

# GLOBAL FOOTPRINTS OF MONETARY POLICIES

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# POTENTIAL FOR INTERNATIONAL MONETARY POLICY TRANSMISSION

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## 2. Amplification through **Global Financial Cycle** [Rey (2013)]

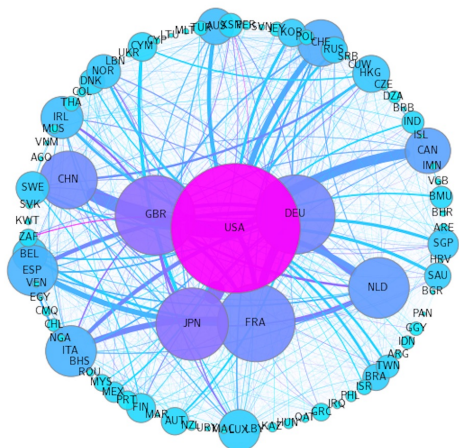
- Global fin'l aggregates comove to a very large extent
- MP influences common component  $\implies$  global spillovers
- Through fin'l conditions: risk, leverage, capital flows, asset prices
- FX only a partial shocks absorber

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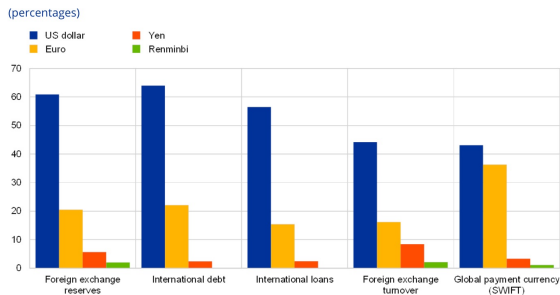
*Note:* Includes private & official cross-border investment in Eqy + Debt securities. Coppola, Maggiori, Neiman and Schreger (2021) + IMF's Coordinated Portfolio Investment Survey (CPIS), 2013

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Sources: BIS, IMF, SWIFT and ECB calculations. Note: The latest data are for the fourth quarter of 2019.

- **International financial transactions & trade invoicing**

[Gopinath et al. (2019), Gopinath & Stein (2020), Maggiori, Neiman & Schreger (2020)]

- **Reserve/Anchor currency**

[Gopinath (2015), Ilzetzki, Reinhart & Rogoff (2019, 2020), Eichengreen & Mathieson (2000), He, Krishnamurthy & Milbradt (2016), Farhi & Maggiori (2018)]

# AVENUES FOR INTERNATIONAL MONETARY POLICY TRANSMISSION

## 1. Classic

## 2. Amplification through Global Financial Cycle

## 3. Amplification through Global Value Chains

- Additional transmission from integrated production
- Through supply/production constraints



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  - ▷ New data & new facts
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1. Recap & extension of Global Financial Cycle Facts
  - ▷ New data & new facts
  - ▷ Global Spillovers of US MP
2. Global Trade & Commodity Cycle
  - ▷ New data & new facts
  - ▷ **Global Spillovers of Chinese MP**

