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**THE APPROACH OF INFLATION TARGETING: THE STRATEGY OF THE MONETARY POLICY TO  
LIMIT THE INFLATIONARY TIDE THE NEW ZEALAND EXPERIENCE**

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**ABSTRACT**

The use tools of monetary policy to cure the inflationary tide, especially the interest rate and the exchange rate does not have effective desired to be targets intermediate monetary policy for several reasons related to conception and methods identified and their impacts anticipated, and that the components of the money supply has lost its status as targets intermediate occasion in spite of the ability of central banks controlled with relative ease, and the reason for the loss of their role, especially in dealing with the phenomenon of inflation to the fluctuations that can occur to the levels of these totals as a result of the possibility of instability in demand monetary, and therefore the instability of the rotation speed of these aggregates, has resulted in the existence of these gaps to a shift in the strategy of monetary policy to address the tide inflationary, where it became the new strategy seeks to reach directly to the ultimate goal, and the new strategy to approach based on inflation targeting, the adoption of the goals of Titles Non-traditional those goals, and the inflation rate is predicted a key intermediate objectives in the inflation targeting because of the close correlation between predicted this rate and the actual rate of inflation. Has been initiated in the application of inflation targeting strategy for the first time in 1990, and the form of New Zealand is one of the leading models that exemplary for inflation targeting, given the large autonomy enjoyed by the Central Bank of New Zealand in the formulation and conduct of monetary policy, Where reduced the Rate of Inflation of 17% in 1985 to 03% in 1996 and 02% in 2007.

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**INTRODUCTION**

The study of surveying inflation strategies is one of the most important current issues in talks related to the monetary policy. Many countries have chosen a new strategy to achieve price stability far from being relied on intermediary objectives such as monetary aggregates or the rate of exchange. At the beginning of the 1990's, the central banks of many countries adopted a framework of monetary policy known as "Direct Inflation Targeting" to overcome the difficulties of using the intermediary goals to limit the inflationary tide. The main objective of this policy relies within determining a digital (quantitative) target to inflation with adopting a straight aim, and giving responsibility to the central bank in order to encourage achieving the predetermined goal. This framework endeavors at fostering transparency and helping the public to understand plans and objectives of monetary authorities.

The efficiency of this monetary policy strategy is related to its ability to identify and clearly announce the targets to conform to the expectations of the economic agents and market traders, and in parallel, to explain the role of the monetary policy in order to reduce inflation and by explaining strategies of the monetary authorities and factors which affect clearly and repeatedly their decisions in view of getting a real credibility. Thus, adopting the aim of controlling inflation in a number of developed countries have led central banks to undertake some measures to achieve this goal and increase its credibility. Among the planned strategies by the central banks of the developed countries which adopted the direct inflation targeting policy the independent experience of New Zealand towards the political authority and the implementation of the transparency mechanism towards the public. It reached a high degree of credibility with this success. With this in mind, it's likely to ask the following:

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what is meant by the direct inflation targeting strategy, and what are the factors of success in the experience of New Zealand?

A number of questions come within this main problematic:

- What are the motives behind the appearance of the Direct Inflation Targeting?
- What are the requirements of the implementation of the inflation targeting strategy?
- What are the advantages of adopting the inflation targeting?
- What are the factors that gave leadership to New Zealand in its experience in targeting inflation issue?

#### The aims of the research:

This paper mainly aims to reveal the following points and analyze them:

- Identifying the DIT strategy and as it is considered one of the new concepts;
- Bringing out the main factors and conditions of the success of this strategy;
- Presenting the leading experiences in using the inflation targeting strategy, the New Zealand experience, and the role of this strategy to hold back the high inflation rates the New Zealand witnessed in the 1980's.

#### Themes of the research

In order to answer the main question, we have thought to divide this research into three key themes:

- The inflation targeting strategy: definition, kinds, advantages.
- Requirements and conditions of the success of the inflation targeting strategy.
- The experience of New Zealand in the field of targeting inflation: mechanisms and factors of success.

#### The Inflation Targeting: Defini-Tion, Types, Advantages

The implementation of the inflation targeting strategy has been first initiated in 1990 in New Zealand, ever since and till 2005, near 21 states, between developed and developing, were counted for shifting to using this strategy. The advent of this strategy was followed by an increase of studies that handle it and that covered a lot of related aspects.

