



Bank of Russia



INFLATION EXPECTATIONS AND CONSUMER SENTIMENT

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Information and analytical commentary

23 November 2023

INFLATION EXPECTATIONS AND CONSUMER SENTIMENT (NOVEMBER 2023)

In November, inflation expectations of economic agents were changing diversely, while staying elevated. Households' inflation expectations were up. As shown by InFOM's survey, the median estimate of inflation expected by households in the coming 12 months rose to 12.2% in November (+1.0 pp vs October). The median of inflation expectations for the next five years did not change (11.0%). Companies' price expectations lowered, staying close to the maximum values since April 2022 and above the average over 2023 Q3. Implied inflation for inflation-indexed federal government bonds (OFZ-IN) decreased to 7.4% for the next four years. Analysts raised their inflation forecasts for 2023–2024. Their mid-term expectations remain anchored to the inflation target. The Bank of Russia forecasts that annual inflation will range from 7.0% to 7.5% as of the end of 2023. Given the monetary policy pursued, annual inflation will decline to 4.0–4.5% in 2024 and stay close to 4% further on.

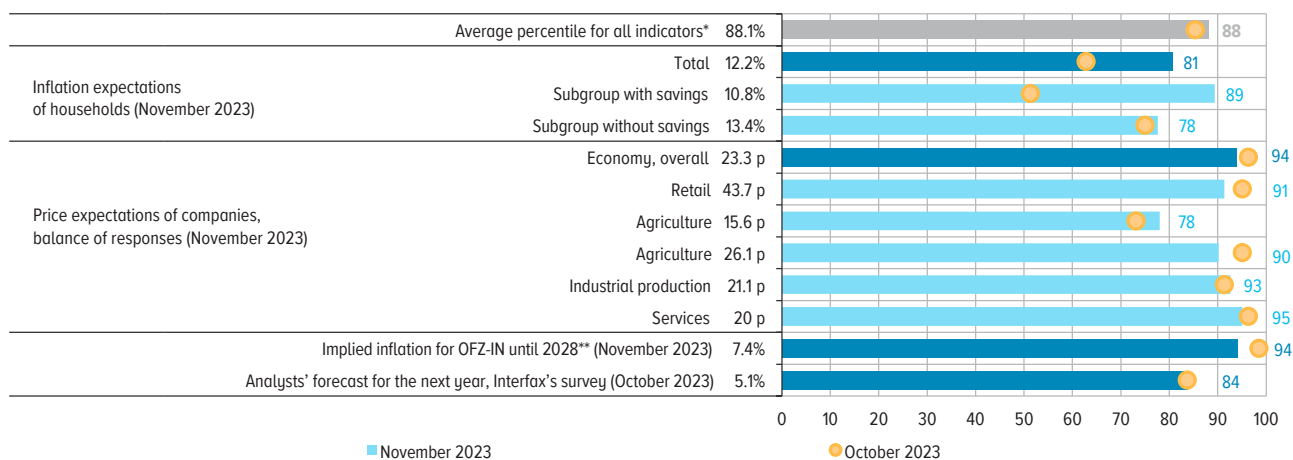
INFLATION EXPECTATION INDICATORS

	Expectation horizon	2020 average	2021 average	2022 average	2023 Q2 average	2023 Q3 average	September 2023	October 2023	November 2023	The average for the past three months
Inflation, %		3.4	6.7	13.8	2.7	5.2	6.0	6.7		
Inflation observed by households, Public Opinion Foundation, %										
Median	previous 12 months	9.6	15.1	19.6	14.3	13.7	13.8	13.9	15.1	14.2
Subgroup with savings	previous 12 months	8.9	13.2	16.8	12.8	12.4	12.3	11.9	13.4	12.6
Subgroup without savings	previous 12 months	10.0	16.3	22.0	15.7	14.8	15.0	15.9	16.6	15.8
Households' inflation expectations, Public Opinion Foundation, %										
Median	next 12 months	9.1	12.1	12.9	10.5	11.4	11.7	11.2	12.2	11.7
Subgroup with savings	next 12 months	8.4	10.6	11.3	9.5	10.3	10.4	9.4	10.8	10.2
Subgroup without savings	next 12 months	9.6	13.3	14.2	11.5	12.5	12.7	13.1	13.4	13.1
Median of five-year inflation expectations	next 5 years				10.7	10.1	11.4	11.0	11.0	11.1
Companies' price expectations, balance of responses										
Companies, total	next 3 months	13.3	20.1	21.7	16.3	21.4	24.0	24.1	23.3	23.8
Retail	next 3 months	31.7	38.8	38.9	35.3	46.2	49.6	46.5	43.7	46.6
Implied inflation for OFZ-IN (monthly average), %										
OFZ-IN 52002, February 2028	next 4-year average	3.3	4.2	6.3	6.6	7.8	8.3	8.5	7.4	8.1
