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The role of information in shaping inflation expectations and perceptions: a survey experiment¹

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Abstract

This paper investigates how central bank communication shapes inflation beliefs in a developing economy. A randomized controlled survey experiment conducted in Armenia in 2024 tests the effects of three informational treatments: actual inflation data, the Central Bank of Armenia's 4% target, and an unrelated numerical cue. Information about actual inflation significantly improves individuals' perceptions and expectations, aligning them with observed inflation. Information about the CBA's inflation target indirectly influences expectations by first affecting perceptions. In contrast, irrelevant numerical cues have no significant effect, highlighting the importance of context and informational relevance. Personal inflation experiences, based on price changes of frequently purchased goods, strongly shape perceptions but do not influence expectations. A comparison with data from Armenia's high-inflation period in 2023 shows that inflation target communication becomes more effective when inflation is elevated. The study adds novel evidence from a developing economy undergoing institutional transition and introduces a rare two-wave experimental design, enabling a unique comparison of treatment effects across contrasting inflation environments. These findings underscore the importance of context-sensitive communication strategies for anchoring expectations in developing economies.

Keywords: Monetary Policy, Inflation Expectations, Inflation Perceptions, Central Bank Communication, Randomized Controlled Trial, Priming

JEL classification: E31, E52, D84, C93, E58

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1. Introduction

Inflation expectations play a critical role in the effective implementation of monetary policy. A central bank is more likely to be successful in achieving low and stable inflation if it can anchor economic agents' inflation expectations close to its inflation objective (Bernanke et al. 2007). For this reason, central banks are progressively adopting direct communication strategies with the public. Their aim is to cultivate trust and to provide guidance, thus anchoring inflation expectations by elucidating the concepts of inflation and monetary policy decisions (Blinder et al., 2024). The question of how such communication affects expectations, and what types of information help people form them more accurately remains central to policy design.

This paper examines how different types of information influence individuals' inflation perceptions and expectations, and explores the role of personal inflation experiences in shaping these beliefs. The analysis draws on data from a nationally representative household survey conducted in Armenia in 2024. It contributes to the literature in three key ways. First, it introduces new evidence from a developing economy in institutional transition, which remains underrepresented in the empirical literature on inflation expectations. Second, it explicitly compares the effectiveness of informational treatments across distinct macroeconomic environments—high inflation in 2023 and deflation in 2024—using a unified experimental framework, which allows for causal inference into how the inflationary context shapes the impact of central bank communication. Third, the study tests not only whether individuals react to information, but whether they interpret its content meaningfully, advancing our understanding of informational relevance.

Several studies in the literature have tested the extent to which inflation expectations are firmly anchored and explored how central banks can guide individuals to form more accurate expectations. Survey experiments indicate that providing quantitative information about current or projected inflation, or the inflation target, prompts consumers or firm managers to adjust their forecasts accordingly. For example, Armantier et al. (2016) demonstrate through randomized controlled trials (RCT) that providing detailed inflation data helps households align their expectations more closely with the Consumer Price Index (CPI). Similarly, Dräger and Nghiem (2023) find that consumers adjust their forecasts based on recent and projected inflation rates. Coibion et al. (2023) show that information provision generates significant shifts in inflation expectations among Dutch households. Binder and Rodrigue (2018) add that households with a better understanding of central bank targets tend to have more consistent and concentrated inflation expectations. Together, these studies underscore the role of targeted information in improving the accuracy of inflation expectations and building public confidence in monetary policy.

While the existing literature primarily examines how specific information—such as inflation targets or recent inflation rates—shapes expectations, this study broadens the analytical lens by also assessing whether individuals process and internalize such information in a meaningful way. It introduces a novel experimental treatment involving a neutral numerical cue to test for priming effects¹ and contrasts it with

¹ Priming, in psychological terms, refers to the phenomenon where exposure to specific stimuli activates certain mental associations in individuals' minds, often influencing subsequent thoughts, behaviors, or judgments. This effect can be triggered by cues such

content-rich information about inflation. Therefore, beyond measuring average treatment effects, the paper explores the mechanisms of belief updating—whether individuals react due to cognitive anchoring or policy trust—thus contributing to behavioral insights within monetary economics.

This focus on informational relevance is motivated by foundational insights in behavioral economics. Tversky and Kahneman (1974) demonstrated that individuals can anchor on arbitrary numerical values, systematically biasing their judgments—even when those values are unrelated to the decision at hand. Similarly, findings from other fields (e.g., Herr, 1986; Molden, 2014) show that priming can shape behavior and beliefs through implicit psychological triggers. These insights motivate an inquiry into whether comparable mechanisms, such as exposure to numbers from seemingly irrelevant content, might also affect how people form inflation beliefs. The study tests whether exposure to unrelated numerical cues influences inflation perceptions and expectations, and contrasts this with the effect of central bank target information. The key question is whether people respond to the target because they understand and trust it, or simply because they anchor on the number they've just encountered.

An additional contribution of this study lies in examining the role of personal inflation experiences. This builds on the hypothesis proposed by Lucas (1975), who argued that individuals form expectations based not on aggregate price changes across the economy, but on the prices they personally observe in daily life. Subsequent research supports this view: Bruine de Bruin et al. (2010) and Armantier et al. (2015) find that consumers tend to rely on their own purchasing experiences when forming inflation beliefs. In particular, Armantier et al. (2015) show that when asked about recent or expected price changes, individuals often recall prices of frequently purchased goods. This leads to what Georganas et al. (2014) define as frequency bias—a tendency to overweight the inflation rates of salient or frequently bought items, thereby distorting perceptions of overall inflation. Despite this insight, relatively little empirical work has examined which specific products are most influential in shaping these beliefs. This study addresses that gap by identifying such “marker products” and analyzing how personal inflation experiences influence both inflation perceptions and expectations.

RCTs offer a robust framework for identifying causal effects in the formation of inflation expectations (e.g., Coibion et al., 2018; Binder and Rodrigue, 2018; D’Acunto et al., 2020; Binetti et al., 2024). Building on this approach, this study draws on a nationally representative randomized controlled survey experiment conducted in Armenia in early 2024. Respondents were randomly assigned to either a control group or one of three treatment groups. The first treatment group received information about the actual inflation rate, providing a factual reference point. The second group received information about the Central Bank of Armenia’s official inflation target of 4%, allowing a test of the influence of policy communication. The third group was exposed to a neutral numerical cue—the figure “4%” presented without context—to test for potential priming effects that are unrelated to content. The survey collected both qualitative and quantitative measures of inflation perceptions (past 12 months)

as words, numbers, or contextual prompts. In the context of our experiment, the presentation of the statement containing the expression “4%” primes participants' minds with this numerical information, potentially influencing their subsequent responses related to inflation expectations. This approach allows us to measure the influence of the numeric cue on inflation expectations, independent of explicit content on inflation.

and expectations (next 12 months), enabling a detailed analysis of how different types of information affect individual beliefs.

Armenia provides a compelling case for extending the literature on inflation expectations in emerging markets. Since adopting an inflation-targeting regime in 2006, the Central Bank of Armenia (CBA) has prioritized anchoring expectations as a cornerstone of its monetary policy. The official inflation target is 4%, and while inflation dynamics have fluctuated—with both highly inflationary and deflationary episodes—the long-run average rate has remained close to the target (See Figure A1 in Appendix). Armenia’s recent inflation history offers a unique opportunity to test the effectiveness of different types of communication. In early 2023, inflation was elevated—reaching 8.1% in January and February, and 5.4% in March. In contrast, the first quarter of 2024, when the main survey experiment was conducted, marked a deflationary period, with inflation recorded at –0.9%, –1.7%, and –1.2%, respectively. To leverage this contrast, the study adopts a comparative design, drawing on the similar 2023 survey and comparing its findings with those from 2024. By holding the experimental design constant across these two distinct macroeconomic periods, the analysis isolates how the effectiveness of central bank communication shifts with the broader inflation environment.

