



# Monetary Policy Transmission in Advanced Economy SOEs

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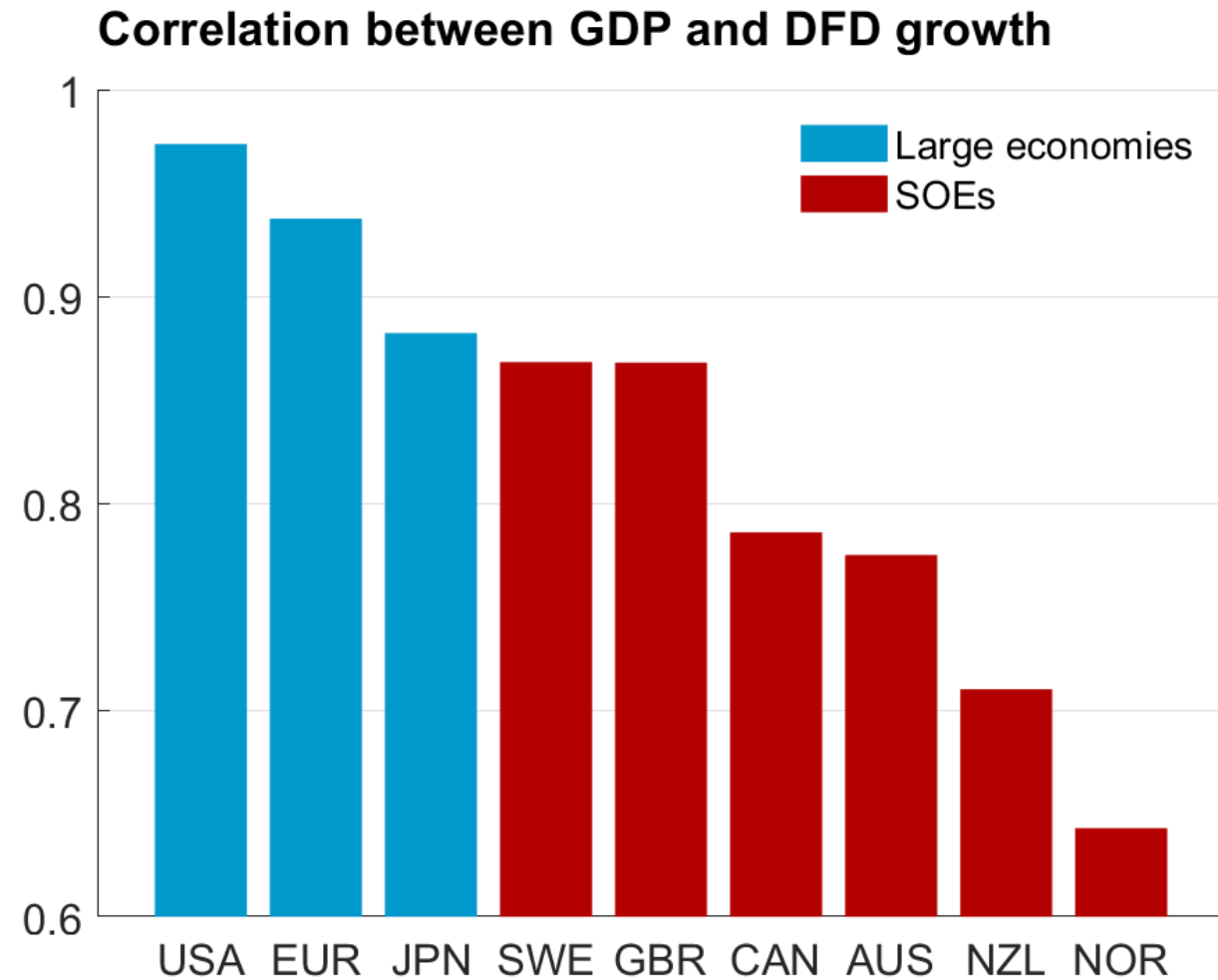
\* Slides and remarks are personal views, not those of the BIS

## Small Open Economies are different

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- ... they are open ...

