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Comparative Study of Major Central Bank's Monetary Policy in Response to the Pandemic Crisis

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Info Articles

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Abstract

Objective: The study aims to investigate the policy, performed by the main central banks during the crisis, related to spread of the COVID-19 crisis all over the world. The Central bank's policy was one of the key policies for the countries to counter the negative effects, from the coming new crisis. The crisis is different in character from the previous global crisis in 2009 and it is characterized with higher negative impacts on the economic activity and unemployment of the countries.

Methodology: The study examines the monetary policy tools used by the major central banks in particular the FR (Federal Reserve), the European central bank, the BoE (Bank of England) during the COVID-19 crisis. The data used are the official one, published by the Eurostat, European central bank, Federal Reserve, OECD. Through the methods of analysis and synthesis the effectiveness of the monetary policy, done by the covered central banks, is investigated. The data used are for the period 2007-2021.

Results: The analyses indicate that the Bank of England, as well as the FR was in more privileged terms than the European central bank (ECB) before the COVID-19 crisis. Their main interest rates were positive and these banks could apply conventional instruments of policy at the beginning of the crisis before conducting the nonconventional policy tools.

Implication: The study's results are beneficial for central banks for countering the negative effects of the COVID-19 crisis, turning to the deep economic crisis afterward.

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INTRODUCTION

The world has been hit by a new type of crisis, the so-called pandemic crisis, linked to the distribution of a new virus, the coronavirus Covid-19. This was after a series of turbulences starting with the global crisis on financial markets in 2008. Because they have been significantly affected by the turbulence, some countries, or areas have been unable to recover fully before the new crisis emerges in 2020. Countries are experiencing moderate rates of economic growth just before the coronavirus emerges in 2020. In 2019, the EA's economic growth is 1.5%, while in the UK (United Kingdom) and United States of America (USA) it is 1.4% and 2.2% respectively.

In these conditions, the role of central banks remains prominent, as they could act expansionary with their instruments in order to recover economies from another crisis. Of course, fiscal policy also contributes to the achievement of the ultimate objectives of economic policy, but insofar as for some countries the possibilities of government response are limited, the active intervention of the banks is also necessary.

The study aims is to examine the monetary policy pursued by major central banks during the pandemic crisis associated with the widespread of the COVID-19 worldwide. Monetary policy is one of the key policies in countries to counter the negative effects coming from the new crisis. The crisis is different from the previous global financial crisis in 2008, but is characterized by stronger negative effects on economic development and unemployment.

The thesis defended in the study is that the central banks, in particular the Bank of England (BoE) and the Federal Reserve (FR), undertook swift action to counter the new pandemic crisis, avoiding a significant deterioration in their economic performance and showing economic agents that they are willing to use all tools to reach their objectives. This is also thanks to their more privileged position because their main interest levels (rates) are at higher level than the rates of the ECB, which are zero and some of which are even on a negative trajectory.

The study examines the tools of policy implemented by major central banks: the FR, the BoE and the ECB during the pandemic crisis. The data used are official one and have been released by the OECD, the ECB, the FR, and the BoE. The methods of analysis and synthesis are used to examine the effectiveness of the bank's policy. The data used are for the period 2007-2021.

There are individual studies on the instruments implemented by specific central banks worldwide, but no studies have been conducted that focus on a comparative analysis of the instruments undertaken and their effectiveness and efficiency. This study contributes to the economics literature in two ways: first, it provides a comparative analysis of the measures taken by leading central banks in relation to the coronavirus outbreak in the respective country; second, it assesses the efficiency of the three leading central bank's policy on the macroeconomic indicators in particular the economic growth, inflation and unemployment, again emphasizing comparative analysis.

The study consists of the following parts: the first one outlines the relevance and objectives of the study, and thesis being defended. The second part reviews the literature as well as the research methods and data used for the purpose of proving the thesis. In the next part, the monetary policy tools of the leading banks, the BoE, ECB and FR are presented. The fourth part analyses the results of the tools used by providing a comparative analysis of the activity of the central banks in the EA, USA and UK in respect to macroeconomic performance and the meeting the objectives. In the last part, the main conclusions are presented.

LITERATURE REVIEW

There are studies in the economic literature that have focused on the unconventional monetary policies of leading central banks in response to the global crisis in 2008. The nonconventional monetary policy instruments that were introduced to counteract to the global crisis in 2008 have been studied in detail, as well as their impact on the ECB's monetary policy (Mihaylova-Borisova, 2014; Mihaylova-Borisova, 2016; Mihaylova-Borisova, 2018; Mihaylova-Borisova, 2020; Trifonova, Trifonova, 2016; Cour-Thimann, Winkler, 2013; Giannone et all, 2011; Smaghi, 2009; Szczerbowicz, 2015; Trichet, 2013;). Among these studies, those that analyse the advantages and disadvantages of applying one or several instruments are distinguished. For example, Mihaylova-Borisova (2018) examines the effects of negative interest levels introduced by the ECB in mid-2014, and Szczerbowicz (2015) studies quantitative easing associated with the purchase of certain assets by the ECB. The Federal Reserve's unconventional monetary policy is studied by Rudebusch (2018), Bank for International Settlements (2019), Neely et all (2021).

