



Bank of Russia



# INFLATION EXPECTATIONS AND CONSUMER SENTIMENT

No. 4 (76) • April 2023

Information and analytical commentary

20 April 2023

## INFLATION EXPECTATIONS AND CONSUMER SENTIMENT (APRIL 2023)

In April, the expectations for the future trends in prices changed diversely. In April 2023, households' inflation expectations for a year ahead edged down and returned to the upper bound of the range observed from the second half of 2017 until 2020, as shown by InFOM's survey. The median estimate of inflation expected in the next 12 months reached 10.4%, and it was 9.9% in the next five years. Companies' short-term price expectations were up. Analysts' inflation forecasts for 2023 and 2024 remained virtually unchanged. The Bank of Russia forecasts that given the monetary policy pursued inflation will come at 5–7% in 2023 and return to 4% in 2024.

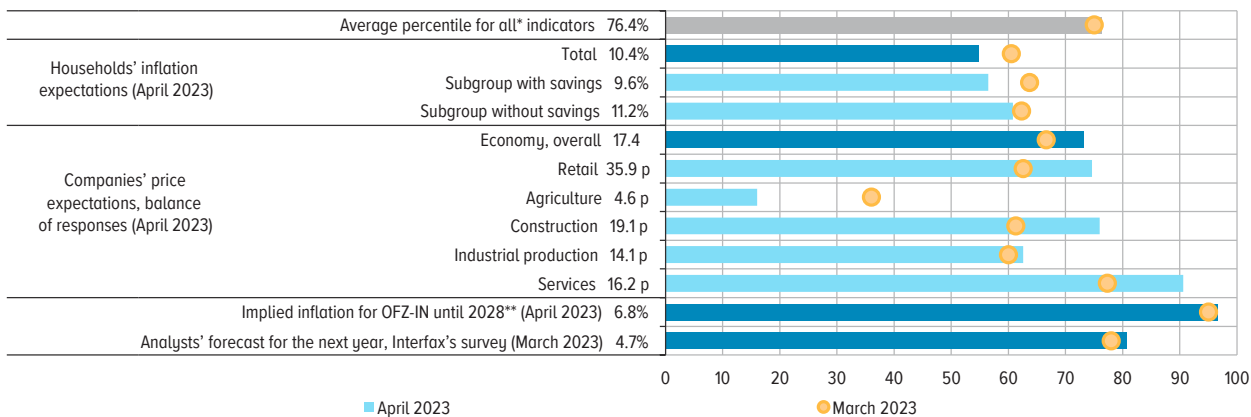
### INFLATION EXPECTATION INDICATORS

	Expectation horizon	2020 average	2021 average	2022 average	April 2022	February 2023	March 2023	April 2023
Inflation, %		3.4	6.7	13.8	17.8	11.0	3.5	
<b>Inflation observed by households, %</b>								
Public Opinion Foundation (median)	previous 12 months	9.6	15.1	19.6	19.9	15.0	14.3	14.9
Public Opinion Foundation (subgroup with savings)	previous 12 months	8.7	12.8	16.7	17.0	13.3	12.2	13.2
Public Opinion Foundation (subgroup without savings)	previous 12 months	9.9	16.2	21.9	22.3	16.1	15.7	16.3
<b>Households' inflation expectations, %</b>								
Public Opinion Foundation (median)	next 12 months	9.1	12.1	12.9	12.5	12.2	10.7	10.4
Public Opinion Foundation (subgroup with savings)	next 12 months	8.4	10.5	11.3	11.4	10.5	9.9	9.6
Public Opinion Foundation (subgroup without savings)	next 12 months	9.6	13.2	14.0	13.4	12.7	11.3	11.2
Public Opinion Foundation (median of five-year inflation expectations)	next 5 years					9.3	10.4	9.9
<b>Companies' price expectations, balance of responses</b>								
All companies	next 3 months	13.3	20.1	21.7	32.3	16.3	16.4	17.4
Retailers	next 3 months	31.8	38.8	38.9	53.8	28.8	31.5	35.9
<b>Implied inflation for OFZ-IN (monthly average), %</b>								
OFZ-IN 52002, February 2028	next 5-year average	3.3	4.2	6.3	7.0	6.5	6.7	6.8
OFZ-IN 52003, July 2030	next 7-year average	3.3	4.3	6.5	7.2	7.1	7.2	7.3
OFZ-IN 52004, March 2032	next 9-year average			6.7	7.3	7.1	7.5	7.6
OFZ-IN	2028–2030 average	3.5	4.4	6.7	7.5	8.1	8.2	8.1
OFZ-IN	2030–2032 average			7.6	8.1	7.3	8.4	8.9
<b>Analysts, %</b>								
Survey by the Bank of Russia	2023		4.0	6.3	7.6	6.0	6.0	5.9
Interfax	2023			6.5	8.6	6.2	6.2	
Survey by the Bank of Russia	2024			4.4	5.0	4.1	4.1	4.1
Interfax	2024					4.6	4.7	
Survey by the Bank of Russia	2025			4.0		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

