

## Abstract

The thesis presents new evidence on the relative importance of seven domestic and foreign inflation drivers in the Czech Republic over the past two decades. A structural vector autoregressive (VAR) model with short-run zero and sign restrictions is estimated within a Bayesian framework, enabling the decomposition of the sources of inflation. A comparative forecast error variance decomposition (FEVD) analysis is performed among three baseline models to investigate the underlying causes of the recent surge in inflation in the Czech economy. The results show a growing prominence of both domestic and foreign supply factors. Furthermore, over the entire period of 2000Q3-2022Q3, demand shocks contribute more than supply shocks to the changes in the price level. This paper also highlights the remarkable role of fiscal policy shocks, while monetary conditions have a minor impact. Additionally, the effectiveness of monetary policy tools is evaluated.

**JEL Classification** F12, F21, F23, H25, H71, H87

**Keywords** inflation, SVAR model, monetary policy, supply and demand shocks

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