



Bank of Russia



# INFLATION EXPECTATIONS AND CONSUMER SENTIMENT

No. 9 (93) • September 2024

Information and analytical commentary

25 September 2024

## INFLATION EXPECTATIONS AND CONSUMER SENTIMENT (SEPTEMBER 2024)

Inflation expectations remained elevated and moved diversely in September. According to the InFOM's survey, households' median inflation expectations for the coming 12 months dropped to 12.5% in September. Companies' three-month ahead price expectations were up again. Breakeven inflation for inflation-indexed federal government bonds (OFZ-IN) had been decreasing for the fourth month in a row and totalled 6.9% on OFZ-IN due in 2028. In September, analysts raised their forecasts for the end of 2024 and 2025 to 7.3% and 4.8%, respectively. As for 2026 and further on, analysts' expectations stay anchored to the inflation target. As of the end of 2024, annual inflation is likely to overshoot the Bank of Russia's July forecast range of 6.5–7.0%. The Bank of Russia's tight monetary policy is aimed at ensuring the process of disinflation, reducing inflation expectations and returning inflation to the target in 2025. Given the current monetary policy stance, annual inflation will decline to 4.0–4.5% in 2025 and stay close to 4% further on. To anchor inflation expectations, it is necessary to maintain inflation at the target level for a long period.

### INDICATORS OF INFLATION EXPECTATIONS

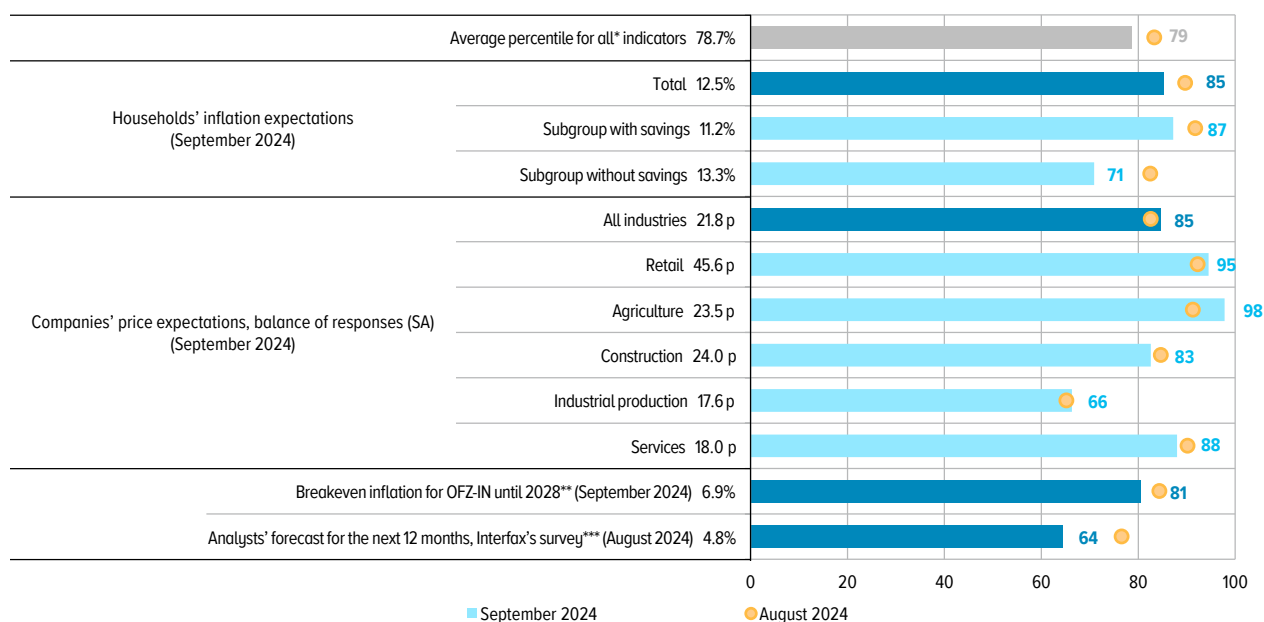
	Expectations horizon	2021 average	2022 average	2023 average	2024 Q1 average	2024 Q2 average	July 2024	August 2024	September 2024	Average over the past three months
Inflation, %		6.7	13.8	5.9	7.6	8.2	9.1	9.1		
<b>Inflation observed by households, Public Opinion Foundation, %</b>										
Median	previous 12 months	15.1	19.6	14.5	15.5	14.3	14.2	15.0	14.4	14.5
Subgroup with savings	previous 12 months	13.2	16.8	13.0	13.5	12.5	12.1	13.5	12.9	12.8
Subgroup without savings	previous 12 months	16.3	22.0	15.9	17.3	16.0	16.7	16.1	15.6	16.1
<b>Households' inflation expectations, Public Opinion Foundation, %</b>										
Median	next 12 months	12.1	12.9	11.5	12.0	11.5	12.4	12.9	12.5	12.6
Subgroup with savings	next 12 months	10.6	11.3	10.2	10.5	10.1	10.2	11.5	11.2	11.0
Subgroup without savings	next 12 months	13.3	14.2	12.7	13.5	12.9	14.5	13.9	13.3	13.9
Median for the next five years	next five years			10.5	9.7	10.3	10.6	10.4	12.4	11.1
<b>Companies' price expectations, Bank of Russia's monitoring of businesses, balance of responses, p, SA*</b>										
Companies, total	next three months	20.1	21.7	19.5	20.1	20.3	21.6	21.4	21.8	21.6
Retail	next three months	38.8	38.9	38.6	35.8	38.5	41.0	44.9	45.6	43.8
<b>Breakeven inflation for OFZ-IN (monthly average), %</b>										
OFZ-IN 52002, February 2028	next 3.5-year average	4.2	6.3	7.2	6.8	7.8	7.5	7.0	6.9	7.2
OFZ-IN 52003, July 2030	next six-year average	4.3	6.5	7.4	6.8	7.6	7.2	6.6	6.3	6.7
OFZ-IN 52004, March 2032	next 7.5-year average		6.7	7.6	7.0	7.8	7.7	7.2	6.7	7.2
OFZ-IN	2028–2030 average	4.4	6.7	7.9	6.7	7.3	6.8	5.9	5.7	6.1
OFZ-IN	2030–2032 average		7.6	8.5	8.0	8.8	9.4	9.4	7.9	8.9
<b>Analysts, %</b>										
Survey by the Bank of Russia	2024		4.4	4.4	5.1	5.4	6.5		7.3	
Interfax	2024			4.8	5.2	5.8	6.8	7.1		
Survey by the Bank of Russia	2025			4.0	4.1	4.2	4.5		4.8	
Interfax	2025						4.8	4.8		
Survey by the Bank of Russia	2026			4.0	4.0	4.0	4.0		4.0	

