



Monetary policy frameworks: lessons learned and challenges ahead

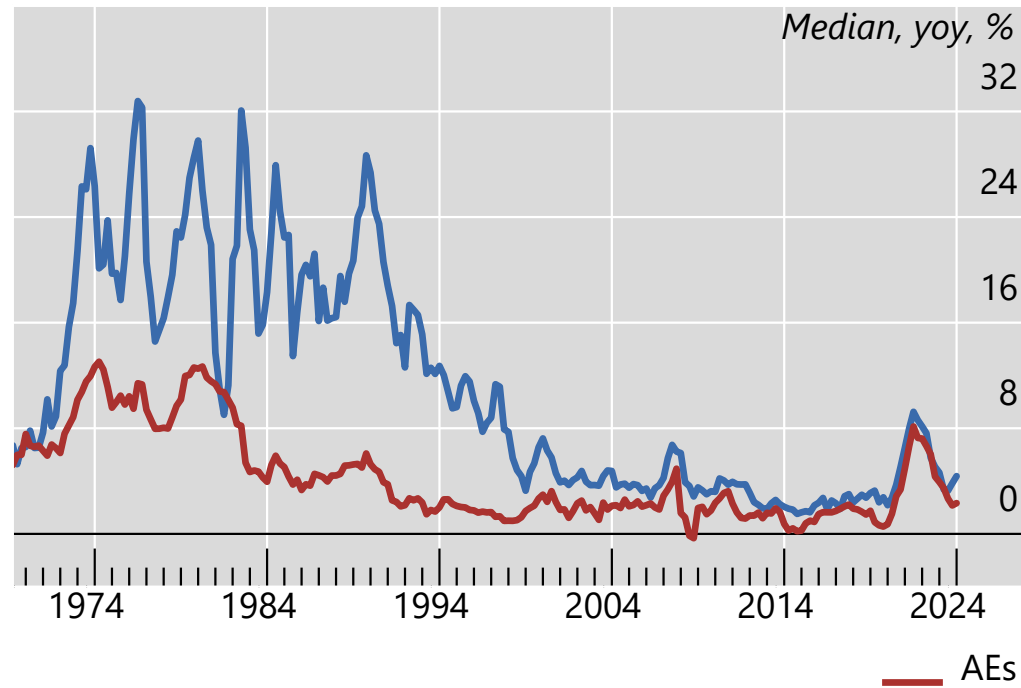
Agustín Carstens, General Manager, Bank for International Settlements

2025 Homer Jones Memorial Lecture

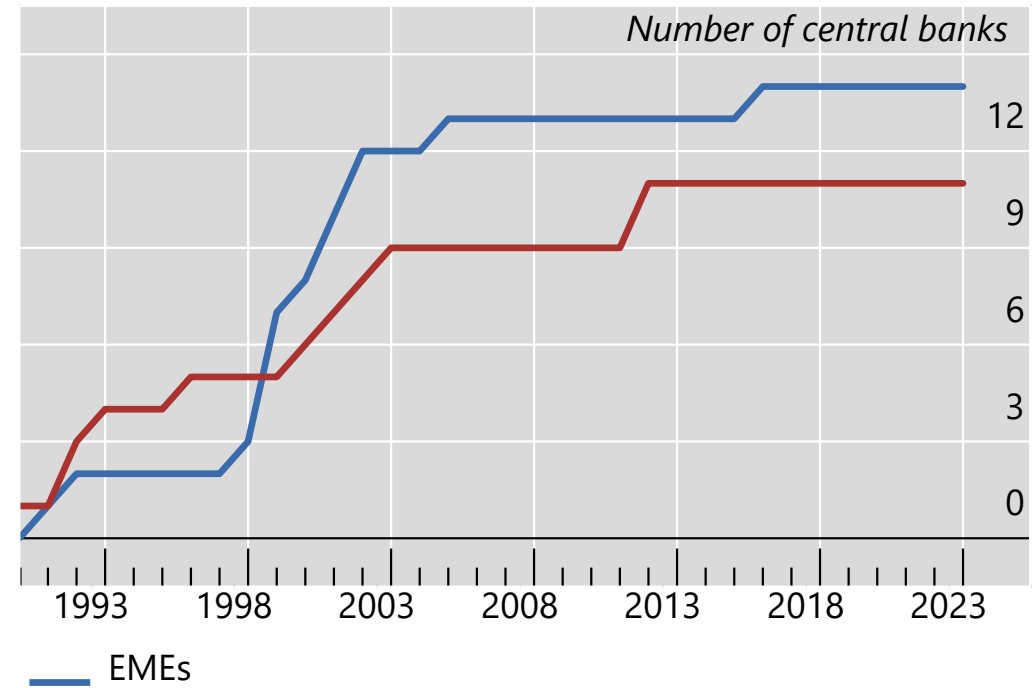
Federal Reserve Bank of St Louis, 3 February 2025