OFZ-IN 52003, July 2030	next 7-year average	3.3	4.3	6.5	7.2	7.9	8.2	8.2	7.3	7.9
OFZ-IN 52004, March 2032	next 8-year average			6.7	7.6	8.0	8.2	8.4	7.7	8.1
OFZ-IN	2028–2030 average	3.5	4.4	6.7	8.3	8.1	7.9	7.8	7.1	7.6
OFZ-IN	2030–2032 average			7.6	9.1	8.5	8.3	9.0	9.1	8.8
Analysts, %										
Survey by the Bank of Russia	2023		4.0	6.3	5.7	6.0	6.3	7.0		
Interfax	2023			6.5	5.8	6.3	6.6	7.2		
Survey by the Bank of Russia	2024			4.4	4.1	4.4	4.5	5.1		
Interfax	2024			4.7	4.9	5.1	5.1			
Survey by the Bank of Russia	2025			4.0	4.0	4.0	4.0	4.0		

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

INFLATION EXPECTATION INDICATORS IN PERCENTILES RELATIVE TO THE DISTRIBUTION OF VALUES SINCE 2017

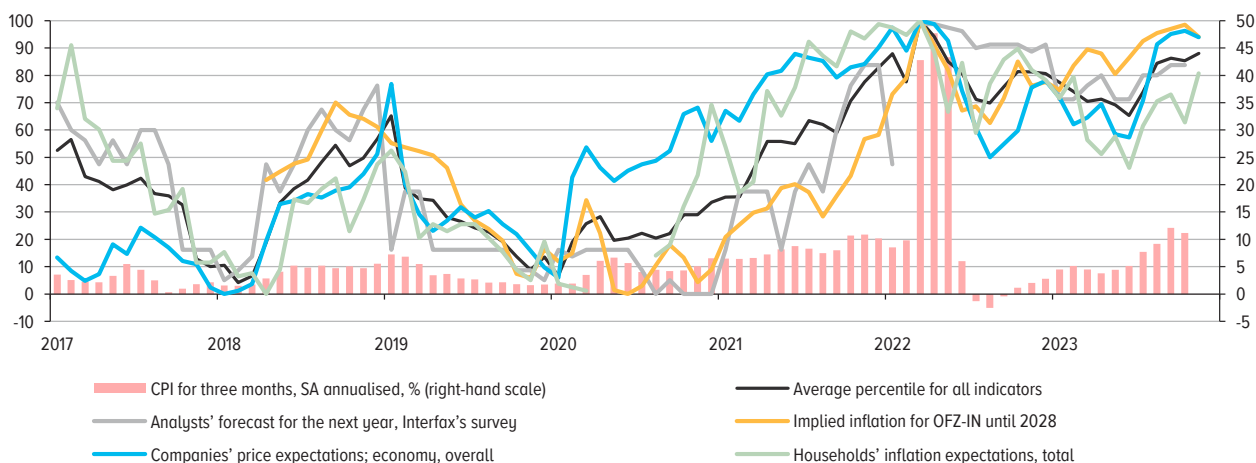
Chart 1



* The average of the 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 year.
 ** Percentiles for implied inflation are specified relative to the distribution of values since April 2018.
 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 in grey, blue and cyan. 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 INFLATION EXPECTATION INDICATORS RELATIVE TO THE 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 for 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 keeping it at a consistently low level help anchor inflation expectations and reduce their volatility and sensitivity to one-time and short-term spikes in prices for certain goods or services.

Estimates of inflation expectations and observed inflation based on household surveys in Russia and abroad almost always exceed actual inflation rates. This discrepancy is related 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 judge inflation to a greater extent by looking at the goods whose prices have increased most. Despite this systematic shift 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 steady 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 the expected price growth in the next 12 months. Rising price expectations mean that a higher percentage of companies plan to raise prices compared to the previous month. However, it is not possible to assess the scope 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 increased

Based on InFOM's survey, in November 2023, the median estimate of households' inflation expectations for the next 12 months was 12.2% (+1.0 pp vs October, +0.8 pp vs the 2023 Q3 average) (Annex, Chart 1). There was an increase in inflation expectations of respondents both with and without savings (Annex, Chart 3). Inflation expectations of respondents with savings rose most significantly – their median was 10.8% in November (+1.4% vs October).

