How Inflation Actually Changes Trading and Household Financial Behavior

Michael Weber

Purdue University, CEPR, and NBER

March 2026

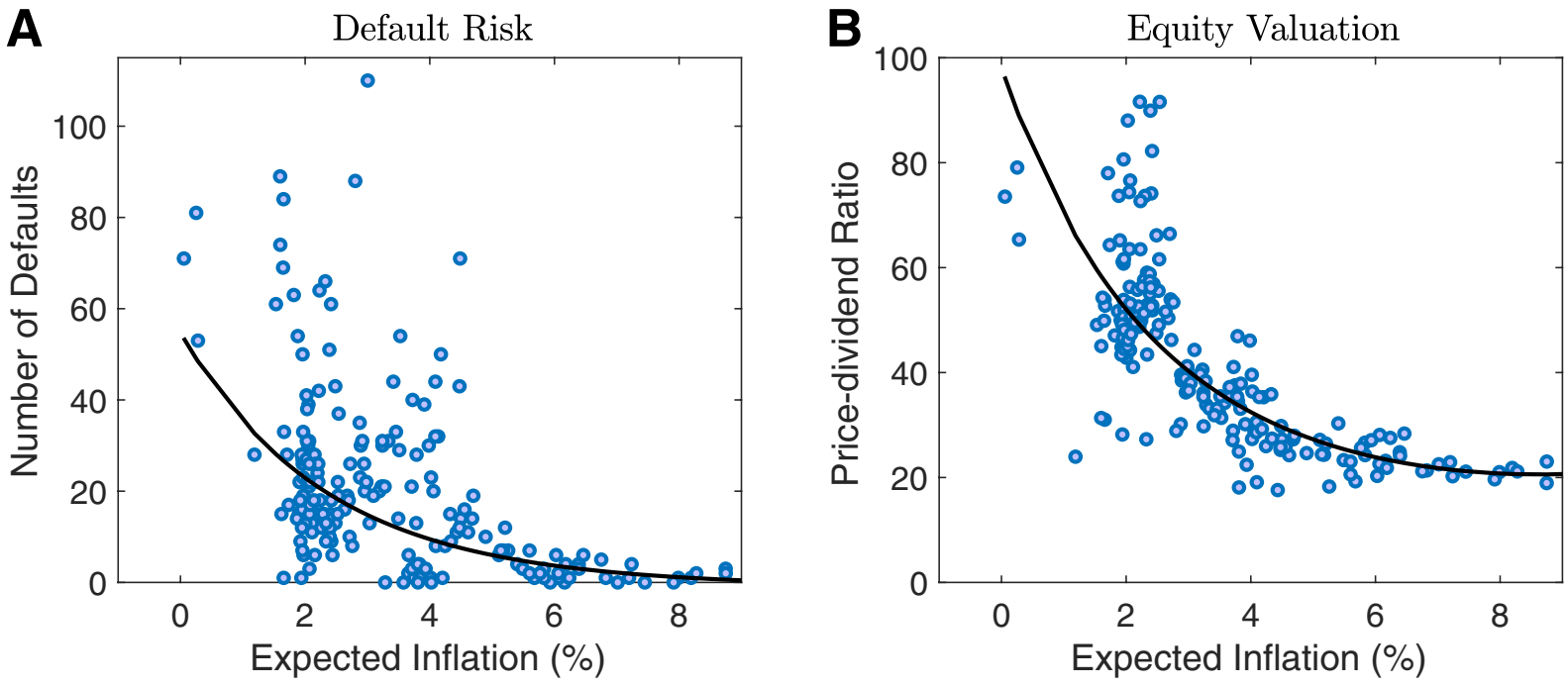
Motivation

Subjective Inflation Expectations Central for Central Banks

Inflation expectations are terribly important. We spend a lot of time watching them.

Jerome Powell (2021)

...AND for Financial Markets



Source: Coibion, Gorodnichenko, Weber, RFS (2023):
"High Inflation: Low Default Risk and Low Equity Valuations"

- Times of high inflation expectations times of low defaults AND low equity valuations
- Sticky leverage and sticky cash flows necessary theoretically

The Role of Expectations for Household Decisions...

- Key variable for economic decisions: perceived real interest rate

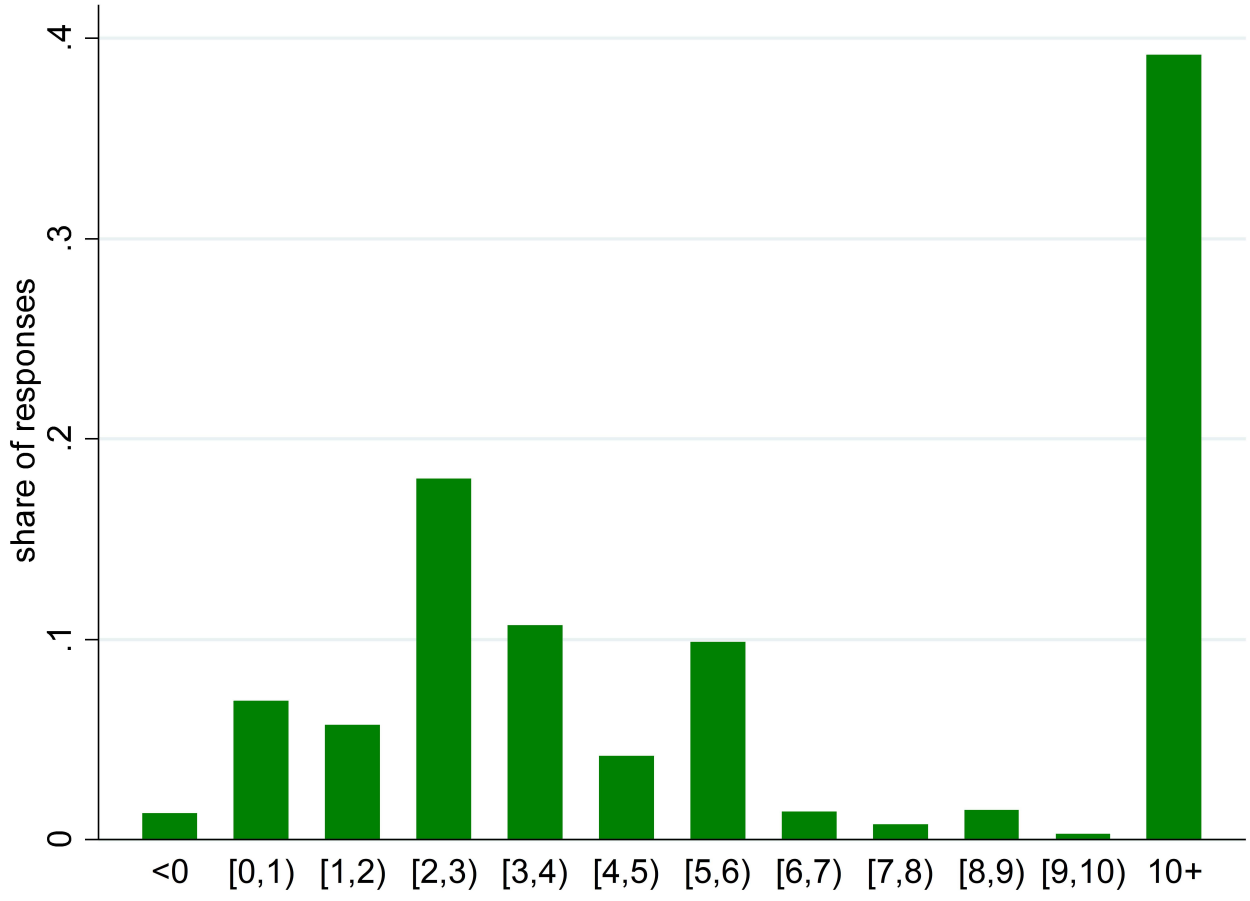
$$r_t^i = i_t - \mathbb{E}_t^i \pi_{t+1}$$

- Most **households'** choices depend on inflation expectations
  - Consumption/saving choices (D'Acunto, Hoang, and Weber, 2018)
  - Mortgage Uptaking, Type (Malmendier and Steiny, 2024)
  - Stock Market Participation (Das, Kuhnen, et al, 2019)
  - Wage bargaining

- **Normal times**: $\Delta i_t \longrightarrow \Delta r_t$ if expectations anchored?

- **Especially important when nominal rates low!**
  (Coibion, Gorodnichenko, Kumar, and Pedemonte, 2018)
  - Policy needs to manage households' expectations
  - Examples: Unconventional Fiscal Policy, Forward Guidance

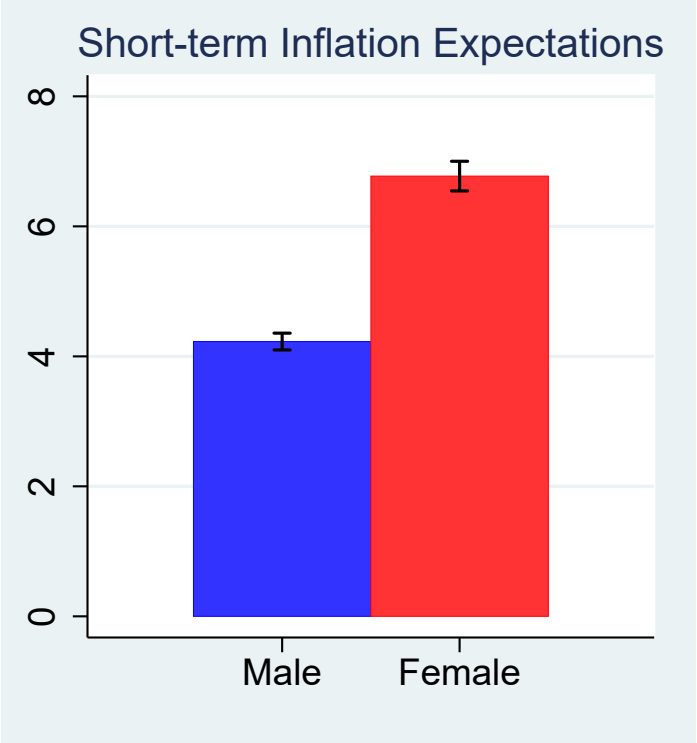
...BUT Households have dispersed knowledge



