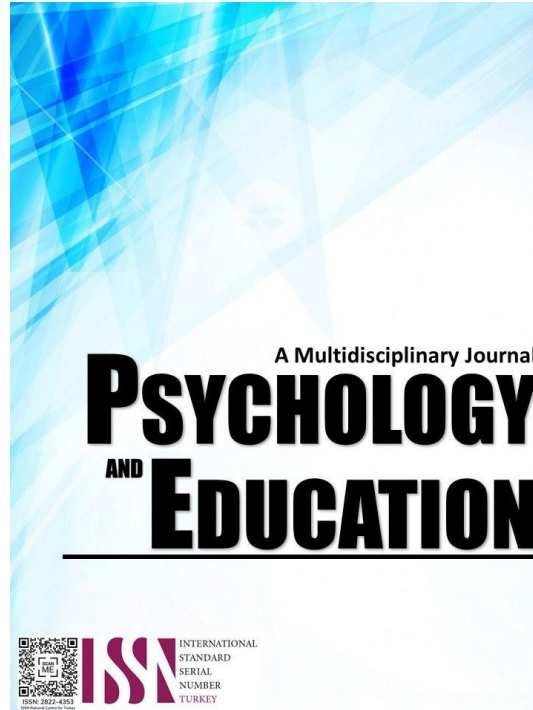


ANATOMY OF A GLOBAL INFLATION SURGE: A SYSTEMATIC REVIEW OF ITS DRIVERS AND CONSEQUENCES



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Anatomy of a Global Inflation Surge: A Systematic Review of Its Drivers and Consequences

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Abstract

This study presents a systematic literature review that synthesizes contemporary research on the drivers, impacts, and policy responses to recent global inflationary trends. Amid vigorous debate over the persistence of current price pressures, this study analyzes the complex interplay of demand-pull effects, cost-push shocks, and expansive monetary policy that characterizes the modern inflationary landscape. By systematically evaluating empirical research from high-impact, peer-reviewed journals, the review examines the methodologies, data, and key variables employed in the economic literature to measure and analyze inflation. The synthesis reveals a broad consensus on the critical role of credible monetary policy, particularly inflation-targeting (IT) frameworks, in anchoring expectations and stabilizing economies. These frameworks are shown to effectively manage the propagation of shocks and create a predictable environment for investment. However, the findings underscore that policy effectiveness is highly context-dependent, with institutional quality and structural vulnerabilities having a significant influence on outcomes, especially in emerging markets. The study concludes that managing inflation requires a holistic and integrated strategy. Adequate price stability necessitates coordinating credible monetary policy with prudent fiscal management and structural reforms to mitigate supply-side constraints.

Keywords: *inflation, monetary policy, fiscal policy, inflation targeting, supply chain, systematic literature review, macroeconomics*

Introduction

Inflation, a sustained increase in the general price level of goods and services, is a macroeconomic condition that has significant implications for the stability and growth of an economy. Policymakers, businesses, and the public need to have a good sense of its dynamics, given that it has such pervasive effects on gains in consumer purchasing power, interest rates, and investment decisions. If stable, low inflation is well-managed, it can indicate a healthy economy. It can, however, depress purchasing power, tilt economic judgments, and lead to significant social and economic instability when it rises and is volatile.

On the other hand, economists are in a spirited debate about current inflation due to this strange confluence of demand stimulus and supply shocks. Price hikes have a short-term impact on lockdown-induced disruptions and are expected to cease as economies return to normalcy and supply chains come back into line (Chowdhury et al., 2021). However, Ha et al. (2022) warn that today's pressures may be more persistent, citing the macroeconomic history of underlying structural shifts, such as those in the labor market, and a potential retreat from globalization, which could lead to sustained high inflation.

The world is witnessing an unprecedented late phenomenon due to the coronavirus and the hefty geopolitical risks the pandemic has ignited. The pandemic, in general, and the global COVID-19 outbreak have significantly disrupted global supply chains, leading to shortages of essential goods and substantial price increases (Guo et al., 2024). To mitigate the demand slump, governments and central banks in many parts of the world have introduced large monetary and fiscal packages simultaneously (de Soyres et al., 2022). These policies, necessary for businesses and households, also infused the global financial system with gigantic amounts of liquidity, further increasing aggregate demand in a supply-challenged setting (Kreamer, 2022). Therefore, this study seeks to consolidate existing research to increase understanding of the complexities associated with today's inflationary climate.

Inflation is a complex process, and several reasons interact with it. Broadly, these may be categorized into three leading causes: the conduct of an expansive monetary policy, which may lead to inflation characterized by excess liquidity; such cost-push factors as disruption of production processes in companies, which increase costs; and demand-pull forces, when total demand for a product exceeds supply (Gindler, 2025). The importance of these factors relative to one another can also vary through time. According to Coibion et al. (2020), it is precisely because there are no stable laws governing inflation that confounds economists and central bankers, whose job is to maintain price stability, which rests mainly on diagnosing and treating inflation.

Meanwhile, the history of inflation reveals that a particular constellation of external shocks, structural economic features, and policy determinations drives inflation. For instance, the 1970s experienced severe stagflation, an affliction characterized by high inflation combined with slow economic growth, which was partly a result of global oil shocks affecting supply (Solimano, 2020). In many advanced economies, however, people recall the 1990s and early 2000s as an era when prices changed relatively little. This is due to various reasons, including high levels of globalization, rapid technological advancements, and the credibility of inflation-targeting monetary policies (Borio, 2024). An examination of these specific historical episodes could help identify common traits and mannerisms that pertain to the current period of inflationary resurgence.

