

How do people view price and wage inflation? *

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Abstract

This paper examines novel household-level data from the Canadian Survey of Consumer Expectations (CSCE) from 2014:Q4 - 2021:Q2 to understand households' expectations about price and wage inflation, their respective links to views about the labour market conditions, and their subsequent impact on households' outlook for real spending growth. At the aggregate level, we show that the household data is consistent with downward-sloping price inflation and wage inflation Phillips curves with expectations of firms and professional forecasters for the majority of our sample. However, once the COVID-19 pandemic hits, the two curves diverge: the price inflation Phillips curve remains intact while the wage inflation Phillips curve becomes upward sloping. At the household-level, we find, consistent with recent research, that households associate higher expected price inflation with worse labour market conditions. In contrast, higher expected wage growth is linked to better labour market outcomes, an avenue not previously explored, and consistent with standard macroeconomic models. Consequently, these differing supply-side and demand-side views of price inflation and wage inflation are reflected in households' spending outlook: expected real spending is negatively linked to inflation expectations but positively linked to expected wage gains. Finally, the link between households' inflation expectations and wage growth expectations is weak, suggesting limited pass-through from consumers' inflation expectations into their expected wage gains.

Keywords: inflation expectations, consumer surveys, wage growth, labor market, spending growth, Phillips curve

JEL: E21, E24, E31, C83, D84

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1 Introduction

Central banks follow the developments in the labour market as part of understanding the evolution of economic activity, inflation dynamics, and the consequent implications for monetary policy decision making.¹ These developments have important implications for wage growth and, therefore, inflation. Many questions become important: how do people view inflation, form inflation expectations, how people’s inflation expectations are linked to their views of labour market conditions, how these views affect their spending, and what the link is between inflation expectations and expectations about wages. Households’ expectations affect their decisions, and given the sheer volume of macroeconomic activity conducted by households, it is imperative to develop an understanding of the underlying drivers of their decisions and whether they are consistent with the assumption inherent in the macroeconomic models used to formulate monetary and fiscal policies.

The aim of this paper is to examine the relationship between inflation and the state of the labour market in the aggregate and micro-level data. A natural starting point to examine this relationship is via a Phillips curve. Thus, we start by estimating Phillips curves in both its price and wage inflation forms for Canada to understand this relationship at the aggregate level. We find that households’ and firms’ inflation expectations do embody a price inflation Phillips curve. The estimates from the wage inflation Phillips curve remain consistent with that of price inflation for most of the sample, though the two curves diverge following the onset of the COVID-19 pandemic, primarily driven by compositional changes to the workforce.

There has been a large literature over the years that has aimed to explain various forms of the Phillips curve using survey data (see [Coibion et al. \[2018\]](#) for a summary of this literature), though the trend towards developing a better understanding of household or firm-level expectations is a much more recent one.² The use of household expectations in a Phillips curve context was explored in [Coibion and Gorodnichenko \[2015a\]](#), though it focuses exclusively on price inflation. In fact, even though the original work of [Phillips \[1958\]](#) considered the relationship between wage inflation and unemployment, the focus of the vast majority of research on the Phillips curve has been on price inflation. The literature on wage Phillips curves remains quite sparse and much of the recent research focuses on the whether the shape of the U.S. wage Phillips curves has changed in the post-Financial crisis period.³

Following an aggregate level Phillips curve analysis, we then turn our attention to household-level inflation expectations and views of the labour market. Specifically, we focus on studying the link between households’ expectations about inflation and wage growth (wage inflation) and labour market conditions. We also look at how inflation expectations are linked to wage growth expectations, i.e. do workers expect wage raises to align with expected inflation? And finally, we analyse how expectations about inflation and

¹The Bank of Canada, for example, has covered developments in the labour market in its Monetary Policy Report and pays careful attention to its evolution and recovery especially since the COVID-19 outbreak ([MPR](#)). The impact of the pandemic has been unprecedented on the Canadian economy as it affected the labour market and inflation. The labour market has been recovering and showed important improvements since the pandemic began ([MPR](#)). However, the inflation rate is currently at the highest rate since early 2003. In this macroeconomic context, it is key to understand the relationship between inflation and labour market conditions as has been discussed in [Schembri \[2021\]](#).

²Some examples include [Kamdar \[2018\]](#), [Claus and Nguyen \(2018\)](#), [Andrade et al. \[forthcoming\]](#), [Coibion and Gorodnichenko \[2015b\]](#), [Coibion et al. \[2020a\]](#).

³Some notable papers include [Galí \(2011\)](#), [Galí and Gambetti \(2019\)](#), [Leduc and Wilson \(2017\)](#), [Leduc, Marti and Wilson \(2019\)](#), [Brouillette et al. \[2018a\]](#). Using either aggregate or city-level data, they find that the wage Phillips curve relationships remain statistically and economically significant, although this relationship has weakened in the post-Financial crisis period.

wages are linked to households' spending expectations.⁴ Standard macroeconomic models would predict that higher inflation expectations would lead to higher spending. However, recent research, [Candia et al., 2020], Kamdar [2018], has documented that households may view inflation as 'bad', i.e. they associate higher inflation with weaker economic activity and a weaker labour market. As a result, consumers may instead contract their spending in response to higher expected inflation. For example, Coibion et al. showed that higher inflation expectation can lead to lower spending on durables. We address these questions empirically using novel household-level data spanning from 2014:Q4 – 2021:Q2 from the Canadian Survey of Consumer Expectations (CSCE).

Based on the micro-data analysis, we uncover some interesting findings: i) households do indeed associate higher expected price inflation with worse labour market conditions; ii) households view higher expected wage inflation as being associated with stronger labour market conditions; iii) as a result, we see households' expected real spending growth is negatively linked to their inflation expectations and positively linked to their wage growth expectations; iv) inflation expectations are quantitatively weakly linked to wage growth expectations, suggesting limited connection and, v) these findings remain robust when we control for the effect of the COVID-19 pandemic .

As the literature linking wage inflation expectations and economic activity is quite scarce, to the best of our knowledge, this is the first paper to examine this relationship at the household level. Our finding that households' associate higher expected wage inflation with improving labour market outcomes is significant for a number of reasons. First, it highlights that in households' view, expected increases in the prices of the goods they buy is a very different concept from expected increases in the wages they earn. While the former is more traditionally used in research and policy analysis, the latter is what appears to be more consistent with standard macroeconomic models. Second, it is possible that households simply have a negative connotation associated with the word 'inflation' which is often synonymous with price inflation. Wage inflation, on the other hand, is often referred to as wage growth which depicts a more positive tone, highlighting the possibility of households' sensitivity to differences in the language used to acquire their views. Third, the differences in households' views between inflation expectations and wage growth expectations has implications for the communication strategies of central banks aiming to stimulate demand via inflation expectations, which may not have the desired effect.

The link between consumer spending expectations and inflation expectations has been examined in past research. Coibion et al. [2020b] find that positive revisions in inflation expectations are associated with higher actual total spending, though this link is short-lived and could arise through several possible channels, including a positive link from intertemporal substitution and a negative link from the expected reduction in real wages. In our paper, we control for some of these channels. Other papers have estimated the link between consumers' spending expectations or intentions to purchase goods and inflation expectations. For example, Crump et al. [2015] find a positive link between expected spending growth and inflation expectations using the New York FRB Survey of Consumer Expectations. Drager and Nghiem [2020] and Drager et al. [2016] also find a positive link between spending intentions and inflation expectations.

In addition to our key findings, our analysis also emphasizes the importance of some key components that

⁴It is worth noting that we depart from the Philips curve formulation for the household-level analysis. This departure is intentional as we find that linking household's inflation expectations to their individual views on the labour market are more informative from the perspective of better understanding their expectation formation. The result is that we are able to better explain their expectations and distinguish between how households' view different forms of price pressures (price versus wage), and ultimately link these views to their spending decisions.

have thus far been less explored in examining the expectation formation of households. First, we find that the use of official unemployment rate statistics provide minimal insight into households’ inflation expectations and their wage growth expectations. However, there is a robust linkage between a household’s expectations of inflation and wage gains and their own labour market conditions, such as how likely they believe they are to lose their job or find a new job, as well as their own views about future aggregate unemployment. This finding bears similarity to [Andrade et al. \[forthcoming\]](#) who find that firms’ expectations for aggregate variables are affected by industry-specific shocks not affecting the aggregate economy. Second, we find that the incorporation of inflation perceptions into our analysis, which measures what households believe inflation was in the past, is a key determinant of their views on what inflation will be in the future. [Figure 1](#) shows that perceptions are indeed linked to household and firm expectations. Professional forecasters, on the other hand, follow realized inflation more closely.⁵ The inclusion of inflation perceptions in our estimation significantly improves its explanatory power. This finding is consistent with [Jonung \[1981\]](#) and [D’Acunto et al. \[2020\]](#) who document a strong correlation between inflation perceptions and inflation expectations in Sweden and the U.S., respectively.

The paper is organized as follows: [Section 2](#) discusses the Canadian data sources used in our analysis, focusing primarily on introducing the CSCE. [Section 3](#) provides a baseline, aggregate level Phillips curve analysis, comparing price and wage inflation Phillips curves for different types of agents: households, firms, and professional forecasters. [Section 4](#) describes the main household level model specifications used in this paper. [Section 5](#) outlines the estimation results and conducts sensitivity analyses. [Section 6](#) concludes.

2 Data description

In this paper we use several data sources: the Canadian Survey of Consumer Expectations (CSCE) for data on consumers’ expectations, the Bank of Canada’s Business Outlook Survey (BOS) for data on firms’ expectations, and Consensus Economics (CE) for data on expectations of professional forecasters. We also use data from Statistics Canada for official measures of the Consumer Price Index (CPI) and the unemployment rate. This section will describe each of these sources.

2.1 Canadian Survey of Consumer Expectations

The Canadian Survey of Consumer Expectations (CSCE) is a nationally representative, quarterly, online survey of Canadians introduced in 2014Q4 to fill the gap in the data on consumer expectations [[Gosselin and Khan, 2015](#)]. It surveys 2,000 respondents every quarter, with an equal number of respondents rotating in and out of the sample each quarter (for details about this survey see [CSCE \[2021\]](#)).⁶ The structure of the CSCE is similar to that of the Survey of Consumer Expectations (SCE) conducted by the New York Federal Reserve Bank [[Armantier et al., 2017](#)]. Canadians answer questions about their views about inflation, their labour market situation, spending, income, access to credit and demographic variables. This survey is implemented by a large polling firm on behalf of the Bank of Canada. We use data for the period 2014Q4-2021Q2.

⁵This figure also magnifies the differences in inflation expectations across the different type of agents. For example, when realized inflation fell close to 0% in 2020:Q2, professional forecasters’ reduced their inflation expectations, while households continued to expect elevated levels of inflation. This highlights differences in views of inflation – demand versus supply – across different types of agents.

⁶The sample size was 1,000 prior to 2018Q2.

The CSCE has rich cross-sectional data allowing us to study the link between inflation expectations and expectations about the economy and the labour market. We could then test whether consumers hold demand or supply views of inflation and whether there are any differences in such views across socio-economic characteristics. The CSCE data has several advantages. First, the CSCE has some additional variables such as consumers’ perceptions about past inflation that allows us to link them with their expectations. Second, the CSCE, like the SCE, elicits expectations about spending growth rates, whereas the Michigan Survey of Consumers poses question as to whether this is a good or bad time to make a major purchase (e.g. a house or a car). Third, the CSCE and SCE elicit inflation expectations by asking about inflation rates, whereas the Michigan Survey of Consumers, for example, only asks whether prices will go up, down, or stay the same, and by what percent. [Bruin de Bruin et al. \[2008\]](#) showed the asking about the inflation rate elicits inflation expectations more accurately, while questions about the price level tend to generate responses that are more likely based on respondents’ own experience with prices.

In our regressions, we control for demographic characteristics such as age, gender, education, income level, province, and relationship status. We use three age groups: young (ages 18-30), prime age (31-55), seniors (55 and over). Education levels are grouped into three categories: high school or less, some college or diploma, university degree and above. Respondents are categorized into three income levels: lower (40k or less), middle (40 to 100k), and higher (100k and above). Definitions of the variables used on our regression analysis and survey questions are included in [Appendix A](#).

In our analysis, following [Ehrmann et al. \[2018\]](#) and common practice, we discard observations if: i) the respondent perceives/expects inflation to be less than -5 percent or more than $+30$ percent in the past/next 12 months; ii) the respondent expects inflation to be less than -5 percent or more than $+30$ percent in the next 12 months to next 24 months; iii) the respondent expects wage inflation to be less than -50 percent or more than $+100$ percent; or iv) the respondent expects their spending/income will be less than -50 percent or more than $+100$ percent. This rule affects 18 percent of the observations in the sample.

2.2 Consumer Price Index, wage growth and unemployment rate

We use data on the Consumer Price Index (CPI) from Statistics Canada from Cansim Table 18-10-0004-01 (formerly CANSIM 326-0020). We compute the inflation rate as a year-over-year growth rate in CPI All-Item for Canada (vector number v41690973) and for all provinces and territories. In the CSCE, we group respondents from British Columbia (BC), Northwest Territories (NWT), Yukon (YU) and Nunavut (NU) together. Respondents from Atlantic provinces are also grouped together. We construct the inflation rate for BC+NWT+YU+NU and for Atlantic provinces by weighting their individual inflation rates by their population (Table: 14-10-0292-01 (formerly CANSIM 282-0100)).

The unemployment rate is based on the Labour Force Survey (LFS), an official source of the measure of the unemployment rate in Canada. We use Cansim Table 14-10-0287-01 (formerly CANSIM 282-0087) for unemployment rate for Canada (vector number v2062815) and for provinces. To construct unemployment rates for Atlantic provinces, BC+NWT we use data from Tables Table: 14-10-0287-01 (formerly CANSIM 282-0087) and Table: 14-10-0292-01 (formerly CANSIM 282-0100). We also use the output gap estimated by the Bank of Canada ([Bank of Canada \[2021\]](#)) as an alternative measure of economic slack.

There are several sources of data on workers’ earnings and their growth in Canada – Labour Force Survey

(a survey of workers), Survey of Employment, Payroll and Hours (based on administrative data and a survey of firms), National Accounts (NAC) and Productivity Accounts (PAC). In this paper, we use wage growth from LFS, the Survey of Employment, and Payroll and Hours as direct measures of year-over-year growth of hourly earnings of employees. We also use the wage common measure as a summary statistic of wage growth (Brouillette et al. [2018b], Bank of Canada [2021]) based on four sources of data LFS, SEPH, NAC and PAC. These four sources of data report different dynamics in growth of earnings as they are based on somewhat different concepts of earnings (base pay, inclusion of bonuses, commissions; earnings of employees in LFS, SEPH, NAC and both employees and self-employed in PAC). The wage common is an indicator of common dynamics in these four sources of data on earnings, based on a dynamic factor model. We also use data on labour productivity from Productivity Accounts.

2.3 Business Outlook Survey

The Business Outlook Survey (BOS) is a quarterly survey of firms conducted by the Bank of Canada (BOS). This survey elicits expectations about inflation, investment intentions, past and future sales, labour shortages, labour costs and their expected growth, ability to meet demand, input and output price momentum. BOS data are an important source of information about firms' expectations for many reasons. First, data on firms' inflation expectations are available with limitations in other countries. For example, US studies (Candia et al. [2020]) add questions about respondents' occupation to the survey of consumers to identify firm managers and thus obtain data on firms' inflation expectations. Second, BOS data are available for a substantial time span, starting in 1998, thus giving us an opportunity to study the evolution of firms' views over the business cycle. We use firms' inflation expectations index based on the firms' expectations about average inflation over the next 2 year and expected wage growth over the next year in the aggregate Phillips curve regressions.

2.4 Expectations of professional forecasters

Data on the expectations of professional forecasters come from Consensus Economics. We use monthly data on expectations of inflation for current year and next year, aggregating each of them into a quarterly series and combining the quarterly series to construct one-year-ahead inflation expectations that gives a comparable forecasting horizon to the CSCE.⁷

2.5 A visualization of our data

Figure 1 presents quarterly data on Canadian CPI inflation and inflation expectations of different agents. This figure shows that professional forecasts and firms' expectations tend to follow actual inflation quite closely, while consumers' expectations are the highest and consistently above actual inflation. Positive bias in consumers' expectations has been discussed in the literature (Ehrmann et al. [2018], Schembri [2020] and many others).

Figure 2 illustrates data on wage growth from LFS, SEPH, wage common and wage expectations of firms from BOS and of workers from CSCE. There are several interesting and important observations from this

⁷We approximate fixed-horizon forecast, 1-year-ahead forecast F_q^{1yr} , as a weighted average of fixed event forecasts, forecast for current year F_q^{y0} and forecast for next year F_q^{y1} made in quarter q , following Doornik et al. [2012]: $F_q^{1yr} = \frac{4-q+1}{4} F_q^{y0} + \frac{q-1}{4} F_q^{y1}$

Figure. First, over the history wage growth expectations of firms have broadly been similar to wage growth reported in LFS, SEPH and summarized by wage common. Following the pandemic, wage growth has increased a lot during unprecedented decline in employment (MPR for April and July 2020). This volatility in wage growth can be attributed to the compositional shift of employment as low-wage workers were hit the hardest, mostly in the service sectors affected by pandemic and containment measures (MPR for July and October 2021). Thus during the pandemic firms' expectations for wage growth declined following the start of the pandemic, but they have recovered with the recovery in the labour market. Second, past wage growth and expected wage growth reported by the workers in the CSCE tended to be similar to those in other sources, although these indicators are below other sources after 2018. Workers tend to be optimistic about their future wage growth relative to the past as their expectations (dotted red line) are above reported wage growth (solid red line).

It is interesting to observe that firms' expectations for wage growth tend to be above expectations for wage growth among workers. Several reasons could have contributed to this. Workers answer a question about their wage growth expectations if they were to stay in the same job and work the same hours, i.e. these are expectations for wage growth by job stayers. Wage growth of job stayers is known to be weaker than wage growth of job changers (Kostyshyna and Luu [2019]). Workers' wage growth expectations may be more reflective of average labour costs dynamics, as job stayers account for most of the workers (close to 99% in Kostyshyna and Luu [2019]). Firms responses about expected wage growth likely reflect wage changes of both job stayers and new workers, i.e. they include costs of retaining current workers and attracting new workers. As a result, firms' wage expectations are higher than those of workers staying in the same job. Furthermore, firms' wage expectations may be weighed more heavily towards expectations for costs of hiring new workers. An increase in wage growth expectations in 2021 happened as increasing number of firms reported labour shortages and more intensity in labour shortages (BOS for 2021Q2-Q3). Therefore, firms' wage growth expectations may reflect dynamics in marginal costs of labour. Thus, the difference in wage growth expectations between workers and firms may reflect the difference in average versus marginal costs. This difference in wage growth expectations may potentially have important implications for inflation dynamics depending on which costs (marginal or average) feed into firms' pricing decisions.

Figure 3 presents the unemployment rate in Canada and its 10-year average. Note that the impact of the pandemic on the Canadian labour market has been much larger than that of 2008-09 recession as has been documented in MPR in April 2020 and July 2020. Figure 3 shows that the unemployment rate has reached the peak of 13.1% in 2020Q2 after the COVID-19 outbreak had started, while it had climbed to 8.6% in 2009Q2-Q3.

2.6 Summary statistics

Table 1 presents summary statistics of key variables used on our analysis by the main socio-economic characteristics – age, gender, labour force status, education and income category. This table reports the interpolated median: this statistic is a reliable measure of central tendency in the consumer survey data as it weighs the mass of responses close to the median from above and below (Armantier et al. [2017]).

Table 1 illustrates that women, the unemployed, respondents with lower household income and lower levels of education have higher inflation expectations and perceptions. Similar observations about inflation expectations have been also documented by Bryan and Venkantu [2001], Bruin de Bruin et al. [2010], Madeira

and Zafar [2015] and others. The young, those with higher education and household income level, tend to report somewhat higher past wage growth and higher expectations for future wage growth. The youngest respondents and those with the lowest income tend to report a higher probability of losing their current job (about 9.8%) than other cohorts as these groups are more likely to be employed in a lower-wage and more precarious employment situation. Older respondents report a much lower probability of finding a job if they were to lose their current job (about 19.4%) compared with an average of about 50% for younger cohorts. Younger respondents report higher expectations for spending growth than older respondents, whereas there is little difference by gender, education and income level.

3 Aggregate-level Phillips curves

The Phillips curve originated with the work of Phillips [1958] who estimated the relationship between wage growth and the unemployment rate and found a negative link between the two. Since then, the Phillips curve has evolved in economic literature, taking on many different forms and being estimated in different specifications, including the New Keynesian Phillips Curve [Clarida et al., 1999, Galí and Gertler, 1999] which has become accepted as key to determining inflation.⁸ More recent work by Coibion and Gorodnichenko [2015b] shows the Phillips curve remains alive and well if estimated using consumer expectations in place of firm expectations.

Building on this literature, we estimate several specifications of Phillips curve with both price inflation and wage growth using different types of expectations. In case of price Phillips curve we use backward-looking expectations and expectations of different agents – firms, consumers and professional forecasters. We can estimate Phillips curve using firms expectations directly using data from the BOS, without the need to proxy them with consumers expectations as in Coibion and Gorodnichenko [2015b]. In case of the wage Phillips curve, we use backward-looking expectations and expectations of wage growth by firms and workers. The estimation of the wage Phillips curve augmented by wage expectations are possible because of unique data on firms wage expectations and also on workers’ wage expectations from the CSCE. The goal of these estimations is to understand the relationship between price and wage inflation and labour market slack, its robustness to the use of different measures of inflation (price or wage) and different expectations, as well as the evolution of this relationship over time. These estimations set the macroeconomic scene and provide aggregate level context for our analysis of individual expectations.

3.1 A Price Inflation Phillips curve

The underlying specification used for our Phillips curve in terms of price inflation is the following:

$$\pi_t = c + \beta^\pi E_t \pi_{t+12} + \alpha(u_t - u_t^{NR}) + \epsilon_t \quad (1)$$

where π_t is the annual inflation rate observed at time t ; $E_t \pi_{t+12}$ is the expectation for 1-year ahead inflation; u_t is the unemployment rate at time t and u_t^{NR} is natural rate of unemployment computed using the 10-year moving average.

Our simple baseline specification is based on the assumption that expectations of future inflation are

⁸Coibion et al. [2018] provide an excellent summary of the literature on the Phillips curve as well as its historical development.

backward-looking:

$$E_t \pi_{t+12} = \pi_{t-12} \quad (2)$$

We then estimate the standard forward-looking, expectations-augmented Phillips curve specification using various measures of inflation expectations for different agents in the economy.

$$E_t \pi_{t+12} = \begin{cases} \pi_t^{e, hh} & \text{households} \\ \pi_t^{e, bos} & \text{firms} \\ \pi_t^{e, ce} & \text{professional forecasters} \end{cases} \quad (3)$$

Table 2 presents the estimation results. Overall, we find the presence of Phillips curves for all agents. In panel A, we find a negative and statistically significant coefficient on the unemployment gap for households, who have the steepest Phillips curve, and their slope is quite similar to that of firms.⁹ Professional forecasters, on the other hand, have the flattest Phillips curve of the agents considered: the coefficient on the unemployment gap is not significantly different from zero. Comparing across different specifications, we find that households and firms have a slope coefficient closer to the coefficient in the baseline specification than to the slope in the regressions with expectations of professional forecasters. Professional forecasters tend to forecast closer to realized inflation than other agents as shown on Figure 4. To summarize, while we observe some differences across agents, we find that at the aggregate level, their inflation expectations are consistent with a Phillips curve that exhibits a negative relationship between inflation and economic activity.

3.2 A Wage Phillips curve

Our specification of the aggregate wage Phillips curve is closely related to the price Phillips curve and is inspired by the original work of Phillips [1958] and Brouillette et al. [2018a] who examine possible convexities in the Canadian wage Phillips curve. We estimate the following specification for the aggregate wage Phillips curve:

$$w_t = c + \beta^w E_t w_{t+12} + \alpha(u_t - u_t^{NR}) + \gamma \sum_{i=1}^4 \frac{1}{4} \pi_{t-i} + \delta LP_t + \epsilon_t \quad (4)$$

where w_t is the year-over-year growth rate of wages; π_{t-i} is the annual inflation rate observed at time t ; $E_t w_{t+12}$ is the expectation for 1-year ahead wage growth; u_t is the unemployment rate at time t and u_t^{NR} is natural rate of unemployment computed using the 10-year moving average, LP_t is labour productivity, c is constant, and $\epsilon_{i,t}$ is an error term.

