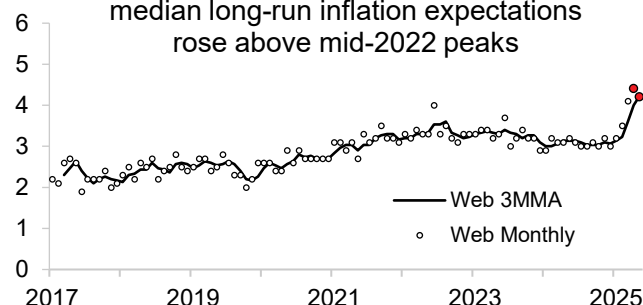


May 2025 Update: Current versus Pre-Pandemic Long-Run Inflation Expectations

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Figure 1: March through May 2025 median long-run inflation expectations rose above mid-2022 peaks



seven additional months of data to the charts. **After four months of sharp increases to start 2025, long-run expectations receded in May. The past three months' readings have all been above the peak readings from the post-pandemic inflationary episode. Expectations exhibit substantial uncertainty, particularly in light of frequent developments and changes with economic policy.**

Figure 1 displays median long-run inflation expectations drawn from web interviews (dots represent monthly data with April and May 2025 in red; the solid line displays the three-month-moving average). Between October 2024 and January 2025, median expectations vacillated between 3.0 and 3.2 before jumping three consecutive months to 4.4 in April. This month, the median declined to 4.2. Similarly, mean expectations (Figure 2 Panel C) climbed between December 2024 and April 2025; the mean ticked down in May 2025 but remains above the highs seen in 2022 and 2023. Meanwhile, the interquartile range, a measure of inflation uncertainty (Figure 2 Panel D) eased this month; recent readings are comparable to mid-2022 readings. This likely reflects ongoing uncertainty over economic policy and the consequences thereof.

After climbing since the start of the year, the 75th percentile (Panel A) and the share of consumers expecting tail inflation (Panel B) ticked down and leveled off, respectively, in May 2025. On a three-month-moving-average basis, the former is comparable to mid-2022 peaks when realized inflation was higher, while the latter now exceeds that time period.

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