Source: Coibion, Gorodnichenko, Weber, JPE (2022):
"Monetary Policy Communication and Households' Inflation Expectations"

- More than 40% of 25,000 Americans thought inflation target was $>$ 10% in 2018
- Expectations do react to info and determine actual consumption in scanner data

Household Inflation Expectations: Gender Gap

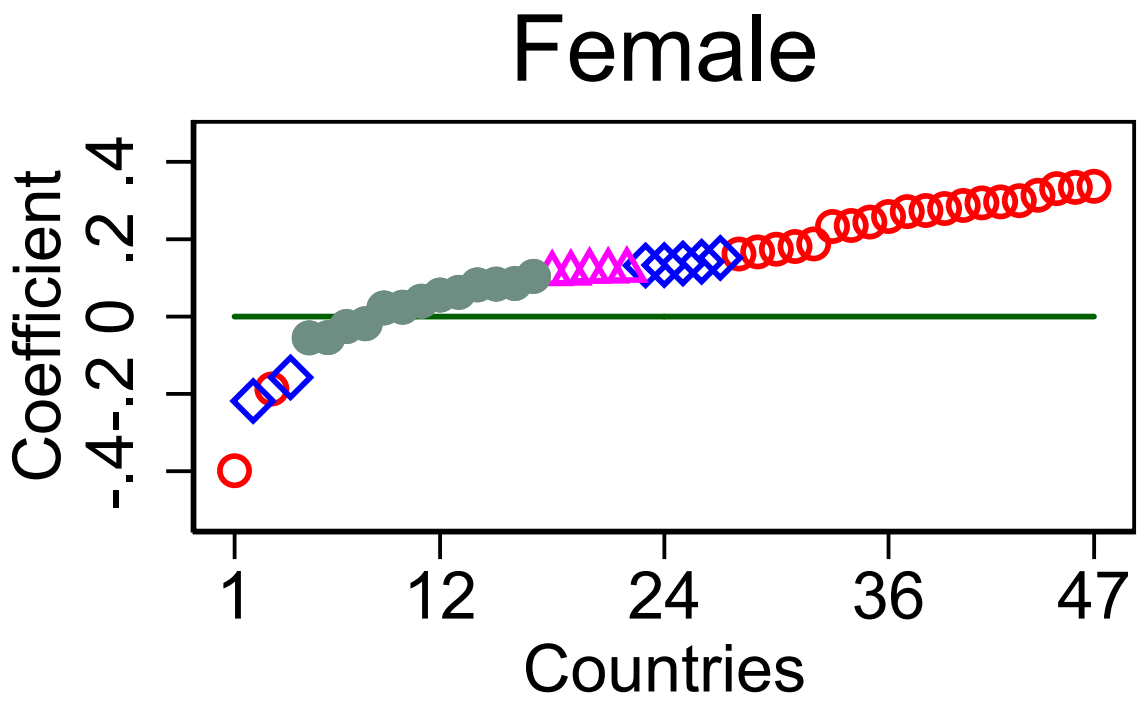


Source: D'Acunto, Malmendier, Weber, PNAS (2021):

"Gender Roles Produce Divergent Economic Expectations"

- Realized inflation in 2016: $< 2\%$
- Average expected inflation for 2016: $> 5\%$
- Women have (more) positively biased inflation expectations

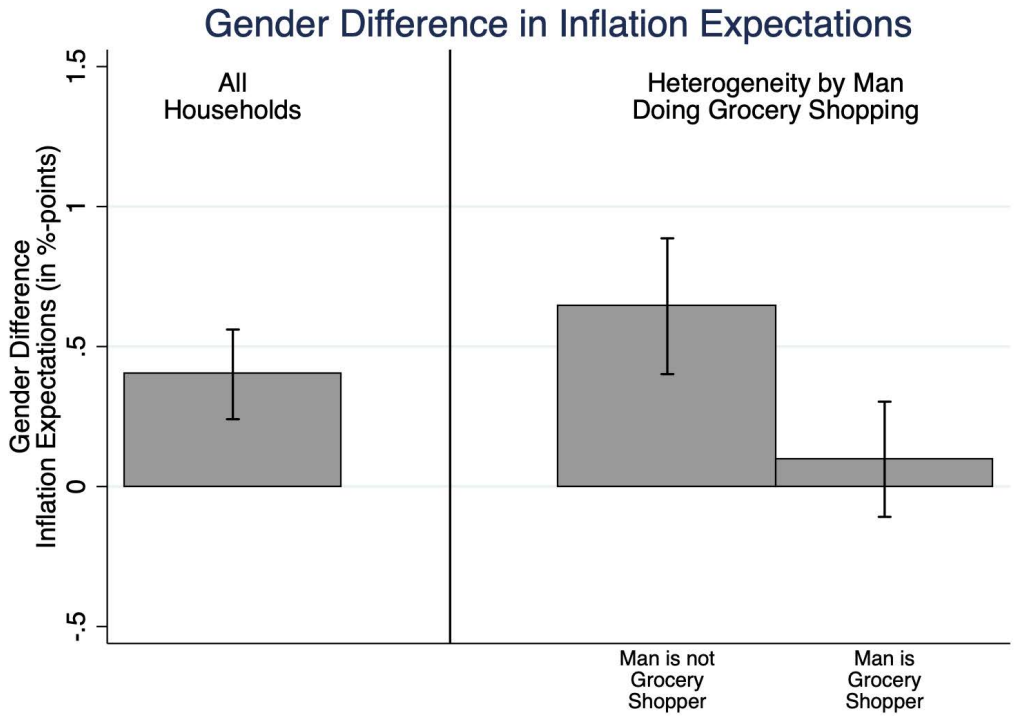
The Gender Gap Truly Global Phenomenon



Source: D'Acunto and Weber (2023):
"Global Evidence on the Formation of Subjective Expectations"

- New survey on subjective expectations from 47,000 individuals in 47 countries
- Gender gap in inflation expectations truly global phenomenon
- Exception: Argentina, Egypt, Turkey, Zimbabwe

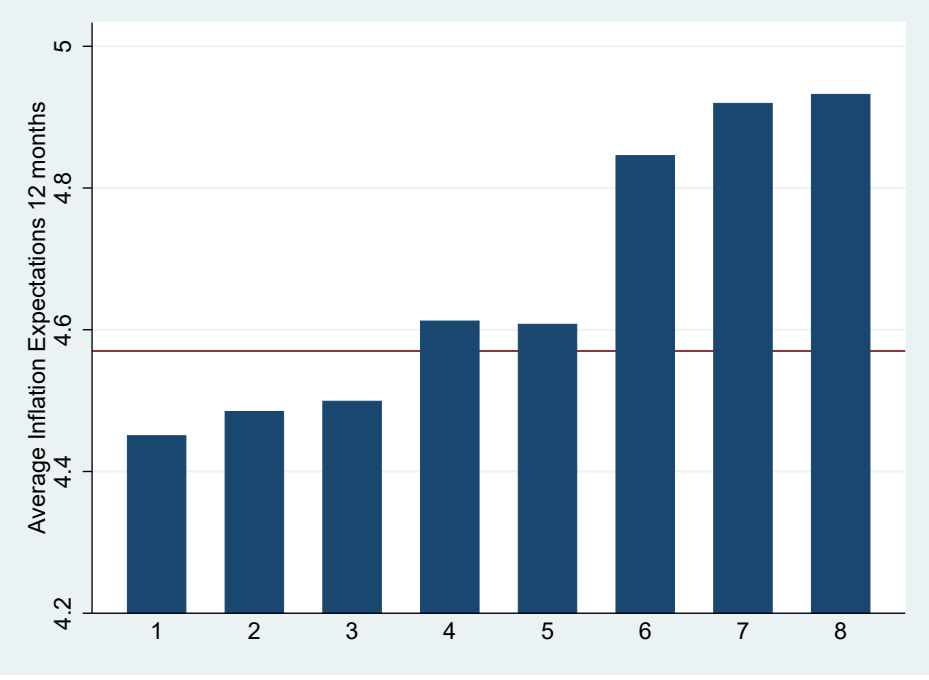
Why Are Women (More) Biased? They Do the Groceries!



Source: D'Acunto, Malmendier, Weber, PNAS (2021):
"Gender Roles Produce Divergent Economic Expectations"

- Large difference in inflation expectations by gender *within* household
- Unconditional difference driven by differences in grocery shopping

Variation in Households' Bundles → Inflation Expectations



Source: D'Acunto, Malmendier, Ospina, Weber, JPE (2021):
"Exposure to Grocery Prices and Inflation Expectations"

- Sort households into bins by realized inflation in grocery bundles
- High-low portfolio: difference in expected inflation of 0.5 percentage points
- Economically sizeable given inflation target of 2%
- **Higher weight on positive prices changes of frequently purchased goods**

Motivation

- Large literature on inflation expectations and consumption
  - Evidence on effect of expectations on spending mixed
  - Large dispersion makes relationship difficult to establish
  - Ambiguous theoretical relationship
  - Crucial to jointly observe expectations and decisions for same agents
  - Shocks to expectations for identification

