

*"Anchoring Households' Inflation Expectations
when Inflation is High"*

by Giang Nghiem, Lena Draeger, Ami Dalloul

Tobias Kawalec

University of Oxford

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High Inflation Settings and Central Bank Communication

Motivation:

- Inflation expectations matter for inflation rates (Blinder et al., 2024; Coibion et al., 2020; Werning, 2022) **and** consumer behavior (Coibion et al., 2022)
 - In the face of adverse shocks: expectations management crucial!
- Knowledge on effects of CB communication in high-inflation settings limited

Key questions:

- What are the effects of central bank communication on inflation forecasts and their uncertainty in a high-inflation environment?
- Given high π_t , which communication strategies anchor $\mathbb{E}_t(\pi_{t+j})$ best?

⇒ **CB communication can significantly influence posterior inflation expectations and uncertainty; and quantitative forecasts outperform qualitative statements**

Big Picture 1: Decoupling inflation rates from target $\Rightarrow$ Higher probabilities of 'inflation disasters'

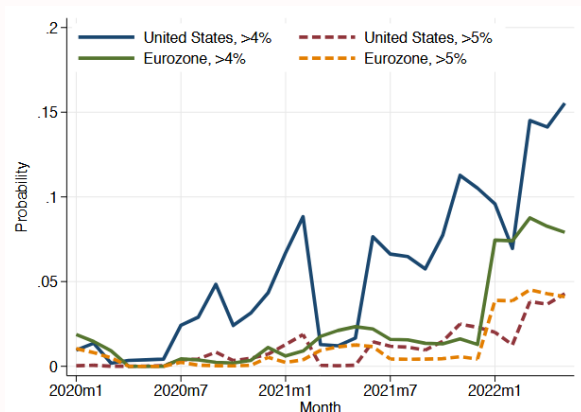


Figure: Tail probabilities of a 5-year, 5-year inflation disaster in US and EZ inflation Source: Figure 4 in [Reis \(2022\)](#).

Big Picture 2: Efficacy of information depends on inflation state

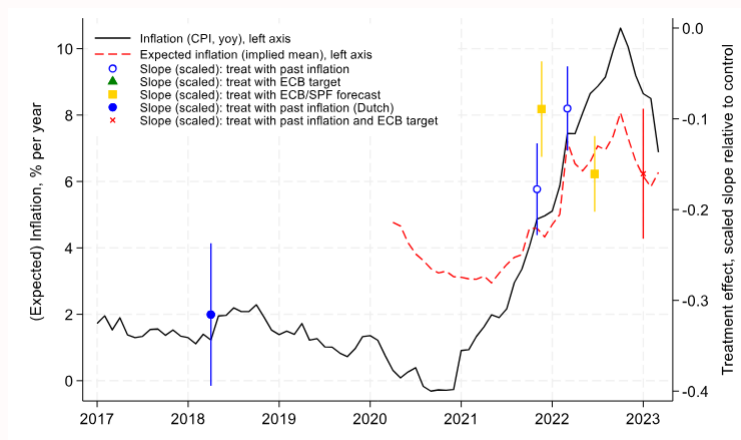


Figure: The changing effects of information treatments on euro area households. Source: Figure 6 in [Weber et al. \(2025\)](#).

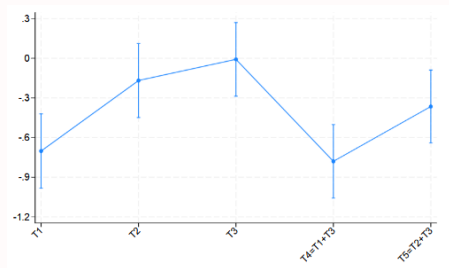
Treatment combinations and their effects in high-inflation settings

Method: survey-based RCT, leveraging five different information provision treatments

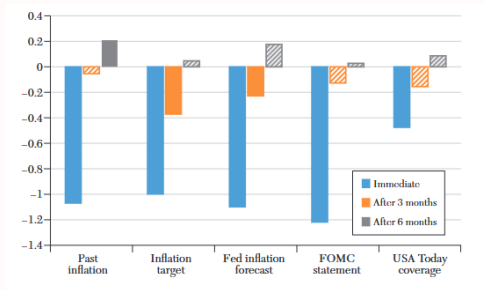
Treatment	Effects (under high financial literacy)
T1: ECB Inflation Projections	$ \pi^{post,3y} - 2 \downarrow\downarrow, \sigma\pi^{post,3y} \downarrow\downarrow$
T2: ECB Target	$ \pi^{post,3y} - 2 \rightarrow, \sigma\pi^{post,3y} \rightarrow$
T3: ECB President's Statement	$ \pi^{post,3y} - 2 \rightarrow, \sigma\pi^{post,3y} \rightarrow$
T4: T1 + T3	$ \pi^{post,3y} - 2 \downarrow\downarrow, \sigma\pi^{post,3y} \downarrow\downarrow$
T5: T2 + T3	$ \pi^{post,3y} - 2 \downarrow, \sigma\pi^{post,3y} \downarrow$

Bottom line: Conditional on high degrees of financial literacy, T1 is most effective in reducing *both* the distance of inflation expectations from target + their uncertainty.

Size (and persistence?) of effects



(a) [Nghiem et al. \(2025\)](#), Fig. 2(a) - high-inflation setting (2022/23)



(b) [Blinder et al. \(2024\)](#), Fig. 6 - low-inflation setting (2018)

Figure: Effects of information treatments on posterior inflation expectations.

⇒ Effects in [Nghiem et al. \(2025\)](#) statistically (and economically) significant *despite* high-inflation setting - persistence of effects difficult to assess.

Some further interesting avenues to explore

On the dependence of the efficacy of information treatments:

W.r.t. institutional trust		W.r.t. Financial Literacy	
Plausible heterogeneity of treatment through trust $\times$ prior knowledge:		$\mathbb{E}(\pi^{3y,post})$ elicited using: <ul style="list-style-type: none"> - $\max(\mathbb{E}(\pi^{3y,post}))$ - $\min(\mathbb{E}(\pi^{3y,post}))$ - $\mathbb{P}\left(\pi^{3y,p} > \frac{\max(\mathbb{E}(\pi^{3y,p})) - \min(\mathbb{E}(\pi^{3y,p}))}{2}\right)$ to minimize survey fatigue (D'Acunto et al., 2023).	
Trust		ECB goals	
		Know	Don't know
High		$\sim$	$\uparrow$
Low		$\sim$	$\downarrow$
$\Rightarrow$ Might resolve surprising result in paper that adding the ECB commitment made ECB inflation projections less informative		$\Rightarrow$ Posterior beliefs may need to be elicited differently for lower-literacy respondents - $\sim 20\%$ of people struggle with basic percentages (Lusardi and Mitchell, 2023)	

Final Remarks

- Insightful RCT providing causal evidence on the efficacy of information ($\approx$ central bank communication) in anchoring inflation expectations:
 - *Conditional on information being novel*, communication efforts seem to aid in anchoring inflation expectations even in high-inflation settings
- Possible further avenues for research:
 - Scope to introduce intertemporal considerations - central bank forecasting performance matters for forecast credibility ([McMahon and Rholes, 2023](#))
 - Persistence of information treatments unclear ([Blinder et al., 2024](#))
 - Importance of trust in ECB, esp. perceived absence of forecasting biases ([Bulutay, 2025](#))
 - Incentivization in single-shot surveys difficult - but can matter if desired outcomes correlated with information treatments ([Zizzo, 2010](#))

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