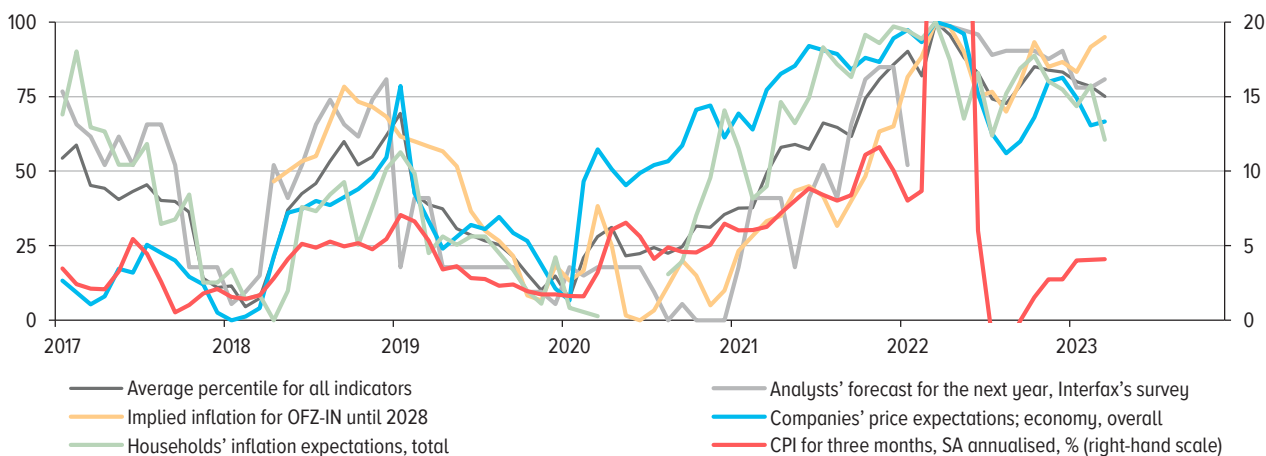
Chart 1



\* The average of the percentiles of households' inflation expectations (total), companies' price expectations (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 of 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.

*Inflation expectations of economic agents impact the effectiveness of monetary policy in fighting inflation.<sup>1</sup> When making consumption, saving and investment decisions, setting prices for goods, loan and deposit rates, businesses, credit institutions and households consider, among other things, their expectations regarding future inflation. The performance of the Bank of Russia's monetary policy in turn impacts inflation expectations. Achieving the inflation target and keeping it at a consistently low level help anchor inflation expectations and reduce their volatility and sensitivity to one-time and short-term spikes in prices for certain goods or services.*

*Estimates of inflation expectations and observed inflation based on household surveys in Russia and abroad almost always exceed actual inflation rates. This discrepancy is related to the peculiarities of perception: people tend to notice and actively respond to price growth, whereas declining or stable prices usually attract less attention. Therefore, people judge inflation to a greater extent by looking at the goods whose prices have increased most. 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, price expectations of businesses are measured as the balance of responses to the question about the expected change in selling prices in the next three months rather than the median of the expected price growth in 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.*

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<sup>1</sup> For details on the monetary policy transmission mechanism, refer to Appendix 1 to the [Monetary Policy Guidelines for 2023–2025](#).

## Households' inflation expectations declined

In April 2023, households' inflation expectations for a year ahead edged down and returned to the upper bound of the range observed from the second half of 2017 until 2020, as shown by InFOM's survey. Their median estimate was 10.4% (-0.3 pp vs March). In April, expectations declined among respondents both with and without savings. Inflation expectations in the subgroup with savings were 9.6% (-0.3 pp vs March).

Annual inflation observed by households rose in April. Its median estimate reached 14.9% (+0.6 pp vs March). The estimates of observed inflation showed the same trend among respondents both with and without savings.