- Important to move beyond direct expectation-consumption link

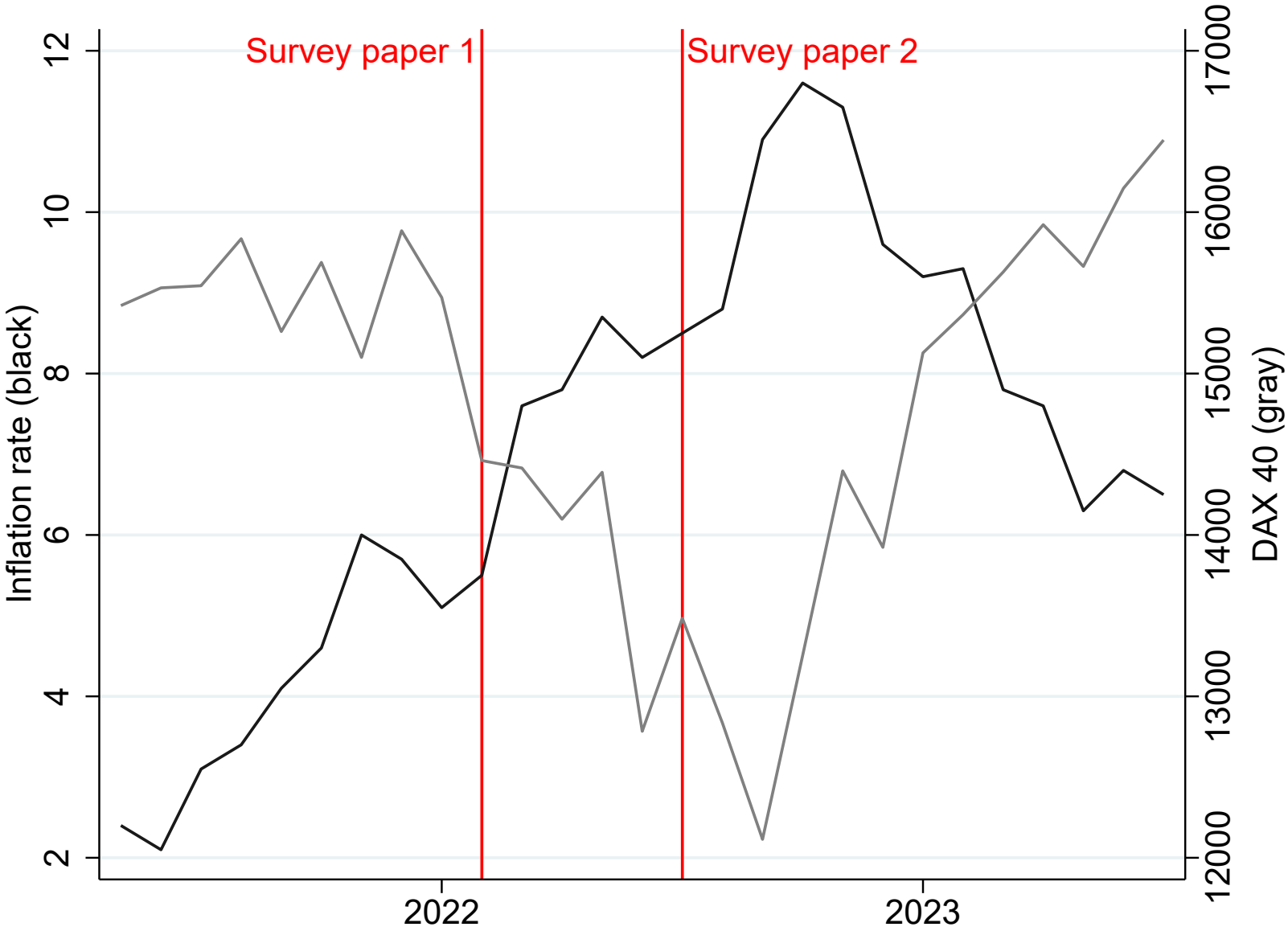
- Balance sheet key for household response to inflation
  - Inflation erodes real value of nominal assets and debt
  - Wealth effects of inflation dwarf income effects for many HH
  - Many theories describe asset-return implications of inflation

- Study role of household balance sheets
  - How wealth effects of inflation mediate consumption response
  - How inflation affects debt and investment choices

Motivation

- Online survey experiments with customers of large German bank
- Novel experimental approaches
  - Interventions typically rely on shifting inflation expectations
  - We instead explain economic mechanisms to households
- 2.8–3.8k completed responses, 18 min median response time
- Match survey responses to bank data
  - Set of demographics: age, zip code, marital status, etc.
  - Categorized, transaction-level account data
  - Month-end portfolio holdings and each security transaction

Survey timing



$\Rightarrow$ Inflation high and rising at time of and after interventions

Inflation and Trading

(with Philip Schnorpfeil and Andreas Hackethal)

Introduction

- Inflation is key risk for financial-market participants
- Negative relation exists empirically b/w inflation and stock returns
  (e.g., de Rubio Cruz et al., 2023; Fama, 1981; Fama and Schwert, 1977; Fang, Liu, and Roussanov, 2022)
- Many theories explain this relation that is at odds with intuition
  (e.g., Bhamra et al., 2023; Campbell, Pflueger, and Viceira, 2020; Modigliani and Cohn, 1979)
- Evidence on how inflation affects investor beliefs and choices scant

This paper

- Study directly how investors respond to inflation
- Exogenous variation in beliefs about inflation and its return impact
  - Information experiment with brokerage customers of German bank
  - Mix of info about inflation and returns during past inflation
- Analyze effects of information provision on beliefs and choices
  - Elicit return expectations, mental models, etc. in survey
  - Track investors' trading choices using bank data

Plan for the talk

- Sample and experimental design
- Prior beliefs about inflation and asset returns
- Treatment effects on return expectations
- Expectations and trading

Sample characteristics

Statistics:	Mean	SD	P25	P50	P75
Demographics and portfolio					
University completed (0/1)	0.66	0.47	0.00	1.00	1.00
Gross wealth (€ k)	345.09	302.76	87.50	375.00	750.00
Portfolio value (€ k)	127.88	256.08	5.64	28.75	114.59
Equity share (%)	0.84	0.23	0.77	0.95	1.00
Monthly trades (no.)	2.17	3.94	0.00	0.50	2.58
Monthly net buys (€)	607.96	1863.34	0.00	24.22	615.51
Perceptions and expectations					
Inflation rate today (%)	4.99	1.62	4.00	5.00	5.00
Inflation rate today relative to 1yr ago (%)	3.12	1.97	2.00	3.00	4.00
Inflation as recent trading motive (0/1)	0.42	0.49	0.00	0.00	1.00
Inflation top financial-market risk (0/1)	0.26	0.44	0.00	0.00	1.00

$\Rightarrow$ Sample: well-off, accurate inflation perception, inflation matters

Experimental design

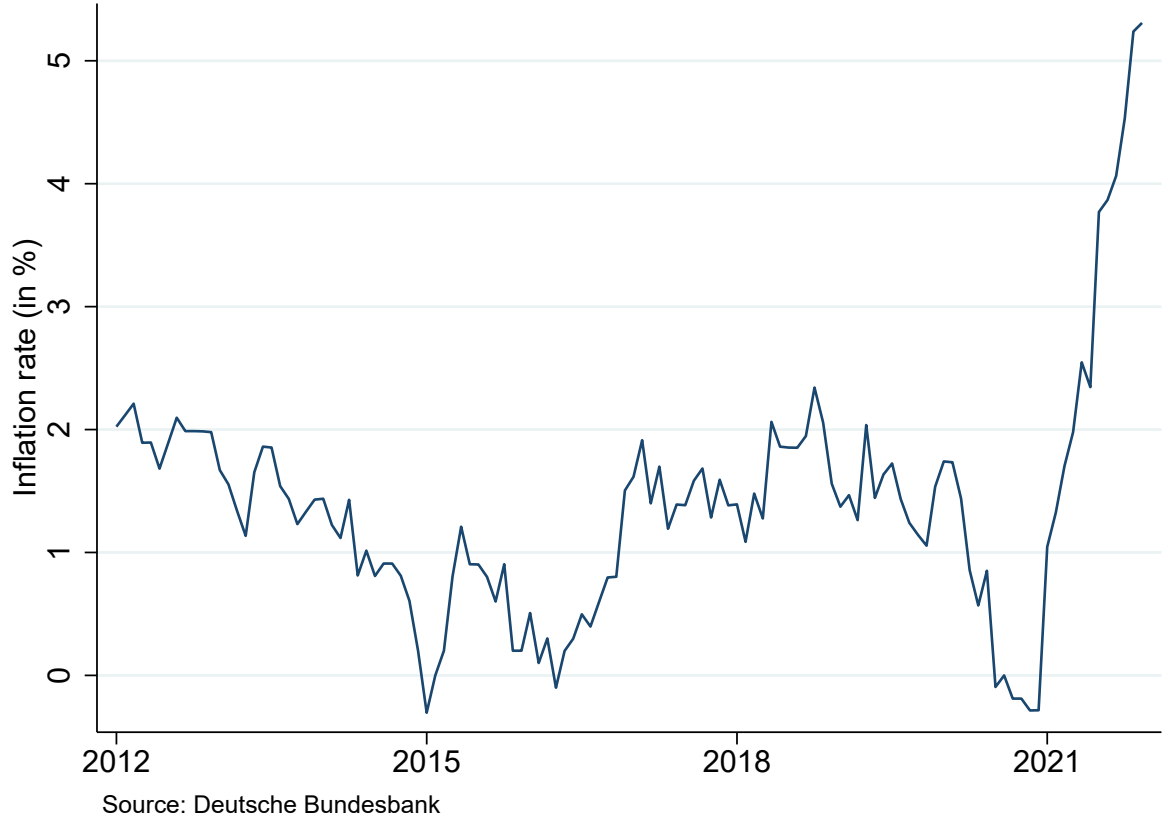
1. Pre-treatment section
   - Inflation beliefs and trading motives
   - Past unconditional and inflationary-period asset returns
2. Treatment section
   - Control group receives no information
   - T1: high current inflation and possibility of further rise
   - T2: actual returns during past inflationary periods
   - T3: T1 + T2 + explanations of past returns
3. Post-treatment section
   - Beliefs about inflation and economy, mental models
   - Return expectations and hypothetical portfolio choice

