



University of Cyprus
Department of Economics

Working Paper 01-2026

Household Inattention across the euro-area

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July 30, 2026

Abstract

We use inflation expectations survey data for households across the euro-area from 2004:1 to 2025:2 to construct two direct measures of inattention: one based on individual perception errors about current inflation, and a second based on individuals who do not know the current inflation rate. We find that the heterogeneity of the impact of aggregate noise across education levels is significantly more evident for perception errors as compared to the second measure. Importantly, perception-errors-based inattention declines with individuals' early lifetime inflation experience and rises with recent experience. By contrast, the measure based on those who don't know the current inflation rate does not respond systematically to households' lifetime inflation experiences across these countries. We also find that inattention as measured by current inflation perception errors is lower in most of these euro-area economies after the arrival of extreme adverse shocks and for individuals with 'greater skin in the game', but not according to the second measure which does not exhibit as clear a pattern across countries. Relating these measures to forecast errors, we show that while higher perception errors relate to over-prediction of the future inflation rate and higher inflation forecast inaccuracy, the opposite is true for the measure based on those who don't know the current inflation rate due to compositional effects unrelated to inattention. Unlike the latter, perception errors systematically produce results in line with economic theory.

Keywords: inflation expectations; lifetime experience; forecast errors; behavioral; belief heterogeneity; Central Bank communication.

JEL Classification: D84, E31, E70

^{*}We thank Martin Geiger, Yannis Ioannides, Alexander Kohlhas, Nicoletta Pashourtidou, and participants at the 24th annual C.R.E.T.E. meeting in Ios in July 2026, for useful comments and suggestions.

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1 Introduction

Understanding the determinants of households’ inattentiveness to inflation is important for theory and policy alike. The degree of inattention characterizing households at a point in time and how this relates to the state of the economy and individual characteristics, can help understand the formation of economic expectations and by extension, individual decision-making and aggregate outcomes in different macroeconomic settings. From a policy perspective, a better understanding of inattentiveness can help towards more effective communication by Central Banks in a world where this has become a key monetary policy tool.

Consequently, measuring and understanding inattention has been the focus of recent research, including the seminal contributions by Bracha and Tang (2025b), and Weber et al. (2025).¹ The first paper proposes two new measures of inattention, one based on households responding that they don’t know the current inflation rate, and one derived from estimation errors of those who, indirectly, provide a current inflation assessment. According to Bracha and Tang (2025a), these new measures improve over forecast errors used in earlier work that studied inattention, such as Carrol (2003), Andrade and Le Bihan (2013), Coibion and Gorodnichenko (2015), Binder (2017), and Goldstein (2023).

In this paper, we utilize the European Commission’s Business and Consumer Survey (BCS), to construct two measures of inattention for individual households: one based on the perception errors of individual households regarding the current inflation rate, and a second based on those households who respond that they don’t know the current inflation rate. We then relate these direct measures of inattention to the state of the economy as captured by recent inflation and adverse shocks, and to individual characteristics such as the individual’s lifetime inflation experience and the individual’s ‘skin in the game’. Given the previous literature’s focus on forecast errors as a measure of inattention, we examine how

¹Weber et al. (2025) estimate a measure of inattention through information treatments, and also present a direct measure of inattention based on the 2023M1 wave of the ECB’s Consumers Expectations Survey (CES), where households were asked how attentive they were to inflation and whether they were paying more or less attention to inflation compared to 12 months before.

these measures actually relate to inflation forecast errors and inaccuracy.

Beyond its broad cross-country coverage, the European BCS households survey has the additional advantage relative to the Michigan Survey of Consumers (MSC) of asking directly about current inflation, so we do not have to infer perception errors implicitly from other survey questions. One consequence of this, is that we can utilize the whole cross-section of households rather than just the so called ‘Same-Up’ group used in Bracha and Tang (2025b) due to the MSC not asking a question about current inflation.²

Utilizing the BCS survey across twelve euro-area economies from 2004:1 to 2025:2, we find that the heterogeneity of the impact of aggregate noise on inattention across education levels is significantly more evident for perception errors as compared to the second measure. Moreover, we find that it is high uncertainty, related to heightened disagreement and an associated increase in aggregate noise, to which highly educated individuals respond by forming smaller perception errors, rather than to high inflation per se. This implies that one important reason more highly educated individuals tend to make smaller perception errors as compared to low education ones, is that they have an advantage in deciphering signal from noise during noisy periods.

Importantly, the perception-errors-based measure of inattention is lower for individuals that experienced high levels of inflation early in their lifetime and rises with recent lifetime inflation experience. By contrast, the measure based on those who don’t know the current inflation rate does not respond consistently to lifetime inflation experiences across these countries.

In addition, we find that inattention as measured by current inflation perceptions errors falls in most of these euro-area economies after the arrival of extreme adverse exogenous shocks such as the Covid Pandemic and the Russian Invasion, but not according to the measure based on those who don’t know the current inflation rate, which does not exhibit a clear pattern across countries. Moreover, inattention based on current inflation perception

²Thus, Bracha and Tang (2025b) focus on a subset of respondents labelled ‘Same-Up’ (having responded ‘stay the same’ to question A12 and ‘go up’ to question A12a of the MSC), who believe inflation would stay the same in the next year and thus indirectly reveal their assessments of current inflation.

errors is lower in every single country for individuals with greater ‘skin in the game’, as captured by how likely individuals are to make major purchases in the next 12 months, but not according to the second measure which exhibits a positive or insignificant relation with ‘skin in the game’ in most of these economies. As in Bracha and Tang (2025b) and Weber et al. (2025), inattention (measured by either of these measures) falls when inflation has been high in the previous month.³

Relating these measures of inattention to forecast errors and the degree of forecast inaccuracy, we find that while individuals with higher perception errors have a tendency to over-predict future inflation and be more inaccurate, the opposite is true for the measure based on those who don’t know the current inflation rate, due to composition effects which can reduce absolute forecast errors mechanically even if inattention genuinely harms accuracy at the individual level.⁴

Our work contributes to several strands of the literature. Foremost, to the inattention literature. Weber et al. (2025), Pfäuti (2023), and Buelens (2025) show that after the post pandemic surge of inflation, individuals across the Euro area became more attentive to prices. The finding that our perception-errors-based measure of inattention falls in the aftermath of extreme adverse shocks is novel, and implies that attentiveness is endogenous and depends on the incentives and costs of individuals to monitor prices, in line with theories of rational inattention going back to Sims (2003) and Mackowiak and Wiederholt (2009). Our finding that inattention falls when inflation has been high in the previous month, reinforces that attention to inflation is endogenous.

Importantly, the link between perception-errors-based inattention and forecast errors we document here, implies that the latter can serve as a reasonable proxy of inattention, supporting the relevance of the accumulated knowledge derived from the existing large volume of research utilizing inflation forecast errors to capture inattention, e.g., Carrol (2003), An-

³As the BCS surveys are conducted in the beginning of each month, last month’s inflation captures the current state of the economy as observed by the households at the time of the survey.

⁴More specifically, an increase in ‘Don’t Know’ responses implies fewer but better informed households are forming forecasts, while a decline implies an increase in the number of households that choose to report inflation expectations rather than abstain from doing so, where these newly reporting households are likely relatively less informed about recent prices so that their forecasts tend to be more inaccurate.

drade and Le Bihan (2013), or Coibion and Gorodnichenko (2015).

Our paper also contributes to the literature studying the effects of macroeconomic experiences on households' subjective beliefs and choices. Notably, Malmendier and Nagel (2016) showed that inflation experiences help explain subjective inflation expectations of households. We show that the perception-errors-based measure of inattention utilized here is lower for individuals that experienced high levels of inflation early in their lifetime, suggesting that such experiences induce individuals to assign a greater expected benefit (exceeding the cost) from paying attention to inflation, years after the original negative experiences occurred.

Last but not least, our systematic comparison between the perception-error measure of inattention and the measure based on households that do not know the current inflation rate offers novel insights into the structure of the inattention problem itself. The two measures capture fundamentally different stages of the information-processing problem: a household reporting a perceived inflation rate has engaged with the question but processed the available signal noisily, whereas a household responding "don't know" has chosen not to engage at all. Under rational inattention theory (Mackowiak and Wiederholt (2009); Sims (2003)), both outcomes can be optimal responses to the same underlying cost-benefit problem of information acquisition, but need not respond in the same way to changes in the incentives to pay attention. The systematically different impact we document on these measures for lifetime inflation experience, adverse shocks, and skin-in-the-game, might suggest that these two aspects of the attention decision operate differently, with the perception-errors-based measure being the one that responds robustly to incentives as captured, for example, by the arrival of adverse shocks or by skin-in-the-game.

Next, we present the data and the construction of our two measures of inattention and lifetime inflation experiences. We then present our empirical results related to how inattention is affected by the state of the economy and individual characteristics. Finally, we use the two direct measures of inattention to explain individual inflation forecast errors and their degree of inaccuracy. The last section briefly concludes.

2 Data and variables construction

In this section, we describe the data and the construction of the two direct measures of inattention, as well as the construction of lifetime inflation experiences.

2.1 Measures of Inattention

2.1.1 Perception errors-based measure of inattention

We make use of the BCS household-level data which provide a monthly look at consumer expectations across the euro-area from January 2004 to February 2025. We use the survey responses from Austria (AT), Belgium (BE), Germany (DE), Greece (EL), Spain (ES), Finland (FI), France (FR), Ireland (IE), Italy (IT), Luxembourg (LU), the Netherlands (NL), and Portugal (PT). The value of the BCS is its coverage and comparability; by asking a common set of survey questions related to households' inflation perceptions and inflation expectations across the Euro area over the same period, it serves as a unique 'macroeconomic laboratory' allowing us to study what drives inattention across a group of countries that share a common currency but have very different inflation histories and price dynamics.

Each household i at time t , is asked about its 'perceived inflation rate', $\pi_{i,t}^{\text{perceived}}$: *"How many percent do you think prices in general have increased/decreased on average over the past 12 months?"* Consumer prices have increased by _____ % / decreased by _____ %.

For the first proposed measure of inattention, we make use of the above quantitative responses to construct Inattention as the deviation between perceived and realized inflation,

$$Inattention_{i,t} = \pi_{i,t}^{\text{perceived}} - \pi_t^{\text{realized}}, \quad (1)$$

where π_t^{realized} represents the actual inflation in month t .⁵ We hypothesize that more

⁵Since respondents are usually interviewed during the first week of the month, we construct the perception error-based measure of inattention by removing the preceding month's HICP inflation rate from the current month's perception of the inflation rate. That is, for a respondent interviewed in August 2008, the inattention measure is defined as the difference between the respondent's August 2008 perception of the change in consumer prices and the official HICP inflation rate recorded in July 2008.

attentive households will exhibit smaller perception errors, resulting in lower values of $Inattention_{i,t}$.

Our proposed measure of inattention differs in several dimensions from that of Bracha and Tang (2025b). First, the European household survey we use asks directly about current prices, so we do not have to implicitly infer perception errors from other survey questions. Furthermore, this allows us to exploit responses from the full cross-section of households. By contrast, Bracha and Tang (2025b) rely on a subset of respondents – those who report that inflation will remain unchanged over the next year – and are therefore indirectly asked about their perceptions of current inflation. Using the full sample enables us to study inattention across different socioeconomic groups, whereas the measure in Bracha and Tang (2025b) focuses on a subset of households that is likely, on average, better informed about current inflation.⁶ Second, while our proposed measure of inattention relies on individual quantitative responses at the micro level, Measure II in Bracha and Tang (2025b) is based on aggregate estimation errors. Importantly, the perception-based measure we propose is net of the positive effect aggregate noise has on perception errors. We return to this important distinction later in this subsection.

Bracha and Tang (2025b) justify not using the perception-errors measure for the BCS (aggregate) data, due to a potential bias caused by the design of the survey questions about current inflation perceptions and future inflation expectations, that allows participants to select a response that prices were or will remain stagnant which is translated to zero inflation for constructing quantitative inflation responses.⁷ As Bracha and Tang (2025b) argue, the BCS survey, unlike the MSC, does not ask a follow-up question to clarify whether respondents selecting this category meant that the inflation rate would remain the same. However, one needs to note that the BCS survey asks specifically “By comparison with the past 12

⁶Indeed, they are, on average, more educated, have higher income, younger, and include a higher share of females. Prior research suggests that higher education and better financial conditions are associated with more accurate information and forecasts.

⁷Andrade et al. (2023), based on a single one-time survey from September 2007 for one-year ahead inflation expectations of French households, argue that only 60 percent of those stating prices will stay the same actually meant zero inflation, and that the remaining 40 percent actually meant a stable but non-zero inflation rate so that inflation, rather than prices, stays the same. Hence, argue Bracha and Tang (2025b), tests based on Measure II with the BCS data are likely to be biased.

months, how do you expect that consumer prices will develop in the next 12 months? They will increase more rapidly, increase at the same rate, increase at a slower rate, stay about the same, fall, don't know" which allows respondents to clearly distinguish between prices increasing by the same rate, i.e., inflation staying the same, versus prices staying the same, while the MSC asks a different, less clear, question: "During the next 12 months, do you think that prices in general will go up, or go down, or stay where they are now?" which necessitates asking the follow-up question to clarify whether respondents selecting prices would "stay where they are now" really mean that the inflation rate would remain the same (stable non-zero inflation) rather than zero inflation. As the BCS survey question explicitly asks about a comparison with the past and provides separate options for answering that prices will increase at the same rate (i.e., stable non-zero inflation) or that prices would instead stay about the same (i.e. zero inflation), it maps one-to-one to increasing, constant, falling, zero, and negative inflation, unlike the MSC question.

To examine the degree of understanding of the respondents for the concept that prices will "increase at the same rate" in the BCS survey design, we conduct the following exercise. Among households that reported prices have "risen a lot", "risen moderately", or "risen slightly" over the past 12 months, we focus on those who, when asked with comparison to the past 12 months how will prices develop over the next 12 months, selected that prices will "increase at the same rate". If the BCS survey question design maps unambiguously to the concept of constant inflation, as we argue above, then these respondents are implicitly stating that they expect future inflation to equal their current inflation perception. Consequently, the quantitative response regarding inflation expectations should coincide, at least approximately, with the quantitative response regarding the evolution of prices over the past 12 months. Table 1 reports the proportion of respondents whose quantitative inflation expectations exactly coincide with their quantitative inflation perceptions (Exact), as well as the share for whom the relative difference between these is below 5%, and below 50%. The findings provide strong support for our interpretation of the survey responses.

In all countries but Belgium, the share of exact matches exceeds 60% and in nine of the

Table 1: Inflation Expectation - Perception Consistency Among Respondents

Difference	AT	BE	DE	EL	ES	FI	FR	IE	IT	LU	NL	PT
Exact	0.629	0.554	0.654	0.712	0.729	0.744	0.812	0.704	0.917	0.748	1.000	0.710
<5%	0.631	0.722	0.663	0.713	0.730	0.748	0.817	0.705	0.917	0.749	1.000	0.711
<50%	0.856	0.933	0.902	0.812	0.853	0.911	0.924	0.888	0.959	0.893	1.000	0.886

Note: The difference measures the relative difference between perceptions of current inflation and inflation expectations

twelve economies it exceeds 70%. The proportion of respondents whose relative difference is less than 5% exceeds 70% in all countries except Austria and Germany, and the proportion of respondents whose relative difference is less than 50% exceeds 85% in all countries and 90% in half of them. These results indicate that the vast majority of respondents who report that prices are expected to ‘increase at the same rate’ over the next 12 months relative to the previous 12 months interpret the question as implying that expected inflation will remain broadly aligned with perceived inflation. This evidence suggests that the BCS survey question design is well understood by the great majority of respondents, and that using the full cross-section of BCS respondents to construct perception-error-based inattention measures is well-founded.

While we have verified that individuals generally understand the concept of prices increasing at the same rate using their responses to the quantitative questions, we cannot directly verify their degree of understanding for the concept that prices will “stay about the same” since individuals that give this response to the qualitative question are not then asked to provide a response to the quantitative question about expected inflation. Thus, to address any remaining concerns, in the robustness section at the end of the paper we revisit this issue and re-estimate our baseline specifications after excluding all households that report prices stayed about the same over the previous twelve months.

Descriptive statistics

Figure A1 provides an aggregate picture of the variation in perception errors across the euro area, where we observe noticeable cross-country heterogeneity. Table A1 reports the cross-sectional mean of perception errors across countries and demographic groups. Several systematic patterns emerge: Perception errors generally decline with age in all countries

but Greece, indicating that older respondents tend to report smaller deviations from actual inflation. Education is strongly associated with lower perception errors. Household education level is classified into three categories: primary (low), secondary (middle), and further education (high). The high educated have the smallest perception errors in all countries but Portugal, and the low educated have the highest perception errors in all countries except France and Portugal. In Germany and Finland, perception errors among middle-educated respondents are very similar to those of the low-educated group, and in Greece, perception errors are relatively large but similar across educational categories. Gender differences are pronounced: women display consistently higher perception errors than men across all countries. Finally, a clear income gradient is visible in all countries but Greece. Perception errors tend to decline monotonically from the lowest to the highest income quartile, indicating that higher-income households, on average, make smaller perception errors. Given that household characteristics appear to shape perception errors, it will be important to include all of the above-described individual characteristics in our regression analysis that follows so as to isolate the impact of our variables of interest, i.e. lifetime inflation experience, ‘skin in the game’, or extreme adverse shocks, on inattentiveness as measured by perception errors.

Relationship between Perception errors and realized Inflation

The relationship between inflation and household perception errors is potentially confounded by variation in aggregate noise on the economy. Higher inflation may increase the salience of price changes and thereby induce households to allocate more attention to inflation, improving the accuracy of their self-reported perceived inflation. However, high-inflation episodes may also be characterized by greater aggregate noise, reflected in wider dispersion in inflation expectations and perceptions, which can increase observed perception errors independently of attention. Isolating the relationship between perception errors and inattention therefore requires accounting for this common-noise component.

To examine the relationship between perception errors, net of aggregate noise, with lagged realized inflation below in this section, we regress individual perception errors on lagged

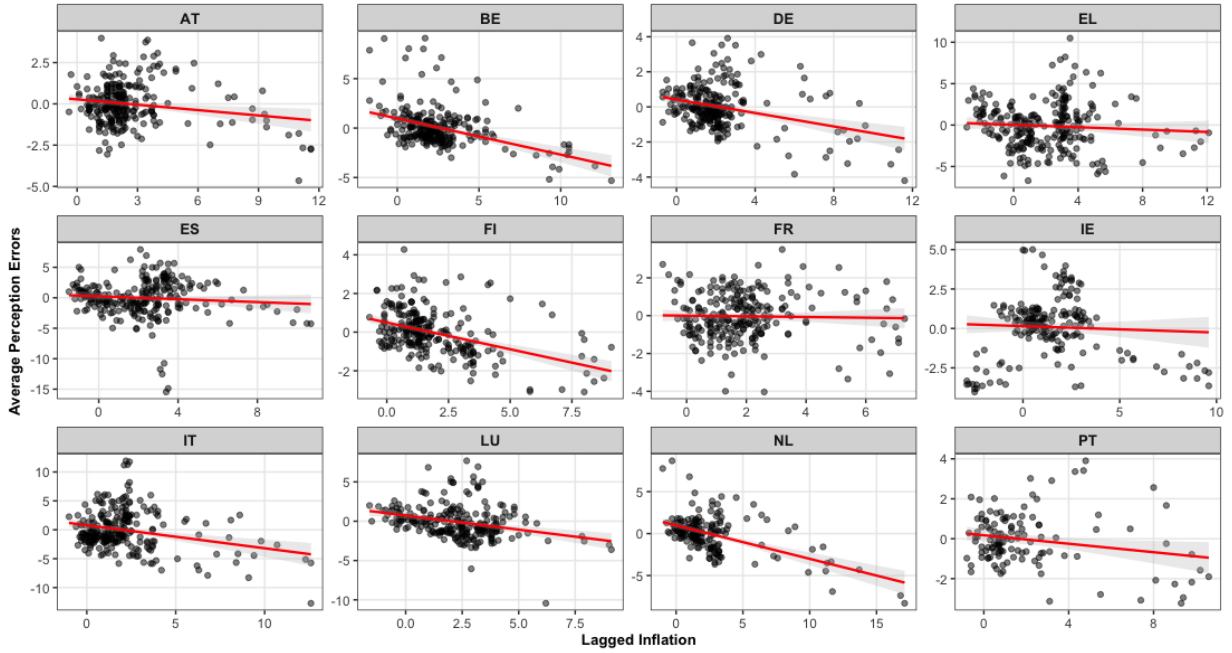
dispersion in inflation expectations and use the resulting residuals as a measure of perception errors purged of aggregate noise. The correlations reported in Table 2 underscore the importance of this adjustment. After removing the component associated with aggregate noise, the correlation with inflation becomes negative for almost all countries. Thus, the positive unconditional relationship observed when not accounting for disagreement, appears to be driven primarily by heightened aggregate noise during periods of elevated inflation. Conditional on disagreement, perception errors decline as inflation rises, consistent with the hypothesis that higher inflation increases the attention households devote to inflation. Figure 1 illustrates this relationship by plotting the residualized median perception errors against the previous month's inflation rate.

Table 2: Correlation of inflation with Perception Errors

Correlation	AT	BE	DE	EL	ES	FI	FR	IE	IT	LU	NL	PT
Infl & PE Raw	0.43	-0.07	0.44	0.55	0.52	0.31	0.66	-0.01	0.33	-0.30	0.01	0.69
Infl & PE Adjusted	-0.15	-0.39	-0.34	-0.07	-0.07	-0.43	-0.01	-0.04	-0.26	-0.40	-0.56	-0.18

Note: The correlation coefficient is computed between median perception errors and realized inflation in the previous month. Perception errors without controlling for aggregate disagreement are denoted by ****PE Raw****, whereas perception errors after removing the effect of aggregate disagreement are denoted by ****PE Adjusted****. The use of lagged inflation reflects the timing of the survey, which is conducted during the first weeks of each month, while official inflation figures are typically released at the end of the month.

Figure 1: Perception Errors over Inflation



Note: The figure plots mean perception errors net of aggregate disagreement (y-axis) against realized inflation of the previous month (x-axis). To construct this measure, we regress individual perception errors on the first lag of aggregate disagreement in inflation expectations, purging perception errors from the effect of aggregate noise. Inflation is measured as the year-on-year percentage change in the Harmonised Index of Consumer Prices (HICP).

We note that in the regression analysis that follows in the next section, we control directly for disagreement rather than using the residualized perception errors as in the graphical representation in Figure 1 and the correlations reported in Table 2. This approach is equivalent in spirit to using the residualized perception errors but allows us to estimate and report the role of disagreement in shaping inattention across specifications.

2.1.2 Inattention measure based on Don't Know responses

Our second proposed measure of inattention closely follows the methodology of Bracha and Tang (2025b), which utilize qualitative questions regarding perceived prices. More precisely, households are asked a question about the 'perceived price development over the past 12 months':

"How do you think prices in general have developed over the past 12 months? They have:"

Increased strongly; Increased moderately; Increased slightly; Stayed about the same;

Fallen; Don't know. We consider respondents to be inattentive if they select the response "Don't know" to the above qualitative question.

We note here that this measure captures a qualitatively different degree of inattention than perception errors. A household that provides a quantitative estimate – even an imprecise one – may be somewhat attentive and not completely unaware of current prices. An individual that does not know current prices is more likely, either facing information costs high enough to deter engagement entirely or unable to follow recent price developments altogether.

We provide extensive descriptive statistics on the share of respondents who report that they do not know the current inflation rate, examining how this varies across different socioeconomic groups, and over time across countries. We also compare these patterns with realized inflation and the degree of disagreement in inflation expectations, and present descriptive statistics across countries and demographic groups for the inflation expectations reported by such "inattentive" respondents.

Descriptive statistics

In Figure A2, we provide an aggregate picture of the variation in this measure of inattention across the euro area, noticing again substantial cross-country heterogeneity. Table A2 reports the share of "Don't know" responses by demographic characteristics across countries. A clear age gradient emerges: in all countries but Germany, the highest share of "Don't knows" is observed among respondents aged 65+, while younger and middle-aged groups generally display lower rates of non-response. Education differences are also pronounced. In all countries but Austria, individuals with low educational attainment exhibit the highest share of "Don't knows", consistent with lower information, ability, or confidence in reporting inflation perceptions. Gender differences exhibit no uniform pattern across countries. Regarding income, the lowest income quartile records the highest share of "Don't knows" in all countries but France. Interestingly, in Austria, Belgium, Germany, and Luxembourg, the highest income quartile exhibits the second-highest share of "Don't know" responses, while relatively elevated levels are observed in Spain, France, and the Netherlands. Overall, Table A2 highlights systematic demographic heterogeneity here.

Relationship between Share of Don't Know responses and realized Inflation

In Table 3, we can see that the share of “Don’t Know” response, exhibits a strong negative correlation with recent inflation across the majority of these euro area economies. The magnitude of this relationship varies by country, being particularly pronounced in Spain, Greece, France, the Netherlands, and Finland, while being relatively weaker in other economies, notably in Luxembourg, Ireland and Italy. Similarly, this proposed measure of inattention shows a significant negative correlation with aggregate disagreement, as captured by the dispersion of household inflation forecasts over time. Once again, this relationship is strong in most of these countries, especially in the Netherlands, Greece, Finland, Germany, Spain, and Portugal, whereas it is notably small in Ireland, Austria, and Luxembourg. These correlations provide suggestive evidence of a robust negative association between this measure of inattention with two key macroeconomic variables.

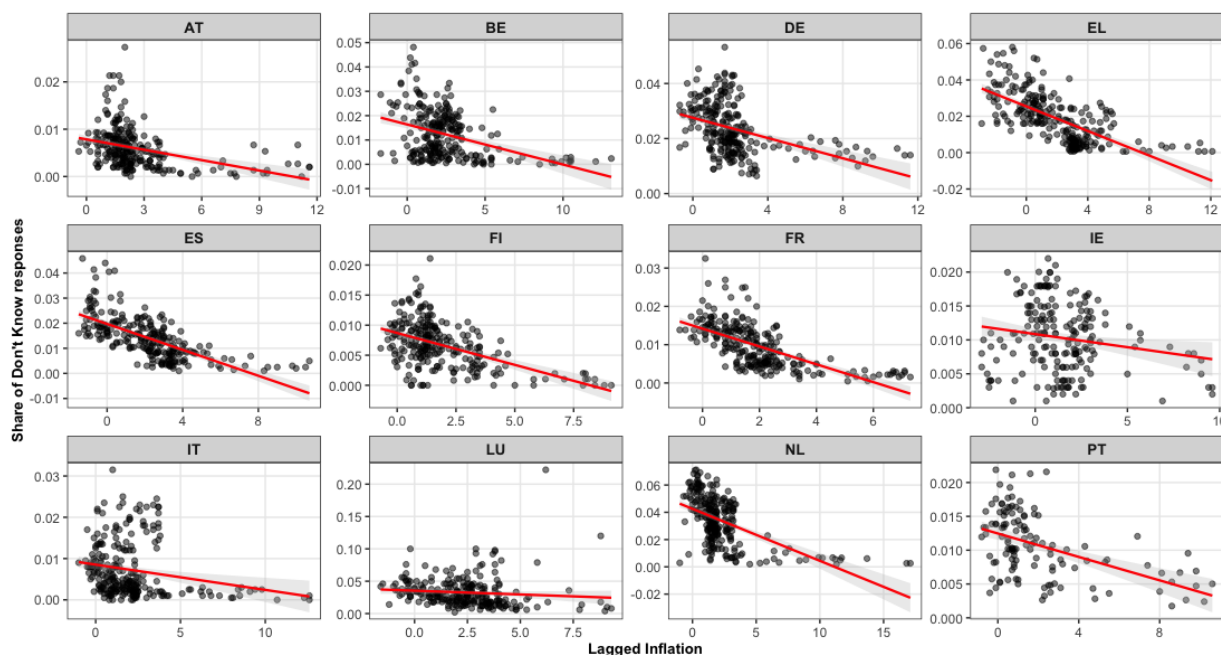
Table 3: Correlation between the Share of “Don’t Know” responses (DK) with Realized Inflation (Infl) and Disagreement (Dis) in Inflation expectations

Correlation	AT	BE	DE	EL	ES	FI	FR	IE	IT	LU	NL	PT
DK & Infl	-0.37	-0.39	-0.42	-0.67	-0.68	-0.51	-0.65	-0.18	-0.21	-0.10	-0.56	-0.49
DK & Dis	-0.22	-0.52	-0.65	-0.73	-0.59	-0.70	-0.46	-0.38	-0.43	-0.83	-0.23	-0.54

Note: The correlation coefficient is computed between the share of “Don’t Know” responses and realized inflation in the previous month. This timing choice reflects the structure of the survey, which is conducted during the first weeks of the current month, whereas official inflation figures are typically released in the end of the same month.

The negative relationship between the share of "Don't Know" responses and inflation is also evident in Figure 2, reinforcing the argument that inattention, as measured by the share of "Don't Know" responses, is negatively associated with inflation.

Figure 2: Share of "Don't Know" responses over Inflation



Note: The figure plots the aggregate share of Don't Know responses (y-axis) against the previous month's realized inflation rate (x-axis). Inflation is measured as the year-on-year percentage change in the Harmonised Index of Consumer Prices (HICP).

Inflation Expectations of respondents that Don't Know current inflation

An important pattern in the data is that a non-negligible share of respondents who report that they do not know the current inflation rate nevertheless provide an inflation forecast. In Table 4, we present a summary of the inflation expectations of these respondents, highlighting that individuals who are uncertain or unaware about current inflation may still form inflation expectations. More specifically, Table 4 shows the fraction of respondents forming a quantitative (Q61) or qualitative (Q6) inflation forecast, conditional on knowing the inflation rate over the previous 12 months (rows one and three) and conditional on not knowing it (rows two and four). On average, across countries, 28 (45) percent that don't know the latter still provide a quantitative (qualitative) inflation forecast. A notable phenomenon observed here is the substantial cross-country heterogeneity in the share of inattentive respondents who nevertheless provide a quantitative (qualitative) inflation forecast, ranging from about 14 (20) percent in Germany to more than 51 (60) percent in Austria (Austria, Ireland, Finland, and the Netherlands). Overall, the evidence indicates that a non-negligible fraction

of households that do not know current inflation still hold and report forward-looking price expectations.

Table 4: Quantitative and qualitative knowledge of future inflation for households that know current inflation versus those that don't know it

	AT	BE	DE	EL	ES	FI	FR	IE	IT	LU	NL	PT	Mean
Know Q5, Know Q61 (Quant)	0.948	0.720	0.827	0.756	0.743	0.881	0.584	0.835	0.750	0.902	0.539	0.679	0.76
Don't Know Q5, Know Q61 (Quant)	0.514	0.308	0.141	0.422	0.311	0.327	0.203	0.451	0.249	0.409	0.200	0.177	0.28
Know Q5, Know Q6 (Qual)	0.989	0.964	0.943	0.890	0.917	0.993	0.957	0.961	0.948	0.961	0.958	0.970	0.95
Don't Know Q5, Know Q6 (Qual)	0.624	0.498	0.196	0.513	0.457	0.605	0.401	0.620	0.387	0.439	0.615	0.419	0.45

Note: This table shows the fraction of respondents forming a quantitative (Q61) or qualitative (Q6) inflation forecast, conditional on knowing the inflation rate over the previous 12 months (rows one and three) and conditional on not knowing it (rows two and four).

2.2 Lifetime Inflation Experiences

In this section, we present some descriptive statistics about historical inflation rates using data from Reinhart and Rogoff (2009), and the construction of our inflation experience measures.

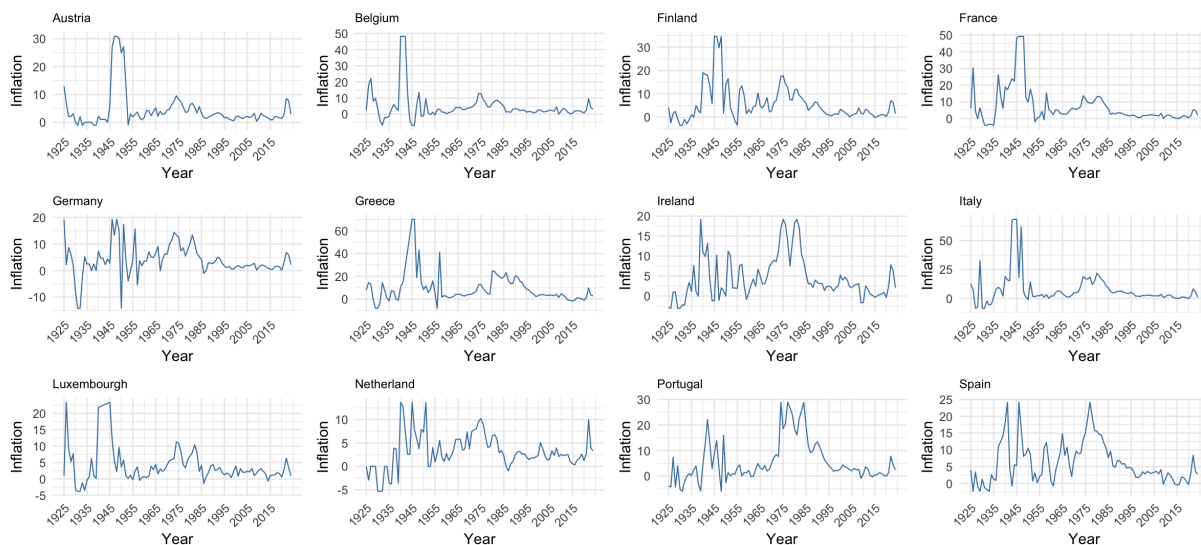
As we can see in Table 5, average inflation in these euro-area economies over the one-hundred-year period from 1925 to 2024 often masks substantial differences in the maximum levels of inflation that individuals actually experienced in different countries. For example, Belgium with a 4.9% average inflation, Austria with a 5.4% average, and Spain with a 6.2% average, experienced maximum inflation rates of 93.5%, 96.2%, and 29.2% respectively. More broadly, even among such relatively similar euro-area economies, inflation experiences differ markedly. Average inflation itself ranges from as low as 3.3% in the Netherlands to as high as 17.5% in Greece. Even more strikingly, high inflation episodes vary dramatically across these countries, reaching maximums of 640% in Greece and 344.6% in Italy as compared to 17.5% in the Netherlands.

