



**Inflation Targeting:**  
*The New Zealand Experience and Some  
Lessons*

**Inflation Targeting Conference**  
**The Central Bank of the Republic of Turkey**  
**Istanbul**  
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**Governor**  
**Reserve Bank of New Zealand**



# What is Inflation Targeting?

- What does it aim for?
- How does it work?
- What can it achieve?



# How has Inflation Targeting Happened?

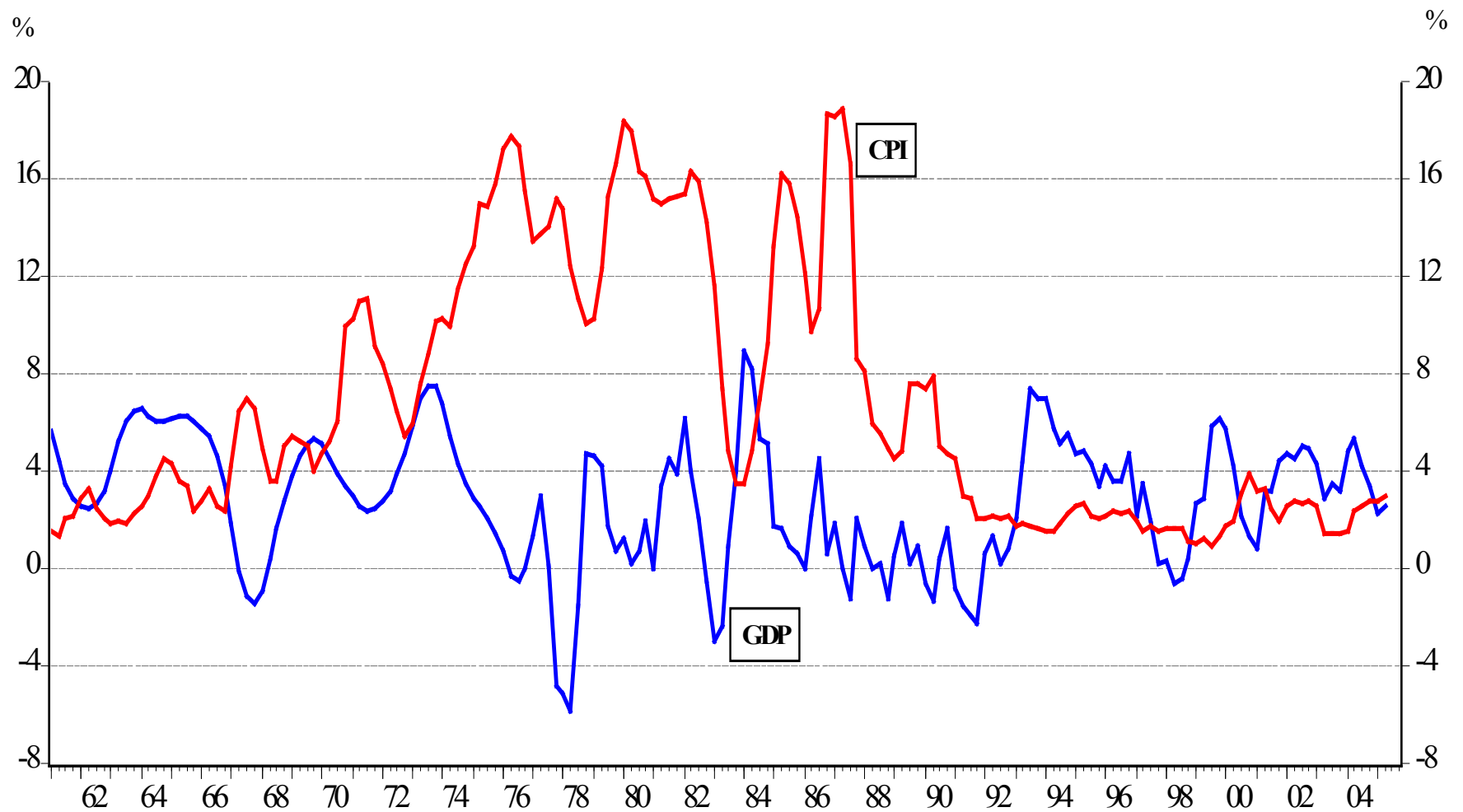
- Diffusion of this technology
- Turkey adopts Inflation Targeting



