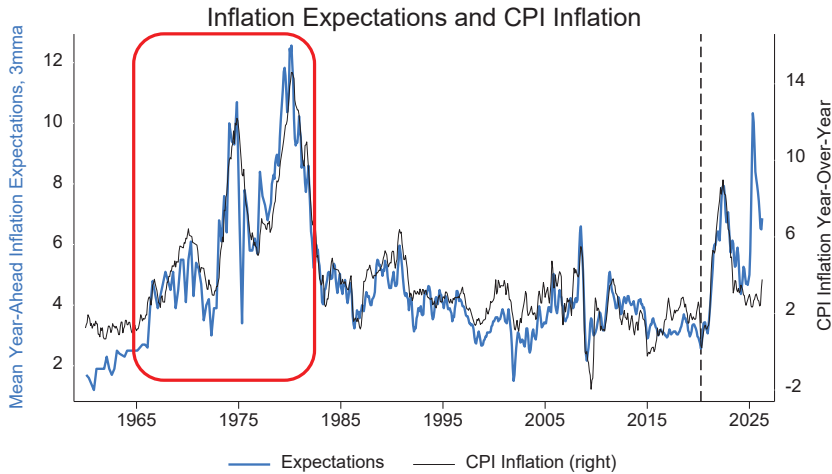
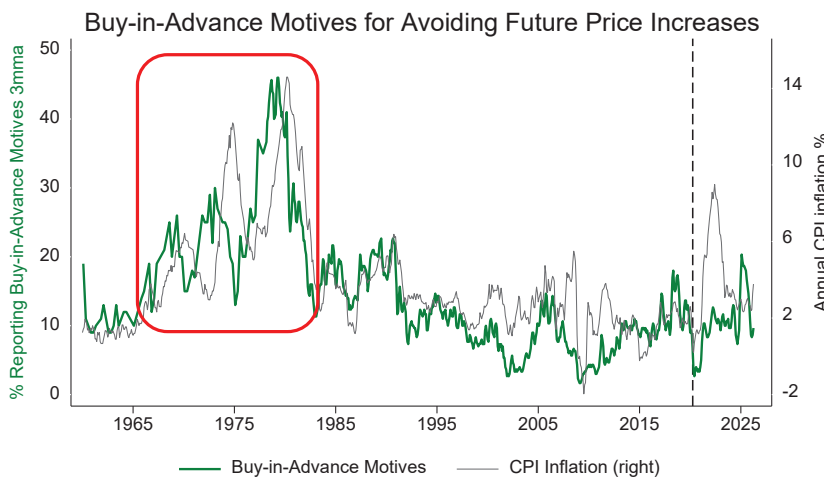


Risks to inflation expectations substantial despite moderation by end of 2025



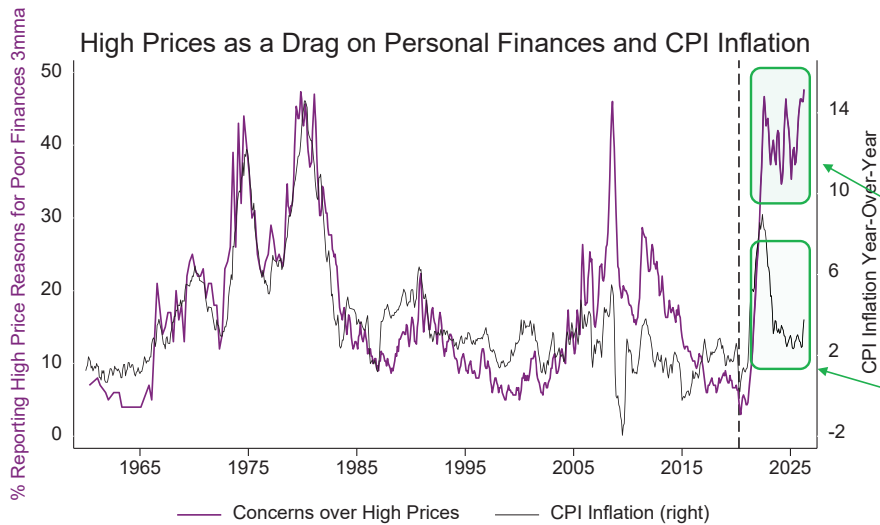
- 1960s-80s: expectations fell with each inflationary episode, but **ebbed to higher lows each time**
- 2026 continued downward trend to start 2026, but did not recover to 2024 levels before Iran conflict

1960s-80s: inflationary psychology took multiple episodes of inflation to proliferate



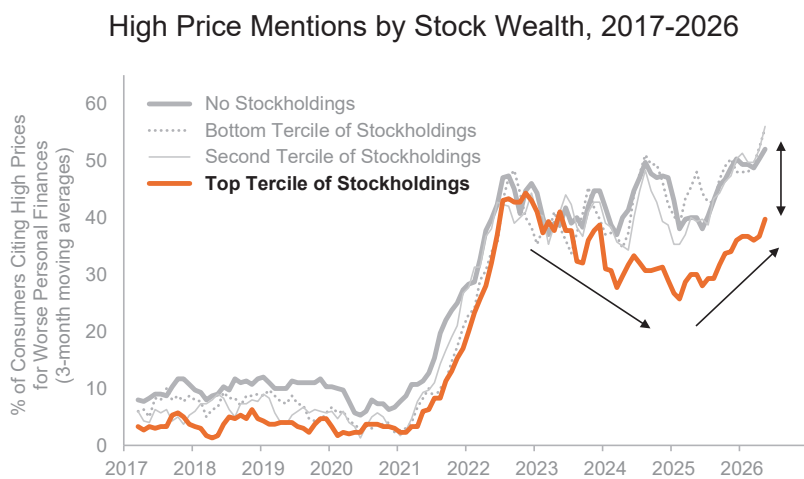
- Buy-in-advance motives surged with announcement of tariffs then fell as they were implemented in 2025
- **Even with recent uptick, post-pandemic readings well below 1960s-80 levels**
- **During Great Inflation, buy-in-advance motives only proliferated after successive inflationary episodes**

Despite slowdown in CPI inflation, **pain of high prices persists**, and rising since Iran war



- Historically, high price mentions rose and fell with CPI inflation
- High-price mentions surged in 2021 and have remained high, despite moderation of CPI inflation

Pain of high prices: **wealthiest consumers stand apart**



- Wealthiest consumers showed decline in concerns over high prices 2022-2024
- For all others, concerns did not come down
- Past year: all groups climbing together