Inflation observed by households also increased in November. Its median equalled 15.1% (+1.2 pp vs October). Estimates of observed inflation were higher among both subgroups of respondents.

When answering the question about growth in prices for certain goods and services in November, respondents primarily mentioned higher prices for meat, poultry, and eggs (Annex, Chart 2). In November, survey participants' concern about changes in prices for these goods was utmost over the year. However, there were fewer complaints from respondents about a rise in prices for petrol which, according to Rosstat, became cheaper in October.²

In November, qualitative assessments of expected inflation for one month ahead decreased.³ However, there was an increase in those for the next 12 months⁴ (Appendix, Chart 4). Estimates of actual inflation over the past month and year have grown⁵ (Annex, Chart 4).

Five-year-ahead⁶ inflation expectations remained unchanged in November. Their median was 11.0% as in October. Concurrently, such expectations were higher among respondents with savings (up to 10.0%; +0.4 pp vs October), but lower among those without savings (up to 11.9%; -0.9 pp vs October). The proportion of respondents believing that the price growth rate will be notably above 4% three years after increased to 49% (vs 47% in October) (Annex, Chart 5).

Consumer sentiment improved

In November, respondents demonstrated both higher inflation expectations and a noticeable rise in the propensity to consume (Annex, Chart 7). The percentage of respondents opting to purchase expensive goods rather than save available funds reached 30.6% (+5.2 pp vs October). The percentage of those who prefer to save decreased to 51.3% (-4.0 pp vs October). Amid growing deposit rates, in November, when answering the question about preferred ways of saving money, respondents said that they opted to keep their savings in bank accounts more often (41% of respondents vs 38% in October) and less often – in cash (30% of respondents vs 34% in October).

The consumer sentiment index (CSI) edged up in November (Annex, Chart 6). It equalled 102.3 points (+0.4 points vs October). The increase was driven by the improved expectations of respondents while the estimates of the present situation included in the CSI remained actually unchanged.

The expectations index equalled 111.2 points in November (+0.5 points vs October). Its components changed diversely: there was an increase in the one-year-ahead estimates of personal financial standing prospects and future changes in economic conditions in the country, but a decrease in the five-year-ahead expectations for economic prospects of the country.

In November, the present situation index equalled 88.9 points (+0.1 points vs October). Its components were also different, the estimates of actual changes in personal financial standing over

² For details on inflation in October, refer to the information and analytical commentary [Consumer Price Dynamics](#) No. 10 (94), October 2023.

³ That is, a smaller percentage of respondents, as compared to the previous month, noted that prices will rise dramatically.

⁴ That is, a larger percentage of respondents, as compared to the previous month, answered that prices will be rising faster than now.

⁵ That is, a higher percentage of respondents, as compared to the previous month, said that prices had risen dramatically and were rising faster than before.

⁶ The question 'Could you even roughly estimate inflation, price growth in Russia in five years?'. The proportion of respondents who gave a meaningful answer 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') totalled 52% in November (vs 49% in October).

the year were up, and the estimates of the suitability of the current period for large purchases were down.

Companies' price expectations lowered

According to the Bank of Russia's monitoring of businesses in November 2023, price expectations of companies (balance of responses) for the next three months declined for the first time over the five months, staying close to their highs since April 2022 (Annex, Chart 8). In November 2023, the survey covered 12,900 enterprises (for more details, see the information and analytical commentary [Monitoring of Businesses: Assessments, Expectations and Comments](#)).

The quantitative indicator of companies' inflation expectations – the average price growth rate expected in the next three months⁷ was 6.1% in annualised terms in November (vs 5.9% in October), which was noticeably higher than the inflation target.

Price expectations were declining followed by a decrease in current estimates of demand and slower growth in costs amid the appreciation of the ruble and stabilisation of prices for fuels and lubricants. However, according to respondents, costs were still growing at a high rate, keeping companies' price expectations at an elevated level amid strong optimism about future demand.

Price expectations declined in almost all major industries except mining and quarrying and agriculture (Annex, Chart 9), with the most noticeable drop in trade (in both wholesale and retail). Nevertheless, price expectations in trade remained elevated and significantly higher than in other industries. In November, the average price growth rate expected by retail trade enterprises in the next three months was 13.6% in annualised terms (Annex, Chart 10).

