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New Evidence on the Evolution of the Anchoring of Inflation Expectations

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Abstract

We investigate the degree of anchoring in inflation expectations for different advanced economies using data from professional forecasters' surveys. We define expectations as anchored when movements in short-run expectations do not trigger movements in expectations at longer horizons. Using time-varying parameter regressions, we provide evidence that anchoring has varied noticeably across economies and over time. In particular, we find that after the financial crisis expectations have been firmly anchored at the target in the United States and, to a lesser extent, in the United Kingdom. In the euro area, expectations have been de-anchored shortly after the crisis and again starting from 2014. In Japan de-anchoring is more pervasive all over the sample period.

Keywords: Inflation Expectations, Anchoring, Time-Varying Parameter

JEL classification: E31, E52, D84

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