

50 Years of Exchange-Rate Pass-Through *a central bank perspective*

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Floating Exchange Rates at 50

Peterson Institute for International Economics

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XRPT in early floating

~~Shocks~~

Exchange rate

Import prices

CPI

~~Central Banks~~

A research explosion as XRPT meets IO

Shocks

Exchange rate

Import prices

CPI

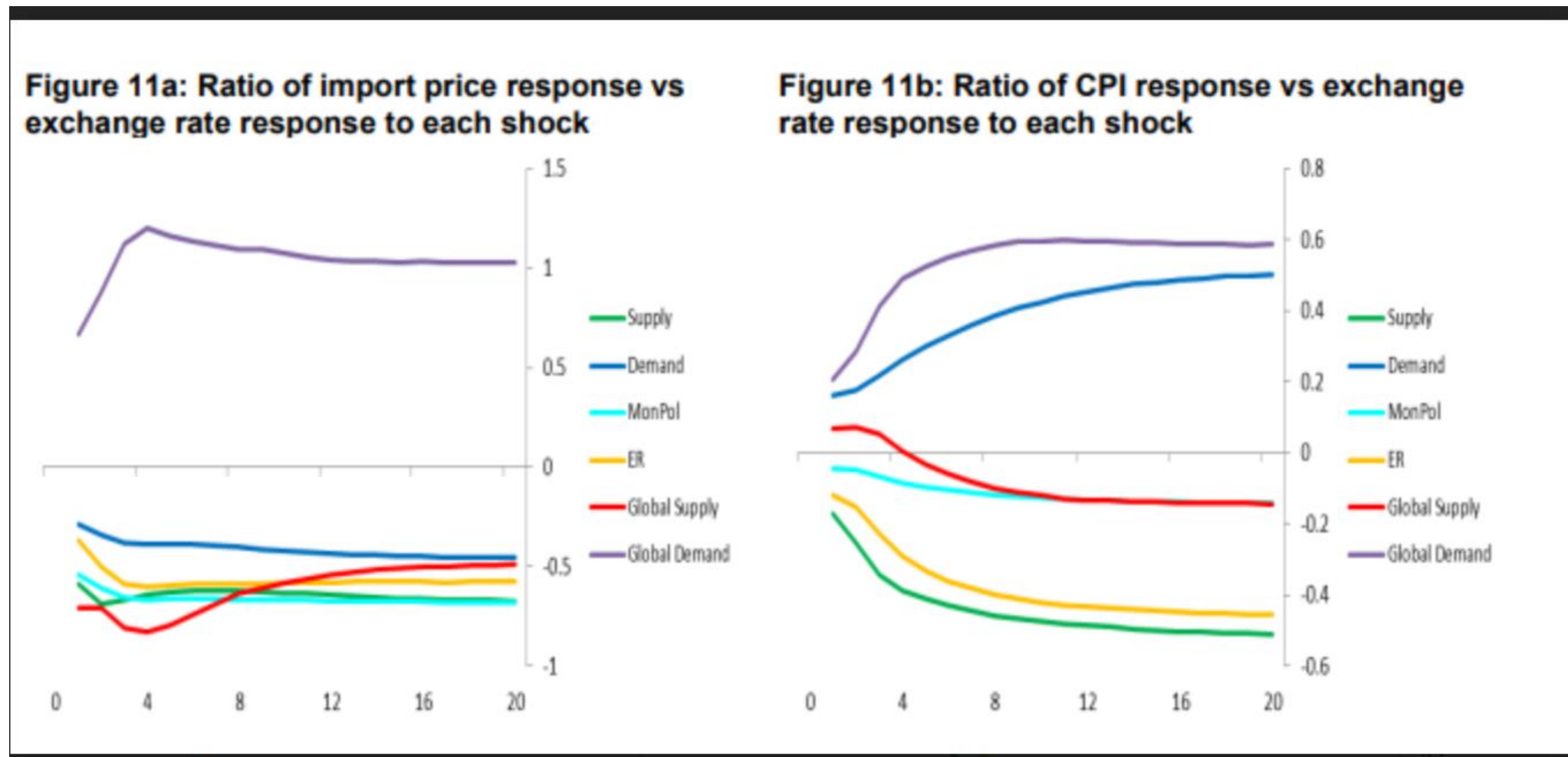
Central Banks

Prices, Profit Margins, and Exchange Rates

Catherine L. Mann (1986) Federal Reserve Bulletin, June

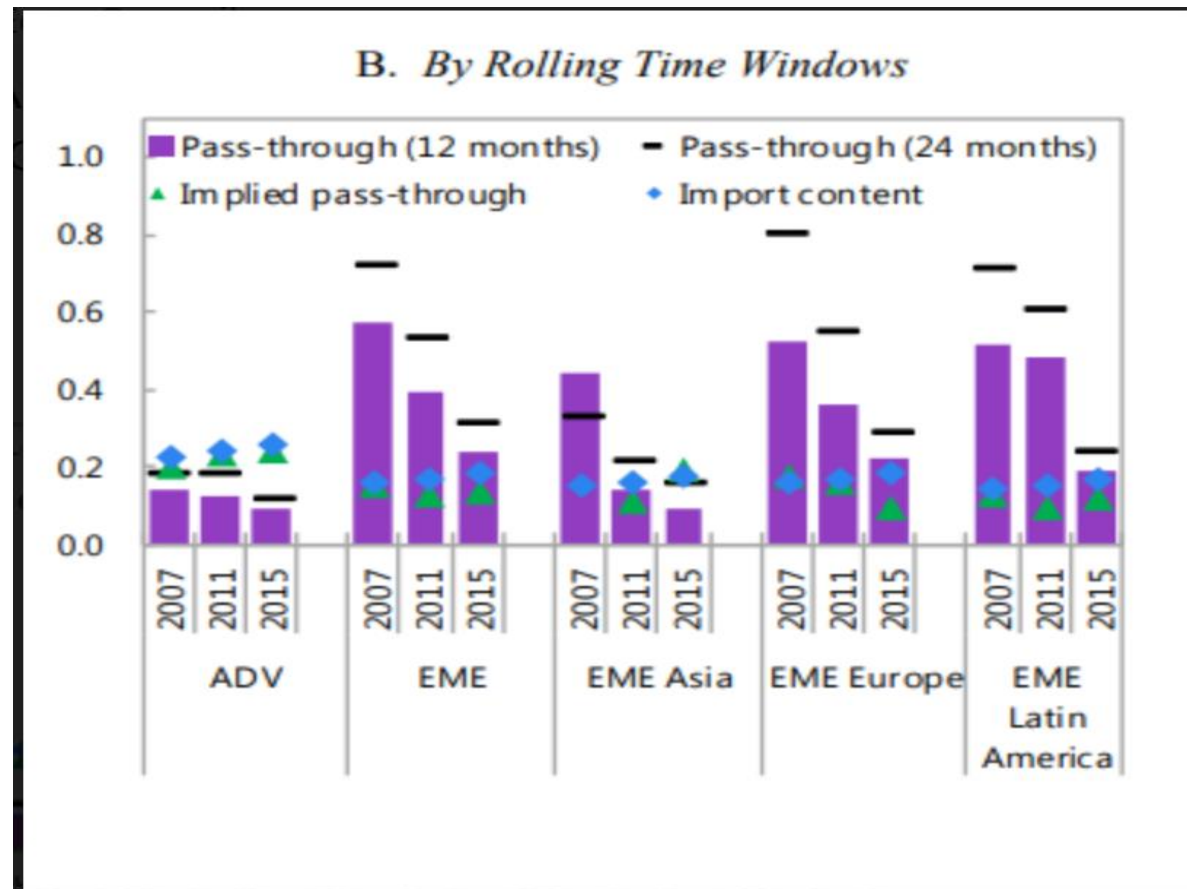
The decline in the exchange value of the dollar over the past year or so has had important implications for the outlook for the U.S. current account balance and domestic inflation. The relationship between changes in exchange rates and changes in import and export prices, known as the “pass-through” relationship, has been relatively stable historically. But recent changes in the pattern of U.S. trade, the unprecedented appreciation of the dollar during the first half of the 1980s, and the volatility of bilateral exchange rates may affect at least the speed of the pass-through of exchange rate changes to import and export prices, and possibly the long-run ship as well.

