

Eva Zamrazilová: The role of macroeconomic models in the forecasting process - survey results

Speech by Ms Eva Zamrazilová, Deputy Governor of the Czech National Bank, at the Czech National Bank Workshop on "Monetary Policy: Inflation Targeting Frameworks Under Review", Prague, 1 April 2025.

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[Presentation](#) accompanying the speech

Good morning, ladies and gentlemen,

A very warm welcome from me as well.

It's not easy to take the floor after such a distinguished personality as Claudio Borio. However, I'll try to shift your attention to some quite interesting (practical) results covering 22 central banks concerning monetary policy frameworks.

Our panel will be organised as follows. First, I will briefly present selected issues from a questionnaire survey of 22 inflation-targeting central banks mostly from developed economies focused on the role of macroeconomic models in forecasting processes and decision-making. This short presentation will serve mainly as the kick-off for further discussion with our guests.

First, some background. In the summer of 2023, the Bank Board decided to reflect the past turbulent years, to check our monetary policy framework and, if necessary, to start a first-ever monetary policy review.

As a first step, we decided to learn some lessons about practices at other inflation-targeting central banks. A team from our Monetary Department led by Professor Komárek designed quite a comprehensive questionnaire, with more than 20 questions which more than 20 central banks responded to. The results, which can be found on our website, are, of course, in anonymised form. They offer a basic overview of the topics we were interested in.

The number and type of models, and their role and position.

We were especially interested in this question, because our practice to date has been to use one central fully-fledged model of the DSGE type.

This slide shows that the majority of central banks use two or more models. At the same time, most banks use a DSGE model, although not as their sole model – just two banks use DSGE this way.

DSGE is serving as main model in four CBs that use two or more models. Three banks have two equivalent core models, one of which is of DSGE type. Eight other banks use DSGE as a supportive model for cross-checking the results of the main model or for construction of alternative scenarios.

Therefore, the conclusion is clear – DSGE models certainly have a place in central banks' forecasting processes, but not an exclusive one. The responses reveal that we are a kind of an outlier, together with another two central banks, and that we should possibly try to develop a second model. This conclusion has since been confirmed by the two surveys conducted by our external reviewers.

Regarding the role of individual models in banks that use two or more models - minority of central banks (one third) have two equivalent models. One model is usually the core one and the other is ancillary. The motivation for having more than one model is to have an alternative concept or methodology, as well as to look for different levels of detail.

The final issue I would like to touch has been quite interesting for us as well. The responses to the question about the horizon for bringing inflation back to the target show that the most frequent monetary policy horizon is two years. Just four central banks prefer a shorter horizon, including ourselves, so we are in the minority again.

Those were my initial remarks and now let us turn to our panel discussion.