

Narratives on Inflation: Evidence from the United States and South Africa

Lovisa Reiche*

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Abstract

This study uses a survey experiment to examine consumer narratives and expectations in the United States and South Africa following inflation shocks. Households in the United States interpret inflation asymmetrically, linking inflation spikes to supply shocks and disinflation to demand, whereas South Africans uniformly view inflation through a supply-side lens. Their narratives align with quantitative expectations on unemployment and GDP growth and reflect historical experiences in the two countries. On average, higher inflation reduces expected consumption but minimally affects wage demands. These findings highlight the value of emerging market evidence for understanding expectation formation and monetary policy transmission.

Keywords Consumer Inflation Expectations, Narratives, Emerging Markets

JEL Codes E31, E71, O23

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*Department of Finance, BI Norwegian Business School Email: lovisa.reiche@bi.no

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1 Introduction

When households expect higher inflation they also expect weaker economic growth, at odds with conventional demand-driven views of inflation. This pattern is known as a ‘supply-side narrative’: households interpret inflation primarily as a signal of adverse real shocks rather than demand overheating (Andre, Haaland, et al. 2025; Andre, Pizzinelli, et al. 2022; Binetti, Nuzzi, and Stantcheva 2024; Candia, Coibion, and Gorodnichenko 2020). For central banks, this has important implications: if higher inflation is perceived as signaling economic deterioration, the transmission of monetary policy through expectations may differ from standard models. In particular, such beliefs may dampen consumption, increase precautionary savings, and moderate wage demands, thereby affecting both aggregate demand and wage-setting dynamics (Bachmann, Berg, and Sims 2015; Coibion, Gorodnichenko, and Weber 2022; D’Acunto, Hoang, and Weber 2022; Hajdini et al. 2023; Reiche and Maffei-Faccioli 2026; Vellekoop and Wiederholt 2019).

Despite its relevance for monetary policy globally, existing evidence on inflation narratives is largely confined to advanced economies. This raises a key question: are these narratives a universal feature of expectation formation, or are they anchored in a country’s specific historical macroeconomic experience? This paper addresses this question using new survey-experimental evidence from South Africa (SA) and the United States (US) collected between January and May 2024. The comparison is informative because both countries were facing an election year and similar levels of CPI inflation and GDP growth but in SA households are exposed to high structural unemployment, repeated external and supply-side shocks, exchange-rate fluctuations, and commodity-price volatility (Fedderke 2021; Siklos 2024). Indeed, I find that consumer narratives and quantitative expectations are consistent with their respective country’s historical experiences. However, in both countries consumers see consumption decisions as being negatively affected by inflation.

I begin with a historical decomposition of inflation in the US and SA following Bergholt et

al. (2025). The decomposition reveals fundamental structural differences in shock profiles: while supply shocks are a dominant driver of inflation in SA, US inflation, particularly during the disinflationary episodes following the Great Financial Crisis (GFC) and in the onset of the COVID-19 pandemic, has been driven to a larger extent by demand shocks. Comparing SA and the US thus provides a compelling empirical setting where distinct historical shock experiences may affect household expectations.

The empirical strategy combines survey-based elicitation of expectations with randomized hypothetical inflation shocks. Respondents first report their prior beliefs and are then exposed to experimentally varied inflation scenarios. This design enables identification of the causal effect of inflation expectations on beliefs about GDP growth and labor market conditions, as well as on intended consumption, wage bargaining, and credit decisions. By relying on hypothetical vignettes, the approach isolates the effect of inflation itself, abstracting from broader scenarios or information treatments that are more common in the literature (Coibion and Gorodnichenko 2025; Haaland, Roth, and Wohlfart 2023), and thereby minimizing the influence of confounding factors. Further, I can test for asymmetries in responses between increasing and decreasing inflation.

Three main findings emerge. First, households interpret inflation in systematically different ways across countries that reflect broadly the respective historical experiences. In the US, respondents display asymmetric narratives: higher inflation is mainly attributed to supply-side factors, while lower inflation is linked to demand-driven conditions. In contrast, SA respondents predominantly interpret both positive and negative inflation shocks through a supply-side lens, emphasizing input costs, food prices, and unemployment. This provides suggestive evidence that when supply shocks are more frequent and salient, as in SA, inflation itself becomes more persistently associated with real economic conditions, shaping a more uniform supply-oriented narrative. Second, higher inflation expectations lead households in both countries on average to revise their perceptions of real activity downward (the

supply-side view) but the asymmetry for increasing and decreasing inflation in the US carries through to quantitative expectations about unemployment. Overall, effects on expected GDP growth are weaker, suggesting that households are more concerned about labor market conditions than about aggregate output. Third, these belief revisions translate primarily into lower intended consumption, while effects on labor market behavior—such as wage bargaining, adjusting working hours, etc.—are limited. Taken together, these results suggest that households may interpret inflation in ways that weaken the standard demand channel of monetary policy. In particular, if inflation is viewed as a signal of adverse supply conditions, policy actions aimed at stabilizing prices may reinforce pessimistic expectations about real activity.

The paper contributes to a growing literature using survey experiments to study expectation formation and economic behavior (Andre, Haaland, et al. 2025; Andre, Pizzinelli, et al. 2022; Binetti, Nuzzi, and Stantcheva 2024; Piccolo 2025). I provide novel cross-country evidence on inflation narratives in an emerging economy, highlighting how macroeconomic structure shapes belief formation. To my knowledge, this is the first survey eliciting quantitative unemployment and GDP growth expectations as well as beliefs about inflation using open-text in SA. Further, I introduce a flexible experimental design based on hypothetical inflation vignettes, allowing for symmetric and continuous variation in inflation shocks. The design specifically allows me to test asymmetries between increasing and decreasing inflation that appear crucial in the US data. Finally, I estimate cross-elasticities of macroeconomic expectations with respect to inflation, providing a more granular characterization of expectation responses relevant for policy analysis.

The rest of the paper proceeds as follows. Section 2 describes the historical context of the US and SA, Section 3 focuses on data and experimental design, Section 4 presents the results, and Section 5 concludes.

2 Historical Context

Consumers do not form beliefs about inflation in a vacuum. Their interpretation of price changes may be shaped by the macroeconomic environments they have experienced and the narratives that have accompanied past inflation episodes (Malmendier and Nagel 2016; Malmendier and Nagel 2026). Historical inflation dynamics differ substantially across countries. To provide context for the survey evidence, this section characterizes the inflation histories and realities of the US and SA. The distinct inflation environments faced by households in the two countries motivate the experimental design used to identify how consumers map inflation changes into underlying economic narratives. I begin with a historical decomposition of inflation into supply and demand factors before I describe the 2024 Q1 environment of the survey in more detail.

2.1 Historical Macroeconomic Experiences

To understand how historical experiences may shape consumers’ macroeconomic narratives, I first characterize the major (dis)inflationary episodes in the US and SA. The timeseries of inflation, unemployment and GDP growth can be found in Figure 1.

First, the Global Financial Crisis (GFC) provided a highly salient demand shock for US consumers (Benguria and Taylor 2020). During the GFC, the US experienced a sharp, cyclical spike in unemployment that coincided with a clear decline in inflation. In contrast, SA’s structurally high unemployment responded much less elastically. This may be because weaker labor markets and labor protection policies in emerging markets help cushion employment during periods of severe economic distress (Reinhart and Rogoff 2009).

Second, and more recently, the two countries experienced the economic shock of the COVID-19 pandemic differently. Figure 1 suggests that in 2020, when inflation initially declined globally, US unemployment shot up—reinforcing a demand-side narrative. This is corroborated

by evidence in Guerrieri et al. (2022).¹ In SA, the official unemployment rate dropped, driven by a severe contraction in labor force participation during strict lockdowns, while supply-side constraints dominated. The subsequent inflationary surge in 2022 was accompanied by an unemployment decline in the US and an unemployment surge in SA. Consequently, compared to households in SA, US households have been uniquely exposed to recent historical episodes where weak demand and lower inflation visibly coincide.

To disentangle supply- and demand-side drivers more structurally, I follow the historical-decomposition approach of Bergholt et al. (2025). Their framework uses a bivariate structural VAR to decompose inflation fluctuations into contributions from aggregate supply shocks, aggregate demand shocks, and a deterministic component. They find that demand shocks played a dominant role in the post-pandemic inflation surge in the US and in the other economies they study, while supply disturbances were more important in economies with greater exposure to external supply disruptions.²

I apply the same method to compare the historical drivers of inflation in the US and SA. For each country, I estimate a bivariate VAR containing real GDP growth and inflation, with four lags of both variables, over 1993 Q1–2024 Q3. Following Bergholt et al. (2025), supply and demand shocks are identified using impact sign restrictions: demand shocks move output growth and inflation in the same direction, whereas supply shocks move them in opposite directions (Canova and Nicolò 2002). The model is estimated using the authors’ single-unit-root prior, which substantially reduces uncertainty around the deterministic component.

Before comparing the historical decompositions, I examine the impulse responses from the two country-specific VARs (Appendix Figure B.1). Their broadly similar response patterns support a common economic interpretation of the identified supply and demand shocks, while allowing the magnitude and persistence of their effects to differ across countries.

¹This dovetails evidence from other advanced economies such as Balleer et al. (2024) for Germany.

²While the authors do not study SA, these kind of shocks have been shown to also play major role there (Fedderke 2021; Siklos 2024).

Figure 2a presents the resulting historical decompositions of inflation, computed from the same VARs as the impulse responses. Over the full sample, supply shocks play a more prominent role in SA inflation, particularly before the global financial crisis and after 2020. In the US, inflation during these periods contains a larger demand-driven component. The deterministic component is also larger in SA. It represents the path inflation would have followed, given the VAR’s estimated constant, lag dynamics, and initial conditions, in the absence of subsequent demand or supply shocks. A larger deterministic component therefore means that more of the inflation path is attributed to the model-implied baseline rather than to realized structural innovations. Figure 2b focuses on the final 20 quarters. In the US, the decline in inflation in 2020 is primarily associated with weak demand, while the subsequent surge reflects both demand and supply disturbances. In SA, demand-side contributions are smaller, and supply shocks account for a larger share of post-2020 inflation dynamics.

Overall, the historical evidence suggests that inflation in SA has been driven more by supply disturbances and movements in the model-implied baseline path, whereas demand shocks have played a larger role in US inflation dynamics. This distinction provides useful context for understanding how consumers in the two countries may perceive the sources of inflation. I now turn to the economic conditions prevailing in 2024 Q1, when the survey was conducted.

At the time of the surveys (January-May 2024), consumer price index (CPI) inflation and GDP growth were similar across the US and SA (Figure 1), although SA unemployment was substantially higher. Inflation in SA has exceeded US levels since the 1980s, and at the time of the survey the South African Reserve Bank (SARB) targeted inflation in the 3–6% range,³ above the US target of 2% over the long run.

2.2 The 2024 Survey Environment: South Africa

In early 2024, SA was approaching a general election. On 20 February, it was announced that the election was scheduled for 29 May 2024. Twenty-seven of the 1,027 surveyed participants

³In November 2025 the target was lowered to 3% with a 1% tolerance band.

were interviewed on or after the date of the announcement. The governing African National Congress (ANC) subsequently lost its parliamentary majority, reflecting widespread public dissatisfaction.

In Q1 2024, overall unemployment in SA was 32.9%, with youth unemployment reaching 45.5% and the expanded unemployment rate (which includes discouraged work-seekers) close to 42% (Statistics South Africa [2024b](#)), disproportionately affecting individuals without a high school education, most of whom are black. Other prominent topics in the national media included inequality, rising crime rates, illegal immigration, corruption, and access to housing and utilities. About 12% of the population live in informal settlements, and access to drinking water had been declining in recent years (Statistics South Africa [2024a](#)).

Another notable news item was energy supply constraints. The state-owned utility Eskom implemented widespread rolling power cuts (“load shedding”) totaling 6,947 hours in 2023—roughly 289 days—with daily real costs estimated at R240.12 million (nominal R364.13 million), according to the SARB ([2024](#)). Such persistent supply-side constraints are likely to shape consumer narratives about inflation and economic risk.

2.3 The 2024 Survey Environment: United States

The US survey occurred during the run-up to the 2024 presidential election, with Joe Biden (Democrat) and Donald Trump (Republican) as the main candidates. At the time, prominent voter concerns included health care, national security, and immigration.⁴ Economic issues were less prominent in the survey period but received attention in the June 2024 presidential debate. Policy proposals included increased tariffs (advocated by Trump) and tax adjustments for high-income individuals proposed by Biden. The pending expiration of the 2017 Tax Cuts and Jobs Act further framed public discourse around inflation, employment and fiscal policy.

⁴Source: CivicScience, 26–28 September 2023

The similarities of an election year despite large differences in historical inflation experiences provide a natural setting to study how households form and apply macroeconomic narratives. The following section describes the survey design, data collection, and experimental framework used to measure how households interpret inflationary and disinflationary scenarios.

3 Data and Methodology

I use experimental data from SA and the US collected between January and May 2024. SA participants were recruited via the MarkData OMNIBUS syndicate survey and interviewed face-to-face in January and February 2024 by trained and experienced field teams. As is customary, back-checks were conducted to ensure the reliability of the fieldwork. The US sample was recruited via Prolific and completed an online questionnaire on Qualtrics in March and May 2024. While survey modes differed across countries, these methods align with common practices in their respective contexts: online surveys, such as the Michigan Survey of Consumers and the New York Federal Reserve Bank Survey of Consumer Expectations, dominate in advanced economies, whereas face-to-face interviews typically yield higher-quality data in developing countries (Delavande 2023). The only large-scale household survey in SA (conducted by NielsenIQ for the Bureau of Economic Research (BER)) used face-to-face interviewing for most of the sample period (Reid, Siklos, and Du Plessis 2021), moving to telephone surveys during the COVID-19 pandemic.

The sample in both countries is representative of the working-age population (18–65), the subgroup for whom inflation and unemployment expectations are most economically relevant, as individuals in this group engage in job search, wage bargaining and investment decisions. For SA, the sample is further restricted to respondents who have completed high school.⁵

⁵The SA data are weighted to match the population on gender, race, age, province (StatsSA 2022), and educational attainment (MarkData 2022).

3.1 Experimental Design

Before participating in the experiment, participants signed a consent form and were provided with general information about the survey and the principal researcher. They were informed that there are no wrong answers and were encouraged to truthfully report their views. All information can be found in the Online Appendix (Section C). A commitment request was included in the US online survey as recommended by Qualtrics, the survey platform (Geisen 2022). Demographics⁶ were recorded outside of the scope of this survey experiment. For Prolific, respondents record these when signing up to the platform. In the MarkData syndicate survey, demographics are recorded at the time of registration.

