

Globalization and Inflation:
Evidence from a Time Varying VAR
Supplementary Material

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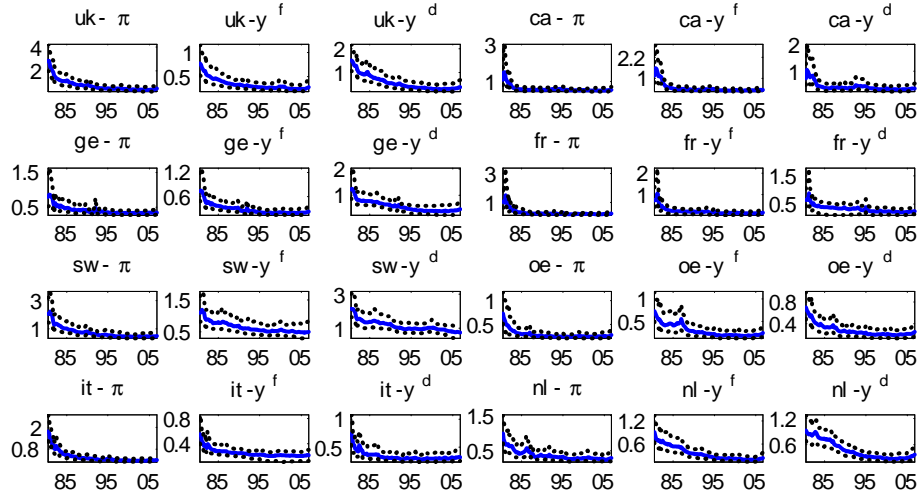


Figure E1: Standard deviations of inflation and output gaps - other countries.

Notes: Time variation of the volatility (standard deviations from the reduced form VAR estimates) of inflation, domestic and foreign output gap for the countries not reported in Figure 3 of the main paper.

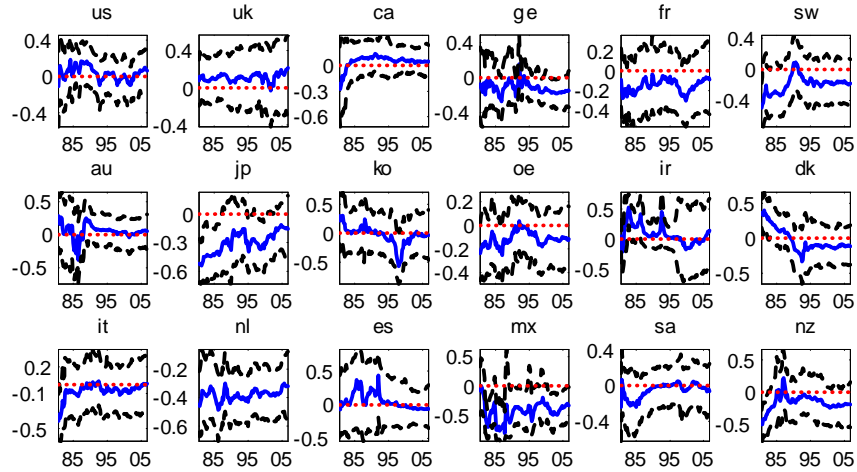


Figure E2: The time varying correlation between real exchange rate and inflation.

Notes: Time variation of the correlation between real exchange rate, τ , and inflation, π , from the reduced form estimates of the VAR. The blue line is the median of the posterior distribution; the black, dashed bands show the 14th/86th percentiles.