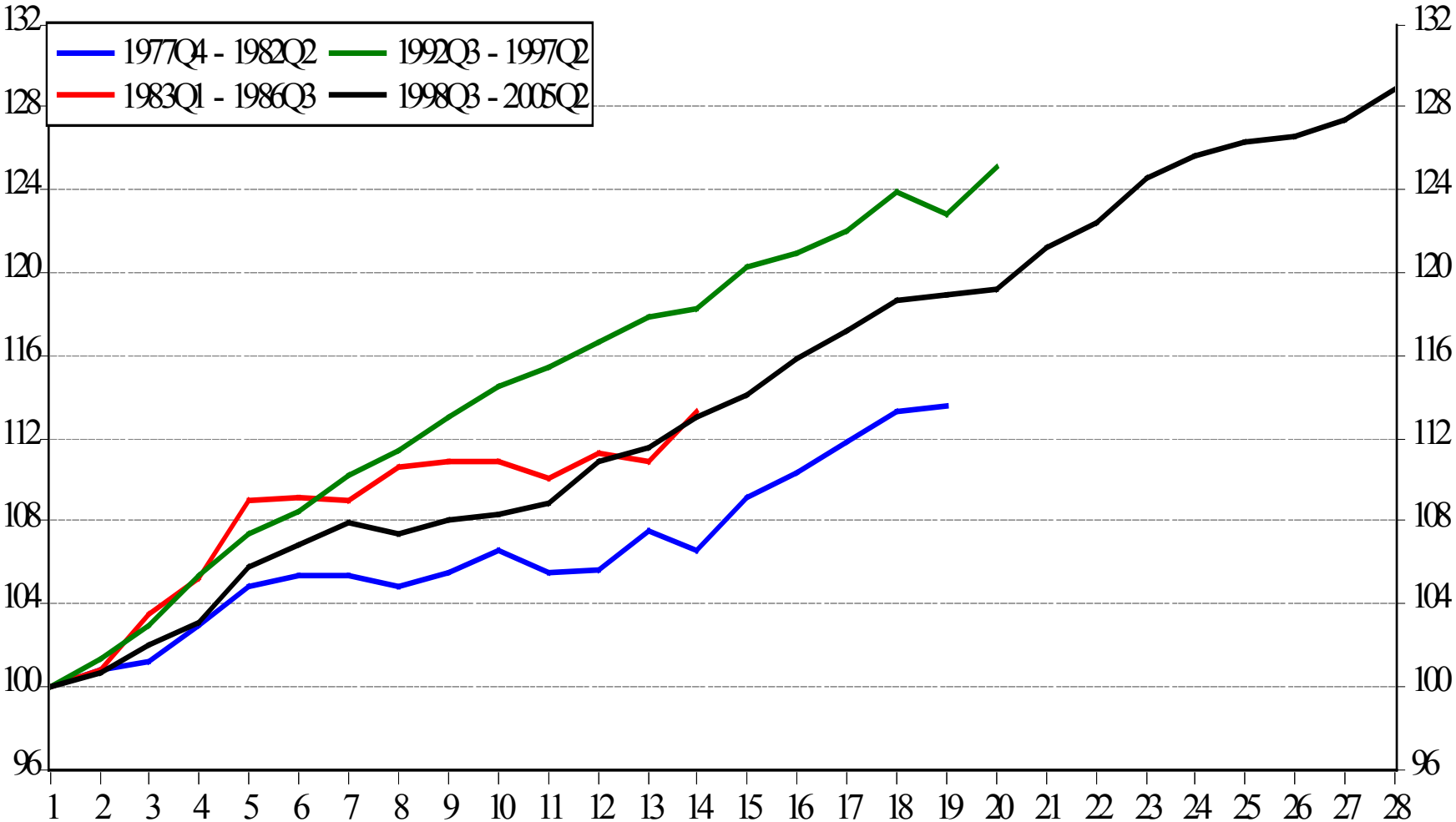
# The New Zealand Experience

- New Zealand economic reform programme
- Economic performance

# Improved Growth and Inflation Performance



# Improved Stability: Economic Expansions - trough to peak





# Reserve Bank of New Zealand Act

- Origins of the reforms
- Objectives of the Act
- Responsibilities of the Reserve Bank
- Accountabilities



