

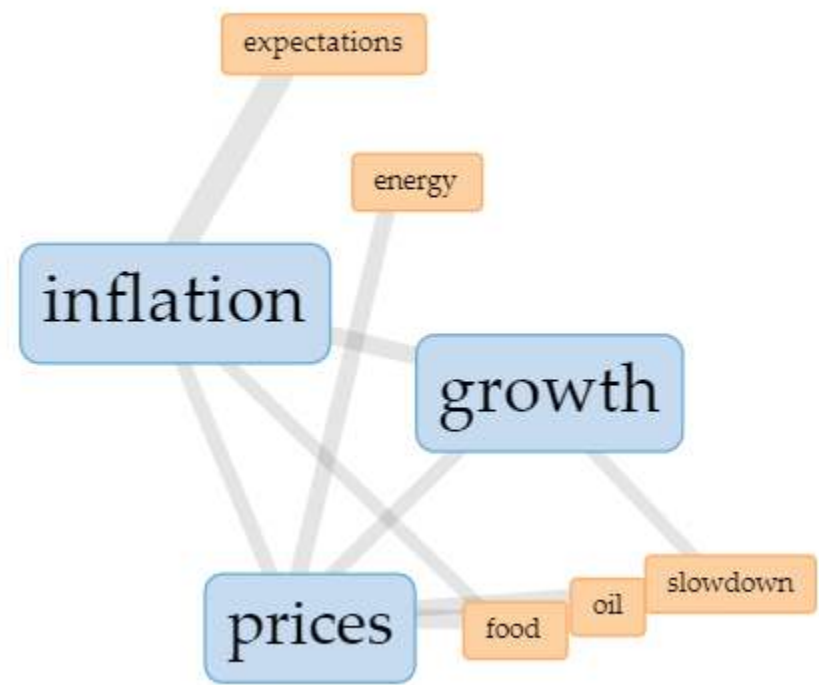
Inflation or Stagflation?

The return of supply side shocks

Discussion of World Bank Global Economic
Perspectives June 2022

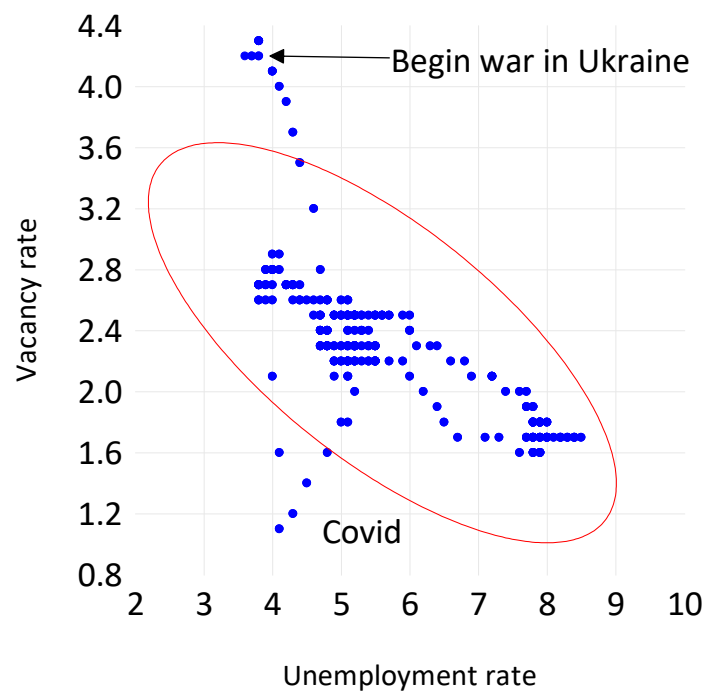
Nathan Sussman
Geneva Graduate Institute
Geneva, September 21, 2022

