



Bank of Russia



INFLATION EXPECTATIONS AND CONSUMER SENTIMENT

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Information and analytical commentary

5 February 2025

INFLATION EXPECTATIONS AND CONSUMER SENTIMENT (JANUARY 2025)

In January, inflation expectations of households and price expectations of companies remained actually unchanged, staying at a high level. The median estimate of households' inflation expectations for the next 12 months was 14.0%, according to InFOM's survey. Companies' price expectations for the next three months have been staying at their highs since spring 2022. Breakeven inflation for inflation-indexed federal government bonds (OFZ-IN) maturing in 2028 decreased to 5.6%. The Bank of Russia expects that the current monetary policy stance will help reduce inflation to 4.0% in 2026 and anchor it to the target further on.

INDICATORS OF INFLATION EXPECTATIONS

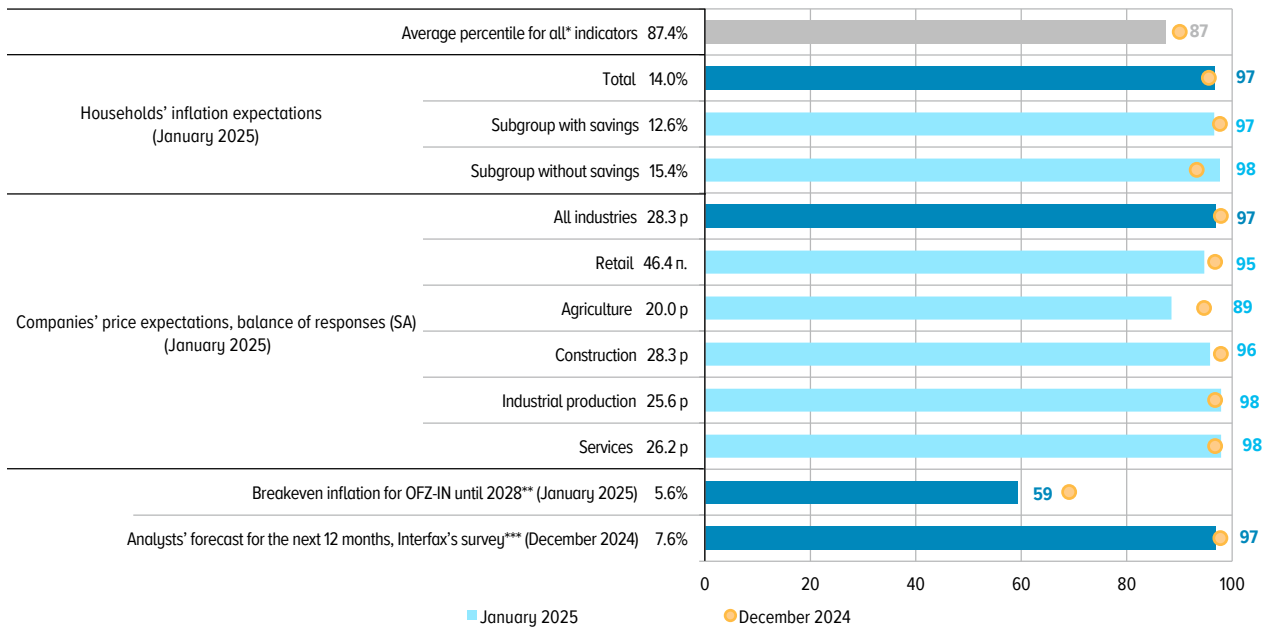
	Expectations horizon	2022 average	2023 average	2024 average	2024 Q3 average	2024 Q4 average	November 2024	December 2024	January 2025	Average over the past three months
Inflation, %		13.8	5.9	8.4	8.9	9.0	8.9	9.5		
Inflation observed by households, Public Opinion Foundation, %										
Median	previous 12 months	19.6	14.5	14.9	14.5	15.5	15.3	15.9	16.4	15.9
Subgroup with savings	previous 12 months	16.8	13.0	13.2	12.8	14.0	13.9	14.4	15.4	14.6
Subgroup without savings	previous 12 months	22.0	15.9	16.5	16.1	16.6	16.3	16.9	17.5	16.9
Households' inflation expectations, Public Opinion Foundation, %										
Median	next 12 months	12.9	11.5	12.4	12.6	13.6	13.4	13.9	14.0	13.8
Subgroup with savings	next 12 months	11.3	10.2	10.9	11.0	12.2	11.8	12.7	12.6	12.4
Subgroup without savings	next 12 months	14.2	12.7	13.8	13.9	14.8	14.4	14.9	15.4	14.9
Median for the next five years	next five years			10.8	11.1	11.9	11.7	11.8	12.3	11.9
Companies' price expectations, Bank of Russia's monitoring of businesses, balance of responses, p, SA*										
Companies, total	next three months	21.7	19.5	22.1	21.9	26.0	26.0	28.4	28.3	27.6
Retail	next three months	38.9	38.6	41.1	43.8	46.1	45.2	47.7	46.4	46.4
Breakeven inflation for OFZ-IN (monthly average), %										
OFZ-IN 52002, February 2028	next three-year average	6.3	7.2	7.0	7.1	6.4	5.8	6.4	5.6	5.9
OFZ-IN 52003, July 2030	next five-year average	6.5	7.4	6.8	6.7	6.3	5.4	6.4	6.3	6.0
OFZ-IN 52004, March 2032	next seven-year average	6.7	7.6	7.2	7.2	6.8	6.0	6.7	6.8	6.5
OFZ-IN	2028–2030 average	6.7	7.9	6.6	6.2	6.2	4.9	6.3	7.0	6.1
OFZ-IN	2030–2032 average	7.6	8.5	8.5	8.9	8.2	8.1	7.8	8.5	8.1
Analysts, %										
Survey by the Bank of Russia	2025	4.0	4.0	4.6	4.7	5.7		6.0		
Interfax	2025			5.0	5.0	6.1	6.3	6.5		
Survey by the Bank of Russia	2026		4.0	4.1	4.0	4.3		4.5		
Survey by the Bank of Russia	2027			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.

