

[Core Strength: International Evidence on the Impact of Energy Prices on Core Inflation](#)

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In the post-pandemic period, there was substantial cross-country heterogeneity in energy prices faced by consumers, due to variation in countries' energy mix, as well as variation in government energy subsidy policies. The main contribution of this paper is to exploit this country-level variation to show that countries with higher domestic energy prices faced higher subsequent core inflation. Core inflation rises gradually after an energy shock, for a little over a year, before falling back to the pre-shock rate of inflation. We argue that, in the aftermath of large energy price shocks, core inflation is not a reliable measure of underlying or persistent inflation, and should be adjusted for the predicted, country-specific, energy cost pass-through. Focusing more narrowly on services inflation rather than core inflation does not solve the problem, as services inflation responds similarly, in both magnitude and duration, to energy price shocks.