Table 5: Historical Inflation Statistics (1925–2024)

	Austria	Belgium	Germany	Greece	Spain	France	Finland	Italy	Luxembourg	Netherlands	Ireland	Portugal
Mean	5.41	4.92	4.05	17.49	6.17	7.25	6.01	10.57	4.41	3.29	4.42	5.70
Median	2.33	2.51	2.81	4.56	4.32	3.25	3.12	3.44	2.48	2.63	2.73	2.96
SD	12.24	12.25	6.78	73.71	6.40	11.43	9.27	36.70	7.33	4.05	5.63	8.91
Max	96.21	93.54	30.00	640.00	29.21	58.63	59.61	344.57	39.00	17.50	20.88	37.88
Min	-5.00	-23.50	-22.73	-24.59	-5.86	-9.28	-8.13	-25.38	-15.70	-6.74	-7.22	-17.60

Note: Descriptive statistics for historical inflation rates for the selected countries.

Figure 3: Annual inflation rates over the period 1925-2024



Note: Series are winsorized at the upper 98% and lower 2% levels.

Figure 3 makes visually clear that, indeed, the time-average inflation rates reported in Table 5 mask substantial variation over time for these euro-area economies. In several cases, historical inflation series are characterized by episodes of extremely high inflation early in the sample, followed by long periods of relatively low and stable inflation (e.g., Austria). In contrast, other economies experienced persistently moderate to high inflation over extended periods (e.g., Spain). Many countries experienced historically high and volatile inflation in the aftermath of World War I and World War II (1925-1940), episodes that are likely to have left a lasting imprint on economic perceptions and expectations. This highlights that historical inflation experiences differ substantially both across countries and across generations within countries.

As shown in Figure 3, by 2024, individuals in their twenties (born around year 2000) or younger had not experienced prolonged periods of high inflation over most of their lifetimes until the recent post-pandemic surge. Individuals in their fifties in 2024—who came of age in the 1980s—were exposed to episodes of higher and more volatile inflation across euro area economies. Even more notably, those currently aged 65 or older had experienced substantial inflation during their formative years, particularly during the inflationary period of the 1970s, which affected many euro area countries. This heterogeneity in lifetime inflation

experiences is striking, especially given that these countries now share a common monetary policy within the euro area. It raises the question of whether the transmission of monetary policy differs across countries, particularly if past inflation experiences shape how individuals form expectations or how attentive they are to recent inflation developments.

To test our hypothesis, we follow Malmendier and Wellsjo (2024) and construct a measure of experienced inflation over each household head's lifetime by calculating a weighted average of annual inflation, measured as year-on-year percentage changes in headline CPI, from the year of birth to the survey year. Before constructing the experience measures, the annual inflation series is winsorized at the 1st and 99th percentiles to limit the influence of extreme inflation observations.

The experienced inflation for household i , in country j , and year t is defined as

$$\pi_{i,j,t}^{\text{recent}} = \frac{\sum_{k=1}^{\text{age}_{i,t}-1} w_{i,t}(k) \pi_{j,t-k}}{\sum_{k=1}^{\text{age}_{i,t}-1} w_{i,t}(k)}, \quad \text{where} \quad w_{i,t}(k) = \frac{\text{age}_{i,t} - k}{\text{age}_{i,t}}. \quad (2)$$

Here, $w_{i,t}(k)$ are linearly declining weights from the survey year to the year of birth. This weighting function implies that more recent experiences receive relatively higher weight, while early-life experiences still contribute, preserving heterogeneity due to historical variations in inflation. This choice of weights is consistent with prior work on experience effects (Malmendier and Nagel, 2011), and we refer to it as recent lifetime experience (**RecentLifeExperience**). This weighted average gives more weight to recent experiences relative to earlier ones. In addition, we consider linearly increasing weights from the survey year back to the year of birth, allowing early-life experiences during impressionable years to receive more weight relative to recent experiences. We refer to this as early lifetime experience (**EarlyLifeExperience**), $\pi_{i,j,t}^{\text{early}}$. This utilizes a different weight, $w_{i,t}(k) = k$, which places more weight to early-life experiences relative to more recent ones.

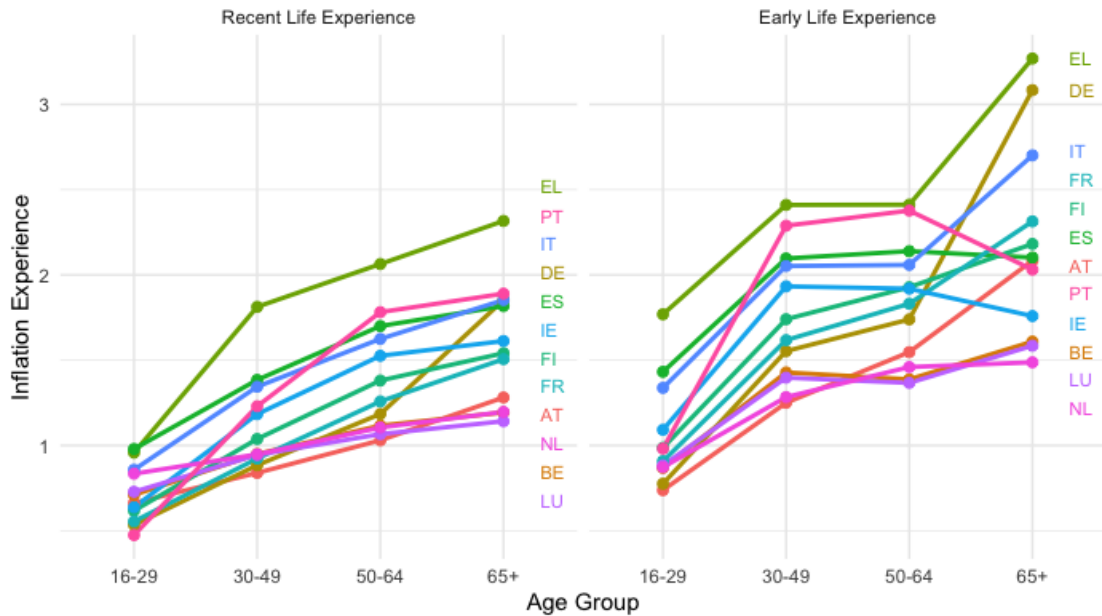
Since the BCS records age in discrete age brackets: 16–29, 30–49, 50–64, and 65+, rather than exact birth years, we proceed as follows. For each survey year t and country j , we

compute experienced inflation $\pi_{i,j,t}$ for every integer age between 16 to 83, applying the corresponding weighting function. We then assign to each respondent the average of these values across all integer ages within their reported bracket⁸. For the open-ended bracket of 65 and above, we average over ages 65 to 83.⁹ Given the considerable heterogeneity in accumulated inflation experiences across cohorts, we transform the average experience measure using the natural logarithm to reduce the influence of extreme values. The procedure is equivalent to treating each integer age within a bracket as equally likely, and introduces classical measurement error that attenuates estimated coefficients toward zero. Our estimates of experience effects should therefore be interpreted as conservative lower bounds.

Summary statistics of experienced inflation across the euro area

Figure 4 illustrates the heterogeneity in experienced inflation across four age groups (16–29, 30–49, 50–64, and 65+) across these Euro-area countries, comparing two distinct weighting methodologies.

Figure 4: Heterogeneity of Inflation life Experiences across Age groups.



⁸As a robustness check, we adopt a midpoint approach. Specifically, for each age bracket, we compute the average of the inflation experiences of the youngest and oldest individuals in the group and assign this value to all respondents within that bracket.

⁹The selection of the 83 years upper bound is based on average life expectancy in the euro area.

In the left panel, *RecentLifeExperience*, where recent experiences receive more weight, shows a consistent upward trajectory across all countries, indicating that older individuals have experienced higher levels of historical inflation. The right panel, *EarlyLifeExperience*, shows more dramatic shifts and wider dispersion; for countries like Greece (EL) and Germany (DE), the experience measure climbs sharply for older cohorts, likely reflecting high-inflation volatility during their "impressionable years" decades ago. Across both measures, there is a clear geographical hierarchy: Greece (EL) maintains the highest levels of experienced inflation for all age cohorts, while countries like the Netherlands (NL), Luxembourg (LU), and Belgium (BE) are characterized by relatively lower inflation experiences than other countries for all age cohorts, highlighting that an individual's "inflation memory" is as much a product of their national history as it is of their age. Finally, in Figure A3 in the appendix, we observe that for all countries, early life inflation experiences exceeds the recent life inflation experience measure for all age cohorts, consistent with convergence to lower and more stable inflation rates over time across these euro-area economies.

3 Methodology and empirical results

In this section, we examine the factors that may determine the degree of inattention as measured by individual perception errors and by individuals' responding that they do not know the current inflation rate. Our starting point is to examine the role of recent inflation while controlling for basic individual characteristics, in an attempt to link our work to the recent literature on inattention such as the seminal contributions by Bracha and Tang (2025b) and Weber et al. (2025). We then use this empirical framework to consider a number of novel potential mechanisms that might shape inattention: First, we consider how lifetime inflation experiences come to shape the degree of inattention. This is followed by a subsection that describes how the degree of inattention responds to extreme adverse shocks. Next, we study the role of 'skin in the game' for the individuals' degree of inattention. Finally, we perform an important robustness check by excluding those that respond "prices will stay the same", addressing a criticism in the recent paper by Bracha and Tang (2025b).

3.1 What affects inattention based on Perception Errors?

We examine the determinants of inattention measured by individual perception errors, using a pooled regression model as described by equation (4):

$$PerceptionError_{ict} = \alpha_c + \beta_c Inflation_{c,t-1} + \gamma_c' \mathbf{Z}_{c,t-1} + \delta_c' \mathbf{X}_{ict} + \sum_{m=1}^{11} \theta_{cm} M_m + \varepsilon_{ict}, \quad (3)$$

$$\mathbf{Z}_{c,t-1} = (Disagreement_{c,t-1}, Unemployment_{c,t-1}, InflationRolling12mSD_{c,t-1})',$$

$$\mathbf{X}_{ict} = (Education_{ict}, AgeGroup_{ict}, IncomeQuartiles_{ict}, Gender_{ict})'$$

where $\mathbf{Z}_{c,t-1}$ denotes the vector of lagged macroeconomic control variables, comprising the unemployment rate, inflation disagreement, and the 12-month rolling standard deviation of inflation, while $\mathbf{X}_{ict}$ denotes the vector of individual-level socioeconomic characteristics, including dummy variables for education level, age group, income quartile, and gender. The term $\sum_{m=1}^{11} \theta_{cm} D_m$ captures month fixed effects, which control for seasonal variation in our dependent variable. The inclusion of last month's inflation to explain inattentiveness measured at the beginning of each month, links our work to the recent literature on inattention (e.g. Pfäuti (2023), Bracha and Tang (2025b), Weber et al. (2025), and Buelens (2025)), examining whether attentiveness is endogenous. Throughout the analysis, whenever inattention is measured using perception errors, we include this same set of macroeconomic controls, socioeconomic characteristics, and seasonal effects, in order to isolate the relationship between our variables of interest and households' deviations from actual inflation.

In Table 6, the coefficient on lagged inflation is shown to be significantly negative for perception errors in all countries except France.¹⁰ This pattern is absent when disagreement is not controlled for.¹¹ A possible explanation for the latter, is that higher inflation simultaneously increases attention, leading to lower perception errors, but also raises aggregate

¹⁰This French exceptionalism appears often in the estimates we present in this section based on the European consumer surveys, suggesting some sort of uniqueness in how French households form expectations.

¹¹In Table A4, higher inflation in the previous month is related with a smaller perception error in Belgium, Finland, and the Netherlands, but higher perception error in the case of Germany, Spain and France, with no statistical relation evident for the remaining countries.

noise and disagreement which in turn increases perception errors.¹² As these two forces, aggregate noise and attentiveness, work against each other, omitting disagreement from the regressors results in insignificant or even positive coefficients attributed to high inflation. This suggests that perception errors can act as a meaningful proxy for inattention only once aggregate disagreement is accounted for. The previous month's disagreement increases current perception errors in Table 6, which concurs with the above.

In Table 6, we also see that households with high levels of education exhibit smaller perception errors relative to the low-education reference group, in all countries. The same goes for the middle education group with the exception of France, Luxembourg, and Portugal. These results are consistent with the idea that higher educational attainment reduces the cost of distinguishing signal from noise when evaluating recent price developments.

Table 6: Inattention based on Perception errors

Variable	AT	BE	DE	EL	ES	FI	FR	IT	LU	NL	IE	PT
<i>Inflation</i> _{<i>t</i>-1}	-0.366*** (0.06)	-0.667*** (0.056)	-0.47*** (0.059)	-0.506*** (0.118)	-0.533*** (0.104)	-0.491*** (0.051)	-0.019 (0.088)	-0.771*** (0.108)	-0.269** (0.123)	-0.86*** (0.038)	-0.109* (0.056)	-0.349*** (0.113)
<i>Disagreement</i> _{<i>t</i>-1}	0.998*** (0.089)	1.028*** (0.073)	1.192*** (0.047)	1.478*** (0.093)	1.604*** (0.085)	1.279*** (0.081)	0.844*** (0.093)	1.932*** (0.125)	0.524*** (0.161)	1.182*** (0.075)	0.593*** (0.037)	1.503*** (0.074)
<i>InflationRolling12mSD</i> _{<i>t</i>-1}	0.319 (0.269)	1.454*** (0.16)	0.174 (0.239)	1.132*** (0.346)	1.775*** (0.381)	0.661** (0.259)	0.746** (0.299)	-0.062 (0.294)	1.25*** (0.298)	1.288*** (0.121)	-1.525*** (0.198)	0.87* (0.524)
<i>Unemployment</i> _{<i>t</i>-1}	-0.641*** (0.144)	-0.277*** (0.081)	-0.106*** (0.03)	-0.22*** (0.034)	-0.174*** (0.032)	-0.118 (0.073)	-0.636*** (0.106)	-1.021*** (0.084)	0.541** (0.254)	-0.419*** (0.065)	-0.233*** (0.031)	0.036 (0.04)
Middle Educ	-1.738*** (0.052)	-1.114*** (0.066)	-0.474*** (0.051)	-0.762*** (0.161)	-1.122*** (0.114)	-0.445*** (0.033)	0.006 (0.09)	-0.957*** (0.121)	-0.189 (0.132)	-1.182*** (0.106)	-1.314*** (0.126)	0.467*** (0.123)
High Educ	-3.061*** (0.076)	-3.04*** (0.069)	-1.77*** (0.101)	-1.388*** (0.176)	-3.086*** (0.174)	-1.182*** (0.05)	-1.669*** (0.11)	-1.863*** (0.151)	-1.845*** (0.14)	-2.888*** (0.137)	-2.303*** (0.165)	-1.117*** (0.181)
Age 30-49	-0.029 (0.084)	1.015*** (0.146)	-0.261*** (0.078)	-0.089 (0.106)	0.235** (0.092)	0.245*** (0.049)	0.401*** (0.096)	-1.147*** (0.175)	-0.149 (0.121)	0.956*** (0.108)	-0.149 (0.124)	1.351*** (0.193)
Age 50-64	-0.724*** (0.08)	0.207 (0.143)	-1.078*** (0.116)	-0.318*** (0.121)	-1.042*** (0.11)	-0.153*** (0.045)	-0.778*** (0.11)	-2.414*** (0.234)	-0.311** (0.141)	0.263** (0.109)	-0.617*** (0.151)	0.395** (0.171)
Age 65+	-2.055*** (0.104)	-1.427*** (0.148)	-1.975*** (0.132)	-0.036 (0.146)	-3.59*** (0.137)	-0.84*** (0.059)	-2.759*** (0.124)	-4.235*** (0.256)	-1.258*** (0.173)	-1.171*** (0.13)	-1.506*** (0.18)	-1.289*** (0.213)
2nd Inco Quartile	-1.119*** (0.069)	-2.055*** (0.127)	-1.244*** (0.065)	-0.963*** (0.103)	-1.595*** (0.108)	-0.28*** (0.047)	-1.054*** (0.062)	-1.404*** (0.115)	-0.923*** (0.156)	-1.333*** (0.109)	-0.305** (0.131)	-0.381*** (0.141)
3rd Inco Quartile	-1.856*** (0.081)	-3.925*** (0.131)	-1.471*** (0.067)	-0.181 (0.171)	-3.301*** (0.134)	-0.67*** (0.06)	-1.645*** (0.071)	-2.587*** (0.139)	-1.296*** (0.162)	-1.949*** (0.111)	-0.91*** (0.14)	-1.723*** (0.149)
4th Inco Quartile	-2.89*** (0.106)	-5.747*** (0.137)	-2.45*** (0.069)	-0.256 (0.359)	-4.75*** (0.182)	-1.25*** (0.074)	-3.143*** (0.088)	-3.202*** (0.155)	-2.548*** (0.134)	-2.885*** (0.116)	-2.286*** (0.179)	-2.979*** (0.218)
Female	2.444*** (0.059)	2.551*** (0.053)	1.086*** (0.058)	1.826*** (0.094)	3.027*** (0.108)	0.615*** (0.036)	1.177*** (0.064)	2.453*** (0.096)	2.102*** (0.077)	1.195*** (0.089)	1.514*** (0.103)	3.621*** (0.255)
Constant	3.816*** (1.095)	4.103*** (0.986)	-1.368*** (0.327)	-2.492* (1.279)	-2.23* (1.187)	-1.384* (0.749)	7.628*** (1.313)	5.917*** (1.519)	-1.301 (1.735)	1.955** (0.782)	5.932*** (0.5)	-7.06*** (0.751)
Observations	296501	299456	349306	278287	297791	279314	266183	279816	82029	121174	151170	81686
R-squared	0.078364	0.094078	0.087442	0.119975	0.167871	0.122299	0.090362	0.136356	0.056684	0.154937	0.096736	0.222763

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Note: All regressions include month fixed effects. To account for potential correlation among observations within the same month, standard errors are clustered at the month level.

With respect to income, a clear and systematic pattern emerges, with households becoming more attentive at higher incomes. In all euro area economies but Greece, individuals in the second, third, and fourth income quartiles exhibit lower perception errors than the

¹²Indeed, regressing disagreement on inflation, the latter raises disagreement in all countries.

lowest-income reference group, indicating that households become more attentive to price developments with income. A plausible mechanism underlying this pattern is that income allows individuals to have better access to information, enhancing their ability to monitor and interpret inflation dynamics. In addition, higher-income households are more likely to hold nominal assets and engage in financial decision-making which is directly affected by inflation. As a result, the marginal benefit of acquiring and processing information about price developments is higher for these households outweighs the associated information costs.

With respect to gender, females display higher perception errors in all countries.

Finally, with respect to age, households aged 30 to 49 appear to be more inattentive in most countries, as they exhibit larger perception errors relative to the reference group of individuals aged 16 to 29. In particular, belonging to the 30-49 age group is associated with higher perception errors in Belgium, Spain, Finland, France, the Netherlands, and Portugal, while the opposite is observed in Germany and Italy. Individuals aged 50 to 64 tend to display lower perception errors in the majority of euro area economies. This is the case in Austria, Germany, Greece, Spain, Finland, France, Italy, Luxembourg, and Ireland. The opposite holds in the Netherlands and Portugal. Furthermore, being aged 65 or above is associated with significantly lower perception errors across all countries but Greece.

Taken together, these results suggest that households older than 50 are systematically more attentive to price developments, as reflected in their smaller perception errors compared to younger cohorts. One possible explanation for this pattern relates to differences in lifetime inflation experiences. Older individuals, particularly those above 50 during the sample period (2004–2025), spent part of their formative years in the high-inflation environment of the late 1970s and early 1980s. In contrast, aside from the recent post-pandemic surge, younger households had spent most of their lives in relatively low and stable inflation regimes. As a result, older cohorts may be more attentive to inflation developments and better able to process price signals. We go deeper into analyzing the relation between lifetime inflation experience and inattention later in this section.

In Table A5, we interact inflation with education. Once again, the inflation rate of the

previous month is shown to bring perception errors down in most countries (Austria, Belgium, Germany, Greece, Spain, Finland, Italy, Luxembourg and the Netherlands) but not in the case of France, Ireland, and Portugal, while disagreement in inflation expectations over the previous month is shown to increase perception errors in every country. Importantly, we can now see that, as compared to low-education individuals, highly educated ones tend to reduce their inattentiveness even more following months with higher inflation, in most of these economies (Austria, Germany, Spain, Finland, France, Italy, the Netherlands, and Portugal). The middle education individuals also tend to reduce inattentiveness more, as compared to low-education ones, following months with higher inflation in Austria, Germany, Greece, Spain, Italy, and Portugal, but raise it in France and Luxembourg.

In Table A6, where we consider interactions of the education groups with lagged disagreement, we see that while disagreement raises perception errors in all countries, the perception errors of highly educated individuals go up by less than those of low education individuals in most countries following a month with higher disagreement. This is the case in Austria, Germany, Spain, Finland, France, Italy, the Netherlands, Ireland and Portugal. The opposite is the case in Luxembourg.¹³ This suggests that in periods of high uncertainty, highly educated individuals tend to make smaller perception errors as compared to low education individuals. This might be because they have an advantage in deciphering signal from noise during noisy periods of high uncertainty or, perhaps due to this advantage, that they (have an incentive to) become more attentive during periods of high uncertainty as compared to less educated individuals.

When we include separate educational interaction terms with both inflation and disagreement in Table A7, we find that it is high uncertainty (related to heightened disagreement and an associated increase in aggregate noise) to which highly educated individuals respond by forming smaller perception errors, rather than high inflation per se. We thus infer that one main reason more highly educated individuals tend to make smaller perception errors as compared to low education individuals is that they have an advantage in deciphering signal

¹³The perception errors of the middle education group of individuals go up by less than those of low education individuals following a month with higher disagreement in Austria, Germany, Spain, Italy, and Ireland, while the opposite is the case in Luxembourg.

from noise during noisy periods of high uncertainty.

3.2 What affects inattention based on those who do not know the current inflation rate?

In this subsection, we examine the determinants of inattention as reflected by households reporting that they do not know the current inflation rate, using a logit model. The dependent variable, DK_{ict} , is a binary indicator that takes the value of one whenever household i in country c at time t reports that they “don’t know” the current inflation rate, and zero otherwise. The probability of observing an inattentive response is specified as:

$$P(DK_{ict} = 1 \mid \cdot) = \Lambda\left(\alpha_c + \beta_c \text{Inflation}_{c,t-1} + \gamma_c' \mathbf{Z}_{c,t-1} + \delta_c' \mathbf{X}_{ict} + \sum_{m=1}^{11} \theta_{cm} D_m\right), \quad (4)$$

where $\Lambda(\cdot)$ denotes the logistic cumulative distribution function. The vectors $\mathbf{Z}_{c,t-1}$ and $\mathbf{X}_{ict}$ include the same set of macroeconomic and individual-level control variables introduced in equation (3), namely lagged unemployment, inflation disagreement, the 12-month rolling standard deviation of inflation, and individual characteristics capturing education level, age group, income quartile, and gender. The term $\sum_{m=1}^{11} \theta_{cm} D_m$ controls for month fixed effects. Throughout the analysis, whenever inattention is measured using the “Don’t know” response, we employ this same empirical specification.

In Table 7, we can see that a higher inflation rate during the previous month is associated with a lower degree of inattention as measured by the “Don’t know” response in all countries except Italy, where it is positively associated with it, and Portugal where it does not affect inattentiveness. The lag of dispersion in inflation expectations across individuals (disagreement) is negatively associated with inattention in all countries except Austria and France. This suggests that uncertainty acts to reduce inattention in addition to a high inflation environment, and that the negative effect of high inflation on inattention is not due to a mechanism associated with uncertainty per se, to the extent that the latter is captured by

the dispersion in inflation expectations beliefs across individuals.¹⁴ More volatile inflation over the past 12 months is associated with a lower degree of inattention in most euro area economies (Austria, Belgium, France, Italy, Luxembourg, the Netherlands, and Ireland), suggesting that greater price variability prompts households to pay closer attention.

Table 7: Inattention based on those who do not know the current inflation rate

Variable	AT	BE	DE	EL	ES	FI	FR	IT	LU	NL	IE	PT
$Inflation_{t-1}$	-0.218*** (0.048)	-0.077*** (0.023)	-0.056*** (0.014)	-0.083*** (0.028)	-0.183*** (0.022)	-0.149*** (0.032)	-0.375*** (0.03)	0.136*** (0.042)	-0.084** (0.038)	-0.072*** (0.018)	-0.061*** (0.019)	-0.006 (0.029)
$Disagreement_{t-1}$	0.165*** (0.049)	-0.137*** (0.029)	-0.072*** (0.013)	-0.104*** (0.021)	-0.061*** (0.014)	-0.183*** (0.041)	0.041 (0.028)	-0.107*** (0.035)	-0.091*** (0.032)	-0.14*** (0.024)	-0.016* (0.009)	-0.089*** (0.02)
$InflationRolling12mSD_{t-1}$	-0.577*** (0.136)	-0.11** (0.053)	0.052 (0.053)	-0.026 (0.055)	-0.039 (0.06)	-0.173 (0.141)	-0.208*** (0.074)	-0.502*** (0.133)	-0.2*** (0.06)	-0.269*** (0.041)	-0.435*** (0.085)	-0.142 (0.134)
$Unemployment_{t-1}$	0.117 (0.097)	0.461*** (0.038)	-0.098*** (0.012)	0.016** (0.007)	0.006 (0.007)	-0.061 (0.039)	-0.038 (0.037)	0.251*** (0.025)	-0.026 (0.082)	0.016 (0.023)	-0.075*** (0.01)	-0.047*** (0.018)
Middle Educ	0.015 (0.063)	-0.066* (0.039)	-0.411*** (0.028)	-0.154*** (0.047)	-0.15*** (0.039)	-0.445*** (0.059)	-0.2*** (0.048)	-0.398*** (0.062)	-0.363*** (0.06)	-0.016 (0.06)	-0.183** (0.079)	-0.77*** (0.089)
High Educ	0.174** (0.077)	0.04 (0.038)	-0.711*** (0.051)	-0.154*** (0.044)	-0.152*** (0.049)	-0.573*** (0.07)	0.01 (0.049)	-0.429*** (0.088)	-0.227*** (0.077)	0.337*** (0.062)	-0.154* (0.092)	-1.049*** (0.131)
Age 30-49	0.011 (0.095)	-0.199** (0.09)	-0.744*** (0.037)	0.015 (0.048)	-0.578*** (0.051)	0.197** (0.094)	0.231** (0.108)	-0.022 (0.165)	-0.236*** (0.071)	-0.115 (0.073)	-0.298*** (0.081)	-0.566** (0.271)
Age 50-64	0.228** (0.093)	-0.099 (0.09)	-1.175*** (0.039)	0.253*** (0.054)	-0.392*** (0.055)	0.423*** (0.093)	0.611*** (0.111)	0.198 (0.158)	-0.162** (0.078)	0.006 (0.083)	-0.302*** (0.085)	0.416 (0.265)
Age 65+	0.632*** (0.097)	0.343*** (0.095)	-1.025*** (0.051)	0.357*** (0.06)	0.18*** (0.049)	0.901*** (0.089)	1.232*** (0.111)	0.811*** (0.151)	0.253*** (0.077)	0.412*** (0.088)	0.171* (0.089)	1.415*** (0.253)
2nd Inco Quartile	-0.3*** (0.082)	-0.417*** (0.053)	-0.139*** (0.039)	-0.053 (0.034)	-0.293*** (0.053)	-0.693*** (0.065)	0.137*** (0.043)	-0.387*** (0.062)	-0.144** (0.066)	-0.346*** (0.045)	-0.464*** (0.082)	-0.291*** (0.074)
3rd Inco Quartile	-0.463*** (0.081)	-0.403*** (0.059)	-0.3*** (0.042)	-0.182*** (0.045)	-0.244*** (0.047)	-1.107*** (0.071)	-0.015 (0.051)	-0.496*** (0.074)	-0.267*** (0.069)	-0.541*** (0.049)	-0.442*** (0.091)	-0.722*** (0.107)
4th Inco Quartile	-0.147* (0.081)	-0.041 (0.068)	-0.135*** (0.043)	-0.617*** (0.086)	-0.19*** (0.057)	-1.087*** (0.093)	0.156*** (0.054)	-0.389*** (0.082)	-0.073 (0.065)	-0.318*** (0.052)	-0.516*** (0.1)	-0.34*** (0.105)
Female	-0.081 (0.053)	-0.209*** (0.033)	-0.254*** (0.042)	-0.285*** (0.037)	-0.291*** (0.031)	-0.038 (0.056)	0.17*** (0.034)	-0.239*** (0.049)	-0.075 (0.053)	-0.0 (0.034)	-0.248*** (0.057)	0.181** (0.073)
Constant	-6.534*** (0.783)	-6.34*** (0.486)	-1.598*** (0.121)	-2.744*** (0.249)	-2.948*** (0.255)	-2.974*** (0.397)	-4.81*** (0.468)	-6.609*** (0.481)	-2.157*** (0.529)	-2.324*** (0.238)	-2.871*** (0.168)	-3.642*** (0.331)
Observations	310031	418607	397934	329887	370281	311418	451783	355916	89553	150419	175026	122689

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Note: All regressions include month fixed effects. To account for potential correlation among observations within the same month, standard errors are clustered at the month level.

Education also plays an important role. Having a middle level of education as compared to the low-education reference group, is associated with lower inattention across these euro area economies except in Austria and the Netherlands. A high level of education is likewise linked to lower inattention in most countries; however, the opposite holds for Austria and the Netherlands, while no statistically significant effect is found for Belgium and France. Overall, these estimates suggest that higher educational attainment enhances the ability to monitor price signals. In an analogous fashion, having higher levels of income is generally associated with lower inattention except for French households for which the reverse is true, and Greek households with income at the second quartile and Belgian and Luxembourgian households at the highest income bracket which are as likely as low income households to be

¹⁴Table A8 repeats the exercise without accounting for the effect of disagreement and shows similar negative effects of high inflation on inattention.

inattentive. Females are less likely to state they “Don’t know” in half of these countries, but not in France and Portugal, where they are more likely to do so than males, and Austria, Finland, Luxembourg, and the Netherlands, where they are as likely do so as males.

The effect of age on inattention depends on the country in question, with the 30-49 age group being less likely to respond they “Don’t know” as compared to the young in half of these countries but not in Austria, Greece, Italy, and the Netherlands, where they are as likely to do so, nor in Finland and France where they are more likely to respond they “Don’t know” as compared to the young. This illustrates again that France appears often to be an exception in this European survey of expectations in the manner households’ characteristics affect economic beliefs and inattention. There is even more country heterogeneity evident in the likelihood of the 50-64 age group to respond they “Don’t know” with this group being less likely to do so than the young in Germany, Spain, Luxembourg, and Ireland, as likely as the young in Belgium, Italy, the Netherlands, and Portugal, and more likely than the young in Austria, Greece, Finland, and France. Individuals over 65 are typically more likely to be inattentive as compared to the young in eleven of the twelve countries, but not in Germany where they are less likely to respond that they “Don’t know” than the young.

In Table A9, we add the interaction of education with inflation. The reduction in inattention following an inflationary spike is more pronounced among highly educated individuals compared to those with lower educational attainment in Belgium, Germany, and the Netherlands, while the reverse holds for Ireland. The primary finding that higher inflation reduces inattention as evidenced by a decrease in “Don’t know” responses, remains for most of these countries, but not Italy where higher inflation increases inattentiveness, nor Belgium, Germany, the Netherlands, and Portugal, where higher inflation has no significant impact on inattentiveness.

Moreover, we look at the effect of similar education interactions with lagged disagreement in the case of the “Don’t know” measure in Table A10 of the appendix. When we do that, we see that in fact, only in four of these countries, Germany, Spain, France, and the Netherlands, do more highly educated individuals become less likely to be inattentive (i.e., to state that

they don't know the current level of inflation), while the opposite is true for Ireland.

The above results are much weaker than the related results in the previous subsection for the impact of the interaction of education with disagreement on perception errors. That is, comparing the results between our two measures of inattention, the heterogeneity of inflation's impact across education levels is significantly more evident for perception errors. This divergence can be rationalized by the fundamental difference between the two metrics: while the second measure captures a binary state of engagement, the perception-errors-based one reflects the value of the quantitative response. While less educated individuals may provide an estimate as inflation rises, they still produce larger perception errors.

3.3 How does lifetime inflation experience affect Inattention?

We now consider how different inflation experiences over an individual's lifetime affect their current attentiveness to inflation. When considering inflation experiences, a central question concerns the weighting scheme individuals apply to past inflation realizations they have experienced over their life. We consider two alternative hypotheses on how individuals weight past inflation realizations.

The first is recency bias, where what happens recently is more available to us and thus plays a more important role, although experiences far into the past are still relevant. This measure is constructed applying a linearly declining weight from the current age of the individual till the year of birth. The second hypothesis emphasizes formative years, suggesting that inflation experienced early in life affects attitudes and belief formation later in life. This second measure assigns linearly increasing weights over the same horizon, placing greater emphasis on inflation experienced during formative years.

The two measures thus capture distinct segments of individual inflation history and allow us to test two competing hypotheses: a recency hypothesis, in which what happened recently is more salient and shapes current attitudes and behaviour, and a formative-years hypothesis, in which inflation experienced early in life leaves a lasting imprint on subsequent attitudes

and attention. The distinctness of these two concepts suggests that early life inflation experiences might have a separate potentially different impact on shaping individual attitudes and behavior, as compared to recent inflation experiences.

Results are presented in Table 8. Strikingly, while recent life inflation experiences increase perception errors in 10 of the 12 countries, inflation experienced during formative years reduces perception errors in 11 of the 12 economies. This uniform pattern suggests that early-life exposure generates an increase in households' current attention to inflation. The consistency of the early lifetime experience effect across all countries points to a robust mechanism: individuals whose formative years coincided with high inflation are systematically more attentive to current price developments, reflected in smaller deviations between perceived and realized inflation.

