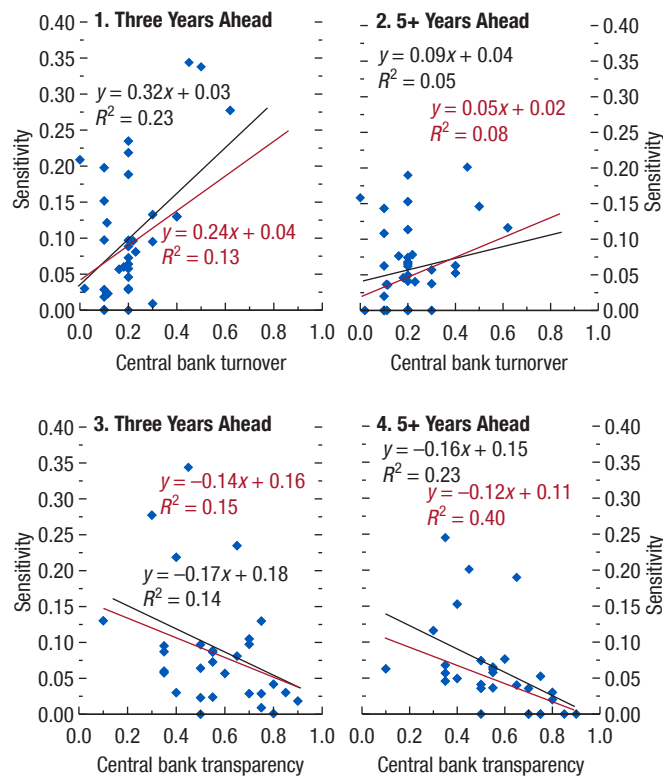


Figure 3.17. Sensitivity of Inflation Expectations to Inflation Surprises and Monetary Policy Frameworks

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



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.