

# Is The Phillips Curve Alive and Well After All? Inflation Expectations and the Missing Disinflation

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## ONLINE APPENDIX

TABLE 1—HOUSEHOLD VS. BACKWARD-LOOKING EXPECTATIONS IN ESTIMATED PHILLIPS CURVES

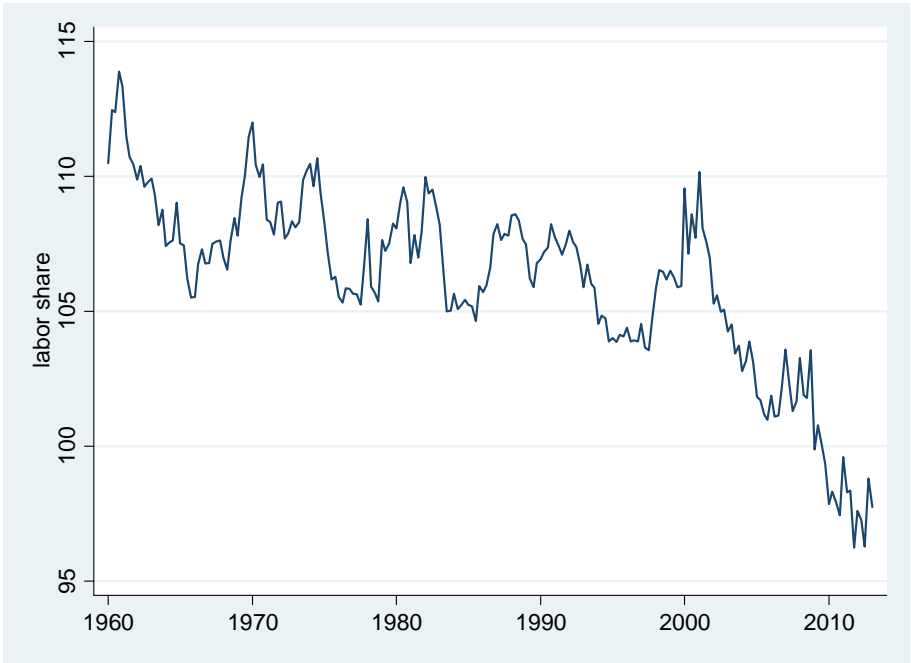
	Pre-Great Recession, 1960Q1-2007Q3				Full sample, 1960Q1-2013Q1			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<b>Panel A. Unemployment rate</b>								
$E_t \pi_{t+1,t+4}^{MSC}$	1.126*** (0.099)	0.993*** (0.079)	0.761*** (0.077)	0.698*** (0.065)	1.303*** (0.174)	1.041*** (0.091)	0.865*** (0.123)	0.730*** (0.068)
$E_t \pi_{t+1,t+4}^{BACK}$	0.158** (0.079)	0.224*** (0.064)	0.239*** (0.077)	0.302*** (0.065)	0.025 (0.129)	0.175** (0.071)	0.135 (0.123)	0.270*** (0.068)
$UE_t$	-0.238*** (0.072)	-0.207*** (0.070)	-0.162** (0.080)	-0.144* (0.074)	-0.238*** (0.058)	-0.203*** (0.050)	-0.189*** (0.062)	-0.167*** (0.052)
$\log\left(\frac{OilP_t}{OilP_{t-1}}\right) \times 400$		0.008*** (0.002)		0.011*** (0.002)		0.012*** (0.004)		0.015*** (0.004)
Observations	191	191	191	191	213	213	213	213
R2	0.846	0.864	0.456	0.558	0.786	0.830	0.434	0.590
<b>Panel B. Unemployment gap</b>								
$E_t \pi_{t+1,t+4}^{MSC}$	1.097*** (0.097)	0.962*** (0.077)	0.743*** (0.076)	0.684*** (0.062)	1.279*** (0.172)	1.017*** (0.090)	0.873*** (0.129)	0.740*** (0.072)
$E_t \pi_{t+1,t+4}^{BACK}$	0.157** (0.076)	0.228*** (0.061)	0.257*** (0.076)	0.316*** (0.062)	0.020 (0.130)	0.173** (0.072)	0.127 (0.129)	0.260*** (0.072)
$UE_t - UE_t^n$	-0.270*** (0.079)	-0.247*** (0.075)	-0.279*** (0.087)	-0.247*** (0.079)	-0.272*** (0.067)	-0.244*** (0.055)	-0.285*** (0.076)	-0.247*** (0.058)
$\log\left(\frac{OilP_t}{OilP_{t-1}}\right) \times 400$		0.008*** (0.002)		0.011*** (0.002)		0.012*** (0.004)		0.015*** (0.004)
Observations	191	191	191	191	213	213	213	213
R2	0.847	0.866	0.479	0.575	0.788	0.833	0.454	0.604