DIMENSIONS OF GLOBAL COMOVEMENTS #1:  
GLOBAL FINANCIAL CYCLE & US MP TRANSMISSION

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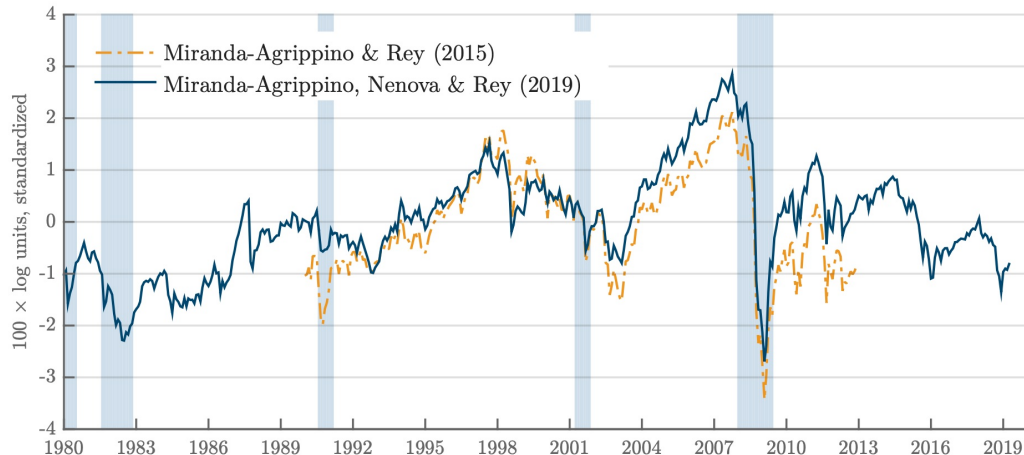
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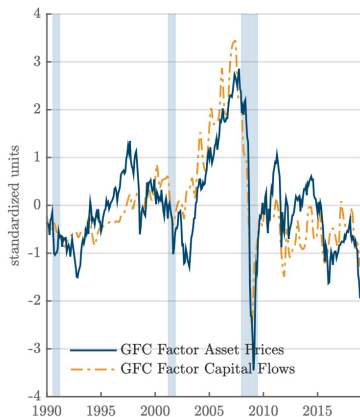
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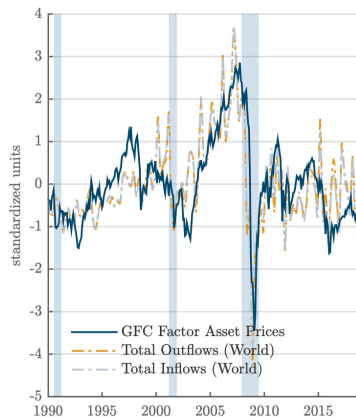
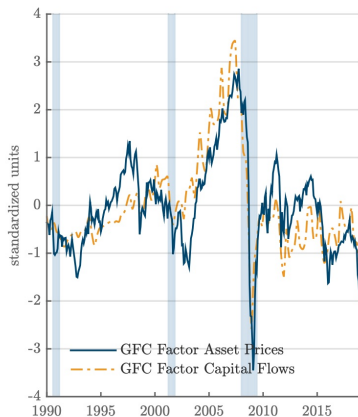
## CO-MOVEMENT EXTENDS TO QUANTITIES

1. **Between asset prices and capital flows (corr  $\simeq 80\%$ )**
2. Between inflows & outflows
3. And across flows types (FDIs less so)



