

The CBB's survey of economic expectations: an evaluation of the information and rationality for inflation

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ABSTRACT

This paper develops an empirical exploration of inflation expectations collected through the Survey of Economic Expectations (SEE) of Central Bank of Bolivia (CBB). For this purpose, it is studied the behavior of inflation expectations by examining their relationship with actual inflation and inflation targets announced by the CBB. Subsequently, we analyze whether agents' inflation expectations are rational, by evaluating their unbiasedness and efficiency properties.

The results show that there is a direct relationship between inflation expectations, the observed variation in prices and annual inflation target of CBB. Indeed, econometric estimates reflect an enhanced anchorage of inflation expectations related to the targets announced by the CBB in recent years. This feature could be associated with institutional changes experienced by the monetary authority and the positive results on the control of inflation.

On the other hand, aggregated estimates and panel data analysis lead to reject the hypotheses of rationality and efficiency of inflation expectations. By contrast, estimates reflect that forecast errors of agents depend significantly on actual inflation, suggesting that inflation expectations of SEE would be of adaptive type with a backward-looking behavior.

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