

Homeownership and Attention to Inflation: Evidence from Information Treatments

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What We Do

1. Does homeownership influence attention to inflation?

- RCT: Treatments induce variation in inflation expectations
- Magnitude of revision → proxy for attention
- Result: **Renters** are less attentive than **Mortgagors** and **Homeowners**

2. Does homeownership status influence the response of durable consumption to inflation?

- Leverage exogenous variation in expectations to identify spending response
- Result: **Homeowners** & **Mortgagors** increase spending; **renters** do not

Data collection

- Nielsen Homescan Panel: quarterly survey
- Waves considered: 2021Q2, 2021Q3, 2022Q3, 2022Q4, 2023Q3
- Questions in the survey:
 - Homeownership status
 - Intentions to buy durables
 - Past durable purchases (measured in wave $t + 1$)
 - Controls → used to construct **IPW weights** that control for self-selection into homeownership

RCT Structure

- Prior inflation expectations: probability distribution question
- Information treatments
 - Control group: no information
 - Past inflation: inflation over past 12 months
 - Fed target: inflation target
 - FOMC forecast: FOMC forecast
- Posterior inflation expectations: point estimate

Measuring attention

Bayesian framework:

$$\text{Posterior}_i = (1 - G) \cdot \text{Prior}_i + G \cdot \text{Signal}_i$$

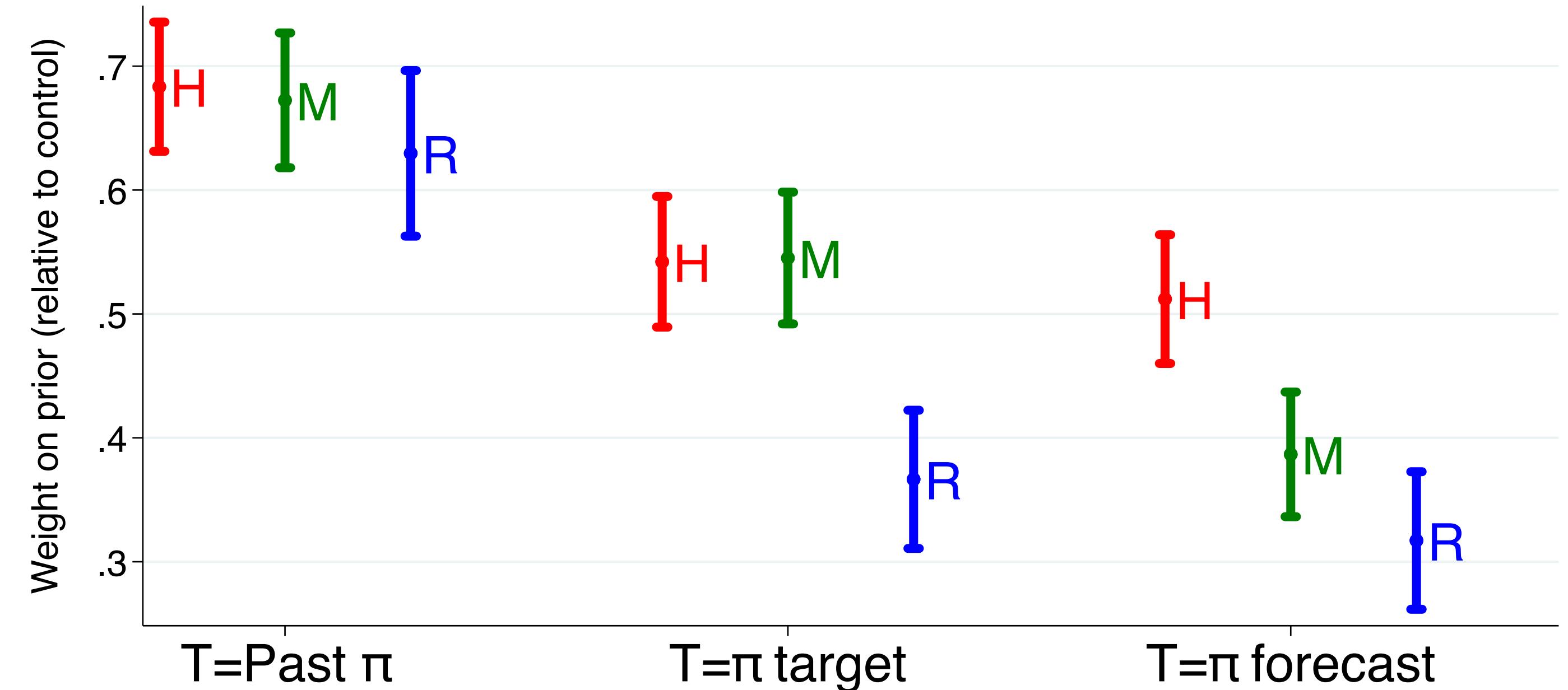
Regression framework:

$$\begin{aligned} \text{Posterior}_i &= \alpha^g \cdot \text{Prior}_i \\ &+ \sum_{\tau \in \{\pi^{\text{actual}}, \pi^*, \pi^{\text{forecast}}\}} 1\{\tau \in \tau\} \cdot [\delta_\tau^g + \phi_\tau^g \cdot \text{Prior}_i] \\ &+ \text{wave FE} + \text{error} \end{aligned}$$

for $g \in \{\text{Homeowner, Mortgagor, Renter}\}$

| Framework | Weight on Prior |
|----------------------|--------------------------|
| Bayesian framework | $(1 - G)$ |
| Regression framework | $\alpha^g + \phi_\tau^g$ |
| Case: FIRE | 1 |
| Case: Low attention | Small (≈ 0) |
| Case: High attention | Large (≈ 1) |

Question 1: Does homeownership influence attention to inflation?



