
FOREIGN EXCHANGE INTERVENTIONS AS AN (UN)CONVENTIONAL MONETARY POLICY TOOL: MID-TERM EVALUATION

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Abstract

The zero level of interest rates constitutes a limit of this standard monetary policy instrument. On the example of the Czech Republic we argue that in such a situation foreign exchange interventions represent a meaningful monetary policy tool for small open economies with abundant liquidity. We provide an overview of the evidence of the functioning of FX interventions and the exchange rate pass-through to consumer prices. Finally we provide a mid-term evaluation of the Czech Republic experience with the use of exchange rate tool in 2013 which is still in effect.

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