



Bank of Russia



INFLATION EXPECTATIONS AND CONSUMER SENTIMENT

No. 10 (94) • October 2024

Information and analytical commentary

28 October 2024

INFLATION EXPECTATIONS AND CONSUMER SENTIMENT (OCTOBER 2024)

In October, indicators of inflation expectations increased. The median estimate of inflation expected by households in the next 12 months rose to 13.4%, as shown by InFOM's survey. Companies' three-month-ahead price expectations were up again. Breakeven inflation for inflation-indexed federal government bonds (OFZ-IN) rose, reaching 7.0% for OFZ-IN to be repaid in 2028. In October, analysts raised their inflation forecasts to 7.7% for the end of 2024 and to 5.3% for the end of 2025. Analysts' expectations for the period starting from 2026 stay close to the inflation target. According to the Bank of Russia's forecast, annual inflation will range from 8.0% to 8.5% as of the end of 2024. Given the monetary policy stance, annual inflation will decline to 4.5–5.0% in 2025, to 4.0% in 2026 and stay close to the target further on.

INDICATORS OF INFLATION EXPECTATIONS

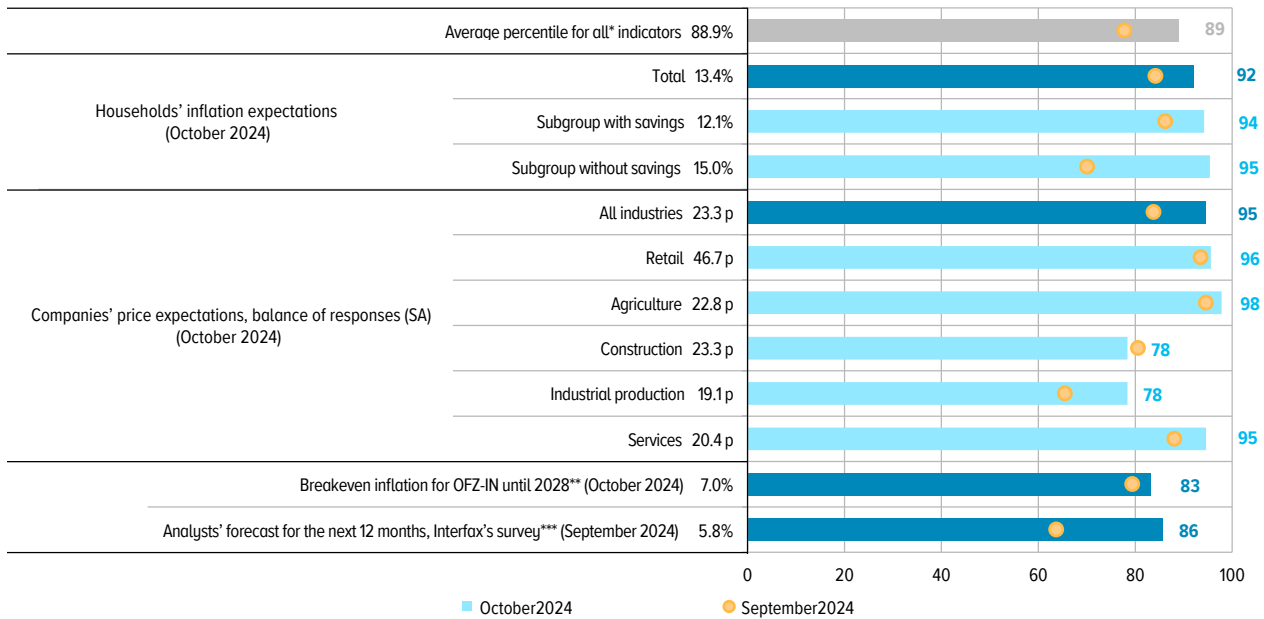
	Expectations horizon	2021 average	2022 average	2023 average	2024 Q2 average	2024 Q3 average	August 2024	September 2024	October 2024	Average over the past three months
Inflation, %		6.7	13.8	5.9	8.2	8.9	9.1	8.6		
Inflation observed by households, Public Opinion Foundation, %										
Median	previous 12 months	15.1	19.6	14.5	14.3	14.5	15.0	14.4	15.3	14.9
Subgroup with savings	previous 12 months	13.2	16.8	13.0	12.5	12.8	13.5	12.9	13.7	13.4
Subgroup without savings	previous 12 months	16.3	22.0	15.9	16.0	16.1	16.1	15.6	16.6	16.1
Households' inflation expectations, Public Opinion Foundation, %										
Median	next 12 months	12.1	12.9	11.5	11.5	12.6	12.9	12.5	13.4	12.9
Subgroup with savings	next 12 months	10.6	11.3	10.2	10.1	11.0	11.5	11.2	12.1	11.6
Subgroup without savings	next 12 months	13.3	14.2	12.7	12.9	13.9	13.9	13.3	15.0	14.1
Median for the next five years	next five years			10.5	10.3	11.1	10.4	12.4	12.3	11.7
Companies' price expectations, Bank of Russia's monitoring of businesses, balance of responses, p, SA*										
Companies, total	next three months	20.1	21.7	19.5	20.4	21.6	21.5	21.7	23.3	22.2
Retail	next three months	38.8	38.9	38.6	38.5	43.9	44.9	45.9	46.7	45.8
Breakeven inflation for OFZ-IN (monthly average), %										
OFZ-IN 52002, February 2028	next 3.5-year average	4.2	6.3	7.2	7.8	7.1	7.0	6.8	7.0	7.0
OFZ-IN 52003, July 2030	next six-year average	4.3	6.5	7.4	7.6	6.7	6.6	6.4	7.3	6.7
OFZ-IN 52004, March 2032	next 7.5-year average		6.7	7.6	7.8	7.2	7.2	6.7	7.7	7.2
OFZ-IN	2028–2030 average	4.4	6.7	7.9	7.3	6.2	5.9	5.8	7.6	6.4
OFZ-IN	2030–2032 average		7.6	8.5	8.8	8.9	9.4	7.7	9.0	8.7
Analysts, %										
Survey by the Bank of Russia	2024		4.4	4.4	5.4	6.9		7.3	7.7	
Interfax	2024			4.8	5.8	7.1	7.1	7.5		
Survey by the Bank of Russia	2025			4.0	4.2	4.7		4.8	5.3	
Interfax	2025						4.8	5.4		
Survey by the Bank of Russia	2026			4.0	4.0	4.0		4.0	4.1	