Bank for International Settlements (2019) provides a comparative study of unconventional policy implemented by central banks since the global crisis, excluding measures implemented by central banks to counteract to the pandemic crisis. It examines the types of unconventional measures and provides guidance on when these instruments should be applied and how often, i.e. it seeks to draw lessons from the measures applied in response to crises.

Neely et all. (2021) also analyse the measures applied by the central banks in particular the FR, the BoE, the ECB, etc. The aim of their study is to track how central banks change their unconventional monetary policy to promote economic activity and maintain price stability over the period 2013 to 2019. The study traces in detail how central banks manage to cope with the challenges they face, while also trying to take into account the structural features of their economies.

Among the published studies on central banks' monetary policy during the COVID-19 crisis, most of them focus on a separate investigation of the measures implemented by a specific central bank to respond to the coronavirus crisis (Mihailova-Borisova, 2020; Clarida et all, 2021). There is also comparative research on the performance of specific banks' measures to react to the COVID-19 crisis at its initial emergence (Center for Economic Policy Research, 2021). No comparative studies are found on the impact of measures implemented by leading central banks to respond to the pandemic crisis.

METHODS

To study the impact of monetary policy tools used by the leading banks such as the FR, BoE and ECB, the methods of analysis and synthesis are used.

Data for the period 2007-2021 is used to analyse the effectiveness of monetary policy implemented by the leading central banks. The aim is to present the state of the studied indicators such as economic growth, inflation, unemployment before the occurrence of the pandemic crisis, which in turn is to be compared with the state of these main macroeconomic indicators after the emergence of the crisis until today.

The statistical information used has been published officially by the OECD, the ECB, FR and BoE.

Monetary Policy of Major Central Banks during the Pandemic Crisis

This part of the study examines the measures taken by leading central banks in response to the development and expansion of the pandemic crisis associated with the spread of the coronavirus.

Monetary policy of the Federal Reserve

Despite the good outlook for the U.S. economy in the beginning of 2020, the FR is relying on "forward guidance" to communicate to the public that "the coronavirus poses possible risks to economic activity" (Federal Reserve, 2020a). Thus, the FR was already declaring its willingness to act with the available tools before the pandemic crisis spread. On March 3, 2020, to counteract to the growing risks of contagion, the FR decided to reduce the federal funds rate by 50 basis points to a range of 1-1.25%, respectively (Federal Reserve, 2020b). An argument in favour of the use of this instrument is the achievement of the set objective of price stability and maximum employment and. With these actions, the FR is ahead of the other two banks, stating its serious intention to neutralise the negative effects of the COVID-19 crisis on the country's economic development and to realise the objectives. In doing so, the Federal Reserve is demonstrating resolve and timely action to address the uncertain situation surrounding the expansion of the pandemic crisis.

Ten days later (March 13, 2020), President Donald Trump declares a state of emergency in the USA, which, together with the fast spread of the virus, causes economic agents to act in panic and stock up, emptying stores. These actions are forcing the central bank to intervene again, as it is clear that the economy will be negatively affected.

The Federal Reserve is taking another cut in the federal funds rate on March 15, 2020, but this time by as much as 1 percentage point to a range of 0%-0.25% (Federal Reserve (FR), 2020c). The central bank firmly states that it is ready to maintain this range until the moment when it can achieve its goals of maximum employment and price stability - achieving the symmetric target of 2%. In addition to this traditional monetary policy tool, the Federal Reserve is also taking additional actions to purchase of at least 500 billion dollars of securities and at least 200 billion dollars of mortgage-backed securities. These additional actions are being taken to ensure the smooth functioning of the Treasury securities market and to ensure the continued flow of loans to households and businesses. The Federal Reserve is also introducing new weekly repo operations to maintain and eliminate problems in the functioning of financial markets.

On March 15, 2020, the Federal Reserve also cut the discount window rate by 150 basis points to 0.25% (Federal Reserve, 2020d). This measure is taken to meet the liquidity needs of banks. The duration of the lending period is also increased to 90 days. The Federal Reserve is also encouraging banks that have built up liquidity and capital buffers to use them as they lend resources to businesses and households that are affected by the COVID-19 crisis - conditions considered unforeseen and adverse.

