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Household perceptions and expectations in the wake of the inflation surge: survey evidence

Key takeaways

- *A novel international survey across 29 advanced and emerging market economies reveals that household inflation expectations remain elevated, despite inflation rates approaching targets.*
- *Perceptions of significant price hikes post-pandemic tend to feed into higher household inflation expectations, pointing to the risk of a lasting impact of temporary inflation bursts.*
- *Households with greater knowledge of central banks and their price stability mandates report lower inflation expectations. Therefore, central bank communications can help improve the public's understanding of central banks and foster the anchoring of inflation expectations.*

Introduction

In an era of heightened economic uncertainty and growing polarisation, central banks face mounting challenges in preserving public trust and confidence.

Since the surge in inflation beginning in 2021, household dissatisfaction with the economy has intensified despite central banks' success in returning inflation close to targets. Significant price hikes accumulating over a prolonged period raise the cost of salient items and risk shaping households' views about inflation dynamics. Achieving alignment between these views and central bank inflation targets remains an evolving challenge – one that underscores the importance of innovative approaches to central bank communications.

Heightened discontent among households amplifies the pressure on central banks to clearly communicate their policies and achievements. This is a complex task. Whereas financial market participants are typically attuned to central bank messaging, reaching households and influencing their perceptions of inflation and other economic conditions are considerably more difficult. Changing media consumption patterns – especially among younger generations – amplify the communications challenges, requiring central banks to become familiar with social media to ensure messages are both heard and understood.

This bulletin builds on two global surveys that elicited information about household sentiment – capturing their perceptions about the economy, personal finances and propensity to consume – and their views of inflation. It shows that sentiment remains subdued and inflation expectations elevated despite the return of inflation back to targets, reflecting the protracted increase in the price level during the post-pandemic inflation surge. The bulletin also underscores the importance of household awareness of the central bank and its price stability mandate for taming inflation expectations.

Household sentiment and price level dynamics

Household sentiment about economic conditions appears to be closely tied to the evolution of prices over time. Insights from the IPSOS survey on household sentiment illustrate this.[1] Excluding the temporary slump during the Covid-19 pandemic, consumer sentiment reached its lowest level during the inflation surge of 2022 (Graph 1.A).

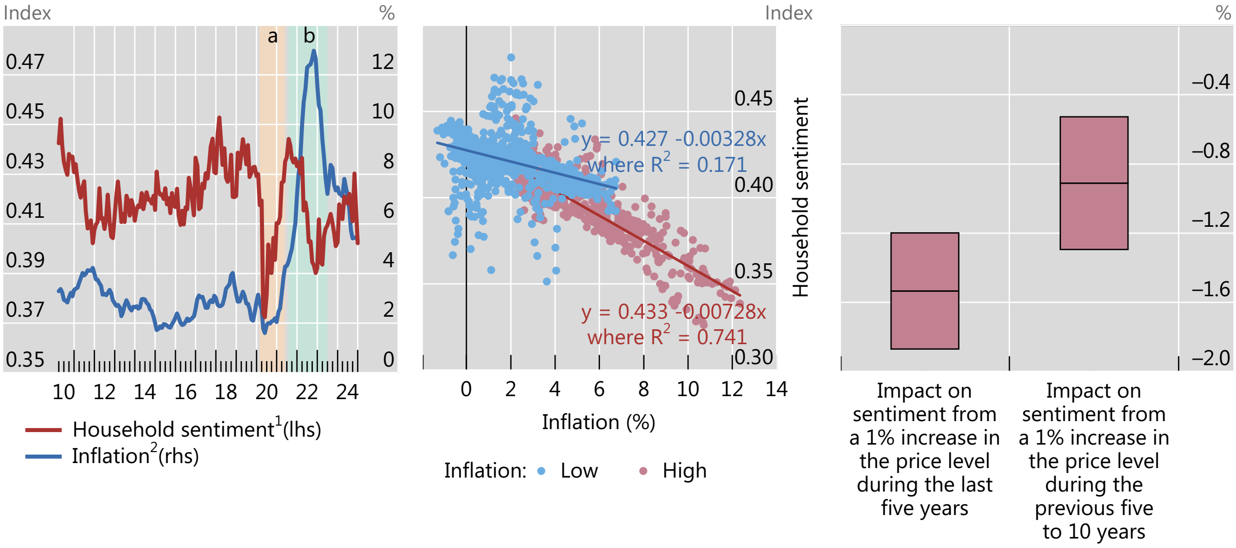
Sentiment is influenced by current inflation rates as well as by price changes over long stretches of time

Graph 1

A. Household sentiment tends to be negatively correlated with inflation…

B. …especially when inflation is high[3]

C. Sentiment is also influenced by price changes over long horizons[4]



[a] Covid-19 pandemic. [b] Period when inflation surged in many economies globally.

