

FEDERAL RESERVE BANK *of* NEW YORK

Improving Survey Measures of Inflation Expectations

Charts for Remarks at Forecasters Club of New York

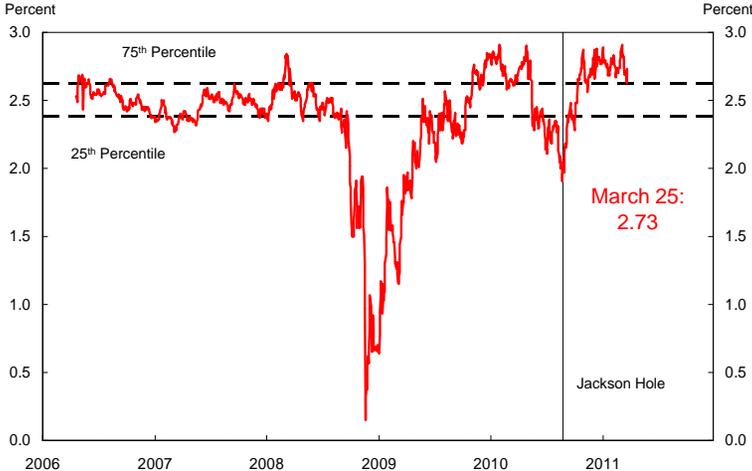
Simon Potter

Executive Vice President and Director of Economic Research
Federal Reserve Bank of New York

March 30, 2011

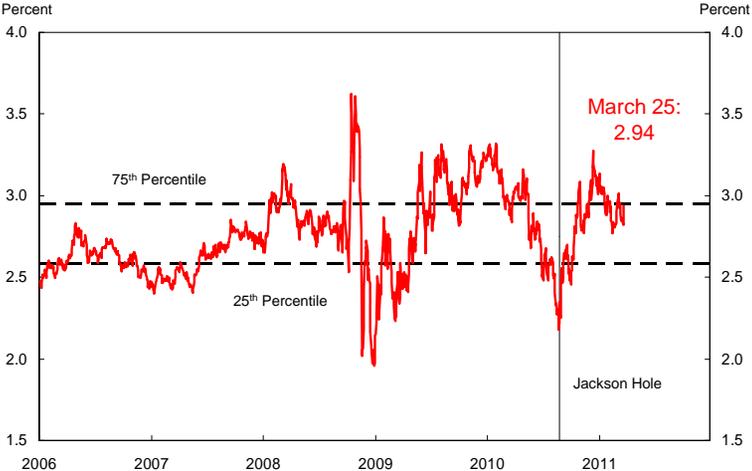
Chart 1: Measures of Forward Inflation Compensation

