**Inflation Shock and Monetary Policy**

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**Introduction**

A short section that summarizes our research questions and methods (1-2 pages)

**Background: The aftermath of the COVID Crisis**

This section assesses the state of the economies after the COVID shock, as well as provide an overview on their recoveries leading up to the Russo-Ukrainian war. Additionally, this section summarizes policy steps taken to mitigate the negative impacts of COVID that could have further fueled the excess inflationary pressure seen in early 2022, such as large government relief and loose monetary conditions.

**The Inflation shock and drivers of Inflation**

The task of this chapter is twofold. On one hand, measure the size and impact of the inflation shock in the region. We estimate the shock and its impact using empirical methods and compare across the countries of the region. On the other hand, dissect the factors driving prices at an unprecedented rate. While the primary driver has been the spike in global energy prices, other factors such as wage dynamics, currency depreciation, persistent inflation expectations, or increased geopolitical uncertainty also contribute to this.

**Monetary Policy Stance**

In this section, we asses the stance of monetary authorities in response to the inflation shock and their effectiveness at deterring inflation. For our overview of policy stance, we primarily rely on Taylor rules to provide a simple assessment on how regional central banks reacted compared to what key macroeconomic aggregates would dictate. To provide further nuance, we track ex-ante real interest rates and their deviation from the equilibrium. To assess how efficient central banks were, we calculate sacrifice ratios, which measures how much in terms of economic growth was foregone as a cost of deterring inflation.

**Outlook and lessons for policymakers**

This section would serve as a conclusion of our findings from the previous sections. Additionally, such findings can be a basis of what policymakers could have learned and thus can be leveraged to make policy recommendations.