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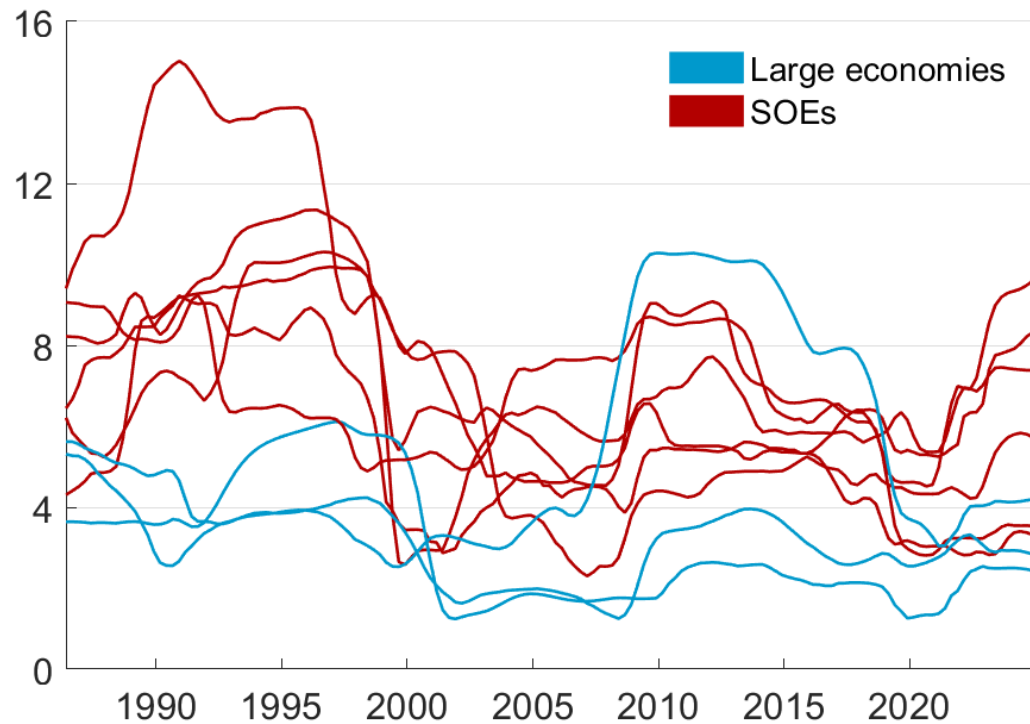
## Small Open Economies are different

- They are small ...
- ... they are open ...
- ... and housing markets (and for some natural resources) matter a lot

## Small Open Economies are different

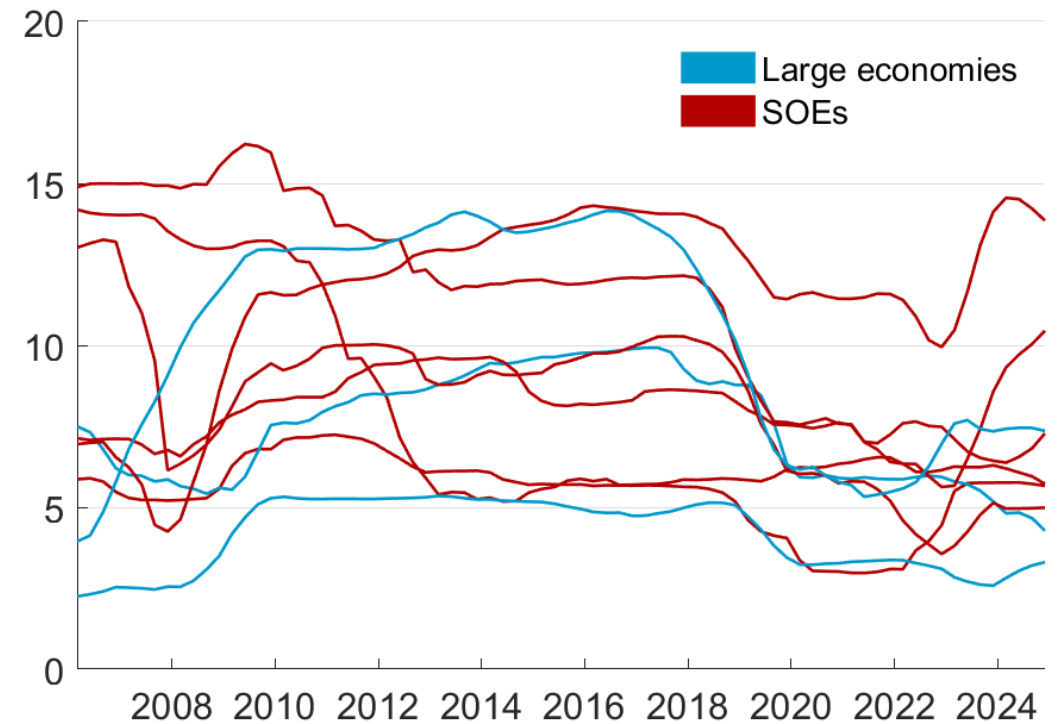
**Standard deviation of House Price Growth**

