

# The Euro Changeover: Anything to Do with the Decoupling of Measured and Perceived Inflation?

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This paper aims at explaining the decoupling of official and perceived inflation emerged in the Euro area after the currency changeover in 2002. Such a phenomenon is puzzling since the surge of *perceived* inflation in the years after the introduction of the Euro is apparently not backed by any significant change in *measured* inflation. The question is therefore: what is wrong? Official statistics, perceptions, or a combination of the two? And why?

We start excluding that official statistics simply failed to capture an increase of the price level of the magnitude claimed by common wisdom (100% up to date). Experimental evidence show that wrong perceptions of prices due to the changeover may play a role, but the order of magnitude is way lower than what needs to be explained. Encouraging (although preliminary) results within an alternative framework in which perceptions of price variations are derived indirectly from saving patterns rather than from a direct comparison of price levels suggests a simple explanation of the puzzle: a growing difficulty in maintaining an increasing standard of living that became harder in the years around the currency changeover.

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