

Soft Data and Hard Data: Walking Together, or Merely Side by Side?

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Abstract

This paper examines whether soft data (survey-based assessments) and hard data (realized price movements) in U.S. consumption genuinely exhibit a structural discrepancy. Using monthly Consumer Price Index and University of Michigan Consumer Sentiment Index from 1998 to 2025, and applying continuous wavelet transforms, we find that most divergence arises from short-term fluctuations, whereas long-term components of sentiment and prices are closely aligned. Wavelet power analysis further shows that long-term trends dominate both series, implying that short-run differences contribute little to their overall dynamics. These results suggest that the widely discussed soft–hard discrepancy may reflect transitory noise, volatility, or measurement differences rather than fundamental divergence.

Keywords: Consumer Price Index, University of Michigan Consumer Sentiment Index, Soft and hard data, Continuous wavelet transform