In economics, the **Phillips curve** is a historical inverse relationship between the rate of unemployment and the rate of inflation in an economy. Stated simply, the lower unemployment in an economy is correlated with a higher rate of inflation. While there is a short run trade off between unemployment and inflation, it has not been observed in the long run. Accordingly, the Phillips curve is now seen as too simplistic, with the unemployment rate supplanted by more accurate predictors of inflation based on velocity of money supply measures such as the MZM ("money zero maturity") velocity, which is affected by unemployment in the short but not the long term.

At present, the widely accepted view about Phillips curve is that “because people adjust their expectations of inflation over time, the trade off between inflation and unemployment holds only in short run.”(Mankiw, G and Taylor, M)New Keynesian economists modify the Phillips curve from two aspects: firstly, considering expectation; secondly, considering the supply shock.

As it was expected the Phillips curves with different slopes adjust to different countries. The line with flatter slope (1) is suited for developed countries like USA due to the lower imports prices (line 2 is for less developed countries, than USA, but more developed, than Namibia). However, the line with steeper slope (3) is suited for developing countries because of its higher imports prices.