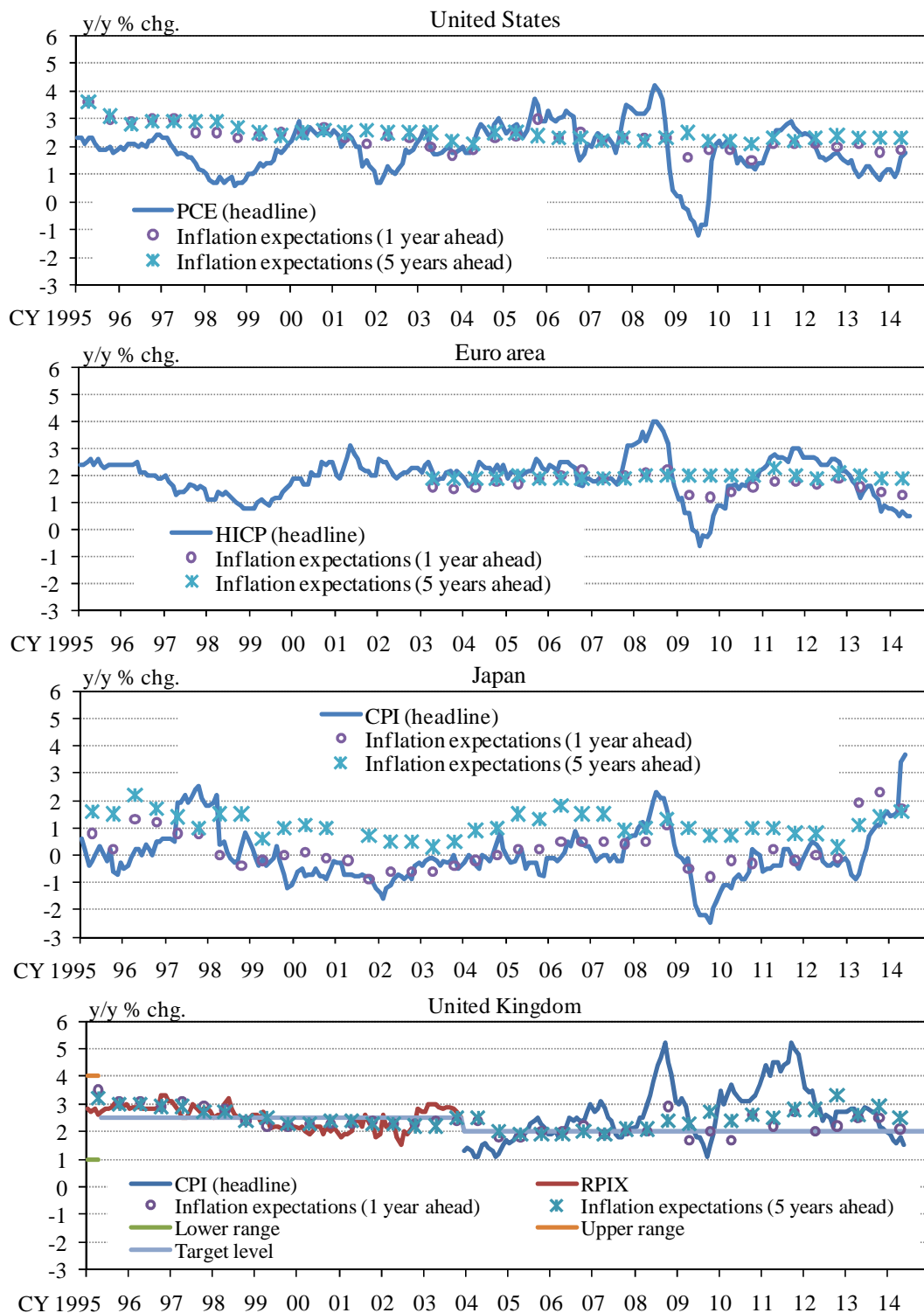


Common Features of Recent Monetary Policy Conduct
in Advanced Economies

- 1 • Adopting 2% as the inflation target (or goal)
- 2 • Stabilizing inflation expectations at around 2%
- 3 • Unconventional monetary policy under the zero interest rate lower bound
- 4 • Emphasis on financial stability and its relation to monetary and macroprudential policies

Realized Inflation and Inflation Expectations in Advanced Economies



Note: The RPIX refers to the Retail Prices Index excluding mortgage interest payments, which was used as the target index until November 2003. The target level between May 1995 and April 1997 was 2.5 percent or below.

Sources: Bloomberg; Consensus Economics Inc., "Consensus Forecasts."

Chart 3

Current Unconventional Monetary Policy in Advanced Economies

	FRB	ECB	BOE	BOJ
Large-scale asset purchases	○		○	○
Forward guidance	○	○	○	○
Longer-term liquidity provision		○		○
Long-term conditional lending		○	○	○
Negative interest rate on reserves		○		

Sources: Federal Reserve; European Central Bank; Bank of England; Bank of Japan.

Chart 4

Classification of Exchange Rate Arrangements and Monetary Policy Frameworks

Exchange rate arrangement	Monetary policy framework			
	Inflation targeting	Monetary aggregate target	Exchange rate anchor	Other
Free floating	Australia, Japan, United Kingdom			United States, Euro area
Floating	New Zealand, Philippines, South Korea, Thailand			
Other managed arrangement				Malaysia
Crawl-like arrangement	Indonesia (maintains a <i>de facto</i> exchange rate anchor to the U.S. dollar)	China (maintains a <i>de facto</i> exchange rate anchor to the U.S. dollar)	Singapore (maintains a <i>de facto</i> exchange rate anchor to a composite)	

Source: International Monetary Fund.

