

# Heterogeneity in Household Inflation Expectations: Policy Implications <sup>\*</sup>

Taeyoung Doh<sup>†</sup>, JiHyung Lee<sup>‡</sup>, Woong Yong Park<sup>§</sup>

## Abstract

We empirically characterize the heterogeneity in the conditional distribution of household inflation expectations across the demographic groups using the Survey of Consumer Expectations data and also investigate how the monetary policy shock affects the conditional distribution. It is found that, across all the groups, the peak of the group-specific distribution of household inflation expectations aligns closely with the 2% target by the Federal Reserve, but there is substantial heterogeneity in both the left and right tails, primarily on the right. In response to a contractionary monetary policy shock, households overall adjust their inflation expectations significantly downward, which implies that monetary policy is effective in stabilizing inflation expectations.

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<sup>†</sup>Federal Reserve Bank of Kansas City

<sup>‡</sup>Department of Economics, University of Illinois at Urbana-Champaign

<sup>§</sup>Department of Economics and Institute of Economic Research, Seoul National University.