

Surveying the survey. What can we learn about the effect of monetary policy on inflation expectations?

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Summary

- ▶ Interesting paper on how financial traders in Chile understand survey questions and how that is related to their expectations.
- ▶ It is key to be sure if the respondent is interpreting the questions as expected when running surveys.
- ▶ What the CB will do vis-a-vis *should do*.
- ▶ Nice feature of the survey: it is ran before and after the monetary policy meetings.

Comments (I)

- ▶ It would be interesting to see the forecast errors. Are there related on how they interpret the questions?
- ▶ I wouldn't take the results as causal evidence of the effect of how agents interpret the survey questions on expectations, they might be better informed. Are there differences in MPR surprises between the two group of agents?
- ▶ Check if *MPR* surprise affect expectations after the MPM: $E_{i_k, t_2}(mpr_t) - E_{i_k, t_1}(mpr_t)$. Do they include the new information in their expectations?
- ▶ If I understood the timing correctly, they answer the survey after the MPM **and** also with the information of what the rest answered before the MPM? Would that means that after the MPM not only the MPR is added to the information set but also what the other analysts think? $E_{t_1}(\pi_{t+h}) - E_{i_k, t_2}(\pi_{t+h})$

Comments (II)

- ▶ Would the results change if consider only 2012+ (much lower std.dev in responses). There seems to be too much noise before that.
- ▶ Difficult to conclude that there are differences in their reaction to contemporaneous inflation news or herding behaviour between types of agents
 - ▶ Table 2 col 3 vs col 4: no apparent difference in the coefficients.
 - ▶ Interactions instead of separate regressions: better to check if there are differences between the two groups.
- ▶ Do all the respondents answer the survey the same day?

Comments (III)

- ▶ Positive effect of *MPR* surprises on inflation expectations?
More contractionary monetary policy than expected results in increase in expectations?
- ▶ Long panel, could be underestimating std. errors:
Driscoll-Kraay standard errors to take into account the potential cross-sectional and temporal dependence of regression disturbances.