

## Emerging Results from the ESCB ChaMP Network

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*CEBRA 2025 Annual Meeting*  
August 8, 2025  
Boston, MA

\*The views expressed are mine and should not be reported as representing the views of the Federal Reserve Bank of Boston, the principals of the Board of Governors, or the Federal Reserve System.



# The Challenges for Monetary Policy Transmission in a Changing World (ChaMP)

## European System of Central Banks (ESCB)

- A systematic analysis of the MPT mechanism in the euro area.
- An impressive body of work harnessing micro-level data across euro area jurisdictions.
  - ▶ Credible identification and quantification.
- Focus on heterogeneity:
  - ▶ banking market competition; bank portfolio composition; technology adoption
  - ▶ credit substitution between banks and NBFIs or through NBFIs' portfolio re-composition
  - ▶ production networks

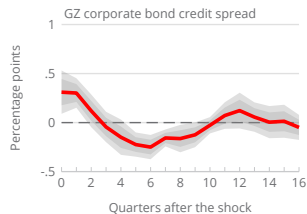
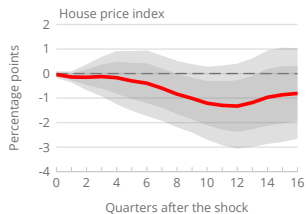
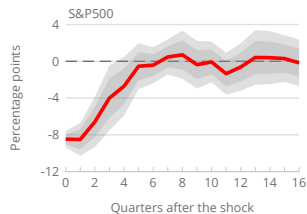
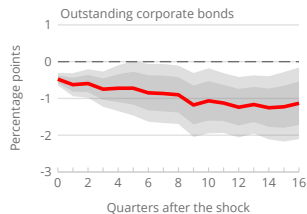
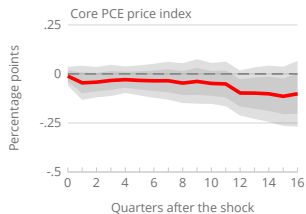
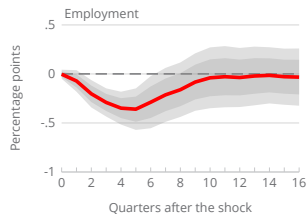
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  - ▶ production networks
- My comments:
  - ▶ Complementary U.S. context.
  - ▶ My wish list.

# Transmission of Monetary Policy in the U.S. (1981–2019)

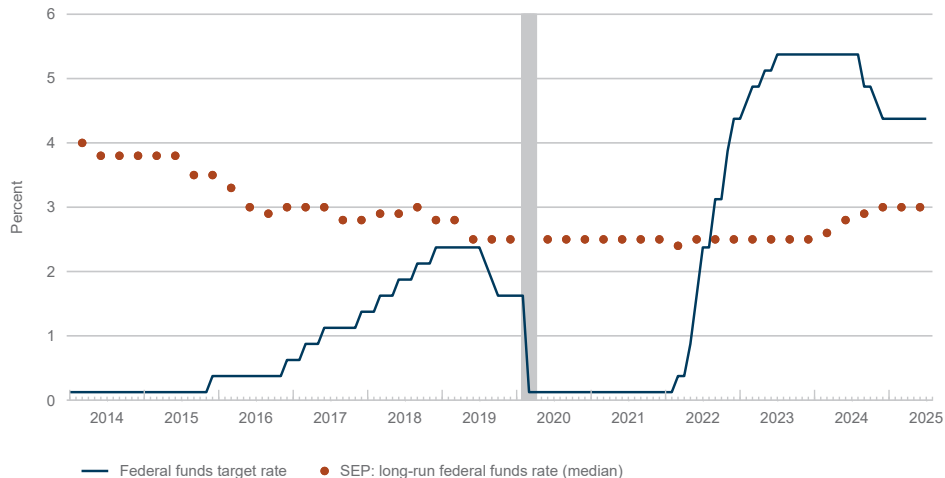
Contractionary monetary policy shock  $\Rightarrow$  25 bps. increase in 1-year Treasury yield



