Figure 1.7. Deterioration of Inflation Expectations

Market-based inflation expectations have declined across the board ...

1. Five-Year, Five-Year Swap Forward Rates
(Percent)

... with long-term indicators also declining.

2. Ten-Year Break-Even Rates
(Percent)

Sources: Bloomberg, L.P.; and Citigroup.

The distribution of market-implied expectations has shifted further to the left tail in Europe ...

3. Option-Implied Five-Year Inflation Probability Distribution
in Europe (left) and United States (right)
(Percent)

... while European surveys are more unfavorable than before the launch of quantitative easing.

4. European Central Bank Survey of Professionals—
Probability Distribution of Long-Term Expectations
(Percent)

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

U.S. surveys have also deteriorated, among both consumers and professionals.

5. U.S. Consensus and Survey Inflation Expectations
(Percent)

Japan surveys have hinted at similar downward trends despite aggressive monetary action.

6. Bank of Japan Opinion Survey of Consumers—Outlook for Price Level over the Next Five Years
(Percent)

Sources: Bloomberg, L.P.; and Citigroup.

Note: The consumer series is the New York Federal Reserve three-year-ahead series, and the analysts’ figure is the 2016 inflation consensus from Bloomberg, L.P.