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| **April 2025**DNB Research Newsletter |  |

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| Research highlights |

**1. Optimal normalization policy under behavioral expectations**In an article forthcoming in the Journal of Monetary Economics, Kostas Mavromatis and Alexandre Carrier deal with the design of optimal normalization policy within a framework where agents' expectations can deviate from the rational expectations benchmark and the central bank faces cost-push shocks. When interest rate fluctuations are costless, the interest rate serves as the primary tool for managing inflationary pressures. However, under de-anchored expectations, balance sheet management becomes increasingly important when interest rate fluctuations incur costs. [Read more](#R1)**2. Deposit market concentration and monetary transmission: Evidence from the euro area**In a recently published article in the European Economic Review, Stephen Kho studies the transmission of monetary policy to deposit rates in the euro area, focusing on asymmetries and banking sector concentration. The empirical analysis reveals that more concentrated domestic banking sectors pass-on unexpected monetary tightening more slowly and easing more quickly than less concentrated sectors. This contributes to a temporary divergence in deposit rates across the euro area. These findings suggest that heterogeneity in the degree of banking sector concentration matters for the transmission of monetary policy to deposit rates, which may, in turn, affect banking sector profitability[. Read more](#R2)**3. Long-run inflation expectations**Understanding how long-run inflation expectations are formed is crucial for both monetary policy theory and practice. In a recent DNB working paper, Sebastian Rast and his co-authors develop a flexible empirical framework to analyze how U.S. professional forecasters form long-run inflation expectations. Their findings reveal substantial, time-varying heterogeneity in forecasters’ responsiveness to public information. [Read more](#R3top)**4. Inequality along the European green transition**In a recent working paper, Guido Ascari, Andrea Colciago, Timo Haber, and Stefan Wöhrmüller study who bears the cost of the EU's green transition to achieve 42.5% green energy consumption by 2030. Using an incomplete markets general equilibrium model, they analyze the distributional consequences of different ways to recycle carbon tax revenues. Their findings reveal that uniform transfers reduce income inequality but increase wealth inequality by weakening precautionary savings. [Read more](#R4)**5. PhD defense: Interview with Andra Smadu**On April 7, Andra defended her PhD thesis “Uncertainty, large shocks, and economic policy” at the University of Groningen. Andra is currently working at DNB in the Economic Policy and Research division. [Read more](#R5)

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| Publications (since February 2025) |