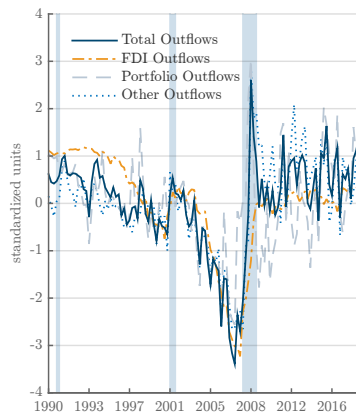
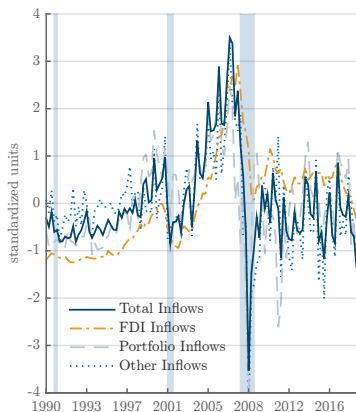
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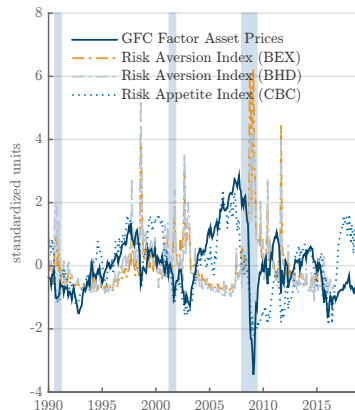
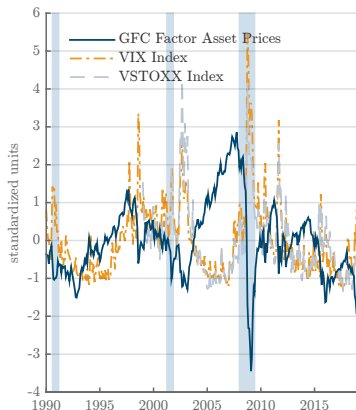
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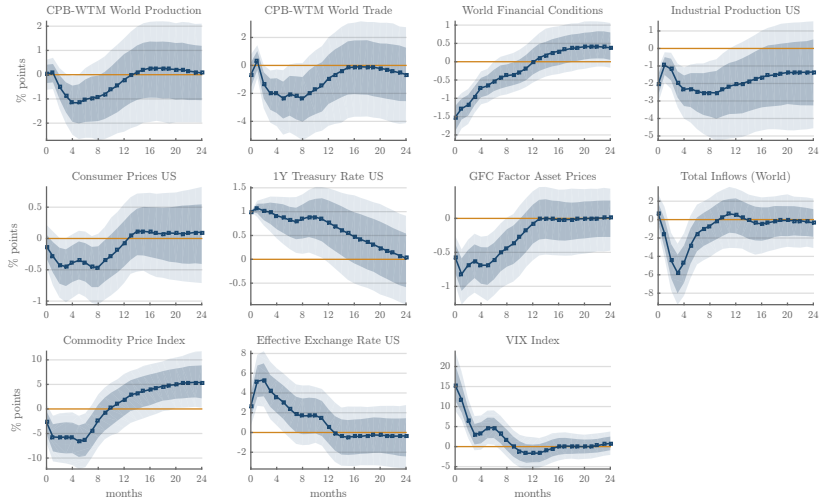
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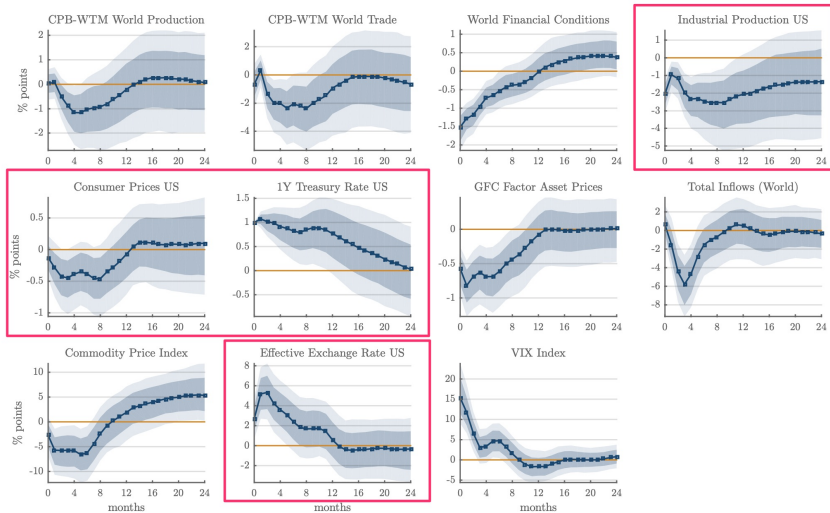


# GLOBAL TRANSMISSION OF US MP



Median IRFs, 68% & 90% posterior credible sets, 1991:2018.