Inflation dynamics and adoption of inflation targeting regimes

Consumer price inflation

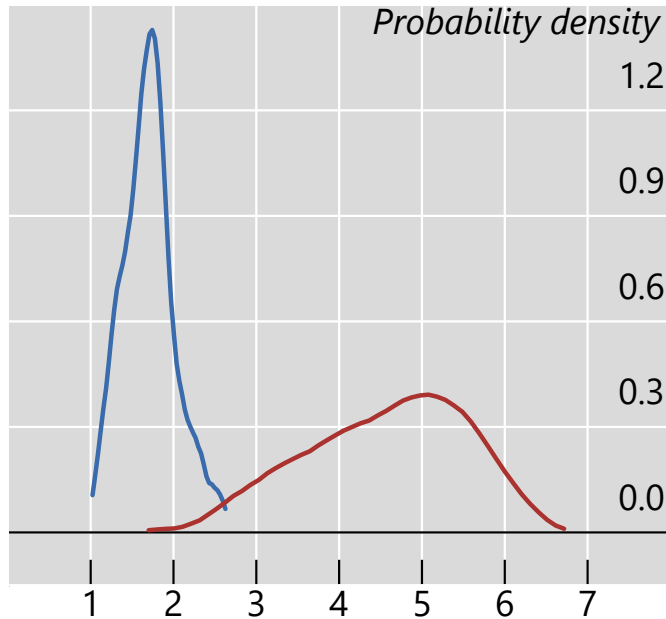


Central banks with inflation targeting regimes



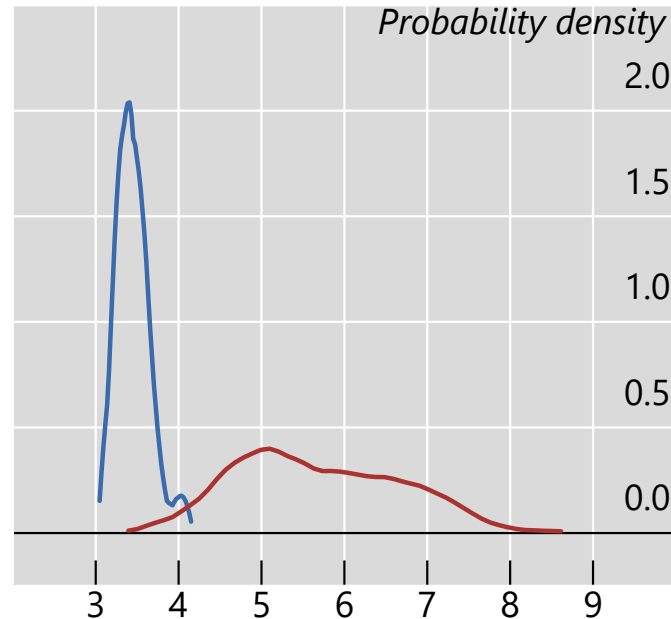
Inflation targeting helps anchor inflation expectations¹