With all the information, this study will conduct a systematic literature review to synthesize and analyze the existing scholarly research

on the contemporary drivers, multifaceted impacts, and policy responses related to the recent global inflationary trends. This study aims to provide a coherent overview of the current inflationary landscape by systematically evaluating empirical evidence and theoretical arguments. Specifically, the review will examine the literature discussing the consequences of inflation on different economic sectors and income groups, and consolidate findings on the efficacy of various policy responses. Ultimately, this literature synthesis offers crucial insights to inform the formulation of well-informed economic policies that promote stability and growth in an increasingly uncertain world.

Methodology

Research Design

This study employed a systematic literature review as its research design. A systematic review is a methodical and rigorous approach to research synthesis that uses a transparent and structured process to identify, select, critically appraise, and synthesize all relevant research on a particular topic (Paré & Kitsiou, 2017). This design was chosen for its ability to provide a comprehensive, unbiased, and replicable summary of the current body of knowledge on the drivers and consequences of the recent global inflation surge. By adhering to a predefined protocol, this design minimizes bias and allows for a robust analysis of existing empirical evidence.

Respondents

The primary materials for this study consist of empirical studies published in high-impact, peer-reviewed scientific journals. The research was sourced from prominent academic databases, specifically Scopus, Web of Science, and Google Scholar, which are recognized for their extensive coverage of economic and financial literature.

Strict eligibility criteria guided the selection of these materials to ensure the relevance and quality of the evidence synthesized. The inclusion criteria included: Publication Type—only full-text empirical studies from peer-reviewed journals were included to ensure methodological rigor and academic validity; and Research Focus—the core theme of the articles had to be directly related to the drivers, consequences, or policy responses to inflation. The exclusion criteria included: Non-Empirical Work—conceptual papers, editorials, commentaries, books, and book chapters were excluded to maintain a focus on data-driven research; and Scope—studies where inflation was a peripheral topic rather than a central analytical theme were omitted.

Procedure

The research was conducted through a systematic, multi-stage process designed to ensure thoroughness and replicability. First, a comprehensive search query was developed using keywords related to three core themes: inflation (inflation, price stability), its drivers (supply chain, cost-push), and policy responses (monetary policy, fiscal policy). Second, the formulated query was executed across the selected databases (Scopus, Web of Science, and Google Scholar) to retrieve an initial pool of potentially relevant literature, with the search limited to articles published in English. Third, the titles and abstracts of all retrieved articles were reviewed to identify studies that appeared to meet the inclusion criteria, and irrelevant studies were discarded at this stage. Fourth, the full text of the remaining articles was thoroughly evaluated against the predefined inclusion and exclusion criteria to ensure that only the most relevant and methodologically sound empirical studies were included in the final review. Lastly, studies that successfully passed the full-text assessment were included in the final data extraction and synthesis sample.

Data Analysis

The data analysis in this study followed a narrative synthesis approach. This qualitative method focuses on summarizing and explaining the findings of the included studies through a thematic analysis. The process involved several stages. First, data extraction was conducted using a standardized template to collect key information from each selected article, including its geographical focus, study period, methodologies used, key variables, and principal findings related to inflation drivers and policy effectiveness. Second, thematic synthesis was performed, where the extracted data were organized and coded to identify recurring themes, patterns, and relationships across the studies. This included grouping findings related to standard inflation drivers (e.g., supply chain disruptions, demand-pull factors), consequences, and the effectiveness of various policy interventions. Finally, narrative integration was carried out to combine the synthesized themes into a coherent narrative that identifies areas of broad consensus in the literature, highlights points of divergence or debate, and points out gaps in current research, thereby providing a comprehensive overview of the state of knowledge on the topic.

Ethical Considerations

As this research is a systematic literature review based entirely on previously published and publicly available academic literature, it does not involve direct interaction with human or animal subjects. Therefore, the ethical concerns typically associated with primary research, such as informed consent, confidentiality, and participant welfare, are not applicable.

The primary ethical obligation in this study is to accurately and unbiasedly represent the work of other researchers. This is addressed by first avoiding plagiarism. Ensuring all synthesized findings are appropriately attributed to their sources through meticulous citation, and second, objective reporting. Present the findings from the literature fairly and balanced, without misrepresenting or selectively reporting results to fit a preconceived narrative—finally, transparency. Clearly documenting the methodology, including the search



strategy and selection criteria, to allow for scrutiny and replication of the review process.

