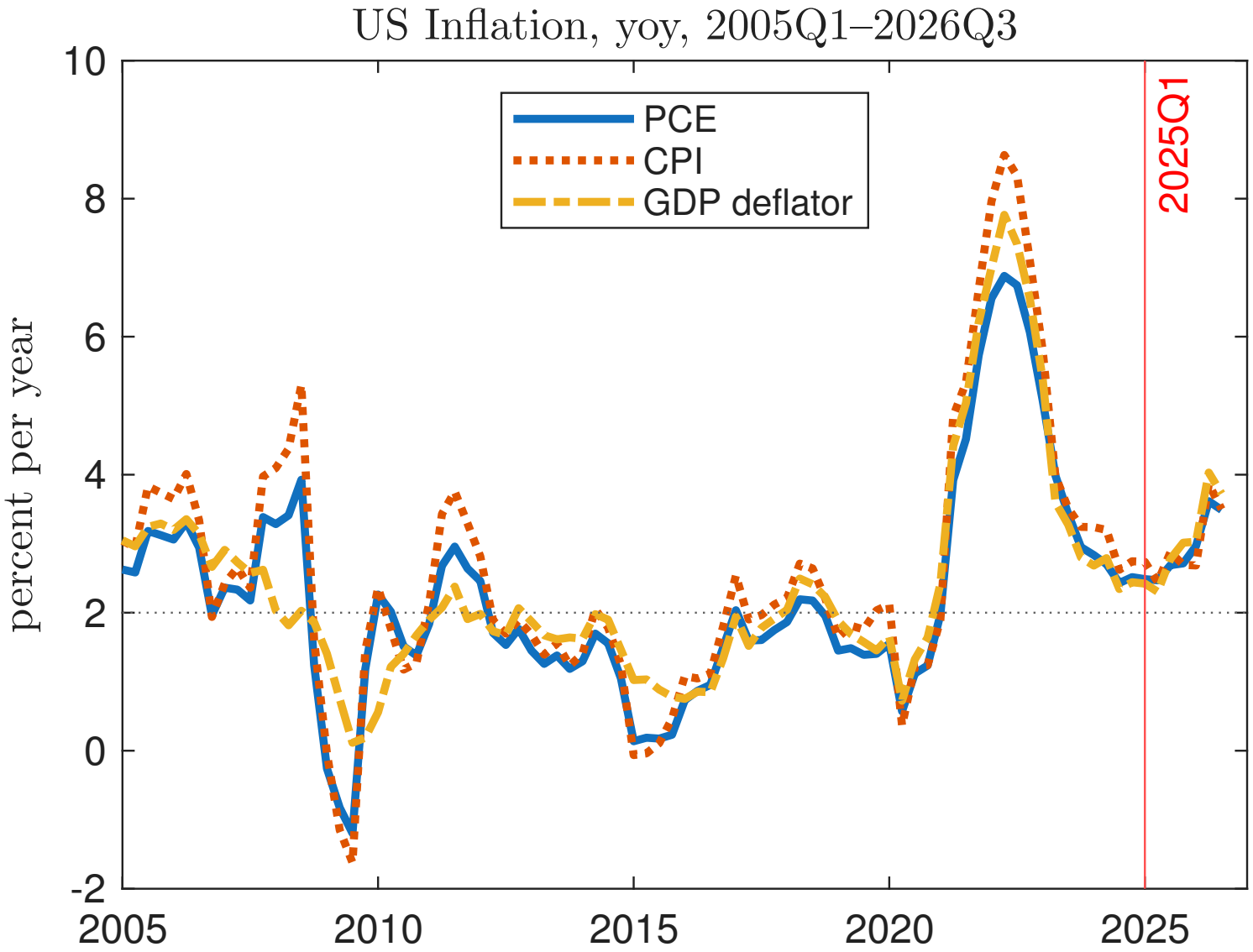
Inflation and the Economic Outlook:

Lessons from the Post-Pandemic Experience

Stephanie Schmitt-Grohé

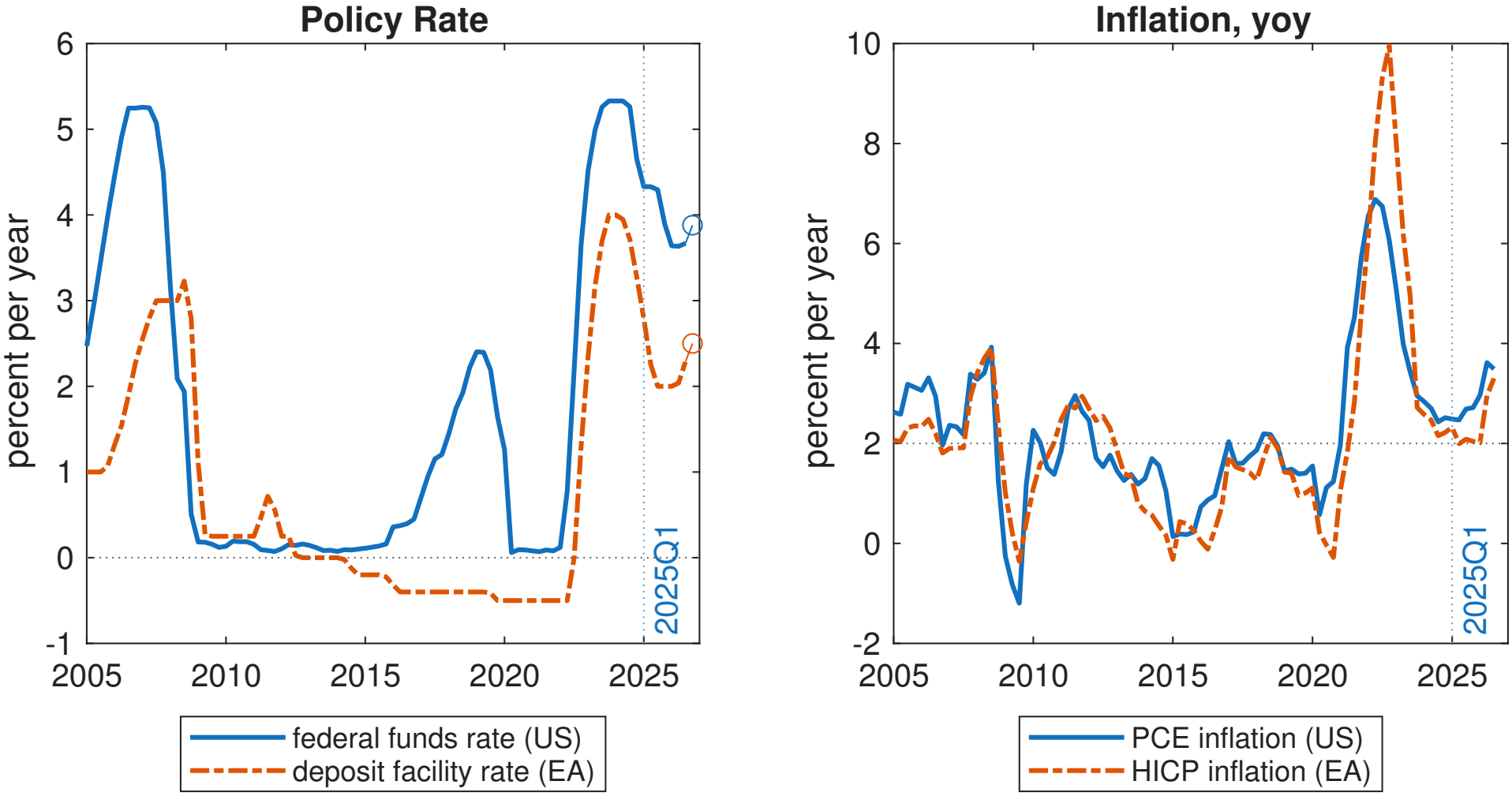
Columbia University

October 30, 2026



• After 2025Q1 similar increases across 3 inflation measures, which have different housing weights.

Policy Rates and Inflation, United States and Euro Area, 2005Q1–2026Q3



- Not too dissimilar inflation increases in US & EA since 2025.

Q: Are the effects of tariffs on inflation mostly behind us?

