

REASSESSING THE EFFECTIVENESS AND

# TRANSMISSION OF MONETARY POLICY



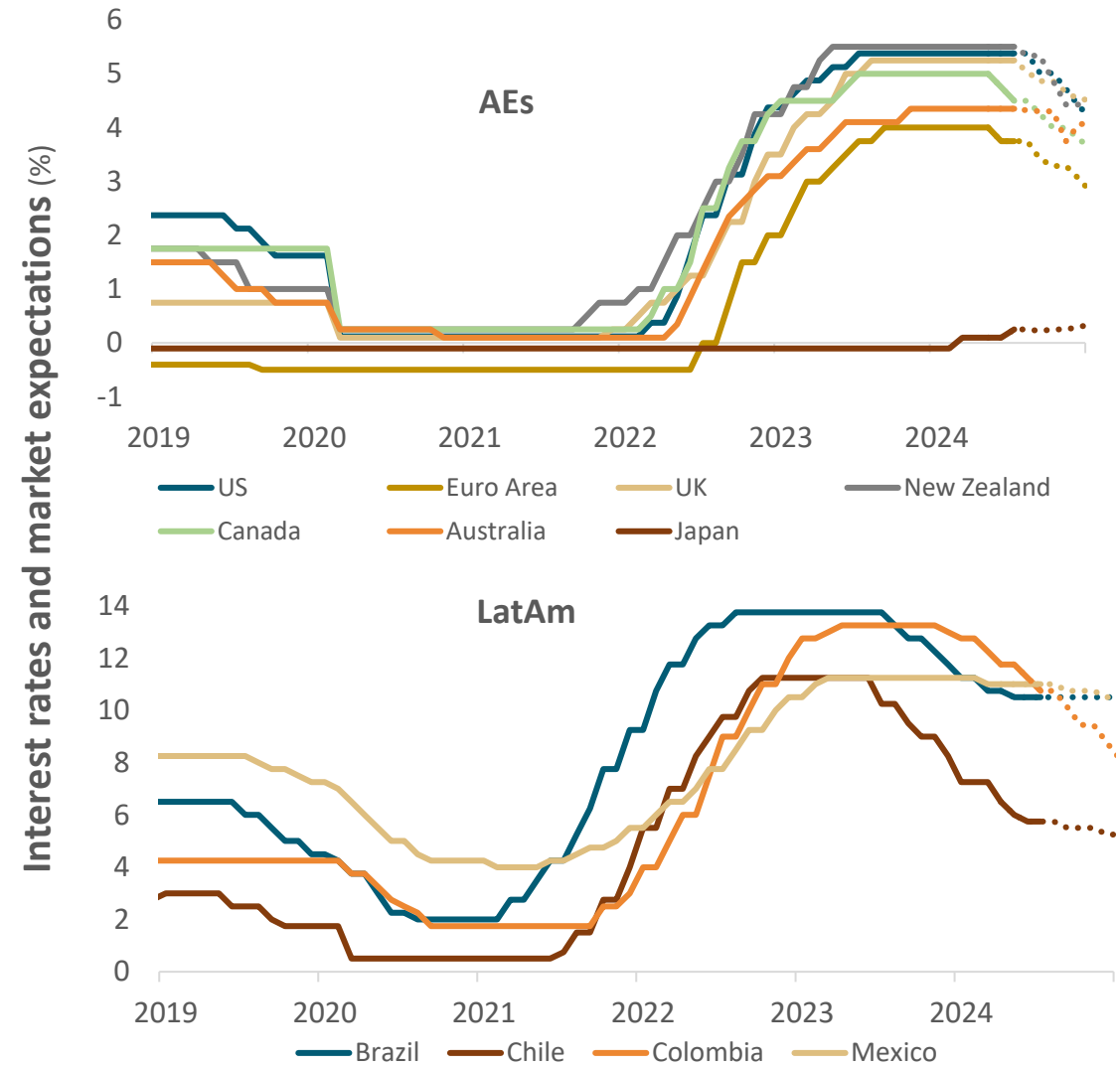
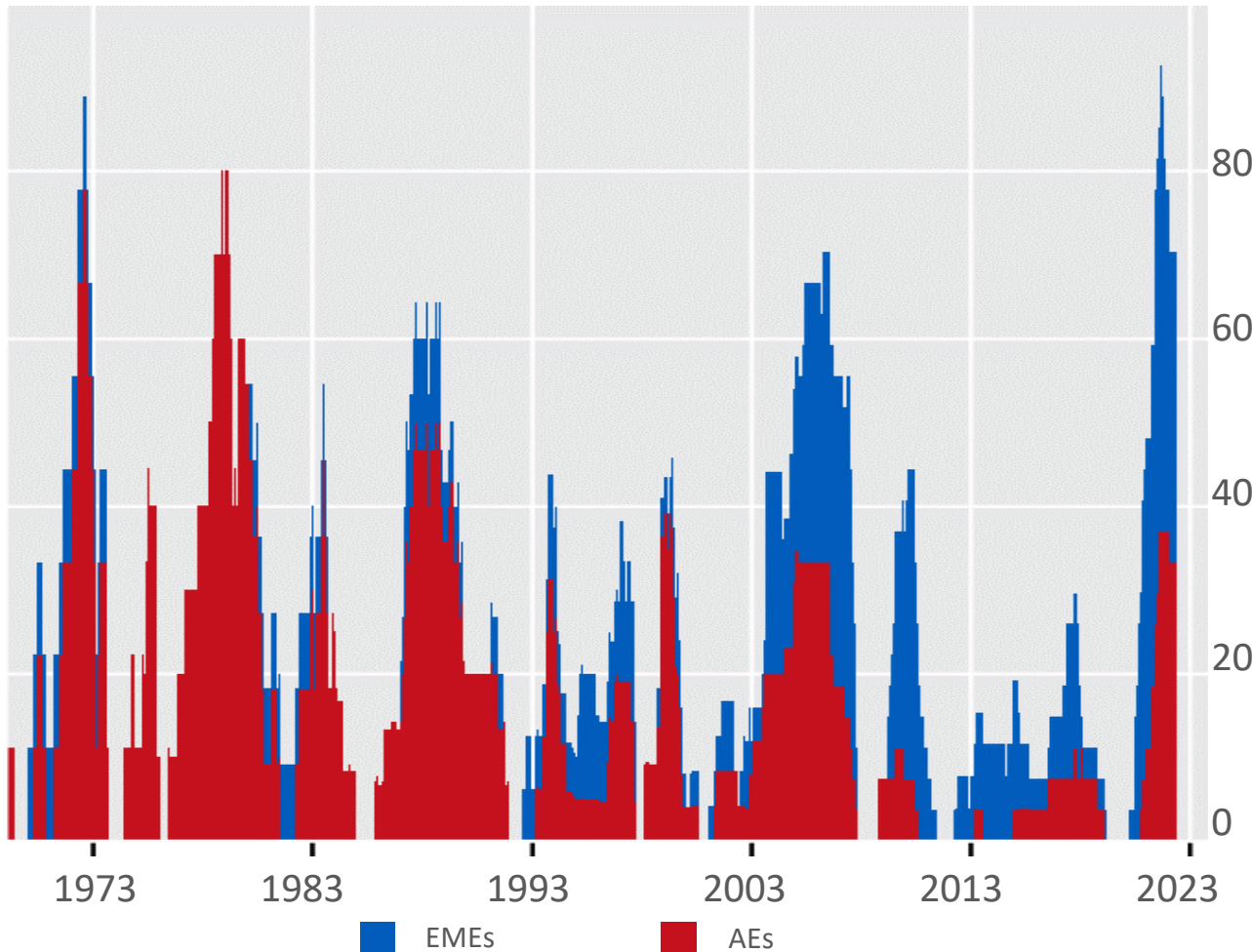
**Roberto Campos Neto**

Governor of Banco Central do Brasil

Jackson Hole Economic Policy Symposium  
Federal Reserve Bank of Kansas City  
August 22-24, 2024

# Central banks' coordinated actions

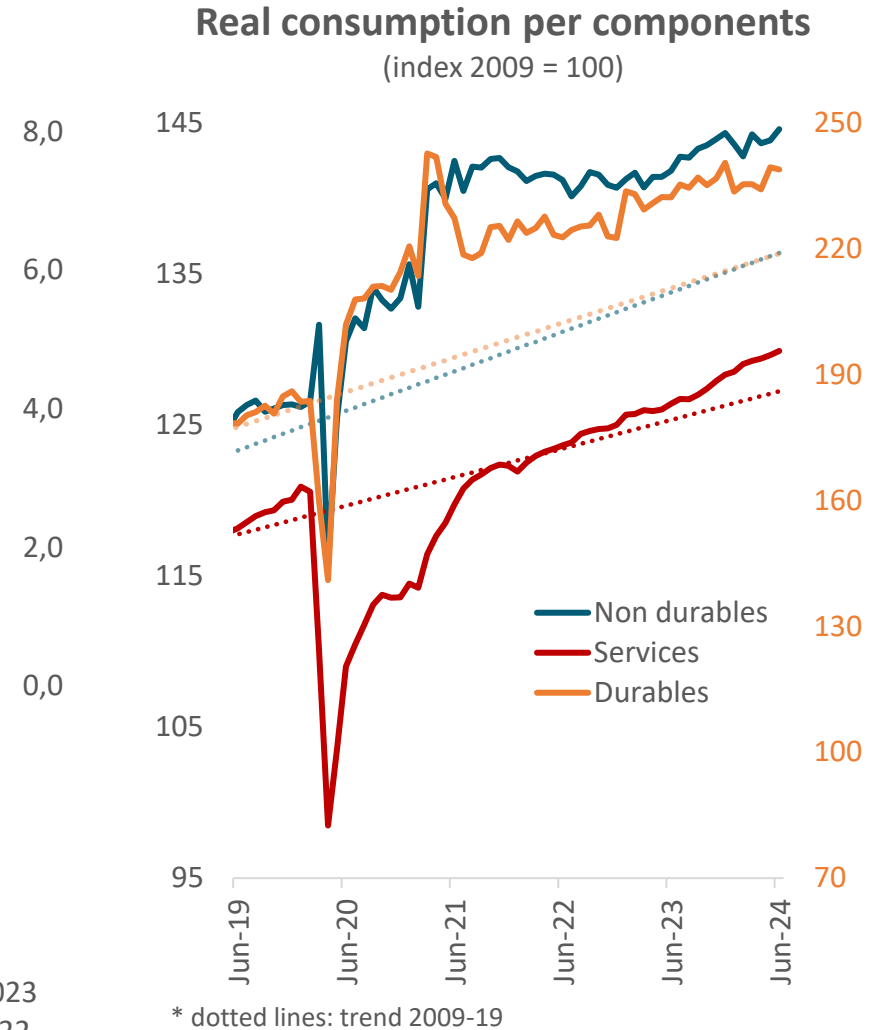
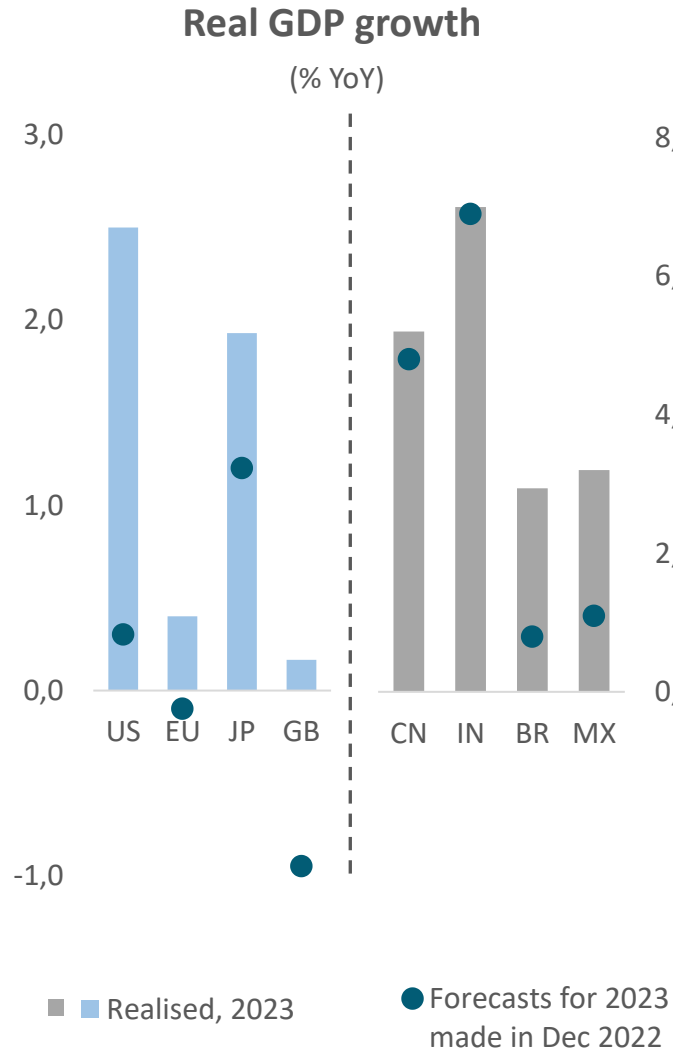
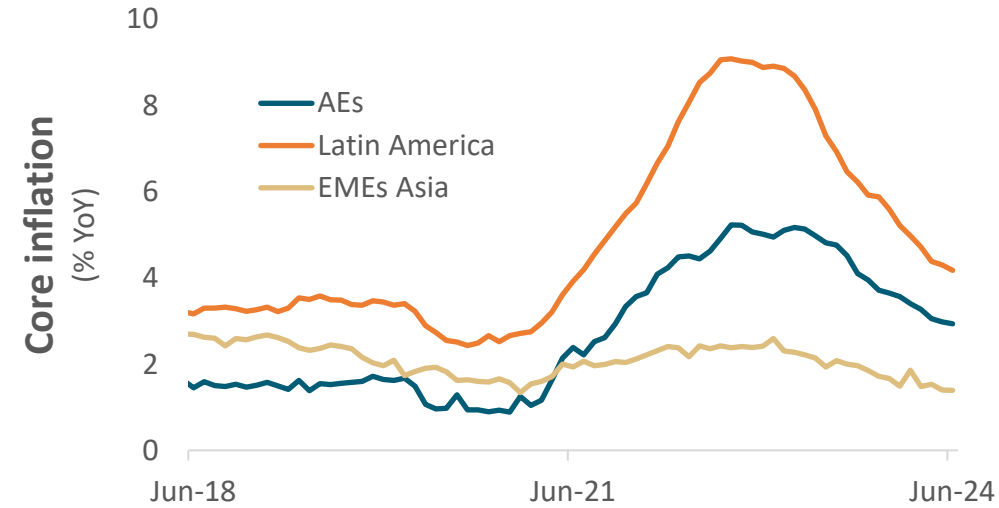
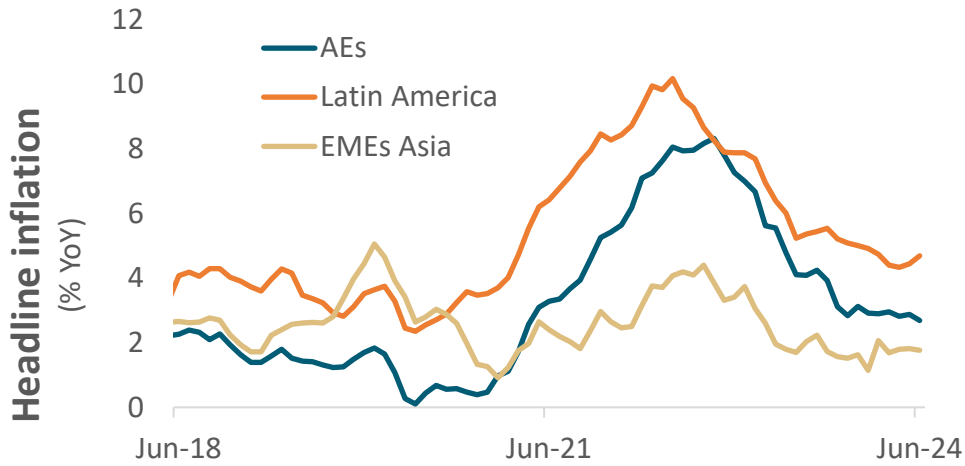
**Monetary Tightening Cycles**  
(% of central banks increasing interest rates)



