



# Monetary policy in a Changed Environment

PP1: Have the nature and magnitude of economic cycles changed

Belma Čolaković, CBBH

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The views expressed during the panel are the personal views of the presenter and do not necessarily reflect those of the Central bank of Bosnia and Herzegovina





# The answer to the panel question: It depends...

Broadberry and Lennard (2023) study of 9 European economies in the period 1300 -2020: the modern business cycle emerged at the end of 18th century and the crucial change for long- run economic performance lay in the dampening of contractions, rather than the acceleration of expansions

Modern cycle characteristics:

- Expansions are far longer than contractions;
- The average growth during expansions by far exceeds the decline during contractions;
- The amplitude of expansions is greater;
- Modern business cycles are highly synchronized.





# The answer to the panel question: It depends...

Jaimovich (2015) study:

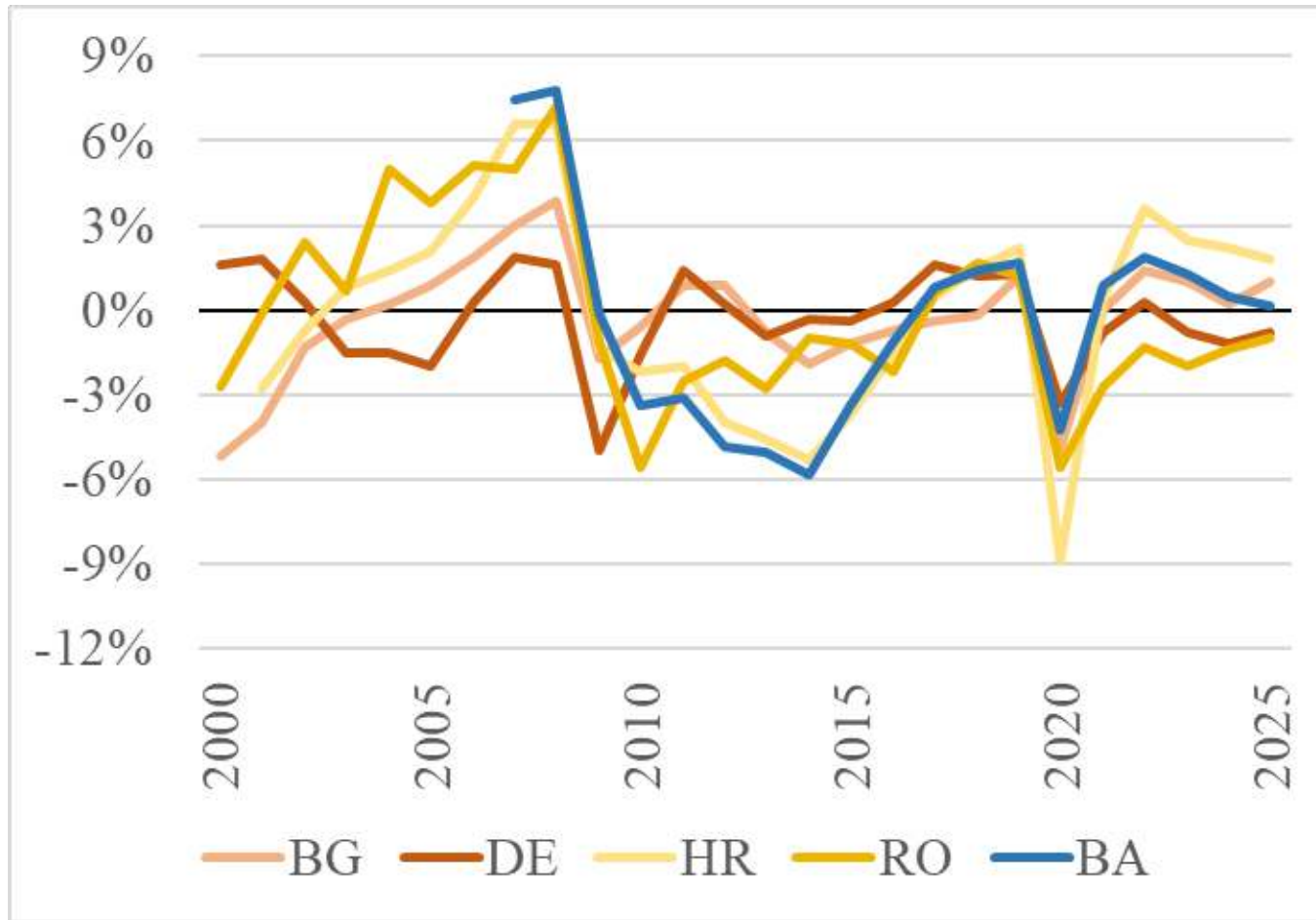
- 1) Jobless recoveries in the aggregate economy relate to the disappearance of „routine occupations“.
  - Job polarization and jobless recoveries
    - Employment in routine occupations account for a significant fraction (about half) of aggregate employment.
    - All recessionary contractions in aggregate employment are attributed to middle skill-routine occupations
    - Jobless recoveries are observed only in these middle skill jobs.
- 2) Changes in consumption patterns account for a substantial fraction of the fall in the U.S. employment in the recessions following the GFC.