Canada



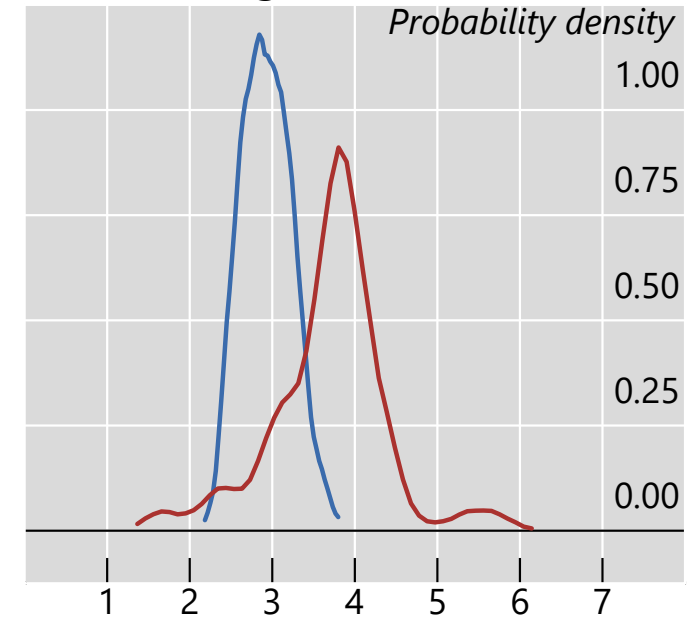
— IT adoption (1991)
— 5 years after adoption (1996)

Mexico



— IT adoption (2001)
— 5 years after adoption (2006)

United Kingdom



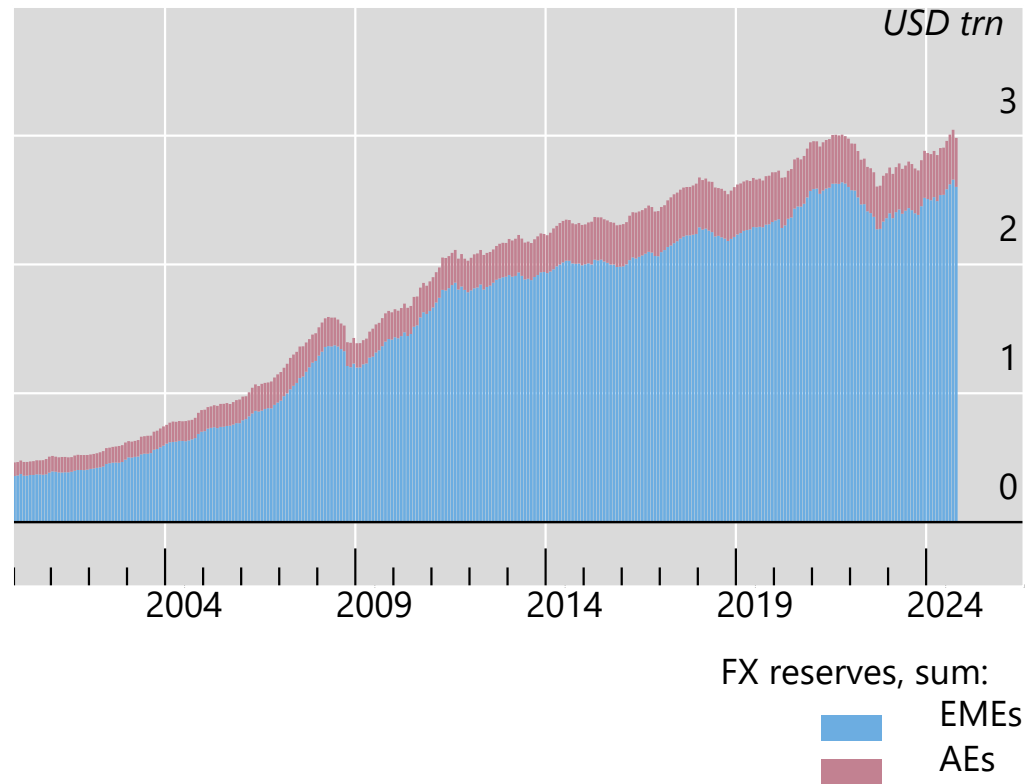
— IT adoption (1992)
— 5 years after adoption (1997)