[1] Monthly average of the sentiment index across survey respondents and economies. The index ranges from 0 to 1, with 1 indicating the most positive sentiment. It is computed as an average of survey respondents' answers to 10 questions regarding their feelings about the economy, their personal financial situation and their ability to make purchases. [2] Average across economies. [3] High inflation is defined as inflation above the 75th percentile for an economy. [4] Impact (and the 95% confidence band) of changes in price level over two distinct horizons on the sentiment index, estimated jointly. The impact is expressed in per cent relative to the mean of the sentiment index in 2024. GDP growth, country fixed effects and month fixed effects are accounted for.

Sources: IPSOS; national macroeconomic data; BIS calculations.

Over time, sentiment has shown a clear negative correlation with inflation levels, even after controlling for economic growth.[2] Notably, this relationship is more pronounced at higher levels of inflation (Graph 1.B).[3]

Beyond the contemporaneous relationship between inflation and sentiment, changes in the price level over longer horizons impose an additional significant drag on sentiment (Graph 1.C). This suggests that, even though inflation rates have returned closer to target in many jurisdictions, the large cumulative rise

[1] The analysis is based on IPSOS survey data from 2010 to 2024 and covers the following 14 jurisdictions: AU, BR, CA, DE, ES, FR, GB, IT, JP, KR, MX, SE, US and ZA. Sentiment is measured on a scale from zero to one. It reflects household perceptions about the economy, their personal financial situation and their ability to make purchases.

[2] The correlation between the series displayed in Graph 1.A is –0.44 excluding the period of the Covid-19 pandemic and –0.27 for the full sample.

[3] For a summary of all the reasons why households tend to dislike inflation, see Stantcheva (2024).

in prices since the start of the inflation surge may continue to weigh on household sentiment for some time to come.

Household inflation perceptions and expectations

The influence of inflation developments on consumer sentiment highlights the importance of understanding the formation of household perceptions and expectations. To this end, the BIS conducted an international survey on economic perceptions and expectations among households between 24 March and 28 April 2025.[4]

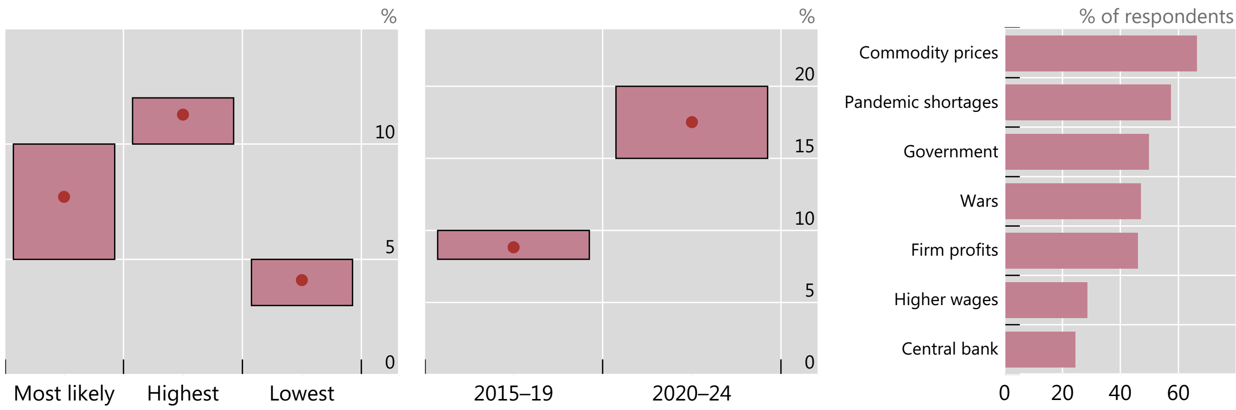
The survey shows that household inflation expectations are elevated, despite inflation rates having returned close to central banks' targets. On average across countries, households expect inflation over the next 12 months to be about 8%, significantly higher than the current 2.4% average inflation level (Graph 2.A).[5] When asked about the highest and lowest possible rates of inflation over the next 12 months, the distribution of responses is broadly symmetric around the most likely expected outcome. The highest possible inflation rate is expected to be around 11%, while the minimum is about 4%.

