



Bank of Russia



# INFLATION EXPECTATIONS AND CONSUMER SENTIMENT

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Information and analytical commentary

25 November 2024

## INFLATION EXPECTATIONS AND CONSUMER SENTIMENT (NOVEMBER 2024)

Indicators of inflation expectations remained high and changed diversely in November. Households' one year-ahead inflation expectations declined slightly both among respondents with and without savings. But due to the increased percentage of the latter, the overall median estimate remained at the October level – 13.4%. Companies' price expectations for the next three months increased again. However, retail businesses noted a slight decrease. In November, breakeven inflation for inflation-indexed federal government bonds (OFZ-IN) for the next three years dropped to the September 2022 lows. Nevertheless, it might be a less informative indicator owing to a significant reduction in the secondary market liquidity in this bond market segment. 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.

InFOM carried out its survey on 1–12 November, and the Bank of Russia conducted monitoring of businesses on 1–13 November.

### INDICATORS OF INFLATION EXPECTATIONS

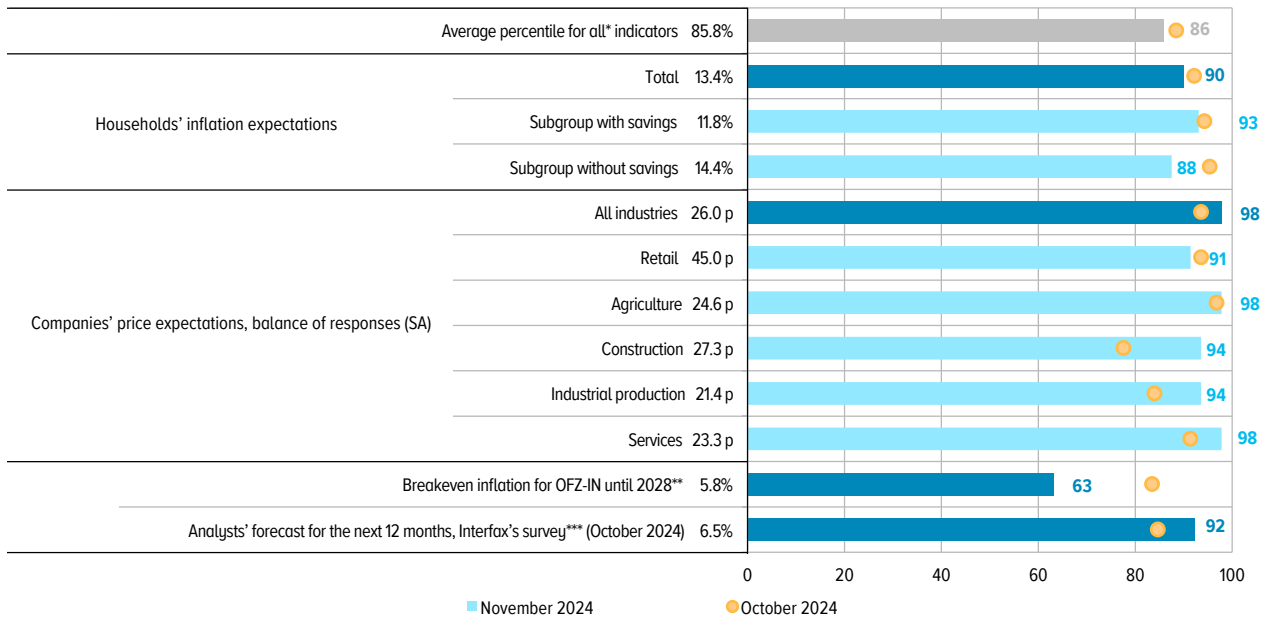
	Expectations horizon	2021 average	2022 average	2023 average	2024 Q2 average	2024 Q3 average	September 2024	October 2024	November 2024	Average over the past three months
Inflation, %		6.7	13.8	5.9	8.2	8.9	8.6	8.5		
<b>Inflation observed by households, Public Opinion Foundation, %</b>										
Median	previous 12 months	15.1	19.6	14.5	14.3	14.5	14.4	15.3	15.3	15.0
Subgroup with savings	previous 12 months	13.2	16.8	13.0	12.5	12.8	12.9	13.7	13.9	13.5
Subgroup without savings	previous 12 months	16.3	22.0	15.9	16.0	16.1	15.6	16.6	16.3	16.2
<b>Households' inflation expectations, Public Opinion Foundation, %</b>										
Median	next 12 months	12.1	12.9	11.5	11.5	12.6	12.5	13.4	13.4	13.1
Subgroup with savings	next 12 months	10.6	11.3	10.2	10.1	11.0	11.2	12.1	11.8	11.7
Subgroup without savings	next 12 months	13.3	14.2	12.7	12.9	13.9	13.3	15.0	14.4	14.2
Median for the next five years	next five years			10.5	10.3	11.1	12.4	12.3	11.7	12.1
<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	20.4	21.8	22.0	23.4	26.0	23.8
Retail	next three months	38.8	38.9	38.6	38.5	43.9	45.9	45.5	45.0	45.5
<b>Breakeven inflation for OFZ-IN (monthly average), %</b>										
OFZ-IN 52002, February 2028	next three-year average	4.2	6.3	7.2	7.8	7.1	6.8	7.0	5.8	6.5
OFZ-IN 52003, July 2030	next six-year average	4.3	6.5	7.4	7.6	6.7	6.4	7.2	5.3	6.3
OFZ-IN 52004, March 2032	next seven-year average		6.7	7.6	7.8	7.2	6.7	7.6	6.0	6.7
OFZ-IN	2028–2030 average	4.4	6.7	7.9	7.3	6.2	5.8	7.4	4.7	6.0
OFZ-IN	2030–2032 average		7.6	8.5	8.8	8.9	7.7	8.8	8.2	8.2
<b>Analysts, %</b>										
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	7.5	8.1		
Survey by the Bank of Russia	2025			4.0	4.2	4.7	4.8	5.3		
Interfax	2025						5.4	5.6		
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.

