

WORKING PAPERS OF EESTI PANK IN 2000

Research projects completed in 2000 (and publications on these materials) lead to the area – monetary transmission problems in the framework of currency board arrangement and fixed exchange rate regime – where Eesti Pank aims to develop competency advantage over the central banks of other EU applicant countries. Specialisation and high proficiency in a specific area is an important aspect of co-operation with the European Central Bank as well as with member countries of the European System of Central Banks.

Summaries of eight researches were published in the series *Working Papers of Eesti Pank (Eesti Panga Toimetised)*. Three of them have parallel English/Estonian versions. A short overview of the papers in 2000 will follow.

Urmas Sepp, Andres Vesilind, Ülo Kaasik, Estonian Inflation Model (Working Papers of Eesti Pank No 1, 2000, also in Estonian).

The research group Sepp–Vesilind–Kaasik analyses the determinants of inflation in Estonia, the basic factors of short- and long-term inflation and their interrelations. The inflation model built should serve for prognosis as well as for simulation.

Andres Vesilind, Mari Rell, The Relations of Wages and Productivity by Economic Sectors (in Estonian only).

This WP reviews the developments in productivity and wages in the course of a growth phase turning into a decline in Estonian economy. Main attention has been drawn on the question whether wages were elastic during the economic depression, which lasted from end-1998 until mid-1999.

Martti Randveer, The Dynamics of Estonian Financial Ratios in 1996 – 1st Half of 1999 (in Estonian only).

M. Randveer analyses the debt burden of Estonian enterprises and the relevant financial ratios. The period for dynamics review is 1996 – 1st half of 1999 and the analysis is carried out by branches of economy, size of enterprises and their ownership form. The author also compares the debt burden of Estonian enterprises and other financial ratios to the corresponding data of other countries.

Martti Randveer, Mari Rell, Formation of Asset Prices in Estonia (in Estonian only).

This research deals with the problems of theoretical and economic policy aspects of asset prices and gives a picture of the price level dynamics in Estonian real estate and asset markets during 1994 – 3rd quarter of 1999. The authors also assess the direction and scope of influence of the key-factors in real estate and asset markets' price

level changes as well as the causality relationship between real estate and consumer prices and between asset and consumer prices.

Iikka Korhonen, Mare Randveer, Assessment of the Euro's Implications for European Economic Development (WP No 2, also in Estonian).

The two independent researchers examine the effects of the single currency on the economic developments in eurozone and try to assess the reasons for divergences. Thereafter they view the possible impacts of the euro on global economy, with a special attention to Central and East European countries. The authors try to estimate, how a truly unified market within the European Union would affect the foreign trade and capital flows of the CEE countries. Finally, the authors focus on the variety of exchange rate mechanisms in the CEE countries and analyse the exchange rate regime options for the EMU accession candidates.

Fabio Filipozzi, Equilibrium Exchange Rate of the Estonian Kroon, Its Dynamics and Impacts of Deviations (WP No 3, also in Estonian).

Fabio Filipozzi, visiting researcher in Eesti Pank examines the behaviour of the real exchange rate of the Estonian kroon and investigates its impact on the competitiveness of Estonian economy. The author builds a model for the equilibrium exchange rate determination suitable for a small open economy as Estonia, which provides a theoretical basis for understanding what kind of fundamentals can affect real exchange rate behaviour.

Rasmus Pikkani, The Monetary Sector under a Currency Board Arrangement: Specification and Estimation of a Model with Estonian Data (WP No 4).

R. Pikkani provides a theoretical analysis of the monetary sector under a currency board arrangement and develops

an econometric model of Estonian monetary sector. Monetary environment is described through bank lending rate, bank credit and money demand. Apart from other specifically CBA-features special attention is paid on the elasticity of foreign capital supply. Herein, two alternative specifications for foreign capital supply regimes are tested.

*Martti Randveer, **Income Level Convergence of the EU Members and Accession Countries*** (in Estonian only). This paper deals with the theoretical aspects of income level convergence, brings forth the main conclusions of relevant researches and describes the possible impact of

the EU on the income level convergence. The author gives a short overview of the income level convergence of accession countries and estimates the duration of the period Estonia's (and other CEE countries') income level would reach the EU level. Relations between income and price level convergence are also dealt with.

All Working Papers are disclosed on the Eesti Pank web site (<http://www.ee/epbe>). Printed versions are available in bigger libraries and on sale at the Museum of Eesti Pank.