



Bank of Russia



INFLATION EXPECTATIONS AND CONSUMER SENTIMENT

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Information and analytical commentary

22 March 2023

INFLATION EXPECTATIONS AND CONSUMER SENTIMENT (MARCH 2023)

Households' inflation expectations for a year ahead decreased in March 2023, as shown by InFOM's survey. They declined below the 2021–2022 averages, but still exceed the 2020 average. The median estimate of inflation expected in the next 12 months reached 10.7%. Companies' short-term price expectations were up slightly. Analysts' inflation forecasts for 2023 and 2024 remained unchanged. The Bank of Russia forecasts that given the monetary policy pursued, inflation will equal 5–7% in 2023 and return to 4% in 2024.

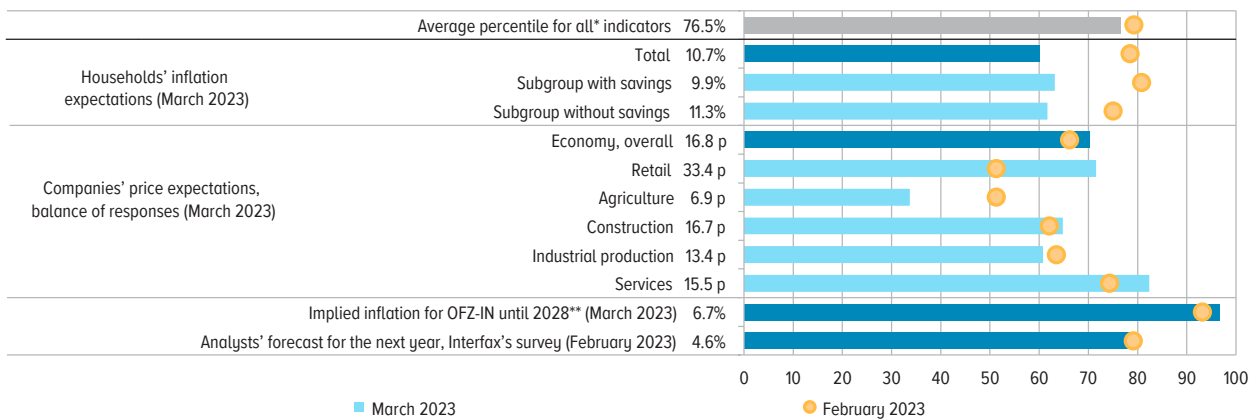
INFLATION EXPECTATION INDICATORS

	Expectation horizon	2020 average	2021 average	2022 average	March 2022	January 2023	February 2023	March 2023
Inflation, %		3.4	6.7	13.8	16.7	11.8	11.0	
Inflation observed by households, %								
Public Opinion Foundation (median)	previous 12 months	9.6	15.1	19.6	16.3	14.9	15.0	14.3
Public Opinion Foundation (subgroup with savings)	previous 12 months	8.7	12.8	16.7	13.8	13.3	13.3	12.2
Public Opinion Foundation (subgroup without savings)	previous 12 months	9.9	16.2	21.9	18.3	16.0	16.1	15.7
Households' inflation expectations, %								
Public Opinion Foundation (median)	next 12 months	9.1	12.1	12.9	18.3	11.6	12.2	10.7
Public Opinion Foundation (subgroup with savings)	next 12 months	8.4	10.5	11.3	17.2	10.2	10.5	9.9
Public Opinion Foundation (subgroup without savings)	next 12 months	9.6	13.2	14.0	19.3	12.4	12.7	11.3
Public Opinion Foundation (median of five-year inflation expectations)	next 5 years					10.9	9.3	10.4
Companies' price expectations, balance of responses								
All companies	next 3 months	13.3	20.1	21.7	41.1	17.4	16.2	16.8
Retailers	next 3 months	31.8	38.8	38.9	74.6	28.4	28.7	33.4
Implied inflation for OFZ-IN (monthly average), %								
OFZ-IN 52002, February 2028	next 5-year average	3.3	4.2	6.3	9.6	6.3	6.5	6.7
OFZ-IN 52003, July 2030	next 7.5-year average	3.3	4.3	6.5	9.3	6.8	7.1	7.2
OFZ-IN 52004, March 2032	next 9-year average			6.7	9.4	6.8	7.1	7.4
OFZ-IN	2028–2030 average	3.5	4.4	6.7	8.7	7.7	8.1	8.2
OFZ-IN	2030–2032 average			7.6	9.7	7.1	7.3	8.3
Analysts, %								
Survey by the Bank of Russia	2023		4.0	6.3	8.0		6.0	6.0
Interfax	2023			6.5	8.6	6.2	6.2	
Survey by the Bank of Russia	2024			4.4	4.8		4.1	4.1
Interfax	2024					4.6	4.6	
Survey by the Bank of Russia	2025			4.0			4.0	4.0