\* SA – seasonally adjusted.

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 (all industries), breakeven inflation for OFZ-IN until 2028 and analysts' forecast for the next 12 months.

\*\* Percentiles for breakeven inflation are specified relative to the distribution of values since April 2018.

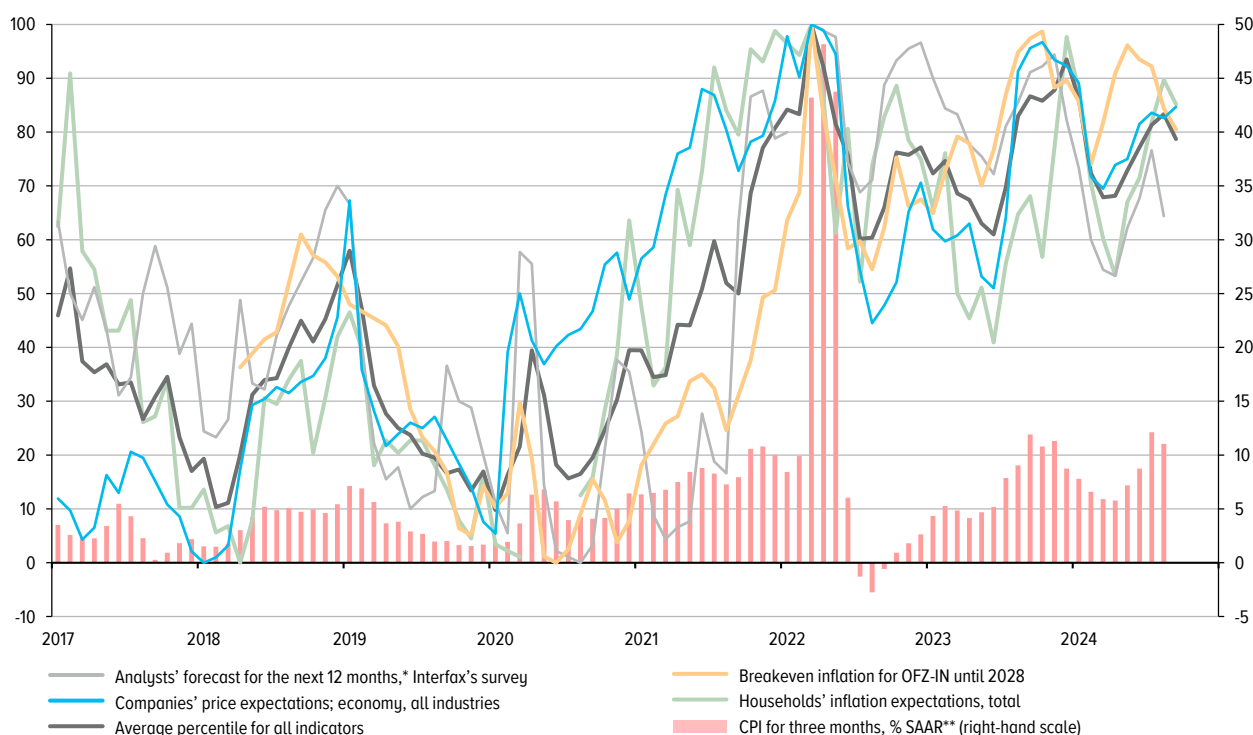
\*\*\* Analysts' forecast for the next 12 months was made using forecasts for this and subsequent years, taking into consideration actual inflation since the beginning of this year.

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



\* Analysts' forecast for the next 12 months was made using forecasts for this and subsequent years, taking into consideration actual inflation since the beginning of this year.

\*\* SAAR – seasonally adjusted annualised rate.

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.<sup>1</sup> 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 affects 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 usually exceed actual inflation rates. This difference is ascribed to certain perception patterns: 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 three-month ahead output prices 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.*

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<sup>1</sup> The monetary policy transmission mechanism is detailed in Appendix 1 to the [Monetary Policy Guidelines for 2025–2027](#).

## Households' inflation expectations edged down, though remaining elevated

As shown by the [InFOM's survey](#), median inflation expectations for the coming 12 months went down for the first time in four months but remained elevated in September 2024. They came in at 12.5% (-0.4 pp MoM; +0.8 pp YoY) (Charts 3 and 4). Expectations decreased both among respondents with and without savings, to 11.2% (-0.3 pp MoM; +0.8 pp YoY) and 13.3% (-0.6 pp MoM; +0.6 pp YoY), respectively (Chart 6). However, the September readings for all these indicators markedly exceeded the 2024 H1 averages.

