

Does Inflation Targeting Matter for Emerging Economies; What Does the Data Say?

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This paper explores empirically whether inflation targeting (IT) has a significant impact on the macroeconomic performance of emerging market economies. We examine 46 emerging market economies, 18 that have adopted inflation targeting and 28 that have not. Our results suggest that despite great variation in macroeconomic performance across countries, on average, inflation targeting provides benefits to the countries that adopt the policy regime. IT countries succeeded in reducing the inflation rate, volatility of inflation and inflation persistence significantly more than the non-targeting countries without increasing volatility of output growth.