

Challenges of Monetary Policy in the Wake of the Pandemic



CENTRAL BANK OF
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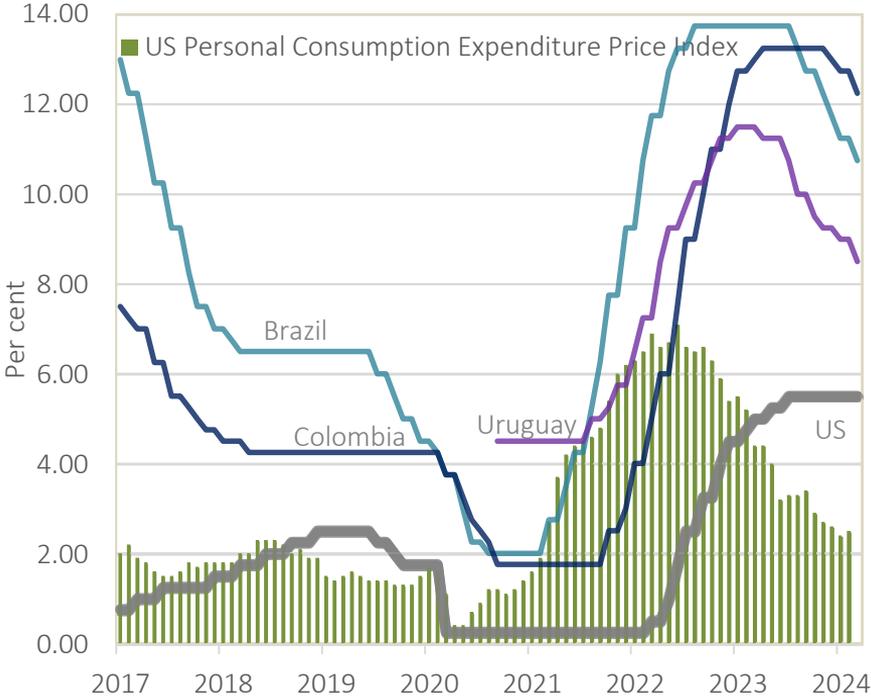
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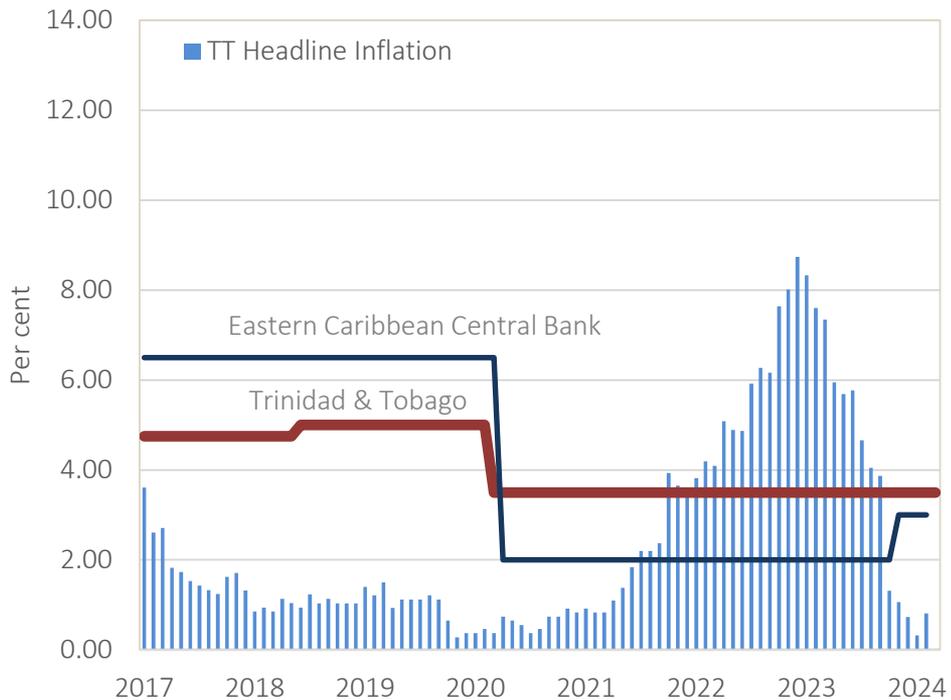


Challenge – Should Monetary Actions Trace Inflation as IT Occurs?

A



B



Sources: International Monetary Fund, Bloomberg and Selected Central Bank Websites; lines represent respective countries' policy rates

Accounting for the Shapes of the Monetary Policy Responses

1. The priority for economic recovery affected the focus on inflation.
2. While supply shocks drove inflation, monetary measures targeted demand.
3. Interest rate movements held important signaling, asymmetry and distributional aspects.
4. Considerations of policy credibility, communication and patience influenced the timing of monetary policy actions.
5. Ultimately capital mobility implies interest rate convergence to reduce pressures on exchange rates and reserves.



Thank You

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