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

INFLATION EXPECTATION INDICATORS IN PERCENTILES RELATIVE TO THE DISTRIBUTION OF VALUES SINCE 2017

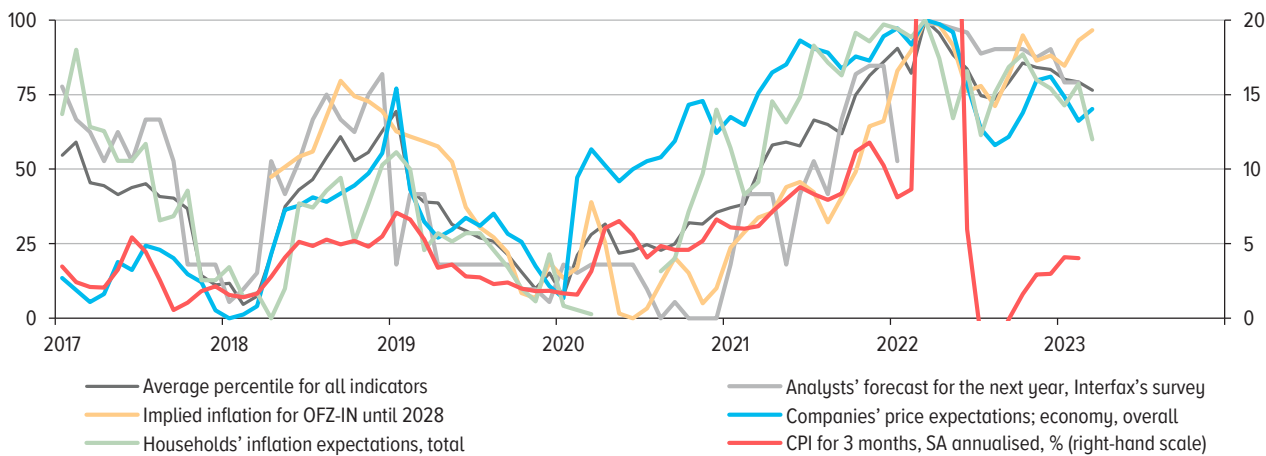
Chart 1



* The average of the percentiles of households' inflation expectations (total), companies' price expectations (the economy, overall); implied inflation for OFZ-IN until 2028, and analysts' forecast for the next year.
 ** Percentiles for implied inflation are specified relative to the distribution of values since April 2018.
 Note. The chart shows the percentiles of inflation expectation indicators for the current and previous months in the distribution observed since January 2017. The percentile as of the previous date is highlighted in yellow, and the percentile as of the current date is shown as the blue bar. 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 INFLATION EXPECTATION INDICATORS
(RELATIVE TO THE DISTRIBUTION OF VALUES SINCE 2017)

Chart 2



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

Economic agents' inflation expectations influence how efficiently 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 steadily low level help anchor inflation expectations and reduce their volatility and responsiveness to one-off and short-term spikes in prices for some products or services.

Inflation expectations and observed inflation measured based on household surveys almost always exceed actual inflation rates both in Russia and abroad. This difference is ascribed to the peculiarities of perception: people tend to notice and actively respond to price growth, whereas declining or stable prices usually attract less attention. Accordingly, people estimate inflation guided primarily by the 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 steady inflation.

Unlike households' inflation expectations, companies' price expectations are measured as a balance of responses to the question about the expected change in output prices during the next three months, rather than the median of price growth expected during the next 12 months. Rising price expectations mean that a higher percentage of companies are planning to increase prices. However, the extent of the increase cannot be estimated 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 2023–2025](#).

Households' inflation expectations for a year ahead decreased

Households' inflation expectations notably decreased in March 2023, namely to 10.7% (-1.5 pp vs February), as shown by InFOM's survey. Although this is the lowest rate since March 2021, they are still persistently elevated: in 2017–2019 when inflation was close to 4%, inflation expectations averaged 9.6%. In March, expectations declined among respondents both with and without savings. Savers' expectations were at the level of 9.9% in March (-0.6 pp vs February). A significant change in inflation expectations in this subgroup of respondents was recorded for the first time over the past seven months. In September 2022–February 2023, they stayed in the range of 10.2–10.5%.