One-year-ahead inflation expectations
(yoy, %)

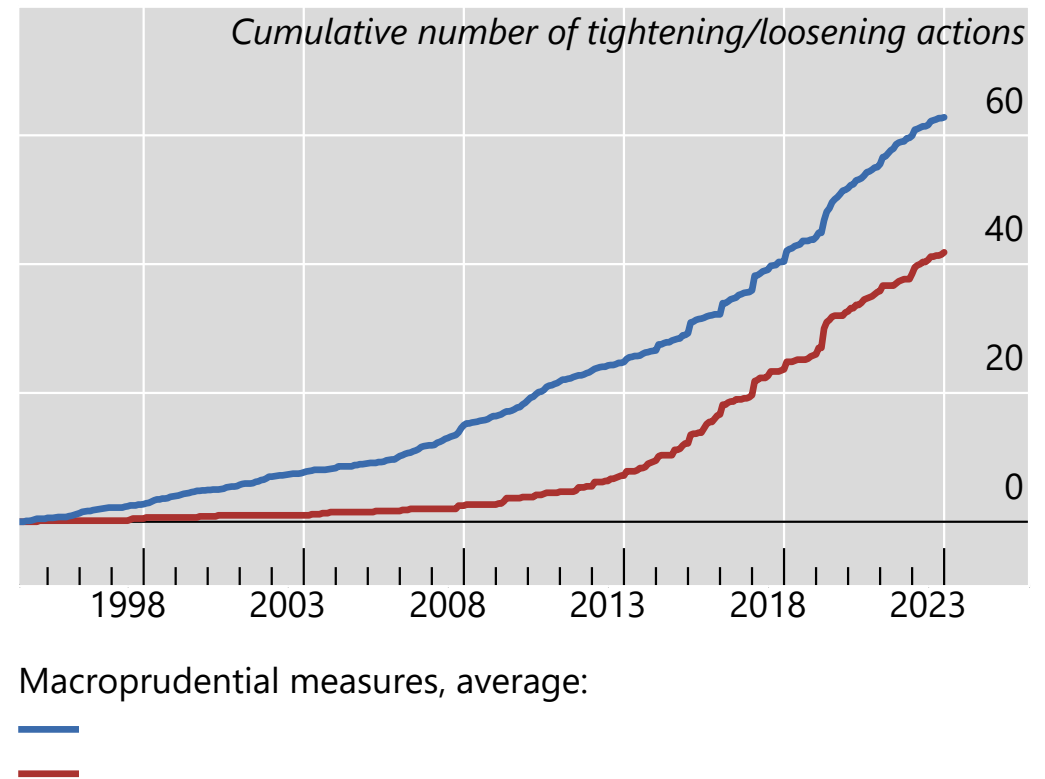
¹ Distribution of inflation expectations among professional forecasters calculated as the weighted average of the current and next year inflation expectations.

