



Discussion of  
Alberto Cavallo and Oleksiy Kryvtsov's  
What Can Stockouts Tell Us About Inflation?

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NBER-ISOM, Athens, June 2022

## Outline

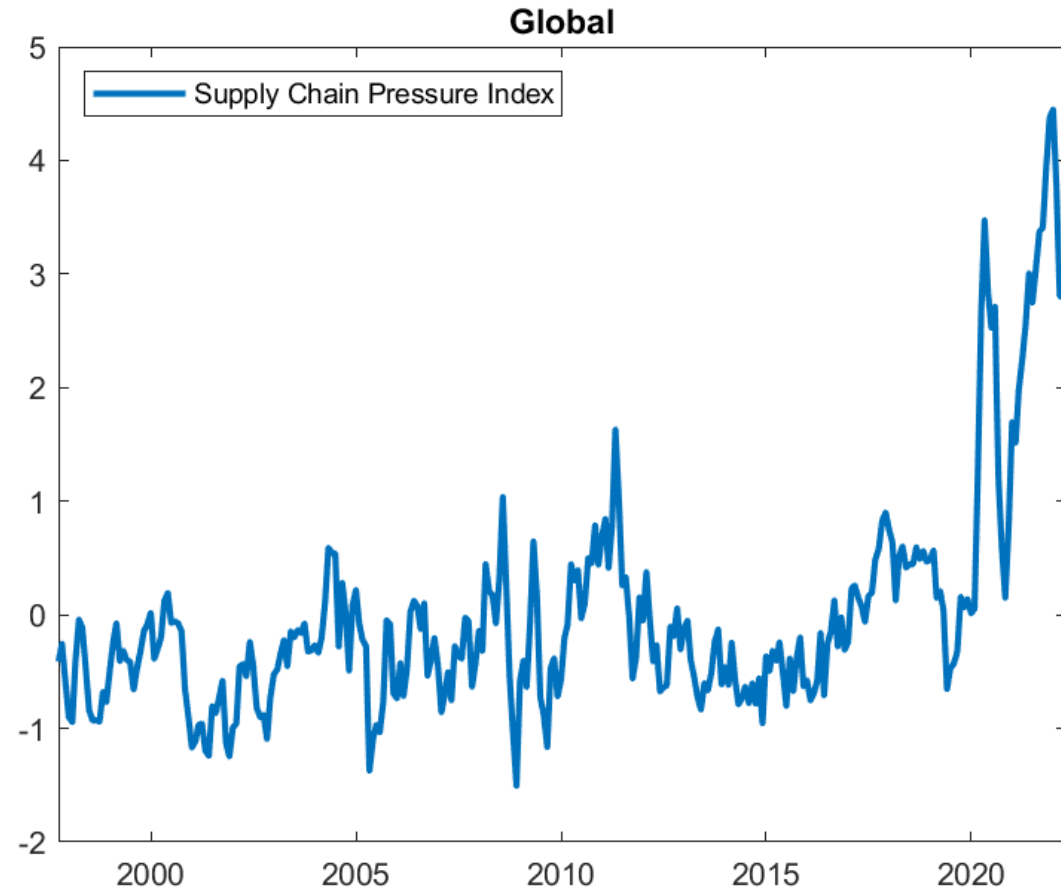
- Disclaimer: the views are mine and not necessarily the one of the BIS
- Praise
- Relevance for «monetary inflation»

## Praise

1. Highly topical paper
2. Excellent execution
3. Very pleasant to read

## Global Supply Chain Pressure (NYFed, Benigno et al.): This time is different

- The index scales different occurrences:
  - 2011: Fukushima+ Thailand floods
  - The Covid lockdowns
- Is this relevant for «monetary inflation» or another large supply shock?



