



Bank of Russia



INFLATION EXPECTATIONS AND CONSUMER SENTIMENT

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Information and analytical commentary

27 April 2024

INFLATION EXPECTATIONS AND CONSUMER SENTIMENT (APRIL 2024)

In April 2024, the indicators of inflation expectations were changing diversely. The median estimate of households' inflation expectations for the next 12 months lowered to 11.0% in April month-on-month, according to InFOM's survey. The median of long-term expectations for the next five years edged down as well, namely to 9.8%. Conversely, companies' price expectations for the next three months were up. Implied inflation for inflation-indexed federal government bonds (OFZ-IN) for the next four years rose to 7.4%. Analysts' forecasts for the end of 2024 remained unchanged in April at 5.2%. Analysts' medium-term expectations stay anchored to the inflation target. The Bank of Russia forecasts that given the monetary policy pursued, annual inflation will decrease to 4.3–4.8% in 2024 and stay close to 4% in 2025.

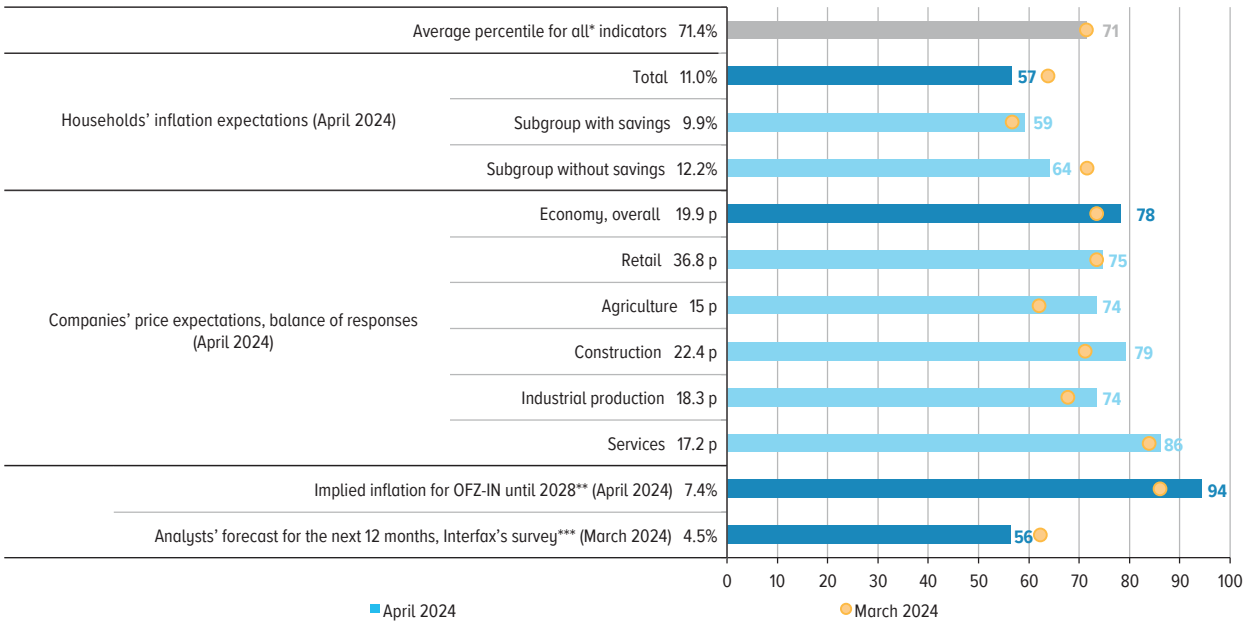
INDICATORS OF INFLATION EXPECTATIONS

	Expectations horizon	2021 average	2022 average	2023 average	2023 Q4 average	2024 Q1 average	February 2024	March 2024	April 2024	Average over the past three months
Inflation, %		6.7	13.8	5.9	7.2	7.6	7.7	7.7		
Inflation observed by households, Public Opinion Foundation, %										
Median	previous 12 months	15.1	19.6	14.5	15.3	15.5	15.2	14.8	14.4	14.8
Subgroup with savings	previous 12 months	13.2	16.8	13.0	13.3	13.5	13.5	13.0	13.1	13.2
Subgroup without savings	previous 12 months	16.3	22.0	15.9	17.2	17.3	17.0	16.7	15.7	16.5
Households' inflation expectations, Public Opinion Foundation, %										
Median	next 12 months	12.1	12.9	11.5	12.5	12.0	11.9	11.5	11.0	11.4
Subgroup with savings	next 12 months	10.6	11.3	10.2	10.8	10.5	10.5	9.8	9.9	10.1
Subgroup without savings	next 12 months	13.3	14.2	12.7	14.3	13.5	13.5	12.9	12.2	12.9
Median for the next five years	next five years			10.5	11.2	9.7	9.3	10.0	9.8	9.7
Companies' price expectations, Bank of Russia's monitoring of businesses, balance of responses										
Companies, total	next three months	20.1	21.7	19.4	22.9	20.0	19.2	18.7	19.9	19.3
Retail	next three months	38.8	38.9	38.6	42.8	36.0	34.1	36.5	36.8	35.8
Implied inflation for OFZ-IN (monthly average), %										
OFZ-IN 52002, February 2028	next four-year average	4.2	6.3	7.2	7.7	6.8	6.5	6.9	7.4	6.9
OFZ-IN 52003, July 2030	next six-year average	4.3	6.5	7.4	7.6	6.8	6.5	6.9	7.4	6.9
OFZ-IN 52004, March 2032	next eight-year average		6.7	7.6	7.8	7.0	6.8	7.1	7.6	7.2
OFZ-IN	2028–2030 average	4.4	6.7	7.9	7.3	6.7	6.5	7.0	7.3	6.9
OFZ-IN	2030–2032 average		7.6	8.5	8.7	8.0	8.0	8.0	8.6	8.2
Analysts, %										
Survey by the Bank of Russia	2024		4.4	4.4	5.1	5.1	4.9	5.2	5.2	
Interfax	2024			4.8	5.2	5.2	5.2	5.3		
Survey by the Bank of Russia	2025			4.0	4.0	4.1	4.0	4.1	4.1	
Interfax	2025						4.3	4.5		
Survey by the Bank of Russia	2026			4.0	4.0	4.0	4.0	4.0	4.0	

