December 2025 (P) Update: Current versus Pre-Pandemic Long-Run Inflation Expectations

Joanne Hsu, PhD, Director

December 5, 2025

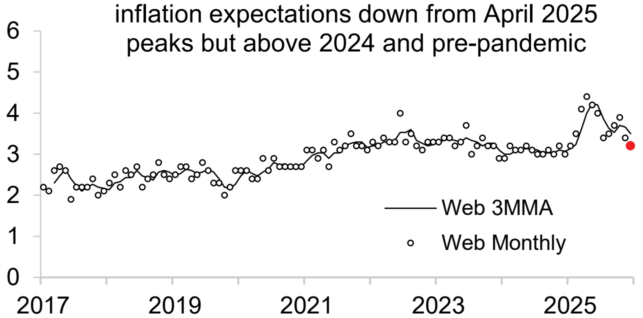

Figure 1: December 2025 (p) median long-run inflation expectations down from April 2025 peaks but above 2024 and pre-pandemic

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 the charts through December 2025 (preliminary release). **After four months of sharp increases to start 2025, long-run expectations fell for three consecutive months through July, followed by three more months of small increases. Long-run expectations softened over the past two months. The December preliminary reading is well below peaks in monthly readings from June 2022 and April 2025, but above most 2024 readings as well as readings from 2020 and earlier. Expectations exhibit substantial uncertainty, though less than in mid-2025.**

Figure 1 displays median long-run inflation expectations drawn from web interviews (dots represent monthly data, with December preliminary displayed in red; the solid line displays the three-month-moving average). In 2025, median expectations surged to 4.4 in April, before following a downward trend and ticking up. This month, the median is currently 3.2, above pre-pandemic readings. Similarly, mean expectations (Figure 2 Panel C) climbed beginning December 2024 and reached a peak in April 2025. This month, the mean sits above 2024 and pre-pandemic readings. Meanwhile, the interquartile range, a measure of inflation uncertainty (Figure 2 Panel D) eased from April; the December reading is below mid-2022 heights but above January 2025. These ranges remain elevated relative to 2024 and pre-pandemic. After climbing since the start of the year, the 75th percentile (Panel A) has gradually eased since since April, and the share of consumers expecting tail inflation (Panel B) has fallen sharply. Despite the downward trends, on a three-month-moving-average basis, current readings are comparable to peaks from fall 2022 (for the 75th percentile) and 2023Q1 (for expect 15% or higher).

Figure 2: Various features of long-run inflation expectations measured via web, 2017 – Preliminary December 2025