



FEDERAL RESERVE BANK *of* NEW YORK

# Inflationary Pressures

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03/01/2022

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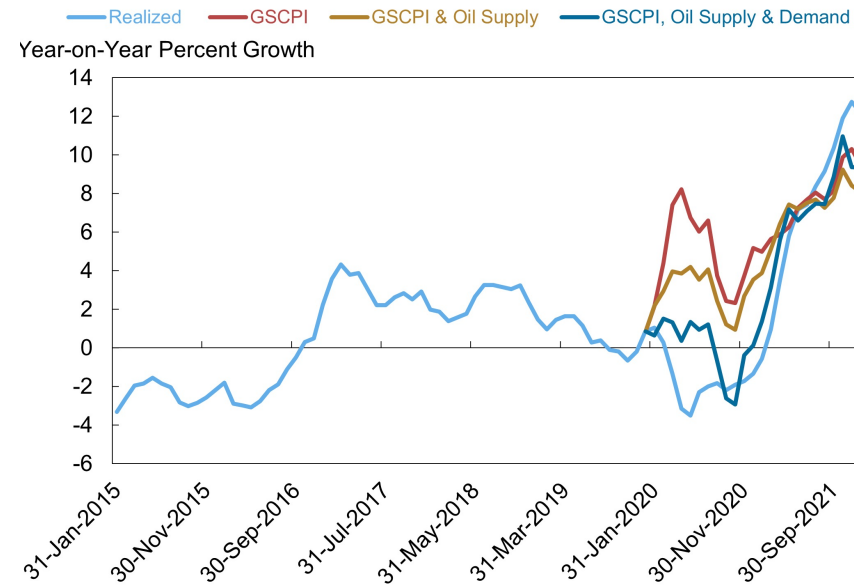
# Inflationary Pressures

- Widespread inflation in advanced economies;
- What are the sources of inflationary pressures? (Important in terms of designing policy response).
  - Local or global?
  - Demand or supply driven?
- Objective: interpretation of recent inflation reading (U.S. and Europe)



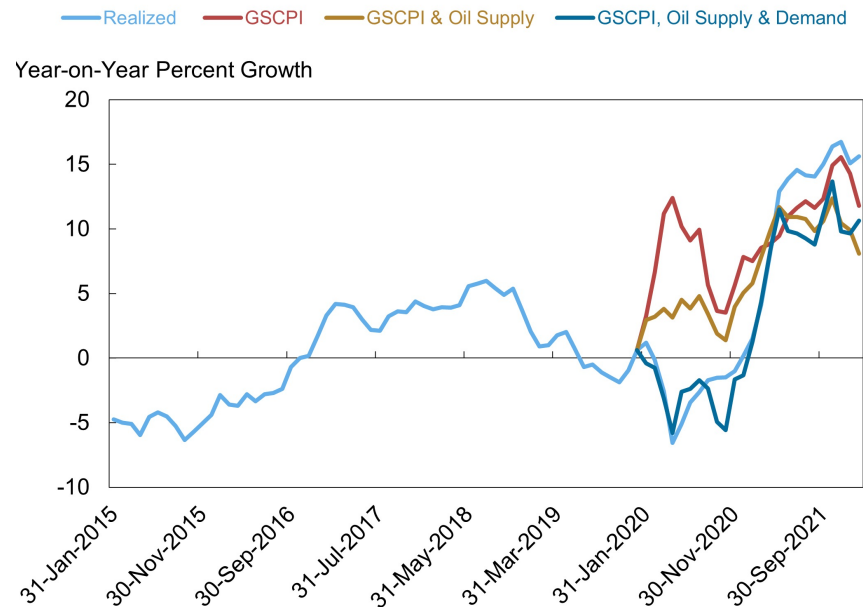
# Inflationary Pressures: PPI

## Global Supply Factors Are Related To The Recent Surge in PPI in the Euro Area



Source: Statistical Office of the European Communities; Thomson Reuters; Bloomberg L.P.; Haver Analytics; Authors' Calculation

