Leibniz University Hannover
School of Economics and Management
Institute of Money and International Finance

Seminar Monetary Economics Using Microdata
(Belegnummer:)

Thema:

The Formation of Inflation Expectations

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Hannover, den 31.03.2022

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1 Introduction

Space for our Introduction

Research questions: How do macroeconomic expectations differ across socio-demographic groups? How do people update their inflation expectations? What is the effect of hearing economic news on inflation expectations?

Idea: Google Searches about Inflation as a signal for more sensitivity for inflation?

2 Theoretical Background

2.1 Literature

2.2 Our Hypothesis

3 Data

3.1 Our Dataset

- we look at the survey data provided by the Survey of Consumer Expectations of the New York FED

- a plot of consumer expectations of the last ten years give a first expression

- we can see two different phases for inflation expectations: from June 2013 until April 2020 and from May 2020 until today
- first phase: stable expectations with median and point predictions at around 2.5-3.0% inflation
- second phase: sudden increase in expectations with a peak at arond 6.5% in the last months

we can see the differences in the descriptive statistics and growth rates for the point estimate of both intervals

This gives us the following kables for both intervals

- we see higher value for average median, point estimate, volatility and therefore a wider range in the second sample

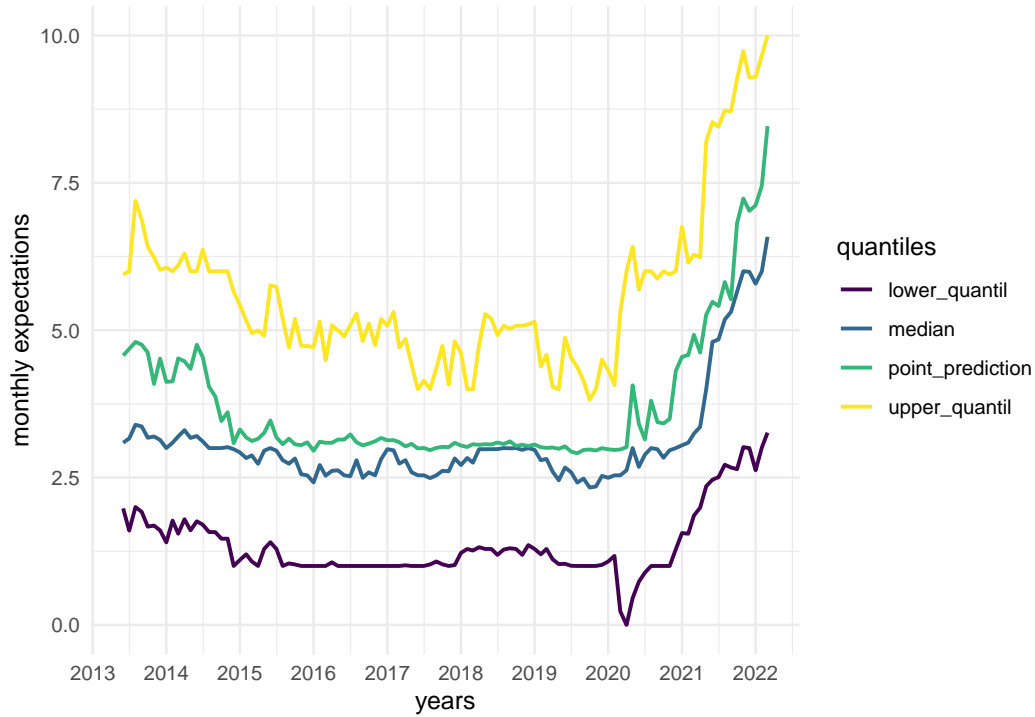- we can also see higher movements by comparing the growth rates of both

Figure 1: Expectations from 2013-present

Table 1: Summary for expectations from 2013-2020

measure	mean	volatility	range
median	2.8083	0.2566	1.0649
point_prediction	3.3424	0.5582	1.8877
lower quantil	1.1982	0.3225	2.0000
upper quantil	5.0948	0.7455	3.3737

