**INTERNATIONAL MONETARY FUND**

**Joint Vienna Institute/Institute for Capacity Development–European and Middle Eastern Division**

**Course on Monetary and Exchange Rate Policy (JV14.29)**

**Vienna, Austria**

**November 3–14, 2014**

**PROGRAM[1]**

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*Monic, November 3*

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| 8:30 a.m. – 9:00 a.m. | | **Administrative Briefing** <br> Conducted by Ms. Tatiana Bredniakova <br> Program Officer, Joint Vienna Institute (JVI) |
| 9:00 a.m. – 9:15 a.m. | | **Opening Session: Introductory Remarks** <br> Session conducted by Mr. Ray Brooks, Chief, <br> European and Middle Eastern Division, Institute for <br> Capacity Development (ICD) |
| 9:15 a.m. – 9:45 a.m. | | **Course Introduction and Quiz** <br> Session conducted by Mr. Brooks; Mr. Fukac (Consultant) <br> and Mikhail Pranovich (Economist, JVI) |
| 9:45 a.m. – 10:00 a.m. | | Coffee Break |
| 10:00 a.m. – 12:15 p.m. | L–1 | **Monetary Policy Frameworks and Exchange Rate Regimes** <br> Lecture by Mr. Brooks <br> - What are the goals of monetary policy? <br> - Alternative monetary and exchange rate policy frameworks <br> - How to choose a monetary and exchange rate framework |
| 2:00 p.m. – 5:15 p.m. | L–2 | **Concepts, Measurement, and Determinants of Inflation** <br> Lecture by Mr. Fukac <br> - Measuring headline and core inflation rates <br> - How economic models explain inflation <br> - Determinants of inflation |
| 6:00 p.m. – 8:00 p.m. | | **Welcome Reception** |

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[1] *Unless otherwise stated, coffee breaks will be held from 10:30 a.m.–10:45 a.m. and from 3:30 –3:45 p.m.*

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| 9:00 a.m. – 12:15 p.m. | L–3 | **Exchange Rates: Concepts, Measurement, and Assessments of the Equilibrium Exchange Rate**<br>Lecture by Mr. Pranovich<br>- Exchange rate concepts: bilateral vs. multilateral, nominal vs. real<br>- Measures of price competitiveness: practical considerations<br>- Equilibrium real exchange rate and long-run trends in real exchange rates<br>Assessment methodologies: CGER and EBA |
| 2:00 p.m. – 5:15 p.m. | W–1 | **Workshop on Estimating the Equilibrium Real Exchange Rates**<br>- Application of the CGER and EBA methodologies for exchange rate assessments |

*Wednesday, November 5*

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| 9:00 a.m. – 12:15 p.m. | L–4 | **The Monetary Policy Transmission Mechanism**<br>Lecture by Mr. Brooks<br>- Transmission mechanism observations<br>- Transmission mechanism channels (interest rate, exchange rate, asset prices, and credit)<br>Some issues faced in practice |
| 2:00 p.m. – 5:15 p.m. | W–2 | **Workshop on Diagnosing Inflation**<br>Discuss recent trends in inflation and evaluate prospective inflation in Chile |

*Thursday, November 6*

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| 9:00 a.m. – 10:30 a.m. | L–5 | **Monetary Policy Instruments**<br>Lecture by Mr. Pranovich<br>- Definitions of instruments: direct and indirect instruments<br>- Types, pros and cons of direct instruments<br>- Subordination of policy objectives: the link between policy instruments and operating objectives<br>- Implementation framework: standing facilities, open market operations and required reserves |
| 10:45 a.m. – 12:15 p.m. | L–6 | **Forward Looking Monetary Policy Frameworks**<br>Lecture by Mr. Brooks<br>- What is a forward-looking framework?<br>- Inflation targeting—what is it and why was it adopted?<br>- Operational and design issues (dealing with oil price shocks, forex intervention as an instrument)<br>- Case studies (Armenia, Chile, Israel, New Zealand) |

| 2:00 p.m. – 5:15 p.m. | L–7 | **Introduction to a Small Macro Model** |
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Lecture by Mr. Fukac
- Structural model as a story-telling tool
- Structure of a stylized small open economy model
- Exchange rate regimes and monetary policy rules
- First steps in making the model operational in a policy environment