Sources: Rosstat, InFOM, Bank of Russia, Interfax, Moscow Exchange.

INDICATORS OF INFLATION EXPECTATIONS IN PERCENTILES RELATIVE TO DISTRIBUTION OF VALUES SINCE 2017

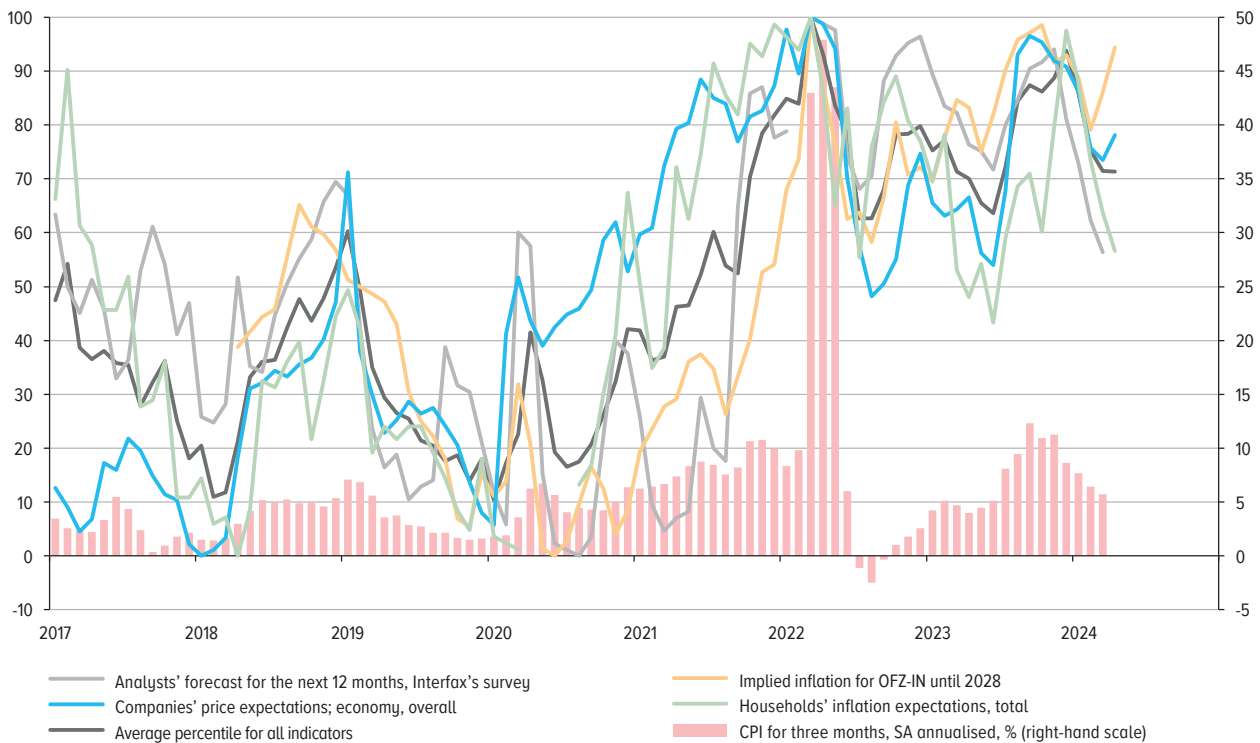
Chart 1



* The average of percentiles of households' inflation expectations (total), companies' price expectations (the economy overall); implied inflation for OFZ-IN until 2028, and analysts' forecast for the next 12 months.
 ** Percentiles for implied inflation are specified relative to the distribution of values since April 2018.
 *** Analysts' prediction for the next 12 months is made using forecasts for this and subsequent years, taking into consideration actual and expected inflation since the beginning of this year.
 Note. The chart shows the percentiles of inflation expectation indicators for the current and previous months in the distribution observed since January 2017. The percentiles as of the previous date are highlighted in yellow, and the percentiles as of the current date are shown as the grey, blue and light blue bars. A shift in the indicator to the left relative to the previous date means lower inflation expectations, and its shift to the right – higher inflation expectations.
 Sources: InFOM, Bank of Russia, Interfax, Moscow Exchange.

PERCENTILES OF INDICATORS OF INFLATION EXPECTATIONS RELATIVE TO DISTRIBUTION OF VALUES SINCE 2017

Chart 2



Sources: InFOM, Rosstat, Bank of Russia, Interfax, Moscow Exchange.

Monetary policy and inflation expectations

Inflation expectations of economic agents influence how effectively monetary policy will be able to control inflation.¹ This is because companies, credit institutions and households make their decisions on consumption, savings and investment, price products, and set credit and deposit rates, being guided by their expectations about future inflation, among other factors. The performance of the Bank of Russia's monetary policy in turn impacts inflation expectations. Achieving the inflation target and maintaining inflation at a consistently low level help anchor inflation expectations and reduce their volatility and sensitivity to one-off and short-term spikes in prices for some products or services.