# Cavallo and Kryvtsov (Figure 3 and 7): this «large» supply shock is sector specific and temporary

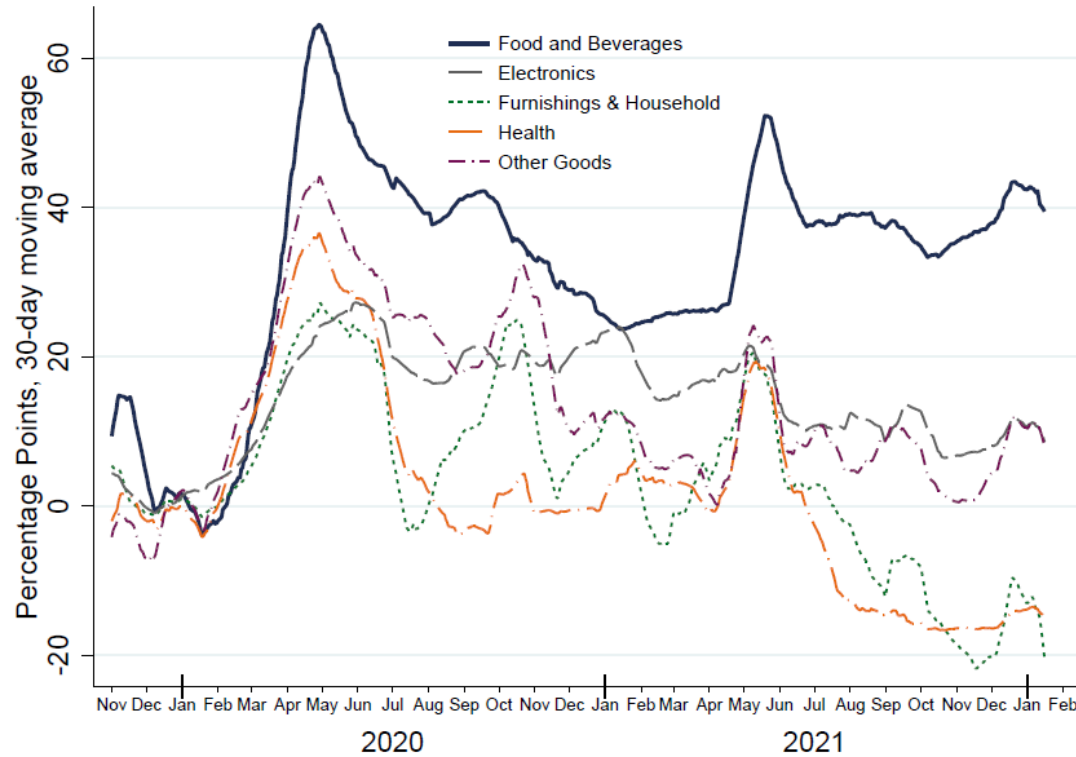
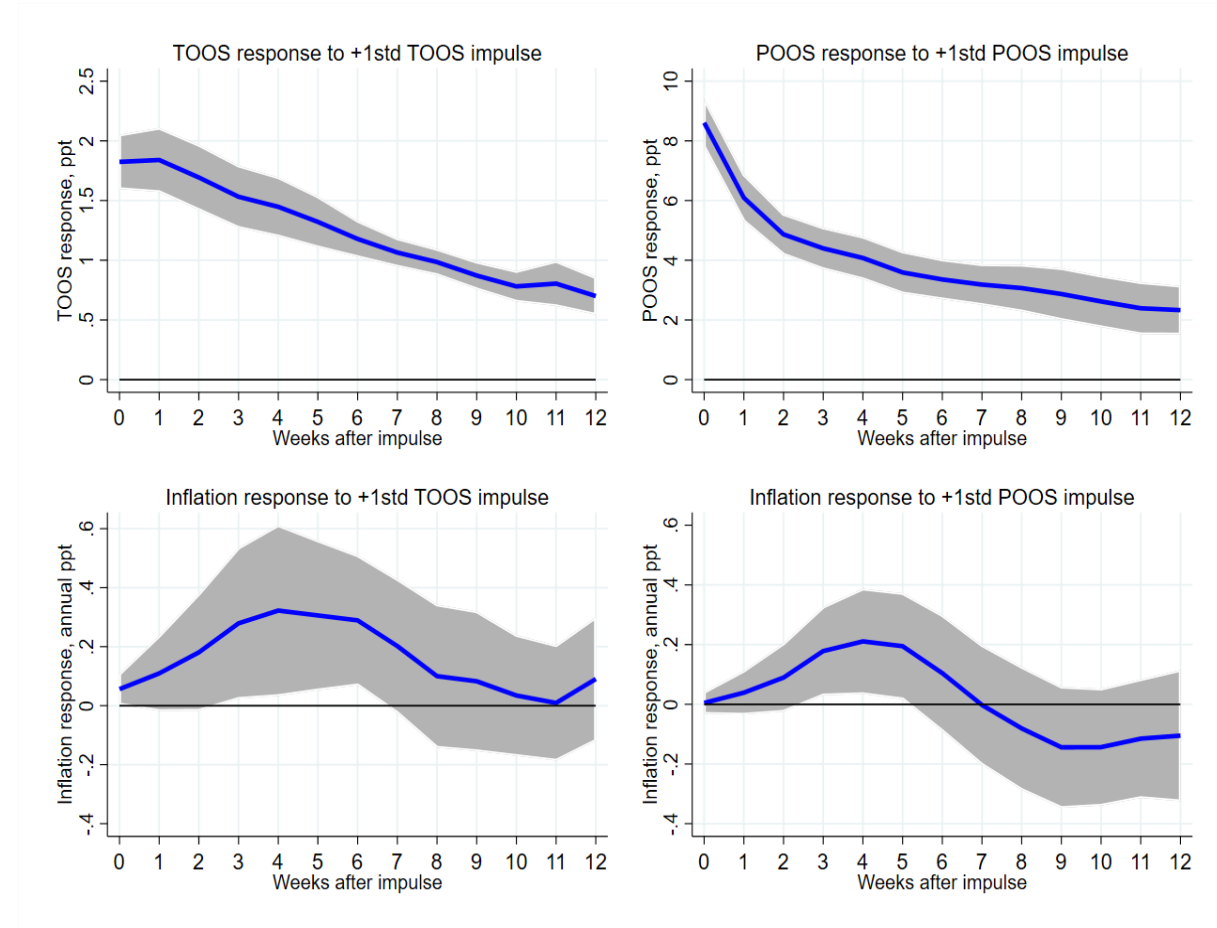
