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### Data Article

# Real-time data for estimating a forward-looking interest rate rule of the ECB



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#### ABSTRACT

The purpose of the data presented in this article is to use it in ex post estimations of interest rate decisions by the European Central Bank (ECB), as it is done by Bletzinger and Wieland (2017) [1]. The data is of quarterly frequency from 1999 Q1 until 2013 Q2 and consists of the ECB's policy rate, inflation rate, real output growth and potential output growth in the euro area. To account for forward-looking decision making in the interest rate rule, the data consists of expectations about future inflation and output dynamics. While potential output is constructed based on data from the European Commission's annual macro-economic database, inflation and real output growth are taken from two different sources both provided by the ECB: the Survey of Professional Forecasters and projections made by ECB staff. Careful attention was given to the publication date of the collected data to ensure a real-time dataset only consisting of information which was available to the decision makers at the time of the decision.

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## Specifications Table

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Subject area	<i>Economics</i>
More specific subject area	<i>Monetary Policy, Interest Rate Rules</i>
Type of data	<i>Figures, Excel-File</i>
How data was acquired	<i>Constructed based on data collected in the internet</i>
Data format	<i>Raw, constructed</i>
Data accessibility	The data is made available in the supplementary material coming with this article.

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## Value of the data

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- Real-time data of key macroeconomic variables of the euro area which allows an empirical assessment of monetary policy decisions based on data available to policy makers at the time of the decision.
  - Data is not distorted by later revisions based on hindsight information.
  - Either the raw data or the constructed data are constant-horizon forecasts of macroeconomic variables which allows an assessment of forward-looking monetary policy decisions.
  - Two different sources to construct the same set of forecast variables allows to check which data performs better in empirical assessments of policy decisions.
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## 1. Data

Bletzinger and Wieland [1] analyse to what extent the interest rate set by the European Central Bank (ECB) can be explained by means of a simple interest rate rule. Similar to the Taylor [3] rule, it is assumed that the ECB sets its policy rate, the interest rate on its main refinancing operations (MRO), in response to aggregate inflation and output developments in the euro area. While inflation is measured as year-on-year percentage changes using Eurostat's Harmonised Index of Consumer Prices (HICP), output developments are based on the output gap which is defined as the difference between the quarter-on-quarter growth rate of the real gross domestic product and the quarter-on-quarter growth rate of real potential output. It is further assumed that the ECB policy makers are forward-looking and hence react to forecasts of inflation and output developments when setting the contemporaneous interest rate. Based on data availability, the forecast horizon for inflation is three quarters and for the output gap two quarters ahead. To proxy the information and expectation set of the ECB policy makers two different sources are used to construct the quarterly forecast data as outlined below.

## 2. Experimental design, materials and methods

One important aspect of the analysis by Bletzinger and Wieland [1] is the ex post evaluation of policy decisions taken in the past. For a sound analysis, which only takes into account that information which was available to policy makers at the time each decision was made, it is essential to employ real-time data. Hence, careful attention was given to the publication date of the collected data. In this regard, the policy rate set by the ECB policy makers in the second month of each quarter is used and all other variables are chosen such that they have been available at the time of the decision. The policy rate is the interest rate on main refinancing operations (MRO) irrespective of the tender procedure implemented by the ECB (variable or fixed rate tenders).

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