Inflation observed by households edged down in September as well. Its median equalled 14.4% (-0.6 pp MoM; +0.6 pp YoY). Both groups of respondents lowered their estimates of observed inflation. The gap between observed inflation and annual consumer price index (CPI) inflation shrank to 5.3 pp (the former exceeded the latter by a factor of 1.6).

When answering the question about increases in prices for certain goods and services,<sup>2</sup> respondents mentioned higher prices for meat and dairy products, petrol, medicine, and medical goods more frequently in September than in the previous month (Chart 5). Contrastingly, respondents tended to complain about rises in prices for certain food products (eggs, fruit, vegetables, cheese, and sausages), construction materials as well as housing and utility services less often than in the previous month.

Qualitative measures of one-month and one-year ahead inflation expectations went up in September.<sup>3</sup> Qualitative measures of observed inflation increased over the past month<sup>4</sup> and decreased over the past year<sup>5</sup> (Chart 7).

In September, long-term inflation expectations for the next five years<sup>6</sup> increased to 12.4% (+2.0 pp MoM; +1.0 pp YoY). Long-term expectations increased among respondents both with and without savings, to 11.8% (+2.2 pp MoM; +1.5 pp YoY) and 12.8% (+1.6 pp MoM; +0.4 pp YoY), respectively. In September, the percentage of respondents believing that the price growth rate would notably surpass 4% in three years' time remained the same as in July at 50% (+4 pp YoY) (Chart 8).

## Households' propensity to save rose

In September, the consumer sentiment index was almost unchanged, staying close to the 2012–2023 highs, at 105.2 p (+0.2 p MoM; +2.8 p YoY) (Chart 9). Both the present situation estimates and the expectations of respondents barely changed.

The present situation index equalled 93.1 p in September (+0.3 p MoM; +2.7 p YoY). Its components, such as the estimates of changes in personal financial standing over the past year and of the suitability of the current period for large purchases, remained virtually unchanged.

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<sup>2</sup> More information about inflation in August is available in the information and analytical commentary [Consumer Price Dynamics](#), No. 8 (104), August 2024.

<sup>3</sup> That is, the percentage of respondents who said that prices would rise considerably or would be rising faster than now was higher than in the previous month.

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

<sup>5</sup> That is, the percentage of respondents who said that prices were rising faster than before was lower than in the previous month.

<sup>6</sup> The question 'Could you even roughly estimate inflation and price growth in Russia in five years?' The percentage 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 50% in September (vs 50% in August).



The expectations index equalled 113.3 p in September (+0.2 p MoM; +3.0 p YoY). The estimates of changes in domestic economic conditions in the coming year increased, the one-year ahead expectations of changes in personal financial standing were unchanged, and the five-year ahead estimates of the country's economic prospects decreased.

In September, the respondents' propensity to save rose. The percentage of respondents opting to save their spare cash rather than purchase expensive goods increased to 53.8% (+2.3 pp MoM; -0.4 pp YoY) (Chart 10), though staying below the average since 2016 (54.2 %). The proportion of those preferring to spend equalled 27.5% (-3.1 pp MoM; -0.9 pp YoY). Answering the question about preferred forms of savings, respondents noted slightly more often in September than in the previous month that they preferred to keep money in bank accounts. The answers of such respondents accounted for 43% (+1 pp MoM; +6 pp YoY) of all received answers. The percentage of respondents opting to have cash holdings contracted to 28% (-1 pp MoM; -5 pp YoY).

## Companies' price expectations edged up

According to the monitoring of businesses carried out by the Bank of Russia in September 2024, companies' price expectations (the balance of responses) for the next three months edged up (Chart 11).<sup>7</sup> In general, their readings had been changing insignificantly since June 2024, remaining elevated. In September, growth in price expectations was supported by an increase in companies' estimates of future demand. Concurrently, respondents mentioned a cooling in actual demand and a slowdown in the growth of costs.

Price expectations rose in most sectors, except for services, mining and quarrying, electric power, and water supply.

The strongest growth was observed in agriculture, registering faster cost growth and higher estimates of future demand. Moreover, farmers reported higher business risks, which were caused by lower crop forecasts amid unfavourable weather conditions in several regions.

Price expectations in trade were up in all segments, and most notably in wholesale. This upward trend came alongside higher demand expectations amid worse estimates of input availability and accelerated growth of costs. Among reasons for the expected price increase, respondents mentioned growing purchase prices for goods, higher prices for fuel and lubricants, and a weaker ruble more often than a month earlier.

In manufacturing, higher price expectations were accompanied by a pickup in the growth of costs and increased estimates of future demand. Companies mentioned higher prices for raw materials and components as the main reason for the expected increase in their output prices.

A slight increase in price expectations was noted in transportation and storage, where companies reported growing fuel and lubricant prices and lower estimates of current and expected demand.

In construction, price expectations were virtually unchanged given an ongoing decline in demand estimates and a pickup in cost growth.

In the services sector, a drop in price expectations was accompanied by lower estimates of actual demand and slower growth in costs. Price expectations in mining and quarrying had been declining for the second month in a row under the impact of softening demand for the industry's products, including in global markets.

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<sup>7</sup> In September 2024, the Bank of Russia surveyed 11,000 companies (more detailed results of the monitoring are available in the information and analytical commentary [Monitoring of Businesses: Assessments, Expectations and Comments](#)).