Source: BIS Annual Economic Report 2023, Bloomberg.



# Slow disinflation and strong economic activity



# Why has inflation decreased so slowly?

Change in monetary  
policy power?

Change in parameters?

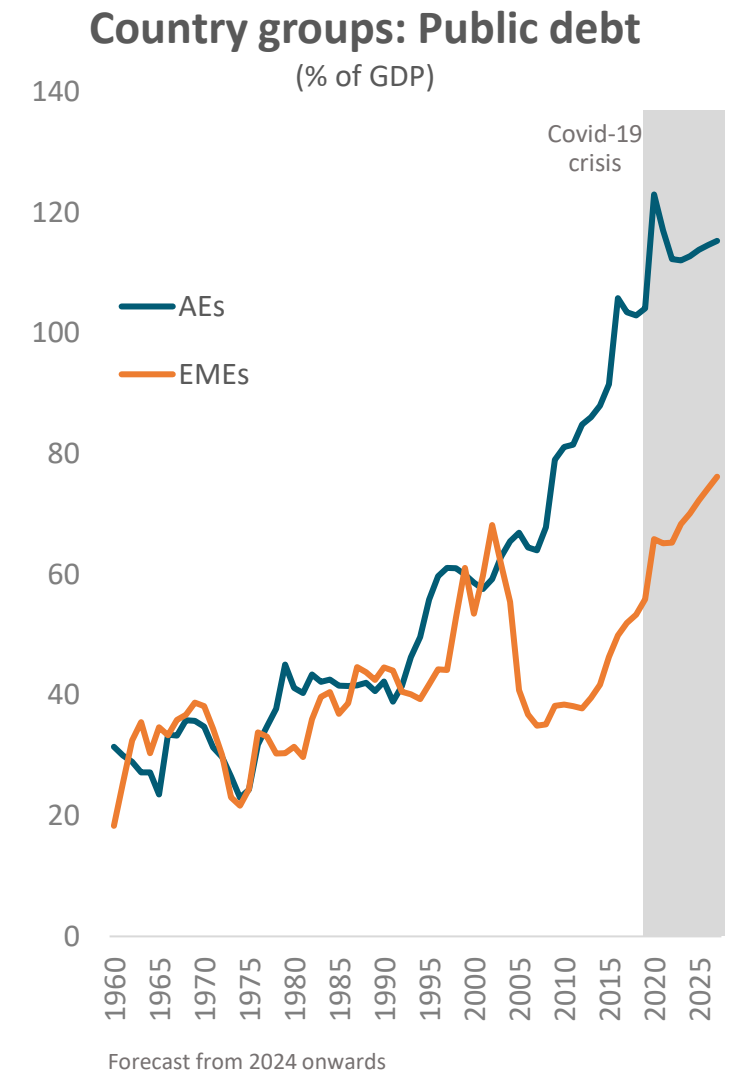
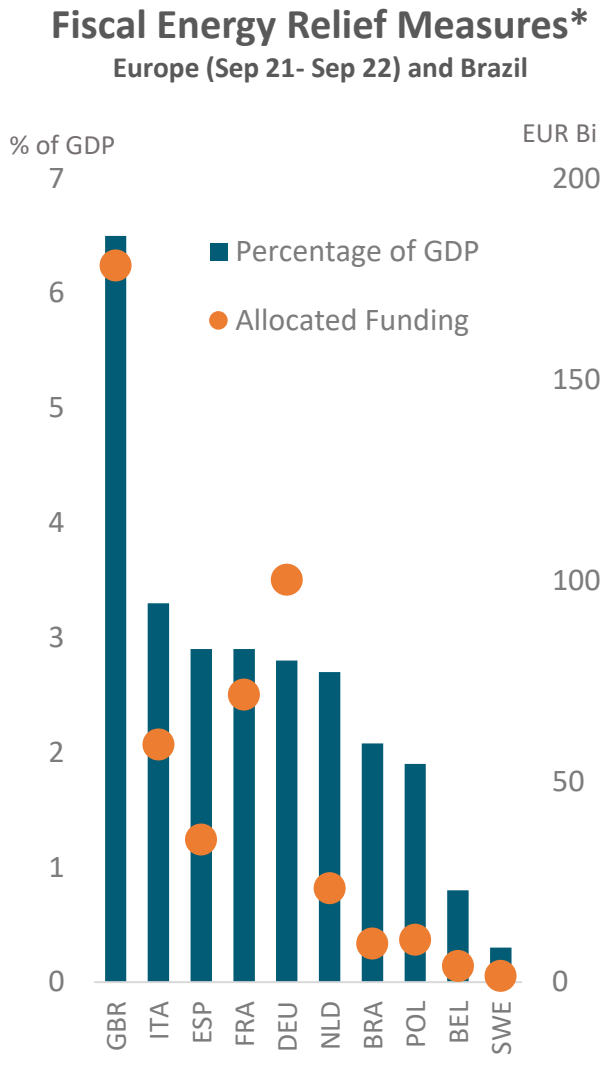
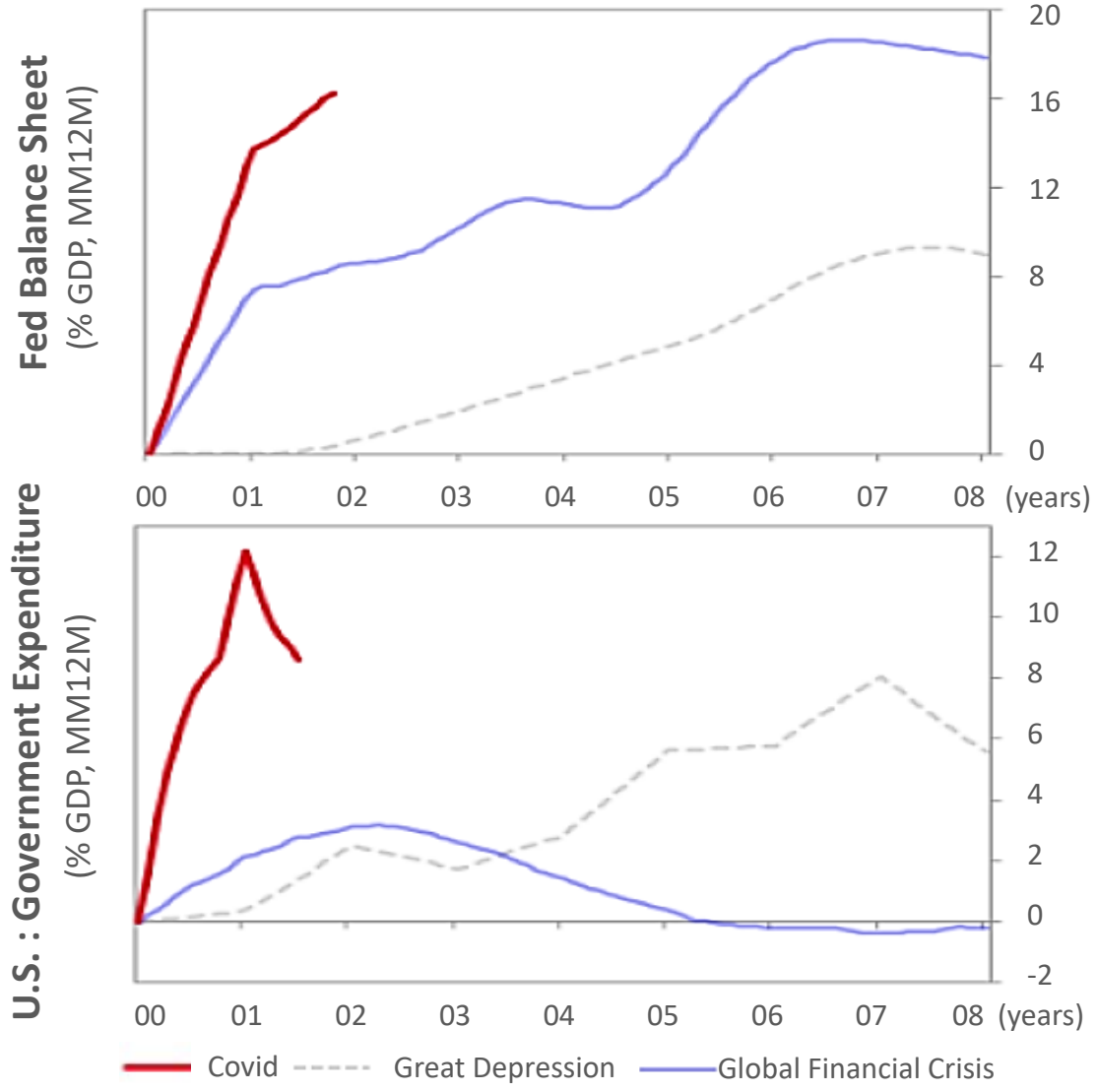


Interventions  
and shocks?

Channels are clogged?



