

Some Insights from the NYFed Survey of Consumer Expectations and a Look Forward

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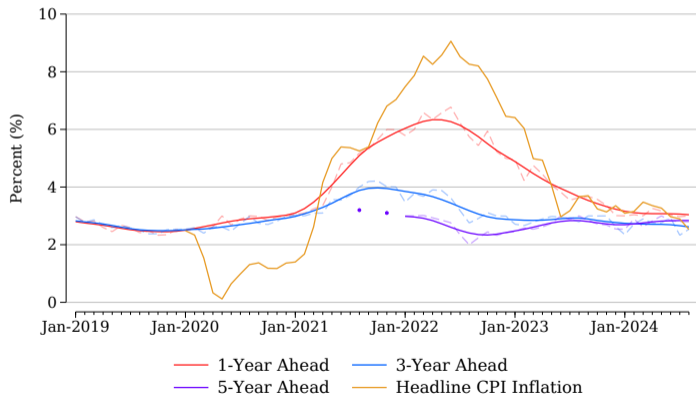
Outline

1. Some examples of recent policy-relevant findings from the NYFed's [Survey of Consumer Expectations \(SCE\)](#)
 - Inflation expectations
 - Labor market and household finance expectations
2. Whats next in the collection and analysis of expectations data?

Inflation expectations

Important differences in levels and timing across forecast horizons

Median Inflation Expectations (IE)

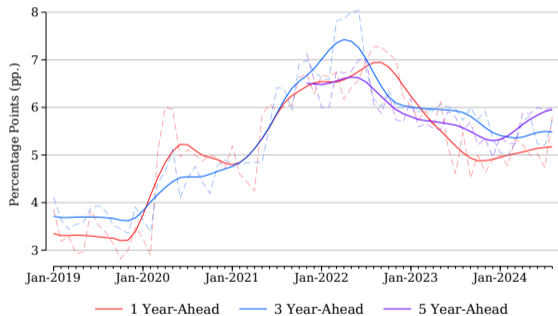


- 3yr-ahead IE peak well before 1yr-ahead IE
- 5yr-ahead IE remained largely stable

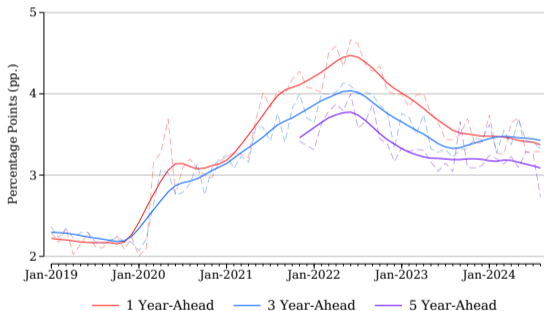
Inflation expectations (continued)

Large increase in disagreement and uncertainty

Disagreement (IQR of density means)



Uncertainty (median density IQR)



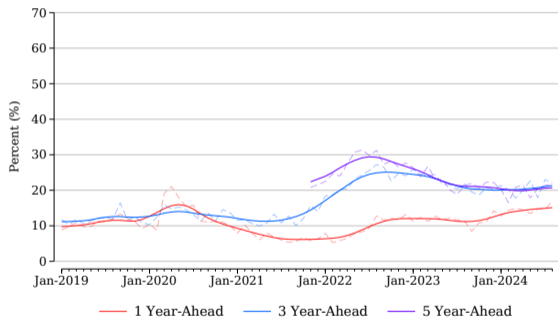
- Disagreement surged for all horizons - has declined but remains elevated.

- After rise, uncertainty continues to fall.

Inflation expectations (continued)

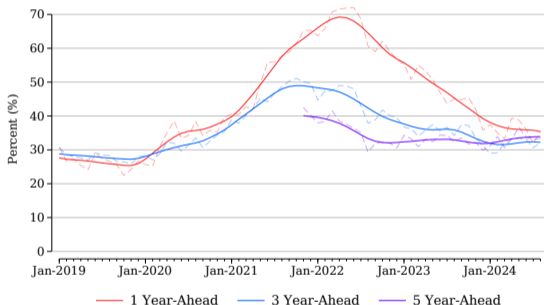
Increase in more extreme forecasts

Deflation expectations (density mean $\leq 0\%$)



- Deflation expectations rose as inflation peaked - remain somewhat elevated
- See similar rise in average prob of deflation

