

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:

$$Posterior_i = (1 - G) \cdot Prior_i + G \cdot Signal_i$$

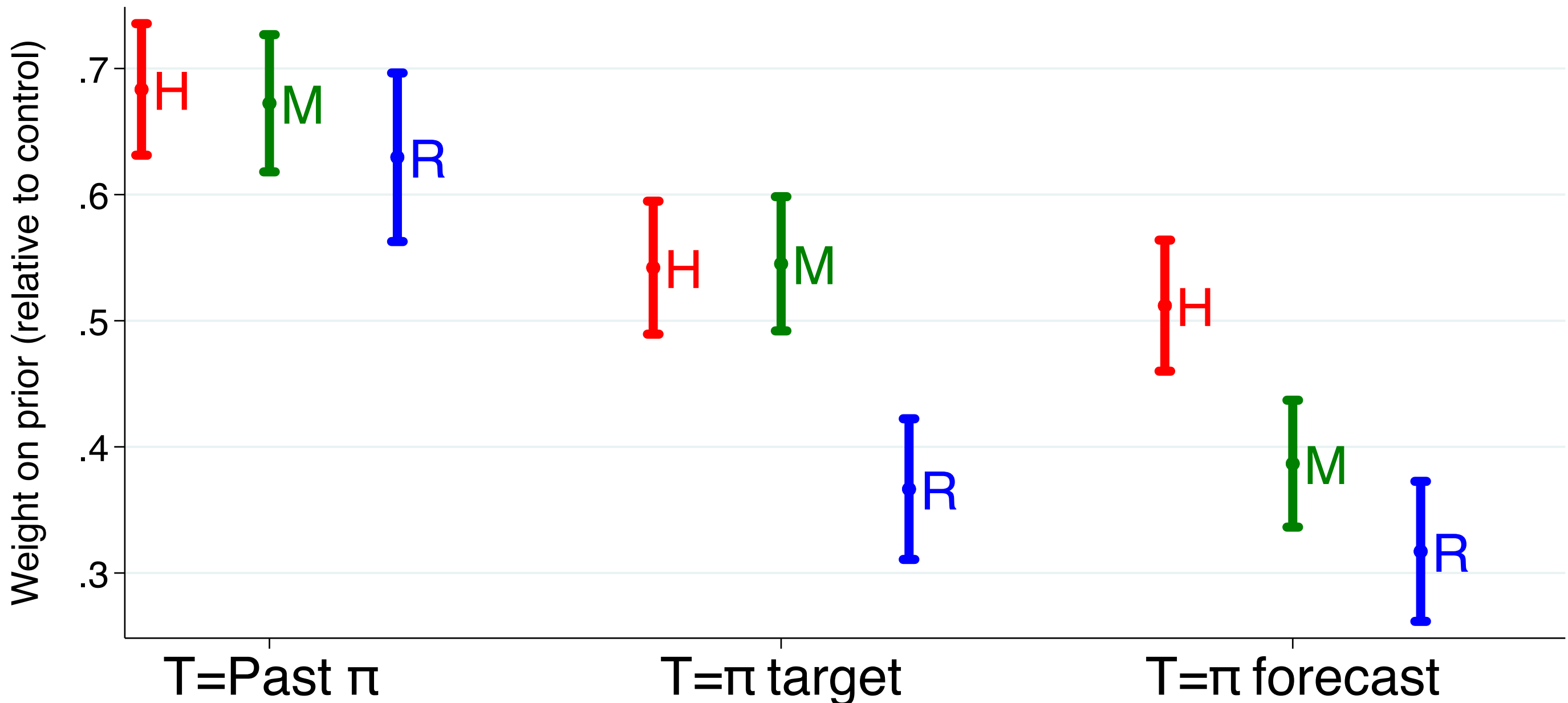
Regression framework:

$$Posterior_i = \alpha^g \cdot Prior_i + \sum_{\tau \in \{\pi^{\text{actual}}, \pi^*, \pi^{\text{forecast}}\}} 1\{i \in \tau\} \cdot [\delta_\tau^g + \phi_\tau^g \cdot Prior_i] + \text{wave FE} + \text{error}$$

