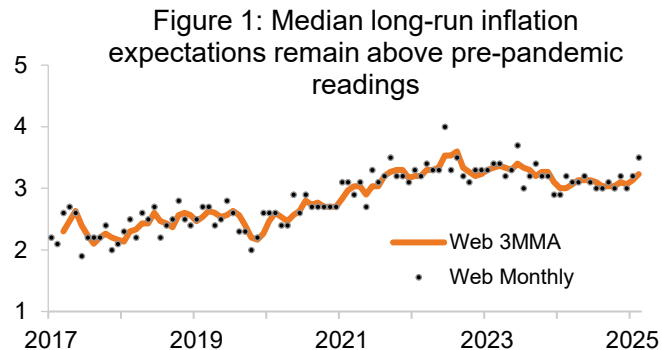


February 2025 Update: Current versus Pre-Pandemic Long-Run Inflation Expectations

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 historical 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 February 2025, long-run expectations have risen in recent months and are elevated relative to the two years pre-pandemic, but remain below peak readings during the post-pandemic inflationary episode. They exhibit substantial uncertainty, particularly in light of policy changes under the new presidential administration.

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 vacillated, coming in at 3.0, 3.2, 3.0 and 3.2, before jumping to 3.5 this month. Similarly, mean expectations (Figure 2 Panel C) moved sideways since October 2024 (with the noticeable exception of a dip in December) and rose in February as well; the mean remains below readings in 2022 and 2023. Meanwhile, the interquartile range, a measure of inflation uncertainty (Figure 2 Panel D) has increased considerably during this period. This likely also reflects ongoing uncertainty over what new policies will actually be implemented and the consequences thereof. Still, the interquartile range is somewhat 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 February 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