The slowdown in cost growth resulted in a decrease in price expectations among manufacturing, transportation and storage companies, as well as service providers. In addition to cost behaviour, the decrease in price expectations in construction was influenced by a worsening of current demand estimates.

In mining and quarrying and agriculture, companies price expectations increased. In mining and quarrying, price expectations continued to grow owing to improved estimates of future demand. In agriculture, respondents mentioned a rise in current demand and expected its further expansion in the next three months.

Implied inflation of 7.4% for the next four years

In November, according to the Bank of Russia's estimates,⁸ average implied inflation for the next four years up to February 2028, calculated on the basis of the ratio between yields on OFZ-PD and OFZ-IN bonds with the same maturity dates, decreased noticeably to average 7.4% in November (-1.1 pp vs October) (Annex, Chart 11). Implied inflation for 2028–2030 also declined and equalled 7.1% (-0.7 pp vs October). Implied inflation for 2030–2032 grew to 9.1% (+0.1 pp vs October).

Analysts forecast inflation growth

In October 2023, analysts predicted higher inflation again. According to the findings of the [Bank of Russia's macroeconomic survey](#) carried out in October, analysts forecast inflation of 7.0% for the end of 2023 (+0.7 pp vs September). Their expectations for the end of 2024 also increased considerably, namely to 5.1% (+0.6 pp vs September) (Annex, Chart 12). Analysts surveyed by the Bank of Russia expect inflation to be 4.0% in 2025 and further on. In October, according to the survey carried out by Interfax, analysts' consensus forecast of inflation was 7.2% for the end of 2023 (+0.6 pp vs September) and 5.1% for the end of 2024 (without changes vs September).

⁷ Seasonally adjusted data.

⁸ 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 the Bank of Russia's forecast, annual inflation will decrease to 4.0– 4.5% in 2024

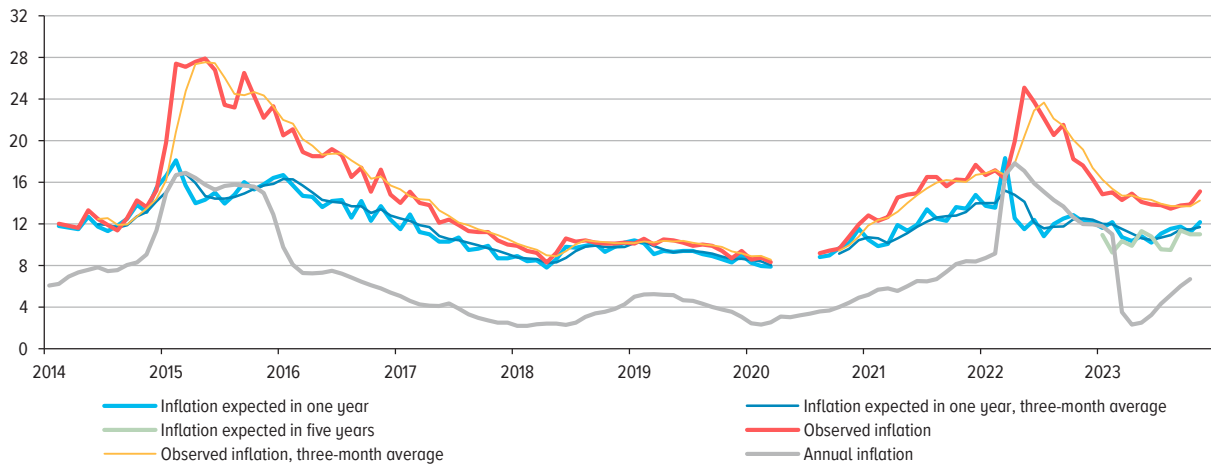
The Bank of Russia forecasts that annual inflation will range from 7.0% to 7.5% as of the end of 2023. Proinflationary risks remained significant over the mid-term horizon. In this situation, an additional tightening of monetary policy was required to limit an upward deviation of inflation from the target and return it to 4% in 2024. Given the monetary policy pursued, annual inflation will decline to 4.0–4.5% in 2024 and stay close to 4% further on.