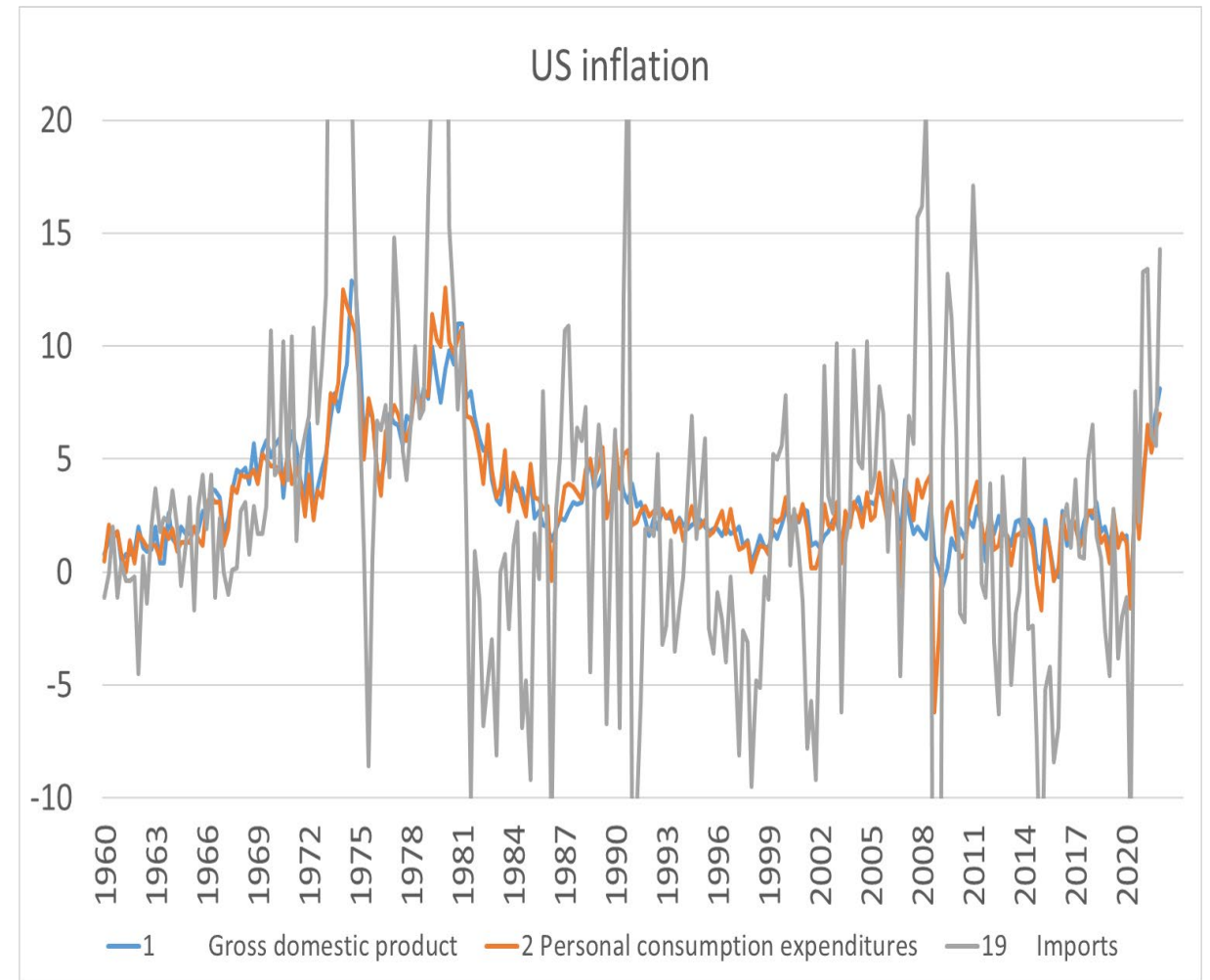
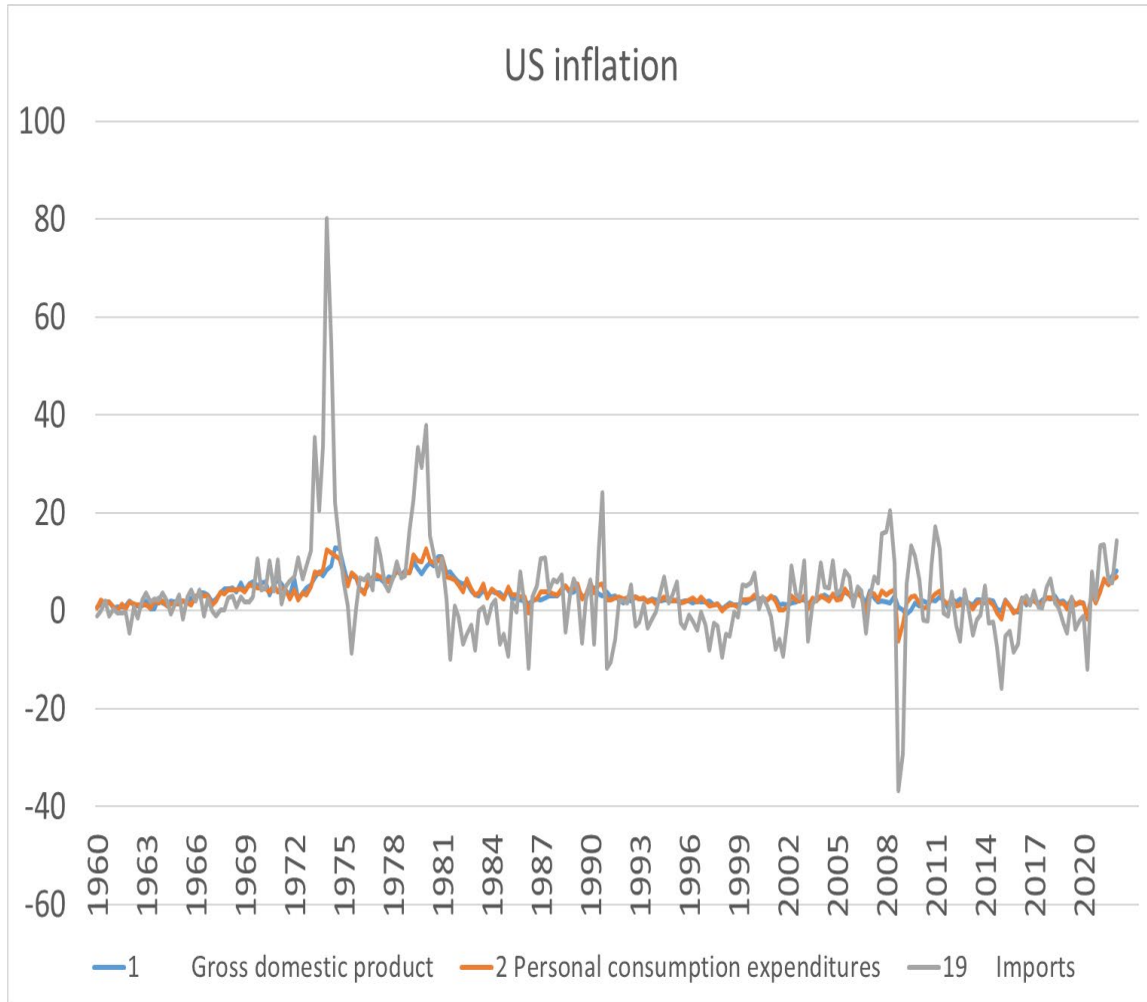


