Overreaction in inflation expectations: Do behavioral attributes of individuals matter?

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Previous studies on inflation expectations suggest that agents often overreact to public signals, motivating extensions of standard macroeconomic models beyond full-information rational expectations and pointing to a role for behavioral explanations. Using Japanese survey data from 2008 to 2024 that include a variety of questions related to behavioral economics, we examine how individuals' behavioral attributes are associated with responses to public signals. Allowing for a shift in mean forecast errors during Japan's high-inflation period, we find evidence broadly consistent with overreaction in inflation expectations. However, this overreaction is not fully explained by the behavioral attributes examined in this paper. Our findings suggest that overreaction is not concentrated among individuals classified as behaviorally biased.