

The role of information in shaping inflation expectations and perceptions

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ABSTRACT

Central banks increasingly rely on communication to anchor inflation expectations, yet evidence from developing economies is limited. This paper uses a randomized survey experiment in Armenia to examine how central bank communication affects inflation perceptions and expectations. The experiment tests three treatments: actual inflation, the Central Bank of Armenia's (CBA) 4 percent target, and an unrelated numerical cue. Information on actual inflation improves perceptions and expectations, aligning them with observed inflation, while the CBA's target influences expectations indirectly through perceptions. In contrast, the irrelevant numerical cue has no effect, underscoring the role of context and informational relevance. Comparing results with similar survey data from Armenia's high-inflation episode in 2023 shows that target communication is more effective when inflation is elevated. Taken together, these findings offer new evidence on the effectiveness of central bank communication, emphasizing the importance of informational relevance and its dependence on the prevailing inflationary environment. The paper also contributes to the literature by showing how personal inflation experiences – anchored in salient “marker products” – shape perceptions and expectations in a developing economy context.

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