In order to maintain and facilitate the flow of dollars into the financial markets internationally, the FR improved the terms of swap lines with some central banks, such as the central bank of Canada, BoE, Bank of Japan, the ECB and the central bank of Swiss central bank

The actions presented by the FR display that it is taking swift and far-reaching action for the purpose of limiting the negative impacts on the economy as a result of the COVID-19 virus. These large-scale actions are in all areas important to the Federal Reserve, including: actions to reduce interest rates, provide liquidity and better funding opportunities for banks, help credit reach households and businesses more easily, and bank regulations and initiatives.

Following these large-scale actions on a number of areas, on March 17, 2020, the Federal Reserve is also moving to introduce additional mechanisms to help the flow of resources to economic agents. Several facilities have been introduced including:

1/Commercial Paper Funding (CPFF) (Federal Reserve, 2020e). Various economic activities are directly financed through the commercial paper market. The Federal Reserve seeks, through the provision of credit, to support businesses, households, and jobs in the economy. The facility is intended to ensure liquidity protection to issuers of commercial paper. To this end, special purpose vehicles (SPVs) operate to purchase A1/P1 rated unsecured and asset-backed commercial paper from issuing companies.

2/Primary Dealer Credit (PDCF) (Federal Reserve, 2020f). Under this facility, the Federal Reserve provides overnight and term funding to primary dealers of priced securities. The facility can be collateralized by a broad range of investment-grade debt instruments, such as commercial paper and municipal bonds, as well as equities. Financing can be for a term of up to 90 days.

3/ Money Market Mutual Fund Liquidity (MMLF) (Federal Reserve, 2020g). Under this facility, the Federal Reserve announces rules under which financial institutions can benefit from the liquidity support offered by the central bank. The facility is intended to improve liquidity and the sound functioning of the money market, as well as to help the economy.

On March 19, 2020, the Federal Reserve also introduces new swap lines with nine other central banks. Swap lines for not more than USD 60 billion are being negotiated with the banks of Brazil, Mexico, Sweden, South Korea, Singapore and Australia, and lines of up to USD 30 billion are being negotiated with the central banks of New Zealand, Norway and Denmark (Federal Reserve, 2020h).

With the spread of the coronavirus comes a second series of large-scale actions by the Federal Reserve on March 23, 2020. On that date, the Federal Reserve commits to unlimited bond buying i.e. "in the amounts needed" (Federal Reserve, 2020i) for the purpose of maintaining the smooth functioning of the government securities markets and the mortgage-based securities markets.

In addition, the Federal Reserve is introducing a new program to provide up to USD 300 billion in funding to support credit growth to employers, businesses, and consumers. Three mechanisms (facilities) are being introduced, the first two for large employers and the last to support businesses and households:

1/Primary Market Corporate Credit (PMCCF) to be used for new loans and bonds issued;

2/Secondary Market Corporate Credit (SMCCF) to be used to ensure liquidity for corporate bonds, which are outstanding;

3/Term Asset-Backed Securities Loan (TALF), which should be used to make easier the flow of loans to reach households and enterprises. The facility also envisages the issuance of ABS (asset-backed securities), which to have for a collateral loans for car purchases, student loans, etc.

In addition to these new facilities, two of the facilities introduced a week earlier, the CPFF and MMLF, have been expanded to broaden the types of securities, providing opportunities for municipalities to access credit as well.

All these mechanisms and measures show that the FR is prepared to do everything and implement as many tools as possible to prepare the economy for the coming health and subsequent economic crisis.

The following week, the Federal Reserve continues with the introduction of new measures. A new temporary mechanism for foreign monetary authorities is being created to help markets function smoothly, including the Treasury markets. This temporary mechanism, the FIMA Repo Facility, is intended to provide temporary liquidity of US dollars in international markets so that there is not necessarily a need to sell securities on the open market (Federal Reserve, 2020j).

The Federal Reserve continues with active tools to assists businesses and households on April 9, 2020. It is taking action to provide an additional USD 2.3 trillion for the economy by reintroducing new mechanisms to ensure that it meets its objectives of promoting maximum employment and maintaining price stability:

1/ Paycheck Protection Program Liquidity (PPPLF), aimed at providing liquidity to small enterprises so that they can retain their employees even if they are not at work because of social distance measures and

containment of the spread of the coronavirus.
2/Main Street Lending Program (MSLP), aimed at providing USD 600 billion in credits to small and medium-sized businesses that had a satisfactory financial situation before the pandemic crisis. These are businesses with up to 10 000 employees and annual revenues of no more than USD 2.5 billion. Banks can sell up to 95% of loans under the facility, while the remaining 5% should be retained as collateral to eliminate risky lending.
3/ Municipal Liquidity Facility, intended to provide USD 500 billion in loans to states and municipalities.

The Federal Reserve also provides additional funding by expanding the size and scope of the PMCCF), SMCCF and TALF. These facilities are planned to provide up to USD 850 billion in loan funds.