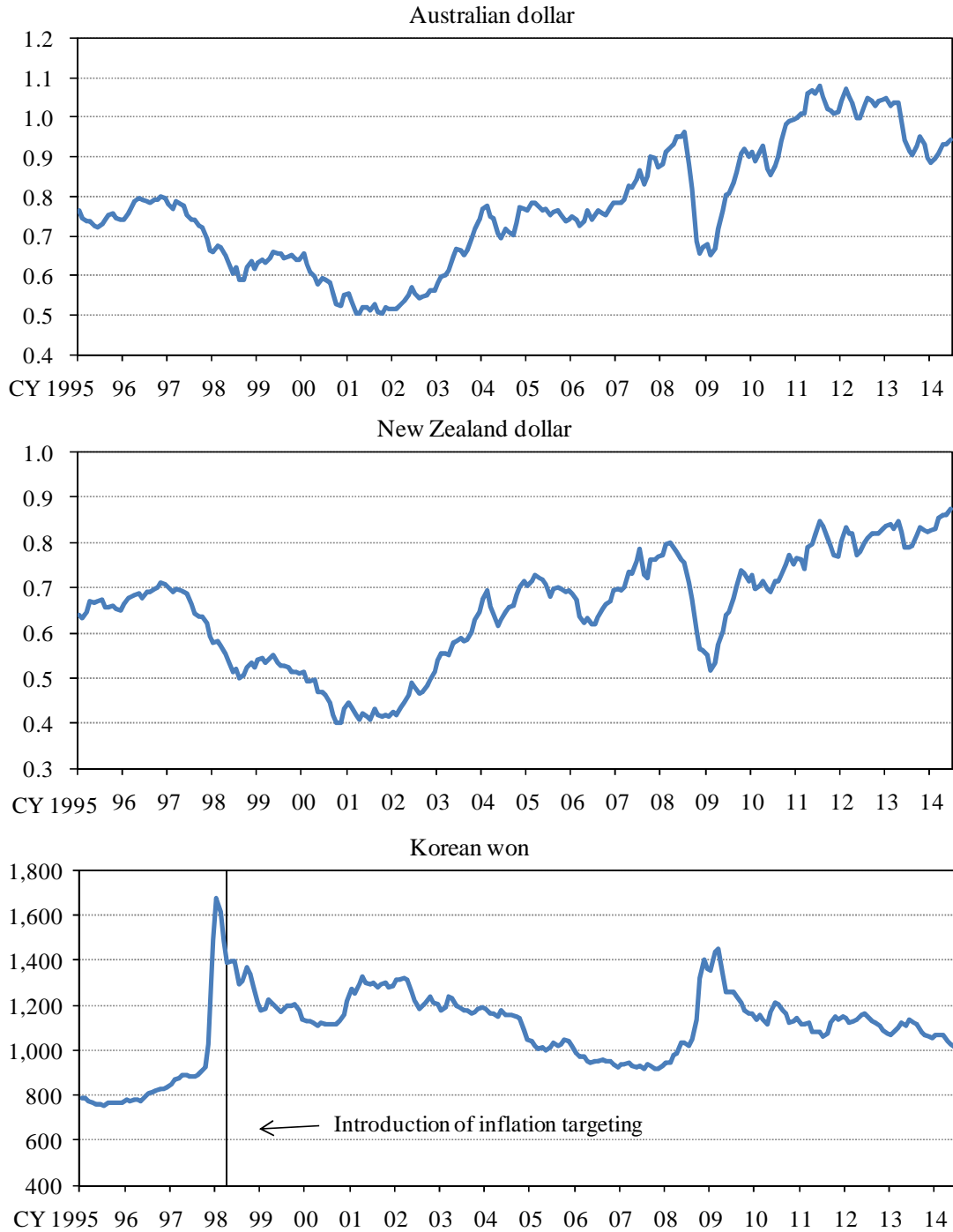
Chart 5

Inflation Targets and Definitions

	Inflation target	Introduction year	Reference indicator	Numerical value	Duration to achieve the target	Target variability
United States	Long-run goal	2012	Headline PCE	2%	Long term	Fixed
Euro area	Definition of price stability	1998	Headline HICP	Below but close to 2%	Medium term	Fixed
Japan	Price stability target	2013	Headline CPI	2%	Medium to long term	Fixed
United Kingdom	Inflation target	1992	Headline CPI	2%	Reasonable time	Fixed
Australia	Inflation target	1993	Headline CPI	2-3%	Medium term	Fixed
New Zealand	Inflation target	1988	Headline CPI	1-3% (with a focus on 2% target midpoint)	Medium term	Fixed
South Korea	Inflation target	1998	Headline CPI	2.5-3.5% for 2013-15	Pre-fixed term	Adjusted every few years
Indonesia	Inflation target	2000	Headline CPI	4.5% ± 1% for 2012-14 and 4% ± 1% for 2015	Pre-fixed term	Adjusted every few years
Thailand	Inflation target	2000	Core CPI	0.5-3%	Annual	Adjusted annually
Philippines	Inflation target	2002	Headline CPI	4% ± 1% for 2011-14 and 3% ± 1% for 2015-16	Pre-fixed term	Adjusted every few years
China	Annual target	n.a.	Headline CPI	3.5% for 2014	Annual	Adjusted annually

