	
Status	Interim seminar: 20 May 2004. Final review I: 20 September 2004. Final review II: 26 July 2005
Publication	~ CNB WP 5/2005 Komárek, L., Melecký, M.: The Behavioral Equilibrium Exchange Rate of the Czech Koruna. ~ CNB WP 8/2005 Horváth, R.: Exchange Rate Variability, Pressures and Optimum Currency Area Criteria: Lessons for the Central and Eastern European Countries. ~ Horváth, R., 2005. Exchange Rate Variability, Pressures and Optimum Currency Areas: Some Empirical Evidence from the 1990s, Applied Economics Letters, 12(15), pp. 919–922. ~ Horváth, R., 2006. Ready for Euro? Evidence on EU New Member States, Applied Economics Letters, forthcoming. ~ Melecký, M. (2005): Early Locking to the Euro: Some Estimates for the New EU Countries based on Equilibrium Exchange Rates, Mimeo, School of Economics, University of New South Wales.
Conferences	~ The IXth Spring Meeting of Young Economists in Warsaw, Poland, 23–25 April 2004 ~ Exchange Rate Econometrics Conference of the Applied Econometrics Association, Luxembourg. Frait, J., Komárek, L., Melecký, M.: The Real Exchange Rate Misalignment of the Five Central European Countries – Single Equation Approach, 7–8 April 2005 ~ Czech Economic Society seminar “Rovnovážný měnový kurz a jeho implikace pro měnovou politiku” (The Equilibrium Exchange Rate and its Implications for Monetary Policy), Kateřina Šmídková (CNB and Faculty of Social Sciences, Charles University), Luboš Komárek (CNB and University of Economics, Prague), September 2005
<b>A4 Inflation Targeting in Emerging Economies: What Central Bankers Think They See</b>	
Status	Interim seminar: 23 September 2004

<b>B1 Key Properties of the Transmission Mechanism of Czech Monetary Policy</b>	
Status	Interim seminar: 15 July 2003. Final review: 17 December 2004 The results of the analysis have been used in the debate about the horizon of Czech monetary transmission and the optimal horizon to target for Czech monetary policy
Publication	~ CNB WP 4/2005 Arnořtová, K., Hurník, J.: The Monetary Transmission Mechanism in the Czech Republic (Evidence from VAR Analysis).
Conferences	~ 3rd Annual Czech Economic Society Conference, University of Economics, Prague, 23 November 2004 ~ Third Macroeconomic Policy Research Workshop on Monetary Transmission in the New and Old Members of the EU, organised by Magyar Nemzeti Bank and the Bank of England, October 2004
<b>B2 What is the Role of Banks in the Czech Monetary Transmission Mechanism?</b>	
Status	Interim seminar: 11 March 2003. Final review: 15 July 2003 This project provides an opportunity for comparison between the role of Czech banks in monetary policy transmission and the corresponding situation within EU countries. It is being used for further analyses on credit channel viability in the Czech Republic.
Publication	~ CNB WP 3/2004 Pruteanu, A.: The Role of Banks in the Czech Monetary Policy Transmission Mechanism. ~ Revised and resubmitted to Economics of Transition
Conferences	~ CCBS Workshop in Warsaw, 2003 ~ International Atlantic Economic Conference, Lisbon, 2004
<b>B3 A Larger Europe – What the Fundamental Real Exchange Rates Tell Us</b>	
Status	Interim seminar: 3 April 2003. Final review: 17 August 2004 The results are being used by the working group preparing the regular assessment of the Czech Republic's readiness to join the euro area.
Publication	~ CNB WP 10/2004 Bulř, A., řmřdkov, K.: Exchange Rates in the New Accession Countries: What Have We Learned from the Forerunners? ~ řmřdkov, K., Bulř, A. (2004): Would Fast Sailing Towards the Euro Be Smooth? What Fundamental Real Exchange Rates Tell Us About Acceding Economies, Working Paper No. 64, Faculty of Social Sciences, Charles University, Prague. ~ Bulř, A., řmřdkov, K. (2005): Exchange Rates in the EU New Accession Countries: What Have We Learned from the Forerunners? IMF Working Paper No. 27, International Monetary Fund. ~ řmřdkov, K., Bulř, A. (2005): Would Fast Sailing Towards the Euro Be Smooth? What Fundamental Real Exchange Rates Tell Us, Prague Economic Papers, No. 4, pp. 291–316.