Two potential channels may account for this finding. First, greater exposure to high inflation during individuals' formative years may reduce the cognitive cost of distinguishing signal from noise when evaluating current price developments, leading to smaller perception errors. Second, individuals that experienced real household wealth erosion during their formative years due to high inflation, may develop stronger incentives later in life to monitor prices more closely, as the personal consequences of inattention became salient at an impressionable stage.

By contrast, when inflation experience is measured by overweighting recent life experience (that is, discounting earlier life experiences) assuming that individuals place greater weight on recent inflation realizations when forming their perception of current prices, this recency-weighted lifetime experience appears to distort current price assessments rather than improving accuracy. In effect, individuals whose recent experience has been dominated by high inflation behave as if that inflationary episode is still ongoing. When asked to assess how much prices have risen over the past 12 months, they draw on their memory of a high-inflation environment rather than processing current price signals, and therefore report a perceived inflation rate above the realized one. Rather than updating their perceptions fully as inflation moderates, they remain attached to the inflationary trajectory of their recent

Table 8: Inattention based on Perception errors. Recent and Early life experiences.

Variable	AT	BE	DE	EL	ES	FI	FR	IT	LU	NL	IE	PT
RecentLifeExperience	5.033*** (0.428)	5.731*** (0.766)	0.216*** (0.052)	-0.226 (0.396)	2.7*** (0.737)	1.887*** (0.203)	3.69*** (0.366)	5.953*** (0.851)	4.852*** (0.917)	9.081*** (1.35)	2.172*** (0.618)	-0.328 (1.022)
EarlyLifeExperience	-0.42 (0.349)	-0.732*** (0.197)	-0.054** (0.024)	-1.348*** (0.218)	-2.674*** (0.351)	-1.396*** (0.149)	-2.806*** (0.318)	-0.73** (0.307)	-3.043*** (0.642)	-2.853*** (0.399)	-1.828*** (0.422)	-2.04*** (0.53)
$Inflation_{t-1}$	-0.265*** (0.059)	-0.706*** (0.054)	-0.464*** (0.059)	-0.467*** (0.112)	-0.528*** (0.099)	-0.49*** (0.049)	-0.089 (0.08)	-0.722*** (0.101)	-0.2* (0.121)	-0.789*** (0.036)	-0.067 (0.056)	-0.342*** (0.114)
$Disagreement_{t-1}$	0.924*** (0.073)	1.175*** (0.071)	1.183*** (0.046)	1.471*** (0.089)	1.58*** (0.081)	1.276*** (0.078)	0.995*** (0.093)	1.747*** (0.12)	0.495*** (0.157)	0.892*** (0.089)	0.454*** (0.064)	1.466*** (0.084)
$InflationRolling12mSD_{t-1}$	0.431* (0.239)	1.36*** (0.151)	0.191 (0.237)	0.818** (0.357)	1.934*** (0.359)	0.67*** (0.252)	0.688*** (0.262)	1.341*** (0.306)	1.448*** (0.291)	1.251*** (0.108)	-1.563*** (0.205)	0.918* (0.539)
$Unemployment_{t-1}$	-0.524*** (0.112)	-0.556*** (0.092)	-0.117*** (0.03)	-0.221*** (0.032)	-0.178*** (0.032)	-0.174** (0.07)	-0.59*** (0.092)	-0.794*** (0.096)	0.919*** (0.286)	-0.811*** (0.079)	-0.218*** (0.03)	0.074 (0.052)
Middle Educ	-1.711*** (0.051)	-1.101*** (0.065)	-0.47*** (0.051)	-0.92*** (0.14)	-1.042*** (0.11)	-0.404*** (0.032)	0.165* (0.086)	-0.716*** (0.106)	-0.183 (0.131)	-1.296*** (0.105)	-1.3*** (0.13)	0.504*** (0.124)
High Educ	-2.992*** (0.074)	-3.028*** (0.069)	-1.763*** (0.101)	-1.574*** (0.157)	-2.878*** (0.138)	-1.117*** (0.047)	-1.479*** (0.104)	-1.453*** (0.127)	-1.785*** (0.137)	-2.996*** (0.138)	-2.259*** (0.165)	-1.099*** (0.178)
Age 30-49	-0.734*** (0.197)	0.102 (0.244)	-0.292*** (0.079)	0.922*** (0.322)	1.019*** (0.353)	0.497*** (0.162)	1.094*** (0.216)	-3.495*** (0.584)	0.381 (0.335)	1.049*** (0.188)	0.28 (0.293)	4.235*** (0.788)
Age 50-64	-2.263*** (0.28)	-1.784*** (0.354)	-1.171*** (0.12)	0.765* (0.408)	-0.951* (0.564)	-0.273 (0.225)	-0.701*** (0.263)	-6.528*** (0.877)	-0.52 (0.433)	-0.277 (0.42)	-0.971** (0.444)	3.694*** (1.194)
Age 65+	-4.586*** (0.427)	-3.716*** (0.418)	-2.127*** (0.14)	2.199*** (0.593)	-3.977*** (0.642)	-0.89*** (0.283)	-2.208*** (0.351)	-9.187*** (1.134)	-1.245** (0.58)	-2.582*** (0.548)	-2.362*** (0.532)	1.342 (1.299)
2nd Inco Quartile	-1.094*** (0.068)	-1.899*** (0.123)	-1.243*** (0.065)	-0.967*** (0.104)	-1.573*** (0.107)	-0.269*** (0.046)	-1.079*** (0.062)	-1.504*** (0.116)	-0.89*** (0.154)	-1.265*** (0.105)	-0.322** (0.131)	-0.387*** (0.14)
3rd Inco Quartile	-1.724*** (0.078)	-3.722*** (0.127)	-1.468*** (0.067)	-0.204 (0.168)	-3.356*** (0.126)	-0.666*** (0.057)	-1.678*** (0.07)	-2.763*** (0.143)	-1.279*** (0.16)	-1.837*** (0.106)	-0.931*** (0.138)	-1.727*** (0.149)
4th Inco Quartile	-2.667*** (0.097)	-5.459*** (0.131)	-2.448*** (0.069)	-0.032 (0.359)	-4.868*** (0.163)	-1.234*** (0.071)	-3.188*** (0.087)	-3.477*** (0.16)	-2.559*** (0.134)	-2.759*** (0.111)	-2.287*** (0.178)	-2.972*** (0.218)
Female	2.405*** (0.06)	2.594*** (0.052)	1.084*** (0.057)	1.836*** (0.093)	2.993*** (0.109)	0.615*** (0.036)	1.166*** (0.064)	2.432*** (0.095)	2.114*** (0.076)	1.206*** (0.089)	1.511*** (0.102)	3.608*** (0.255)
Constant	0.382 (0.835)	1.461 (0.968)	-1.318*** (0.318)	0.462 (1.278)	-0.91 (1.254)	-0.76 (0.768)	6.625*** (1.282)	0.72 (1.868)	-4.25** (2.11)	1.114 (0.822)	7.367*** (0.641)	-4.977*** (0.807)
Observations	296501	299456	349306	278287	297791	279314	266183	279816	82029	121174	151170	81686
R-squared	0.082019	0.095745	0.087738	0.121206	0.168762	0.124379	0.092665	0.142864	0.058589	0.159042	0.097627	0.223237

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Note: All regressions include month fixed effects. To account for potential correlation among observations within the same month, standard errors are clustered at the month level.

past: individuals whose recent history is dominated by high inflation selectively recall those episodes when evaluating current prices, remaining attached to past realizations rather than processing current price signals accurately. As a result, they tend to overestimate inflation persistence and produce larger perception errors. This finding is consistent with the selective memory mechanism documented by Link et al. (2025), who show that agents with stronger past inflationary experiences form less accurate assessments of current prices, as selective recall of salient historical episodes distorts rather than improves belief formation.

Taken together, the results show that experienced inflation is an important determinant of current perception errors, our proxy for inattention. Its effect operates through two channels: when individuals place greater weight on recent inflation realizations, perception errors tend to increase, whereas assigning more weight to formative-year inflation experiences leads to lower perception errors. This suggests that while recent inflation can distort perceptions, macroeconomic experiences during early life help anchor more accurate inflation beliefs.

In Table A12 we compare the results above with the findings from the alternative measure

of inattention – based on respondents who do not know the inflation rate. When using the ‘Don’t Know’ response as a measure of inattention, the effects of inflation experience are less uniform than in the perception-errors specification. Recent lifetime inflation experience raises ‘don’t know’ responses in Belgium and Italy while reducing these in Austria, Germany, France and the Netherlands, suggesting that overweighting recent experiences may raise or reduce attention, depending on the national context and the mechanism that dominates. Similarly, inattention appears to fall with early life experience in Finland, the Netherlands, and Portugal, while it increases in Germany, Greece, Spain and Ireland. Overall, this measure produces mixed results here.

Our results also remain qualitatively robust when using an alternative measure of experienced inflation based on a midpoint approach. Because we do not observe respondents’ exact ages, we calculate experienced inflation by averaging the inflation experiences of the youngest and oldest individuals within each age bracket and assigning this value to all respondents in that group. With respect to the first measure of inattention, based on inflation perception errors in Table A15, greater exposure to recent inflation experiences is associated with larger perception errors in all countries, except Greece and Portugal, where the estimated effects are statistically insignificant. In contrast, higher inflation experience constructed by assigning greater weight to inflation observed during individuals’ formative years is associated with lower perception errors in all countries except Austria and Belgium. Turning to the second measure of inattention in Table A16, higher recent experienced inflation increases the probability that an individual reports not knowing the current inflation rate in Belgium, Italy, and Portugal. The opposite effect is observed in Austria, Germany, France, and the Netherlands. For the remaining countries, the estimated effects are insignificant.

In addition, higher experienced inflation earlier in life decreases the probability of not knowing the current inflation rate in Austria, Germany, Finland, the Netherlands, and Portugal. Conversely, it increases this probability in Belgium, Greece, France, Italy, Luxembourg, and Ireland. For Spain, the estimated effect is statistically insignificant.

Taking these findings together, in our 2004-2025 sample, the effect of experienced inflation

on inattention depends both on the measure of inattention and on how we measure inflation experiences. While the impact of inflation experiences on the measure based on not knowing the current inflation rate is non-systematic across countries, the perception errors based measure of inattention produces consistent results across countries: early-life inflation experience reduces perception errors and raises attention to prices, whereas inflation experiences weighted toward recent periods tend to increase perception errors. The above finding carries potentially an important implication for the current generation of young euro-area households. As shown in Figure 3, individuals currently in their twenties had spent most of their lives in a low-inflation environment until the post-pandemic surge of 2021–2023, when inflation reached levels not seen in decades across these economies. If early-life inflation experiences leave a lasting imprint on attention, as our results suggest, today’s younger cohorts may emerge from this episode with systematically higher attentiveness to inflation in the decades ahead even after inflation subsides.

3.4 The impact of extreme adverse shocks on Inattention

To better understand the drivers of household inattention, we now examine how this responds to major adverse shocks. The period 2004–2025 provides a particularly suitable setting for such an analysis, as it encompasses several large and distinct disruptions across the euro area. Applying a threshold-based approach to the VSTOXX index¹⁵, similar to Geiger et al. (2025), we detect periods of extreme market stress reflecting elevated adversity. The stock market serves as a mirror reflecting major adverse events, which helps us detect the specific timing of their arrival.

To identify extreme adverse events, we define a threshold at 2.33 standard deviations above the index mean, representing the 99th percentile of the distribution. Applying this threshold to daily VSTOXX index data, we obtain thirteen monthly events, which amount to five separate episodes.¹⁶ The extreme adverse shocks we detect are the Global Financial Crisis

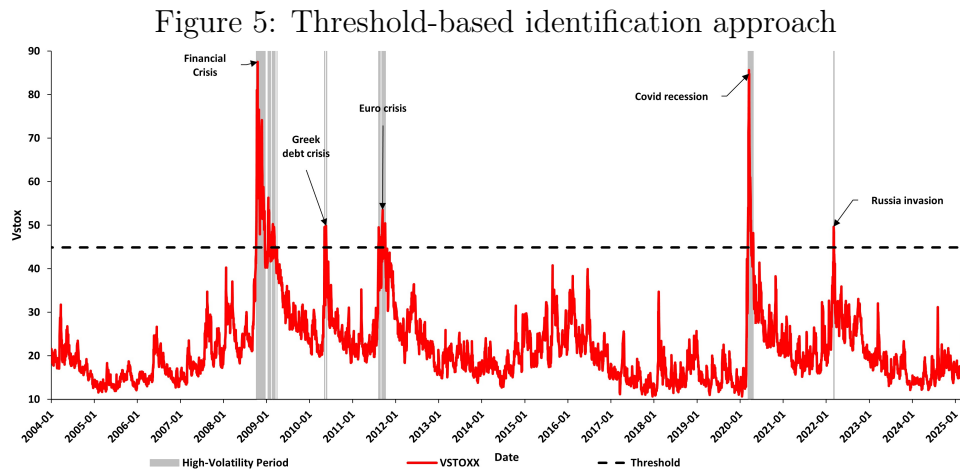
¹⁵The VSTOXX index represents the markets’ expectation of the 30-day forward volatility of EURO STOXX 50, the main European equity index.

¹⁶We note that our event-selection algorithm treats each event as a potentially separate shock, differently than Bloom (2009). Events that recur over several adjacent months are treated as single episodes.

(October 2008–March 2009), the Greek Debt Crisis (May 2010), the European Sovereign Debt Crisis (August 2011–October 2011), the Covid Pandemic (March 2020–April 2020) and the Russian Invasion (March 2022), as shown in Table 9. Figure 5 confirms that volatility spikes at the onset of these extreme adverse shocks.

Table 9: Crisis Episodes, Labels, and Dating

Episode/Event	Label	Dating
Global Financial Crisis	Financial crisis	2008-10 to 2009-03
Greek Debt Crisis	Greek debt crisis	2010-05
European Sovereign Debt Crisis	Euro crisis	2011-08 to 2011-10
Covid Pandemic	Covid recession	2020-03 to 2020-04
Russian Invasion	Russian invasion	2022-03



Notes: VSTOXX measures the implied volatility of European STOXX 50 index. Implied volatility is derived from option values representing market participants' estimates and assumptions. The threshold (2.33 standard deviations above the mean) is shown by the dotted line, with value 44.9. Identified events lie above the dotted line and the periods of high volatility are shown in grey.

The impact of extreme adverse shocks on Perception-Error-Based Inattention

Table 10 examines the impact of major adverse shocks on inattention, as measured by perception errors. The results indicate that, in the majority of cases, these events are associated with a significant reduction in inattention, suggesting that households become more attentive to inflation during periods of economic stress. Most clearly, the COVID-19 pandemic and the Russian invasion of Ukraine are associated with a reduction in inattention across all euro-area economies but Portugal or Ireland respectively¹⁷.

Table 10: Impact of Extreme Adverse Shocks on Inattention based on Perception errors

Variable	AT	BE	DE	EL	ES	FI	FR	IT	LU	NL	IE	PT
Financial crisis	1.485 (1.128)	4.997*** (1.013)	1.58** (0.798)	-18.704*** (3.001)	-8.465*** (2.318)	-7.004*** (0.609)	0.796 (1.112)	0.766 (2.26)	-0.077 (3.26)			
Greek debt crisis	-1.896*** (0.258)	-1.25*** (0.38)	-1.046*** (0.234)	-5.791*** (0.584)	1.831** (0.889)	-0.058 (0.186)	-0.425 (0.321)	-3.279*** (0.688)	-3.159*** (0.757)		-2.785*** (0.333)	
Euro crisis	-2.761*** (0.587)	0.188 (0.557)	0.661 (0.458)	-1.17 (1.038)	-4.497*** (1.053)	-0.23 (0.384)	-1.345** (0.533)	-3.862*** (1.275)	-2.627*** (0.783)	-5.002*** (0.446)	4.743*** (0.774)	
Covid recession	-7.367*** (0.486)	-5.632*** (0.661)	-4.474*** (0.568)	-4.93*** (0.85)	-7.06*** (1.355)	-3.933*** (0.459)	-4.646*** (0.742)	-4.993*** (0.833)	-2.106** (0.99)	-6.907*** (0.447)	-3.35*** (0.6)	-0.553 (0.708)
Russian invasion	-3.037*** (0.363)	-5.271*** (0.518)	-2.197*** (0.328)	-5.427*** (0.835)	-3.918*** (1.042)	-2.534*** (0.285)	-2.717*** (0.493)	-6.233*** (1.042)	-2.431*** (0.791)	-3.547*** (0.409)	-0.598 (0.426)	-3.266*** (0.608)
$Inflation_{t-1}$	-0.399*** (0.061)	-0.675*** (0.054)	-0.482*** (0.059)	-0.582*** (0.118)	-0.569*** (0.104)	-0.503*** (0.049)	-0.044 (0.09)	-0.763*** (0.108)	-0.286** (0.116)	-0.85*** (0.033)	-0.129** (0.055)	-0.346*** (0.109)
$Disagreement_{t-1}$	1.069*** (0.083)	1.078*** (0.071)	1.22*** (0.044)	1.542*** (0.092)	1.641*** (0.089)	1.308*** (0.078)	0.871*** (0.094)	1.94*** (0.126)	0.552*** (0.178)	1.215*** (0.065)	0.587*** (0.037)	1.505*** (0.073)
$InflationRolling12mSD_{t-1}$	0.236 (0.264)	1.464*** (0.157)	0.115 (0.24)	1.265*** (0.334)	1.894*** (0.373)	0.613** (0.248)	0.566* (0.322)	-0.023 (0.29)	1.287*** (0.31)	1.221*** (0.111)	-1.533*** (0.196)	0.895* (0.503)
$Unemployment_{t-1}$	-0.673*** (0.149)	-0.305*** (0.078)	-0.121*** (0.029)	-0.246*** (0.035)	-0.164*** (0.032)	-0.186*** (0.07)	-0.698*** (0.103)	-1.015*** (0.088)	0.529** (0.251)	-0.446*** (0.061)	-0.247*** (0.032)	0.031 (0.041)
Middle Educ	-1.741*** (0.052)	-1.113*** (0.065)	-0.478*** (0.051)	-0.747*** (0.156)	-1.113*** (0.113)	-0.451*** (0.032)	0.015 (0.089)	-0.956*** (0.12)	-0.222* (0.132)	-1.167*** (0.105)	-1.309*** (0.126)	0.458*** (0.124)
High Educ	-3.062*** (0.076)	-3.041*** (0.069)	-1.775*** (0.102)	-1.334*** (0.173)	-3.069*** (0.17)	-1.191*** (0.05)	-1.639*** (0.11)	-1.858*** (0.149)	-1.867*** (0.14)	-2.873*** (0.137)	-2.285*** (0.164)	-1.133*** (0.183)
Age 30-49	-0.039 (0.083)	1.006*** (0.145)	-0.271*** (0.077)	-0.065 (0.105)	0.232** (0.092)	0.243*** (0.049)	0.451*** (0.096)	-1.148*** (0.174)	-0.161 (0.121)	0.964*** (0.107)	-0.158 (0.123)	1.347*** (0.194)
Age 50-64	-0.73*** (0.079)	0.197 (0.141)	-1.084*** (0.115)	-0.289** (0.123)	-1.044*** (0.11)	-0.154*** (0.045)	-0.719*** (0.111)	-2.406*** (0.232)	-0.314** (0.14)	0.281** (0.109)	-0.624*** (0.151)	0.39** (0.172)
Age 65+	-2.055*** (0.104)	-1.448*** (0.145)	-1.985*** (0.131)	-0.033 (0.144)	-3.594*** (0.137)	-0.849*** (0.059)	-2.696*** (0.125)	-4.227*** (0.253)	-1.309*** (0.175)	-1.155*** (0.131)	-1.511*** (0.18)	-1.296*** (0.215)
2nd Inco Quartile	-1.124*** (0.069)	-2.005*** (0.122)	-1.25*** (0.065)	-1.02*** (0.102)	-1.593*** (0.107)	-0.278*** (0.047)	-1.05*** (0.061)	-1.407*** (0.114)	-0.936*** (0.155)	-1.334*** (0.11)	-0.315** (0.131)	-0.383*** (0.141)
3rd Inco Quartile	-1.845*** (0.08)	-3.878*** (0.128)	-1.467*** (0.067)	-0.33* (0.169)	-3.302*** (0.13)	-0.663*** (0.059)	-1.629*** (0.071)	-2.586*** (0.138)	-1.306*** (0.163)	-1.951*** (0.11)	-0.916*** (0.141)	-1.719*** (0.149)
4th Inco Quartile	-2.854*** (0.103)	-5.701*** (0.134)	-2.436*** (0.067)	-0.597* (0.349)	-4.728*** (0.172)	-1.243*** (0.073)	-3.132*** (0.087)	-3.202*** (0.155)	-2.56*** (0.134)	-2.892*** (0.116)	-2.287*** (0.18)	-2.97*** (0.216)
Female	2.445*** (0.059)	2.55*** (0.053)	1.089*** (0.057)	1.8*** (0.094)	3.01*** (0.108)	0.615*** (0.036)	1.169*** (0.063)	2.454*** (0.096)	2.09*** (0.077)	1.194*** (0.089)	1.512*** (0.103)	3.621*** (0.255)
Constant	3.505*** (1.109)	3.762*** (0.927)	-1.495*** (0.33)	-2.376* (1.271)	-2.745** (1.196)	-0.877 (0.709)	8.051*** (1.252)	5.777*** (1.569)	-1.502 (1.783)	1.873** (0.744)	6.123*** (0.514)	-7.05*** (0.755)
Observations	296501	299456	350190	279371	298750	279314	270514	281023	82836	121174	151170	81686
R-squared	0.080073	0.095910	0.088201	0.123318	0.169666	0.124423	0.090169	0.137527	0.057905	0.158408	0.097977	0.223346

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Note: All regressions include month fixed effects. Given that the survey interviews usually take place during first week of each month, the control variables (inflation, current inflation disagreement, unemployment and the 12-month rolling standard deviations of inflation) are measured in the preceding month of the survey interview to capture their significance. Event indicators are likewise lagged by one month to align with the survey timing. For example, the Greek Debt Crisis which is identified in May 2010, takes the value 1 in June 2010 and zero in all other months. To account for potential correlation among observations within the same month, standard errors are clustered at the month level.

The Greek Debt Crisis, capturing the period of severe fiscal stress in Greece and its spillover

¹⁷To address gaps in the survey data, the lagged disagreement measure is carried forward one month. Specifically, when month t is missing, disagreement is set equal to its value in month t-1. This procedure is not iterated over consecutive missing observations, hence, only the first missing month in a sequence is imputed.

on the rest of the euro-area, is associated with a reduction in inattention in most countries (Austria, Belgium, Germany, Greece, Italy, Luxembourg, and Ireland), but higher inattention in Spain. Similarly, the European Sovereign Debt Crisis, reflecting broader fiscal tensions in the Eurozone, leads to a decline in inattention in Austria, Spain, France, Italy, Luxembourg, and the Netherlands, but higher inattention in Ireland. Finally, no clear pattern emerges during the Global Financial Crisis with a decline in inattention in Greece, Spain, and Finland, but higher inattention in Belgium and Germany.

Overall, these findings support the hypothesis that the cost-benefit trade-off of information acquisition shifts during extreme exogenous adverse events such as the COVID-19 pandemic and the Russian invasion of Ukraine. In particular, the marginal benefit of observing and processing price signals apparently increases relative to the associated costs, making it optimal for households to allocate greater attention to inflation developments in this case.

The impact of extreme adverse shocks on Don't Know responses

Table A13 reports the estimated effects of extreme adverse shocks on the probability that an individual reports not knowing the current inflation rate, our second measure of inattention.

The COVID-19 pandemic, a global exogenous shock associated with widespread uncertainty and disruption, is estimated to increase the probability that individuals report not knowing the current inflation rate in the great majority of countries, but reduce it in Ireland, and leave it unaffected in Luxembourg, Finland and France. Following the War episode, the estimated effects are mixed. The probability that individuals report not knowing the current inflation rate falls in Austria, Germany, Greece, France, Italy, Ireland and Portugal while it rises in Belgium, Luxembourg and Netherlands while it is unresponsive in Spain and Finland. The Global Financial Crisis (GFC) also exhibits heterogeneous effects across countries. It is associated with an increased probability that individuals report not knowing the current inflation rate in Austria, Belgium, Finland, and Italy, suggesting an increase in inattention following this shock, and a decline in Germany and Luxembourg. The Greek Debt Crisis (GDC) increases the likelihood that individuals report not knowing the current inflation rate in Austria, Belgium, France, Italy, and Luxembourg, whereas the effect is negative in

Finland and insignificant elsewhere. Finally, the Sovereign Debt Crisis (SDC) raises the probability that individuals report not knowing the current inflation rate in most countries, with the exception of Germany, Finland, and Ireland where it falls, and Greece where it does not respond significantly.

A potential concern with the results in Table 10 is that the decline in perception errors following major adverse events may reflect changes in sample composition rather than increased attention. Since perception errors are only observed for respondents providing a numerical answer, an increase in "Don't Know" responses during such episodes could mechanically reduce average perception errors among the remaining respondents. We address this concern, on Table A17. Overall, the evidence indicates that these events do not generate a consistent increase in non-response, suggesting that the results in Table 10 are unlikely to be driven by composition effects.

While the results here indicate that household inattention based on not knowing the current inflation rate, is often sensitive to these adverse shocks, the direction of this response depends on the country context: in some countries, major adverse episodes are associated with an increase in inattention as captured by Don't Know responses, whereas in other countries adverse shocks reduce this or leave it unaffected.

3.5 Are households with greater "skin in the game" more attentive to inflation?

We now explore whether households with greater incentives to monitor price developments exhibit lower inattention. Following Hajdini et al. (2026), we focus on households that plan to make major purchases in the near future as our proxy for "skin in the game." More specifically, we make use of question Q9 from the BCS, which asks: "*Compared to the past 12 months, do you expect to spend more or less money on major purchases (furniture, electrical/electronic devices, etc.) over the next 12 months?*" with possible responses: much more, a little more, about the same, a little less, and much less, which we match to the respective numeric values 2, 1, 0, -1, and -2, thus creating a discrete variable that reflects

Table 11: Inattention based on Perception errors. Skin in the Game.

Variable	AT	BE	DE	EL	ES	FI	FR	IT	LU	NL	IE	PT
Skin in the game	-0.747*** (0.025)	-0.448*** (0.029)	-0.552*** (0.041)	-0.614*** (0.053)	-1.09*** (0.048)	-0.338*** (0.023)	-0.207*** (0.027)	-0.559*** (0.067)	-0.431*** (0.04)	-0.649*** (0.029)	-0.27*** (0.044)	-0.805*** (0.061)
$Inflation_{t-1}$	-0.372*** (0.06)	-0.673*** (0.056)	-0.478*** (0.06)	-0.521*** (0.117)	-0.559*** (0.102)	-0.493*** (0.051)	-0.023 (0.088)	-0.764*** (0.107)	-0.27** (0.122)	-0.866*** (0.037)	-0.107* (0.056)	-0.346*** (0.112)
$Disagreement_{t-1}$	0.963*** (0.087)	1.032*** (0.074)	1.183*** (0.048)	1.46*** (0.093)	1.595*** (0.083)	1.263*** (0.08)	0.85*** (0.092)	1.89*** (0.129)	0.532*** (0.157)	1.168*** (0.075)	0.555*** (0.037)	1.486*** (0.073)
$InflationRolling12mSD_{t-1}$	0.319 (0.265)	1.457*** (0.161)	0.175 (0.238)	1.135*** (0.346)	1.743*** (0.382)	0.641** (0.256)	0.726** (0.299)	0.053 (0.305)	1.246*** (0.292)	1.247*** (0.119)	-1.549*** (0.198)	0.82 (0.515)
$Unemployment_{t-1}$	-0.641*** (0.142)	-0.28*** (0.082)	-0.115*** (0.03)	-0.247*** (0.033)	-0.199*** (0.032)	-0.123* (0.072)	-0.637*** (0.105)	-1.004*** (0.084)	0.541** (0.25)	-0.413*** (0.064)	-0.228*** (0.031)	0.015 (0.039)
Middle Educ	-1.652*** (0.05)	-1.128*** (0.066)	-0.409*** (0.05)	-0.746*** (0.163)	-1.068*** (0.112)	-0.464*** (0.033)	0.003 (0.091)	-0.95*** (0.123)	-0.15 (0.132)	-1.124*** (0.107)	-1.203*** (0.12)	0.433*** (0.121)
High Educ	-2.917*** (0.072)	-3.047*** (0.069)	-1.626*** (0.096)	-1.362*** (0.177)	-2.915*** (0.17)	-1.181*** (0.049)	-1.66*** (0.11)	-1.786*** (0.156)	-1.796*** (0.142)	-2.711*** (0.133)	-2.146*** (0.156)	-1.002*** (0.182)
Age 30-49	-0.175** (0.084)	0.96*** (0.148)	-0.436*** (0.082)	-0.137 (0.106)	0.077 (0.092)	0.168*** (0.047)	0.385*** (0.097)	-1.089*** (0.166)	-0.26** (0.122)	0.883*** (0.109)	-0.218* (0.127)	1.135*** (0.182)
Age 50-64	-0.898*** (0.081)	0.124 (0.145)	-1.326*** (0.124)	-0.402*** (0.121)	-1.204*** (0.11)	-0.246*** (0.045)	-0.791*** (0.111)	-2.322*** (0.229)	-0.432*** (0.142)	0.164 (0.111)	-0.684*** (0.155)	0.2 (0.168)
Age 65+	-2.276*** (0.109)	-1.498*** (0.151)	-2.189*** (0.136)	-0.11 (0.147)	-3.669*** (0.136)	-0.916*** (0.062)	-2.776*** (0.123)	-4.074*** (0.253)	-1.376*** (0.172)	-1.211*** (0.133)	-1.572*** (0.182)	-1.294*** (0.216)
2nd Inco Quartile	-0.992*** (0.068)	-2.052*** (0.13)	-1.165*** (0.064)	-0.931*** (0.107)	-1.452*** (0.106)	-0.242*** (0.046)	-1.056*** (0.062)	-1.352*** (0.118)	-0.884*** (0.155)	-1.279*** (0.11)	-0.315** (0.13)	-0.327** (0.138)
3rd Inco Quartile	-1.655*** (0.081)	-3.854*** (0.133)	-1.335*** (0.066)	-0.143 (0.173)	-3.02*** (0.13)	-0.601*** (0.057)	-1.645*** (0.072)	-2.503*** (0.142)	-1.208*** (0.163)	-1.826*** (0.11)	-0.895*** (0.14)	-1.613*** (0.147)
4th Inco Quartile	-2.574*** (0.105)	-5.62*** (0.138)	-2.257*** (0.066)	-0.23 (0.362)	-4.363*** (0.178)	-1.143*** (0.069)	-3.143*** (0.089)	-3.025*** (0.158)	-2.427*** (0.136)	-2.67*** (0.113)	-2.179*** (0.177)	-2.754*** (0.21)
Female	2.4*** (0.059)	2.52*** (0.052)	1.05*** (0.056)	1.802*** (0.094)	2.949*** (0.107)	0.607*** (0.036)	1.177*** (0.064)	2.43*** (0.096)	2.083*** (0.076)	1.164*** (0.089)	1.429*** (0.1)	3.57*** (0.251)
Constant	3.812*** (1.078)	4.01*** (0.988)	-1.446*** (0.319)	-2.361* (1.284)	-2.432** (1.15)	-1.323* (0.742)	7.61*** (1.308)	5.414*** (1.535)	-1.476 (1.705)	1.671** (0.777)	5.916*** (0.502)	-7.154*** (0.738)
Observations	295013	295215	329805	273798	293350	278528	264160	273462	80679	117646	146775	81404
R-squared	0.084922	0.096763	0.089473	0.122406	0.173929	0.125113	0.090296	0.133218	0.059713	0.158380	0.091063	0.226975

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Note: All regressions include month fixed effects. Given that the survey interviews usually take place during first week of each month, the control variables (inflation, current inflation disagreement, unemployment and the 12-month rolling standard deviations of inflation) are measured in the preceding month of the survey interview to capture their significance. To account for potential correlation among observations within the same month, standard errors are clustered at the month level.

how likely individuals are to spend more on major purchases over the next 12 months.¹⁸

Households that plan to spend more over the coming year, care about how they will finance these purchases given their budget constraint and therefore, all other things equal, should have stronger incentives to acquire current information about prices.

Table 11 shows that, households planning major purchases exhibit lower perception errors. This result is consistent with the view that planned expenditures raise the value of paying attention to inflation.¹⁹ This finding is consistent across all the economies under study.

In addition, we examine whether these patterns hold for the second measure of inattention: the probability that a respondent reports not knowing the current inflation rate. Table A14

¹⁸In Section A.5 of the Appendix we have created an alternative discrete variable measuring "Skin in the game" for households, by matching their possible responses to Q9 from the BCS as follows: "much more" and "a little more" is matched to 1, "about the same" is matched to 0, while "a little less" and "much less" are matched to -1. Findings remain qualitatively the same.

¹⁹If we were to use this proxy of "skin in the game" to explain inflation expectations or forecast errors, this would involve a reverse causality issue in that expecting higher prices can lead to less purchases in the future. This is less of a concern in our context. Still, we interpret our findings as indicative evidence of a "skin in the game" mechanism rather than as establishing a causal relationship.

shows that having skin in the game is associated with a lower probability of someone reporting they “don’t know” the current inflation rate in Italy. By contrast, the relationship is significantly positive in the Netherlands and Portugal as well as Finland and France, and weakly positive in Greece and Spain. For the remaining four countries, we find no significant association. This last set of results does not align with the finding above that “skin in the game” works to raise attention across these economies.

3.6 Robustness: Excluding those that respond “prices will stay the same”

According to the critique of Bracha and Tang (2025b), our first measure of inattention based on perception errors could be biased due to the structure of the survey. In section 2.1.1, we gave a list of compelling arguments as to why we have reason to believe that this is not a main concern for our analysis. The evidence presented there led us to infer that the BCS survey question design is well understood by the great majority of respondents, and that using the full cross-section of BCS respondents to construct perception-error-based inattention measures is well-founded.