Estimates of inflation expectations and observed inflation based on household surveys in Russia and abroad almost always exceed actual inflation rates. This difference is ascribed to the peculiarities of perception: people tend to notice and actively respond to price growth, whereas declining or stable prices usually attract less attention. Therefore, people estimate inflation guided primarily by those product prices that have increased most significantly. Despite this systematic bias in the absolute values of inflation expectations, their change and relative level compared to the historical range are essential indicators showing possible changes in households' economic behaviour. These changes in turn influence future underlying inflation.

Unlike households' inflation expectations, companies' price expectations are measured as the balance of responses to the question about the expected change in output prices in the next three months rather than the median of price growth expected in the next 12 months. Rising price expectations mean that a higher percentage of companies plan to increase prices compared to the previous month. However, it is impossible to assess the extent of this increase based on the change in the balance of responses.

¹ The monetary policy transmission mechanism is detailed in Appendix 1 to the [Monetary Policy Guidelines for 2024–2026](#).

Households' inflation expectations edged down

In April 2024, the median estimate of inflation expectations for the next 12 months equalled 11.0% (-0.5 pp MoM; +0.6 pp YoY), as shown by InFOM's survey (Charts 3 and 4). Inflation expectations had been declining for the fourth month in a row. The decrease in inflation expectations was in the group of respondents without savings – to 12.2% (-0.7 pp MoM; +0.9 pp YoY), whereas respondents with savings estimated the median in April nearly at the same level as in the previous month – at 9.9% (+0.1% MoM; +0.5% YoY).

Inflation observed by households slowed down as well in April, with its median equalling 14.4% (-0.4 pp MoM; -0.5 pp YoY). Similarly to inflation expectations, respondents without savings lowered their estimates of observed inflation, whereas the group with savings kept their estimates almost unchanged. The gap between the estimate of observed inflation and the annual growth of the consumer price index (CPI) shrank 1.9 times to 6.7 pp.

Answering the question about increases in prices for certain goods and services,² in April, fewer respondents complained about higher prices for eggs, meat and poultry, as well as fruit and vegetables (Chart 5). Conversely, as compared to the previous month, more respondents began to report increases in prices for fish and seafood, meat and dairy products, as well as certain non-food goods (construction materials, household chemicals, electronic devices and household appliances).

In April, the estimates of inflation trends expected in a month rose,³ whereas those expected in a year – remained nearly the same. The estimates of inflation over the past month increased,⁴ whereas those over the past year – declined⁵ (Chart 7).

Long-term inflation expectations for the next five years⁶ dropped to 9.8% in April (-0.2 pp MoM; -0.1 pp YoY). Long-term expectations decreased to 9.3% among respondents with savings (-0.4 pp MoM; -0.2 pp YoY), while staying the same at 10.3% among respondents without savings (unchanged MoM; -0.1 pp YoY). The percentage of respondents considering that the price growth rate three years later will notably surpass 4% contracted to 43% in April (-2 pp MoM; +1 pp YoY) (Chart 8).

The consumer sentiment index remained elevated

The consumer sentiment index edged down to 112.6 points in April (-0.7 p MoM; +6.7 p YoY) (Chart 9), staying close to its record high. The estimates of the present situation decreased most significantly, while expectations remained almost unchanged.

The present situation index equalled 96.3 p in April (-1.1 p MoM; +5.3 p YoY). As to the components of the index, the estimates of actual changes in personal financial standing over the year worsened, while the estimates of the suitability of the current period for large purchases stayed the same.

The expectations index equalled 123.5 p in April (-0.5 p MoM; +7.7 p YoY). In terms of its components, the estimates of expectations about the country's economic prospects for the next five years declined, whereas the estimates of the country's development prospects and personal financial prospects for a year ahead remained almost unchanged.

² For details on inflation in March, refer to the information and analytical commentary [Consumer Price Dynamics](#) No. 3 (99), March 2024.

³ That is, the percentage of respondents who said that prices would rise considerably was higher than in the previous month.

⁴ That is, the percentage of respondents who said that prices had risen considerably was higher than in the previous month.

⁵ That is, the percentage of respondents who said that prices were rising faster than in the past was lower than in the previous month.

⁶ The question 'Could you even roughly estimate inflation, price growth in Russia in five years?'. The proportion of respondents who gave a meaningful response to this question (excluding the answers such as 'I have no idea what will happen to prices in Russia in five years' and 'It is hard to say') was 49% in April (vs 51% in March).

The percentage of respondents opting to save rather than purchase expensive goods decreased to 51.7% in April (-2.2 pp MoM; -0.9 pp YoY) (Chart 10), staying below the average recorded since 2016 (54.3 %). The proportion of those preferring to make purchases remained the same at 29.2% (unchanged MoM; -0.9 pp YoY). As to preferred forms of savings, the share of respondents opting for bank accounts edged up in April, compared to the previous month. Such respondents accounted for 44% (+1 pp MoM; +5 pp YoY), which was the maximum since August 2014. Contrastingly, the percentage of those opting to have cash holdings contracted to 27% (-1 pp MoM; -5 pp YoY).

Companies raised their price expectations

According to the monitoring carried out by the Bank of Russia in April 2024, businesses' price expectations (the balance of responses) for the next three months rose for the first time since the beginning of the year (Chart 11),⁷ remaining elevated. The growth of price expectations was accompanied by an increase in the estimates of cost dynamics that went up for the first time after a five-month decline.

