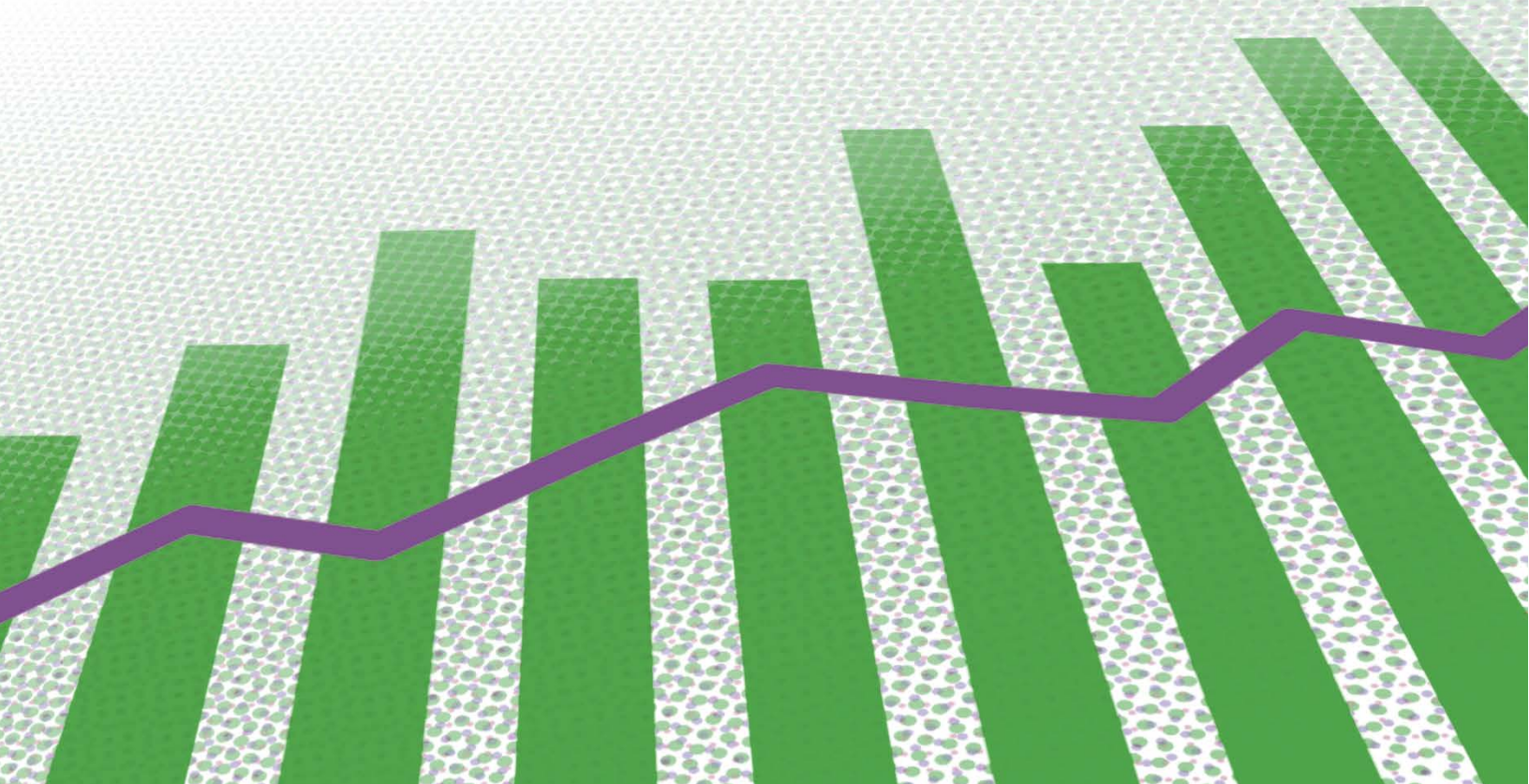




BANK OF CANADA
BANQUE DU CANADA

The Bank of Canada Monetary Policy Competition



The Bank of Canada Monetary Policy Competition

Objective: The Bank of Canada Monetary Policy Competition, is a team competition designed for undergraduate university students inspired by the policy-making process of the Bank of Canada. It is designed to encourage students to learn more about the Canadian economy, the Bank of Canada, and the implementation of monetary policy. More information about monetary policy decision-making process can be found at the following URL: <http://www.bankofcanada.ca/core-functions/monetary-policy/decision-making-process/>