* 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.

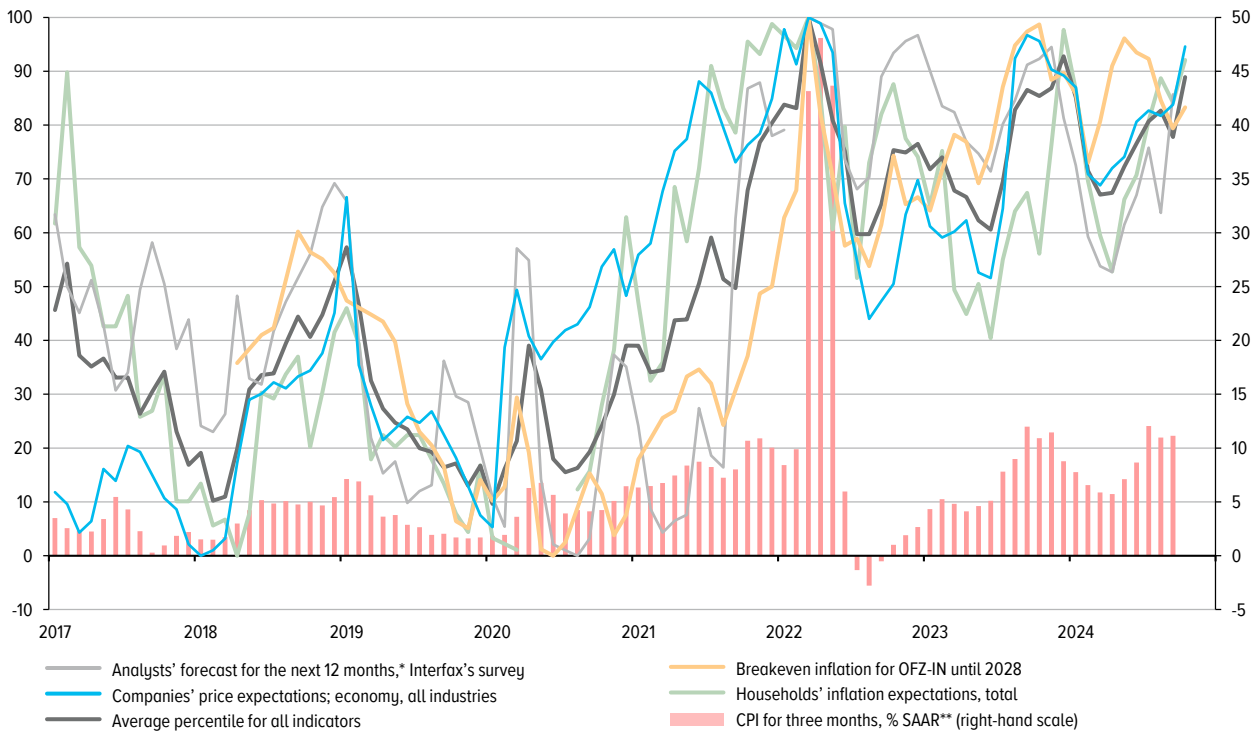
*** Analysts' forecast for the next 12 months was made using forecasts for this and subsequent years, taking into consideration actual inflation since the beginning of this year.

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.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 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 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 2025–2027](#).

Households' inflation expectations increased

In October 2024, the median estimate of inflation expectations for the next 12 months rose to its maximum value since December 2023, reaching 13.4% (+0.9 pp MoM; +2.2 pp YoY) (Charts 3 and 4), as shown by [InFOM's survey](#). Inflation expectations of respondents both with and without savings were up to 12.1% (+0.9 pp MoM; +2.7 pp YoY) and 15.0% (+1.7 pp MoM; +1.9 pp YoY), respectively (Chart 6).

Inflation observed by households increased in October as well. Its median equalled 15.3% (+0.9 pp MoM; +1.4 pp YoY). Both groups of respondents raised their estimates of observed inflation. The gap between the estimate of observed inflation and the annual consumer price index (CPI) growth expanded to 6.7 pp (observed inflation exceeds the annual CPI growth by a factor of 1.8).

When answering the question about increases in prices for individual goods and services,² respondents reported higher prices for certain food products (milk and dairy products, bread and bakery products) as well as electronics and household appliances more frequently in October than in September (Chart 5). Contrastingly, they complained about rises in prices for meat and poultry, eggs, and petrol as well as about higher housing and utility tariffs less often than in the previous month.