Table 2: Summary for expectations from 2020-present

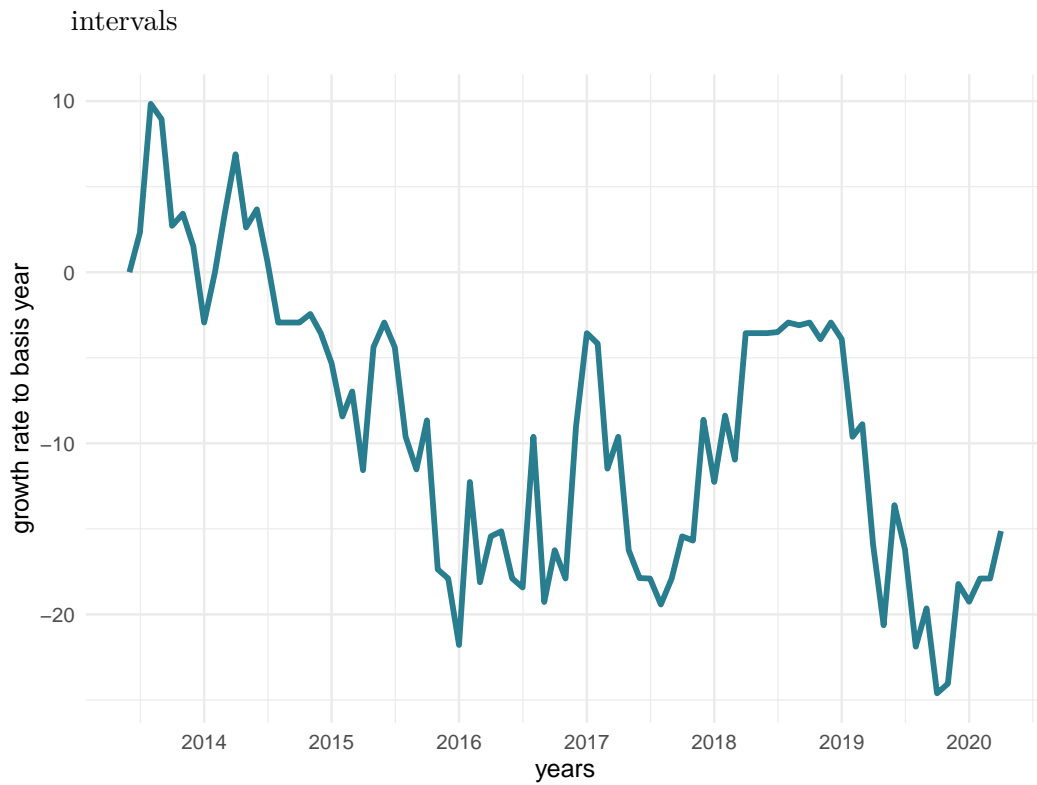| measure	mean	volatility	range
median	4.1844	1.3553	3.9025
point_prediction	5.1892	1.5367	5.3174
lower quantil	1.9374	0.8814	2.8085
upper quantil	7.5308	1.5792	4.3110

intervals

Figure 2: Growth rates of median expectations from 2013-20

-new picture now

- only small movements, decrease of about 15% in seven years

- more than double the expectations in only two years! shows drastic shift in
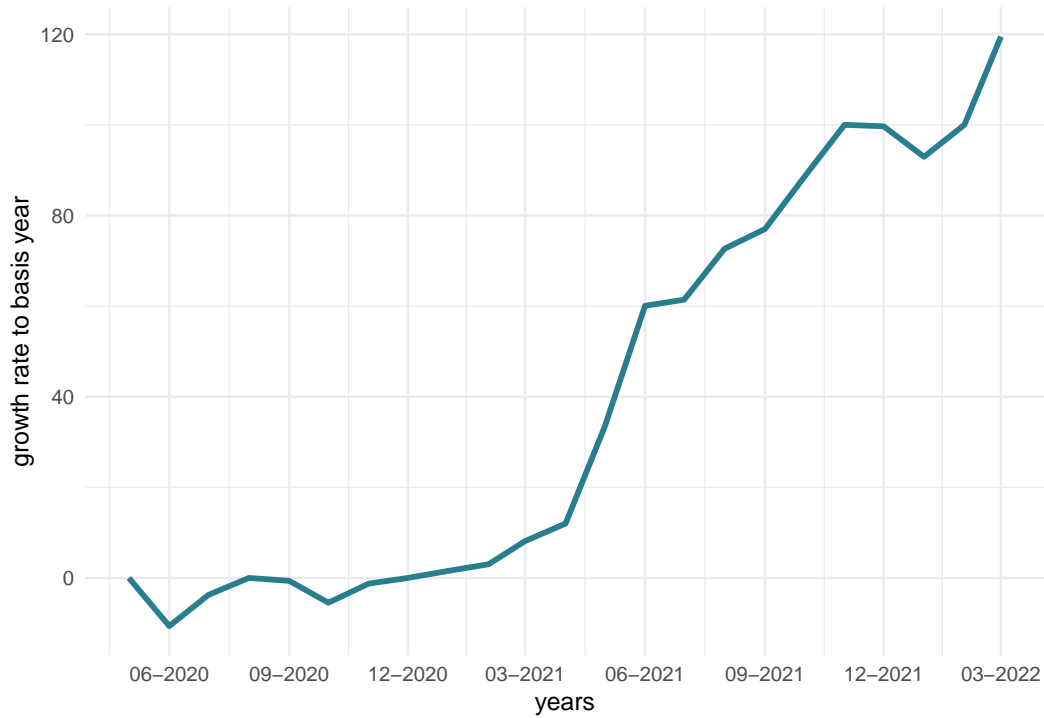 expectations