In April, respondents became more concerned about rising prices for meat, medicines, eggs, electronic devices and household appliances, clothing and footwear.<sup>2</sup> However, fewer respondents expressed concern about rising prices for housing and utility services, fruit and vegetables, milk and dairy products, cheese, sausages and bread.

The qualitative estimates of inflation expected for one year and one month ahead edged up in April.<sup>3</sup> The qualitative estimates of actual inflation increased over the past year,<sup>4</sup> whereas they declined over the previous month.<sup>5</sup>

Long-term inflation expectations declined in April. The median of inflation expectations for the next five years was 9.9% in April (vs 10.4% in March). The percentage of respondents considering that the price growth rate three years later will notably surpass 4% reached 42% in April (vs 43% in March).

## Consumer sentiment index is close to its five-year high

In April, the consumer sentiment index continued to increase for the sixth month in a row and reached 105.9 points (+2.1 points vs March). Its level returned to the values observed in the first half of 2018. Both the expectations index and the estimates of the present situation included in the consumer sentiment index increased.

In April, the expectations index equalled 115.8 points (+1.7 points vs March). 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 91.0 points in April (+2.7 points vs March). The estimates of both its components increased (actual changes in personal finance over the year and the suitability of the current period for large purchases).

In April, the respondents' propensity to save declined after six months of upward trend. The percentage of respondents preferring to save available funds rather than buy expensive goods decreased to 52.6% (-4.7 pp vs March). The percentage of respondents preferring to buy expensive goods increased to 30.1% (+4.9 pp vs March). Concurrently, respondents plan to save more money in the coming year than a year ago.

In April 2023, the percentage of respondents preferring to keep their savings in bank accounts increased to 39% (+2 pp vs March). The percentage of those opting to have cash holdings decreased to 32% (-4 pp vs March).

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<sup>2</sup> More information on inflation in March is available in the information and analytical commentary [Consumer Price Dynamics, No. 3 \(87\), March 2023](#).

<sup>3</sup> That is, a higher percentage of respondents, as compared to the previous month, answered that prices would rise faster than now or would rise considerably.

<sup>4</sup> That is, a larger percentage of respondents, as compared to the previous month, answered that prices were rising faster than before.

<sup>5</sup> That is, a smaller percentage of respondents, as compared to the previous month, answered that prices rose considerably.

## Companies' price expectations edged up

According to the monitoring carried out by the Bank of Russia in April 2023, companies' price expectations (the balance of responses) for the next three months increased. The quantitative indicator of companies' price expectations – the average price growth rate expected in the next three months – equalled 4.3% in annualised terms in April.

The rise in price expectations across most industries was due to improved estimates of current demand. Companies cited rising costs of raw and other materials as well as components and movements of the exchange rate as the main reasons for the expected growth of prices.

Price expectations rose most notably in trade, especially in retail. The average price growth rate expected by retailers in the next three months reached 8.6% in annual terms. Retailers explained their growing price expectations by the depreciation of the ruble and higher input prices.

Price expectations in services increased for the second month in a row. In addition to the improved situation with current demand, respondents were more positive about its future dynamics than a month ago. For the same reason, price expectations rose in construction and manufacturing. Besides, according to manufacturing enterprises, the impact of the depreciation of the ruble on their business activity became more noticeable. Price expectations remained almost the same in mining and quarrying.

Companies' price expectations in agriculture declined for the fourth month in a row and reached the lowest level since January 2020. For the first time in the last three years, the percentage of respondents intending to reduce prices for their products in the next three months exceeded the percentage of respondents expecting prices to grow. As output expanded, demand for the industry's products declined. The agricultural enterprises' expectations of future demand also became less positive.

## Implied inflation remains elevated

In April, according to the Bank of Russia's estimates,<sup>6</sup> average implied inflation for the next five years for inflation-indexed federal government bonds (OFZ-IN) edged up to 6.8% (+0.1 pp vs March). Implied inflation reduced to 8.1% for 2028–2030 (-0.1 pp vs March) and increased to 8.9% for 2030–2032 (+0.5 pp vs March).