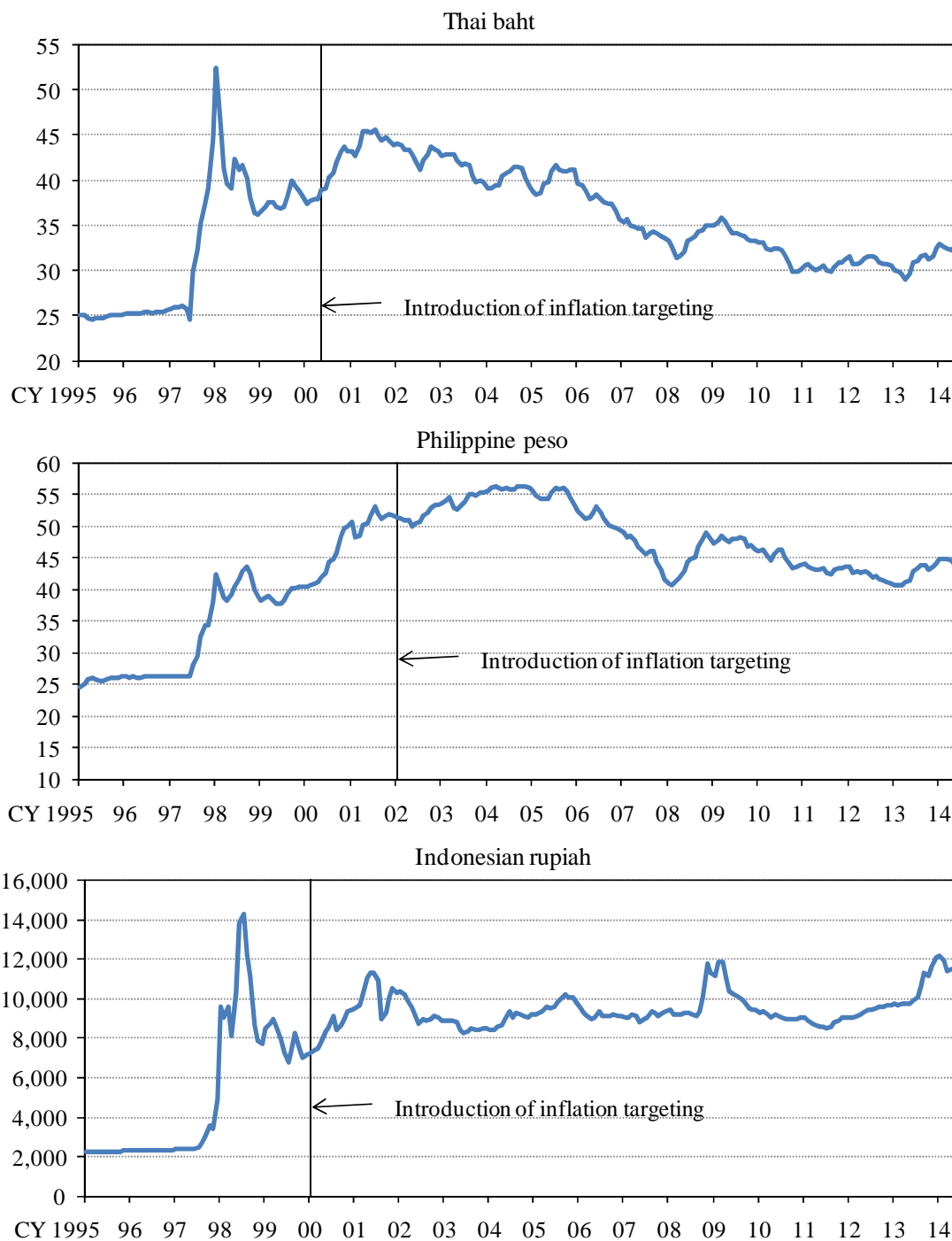
Source: Each central bank.

Exchange Rates against the U.S. Dollar (1)



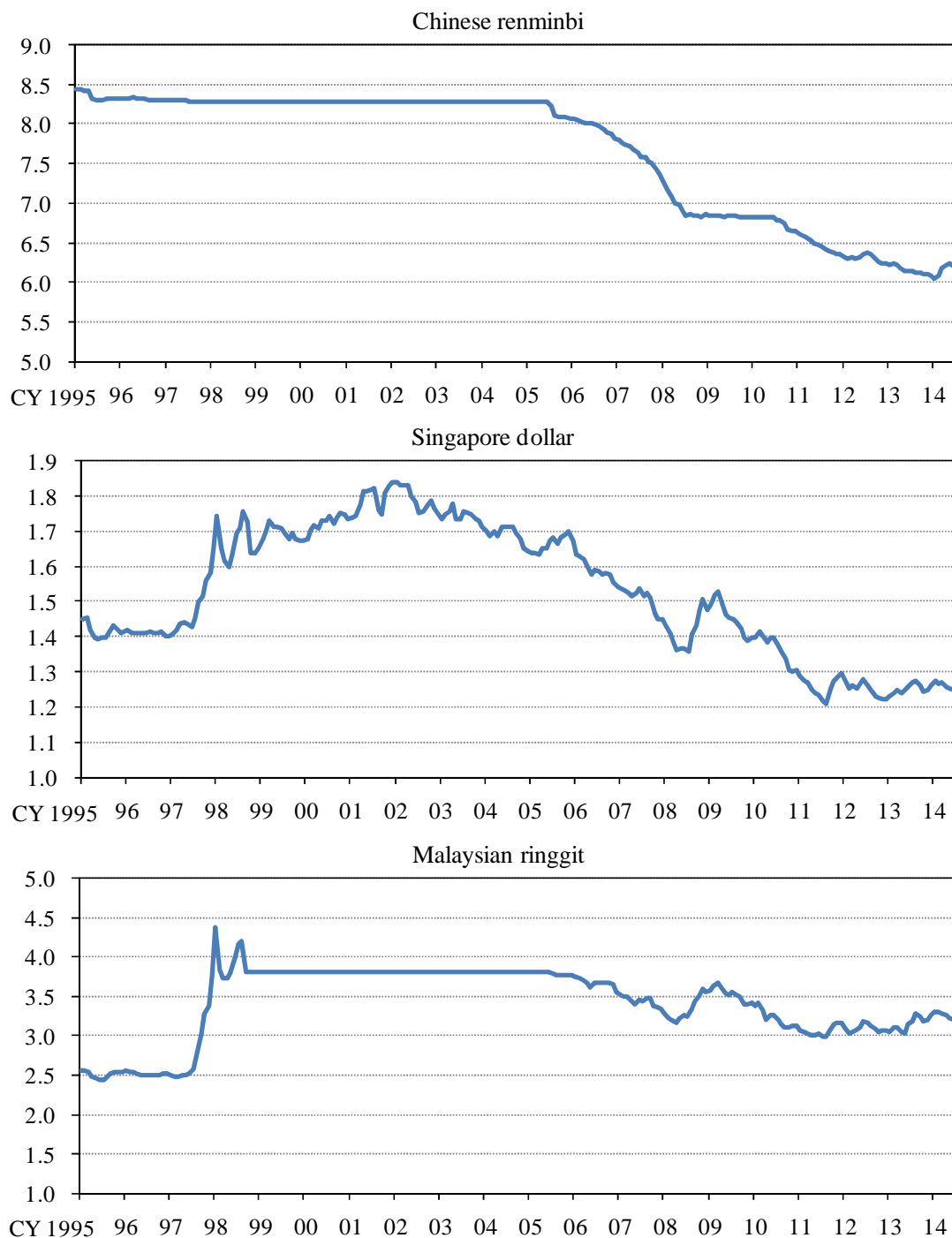
Source: Bloomberg.