## Global Supply Factors Are Related To The Recent Surge in PPI in the U.S.



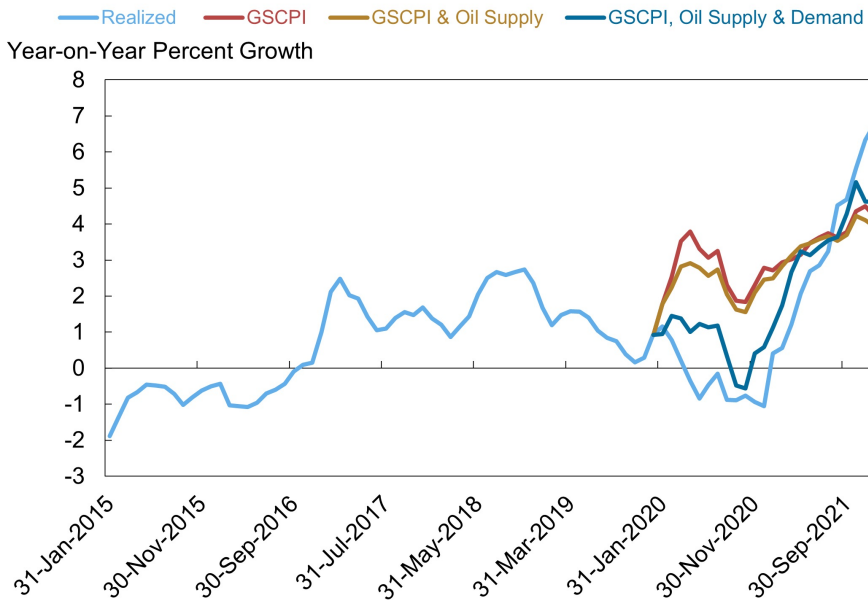
Source: Statistical Office of the European Communities; Thomson Reuters; Bloomberg L.P.; Haver Analytics; Authors' Calculation





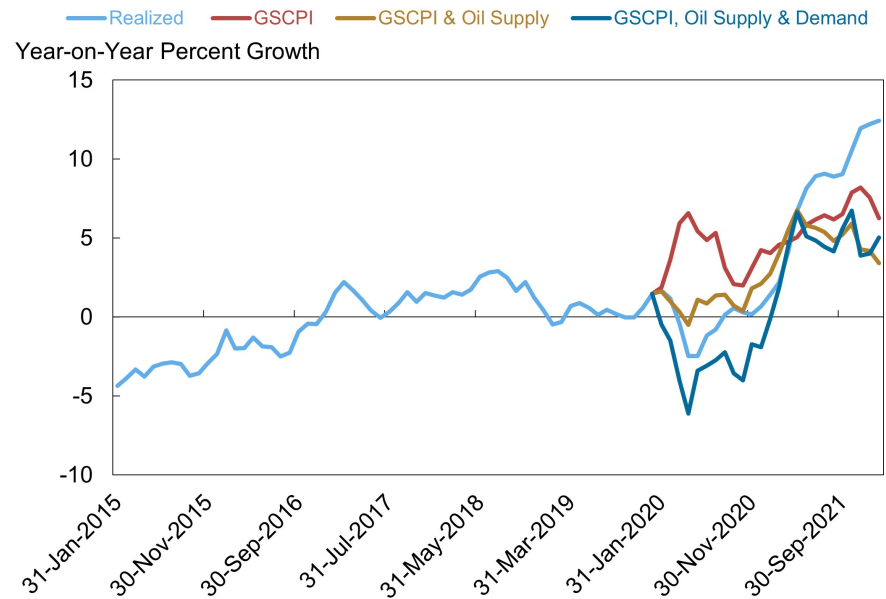
# Inflationary Pressures: Goods CPI

## Global Supply Factors Are Also Related to Recent Euro-Area Goods CPI Inflation



Source: Statistical Office of the European Communities; Thomson Reuters; Bloomberg L.P.; Haver Analytics; Authors' Calculation

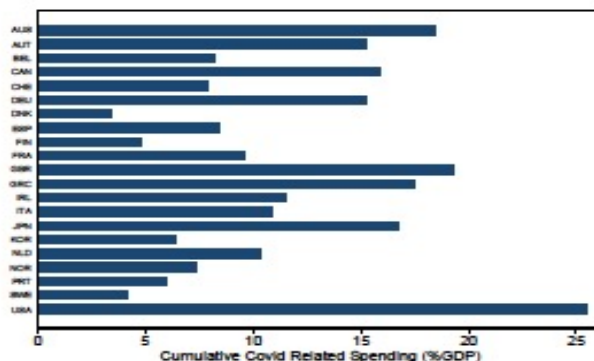
## Global Supply Factors Are Related to Recent U.S. CPI Goods Inflation



