

Economy	Start	End	Number of months	No of forecasters			Total observations
				Minimum	Maximum	Average	
Argentina	Apr.01	Apr.16	181	7	25	15.1	2734
Bulgaria	May.07	Jun.16	110	8	16	11.9	1309
Brazil	Apr.01	Jun.16	183	13	27	18.0	3303
Canada	Jan.90	Jun.16	318	11	20	15.2	4847
Switzerland	Jun.98	Jul.16	218	6	17	13.3	2891
Chile	Apr.01	Jul.16	184	11	23	17.0	3122
China	Dec.94	Jun.16	259	11	24	17.9	4624
Colombia	Apr.01	Jul.16	184	7	16	12.2	2251
Czech Republic	May.07	Jun.16	110	13	22	17.0	1869
Germany	Jan.90	Jul.16	319	12	32	26.5	8457
Estonia	May.07	Jul.16	111	6	12	9.2	1023
Spain	Jan.95	Jul.16	259	7	19	13.9	3607
France	Jan.90	Jul.16	319	6	26	17.8	5692
UK (CPI)	Jan.05	Jun.16	138	19	29	24.5	3382
UK (RPI)	Jan.90	Dec.04	180	18	39	29.5	5308
Hong Kong SAR	Dec.94	Jun.16	259	9	21	15.4	3984
Croatia	May.07	Jun.16	110	7	17	11.3	1238
Hungary	May.07	Jun.16	110	12	25	16.5	1810
Indonesia	Dec.94	Jul.16	260	7	20	13.9	3601
Italy	Jan.90	Jul.16	319	6	21	13.8	4406
Japan	Jan.90	Jun.16	318	5	25	17.2	5481
Korea	Dec.94	Jul.16	260	9	22	15.2	3949
Lithuania	May.07	Jun.16	110	6	12	8.0	883
Latvia	May.07	Jun.16	110	7	14	9.5	1043
Mexico	Apr.01	Jul.16	184	9	27	19.3	3549
Malaysia	Dec.94	Jun.16	259	10	23	15.1	3916
Netherlands	Jan.95	Jul.16	259	7	14	9.4	2430
Norway	Jun.98	Jun.16	217	5	12	9.2	2007
Peru	Apr.01	Jul.16	184	7	17	11.8	2177
Philippines ¹	Dec.94	Jul.16	260	12	21	15.4	1526
Poland	May.07	Jun.16	110	12	25	17.3	1901
Romania	May.07	Jul.16	111	7	19	12.4	1374
Russia	May.07	Jul.16	111	10	24	16.3	1807
Sweden	Jan.95	Jun.16	258	6	18	13.4	3470
Singapore	Dec.94	Jun.16	259	8	19	14.7	3800
Slovenia	May.07	Jul.16	111	7	16	10.6	1179
Slovakia	May.07	Jun.16	110	8	15	11.4	1249
Thailand	Dec.94	Jul.16	260	8	22	13.9	3623
Turkey	May.07	Jul.16	111	9	21	15.2	1683
Chinese Taipei	Dec.94	Jul.16	260	9	22	14.3	3720
Ukraine	May.07	Jul.16	111	8	19	14.4	1599
United States	Jan.90	Jun.16	318	16	33	25.8	8203
Venezuela	Apr.01	Dec.15	177	7	19	13.6	2402