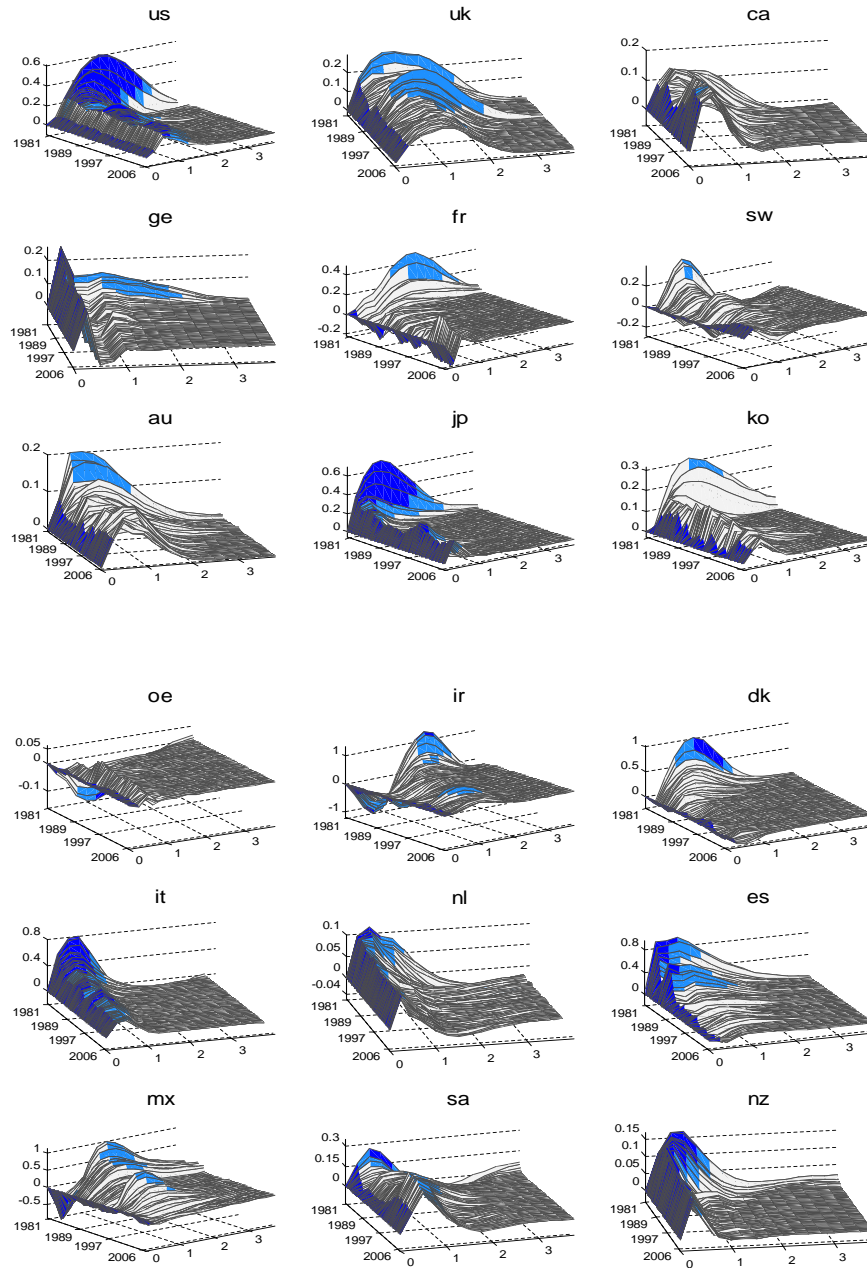


Figure E3: The response of inflation π to a unit shock to the domestic output gap y^d for each quarter in the sample 1980:3 to 2006:4. Alternative identification ordering $(\pi \ y^d \ y^d \ \tau \ i)$. The light blue shades indicate significance at the 14th/86th percentiles of the posterior distribution of the response. Darker blue shades indicate significance at the 5th/95th percentiles. Years from the shock on the x-axis.