Results and Discussion

Data and Methodology

Table 1. *Data and Methodology*

<i>Authors and Studies</i>	<i>Type of Data</i>	<i>Source of Data</i>	<i>Sample Size</i>	<i>Observation</i>	<i>Statistical Treatment</i>
Kaur, S. (2021). A Decade of Impact of Monetary Policy on Food Inflation: An Overview and Future Direction. Vision: The Journal of Business Perspective	Secondary	Existing academic journals and reports	N/A	A literature review synthesizing previous findings.	Systematic Literature Review / Meta-synthesis
Deluna, R. S., Loanzon, J. I. V., & Tatlonghari, V. M. (2021). A non-linear ARDL model of inflation dynamics in the Philippine economy. Journal of Asian Economics	Secondary	Philippine Statistics Authority (PSA), Bangko Sentral ng Pilipinas (BSP)	Time-series data for the Philippines	Single-country study using a specific econometric model (NARDL).	Non-linear Autoregressive Distributed Lag (NARDL) Model
Hoenink, J. C., Garrott, K., Jones, N. R. V., Conklin, A. I., Monsivais, P., & Adams, J. (2024). Changes in UK Price Disparities between Healthy and Less Healthy Foods over 10 years: an Updated Analysis with Insights in the Context of Inflationary Increases in the cost-of-living from 2021. Appetite	Secondary	UK Office for National Statistics (ONS)	10+ years of price data for a basket of food items	A micro-level price analysis with macroeconomic implications.	Descriptive Statistics and Time-Series Price Index Analysis
Banerjee, S. (2017). Empirical Regularities of Inflation Volatility: Evidence from Advanced and Developing Countries. South Asian Journal of Macroeconomics and Public Finance	Secondary	IMF International Financial Statistics (IFS), World Bank WDI	Panel data for a large set of advanced and developing countries	A broad cross-country comparative study of inflation volatility.	Panel Data Regression Models (e.g., Fixed/Random Effects) and Volatility Modeling (e.g., GARCH)
Pham, T. A. T., Nguyen, T. T., Nasir, M. A., & Duc Huynh, T. L. (2020). Exchange rate pass-through: A comparative analysis of inflation targeting & non-targeting ASEAN-5 countries. The Quarterly Review of Economics and Finance	Secondary	IMF, World Bank, and national central banks	Time-series data for the 5 largest ASEAN countries	Compares two groups of countries based on their policy regime.	Vector Autoregression (VAR) or Panel VAR Models
Hernández, J. R., Ventosa-Santaulària, D., & Valencia, J. (2024). Global supply chain inflationary pressures and monetary policy in Mexico. Emerging Markets Review	Secondary	Banco de México, NY Fed (for GSCPI)	Time-series data for Mexico	Case study focusing on the impact of recent global supply shocks.	Time-Series Econometrics (e.g., VAR or Autoregressive Distributed Lag - ARDL models)
Ascari, G., Florio, A., & Gobbi, A. (2018). High trend inflation and passive monetary detours. Economics Letters	Theoretical	N/A	N/A	A theoretical modeling paper focused on monetary policy rules.	Dynamic Stochastic General Equilibrium (DSGE) Modeling and Simulation
Klein, M., & Linnemann, L. (2023). The composition of public spending and the inflationary effects of fiscal policy shocks. European Economic Review	Secondary	OECD databases, national accounts	Panel data for a group of developed countries	Focuses on the composition of fiscal policy shocks.	Panel Vector Autoregression (PVAR) or Panel Data Regression
Banerjee, J. J. (2024). Inflationary oil shocks, fiscal policy, and debt dynamics: New evidence from oil-importing OECD economies. Energy Economics	Secondary	OECD Economic Outlook database, IMF	Panel data for oil-importing OECD economies	Examines the intersection of energy shocks and fiscal/monetary policy.	Panel Data Econometrics (e.g., GMM or Fixed Effects models)
Jusaj, Y. (2025). Inflation Dynamics: A Comprehensive Analysis of Key Determinants Using Panel Data. Journal of Risk Analysis and Crisis Response	Secondary	World Bank WDI, IMF IFS, Penn World Table	A large panel of many countries over a long period	A comprehensive empirical study aiming for generalizable results.	Panel Data Regression Models (e.g., GMM, Fixed/Random Effects)
Bambe, B.-W.-W. (2023). Inflation targeting and private domestic investment in developing countries. Economic	Secondary	World Bank WDI, IMF IFS	Panel data for a large sample of	Focuses on a specific outcome (investment) of	Panel Data Regression with Instrumental Variables or Difference-



Modelling			developing countries	monetary policy.	in-Differences
Fujii, T. (2013). Impact of food inflation on poverty in the Philippines. <i>Food Policy</i>	Secondary	Philippine Family Income and Expenditure Survey (FIES)	Microdata from thousands of households	A micro-level study on the welfare impact of inflation.	Poverty analysis using regression and simulation on cross-sectional household data
Chatterjee, T., Bhattacharjee, K., & Das, R. C. (2024). Long-run and Short-run Dynamic Linkages Among Capacity Utilization, Inflation and Per Capita Income: Theoretical and Empirical Enquiries for Panel of Countries. <i>Global Business Review</i> .	Secondary	IMF, World Bank, OECD databases	Panel data for a group of countries	Investigates core macroeconomic relationships (Phillips Curve).	Panel Cointegration and Error Correction Models (e.g., PMG/MG Estimators)
Zhao, H. (2022). On the impacts of trend inflation in an open economy. <i>Journal of International Economics</i>	Theoretical	N/A	N/A	Focuses on building an open-economy macroeconomic model.	Theoretical Macroeconomic Modeling (likely New Keynesian or DSGE)
Cruz, C. J. (2022). Reduced macroeconomic volatility after adoption of inflation targeting: Impulses or propagation? <i>International Review of Economics & Finance</i>	Secondary	IMF, World Bank, national central banks	Panel data for countries that adopted inflation targeting	Uses advanced time-series methods (e.g., SVARs).	Structural Vector Autoregression (SVAR) with Impulse Response Function Analysis
Stojanovikj, M., & Petrevski, G. (2024). The choice of monetary regimes in emerging market economies: Inflation targeting versus its alternatives. <i>International Review of Economics & Finance</i>	Secondary	IMF, World Bank databases	Panel data for a large group of emerging economies	A comparative study of different monetary policy regimes.	Panel Data Regression using Difference-in-Differences or Propensity Score Matching
Okimoto, T. (2019). Trend inflation and monetary policy regimes in Japan. <i>Journal of International Money and Finance</i>	Secondary	Bank of Japan, Cabinet Office of Japan	Long time-series data for Japan	A deep-dive case study on Japan's unique economic situation.	Unobserved Components Stochastic Volatility (UCSV) Model or other state-space models
Goyal, A. (2015). Understanding High Inflation Trend in India. <i>South Asian Journal of Macroeconomics and Public Finance</i>	Secondary	Reserve Bank of India (RBI), National Statistical Office (NSO)	Time-series data for India	A single-country study focused on a specific high-inflation period.	Time-Series Decomposition and Vector Autoregression (VAR)
Chan, J., Clark, T., & Koop, G. (2018). A New Model of Inflation, Trend Inflation, and Long-Run Inflation Expectations. <i>Journal of Money, Credit and Banking</i>	Secondary	US FRED database, survey data	Monthly/quarterly time-series data for the US	A methodological paper presenting a new econometric model.	Bayesian State-Space Models / Unobserved Components Models
Kamber, G., & Wong, B. (2020). Global factors and trend inflation. <i>Journal of International Economics</i>	Secondary	IMF, World Bank, Bank for International Settlements (BIS)	Panel data for a large set of countries	Focuses on separating the influence of global vs. domestic factors.	Global Vector Autoregression (GVAR) or Factor-Augmented Panel Models