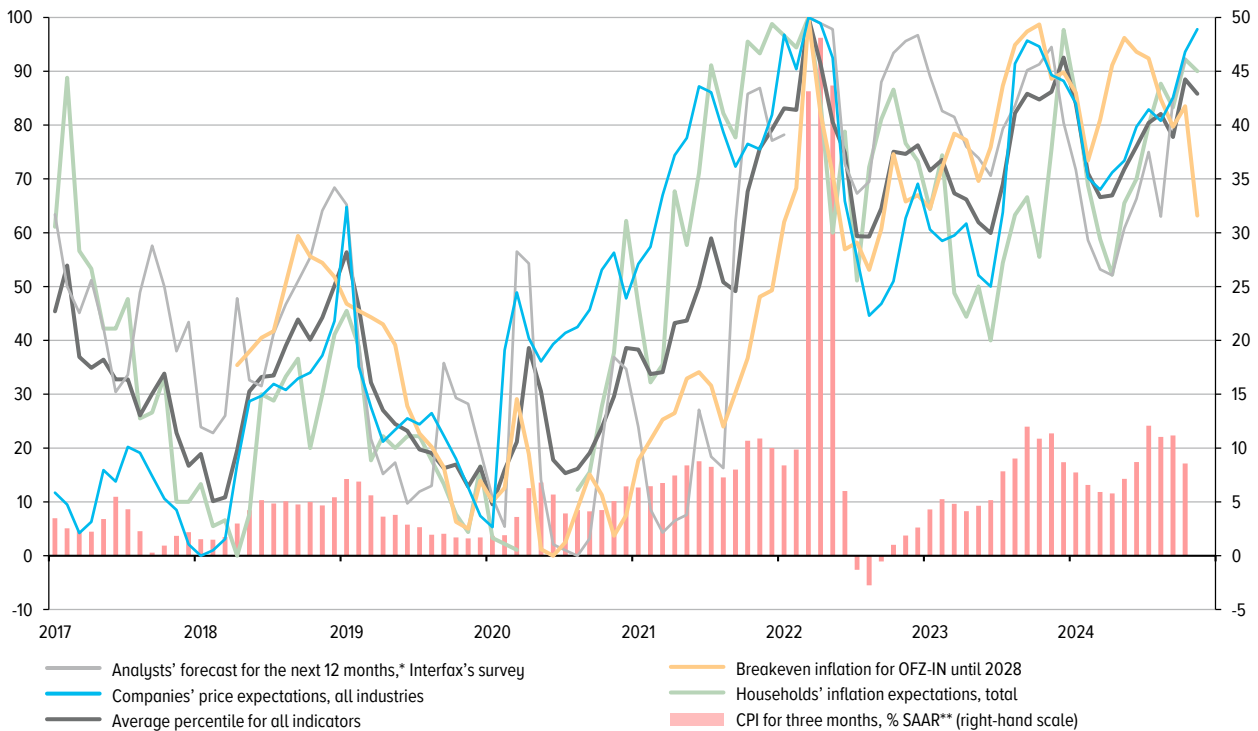
\*\*\* Analysts' forecast for the next 12 months was made using forecasts for this and subsequent years, taking into consideration actual inflation since the beginning of this year.

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.<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 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.*

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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 stay elevated

As shown by [InFOM's survey](#) (1–12 November), the composite median estimate of inflation expectations for the next 12 months did not change in November 2024, equalling 13.4% (+1.2 pp YoY) (Charts 3 and 4). However, the median in both subgroups of respondents (Chart 6) with and without savings declined to 11.8% (-0.3 pp MoM; +1.0 pp YoY) and 14.4% (-0.6 pp MoM; +1.0 pp YoY), respectively. Such a variation in the dynamics of median estimates in the entire sample, on the one hand, and in subgroups, on the other hand, was caused by the fact that the percentage of respondents without savings, who had higher inflation expectations, increased in the November sample compared to the previous survey. Furthermore, inflation expectations rose significantly among the respondents who did not answer the question about the availability of savings but made their estimates of expected inflation (although their proportion in the sample is traditionally low – less than 3%). Nonetheless, the variation in inflation expectations in subgroups is more informative than the variation in the overall median (given fluctuations in the sample composition). In November, it demonstrates a slight decline in inflation expected by households.