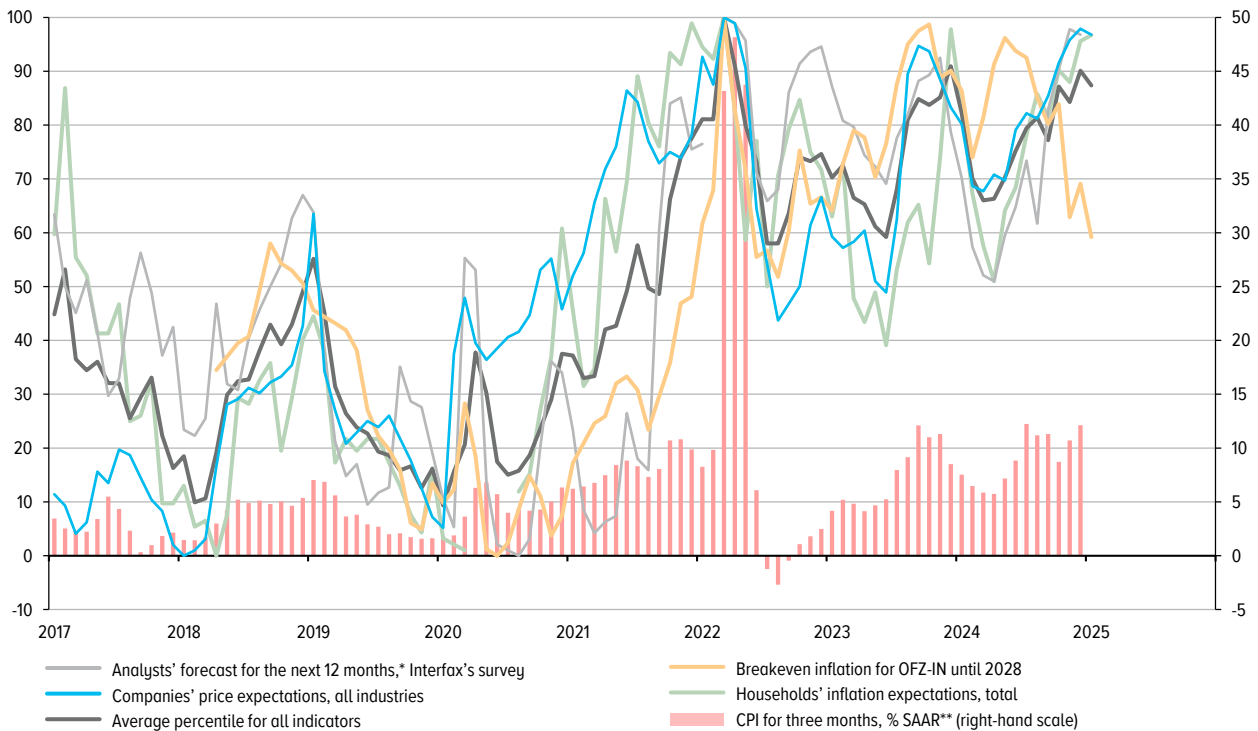
*** Analysts' forecast for the next 12 months was made using forecasts for this and subsequent years, taking into consideration actual inflation since the beginning of this year.

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.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 are at yearly highs

In January 2025, the median estimate of inflation expectations for the next 12 months did not virtually change, staying at its high since December 2023, as shown by [InFOM's survey](#) (Charts 3 and 4). It equalled 14.0% (+0.1 pp MoM; +1.3 pp YoY). Inflation expectations among respondents with savings remained almost the same as in December 2024 (12.6%; -0.1 pp MoM; +1.4 pp YoY). Inflation expectations among respondents without savings increased to 15.4% (+0.5 pp MoM; +1.3 pp YoY) (Chart 6).

