

Investigating the Relationship between Household Behavior and Their Inflation Expectations

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Abstract

The analysis of publications in the national and daily press show that the study of inflation expectations among consumer groups testifies to the heterogeneity of their formation for different agents. In this article, we examine whether this heterogeneity is related to the financial capabilities of the target group of households, their investment intentions, propensity to save and their potential for assessing the state of the environment.

Using micro data provided by the National Statistical Institute for a survey on the inflation expectations of Bulgarian households, we constructed an indicator of "propensity to invest". According to the results, this indicator helps to explain the level of inflation expectations: respondents with relatively higher incomes are relatively more conservative and tend to have relatively lower and more accurate inflation expectations.

Keywords: inflation expectations, financial capabilities