The survey starts with baseline beliefs about inflation, unemployment and GDP growth. These are elicited as point forecasts over the 12 months ahead horizon.⁷ All participants are given definitions of the three variables.⁸ For the US, there is evidence that participants understand the concept of inflation well and asking for the “general price level” instead yields less precise responses (Bruine de Bruin et al. 2017; Bruine De Bruin et al. 2010). Informal evidence from the BER has confirmed this for SA, too (Pienaar 2018). Further, the survey elicits expected behaviors by inquiring the percentage chance that the respondent or other members of their household would ask for a higher wage, accept a lower wage, increase hours worked, increase or reduce consumption of goods and services, or take a loan informally (from family or friends) or formally (from a bank). Asking for *percentage chances* has proved effective in the context of developing countries (Delavande 2023); an example for job-finding probabilities can be found in Delavande and Zafar (2019). Prior beliefs are used

⁶Age, income (household gross and net, personal gross and net), highest educational qualification, gender, race (black, colored, indian, white), employment status (grouped into employed, unemployed and not in labor force) and province.

⁷For unemployment: in 12 months

⁸“Inflation is the rate at which the overall prices for goods and services change over time. If you believe overall prices will decrease, please enter a negative value.”

“The unemployment rate is the percentage of adults who want to work and are capable of working but do not have a job and are looking for one.”

“The GDP growth rate measures by how much a country’s economy is getting bigger, i.e. is producing more goods and services, in a given year. If you expect that the GDP falls, please enter a negative value.”

as reference points. Respondents receive no numerical anchor before their prior beliefs are elicited.

Next, I use hypothetical vignettes to create exogenous variation in inflation expectations. Hypothetical vignettes have become more prominent in the literature on expectation formation in recent years (see for instance Andre, Haaland, et al. 2025; Andre, Pizzinelli, et al. 2022; Fuster and Zafar 2023; Piccolo 2025). Similar to standard information provision experiments (Haaland, Roth, and Wohlfart 2023) hypothetical vignettes create exogenous variation in inflation expectations and test their causal impact on unemployment and growth expectations as well as anticipated behavior. Reported values in response to hypothetical vignettes are typically lower than in classical information provision or incentivized experiments, so my results should be treated as lower bound to the estimated magnitude. I ask participants how credible⁹ they rate the scenario they are given, but find no difference in my results when removing observations that rate the scenario as less likely (Appendix Table A.2). On the other hand, hypothetical vignettes allow me to control the magnitude of inflation changes in relation to the initial prior and test for the role of different shock sources within-subject. Further, they circumvent the problem of aligning prior and posterior questions without asking the respondent the same question twice and confusing them.

Participants are randomly allocated to one of two treatment arms, which will be labeled $\pi_{t+1} \uparrow$ and $\pi_{t+1} \downarrow$. All are summarized in Figure 3 where $\pi_{t+1} \uparrow$ indicates the upper arm, in which inflation expectations are increased and $\pi_{t+1} \downarrow$ the lower arm, in which reference expectations are decreased. First, participants are asked what they believe will be the most likely reason inflation would be higher/lower than their initial forecast. This type of “big picture” question can capture first order considerations (Ferrario and Stantcheva 2022). Then, each participant in $\pi_{t+1} \uparrow$ randomly draws a multiplier $m_u \sim U(1, 2]$ and equivalently each participant in $\pi_{t+1} \downarrow$ randomly draws a multiplier $m_d \sim U[0, 1)$. Hence for arms in $\pi_{t+1} \uparrow$ the scenario strictly increases expectations by no more than 100% of the initial value

⁹Credibility refers to the information treatment and not the credibility of the Central Bank.

while for arms in $\pi_{t+1} \downarrow$ the scenario strictly reduces to no less than 0.¹⁰ The factors are then used in three hypothetical scenarios: open, supply and demand. The first scenario is always open; for the latter two the order is determined randomly. All scenarios are written out below.

Scenario 1: Open *You said that you believe inflation in SA/the US over the next 12 months will be [Prior]%. Assume now that instead, inflation in SA/the US over the next 12 months will be $[m_{u/d} \times \text{Prior}]$ %.*

Scenario 2 or 3: Supply *Assume that the cause of this difference is a(n) decrease/increase in the supply of goods and services. In other words, by firms producing less/more than before.*

Scenario 2 or 3: Demand *Assume that the cause of this difference is a(n) increase/decrease in the demand for goods and services. In other words, by households, firms and the government consuming and investing more/less than before.*

Each participant answers the same posteriors for each scenario. I start with the two remaining macro variables: expected unemployment (in 12 months) and expected GDP growth (over the next 12 months). The survey concludes with the same behavioral responses under the given scenario. Finally, individuals indicate if they are members of a workers union. My design using hypothetical vignettes avoids the issue of confusing participants by asking the same questions twice as they know they respond under a different, hypothetical, scenario. This is designed to directly elicit consumers’ beliefs about the connection between the variables. Using random values for the multiplier in the scenarios may help to identify whether the implied relationship is linear, an implicit assumption in previous information provision experiments. The elicitation is not incentivized due to logistical constraints. However, Haa-

¹⁰Due to the asymmetric nature of the intervention around zero, exceptions must be made for those who expect deflation. Individuals in $\pi_{t+1} \downarrow$ with deflationary expectations get assigned a multiplier randomly drawn from $m_d \sim U(1, 2]$ and in reverse those in $\pi_{t+1} \uparrow$ randomly draw from $m_u \sim U[0, 1)$. Under this correction I maintain the interpretation of the groups as “decreasing” and “increasing” expectations respectively. The share of respondents who expect deflation is small in the US (< 5% in line with Gorodnichenko and Sergeyev 2021) but much larger in SA (23.4%), reflecting a much wider distribution of prior expectations.

land, Roth, and Wohlfart (2023) argue that incentives have little effect on survey beliefs when the domain is non-political and it is not costly to respond truthfully. A summary of all elicited beliefs and demographics can be found in Appendix Table A.1.

The average response time was only recorded for the Online survey, which took about 15 minutes (868 seconds). I exclude responses below 3 minutes (21 participants) to exclude inattentive participants. No participants below this cutoff completed the full survey.

4 Results

I focus my results on the 677 respondents from SA and 678 respondents from the US who completed prior and posterior expectations for inflation, unemployment and GDP growth in the open scenario. There was slightly higher non-response in SA (original sample 1027) than in the US (original sample 955).

4.1 Prior expectations

Before analyzing the effects of the treatment, I start by showing the prior expectations. Figure 4 shows the unweighted distributions of the three macroeconomic variables in both countries: inflation, unemployment and GDP growth. For all variables the distributions between the US and SA differ significantly, despite the same question wording. The only difference between the two settings is that the SA survey is face-to-face. US consumers are more closely clustered around the current value of the respective macroeconomic indicator. For inflation expectations, the prior expectations are similar to those reported in other surveys in the US or Europe (D’Acunto, Malmendier, and Weber 2023; Weber, D’Acunto, et al. 2022). As has been observed before, there are spikes at rounded values (Binder 2017; Reiche and Meyler 2022), which indicate some level of uncertainty. In SA the distribution is more uniform for all four variables.

There is less evidence about household survey expectations in SA than from the US. In a BER

survey used in Reid and Siklos (2022) and Reid, Siklos, and Du Plessis (2021), household inflation expectations appear dispersed and with a heavy right tail but more centered around the observed value than in the survey at hand. However, in the BER survey respondents are primed with historical values which may have a sizable effect on the distribution of household expectations (Reid and Siklos 2022). Further, the data used in these papers is only until 2016 such that the effect of the high inflation after the pandemic is not captured.

While the high and dispersed unemployment expectations in SA (a significant share of respondents reporting values of 50% or higher) may initially appear anomalous, they reflect the country’s structural uncertainty and high historical unemployment rate.¹¹ In addition, the fact that the SA data were collected face-to-face may have narrowed what could otherwise have been an even larger cross-mode gap in response quality. Earlier work comparing face-to-face and web surveys documents that web respondents tend to satisfice more often than interviewer-administered respondents (Heerwegh and Loosveldt 2008), for example, producing higher “don’t-know” rates, more item nonresponse, and less differentiation on rating scales. If SA respondents had been surveyed online instead of in-person, the data quality might have been weaker (Antoun and Presser 2024); thus the in-person mode likely moderated a mode-induced reduction in response quality. The within-subject experimental design relies on measuring the change in quantitative expectations via hypothetical vignettes, which isolates the causal effect of the inflation narrative and effectively nets out this baseline dispersion noise. To ensure extreme tail responses do not distort the causal estimates, all quantitative regression variables in this paper are winsorized at the 2.5 and 97.5% level.

The dispersion in prior beliefs in both countries is related to household characteristics. Table 1 summarizes prior beliefs about inflation (over the next 12 months), unemployment (in 12 months) and GDP growth (over the next 12 months) by household group. Large differences are present that systematically relate to certain characteristics. For inflation ex-

¹¹In a comparison between the US and Argentina (Cavallo, Cruces, and Perez-Truglia 2017) find a much wider distribution for inflation expectations in Argentina which has historically had much higher values for inflation.

pections, women have higher forecasts in both countries (Jonung 1981; Bryan and Venkatu 2001; D’Acunto, Malmendier, and Weber 2021; Reiche 2025). Further, there are differences in expectations by race, with black consumers having the highest forecasts in the US by a large margin while the differences are less stark in SA. Age has a differential effect in the US and SA. While in the US younger participants have higher inflation expectations, the inverse is true in SA. The same pattern passes through to unemployment expectations which are highest for older respondents in SA. This highlights the need for causal identification when investigating the link between inflation and unemployment or growth expectations as correlations may be driven by these types of demographic biases. The demographic differences may be explained by heterogeneous experiences in the economy which have been shown to shape individual beliefs (D’Acunto, Malmendier, and Weber 2023; Malmendier and Nagel 2016; Weber, D’Acunto, et al. 2022). However, the differences in unemployment expectations for the employed versus the unemployed are relatively small. The same is true for young and black South Africans, disproportionately affected by high unemployment. However, all of these groups have more dispersed unemployment expectations, suggesting that negative experiences can lead to a higher degree of uncertainty. Larger differences for these two groups can be found on growth expectations.

4.2 Inflation narratives

Before assigning inflation scenarios, consumers are randomly allocated to either the increasing or decreasing inflation arm and asked to report the most likely causes for inflation to be higher or lower than initially anticipated. Respondents provided open-text answers capturing the shocks they associate with changes in inflation. Out of my total sample of 1355 respondents, 1139 report an interpretable narrative.

To systematically extract structured quantitative insights, I develop a comprehensive narrative codebook to hand-code the open-ended text answers into distinct economic categories. The initial structure of this codebook is adapted from the framework proposed by Andre,

Haaland, et al. (2025) and adapted to the post-pandemic economy as well as extended to the SA case. I introduce several key modifications to tailor the categories to the specific perspectives of lay households rather than experts, and to capture unique themes that emerged prominently within the cross-country sample. The full codebook can be found in the Online Appendix (Section D), the following miscellaneous narratives have been added:

- **Crime:** Captures narratives focusing on corruption, systemic theft, and corporate or governmental fraud as drivers of inflation. This category is highly prominent in SA (with only a single observation in the US) and can be interpreted economically as a real friction or cost channel operating on businesses.
- **Trade and Exchange Rate:** Reflects the idea that currency depreciation or appreciation directly drives domestic consumer price variations. This is also more prominent in the small-open economy case of SA.
- **Trend:** Captures the belief that inflation is inherently persistent and will continue to rise via its own momentum. This replaces the more elaborate *inflation expectations*-narrative from the original paper, which represents a more nuanced concept that was never invoked by respondents in my sample.
- **Ceiling:** Encompasses the structural narrative that inflation must naturally reverse or decline because it has reached a maximum logical or economic peak.
- **Faith and Culture:** Groups non-traditional macroeconomic considerations such as social trust, institutional equity, or divine/religious will.
- **Housing Market:** Captures discussions centered on property prices and mortgages, which are tightly linked to monetary policy transmission through household cost channels. This narrative was only used in the US.

Furthermore, I removed several other expert-centric categories that were never spontaneously chosen by the general public, including *Demand shift* and the *Base effect*, and generalized sev-

eral narrow categories to accommodate a broader range of contemporary structural shocks:

- *Pandemic* is generalized to **Shock** to capture any pandemic, climate, or civil war disruption. This adjustment reflects that while the COVID-19 pandemic had largely receded by the time of the survey, respondents frequently referenced abstract shocks along the lines of “anything like the pandemic.”
- *Ukraine-Russia war* is broadened to **Geopolitics** to encapsulate any international or regional conflict, including subsequent escalations in the Middle East.
- *Pent-up demand* is generalized to **Economic sentiment** to cover broader drivers of consumer optimism and pessimism, including aggregate GDP growth.

Finally, I separated *labor market* into three distinct categories: First, respondents that spoke about the **Labor costs** to firms. These, I classify as supply as in the original paper. Second, respondents that mention how higher wages drive consumption and aggregate demand. These, I classify as **Labor demand**. Finally, I leave respondents that simply mention “unemployment” or “the labor market” but without any structural interpretation as miscellaneous.

To quantify the directional interpretation of these hand-coded responses, I map each category into a directional index following the classification scheme of Andre, Haaland, et al. (2025) with my extensions. Specifically, I partition the categories into demand-driven, supply-driven, and miscellaneous groups. Each demand-side narrative (Government spending, Monetary policy, Economic sentiment, Labor income, and other Demand) is assigned a score of +1, as they reflect expansionary nominal forces. Supply-side narratives (Supply chain issues, Labor cost, Energy crisis, Price-gouging, and other Supply) are assigned a score of −1, representing contractionary cost-push shocks. Miscellaneous, institutional, or highly non-structural narratives (Government, Geopolitics, Government debt, Tax, Shock, Ceiling, Housing market, Trade, Faith/Culture, Trend, Crime, and Labor market) receive a neutral score of 0. For each respondent, an individual-level *narrative scale* is computed as the arith-

metric mean of the scores across all matched categories present in their open-text response. 55 respondents in the US and 160 in SA do not give an interpretable narrative.

Figure 5 plots the distribution of this narrative scale, split by whether respondents were randomly assigned to the increasing (“Up”) or decreasing (“Down”) inflation treatment arm. To formally evaluate whether the narrative distributions diverge across these experimental conditions, I execute two-sample Kolmogorov-Smirnov (KS) tests for both countries.

The empirical results reveal a striking cross-country divergence in how consumers conceptualize the nature of inflation shocks. In the US, there is a stark, statistically significant asymmetry in the narratives deployed by consumers depending on the direction of the prompt. US consumers place a substantially stronger weight on demand-side factors (yielding positive scale values) when explaining why inflation might fall, but shift their narrative focus heavily toward supply-side factors (yielding negative scale values) when explaining why inflation might rise. This distributional divergence is visually apparent in Figure 5a and is strongly confirmed by the KS test, which decisively rejects the null hypothesis of identical distributions ($D = 0.1571$, $p = 0.0007$). This finding highlights a context-dependent, cause-reversing attribution mechanism among US households: demand forces explain disinflation, whereas supply disruptions explain inflation surges. These narratives are well-aligned with recent historical evidence from the COVID-19 pandemic presented in Section 2, where the initial disinflation was substantially driven by demand forces but later supply forces pushed inflation up.