# How synchronized are business cycles in Europe after 2000

Gap between actual GDP and potential GDP, percentage of potential GDP



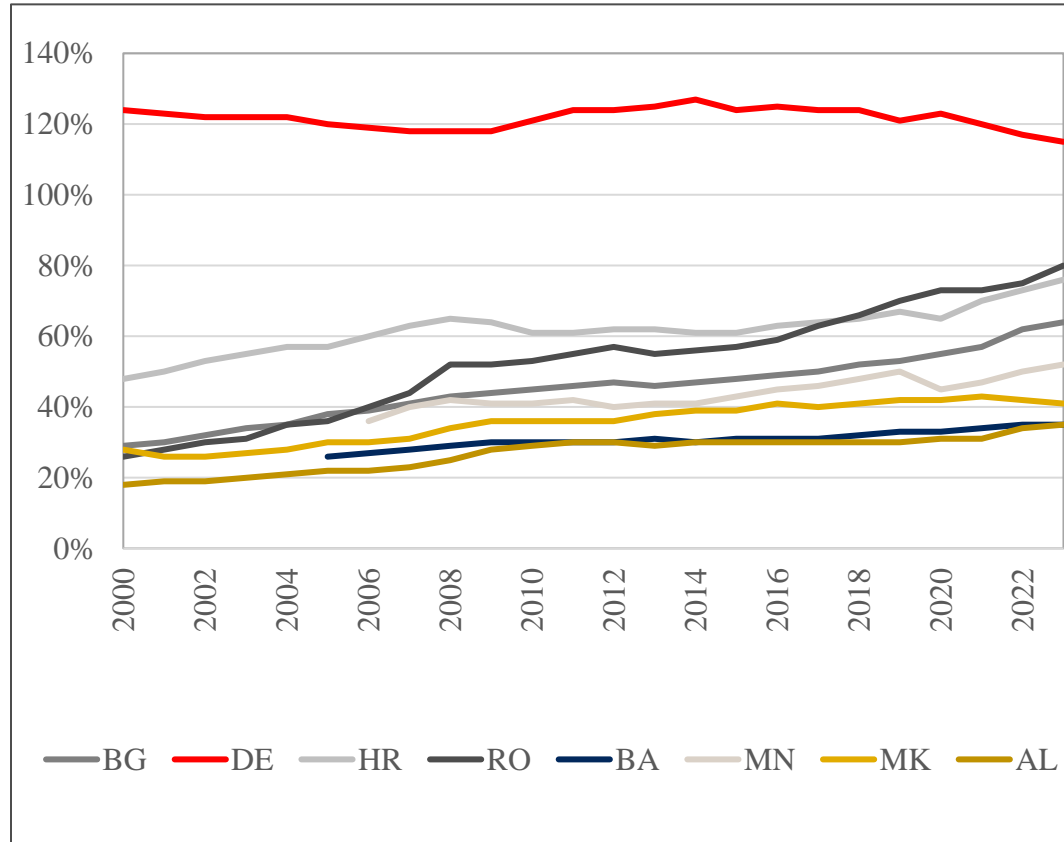
Source: AMECO, CBBH.