#### Definition of Inflation targeting strategy and characteristics

There are many suggested definitions but paradoxical in their majority:

The famous definition considers inflation as a simple framework to monetary policy which gives more importance to supplying price stability. This definition has faced huge critics for the lack of vision in decision making; it's a vague definition without practical guidance to manage the monetary policy and set its unique goal. It lacks also the scientific view, for instance, it doesn't make a difference between the inflation targeting policy and other policies. However, in spite of the theoretical backwardness of inflation targeting policy, so many definitions showed up that set the analytic framework of the policy of inflation targeting from one hand, and set the

strategic properties to this policy. The inflation targeting theory began with *Leiderman, Svensson* in 1995, and *Bernanke, Mishkin* in 1997. They were the first to define the inflation targeting policy. The first works appeared in the 1990's and showed some differences in defining the policy of targeting inflation until 2000 where it was agreed on a convergence to a unified definition to this policy. Both *Leiderman, Svensson* have suggested a very large definition based on few experiments such as: New Zealand, Canada, Finland, England. They think the system of inflation targeting has two qualities *Zied Ftiti, 2010* :

- The digital inflation targeting (quantitative) to determine the index, the target level and the allowed time break as well as the presentation of the possible cases that enable the monetary authorities to change the target...
- The lack of an intermediary goal such as targeting the exchange average or targeting the monetary aggregates.

Among the current studies, what did *Savastano, Masson, Eichengreen* and *Sharma* in 1997, which indicates four main pillars to inflation targeting policy (*Jean François Goux, Zied Ftiti, 2011*):

- The inflation targeting imposes to determine the frank goal of inflation;
- Determining a clear indexes that represent the primary goals (authentic) which lead to inflation constancy;
- The method of predicting inflation comprises the usage of all information that might provide indexes over future inflation;
- Implementing "forward-looking" measure to manage conduct rules that relies on assessing the expected average comparing to the predetermined goal.

*Bernanke* and *Mishkin* define the inflation targeting policy as (*Zied Ftiti, 2010*): "a new framework to analyze the monetary policy which represents the official announcement of the targeted field of one or more than horizon. They also pointed out in 1997 to the goal unity which is represented in the price stability and the official announcement of this strategy". Moreover, they consider that this policy leads to the growth of communication with the public about plans and goals to implement it. *Bernanke* and others suggested a more thorough definition to inflation targeting, as they consider the inflation targeting policy as an analytic framework to monetary policy characterized by the official and quantitative announcement of the targeted inflation or the targeted framework of one or more horizons with admitting that the low and constant level of inflation is a priority to the central bank ; and one of the main properties of this policy is the continuous major efforts to communicate with public over plans and goals of the monetary policy. They consider that targeting inflation is an analytic framework but not a simple monetary rule, as they think that inflation targeting provides a clear analytic framework in the light of the goals and the tactics of predetermined policy makers. *Giannini* and *Cottarelli* defined in 1997 the inflation targeting as follows (*Jean François Goux, Zied Ftiti, 2011*): "inflation targeting is not a mere announcement by the government for some low inflation levels targeted on the short term, it's however the announcement of the inflation targeting for several years coinciding with proceeding control to pursue the monetary policy goals".

According to Mishkin in 2000, inflation targeting is a strategy of the monetary policy comprises five key elements (Zied Ftiti, 2010):

- The digital announcement of the medium term targeted inflation;
- The institutional commitment to consider the price stability an main goal to the monetary policy that is tied to other goals;
- The information strategy in using many variables (not only the monetary aggregates and exchange average) to make a decision about policy tool;
- A high degree of transparency throughout the communication with the public and with market plans and goals and decisions of the monetary authority;
- The increase of the central bank responsibility to achieve the inflation goals.

Svensson, 2002, has proposed a definition based on works fulfilled in (1997,1998, 1999), according to him, inflation targeting relies on three main points: the first is to adopt one item which is inflation, the second is to target inflation based on the fact that the central bank care should rely on a single goal which is the price stability, and the third is to define the inflation targeting as a predictable monetary policy that plays an important role in executing the monetary policy tools, this requires few prerequisite conditions such as restricting monetary authorities through announcing the digital targeting of inflation then committing to ensure a high degree of transparency. Targeting inflation also requires some institutional reforms like the independence of the central bank. Finally, a term must be set to the monetary policy in order to achieve the goal of inflation and ensure stability. The ECB has adopted a definition in its report in 2004. It considers targeting inflation a strategy to the monetary policy aims to support the price stability through focusing on the deviations in expectations comparing to the stated goals (Zied Ftiti, 2010). King has suggested in 2005 a new definition that differs from the previous definitions as he thought that targeting inflation, as an analytic framework, aims at the price stability. This definition is characterized by two points: the first is related to announcing the frank digital targeted inflation in the medium term; the second is related to the response to shocks in the short term. According to King, targeting inflation provides a typical background and an analytic framework to the monetary policy of the private sector, which allows it to build up predictions over future inflation. It supports the idea of managing the policy of inflation targeting and includes a degree of hardness that enables the central bank to respond efficiently to shocks. Thus, it adapts strategy over monetary policy to different information.

