



Monetary policy transmission and structural changes

Discussion by Boris Hofmann (BIS)

ChaMP conference, 7 July 2026, Rome

The views expressed here are my own and not necessarily those of the Bank for International Settlements.

Outline

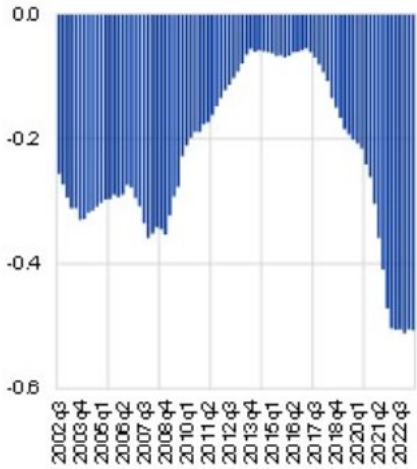
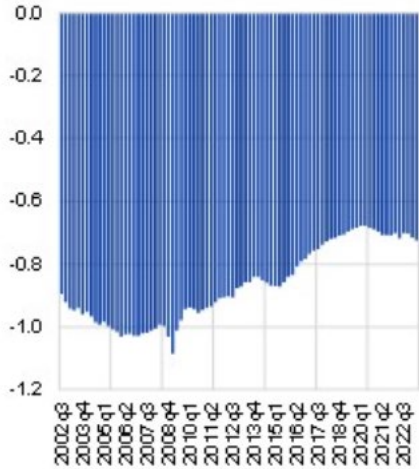
- Focus on three key points
 - Supply shocks and state-dependent monetary policy transmission
 - Supply shocks and state-dependent monetary policy response
 - Monetary policy-dependent supply

Supply shocks and state-dependent monetary policy transmission

State-dependent sacrifice ratio

a) Effects on real GDP

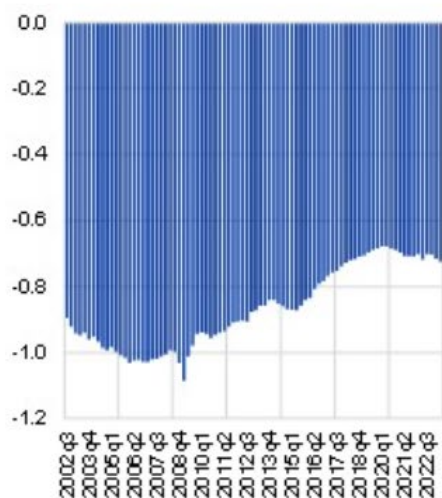
b) Effects on HICP



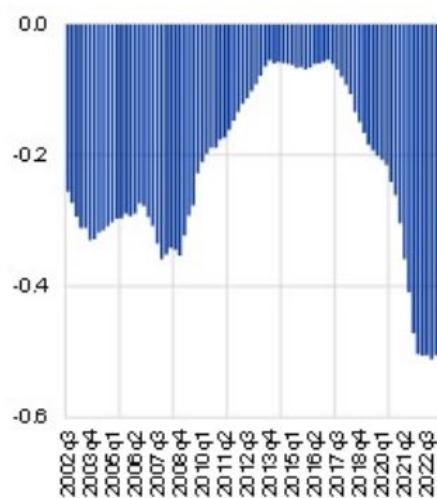
Source: Bobasu, Ciccarelli, Grimaud, Mandler, Zlobins (2026)