At end-April, the Federal Reserve issued a decision to keep interest rates unchanged given that the health crisis has had a significant negative impact on economic performance, inflation and employment in the short run. On June 10, 2020, the central bank continues to hold interest rates at the same levels and announces its intention to increase ownings of securities and mortgage-backed securities at least at the current pace.

In the months leading up to the December 16, 2020 meeting, the FR kept interest levels at current levels, and at the last meeting of the year decided to increase holdings of securities by USD 80 billion a month and mortgage-backed securities by USD 40 billion a month. These monthly rates are planned to be maintained at least until the central bank's stated goals of reaching maximum employment as well as price stability are more substantially met (Federal Reserve, 2020k).

This policy is continued at subsequent meetings in January, March, April, June, July, and September 2021 by maintaining the specified interest levels and quantity of monthly purchases of securities and mortgage-backed securities.

On September 22, 2021, progress is reported on indicators of economic performance and employment, noting the important role of vaccination. It emphasizes that the sectors that were most affected by the pandemic crisis have been recovering in the next months (Federal Reserve, 2021).

In reviewing all the measures undertaken by the FR to deal with the pandemic crisis, one is impressed by the swift and timely action taken at the first signs of the crisis. A year on, the Federal Reserve is pursuing the same course of monetary policy, holding interest rates steady until some more substantial enhancements is reached in meeting the central bank's targets.

Monetary policy of the BoE

To react against pandemic crisis in 2020 the BoE with its three committees took several decisions to strengthen the economy in the United Kingdom. On its special meeting, the central bank disclosed a package of pandemic measures on March 11, 2020. The meeting was done before the regular scheduled meeting on March 25, 2020, which showed that the BoE was ready to act immediately, but later than the Federal Reserve.

At this special meeting the Monetary Policy Committee decided to reduce the Bank Rate by 0.5 basis points to the level 0.25%. The Committee also decided to introduce so-called new Term Funding Scheme, which was designed to help the small and medium-sized enterprises (Bank of England, 2020a). The Term Funding Scheme would be financed by the central bank's reserves issuance. The banks will be able to receive additional funding in case of rising lending to the small and medium-sized enterprises. At the same time, the Financial Policy Committee decided to cut the rate of countercyclical capital buffer from 1% to 0%.

On March 17, 2020 the BoE and HM Treasury started a new facility – Covid-19 Corporate Financing, aiming to assist liquidity for larger firms. The facility will purchase commercial papers with maturity up to one year, providing support to non-financial companies with violation to their cash flows and supporting them to pay salaries, suppliers and rents. The Covid-19 Corporate Financing Facility is set to terminate for purchases of new commercial paper on March 23, 2021..

Two days later (March 19, 2020) the Monetary Policy Committee took decision to increase the stock of purchased UK government bonds by GBP 200 billion to GBP 645 billion and to reduce further the Bank Rate by 0.15 percentage points to 0.1% (BoE, 2020b). In addition, the borrowing allowance of the Term Funding Scheme was increased from 5% to 10% of the stocks of the bank's lending to the real economy.

On March 24, 2020 the Bank of England activated the Contingent Term Repo Facility, aiming to help in case of the sudden demand of liquidity.

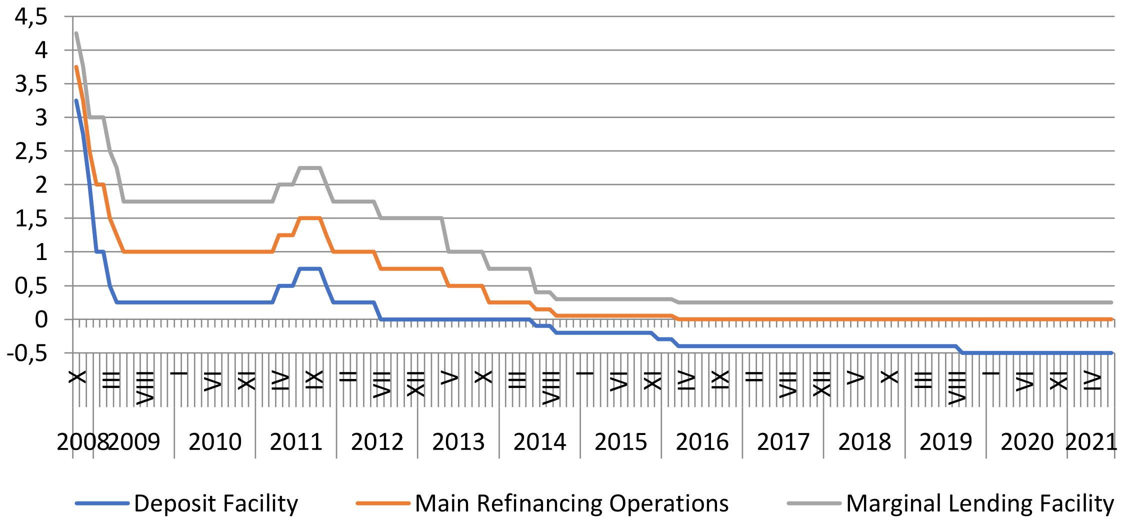
In the following months the Bank of England kept the Bank Rate the same and only increased the targeted stock of UK government bonds. On June 18, 2020 the central bank raised by GBP 100 billion the UK government bonds' stock to GBP 745 billion (BoE, 2020c) and stepped up it further on November 5, 2020 by GBP 150 billion to reach GBP 895 billion (BoE, 2020d).

