

General Discussion of ‘Normalizing the Central Bank’s Balance Sheet: Implications for Inflation and Debt Dynamics’

Participants discussed the announcement effect with bond purchase and sale programs. Participants noted the strong preference of central banks to provide advanced announcements with respect to bond purchases and sales. However, it was also noted that bond purchase programs have historically been implemented urgently at the onset of crisis periods and unwound later when the economy has stabilised. One participant suggested that this asymmetry in economic conditions has created an asymmetry in central bank communications regarding bond purchases and sales, despite similar objectives. Another participant suggested that program design should weigh the trade-offs associated with bond purchase programs and account for the eventual unwinding of purchases.

Finally, participants discussed the optimal size of the central bank balance sheet, which depends on various factors including the liquidity of long-term bonds. Participants noted that active balance sheet management by central banks has implications for the maturity structure of government liabilities, which fiscal authorities need to consider when issuing bonds.