Rolling 10-year window



**Standard deviation of Residential Construction Growth**

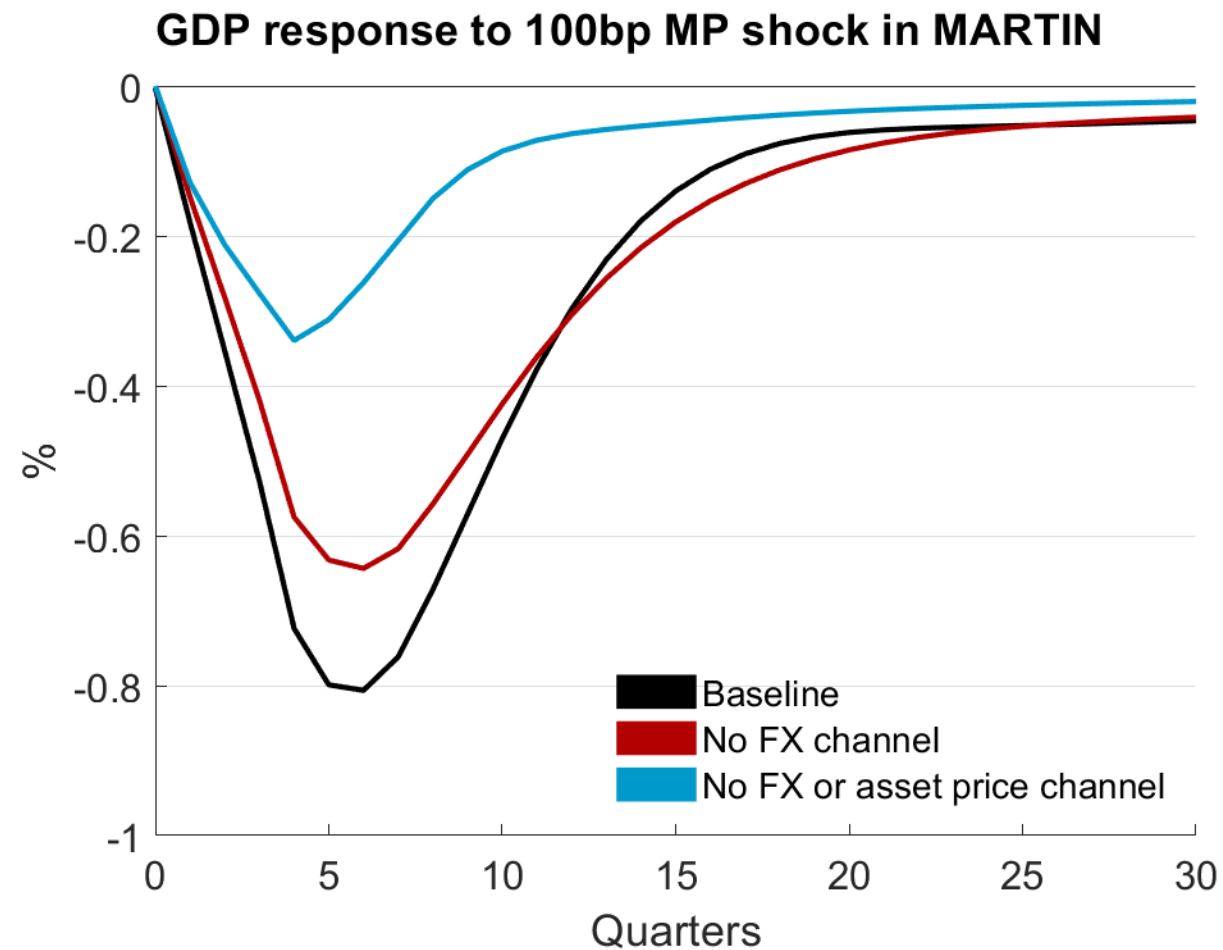
Rolling 10-year window



## These differences shape monetary policy