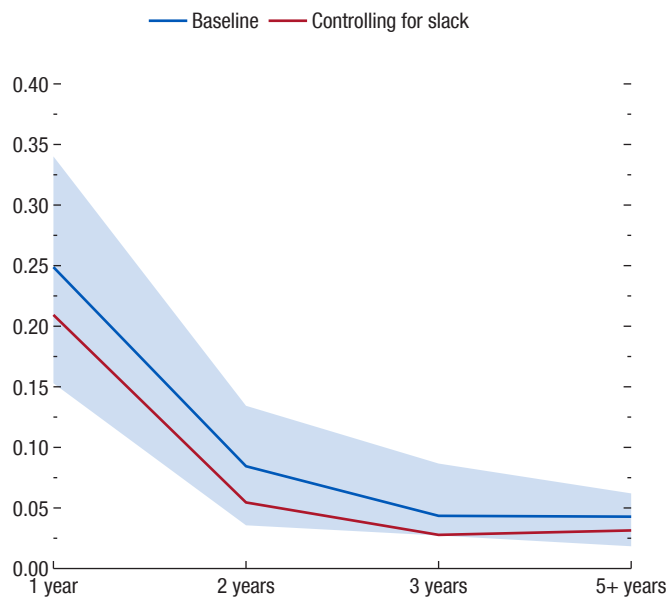


**Annex Figure 3.5.2. Sensitivity of Inflation Expectations when Controlling for Slack: Advanced Economies**



Sources: Consensus Economics; Haver Analytics; and IMF staff calculations.  
 Note: The figure shows 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 alternative specification (red line) controls for the change in one-year ahead unemployment rate expectations. The sensitivity for 5+ years corresponds to the average of estimations using 5- and 10-year-ahead inflation expectations. Solid lines denote the median response of inflation expectations across countries while the shaded area denotes the interquartile range of the responses under the baseline specification.