Annual inflation observed by households edged down as well in March. Its median estimate equalled 14.3% (-0.7 pp vs February). The estimates of observed inflation declined among respondents both with and without savings.

In March, respondents became more concerned about rising prices for fruit and vegetables, as well as eggs (in February, Rosstat recorded fast increases in prices for fruit and vegetables and chicken eggs).² Contrastingly, respondents less frequently complained about considerable increases in prices for the majority of other products listed in the questionnaire. A more notable reduction was recorded in the percentage of respondents concerned about rising prices for meat and poultry (-2.0 pp vs February), bread and bakery products (-2.0 pp), and fish and seafood (-1.9 pp).

The estimates of inflation trends expected over the next year and actual inflation trends observed over the past year decreased in March.³ The estimates of inflation trends expected over the next month remained nearly the same, whereas those of actual inflation trends observed over the past month edged up slightly.⁴

Long-term inflation expectations increased in March, compared to February, while staying below the level recorded in January. The median of inflation expectations for the next five years equalled 10.4% in March (vs 9.3% in February and 10.9% in January). The proportion of respondents considering that the price growth rate three years later will notably surpass 4% reached 43% in March (vs 45% in January; this question was not put in February).

Estimates of savings sentiment trended upwards

Respondents' propensity to save continued to rise in March. The percentage of respondents opting to save rather than purchase expensive goods increased to 57.3% (+1.4 pp vs February). This upward trend is observed since October 2022, and the current value of this indicator reached its maximum since March 2021. The proportion of respondents opting to have cash holdings was slightly up again in March 2023, rising to 36% (+2 pp vs February). The percentage of respondents preferring to keep their money in bank accounts remained the same (37%).

The consumer sentiment index equalled 103.8 points in March (+1.6 points vs February), hitting its new high since May 2018. The expectations index included in the consumer sentiment index rose. The estimates of the present situation remained almost unchanged.

The expectations index edged up to 114.1 points in March (+2.8 points vs February). There was an increase in the values of all its components (the estimates of personal finance prospects for a year ahead and expectations about changes in economic conditions in the country for the next one and five years).

The present situation index equalled 88.3 points in March (-0.1 points vs February). The estimates of both its components remained nearly the same (actual changes in personal finance over the year and the suitability of the current period for large purchases).

² For details on inflation in February, refer to the information and analytical commentary [Consumer Price Dynamics, No. 2 \(86\), February 2023](#).

³ That is, a lower percentage of respondents, as compared to the previous month, said that prices were rising / will be rising faster than before / now.

⁴ That is, a higher percentage of respondents, as compared to the previous month, said that prices rose considerably.

Companies' price expectations remain elevated

According to the [monitoring](#) carried out by the Bank of Russia in March 2023, businesses' price expectations (the balance of responses) for the next three months rose slightly after declining over the previous two months. The average price growth rate expected over the next three months, measuring companies' price expectations, equalled 4.3% in annualised terms in March.

Inflation expectations increased primarily due to industries focusing on consumer demand. The most significant rise in price expectations was recorded among trade companies. Retailers became more optimistic about expected sales and demand. Businesses believe that the expected revival in demand will allow them to pass through their higher costs (that rose due to the ruble weakening in January–February, among other reasons) to output prices. The average price growth rate expected by retailers in the next three months equalled 8.8% in annualised terms (vs 19.6% in March 2022).

Besides, price expectations were up in services: companies in this industry also became more positive about output and demand during the next three months. Price expectations in manufacturing and construction rose for the same reasons.

Price expectations in agriculture were declining for the third straight month because of a slower increase in costs and demand. The percentage of respondents planning to raise prices for their products edged down close to the minimum of spring 2020. Furthermore, the proportion of agricultural enterprises expecting a decline in prices notably expanded. Over a half of respondents consider that prices will decrease mostly because of changes in prices for similar products offered in the market.

Price expectations in mining and quarrying continued to go down in March amid the persistent external restrictions on the export of Russian commodities and the effective price cap for Russian crude and petroleum products.

Implied inflation was up

According to the Bank of Russia's estimates,⁵ average implied inflation for inflation-indexed federal government bonds (OFZ-IN) for the next five years continued to go up, reaching 6.7% (+0.2 pp vs February), which is its highest rate since April 2022. Implied inflation for the periods of 2028–2030 and 2030–2032 rose to 8.2% (+0.1 pp vs February) and 8.3% (+1.0 pp vs February), respectively.

