

Uncertainty and Change: Survey Evidence of Firms' Subjective Beliefs

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October 26, 2018

Abstract

This paper provides survey evidence on firms' subjective uncertainty about future sales growth from a new representative panel data set of the German manufacturing sector. The main finding is that *uncertainty reflects change*: firms report more subjective uncertainty after either high or low growth realizations. In the cross section of firms, subjective uncertainty differs from statistical measures of uncertainty such as volatility: fast-growing and large firms report lower subjective uncertainty than fast-shrinking and small firms, respectively, even if they face shocks of similar size. In contrast, the substantial time variation in firm-specific subjective uncertainty resembles that in conditional volatility: both measures of uncertainty are mildly persistent and rise more when growth is temporarily low.

Keywords: expectation formation, firms, measurement, subjective uncertainty, survey data

JEL codes: C83, D22, E23

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