The average price growth expected in the next three months<sup>8</sup> (in annualised terms), measuring companies' inflation expectations, equalled 4.9% in September (unchanged MoM; -0.9 pp YoY) (Chart 12). The average price growth expected by retailers in the next three months<sup>8</sup> (in annualised terms) equalled 11.1% (unchanged MoM; -3.1 pp YoY).

## Breakeven inflation of 6.9% until 2028

As estimated by the Bank of Russia,<sup>9</sup> average breakeven inflation in the next 3.5 years until February 2028, calculated based on the ratio between yields on OFZ-PD and OFZ-IN with the same maturity dates, continued to edge down in September. From 1 to 20 September, it averaged 6.9% (-0.1 pp MoM; -1.4 pp YoY) (Chart 13). Breakeven inflation for longer maturities declined more markedly, equalling 5.7% for 2028–2030 (-0.2 pp MoM; -2.2 pp YoY) and 7.9% for 2030–2032 (-1.5 pp MoM; -0.4 pp YoY).

## Analysts expect inflation to exceed 7% by the end of 2024

In August–September 2024, analysts raised their inflation forecasts. According to the findings of the [Bank of Russia's macroeconomic survey](#) carried out in September, analysts forecast that inflation would be 7.3% at the end of 2024 (+0.8 pp MoM; +2.8 pp YoY) and 4.8% at the end of 2025 (+0.3 pp MoM; +0.8 pp YoY). The analysts surveyed by the Bank of Russia expected that inflation would be 4.0% in 2026 and stay at this level further on (Chart 14). As shown by the Interfax's survey, in August 2024, analysts raised their consensus forecast of inflation to 7.1% for the end of 2024 (+0.3 pp MoM; +2.3 pp YoY), whereas that for the end of 2025 did not change compared to the previous month and equalled 4.8%.

## The Bank of Russia forecasts that annual inflation will slow down to 4.0–4.5% in 2025

Additional monetary tightening and a long period of tight monetary conditions are required to ensure disinflation, reduce inflation expectations, and return inflation to the target in 2025. As of the end of 2024, annual inflation is likely to overshoot the July forecast range of 6.5–7.0%. Given the current monetary policy stance, the Bank of Russia predicts that annual inflation will decline to 4.0–4.5% in 2025 and stay around 4% further on.

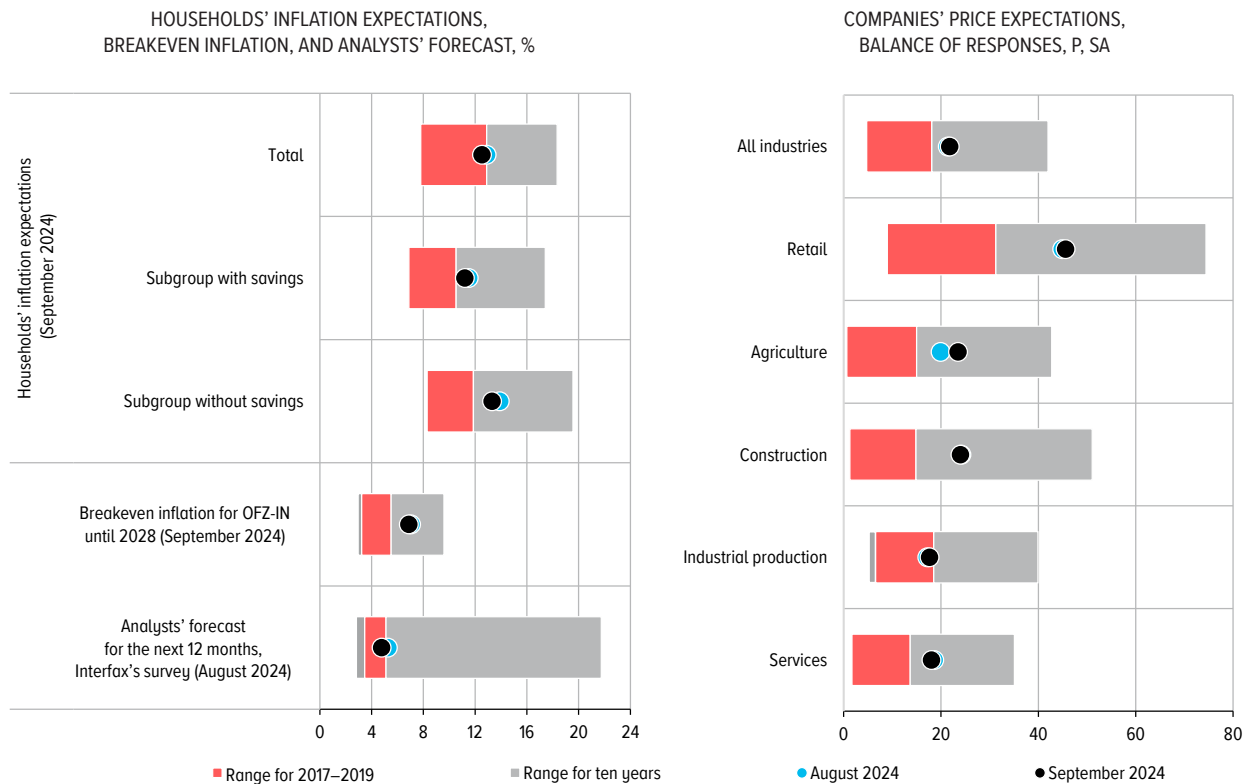
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<sup>8</sup> Seasonally adjusted data.