The empirical analysis yields several important findings. First, clear and relevant information—such as the actual inflation rate and the inflation target—helps reduce upward bias in inflation perceptions, bringing beliefs closer to observed inflation outcomes. Second, only the actual inflation rate has a direct and statistically significant effect on expectations, whereas the central bank target influences expectations indirectly, by first altering perceptions. In contrast, treatments involving irrelevant numerical content (e.g., the figure “4%” without context) have no significant effect on either perceptions or expectations. These results suggest that individuals respond meaningfully to the relevance and content of the information, rather than being swayed by arbitrary numerical cues.

The findings also confirm that personal inflation—measured as the average inflation rate of respondents’ identified marker products—significantly elevates inflation perceptions. This supports the concept of frequency bias (Bates and Gabor, 1986; Bruine de Bruin et al., 2010) and is consistent with Georganas et al. (2014), who show that perceptions of overall inflation tend to be skewed toward the inflation rates of frequently purchased goods. However, no significant relationship is found between personal inflation and expectations, challenging Lucas’s hypothesis and contrasting with findings by D’Acunto et al. (2019).

The analysis of the two survey waves shows that the effectiveness of information treatments varies with the inflation environment. Actual inflation data consistently reduces perceptions but raises expectations during high-inflation periods, possibly because high inflation figures signal future persistence. In contrast, the central bank’s target becomes more effective at lowering perceptions when inflation is high, while its effect on expectations remains indirect. These findings underscore the importance of context-sensitive communication strategies, particularly during periods of elevated inflation.

The structure of the paper is as follows. Section 2 describes the survey design and data. Section 3 presents the empirical methodology and results on the effects of informational treatments. Then Section 4 discusses the role of personal inflation. Finally, Section 5 concludes.

2. Survey Design and Data

The RCT takes place between February 5 and April 5, 2024, and is administered by the Statistics Department of the Central Bank of Armenia. The survey includes a nationally representative sample of approximately 3,600 individuals. To ensure the sample accurately reflects the broader population, demographic quotas are imposed based on gender, age, income, education, and region, following the approach of Stantcheva (2024). The survey is conducted via telephone, using randomly generated phone numbers. Respondents are randomly assigned to either a control group or one of three treatment groups. The control group, consisting of 1,200 participants, does not receive any specific information about inflation, serving as a baseline for comparison. Each of three treatment groups, with 800 participants, receives different informational interventions before being asked about their inflation perceptions and expectations.

First Treatment Group: Participants receive numerical information about current inflation rate. This treatment aims to assess whether providing concrete data on current inflation directly affects individuals' perceptions and expectations.

Second Treatment Group: Participants receive numerical information about the CBA's inflation target, which is 4%. This treatment assesses whether presenting the central bank's target influences inflation perceptions and expectations and whether this effect is stronger than that of providing current inflation data.

Third Treatment Group: In this group, a novel approach is introduced to test whether exposure to an arbitrary numerical value influences inflation-related responses. A common hypothesis in the literature on inflation expectations (Nghiem et al., 2024; D'Acunto et al., 2020) suggests that individuals form more realistic expectations when informed about the central bank's inflation target. However, it remains unclear whether these improved estimates reflect meaningful comprehension or are simply the result of numerical priming. To explore this, respondents are presented with the figure "4%" in an unrelated context—specifically, they are told that *"The next 4% of our survey questions will focus on your inflation perceptions and expectations"* before answering the core inflation questions. This setup enables a comparison with the second treatment group to evaluate whether improved estimates arise from genuine informational value of inflation target or are driven by the mere presence of a numerical cue.

The primary variables in the survey are inflation perceptions (over the past 12 months) and inflation expectations (for the next 12 months). Respondents are first asked to qualitatively describe their perception of price changes with the question: *"How would you describe the changes in the general price level in Armenia over the past 12 months?"* Answers are provided on a six-point scale, ranging from "decreased" to "increased at a very high level," with an additional "I find it difficult to answer" option. The same scale is used to elicit inflation expectations for the next 12 months, adjusted for the future tense (e.g., "will decrease" to "will increase at a very high level").

Following the qualitative assessment, respondents are asked to provide a quantitative point estimate of their inflation perception and expectation. Those unable to give an exact figure are offered a set of predefined intervals. For analytical purposes, the midpoint of each interval is taken as the respondent's estimate—for example, an expectation between 5% and 10% is recorded as 7.5%.

Since the analysis focuses on point estimates, responses are standardized accordingly. To mitigate the influence of outliers, extreme values are top- and

bottom-coded at the 5th and 95th percentiles. This trimming approach enhances the robustness and validity of the results, in line with practices suggested by Kim and Binder (2023).

Table 1. Perceptions And Expectations Across Control And Treatment Groups

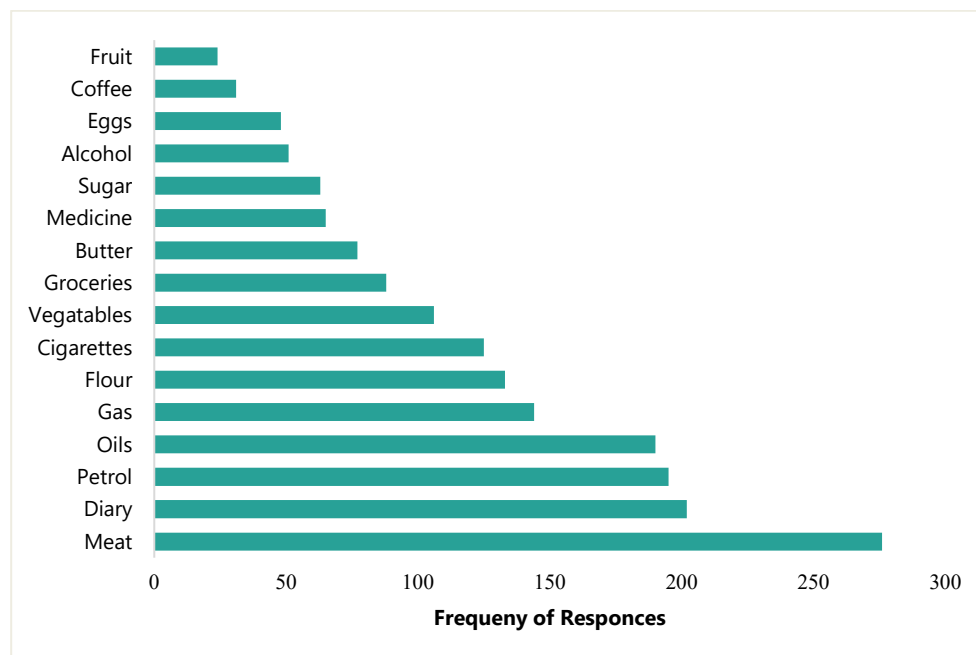
	Observations	Mean	Median	St. Dev	Min	Max
<i>Control</i>						
Perceptions	847	12.9	8.5	14.2	-3.0	55.5
Expectations	546	10.7	7.5	13.0	-10.0	50.0
<i>Treatment 1: Actual Rate Info</i>						
Perceptions	548	11.3	5.3	12.8	-3.0	55.5
Expectations	396	8.8	5.0	12.2	-10.0	50.0
<i>Treatment 2: Target Info</i>						
Perceptions	487	10.6	5.0	13.6	-3.0	55.5
Expectations	345	8.8	5.0	12.2	-10.0	50.0
<i>Treatment 3: Priming Effect</i>						
Perceptions	536	13.0	8.5	14.4	-3.0	55.5
Expectations	355	11.4	7.5	13.8	-10.0	50.0

Notes: This table provides descriptive statistics for quantitative measure of inflation perceptions (over the past 12 months) and inflation expectations (12 months ahead). Respondents were asked to estimate a specific percentage reflecting both current inflation and future expectations. For respondents who found it challenging to provide an exact figure, we offered interval options. To ensure consistency, responses were standardized by calculating simple means for those who chose intervals. Perceptions reflect the average quantitative measure of perceived inflation, while expectations reflect the average quantitative measure of inflation expectations. Perceptions and expectations are truncated at the 5th and 95th percentiles. In Treatment 1, participants receive information on the current inflation rate. In Treatment 2, participants are informed of the CBA's inflation target of 4%. In Treatment 3, participants are exposed to the number "4%" in an unrelated context before being asked about their inflation perceptions and expectations. No information is provided to the control group.

