

CONTENT

	GOVERNOR'S FOREWORD	7
	EDITOR'S INTRODUCTORY WORD	9
1.	EVALUATION OF THE FULFILMENT OF THE CNB'S INFLATION TARGETS 1998–2007	10
	Kateřina Šmídková	
	The origin of this volume	11
	Potential factors affecting inflation deviations from the target	11
	The focus of contributed papers	12
	Potential factors behind the inflation deviations from the target	14
	Concluding remarks	16
	References	17
2.	BASIC CHARACTERISTICS OF INFLATION TARGETING IN THE CZECH REPUBLIC	18
	Juraj Antal, Michal Hlaváček, Tomáš Holub	
	Introduction	19
	Macro-economic development and target fulfilment over the past 10 years	20
	Extent of target non-fulfilment and its development in time	21
	International comparisons	26
	Conclusion	32
	References	34
3.	A SIMPLE, MODEL-INDEPENDENT ANALYSIS OF REASONS FOR NON-FULFILLMENT OF THE DECLARED INFLATION TARGET	35
	Michal Skořepa	
	Introduction	36
	Period under review	36
	Hypotheses	38
	The method	38
	Results	42
	Summary	45
	References	46
4.	CAUSES OF DEVIATIONS OF INFLATION FROM CNB TARGETS – AN EMPIRICAL ANALYSIS	47
	Tomáš Holub	
	Introduction	48
	Literature review and basic statistical tests	48
	Estimates of VAR models	51
	Conclusion	55
	References	56

5.	PREDICTION BIAS AND UNDERSHOOTING OF THE INFLATION TARGET	57
	Juraj Antal, Michal Hlaváček, Roman Horváth	
	Introduction	58
	Overview of analyses of the prediction tools of foreign central banks	59
	Distribution of prediction errors of headline inflation, net inflation and core CPI ex food inflation, 1998-2007	61
	Distribution of inflation prediction deviations across separate price segments	65
	Distribution of prediction errors from QPM, 2002Q2-2007Q3	67
	Have errors in predictions of exogenous variables contributed to undershooting of the target?	72
	Conclusion	74
	References	75
	Appendix: Histograms of prediction errors, 1Q horizon, 2002-2007	76
6.	INFLATION FORECASTS ERRORS IN THE CZECH REPUBLIC: EVIDENCE FROM A PANEL OF INSTITUTIONS	77
	Jan Babecký, Jiří Podpiera	
	Introduction	78
	Methodology	79
	Results	81
	Concluding remarks	84
	References	85
7.	EVALUATION OF THE QUALITY AND SUCCESS RATE OF FORECASTS – A HISTORIC OVERVIEW	86
	Zuzana Antoničová, Karel Musil, Luboš Růžička, Jan Vlček	
	Introduction	87
	Summary of results	87
	Evaluation of the fulfilment of historical forecasts	88
	References	94
	Appendix 1: Points of departure and methodology	95
	Appendix 2: Deviations of the forecasts from reality	98

8. THE HISTORY OF INFLATION TARGETING IN THE CZECH REPUBLIC THROUGH OPTIC OF A DYNAMIC GENERAL EQUILIBRIUM MODEL	102
Jarek Hurník, Ondra Kameník, Jan Vlček	
Introduction	103
The model and the estimation method	104
Basic decomposition of monetary policy	109
Inflation target as an unobserved variable	114
Conclusions	115
References	116
9. ASYMMETRIC MONETARY POLICY IN THE CZECH REPUBLIC?	117
Roman Horváth	
Introduction	118
Data description and model	119
Results	122
Conclusions	127
References	127
Appendix: Derivation of the monetary policy rule	129
10. REASONS OF UNDERSHOOTING THE INFLATION TARGET IN THE CZECH REPUBLIC: THE ROLE OF INFLATION EXPECTATIONS	131
Roman Horváth	
Introduction	132
Econometric model description	133
Results	135
Conclusion	140
References	141
Appendix: Additional impulse responses	142