Inflation, Households, and Central Banks: A Tale of Two Worlds *

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Abstract

Leveraging a novel global survey of households' economic perceptions, expectations, narratives, and knowledge of central bank mandates, we show that, despite similar levels of macroeconomic expectations, households in advanced economies (AEs) and emerging market economies (EMEs) display stark differences in how they perceive, expect, and conceptualize inflation and its relationship with other macroeconomic variables. This heterogeneity is accompanied by differences in how households in AEs and EMEs—when exposed to a similar inflation surge—gather central bank communication, believe central banks influence their economic conditions, and think central bank mandates should be modified. Our evidence suggests that even when facing similar inflation and macroeconomic shocks, using the same policy interventions and communication strategies may prevent AE and EME central banks from achieving comparable goals and effectiveness.

JEL classification: C90, D14, D84, E31, E52, E71, G11

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*This proposal reflects the personal views of the authors and not those of the Bank for International Settlements (BIS).

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1 Introduction

Existing evidence on households' subjective inflation expectations and perceptions, based on consumer surveys across different countries, typically indicates similar values and belief distributions across countries at a given point in time, as well as similar dynamics of expectations and perceptions when facing comparable economic shocks. These findings support the idea that central bank mandates and policy interventions should also be similar across countries, and that universal best practices in central bank communication strategies might exist.

Our paper proposal aims to exploit a novel and unique global survey of households' economic perceptions, expectations, and attitudes, conducted in March and April 2025 across 32 countries, to investigate the extent to which households operating and consuming under different economic regimes—advanced economies (AEs) and emerging market economies (EMEs)—conceptualize inflation differently, attend to different sources of economic information, and consequently form distinct economic narratives about the causes and consequences of inflation, which are likely to shape their understanding of and agreement with central banks' goals and policy measures.

Documenting these differences and investigating their causes and consequences—which, to the best of our knowledge, cannot be done with existing data on consumers' economic beliefs, perceptions, and attitudes—is important for understanding how different economic environments shape agents' formation and updating of subjective beliefs. It is also crucial for informing policymakers and regulators—especially central banks around the world—about optimal communication strategies and interventions tailored to the specific economic environments in which they operate, which can differ dramatically across countries.

2 Global Survey of Economic Perceptions and Expectations

Our proposal and preliminary empirical evidence are based on a novel and unique global survey of households' economic perceptions, expectations, and attitudes that was run in March and April 2025. The survey covers households across 32 countries, which include both AEs and EMEs. For each country, the cross section includes approximately 1,000 respondents between 18 and 70 years old, who are broadly representative of the local populations based on gender and age composition.

The survey consists of 30 questions grouped into four parts. The first part of the survey, covering questions 1 to 10, focuses on eliciting households' near-term expectations about inflation and a few other economic variables. Following standard practice in terms of question design in the literature (Armantier et al., 2017; Coibion and Gorodnichenko, 2025), After a simple explanation of the concept of inflation, participants are asked about their perception of current inflation and their expectations of the inflation rate over the next 12 months. Specifically, the survey follows Guiso et al. (2002) in asking

households to provide their lowest, highest, and most likely expected inflation rates, which allows measuring both the first and second moments of inflation expectations under standard distributional assumptions with minimal cognitive effort on households' side. Additionally, participants are asked about the goods categories that most strongly influence their inflation expectations. This section also gathers households' expectations about income, unemployment, and interest rates, as well as their trust in the government, central banks, and domestic banks.

The second part of the survey, covering questions 11 to 15, explores households' views on the inflation surge and contrasts this period with the pre-pandemic years. Respondents are asked about perceived changes in prices and wages during the five years before and after the COVID-19 pandemic. The survey also investigates the perceived causes of the inflation surge, the factors driving wage increases dynamics, and the consequences for the change in purchasing power since the onset of the pandemic.

The third part, spanning questions 16 to 21, assesses households' knowledge of central banks and their mandates. Participants are asked whether they recognize the name of their central bank and are invited to share their perceptions of the central bank's goals and their desired objectives for it. Further questions explore their understanding of central bank policy tools, their support for central bank independence, and their sources of information about central banks and monetary policy.

The final part of the survey collects a rich set of respondents' demographic, socio-economic, and other personal data of the respondents. This includes their financial literacy, the frequency of grocery and gasoline shopping, personal attitudes such as risk-taking, impatience, and mathematical ability, as well as household income, home ownership, employment status, household size, education level, and political support for the government political parties in power in their country.

