



Bank of Russia



# INFLATION EXPECTATIONS AND CONSUMER SENTIMENT

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Information and analytical commentary

24 August 2022

## INFLATION EXPECTATIONS AND CONSUMER SENTIMENT (AUGUST 2022)

In August 2022, although the estimates of inflation observed by households decreased, their inflation expectations for a year ahead rose to the upper bound of the April–July range, as shown by InFOM’s survey. The median estimate of inflation expected in the next 12 months reached 12.0%, which is the same as in summer 2021. Contrastingly, companies’ short-term price expectations continued to trend downwards, returning to the levels of mid-2020. Analysts’ inflation forecasts for 2022–2024 also lowered significantly. The Bank of Russia forecasts that given the monetary policy pursued, annual inflation will edge down to 12–15% in 2022, 5–7% in 2023, and return to its 4% target in 2024.

### INFLATION EXPECTATION INDICATORS

	Expectation horizon	2019 average	2020 average	2021 average	August 2021	February 2022	June 2022	July 2022	August 2022
Inflation, %		4.5	3.4	6.7	6.7	9.2	15.9	15.1	
<b>Inflation observed by households, %</b>									
Public Opinion Foundation (median)	previous 12 months	9.9	9.6	15.1	16.5	17.1	23.7	22.2	20.5
Public Opinion Foundation (subgroup with savings)	previous 12 months	9.1	8.7	12.8	13.5	15.6	19.4	19.1	18.0
Public Opinion Foundation (subgroup without savings)	previous 12 months	10.4	9.9	16.2	18.3	18.2	27.2	25.0	23.3
<b>Households’ inflation expectations, %</b>									
Public Opinion Foundation (median)	next 12 months	9.3	9.1	12.1	12.5	13.5	12.4	10.8	12.0
Public Opinion Foundation (subgroup with savings)	next 12 months	8.3	8.4	10.5	10.6	12.1	10.5	10.2	9.8
Public Opinion Foundation (subgroup without savings)	next 12 months	9.8	9.6	13.2	14.0	14.5	14.2	11.4	14.3
<b>Companies’ price expectations</b>									
Companies, balance of responses	next 3 months	9.6	13.3	20.0	21.3	21.8	17.7	15.9	14.5
<b>Implied inflation for OFZ-IN (monthly average), %</b>									
OFZ-IN 52002, February 2028	next 6-year average	4.1	3.3	4.2	4.0	6.4	5.5	5.5	5.3
OFZ-IN 52003, July 2030	next 8-year average		3.3	4.3	4.1	6.2	5.6	5.7	5.4
OFZ-IN 52004, March 2032	next 10-year average					6.5	5.9	5.9	5.7
OFZ-IN	2023–2028 average	4.3	3.8	4.3	4.0	6.6	5.9	5.7	5.4
OFZ-IN	2028–2030 average		3.5	4.4	4.4	6.0	6.0	6.3	5.7
OFZ-IN	2030–2032 average					7.8	7.1	6.7	7.0
<b>Analysts, %</b>									
Interfax	2022			4.3	4.0		14.6	13.6	
Reuters	2022			4.2	4.1		14.5	13.4	
Survey by the Bank of Russia	2022			4.2		5.5	17.0	15.0	
Interfax	2023						6.5	6.0	
Survey by the Bank of Russia	2023			4.0		4.0	6.7	6.1	
Survey by the Bank of Russia	2024					4.0	5.0	4.2	

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

## Households' inflation expectations rose to the upper bound of the April–July range

In August 2022, the median estimate of households' inflation expectations for the next 12 months equalled 12.0% (+1.2 pp vs July and -0.4 pp vs June), as shown by InFOM's survey. Inflation expectations edged up in August only in the subgroup of respondents without savings, and most notably – among lowest-income respondents. In recent months, the estimates of expected inflation among respondents without savings remain volatile fluctuating widely from 11% to 14.5%, without any clear trend. Inflation expectations among respondents with savings continued to trend downwards for the fifth consecutive month, decreasing to 9.8% in August.