Table 1 provides descriptive statistics on inflation perceptions and expectations across control and treatment groups. Consistent with findings in the literature, which show that consumers' inflation perceptions and expectations often exceed actual inflation rates (Reiche and Meyler, 2022), our survey data similarly indicate that both perceived and expected inflation among consumers differ from official CPI statistics.

For the control group, the average inflation perception stands at 12.9%, with expectations averaging 10.7%, reflecting a broad spectrum of inflation-related views among respondents. In Treatment 1, where respondents received information on the current inflation rate, both perceptions and expectations register slightly lower at 11.3% and 8.8%, respectively. A more pronounced reduction of inflation perceptions (10.6%) is observed in Treatment 2, where respondents were provided with the central bank's inflation target. On the other hand, Treatment 3, where respondents were exposed to the figure "4%" in an unrelated context, results in average perceptions of 13.0% and expectations of 11.4%, closely resembling the control group's statistics. This suggests that priming alone, without relevant information, does not influence inflation expectations.

Figure 1. Products Most Frequently Reported by Respondents as Having Significant Price Changes

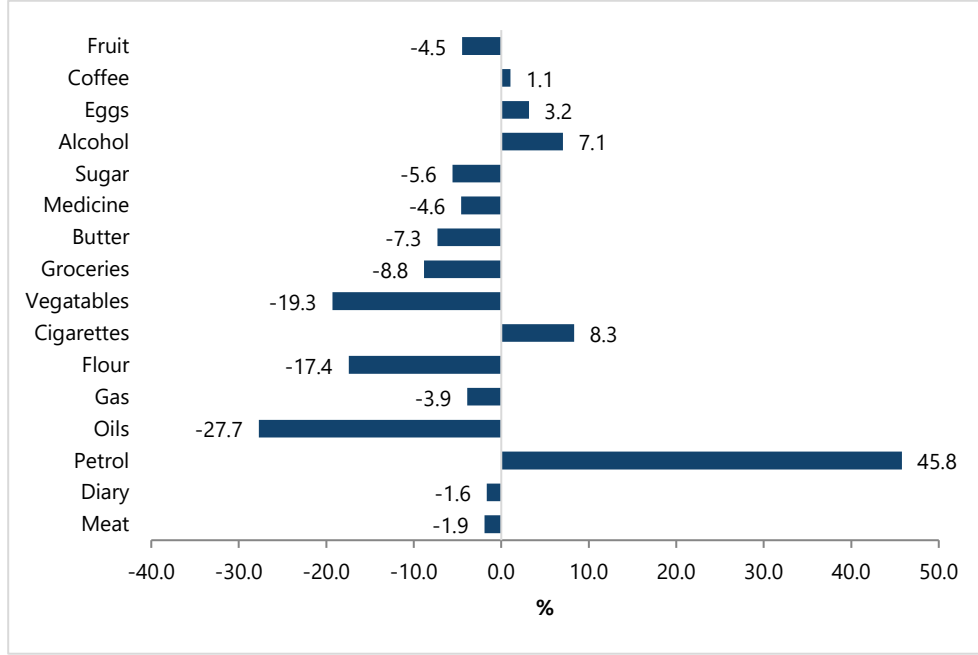


Notes: The plot shows the frequency of each marker product mentioned by respondents when asked the following question: “Based on your observations, which specific products or services have experienced the most significant price changes recently?”

The analysis explores the role of personal inflation in shaping inflation perceptions and expectations. To capture individuals’ personal inflation experiences, the survey includes an open-ended question: “Based on your observations, which specific products or services have experienced the most significant price changes recently?” This approach allows respondents to freely identify marker products—goods they perceive as having undergone the most notable price changes—providing insight into the psychologically salient components of their consumption bundle. The majority of responses concentrate on a narrow set of essential goods, particularly food items, which make up a significant portion of the Armenian consumer basket. Based on these responses, a personal inflation rate is calculated for each respondent by averaging the year-on-year inflation rates of their listed marker products. This rate serves as a proxy for the individual’s subjective inflation experience. Figure 1 illustrates these marker products along with their frequency of mention.

Figure 2 presents the corresponding year-on-year inflation rates for these products at the time of the survey. While some items experienced substantial price increases, others saw only modest changes. Interestingly, many respondents listed products with relatively small inflation rates, underscoring the psychological salience of certain goods regardless of actual price dynamics. This highlights how perceptions may be influenced more by product visibility and frequency of purchase than by objective inflation data.

Figure 2. Inflation of the Marker Products, February 2024, Year-on-Year, %



Notes: This graph shows year-on-year inflation rates (%) for the marker products at the time of the survey. The products are identified by respondents when asked when asked the following question: "Based on your observations, which specific products or services have experienced the most significant price changes recently?". Source of the inflation data is the Statistical Committee of RA.

In addition to inflation-related responses, the survey collects detailed demographic information, including age, gender, region, employment status, household income, and expenditure patterns across various categories (See Table A1 in Appendix). These variables are incorporated into the analysis to control for heterogeneity in individual characteristics that may systematically influence inflation perceptions and expectations.

3. The Effect of Information: Method and Results

3.1 The Effect of Information on Inflation Perceptions

To evaluate how information about current inflation rate and the central bank's inflation target, and the priming effect influence individuals' inflation perceptions, the following regression model is estimated:

$$\pi_i = \alpha + \beta \text{Treatment}_i + \gamma X_i + \epsilon_i \quad (1)$$

In this specification, π_i denotes the respondent's perception of inflation over the past 12 months. Treatment_i is a dummy variable indicating whether the respondent received the informational treatment (1) or not (0). X_i is a vector of control variables, including demographic characteristics such as age, education, gender, income, employment status and region. These controls ensure that the

estimated effect of the treatment on inflation perceptions accounts for relevant individual-level heterogeneity.

Throughout this section, ordinary least squares (OLS) regressions are estimated with robust standard errors to correct for potential heteroscedasticity. Equation (1) is estimated separately for each of the three treatment groups to isolate their respective effects on inflation perceptions.

Table 2 presents the estimated effects of different informational treatments on inflation perceptions, comparing each treatment group to the control group. The results indicate that providing respondents with concrete information about the actual inflation rate significantly reduces their inflation perceptions. This is evident in Columns 1, where the treatment effect of the actual rate information is negative and statistically significant (-1.512 , $p < 0.05$). The finding suggests that when individuals are informed about the current inflation rate, they revise their perceptions accordingly.

Similarly, exposure to information about the CBA's inflation target leads to an even larger reduction in perceived inflation, as shown in Columns 2. The estimated effect of the target information is -2.076 ($p < 0.05$), indicating that target communication is especially effective in lowering inflation perceptions. These findings are in line with prior research emphasizing the importance of central bank communication in shaping public beliefs (Bernanke, 2007; Blinder et al., 2024). By clearly communicating their inflation targets, central banks can help reduce public uncertainty and correct inflation misperceptions.

In contrast, the third treatment—designed to test for a priming effect by exposing respondents to the number "4%" in an unrelated context—does not significantly affect perceptions (Column 3). This suggests that individuals do not anchor their judgments on arbitrary figures in the absence of meaningful context. Instead, they seem to interpret the CBA's target information substantively. This interpretation aligns with Molden (2014), who argues that while priming can influence decision-making in some domains, people tend to disregard irrelevant information when making economic judgments.