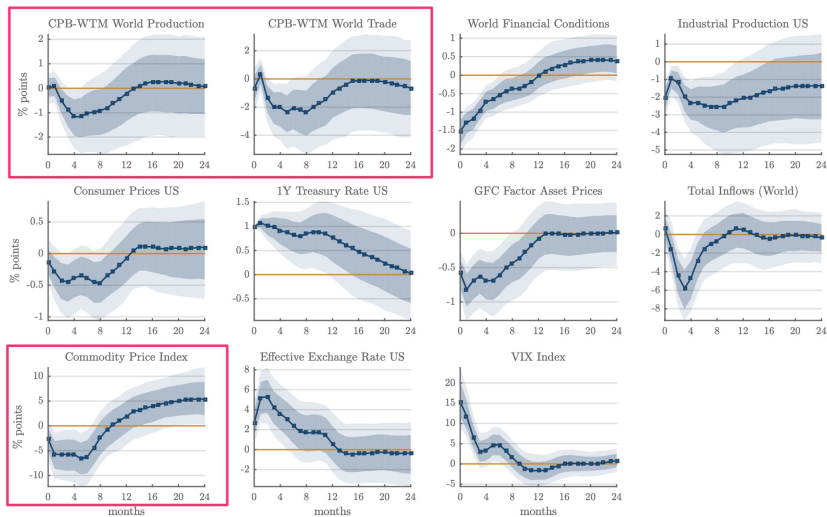
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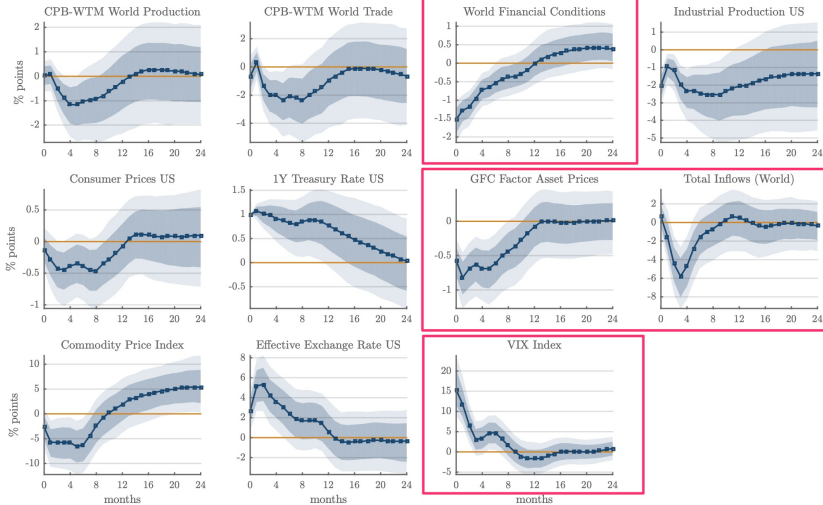


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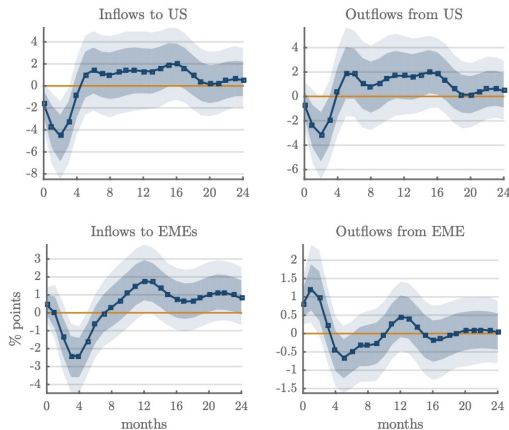
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- Still a role for FX, but partial [Corsetti, Kuester, Müller and Schmidt (2021)]
- And additional vulnerabilities for EMEs



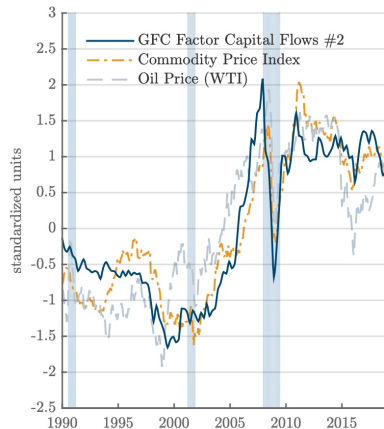
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DIMENSIONS OF GLOBAL COMOVEMENTS #2:  
GLOBAL TRADE/COMMODITY CYCLE & CHINESE MP TRANSMISSION

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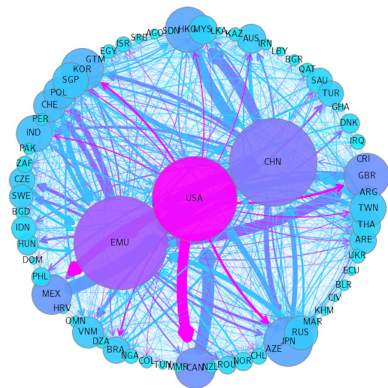
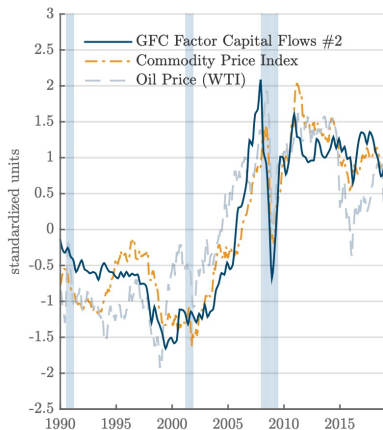
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Trade (no services), IMF's Direction of Trade Statistics (DOTS)