Exchange Rates against the U.S. Dollar (2)



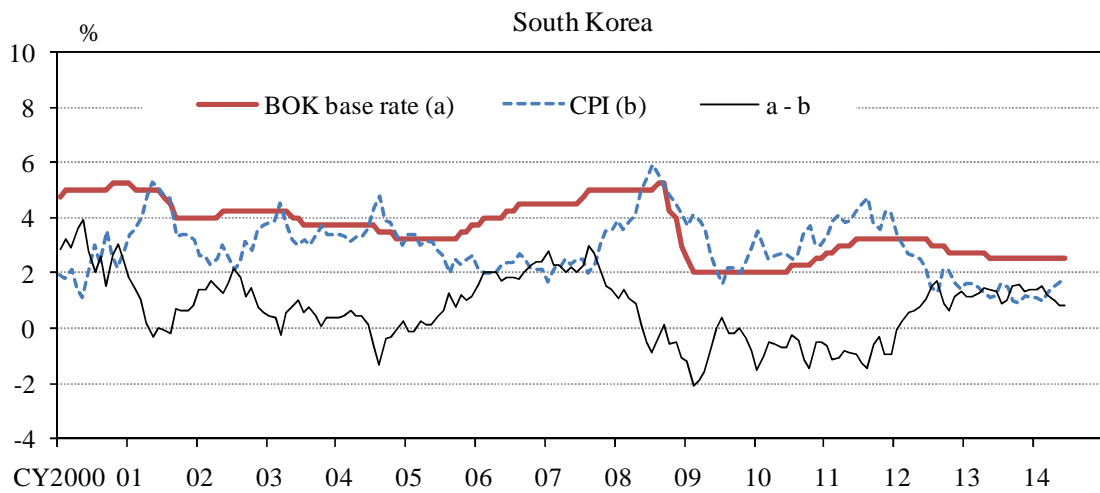
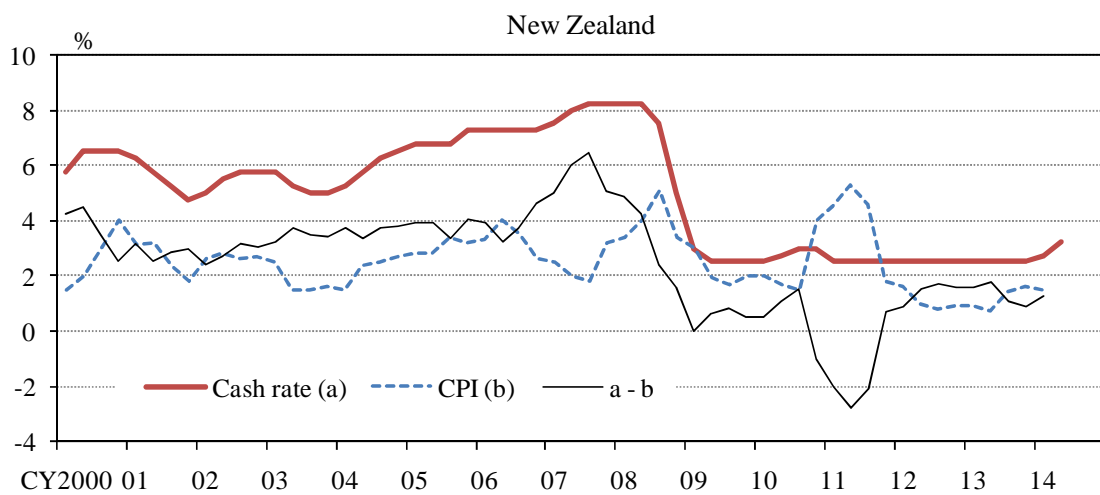
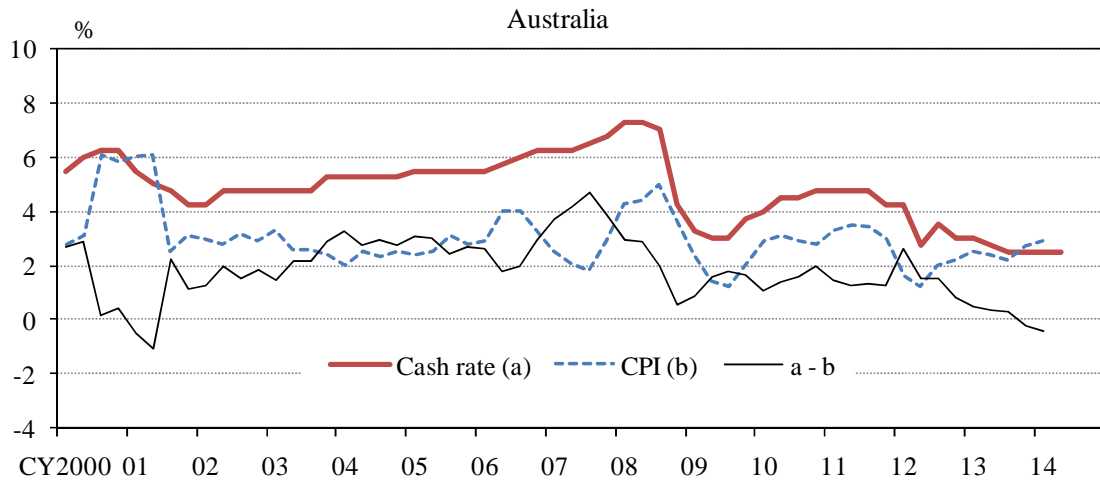
Source: Bloomberg.