State-dependent sacrifice ratio and inflation expectations anchoring

a) Effects on real GDP



b) Effects on HICP



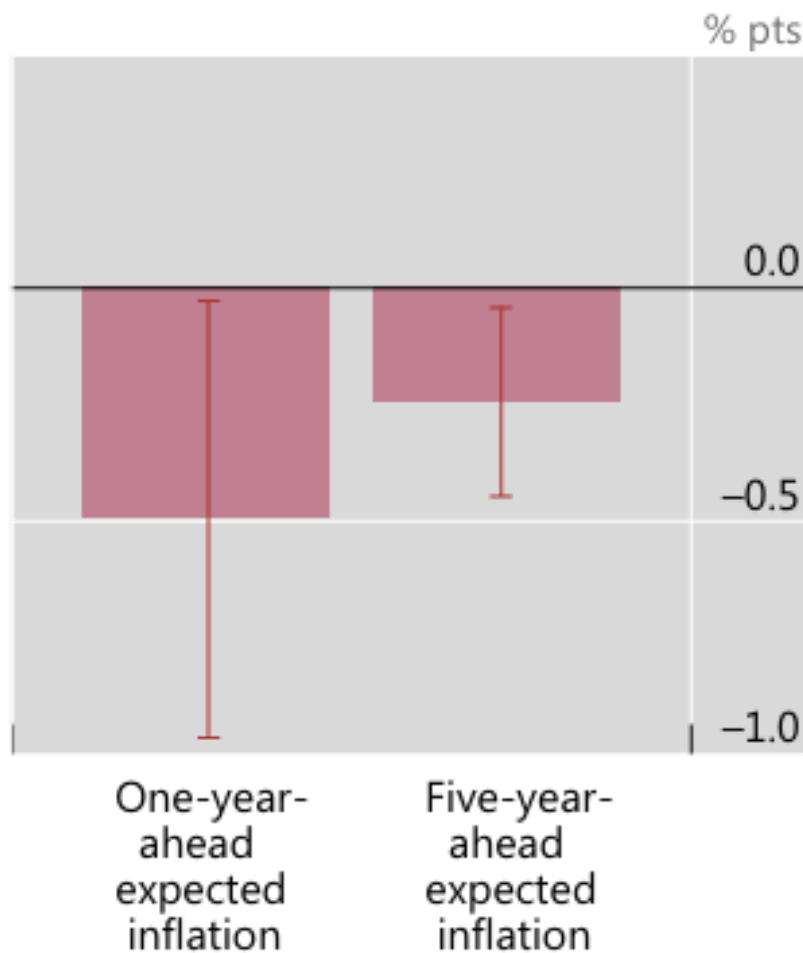
c) Effects on inflation expectations



Source: Bobasu, Ciccarelli, Grimaud, Mandler, Zlobins (2026)

Monetary policy and inflation expectations reanchoring

Impact of monetary tightening during the inflation surge



Source: Hofmann, Munakata, Rosewall, Sandri (2026)

Supply shocks and state-dependent monetary policy response

Supply-driven inflation and monetary policy: The “look through” paradigm

- Conceptual foundation

- Transitory inflationary effects of supply shocks
- Trade-offs between inflation and output stability
- Monetary policy transmission lags

- Precondition

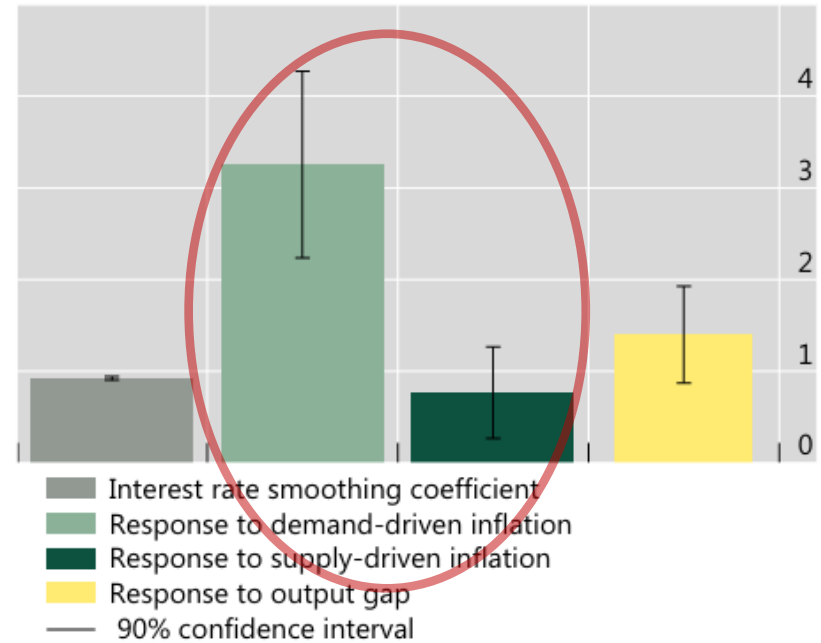
- Precondition: Inflation expectations remain well-anchored