Online Annex Table A1: Data coverage

Economy	Start	End	Length (months)	Minimum current year forecast	Minimum next year forecast	Minimum inflation outcome
Argentina	Jun.01	Feb.02	9	-1.6	-0.9	-1.7
Chile	Aug.09	Mar.10	8	-1.3	2.7	-2.3
Bulgaria	Aug.13	Apr.15	21	-1.3	1.1	-2.6
Estonia	May.09	Apr.10	12	-0.8	-0.2	-2.2
Estonia	Jun.14	Jul.16	26	-0.4	1.3	-1.3
Croatia	Feb.14	Jun.16	29	-0.7	1.0	-1.9
Hungary	Sep.14	Jun.15	10	-0.1	1.5	-1.4
Lithuania	Dec.14	Feb.16	15	-0.7	1.4	-1.8
Latvia	Oct.09	Oct.10	13	-3.0	-3.1	-4.2
Latvia	Jan.16	Jun.16	6	-0.1	1.7	-0.8
Poland	Aug.14	Jun.16	23	-0.9	0.7	-1.3
Romania	Jun.15	Jul.16	14	-1.2	-0.2	-3.5
Slovenia	Jan.15	Jul.16	19	-0.5	0.8	-0.8
Slovakia	Feb.14	Jun.16	29	-0.3	0.9	-0.8
Ukraine	Nov.12	Dec.13	14	-0.3	3.3	-0.8
Switzerland	Mar.09	Dec.09	10	-0.5	0.6	-1.2
Switzerland	Oct.11	Dec.13	27	-0.6	-0.1	-1.1
Switzerland	Sep.14	Jul.16	23	-1.3	-0.3	-1.4
Spain	Mar.09	Dec.09	10	-0.3	1.3	-1.4
Spain	Jul.14	Jul.16	25	-1.1	0.5	-1.3
France	May.09	Dec.09	8	0.1	1.1	-0.7
Italy	Feb.16	Jul.16	6	-0.1	0.9	-0.5
Japan	Oct.95	May.96	8	0.0	0.2	-0.7
Japan	Feb.99	Oct.04	69	-1.0	-0.9	-1.6
Japan	Jun.05	Jun.06	13	-0.2	0.1	-1.0
Japan	Feb.09	Aug.11	31	-1.3	-1.0	-2.5
Japan	Jun.12	Jul.13	14	-0.2	-0.1	-0.9
Sweden	Sep.96	Jun.97	10	0.8	1.3	-0.4
Sweden	Jun.98	Apr.99	11	0.3	0.6	-1.2
Sweden	Apr.09	Jan.10	10	-0.4	0.8	-1.9
Sweden	Aug.14	Oct.15	15	-0.2	0.7	-0.4
United States	Mar.09	Dec.09	10	-1.0	1.6	-2.1
China	Apr.98	Jun.00	27	-1.3	1.2	-2.2
China	Mar.02	Feb.03	12	-0.8	0.3	-1.3
China	Feb.09	Dec.09	11	-0.7	1.4	-1.8
Hong Kong SAR	Nov.98	Aug.04	70	-3.6	-1.5	-6.1
Malaysia	Jun.09	Jan.10	8	0.6	2.0	-2.5
Singapore	Jun.98	Jun.99	13	-0.6	-0.5	-1.5
Singapore	Nov.01	Dec.02	14	-0.4	1.1	-1.1
Singapore	Jun.09	Feb.10	9	-0.2	1.4	-0.9
Singapore	Nov.14	Jun.16	20	-0.5	0.5	-1.6
Thailand	May.99	Dec.99	8	0.3	2.2	-1.2
Thailand	Jan.09	Nov.09	11	-1.0	2.1	-4.4
Thailand	Jan.15	Jun.16	18	-0.8	1.4	-1.3

Online Annex Table A2: Deflation episodes

Economy	Start	End	Length (months)	Minimum current year forecast	Minimum next year forecast	Minimum inflation outcome
Chinese Taipei	Jun.03	Feb.04	9	-0.3	0.5	-1.0
Chinese Taipei	Feb.09	Feb.10	13	-1.2	0.7	-2.3
Chinese Taipei	Jan.15	Oct.15	10	-0.4	1.1	-0.9

Online Annex Table A2 (continued): Deflation episodes

Notes: See the definition of deflation episodes in Graph 1. The length of deflation episodes in this table includes the two consecutive months of positive inflation rates that potentially follow deflation. The minimum forecast refers to the lowest median forecast across forecasters, observed over the deflation episode.

