

DISCUSSION OF “THE DRIVERS OF POST-PANDEMIC INFLATION”

BY DOMENICO GIANNONE AND GIORGIO PRIMICERI

Fernanda Nechio

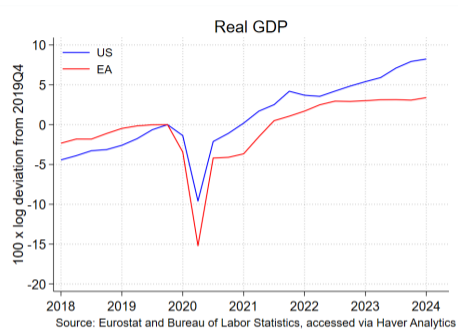
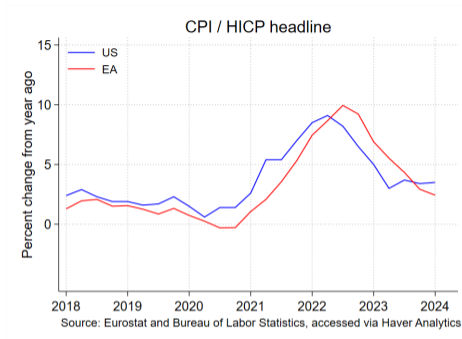
Federal Reserve Bank of San Francisco

ECB Forum on Central Banking

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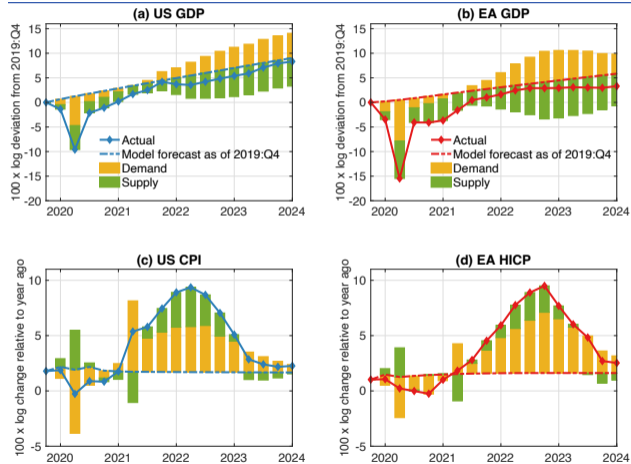
The drivers of post-pandemic inflation



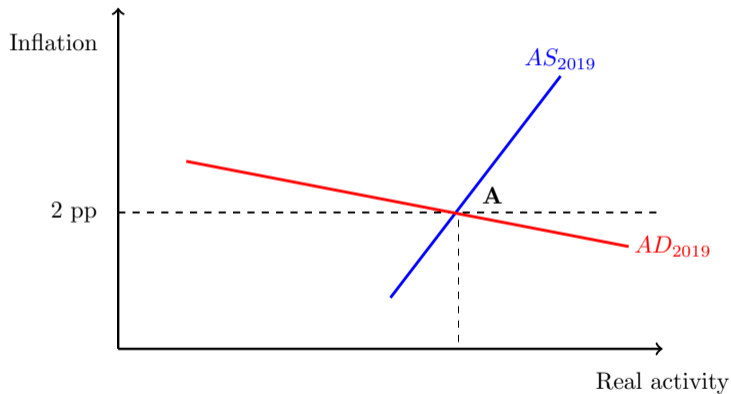
- U.S. and EA faced similar inflation dynamics since the pandemic
- EA recovery relatively more sluggish
- Empirical estimates point to:
 - Demand shocks as the main drivers of inflation
 - Supply disruptions behind EA slower recovery
 - ECB's accommodation significantly contributing to EA recovery

Demand-driven inflation

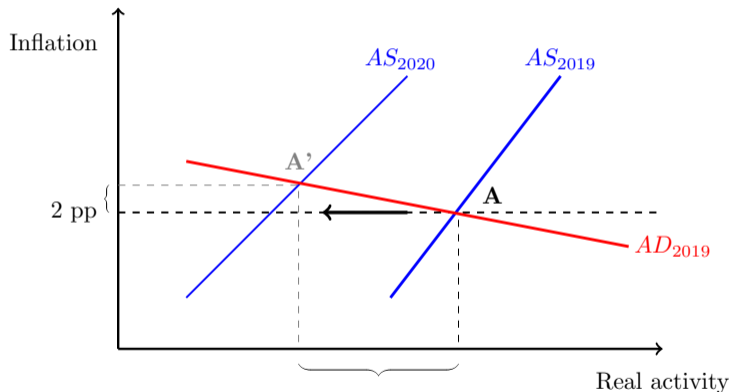
Figure 5
Historical decomposition of GDP and inflation dynamics



