

**2023**

**IARIW–BANK OF ITALY CONFERENCE “CENTRAL BANKS,  
FINANCIAL MARKETS AND INEQUALITY”**

Paper Prepared for the IARIW-Bank of Italy Conference, Naples, Italy, March 29-April 1, 2023

An Empirical Investigation of the Gendered Effects of Monetary Policy

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After almost two decades of relative consumer price stability, inflation has spiked recently in Mexico driven in large part by external factors. As a result, the Central Bank has adopted an aggressive contractionary monetary policy stance increasing its reference rate repeatedly throughout the year.

As is well known, given differences in the composition of the consumption baskets of households headed by men and by women are different, with women’s consumption baskets showing a higher proportion of non-durable consumption goods such as food, the effect of inflation on men and women is likely to be differentiated. Moreover, men and women also exhibit differentiated levels of insertion in the job market and different levels of financial inclusion which imply a differentiated response to the effects of monetary policy as interest rates rise.

To investigate whether monetary policy has differentiated effects between men and women, we plan to implement the following empirical strategy:

Using information from Mexico’s national statistics office households’ income and expenditure survey, we will derive the weights of representative consumption baskets for men and women. Based on those weights, we will construct monthly price indices for men and women using the evolution of product-level prices. In addition, we’ll use information from the employment survey to construct series of hours worked and earnings disaggregated by sex.

To derive a measure of monetary policy shocks we intend to use the difference of the evolution of the observed policy target rate, and the rate implied by fluctuations of interest rate derivatives as measured by García Verú, S., M. Ramos Francia and M. Sánchez-Martínez (2019) “TIIE 28

Swaps as Risk-Adjusted Forecasts of Monetary Policy in Mexico”, Quarterly Journal of Finance, 9(02): 247-273.

Armed with these time series we plan to measure the effects of monetary policy on inflation, employment and labour income by sex using local projections as in Jordà, O. (2005), “Estimation and Inference of Impulse Responses by Local Projections”, American Economic Review, 95(1): 161-182, which provide an unbiased measure of the impulse responses of interest.

Based on the findings of the empirical investigation we plan to conclude with a discussion of the policy implications.