## EVOLUTION OF THE PBoC's MP

- ▶ **Objectives:** stable inflation, growth/employment, currency [Ma & He (2020), Wu & Li (2016)]
- ▶ **Achieved through price and quantity policy instruments** [Huang, Ge & Wang (2020)]
- ▶ From central planning to interest rate liberalisation:
  - Bank loans quota, benchmark lending and deposit rates prior to 2000
  - Official shift to M2 growth in 2000
  - Market rates after the GF Crisis, SHIBOR and interbank repo [Fernald, Spiegel & Swanson (2014)]
  - PBoC's loan prime rates (LPR) from 2019

# IDENTIFYING CHINESE MONETARY POLICY SHOCKS

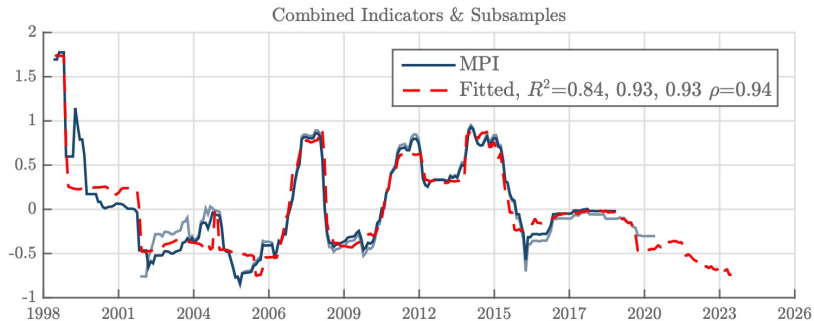
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- Combines prices & quantities (loans, M2, loan & deposit rates with time-varying weights)
- Triangularisation consistent with Taylor rule

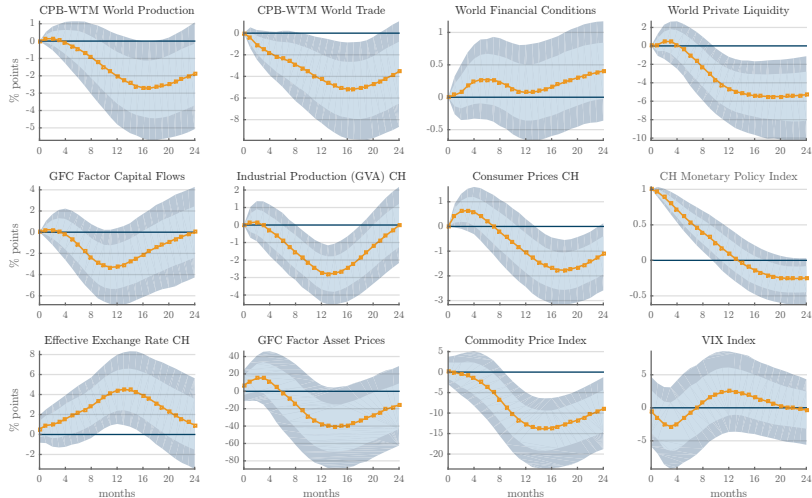
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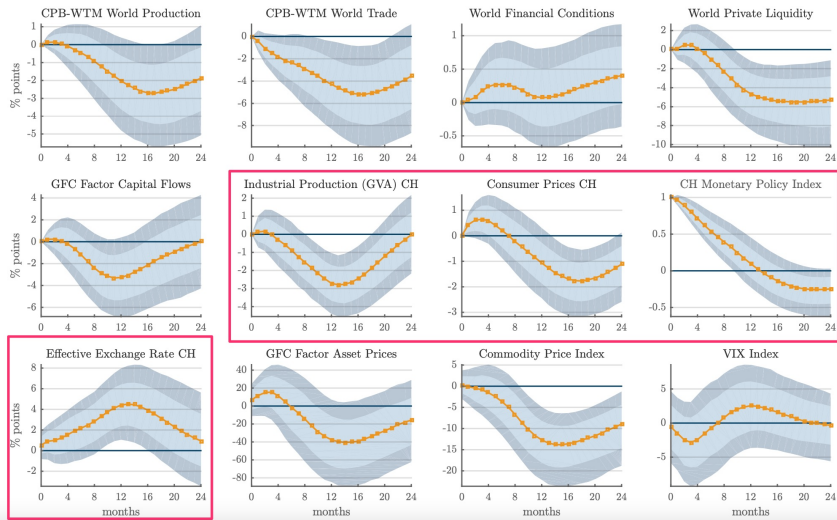