Barclays Capital: 5-year/5-year Breakeven Forward



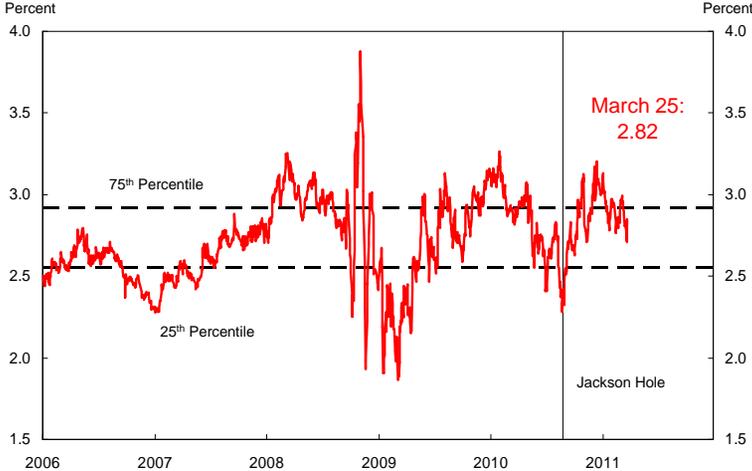
Source: Barclays

FRB: 5-year/5-year Breakeven Forward



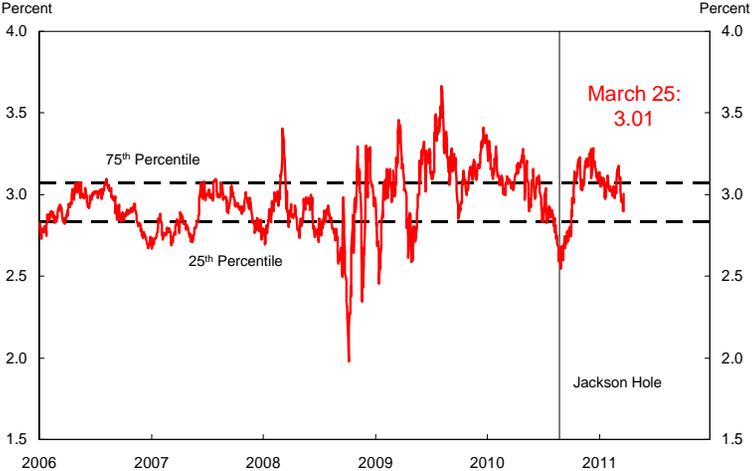
Source: Federal Reserve Board of Governors

FRBNY: 5-year/5-year Breakeven Forward



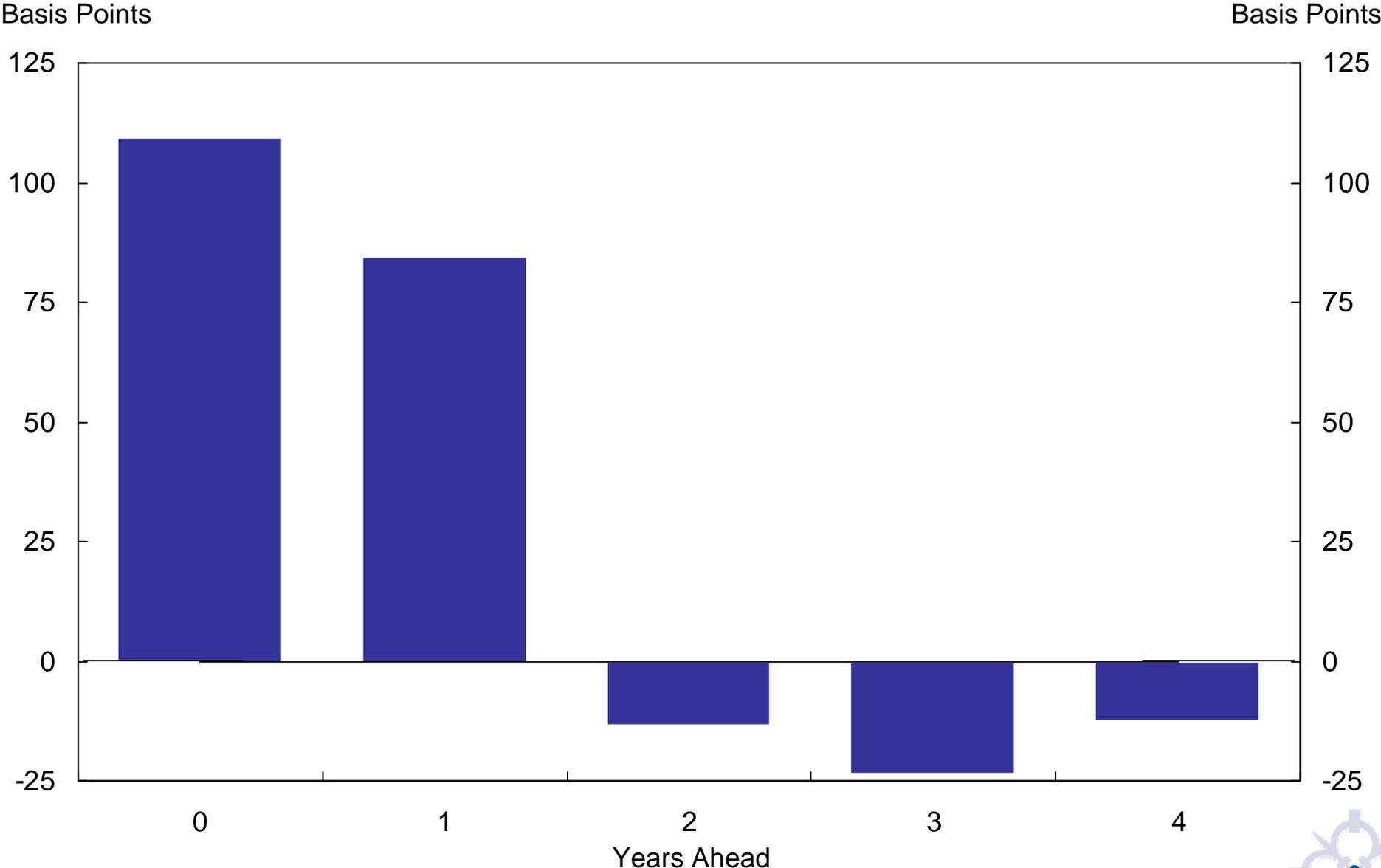
Source: Federal Reserve Bank of New York

