Global comparative perspective: monetary policy tightening – what role for macropru?

Aaron Mehrotra

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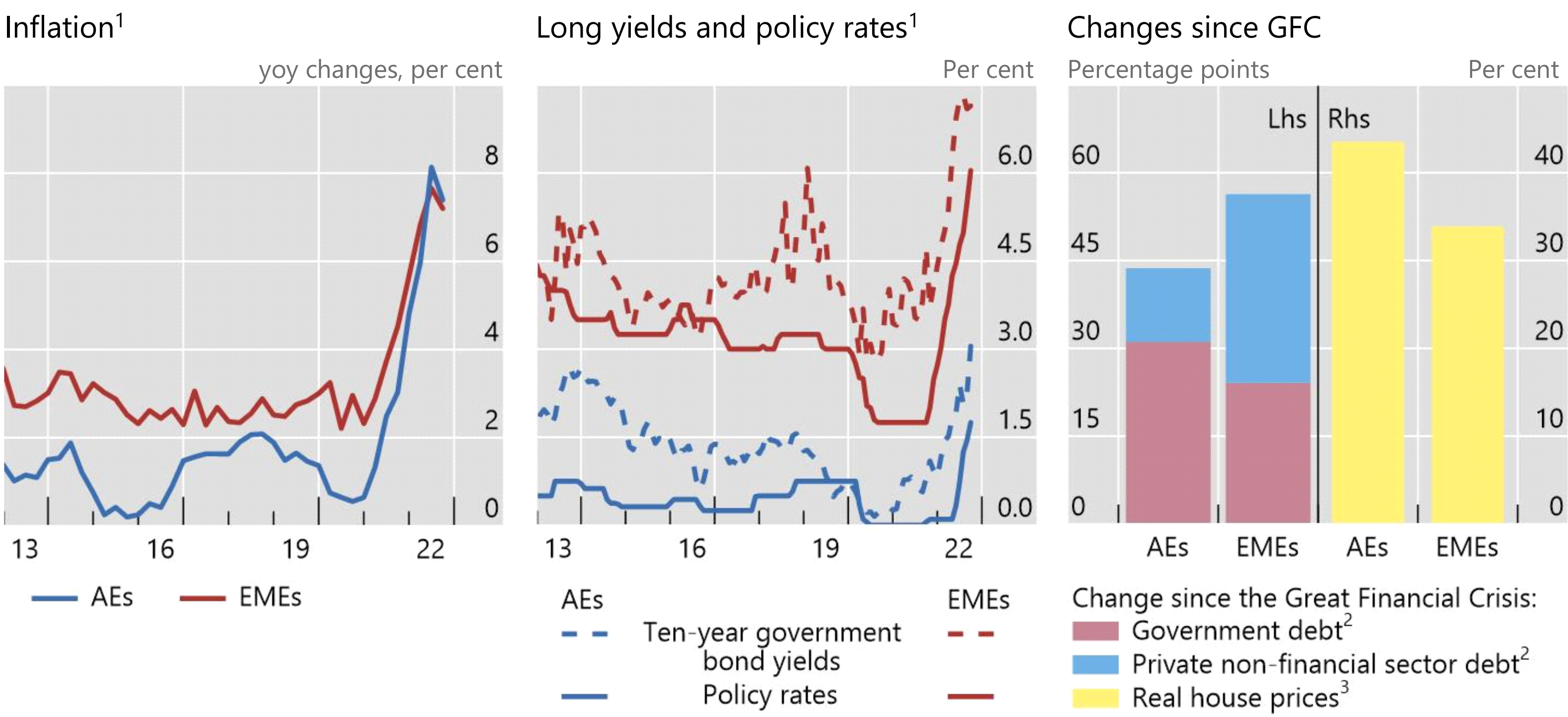
High inflation, tighter financial conditions and macro-financial vulnerabilities

Graph 1



[1] Median of 11 advanced economies (AEs) and 21 emerging market economies (EMEs). [2] Median change in the debt-to-GDP ratio since Q3 2008. [3] Median change in real property prices since Q3 2008.