Analysts expect inflation to slow down to 6.0–6.2% in 2023

In February–early March 2023, analysts' inflation forecasts remained the same. According to the findings of the [Bank of Russia's macroeconomic survey](#) carried out in March, analysts' inflation forecast for the end of 2023 equalled 6.0%. Their forecasts of inflation for 2024 and 2025 stayed close to 4%. As shown by a survey carried out by Interfax, in February, analysts' consensus forecast of inflation for the end of 2023 was 6.2% and that for the end of 2024 – 4.6%.

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

According to the Bank of Russia's forecast, annual inflation will drop below 4% in the next few months, which will be associated with the effect of last year's high base. However, stable inflationary pressure will be gradually strengthening. The Bank of Russia assumes in its baseline scenario that given the monetary policy pursued, annual inflation will equal 5–7% in 2023, return to 4% in 2024, and will stay close to 4% further on.

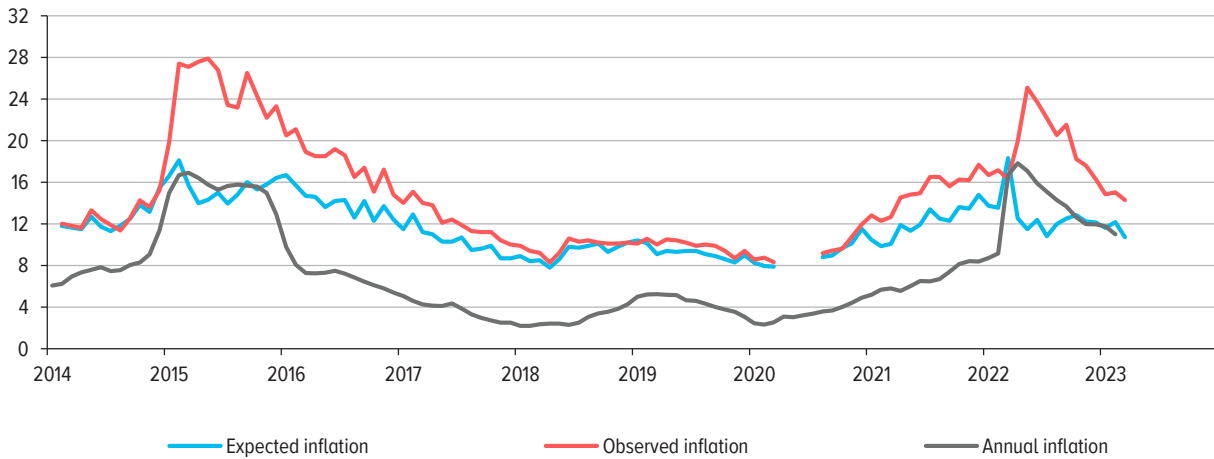
⁵ The estimates are based on the comparison of expected yields on OFZ-IN and nominal OFZ (OFZ-PD) bonds, with account of the lag in the nominal value indexation and seasonally adjusted inflation. [Calculation method](#).

ANNEX

Analytical charts to the text

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

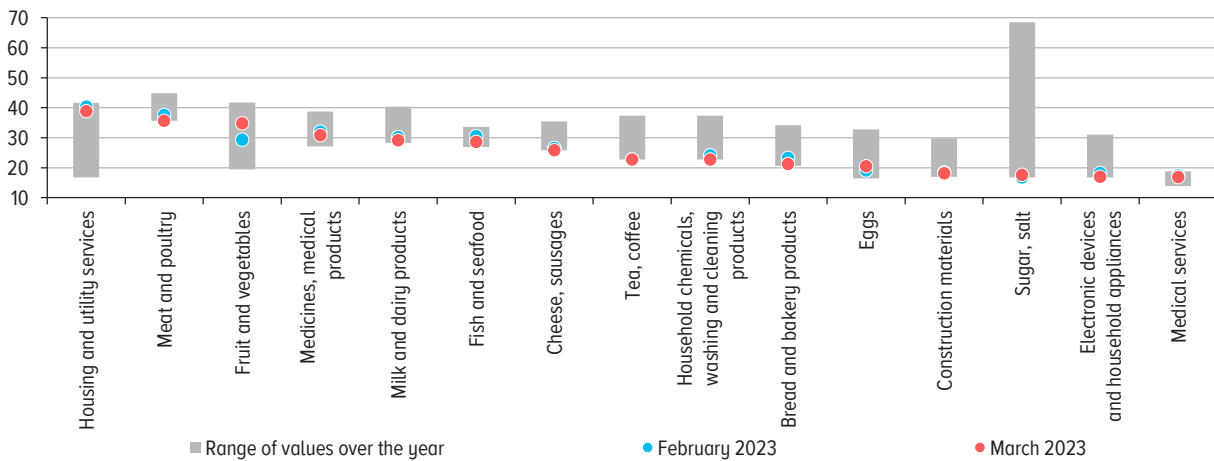
Chart 1



Sources: InFOM, Rosstat.