### Types of inflation targeting strategies

Based on the practical practices to target inflation as well as the economic principles, both Angeris and Arestis, 2007, have set three types of inflation targeting (Zied Ftiti, 2010): the full inflation targeting, the lite inflation targeting and the eclectic inflation targeting.

**The full inflation targeting:** this kind of monetary system distinguishes countries that use, in a way, credibility and clarity and described as medium or high with a frame of

transparency, what permits to the central bank to reach its goal. The countries which adopt this type cannot maintain a low level of inflation with no frank engagement towards the goal of price stability.

**The lite inflation targeting:** this occurs when the state adopts an inflation targeting policy with relatively weak credibility. This monetary system is characterized by the central bank inability to achieve the price stability because of the weakness in credibility. It also distinguishes the states unable to face shocks and whose monetary institutions are so weak with unstable financial conditions.

**The eclectic inflation targeting:** this occurs when the state adopts an inflation targeting policy with a very high level of credibility that allows reaching the goal of price stability with no engagement with a strict rule to target inflation. This permits states to pursue the secondary objectives like the production stability.

### Advantages of the inflation targeting strategy

The structural and methodic developments resulted from the inflation targeting policy will generate a set of advantages including handling the defects in other policies. Unlike these other policies, the inflation targeting policy takes into account the domestic shocks. The responses of the inflation targeting are not confined on some specific shocks. Ergo, the nature of shocks represents the main advantage of this monetary policy comparing to the other policies, for instance, the inflation targeting policy allows the derivation of the targeted inflation as a response to shocks (asma fattoum, 2005). The nature (Marvin Goodfriend, 2003) of shocks to which the policy of targeting inflation responds reflects the second advantage which is flexibility. For instance, in the after math of the supply shock (the rise of energy prices and putting in extra taxes). The decision makers have the right to change their plans and clarify their works to the public. In the same context of shocks, Mishkin pointed out in 1999 that the shock velocity led to the inefficiency of the monetary policy strategy which is not linked to a single variable, in return the inflation targeting allows monetary authorities to use all variables and information to ensure price stability. All these factors reflect the flexibility of the policy of targeting inflation, hence its ability to perform perfect responses.

The third advantage comes out of the horizon of inflation targeting policy. The goal of price stability is a medium term goal, what provides many advantages, in the medium term; it endeavors at avoiding the repeated changes in the monetary tools that could occur if it is in the medium term. Another advantage based on avoiding credibility loss because of the temporary shocks, these last lead to the deviation of inflation far away from the single goal in the short term, therefore, when the monetary policy work in the medium term, these shocks don't affect the economy and thus it won't undermine credibility not price stability (Bennett T. McCallum, 2007). The fourth advantage is resulted of the degree of credibility and transparency. The policy of targeting inflation relies on a number of multilateral meetings between monetary authorities in the central bank and the other authorities in the ministry of finance. Some meetings which are scheduled to be held by the legislation whereas the other meetings are being pursued

according to one of two parts request. The decisions and measures resulted from these communications are to be announced in a document entitled: "The inflation reports or The inflation policy agreement". This document presents clear, frank and brief figure to the plan and goals of the monetary policy, therefore, the level of the transparency of policy makers works increases more confidence to the public as they lead to a convergence in expectations of agents who deal with the central bank.