As in the case with price inflation, we use measures of inflation expectations for different agents:

$$E_t w_{t+12} = \begin{cases} w_t^{e, hh} & \text{households} \\ w_t^{e, bos} & \text{firms} \end{cases} \quad (5)$$

Table 2, Panel B presents the estimation results. We find a positive and significant relationship between wage growth and the unemployment gap for firms, households and even in our backward-looking baseline for the period 2014Q4–2021Q2. This direction is contrary to what we would expect, as we would typically expect falling economic slack to be linked to faster wage growth. To investigate further, we estimate

⁹These findings are robust to the inclusion of Brent and BCPI in the specification, as well as alternative measures of economic activity, such as the output gap.

rolling-window regressions starting 1998Q1 to understand to evolution in the relationship between wage growth and labour slack. Figure 5 shows the estimated slope coefficient with confidence interval from the wage Phillips curve using a 40-quarter rolling-sample regressions. These regressions are estimated using firms' CPI and wage growth expectations. Note that, as expected, the link between economic slack and wage growth remains around or below zero for most of the sample, until we enter the COVID-19 pandemic period in 2020Q2. The pandemic period until the end of our sample is characterized by positive estimates between economic slack and wage growth.¹⁰

Leduc et al. [2017] report a similar trend for the U.S. wage Phillips curve, finding that the slope falls to zero in the 2009-2015 period following the Financial Crisis. They report a couple of reasons why this could occur. First is the effect of labour market slack on the composition of the workforce, which in turn affects wage growth. More specifically, there was a compositional shift towards lower-wage workers during the recovery from the Great Recession that could hold down growth in average wages, and this compositional drag on wage growth would move in the same direction as labour slack, leading to a flatter Phillips curve.

Similar compositional forces were also at play after the COVID-19 pandemic started. The slope coefficient in our estimated wage Phillips curve became positive starting in 2020Q2, and this can be attributed to the following factors brought on by the COVID-19 pandemic: the COVID-19 pandemic led to an unprecedented decline in Canadian employment documented in (MPR for April 2020 and July 2020) which was much larger than the decline during 2008-09 recession (Chart 7, April 2020 MPR). Services sectors were affected especially hard because of the containment measures during the pandemic. Lower-wage workers were hit harder than the rest as they are more likely to work in the most affected industries such as accommodation and food (MPR for July and October 2020 and January 2021). As a result, wage growth had increased when employment in low-wage jobs dropped (MPR for July and October 2021). The estimated coefficient in the wage Phillips curve became positive after 2020Q2 (Figure 5) as wage growth picked up (Figure 2) and unemployment increased (Figure 3). The difference from the previous recession is the unprecedented extent of the impact on both wage growth and unemployment rate. While the wage Phillips curve coefficient was close to zero during the recession of 2008-09 when unemployment rate increased but the extent of wage growth decline was limited because of the compositional shift, the wage Phillips curve coefficient became positive following the pandemic as the unemployment rate surged and wage growth increased dramatically because of the dramatic decline in low-wage employment.

This finding about changing direction in the relationship between wage growth and economic slack contrasts with what we find in the rolling-window price Phillips curve. Figure 4 shows that the pandemic had not changed the direction of the relationship between price inflation and economic slack. The coefficient in price Phillips curve using firms' inflation expectations remained negative throughout our sample (Figure 4). Since the onset of the pandemic, there has been a divergence between firms' price inflation Phillips curve and the wage Phillips curve in Canada. This divergence suggests a limited effect of wage growth on inflation. We will examine this possibility further in the household-level analysis.

¹⁰This finding is robust to different measures of economic slack (such as the labour input gap and the output gap) as well as alternative measures of wage growth. These corresponding figures can be found in the Appendix.

4 Household-level expectations: model specifications

Next, we take a closer look at how individual consumers think about inflation and the labour market. Do they form expectations in a way consistent with the Phillips curve relationship observed at the aggregate level? The household-level analysis in this paper was inspired by a Phillips curve relationship – a relationship between inflation and labour market slack – though our ultimate aim is to better understand household views of inflation and their link to the situation in the labour market as well as the impact of these views on consumers’ expected spending. We expect to address the following questions: do consumers view inflation as negatively linked to the labour market slack as expected from the traditional interpretation of the Phillips curve? Or do consumers think of inflation as “bad” as was shown in [Candia et al. \[2020\]](#) and [Kamdar \[2018\]](#)? Do people think differently about price inflation and wage growth? How do inflation expectations feed into expectations of wage growth? This question is especially relevant in the current environment of high inflation being experienced in Canada and in many other countries around the world. And finally, what is the link between expectations of inflation and spending? Are higher inflation expectations associated with lower spending as was hypothesised in [Candia et al. \[2020\]](#) and as was shown in [Coibion et al. \[2020a\]](#) regarding spending on durables?

We first estimate the following regression to understand the relationship between inflation expectations and state of the labour market controlling for other key factors:

$$E_t\pi_{i,t+12} = c + \alpha E_t\pi_{i,t-12} + \beta \text{Labor Market State}_{i,t} + X_{i,t} + \epsilon_{i,t} \quad (6)$$

where $E_t\pi_{i,t+12}$ is the individual i ’s survey response for the expectation of the inflation rate over the next 12 months. $E_t\pi_{i,t-12}$ is individual i ’s survey response of the perception of the inflation rate over the past 12 months. Labor Market State $_{i,t}$ is the variable describing i ’s existing or expected labour market situation. $X_{i,t}$ are control variables including individual’s socio-economic characteristics such as gender, age, education and income group, knowledge about inflation and time fixed effects, c is constant, and $\epsilon_{i,t}$ is an error term.

Next, we estimate the following regression to understand the relationship between wage growth expectations and the state of the labour market controlling for other key factors. We also include inflation expectations $E_t\pi_{i,t+12}$ to assess whether inflation expectations are linked to wage growth expectations and how strongly:

$$E_t w_{i,t+12} = c + \alpha E_t w_{i,t-12} + \beta \text{Labor Market State}_{i,t} + \gamma \alpha E_t \pi_{i,t+12} + X_{i,t} + \epsilon_{i,t} \quad (7)$$

where $E_t w_{i,t+12}$ is individual i ’s survey response for the expectation about wage growth rate over the next 12 months. $E_t w_{i,t-12}$ is individual i ’s reported wage growth over the past 12 months. c is constant, and $\epsilon_{i,t}$ is an error term.

Finally, we assess the link between expected real spending growth and expectations about inflation and wage growth:

$$E_t \text{RSpending}_{i,t+12} = c + \alpha E_t \pi_{i,t+12} + \beta \text{Labor Market State}_{i,t} + \gamma E_t \text{income}_{i,t+12} + X_{i,t} + \epsilon_{i,t} \quad (8)$$

where $\text{RSpending}_{i,t+12}$ is the expected real spending growth calculated as the difference between individual i ’s survey response about expected nominal spending growth and the expectation of the inflation rate over the next 12 months. $E_t \text{income}_{i,t+12}$ is individual’s expectation of real income growth in the next 12

months calculated as the difference between expected growth of nominal income over the next 12 months and expected inflation over the next 12 months. $X_{i,t}$ are control variables including individual’s socio-economic characteristics such as gender, age, education and income, knowledge about inflation and time fixed effects. c is constant, and $\epsilon_{i,t}$ is an error term.

In the above regressions, to assess the link between expectations of inflation, wage growth and spending growth to the state of the labour market, we use several measures describing the state of the labour market Labor Market State $_{i,t}$. These measures include both aggregate and individual indicators, official statistics from Statistics Canada and respondents’ own views of the labour market:

- The official unemployment rate from Statistics Canada at the provincial level UR_t^{prov} .
- Consumers’ views about the evolution of the unemployment rate in Canada. These are based on the survey responses about the probability that Canadian unemployment rate is going to be higher/lower in the next 12 months (Prob. UR higher $_{i,t}$ / Prob. UR lower $_{i,t}$). CSCE respondents are randomly assigned into one of two groups: group 1 answers question about the probability that the unemployment rate in Canada will be higher in 12 months, and group 2 answers question about the probability that unemployment rate in Canada is going to be lower in 12 months. We run regressions separately for each of these groups.
- Respondent’s own employment status *unemployed* which is a dummy variable: unemployed = 1 if unemployed, unemployed = 0 if employed.
- Workers’ outlook about their job prospects. These are based on the expected probability of losing their current job (Prob. losing job) or expected probability of finding a job if they were to lose their current job (Prob. finding job).

These measures of the state of the labour market encompass dynamics at the aggregate level (provincial unemployment rate), respondents’ own views about evolution of Canadian aggregate unemployment rate, individual employment status or expected labour market outcomes. Using variety of indicators at different levels of aggregation would allow us to assess their relative importance to consumers’ views of inflation as well as robustness of our findings.

5 Household-level expectations: results

Our estimation results are presented in three sections. The first section focuses on the link between inflation expectations and various indicators of labour market activity. The second section looks at the relationship between wage growth expectations and the same activity measures. The third section looks at the relationship between spending growth expectations and inflation expectations.

5.1 Inflation expectations

5.1.1 Inflation expectations and labour market conditions

Table 3 presents the results of the regressions with household inflation expectations. We have performed estimations with different indicators for labour market conditions and with different sub-samples of the respondents based on the availability of labour indicators. First, we present estimations with the aggregate

unemployment rate at the provincial level and respondents' expectations about the Canadian unemployment rate in Table 3 Panels A-F. Panels A, B, C present the results of estimations with the full sample of respondents including people in the labour force (employed and unemployed) and out of labour force. Panels D, E and F show results using observations of respondents in the labour force. Panels G and H show results of estimations with probabilities of losing a job and finding a job available for employed respondents only, i.e. these estimations are for employed respondents only. And panel I presents the results of estimations with a dummy variable for unemployed/employed status, i.e. these estimations are for those who are in the labour force. Panels D, E, F and I have comparable sample – those in the labour force.¹¹

Our estimation results point to several interesting observations. First, we do not find a significant link between consumers' inflation expectations and the official unemployment rate UR_t^{prov} (Panel A, Table 3). In other words, people's views of inflation do not appear to be associated with the aggregate unemployment statistics. Households' inflation expectations are not linked to provincial inflation either, a result which is robust across estimations with all labour market indicators. These findings remain robust whether we use full sample or only those in labour force. A lack of link between inflation expectations and aggregate unemployment as well as aggregate inflation may be because of information frictions resulting in people not knowing aggregate statistics or not considering such statistics as relevant to them when forming their inflation expectations.

Second, despite not seeing a link to the aggregate unemployment rate, we find a statistically significant relationship between inflation expectations and consumers' own expectations about the future Canadian unemployment rate in Canada. Panels B and E show estimation results with the probability that the Canadian unemployment rate will be higher in the next 12 months, and Panels C and F show estimations results with the probability that the Canadian unemployment rate will be lower in the next 12 months. These estimations indicate a statistically significant link between inflation expectations and expectations about dynamics in the Canadian unemployment, in contrast to the lack of relationship between inflation expectations and official aggregate unemployment statistics. The surprising finding is that households associate higher inflation expectations with a higher likelihood of increased unemployment, and they associate lower inflation with a higher probability that unemployment rate will be lower. In other words, consumers view inflation as bad for the Canadian economy and for the Canadian unemployment rate. These findings are robust to the sample used, full sample or only those in labour force.

Third, our estimations with probabilities of losing a job or finding a job as well as respondent's own employment status yield similar results: higher inflation expectations are associated with worse individual labour market outcomes. Higher inflation expectations are linked to lower probability of finding a job if a respondent were to lose their current job (Panel G, Table 3), to higher probability of losing their current job (Panel H, Table 3) and to being unemployed (Panel I, Table 3).

The findings we have just discussed can be summarized as follows.

- First, individual inflation expectations are not linked to the statistics describing the aggregate state of the labour market (such as the provincial unemployment rate), but they are linked to the consumer's own expectations about the future aggregate (Canadian) unemployment rate or individual's expectations about their labour market situation (chances of losing their job or finding a new one) as well as their current employment situation (being employed/unemployed). In other words, individual's own

¹¹The results presented in this table are robust to various modifications of the specifications presented here. Additional results are available upon request.

labour market outlook or experience shapes their views of aggregate inflation. This is similar to the results in [Andrade et al. \[forthcoming\]](#) about firms' expectations.

- Second, consumers' view inflation as "bad": higher inflation expectations are associated with a worse labour market situation. In other words, consumers appear to have a supply side view of inflation. Similar evidence about viewing inflation as "bad" has been documented by [Candia et al. \[2020\]](#) among consumers across several countries, [Kamdar \[2018\]](#) among consumers in the US, [Coibion et al. \[2020a\]](#) among Italian firms, [Andre et al. \[2019\]](#), [Binder \[2020a\]](#), and [Binder \[2020\]](#).

These results from the regression analysis are consistent with the evidence of a supply side interpretation of inflation based on a direct question from CSCE. Large shares of respondents reported supply side views of inflation as shown in Figure 6: 35% of respondents expecting higher inflation in the future than in the past explained that this is because the economy will be in a worse shape, and 57% of respondents expecting weaker inflation in the future than they perceived it was in the past explained this view by a stronger economy.

5.1.2 Inflation expectations: link to perceptions and expected wage growth

In all specifications that we have discussed above, the inclusion of household perceptions about past inflation significantly improves the explanatory power of the regressions and does not affect the coefficients linking inflation expectations to the indicators of the labour market (Table 3). This suggests that household inflation perceptions are a key determinant of household inflation expectations. In other words, there is persistence in consumers' views of inflation: perceptions of past inflation feed into expectations about future inflation. This finding is consistent with [Jonung \[1981\]](#), [D'Acunto et al. \[2020\]](#) and others who document a strong correlation between inflation perceptions and inflation expectations in Sweden and the U.S.

We also find that inflation expectations are positively linked to expectations about respondent's wage growth, this link is statistically significant in all specifications of Table 3, except for Panels B and E. However, the relationship between inflation and wage expectations is quantitatively very weak, about 0.01-0.02, i.e. increase in wage growth expectations of by 1 percentage point (p.p.) leads to increase of 0.01-0.02 p.p. in inflation expectations. This result can be interpreted as a limited feedback from wage gains into the outlook for inflation.

5.2 Wage expectations

5.2.1 Wage growth expectations and views about job conditions

Now we turn to discussing our results about the link between wage growth expectations and labour market conditions. Table 4 presents regression results with wage inflation expectations. Panel A shows results with the provincial unemployment rate, Panel B - with probability that Canadian unemployment rate will be higher in the next 12 months, Panel C - with probability that Canadian unemployment rate will be lower in the next 12 months, Panel D - with probability of finding a job if respondent were to lose their current job, and Panel E - with probability of losing current job. ¹²

Analysis of the results in Table 4 point to several key observations. First, as in the case of regressions with inflation expectations, there is little indication of a statistically significant link between wage growth

¹²The results presented in this table are robust to various modifications of the specifications presented here. Additional results are available upon request.

expectations and official provincial unemployment rate (Panel A, Table 4).

Second, we find a statistically significant link with expectations about the future Canadian unemployment rate, but the sign is opposite of what we found in the regressions with inflation expectations. Canadians associate stronger wage growth with stronger labour market conditions. Panel B of Table 4 shows that higher expected wage growth is linked with a lower likelihood that the Canadian unemployment will be higher, and Panel C of Table 4 shows the higher wage growth is associated with higher probability that the Canadian unemployment rate will be lower. The sign of the relationship between expected wage growth with labour market indicator suggest a demand side interpretation of wage inflation, or in other words, wage inflation is viewed as "good" for the labour market.

Third, we find a similar relationship between expected wage growth and individual's expectations about their own job prospects. People associate higher wage inflation expectations with a higher probability of finding a job if they were to lose their current job (Panel D, Table 4 and with a lower probability of losing their current job (Panel E, Table 4). People who are less likely to lose their job report higher expected wage growth, and people who are more confident about finding a job if they were to lose their current job are more optimistic about their future wage gains. Thus respondent's better job prospects are associated with stronger wage growth, with is consistent with a demand-side view of wage inflation.

To summarize, similarly to our findings about inflation expectations, respondents' expectations about wage growth are not linked to statistics describing aggregate labour market conditions (provincial unemployment rate), instead they are linked to respondent's own view of Canadian labour market or respondent's views about their own job stability (probability of losing a job) and prospects (probability of job finding). But higher wage growth is associated with stronger indicators of labour market, whereas higher inflation expectations are linked to weaker labour market.

Households view wage growth expectations differently than inflation expectations. Could households simply have a negative connotation with the term 'inflation'? Could it be that wage growth expectations are closer to their own experience than inflation and therefore the two, though closely linked, are viewed as different concepts by households? These questions warrant further research not only from the standpoint of better understanding how households form expectations, but also from the point of view of central bank communications.

5.2.2 Wage expectations: link to past wage growth and expected inflation

As in the case of inflation expectations, the inclusion of past wage growth is statistically significant in explaining wage growth expectations (Table 4) and improves the explanatory power of the regression, although the improvement is smaller than in the case of inflation expectations. While wage growth expectations are positively linked to past wage growth, this link is quantitatively weaker (about 0.2) than in the case of link between inflation expectations and inflation perceptions (about 0.8). This suggests lower persistence in expectations about wage growth than inflation expectations.

Finally, the link between inflation expectations and wage growth expectations is statistically significant but quantitatively small with a coefficient of 0.1–0.2 on inflation expectations (Table 4). This indicates that inflation expectations do not feed strongly into the outlook for wage growth. The expectations about job

losing or job finding and households' own views about future Canadian unemployment are much more important determinants of wage growth expectations than workers' inflation expectations. This evidence suggests that workers do not expect their wages to keep up with their expected inflation. The weak link between inflation expectations and wage growth expectations indicates that inflation expectations are not likely to feed into the wage-inflation spiral. However, our estimations were done using data for period 2014Q4–2021Q2, and this link may be different in the environment of persistently high inflation as was the case in the 1970's in the US and Canada.

5.3 Inflation and wage expectations: what matters for spending and how?

Our analysis of household-level data indicates that households view price inflation as bad for aggregate labour market and their own job situation, whereas, wage expectations are associated with stronger labour market conditions. Next, we seek to understand how these views translate into the relationship between households' inflation and wage expectations and their spending growth expectations. Standard macroeconomic models suggest that higher inflation expectations lead to higher spending. However, such a prediction may not be accurate if consumers view higher inflation as bad for the economy and associate higher inflation with worse labour market. To the contrary, consumers may want to contract their spending if they expect higher inflation. We can test this hypothesis using our household-level survey data.

We estimate the link between expected real spending growth and expected inflation, with results reported in Table 5, and the link between expected real spending and wage expectations with results in Table 6. In our estimations, we use expected inflation over the next 12 months (specifications 1–4) and also perceptions about past inflation (specification 5–8) as people's views about future spending could also be linked to what they think inflation was in the past. Similarly in the analysis of spending and wage, we use expected wage growth (specifications 1–4) and past wage growth (specifications 5–8) as spending plans may be linked to people's past earnings. In our analysis, we control for labour market conditions using the same labour market indicators as in the analysis of inflation and wage expectations above. We also control for expectations for real household income growth and respondent's expectations that household will be financially better off in the next 12 months.

5.3.1 Linking spending with expected inflation and wages

Table 5 shows that households' expected real spending growth is negatively linked to their inflation expectations or their perceptions about past inflation. In other words, households expecting higher inflation expect weaker spending growth, controlling for household demographic characteristics, expectations for income and views of the labour market conditions. The negative link of real spending growth to views about inflation is robust across specifications. Thus, our evidence does not support predictions from standard macro models about higher spending when inflation expectations are higher. This finding has important implications for central bank communication strategies aimed at boosting inflation expectations: such strategies may not lead to the desired outcome of boosting spending as households view higher inflation as bad for jobs, leading to lower spending growth.

Our finding of negative a link between spending and expected inflation is supportive of conjecture in [Candia et al. \[2020\]](#) that higher expectations may lead to lower spending intentions if households associate higher inflation with a weaker economy and labour market. Our result is also closely related to [Coibion et al.](#)

[2019] who, using an information experiment from Dutch households, find that higher inflation expectations are linked with lower purchases of durables.

However, other papers have estimated the link between consumers' spending expectations or intentions to purchase goods and inflation expectations and found a positive association. For example, Crump et al. [2015] find positive link between expected spending growth and inflation expectations using New York FRB's SCE which is consistent with a theoretical Euler equation. Drager and Nghiem [2020], Drager et al. [2016] also find a positive link between spending intentions and inflation expectations. Coibion et al. [2020b] find based on a randomized control trial that positive revisions in inflation expectations are associated with higher actual *total* spending, however, this link between spending and inflation expectations disappears 6 months after the information treatment. Their estimate includes several possible channels through which inflation expectations can affect spending. These include a positive link from intertemporal substitution and a negative link from an expected reduction in real wages. Lastly, the effect on spending intentions comes from people's interpretation of inflation as being linked to either a stronger or a weaker economy. In our analysis we are able to control for these factors by including real household income growth and indicators of labour market conditions. Based on this analysis, the negative link between real spending and inflation expectations can be attributed to how people view inflation – consumers associate inflation with weaker labour market indicators as discussed in section 5.

In contrast to our results of a negative link between real spending and expected inflation, we find that expected real spending growth is positively linked to wage growth expectations as shown in Table 6. Expected real spending is also positively linked to workers' past wage growth. This positive link between views of wage growth and real spending can be attributed to people viewing stronger wage growth as positively linked to the labour market conditions and their own job prospects. However, the positive link to expected wage growth becomes statistically insignificant once we control for expected real household income growth (specification 4, Table 6). Given that both spending and income growth expectations are elicited for the household level, it's not surprising that household income matters more for household's spending than respondent's own hourly wage growth expectations. However, the relationship between expected real income growth and past wage growth remains positive and statistically significant even after controlling for household real income (specification 8). The robustness of the link to past wage growth may be because of stronger link to their realized wage gains that can be readily used in spending compared with expected future wage gains.

5.3.2 Role of financial and labour prospects

We would like to note the importance of expectations for income growth and outlook for the financial well-being in the relationship with spending expectations. Real income growth expectations are positively linked to real spending as would be expected, and this link is robust across specifications in Tables 5 and 6. The link between spending growth and inflation expectations remains negative and statistically significant even with the inclusion of income in the regression (specification 4, Table 5, although wage expectations become insignificant after controlling for household income (specification 4, Table 6) as discussed above.

The outlook for the financial well-being of households also has a significant impact on spending expectations. Households expecting to become financially better off in the next 12 months than they are now have higher expected spending growth. This variable captures consumers' optimism about their financial future that boosts their spending outlook. However, the variable *financially better off* becomes insignificant when

we control for household’s real income growth expectations (specification 4, Tables 5 and 6), suggesting that the outlook for income is a key input for spending intentions.

Expected spending is also linked to labour market conditions, with the most robust link to the outlook about respondent’s own labour conditions such as job stability and prospects (probability of job losing and job finding). Spending expectations are not linked to aggregate labour market statistic such as provincial unemployment rate (Panel A of Tables 5 and 6) as household-level conditions are much more relevant for household’s spending intentions. Thus, higher expectations about spending are associated with lower likelihood of losing a job or higher likelihood of finding a job (Panels D and E of Table 5 and Table 6), however, the link to probability of job losing disappears once controlling for household income (specification 4, Panel E, Tables 5 and 6). Consumers reporting higher chances that the Canadian unemployment rate will be lower have higher spending expectations (Panel C of Table 5 and Panel C of Table 6), although this link disappears in regressions with inflation expectations once controlling for household income growth (Panel C, specification 4, Table 5). Finally, lower expected spending is associated with an unemployed status (specifications 4 and 8, Panel F, Table 5).

