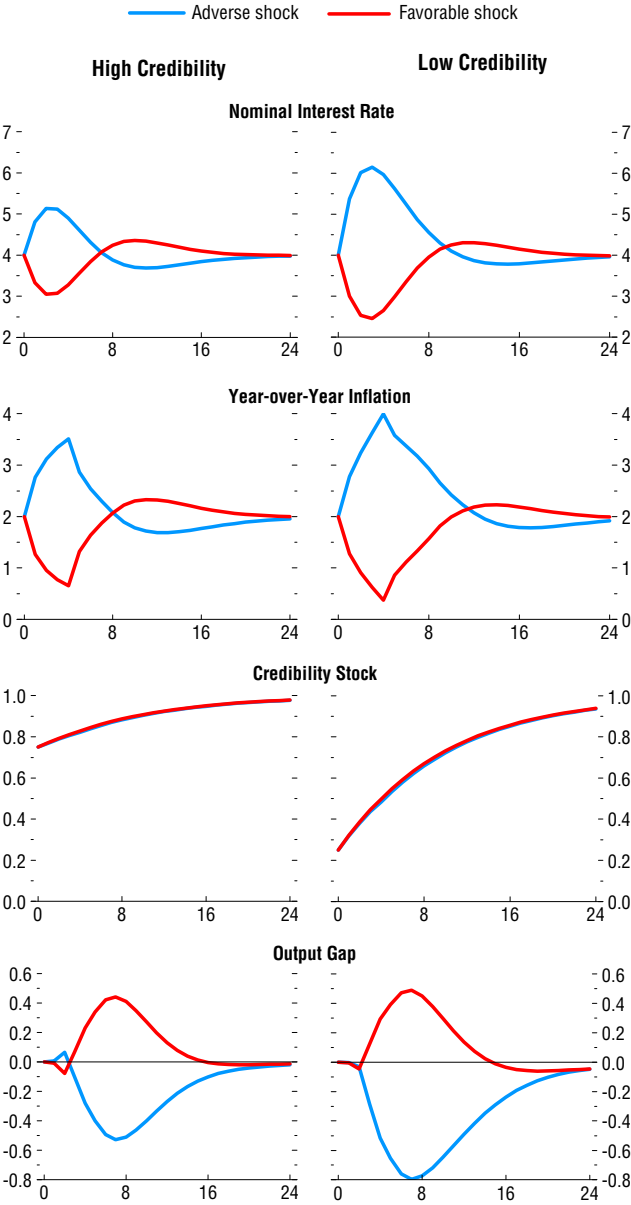


Figure 3.14. Stylized Advanced Economy with Adverse and Favorable Supply Shocks¹
(Percent; quarters on the x-axis)

Adverse and favorable supply shocks are broadly symmetric in their impact on inflation and output and monetary policy implications if credibility is high.



Source: IMF staff calculations.
¹The experiments are based on supply shocks equivalent to a 1 percentage point change in annual average inflation for one year.