"The Short Lags of Monetary Policy"

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This paper:

- Transmission of monetary policy to the real economy in Spain:
  - Consumption, Investment, Output, and Employment
  - August 2015 to October 2023
- Construction of high-frequency datasets
  - Daily bank transaction records of the BBVA
  - Administrative data (Spanish Tax Authority, and Ministry for Inclusion, Social Security, and Migration)
- High-frequency identified monetary policy shocks of Jarociński and Karadi (2020) with a local projections approach
- Disaggregation of both consumption and sales series to sectors
  - COICOP, NACE, production-chain
- Time aggregation of high-frequency variables

Main findings

- Fast response of consumption and output (also investment?) to monetary policy shocks:
  - Reaction within weeks followed by a stabilisation and more persistent response at longer lags
- Heterogeneity across sectors:
  - Durable/semi-durable and luxury goods
  - Downstream sectors closer to final demand
- Time aggregation bias:
  - No problem for weekly or monthly data
  - Quarterly data obscure short-run effects

General assessment

- Very relevant for the ChaMP mandate
- Cool granular data
- Challenging (and very interesting) results
- Thorough empirical analysis and robustness checks
- Already at an advanced stage
- Potentially can enrich
  - Policy discussions
  - Understanding on mechanisms driving these results

Comment 1: Policy implications

- What are the policy implications of these results? Should policy-makers be more data-dependent?
- Can we generalise these results to the EA? Country/sector level heterogeneity is important but what does it mean for the euro area?
- **Time horizon:**
  - Econometrician's versus policy-makers world - estimating impact 365 days after the shock (very long) but also it is only one year horizon from policy-makers point.
- Do we see evidence confirming these results in the consumption data and/or projections?
- What do we learn new?

Comment 2: Mechanisms

MPOL $\rightarrow$ Financial vars. $\rightarrow$ AD, Employment and Prices

(1) (2)

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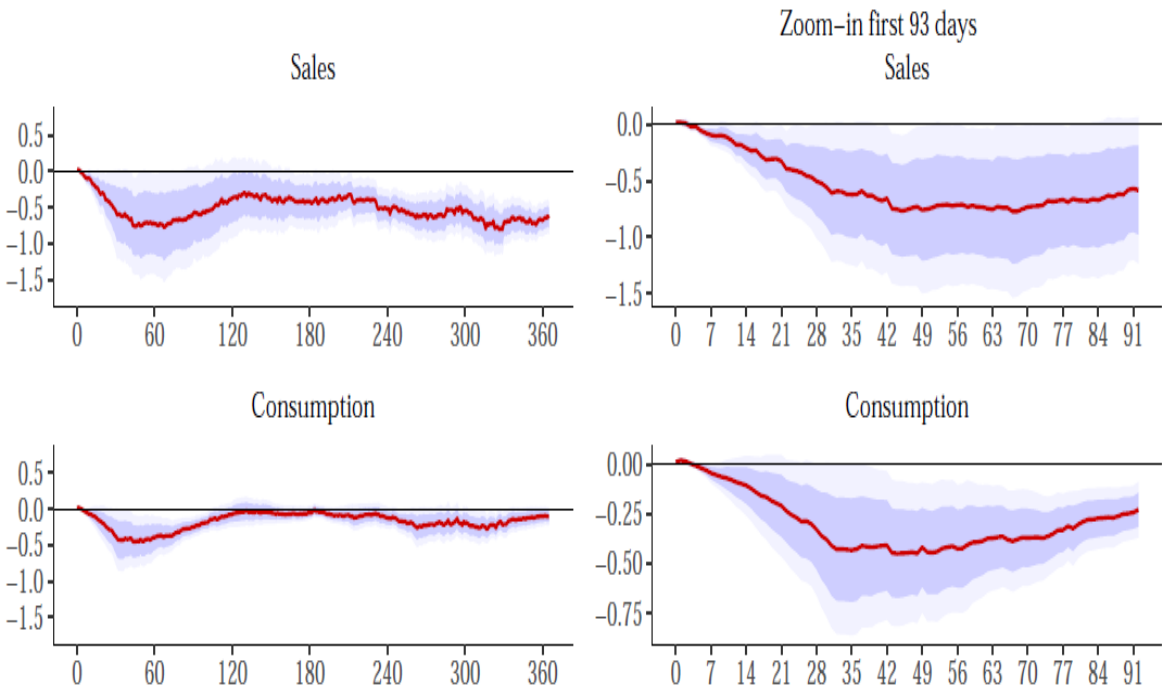
(1) (2) (3)

- How quick banks to respond on changes in policy rate, evidence from BBVA data on (1)?
- What are the potential mechanisms making (2) faster?