Agricultural enterprises and mining and quarrying companies raised their price expectations most notably. Complaining about a faster rise in costs, respondents in agriculture were simultaneously expecting higher demand for their products in the next few months. As compared to other industries, the mining and quarrying sector's estimates of future costs increased most considerably, reaching the maximum since the beginning of 2024. The rise in manufacturing companies' price expectations was driven mostly by high expectations regarding demand. Construction enterprises raised their estimates of current demand. In addition, compared to the previous month, more construction companies reported higher costs for raw materials and components and changes in competitors' prices as reasons for a future increase in prices.

Price expectations in trade were up in all segments, and most notably in automobile trade. Respondents in this segment reported higher current demand, while expecting it to drop in the next few months. Contrastingly, wholesale and retail companies raised their expectations about demand and sales. Besides, wholesale companies increased their estimates of future costs.

Price expectations in transportation and storage edged down. Businesses were less optimistic estimating the demand for their services in the next three months.

The average price growth rate expected in the next three months⁸ (in annualised terms) measuring companies' inflation expectations equalled 5.0% in April (+0.2 pp MoM; +0.8 pp YoY) (Chart 12). The average price growth rate expected by retailers in the next three months⁸ was 8.6% (in annualised terms) in April (-0.7 pp MoM; +0.2 pp YoY).

Implied inflation is 7.4% for the next four years

As estimated by the Bank of Russia,⁹ average implied inflation for the next four years, until February 2028, calculated based on the ratio between yields on OFZ-PD (fixed coupon federal government bonds) and OFZ-IN with the same maturity dates soared in April, compared to March. Its average from 1 through 24 April equalled 7.4% (+0.5 pp MoM; +0.7 pp YoY) (Chart 13). Implied inflation for 2028–2030 rose to 7.3% (+0.3 pp MoM; -1.0 pp YoY). Implied inflation for 2030–2032 increased as well, reaching 8.6% (+0.6 pp MoM; -0.4 pp YoY).

⁷ In April 2024, the Bank of Russia surveyed 12,700 companies (more detailed results of the monitoring are available in the information and analytical commentary [Monitoring of Businesses: Assessments, Expectations and Comments](#)).

⁸ Seasonally adjusted data.

⁹ The estimates are based on the comparison of expected yields on OFZ-IN and nominal OFZ (OFZ-PD) bonds, with account of the lag in the nominal value indexation and seasonally adjusted inflation. [Calculation method](#).

According to analysts, inflation will be close to 5% at the end of 2024 and 4% at the end of 2025

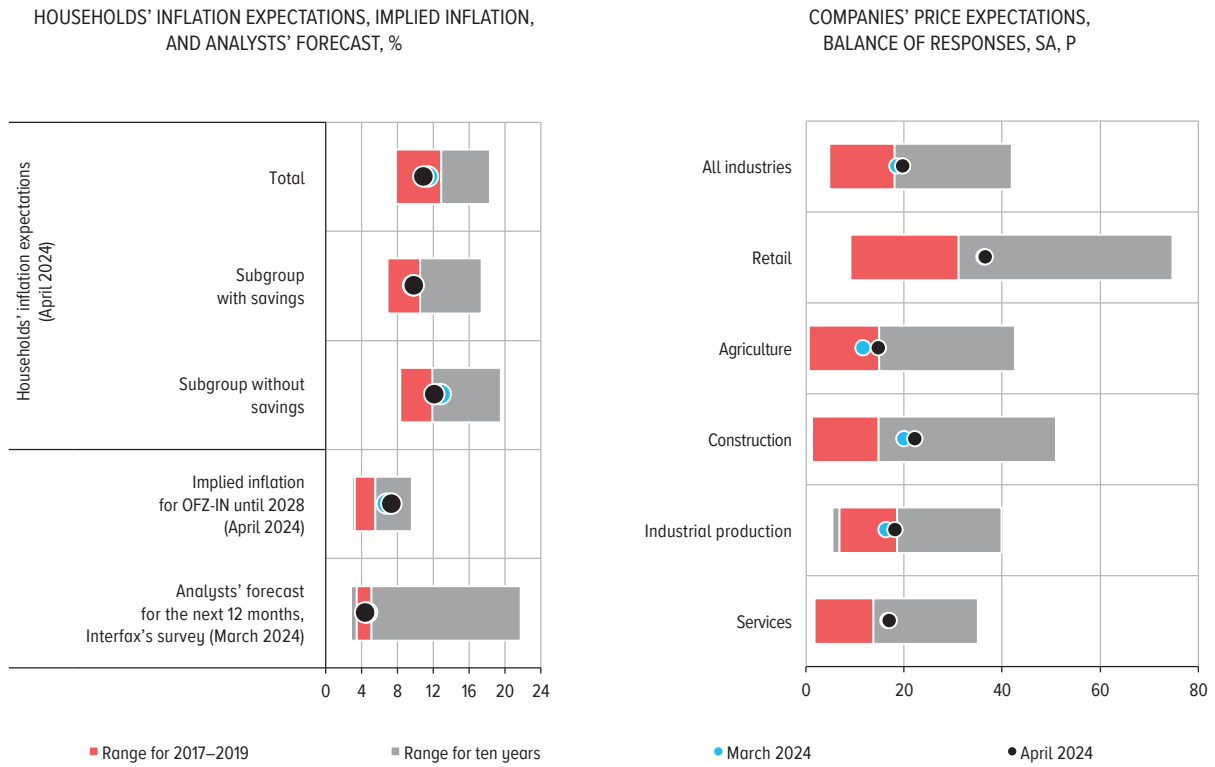
In April 2024, analysts' inflation forecasts remained the same. According to the findings of the [macroeconomic survey](#) carried out by the Bank of Russia in April, analysts' inflation forecast for the end of 2024 stayed at 5.2% (unchanged MoM; +1.1 pp YoY). The analysts surveyed by the Bank of Russia expect that inflation will slow down to approximately 4.0% in 2025 and stay at this level further on (Chart 14). As shown by Interfax's survey, in March 2024, analysts' consensus forecast of inflation for the end of 2024 equalled 5.3% (+0.1 pp MoM; +0.6 pp YoY) and that for the end of 2025 – 4.5% (+0.2 pp MoM).

