

The Pass-Through of Inflation Expectations into Prices and Wages: Evidence from an RCT Survey

Klaus Abberger Anne Kathrin Funk Michael Lamla Sarah Lein
Stefanie Siegrist^a

August 2024

Abstract

Using a firm-level survey with a randomized information treatment, which generates exogenous variation in inflation expectations, this paper estimates how much inflation expectations are passed through into the prices and wages firms set. Our results show that changes in inflation expectations affect both wages and prices, but clearly less than one-for-one. Furthermore, we find that, particular for prices, short-term inflation expectations have higher pass-through coefficients than long-term inflation expectations, and that the pass-through tends to vary with the underlying price-setting behavior.

JEL Classification: E31, E52, E60

Keywords: Inflation Expectation Pass-Through, Price Setting, Wage Setting

^aAbberger: KOF ETHZ & CESifo, Funk: SNB, Lamla: Duisburg-Essen & KOF ETHZ, Lein: University of Basel & CEPR & CESifo & KOF ETHZ & Swiss Finance Institute, Siegrist: KOF ETHZ. We thank George-Marios Angeletos, Tobias Broer, Ryan Chahrour, Zeno Enders, Erwan Gautier, Yuriy Gorodnichenko, Ina Hajdini (discussant), Sebastian Link, Sascha Möhlre, Raphael Schoenle, Silvana Tenreyro (discussant), Michael Weber, and Peter Zorn for helpful comments and suggestions, KOF ETHZ for implementing the survey as well as seminar participants at the CESifo Venice Summer Institute, the Swiss National Bank, the CEPR conference on the Macroeconomics of Expectations at the Banque de France, the Inflation Expectations: Determinants and Consequences Conference at the University of Chicago, Cleveland Fed, ETH Zurich, Banco de España Annual Research Conference, the CIRET Workshop, the Swiss Macro Workshop, and the Webinar series: Inflation: Drivers and Dynamics (CEBRA) for insightful comments and discussion. Vittorio Bianchi, Sophie Bürgin, Marlene Eich, and Maxime Stern provided excellent research assistance and help with the translations of the questionnaire. This RCT survey has been pre-registered at the AEA RCT Registry under number AEARCTR-0010464, <https://doi.org/10.1257/rct.10464-1.0>