Exchange Rates against the U.S. Dollar (3)



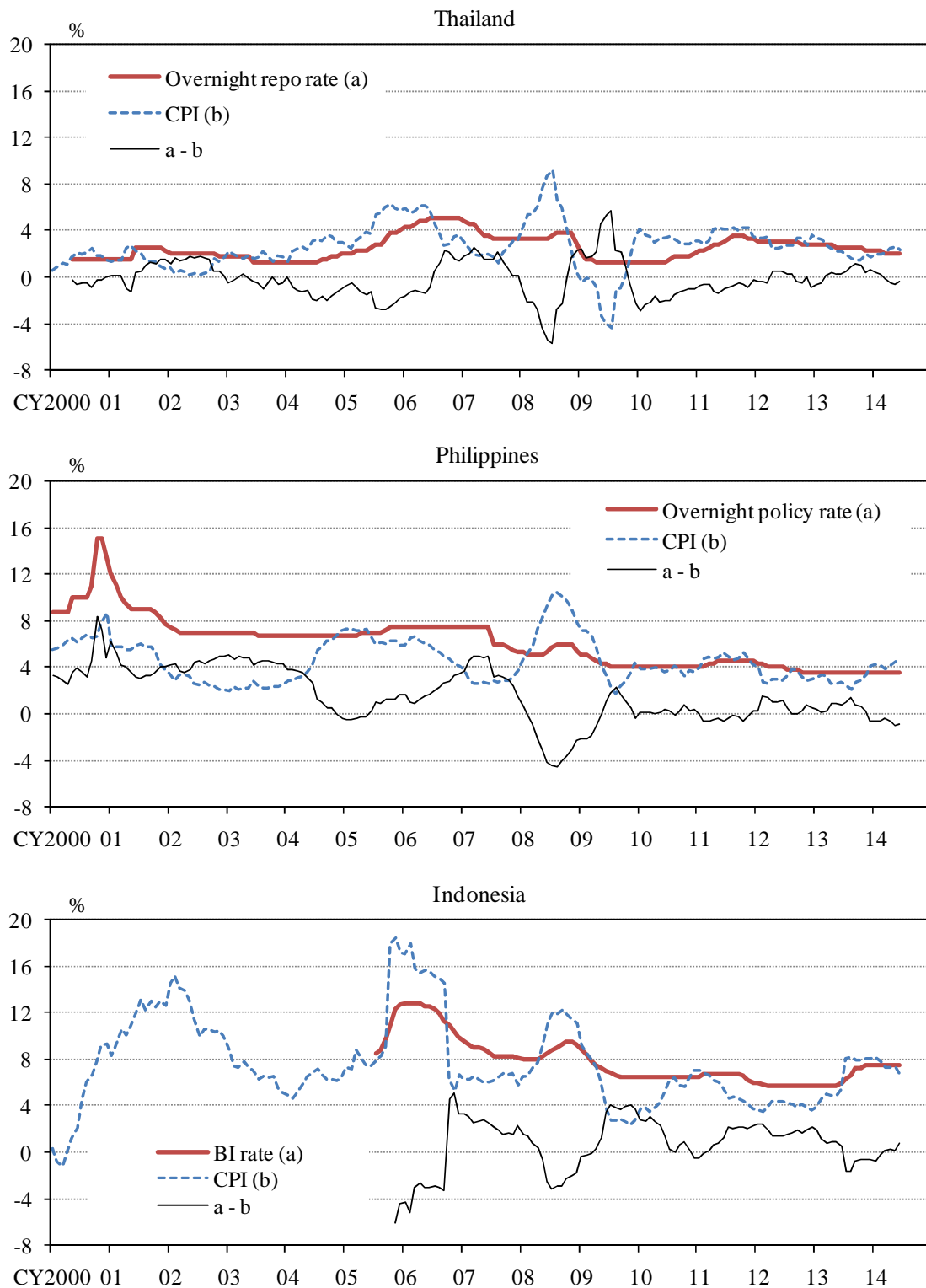
Source: Bloomberg.