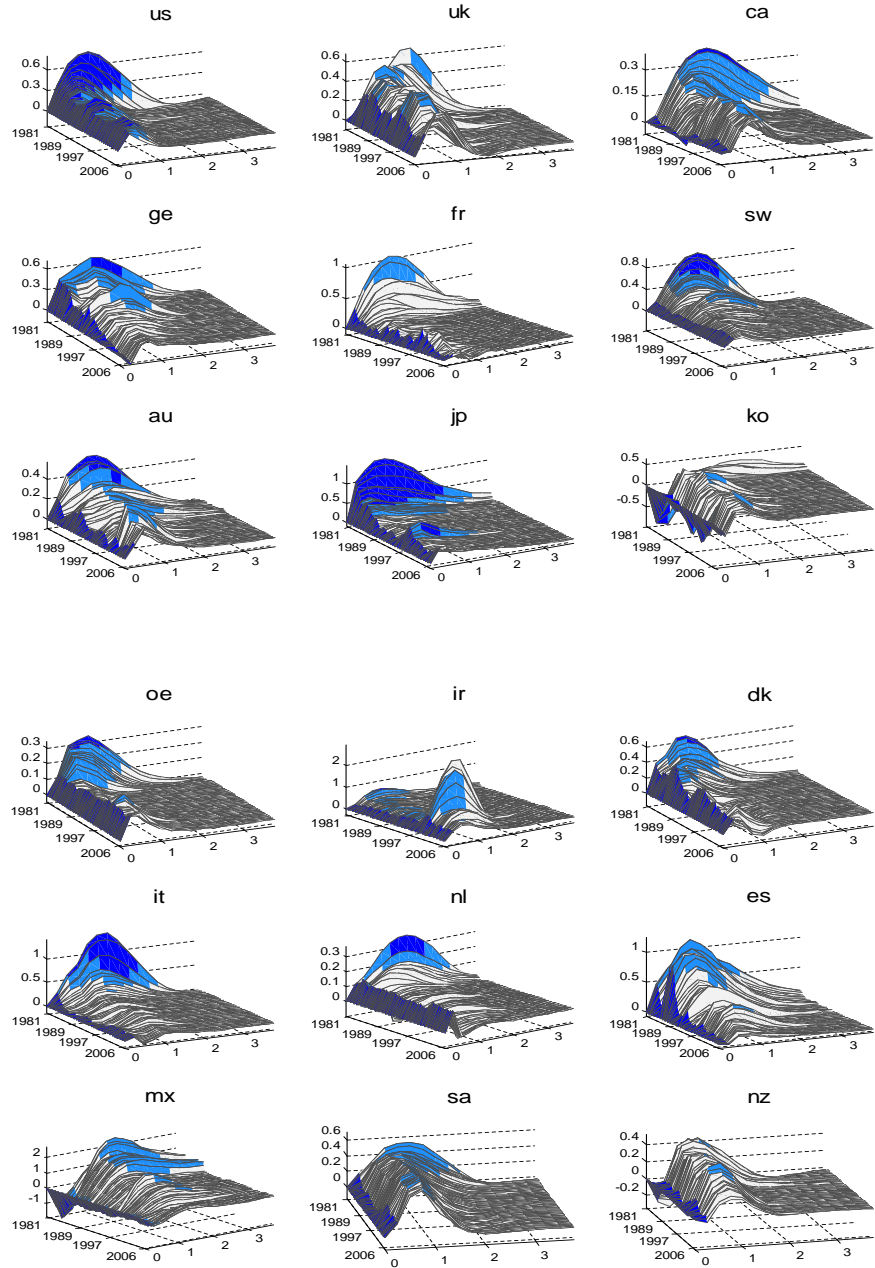


Figure E4: The response of inflation π to a unit shock to the foreign output gap y^f for each quarter in the sample 1980:3 to 2006:4. Alternative identification ordering ($\pi y^f y^d \tau i$). The light blue shades indicate significance at the 14th/86th percentiles of the posterior distribution of the response. Darker blue shades indicate significance at the 5th/95th percentiles. Years from the shock on the x-axis.