In 2021 the Bank of England kept the Bank Rate at the same level of 0.1% and performed the asset purchases up to GBP 895 billion.

The BoE's actions showed that the central bank acted in towards policy stimulus, credit policy and provision of lending to non-financial businesses, and macro- and micro-prudential policy.

Monetary policy of the ECB

The ECB's policy differs from the actions of the other two banks – the FR and BoE. The difference is related to the reason that the ECB's main interest rates are at very low level i.e. the Bank's starting position is less favourable. As of 18 September 2019, the main refinancing operations' rate is 0% and the interest rates on the deposit and credit facilities are -0.5% and 0.25%, respectively (Figure 1). There can be no possibilities of a continued reduction in the rate on main refinancing operations, as it is currently zero.



Source: European central bank

Figure 1. European Central Bank key interest rates

The other two leading central banks have seen higher interest rates, allowing them to be cut as a first response to the pandemic, i.e. the Federal Reserve and the Bank of England initially relying on conventional monetary policy tools. Moreover, even the Federal Reserve is also relying on a decrease in the minimum reserve ratio to 0%, a change announced on 15 March 2020 and effective from 26 March 2020 (FR, 2020c).

Due to the lack of response options for the European Central Bank from the set of conventional monetary policy tools, it is turning to the continuation of nonconventional tools. It is noteworthy that the European Central Bank reacted almost two weeks later to the coming pandemic crisis than the Federal Reserve. Thus, on 12 March 2020, the European Central Bank for the first time introduced a set of measures consisting of:

- Implementing additional refinancing operations with long terms to provide liquidity to the EA's financial system;
- Introducing better conditions under the long-term refinancing operations, which will take place in the next one-year period starting in June 2020 and will apply to small and medium-sized enterprises. These better conditions are linked to the setting of an interest rate - 0.25 percentage points under the main refinancing operations' average interest rate (Mihaylova-Borisova, 2020, pp.189) .
- A decision on additional asset purchases, of which net amount is to be EUR 120 billion by end-December 2020. These purchases are in addition to an existing asset purchase program existing with a monthly volume of EUR 20 billion.

The following week (18 March 2020), the European Central Bank decides at an extraordinary meeting to launch a Pandemic Emergency Purchase Programme (PEPP). By the end-2020, the European Central Bank sets the value of this programme at EUR 750 billion. Greek government securities are also included in the pandemic asset purchase programme. The European Central Bank is gradually increasing the duration and volume of the pandemic programme, initially by a further EUR 600 billion in June 2020. At the end of 2020 (on 10 December 2020), the European Central Bank increases the volume of the programme by a further EUR 500 billion to EUR 1,850 billion and the end of the programme in March

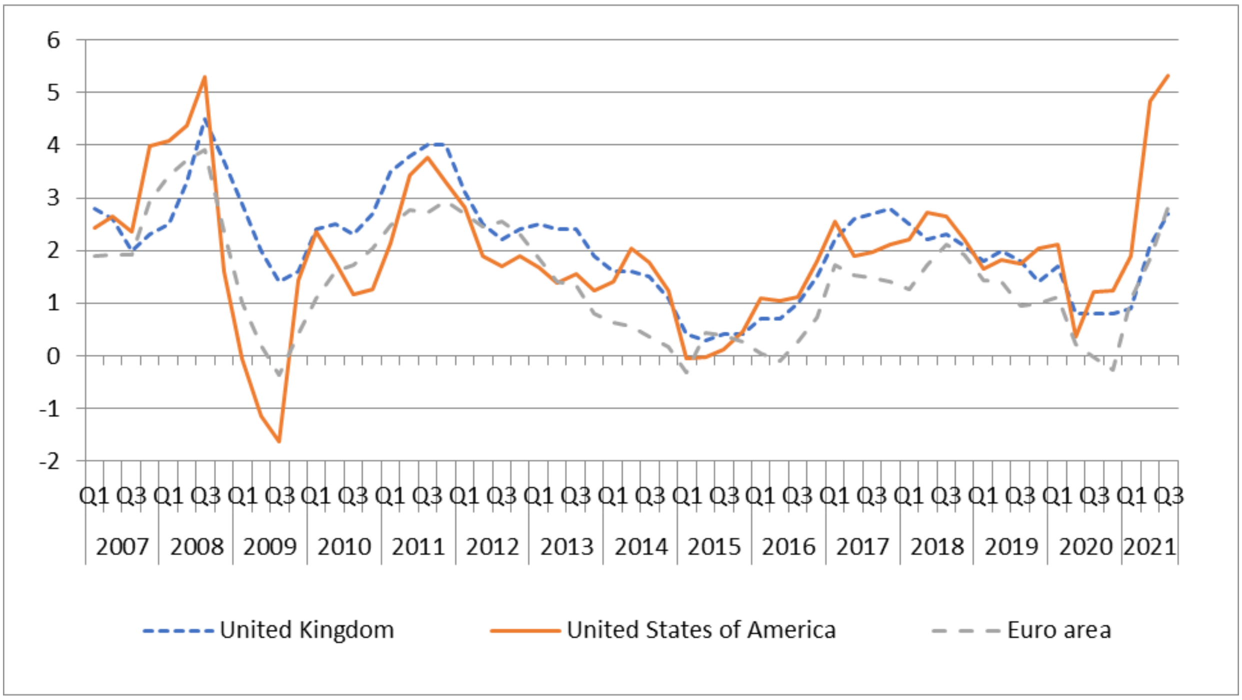
2022.