Inflation observed by households continued to rise in January. It equalled 16.4% (+0.5 pp MoM; +0.1 pp YoY). Estimates of observed inflation were higher among both subgroups of respondents. The gap between the estimate of observed inflation and annual growth in the consumer price index (CPI) remained almost unchanged and amounted to 6.9 pp (observed inflation is 1.7 times higher than the annual CPI growth).

Answering the question about growth in prices for certain goods and services,² in January, respondents noted growth in prices for all goods and services, included in the questionnaire, more often than in December. Survey estimates of price growth were at yearly highs for most product categories. As in the previous month, respondents tended to be much more anxious about rising food prices, primarily those for fruit and vegetables, meat and poultry, bread and bakery products, tea and coffee. Respondents also started to mention higher prices for housing and utility services, medical services, medicines and medical products, and petrol much more often (Chart 5).

The qualitative estimates of expected inflation for one month and one year ahead decreased in January.³ The qualitative estimates of observed inflation in the past year did not change, while those of observed inflation in the past month lowered⁴ (Chart 7).

Five-year-ahead⁵ inflation expectations rose to 12.3% in January (+0.5 pp MoM; +2.5 pp YoY). They increased both among respondents with and without savings to 11.0% (+0.4 pp MoM; +2.0 pp YoY) and 13.8% (+1.1 pp MoM; +3.1 pp YoY), respectively. The proportion of respondents believing that the price growth rate might notably surpass 4% in three years reached 57% in January (+4 pp MoM; +12 pp YoY) (Chart 8).

Consumer sentiment index went up

In January 2025, the consumer sentiment index was up after the December decrease but was still below its November 2024 level. It reached 103.5 p (+2.4 p MoM, -4.7 p YoY) (Chart 9). The present situation estimates and expectations of respondents rose as well.

The present situation index equalled 90.0 p in January (+1.9 p MoM; -1.5 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, increased.

² For details on inflation in December, refer to the information and analytical commentary [Consumer Price Dynamics](#) No. 12 (108), December 2024.

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

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

⁵ The question 'Could you even roughly estimate price growth in five years, i.e. annual inflation in 2030?'. 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 51% in January (vs 48% in December).

The expectations index was 112.6 p in January (+2.9 p MoM; -6.7 p YoY). Expectations of changes in personal financial standing for the coming year and assessments of the country's further development for one year ahead improved. Assessments of the country's further development for five year ahead did not change.

In January, the respondents' propensity to save edged down. The percentage of respondents opting to save rather than purchase expensive goods was 51.2% (-1.6 pp MoM; -0.4 pp YoY) (Chart 10). It remained below the average value since the beginning of 2016 (54.1%). The proportion of those who preferred to spend money was 29.6% (-0.5 pp MoM; -1.0 pp YoY). Distribution of responses to the question about the preferred types of savings remained almost unchanged in January. The share of those who believe that now it is better to keep money in bank accounts was 43% (-1.0 pp MoM; +1.0 pp YoY). The percentage of those preferring cash holdings equalled 27% (+1 pp MoM; -1 pp YoY).

Companies' price expectations remained high

According to the monitoring of businesses carried out by the Bank of Russia in January 2025, three-month-ahead price expectations of companies (the balance of responses) did not actually change and stayed close to their local highs since April 2022 (Chart 11).⁶ The dynamics of price expectations were restrained by the slowdown in cost growth, including amid the stabilisation of the ruble exchange rate and respondents' more moderate demand expectations than in December.

Changes in price expectations across industries were different. They decreased in trade, agriculture, and construction but increased in mining and quarrying, energy and water supply, and services. Price expectations of manufacturing, transportation and storage companies remained virtually unchanged.

In trade, all segments registered a decrease in price expectations. It was due to a slowdown in cost growth and lowered demand expectations in retail.

In agriculture, price expectations were down for the second consecutive month. Farmers tended to assess current and future demand for their products more moderately due to slower cost growth.

Lower price expectations among construction companies were mainly associated with persistently negative assessments of current and future demand.

In mining and quarrying, increased price expectations were supported by the improved price situation in global commodity markets. However, the industry decreased its estimates of current and future demand, including under the impact of new external restrictions.

In services, a slight increase in price expectations was supported by companies' improved estimates of actual and expected demand, and still-high rates of cost growth.

In January, the average price growth rate expected in the next three months,⁷ measuring companies' inflation expectations, equalled 10.8% in annualised terms (+0.2 pp MoM; +3.2 pp YoY) (Chart 12). The average price growth rate expected by retailers in the next three months⁷ equalled 15.2% in annualised terms (-1.6 pp MoM; +4.0 pp YoY).

The annual inflation rate included in the 2025 business plans of companies participating in the monitoring equalled 10.7%. One year ago, in the plans for 2024, this value was 9.4%.

⁶ In January 2025, the Bank of Russia surveyed 14,800 enterprises (more detailed results of the monitoring are available in the information and analytical commentary [Monitoring of Businesses: Assessments, Expectations and Comments](#)).

