Discussion of
“Monetary Policy Transmission to Real Activity”

US Monetary Policy Forum

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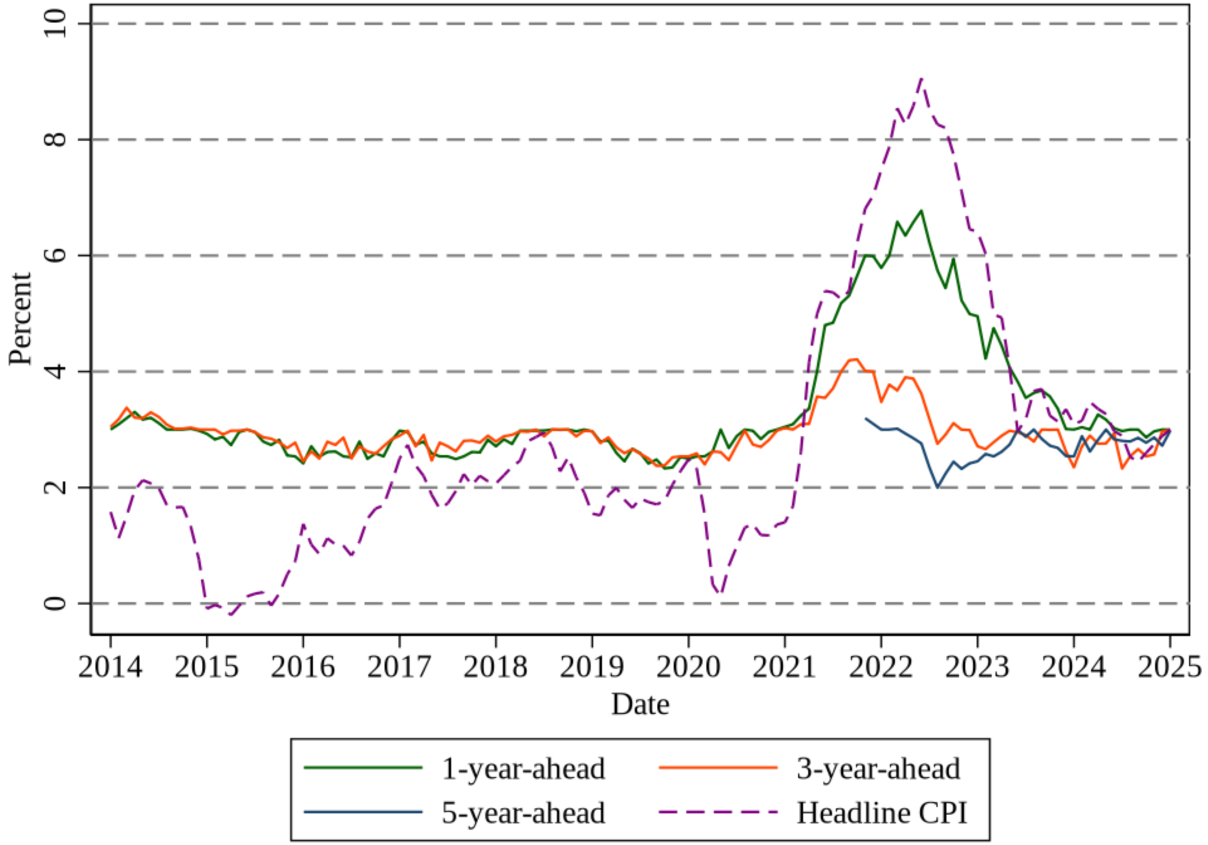
SCE Median Inflation Expectations and Headline CPI

Figure 1



Sources: Federal Reserve Bank of New York Survey of Consumer Expectations (2014-25); U.S. Bureau of Labor Statistics.

Sensitivity of Revisions in Inflation Expectations to Inflation Surprises

Table 1

	2014-19	2020-24
1-year-ahead	0.72	0.74
	(0.04)	(0.05)
3-year-ahead	0.41	0.40
	(0.04)	(0.05)
		2022-24
5-year-ahead		0.12
		(0.09)

Sources: Federal Reserve Bank of New York Survey of Consumer Expectations (2014-24); U.S. Bureau of Labor Statistics.