In sharp contrast, SA consumers exhibit a highly homogeneous narrative structure that remains entirely invariant to the directional treatment arm. Whether prompted to consider an inflation increase or decrease, SA respondents consistently interpret price changes through a supply-leaning but mostly miscellaneous lens, heavily emphasizing government failures, crime, and unemployment. The narrative scale distributions across the two arms are virtually identical, and the formal KS test fails to reject the null hypothesis of equal distributions

($D = 0.0637$, $p = 0.4392$). This suggests that in an emerging market environment like SA, where severe supply constraints (such as infrastructure power cuts and high structural unemployment) are persistent and highly salient, the public’s mental model of inflation might become permanently anchored to the supply side.

Table 2 reports the frequency of each narrative category by country and treatment arm to shed light on which demand- and supply-side narratives are most frequently used. In the US (Panel A), respondents in both treatment arms most frequently talk about government factors (miscellaneous), frequently referring to “bidenomics” and the belief that the election will bring change. Some also observe that the election itself may be a driver of inflation. In the increasing inflation scenario (“Up”) the other top narratives are price-gouging and other supply-side drivers. These are perfectly aligned with evidence in (Binetti, Nuzzi, and Stantcheva 2024) who focus on inflationary shocks only and identify “the government” as well as “rising production costs” as key narratives. Conversely, when explaining why inflation would decrease (“Down”), US respondents shift toward demand and monetary drivers, listing monetary policy, and other demand-side factors. In SA (Panel B), the top narratives remain remarkably uniform across both treatment arms: Labor market dynamics and government dominate regardless of scenario direction, alongside crime for inflation increases and supply (residual) for inflation decreases. The latter often refers to the hope that load-shedding may stop providing more energy security across the country.

I perform three robustness exercises to test if my hand-coded narratives are correctly assigned. First, I shed light on the monetary policy and crime narratives in the US and SA respectively. Finally, I validate my results using raw word counts.

4.2.1 Monetary policy narratives in the US

Following Andre, Haaland, et al. (2025) and standard economic textbooks, I classify monetary policy as a demand narrative. However, while many consumers indeed believe in the textbook channels of monetary policy (e.g. “I think inflation could be below 3% if consumer

demand drops due to higher interest rates set by the Federal Reserve.”) there are also consumers with a more supply-side view of monetary policy, also known as the cost-channel (Grigoli et al. 2026; McMahon, Rholes, and Rickards 2026) (e.g. “The high interest rates for housing will be the most likely cause of inflation I think ”).

I find that out of 70 respondents who talk about about monetary policy as a channel that affects inflation, roughly half (33) have an explicit textbook demand-side view, mentioning how raising interest rates will slow down consumer demand and bring down inflation or how too loose monetary policy might overheat the economy and cause inflation. This is followed by 16 respondents with no clear demand- or supply-side view (i.e. mentioning “action by the FED” without any clear direction or channel) and 11 who talk mostly about money supply, arguing that inflation increases when the government or the FED is “printing money”. Only for 10 consumers a clear cost-channel emerges. I therefore maintain the classification of Andre, Haaland, et al. (2025) where monetary policy is interpreted as a demand shock.

However, as described above, I add a miscellaneous housing market channel as additional narrative option, such that consumers that mention how increased mortgage costs contribute to higher inflation are assigned both, monetary policy and a housing market narratives. The housing market narrative, appears most in the US increasing inflation arm but not in SA.

4.2.2 Crime and corruption in South Africa

When examining narrative accounts of corruption and crime in SA, a similar classification challenge arises regarding whether respondents perceive these issues primarily through a demand- or supply-side lens. On the demand side, respondents frequently associate corruption with government expenditure and fiscal mismanagement (e.g., misuse of government funds”, “politicians want to get rich” and allow for “illegal mining activity”). On the supply side, corruption is viewed as a cost-push shock that directly hampers business operations and aggregate supply (e.g., “companies are closing down because of corruption”).

Among respondents who discuss corruption and crime in SA, 25 explicitly articulate a demand-side fiscal narrative centered on government spending, while 13 frame it as a supply-side cost shock affecting firm survival and employment. Crucially, the largest share (51 respondents) provide broad or general accounts of corruption without specifying a distinct macroeconomic transmission channel.

Unlike monetary policy, where a strong textbook baseline exists and empirical responses lean heavily toward the demand channel, corruption in SA exhibits significant structural ambiguity: it simultaneously induces demand-side fiscal inefficiency and supply-side cost burdens, while the vast majority of consumer accounts remain macroeconomically ambiguous. Forcing these qualitative entries into a binary supply-or-demand framework would introduce misclassification bias. I therefore classify corruption and crime as miscellaneous (neither supply nor demand side) to preserve the validity of the primary shock categories.

4.2.3 Unsupervised analysis of raw text

Finally, to validate the robustness of this structured, hand-coded categorization and rule out potential human coding biases, I turn to an unsupervised analysis of raw text frequencies, utilizing wordclouds and n-grams. Reassuringly, these raw text patterns map cleanly into the asymmetric demand-supply structure observed in the US and the uniform miscellaneous, supply-leaning focus documented in SA.

To systematically analyze the responses, I apply a series of preprocessing steps in R using the `tm` and `tidytext` packages. First, all text is converted to UTF-8 encoding to standardize character representations. I then remove numbers, punctuation, and stop words (using the SMART dictionary), convert all text to lowercase, and strip excess whitespace. Words are stemmed using the Porter stemming algorithm to consolidate related terms such as “economic,” “economy,” and “economical” into the common stem “econom”. I further harmonize the vocabulary by mapping specific stems to canonical forms to ensure consistency (e.g., “rais,” “rise,” “high” → “increas”; “low,” “cut,” “reduc” → “decreas”). The

order of words is ignored such that “food price” and “price food” are pooled. To provide additional interpretability, I assigned colors to words based on their economic narrative: **supply-side factors in orange**, **external/global factors in red**, demand-side factors in dark blue, and **government/policy in light blue**, with remaining words in gray. The classification follows roughly the codebook from above.

After preprocessing, I calculate the number of words per response as a measure of response elaboration. The median word count is 2 in SA and 3 in the US, with some respondents providing up to 85 words. Elaboration does not vary systematically across treatments: in both countries participants asked about inflation increases produce responses of similar median length and range as those asked about decreases.¹²

Examining the content of the most frequent n-grams provides insights into how respondents in each country perceive the drivers of inflation. The choice of n-gram length is guided by the median word count of the responses: Because SA responses are shorter, I focus on bigrams, which effectively capture the most informative two-word combinations without overfragmenting the sparse text. In contrast, US responses were slightly longer, so I show trigrams to preserve richer three-word phrases that convey more context and nuance. This approach ensures that I extract meaningful patterns from both datasets while respecting the brevity of the responses. Figures 6a and 6b show the most frequent trigrams for US responses, while Figures 6c and 6d show the most frequent bigrams in SA. Additional wordclouds are provided in the Appendix Figure B.2. Both methods are useful tools for visualizing responses to open-ended survey questions and understanding themes in the consumers’ answers (Ferrario and Stantcheva 2022).

In line with the previous results, the US responses reveal a clear distinction between perceived causes of rising and falling inflation. For scenarios where respondents faced lower-than-

¹²I also conduct robustness checks using word count as a proxy for attention (Smyth et al. 2009) in the second next part of the empirical results, and find no meaningful differences in results between shorter and longer responses (Appendix Table A.2)

expected inflation, the single most frequent trigram was “increase interest rate,” followed by “decrease interest rate” and “decrease consumer demand.” These trigrams are associated with demand-side factors, indicating that US consumers primarily attribute lower inflation to monetary policy interventions or reductions in consumption. In contrast, when respondents faced higher-than-expected inflation, the most frequent trigrams were “supply chain disruption,” “war middle east,” and “product cost increase,” all of which are supply-side factors.

In SA, the pattern is less differentiated. Across both inflation increase and decrease scenarios, the three most frequent bigrams were “unemploy rate,” “price increase,” and “food price,” all reflecting supply-side concerns. While this indicates a consistent focus on supply-side constraints, the lack of differentiation between up- and down-inflation scenarios suggests that SA respondents may perceive inflation more homogeneously, or that the brevity of responses limits the expression of nuanced causal reasoning. Unemployment is highlighted as the most important factor for the health of the economy and is thus seen as important in affecting inflation. Crime and corruption, which is a frequently used narrative in SA appears only in the wordcloud but not in the bigram as it is most frequently used as a stand-alone word not in combination with a second word.

Taken together, these patterns confirm the cross-country contrast in inflation narratives. US respondents exhibit context-specific attribution, assigning demand-side factors to inflation decreases and supply-side factors to increases. SA respondents, by contrast, appear to focus primarily on supply-side pressures irrespective of the direction of inflation, reflecting either a perception of structural constraints or the difficulty of capturing nuanced causal distinctions in very short responses. In the next section, I show in more detail how beliefs about (dis)inflationary shocks feed into beliefs about the labor market and the wider economy.

4.3 Responses to (dis)inflationary shocks

The experimental design allows for a precise estimation of how inflationary shocks shape consumer beliefs about unemployment and GDP growth. In the primary analysis, I focus on the first treatment, the open scenario, in which the cause of inflation is unspecified. The supply- and demand-specific scenarios are reported alongside as complementary evidence.

To quantify belief updating, I compute the percentage change between prior and posterior hypothetical expectations for each variable k :

$$\% \Delta k = \frac{(\text{hypothetical}_k - \text{prior}_k)}{\text{prior}_k}.$$

Table 3 presents the weighted average effect of being in the increasing versus decreasing inflation treatment arm across pooled samples and decomposed by respondents own narrative.

In Panel A, macroeconomic expectations display substantial heterogeneity across countries and narrative framings. In the US, an inflation shock drives a large and statistically significant increase in unemployment expectations. This effect is robust across all narrative arms, but substantially smaller for those with a demand-leaning narrative relative to miscellaneous and supply-leaning. In contrast, SA respondents show no statistically significant unemployment response in either the pooled sample or any specific narrative arm. For GDP growth expectations, pooled treatment effects are close to zero and statistically insignificant in both countries. However, isolating narrative arms reveals important underlying dynamics: In the US those with a supply narrative perceive a weak decrease in GDP growth for inflationary versus disinflationary scenarios but those with demand side narratives hold the opposite view. In SA, when inflation increases are explicitly linked to a supply narrative, expected growth drops sharply. This negative revision disappears under miscellaneous or demand narratives, underscoring that consumers' macroeconomic outlooks depend heavily on the perceived origin of the inflation shock.

Panel B outlines behavioral responses. Across all narratives consumers exhibit sharp, precautionary behavior (Candia, Coibion, and Gorodnichenko 2020). Following an inflation shock, US respondents display a strong reduction in their willingness to increase consumption and a corresponding jump in their likelihood of decreasing consumption. Because consumption responses hold across narratives, these may not influence personal responses largely. To cushion expenditure, US respondents also increase informal and formal loan-taking. Those with a supply narrative are inclined to increase hours worked and those with a demand narrative might accept smaller wages. In SA, aside from a common reduction in consumption in response to inflation, pooled behavioral responses are generally muted. However, narrative breakdown reveals opposing underlying mechanisms. While the pooled effect on accepting a lower wage is zero, respondents with supply narratives become significantly less willing to accept lower wages, whereas those with demand narratives become significantly more willing (similar to the US). Similarly, labor supply responses diverge dramatically: hours worked fall significantly under a supply narrative, but rise under a miscellaneous narrative.

These findings demonstrate that aggregating across narrative framings masks opposing behavioral adjustments in response to inflation shocks. There is an asymmetric and context-dependent way in which consumers update expectations and adjust behavior in response to inflationary shocks, with more theoretically coherent responses observed in the US.

Further, the experimental design allows me to estimate the effect of inflation expectations on expectations about macroeconomic variables and economic behaviors for each scenario in elasticity form. Denote the percentage change in inflation expectations of observation i in country c as $(m_{ic} - 1)$, where m_{ic} is the factor by which prior expectations are multiplied in the experimental design.

I estimate the *average inflation elasticity of variable k* using the following pooled specification

with a US indicator and interaction terms:

$$\% \Delta k_{ic} = \beta_0 + \beta_1(m_{ic} - 1) + \mathbf{1}\{c = \text{US}\} [\gamma_0 + \gamma_1(m_{ic} - 1)] + \varepsilon_{ic}. \quad (1)$$

β_1 captures the percentage change in k associated with a 1% increase in inflation expectations for SA. The interaction terms with $\mathbf{1}\{c = \text{US}\}$ allow this effect to differ for US respondents. An interaction specification is chosen as the main specification to allow for mode effects to be captured by the US dummy γ_0 . The estimates β_1 and $\beta_1 + \gamma_1$ respectively represent the average elasticity across observations. Because treatment assignment is exogenous, demographic controls are not required.¹³ As main analysis, I run this regression over the pooled sample and provide sample splits by treatment arm (up or down) as well as own narrative from the hand-coded narratives discussed above. Finally, I exploit the scenarios given to respondents in the second part of the survey and test if priming respondents by providing them a narrative changes their results. Although consumers must stay longer in the survey to complete this second part, only 35 do not complete the full survey. Finally, I include robust specifications by demographics and attention and with more flexible functional forms separated by country in the Appendix Table A.3.

4.3.1 Macroeconomic expectations

Table 4 summarizes the regression results for model (1). I find that on average increasing inflation expectations are associated with a significant increase in unemployment expectations in the US. However, the average null-result in SA hides opposite effects for increasing and decreasing inflation. The design allows me to separately estimate the effects across the two treatment groups. I find that the effects on unemployment in the US are driven only by the increasing inflation scenario consistent with the narrative results presented above. For SA, inflation increases and decreases are both associated with unemployment decreases.

¹³Different demographic groups may exhibit different effect sizes; this is explored in the next section.

These findings are corroborated through the respondents own narratives. Consumers with a supply narrative are more likely to perceive a positive co-movement of inflation and unemployment in the US. Equivalently, when primed to think about a supply shock the effect size increases relative to a demand shock.

In both countries, there is no evidence of inflationary beliefs affecting expected GDP growth. The only significant effect arises for South Africans with a demand narrative who consistent with their narrative believe that inflationary shocks increase GDP growth.

4.3.2 Behavioral response to hypothetical scenario

The experiment also enables me to examine how macroeconomic beliefs translate into behavioral responses. I replicate the regression framework from above for the elasticity of three types of behavior in response to inflation: (1) consumptions decisions; (2) labor market behaviors including accepting lower or bargaining for higher wages and increasing hours worked; and (3) loan taking behavior. All are presented in Table 5.