Comment 2: Mechanisms

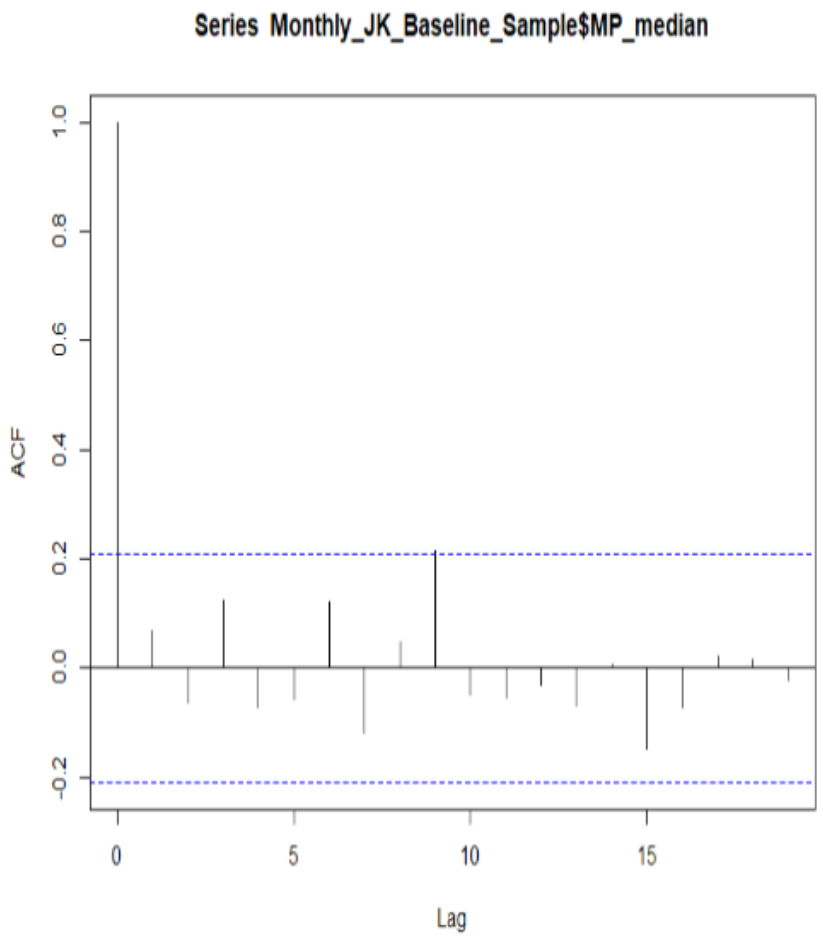
- Why such a strong and immediate decline followed by easing in the next few months?

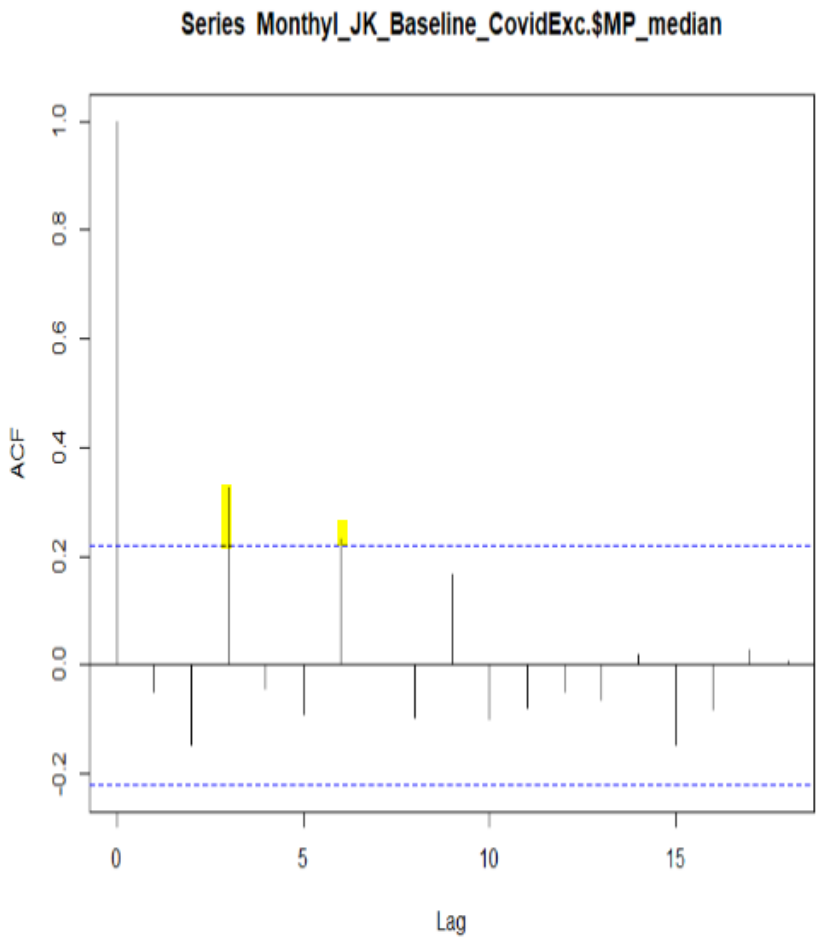
Figure 2: Daily response of real activity to monetary policy shock



Comment 3: Shocks

- Are monthly JK (2020) shocks correlated?