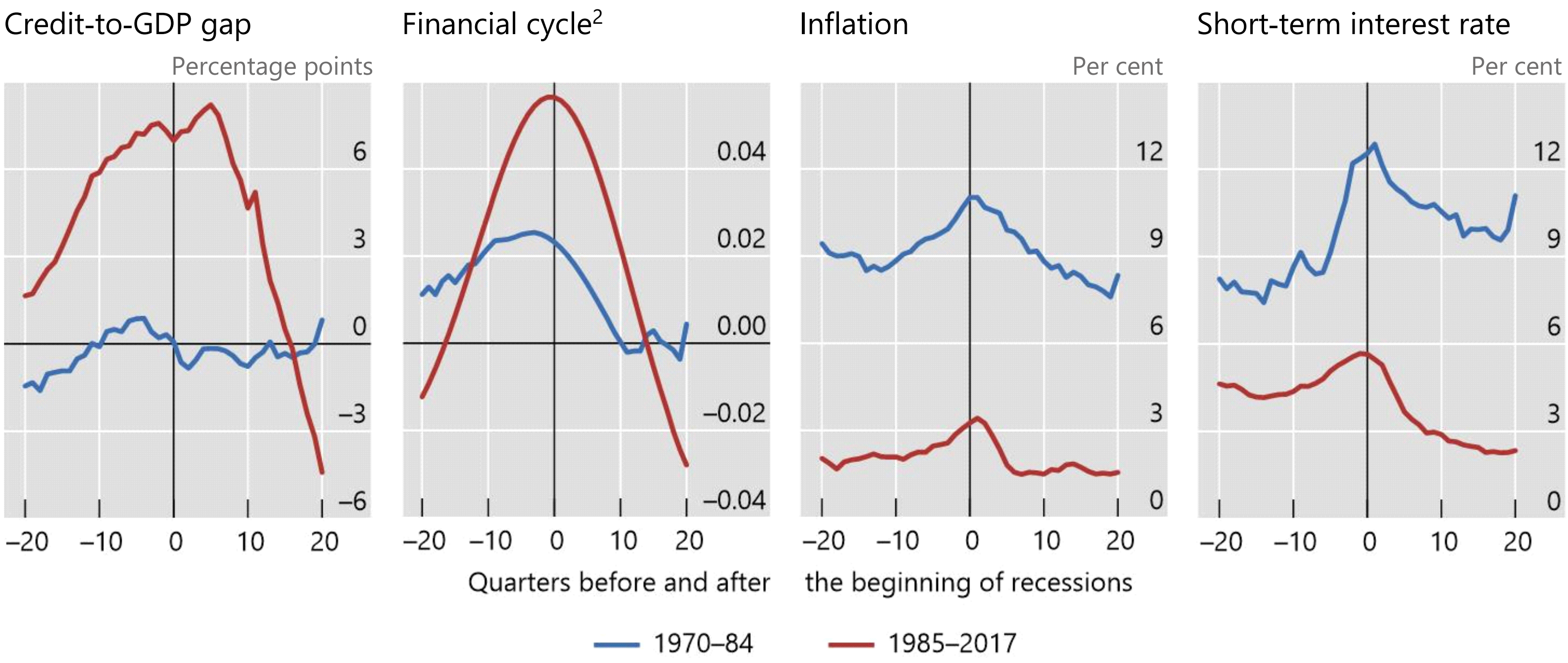
Sources: Bloomberg; national data; BIS; BIS calculations.

Source: https://www.bis.org/publ/othp53.pdf

The changing nature of the business cycle[1]

Median across 10 advanced economies

Graph 2



[1] The horizontal axis denotes quarters around recessions in the business cycles, with the peak date set at zero (vertical lines). [2] Based on a bandpass filter of the log-levels of real (inflation-adjusted) credit, the credit-to-GDP ratio and real property prices.