Macro-financial stability frameworks

FX reserves

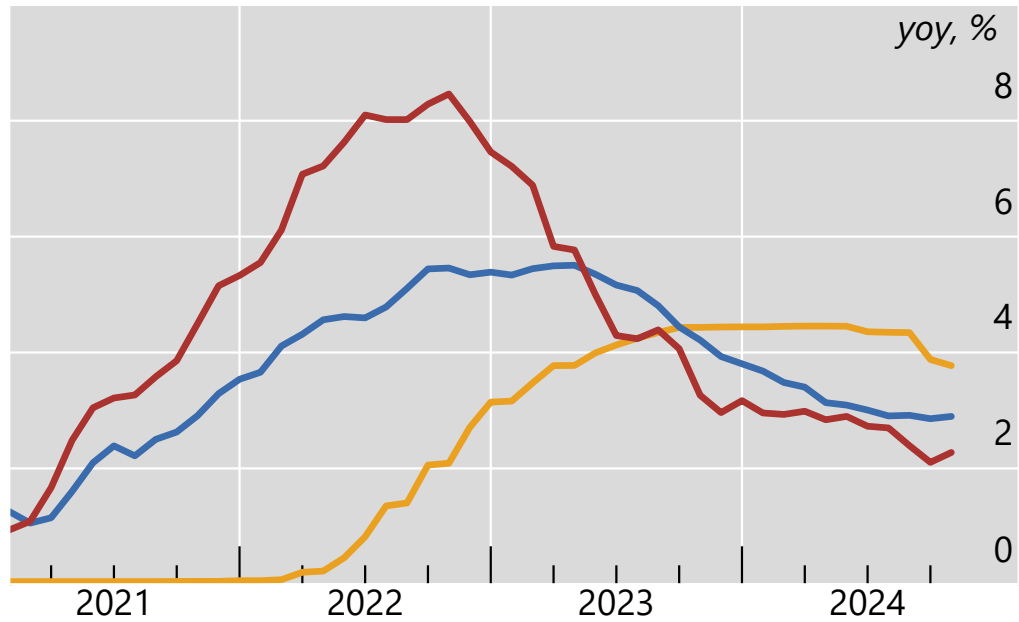


Use of macroprudential tools



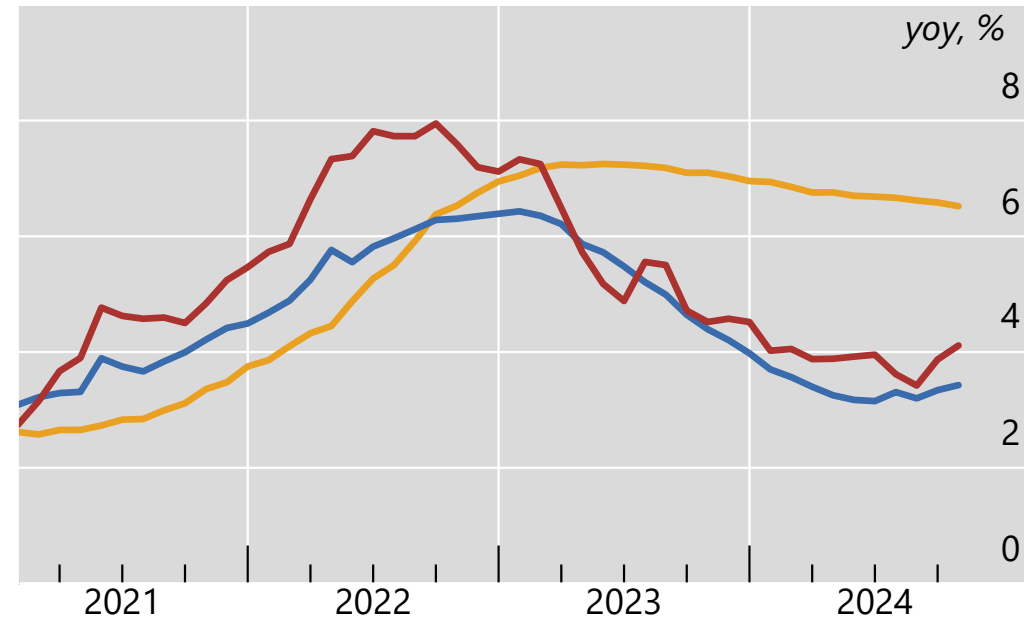
The post-pandemic inflation surge and the monetary policy response