**Working Papers**[831 - Payment literacy pays off: higher trust and financial inclusion](https://www.dnb.nl/publicaties/publicaties-onderzoek/working-paper-2025/831-payment-literacy-pays-off-higher-trust-and-financial-inclusion/)Carin van der Cruijsen, Jakob de Haan[830 - Inequality along the European green transition](https://www.dnb.nl/publicaties/publicaties-onderzoek/working-paper-2025/830-inequality-along-the-european-green-transition/)Guido Ascari, Andrea Colciago, Timo Haber, Stefan Wöhrmüller[829 - Long-Run Inflation Expectations](https://www.dnb.nl/publicaties/publicaties-onderzoek/working-paper-2025/829-long-run-inflation-expectations/)Jonas D. M. Fisher, Leonardo Melosi, Sebastian Rast[828 - Forecasting Dutch inflation using machine learning methods](https://www.dnb.nl/publicaties/publicaties-onderzoek/working-paper-2025/828-forecasting-dutch-inflation-using-machine-learning-methods/)Robert-Paul Berben, Rajni Rasiawan, Jasper de Winter[Leverage actually: the impact on banks’ borrowing costs in euro area money markets](https://www.ecb.europa.eu/pub/pdf/scpwps/ecb.wp3016~c0bef6e424.en.pdf?b912233fa89cb2bec28aca944945e7d3)  Desislava Andreeva, Anna Samarina and Lara Sousa FariaECB Working Paper No. 3016**DNB Analyses**[Heterogeniteit van de effecten van een CO2-belasting op de Nederlandse industrie](https://www.dnb.nl/publicaties/publicaties-onderzoek/analyse/heterogeniteit-van-de-effecten-van-een-co2-belasting-op-de-nederlandse-industrie/)Laura Lehtonen, Mignon Kroon, Guido Schotten, Bas Heerma van Voss[Het effect van begrotingsbeleid op inflatie](https://www.dnb.nl/publicaties/publicaties-onderzoek/analyse/het-effect-van-begrotingsbeleid-op-inflatie/)Guus Brouwer, Daan de Leeuw, Robert-Paul Berben**Published journal articles**[Effects of QE on sovereign bond spreads through the safe asset channel](https://onlinelibrary.wiley.com/doi/full/10.1002/ijfe.2958)Jan Willem van den EndInternational Journal of Finance and Economics, 30(2), 1143–1162[The Effects of Fiscal Policy when Planning Horizons are Finite](https://onlinelibrary.wiley.com/doi/epdf/10.1111/jmcb.13100)Kostas Mavromatis, Joep LustenhouwerJournal of Money, Credit and Banking 57: 549-582[Financial literacy in the DNB Household Survey: Insights from innovative data collection](https://www.cambridge.org/core/journals/journal-of-financial-literacy-and-wellbeing/article/financial-literacy-in-the-dnb-household-survey-insights-from-innovative-data-collection/F37EB6F2885B329125C84D5481201F82)Maarten van Rooij, Rob Alessie, Annamaria LusardiJournal of Financial Literacy and Wellbeing, 2024;2(1):21-37[Mind the gap: gender differences in household payment tasks](https://link.springer.com/article/10.1007/s10645-025-09449-7)Carin van der Cruijsen, Marie-Claire Broekhoff and Joris KnobenDe Economist[Carbon home bias of European investors](https://www.sciencedirect.com/science/article/pii/S0929119925000161)Martijn Boermans and Rients GalemaJournal of Corporate Finance 92, 102748[Recourse and (strategic) mortgage defaults: Evidence from changes in housing market laws](https://www.sciencedirect.com/science/article/pii/S0014292125000042)Alin Andries, Anca Copaciu, Radu Popa and Razvan VlahuEuropean Economic Review 173, 104953[Data Science for Central Banks and Supervisors: How to Make It Work, Actually](https://hdsr.mitpress.mit.edu/pub/yj9bmui7/release/2)Patty Duijm and Iman van LelyveldHarvard Data Science Review 7(1)[Deposit market concentration and monetary transmission: Evidence from the euro area](https://www.sciencedirect.com/science/article/pii/S0014292124002629)Stephen KhoEuropean Economic Review 173, 104933[What drives trust in the financial sector supervisor? New empirical evidence for the Netherlands](https://link.springer.com/article/10.1007/s10663-024-09627-x)Carin van der Cruijsen, Maurice Doll and Jakob de HaanEmpirica 52: 173–195.[The effect of unemployment, housing tenure and commuting distance on interregional migration in the Netherlands](https://www.tandfonline.com/doi/full/10.1080/00343404.2024.2442500)Cindy BiesenbeekRegional Studies (2025), 1–14.