## Analysts expect inflation to slow down to 6% in 2023

In March–April 2023, analysts' inflation forecasts remained almost the same. According to the findings of the [Bank of Russia's macroeconomic survey](#) carried out in April, analysts' inflation forecast for the end of 2023 equalled 5.9% (-0.1 pp vs March). Their forecasts of inflation for 2024 and 2025 stayed close to 4%. In March, according to the survey carried out by the Interfax news agency, analysts' consensus forecast of inflation was 6.2% for the end of 2023 (unchanged from February) and 4.7% for the end of 2024 (+0.1 pp vs February).

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

The Bank of Russia forecasts that annual inflation will temporarily fall below 4% in the coming months under the influence of last year's high base effect. However, stable inflationary pressure will be gradually increasing. In the baseline scenario, given the monetary policy pursued, annual inflation will come in at 5–7% in 2023, return to 4% in 2024 and will be close to 4% further on.

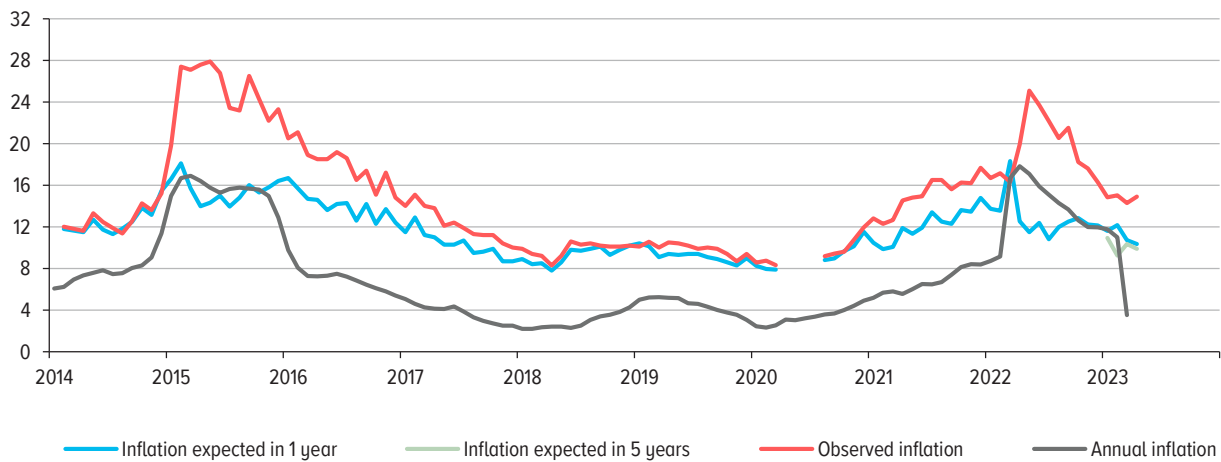
<sup>6</sup> The estimates are based on the comparison of expected yields on OFZ-IN and nominal OFZ (OFZ-PD) bonds, with account of the lag in the nominal value indexation and seasonally adjusted inflation. [Calculation method](#).

