

Measuring Inflation Expectations from Interval-Coded Data*

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Abstract

To quantify qualitative survey data, the Carlson–Parkin method assumes normality, a time-invariant symmetric indifference interval, and long-run unbiased expectations. These assumptions are unnecessary for interval-coded data. Since April 2004, the Monthly Consumer Confidence Survey in Japan asks households their price expectations a year ahead in seven categories with partially known boundaries, allowing one to identify up to six parameters including an indifference interval each month. This paper compares three distributions (normal, skew normal, and skew t) for household inflation expectations, and finds that the skew t distribution fits the best, with substantial skewness and excess kurtosis.

JEL codes: C25; C46; C82; E31

Keywords: survey data; Carlson–Parkin method; skew normal; skew t ; heterogeneous expectations

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