⁷ Seasonally adjusted data.

Breakeven inflation to be 5.6% until 2028

As estimated by the Bank of Russia,⁸ average breakeven inflation in the next three years until February 2028, calculated based on the ratio of yields on OFZ-PD (fixed coupon federal government bonds) to those on OFZ-IN with the same maturity dates, decreased in January to its lows since August 2022. Its monthly average was 5.6% (-0.8 pp MoM; -1.5 pp YoY) (Chart 13). For longer periods, breakeven inflation grew. It equalled 7.0% for 2028–2030 (+0.7 pp MoM; +0.4 pp YoY) and 8.5% for 2030–2032 (+0.7 pp MoM; +0.5 pp YoY).

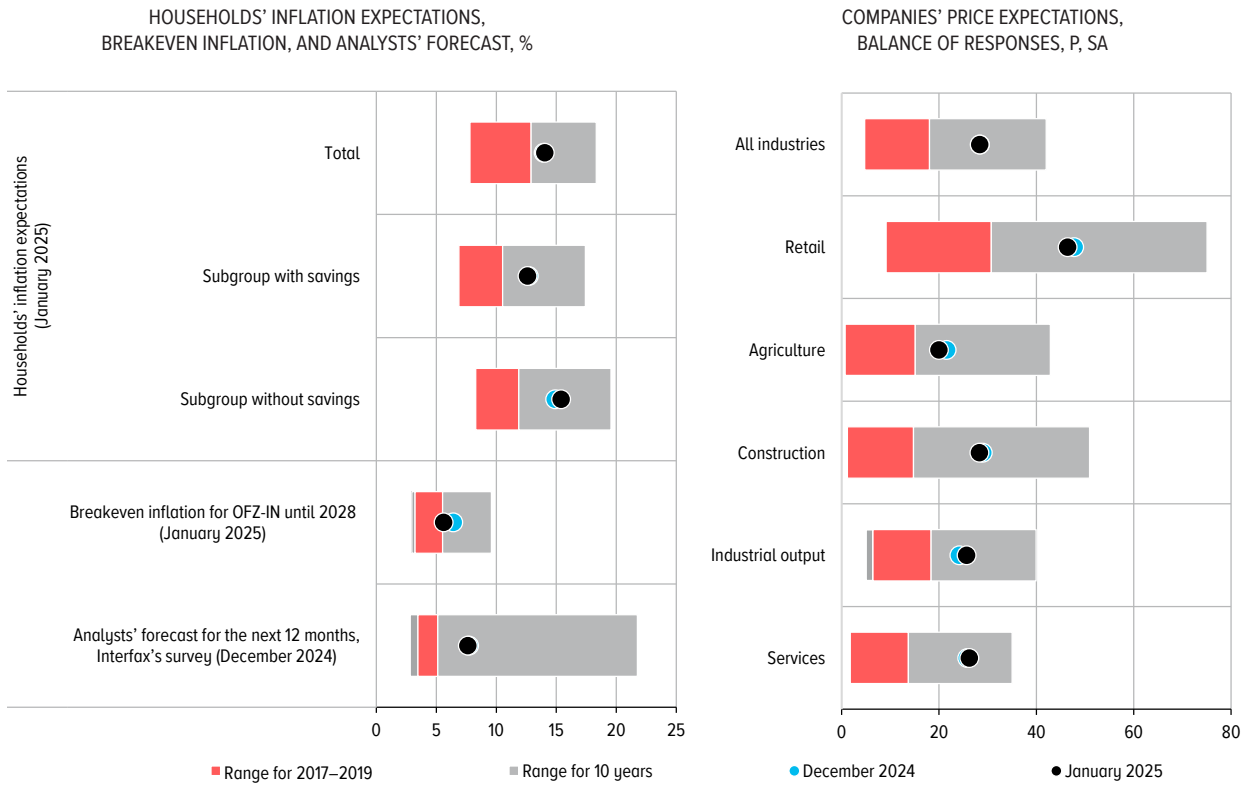
Bank of Russia forecasts that annual inflation will drop to 4.0% in 2026

Maintaining tight monetary conditions is required to slow inflation and return it to the target. The Bank of Russia expects that the current monetary policy stance will help reduce inflation to 4.0% in 2026 and anchor it to the target further on.

