January 2026 Update: Current versus Pre-Pandemic Long-Run Inflation Expectations

Joanne Hsu, PhD, Director

January 23, 2026

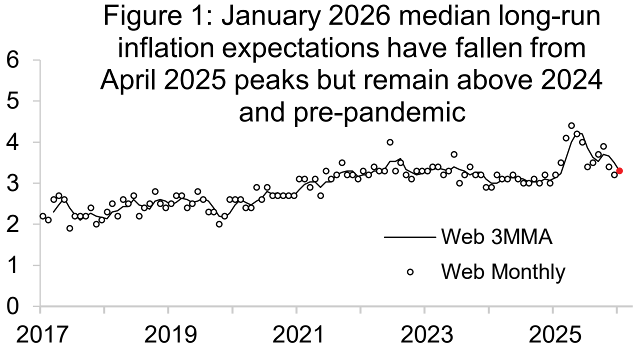
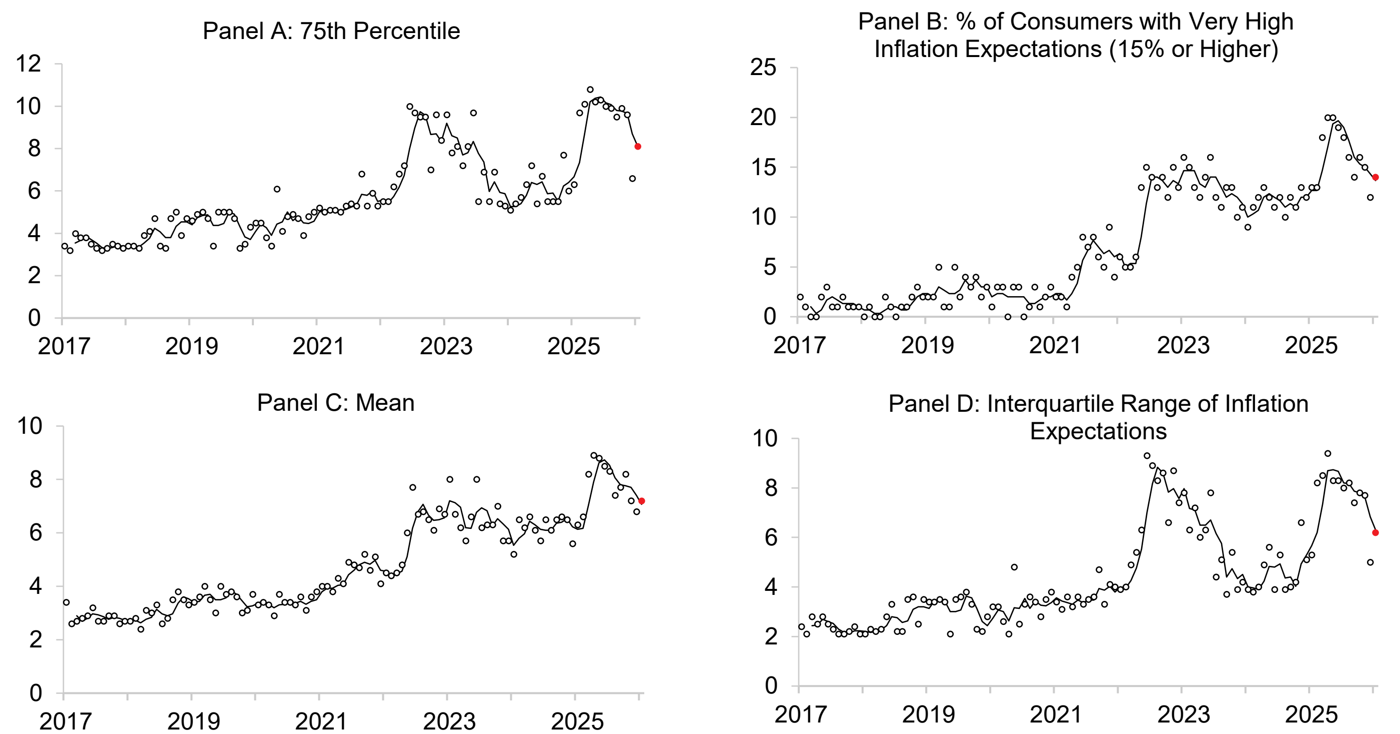


Figure 1: January 2026 median long-run inflation expectations have fallen from April 2025 peaks but remain above 2024 and pre-pandemic

This report updates the charts in "Current versus Pre-Pandemic Long-Run Inflation Expectations" (October 25, 2024), which presented results from seven years of parallel data collection via web to fully contextualize current inflation expectations relative to pre-pandemic expectations. The historical data, available in the appendix to the October 2024 report, showed that different features of long-run inflation expectations exhibit very similar characteristics over time. Expectations were stable in the years leading into the pandemic; they worsened through mid-2022 and softened thereafter through October 2024. This update adds the charts through January 2026. **Long-run expectations softened over the last two months of 2025, then edged up in January 2026. This month's reading is well below peaks in monthly readings from June 2022 and April 2025, but above 2024 readings as well as readings from 2020 and earlier. Expectations exhibit substantial uncertainty, though less than in mid-2025.**

Figure 1 displays median long-run inflation expectations drawn from web interviews (dots represent monthly data, with January 2026 displayed in red; the solid line displays the three-month-moving average). In 2025, median expectations surged to 4.4 in April, before trending downward for most of the remainder of the year. This month, the median is currently 3.3, comparable to 2023 readings and higher than the pre-pandemic period. Similarly, mean expectations (Figure 2 Panel C) have broadly decreased from April 2025 peaks. The mean ticked up in January and remains above 2024 and pre-pandemic readings. The interquartile range, a measure of inflation uncertainty (Figure 2 Panel D), increased this month. It is currently below mid-2022 and mid-2025 heights but is well above January 2025. These ranges remain elevated relative to 2024 and pre-pandemic. The 75th percentile (Panel A) and the share of consumers expecting tail inflation (Panel B) both gradually eased since after April 2025, fell sharply in December 2025 and increased again this month. On a three-month-moving-average basis, current readings are comparable to levels seen in 2023.

Figure 2: Various features of long-run inflation expectations measured via web



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