

[Expected Inflation in the Euro Area: Measurement and Policy Responses](#)

CFM-DP2023-01

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Measures of expected inflation from both surveys and market prices provided valuable signals during the 2021-22 rise in euro area inflation. Combining these measures, as opposed to picking just one, and looking at distributions, as opposed to only measures of central tendency, showed a sustained drift upwards in inflation expectations since the middle of 2021. In June of 2022, these measures point to an expected gradual decline in inflation over the next two years, and a small risk to the credibility of the ECB's inflation target. A baseline model suggests that a central bank should respond to these measures by raising interest rates. How much and how fast depends on how it assesses the source of the shock and how expectations are linked to actions.

Acknowledgments: I thank Marina Feliciano, Salomé Fofana, and Borui Zhu for research assistance. This paper was written for the ECB Forum in Central Banking, Sintra, June 28-29, and is forthcoming in the 2022 Sintra proceedings. A companion paper "Four Mistakes in the Use of Measures of Expected Inflation" discusses a complementary set of issues.