<sup>9</sup> The estimates are based on the comparison between expected yields on inflation-indexed OFZ (OFZ-IN) and nominal OFZ (OFZ-PD), taking into account the lag in the nominal value indexation and seasonally adjusted inflation. [Calculation method](#).

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

Chart 3

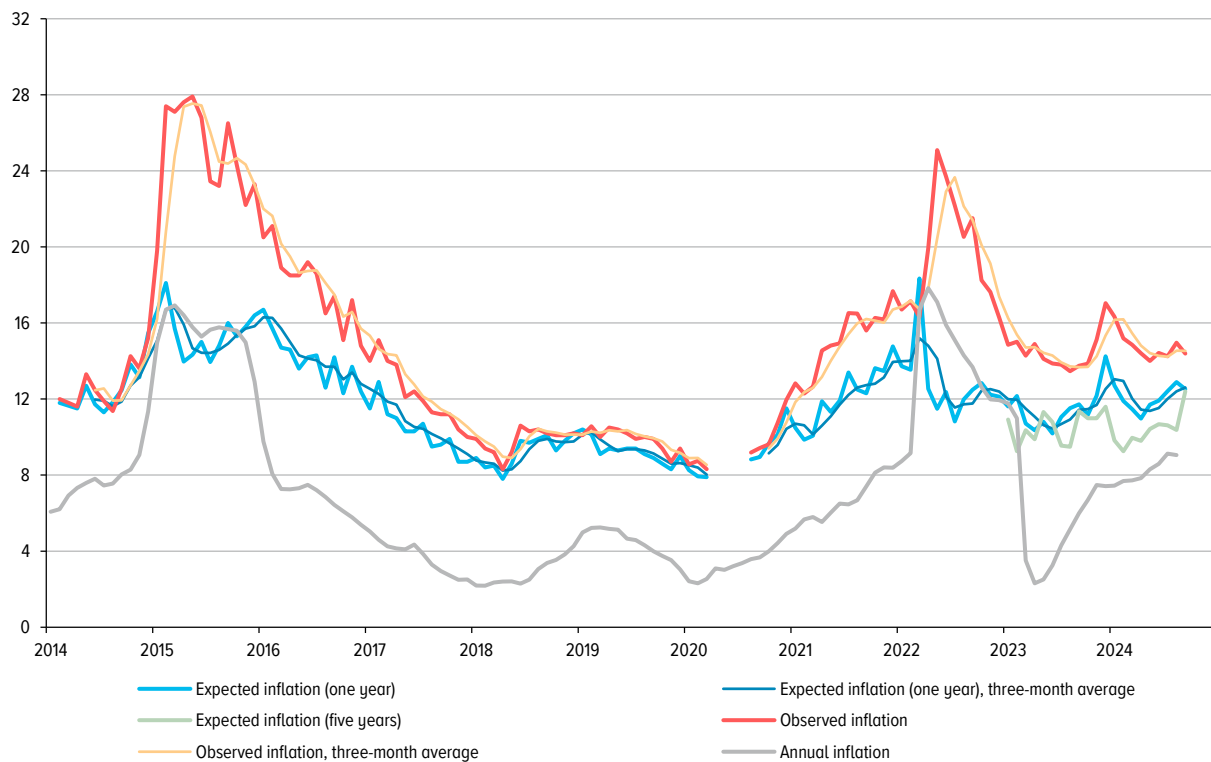


Sources: InFOM, Bank of Russia, Interfax, Moscow Exchange.

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

(%)

Chart 4

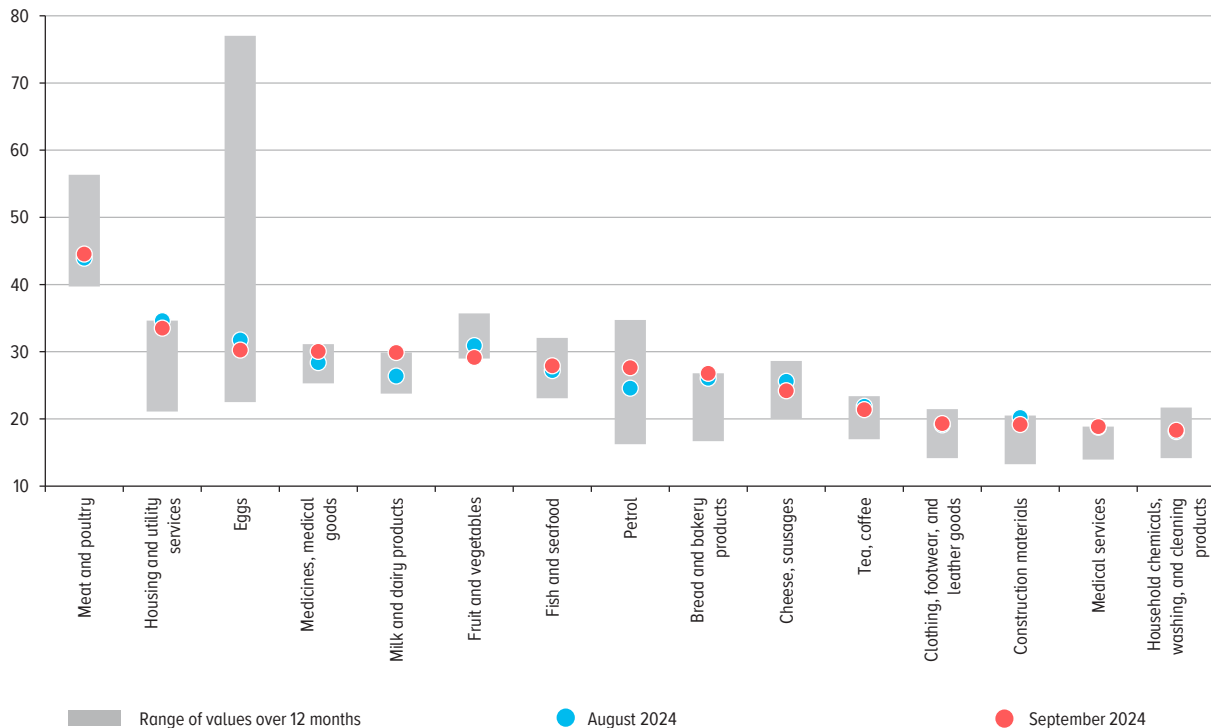


Sources: InFOM, Rosstat, Bank of Russia calculations.