Inflation observed by households remained unchanged in November. Its median value was 15.3% (+0.2 pp YoY). The estimates of observed inflation increased among respondents with savings and decreased among those without savings. The gap between the estimate of observed inflation and the annual CPI growth remained almost the same month-on-month, i.e. 6.8 pp (observed inflation is 1.8 times higher than the annual CPI growth).

When answering the question about increases in prices for certain goods and services,<sup>2</sup> in November, respondents more often reported higher prices for milk and dairy products, fish and sea food products, fruit and vegetables, eggs, cheese and sausages (Chart 5). Contrastingly, they complained about increased prices for meat and poultry, tea and coffee, non-food goods (medicines, petrol, clothing and footwear, construction materials, and household chemicals), medical services, and higher housing and utility tariffs less often than in the previous month.

The qualitative estimates of expected inflation for one month and one year ahead<sup>3</sup> and those of observed inflation over the past month and past year<sup>4</sup> increased in November (Chart 7).

Five-year-ahead<sup>5</sup> inflation expectations edged down to 11.7% in November (-0.6 pp MoM; +0.7 pp YoY). Moreover, they decreased both among respondents with and without savings to 10.1% (-0.8 pp MoM; +0.1 pp YoY) and 13.4% (-0.7 pp MoM; +1.5 pp YoY), respectively. The percentage of respondents believing that the price growth rate would notably surpass 4% in three years declined to 51% (-2 pp MoM; +2 pp YoY) in November (Chart 8).

## Consumer sentiment index declined

The consumer sentiment index edged down in November, staying higher than a year ago and close to its highs of 2016–2023, amounting to 104.0 p (-0.4 p MoM, +1.7 p YoY) (Chart 9). The present situation estimates declined, whereas the expectations of respondents improved.

<sup>2</sup> For details on inflation in October, refer to the information and analytical commentary [Consumer Price Dynamics](#) No. 10 (106), October 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 and were rising faster than before was higher than in the previous month.

<sup>5</sup> 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 46% in November (vs 47% in October).

The present situation index equalled 91.4 p in November (-3.1 p MoM; +2.5 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, decreased.

The expectations index was 112.4 p in November (+1.4 p MoM; +1.2 p YoY). The estimates of the country's development outlook for the next one and five years increased. There were less expectations of changes in personal financial standing for one year ahead.

In November, respondents had a higher propensity to save. The percentage of respondents opting to save rather than purchase expensive goods rose to 53.0% (+1.5 pp MoM; +1.7 pp YoY) (Chart 10). However, it stayed below the average value since early 2016 (54.1%). The proportion of those who preferred to spend money was 30.1% (-0.7 pp MoM; -0.5 pp YoY). Responses to the question about the preferred forms of savings remained virtually unchanged in November. Respondents preferring to keep their money in bank accounts totalled 43% (-1 pp MoM; +2 pp YoY). The percentage of those opting to have cash holdings equalled 28% (unchanged MoM; -2 pp YoY).

## Companies raised their price expectations

According to the monitoring of businesses carried out by the Bank of Russia in November 2024, companies' price expectations (the balance of responses) for the next three months went up again (Chart 11).<sup>6</sup> This increase was followed by faster cost growth.

Costs were rising in most industries, except mining and quarrying, power supply, and retail where price expectations lowered. The most significant increase was recorded in manufacturing. According to enterprises of this sector, costs growth continued for the seventh consecutive month. Companies mentioned rising costs of raw materials, components, and supplies as the main reason for expected price growth.

Price expectations rose very notably in the motor vehicle trade for the second month in a row, where they were still affected by a gradual increase in the recycling fee (from 1 October 2024 and from 1 January 2025).

The escalating costs led to higher price expectations in construction where, contrastingly, estimates of current and future demand continued to decline.

In agriculture, growth in price expectations was accompanied by both accelerating cost growth and improved estimates of current demand. More than half of the respondents planning to raise prices for their products said that the reasons for this were the rising cost of raw materials and components, and changes in competitors' prices.

Expectations in retail (the balance of responses) declined somewhat, whereas respondents were less optimistic about future demand.

In November, the average price growth rate expected in the next three months<sup>7</sup> (in annualised terms), measuring companies' inflation expectations, equalled 7.5% (+1.8 pp MoM; +1.5 pp YoY) (Chart 12). The average price growth expected by retailers in the next three months<sup>7</sup> was 13.5% in annualised terms (+1.5 pp MoM; +0.1 pp YoY).

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<sup>6</sup> In November 2024, the Bank of Russia surveyed 13,900 companies (more detailed results of the monitoring are available in the information and analytical commentary [Monitoring of Businesses: Assessments, Expectations and Comments](#)).

