



EUROPEAN CENTRAL BANK

EUROSYSTEM

## Discussion of “Heterogeneous Household Responses to Energy Price Shocks”, by G. Peersman and J. Wauters

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I am grateful to Evangelos Charalampakis for very helpful input. The views expressed herein are those of the author and do not necessarily reflect those of the ECB.

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NBB International Conference on "Household Heterogeneity and Policy Relevance"

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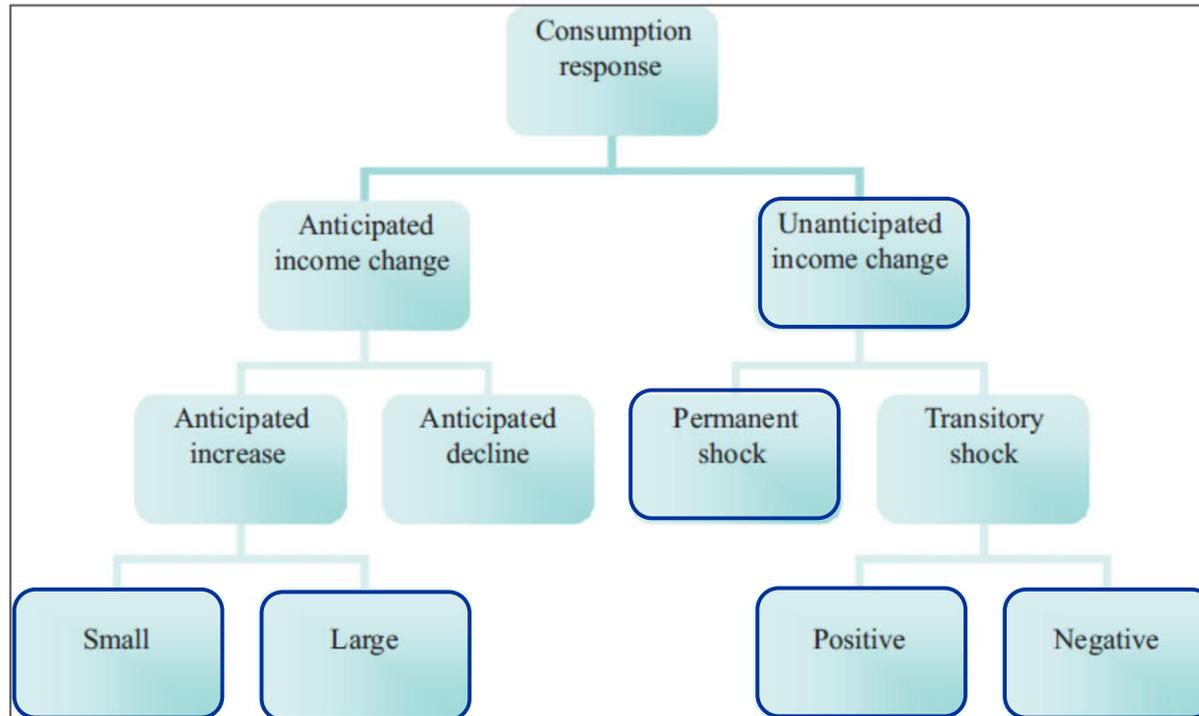
# Overview

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# The paper in a nutshell

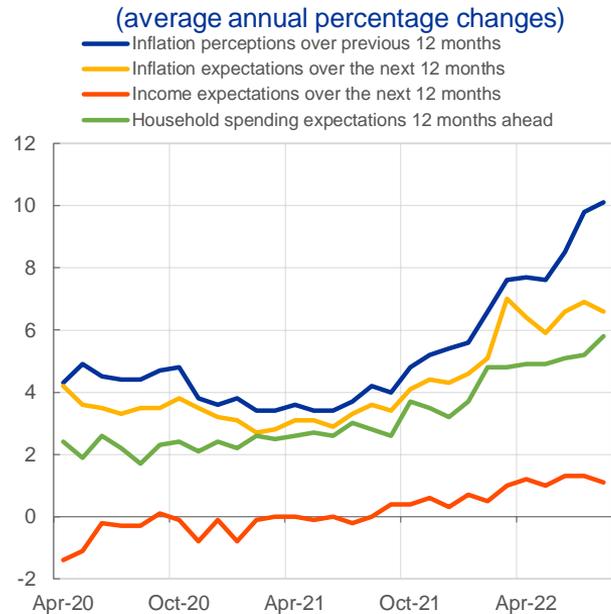
- Growing literature using surveys to elicit Marginal Propensities to Consume (MPCs) from subjective expectations
  - Don't need data on consumption or worry about income process
  - Nature of the shock:
    - Unanticipated
    - Permanent/persistent
    - Asymmetry: positive & negative, large & small
- Estimates price elasticity of energy demand
  - Energy = electricity and heating
  - Intensive vs. extensive margin
- Policy simulation
  - Consumption response to changes in energy policy differs across household groups / policies

