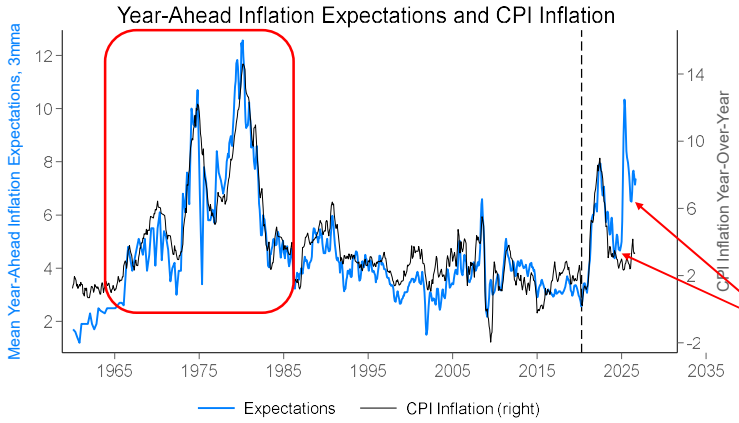
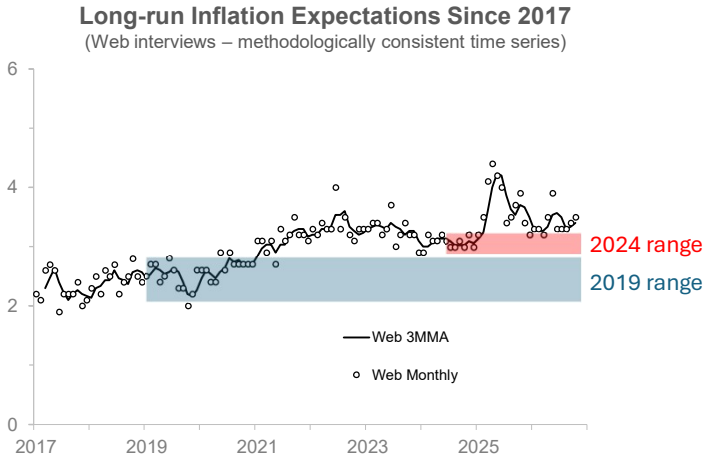
Growing risks to inflation expectations despite moderation by end of 2025



- 1960s-80s: expectations fell with each inflationary episode, but ebbed to higher trough each time
- 2025-26: Recovery from initial shock of tariffs halted by Iran conflict; **ebbed to much higher trough than 2024**

Long-run inflation expectations above 2024, when inflation slowed but never reached target

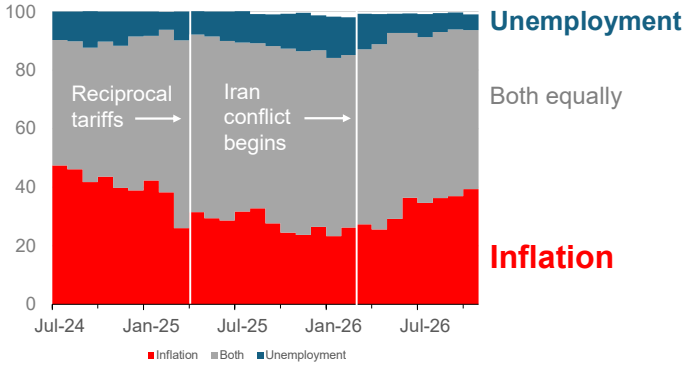


- Expectations well above 2024 range, **still trending up**
- Spontaneous comments reveal perception of **successive supply shocks**:
  - ~30% mention tariffs
  - ~40% mention gas
- Consumers expect elevated energy prices to **persist and proliferate** in the economy

Consumers increasingly view **inflation** as the greater risk

Which of the two problems do you think will cause the more serious economic hardship for people during the next year or so?

(Methodologically consistent time series)



Unemployment

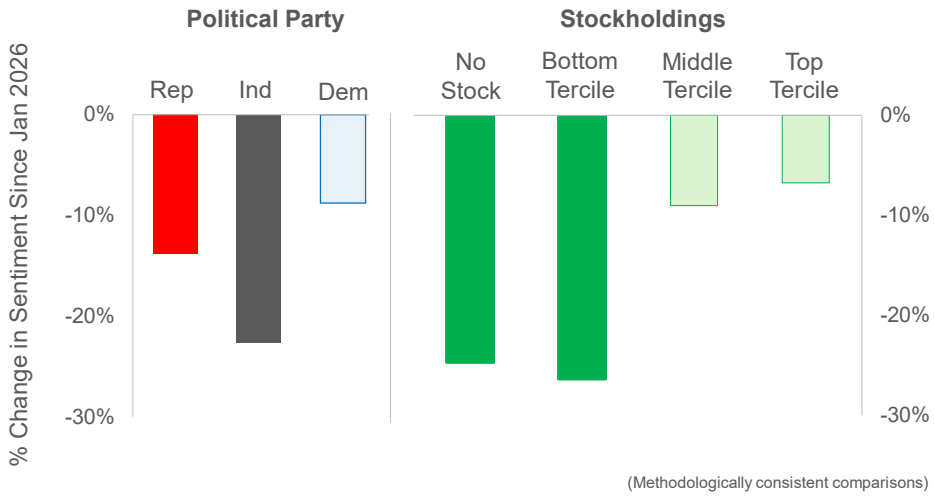
Both equally

Inflation

- Unemployment expectations worsened amid 2025 tariffs and stayed stable; did not deteriorate further in 2026
- Post-Iran, consumers increasingly concerned gas prices will pass through to the economy

Unanimous decline in sentiment since Jan 2026

Substantial drops for Republicans, independents, and **less wealthy**



(Methodologically consistent comparisons)