

# Structurals Drivers Of World Inflation in Post Covid-19 Era

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## Abstract

This article aims to analyze the determinants of global inflation dynamics in the postCOVID-19 era, which appear to be escaping the control of monetary authorities. It assumes that there was a shift in inflation behavior starting in 2019, driven by the emergence and rise of new risks in the international environment. To confirm this hypothesis, we will first used a panel VAR model, estimated using data from 20 countries from 2008 to 2023, to demonstrate that inflation dynamics around the world are no longer governed by traditional monetary variables but are increasingly influenced by economic, financial, climate-related, political variables, and uncertainties that alter the nature of inflation risk.

Second, the study will apply a parametric break test inspired by Lund and Reeves (2007) and Wang (2007) to highlight the existence of a break in the dynamics of inflation's cycle and trend since 2019. The preliminary results, based on the analysis of correlation coefficients between inflation and its main drivers, suggest that global inflation reacts positively to fuel price variations, broad money growth, central bank interest rates, the real effective exchange rate, financial stability, GDP growth rate, openness, external debt, and global policy uncertainty. Conversely, inflation responds negatively to digitalization, public expenditures, and private sector investment. These preliminary results are generally consistent with existing economic theory and empirical literature.

**Keywords:** inflation, structural determinants, covid-19, Panel VAR, break.

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