

General Discussion of 'Pandemic-Era Inflation Drivers and Global Spillovers'

Attendees discussed how to effectively model the impact of macroeconomic shocks during the pandemic in the presence of cross-border interdependencies. Participants pointed to a number of issues to be addressed when using standard macroeconomic models, such as: the complexity of cross-border and sectoral supply chains; exchange rate volatility; the presence of cross-border trade costs; the unclear supply and demand impacts of lockdowns; the simultaneity of rising inflation and persistent labour market slack in the period; differing implementation schedules for fiscal stimulus across countries; and data collection limitations when models had a large number of variables. In general, this pointed to the difficulty of disentangling sectoral supply and demand shocks in models, and of distinguishing between the macroeconomic impacts of real shocks versus public policies.