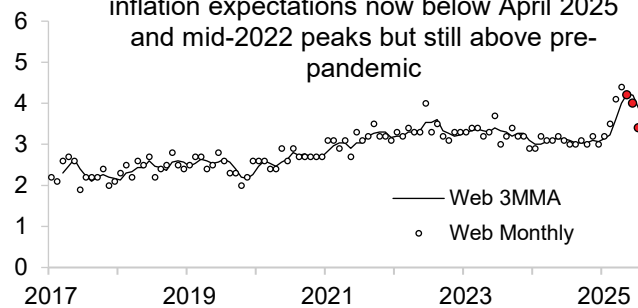


July 2025 Update: Current versus Pre-Pandemic Long-Run Inflation Expectations

Joanne Hsu, PhD, Director

August 1, 2025

Figure 1: July 2025 median long-run inflation expectations now below April 2025 and mid-2022 peaks but still above pre-pandemic



After four months of sharp increases to start 2025, long-run expectations fell for three consecutive months through July. This month's median is below the peak reading from mid-2022, but the three-month-moving average is currently above mid-2022. Expectations exhibit substantial uncertainty, particularly in light of ongoing developments and changes with economic policy and concerns that impacts on inflation are still to come.

Figure 1 displays median long-run inflation expectations drawn from web interviews (dots represent monthly data with May, June, and July 2025 in red; the solid line displays the three-month-moving average). In 2025, median expectations jumped four consecutive months to 4.4 in April, before ticking down in both May and June, then declining to 3.4 this month. Similarly, mean expectations (Figure 2 Panel C) climbed between December 2024 and April 2025; the mean ticked down in May, June, and July 2025 but remains just above the highs seen in 2022 and 2023. Meanwhile, the interquartile range, a measure of inflation uncertainty (Figure 2 Panel D) eased from April and is now modestly below mid-2022 readings. These ranges remain high, likely reflecting ongoing uncertainty over the economic policy and the consequences thereof.

After climbing since the start of the year, the 75th percentile (Panel A) eased since April and the share of consumers expecting tail inflation (Panel B) has fallen as well. On a three-month-moving-average basis, the former is comparable to mid-2022 peaks when realized inflation was higher, while the latter exceeds that time period.

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