[Can paying become too easy? Questions raised regarding frictionless payments at the crossroads of public policy objectives](https://hstalks.com/article/9025/can-paying-become-too-easy-questions-regarding-fri/)Ellen Naudts, Jorgen EijlanderJournal of Payments Strategy & Systems 18(4), 342-356**Published books/articles in books**[Challenges for macroprudential policies](https://academic.oup.com/edited-volume/59905/chapter-abstract/512443731), Gabriele Galati, Richhild MoessnerChapter 25 In Allen N. Berger, Philip Molyneux, John O.S. Wilson (Eds.) The Oxford Handbook of Banking. Oxford University Press.**Forthcoming journal articles** [Optimal normalization policy under behavioral expectations](https://carrieralexandre.github.io/assets/Carrier_Mavromatis_2025April.pdf)Alexandre Carrier, Kostas MavromatisJournal of Monetary Economics[A literature review of Securities Holdings Statistics research and a practitioner's guide](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4304056)Martijn BoermansJournal of Economic Surveys[Fearless woman: Financial literacy, confidence, and stock market participation](https://pubsonline.informs.org/doi/pdf/10.1287/mnsc.2023.00425)Tabea Bucher-Koenen, Rob Alessie, Annamaria Lusardi and Maarten van Rooij Management Science[Shocks to Occupational Pensions and Household Savings](https://www.dnb.nl/en/publications/research-publications/working-paper-2023/775-shocks-to-occupational-pensions-and-household-savings/)Francesco Caloia, Mauro Mastrogiacomo, Irene SimonettiJournal of Pension Economics & Finance[Macroeconomic reversal rate in a low interest rate environment](https://www.ecb.europa.eu/pub/pdf/scpwps/ecb.wp2620~3a61a7d326.en.pdf)Jan Willem van den End, Paul Konietschke, Anna Samarina and Irina StangaInternational Journal of Central BankingFor a complete list of publications see our [website](https://www.dnb.nl/en/research/publications/).**Other publications**[Inflatie in Nederland loopt uit de pas met de eurozone](https://esb.nu/inflatie-in-nederland-loopt-uit-de-pas-met-de-eurozone/)Jan Willem van den End, Jos de GripESB Artikel[The Challenge of Asset Allocation with Illiquid Private Investments](https://www.suerf.org/publications/suerf-policy-notes-and-briefs/the-challenge-of-asset-allocation-with-illiquid-private-investments/)Daniel DimitrovSUERF policy brief[Forecasting Dutch inflation using machine learning methods](https://www.suerf.org/publications/suerf-policy-notes-and-briefs/forecasting-dutch-inflation-using-machine-learning-methods/)Robert-Paul Berben, Rajni Rasiawan, Jasper de WinterSUERF policy brief[Why gradual and predictable? Bank lending and real economy during sharp QT](https://www.suerf.org/publications/suerf-policy-notes-and-briefs/why-gradual-and-predictable-bank-lending-and-real-economy-during-sharp-qt/)Lorenzo Burlon, Alessandro Ferrari, Nikoleta Tushteva, Stephen KhoSUERF policy brief[Cyber resilience stress testing from a macroprudential perspective](https://www.ecb.europa.eu/press/financial-stability-publications/macroprudential-bulletin/html/ecb.mpbu202502_01~f4914a46c1.en.html)Robert Vermeulen, Matthias Sydow, Claire Brousse, Fernando Cascão, Jose Fique, Carla Marques, Juho Nyholm, Fleurilys VirelECB Macroprudential Bulletin[Toekomst energie-intensieve industrie vergt Europese coördinatie - ESB](https://eur04.safelinks.protection.outlook.com/?url=https%3A%2F%2Fesb.nu%2Ftoekomst-energie-intensieve-industrie-vergt-europese-coordinatie%2F&data=05%7C02%7Cj.h.m.kok-stuijfzand%40dnb.nl%7Cfd1d9997514b41e7053008dd819ad544%7C9ecbd6280072405d856732c6750b0d3e%7C0%7C0%7C638809224177908048%7CUnknown%7CTWFpbGZsb3d8eyJFbXB0eU1hcGkiOnRydWUsIlYiOiIwLjAuMDAwMCIsIlAiOiJXaW4zMiIsIkFOIjoiTWFpbCIsIldUIjoyfQ%3D%3D%7C0%7C%7C%7C&sdata=hlUpYFHrmjpQyriDtc8VJBkLe1tkLL0rdd5YnXBRdBc%3D&reserved=0)Stefan Wöhrmüller, Andra Smädu, Guido Schotten, Bas Heerma van voss[Effect CO₂-beprijzing verschilt sterk tussen industriële bedrijven](https://esb.nu/effect-co%E2%82%82-beprijzing-verschilt-sterk-tussen-industriele-bedrijven/)Laura Lehtonen, Bas Heerma van Voss, Mignon Kroon, Guido Schotten[Go to the top](#R1top)

