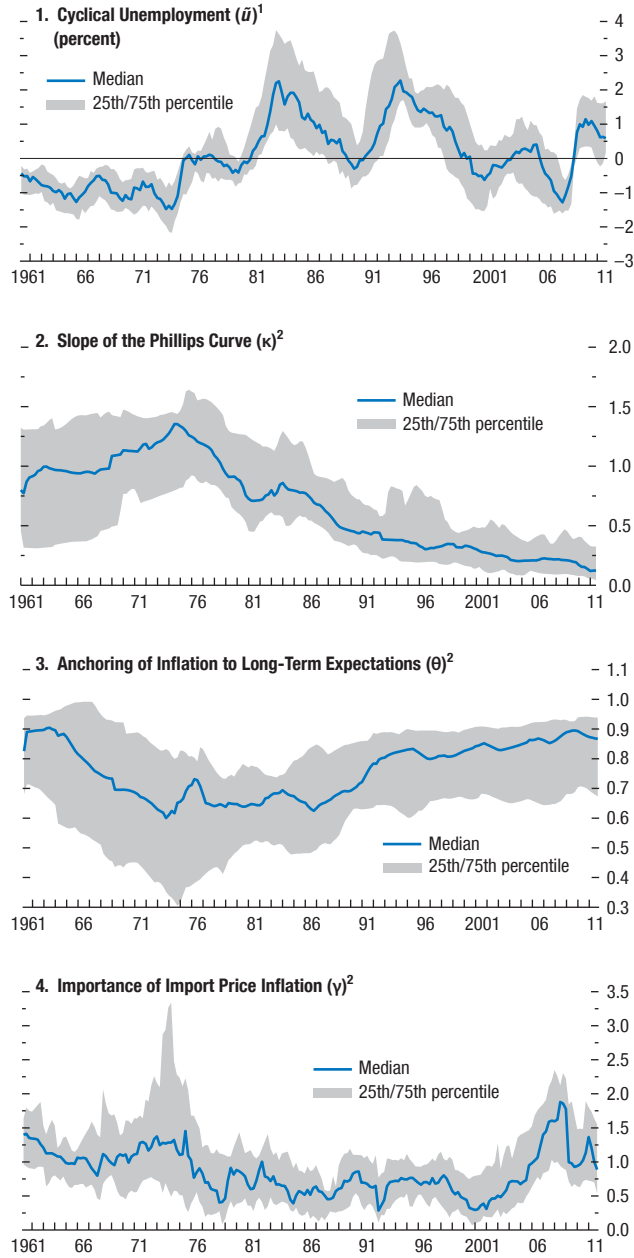


Figure 3.6. Changes in the Inflation Process

The recent rise in cyclical unemployment is similar to that in previous recessions, although the starting position was lower and there is a significant dispersion across countries. There has been a decline in the responsiveness of inflation to unemployment—that is, the slope of the Phillips curve—and a rise in the anchoring to long-term inflation expectations since the 1970s. There is no clear trend in the importance of import price inflation.



Sources: Board of Governors of the Federal Reserve System; *Consensus Forecasts*; Organization for Economic Cooperation and Development; and IMF staff calculations.

Note: Country sample includes Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, and United States.

¹Unemployment rate minus model-generated estimates of the nonaccelerating inflation rate of unemployment.

²See equation (3.3) in the text.