# Policy Targets Agreement

- Goal of monetary policy
- Section 2: inflation outcomes
- Section 4(b): volatility trade-off



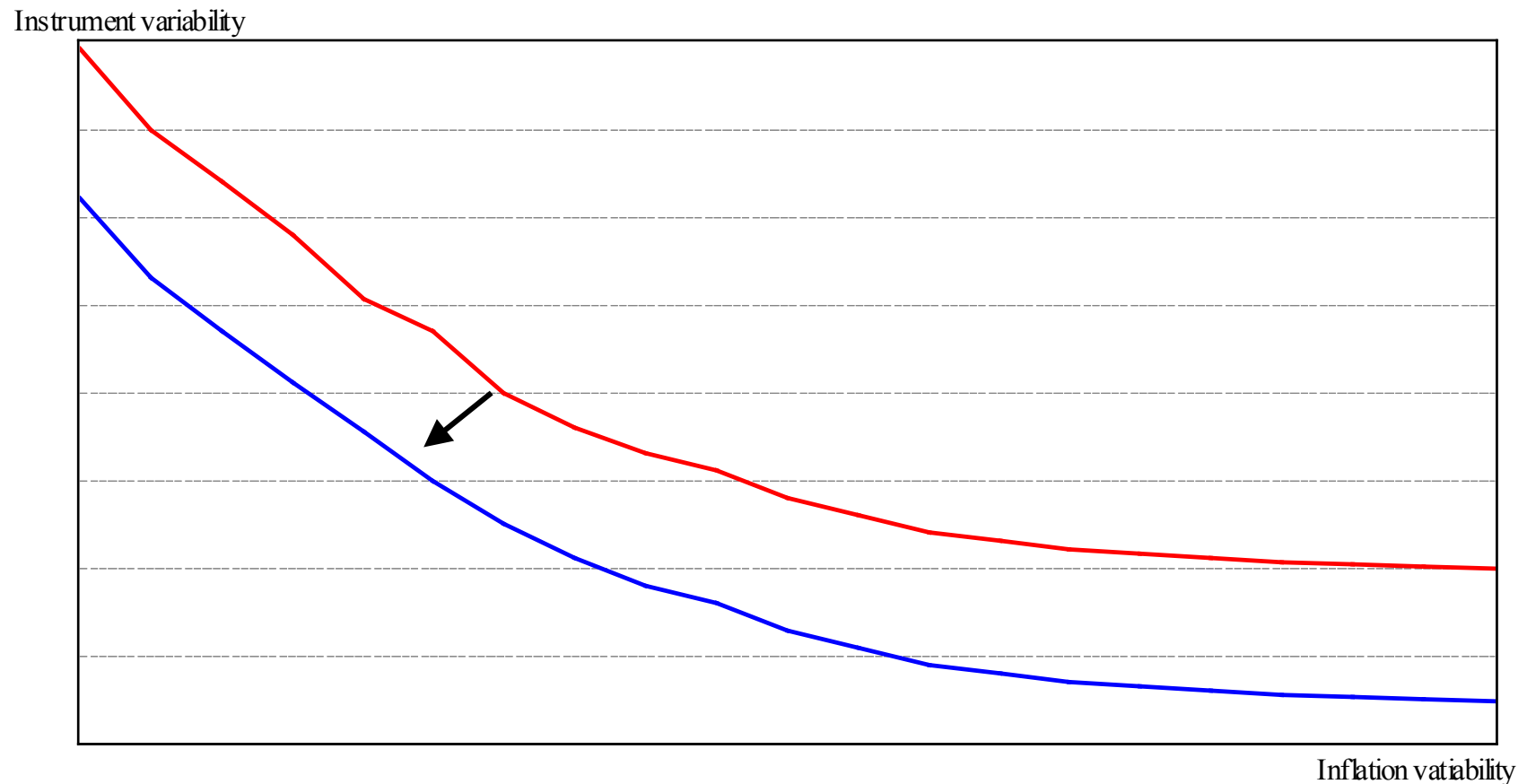


# The Reserve Bank and its Audiences

- Transparency of actions
- Communication of monetary policy
- Monitoring of performance