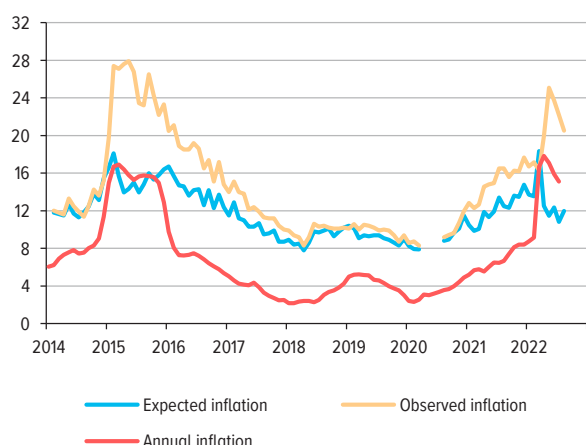
Annual inflation observed by households edged down in August, with its median estimate equalling 20.5% (-1.7 pp vs July). The estimates of observed inflation changed similarly among respondents both with and without savings. The estimates of observed inflation declined owing to the continuing decrease in respondents' concerns about the growth of prices for the so-called marker products. As compared to the previous month, fewer respondents complained about higher prices for most food products. In recent months, Rosstat records a slower rise or a decrease in prices for many food products.<sup>1</sup> In August, respondents became more concerned about the growth of prices for housing and utility services, which was because the tariffs were raised slightly more in July than in past years.

The values of the balances of responses to the questions about changes in future inflation trends for one month and one year ahead edged up in August.<sup>2</sup> The estimates of the inflation trend over the past month declined,<sup>3</sup> whereas those over the past year – remained almost unchanged.

Households' long-term inflation expectations slightly rose in August 2022, while staying significantly below the levels of 2021 H2 and early 2022. The proportion of respondents considering that the price growth rate three years later will notably surpass 4% reached 49% (+2 pp vs July and -8 pp vs February 2022).

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

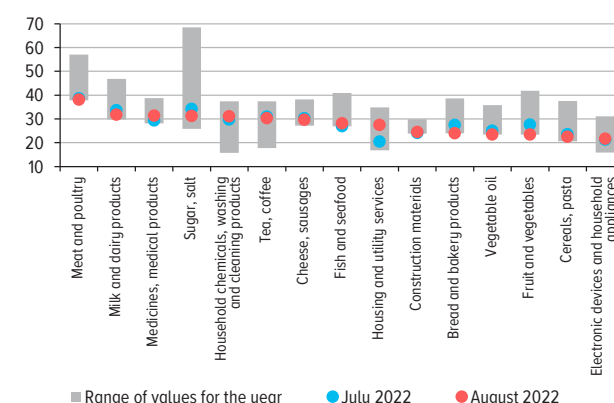
Chart 1



Sources: InFOM, Rosstat.

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

Chart 2



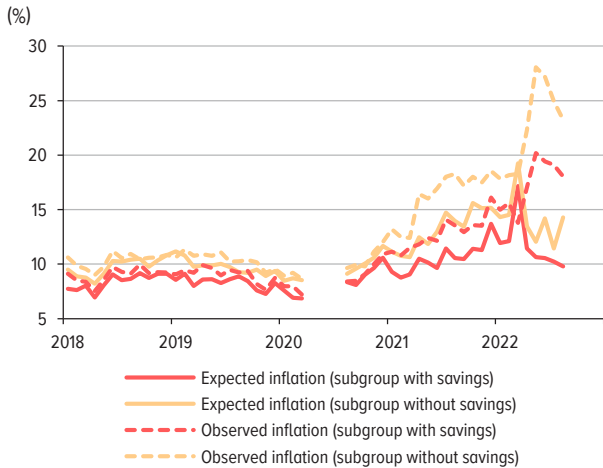
Sources: InFOM, Bank of Russia calculations.

<sup>1</sup> For details on inflation in July, refer to the information and analytical commentary [Consumer Price Dynamics, No. 7 \(79\), July 2022](#).

<sup>2</sup> That is, a larger percentage of respondents, as compared to the previous month, answered that prices will rise considerably or will be rising faster than now.