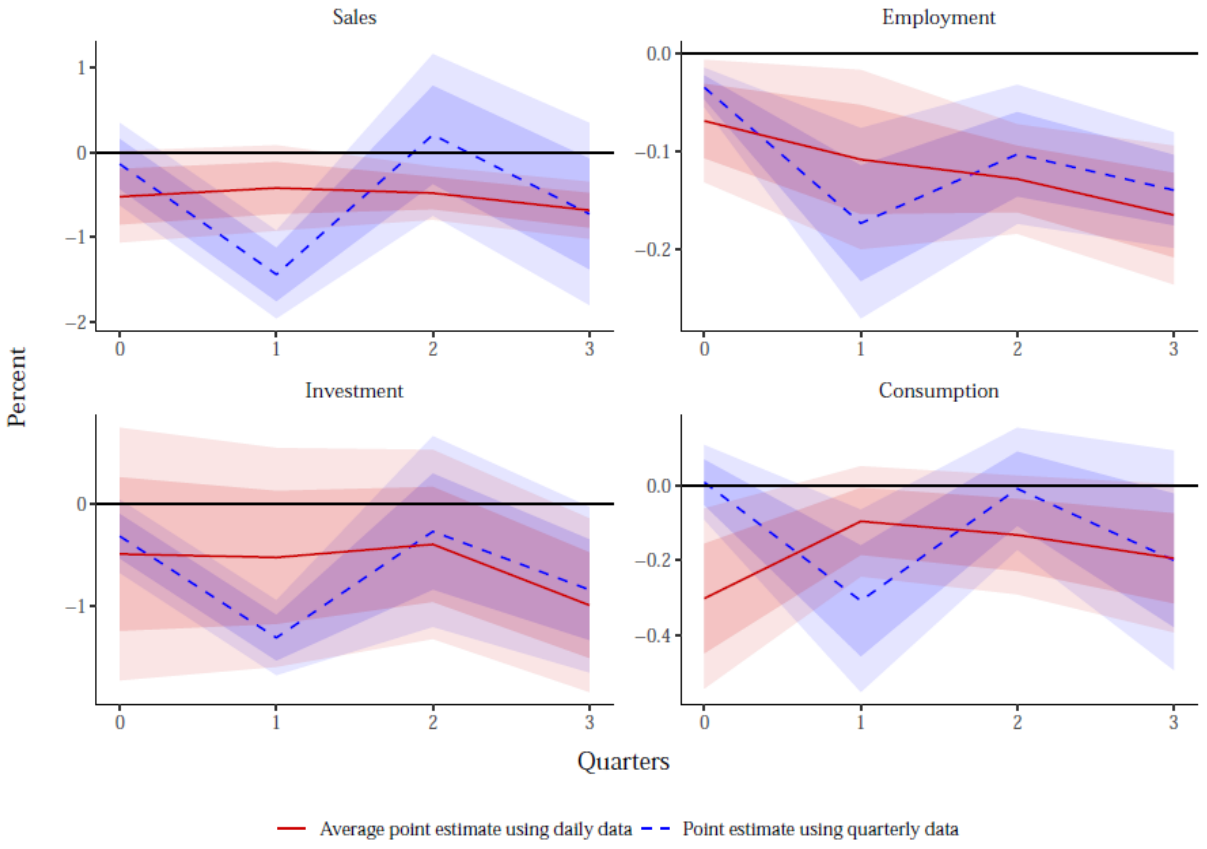
Comment 3: Shocks

- Baseline shocks clarification
- Reporting event-study days and autocorrelation
- Bauer and Swanson (2023) type of purging shocks to make sure they are not contaminated with other events
- Limited variation in the shocks for pre-covid period, using other type of shocks: not Target but rather Path, other unconventional shocks (Jarociński, 2024)

> of applying factor analysis to the observed changes in the yield curve. This series of alternative shocks, focusing exclusively on short-term yield curve changes, allows for an assessment of how much unconventional monetary policy shocks, more common before COVID, affect our baseline findings, compared to the more recent emphasis on conventional monetary policy shocks during the latest tightening cycle.

Comment 4: Time-aggregation with quarterly data

Figure 8: Time aggregation: Quarterly responses



- Baseline Sample: August 2015 to October 2023.
- Is it only time-aggregation bias?

Minor Comments

- Two key policy targets: employment and inflation
- Investment series - definition
- Disaggregation of consumption series: HICP Methodological Manual (2024) provides a clear definition of durable, semi-durable goods and services. Could these differences be tested more formally?
- Exclusion of Covid data but still Covid cases and Stringency index included as controls
- Appendix B2: Recovering IRFs with YoY growth rates but also the series are 30 days backward moving averages
- LP-IV results - clarification

In summary,

- Great and promising work, huge thanks to the authors!
- Comprehensive empirical analysis with the novel datasets
- Pushing us to think *harder* about transmission of monetary policy
- Main comments on policy discussion and transmission mechanisms