Facts or feelings? Relatable narratives to anchor inflation expectations*

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Research proposal.

Abstract

Despite intensified efforts by central banks, communicating with the broader public remains challenging. We propose to study whether relatable narratives improve the anchoring of households' inflation expectations compared to standard numerical or textual information. We plan to conduct a pre-registered randomized controlled trial with 3,000 German participants in July 2025. Four different treatment groups will receive quantitative or qualitative information, with or without an additional narrative that presents the facts in a relatable manner. We expect narratives to reduce counter-arguing and reactance, while boosting engagement and self-referencing, thus leading to stronger anchoring of inflation expectations. To study the persistence of the effects, we will conduct a follow-up survey.

Keywords: Inflation anchoring; expectations; monetary policy; narratives

JEL Classification: D84; D91; E31; E58

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> *"Homo sapiens is a storytelling animal that thinks in stories rather than in numbers or graphs, and believes that the universe itself works like a story, replete with heroes and villains, conflicts and resolutions, climaxes and happy endings. When we look for the meaning of life, we want a story that will explain what reality is all about and what my particular role is in the cosmic drama. This role makes me a part of something bigger than myself, and gives meaning to all my experiences and choices."* Yuval Noah Harari, 2018

Inflation rates in the euro area and globally have surged following the pandemic and remained elevated for several quarters, raising concerns about a potential de-anchoring of inflation expectations. Numerous studies have examined the role of information provision in shaping inflation expectations, and central banks have correspondingly intensified their efforts to communicate (Coibion et al., 2022; Dräger et al., 2024; Weber et al., 2025). While central banks have been largely successful in communicating with financial markets, reaching the broader public appears considerably more challenging (Blinder et al., 2024).

A consistent finding in the literature is that providing households with information about past and future inflation has limited effectiveness in anchoring expectations, especially among individuals with low financial literacy and when it comes to medium-term expectations (Cavallo et al., 2017; Coibion et al., 2022; Nghiem et al., 2024). That raises the question of whether and how to tailor communication strategies more closely to this audience to enhance their effectiveness.

Research in communication science might offer valuable insights in this regard, showing that relatable narratives are a powerful tool for shaping beliefs and behaviors, primarily due to their ability to engage individuals and immerse them in vivid scenarios (Green and Brock, 2000; Slater and Rouner, 2002; Moyer-Gusé and Nabi, 2010). There are two main channels through which narratives can deliver information in ways that shape or recalibrate individuals' expectations. First, narratives can dissuade audiences from scrutinizing the embedded information and deter *counter-arguing* (Green and Brock, 2000). Since narratives convey ideas rather than present overt arguments, they may also lower psychological *reactance* to persuasion (Moyer-Gusé, 2008). Second, narratives facilitate self-referencing (Dunlop et al., 2010). Reading or hearing a narrative can activate autobiographical memories, leading audiences to integrate personal experiences with new information, which makes the information feel more relevant and meaningful to them.

In this study, we build on these insights and examine whether presenting facts in terms of relatable narratives is more effective in anchoring both aggregate and personal inflation

expectations among households. To compare the effectiveness of conventionally used information treatments with providing a relatable narrative based on that information, we will conduct a randomized controlled trial (RCT). We plan to run the pre-registered RCT in July 2025 through the online survey company Bilendi, collecting data from a representative sample of 3,000 German participants within two weeks, balanced by gender, age, income, and region. We anticipate having results in September 2025.

We will randomly assign participants to one of four treatment groups or a control group. Two groups are provided with statistical information about past, current, and future inflation, either in quantitative or qualitative form. We present the other two groups with the same information combined with a short narrative. This narrative does not introduce new facts but presents the information as a relatable story.

To determine which communication approach most effectively results in participants revising their expectations toward the 2% inflation target, we compare short- and medium-term inflation expectations before and after treatment across treatment and control groups. We expect that participants, especially those with lower financial literacy, will be more responsive to the qualitative treatment and most responsive to the combination of qualitative information with a narrative. To validate our proposed channel, we will evaluate how respondents assess the relatability of each treatment.