## ANNEX

## Analytical charts to the text

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

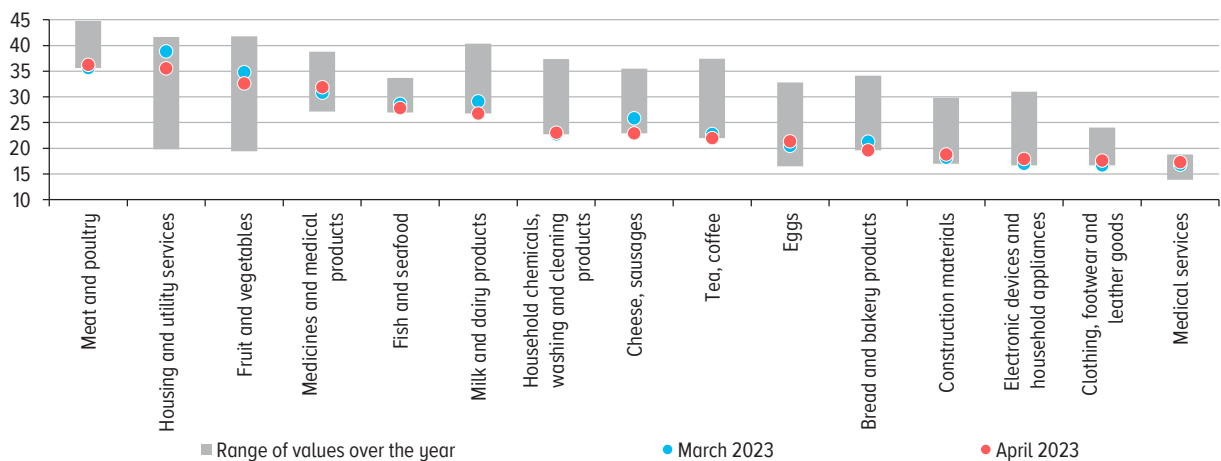
Chart 1



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

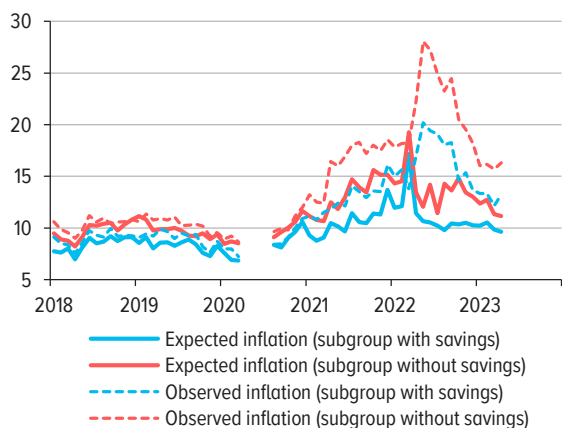


Sources: InFOM, Bank of Russia calculations.



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

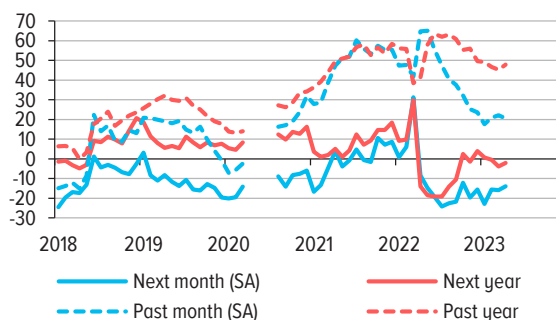
Chart 3



Sources: InFOM, Bank of Russia calculations.

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

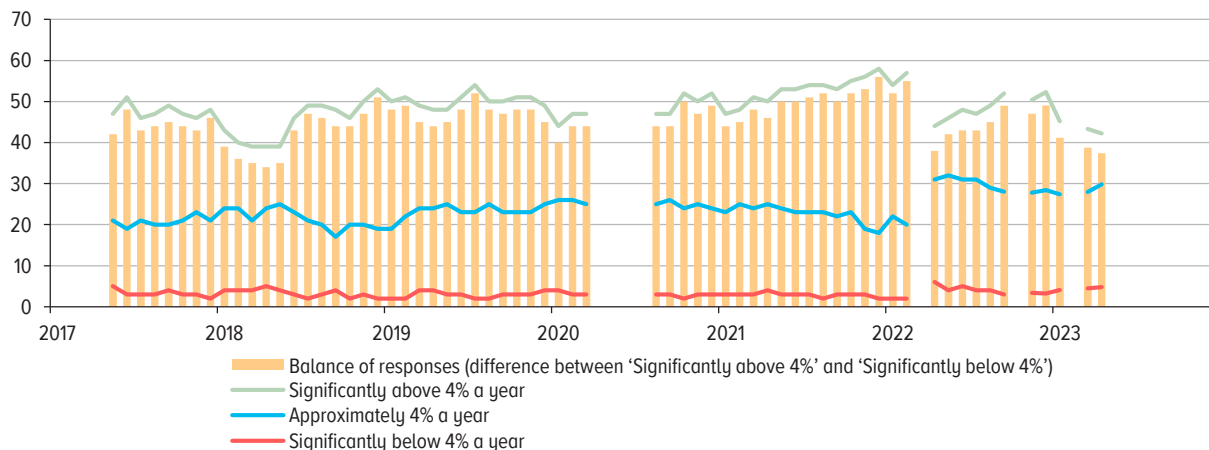
Chart 4



\* 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?'**  
(% OF ALL RESPONDENTS)