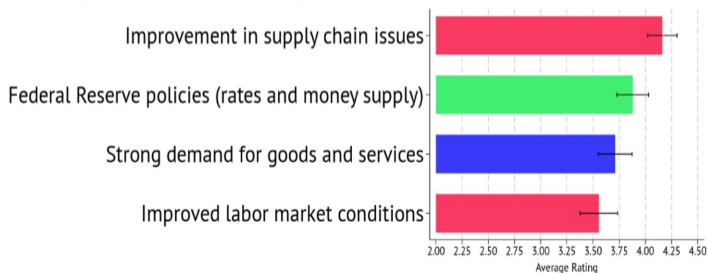
Expectations of high inflation (density mean $> 4\%$)



- Expectations of high inflation surged but have returned to pre-covid levels
- Same pattern for average prob of high inflation

Inflation expectations (continued)

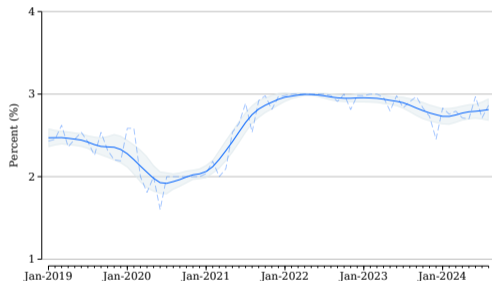
- Experimental ("strategic survey") evidence shows that 5yr IE remained well anchored during the period (Armantier et al. JME 2022)
- Research into reasons for rise in 3yr deflation expectations: More likely to believe that commodity prices tend to mean revert + list easing supply chains as top reason.



Earnings growth expectations

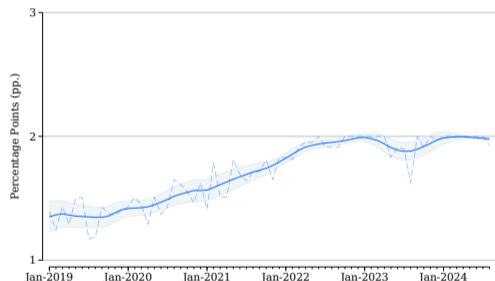
Large rise in earnings growth expectations and in uncertainty

Median earnings growth expectations



- Earnings growth expectations declined at onset of pandemic, then rose and have remained well above pre-pandemic levels

Earnings growth uncertainty (median IQR)

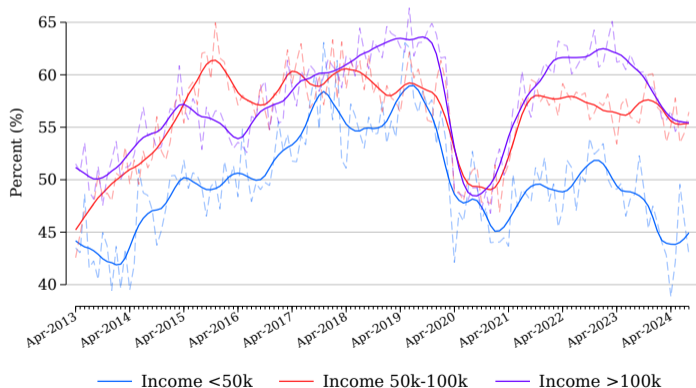


- Average uncertainty increased gradually during the pandemic

Job finding expectations

Recent deterioration in job finding expectations - especially for lower income respondents

Average probability of finding job in next 3 months if lost job today

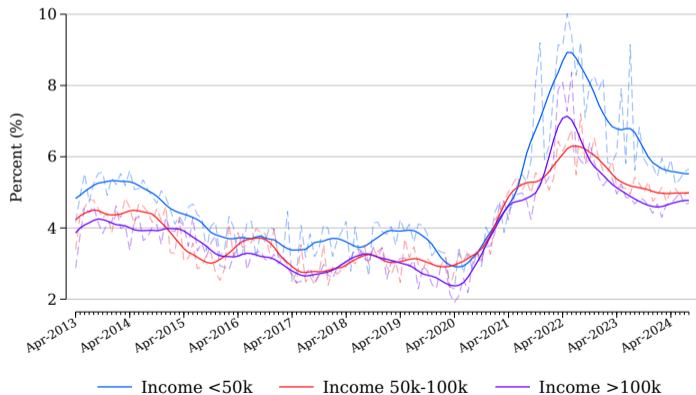


- Job finding expectations dropped at start of pandemic, then recovered and more recently have started to decline

Spending growth expectations

Spending growth expectations remain well above pre-pandemic levels for all income groups

Median expected spending growth by income



- The SCE has indicated a persistent strength in expected consumer spending growth over past few years

A Look Ahead

- Survey challenges: declining response rates and maintaining representativeness
- Research opportunities:
 - International comparisons of evolution of inflation and other expectations: Europe, US, Canada.
 - More methodological work on eliciting densities and joint distributions in surveys
 - In household context, study whose expectations matter for different decisions.