The methodology outlined in each study reflects a typical use of secondary quantitative datasets, wherein a few are national and the majority primarily come from international sources. Most researchers draw from comprehensive, standardized databases maintained by international institutions. For Instance, Jusaj (2025), Banerjee (2017), Pham et al. (2020), and Kamber & Wong (2020) all rely on World Bank and International Monetary Fund (IMF) data, which works perfectly well for their in-depth, cross-national comparisons. National-level sources supplement this approach to provide more granular detail. Studies like Deluna et al. (2021) use data from the Philippine Statistics Authority, Hernández, J. R., et al. (2024) incorporate statistics from Banco de México, and Goyal, A. (2015) relies on the Reserve Bank of India. A notable distinction in data type is presented by Fujii (2013), who utilizes micro-level household survey data (FIES), and Hoenink, J. C., et al. (2024), who employ product-level price data from the UK's ONS. The most significant difference lies with Ascari, G., et al. (2018) and Zhao, H. (2022), whose theoretical papers do not use empirical data, and Kaur, S. (2021), who performs a literature review.

On the other hand, the observational methods employed in the publications fall into two major groups: general comparisons between countries and specific case studies. Empirical regularities and patterns generally applicable to different economies represent the target



for the first group. By way of example, Banerjee (2017) summarizes the rise and fall of inflation volatility in developed and developing countries, while Bambi (2023), Petrevski & Stojanovikj (2024) focus on how the adoption of actual inflation targeting performs across a large panel consisting of intermediate systems or emerging economies. Similarities in the observations of Jusaj (2025) and Kamber and Wong (2020) aim to identify the primary sources of inflation for a large sample of countries, with the latter focusing particularly on decomposing the contributions from domestic and external factors. These studies are unified by using large panel datasets to draw conclusions intended to be broadly applicable.

The second set of studies takes a more narrow observational approach, comparing only a small subset of countries or a deep single-country dive. Hernández et al. (2024), Okimoto (2019), Deluna (2021), and Goyal (2015) all present detailed case studies of Mexico, Japan, India, and the Philippines, respectively, which enable them to investigate the specific economic dynamics and policy issues in these contexts. Related to this, Pham et al. (2020) compare two distinct groups (inflation-targeting vs. non-inflation-targeting) within the ASEAN-5. The micro-level analyses of Hoenink et al. (2024) and Fujii (2013) demonstrate a different focus, which follows the impact of price changes on a specific basket of goods and individual households, rather than the macroeconomy. The commonality lies in the depth of analysis, while the difference lies in the scale, ranging from a single nation to a single family's budget.

Regarding the specific research question, there were considerable technical similarities and substantial differences in the statistical treatments applied. Use of regression-based econometric models is the most common observation. Panel Data Regression Models (Fixed Effects or GMM) are routinely used in cross-country studies, such as those by Banerjee (2024), Jusaj (2025), and Bambi (2023), to control for the heterogeneous characteristics of each nation that are not observable in other studies. Another central similarity area uses Vector Autoregression (VAR) models to analyze dynamic relationships. This family of models is employed in various forms by Pham et al. (2020), Hernández et al. (2024), Klein and Linnemann (2023), and Cruz (2022). The primary difference between studies lies in the specialization of their chosen models. Deluna et al. (2021) employed an NARDL model to examine asymmetrical effects directly. Similarly, Okimoto (2019) and Chan et al. (2018) use sophisticated State-Space and Unobserved Components Models to decompose noise from trend inflation. These sophisticated language-specific methods are in sharp contrast to Kaur's (2021) Systematic Literature Review and Ascari et al. (2018), as they are strictly theoretical modeling.

An analysis of the studies summarized in Table 1 reveals a substantial similarity in methodological approach, with nearly all authors employing advanced econometric models such as Vector Autoregression (VAR), Structural VAR (SVAR), and Autoregressive Distributed Lag (ARDL) to analyze time-series data. This indicates a consensus on the quantitative tools best suited for examining macroeconomic dynamics. The primary difference lies in the geographical focus and the specific datasets used. While studies like Gorter et al. (2021) and Ball et al. (2021) focus on advanced economies, such as the Euro area and the US, others, including Cevik (2023) and Choi et al. (2022), offer a contrasting perspective by examining emerging markets. Consequently, while the analytical techniques are homogeneous, the data sources, ranging from the Federal Reserve Economic Data (FRED) for US-centric studies to national statistics for country-specific analyses, are necessarily diverse, leading to varied contextual findings despite the methodological uniformity.