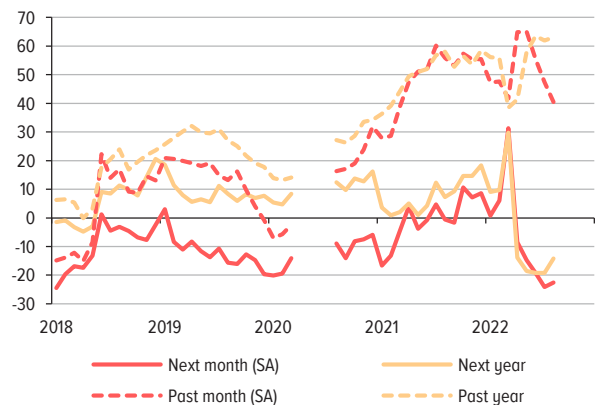
<sup>3</sup> That is, a smaller percentage of respondents, as compared to the previous month, answered that prices rose considerably.

**EXPECTED AND OBSERVED INFLATION BY RESPONDENT SUBGROUP (MEDIAN ESTIMATE)** Chart 3



Sources: InFOM, Bank of Russia calculations.

**INDICATORS OF PRICE MOVEMENTS\* (BALANCE OF RESPONSES, PP)** Chart 4



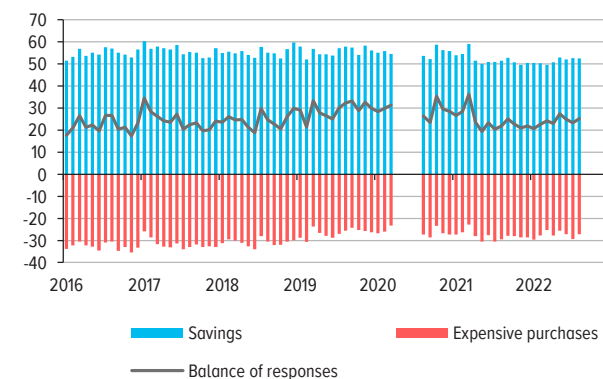
\* Balance of responses to the questions 'How prices were/will be changing last year/next year?' and 'How did/will prices change last month/next month?', seasonally adjusted.  
Sources: InFOM, Bank of Russia calculations.

## The consumer sentiment index reached a new local peak

In August, the consumer sentiment index rose to 98.3 points (+0.6 points vs July), hitting a new record high since May 2018. The estimates of the present situation and expectations changed diversely. The present situation index edged up to 79.7 points in August (+3 points vs July), returning to the averages of 2021 H2–early 2022. This index comprises the estimates of actual changes in personal financial standing over the year and the estimates of the suitability of the current period for large purchases. The expectations index that includes the estimates of changes in personal financial standing for a year ahead and of the country’s economic prospects for the next one and five years declined in August for the first time since April, reaching 110.7 points (-0.9 points vs July). Despite the drop, the index stays close to the highest level over the previous four years. In August, respondents became less optimistic about the prospects of the country’s development for the next one and five years, whereas their expectations about their personal financial standing remained almost the same.

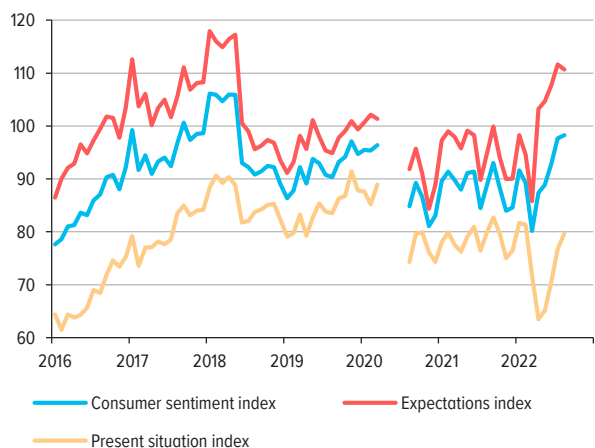
Households’ propensity to save stayed stable. The percentage of respondents preferring to save available cash rather than purchase expensive goods equalled 52%.

**DISTRIBUTION OF RESPONDENTS’ 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 5



Sources: InFOM, Bank of Russia calculations.

**CONSUMER SENTIMENT INDEX (POINTS)** Chart 6



Source: InFOM.