The fifth advantage shows up through the central bank responsibility towards the goal of price stability. The progress in credibility and transparency as well as the communication with the public are factors leading to increase the responsibility and the commitment towards inflation stability. This commitment is expressed in a declare document: "inflation report" to show the progress in the field of price stability or the explanation of the extra work undertaken to enhance price stability. The commitment degree differs according the states, some states has a high degree of commitment such as New Zealand which is characterized by "the punishment effect", this last includes a request for resignation from the finance minister and the manager of the federal reserve bank of New Zealand in case inflation deviates from the targeted during three months at most. This commitment conduct enhances the public confidence towards the monetary authorities and thus the convergence in their predictions to inflation, and then allows reaching price stability. The sixth advantage to inflation targeting policy is that it ignores the traditional goals of stability. We point out here to the adoption of different inflation targeting systems: suppleness and flexibility not only strictness. In the current practices in the industrial countries concerning targeting inflation policy, all banks without exception work on pursuing the other secondary goals adding to the main goal, the price stability. Among these secondary goals we mention the production stability goal.

### **Requirements and condition of the success of the inflation targeting strategy**

#### **Elements of targeting inflation strategy**

The strategy of targeting inflation is founded upon five main axes that form its overall design. These axes are represented as follows (Tahar Latrech, 2013):

**A-** Announcing a number or an explicit frame to the inflation average in the medium term as a nominal fulcrum to the monetary policy. It requires a clear announcement about the digital average of inflation targeted to be reached by the monetary policy. Ergo, the political feature to the inflation targeting strategy is that it has a quantitative goal declared in advance. The targeted average of inflation is usually set in the medium term since the decisions related to the monetary policy could achieve some effects on quantities in the short term; these effects couldn't be achieved at once, rather it takes time to make them real. To declare clearly and largely the goal to the economic agents throughout a communicative strategy suitable represents a straight commitment and insistence to achieve it.

**B-** An institutional commitment over the price stability as a primary goal to the monetary policy in the long term and reaching the targeted inflation. This commitment is based on determining honestly monetary codes in order to settle down prices as a primary goal to the monetary policy.

**C-** Using enough information when designing and implementing the monetary policy. Indeed, measuring and predicting inflation require the utilization of a huge quantity of information whether were direct with inflation measuring or with the factors affecting its future path. It is also necessary to provide information about the economic agents and the developments in the economic sector.

**D-** A progressive transparency in managing the monetary policy, as declaring digital goals to targeted inflation will make it a clear and understandable goal by the economic agents, and increases the transparency of the monetary policy which will be fostered more through the contact with public and market by declaring and commenting plans and decisions of the monetary policy. Thus, transparency will be enhanced when the central bank regularly publishes detailed assessment about the situation of inflation by either current predictions of inflation or discussing measures of the monetary policy destined to contain it.

**E-** An increasing responsibility of the central bank about reaching its goals in inflation. The institutional commitment about the price stability as primary goal for the monetary policy will be fostered by the role of the central bank in shaping and executing the monetary policy, what makes it responsible in achieving the declared goals in case of accountability.

### **Requirements and conditions of the success of the inflation targeting strategy**

The utilization of this strategy with competence is mainly provided by a number of conditions summarized in the following:

**A-** The central bank independency (Rajaa Azize Bonder, 2005): the central bank ought to rejoice enough independency in setting the goals and choosing the appropriate instruments to make it happen. The central bank independency is quite important for many reasons, in the first place, this institution is seen as the most qualified to draw up indispensable technical resolutions to achieve the price stability with estimations of whether pursuing other goals conform or contradict the ultimate goal which is the price stability. We can state in the second place that the central bank can't be responsible in managing the monetary policy without enough independency, it is therefore, not allowed to put under accountability about achieving goals except for what is in the limits of its independency. The independency with the a clear and frank institutional commitment of the central bank for price stability as a goal of the monetary policy could drive to deepen the transparency of the monetary policy and hence, deepen its credibility before the different economic agents (non-financial).

**B-** The availability of a strong institutional structure able to ensure the movement of the monetary policy effects. With

efficient monetary institutions and qualified financial markets could create the required flexibility to deal with the monetary policy decisions through the ability to make the necessary assessments to risks and equally assign resources in an appropriate timing (Tahar Latrech, 2013).

**C-**The availability of a technical structure able to predict and use the tools of modeling. The strategy management of inflation targeting is mainly based on predicting the inflation development and economic agents conduct as well as the economic variables development in general. This requires the central bank possession of qualified human capacities and technical structure capable to predict and design models.

**D-**The availability of a soft system of price: this system permits freely setting prices in the market; it needs also not to be influenced by inflation of the main merchandises' prices so the measurement won't be subject to seasonal fluctuations that occur on these merchandises, this measurement therefore is oblique.

