

Inflation Targeting in Emerging Markets

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Inflation Targeting

- Who does it?

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- What kinds of countries benefit?

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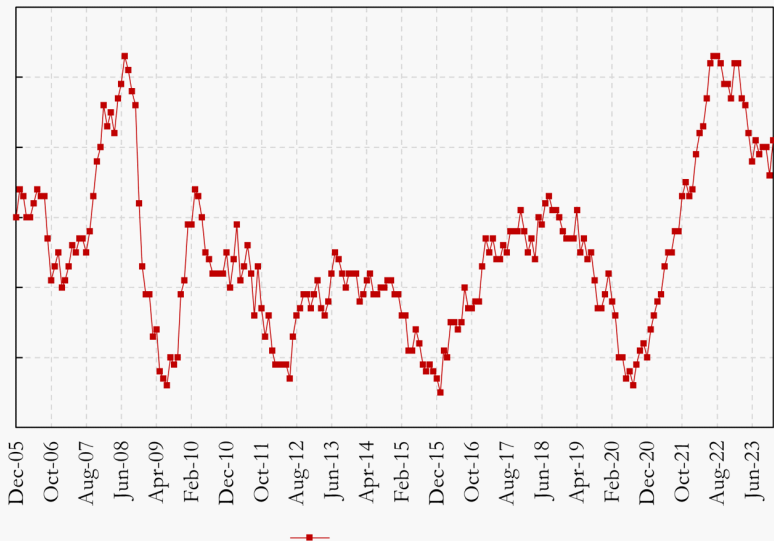
Inflation Targeting

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- What kinds of countries benefit?
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- Are “we” different?

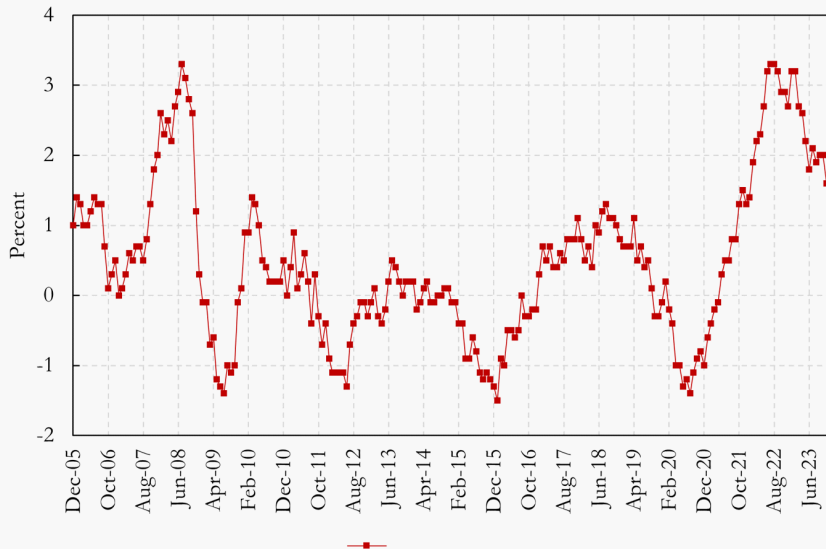
Inflation Targeting

- Who does it?
- Everyone
- What kinds of countries benefit?
- All kinds of countries
- Are “we” different?
- No, regardless of who you are

