Figure 1.37

Asia: Estimated Central Bank Reaction Functions
(Percent)

Legend:
- ■ Nominal policy rate (latest)
- ◆ Rate implied by the reaction function with ρ[1]
- — Rate implied by the reaction function without ρ[2]

Categories (x-axis): Korea, Thailand, Australia, China, Malaysia, New Zealand, Philippines, Indonesia, India
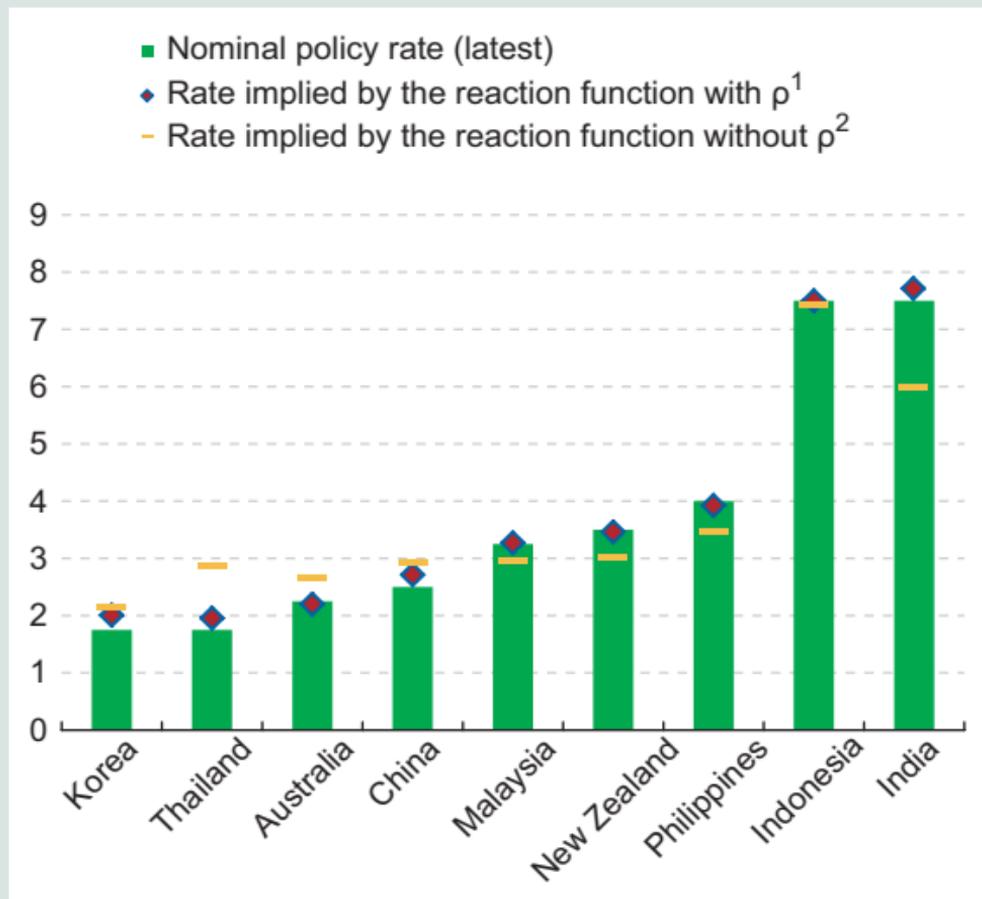
Sources: Haver Analytics; and IMF staff estimates.

Note: Estimated as of April 2, 2015, with monthly data.

[1] Estimated as $i_t = \rho * i_{t-1} + (1-\rho)*(\alpha + \gamma_1 E_t[\pi_{t+1} - \pi^*] + \gamma_2 E_t$ Output Gap$_{t+1} + \delta_1 REER_t + \delta_2 US\_3Myield_t) + \varepsilon_t$.

[2] Estimated as $i_t = \alpha + \gamma_1 E_t[\pi_{t+1} - \pi^*] + \gamma_2 E_t$ Output Gap$_{t+1} + \delta_1 REER_t + \delta_2 US\_3Myield_t + \varepsilon_t$.