- Track investors over time to investigate actual trading choices

T1: high current inflation and possibly further rise

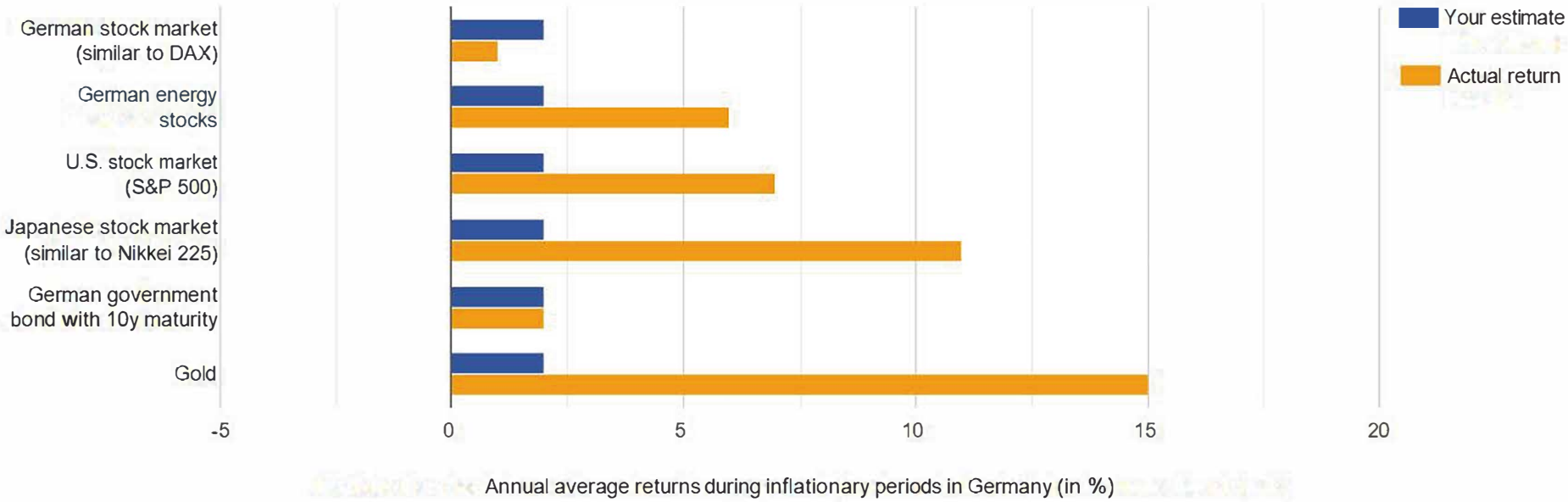
- Inflation 3x higher than 10-year average + figure below
- Policymakers recently discussed possibility of further increase
- List of reasons for inflation surge

(Andre et al., 2022)



T2: actual returns during past inflationary periods

- Initially display respondent's past-return estimates (blue bars)
- Click on button to display actual returns one-by-one (orange)
- One sentence contrasting both returns for each asset



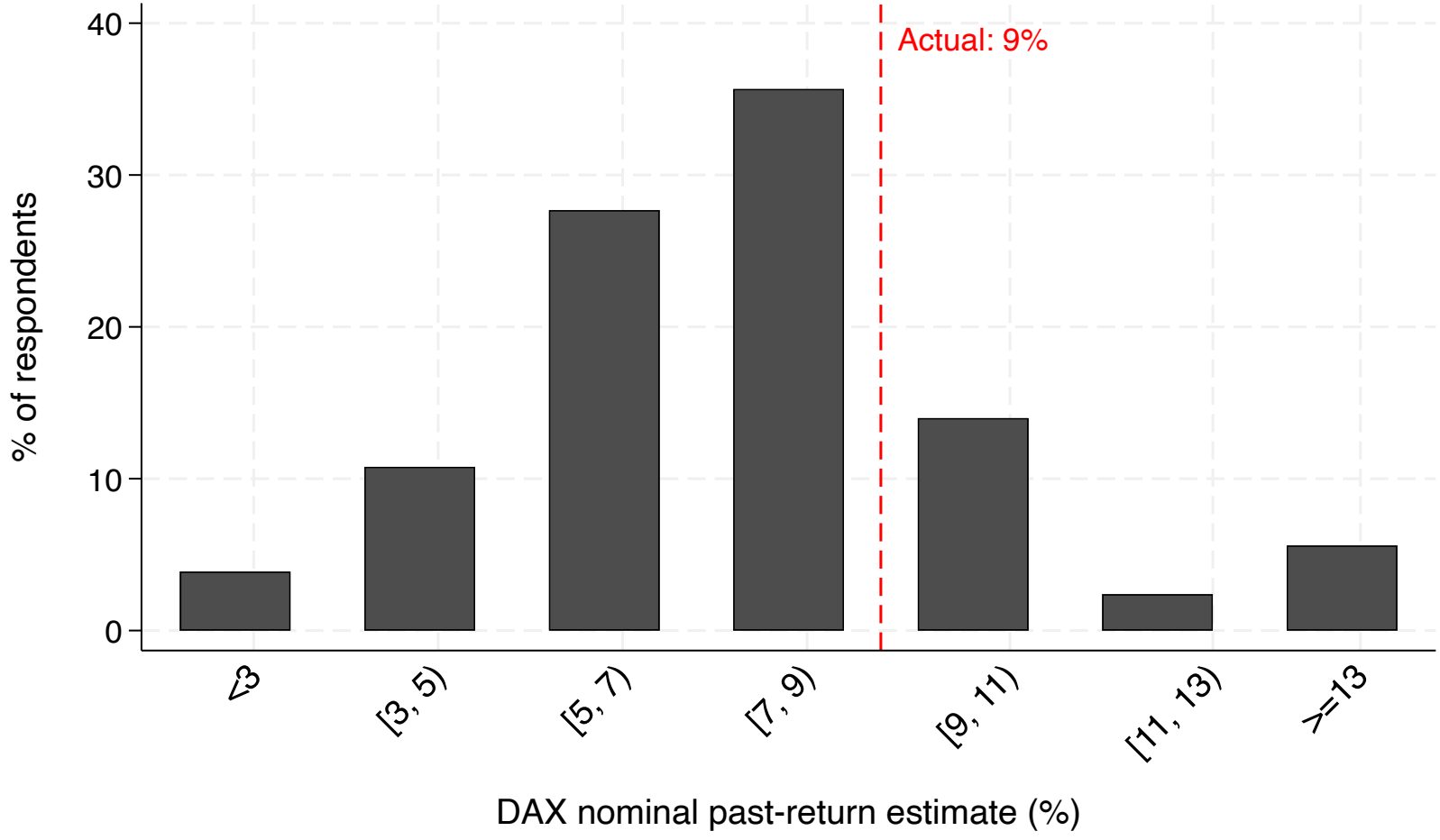
T3: T1 + T2 + explanations of past returns

- International diversification can protect against local inflation
- Commodities (such as energy) often drive inflation
- Gold perceived as a safe harbor during inflationary periods
- Calculations and explanations similar to existing work for US
  (Neville et al., 2021)
- Giving context to returns might increase treatment effectiveness
  (Andre et al., 2022; Goetzmann, Kim, and Shiller, 2022; Shiller, 2017)

Plan for the talk

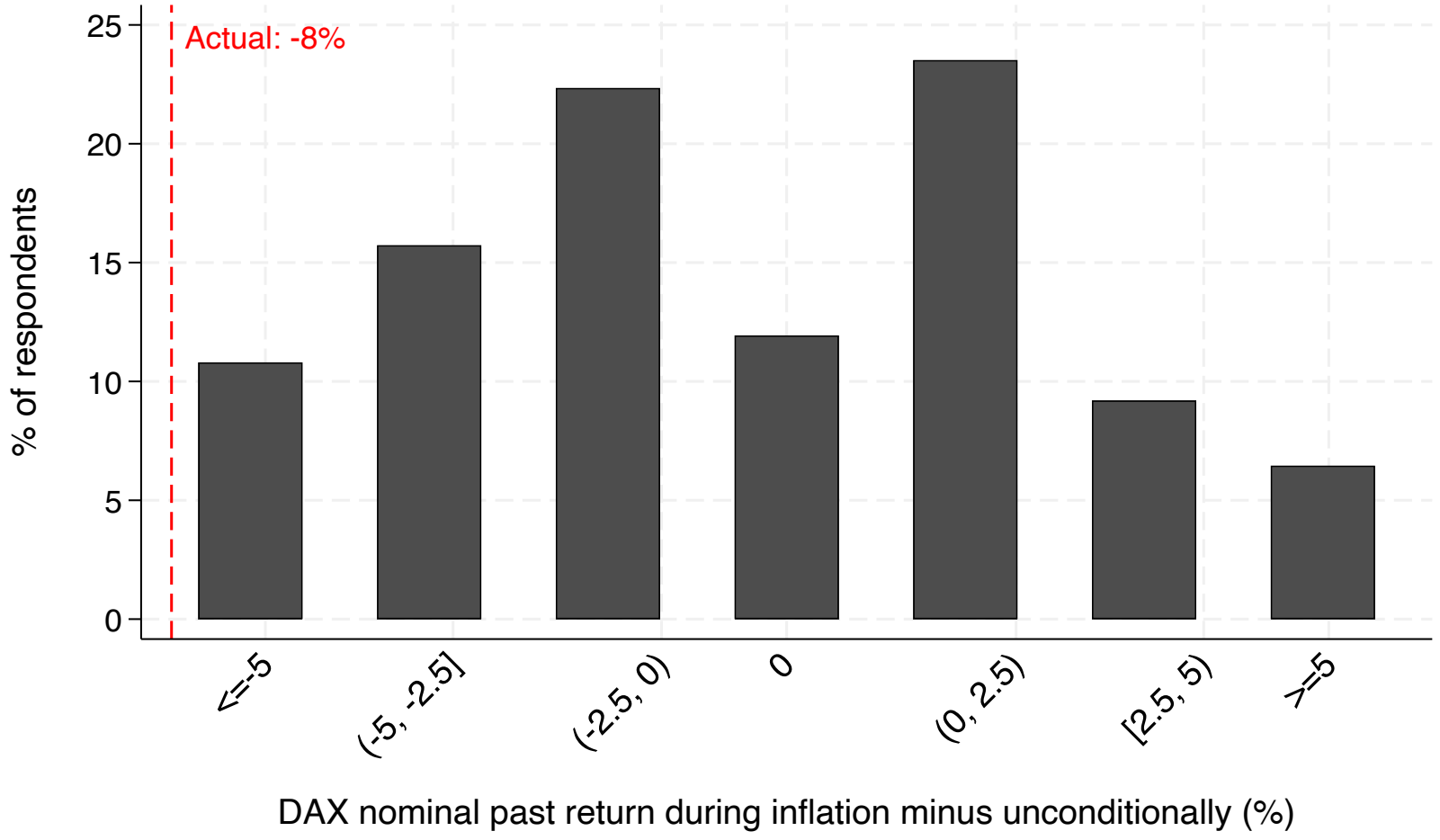
- Sample and experimental design
- Prior beliefs about inflation and asset returns
- Treatment effects on return expectations
- Expectations and trading

Perceived unconditional historical stock-market returns



$\Rightarrow$ High awareness of average past stock returns (average of 7.2%)

