

JEL CLASSIFICATION: G18, G21, E42

## FEATURES OF INFLATIONARY TARGETING USAGE, AS RATE OF MONETARY POLICY OF THE CENTRAL BANK

**Oleksii Yu. MIROSHNIK**

*Candidate of Science in Economics, Senior Research Worker of Research Centre of the University of Banking of the National Bank of Ukraine (Kyiv)*

*Summary. The article deals with main features of inflationary targeting usage are analyzed, positive and negative features of specified regime and its implementation are defined.*

**Key words:** *inflationary targeting, monetary and credit policy, consumer price index, inflation, central bank.*

According to the basic principles of monetary policy 2015, which is approved by the decision of the National Bank of Ukraine on September, 11th, 2014, "Strategy of monetary policy in medium-term vision based on using the inflation targeting".

In these conditions the topical issues are related to the implementation and application experience of inflation targeting as a monetary policy regime.

For Ukraine in conditions of instability the usage of inflation targeting has high requirements for statistical and research units of the National Bank, so the basis of practical use of this monetary policy is inflation forecasts for the planned period. Any forecasts related to uncertainty in the future and rarely coincide with the actual developments, especially by the large dependence on external risks. Also by changing economy, unfavorable political situation there are problems with the quality of statistical data and the length of available time period. It is hard to choose periods for Ukraine that will build accurate econometric models according to which future situation can be predicted.

Process becomes more complex because of factors that can not be predicted or are hardly predicted but which have a significant impact on the price level in the economy. They include:

- Conducting anti-terrorist operations in the east;
- Fluctuations in world prices for raw materials (especially energy);
- Unforeseen currency fluctuations which are not the result of economic or monetary policies;
- Changes in the conditions of agricultural production, affecting the prices of agricultural products production;
- Natural disasters and other force majeure events that are in the form of supply and demand shocks.

Availability of the examined complicates forecasting quality, and so the efficiency of inflation targeting. Thereby the establishing of inflation guidelines for National Bank of Ukraine one should set benchmarks not as a point but as a corridor (the maximum and minimum possible index value).

### *References*

1. Osnovni zasady hroshovo-kredytnoi polityky na 2015 rik. [Basic principles of monetary policy for 2015]. Retrieved from <http://www.bank.gov.ua/doccatalog/document?id=10465306>.

2. Ball, L and Sheridan, N (2003), "Does Inflation Targeting matter?", NBER Working Paper no. W9577.

3. Hyvonen M (2004), 'Inflation Convergence Across Countries', Reserve Bank of Australia Working Paper no. 2004-04. Retrieved from [www.rba.gov.au/rdp/RDP2004-04.pdf](http://www.rba.gov.au/rdp/RDP2004-04.pdf).

4. Orphanides A. and Williams J. C. (2003) 'Imperfect knowledge, inflation expectations and monetary policy', NBER Working Paper no. 9884.

5. Levin A. T., Natalucci F. M. and Piger J. M. (2004) The macroeconomic effects of inflation targeting, Federal Reserve Bank of St. Louis Review, July/August, Vol. 86, No. 4.

6. Vega M and Winkelried D (2005) Inflation Targeting and Inflation Behaviour: A Successful

Story?, *International Journal of Central Banking*, Vol. 1(3), December.

7. IMF World Economic Outlook, September 2005. Retrieved from <http://www.imf.org/external/pubs/ft/weo/2005/02/>.

8. IMF World Economic Outlook, October 2008. Retrieved from <http://www.imf.org/external/pubs/ft/weo/2008/02/>.

9. Roger S (2010) Inflation targeting turns 20. Retrieved from [www.imf.org/external/pubs/ft/fandd/2010/03/pdf/roger.pdf](http://www.imf.org/external/pubs/ft/fandd/2010/03/pdf/roger.pdf).

10. Carvalho-Filho I. (2010) Inflation targeting and the crisis: An empirical assessment, IMF Working Paper no. 10/45.

11. Центр исследований деятельности центральных банков, Банк Англии, Threadneedle Street, London, EC2R 8AH. Retrieved from [www.bankofengland.co.uk/education/ccbs/handbooks\\_lectures.htm](http://www.bankofengland.co.uk/education/ccbs/handbooks_lectures.htm).

12. Kryvorotov D. (2003) Infljatsyonnoe tarhetirovanie [Inflation targeting.]. *Bankaýski vesnik*, SAKAVIK.