Table 2: Information Effects on Inflation Perceptions

Treatments	Perceptions		
	(1)	(2)	(3)
Actual Rate Info	-1.512** (0.753)		
Target Info		-2.076** (0.820)	
Priming Effect			0.311 (0.841)
Constant	4.033* (2.410)	8.719*** (2.820)	3.243 (2.683)
Controlling Demographics	Yes	Yes	Yes
Observations	1,227	1,168	1,210
R-squared	0.049	0.048	0.043

Notes: This table reports estimated coefficients from OLS regressions. Robust standard errors in parentheses. Significance levels: *** $p < 0.01$ ** $p < 0.05$ * $p < 0.1$. Demographic controls include age, gender, household income, education, region and employment. The dependent variable (inflation perceptions) is the quantitative measure of perceptions. Perceptions are truncated at the 5th and 95th percentiles. In the first treatment, Actual Rate Info, participants receive information on the current inflation rate. In second treatment participants are informed of the CBA's inflation target of 4%. In the third treatment, participants are exposed to the number "4%" in an unrelated context before being asked about their inflation perceptions. No information is provided to the control group.

Taken together, the findings underscore the effectiveness of relevant and well-framed information. Communicating actual inflation rates and explicit central bank targets improves respondents' understanding of price dynamics and aligns their perceptions more closely with reality. In contrast, abstract or context-free numerical information fails to influence beliefs, highlighting that the credibility and relevance of central bank messages are essential for managing inflation perceptions.

3.2 The Effect of Information on Inflation Expectations

To assess the effect of information provision on inflation expectations, this section estimates whether and how the informational treatments influence individuals' expectations of inflation 12 months ahead. In the survey design, respondents in the treatment groups receive the information before answering questions on both inflation perceptions and expectations. Prior studies (e.g., Huber et al., 2023) highlight a pass-through from perceptions to expectations—a pattern also observed in this dataset (see Table A2 in the Appendix).

To isolate the direct impact of information on expectations, the empirical model includes inflation perceptions as a control variable. This allows for identification of the treatment's effect on expectations independent of any intermediate effect through perceptions. The following regression is estimated

$$\pi_{i+1} = \alpha + \beta \text{Treatment}_i + \pi_i + \gamma X_i + \epsilon_i(2)$$

In this equation, π_{i+1} represents the respondent's expectation of inflation 12 months ahead. $Treatment_i$ is a dummy variable indicating whether the respondent received the informational treatment (1) or not (0). π_i is included as a control for the respondent's current inflation perceptions. X_i is a vector of demographic control variables identical to those used in the previous regression.

Table 3 presents the results from OLS regressions estimating the impact of informational treatments on individuals' inflation expectations. Respondents who receive information about the actual inflation rate significantly reduce their inflation expectations by approximately 2.12 percentage points, as shown in Column (1) of Table 3. This result is consistent with previous findings that highlight the role of factual information in mitigating overestimation and reducing inflation-related anxiety (Coibion et al., 2022; Armantier et al., 2015).

Table 3: Information Effects on Inflation Expectations

Treatments	Expectations		
	(1)	(2)	(3)
Actual Rate Info	-2.120*** (0.746)		
Target Info		-0.580 (0.827)	
Priming Effect			0.211 (0.787)
Perceptions	0.548*** (0.041)	0.547*** (0.043)	0.604*** (0.038)
Constant	8.657*** (2.482)	10.88*** (2.650)	10.70*** (2.471)
Controlling Demographics	Yes	Yes	Yes
Observations	711	669	667
R-squared	0.387	0.376	0.436

Notes: This table reports estimated coefficients from OLS regressions. Robust standard errors in parentheses. Significance levels: *** p<0.01 ** p<0.05 * p<0.1. Demographic controls include age, gender, household income, education, region and employment. The dependent variable (inflation expectations) is the quantitative measure of expectations. Expectations are truncated at the 5th and 95th percentiles. In Treatment 1, participants receive information on the current inflation rate. In Treatment 2, participants are informed of the CBA's inflation target of 4%. In Treatment 3, participants are exposed to the number "4%" in an unrelated context before being asked about their inflation perceptions and expectations. No information is provided to the control group.

In contrast, the effect of providing the CBA's inflation target (Column 2) is smaller and statistically insignificant, indicating that the target does not directly influence expectations when perceptions are held constant. This implies that any influence of the target may operate indirectly through its effect on perceptions rather than directly shaping expectations. The priming treatment (Column 3)—which introduces the number "4%" in an unrelated context—has no significant effect on inflation expectations. This reinforces the finding that respondents respond to meaningful, contextually relevant information rather than to arbitrary numerical cues. Together, the results demonstrate that clear and relevant information—particularly actual

inflation figures—can play a substantial role in shaping expectations, while irrelevant numerical cues are disregarded. The persistent significance of inflation perceptions across all specifications further underscores the importance of the perception-expectation link.

3.3 Revisiting the Test in a High Inflation Period

An important contextual factor to consider is that the survey experiment described in the previous sections took place during a deflationary period in Armenia. Specifically, inflation was recorded at -0.9% in January, -1.7% in February, and -1.2% in March 2024—the months in which the experiment was conducted. This naturally raises the question of whether the impact of informational treatments varies depending on the prevailing inflation environment.

To explore this question, a comparative analysis is conducted using data from a similar survey implemented in 2023, a period marked by significantly higher inflation in Armenia— 8.1% in January and February, and 5.4% in March. This earlier survey employed two of the same treatment arms (actual inflation rate and inflation target information) and maintained a consistent experimental design. The subsequent analysis pools data from both survey waves and introduces interaction terms between each treatment and a high-inflation dummy variable (equal to 1 for observations from 2023). This approach enables a formal test of whether the impact of informational treatments varies according to the inflationary environment.

Table 4 presents the results of this specification, with Columns (1)–(2) showing the effects on inflation perceptions and Columns (3)–(4) on expectations. Both the actual inflation rate and the inflation target information continue to have significant effects on perceptions, indicating that these results are robust even when data from two different inflation contexts are combined. Specifically, receiving actual rate information reduces inflation perceptions by 1.546 percentage points, while target information lowers them by 2.07 percentage points. The interaction between the actual rate treatment and the high-inflation dummy is not statistically significant, suggesting that the impact of actual rate information does not vary meaningfully between inflation environments. In contrast, the interaction term for the inflation target is -4.046 and statistically significant, implying that the same target information becomes substantially more effective at reducing inflation perceptions when delivered in a high-inflation context.

For inflation expectations, a different pattern emerges. The baseline effect of actual rate information is negative and significant (-2.118 percentage points), indicating that respondents revise their expectations downward when given current inflation data. However, the interaction term is large and positive ($+4.481$ percentage points), showing that in a high-inflation context, the same information can actually raise expectations. This finding implies that respondents interpret high inflation figures as a sign that inflation will remain elevated in the future.

Table 4: Differential Effects of Information Treatments Across Inflation Environments

VARIABLES	Perceptions		Expectations	
	(1)	(2)	(3)	(4)
Actual Rate Info	-1.546** (0.757)		-2.118*** (0.724)	
Actual Rate Info x High Inflation	-2.454 (1.682)		4.478*** (1.521)	
Target Info		-2.070** (0.818)		-0.916 (0.811)
Target Info x High Inflation		-4.046** (1.872)		1.369 (1.557)
Perceptions			0.495*** (0.0309)	0.481*** (0.0312)
Constant	5.784*** (2.160)	8.899*** (2.346)	9.262*** (2.078)	9.797*** (2.132)
Controlling Demographics	Yes	Yes	Yes	Yes
Observations	1,648	1,555	1,101	1,028
R-squared	0.111	0.111	0.321	0.308

Notes: This table reports estimated coefficients from OLS regressions. Robust standard errors in parentheses. Significance levels: *** $p < 0.01$ ** $p < 0.05$ * $p < 0.1$. Demographic controls include age, gender, household income, education, region and employment. The dependent variable (inflation perceptions and expectations) is the quantitative measure of expectations. Perceptions and expectations are truncated at the 5th and 95th percentiles. In Treatment 1, participants receive information on the current inflation rate. In Treatment 2, participants are informed of the CBA's inflation target of 4%. No information is provided to the control group.