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

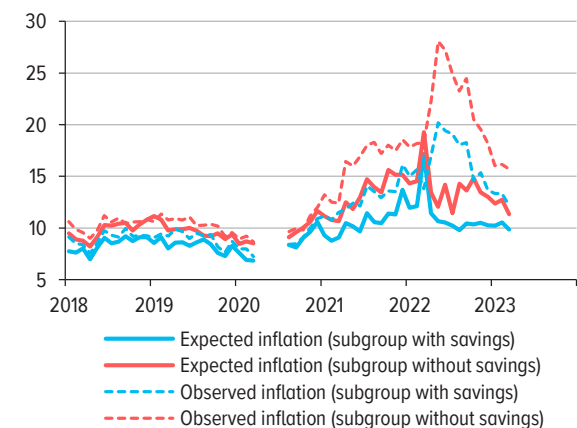
Chart 2



Sources: InFOM, Bank of Russia calculations.

EXPECTED AND OBSERVED INFLATION BY RESPONDENT SUBGROUP (MEDIAN ESTIMATE)

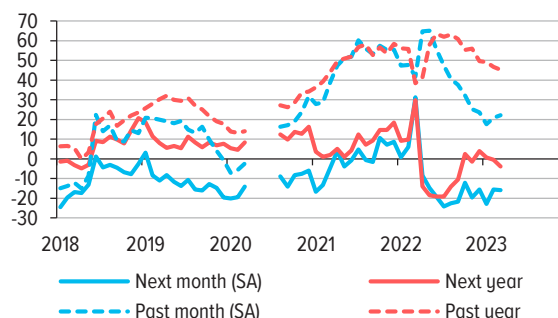
Chart 3



Sources: InFOM, Bank of Russia calculations.

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

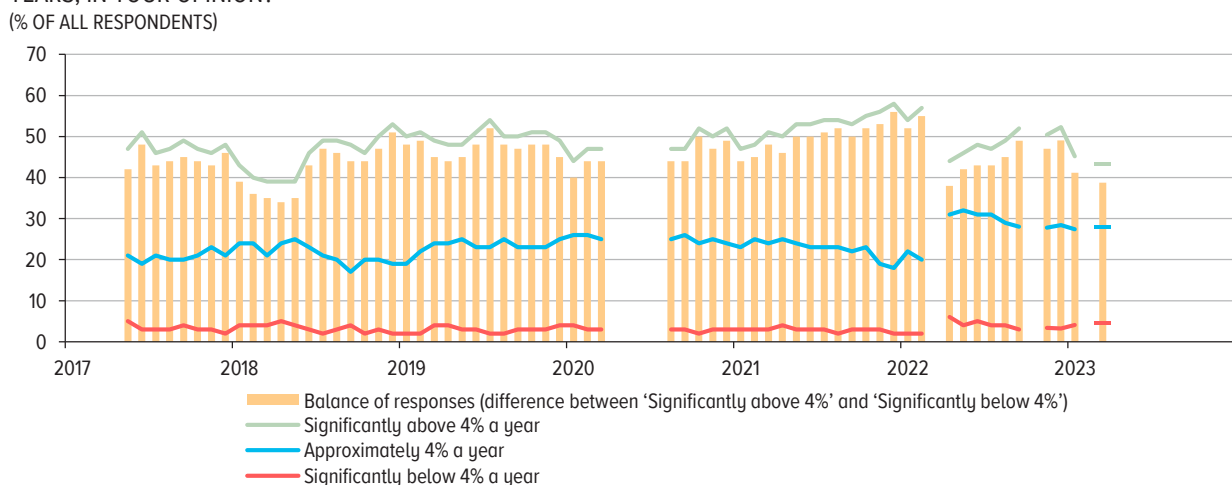
Chart 4



* Balance of responses to the questions 'How were prices changing overall over the past 12 months (year), 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 will prices for food products, non-food goods and services change overall over the next month, in your opinion?'. For the last two questions – seasonally adjusted prices.
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?'