5-year/5-year Zero Coupon Inflation Swap



Source: Bloomberg

Chart 2: Changes in 1-Year Forward Inflation Compensation



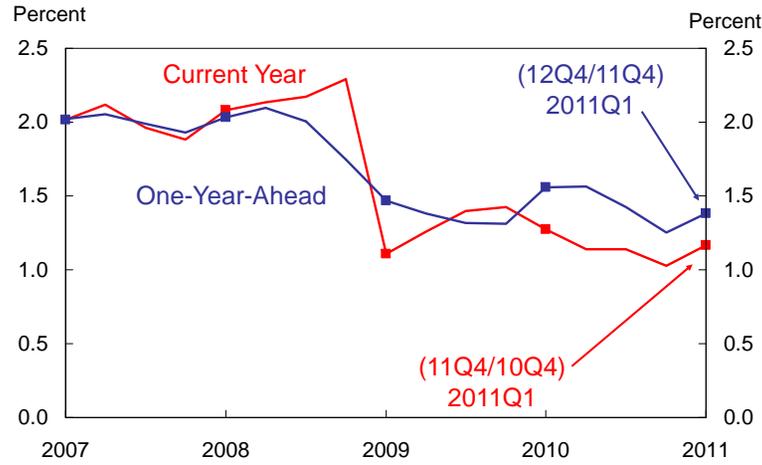
Source: Federal Reserve Board

Note: Changes from January 25, 2011 to March 25, 2011.



Chart 3: SPF Inflation Forecasts

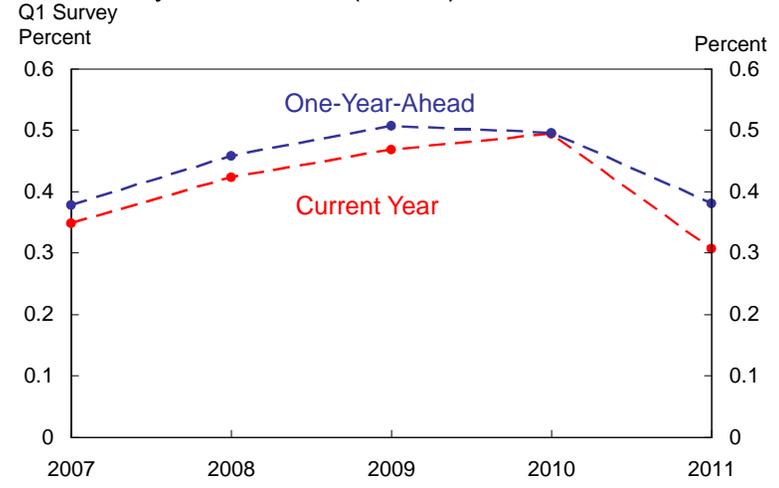
Mean of Core PCE (Q4/Q4) Inflation Forecasts



Source: Survey of Professional Forecasters

Note: The dates represent the survey release.

