Figure 1.37
Asia: Estimated Central Bank Reaction Functions
(Percent)

- Nominal policy rate (latest)
- Rate implied by the reaction function with $\rho_1$
- Rate implied by the reaction function without $\rho_2$

Source: Haver Analytics; and IMF staff estimates.

Note: Estimated as of April 2, 2015, with monthly data.

1 Estimated as $i_t = \rho i_{t-1} + (1-\rho)(\alpha + \gamma_1 E_t [\pi_{t+1} - \pi^*] + \gamma_2 E_t \text{Output Gap}_{t+1} + \delta_1 \text{REER}_t + \delta_2 \text{US_3Myield}_t) + \varepsilon_t$.

2 Estimated as $i_t = \alpha + \gamma_1 E_t [\pi_{t+1} - \pi^*] + \gamma_2 E_t \text{Output Gap}_{t+1} + \delta_1 \text{REER}_t + \delta_2 \text{US_3Myield}_t + \varepsilon_t$. 

Sources: Haver Analytics; and IMF staff estimates.