The target information, meanwhile, has no significant direct effect on expectations, and the interaction term is also insignificant—suggesting that its impact does not differ across inflation environments. This reinforces earlier findings that its influence on expectations likely operates indirectly, through its effect on perceptions.

Taken together, these results emphasize the importance of context-sensitive central bank communication. When inflation is already high, focusing in factual inflation figures may unintentionally reinforce elevated expectations. In contrast, target-based messages become more effective at anchoring public perceptions and guiding expectations in a more stable direction. These findings suggest that monetary authorities should carefully tailor their communication strategies depending on prevailing inflation conditions—placing greater emphasis on target communication in high-inflation periods to avoid amplifying concerns and to support expectation management more effectively.

4. Impact of Personal Inflation: Method and Results

To examine how respondents' personal inflation—based on the price changes of the marker products they identify—influences their inflation perceptions, a logistic regression model is estimated in which the dependent variable is a qualitative indicator of inflation perceptions:

$$\pi_i = \alpha + \beta \text{pers_inflation}_i + \gamma X_i + \epsilon_i \quad (3)$$

In this model, π_i is a dummy variable equal to 1 if the respondent perceived that the general price level increased over the past 12 months, and 0 if it decreased. The key explanatory variable, pers_inflation_i , is the respondent's personal inflation rate, calculated as the average of the inflation rates for the marker products they reported. X_i is a vector of demographic control variables, including age, education, gender, income, employment status and region. A parallel model is estimated for inflation expectations, where the dependent variable captures whether the respondent expects prices to increase over the next 12 months. To assess whether the effect of personal inflation on expectations operates indirectly via perceptions, the model additionally controls for the respondent's current inflation perception.

Table 5: Personal Inflation Effect on Inflation Perceptions and Expectations

	Dependent Variable		
	Perceptions	Expectations	Expectations
Personal Inflation	1.115*** (0.021)	1.003 (0.013)	0.987 (0.014)
Perceptions	- -	- -	7.233** (4.405)
Constant	12.063 * (17.270)	5.447 (9.606)	0.751 (1.509)
Controlling for demographics	Yes	Yes	Yes
Observations	442	224	224

Notes: This table reports estimated odd ratios from logistic regression. Robust standard errors in parentheses. Significance levels: *** p<0.01 ** p<0.05 * p<0.1. Demographic controls include age, gender, household income, education, region and employment. The dependent variable—either inflation perceptions or expectations—is based on a qualitative measure converted to a dummy variable. Here, 1 indicates a perception (or expectation) of an increase in inflation and 0 is decrease. Personal inflation is calculated as the average inflation rate of the marker products respondents identify.

Table 5 presents the regression results assessing the impact of personal inflation on inflation perceptions and expectations. The results indicate that individuals experiencing higher personal inflation are significantly more likely to report that overall prices have increased. Specifically, the estimated odds ratio is 1.115, implying that for each one percentage point increase in personal inflation, the odds of reporting that prices have increased rise by about 11.5%. This finding aligns with earlier studies such as Bates and Gabor (1986) and Bruine de Bruin et al. (2010), which

emphasize how frequent exposure to price changes—particularly in essential or frequently purchased goods—shapes consumers' inflation perceptions.

By contrast, the analysis does not reveal a statistically significant relationship between personal inflation and inflation expectations. This suggests that while personal experience exerts a strong influence on individuals' perception of recent price developments, it does not directly shape their outlook on future inflation. However, there may still be an indirect channel at play: personal inflation could influence expectations indirectly by first shaping perceptions, which in turn inform future beliefs.

5. Conclusion

This study offers valuable insights into the factors shaping consumers' inflation perceptions and expectations, with a particular focus on the role of central bank communication, informational context, and personal inflation experiences. The findings demonstrate that clear and relevant information—such as actual inflation figures and the central bank's inflation target—significantly improves the alignment of consumer perceptions with objective inflation data.

Inflation expectations respond strongly to information about the actual inflation rate, while the inflation target exerts its influence primarily through shaping perceptions. This indirect effect highlights the importance of effective and transparent communication by central banks, as well-communicated targets can contribute to anchoring expectations by improving public understanding of inflation dynamics. To assess whether the observed impact of target information stems from meaningful interpretation or mere numerical priming, a third treatment presents the figure "4%" in an unrelated context. This priming treatment is specifically designed to test the robustness of the effects seen in the inflation target group (Treatment 2) by isolating the influence of the number itself. The results show that arbitrary numerical cues—such as the mention of "4%" without context—have no measurable impact on either perceptions or expectations. This finding underscores that the effectiveness of communication depends not on numbers alone, but on their clarity, relevance, and contextual framing.

The study also presents evidence that the macroeconomic environment plays a critical role in determining how individuals respond to information. A comparison between survey waves conducted in a low-inflation (deflationary) setting and during a high-inflation period reveals that the effect of inflation-related information varies across contexts. During high-inflation periods, communication of the inflation target becomes substantially more effective in reducing inflation perceptions. In contrast, high actual inflation figures can raise expectations instead of lowering them, suggesting that communication strategies should match the current inflation environment.

Lastly, the analysis highlights the importance of personal experience in shaping inflation perceptions. Individuals who report higher personal inflation—based on the prices of goods they identify as having changed—are significantly more likely to perceive overall inflation as high. However, these personal experiences do not appear to influence inflation expectations directly.

Taken together, these findings underscore the need for nuanced, adaptive communication strategies that account for both informational content and economic context. Central banks aiming to guide inflation expectations effectively must consider not only what information is conveyed, but how and when it is delivered, as well as the lived experiences of consumers.

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Appendix

Figure A1. Inflation in Armenia, year on year changes, %

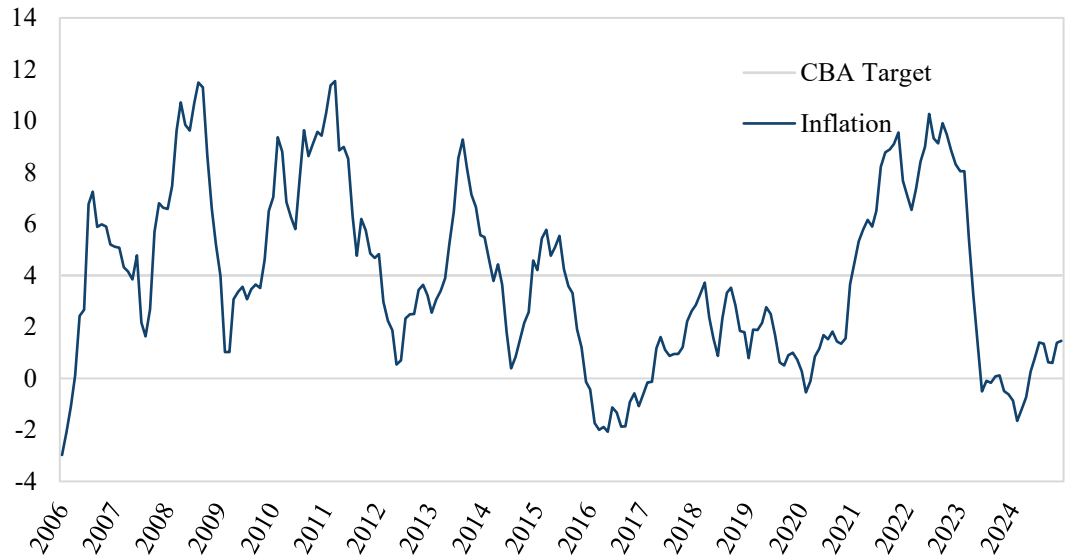


Table A1. Descriptive Statistics

	Observations	Mean	St. Dev	25th	Median	75th
<i>Demographic characteristics</i>						
Gender	3597	0.52	0.50	0	1	1
Income	3303	2.31	1.34	1	2	3
Education	3492	2.36	0.55	2	2	3
Age	3612	2.55	0.89	2	3	3
Employment	3520	0.58	0.49	0	1	1
Region	3618	5.27	2.32	4	5	7
<i>Qualitative Inflation</i>						
Perceptions	2445	0.89	0.32	1	1	1
Expectations	1738	0.84	0.37	1	1	1
<i>Quantitative Inflation</i>						
Perceptions	2418	12.11	13.86	1.5	7.5	20
Expectations	1642	9.99	12.87	0.5	5.5	15.0
Personal Inflation	559	0.49	18.43	-9.69	-1.93	7.69

