



Do Central Banks Have a Positive Effect on the Economy?

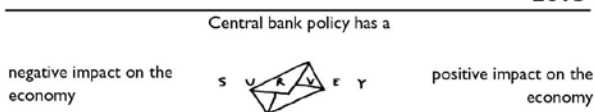
By Arturo Bris

The turbulences in currency markets these past weeks highlight once more the importance of macroeconomic factors on corporate performance. This time, triggered by a devaluation of the Argentinean peso, which had been artificially pegged to the dollar, a mild contagion spread, first to Latin America, and then to the rest. For firms with economic ties to the region, the volatility of emerging market currencies had a negative effect on stock returns.

Our measure of Central Bank Policy asks survey respondents to assess to what extent Central Bank Policies have a positive effect on the economy. Not surprisingly, the two countries that ranked at the

CENTRAL BANK POLICY

2013



Ranking			
1	ISRAEL		8.31
2	SWITZERLAND		8.29
3	PERU		8.19
4	CANADA		8.09
5	PHILIPPINES		7.97
6	MALAYSIA		7.96
7	CHILE		7.95
8	MEXICO		7.61
9	TURKEY		7.60
10	CZECH REPUBLIC		7.54
10	NORWAY		7.54
12	SINGAPORE		7.52
13	QATAR		7.52
14	THAILAND		7.50
15	AUSTRALIA		7.38
16	SOUTH AFRICA		7.21
17	DENMARK		7.12
18	UAE		7.09
19	SWEDEN		7.07
20	GERMANY		7.06
21	INDONESIA		7.00
22	TAIWAN		6.96
23	POLAND		6.95
24	FINLAND		6.72
25	HONG KONG		6.64
26	USA		6.63
27	KOREA		6.52
28	ROMANIA		6.50
29	JORDAN		6.46
30	LATVIA		6.38
31	KAZAKHSTAN		6.30
32	AUSTRIA		6.28
33	ESTONIA		6.22
34	BELGIUM		6.12
35	LUXEMBOURG		6.09
36	LITHUANIA		6.09
37	BULGARIA		6.00
38	COLOMBIA		5.94
39	NEW ZEALAND		5.92
40	JAPAN		5.84
41	UNITED KINGDOM		5.83
42	NETHERLANDS		5.74
43	SLOVAK REPUBLIC		5.73
44	RUSSIA		5.67
45	FRANCE		5.66
46	BRAZIL		5.63
47	INDIA		5.52
48	CROATIA		5.40
49	CHINA MAINLAND		5.35
50	IRELAND		5.33
51	ITALY		4.93
52	HUNGARY		4.92
53	GREECE		4.04
54	PORTUGAL		4.03
55	SPAIN		4.03
56	SLOVENIA		3.81
57	UKRAINE		3.49
58	ICELAND		2.81
59	ARGENTINA		1.63
60	VENEZUELA		1.45

bottom in 2013 were Argentina and Venezuela. On the other extreme, Israel and Switzerland are #1 and #2.

We should highlight three important observations that result from the analysis of this criterion. First of all, there are ample differences within Latin American economies, with Peru (#3) and Mexico (#8) in stark contrast with the countries mentioned above. This proves that monetary policy and Central Bank effectiveness can be achieved even in regions of historically high currency volatility.

Second, in some Euro area member economies the perception of Central Bank Policy is somewhat gloomy. That is particularly the case in the peripheral economies, as well as France and the Netherlands--not a surprising observation.

Finally, it is noteworthy that, with very few exceptions (Australia, Canada, South Africa), Central Banks have hindered, not helped, the recovery after 2008. This is illustrated by the drop in the scores of most countries--Asia included--in the last 6 years.