Summary: Each team prepares a short presentation that makes and supports a recommendation for a monetary policy decision. The presentation should include the following elements: an analysis of relevant macroeconomic data, a discussion of economic risks facing the economy in the short- and medium term, and a case for the recommended policy action. The time allowance for each presentation is 20 minutes, followed by 10 minutes of questions from the judges (30 minutes total). The presentation can be made by one or more team members. Also, teams will decide which member(s) respond to questions. Teams are encouraged to be innovative in their presentations and not simply present material from previous monetary policy decisions.

Plan the presentation slides accordingly. The information on each slide should be used as an aid to build the case for the policy recommendation. Ensure each slide conveys at least one key point supported by the data analysis, and the slides are organized in logical sequence. It is very important to communicate your messages as clearly as possible; think of each slide ending with a takeaway message. When practicing your presentation, try to anticipate possible questions, and think of how you would address them. As a suggestion, you should aim for a maximum of 12 slides. You may also prepare additional backup slides that you can refer to should specific questions arise. These backup slides could be used to answer possible risk scenarios.

For example, an effective presentation might include the following parts:

- An introduction, containing a summary of your main observations and conclusions, and a consequent policy recommendation.
- A brief overview of recent developments in the Canadian and external economies, and in the financial markets that are relevant for your policy recommendation. These could be presented in terms of key themes as in the Bank of Canada's Monetary Policy Report (MPR). For example, in the January 2015 MPR, some of the key themes were "Global oil prices are at a five-year low," "Monetary policy paths are expected to diverge," and "Total CPI inflation is expected to drop below 1 per cent in 2015".
- Projected paths of some key Canadian macroeconomic variables, including, for example, the growth rate of GDP and the growth rates of its components: consumption, investment, government spending and net exports. The appendix suggests a list of possible data series to be used as inputs for your projections.

- A discussion of possible risks to the projection that are relevant for the policy decision, and the probability of these risks materializing. A good policy recommendation will ensure that positive and negative risks to the inflation projection balance each other out.¹ Be ready to defend your recommendation if it is challenged!

The main technical challenge is generating a plausible projected path of macroeconomic variables. The projection should cover the next three years. The uncertainty about your projections should be evaluated and considered in the policy recommendation. Teams can use a variety of econometric or macroeconomic models to generate such projections. The judges will likely have questions about your assumptions and models.

Evaluation: Teams are evaluated based on the following criteria:

- Quality of economic analysis (40%)
- Creative and innovative thinking (20%)
- Clarity of presentation, persuasiveness, and coherence of policy recommendation (20%)
- Team work (20%)

The presentations and the Q&A's can be conducted in either French and/or English. The innovative portion of the evaluation can be achieved through an original technical analysis, reliable novel data you find to support your conclusions, the depth and relevance of the risk analysis, or through effective new presentation techniques.

Timeline: The competition will take place in two rounds. The preliminary round of the competition would be conducted via video conference in November 2015 with teams placed into pools to reflect regional and university size.

The winners of each pool will advance to the national competition which would be held at Bank of Canada's head office in January 2016. The participants in the national competition will have their hotel accommodation paid for and will be offered a travel stipend to cover most of their travel costs, including economy class air or rail fare and ground transportation.

Contact information: Further information about the Bank of Canada Monetary Policy Competition can be directed to monetarypolicycompetition@bank-banque-canada.ca.

For planning purposes, we would appreciate a firm statement of interest from your institution along with a contact person who would serve as the coach for the team addressed to monetarypolicycompetition@bank-banque-canada.ca by 15 June 2015.

¹ See, for example, discussion in the Bank of Canada Monetary Policy Report, section on "Risks to the Inflation Outlook."

