

The transmission of supply shocks to inflation: the case of Argentina (2004-2022)

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Abstract

This article investigates how domestic and external supply shocks influence inflation in Argentina using the Local Projections methodology. We categorise supply shocks into two groups: domestic and external. Domestic supply shocks include the nominal exchange rate and regulated prices. In contrast, external supply shocks include international energy and food prices. The results reveal two main findings. First, both domestic and external supply shocks positively influence inflation. Second, there are significant variations in the magnitude and dynamic of how these supply shocks are transmitted to inflation. These findings provide new evidence on how supply shocks influence inflationary dynamics in developing countries and small open economies.

Keywords: Local Projections, Impulse responses, Supply shocks, Inflation, Exchange rate pass-through.

JEL classification codes: C32, E31, F41.

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