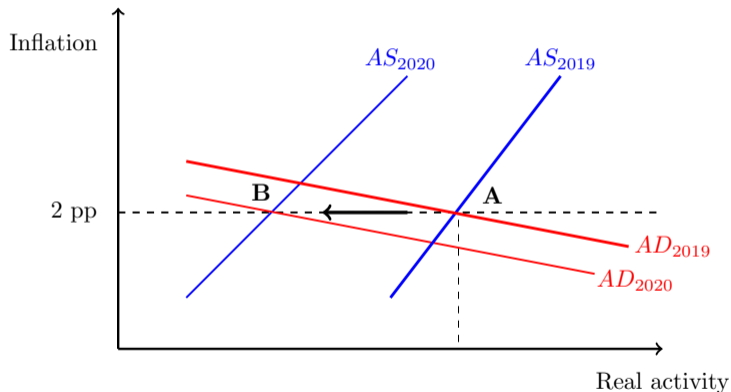
A flat aggregate demand – limited inflationary effects of supply shocks



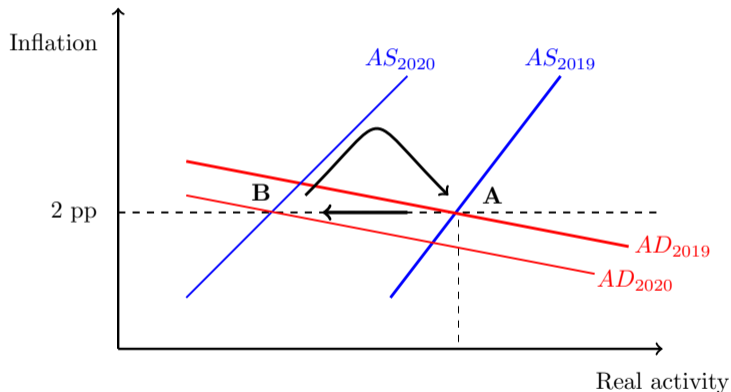
A flat aggregate demand – limited inflationary effects of supply shocks



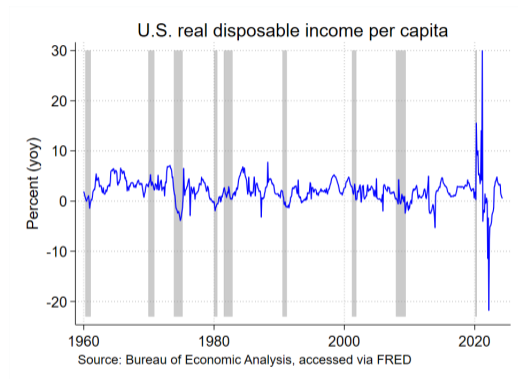
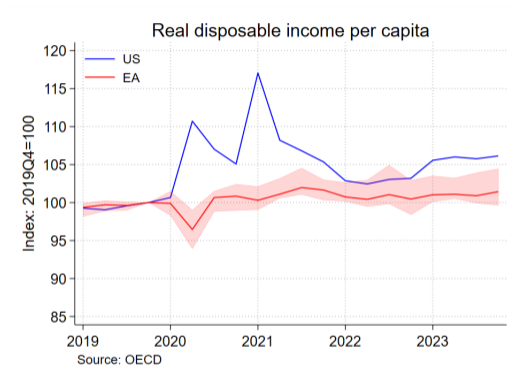
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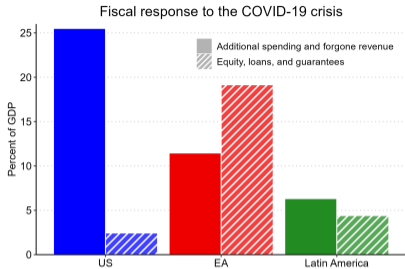


U.S. and EA: similar roles for demand shocks but very different drivers

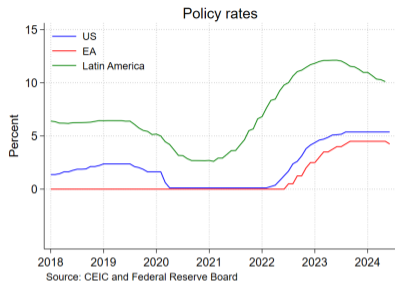


Updated from Jordà and Nechio (2023), "Inflation and Wage Growth Since the Pandemic," European Economic Review.

