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Työn nimi-Arbetets titel-Title The role of expectations in euro area inflation dynamics			
Oppiaine-Läroämne-Subject Economics			
Työn laji-Arbetets art-Level Licentiate thesis		Aika-Datum-Month and year 2004-12-16	Sivumäärä-Sidantal-Number of pages 88
Tiivistelmä-Referat-Abstract This paper examines empirical performance of three different Phillips curve specifications in the euro area. Instead of imposing rational expectations, direct measures, ie OECD forecasts, are used to proxy for economic agents' inflation expectations. Real marginal costs are measured in three different ways. The results suggest that with directly measured expectations the estimated New Classical Phillips curve has satisfactory statistical properties. Moreover, the driving variable enters the estimated purely forward-looking New Keynesian Phillips curve with a correct sign, but it is definitely outperformed by the New Classical and the Hybrid Phillips curve. We interpret our results as indicating that the European inflation process is not purely forward-looking, so that inflation cannot instantaneously adjust to new information. Consequently, even allowing for possible non-rationality in expectations, a lagged inflation term enters the New Keynesian Phillips curve for the European inflation dynamics. The inflation process seems to have become more forward-looking in the recent years of low and stable inflation. Furthermore, in the New Keynesian Phillips curve relationship the output gap turns out to be at least as good a proxy for real marginal costs as the labour income share.			
Avainsanat-Nyckelord-Keywords Phillips curve expectations euro area inflation inflation dynamics			
Säilytyspaikka-Förvaringsställe-Where deposited			
Muita tietoja-Övriga uppgifter-Additional information			