	<ul style="list-style-type: none"> <li>~ Bulíř, A., Šmídková, K. (2005): Exchange Rates in the EU New Accession Countries: What Have We Learned from the Forerunners. Elsevier, Economic Systems, Vol. 29, pp. 163–186.</li> <li>~ Bulíř, A., Šmídková, K. (2006): Fast Sailing Toward the Euro: Dangers of the Lee Shore, in Batini, N. (ed.), Monetary Policy in Emerging Markets and Other Developing Countries, Nova Science Publishers, Inc., New York, ISBN: 1-59454-983-4.</li> </ul>
Conferences	<ul style="list-style-type: none"> <li>~ European University Institute Conference, Florence, May 2004</li> <li>~ Conference of the Czech Economic Society, Would Fast Sailing Towards the Euro Be Smooth? What Fundamental Real Exchange Rates Tell Us About Acceding Economies, November 2004</li> <li>~ Would Fast Sailing Towards the Euro Be Smooth? International Atlantic Economic Society, London, March 2005</li> <li>~ Fast Sailing Toward the Euro: Dangers of the Lee Shore – EUROFRAME Conference “Towards an Enlarging European Monetary Union: Challenges for Old and New Member States”, Berlin, June 2006</li> </ul>
<b>B4 The Monetary Policies of the CNB and ECB: Are They Similar Enough to Have Just One?</b>	
Status	Interim seminar: 25 August 2004
<b>B5 The Czech Republic’s Accession to the EU: The Fiscal Policy Stratagem</b>	
Status	Interim seminar: 20 November 2003; Final reviews: 16 March 2006, 28 March 2006, 29 May 2006
Publication	<ul style="list-style-type: none"> <li>~ CNB WP 2/2006 Dybczak, K.: Generational Accounts in the Czech Republic. Paper will also be published in Czech Journal of Economics and Finance in 2006.</li> <li>~ CNB WP 3/2006 (forthcoming) Krejdl, A.: Fiscal Sustainability – Definition, Indicators and Assessment of Czech Public Finance Sustainability.</li> <li>~ CNB RPN (forthcoming) Schneider, O.: The EU Budget Crisis – Blessing or Disguise.</li> </ul>
Conferences	<ul style="list-style-type: none"> <li>~ Theoretical and Practical Aspects of Public Finances Conference, University of Economics, Prague, “Stability and Growth Pact: Too Much (Political) Criticism?” (fiscal rules part of the project), 26 March 2004</li> <li>~ Fiscal Policy in the EU’s New Member States, EU Enlargement Conference, Rzeszow, Poland</li> <li>~ Preliminary results on the EU Budget presented at the Zagreb School of Economics and Management conference, October 2005</li> </ul>
<b>B6 Financial Stability Issues: An Overview from the Central Banks’ Perspective</b>	
Status	Interim seminars: 27 May 2003, 9 September 2003, 9 October 2003, 27 May 2004. Final reviews: 4 December 2003 (first year) and 26 April 2005 (second year) (stress testing methodology for banking supervision); 11 May 2004 (external sustainability)
Publication	<ul style="list-style-type: none"> <li>~ CNB WP 1/2005 Babouček, I., Jančar, M.: Effects of Macroeconomic Shocks to the Quality of the Aggregate Loan Portfolio.</li> <li>~ CNB RPN 4/2004 Bulíř, A.: External and Fiscal Sustainability of the Czech Economy: A Quick Look Through the IMF’s Night-Vision</li> </ul>

	<p>Goggles.</p> <ul style="list-style-type: none"> <li>~ CNB RPN 3/2004 Čihák, M.: Designing Stress Tests for the Czech Banking System.</li> <li>~ CNB RPN 2/2004 Čihák, M.: Stress Testing: A Review of Key Concepts.</li> <li>~ CNB RPN 2/2005 Čihák, M., Heřmánek, J.: Stress Testing the Czech Banking System: Where Are We? Where Are We Going?</li> <li>~ Heřmánek, J., Čihák M. (2006): Summary of the Results of Stress Tests in Banks, thematic article in CNB Financial Stability Report, 2005 (published in June 2006)</li> </ul>
Conferences	<ul style="list-style-type: none"> <li>~ Ministry of Finance seminar: The Stability of the Czech Banking Sector and Euro Adoption, Smilovice, December 2003</li> <li>~ Czech Economic Society seminar: Stability of the Banking System, Prague, 28 May 2003</li> <li>~ Financial Stability: What is its Definition and Role in the Agenda of Central Banks? Prague, 27 May 2004</li> <li>~ IMF and CNB Joint Conference: Euro Adoption in the Accession Countries – Opportunities and Challenges, Prague, 2–3 February 2004</li> <li>~ Czech Economic Society Annual Conference: Financial Stability Aspects of Monetary Integration, 27 November 2004</li> </ul>
<b>C1 Developing a New Generation of Core Model for the Forecasting and Policy Analysis System of the CNB</b>	
Status	Interim seminar 1: 27 August 2003. Interim seminar 2: 16 December 2003, Final review: November 2005
Publication	~ CNB WP 12/2005 Beneš, J., Hlédik, T., Kumhof, M., Vávra, D.: An Economy in Transition and DSGF: What the Czech National Bank's New Projection Model Needs.
Conferences	<ul style="list-style-type: none"> <li>~ IMF Technical Assistance Mission, Banco de la Republica, Bogota, Colombia, June 2004</li> <li>~ CNB-CERGE-EI Macroworkshop, Prague, April 2004</li> </ul>
<b>C2 Monetary Policy Rules in a Medium-Scale Model of the Czech Economy</b>	
Status	Final review: October 2005
Publication	~ CNB RPN 5/2005 Stráský, J.: Projection Model of the Czech National Bank.
<b>C3 SDGE Models of Consumption and Production Substitution</b>	
Status	Interim seminar: 7 October 2003
<b>C4 Credit Risk and Bank Lending in an Open Economy</b>	
Status	Interim seminar: 24 June 2003. Final review: 11 December 2003
Publication	~ CNB WP 6/2004 Kadlčáková, N., Keplinger, J.: Credit Risk and Bank Lending in the Czech Republic.
<b>C6 Testing the Exchange Rate Equation of the Medium-Term CNB Model: An Implied Distribution Approach</b>	
Status	Interim seminar: September 2006