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

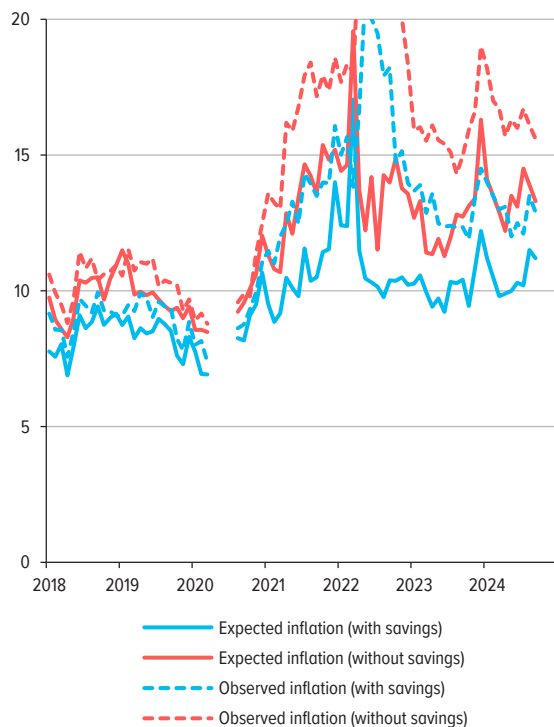
Chart 5



Sources: InFOM, Bank of Russia calculations.

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

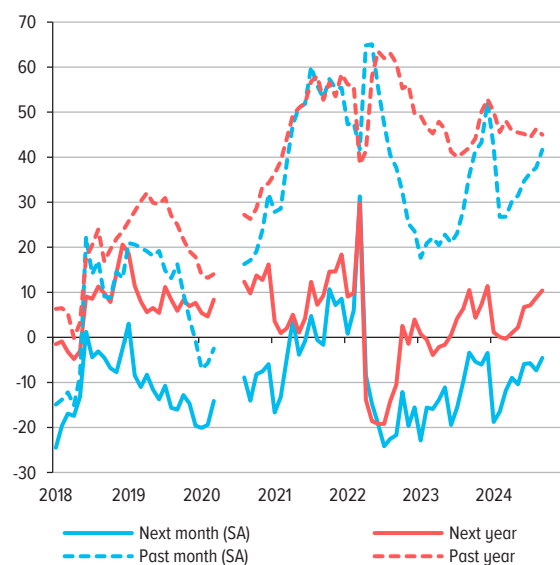
Chart 6



Source: InFOM.

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

Chart 7

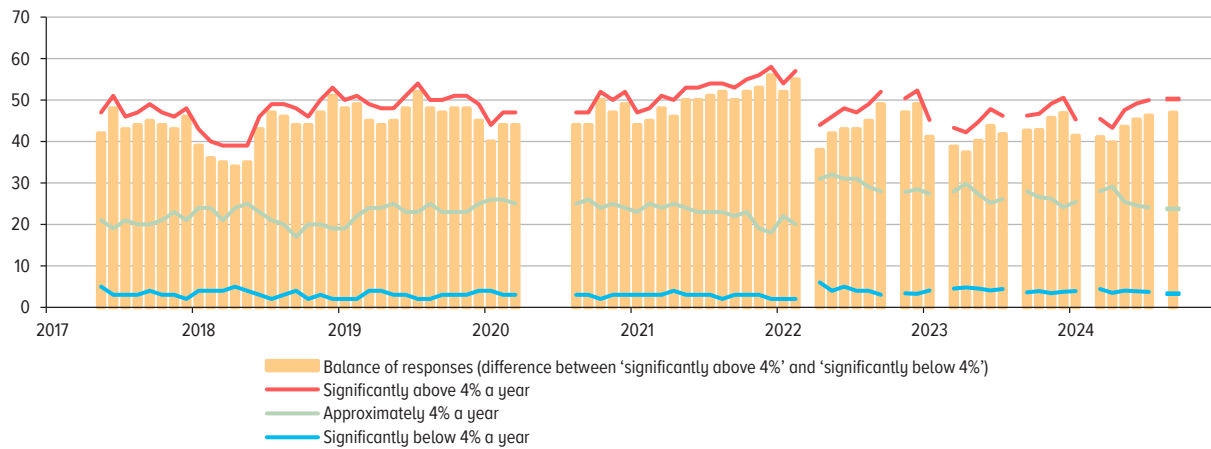


\* The balance of responses to the questions 'How will prices for food products, non-food goods, and services change overall next month, in your opinion?', 'How will prices be changing overall over the next 12 months (year), in your opinion?', 'How did prices for food products, non-food goods, and services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

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)

