

TONĆI SVILOKOS

University of Dubrovnik, Department of Economics and Business, Croatia

MONETARY POLICY EFFICIENCY IN CURBING POST-COVID-19 INFLATION

Abstract:

The COVID-19 pandemic led to unconventional monetary policies, such as large-scale asset purchases and near-zero interest rates, which contributed to rising inflation. As inflation increased, central banks responded by tightening policies, including raising interest rates to reduce money supply. This study evaluates the effectiveness of these measures in controlling inflation during the post-pandemic recovery, focusing on the European Union and the United States. It examines the relationship between M2 monetary aggregates and inflation, using the Harmonized Index of Consumer Prices (HICP). Granger causality tests on data from January 2018 to July 2024 show a significant causal link between M2 and inflation, highlighting the importance of interest rate adjustments in managing inflation.

Keywords:

Inflation Control, Money Supply, Granger Causality Analysis, Central Bank Actions

JEL Classification: E52, E58