Notes: A respondent's revision in inflation expectation (dependent variable) is defined as the respondent's inflation expectation in month 12 minus the respondent's inflation expectation in month 2. A respondent's inflation surprise is defined as realized CPI inflation in month 12 minus the respondent's one-year-ahead expected inflation in month 2. Inflation expectations are defined as the respondent's density forecast mean from the SCE monthly survey. Standard errors are in parentheses.

Co-movement between Short-Term and Longer-Term Inflation Expectations Revisions

Table 2

	Survey of Consumer Expectations	
	2014-19	2020-24
3-year-ahead	0.63	0.45
	(0.02)	(0.03)
		2022-24
5-year-ahead		0.20
		(0.04)
	Michigan Survey of Consumers	
5-10-year-ahead	2014-19	2020-24
	0.31	0.20
	(0.01)	(0.02)

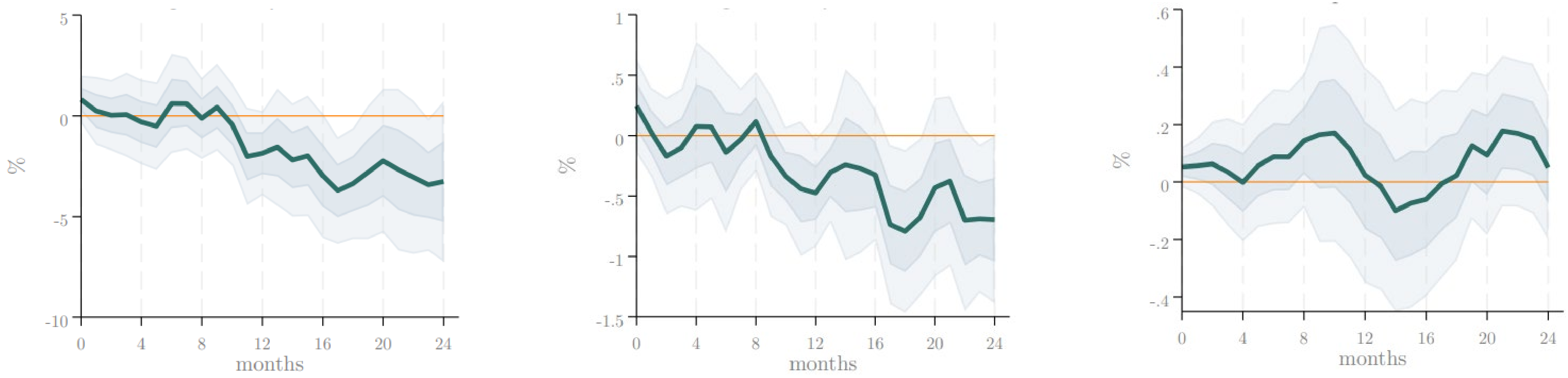
Sources: Federal Reserve Bank of New York Survey of Consumer Expectations (2014-24); Michigan Survey of Consumers (2014-24).

Notes: The tables show estimated slope coefficients from panel regressions of revisions in longer-term inflation expectations on revisions in short-term inflation expectations. A respondent's revision in inflation expectations is defined as the respondent's inflation expectation in month *t* minus the respondent's inflation expectation in month *t-6*. In the Survey of Consumer Expectations (SCE), longer-term expectations are three-year-ahead and five-year-ahead density means and short-term expectations are one-year-ahead density means. In the Michigan survey, longer-term expectations are five-to-ten-year-ahead point forecasts and short-term expectations are one-year-ahead point forecasts. All slope coefficient estimates are statistically significant at the 0.1 percent level. Standard errors are in parentheses.

Responses of Inflation Expectations to a Monetary Policy Shock

Figure 2

Michigan 1-year-ahead expectations | Michigan 5-10-year-ahead expectations | Blue Chip long-run expectations



Notes: The impulse responses are scaled to reflect a one percentage point increase in the one-year yield on impact. The responses are calculated by regressing the indicated measure of inflation expectations on the monetary policy shock, a constant, two lags of the independent variable, and two lags of the Goldman Sachs U.S. Financial Conditions Index. The shaded regions represent one and two standard deviation confidence intervals. The sample is monthly data from 2000 to 2024.