The Bank of Russia forecasts that annual inflation will slow down to 4.3–4.8% in 2024

A critical condition to return inflation to the target is a further reduction in inflation expectations. To bring inflation back to the target and stabilise it close to 4% in the future, it is necessary to maintain tight monetary conditions in the economy for a longer period than predicted before. The Bank of Russia forecasts that given the monetary policy pursued, annual inflation will decelerate to 4.3–4.8% in 2024 and stay close to 4% in 2025.

INDICATORS OF INFLATION EXPECTATIONS AND DISTRIBUTION OF THEIR VALUES OVER TEN YEARS

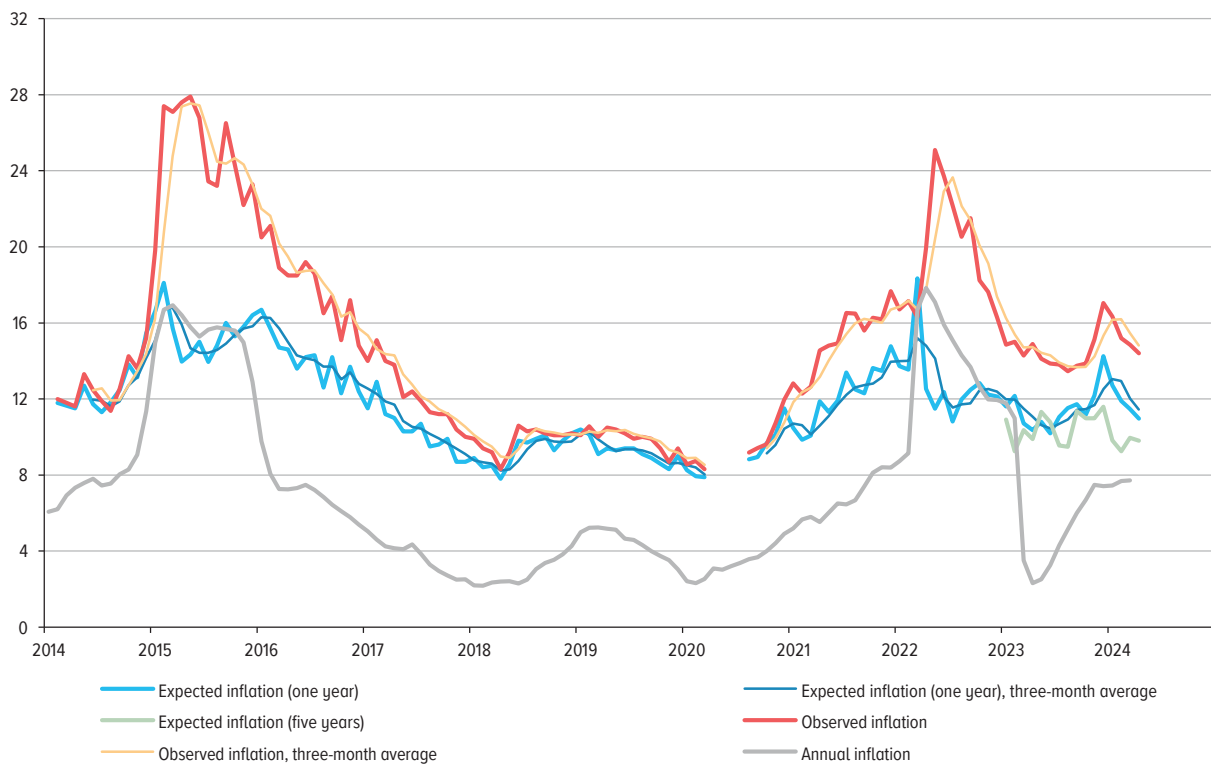
Chart 3



Sources: InFOM, Bank of Russia, Interfax, Moscow Exchange.

INFLATION OBSERVED AND EXPECTED BY HOUSEHOLDS (MEDIAN ESTIMATE)
(%)