Figure 3: All Stockouts in U.S. Sectors



# Imported, domestic and PCE inflation

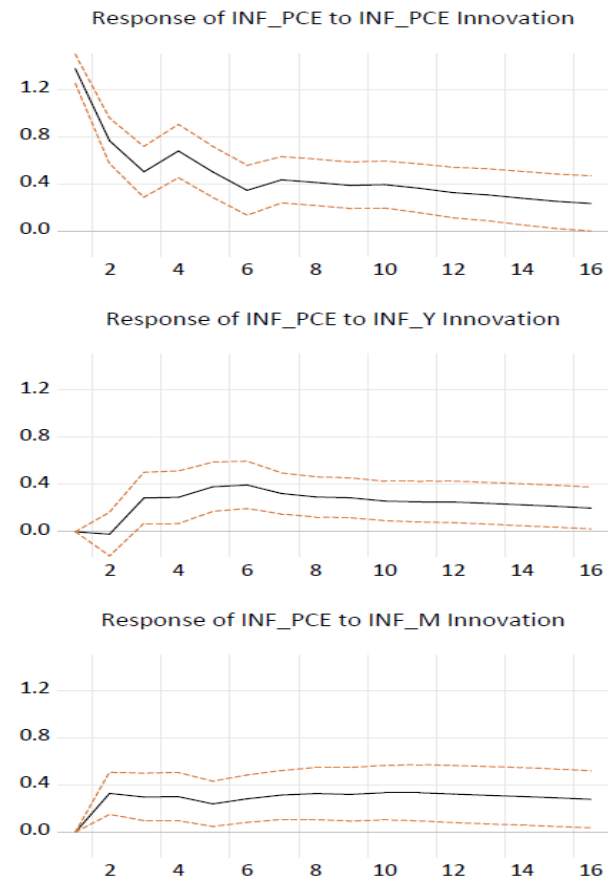


## How does inflation respond to imported inflation shocks?

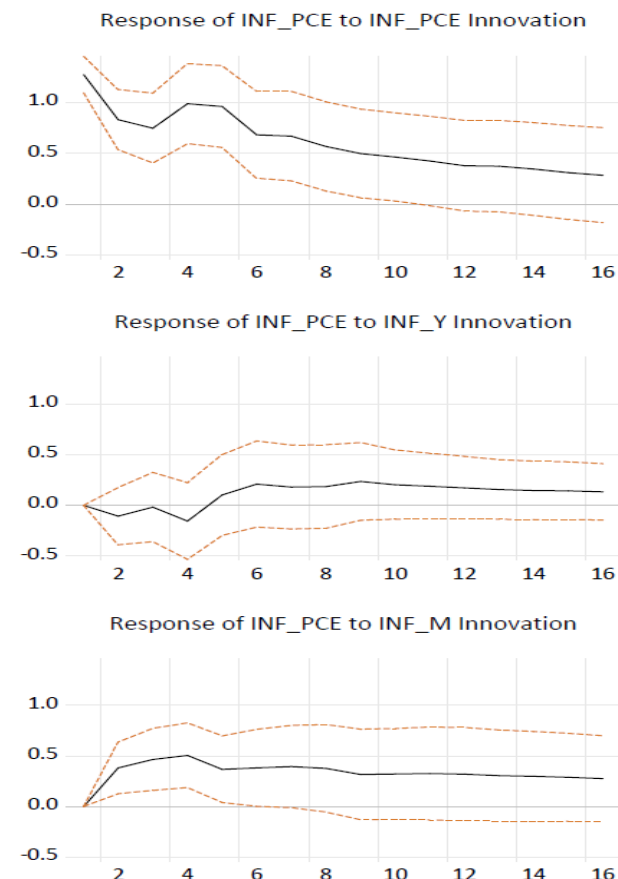
- First assessment, VAR of US inflation rates
- Comparing impulse responses accross periods of high and low inflation

# Import price shocks and inflation regimes

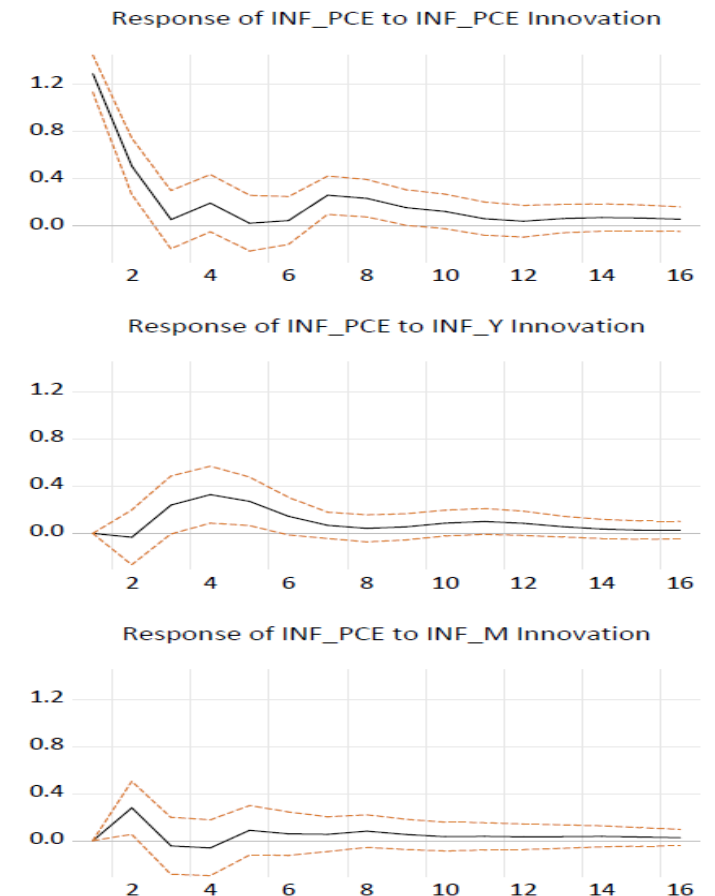
1960-2022



1960-1985



1986-2019





## How does inflation respond to imported inflation shocks?

- First assessment, VAR of inflation rates
- Comparing impulse responses accross periods of high and low inflation
- PCE does not respond to imported inflation (or deflation) in the 1986-2019 but it does in the 1960-1985 sample
- Also note that PCE inflation is much more persistent before 1986