However, to further address these concerns, we now exclude all households that reported that prices had stayed about the same over the previous twelve months, and replicate our baseline specifications in order to assess the robustness of our main results; namely, the effects of inflation, inflation experiences, and adverse events, on perception errors as a measure of inattention, that were shown in Tables 6, 8, and 10. This robustness exercise allows us to assess whether our findings are driven by respondents whose interpretation of the survey question may be ambiguous. As shown in Tables A20, A21, and A22, the results remain qualitatively unchanged as compared to Tables 6, 8, and 10, suggesting that our main conclusions are not driven by the inclusion of respondents who reported that prices had remained about the same.

More specifically, Table A20 shows that perception errors decline following an increase in inflation in the previous month in 11 of the 12 euro area economies as was the case in Table

6, with the sole exception here being Ireland.

Moreover, Table A21 shows that higher experienced inflation measured by overweighting more recent life experiences, increases perception errors in 9 of the 12 euro area economies, while households with higher early life inflation experiences have lower perception errors in 9 of the 12 economies. These results are qualitatively close to those in Table 8 where the same regularities were observed in 10 and 11 of the 12 economies, respectively.

Finally, in Table A22, we can see that in the aftermath of the COVID-19 shock, perception errors fall significantly in 9 countries (Austria, Belgium, Germany, Spain, Finland, France, Luxembourg, the Netherlands, and Ireland) and are insignificant in Greece and Portugal, with Italy not reported in this case. Similarly, following the Russian invasion of Ukraine, perception errors fall significantly in 11 of the 12 economies, the exception being Ireland. These results are very close to those in Table 10 where the COVID-19 pandemic and the Russian invasion of Ukraine were associated with a reduction in inattention across 11 of the 12 euro-area economies, the exceptions there being Portugal and Ireland.

During the Greek Debt Crisis, perception errors fall significantly in 7 of the 12 economies (Austria, Belgium, Germany, Greece, Italy, Luxembourg, and Ireland) and are insignificant in the remaining economies, very similar to what we observed in Table 10. During the Sovereign Debt Crisis, perception errors fall significantly in 9 of the 12 economies (Austria, Belgium, Greece, Spain, Finland, France, Italy, Luxembourg, and the Netherlands) rise significantly in Ireland, and are insignificant in Germany and Portugal. These results are somewhat stronger than those in Table 10, where a decline in inattention was observed in 6 economies (Austria, Spain, France, Italy, Luxembourg, and the Netherlands) and higher inattention in Ireland. Finally, as in Table 10 where we observed a decline in inattention in Greece, Spain, and Finland and higher inattention in Belgium and Germany, no clear pattern emerges in the aftermath of the Global Financial Crisis: perception errors again fall significantly in Greece, Spain, and Finland, rise significantly in Austria, Belgium, France, and Luxembourg, and are insignificant in the remaining five economies.

4 Forecast errors and Inattention

Previous work had measured inattention only indirectly, using inflation forecast errors. For example Carrol (2003), Andrade and Le Bihan (2013), Coibion and Gorodnichenko (2015), Binder (2017) and Goldstein (2023) focused on properties of forecasts consistent with inattention. However, more recently, Bracha and Tang (2025b) argue that forecast errors are not a good measure of inattention as compared to the two direct measures of inattention proposed in their paper. Here, we consider how closely the direct inattention measures based on the perception errors regarding the current inflation rate or based on those that do not know the current inflation rate, relate to the degree of inaccuracy of households' inflation forecasts as captured by the individual absolute forecast errors, and to forecast errors regarding the inflation rate over the next twelve months.

4.1 Does inflation forecast inaccuracy relate to Inattention

Before turning to the regression results, it is useful to clarify what each measure of inattention implies for forecast accuracy, as measured using the absolute forecast error, $AFE_{i,t}$, and why these implications might differ. $AFE_{i,t}$ is constructed as the absolute difference between realized inflation 12 months ahead, π_{t+12} and the current expectation of inflation over the same horizon, $\pi_{i,t}^e$

$$AFE_{i,t} = |\pi_{t+12} - \pi_{i,t}^e| \quad (5)$$

$$AFE_{ict} = \alpha_c + \beta_c PerceptionError_{ict} + \delta'_c \mathbf{W}_{ict} + \varepsilon_{ict}, \quad (6)$$

$$AFE_{ict} = \alpha_c + \beta_c DoNotKnow_{ict} + \delta'_c \mathbf{W}_{ict} + \varepsilon_{ict}, \quad (7)$$

where $\mathbf{W}_{ict}$ denotes the vector of control variables, comprising the same lagged macroeconomic controls, individual-level socioeconomic characteristics, and month fixed effects included in the previous specifications. For the first measure of inattention, based on perception errors, we expect any distortions in these perceptions of current inflation to translate into less accurate forecasts of future inflation. For the measure based on ‘Don’t Know’ responses, the prediction is less straightforward and depends on composition effects. A decline

in ‘Don’t Know’ responses implies an increase in the number of households that choose to report inflation expectations rather than abstain from doing so. However, these newly reporting households may be relatively less informed about recent price developments and, therefore, their forecasts are likely to be more inaccurate. Conversely, an increase in ‘Don’t Know’ responses means that fewer, and on average better-informed, households are forming forecasts, which can lower observed absolute forecast errors mechanically. This composition channel implies that the measure based on ‘Don’t Know’ responses can be negatively related to forecast inaccuracy even if inattention genuinely harms forecast accuracy at the individual level. The overall effect on forecast accuracy is, in this case, ambiguous ex ante and depends on which of these opposing forces dominates. We keep this distinction in mind when interpreting the results below.

In Table 12, we can see that individuals with higher perception errors (i.e., more inattentive) make more inaccurate forecasts in all 12 countries. This suggests a strong link between inattention and forecast (in)accuracy.

Table 12: Absolute forecast errors and Inattention based on Perception errors

Variable	AT	BE	DE	EL	ES	FI	FR	IT	LU	NL	IE	PT
Perception Error	0.494*** (0.008)	0.459*** (0.007)	0.578*** (0.011)	0.504*** (0.013)	0.46*** (0.008)	0.5*** (0.012)	0.52*** (0.01)	0.315*** (0.008)	0.463*** (0.012)	0.49*** (0.019)	0.491*** (0.017)	0.526*** (0.018)
$Inflation_{t-1}$	0.387*** (0.053)	0.429*** (0.041)	0.472*** (0.066)	0.898*** (0.07)	0.547*** (0.061)	0.418*** (0.046)	0.416*** (0.054)	0.397*** (0.083)	0.48*** (0.061)	0.446*** (0.049)	0.145*** (0.029)	0.633*** (0.11)
$Disagreement_{t-1}$	0.08 (0.066)	0.028 (0.05)	-0.009 (0.039)	-0.035 (0.05)	-0.076* (0.046)	-0.205*** (0.057)	-0.007 (0.062)	0.148** (0.064)	-0.032 (0.054)	-0.242*** (0.048)	0.168*** (0.024)	-0.172*** (0.064)
$InflationRolling12mSD_{t-1}$	0.456** (0.199)	0.175* (0.096)	0.448** (0.22)	-0.223 (0.26)	-0.274 (0.213)	0.726*** (0.19)	0.893*** (0.194)	0.755*** (0.145)	0.613*** (0.129)	0.215 (0.146)	1.23*** (0.114)	0.335 (0.483)
$Unemployment_{t-1}$	0.162 (0.102)	-0.03 (0.048)	-0.051** (0.022)	0.029 (0.019)	-0.03** (0.014)	-0.03 (0.048)	0.13* (0.072)	0.22*** (0.034)	0.256** (0.117)	-0.254*** (0.055)	0.057** (0.022)	-0.118*** (0.044)
Middle Educ	-0.267*** (0.031)	-0.355*** (0.045)	-0.028 (0.033)	-0.621*** (0.092)	0.072 (0.067)	-0.166*** (0.023)	0.167*** (0.054)	0.2*** (0.056)	-0.137* (0.081)	-0.39*** (0.061)	-0.483*** (0.08)	-0.042 (0.077)
High Educ	-0.363*** (0.035)	-0.519*** (0.045)	-0.174*** (0.051)	-0.733*** (0.108)	-0.371*** (0.095)	-0.283*** (0.025)	0.076 (0.051)	0.229*** (0.07)	-0.285*** (0.087)	-0.53*** (0.066)	-0.741*** (0.09)	-0.316*** (0.098)
Age 30-49	-0.391*** (0.043)	-0.186** (0.084)	-0.215*** (0.047)	0.071 (0.071)	-0.414*** (0.062)	-0.131*** (0.027)	0.066 (0.066)	0.062 (0.082)	-0.504*** (0.077)	0.029 (0.074)	-0.082 (0.058)	0.007 (0.1)
Age 50-64	-0.549*** (0.049)	-0.205** (0.091)	-0.368*** (0.062)	0.091 (0.09)	-0.709*** (0.077)	-0.248*** (0.028)	0.026 (0.071)	-0.075 (0.089)	-0.559*** (0.08)	-0.002 (0.076)	-0.146** (0.073)	-0.1 (0.099)
Age 65+	-0.844*** (0.049)	-0.621*** (0.096)	-0.635*** (0.07)	-0.085 (0.094)	-1.01*** (0.093)	-0.479*** (0.033)	-0.239*** (0.072)	-0.42*** (0.092)	-0.743*** (0.093)	-0.315*** (0.076)	-0.243*** (0.083)	-0.076 (0.106)
2nd Inco Quartile	-0.476*** (0.044)	-0.032 (0.098)	-0.372*** (0.04)	-0.447*** (0.084)	-0.53*** (0.08)	-0.151*** (0.026)	-0.239*** (0.041)	-0.228*** (0.058)	-0.24*** (0.074)	-0.182*** (0.061)	-0.277*** (0.072)	0.028 (0.079)
3rd Inco Quartile	-0.493*** (0.045)	-0.327*** (0.1)	-0.53*** (0.037)	-0.596*** (0.119)	-0.786*** (0.077)	-0.289*** (0.027)	-0.389*** (0.04)	-0.516*** (0.058)	-0.571*** (0.077)	-0.302*** (0.061)	-0.304*** (0.083)	-0.298*** (0.08)
4th Inco Quartile	-0.472*** (0.048)	-0.585*** (0.099)	-0.468*** (0.042)	-1.891*** (0.211)	-0.655*** (0.089)	-0.362*** (0.031)	-0.485*** (0.045)	-0.656*** (0.068)	-0.607*** (0.075)	-0.427*** (0.069)	-0.594*** (0.093)	-0.282*** (0.095)
Female	0.443*** (0.026)	0.268*** (0.028)	0.103*** (0.025)	0.174*** (0.052)	0.348*** (0.048)	0.151*** (0.016)	0.116*** (0.028)	0.069* (0.041)	0.276*** (0.044)	0.125*** (0.036)	0.519*** (0.044)	0.738*** (0.076)
Constant	0.503 (0.883)	2.015*** (0.586)	1.587*** (0.241)	4.136*** (0.864)	4.416*** (0.587)	2.474*** (0.496)	-0.296 (0.956)	-0.883 (0.82)	0.399 (0.761)	4.963*** (0.622)	1.05*** (0.324)	3.41*** (0.72)
Observations	290771	270180	329081	233786	263156	267519	224864	253867	77931	109046	141793	74487
R-squared	0.441753	0.403014	0.550148	0.381886	0.396124	0.471158	0.513332	0.270021	0.417009	0.469240	0.394244	0.541198

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Note: All regressions include month fixed effects. Given that the survey interviews usually take place during first week of each month, the control variables (inflation, current inflation disagreement, unemployment and the 12-month rolling standard deviations of inflation) are measured in the preceding month of the survey interview to capture their significance. To account for potential correlation among observations within the same month, standard errors are clustered at the month level.

Table 13: Absolute forecast errors and Inattention based on not knowing current inflation

Variable	AT	BE	DE	EL	ES	FI	FR	IT	LU	NL	IE	PT
Do Not Know	-0.457 (0.28)	-1.11*** (0.129)	-1.216*** (0.162)	-3.033*** (0.211)	-2.112*** (0.199)	-0.034 (0.219)	-1.188*** (0.114)	-2.125*** (0.23)	-1.097*** (0.2)	-1.058*** (0.113)	-0.55* (0.296)	-2.234*** (0.352)
$Inflation_{t-1}$	0.206*** (0.05)	0.081*** (0.031)	0.199*** (0.053)	0.662*** (0.077)	0.268*** (0.053)	0.158*** (0.034)	0.365*** (0.04)	0.144** (0.072)	0.341*** (0.061)	0.017 (0.043)	0.101*** (0.03)	0.363*** (0.055)
$Disagreement_{t-1}$	0.577*** (0.052)	0.59*** (0.04)	0.67*** (0.033)	0.68*** (0.065)	0.661*** (0.033)	0.45*** (0.054)	0.466*** (0.041)	0.696*** (0.047)	0.192*** (0.054)	0.336*** (0.042)	0.434*** (0.028)	0.607*** (0.046)
$InflationRolling12mSD_{t-1}$	0.642*** (0.162)	0.865*** (0.068)	0.597*** (0.162)	0.275 (0.24)	0.564*** (0.145)	1.027*** (0.154)	1.286*** (0.119)	0.985*** (0.103)	1.228*** (0.1)	0.894*** (0.136)	0.475*** (0.12)	0.919*** (0.255)
$Unemployment_{t-1}$	-0.145* (0.085)	-0.14*** (0.043)	-0.113*** (0.02)	-0.095*** (0.025)	-0.119*** (0.014)	-0.103** (0.046)	-0.14*** (0.054)	-0.051 (0.032)	0.492*** (0.13)	-0.425*** (0.051)	-0.038* (0.02)	-0.089** (0.038)
Middle Educ	-1.113*** (0.04)	-0.637*** (0.05)	-0.271*** (0.045)	-1.01*** (0.144)	-0.348*** (0.069)	-0.389*** (0.028)	0.439*** (0.059)	0.059 (0.062)	-0.244** (0.102)	-0.841*** (0.08)	-1.03*** (0.112)	0.469*** (0.084)
High Educ	-1.857*** (0.056)	-1.548*** (0.058)	-1.14*** (0.096)	-1.468*** (0.161)	-1.586*** (0.102)	-0.861*** (0.035)	-0.318*** (0.063)	-0.159** (0.077)	-1.122*** (0.108)	-1.751*** (0.102)	-1.691*** (0.139)	-0.456*** (0.114)
Age 30-49	-0.418*** (0.061)	0.222** (0.098)	-0.357*** (0.076)	0.036 (0.089)	-0.358*** (0.066)	-0.024 (0.04)	0.174** (0.075)	-0.361*** (0.091)	-0.581*** (0.101)	0.423*** (0.089)	-0.182** (0.088)	0.783*** (0.158)
Age 50-64	-0.934*** (0.059)	-0.126 (0.102)	-1.004*** (0.11)	-0.092 (0.108)	-1.33*** (0.08)	-0.352*** (0.036)	-0.455*** (0.079)	-0.91*** (0.104)	-0.726*** (0.104)	0.081 (0.091)	-0.454*** (0.112)	0.117 (0.148)
Age 65+	-1.911*** (0.068)	-1.281*** (0.104)	-1.758*** (0.127)	-0.147 (0.114)	-2.89*** (0.102)	-0.941*** (0.036)	-1.689*** (0.091)	-1.876*** (0.117)	-1.322*** (0.118)	-0.891*** (0.099)	-1.001*** (0.133)	-0.887*** (0.151)
2nd Inco Quartile	-0.996*** (0.055)	-0.66*** (0.091)	-1.051*** (0.054)	-0.825*** (0.1)	-1.091*** (0.091)	-0.299*** (0.036)	-0.568*** (0.045)	-0.47*** (0.065)	-0.653*** (0.099)	-0.74*** (0.074)	-0.399*** (0.11)	0.024 (0.089)
3rd Inco Quartile	-1.372*** (0.06)	-1.692*** (0.103)	-1.33*** (0.056)	-0.553*** (0.152)	-2.071*** (0.101)	-0.637*** (0.043)	-0.946*** (0.051)	-1.036*** (0.068)	-1.133*** (0.099)	-1.135*** (0.074)	-0.701*** (0.119)	-0.874*** (0.1)
4th Inco Quartile	-1.858*** (0.069)	-2.748*** (0.109)	-1.833*** (0.056)	-1.785*** (0.275)	-2.588*** (0.122)	-1.002*** (0.055)	-1.73*** (0.064)	-1.324*** (0.086)	-1.732*** (0.095)	-1.707*** (0.087)	-1.658*** (0.137)	-1.499*** (0.125)
Female	1.628*** (0.035)	1.131*** (0.035)	0.708*** (0.05)	1.069*** (0.078)	1.509*** (0.071)	0.468*** (0.022)	0.509*** (0.04)	0.647*** (0.043)	1.218*** (0.055)	0.669*** (0.047)	1.183*** (0.071)	2.171*** (0.156)
Constant	2.283*** (0.684)	2.356*** (0.497)	0.753*** (0.254)	3.319*** (1.065)	3.298*** (0.519)	1.905*** (0.471)	2.202*** (0.659)	0.446 (0.683)	0.016 (0.833)	5.486*** (0.523)	3.817*** (0.296)	-0.789 (0.567)
Observations	295791	302988	336395	250874	284318	276225	262150	278245	80343	116484	147411	84787
R-squared	0.084768	0.066935	0.104901	0.107905	0.102218	0.105935	0.091181	0.077060	0.051841	0.128776	0.062645	0.191190

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Note: All regressions include month fixed effects. Given that the survey interviews usually take place during first week of each month, the control variables (inflation, current inflation disagreement, unemployment and the 12-month rolling standard deviations of inflation) are measured in the preceding month of the survey interview to capture their significance. To account for potential correlation among observations within the same month, standard errors are clustered at the month level.

In Table 13, we find that, in these euro area economies, except for Austria and Finland, the presence of individuals who report not knowing the current inflation rate but still provide a forecast of future inflation, is associated with lower absolute forecast errors. In other words, a lower prevalence of “do not know” responses, is associated with a greater degree of forecast inaccuracy. This result can be rationalized through composition effects as explained earlier. A lower prevalence of “Don’t Know” responses implies that a larger number of individuals who previously reported not knowing the current inflation rate now enters the sample of respondents forming expectations. However, these individuals are also more likely to produce larger forecast errors. Since reporting knowledge of current inflation is strongly associated with the likelihood of providing a quantitative inflation forecast, the pool of respondents becomes increasingly composed of individuals prone to greater errors as individuals who previously reported not knowing the current inflation rate now enter the

sample of respondents.²⁰

4.2 How do Inflation Forecast errors relate to Inattention?

To better understand the mechanism behind our results pertaining to households' inflation forecast accuracy in the previous subsection, we now examine how being inattentive relates to individual's inflation forecast errors $FE_{i,t}$, constructed as the difference between realized inflation twelve months ahead, π_{t+12} and the current expectation of inflation over the same horizon, $\pi_{i,t}^e$:

$$FE_{i,t} = \pi_{t+12} - \pi_{i,t}^e \quad (8)$$

Using the same set of control variables as in Equations 6 and 7, the results reported in Table 14 indicate that larger perception errors are associated with lower forecast errors in all economies. This implies that the higher forecast inaccuracy we observe for individuals with higher perception errors in the previous section, is due to over-prediction of the future inflation rate. The strong significant link between inattention as measured by perception errors and forecast errors suggests that forecast errors may, after all, be a reasonable proxy of inattention. This suggests that the lessons learned from previous work that captured inattention indirectly using inflation forecast errors, e.g., Carrol (2003), Andrade and Le Bihan (2013), Coibion and Gorodnichenko (2015), Binder (2017) and Goldstein (2023), should still be regarded as valid. Having considered how closely the direct inattention measure based on perception errors relates to the degree of inaccuracy of households' inflation forecasts and to inflation forecast errors regarding the inflation rate over the next twelve months, we infer that the conclusion from Bracha and Tang (2025b) regarding the latter not being a valid measure of inattention might be premature. Our results here have the practical implication that given the absence of current perceptions in some expectations surveys, notably the Michigan Survey of Consumers, forecast errors can be used as a reasonably accurate proxy of inattention.

²⁰Table A3 shows that among respondents who do not know the current inflation rate but nevertheless provide a forecast, individuals with low or medium levels of education constitute the largest share in the majority of euro area economies. Based on the literature, being less educated is associated with lower financial literacy and less accurate inflation forecasts (De Bruin et al. (2011), Madeira and Zafar (2015))

Table 14: Forecast errors and Inattention based on Perception errors

Variable	AT	BE	DE	EL	ES	FI	FR	IT	LU	NL	IE	PT
Perception Error	-0.537*** (0.006)	-0.471*** (0.007)	-0.641*** (0.008)	-0.558*** (0.014)	-0.475*** (0.007)	-0.582*** (0.009)	-0.553*** (0.007)	-0.322*** (0.009)	-0.496*** (0.012)	-0.535*** (0.018)	-0.54*** (0.016)	-0.577*** (0.011)
$Inflation_{t-1}$	-0.817*** (0.141)	-0.89*** (0.125)	-0.851*** (0.136)	-1.271*** (0.121)	-1.108*** (0.134)	-0.748*** (0.118)	-0.804*** (0.163)	-0.727*** (0.151)	-0.891*** (0.144)	-1.213*** (0.097)	-0.482*** (0.074)	-1.181*** (0.245)
$Disagreement_{t-1}$	0.383*** (0.145)	0.399*** (0.149)	0.256*** (0.071)	0.483*** (0.09)	0.504*** (0.086)	0.485*** (0.157)	0.539*** (0.203)	0.139 (0.132)	0.003 (0.165)	0.829*** (0.107)	0.087** (0.039)	0.714*** (0.156)
$InflationRolling12mSD_{t-1}$	1.948*** (0.608)	2.003*** (0.292)	1.78*** (0.54)	1.1** (0.442)	2.951*** (0.467)	1.494*** (0.533)	0.187 (0.687)	1.815*** (0.338)	1.013** (0.454)	3.074*** (0.257)	0.538* (0.315)	1.265 (1.124)
$Unemployment_{t-1}$	-0.159 (0.208)	0.069 (0.11)	0.058 (0.039)	-0.051* (0.031)	0.068*** (0.025)	0.134 (0.119)	-0.425** (0.182)	-0.403*** (0.07)	-1.2*** (0.278)	0.787*** (0.117)	-0.163*** (0.036)	0.164* (0.086)
Middle Educ	0.162*** (0.04)	0.243*** (0.053)	-0.063 (0.04)	0.506*** (0.113)	-0.242*** (0.077)	-0.024 (0.033)	-0.444*** (0.078)	-0.49*** (0.083)	-0.06 (0.097)	0.408*** (0.085)	0.406*** (0.087)	-0.112 (0.093)
High Educ	0.404*** (0.054)	0.329*** (0.053)	0.031 (0.066)	0.662*** (0.136)	-0.052 (0.122)	0.07* (0.041)	-0.306*** (0.081)	-0.683*** (0.116)	0.117 (0.11)	0.741*** (0.09)	0.644*** (0.099)	0.11 (0.109)
Age 30-49	0.103** (0.05)	-0.078 (0.104)	0.105** (0.051)	-0.086 (0.09)	0.112 (0.078)	-0.071** (0.031)	-0.261*** (0.089)	-0.357*** (0.101)	0.283*** (0.093)	-0.205** (0.089)	0.008 (0.062)	-0.258** (0.107)
Age 50-64	0.243*** (0.062)	-0.302*** (0.115)	0.117* (0.065)	0.032 (0.115)	0.265*** (0.102)	-0.036 (0.034)	-0.258** (0.105)	-0.428*** (0.107)	0.168 (0.115)	-0.391*** (0.091)	-0.048 (0.076)	-0.157 (0.122)
Age 65+	0.677*** (0.071)	0.304** (0.12)	0.355*** (0.077)	0.112 (0.109)	0.664*** (0.122)	0.182*** (0.053)	0.111 (0.115)	0.032 (0.115)	0.653*** (0.153)	0.05 (0.098)	0.063 (0.09)	0.284** (0.139)
2nd Inco Quartile	0.38*** (0.05)	-0.494** (0.214)	0.406*** (0.052)	0.486*** (0.103)	0.421*** (0.1)	0.152*** (0.033)	0.214*** (0.045)	0.254*** (0.069)	0.117 (0.098)	0.053 (0.077)	0.215*** (0.076)	-0.113 (0.093)
3rd Inco Quartile	0.267*** (0.064)	-0.258 (0.207)	0.549*** (0.041)	0.501*** (0.165)	0.642*** (0.103)	0.369*** (0.041)	0.374*** (0.051)	0.599*** (0.074)	0.509*** (0.117)	0.112 (0.071)	0.162* (0.087)	0.132 (0.098)
4th Inco Quartile	0.047 (0.084)	0.044 (0.188)	0.327*** (0.063)	1.959*** (0.341)	0.471*** (0.126)	0.564*** (0.047)	0.559*** (0.061)	0.878*** (0.094)	0.422*** (0.1)	0.338*** (0.09)	0.547*** (0.094)	0.085 (0.115)
Female	-0.438*** (0.029)	-0.292*** (0.04)	-0.061** (0.027)	-0.359*** (0.066)	-0.316*** (0.064)	-0.259*** (0.02)	-0.116*** (0.037)	-0.109** (0.051)	-0.296*** (0.047)	-0.053 (0.049)	-0.566*** (0.046)	-0.715*** (0.093)
Constant	-2.524 (1.903)	-3.41** (1.73)	-2.414*** (0.553)	-6.711*** (1.41)	-8.039*** (1.181)	-3.29** (1.322)	1.41 (2.489)	2.068 (1.724)	6.881*** (1.827)	-10.471*** (1.242)	-0.997** (0.507)	-7.098*** (1.647)
Observations	290771	270180	329081	233786	263156	267519	224864	253867	77931	109046	141793	74487
R-squared	0.386625	0.322269	0.518590	0.343745	0.316553	0.422572	0.425889	0.179377	0.368802	0.405692	0.377518	0.443140

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Note: All regressions include month fixed effects. Given that the survey interviews usually take place during first week of each month, the control variables (inflation, current inflation disagreement, unemployment and the 12-month rolling standard deviations of inflation) are measured in the preceding month of the survey interview to capture their significance. To account for potential correlation among observations within the same month, standard errors are clustered at the month level.

In Table 15, we see that the prevalence of individuals that do not know the current inflation rate leads to under-prediction of the inflation rate in all of these economies. Conversely, when the prevalence of such individuals falls, then the average effect is to lower the forecast error (i.e., inflation expectations increase more than inflation realizations). This can be rationalized if individuals that previously stated they don't know the current inflation rate but now believe that they know it as the prevalence of Don't Knows falls, tend to overpredict the inflation rate, so that them becoming more likely to state their future expectation (as they now believe they know the current inflation rate with an associated increase in the likelihood of forming an inflation expectation of the future), leads to an estimated tendency to overpredict future inflation. Consistent with the above possibility, knowing the current inflation rate is indeed strongly associated with the likelihood of forming a quantitative inflation expectation in Table 4, with, on average across countries, 76 percent of those that know the current inflation rate forming a quantitative inflation forecast as compared to 28 percent for those that do not know the current inflation rate.

Table 15: Forecast errors and Inattention based on not knowing current inflation

Variable	AT	BE	DE	EL	ES	FI	FR	IT	LU	NL	IE	PT
Do Not Know	0.957*** (0.324)	1.969*** (0.173)	2.372*** (0.21)	3.793*** (0.269)	2.986*** (0.232)	1.232*** (0.246)	1.945*** (0.136)	2.618*** (0.284)	1.866*** (0.245)	1.945*** (0.141)	0.832** (0.342)	3.231*** (0.521)
$Inflation_{t-1}$	-0.623*** (0.125)	-0.528*** (0.11)	-0.553*** (0.113)	-1.011*** (0.126)	-0.806*** (0.111)	-0.437*** (0.103)	-0.713*** (0.136)	-0.473*** (0.126)	-0.747*** (0.127)	-0.76*** (0.089)	-0.429*** (0.084)	-0.898*** (0.195)
$Disagreement_{t-1}$	-0.155 (0.126)	-0.26** (0.132)	-0.489*** (0.06)	-0.295*** (0.103)	-0.244*** (0.066)	-0.283* (0.148)	-0.024 (0.165)	-0.416*** (0.104)	-0.256** (0.109)	0.209** (0.095)	-0.185*** (0.044)	-0.094 (0.14)
$InflationRolling12mSD_{t-1}$	1.751*** (0.529)	1.376*** (0.248)	1.643*** (0.457)	0.541 (0.405)	2.075*** (0.384)	1.166** (0.491)	-0.026 (0.536)	1.675*** (0.269)	0.401 (0.358)	2.424*** (0.253)	1.372*** (0.361)	0.728 (0.923)
$Unemployment_{t-1}$	0.173 (0.18)	0.172* (0.101)	0.12*** (0.035)	0.084** (0.037)	0.164*** (0.024)	0.225* (0.115)	-0.172 (0.153)	-0.147** (0.067)	-1.479*** (0.261)	0.979*** (0.11)	-0.072** (0.035)	0.129* (0.077)
Middle Educ	1.078*** (0.047)	0.459*** (0.057)	0.201*** (0.052)	0.952*** (0.17)	0.179** (0.08)	0.213*** (0.039)	-0.913*** (0.076)	-0.376*** (0.086)	0.056 (0.118)	0.851*** (0.096)	0.99*** (0.122)	-0.756*** (0.101)
High Educ	2.024*** (0.069)	1.273*** (0.064)	1.084*** (0.111)	1.504*** (0.191)	1.181*** (0.131)	0.701*** (0.051)	-0.089 (0.082)	-0.325*** (0.116)	0.997*** (0.128)	1.997*** (0.116)	1.658*** (0.147)	0.132 (0.117)
Age 30-49	0.134** (0.066)	-0.479*** (0.116)	0.259*** (0.082)	-0.026 (0.114)	0.07 (0.078)	-0.191*** (0.047)	-0.377*** (0.093)	0.075 (0.109)	0.37*** (0.117)	-0.628*** (0.106)	0.111 (0.096)	-1.107*** (0.169)
Age 50-64	0.66*** (0.07)	-0.387*** (0.121)	0.818*** (0.118)	0.263* (0.14)	0.947*** (0.1)	0.095** (0.046)	0.267** (0.115)	0.443*** (0.121)	0.329** (0.129)	-0.484*** (0.114)	0.29** (0.122)	-0.337* (0.176)
Age 65+	1.847*** (0.093)	1.009*** (0.123)	1.59*** (0.14)	0.216 (0.139)	2.706*** (0.138)	0.755*** (0.06)	1.757*** (0.136)	1.579*** (0.134)	1.262*** (0.157)	0.722*** (0.132)	0.923*** (0.146)	1.37*** (0.217)
2nd Inco Quartile	0.935*** (0.064)	0.062 (0.185)	1.148*** (0.063)	0.904*** (0.119)	0.955*** (0.111)	0.3*** (0.046)	0.511*** (0.051)	0.471*** (0.076)	0.562*** (0.117)	0.628*** (0.091)	0.328*** (0.119)	-0.137 (0.102)
3rd Inco Quartile	1.208*** (0.078)	0.999*** (0.189)	1.421*** (0.06)	0.44** (0.191)	1.925*** (0.122)	0.744*** (0.06)	0.892*** (0.061)	1.084*** (0.082)	1.133*** (0.122)	0.962*** (0.086)	0.563*** (0.129)	0.677*** (0.119)
4th Inco Quartile	1.54*** (0.092)	2.092*** (0.181)	1.816*** (0.067)	1.802*** (0.388)	2.423*** (0.14)	1.274*** (0.079)	1.778*** (0.079)	1.502*** (0.108)	1.642*** (0.115)	1.671*** (0.104)	1.686*** (0.139)	1.336*** (0.144)
Female	-1.714*** (0.037)	-1.039*** (0.041)	-0.715*** (0.053)	-1.344*** (0.096)	-1.478*** (0.081)	-0.597*** (0.029)	-0.458*** (0.051)	-0.663*** (0.05)	-1.294*** (0.061)	-0.56*** (0.061)	-1.277*** (0.071)	-2.126*** (0.178)
Constant	-4.436*** (1.614)	-2.758* (1.507)	-1.493*** (0.514)	-5.917*** (1.565)	-7.029*** (1.009)	-2.622** (1.255)	-0.259 (2.065)	0.935 (1.502)	7.571*** (1.564)	-11.062*** (1.111)	-3.985*** (0.522)	-2.858** (1.434)
Observations	295791	302988	336395	250874	284318	276225	262150	278245	80343	116484	147411	84787
R-squared	0.044479	0.046931	0.057858	0.074242	0.068581	0.048179	0.043125	0.026518	0.049214	0.115789	0.047314	0.083422

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Note: All regressions include month fixed effects. Given that the survey interviews usually take place during first week of each month, the control variables (inflation, current inflation disagreement, unemployment and the 12-month rolling standard deviations of inflation) are measured in the preceding month of the survey interview to capture their significance. To account for potential correlation among observations within the same month, standard errors are clustered at the month level.

The above suggests that the effect of “Don’t Know” responses on forecast errors can be rationalized through such composition effects, and thus does not appropriately measure how forecast errors (or forecast inaccuracy for that matter) relate to inattention per se. To reiterate, as the likelihood of “do not know” responses declines, individuals who previously reported not knowing are more likely to now state that they know the current inflation rate and, consequently, become more likely to form and report expectations about future inflation. However, these individuals tend to systematically overpredict inflation.

5 Conclusion

Taken together, our findings paint a consistent picture in which the perception-errors-based measure of inattention behaves in line with economic theory more systematically than the measure based on ‘Don’t Know’ responses. Both measures fall when recent inflation is high, confirming that attention to prices is endogenous and responds to the incentive to monitor

them, in line with the findings of Bracha and Tang (2025a). However, the two measures diverge markedly along other dimensions.

The heterogeneity of the impact of aggregate noise on inattention across education levels is significantly more evident for perception errors as compared to the second measure. Moreover, it is high uncertainty, related to heightened disagreement and an associated increase in aggregate noise, to which highly educated individuals respond by forming smaller perception errors, rather than to high inflation per se. Thus, one important reason more highly educated individuals tend to make smaller perception errors as compared to low education ones, is that they have an advantage in deciphering signal from noise during noisy periods.

Importantly, the perception-errors-based measure declines robustly with early-life inflation experience across all twelve euro-area economies, suggesting that formative exposure to high inflation leaves a lasting imprint that reduces the cost or raises the benefit of attending to prices later in life. Recent lifetime inflation experience increases perception errors, consistent with households remaining attached on recent past inflation rather than updating to current conditions. The inattention measure based on the ‘Don’t Know’ responses, does not respond uniformly across countries to either of these two measures of lifetime inflation experience.