Conferences	<ul style="list-style-type: none"> <li>~ Annual conference of the Money Macro and Finance Group at Cambridge University in the UK, September 2003</li> <li>~ Dealing with a Large Amount of Heterogenous Data in Matlab. Conference on Modern Tools for Financial Analysis and Modelling, Czech National Bank and Humusoft, Prague, May 2006</li> </ul>
<b>C7 External Credit Assessment Institutions Eligibility</b>	
Status	Interim seminar: 15 July 2004. Final review: 27 November 2004. Final review: June 2005
Publication	~ CNB RPN 3/2005 Sůvová, H., Kozelková, E., Zeman, D., Bauerová, J.: Eligibility of External Credit Assessment Institutions.
<b>C8 The Application of Structured Feedforward Neural Networks to the Modelling of the Daily Series of Currency in Circulation</b>	
Status	Interim seminar: 30 September 2004. Final review: September 2005
Publication	~ CNB WP 11/2005 Hlaváček, M., Koňák, M., Čada, J.: The Application of Structured Feedforward Neural Networks to the Modelling of Daily Series of Currency in Circulation.
Conferences	~ International Conference on Natural Computation, Changsha, China, 27–29 August 2005
<b>D1 Supply-Side Performance and Structure in the Czech Republic (1993–2003)</b>	
Status	Interim seminar: 2 October 2003. Final review: May 2006
Publication	<ul style="list-style-type: none"> <li>~ CNB WP 4/2006 Dybczak, K., Flek, V., Hájková, D., Hurník, J.: Supply-Side Performance and Structure in the Czech Republic 1995–2005. CNB Working Paper.</li> <li>~ Hurník, J. (2005): Potential Output: What Can the Production Approach Tell Us? CNB Economic Research Bulletin, No. 1, Vol. 3, pp. 5–7.</li> <li>~ Hurník, J., Navrátil, D. (2005): Potential Output in the Czech Republic: A Production Function Approach, Prague Economic Papers (3), pp. 253–266.</li> </ul>
<b>D2 Structural and Cyclical Unemployment: What Can We Derive from the Matching Function?</b>	
Status	Interim seminar: 17 April 2003. Final review: 20 December 2004
Publication	~ CNB WP 2/2005 Galuščák, K., München, D.: Structural and Cyclical Unemployment: What Can We Derive from the Matching Function?
Conferences	<ul style="list-style-type: none"> <li>~ Macroeconomic and Fiscal Forecasting conference organised by the Ministry of Finance, preliminary results, Smilovice, 17 May 2004</li> <li>~ SOLE/EALE Conference in San Francisco, USA, 2–5 June 2005</li> <li>~ CNB Research Open Day, Prague, 14 September 2005</li> <li>~ Annual Conference of the European Economic Association, Vienna, August 2006</li> </ul>

<b>D4 Determining Factors of the Czech Balance of Trade: Structural Issues in Trade and Growth</b>	
Status	Interim seminar: 10 July 2003. Final review: 18 December 2003
Publication	~ CNB WP 3/2005 Benáček, V., Podpiera, J., Prokop, L.: Determining Factors of Czech Foreign Trade: A Cross-Section Time Series Perspective.
<b>D6 Household Behaviour under Alternative Policy Actions and Exogenous Shocks</b>	
Status	Interim seminar: 13 May 2003. Final review: 4 November 2003
Publication	~ CNB WP 4/2004 Podpiera, J.: Consumers, Consumer Prices and the Czech Business Cycle Identification. ~ Podpiera, J. (2005): Measuring the Business Cycle through the Impulse Response of Consumer Prices, CNB Economic Research Bulletin, No. 1, Vol. 3, pp. 8–9.
<b>D7 Anatomy of the Czech Labour Market: From Over-employment to Under-employment in Ten Years?</b>	
Status	Final review: 18 May 2004
Publication	~ CNB WP 7/2004 Flek, V., ed.: Anatomy of the Czech Labour Market: From Over-employment to Under-employment in Ten Years? ~ Six full-length articles published as a special issue of the Czech Journal of Economics and Finance, 55, Nos. 1–2, 2005. ~ June 2006: manuscript for book publication submitted to Academia.
Conferences	~ Chapter 5 was presented at the Applied Econometrics Association Conference on the Econometrics of Labour Demand, Mons, Belgium, 6–7 October 2004 ~ Chapter 5 was also presented at the 3rd Annual Czech Economic Association Conference, University of Economics, Prague, 23 November 2004