October 2024

DNB Research Newsletter

Research highlights

1. Euro area monetary policy effects. Does the shape of the yield curve matter?

In a forthcoming article in the Journal of Monetary Economics, Maria Sole Pagliari and her coauthors propose a novel approach to assessing the effects of monetary policy in the euro area. Their method focuses on movements in the entire yield curve around key policy announcements. They show how changes in the term structure of interest rates around these announcements influence the response of key macroeconomic variables.

Read more.

2. Should developed economies manage international capital flows?

Long recognized as forces affecting emerging market economies, this forthcoming article in the Oxford Bulletin of Economics and Statistics by Dennis Bonam, Gavin Goy and Emmanuel de Veirman analyses the question whether country risk premium shocks also matter for developed economies.

Read more.

3. The ecosystem service degradation sensitivity indicator: A new framework for understanding the financial risk repercussions of nature degradation

In a recent DNB working paper, Sébastien Gallet, Antje Hendricks and Julja Prodani present a new framework for integrating dependence on nature and the degree of nature degradation in estimations of credit risk-related losses for banks. The framework brings the field of nature-related financial risks forward by proposing a capital-based sensitivity indicator to nature degradation, thereby moving from an "exposure" approach to a "financial risk" approach.

Read more.

4. PhD defense: Interview with Stefan Wöhrmüller

On September 25, Stefan defended his PhD thesis "Essays in Macroeconomics with Household Heterogeneity" at the University of Amsterdam. Stefan is currently working at DNB in the economic policy and research division.
Read more.

Publications (since June 2024)

Working Papers

815 - Financial literacy in the DNB Household Survey: Insights from innovative data collection
Maarten van Rooij, Rob Alessie, Annamaria Lusardi

814 - The ecosystem service degradation sensitivity indicator (EDSI): A new framework for understanding the financial risk repercussions of nature degradation
Sébastien Gallet, Antje Hendricks, Julja Prodani

813 – Barriers to Entry and the Labor Market
Andrea Colciago, Marco Membretti

Occasional Studies

On the profitability of central banks

Paul Wessels

DNB Analyses

De effecten van de nieuwe Europese begrotingsregels
Guus Brouwer, Daan de Leeuw, Niek de Meijier

The monetary policy response to high inflation
Paolo Bonomolo, Minke van der Heijden, Marco Hoeberichts, Jip Italianer, Inge Klaver, Sebastian Rast

De toereikendheid van pensioenen: naar een completer beeld van pensioeninkomen van de Nederlandse bevolking
Cindy Biesenbeek, Jim Been, Koen Caminada, Kees Goudswaard (Universiteit Leiden), Marike Knoef (Tilburg Universiteit)

Internationale verwevenheid scherper in beeld
Melle Bijlsma, Daan Beijersbergen, Arjen Berkenbos, Eric Klaaijsen, Melanie Koymans, Peter Minderhoud

Published journal articles

Spillover effects of sovereign bond purchases in the euro area
Yvo Mudde, Anna Samarina and Robert Vermeulen
International Journal of Central Banking 20(2), 343-389.

Wall Street Watches Washington: Asset Pricing Implications of Policy Uncertainty
Ralph C. Verhoeks, Willem F.C. Verschoor and Remco C.J. Zwinkels
Journal of Behavioral and Experimental Finance, 2024, 41, 100883

Global supply chain pressures, inflation, and implications for monetary policy
Guido Ascari, Dennis Bonam and Andra Smadu
Journal of International Money and Finance, 142 (2024): 103029

Coherence without Rationality at the Zero Lower Bound
Guido Ascari, Sophocles Mavroeidis and Nigel McClung
Journal of Economic Theory 214 (2023): 105745.

The International Dimension of Trend Inflation
Guido Ascari and Luca Fosso
Journal of International Economics 148 (2024): 103896

Empirical evidence on the Euler equation for investment in the US
Guido Ascari, Qazi Haque, Leandro M. Magnusson and Sophocles Mavroeidis
Journal of Applied Econometrics (2024)

The (ir)relevance of rule-of-thumb consumers for U.S. business cycle fluctuations
Guido Ascari, Alice Albonico and Qazi Haque
Journal of Money, Credit and Banking 56.4 (2024): 769-804

Forthcoming journal articles

The Bank of Amsterdam and the limits of fiat money
Wilko Bolt, Jon Frost, Hyun Song Shin and Peter Wierts
Journal of Political Economy