Consistent with the averages presented above, the most pronounced behavioral reaction to inflationary shocks appears in consumption decisions. Consumers in both countries associate higher inflation with a lower likelihood of increasing consumption and a higher likelihood of reducing it. This could be a reflection of precautionary savings (Candia, Coibion, and Gorodnichenko 2020) or simply a reflection that consumption is the easiest-to-adjust margin. In SA, the effect is driven by those in the increasing inflation arm predicting a decrease in consumption and those in the decreasing arm predicting an increase in consumption for each decrease in inflation with similar magnitudes: around 0.3% for each 1% change in inflation. In the US the directions are the same with a larger weight on reduced likelihood to increase relative to increased likelihood to decrease consumption. Own supply narratives or being primed with a supply scenario are associated with even bigger effects.

In contrast, labor bargaining plays a smaller role. In both countries, households react more

on the intensive margin, compensating inflation increases with increasing the hours worked. In the US this effect is constant across own narratives and scenarios but in SA mostly prevalent among miscellaneous narratives while much less for supply narratives. The third alternative, taking a loan, is more common in the US than SA. In the US higher inflation is associated with higher loan taking both from official institutions, such as banks and credit cards, as well as from informal sources, such as family and friends.

Overall, my findings suggest that inflation narratives shape not only expectations but also intended household behavior. Consumers primarily adjust consumption rather than wages or credit, with supply-driven inflation generating particularly strong reductions in planned spending. For central banks, this implies that the transmission of inflation shocks may depend on how households interpret their underlying causes.

4.4 Robustness

To test the robustness of the above results, I show whether these are driven by population sub-groups. I also test whether the effects change when consumers receive an explanation for what has caused the hypothetical change in inflation.

4.4.1 The role of demographics

I test whether the results are driven by specific demographic groups. To do so, I disaggregate the regressions by gender (Appendix Table A.2 Panel A), union membership (Panel B), and income (Panel C) and run the baseline specification (1).

Self-identified gender has a significant influence on the results in both countries - but with opposing effects. Following a positive inflation shock, women anticipate a larger increase in unemployment than men, while perceiving no effect on GDP growth in the US. In contrast, in SA, men perceive an increase in unemployment in response to inflation while women expect no change. Regarding union membership, I find no significant differences in unemployment or GDP beliefs in SA, but in the US union members are less likely to anticipate an increase

in unemployment following inflation. Finally, across income groups, I find that in the US low income is associated with a larger inflation to unemployment pass-through. In SA those on low incomes perceive inflation as increasing GDP growth.

4.4.2 The role of attention and credibility

Participants who pay less attention to the results (as proxied by the number of words they use in their open-text answers) or find the treatment less plausible may respond less to the treatment. Appendix Table A.2 Panel D shows the baseline regression (1) for participants who have an above median word count in the open-text response discussed in Section 4.2. For those participants in the US, I find a negative effect of inflation on GDP growth whereas I find a positive effect for those with less complex answers in SA. For unemployment expectations no differences arises.

In contrast, credibility as defined by ranking the possibility of the inflation treatment above median, has no noticeable effect on the results (Appendix Table A.2 Panel E). If anything, the results are slightly stronger for the low credibility group.

4.4.3 Functional forms

My main analysis utilizes a linear model. However, using a continuous experimental design allows me to test for more flexible functional forms. I visualize the average effect for each 0.1 digit change in inflation expectation in Figure 7. For each country, I estimate two further models: a linear model with asymmetry around zero (2) and a model with quadratic and cubed terms (3):

$$\% \Delta k_i = \beta_0 + \beta_1(m_i - 1) + \alpha_0(\pi_{t+1} \uparrow)_i + \alpha_1[(m_i - 1) \times (\pi_{t+1} \uparrow)_i] + \varepsilon_i, \quad (2)$$

$$\% \Delta k_i = \beta_0 + \beta_1(m_i - 1) + \beta_2(m_{ic} - 1)^2 + \beta_3(m_{ic} - 1)^3 + \varepsilon_i. \quad (3)$$

The coefficients are summarized in Appendix Table [A.3](#). Model (2) allows me to test if the differences between the two treatment arms (up and down) are significant. I find that a level shift (α_0), i.e. a discontinuity around zero is significant only for unemployment expectations in the US. Further, results corroborate that unemployment expectations only increase for increasing treatment arms (in line with a supply narrative for increasing inflation). In SA, the overall muted effect is explained by an increase in unemployment expectations for the decreasing arm only and a decrease in unemployment expectations otherwise. The binscatter results of the experimental data suggest that the linear relationship with the asymmetry around the increasing and decreasing treatment arm is a good approximation for the data. Further flexible forms allowed for in (3) do not change the interpretation.

The above section has shown that consumers in both the US and SA tend to revise unemployment expectations upwards when confronted with inflation higher than previously anticipated. The effect is somewhat stronger in the US, where it is also robust to union membership and income and has behavioral implications. Households report that they will reduce consumption when inflation is high and may take a loan from friends and family, but they are not inclined to ask for a higher wage.

4.4.4 Reconciling asymmetric US expectations with existing literature

A prominent finding in the recent literature on subjective inflation expectations is that lay households tend to associate inflation with weak economic conditions and often interpret inflationary episodes through a supply-side lens (Andre, Haaland, et al. [2025](#); Andre, Pizzinelli, et al. [2022](#); Binetti, Nuzzi, and Stantcheva [2024](#); Candia, Coibion, and Gorodnichenko [2020](#); Hajdini et al. [2023](#); Kamdar and Rey [2025](#); Piccolo [2025](#)). While recent evidence has pointed towards more heterogeneous narratives (Reiche and Maffei-Faccioli [2026](#)), a natural question arises: why has the asymmetric pattern documented here for US households—where disinflation is linked to demand cooling while inflation hikes are linked to supply shocks—not

been detected in prior work? I attribute this distinction to my survey design: Most existing surveys either ask respondents to explain a realized inflation episode (Andre, Haaland, et al. 2025), to evaluate specific, hypothetical inflation scenario (Andre, Pizzinelli, et al. 2022; Piccolo 2025) or elicits beliefs in ways that do not distinguish between inflationary and disinflationary scenarios (Binetti, Nuzzi, and Stantcheva 2024; Candia, Coibion, and Gorodnichenko 2020; Hajdini et al. 2023; Kamdar and Rey 2025; Reiche and Maffei-Faccioli 2026). As a result, they are not designed to identify whether households apply different causal models to inflationary and disinflationary environments. When households are asked broadly about the drivers of inflation, visible cost-push factors (e.g., food, energy, supply chain bottlenecks) serve as the default cognitive anchor (D’Acunto, Malmendier, and Weber 2023; D’Acunto, Malmendier, Ospina, et al. 2021).

By explicitly decoupling experimental arms into downward and upward inflation trajectories, my design isolates structural asymmetries. The only paper, to my knowledge, that explicitly contrasts inflationary and disinflationary hypothetical macroeconomic shocks (oil, tax and monetary policy, Piccolo 2025) finds asymmetries in the Netherlands, corroborating my US results. Finally, surveys are always context-dependent. Recent work (Granziera et al. 2025; Weber, Candia, et al. 2025) shows how survey behavior changes with the level of inflation. In my survey, consumers are specifically not asked about a defined period in the past to measure what comes to mind. However, my results are in line with historical evidence on the supply and demand side drivers of inflation suggesting that recent experiences play a large role in shaping narratives of consumers (Malmendier and Nagel 2016; Malmendier and Nagel 2026).

5 Conclusion

A robust finding in recent consumer surveys is the positive relationship between inflation and unemployment expectations, commonly interpreted as evidence that households view inflation through a supply-side lens. This paper contributes by introducing a survey-experimental

design that jointly elicits inflation narratives and identifies the elasticity of unemployment and GDP growth expectations with respect to inflation, and by providing cross-country evidence from the United States and South Africa.

These two countries have had historically different drivers of inflation, with demand factors much more prominent in recent disinflationary episodes in the US. The results show that households interpret inflation in ways consistent with this macroeconomic context. In the US, respondents display asymmetric narratives: inflation increases are associated with supply-side forces, while disinflation is linked to weak demand, implying that deviations from expected inflation are often perceived as negative signals about economic conditions. In SA, narratives are emphasizing overall economic conditions and structural factors but with a stronger supply-side focus. In line with these narratives, higher inflation expectations lead to higher perceived unemployment in both countries, although the adjustment patterns differ across contexts and demographic groups. These belief updates translate into behaviors directly relevant for monetary policy transmission. Rather than increasing wage demands, households primarily reduce consumption in response to higher inflation expectations, with some evidence of increased reliance on credit in the US. This suggests that when inflation is interpreted as signaling adverse real conditions, it may dampen aggregate demand and weaken standard transmission channels, while also limiting second-round wage effects.

The findings have important implications for central banks. First, they suggest that the expectations channel of monetary policy depends not only on the level of inflation expectations but also on how households interpret inflation. Second, they highlight the role of communication: without clear and credible narratives, households may infer overly pessimistic signals from inflation movements, potentially reducing the effectiveness of forward guidance (Blinder et al. [2024](#)). This reinforces calls in the communication literature for simple, accessible explanations of the drivers of inflation (Haldane, Macaulay, and McMahon [2021](#)). Third, the results point to distributional consequences, as some groups respond more strongly to

inflation signals, amplifying heterogeneity in consumption and labor market outcomes (Reiche and Maffei-Faccioli 2026). Finally, in an environment where supply-side shocks become more frequent even in advanced economies, the SA evidence provides an informative benchmark for how inflation narratives may evolve. When inflation is persistently associated with adverse supply conditions, households may develop more uniformly supply-oriented interpretations of inflation, which can strengthen the link between price changes and pessimistic beliefs about real activity. This suggests that recent global experiences with supply disruptions may have lasting effects on expectation formation, making the SA case increasingly relevant for understanding inflation narratives in advanced economies.

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6 Tables

Table 1: Summary statistics of prior beliefs by household group

Group	Inflation			Unemployment			GDP growth			Obs
	Mean	Median	SD	Mean	Median	SD	Mean	Median	SD	
United States										
All	7.06	4	11.03	8.75	5	10.86	4.84	2.5	12.78	678
Age										
< 35 years	9.15	4	14.44	11.38	5	13.35	6.73	3	17.29	221
35 to 54 years	7.07	4	11.17	8.44	5	10.55	4.02	2	10.08	219
≥ 55 years	5.11	3.7	5.64	6.6	4	7.63	3.84	2.5	9.53	237
Sex										
Man	6.18	3.8	9.79	7.71	4.5	9.31	4.82	2.5	12.84	339
Woman	8.05	4	12.24	9.89	5	12.24	4.88	2.05	12.87	330
Race										
Asian	7.29	4	11.08	7.99	5	7.66	7.11	3.1	16.47	40
Black	15.56	5	23.31	18.2	6	20.11	13.83	5	23.3	71
Mixed	5.43	4	4.92	8.8	5	9.04	4.05	2	11.06	64
White	6.02	4	8.18	7.32	4.5	8.54	3.17	2	9.79	451
Labor force status										
Employed	7	4	10.69	8.37	5	10.66	5.09	2.4	10.34	365
Unemployed	6.4	4.9	7.55	8.95	5	9.66	4.61	2	13.4	62
Not in labor force	7.37	4	12	8.6	4.05	11.24	4.74	2.5	16.93	146
South Africa										
All	13.06	13	21.72	55.37	54	28.11	1.79	2	22.74	677
Age										
< 35 years	12.32	12	21.85	54.53	52.5	28.8	-0.24	2	23.37	278
35 to 54 years	12.71	13	21.26	54.34	52	27.69	2.23	2	21.61	342
≥ 55 years	18.82	23	23.32	65.65	71	25.43	9.09	18	24.99	57
Sex										
Man	12.58	13	21.1	54.28	52	27.86	3.13	3	21.71	309
Woman	13.47	13	22.25	56.28	56	28.32	0.67	2	23.55	368
Race										
Asian	26.43	27	12.18	62.07	61.5	24.73	21.57	25	18.34	14
Black	12.44	12	22.48	55.93	55	29.28	0.56	2	23.48	473
Mixed	16.94	17	17.9	55.08	54	26.71	5.13	4	19.08	89
White	10.7	12	21.38	52.06	52	23.81	1.88	8	21.42	101
Labor force status										
Employed	13.29	14	21.06	55.12	54.5	26.13	4.5	6	21.83	380
Unemployed	10.18	10	23.09	54.21	52	30.82	-3.44	-1.5	21.82	198
Not in labor force	17.97	19	20.67	58.63	58	29.76	1.86	2	26.16	99

Table 2: Narrative counts by direction

Panel A: United States				Panel B: South Africa			
Up		Down		Up		Down	
Government	63	Government	104	Labor market	112	Labor market	133
Price-gouging	48	Monetary policy	49	Government	55	Government	67
Supply (residual)	32	Demand (residual)	41	Crime	46	Supply (residual)	52
Geopolitics	29	Economy	36	Economy	42	Crime	43
Government spending	24	Price-gouging	26	Supply (residual)	39	Economy	43
Monetary policy	21	Labor market	25	Energy crisis	31	Energy crisis	23
Shock	20	Geopolitics	22	Demand (residual)	20	Trend	19
Economy	19	Energy crisis	16	Trend	17	Demand (residual)	13
Energy crisis	18	Supply (residual)	15	Trade	11	Trade	11
Labor market	14	Government spending	14	Labor income	10	Ceiling	6
Supply chain issues	14	Supply chain issues	12	Geopolitics	8	Labor cost	6
Demand (residual)	11	Trade	12	Monetary policy	7	Faith/Culture	5
Trade	11	Tax	10	Tax	5	Government spending	5
Government debt	7	Shock	8	Faith/Culture	4	Tax	5
Housing market	7	Ceiling	7	Ceiling	3	Monetary policy	4
Labor cost	7	Labor income	5	Labor cost	2	Labor income	3
Trend	5	Crime	2	Shock	2	Price-gouging	3
Ceiling	2	Government debt	2	Price-gouging	1	Shock	3
Faith/Culture	2	Housing market	2	Supply chain issues	1	Geopolitics	2
Tax	2	Trend	2	Government debt	0	Government debt	1
Labor income	1	Faith/Culture	1	Government spending	0	Supply chain issues	0
Energy prices	1	Labor cost	1	Housing market	0	Housing market	0

Notes: Narratives are taken from the codebook in Section D. Respondents could mention more than one narrative. In the US, 301 respondents in the increasing and 321 in the decreasing inflation treatment arm give a narrative. In SA, the numbers are 253 and 264 respectively.