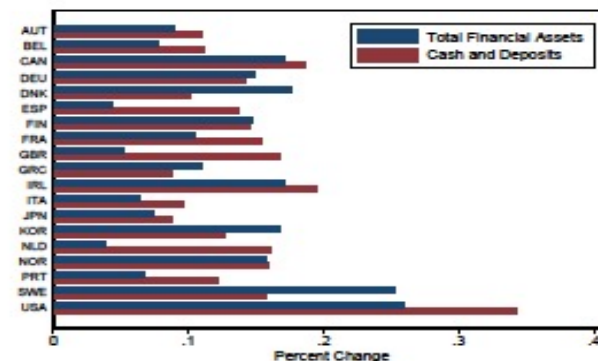
Source: Bureau of Labor Statistics; Thomson Reuters; Bloomberg L.P.; Haver Analytics; Authors' Calculation



# Inflationary Pressures: Fiscal Impulse

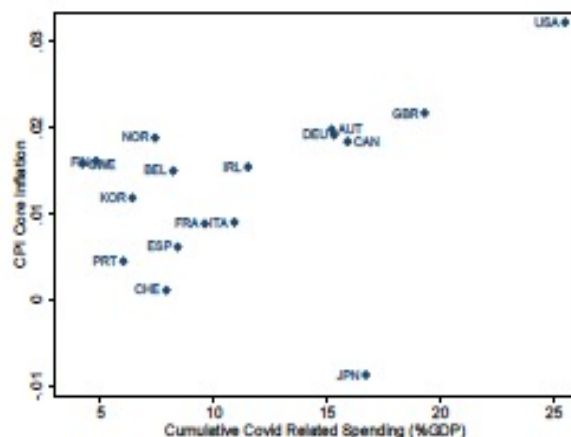


(a) COVID Fiscal Responses

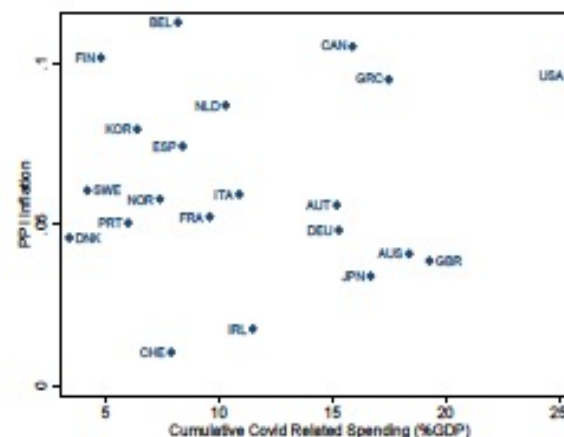


(b) Expansion of Households Financial Assets

**Notes:** The figure in panel (a) plots the cross-country distribution of the cumulative (“top line”) fiscal response since the beginning of 2020 as a percentage of countries’ 2020 GDP. The figure in panel (b) plots the cross-country distribution of the percentage change in households total financial assets (blue bar) and cash and deposits (red bar) since the beginning of 2020. See [Appendix A](#) for all source data information



(a) Fiscal response and Core CPI Inflation



(b) Fiscal response and PPI Inflation

**Notes:** This figure presents scatter plots of annualized eighteen month inflation (Mar-2020 to Sept-2021) against the cumulative fiscal spending since January 2020 as a ratio of 2020 GDP in panels (a) and (b) for core CPI and PPI inflation, respectively.



