

# Time-varying parameters in monetary policy rules: A GMM approach

*A seminar by Guglielmo Maria Caporale*

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**Room Benvenuti and live Zoom**  
**Department of Statistical Sciences**

This paper assesses time variation in monetary policy rules by applying a Time-varying Parameter Generalised Methods of Moments (TVP-GMM) framework. Using monthly data until December 2022 for five inflation targeting countries (the UK, Canada, Australia, New Zealand, Sweden) and five countries with alternative monetary regimes (the US, Japan, Denmark, the Euro area, Switzerland), we find that monetary policy has become more averse to inflation and more responsive to the output gap in both sets of countries. In particular, we observe a clear shift in inflation targeting countries towards a more hawkish stance on inflation since the adoption of this regime and a greater response to both inflation and the output gap in several countries after the global financial crisis, which indicates a stronger reliance on monetary rules to stabilise the economy in recent years.

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