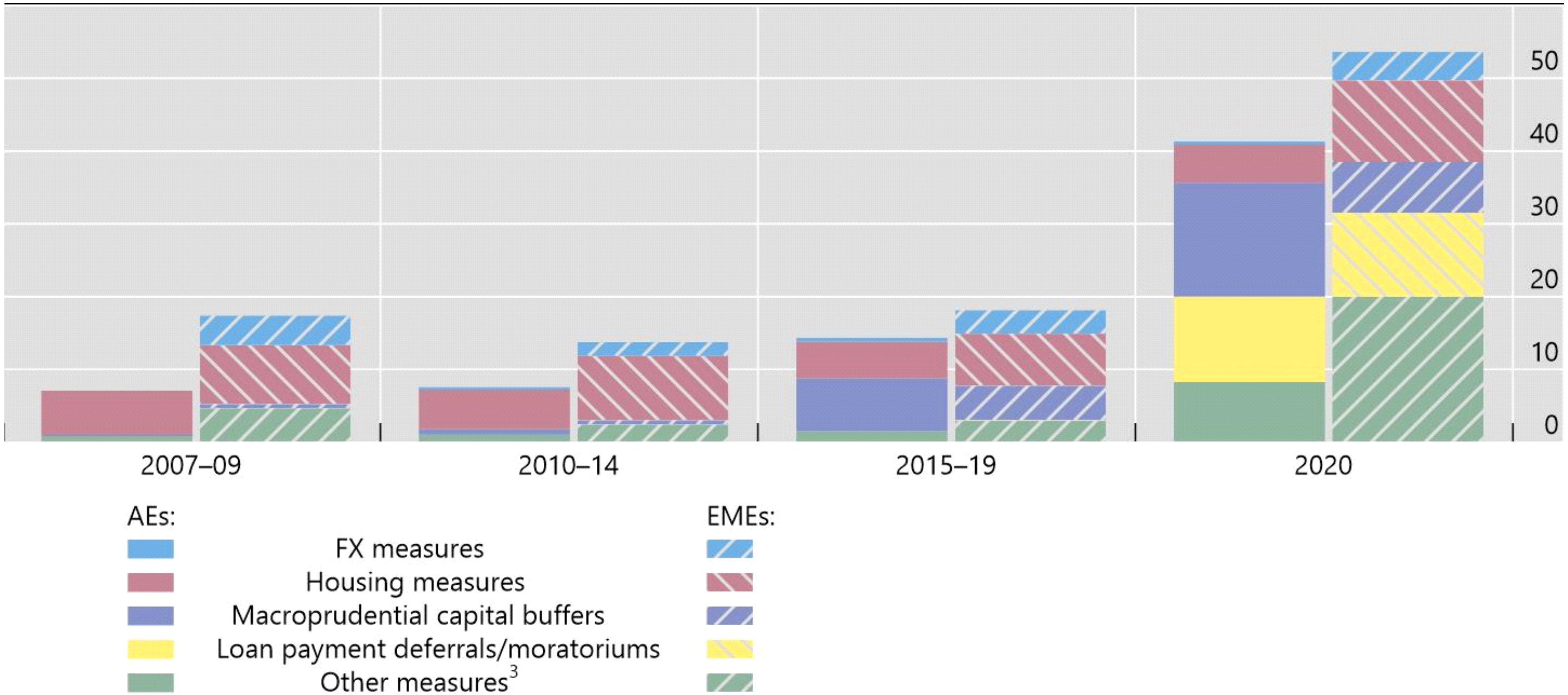
Source: Borio et al (2018).

Source: https://www.bis.org/publ/cgfs67.pdf

Increased use of macroprudential measures[1,2]

Number of actions

Graph 3



[1] Based on 22 AEs and 33 EMEs. [2] Average number of actions per year per 10 countries. [3] Includes, among others, changes in loan loss provisioning rules on general credit, and prudential measures on corporate loans and commercial real estate loans.

Sources: Borio, Shim and Shin (2022); IMF, *International Financial Statistics*; national data; BIS calculations.