**E-**The existence of a single goal of the monetary policy (mohsen brahmi, sonia zouary, 2013): the fifth condition in the adoption of targeting inflation represents the lack of other nominal targets such as salaries, the level of employment or the nominal exchange price, these factors that might contradict to the goal of the price stability in the long term. When the state opts for a constant system of exchange price, it will be unable to reach a targeted average of inflation and the exchange price itself. Also, when the economy is known by a big movement to capitals, as to achieve the goal of price stability should be at the expense of achieving a less average of inflation, which could possibly affect the credibility of the monetary policy. When the goals collide, the monetary policy makers have to give priority to those two goals and clarify them to the public in a trusted way. To avoid this collision, a soft exchange price should be adopted to the extent that inflation has priority in case a collision takes place, therefore, the way will be more safer so no nominal variable is targeted with considering that the low inflation goal in the long term is the only and main goal of the monetary policy.

**F-**The choice between a targeted average or gauge of inflation (Zidan Med, 2009): many states have chosen precise targeted averages, since 2001, the UK, Norway and Korea have determined averages of 2.5 % while other states have opted for a determined gauge to target inflation like New Zealand from 0 to 3 %, Canada from 1 to 3 %, Hungary from 5 to 7 %.

### **The experience of new zealand in the field of targeting inflation : mechanisms and factors of success**

The experience of New Zealand is the first and the oldest in the field of the adoption of the inflation targeting strategy, the monetary authorities in New Zealand (RBNZ) have adopted this strategy first in 1990 and achieved a big success that drove some developed countries and even developing to adopt this strategy in its monetary policy.

### **The historical background of the evolution of inflation in New Zealand**

In 1967, New Zealand witnessed a raise in inflation averages that lasted for two decades. Inflation reached its climax in this

period with less than 20 % as shown below in the figure. Inflation was never a political probability, what supports this fact is the opposition in dealing with the main sources of inflationary pressures. New Zealand had presented two attempts in 1970 to deal with outlaw inflation by monitoring wages and prices.

In the early 1980, it also carried out more attempts across an overall freeze to wages, prices, rents, dividends, rewards of the board of direction and the exchange rate. It was obvious that these attempts formed strict measures trying to abuse the market. This eventually paved the way to make global reforms initiated in 1984 and represented a new method to work the monetary policy which had been designed to stop problems of continuous inflation in New Zealand (Murray Sherwin, 2010).

Shortly following the elections in 1984, the central bank in New Zealand (RBNZ) directed and concentrated the monetary policy only to contain the problem of inflation. In this context, the New Zealand dollar was floated in 1985. The progress in reigning inflation is slow maybe because what left of the large financial deficit generated in the beginning of 1985. The price of exchange had been decreased by 20 % in 1984 with the firm adjustments that took place in the period 1982-1984 and freezing wages. These effects shook the confidence of the households and the commercial activity in New Zealand for a longer period due to the strict monetary policy. The inflation rates reached at the end of 1986 10% and rose to 12.5% in July 1989.

In the after math of the bankruptcy in 1989, a remarkable progress in price stability was recorded with a low in inflation to less than 2% during 1991. The New Zealand federal aims to maintain inflation between 1.1% and 2.4% ever since. The New Zealand legislation obliged the New Zealand reserve bank to uphold transparency in assessing the risks of inflation and to be subjected to accountability about the performance of the monetary policy process. A record fall was recorded in inflation in 1999 as it reached -0.7%, and rose to about 4% during 2000-2001, then settled at 2% in 2007 (Murray Sherwin, 2010).

### **The inflation targeting strategy in New Zealand**

The explicit inflation targeting is one of the elements forming the monetary policy in New Zealand; moreover, it is setting a single goal which is price stability and submitting to requirements of accountability and credibility. We deduce then that putting in inflation targeting policy was the main factor in New Zealand to change the inflation performance. It has been a core change in New Zealand concerning the inflation performance facing unusually and strongly a long period of refreshment that began in the late 1991 and inflation remained low comparing to the previous standards. The reason behind this improvement is the act of the New Zealand reserve bank (RBNZ) which adopted a policy of targeting inflation in the beginning of 1990 and that drove to improve the performance of the inflation rate. There are two main factors which deserve to be scrutinized in this assessment. First, the governments took a different position against the administration of the global economy comparing to the previous governments. The governments were ready to precede a number of reforms in the sector of economy; reforms that are not likely to be tolerate