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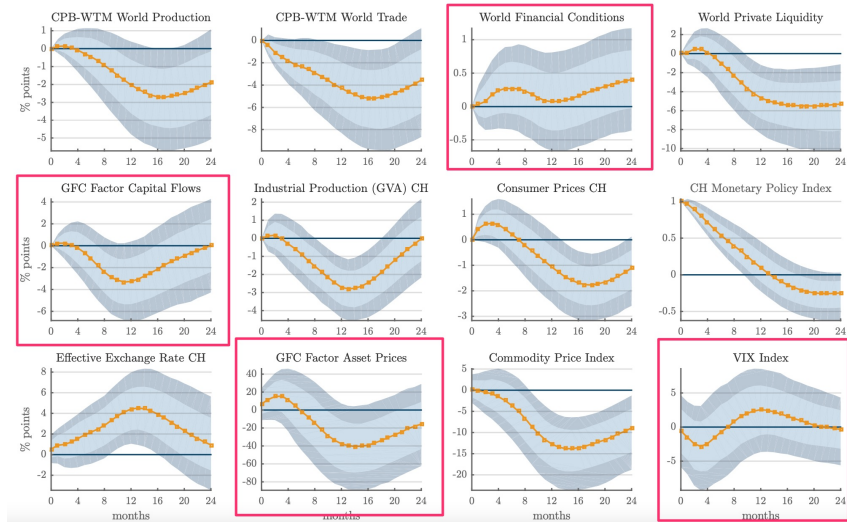
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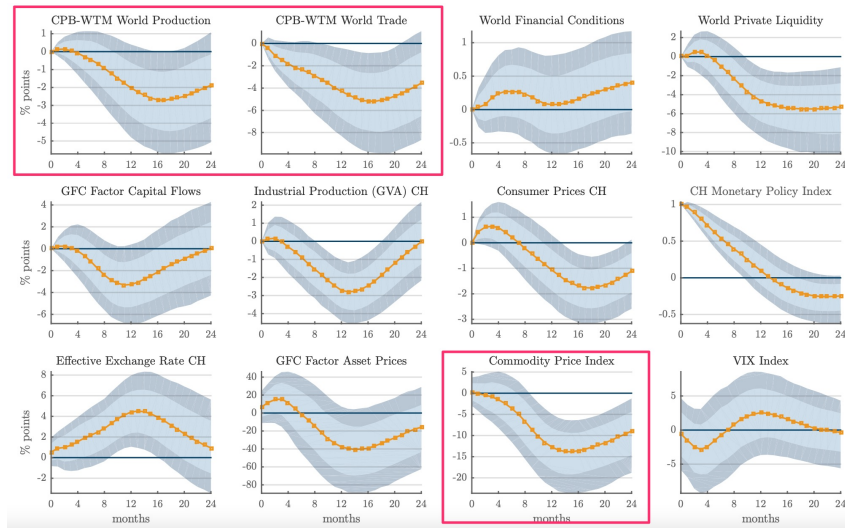
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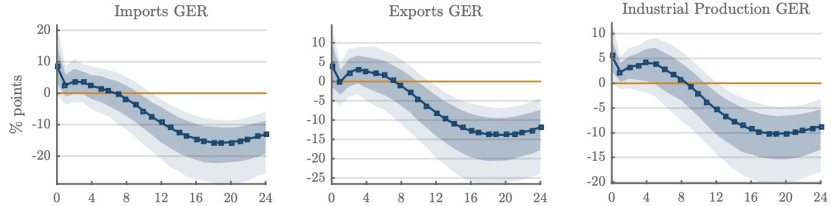
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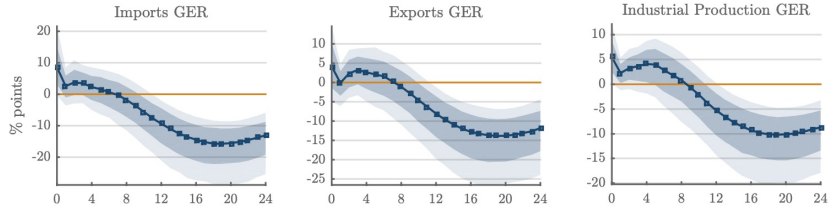
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- AE with important manufacturing sector