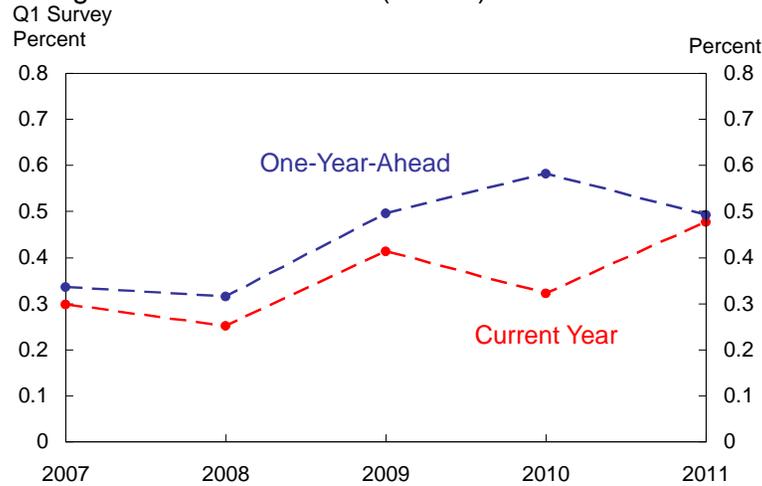
Uncertainty in Core PCE (Q4/Q4) Inflation Forecasts



Source: Survey of Professional Forecasters

Note: The dates represent the survey release.

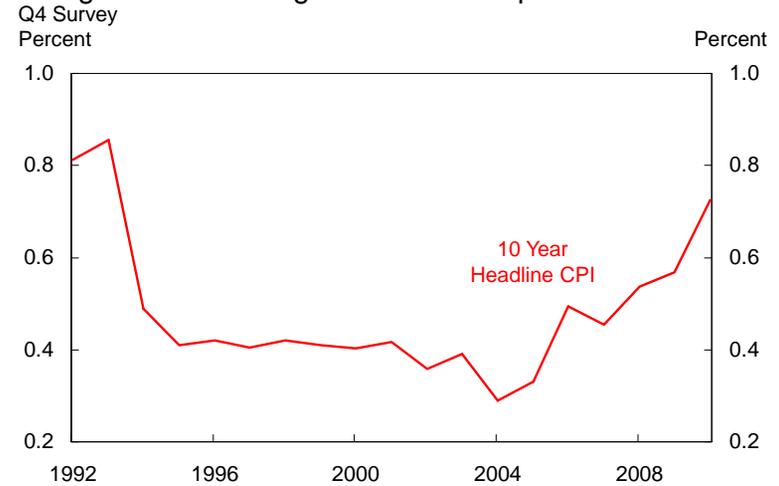
Disagreement in Core PCE (Q4/Q4) Inflation Forecasts



Source: Survey of Professional Forecasters

Note: The dates represent the survey release.