⁸ The estimates are based on the comparison of expected yields on inflation-indexed federal government bonds (OFZ-IN) and nominal OFZ bonds (OFZ-PD), considering 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

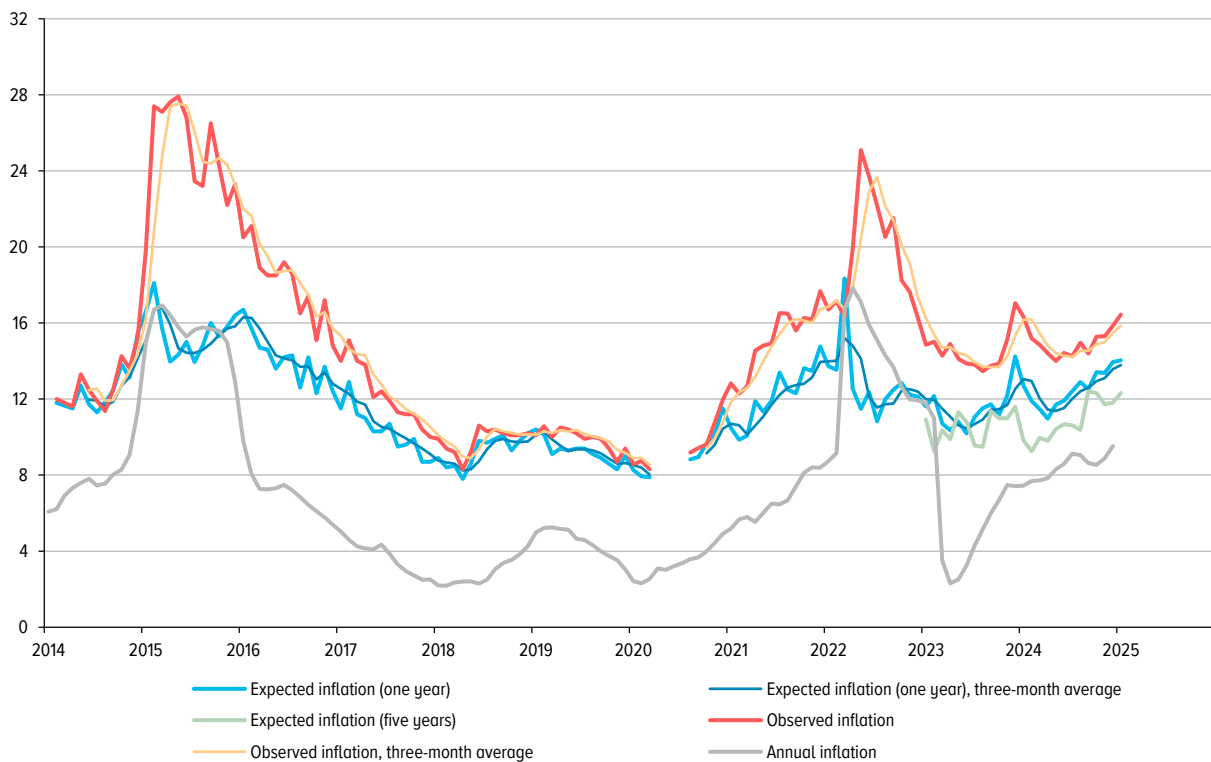
Chart 3



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

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

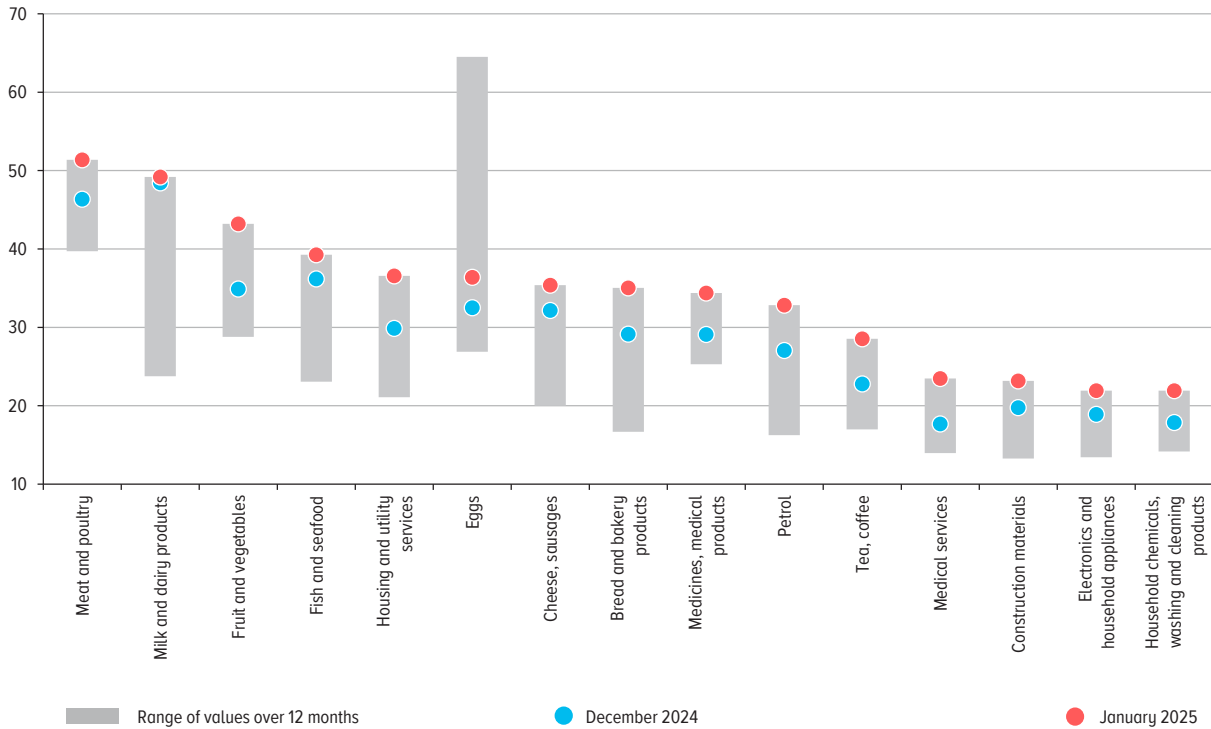
Chart 4



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)