# Support measures, interventions and indebtedness

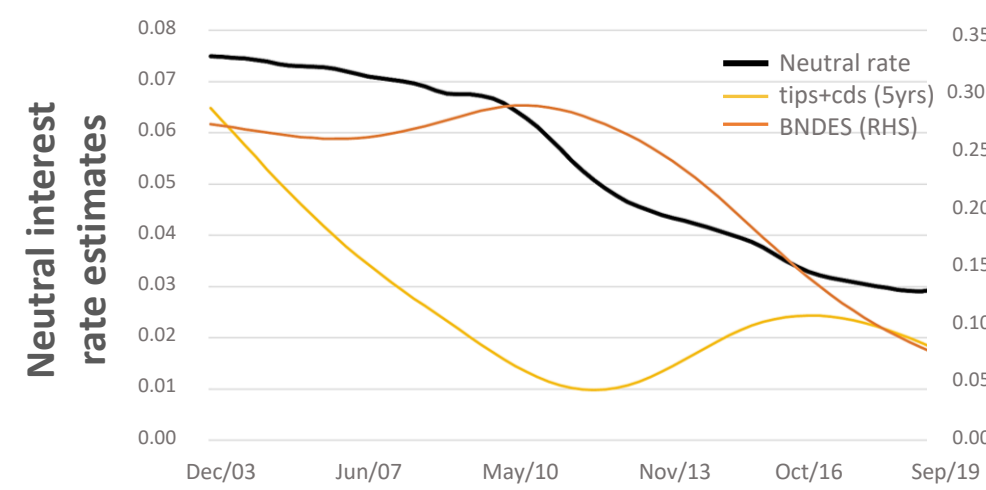
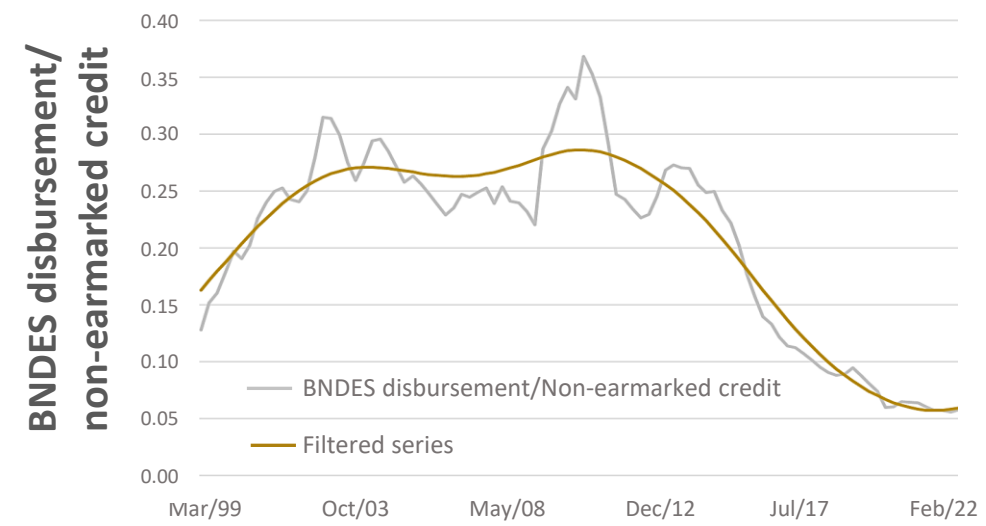
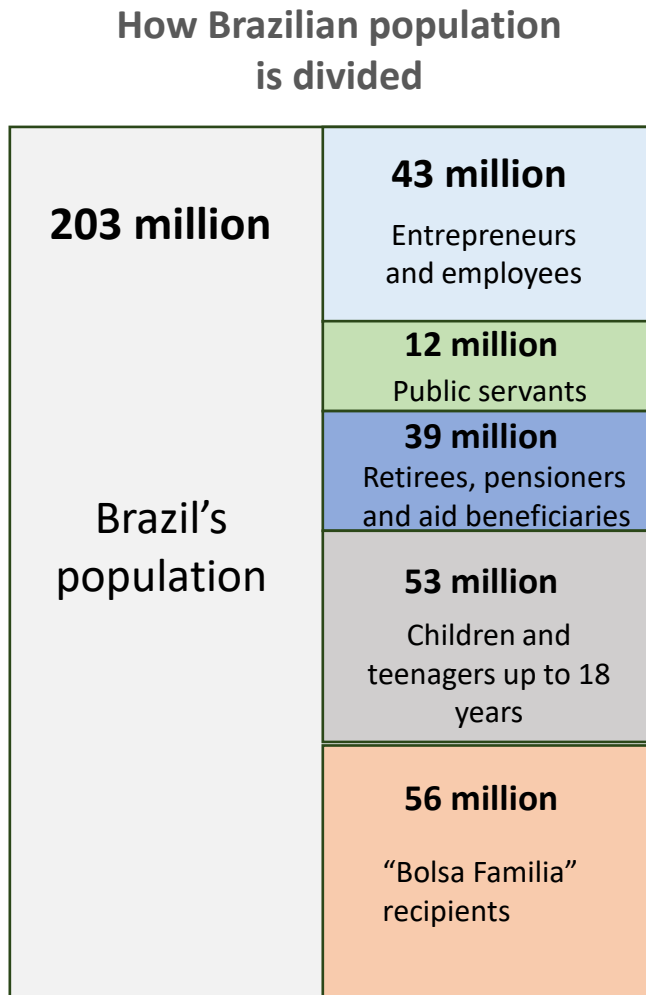
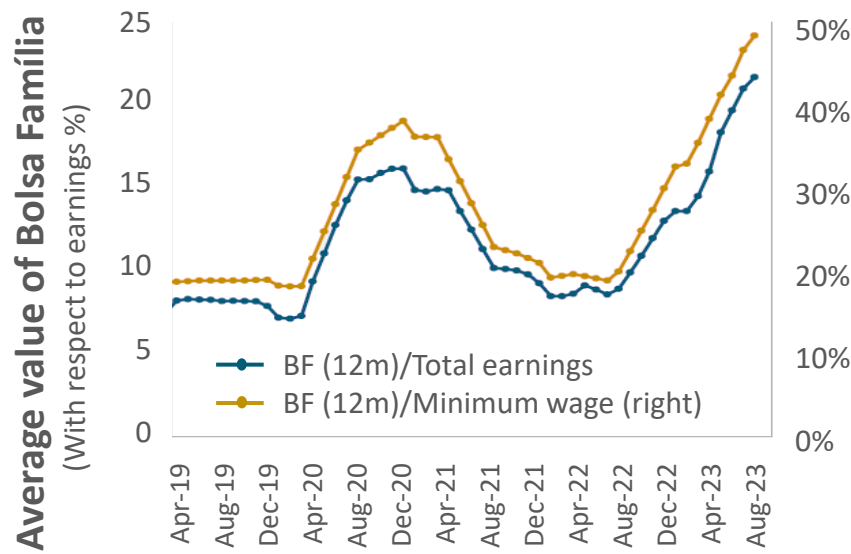
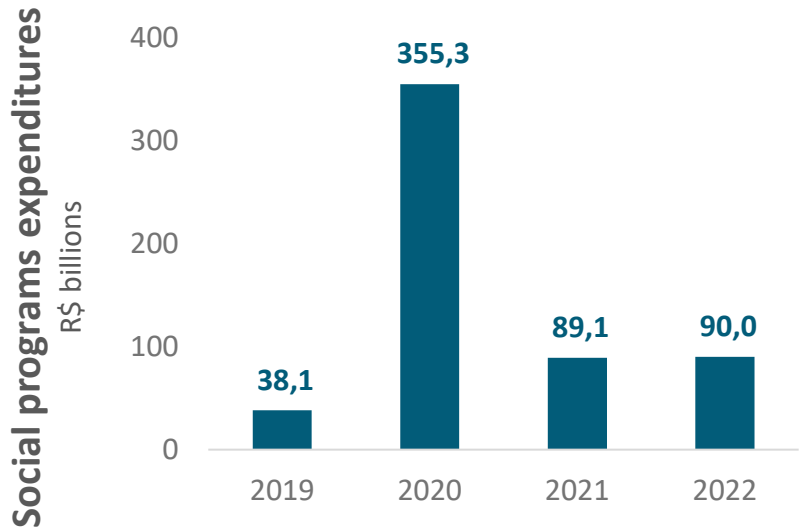


\* Numbers do not include subnational/supranational measures and loans, guarantees and bailouts of utility companies.