<sup>7</sup> Seasonally adjusted data.



## Breakeven inflation is expected to be 5.8% until 2028

As estimated by the Bank of Russia,<sup>8</sup> average breakeven inflation in the next three 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, noticeably declined in November. Between 1 and 20 November, it averaged 5.8% (-1.2 pp MoM; -1.5 pp YoY) (Chart 13). Breakeven inflation for longer maturities also decreased, reaching 4.7% for 2028–2030 (-2.7 pp MoM; -2.3 pp YoY) and 8.2% for 2030–2032 (-0.6 pp MoM; -0.6 pp YoY).

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

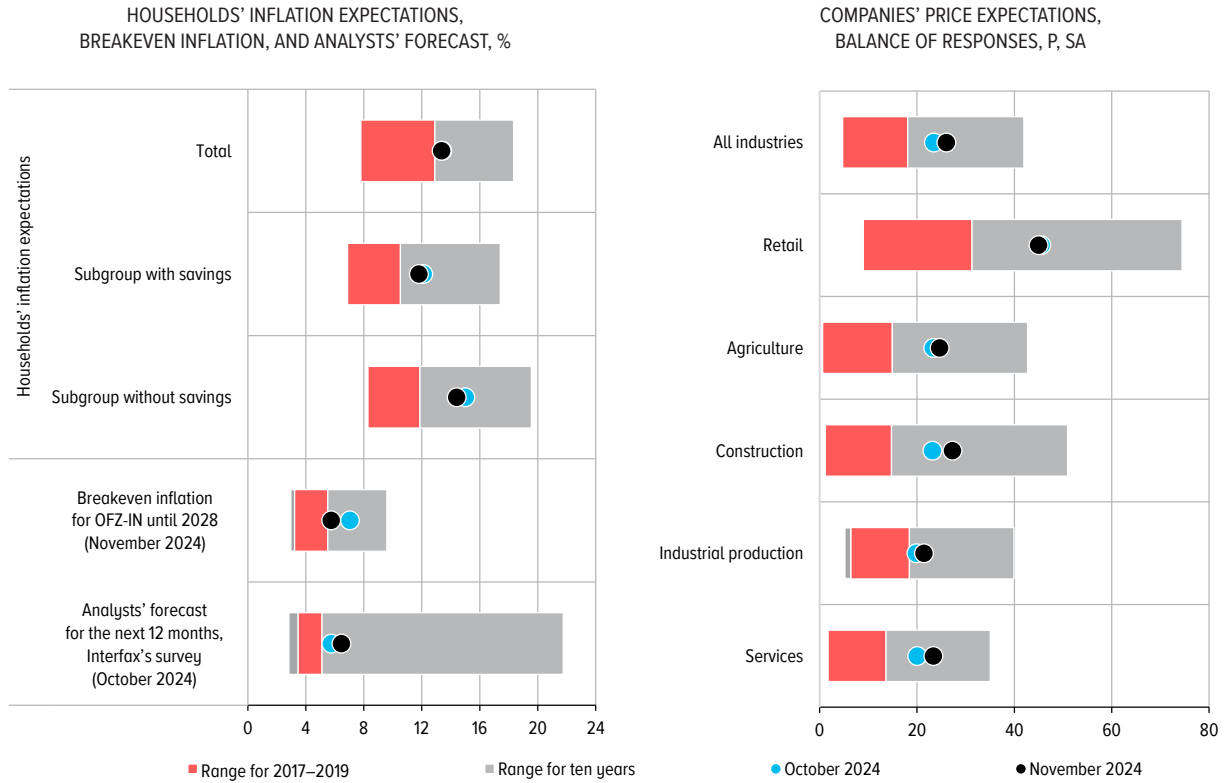
Additional tightening of monetary conditions, which can ensure more moderate demand growth, is required to resume the disinflation process, lower inflation expectations and create an environment conducive to a steady deceleration of inflation in 2025. As of the end of 2024, annual inflation is expected 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.

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<sup>8</sup> The estimates are based on the comparison of expected yields on inflation-indexed federal government bonds (OFZ-IN) and nominal OFZ bonds (OFZ-PD), taking into account the lag between the nominal value indexation and seasonally adjusted inflation. [Calculation method.](#)