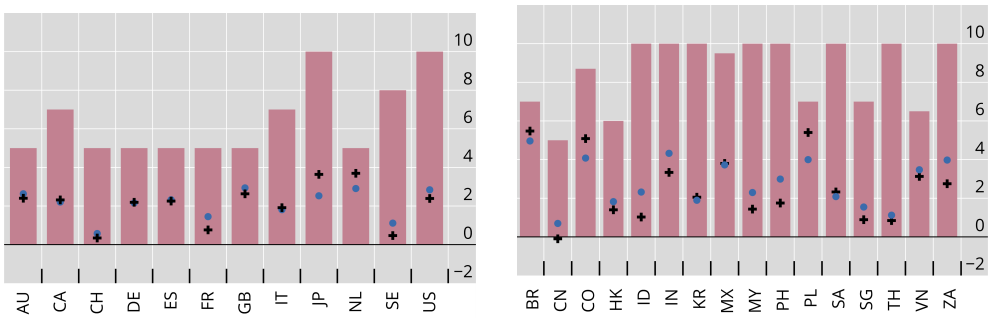
3 Preliminary Evidence

Although often elicited using different question formats and survey methods, the distributions of inflation expectations and perceptions over the same time periods typically do not display systematic differences across countries. This has led economists and policymakers to believe that the dynamics of inflation and other macroeconomic expectation formation are similar for consumers worldwide, and that, as a result, central banks' conduct of monetary policy and communication with the general public should follow similar strategies.

Our data confirm the cross-country similarity in households' inflation expectations. For instance, Figure 1 reports households' median 12-month-ahead inflation expectations for the AEs (left graph) and EMEs (right graph) in our survey, depicted as red bars. While households' expectations are systematically higher than those of professional forecasters (blue dots) and the inflation rate prevalent

at the time of the interview (black pluses), we do not observe substantial variation across countries or between AEs and EMEs, with median values ranging between 5% and 10% in both groups of countries.

Figure 1: **Similar Household Inflation Expectations Across AEs and EMEs**

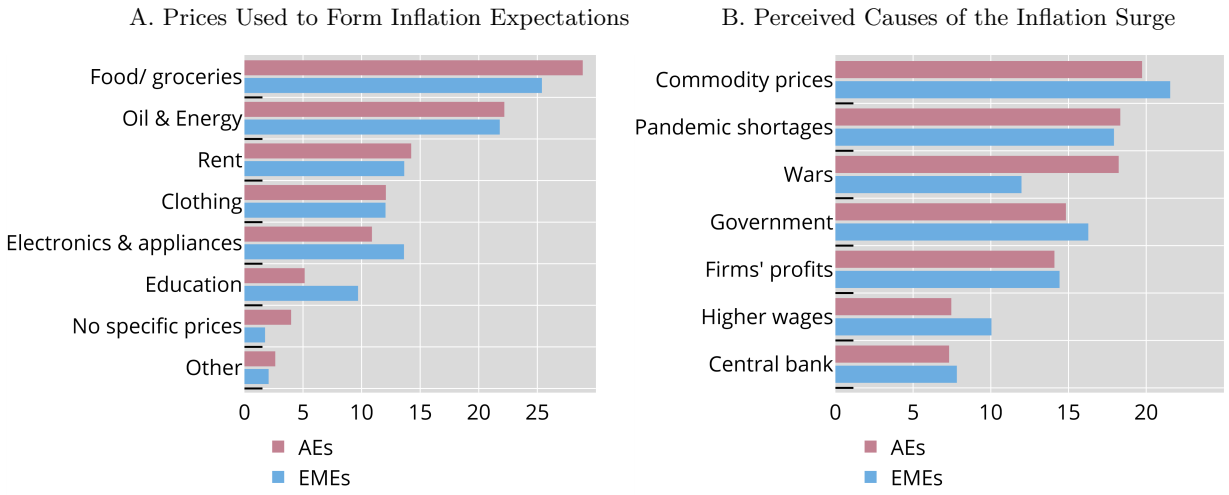


Notes: Bars represent the median of households' 12-month-ahead inflation expectations for each country indicated on the x-axis from the *Global Survey of Economic Perceptions and Expectations* conducted in April-May 2025. Blue dots represent 12-month-ahead median professional forecasters' inflation expectations and black pluses the prevailing inflation rate in each country at the time of the survey.

In sharp contrast with average inflation expectations—which is typically the only information available in country-level consumer surveys—our data reveal striking heterogeneity in how households conceptualize inflation and form economic narratives about its drivers and causes. Panel A of Figure 2, for instance, compares the specific goods that households in our survey mention when asked what comes to mind as they form inflation expectations. While all households tend to focus more on grocery and oil prices, those in AEs are substantially more likely than those in EMEs to cite grocery prices. In contrast, households in EMEs are significantly more likely to mention the prices of more durable goods, such as electronics and appliances, as well as human capital investments like education expenses.

Moreover, we observe systematic differences in the narratives households use to explain the 2021–2022 inflation surge across AEs and EMEs. Specifically, households in AEs are much more likely to attribute the inflation surge to geopolitical events such as the Russian invasion of Ukraine or conflicts in the Middle East. In contrast, households in EMEs are more likely to cite rising wages, increased government spending following the peak of the COVID-19 pandemic, and growing commodity prices. Interestingly, the narrative of "greedflation"—the idea that firms maximized profits during the inflation surge increasing prices by more than their input costs increased—was not internalized at different rates across countries and, overall, was not among the most prominent explanations offered by households.