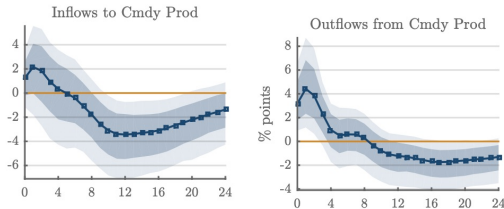


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- AE with important manufacturing sector



- Fin'l conditions of commodity producers



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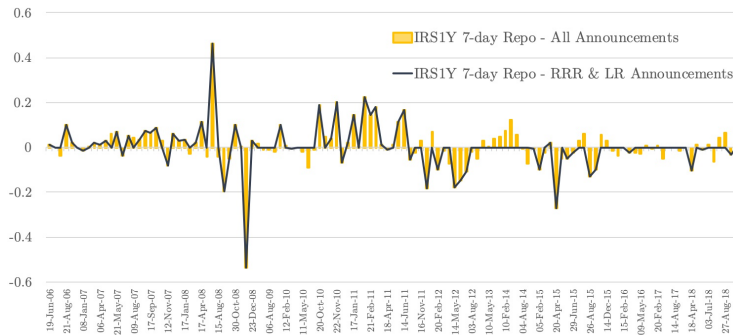
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- Daily changes in 1-year interest rate swap (IRS) on interbank 7-day repo
- Announcements: lending rates (LR), reserve requirements (RRR), FX, MPR

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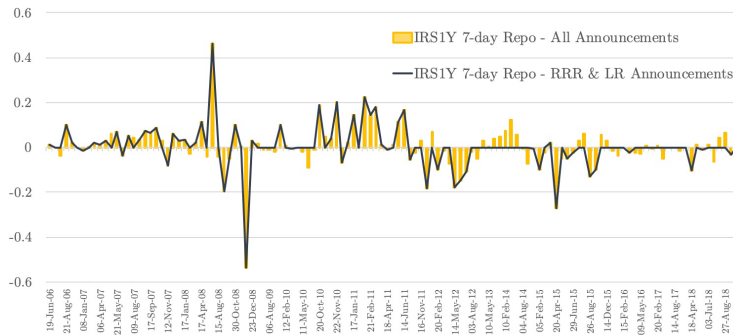
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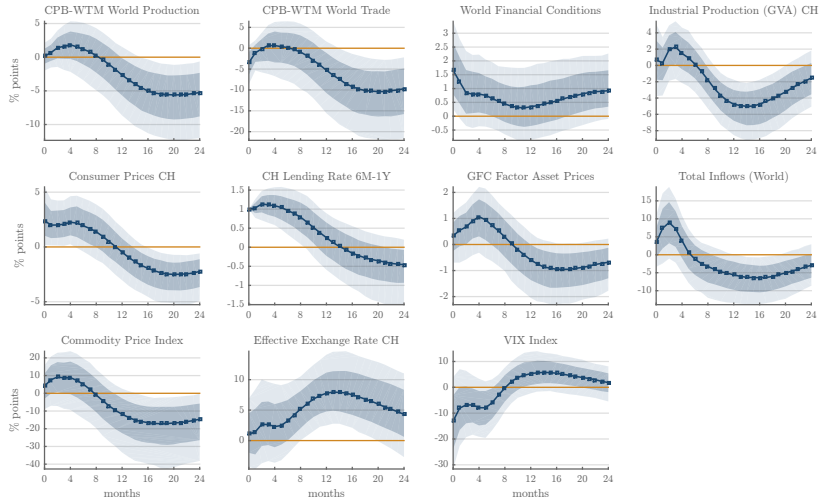
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- Largely predictable, still many caveats...

