

A comparative study of the role of inflation expectations in shaping state economic policy in Eastern European countries, with specific examination of the cases of Belarus, Lithuania, Poland and Russia

Malyarenko Alexander

IPU - Public Administration Research Centre, School of Young Managers in Public Administration (SYMPA), Minsk, Belarus

Abstract: The global economy experienced a series of shocks between 2020 and 2022, resulting in elevated inflation and a decline in the accuracy of macroeconomic forecasting. The impacts of the COVID-19 pandemic were a significant contributor to this in 2020 and 2021, while the war in Ukraine became a driving factor in 2022. It is essential to evaluate the consequences of these macroeconomic shocks, identify solutions to current economic issues, and reduce the likelihood of key risks in the economy. One of the most significant risks currently is inflation, which has risen to high levels in both developed and developing countries.

To effectively address inflation, it is crucial to accurately assess inflationary expectations within the economy, including those of the population. This can be achieved through the use of a qualitative methodology and the development of a pricing macroeconomic policy that aligns population price expectations with inflation target parameters. Failure to do so may result in ineffective economic countermeasures to high price increases.

In the Eastern European region, many economists face a lack of data, which limits the selection of models for studying economic expectations. We have chosen to analyze models for studying inflationary expectations in Poland, Lithuania, Belarus, and Russia as objects of comparative analysis. Each of these countries has its unique characteristics in studying inflation expectations, which is largely due to the specific monetary policy in place.

Inflation targeting mechanisms used by central banks elevate the importance of inflation expectations for macroeconomic policy, while the availability of public data on consumer inflation expectations also plays a crucial role. Both direct population surveys and mixed methods involving experts and mathematical modeling are utilized as mechanisms for studying inflation expectations in the countries under consideration.

The examination and comparison of the methodology employed for managing inflation expectations in Eastern European nations enables an evaluation of the potential for utilizing this mechanism to enhance the effectiveness and efficiency of macroeconomic policy. To improve the quality of macroeconomic forecasting, new approaches in survey methodology (such as DSGE models that take into account the unique rational behavior of economic agents) could be employed, the circle of study respondents could be expanded, the horizon of respondents' expectations could be broadened, and the methodology could be enhanced through probabilistic approaches. A high-quality and effective approach to studying inflationary expectations can increase the level of confidence in ongoing macroeconomic policy and thus strengthen it.