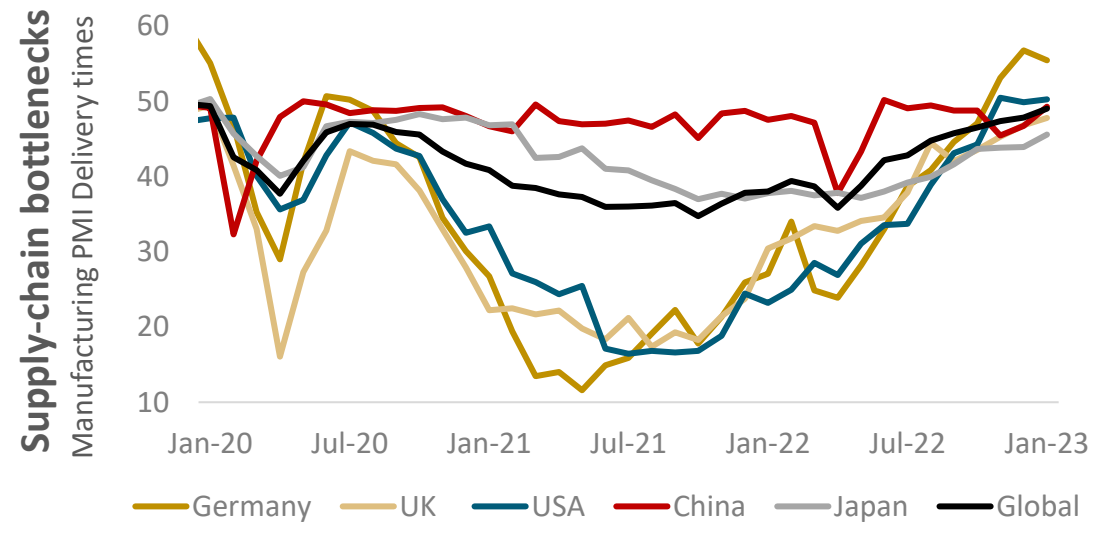
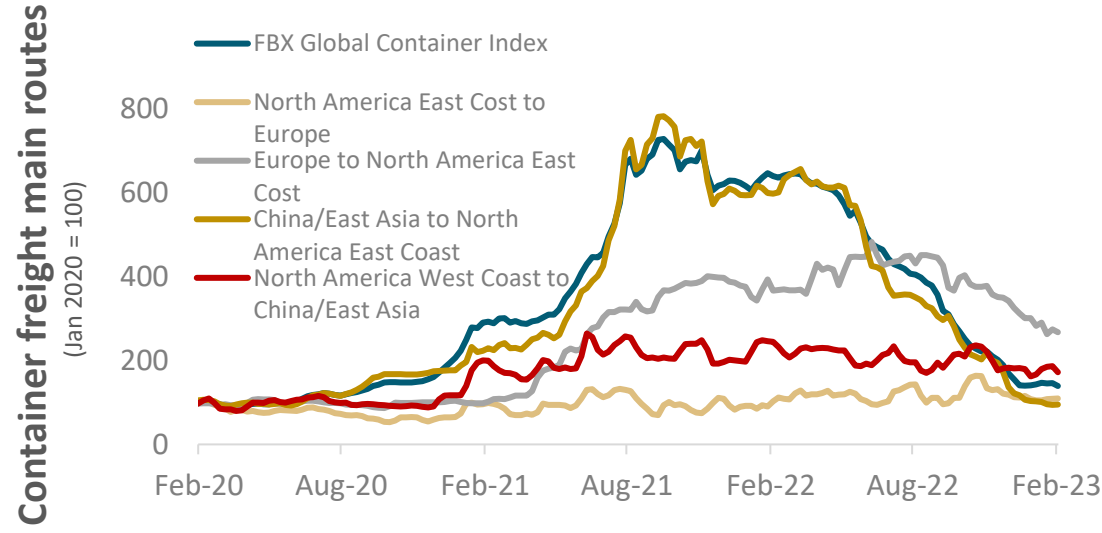
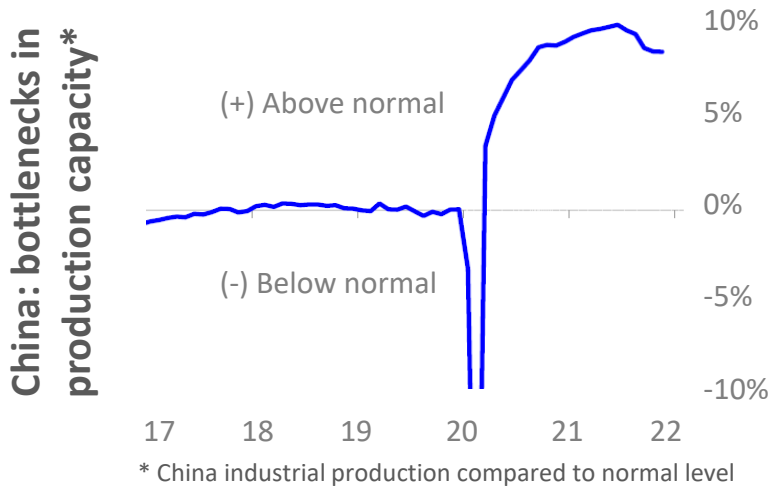
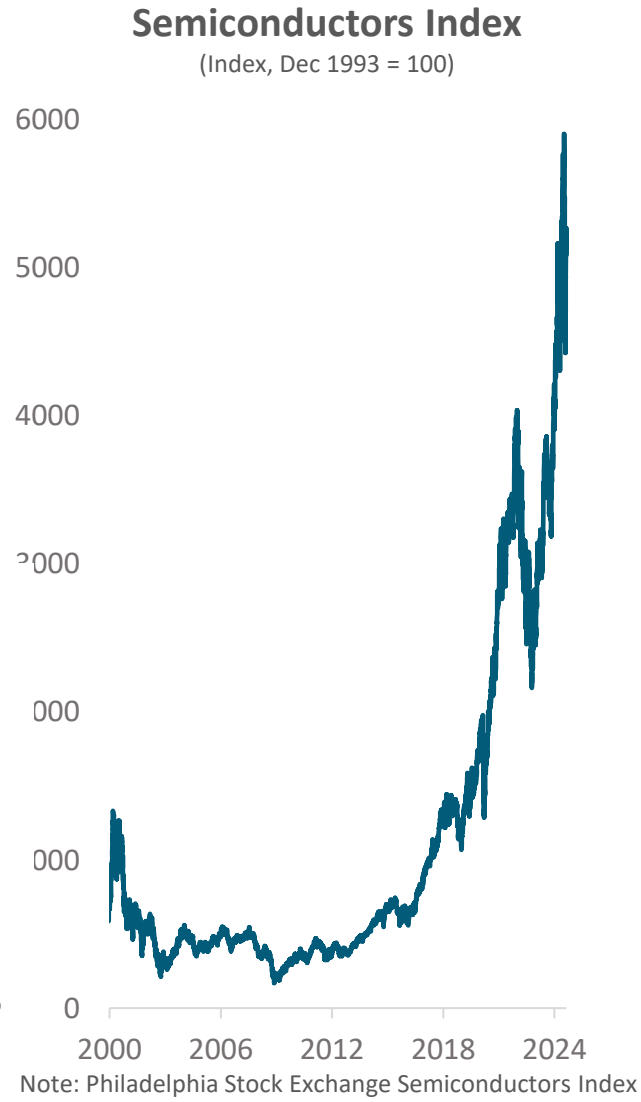
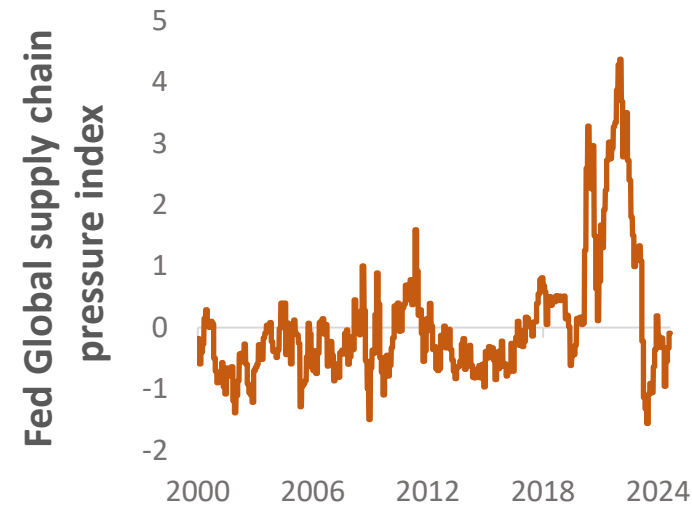
# Brazil: support measures, earmarked credit and neutral rate



\* Numbers do not include subnational/supranational measures and loans, guarantees and bailouts of utility companies.



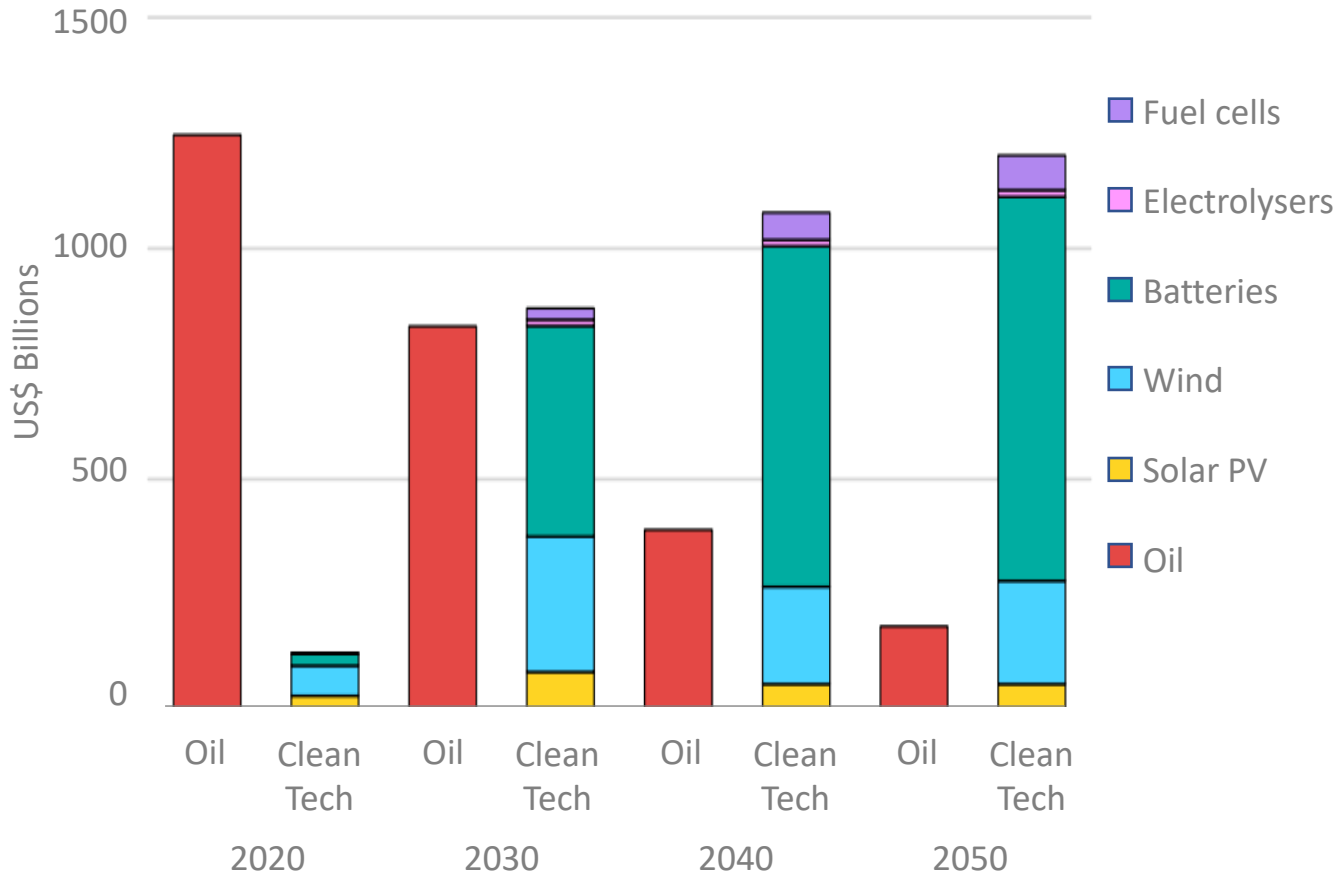
# Fragmentation of supply chains



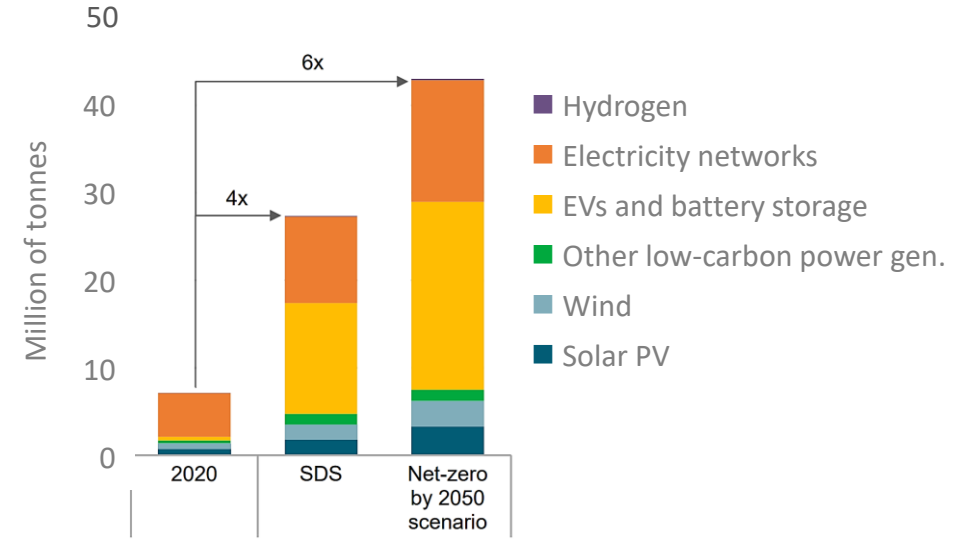
Source: Fed NY, Bridgewater Associates, Bloomberg, Refinitiv.



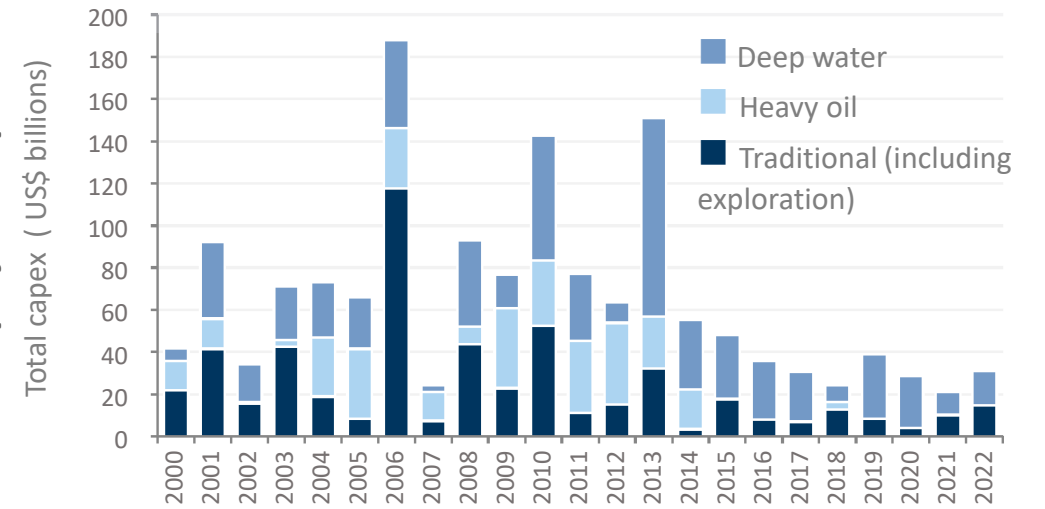
### Estimated market size in the Net Zero Emissions by 2050 Scenario