Household inflation expectations are elevated, on the back of perceived strong price increases in the post-pandemic years[1] Graph 2

A. Inflation expectations collected in March–April 2025 remain elevated

B. Households perceive much higher inflation post-pandemic than in earlier years

C. Commodity prices and pandemic shortages are the main perceived drivers of the inflation surge



Expected inflation over the next 12 months: ● Mean ▭ Interquartile range

Perceived five-year change in CPI: ● Mean ▭ Interquartile range

[1] Data on perceptions and expectations for each economy are measured as the median value across the survey respondents. The graph displays average values across economies. Panels A and B also report the interquartile range across countries.

Sources: BIS international survey of household inflation expectations; International Labour Organization; BIS calculations.

The survey also reveals that households perceive significantly larger price increases post-pandemic than in the preceding period. On average across economies, the median household believes that prices increased by about 9% between 2015–19 and 18% between 2020–24, broadly in line with actual inflation dynamics (Graph 2.B). However, the distribution of answers across households indicates that a notable

[4] The results featured in this note are based on 29 economies: AU, BE, BR, CA, CH, CN, CO, DE, ES, FR, GB, HK, ID, IN, IT, JP, KR, MX, MY, NL, PH, PL, SA, SE, SG, TH, US, VN and ZA. The survey randomly sampled approximately 1,000 respondents in each economy, aiming to reflect the gender and age distribution of the population.

[5] Perceived and expected inflation levels for each economy are measured as the median values across the survey respondents in that economy.

share (almost 20%) of the population perceives a much stronger increase in the price level (above 30%) than observed.[6]

Households attribute the inflation surge primarily to rising commodity prices and pandemic-related shortages (Graph 2.C). Central banks are generally not blamed for the post-pandemic price increases: among the seven possible drivers of the inflation surge listed in the survey questionnaire, central banks are ranked last. The survey also reveals that central banks enjoy higher public trust than governments.

Analysis of data at the household level allows for a deeper dive into the relationships underlying inflation expectations and perceived past changes in the price level while controlling for individual characteristics, such as gender, age, education level, political orientation and home ownership.[7]

Perceptions of the five-year price level change – both over 2015–19 and 2020–24 – correlate with household expectations of inflation for the following 12 months (Graph 3.A). This suggests that memories of the recent inflation surge may continue to shape inflation expectations for an extended period. The quantitative effects are sizeable. A 1% increase in perceived price levels over 2020–24 lifts inflation expectations by 0.12 percentage points. The impact of the perceived increase in prices in the pre-pandemic period – 2015–19 – is also positive although about half as large.[8]

Inflation expectations also correlate with households' knowledge of the central bank. Households that are aware of the central bank – recognising the name of the institution as the domestic central bank – and those that understand that the central bank seeks to maintain price stability tend to have significantly lower inflation expectations relative to the average across the full sample, by 2.3 and 1.2 percentage points, respectively.[9]

At the same time, survey results show that a considerable share of the population lacks basic understanding of the central bank. When presented with the name of the institution, only about 60% of households recognise it as the country's central bank (Graph 3.B). An even lower share of households (49%) believe that price stability is a goal of the central bank, with price stability mentioned less frequently than financial stability, exchange rate stability and economic growth.[10]

Regarding how households acquire information about the central bank and its policies, TV and radio are the most widely used sources, with 56% of households relying on them (Graph 3.C). The data also reflect the growing role of social media, which are the second most widely used source of information, ahead of traditional newspapers.

6 Households tend to become more informed about inflation when its level rises and hence respond less to additional information (see Weber et al (2025)). At the same time, expectations in some segments of the population have been found to exhibit instability and to easily de-anchor during inflation surges (see Gennaioli et al (2024)).

7 These individual characteristics have been found to influence inflation expectations in earlier analyses. For example, see D'Acunto et al (2021) and Bénassy-Quéré et al (2024) on gender (with women expecting higher inflation than men), Kuang et al (2025) on political orientation, Piccolo and Gorodnichenko (2025) on home ownership and Bruine de Bruin et al (2010) on a range of demographic factors. Blinder et al (2024) summarise the relationship between demographic factors and households' understanding of monetary policy.

8 This is consistent with the literature on reinforcement learning, where personal experience may have a long-lasting impact on the beliefs of a cohort. See eg Malmendier and Nagel (2011).

9 These estimated effects are additive: a household that is aware of both the central bank and its price stability mandate has inflation expectations 3.5 percentage points lower than one that is aware of neither. To place this number in context, it is helpful to consider that the average level of inflation expectations across countries is 8%, as shown in Graph 2.A.