## Companies' price expectations continued to go down

According to the monitoring carried out by the Bank of Russia in August 2022, businesses' price expectations for the next three months continued to trend downwards. The level of price expectations came close to the readings of mid-2020, but its decline slowed down. The average price growth rate expected in the next three months equalled 3.5% in annualised terms and was lower than in the previous year (vs 3.8% in August 2021).<sup>4</sup>

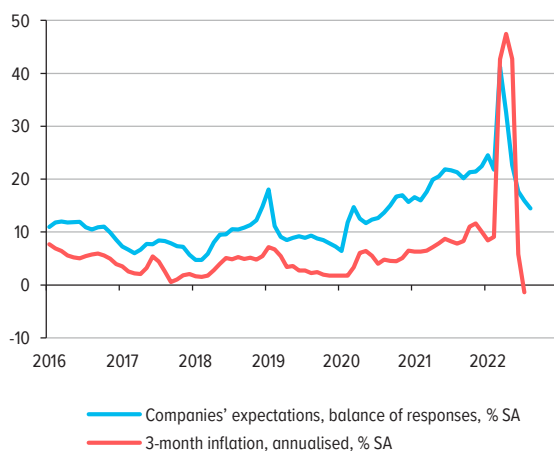
As before, the main reason for lower price expectations was the deceleration of the growth of costs, which was largely associated with the significant strengthening of the ruble in 2022 Q2. According to respondents' estimates, the rise in business risks slowed down as companies gradually adjusted to the changes in the economic environment. The estimates of current demand edged down slightly. Companies' expectations about the prospects of demand and output recovery continued to improve.

As to agricultural enterprises, their price expectations decreased owing to higher output, among other factors. Considering a significant expansion of supply, more agricultural companies reported an actual reduction in prices for their products.

Lower price expectations in trade were associated with the situation in the retail segment where companies remained pessimistic about current demand changes amid a decline in sales. The average price growth rate expected by retailers in the next three months equalled 7.5% in annualised terms (vs 6.0% in August 2021). The decrease in price expectations among wholesale companies paused.

COMPANIES' PRICE EXPECTATIONS

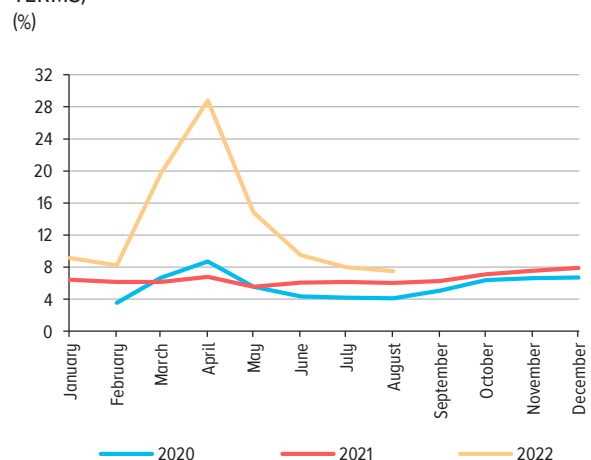
Chart 7



Sources: Bank of Russia, Rosstat.

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

Chart 8

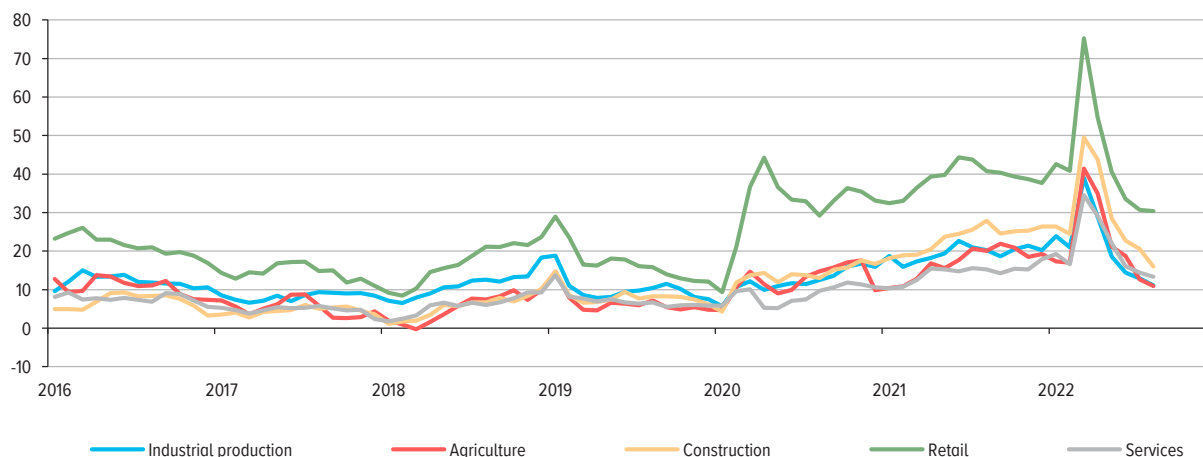


Source: Bank of Russia.