### Minerals demand for clean energy technologies by scenario



### Oil projects capex

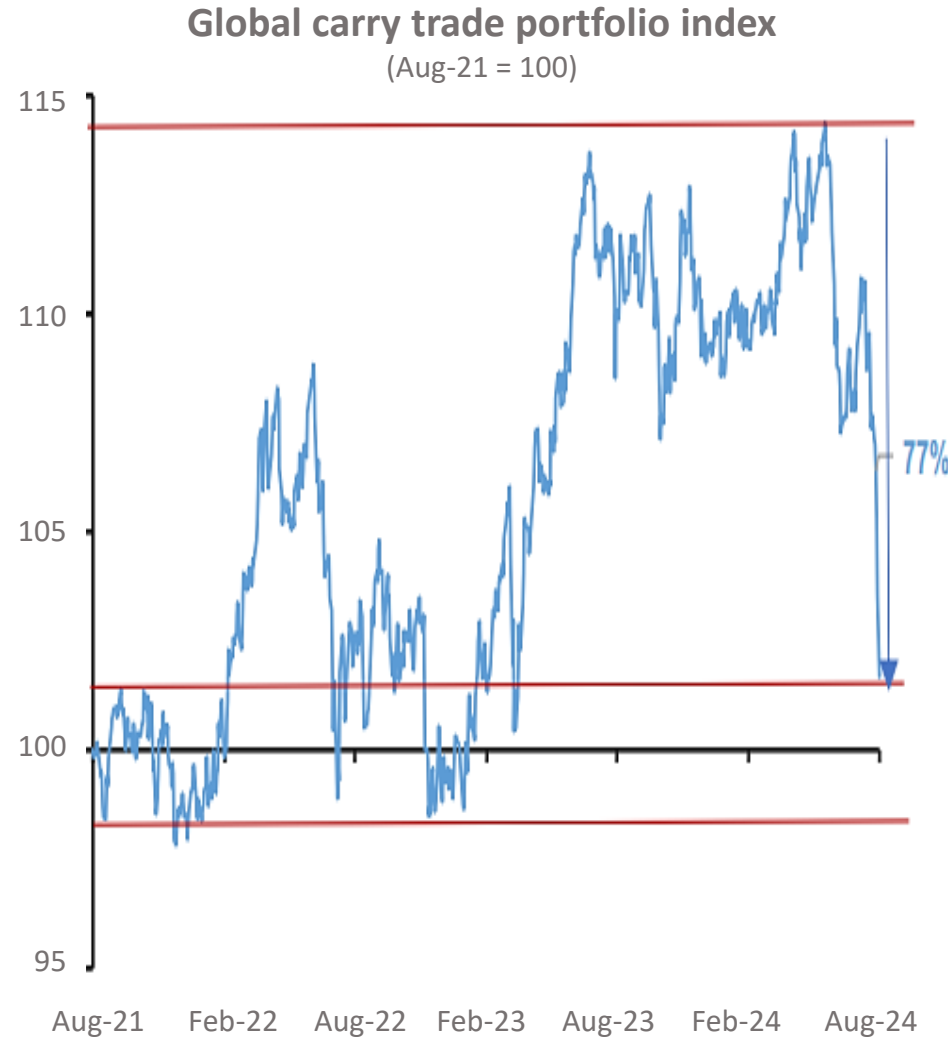
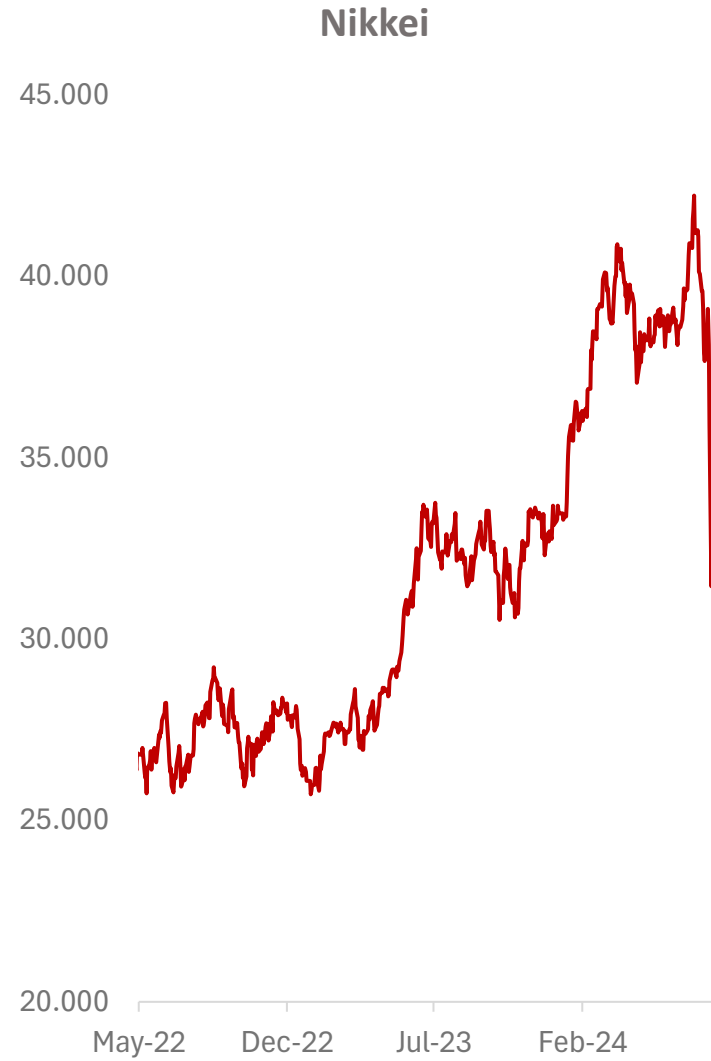
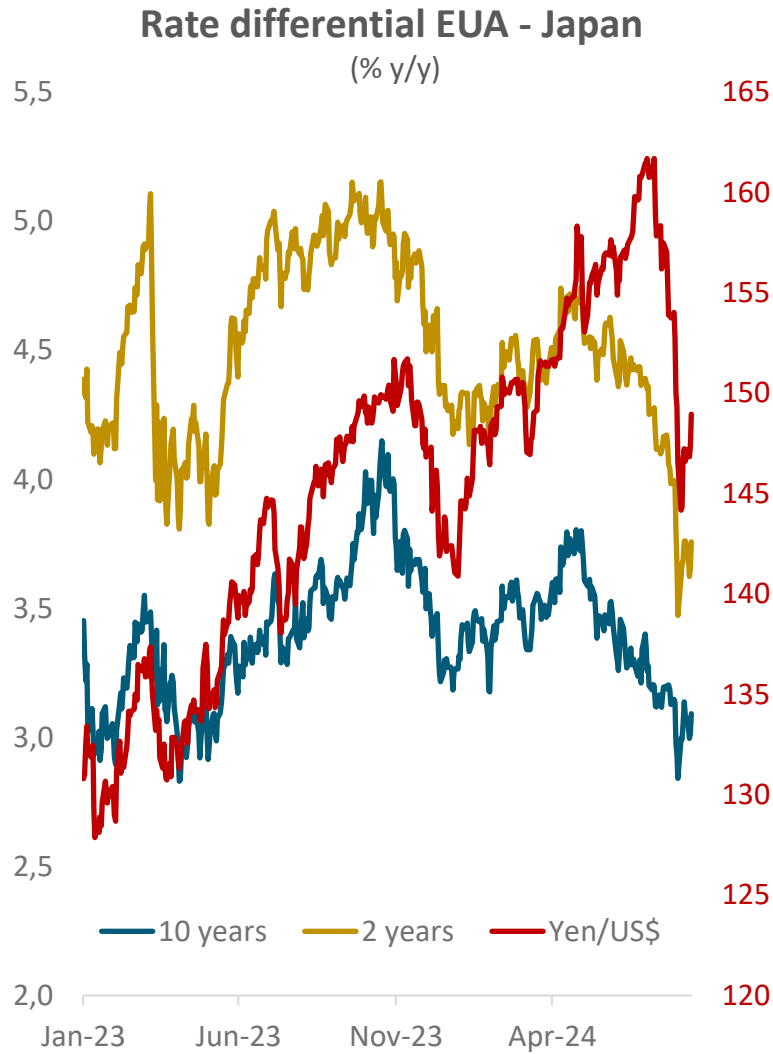


SDS = Sustainable Development Scenario, indicating what would be required in a path consistent with meeting the Paris Agreement goals.





# Monetary policy in Japan and financial markets



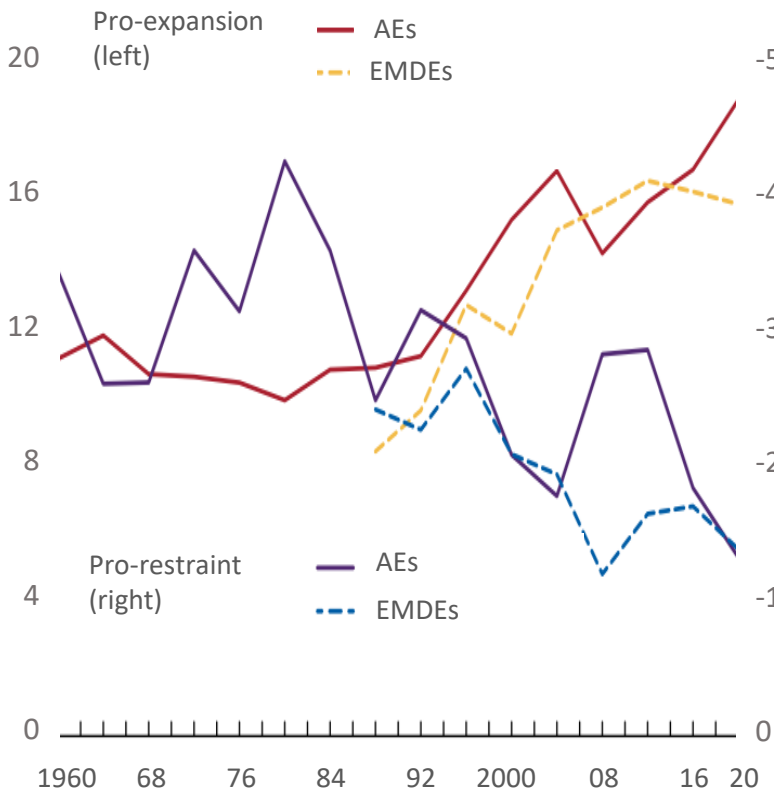
Sources: Bloomberg, JP Morgan.



# U.S. elections and inflation

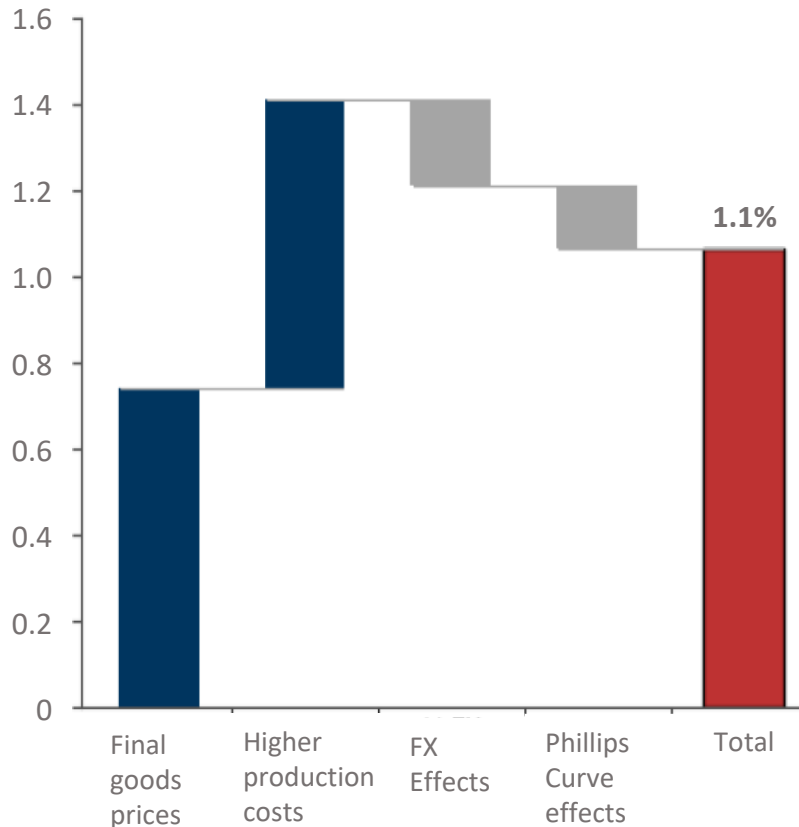
## Fiscal policy

Rise of expansionary fiscal rhetoric (%)



## Import tariffs

Effect on U.S. inflation of tariff hikes\* (%)

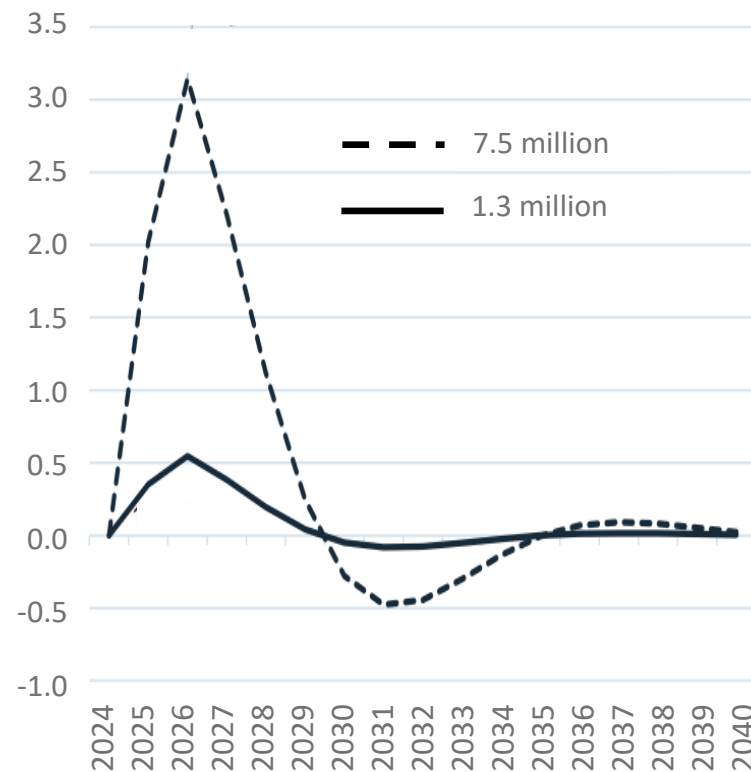


\*The exercise consists on a 10 p.p. hike in import tariffs by the U.S., followed by a 10 p.p. retaliation by other countries.