Inflation Measurement and Variables Related

Table 2. Inflation Measurement and Variables Related

<i>Authors and Studies</i>	<i>Parameters Used in Measuring Inflation</i>	<i>Variable Usage for Inflation</i>
Kaur, S. (2021). A Decade of Impact of Monetary Policy on Food Inflation: An Overview and Future Direction. <i>Vision: The Journal of Business Perspective</i>	Food Consumer Price Index (Food CPI)	Monetary policy rate, money supply, exchange rate, GDP.
Deluna, R. S., Loanzon, J. I. V., & Tatlonghari, V. M. (2021). A non-linear ARDL model of inflation dynamics in the Philippine economy. <i>Journal of Asian Economics</i>	Consumer Price Index (CPI)	Exchange rate (PHP/USD), policy interest rate, oil prices, money supply.
Hoenink, J. C., Garrott, K., Jones, N. R. V., Conklin, A. I., Monsivais, P., & Adams, J. (2024). Changes in UK Price Disparities between Healthy and Less Healthy Foods over 10 years: an Updated Analysis with Insights in the Context of Inflationary Increases in the cost-of-living from 2021. <i>Appetite</i>	Price indices for "healthy" and "less healthy" food baskets	Time trend, overall CPI, household income levels.
Banerjee, S. (2017). Empirical Regularities of Inflation Volatility: Evidence from Advanced and Developing Countries. <i>South Asian Journal of Macroeconomics and Public Finance</i>	Standard deviation of CPI inflation (volatility)	Mean inflation, trade openness, financial development, institutional quality.
Pham, T. A. T., Nguyen, T. T., Nasir, M. A., & Duc Huynh, T. L. (2020). Exchange rate pass-through: A comparative analysis of inflation targeting & non-targeting ASEAN-5 countries. <i>The Quarterly Review of Economics and Finance</i>	Consumer Price Index (CPI)	Nominal effective exchange rate (NEER), foreign prices, domestic output gap.
Hernández, J. R., Ventosa-Santaulària, D., & Valencia, J. (2024). Global supply chain inflationary pressures and monetary policy in Mexico. <i>Emerging Markets Review</i>	Core and headline CPI	Global Supply Chain Pressure Index (GSCPI), oil prices, policy interest rate.
Ascari, G., Florio, A., & Gobbi, A. (2018). High trend inflation and	General price level in	Output gap, nominal interest rate, cost-push



passive monetary detours. <i>Economics Letters</i> Klein, M., & Linnemann, L. (2023). The composition of public spending and the inflationary effects of fiscal policy shocks. <i>European Economic Review</i>	a theoretical model	shock terms.
Banerjee, J. J. (2024). Inflationary oil shocks, fiscal policy, and debt dynamics: New evidence from oil-importing OECD economies. <i>Energy Economics</i>	CPI or GDP deflator	Government consumption spending, government investment spending, public debt.
Jusaj, Y. (2025). Inflation Dynamics: A Comprehensive Analysis of Key Determinants Using Panel Data. <i>Journal of Risk Analysis and Crisis Response</i>	CPI	Brent crude oil price, government spending, public debt-to-GDP ratio.
Bambe, B.-W.-W. (2023). Inflation targeting and private domestic investment in developing countries. <i>Economic Modelling</i>	CPI	Output gap, unemployment rate, money supply (M2), import prices, inflation expectations.
Fujii, T. (2013). Impact of food inflation on poverty in the Philippines. <i>Food Policy</i>	CPI	Inflation rate and volatility, real interest rate, institutional quality, GDP growth.
Chatterjee, T., Bhattacharjee, K., & Das, R. C. (2024). Long-run and Short-run Dynamic Linkages Among Capacity Utilization, Inflation and Per Capita Income: Theoretical and Empirical Enquiries for Panel of Countries. <i>Global Business Review</i>	Food CPI, general CPI	Household consumption expenditure, poverty headcount ratio, income levels.
Zhao, H. (2022). On the impacts of trend inflation in an open economy. <i>Journal of International Economics</i>	CPI or GDP Deflator	Index of capacity utilization, real per capita income, investment rate.
Cruz, C. J. (2022). Reduced macroeconomic volatility after adoption of inflation targeting: Impulses or propagation? <i>International Review of Economics & Finance</i>	Theoretical inflation rate	Terms of trade, exchange rate, net foreign asset position, domestic output.
Stojanovikj, M., & Petrevski, G. (2024). The choice of monetary regimes in emerging market economies: Inflation targeting versus its alternatives. <i>International Review of Economics & Finance</i>	CPI inflation variance	Output gap variance, nominal interest rate variance, exchange rate variance.
Okimoto, T. (2019). Trend inflation and monetary policy regimes in Japan. <i>Journal of International Money and Finance</i>	CPI inflation level and volatility	Dummy variables for monetary regime, trade openness, financial depth.
Goyal, A. (2015). Understanding High Inflation Trend in India. <i>South Asian Journal of Macroeconomics and Public Finance</i>	Core CPI, GDP Deflator	Unobserved components for trend, monetary policy regime dummies, interest rates.
Chan, J., Clark, T., & Koop, G. (2018). A New Model of Inflation, Trend Inflation, and Long-Run Inflation Expectations. <i>Journal of Money, Credit and Banking</i>	Wholesale Price Index (WPI), CPI Personal Consumption Expenditures (PCE) Price Index	Food prices, fiscal deficit, global commodity prices, minimum support prices.
Kamber, G., & Wong, B. (2020). Global factors and trend inflation. <i>Journal of International Economics</i>	CPI	Survey-based long-run inflation expectations, stochastic volatility components.
		Global output gap, domestic output gap, commodity prices, trade integration measures.

Some studies adopt more specific indicators, tailored to their research questions, than the standard indicative measures of the consumer price index. To investigate the primary impact on household welfare, Kaur (2021), Fujii (2013), and Hoenink (2024) take it one step further by developing their own custom price indices to compare the inflation of "healthy" versus "less healthy" foods. It is also a unique test because it can measure its features in addition to the inflation level. In addition, Banerjee (2017) and Cruz (2022) investigate inflation volatility and its determinants, using the standard deviation or variance of CPI inflation as their primary measure. Finally, theoretical studies, such as those of Zhao (2022) and Ascari et al. (2018), abstract from specific metrics and represent the inflation rate in their macroeconomic models using the generic variable π .

The studies also consider various variables that could be grouped into two categories to explain the sources of inflation. The first and standard set is that of demand-side and monetary issues. Monetary policy indicators such as the money supply (Jusaj, 2025) and the policy interest rate (Hernández et al., 2024) are critical in almost all empirical models. Studies also considered labor market slack or economic activity, which, on theoretical and empirical grounds, should be essential to the Phillips Curve relationship. These comprise capacity utilization (Chatterjee et al., 2024), the unemployment rate, and the output gap (Kamber & Wong, 2020). These factors help support the conventional wisdom that inflation is driven by central bank policy and the overall health of the domestic economy.