*Notes:* Dependent variable is the annualized rate of inflation (quarter on quarter).  $E_t \pi_{t+1,t+4}^{MSC}$  and  $E_t \pi_{t+1,t+4}^{BACK}$  are one-year-ahead inflation forecasts from the Michigan Survey of Consumers (MSC) and backward-looking forecasts as described in equation (2) in the text.  $OilP$  is the price of oil (Crude Oil Prices: West Texas Intermediate (WTI); FRED: OILPRICE).  $UE_t$  is the rate of unemployment.  $UE_t^n$  is the natural rate of unemployment from the Congress Budget Office (CBO). Constant is included but not reported. Specifications in columns (3), (4), (7) and (8) impose that the coefficients on  $E_t \pi_{t+1,t+4}^{MSC}$  and  $E_t \pi_{t+1,t+4}^{BACK}$  sum up to one. Newey-West standard errors are in parentheses.

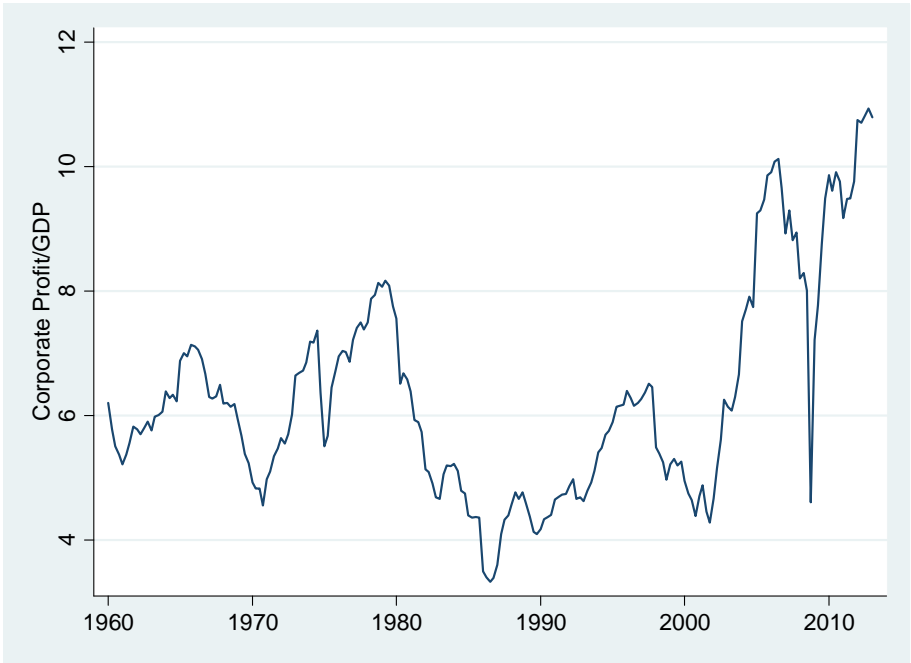
\*\*\* Significant at the 1 percent level.

\*\* Significant at the 5 percent level.

\* Significant at the 10 percent level.



PANEL A. INDEX OF LABOR SHARE, NONFARM BUSINESS SECTOR (FRED® CODE: PRS85006173)



PANEL B. RATIO OF CORPORATE PROFITS (FRED® CODE: CP) TO GDP (FRED® CODE: GDP)

FIGURE 1. TIME SERIES OF SELECTED MACROECONOMIC VARIABLES