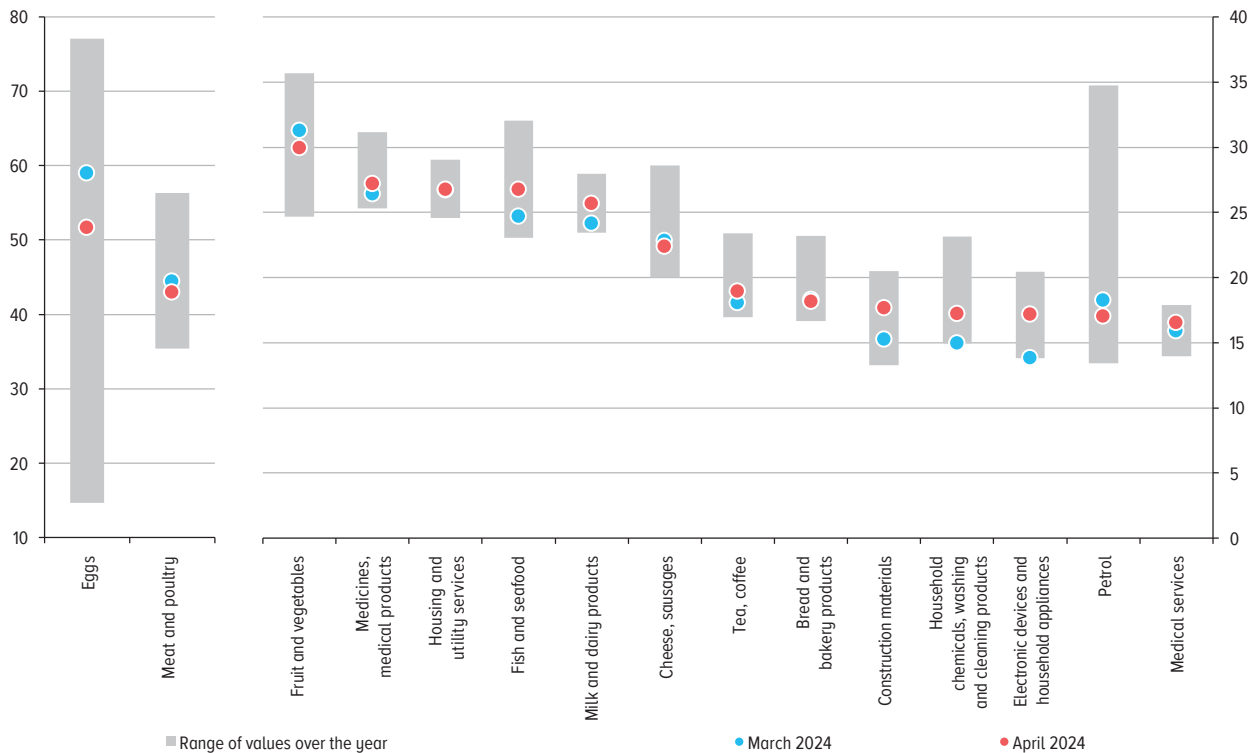
Chart 4



Sources: InFOM, Rosstat, Bank of Russia calculations.

DISTRIBUTION OF RESPONSES TO THE QUESTION 'WHAT MAIN PRODUCTS AND SERVICES SHOWED VERY HIGH GROWTH RATES OVER THE PAST MONTH?' (% OF ALL RESPONDENTS)

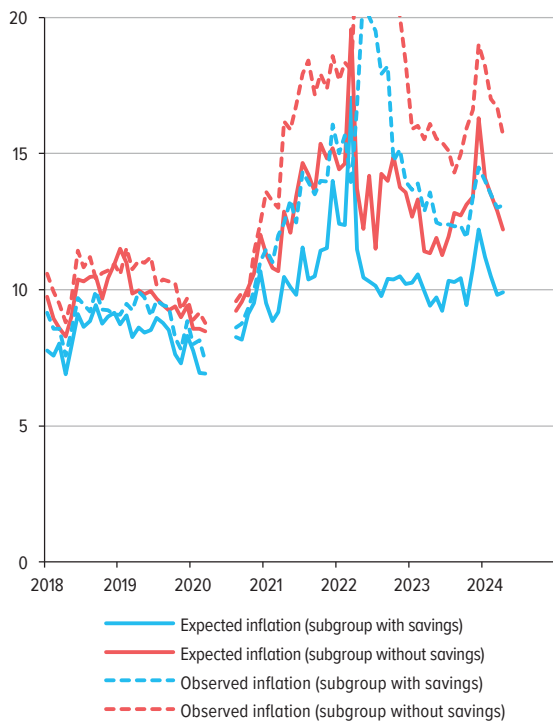
Chart 5



Sources: InFOM, Bank of Russia calculations.

EXPECTED AND OBSERVED INFLATION, BY RESPONDENT SUBGROUP (MEDIAN ESTIMATE) (%)

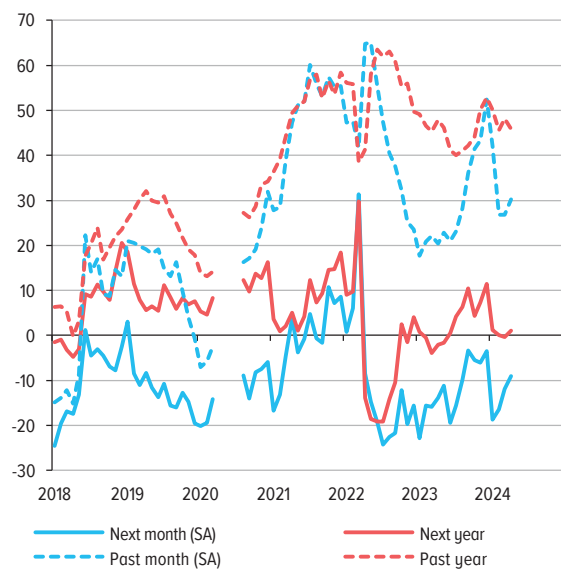
Chart 6



Source: InFOM.

INDICATORS OF PRICE MOVEMENTS* (BALANCE OF RESPONSES, PP)

Chart 7



*The balance of responses to the questions 'How were prices changing overall over the past 12 months (year), in your opinion?'; 'How will prices be changing overall in the next 12 months (year), in your opinion?'; 'How did prices for food products, non-food goods and services change overall over the past month, in your opinion?'; 'How will prices for food products, non-food goods and services change overall next month, in your opinion?' For the last two questions – seasonally adjusted prices.