“Looking through” in practice

A. Conventional Taylor rule²



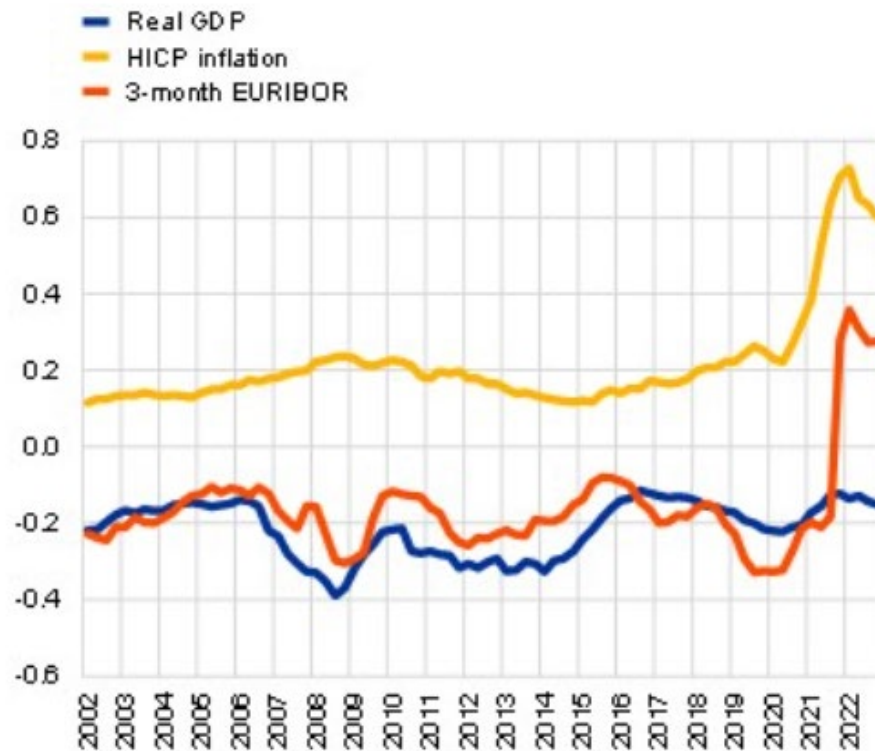
B. Targeted Taylor rule³



Source: Hofmann, Manea and Mojon (2024)

Hitting the limits to “looking through”

b) The effects of oil supply shocks over time



Source: Bobasu, Ciccarelli, Grimaud, Mandler, Zlobins (2026)

Monetary policy-dependent supply

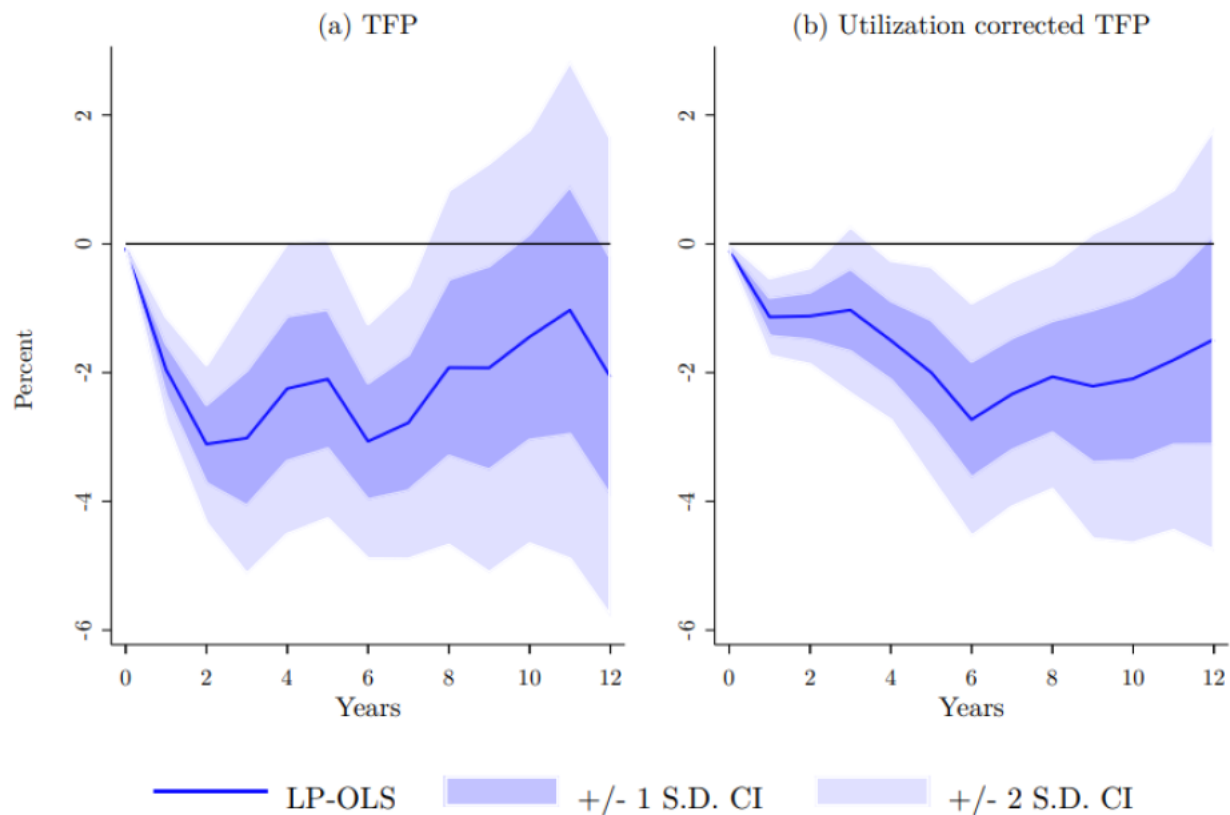
Monetary policy, innovation, reallocation and productivity