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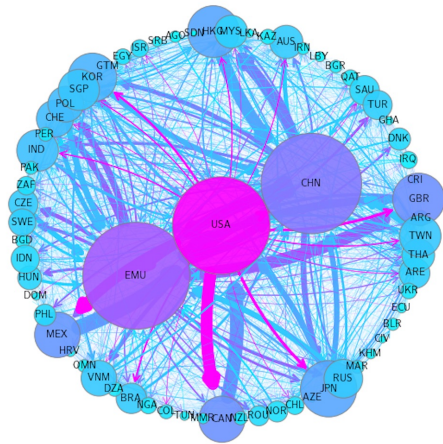
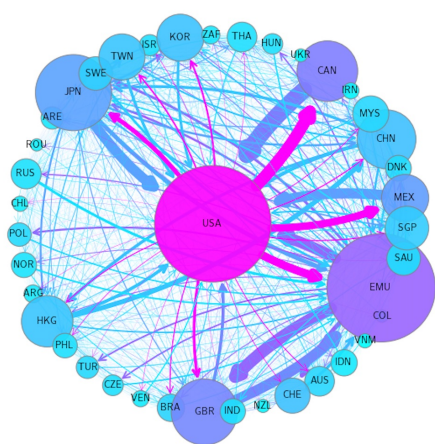
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## CONCLUSIONS

- ▷ Global comovements enable and amplify int'l transmission of MP shocks
  1. **Global Financial Cycle:** asset prices, capital flows, risk, leverage
  2. **Global Trade & Cmdy Cycle:** commodity prices, capital flows, trade
- ▷ US MP most powerful at influencing global financial conditions
- ▷ Integrated production networks & GVC new pieces on the chessboard
  - Different channels, equivalent broad reach
  - Rising influence of Chinese policies
- ▷ **Coming Next..**
  - Integrated empirical framework for joint dynamics: GVAR [Cesa-Bianchi, Pesaran & Rebucci (2012); Dees and Galesi (2019)] Networks in VARs [Mlikota (2023)]
  - Account for evolution of network structures

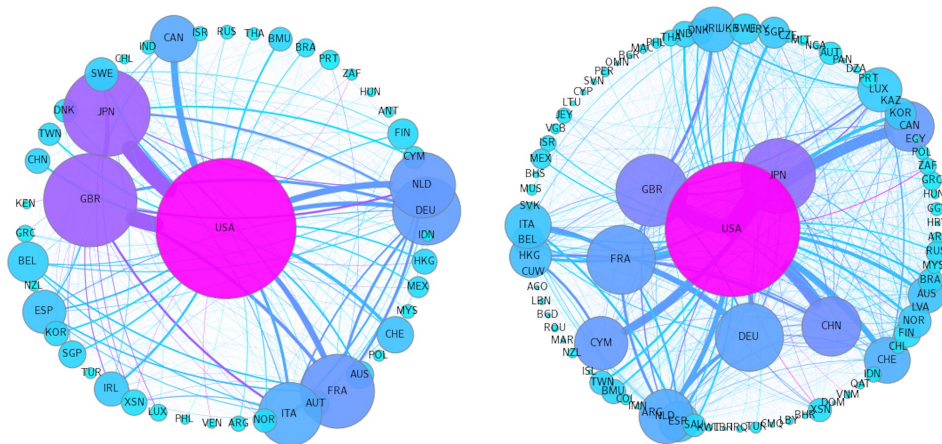


## GOING FORWARD: EVOLUTION OF NETWORKS: EXPORTS, 2000 vs 2019



- Merchandise trade, excludes services
- IMF's Direction of Trade Statistics (DOTS)

## GOING FORWARD: EVOLUTION OF NETWORKS: PF A + L, 2000 vs 2018



- Includes private & official cross-border investment in Eqy + Debt securities
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