In October, the qualitative estimates of expected inflation for one month ahead declined.³ However, there was an increase in those of expected inflation for the next 12 months.⁴ The qualitative estimates of observed inflation over the past month remained unchanged⁵ and those of observed inflation over the past year edged up⁶ (Chart 7).

In October, long-term inflation expectations for the next five years⁷ barely changed, equalling 12.3% (-0.1 pp MoM; +1.3 pp YoY). Long-term expectations of respondents with savings were down to 10.9% (-0.9 pp MoM; +1.3 pp YoY), whereas those of respondents without savings were up to 14.1% (+1.3 pp MoM; +1.3 pp YoY). The percentage of respondents believing that the price growth rate would notably surpass 4% in three years rose to 53% (+3 pp MoM; +6 pp YoY) in October (Chart 8).

Consumer sentiment index declined

The consumer sentiment index edged down in October but stayed close to the 2016–2023 highs, amounting to 104.4 p (-0.8 p MoM; +2.5 p YoY) (Chart 9). Respondents' expectations worsened, while the estimates of the present situation went up.

The expectations index was 111.0 p in October (-2.3 p MoM; +0.3 p YoY). The estimates of changes in economic conditions in the country and in personal financial standing for a year ahead dropped, while the estimates of the country's economic prospects for the next five years remained almost unchanged.

² For details on inflation in September, refer to the information and analytical commentary [Consumer Price Dynamics](#) No. 9 (105), September 2024.

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

⁴ That is, the percentage of respondents who said that prices would be rising faster than now was higher than in the previous month.

⁵ That is, the percentage of respondents who said that prices had risen considerably remained unchanged as compared with the previous month.

⁶ That is, the percentage of respondents who said that prices were rising faster than before was higher than in the previous month.

⁷ The question 'Could you even roughly estimate price growth in five years, i.e. annual inflation in 2029?'. 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 five years' and 'It is hard to say') was 47% in October (vs 50% in September).

The present situation index equalled 94.5 p in October (+1.4 p MoM; +5.7 p YoY). Its components, i.e. the estimates of changes in personal financial standing over the past year and the estimates of the suitability of the current period for large purchases, were up.

In October, the respondents' propensity to save decreased. The percentage of respondents opting to save rather than purchase expensive goods fell to 51.5% (-2.3 pp MoM; -3.8 pp YoY) (Chart 10). The proportion of those preferring to spend reached 30.8% (+3.3 pp MoM; +5.4 pp YoY). Responses to the question about the preferred forms of savings remained virtually unchanged in October. Respondents preferring to keep their money in bank accounts accounted for 44% (+1 pp MoM; +6 pp YoY) of the total number. The percentage of those opting to have cash holdings equalled 28% (unchanged MoM; -6 pp YoY).

Companies raised their price expectations

According to the monitoring of businesses carried out by the Bank of Russia in October 2024, companies' price expectations (the balance of responses) for the next three months edged up again (Chart 11).⁸ Their increase in October was accompanied by a rise in the current demand estimates (for the first time after a three-month decline) and faster costs growth.

Price expectations were up in the majority of sectors, except for the electric power industry and construction. The most significant increase was recorded in trade and mining and quarrying. Higher price expectations across all trade segments were accompanied by sellers' better estimates of current and future demand and faster costs growth. Price expectations rose most notably in motor vehicle trade, where prices will be influenced by a higher recycling fee in the next months.

The increase in price expectations in mining and quarrying was accompanied by the improvement of the current demand estimates. However, respondents became less optimistic about future demand.

Manufacturers also raised their estimates of current demand, while costs growth continued to accelerate. Companies still mentioned higher cost of raw materials and components as the main reason for the expected price increase.

In agriculture, the rise in price expectations was largely associated with higher estimates of current and future demand that reached their maximum values since early 2022. The estimates of changes in costs also remained at a high level in October. In addition to changes in prices for raw materials and components, agricultural companies mentioned changes in market prices for similar products and changes in product demand among the reasons behind the expected price growth.

In the services sector, the rise in price expectations was supported by the respondents' optimism about future demand and by accelerating costs growth.

An insignificant increase in price expectations of transportation and storage companies was accompanied by the improvement of the current and expected demand estimates. The dynamics of price expectations in this sector was constrained by slower costs growth.

The price expectations in the electric power industry and construction continued their downward trend. According to enterprises engaged in these sectors, the growth in costs and output (contracted works) slowed down. Construction companies' estimates of current demand remained negative, close to the two-year lows.

⁸ In October 2024, the Bank of Russia surveyed 13,300 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 rate expected in the next three months⁹ (in annualised terms), measuring companies' inflation expectations, equalled 5.7% in October (+0.8 pp MoM; -0.2 pp YoY) (Chart 12). The average price growth expected by retailers in the next three months⁹ was 12.2% in annualised terms (+0.6 pp MoM; -1.4 pp YoY).

Breakeven inflation is expected to be 7.0% until 2028

As estimated by the Bank of Russia,¹⁰ average breakeven inflation in the next 3.5 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, was up in October. Between 1 and 23 October, it averaged 7.0% (+0.2 pp MoM; -1.5 pp YoY) (Chart 13). Breakeven inflation for longer maturities increased more significantly, reaching 7.6% for 2028–2030 (+1.8 pp MoM; -0.2 pp YoY) and 9.0% for 2030–2032 (+1.3 pp MoM; unchanged YoY).

