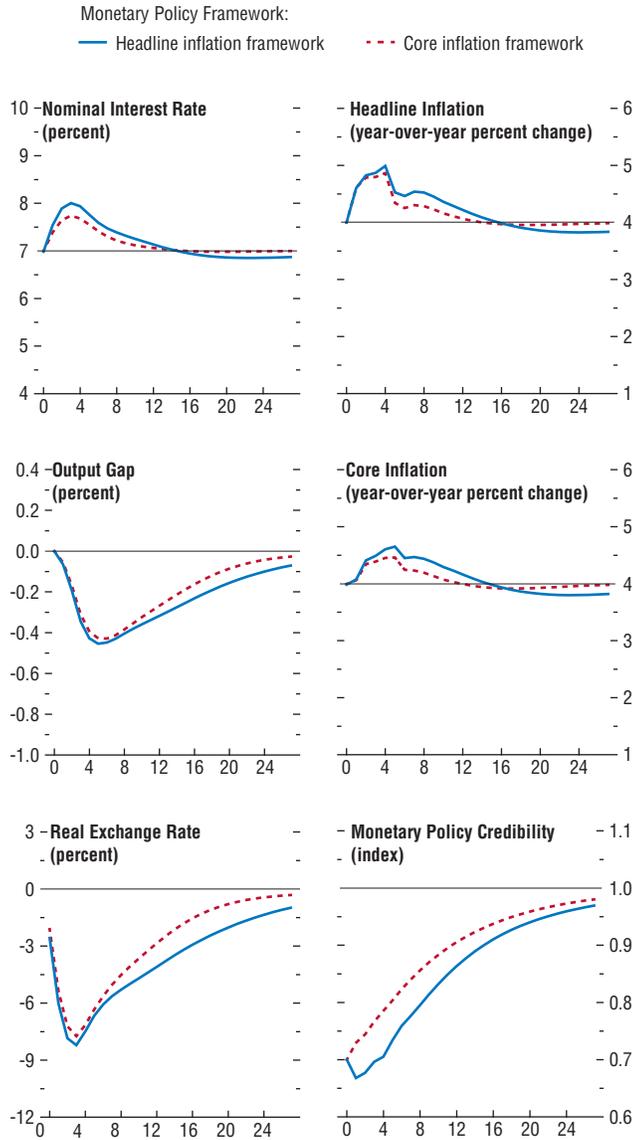


**Figure 3.10. Response to a Food Price Shock in a Stylized Emerging and Developing Economy**

In emerging and developing economies with a high food share in the consumption basket and low monetary policy credibility, targeting core inflation after a one-time food price increase helps to stabilize both output and headline inflation.



Source: IMF staff estimates.

Note: The time period is in quarters. The food price shocks occurs at  $t=0$ .