5.4 Sensitivity analysis

5.4.1 New and returning respondents

We also estimate our regressions for only new respondents and repeated respondents and include fixed effects in the regressions with repeated respondents. It has been shown that responses of new and repeated respondents may be different (Kim and Binder [2020]) because of “learning-through-survey”, therefore, we check whether our results hold among these two groups of respondents. Results for inflation expectations are reported in Table B1 for new respondents and Table B2 for returning respondents. Tables B3 and B4 report results for wage growth expectations for new and returning respondents. Results for regressions with spending and inflation expectations are in Tables B5 and B6, and results for spending and wage expectations are in Tables B7 and B8.

The estimation results indicate the same relationships between inflation expectations and some labour statistics for new respondents: a lack of robust link to the provincial unemployment rate (Panel A and D, Table B1), a positive link to the probability that Canadian unemployment rate will be higher (Panel B and E, Table B1) and a negative link to the probability that Canadian unemployment rate will be lower (Panel C and F, Table B1) and a positive link to own unemployment status (Panel I, Table B1). However, the link to the probability of job finding is not significant (Panel G, Table B1) and the link to probability of job losing is not significant once controlling for respondent’s perceptions about inflation (specifications 4, 5, and 6, Panel H, Table B1). The results are broadly similar for returning respondents (Table B2).

Our estimations indicate the same relationship between wage expectations and labour indicators for new and repeat respondents (Tables B3 and B4) as we have discussed above in Section 5.2.1. The only exception is an insignificant link between expected wages and the probability that the Canadian unemployment rate will be higher for new respondents (Panel B, Table B3).

The link between wage expectations and the probability of job losing remains negative and statistically significant after controlling for individual fixed effects (Panel E, Table B4). In the case of inflation expectations, the link to provincial unemployment becomes statistically significant (Panel A, Table B2).

The negative link of spending to inflation expectations and the positive link to wage expectations remains robust to estimations among new and returning respondents and to controlling for individual fixed effects. Similarly to our results in the estimations with all respondents in Section 5.3, wage expectations become insignificant after controlling for household income expectations with individual fixed effects.

5.4.2 Have relationships changed since the start of COVID-19 pandemic?

We have also explored the possibility that the relationships studied in this paper might have changed since the start of the COVID-19 pandemic. We have included a dummy variable *Covid* equal to one for the quarters 2020Q2 or later and zero otherwise, and interaction term between the indicators of labour market conditions and the Covid dummy in the regressions on inflation and wage expectations. Results are presented in Table B9 for inflation expectations, Table B10 for wage growth expectations.

Overall, the analysis of estimations indicate that the relationship between inflation expectations and labour market indicators is not different since the pandemic. In some cases, the link is more strongly negative (specifications 1, 2, 3 and sometimes 4 or 5, Panel C, D, E, F, Table B9), but it is not significant in our most comprehensive specification 6 controlling for inflation perceptions and expected wage growth.

We reach a similar conclusion about the link between expected wages and labour indicators – it has not changed since the start of the pandemic for most of the labour market variables. This link became stronger with the probability that the Canadian unemployment rate will be higher even after we add all controls (specification 6, Panel B, Table B10). Some specifications indicate a stronger link between expected wages and the provincial unemployment rate since the pandemic (specifications 1–5, Panel A, Table B10), however, it is not significant after we control for inflation expectations (specification 6, Panel A, Table B10).

We have also explored whether the link between expected spending and inflation or wage expectations have changed since the pandemic. Tables B11 and B12 present results for spending regressions with inflation expectations and wage expectations with interaction terms. We find that the relationship between expected spending and inflation has remained the same since the pandemic in all specifications, except for one controlling for respondent’s own unemployment status (Panel F, Table B11). In contrast, the link between spending and wage expectations became stronger after the pandemic, and this finding is robust across different specifications and controlling for all labour market indicators (Table B12).

6 Conclusions

This paper sets out to understand link between inflation and the labour market at both an aggregate and individual level, using both price and wage inflation expectations. At an aggregate level, we find the expected negative link between the unemployment gap and price inflation. Conversely, the link between wage inflation and the unemployment gap is positive, driven primarily by compositional changes in the labour market following the onset of the COVID-19 pandemic. Overall, at the aggregate level, we find there is a limited effect of wage inflation on price inflation.

The household-level analysis also uncovers some interesting differences between price and wage inflation:

households appear to have a supply side view of price inflation and a demand side view of wage inflation. That is, price inflation is associated with worse labour market outcomes, while wage inflation is associated with improving labour market outcomes. Consumers tend to view price inflation as “bad”: a weaker labour market generates fears of higher inflation. On the other hand, a stronger labour market tends to bring out expectations of higher wage gains. Thus, consumers view price and wage inflation very differently. These results indicate that wage growth expectations may be a better indicator of price pressures coming from economic activity and the labour market than inflation expectations.

Our analysis also highlights two common results between wage and price inflation. First, there does not appear to be a statistically significant link between either households’ inflation expectations or wage growth expectations and the official aggregate unemployment statistics. However, there is a robust link of these expectations to respondent’s own views about Canadian unemployment and their individual expectations about their own labour market outcomes such as losing their job or finding a new job. This finding also suggests that to develop a better understanding of how households form their inflation expectations, it is important to solicit households for their views of their own labour market situation. Drawing a comparison between household’s views on inflation and official labour market statistics is not likely to be very informative.

The second common result we obtain is that perceptions about past inflation or reported past wage growth have significant explanatory power in understanding expected future inflation or expected future wage growth. A statistically significant and quantitatively strong link to past dynamics suggests substantial persistence in both inflation expectations and wage growth expectations where their views about the past feed prominently into the future dynamics.

When we explore the linkages between inflation and household expected spending decisions, we find that higher inflation expectations are associated with lower real spending growth, controlling for income expectations, labour force status and demographic characteristics. Conversely, expected real spending growth is positively linked to past wage growth expectations. Thus, associating higher inflation with a weaker labour market has implications for communication strategies of the central bank aiming at encouraging inflation expectations in hopes of stimulating demand as found in [Candia et al., 2020]. Our paper provides evidence of such caution.

We also conduct some sensitivity analyses of our results: i) limiting our sample to first-time survey respondents or repeat survey respondents, and ii) including an indicator for the COVID-19 pandemic to account for the possibility that the pandemic could lead to changes in some of these relationships. In both sets of analyses, we find that our results remain robust, and the link between spending and wage growth expectations becomes even more pronounced since the onset of the pandemic.

To the best of our knowledge our paper is the first to report results on wage growth expectations in the literature on consumer expectations, and it’s analysis alongside price inflation expectations highlights some important areas for future research: why do households view price and wage inflation as different concepts? Is it sufficient to examine only the price inflation Phillips curve or wage inflation Phillips curve alone, or should the two be analyzed together? Perhaps one form may be better able to capture certain economic factors that the other cannot.

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Figure 1: Actual inflation and inflation expectations of different agents in Canada

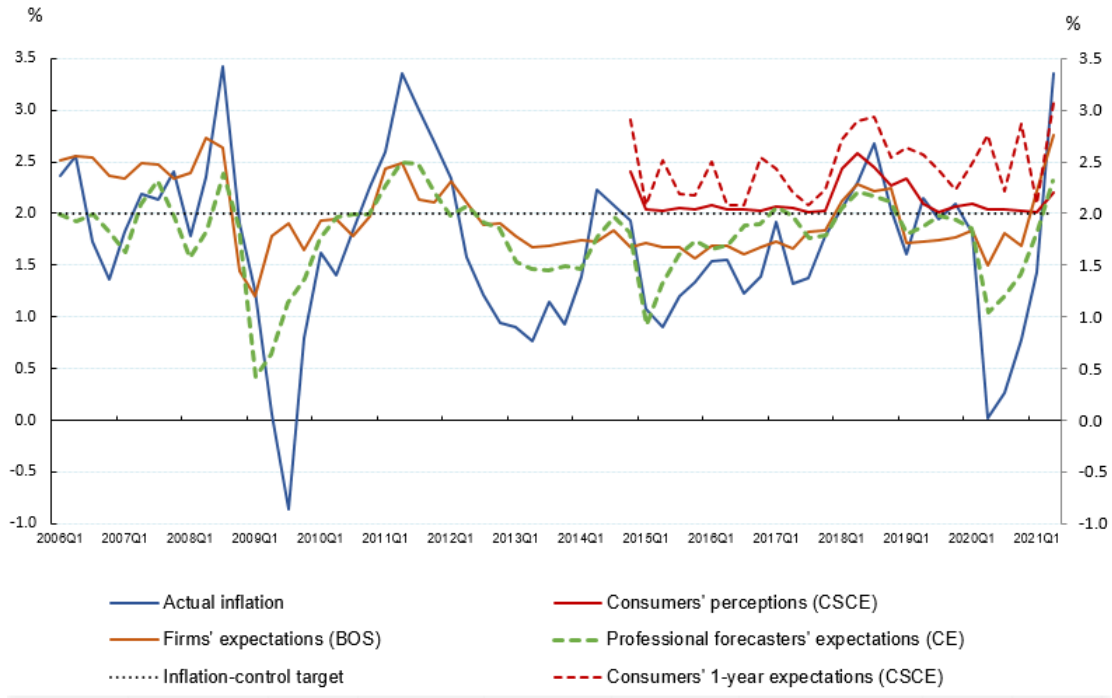


Figure 2: Wage growth and expectations of wage growth by firms and workers in Canada

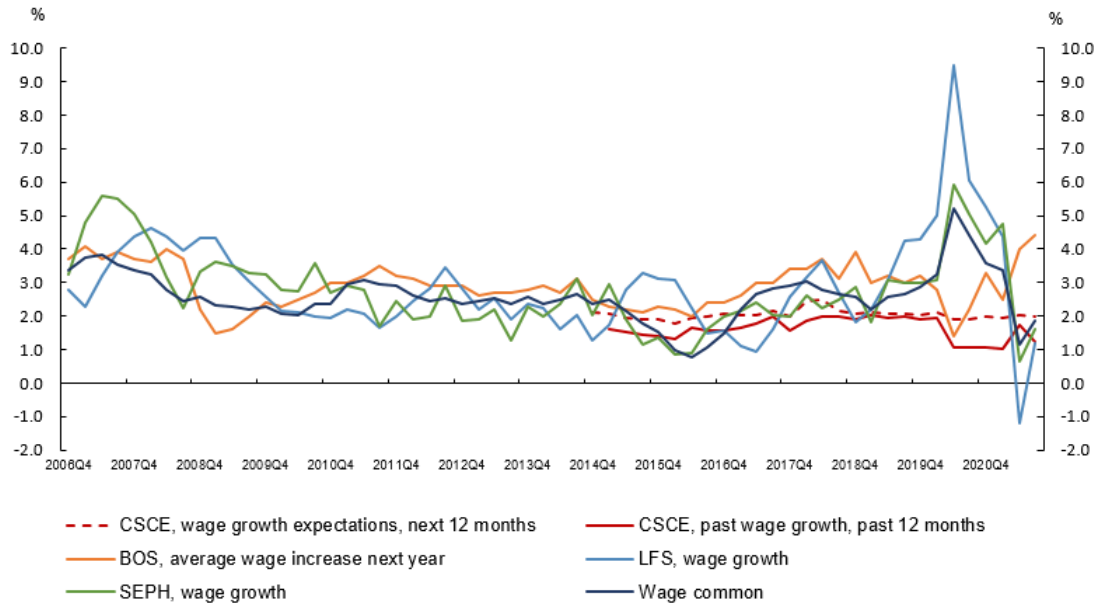


Figure 3: Unemployment rate in Canada

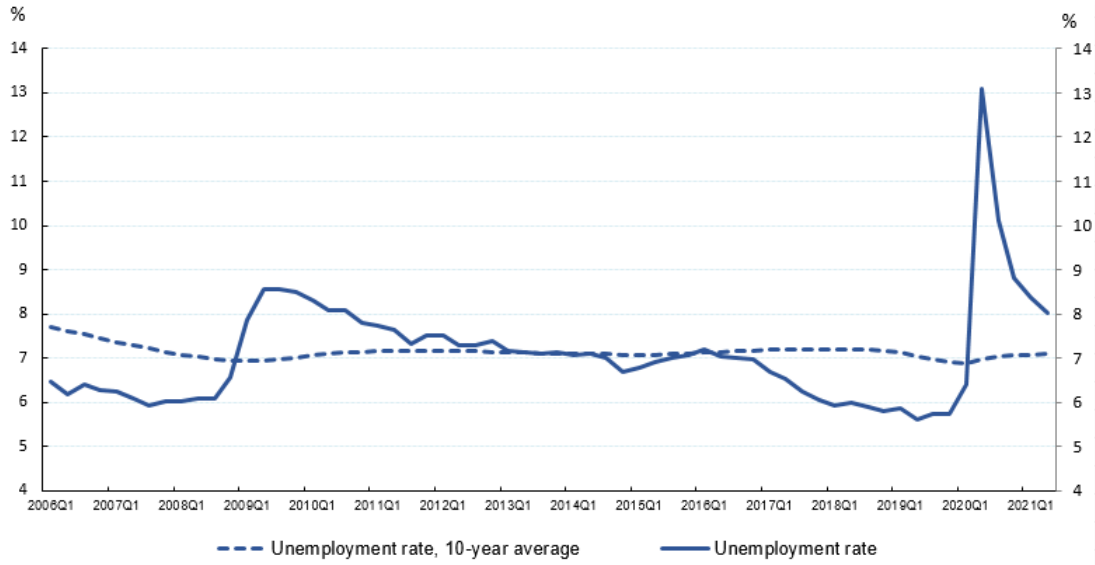
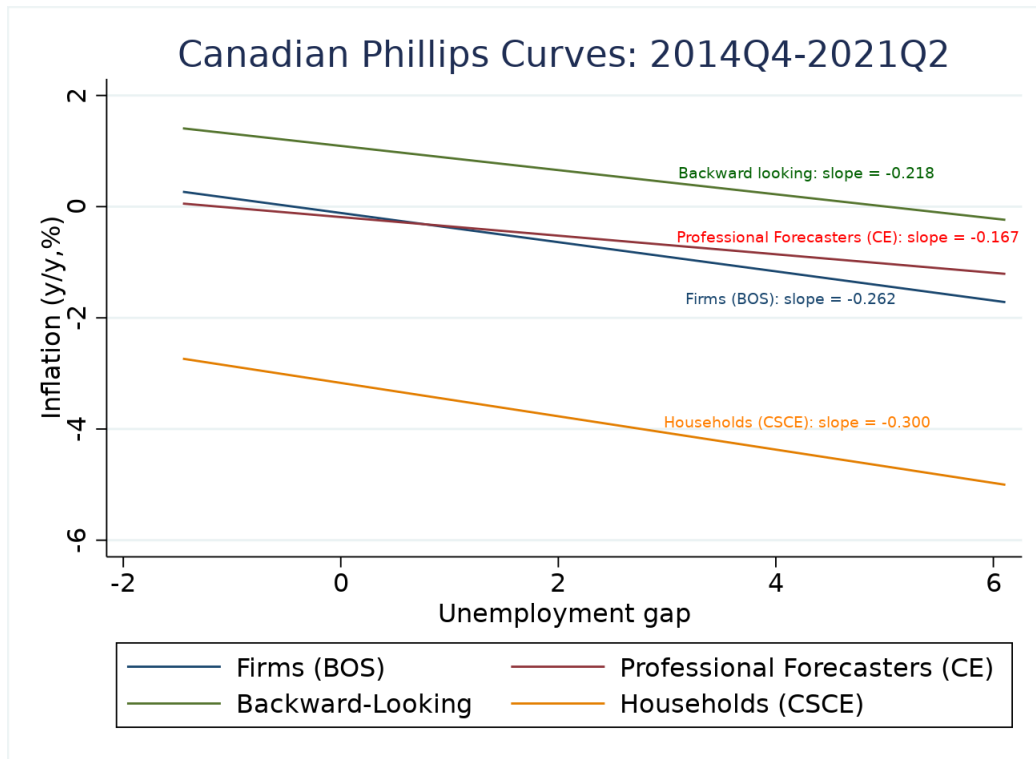
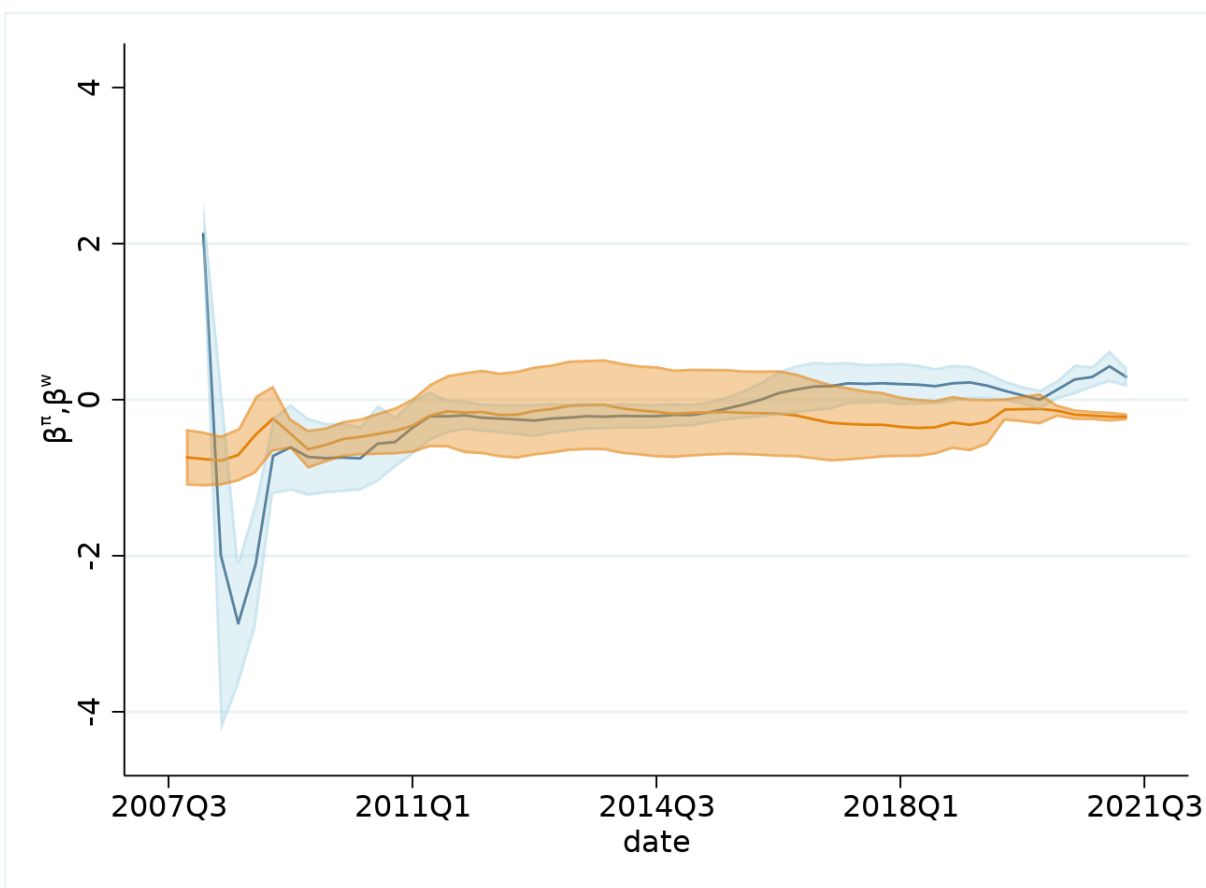


Figure 4: Canadian Phillips curve: 2014:Q4- 2021:Q2



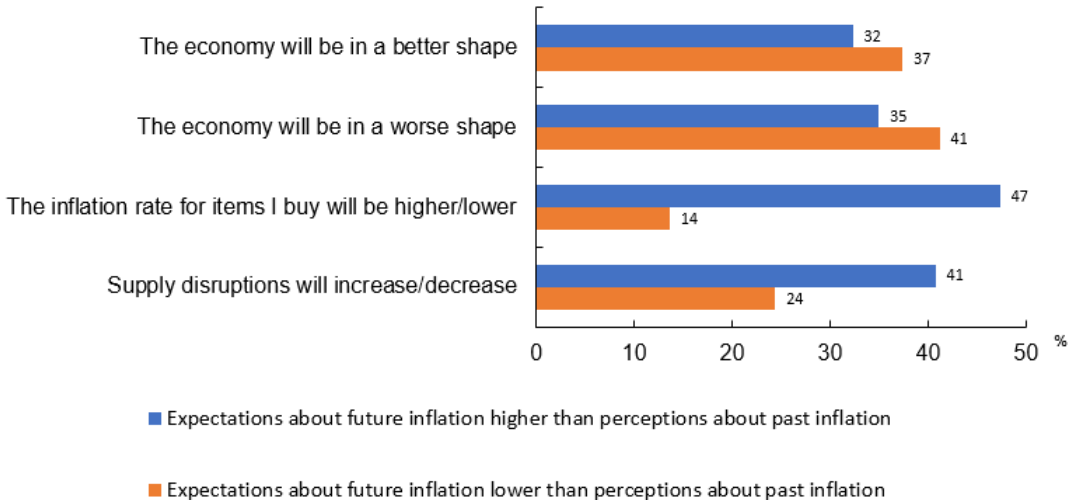
Notes: This figure presents estimation results of Phillips curve using aggregate data and inflation expectations of households, firms, professional forecasters, and the lag of realized inflation.

Figure 5: Estimated coefficients from the rolling-window regressions for inflation and wage Phillips curve.



Notes: This figure presents coefficients and 90% confidence interval on unemployment gap from a regression of wage inflation (wage common) and price inflation respectively on the unemployment gap and on lagged price inflation for the preceding forty quarters. Newey-West standard errors were used with four lags.

Figure 6: Consumers responses about reasons for expecting higher or lower inflation in the future than in the past



Notes: This figure presents responses to the following survey questions posed to the respondents whose expectations for future inflation are higher or lower than their perceptions about past inflation. Question: “Your responses indicate that you expect that inflation rate will be higher (lower) over the next 12 months that it was over the last 12 months. Why do you think that the rate of inflation will be higher (lower)?” This figure shows shares of respondents who chose each of the presented explanations.

Table 1: Summary statistics by demographic characteristics (interpolated median, %)

	Inflation perception	Inflation expectation	Wage Growth perception	Wage Growth expectation	Prob. of losing a job	Prob. of finding a job	Spending expectation
Age Category							
Less than 35 years	2	2.1	2	2.1	9.8	51.2	4.2
35 to 54 years	2	2.1	1.5	2	8.6	49.7	3
55 to 64 years	2.1	3	1	1.9	4.7	46.8	2.9
65 years and older	2	2.4	0.9	1.9	2	19.4	2.6
Gender							
Male	2	2.1	2	2	9.2	49.8	3
Female	2	2.6	1	2	6	49.7	3
Labour Force Status							
Not in labour force	2	2	NA	NA	NA	NA	10
Unemployed, in LF	2.2	2.9	NA	NA	NA	NA	4.4
Employed	2	2.1	2	2	8.2	49.8	3
Education Category							
High School	2.6	2.9	1.3	1.8	5.3	49.5	3
Some college	2.1	3	1.8	2	6.7	49.9	3.1
College and above	2	2	1.9	2	8.1	49.9	3
Income Category							
Less than \$59,999	2.5	3	1.1	1.8	9.8	49.1	3.4
\$60,000 to \$99,999	2	2.4	1.9	2	9.2	49.9	3
\$100,000 to \$199,999	2	2.1	2	2	5.8	50	3.1
\$200,000 or more	2	2	2	2.1	4.8	50.4	3.2

Table 2: Aggregate-level Phillips curve estimation: a comparison across agents

	(1)	(2)	(3)	(4)
Panel A: CPI 2014Q4 - 2021Q2				
$(u_t - u_t^{NR})$	-0.218*** (0.053)	-0.084 (0.075)	-0.226*** (0.024)	-0.297*** (0.024)
π_{t-1}	0.313*** (0.083)			
$\pi_t^{e, \text{professional}}$		1.473*** (0.520)		
$\pi_t^{e, \text{firm}}$			1.475*** (0.285)	
$\pi_t^{e, \text{household}}$				1.271*** (0.423)
Observations	27	27	27	27
Adjusted R-squared	0.426	0.730	0.754	0.652
Panel B: Wage common 2014Q4 - 2021Q2				
$(u_t - u_t^{NR})$	-0.020 (0.080)		0.353*** (0.102)	0.415** (0.161)
$\sum_{i=1}^4 \frac{1}{4} \pi_{t-i}$	0.353 (0.244)		0.543 (0.415)	0.849 (0.659)
LP	0.096*** (0.018)		0.106*** (0.025)	0.042 (0.037)
Wage_{t-1}	0.723*** (0.098)			
$\text{Wage}_t^{e, \text{firm}}$			0.911*** (0.291)	
$\text{Wage}_t^{e, \text{household}}$				0.373 (0.237)
Observations	27		27	27
Adjusted R-squared	0.861		0.655	0.473

Note: The estimation results for equation (1) are presented for the different types of agents. Newey-West standard errors with four lags are reported in parentheses. ***, **, * indicate significance at 1%, 5%, 10% respectively.