Source: https://www.bis.org/publ/othp53.pdf

Bank buffers and residential property prices

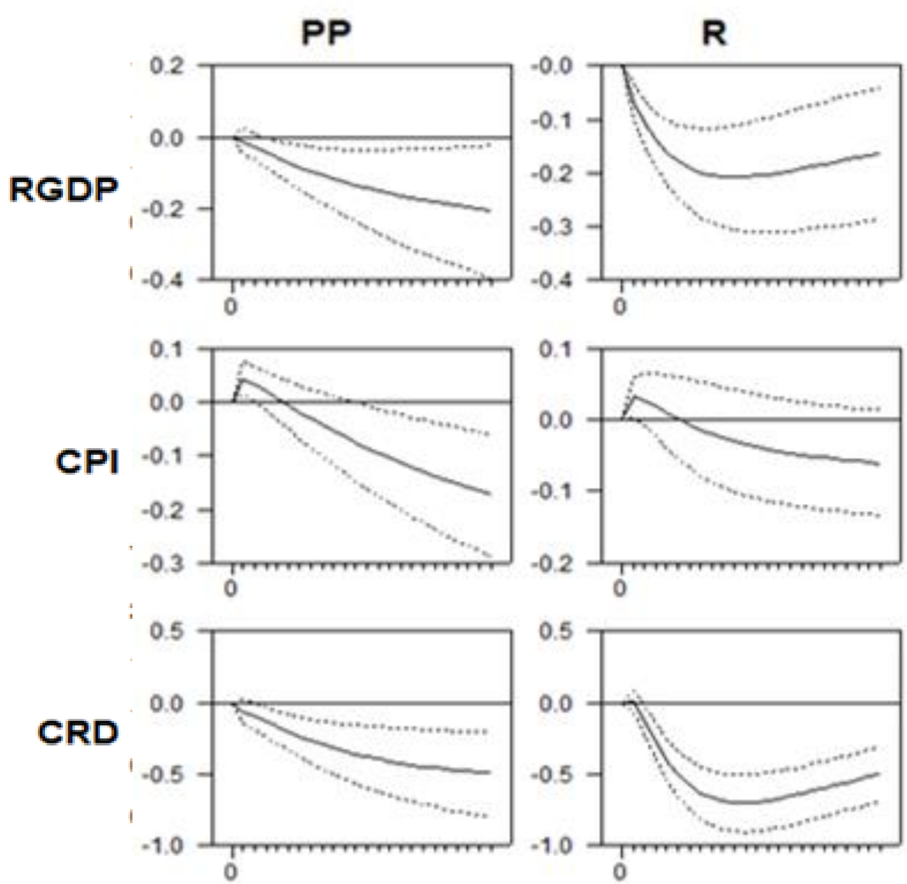
Graph 4

[1] For Switzerland, sectoral RWA. [2] Based on quarterly averages; CPI-deflated.

Sources: CGFS, BIS.

Sources: https://www.bis.org/publ/cgfs67.pdf and https://www.bis.org/statistics/pp_residential_2208.htm