Table 3: Average Effects in the Unspecified Scenario

	United States				South Africa			
	Pooled	Supply	Misc	Demand	Pooled	Supply	Misc	Demand
Panel A: Macroeconomic Variables								
Unemployment	0.27*** (0.03)	0.27*** (0.07)	0.37*** (0.05)	0.18*** (0.06)	0.04 (0.04)	-0.01 (0.11)	0.03 (0.06)	0.02 (0.09)
GDP Growth	-0.02 (0.10)	-0.24 (0.25)	-0.07 (0.17)	0.08 (0.19)	0.04 (0.21)	-0.89** (0.42)	-0.05 (0.28)	0.63 (0.74)
Panel B: Percentage Chance of Economic Behaviors								
Increase consumption	-0.54*** (0.06)	-0.52*** (0.14)	-0.58*** (0.10)	-0.47*** (0.11)	-0.09* (0.05)	0.08 (0.15)	-0.21*** (0.08)	-0.01 (0.13)
Decrease consumption	0.35*** (0.04)	0.34*** (0.12)	0.43*** (0.07)	0.29*** (0.08)	0.04 (0.05)	-0.16 (0.13)	0.06 (0.07)	0.17 (0.11)
Ask higher wage	0.03 (0.05)	0.11 (0.10)	-0.08 (0.08)	0.11 (0.09)	-0.03 (0.05)	-0.05 (0.14)	-0.07 (0.07)	0.06 (0.13)
Accept lower wage	0.12* (0.07)	0.12 (0.16)	0.08 (0.10)	0.25* (0.15)	0.02 (0.05)	-0.35** (0.14)	0.05 (0.08)	0.25** (0.12)
Increase hours worked	0.14*** (0.04)	0.22** (0.09)	0.09 (0.06)	0.10 (0.08)	0.09* (0.05)	-0.34*** (0.13)	0.22*** (0.07)	0.01 (0.13)
Take informal loan	0.22*** (0.06)	0.45*** (0.14)	0.16* (0.09)	0.17* (0.09)	0.07 (0.05)	-0.02 (0.12)	0.06 (0.07)	0.18 (0.14)
Take formal loan	0.10* (0.05)	0.23* (0.12)	-0.05 (0.09)	0.24** (0.11)	0.00 (0.05)	-0.05 (0.12)	0.06 (0.07)	-0.00 (0.15)
Observations	678	147	289	186	677	97	333	87

Standard errors in parentheses below.

*p<0.1; **p<0.05; ***p<0.01

Notes: The table shows the weighted average effect of being in the increasing vs. decreasing inflation treatment arm on the beliefs about a respective variable for the whole sample as well as across own narratives. Supply means that variable *narrative_scale* (defined in Section 4.2) is below zero, for demand above zero and for miscellaneous exactly zero. The observations across the three narratives don't add up to the pooled sample because some respondents do not provide a narrative.

Table 4: Estimated Elasticities in the Unspecified Scenario

		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel A: %Δ Unemployment									
% $\Delta \mathbf{E}_t \pi_{t+1}$ (SA)	β_1	0.03 (0.03)	-0.15** (0.07)	0.15* (0.08)	0.08 (0.06)	0.03 (0.04)	-0.01 (0.07)	0.02 (0.03)	0.004 (0.03)
% $\Delta \mathbf{E}_t \pi_{t+1}$ (US)	$\beta_1 + \gamma_1$	0.21*** (0.02)	0.20*** (0.07)	0.06 (0.07)	0.20*** (0.05)	0.29*** (0.04)	0.13*** (0.04)	0.21*** (0.03)	0.13*** (0.03)
US	γ_0	0.12*** (0.02)	0.03 (0.06)	-0.03 (0.07)	0.16*** (0.05)	0.07** (0.03)	0.16*** (0.04)	0.15*** (0.02)	0.13*** (0.02)
Residual SE		0.29	0.27	0.28	0.29	0.31	0.27	0.32	0.33
Panel B: %Δ GDP									
% $\Delta \mathbf{E}_t \pi_{t+1}$ (SA)	β_1	0.07 (0.05)	0.16 (0.16)	-0.19 (0.15)	-0.10 (0.11)	0.05 (0.07)	0.29** (0.13)	-0.06 (0.06)	0.05 (0.06)
% $\Delta \mathbf{E}_t \pi_{t+1}$ (US)	$\beta_1 + \gamma_1$	-0.05 (0.04)	0.07 (0.13)	-0.11 (0.11)	-0.12 (0.08)	-0.09 (0.07)	-0.01 (0.07)	-0.07 (0.04)	0.05 (0.05)
US	γ_0	0.02 (0.04)	-0.02 (0.13)	0.13 (0.12)	0.06 (0.08)	0.03 (0.06)	0.08 (0.08)	0.04 (0.04)	-0.01 (0.04)
Residual SE		0.57	0.60	0.53	0.48	0.61	0.52	0.60	0.60
Observations		1,355	662	693	244	622	273	1,324	1,320
Treatment		Pooled	Up	Down	Pooled	Pooled	Pooled	Pooled	Pooled
Own Narrative		All	All	All	Supply	Misc.	Demand	All	All
Scenario		Open	Open	Open	Open	Open	Open	Supply	Demand

Huber robust regressions. Standard errors in parentheses below.

*p<0.1; **p<0.05; ***p<0.01

Notes: Regression results from model (1). For own narrative, supply means that variable *narrative_scale* (defined in Section 4.2) is below zero, for demand above zero and for miscellaneous exactly zero. The observations across the three narratives don't add up to the pooled sample because some respondents do not provide a narrative. For scenario, supply means that the update stems from the posterior belief after suggesting that inflation was caused by reduced production and demand implies increased aggregate demand as cause. Up to 35 respondents didn't complete the second part of the survey and are thus missing for the latter two specifications.

Table 5: Estimated Elasticities for Behavioral Variables

		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel A: %Δ Decrease Consumption									
%Δ $E_t\pi_{t+1}$ (SA)	β_1	0.02 (0.03)	0.29*** (0.09)	-0.09 (0.10)	-0.01 (0.08)	0.02 (0.05)	0.08 (0.07)	0.04 (0.03)	0.06* (0.04)
%Δ $E_t\pi_{t+1}$ (US)	$\beta_1 + \gamma_1$	0.22*** (0.03)	0.03 (0.08)	0.10 (0.08)	0.24*** (0.07)	0.26*** (0.05)	0.18*** (0.04)	0.25*** (0.03)	0.25*** (0.03)
Residual SE		0.33	0.33	0.32	0.34	0.34	0.29	0.33	0.33
Observations		1,287	638	649	233	592	263	1,251	1,251
Panel B: %Δ Increase Consumption									
%Δ $E_t\pi_{t+1}$ (SA)	β_1	-0.12*** (0.04)	0.13 (0.13)	-0.31** (0.12)	-0.01 (0.12)	-0.19*** (0.06)	-0.09 (0.10)	-0.15*** (0.05)	-0.19*** (0.05)
%Δ $E_t\pi_{t+1}$ (US)	$\beta_1 + \gamma_1$	-0.35*** (0.04)	-0.20 (0.13)	-0.18* (0.10)	-0.33*** (0.09)	-0.43*** (0.06)	-0.25*** (0.06)	-0.39*** (0.04)	-0.33*** (0.04)
Residual SE		0.46	0.50	0.41	0.57	0.44	0.39	0.46	0.46
Observations		1,262	614	648	233	573	258	1,200	1,194
Panel C: %Δ Accept Lower Wage									
%Δ $E_t\pi_{t+1}$ (SA)	β_1	-0.004 (0.04)	-0.07 (0.12)	-0.06 (0.13)	-0.20 (0.13)	0.02 (0.05)	0.07 (0.11)	0.01 (0.05)	0.03 (0.05)
%Δ $E_t\pi_{t+1}$ (US)	$\beta_1 + \gamma_1$	0.09** (0.04)	0.10 (0.11)	0.16 (0.11)	0.11 (0.14)	0.07 (0.05)	0.14** (0.07)	-0.00 (0.04)	0.01 (0.04)
Residual SE		0.40	0.41	0.38	0.43	0.38	0.41	0.41	0.40
Observations		1,258	619	639	230	572	260	1,235	1,223
Panel D: %Δ Ask for Higher Wage									
%Δ $E_t\pi_{t+1}$ (SA)	β_1	-0.02 (0.03)	0.08 (0.10)	0.03 (0.10)	0.0001 (0.08)	-0.01 (0.04)	-0.02 (0.09)	-0.06 (0.04)	-0.05 (0.04)
%Δ $E_t\pi_{t+1}$ (US)	$\beta_1 + \gamma_1$	0.02 (0.02)	0.07 (0.08)	-0.19** (0.07)	0.07 (0.05)	-0.03 (0.04)	0.04 (0.05)	-0.02 (0.03)	0.00 (0.03)
Residual SE		0.33	0.33	0.32	0.31	0.34	0.31	0.33	0.33
Observations		1,293	638	655	231	593	267	1,252	1,256
Panel E: %Δ Increase Hours Worked									
%Δ $E_t\pi_{t+1}$ (SA)	β_1	0.04* (0.02)	-0.15* (0.08)	-0.01 (0.07)	-0.32*** (0.06)	0.13*** (0.03)	-0.02 (0.06)	0.05* (0.03)	0.03 (0.03)
%Δ $E_t\pi_{t+1}$ (US)	$\beta_1 + \gamma_1$	0.08*** (0.02)	0.10* (0.06)	0.06 (0.05)	0.11*** (0.04)	0.05* (0.03)	0.08*** (0.03)	0.11*** (0.02)	0.11*** (0.02)
Residual SE		0.27	0.27	0.26	0.27	0.26	0.27	0.26	0.27
Observations		1,295	641	654	240	587	267	1,257	1,256
Panel F: %Δ Take Loan (Official)									
%Δ $E_t\pi_{t+1}$ (SA)	β_1	0.01 (0.03)	-0.0001 (0.10)	-0.09 (0.10)	-0.05 (0.08)	0.07 (0.05)	0.08 (0.09)	-0.01 (0.04)	-0.04 (0.04)
%Δ $E_t\pi_{t+1}$ (US)	$\beta_1 + \gamma_1$	0.06** (0.03)	-0.05 (0.09)	0.00 (0.08)	0.12* (0.06)	-0.02 (0.04)	0.14** (0.06)	0.05* (0.03)	0.08** (0.03)
Residual SE		0.32	0.34	0.30	0.30	0.32	0.31	0.32	0.32
Observations		1,244	607	637	229	559	257	1,200	1,193
Panel G: %Δ Take Loan (Unofficial)									
%Δ $E_t\pi_{t+1}$ (SA)	β_1	0.03 (0.03)	-0.05 (0.09)	-0.12 (0.10)	-0.06 (0.08)	0.02 (0.04)	0.14* (0.08)	-0.01 (0.03)	-0.04 (0.04)
%Δ $E_t\pi_{t+1}$ (US)	$\beta_1 + \gamma_1$	0.12*** (0.03)	0.07 (0.07)	0.14 (0.08)	0.26*** (0.07)	0.07* (0.04)	0.10** (0.04)	0.11*** (0.03)	0.11*** (0.03)
Residual SE		0.30	0.29	0.30	0.30	0.30	0.27	0.30	0.30
Observations		1,231	604	627	225	552	258	1,189	1,196
Treatment		Pooled	Up	Down	Pooled	Pooled	Pooled	Pooled	Pooled
Own Narrative		All	All	All	Supply	Misc.	Demand	All	All
Scenario		Open	Open	Open	Open	Open	Open	Supply	Demand

Huber robust regressions. Standard errors in parentheses below.

*p<0.1; **p<0.05; ***p<0.01

7 Figures

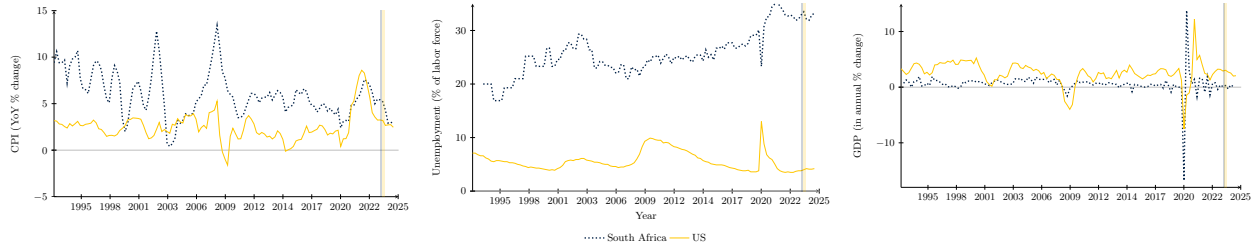
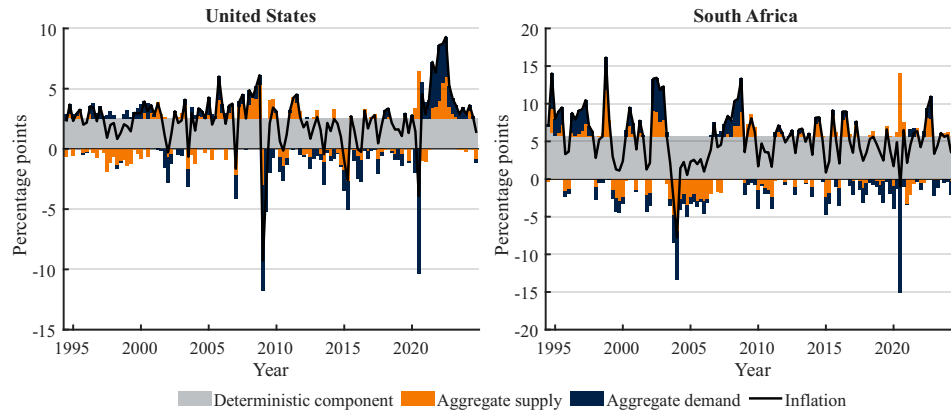
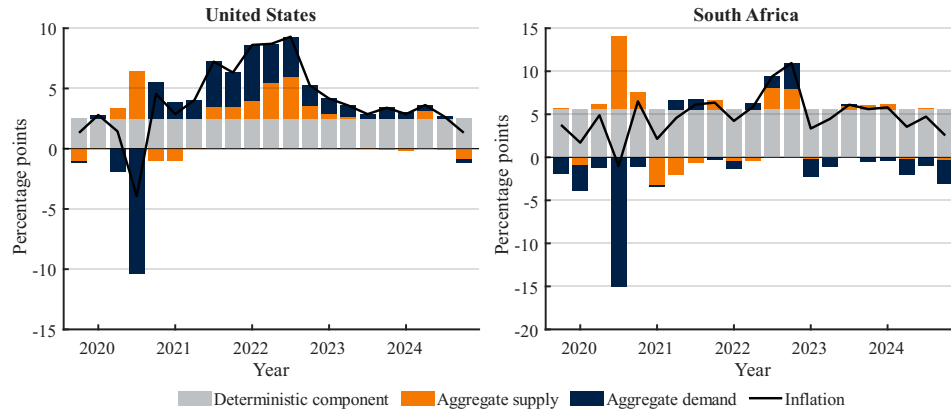


Figure 1: Inflation, Unemployment and GDP Growth in the United States and South Africa

Notes: Blue shaded area is the experimental period in South Africa, yellow shaded area is the experimental period in the United States.



(a) 1993 Q1-2024 Q3



(b) 2019 Q4 - 2024 Q3

Figure 2: Median historical decomposition

Notes: Decomposition based on bivariate SVAR restricted with single-unit-root prior. Methodology adapted from Bergholt et al. (2025).