# Conclusions and open questions

- Role of Global Supply Factors (Energy and Supply Chain Disruptions) manifests mainly in PPI and Goods CPI;
- Demand Factors: expenditure shift and fiscal stimulus;
- Open discussions:
  - *GVC and inflation;*
- Open discussions:
  - *Labour Market Pressures;*
  - *Service versus Goods Inflation;*
  - *Geopolitical development;*

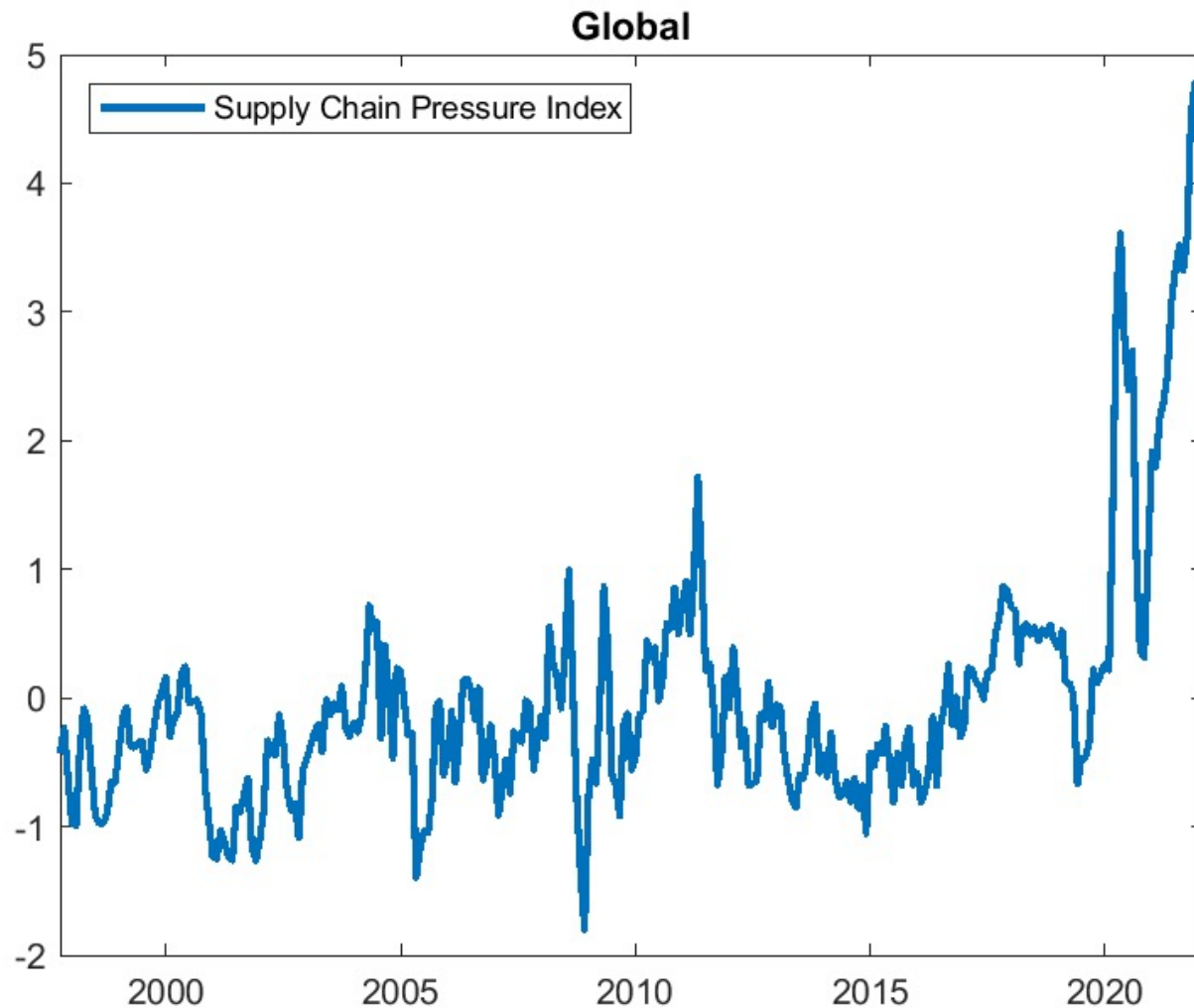


# Background on Global Supply Chain Pressure Index

- Globalized economy with complex supply chain interlinkages
- Several indicators have been used in recent time to capture disruptions caused by delay in goods' delivery.
  - Our aim: to bring these together in one indicator, the GSCPI, that provides a bird-eye perspective on these pressures.
- Global Transportation Costs:
  - Shipping Costs:
    - Baltic Dry Index and Harper Petersen Index
  - Air Freight Costs:
    - BLS In- and Outbound Air Freights Price Indices US vs. Asia and Europe.
- Supply chain components of PMIs
  - Backlogs;
  - Delivery times;
  - Purchase Stocks.