At end-April 2020, the European Central Bank further eases the conditions for long-term refinancing operations by setting the interest rate 50 basis points below that for main refinancing operations. Non-targeted pandemic longer-term refinancing operations (PELTROs) are also launched.

Following these measures taken in response to the pandemic crisis, the ECB has not changed its policy stance. The unconventional instruments put in place to deal with the pandemic crisis remain in place until October 2021.

Effectiveness of the monetary policy of the major central banks

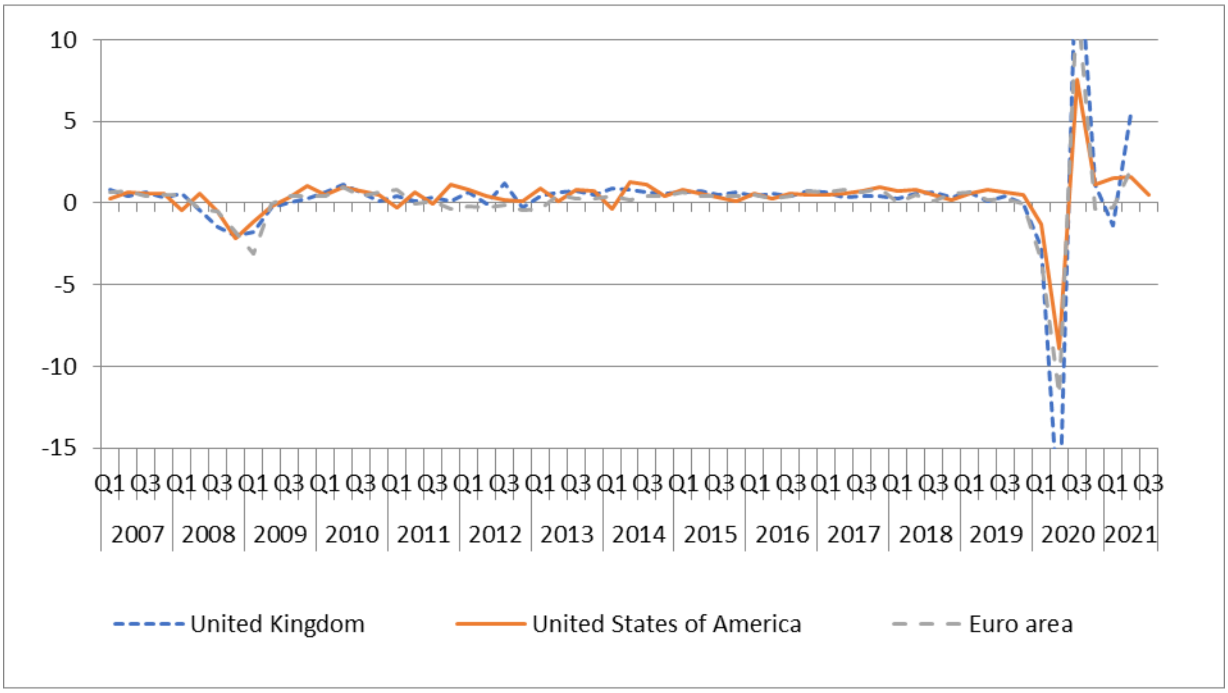
In order to assess how effective the actions taken by the central banks under consideration have been, one should analyse what is happening to the bank's objectives. The main objective of all three central banks is to achieve price stability. The European Central Bank is the furthest away from the pre-pandemic understanding of price stability, reporting inflation of around 1% on an annual basis between the third quarter of 2019 and the first quarter of 2020 (Figure 2). The BoE and FR achieved about 2% y/y inflation before the pandemic crisis. Due to the health crisis, a decline in inflation has been seen in the UK, EA and USA. The deceleration in inflation was prolonged in the Euro area, as most EU countries have seen a substantial drop in demand for goods and services and very high infections by end-2020. A gradual increase in inflation began after the second wave of the COVID-19. In the period April-June 2021, the UK and the EA achieve price stability. However, the United States sees a more substantial rise in inflation. In the third quarter of 2021, inflation in the UK and EA is 2.7% and 2.8% respectively, while inflation in the United States reaches 5.3%, due to labour shortages and shortages of raw materials for businesses. Labour shortages force employers to pay higher wages to retain workers. This, in turn, causes employers to increase the prices of final products, which inevitably affects inflation in the country.