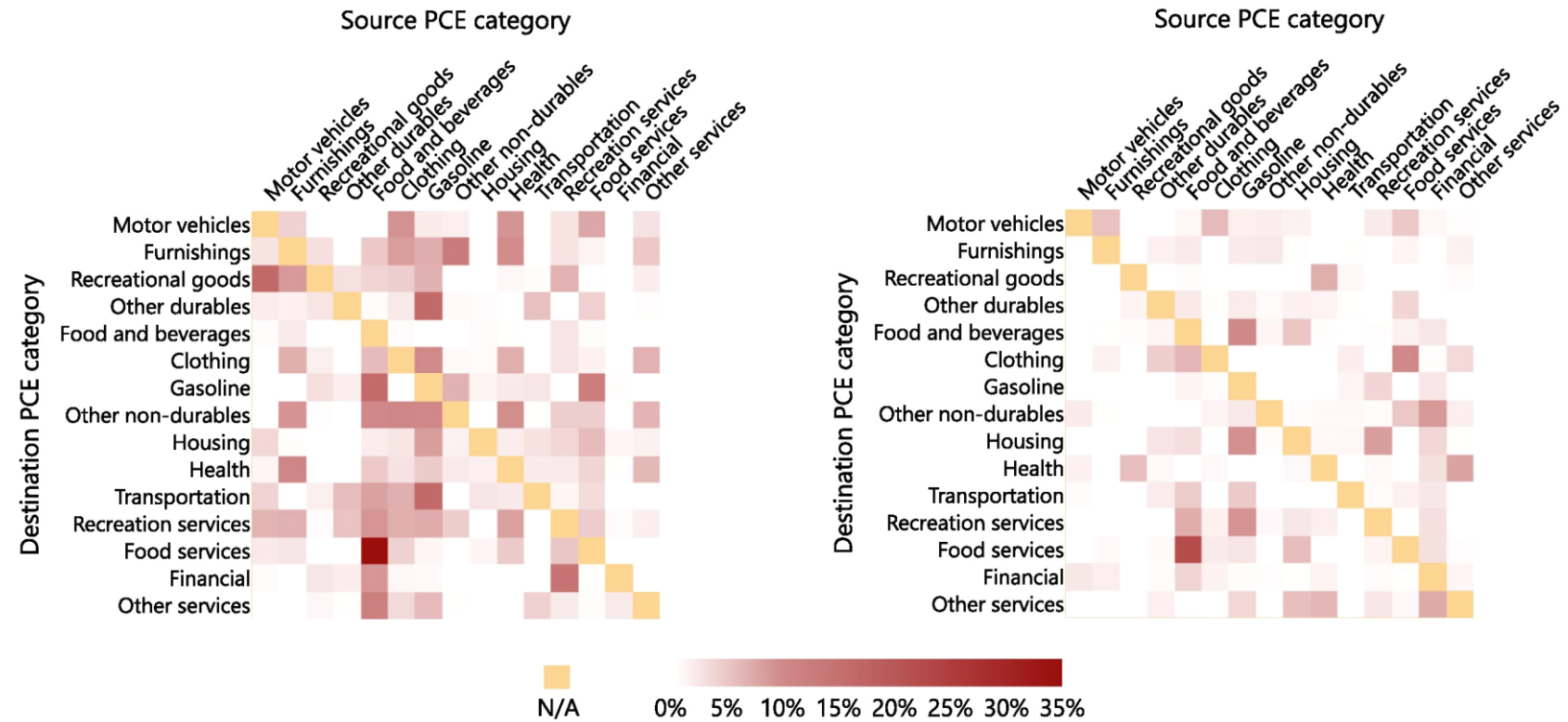
# Further BIS research on how inflation regimes matter

