

The Response of The Central Banks of Poland, Czechia, And Hungary to the COVID-19 Pandemic and Their Impact on The Macroeconomic Categories

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Abstract

In response to the crisis related to the COVID-19 pandemic, as well as unfavorable macroeconomic forecasts, Poland, Czechia and Hungary undertook a number of actions in the area of fiscal, macroprudential and monetary policies aimed at mitigating the negative effects of the economic meltdown. The aim of the study is, therefore, to identify, classify and assess the impact of conventional and unconventional activities of the central banks of Poland, Czechia and Hungary on the basic macroeconomic categories, i.e. inflation, GDP growth rate, exchange rate, directions of capital flows. The study covered the years 2020-2022. It was carried out using the analysis of central banks' communication tools with the general public (press releases, minutes, inflation reports, etc.) and statistical and econometric methods (VAR model). As part of the study, a synthetic measure of general monetary conditions was constructed (for each country separately). Activities were classified and compared (e.g. in terms of scale, intensity, "going beyond" the conventional monetary policy) both between the central banks under consideration and in relation to interventions used earlier, i.e. during the 2008 crisis. Then, a VAR model was constructed, which estimation made it possible to determine the reaction of selected macroeconomic categories (CPI inflation, GDP dynamics, capital flows) of individual economies to impulses related to the change of the measure. The impulse response function analysis and forecast error variance decomposition were used.

Keywords: coronavirus crisis, fiscal policy, macroprudential policy, monetary policy, VAR model