





3. As Ball (2006) explains, denouncing what he calls the “accounting illusion” of inflation, lower prices of some goods are above all changes in relative price changes that do not necessarily translate into a decrease of the aggregate price level. For instance, imported Chinese shirts makes shirts cheaper compared to other goods and services, and therefore purchasers can spend a smaller share of their wages on shirts, and more on other goods and services, the prices of which will tend to go up or increase more rapidly. It is therefore possible that the average level of prices will not be affected.

4. This was the case of the Central Bank of Korea which targeted CPI inflation excluding petroleum and agricultural products from

5. See for instance Cristadoro et al (2014) and Watson (2014)

14. As pointed out by Bermanke (2007), correlations between



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