ANNEX

Analytical charts

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

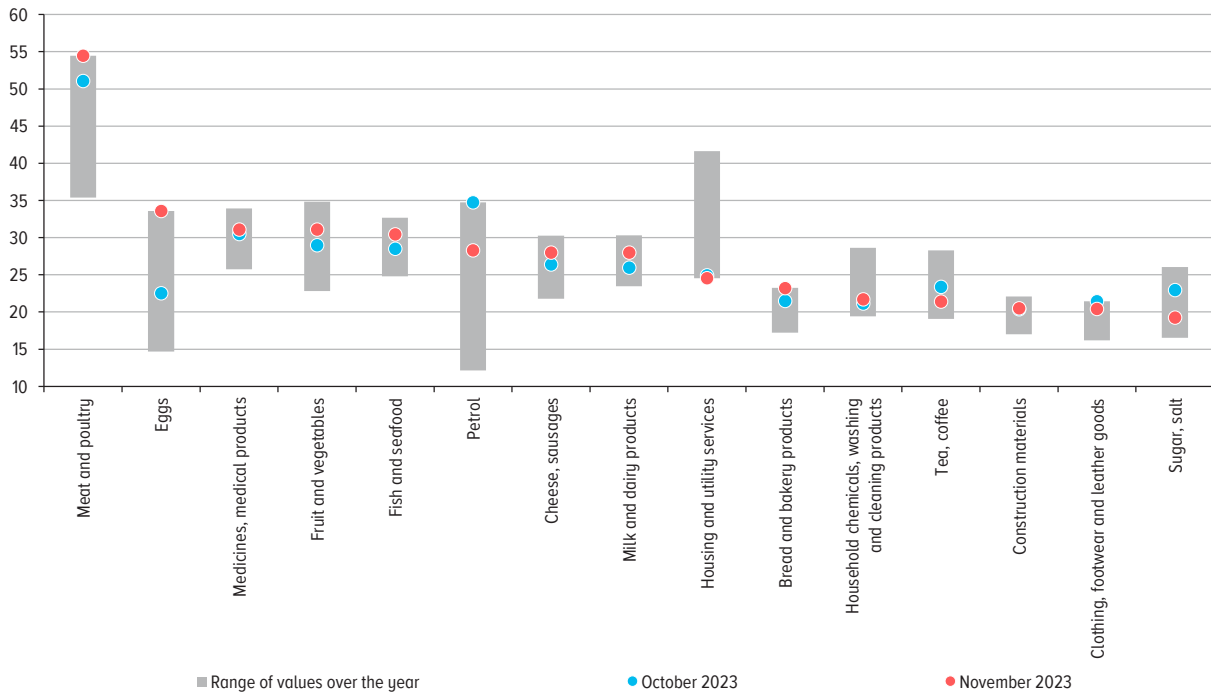
Chart 1



Sources: InFOM, Rosstat.

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

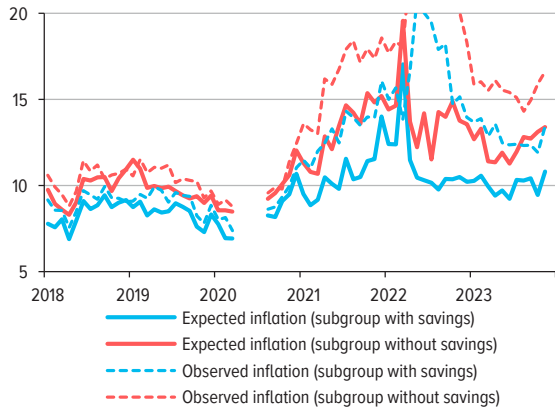
Chart 2



Sources: InFOM, Bank of Russia calculations.

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

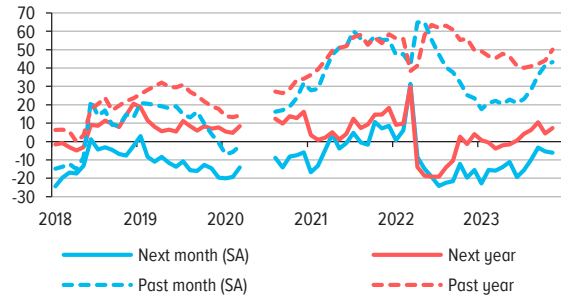
Chart 3



* Values for past periods have been revised because the calculation method was brought into conformity with the median calculation method for all respondents.
Sources: InFOM, Bank of Russia calculations.