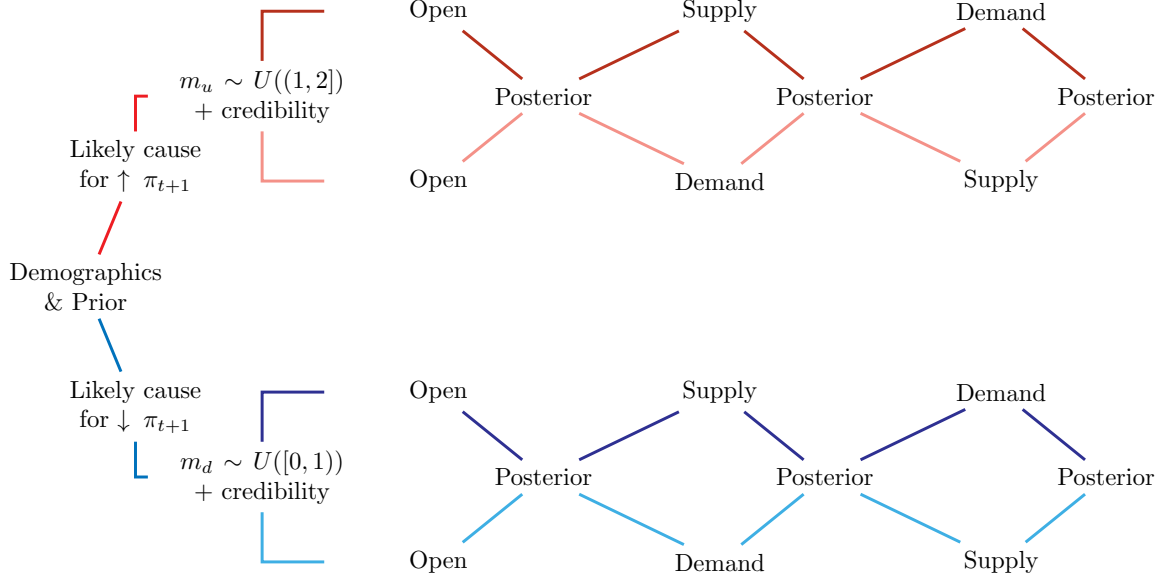


Figure 3: Experimental Design

Notes: Respondents are randomized into one of four treatment arms after demographics and prior expectations are elicited. They are first randomly allocated in the inflation increasing (in red) or decreasing (in blue) arm, after which they draw a multiplier m from a uniform distribution that increases or decreases their prior expectation. They are then presented with three different possible causes for such change and asked about posterior expectations and behavior after each. The first scenario is always open (shock unspecified). The latter two are one supply and one demand side shock where the treatment arm determines the order. Those in the darker colored arms receive supply first, those in the light colored arms receive demand first.

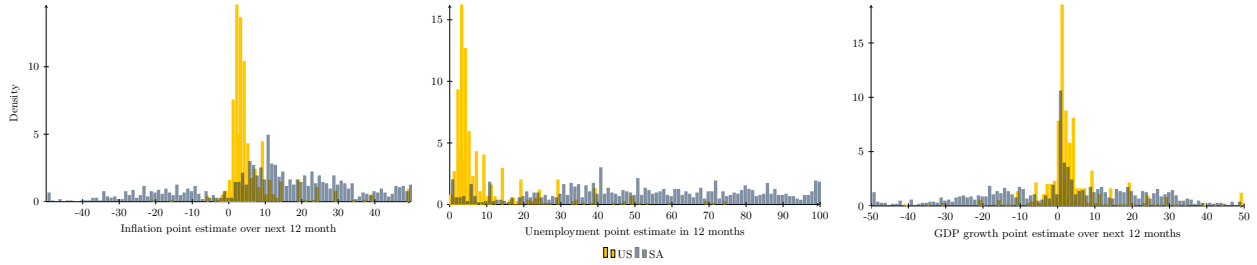


Figure 4: Histograms of Prior Expectations

Notes: Histograms of point estimates (unweighted) for the United States in yellow and South Africa in blue.

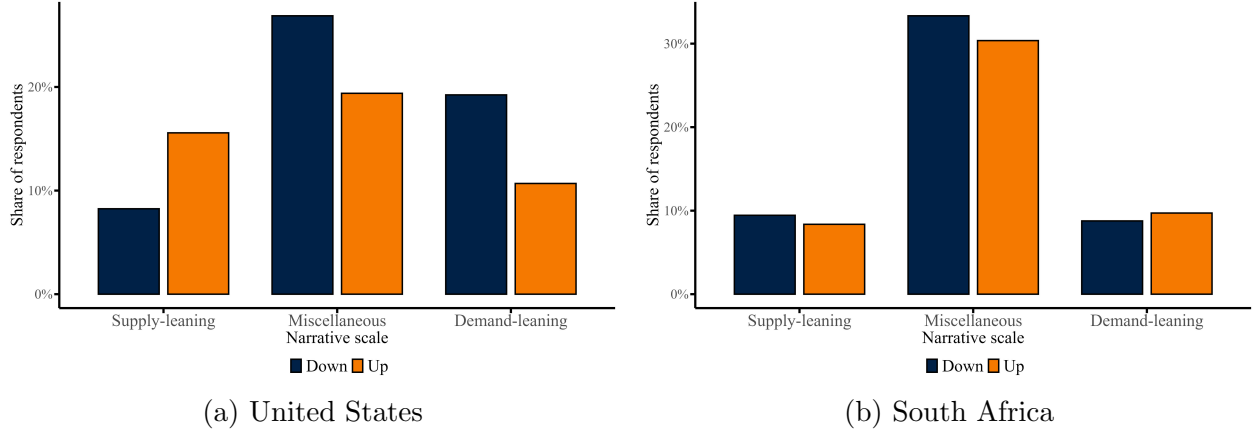


Figure 5: Narrative Scale

Notes: Narrative scale is computed as the arithmetic mean of the scores across all matched categories present in a consumers open-text response. If the mean is greater than zero, I classify the respondent as demand-leaning and for smaller than zero as supply-leaning. Those with exactly zero are classified as miscellaneous. Blue denotes consumers in the decreasing treatment arm and orange in the increasing treatment arm.

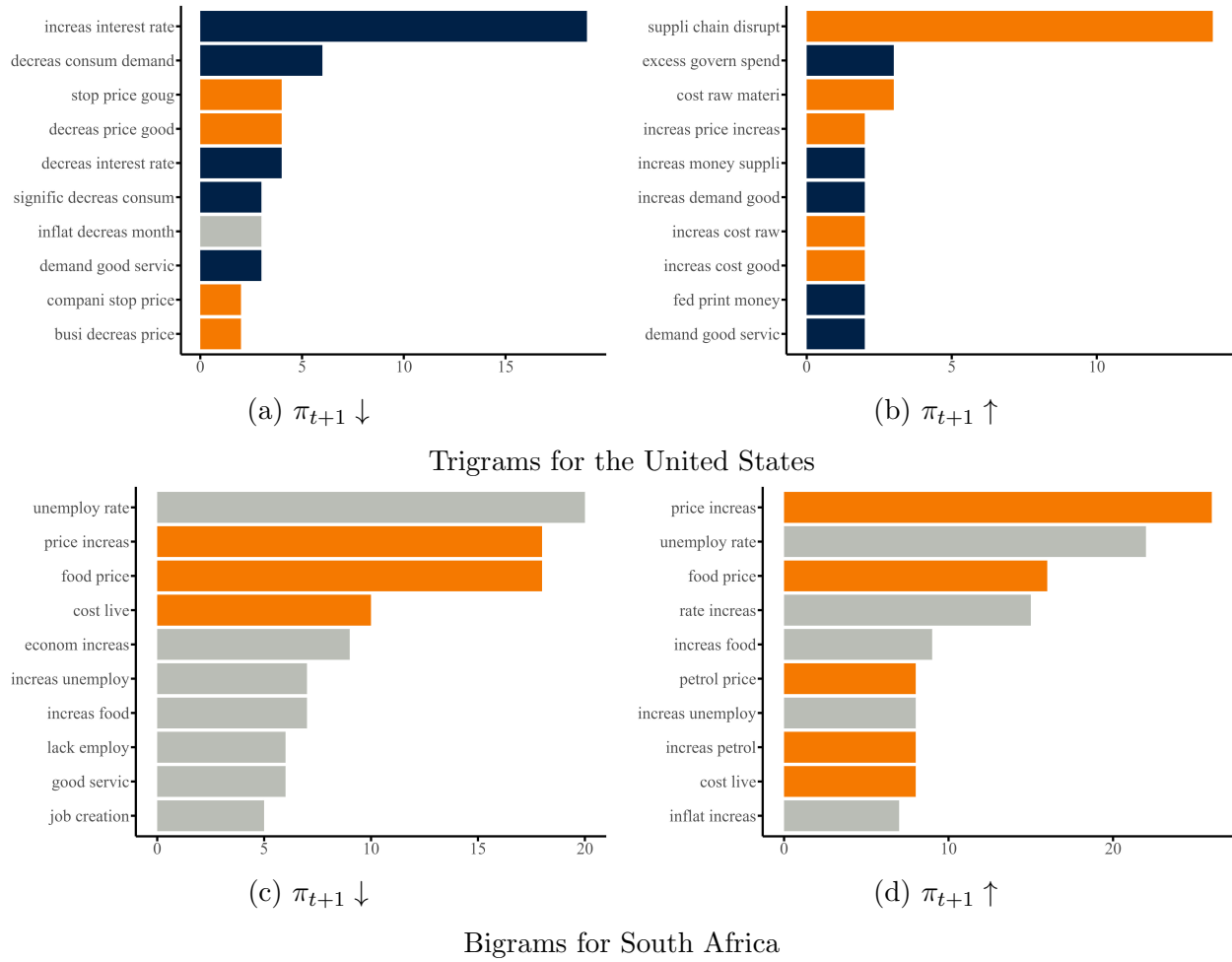


Figure 6: N-grams for the inflation changes

Notes: N-grams based on word-combination counts to the question “What do you think would be the most likely cause for inflation to be lower/higher than your initial forecast?”. Dark blue indicates words associated with demand-side factors, orange with supply-side factors and gray miscellaneous factors.

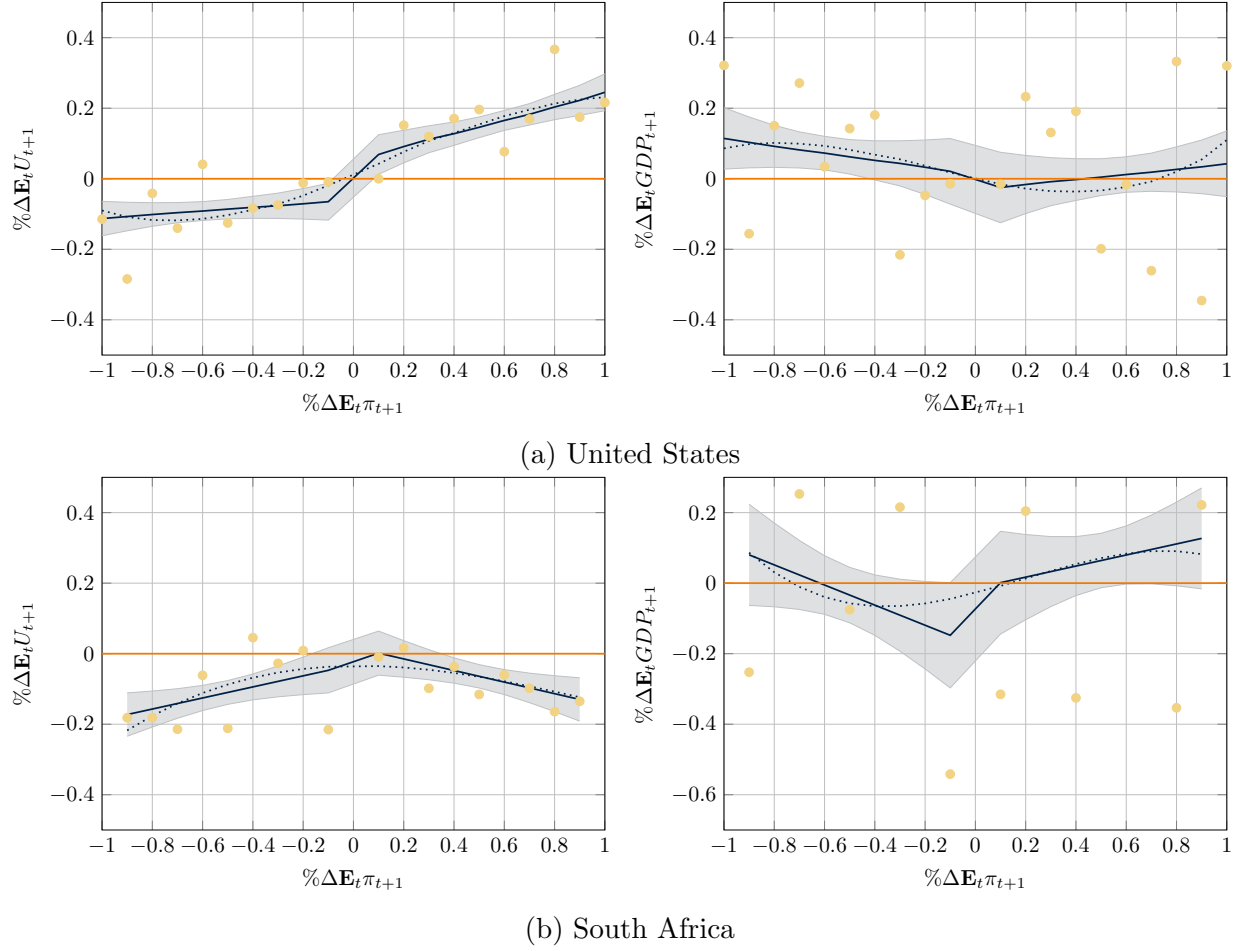


Figure 7: Visualising Estimated Elasticities in the Unspecified Scenario

Notes: The figure plots the predicted regression line (in blue) and a binscatter plot of the responses (in yellow) where each bin is assigned per 0.1 digit change in inflation expectation. The continuous line reflects model (2) and the dotted line a model with quadratic and cubed terms (3). The small discontinuity at $\% \Delta E_t \pi_{t+1} = 0$ reflects the discrete shift in scenario framing between the increasing- and decreasing-inflation vignette arms. The data for the plots can be found in Appendix Table A.3.