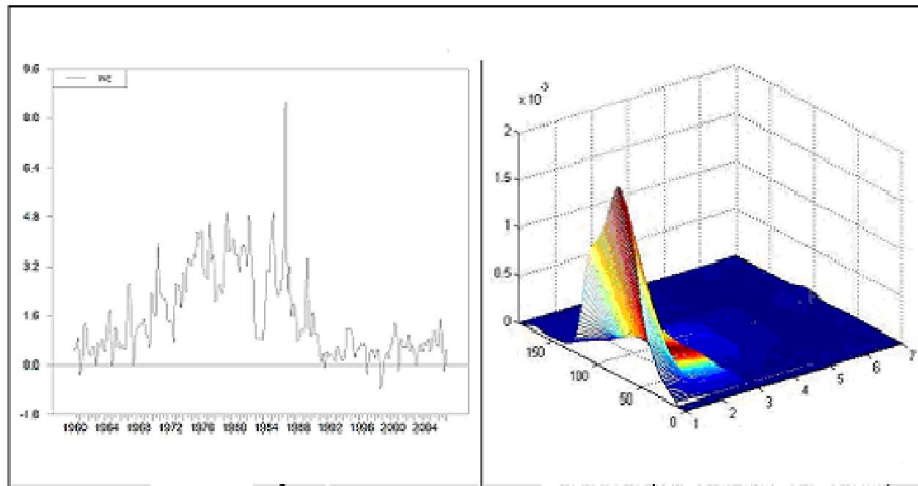


Figure 1. The progression of inflation in new Zealand during the period 1960-2007

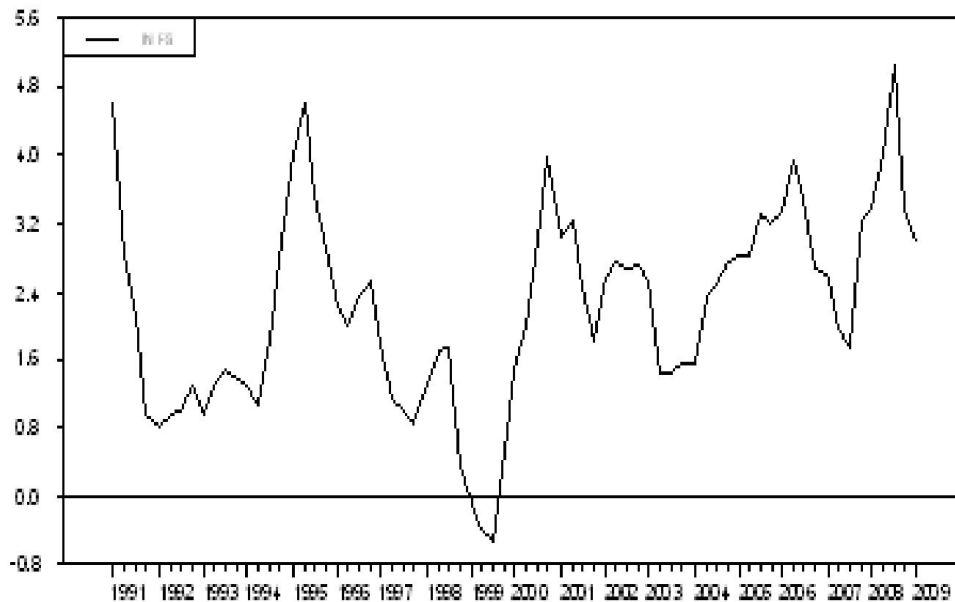


Figure 2. The progression of inflation in new Zealand during-the-period1991-2009

with the continuing rise of inflation averages or take firm decisions to contain inflation regardless the adopted accuracy of the monetary policy. Second, improving the inflation performance in New Zealand is due to commercial partners (Murray Sherwin, 2010) during 1980 and in 1990. The change that took place in other places in the New Zealand economy has affected the performance of the monetary policy since 1984. This change was useful in controlling inflation in particular; besides, it further adjusted general financial situations, work market reforms, large reduction in obstacles to world trade and more other aspects of the policy of the supporting merit government in the long term as well as the performance of the macro economy and the challenges of the monetary policy conduct with the inflation pathway in the short term. It's been noticed through the figure above that inflation averages in New Zealand were extremely high before the 1990's (almost 20%), yet since that date which is the date of the adoption of inflation policy, inflation reached a relatively low level, as the average was 1% between 1991 and 1994. The targeted inflation average during this period fluctuated of 0 to 2%. However, this average rose again in

1995 to reach 4% what led to reconsider the targeted field of inflation between 0 and 3%. From 1996 and till 2007, inflation rate remained constant at 2% (in the targeted field 0 to 3%) and started to gradually mount and reach 4 % in 2009 (Zied Ftiti, 2010).

