



Paris, 21<sup>st</sup> October 2024

## NGFS publishes report on the green transition and the macroeconomy with a monetary policy perspective

Today, the NGFS released the report [“The green transition and the macroeconomy: a monetary policy perspective”](#), which explores the channels through which macroeconomic variables, such as inflation and output could be affected by the transition to net zero. The report analyses three key drivers of the transition: climate change mitigation policies (such as carbon pricing, green subsidies and investment, and non-market based measures and regulation), innovation in green technologies, and changes in preferences. It also considers the impacts of increased green investments and uncertainty associated with the transition.

**Climate change and the net-zero – or green – transition are already affecting our economies, with implications for monetary policy.** Governments across the world have been responding to the urgent threat of climate change by setting targets and introducing policies aimed at reducing greenhouse gas emissions and achieving the transition to net zero. These policies are designed to facilitate substantial structural changes within economies by shifting consumption patterns and production activities towards low-carbon alternatives, and by scaling up investments in low-carbon sectors.

**Further policy actions by governments are expected in the coming years to meet the goals of the Paris Agreement.** These policies are essential to reduce the negative economic consequences of unmitigated climate change. However, some of them may also lead to near-term trade-offs for monetary policymakers via their impacts on inflation and output. Therefore, it is important for central banks to gain a better understanding of the macroeconomic effects of the green transition to better account for them in their monetary policy assessment and decision-making.

**Sabine Mauderer, Chair of the NGFS and First Deputy Governor of the Deutsche Bundesbank:**

*“The transition to net zero impacts the work of central banks through its potential effects on economic activity and prices. This report can help central banks around the world to navigate the complex implications of the ecological transition on the economy. It identifies the areas where more analytical work is needed today. I am confident it will be an invaluable resource for policymakers in the era of climate change.”*

**James Talbot, Chair of the NGFS Workstream on Monetary Policy and Executive Director of the International Directorate at the Bank of England:**

*“While governments are the lead actors in delivering the policies to achieve net zero, central banks will increasingly need to understand their macroeconomic impacts in order to achieve their price stability mandates. This report considers how climate mitigation policies, technological change, and changes in preferences impact macroeconomic outcomes. Through that, it provides central banks with the basis to better understand how monetary policy will need to react to the economic impact of the climate transition.”*

**This publication is the second in a series of reports released by the NGFS over the past months, focusing on the macroeconomics of climate change and monetary policy.** These reports aim to support central banks in assessing and understanding the macroeconomic effects of climate change and the transition to net zero, as well as the potential implications for the conduct of monetary policy. The first report in this series, published in August, focused on the [acute physical impacts from climate change and monetary policy](#). The final report, which will be released in the coming days, examines central banks' approaches to modelling the effects of climate change.

### **About the NGFS**

The NGFS, launched at the Paris One Planet Summit on 12<sup>th</sup> December 2017, is a group of central banks and supervisors, which on a voluntary basis are willing to share best practices and contribute to the development of environment and climate risk management in the financial sector, and to mobilise mainstream finance to support the transition toward a sustainable economy. The NGFS brings together 141 central banks and supervisors and 21 observers. The NGFS is chaired by Ms Sabine Mauderer, First Deputy Governor of the Deutsche Bundesbank. The Secretariat, headed by Mr Yann Marin, is provided by the Banque de France.

**For more details, visit the [NGFS website](#), [LinkedIn](#) and [X account](#) or contact the NGFS Secretariat at Banque de France [sec.ngfs@banque-france.fr](mailto:sec.ngfs@banque-france.fr)**

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