Analysts expect inflation to be above 7% as of the end of 2024 and above 5% as of the end of 2025

In September–October 2024, analysts raised their inflation forecasts. According to the findings of the [Bank of Russia's macroeconomic survey](#) carried out in October, analysts increased their inflation forecast to 7.7% (+0.4 pp MoM; +2.6 pp YoY) for the end of 2024 and to 5.3% (+0.5 pp MoM; +1.3 pp YoY) for the end of 2025. The analysts surveyed by the Bank of Russia expect that inflation will be close to 4.0% in 2026 and stay at this level further on (Chart 14). As shown by Interfax's survey, in September 2024, analysts' consensus forecast of inflation for the end of 2024 rose to 7.5% (+0.4 pp MoM; +2.4 pp YoY) and that for the end of 2025 to 5.4% (+0.6 pp MoM).

Bank of Russia forecasts that annual inflation will drop to 4.5–5.0% in 2025

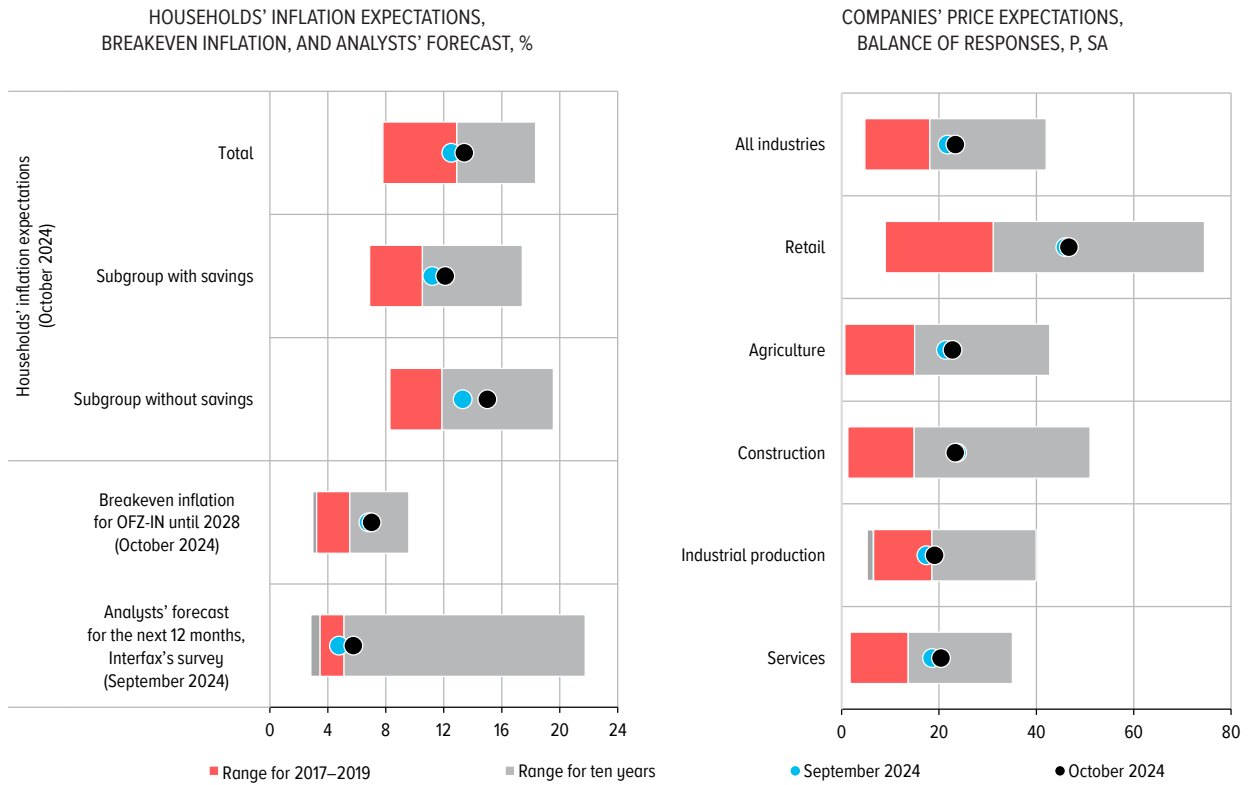
Further tightening of monetary policy is required to ensure the return of inflation to the target and to decrease inflation expectations. As of the end of 2024, annual inflation is expected to range from 8.0% to 8.5%. Given the current monetary policy stance, the Bank of Russia predicts that annual inflation will decline to 4.5–5.0% in 2025, to 4.0% in 2026 and stay close to the target further on.

⁹ Seasonally adjusted data.

¹⁰ The estimates are based on the comparison of 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