Advanced economies



GDP-PPP weighted average:
— Headline inflation — Core inflation

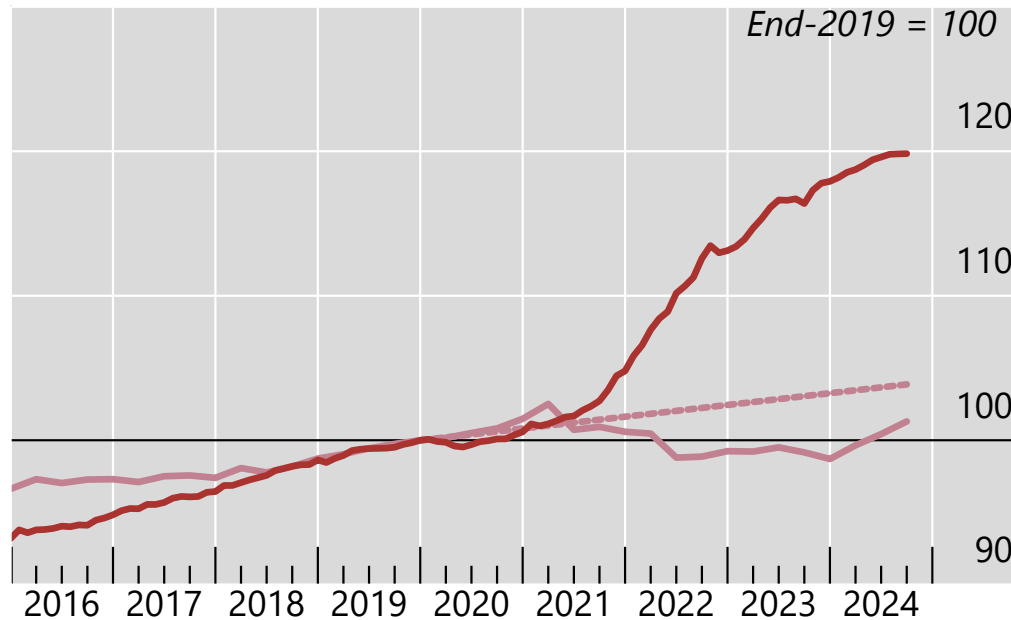
Emerging market economies



— Policy rate

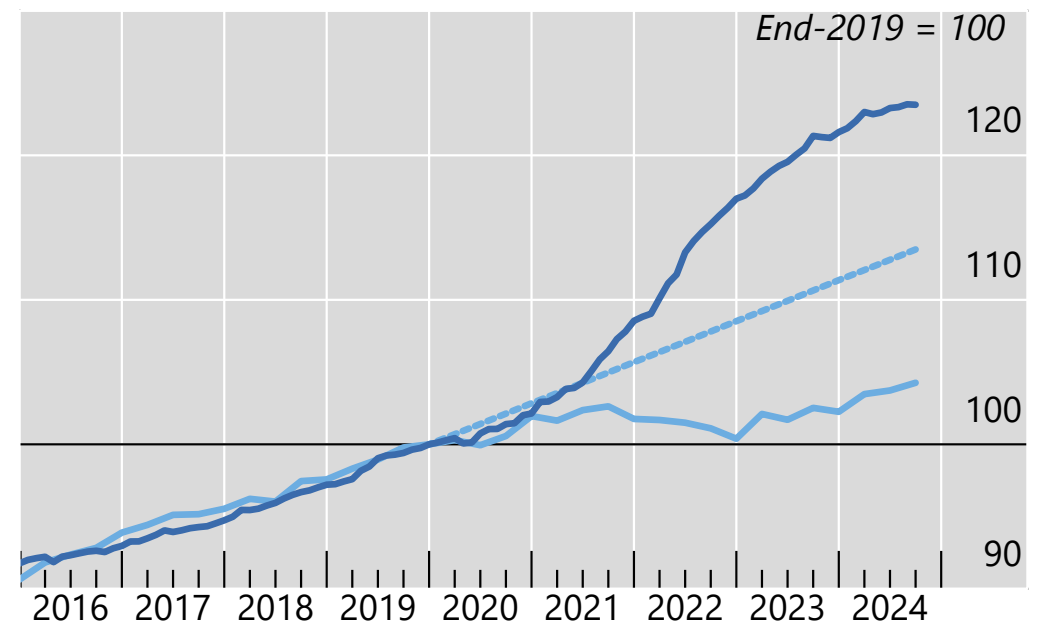
Consumer prices and wages before and after the Covid-19 pandemic