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*Friday, November 7*

| 9:00 a.m. – 10.30 a.m. | L–8 | **Capital Flows: Macroeconomic Implications and Monetary and Exchange Rate Policy Responses** |
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Lecture by Ms. Fukac
- Capital flows to emerging markets: empirical facts
- Capital inflows. Problems and policies to address them
- Capital outflows. Sudden stops and policies to address them

| 10.45 a.m. – 12:15 p.m. | W–3 | **Case Study on Strategy for Dealing with a Surge in Capital Inflows** |
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- Discussion of Thailand's experience with using capital controls to stabilize its economy during 2006-07

| 2:00 p.m. – 5:15 p.m. | O-1 | **Preparation for Debates On Key Issues, followed by three 20-minute debates** |
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*Monday, November 10*

| 9:00 a.m. – 12:15 p.m. | L–9 | **Lessons for Monetary and Macroprudential Policies from the Recent Crisis** |
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Lecture by Mr. Fukac
- Consensus Before the Crisis
- Lessons from the Crisis
- New Proposals for Monetary Policy
- The Interaction of Monetary and Macroprudential Policies

| 2:00 p.m. – 5:15 p.m. | W–4 | **Case Study on Strategies for Monetary and Exchange Rate Policy in the Aftermath of Capital Outflows** |
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- Discussion of alternative monetary and exchange rate policy responses to sudden capital outflows using the experience of two New Member States during the global financial crisis (2008–2010)

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| *Tuesday, November 11* | | |
| 9:00 a.m. – 11:15 p.m. | L–10 | **Consistency of Exchange Rate and Monetary Policy Objectives**<br>Lecture by Mr. Pranovich<br>- Consistency of the REER trend, inflation and nominal exchange rate objectives;<br>- Real UIP: consistency of the REER trend, interest rate differential and sovereign premium<br>- The long run trends and the steady state in a Small Structured Model<br>- Trend-cycle decomposition: filtration |
| 11:15 p.m. – 12:15 p.m. | W–5 | **Workshop on Using a Model for Monetary Policy Analysis**<br>Discuss the scope for monetary policy in the Czech Republic using a simple reduced-form, new-Keynesian model: prepare a medium-term inflation forecast and discuss the setting of the monetary stance |
| 2:00 p.m. – 5:15 p.m. | W–5 | **Workshop on Using a Model for Monetary Policy Analysis (continued)** |
| *Wednesday, November 12* | | |
| 9:00 a.m. – 10:30 a.m. | L–11 | **Establishing a Structured System for Monetary Analysis**<br>Lecture by Mr. Pranovich<br>- Key elements and purpose of the FPAS<br>- Two model-components: Near-term and medium-term forecasting<br>- Forecasting process and reporting |
| 10:45 a.m. – 12:15 p.m. | W–5 | **Workshop on Using a Model for Monetary Policy Analysis (continued)** |
| 2:00 p.m. – 5:15 p.m. | W–5 | **Workshop on Using a Model for Monetary Policy Analysis (continued)** |
| *Thursday,  November 13* | | |
| 9:00 a.m. – 10:30 a.m. | L–12 | **Credibility, Expectations, and Central Bank Communication Policy**<br>Lecture by Mr. Brooks<br>- What is the role of expectations?<br>- Good communication practices<br>-  Case studies |
| 10:45 a.m. – 12:15 p.m. | W–5 | **Workshop on Using a Model for Monetary Policy Analysis (continued)** |
| 2:00 p.m. – 3:30 p.m. | W–5 | **Workshop on Using a Model for Monetary Policy Analysis (continued)** |

| 3:45 p.m. – 5:15 p.m. | W–5 | **Workshop on Using a Model for Monetary Policy Analysis: Group Presentations** |

**Farewell Dinner (7:00 pm)**

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*Friday, November 14*

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| 9:00 a.m. – 10:30 a.m. | **Seminar on "The Czech Economy and Monetary Policy - Deflationary Risks and the Exchange Rate as a Monetary Policy Instrument"**<br>By Mr. Martin Motl, Senior Economist, Monetary and Statistics Department, Czech National Bank |

| 10:45 a.m. – 11.30p.m. | **Closing Session and Presentation of Certificates**<br>(includes evaluation and quiz) |

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