

What We Know and What We Do Not Know about Inflation Expectations

Luncheon Speech at the Economic Club of Minnesota

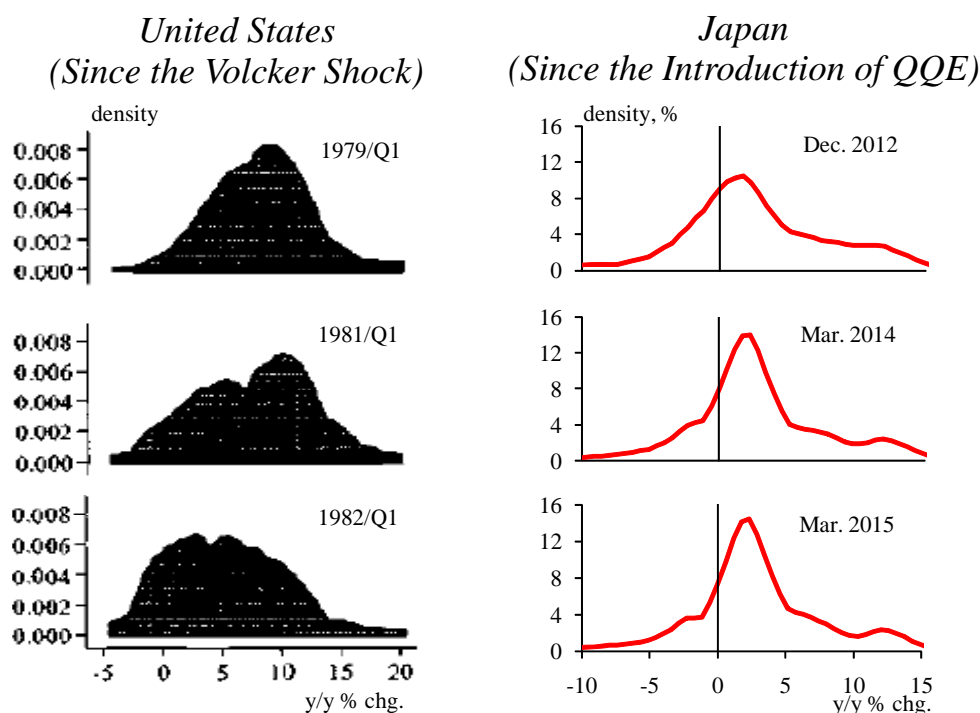
April 19, 2015

Haruhiko Kuroda

Governor of the Bank of Japan

Chart 1

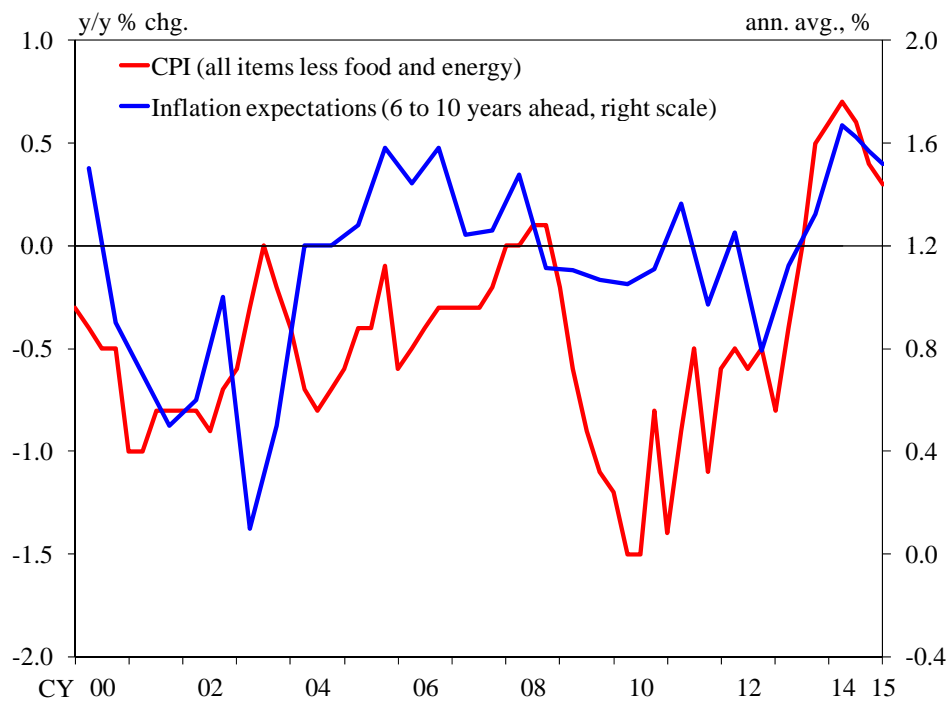
Distribution of Household's Inflation Expectations



Note: Distribution of inflation expectations over the next year in the United States is calculated from the "Surveys of Consumers" conducted by the Michigan University. That of inflation expectations over the next five years in Japan is calculated from the "Opinion Survey on the General Public's Views and Behavior." For details, see "Disagreement in Households' Inflation Expectations and Its Evolution," Bank of Japan Review Series, 2014-E-1.

Sources: Mankiw, N. G., Reis, R., and Wolfers, J. (2004) "Disagreement about Inflation Expectations," *NBER Macroeconomics Annual* 2003, Volume 18; Bank of Japan.

Inflation Rate and Inflation Expectations in Japan



Notes: 1. Figures for the CPI are adjusted to exclude the effect of changes in the consumption tax rate. The latest figure (2015/Q1) is the January-February average.

2. Figures for inflation expectations are taken from the "Consensus Forecasts." Figures are compiled every January, April, July, and October. Those up through April 2014 were compiled every April and October. The latest figure is as of January 2015.

Sources: Consensus Economics Inc.; Ministry of Internal Affairs and Communications.