Source: OECD

Figure 2. Inflation, annual growth rate, %

The reduction in inflation in the period April-June 2020 in the countries under consideration is also in line with the economic downturn, which is most significant in the United Kingdom due to the significant number of sick people and the need to close the economy. A gradual recovery of the economies follows in the next quarters, with the United Kingdom recording the highest economic growth of 5.5% q/q in the period April-June 2021 (Figure 3). The United States of America and Euro area are still reporting a moderate pace of recovery.

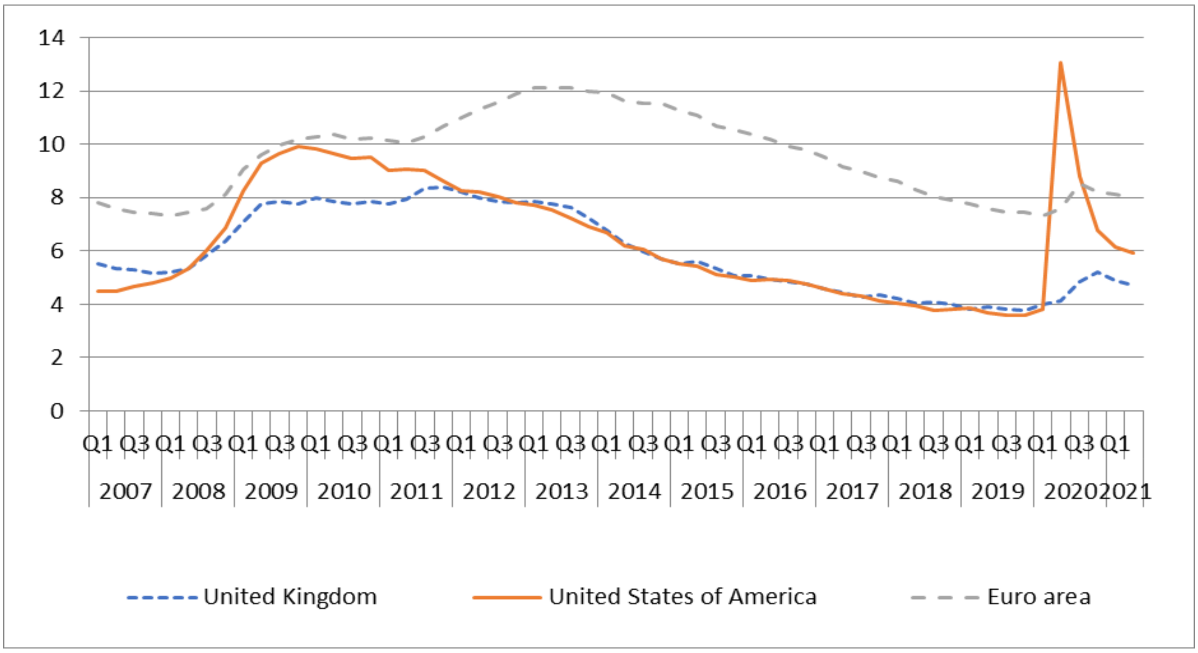


Source: OECD

Figure 3. GDP growth rate, percentage change, previous period, %

In respect to the unemployment rate, the strongest shock to the indicator was observed in the USA (Figure 4). In the second quarter of 2020, the unemployment rate jumps dramatically to 13.1% compared to 3.1% in the previous quarter. The most affected sector because of the pandemic is the leisure and hospitality sector, which reports a substantial unemployment rate of over 39%. USA's unemployment is not increasing at this rate and did not reach these levels even in the aftermath of the international crisis, when in October 2009 unemployment was reported at 10% according to data published by the Congressional Research Center (CRC, 2021).