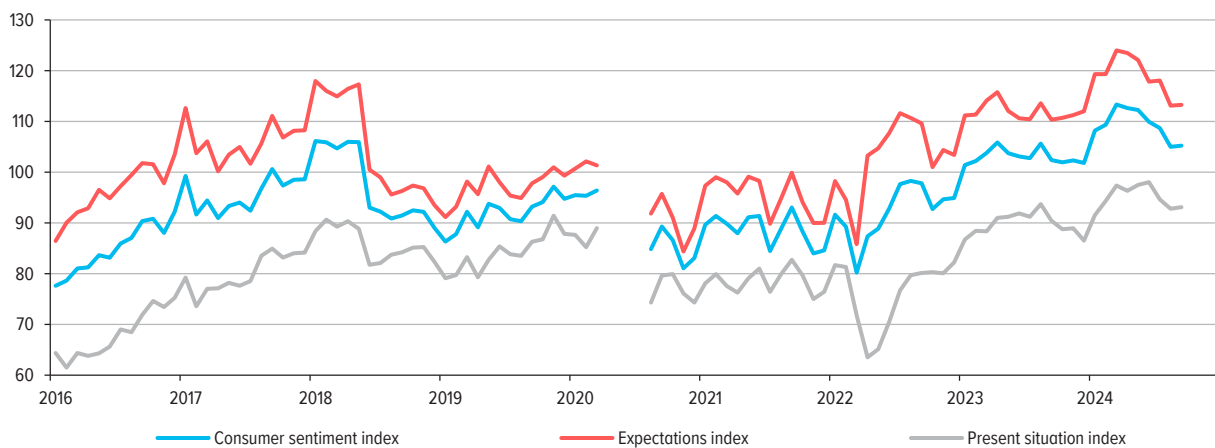
Chart 8



Sources: InFOM, Bank of Russia calculations.

**CONSUMER SENTIMENT INDEX**  
(P)

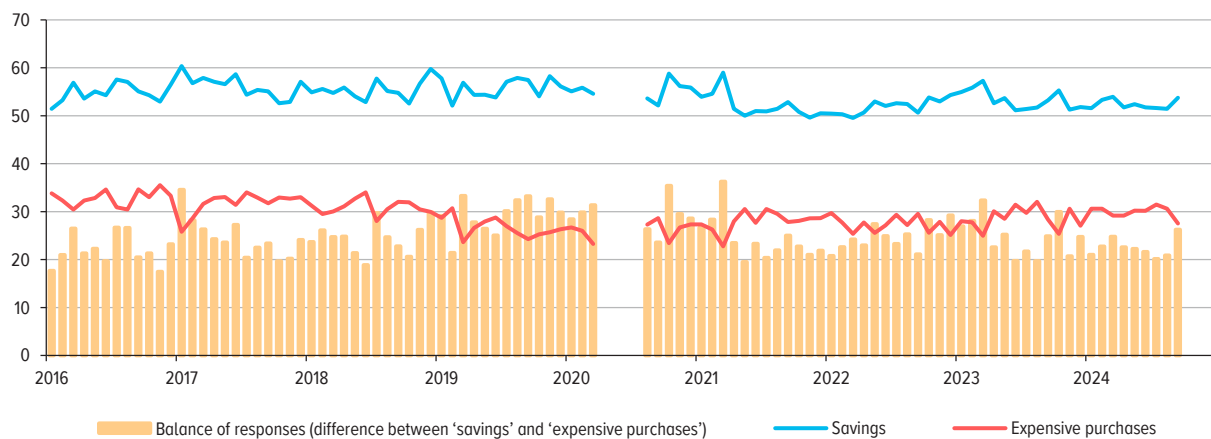
Chart 9



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)

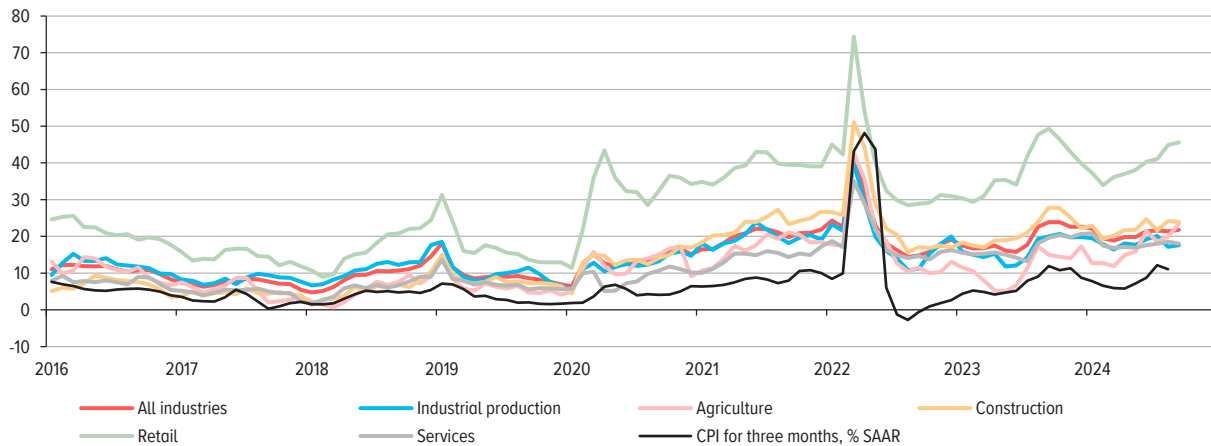
Chart 10



Sources: InFOM, Bank of Russia calculations.