Notes: Gender is a dummy variable, where 0 represents men and 1 represents women. Income is categorized into four levels: 1 (up to 53,000 AMD), 2 (53,001–100,000 AMD), 3 (100,001–173,000 AMD), and 4 (173,001 AMD or more). Education is also categorical: 1 (High School or Less), 2 (Some College), and 3 (Bachelor's or Higher). Age groups are categorized as: 1 (18-25), 2 (26-40), 3 (41-65), and 4 (66 and older). Employment is a dummy variable, with 0 for employed and 1 for unemployed. Region is classified into 11 categories, based on Armenian regions.

Qualitative measures of inflation perceptions are measured by the qualitative survey question "How would you describe the changes in the general price level in Armenia over the past 12 months?" Expectations are measures similarly. Qualitative measures of inflation perceptions and expectations are represented as dummy variables: 1 indicates an increase, and 0 indicates a decrease. Quantitative measures of inflation perceptions are measured by

the quantitative survey question, where respondents are asked to indicate a specific percentage reflecting both their views on current inflation and their expectations for the future. Quantitative measures of perceptions and expectations are truncated at the 5th and 95th percentiles.

Personal inflation represents the personal inflation rate, calculated as the average inflation rate of the marker products identified by the respondent.

Table A2. The pass-through from inflation perceptions to inflation expectations

Inflation Expectation	
Inflation Perception	0.604*** (0.038)
Constant	10.75*** (2.469)
Controlling Demographics	Yes
Observations	667
R-squared	0.436

Notes: This table reports estimated coefficients from OLS regressions. Robust standard errors in parentheses. Significance levels: *** $p < 0.01$ ** $p < 0.05$ * $p < 0.1$. Demographic controls include age, gender, household income, education, region and employment. The dependent variable (inflation expectations) is the quantitative measure of expectations. Inflation perceptions is the quantitative measure of perceptions. Expectations and perceptions are truncated at the 5th and 95th percentiles.

Table A3. T-tests for Comparison of Proportions of Dummy Variables

Whole Sample					Sample in Regressions				
		Share of	Difference	p-value	Obs	Share of	Difference	p-value	Obs
Gender		Female, %				Female, %			
	Control	0.537	—	—	1032	0.542	—	—	422
	T1	0.528	0.009	0.718	697	0.543	0.000	0.988	289
	T2	0.525	0.012	0.615	694	0.538	0.004	0.916	247
	T3	0.519	0.018	0.461	694	0.482	0.061	0.129	245
Employment status		Employed, %				Employed, %			
	Control	0.597	—	—	1032	0.687	—	—	422
	T1	0.611	-0.014	0.552	697	0.644	0.044	0.225	289
	T2	0.581	0.016	0.502	694	0.652	0.035	0.347	247
	T3	0.569	0.028	0.252	694	0.653	0.034	0.365	245

Note: This table presents results from t-tests comparing the proportions of key binary demographic variables—gender (female) and employment status (employed)—across treatment groups relative to the control group. Comparisons are shown separately for the full sample and for the sample used in regression analyses. The differences represent the mean difference in proportions between each treatment group and the control group. P-values indicate whether these differences are statistically significant. There are no significant imbalances across groups, supporting the validity of random assignment.

Table A4. Chi-square Tests for Categorical Variables

	<i>Whole Sampe (N =3117)</i>		<i>Whole Sampe (N =1203)</i>	
	<i>Chi-square (χ^2)</i>	<i>Chi-square (χ^2)</i>	<i>p-value</i>	<i>p-value</i>
Income Group	6.621	0.882	19.419	0.079
Age Group	2.964	0.966	8.660	0.469
Region	5.189	1.000	24.781	0.736
Education Level	5.523	0.479	3.918	0.688

Note: This table reports the results of Chi-square tests comparing the distribution of categorical demographic variables—income group, age group, region, and education level—across treatment and control groups. Tests are conducted for both the full sample and the regression sample. The p-values indicate whether the distributions differ significantly between groups. The results show no statistically significant imbalances, confirming that random assignment produced comparable groups across key demographic characteristics.

Table A5. Robustness Check Using the Same Sample for Perceptions and Expectations

Treatments	Perceptions			Expectations		
	(1)	(2)	(3)	(4)	(5)	(6)
Actual Rate Info	-1.338 (0.974)			-2.120*** (0.746)		
Target Info		-2.932*** (0.989)			-0.580 (0.827)	
Priming Effect			0.843 (1.129)			0.211 (0.787)
Perceptions				0.548*** (0.041)	0.547*** (0.043)	0.604*** (0.038)
Constant	4.942* (2.972)	10.40*** (3.136)	3.129 (3.172)	8.657*** (2.482)	10.88*** (2.650)	10.70*** (2.471)
Controllong Demographics	Yes	Yes	Yes	Yes	Yes	Yes
Observations	711	669	667	711	669	667
R-squared	0.066	0.074	0.057	0.387	0.376	0.436

Note: This table replicates the main treatment effects using the subsample of respondents with both perception and expectation data to ensure consistency across specifications.

Table A6. Robustness Check: High-Inflation Environment Using the Same Sample for Perceptions and Expectations

VARIABLES	Perceptions		Expectations	
	(1)	(2)	(3)	(4)
Actual Rate Info	-1.510 (0.986)		-2.118*** (0.724)	
Actual Rate Info x High Inflation Dummy	-2.878 (1.800)		4.478*** (1.521)	
Target Info		-2.956*** (0.995)		-0.916 (0.811)
Target Info x High Inflation Dummy		-3.136 (1.991)		1.369 (1.557)
Perceptions			0.495*** (0.0309)	0.481*** (0.0312)
Constant	5.196** (2.623)	8.607*** (2.700)	9.262*** (2.078)	9.797*** (2.132)
Controllong Demographics	Yes	Yes	Yes	Yes
Observations	1,101	1,028	1,101	1,028
R-squared	0.147	0.159	0.321	0.308

Note: This table reports treatment effects using only the subsample of respondents who provided both perception and expectation responses. It focuses on the high-inflation context (2023) to test whether the results hold when using a consistent sample across specifications. All regressions control for demographics. Standard errors are robust.

The Role of Information in Shaping Inflation Expectations

A Survey Experiment

BIS, Basel, 22-23
August 2024

Anahit Matinyan
Ardash Kilejian

Why Do Inflation Expectations Matter?

- Actual inflation depends, in part, on what people expect it to be
- Stable expectations help manage inflation effectively
- Central banks are progressively adopting direct communication strategies with the public
- But... how people react to **central bank information**?
- ...How do individuals' **personal inflation experiences** shape their perceptions and expectations?
- **Our study explores:**
 1. Whether providing inflation-related information changes expectations
 2. What is the role of individuals' personal inflation experiences

Understanding the Link Between Communication and Inflation Expectations

People rely on signals to form expectations

- Information about current or projected inflation, or the inflation target shape public beliefs

Conventional Approach

- Testing how specific information — like inflation targets or recent inflation rates — affects expectations

Beyond the Conventional: Does the relevance of the information matter?