# The consumption response to income changes (Japelli & Pistaferri, 2010)



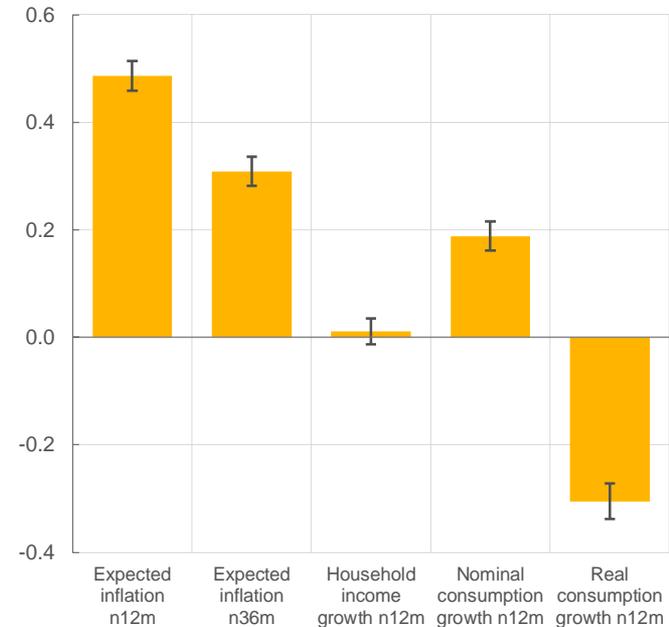
# The ECB Consumer Expectations Survey - Belgium

## Expectations/perceptions for inflation, income and spending



Source: ECB. Notes: Weighted estimates. Inflation perceptions and expectations and income, wage and consumption expectations are winsorised at the 2nd and 98th percentiles of each survey round.

## Pass-through from inflation perceptions to ...



Source: ECB. Notes: The bars show the estimated coefficients of inflation perceptions when regressing expected inflation, income, and consumption on inflation perceptions. The 95% confidence interval is depicted in black lines.

# Design of the experiment

- Size of the shock
  - Is 100 EUR/month the upper bound to understand the current episode?
- Nature of the shock
  - Positive vs. negative:
    - Upward energy price changes (ToT deterioration?) ...
    - ... vs. VAT cut (Ricardian equivalence?)
  - Timing of the experiments not synchronous?
  - Non-energy also includes energy (e.g. fuels)
    - Why not HICP definition of energy: electricity, gas, AND fuels?
  - Energy price shock is not orthogonal to nominal income in BE

# Energy prices and income in Belgium

- Automatic wage indexation provides unique laboratory, but may complicate the estimation of MPCs
  - Energy prices drive nominal wage income in BE
  - Ca. 25% of observations do not allow for identification of respondent's MPC
  - Who are these respondents?
    - Employees vs. self-employed?
    - Retirees vs. working-age population?
    - More vs. less financial literacy?
- Policy simulation
  - Paper reports few details on simulation. Which model?
  - Can you ignore the 25% 'missing' respondents?
  - Implications for aggregate consumption (beyond the groups)?
    - To what extent does consumption of lower quintiles matter in the aggregate?

# Summary

- Growing literature using surveys to understand macroeconomic questions / policy
  - Provide almost real-time insights/identification
  - Useful for central banks: e.g., ECB Consumer Expectations Survey
- Great contribution on MPC heterogeneity and its role for policy
  - First evidence for Belgium!
- My main question: can you leverage more the Belgian context?
  - Could provide insights relevant beyond domestic policies
    - One of the few countries with wage adjustment mechanism similar to 1970s
    - “Do people’s beliefs about wage indexation matter for the transmission of energy price shocks?”