

Identifying Unconventional Monetary Policy Shocks*

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Abstract

This paper proposes a novel method to identify unconventional monetary policy shocks. Specifically, our identifying method incorporates the feature of movements in two unconventional monetary policy indicators, i.e., the size and composition of the central bank balance sheet, after the policy decisions. Under some restrictions imposed in the vector autoregressive (VAR) model, we identify two unconventional policy shocks, quantitative and qualitative shocks, as news shocks that best portend the current and future paths of the unconventional policy indicators in response to monetary policy surprises and are orthogonal to each other. We provide evidences on significant real effects of qualitative easing shocks, which are identified as ones explaining the movement not in the size of the central bank balance sheet but in its unconventional asset ratio to the total assets. Qualitative shocks have a substantially different effect from that of quantitative easing shocks inducing a gradual increase in the size of the central bank balance sheet.

Keywords: quantitative easing; qualitative easing; conventional monetary policy; vector autoregression; news shock.

JEL classification: E52, E58.

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