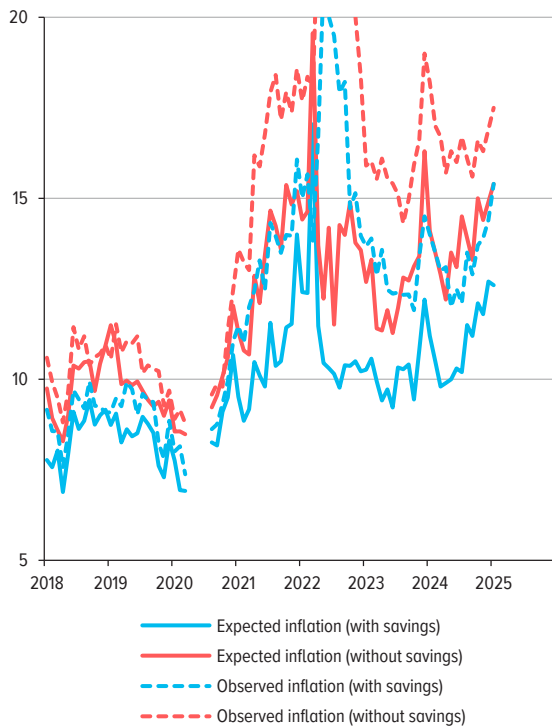
Chart 5



Sources: InFOM, Bank of Russia calculations.

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

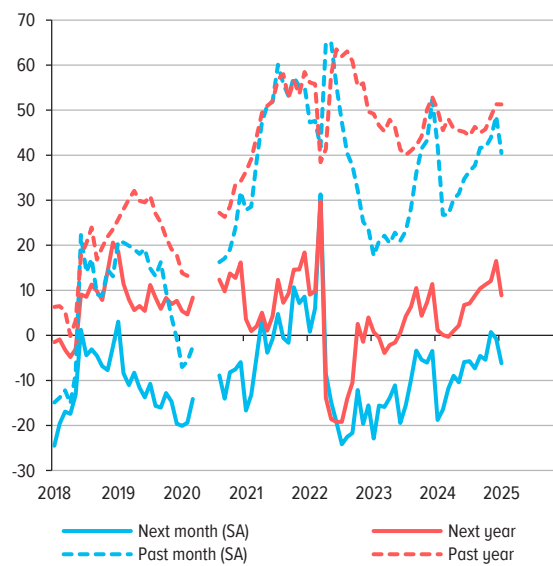
Chart 6



Source: InFOM.

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

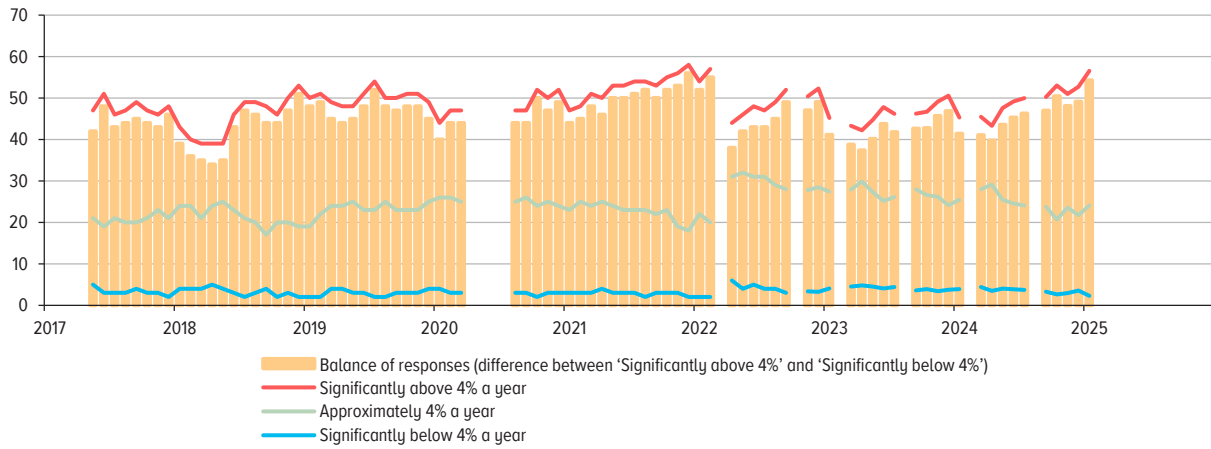
Chart 7



* 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.