Table 3: Estimation results for regressions with inflation expectations

	(1)	(2)	(3)	(4)	(5)	(6)
Panel A: Provincial unemployment rate (Full sample)						
$E_{i,t}\pi_{t-12}$				0.778*** (0.011)	0.769*** (0.012)	0.774*** (0.016)
$E_{i,t}\text{wage}_{i,t+12}$						0.008*** (0.003)
π_{t-1}^{prov}	0.178*** (0.045)	-0.003 (0.072)	-0.003 (0.072)	-0.014 (0.046)	0.003 (0.049)	-0.033 (0.059)
UR_t^{prov}	0.067*** (0.018)	-0.048 (0.047)	-0.049 (0.047)	0.039 (0.032)	0.033 (0.035)	-0.019 (0.044)
Observations	34,770	30,790	30,777	34,762	30,770	18,126
Adjusted R-squared	0.001	0.045	0.045	0.611	0.617	0.623
Panel B: Prob UR Higher (Full sample)						
$E_{i,t}\pi_{t-12}$				0.786*** (0.014)	0.778*** (0.015)	0.780*** (0.021)
$E_{i,t}\text{wage}_{i,t+12}$						0.002 (0.003)
π_{t-1}^{prov}	0.166*** (0.057)	0.038 (0.094)	0.039 (0.094)	-0.002 (0.068)	0.013 (0.069)	0.026 (0.090)
Prob. UR higher	0.018*** (0.002)	0.017*** (0.002)	0.017*** (0.002)	0.007*** (0.001)	0.006*** (0.001)	0.007*** (0.001)
Observations	17,368	15,404	15,398	17,365	15,395	9,054
Adjusted R-squared	0.011	0.053	0.053	0.620	0.624	0.628
Panel C: Prob UR Lower (Full sample)						
$E_{i,t}\pi_{t-12}$				0.767*** (0.014)	0.757*** (0.015)	0.765*** (0.019)
$E_{i,t}\text{wage}_{i,t+12}$						0.016*** (0.004)
π_{t-1}^{prov}	0.046 (0.050)	-0.047 (0.096)	-0.049 (0.095)	-0.028 (0.060)	-0.005 (0.064)	-0.090 (0.083)
Prob. UR lower	-0.011*** (0.002)	-0.010*** (0.002)	-0.010*** (0.002)	-0.006*** (0.001)	-0.006*** (0.001)	-0.006*** (0.001)
Observations	17,396	15,380	15,373	17,391	15,369	9,069
Adjusted R-squared	0.004	0.049	0.050	0.604	0.612	0.622

Continuation of Table						
	(1)	(2)	(3)	(4)	(5)	(6)
Panel D: Provincial unemployment rate (LF==1)						
$E_{i,t}\pi_{t-12}$				0.785*** (0.014)	0.779*** (0.015)	0.774*** (0.016)
$E_{i,t}\text{wage}_{i,t+12}$						0.008*** (0.003)
π_{t-1}^{prov}	0.196*** (0.054)	-0.048 (0.095)	-0.048 (0.095)	-0.066 (0.050)	-0.038 (0.053)	-0.033 (0.059)
UR_t^{prov}	0.068*** (0.023)	-0.031 (0.047)	-0.031 (0.048)	0.006 (0.035)	-0.002 (0.040)	-0.019 (0.044)
Observations	22,321	19,690	19,685	22,314	19,679	18,125
Adjusted R-squared	0.001	0.041	0.041	0.618	0.624	0.623
Panel E: Prob UR Higher (LF==1)						
$E_{i,t}\pi_{t-12}$				0.782*** (0.018)	0.782*** (0.019)	0.780*** (0.021)
$E_{i,t}\text{wage}_{i,t+12}$						0.002 (0.003)
π_{t-1}^{prov}	0.129** (0.059)	-0.039 (0.117)	-0.039 (0.118)	-0.008 (0.082)	0.022 (0.085)	0.026 (0.090)
Prob. UR higher	0.017*** (0.002)	0.015*** (0.002)	0.015*** (0.002)	0.007*** (0.001)	0.007*** (0.001)	0.007*** (0.001)
Observations	11,159	9,863	9,862	11,157	9,860	9,053
Adjusted R-squared	0.009	0.043	0.043	0.622	0.625	0.628
Panel F: Prob UR Lower (LF==1)						
$E_{i,t}\pi_{t-12}$				0.785*** (0.017)	0.775*** (0.019)	0.765*** (0.019)
$E_{i,t}\text{wage}_{i,t+12}$						0.016*** (0.004)
π_{t-1}^{prov}	0.122* (0.069)	-0.065 (0.145)	-0.067 (0.145)	-0.123* (0.069)	-0.098 (0.074)	-0.090 (0.083)
Prob. UR lower	-0.011*** (0.002)	-0.009*** (0.002)	-0.009*** (0.002)	-0.006*** (0.001)	-0.006*** (0.001)	-0.006*** (0.001)
Observations	11,159	9,824	9,820	11,154	9,816	9,069
Adjusted R-squared	0.004	0.048	0.047	0.616	0.625	0.622

Continuation of table						
	(1)	(2)	(3)	(4)	(5)	(6)
Panel G: Prob of finding a job						
$E_{i,t}\pi_{t-12}$				0.782*** (0.015)	0.775*** (0.016)	0.773*** (0.016)
$E_{i,t}\text{wage}_{i,t+12}$						0.009*** (0.003)
π_{t-1}^{prov}	0.139*** (0.048)	-0.002 (0.099)	-0.002 (0.099)	-0.054 (0.056)	-0.030 (0.058)	-0.032 (0.059)
Prob. of finding a job	-0.002** (0.001)	-0.002* (0.001)	-0.002* (0.001)	-0.001** (0.001)	-0.001 (0.001)	-0.001 (0.001)
Observations	20,572	18,137	18,133	20,565	18,127	18,123
Adjusted R-squared	0.001	0.041	0.041	0.617	0.624	0.623
Panel H: Prob of losing a job						
$E_{i,t}\pi_{t-12}$				0.780*** (0.015)	0.774*** (0.016)	0.772*** (0.016)
$E_{i,t}\text{wage}_{i,t+12}$						0.009*** (0.003)
π_{t-1}^{prov}	0.143*** (0.045)	-0.002 (0.099)	-0.003 (0.099)	-0.055 (0.056)	-0.030 (0.058)	-0.033 (0.059)
Prob. of losing a job	0.018*** (0.002)	0.017*** (0.002)	0.017*** (0.002)	0.003*** (0.001)	0.003*** (0.001)	0.003*** (0.001)
Observations	20,565	18,131	18,127	20,558	18,121	18,117
Adjusted R-squared	0.010	0.048	0.048	0.617	0.624	0.624
Panel I: Unemployed dummy						
$E_{i,t}\pi_{t-12}$				0.784*** (0.014)	0.779*** (0.015)	0.774*** (0.016)
$E_{i,t}\text{wage}_{i,t+12}$						0.008*** (0.003)
π_{t-1}^{prov}	0.121** (0.049)	-0.050 (0.096)	-0.050 (0.096)	-0.067 (0.050)	-0.039 (0.053)	-0.033 (0.059)
unemployed dummy	1.014*** (0.162)	0.537*** (0.190)	0.534*** (0.191)	0.446*** (0.102)	0.339*** (0.118)	
Observations	22,321	19,690	19,685	22,314	19,679	18,125
Adjusted R-squared	0.003	0.042	0.041	0.618	0.624	0.623

Note: The estimation results for equation 6 are presented for several specifications. Model (1) includes no controls. Model (2) includes controls for demographic characteristics (age, gender, education, income, marital status, presence of children), province and date. Model (3) is model (2) + knowledge about inflation, ease of expressing inflation as a number, expectation to be financially better off over the next 12 months. Model (4) is perceptions about inflation + province and date. Model (5) is model (3) + perceptions of inflation. Model (6) is model (5) + wage growth expectations.

Table 4: Estimation results for regressions with wage growth expectations

	(1)	(2)	(3)	(4)	(5)	(6)
Panel A: Provincial unemployment rate						
$E_{i,t} \text{wage}_{i,t-12}$				0.201*** (0.019)	0.189*** (0.020)	0.187*** (0.020)
$E_{i,t} \pi_{t+12}$						0.175*** (0.026)
π_{t-1}^{prov}	0.259** (0.120)	0.135 (0.233)	0.091 (0.231)	0.087 (0.207)	-0.033 (0.224)	-0.019 (0.224)
UR_t^{prov}	-0.159*** (0.056)	-0.105 (0.127)	-0.070 (0.126)	0.061 (0.120)	0.032 (0.136)	0.044 (0.136)
Observations	20,581	18,146	18,142	20,034	17,600	17,592
Adjusted R-squared	0.002	0.017	0.026	0.064	0.077	0.082
Panel B: Prob UR Higher						
$E_{i,t} \text{wage}_{i,t-12}$				0.201*** (0.024)	0.190*** (0.027)	0.188*** (0.027)
$E_{i,t} \pi_{t+12}$						0.133*** (0.037)
π_{t-1}^{prov}	0.423*** (0.138)	0.005 (0.360)	-0.034 (0.364)	-0.101 (0.330)	-0.211 (0.370)	-0.202 (0.371)
Prob. UR higher	-0.020*** (0.005)	-0.022*** (0.006)	-0.021*** (0.006)	-0.011** (0.005)	-0.013*** (0.006)	-0.016*** (0.006)
Observations	10,266	9,063	9,062	9,994	8,792	8,787
Adjusted R-squared	0.003	0.023	0.031	0.068	0.081	0.084
Panel C: Prob UR Lower						
$E_{i,t} \text{wage}_{i,t-12}$				0.196*** (0.027)	0.186*** (0.028)	0.184*** (0.028)
$E_{i,t} \pi_{t+12}$						0.227*** (0.036)
π_{t-1}^{prov}	0.453*** (0.152)	0.245 (0.312)	0.203 (0.309)	0.241 (0.315)	0.126 (0.341)	0.147 (0.340)
Prob. UR lower	0.037*** (0.005)	0.036*** (0.005)	0.031*** (0.005)	0.036*** (0.005)	0.033*** (0.006)	0.035*** (0.006)
Observations	10,312	9,080	9,077	10,037	8,805	8,802
Adjusted R-squared	0.008	0.021	0.030	0.068	0.079	0.088

Continuation of Table						
	(1)	(2)	(3)	(4)	(5)	(6)
Panel D: Prob of finding a job						
$E_{i,t} \text{wage}_{i,t-12}$				0.193*** (0.019)	0.184*** (0.020)	0.182*** (0.020)
$E_{i,t} \pi_{t+12}$						0.178*** (0.027)
π_{t-1}^{prov}	0.361*** (0.099)	0.086 (0.229)	0.052 (0.228)	0.049 (0.208)	-0.056 (0.225)	-0.042 (0.225)
Prob. of finding a job	0.039*** (0.003)	0.036*** (0.003)	0.033*** (0.003)	0.031*** (0.003)	0.028*** (0.003)	0.029*** (0.003)
Observations	20,579	18,144	18,140	20,032	17,598	17,590
Adjusted R-squared	0.016	0.029	0.036	0.073	0.084	0.089
Panel E: Prob of losing a job						
$E_{i,t} \text{wage}_{i,t-12}$				0.198*** (0.019)	0.185*** (0.020)	0.182*** (0.020)
$E_{i,t} \pi_{t+12}$						0.189*** (0.027)
π_{t-1}^{prov}	0.425*** (0.103)	0.129 (0.230)	0.089 (0.230)	0.085 (0.206)	-0.030 (0.223)	-0.016 (0.224)
Prob. of losing a job	-0.031*** (0.005)	-0.037*** (0.006)	-0.035*** (0.006)	-0.021*** (0.005)	-0.027*** (0.005)	-0.030*** (0.005)
Observations	20,572	18,138	18,134	20,026	17,593	17,585
Adjusted R-squared	0.006	0.023	0.032	0.066	0.080	0.086

Note: The estimation results for equation 7 are presented for several specifications. Model (1) includes no controls. Model (2) includes controls for demographic characteristics (age, gender, education, income, marital status, presence of children), province and date. Model (3) is model (2) + knowledge about inflation, ease of expressing inflation as a number, expectation to be financially better off over the next 12 months. Model (4) is perceptions of past wage growth + province and date. Model (5) is model (3) + perceptions past wage growth. Model (6) is model (5) + inflation expectations.

Table 5: Estimation results for regressions with spending expectations and inflation expectations

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel A: Provincial unemployment rate (Full sample)								
$E_{i,t}\pi_{t+12}$	-0.806*** (0.023)	-0.800*** (0.025)	-0.798*** (0.025)	-0.519*** (0.027)				
$E_{i,t}\pi_{t-12}$					-0.621*** (0.026)	-0.613*** (0.029)	-0.612*** (0.029)	-0.384*** (0.026)
$E_{i,t}\text{income}_{t+12}$				0.308*** (0.014)				0.324*** (0.013)
financially better off			1.260*** (0.219)	0.389* (0.203)			1.358*** (0.216)	0.404** (0.201)
UR_t^{prov}	-0.252*** (0.054)	-0.074 (0.148)	-0.056 (0.146)	0.048 (0.134)	-0.297*** (0.048)	-0.110 (0.147)	-0.092 (0.144)	0.030 (0.134)
Observations	31,562	28,004	27,992	26,198	31,556	27,999	27,987	26,193
Adjusted R-squared	0.087	0.097	0.098	0.235	0.052	0.065	0.067	0.221
Panel B: Prob UR Higher (Full sample)								
$E_{i,t}\pi_{t+12}$	-0.771*** (0.034)	-0.777*** (0.037)	-0.774*** (0.037)	-0.527*** (0.038)				
$E_{i,t}\pi_{t-12}$					-0.600*** (0.039)	-0.604*** (0.044)	-0.602*** (0.043)	-0.406*** (0.040)
$E_{i,t}\text{income}_{t+12}$				0.292*** (0.017)				0.308*** (0.017)
financially better off			1.699*** (0.295)	0.866*** (0.270)			1.797*** (0.298)	0.885*** (0.273)
Prob. UR higher	-0.008 (0.005)	-0.008 (0.005)	-0.007 (0.005)	0.003 (0.004)	-0.013*** (0.005)	-0.012** (0.005)	-0.011** (0.005)	0.001 (0.004)
Observations	15,749	14,001	13,995	13,084	15,746	13,998	13,992	13,081
Adjusted R-squared	0.080	0.094	0.097	0.228	0.048	0.063	0.067	0.215

Continuation of Table								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel C: Prob UR Lower (Full sample)								
$E_{i,t}\pi_{t+12}$	-0.834*** (0.031)	-0.816*** (0.034)	-0.815*** (0.034)	-0.513*** (0.033)				
$E_{i,t}\pi_{t-12}$					-0.625*** (0.033)	-0.613*** (0.037)	-0.613*** (0.037)	-0.361*** (0.030)
$E_{i,t}income_{t+12}$				0.324*** (0.021)				0.341*** (0.020)
financially better off			0.690** (0.281)	-0.147 (0.268)			0.743*** (0.282)	-0.155 (0.268)
Prob. UR lower	0.021*** (0.005)	0.017*** (0.005)	0.016*** (0.005)	0.005 (0.005)	0.025*** (0.005)	0.022*** (0.005)	0.021*** (0.005)	0.007 (0.005)
Observations	15,808	13,998	13,992	13,110	15,805	13,996	13,990	13,108
Adjusted R-squared	0.092	0.102	0.103	0.243	0.054	0.069	0.070	0.229
Panel D: Prob of finding a job (LF=1)								
$E_{i,t}\pi_{t+12}$	-0.768*** (0.025)	-0.767*** (0.026)	-0.766*** (0.026)	-0.508*** (0.029)				
$E_{i,t}\pi_{t-12}$					-0.560*** (0.026)	-0.559*** (0.028)	-0.560*** (0.028)	-0.361*** (0.028)
$E_{i,t}income_{t+12}$				0.306*** (0.018)				0.326*** (0.018)
financially better off			1.167*** (0.201)	0.405** (0.188)			1.206*** (0.199)	0.369* (0.188)
Prob. of finding a job	0.012*** (0.003)	0.006** (0.003)	0.004 (0.003)	-0.009*** (0.003)	0.014*** (0.003)	0.007** (0.003)	0.005 (0.003)	-0.009*** (0.003)
Observations	18,495	16,352	16,348	15,400	18,490	16,348	16,344	15,396
Adjusted R-squared	0.089	0.103	0.105	0.229	0.048	0.065	0.068	0.213

Continuation of Table								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel E: Prob of Losing a job (LF=1)								
$E_{i,t}\pi_{t+12}$	-0.762*** (0.024)	-0.759*** (0.026)	-0.759*** (0.025)	-0.510*** (0.029)				
$E_{i,t}\pi_{t-12}$					-0.551*** (0.026)	-0.549*** (0.028)	-0.550*** (0.028)	-0.363*** (0.027)
$E_{i,t}\text{income}_{t+12}$				0.304*** (0.018)				0.324*** (0.018)
financially better off			1.141*** (0.203)	0.352* (0.191)			1.174*** (0.201)	0.311 (0.191)
Prob. of losing a job	-0.014*** (0.005)	-0.018*** (0.005)	-0.017*** (0.005)	0.003 (0.005)	-0.018*** (0.005)	-0.021*** (0.006)	-0.020*** (0.006)	0.002 (0.005)
Observations	18,490	16,348	16,344	15,397	18,485	16,344	16,340	15,393
Adjusted R-squared	0.088	0.104	0.106	0.228	0.048	0.067	0.069	0.212
Panel F: Unemployed dummy (LF=1)								
$E_{i,t}\pi_{t+12}$	-0.804*** (0.025)	-0.793*** (0.026)	-0.793*** (0.026)	-0.518*** (0.031)				
$E_{i,t}\pi_{t-12}$					-0.587*** (0.029)	-0.582*** (0.031)	-0.582*** (0.031)	-0.369*** (0.031)
$E_{i,t}\text{income}_{t+12}$				0.303*** (0.016)				0.321*** (0.016)
financially better off			1.210*** (0.236)	0.397* (0.212)			1.247*** (0.235)	0.368* (0.211)
unemployed dummy	0.201 (0.793)	-0.049 (0.858)	0.129 (0.865)	-1.776** (0.762)	-0.204 (0.818)	-0.333 (0.883)	-0.145 (0.890)	-2.064*** (0.772)
Observations	20,098	17,779	17,774	16,757	20,093	17,775	17,770	16,753
Adjusted R-squared	0.086	0.101	0.103	0.238	0.045	0.065	0.067	0.223

Note: The estimation results for equation 8 are presented for several specifications. Models (5) to (8) are analogous to (1) to (4) except that inflation perceptions are used instead of inflation expectations. Model (1) includes no controls. Model (2) includes controls for demographic characteristics (age, gender, education, income, marital status, presence of children), province and date. Model (3) is model (2) + knowledge about inflation, ease of expressing inflation as a number and expectation to be financially better off over the next 12 months. Model (4) is (3) + expectations about real income growth.

Table 6: Estimation results for regressions with spending expectations and wage expectations

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel A: Provincial unemployment rate (Full sample)								
$E_{i,t} \text{wage}_{i,t+12}$	0.208*** (0.018)	0.205*** (0.019)	0.202*** (0.019)	0.024 (0.021)				
$E_{i,t} \text{wage}_{i,t-12}$					0.122*** (0.013)	0.111*** (0.014)	0.107*** (0.014)	0.045*** (0.013)
$E_{i,t} \text{income}_{t+12}$				0.338*** (0.020)				0.343*** (0.018)
financially better off			0.775*** (0.206)	0.202 (0.192)			0.658*** (0.209)	0.019 (0.195)
UR_t^{prov}	-0.226*** (0.050)	-0.152 (0.206)	-0.142 (0.205)	0.008 (0.191)	-0.208*** (0.051)	0.060 (0.196)	0.064 (0.195)	0.207 (0.185)
Observations	18,495	16,352	16,348	15,400	17,997	15,858	15,854	14,927
Adjusted R-squared	0.040	0.057	0.058	0.195	0.021	0.037	0.037	0.201
Panel B: Prob UR Higher (Full sample)								
$E_{i,t} \text{wage}_{i,t+12}$	0.211*** (0.020)	0.198*** (0.021)	0.194*** (0.021)	0.001 (0.020)				
$E_{i,t} \text{wage}_{i,t-12}$					0.115*** (0.015)	0.102*** (0.016)	0.097*** (0.017)	0.046*** (0.015)
$E_{i,t} \text{income}_{t+12}$				0.340*** (0.025)				0.337*** (0.023)
financially better off			1.009*** (0.281)	0.555** (0.258)			0.846*** (0.291)	0.294 (0.261)
Prob. UR higher	-0.015*** (0.006)	-0.017*** (0.006)	-0.016** (0.006)	0.001 (0.006)	-0.018*** (0.006)	-0.020*** (0.007)	-0.019*** (0.007)	-0.000 (0.006)
Observations	9,215	8,173	8,172	7,704	8,969	7,928	7,927	7,468
Adjusted R-squared	0.043	0.056	0.057	0.205	0.020	0.034	0.035	0.211

Continuation of Table								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel C: Prob UR Lower (Full sample)								
$E_{i,t}wage_{i,t+12}$	0.201*** (0.028)	0.207*** (0.030)	0.206*** (0.030)	0.046 (0.032)				
$E_{i,t}wage_{i,t-12}$					0.128*** (0.020)	0.116*** (0.021)	0.115*** (0.021)	0.044** (0.020)
$E_{i,t}income_{t+12}$				0.336*** (0.026)				0.348*** (0.025)
financially better off			0.311 (0.318)	-0.283 (0.293)			0.191 (0.319)	-0.394 (0.304)
Prob. UR lower	0.024*** (0.006)	0.019*** (0.007)	0.018*** (0.007)	0.011* (0.006)	0.030*** (0.006)	0.026*** (0.007)	0.025*** (0.007)	0.011* (0.006)
Observations	9,277	8,176	8,173	7,694	9,025	7,927	7,924	7,457
Adjusted R-squared	0.038	0.063	0.063	0.189	0.024	0.046	0.046	0.195
Panel D: Prob of finding a job								
$E_{i,t}wage_{i,t+12}$	0.207*** (0.018)	0.205*** (0.019)	0.202*** (0.019)	0.026 (0.020)				
$E_{i,t}wage_{i,t-12}$					0.121*** (0.013)	0.110*** (0.014)	0.106*** (0.014)	0.047*** (0.013)
$E_{i,t}income_{t+12}$				0.340*** (0.020)				0.346*** (0.018)
financially better off			0.791*** (0.204)	0.272 (0.190)			0.641*** (0.209)	0.077 (0.195)
Prob. of finding a job	0.006* (0.003)	-0.000 (0.003)	-0.001 (0.003)	-0.011*** (0.003)	0.009*** (0.003)	0.004 (0.003)	0.003 (0.003)	-0.011*** (0.003)
Observations	18,493	16,350	16,346	15,398	17,995	15,856	15,852	14,925
Adjusted R-squared	0.039	0.057	0.058	0.195	0.020	0.037	0.038	0.202

Continuation of Table								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel E: Prob of losing a job								
$E_{i,t} \text{wage}_{i,t+12}$	0.206*** (0.018)	0.201*** (0.019)	0.198*** (0.019)	0.024 (0.021)				
$E_{i,t} \text{wage}_{i,t-12}$					0.120*** (0.013)	0.107*** (0.014)	0.104*** (0.014)	0.045*** (0.013)
$E_{i,t} \text{income}_{t+12}$				0.337*** (0.020)				0.343*** (0.018)
financially better off			0.707*** (0.205)	0.192 (0.193)			0.596*** (0.208)	0.013 (0.196)
Prob. of losing a job	-0.022*** (0.005)	-0.024*** (0.005)	-0.023*** (0.005)	-0.003 (0.005)	-0.021*** (0.005)	-0.024*** (0.006)	-0.024*** (0.006)	0.000 (0.005)
Observations	18,488	16,346	16,342	15,395	17,991	15,853	15,849	14,923
Adjusted R-squared	0.040	0.059	0.060	0.195	0.022	0.039	0.039	0.201

Note: The estimation results for equation 8 are presented for several specifications. Models (5) to (8) are analogous to (1) to (4) except that wage growth perceptions are used instead of wage growth expectations. Model (1) includes no controls. Model (2) includes controls for demographic characteristics (age, gender, education, income, marital status, presence of children), province and date. Model (3) is model (2) + knowledge about inflation, ease of expressing inflation as a number and expectation to be financially better off over the next 12 months. Model (4) is (3) + expectations about real income growth.