Inflation Rates and Policy Interest Rates in the Asia-Pacific Region (1)



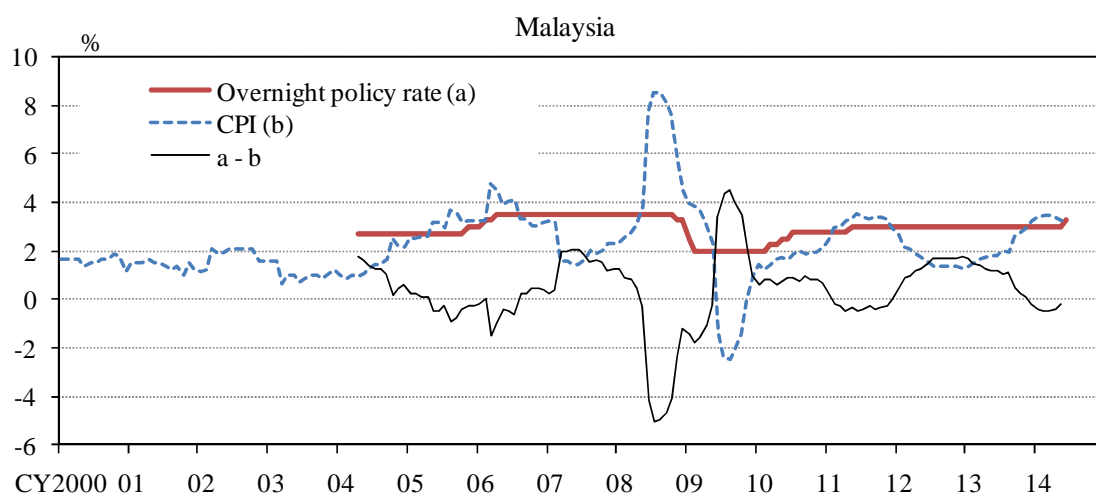
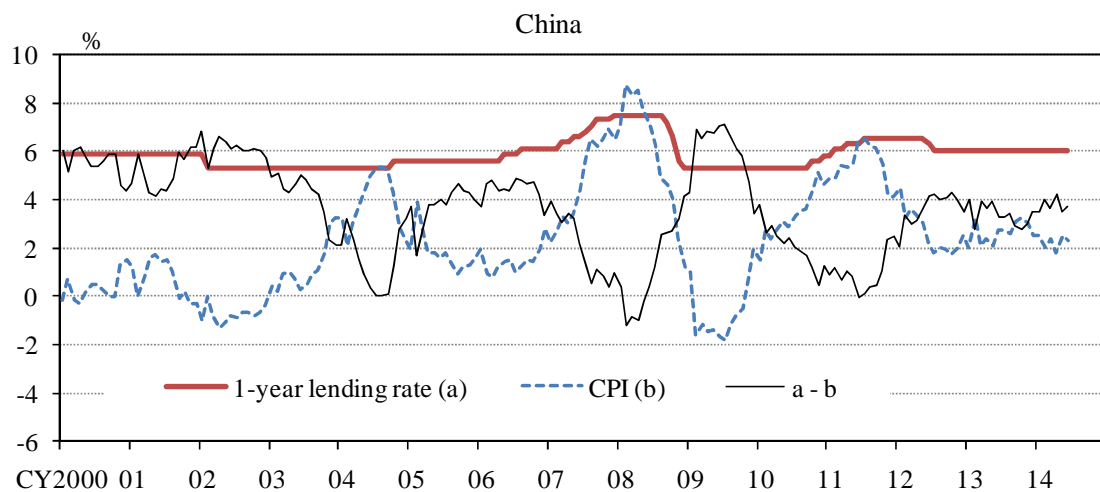
Source: Bloomberg.

Inflation Rates and Policy Interest Rates in the Asia-Pacific Region (2)



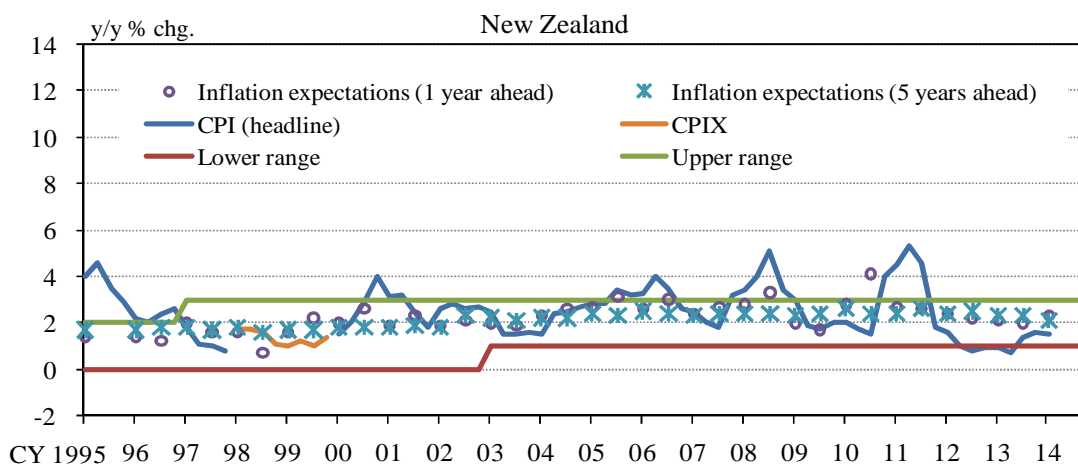
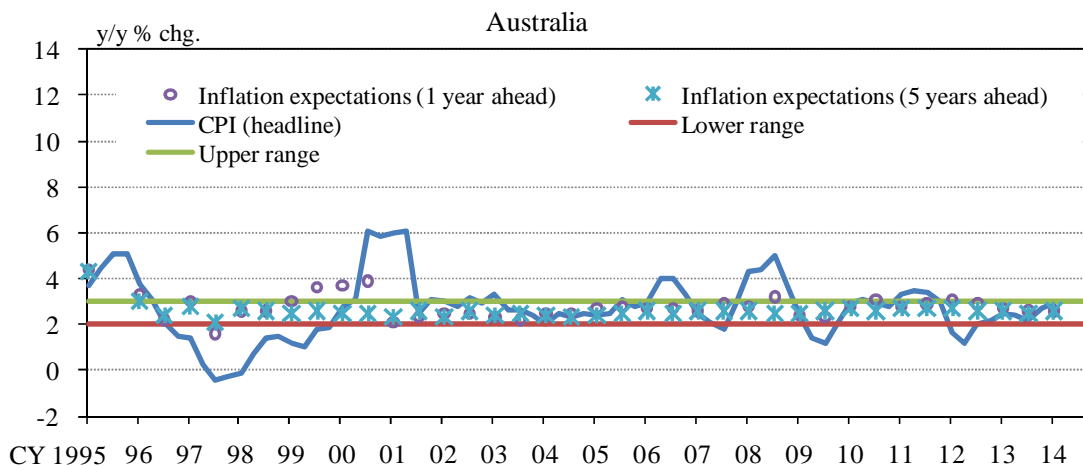
Source: Bloomberg.