- ChaMP findings suggest that tight monetary policy...
 - ...persistently dampens R&D
 - ...reallocates resources from high- to low-productivity firms
 - ...reduces aggregate productivity
- But there is also literature suggesting that low rates may induce resource reallocation to less productive firms (e.g. Gopinath et al (2017))
- How do they relate?

Chart 12

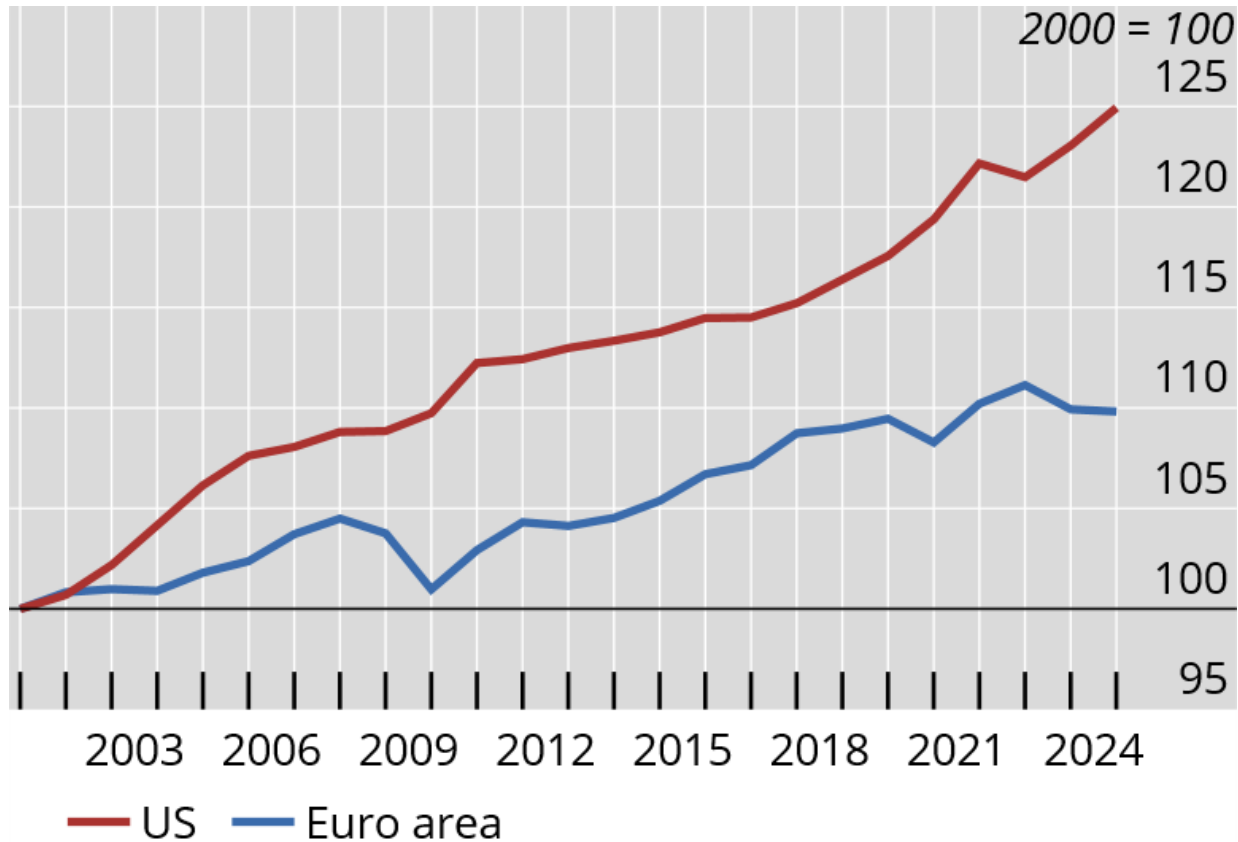
Response of productivity variables to a monetary policy shock