Lastly, we conjecture that easy-to-remember narratives lead to more persistent anchoring of inflation expectations. Coibion et al. (2022) shows that when households receive standard statistical information - such as the current inflation rate, the central bank's target, or inflation forecasts - the effect on their inflation expectations diminishes over time. Moreover, Graeber et al. (2024) find that individuals generally remember stories better than numbers, and the communication literature suggests that compelling narratives can produce lasting shifts in attitudes beyond the initial exposure (Slater and Rouner, 2002). Thus, we will conduct a short follow-up survey approximately 2 to 4 weeks after the RCT to re-assess short- and medium-term personal and general inflation expectations across our initial treatment groups.

Related literature

This project will offer insights for central bank communication strategies and contribute to multiple strands of economic literature on information provision and the formation of inflation expectations.

First, we add to the literature exploring how different forms of central bank communication anchor individuals' inflation expectations (Binder and Rodrigue, 2018; Coibion et al., 2022; Dräger et al., 2024). Coibion et al. (2022) find that providing households with information on the central bank's inflation target or forecasts results in declining inflation expectations. However, the effect is not persistent over time, and the treatment effect vanishes after six months. In turn, Kim and Binder (2023) show that repeated survey participation lowers households' inflation expectations. Weber et al. (2025) review a broad range of RCTs conducted in different countries and economic environments. They find that in high inflationary environments, individuals are more aware of inflation and become less responsive to information treatments (see also Cavallo et al. (2017)).[1] We extend the literature by combining an information treatment with a narrative treatment to investigate whether relatability increases the effectiveness of the treatment.

A second strand of literature explores what makes central bank communication resonate with non-experts. Bholat et al. (2019) show that simplifying monetary policy messages and using more accessible language, such as everyday terms ("rising prices" instead of "inflation") or inclusive pronouns like "we" instead of "the Bank of England," can build households' trust in the central bank. D'Acunto et al. (2021) find that a more diverse monetary policy committee increases trust and leads women and Black respondents to form unemployment expectations more aligned with forecasts, underscoring the importance of representation. We contribute to this literature by examining whether presenting inflation forecasts in short narratives that help non-experts relate the information to their everyday lives is an effective communication tool for anchoring inflation expectations.

Third, recent research leverages the advances in deep learning models to analyze both visual and audio cues in the context of central bank communication (Ash et al., 2024; Barry et al., 2025; Gorodnichenko et al., 2023). These studies suggest an emotional channel of monetary policy. For example, Gorodnichenko et al. (2023) find that a positive tone of voice of the Federal Reserve Chair leads to increased stock prices even after controlling for policy actions and sentiment in the policy statement. Similarly, Curti and Kazinnik (2023) employ facial recognition analysis on FOMC press conference videos. They show that investors react negatively to adverse facial expressions. Alexopoulos et al. (2024) analyze emotions conveyed through words, voice, and facial expressions of Fed Chairs testifying before Congress and demonstrate that heightened emotional expression raises the S&P 500 index while reducing market volatility. However, these studies focus on communication with financial experts. Our research seeks to extend this literature by investigating the emotional channel in non-expert

[1]The link between inflation expectations and savings and consumption decisions is, e.g., studied by Andrade et al. (2023).

communication of monetary policy.

Randomized controlled trial

To examine how presenting inflation forecasts in relatable narratives affects households' inflation expectations, we will conduct a randomized controlled trial. The German Association for Experimental Economic Research e.V. has approved our experimental design,[2] and we have pre-registered the study on the AEA RCT Registry.[3]

Our sample will include 3,000 German households, reflecting Germany's central role in the Euro Area economy. We will partner with Bilendi, a leading online panel provider, to recruit participants and ensure our sample is representative by gender, age, income, and region.

Figure 1 illustrates that our survey experiment consists of three main parts: First, we collect sociodemographic information, assess financial and numerical literacy, and elicit participants' initial personal and general inflation expectations. Second, we present all participants with information about the ECB's price stability objective (e.g., Brouwer and De Haan, 2022), and then randomly assign them to either a control group or one of four treatment groups. Third, we evaluate how relatable participants find each treatment and elicit their updated inflation expectations.

