

January 2025 Update: Current versus Pre-Pandemic Long-Run Inflation Expectations

Joanne Hsu, PhD, Director

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This report updates the charts in [“Current versus Pre-Pandemic Long-Run Inflation Expectations” \(October 25, 2024\)](#), which presented results from seven years of parallel data collection via web to fully contextualize current inflation expectations relative to pre-pandemic expectations. The data, available in the appendix to the October 2024 report, showed that different features of long-run inflation expectations exhibit very similar characteristics over time. Expectations were stable in the years leading into the pandemic; they worsened through mid-2022 and softened thereafter through October 2024. This update adds three additional months of data to the charts. **As of January 2025, long-run expectations remain modestly elevated relative to the two years pre-pandemic but exhibit substantial uncertainty, particularly in light of the presidential transition.**

Figure 1: Median long-run inflation expectations remain above pre-pandemic readings

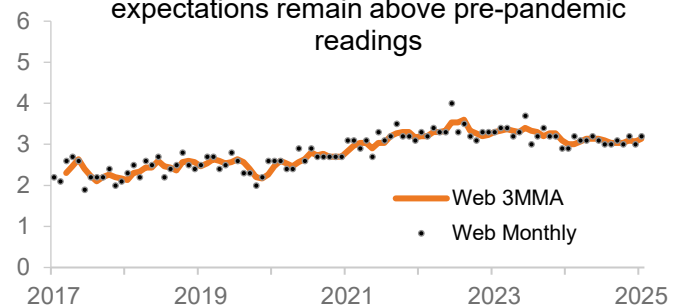


Figure 1 displays median long-run inflation expectations drawn from web interviews (in orange; dots represent monthly data, the solid line displays the three-month-moving average). Between October 2024 and January 2025, median expectations have vacillated, coming in at 3.0, 3.2, 3.0 and 3.2. Mean expectations (Figure 2 Panel C) have moved sideways since October 2024. These readings are consistent with disagreement among consumers over the potential impact of the incoming president’s policies. Some consumers expect President Trump’s policies to lead to a slowdown in inflation, while others expect his policies to lead to a resurgence in inflation. Meanwhile, the interquartile range, a measure of inflation uncertainty (Figure 2 Panel D) has increased considerably during this period. This likely also reflects disagreement on the economic implications of anticipated policy changes as well as ongoing uncertainty over what new policies will actually be implemented. Still, the interquartile range remains lower than 2022 readings.

The 75th percentile (Panel A) and the share of consumers expecting tail inflation (Panel B) both ticked up between October 2024 and January 2025; all are below peak readings when realized inflation was higher, but remain higher than pre-pandemic.

Figure 2: Various features of long-run inflation expectations measured via web

