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WORKING PAPER

**Monetary Policy Rules in Central and Eastern European
Countries: Does the Exchange Rate Matter?**

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Monetary Policy Rules in Central and Eastern European Countries: Does the Exchange Rate Matter?*

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Abstract:

We estimate monetary policy rules for six central and eastern European countries (CEEC) during the period, when they prepared for membership to the EU and monetary union. By taking changes in the policy settings explicitly into account and by introducing several new methodological features we significantly improve estimation results for monetary policy rules in CEEC. We find that in the Czech Republic, Hungary and Poland the focus of the interest rate setting behaviour switched from defending the peg to targeting inflation. For Slovakia, however, there still seemed to be an ongoing focus on the exchange rate. For Slovenia and only after a policy switch for Romania we find a solid relation with inflation as well.

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