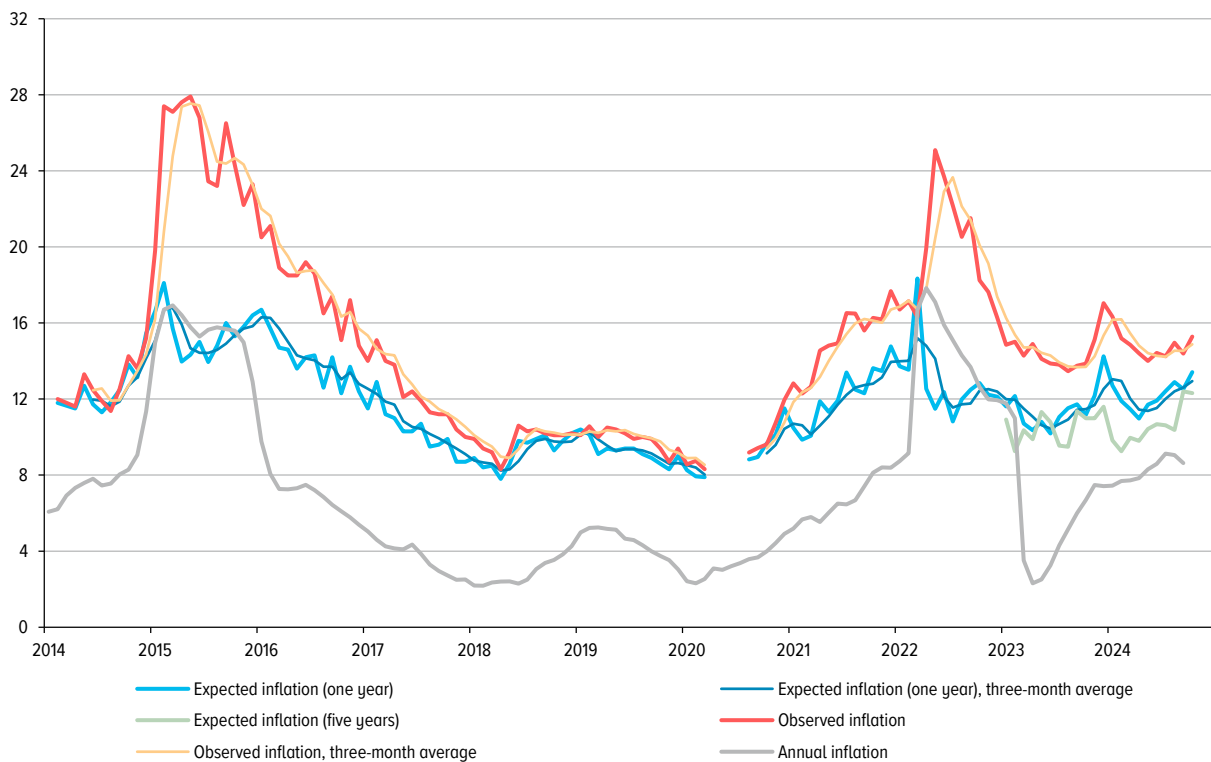
Chart 3



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

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

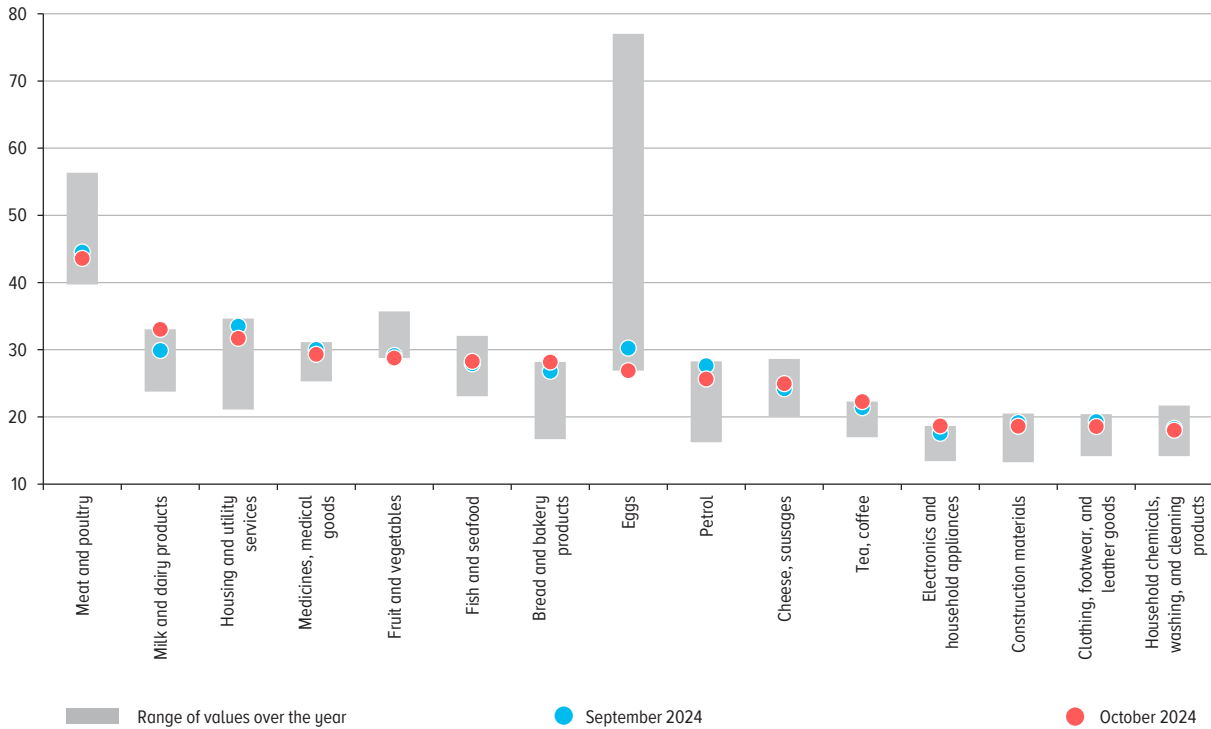
Chart 4



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)