The above results suggest that experienced inflation is an important determinant of current perception errors operating through two channels: First, when individuals assign more weight to formative-year inflation experiences, this leads to lower perception errors. Second, when individuals place greater weight on recent inflation realizations, perception errors tend to increase, consistent with the selective memory mechanism documented by Link et al. (2025) where agents with stronger past inflationary experiences form less accurate assessments of current prices, as selective recall of salient historical episodes distorts rather than improves belief formation. Individuals whose recent experience has been dominated by high inflation behave as if that inflationary episode is still ongoing, selectively recalling those episodes when evaluating current prices and remaining attached to the inflationary trajectory of their recent past rather than processing current price signals accurately. As a result, they tend to overestimate inflation persistence and produce larger perception errors.

Following extreme adverse shocks such as the Covid Pandemic or the Russian Invasion, perception errors decline across the euro area in a clear and consistent pattern, while ‘Don’t Know’ responses exhibit substantial cross-country heterogeneity with no systematic direction. Furthermore, inattention based on perception errors is everywhere lower for individuals with greater ‘skin in the game’, but not according to the second measure which exhibits a positive or insignificant relation in most of these economies.

The relationship of the two newly proposed measures of inattention with forecast inaccuracy reinforces the above. While perception errors are positively associated with forecast inaccuracy in all twelve countries, the measure based on ‘Don’t Know’ responses relates negatively to forecast inaccuracy through a compositional channel that acts towards reversing the sign of the true effect of inattention. Overall, the evidence strongly favors the perception-error measure as the more reliable and economically interpretable measure of household inattention to inflation.

The strong link between perception-errors-based inattention and (absolute) forecast errors, implies that the latter can serve as a reasonable proxy of inattention. This supports the validity of the accumulated knowledge from the large volume of research utilizing inflation forecast errors to capture inattention (e.g., Carrol (2003), Andrade and Le Bihan (2013), Coibion and Gorodnichenko (2015), Binder (2017), and Goldstein (2023)). The positive implication is that future work can safely build on the accumulated knowledge from the latter body of literature, and that, in the absence of information on current perceptions, forecast errors can still be used as a reasonably accurate proxy of inattention.

This being said, our work, utilizing the perception-errors-based direct measure of inattention, points to a number of novel theoretical mechanisms, as underlined in the previous paragraphs, towards which theoretical work should gravitate in order to further improve our understanding of inattention. Nobably, the different impact early-life inflation experience has as compared to recent-life inflation experience points to the importance of accounting for specific behavioral mechanisms. In particular, our findings point to theoretical models where formative exposure to high inflation early on leaves a lasting imprint that reduces the

cost or raises the benefit of attending to prices later in life, but also to the importance of selective recall mechanisms that distort beliefs.

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Appendix

A.1 Sources of Macroeconomic Data

Macroeconomic variables used in the empirical analysis are obtained from the Eurostat database. Inflation is measured as the year-on-year percentage change in the Harmonised Index of Consumer Prices (HICP) for all items. We further include the seasonally adjusted unemployment rate. For the calculation of Inflation experiences we use annual Inflation rates from the dataset of Reinhart and Rogoff (2009). Financial market uncertainty is proxied by the VSTOXX index, the implied volatility index of the EURO STOXX 50 equity index. Daily VSTOXX data are obtained from the London Stock Exchange Group (LSEG) Data Analytics (formerly Refinitiv). The index is derived from option prices on the EURO STOXX 50 and provides a forward-looking measure of expected stock market volatility across different maturities by extracting the implied variance embedded in option prices. Higher values of the VSTOXX indicate elevated levels of financial market uncertainty.

A.2 Descriptive statistics for the Inattention measures

Figure A1: Mean Perception Error across Euro–Area economies

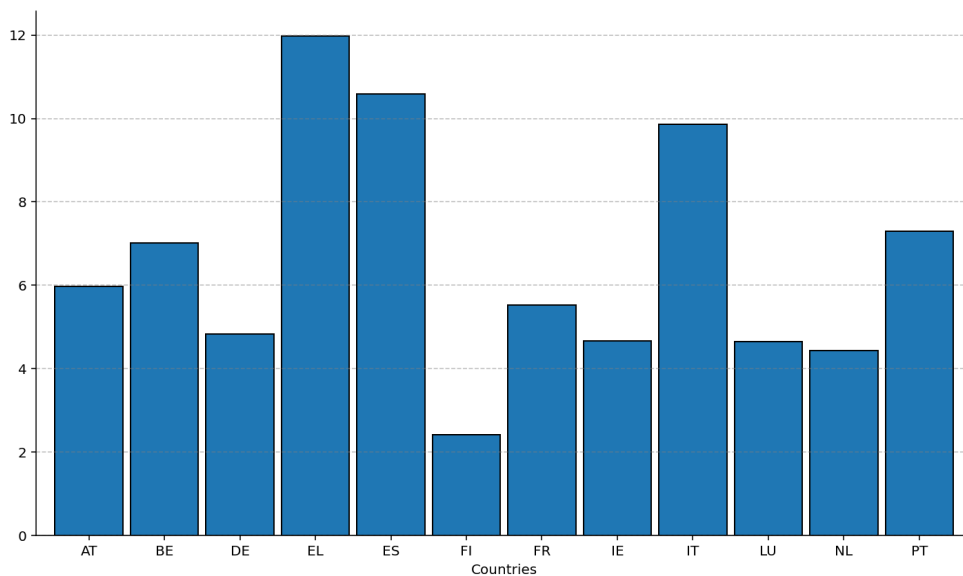


Figure A2: Share of “Do Not Know” (%) across Euro–Area economies

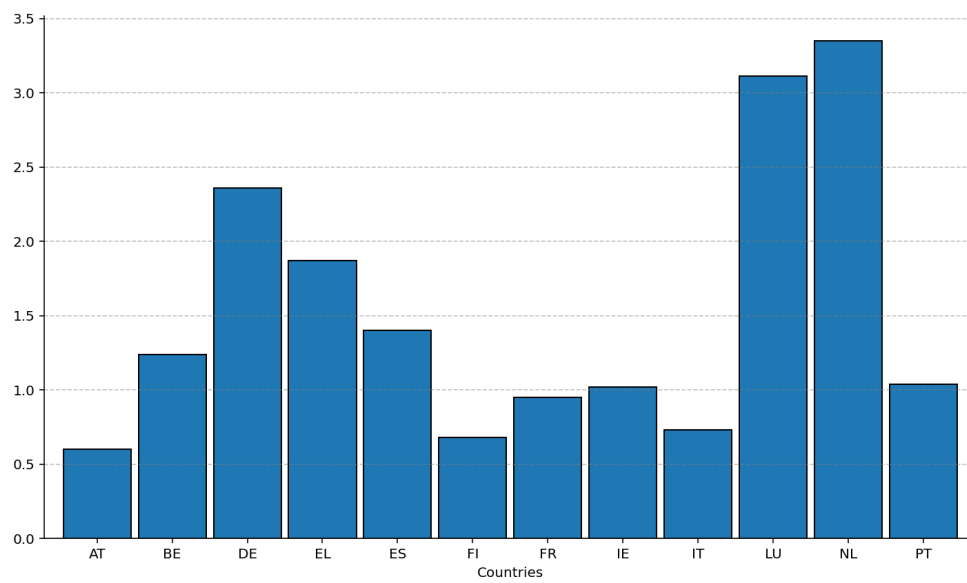


Figure A3: Heterogeneity of Inflation life Experiences across countries.

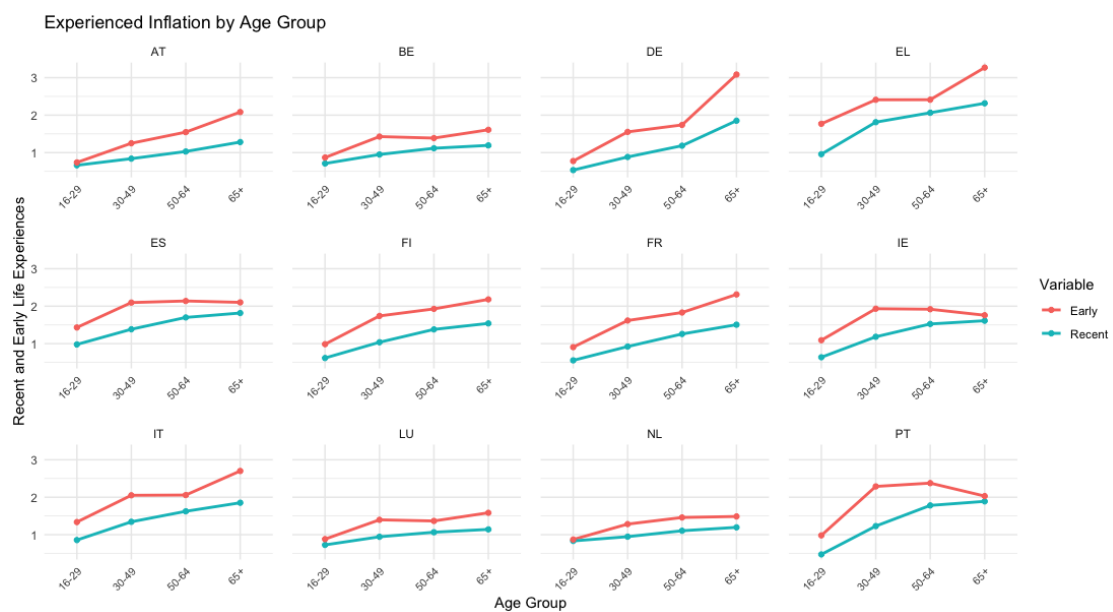


Table A1: Average Perception Errors by Country and Demographic

Category	Country Level	AT	BE	DE	EL	ES	FI	FR	IE	IT	LU	NL	PT
Age	16-29	6.79	7.03	5.72	11.40	11.39	2.80	6.49	4.69	11.62	4.98	4.96	7.13
	30-49	6.30	7.32	5.17	11.89	11.05	2.56	6.50	4.77	11.01	4.39	4.91	8.05
	50-64	5.90	7.25	4.59	12.09	10.37	2.28	5.53	4.67	9.74	4.83	4.38	7.76
	65+	5.03	6.64	3.88	12.62	9.03	2.02	4.16	4.39	8.57	4.58	3.88	6.03
Education	Low	7.51	9.26	5.03	13.33	11.62	2.76	5.51	6.66	11.02	5.99	6.76	6.39
	Medium	5.52	8.02	4.99	11.95	11.31	2.73	6.31	5.78	9.55	5.25	4.82	8.32
	High	3.79	5.32	3.86	11.25	8.44	1.89	5.17	3.56	7.78	3.17	3.00	6.82
Gender	Male	4.66	5.42	4.27	10.83	9.13	2.11	4.99	3.81	8.46	3.39	3.63	5.53
	Female	7.26	8.63	5.35	12.99	12.11	2.77	6.78	5.54	11.31	5.89	5.27	9.33
Income	1st Quartile	8.14	11.27	6.52	11.38	13.73	3.31	7.36	5.85	12.11	6.57	6.22	8.86
	2nd Quartile	6.61	7.99	5.54	10.50	11.86	2.76	6.06	5.76	10.62	5.47	4.92	8.77
	3rd Quartile	5.82	5.84	4.85	12.36	10.17	2.23	5.57	5.35	9.45	4.78	4.45	7.38
	4th Quartile	4.38	4.04	3.44	14.36	7.95	1.66	3.81	3.15	8.57	2.97	3.47	5.25

Note: This table presents the average perception error across euro area countries by demographic group. Means are reported separately for age groups, education levels (low, middle, and high), gender, and household income quartiles.

Table A2: Share (%) of “Don’t Know” Responses by Country and Demographic

Category	Country Level	AT	BE	DE	EL	ES	FI	FR	IE	IT	LU	NL	PT
Age	16-29	0.53	1.36	5.23	1.80	1.84	0.82	0.44	1.25	0.64	3.83	2.40	0.37
	30-49	0.46	1.01	1.94	1.59	0.89	0.34	0.56	0.78	0.40	2.50	2.27	0.21
	50-64	0.54	1.00	1.44	1.94	1.12	0.55	0.80	0.81	0.56	2.60	2.97	0.66
	65+	0.90	1.55	2.03	2.30	2.16	1.27	1.51	1.59	1.15	3.95	5.01	2.16
Education	Low	0.62	1.38	2.67	2.15	1.75	1.37	1.34	1.57	0.98	4.27	4.01	2.05
	Medium	0.55	1.08	2.21	1.79	1.26	0.52	0.85	1.02	0.52	2.85	3.08	0.50
	High	0.64	1.18	1.34	1.74	1.14	0.35	0.89	0.88	0.50	2.98	3.34	0.29
Gender	Male	0.60	1.35	2.68	2.17	1.54	0.62	0.89	1.13	0.76	3.18	3.34	0.88
	Female	0.59	1.16	2.08	1.60	1.27	0.74	1.06	0.92	0.70	3.02	3.37	1.17
Income	1st Quartile	0.61	1.77	2.07	2.30	1.51	1.19	1.03	1.32	0.84	3.23	3.67	1.62
	2nd Quartile	0.45	1.13	1.73	2.06	1.10	0.56	1.09	0.76	0.50	2.60	2.52	0.91
	3rd Quartile	0.37	0.95	1.51	1.65	1.04	0.31	0.78	0.74	0.38	2.13	1.96	0.42
	4th Quartile	0.51	1.15	1.84	0.70	1.06	0.27	0.90	0.62	0.37	2.68	2.37	0.49

Note: The table reports the share of “Don’t know” responses as a percentage of total responses within each demographic category and subgroup

Table A3: Forecast Responses among Inattentive Households by Country and Demographic

Category	Country Level	AT	BE	DE	EL	ES	FI	FR	IE	IT	LU	NL	PT
Age	16–29	0.12	0.03	0.30	0.22	0.25	0.24	0.02	0.21	0.05	0.22	0.04	0.04
	30–49	0.28	0.21	0.33	0.32	0.28	0.16	0.22	0.32	0.20	0.28	0.25	0.06
	50–64	0.28	0.28	0.21	0.24	0.20	0.24	0.28	0.21	0.31	0.21	0.31	0.21
	65+	0.33	0.48	0.16	0.22	0.28	0.36	0.48	0.27	0.44	0.28	0.40	0.70
Education	Low	0.43	0.27	0.38	0.19	0.37	0.51	0.19	0.17	0.53	0.19	0.16	0.73
	Medium	0.36	0.27	0.52	0.47	0.37	0.30	0.25	0.36	0.33	0.47	0.43	0.19
	High	0.21	0.47	0.11	0.34	0.26	0.19	0.56	0.46	0.13	0.34	0.41	0.08
Gender	Male	0.49	0.51	0.51	0.54	0.53	0.45	0.65	0.53	0.52	0.52	0.49	0.37
	Female	0.51	0.49	0.49	0.46	0.47	0.55	0.35	0.47	0.48	0.48	0.51	0.63
Income	1st Quartile	0.24	0.09	0.27	0.46	0.22	0.35	0.24	0.28	0.32	0.19	0.24	0.45
	2nd Quartile	0.21	0.51	0.16	0.30	0.24	0.30	0.26	0.22	0.24	0.23	0.24	0.25
	3rd Quartile	0.20	0.26	0.15	0.18	0.28	0.20	0.22	0.23	0.22	0.22	0.23	0.13
	4th Quartile	0.35	0.14	0.42	0.07	0.26	0.15	0.28	0.28	0.22	0.36	0.29	0.17

Note: The table reports the share of inflation forecast responses among inattentive households across demographic groups (age, income, education and gender). Households are classified as inattentive if they answered “Don’t know” to the question on perceived inflation. The reported figures show the distribution of those inattentive households who provided an inflation expectation, broken down by demographic category and country.

A.3 Inattention measured by Perception Errors

Table A4: Inattention based on Perception errors. Exclude disagreement.

Variable	AT	BE	DE	EL	ES	FI	FR	IT	LU	NL	IE	PT
$Inflation_{t-1}$	-0.068 (0.075)	-0.416*** (0.072)	0.207** (0.091)	0.253 (0.155)	0.587*** (0.134)	-0.241*** (0.093)	0.43*** (0.09)	0.093 (0.124)	-0.061 (0.098)	-0.737*** (0.043)	0.081 (0.071)	0.138 (0.29)
$InflationRolling12mSD_{t-1}$	2.224*** (0.269)	1.818*** (0.249)	2.541*** (0.401)	1.581*** (0.566)	1.616*** (0.595)	3.517*** (0.229)	1.44*** (0.345)	0.986** (0.48)	1.206*** (0.288)	2.11*** (0.128)	-2.479*** (0.232)	4.226*** (0.995)
$Unemployment_{t-1}$	-0.848*** (0.162)	-0.594*** (0.108)	0.206*** (0.058)	-0.366*** (0.048)	-0.491*** (0.055)	-0.344*** (0.107)	-1.068*** (0.116)	-1.664*** (0.118)	0.755*** (0.26)	-0.87*** (0.088)	-0.059 (0.037)	-0.512*** (0.1)
Middle Educ	-1.802*** (0.052)	-1.073*** (0.065)	-0.297*** (0.066)	-0.937*** (0.219)	-1.098*** (0.124)	-0.306*** (0.036)	0.241** (0.097)	-1.017*** (0.133)	-0.186 (0.132)	-0.941*** (0.121)	-1.467*** (0.131)	0.521*** (0.129)
High Educ	-3.19*** (0.075)	-3.031*** (0.069)	-1.073*** (0.12)	-1.548*** (0.246)	-2.915*** (0.218)	-0.957*** (0.054)	-1.399*** (0.109)	-1.998*** (0.176)	-1.827*** (0.141)	-2.867*** (0.142)	-3.189*** (0.201)	-0.865*** (0.167)
Age 30-49	-0.035 (0.082)	0.916*** (0.147)	-0.226*** (0.074)	-0.055 (0.12)	-0.021 (0.105)	0.289*** (0.099)	0.542*** (0.186)	-1.408*** (0.123)	-0.103 (0.116)	0.909*** (0.116)	0.043 (0.13)	1.122*** (0.199)
Age 50-64	-0.782*** (0.078)	0.223 (0.141)	-1.026*** (0.112)	-0.314** (0.131)	-1.512*** (0.144)	-0.124*** (0.047)	-0.611*** (0.116)	-2.821*** (0.257)	-0.228 (0.144)	0.023 (0.123)	-0.656*** (0.151)	0.272 (0.17)
Age 65+	-2.082*** (0.103)	-1.328*** (0.146)	-2.143*** (0.133)	-0.088 (0.147)	-4.188*** (0.179)	-0.753*** (0.061)	-2.559*** (0.127)	-4.755*** (0.287)	-1.192*** (0.176)	-1.473*** (0.14)	-1.57*** (0.181)	-1.483*** (0.212)
2nd Inco Quartile	-1.133*** (0.07)	-2.163*** (0.141)	-1.145*** (0.067)	-0.905*** (0.112)	-1.62*** (0.122)	-0.385*** (0.057)	-1.09*** (0.061)	-1.427*** (0.116)	-0.848*** (0.152)	-1.442*** (0.118)	0.03 (0.14)	-0.39*** (0.139)
3rd Inco Quartile	-1.776*** (0.08)	-3.954*** (0.141)	-1.616*** (0.073)	0.152 (0.2)	-3.643*** (0.149)	-0.839*** (0.079)	-1.703*** (0.072)	-2.654*** (0.143)	-1.172*** (0.159)	-2.047*** (0.124)	-0.241 (0.166)	-1.639*** (0.152)
4th Inco Quartile	-2.772*** (0.106)	-5.659*** (0.145)	-2.772*** (0.101)	0.29 (0.518)	-5.258*** (0.217)	-1.4*** (0.091)	-3.231*** (0.091)	-3.241*** (0.159)	-2.564*** (0.136)	-2.966*** (0.134)	-1.806*** (0.193)	-2.93*** (0.232)
Female	2.46*** (0.059)	2.631*** (0.055)	0.947*** (0.054)	1.805*** (0.1)	2.739*** (0.135)	0.613*** (0.036)	1.146*** (0.063)	2.477*** (0.096)	2.107*** (0.077)	1.28*** (0.103)	1.707*** (0.105)	3.677*** (0.263)
Constant	11.657*** (1.041)	14.405*** (1.004)	3.691*** (0.659)	16.126*** (1.275)	20.088*** (1.401)	4.752*** (0.927)	16.061*** (1.25)	29.369*** (1.881)	0.898 (1.643)	12.403*** (0.894)	9.194*** (0.753)	7.365*** (1.425)
Observations	297781	300475	352828	280798	299699	280655	271806	282373	83153	122274	155318	82430
R-squared	0.071002	0.083892	0.051912	0.076888	0.116848	0.086731	0.083503	0.100170	0.050844	0.123462	0.062212	0.173702

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Note: All regressions include month fixed effects. To account for potential correlation among observations within the same month, standard errors are clustered at the month level.

In Table A4, higher inflation in the previous month is associated with smaller perception errors in Belgium, Finland, the Netherlands and Ireland, but larger perception errors in

Germany, Spain and France, while no statistically significant relationship is found for the remaining countries. However, once lagged disagreement is included as an additional control (Table 6), the coefficient on lagged inflation becomes negative and statistically significant in eleven of the twelve economies. This pattern suggests that inflation affects perception errors through two opposing channels. On the one hand, higher inflation increases households' attention, reducing perception errors. On the other hand, it raises aggregate disagreement, which increases perception errors¹. Omitting disagreement therefore masks the attention effect of inflation, yielding insignificant or even positive coefficients in Table A4. These findings suggest that perception errors provide an informative proxy for inattention once aggregate disagreement is taken into account. Consistent with this interpretation, lagged disagreement is itself positively associated with perception errors in Table 6.

Table A5: Inattention based on Perception errors. Interaction of inflation with Education.

Variable	AT	BE	DE	EL	ES	FI	FR	IT	LU	NL	IE	PT
<i>Inflation</i> _{<i>t</i>-1}	-0.273*** (0.06)	-0.683*** (0.06)	-0.36*** (0.06)	-0.421*** (0.128)	-0.212* (0.116)	-0.423*** (0.056)	0.048 (0.092)	-0.708*** (0.104)	-0.429*** (0.127)	-0.831*** (0.048)	-0.12 (0.08)	-0.077 (0.122)
<i>Inflation</i> _{<i>t</i>-1} #Middle Educ	-0.116*** (0.025)	0.033 (0.024)	-0.057* (0.033)	-0.115** (0.051)	-0.247*** (0.048)	0.022 (0.027)	0.151** (0.067)	-0.073* (0.04)	0.243*** (0.069)	0.017 (0.033)	-0.027 (0.045)	-0.182*** (0.06)
<i>Inflation</i> _{<i>t</i>-1} #High Educ	-0.248*** (0.034)	0.012 (0.027)	-0.323*** (0.038)	-0.083 (0.057)	-0.631*** (0.053)	-0.18*** (0.033)	-0.155** (0.077)	-0.172*** (0.044)	0.098 (0.066)	-0.08*** (0.03)	0.032 (0.064)	-0.596*** (0.056)
<i>Disagreement</i> _{<i>t</i>-1}	1.002*** (0.089)	1.028*** (0.073)	1.181*** (0.047)	1.481*** (0.093)	1.602*** (0.084)	1.28*** (0.081)	0.859*** (0.093)	1.93*** (0.125)	0.522*** (0.161)	1.183*** (0.075)	0.594*** (0.037)	1.509*** (0.074)
<i>Inflation</i> Rolling12mSD _{<i>t</i>-1}	0.312 (0.269)	1.454*** (0.16)	0.219 (0.236)	1.149*** (0.346)	1.876*** (0.378)	0.663** (0.259)	0.765** (0.301)	-0.057 (0.294)	1.252*** (0.298)	1.289*** (0.121)	-1.531*** (0.2)	0.854 (0.528)
<i>Unemployment</i> _{<i>t</i>-1}	-0.647*** (0.144)	-0.277*** (0.081)	-0.102*** (0.03)	-0.218*** (0.034)	-0.167*** (0.032)	-0.111 (0.073)	-0.601*** (0.104)	-1.022*** (0.084)	0.539** (0.254)	-0.42*** (0.065)	-0.234*** (0.031)	0.056 (0.04)
Middle Educ	-1.436*** (0.077)	-1.199*** (0.088)	-0.389*** (0.076)	-0.515*** (0.158)	-0.642*** (0.113)	-0.493*** (0.049)	-0.271** (0.129)	-0.804*** (0.127)	-0.75*** (0.189)	-1.196*** (0.145)	-1.269*** (0.135)	0.771*** (0.131)
High Educ	-2.429*** (0.111)	-3.069*** (0.096)	-0.954*** (0.135)	-1.206*** (0.173)	-1.744*** (0.161)	-0.854*** (0.069)	-1.359*** (0.129)	-1.519*** (0.156)	-2.078*** (0.199)	-2.621*** (0.171)	-2.341*** (0.17)	0.195 (0.156)
Age 30-49	-0.029 (0.084)	1.014*** (0.146)	-0.262*** (0.079)	-0.085 (0.106)	0.22** (0.093)	0.243*** (0.048)	0.401*** (0.097)	-1.147*** (0.175)	-0.151 (0.121)	0.958*** (0.108)	-0.154 (0.124)	1.346*** (0.192)
Age 50-64	-0.722*** (0.08)	0.206 (0.142)	-1.09*** (0.117)	-0.317*** (0.121)	-1.059*** (0.111)	-0.156*** (0.045)	-0.773*** (0.11)	-2.414*** (0.234)	-0.307** (0.141)	0.26** (0.11)	-0.621*** (0.151)	0.388** (0.173)
Age 65+	-2.046*** (0.104)	-1.428*** (0.147)	-1.984*** (0.133)	-0.035 (0.145)	-3.613*** (0.137)	-0.843*** (0.06)	-2.755*** (0.123)	-4.237*** (0.256)	-1.258*** (0.173)	-1.172*** (0.13)	-1.509*** (0.18)	-1.279*** (0.216)
2nd Inco Quartile	-1.122*** (0.069)	-2.055*** (0.127)	-1.236*** (0.065)	-0.97*** (0.103)	-1.54*** (0.107)	-0.28*** (0.047)	-1.062*** (0.062)	-1.403*** (0.114)	-0.927*** (0.156)	-1.353*** (0.108)	-0.305** (0.131)	-0.366*** (0.141)
3rd Inco Quartile	-1.862*** (0.081)	-3.925*** (0.131)	-1.452*** (0.066)	-0.195 (0.17)	-3.256*** (0.131)	-0.67*** (0.06)	-1.657*** (0.072)	-2.589*** (0.139)	-1.3*** (0.162)	-1.976*** (0.109)	-0.91*** (0.14)	-1.691*** (0.151)
4th Inco Quartile	-2.895*** (0.106)	-5.747*** (0.137)	-2.442*** (0.069)	-0.245 (0.36)	-4.747*** (0.181)	-1.246*** (0.074)	-3.159*** (0.089)	-3.201*** (0.155)	-2.546*** (0.134)	-2.915*** (0.114)	-2.287*** (0.178)	-2.995*** (0.221)
Female	2.442*** (0.059)	2.551*** (0.053)	1.094*** (0.058)	1.824*** (0.094)	3.033*** (0.108)	0.617*** (0.036)	1.187*** (0.065)	2.452*** (0.096)	2.101*** (0.077)	1.198*** (0.089)	1.515*** (0.103)	3.605*** (0.253)
Constant	3.582*** (1.089)	4.145*** (0.986)	-1.55*** (0.323)	-2.761** (1.302)	-3.075*** (1.183)	-1.565** (0.75)	7.093*** (1.282)	5.813*** (1.518)	-0.903 (1.73)	1.861** (0.784)	5.949*** (0.504)	-7.77*** (0.767)
Observations	296501	299456	349306	278287	297791	279314	266183	279816	82029	121174	151170	81686
R-squared	0.078755	0.094086	0.088173	0.120033	0.169568	0.123081	0.090936	0.136456	0.057000	0.155210	0.096784	0.225499

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Note: All regressions include month fixed effects. To account for potential correlation among observations within the same month, standard errors are clustered at the month level.

¹Indeed, lagged inflation is positively associated with disagreement in all countries. These results are available from the authors upon request.

Table A6: Inattention based on Perception errors. Interaction of Education with Disagreement.

Variable	AT	BE	DE	EL	ES	FI	FR	IT	LU	NL	IE	PT
<i>Inflation</i> _{t-1}	-0.369*** (0.06)	-0.667*** (0.056)	-0.455*** (0.06)	-0.506*** (0.118)	-0.513*** (0.104)	-0.49*** (0.051)	-0.013 (0.088)	-0.765*** (0.107)	-0.269** (0.123)	-0.862*** (0.038)	-0.109** (0.055)	-0.35*** (0.114)
<i>Disagreement</i> _{t-1}	1.157*** (0.092)	1.01*** (0.076)	1.297*** (0.046)	1.471*** (0.11)	1.838*** (0.096)	1.425*** (0.086)	1.143*** (0.119)	2.139*** (0.138)	0.317** (0.157)	1.385*** (0.098)	0.895*** (0.054)	1.664*** (0.088)
<i>Disagreement</i> _{t-1} #Middle Educ	-0.192*** (0.029)	0.068 (0.041)	-0.08*** (0.025)	0.016 (0.058)	-0.225*** (0.034)	-0.027 (0.028)	0.021 (0.071)	-0.331*** (0.047)	0.251*** (0.094)	-0.064 (0.056)	-0.177*** (0.032)	-0.043 (0.049)
<i>Disagreement</i> _{t-1} #High Educ	-0.373*** (0.036)	-0.005 (0.048)	-0.434*** (0.029)	-0.002 (0.063)	-0.526*** (0.045)	-0.309*** (0.032)	-0.434*** (0.075)	-0.505*** (0.058)	0.216** (0.086)	-0.433*** (0.06)	-0.474*** (0.038)	-0.423*** (0.051)
<i>Inflation</i> _{Rolling12mSD} _{t-1}	0.299 (0.268)	1.453*** (0.16)	0.248 (0.241)	1.131*** (0.346)	1.917*** (0.382)	0.664** (0.26)	0.78** (0.304)	-0.004 (0.29)	1.249*** (0.297)	1.298*** (0.122)	-1.533*** (0.197)	0.853 (0.525)
<i>Unemployment</i> _{t-1}	-0.648*** (0.144)	-0.277*** (0.081)	-0.115*** (0.03)	-0.22*** (0.034)	-0.169*** (0.032)	-0.11 (0.073)	-0.603*** (0.105)	-1.027*** (0.084)	0.543** (0.254)	-0.44*** (0.065)	-0.21*** (0.031)	0.053 (0.041)
Middle Educ	-0.111 (0.242)	-1.699*** (0.353)	0.083 (0.177)	-0.963 (0.68)	1.349*** (0.337)	-0.347*** (0.126)	-0.247 (0.462)	2.268*** (0.409)	-2.026*** (0.698)	-0.563 (0.411)	0.155 (0.206)	0.728** (0.366)
High Educ	0.064 (0.304)	-2.994*** (0.409)	1.886*** (0.213)	-1.367* (0.745)	2.766*** (0.43)	0.329** (0.143)	1.336*** (0.476)	3.017*** (0.516)	-3.426*** (0.644)	0.433 (0.428)	1.299*** (0.248)	2.734*** (0.386)
Age 30-49	-0.021 (0.084)	1.016*** (0.146)	-0.264*** (0.078)	-0.089 (0.106)	0.221** (0.093)	0.233*** (0.048)	0.421*** (0.097)	-1.161*** (0.176)	-0.146 (0.121)	0.962*** (0.108)	-0.265** (0.122)	1.342*** (0.193)
Age 50-64	-0.715*** (0.08)	0.21 (0.143)	-1.113*** (0.116)	-0.317*** (0.121)	-1.054*** (0.112)	-0.157*** (0.045)	-0.748*** (0.11)	-2.435*** (0.236)	-0.31** (0.141)	0.251** (0.11)	-0.724*** (0.149)	0.381** (0.175)
Age 65+	-2.033*** (0.104)	-1.424*** (0.148)	-1.999*** (0.133)	-0.036 (0.146)	-3.59*** (0.139)	-0.843*** (0.06)	-2.729*** (0.123)	-4.254*** (0.257)	-1.256*** (0.173)	-1.18*** (0.13)	-1.574*** (0.178)	-1.279*** (0.217)
2nd Inco Quartile	-1.124*** (0.069)	-2.054*** (0.127)	-1.23*** (0.065)	-0.964*** (0.103)	-1.529*** (0.106)	-0.268*** (0.046)	-1.068*** (0.062)	-1.404*** (0.114)	-0.923*** (0.156)	-1.401*** (0.108)	-0.383*** (0.128)	-0.344** (0.142)
3rd Inco Quartile	-1.87*** (0.081)	-3.925*** (0.131)	-1.436*** (0.066)	-0.182 (0.171)	-3.235*** (0.134)	-0.652*** (0.059)	-1.668*** (0.072)	-2.586*** (0.138)	-1.3*** (0.163)	-2.046*** (0.11)	-0.932*** (0.139)	-1.672*** (0.149)
4th Inco Quartile	-2.902*** (0.106)	-5.742*** (0.136)	-2.436*** (0.069)	-0.258 (0.359)	-4.741*** (0.183)	-1.227*** (0.072)	-3.173*** (0.089)	-3.202*** (0.155)	-2.546*** (0.134)	-2.986*** (0.115)	-2.276*** (0.179)	-2.999*** (0.218)
Female	2.441*** (0.059)	2.551*** (0.053)	1.1*** (0.058)	1.826*** (0.094)	3.047*** (0.108)	0.62*** (0.036)	1.201*** (0.066)	2.453*** (0.096)	2.103*** (0.077)	1.205*** (0.088)	1.48*** (0.103)	3.63*** (0.255)
Constant	2.525** (1.099)	4.252*** (1.012)	-2.166*** (0.338)	-2.397 (1.481)	-5.102*** (1.249)	-2.144*** (0.765)	5.29*** (1.336)	3.923** (1.595)	0.21 (1.756)	0.523 (0.878)	3.425*** (0.518)	-8.549*** (0.795)
Observations	296501	299456	349306	278287	297791	279314	266183	279816	82029	121174	151170	81686
R-squared	0.079033	0.094098	0.088929	0.119979	0.169693	0.123798	0.091834	0.137264	0.056837	0.156850	0.100233	0.225638

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Note: All regressions include month fixed effects. To account for potential correlation among observations within the same month, standard errors are clustered at the month level.