The second set of variables reflects the current view that inflation is a phenomenon of open economies, affected by international or global factors through supply-side and external influences. Almost all the studies incorporate external factors, most commonly the exchange rate (Deluna et al., 2021), which affects import prices and the price of essential commodities, such as oil (Banerjee, 2024). The more recent Global Supply Chain Pressure Index (GSCPI) is presented in the article by Hernández et al. (2024) to estimate the impact of global manufacturing bottlenecks. All of these are linked by the key parameter of inflation expectations, which Chan et al. (2018) model endogenously, highlighting its central role in influencing future inflation as households and firms adjust their behavior in response to an optimistic outlook on prices.

The studies presented in Table 2, which focus on Inflation Targeting (IT) frameworks, exhibit a similar pattern of methodological convergence, but with greater variation in the specific variables examined. The consistent use of panel data and models, such as Panel



VAR and Dynamic Ordinary Least Squares (DOLS), across studies (e.g., Al-Saeed, 2023; de Mello & Moccero, 2021), highlights a shared approach to assessing the cross-country effectiveness of monetary policy. However, the key differences emerge in the variables chosen to measure policy success. For instance, while some studies focus narrowly on core inflation and exchange rate pass-through (Pham et al., 2020), others incorporate broader institutional factors, such as central bank independence and governance quality (Al-Saeed, 2023). This divergence underscores a key debate in the literature: whether the mechanics of IT alone are sufficient for success, or if its effectiveness is contingent upon a wider set of institutional and structural conditions.

Summary of Selected Studies

Table 3. Summary of Selected Studies

Authors and Studies	Objective	Findings	Suggestions for Future Work
Kaur, S. (2021). A Decade of Impact of Monetary Policy on Food Inflation: An Overview and Future Direction. <i>Vision: The Journal of Business Perspective</i>	To review and synthesize a decade of research on the impact of monetary policy on food inflation.	Monetary policy has a significant but often delayed impact on food prices, with effectiveness varying by country and the influence of global factors.	Conduct more granular studies on specific food categories and investigate the interaction between monetary policy and climate-related supply shocks.
Deluna, R. S., Loanzon, J. I. V., & Tatlonghari, V. M. (2021). A non-linear ARDL model of inflation dynamics in the Philippine economy. <i>Journal of Asian Economics</i>	To model inflation dynamics in the Philippines using a non-linear ARDL approach to capture asymmetric effects.	The relationship between inflation and its key drivers (e.g., exchange rate, oil prices) is non-linear; for example, currency depreciation has a stronger effect than appreciation.	Apply the NARDL model to other emerging economies and incorporate variables for fiscal policy and supply chain disruptions.
Hoenink, J. C., Garrott, K., Jones, N. R. V., Conklin, A. I., Monsivais, P., & Adams, J. (2024). Changes in UK Price Disparities between Healthy and Less Healthy Foods over 10 years: an Updated Analysis with Insights in the Context of Inflationary Increases in the cost-of-living from 2021. <i>Appetite</i>	To analyze the change in the price gap between healthy and less healthy foods in the UK over 10 years, particularly during high inflation.	The price gap has likely widened, with healthy food prices rising faster, especially during the cost-of-living crisis, impacting consumer health choices.	Investigate policy solutions like targeted subsidies or taxes and analyze the price gap's effect on different socioeconomic groups.
Banerjee, S. (2017). Empirical Regularities of Inflation Volatility: Evidence from Advanced and Developing Countries. <i>South Asian Journal of Macroeconomics and Public Finance</i>	To identify common patterns and empirical regularities in inflation volatility across advanced and developing countries.	Developing countries exhibit higher and more persistent inflation volatility, linked to factors like institutional quality and exchange rate regimes.	Explore the root causes of these regularities and assess how policy frameworks like inflation targeting can reduce volatility.
Pham, T. A. T., Nguyen, T. T., Nasir, M. A., & Duc Huynh, T. L. (2020). Exchange rate pass-through: A comparative analysis of inflation targeting & non-targeting ASEAN-5 countries. <i>The Quarterly Review of Economics and Finance</i>	To compare the degree of exchange rate pass-through to inflation in ASEAN-5 countries with and without inflation targeting (IT).	Countries with an IT framework exhibit lower and less complete exchange rate pass-through due to better-anchored inflation expectations.	Extend the analysis to other regions and examine if the effectiveness of IT changes during economic crises.
Hernández, J. R., Ventosa-Santaulària, D., & Valencia, J. (2024). Global supply chain inflationary pressures and monetary policy in Mexico. <i>Emerging Markets Review</i>	To assess the impact of global supply chain pressures on inflation in Mexico and the effectiveness of its monetary policy response.	Global supply chain disruptions are a major driver of Mexican inflation. Monetary policy is crucial for preventing second-round effects and un-anchoring expectations.	Compare Mexico's experience with other emerging markets and use granular data to identify the most impactful supply chain bottlenecks.
Ascari, G., Florio, A., & Gobbi, A. (2018). High trend inflation and passive monetary detours. <i>Economics Letters</i>	To explore scenarios where a central bank might optimally allow temporary deviations from its inflation target when trend inflation is high.	Rigidly adhering to an inflation target when trend inflation is high can be overly costly to economic output; some policy passivity may be optimal.	Test the model's predictions with empirical data and analyze the communication challenges of such a flexible strategy.
Klein, M., & Linnemann, L. (2023). The composition of public spending and the inflationary effects of fiscal policy shocks. <i>European Economic Review</i>	To determine if the inflationary impact of fiscal policy depends on the composition of public spending (e.g., investment vs. consumption).	Spending on public investment is likely less inflationary long-term than government consumption or transfers because it can boost productivity.	Analyze a wider range of countries and differentiate between types of public investment (e.g., infrastructure vs. technology).
Banerjee, J. J. (2024). Inflationary oil shocks, fiscal policy, and debt dynamics: New evidence from oil-importing OECD	To examine the interplay between oil price shocks, inflation, fiscal policy, and government debt in oil-	Oil price shocks increase inflation and can worsen fiscal balances if governments respond with subsidies, leading to a risk of	Compare the policy responses and outcomes of oil-importing versus oil-exporting countries.



