

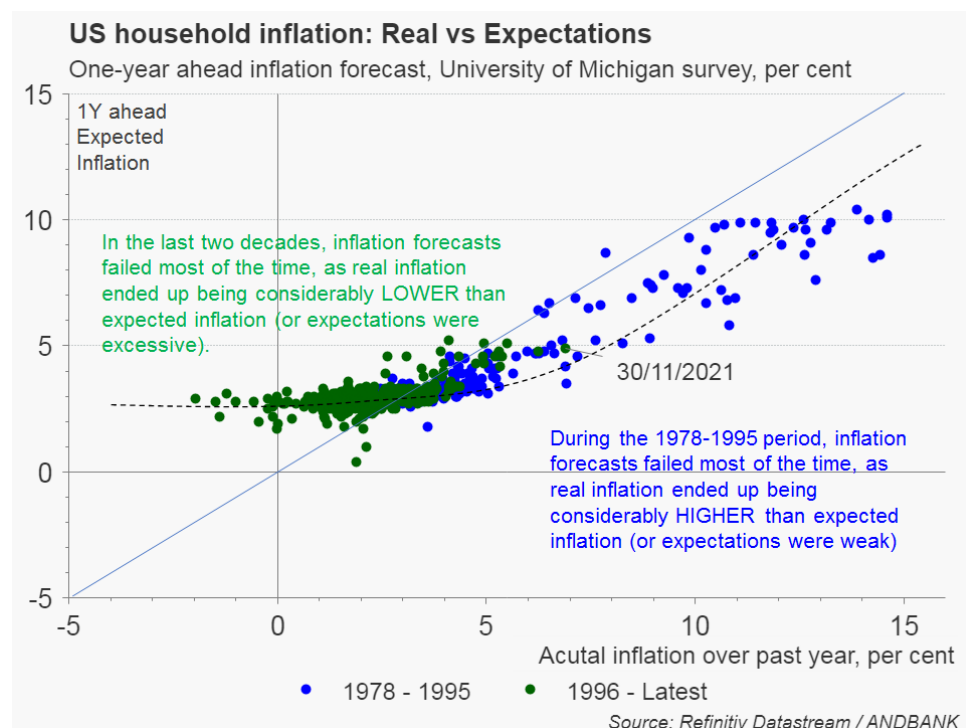
Flash note
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Why is it necessary to downplay the Inflation Expectation data?



Dealing with graphs like this, I can draw several conclusions:

1. The inflation expectation is rarely met. Therefore, **we must downplay the expectation data.**
2. **Estimation error in periods of high inflation:** In 1978-1995 the average inflation was 5%, and the error came because the expectation was weak (the real inflation ended up being considerably higher)
3. **Estimation error in periods of low inflation:** In 1996-2021 the average inflation was 2%, and the error came because the expectation was excessive (the real inflation ended up being considerably lower)
4. That is exactly what happened again in 2021. The year has turned into an inflationary year, and prices surprised us being well above expectations. **One more example that agents do**

- not know how to predict inflation, not even in the short term**
(since no one in June predicted an inflation level of 6.8% today)
5. The question is, what environment are we going to see in the next two years and what type of error are we going to make? If, as I believe, inflation moderates again (starting a gradual disinflationary process), then I believe that the inflation will surprise us on the downside (lower than forecasted).

Best