Table A7: Inattention according to the measure based on Perception errors. Interaction of Education with Inflation and Disagreement.

Variable	AT	BE	DE	EL	ES	FI	FR	IT	LU	NL	IE	PT
<i>Inflation</i> _{<i>t</i>-1}	-0.382*** (0.063)	-0.681*** (0.063)	-0.47*** (0.06)	-0.332** (0.14)	-0.374*** (0.12)	-0.504*** (0.057)	-0.337*** (0.113)	-0.93*** (0.113)	-0.388*** (0.125)	-0.926*** (0.056)	-0.118* (0.066)	-0.078 (0.118)
<i>Inflation</i> _{<i>t</i>-1} #Middle Educ	0.031 (0.038)	0.013 (0.033)	0.013 (0.048)	-0.246*** (0.083)	-0.069 (0.051)	0.05 (0.032)	0.205** (0.087)	0.263*** (0.056)	0.2*** (0.074)	0.047 (0.045)	-0.012 (0.039)	-0.312*** (0.074)
<i>Inflation</i> _{<i>t</i>-1} #High Educ	0.008 (0.052)	0.02 (0.032)	0.037 (0.057)	-0.153* (0.091)	-0.335*** (0.064)	-0.015 (0.037)	0.405*** (0.1)	0.287*** (0.075)	0.044 (0.072)	0.113*** (0.042)	0.022 (0.039)	-0.417*** (0.073)
<i>Disagreement</i> _{<i>t</i>-1}	1.169*** (0.1)	1.023*** (0.08)	1.305*** (0.047)	1.349*** (0.123)	1.774*** (0.099)	1.434*** (0.091)	1.362*** (0.135)	2.25*** (0.145)	0.371** (0.159)	1.46*** (0.116)	0.896*** (0.054)	1.513*** (0.073)
<i>Disagreement</i> _{<i>t</i>-1} #Middle Educ	-0.22*** (0.045)	0.055 (0.057)	-0.086** (0.036)	0.189** (0.087)	-0.195*** (0.039)	-0.059* (0.032)	-0.112 (0.096)	-0.519*** (0.072)	0.157* (0.093)	-0.123 (0.078)	-0.177*** (0.032)	0.135** (0.053)
<i>Disagreement</i> _{<i>t</i>-1} #High Educ	-0.381*** (0.059)	-0.024 (0.056)	-0.459*** (0.047)	0.106 (0.096)	-0.339*** (0.062)	-0.3*** (0.037)	-0.726*** (0.102)	-0.715*** (0.095)	0.197** (0.095)	-0.556*** (0.081)	-0.473*** (0.037)	-0.185*** (0.049)
<i>InflationRolling12mSD</i> _{<i>t</i>-1}	0.299 (0.268)	1.453*** (0.16)	0.247 (0.242)	1.15*** (0.344)	1.918*** (0.379)	0.664** (0.26)	0.754** (0.302)	0.013 (0.288)	1.251*** (0.297)	1.297*** (0.123)	-1.536*** (0.197)	0.845 (0.526)
<i>Unemployment</i> _{<i>t</i>-1}	-0.648*** (0.144)	-0.277*** (0.081)	-0.116*** (0.03)	-0.218*** (0.034)	-0.167*** (0.032)	-0.11 (0.073)	-0.628*** (0.105)	-1.027*** (0.084)	0.54** (0.254)	-0.439*** (0.064)	-0.211*** (0.031)	0.056 (0.04)
Middle Educ	0.047 (0.307)	-1.626*** (0.432)	0.106 (0.204)	-2.549*** (0.93)	1.153*** (0.352)	-0.28** (0.124)	0.277 (0.547)	3.56*** (0.562)	-1.804*** (0.652)	-0.273 (0.493)	0.176 (0.222)	-0.171 (0.346)
High Educ	0.109 (0.399)	-2.881*** (0.442)	1.997*** (0.266)	-2.365** (1.026)	1.403*** (0.525)	0.309** (0.145)	2.603*** (0.569)	4.467*** (0.752)	-3.396*** (0.644)	0.99** (0.502)	1.263*** (0.26)	1.518*** (0.324)
Age 30-49	-0.02 (0.084)	1.016*** (0.146)	-0.264*** (0.078)	-0.085 (0.106)	0.215** (0.093)	0.233*** (0.048)	0.432*** (0.098)	-1.167*** (0.176)	-0.149 (0.121)	0.961*** (0.108)	-0.267** (0.121)	1.348*** (0.193)
Age 50-64	-0.715*** (0.08)	0.21 (0.143)	-1.114*** (0.116)	-0.317*** (0.121)	-1.063*** (0.112)	-0.157*** (0.045)	-0.737*** (0.111)	-2.445*** (0.236)	-0.308** (0.141)	0.25** (0.111)	-0.726*** (0.149)	0.385** (0.175)
Age 65+	-2.033*** (0.104)	-1.425*** (0.148)	-2.0*** (0.132)	-0.037 (0.145)	-3.605*** (0.138)	-0.843*** (0.06)	-2.72*** (0.123)	-4.256*** (0.257)	-1.256*** (0.173)	-1.181*** (0.13)	-1.576*** (0.178)	-1.271*** (0.217)
2nd Inco Quartile	-1.124*** (0.069)	-2.053*** (0.127)	-1.23*** (0.065)	-0.971*** (0.103)	-1.522*** (0.106)	-0.268*** (0.046)	-1.068*** (0.062)	-1.404*** (0.114)	-0.926*** (0.156)	-1.394*** (0.108)	-0.383*** (0.128)	-0.356** (0.142)
3rd Inco Quartile	-1.87*** (0.082)	-3.925*** (0.131)	-1.436*** (0.066)	-0.198 (0.169)	-3.233*** (0.133)	-0.652*** (0.058)	-1.668*** (0.072)	-2.583*** (0.138)	-1.303*** (0.162)	-2.039*** (0.109)	-0.933*** (0.138)	-1.679*** (0.151)
4th Inco Quartile	-2.902*** (0.106)	-5.742*** (0.136)	-2.436*** (0.069)	-0.246 (0.358)	-4.741*** (0.182)	-1.227*** (0.072)	-3.172*** (0.089)	-3.202*** (0.155)	-2.544*** (0.134)	-2.978*** (0.114)	-2.277*** (0.179)	-3.001*** (0.219)
Female	2.441*** (0.059)	2.551*** (0.053)	1.1*** (0.058)	1.825*** (0.094)	3.044*** (0.108)	0.62*** (0.036)	1.201*** (0.067)	2.456*** (0.096)	2.102*** (0.077)	1.205*** (0.088)	1.481*** (0.103)	3.615*** (0.254)
Constant	2.454** (1.137)	4.177*** (1.021)	-2.19*** (0.35)	-1.323 (1.537)	-4.699*** (1.228)	-2.167*** (0.771)	4.598*** (1.371)	3.185** (1.607)	0.105 (1.749)	0.161 (0.924)	3.444*** (0.525)	-7.804*** (0.76)
Observations	296501	299456	349306	278287	297791	279314	266183	279816	82029	121174	151170	81686
R-squared	0.079036	0.094100	0.088933	0.120120	0.169978	0.123848	0.092016	0.137513	0.057075	0.157029	0.100249	0.226189

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Note: All regressions include month fixed effects. To account for potential correlation among observations within the same month, standard errors are clustered at the month level.

A.4 Inattention as not knowing the current inflation rate

Table A8: Inattention based on those who do not know current inflation. Exclude disagreement.

Variable	AT	BE	DE	EL	ES	FI	FR	IT	LU	NL	IE	PT
$Inflation_{t-1}$	-0.154*** (0.041)	-0.105*** (0.022)	-0.097*** (0.012)	-0.167*** (0.019)	-0.229*** (0.019)	-0.18*** (0.029)	-0.356*** (0.028)	0.064** (0.032)	-0.117*** (0.032)	-0.122*** (0.018)	-0.078*** (0.018)	-0.038 (0.028)
$InflationRolling12mSD_{t-1}$	-0.238** (0.097)	-0.069 (0.057)	-0.094** (0.043)	-0.056 (0.062)	-0.019 (0.065)	-0.573*** (0.116)	-0.149* (0.077)	-0.478*** (0.11)	-0.189*** (0.059)	-0.295*** (0.043)	-0.366*** (0.086)	-0.369*** (0.117)
$Unemployment_{t-1}$	0.119 (0.108)	0.515*** (0.036)	-0.115*** (0.011)	0.016** (0.007)	0.014** (0.006)	-0.02 (0.04)	-0.045 (0.039)	0.263*** (0.023)	-0.06 (0.079)	0.062*** (0.021)	-0.077*** (0.009)	-0.026 (0.019)
Middle Educ	0.006 (0.063)	-0.075* (0.039)	-0.423*** (0.028)	-0.118** (0.047)	-0.149*** (0.039)	-0.459*** (0.059)	-0.184*** (0.047)	-0.393*** (0.062)	-0.359*** (0.06)	-0.088* (0.05)	-0.164** (0.077)	-0.762*** (0.089)
High Educ	0.151* (0.078)	0.029 (0.037)	-0.767*** (0.051)	-0.114** (0.045)	-0.159*** (0.051)	-0.604*** (0.07)	0.032 (0.048)	-0.422*** (0.087)	-0.223*** (0.078)	0.296*** (0.053)	-0.117 (0.087)	-1.036*** (0.131)
Age 30-49	0.009 (0.095)	-0.191** (0.089)	-0.748*** (0.037)	0.009 (0.048)	-0.565*** (0.051)	0.193** (0.093)	0.232** (0.108)	-0.001 (0.165)	-0.241*** (0.071)	-0.028 (0.071)	-0.296*** (0.082)	-0.557** (0.271)
Age 50-64	0.228** (0.092)	-0.115 (0.088)	-1.181*** (0.039)	0.247*** (0.054)	-0.374*** (0.055)	0.431*** (0.092)	0.617*** (0.11)	0.227 (0.158)	-0.175** (0.078)	0.203** (0.082)	-0.292*** (0.084)	0.444* (0.265)
Age 65+	0.63*** (0.096)	0.314*** (0.093)	-1.017*** (0.05)	0.359*** (0.059)	0.207*** (0.049)	0.906*** (0.088)	1.246*** (0.11)	0.842*** (0.152)	0.234*** (0.077)	0.597*** (0.086)	0.186** (0.088)	1.44*** (0.254)
2nd Inco Quartile	-0.293*** (0.082)	-0.438*** (0.054)	-0.142*** (0.039)	-0.06* (0.034)	-0.288*** (0.053)	-0.694*** (0.065)	0.137*** (0.043)	-0.381*** (0.061)	-0.157** (0.066)	-0.327*** (0.041)	-0.498*** (0.081)	-0.289*** (0.074)
3rd Inco Quartile	-0.448*** (0.083)	-0.436*** (0.06)	-0.283*** (0.041)	-0.198*** (0.045)	-0.222*** (0.048)	-1.096*** (0.071)	-0.012 (0.051)	-0.484*** (0.074)	-0.289*** (0.069)	-0.506*** (0.045)	-0.487*** (0.091)	-0.728*** (0.106)
4th Inco Quartile	-0.122 (0.083)	-0.094 (0.07)	-0.107** (0.042)	-0.687*** (0.085)	-0.164*** (0.058)	-1.07*** (0.092)	0.161*** (0.054)	-0.388*** (0.082)	-0.067 (0.065)	-0.289*** (0.048)	-0.542*** (0.098)	-0.361*** (0.105)
Female	-0.08 (0.053)	-0.219*** (0.033)	-0.246*** (0.042)	-0.286*** (0.036)	-0.276*** (0.03)	-0.035 (0.056)	0.17*** (0.034)	-0.23*** (0.049)	-0.084 (0.052)	-0.041 (0.03)	-0.253*** (0.057)	0.185** (0.073)
Constant	-5.519*** (0.695)	-7.827*** (0.35)	-1.895*** (0.115)	-3.816*** (0.191)	-3.746*** (0.189)	-3.913*** (0.381)	-4.547*** (0.423)	-7.644*** (0.325)	-2.555*** (0.514)	-3.559*** (0.176)	-3.02*** (0.167)	-4.375*** (0.357)
Observations	311366	420130	405012	332693	372504	312934	461773	358777	90783	196980	179701	123842

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Note: All regressions include month fixed effects. To account for potential correlation among observations within the same month, standard errors are clustered at the month level.

In Table A8, we can see that a higher inflation rate during the previous month, reduces the probability that households report that they "do not know" the current inflation rate, for all countries except Italy where the effect is positive and Portugal where the effect is insignificant. Comparing these results with those reported in Table 7, which additionally controls for the level of aggregate noise as measured by lagged disagreement, reveals no qualitative differences in the estimated effects. The sign, magnitude, and statistical significance of the coefficients remain largely unchanged, indicating that the relationship between lagged inflation and the probability of reporting "do not know" is robust to controlling for aggregate disagreement.

Table A9: Inattention based on those who do not know current inflation. Interaction of Education with inflation.

Variable	AT	BE	DE	EL	ES	FI	FR	IT	LU	NL	IE	PT
<i>Inflation_{t-1}</i>	-0.253*** (0.058)	-0.027 (0.029)	-0.016 (0.018)	-0.054* (0.032)	-0.156*** (0.022)	-0.119*** (0.041)	-0.375*** (0.042)	0.134*** (0.043)	-0.118** (0.052)	-0.003 (0.022)	-0.209*** (0.045)	-0.011 (0.03)
<i>Inflation_{t-1}</i> # Middle Educ	0.041 (0.05)	-0.065** (0.03)	-0.055*** (0.015)	-0.048** (0.02)	-0.057*** (0.02)	-0.052 (0.042)	0.049 (0.045)	0.0 (0.023)	0.037 (0.039)	-0.089*** (0.031)	0.138*** (0.048)	0.035 (0.034)
<i>Inflation_{t-1}</i> # High Educ	0.08 (0.057)	-0.071** (0.03)	-0.072*** (0.019)	-0.022 (0.018)	-0.033 (0.021)	-0.051 (0.054)	-0.023 (0.04)	0.021 (0.035)	0.047 (0.043)	-0.106*** (0.032)	0.188*** (0.051)	-0.022 (0.046)
<i>Disagreement_{t-1}</i>	0.165*** (0.049)	-0.137*** (0.029)	-0.073*** (0.014)	-0.104*** (0.021)	-0.06*** (0.014)	-0.183*** (0.041)	0.043 (0.028)	-0.107*** (0.035)	-0.091*** (0.032)	-0.137*** (0.025)	-0.012 (0.009)	-0.089*** (0.02)
<i>InflationRolling12mSD_{t-1}</i>	-0.581*** (0.135)	-0.108** (0.053)	0.063 (0.053)	-0.019 (0.056)	-0.038 (0.06)	-0.169 (0.141)	-0.206*** (0.075)	-0.503*** (0.133)	-0.202*** (0.06)	-0.285*** (0.042)	-0.471*** (0.086)	-0.143 (0.134)
<i>Unemployment_{t-1}</i>	0.117 (0.097)	0.461*** (0.038)	-0.098*** (0.012)	0.017** (0.008)	0.006 (0.007)	-0.061 (0.039)	-0.034 (0.037)	0.251*** (0.025)	-0.026 (0.082)	0.011 (0.023)	-0.078*** (0.01)	-0.048*** (0.018)
Middle Educ	-0.067 (0.113)	0.049 (0.064)	-0.313*** (0.038)	-0.114** (0.052)	-0.085* (0.046)	-0.377*** (0.084)	-0.259*** (0.072)	-0.399*** (0.072)	-0.437*** (0.099)	0.171** (0.084)	-0.359*** (0.097)	-0.832*** (0.11)
High Educ	0.018 (0.134)	0.165*** (0.061)	-0.57*** (0.069)	-0.129*** (0.045)	-0.115** (0.055)	-0.506*** (0.1)	0.042 (0.073)	-0.458*** (0.096)	-0.32*** (0.109)	0.557*** (0.089)	-0.38*** (0.108)	-1.014*** (0.147)
Age 30-49	0.012 (0.095)	-0.201** (0.09)	-0.745*** (0.037)	0.017 (0.048)	-0.579*** (0.051)	0.199** (0.094)	0.229** (0.108)	-0.022 (0.165)	-0.235*** (0.072)	-0.117 (0.073)	-0.298*** (0.081)	-0.567** (0.271)
Age 50-64	0.229** (0.093)	-0.101 (0.09)	-1.175*** (0.039)	0.255*** (0.054)	-0.395*** (0.055)	0.423*** (0.093)	0.61*** (0.111)	0.198 (0.158)	-0.16** (0.078)	0.002 (0.083)	-0.297*** (0.084)	0.413 (0.266)
Age 65+	0.632*** (0.097)	0.342*** (0.095)	-1.023*** (0.05)	0.359*** (0.06)	0.176*** (0.049)	0.903*** (0.089)	1.231*** (0.111)	0.811*** (0.151)	0.254*** (0.078)	0.409*** (0.088)	0.185** (0.088)	1.411*** (0.254)
2nd Inco Quartile	-0.3*** (0.082)	-0.414*** (0.053)	-0.137*** (0.039)	-0.054 (0.034)	-0.288*** (0.053)	-0.693*** (0.065)	0.136*** (0.043)	-0.387*** (0.062)	-0.143** (0.066)	-0.355*** (0.045)	-0.463*** (0.082)	-0.291*** (0.074)
3rd Inco Quartile	-0.462*** (0.081)	-0.4*** (0.059)	-0.295*** (0.041)	-0.188*** (0.045)	-0.24*** (0.046)	-1.107*** (0.071)	-0.017 (0.051)	-0.496*** (0.074)	-0.268*** (0.069)	-0.551*** (0.048)	-0.455*** (0.091)	-0.721*** (0.107)
4th Inco Quartile	-0.147* (0.081)	-0.038 (0.067)	-0.134*** (0.043)	-0.607*** (0.087)	-0.187*** (0.056)	-1.087*** (0.093)	0.154*** (0.054)	-0.389*** (0.082)	-0.073 (0.065)	-0.326*** (0.052)	-0.524*** (0.1)	-0.339*** (0.105)
Female	-0.081 (0.053)	-0.208*** (0.033)	-0.253*** (0.042)	-0.285*** (0.037)	-0.29*** (0.031)	-0.038 (0.056)	0.17*** (0.034)	-0.239*** (0.049)	-0.075 (0.053)	0.0 (0.034)	-0.244*** (0.057)	0.182** (0.073)
Constant	-6.462*** (0.786)	-6.428*** (0.482)	-1.669*** (0.122)	-2.805*** (0.255)	-2.986*** (0.254)	-3.021*** (0.404)	-4.859*** (0.478)	-6.606*** (0.481)	-2.084*** (0.544)	-2.447*** (0.242)	-2.672*** (0.176)	-3.624*** (0.334)
Observations	310031	418607	397934	329887	370281	311418	451783	355916	89553	150419	175026	122689

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Note: All regressions include month fixed effects. To account for potential correlation among observations within the same month, standard errors are clustered at the month level.

Table A10: Inattention based on those who do not know current inflation. Interaction of Disagreement with Education.

Variable	AT	BE	DE	EL	ES	FI	FR	IT	LU	NL	IE	PT
<i>Inflation</i> _{<i>t</i>-1}	-0.218*** (0.048)	-0.077*** (0.023)	-0.055*** (0.014)	-0.082*** (0.028)	-0.183*** (0.022)	-0.15*** (0.032)	-0.376*** (0.03)	0.136*** (0.042)	-0.084** (0.038)	-0.073*** (0.018)	-0.062*** (0.019)	-0.006 (0.029)
<i>Disagreement</i> _{<i>t</i>-1}	0.145*** (0.054)	-0.116*** (0.037)	-0.056*** (0.015)	-0.084*** (0.026)	-0.04*** (0.014)	-0.167*** (0.053)	0.087** (0.04)	-0.123*** (0.036)	-0.103** (0.05)	-0.053 (0.037)	-0.046*** (0.018)	-0.092*** (0.02)
<i>Disagreement</i> _{<i>t</i>-1} #Middle Educ	0.034 (0.035)	-0.012 (0.032)	-0.02 (0.013)	-0.029 (0.021)	-0.034*** (0.013)	-0.032 (0.053)	-0.016 (0.043)	0.05* (0.027)	0.009 (0.042)	-0.111*** (0.036)	0.03 (0.02)	0.027 (0.025)
<i>Disagreement</i> _{<i>t</i>-1} #High Educ	0.031 (0.043)	-0.042 (0.032)	-0.056*** (0.018)	-0.02 (0.019)	-0.04*** (0.015)	-0.015 (0.057)	-0.068* (0.038)	0.043 (0.043)	0.024 (0.044)	-0.099*** (0.036)	0.043** (0.02)	-0.028 (0.03)
<i>InflationRolling12mSD</i> _{<i>t</i>-1}	-0.577*** (0.135)	-0.109** (0.053)	0.061 (0.054)	-0.021 (0.055)	-0.032 (0.059)	-0.172 (0.141)	-0.201*** (0.074)	-0.515*** (0.133)	-0.2*** (0.06)	-0.289*** (0.042)	-0.433*** (0.085)	-0.144 (0.134)
<i>Unemployment</i> _{<i>t</i>-1}	0.117 (0.097)	0.461*** (0.038)	-0.099*** (0.012)	0.017** (0.007)	0.006 (0.007)	-0.061 (0.039)	-0.037 (0.037)	0.251*** (0.025)	-0.026 (0.082)	0.013 (0.022)	-0.076*** (0.01)	-0.048*** (0.018)
Middle Educ	-0.264 (0.292)	0.025 (0.259)	-0.27*** (0.095)	0.159 (0.24)	0.187 (0.135)	-0.306 (0.243)	-0.104 (0.286)	-0.842*** (0.243)	-0.428 (0.302)	0.727*** (0.254)	-0.431** (0.172)	-0.999*** (0.22)
High Educ	-0.076 (0.364)	0.373 (0.25)	-0.268* (0.158)	0.072 (0.212)	0.25 (0.158)	-0.507** (0.258)	0.452* (0.252)	-0.811** (0.384)	-0.402 (0.33)	1.01*** (0.255)	-0.48*** (0.165)	-0.82*** (0.271)
Age 30-49	0.011 (0.095)	-0.198** (0.09)	-0.745*** (0.037)	0.016 (0.048)	-0.58*** (0.051)	0.198** (0.094)	0.232** (0.108)	-0.018 (0.164)	-0.236*** (0.072)	-0.118 (0.073)	-0.291*** (0.081)	-0.568** (0.271)
Age 50-64	0.228** (0.093)	-0.096 (0.09)	-1.178*** (0.039)	0.255*** (0.054)	-0.395*** (0.055)	0.423*** (0.093)	0.613*** (0.111)	0.204 (0.158)	-0.162** (0.078)	-0.0 (0.084)	-0.292*** (0.084)	0.411 (0.266)
Age 65+	0.631*** (0.096)	0.346*** (0.094)	-1.026*** (0.051)	0.359*** (0.06)	0.178*** (0.049)	0.903*** (0.089)	1.235*** (0.111)	0.817*** (0.151)	0.254*** (0.077)	0.405*** (0.089)	0.182** (0.088)	1.41*** (0.255)
2nd Inco Quartile	-0.3*** (0.082)	-0.42*** (0.053)	-0.137*** (0.039)	-0.054 (0.034)	-0.286*** (0.053)	-0.693*** (0.065)	0.136*** (0.043)	-0.386*** (0.062)	-0.143** (0.066)	-0.353*** (0.045)	-0.461*** (0.082)	-0.291*** (0.074)
3rd Inco Quartile	-0.461*** (0.081)	-0.406*** (0.058)	-0.295*** (0.041)	-0.185*** (0.045)	-0.237*** (0.046)	-1.107*** (0.071)	-0.018 (0.051)	-0.496*** (0.074)	-0.268*** (0.069)	-0.548*** (0.049)	-0.449*** (0.092)	-0.72*** (0.107)
4th Inco Quartile	-0.146* (0.082)	-0.041 (0.068)	-0.133*** (0.043)	-0.61*** (0.087)	-0.188*** (0.056)	-1.087*** (0.093)	0.152*** (0.054)	-0.39*** (0.082)	-0.073 (0.065)	-0.323*** (0.053)	-0.523*** (0.1)	-0.339*** (0.105)
Female	-0.081 (0.053)	-0.209*** (0.033)	-0.253*** (0.042)	-0.285*** (0.037)	-0.289*** (0.031)	-0.038 (0.056)	0.171*** (0.034)	-0.24*** (0.049)	-0.075 (0.053)	-0.0 (0.035)	-0.245*** (0.057)	0.182** (0.073)
Constant	-6.372*** (0.795)	-6.508*** (0.528)	-1.712*** (0.134)	-2.986*** (0.318)	-3.168*** (0.259)	-3.049*** (0.427)	-5.117*** (0.516)	-6.465*** (0.483)	-2.065*** (0.61)	-2.872*** (0.3)	-2.625*** (0.22)	-3.607*** (0.344)
Observations	310031	418607	397934	329887	370281	311418	451783	355916	89553	150419	175026	122689

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Note: All regressions include month fixed effects. To account for potential correlation among observations within the same month, standard errors are clustered at the month level.

Table A11: Inattention based on those who do not know the current inflation rate. Interaction of Education with Inflation and Disagreement.

Variable	AT	BE	DE	EL	ES	FI	FR	IT	LU	NL	IE	PT
$Inflation_{t-1}$	-0.252*** (0.061)	-0.028 (0.029)	-0.013 (0.02)	-0.054 (0.034)	-0.17*** (0.022)	-0.118*** (0.043)	-0.412*** (0.046)	0.154*** (0.043)	-0.117** (0.052)	-0.02 (0.022)	-0.202*** (0.049)	-0.01 (0.029)
$Inflation_{t-1}\#Middle\ Educ$	0.028 (0.059)	-0.07** (0.031)	-0.066*** (0.02)	-0.055** (0.027)	-0.04* (0.023)	-0.05 (0.048)	0.086 (0.053)	-0.061* (0.036)	0.038 (0.042)	-0.056* (0.032)	0.132** (0.053)	0.015 (0.045)
$Inflation_{t-1}\#High\ Educ$	0.093 (0.073)	-0.067*** (0.031)	-0.044 (0.027)	-0.014 (0.026)	0.002 (0.025)	-0.057 (0.059)	0.026 (0.051)	-0.011 (0.046)	0.045 (0.044)	-0.089** (0.036)	0.178*** (0.057)	0.015 (0.061)
$Disagreement_{t-1}$	0.163*** (0.055)	-0.135*** (0.038)	-0.076*** (0.017)	-0.104*** (0.03)	-0.045*** (0.014)	-0.186*** (0.056)	0.108** (0.045)	-0.134*** (0.036)	-0.092* (0.05)	-0.089** (0.038)	-0.021 (0.021)	-0.09*** (0.021)
$Disagreement_{t-1}\#Middle\ Educ$	0.021 (0.042)	0.017 (0.033)	0.014 (0.017)	0.007 (0.028)	-0.019 (0.015)	-0.005 (0.061)	-0.067 (0.053)	0.092** (0.04)	-0.004 (0.046)	-0.074* (0.038)	0.006 (0.023)	0.02 (0.032)
$Disagreement_{t-1}\#High\ Educ$	-0.02 (0.056)	-0.015 (0.033)	-0.034 (0.025)	-0.01 (0.027)	-0.042** (0.018)	0.014 (0.063)	-0.083* (0.049)	0.049 (0.057)	0.009 (0.046)	-0.043 (0.039)	0.016 (0.023)	-0.035 (0.04)
$InflationRolling12mSD_{t-1}$	-0.582*** (0.136)	-0.108** (0.053)	0.063 (0.054)	-0.019 (0.055)	-0.033 (0.059)	-0.169 (0.141)	-0.206*** (0.076)	-0.515*** (0.133)	-0.202*** (0.06)	-0.294*** (0.043)	-0.466*** (0.086)	-0.143 (0.134)
$Unemployment_{t-1}$	0.117 (0.097)	0.461*** (0.038)	-0.098*** (0.012)	0.017** (0.008)	0.006 (0.007)	-0.061 (0.039)	-0.038 (0.037)	0.252*** (0.025)	-0.026 (0.082)	0.01 (0.023)	-0.079*** (0.01)	-0.048*** (0.018)
Middle Educ	-0.207 (0.305)	-0.076 (0.255)	-0.392*** (0.1)	-0.185 (0.302)	0.085 (0.139)	-0.357 (0.252)	0.121 (0.311)	-1.132*** (0.325)	-0.409 (0.302)	0.593** (0.251)	-0.404** (0.179)	-0.961*** (0.232)
High Educ	0.15 (0.392)	0.278 (0.253)	-0.347* (0.178)	-0.032 (0.282)	0.259 (0.17)	-0.562** (0.262)	0.516* (0.283)	-0.847* (0.47)	-0.379 (0.327)	0.815*** (0.251)	-0.485*** (0.174)	-0.786*** (0.296)
Age 30-49	0.013 (0.095)	-0.2** (0.09)	-0.745*** (0.037)	0.017 (0.048)	-0.579*** (0.051)	0.199** (0.094)	0.231** (0.108)	-0.017 (0.164)	-0.235*** (0.072)	-0.118 (0.073)	-0.294*** (0.081)	-0.569** (0.271)
Age 50-64	0.23** (0.093)	-0.099 (0.09)	-1.176*** (0.039)	0.255*** (0.054)	-0.395*** (0.055)	0.423*** (0.093)	0.613*** (0.111)	0.205 (0.158)	-0.16** (0.078)	0.0 (0.084)	-0.293*** (0.084)	0.411 (0.266)
Age 65+	0.632*** (0.096)	0.344*** (0.094)	-1.026*** (0.051)	0.359*** (0.06)	0.178*** (0.049)	0.902*** (0.089)	1.234*** (0.111)	0.818*** (0.151)	0.255*** (0.078)	0.406*** (0.089)	0.189** (0.088)	1.409*** (0.255)
2nd Inco Quartile	-0.3*** (0.082)	-0.415*** (0.053)	-0.137*** (0.039)	-0.054 (0.034)	-0.285*** (0.053)	-0.694*** (0.043)	0.135*** (0.061)	-0.386*** (0.066)	-0.143** (0.066)	-0.356*** (0.045)	-0.461*** (0.082)	-0.291*** (0.074)
3rd Inco Quartile	-0.462*** (0.081)	-0.402*** (0.058)	-0.295*** (0.041)	-0.188*** (0.045)	-0.236*** (0.046)	-1.107*** (0.071)	-0.019 (0.052)	-0.496*** (0.074)	-0.268*** (0.069)	-0.551*** (0.049)	-0.456*** (0.092)	-0.72*** (0.107)
4th Inco Quartile	-0.147* (0.082)	-0.037 (0.067)	-0.133*** (0.043)	-0.606*** (0.087)	-0.186*** (0.057)	-1.087*** (0.093)	0.151*** (0.055)	-0.389*** (0.082)	-0.073 (0.065)	-0.326*** (0.052)	-0.526*** (0.1)	-0.339*** (0.105)
Female	-0.081 (0.053)	-0.208*** (0.033)	-0.253*** (0.042)	-0.285*** (0.037)	-0.289*** (0.031)	-0.038 (0.056)	0.17*** (0.034)	-0.24*** (0.049)	-0.075 (0.053)	-0.0 (0.035)	-0.243*** (0.057)	0.182** (0.073)
Constant	-6.444*** (0.798)	-6.444*** (0.527)	-1.646*** (0.135)	-2.806*** (0.335)	-3.135*** (0.26)	-3.013*** (0.425)	-5.198*** (0.519)	-6.395*** (0.482)	-2.077*** (0.604)	-2.723*** (0.305)	-2.609*** (0.224)	-3.616*** (0.344)
Observations	310031	418607	397934	329887	370281	311418	451783	355916	89553	150419	175026	122689

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table A12: Inattention based on those who do not know current inflation. Recent and Early Experience.