Perceived historical stock-return impact of inflation



$\Rightarrow$ Disagreement & overoptimism about inflation impact (6.7% vs. 1%)

Equation to estimate treatment effects on return beliefs

$$\hat{y}_i = \alpha + \sum_{k=1}^{3} \beta_k I(x_i = x^k) + \theta \boldsymbol{X}_i + \epsilon_i,$$

with

- $\hat{y}_i$ = post-treatment 12-month return expectation of respondent i
- $I(x_i = x^k)$ = indicator that respondent i receives treatment k
- $\boldsymbol{X}_i$ denotes set of controls from survey and bank data:
  - Age, risk tolerance, inflation and return perceptions, wealth and debt
  - Dummies for gender, marital status, education, financial literacy, financial advice, trading activity, timing of survey participation

Treatment effects on 12-month return expectations

$$\hat{y}_i = \alpha + \sum_{k=1}^{3} \beta_k I(x_i = x^k) + \theta \boldsymbol{X}_i + \epsilon_i$$

Dependent variable:	DAX	DE energy	S&P 500	Nikkei 225	Bunds 10y	Gold
	(1)	(2)	(3)	(4)	(5)	(6)
T1: inflation	0.092	0.243	0.051	−0.163	−0.087	−0.026
	(0.181)	(0.189)	(0.203)	(0.166)	(0.103)	(0.170)
T2: past returns	−0.684***	0.505***	−0.035	1.066***	0.123	1.909***
	(0.184)	(0.189)	(0.205)	(0.200)	(0.102)	(0.214)
T3: 1+2+reason	−1.049***	0.429**	−0.114	1.490***	0.164	2.354***
	(0.185)	(0.180)	(0.205)	(0.194)	(0.109)	(0.219)
Observations	2,568	2,572	2,499	2,578	2,644	2,525
R-squared	0.14	0.10	0.16	0.18	0.16	0.22
Controls	Y	Y	Y	Y	Y	Y
Avg. Y control group	5.0	4.6	5.9	4.1	1.4	4.0

- Inflation treatment has no effect on return expectations
- Info on low German stock returns reduces expectations
- Info on high returns of other assets has large effects

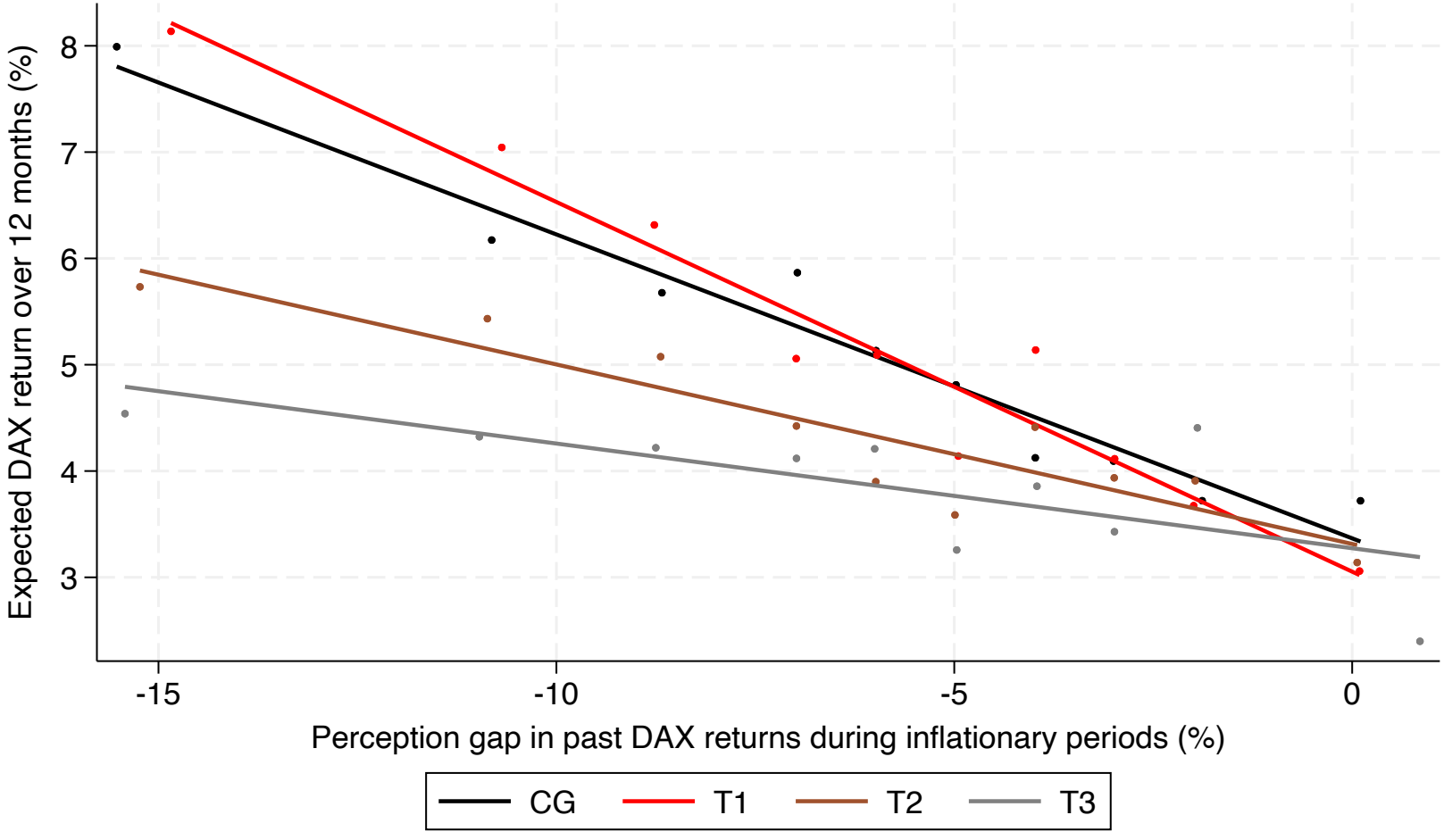
Treatment effects on return beliefs by perception gaps

- Learning might be stronger when priors deviate more from signals
- Focus on degree of updating as function of news in signal:

$$\hat{y}_i = \sum_{k=1}^{3} \beta_k I(x_i = x^k)\,(x^{ret} - \hat{x}^{ret}_{i,prior}) + \mu_k I(x_i = x^k) + \delta_k (x^{ret} - \hat{x}^{ret}_{i,prior}) + \theta \boldsymbol{X}_i + \epsilon_i$$

- $(x^{ret} - \hat{x}^{ret}_{i,prior})$ = gap b/w realized return and prior estimate
- μ_k measures treat effects that are independent of priors
- δ_k captures posteriors across respondents w/ different priors

Treatment effects on return beliefs by perception gaps



$\Rightarrow$ Return info (T2/T3) weakens forecasts for most optimistic priors

Plan for the talk

- Sample and experimental design
- Prior beliefs about inflation and asset returns
- Treatment effects on return expectations
- Expectations and trading

Treatment effects on hypothetical trading

$$\hat{y}_i = \alpha + \sum_{k=1}^{3} \beta_k I(x_i = x^k) + \theta \boldsymbol{X}_i + \epsilon_i$$

Dependent variable:	DAX	DE energy	S&P 500	Nikkei 225	Bunds 10y	Gold
	(1)	(2)	(3)	(4)	(5)	(6)
T1: inflation	−73.6	42.8	−50.5	−58.4	−25.8	−3.7
	(120.5)	(61.8)	(121.0)	(41.3)	(41.2)	(83.5)
T2: past returns	−830.6***	155.3**	−231.1*	383.4***	30.7	397.3***
	(123.7)	(63.7)	(124.8)	(55.9)	(40.3)	(94.9)
T3: 1+2+reason	−1288.1***	372.0***	−125.8	522.3***	21.2	456.8***
	(120.8)	(65.8)	(123.0)	(57.8)	(40.1)	(91.1)
Observations	2,597	2,594	2,529	2,599	2,648	2,549
R-squared	0.11	0.06	0.16	0.09	0.04	0.09
Controls	Y	Y	Y	Y	Y	Y
Avg. Y control group	3,444.3	771.8	2,963.2	488.0	264.9	1,024.4

- Inflation treatment has no effect on hypothetical trading
- Return info alters allocations in expected direction (except US)
- T3 effects larger; in particular for German stocks

Treatment effects on actual trading

$$\hat{y}_i = \alpha + \sum_{k=1}^{3} \beta_k I(x_i = x^k) + \theta \boldsymbol{X}_i + \epsilon_i$$

DV:	Number German equities				German equities in EUR			
Trades:	Gross buys		Net buys		Gross buys		Net buys	
Post:	2m	4m	2m	4m	2m	4m	2m	4m
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
T1	−0.05	−0.04	−0.03	−0.01	−24.55	−89.58	37.19	46.06
	(0.05)	(0.04)	(0.05)	(0.04)	(292.96)	(201.89)	(275.04)	(211.29)
T2	−0.02	−0.01	0.00	0.01	−261.13	−209.77	−103.66	−150.14
	(0.05)	(0.04)	(0.05)	(0.04)	(296.61)	(212.80)	(272.08)	(210.64)
T3	−0.15***	−0.09**	−0.13***	−0.07*	−693.94***	−388.77*	−229.40	−91.79
	(0.05)	(0.04)	(0.05)	(0.04)	(265.69)	(203.70)	(251.07)	(200.70)
N	1,994	1,994	1,994	1,994	1,994	1,994	1,994	1,994
Y	0.55	0.49	0.34	0.31	1,823.67	1,415.51	550.27	428.34

- Hypothetical trading translates into actual trading
- Effect operates primarily through adjustments in gross buys

(e.g., Calvet, Campbell, and Sodini, 2009)

Take Away I

- Heterogeneity and overoptimism about return impact of inflation
- Shifting return beliefs alters expectations and trading
- Results informative for household finance, asset pricing, and macro
  - HF: investors care about inflation but are unaware of hedging
  - AP: shed light on which subjective models guide investor behavior
  - Macro: implications of HH inflation expectations for investments

Households' Response to the Wealth Effects of Inflation

(with Philip Schnorpfeil and Andreas Hackethal)

Introduction

- Unexpected inflation redistributes wealth from creditors to debtors

  (Doepke and Schneider, 2006; Fisher, 1933)

- Consumption effects of the wealth redistribution (Fisher channel)?

