

# Monetary policy instruments of CNB

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# Economic policy

## Definition

*Economic policy* can generally be understood as the state's (government's) approach to the economy of its country. It is an activity in which economic policy bearers (legislative institutions – parliament, governmental institutions – government, issuing bank, institutions creating the market environment, judicial institutions, etc.), using a whole range of tools and entrusted powers, try to achieve predetermined economic (but also social) goals.

## Economic policy

- Monetary policy
- Fiscal policy
- etc.

# Fiscal policy

## Definition

*Fiscal policy* is, together with monetary policy, foreign trade policy and pension policy, one of the instruments of the state's economic policy. By fiscal policy we mean the process of shaping the tax system and public spending with two goals. This is to help reducing the fluctuations of the business cycle and contribute to maintaining a growing economy with high employment without high and fluctuating inflation.

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The image shows a man sitting at a desk, holding a pink book titled "první miliarda je nejtěžší!". A pink stuffed animal is on the desk. To the right, a large white box contains the text "1 z 5 NÁVŠTĚV NAKOUPEJ!!!". Below this, a data visualization shows a conversion rate of 20,45% (circled in red) between 176 visitors and 36,00 customers.

**1 z 5  
NÁVŠTĚV  
NAKOUPEJ!!!**

Kniha První miliarda.. testování nadpisu -  
Varianta A (+Kniha zdarma)

176 Návštěvníci	→ 20,45 % Konverzní poměr prodej	36,00 Zákazníci
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# Monetary policy

## Definition

*Monetary policy* is a tool of economic policy. Monetary policy consists of a set of measures and principles that are intended to enforce the fulfillment of monetary goals through monetary instruments. Monetary policy is a tool of the central bank and its basic goal is to monitor and actively influence the rate of money depreciation - inflation. In the Czech Republic, the Czech National Bank (CNB) performs the function of the central bank.



# Instruments of monetary policy

## Instruments of monetary policy

- Direct
- Indirect

# Comparison of Direct and Indirect instruments of monetary policy

<b>Direct</b>	<b>Indirect</b>
Interfere into the inner working system of banks	Do not interfere into the inner working system of banks
Violate independence of banks and free market	Do not violate independence of banks and free market
More effective	Less effective
Rarely used	Often used

## Direct instruments of monetary policy

# Direct instruments of monetary policy

- Liquidity regulation
- Credit contingents
- Interest limits
- Mandatory deposits

## Indirect instruments of monetary policy

# Indirect instruments of monetary policy

- Discount instruments
- Free market operations
- Mandatory minimum reserves
- Foreign currency conversions and swaps
- Intervention in favor (or against) the exchange rate

## Acknowledgment

Thank you for your attention!