- Priming Effect: Exposure to specific words or numbers subconsciously influences expectations
- Anchoring on arbitrary values can distort people's judgments (Kahneman & Tversky, 1974)
- If people see "4%", does it affect their inflation perceptions and/or expectations?

Survey Design

Study Overview

- A Randomized Control Trial (RCT) on a nationally representative sample of 3,600 individuals in Armenia

Group Composition

- 1,200 respondents in the control group
- 3 treatment groups, with 800 respondents each
- Participants were **randomly** assigned to a control or treatment group

Representative Sample

- Designed to reflect key demographic characteristics
 Gender |  Age |  Income |  Education

The Survey Process

Conducted between February 5 and April 5, 2024

Interviews were carried out via telephone

Phone numbers were randomly generated

Survey was implemented by the CBA Statistics Department

Treatments in The Survey Design

T1: Actual Inflation Rate Info

Providing information about **Actual Inflation Rate**



-0.9% in January
-1.7% in February
-1.2% in March

T2: Inflation Target Info

Providing information about the **CBA Inflation Target** (4%)



T3: Priming Effect

Providing a statement containing **the expression "4%"**

yet the context is unrelated to inflation!



Testing the Link Between Perceptions and Expectations

... There Is **Strong Pass-Through** from Perceived to Expected Inflation

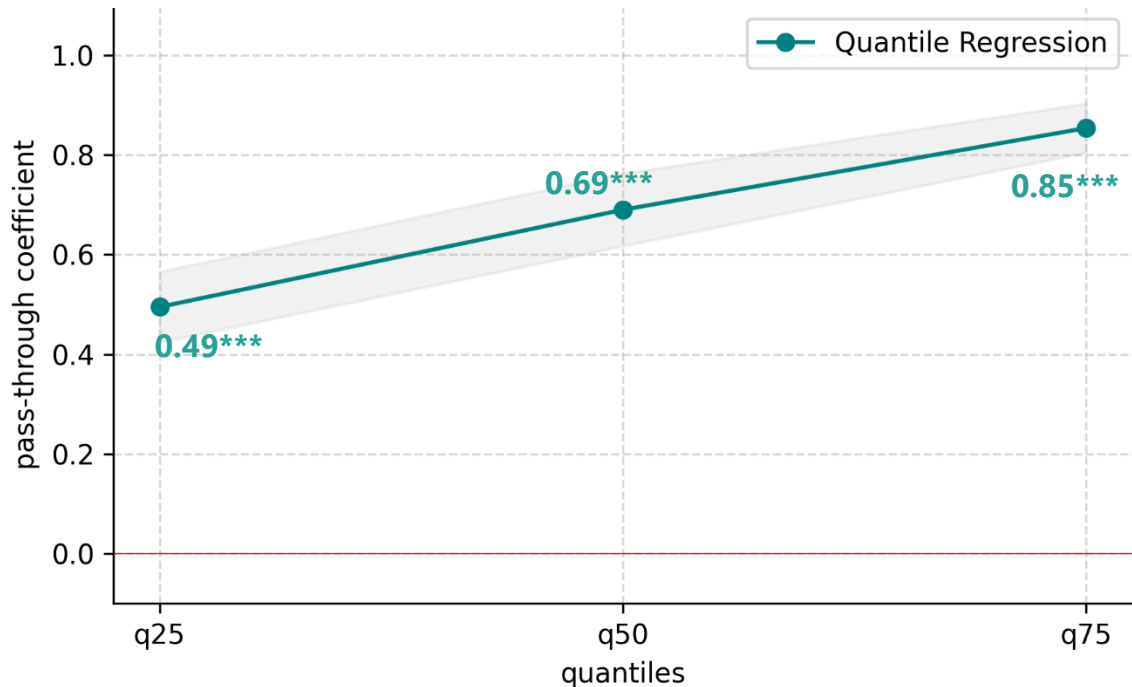
	Dependent Variable: Expectations
Perception	0.604*** (-0.038)
Constant	10.75*** (-2.469)
Controls for demographics	Yes
Observations	667
R-squared	0.436

Robust standard errors in parentheses

*** p<0.01 ** p<0.05 * p<0.1

Demographic controls include age gender household income education region and employment.

...The Higher the Expectations, the **Stronger** the Pass-Through



When People Get the Relevant Signals, Their Perceptions Align Closer to Reality...

Treatments	Perceptions		
	(1)	(2)	(3)
Actual Rate Info	-1.512** (0.753)		
Target Info		-2.076** (0.820)	
Priming Effect			0.311 (0.841)
Constant	4.033* (2.410)	8.719*** (2.820)	3.243 (2.683)
Controlling Demographics	Yes	Yes	Yes
Observations	1,227	1,168	1,210
R-squared	0.049	0.048	0.043

Robust standard errors in parentheses

*** p<0.01 ** p<0.05 * p<0.1

Demographic controls include age, gender, household income, education, region and employment.

- Respondents **are not influenced** by unrelated numerical references

...And Recent Inflation News Prompts People to Adjust Expectations

Treatments	Perceptions			Expectations		
	(1)	(2)	(3)	(4)	(5)	(6)
Actual Rate Info	-1.512** (0.753)			-2.120*** (0.746)		
Target Info		-2.076** (0.820)			-0.580 (0.827)	
Priming Effect			0.311 (0.841)			0.211 (0.787)
Perceptions				0.548*** (0.041)	0.547*** (0.043)	0.604*** (0.038)
Constant	4.033* (2.410)	8.719*** (2.820)	3.243 (2.683)	8.657*** (2.482)	10.88*** (2.650)	10.70*** (2.471)
Controlling Demographics	Yes	Yes	Yes	Yes	Yes	Yes
Observations	1,227	1,168	1,210	711	669	667
R-squared	0.049	0.048	0.043	0.387	0.376	0.436

What people perceive **drives** what they expect

Robust standard errors in parentheses

*** p<0.01 ** p<0.05 * p<0.1

Demographic controls include age, gender, household income, education, region and employment.