Sources: InFOM, Bank of Russia calculations.

DISTRIBUTION OF RESPONSES TO THE QUESTION 'WILL ANNUAL PRICE GROWTH BE ABOVE OR BELOW 4% IN THREE YEARS, IN YOUR OPINION?' (% OF ALL RESPONDENTS)

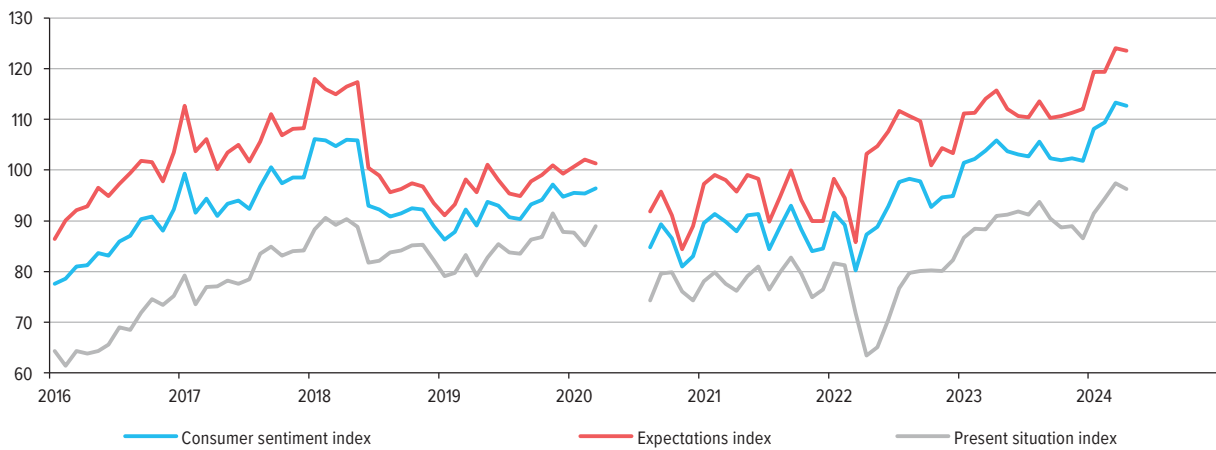
Chart 8



Sources: InFOM, Bank of Russia calculations.

CONSUMER SENTIMENT INDEX (P)

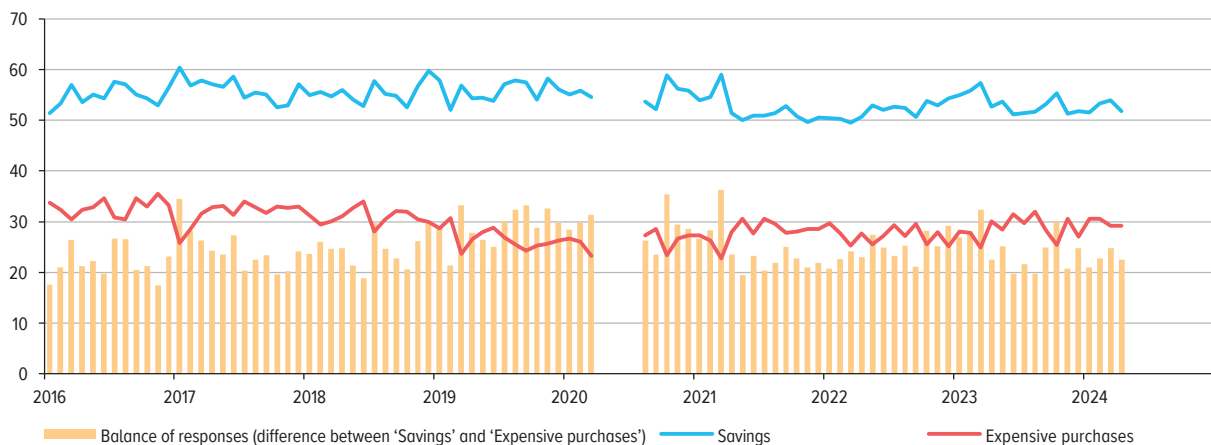
Chart 9



Source: InFOM.

DISTRIBUTION OF RESPONSES TO THE QUESTION 'WHAT IS YOUR OPINION ABOUT THE BEST WAY TO USE AVAILABLE MONEY: MAKE SAVINGS OR PURCHASE EXPENSIVE GOODS?' (% OF ALL RESPONDENTS)

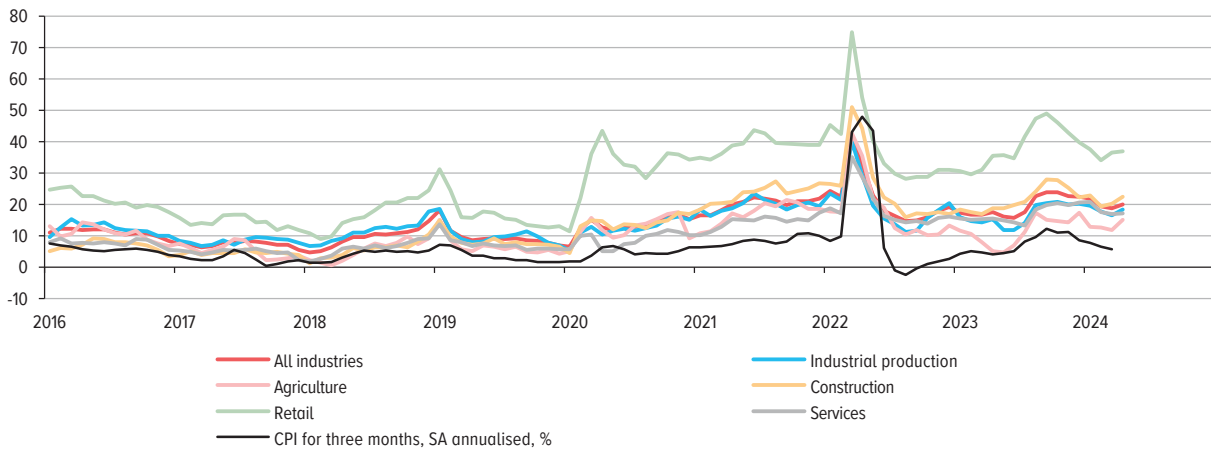
Chart 10



Sources: InFOM, Bank of Russia calculations.

