Figure 3.13. Response to a Food Price Shock in a Stylized Advanced Economy

In economies with a small food share in consumption and with well-anchored inflation expectations, the impact of the international one-time food price shock is far smaller than in emerging and developing economies. The difference between targeting core and headline inflation in terms of delivering macroeconomic stability is also smaller.

Monetary Policy Framework:
- Headline inflation framework
- Core inflation framework

Source: IMF staff estimates.
Note: The time period is in quarters. The food price shock occurs at t = 0.