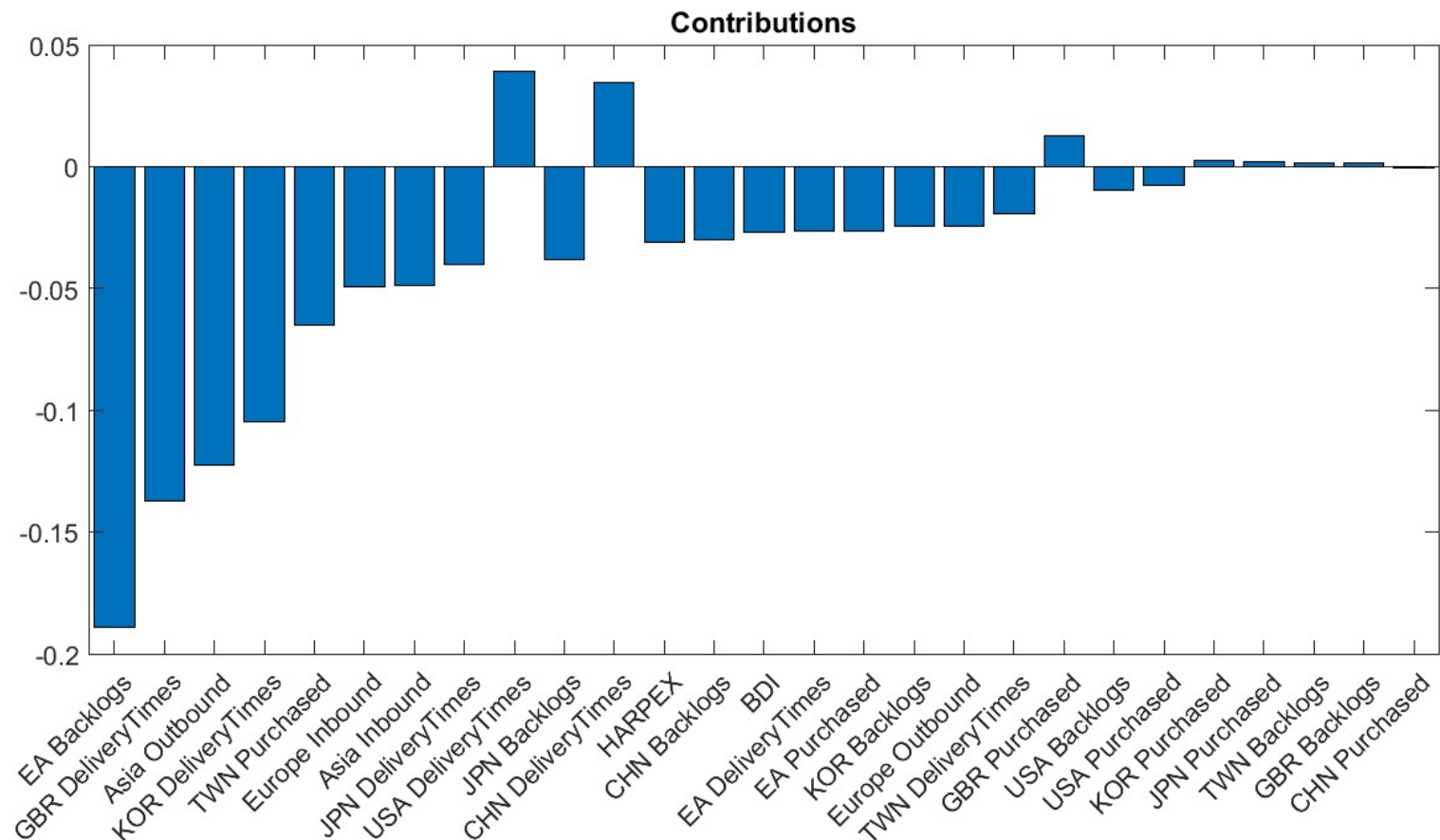


# Global Supply Chain Pressure Index





# Underlying Contributions in January 2022



# Thank you