Advanced economies



Median: — Headline consumer price index
— Real wages
..... Real wage pre-pandemic trend

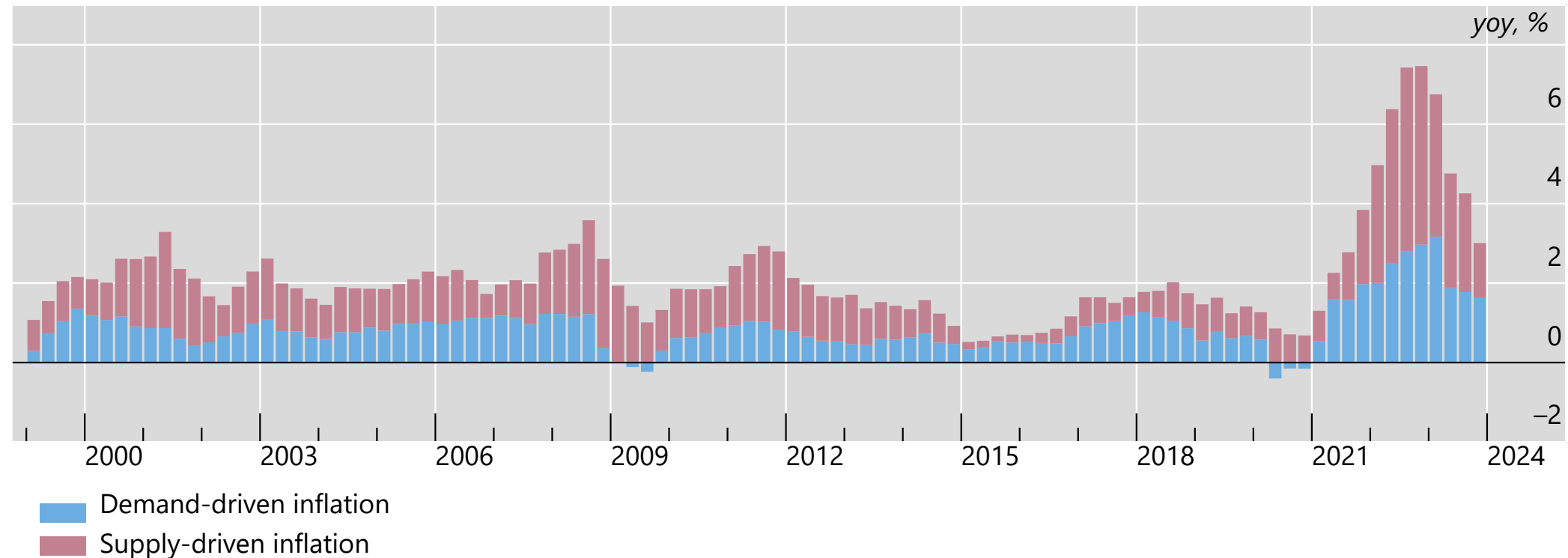
Emerging market economies



Median: — Headline consumer price index
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..... Real wage pre-pandemic trend