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

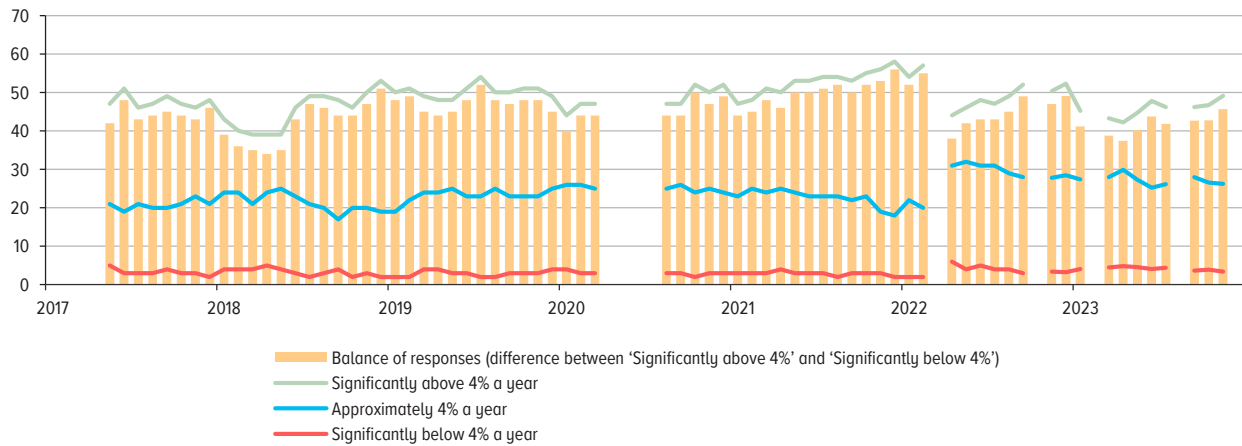
Chart 4



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

Chart 5



Sources: InFOM, Bank of Russia calculations.

CONSUMER SENTIMENT INDEX (POINTS)

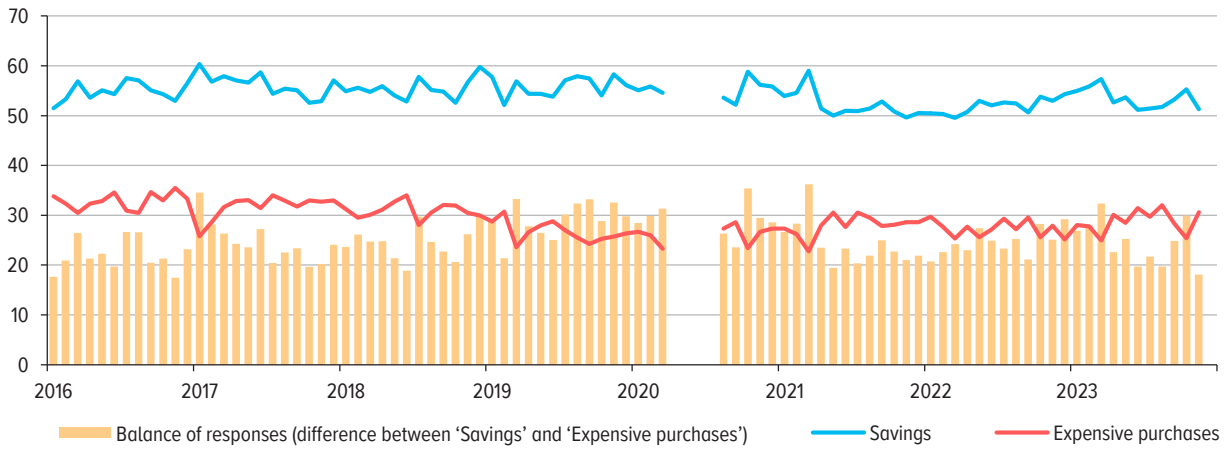
Chart 6



Source: InFOM.