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| Events |

**Research seminars****Past****20 Feb 2025:** The impact of climate policy on carbon emissionSam Fankhauser (University of Oxford)**06 Mar 2025:** Time-Varying Identification of Structural Vector AutoregressionsAnnika Camehl (Erasmus University Rotterdam)**27 Mar 2025:** How Do Quantative Easing and Tightening Affect Firms?Egemen Eren (Bank of International Settlements)**03 Apr 2025:** Public information and stablecoin runsInaki Aldasoro (Bank of International Settlements)**17 Apr 2025:** Optimal Stabilization Policies in the Wake of Large ShocksAndrea Ferrero (University of Oxford)**Forthcoming** **08 May 2025:** Inference Based on Time-Varying SVARs Identified with Sign RestrictionsJonas Arias (Federal Reserve Bank of Philadelphia)**12 May 2025:** Monetary policy with noisy money markets: to trust or control?Federic Holm-Hadulla and Sebastiaaaan Pool (ECB)**20 May 2025:** Hotelling Meets Keynes: Aggregate Adjustment with Spatial Frictions and Nominal RigidityStephanie Schmitt-Grohe (Columbia University)**22 May 2025:** Optimal Stabilization Policies in the Wake of Large ShocksPhilibert Weenink (Maastricht University)**05 Jun 2025:** Negative rates: evidence from transaction dataRogier Quaedvlieg (ABN AMRO)**12 June 2025**: The pass-through of currency risk premiaPaulo Santos Monteiro (University of York)**26 June 2025: TBA**Enrico Mallucci(Central Bank of Ireland)**03 July 2025: TBA**Federica Romei (University of Oxford)**17 July 2025: TBA**Alexander Haas (Frankfurt School of Finance)[Go to the top](#R1top)

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| Research highlights, details |