  (Auclert, 2019)

- Evidence on households' response to the wealth effects lacking
  - Limited awareness b/c of money illusion?

    (Cohen, Polk, and Vuolteenaho, 2005; Modigliani and Cohn, 1979)
  - Limited reaction b/c of low MPC out of unrealized gains?

    (Di Maggio, Kermani, and Majlesi, 2020; Lettau and Ludvigson, 2004)

This paper

- Study how households respond to wealth effects of inflation
- Exploit exogenous variation in knowledge about erosion channel
  - Experiment with customers with observable transactions and debtors
  - Explain inflation-induced erosion of nominal positions
- Analyze whether/how knowledge affects beliefs and choices

Plan for the talk

- Sample and experimental design
- Prior knowledge about the wealth effects of inflation
- The effects of information treatments on beliefs
- Wealth effects of inflation and consumption

Sample characteristics

Statistics:	Mean	SD	P25	P50	P75
Demographic characteristics					
University completed (0/1)	0.48	0.50	0.00	0.00	1.00
Homeowner (0/1)	0.59	0.49	0.00	1.00	1.00
Stockholdings (0/1)	0.54	0.50	0.00	1.00	1.00
Nominal assets / gross wealth (%)	42.67	33.66	10.00	30.00	79.00
Nominal debt / gross wealth (%)	16.78	22.88	0.00	5.00	30.00
Net nominal position / gross wealth (%)	25.89	44.90	0.00	20.00	60.00
Perceptions and expectations					
Inflation rate today (%)	8.78	6.24	7.00	7.90	8.00
Inflation important for own wealth (0–4)	2.37	1.02	2.00	2.00	3.00
GDP growth important for own wealth (0–4)	1.73	1.06	1.00	2.00	2.00
Interest rates important for own wealth (0–4)	1.34	1.14	0.00	1.00	2.00

$\Rightarrow$ Sample: well-off, exposed to inflation, accurate inflation perception

Experimental design

1. Pre-treatment section
   - Preexisting knowledge about erosion channel
   - Balance-sheet decomposition and real-net-wealth change
2. Treatment section
   - Control group receives info on current inflation only
   - One treatment group learns about inflation + nominal-asset erosion
   - One treatment group learns about inflation + nominal-debt erosion
3. Post-treatment section
   - Beliefs about nominal positions, own real wealth, economy
   - Planned consumption and hypothetical real-estate choice

- Track households over time to investigate actual choices

Text for loan-treatment group

The **current rate of inflation in Germany is 8.7%**, the highest rate for more than 70 years. That is, goods and services priced at €100 one year ago now cost €108.7 on average. This price increase has a relatively **positive effect on borrowers**: the loan amount is unchanged nominally, but worth less in real terms as a consequence of money depreciation.

As an example, consider a €50,000 loan with a three-year maturity that you took out one year ago. The real value of the loan has already fallen sharply, and will depreciate further if inflation remains high:

€50,000 loan value one year ago ⇓ €38,800 real loan value today

The **inflation-induced loan depreciation** thus has a positive effect on the real net wealth of borrowers.

Text for savings-treatment group

The **current rate of inflation in Germany is 8.7%**, the highest rate for more than 70 years. That is, goods and services priced at €100 one year ago now cost €108.7 on average. This price increase has a relatively **negative effect on savers**: the savings amount (e.g., checking account, bond, life insurance) is unchanged nominally or lower, but worth less in real terms as a consequence of money depreciation.

As an example, consider a €50,000 savings product with a three-year maturity that you invested in one year ago. The real value of the savings product has already fallen sharply, and will depreciate further if inflation remains high:

€50,000 savings value one year ago ⇓ €38,800 real value today

The **inflation-induced savings depreciation** thus has a negative effect on the real net wealth of savers.

Text for control group

The **current rate of inflation in Germany is 8.7%**, the highest rate for more than 70 years. That is, goods and services priced at €100 one year ago now cost €108.7 on average.

- Control group receives first two sentences only

$\Rightarrow$ All groups learn about prevailing level of inflation

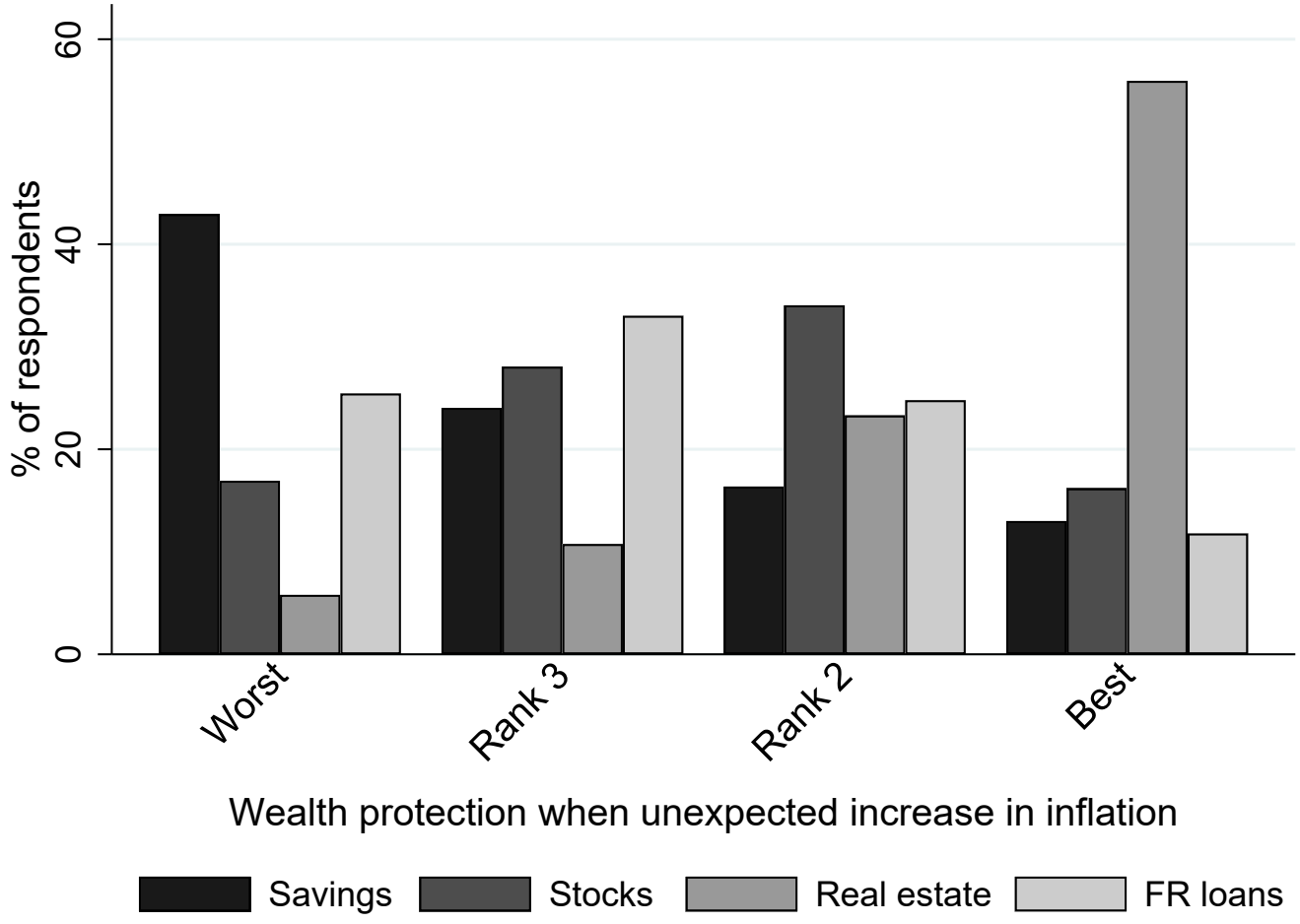
$\Rightarrow$ By comparing groups, isolate effect of erosion-channel information

Plan for the talk

- Sample and experimental design
- Prior knowledge about the wealth effects of inflation
- The effects of information treatments on beliefs
- Wealth effects of inflation and consumption

Prior knowledge about wealth effects of inflation

Question: "Which of the following financial instruments should yield the highest real-net-wealth return in times of unexpectedly high inflation?"



$\Rightarrow$ Awareness of inflation-induced savings erosion, limited for debt

Plan for the talk

- Sample and experimental design
- Prior knowledge about the wealth effects of inflation
- The effects of information treatments on beliefs
- Wealth effects of inflation and consumption

Equation to estimate treatment effects on beliefs

$$posterior_i = const + \sum_{j=1}^{2} \beta_j \; I\{i \in treat \; j\} + \gamma \; prior \; rnw_i + controls_i + error_i$$

with

- $posterior_i$ = post-treatment measure of beliefs of respondent i
- $I\{i \in treat \; j\}$ = dummy variable indicating that respondent i receives treatment j (savings or loan erosion)
- $prior \; rnw_i$ = prior beliefs on real-net-wealth change
- $controls_i$ from survey and bank data:
  - Gross wealth, quadratic polynomial in age, risk tolerance
  - Dummies for education, survey characteristics, gender, marital status, employment status, balance-sheet positions, inflation beliefs, zip code

Treatment effects on perceived changes in real net wealth

$$posterior_i = const + \sum_{j=1}^{2} \beta_j \; I\{i \in treat \; j\} + \gamma \; prior \; rnw_i + controls_i + error_i$$

DV:	Change in real net wealth						
	Last 12 months		Next 12 months		Last + next 12 months		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Treat: savings	−0.932	−0.807	−0.835	−0.981	−1.767	−1.788	−1.606**
	(0.648)	(0.646)	(0.769)	(0.773)	(1.217)	(1.222)	(0.781)
Treat: loan	1.490**	1.743***	1.260	1.204	2.749**	2.947**	2.495***
	(0.676)	(0.666)	(0.769)	(0.761)	(1.222)	(1.207)	(0.787)
Controls prior	Y	Y	Y	Y	Y	Y	Y
Controls demo	N	Y	N	Y	N	Y	Y
Robust reg	N	N	N	N	N	N	Y
Avg. Y CG	-2.51	-2.55	-3.11	-3.01	-5.62	-5.56	-6.33
Observations	3,190	3,134	3,190	3,134	3,190	3,134	3,099
R-squared	0.00	0.19	0.00	0.13	0.00	0.20	0.40