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

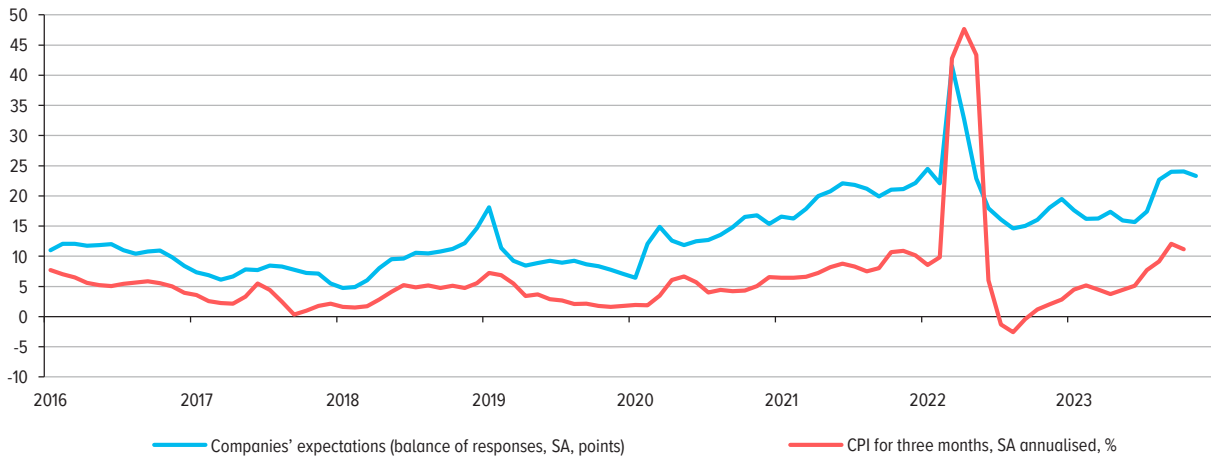
Chart 7



Sources: InFOM, Bank of Russia calculations.

COMPANIES' PRICE EXPECTATIONS

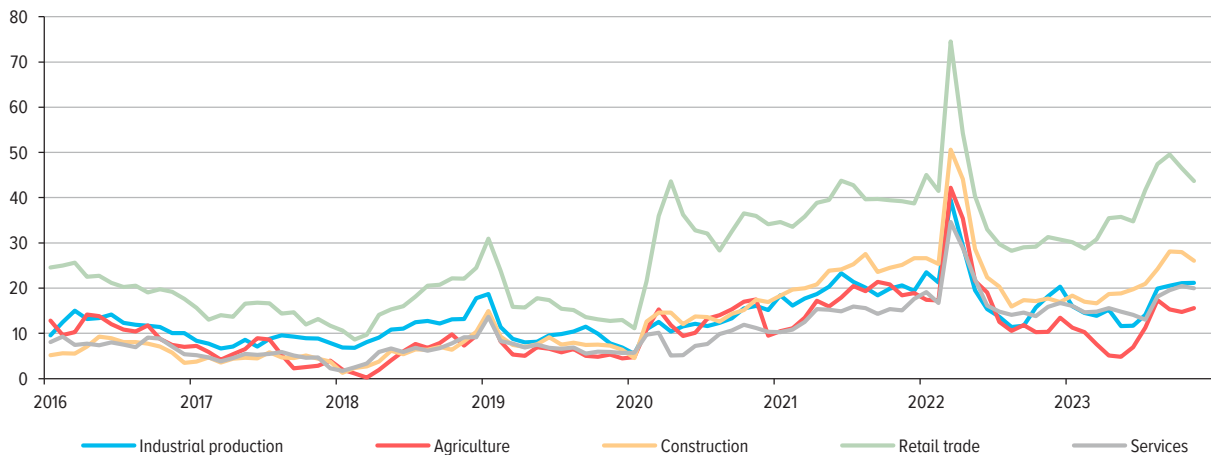
Chart 8



Sources: Bank of Russia, Rosstat.

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

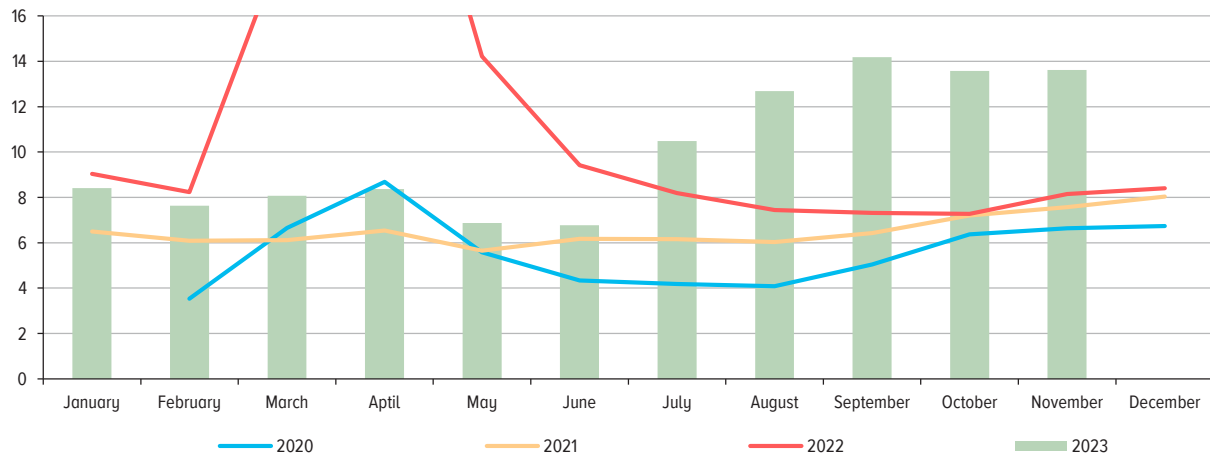
Chart 9



Source: Bank of Russia.

