**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 provides a short overview of the economies and policy actions taken to mitigate the negative impact of the Coronavirus pandemic. Assessing the priori policy actions should provide crucial insight into the evolution of inflation rates over the following months, as large-scale government reliefs and loose monetary conditions could have led to a demand-pull inflation pressure prior to the war shock.

**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 track the evolution of ex-ante real interest rates. Using simple models, we estimate equilibrium real rates, and measure the deviation of actual real rates from the equilibrium within the period affected by the war shock. 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.