RESULTS:

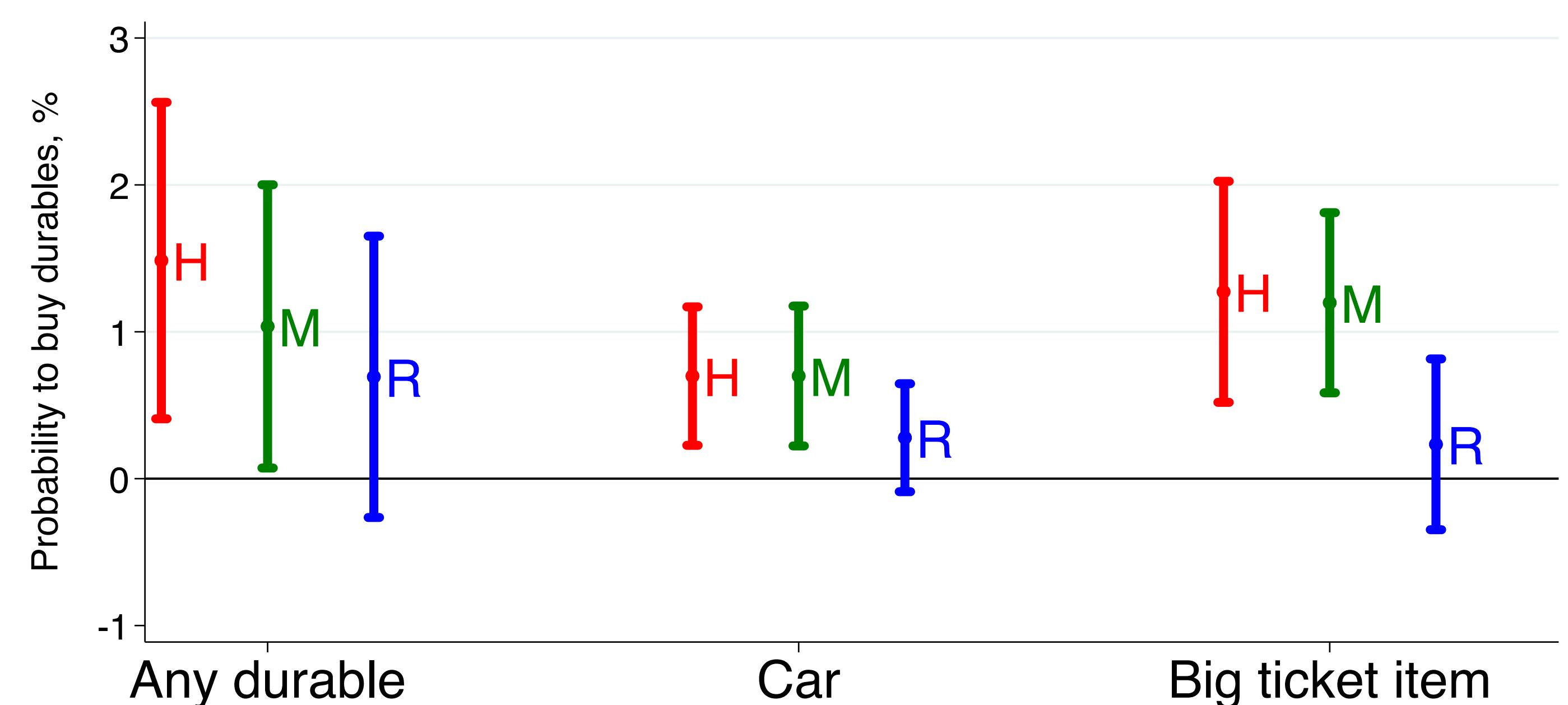
Homeowners and **Mortgagors** are the most attentive to inflation; **Renters** are the least attentive.

Question 2: Homeownership and the response of durable consumption to inflation

2SLS Regression Specification:

$$\begin{aligned} \text{BoughtDurables}_{t+1,i} \times 100 &= \widehat{\beta^g} \cdot \text{Posterior}_{t,i} \\ &+ \psi^g \cdot \text{Prior}_{t,i} \\ &+ \eta^g \cdot \text{PlanBuyDurable}_{t,i} \\ &+ \text{controls}_{t,i} + \text{wave dummies} + \text{error}_{t,i} \end{aligned}$$

for $g \in \{\text{Homeowner, Mortgagor, Renter}\}$



RESULTS:

Homeowners & **Mortgagors** adjust their durable consumption in response to inflation expectations.

Renters show no significant response.

Policy implications

- **Renters:**
 - easier to move their expectations...
 - ... but less likely to spend more in response
- **Homeowners** and **Mortgagors:**
 - more likely to change spending...
 - ... but harder to change their expectations (more attentive in first place)
- Takeaway for policy: targeted communication + policies to ease liquidity constraints