transmission

- Movements in exchange rates and housing markets account for much of the transmission

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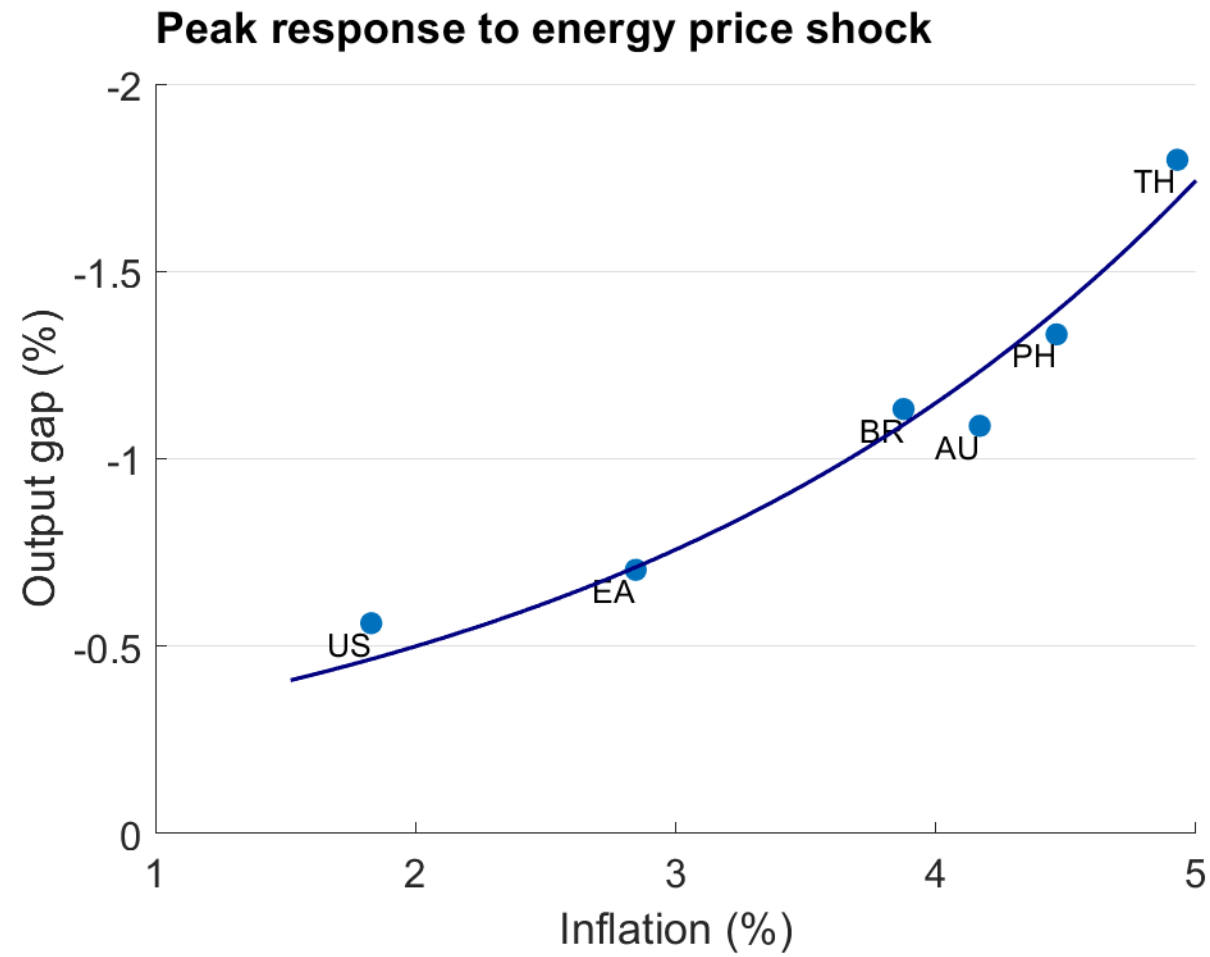


