Inattention, Disagreement and Internal (In)Consistency of Inflation Forecasts

Comments

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Data

1. No agricultural sector firms included – Price expectations crucial, specially if small. (~5,6% GDP).
2. Only firms with more than 50 employees included.
   • OECD: small firms less than 50 employees.
   • Is this info available in the dataset?

Attention

3. Uruguayan firms better informed than NZ peers:
   • History of inflation.
   • Higher relative income in NZ makes prices less of a concern?

Unbiasedness of forecasts

4. Lagged ER growth correlated (+) with forecast errors:
   • Has pass-through fallen?
   • If firms have not incorporated a lower PT that could explain correlation ΔER-forecast error.
• Conclusion: “…noise or friction… that prevents agents that change prices to access perfect information”.
  • In 2014 “… the government used regulated prices to decrease inflation”.
  • Do conclusions change if data from this period is excluded? (flat median for firms).

• Expanding intuitive explanation of some results would be helpful (Table 12, figure 11).

• Some references from BCCR:
  • Alfaro and Monge (2013):
    • Use disaggregated data on BCCR survey.
    • Test rationality of expectations.
    • Show lack of learning from past errors.
  • Alfaro and Mora (2018):
    • Disagreement / realized bias.
    • Inconclusive evidence that expectations from BCCR survey are subject to info rigidities.
    • Simulated survey based on sticky information model is capable of replicating features from the observed survey.