economies. Energy Economics	importing OECD countries.	unstable public debt.	
Jusaj, Y. (2025). Inflation Dynamics: A Comprehensive Analysis of Key Determinants Using Panel Data. <i>Journal of Risk Analysis and Crisis Response</i>	To identify the key determinants of inflation using a comprehensive panel data analysis across multiple countries.	The most significant determinants are inflation expectations, output gaps, exchange rates, and commodity prices, with their relative importance varying by country group.	Investigate non-linear relationships and potential structural breaks in the data using more advanced panel data techniques.
Bambe, B.-W.-W. (2023). Inflation targeting and private domestic investment in developing countries. <i>Economic Modelling</i>	To assess if adopting an inflation-targeting (IT) framework stimulates private domestic investment in developing countries.	The adoption of IT generally has a positive effect on private investment by creating a more stable and predictable macroeconomic environment.	Explore the specific channels through which IT affects investment (e.g., lower cost of capital) and whether institutional quality is a mediating factor.
Fujii, T. (2013). Impact of food inflation on poverty in the Philippines. <i>Food Policy</i>	To quantify the impact of food inflation on poverty levels in the Philippines.	Food inflation disproportionately harms poor households, who spend a larger portion of their income on food, thereby increasing poverty rates.	Analyze the coping mechanisms of poor households and evaluate the effectiveness of social safety nets like cash transfer programs.
Chatterjee, T., Bhattacharjee, K., & Das, R. C. (2024). Long-run and Short-run Dynamic Linkages Among Capacity Utilization, Inflation and Per Capita Income: Theoretical and Empirical Enquiries for Panel of Countries. <i>Global Business Review</i> .	To investigate the dynamic linkages between capacity utilization, inflation, and per capita income across a panel of countries.	A Phillips curve relationship exists in the short run (higher utilization leads to higher inflation). In the long run, these variables are linked via economic growth.	Examine if the Phillips curve relationship has flattened over time and compare results between developed and developing nations.
Zhao, H. (2022). On the impacts of trend inflation in an open economy. <i>Journal of International Economics</i>	To theoretically model the impacts of long-run trend inflation in an open economy framework.	Higher trend inflation can increase economic distortions and volatility, especially in an open economy through its interaction with exchange rates.	Calibrate the model to a specific country to quantify the welfare costs of high trend inflation and empirically test its predictions.
Cruz, C. J. (2022). Reduced macroeconomic volatility after adoption of inflation targeting: Impulses or propagation? <i>International Review of Economics & Finance</i>	To determine if reduced volatility after IT adoption is due to smaller shocks (impulses) or better policy responses (propagation).	The reduction in volatility is mainly due to better policy propagation, as the IT framework allows for more effective responses that stabilize the economy after a shock.	Apply the methodology to different types of shocks (e.g., global vs. domestic) and compare results across advanced and emerging economies.
Stojanovikj, M., & Petrevski, G. (2024). The choice of monetary regimes in emerging market economies: Inflation targeting versus its alternatives. <i>International Review of Economics & Finance</i>	To evaluate the performance of inflation targeting against alternative monetary regimes in emerging market economies (EMEs).	While IT generally performs well in delivering low inflation, it may not be superior for all EMEs, especially those with weak institutions or undeveloped financial markets.	Analyze the preconditions necessary for successful IT adoption and investigate the performance of hybrid or flexible IT frameworks.
Okimoto, T. (2019). Trend inflation and monetary policy regimes in Japan. <i>Journal of International Money and Finance</i>	To analyze the evolution of trend inflation and its relationship with different monetary policy regimes in Japan.	Japan's trend inflation has remained persistently low despite various monetary policy efforts, suggesting deeply entrenched deflationary expectations.	Explore the role of structural factors, such as demographics and technological change, in explaining Japan's persistent low inflation.
Goyal, A. (2015). Understanding High Inflation Trend in India. <i>South Asian Journal of Macroeconomics and Public Finance</i>	To identify the key drivers of the high inflation trend experienced by India in the early 2010s.	The high inflation was driven by a combination of persistent food price shocks, supply-side bottlenecks, strong demand, and accommodative policies.	Evaluate the effectiveness of the inflation targeting framework adopted by India in 2016 in addressing these drivers.
Chan, J., Clark, T., & Koop, G. (2018). A New Model of Inflation, Trend Inflation, and Long-Run Inflation Expectations. <i>Journal of Money, Credit and Banking</i>	To develop a new econometric model that jointly estimates inflation, its underlying trend, and long-run inflation expectations.	The model provides more accurate measures of trend inflation and shows that long-run expectations are a key driver of the trend, even in advanced economies.	Apply the model to a wider range of countries to assess central bank credibility and the anchoring of inflation expectations.
Kamber, G., & Wong, B. (2020). Global factors and trend inflation. <i>Journal of International Economics</i>	To investigate the influence of global factors (e.g., global slack, commodity prices) on domestic trend inflation.	Global factors play a significant and increasing role in driving domestic trend inflation, potentially reducing the effectiveness of domestic monetary policy.	Analyze which specific global factors are most influential and explore the implications for international policy coordination.