COMPANIES' PRICE EXPECTATIONS, BY KEY INDUSTRY
(BALANCE OF RESPONSES, SA, P)

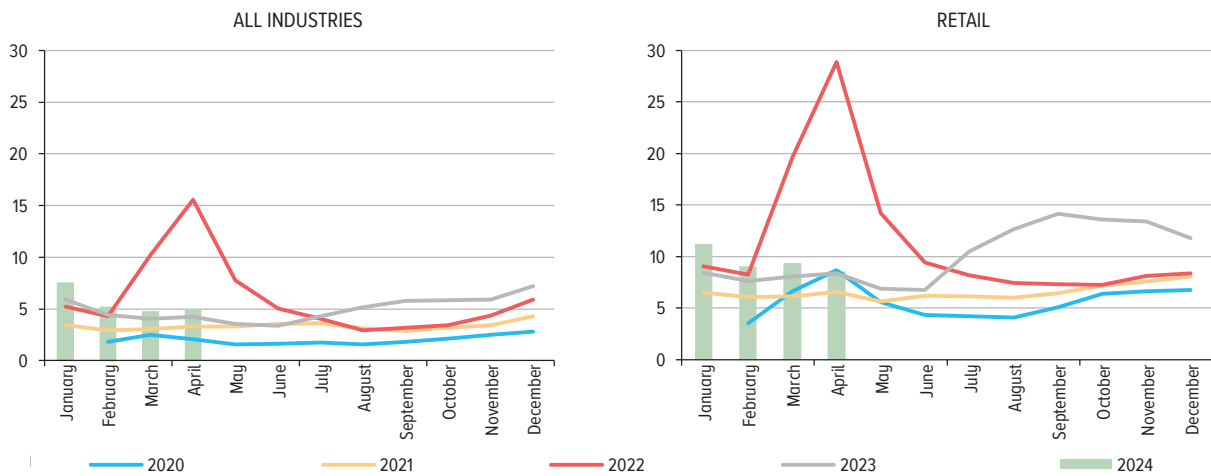
Chart 11



Sources: Bank of Russia, Rosstat.

AVERAGE PRICE GROWTH EXPECTED BY COMPANIES IN THE NEXT THREE MONTHS (IN ANNUALISED TERMS)
(%)

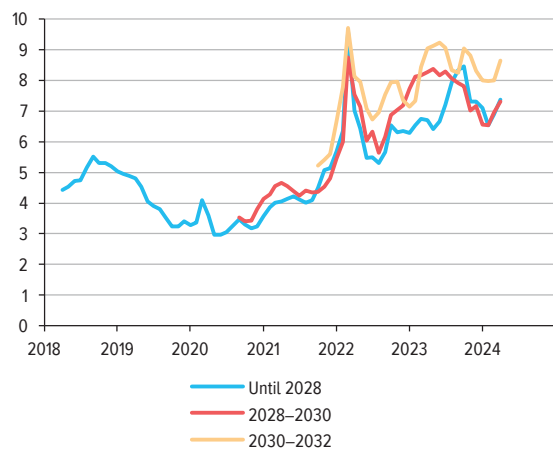
Chart 12



Source: Bank of Russia.

IMPLIED INFLATION FOR OFZ-IN
(%)

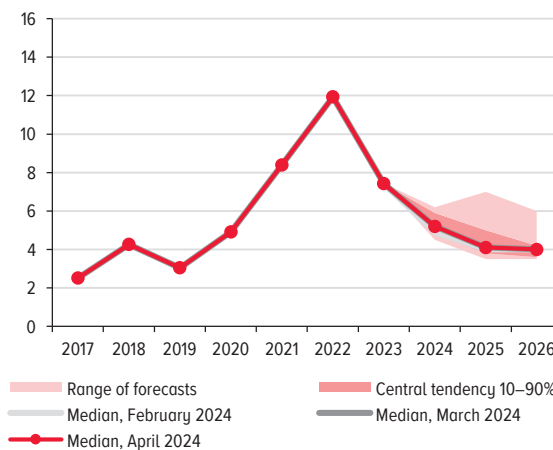
Chart 13



Sources: Moscow Exchange, Rosstat, Bank of Russia calculations.

RESULTS OF THE BANK OF RUSSIA'S
MACROECONOMIC SURVEY, INFLATION FORECAST
(% IN DECEMBER YOY)

Chart 14



Sources: Bank of Russia, Rosstat.

The data cut-off date – 25.04.2024.

The electronic version of the [information and analytical commentary](#) is available on the Bank of Russia website.

Please send your comments and suggestions to svc_analysis@cbr.ru.

This commentary was prepared by the Monetary Policy Department together with the Irkutsk Regional Division of the Siberian Main Branch of the Central Bank of the Russian Federation.

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