Central Banks Around the World Tighten Monetary Policy in Lockstep

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Although inflation rates are slowly easing, central banks around the world continue to tighten monetary policy to fight rising prices. Inflation is not coming down as fast as most had hoped. In January, three meetings were held by central banks overseeing the "10 most heavily traded currencies with Canada delivering a 25 basis point hike while Norway and Japan stayed put," reads an article by *Reuters.* The following month, the U.S. Federal Reserve added 25 bps while the European Central Bank and the Bank of England raised rates by 50 bps.

But for China's central bank, People's Bank of China (PBOC), the rate remains unchanged on 499 billion yuan ($73.11 billion) worth of one-year medium-term lending facility (MLF) loans to come financial institutions unchanged at 2.75% from the previous operation, per *CNBC.* In addition, the bank also injected 203 billion yuan through seven-day reverse repos and kept the borrowing cost unchanged at 2.0%.

Similarly, the Bank of Japan (BoJ) has made no changes to its monetary policy with an interest rate of 0.10%. They are apt in keeping their yield curve control policy with "the 10-year government bond yield target remaining at 0.00% with a tolerance band of -0.50–0.50%," reads an article by FocusEconomics. Their Consensus Forecast panelists project the BoJ's short-term policy rate to end 2023 at minus 0.09% and 2024 at minus 0.06%.

The only question for most central banks with raising interest rate hikes is the *when*. "Wait too long, and a painful recession could result. Move too soon, and high inflation could come roaring back," reads an article by *CNN Business*. According to the article, the European Central Bank's main rate is 2%, while the Bank of England is 3.5%, the highest since the 2007-2008 financial crisis.

But despite monetary policy tightening, financial conditions have eased, which poses a challenge to central banks, according to IMF Blog."Now, falling energy prices are reducing headline inflation and fueling optimism that monetary policy may be eased later this year," reads the blog. Thus, there has been a sharp decline in global longer-term interest rates and "boosted financial markets in advanced economies and emerging markets alike."