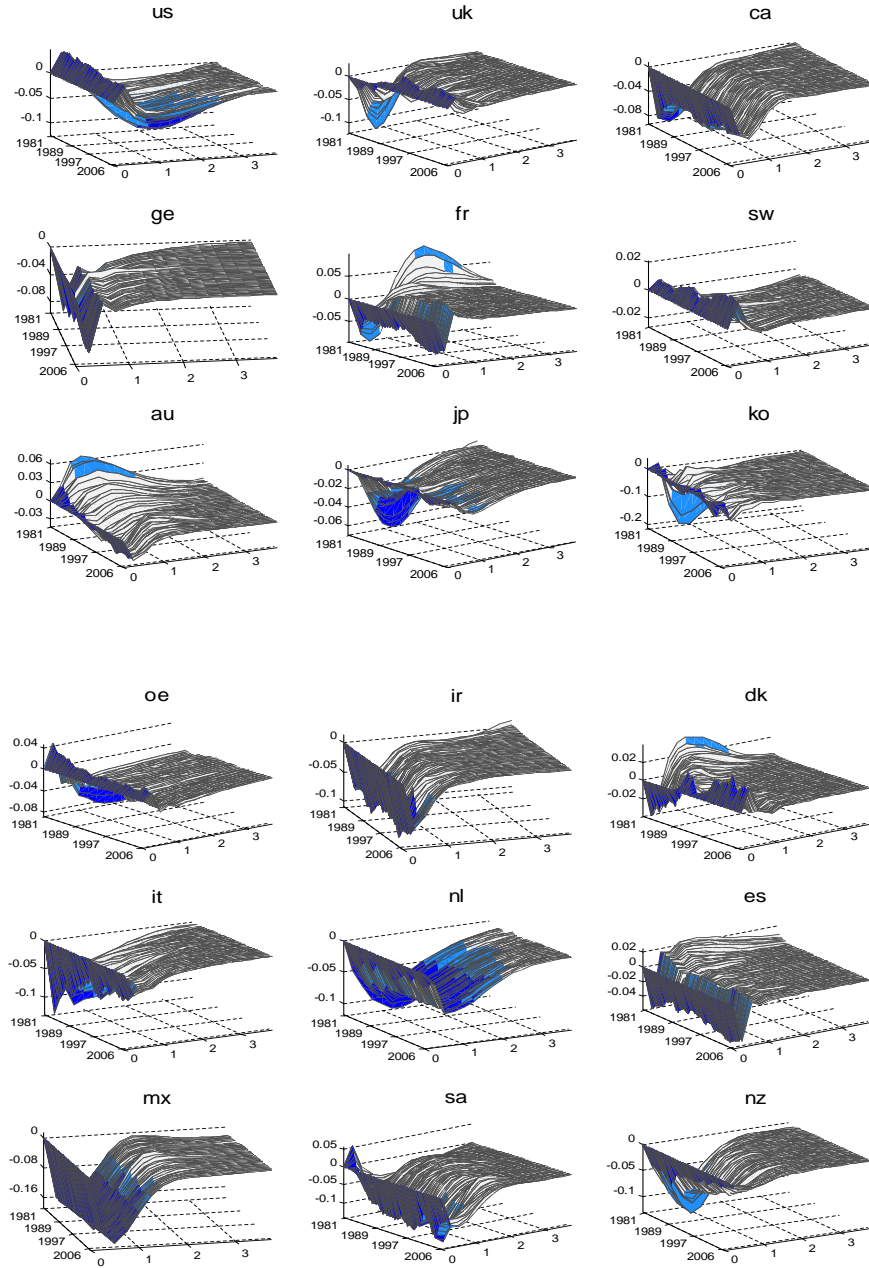


Figure E5: The response of domestic inflation π to a unit shock to the real exchange rate τ for each quarter in the sample 1980:3 to 2006:4. The baseline identification ordering ($y^f y^d \pi \tau i$) is adopted. The light blue shades indicate significance at the 14th/86th percentiles of the posterior distribution of the response. Darker blue shades indicate significance at the 5th/95th percentiles. Years from the shock on the x-axis.