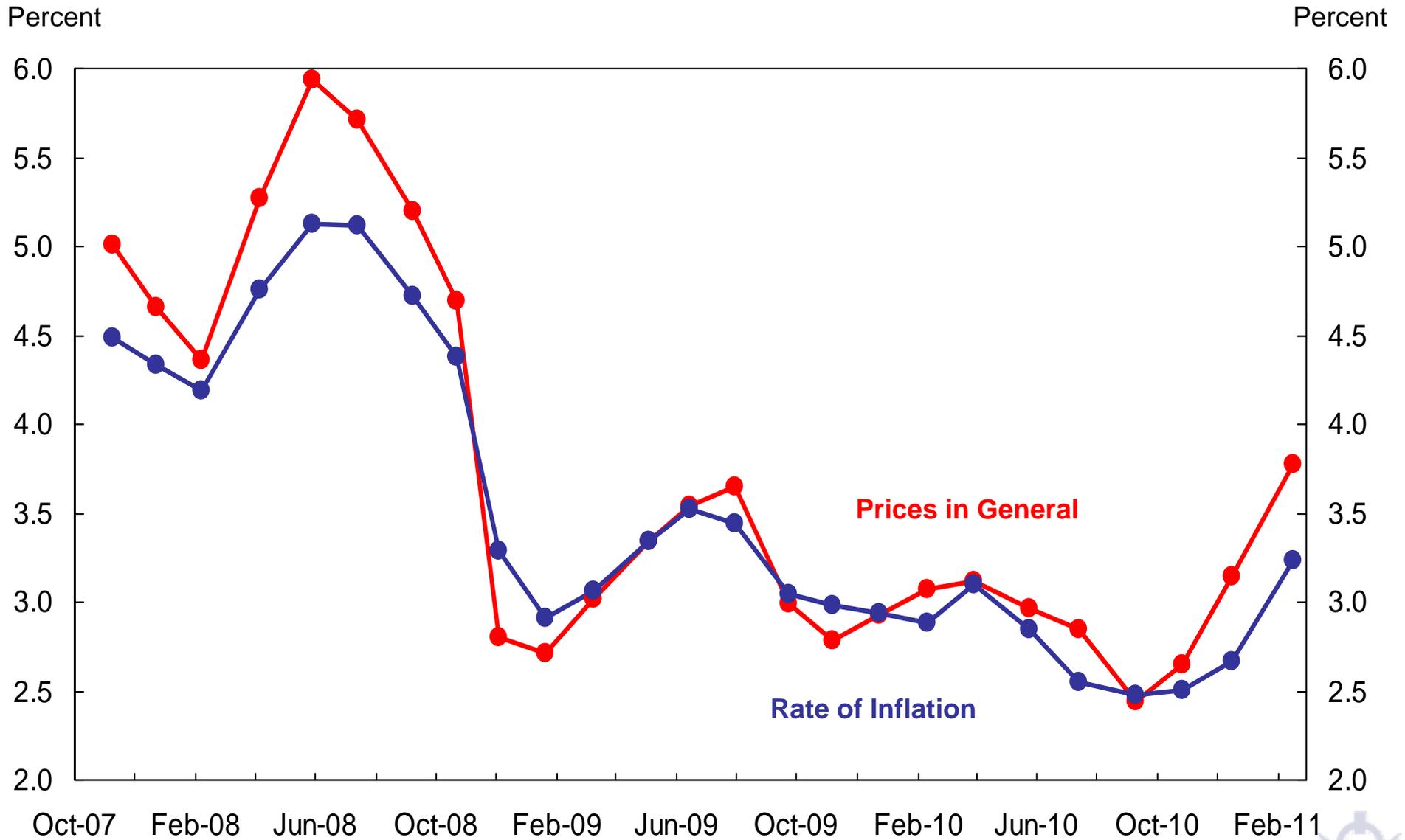
Disagreement in Long-run Inflation Expectations