■ Estimate    ■ 68% confidence interval    ■ 90% confidence interval

# The recent monetary policy tightening phase (Mar. 2023 to Aug. 2024)

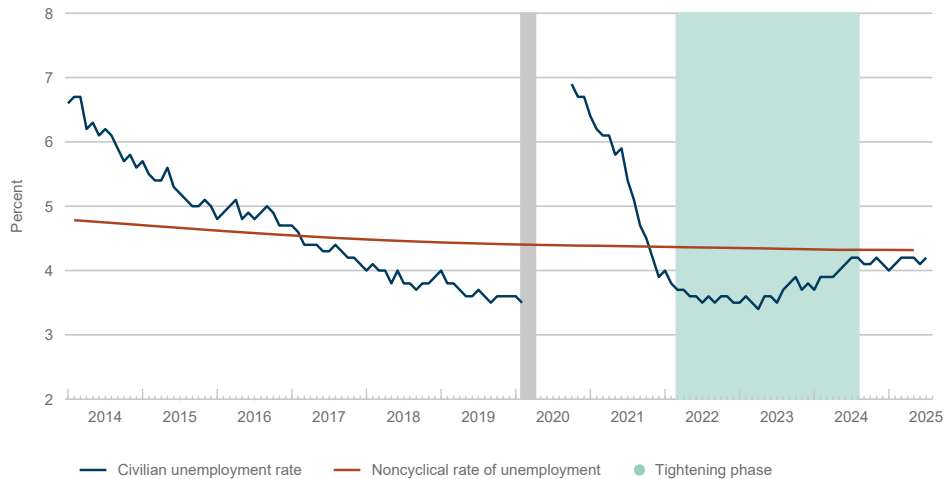
## Policy rate and the “neutral” rate



Note: The federal funds target rate is the average of the upper and lower limits. Grey shaded area represents NBER-dated recession.  
Source: Federal Reserve Board of Governors / Haver Analytics.

# The recent monetary policy tightening phase

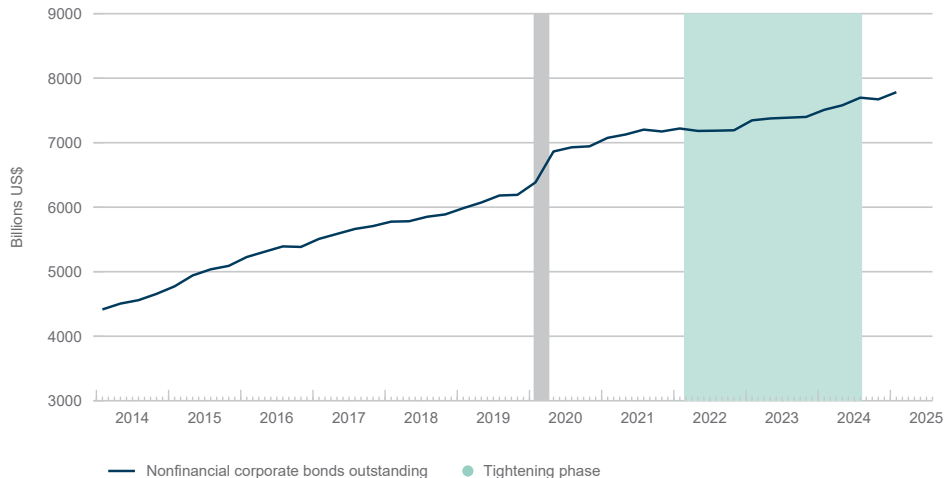
## The labor market



Note: For clarity, unemployment rate data were removed for the pandemic period from March to September 2020. Grey shaded area represents NBER-dated recession.  
Source: Bureau of Labor Statistics, Congressional Budget Office / Haver Analytics.

# The recent monetary policy tightening phase

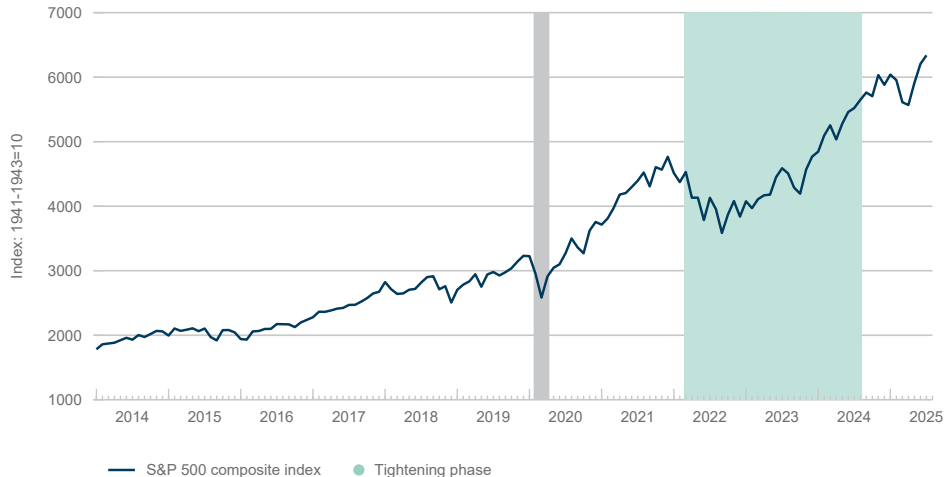
## Corporate bond issuance



Note: Grey shaded area represents NBER-dated recession.  
Source: Federal Reserve Board of Governors / Haver Analytics.