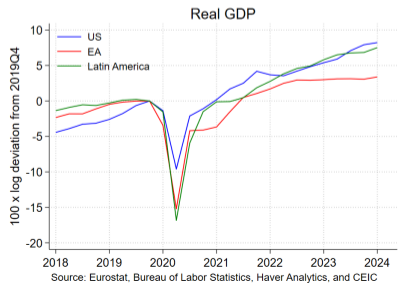
Others: very different demand drivers but similar inflation patterns



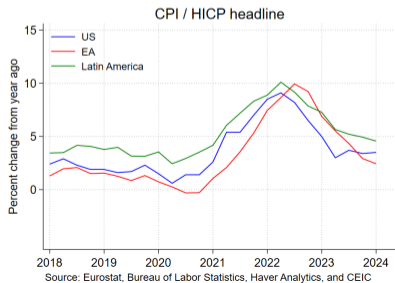
Source: International Monetary Fund



Source: CEIC and Federal Reserve Board

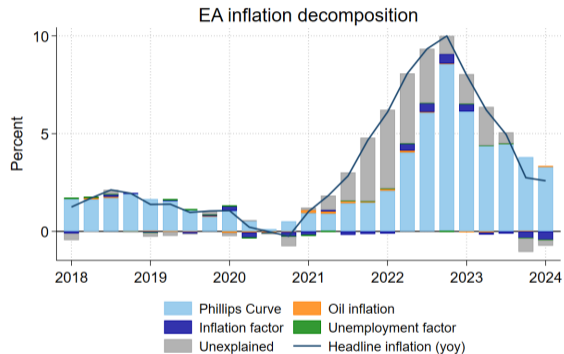
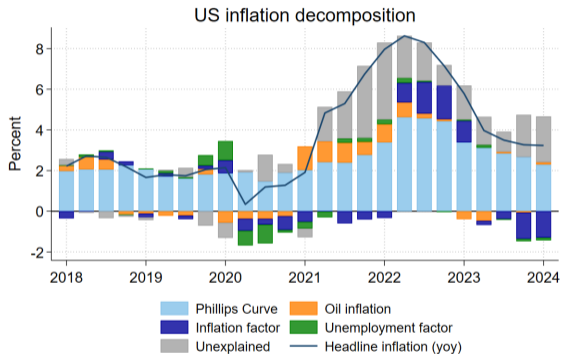


Source: Eurostat, Bureau of Labor Statistics, Haver Analytics, and CEIC



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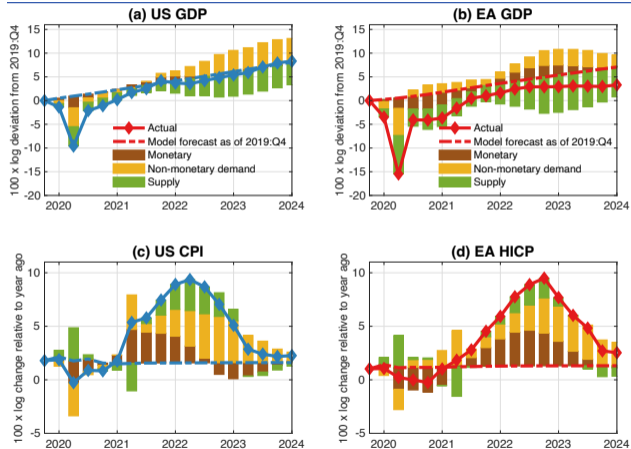
Evidence pointing to cross-country shock transmission



U.S. and EA: different policy implications from monetary shocks

Figure 8

Historical decomposition of GDP, inflation and the 1-year interest rate dynamics



To conclude

- Great and careful paper
- Important lessons from the pandemic and implications for policy
- Results pointing to non-trivial transmission of shocks across economies
- Many interesting questions for future research