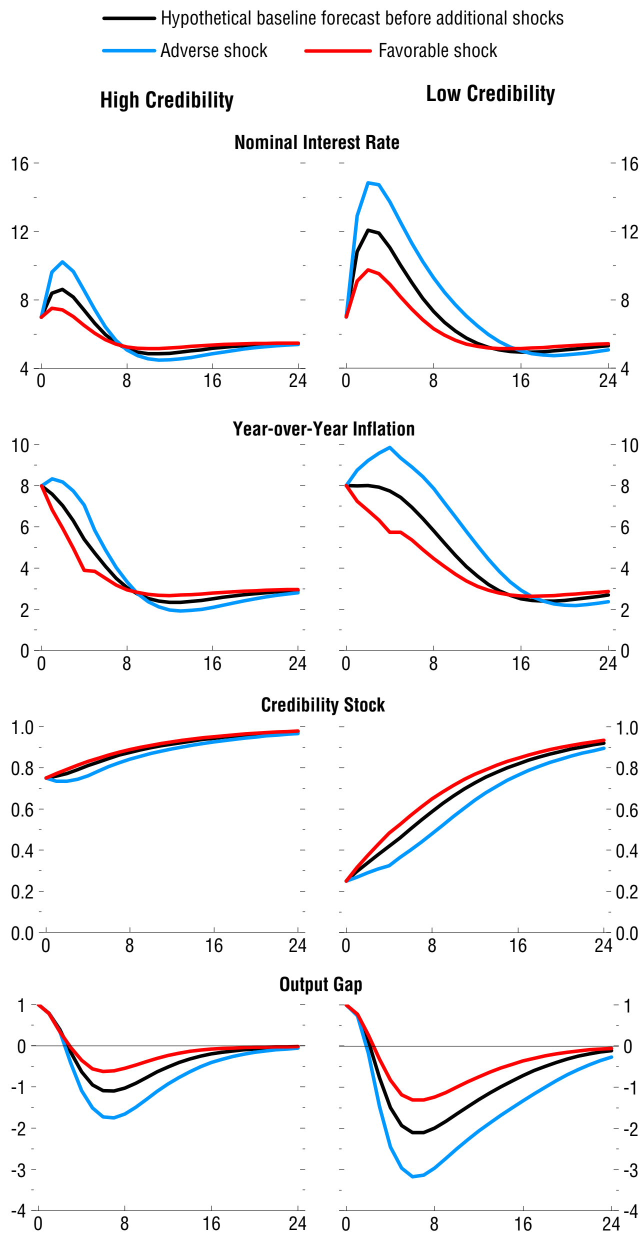
## Figure 3.15. Stylized More-Vulnerable Emerging Market Economy with Adverse and Favorable Supply Shocks[1]

*(Percent; quarters on the x-axis)*

The symmetry between adverse and favorable supply shocks disappears if monetary policy credibility is low and initial inflation is already above target. A more aggressive immediate interest rate response is needed to bring inflation back to target after an adverse supply shock.




Source: IMF staff calculations.

[1]The experiments are based on supply shocks equivalent to a 1 percentage point change in annual average inflation for one year.