

## READ ME FILE

**Title:** MARTIN Gets a Bank Account: Adding a Banking Sector to the RBA's Macroeconometric Model

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### Description

This 'read me' file contains details of the code used in RDP 2022-01. Publically available plotting data for figures appearing in the RDP can be found in the file 'rdp-2022-01-graph-data.xlsx'.

The code released with this RDP is for the banking sector only. This code will need to be appended to the MARTIN model to generate BA-MARTIN responses.

Required changes to the original MARTIN equations: the mortgage rate (nmr) and business rate (nbr) will need to be adjusted to:

- $nmr = nmr\_ba$
- $nbr = nbr\_ba$

In addition to the data in the MARTIN model, the data used in generating the results in the RDP are:

- Aggregate bank capital ratio data
- Aggregate bank losses data
- Aggregate bank debt funding costs data

Capital ratio and losses data are available from the APRA statistics website: <https://www.apra.gov.au/quarterly-authorized-deposit-taking-institution-statistics>

Given that the scenarios in the RDP start from a benign economic state, these scenarios can be run without the capital and losses data. To do this, the values for these variables can be initialised to their respective steady-states.

BA-MARTIN is designed to be used for forward-looking analyses. We advise caution when running BA-MARTIN on historical data, as the banking sector has changed over time (e.g. banks' capital ratio targets and how banks provision for losses has evolved).

Debt funding cost data is confidential and is not available for public release. To run the model, users will need to generate their own debt funding cost data.

The model utilises mortgage and business loan spreads. Given that the original MARTIN model requires mortgage and business interest rates, these spreads can be generated as the difference between these rates and banks' debt funding costs (once the user has generated the required funding cost data).

The example code provided in the original MARTIN RDP supplementary information ([2019-07](#)) can be used to run the original MARTIN scenarios after the banking model has been appended to MARTIN.

The results reported in this RDP were generated using EViews 10.

### Disclaimer

The program in this folder is intended for academic and personal use only.

Anyone who uses the code should cite the paper.

18 January 2022