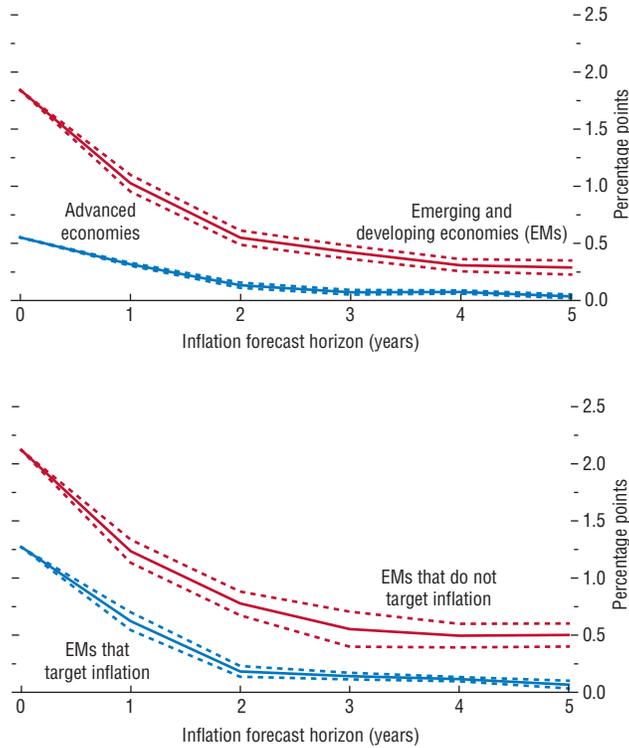


Figure 3.8. Response of Inflation Expectations to Inflation Surprises

Inflation surprises generally have larger effects on medium-term inflation expectations in emerging and developing economies than in advanced economies. However, in emerging and developing economies with an inflation-targeting framework, inflation expectations are well anchored.



Sources: Consensus Economics; and IMF staff estimates.

Note: This figure shows expectations of inflation in the current year and one to five years ahead as percentage point responses to a 1 standard deviation shock to current-year inflation. Figure reports estimated effect of a 1 standard deviation unexpected change in domestic consumer price index inflation based on private sector inflation expectations surveyed by Consensus Economics, 1990–2010 spring and fall vintages. Unexpected change occurs in year $t = 0$. Solid line indicates point estimates; dashes indicate 1 standard error bands.