## These differences shape monetary policy transmission

- Movements in exchange rates and housing markets account for much of the transmission
- Less diversified economies shape the response to supply shocks and affect the trade-offs central banks face



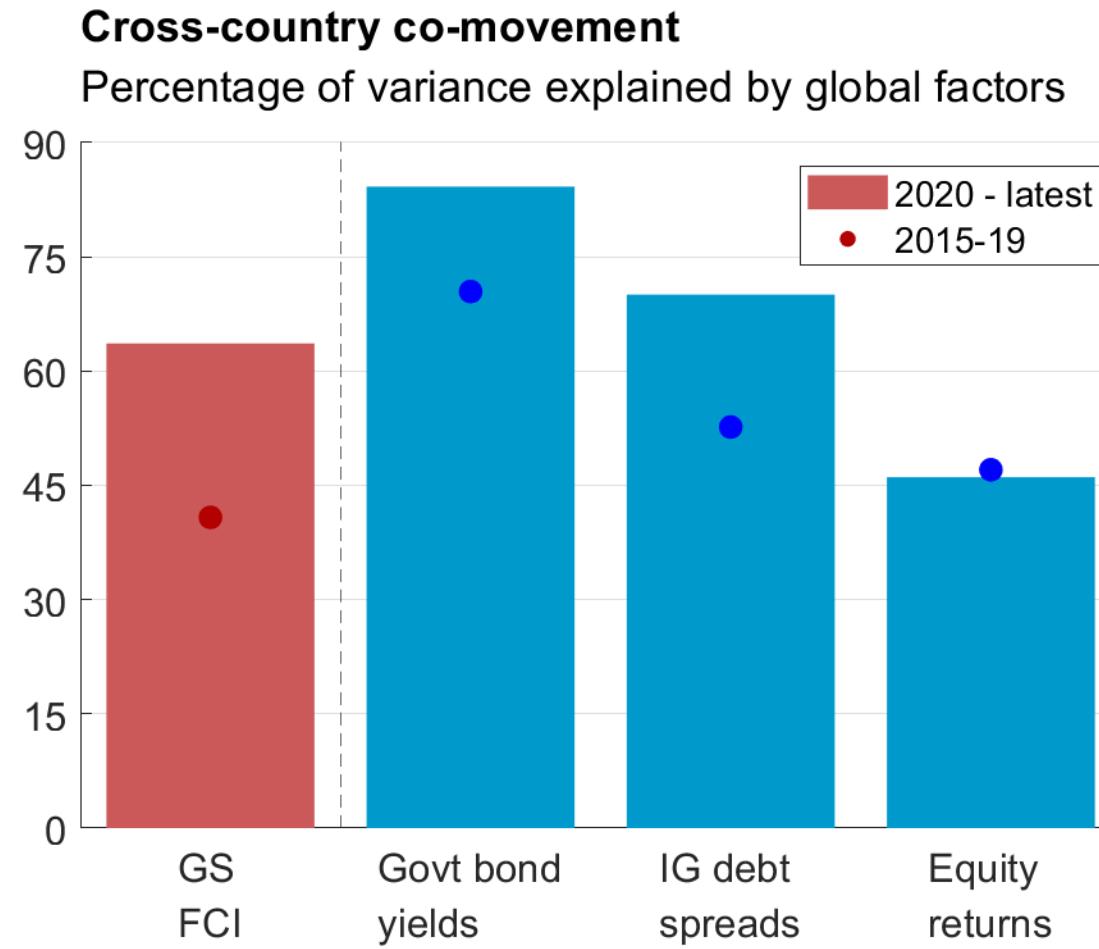
## These differences shape monetary policy transmission



