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State Dependence of Monetary Policy During Global Supply Chain Disruptions

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Xiwen Bai[3], Jeśus Fernández-Villaverde[6], Yiliang Li[4] and Francesco Zanetti[1,2,5]

[1]CEPR, [2]CFM, [3]Tsinghua University, [4]University of International Business and Economics, [5]University of Oxford, [6]University of Pennsylvania,

We study how global supply chain disruptions affect monetary policy transmission. Post-pandemic evidence indicates surging transportation costs, goods-market imbalances, and rising prices. We develop a model in which logistical bottlenecks (upstream slack coexisting with downstream shortages) steepen the aggregate supply curve. This convexity amplifies price responses to monetary policy while dampening output effects. Threshold VAR and Local Projection estimates are consistent with this mechanism:during disruptions, contractionary policy reduces prices more at smaller output cost, easing the stabilization trade-off.