Inflation surprises generally have larger effects on medium-term inflation expectations in emerging and developing economies than in advanced economies. However, in emerging and developing economies with an inflation-targeting framework, inflation expectations are well anchored.

Sources: Consensus Economics; and IMF staff estimates.

Note: This figure shows expectations of inflation in the current year and one to five years ahead as percentage point responses to a 1 standard deviation shock to current-year inflation. Figure reports estimated effect of a 1 standard deviation unexpected change in domestic consumer price index inflation based on private sector inflation expectations surveyed by Consensus Economics, 1990–2010 spring and fall vintages. Unexpected change occurs in year \( t = 0 \). Solid line indicates point estimates; dashes indicate 1 standard error bands.