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:

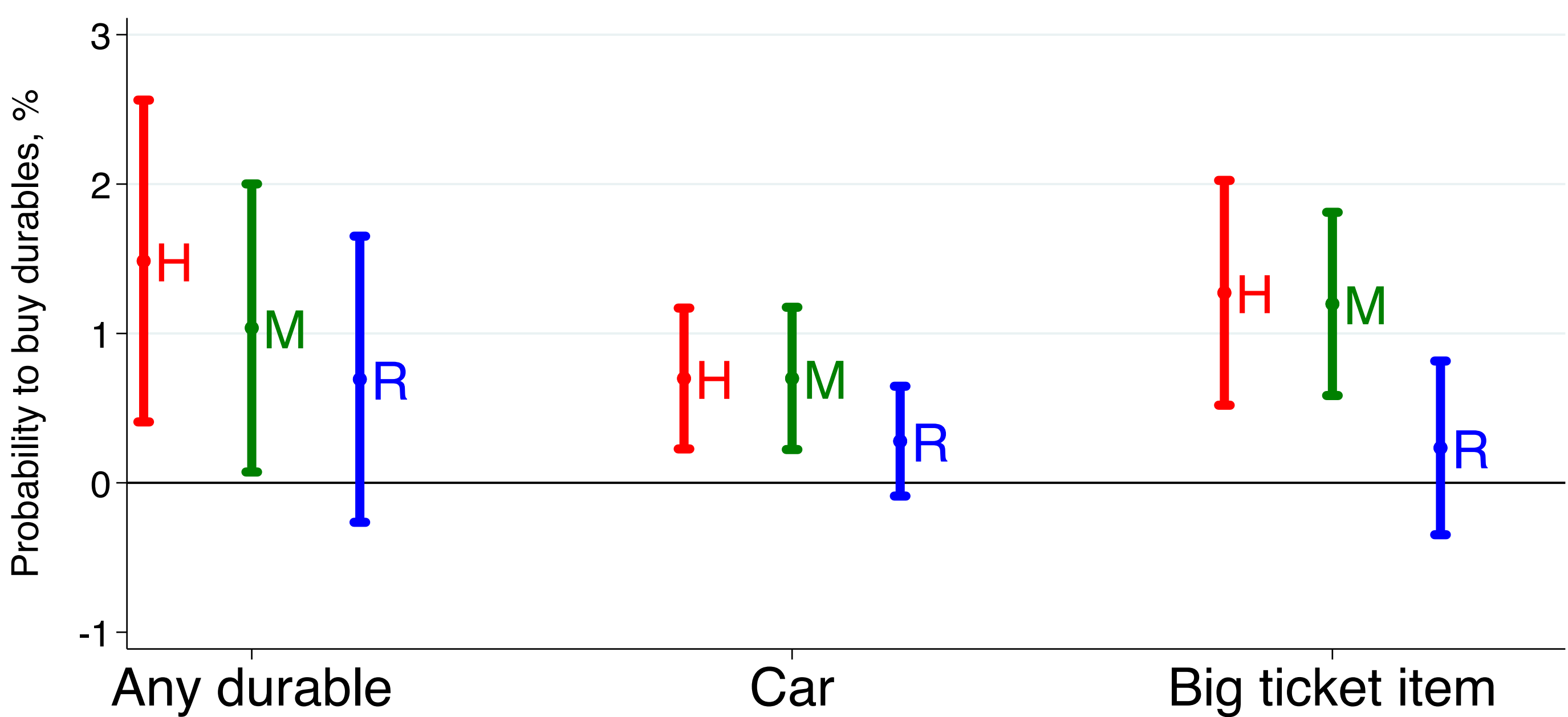
Homeowners and **Mortgagors** are the most attentive to inflation; **Renters** are the least attentive.

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

2SLS Regression Specification:

$$BoughtDurables_{t+1,i} \times 100 = \beta^g \cdot \widehat{Posterior}_{t,i} + \psi^g \cdot Prior_{t,i} + \eta^g \cdot PlanBuyDurable_{t,i} + controls_{t,i} + \text{wave dummies} + error_{t,i}$$

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