Variable	Source	Data transformations
CPI inflation	National data	
Inflation expectations	Consensus Economics	
GDP growth expectations	Consensus Economics	
Nominal effective exchange rate	National data	
Inflation gap		For countries that specify target ranges, the gap refers to the distance of inflation from the mid-point of the range. For economies that do not pursue IT, and for current inflation targeters prior to the adoption of IT, we use the deviation of inflation outcomes from a Hodrick-Prescott filtered trend, with a smoothing parameter of 14,400. The classification of countries into IT and non-IT regimes follows the working paper version of Mehrotra and Yetman (2018).
Output gap	IMF, <i>World Economic Outlook</i> ; national data; authors' calculations	The output gap is calculated as the difference between actual and potential GDP, with the potential GDP estimated using a Hodrick-Prescott-Filter and a smoothing parameter of 1,600 for quarterly data. The data are then converted to monthly frequency by linear interpolation.
Taylor-rule benchmark	Hofmann and Bogdanova (2012), Footnote to Graph 1	Calculated as: $i_t = r_t^* + \pi_t^* + 1.5 * infl\ gap_t + 0.5 * output\ gap_t.$ The long-run real interest rate is set equal to the economy's trend growth rate (y-o-y). Trend growth is obtained from applying the HP filter to quarterly real GDP data and using a linear interpolation to convert the data to monthly frequency.
Recession dummy variable		Takes a value of one during quarters of negative quarter-on-quarter real GDP growth, and zero otherwise.
Policy interest rate	Datastream; national data	Where policy rates are not available, money market interest rates are used.
Shadow interest rate	Krippner (2016)	

Online Annex Table A3: Data sources and definitions

Variable	(1)	(2)	(3)	(4)	(5)
$E_{c,t}(\pi_{c,t+12}^{pos})$	0.284** (0.125)	0.300** (0.128)	0.287** (0.125)	0.557** (0.225)	0.536** (0.221)
$E_{c,t}(\pi_{c,t+12}^{neg})$	0.0200 (0.173)	-0.0805 (0.138)	-0.116 (0.128)	-0.0676 (0.247)	-0.0989 (0.244)
$D_{c,t}^{defl}$	0.476** (0.210)	0.410** (0.178)		0.753** (0.299)	
$D_{c,t}^{High\ infl}$	-0.480* (0.269)	-0.440* (0.240)	-0.443* (0.247)	-0.750* (0.412)	-0.756* (0.426)
$infl\ gap_{c,t}^{pos}$		0.0288 (0.0230)	0.0365 (0.0243)	0.0179 (0.0372)	0.0343 (0.0387)
$infl\ gap_{c,t}^{neg}$		-0.185** (0.0724)	-0.208** (0.0817)	-0.295** (0.120)	-0.341** (0.137)
$(infl\ gap_{c,t})^2$		-0.00774** (0.00361)	-0.00879** (0.00402)	-0.0118* (0.00614)	-0.0141* (0.00700)
$y_{c,t}^{gap}$	-0.0624*** (0.0226)	-0.0702*** (0.0220)	-0.0717*** (0.0227)	-0.142*** (0.0409)	-0.144*** (0.0419)
$abs(\Delta\pi_{c,t})$	0.126* (0.0703)	0.0828* (0.0464)	0.0759 (0.0460)	0.0659 (0.0735)	0.0502 (0.0746)
$(\Delta\pi_{c,t})^2$	-0.0132 (0.0147)	-0.00988 (0.0109)	-0.00875 (0.0104)	0.0187 (0.0260)	0.0224 (0.0256)
$abs(\Delta neer_{c,t})$	4.016** (1.735)	3.311 (1.990)	3.571* (1.821)	10.42*** (2.395)	10.90*** (2.494)
$i_{c,t}$	0.0417* (0.0218)	0.0448** (0.0218)	0.0467* (0.0233)	0.0926* (0.0461)	0.0960* (0.0486)
$(\Delta i_{c,t})^2$	7.01e-06** (2.61e-06)	5.21e-06** (2.13e-06)	5.71e-06** (2.30e-06)	1.08e-05** (4.17e-06)	1.19e-05** (4.52e-06)
$recession_{c,t}$	-0.00227 (0.0295)	-0.00511 (0.0273)	-0.00896 (0.0287)	-0.0121 (0.0567)	-0.0176 (0.0590)
$mp_contraction_{c,t}$	0.0340 (0.0313)	-0.0769 (0.0563)	-0.0686 (0.0522)	-0.137 (0.110)	-0.127 (0.105)
$D_{c,t}^{defl\ long}$			0.319** (0.140)		0.635** (0.270)
Obs	7,225	7,225	7,225	7,221	7,221
R-squared	0.548	0.574	0.563	0.660	0.650