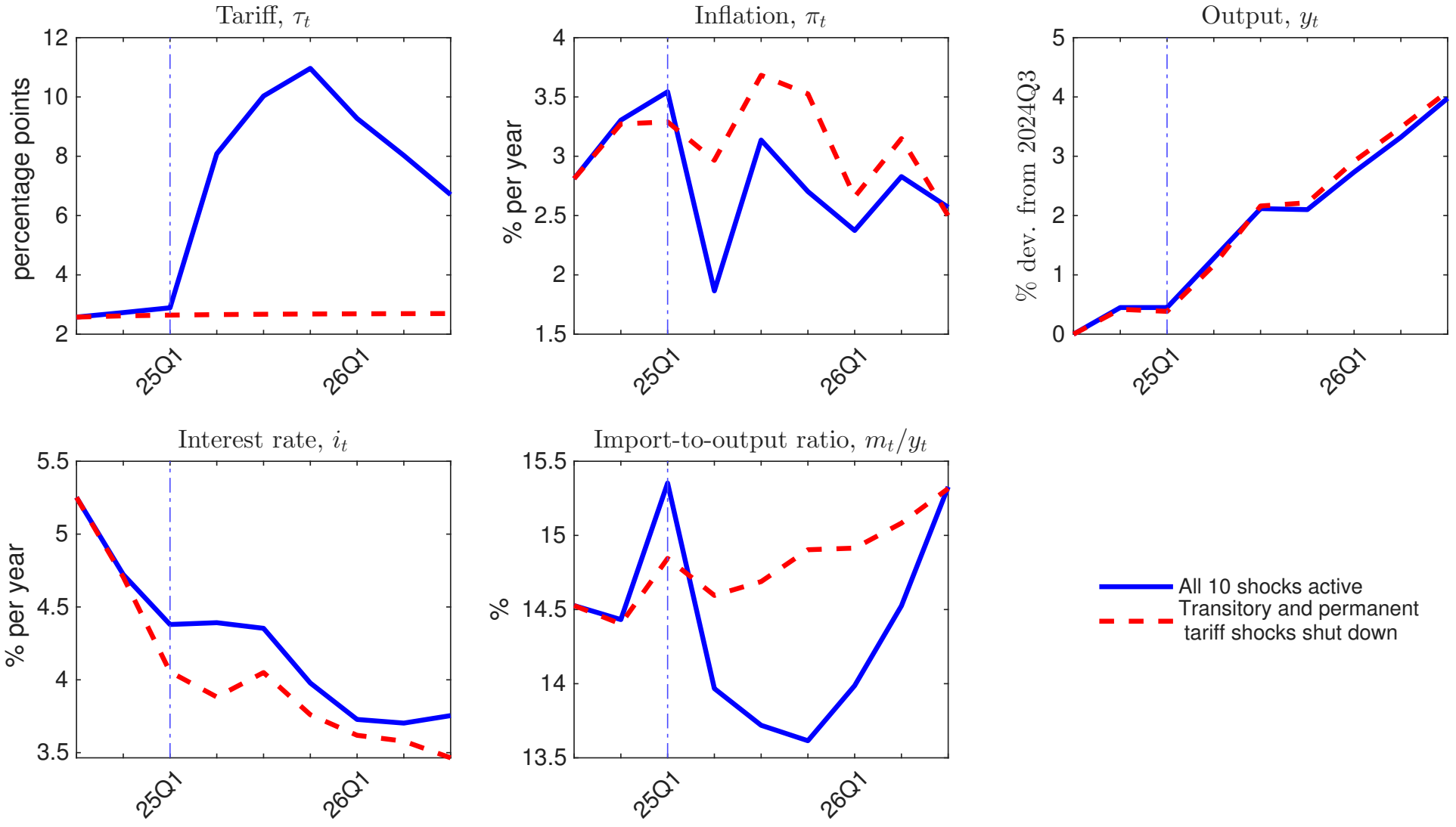
A: Use re-estimation of Schmitt-Grohé and Uribe, "The Effects of Transitory, Permanent, and Anticipated U.S. Import Tariff Shocks," 2026, to speak to this point.

Model: Semi-structural state-space model of US tariffs and their macroeconomic effects.

10 shocks; 4 permanent (tariff, tfp, external, monetary); 6 transitory (tariff, and 5 others)

Estimated on US data, 1959Q2-2026Q3.

Predicted paths with and without tariff shocks, 2024Q3–2026Q3



- Effects of tariffs on inflation are mostly behind us.