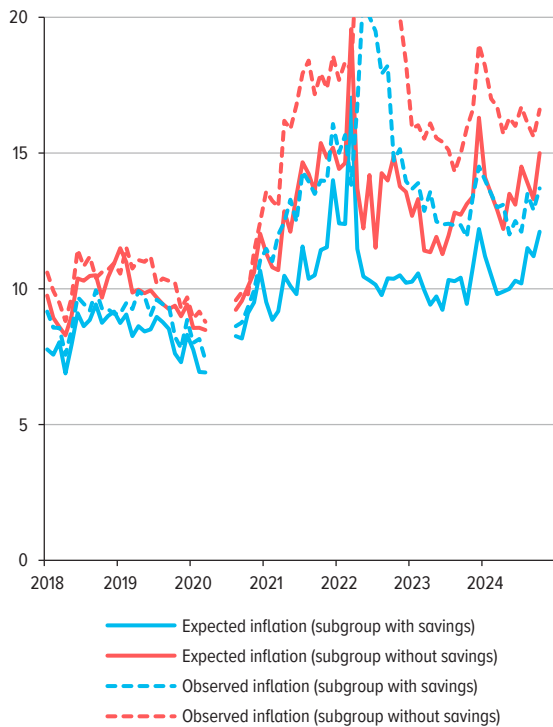
Chart 5



Sources: InFOM, Bank of Russia calculations.

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

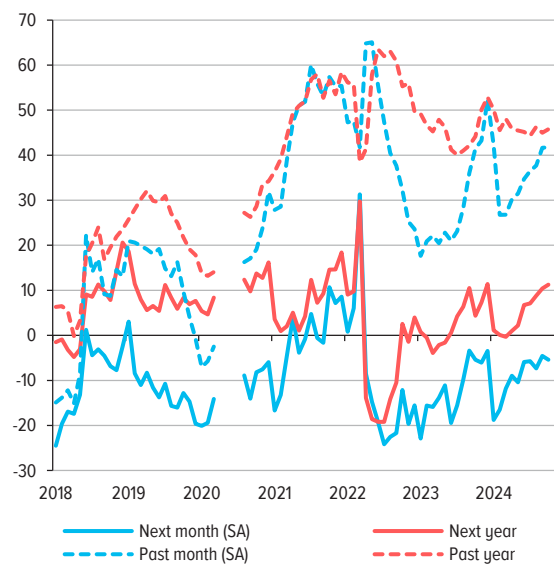
Chart 6



Source: InFOM.

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

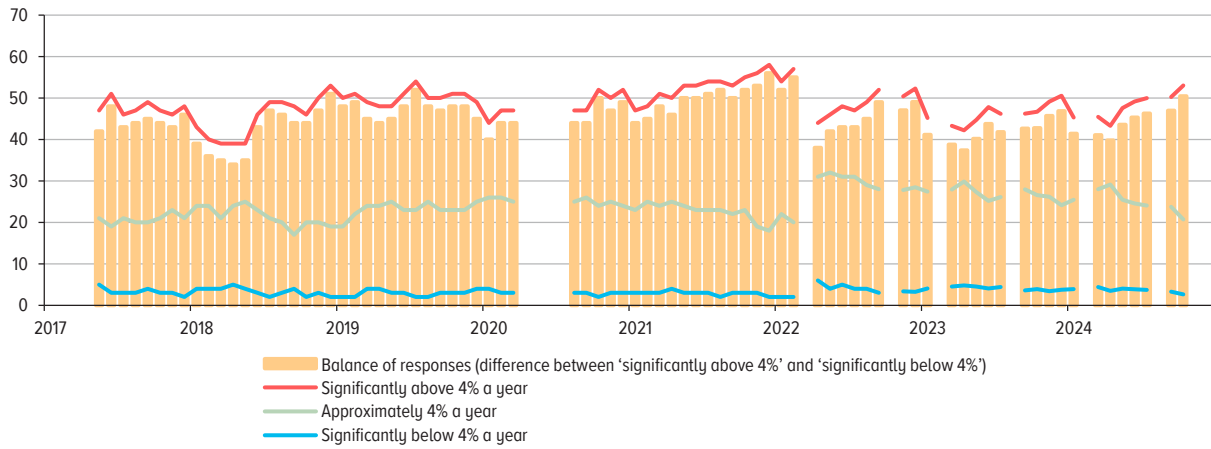
Chart 7



* 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.

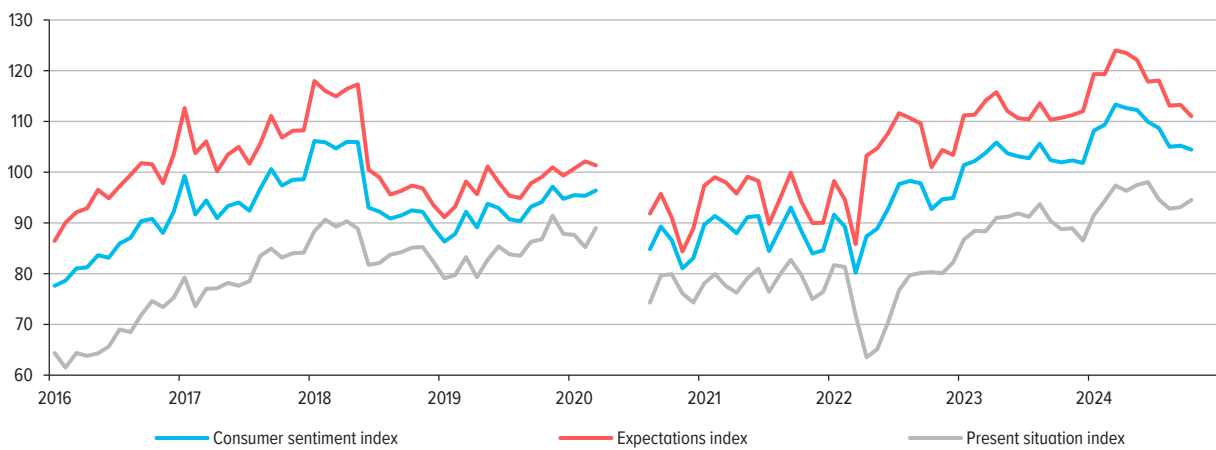
Sources: InFOM, Bank of Russia calculations.