Online Annex Table A4: Forecast disagreement, excluding the Great Financial Crisis

Notes: Dependent variable is the interquartile range of expected inflation over the next 12 months (Columns (1) to (3)) or the interdecile range (Columns (4) and (5)). Excludes the period of the Great Financial Crisis (September 2008–December 2009). Robust standard errors clustered by country and time in parentheses. *, ** and *** denote statistical significance at 10%, 5% and 1% level, respectively. Columns (1), (2) and (4) show results with deflation dummies that comprise all deflations; Columns (3) and (5) include only persistent deflations. All models include country and time fixed effects.

Variable	(1)	(2)	(3)	(4)
$E_{c,t}(\pi_{c,t+12}^{pos})$	0.286** (0.132)	0.276** (0.130)	0.294** (0.128)	0.285** (0.126)
$E_{c,t}(\pi_{c,t+12}^{neg})$	-0.00463 (0.156)	-0.0432 (0.141)	0.0637 (0.163)	0.0400 (0.140)
$D_{c,t}^{defl}$	0.382** (0.166)		0.393** (0.177)	
$D_{c,t}^{High\ infl}$	-0.445* (0.250)	-0.447* (0.257)	-0.424* (0.238)	-0.426* (0.245)
$infl\ gap_{c,t}^{pos}$	0.0306 (0.0248)	0.0394 (0.0263)	0.0253 (0.0237)	0.0342 (0.0249)
$infl\ gap_{c,t}^{neg}$	-0.159** (0.0702)	-0.184** (0.0795)	-0.163** (0.0661)	-0.188** (0.0757)
$(infl\ gap_{c,t})^2$	-0.00636* (0.00342)	-0.00745* (0.00382)	-0.00645* (0.00327)	-0.00757** (0.00367)
$y_{c,t}^{gap,one\ sided}$	-0.0139 (0.00902)	-0.0122 (0.00969)		
$abs(\Delta\pi_{c,t})$	0.0980* (0.0531)	0.0980* (0.0540)	0.0820* (0.0464)	0.0812* (0.0475)
$(\Delta\pi_{c,t})^2$	-0.00705 (0.0103)	-0.00661 (0.0101)	-0.00822 (0.0106)	-0.00783 (0.0103)
$abs(\Delta neer_{c,t})$	3.936** (1.674)	4.161** (1.550)	3.739** (1.795)	3.977** (1.655)
$i_{c,t}$	0.0351 (0.0236)	0.0368 (0.0250)		
$(\Delta i_{c,t})^2$	5.88e-06** (2.64e-06)	6.40e-06** (2.86e-06)		
$recession_{c,t}$	-0.00549 (0.0232)	-0.00309 (0.0244)	-0.00103 (0.0275)	-6.15e-05 (0.0282)
$mp_contraction_{c,t}$	0.00557 (0.0398)	0.0115 (0.0374)		
$D_{c,t}^{defl\ long}$		0.320** (0.141)		0.353** (0.156)
$y_{c,t}^{gap,two\ sided}$			-0.0578*** (0.0204)	-0.0596*** (0.0211)
$i_{c,t}^{shadow}$			0.0343 (0.0211)	0.0339 (0.0221)
$(\Delta i_{c,t}^{shadow})^2$			5.68e-06** (2.37e-06)	6.15e-06** (2.54e-06)
$mp_contr^{shadow}_{c,t}$			-0.0521 (0.0532)	-0.0477 (0.0496)
Obs	7,860	7,860	7,860	7,860
R-squared	0.547	0.537	0.559	0.550

Online Annex Table A5: Forecast disagreement, alternative control variables

Notes: Dependent variable is the interquartile range of expected inflation over the next 12 months.