Inflation Rates and Policy Interest Rates in the Asia-Pacific Region (3)

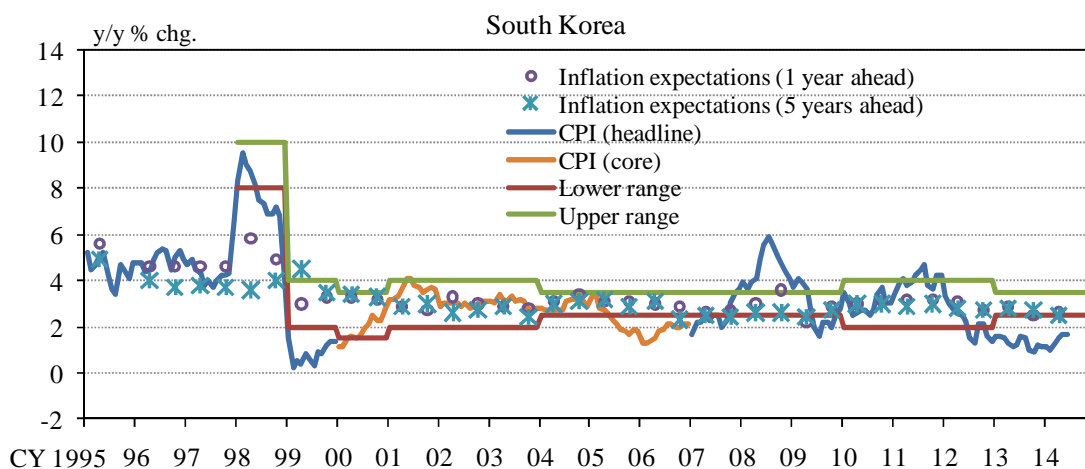


Source: Bloomberg.

Realized Inflation and Inflation Expectations in the Asia-Pacific Region (1)



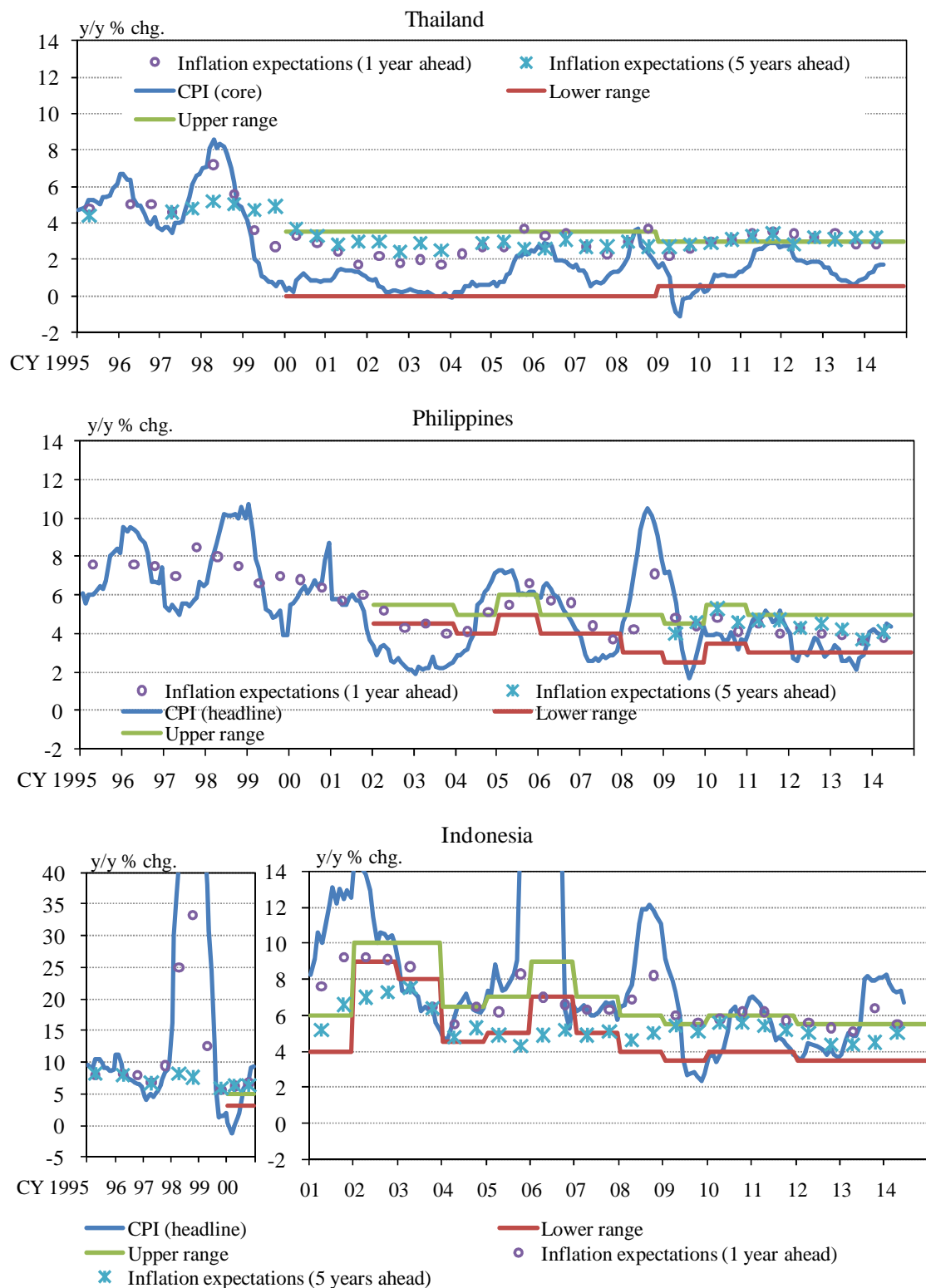
Note: The target index is the headline CPI except for 1998 and 1999, when the CPIX (CPI excluding credit services) was used.