# Evolving Inflation Targeting - I

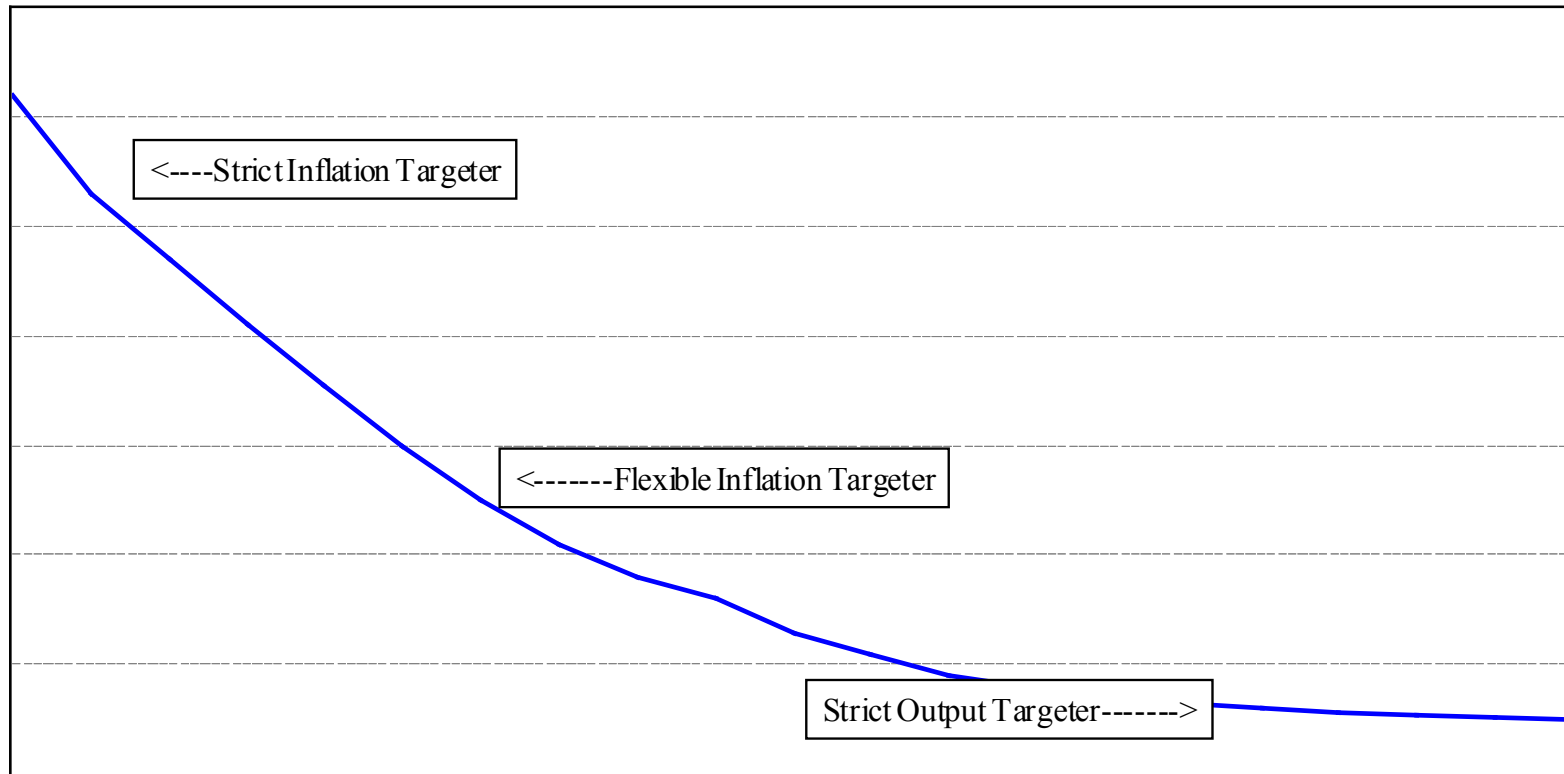
- Learning best practice



# Evolving Inflation Targeting - II

- Moving to flexible inflation targeting

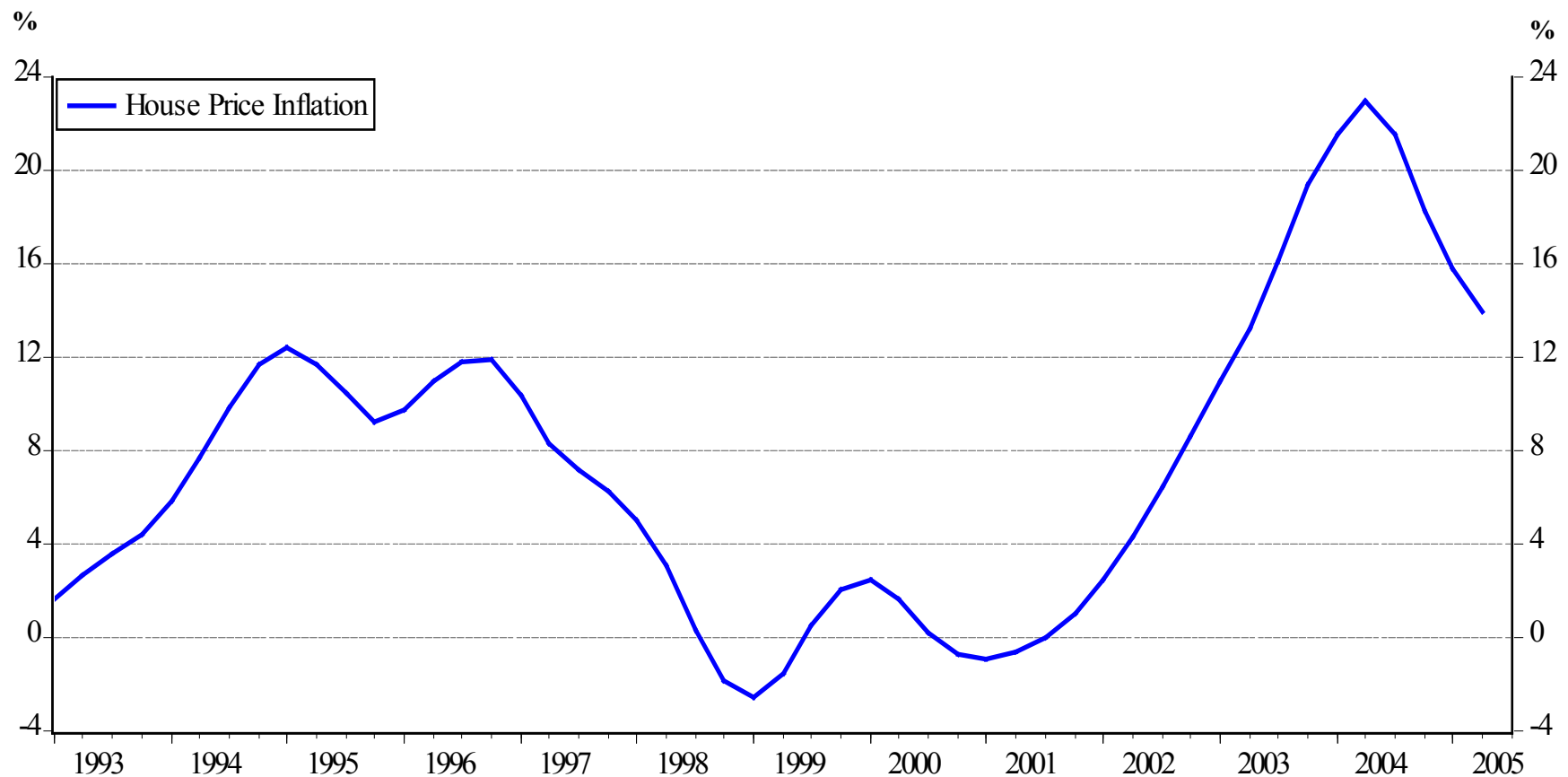
Output variability



Inflation variability

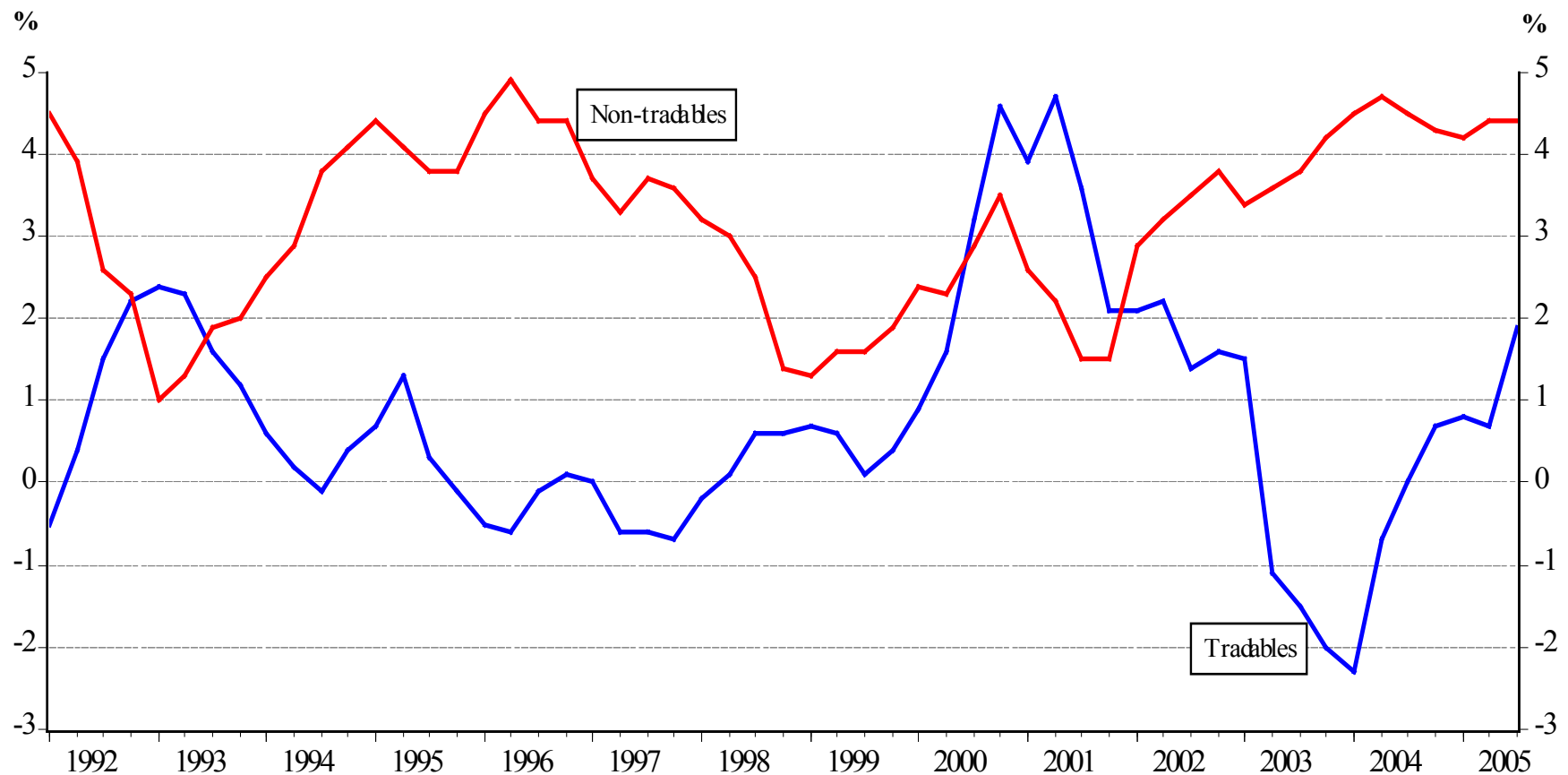
# Evolving Inflation Targeting - III

- Dealing with asset price inflation



# Evolving Inflation Targeting - IV

- Price stabilisation in an open economy





# Impact of Inflation Targeting in New Zealand

- Effects on inflation and economic performance
- Some unique New Zealand features



# Learning from New Zealand Experience - I

- Inflation targeting is not highly sophisticated
- Monetary policy needs appropriate support
- Policy can only target inflation



# Learning from New Zealand Experience - II

- Independence is important but has a price tag
- Inflation targeting needs to evolve within a framework
- Monetary policy and credibility are interwoven





End of presentation