

**Updating Behavior of Inflation Expectations**  
**Evidence from Panel Data of Japanese Households**  
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**Abstract**

This study aims to provide insight in the expectation updating behavior of Japanese households regarding future inflation. Households do not renew their information set every period, while they do so with greater frequency than argued by previous literature. More volatile inflation rate leads to improve the accuracy of the expectations because of higher attention level, although greater volatility makes it more difficult to form precise forecasts. In addition, the estimation results with inflation that reflects the variation in consumption basket by household attributes yield consistent, but clearer results than the results with Consumer Price Index, which indicates the possibility that households indeed face varied inflation rate depending on their characteristics.