Appendix: possible data series to be used as inputs for projections

Nominal Gross Domestic Product (GDP)

- Description of GDP on Statscan: <http://www.statcan.gc.ca/nea-cen/about-apropos/gdp-pib-eng.htm>
- GDP data on Statscan is broken down by: Final consumption expenditure, Gross fixed capital formation, Investment in inventories, Exports of goods and services , less Imports of goods and services, and +/- a statistical discrepancy
- GDP data comes from table 380-0064 on CANSIM, manipulate the dates, and export the table
 - CANSIM Link: <http://www5.statcan.gc.ca/cansim/home-accueil?lang=eng>
 - For Nominal GDP, go to add/remove data and under “Step 2. Select Price”, uncheck “Chained (2007) dollars” and check “Current prices”
 - Then go to Step 7 and click “Apply”

Consumer Price Index (CPI)

- Description of CPI on Statscan:
<http://www23.statcan.gc.ca/imdb/p2SV.pl?Function=getSurvey&SDDS=2301>
- CPI data comes from table 326-0020 on CANSIM, manipulate the dates, and export the table
 - CANSIM Link: <http://www5.statcan.gc.ca/cansim/home-accueil?lang=eng>
 - CPI Table Link:
<http://www5.statcan.gc.ca/cansim/a26?lang=eng&retrLang=eng&id=3260020&paSer=&pattern=&stByVal=1&p1=1&p2=37&tabMode=dataTable&csid=>

Short Term Interest Rates

- The Bank of Canada posts interest rate data in the following link:
<http://www.bankofcanada.ca/rates/interest-rates/>
- To look up the yield for short term interest rates (less than 1 year), download T-bill rates for the last 10 years (since 2005) here: <http://www.bankofcanada.ca/rates/interest-rates/t-bill-yields/selected-treasury-bill-yields-10-year-lookup/#foot-two>

Exchange Rates

- <http://www.bankofcanada.ca/rates/exchange/> provides resources for Canadian exchange rates
- Download the exchange rates for the last 10 years (since 2005) here:
<http://www.bankofcanada.ca/rates/exchange/10-year-lookup/>
- Download monthly averages of exchange rates for the last 10 years here:
<http://www.bankofcanada.ca/rates/exchange/monthly-average-lookup/>

Unemployment

- Every month Statscan reports employment statistics in the Labour Force Survey. Information on the LFS is here:
<http://www23.statcan.gc.ca/imdb/p2SV.pl?Function=getSurvey&SDDS=3701>
- Unemployment data comes from table 282-0087 on CANSIM, manipulate the dates, and export the table
 - CANSIM Link: <http://www5.statcan.gc.ca/cansim/home-accueil?lang=eng> Unemployment Table Link:
<http://www5.statcan.gc.ca/cansim/a26?lang=eng&retrLang=eng&id=2820087&paSe r=&pattern=&stByVal=1&p1=1&p2=31&tabMode=dataTable&csid=>

Overview of Similar Competitions at other Central Banks

The Fed Challenge is an annual academic competition organized by the Federal Reserve, established in 1994 with the goal of promoting knowledge of economics, the Federal Reserve System, and monetary policy. In the competition, teams of 3-5 students from the same college (or high school – there are separate Challenges for colleges and for high schools) give presentations on current macroeconomic conditions, make a policy recommendation for the FOMC, and answer questions from the judges. The competition has three stages: two regional rounds at one of the Federal Reserve Banks, and the national competition at the Federal Reserve Board.

<http://www.federalreserve.gov/newsevents/conferences/fedchallenge.htm>

Bank of England's **Target Two Point Zero Challenge** is a competition established in 2000 “to give students a practical understanding of the way the economy works and an insight into how the Bank’s Monetary Policy Committee goes about its task of achieving the Government’s inflation target.” The Challenge is open to teams of 16-18 year old students from the same school or college. The teams compete in three rounds: regional, area final and national final. Teams make a presentation and present a recommendation as to what level of interest rates would lead to the inflation rate of 2.0 per cent.

<http://www.bankofengland.co.uk/education/pages/targettwopointzero/default.aspx>

ECB's **Generation Euro Student Award** is a competition for secondary school students (age 16-19) interested in economics and monetary policy. Student teams (4-5 members) compete in four stages: an online quiz, an essay on the assessment of economic conditions and inflation outlook, presentation at a national central bank (five best teams from each country), and finally the European award event at the ECB (winners of the previous round give a presentation on their interest rate decision).

<http://www.generationeuro.eu/>