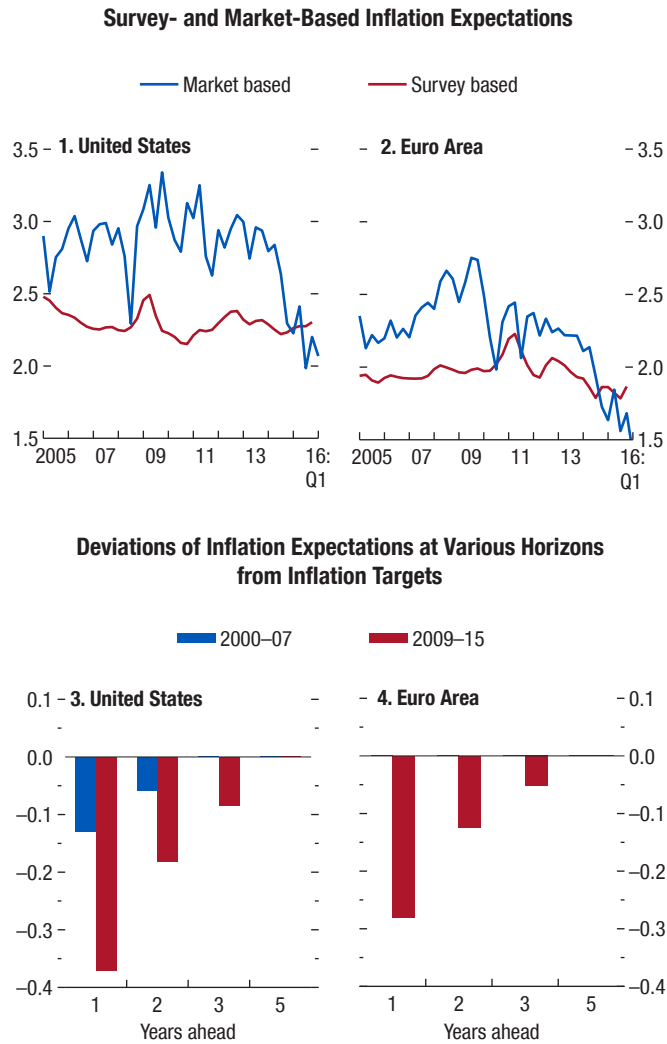


Figure 3.15. Survey- and Market-Based Inflation Expectations (Percent)

Medium-term market-based inflation expectations have decreased substantially in the United States and the euro area recently. Survey-based inflation expectations fell by much less, but they have deviated significantly from inflation targets even at a three-year horizon.



Sources: Bloomberg L.P.; and IMF staff calculations.

Note: Survey-based inflation expectations in panels 1 and 2 correspond to 5-years-ahead inflation forecasts from Consensus Economics; market-based expectations are based on 5 year/5 year inflation swaps. Panels 3 and 4 show the estimated constant in a regression of deviations of survey-based inflation expectation at different horizons from the inflation target (proxied by 10-year ahead inflation expectation) on deviations from target of actual annualized quarterly inflation. Estimated coefficients are set to zero if they are not significant at the 5 percent confidence level. Euro area forecasts correspond to the GDP-weighted average of the forecasts for France, Germany, Italy, the Netherlands, and Spain.