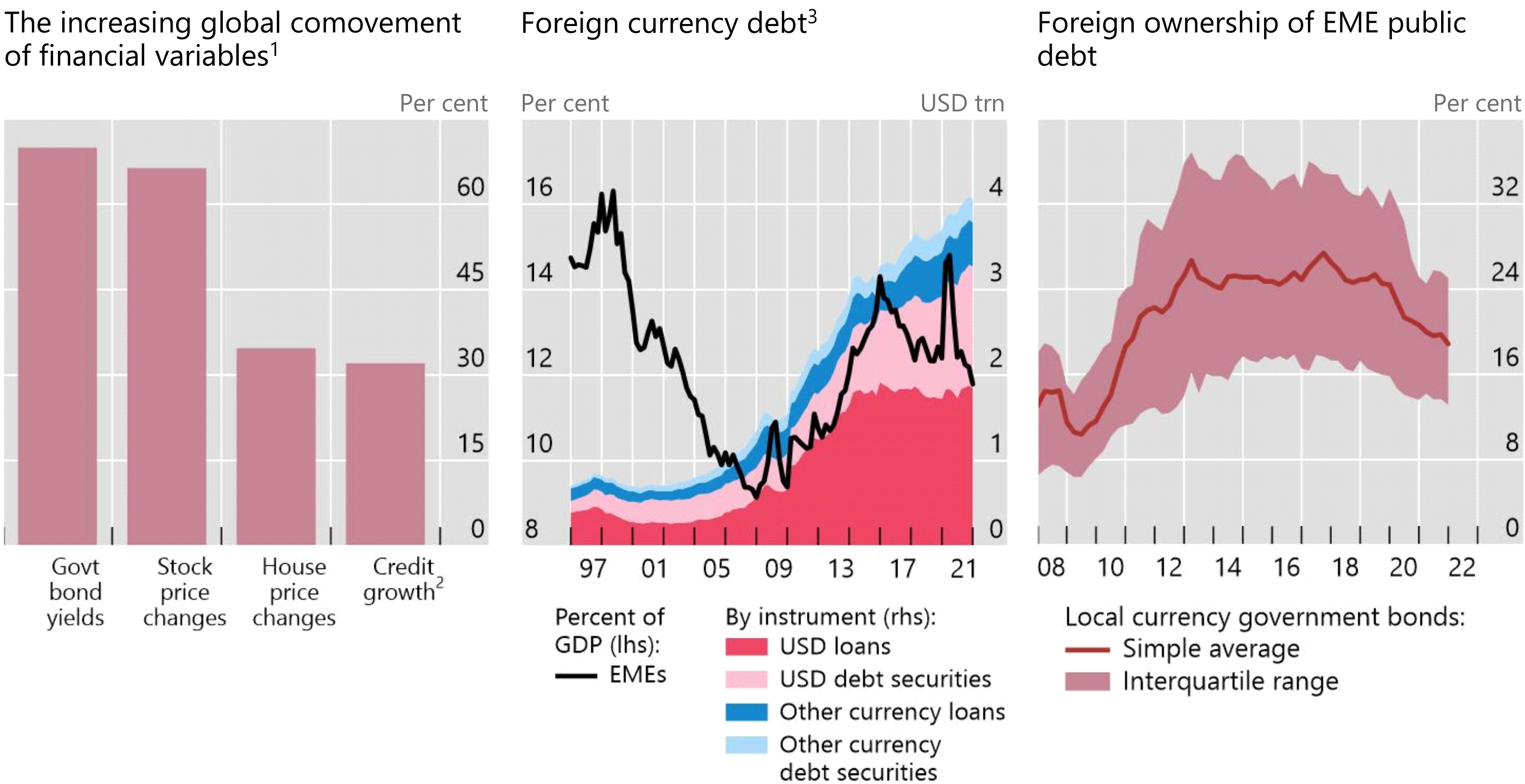
Macroeconomic effects of macroprudential and monetary policy shocks



Source: Kim and Mehrotra (2022)

Structural sources of EMEs' vulnerability to capital flow and exchange rate swings

Graph 6



[1] Fraction of each variable variation explained by global component (first principal component). [2] Domestic non-financial private sector debt. [3] Cross-border and local bank loans extended by LBS-reporting banks to EME non-bank borrowers and international debt securities issued by non-banks residing in EMEs. Non-banks comprise non-bank financial entities, non-financial corporations, governments, households and international organisations. For local loans in foreign currency, China enters the sample in Q1 2010.