## Immigration policy

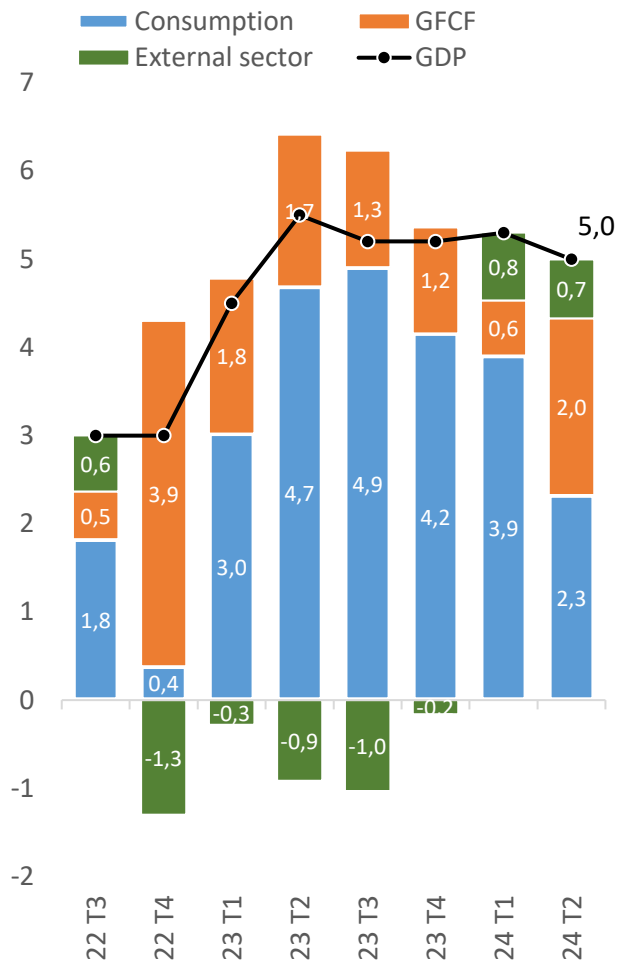
Effect on U.S. inflation of changes in immigration policy

Scenario 1: deportation of 1.3 mi people from the US  
 Scenario 2: deportation of 7.5 mi people from the US  
 (Effect in p.p.)



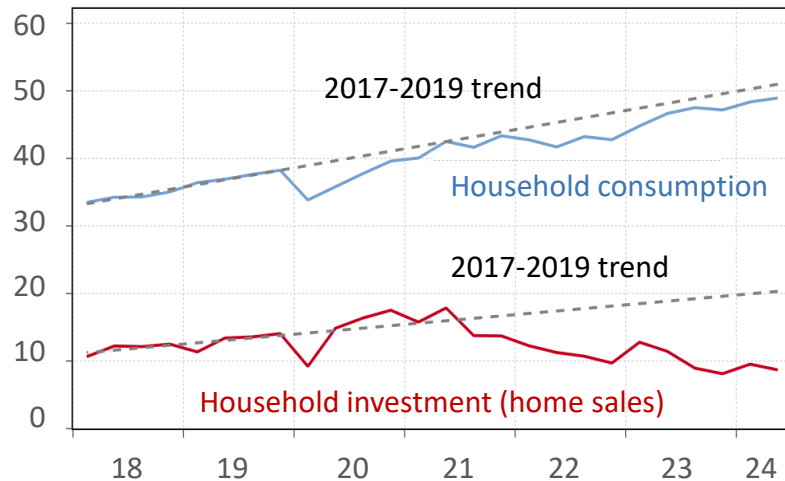
## GDP and contributions

(% y/y), contribution in p.p.



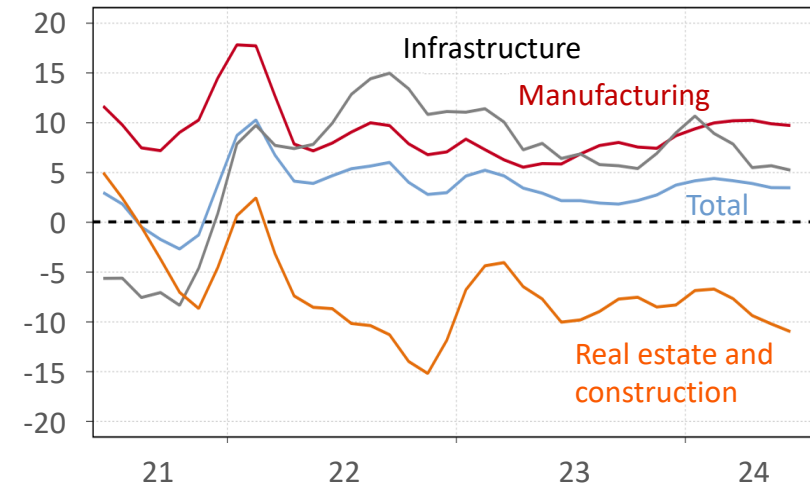
## Household consumption and home sales

(s.a., annual rate vs. pre-2020 trend, RMB trillion)

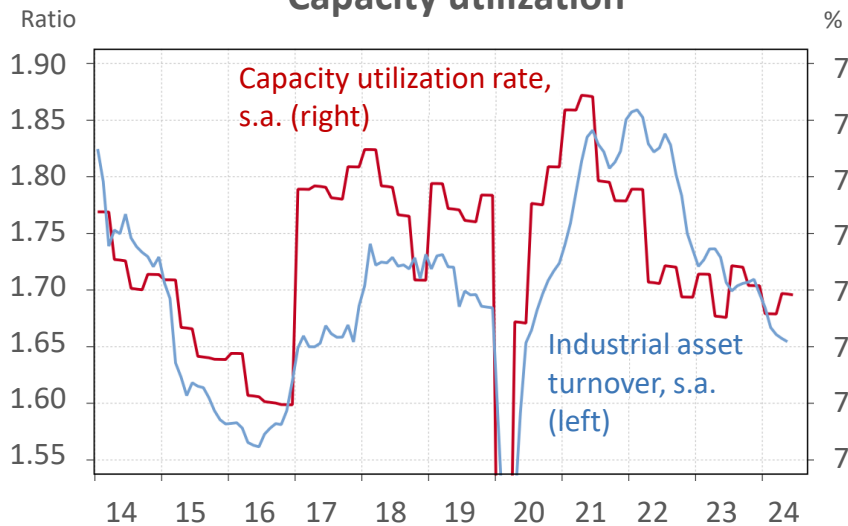


## Fixed asset investment

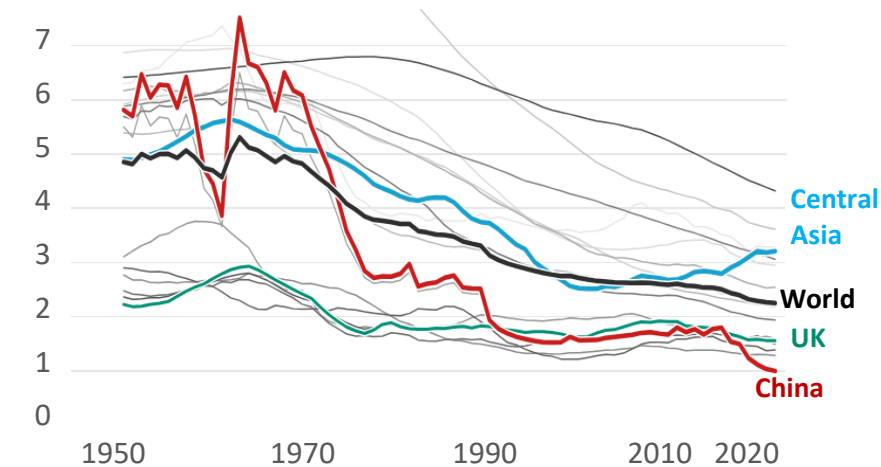
(y/y % change, 3-m.m.a., adjusted by sector)



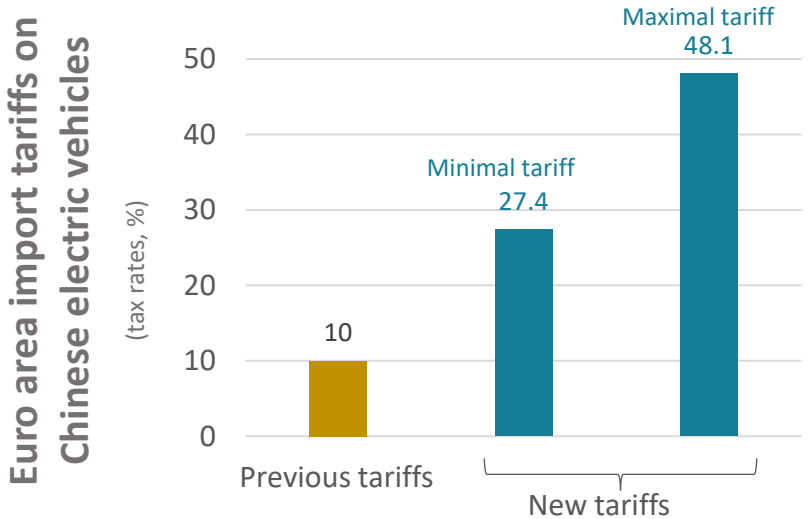
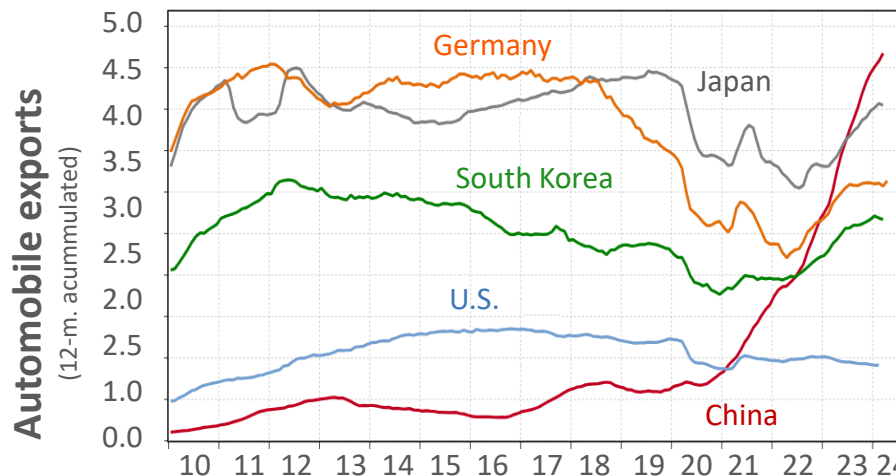
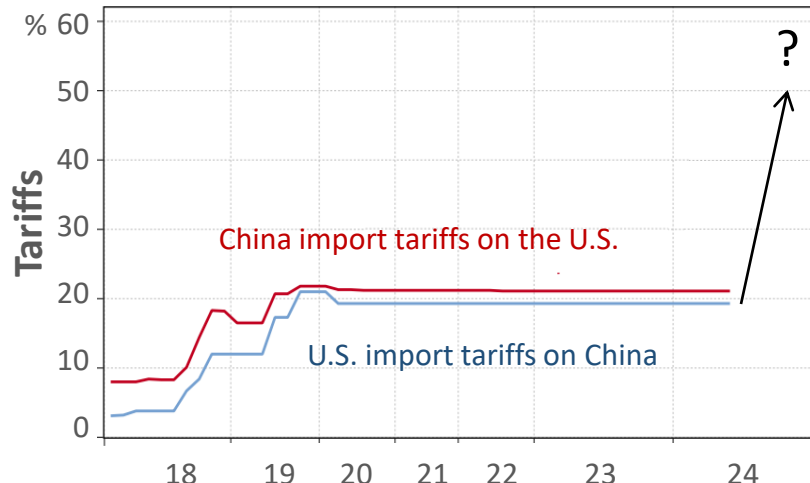
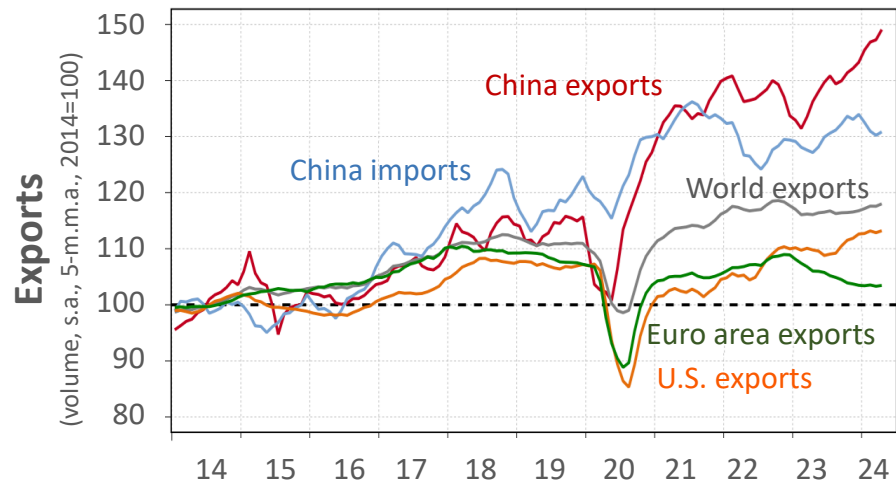
## Capacity utilization