<sup>4</sup> Since April 2022, the calculation of the average price growth rate expected in the next three months changed as the scale of the expected increase (decrease) in prices for products (services) in the market questionnaire was expanded.

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

Chart 9



Source: Bank of Russia.

## Implied inflation stayed in the range of 5–6%

Implied inflation for inflation-indexed federal government bonds (OFZ-IN) changed only slightly over the first twenty days of August, remaining at the level of 5–6%. According to the Bank of Russia's estimates,<sup>5</sup> average implied inflation for the period until 2028 equalled 5.3% (-0.2 pp vs July); for 2023–2028 – 5.4% (-0.3 pp vs July), and for 2028–2030 – 5.7% (-0.6 pp vs July).

## Analysts expect inflation to slow down to 13.4–13.6% by the end of the year

In late July–early August, analysts' inflation forecasts continued to trend downwards. According to the survey carried out by Interfax in July,<sup>6</sup> analysts' consensus forecast of inflation edged down to 13.6% for the end of 2022 (-1.0 pp vs June) and to 6.0% (-0.5 pp vs June) for the end of 2023. As shown by the survey conducted by Reuters at the end of July, analysts' inflation forecast for 2022 was 13.4% (-1.1 pp vs June). Analysts lowered their inflation forecast for 2024 as well. According to the Bank of Russia's [macroeconomic survey](#) carried out in July, inflation will slow down to 4.2% in 2024 (-0.8 pp vs June).

<sup>5</sup> 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](#).

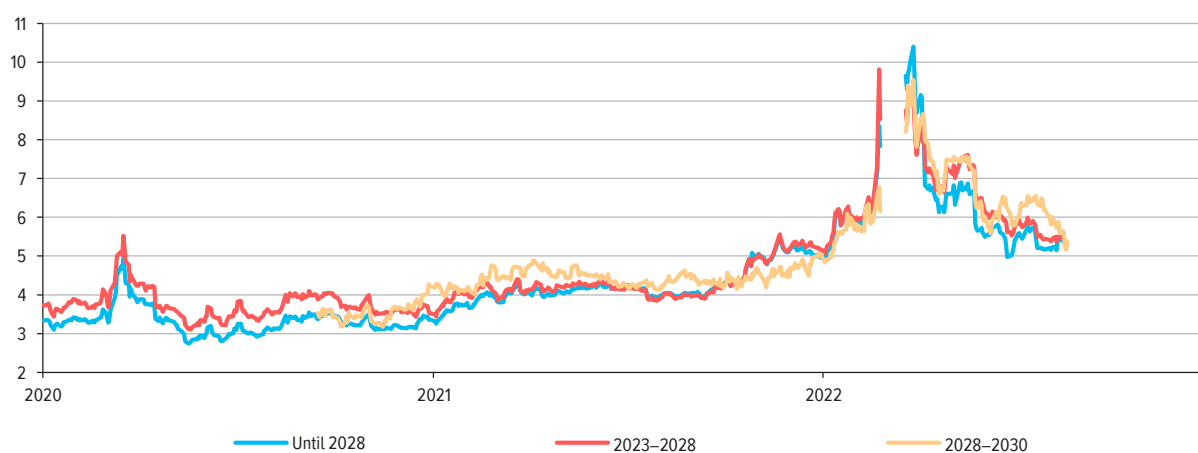
<sup>6</sup> The findings of the survey for July 2022 were released on 10 August.

## The Bank of Russia forecasts that annual inflation will return to 4% in 2024

Short-term disinflationary risks rose, according to the Bank of Russia's assessments. However, proinflationary risks remain significant and still prevail over the medium-term horizon. The Bank of Russia forecasts that given the monetary policy pursued, annual inflation will equal 12–15% in 2022, go down to 5–7% in 2023, and return to its 4% target in 2024.

IMPLIED INFLATION FOR OFZ-IN  
(%)

Chart 10



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

The data cut-off date – 22 August 2022.

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

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