A Survey questions

CSCE expectations about inflation and unemployment rate in Canada

Probability that unemployment rate will be higher/lower *Prob. UR higher/lower* is based on this question: What do you think is the percent chance that 12 months from now the unemployment rate in Canada will be [higher/lower] than it is now? *Please enter your response, where 0% means “Absolutely no chance” and 100% means “Absolutely certain”.*

Perceptions about current inflation $E_t\pi_{t-12}$ are based on the following questions:

Over the last 12 months, do you think that there has been inflation or deflation? (Note: deflation is the opposite of inflation.)

Please choose one.

- Inflation
- Deflation (the opposite of inflation)

What do you think the rate of [inflation/deflation] was over the last 12 months? Please give your best guess. Please enter a number greater than 0 or equal to 0.

Over the last 12 months, the rate of [inflation/deflation] was ___ percent.

One-year-ahead inflation expectations $E_t\pi_{t+12}$ are based on the following questions:

the next 12 months, do you think that there will be inflation or deflation? (Note: deflation is the opposite of inflation.) Please choose one.

- Inflation
- Deflation (the opposite of inflation)

What do you expect the rate of [inflation/deflation] to be over the next 12 months? Please give your best guess. Please enter a number greater than 0 or equal to 0.

Over the next 12 months, I expect the rate of [inflation/deflation] to be ___ percent.

CSCE respondent’s own employment situation and expectations about wages

Labour market status (unemployed=1 if unemployed, =0 if employed is based on this question:

What is your current employment situation? *Please select all that apply.*

- Working full-time (for someone or self-employed)
- Working part-time (for someone or self-employed)
- Unpaid work (e.g. unpaid internship, volunteering, etc.)
- Not working, but would like to work
- Temporarily laid off
- On sick or other leave
- Permanently disabled or unable to work
- Retiree or early retiree
- Student, at school or in training
- Homemaker
- Other (please specify) ___

Probability of losing a job is based on the following question:

What do you think is the percent chance that you will lose your [main/current] job during the next 12 months? Please enter your response in the box below, where 0% means “Absolutely no chance” and 100% means “Absolutely certain”.

Probability of finding a job in the next three months if respondent were to lose main/current job is based on the following question:

Suppose you were to lose your job this month. What do you think is the percent chance that within the following 3 months, you will find a job that you will accept, considering the pay and type of work? Please enter your response in the box below, where 0% means “Absolutely no chance” and 100% means “Absolutely certain”.

Respondent’s **wage growth over the past 12 months** $E_t w_{t-12}$ is based on the following questions:

Over the last 12 months, do you think that your earnings in your (main) job have increased or decreased, before taxes and deductions?

Please choose one. Over the last 12 months, my earnings have:

- Increased by 0% or more
- Decreased by 0% or more

By about what percent do you think your earnings have increased/decreased in your (main) job, before taxes and deductions? Please give your best guess.

Please enter a number greater than 0 or equal to 0.

Over the last 12 months, the rate of increase/decrease in my earnings was ___ %

Expectations of wage growth 12 months from now $E_t w_{t+12}$ are based on the following questions:

Please think ahead to 12 months from now. Suppose that you are working in the exact same (main) job at the same place you currently work, and working the exact same number of hours. What do you expect to have happened to your earnings on this job, before taxes and deductions?

Please choose one. Twelve months from now, I expect my earnings to have...

- Increased by 0% or more
- Decreased by 0% or more

By about what percent do you expect your earnings to have [increased/decreased]? Please give your best guess.

Please enter a number greater than 0 or equal to 0.

Twelve months from now, I expect my earnings to have [increased/decreased] by ___%

CSCE expectations about income and spending

Expectations for nominal income growth in the next 12 months are based on the following questions:

Next, we would like to ask you about your overall household income going forward. By household we mean everyone who usually lives in your primary residence (including yourself), excluding roommates and renters.

Over the next 12 months, what do you expect will happen to the total income of all members of your household (including you), from all sources, before taxes and deductions? Please choose one. Over the next 12 months, I expect my total household income to:

- increase by 0 percent or more
- decrease by 0 percent or more

By about what percent do you expect your total household income to [increase/decrease]? Please give your best guess. Please enter a number greater than 0 or equal to 0.

Twelve months from now, I expect my total household income to have [increased/decreased] by ___ percent.

Expectations for nominal spending growth in the next 12 months are based on the following questions:

Now think about your total household spending, including groceries, clothing, personal care, housing (such as rent, mortgage payments, utilities, maintenance, home improvements), transportation, recreation and entertainment, education, and any large items (such as home appliances, electronics, furniture or car payments).

Over the next 12 months, what do you expect will happen to the total spending of all members of your household (including you)? Please choose one. Over the next 12 months, I expect my total household spending to

- increase by 0 percent or more
- decrease by 0 percent or more

By about what percent do you expect your total household spending to [increase/decrease]? Please give your best guess. Please enter a number greater than 0 or equal to 0.

Over the next 12 months, I expect my total household spending to [increase/decrease] by ___ percent.

BOS expectations about inflation and wage growth

Firms' expectations about inflation are elicited using this question:

Over the next two years, what do you expect the annual rate of inflation to be, based on the consumer price index?

- below 1%
- 1 to 2%
- 2 to 3%
- above 3%

Firms' expectations about wage growth are elicited using this question:

What do you expect your average wage increase to be next year?

B Appendix tables

Table B1: Estimation results for regressions with inflation expectations (only once)

	(1)	(2)	(3)	(4)	(5)	(6)
Panel A: Provincial unemployment rate (Full sample)						
$E_{i,t}\pi_{t-12}$				0.763*** (0.017)	0.760*** (0.019)	0.768*** (0.023)
$E_{i,t}\text{wage}_{i,t+12}$						0.013** (0.005)
π_{t-1}^{prov}	0.075 (0.064)	-0.051 (0.117)	-0.049 (0.117)	-0.042 (0.081)	-0.021 (0.082)	0.025 (0.103)
UR_t^{prov}	0.036 (0.038)	-0.274*** (0.093)	-0.275*** (0.093)	-0.047 (0.065)	-0.104 (0.072)	-0.163* (0.085)
Observations	13,440	10,969	10,965	13,435	10,960	7,073
Adjusted R-squared	0.000	0.041	0.041	0.593	0.604	0.618
Panel B: Prob UR Higher						
$E_{i,t}\pi_{t-12}$				0.770*** (0.022)	0.767*** (0.024)	0.778*** (0.030)
$E_{i,t}\text{wage}_{i,t+12}$						0.006 (0.006)
π_{t-1}^{prov}	0.113 (0.094)	-0.080 (0.161)	-0.078 (0.162)	-0.005 (0.113)	0.017 (0.113)	0.084 (0.153)
Prob. UR higher	0.025*** (0.003)	0.024*** (0.004)	0.023*** (0.004)	0.008*** (0.002)	0.007*** (0.002)	0.008*** (0.002)
Observations	6,737	5,504	5,503	6,734	5,500	3,532
Adjusted R-squared	0.014	0.055	0.055	0.604	0.613	0.635
Panel C: Prob UR Lower						
$E_{i,t}\pi_{t-12}$				0.750*** (0.021)	0.748*** (0.024)	0.752*** (0.030)
$E_{i,t}\text{wage}_{i,t+12}$						0.022*** (0.008)
π_{t-1}^{prov}	0.029 (0.071)	0.008 (0.160)	0.010 (0.158)	-0.043 (0.119)	-0.049 (0.125)	0.010 (0.157)
Prob. UR lower	-0.017*** (0.003)	-0.015*** (0.004)	-0.015*** (0.004)	-0.008*** (0.002)	-0.009*** (0.002)	-0.009*** (0.002)
Observations	6,699	5,461	5,458	6,697	5,456	3,539
Adjusted R-squared	0.007	0.044	0.044	0.586	0.600	0.605

Continuation of Table						
	(1)	(2)	(3)	(4)	(5)	(6)
Panel D: Provincial unemployment rate (LF==1)						
$E_{i,t}\pi_{t-12}$				0.766*** (0.019)	0.765*** (0.022)	0.765*** (0.024)
$E_{i,t}wage_{i,t+12}$						0.012** (0.005)
π_{t-1}^{prov}	0.099 (0.074)	0.010 (0.142)	0.010 (0.143)	-0.099 (0.089)	-0.030 (0.092)	0.000 (0.099)
UR_t^{prov}	0.061 (0.038)	-0.179* (0.095)	-0.179* (0.096)	-0.056 (0.061)	-0.101 (0.072)	-0.152* (0.081)
Observations	9,869	8,182	8,180	9,865	8,176	7,298
Adjusted R-squared	0.000	0.041	0.041	0.600	0.609	0.618
Panel E: Prob UR Higher (LF==1)						
$E_{i,t}\pi_{t-12}$				0.764*** (0.025)	0.769*** (0.027)	0.778*** (0.029)
$E_{i,t}wage_{i,t+12}$						0.007 (0.006)
π_{t-1}^{prov}	0.079 (0.110)	-0.097 (0.195)	-0.097 (0.198)	-0.047 (0.120)	0.029 (0.130)	0.063 (0.149)
Prob. UR higher	0.024*** (0.004)	0.023*** (0.004)	0.023*** (0.004)	0.009*** (0.002)	0.008*** (0.002)	0.008*** (0.002)
Observations	4,937	4,096	4,096	4,935	4,094	3,643
Adjusted R-squared	0.013	0.048	0.048	0.616	0.620	0.636
Panel F: Prob UR Lower (LF==1)						
$E_{i,t}\pi_{t-12}$				0.762*** (0.025)	0.755*** (0.028)	0.746*** (0.030)
$E_{i,t}wage_{i,t+12}$						0.020** (0.008)
π_{t-1}^{prov}	0.065 (0.092)	0.103 (0.209)	0.098 (0.210)	-0.120 (0.129)	-0.085 (0.132)	-0.033 (0.148)
Prob. UR lower	-0.018*** (0.003)	-0.016*** (0.004)	-0.017*** (0.004)	-0.010*** (0.002)	-0.009*** (0.002)	-0.009*** (0.002)
Observations	4,930	4,084	4,082	4,928	4,080	3,653
Adjusted R-squared	0.007	0.052	0.052	0.588	0.601	0.605

Continuation of Table						
	(1)	(2)	(3)	(4)	(5)	(6)
Panel G: Prob of finding a job						
$E_{i,t}\pi_{t-12}$				0.771*** (0.021)	0.770*** (0.023)	0.768*** (0.023)
$E_{i,t}\text{wage}_{i,t+12}$						0.013** (0.006)
π_{t-1}^{prov}	0.088 (0.080)	0.091 (0.168)	0.091 (0.169)	-0.025 (0.105)	0.035 (0.105)	0.033 (0.105)
Prob. of finding a job	-0.001 (0.002)	-0.002 (0.002)	-0.002 (0.002)	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.001)
Observations	8,614	7,079	7,078	8,610	7,074	7,072
Adjusted R-squared	0.000	0.041	0.041	0.605	0.617	0.618
Panel H: Prob of losing a job						
$E_{i,t}\pi_{t-12}$				0.770*** (0.021)	0.769*** (0.023)	0.767*** (0.023)
$E_{i,t}\text{wage}_{i,t+12}$						0.013** (0.005)
π_{t-1}^{prov}	0.097 (0.079)	0.097 (0.168)	0.095 (0.169)	-0.026 (0.105)	0.035 (0.105)	0.033 (0.106)
Prob. of losing a job	0.020*** (0.003)	0.019*** (0.004)	0.019*** (0.004)	0.002 (0.002)	0.002 (0.002)	0.002 (0.002)
Observations	8,612	7,078	7,077	8,608	7,073	7,071
Adjusted R-squared	0.009	0.049	0.048	0.605	0.617	0.618
Panel I: Unemployed dummy						
$E_{i,t}\pi_{t-12}$				0.766*** (0.019)	0.767*** (0.021)	0.768*** (0.023)
$E_{i,t}\text{wage}_{i,t+12}$						0.013** (0.005)
π_{t-1}^{prov}	0.075 (0.080)	0.021 (0.144)	0.018 (0.144)	-0.054 (0.093)	0.013 (0.093)	0.031 (0.105)
unemployed dummy	1.101*** (0.258)	0.647** (0.287)	0.661** (0.292)	0.478*** (0.168)	0.360* (0.197)	
Observations	9,457	7,804	7,802	9,453	7,798	7,073
Adjusted R-squared	0.003	0.041	0.041	0.601	0.611	0.618

Note: The estimation results for equation 6 are presented for several specifications. Model (1) includes no controls. Model (2) includes controls for demographic characteristics (age, gender, education, income, marital status, presence of children), province and date. Model (3) is model (2) + knowledge about inflation, ease of expressing inflation as a number, expectation to be financially better off over the next 12 months. Model (4) is perceptions about inflation + province and date. Model (5) is model (3) + perceptions of inflation. Model (6) is model (5) + wage growth expectations.

Table B2: Estimation results for regressions with inflation expectations (at least twice)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel A: Provincial unemployment rate (Full sample)								
$E_{i,t}\pi_{t-12}$				0.790*** (0.012)	0.774*** (0.013)	0.774*** (0.019)	0.646*** (0.018)	0.640*** (0.026)
$E_{i,t}\text{wage}_{i,t+12}$						0.004 (0.003)		0.007* (0.004)
π_{t-1}^{prov}	0.111** (0.049)	-0.001 (0.077)	-0.004 (0.077)	-0.007 (0.050)	-0.003 (0.053)	-0.083 (0.065)	-0.068 (0.072)	-0.105 (0.093)
UR_t^{prov}	0.050** (0.020)	0.018 (0.045)	0.017 (0.045)	0.064* (0.033)	0.076** (0.034)	0.020 (0.050)	0.190*** (0.065)	0.055 (0.089)
Observations	21,330	19,821	19,812	21,327	19,810	11,053	19,810	11,053
Adjusted R-squared	0.000	0.046	0.046	0.624	0.622	0.624	0.446	0.452
No. of recurring households							7,240	4,359
Panel B: Prob UR Higher								
$E_{i,t}\pi_{t-12}$				0.797*** (0.017)	0.786*** (0.019)	0.776*** (0.028)	0.649*** (0.033)	0.624*** (0.047)
$E_{i,t}\text{wage}_{i,t+12}$						-0.001 (0.003)		0.005 (0.007)
π_{t-1}^{prov}	0.105 (0.064)	0.093 (0.115)	0.089 (0.115)	0.014 (0.077)	0.013 (0.080)	0.002 (0.103)	-0.148 (0.124)	-0.071 (0.130)
Prob. UR higher	0.013*** (0.002)	0.012*** (0.002)	0.012*** (0.002)	0.006*** (0.001)	0.005*** (0.001)	0.006*** (0.001)	0.002 (0.002)	0.004 (0.003)
Observations	10,631	9,900	9,895	10,631	9,895	5,522	9,895	5,522
Adjusted R-squared	0.007	0.051	0.052	0.632	0.629	0.613	0.454	0.445
No. of recurring households							5,927	3,405
Panel C: Prob UR Lower								
$E_{i,t}\pi_{t-12}$				0.780*** (0.017)	0.762*** (0.018)	0.772*** (0.025)	0.647*** (0.031)	0.645*** (0.041)
$E_{i,t}\text{wage}_{i,t+12}$						0.009** (0.004)		0.011* (0.006)
π_{t-1}^{prov}	-0.042 (0.056)	-0.097 (0.108)	-0.100 (0.108)	-0.021 (0.075)	-0.008 (0.080)	-0.167 (0.102)	0.220 (0.140)	0.090 (0.188)
Prob. UR lower	-0.010*** (0.002)	-0.008*** (0.002)	-0.008*** (0.002)	-0.005*** (0.001)	-0.004*** (0.001)	-0.003** (0.002)	0.000 (0.002)	-0.002 (0.002)
Observations	10,697	9,919	9,915	10,694	9,913	5,530	9,913	5,530
Adjusted R-squared	0.004	0.050	0.050	0.618	0.619	0.637	0.443	0.467
No. of recurring households							5,899	3,416

Continuation of Table								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel D: Provincial unemployment rate (LF==1)								
$E_{i,t}\pi_{t-12}$				0.804***	0.791***	0.778***	0.650***	0.640***
				(0.017)	(0.018)	(0.020)	(0.025)	(0.026)
$E_{i,t}wage_{i,t+12}$						0.004		0.007*
						(0.003)		(0.004)
π_{t-1}^{prov}	0.109*	-0.130	-0.130	-0.060	-0.070	-0.076	-0.128	-0.105
	(0.058)	(0.103)	(0.103)	(0.056)	(0.059)	(0.063)	(0.089)	(0.093)
UR_t^{prov}	0.039	0.013	0.010	0.022	0.027	0.019	0.055	0.055
	(0.026)	(0.057)	(0.057)	(0.048)	(0.050)	(0.050)	(0.087)	(0.089)
Observations	12,452	11,508	11,505	12,449	11,503	10,827	11,503	10,827
Adjusted R-squared	0.000	0.041	0.040	0.634	0.635	0.624	0.458	0.452
No. of recurring households							4,311	4,134
Panel E: Prob UR Higher (LF==1)								
$E_{i,t}\pi_{t-12}$				0.800***	0.790***	0.776***	0.644***	0.624***
				(0.024)	(0.026)	(0.028)	(0.044)	(0.047)
$E_{i,t}wage_{i,t+12}$						-0.001		0.005
						(0.003)		(0.007)
π_{t-1}^{prov}	0.052	0.003	0.001	0.023	0.018	0.009	-0.095	-0.072
	(0.067)	(0.151)	(0.151)	(0.098)	(0.098)	(0.104)	(0.131)	(0.130)
Prob. UR higher	0.011***	0.010***	0.009***	0.007***	0.006***	0.006***	0.004	0.004
	(0.002)	(0.002)	(0.002)	(0.001)	(0.002)	(0.001)	(0.003)	(0.003)
Observations	6,222	5,767	5,766	6,222	5,766	5,410	5,766	5,410
Adjusted R-squared	0.005	0.044	0.044	0.625	0.625	0.612	0.449	0.445
No. of recurring households							3,498	3,294
Panel F: Prob UR Lower (LF==1)								
$E_{i,t}\pi_{t-12}$				0.805***	0.791***	0.779***	0.653***	0.645***
				(0.024)	(0.024)	(0.026)	(0.039)	(0.041)
$E_{i,t}wage_{i,t+12}$						0.011***		0.011*
						(0.004)		(0.006)
π_{t-1}^{prov}	0.045	-0.251	-0.249	-0.136	-0.157	-0.157	0.044	0.090
	(0.082)	(0.164)	(0.164)	(0.091)	(0.098)	(0.101)	(0.179)	(0.188)
Prob. UR lower	-0.008***	-0.005*	-0.005*	-0.004**	-0.003*	-0.003*	-0.001	-0.002
	(0.003)	(0.003)	(0.003)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
Observations	6,229	5,740	5,738	6,226	5,736	5,416	5,736	5,416
Adjusted R-squared	0.002	0.044	0.044	0.645	0.647	0.638	0.471	0.467
No. of recurring households							3,479	3,302

Continuation of Table								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel G: Prob of finding a job								
$E_{i,t}\pi_{t-12}$				0.791*** (0.018)	0.776*** (0.019)	0.774*** (0.019)	0.641*** (0.026)	0.640*** (0.026)
$E_{i,t}wage_{i,t+12}$						0.004 (0.003)		0.007* (0.004)
π_{t-1}^{prov}	0.068 (0.054)	-0.079 (0.101)	-0.079 (0.101)	-0.075 (0.062)	-0.081 (0.066)	-0.081 (0.065)	-0.095 (0.093)	-0.098 (0.093)
Prob. of finding a job	-0.004*** (0.001)	-0.002* (0.001)	-0.002* (0.001)	-0.001** (0.001)	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.001)
Observations	11,959	11,059	11,056	11,956	11,054	11,052	11,054	11,052
Adjusted R-squared	0.001	0.041	0.041	0.625	0.625	0.624	0.452	0.452
No. of recurring households							4,360	4,359
Panel H: Prob of losing a job								
$E_{i,t}\pi_{t-12}$				0.789*** (0.018)	0.774*** (0.019)	0.772*** (0.019)	0.641*** (0.026)	0.640*** (0.026)
$E_{i,t}wage_{i,t+12}$						0.005* (0.003)		0.007* (0.004)
π_{t-1}^{prov}	0.072 (0.052)	-0.081 (0.102)	-0.082 (0.102)	-0.076 (0.063)	-0.082 (0.066)	-0.082 (0.066)	-0.096 (0.093)	-0.100 (0.093)
Prob. of losing a job	0.015*** (0.002)	0.014*** (0.002)	0.014*** (0.002)	0.004*** (0.001)	0.003*** (0.001)	0.004*** (0.001)	0.001 (0.002)	0.002 (0.002)
Observations	11,954	11,054	11,051	11,951	11,049	11,047	11,049	11,047
Adjusted R-squared	0.008	0.047	0.047	0.625	0.625	0.624	0.452	0.452
No. of recurring households							4,360	4,359
Panel I: Unemployed dummy								
$E_{i,t}\pi_{t-12}$				0.801*** (0.017)	0.787*** (0.018)	0.774*** (0.019)	0.650*** (0.025)	0.640*** (0.026)
$E_{i,t}wage_{i,t+12}$						0.004 (0.003)		0.007* (0.004)
π_{t-1}^{prov}	0.043 (0.051)	-0.123 (0.103)	-0.122 (0.103)	-0.082 (0.059)	-0.088 (0.063)	-0.082 (0.066)	-0.122 (0.088)	-0.099 (0.093)
unemployed dummy	0.817*** (0.194)	0.334 (0.224)	0.321 (0.223)	0.409*** (0.127)	0.305** (0.147)		0.156 (0.290)	
Observations	12,864	11,886	11,883	12,861	11,881	11,052	11,881	11,052
Adjusted R-squared	0.002	0.042	0.042	0.632	0.632	0.624	0.458	0.452
No. of recurring households							4,689	4,359

Note: The estimation results for equation 6 are presented for several specifications. Model (1) includes no controls. Model (2) includes controls for demographic characteristics (age, gender, education, income, marital status, presence of children), province and date. Model (3) is model (2) + knowledge about inflation, ease of expressing inflation as a number, expectation to be financially better off over the next 12 months. Model (4) is perceptions about inflation + province and date. Model (5) is model (3) + perceptions of inflation. Model (6) is model (5) + wage growth expectations. Models (7) and (8) are models (5) and (6) with individual fixed effects respectively.