Table 1 presents the English translations of our information treatments. Two groups (Groups 1 and 3) receive only quantitative or qualitative information about past, current, and expected inflation. We base this information on the German Bundesbank's inflation forecasts published in June 2025.[4] Groups 2 and 4 receive short texts that combine the same numerical or textual information with a relatable narrative. To create these narratives, we first use ChatGPT to transform the quantitative data into a story format, adding prompts to ensure it feels relatable to readers. Since ChatGPT tends to emphasize historical context, we adjust its output to highlight forward-looking aspects, aligning with the original forecast content. We take care not to introduce any new information, but only to illustrate the same data with everyday examples relevant to all treatment groups.

To assess which treatment most effectively shifts participants' inflation expectations toward the 2% target, we first elicit their prior beliefs about overall and personal inflation for

[2]To retrieve the approval certificate, please click here.

[3]Ludolph, Melina, Giang Nghiem and Lena Tonzer. 2025. "Inflation Expectations and Relatable Narratives." AEA RCT Registry. June 16. https://doi.org/10.1257/rct.16217-1.0.

[4]Bundesbank. 2025. "The Bundesbank's forecast for Germany: Economic recovery slowly getting started." *Press release*. Available here. Accessed July 7, 2025.

the next twelve months (short run) and three years (medium run). Participants provide point forecasts before receiving the information treatment. Subsequently, we collect probabilistic forecasts by asking participants for their most likely estimate, along with the minimum and maximum values they expect, rather than requiring them to allocate weights across predefined bins, which can yield lower reported expectations (D'Acunto et al., 2023). Measuring probabilistic forecasts ex post allows us to examine cross-group differences in uncertainty between treatment and control groups. Additionally, we include questions to capture qualitative expectations of inflation as well as measures to evaluate how the treatments impact trust in central banks, consumer spending, and political attitudes.

Following Coibion et al. (2022) and Coibion et al. (2023), we will evaluate how the treatments influence short- and medium-run inflation expectations under a Bayesian updating framework. In our regressions, we can control for demographic variables like gender, age, and income group. Our survey will include questions that enable robustness checks and allow us to examine heterogeneity concerning financial literacy, numerical capability, inflation exposure, and news attention.

To test our proposed channel, we draw on the communication literature and ask respondents to indicate their level of agreement with several statements after reading the treatment text. These statements measure the degree of relatability, focusing on aspects such as self-referencing ("The text made me reflect on my own experiences with price changes.") and counter-arguing ("While reading, I thought about possible contradictions or inconsistencies."). A higher reported degree of relatability for treatments that include a narrative component suggests greater emotional engagement, which, in turn, might enhance participants' responsiveness.

We will link respondents to their answers in a brief follow-up survey conducted 2–4 weeks after the initial RCT to examine whether treatments that include a narrative component have a more persistent effect on anchoring inflation expectations.

