The transmission mechanism in a changing world

Michael Artis  Ana Beatriz Galvão
University of Manchester and CEPR  Ibmec São Paulo
Massimiliano Marcellino
Bocconi University, IGIER and CEPR

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1 Description of Data Set

The endogenous variables in the systems are always the quarterly growth of real GDP, that is, 100 times the first difference of log-level of real GDP. The series French GDP is computed using nominal GDP and GDP deflator from the OECD dataset (1970:Q1-2001:Q2). The series for Italy, US and UK are the constant price series (base 1995) presented by the OECD and have the same length as the French one. The series of output growth of Germany is computed using the current price series from OECD. The series is not seasonally adjusted before 1991:Q2 and we do the adjustment using X12. We avoid the jump due to the unification using the GDP growth for West Germany until 1991:Q1 and for unified Germany from 1991:Q2. For Spain, we use growth rates of the IMF GDP volume index until 1980:Q1, and then the OECD constant price series is available with the same base as the one in previous countries.

All transition variables are quarterly and are described below.

1.1 Transition Variables

1.1.1 Monetary Policy Instruments

RST-: Short-Term Real Interest Rate
Calculation: \[ \ln(1+(ST-((CPI/(\text{lag}(CPI,4)))-1)*100)/100, \text{where CPI is the Consumer Price Index (base 1995=100) and lag}(CPI,4) \text{ is the CPI lagged 4 periods} \]
Source: IFS (2002)

ST: Short-Term Interest Rate
Description: France, UK, US: Treasury Bill Rate; Germany, Italy, Spain: Money Market Rate, percent per annum, end of period
Source: IFS (2002)
DM2SA: Broad Money M2
Description: sum of Money (IFS, line 34=lines 14a+14d+14e+14f+14g+24) and Quasi-Money , (IFS, line 35=lines 15+25) billions of national currency; break in 1999q1 for Euro area countries due to the change to a Euro area-wide definition of residency; starting in 1999q1, data are converted using the Euro conversion rate
Transformation: 100*1st log difference of seasonally adjusted series (with X12)
Sample period: 1970Q1-2001Q4
Source: IFS (2002)

1.1.2 Financial Variables
DREER: Real Effective Exchange Rate
Description: index number (base 1995=100), for IFS: REER based on relative consumer prices
Transformation: 100*1st log difference
Sample period: France, Germany, Italy, Spain, US: 1970q1-2001q4; UK: 1972Q1-2001Q4
D_ERE: Exchange Rate
Description: units of national currency per US Dollar, end of period; starting in 1999q1, D_ERE for Euro area countries is based on Euro-US Dollar exchange rate and the Euro conversion rates
Transformation: 100*1st log difference
Sample period: 1970Q1-2001Q4
Source: IFS (2002)
RLT: Long-Term Real Interest Rate
Calculation: ln(1+(LT-((CPI/(lag(CPI,4)))-1)*100)/100, where CPI is the Consumer Price Index with (base 1995=100) and lag(CPI,4) is the CPI lagged 4 periods
Sample period: France, Germany, Italy, UK, US: 1970q1-2001q4; Spain: 1978q2-2001q4
Source: IFS (2002)
LT: Long-Term Interest Rate
Description: Government Bond Yield, percent per annum, end of period
Source: IFS (2002)
DSP11: Share Prices
Description: index number (base 1995=100), UK, US: Share Prices Industrial
Transformation: 100*1st log difference
Sample period: France, Germany, Italy, Spain, US: 1970q1-2001q4; UK: 1970Q1-1999Q1
Source: IFS (2002)
1.1.3 International Capital Flows

**BIN: Net Banks International Assets over Liabilities/GDP**

**Description:** ratio of Deposit Money Banks International Assets to GDP, where the nominator=(IFS, line .7a., billions of US Dollars) and the denominator=GDP nominal, seasonally adjusted (IFS, line 99b, billions of national currency) divided by the period average exchange rate; break in 1999q1 for Euro area countries due to the change to a Euro area-wide definition of residency.

**Transformation:**

**Sample period:** France, Germany, Italy, Spain: 1970q1-2001q4; France: missing 1998q3-q4; UK, US: 1970q1-2001q3.

**Source:** IFS (2002)

**TNET: Total Net Flows/GDP**

**Description:** ratio of Total Net International Capital Flows (sum of net FDI, net portfolio and net other investments) to GDP, where the nominator=(IFS, lines 78bd+78be+78bf+78bg+78bh+78bi, billions of US Dollars) and the denominator=GDP nominal, seasonally adjusted (IFS, line 99b, billions of national currency) divided by the period average exchange rate.

**Transformation:**


**Source:** IFS (2002)

**BDBAL: External Assets/Liabilities of German Banks**

**Description:** ratio of External Assets to External Liabilities of German Banks (vis-à-vis a given chosen country, both in millions of Euro).

**Transformation:**

**Sample period:** France, Italy, UK, US: 1975Q4-2001Q4; Spain: 1982Q2-2001Q3

**Source:** Datastream, Bundesbank Data

**USBCL: External Claims/Liabilities of US Banks**

**Description:** ratio of Total Claims on Foreigners to Total Liabilities to Foreigners Reported by Banks in the US (both in millions US dollar).

**Transformation:**

**Sample period:** 1978Q2-2001Q4

**Source:** US Treasury

**USBGR: US Bond Purchase from Country X/Total Europe**

**Description:** ratio of Gross Purchases by US Residents of Foreign Bonds from country X to Gross Purchases by US Residents of Foreign Bonds from Total Europe (in millions US dollar).

**Transformation:**

**Sample period:** 1977Q1-2001Q4

**Source:** US Treasury (2002)

**USSTGR: US Stock Sales to Country X/Total Europe**

**Description:** ratio of Gross Sales by US Residents of US Corporate Stocks to country X to Gross Sales by US Residents of US Corporate Stocks to Total Europe (both in millions US dollar).

**Transformation:**

**Sample period:** 1977Q1-2001Q4

**Source:** US Treasury (2002)
1.1.4 Trade

**TOT: Terms of Trade**

**Description:** ratio of Export Price Index (base 1995=100) to Import Price Index (base 1995=100)

**Sample period:**
- France: 1970q1-2001q2; Germany, Italy: 1970q1-2001q1;

**Source:** IFS (2002)

**TRADE: Trade with Chosen Countries/Total Trade**

**Description:** Trade (exports plus imports) with the Chosen Countries in percent to Total Trade

**Original frequency:** monthly

**Transformation:** seasonally adjusted with X12. quarterly data obtained by averaging monthly data over quarters.

**Sample period:** 1970:Q1-2001:Q3

**Source:** OECD (2002)

1.1.5 Natural Resources

**OLIMP: Oil Imports/GDP**

**Description:** ratio of Net Oil Imports to GDP, toe per thousand 1995 US dollars

**Transformation:** linear interpolation assuming that the obs. of Q4 is the annual value

**Original frequency:** annual

**Sample period:** 1970-1999


**NETIMP: Net Imports of Mineral Fuels/GDP**

**Description:** Net Imports (imports minus exports) of Mineral Fuels, Lubricants and Related Materials (SITC Section 3), millions of US dollars to GDP

**Transformation:** 100*

**Sample period:** 1970Q1-2000Q2. Spain: data not included

**Source:** OECD (2002) (Foreign Trade / Monthly Foreign Trade Statistics / Trade by Standard International Trade Classification (SITC) Sections)

1.1.6 Labour Market

**UNEM: Unemployment Rate**

**Description:** unemployment as percentage of total labour force, seasonally adjusted

**Transformation:**


**Source:** OECD