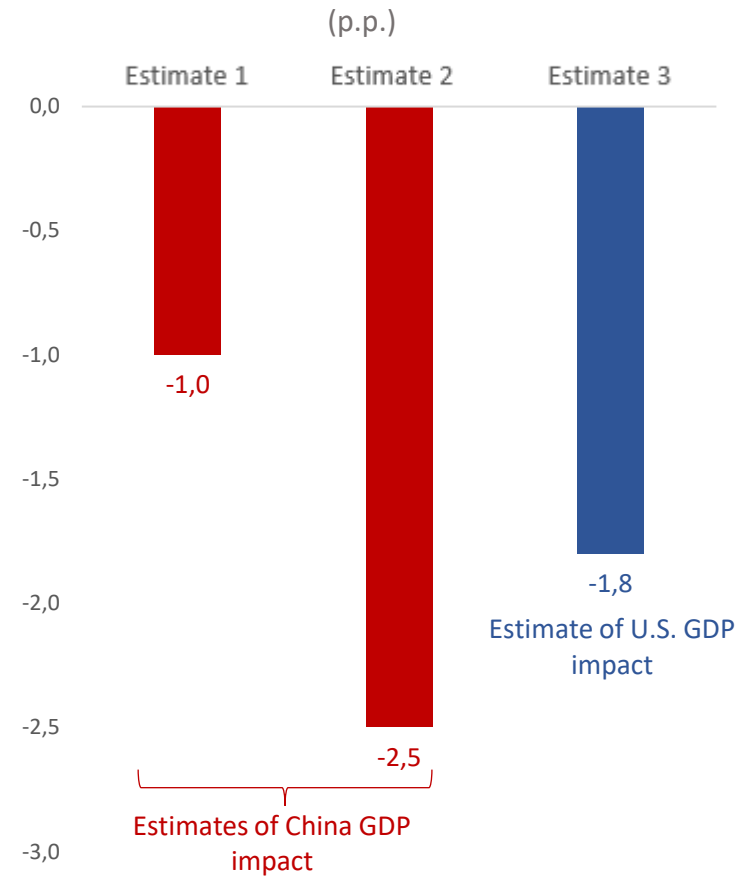
## Fertility rates



# China and global growth



## Estimates of GDP impact from hikes in import tariffs in the U.S.\*

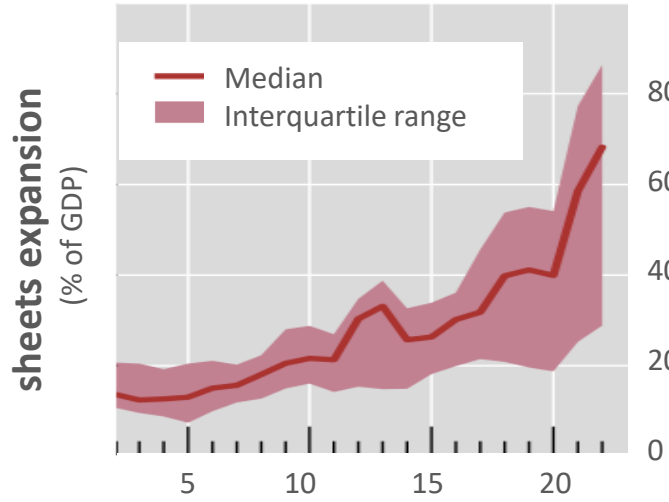


\* Notes: Estimate 1 (Goldman Sachs): General 10% hike and 60% hike on China  
 Estimate 2 (UBS): 60% hike on China  
 Estimate 3 (Peterson): General 10% hike and 60% hike on China

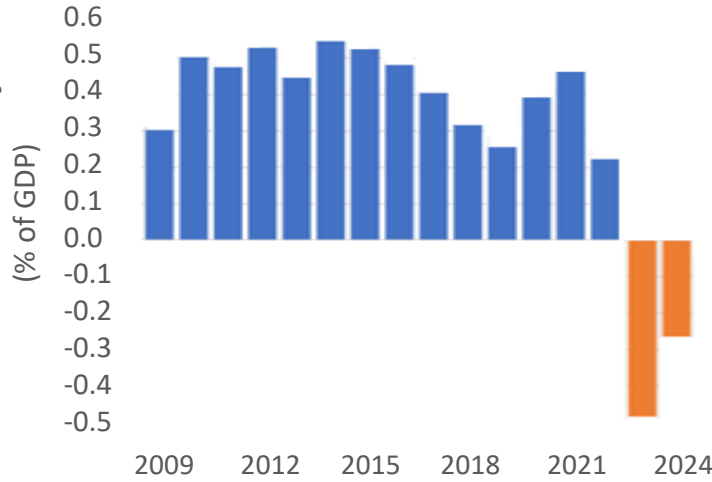


# Little room for economic policy

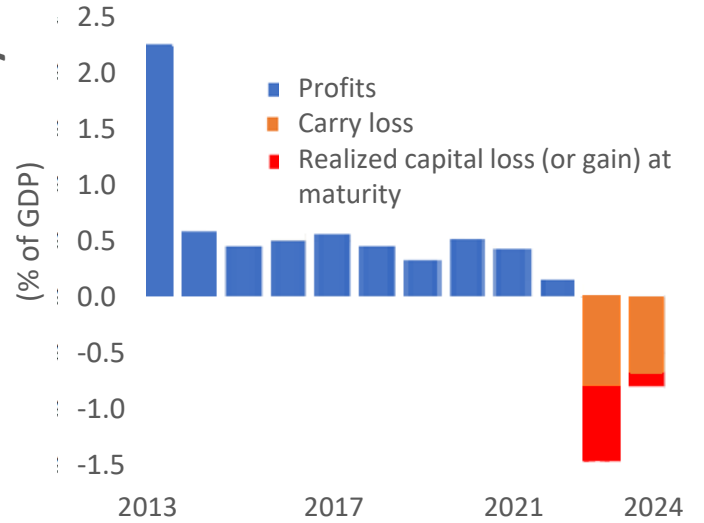
AEs: Central bank balance sheets expansion



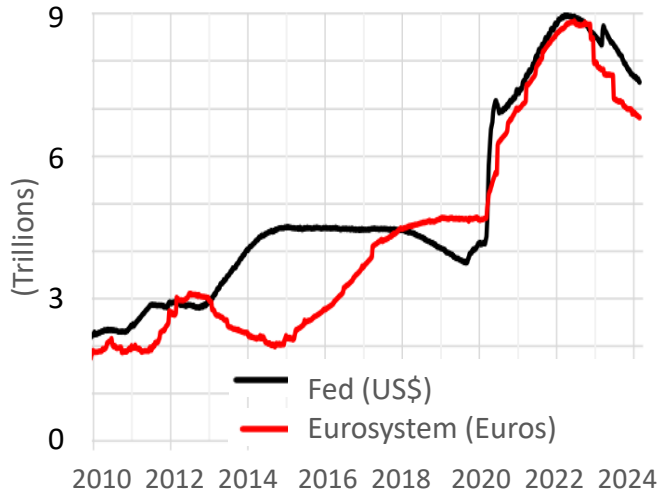
Fed Transfers to the US Treasury



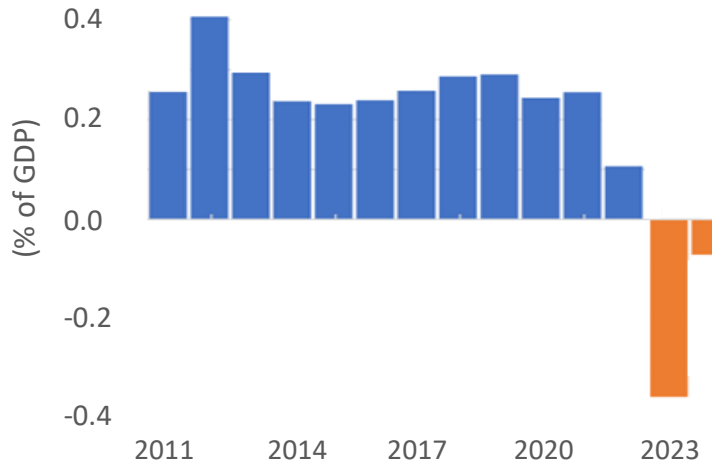
Transfers between the BoE and HM Treasury