A Appendix Tables

Table A.1: Summary of elicited beliefs and demographics

Demographics		Prior beliefs		Posterior beliefs
Age	Inflation	Ask higher wage	Unemployment	Ask higher wage
Gender	Unemployment	Accept lower wage	GDP growth	Accept lower wage
Race	GDP growth	Increase hours		Increase hours
Education		Increase consumption		Increase consumption
Hh Gross Income		Reduce consumption		Reduce consumption
Employment		Take loan (informal)		Take loan (informal)
Region		Take loan (formal)		Take loan (formal)
Union				

Table A.2: Estimated Elasticities in the Unspecified Scenario by Heterogeneous Groups

		%Δ Unemployment		%Δ GDP growth	
Panel A: Gender		Women	Men	Women	Men
%Δ $\mathbf{E}_t\pi_{t+1}$ (SA)	β_1	−0.001 (0.04)	0.06* (0.03)	0.07 (0.07)	0.07 (0.06)
%Δ $\mathbf{E}_t\pi_{t+1}$ (US)	$\beta_1 + \gamma_1$	0.25*** (0.04)	0.18*** (0.03)	−0.02 (0.06)	−0.09 (0.05)
Residual SE		0.33	0.25	0.59	0.54
Observations		698	648	698	648
Panel B: Union Member		Yes	No	Yes	No
%Δ $\mathbf{E}_t\pi_{t+1}$ (SA)	β_1	−0.10 (0.10)	0.04 (0.03)	0.07 (0.16)	0.07 (0.05)
%Δ $\mathbf{E}_t\pi_{t+1}$ (US)	$\beta_1 + \gamma_1$	0.19 (0.12)	0.19*** (0.03)	0.08 (0.13)	−0.05 (0.05)
Residual SE		0.45	0.27	0.67	0.57
Observations		160	1,018	160	1,018
Panel C: Income		Low	High	Low	High
%Δ $\mathbf{E}_t\pi_{t+1}$ (SA)	β_1	0.02 (0.03)	0.07 (0.05)	0.13** (0.06)	−0.13 (0.08)
%Δ $\mathbf{E}_t\pi_{t+1}$ (US)	$\beta_1 + \gamma_1$	0.26*** (0.03)	0.13*** (0.04)	−0.09 (0.05)	0.00 (0.06)
Residual SE		0.30	0.30	0.62	0.50
Observations		876	479	876	479
Panel D: Open-text complexity		High	Low	High	Low
%Δ $\mathbf{E}_t\pi_{t+1}$ (SA)	β_1	0.003 (0.04)	0.05 (0.03)	−0.03 (0.08)	0.11* (0.06)
%Δ $\mathbf{E}_t\pi_{t+1}$ (US)	$\beta_1 + \gamma_1$	0.19*** (0.03)	0.22*** (0.03)	−0.16** (0.06)	0.05 (0.05)
Residual SE		0.29	0.29	0.54	0.57
Observations		532	823	532	823
Panel E: Inflation Scenario Credibility		High	Low	High	Low
%Δ $\mathbf{E}_t\pi_{t+1}$ (SA)	β_1	0.004 (0.03)	0.05 (0.04)	−0.06 (0.07)	0.19*** (0.07)
%Δ $\mathbf{E}_t\pi_{t+1}$ (US)	$\beta_1 + \gamma_1$	0.17*** (0.03)	0.23*** (0.03)	0.00 (0.07)	−0.08 (0.05)
Residual SE		0.24	0.34	0.52	0.63
Observations		642	713	642	713

Huber robust regressions. Standard errors in parentheses below.

*p<0.1; **p<0.05; ***p<0.01

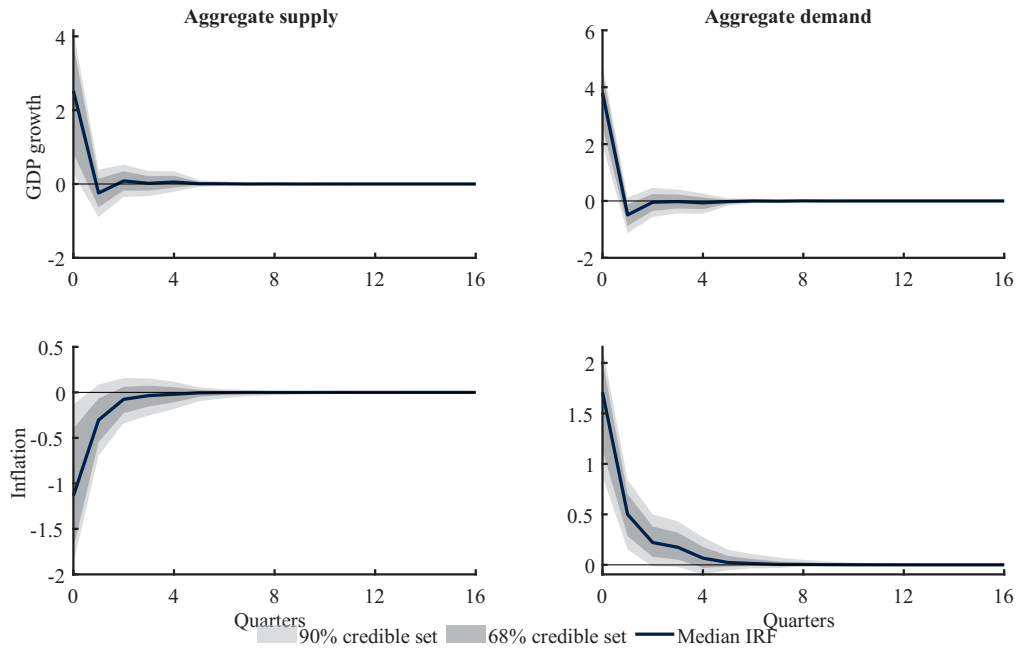
Table A.3: Testing Functional Forms

		%Δ Unemployment			%Δ GDP Growth		
		(1)	(2)	(3)	(4)	(5)	(6)
Panel A: US							
%Δ $\mathbf{E}_t\pi_{t+1}$	β_1	0.20*** (0.02)	0.05 (0.06)	0.29*** (0.05)	−0.05 (0.04)	−0.10 (0.11)	−0.16* (0.08)
($\pi_{t+1} \uparrow$)	α_0		0.11* (0.06)			−0.04 (0.11)	
%Δ $\mathbf{E}_t\pi_{t+1} \times (\pi_{t+1} \uparrow)$	α_1		0.14 (0.10)			0.18 (0.17)	
[%Δ $\mathbf{E}_t\pi_{t+1}$] ²	β_2			0.06 (0.04)			0.10 (0.07)
[%Δ $\mathbf{E}_t\pi_{t+1}$] ³	β_3			−0.13** (0.07)			0.17 (0.11)
Observations		678	678	678	678	678	678
Residual SE		0.27	0.26	0.26	0.46	0.46	0.45
Panel B: South Africa							
%Δ $\mathbf{E}_t\pi_{t+1}$	β_1	0.03 (0.03)	0.16* (0.09)	0.01 (0.07)	0.07 (0.07)	−0.29 (0.22)	0.19 (0.17)
($\pi_{t+1} \uparrow$)	α_0		0.05 (0.07)			0.16 (0.17)	
%Δ $\mathbf{E}_t\pi_{t+1} \times (\pi_{t+1} \uparrow)$	α_1		−0.32*** (0.12)			0.44 (0.30)	
[%Δ $\mathbf{E}_t\pi_{t+1}$] ²	β_2			−0.17*** (0.06)			0.14 (0.15)
[%Δ $\mathbf{E}_t\pi_{t+1}$] ³	β_3			0.05 (0.12)			−0.23 (0.29)
Observations		677	677	677	677	677	677
Residual SE		0.32	0.31	0.31	0.72	0.73	0.72

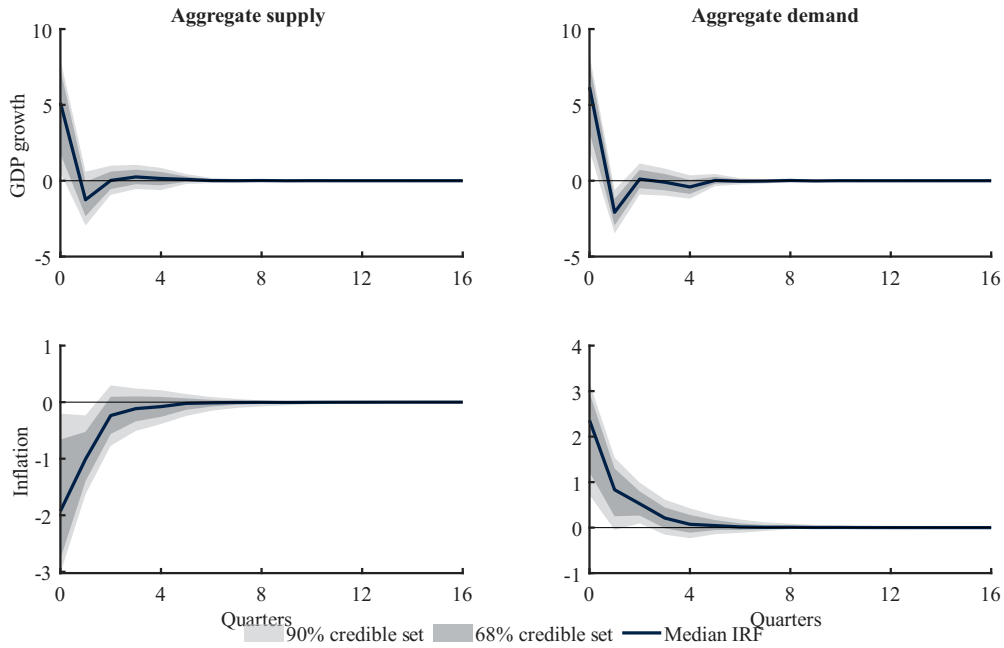
Huber robust regressions. Standard errors in parentheses below.

*p<0.1; **p<0.05; ***p<0.01

B Appendix Figures



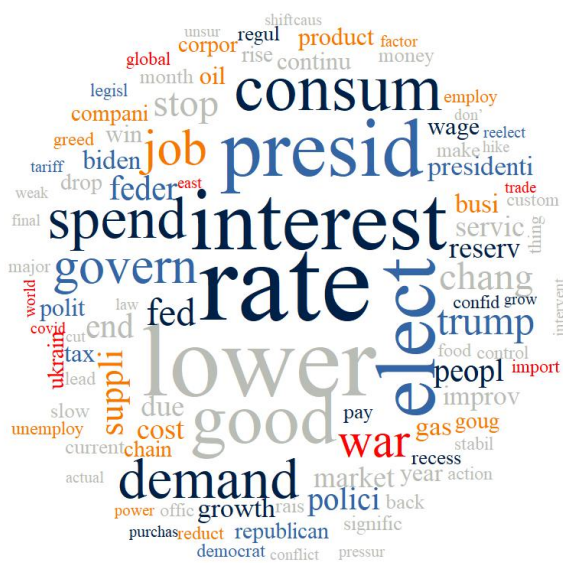
(a) United States



(b) South Africa

Figure B.1: Structural Impulse Responses

Notes: Impulse responses from the estimated structural model. Time in quarters on the x-axes and estimated responses in percentage points on the y-axes. For each horizon, the dark blue line represents the point-wise median response across 1000 draws from the estimated posterior. The shaded areas represent the 90% and 68% posterior credible set.



United States



South Africa

Figure B.2: Wordclouds for the inflation changes

Notes: Word clouds based on word counts to the question “What do you think would be the most likely cause for inflation to be lower/higher than your initial forecast?”

C Online Appendix: Questionnaire

C.1 Consent

General Information The aim of this research is to understand consumers beliefs about inflation and unemployment in South Africa/the US. We appreciate your interest in participating in this Survey. Please read through this information before agreeing to participate (if you wish to) by ticking the ‘yes’ box below.

You may ask any questions before deciding to take part by contacting the researcher. The Principal Researcher is Lovisa Reiche, who is attached to the Department of Economics at the University of Oxford.

In this survey you will be asked about your beliefs about current and future inflation and unemployment in South Africa/the US and your personal employment outlook. This should take about 20 minutes. No background knowledge is required, we are simply interested in your views. There are no right or wrong answers. This information will be used to design more transparent and clear communication of the central bank with the public.

Do I have to take part? No. Please note that participation is voluntary. If you do decide to take part, you may withdraw at any point for any reason. All questions are optional. However, we do encourage you to answer with your best estimate.

How will my data be used? We will not collect any data that could directly identify you. We will take all reasonable measures to ensure that data remain confidential. The responses you provide will be stored in a password-protected electronic file on University of Oxford secure servers and may be used in academic publications, conference presentations, and reports. Research data will be stored for 5 years after publication or public release of the work of the research. The data that we collect from you will be transferred to, stored and processed in the United Kingdom. By submitting your personal data, you agree to this transfer, storing or processing.

Who will have access to my data? The University of Oxford is the data controller with respect to your personal data and, as such, will determine how your personal data is used in the research. The University will process your personal data for the purpose of the research outlined above. Research is a task that we perform in the public interest. Further information about your rights with respect to your personal data is available from <https://compliance.admin.ox.ac.uk/individual-rights>. The data you provide may be shared with the Researve Bank of South Africa. The data will always be anonymized. The results will be written up for an DPhil degree.

Who has reviewed this research? This research has been reviewed by, and received ethics clearance through, a subcommittee of the University of Oxford Central University Research Ethics Committee [ECONCIA23-24-03]. The research has further been reviews by the South African Reserve Bank’s Research Committee.

Who do I contact if I have a concern or I wish to complain? If you have a concern about any aspect of this research, please speak to Lovisa Reiche (lovisa.reiche@economics.ox.ac.uk) or her supervisor Michael McMahon (michael.mcmahon@economics.ox.ac.uk), and we will do our best to answer your query. We will acknowledge your concern within 10 working days and give you an indication of how it will be dealt with. If you remain unhappy or wish to make a formal complaint, please contact the Chair of the Research Ethics Committee at the

University of Oxford who will seek to resolve the matter as soon as possible: Social Sciences & Humanities Interdivisional Research Ethics Committee; Email: ethics@socsci.ox.ac.uk; Address: Research Services, University of Oxford, Boundary Brook House, Churchill Drive, Headington, Oxford OX3 7GB

Do you agree to take part in the survey?

O Yes I agree to take part

O No, I do not agree to take part

C.2 Prior Expectations

Next, we would like to ask you for your expectations about the economy and your personal economic situation in 12 months time. Of course, no one can know the future. These questions have no right or wrong answers - we are interested in your views and opinions

C.2.1 General Economy

- What do you think the rate of inflation in South Africa/the US will be over the next twelve months?

Note: Inflation is the rate at which the overall prices for goods and services change over time. If you believe overall prices decreased, please enter a negative value.

..... percent

- What do you think the rate of unemployment in South Africa/the US will be over the next twelve months?

Note: The unemployment rate is the percentage of adults who want to work and are capable of working but do not have a job and are looking for one. percent

- What do you think the rate of GDP growth in South Africa/the US will be over the next twelve months?

Note: The GDP growth rate measures by how much a country's economy is getting bigger, i.e. is producing more goods and services, in a given year. If you expect that the GDP falls, please enter a negative value.

..... percent

C.2.2 Behavioral response

Assume the economy will be as you predict over the next 12 months. The next questions will ask you about the percent chance of some events happening. Your answers can range from 0 to 100, where 0 means there is absolutely no chance, and 100 means that it is absolutely certain.