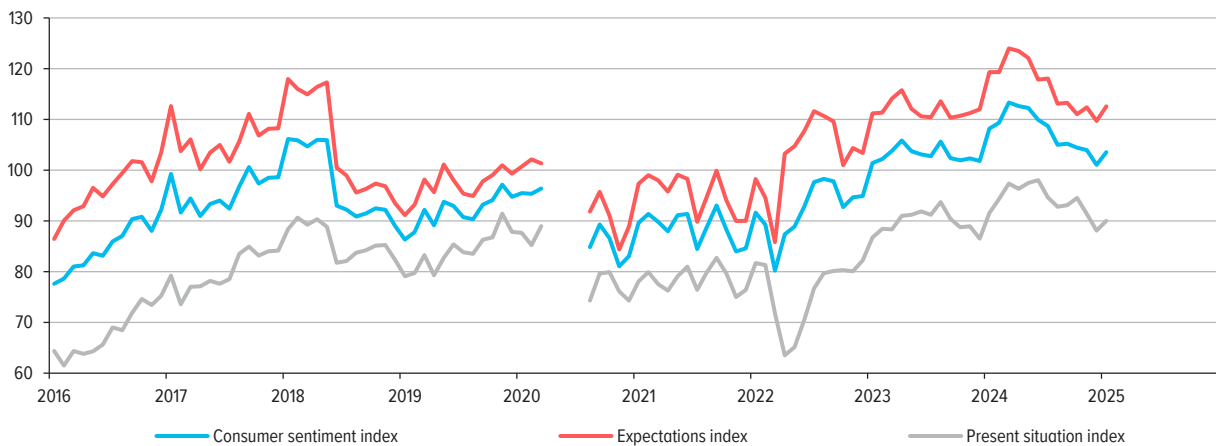
Sources: InFOM, Bank of Russia calculations.

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



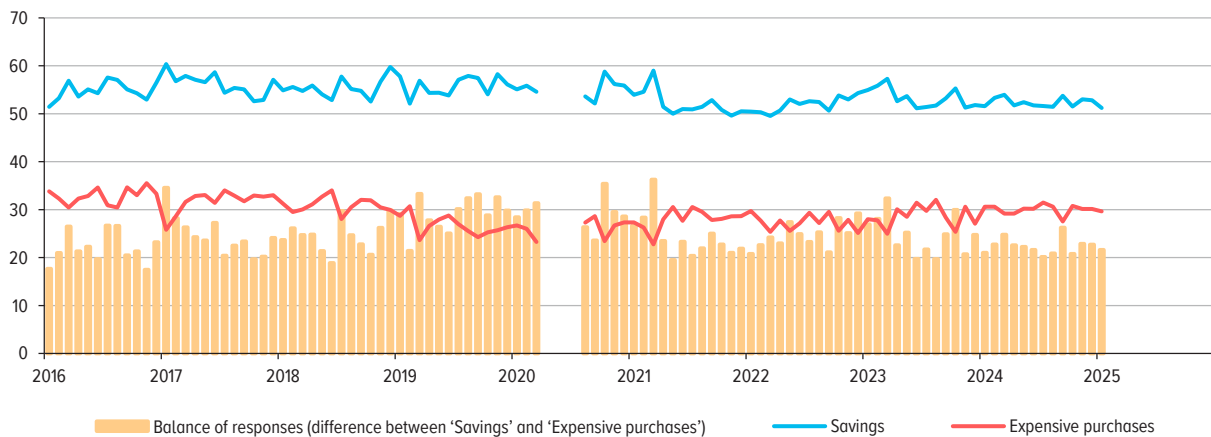
Sources: InFOM, Bank of Russia calculations.

CONSUMER SENTIMENT INDEX (P) (Chart 9)



Source: InFOM.

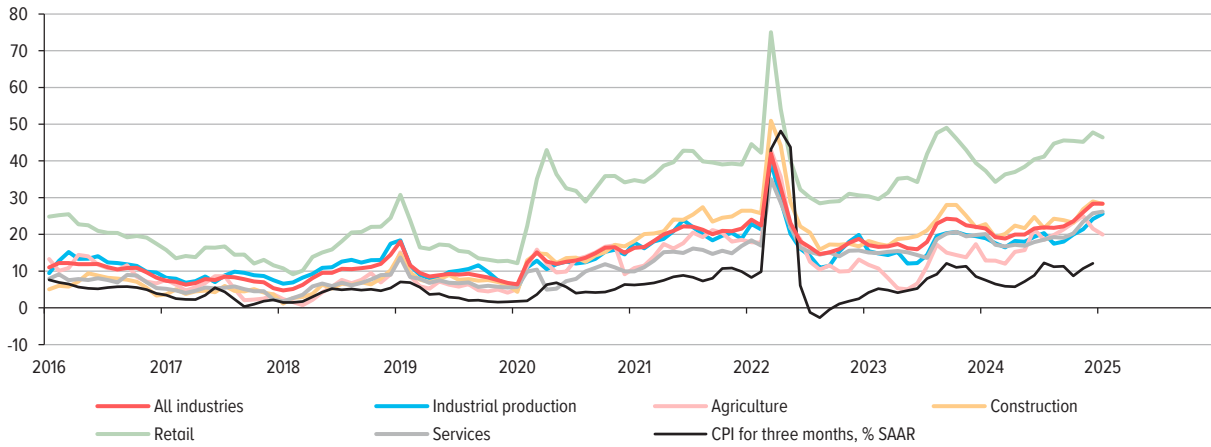
DISTRIBUTION OF RESPONSES TO THE QUESTION 'WHAT IS YOUR OPINION ABOUT THE BEST WAY TO USE AVAILABLE MONEY: MAKE SAVINGS OR PURCHASE EXPENSIVE GOODS?' (Chart 10)
(% OF ALL RESPONDENTS)