Table B3: Estimation results for regressions with wage growth expectations (only once)

	(1)	(2)	(3)	(4)	(5)	(6)
Panel A: Provincial unemployment rate						
$E_{i,t} \text{wage}_{i,t-12}$				0.200*** (0.027)	0.192*** (0.030)	0.190*** (0.030)
$E_{i,t} \pi_{t+12}$						0.163*** (0.039)
π_{t-1}^{prov}	0.075 (0.201)	-0.144 (0.394)	-0.228 (0.398)	0.078 (0.381)	-0.259 (0.402)	-0.267 (0.401)
UR_t^{prov}	-0.261** (0.108)	-0.215 (0.260)	-0.184 (0.262)	-0.107 (0.246)	-0.162 (0.283)	-0.112 (0.282)
Observations	8,618	7,084	7,083	8,433	6,899	6,895
Adjusted R-squared	0.002	0.027	0.032	0.060	0.076	0.081
Panel B: Prob UR Higher						
$E_{i,t} \text{wage}_{i,t-12}$				0.200*** (0.041)	0.192*** (0.050)	0.190*** (0.051)
$E_{i,t} \pi_{t+12}$						0.112** (0.050)
π_{t-1}^{prov}	0.221 (0.244)	0.050 (0.657)	-0.002 (0.670)	0.308 (0.577)	-0.022 (0.677)	-0.009 (0.681)
Prob. UR higher	-0.012 (0.010)	-0.019 (0.013)	-0.018 (0.014)	-0.007 (0.010)	-0.013 (0.012)	-0.016 (0.012)
Observations	4,304	3,538	3,538	4,216	3,451	3,448
Adjusted R-squared	0.001	0.030	0.032	0.067	0.078	0.080
Panel C: Prob UR Lower						
$E_{i,t} \text{wage}_{i,t-12}$				0.196*** (0.036)	0.195*** (0.035)	0.193*** (0.036)
$E_{i,t} \pi_{t+12}$						0.232*** (0.053)
π_{t-1}^{prov}	0.293 (0.287)	-0.388 (0.504)	-0.467 (0.505)	-0.209 (0.508)	-0.527 (0.522)	-0.585 (0.509)
Prob. UR lower	0.033*** (0.008)	0.034*** (0.009)	0.028*** (0.009)	0.032*** (0.008)	0.026*** (0.009)	0.030*** (0.010)
Observations	4,312	3,544	3,543	4,215	3,446	3,445
Adjusted R-squared	0.005	0.032	0.039	0.062	0.085	0.095

Continuation of Table						
	(1)	(2)	(3)	(4)	(5)	(6)
Panel D: Prob of finding a job						
$E_{i,t} \text{wage}_{i,t-12}$				0.194***	0.188***	0.186***
				(0.027)	(0.029)	(0.030)
$E_{i,t} \pi_{t+12}$						0.165***
						(0.039)
π_{t-1}^{prov}	0.249	-0.174	-0.245	0.079	-0.261	-0.272
	(0.193)	(0.379)	(0.384)	(0.366)	(0.390)	(0.390)
Prob. of finding a job	0.039***	0.036***	0.034***	0.030***	0.030***	0.030***
	(0.005)	(0.007)	(0.007)	(0.005)	(0.006)	(0.006)
Observations	8,617	7,083	7,082	8,432	6,898	6,894
Adjusted R-squared	0.013	0.036	0.040	0.066	0.083	0.088
Panel E: Prob of losing a job						
$E_{i,t} \text{wage}_{i,t-12}$				0.199***	0.190***	0.187***
				(0.027)	(0.030)	(0.030)
$E_{i,t} \pi_{t+12}$						0.171***
						(0.039)
π_{t-1}^{prov}	0.268	-0.136	-0.216	0.105	-0.245	-0.256
	(0.206)	(0.386)	(0.391)	(0.371)	(0.396)	(0.394)
Prob. of losing a job	-0.014*	-0.022**	-0.021**	-0.005	-0.016*	-0.019**
	(0.008)	(0.009)	(0.009)	(0.007)	(0.008)	(0.008)
Observations	8,615	7,082	7,081	8,430	6,897	6,893
Adjusted R-squared	0.001	0.029	0.033	0.060	0.077	0.083

Note: The estimation results for equation 7 are presented for several specifications. Model (1) includes no controls. Model (2) includes controls for demographic characteristics (age, gender, education, income, marital status, presence of children), province and date. Model (3) is model (2) + knowledge about inflation, ease of expressing inflation as a number, expectation to be financially better off over the next 12 months. Model (4) is perceptions about inflation + province and date. Model (5) is model (3) + perceptions of past wage growth. Model (6) is model (5) + inflation expectations.

Table B4: Estimation results for regressions with wage growth expectations (at least twice)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel A: Provincial unemployment rate								
$E_{i,t} \text{wage}_{i,t-12}$				0.197*** (0.026)	0.184*** (0.027)	0.182*** (0.027)	0.129*** (0.031)	0.129*** (0.031)
$E_{i,t} \pi_{t+12}$						0.166*** (0.031)		0.146*** (0.041)
π_{t-1}^{prov}	0.182 (0.169)	0.331 (0.279)	0.323 (0.275)	0.035 (0.230)	0.040 (0.249)	0.068 (0.245)	0.152 (0.351)	0.194 (0.351)
UR_t^{prov}	-0.140** (0.064)	-0.210 (0.154)	-0.178 (0.156)	0.048 (0.144)	-0.002 (0.147)	-0.001 (0.144)	0.194 (0.264)	0.189 (0.264)
Observations	11,721	10,836	10,833	11,369	10,485	10,481	10,485	10,481
Adjusted R-squared	0.001	0.009	0.021	0.066	0.073	0.077	0.031	0.034
No. of recurring households							4,131	4,130
Panel B: Prob UR Higher								
$E_{i,t} \text{wage}_{i,t-12}$				0.198*** (0.034)	0.187*** (0.034)	0.186*** (0.035)	0.059 (0.042)	0.058 (0.042)
$E_{i,t} \pi_{t+12}$						0.125*** (0.045)		0.074 (0.078)
π_{t-1}^{prov}	0.331** (0.155)	0.083 (0.442)	0.090 (0.438)	-0.363 (0.340)	-0.324 (0.369)	-0.320 (0.363)	0.062 (0.696)	0.088 (0.693)
Prob. UR higher	-0.026*** (0.006)	-0.026*** (0.006)	-0.025*** (0.006)	-0.016*** (0.005)	-0.017*** (0.005)	-0.018*** (0.005)	-0.004 (0.010)	-0.004 (0.010)
Observations	5,844	5,413	5,412	5,665	5,234	5,232	5,234	5,232
Adjusted R-squared	0.005	0.013	0.027	0.069	0.081	0.083	0.033	0.034
No. of recurring households							3,257	3,255
Panel C: Prob UR Lower								
$E_{i,t} \text{wage}_{i,t-12}$				0.191*** (0.039)	0.178*** (0.041)	0.176*** (0.041)	0.132** (0.055)	0.132** (0.055)
$E_{i,t} \pi_{t+12}$						0.212*** (0.044)		0.093* (0.049)
π_{t-1}^{prov}	0.487*** (0.170)	0.599 (0.370)	0.588 (0.363)	0.453 (0.389)	0.445 (0.422)	0.509 (0.420)	-0.325 (0.533)	-0.317 (0.534)
Prob. UR lower	0.037*** (0.005)	0.038*** (0.006)	0.034*** (0.006)	0.038*** (0.006)	0.037*** (0.006)	0.038*** (0.006)	0.005 (0.009)	0.005 (0.009)
Observations	5,876	5,422	5,420	5,703	5,250	5,248	5,250	5,248
Adjusted R-squared	0.009	0.014	0.023	0.071	0.072	0.079	0.041	0.042
No. of recurring households							3,262	3,261

Continuation of Table								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel D: Prob of finding a job								
$E_{i,t}wage_{i,t-12}$				0.188*** (0.026)	0.178*** (0.027)	0.176*** (0.027)	0.129*** (0.031)	0.128*** (0.031)
$E_{i,t}\pi_{t+12}$						0.171*** (0.030)		0.146*** (0.041)
π_{t-1}^{prov}	0.288** (0.114)	0.261 (0.280)	0.262 (0.278)	-0.005 (0.232)	0.005 (0.251)	0.034 (0.247)	0.158 (0.350)	0.200 (0.351)
Prob. of finding a job	0.038*** (0.003)	0.035*** (0.004)	0.031*** (0.004)	0.030*** (0.003)	0.026*** (0.003)	0.027*** (0.003)	0.007 (0.005)	0.007 (0.005)
Observations	11,720	10,835	10,832	11,368	10,484	10,480	10,484	10,480
Adjusted R-squared	0.016	0.021	0.031	0.075	0.080	0.084	0.031	0.034
No. of recurring households							4,131	4,130
Panel E: Prob of losing a job								
$E_{i,t}wage_{i,t-12}$				0.191*** (0.026)	0.178*** (0.027)	0.176*** (0.027)	0.126*** (0.031)	0.125*** (0.031)
$E_{i,t}\pi_{t+12}$						0.184*** (0.030)		0.151*** (0.041)
π_{t-1}^{prov}	0.352*** (0.113)	0.313 (0.275)	0.309 (0.273)	0.036 (0.226)	0.046 (0.244)	0.076 (0.240)	0.186 (0.349)	0.230 (0.350)
Prob. of losing a job	-0.045*** (0.007)	-0.047*** (0.007)	-0.044*** (0.007)	-0.032*** (0.006)	-0.033*** (0.007)	-0.036*** (0.007)	-0.036*** (0.009)	-0.036*** (0.009)
Observations	11,715	10,830	10,827	11,364	10,480	10,476	10,480	10,476
Adjusted R-squared	0.011	0.019	0.030	0.071	0.078	0.083	0.036	0.039
No. of recurring households							4,131	4,130

Note: The estimation results for equation 7 are presented for several specifications. Model (1) includes no controls. Model (2) includes controls for demographic characteristics (age, gender, education, income, marital status, presence of children), province and date. Model (3) is model (2) + knowledge about inflation, ease of expressing inflation as a number, expectation to be financially better off over the next 12 months. Model (4) is perceptions about inflation + province and date. Model (5) is model (3) + perceptions of inflation. Model (6) is model (5) + wage growth expectations. Models (7) and (8) are (5) and (6) with individual fixed effects.

Table B5: Estimation results for regressions with spending CPI expectations (only once)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel A: Provincial unemployment rate (Full sample)								
$E_{i,t}pi_{t+12}$	-0.842*** (0.031)	-0.847*** (0.037)	-0.845*** (0.037)	-0.554*** (0.038)				
$E_{i,t}\pi_{t-12}$					-0.644*** (0.035)	-0.644*** (0.042)	-0.644*** (0.042)	-0.399*** (0.038)
$E_{i,t}income_{t+12}$				0.314*** (0.021)				0.334*** (0.021)
financially better off			0.781** (0.391)	0.199 (0.368)			0.916** (0.391)	0.259 (0.365)
UR_t^{prov}	-0.319*** (0.095)	-0.014 (0.252)	0.004 (0.251)	0.113 (0.221)	-0.377*** (0.091)	0.057 (0.264)	0.078 (0.263)	0.166 (0.233)
Observations	12,201	9,996	9,993	9,422	12,197	9,992	9,989	9,418
Adjusted R-squared	0.100	0.119	0.120	0.254	0.059	0.080	0.082	0.237
Panel B: Prob UR Higher (Full sample)								
$E_{i,t}\pi_{t+12}$	-0.788*** (0.047)	-0.800*** (0.054)	-0.799*** (0.054)	-0.545*** (0.053)				
$E_{i,t}\pi_{t-12}$					-0.605*** (0.054)	-0.610*** (0.065)	-0.610*** (0.064)	-0.405*** (0.059)
$E_{i,t}income_{t+12}$				0.295*** (0.024)				0.315*** (0.024)
financially better off			1.612*** (0.561)	1.155** (0.507)			1.727*** (0.572)	1.206** (0.515)
Prob. UR higher	-0.007 (0.007)	-0.009 (0.008)	-0.008 (0.008)	0.005 (0.008)	-0.013* (0.007)	-0.015* (0.009)	-0.013 (0.009)	0.003 (0.009)
Observations	6,094	5,000	4,999	4,709	6,091	4,997	4,996	4,706
Adjusted R-squared	0.091	0.108	0.109	0.236	0.053	0.071	0.073	0.219
Panel C: Prob UR Lower (Full sample)								
$E_{i,t}\pi_{t+12}$	-0.886*** (0.043)	-0.881*** (0.050)	-0.877*** (0.050)	-0.559*** (0.049)				
$E_{i,t}\pi_{t-12}$					-0.662*** (0.040)	-0.661*** (0.046)	-0.658*** (0.046)	-0.385*** (0.041)
$E_{i,t}income_{t+12}$				0.330*** (0.036)				0.350*** (0.036)
financially better off			-0.260 (0.516)	-0.860* (0.488)			-0.185 (0.516)	-0.829* (0.486)
Prob. UR lower	0.029*** (0.008)	0.027*** (0.009)	0.026*** (0.009)	0.011 (0.009)	0.035*** (0.008)	0.035*** (0.009)	0.034*** (0.009)	0.015* (0.009)
Observations	6,103	4,992	4,990	4,709	6,102	4,991	4,989	4,708
Adjusted R-squared	0.108	0.137	0.139	0.278	0.064	0.097	0.100	0.260

	Continuation of Table							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel D: Prob of finding a job (LF=1)								
$E_{i,t}\pi_{t+12}$	-0.795*** (0.035)	-0.800*** (0.040)	-0.800*** (0.040)	-0.562*** (0.043)				
$E_{i,t}\pi_{t-12}$					-0.569*** (0.040)	-0.573*** (0.045)	-0.575*** (0.045)	-0.373*** (0.042)
$E_{i,t}income_{t+12}$				0.290*** (0.027)				0.316*** (0.027)
financially better off			0.909** (0.379)	0.256 (0.345)			0.947** (0.370)	0.210 (0.339)
Prob. of finding a job	0.014*** (0.005)	0.009 (0.005)	0.007 (0.005)	-0.007 (0.005)	0.016*** (0.005)	0.010* (0.005)	0.008 (0.005)	-0.008 (0.005)
Observations	7,765	6,417	6,416	6,104	7,762	6,414	6,413	6,101
Adjusted R-squared	0.104	0.125	0.127	0.234	0.054	0.078	0.080	0.210
Panel E: Prob of losing a job (LF=1)								
$E_{i,t}\pi_{t+12}$	-0.791*** (0.034)	-0.792*** (0.040)	-0.793*** (0.040)	-0.562*** (0.042)				
$E_{i,t}\pi_{t-12}$					-0.561*** (0.040)	-0.561*** (0.045)	-0.564*** (0.044)	-0.372*** (0.042)
$E_{i,t}income_{t+12}$				0.288*** (0.027)				0.314*** (0.027)
financially better off			0.901** (0.373)	0.217 (0.346)			0.932** (0.366)	0.159 (0.340)
Prob. of losing a job	-0.010 (0.008)	-0.018* (0.009)	-0.017* (0.009)	-0.002 (0.008)	-0.014 (0.009)	-0.021** (0.009)	-0.020** (0.009)	-0.003 (0.008)
Observations	7,763	6,416	6,415	6,103	7,760	6,413	6,412	6,100
Adjusted R-squared	0.103	0.126	0.128	0.234	0.053	0.079	0.081	0.210
Panel F: Unemployed dummy (LF=1)								
$E_{i,t}\pi_{t+12}$	-0.827*** (0.034)	-0.823*** (0.040)	-0.823*** (0.039)	-0.567*** (0.045)				
$E_{i,t}\pi_{t-12}$					-0.586*** (0.039)	-0.588*** (0.046)	-0.590*** (0.045)	-0.382*** (0.044)
$E_{i,t}income_{t+12}$				0.289*** (0.026)				0.312*** (0.025)
financially better off			0.809** (0.384)	0.175 (0.354)			0.834** (0.376)	0.139 (0.349)
unemployed dummy	2.250** (1.121)	2.296* (1.300)	2.494* (1.280)	0.130 (1.167)	1.795 (1.169)	1.957 (1.349)	2.168 (1.332)	-0.274 (1.197)
Observations	8,548	7,091	7,089	6,742	8,545	7,088	7,086	6,739
Adjusted R-squared	0.098	0.117	0.119	0.235	0.050	0.073	0.075	0.213

Note: The estimation results for equation 8 are presented for several specifications. Models (5) to (8) are analogous to (1) to (4) except that inflation perceptions are used instead of inflation expectations. Model (1) includes no controls. Model (2) includes controls for demographic characteristics (age, gender, education, income, marital status, presence of children), province and date. Model (3) is model (2) + knowledge about inflation, ease of expressing inflation as a number and expectation to be financially better off over the next 12 months. Model (4) is (3) + expectations about real income growth.

Table B6: Estimation results for regressions with spending CPI expectations (at least twice)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Panel A: Provincial unemployment rate (Full sample)												
$E_{i,t}\pi_{t+12}$	-0.806*** (0.023)	-0.800*** (0.025)	-0.798*** (0.025)	-0.519*** (0.027)	-0.808*** (0.046)	-0.534*** (0.051)						
$E_{i,t}\pi_{t-12}$							-0.621*** (0.026)	-0.613*** (0.029)	-0.612*** (0.029)	-0.384*** (0.026)	-0.478*** (0.050)	-0.295*** (0.050)
$E_{i,t}\text{income}_{t+12}$				0.308*** (0.014)		0.281*** (0.020)				0.324*** (0.013)		0.304*** (0.019)
financially better off			1.260*** (0.219)	0.389* (0.203)	0.667** (0.310)	0.660** (0.315)			1.358*** (0.216)	0.404** (0.201)	0.737** (0.316)	0.687** (0.321)
UR_t^{prov}	-0.252*** (0.054)	-0.074 (0.148)	-0.056 (0.146)	0.048 (0.134)	0.029 (0.251)	0.256 (0.254)	-0.297*** (0.048)	-0.110 (0.147)	-0.092 (0.144)	0.030 (0.134)	-0.141 (0.254)	0.164 (0.256)
Observations	31,562	28,004	27,992	26,198	17,999	16,776	31,556	27,999	27,987	26,193	17,998	16,775
Adjusted R-squared	0.087	0.097	0.098	0.235	0.068	0.157	0.052	0.065	0.067	0.221	0.029	0.141
No. of recurring households					7,059	6,903					7,059	6,903

Continuation of Table												
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Panel B: Prob UR Higher (Full sample)												
$E_{i,t}\pi_{t+12}$	-0.778*** (0.046)	-0.761*** (0.048)	-0.755*** (0.048)	-0.507*** (0.048)	-0.837*** (0.089)	-0.625*** (0.100)						
$E_{i,t}\pi_{t-12}$							-0.614*** (0.051)	-0.597*** (0.052)	-0.593*** (0.052)	-0.399*** (0.048)	-0.518*** (0.090)	-0.359*** (0.094)
$E_{i,t}\text{income}_{t+12}$				0.289*** (0.022)		0.265*** (0.031)				0.303*** (0.022)		0.293*** (0.031)
financially better off			1.749*** (0.352)	0.722** (0.292)	1.379** (0.554)	0.988* (0.574)			1.841*** (0.352)	0.727** (0.294)	1.393** (0.565)	0.947 (0.584)
Prob. UR higher	-0.009 (0.006)	-0.007 (0.006)	-0.007 (0.006)	0.003 (0.005)	-0.005 (0.008)	-0.001 (0.008)	-0.013** (0.006)	-0.011* (0.006)	-0.011* (0.006)	0.001 (0.005)	-0.006 (0.009)	-0.001 (0.008)
Observations	9,655	9,001	8,996	8,375	8,996	8,375	9,655	9,001	8,996	8,375	8,996	8,375
Adjusted R-squared	0.074	0.082	0.086	0.222	0.089	0.171	0.046	0.057	0.061	0.212	0.045	0.147
No. of recurring households					5,581	5,339					5,581	5,339

Continuation of Table												
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Panel C: Prob UR Lower (Full sample)												
$E_{i,t}pi_{t+12}$	-0.802*** (0.045)	-0.759*** (0.047)	-0.758*** (0.047)	-0.473*** (0.041)	-0.789*** (0.086)	-0.471*** (0.093)						
$E_{i,t}\pi_{t-12}$												
$E_{i,t}income_{t+12}$				0.315*** (0.024)		0.325*** (0.039)						
financially better off			1.224*** (0.329)	0.248 (0.309)	0.354 (0.626)	0.782 (0.587)			1.280*** (0.336)	0.232 (0.315)	0.316 (0.640)	0.780 (0.596)
Prob. UR lower	0.013** (0.005)	0.011** (0.005)	0.009* (0.005)	0.000 (0.005)	-0.004 (0.009)	-0.006 (0.009)	0.017*** (0.005)	0.015*** (0.006)	0.013** (0.006)	0.002 (0.005)	-0.004 (0.009)	-0.006 (0.009)
Observations	9,705	9,006	9,002	8,401	9,002	8,401	9,703	9,005	9,001	8,400	9,001	8,400
Adjusted R-squared	0.080	0.082	0.084	0.219	0.064	0.170	0.046	0.054	0.056	0.207	0.021	0.154
No. of recurring households					5,559	5,311					5,559	5,311

Continuation of Table													
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	
Panel D: Prob of finding a job (LF=1)													
$E_{i,t}\pi_{t+12}$	-0.768*** (0.025)	-0.767*** (0.026)	-0.766*** (0.026)	-0.508*** (0.029)	-0.837*** (0.048)	-0.573*** (0.051)							
$E_{i,t}\pi_{t-12}$								-0.560*** (0.026)	-0.559*** (0.028)	-0.560*** (0.028)	-0.361*** (0.028)	-0.526*** (0.059)	-0.359*** (0.050)
$E_{i,t}\text{income}_{t+12}$				0.306*** (0.018)		0.280*** (0.029)					0.326*** (0.018)		0.304*** (0.029)
financially better off			1.167*** (0.201)	0.405** (0.188)	0.219 (0.401)	0.259 (0.400)			1.206*** (0.199)	0.369* (0.188)	0.225 (0.409)	0.248 (0.406)	
Prob. of finding a job	0.012*** (0.003)	0.006** (0.003)	0.004 (0.003)	-0.009*** (0.003)	0.007 (0.006)	0.004 (0.006)	0.014*** (0.003)	0.007** (0.003)	0.005 (0.003)	-0.009*** (0.003)	0.009 (0.006)	0.005 (0.006)	
Observations	18,495	16,352	16,348	15,400	9,735	9,105	18,490	16,348	16,344	15,396	9,734	9,104	
Adjusted R-squared	0.089	0.103	0.105	0.229	0.070	0.160	0.048	0.065	0.068	0.213	0.033	0.144	
No. of recurring households					4,013	3,912					4,013	3,912	

Continuation of Table												
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Panel E: Prob of losing a job (LF=1)												
$E_{i,t}\pi_{t+12}$	-0.762*** (0.024)	-0.759*** (0.026)	-0.759*** (0.025)	-0.510*** (0.029)	-0.835*** (0.048)	-0.572*** (0.051)						
$E_{i,t}\pi_{t-12}$							-0.551*** (0.026)	-0.549*** (0.028)	-0.550*** (0.028)	-0.363*** (0.027)	-0.522*** (0.059)	-0.357*** (0.050)
$E_{i,t}\text{income}_{t+12}$				0.304*** (0.018)		0.280*** (0.029)				0.324*** (0.018)		0.304*** (0.029)
financially better off			1.141*** (0.203)	0.352* (0.191)	0.241 (0.402)	0.271 (0.401)			1.174*** (0.201)	0.311 (0.191)	0.247 (0.411)	0.258 (0.406)
Prob. of losing a job	-0.014*** (0.005)	-0.018*** (0.005)	-0.017*** (0.005)	0.003 (0.005)	-0.018* (0.011)	-0.004 (0.010)	-0.018*** (0.005)	-0.021*** (0.006)	-0.020*** (0.006)	0.002 (0.005)	-0.018* (0.011)	-0.004 (0.010)
Observations	18,490	16,348	16,344	15,397	9,732	9,103	18,485	16,344	16,340	15,393	9,731	9,102
Adjusted R-squared	0.088	0.104	0.106	0.228	0.071	0.160	0.048	0.067	0.069	0.212	0.033	0.144
No. of recurring households					4,013	3,912					4,013	3,912

Continuation of Table												
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Panel F: Unemployed dummy (LF=1)												
$E_{i,t}\pi_{t+12}$	-0.804*** (0.025)	-0.793*** (0.026)	-0.793*** (0.026)	-0.518*** (0.031)	-0.780*** (0.061)	-0.516*** (0.066)						
$E_{i,t}\pi_{t-12}$							-0.587*** (0.029)	-0.582*** (0.031)	-0.582*** (0.031)	-0.369*** (0.031)	-0.478*** (0.064)	-0.308*** (0.059)
$E_{i,t}income_{t+12}$				0.303*** (0.016)		0.279*** (0.025)				0.321*** (0.016)		0.298*** (0.025)
financially better off			1.210*** (0.236)	0.397* (0.212)	0.521 (0.410)	0.637 (0.420)			1.247*** (0.235)	0.368* (0.211)	0.571 (0.420)	0.667 (0.427)
unemployed dummy	0.201 (0.793)	-0.049 (0.858)	0.129 (0.865)	-1.776** (0.762)	-1.383 (1.929)	-3.516* (1.941)	-0.204 (0.818)	-0.333 (0.883)	-0.145 (0.890)	-2.064*** (0.772)	-1.520 (1.948)	-3.671* (1.957)
Observations	20,098	17,779	17,774	16,757	10,348	9,691	20,093	17,775	17,770	16,753	10,347	9,690
Adjusted R-squared	0.086	0.101	0.103	0.238	0.059	0.155	0.045	0.065	0.067	0.223	0.027	0.141
No. of recurring households					4,192	4,097					4,192	4,097

Note: The estimation results for equation 8 are presented for several specifications. The sample used is restricted to new participants only. Models (7) to (12) are analogous to (1) to (6) except that inflation perceptions are used instead of inflation expectations. Model (1) includes no controls. Model (2) includes controls for demographic characteristics (age, gender, education, income, marital status, presence of children), province and date. Model (3) is model (2) + knowledge about inflation, ease of expressing inflation as a number and expectation to be financially better off over the next 12 months. Model (4) is (3) + expectations about real income growth. Models (5) and (6) are (3) and (4) with individual fixed effects.