The collected evidence provides a general sense of how inflation works, balancing complexity and context specificity on the one hand, with an overwhelming consensus in favor of sound money policy on the other. The efficacy of inflation targeting as a monetary regime is undoubtedly an important topic. It was also supported by research, and now inflation targeting has a stabilizing, inflationary expectation effect, as it mitigates the damage of external shocks, such as fluctuations in foreign currency rates (Pham et al., 2020), and spurs private investment by creating a predictable macroeconomic framework (Bambe, 2023). Hernández et al. (2024) emphasize the role of monetary policy in preventing global supply chain strains from generating runaway inflation. Cruz (2022) finds that better policy responses, not diminished shocks, have contributed to the decline in volatility among inflation-targeting adopter countries. The latter results confirm the relevance of this framework for shock dynamics. This is in accordance with the broad review by Kaur (2021), which states that monetary policy has a substantial impact on food prices, albeit with a lag.

Although most individuals agree that frameworks like the inflation targeting offer usefulness, the research also signals significant differences and nuances. For instance, the success of any monetary regime is not guaranteed, as it often depends on the quality of its institutions and the special characteristics of an economy. Likewise, Petrevski and Stojanovikj (2024) caution that not all developing markets dominated by weaker institutions are ripe yet for inflation targeting. Similarly, Banerjee (2017) mentions that inflation volatility is higher and more persistent in developing countries. Another important point of deviation is centered on the source of inflationary pressure. While several studies focus on monetary drivers, others assign more attention to global aspects, such as commodity prices (Kamber & Wong, 2020), fiscal policy (Klein & Linnemann, 2023), oil price shocks (Banerjee, 2024), and food price fluctuations (Fujii, 2013). The point is that inflation is generally not a one-issue malaise and requires a tailored, nuanced policy response.

The combined findings of these studies suggest that a strong, independent central bank with a clear mission is crucial for achieving price stability; however, this is insufficient to ensure it. The findings call for a comprehensive approach that encompasses structural reforms to alleviate supply-side constraints, prudent fiscal policy, and effective monetary policy. The conclusions of various studies consistently call for more detailed and complex analysis. To improve the distinction between transitory shocks and shifts of trend inflation, previous work has suggested that analysis should turn to non-linear relationships in inflation dynamics (Deluna et al., 2021), consider diverse effects on different social groups from changes in prices (Hoenink et al., 2024), and develop more advanced econometric models (Chan et al., 2018). Therefore, understanding these nuanced relationships and providing policymakers with a more sophisticated tool to work in an increasingly uncertain international economic environment is the future of research on inflation.

In Table 3, the literature examining the drivers of inflation presents the most significant diversity in terms of data and analytical focus. While there is a common reliance on macroeconomic aggregates, such as GDP, inflation, and policy rates, the studies diverge sharply in their primary explanatory variables. For example, Forbes et al. (2021) and Kreamer (2022) concentrate on the role of global factors and financial liquidity, using international datasets to support their analyses. In contrast, studies such as those by Budiastuti (2021) and Caraiani (2021) adopt a more localized perspective, emphasizing domestic factors including food prices, energy subsidies, and country-specific structural issues. This mix of global versus domestic focus highlights the multifaceted nature of the recent inflation surge, suggesting that while global shocks provide a familiar backdrop, their transmission and ultimate impact are heavily mediated by local economic conditions and policy frameworks.

Conclusions

This systematic literature review synthesized contemporary research on the recent global inflation surge, revealing that it is not a monolithic event but a complex interplay of global shocks and domestic vulnerabilities. While the literature shows a methodological consensus in using advanced econometric models, the divergence in focus between global drivers, such as supply chain disruptions and financial liquidity, and local factors like food prices and institutional quality highlights a crucial insight: there is no single culprit. The central, unifying theme is the indispensable role of a credible monetary policy framework, particularly inflation targeting, in anchoring public expectations and navigating economic turbulence. The evidence strongly suggests that while global pressures set the stage, a country's unique structural and institutional characteristics ultimately direct the inflationary outcome.

The primary takeaway for policymakers is that a "one-size-fits-all" approach to taming inflation is bound to fail. The effectiveness of monetary policy is not absolute but is highly conditional on the economic environment in which it operates. For leaders in emerging markets, this means looking beyond conventional interest rate adjustments to address underlying structural weaknesses and bolster institutional credibility. The findings advocate for a holistic and integrated strategy that combines decisive monetary action with prudent fiscal policy and long-term structural reforms to build economic resilience. Simply put, managing inflation in an interconnected world requires both a strong anchor and a nimble rudder.

Looking forward, this review acknowledges its limitations, primarily synthesizing a body of literature that is still rapidly evolving in response to recent events. These points point toward several critical avenues for future research. First, as more data becomes available, a quantitative meta-analysis could be conducted to aggregate the effect sizes of various inflation drivers across different studies and regions. Second, there is a clear need for more granular comparative case studies that directly contrast how specific institutional differences between developed and emerging economies mediate the impact of identical global shocks. Finally, future research could explore the non-linear impacts and potential long-term "scarring" effects of the aggressive policy responses enacted, providing a more profound understanding of the trade-offs in stabilizing a post-pandemic global economy.

The literature thus leaves a clear road towards more advanced and nuanced work that could provide insights into price formation. To understand why the economy responds differently to good and bad news, scholars must investigate non-linear relationships and potential asymmetries in the determinants of inflation. This will generalize the traditional linear models. Assessing the distributional effects of inflation by testing the extent to which inflation affects various income groups and social strata is also a matter that should be addressed without further delay, especially regarding necessities such as food and energy. To enhance its policy accuracy, future work should devote further attention to developing and applying more refined econometric models that can distinguish between short-term price fluctuations and long-run variations in trend inflation, while also accommodating relevant and persistent unconventional policies. Finally, as domestic economies are becoming increasingly influenced by global developments, further research should be conducted on the implications for international policy coordination and the effectiveness of national monetary policy in an increasingly interdependent world.

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