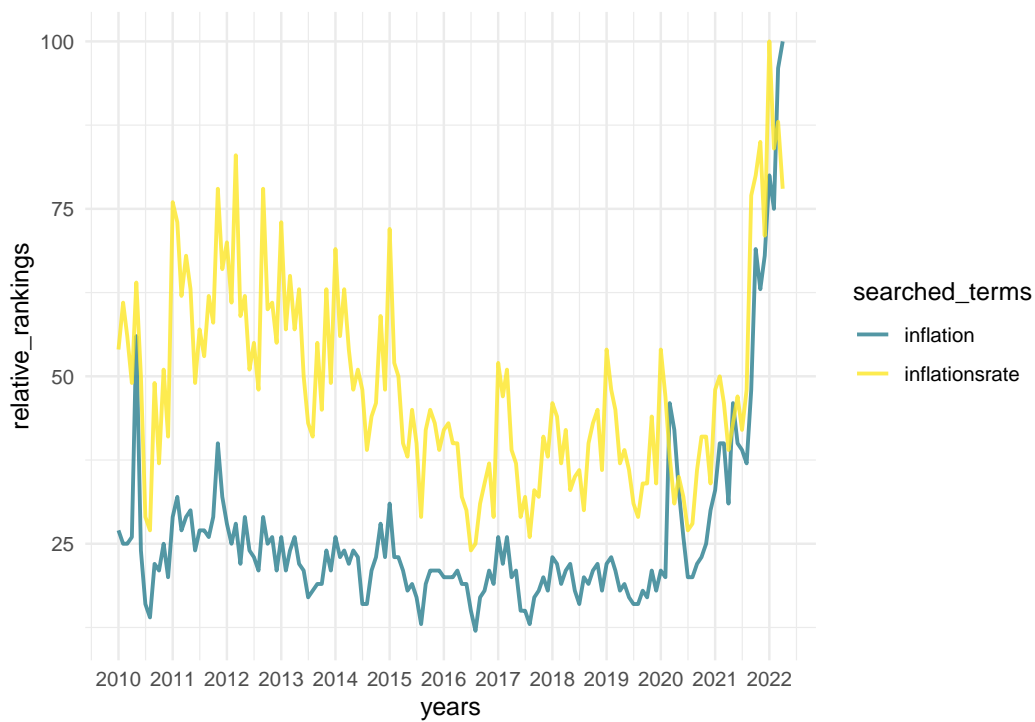Figure 3: Growth rates of median expectations from 2020-present