Table B7: Estimation results for regressions with spending wage expectations (only once)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel A: Provincial unemployment rate								
$E_{i,t}wage_{i,t+12}$	0.186*** (0.026)	0.192*** (0.029)	0.189*** (0.030)	0.019 (0.028)				
$E_{i,t}wage_{i,t-12}$					0.128*** (0.019)	0.127*** (0.022)	0.126*** (0.022)	0.056*** (0.019)
$E_{i,t}income_{t+12}$				0.335*** (0.029)				0.338*** (0.027)
financially better off			0.567 (0.370)	0.021 (0.339)			0.307 (0.382)	-0.197 (0.349)
UR_t^{prov}	-0.230** (0.095)	0.335 (0.265)	0.343 (0.264)	0.385 (0.245)	-0.193* (0.102)	0.482 (0.307)	0.478 (0.309)	0.589** (0.265)
Observations	7,766	6,418	6,417	6,105	7,597	6,250	6,249	5,941
Adjusted R-squared	0.031	0.056	0.057	0.189	0.020	0.044	0.045	0.198
Panel B: Prob UR Higher								
$E_{i,t}wage_{i,t+12}$	0.221*** (0.032)	0.219*** (0.035)	0.218*** (0.035)	0.004 (0.033)				
$E_{i,t}wage_{i,t-12}$					0.144*** (0.027)	0.140*** (0.032)	0.137*** (0.032)	0.072*** (0.027)
$E_{i,t}income_{t+12}$				0.352*** (0.033)				0.346*** (0.032)
financially better off			0.986* (0.543)	0.622 (0.467)			0.503 (0.562)	0.243 (0.483)
Prob. UR higher	-0.022** (0.010)	-0.028** (0.011)	-0.026** (0.011)	-0.009 (0.010)	-0.022** (0.010)	-0.030** (0.012)	-0.029** (0.012)	-0.009 (0.010)
Observations	3,863	3,198	3,198	3,044	3,782	3,118	3,118	2,966
Adjusted R-squared	0.043	0.062	0.062	0.216	0.026	0.045	0.045	0.224
Panel C: Prob UR Lower								
$E_{i,t}wage_{i,t+12}$	0.151*** (0.036)	0.154*** (0.042)	0.153*** (0.042)	0.027 (0.041)				
$E_{i,t}wage_{i,t-12}$					0.111*** (0.026)	0.108*** (0.030)	0.109*** (0.031)	0.038 (0.029)
$E_{i,t}income_{t+12}$				0.313*** (0.044)				0.324*** (0.043)
financially better off			-0.179 (0.523)	-0.795 (0.516)			-0.255 (0.535)	-0.825 (0.529)
Prob. UR lower	0.039*** (0.009)	0.035*** (0.010)	0.033*** (0.011)	0.022** (0.010)	0.041*** (0.009)	0.038*** (0.011)	0.036*** (0.011)	0.020* (0.010)
Observations	3,901	3,218	3,217	3,059	3,813	3,130	3,129	2,973
Adjusted R-squared	0.026	0.068	0.072	0.179	0.020	0.061	0.064	0.187

Continuation of Table								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel D: Prob of finding a job								
$E_{i,t}wage_{i,t+12}$	0.185*** (0.026)	0.191*** (0.030)	0.189*** (0.030)	0.020 (0.028)				
$E_{i,t}wage_{i,t-12}$					0.128*** (0.019)	0.126*** (0.022)	0.125*** (0.022)	0.057*** (0.019)
$E_{i,t}income_{t+12}$				0.337*** (0.029)				0.340*** (0.027)
financially better off			0.541 (0.370)	0.053 (0.338)			0.257 (0.387)	-0.170 (0.349)
Prob. of finding a job	0.008* (0.005)	0.003 (0.005)	0.002 (0.005)	-0.009* (0.005)	0.011** (0.005)	0.007 (0.006)	0.007 (0.006)	-0.009* (0.005)
Observations	7,765	6,417	6,416	6,104	7,596	6,249	6,248	5,940
Adjusted R-squared	0.030	0.055	0.056	0.189	0.020	0.044	0.045	0.198
Panel E: Prob of losing a job								
$E_{i,t}wage_{i,t+12}$	0.186*** (0.026)	0.188*** (0.029)	0.186*** (0.030)	0.019 (0.028)				
$E_{i,t}wage_{i,t-12}$					0.128*** (0.019)	0.124*** (0.022)	0.122*** (0.022)	0.055*** (0.019)
$E_{i,t}income_{t+12}$				0.334*** (0.029)				0.337*** (0.027)
financially better off			0.461 (0.370)	-0.026 (0.340)			0.222 (0.383)	-0.230 (0.350)
Prob. of losing a job	-0.026*** (0.008)	-0.031*** (0.010)	-0.031*** (0.010)	-0.012 (0.008)	-0.021** (0.009)	-0.028*** (0.010)	-0.028*** (0.010)	-0.007 (0.008)
Observations	7,763	6,416	6,415	6,103	7,594	6,248	6,247	5,939
Adjusted R-squared	0.032	0.058	0.059	0.189	0.021	0.046	0.047	0.197

Note: The estimation results for equation 8 are presented for several specifications. The sample used is restricted to new participants only. Models (5) to (8) are analogous to (1) to (4) except that wage growth perceptions are used instead of wage growth expectations. Model (1) includes no controls. Model (2) includes controls for demographic characteristics (age, gender, education, income, marital status, presence of children), province and date. Model (3) is model (2) + knowledge about inflation, ease of expressing inflation as a number and expectation to be financially better off over the next 12 months. Model (4) is (3) + expectations about real income growth.

Table B8: Estimation results for regressions with spending wage expectations (at least twice)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Panel A: Provincial unemployment rate												
$E_{i,t}wage_{i,t+12}$	0.208*** (0.018)	0.205*** (0.019)	0.202*** (0.019)	0.024 (0.021)	0.154*** (0.032)	0.051 (0.037)						
$E_{i,t}wage_{i,t-12}$							0.122*** (0.013)	0.111*** (0.014)	0.107*** (0.014)	0.045*** (0.013)	0.055** (0.026)	0.020 (0.027)
$E_{i,t}income_{t+12}$				0.338*** (0.020)		0.307*** (0.030)				0.343*** (0.018)		0.315*** (0.029)
financially better off			0.775*** (0.206)	0.202 (0.192)	0.238 (0.409)	0.282 (0.409)			0.658*** (0.209)	0.019 (0.195)	0.017 (0.424)	0.154 (0.421)
UR_t^{prov}	-0.226*** (0.050)	-0.152 (0.206)	-0.142 (0.205)	0.008 (0.191)	-0.353 (0.396)	0.000 (0.393)	-0.208*** (0.051)	0.060 (0.196)	0.064 (0.195)	0.207 (0.185)	-0.041 (0.405)	0.253 (0.397)
Observations	18,495	16,352	16,348	15,400	9,735	9,105	17,997	15,858	15,854	14,927	9,417	8,804
Adjusted R-squared	0.040	0.057	0.058	0.195	0.022	0.133	0.021	0.037	0.037	0.201	0.008	0.131
No. of recurring households					4,013	3,912					3,993	3,885

Continuation of Table												
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Panel B: Prob UR Higher												
$E_{i,t}wage_{i,t+12}$	0.204*** (0.027)	0.188*** (0.027)	0.183*** (0.027)	0.003 (0.028)	0.063 (0.049)	-0.021 (0.038)						
$E_{i,t}wage_{i,t-12}$							0.095*** (0.017)	0.077*** (0.017)	0.072*** (0.018)	0.031* (0.018)	0.072* (0.038)	0.092** (0.039)
$E_{i,t}income_{t+12}$				0.330*** (0.035)		0.335*** (0.050)				0.331*** (0.031)		0.328*** (0.052)
financially better off			0.810** (0.345)	0.285 (0.318)	0.197 (0.749)	-0.573 (0.764)			0.840** (0.353)	0.103 (0.333)	-0.349 (0.758)	-1.041 (0.747)
Prob. UR higher	-0.009 (0.007)	-0.007 (0.007)	-0.007 (0.007)	0.009 (0.007)	0.000 (0.010)	0.000 (0.010)	-0.014** (0.007)	-0.012 (0.007)	-0.012 (0.007)	0.007 (0.007)	0.001 (0.011)	-0.000 (0.011)
Observations	5,246	4,875	4,874	4,562	4,874	4,562	5,086	4,715	4,714	4,409	4,714	4,409
Adjusted R-squared	0.042	0.055	0.056	0.199	0.018	0.145	0.016	0.029	0.030	0.206	0.022	0.157
No. of recurring households					3,082	2,952					3,039	2,908

Continuation of Table												
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Panel C: Prob UR Lower												
$E_{i,t}wage_{i,t+12}$	0.248*** (0.046)	0.247*** (0.045)	0.246*** (0.046)	0.057 (0.048)	0.249*** (0.065)	0.095 (0.067)						
$E_{i,t}wage_{i,t-12}$							0.145*** (0.029)	0.127*** (0.030)	0.124*** (0.030)	0.056** (0.027)	0.086 (0.054)	0.047 (0.052)
$E_{i,t}income_{t+12}$				0.360*** (0.033)		0.337*** (0.050)				0.374*** (0.034)		0.361*** (0.050)
financially better off			0.534 (0.405)	-0.115 (0.375)	-0.578 (0.860)	0.572 (0.755)			0.367 (0.398)	-0.328 (0.394)	-0.656 (0.911)	0.744 (0.762)
Prob. UR lower	0.011 (0.007)	0.006 (0.008)	0.005 (0.008)	0.002 (0.007)	-0.017 (0.013)	-0.016 (0.014)	0.019*** (0.007)	0.017** (0.008)	0.016* (0.008)	0.004 (0.007)	-0.011 (0.013)	-0.016 (0.014)
Observations	5,271	4,862	4,860	4,543	4,860	4,543	5,110	4,704	4,702	4,395	4,702	4,395
Adjusted R-squared	0.051	0.069	0.069	0.211	0.055	0.176	0.029	0.042	0.041	0.214	0.023	0.172
No. of recurring households					3,077	2,936					3,033	2,889

Continuation of Table												
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Panel D: Prob of finding a job												
$E_{i,t}wage_{i,t+12}$	0.207*** (0.018)	0.205*** (0.019)	0.202*** (0.019)	0.026 (0.020)	0.153*** (0.032)	0.051 (0.037)						
$E_{i,t}wage_{i,t-12}$							0.121*** (0.013)	0.110*** (0.014)	0.106*** (0.014)	0.047*** (0.013)	0.055** (0.026)	0.019 (0.027)
$E_{i,t}income_{t+12}$				0.340*** (0.020)		0.307*** (0.030)				0.346*** (0.018)		0.314*** (0.029)
financially better off			0.791*** (0.204)	0.272 (0.190)	0.217 (0.409)	0.273 (0.409)			0.641*** (0.209)	0.077 (0.195)	-0.003 (0.424)	0.147 (0.421)
Prob. of finding a job	0.006* (0.003)	-0.000 (0.003)	-0.001 (0.003)	-0.011*** (0.003)	0.006 (0.006)	0.003 (0.006)	0.009*** (0.003)	0.004 (0.003)	0.003 (0.003)	-0.011*** (0.003)	0.005 (0.007)	0.002 (0.006)
Observations	18,493	16,350	16,346	15,398	9,734	9,104	17,995	15,856	15,852	14,925	9,416	8,803
Adjusted R-squared	0.039	0.057	0.058	0.195	0.022	0.133	0.020	0.037	0.038	0.202	0.008	0.130
No. of recurring households					4,013	3,912					3,993	3,885

Continuation of Table												
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Panel E: Prob of losing a job												
$E_{i,t} \text{wage}_{i,t+12}$	0.206*** (0.018)	0.201*** (0.019)	0.198*** (0.019)	0.024 (0.021)	0.152*** (0.032)	0.050 (0.037)						
$E_{i,t} \text{wage}_{i,t-12}$							0.120*** (0.013)	0.107*** (0.014)	0.104*** (0.014)	0.045*** (0.013)	0.054** (0.026)	0.019 (0.027)
$E_{i,t} \text{income}_{t+12}$				0.337*** (0.020)		0.307*** (0.030)				0.343*** (0.018)		0.314*** (0.029)
financially better off			0.707*** (0.205)	0.192 (0.193)	0.238 (0.410)	0.283 (0.409)			0.596*** (0.208)	0.013 (0.196)	0.022 (0.425)	0.157 (0.421)
Prob. of losing a job	-0.022*** (0.005)	-0.024*** (0.005)	-0.023*** (0.005)	-0.003 (0.005)	-0.014 (0.011)	-0.003 (0.010)	-0.021*** (0.005)	-0.024*** (0.006)	-0.024*** (0.006)	0.000 (0.005)	-0.016 (0.011)	-0.001 (0.010)
Observations	18,488	16,346	16,342	15,395	9,731	9,102	17,991	15,853	15,849	14,923	9,414	8,802
Adjusted R-squared	0.040	0.059	0.060	0.195	0.023	0.133	0.022	0.039	0.039	0.201	0.009	0.130
No. of recurring households					4,013	3,912					3,993	3,885

Note: The estimation results for equation 8 are presented for several specifications. The sample used is restricted to new participants only. Models (5) to (8) are analogous to (1) to (4) except that wage growth perceptions are used instead of wage growth expectations. Model (1) includes no controls. Model (2) includes controls for demographic characteristics (age, gender, education, income, marital status, presence of children), province and date. Model (3) is model (2) + knowledge about inflation, ease of expressing inflation as a number and expectation to be financially better off over the next 12 months. Model (4) is (3) + expectations about real income growth.

Table B9: Estimation results for regressions with inflation expectations with (Covid 19 dummy)

	(1)	(2)	(3)	(4)	(5)	(6)
Panel A: Provincial unemployment rate (Full sample)						
$E_{i,t}\pi_{t-12}$				0.778*** (0.011)	0.769*** (0.012)	0.773*** (0.016)
$E_{i,t}wage_{i,t+12}$						0.008*** (0.003)
π_{t-1}^{prov}	0.178*** (0.042)	-0.003 (0.072)	-0.004 (0.072)	-0.013 (0.046)	0.002 (0.049)	-0.034 (0.059)
UR_t^{prov}	0.042 (0.027)	-0.056 (0.049)	-0.058 (0.049)	0.042 (0.033)	0.027 (0.036)	-0.032 (0.053)
PostCovid	0.237 (0.366)					
PostCovid# UR_t^{prov}	-0.005 (0.040)	0.020 (0.070)	0.023 (0.070)	-0.006 (0.040)	0.016 (0.047)	0.036 (0.058)
Observations	34,770	30,790	30,777	34,762	30,770	18,126
Adjusted R-squared	0.001	0.045	0.045	0.611	0.617	0.623
Panel B: Prob UR Higher						
$E_{i,t}\pi_{t-12}$				0.786*** (0.014)	0.778*** (0.015)	0.780*** (0.021)
$E_{i,t}wage_{i,t+12}$						0.002 (0.003)
π_{t-1}^{prov}	0.223*** (0.057)	0.035 (0.094)	0.035 (0.095)	-0.002 (0.068)	0.013 (0.069)	0.026 (0.091)
Prob. UR higher	0.016*** (0.002)	0.016*** (0.002)	0.016*** (0.002)	0.006*** (0.001)	0.006*** (0.001)	0.007*** (0.001)
PostCovid	-0.100 (0.172)					
PostCovid#Prob. UR higher	0.008** (0.003)	0.006 (0.004)	0.006 (0.004)	0.000 (0.003)	-0.001 (0.003)	0.000 (0.004)
Observations	17,368	15,404	15,398	17,365	15,395	9,054
Adjusted R-squared	0.012	0.053	0.053	0.620	0.624	0.628

Continuation of Table						
	(1)	(2)	(3)	(4)	(5)	(6)
Panel C: Prob UR Lower						
$E_{i,t}\pi_{t-12}$				0.767*** (0.014)	0.757*** (0.015)	0.765*** (0.019)
$E_{i,t}\text{wage}_{i,t+12}$						0.016*** (0.004)
π_{t-1}^{prov}	0.120*** (0.044)	-0.044 (0.096)	-0.046 (0.096)	-0.027 (0.061)	-0.004 (0.064)	-0.088 (0.083)
Prob. UR lower	-0.008*** (0.002)	-0.007*** (0.002)	-0.007*** (0.002)	-0.005*** (0.001)	-0.005*** (0.001)	-0.005*** (0.001)
PostCovid	1.031*** (0.221)					
PostCovid#Prob. UR lower	-0.014*** (0.003)	-0.010** (0.004)	-0.010** (0.004)	-0.003* (0.002)	-0.004* (0.002)	-0.004 (0.003)
Observations	17,396	15,380	15,373	17,391	15,369	9,069
Adjusted R-squared	0.006	0.050	0.050	0.604	0.612	0.622
Panel D: Provincial unemployment rate (LF==1)						
$E_{i,t}\pi_{t-12}$				0.785*** (0.014)	0.779*** (0.015)	0.773*** (0.016)
$E_{i,t}\text{wage}_{i,t+12}$						0.008*** (0.003)
π_{t-1}^{prov}	0.207*** (0.051)	-0.052 (0.095)	-0.052 (0.095)	-0.068 (0.050)	-0.040 (0.053)	-0.034 (0.059)
UR_t^{prov}	0.010 (0.035)	-0.083 (0.058)	-0.084 (0.058)	-0.010 (0.045)	-0.024 (0.048)	-0.032 (0.053)
PostCovid	-0.345 (0.402)					
PostCovid# UR_t^{prov}	0.067 (0.049)	0.141* (0.081)	0.144* (0.081)	0.037 (0.046)	0.062 (0.053)	0.036 (0.058)
Observations	22,321	19,690	19,685	22,314	19,679	18,125
Adjusted R-squared	0.001	0.041	0.041	0.618	0.624	0.623

Continuation of Table						
	(1)	(2)	(3)	(4)	(5)	(6)
Panel E: Prob UR Higher (LF==1)						
$E_{i,t}\pi_{t-12}$				0.782*** (0.018)	0.782*** (0.019)	0.780*** (0.021)
$E_{i,t}wage_{i,t+12}$						0.002 (0.003)
π_{t-1}^{prov}	0.186*** (0.058)	-0.044 (0.117)	-0.044 (0.118)	-0.008 (0.083)	0.023 (0.085)	0.026 (0.091)
Prob. UR higher	0.014*** (0.002)	0.013*** (0.002)	0.013*** (0.003)	0.007*** (0.001)	0.007*** (0.001)	0.007*** (0.001)
PostCovid	-0.322 (0.198)					
PostCovid#Prob. UR higher	0.013*** (0.004)	0.010* (0.005)	0.010* (0.006)	0.001 (0.003)	-0.001 (0.004)	0.000 (0.004)
Observations	11,159	9,863	9,862	11,157	9,860	9,053
Adjusted R-squared	0.010	0.043	0.043	0.622	0.625	0.628
Panel F: Prob UR Lower (LF==1)						
$E_{i,t}\pi_{t-12}$				0.785*** (0.017)	0.775*** (0.019)	0.765*** (0.019)
$E_{i,t}wage_{i,t+12}$						0.016*** (0.004)
π_{t-1}^{prov}	0.188*** (0.064)	-0.060 (0.145)	-0.062 (0.145)	-0.121* (0.069)	-0.096 (0.074)	-0.088 (0.083)
Prob. UR lower	-0.008*** (0.003)	-0.007*** (0.003)	-0.007*** (0.003)	-0.005*** (0.001)	-0.005*** (0.001)	-0.005*** (0.001)
PostCovid	0.897*** (0.263)					
PostCovid#Prob. UR lower	-0.012*** (0.004)	-0.009* (0.005)	-0.009* (0.005)	-0.003 (0.002)	-0.004 (0.003)	-0.004 (0.003)
Observations	11,159	9,824	9,820	11,154	9,816	9,069
Adjusted R-squared	0.005	0.048	0.048	0.616	0.625	0.622

Continuation of Table						
	(1)	(2)	(3)	(4)	(5)	(6)
Panel G: Prob of finding a job						
$E_{i,t}\pi_{t-12}$				0.782*** (0.015)	0.775*** (0.016)	0.773*** (0.016)
$E_{i,t}\text{wage}_{i,t+12}$						0.009*** (0.003)
π_{t-1}^{prov}	0.184*** (0.046)	-0.003 (0.099)	-0.003 (0.099)	-0.053 (0.056)	-0.030 (0.058)	-0.032 (0.059)
Prob. of finding a job	-0.002** (0.001)	-0.002* (0.001)	-0.002* (0.001)	-0.001* (0.001)	-0.001 (0.001)	-0.001 (0.001)
PostCovid	0.245 (0.159)					
PostCovid#Prob. of finding a job	0.001 (0.002)	0.001 (0.003)	0.001 (0.003)	-0.001 (0.002)	0.000 (0.002)	-0.000 (0.002)
Observations	20,573	18,138	18,134	20,566	18,128	18,124
Adjusted R-squared	0.001	0.041	0.041	0.617	0.624	0.623
Panel H: Prob of losing a job						
$E_{i,t}\pi_{t-12}$				0.780*** (0.015)	0.774*** (0.016)	0.772*** (0.016)
$E_{i,t}\text{wage}_{i,t+12}$						0.009*** (0.003)
π_{t-1}^{prov}	0.173*** (0.046)	-0.002 (0.099)	-0.003 (0.099)	-0.055 (0.056)	-0.030 (0.058)	-0.033 (0.058)
Prob. of losing a job	0.018*** (0.002)	0.016*** (0.002)	0.016*** (0.002)	0.004*** (0.001)	0.003*** (0.001)	0.004*** (0.001)
PostCovid	0.158 (0.123)					
PostCovid#Prob. of losing a job	0.001 (0.004)	0.005 (0.006)	0.005 (0.006)	-0.004* (0.002)	-0.003 (0.003)	-0.003 (0.003)
Observations	20,566	18,132	18,128	20,559	18,122	18,118
Adjusted R-squared	0.010	0.048	0.048	0.617	0.624	0.624

Continuation of Table						
	(1)	(2)	(3)	(4)	(5)	(6)
Panel I: Unemployed dummy						
$E_{i,t}\pi_{t-12}$				0.784*** (0.014)	0.779*** (0.015)	0.774*** (0.016)
$E_{i,t}wage_{i,t+12}$						0.008*** (0.003)
π_{t-1}^{prov}	0.168*** (0.048)	-0.050 (0.096)	-0.050 (0.096)	-0.067 (0.050)	-0.039 (0.053)	-0.033 (0.059)
unemployed dummy	0.975*** (0.199)	0.509** (0.209)	0.506** (0.210)	0.403*** (0.121)	0.292** (0.130)	
PostCovid	0.280*** (0.107)					
PostCovid#unemployed dummy	0.089 (0.328)	0.131 (0.455)	0.127 (0.457)	0.156 (0.213)	0.214 (0.282)	
Observations	22,321	19,690	19,685	22,314	19,679	18,125
Adjusted R-squared	0.004	0.042	0.041	0.618	0.624	0.623

Note: The estimation results for equation 6 are presented for several specifications. Model (1) includes no controls. Model (2) includes controls for demographic characteristics (age, gender, education, income, marital status, presence of children), province and date. Model (3) is model (2) + knowledge about inflation, ease of expressing inflation as a number, expectation to be financially better off over the next 12 months. Model (4) is perceptions about inflation + province and date. Model (5) is model (3) + perceptions of inflation. Model (6) is model (5) + wage growth expectations. All specifications include a Post Covid dummy as well as an interaction term of the dummy with the labour market measure.