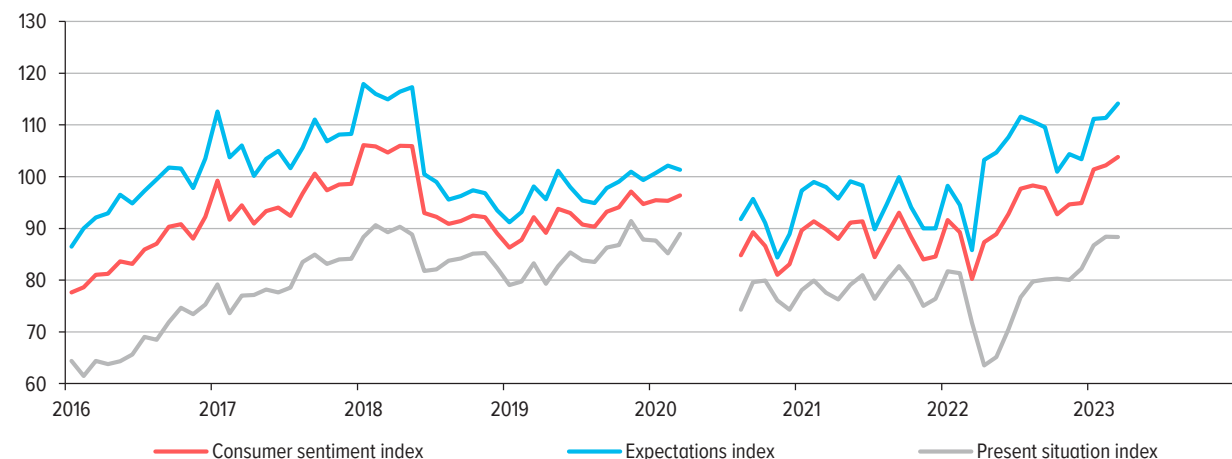
Chart 5



Sources: InFOM, Bank of Russia calculations.

CONSUMER SENTIMENT INDEX
(POINTS)

Chart 6

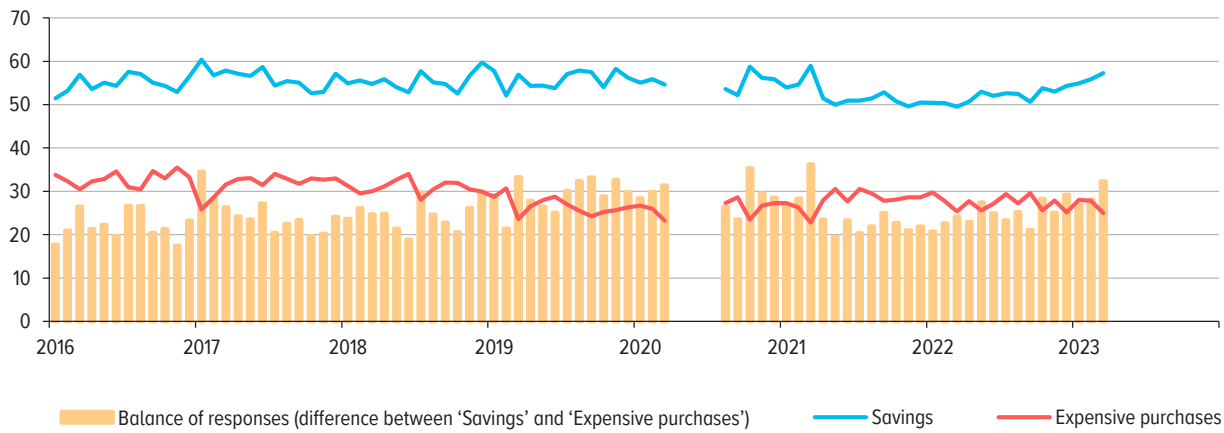


Source: InFOM.

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 7

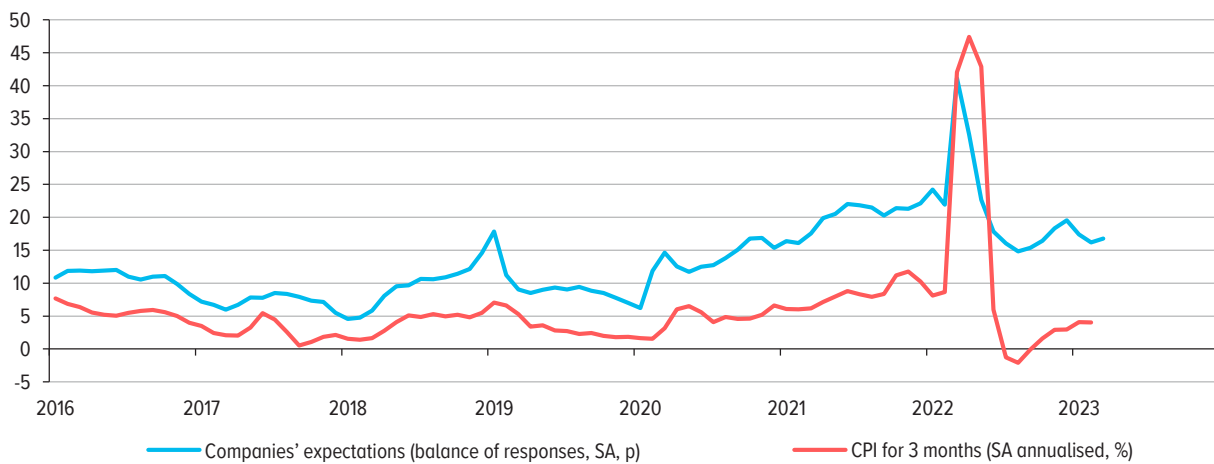
(% OF ALL RESPONDENTS)