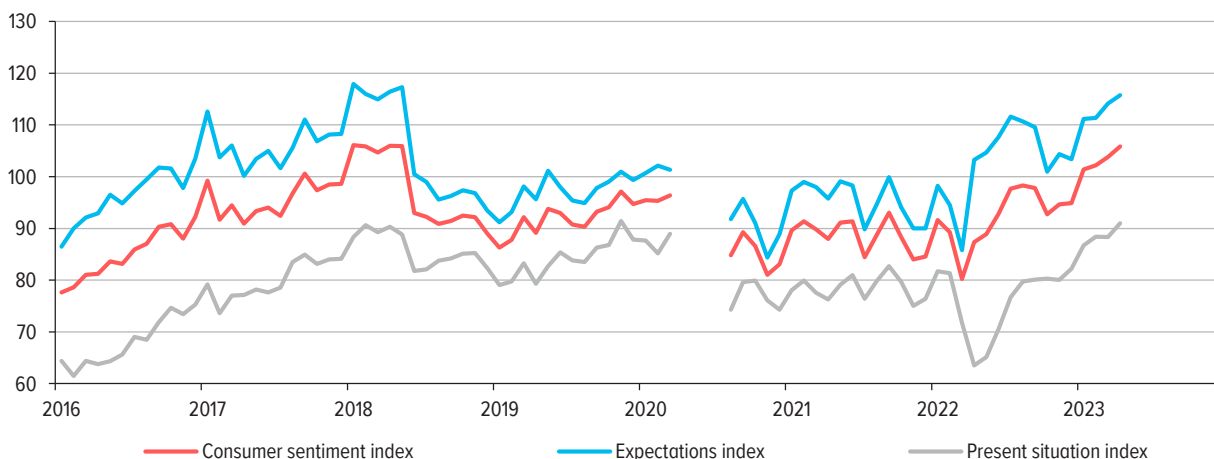
Chart 5



Sources: InFOM, Bank of Russia calculations.

**CONSUMER SENTIMENT INDEX**  
(POINTS)

Chart 6

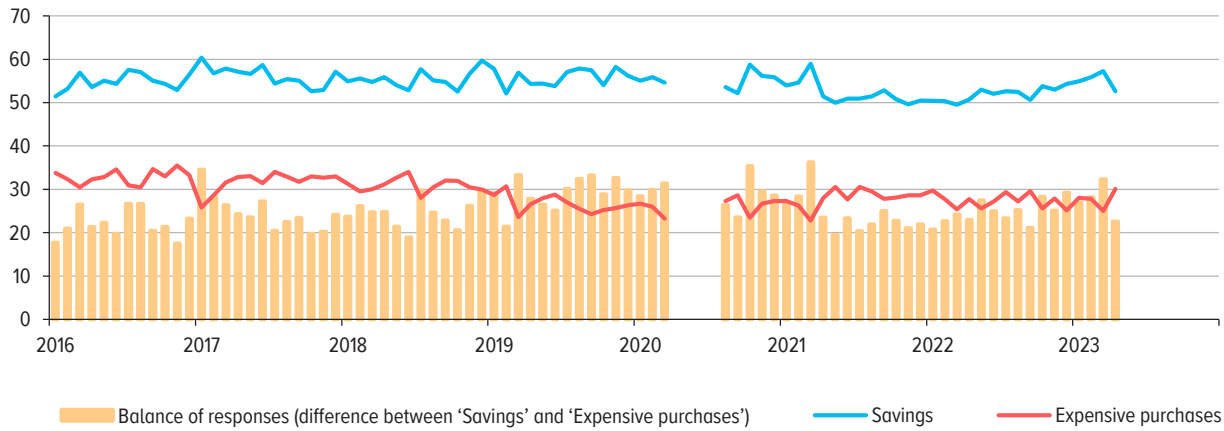


Source: InFOM.