Table B10: Estimation results for regressions with wage growth expectations with (Covid 19 dummy)

	(1)	(2)	(3)	(4)	(5)	(6)
Panel A: Provincial unemployment rate						
$E_{i,t}wage_{i,t-12}$				0.201*** (0.019)	0.188*** (0.020)	0.187*** (0.020)
$E_{i,t}\pi_{t+12}$						0.174*** (0.026)
π_{t-1}^{prov}	0.279** (0.115)	0.121 (0.234)	0.078 (0.233)	0.031 (0.209)	-0.049 (0.226)	-0.034 (0.227)
UR_t^{prov}	-0.153* (0.089)	-0.285* (0.160)	-0.241 (0.160)	-0.218 (0.171)	-0.137 (0.185)	-0.116 (0.184)
PostCovid	-1.566* (0.942)					
PostCovid# UR_t^{prov}	0.137 (0.121)	0.494** (0.239)	0.471** (0.238)	0.584*** (0.187)	0.415* (0.236)	0.392 (0.239)
Observations	20,581	18,146	18,142	20,034	17,600	17,592
Adjusted R-squared	0.002	0.017	0.026	0.065	0.077	0.082
Panel B: Prob UR Higher						
$E_{i,t}wage_{i,t-12}$				0.201*** (0.024)	0.190*** (0.027)	0.188*** (0.027)
$E_{i,t}\pi_{t+12}$						0.134*** (0.037)
π_{t-1}^{prov}	0.315** (0.141)	0.011 (0.360)	-0.028 (0.363)	-0.096 (0.331)	-0.200 (0.370)	-0.190 (0.372)
Prob. UR higher	-0.017** (0.007)	-0.019*** (0.007)	-0.018** (0.007)	-0.007 (0.006)	-0.009 (0.006)	-0.011* (0.006)
PostCovid	-0.125 (0.496)					
PostCovid#Prob. UR higher	-0.010 (0.011)	-0.015 (0.012)	-0.014 (0.013)	-0.016 (0.010)	-0.021* (0.013)	-0.022* (0.013)
Observations	10,266	9,063	9,062	9,994	8,792	8,787
Adjusted R-squared	0.004	0.023	0.031	0.068	0.082	0.084

Continuation of Table						
	(1)	(2)	(3)	(4)	(5)	(6)
Panel C: Prob UR Lower						
$E_{i,t} \text{wage}_{i,t-12}$				0.196*** (0.027)	0.185*** (0.028)	0.184*** (0.028)
$E_{i,t} \pi_{t+12}$						0.227*** (0.036)
π_{t-1}^{prov}	0.252* (0.134)	0.239 (0.312)	0.196 (0.309)	0.243 (0.316)	0.121 (0.342)	0.141 (0.340)
Prob. UR lower	0.040*** (0.006)	0.033*** (0.006)	0.028*** (0.006)	0.037*** (0.006)	0.030*** (0.007)	0.032*** (0.007)
PostCovid	-1.222** (0.517)					
PostCovid#Prob. UR lower	-0.000 (0.010)	0.013 (0.010)	0.016 (0.011)	-0.004 (0.010)	0.011 (0.011)	0.012 (0.011)
Observations	10,312	9,080	9,077	10,037	8,805	8,802
Adjusted R-squared	0.010	0.021	0.030	0.068	0.079	0.088
Panel D: Prob of finding a job						
$E_{i,t} \text{wage}_{i,t-12}$				0.193*** (0.019)	0.184*** (0.020)	0.182*** (0.020)
$E_{i,t} \pi_{t+12}$						0.178*** (0.027)
π_{t-1}^{prov}	0.285*** (0.098)	0.075 (0.231)	0.041 (0.230)	0.048 (0.209)	-0.066 (0.226)	-0.053 (0.226)
Prob. of finding a job	0.038*** (0.003)	0.034*** (0.003)	0.031*** (0.003)	0.031*** (0.003)	0.027*** (0.003)	0.027*** (0.003)
PostCovid	-0.538 (0.407)					
PostCovid#Prob. of finding a job	0.002 (0.008)	0.014 (0.010)	0.013 (0.010)	0.001 (0.008)	0.012 (0.009)	0.011 (0.009)
Observations	20,579	18,144	18,140	20,032	17,598	17,590
Adjusted R-squared	0.016	0.029	0.036	0.073	0.084	0.089

Continuation of Table						
	(1)	(2)	(3)	(4)	(5)	(6)
Panel E: Prob of losing a job						
$E_{i,t} \text{wage}_{i,t-12}$				0.198*** (0.019)	0.185*** (0.020)	0.182*** (0.020)
$E_{i,t} \pi_{t+12}$						0.188*** (0.027)
π_{t-1}^{prov}	0.342*** (0.098)	0.129 (0.230)	0.089 (0.230)	0.084 (0.207)	-0.030 (0.223)	-0.016 (0.224)
Prob. of losing a job	-0.035*** (0.006)	-0.039*** (0.006)	-0.037*** (0.006)	-0.026*** (0.006)	-0.028*** (0.006)	-0.031*** (0.006)
PostCovid	-0.999*** (0.241)					
PostCovid#Prob. of losing a job	0.021* (0.011)	0.010 (0.011)	0.011 (0.011)	0.020* (0.010)	0.009 (0.011)	0.008 (0.011)
Observations	20,572	18,138	18,134	20,026	17,593	17,585
Adjusted R-squared	0.007	0.023	0.032	0.066	0.080	0.086

Note: The estimation results for equation 7 are presented for several specifications. Model (1) includes no controls. Model (2) includes controls for demographic characteristics (age, gender, education, income, marital status, presence of children), province and date. Model (3) is model (2) + knowledge about inflation, ease of expressing inflation as a number, expectation to be financially better off over the next 12 months. Model (4) is perceptions about inflation + province and date. Model (5) is model (3) + perceptions of inflation. Model (6) is model (5) + wage growth expectations. All specifications include a Post Covid dummy as well as an interaction term of the dummy with the labour market measure.

Table B11: Estimation results for regressions with spending expectations and inflation expectations (Covid dummy and inflation interaction)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel A: Provincial unemployment rate (Full sample)								
$E_{i,t}\pi_{t+12}$	-0.784*** (0.028)	-0.785*** (0.029)	-0.781*** (0.029)	-0.510*** (0.031)				
$E_{i,t}\pi_{t-12}$					-0.600*** (0.030)	-0.599*** (0.031)	-0.598*** (0.031)	-0.379*** (0.028)
$E_{i,t}\text{income}_{t+12}$				0.308*** (0.014)				0.324*** (0.013)
financially better off			1.263*** (0.219)	0.390* (0.203)			1.359*** (0.216)	0.405** (0.201)
UR_t^{prov}	-0.345*** (0.065)	-0.076 (0.149)	-0.058 (0.146)	0.047 (0.135)	-0.348*** (0.059)	-0.112 (0.147)	-0.093 (0.144)	0.030 (0.134)
PostCovid	0.978** (0.390)				0.612 (0.382)			
PostCovid# $E_{i,t}\pi_{t+12}$	-0.083* (0.046)	-0.067 (0.057)	-0.071 (0.056)	-0.041 (0.050)				
PostCovid# $E_{i,t}\pi_{t-12}$					-0.074 (0.059)	-0.060 (0.076)	-0.063 (0.075)	-0.023 (0.066)
Observations	31,562	28,004	27,992	26,198	31,556	27,999	27,987	26,193
Adjusted R-squared	0.087	0.097	0.099	0.235	0.052	0.065	0.067	0.221
Panel B: Prob UR higher (Full sample)								
$E_{i,t}\pi_{t+12}$	-0.745*** (0.041)	-0.756*** (0.043)	-0.752*** (0.042)	-0.516*** (0.043)				
$E_{i,t}\pi_{t-12}$					-0.592*** (0.046)	-0.601*** (0.049)	-0.598*** (0.049)	-0.413*** (0.044)
$E_{i,t}\text{income}_{t+12}$				0.292*** (0.017)				0.308*** (0.017)
financially better off			1.706*** (0.294)	0.870*** (0.270)			1.797*** (0.298)	0.883*** (0.273)
Prob. UR higher	-0.007 (0.005)	-0.008 (0.005)	-0.007 (0.005)	0.003 (0.004)	-0.012** (0.005)	-0.012** (0.005)	-0.011** (0.005)	0.001 (0.004)
PostCovid	0.138 (0.471)				-0.396 (0.445)			
PostCovid# $E_{i,t}\pi_{t+12}$	-0.095 (0.073)	-0.095 (0.091)	-0.103 (0.091)	-0.053 (0.084)				
PostCovid# $E_{i,t}\pi_{t-12}$					-0.034 (0.086)	-0.012 (0.108)	-0.019 (0.108)	0.030 (0.103)
Observations	15,749	14,001	13,995	13,084	15,746	13,998	13,992	13,081
Adjusted R-squared	0.081	0.094	0.097	0.228	0.049	0.063	0.066	0.215

Continuation of Table								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel C: Prob UR lower (Full sample)								
$E_{i,t}\pi_{t+12}$	-0.815*** (0.039)	-0.809*** (0.041)	-0.807*** (0.041)	-0.504*** (0.039)				
$E_{i,t}\pi_{t-12}$					-0.600*** (0.040)	-0.592*** (0.042)	-0.591*** (0.042)	-0.345*** (0.034)
$E_{i,t}income_{t+12}$				0.324*** (0.021)				0.341*** (0.020)
financially better off			0.692** (0.281)	-0.146 (0.269)			0.745*** (0.282)	-0.154 (0.268)
Prob. UR lower	0.024*** (0.005)	0.017*** (0.005)	0.016*** (0.005)	0.004 (0.005)	0.029*** (0.005)	0.022*** (0.005)	0.021*** (0.005)	0.007 (0.005)
PostCovid	-0.788** (0.376)				-1.047*** (0.365)			
PostCovid# $E_{i,t}\pi_{t+12}$	-0.057 (0.058)	-0.031 (0.072)	-0.033 (0.071)	-0.035 (0.068)				
PostCovid# $E_{i,t}\pi_{t-12}$					-0.096 (0.069)	-0.093 (0.083)	-0.095 (0.082)	-0.074 (0.071)
Observations	15,808	13,998	13,992	13,110	15,805	13,996	13,990	13,108
Adjusted R-squared	0.093	0.102	0.103	0.243	0.056	0.069	0.070	0.229
Panel D: Prob of finding a job (LF=1)								
$E_{i,t}\pi_{t+12}$	-0.747*** (0.030)	-0.754*** (0.029)	-0.752*** (0.029)	-0.492*** (0.033)				
$E_{i,t}\pi_{t-12}$					-0.547*** (0.032)	-0.549*** (0.032)	-0.549*** (0.032)	-0.348*** (0.031)
$E_{i,t}income_{t+12}$				0.305*** (0.018)				0.326*** (0.018)
financially better off			1.171*** (0.201)	0.409** (0.188)			1.208*** (0.199)	0.372** (0.188)
Prob. of finding a job	0.012*** (0.003)	0.006** (0.003)	0.004 (0.003)	-0.009*** (0.003)	0.013*** (0.003)	0.007** (0.003)	0.005 (0.003)	-0.009*** (0.003)
PostCovid	-0.233 (0.382)				-0.584* (0.350)			
PostCovid# $E_{i,t}\pi_{t+12}$	-0.078 (0.053)	-0.061 (0.064)	-0.065 (0.063)	-0.072 (0.056)				
PostCovid# $E_{i,t}\pi_{t-12}$					-0.060 (0.055)	-0.048 (0.061)	-0.052 (0.061)	-0.063 (0.055)
Observations	18,495	16,352	16,348	15,400	18,490	16,348	16,344	15,396
Adjusted R-squared	0.089	0.103	0.105	0.229	0.049	0.065	0.068	0.213

Continuation of Table								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel E: Prob of losing a job (LF=1)								
$E_{i,t}\pi_{t+12}$	-0.741*** (0.029)	-0.746*** (0.029)	-0.745*** (0.029)	-0.494*** (0.032)				
$E_{i,t}\pi_{t-12}$					-0.539*** (0.031)	-0.540*** (0.032)	-0.540*** (0.032)	-0.350*** (0.031)
$E_{i,t}\text{income}_{t+12}$				0.303*** (0.018)				0.324*** (0.018)
financially better off			1.145*** (0.203)	0.357* (0.191)			1.176*** (0.202)	0.314 (0.191)
Prob. of losing a job	-0.013** (0.005)	-0.018*** (0.005)	-0.017*** (0.005)	0.003 (0.005)	-0.016*** (0.005)	-0.021*** (0.006)	-0.020*** (0.006)	0.002 (0.005)
PostCovid	-0.243 (0.388)				-0.588* (0.352)			
PostCovid# $E_{i,t}\pi_{t+12}$	-0.078 (0.053)	-0.060 (0.065)	-0.065 (0.064)	-0.072 (0.056)				
PostCovid# $E_{i,t}\pi_{t-12}$					-0.057 (0.054)	-0.045 (0.061)	-0.048 (0.061)	-0.063 (0.055)
Observations	18,490	16,348	16,344	15,397	18,485	16,344	16,340	15,393
Adjusted R-squared	0.089	0.104	0.106	0.228	0.048	0.067	0.069	0.212
Panel F: Unemployed dummy (LF=1)								
$E_{i,t}\pi_{t+12}$	-0.766*** (0.029)	-0.769*** (0.029)	-0.767*** (0.029)	-0.493*** (0.034)				
$E_{i,t}\pi_{t-12}$					-0.555*** (0.033)	-0.559*** (0.035)	-0.558*** (0.035)	-0.349*** (0.033)
$E_{i,t}\text{income}_{t+12}$				0.303*** (0.016)				0.321*** (0.016)
financially better off			1.218*** (0.236)	0.405* (0.212)			1.253*** (0.235)	0.374* (0.211)
unemployed dummy	0.270 (0.787)	-0.041 (0.859)	0.139 (0.866)	-1.762** (0.764)	-0.119 (0.811)	-0.328 (0.883)	-0.138 (0.890)	-2.052*** (0.772)
PostCovid	-0.353 (0.442)				-0.730* (0.408)			
PostCovid# $E_{i,t}\pi_{t+12}$	-0.141** (0.056)	-0.110 (0.070)	-0.116* (0.069)	-0.113* (0.060)				
PostCovid# $E_{i,t}\pi_{t-12}$					-0.130** (0.062)	-0.107 (0.076)	-0.112 (0.076)	-0.095 (0.067)
Observations	20,098	17,779	17,774	16,757	20,093	17,775	17,770	16,753
Adjusted R-squared	0.087	0.101	0.103	0.238	0.047	0.065	0.067	0.223

Note: The estimation results for equation 8 are presented for several specifications. Models (5) to (8) are analogous to (1) to (4) except that wage growth perceptions are used instead of wage growth expectations. Model (1) includes no controls. Model (2) includes controls for demographic characteristics (age, gender, education, income, marital status, presence of children), province and date. Model (3) is model (2) + knowledge about inflation, ease of expressing inflation as a number and expectation to be financially better off over the next 12 months. Model (4) is (3) + expectations about real income growth. All specifications include a Post Covid dummy as well as an interaction term of the dummy with the inflation measure.

Table B12: Estimation results for regressions with spending expectations and wage growth expectations (Covid dummy and wage growth interaction)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel A: Provincial unemployment rate (Full sample)								
$E_{i,t} \text{wage}_{i,t+12}$	0.180*** (0.018)	0.175*** (0.019)	0.172*** (0.019)	0.001 (0.021)				
$E_{i,t} \text{wage}_{i,t-12}$					0.116*** (0.014)	0.104*** (0.015)	0.099*** (0.015)	0.044*** (0.015)
$E_{i,t} \text{income}_{t+12}$				0.336*** (0.020)				0.343*** (0.018)
financially better off			0.770*** (0.206)	0.199 (0.193)			0.667*** (0.208)	0.020 (0.194)
UR_t^{prov}	-0.272*** (0.067)	-0.171 (0.203)	-0.160 (0.202)	-0.011 (0.189)	-0.254*** (0.067)	0.059 (0.196)	0.062 (0.196)	0.207 (0.185)
PostCovid	-0.047 (0.344)				0.294 (0.370)			
PostCovid#	0.125*** (0.044)	0.178*** (0.051)	0.179*** (0.051)	0.147*** (0.048)				
$E_{i,t} \text{wage}_{i,t+12}$					0.026 (0.030)	0.039 (0.039)	0.040 (0.039)	0.004 (0.030)
PostCovid#								
$E_{i,t} \text{wage}_{i,t-12}$								
Observations	18,495	16,352	16,348	15,400	17,997	15,858	15,854	14,927
Adjusted R-squared	0.042	0.060	0.061	0.197	0.021	0.037	0.038	0.201
Panel B: Prob UR higher (Full sample)								
$E_{i,t} \text{wage}_{i,t+12}$	0.183*** (0.019)	0.172*** (0.020)	0.168*** (0.020)	-0.015 (0.020)				
$E_{i,t} \text{wage}_{i,t-12}$					0.111*** (0.017)	0.094*** (0.017)	0.089*** (0.018)	0.045*** (0.017)
$E_{i,t} \text{income}_{t+12}$				0.338*** (0.025)				0.337*** (0.023)
financially better off			0.993*** (0.285)	0.546** (0.259)			0.857*** (0.290)	0.295 (0.260)
Prob. UR higher	-0.014** (0.006)	-0.016** (0.006)	-0.015** (0.006)	0.001 (0.006)	-0.017*** (0.006)	-0.020*** (0.007)	-0.019*** (0.007)	-0.000 (0.006)
PostCovid	-0.735** (0.316)				-0.214 (0.343)			
PostCovid#	0.154*** (0.056)	0.168*** (0.063)	0.168*** (0.063)	0.111* (0.061)				
$E_{i,t} \text{wage}_{i,t+12}$					0.015 (0.035)	0.044 (0.048)	0.046 (0.048)	0.006 (0.041)
PostCovid#								
$E_{i,t} \text{wage}_{i,t-12}$								
Observations	9,215	8,173	8,172	7,704	8,969	7,928	7,927	7,468
Adjusted R-squared	0.046	0.059	0.060	0.206	0.020	0.034	0.035	0.211

Continuation of Table								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel C: Prob UR lower (Full sample)								
$E_{i,t}wage_{i,t+12}$	0.173*** (0.033)	0.174*** (0.033)	0.172*** (0.033)	0.015 (0.036)				
$E_{i,t}wage_{i,t-12}$					0.117*** (0.024)	0.109*** (0.024)	0.108*** (0.024)	0.043* (0.023)
$E_{i,t}income_{t+12}$				0.335*** (0.026)				0.348*** (0.025)
financially better off			0.330 (0.317)	-0.265 (0.291)			0.199 (0.318)	-0.392 (0.303)
Prob. UR lower	0.027*** (0.006)	0.018*** (0.007)	0.017** (0.007)	0.010* (0.006)	0.033*** (0.006)	0.026*** (0.007)	0.025*** (0.007)	0.011* (0.006)
PostCovid	-1.385*** (0.377)				-1.147*** (0.397)			
PostCovid#	0.105* (0.056)	0.186*** (0.058)	0.187*** (0.058)	0.181*** (0.053)				
$E_{i,t}wage_{i,t+12}$					0.033 (0.040)	0.037 (0.051)	0.037 (0.051)	0.007 (0.040)
PostCovid#								
$E_{i,t}wage_{i,t-12}$								
Observations	9,277	8,176	8,173	7,694	9,025	7,927	7,924	7,457
Adjusted R-squared	0.040	0.067	0.067	0.193	0.026	0.046	0.046	0.195
Panel D: Prob of finding a job (LF=1)								
$E_{i,t}wage_{i,t+12}$	0.179*** (0.018)	0.176*** (0.019)	0.173*** (0.019)	0.002 (0.021)				
$E_{i,t}wage_{i,t-12}$					0.114*** (0.014)	0.103*** (0.015)	0.099*** (0.015)	0.046*** (0.015)
$E_{i,t}income_{t+12}$				0.338*** (0.020)				0.346*** (0.018)
financially better off			0.788*** (0.204)	0.271 (0.191)			0.649*** (0.208)	0.078 (0.193)
Prob. of finding a job	0.005* (0.003)	-0.000 (0.003)	-0.002 (0.003)	-0.011*** (0.003)	0.008*** (0.003)	0.004 (0.003)	0.003 (0.003)	-0.011*** (0.003)
PostCovid	-0.907*** (0.285)				-0.487 (0.309)			
PostCovid#	0.126*** (0.044)	0.178*** (0.051)	0.178*** (0.051)	0.148*** (0.048)				
$E_{i,t}wage_{i,t+12}$					0.025 (0.030)	0.039 (0.039)	0.040 (0.039)	0.004 (0.030)
PostCovid#								
$E_{i,t}wage_{i,t-12}$								
Observations	18,493	16,350	16,346	15,398	17,995	15,856	15,852	14,925
Adjusted R-squared	0.041	0.060	0.061	0.198	0.021	0.037	0.038	0.202

	Continuation of Table							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel E: Prob of losing a job (LF=1)								
$E_{i,t}wage_{i,t+12}$	0.178*** (0.018)	0.171*** (0.019)	0.168*** (0.019)	0.000 (0.021)				
$E_{i,t}wage_{i,t-12}$					0.113*** (0.015)	0.100*** (0.015)	0.096*** (0.015)	0.044*** (0.015)
$E_{i,t}income_{t+12}$				0.335*** (0.020)				0.343*** (0.018)
financially better off			0.702*** (0.206)	0.189 (0.194)			0.605*** (0.207)	0.014 (0.194)
Prob. of losing a job	-0.022*** (0.005)	-0.024*** (0.005)	-0.023*** (0.005)	-0.003 (0.005)	-0.021*** (0.005)	-0.024*** (0.006)	-0.024*** (0.006)	0.000 (0.005)
PostCovid	-0.821*** (0.288)				-0.429 (0.314)			
PostCovid#	0.128*** (0.044)	0.179*** (0.051)	0.180*** (0.051)	0.147*** (0.048)				
$E_{i,t}wage_{i,t+12}$					0.025 (0.031)	0.039 (0.039)	0.041 (0.039)	0.004 (0.030)
PostCovid#								
$E_{i,t}wage_{i,t-12}$								
Observations	18,488	16,346	16,342	15,395	17,991	15,853	15,849	14,923
Adjusted R-squared	0.043	0.062	0.063	0.197	0.022	0.039	0.040	0.201

Note: The estimation results for equation 8 are presented for several specifications. Models (5) to (8) are analogous to (1) to (4) except that wage growth perceptions are used instead of wage growth expectations. Model (1) includes no controls. Model (2) includes controls for demographic characteristics (age, gender, education, income, marital status, presence of children), province and date. Model (3) is model (2) + knowledge about inflation, ease of expressing inflation as a number and expectation to be financially better off over the next 12 months. Model (4) is (3) + expectations about real income growth. All specifications include a Post Covid dummy as well as an interaction term of the dummy with the wage growth measure.