

## Macro Roundup Article

**Headline:** [Does Money Growth Help Explain the Recent Inflation Surge?](#)

**Article Link:** <https://www.bis.org/publ/bisbull67.pdf>

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**Summary:** The strength of the link between money growth and inflation depends on the inflation regime: it is one-to-one when inflation is high and virtually non-existent when it is low. Panel A illustrates the long-run relationship between inflation and “excess money growth” – the difference between money growth and real GDP growth. The graph displays the relationship between these two variables based on non-overlapping 10-year averages. When the observations from all countries are pooled, the standard relationship emerges clearly: there is a precisely estimated one-to-one link between excess money growth and inflation. But, as shown in panel B, if we split the observations into high- and low-inflation ones using different 10-year average inflation rate thresholds, we see that this relationship exists only when inflation is relatively high. As expected, the difference narrows noticeably as the inflation threshold increases.

**Primary Topic:** Inflation

**Topics:** Academic paper, Factoid, GDP, Inflation

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