XRPT depends on the nature of the shock



MUCH ADO ABOUT SOMETHING IMPORTANT: HOW DO EXCHANGE RATE MOVEMENTS AFFECT INFLATION? Speech given by Kristin Forbes, External MPC member, Bank of England 47th Money, Macro and Finance Research Group Annual Conference, Cardiff 11 September 2015

XRPT, the Great Moderation, and CB Credibility



MONETARY POLICY CREDIBILITY AND EXCHANGE RATE PASS-THROUGH Prepared by Yan Carrière-Swallow, Bertrand Gruss, Nicolas E. Magud, and Fabián Valencia, International Monetary Fund WP16/240, December 2016

XRPT is related to CB spillovers and policy choices

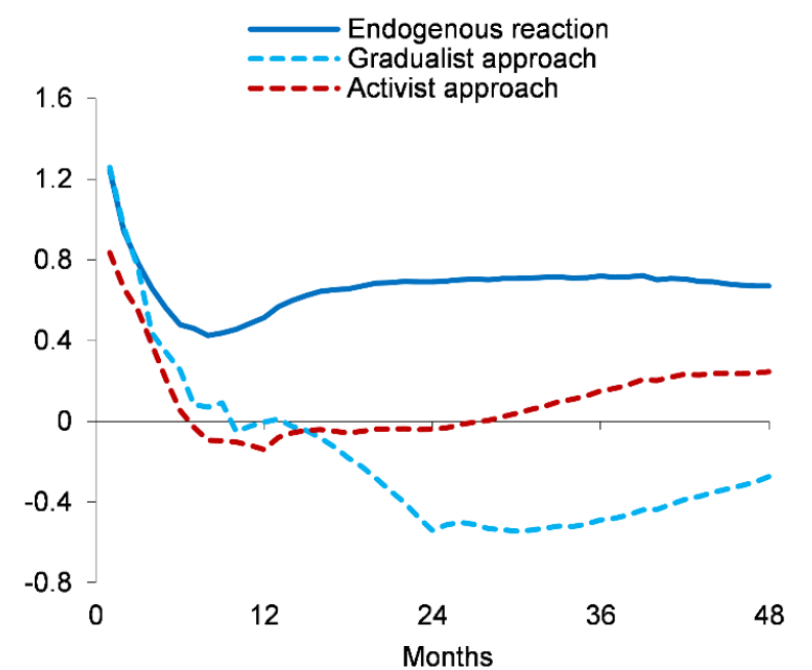
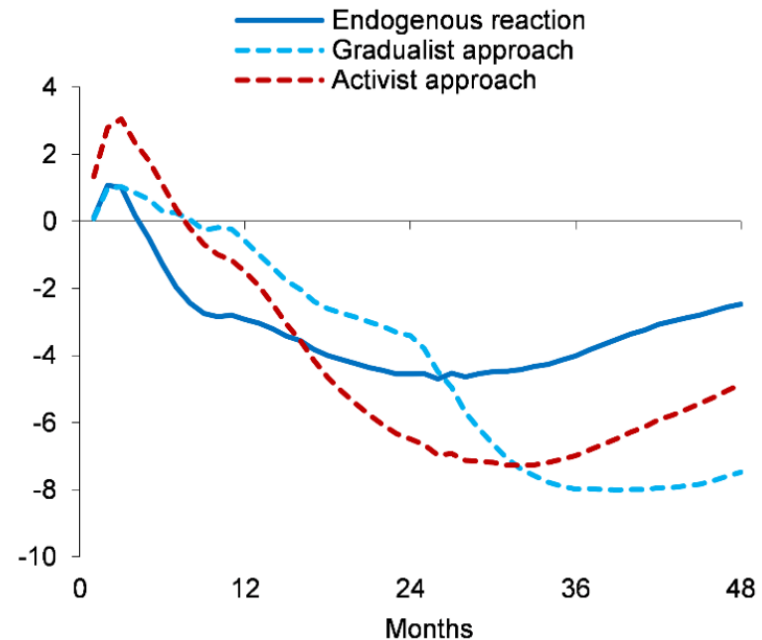
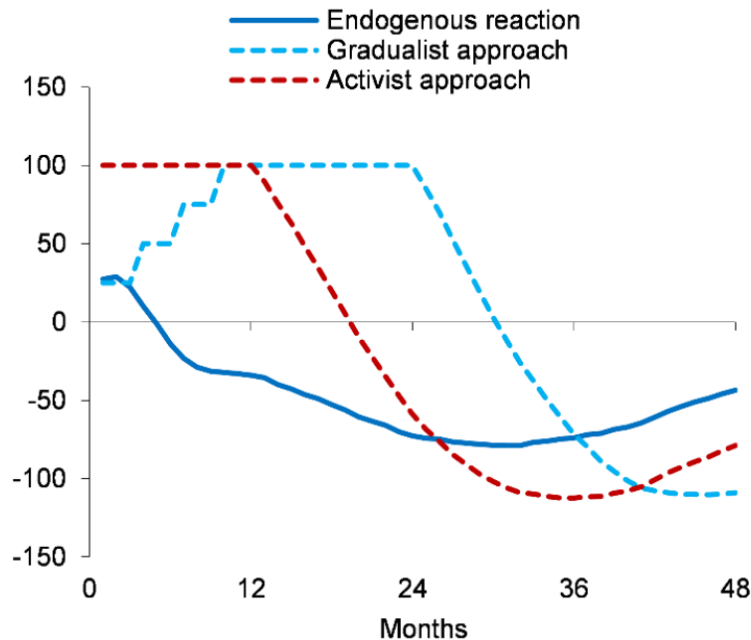
Stylized UK Reaction to 1pp US monetary tightening under data-based reaction and two alternative policies