Figure 2: **Different Narratives About Inflation Across AEs and EMEs**



The large differences in households' economic narratives about inflation and their conceptualization of which goods' prices matter most for forming inflation expectations suggest that households in AEs and EMEs may rely on systematically different sources of economic information. Indeed, we find this to be the case: Panel A of Figure 3 shows that households in AEs are substantially more likely to rely on social media to gather economic information, whereas those in EMEs report greater reliance on newspapers and their central banks' websites—sources that are rarely consulted by respondents in AEs.

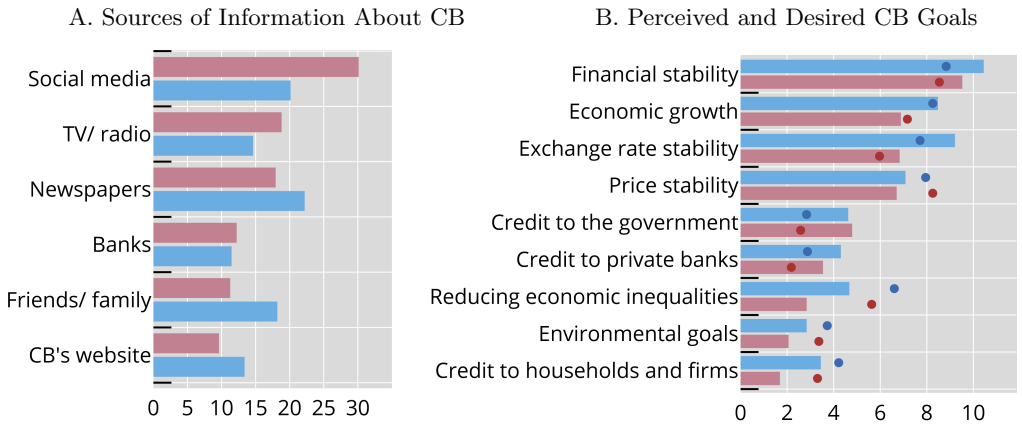
A natural consequence of the stark differences in information sources, price categories, and inflation narratives observed across households in AEs and EMEs is that they may hold differing perceptions and views regarding the role of central banks in the economy. Panel B of Figure 3 supports this conjecture. In this panel, the bars represent households' perceptions of central banks' actual goals, while the dots indicate their desired goals. Any discrepancy between the two suggests that households believe central banks' mandates should be changed by making certain objectives more or less prominent.

We observe that households in EMEs are more likely than those in AEs to believe that central banks aim to stabilize exchange rates—which may reflect actual mandates in some EMEs—but also to reduce economic inequality and provide credit to households and firms, none of which are standard goals of central banks. Furthermore, a substantial share of households in both groups of countries express a desire for central banks to take a more active role in reducing inequality and providing

credit, again extending beyond traditional central bank mandates. Conversely, many households would prefer to see less central bank involvement in providing credit to governments and private banks, even though such activities also fall outside the typical scope of central banking.

Finally, and perhaps surprisingly, households believe that central banks should place greater emphasis on maintaining price stability—even though this is arguably the one goal already universally pursued by central banks around the world.

Figure 3: **Different Sources of Information and Views About Monetary Policy Across AEs and EMEs**



Notes: In both Panels, light-blue items refer to EMEs and red items to AEs. In Panel B, bars represent the average frequency of perceived goals of central banks by respondents to the *Global Survey of Economic Perceptions and Expectations* conducted in April-May 2025, while dots represent the average frequency of desired goals by the same respondents.

4 Conclusions

Our paper proposal aims to leverage a novel and unique global survey of households' economic perceptions, expectations, and attitudes, conducted in March and April 2025 across 32 countries, to investigate the extent to which households operating and consuming under different economic regimes—advanced economies (AEs) and emerging market economies (EMEs)—conceptualize inflation, attend to economic information, and form narratives about the causes and consequences of inflation. These narratives are likely to shape their understanding of and agreement with central banks' goals and policy interventions.

Standard evidence from inflation expectations surveys across countries is typically limited to eliciting perceptions and expectations of inflation levels, which tend to be similar across countries. This has led to the view that central bank mandates and policy interventions should also be similar across countries.

Our preliminary evidence shows that, in sharp contrast to this possibility, households in AEs and EMEs attend to different sources of economic information to learn about central banks and form their subjective beliefs, construct systematically different narratives about the causes of inflation, and hold differing views regarding the scope and desired goals of central banks and monetary authorities.

Building on this preliminary evidence, we will propose formal tests examining the relationship between sources of economic information, economic narratives, and beliefs about central banks' actions and mandates. These analyses will offer new insights into how central banks in different economic regimes might design their communication strategies and how monetary policy and regulatory interventions could be tailored to the beliefs and perceptions of the local public.