**1.** **Optimal normalization policy under behavioral expectations**The authors show that, when interest rate fluctuations are costless, the interest rate is the primary tool for managing inflationary pressures, consistently outperforming balance sheet adjustments. This result holds regardless of the expectations formation process. However, under de-anchored expectations, an increasing role for balance sheet management arises when interest rate fluctuations become costly. Finally, the analysis reveals that expectations significantly influence the optimal interest rate trajectory, whereas their impact on the optimal balance sheet path is comparatively minimal.**Read more?**Read the latest version of the paper by Kostas Mavromatis and Alexandre Carrier [here](https://carrieralexandre.github.io/assets/Carrier_Mavromatis_2025April.pdf).[Go to the top](#R1top)**2.** **Deposit market concentration and monetary transmission: Evidence from the euro area**In this paper, Stephen provides empirical evidence on the asymmetric response of deposit rates to monetary policy in the euro area, and relate this to the degree of concentration within a country’s banking sector. He estimates the impact of unexpected positive and negative changes in monetary policy rates on the deposit spread. He does so in a panel local projections setting, with country-level data for 13 euro area member states in the 2003–2023 period and using high-frequency identification for the monetary policy shocks. To assess whether the deposit rate response is (even more) asymmetric in countries with more concentrated banking sectors, in a second step, he also interacts the monetary policy shocks with a measure of concentration.The results in this paper imply that, on average, positive and negative shocks do not feed through to deposit rates asymmetrically in the months after a surprise change in monetary policy. However, there is an economically meaningful and statistically significant asymmetry across the degree of concentration. In more concentrated banking sectors, hikes are passed-through slower and cuts are passed-through faster within the year after a policy surprise. While the effects are somewhat short-lived, the magnitude of the temporary divergence is economically significant. Concentration thus appears to matter for how quickly ECB monetary policy has been transmitted to deposit rates across the euro area.**Read more?**See European Economic Review**,** [Deposit market concentration and monetary transmission: Evidence from the euro area](https://www.sciencedirect.com/science/article/pii/S0014292124002629?via%3Dihub) by Stephen Kho.[Go to the top](#R2top" \o "Go to the Top)**3. Long-run inflation expectations**Using data from the U.S. Survey of Professional Forecasters, the authors develop a flexible framework for analysing how forecasters form expectations about long-run inflation. The model incorporates overconfidence in private information and persistent expectation biases – features that generate highly persistent forecast errors. The model captures key time-series and cross-sectional patterns in the data. The findings reveal substantial, time-varying heterogeneity in forecasters’ responsiveness to public information. Notably, this sensitivity declines across all forecasters when monetary policy is constrained by the effective lower bound. To illustrate the model’s policy relevance, the authors apply it to the FOMC’s December 2022 Summary of Economic Projections. This exercise demonstrates how the framework can be used to assess whether policymakers’ communicated inflation paths are consistent with well-anchored long-run expectations.**Read more?**See the DNB working paper no 829 [Long-Run Inflation Expectations](https://www.dnb.nl/media/r2lltqhd/working_paper_no-829.pdf), by Sebastian Rast, Jonas Fisher and Leonardo Melosi.[Go to the top](#R3)**4. Inequality along the European green transition**Using an incomplete markets general equilibrium model, they analyze the distributional consequences of different ways to recycle carbon tax revenues. Their findings reveal that uniform transfers reduce income inequality but increase wealth inequality by weakening precautionary savings. Conversely, green energy subsidies lower the carbon tax required to meet EU targets but impose higher welfare costs on low-income households. Policymakers face a complex balancing act—accelerating the green transition while minimizing inequality—highlighting the trade-offs between equity and efficiency. Overall, their research sheds light on the winners and losers of climate policy, emphasizing the crucial role of household preferences and the dynamics between green and non-green energy producers.**Read more?** See the DNB working paper 830 [Inequality along the European green transition](https://www.dnb.nl/publicaties/publicaties-onderzoek/working-paper-2025/830-inequality-along-the-european-green-transition/) by Guido Ascari, Andrea Colciago, Timo Haber, and Stefan Wöhrmüller.[Go to the top](#R4top)**5. PhD defense: Interview with Andra Smadu**A group of women standing on stairs  AI-generated content may be incorrect.*Congratulations with your thesis! What are the main findings?* Andra: To summarize the key policy takeaway: uncertainty is not just noise − it's a structural driver of macroeconomic dynamics, and its effects are asymmetric. That means not all shocks are equal, and policy should respond accordingly. Let me break this down briefly. First, financial uncertainty shocks can have far larger consequences than demand or supply shocks, particularly during periods of financial distress. This leads directly to my second point: policy should be state-dependent. Policies that work in normal times may be ineffective during turmoil. Flexibility and real-time risk assessment are essential. Third, there's no one-size-fits-all framework. Policymakers need to tailor their responses to the type of shock, balancing inflation and financial stability objectives. Fourth, large, persistent shocks − like the pandemic − can de-anchor inflation expectations, regardless of whether they're supply- or demand-driven. So, policymakers should not just look at the origin of a shock, but also its size and persistence. These policy implications are highly relevant to today's world. We're facing multiple layers of uncertainty − from geopolitical tensions, green transition challenges, technological disruptions to renewed trade protectionism. In short, effective policy under uncertainty requires differentiation: by type of shock, by state of the economy, and by the scale and persistence of the disruption, with explicit attention to the non-linearities and feedback loops they generate. *How does this relate to DNB policy?* Andra: My thesis has a clear policy focus, combining theoretical models and empirical evidence to help inform various policy discussions. For example, some of the insights from chapter five on the impact of global supply chain pressures on the recent surge in euro area inflation featured in a speech by Governor Klaas Knot. *What are you going to do next?* Andra: As part of the econometrics and modelling team, I will continue focusing on research and working on expanding the DNB’s suite of models alongside many talented colleagues.**Read more?** You can [download](https://research.rug.nl/en/publications/uncertainty-large-shocks-and-economic-policy) Andra’s PhD thesis.[Go to the top](#R5top)Contact: Office.ebo@dnb.nl

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