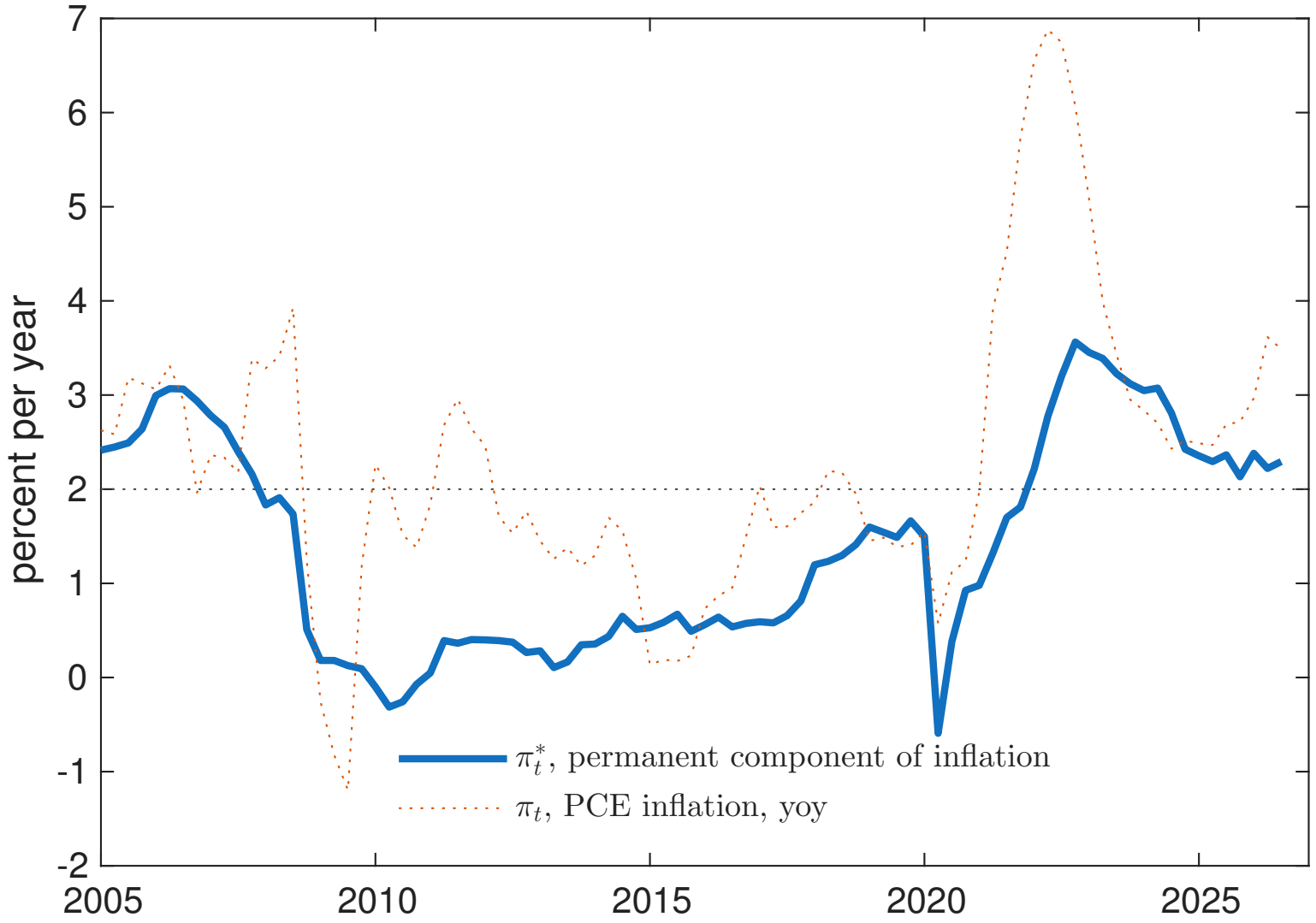
Estimates of the permanent component of inflation: π_t^*

$$\pi_t = \pi_t^* + \pi_t^{cycle}$$

• estimated on US quarterly data of output, inflation, the federal funds rate, effective import tariff, the trade balance, and imports, 1959Q2–2026Q3.*

*Updates of Schmitt-Grohé and Uribe, "The Effects of Transitory, Permanent, and Anticipated U.S. Import Tariff Shocks," 2026.

Inflation and Its Permanent Component, $\pi_t = \pi_t^* + \pi_t^{cycle}$



- As of 2026Q3, permanent component of inflation is at 2% target.

Data Sources

• US inflation slide: PCE: BEA NIPA Table 2.4.4, line 1. CPI: BLS CUUR0000SA0, all-items CPI-U, not seasonally adjusted. GDP deflator: Ratio of nominal to real GDP, BEA NIPA Tables 1.1.5 and 1.1.6, line 1. Last Revised on: October 29, 2026

• US and Euro area slide: HICP: 19-country euro area, all items, not seasonally adjusted; FRED CP0000EZ19M086NEST. Policy rates: Federal Reserve H.15 (effective federal funds rate); FRED ECBDFR (ECB deposit facility rate).

• Quarterly geometric means for CPI and HICP; arithmetic means for policy rates.