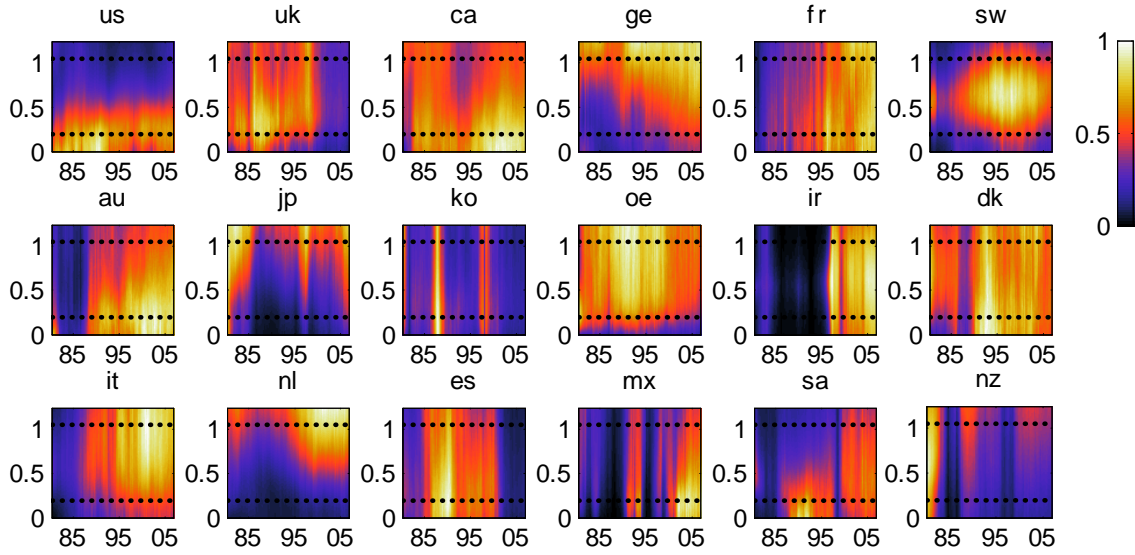


Figure E6: Spectral decomposition of the contribution of y^d to the variance of π - normalized representation.

Notes: Time evolution of the spectral decomposition of the contribution of domestic output gap, y^d , to the variance of inflation, π . Time is represented on the x -axis, while frequencies are on the y -axis (truncated to 1.25). Each decomposition is normalized by its largest value in the sample. The two horizontal black dotted lines mark the range of business cycles frequencies. Baseline identification ordering ($y^f y^d \pi \tau i$).

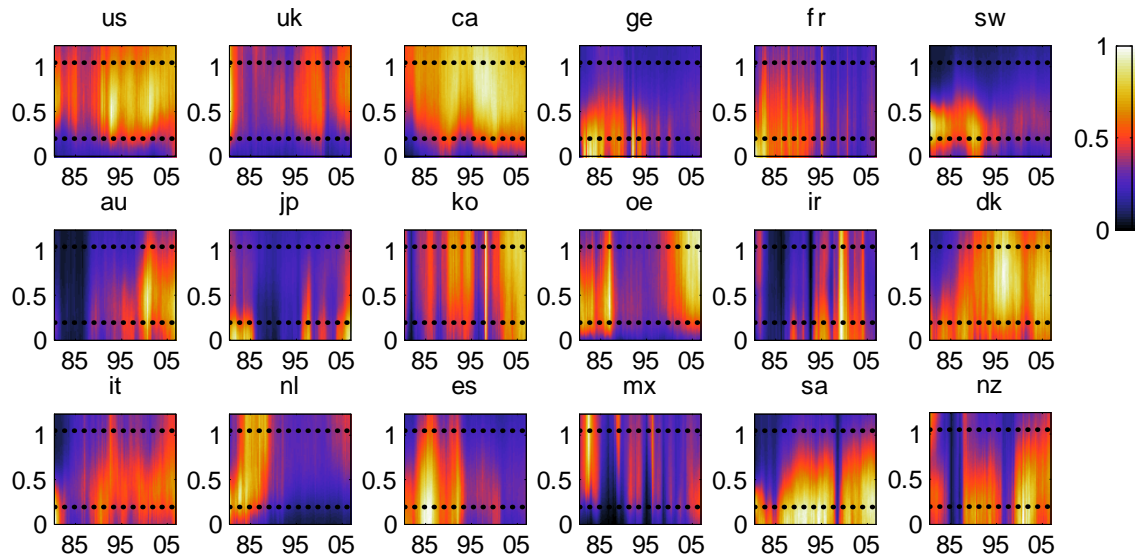


Figure E7: Spectral decomposition of the contribution of y^f to the variance of π - normalized representation.

Notes: Time evolution of the spectral decomposition of the contribution of domestic output gap, y^f , to the variance of inflation, π . Time is represented on the x -axis, while frequencies are on the y -axis (truncated to 1.25). Each decomposition is normalized by its largest value in the sample. The two horizontal black dotted lines mark the range of business cycles frequencies. Baseline identification ordering ($y^f y^d \pi \tau i$).