## Recent developments that could affect the transmission mechanism

- Financial conditions are becoming more global

## Recent developments that could affect the transmission mechanism



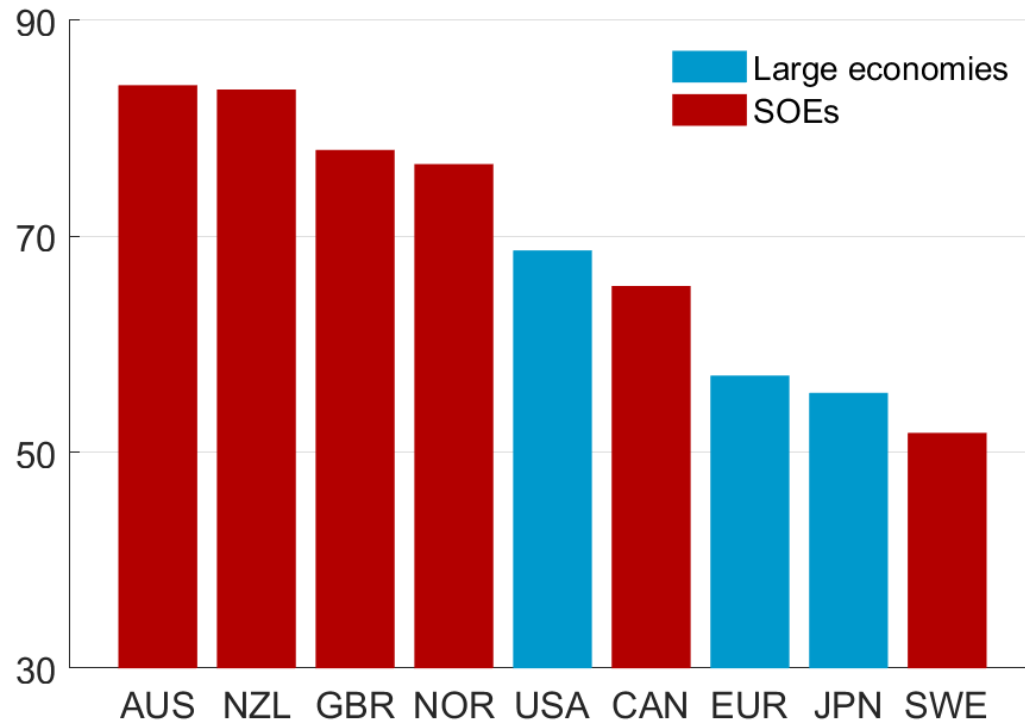
## Recent developments that could affect the transmission mechanism

- Financial conditions are becoming more global
- Housing market structure is evolving

