

Discussion: Job Loss Expectations, Durable Consumption and Household Finances: Evidence from Linked Survey Data by Yuri Pettinicchi and Nathanael Vellekoop

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Job Loss Expectations, Durable Consumption and Household Finances: Evidence from Linked Survey Data

- Data:

- ▶ Link survey data about expectations on job loss to administrative data from a worker-firm panel for realizations of job transitions to another firm or into unemployment
- ▶ Further link survey data to administrative data on car purchases, precautionary savings and household finances

- Research questions:

- 1 What is the predictive power of subjective survey expectations on the probability of job loss?
- 2 What are the implications, if any, for household durable goods consumption and saving?

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- Main results:
 - 1 Higher job loss expectations are significantly correlated with higher realized job loss \Rightarrow result is driven by very high subjective probabilities of job loss
 - 2 (Marginally significant) negative effect on the value of a newly purchased car and on the likelihood of buying a new vs. an used car, negative effect of an expectations error on both the likelihood of buying and the value of a new car
 - 3 (Small) positive effect on stocks and flows of savings and financial wealth of the household

\Rightarrow Very interesting paper using a great database!

① Introduction:

- ▶ State the research question more clearly
- ▶ Give some preliminary results

② Policy recommendations:

- ▶ Paper uses a great database, but so far the results remain mainly descriptive
- ▶ Are there any policy recommendations which can be derived from the analysis? E.g. is the precautionary saving you observe “rational” or could households’ reaction to job loss expectations be improved by certain policy measures?

③ “Forecast errors”:

- ▶ Identify an “employment shock”, i.e. large differences between expectations and outcome \Rightarrow differences between sub-groups with positive and negative shocks?
- ▶ It would be interesting to know how confident consumers are regarding the accuracy of their job loss expectations
- ▶ Effect of “forecast errors” also on savings?

- ④ Explore potential non-linearities more:
 - ▶ What are the implications of non-linear effects across bins of job loss expectations on stock holdings, savings or car purchases?
 - ▶ Are the effects particularly strong for specific groups of the population, e.g. low income hh's, credit-constrained hh's, older hh's? ⇒ Evaluate interaction effects