Sources: InFOM, Bank of Russia calculations.

COMPANIES' PRICE EXPECTATIONS

Chart 8

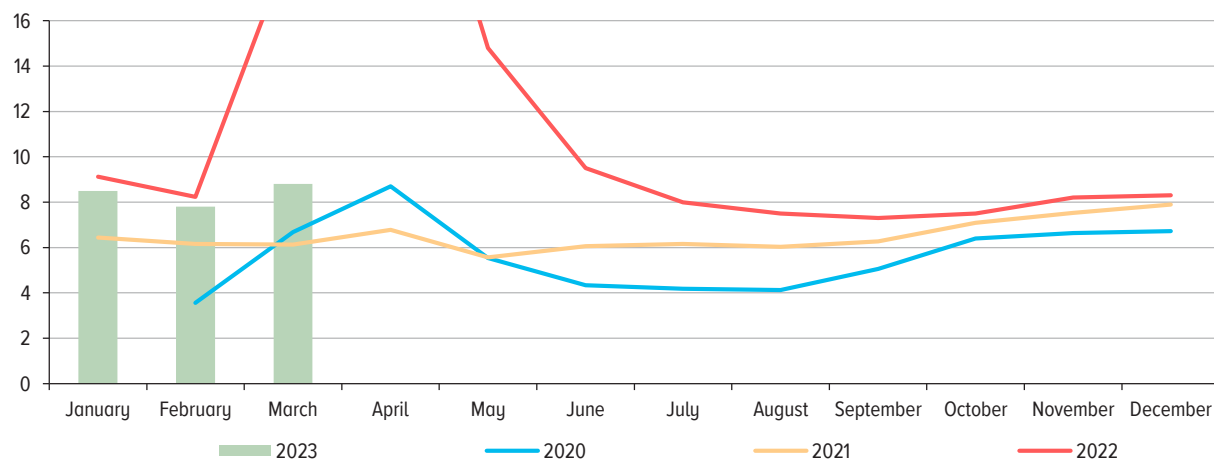


Sources: Bank of Russia, Rosstat.

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

Chart 9

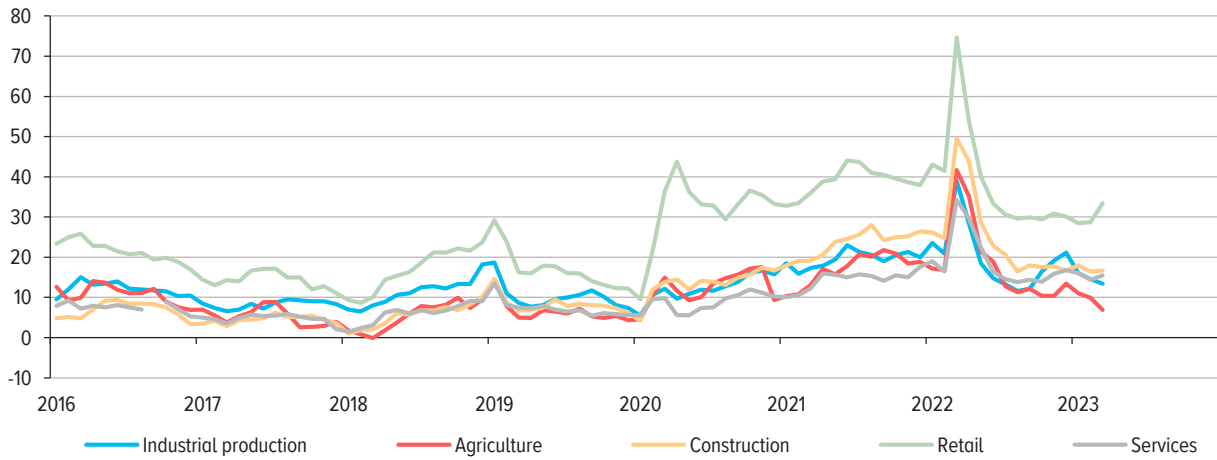
(%)



Source: Bank of Russia.