Variable	AT	BE	DE	EL	ES	FI	FR	IT	LU	NL	IE	PT
RecentLifeExperience	-0.8** (0.365)	1.454*** (0.385)	-0.042* (0.025)	-0.011 (0.108)	-0.212 (0.167)	-0.163 (0.207)	-1.435*** (0.193)	1.411*** (0.309)	0.3 (0.383)	-4.235*** (0.592)	-0.254 (0.197)	0.925 (0.676)
EarlyLifeExperience	-0.049 (0.212)	0.05 (0.137)	0.051*** (0.013)	0.223** (0.092)	0.541*** (0.158)	-0.563*** (0.218)	0.272 (0.19)	0.232 (0.248)	0.109 (0.247)	-0.604** (0.235)	0.708*** (0.201)	-0.834* (0.486)
$Inflation_{t-1}$	-0.232*** (0.048)	-0.113*** (0.024)	-0.056*** (0.014)	-0.085*** (0.028)	-0.185*** (0.022)	-0.132*** (0.031)	-0.28*** (0.025)	0.142*** (0.038)	-0.073* (0.041)	-0.061*** (0.014)	-0.062*** (0.019)	-0.009 (0.029)
$Disagreement_{t-1}$	0.166*** (0.047)	-0.078*** (0.03)	-0.074*** (0.013)	-0.108*** (0.021)	-0.06*** (0.014)	-0.228*** (0.039)	-0.101*** (0.026)	-0.168*** (0.032)	-0.094*** (0.032)	-0.003 (0.029)	-0.013 (0.015)	-0.07*** (0.023)
$InflationRolling12mSD_{t-1}$	-0.601*** (0.137)	-0.113** (0.051)	0.062 (0.053)	-0 (0.061)	-0.025 (0.058)	-0.144 (0.142)	-0.075 (0.064)	-0.102 (0.13)	-0.174*** (0.066)	-0.348*** (0.039)	-0.418*** (0.083)	-0.163 (0.131)
$Unemployment_{t-1}$	0.081 (0.085)	0.39*** (0.045)	-0.106*** (0.011)	0.016** (0.007)	0.006 (0.007)	-0.055 (0.036)	-0.026 (0.03)	0.309*** (0.025)	0.035 (0.103)	0.271*** (0.036)	-0.077*** (0.01)	-0.071*** (0.024)
Middle Educ	0.009 (0.062)	-0.057 (0.04)	-0.41*** (0.029)	-0.138*** (0.046)	-0.157*** (0.039)	-0.47*** (0.059)	-0.296*** (0.048)	-0.354*** (0.063)	-0.361*** (0.06)	0.007 (0.06)	-0.216*** (0.08)	-0.763*** (0.089)
High Educ	0.16** (0.077)	0.052 (0.037)	-0.71*** (0.051)	-0.134*** (0.044)	-0.148*** (0.046)	-0.614*** (0.07)	-0.112** (0.046)	-0.36*** (0.089)	-0.219*** (0.076)	0.349*** (0.061)	-0.182** (0.092)	-1.041*** (0.13)
Age 30-49	0.195 (0.128)	-0.655*** (0.15)	-0.772*** (0.038)	-0.128 (0.087)	-0.904*** (0.104)	0.737*** (0.174)	0.544*** (0.142)	-0.904*** (0.219)	-0.359** (0.143)	0.466*** (0.109)	-0.741*** (0.142)	-0.173 (0.666)
Age 50-64	0.582*** (0.179)	-0.788*** (0.197)	-1.203*** (0.041)	0.147 (0.108)	-0.676*** (0.123)	1.111*** (0.193)	1.383*** (0.156)	-1.091*** (0.253)	-0.329* (0.172)	1.535*** (0.22)	-0.659*** (0.145)	0.324 (0.877)
Age 65+	1.211*** (0.266)	-0.469* (0.239)	-1.08*** (0.055)	0.04 (0.142)	-0.061 (0.129)	1.756*** (0.235)	2.192*** (0.201)	-0.955*** (0.334)	0.031 (0.232)	2.413*** (0.278)	-0.049 (0.162)	0.949 (0.914)
2nd Inco Quartile	-0.308*** (0.081)	-0.379*** (0.052)	-0.137*** (0.039)	-0.054 (0.034)	-0.297*** (0.053)	-0.686*** (0.065)	0.142*** (0.043)	-0.393*** (0.062)	-0.142** (0.066)	-0.351*** (0.046)	-0.462*** (0.081)	-0.292*** (0.074)
3rd Inco Quartile	-0.496*** (0.078)	-0.348*** (0.058)	-0.297*** (0.042)	-0.183*** (0.045)	-0.252*** (0.046)	-1.091*** (0.072)	-0.002 (0.051)	-0.509*** (0.074)	-0.267*** (0.069)	-0.562*** (0.049)	-0.454*** (0.091)	-0.724*** (0.107)
4th Inco Quartile	-0.195** (0.076)	0.036 (0.066)	-0.136*** (0.043)	-0.653*** (0.091)	-0.206*** (0.056)	-1.074*** (0.093)	0.18*** (0.054)	-0.412*** (0.083)	-0.073 (0.065)	-0.354*** (0.053)	-0.525*** (0.099)	-0.345*** (0.105)
Female	-0.075 (0.053)	-0.201*** (0.032)	-0.255*** (0.042)	-0.285*** (0.037)	-0.295*** (0.031)	-0.034 (0.056)	0.175*** (0.035)	-0.232*** (0.049)	-0.073 (0.053)	-0.001 (0.035)	-0.247*** (0.057)	0.181** (0.073)
Constant	-5.739*** (0.71)	-7.306*** (0.493)	-1.559*** (0.116)	-3.103*** (0.279)	-3.472*** (0.289)	-2.242*** (0.397)	-3.544*** (0.37)	-8.318*** (0.559)	-2.818*** (0.85)	-0.913*** (0.314)	-3.47*** (0.23)	-3.179*** (0.629)
Observations	310031	418607	397934	329887	370281	311418	451783	355916	89553	150419	175026	122689

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Note: All regressions include month fixed effects. To account for potential correlation among observations within the same month, standard errors are clustered at the month level.

Table A13: Impact of Extreme Adverse Shocks on Inattention based on those that do not know current inflation

Variable	AT	BE	DE	EL	ES	FI	FR	IT	LU	NL	IE	PT
Financial crisis	1.992*** (0.587)	4.459*** (0.358)	-3.766*** (0.215)	0.341 (0.739)	1.047** (0.427)	2.107*** (0.422)	-0.416 (0.383)	1.167* (0.647)	-3.013*** (0.64)			
Greek debt crisis	0.57*** (0.136)	0.273*** (0.104)	0.095 (0.089)	-0.175 (0.11)	-0.153 (0.131)	-0.582*** (0.128)	0.504*** (0.097)	0.58*** (0.16)	0.7*** (0.161)		0.022 (0.106)	
Euro crisis	1.385*** (0.391)	1.67*** (0.271)	-1.01*** (0.141)	-0.111 (0.221)	0.924*** (0.233)	-1.209*** (0.256)	1.192*** (0.197)	2.308*** (0.364)	4.369*** (0.308)	0.755*** (0.166)	-1.258*** (0.334)	
Covid recession	0.923*** (0.333)	1.567*** (0.304)	0.907*** (0.163)	0.718*** (0.146)	1.819*** (0.175)	0.011 (0.297)	0.201 (0.272)	0.736*** (0.19)	0.267 (0.278)	1.144*** (0.225)	-1.129*** (0.192)	0.582*** (0.214)
Russian invasion	-0.899*** (0.263)	1.067*** (0.264)	-0.215*** (0.083)	-26.494*** (0.107)	-0.215 (0.163)	-0.183 (0.18)	-0.399** (0.156)	-16.854*** (1.025)	0.365 (0.237)	0.378** (0.185)	-1.36*** (0.16)	-0.535*** (0.15)
$Inflation_{t-1}$	-0.2*** (0.051)	-0.089*** (0.026)	-0.053*** (0.014)	-0.077*** (0.03)	-0.169*** (0.022)	-0.145*** (0.034)	-0.388*** (0.034)	0.123*** (0.042)	-0.108*** (0.034)	-0.067*** (0.017)	-0.06*** (0.019)	-0.001 (0.029)
$Disagreement_{t-1}$	0.151*** (0.051)	-0.133*** (0.029)	-0.08*** (0.014)	-0.106*** (0.023)	-0.067*** (0.015)	-0.188*** (0.043)	0.059** (0.03)	-0.089** (0.036)	-0.098*** (0.035)	-0.152*** (0.022)	-0.018** (0.009)	-0.087*** (0.02)
$InflationRolling12mSD_{t-1}$	-0.574*** (0.142)	-0.152*** (0.055)	0.094* (0.056)	-0.006 (0.056)	-0.037 (0.059)	-0.21 (0.144)	-0.169** (0.084)	-0.499*** (0.138)	-0.138** (0.059)	-0.262*** (0.041)	-0.426*** (0.084)	-0.144 (0.133)
$Unemployment_{t-1}$	0.153 (0.102)	0.476*** (0.038)	-0.09*** (0.011)	0.018** (0.008)	0.008 (0.006)	-0.048 (0.04)	-0.02 (0.043)	0.261*** (0.027)	-0.028 (0.081)	0.02 (0.023)	-0.074*** (0.01)	-0.043** (0.018)
Middle Educ	0.016 (0.062)	-0.064 (0.039)	-0.412*** (0.028)	-0.157*** (0.046)	-0.152*** (0.038)	-0.443*** (0.059)	-0.198*** (0.047)	-0.394*** (0.062)	-0.362*** (0.06)	-0.022 (0.06)	-0.183** (0.079)	-0.768*** (0.089)
High Educ	0.175** (0.077)	0.039 (0.038)	-0.717*** (0.051)	-0.158*** (0.044)	-0.156*** (0.048)	-0.569*** (0.07)	0.012 (0.049)	-0.422*** (0.088)	-0.224*** (0.077)	0.334*** (0.062)	-0.151 (0.092)	-1.047*** (0.131)
Age 30-49	0.014 (0.095)	-0.201** (0.09)	-0.741*** (0.037)	0.016 (0.048)	-0.578*** (0.051)	0.197** (0.094)	0.219** (0.107)	-0.016 (0.164)	-0.234*** (0.071)	-0.12* (0.072)	-0.299*** (0.081)	-0.565** (0.271)
Age 50-64	0.232** (0.092)	-0.097 (0.09)	-1.175*** (0.038)	0.252*** (0.054)	-0.395*** (0.055)	0.421*** (0.093)	0.599*** (0.109)	0.201 (0.158)	-0.159** (0.077)	-0.003 (0.083)	-0.303*** (0.085)	0.418 (0.265)
Age 65+	0.635*** (0.097)	0.349*** (0.095)	-1.027*** (0.051)	0.355*** (0.059)	0.179*** (0.049)	0.899*** (0.089)	1.223*** (0.109)	0.809*** (0.151)	0.256*** (0.076)	0.408*** (0.088)	0.17* (0.089)	1.417*** (0.254)
2nd Inco Quartile	-0.301*** (0.082)	-0.419*** (0.054)	-0.139*** (0.039)	-0.053 (0.034)	-0.286*** (0.052)	-0.693*** (0.065)	0.137*** (0.043)	-0.382*** (0.061)	-0.128* (0.065)	-0.342*** (0.045)	-0.462*** (0.082)	-0.291*** (0.074)
3rd Inco Quartile	-0.465*** (0.081)	-0.399*** (0.059)	-0.3*** (0.041)	-0.179*** (0.046)	-0.236*** (0.046)	-1.109*** (0.071)	-0.014 (0.051)	-0.493*** (0.074)	-0.239*** (0.069)	-0.539*** (0.049)	-0.441*** (0.091)	-0.723*** (0.107)
4th Inco Quartile	-0.152* (0.082)	-0.033 (0.068)	-0.135*** (0.042)	-0.599*** (0.09)	-0.188*** (0.055)	-1.089*** (0.093)	0.161*** (0.054)	-0.389*** (0.082)	-0.06 (0.065)	-0.314*** (0.052)	-0.515*** (0.1)	-0.342*** (0.106)
Female	-0.082 (0.053)	-0.21*** (0.033)	-0.252*** (0.042)	-0.284*** (0.037)	-0.291*** (0.031)	-0.038 (0.056)	0.172*** (0.034)	-0.231*** (0.05)	-0.076 (0.053)	0.001 (0.034)	-0.249*** (0.057)	0.181** (0.073)
Constant	-6.668*** (0.815)	-6.52*** (0.467)	-1.584*** (0.117)	-2.81*** (0.253)	-2.936*** (0.255)	-3.059*** (0.403)	-5.079*** (0.512)	-6.856*** (0.511)	-2.091*** (0.555)	-2.274*** (0.235)	-2.87*** (0.169)	-3.708*** (0.337)
Observations	310031	418607	400558	331261	371388	311418	459729	357261	90393	150993	175026	122689

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Note: All regressions include month fixed effects. Given that the survey interviews usually take place during first week of each month, the control variables (inflation, current inflation disagreement, unemployment and the 12-month rolling standard deviations of inflation) are measured in the preceding month of the survey interview to capture their significance. Event indicators are likewise lagged by one month to align with the survey timing. For example, the Greek Debt Crisis which is identified in May 2010, takes the value 1 in June 2010 and zero in all other months. To account for potential correlation among observations within the same month, standard errors are clustered at the month level.

As shown in Table A13, following the Global Financial Crisis, the probability of reporting "Don't Know" rises significantly in Austria, Belgium, Spain, Finland, and Italy, falls significantly in Germany and Luxembourg, and is insignificant in Greece, France, the Netherlands, Ireland, and Portugal. During the Greek Debt Crisis, the probability rises significantly in Austria, Belgium, France, Italy, Luxembourg, and Ireland, falls significantly in Finland, and is insignificant in Germany, Greece, Spain, the Netherlands, and Portugal. During the Sovereign Debt Crisis, the probability rises significantly in Austria, Belgium, Spain, France, Italy, Luxembourg, and the Netherlands, falls significantly in Germany, Finland, and Ireland, and is insignificant in Greece and Portugal. During the COVID-19 recession, the probability rises significantly in Austria, Belgium, Germany, Greece, Spain, the Netherlands, and Portugal, falls significantly in Ireland, and is insignificant in Finland, France,

Luxembourg, and Italy is not reported. During the Russian invasion of Ukraine, the probability falls significantly in Austria, Germany, Greece, France, Italy, Ireland, and Portugal, rises significantly in Belgium, Luxembourg, and the Netherlands, and is insignificant in Spain and Finland.

Table A14: Inattention based on those who do not know the current inflation rate. Skin In The Game.

Variable	AT	BE	DE	EL	ES	FI	FR	IT	LU	NL	IE	PT
Skin in the game	-0.021 (0.027)	0.022 (0.014)	-0.014 (0.015)	0.03* (0.016)	0.031* (0.018)	0.064** (0.027)	0.056** (0.026)	-0.131*** (0.046)	0.022 (0.021)	0.163*** (0.019)	0.043 (0.027)	0.167*** (0.032)
$Inflation_{t-1}$	-0.212*** (0.049)	-0.074*** (0.023)	-0.056*** (0.019)	-0.075*** (0.027)	-0.181*** (0.022)	-0.148*** (0.033)	-0.374*** (0.03)	0.148*** (0.043)	-0.081** (0.038)	-0.087*** (0.022)	-0.058*** (0.019)	-0.032 (0.033)
$Disagreement_{t-1}$	0.169*** (0.049)	-0.155*** (0.029)	-0.158*** (0.017)	-0.109*** (0.02)	-0.067*** (0.014)	-0.174*** (0.042)	0.03 (0.028)	-0.106*** (0.036)	-0.095*** (0.032)	-0.14*** (0.026)	-0.037*** (0.01)	-0.073*** (0.022)
$InflationRolling12mSD_{t-1}$	-0.562*** (0.137)	-0.112** (0.053)	-0.036 (0.067)	-0.034 (0.056)	-0.047 (0.06)	-0.212 (0.144)	-0.194*** (0.072)	-0.548*** (0.142)	-0.219*** (0.061)	-0.317*** (0.047)	-0.425*** (0.084)	-0.191 (0.145)
$Unemployment_{t-1}$	0.139 (0.098)	0.441*** (0.037)	-0.08*** (0.014)	0.021*** (0.007)	0.011* (0.007)	-0.057 (0.04)	-0.044 (0.038)	0.233*** (0.028)	-0.01 (0.081)	0.015 (0.062)	-0.061*** (0.102)	-0.033* (0.144)
Middle Educ	0.039 (0.065)	-0.042 (0.042)	-0.313*** (0.032)	-0.137*** (0.049)	-0.146*** (0.041)	-0.431*** (0.061)	-0.178*** (0.05)	-0.419*** (0.064)	-0.358*** (0.061)	0.033 (0.061)	-0.205** (0.089)	-0.711*** (0.101)
High Educ	0.152** (0.077)	0.063 (0.041)	-0.53*** (0.063)	-0.133*** (0.046)	-0.122** (0.052)	-0.552*** (0.069)	0.044 (0.05)	-0.387*** (0.091)	-0.21*** (0.081)	0.384*** (0.062)	-0.161 (0.102)	-0.981*** (0.144)
Age 30-49	-0.014 (0.099)	-0.225** (0.091)	-0.801*** (0.038)	0.015 (0.049)	-0.566*** (0.051)	0.138 (0.098)	0.351*** (0.124)	-0.047 (0.171)	-0.212*** (0.075)	-0.129* (0.076)	-0.196** (0.086)	-0.401 (0.291)
Age 50-64	0.217** (0.095)	-0.133 (0.092)	-1.207*** (0.047)	0.249*** (0.056)	-0.383*** (0.057)	0.388*** (0.096)	0.723*** (0.126)	0.169 (0.168)	-0.155* (0.081)	0.019 (0.085)	-0.228** (0.091)	0.519* (0.28)
Age 65+	0.565*** (0.099)	0.284*** (0.097)	-0.888*** (0.055)	0.362*** (0.06)	0.185*** (0.051)	0.871*** (0.09)	1.381*** (0.126)	0.798*** (0.159)	0.245*** (0.082)	0.413*** (0.088)	0.265*** (0.096)	1.526*** (0.271)
2nd Inco Quartile	-0.265*** (0.084)	-0.444*** (0.055)	0 (0.048)	-0.055 (0.035)	-0.281*** (0.053)	-0.652*** (0.067)	0.111** (0.045)	-0.362*** (0.068)	-0.132* (0.068)	-0.319*** (0.048)	-0.484*** (0.087)	-0.314*** (0.079)
3rd Inco Quartile	-0.43*** (0.082)	-0.416*** (0.062)	-0.178*** (0.05)	-0.182*** (0.046)	-0.262*** (0.048)	-1.057*** (0.073)	-0.014 (0.052)	-0.478*** (0.079)	-0.238*** (0.071)	-0.527*** (0.052)	-0.464*** (0.098)	-0.586*** (0.113)
4th Inco Quartile	-0.121 (0.084)	-0.048 (0.07)	0.047 (0.045)	-0.595*** (0.088)	-0.214*** (0.058)	-1.032*** (0.094)	0.141** (0.055)	-0.345*** (0.091)	-0.045 (0.069)	-0.326*** (0.055)	-0.56*** (0.104)	-0.409*** (0.122)
Female	-0.102* (0.055)	-0.212*** (0.032)	-0.354*** (0.043)	-0.287*** (0.037)	-0.296*** (0.032)	-0.021 (0.059)	0.178*** (0.035)	-0.265*** (0.054)	-0.072 (0.054)	0.016 (0.037)	-0.224*** (0.062)	0.256*** (0.08)
Constant	-6.753*** (0.784)	-6.03*** (0.488)	-1.484*** (0.145)	-2.793*** (0.252)	-3.004*** (0.25)	-3.117*** (0.409)	-4.866*** (0.476)	-6.556*** (0.499)	-2.309*** (0.53)	-2.344*** (0.244)	-2.968*** (0.192)	-4.133*** (0.373)
Observations	308196	410518	371132	323880	364020	310122	446717	346090	87935	144783	165694	121670

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Note: All regressions include month fixed effects. Given that the survey interviews usually take place during first week of each month, the control variables (inflation, current inflation disagreement, unemployment and the 12-month rolling standard deviations of inflation) are measured in the preceding month of the survey interview to capture their significance. To account for potential correlation among observations within the same month, standard errors are clustered at the month level.

A.5 Inflation Life Experiences based on midpoint value

One limitation of our data is that we do not observe respondents' exact ages. Instead, individuals are classified into four age brackets: 16–29, 30–49, 50–64, and 65+. In the main analysis, we assign to each respondent the average inflation experience within their respective age group, implicitly assuming that all individuals within a given age bracket share the same inflation experience.

As a robustness check, we adopt a midpoint approach. Specifically, for each age bracket, we compute the average of the inflation experiences of the youngest and oldest individuals in the

group and assign this value to all respondents within that bracket. This approach provides an alternative approximation of inflation experience while maintaining the assumption that individuals within the same age category share a common experience measure. The results obtained using this alternative construction are qualitatively similar to those reported in the main text.

With respect to the first measure of inattention, based on perception errors, greater exposure to recent inflation experiences is associated with larger perception errors in all countries, with the exception of Greece and Portugal, where the estimated effects are statistically insignificant. In contrast, higher inflation experience constructed by placing greater weight on inflation observed during individuals' formative years is associated with lower perception errors in all countries except Austria and Belgium. These findings suggest that recent inflation experiences may increase perceived inflation relative to actual inflation, whereas inflation experiences accumulated during formative years appear to improve the accuracy of inflation perceptions.

Table A15: Inattention according to the measure based on Perception errors. Recent and Early life experiences - Using Midpoint

Variable	AT	BE	DE	EL	ES	FI	FR	IT	LU	NL	IE	PT
RecentLifeExperience_Midpoint	4.262*** (0.349)	4.591*** (0.661)	5.298*** (0.413)	-0.261 (0.405)	2.258*** (0.677)	1.369*** (0.201)	2.6*** (0.297)	5.698*** (0.865)	4.247*** (0.836)	8.644*** (1.295)	1.615*** (0.518)	-0.311 (1.007)
EarlyLifeExperience_Midpoint	0.098 (0.198)	-0.126 (0.148)	-1.99*** (0.181)	-1.199*** (0.181)	-2.042*** (0.356)	-0.897*** (0.107)	-1.796*** (0.204)	-0.993*** (0.215)	-2.148*** (0.409)	-2.054*** (0.256)	-1.57*** (0.355)	-2.07*** (0.542)
<i>Inflation</i> _{t-1}	-0.273*** (0.061)	-0.708*** (0.054)	-0.445*** (0.049)	-0.467*** (0.112)	-0.532*** (0.099)	-0.483*** (0.05)	-0.103 (0.079)	-0.722*** (0.1)	-0.196 (0.119)	-0.788*** (0.036)	-0.074 (0.055)	-0.339*** (0.114)
<i>Disagreement</i> _{t-1}	0.948*** (0.074)	1.177*** (0.072)	1.165*** (0.041)	1.473*** (0.09)	1.584*** (0.081)	1.283*** (0.077)	0.995*** (0.092)	1.739*** (0.12)	0.474*** (0.157)	0.876*** (0.088)	0.488*** (0.061)	1.466*** (0.084)
<i>InflationRolling12mSD</i> _{t-1}	0.472* (0.248)	1.386*** (0.152)	0.115 (0.217)	0.811** (0.358)	1.91*** (0.36)	0.638** (0.255)	0.632** (0.258)	1.249*** (0.289)	1.373*** (0.291)	1.28*** (0.108)	-1.592*** (0.202)	0.937* (0.541)
<i>Unemployment</i> _{t-1}	-0.508*** (0.113)	-0.509*** (0.093)	-0.368*** (0.035)	-0.208*** (0.032)	-0.168*** (0.032)	-0.137* (0.071)	-0.534*** (0.092)	-0.757*** (0.096)	0.976*** (0.287)	-0.786*** (0.076)	-0.215*** (0.03)	0.092* (0.05)
Middle Educ	-1.712*** (0.051)	-1.106*** (0.065)	-0.445*** (0.05)	-0.902*** (0.138)	-1.064*** (0.112)	-0.412*** (0.032)	0.135 (0.085)	-0.728*** (0.107)	-0.192 (0.131)	-1.296*** (0.105)	-1.301*** (0.13)	0.501*** (0.123)
High Educ	-2.987*** (0.075)	-3.035*** (0.069)	-1.767*** (0.1)	-1.555*** (0.155)	-2.898*** (0.138)	-1.124*** (0.047)	-1.512*** (0.106)	-1.477*** (0.129)	-1.791*** (0.137)	-3.001*** (0.137)	-2.271*** (0.164)	-1.106*** (0.177)
Age 30-49	-0.906*** (0.17)	-0.039 (0.237)	-0.404** (0.176)	0.943*** (0.325)	0.864** (0.382)	0.367** (0.146)	0.84*** (0.178)	-3.24*** (0.483)	0.192 (0.287)	0.86*** (0.136)	0.509* (0.308)	4.485*** (0.675)
Age 50-64	-2.401*** (0.222)	-1.732*** (0.324)	-2.715*** (0.266)	0.463 (0.398)	-1.137** (0.568)	-0.393* (0.202)	-0.987*** (0.225)	-6.325*** (0.784)	-0.821** (0.376)	-0.737* (0.345)	-0.67 (0.441)	3.738*** (1.04)
Age 65+	-4.823*** (0.347)	-3.622*** (0.37)	-4.413*** (0.315)	2.012*** (0.551)	-4.013*** (0.631)	-0.98*** (0.259)	-2.564*** (0.297)	-8.589*** (0.901)	-1.667*** (0.485)	-2.923*** (0.463)	-1.911*** (0.507)	1.352 (1.166)
2nd Inco Quartile	-1.099*** (0.068)	-1.922*** (0.124)	-1.294*** (0.065)	-0.973*** (0.104)	-1.585*** (0.107)	-0.279*** (0.046)	-1.082*** (0.062)	-1.504*** (0.116)	-0.923*** (0.154)	-1.272*** (0.106)	-0.321** (0.131)	-0.384*** (0.14)
3rd Inco Quartile	-1.729*** (0.078)	-3.753*** (0.128)	-1.516*** (0.067)	-0.214 (0.167)	-3.368*** (0.126)	-0.675*** (0.057)	-1.682*** (0.071)	-2.76*** (0.143)	-1.323*** (0.16)	-1.839*** (0.106)	-0.932*** (0.138)	-1.72*** (0.149)
4th Inco Quartile	-2.678*** (0.097)	-5.495*** (0.131)	-2.41*** (0.066)	-0.11 (0.359)	-4.886*** (0.164)	-1.246*** (0.072)	-3.187*** (0.088)	-3.474*** (0.16)	-2.572*** (0.134)	-2.751*** (0.111)	-2.286*** (0.178)	-2.964*** (0.218)
Female	2.407*** (0.059)	2.589*** (0.052)	1.043*** (0.055)	1.823*** (0.094)	2.989*** (0.108)	0.614*** (0.036)	1.164*** (0.064)	2.424*** (0.095)	2.106*** (0.076)	1.206*** (0.089)	1.51*** (0.102)	3.61*** (0.256)
Constant	0.252 (0.843)	1.457 (0.969)	-1.045*** (0.345)	-0.023 (1.239)	-1.553 (1.253)	-1.248* (0.747)	5.904*** (1.23)	1.103 (1.698)	-4.727** (2.055)	0.757 (0.75)	7.122*** (0.612)	-5.198*** (0.783)
Observations	296501	299456	349306	278287	297791	279314	266183	279816	82029	121174	151170	81686
R-squared	0.081851	0.095452	0.091409	0.121431	0.168609	0.123768	0.092561	0.142568	0.058967	0.159083	0.097614	0.223339

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table A16: Inattention based on those who do not know the current inflation rate. Recent and Early life experiences - Using Midpoint

Variable	AT	BE	DE	EL	ES	FI	FR	IT	LU	NL	IE	PT
RecentLifeExperience_Midpoint	-0.593* (0.305)	0.669** (0.324)	-0.539*** (0.145)	-0.078 (0.105)	0.025 (0.16)	-0.275 (0.169)	-1.299*** (0.136)	0.988*** (0.267)	-0.066 (0.36)	-3.972*** (0.576)	-0.06 (0.157)	1.136* (0.652)
EarlyLifeExperience_Midpoint	-0.268* (0.154)	0.68*** (0.096)	-0.745*** (0.077)	0.331*** (0.073)	0.159 (0.144)	-0.429** (0.17)	0.256** (0.123)	0.54*** (0.147)	0.557*** (0.144)	-0.322* (0.148)	0.452*** (0.16)	-0.971** (0.433)
$Inflation_{t-1}$	-0.229*** (0.048)	-0.11*** (0.022)	-0.043*** (0.013)	-0.089*** (0.028)	-0.186*** (0.022)	-0.126*** (0.031)	-0.279*** (0.025)	0.133*** (0.037)	-0.066 (0.04)	-0.059*** (0.014)	-0.062*** (0.019)	-0.007 (0.028)
$Disagreement_{t-1}$	0.158*** (0.047)	-0.093*** (0.028)	-0.102*** (0.013)	-0.104*** (0.021)	-0.06*** (0.014)	-0.231*** (0.04)	-0.092*** (0.026)	-0.15*** (0.031)	-0.086*** (0.031)	-0.009 (0.03)	-0.022 (0.014)	-0.066*** (0.023)
$InflationRolling12mSD_{t-1}$	-0.637*** (0.142)	-0.144*** (0.049)	-0.001 (0.05)	0.013 (0.06)	-0.031 (0.058)	-0.157 (0.141)	-0.059 (0.063)	-0.109 (0.124)	-0.139** (0.063)	-0.345*** (0.039)	-0.414*** (0.083)	-0.16 (0.132)
$Unemployment_{t-1}$	0.083 (0.085)	0.344*** (0.042)	-0.014 (0.016)	0.012 (0.007)	0.004 (0.007)	-0.046 (0.036)	-0.029 (0.031)	0.276*** (0.025)	0.047 (0.1)	0.256*** (0.035)	-0.078*** (0.01)	-0.063*** (0.023)
Middle Educ	0.008 (0.062)	-0.057 (0.04)	-0.411*** (0.029)	-0.14*** (0.046)	-0.151*** (0.039)	-0.471*** (0.059)	-0.293*** (0.048)	-0.354*** (0.063)	-0.356*** (0.06)	0.009 (0.06)	-0.205** (0.08)	-0.759*** (0.089)
High Educ	0.157** (0.077)	0.051 (0.038)	-0.745*** (0.051)	-0.136*** (0.044)	-0.141*** (0.047)	-0.614*** (0.07)	-0.108** (0.046)	-0.361*** (0.089)	-0.216*** (0.076)	0.352*** (0.061)	-0.169* (0.092)	-1.034*** (0.13)
Age 30-49	0.291** (0.126)	-0.862*** (0.147)	0.094 (0.094)	-0.169** (0.084)	-0.73*** (0.115)	0.717*** (0.167)	0.493*** (0.138)	-0.977*** (0.202)	-0.57*** (0.122)	0.262*** (0.089)	-0.674*** (0.151)	-0.02 (0.66)
Age 50-64	0.672*** (0.167)	-0.727*** (0.185)	0.016 (0.135)	0.194* (0.105)	-0.549*** (0.126)	1.069*** (0.183)	1.322*** (0.154)	-0.915*** (0.241)	-0.425*** (0.157)	1.303*** (0.188)	-0.628*** (0.151)	0.236 (0.849)
Age 65+	1.401*** (0.26)	-0.584*** (0.215)	0.255 (0.157)	-0.065 (0.128)	0.019 (0.132)	1.738*** (0.232)	2.061*** (0.19)	-0.992*** (0.281)	-0.151 (0.198)	2.109*** (0.24)	-0.086 (0.159)	0.814 (0.887)
2nd Inco Quartile	-0.303*** (0.081)	-0.373*** (0.052)	-0.135*** (0.04)	-0.053 (0.034)	-0.293*** (0.053)	-0.688*** (0.065)	0.142*** (0.043)	-0.39*** (0.061)	-0.135** (0.066)	-0.354*** (0.046)	-0.463*** (0.081)	-0.292*** (0.074)
3rd Inco Quartile	-0.488*** (0.079)	-0.339*** (0.058)	-0.29*** (0.042)	-0.18*** (0.045)	-0.25*** (0.046)	-1.092*** (0.072)	-0.003 (0.051)	-0.506*** (0.075)	-0.259*** (0.07)	-0.564*** (0.049)	-0.45*** (0.091)	-0.722*** (0.107)
4th Inco Quartile	-0.187** (0.076)	0.025 (0.067)	-0.134*** (0.042)	-0.634*** (0.09)	-0.203*** (0.055)	-1.076*** (0.093)	0.179*** (0.054)	-0.405*** (0.083)	-0.071 (0.065)	-0.354*** (0.053)	-0.522*** (0.099)	-0.348*** (0.106)
Female	-0.075 (0.053)	-0.204*** (0.032)	-0.257*** (0.042)	-0.283*** (0.037)	-0.293*** (0.031)	-0.034 (0.056)	0.175*** (0.035)	-0.226*** (0.049)	-0.067 (0.053)	-0.001 (0.034)	-0.248*** (0.057)	0.181** (0.073)
Constant	-5.664*** (0.706)	-6.819*** (0.467)	-1.06*** (0.114)	-3.194*** (0.256)	-3.141*** (0.282)	-2.379*** (0.387)	-3.635*** (0.369)	-8.189*** (0.487)	-3.088*** (0.797)	-1.206*** (0.276)	-3.244*** (0.203)	-3.303*** (0.545)
Observations	310031	418607	397934	329887	370281	311418	451783	355916	89553	150419	175026	122689

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

A.6 Examining a potential composition issue regarding adverse events.

One concern regarding the results in Table 10 is that the observed decline in perception errors following major events may reflect a composition effect rather than a genuine increase in attention. Our measure of inattention based on perception errors is constructed conditional on respondents providing a numerical answer and thus excludes those that don't know the current inflation rate. If extreme adverse events increase the likelihood of "Don't know" responses, individuals who would otherwise report large perception errors may instead opt out of answering, which would mechanically reduce the perception error among respondents, even if overall attention had not improved. To examine this potential issue, Table A17 reports the share of "Don't Know" responses during versus outside each adverse episode, together with the ratio of the two shares. A ratio above one indicates that the share of Don't Know responses rose during the event, and a ratio below one indicates that it fell.

Overall, the table implies that extreme adverse shocks do not uniformly alter inattention so that this concern does not seem to be driving our results in Table 10.

Several patterns emerge which differ across countries and events. The Global Financial Crisis produces the most heterogeneous pattern: Germany, Greece, Finland, Ireland, Italy, and Luxembourg see ratios below one (a fall in “Don’t Know” responses during the episode), while Austria, Belgium, Spain, France, and the Netherlands see ratios above one. The Greek Debt Crisis and Sovereign Debt Crisis are associated with an increased share of Don’t Know responses for most countries, with ratios notably high in Belgium (2.06 and 1.25 respectively), Luxembourg (1.95 and 2.20) and Italy (1.45 and 2.48). The Ukraine War stands out as the episode with the most consistent and dramatic reduction in the share of “don’t know” responses as this ratio falls below 0.3 in 9 of the 12 countries, and below 0.2 in Austria, Belgium, Greece, France, and Italy, so that “don’t know” shares during this period were between one-fifth and one-third of their usual levels.² The COVID-19 pandemic shows the opposite pattern: ratios exceed one in 10 of the 12 countries, with Austria (2.00), Spain (2.15), and Greece (1.87) experiencing roughly a doubling in “don’t know” responses, while Belgium is the sole exception with a halving of such responses during the Covid episode. This suggests that the pandemic initially disrupted households’ ability to monitor prices more than it increased their incentive to do so, possibly, in part, because lockdowns disrupted normal shopping patterns but also because this was a rare event, unprecedented in most people’s lifetime, likely associated with a massive increase in uncertainty and thus heightened noise facing individuals.

²This is consistent with the sharp inflationary impact of the war making prices highly salient to households across the euro area and thus reducing inattention as captured by the “don’t know” responses.