Source: Survey of Professional Forecasters



Chart 4: Prices in General and Rate of Inflation Median Year-Ahead Forecasts



Source: NYFed-ALP Panel



Chart 5: Structure of Michigan's Long-Term Inflation Expectations Question

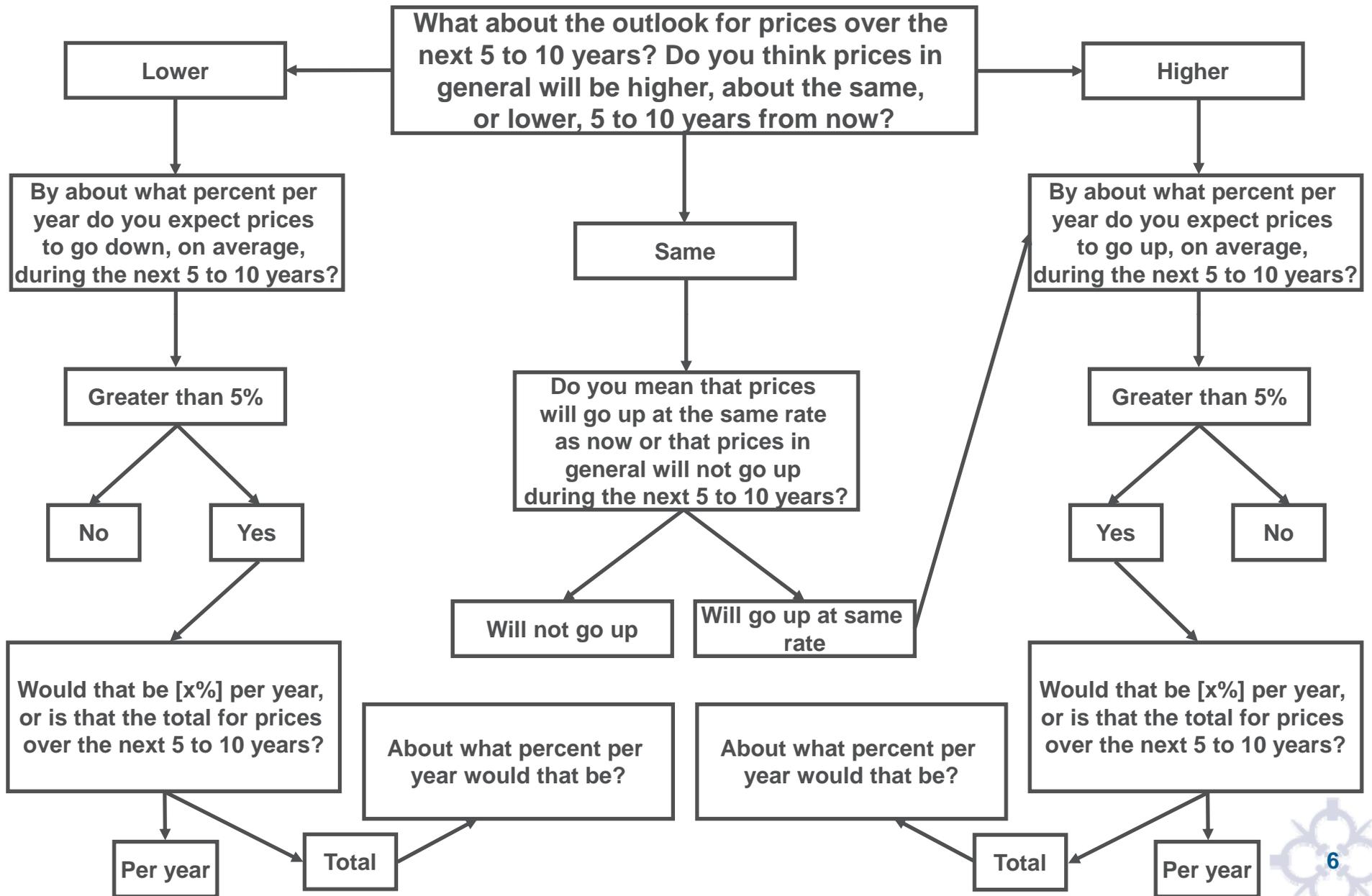


Chart 6: Medium-term Inflation: Probabilistic Question

[After Instructions]:

Now we would like you to think of inflation **3 years from now**.
In your view, what would you say is the percent chance that
the following things may happen over the one-year period
between **February 2013 and February 2014**?

