Medium- and long-term inflation expectations are less sensitive to inflation surprises in countries with more independent and transparent central banks.

Figure 3.17. Sensitivity of Inflation Expectations to Inflation Surprises and Monetary Policy Frameworks

Sources: Consensus Economics; Crowe and Meade (2007) data set; Haver Analytics; and IMF staff calculations.

Note: The sensitivity is measured as the response of inflation expectations at various horizons to a 1 percentage point unexpected increase in inflation based on coefficients from country-specific static regressions. The sensitivity for 5+ years corresponds to the average of estimations using 5- and 10-year-ahead inflation expectations. Black lines denote the fitted lines for the entire sample. Red lines denote the fitted lines excluding outliers.