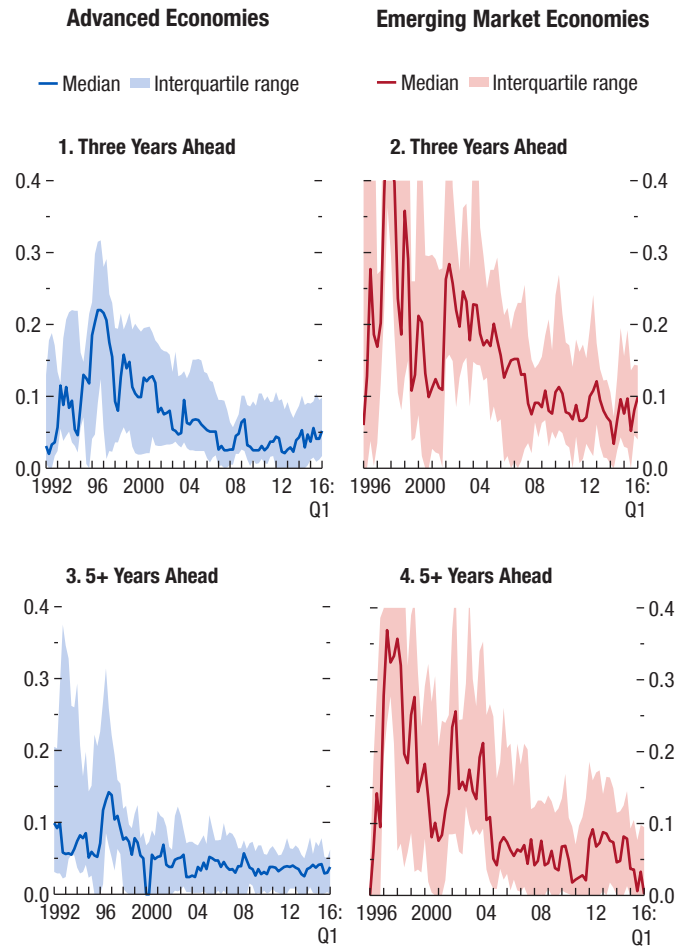


Figure 3.19. Sensitivity of Inflation Expectations to Inflation Surprises over Time

The sensitivity of inflation expectations to inflation surprises has been steadily declining over time. But this downward trend seems to have come to a halt more recently, especially among 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 time-varying coefficients from country-specific estimations using a Kalman filter. The sensitivity for 5+ years corresponds to the average of estimations using 5- and 10-year-ahead inflation expectations.