Details Analysis Plan

This is a follow-up analysis which builds on a previous RCT (AEARCTR-0010464). It is intended to improve general validity of the previously established results and add further details on the transmission of expectations to wage and prices setting.

The first wave of the survey has been analyzed in the paper. "Inflation Expectation Pass-Through into Prices and Wages: Evidence from an RCT Survey", (2024) with Klaus Abberger, Anne-Kathrin Funk, Michael Lamla, and Stefanie Siegrist, CEPR Discussion Paper No 19595.

The analysis will be based on approximately 10000 firms allocated to three treatment arms at random.

In this online survey, we first elicit inflation expectations, and firms' expectations about their own wages and prices, in addition to collecting information about the firms' price and wage setting processes. After this, firms are randomly selected into groups where different information is provided. Information that is provided is the most recent inflation forecast of the Swiss National Bank for the short run (1 year ahead) and the medium run (3-5 years ahead). After providing this information we collect posterior expectations on inflation wages and prices.

Observations with implausible magnitudes will be dropped (that is, inflation expectations larger than 100% and wage changes larger than 100%). A large range of robustness checks for these choices will be provided. Huber weights will be applied.

We will estimate a first stage that shows the effect of the treatments on the posterior inflation expectations, for each horizon. For each firm i and horizon $h \in \{1y, 5y\}$, let $\pi^e_{i,h,\text{prior}}$ and $\pi^e_{i,h,\text{post}}$ denote, respectively, the prior and the post information-treatment inflation expectations. Firms are randomly assigned to one of several treatments, indicated by T^i, where T^i denotes our different treatments (from the second wave described here and from both waves together).

We estimate the updating equation:

$$\pi^e_{i,h,\text{post}} = \alpha_0 + \alpha_1 \, \pi^e_{i,h,\text{prior}} + \beta\left(\pi^e_{i,h,\text{prior}} \times T^i\right) + \delta T^i + \gamma' X_i + \varepsilon_i, \tag{1}$$

where X_i denotes the vector of controls (such as survey language and sector fixed effects). We will also estimate the equation without controls. This equation will be estimated with Huber weights to reduce the influence of potential outliers.

To quantify the pass-through of inflation expectations into planned adjustments, we estimate the following instrumental variables (IV) regression for each horizon $h \in \{1y, 5y\}$:

$$y_{i,\text{post}} = \alpha_0 + \alpha_1 \, y_{i,\text{prior}} + \alpha_2 \, \pi^e_{i,h,\text{prior}} + \beta \, \pi^e_{i,h,\text{post}} + \gamma' X_i + \nu_i, \tag{2}$$

where $y_{i,\text{post}}$ is the post-treatment planned price or wage adjustment, $y_{i,\text{prior}}$ is the corresponding prior planned adjustment, $\pi^e_{i,h,\text{prior}}$ and $\pi^e_{i,h,\text{post}}$ denote prior and posterior inflation expectations at horizon h, and X_i is the set of controls as above. Posterior expectations

$\pi^{e}_{i,h,\text{post}}$ are instrumented using the first stage (that is, the instruments are given by the randomized treatments from the survey). Estimation is carried out via two-stage least squares (2SLS), and jackknife will be used in the second stage to account for potential small-sample sensitivity and to provide robust inference.

To examine the role of price setting behavior, we will show regressions for the sample of state-dependent-pricing firms and time-dependent pricing firms separately. We will repeat these regressions for the hypothetical questions (vignette) in the survey, which aim to ask firms about their IEPT when providing them with a hypothetical scenario.