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

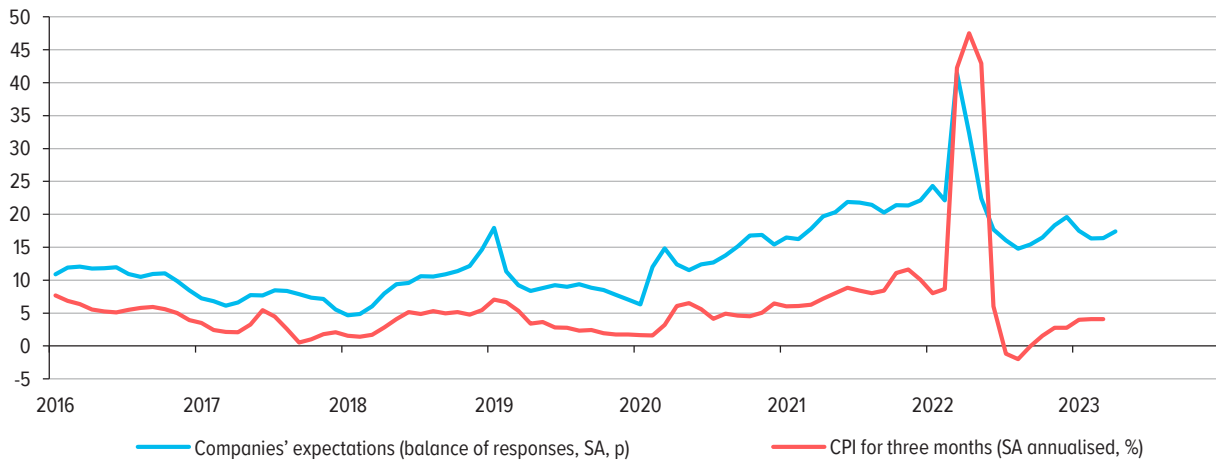
Chart 7



Sources: InFOM, Bank of Russia calculations.

**COMPANIES' PRICE EXPECTATIONS**

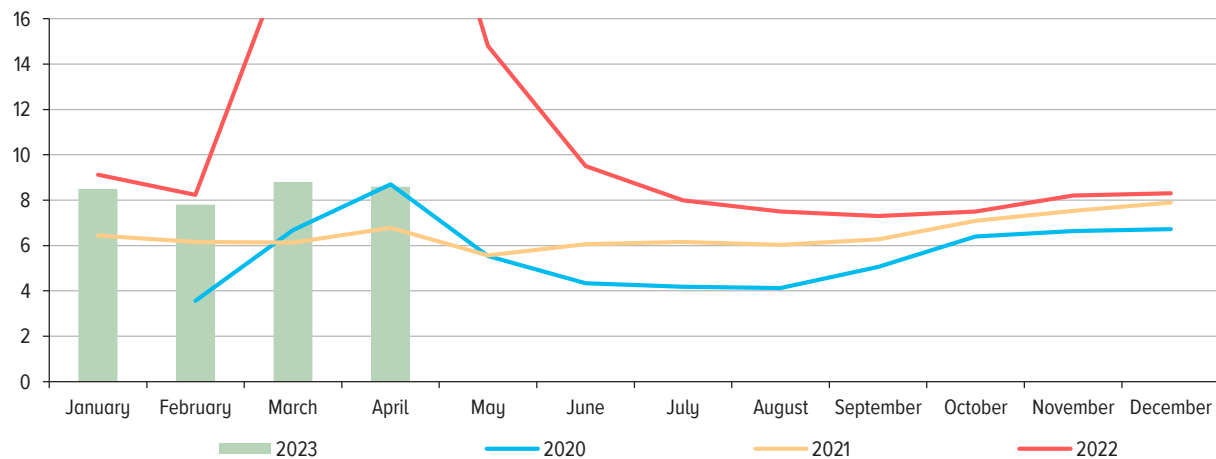
Chart 8



Sources: Bank of Russia, Rosstat.

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

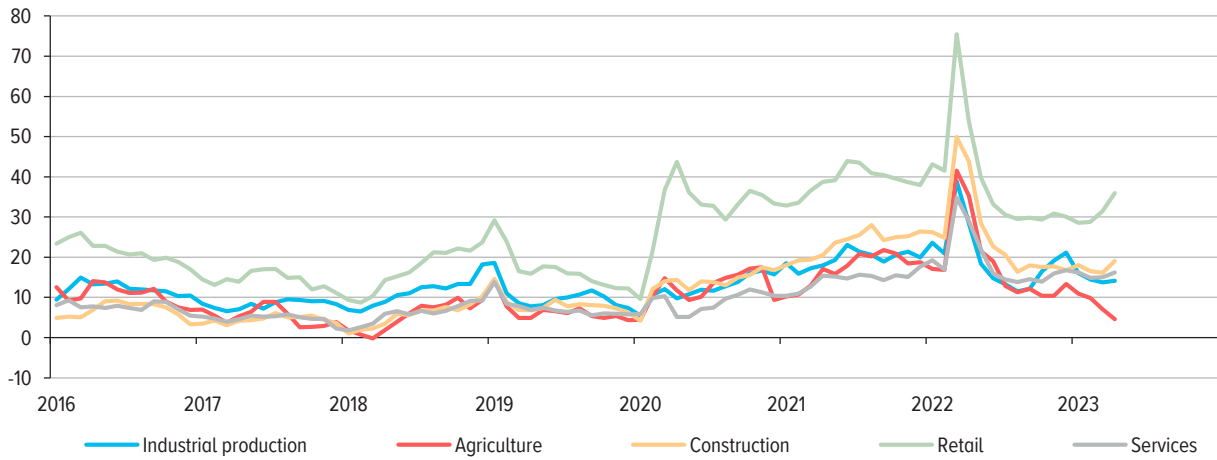
Chart 9



Source: Bank of Russia.