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

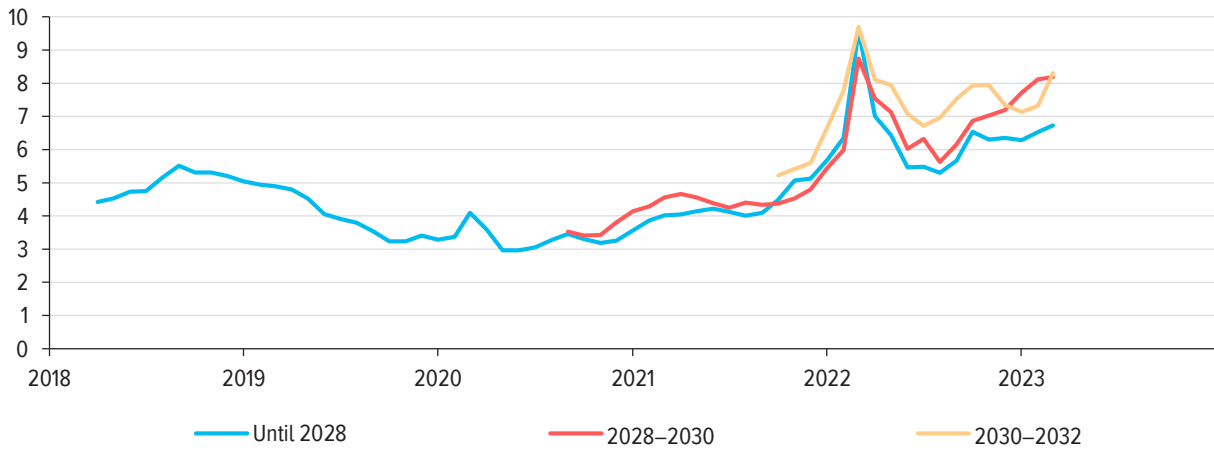
Chart 10



Source: Bank of Russia.

IMPLIED INFLATION FOR OFZ-IN
(%)

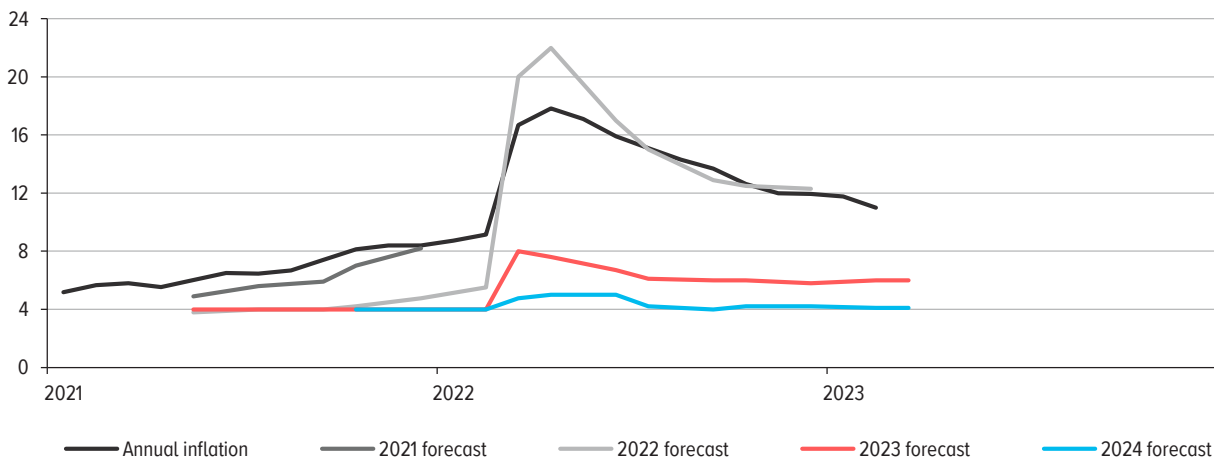
Chart 11



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

RESULTS OF THE BANK OF RUSSIA'S MACROECONOMIC SURVEY
(%)

Chart 12



Sources: Bank of Russia, Rosstat.

The data cut-off date – 17.03.2023.

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 jointly with the Irkutsk Regional Division of the Siberian Main Branch of the Bank of Russia.

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