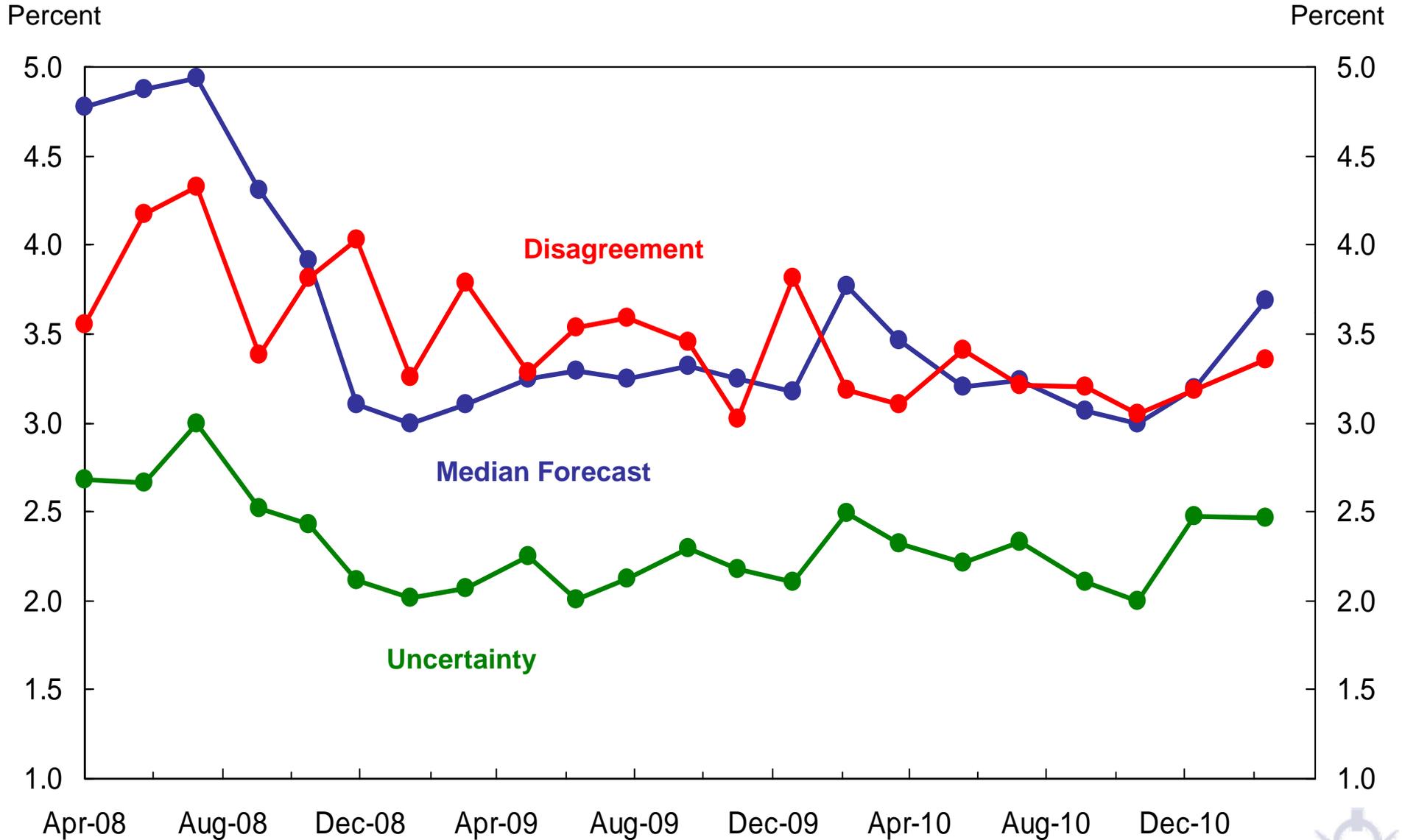
(Please note: Numbers need to add up to **100%**.)

The rate of:

inflation will be 12% or higher	_____ percent chance
inflation will be between 8% and 12%	_____ percent chance
Inflation will be between 4% and 8%	_____ percent chance
Inflation will be between 2% and 4%	_____ percent chance
Inflation will be between 0% and 2%	_____ percent chance
Deflation will be between 0% and 2%	_____ percent chance
Deflation will be between 2% and 4%	_____ percent chance
Deflation will be 4% or higher	_____ percent chance
	<u>100</u> % total