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

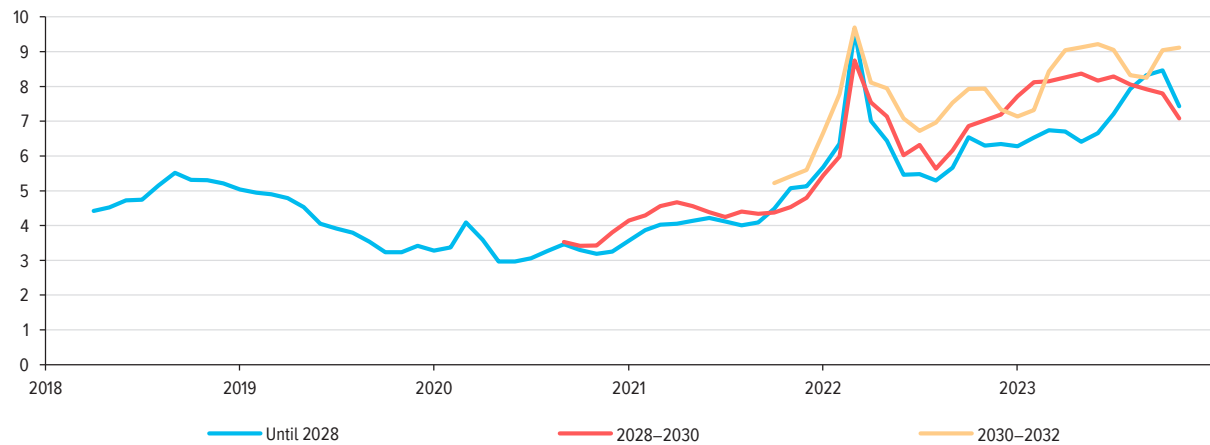
Chart 10



Source: Bank of Russia.

IMPLIED INFLATION FOR OFZ-IN
(%)

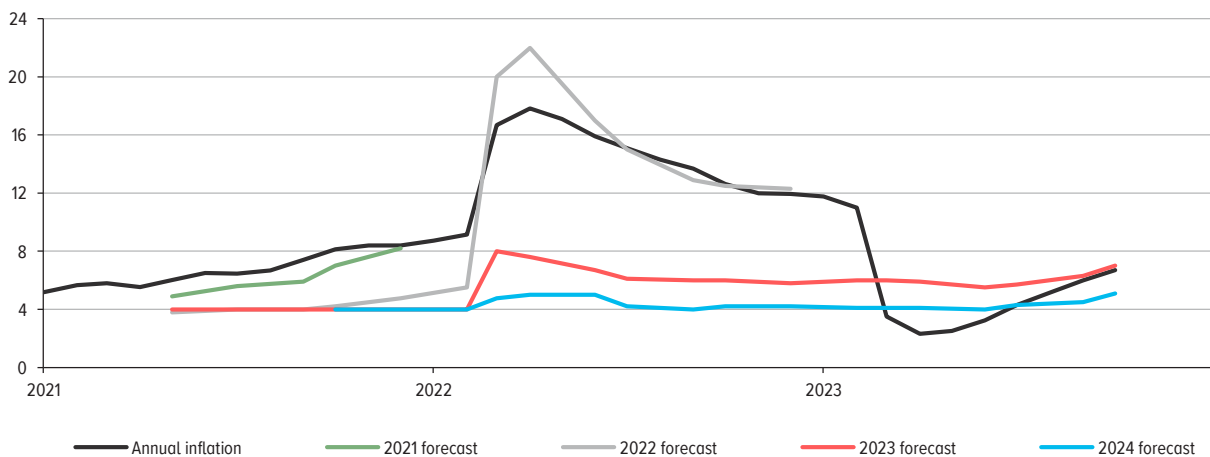
Chart 11



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

RESULTS OF THE BANK OF RUSSIA'S MACROECONOMIC SURVEY
(%)

Chart 12



Sources: Bank of Russia, Rosstat.

The data cut-off date – 20.11.2023.

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 jointly with the Irkutsk Regional Division of the Siberian Main Branch of the Central Bank of the Russian Federation.

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