#### **The independency of the New Zealand reserve bank and role in succeeding the inflation targeting strategy**

In the last two decades, theoretical and practical pressures have increased to provide central banks independency in setting and carrying out the monetary policy. This huge power of the central bank ought to be organized and legislatively determined; especially that it includes a radical change in the institutional relation of the central bank in the face of government. The New Zealand experience in giving independency to its central bank according to the 1989 act is a fresh model to the other states that aim to follow it. The New Zealand reserve is free in its administration and monetary policy according to the policy and goals agreed on between the bank manager and finance minister; this last has the right to

have the upper word in adjusting the central bank goals in its monetary policy. Concerning the assignment of the manager and the board of directors, in New Zealand, the government assigns them for five-year term, whereas the vice manager is usually assigned by the board according to candidate the manager. New Zealand presents a unique model of the contractual relationship that relates the central bank manager to the government (the finance minister in particular). With the manager stable in his position depends on how achievable is the goal agreed on with the finance minister who can discharge him even prior the end of his term, and this humiliating punishment represents the most controversial point in the New Zealand model. Concerning achieving the goal of the global level of prices, the legislative adjustment of the New Zealand central bank was approved in 1989 to explicitly state that the main function of the bank is to set the monetary policy to accomplish the economic goal which is to maintain the stability of the general level of prices.

From the accountability point of view, it is focused on the manager himself not the central bank facing the finance minister. This accountability depends on the monetary policy goals after being agreed on between the manager and the finance minister. The performance could be officially pursued through the annual report submitted by the bank to the minister and shown to the parliament, more precisely, through "the monetary policy communiqué" that the manager should present to the minister all six months and through the board of directors as well as the responsibility of its members is clearly determined by the law on assuring their duty in pursuing the manager's and the bank performance in general on behalf of the finance minister in the light of the agreed goals between the manager, the minister and the bank goals stated by the law and these standards of independency, which are all factors drove to the success of the inflation targeting strategy in New Zealand (Zeineb Aweth, 2003).

### Conclusion and The Main Results

Through this paper, we have come out to a set of results, the most of which:

- The inflation targeting strategy is a analytic framework of the monetary policy used by the central banks through focusing on reducing the inflation averages in the short and medium term and achieving the price stability in the long term;
- The inflation targeting strategy requires a number of conditions and factors in order to achieve its main goal which is the stability in prices including also the complete independency to the central banks in the monetary policy management, and the creation of confidence and transparency with a bigger understanding from all market agents to the monetary policy orientations, what could drive in the end to more credibility to the central bank and the capacity to meet its obligations. The inflation average is predictable through an overall economic model that relies on characterizing the institutional structural relations of the national economy;
- The inflation targeting couldn't be the only framework that improves the performance of goals by the central bank; a lot of states however didn't apply this policy and could

reduce the inflation averages and maintained the price stability in the long term such as the EU;

- Targeting inflation is not devoid of criticism amongst the lack of sufficient guarantee that the central bank couldn't be more successful in estimating suitable monetary policies respond to defend the potential shocks due to periods of delay in the prediction of the inflation average;
- The developing countries are able to succeed in the implementation of this strategy in managing the monetary policy if they commit to the general and main terms , and fixed their financial systems, their monetary institutions and developed their financial markets;
- The independency of the New Zealand reserve bank and the nature of the relationship between the manager and the finance minister one of the most factors of success of the New Zealand experience in targeting inflation; it's seen as one the leading experiences in the world in this field;

Moreover, in view of achieving goals by this strategy, the central bank ought to foster transparency through intensifying communication with the public and markets to explain its goals and the possibility to make them true, so that the economic agents could make decisions in transparency and certainty. The future data of targeted inflation won't work if there is no clear influential link between the monetary policy tools and the inflation average, so it'll be able to achieve the averages or the targeted gauge on inflation. It is necessary therefore to make reforms on the monetary policy tools and finding statistical models which link the inflation fluctuations to the monetary policy conduct through changing their monetary tools.

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