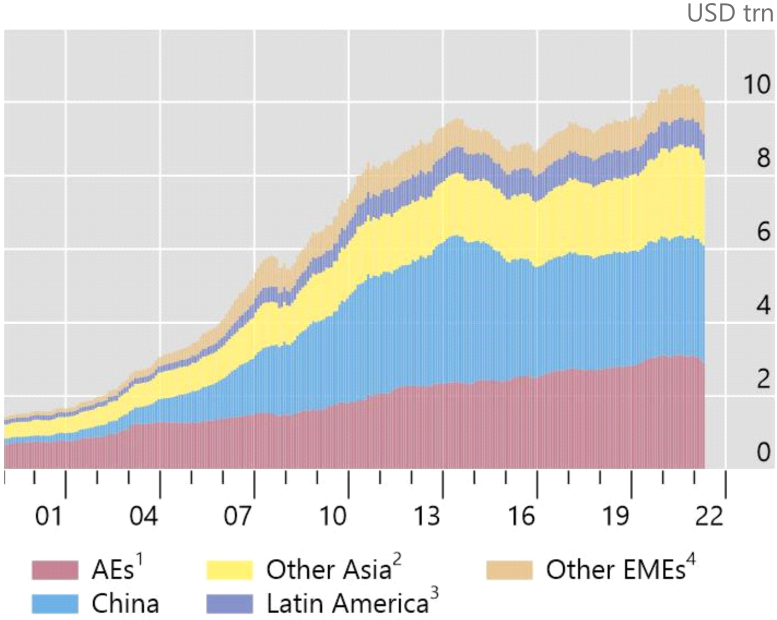
Sources: Financial Stability Board, *Global Monitoring Report on Non-Bank Financial Intermediation 2021*; IIF; IMF, *World Economic Outlook*; OECD; Datastream; Dealogic; Euroclear; Refinitiv; Xtrakter Ltd; national data; BIS locational banking statistics; BIS calculations.

Source: https://www.bis.org/publ/othp53.pdf

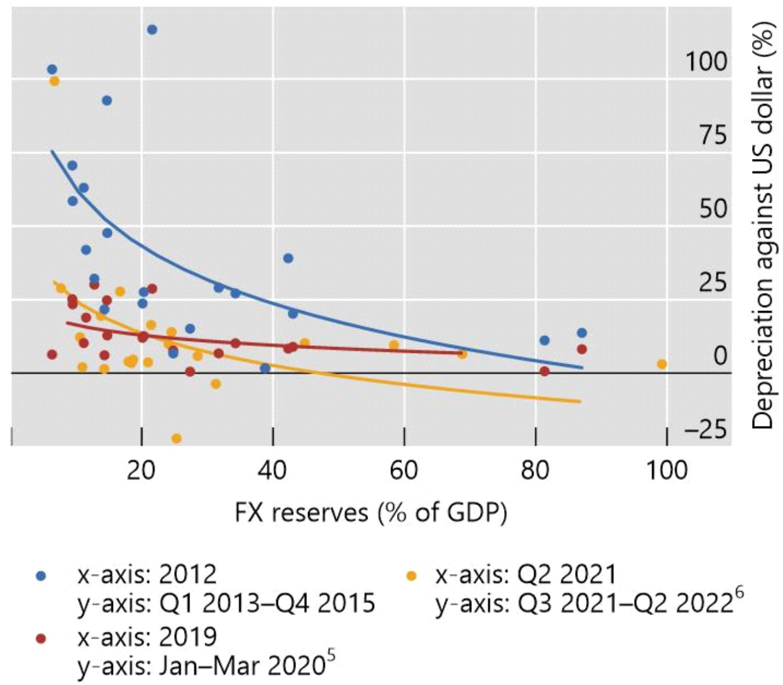
FX reserve buffers

Graph 7

FX reserves



FX reserves cushion the impact of major shocks in EMEs[5]



[1] Australia, Canada, Denmark, the euro area, Japan, New Zealand, Norway, Sweden, Switzerland, the United Kingdom and the United States. [2] Hong Kong SAR, India, Indonesia, Korea, Malaysia, the Philippines, Singapore and Thailand. [3] Argentina, Brazil, Chile, Colombia, Mexico and Peru. [4] The Czech Republic, Hungary, Poland, Russia, South Africa and Turkey. [5] Based on 21 EMEs. [5] 23 March 2020 versus 1 January 2020. [6] April 2022 versus 1 July 2021.

Sources: IMF, International Financial Statistics and World Economic Outlook; BIS calculations.

Source: https://www.bis.org/publ/othp53.pdf

Concluding remarks

- Road ahead may be bumpy
- Importance of macroprudential policy space
- Macroprudential policies are just one set of instruments in the broader macro-financial stability toolkit