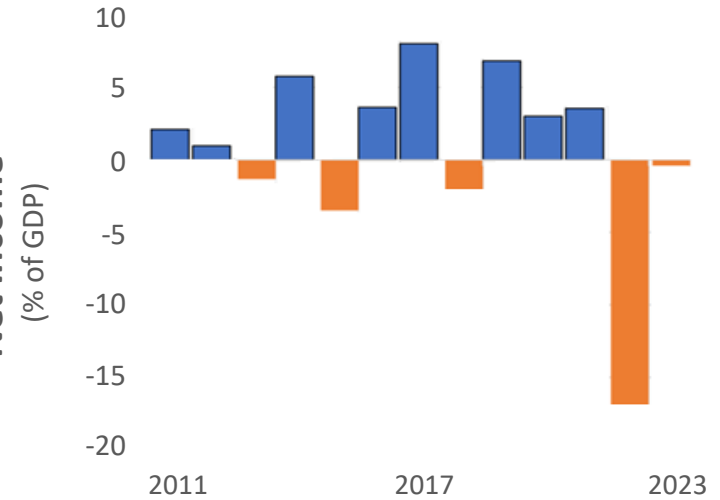
Total assets of the Fed and Eurosystem



Eurosystem Profit and Loss

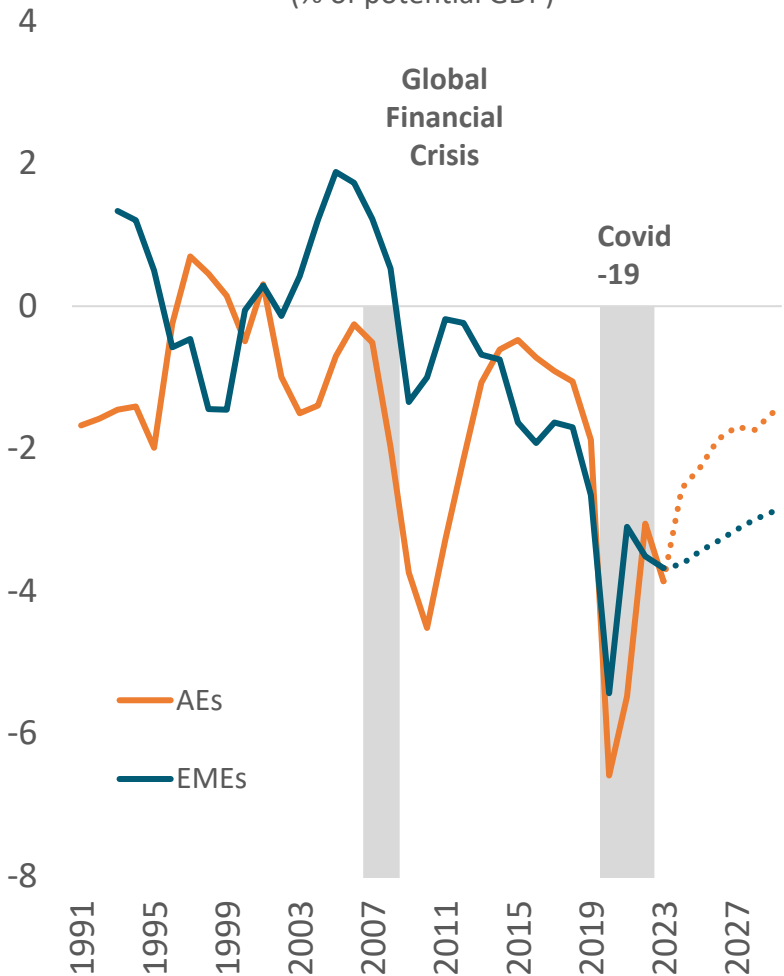


Swiss National Bank Net Income

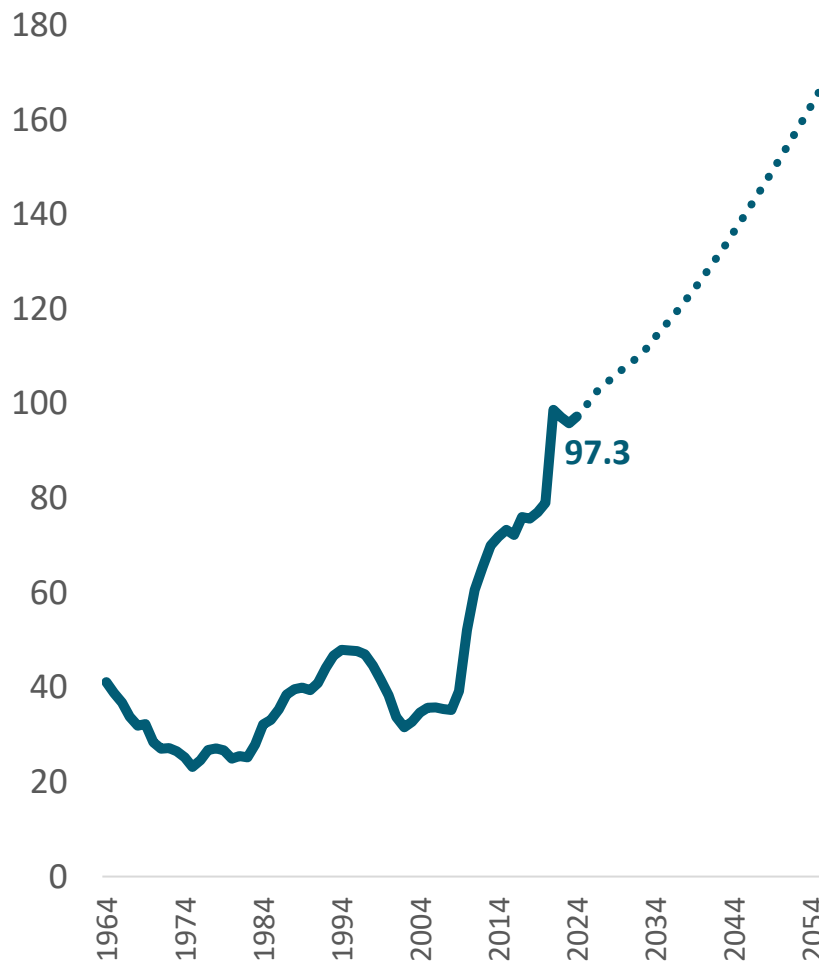


# Little room for economic policy

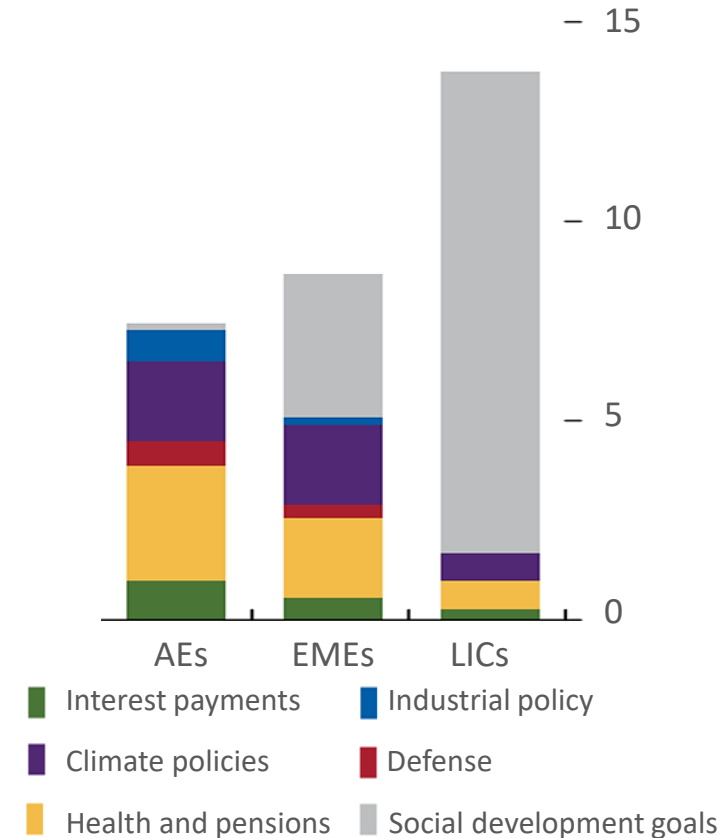
**Adjusted primary result**  
(% of potential GDP)



**US: public debt**  
(% of GDP)



**Potential annual increase of public spending until 2030**  
(% of GDP)



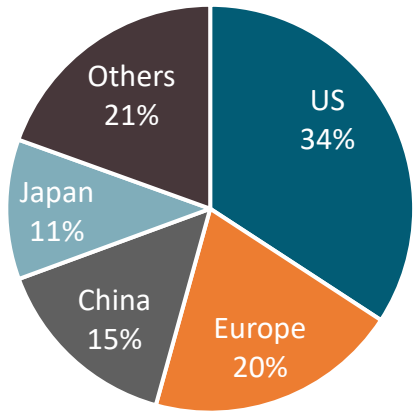
Source: FMI, CBO.



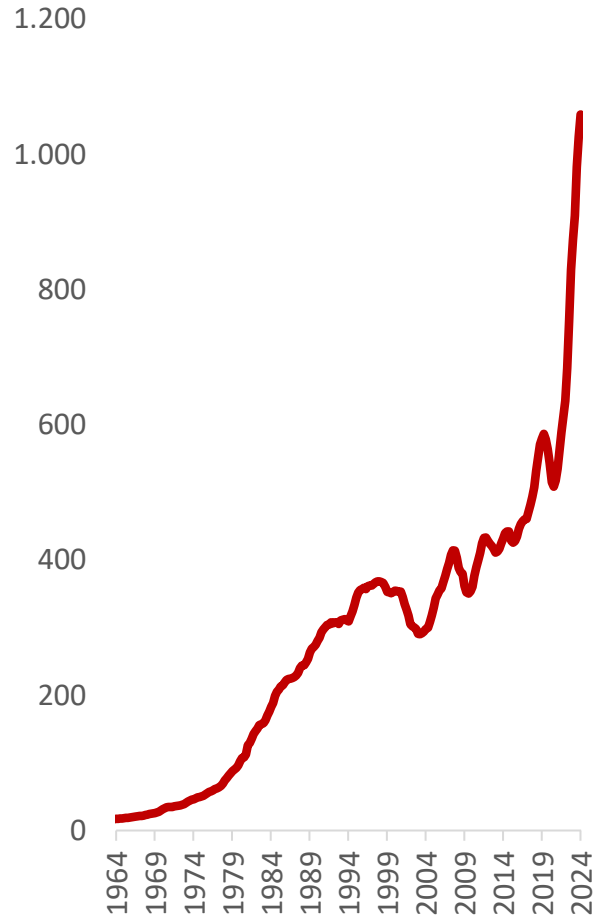


# Debt rollover cost and liquidity squeeze

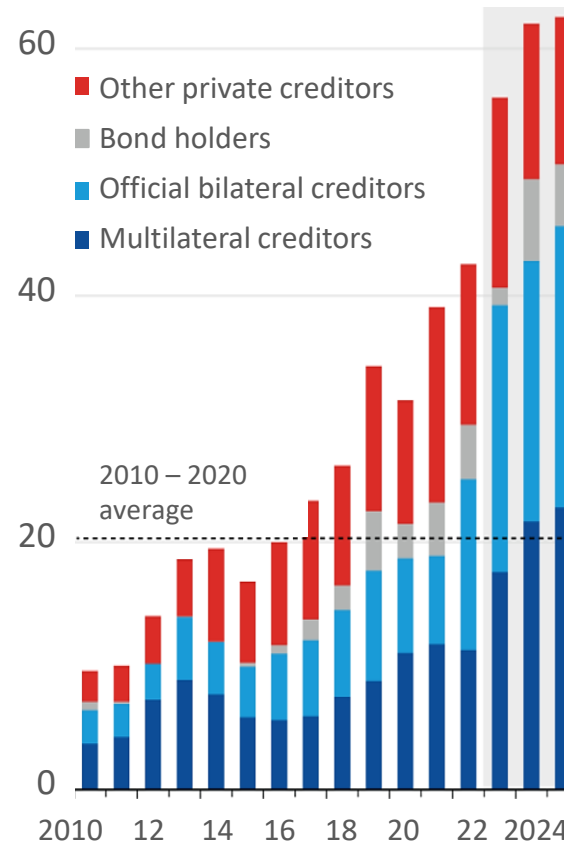
**Global public debt**  
(% of countries' GDP)



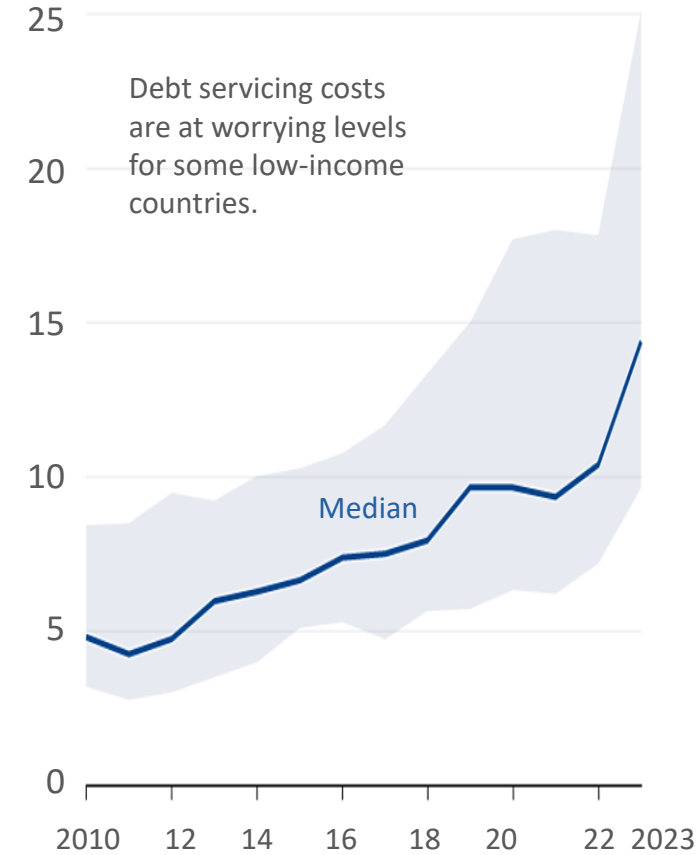
**US: interest payments**  
(US\$ billions)



**Low-income countries: principal payments due to foreign creditors**  
(Billions of US\$)



**Low-income countries: external debt service to revenues**  
(%)



\* Figures for 2023 and beyond are projections. Shaded area represents the interquartile range.