'Actual' reaction function

Two alternative policy strategies

Impact on Sterling/dollar

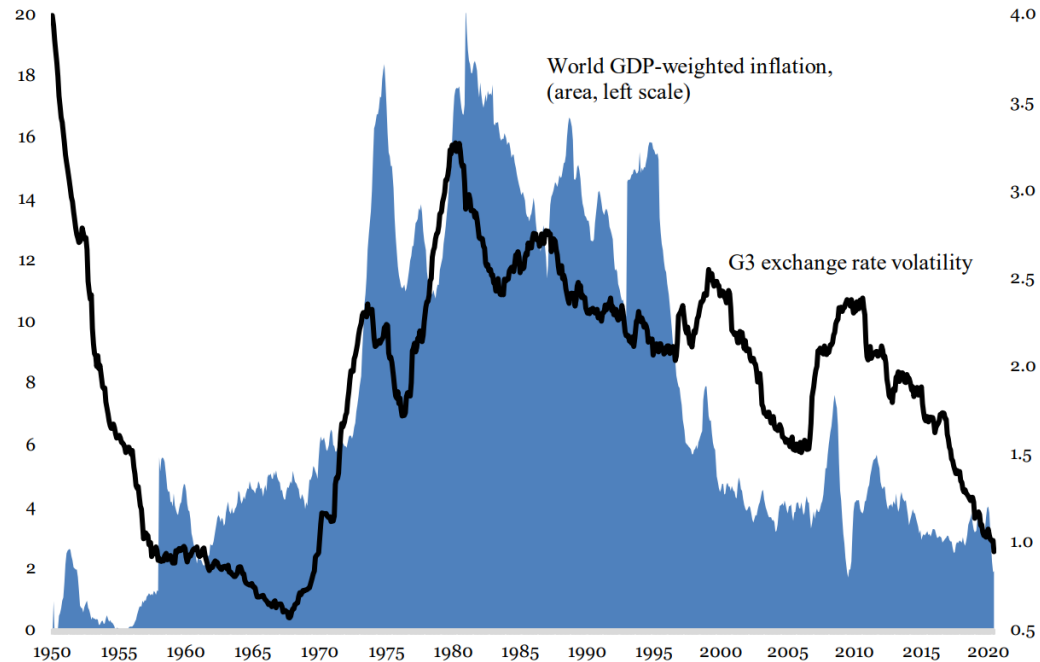
Impact on level of consumer prices



UK MONETARY POLICY IN THE CONTEXT OF GLOBAL SPILLOVERS, speech given by Catherine L. Mann at Market New International Connect event, 20 June 2022.

XRPT research frontier: Asymmetries, Volatility, Thresholds, Financial Flows and Risk

FIGURE 9: WORLD INFLATION AND EXCHANGE RATE VARIABILITY



World inflation is calculated the average GDP-weighted year-on-year inflation. GDP weights are at 1990 Geary-Khamis purchasing power parity. Individual country inflation rates capped at 100% to avoid excessive influence of outliers. G3 exchange rate volatility is given as the average four-year moving average of the monthly absolute value of exchange rate change among the three cross rates of the US dollar, euro (Deutschemark pre-1999) and yen. Sources: IFS, Conference Board and the authors.

WILL THE SECULAR DECLINE IN EXCHANGE RATE AND INFLATION VOLATILITY SURVIVE COVID-19? Ethan Ilzetki Carmen M. Reinhart Kenneth S. Rogoff Working Paper 28108 <http://www.nber.org/papers/w28108> NATIONAL BUREAU OF ECONOMIC RESEARCH 1050 Massachusetts Avenue Cambridge, MA 02138 November 2020