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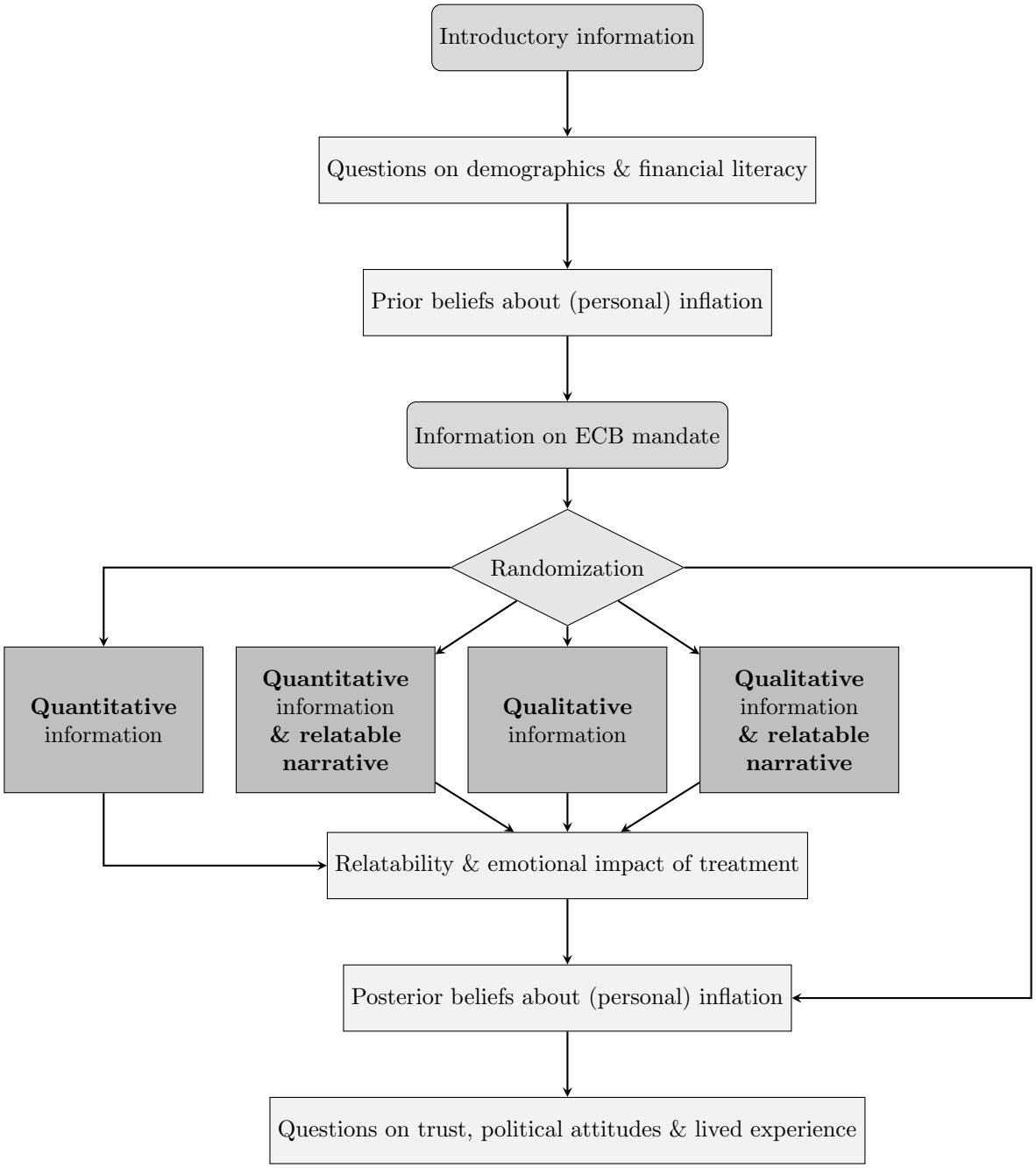
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Tables and figures

Figure 1: RCT design



Note: This figure visualizes the design of the RCT and illustrates the progression of participants through the sections of the survey experiment.

Table 1: Information treatments

Treatment groups:	1	2	3	4
Quantitative information: The average inflation in Germany in 2024 was 2.5%. According to estimates published in June 2025, professional forecasters expect an average inflation rate in Germany of 2.2% in 2025 and 1.9% in 2027.	✓	✓		
Qualitative information: Inflation in Germany was somewhat higher than what is generally considered consistent with price stability in 2024. According to estimates published in June 2025, professional forecasters project a decrease for 2025 and over the next two years, with the rate moving to levels that support price stability.			✓	✓
Relatable narrative: That means that, going forward, we will have to worry less about price changes in our everyday lives. For example, when grocery shopping, we can feel more at ease as we do not have to constantly check price tags to see if we can still afford the items we need. It also means that we can feel more secure when it comes to planning, saving, and investing for the future. For instance, we can be more confident that price changes will not derail our plans for how we want to spend our money on.		✓		✓

Note: This table presents the specific information provided to participants across the four treatment groups.