- Savings treatment has limited effect on wealth perception
- Loan treatment increases perceived wealth by 3 percentage points
- Results robust to and more precise with Huber-robust estimations

Plan for the talk

- Sample and experimental design
- Prior knowledge about the wealth effects of inflation
- The effects of information treatments on beliefs
- Wealth effects of inflation and consumption

Treatment effects on planned spending

$$posterior_i = const + \beta\ I\{treat\ \ loan_i\} + \gamma\ \ prior\ \ rnw_i + controls_i + error_i$$

Dependent variable:	Planned spending				
	Groceries	Restaurants	Leisure	Clothing	Durables
	(1)	(2)	(3)	(4)	(5)
Panel A. Reduced form					
Treat: loan erosion	−0.007	0.110***	0.108**	0.042	0.069
	(0.043)	(0.041)	(0.042)	(0.042)	(0.043)
Controls for prior beliefs	Y	Y	Y	Y	Y
Controls for demographics	Y	Y	Y	Y	Y
Observations	2,088	2,088	2,088	2,088	2,088
R-squared	0.04	0.16	0.12	0.10	0.09
Avg. Y	0.00	0.00	0.00	0.00	0.00

- Groceries spending unaffected
- Treatment effect strongest for nondurable spending (11% of SD)

Treatment effects on actual spending

$$posterior_i = const + \beta\ I\{treat\ \ loan_i\} + \gamma\ \ prior\ \ rnw_i + controls_i + error_i$$

DV:	Total			Nondiscretionary			Discretionary		
Window:	30	60	90	30	60	90	30	60	90
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
T: loan	65.0*	192.6***	171.3**	−4.9	23.6	41.9	39.6	123.3***	131.3**
	(36.5)	(59.7)	(79.0)	(15.9)	(24.2)	(33.4)	(24.8)	(40.9)	(55.8)
N	1,465	1,513	1,477	1,431	1,414	1,405	1,451	1,488	1,497
R2	0.03	0.03	0.02	0.03	0.02	0.03	0.03	0.04	0.03
Controls	Y	Y	Y	Y	Y	Y	Y	Y	Y
Avg. Y	-267.0	-308.4	-22.8	-92.6	-46.6	58.7	-147.2	-222.9	-240.3

- Planned changes in spending translate into actual changes
- 6% increase in spending relative to average over prior 60 days
- MPC of 2.5–3% out of treatment-induced perceived wealth change

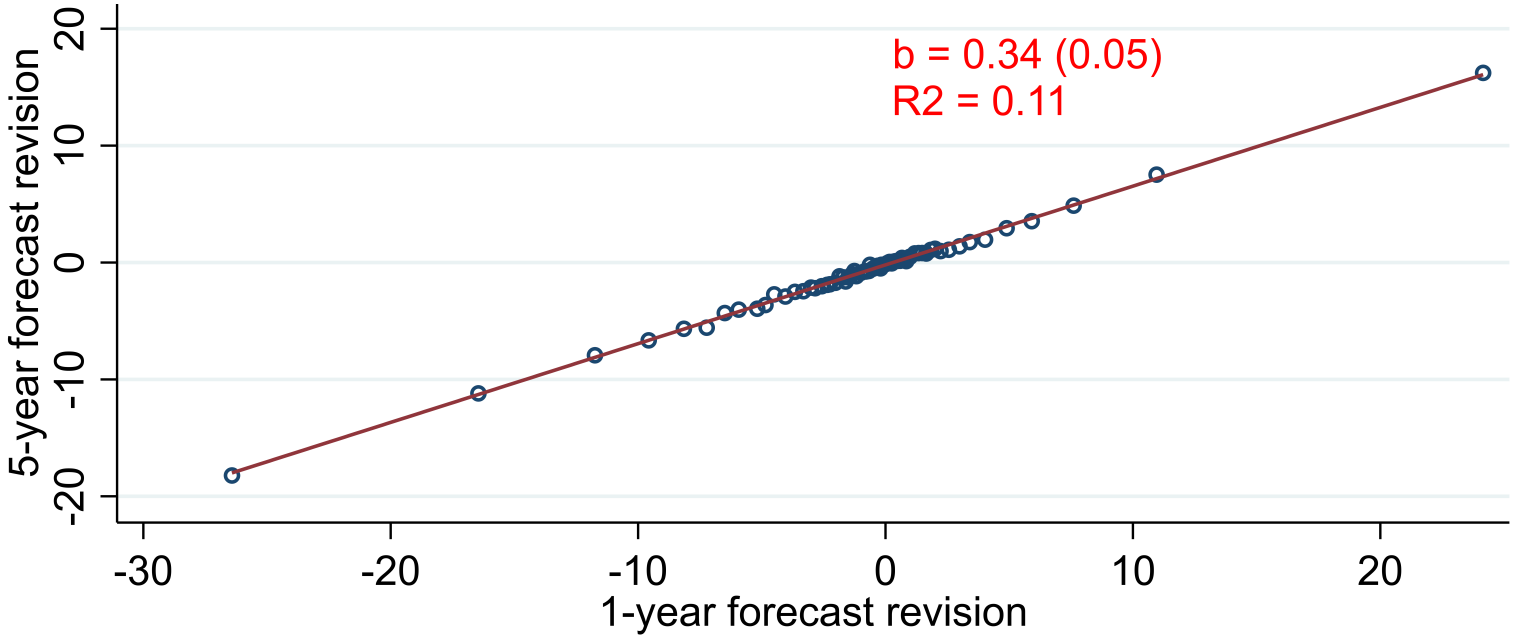
Take Away II

- Households care and are well-informed about inflation
- Yet they know little about inflation-induced nominal-debt erosion
- Providing information on this erosion channel affects...
  - beliefs about nominal debt and own real wealth
  - consumption and debt financing in real-estate transaction
- Real wealth can hence mediate how households respond to inflation
- But limited awareness likely mutes consequences of redistribution
- Informative to HANK models in which Fisher channel is important
  - Unexpected inflation boosts economy b/c debtors have high MPC
  - Our results suggest role for info frictions & other deviations from FIRE

(Pfäuti and Seyrich, 2024)

Open Questions

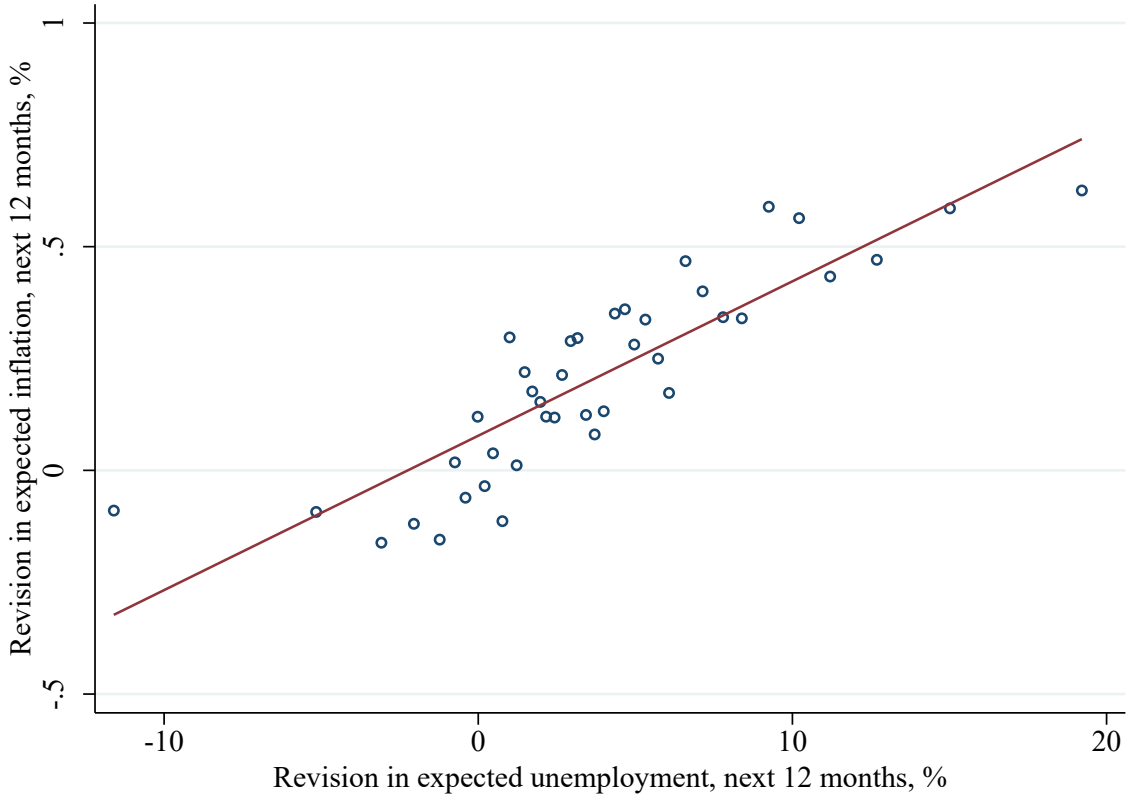
Term Structure of Expectations



Source: Weber, D'Acunto, Gorodnichenko, Coibion, JEP (2022):
"The Subjective Inflation Expectations of Households and Firms"

- Most research focuses on one-year ahead expectations
- But for housing decisions or car purchases longer-run expectations crucial
- Strong correlation between revisions in short and long-term expectations