Inflation expectations anchoring: new insights from micro evidence of a survey at high-frequency and of distributions
Gabriele Galati, Nikos Apokoritis and Richhild Moessner
International Journal of Central Banking

What drives trust in the financial sector supervisor? New empirical evidence for the Netherlands
Carin van der Cruijsen, Maurice Doll and Jakob de Haan
Empirica

Long-term Investors, Demand Shifts, and Yields
Kristy Jansen
Revier of Financial Studies

Fearless woman: Financial literacy, confidence, and stock market participation
Tabea Bucher-Koenen, Rob Alessie, Annamaria Lusardi and Maarten van

Rooij
Management Science

Financial literacy in the DNB Household Survey: Insights from innovative data collection
Maarten van Rooij, Rob Alessie and Annamaria Lusardi
Journal of Financial Literacy and Wellbeing

For a complete list of publications see our website.

Forthcoming books/articles in books

Central Bank Capital in Turbulent Times: The Risk Management Dimension of Novel Monetary Policy Instruments
Dirk Broeders, Aerdt Houben, Matteo Bonetti (Editors)
Springer Contributions to Finance and Accounting Series

Other publications

Europese rentes overgeleverd aan Amerikaanse economie
Romain Meuwissen, Gibran Watfe
Economisch Statistische Berichten, 1 Augustus 2024

The US fiscal mess: Some unpleasant fiscal simulations
Guido Ascari Giancarlo Corsetti Tilda Horvath Riccardo Trezzi
VoxEU Column

Betaaltaken gelijker verdeeld bij koppels van hetzelfde geslacht
Carin van der Cruijsen Marie-Claire Broekhoff, Joris Knoben
Economisch Statistische Berichten, 28 Augustus 2024

Betaalbaarheid van woningen sinds 2013 fors verslechterd
Niek de Meijier, Dorinth van Dijk
Economisch Statistische Berichten, 21 Augustus 2024
Radio interview (min 42 onwards).

Workshops and conferences

21-22 November, 2024 - DNB Annual Research Conference (ARC)

19-20 December, 2024 – 3rd XAmsterdam Macroeconomic Workshop

Events

Research seminars

Past

09 July 2024: Bank Specialization in Lending to New Firms

Diana Bonfim (European Central Bank)

03 Sept 2024: News, Noise, Anchoring and International Yield Curves
Refet Gurkaynak (Bilkent University)
10 Sept 2024: The Real Effects of Borrower-Based Macroprudential Policy: Evidence from Administrative Household-Level Data
Sjoerd van Bekkum (Erasmus University Rotterdam)
17 Sept 2024: Estimating HANK for Central Banks
Marco del Negro (New York Fed)
24 Sept 2024: Understanding Growth-at-Risk: A Markov-Switching Approach
Francesca Loria (Federal Reserve)

Forthcoming
01 Oct 2024: TBA
Francesco Zanetti (University of Oxford)
08 Oct 2024: Masters of Illusion: How Much do Banks Hide?
Roman Goncharenko (KU Leuven)
10 Oct 2024: Health Inequality and Economic Disparities by Race, Ethnicity, and Gender
Mariacristina Denardi (University of Minnesota)
15 Oct 2024: Non-Gaussian Business Cycle"
Michele Piffer (Bank of England, King's College London)
22 Oct 2024: TBA
Frank Smets (ECB)
05 Nov 2024: TBA
Stefanie Huber (Bonn University)
12 Nov 2024: TBA
Elmar Mertens (Deutsche Bundesbank)
19 Nov 2024: TBA
Julia Schaumburg (VU)
26 Nov 2024: TBA
Francois Lafond (University of Oxford)
28 Nov 2024: TBA
Emilien Ravigne (University of Oxford)

Other news

PhD defense: On 9 of October, Alexandre Carrier (former economic policy & research division) will defend his dissertation titled “Behavioral Expectations and Inequality Dynamics in Macroeconomics: Applications to Central Bank

Asset Purchase Policies". Supervisors are Prof. C.H. Hommes and Prof. H. Dawid. More details

Research work by Kristy Jansen and Patty Duijm from DNB (together with Sven Klinger and Angelo Ranaldo) titled "Pension Liquidity Risk" was awarded the First Place in the International Centre for Pension Management (ICPM) Research Award.

