Improving Survey Measures of Inflation Expectations

Charts for Remarks at Forecasts Club of New York

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Chart 1: Measures of Forward Inflation Compensation

Barclays Capital: 5-year/5-year Breakeven Forward

FRB: 5-year/5-year Breakeven Forward

FRBNY: 5-year/5-year Breakeven Forward

5-year/5-year Zero Coupon Inflation Swap

Source: Barclays

Source: Federal Reserve Bank of New York

Source: Federal Reserve Board of Governors

Source: Bloomberg
Chart 2: Changes in 1-Year Forward Inflation Compensation

Source: Federal Reserve Board

Note: Changes from January 25, 2011 to March 25, 2011.
Chart 3: SPF Inflation Forecasts

Mean of Core PCE (Q4/Q4) Inflation Forecasts

Uncertainty in Core PCE (Q4/Q4) Inflation Forecasts

Disagreement in Core PCE (Q4/Q4) Inflation Forecasts

Disagreement in Long-run Inflation Expectations

Source: Survey of Professional Forecasters

Note: The dates represent the survey release.
Chart 4: Prices in General and Rate of Inflation
Median Year-Ahead Forecasts

Percent

Prices in General
Rate of Inflation

Source: NYFed-ALP Panel
What about the outlook for prices over the next 5 to 10 years? Do you think prices in general will be higher, about the same, or lower, 5 to 10 years from now?

Lower

By about what percent per year do you expect prices to go down, on average, during the next 5 to 10 years?

Greater than 5%

No

Yes

Would that be [x%] per year, or is that the total for prices over the next 5 to 10 years?

Per year

Total

Higher

By about what percent per year do you expect prices to go up, on average, during the next 5 to 10 years?

Greater than 5%

Yes

No

Would that be [x%] per year, or is that the total for prices over the next 5 to 10 years?

Total

Per year

Do you mean that prices will go up at the same rate as now or that prices in general will not go up during the next 5 to 10 years?

Same

Will not go up

Will go up at same rate
Chart 6: Medium-term Inflation: Probabilistic Question

[After Instructions]:

Now we would like you to think of inflation 3 years from now. In your view, what would you say is the percent chance that the following things may happen over the one-year period between February 2013 and February 2014?

(Please note: Numbers need to add up to 100%.)

The rate of:

- inflation will be 12% or higher _____ percent chance
- inflation will be between 8% and 12% _____ percent chance
- Inflation will be between 4% and 8% _____ percent chance
- Inflation will be between 2% and 4% _____ percent chance
- Inflation will be between 0% and 2% _____ percent chance
- Deflation will be between 0% and 2% _____ percent chance
- Deflation will be between 2% and 4% _____ percent chance
- Deflation will be 4% or higher _____ percent chance

100% total
Chart 7: Three-Year-Ahead Inflation Expectations

Source: NYFed-ALP Panel
Chart 8: Year-Ahead Wage-Growth Expectations
Median, Dispersion and Uncertainty

Source: NYFed-ALP Panel
Reference
Structure of Michigan’s Year-Ahead Inflation Expectations Question

During the next 12 months, do you think that prices in general will go up, go down, or stay where they are now?

Go down

By about what percent do you think prices in general will go down, on average, over the next 12 months?

Greater than 5%

No

Yes

Let me make sure I have that correct. You said that you expect prices to go down during the next 12 months by [x%]. Is that correct?

Yes

No

By about what percent do you think prices in general will go down, on average, over the next 12 months?

Go up

By about what percent do you think prices in general will go up, on average, over the next 12 months?

Greater than 5%

No

Yes

Let me make sure I have that correct. You said that you expect prices to go up during the next 12 months by [x%]. Is that correct?

Yes

No

Do you mean that prices will go up at the same rate as now or that prices in general will not go up during the next 12 months?

Stay same

Will not go up

Will go up at same rate

Let me make sure I have that correct. You said that you expect prices to go up during the next 12 months by [x%]. Is that correct?