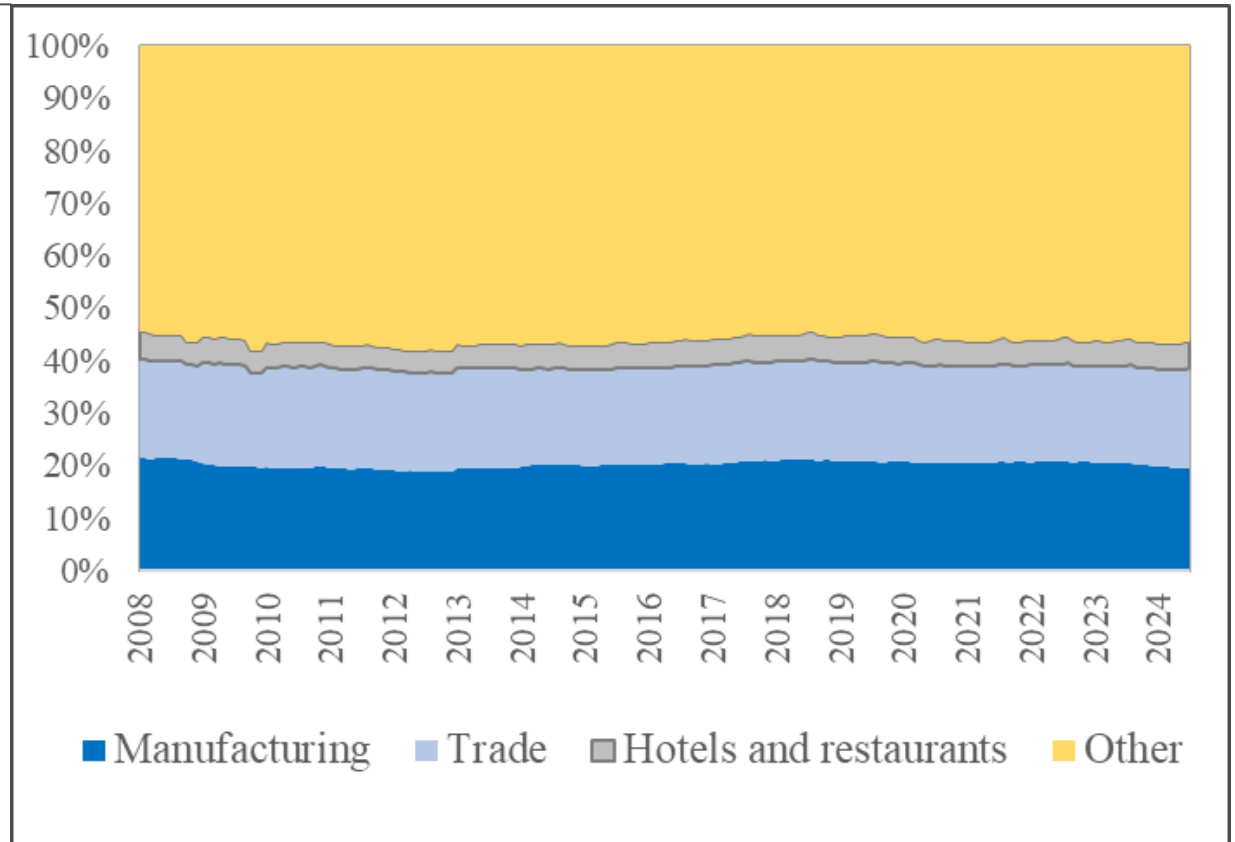
# But not such great news...

Volume indices of real expenditure per capita (in PPS\_EU27\_2020=100)



Source: Eurostat.

Employed persons per industry



Source: BHAS.

