

TERMÍN: 07.11.2020

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Recenzia A
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*Prosím nezasahujte do tejto tabuľky*RECENZENT/KA (meno a priezvisko, pozícia, inštitúcia): **Miroslav Klúčik**NÁZOV MATERIÁLU: **Structural macroeconomic model of Slovakia**TYP VÝSTUPU*[1]: **Analýza**

(pri spoločných výstupoch uviesť aj typy individuálnych vkladov):

ANALYTICKÝ ÚTVAR, REZORT: **Ministerstvo financií SR - Inštitút finančnej politiky**AUTORI/KY: **Richard Priesol;**

SPOLUAUTORI/KY: - - ; - - ; - - ; - -

RECENZNÝ FORMÁT*[2]: **2****PRIPOMIENKY:**

P.č	Pripomienka sa vzťahuje k (strana, odsek):	Text pripomienky*[3]	Odôvodnenie pripomienky	Vysporiadanie sa s pripomienkou*[4]
1	p. 4, par. 1	We would reconsider the use of the phrase „correct identification of future macroeconomic shocks“. We believe this phrase contains a contradiction.	According to the economic theory, „shocks“ are mostly defined as unpredictable, unexpected.	Intuitive identification of future macroeconomic shocks is necessary for monetary and fiscal authorities to pursue effective countercyclical policies.

2	p. 15, par. 4	We would recommend to add a reference to literature for the popular consolidation mix ratio.	It would be interesting to see comparison between countries and their consolidation mix, i.e. reference to literature for the reader.	<p>I excluded the reference to the popular consolidation mix that resulted from an internal discussion, since I was not able to find an underlying reference.</p> <p>For a comparison of different consolidation strategies in the European Union see Beetsma et al. (2018).</p>
3	p. 20, par. 1	We would like to recommend further text specification of the macroeconomic and fiscal shock simulations, such as fiscal rule activation status during the simulations.	Switched off fiscal rule can destabilize the model solution during simulations. Different fiscal rules may have different effects on the solution.	<p>We do not switch off fiscal rules in neither the impulse response analysis nor estimation of fiscal multipliers. Our results should be thus viewed as an empirical rather than an undisturbed impact of macroeconomic and fiscal shocks on the domestic economy.</p> <p>On the other hand, we allow for a relatively mild reaction of the fiscal rules to limit their impact on the impulse response</p>

				functions. As a result, the impulse response functions of debt and balance are smooth and long-lasting.
4	p. 20, par. 2	We would like to recommend further discussion about the impact of foreign variables on the domestic economy during a domestic shock.	Variable response during a domestic shock could produce counterintuitive results from foreign environment, e.g. behaviour of domestic prices during a positive supply shock may be counterintuitive when foreign prices are steady.	Even though an exogenous character of external prices implies an appreciation of a real exchange rate with a negative impact on net exports, a positive evolution of domestic market shares puts an upward pressure on the export performance what results in a positive trade balance.
5	p. 16, par. 2	The author stresses that the consistency of macroeconomic forecasts with budgetary plan is problematic. Although we agree with the comment in general, there is a need to construct the macroeconomic forecast with a maximum possible consistency with expenditures and revenues of the budget.	We recommend to discard the fiscal rule in macroeconomic forecasting exercises and to exogenize the fiscal block, including interest rate expenditures. We recommend to follow a detailed bottom-up approach for fiscal expenditures and revenues based on macroeconomic no-policy baseline, insert the actual fiscal policy assumptions into the model and later follow a iterative process between fiscal and macro side.	To overcome issues with the budgetary plan and provide macroeconomic forecasts that are consistent with fiscal variables, we implement a two-step estimation process that is based on a proportional fiscal consolidation.

				<p>In the first step, we turn off fiscal rules and forecast model variables with no fiscal restrictions to obtain a baseline forecast of the domestic economy.</p> <p>In the second step, we target a structural balance from the budgetary plan under a proportional fiscal consolidation that is then distributed between public revenues (50%) and expenditures (50%), in line with historical shares of particular budgetary components.</p>
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CELKOVÉ HODNOTENIE (recenzent/ka vyplní túto časť po vysporiadaní sa s pripomienkami analytickou jednotkou):

The presented material describes a mid-scale quarterly macroeconomic model suitable for mid-term forecasts, evaluation of macroeconomic shocks and assessment of alternative fiscal scenarios. The basic character of the proposed model of the Institute for Financial Policy is similar to the models of its peer institutions such as the former model employed in forecasting in the National Bank of Slovakia (Relovsky, Siroka, 2009) and the model with detailed fiscal block of the Council for Budget Responsibility of Slovakia (Klucik, 2015).

However, the model offers some significant improvements. In addition to a detailed fiscal block, it is enriched by sectoral disaggregation of investment, further decomposition of domestic employment into employees and self-employment, capital stock decomposition with different deflators or differentiation of import intensities in different sectors. The stability of the model is optimized by new separate set of behavioural equations based on an error correction principle. The fiscal rule is linked to the expenditure side of the budget and the fiscal reaction function is suitable. Especially, we must highlight the asymmetric impact of taxes on production and consumption prices.

Additional added value comes from the use of own independent estimation of potential variables such as participation rate, unemployment rate based on Kalman filter and potential output estimation using multivariate filter with Bayesian interface.

The manual offers very detailed information about the structure of the model, appropriate description of all its equations, its estimated parameters and simulation properties. The structure of the model is rich and appropriate for an open economy like Slovakia. The results of simulation exercises including fiscal multipliers are in line with standard economic literature.

[1] Výber medzi: 1. analýza (komplexný analytický materiál s návrhmi konkrétnych systémových opatrení); 2. komentár (rozsahovo menší analytický materiál venujúci sa konkrétnemu čiastkovému problému); 3. manuál (metodické usmernenie vyplývajúce z potreby zjednotenia procesov a postupov v konkrétnej oblasti).

[2] Formát 1 pre komentár/manuál (2 recenzenti bez povinného odborného workshopu); Formát 2 pre analýzu (3 recenzenti a povinný odborný workshop).

[3] Do tabuľky značiť pripomienky zásadného metodologického a obsahového charakteru (nie štylistické či gramatické opravy).

[4] Vyplní analytická jednotka: pripomienka bola akceptovaná / pripomienka nebola akceptovaná a zdôvodnenie / pripomienka bola čiastočne akceptovaná a zdôvodnenie.