

# Accepted Manuscript

## Spillover Effects from Euro Area Monetary Policy across Europe: A Factor-Augmented VAR Approach

Galina Potjagailo

PII: S0261-5606(17)30003-7  
DOI: <http://dx.doi.org/10.1016/j.jimonfin.2017.01.003>  
Reference: JIMF 1739

To appear in: *Journal of International Money and Finance*

Received Date: 24 June 2016  
Accepted Date: 14 January 2017

Please cite this article as: G. Potjagailo, Spillover Effects from Euro Area Monetary Policy across Europe: A Factor-Augmented VAR Approach, *Journal of International Money and Finance* (2017), doi: <http://dx.doi.org/10.1016/j.jimonfin.2017.01.003>

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.



# Spillover Effects from Euro Area Monetary Policy across Europe: A Factor-Augmented VAR Approach

Galina Potjagailo\*

University of Kiel and Kiel Institute for the World Economy

January 10, 2017

## Abstract

I analyze spillover effects from a Euro area monetary policy shock to fourteen European countries outside the Euro area. The analysis is based on a factor-augmented VAR model with two blocks, which exploits a large cross-country data set. After a Euro area monetary policy expansion, production increases in most non-Euro area countries, whereas short-term interest rates and financial uncertainty decline. These effects are on average comparable to the responses in the aggregate Euro area. However, the size of spillover effects varies with country characteristics. Spillovers on production are larger in non-Euro area economies with higher trade openness, whereas financial variables react to a higher extent in countries with higher financial integration. Regarding the exchange rate regime, countries with fixed exchange rates show stronger spillovers both in terms of production and interest rates. Finally, prices increase in Western European economies outside the Euro area, but decline or do not respond in Central and Eastern Europe.

*Keywords:* Monetary policy, Euro area, Central and Eastern Europe, exchange rate regime, factor-augmented VAR (FAVAR)

*JEL classification:* C32, E52, F42

---

\*E-mail address: galina.potjagailo@ifw-kiel.de

Download English Version:

<https://daneshyari.com/en/article/5101198>

Download Persian Version:

<https://daneshyari.com/article/5101198>

[Daneshyari.com](https://daneshyari.com)