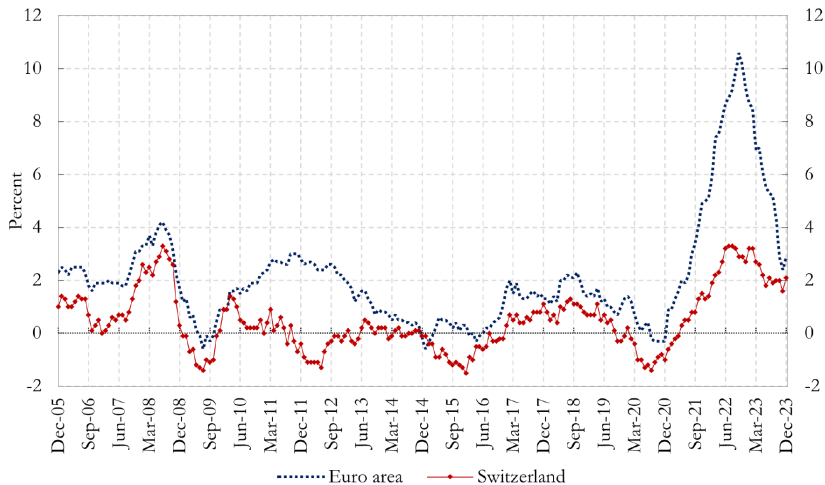
A Familiar Inflation Path



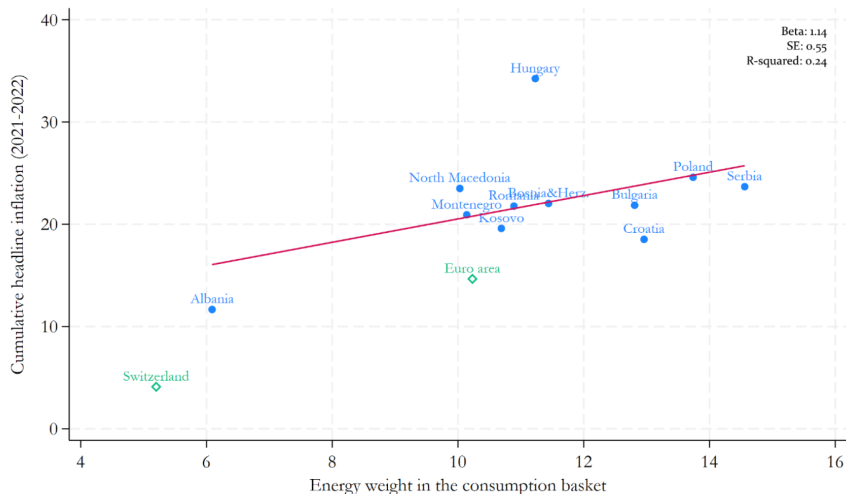
Less Familiar Scale



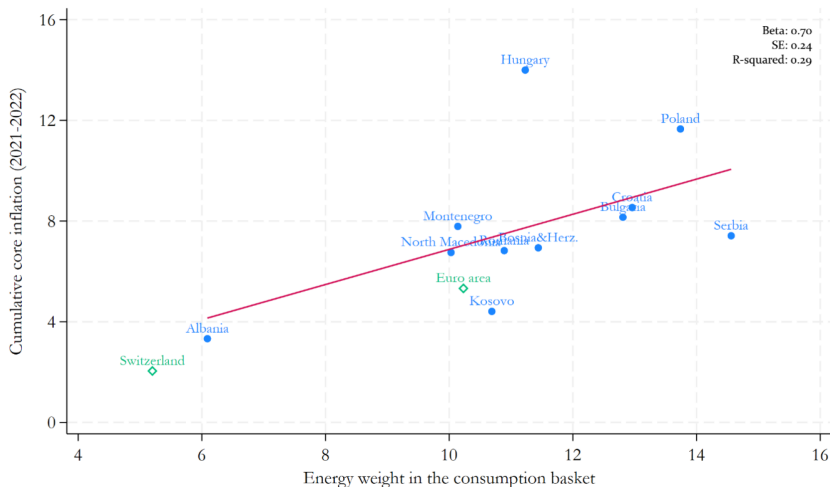
Euro Area and Switzerland



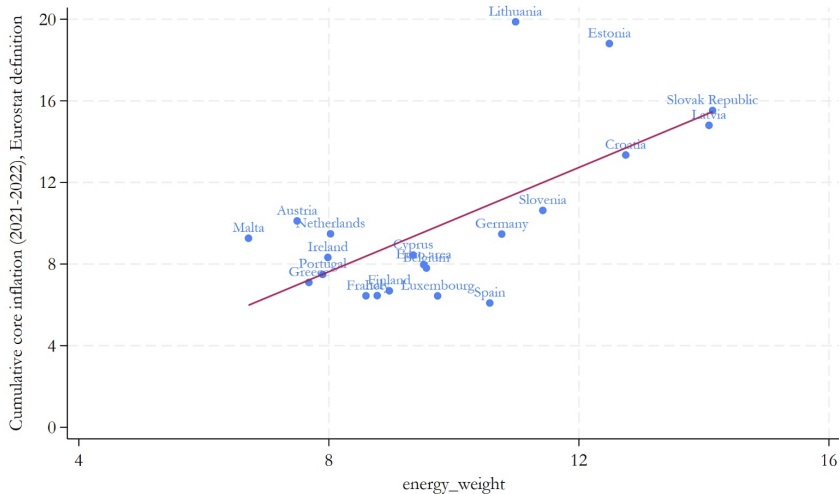
Weight of Energy in Consumption Basket and Headline Inflation



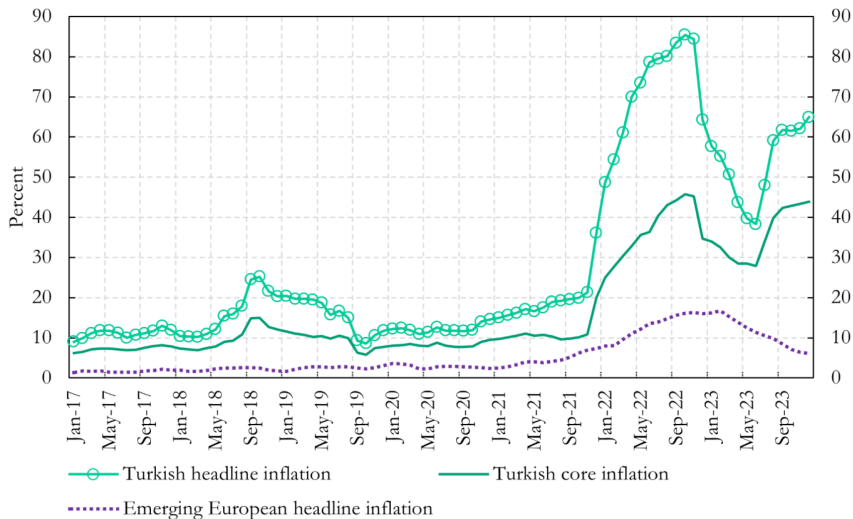
Weight of Energy in Consumption Basket and Core Inflation



Energy weight in basket and core inflation in EA



Exception that proves the rule



Post-Covid Inflation in Europe

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Post-Covid Inflation in Europe

- Was not a policy mistake (except in Turkey)
- Not the same as US inflation
- Not really an ongoing issue

“Inflation is transitory.”

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Advanced and Emerging Markets

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- In the policy space, there are two kinds of countries
- Those doing smart policies, those doing dumb policies
- AEs and EMs alike have both kinds

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- EM is a label that has out lived its usefulness

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- Very much like the problems with authoritarian regimes, generations who grew up in low inflation environments forget how important that is

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- Countries with purely floating and managed floating FX rates

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- 2 They had tried everything else and failed

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Why did other policies not work?

- Many reasons, most having to do with political economy
- But also basic public finance: address inefficiencies at source
- If your problem is inflation, target inflation.

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- Also, continuous dance with other policymakers. (SARB knows this well.)

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- But we have not figured it out
- Good policy is always work in progress