Bilateral price spillovers across US PCE categories<sup>1</sup>

Graph A1

A. Sample period: January 1965–December 1985

B. Sample period: January 1986–December 2019

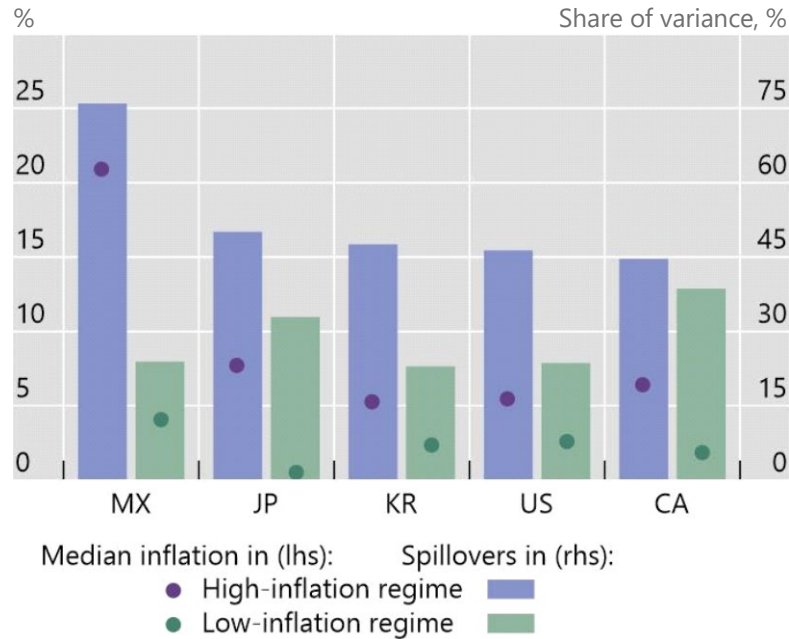


# Further BIS research on how inflation regimes matter

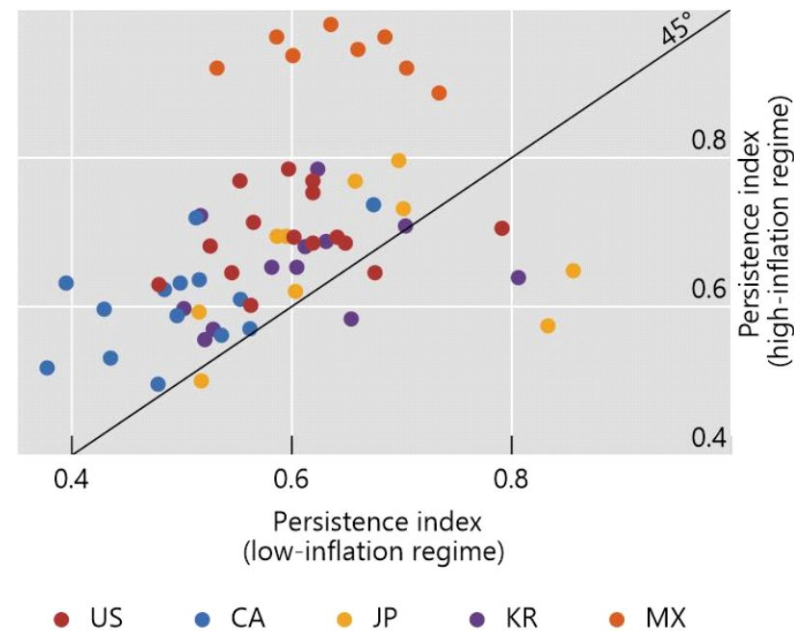
Inflation regimes affect the persistence and transmission of sectoral price changes<sup>1</sup>

Graph 4

A. Sectoral price spillovers are more muted in low-inflation regimes<sup>2</sup>



B. Sectoral price changes are less persistent in low-inflation regimes<sup>3</sup>



## Conclusions

- Fantastic data and excellent paper
- What matters for monetary policy, in terms of global value chain stress,

... is to remain in a low inflation regime

Annual Economic Report is released on Sunday

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