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

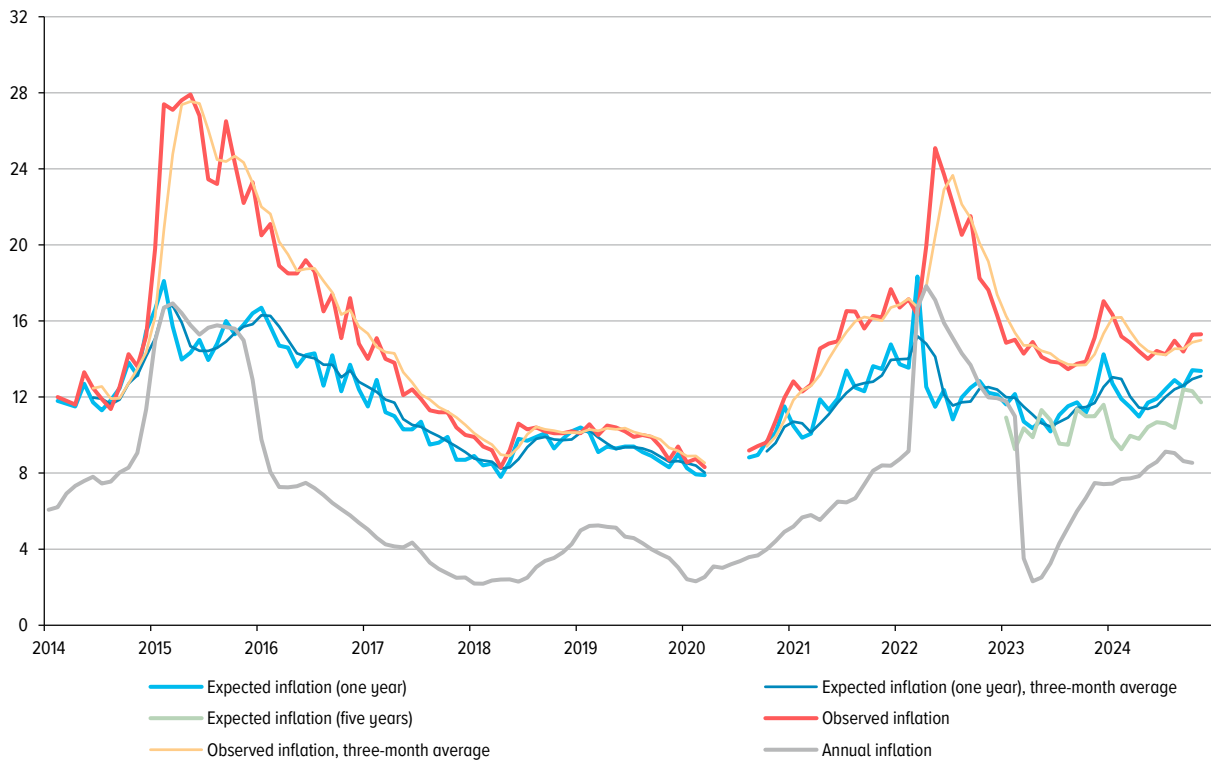
Chart 3



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

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

Chart 4

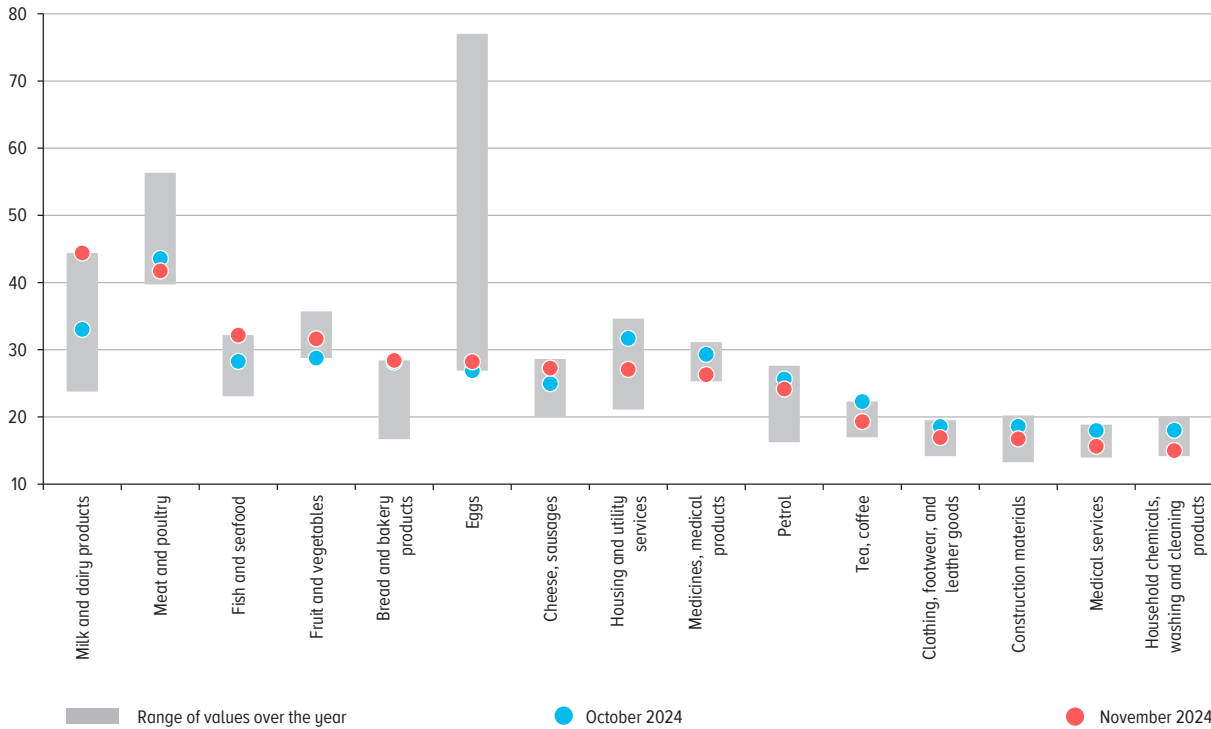


Sources: InFOM, Rosstat, Bank of Russia calculations.