DISTRIBUTION OF RESPONSES TO THE QUESTION 'WILL ANNUAL PRICE GROWTH BE ABOVE OR BELOW 4% IN THREE YEARS, IN YOUR OPINION?' (P) Chart 8
(% OF ALL RESPONDENTS)



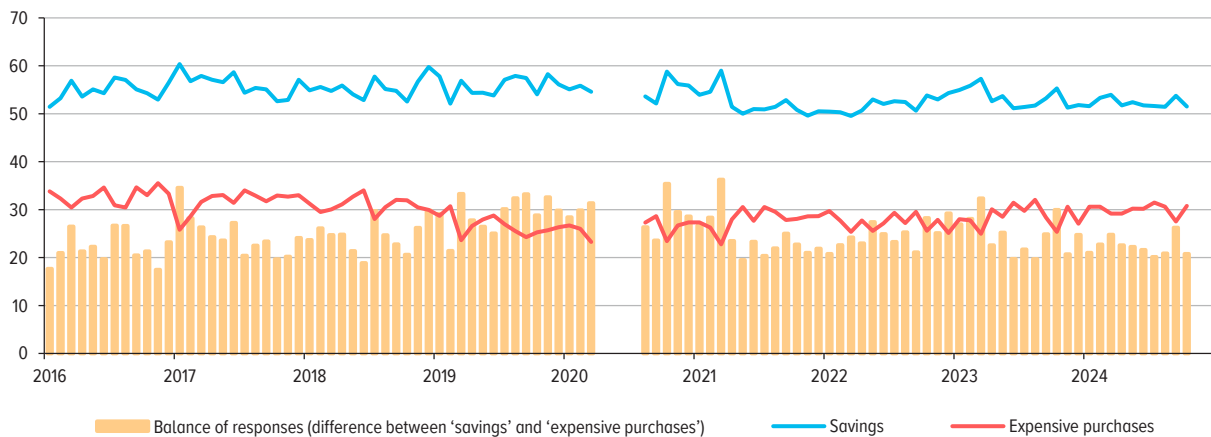
Sources: InFOM, Bank of Russia calculations.

CONSUMER SENTIMENT INDEX (P) Chart 9



Source: InFOM.

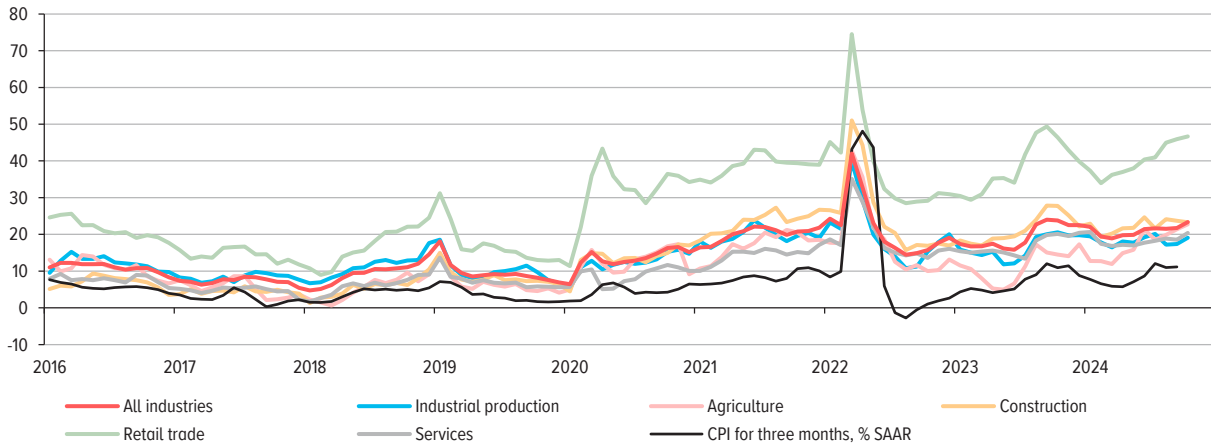
DISTRIBUTION OF RESPONSES TO THE QUESTION 'WHAT IS YOUR OPINION ABOUT THE BEST WAY TO USE AVAILABLE MONEY: MAKE SAVINGS OR PURCHASE EXPENSIVE GOODS?' (P) Chart 10
(% OF ALL RESPONDENTS)



Sources: InFOM, Bank of Russia calculations.

