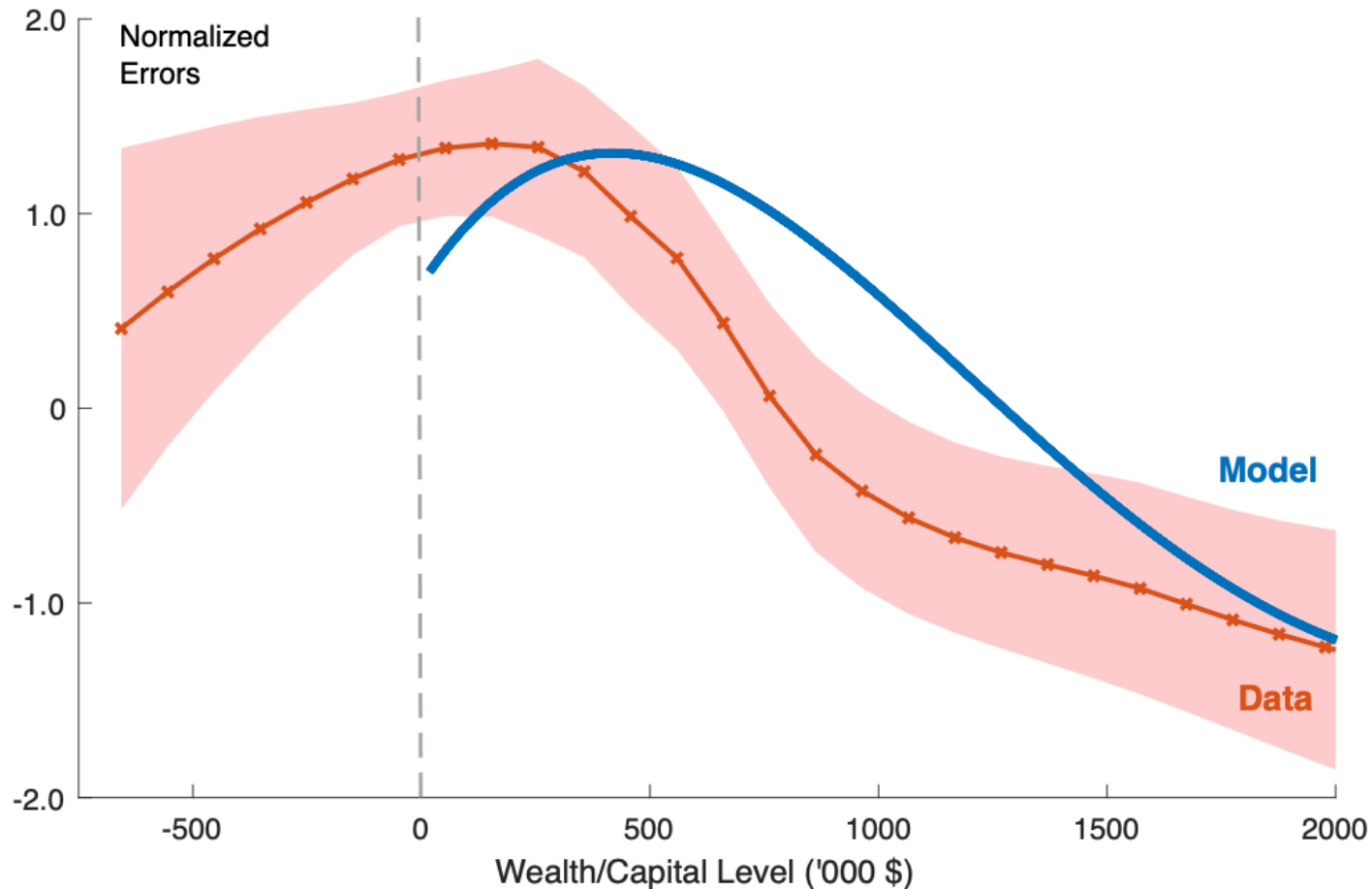


Figure 6: Accuracy of Forecasts: Model vs. Data



*Note:* The figure depicts the estimated relationship between (the absolute value of) normalized errors of the one-year ahead probability of the unemployment rate increasing and household wealth. We plot this relationship both in the SCE data and in the calibrated model (see also Section 2). We use a local polynomial regression (the LOESS regression) to estimate the non-linear relationship between the accuracy of household expectations and household wealth. Error bands correspond to one-standard deviation confidence bounds. We use 2020 values of US household income to convert values in the data and in the model to \$ amounts.