

A good luck or good policy? A recent macroeconomic history of New Zealand

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Abstract:

This paper examines the recent macroeconomic history of New Zealand through the lens of regime-switching structural vector autoregression to understand the contribution of monetary policy and global conditions to its macroeconomic dynamics. For identification purposes, the small open economy structure of New Zealand is shown to be an advantage for the assessment of global luck and domestic policy. The results suggest that both inflation targeting policy and favorable global developments facilitated macroeconomic stabilization.

Keywords: Regime Switching SVARs, Small Open Economy Business Cycles, Inflation Targeting

JEL Codes: E30, E42, E58