

Robert Kelm

## **Monetary Policy in Poland 1995-2002: An Econometric Analysis of ERM**

### **II Entering Consequences**

The paper concerns the structural vector equilibrium correction model linking money supply, producers' prices, foreign reserves and exchange rate in Poland during transition period. Due to the shortage of the data estimates obtained by means of Johansen procedure lead to uninterpretable profiles of impulse responses. Much more interesting conclusions can be drawn from a system based on *a priori* economic-theory long-run assumptions, i.e. Fisher equation, LM function and extended PPP equation.

Empirical results obtained within "multidimensional" Engle-Granger procedure indicate very restrictive anti-inflationary policy of the Polish central bank during transition and very quick adjustment processes in response to disequilibria affected by exogenous shocks. They indicate also a possibility of exchange rate crisis in the case of undervaluation of the Polish zloty before ERM2 entering.