Sources: InFOM, Bank of Russia calculations.

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

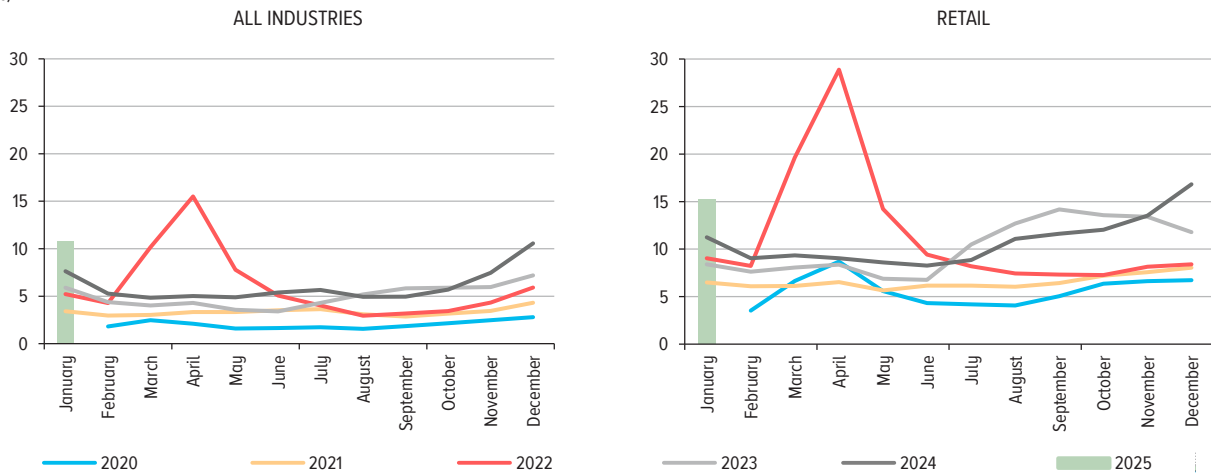
Chart 11



Sources: Bank of Russia, Rosstat.

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

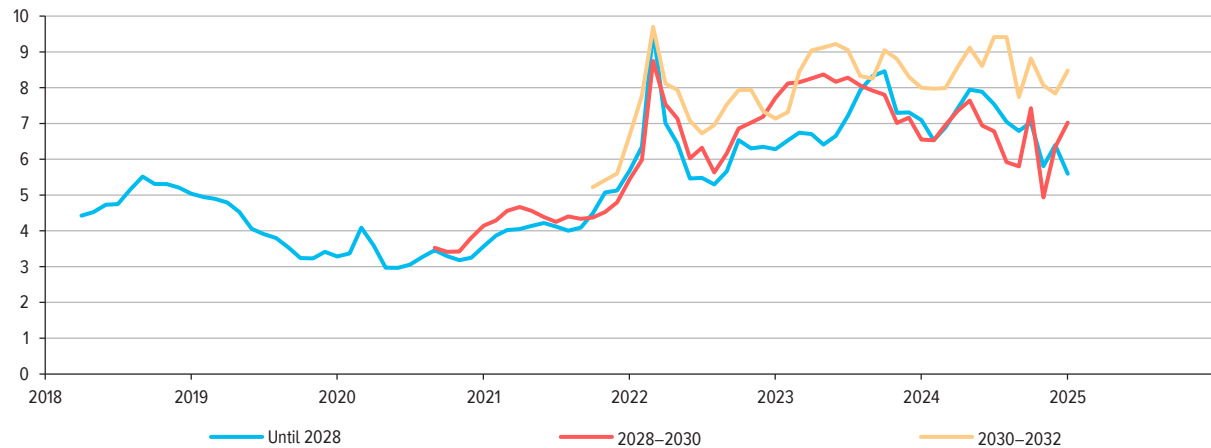
Chart 12



Source: Bank of Russia.

BREAKEVEN INFLATION FOR OFZ-IN
(%)

Chart 13



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

The data cut-off date – 3 February 2025.

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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