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

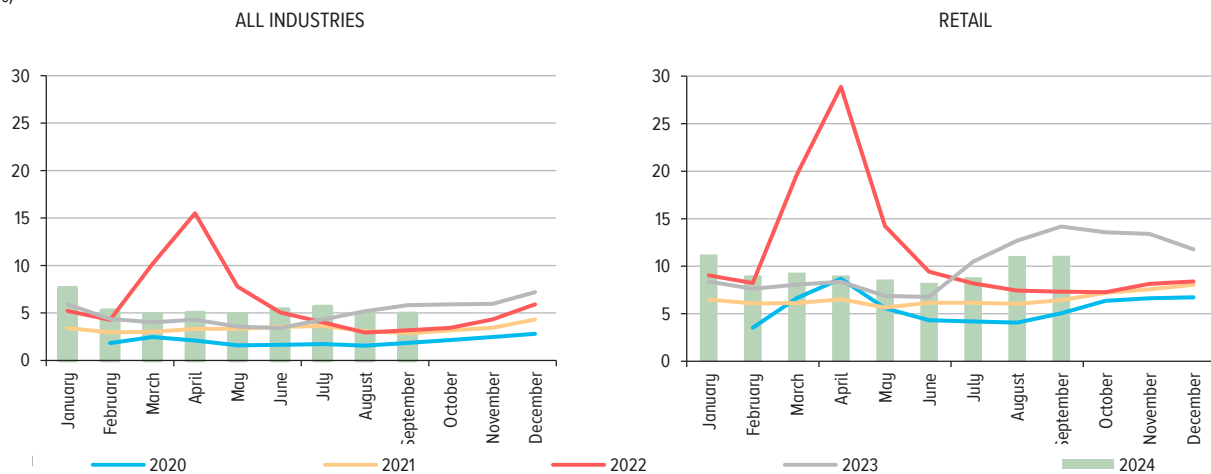
Chart 11



Sources: Bank of Russia, Rosstat.

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

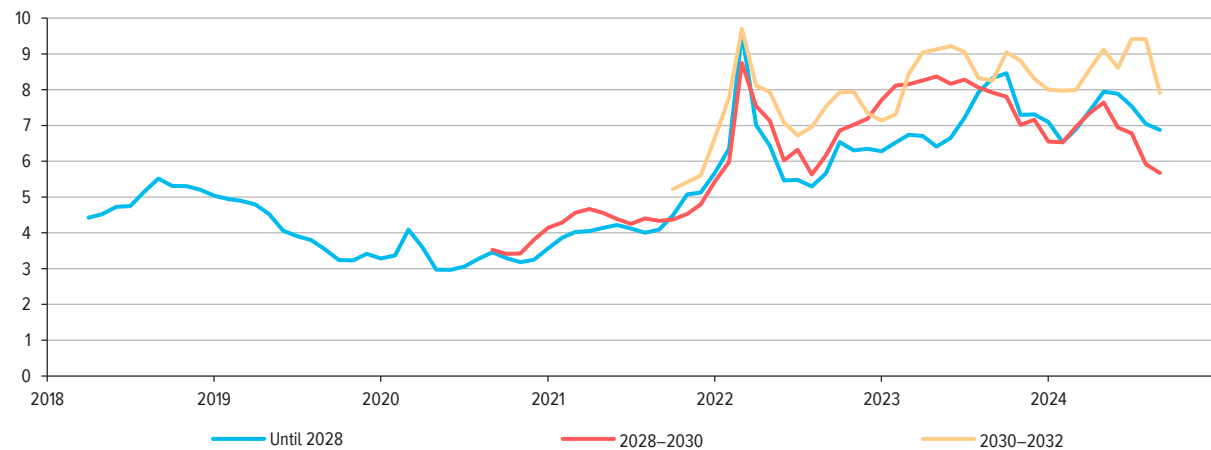
Chart 12



Source: Bank of Russia.

BREAKEVEN INFLATION FOR OFZ-IN  
(%)

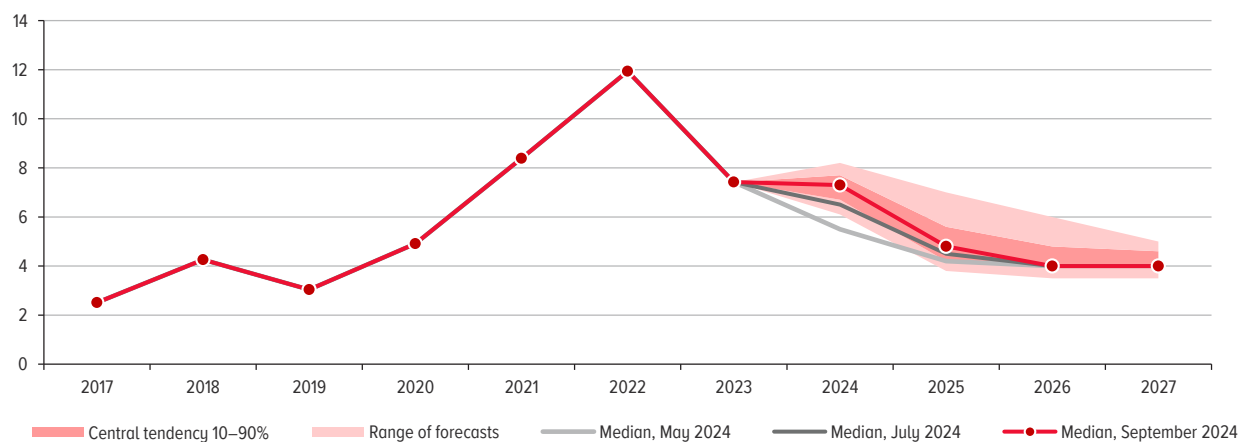
Chart 13



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 – 20 September 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](mailto: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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