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

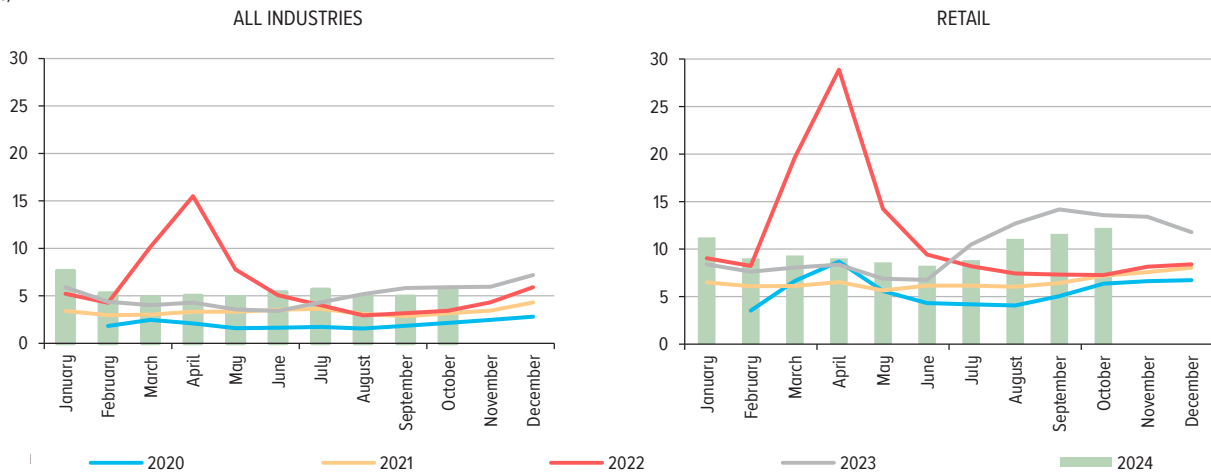
Chart 11



Sources: Bank of Russia, Rosstat.

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

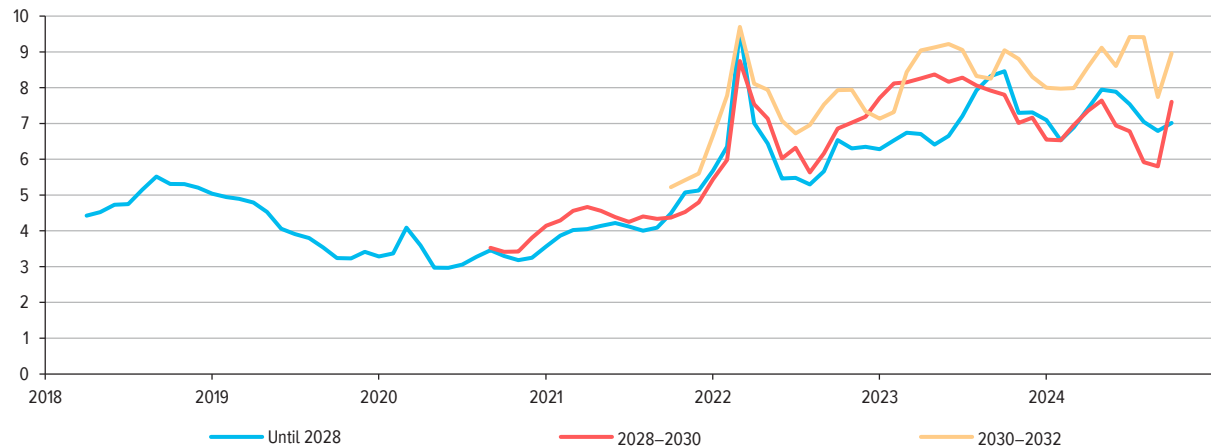
Chart 12



Source: Bank of Russia.

BREAKEVEN INFLATION FOR OFZ-IN
(%)

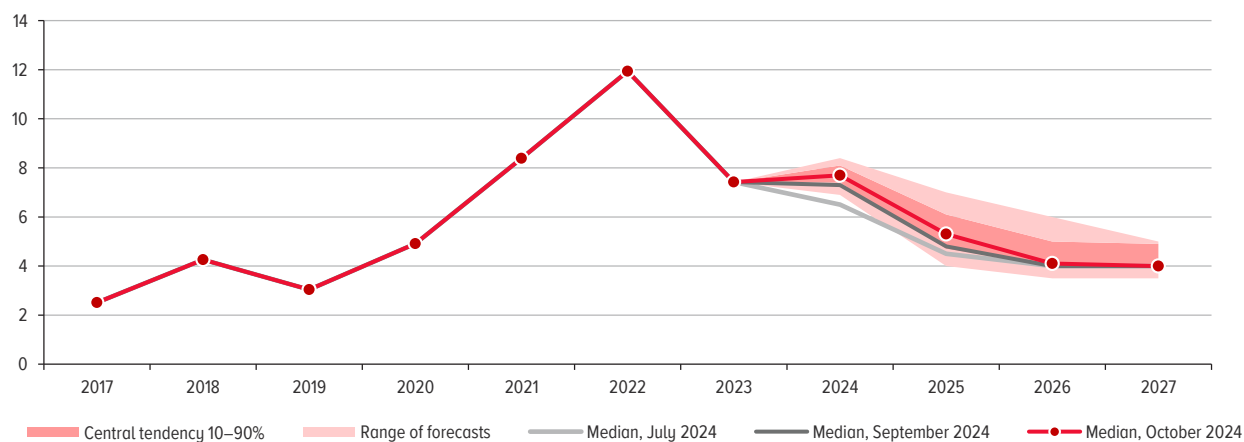
Chart 13



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 – 24 October 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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