Read Me For 'News Shocks, Precautionary Saving and Frictional Labour Markets'

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Description

This replication package conaains the necessary code and data to reproduce the results in 'News Shocks, Precautionary Savings and Frictional Labour Markets' by Andrew Preston. The package contains a folder to reproduce the figures present in each given section. The data used in the analysis can be found in the file `Main Datasheet.xls` contained in the `Section 4` folder. In the Instructions section, I specify how to reproduce any given figure.

Data Availability Statement

Data Description and Sources

- *Utilisation-adjusted TFP* is obtained from John Fernald's website.
- *Real GDP* is obtained from FRED (FRED code: GDPC1).
- *Consumption* is obtained from FRED and is the sum of nondurable consumption (FRED code: PCND) and services (FRED code: PCES) deflated with the GDP deflator.
- *Unemployment* is obtained from FRED (FRED code: UNEMPLOY).
- *Vacancies* are obtained from the help-wanted index available on Regis Barnichon's website.
- *Inflation* is the inflation rate of the GDP deflator and is obtained from FRED (FRED code: GDPDEF).
- *Federal Funds rate* is obtained from FRED (FRED code: FEDFUNDS).
- *Durable Purchase Sentiment* is obtained from the University of Michigan Survey of Consumers website (https://data.sca.isr.umich.edu/data-archive/mine.php).

- *Unemployment Expectations Index* is obtained from the University of Michigan Survey of Consumers website (https://data.sca.isr.umich.edu/data-archive/mine.php). As detailed in the paper, it is constructed as the share of surveyed consumers who believe unemployment will rise over the next year minus the share who anticipate it falling.
- *Price of Volatile Stocks* is obtained from Carolin Pflueger's website.

Statement About Data Rights

I certify that the author of the manuscript has legitimate access to and permission to use the data used in this manuscript.
I certify that the author of the manuscript has documented permission to redistribute/publish the data contained within this replication package.

Instructions

This section gives instructions to produce all figures and tables in the paper. Each output figure is saved in the corresponding folder. See the following section for software requirements and versions.

Section 2

All necessary files can be found in the `Section 2` folder.

- **Figure 1:** Run `Figure1_Figure2.m` in Matlab.
- **Figure 2:** Run `Figure1_Figure2.m` in Matlab.
- **Figure 3:** Run `Figure3.m` in Matlab.

Section 3

All necessary files can be found in the `Section 3` folder.

- **Figure 4:** Run `Figure4_Figure6.m` in Matlab which runs Dynare.
- **Figure 5:** Run `Figure5.m` in Matlab which runs Dynare. This can be found in the `Figure 5` subfolder which contains the necessary accompanying files.
- **Figure 6:** Run `Figure4_Figure6.m` in Matlab which runs Dynare.

Section 4

All necessary files can be found in the `Section 4` folder. Note that for each do file you will need to change the line which sets the current directory, and the import which loads the data file, such that these reference the correct location on your machine.

- **Figure 7:** Run `Figures7_9_10.do` in Stata.
- **Figure 8:** Run `Figure8.do` in Stata.
- **Figure 9:** Run `Figures7_9_10.do` in Stata.
- **Figure 10:** Run `Figures7_9_10.do` in Stata.
- **Figure 11:** Run `Figure11.m` in Matlab which runs Dynare. This can be found in the `Figure 11` subfolder which contains the necessary accompanying files.

Appendix

Appendix A

All necessary files can be found in the `Appendix A` subfolder of the `Appendix` folder.

- **Figure A1:** Run `FigureA1.m` in Matlab which runs Dynare.
- **Figure A2:** Run `FigureA2.m` in Matlab.

Appendix D

All necessary files can be found in the `Appendix D` subfolder of the `Appendix` folder.

- **Figure A3:** Run `FiguresA3_A4_A5_A6_A7_A8.m` in Matlab which runs Dynare.
- **Figure A4:** Run `FiguresA3_A4_A5_A6_A7_A8.m` in Matlab which runs Dynare.
- **Figure A5:** Run `FiguresA3_A4_A5_A6_A7_A8.m` in Matlab which runs Dynare.
- **Figure A6:** Run `FiguresA3_A4_A5_A6_A7_A8.m` in Matlab which runs Dynare.
- **Figure A7:** Run `FiguresA3_A4_A5_A6_A7_A8.m` in Matlab which runs Dynare.
- **Figure A8:** Run `FiguresA3_A4_A5_A6_A7_A8.m` in Matlab which runs Dynare.

Appendix E

All necessary files can be found in the `Appendix E` subfolder of the `Appendix` folder.

- **Figure A9:** Run `FigureA9.m` in Matlab which runs Dynare.

Appendix G

All necessary files can be found in the `Appendix G` subfolder of the `Appendix` folder. Note that for each do file you will need to change the line which sets the current directory, and the import which loads the data file, such that these reference the correct location on your machine.

- **Figure A10:** Run `FigureA10.do` in Stata.
- **Figure A11:** Run `FigureA11.do` in Stata.
- **Figure A12:** Run `FigureA12.m` in Matlab. This can be found in the `FigureA12` subfolder along with the necessary accompanying files.
- **Figure A13:** Run `FigureA13.do` in Stata.
- **Table A1:** Run `Figure11.m` in Matlab which runs Dynare. This can be found in the `Figure 11` subfolder of the `Section 4` folder which contains the necessary accompanying files. The table is then saved in the `NSPSLM_estimate` folder after estimation has completed. It is found in the `latex` subfolder and will be named `NSPSLM_estimate_Posterior_Mean_1.tex`
- **Table A2:** Run `Figure11.m` in Matlab which runs Dynare. This can be found in the `Figure 11` subfolder of the `Section 4` folder which contains the necessary accompanying files. The table is then saved in the `NSPSLM_estimate` folder after estimation has completed. It is found in the `latex` subfolder and will be named `NSPSLM_estimate_Posterior_Mean_2.tex`.

Appendix H

All necessary files can be found in the `Appendix H` subfolder of the `Appendix` folder.

- **Figure A14:** Run `FigureA14.m` in Matlab.

Software Requirements

All files were run on a laptop using Windows 11 Pro, Version 22H2. The only expection is `FiguresA3_A4_A5_A6_A7_A8.m` which was run on a 2017 Macbook Air using macOS High Sierra version 10.13.6.
Software versions: Matlab R2025a, Dynare v6.4, StataNow/SE 18.5 for Windows (64-bit x86-64). The only exception is `FiguresA3_A4_A5_A6_A7_A8.m` which was run in Matlab R2019b using Dynare v4.6.3.

Expected Runtime

All files should run in a few seconds. The only exceptions to this are `Figure11.m` and `FiguresA3_A4_A5_A6_A7_A8.m`. The first of these runs in around 40 minutes, while the second takes around 2 hours.