## Recent developments that could affect the transmission mechanism

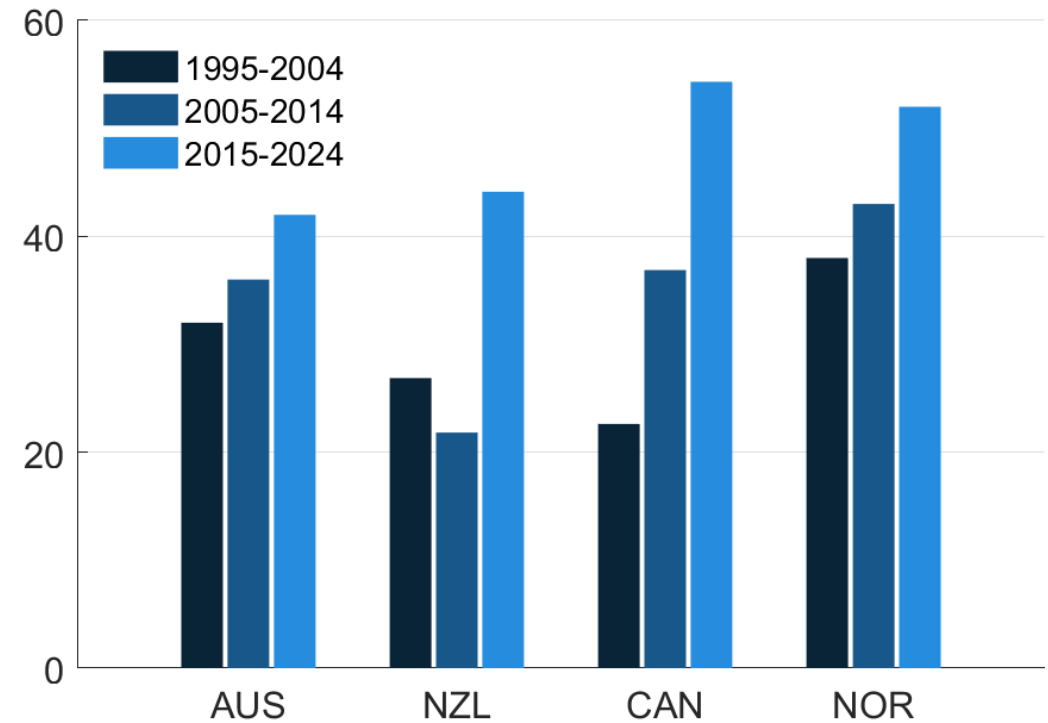
### Houses

Share of total dwelling stock



### Apartments

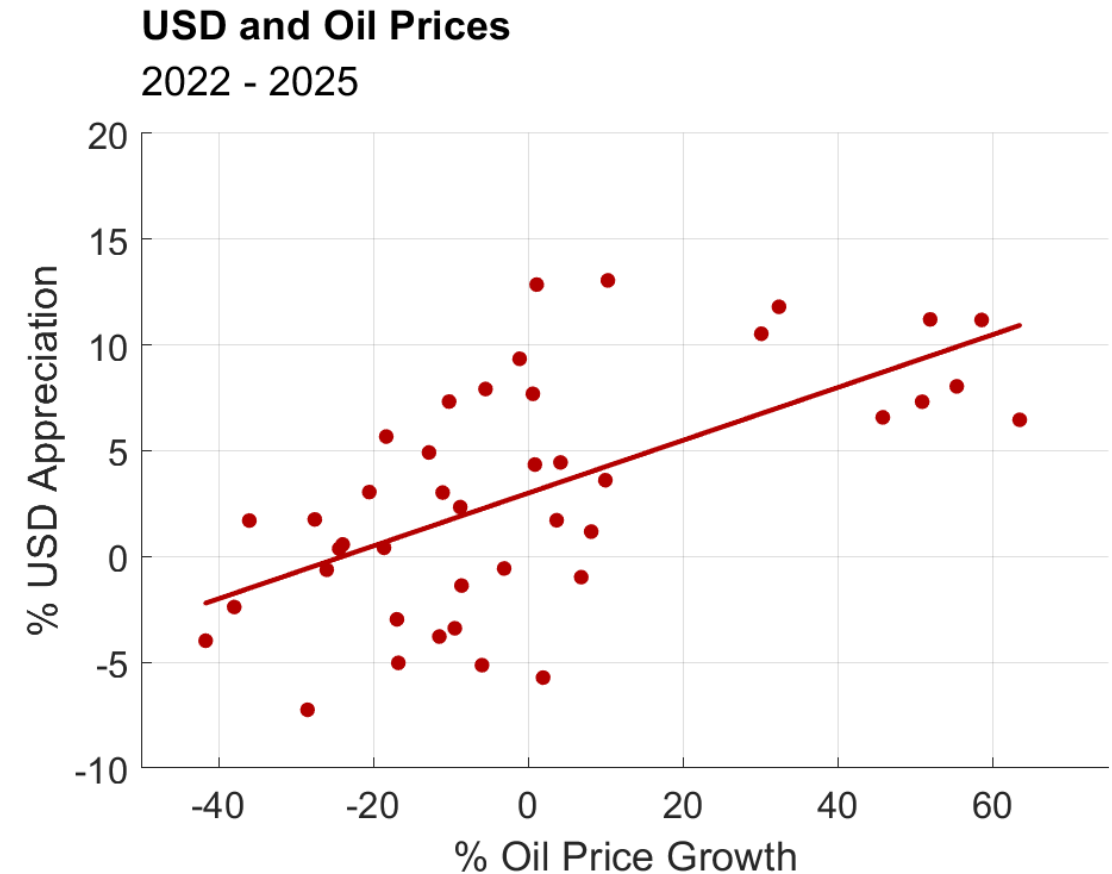
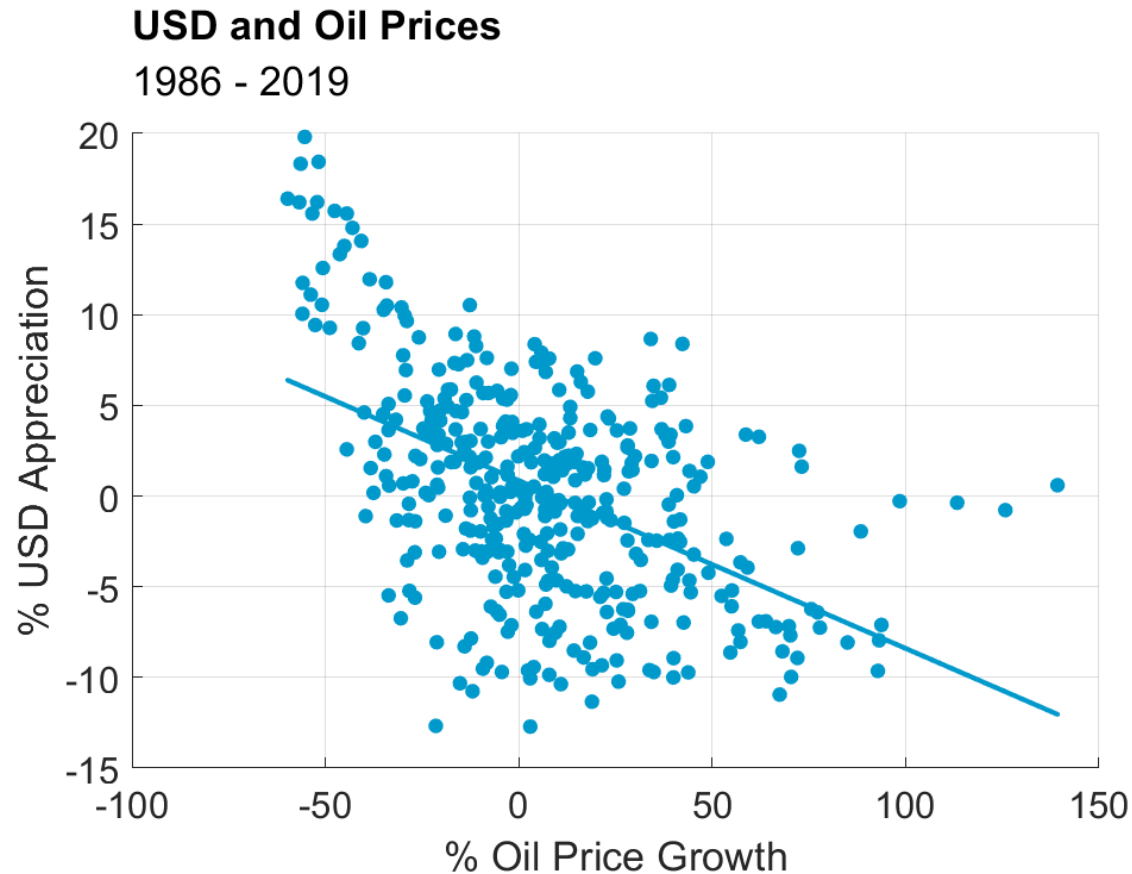
Share of building approvals



## Recent developments that could affect the transmission mechanism

- Financial conditions are becoming more global
- Housing market structure is evolving
- Transmission of (at least some) supply shocks is changing

## Recent developments that could affect the transmission mechanism



## Can SOE central banks still hit their inflation targets?

- Yes ...
- ... but ability to hit a dual mandate is less clear ...
- ... and need to understand the structural changes to calibrate policy appropriately

