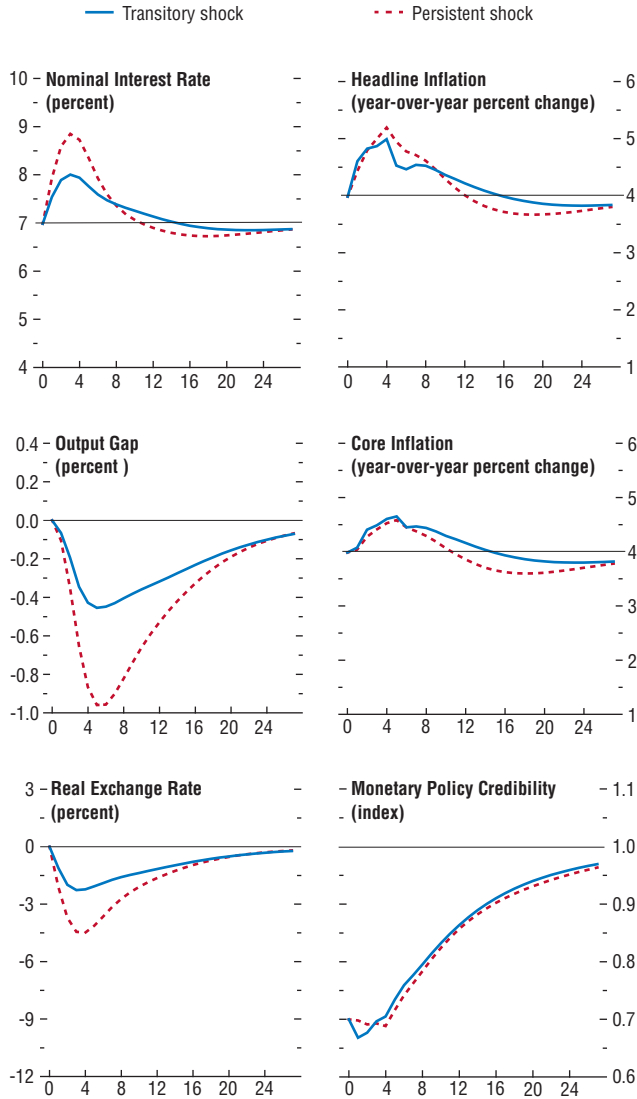


Figure 3.14. One-Time versus Persistent Food Price Shocks

In economies with low monetary policy credibility and a high food share, the central bank that faces a persistent shock, increases the interest rate by more (relative to a one-off shock) to minimize losses in credibility.



Source: IMF staff estimates.

Note: The time period is in quarters. The food price shocks occurs at $t = 0$.