

## Macro Roundup Article

**Headline:** [Inflation Expectations, the Phillips Curve, and Stock Prices](#)

**Article Link:** <https://www.frbsf.org/economic-research/publications/economic-letter/2023/september/inflation-expectations-phillips-curve-and-stock-prices/>

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**Tweet:** Looking at postwar data, researchers at @sffed find that there was a regime shift around 1999 towards well-anchored inflation expectations that were not sensitive to incoming CPI data.

**Summary:** Figure 1 shows that the median forecast of professional economists for one-year-ahead consumer price index (CPI) inflation has become less sensitive to actual CPI inflation. The figure shows the results of regressions measuring the strength of the relationship between one-year-ahead expected CPI inflation (vertical axis) and the contemporaneous four-quarter CPI inflation rate (horizontal axis). For the period from 1949 through the end of 1998, the blue line indicates a strong relationship with a slope of 0.71, implying that the median inflation forecast adjusts nearly one-for-one with actual inflation. The regression yields a much smaller slope of 0.18 for the period from 1999 through the second quarter of 2023 (red line), implying very little forecast adjustment in response to actual inflation.

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**Primary Topic:** Inflation

**Topics:** Database, GDP, Government/NGO, Important!, Inflation, Monetary Policy

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