FEDERAL RESERVE BANK *of* CLEVELAND

Research [in] Brief

The Recent Divergence in the Short-term Inflation Expectations' Anchoring of Consumers and Professional Forecasters

Primary issue

Researchers studied surveys reporting the short-term (one-year-ahead) inflation expectations of professional forecasters and consumers. They wanted to see if the trade tensions and geopolitical developments that followed the high-inflation, COVID-19 pandemic period weakened the "anchoring" of these inflation expectations by moving them away from the Federal Reserve's 2 percent inflation goal.

Key findings

The anchoring of short-term inflation expectations of professional forecasters did not show evidence of recent weakening, but it deteriorated notably for consumers in 2025.

The deterioration was driven by increases in two factors: the extent of disagreement across forecasters in their inflation expectations and the distance between the consensus, or average, inflation expectation across individuals and the Fed's inflation goal.

Researchers linked this weakening to consumers' self-reported political affiliations in the surveys, with those who self-identified as leaning Democrat or Independent reporting sharply higher short-term inflation expectations than those who self-identified as leaning Republican.

The bottom line

The findings have implications for monetary policy effectiveness because unanchored short-run expectations can influence long-run expectations and make it more difficult and costly for the Fed to achieve its inflation goal.

Want to find out more? Read "How Anchored Are Short-Run Inflation Expectations Today? A Look at What Consumers and Forecasters Are Telling Us" at clefed.org/ec202601.

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