Table A17: Share of ‘Don’t Know’ Responses During and Outside Major Events (%)

Period	AT	BE	DE	EL	ES	FI	FR	IE	IT	LU	NL	PT
Global Financial Crisis												
No Event	0.59	1.20	2.39	1.89	1.35	0.68	0.94	1.02	0.74	3.11	3.31	1.04
During Event	0.68	2.20	1.79	1.27	2.39	0.67	1.06	0.93	0.52	2.98	4.38	NA
<i>Ratio (During/No Event)</i>	<i>1.14</i>	<i>1.83</i>	<i>0.75</i>	<i>0.67</i>	<i>1.77</i>	<i>0.98</i>	<i>1.12</i>	<i>0.90</i>	<i>0.70</i>	<i>0.96</i>	<i>1.32</i>	<i>NA</i>
Greek Debt Crisis												
No Event	0.59	1.23	2.35	1.87	1.39	0.68	0.95	1.03	0.72	3.07	3.34	1.04
During Event	0.92	2.53	3.04	1.82	1.85	0.69	1.20	0.73	1.05	6.00	4.28	NA
<i>Ratio (During/No Event)</i>	<i>1.55</i>	<i>2.06</i>	<i>1.29</i>	<i>0.98</i>	<i>1.33</i>	<i>1.01</i>	<i>1.27</i>	<i>0.72</i>	<i>1.45</i>	<i>1.95</i>	<i>1.28</i>	<i>NA</i>
Sovereign Debt Crisis												
No Event	0.60	1.24	2.37	1.85	1.39	0.68	0.95	1.04	0.71	3.03	3.32	1.04
During Event	0.53	1.55	2.13	2.53	1.90	0.66	1.07	0.32	1.75	6.68	4.89	NA
<i>Ratio (During/No Event)</i>	<i>0.89</i>	<i>1.25</i>	<i>0.90</i>	<i>1.37</i>	<i>1.37</i>	<i>0.97</i>	<i>1.12</i>	<i>0.31</i>	<i>2.48</i>	<i>2.20</i>	<i>1.47</i>	<i>NA</i>
COVID-19												
No Event	0.58	1.26	2.35	1.83	1.36	0.67	0.93	1.01	0.72	3.09	3.33	1.01
During Event	1.17	0.57	2.77	3.41	2.93	0.88	1.63	1.46	0.84	3.85	4.23	1.64
<i>Ratio (During/No Event)</i>	<i>2.00</i>	<i>0.46</i>	<i>1.18</i>	<i>1.87</i>	<i>2.15</i>	<i>1.31</i>	<i>1.75</i>	<i>1.45</i>	<i>1.16</i>	<i>1.25</i>	<i>1.27</i>	<i>1.62</i>
Ukraine War												
No Event	0.60	1.26	2.37	1.89	1.41	0.68	0.96	1.03	0.73	3.14	3.39	1.05
During Event	0.07	0.13	1.41	0.16	0.41	0.13	0.17	0.63	0.13	0.99	0.80	0.62
<i>Ratio (During/No Event)</i>	<i>0.11</i>	<i>0.10</i>	<i>0.59</i>	<i>0.08</i>	<i>0.29</i>	<i>0.19</i>	<i>0.18</i>	<i>0.61</i>	<i>0.18</i>	<i>0.32</i>	<i>0.23</i>	<i>0.59</i>

A.7 Alternative measures of "Skin in the Game"

For robustness, we have created an alternative discrete variable measuring "Skin in the game" for households, by matching their possible responses to Q9 from the BCS as follows: "much more" and "a little more" is matched to 1, "about the same" is matched to 0, while "a little less" and "much less" is matched to -1. The main findings remain the qualitatively the same. For the perception error measure of Inattention, having skin in the game decreases perception errors, making households more attentive to current prices. For the second measure of inattention based on those that do not know the current inflation rate, skin in the game increases the probability of reporting do not know for all countries except Austria, Germany and Ireland where the effect is insignificant and Italy where the effect is negative.

Table A18: Inattention based on Perception errors. Skin in the Game.

Variable	AT	BE	DE	EL	ES	FI	FR	IT	LU	NL	IE	PT
Skin in the game	-0.981*** (0.036)	-0.54*** (0.04)	-0.575*** (0.052)	-0.882*** (0.087)	-1.578*** (0.075)	-0.389*** (0.027)	-0.206*** (0.029)	-0.675*** (0.102)	-0.654*** (0.057)	-0.839*** (0.043)	-0.336*** (0.06)	-0.792*** (0.078)
<i>Inflation</i> _{t-1}	-0.37*** (0.06)	-0.673*** (0.056)	-0.474*** (0.059)	-0.515*** (0.118)	-0.562*** (0.102)	-0.494*** (0.051)	-0.023 (0.088)	-0.767*** (0.107)	-0.27** (0.122)	-0.865*** (0.037)	-0.107* (0.056)	-0.347*** (0.112)
<i>Disagreement</i> _{t-1}	0.972*** (0.088)	1.029*** (0.074)	1.183*** (0.048)	1.465*** (0.093)	1.603*** (0.082)	1.267*** (0.08)	0.85*** (0.092)	1.89*** (0.129)	0.531*** (0.157)	1.169*** (0.075)	0.556*** (0.037)	1.494*** (0.074)
<i>InflationRolling12mSD</i> _{t-1}	0.326 (0.266)	1.458*** (0.161)	0.18 (0.238)	1.125*** (0.346)	1.747*** (0.382)	0.642** (0.257)	0.726** (0.299)	0.067 (0.304)	1.242*** (0.292)	1.252*** (0.119)	-1.537*** (0.198)	0.838 (0.518)
<i>Unemployment</i> _{t-1}	-0.636*** (0.142)	-0.279*** (0.082)	-0.11*** (0.03)	-0.24*** (0.033)	-0.195*** (0.032)	-0.123* (0.072)	-0.637*** (0.105)	-0.989*** (0.085)	0.543** (0.25)	-0.414*** (0.064)	-0.224*** (0.031)	0.026 (0.04)
Middle Educ	-1.664*** (0.051)	-1.132*** (0.066)	-0.422*** (0.05)	-0.76*** (0.162)	-1.081*** (0.112)	-0.46*** (0.123)	0.004 (0.091)	-0.943*** (0.123)	-0.151 (0.132)	-1.138*** (0.108)	-1.202*** (0.12)	0.441*** (0.121)
High Educ	-2.94*** (0.073)	-3.054*** (0.069)	-1.665*** (0.097)	-1.384*** (0.177)	-2.939*** (0.169)	-1.181*** (0.049)	-1.66*** (0.11)	-1.794*** (0.156)	-1.797*** (0.142)	-2.74*** (0.134)	-2.147*** (0.156)	-1.047*** (0.183)
Age 30-49	-0.148* (0.084)	0.977*** (0.148)	-0.398*** (0.081)	-0.124 (0.106)	0.093 (0.092)	0.184*** (0.047)	0.386*** (0.097)	-1.072*** (0.167)	-0.25** (0.122)	0.887*** (0.11)	-0.202 (0.126)	1.227*** (0.187)
Age 50-64	-0.858*** (0.081)	0.147 (0.144)	-1.264*** (0.121)	-0.385*** (0.121)	-1.196*** (0.11)	-0.229*** (0.045)	-0.789*** (0.111)	-2.306*** (0.231)	-0.42*** (0.141)	0.176 (0.111)	-0.663*** (0.155)	0.273 (0.169)
Age 65+	-2.229*** (0.108)	-1.471*** (0.151)	-2.122*** (0.133)	-0.088 (0.147)	-3.669*** (0.137)	-0.908*** (0.061)	-2.773*** (0.123)	-4.067*** (0.254)	-1.356*** (0.172)	-1.208*** (0.132)	-1.557*** (0.182)	-1.291*** (0.216)
2nd Inco Quartile	-1.025*** (0.069)	-2.066*** (0.13)	-1.195*** (0.065)	-0.942*** (0.106)	-1.480*** (0.107)	-0.255*** (0.046)	-1.056*** (0.062)	-1.36*** (0.118)	-0.894*** (0.155)	-1.296*** (0.11)	-0.327** (0.13)	-0.356** (0.138)
3rd Inco Quartile	-1.701*** (0.081)	-3.886*** (0.133)	-1.376*** (0.066)	-0.151 (0.174)	-3.086*** (0.131)	-0.623*** (0.058)	-1.646*** (0.072)	-2.525*** (0.142)	-1.221*** (0.163)	-1.86*** (0.11)	-0.912*** (0.14)	-1.673*** (0.148)
4th Inco Quartile	-2.638*** (0.106)	-5.661*** (0.139)	-2.322*** (0.068)	-0.223 (0.361)	-4.438*** (0.178)	-1.172*** (0.071)	-3.145*** (0.089)	-3.062*** (0.157)	-2.44*** (0.136)	-2.717*** (0.113)	-2.203*** (0.178)	-2.868*** (0.215)
Female	2.413*** (0.059)	2.526*** (0.053)	1.061*** (0.056)	1.814*** (0.094)	2.962*** (0.108)	0.61*** (0.036)	1.177*** (0.064)	2.437*** (0.095)	2.086*** (0.076)	1.17*** (0.089)	1.439*** (0.1)	3.602*** (0.254)
Constant	3.766*** (1.079)	4.07*** (0.989)	-1.387*** (0.32)	-2.412* (1.285)	-2.472** (1.15)	-1.317* (0.744)	7.607*** (1.308)	5.374*** (1.534)	-1.462 (1.703)	1.749** (0.777)	5.902*** (0.502)	-7.141*** (0.744)
Observations	295013	295215	329805	273798	293350	278528	264160	273462	80679	117646	146775	81404
R-squared	0.083303	0.096232	0.087840	0.121638	0.173193	0.124258	0.090271	0.132595	0.059675	0.156953	0.090698	0.224495

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Note: All regressions include month fixed effects. Given that the survey interviews usually take place during first week of each month, the control variables (inflation, current inflation disagreement, unemployment and the 12-month rolling standard deviations of inflation) are measured in the preceding month of the survey interview to capture their significance. To account for potential correlation among observations within the same month, standard errors are clustered at the month level.

Table A19: Inattention based on those who do not know the current inflation rate. Skin In The Game.

Variable	AT	BE	DE	EL	ES	FI	FR	IT	LU	NL	IE	PT
Skin in the game	0.008 (0.039)	0.041** (0.02)	-0.017 (0.022)	0.058** (0.027)	0.089*** (0.029)	0.093*** (0.034)	0.061** (0.027)	-0.142* (0.074)	0.056* (0.03)	0.236*** (0.027)	0.06 (0.038)	0.266*** (0.044)
$Inflation_{t-1}$	-0.211*** (0.049)	-0.074*** (0.023)	-0.056*** (0.019)	-0.075*** (0.027)	-0.18*** (0.022)	-0.147*** (0.033)	-0.374*** (0.03)	0.147*** (0.043)	-0.081** (0.038)	-0.087*** (0.022)	-0.058*** (0.019)	-0.032 (0.033)
$Disagreement_{t-1}$	0.17*** (0.049)	-0.155*** (0.029)	-0.158*** (0.017)	-0.109*** (0.02)	-0.067*** (0.014)	-0.174*** (0.042)	0.03 (0.028)	-0.106*** (0.036)	-0.095*** (0.032)	-0.139*** (0.025)	-0.037*** (0.01)	-0.073*** (0.022)
$InflationRolling12mSD_{t-1}$	-0.562*** (0.137)	-0.112** (0.053)	-0.036 (0.067)	-0.033 (0.056)	-0.044 (0.061)	-0.211 (0.144)	-0.194*** (0.072)	-0.538*** (0.141)	-0.219*** (0.061)	-0.317*** (0.047)	-0.426*** (0.084)	-0.19 (0.144)
$Unemployment_{t-1}$	0.139 (0.098)	0.441*** (0.038)	-0.08*** (0.014)	0.021*** (0.007)	0.012* (0.007)	-0.057 (0.04)	-0.044 (0.038)	0.238*** (0.028)	-0.01 (0.081)	0.016 (0.023)	-0.061*** (0.023)	-0.033* (0.01)
Middle Educ	0.036 (0.065)	-0.042 (0.042)	-0.313*** (0.032)	-0.136*** (0.049)	-0.147*** (0.041)	-0.431*** (0.061)	-0.178*** (0.05)	-0.418*** (0.064)	-0.359*** (0.061)	0.034 (0.061)	-0.205** (0.061)	-0.711*** (0.089)
High Educ	0.147* (0.077)	0.063 (0.041)	-0.531*** (0.063)	-0.132*** (0.046)	-0.125** (0.052)	-0.552*** (0.069)	0.044 (0.05)	-0.392*** (0.091)	-0.212*** (0.081)	0.386*** (0.062)	-0.161 (0.102)	-0.981*** (0.144)
Age 30-49	-0.009 (0.098)	-0.225** (0.091)	-0.801*** (0.038)	0.015 (0.049)	-0.562*** (0.052)	0.139 (0.098)	0.351*** (0.124)	-0.041 (0.171)	-0.209*** (0.075)	-0.13* (0.076)	-0.197** (0.085)	-0.405 (0.291)
Age 50-64	0.223** (0.095)	-0.133 (0.091)	-1.206*** (0.047)	0.249*** (0.056)	-0.378*** (0.057)	0.389*** (0.096)	0.723*** (0.126)	0.176 (0.168)	-0.152* (0.081)	0.017 (0.086)	-0.23** (0.091)	0.519* (0.28)
Age 65+	0.573*** (0.099)	0.285*** (0.097)	-0.887*** (0.055)	0.362*** (0.06)	0.187*** (0.051)	0.874*** (0.09)	1.381*** (0.126)	0.801*** (0.159)	0.248*** (0.082)	0.413*** (0.088)	0.264*** (0.096)	1.527*** (0.271)
2nd Inco Quartile	-0.269*** (0.083)	-0.444*** (0.055)	-0.0 (0.048)	-0.055 (0.035)	-0.283*** (0.053)	-0.651*** (0.067)	0.112** (0.045)	-0.365*** (0.067)	-0.133** (0.068)	-0.317*** (0.048)	-0.483*** (0.087)	-0.312*** (0.079)
3rd Inco Quartile	-0.437*** (0.082)	-0.416*** (0.062)	-0.178*** (0.05)	-0.183*** (0.046)	-0.267*** (0.048)	-1.056*** (0.073)	-0.014 (0.052)	-0.484*** (0.078)	-0.24*** (0.071)	-0.523*** (0.052)	-0.463*** (0.098)	-0.583*** (0.113)
4th Inco Quartile	-0.131 (0.084)	-0.049 (0.07)	0.047 (0.045)	-0.596*** (0.088)	-0.221*** (0.058)	-1.031*** (0.094)	0.142** (0.055)	-0.357*** (0.09)	-0.049 (0.069)	-0.32*** (0.055)	-0.558*** (0.104)	-0.404*** (0.122)
Female	-0.101* (0.055)	-0.212*** (0.032)	-0.354*** (0.043)	-0.287*** (0.037)	-0.294*** (0.032)	-0.022 (0.059)	0.178*** (0.035)	-0.263*** (0.054)	-0.071 (0.054)	0.015 (0.037)	-0.225*** (0.062)	0.253*** (0.08)
Constant	-6.752*** (0.784)	-6.032*** (0.488)	-1.483*** (0.145)	-2.793*** (0.251)	-2.998*** (0.25)	-3.121*** (0.409)	-4.865*** (0.475)	-6.575*** (0.501)	-2.304*** (0.53)	-2.365*** (0.244)	-2.969*** (0.192)	-4.13*** (0.373)
Observations	308196	410518	371132	323880	364020	310122	446717	346090	87935	144783	165694	121670

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Note: All regressions include month fixed effects. Given that the survey interviews usually take place during first week of each month, the control variables (inflation, current inflation disagreement, unemployment and the 12-month rolling standard deviations of inflation) are measured in the preceding month of the survey interview to capture their significance. To account for potential correlation among observations within the same month, standard errors are clustered at the month level.

A.8 Dropping those that say “prices have stayed about the same”

Table A20: Inattention based on Perception errors. Excluding those that say “prices have stayed about the same”.

Variable	AT	BE	DE	EL	ES	FI	FR	IT	LU	NL	IE	PT
<i>Inflation</i> _{<i>t</i>-1}	-0.571*** (0.053)	-0.831*** (0.052)	-0.644*** (0.056)	-0.828*** (0.116)	-0.818*** (0.086)	-0.623*** (0.046)	-0.508*** (0.085)	-0.926*** (0.094)	-0.438*** (0.111)	-0.918*** (0.036)	-0.057 (0.072)	-0.569*** (0.108)
<i>Disagreement</i> _{<i>t</i>-1}	1.069*** (0.079)	0.898*** (0.067)	1.257*** (0.048)	1.285*** (0.087)	1.457*** (0.09)	1.234*** (0.079)	1.006*** (0.102)	1.517*** (0.141)	0.405*** (0.147)	1.355*** (0.084)	0.597*** (0.039)	1.564*** (0.087)
<i>Inflation</i> Rolling12mSD _{<i>t</i>-1}	0.754*** (0.243)	1.545*** (0.128)	0.403* (0.231)	1.417*** (0.341)	1.849*** (0.381)	0.64*** (0.235)	0.892** (0.365)	-0.58** (0.282)	1.439*** (0.264)	1.032*** (0.12)	-2.458*** (0.255)	0.491 (0.552)
<i>Unemployment</i> _{<i>t</i>-1}	-0.397*** (0.132)	-0.311*** (0.069)	-0.057* (0.032)	-0.165*** (0.034)	-0.101*** (0.03)	-0.081 (0.067)	-0.551*** (0.101)	-1.058*** (0.081)	0.564** (0.243)	0.105 (0.071)	-0.199*** (0.034)	0.165*** (0.051)
Middle Educ	-1.846*** (0.055)	-1.321*** (0.073)	-0.747*** (0.059)	-0.714*** (0.167)	-1.463*** (0.128)	-0.681*** (0.039)	-0.137 (0.107)	-1.39*** (0.117)	-0.125 (0.14)	-1.272*** (0.112)	-1.567*** (0.145)	-0.385*** (0.138)
High Educ	-3.196*** (0.079)	-3.379*** (0.074)	-2.243*** (0.113)	-1.401*** (0.188)	-3.594*** (0.185)	-1.522*** (0.054)	-2.039*** (0.125)	-2.565*** (0.163)	-1.68*** (0.152)	-3.209*** (0.148)	-2.677*** (0.19)	-2.608*** (0.186)
Age 30-49	-0.545*** (0.09)	0.385** (0.165)	-0.623*** (0.092)	-0.237** (0.117)	-0.163 (0.104)	0.003 (0.06)	0.218* (0.119)	-1.637*** (0.186)	-0.76*** (0.142)	1.008*** (0.129)	-0.359** (0.14)	0.61** (0.237)
Age 50-64	-1.497*** (0.087)	-0.701*** (0.152)	-1.852*** (0.142)	-0.249* (0.133)	-1.768*** (0.119)	-0.687*** (0.051)	-1.213*** (0.13)	-3.315*** (0.236)	-1.321*** (0.156)	-0.033 (0.134)	-0.996*** (0.174)	-0.519** (0.203)
Age 65+	-2.881*** (0.109)	-2.386*** (0.151)	-2.97*** (0.165)	0.329* (0.17)	-4.32*** (0.14)	-1.579*** (0.06)	-3.331*** (0.14)	-5.135*** (0.263)	-2.344*** (0.186)	-1.693*** (0.144)	-1.806*** (0.206)	-1.599*** (0.231)
2nd Inco Quartile	-1.377*** (0.075)	-2.314*** (0.133)	-1.462*** (0.075)	-1.176*** (0.115)	-1.877*** (0.117)	-0.547*** (0.057)	-1.322*** (0.07)	-2.085*** (0.127)	-1.043*** (0.167)	-1.883*** (0.129)	-0.695*** (0.16)	-1.182*** (0.179)
4th Inco Quartile	-2.192*** (0.085)	-4.246*** (0.137)	-1.784*** (0.075)	-0.597*** (0.19)	-3.829*** (0.134)	-1.066*** (0.069)	-2.095*** (0.08)	-3.472*** (0.148)	-1.469*** (0.168)	-2.611*** (0.133)	-1.451*** (0.174)	-2.957*** (0.157)
4th Inco Quartile	-3.208*** (0.107)	-6.075*** (0.145)	-2.882*** (0.082)	-1.533*** (0.358)	-5.545*** (0.183)	-1.708*** (0.082)	-3.733*** (0.097)	-4.116*** (0.161)	-2.647*** (0.148)	-3.57*** (0.131)	-3.004*** (0.225)	-4.601*** (0.199)
Female	2.592*** (0.059)	2.734*** (0.061)	1.313*** (0.066)	1.893*** (0.099)	3.441*** (0.113)	0.773*** (0.043)	1.531*** (0.071)	2.909*** (0.108)	2.083*** (0.085)	1.684*** (0.108)	1.788*** (0.122)	5.336*** (0.213)
Constant	3.749*** (1.008)	8.417*** (0.911)	0.3 (0.37)	2.625** (1.309)	1.968* (1.193)	0.582 (0.699)	9.033*** (1.321)	16.534*** (1.696)	1.456 (1.658)	0.592 (0.897)	8.414*** (0.599)	-4.457*** (0.977)
Observations	265752	256969	289141	219521	233860	209538	208143	192786	69507	93017	118112	60614
R-squared	0.084743	0.102529	0.095714	0.066787	0.124130	0.117379	0.081795	0.107905	0.057223	0.148810	0.121552	0.211624

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table A21: Recent and Early life experiences. Excluding Stay about the same. Inattention based on Perception errors.

Variable	AT	BE	DE	EL	ES	FI	FR	IT	LU	NL	IE	PT
RecentLifeExperience	4.67*** (0.427)	2.944*** (0.752)	0.267*** (0.054)	-1.208*** (0.352)	1.491** (0.716)	1.144*** (0.207)	2.954*** (0.36)	6.911*** (0.712)	5.421*** (0.928)	8.174*** (1.27)	0.729 (0.734)	-2.843*** (1.098)
EarlyLifeExperience	-0.501 (0.328)	-0.64*** (0.201)	-0.04 (0.025)	-1.179*** (0.204)	-2.42*** (0.345)	-1.073*** (0.139)	-3.14*** (0.321)	-0.041 (0.283)	-2.789*** (0.643)	-1.853*** (0.472)	-1.254*** (0.454)	-1.942*** (0.483)
$Inflation_{t-1}$	-0.48*** (0.05)	-0.846*** (0.052)	-0.635*** (0.055)	-0.762*** (0.104)	-0.805*** (0.084)	-0.615*** (0.045)	-0.504*** (0.081)	-0.848*** (0.084)	-0.349*** (0.108)	-0.846*** (0.034)	-0.049 (0.069)	-0.559*** (0.111)
$Disagreement_{t-1}$	0.989*** (0.065)	0.963*** (0.07)	1.243*** (0.046)	1.255*** (0.076)	1.438*** (0.087)	1.21*** (0.081)	1.011*** (0.102)	1.262*** (0.122)	0.365** (0.142)	1.083*** (0.089)	0.572*** (0.073)	1.479*** (0.101)
$InflationRolling12mSD_{t-1}$	0.89*** (0.215)	1.491*** (0.125)	0.431* (0.228)	0.829** (0.334)	1.841*** (0.338)	0.664*** (0.232)	0.853** (0.343)	1.241*** (0.238)	1.726*** (0.264)	1.008*** (0.107)	-2.483*** (0.253)	0.581 (0.579)
$Unemployment_{t-1}$	-0.311*** (0.105)	-0.444*** (0.08)	-0.078** (0.032)	-0.177*** (0.031)	-0.101*** (0.03)	-0.122* (0.065)	-0.525*** (0.092)	-0.81*** (0.078)	1.059*** (0.273)	-0.274*** (0.082)	-0.192*** (0.034)	0.309*** (0.059)
Middle Educ	-1.823*** (0.054)	-1.315*** (0.073)	-0.739*** (0.058)	-0.957*** (0.145)	-1.4*** (0.123)	-0.657*** (0.039)	-0.054 (0.103)	-1.044*** (0.101)	-0.114 (0.139)	-1.363*** (0.111)	-1.527*** (0.15)	-0.376*** (0.138)
High Educ	-3.138*** (0.078)	-3.375*** (0.074)	-2.231*** (0.112)	-1.687*** (0.168)	-3.545*** (0.156)	-1.49*** (0.052)	-1.941*** (0.117)	-1.985*** (0.137)	-1.606*** (0.147)	-3.295*** (0.148)	-2.637*** (0.192)	-2.629*** (0.181)
Age 30-49	-1.137*** (0.189)	0.07 (0.227)	-0.681*** (0.092)	1.397*** (0.277)	0.927*** (0.334)	0.331** (0.148)	1.362*** (0.224)	-4.767*** (0.479)	-0.512 (0.324)	0.894*** (0.19)	0.328 (0.314)	5.107*** (0.8)
Age 50-64	-2.819*** (0.261)	-1.56*** (0.323)	-1.994*** (0.146)	1.707*** (0.354)	-0.938* (0.551)	-0.526** (0.211)	-0.298 (0.288)	-8.429*** (0.694)	-1.87*** (0.414)	-0.83** (0.408)	-0.553 (0.511)	5.95*** (1.284)
Age 65+	-5.059*** (0.391)	-3.355*** (0.376)	-3.216*** (0.173)	3.52*** (0.522)	-3.799*** (0.632)	-1.324*** (0.264)	-1.68*** (0.365)	-11.737*** (0.908)	-2.807*** (0.559)	-3.333*** (0.511)	-1.626*** (0.614)	4.574*** (1.429)
2nd Inco Quartile	-1.348*** (0.074)	-2.234*** (0.129)	-1.459*** (0.075)	-1.198*** (0.115)	-1.852*** (0.118)	-0.532*** (0.056)	-1.331*** (0.071)	-2.227*** (0.131)	-1.009*** (0.165)	-1.827*** (0.126)	-0.704*** (0.159)	-1.192*** (0.179)
3rd Inco Quartile	-2.068*** (0.083)	-4.144*** (0.133)	-1.777*** (0.076)	-0.666*** (0.183)	-3.805*** (0.128)	-1.053*** (0.067)	-2.102*** (0.08)	-3.71*** (0.152)	-1.459*** (0.166)	-2.513*** (0.129)	-1.447*** (0.172)	-2.969*** (0.158)
4th Inco Quartile	-3.002*** (0.1)	-5.933*** (0.14)	-2.881*** (0.082)	-1.165*** (0.343)	-5.509*** (0.169)	-1.689*** (0.079)	-3.748*** (0.095)	-4.484*** (0.167)	-2.664*** (0.148)	-3.46*** (0.128)	-3.003*** (0.224)	-4.588*** (0.201)
Female	2.557*** (0.059)	2.759*** (0.061)	1.308*** (0.066)	1.913*** (0.098)	3.446*** (0.113)	0.776*** (0.043)	1.529*** (0.071)	2.886*** (0.106)	2.1*** (0.084)	1.684*** (0.108)	1.789*** (0.121)	5.332*** (0.214)
Constant	0.825 (0.804)	7.259*** (0.957)	0.124 (0.355)	6.961*** (1.233)	3.988*** (1.311)	1.293* (0.754)	9.851*** (1.354)	9.505*** (1.768)	-2.768 (2.001)	-0.704 (0.92)	9.369*** (0.726)	-1.715* (1.03)
Observations	265752	256969	289141	219521	233860	209538	208143	192786	69507	93017	118112	60614
R-squared	0.087665	0.102957	0.096183	0.069844	0.124613	0.118138	0.083248	0.117904	0.059350	0.151761	0.121824	0.212521

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table A22: Impact of Extreme Adverse Shocks. Excluding those that say “prices have stayed about the same”. Inattention based on Perception errors.

Variable	AT	BE	DE	EL	ES	FI	FR	IT	LU	NL	IE	PT
Financial crisis	2.777*** (0.976)	6.576*** (0.935)	-0.042 (0.8)	-14.653*** (2.852)	-7.647*** (2.246)	-2.653*** (0.619)	3.494*** (1.272)	-0.592 (2.327)	7.163** (3.059)			
Greek debt crisis	-1.438*** (0.239)	-0.615* (0.352)	-0.892*** (0.252)	-5.336*** (0.551)	1.614 (0.993)	0.315 (0.198)	0.318 (0.398)	-4.074*** (0.71)	-2.628*** (0.712)		-4.632*** (0.418)	
Euro crisis	-2.898*** (0.533)	-0.973** (0.485)	-0.083 (0.442)	-2.567** (1.007)	-2.597*** (0.94)	-0.721** (0.353)	-1.603*** (0.527)	-4.134*** (1.343)	-2.297*** (0.774)	-4.429*** (0.469)	5.919*** (0.944)	
Covid recession	-5.908*** (0.448)	-3.534*** (0.618)	-3.603*** (0.616)	0.444 (0.89)	-3.953*** (1.506)	-2.577*** (0.453)	-3.877*** (0.679)	-1.714* (0.998)	-5.383*** (0.433)	-2.094*** (0.791)	0.185 (0.977)	
Russian invasion	-2.954*** (0.368)	-4.827*** (0.505)	-2.071*** (0.362)	-5.621*** (0.765)	-2.615** (1.104)	-2.473*** (0.312)	-3.446*** (0.448)	-5.926*** (1.069)	-1.811** (0.814)	-3.28*** (0.371)	-0.832 (0.539)	-3.842*** (0.738)
$Inflation_{t-1}$	-0.591*** (0.053)	-0.829*** (0.05)	-0.654*** (0.055)	-0.883*** (0.117)	-0.839*** (0.087)	-0.622*** (0.046)	-0.532*** (0.086)	-0.916*** (0.095)	-0.426*** (0.117)	-0.904*** (0.032)	-0.075 (0.071)	-0.565*** (0.102)
$Disagreement_{t-1}$	1.121*** (0.075)	0.951*** (0.065)	1.279*** (0.046)	1.342*** (0.086)	1.486*** (0.095)	1.25*** (0.077)	1.069*** (0.101)	1.527*** (0.142)	0.441*** (0.163)	1.384*** (0.078)	0.592*** (0.039)	1.568*** (0.086)
$InflationRolling12mSD_{t-1}$	0.694*** (0.235)	1.537*** (0.128)	0.369 (0.235)	1.565*** (0.336)	1.925*** (0.381)	0.607*** (0.23)	0.742* (0.396)	-0.559** (0.279)	1.436*** (0.279)	0.976*** (0.115)	-2.461*** (0.254)	0.524 (0.527)
$Unemployment_{t-1}$	-0.418*** (0.133)	-0.322*** (0.07)	-0.069** (0.032)	-0.182*** (0.036)	-0.093*** (0.03)	-0.117* (0.068)	-0.553*** (0.102)	-1.052*** (0.085)	0.581** (0.251)	0.09 (0.069)	-0.212*** (0.034)	0.16*** (0.052)
Middle Educ	-1.848*** (0.056)	-1.32*** (0.073)	-0.753*** (0.06)	-0.724*** (0.164)	-1.469*** (0.127)	-0.682*** (0.038)	-0.133 (0.108)	-1.389*** (0.117)	-0.132 (0.14)	-1.263*** (0.112)	-1.56*** (0.144)	-0.395*** (0.139)
High Educ	-3.198*** (0.079)	-3.381*** (0.074)	-2.25*** (0.114)	-1.39*** (0.186)	-3.606*** (0.183)	-1.523*** (0.054)	-2.029*** (0.126)	-2.563*** (0.162)	-1.677*** (0.152)	-3.201*** (0.148)	-2.659*** (0.188)	-2.627*** (0.187)
Age 30-49	-0.551*** (0.089)	0.378** (0.164)	-0.629*** (0.091)	-0.204* (0.114)	-0.164 (0.103)	0.001 (0.06)	0.223* (0.119)	-1.64*** (0.186)	-0.763*** (0.142)	1.013*** (0.129)	-0.365*** (0.139)	0.604** (0.239)
Age 50-64	-1.499*** (0.086)	-0.706*** (0.152)	-1.858*** (0.141)	-0.211 (0.134)	-1.77*** (0.118)	-0.686*** (0.051)	-1.206*** (0.13)	-3.308*** (0.235)	-1.307*** (0.157)	-0.022 (0.134)	-0.999*** (0.173)	-0.527*** (0.204)
Age 65+	-2.877*** (0.109)	-2.395*** (0.15)	-2.976*** (0.165)	0.33* (0.169)	-4.32*** (0.14)	-1.58*** (0.06)	-3.315*** (0.14)	-5.125*** (0.261)	-2.329*** (0.186)	-1.681*** (0.144)	-1.807*** (0.205)	-1.61*** (0.233)
2nd Inco Quartile	-1.382*** (0.074)	-2.273*** (0.129)	-1.471*** (0.075)	-1.222*** (0.112)	-1.871*** (0.117)	-0.549*** (0.057)	-1.321*** (0.07)	-2.084*** (0.127)	-1.059*** (0.167)	-1.886*** (0.129)	-0.717*** (0.159)	-1.184*** (0.18)
3rd Inco Quartile	-2.184*** (0.084)	-4.208*** (0.134)	-1.783*** (0.075)	-0.714*** (0.188)	-3.817*** (0.132)	-1.066*** (0.068)	-2.093*** (0.08)	-3.466*** (0.148)	-1.505*** (0.169)	-2.611*** (0.133)	-1.461*** (0.175)	-2.954*** (0.157)
4th Inco Quartile	-3.179*** (0.105)	-6.042*** (0.143)	-2.869*** (0.08)	-1.783*** (0.355)	-5.513*** (0.177)	-1.711*** (0.081)	-3.733*** (0.096)	-4.11*** (0.162)	-2.672*** (0.148)	-3.577*** (0.131)	-3.004*** (0.226)	-4.588*** (0.197)
Female	2.593*** (0.059)	2.737*** (0.061)	1.312*** (0.066)	1.873*** (0.1)	3.442*** (0.113)	0.774*** (0.043)	1.527*** (0.071)	2.909*** (0.107)	2.086*** (0.085)	1.683*** (0.108)	1.786*** (0.122)	5.334*** (0.214)
Constant	3.489*** (1.008)	7.897*** (0.857)	-0.082 (0.376)	2.582** (1.289)	1.586 (1.222)	0.818 (0.692)	8.702*** (1.293)	16.363*** (1.761)	0.968 (1.803)	0.452 (0.879)	8.589*** (0.618)	-4.476*** (0.977)
Observations	265752	256969	289141	219521	233860	209538	208143	192786	69507	93017	118112	60614
R-squared	0.086063	0.103852	0.096361	0.070087	0.125523	0.118374	0.082749	0.109230	0.058376	0.151166	0.123303	0.212532

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1