Figure 1.28. Estimated Central Bank Reaction Functions (Percent)

- Nominal policy rate (latest)
- Rate implied by the reaction function with $\rho$
- Rate implied by the reaction function without $\rho$ (based on consensus)

Sources: Haver Analytics; and IMF staff estimates.
Note: As of April 01, 2016 with monthly data.

1 Estimated as $i_t = \rho^*i_{t-1} + (1-\rho)^* (\alpha + \gamma_1E_t[\pi_{t+1} - \pi^*] + \gamma_2E_tOutputGap_{t+1} + \delta_1REER_t + \delta_2US_3Myield_t ) + \epsilon_t$

2 Estimated as $i_t = \alpha + \gamma_1E_t[\pi_{t+1} - \pi^*] + \gamma_2E_tOutputGap_{t+1} + \delta_1REER_t + \delta_2US_3Myield_t + \epsilon_t$