

Exploring Coordination between Monetary and Macroprudential Policies Using a Monetary Policy Procyclicality Ratio

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Abstract : We explore the procyclicality of monetary policy decisions towards the financial cycle in the 1995–2015 period on a sample of six central banks. Using interest rate paths and the credit-to-GDP gap to construct a monetary policy procyclicality ratio, we provide evidence that monetary policy procyclicality was high in BoE and CNB and low in Riksbank and ECB. The results support the need for coordination between macroprudential and monetary policies, for example, by including financial stability considerations to the inflation targeting strategy.

Keywords : central bank, financial stability, macroprudential policy, monetary policy

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