

Foreword

This book presents the main macroeconomic models used in the central banks of the euro area. These include models of individual countries, multi-country models and aggregate euro-area models. In my view the important contribution of this volume is that it is the first attempt to provide a systematic comparison of these models in terms of their structures, main features and properties. In line with the Eurosystem policy of openness and transparency, we have decided to publish, in many cases for the first time, the details of these models. I believe that this information will be of interest to central bankers, academics, ECB watchers and the many others interested in learning more about the functioning of the euro-area economy.

The interest in this volume will stem from the fact that these tools provide an important input into policy formulation within the Eurosystem. Of course, as the overview chapter indicates, these models are not used in a mechanical fashion. The information they provide complements that from other sources, including smaller scale models, monetary and financial indicators, survey evidence and judgmental assessments. Nevertheless the models described in this volume are a crucial element in the preparation of economic projections, helping to ensure consistency within and across countries. They are also extensively used for scenario analysis aimed at assessing the impacts of shocks on the economy and for rapidly updating projections in the light of new information.

This volume has been prepared through the cooperation of experts in the Working Group on Econometric Modelling (WGEM). This working group provides a forum in which technical experts from around the Eurosystem can exchange ideas and experiences in relation to model development. Through such cooperation we have been able to exploit important synergies in model development. The result has been a considerable improvement in the quality of our modelling infrastructure and a greater degree of convergence in the underlying approaches to model building. Complete harmonization has not been achieved, but, so long as there are open issues in macroeconomics, this would be neither realistic nor desirable. Nevertheless cooperation has enabled us to learn

much from one another, and this volume is one of the fruits of this endeavour.

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