10 The share of respondents linking the name of the central bank to a bank that "provides services to the government" is 18%, while 15% link it to "an international financial institution". Concerning the perceived goals of the central bank, 72% of the respondents answered "financial stability", 58% "exchange rate stability" and 45% "economic growth".

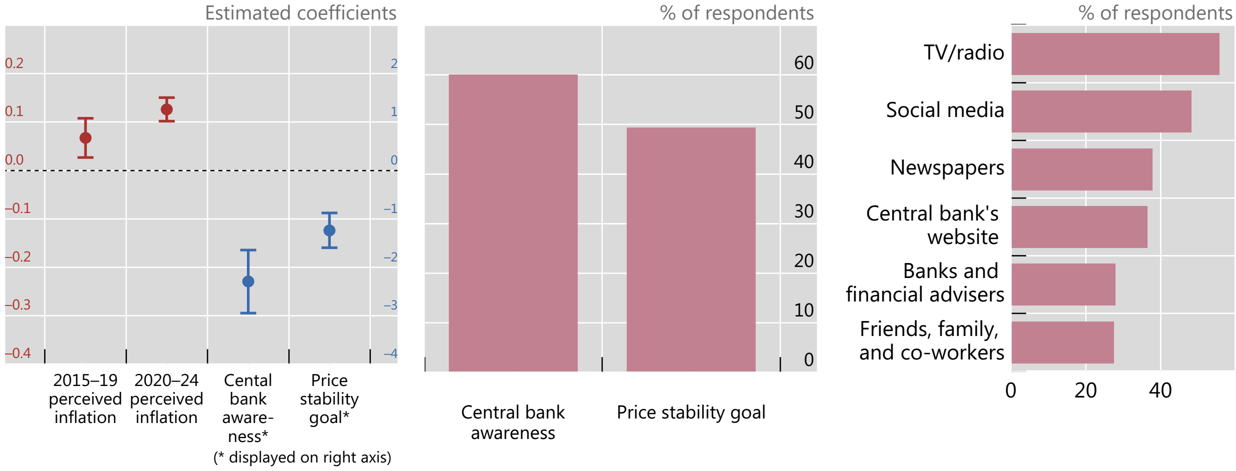
Price level changes over long periods and knowledge about the central bank influence inflation expectations

Graph 3

A. Inflation expectations are shaped by price changes over long periods and knowledge of the central bank[1]

B. Households have limited knowledge of the central bank and its price stability goal[2]

C. TV, radio and social media are the most important sources of information about the central bank[3]



[1] Estimated coefficients and 95% confidence bands of a household-level regression of expected inflation in the following 12 months against the perceived price level changes over 2015–19 and 2020–24, and dummy variables indicating awareness of the central bank and its price stability objective. The regression also controls for gender, financial literacy, age, education, support for the government, employment status and home ownership status. It excludes outliers, that is respondents whose inflation expectations are above 100% or below –10%. [2] Share of households indicating awareness of the central bank and knowledge that the central bank targets price stability. Average values across countries. Awareness is measured as the share of respondents that recognise the name of the national central bank as the country's central bank (rather than a private bank or a bank that provides services to the government, for example). Understanding the price stability goal is measured as the share of respondents that answer "Maintain price stability" to the question: "Which of the following do you think are the current goals of the central bank in your country?" [3] Share of households indicating use of the stated sources to obtain information about the central bank and its policies. Average values across countries.

Sources: BIS international survey of household inflation expectations; BIS calculations.

Policy conclusions

The evidence presented in this bulletin highlights some key challenges and opportunities for central banks seeking to enhance communications with households.

Household sentiment and inflation expectations tend to be influenced by perceived price changes over extended horizons. This underscores the risk that the post-pandemic inflation surge could leave a lasting impact on inflation expectations and, consequently, the future inflation outlook. Communications targeted at enhancing information about central banks' achievements in reducing inflation and efforts to more broadly promote financial literacy could play an important role in reducing inflation expectations.

In addition, the evidence shows that households who are more knowledgeable about the central bank – because they recognise its name or because they understand that price stability is a goal of the central bank – tend to have lower inflation expectations. Audience-centric communications enhancing the public's understanding of the central bank's goals and tools could therefore help guide and further stabilise inflation expectations.

Central bank communications need to remain agile and attuned to the changing landscape of news sources. Survey data show that social media have become an important source of information about monetary policy and the central bank. Therefore, establishing effective communications with the broad public requires having a presence on these platforms and tailoring messages across a wide spectrum of channels.

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