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

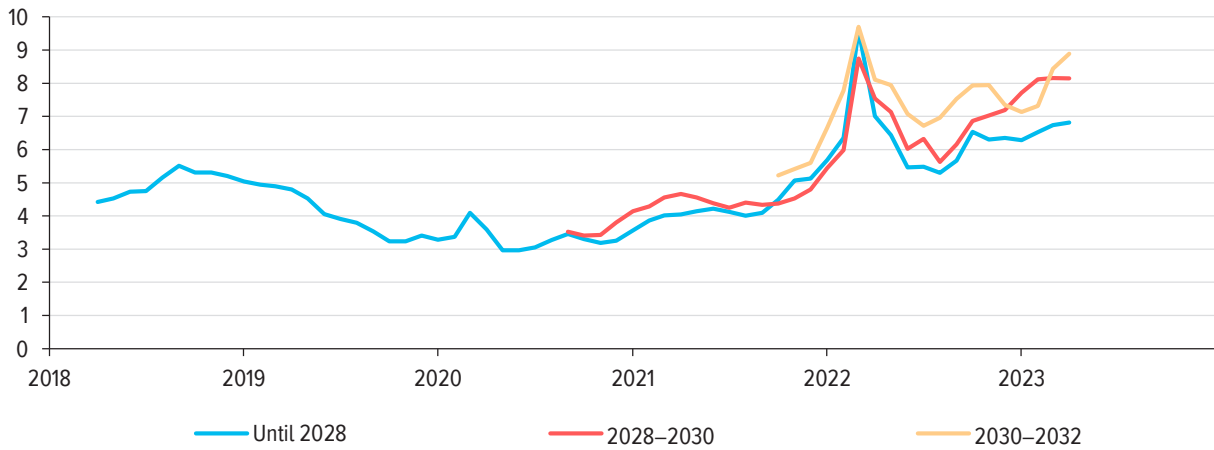
Chart 10



Source: Bank of Russia.

IMPLIED INFLATION FOR OFZ-IN  
(%)

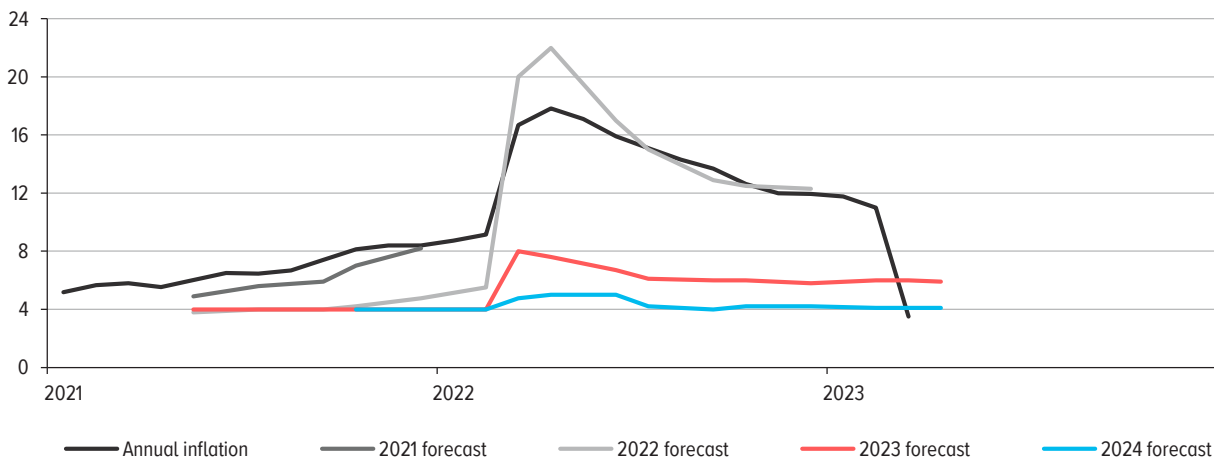
Chart 11



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 – 19.04.2023.

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](mailto: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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