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)

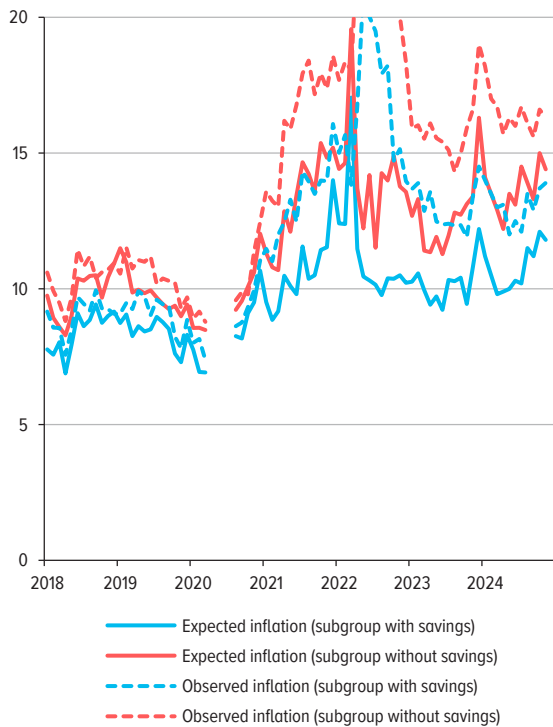
Chart 5



Sources: InFOM, Bank of Russia calculations.

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

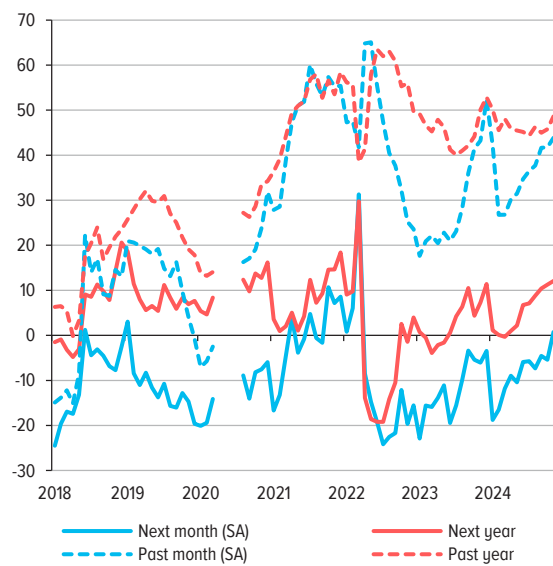
Chart 6



Source: InFOM.

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

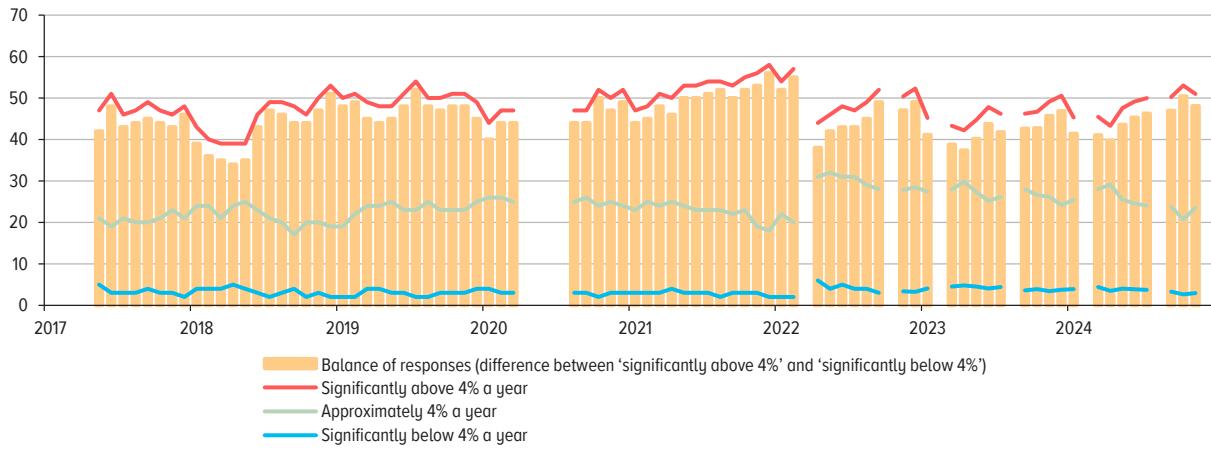
Chart 7



\* 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.

