

The pass-through of inflation expectations into prices and wages: Evidence from an RCT survey

This paper analyzes the pass-through of inflation expectations into the prices and wages set by firms. We conduct a survey of Swiss firms using a tailored questionnaire, incorporating randomized information treatments to generate exogenous variation in inflation expectations. Our findings show that changes in inflation expectations influence both wages and prices, though the pass-through is incomplete. Moreover, we find that short-term inflation expectations have higher pass-through coefficients than long-term expectations, particularly for prices. The pass-through varies with the firms' underlying price-setting behavior. Using a vignette in which firms are presented with hypothetical inflation scenarios, we find similar pass-through coefficients without relying on variation generated by the information treatment.