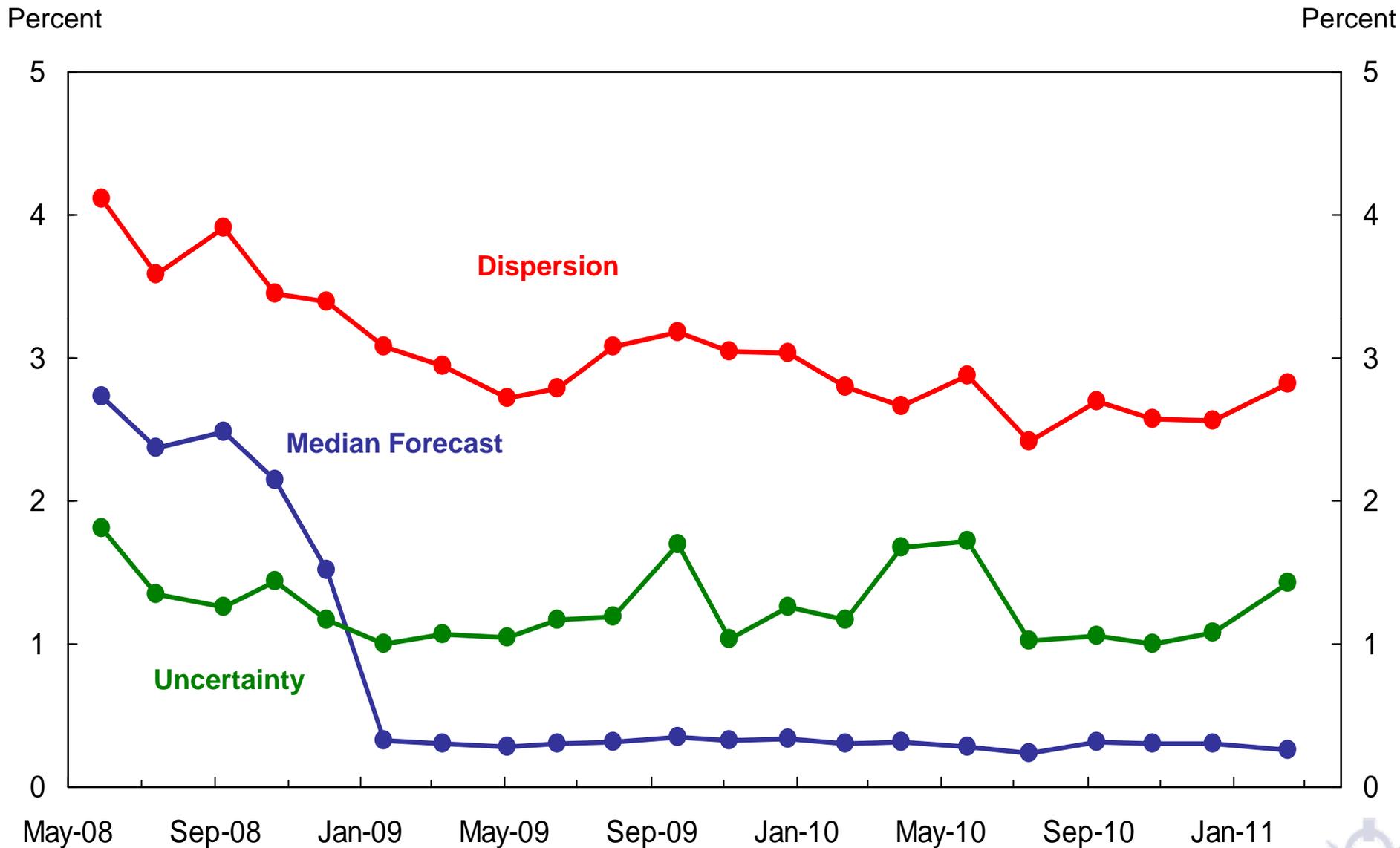
Chart 7: Three-Year-Ahead Inflation Expectations



Source: NYFed-ALP Panel



Chart 8: Year-Ahead Wage-Growth Expectations Median, Dispersion and Uncertainty



Source: NYFed-ALP Panel



Reference

Structure of Michigan's Year-Ahead Inflation Expectations Question

