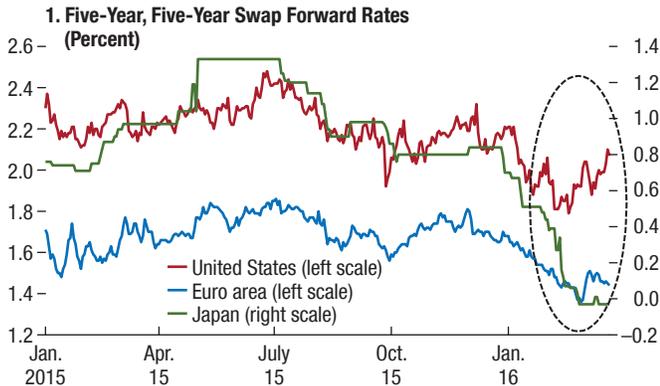


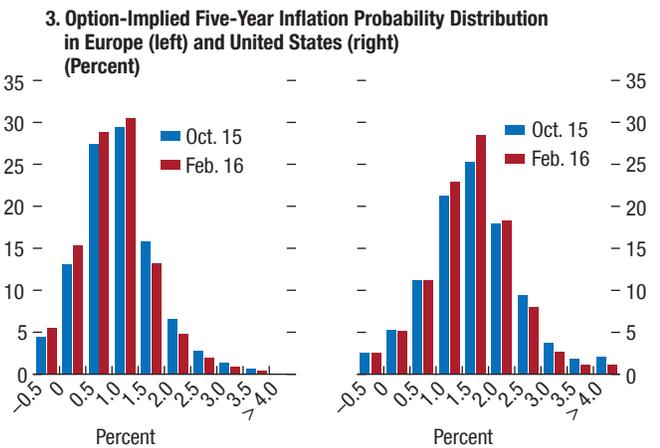
Figure 1.7. Deterioration of Inflation Expectations

Market-based inflation expectations have declined across the board ...



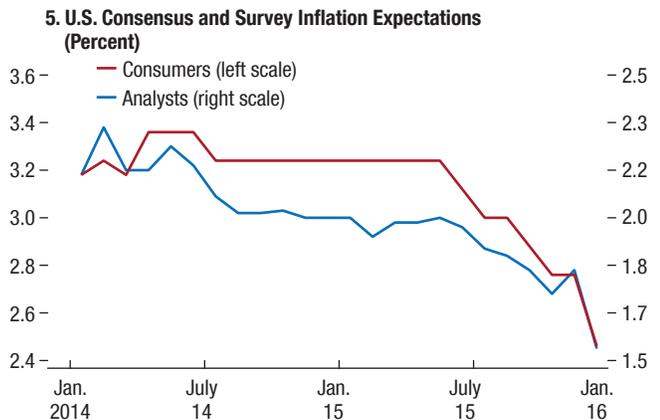
Sources: Bloomberg, L.P.; and Citigroup.

The distribution of market-implied expectations has shifted further to the left tail in Europe ...



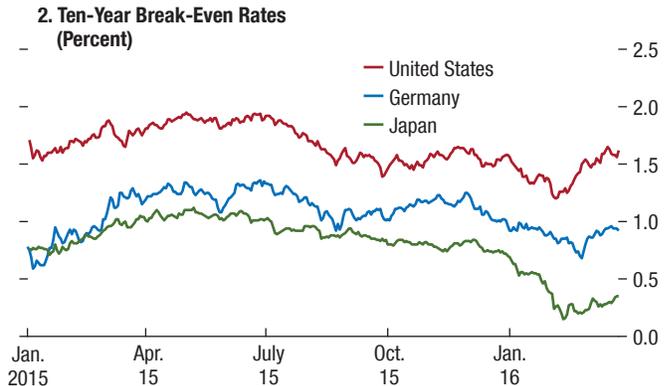
Source: IMF staff calculations.

U.S. surveys have also deteriorated, among both consumers and professionals.



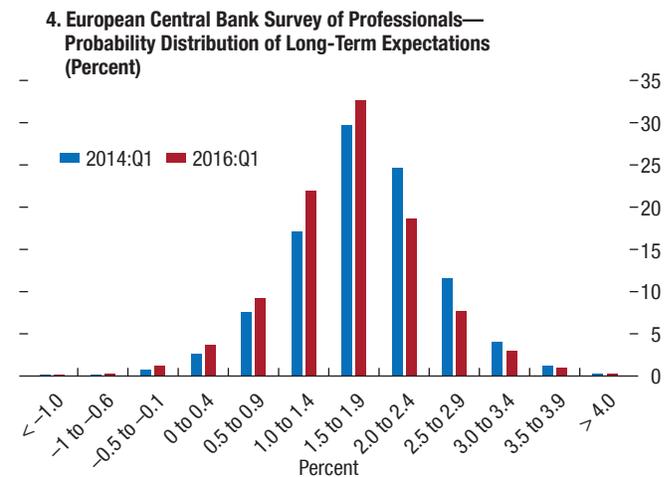
Sources: Bloomberg, L.P.; and Federal Reserve.
Note: The consumer series is the New York Federal Reserve three-year-ahead series, and the analysts' figure is the 2016 inflation consensus from Bloomberg, L.P.

... with long-term indicators also declining.



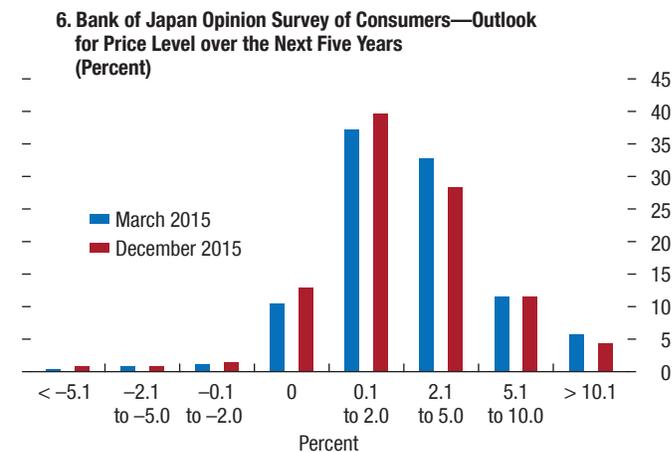
Sources: Bloomberg, L.P.; and IMF staff calculations.

... while European surveys are more unfavorable than before the launch of quantitative easing.



Sources: European Central Bank; and Haver Analytics.
Note: Long term is four calendar years ahead in first and second quarter rounds and five in third and fourth quarter rounds.

Japan surveys have hinted at similar downward trends despite aggressive monetary action.



Sources: Bank of Japan; and Haver Analytics.