MEASURING THE DISTRIBUTIONS OF PUBLIC INFLATION PERCEPTIONS AND EXPECTATIONS IN THE UK*

https://mpra.ub.uni-muenchen.de/76244/

YASUTOMO MURASAWA†
Faculty of Economics, Konan University, Kobe, Japan

January 19, 2017

SUMMARY

The Bank of England/GfK NOP Inflation Attitudes Survey asks individuals about their inflation perceptions and expectations in eight ordered categories with known boundaries except for an indifference limen. With enough categories for identification, one can fit a mixture distribution to such data, which can be multi-modal. Thus Bayesian analysis of a normal mixture model for interval data with an indifference limen is of interest. This paper applies the No-U-Turn Sampler (NUTS) for Bayesian computation, and estimates the distributions of public inflation perceptions and expectations in the UK during 2001Q1–2015Q4. The estimated means are useful for measuring information rigidity.

Keywords Bayesian, Indifference limen, Information rigidity, Interval data, Normal mixture, No-U-turn sampler

JEL classification C11, C25, C46, C82, E31

*This work was supported by JSPS KAKENHI Grant Number 16K03605.

†Correspondence to: Yasutomo Murasawa, Faculty of Economics, Konan University, 8-9-1 Okamoto, Higashinada-ku, Kobe, Hyogo 658-8501, Japan.
E-mail: yasutomo.murasawa@gmail.com. Phone: +81-78-431-4341. Fax: +81-78-435-2543.