Note: The target index is the headline CPI except for the period from 2000 to 2006, when the core CPI was used.

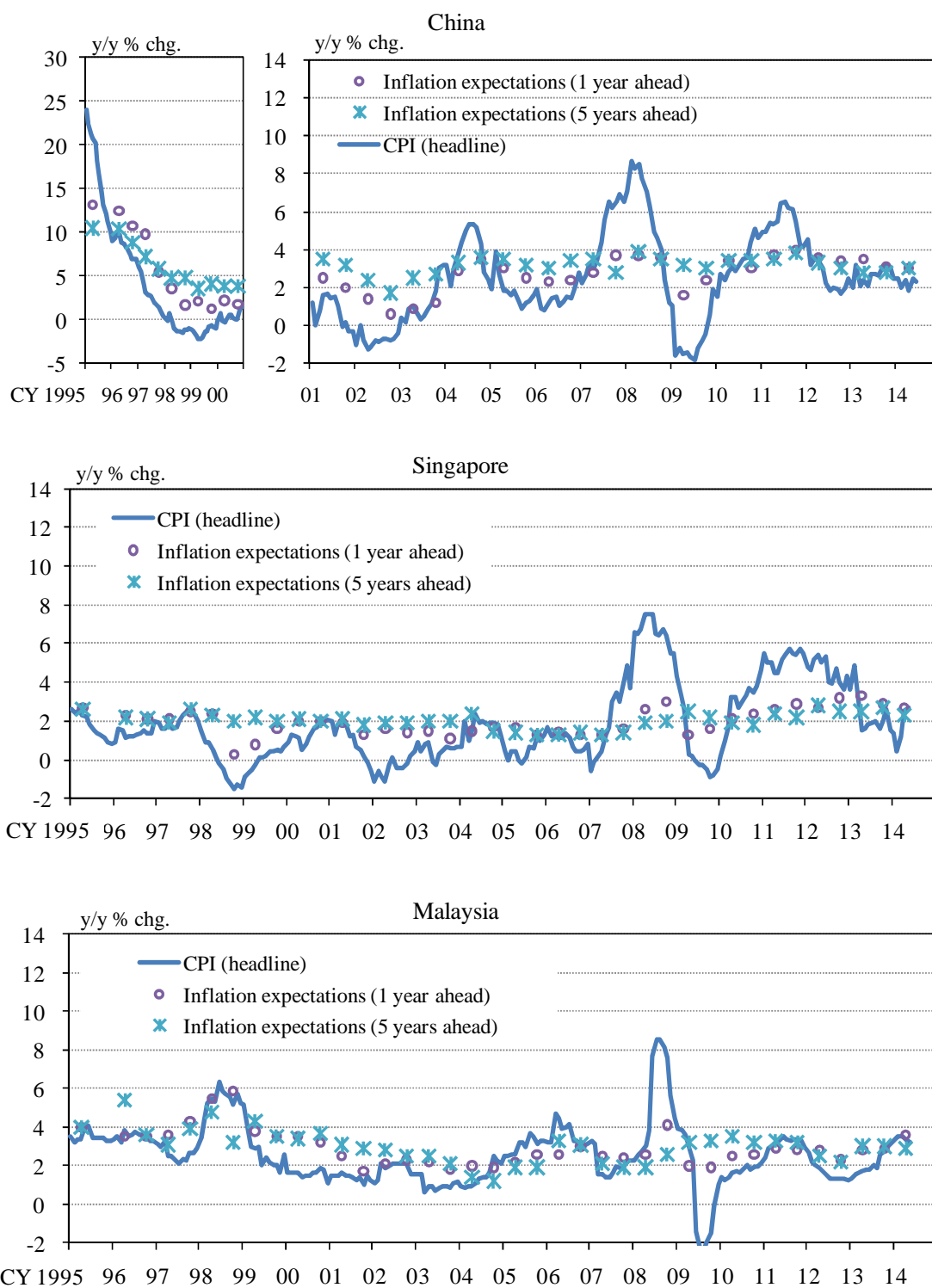
Sources: Bloomberg; Consensus Economics Inc., "Consensus Forecasts."

Realized Inflation and Inflation Expectations in the Asia-Pacific Region (2)



Sources: Bloomberg; Consensus Economics Inc., "Consensus Forecasts."

Realized Inflation and Inflation Expectations in the Asia-Pacific Region (3)



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