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.