Research highlights, details

1. Euro area monetary policy effects. Does the shape of the yield curve matter?

The paper offers a new perspective on euro area monetary policy analysis. The authors make three main contributions to the literature: i) describe euro area monetary policy surprises using the full changes in the yield curve around key policy events, including monetary policy decisions taken in regular ECB monetary policy meetings, certain announcements outside these meetings, and a few speeches by the ECB President; ii) construct a novel database of euro area surprises based on minute-by-minute data; iii) develop and estimate a Functional VARX methodological approach to quantify the impact of these surprises on euro area macroeconomic aggregates. A counterfactual analysis, based on the model's estimated parameters and simulated surprises, shows that the shape of the monetary policy surprise does matter for the effect on the macroeconomy.

Read more?

See Journal of Monetary Economics, Euro area monetary policy effects. Does the shape of the yield curve matter?, by Florens Odendahl, Maria Sole Pagliari, Adrian Penalver, Barbara Rossi and Giulia Sestieri.

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2. Should developed economies manage international capital flows?

Using a Bayesian Panel VAR with hierarchical prior, the authors show that in developed economies, risk premium shocks explain a non-trivial share of aggregate fluctuations and are key drivers of real activity during crises. The empirical results indicate that an increase in the risk premium leads to a reduction in aggregate output under monetary union, but not so in countries with flexible exchange rates and independent monetary policy. These findings

are further supported by the predictions of a two-country New Keynesian model. Going a step further, model simulations suggest that managing international capital flows enhances welfare in countries under monetary union.

Read more?

See Oxford Bulletin of Economics and Statistics, Should Developed Economies Manage International Capital Flows? An Empirical and Welfare Analysis, by Dennis Bonam, Gavin Goy and Emmanuel de Veirman.

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3. The Ecosystem service Degradation Sensitivity Indicator (EDSI): A new framework for understanding the financial risk repercussions of nature degradation

This paper introduces a new framework which brings the field of nature-related financial risks forward by proposing a capital-based sensitivity indicator to nature degradation. This ecosystem service degradation sensitivity indicator (EDSI) shows how much of a bank's available capital buffer on top of its minimum requirements is lost due to a shock on nature. It enables cross-bank and cross-country comparison of potential financial losses related to nature degradation. Our results indicate that incorporating nature degradation into financial risk estimates adds an important - and currently missing - layer of risk and offers additional differentiation in capital impact among banks and countries. While in this paper the framework uses hypothetical shocks on nature and can therefore only produce comparative sensitivity indicators, upon calibrating a shock on different ecosystem services the framework can be used to stress-test financial institutions' solvency position.

Read more?

See the DNB working paper no. 814 The ecosystem service degradation sensitivity indicator (EDSI): A new framework for understanding the financial risk repercussions of nature degradation by Sébastien Gallet, Antje Hendricks and Julja Prodani

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4. PhD defense: Interview with Stefan Wöhrmüller

First of all, congratulations on getting to the end of the PhD! Can you tell what is the topic of your PhD thesis?

Thank you! My thesis is titled "Essays in Macroeconomics with Household Heterogeneity". The thesis consists of three essays that study consumption and saving decisions of heterogeneous households and the effect of economic policy using both theoretical and empirical methods. Throughout the thesis, the focus is on how households' behavior and response to economic shocks and policy depends on their position in the income and wealth distribution.

And what are the main takeaways from your thesis?

To summarize a lot, the most important three take-aways from my thesis chapters are: i) Under a fixed level of asset supply, in general equilibrium a reduced availability of credit can actually help asset-rich households to smooth their consumption; ii) Welfare-maximizing carbon taxes should take into account redistributive issues in environments with market incompleteness; iii) Environmental Engel Curves, which relate income to greenhouse gas consumption, are flatter and more linear when estimated in a panel data framework.

How the findings from your research interact with the policy being done at DNB?

At my day-to-day work at DNB, it is not so much my findings but the tools I acquired through my research that interact with the policy being done at DNB. Being part of the econometrics and modeling department, I am helping to develop models that will hopefully provide useful guidance to colleagues in policy departments for their discussions with various stakeholders.

And what are your plans now? Will you continue with doing research?

Last September, I started working in the econometrics and modelling team (ECMO) at DNB. I will continue doing research and work on my thesis chapters as well as a new project together with colleagues from the DNB. Within ECMO, I am part of the group that works on a new DELFI model, which is an exciting project to be part of**.**

Read more?

You can download Stefan's PhD thesis

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