



What do we know about MPP so far?

- a national perspective

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20 years of Macroprudential Policy in Europe – Looking back and looking ahead

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Lessons from macroprudential policies – a national perspective

- 1) Interaction of monetary and macroprudential policies
- 2) Requirements for effective and well-targeted policies
- 3) Role of high-quality data and analysis are fundamental
- 4) Importance of communication - making MPP better understood and legitimate

Interaction between monetary and macroprudential policies

- Common monetary policy in the euro area – **important to have national macroprudential policies**
- Countries can be in **different phases of a cycle** – (aggregated) MP can appear to be too loose or tight → macroprudential policies can operate in national level to enhance stability.
- **Transmission of monetary policy differs** according to interest rate fixation depending on whether variable or fixed dominates.
- Monetary policy impact is strong – macroprudential policies must be made enough effective.
- Having national policies in MPP is important, but it could be useful to have **common EU-wide definitions and basic principles** of various tools.

Effective and well-targeted policies – need for adequate tools

- MPP focuses on systemic risks – either structural or cyclical in nature. Need for **clear and well-defined principles** for using different tools. And **not only for build-up phase but also for release**.
- Covid showed that also **large external shocks can cause systemic impacts** → need for positive neutral buffer.
- There is an implementation lag – need for timely analysis to **identify the right time to act**. This challenges the analysis.
- **Scenario analysis** appears to be helpful – projection of possible decision-making frameworks in advance and thinking about variable combinations of tools. Simulation of decisions in advance can help to identify their expected impact.
- Many of the MPP tools do have an impact on sectors and operators which do have an important role in the whole economy (banks, real estate, HH) → **impact to real economy** need to be well understood.

Precondition for successful policies are high quality analysis and data

- Effective and well-targeted policies require **timely and comprehensive** analysis of current operating framework
- Challenge is the true **systemic dimension** of the risks – this requires deep knowledge of the relevant and complicated interconnections, correlations and interdependencies.
- Requirements for **data** to be leveraged in the analysis has increased constantly – it needs to be **wide, deep and combinable**.
- Requirements for the **use of data** has also develop (new skillset) – especially in the case of deep micro-level databases → micro transformed to macro level messages.
- In case of Finland, integrated financial system in Nordic-Baltic area underlines the need to understand **interconnections** in case of systemic risks and possible **contagions**.

Communication – how to make the MPP better understood, accepted and increase its legitimacy

- Good & transparent communication can **improve understanding and acceptance** of policies as well as increase the probability of **well-placed expectations**. This increases the **legitimacy** of the policy.
- Communication about policies and their rationales / fundamentals need to be
 - clear
 - transparent
 - high quality
 - consistent
 - co-ordinated and
 - accessible

Thank You!