

“The Expected, Perceived, and Realized Inflation of U.S. Households before and during the COVID-19 Pandemic”, Coibion, Gorodnichenko and Weber (2021)

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IMF 22nd Jacques Polak Annual Research Conference
November 4-5, 2021

The paper in a nutshell

- The paper studies recent trends on households' inflation expectations during COVID
- Authors match micro data on household spending to survey data to understand the rise and dispersion in inflation expectations
- They find evidence of:
 - Households' perceived and experienced inflation positively correlated with expectations and dispersion
 - Perceived inflation better explains increase and dispersion in expectations
 - Positive relationship between inflation and unemployment forecasts – shocks perceived as supply-driven

A bit about the empirical analysis

- Details on the main variables:
 - Quarterly data (2018Q1 - 2020Q4) on spending and survey on expectations from Nielsen Homescan Panel data
 - Spending on consumption goods (food, beverage, small nondurables) to measure inflation experienced by households
 - Inflation expectations: 12-months ahead
 - Inflation perceptions: inflation over the last 12 months
 - Unemployment perceptions: current unemployment
 - Unemployment expectations: 12-months ahead
- Questions:
 - Is quarterly data good for COVID-period analysis?
 - Changes to consumption baskets and the shift to other goods' categories
 - Past perceived inflation versus current perceived unemployment

Adding a bit of perspective

Figure 5. Expected Inflation of U.S. Households

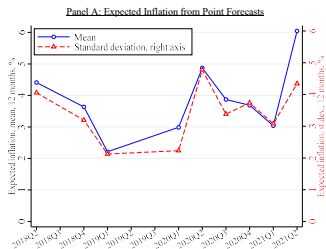
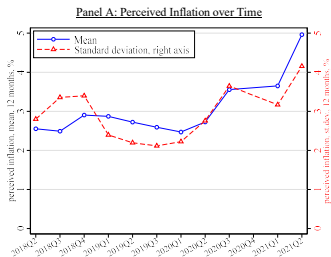
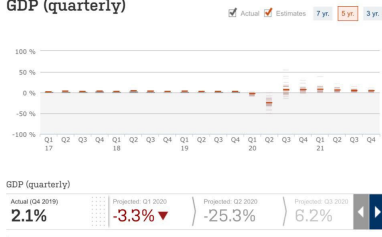


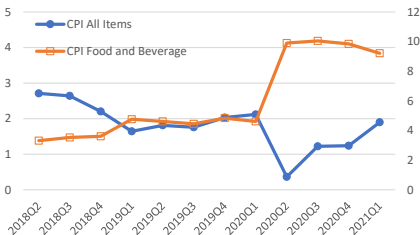
Figure 8. Perceived Inflation of U.S. Households



GDP (quarterly)

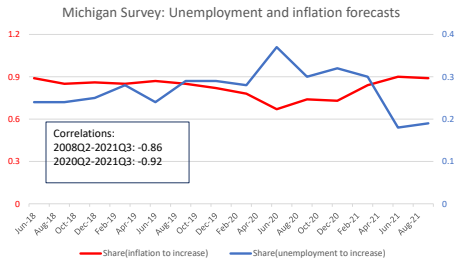
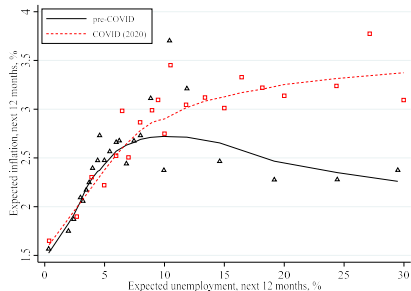


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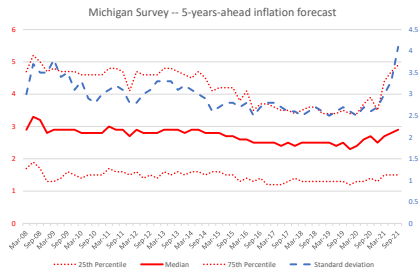
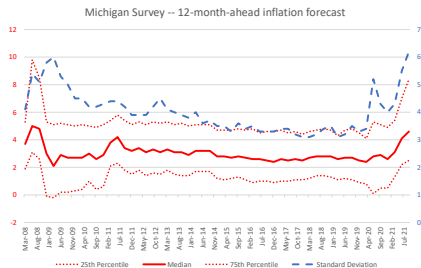
Supply-driven concerns?

Figure 11. Unemployment and Inflation Expectations.



A few additional questions

- How is this different from the GFC or any large recession episode?
- What to learn from 12-month-ahead expectations?
- How is this different from professionals?
- Evidence of contagion to other longer horizons or other forecasts? Effects on consumption?
- What should policymakers do? Appropriate policy response?



Conclusion

- Very interesting paper and results
- A bit more needed on interpreting the results:
 - nature of forecast changes
 - how to related to other data sets
 - implications for policymakers
 - changes to consumption patterns
 - the role of fiscal packages