

Project 1 – Heterogeneous Monetary Policy Pass-Through to Consumer Credit: Evidence from Brazil

Non-technical summary:

My research proposal details an agenda that uses loan-level data from the Banco Central do Brasil (BCB) to examine the distributional effects of monetary policy through consumer credit. The first project in this agenda will establish how monetary policy affects the different interest rates faced by consumers, and determine which households see the largest changes in their borrowing rates. The primary focus will be on how monetary policy pass-through changes along the income distribution, with a secondary focus on how this is affected by race, gender and financial literacy. The project will then investigate what drives pass-through heterogeneity, establishing whether the results are driven by banks with higher market power and markets with higher concentration.

The results from this will hold practical relevance for monetary policy authorities and banking regulation. The empirical findings enable a more detailed understanding of the distributional effects of monetary and fiscal policy operating through household credit markets. These results can be used to motivate theoretical models studying the aggregate consumption effects of heterogeneous pass-through, which may affect optimal monetary policy. They can also be used to calibrate quantitative models to perform counterfactual analyses on the role of banking regulation, such as the effect of credit market competition or bank capital requirements on the distributional and aggregate effects of policy.