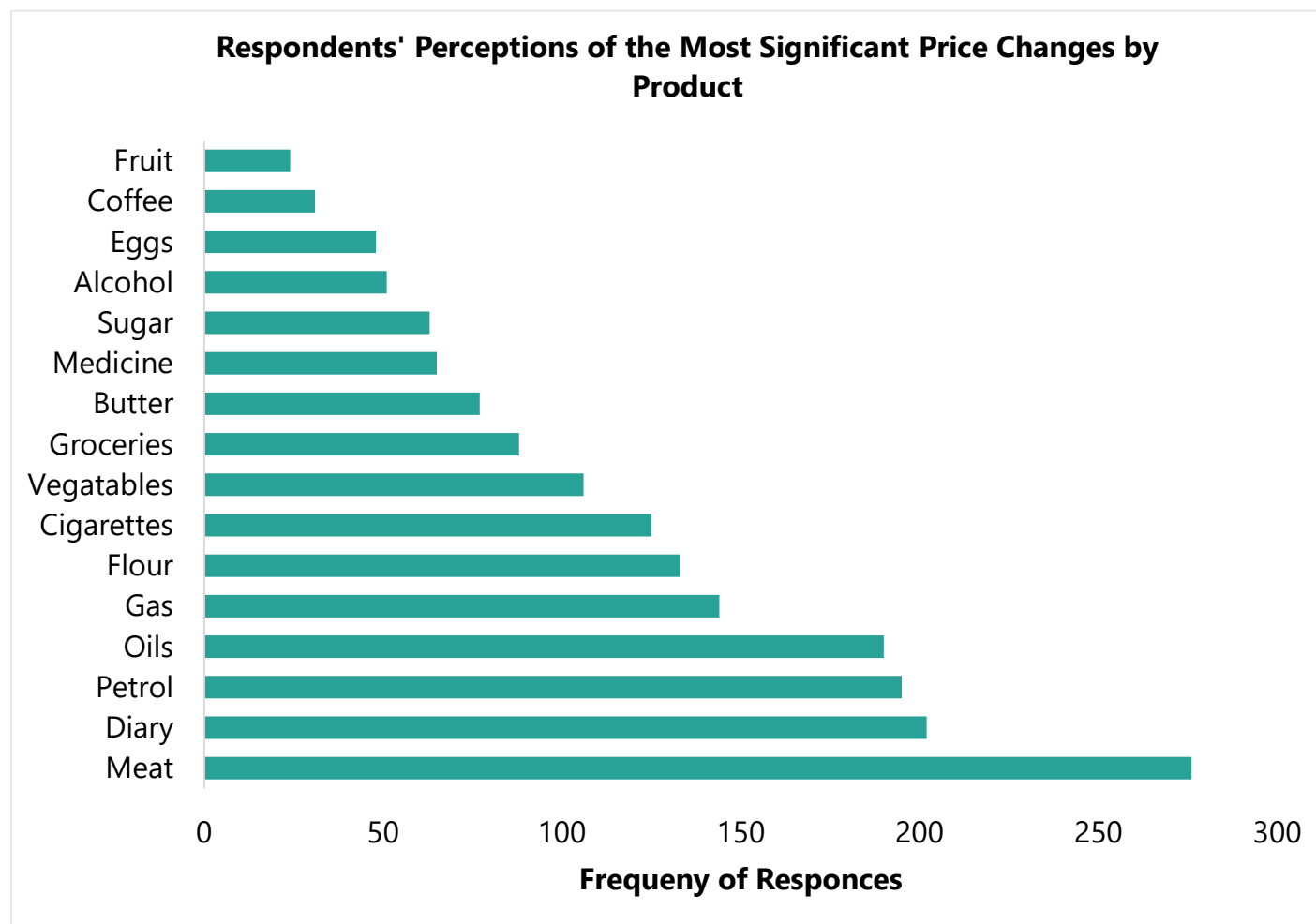
“Personal Inflation” – Testing Lucas's hypothesis

- **Personal “price history”** — observed directly in everyday life — drives inflation expectations, rather than all price changes across the economy (Lucas, 1975)
- Consumers heavily rely on their **own purchasing experiences** (Bruine de Bruin et al., 2010; Armantier et al., 2015)
- **Frequency bias:** Prices of frequently purchased items weigh more heavily in people's minds (Georganas et al., 2014)

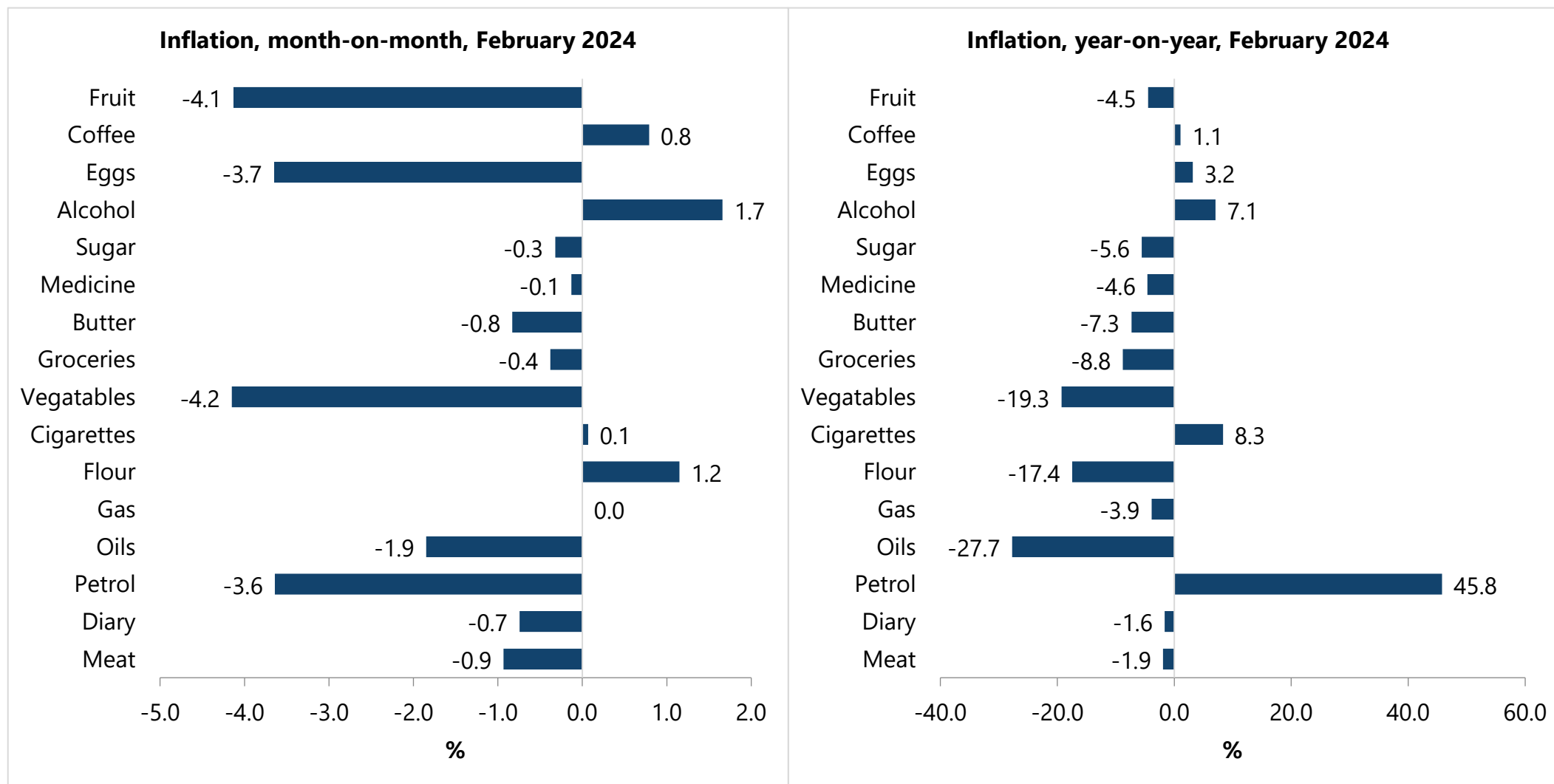
Marker products

Products that respondents perceive as having the most significant price changes

Marker Products: Most commonly cited products are food and daily essentials



Marker Products: Actual Price Changes



Personal Inflation Drives Perceptions

Logit Results: Personal Inflation's Effect on Perceptions vs. Expectations

	Dependent Variable	
	Perceptions	Expectations
Personal Inflation	1.115*** (0.021)	0.987 (0.014)
Perceptions	-	7.233** (4.405)
Constant	12.063 * (17.270)	0.751 (1.509)
Controlling for demographics	Yes	Yes
Observations	442	265

Reported coefficients are odds ratios from a logistic regression.

Standard errors in parentheses

*** p<0.01 ** p<0.05 * p<0.1

Demographic controls include age, gender, household income, education, region and employment.

Key Takeaways

- Clear and relevant information — actual inflation rates and central bank targets — plays a key role in shaping inflation perceptions
- Reactions to information are not uniform—they vary depending on the level of inflation perceptions
- Actual inflation information directly influences expectations, while the central bank's target works indirectly by shifting perceptions
- Priming shows no significant effect on either perceptions or expectations
- Personal inflation experiences significantly shape inflation perceptions

Thank you

