

Olli Rehn

Governor, Bank of Finland

On the Road to a New Global Equilibrium

Remarks at the Panel "Monetary Policy Frameworks",

Reinventing Bretton Woods Committee, Bali, 11 October 2018





On Global Risks

- **Global imbalances and vulnerabilities remain**
 - Some the legacy of the Great Financial Crisis
 - Risk to global prosperity, to successful monetary policy
 - ➔ **Growth (trade). Resilience (finance). Prudence (monetary).**
- **Protectionism: The multilateral system under threat**
- **Financial stability absolutely vital for the real economy**
- **Developing regulation should remain on the political agenda**
 - In the Eurozone, completing the banking union a priority
 - The US and the UK should protect their regulatory achievements



Towards Greater Resilience

- **Monetary policy normalization**
 - Conditional on circumstances in each country/currency area
 - International repercussions depend on vulnerabilities of countries
 - Emerging countries should develop their macroprudential policies
- **Ensuring effective monetary policy in the next downturn**
 - The decline in the natural rate of interest
 - Where price stability still requires monetary stimulus (as in the euro area), a gradual approach to tightening is called for
 - The unconventional instruments should remain in the toolbox
- **Normalization may be misleading: towards a new equilibrium**
 - Rather a journey to a new equilibrium
 - Sustainability, resilience, inclusion