# The recent monetary policy tightening phase

## The stock market

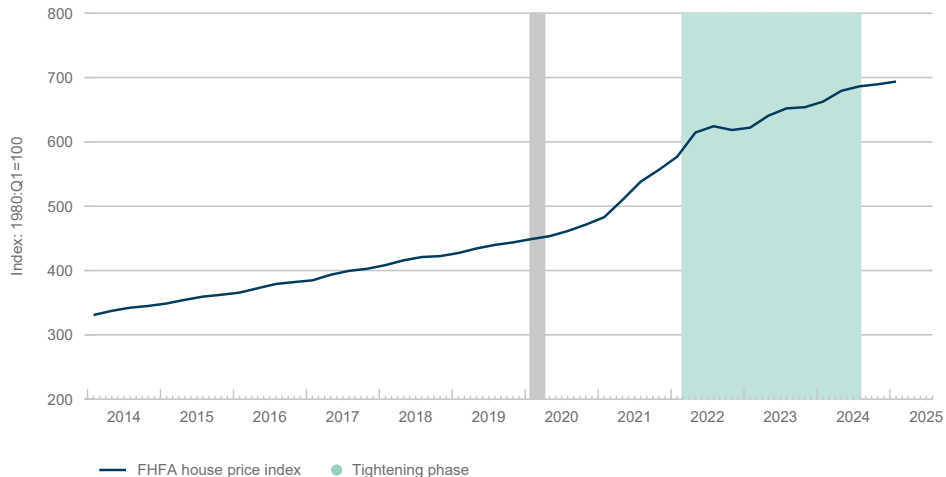


Note: Grey shaded area represents NBER-dated recession.  
Source: Standard & Poors / Haver Analytics.



# The recent monetary policy tightening phase

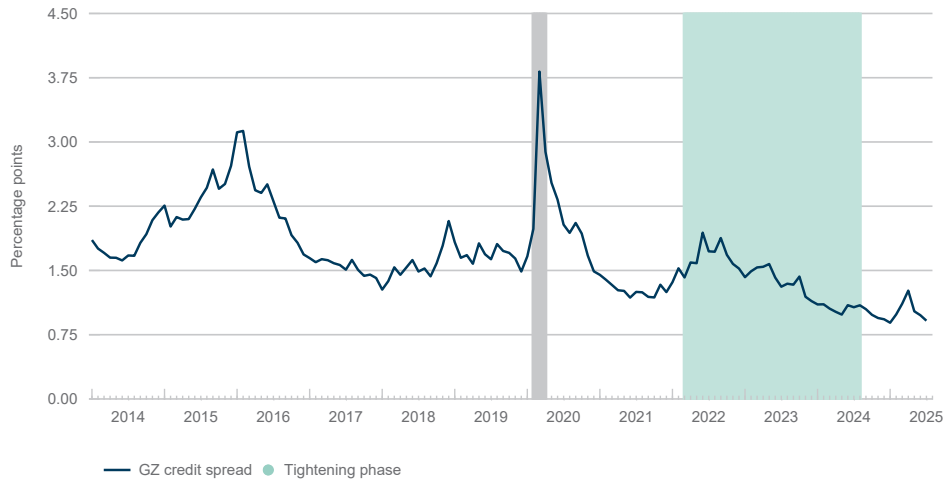
## House prices



Note: Grey shaded area represents NBER-dated recession.  
Source: Federal Housing Finance Agency / Haver Analytics.

# The recent monetary policy tightening phase

## Corporate bond credit spreads



Note: Grey shaded area represents NBER-dated recession.  
Source: Federal Reserve Board of Governors / Haver Analytics.

## My wish list ...

- How does the increasing prevalence of digital payments, stable coins, and cryptocurrencies affect the traditional transmission channels?
- In what ways do changes in the interconnectedness of financial markets and global supply chains, impact the effectiveness of domestic monetary policy transmission?
- How do changing demographics (e.g., aging populations, shifting wealth distribution) influence the transmission mechanism?
- How does the growing importance of intangible assets in the economy affect monetary transmission?
- How do behavioral economics insights change our understanding of how monetary policy decisions are transmitted through the economy?
- How can AI be leveraged to improve our understanding and prediction of monetary policy transmission?