$y_{c,t}^{gap,one\ sided}$ denotes a one-sided output gap and $i_{c,t}^{shadow}$ is a shadow policy rate from Krippner (2016).

Robust standard errors clustered by country and time in parentheses. *, ** and *** denote statistical significance at 10%, 5% and 1% level, respectively. All models include country and time fixed effects.

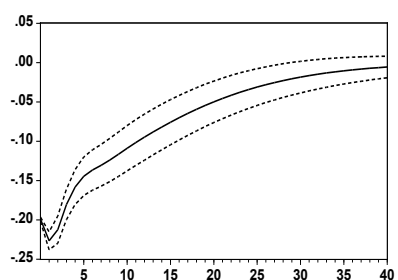
	(1)	(2)	(3)	(4)	(5)	(6)
Variable	IT	Non-IT	IT	Non-IT	Excl ZLB	Excl ZLB
$E_{c,t}(\pi_{c,t+12}^{pos})$	0.940*** (0.0106)	0.871*** (0.0392)	0.939*** (0.0107)	0.875*** (0.0387)	0.888*** (0.0306)	0.890*** (0.0291)
$E_{c,t}(\pi_{c,t+12}^{neg})$	1.319*** (0.155)	0.881*** (0.0576)	1.282*** (0.139)	0.879*** (0.0520)	0.940*** (0.0535)	0.940*** (0.0372)
$D_{c,t}^{defl}$	1.62e-05 (0.0352)	-0.167*** (0.0527)			-0.186*** (0.0620)	
$D_{c,t}^{High\ infl}$	0.0103 (0.0121)	0.216** (0.0835)	0.0119 (0.0113)	0.216** (0.0871)	0.107*** (0.0391)	0.110** (0.0408)
$infl\ gap_{c,t}^{pos}$	0.0126 (0.00892)	-0.0310* (0.0167)	0.0114 (0.00810)	-0.0334* (0.0165)	-0.00741 (0.00737)	-0.0112 (0.00746)
$infl\ gap_{c,t}^{neg}$	0.0194* (0.0105)	0.0770*** (0.0230)	0.0185* (0.00986)	0.0919*** (0.0243)	0.0414*** (0.0115)	0.0526*** (0.0130)
$(infl\ gap_{c,t})^2$	-0.00356* (0.00173)	0.00302** (0.00121)	-0.00327* (0.00159)	0.00366*** (0.00127)	0.00130* (0.000647)	0.00179** (0.000710)
$y_{c,t}^{gap}$	0.00728 (0.00487)	0.0253*** (0.00674)	0.00767 (0.00489)	0.0262*** (0.00675)	0.0189*** (0.00564)	0.0200*** (0.00612)
$abs(\Delta\pi_{c,t})$	-0.0182* (0.00899)	-0.0238 (0.0226)	-0.0183** (0.00881)	-0.0207 (0.0227)	-0.0126 (0.0152)	-0.0116 (0.0162)
$(\Delta\pi_{c,t})^2$	0.00220 (0.00208)	-0.00175 (0.00349)	0.00224 (0.00206)	-0.00205 (0.00338)	-0.00296 (0.00368)	-0.00309 (0.00360)
$abs(\Delta neer_{c,t})$	-0.631** (0.283)	-2.235** (0.869)	-0.633** (0.282)	-2.336** (0.875)	-2.308*** (0.703)	-2.362*** (0.760)
$i_{c,t}$	0.00586 (0.00420)	-0.0223** (0.00968)	0.00586 (0.00422)	-0.0228** (0.0102)	0.0104* (0.00606)	0.00959 (0.00583)
$(\Delta i_{c,t})^2$	-0.00814* (0.00416)	-3.80e-06*** (8.07e-07)	-0.00799* (0.00409)	-4.00e-06*** (8.51e-07)	-0.00161*** (0.000265)	-0.00162*** (0.000264)
$recession_{c,t}$	0.00594 (0.0116)	-0.0174 (0.0115)	0.00619 (0.0112)	-0.0182 (0.0117)	-0.0112 (0.0103)	-0.0130 (0.0102)
$mp_contraction_{c,t}$	0.00501 (0.0136)	-0.00942 (0.0183)	0.00782 (0.0140)	-0.00731 (0.0167)	-0.0327** (0.0143)	-0.0290** (0.0135)
$D_{c,t}^{defl\ long}$			-0.0372 (0.0430)	-0.158*** (0.0568)		-0.238*** (0.0737)
Obs	3,195	4,653	3,195	4,653	6,532	6,532
R-squared	0.996	0.992	0.996	0.992	0.993	0.993

