Applied Economics >
Volume 42, 2010 - Issue 24

488 Views | 27 CrossRef citations to date | 0 Altmetric

Original Articles

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

Daniel Chiquiar, Antonio E. Noriega & Manuel Ramos-Francia

Pages 3067-3075 | Published online: 19 Mar 2008

Cite this article https://doi.org/10.1080/00036840801982684

Sample our Economics, Finance, Business & Industry Journals
>> Sign in here to start your access to the latest two volumes for 14 days



## Abstract

When a [illegible] olicy, observe[illegible] variety of reasons, [illegible] process, the adop[illegible]e a fundame[illegible]rticular, should d[illegible]es of both inflat[illegible]onomy, using re[illegible] of economic time ser[illegible]ork, the results s[illegible] a nonstati[illegible]eginning of 2001.

We Care About Your Privacy

We and our 842 partners store and/or access information on a device, such as unique IDs in cookies to process personal data. You may accept or manage your choices by clicking below, including your right to object where legitimate interest is used, or at any time in the privacy policy page. These choices will be signaled to our partners and will not affect browsing data. Privacy Policy

We and our partners process data to provide:

Use precise geolocation data. Actively scan device characteristics for identification. Store and/or access information on a device. Personalised advertising and content, advertising and content measurement, audience research and services development.

List of Partners (vendors)

I Accept

Essential Only

Show Purpose

## Acknowledgements

The opinions in this article correspond to the authors and do not necessarily reflect the point of view of Banco de México. We thank an anonymous referee, Carlos Capistrán and seminar participants at Banco de México, CIDE, Colegio de México and UDLAP for helpful comments, and to Mario Alberto Oliva for excellent research assistance.

# Notes

[1] Formally, this is the result under adaptive expectations. The condition for the price level to be determinated under rational expectations is that the monetary authority should have a nominal anchor (Blanchard and Fischer, 1989). The existence of this anchor would imply that inflation cannot wander away from some value indefinitely, thus ensuring stationarity. Also note that the discussion has as a maintained assumption that nominal rigidities are present, so that monetary policy can have real effects in the short run.

[2] Bernanke et al. (1999), Clarida et al. (1999) and Svensson (1997, 2000) provide descriptions of the inflation-targeting framework. Under this regime, first-round effects of supply shocks are accommodated by monetary policy, while demand shocks and second-round effects of cost push shocks are not accommodated. On the other hand, given ini e inflation target, if

[3] There i eduction on both the 03) docume etti and Debe

[4] Capistr tion in Mexico r

[5] For a d sinflation process Ramos-Francia and Torres (2005).

[6] Examples of these more traditional procedures include testing for the stability of the sum of the coefficients on the lagged-dependent variable in an AR Model for inflation, or testing for shifts in the unconditional mean values of inflation, using structural change Models.

[7] Capistrán and Ramos-Francia (2006) report: (i) a drastic drop in the mean and SD of inflation in Mexico for the period 2000–2006, compared to the previous two decades; (ii) evidence of a break in January 2001, which lowered the level of inflation; and (iii) a reduction in the sum of the autoregressive parameter from 0.95 in the period 1990–1999 to 0.31 in 2000–2006.

[8] We do not discuss further these statistics as they are well known and implemented in popular software such as E-Views. For details, see Ng and Perron (2001).

[9] Recall that the estimation of the change point is based on the $M(X)^R$ statistic.


## Related research

People also read | Recommended articles | Cited by 27

Inflation persistence in central and eastern European countries >

Zsolt Darvas et al.
Applied Economics
Publishe

Copyright © 2024 Informa UK Limited Privacy policy Cookies Terms & conditions

Taylor & Francis Group an informa business

Accessibi

Registered
5 Howick Pl