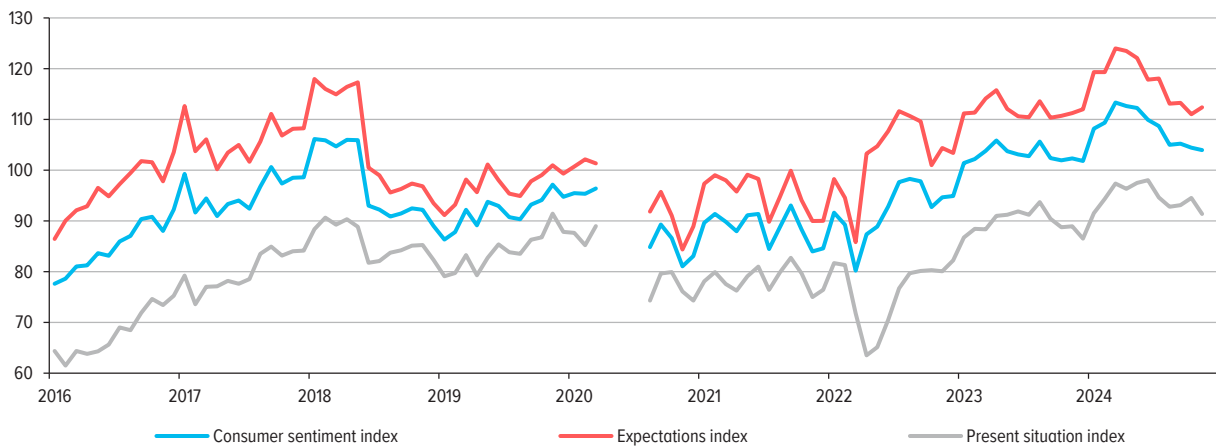
Sources: InFOM, Bank of Russia calculations.

**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)



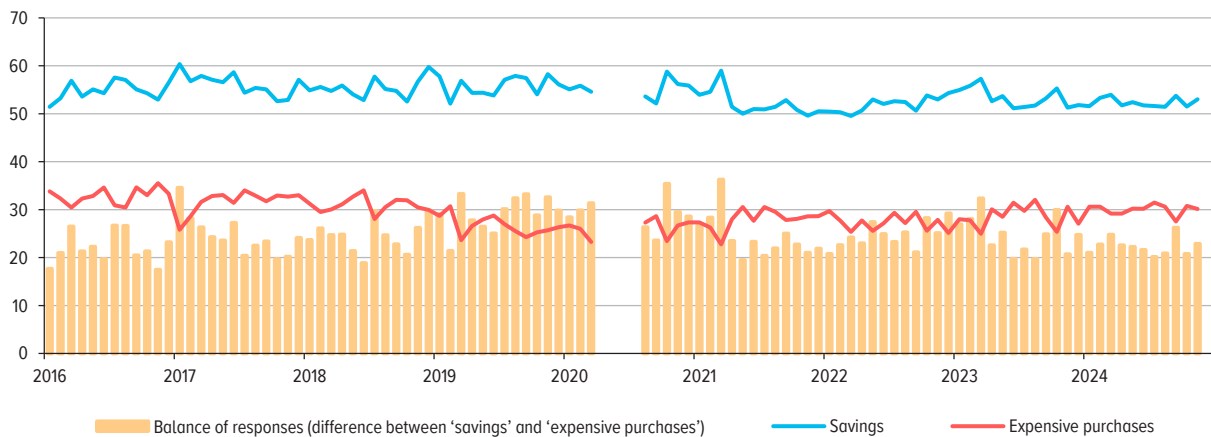
Sources: InFOM, Bank of Russia calculations.

**CONSUMER SENTIMENT INDEX (P)** Chart 9



Source: InFOM.

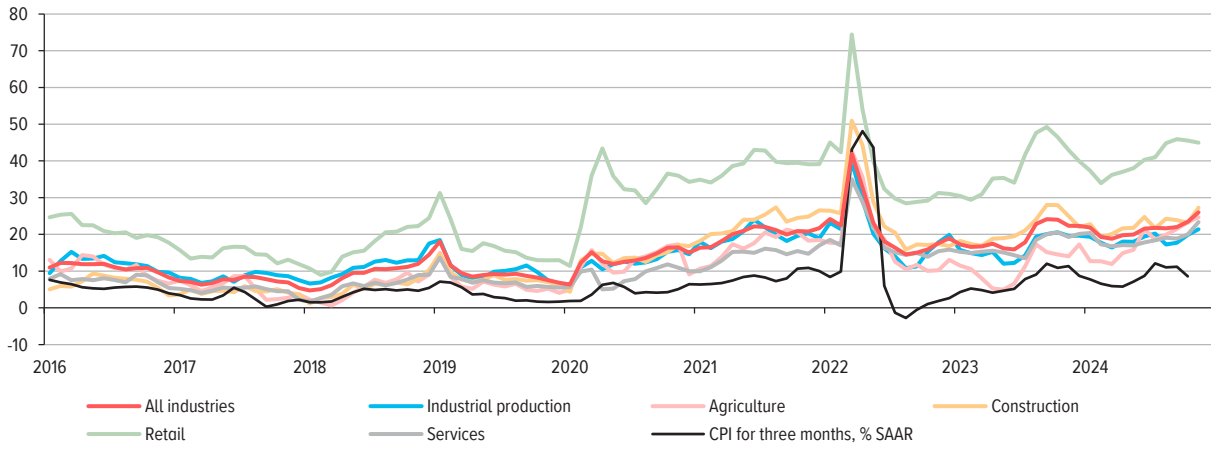
**DISTRIBUTION OF RESPONSES TO THE QUESTION 'WHAT IS YOUR OPINION ABOUT THE BEST WAY TO USE AVAILABLE MONEY: MAKE SAVINGS OR PURCHASE EXPENSIVE GOODS?' (P)** Chart 10  
(% OF ALL RESPONDENTS)