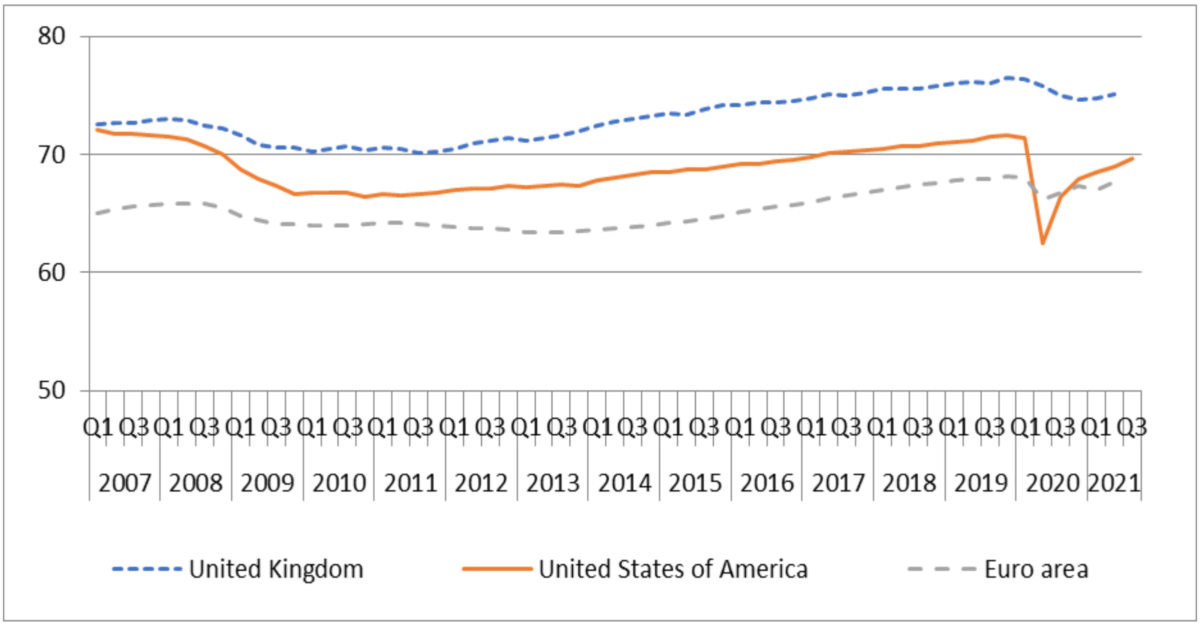
Such a significant increase in the unemployment rate is not observed in the United Kingdom and the Euro area, which, despite the closure of the economies, managed to maintain the unemployment rate at least in the period April-June 2020 and assume a slight increase in the next two quarters of 2020. However, in the third quarter of 2021, the highest unemployment rate of 8% of the labour force is seen in the Euro area.



Source: OECD
Figure 4. Unemployment rate, % of labour force

Despite the big shock on unemployment in April-June 2020, the United States of America managed to contain its levels in the very next quarter, and a year later unemployment is even below 6%. The rapid containment of unemployment shows that the Federal Reserve is responding quickly to the looming risks of a pandemic crisis by taking timely conventional and nonconventional monetary policy tools. It is also no coincidence that the US central bank has decided to continue to raise its holdings of Treasury and agency mortgage-backed securities, at least until the central bank's objectives of maximum employment and price stability are more substantially met.

In respect to employment rate, the United States of America again had the strongest negative effect on the indicator in April-June 2020 due to the pandemic crisis (Figure 5). However, due to timely measure of the Federal Reserve, the employment rate rose significantly in the quarters after the second wave of the coronavirus pandemic. In the second quarter of 2021, the Euro area remained with the lowest employment rates.



Source: OECD
Figure 5. Employment rate, % of working age population

In the current environment of a continuing health crisis and rising inflation globally, central banks may need to consider more carefully whether they need to continue some of their non-conventional tools or whether they should suspend or limit some of them, such as asset purchases.

CONCLUSIONS

The study presented the unconventional policy tools of the ECB, the Federal Reserve and the Bank of England. A comparative analysis of the measures as well as their performance on key macroeconomic variables such as economic activity, inflation and unemployment rates was carried out. Results showed that the Federal Reserve and the Bank of England were in more privileged conditions and terms than the European central bank before the pandemic crisis. Their key interest rates were positive and these banks could apply traditional instruments for the monetary policy at the beginning of the crisis before conducting the non-conventional policy instruments. The US, the UK and the EA's GDP growth rates were negative in the second quarter of 2020, but gradually the countries covered achieved moderately positive growth rates. The United Kingdom recovers fastest, registering economic growth of 5.5% in the second quarter of 2021. In terms of price stability, the covered countries and communities managed to achieve their price stability target quickly after the first signals of the pandemic crisis, but now central banks face a new challenge - rising inflation. This calls into question whether central banks should continue on the same course of monetary policy or whether they should abandon and remove some of the measures introduced in response to the pandemic crisis, such as the restriction of asset purchases.

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