- What is the percent chance that you and/or another member of your household will ask your/their employer for a higher wage?

..... percent

- What is the percent chance that you and/or another member of your household will accept a lower wage if asked by your/their employer?

..... percent

- What is the percent chance that you and/or another member of your household will increase the hours worked?

..... percent

- What is the percent chance that you and/or another member of your household will reduce the hours worked?

..... percent

- What is the percent chance that your household will increase your consumption of goods and services?

..... percent

- What is the percent chance that your household will reduce your consumption of goods and services?

..... percent

- What is the percent chance that your household will increase savings such as cash reserves or money saved in a bank account?

..... percent

- What is the percent chance that your household will reduce/use savings such as cash reserves or money saved in a bank account?

..... percent

- What is the percent chance that your household will take a loan from an unofficial source such as friends/family?

..... percent

- What is the percent chance that your household will take a loan from an official source such as a bank?

..... percent

C.3 Hypothetical Vignettes

- *Filter: up*

What do you think could cause that inflation in the next 12 months would be higher than you previously predicted?

.....

- *Filter: down*

What do you think could cause that inflation in the next 12 months would be lower than you previously predicted?

.....

- *Filter: up*

You said that you believe inflation South Africa in the next 12 months will be [Prior]%. Assume now that instead, inflation in South Africa/the US over the next 12 months will be $[Y \sim U(1, 2) \times \text{Prior}]$ %.

- *Filter: down*
You said that you believe inflation South Africa in the next 12 months will be [Prior]%. Assume now that instead, inflation in South Africa/the US over the next 12 months will be $[Y \sim U[0, 1) \times \text{Prior}] \%$.

Scenario explanation in order as specified in treatment arm.

1. Assume that the cause of this difference is a(n) decrease/increase in the supply of goods and services. In other words, by firms producing less/more than before. I will ask you now about your beliefs under such a scenario.
elicit posterior
2. Assume that the cause of this difference is a(n) increase/decrease in the demand for goods and services. In other words, by households, firms and the government consuming and investing more/less than before. I will ask you now about your beliefs under such a scenario.
elicit posterior

C.4 Posterior Expectations

C.4.1 General Economy

- What do you think the rate of unemployment in South Africa/the US would be over the next twelve months?
..... percent
- What do you think the rate of GDP growth in South Africa/the US would be over the next twelve months?
Note: If you expect that the GDP falls, please enter a negative value.
..... percent

C.4.2 Behavioral response

Continue to assume that [inflation/unemployment] in the next 12 months will be $[Y \times \text{Prior}] \%$. We would like to hear how you think you and your household would react to such a situation.

- If applicable: What is the percent chance that you and/or another member of your household would ask your/their employer for a higher wage?
Your answers can range from 0 to 100, where 0 means there is absolutely no chance, and 100 means that it is absolutely certain.
..... percent *Filter: if different from prior*
Why did you increase/decrease the percent chance relative to the economy with [Prior] % [inflation/unemployment]?
.....
- If applicable: What is the percent chance that you and/or another member of your household would accept a lower wage if offered by your/their employer?
Your answers can range from 0 to 100, where 0 means there is absolutely no chance, and 100 means that it is absolutely certain.

..... percent *Filter: if different from prior*

Why did you increase/decrease the percent chance relative to the economy with [Prior]% [inflation/unemployment]?

.....

- If applicable: What is the percent chance that you and/or another member of your household would increase the hours worked?

Your answers can range from 0 to 100, where 0 means there is absolutely no chance, and 100 means that it is absolutely certain.

..... percent *Filter: if different from prior*

Why did you increase/decrease the percent chance relative to the economy with [Prior]% [inflation/unemployment]?

.....

- If applicable: What is the percent chance that you and/or another member of your household would reduce the hours worked?

Your answers can range from 0 to 100, where 0 means there is absolutely no chance, and 100 means that it is absolutely certain.

..... percent *Filter: if different from prior*

Why did you increase/decrease the percent chance relative to the economy with [Prior]% [inflation/unemployment]?

.....

- What is the percent chance that your household would reduce your consumption of goods and services?

Your answers can range from 0 to 100, where 0 means there is absolutely no chance, and 100 means that it is absolutely certain.

..... percent *Filter: if different from prior*

Why did you increase/decrease the percent chance relative to the economy with [Prior]% [inflation/unemployment]?

.....

- What is the percent chance that your household would increase your consumption of goods and services?

Your answers can range from 0 to 100, where 0 means there is absolutely no chance, and 100 means that it is absolutely certain.

..... percent *Filter: if different from prior*

Why did you increase/decrease the percent chance relative to the economy with [Prior]% [inflation/unemployment]?

.....

- What is the percent chance that your household would increase savings such as cash reserves or money saved in a bank account?

Your answers can range from 0 to 100, where 0 means there is absolutely no chance, and 100 means that it is absolutely certain.

..... percent *Filter: if different from prior*

Why did you increase/decrease the percent chance relative to the economy with [Prior]%

[inflation/unemployment]?

.....

- What is the percent chance that your household would reduce/use up savings such as cash reserves or money saved in a bank account?

Your answers can range from 0 to 100, where 0 means there is absolutely no chance, and 100 means that it is absolutely certain.

..... percent *Filter: if different from prior*

Why did you increase/decrease the percent chance relative to the economy with [Prior]% [inflation/unemployment]?

.....

- What is the percent chance that your household will take a loan from an unofficial source such as friends/family?

Your answers can range from 0 to 100, where 0 means there is absolutely no chance, and 100 means that it is absolutely certain.

..... percent *Filter: if different from prior*

Why did you increase/decrease the percent chance relative to the economy with [Prior]% [inflation/unemployment]?

.....

- What is the percent chance that your household will take a loan from an official source such as a bank?

Your answers can range from 0 to 100, where 0 means there is absolutely no chance, and 100 means that it is absolutely certain.

..... percent *Filter: if different from prior*

Why did you increase/decrease the percent chance relative to the economy with [Prior]% [inflation/unemployment]?

.....

C.5 Demographics

To start, we would like to ask you some questions about you and your household.

C.5.1 Recorded by the syndicate survey in SA

The syndicate survey run by MarkData elicits age, income (household gross and net, personal gross and net), highest educational qualification, gender, race (Black, Colored, Indian, White), marital status and employment status.

C.5.2 Additional questions

- *Filter: only those in full-time, part-time or casual employment and those on leave planning to return to work*

Which professional status currently applies to you?

O Non-salaried employee, including in agriculture

O Salaried employee in private sector

- ☐ Salaried employee in public sector or civil servant
 - ☐ Self-employed or entrepreneur (including self-employed farmer)
 - ☐ Trainee/intern
 - ☐ Unpaid family worker
 - ☐ Other
- *Filter: only those in full-time, part-time or casual employment and those on leave planning to return to work*
- Are you a member of a workers union?
- ☐ Yes
 - ☐ No
 - ☐ Don't know

D Online Appendix: Codebook

Table D.1 – continued from previous page

Category	Explanation	Example: Andre et al.	Example: US	Example: SA
Demand				
Government spending	Increases or decreases in government spending (e.g., stimulus payments, foreign aid, or national debt-funded budgets).	“Stimulus checks were given to all middle income families. A second round of stimulus checks were also given to all families by the new administration”	“More fiscal policies (perhaps if Biden keeps cancelling more student debt?)” (up); “Sending more money overseas to fight some new “war” we, as a country, have no business fighting (up)”	“Lack of funds management” (up); “Government reduces spending (down)”
Monetary policy	Loose or tight monetary policy implemented by the central bank (e.g., Federal Reserve rate decisions, money supply).	“The Federal Reserve increasing the amount of money in the economy”	“If the government keeps on increase interest rates” (down)	“People are not doing good savings as before because of the high interest rate” (up); “The money supply can directly affect prices” (down)
Economic sentiment*	Higher/lower GDP, overall economic growth or downturns, and general optimism or pessimism about the economic future.	“[...] now that the lockdowns have ended, the demand is there and more people are trying to get their lives back”	“Worse economic forecasts or negative world events” (up); “A recession that results in consumers having less purchasing power” (down)	“The economy is not stable that leads to high inflation” (up); “The GDP will improve and that will cause inflation to be less” (down)
Labor income	Higher wages increase household disposable income and consumer spending, whereas lower income/poverty suppresses aggregate demand.	NA	“The increase in wages cause people to continue to spend, which is an increase in demand which cause prices to rise” (up)	“More jobs and higher wages increase household incomes and lead to rise in consumer spending” (up); “The problem is that the money we get paid here is small wages so it’s tough for us” (down)

Table D.1 – continued from previous page

Category	Explanation	Example: Andre et al.	Example: US	Example: SA
Demand (residual)	Increases or decreases in aggregate demand that cannot be directly attributed to other specific demand channels.	“That people are buying a lot more products ”	“Businesses lowering prices because of lack of customers” (down)	“Because of all the tourist moving to SA” (up); “If investors can invest in South Africa” (up); “I think there will be a realization that things are getting too expensive, and nobody can afford anything” (down)
Supply				
Supply chain issues	Disruption of global supply chains, shipping bottlenecks, or weather/climate impacts on agricultural yields.	“[...] containers sitting at docks waiting for pick up”	“Climate change-related weather disasters causing bad agricultural outcomes and supply line disruptions” (up)	“Supply chain disruptions [...]” (up)
Labor cost*	Shortage/surplus of workers (e.g., labor participation drops, immigration), leading to wage-push cost pressures on businesses.	“People are less motivated to work currently, causing businesses to hike up rates, and offer a higher wage to attract employees.”	“If there is strong wage growth across the economy, it could lead to higher production costs for businesses, which may be passed on to consumers in the form of higher prices” (up)	“If the wage and price can be controlled” (down)
Energy crisis	Global energy shortages, rising oil and natural gas prices, or local grid instability increasing production and transport costs.	“I think the rising cost of gas has caused the inflation rate to rise on other products.”	“[...] the price of oil to go down, thereby reducing the cost of gasoline and transportation costs for consumer goods” (down)	“The power situation in South Africa. There is an increase in plants relocating to other parts of the world because the situation here is not productive” (up)

Table D.1 – continued from previous page

Category	Explanation	Example: Andre et al.	Example: US	Example: SA
Supply (residual)	Negative or positive supply-side production constraints other than direct labor shortages, supply chains, or energy.	“[...] less production in goods”	“Problems internationally and weather disasters limiting goods thus rising prices” (up)	“It depends on the manufacturing industry if they supply more or less produce and also the prices of food going up” (up); “If there can be more opportunity of farming land being given to the people and skills being built then surely inflation will be less” (down)
Miscellaneous				
(Health) Shock	The COVID-19 pandemic, global pandemic recession, government lockdowns, and related economic recovery measures.	“The pandemic was the beginning factor. It caused the economy to shut down and thus caused the beginning of ”	“[...] another pandemic” (up); “Economy growth now that we are a few years away from covid” (down)	“[...] and covid” (up)
Government*	Explicit reference to policy achievements or failures, administrative corruption, political parties, or election cycles.	“I think Joe Biden and the Democratic Party are at fault for the inflation increasing so rapidly. ”	“Elections year I feel like the inflation always goes up” (up); “If Republicans win the white house it will go down” (down)	“The only way that a lower inflation rate can be achieved is if the ruling party realized that they cannot run the country on their own and they need assistance from the other parties” (down)

Table D.1 – continued from previous page

Category	Explanation	Example: Andre et al.	Example: US	Example: SA
Geopolitics*	International military conflicts (e.g., Russia-Ukraine war), sanctions, foreign aid spending, or global geopolitical tensions.	“[...] the war in Ukraine has a lot to do with the inflation rate as well because of the sanctions with Russia”	“More money being sent to another country” (up)	“Wars happening around the world” (up); “To be honest things are bad everywhere in the world, we are just hoping for the best and that things will change soon” (down)
Tax	Changes in tax policy (e.g., VAT hikes/cuts, corporate taxes) or government subsidies to firms/consumers.	“Our prices rise because of the tax increase.”	“If taxes are lowered and regulations are decreased” (down); “If the government helps subsidize goods” (down)	“The people don’t pay tax” (up); “The decrease food prices and vat” (down)
Price-gouging	Corporate profit-seeking, market exploitation post-pandemic, price-gouging, or calls for free-market regulation and price controls.	“I think that companies used the COVID pandemic to increase their profits so they could make up for lost profit during the shut down”	“Price gouging on consumer goods” (up); “Finally forcing corporations to stop price gouging and make them participate in a true free market” (down)	“Increase of the rent to the production company” (up)
Trade	Fluctuations in exchange rates (appreciation/depreciation of currency) and trade balances (imports vs. exports) impacting domestic prices.	NA	“[...] trade routes being compromised [...]” (up); “Value of the dollar decreasing” (up); “A reduction in import costs for goods from other countries” (down)	“I think that South Africa does more export than import. They aren’t enough goods and services that is kept for us, and the prices of local products are increasing because of the value of the rand” (up)

Table D.1 – continued from previous page

Category	Explanation	Example: Andre et al.	Example: US	Example: SA
Crime	Impact of criminal activity, theft, systemic corruption, and lawlessness on business operational costs and economic stability.	NA	“People stop stealing and spending” (down).	“Because there is a lot of corruption in the country and a lot of criminal activities happening” (up); “[...] the economy is being ruined by corrupt people” (up)
Labor market	Broad links between general unemployment levels and inflation (e.g., Phillips curve dynamics) without explicit supply/demand channels.	NA	“I think unemployment will rise and this will cause inflation to go higher” (up); “[...] how can our economy improve when we have so many unemployed people [...]?” (up)	“As the unemployment rate arises, obviously the inflation rate will rise” (up); “The employment that people are currently getting from political parties because of campaigns” (down)
Trend	Emphasis on the persistence of inflation	NA	“The economy trending in the same direction it has been.” (up); “[...] it went to 6% at one time, but has gone down since last year, so maybe the trend it is currently on [...]” (down)	“Because most of the time prices increase every month and they never go down” (up)
Ceiling	Assumption of a mean-reverting process	NA	“Hopefully the prices will plateau and stop rising so much [...]” (up); “Current prices are so high that a slight reduction seems feasible. ” (down)	“Definitely will [go down] because we can’t stay in a struggle with high inflation.” (down)

Table D.1 – continued from previous page

Category	Explanation	Example: Andre et al.	Example: US	Example: SA
Housing market	Rising property prices, rents and mortgages as driver of (dis)inflation.	NA	“[...] Failure to resolve housing crisis; continued increases in the cost of new building, etc.” (up); “higher mortgage rates” (down)	NA
Faith/Culture	Cultural spending norms, ethical/moral consumer behavior, religious factors (e.g., “acts of God”), or social dynamics.	NA	“People are buying on credit without thinking of the consequences” (up); “An act of god” (down)	“Things will change only if the white people stop manipulating the black people” (down)

6

The codebook is based roughly on the codebook in Andre, Haaland, et al. (2025). * indicates that a category was changed from the definition in the original codebook. Those denoted with NA in the example column are additions to the original codebook.