The story line – inflation is the main story driven by supply side factors

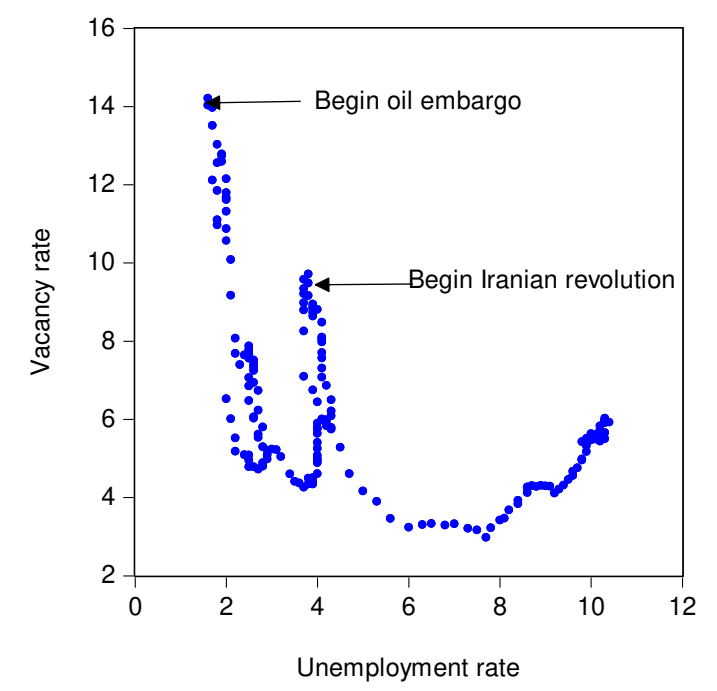


Stagflation or plain Inflation – Beveridge curve analysis

UK 2000-2002

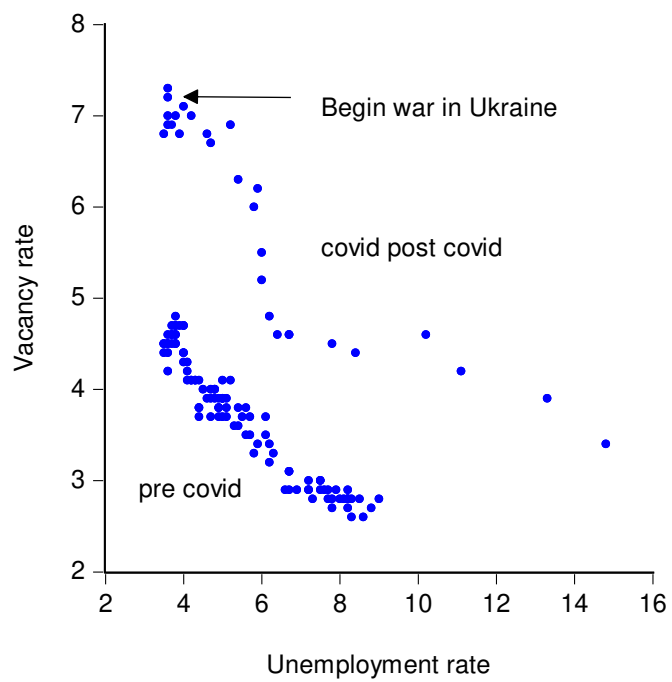


UK 1970-1985

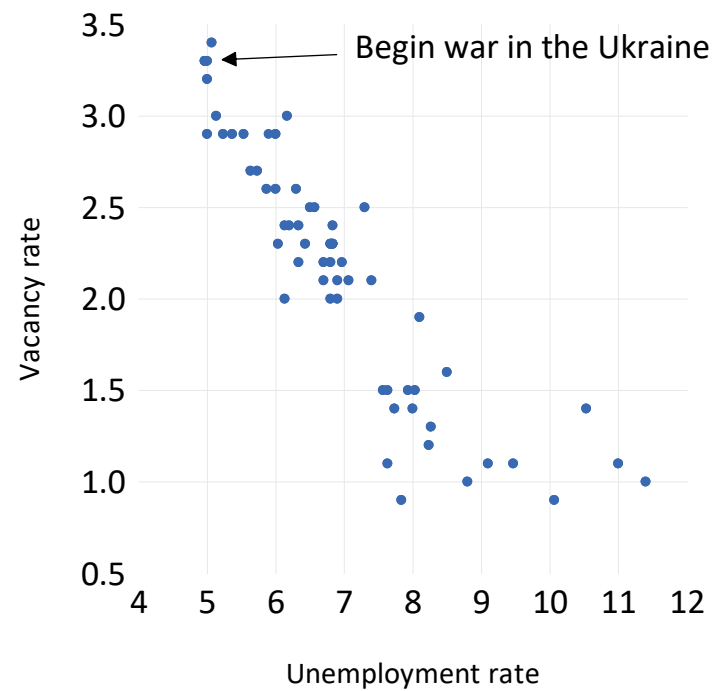


Additional evidence

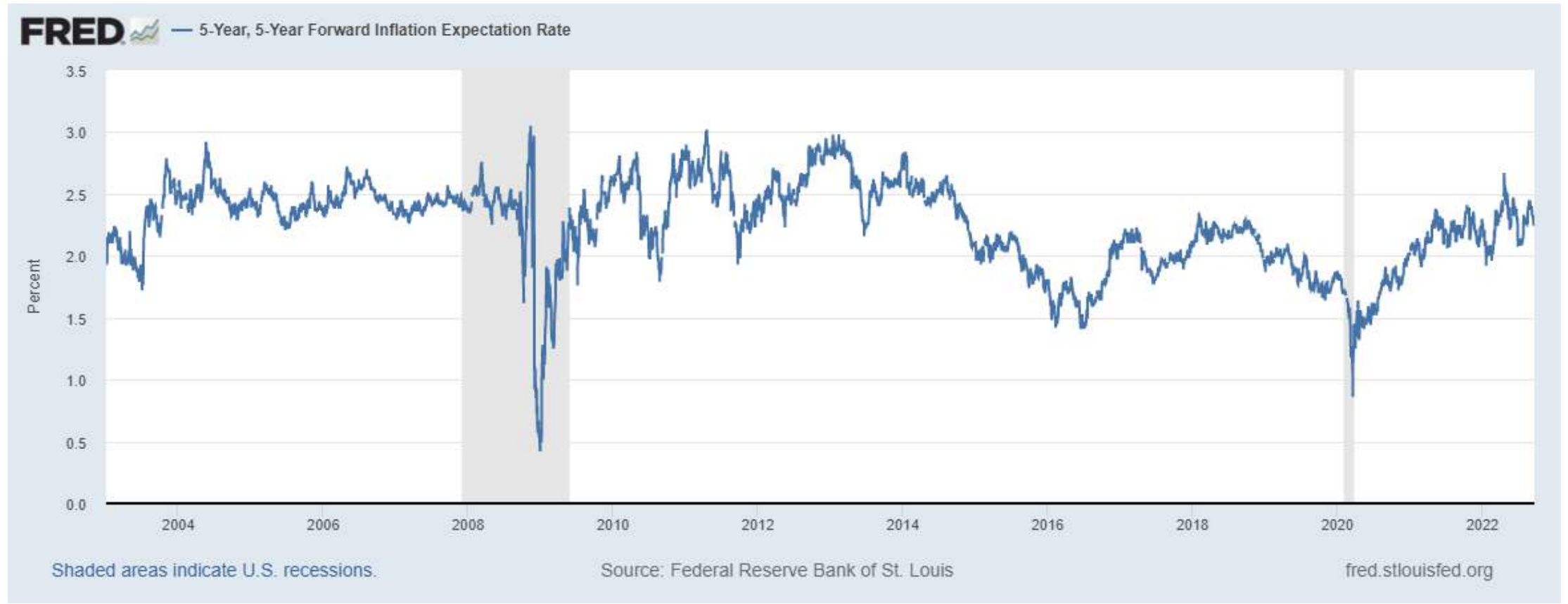
US: 2000-2022



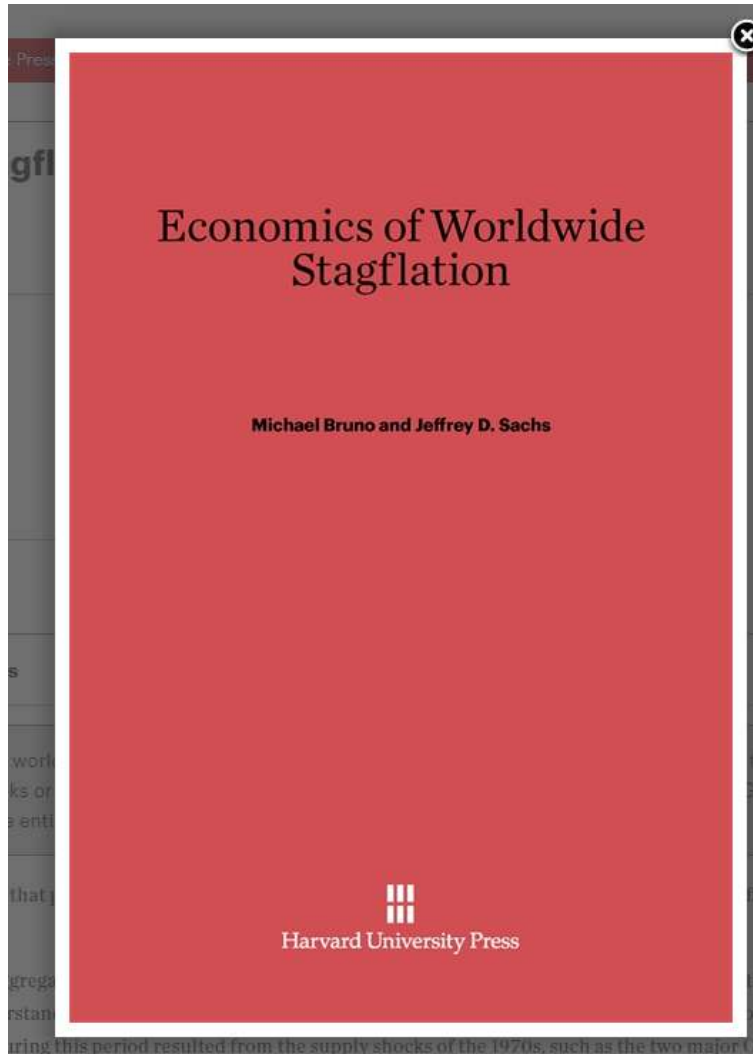
Germany: 2000-2022



So far – expectations under control – at least in advanced economies



Recommended reading



Demand factors (management) continues to play a significant role

Labor markets (real wages) are crucial for the type of policy response

Substitution between rising real input prices and real wages (measured at GDP deflator)

Fiscal response is to be considered alongside contractionary monetary policy

Thank You