Decomposition of inflation in demand and supply factors¹

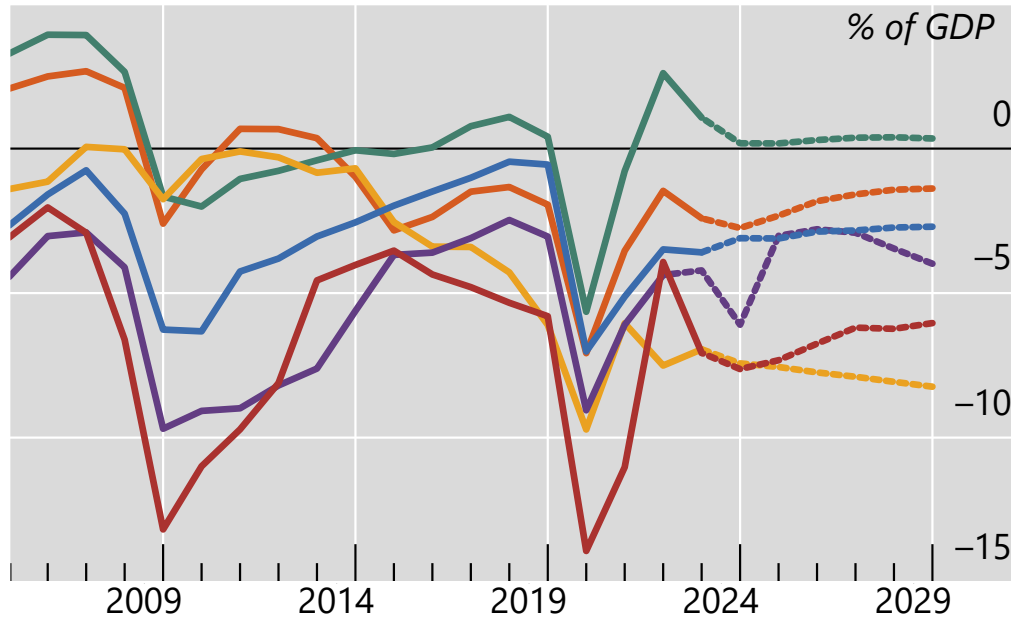
Headline inflation



¹ Simple averages across AU, CA, EA, GB, KR, SE and US.

Fiscal imbalances

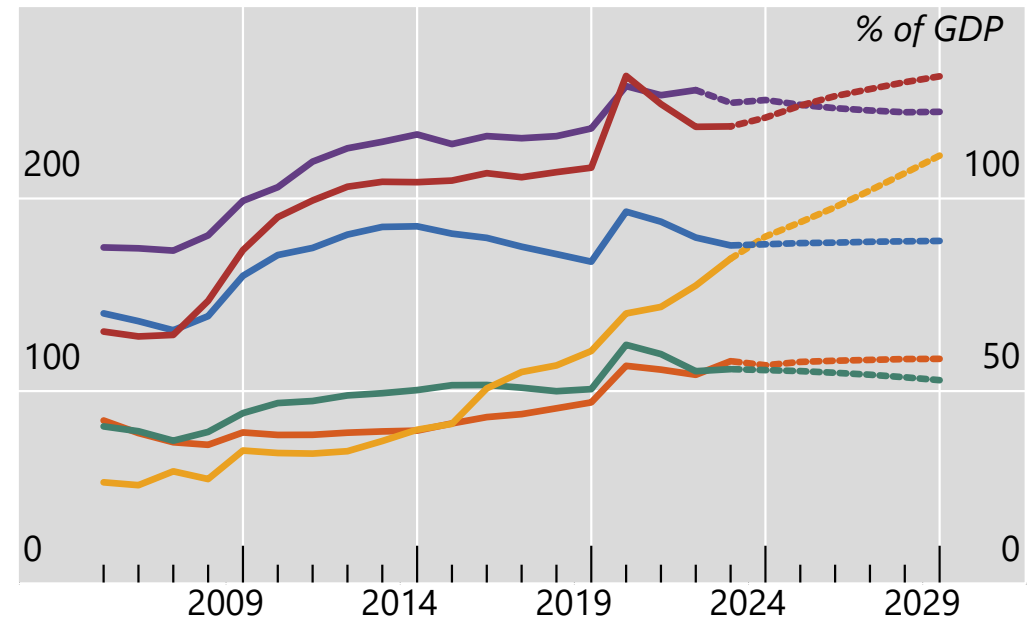
Persistently large fiscal deficits...



General government fiscal balance:

- US — EA — JP — Other AEs
- CN — Other EMEs

...and high public debt



General government gross debt:

Lhs: — JP Rhs: — US — CN

 — EA — Other EMEs

 — Other AEs