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CCAMTAC- Regional Research/Analytical Economic Policy Seminar Series “Monetary Policy Communication in the Caucasus, Central Asia and Mongolia”

February 8, 2024

Introduction:

Mr. Norbert Funke, Director, CCAMTAC

Moderator:

Ms. Altynai Aidarova, Resident Advisor, CCAMTAC

Presenters:

Ms. Filiz Unsal, Head of Structural Policy Analysis Division, OECD

Mr. Klakow Akepanidaworn, Economist, Institute for Capacity Development, International Monetary Fund

Ms. Mariarosaria Comunale, Economist, Research Department, International Monetary Fund

Ms. Tatiana Evdokimova, Senior Economist, Joint Vienna Institute

One of the most important elements of monetary policy frameworks (MPFs) for inflation-targeting economies is the communication of monetary policy. As inflation surged globally in 2022-2023, most central banks actively resorted to contractionary monetary policy by raising the policy rates, and communication was key in conveying the stance of monetary policy to the public and financial markets. This research seminar was dedicated to the analysis of monetary policy communication in the Caucasus, Central Asia, and Mongolia (CCAM) region, and comparing the performance of central banks in terms of communication between emerging markets (EM) and advanced economies (AE).

Ms. Filiz Unsal gave introductory remarks on the importance of monetary policy communication, a sound MPF, and the relevance of the current research for enhancing the effectiveness of monetary policy, including in emerging and developing economies. Mr. Klakow Akepanidaworn started by highlighting that most central banks in the CCA region have shifted to inflation-targeting regimes but still faced credibility challenges. Ms. Mariarosaria Comunale introduced the IAPOC index used in the analysis of MPFs in this research paper. According to the IAPOC index, the covered central banks in CCA (Armenia, Georgia, Kazakhstan and the Kyrgyz Republic), have improved their MPFs compared to their pre-IT regime and were on average performing at par with other central banks in emerging market economies. She also suggested



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that there was room for improvement in terms of independence and accountability (especially de facto), and communications in CCA central banks, but to different degrees. Although most central banks in the region have advanced their communication by posting regular press releases, monetary policy reports, and other relevant information to the public, they still need to improve it by making forecasts and expectations available, ensuring timeliness of press releases, and improving the explanations of the current monetary policy stance and its future path. Mr. Akepanidaworn also mentioned that even though press releases of the central banks were getting longer, there was no improvement in the clarity of the press releases. He concluded the first part of the seminar by highlighting that the central banks in the region could improve monetary policy communication, namely by explicitly stating the numerical targets and making clear the stance and path of monetary policy in press releases. Lastly, transparency on central bank operations and FXIs can be also improved.

Ms. Tatiana Evdokimova compared the performance of central banks in emerging and advanced economies using sentiment analysis and machine learning techniques. She mentioned that central banks in emerging economies reacted to the post-pandemic inflation surge in a more timely manner than advanced economies, as is evidenced by the tone of their communication. Less committal way of using forward guidance, generally stronger reaction to supply-side factors and less well-anchored inflation expectations explain the difference in reaction to inflationary pressures. Ms. Evdokimova also stated that the central banks in CCA became hawkish earlier than other EM and AE central banks in the face of rising inflation, and that all central banks had very synchronized communication tone since the beginning of the pandemic. She concluded the research seminar by mentioning that CCA and EM focused on inflation in their press releases but mentioned exchange rates more frequently than AE central banks.

Participants from the central banks in the region extended their gratitude to the presenters for providing an independent and objective view on MPFs and raised questions regarding the unified methodology for assessing and comparing MPFs in central banks. The participants also asked about the difference between monetary policy goals and inflation targets. The speakers gave clarifications by highlighting that monetary policy goals are stated in law and are represented in their mandates, while the objective on price stability or inflation and numerical targets are operational means of achieving these goals for central banks.