Sources: InFOM, Bank of Russia calculations.

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

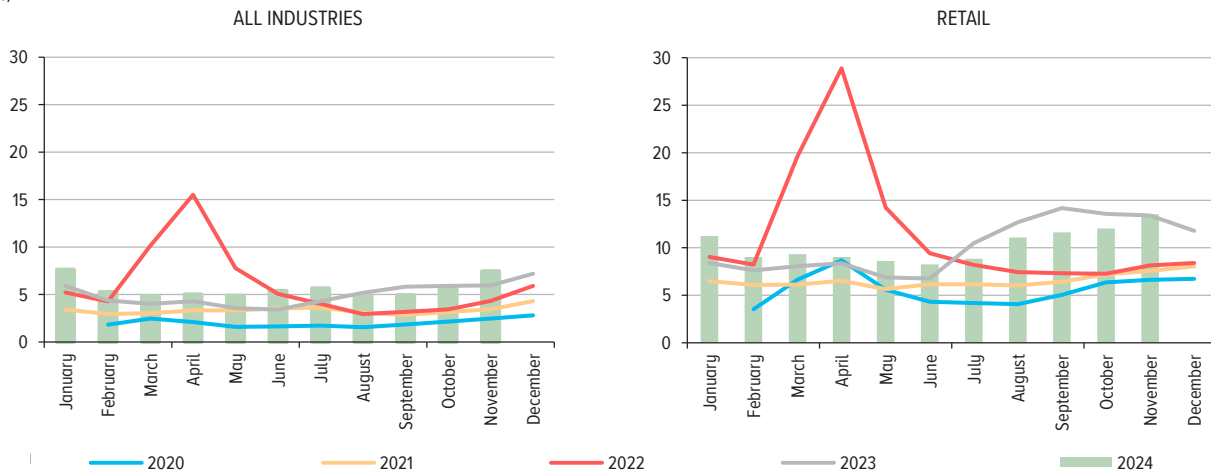
Chart 11



Sources: Bank of Russia, Rosstat.

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

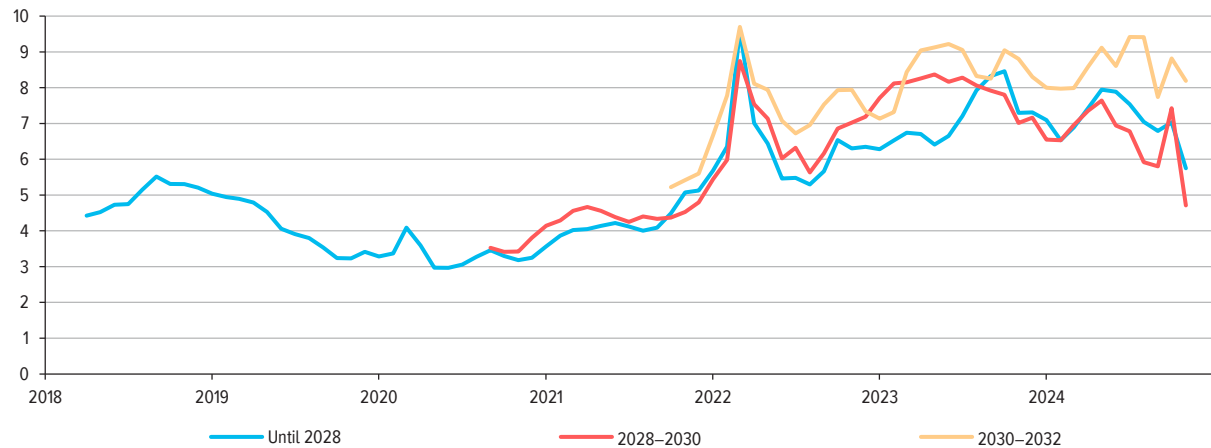
Chart 12



Source: Bank of Russia.

BREAKEVEN INFLATION FOR OFZ-IN  
(%)

Chart 13



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

The data cut-off date – 21 November 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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