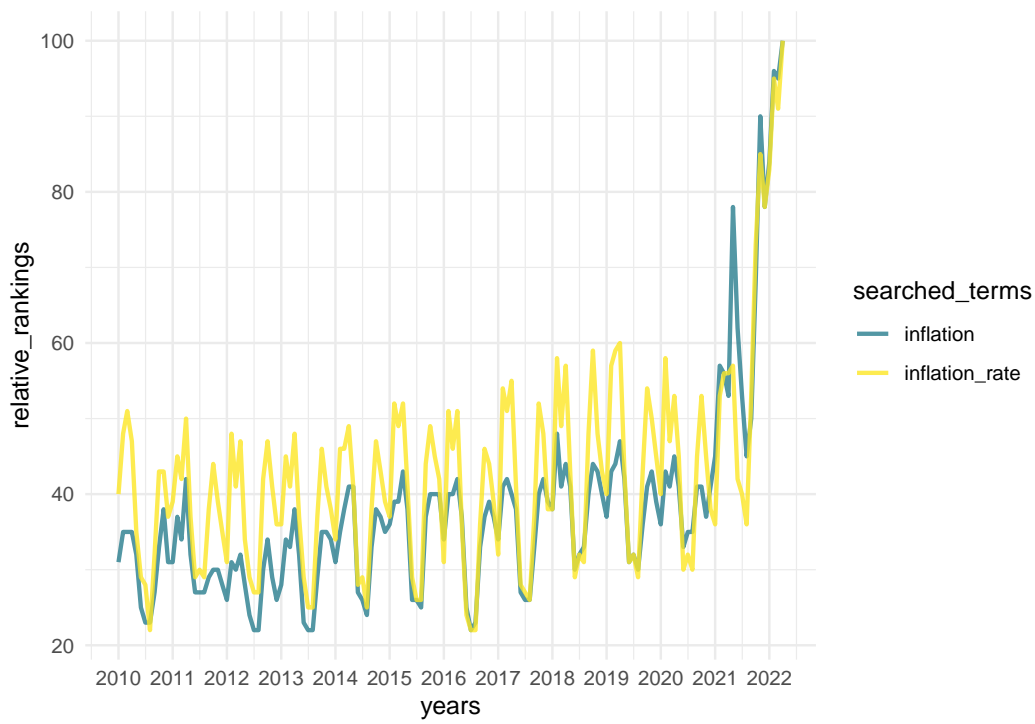

Figure 4: German Google Trends from 2010-present

Figure 5: US Google Trends from 2010-present

3.2 Descriptive statistics

3.3 More statistics

-cyclical behaviour of trends for US is very interesting - no one looks after inflation in the summer, so maybe trends coincide with the sales in the winter (Winter-schlussverkauf, Black Friday)
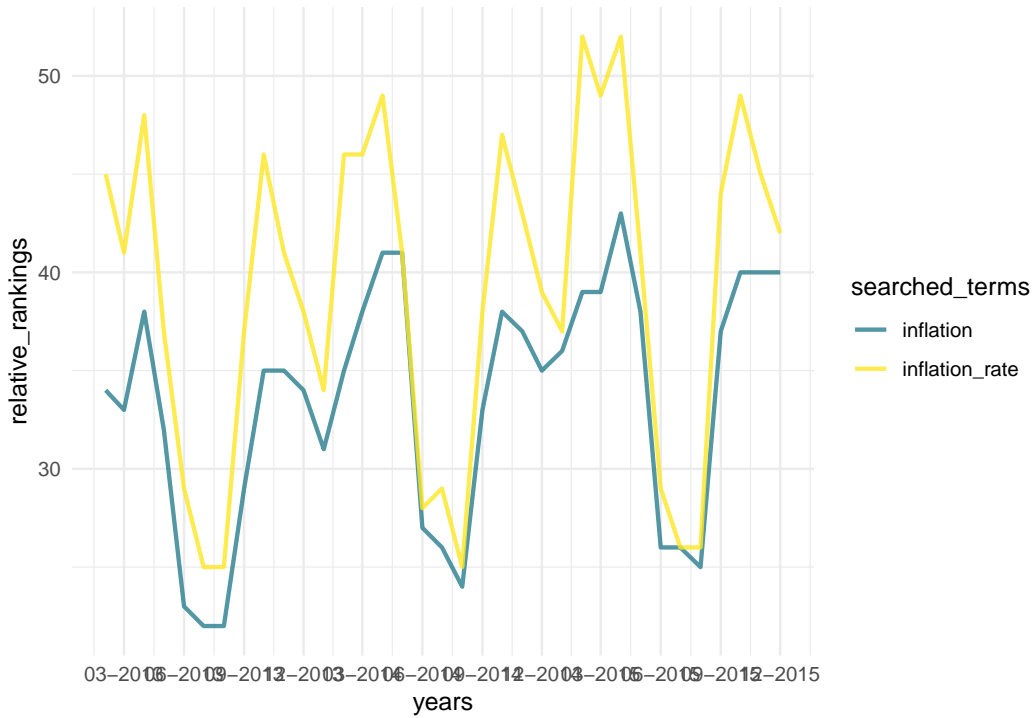

Figure 6: US Google Trends from 2013-2016

4 Results

4.1 Results for Data

5 Robustness

5.1 Robustness

5.2 Limitations

6 Conclusion

Space for our Conclusion

Research questions: How do macroeconomic expectations differ across socio-demographic groups? How do people update their inflation expectations? What is the effect of hearing economic news on inflation expectations?

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Ehrenwörtliche Erklärung

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