Online Annex Table A6: Left tail of forecast distribution and monetary policy

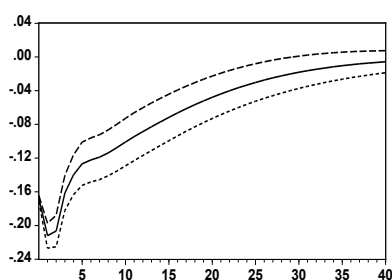
Notes: Dependent variable is the 25th percentile of the forecast distribution of inflation over the next 12 months.

Robust standard errors clustered by country and time in parentheses. *, ** and *** denote statistical significance at 10%, 5% and 1% level, respectively. Columns (1), (2) and (5) show results from estimations where the deflation dummy includes all deflations; Columns (3), (4) and (6) include only persistent deflations. All models include country and time fixed effects.

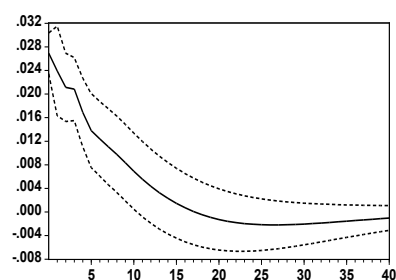
Lower tail of inflation expectations



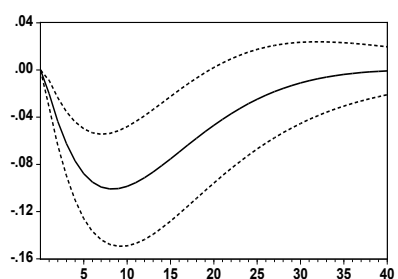
Median infl. expectation for next year



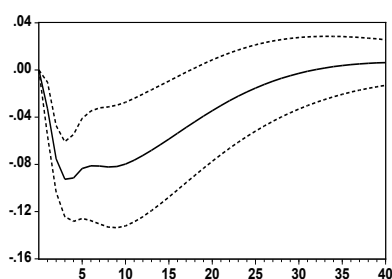
GDP forecast disagreement



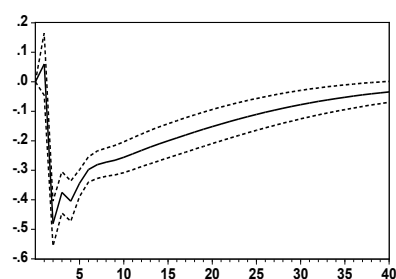
Output gap



Inflation



Policy rate



Online Annex Graph A1: Responses to shock in left-hand tail, alternative ordering

Notes: The titles of the panels show the name of the response variable. The underlying shock is a negative one standard deviation shock to the 25th percentile of inflation expectations. The numbers on the x-axis denote the number of months that have passed from the shock. The order of the variables is: the output gap, inflation and the policy rate, left-hand tail of inflation expectations, median inflation expectations, GDP growth forecast disagreement.