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# A time-series approach to test a change in inflation persistence: the Mexican experience

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## Abstract

When a central bank commits credibly to a nonaccommodative monetary policy, observed inflation should be a stationary process. In countries where, for a variety of reasons, the determinants of inflation could lead it to follow a nonstationary process, the adoption of a credible disinflationary programme should therefore induce a fundamental change in the stochastic process governing inflation and, in particular, should diminish its persistence. This article studies the time-series properties of both inflation and core inflation during the 1995–2006 period for the Mexican economy, using recently developed techniques to detect a change in the persistence of economic time series. Consistently with the adoption of an inflation-targeting framework, the results suggest that inflation in Mexico seems to have indeed

switched from a nonstationary to a stationary process around the end of year 2000 or the beginning of 2001.

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