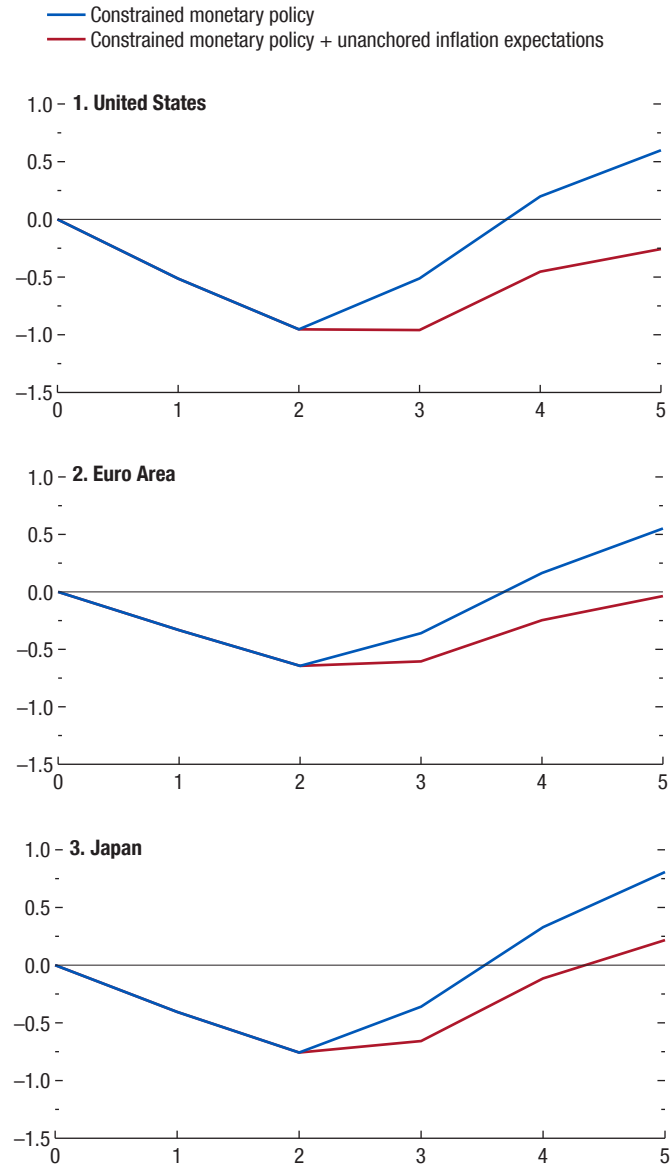


Annex Figure 3.2.2. Effect of Disinflationary Shocks on Core Inflation in Advanced Economies under Constrained Monetary Policy and Unanchored Inflation Expectations

(Percentage points; years after the shock on x-axis)



Source: IMF staff estimates.

Note: The figure reports the responses of core inflation after a combined shock to international oil prices and China's export prices. The model assumes that conventional monetary policy is constrained at the effective lower bound on nominal interest rates in all countries. The alternative scenario (red line) assumes also that inflation expectations are affected by inflation shocks.