(percentage)



Transatlantic TFP divergence

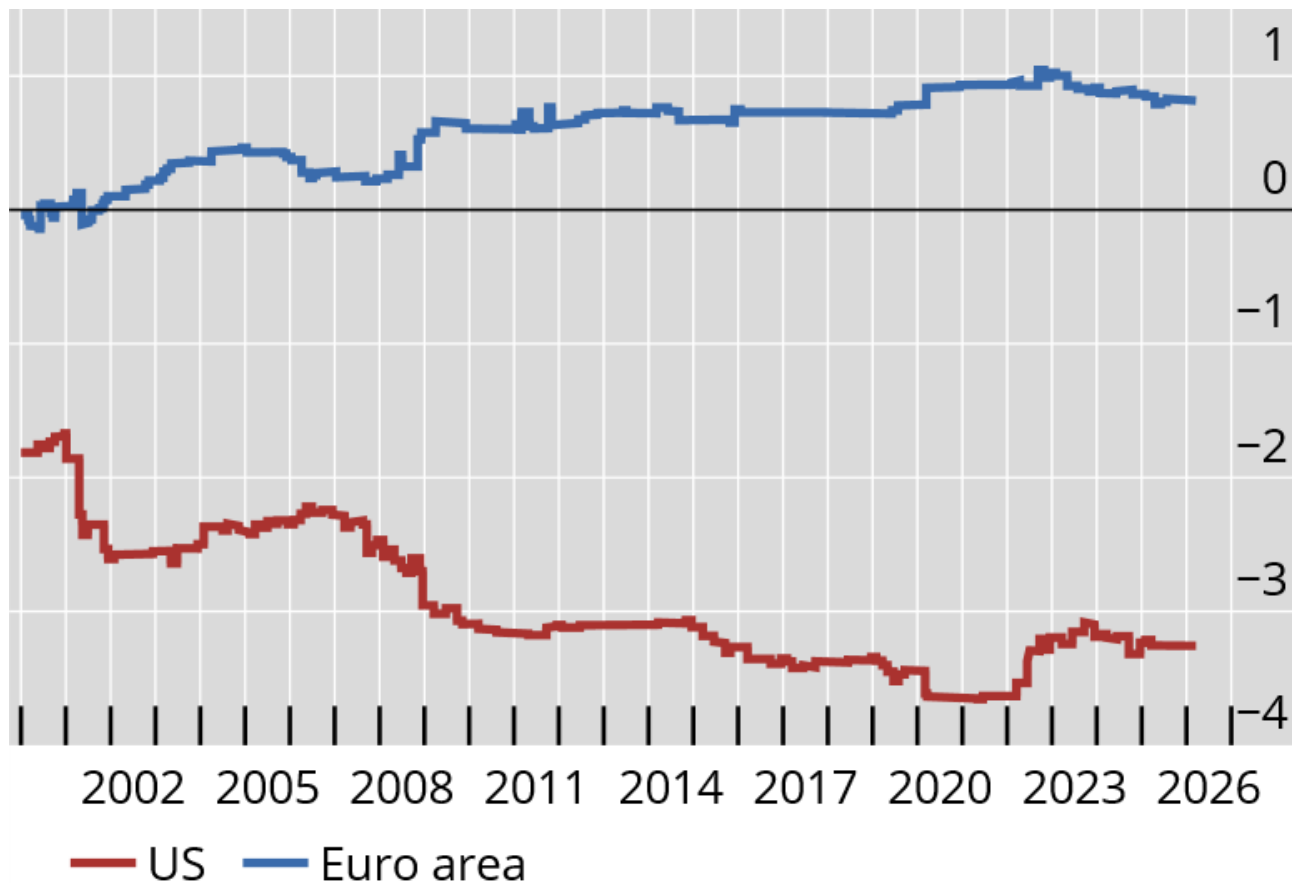
Total Factor Productivity



Source: AMECO

Transatlantic monetary policy divergence

Cumulative monetary policy shocks



Source: Jarocinski and Karadi (2020)

Thank you