

Monetary Policy In Times Of Uncertainties: Evidence From Three Oil-Importing Countries (OICs) In MENA

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Abstract

This paper assesses the stance of actual monetary policy in three oil-importing countries in the MENA region with respect to Taylor-rule benchmarks. It studies the evolution of central banks' strategies especially during periods of transition and high uncertainties. On the basis of a monthly macroeconomic data covering the period from 2000 through 2016 an analysis based on a set of policy-oriented models is conducted. The results provide no strong evidence in favor of rule-based monetary strategies on the part of the central banks in these countries, which obviously still rely largely on discretion when deciding their policy rates. Unlike for Egypt, some signs of an orientation toward rule-based policies arise for Tunisia and Morocco. Nevertheless, these signs are yet to be confirmed. On the other hand, the threshold model points out the importance of the exchange rate as a guiding measure for policy rate setting the three OICs especially in times of uncertainties.

Keywords: Taylor-rule, monetary policy, uncertainty, reaction function, transition.

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