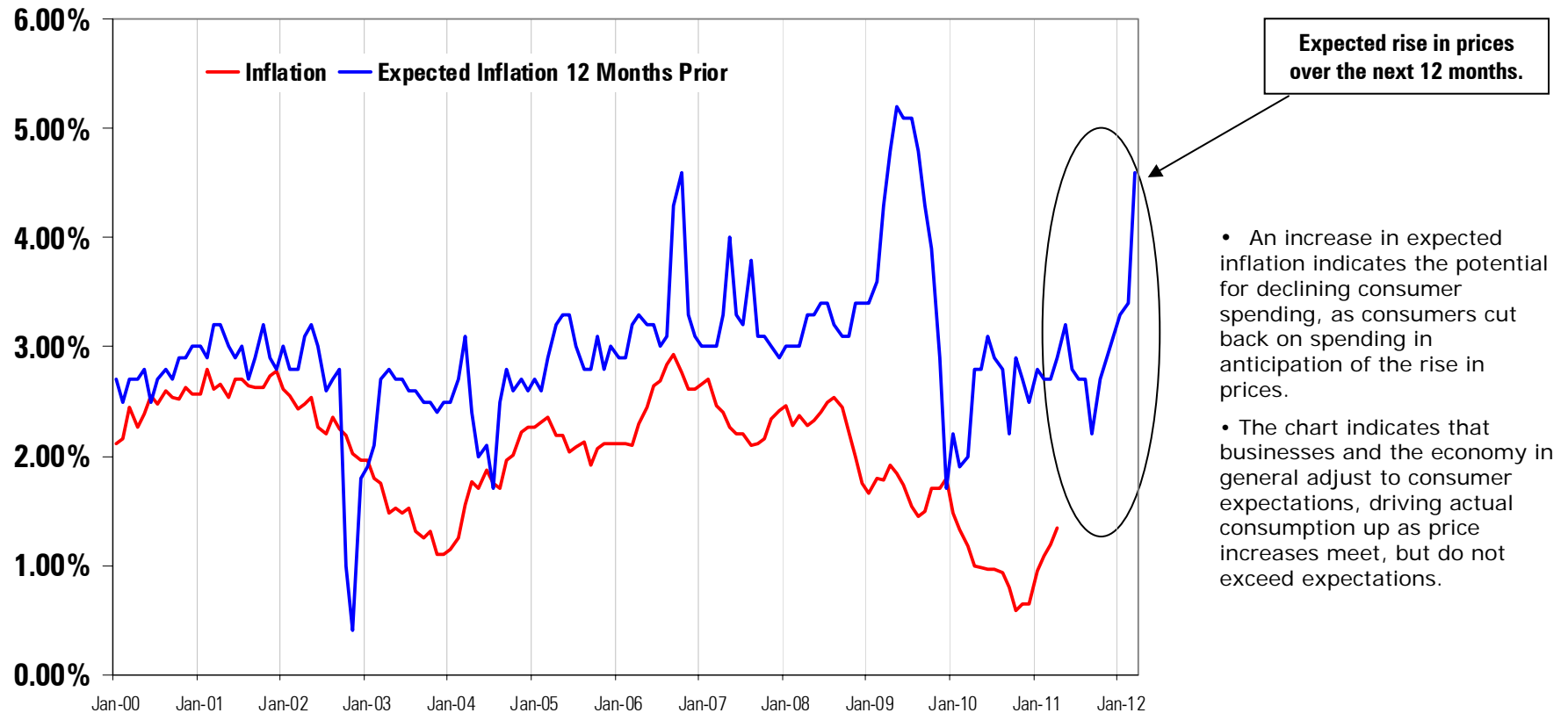


# Taking Stock Part IV: Businesses Follow Consumers' Lead on Inflation

## Inflation: Expected Vs. Actual



- An increase in expected inflation indicates the potential for declining consumer spending, as consumers cut back on spending in anticipation of the rise in prices.
- The chart indicates that businesses and the economy in general adjust to consumer expectations, driving actual consumption up as price increases meet, but do not exceed expectations.

Annual % change in Consumer Price Index Ex-Food and Energy  
Thompson Reuters/University of Michigan Inflation Expectation Index  
Data from [www.stlouisfed.org](http://www.stlouisfed.org).