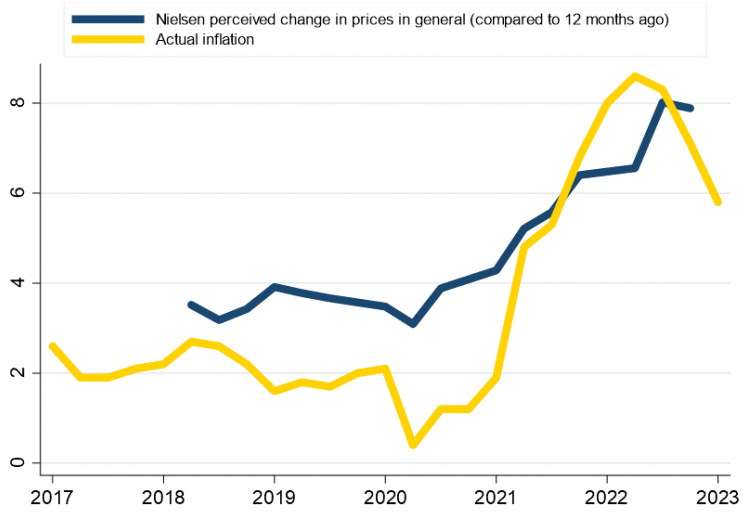
Joint Formation of Expectations

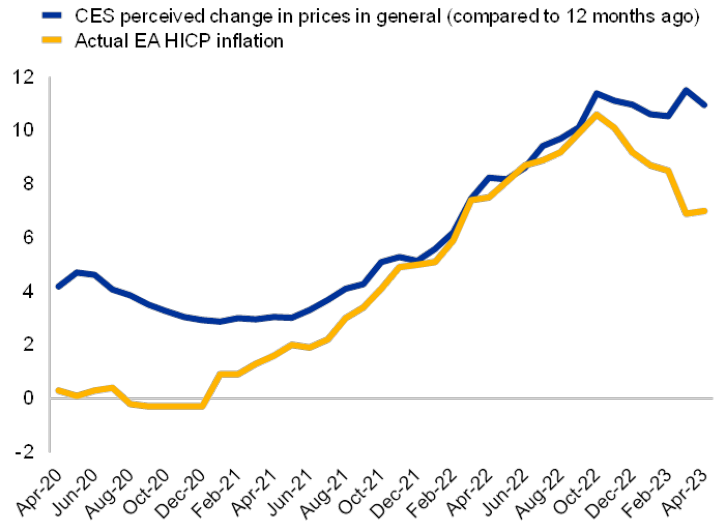


Source: Weber, D'Acunto, Gorodnichenko, Coibion, JEP (2022):
"The Subjective Inflation Expectations of Households and Firms"

- Supply-side view: strong correlation between expected π and UR
- Also true for revisions at individual level!
- Relevant to observe relevant expectations jointly

Time Varying Attention to Macro Variables

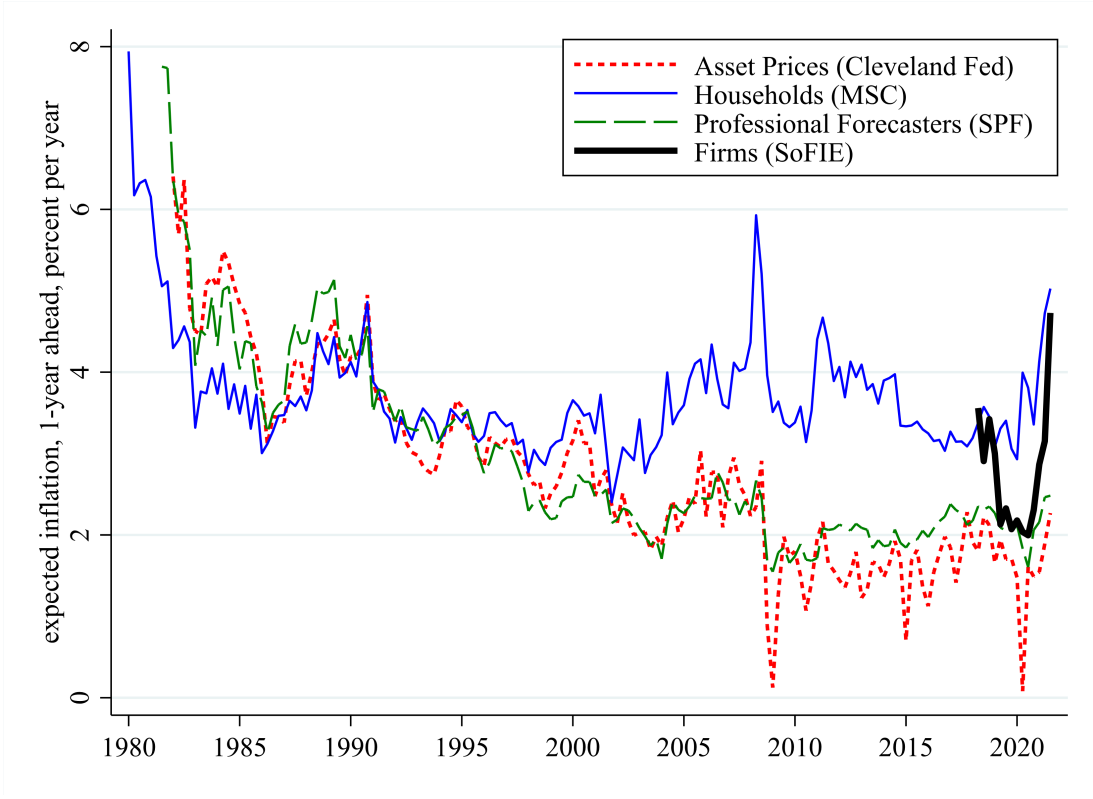




Source: Weber et al (ECMA 2025):
"Tell me Something I don't Already Know: Learning in Low- and High-Inflation Settings"

- HH perceptions closer to actual inflation when inflation high
- Implications for research
  - Important to take into account state dependence of expectations
  - Relevant to perform subsample analyses

Firms and Households Form Expectations Alike



Source: Weber, D'Acunto, Gorodnichenko, Coibion, JEP (2022):
"The Subjective Inflation Expectations of Households and Firms"

- Limited evidence for firms suggest general biases of HH also prevalent for firms

Recent reviews of this literature

- "The Subjective Inflation Expectations of Households and Firms: Measurement, Determinants, and Implications"
  Weber, D'Acunto, Coibion, and Gorodnichenko
  Journal of Economic Perspectives (2022)

- "What Do the Data Tell Us About Inflation Expectations?"
  D'Acunto, Malmendier, and Weber
  Handbook of Subjective Expectations (2023)

- "The Expected, Perceived, and Realized Inflation of U.S. Households before and during the COVID19 Pandemic"
  Weber, Coibion, and Gorodnichenko
  IMF Economic Review (2023)

- "Subjective Inflation Expectations are Important and Meaningful"
  D'Acunto and Weber
  Annual Review of Economics (2024)

Appendix

Treatment effects on inflation expectations

$$\hat{y}_i = \alpha + \sum_{k=1}^{3} \beta_k I(x_i = x^k) + \theta \boldsymbol{X}_i + \epsilon_i$$

Dependent variable:	1yr forecast		Revision 1yr forecast		5yr forecast	
	(1)	(2)	(3)	(4)	(5)	(6)
T1: inflation	0.395***	0.493***	0.532***	0.546***	0.294***	0.350***
	(0.101)	(0.089)	(0.094)	(0.092)	(0.096)	(0.087)
T2: past returns	−0.189*	−0.093	−0.198**	−0.178**	−0.140	−0.066
	(0.105)	(0.087)	(0.088)	(0.086)	(0.101)	(0.091)
T3: 1+2+reason	0.417***	0.478***	0.331***	0.412***	0.202**	0.299***
	(0.109)	(0.093)	(0.101)	(0.098)	(0.097)	(0.091)
Controls	N	Y	N	Y	N	Y
Avg. Y control group	5.0	5.0	0.4	0.3	3.7	3.7
Observations	2,747	2,660	2,704	2,631	2,751	2,663
R-squared	0.02	0.27	0.02	0.09	0.01	0.18

◂ Back

Shift in inflation f/cast x prior beliefs about return impact

Dependent variable:	DAX	DE energy	S&P 500	Nikkei 225	Bunds 10y	Gold
	(1)	(2)	(3)	(4)	(5)	(6)
T1: inflation	−0.035	0.338*	0.195	−0.092	−0.098	−0.093
	(0.185)	(0.191)	(0.203)	(0.167)	(0.113)	(0.183)
Return Δ when inflation	0.208***	0.284***	0.171***	0.154***	0.069*	0.173***
	(0.045)	(0.045)	(0.052)	(0.047)	(0.041)	(0.047)
T1 x return Δ	−0.026	−0.028	0.102	0.071	0.001	0.071
	(0.061)	(0.072)	(0.077)	(0.073)	(0.065)	(0.071)
Controls	N	Y	N	Y	N	Y
Observations	1,402	1,387	1,343	1,389	1,424	1,340
R-squared	0.19	0.20	0.24	0.22	0.21	0.24

◂ Back

Shift in inflation f/cast x shift in beliefs about returns

Dependent variable:	DAX	DE energy	S&P 500	Nikkei 225	Bunds 10y	Gold
	(1)	(2)	(3)	(4)	(5)	(6)
Inflation-forecast revision	−0.038	−0.074	0.004	−0.001	0.065	−0.002
	(0.089)	(0.086)	(0.097)	(0.110)	(0.061)	(0.131)
Controls	N	Y	N	Y	N	Y
Observations	538	542	530	544	557	529
R-squared	0.15	0.13	0.14	0.18	0.12	0.14

◂ Back

Treatment effects on other expectations

$$\hat{y}_i = \alpha + \sum_{k=1}^{3} \beta_k I(x_i = x^k) + \theta \boldsymbol{X}_i + \epsilon_i$$

DV:	Own salary		Own portfolio		Unemployment		Economic growth	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
T1	0.003	−0.005	−0.034	−0.074	−0.049	−0.067	0.006	−0.021
	(0.040)	(0.040)	(0.047)	(0.046)	(0.045)	(0.045)	(0.051)	(0.050)
T2	−0.014	−0.003	0.118**	0.077	0.020	−0.028	0.056	0.017
	(0.042)	(0.041)	(0.048)	(0.047)	(0.049)	(0.049)	(0.054)	(0.053)
T3	0.004	0.017	0.039	−0.012	−0.042	−0.078	−0.081	−0.129**
	(0.041)	(0.040)	(0.048)	(0.047)	(0.048)	(0.049)	(0.053)	(0.053)
Controls	N	Y	N	Y	N	Y	N	Y
Avg. Y	3.3	3.3	3.5	3.5	2.9	2.9	3.1	3.1
N	2,792	2,690	2,792	2,690	2,792	2,690	2,792	2,690
R2	0.00	0.09	0.00	0.09	0.00	0.04	0.00	0.06

◂ Back