



Bank of Russia



INFLATION EXPECTATIONS AND CONSUMER SENTIMENT

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Information and analytical commentary

31 January 2024

INFLATION EXPECTATIONS AND CONSUMER SENTIMENT (JANUARY 2024)

In January, inflation expectations of economic agents were changing diversely, while all the indices remained elevated. As shown by InFOM's survey, the median estimate of inflation expected by households in the coming 12 months dropped to 12.7% in January (-1.5 pp MoM; -1.1 pp YoY). The median of five-year ahead inflation expectations declined to 9.8% (-1.8 pp MoM; -1.1 pp YoY). Companies' price expectations for the next three months went up and reached their highs since April 2022. Implied inflation for inflation-indexed federal government bonds (OFZ-IN) almost remained unchanged at 7.2% for the next four years. Analysts' forecasts for the end of 2024 remained at the same level (5.1%). Analysts' medium-term expectations are still anchored to the inflation target. According to the Bank of Russia's forecast and given the monetary policy stance, annual inflation will decline to 4.0–4.5% in 2024 and will stabilise close to 4% further on.

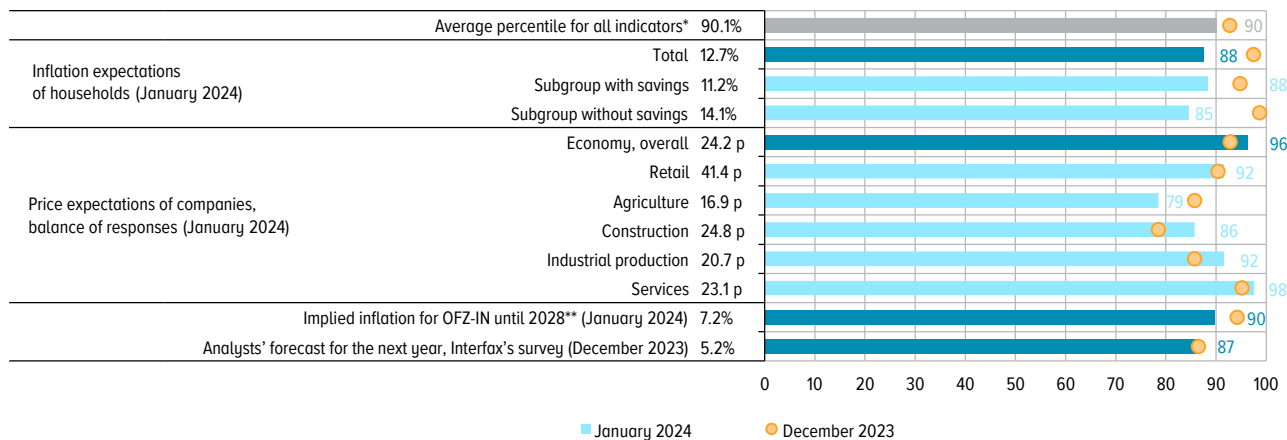
INFLATION EXPECTATION INDICATORS

	Expectation horizon	2021 average	2022 average	2023 average	2023 Q3 average	2023 Q4 average	November 2023	December 2023	January 2024	The average for the past three months
Inflation, %		6.7	13.8	5.9	5.2	7.2	7.5	7.4		
Inflation observed by households, FOM (Public Opinion Foundation) data, %										
Median	previous 12 months	15.1	19.6	14.5	13.7	15.3	15.1	17.0	16.3	16.2
Subgroup with savings	previous 12 months	13.2	16.8	13.0	12.4	13.3	13.4	14.5	14.0	14.0
Subgroup without savings	previous 12 months	16.3	22.0	15.9	14.8	17.2	16.6	19.0	18.2	17.9
Household inflation expectations, FOM data, %										
Median	next 12 months	12.1	12.9	11.5	11.4	12.5	12.2	14.2	12.7	13.0
Subgroup with savings	next 12 months	10.6	11.3	10.2	10.3	10.8	10.8	12.2	11.2	11.4
Subgroup without savings	next 12 months	13.3	14.2	12.7	12.5	14.3	13.4	16.3	14.1	14.6
Median for five years ahead	next five years			10.5	10.1	11.2	11.0	11.6	9.8	10.8
Companies' price expectations, Bank of Russia's monitoring of businesses, balance of responses										
Companies, total	next three months	20.1	21.8	19.4	21.2	23.3	22.8	23.0	24.2	23.4
Retail	next three months	38.6	39.0	38.0	41.4	41.6	41.8	40.9	41.4	41.4
Implied inflation for OFZ-IN (monthly average), %										
OFZ-IN 52002, February 2028	average for the next four years	4.2	6.3	7.2	7.8	7.7	7.3	7.3	7.2	7.3
OFZ-IN 52003, July 2030	average for the next six years	4.3	6.5	7.4	7.9	7.6	7.2	7.3	6.9	7.1
OFZ-IN 52004, March 2032	average for the next eight years		6.7	7.6	8.0	7.8	7.5	7.5	7.2	7.4
OFZ-IN	2028–2030 average	4.4	6.7	7.9	8.1	7.3	7.0	7.2	6.6	6.9
OFZ-IN	2030–2032 average		7.6	8.5	8.5	8.7	8.8	8.3	8.0	8.4
Analysts, %										
Survey by the Bank of Russia	2024		4.4	4.4	4.4	5.1		5.1		
Interfax	2024			4.8	4.9	5.2	5.2	5.2		
Survey by the Bank of Russia	2025			4.0	4.0	4.0		4.0		
Survey by the Bank of Russia	2026			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

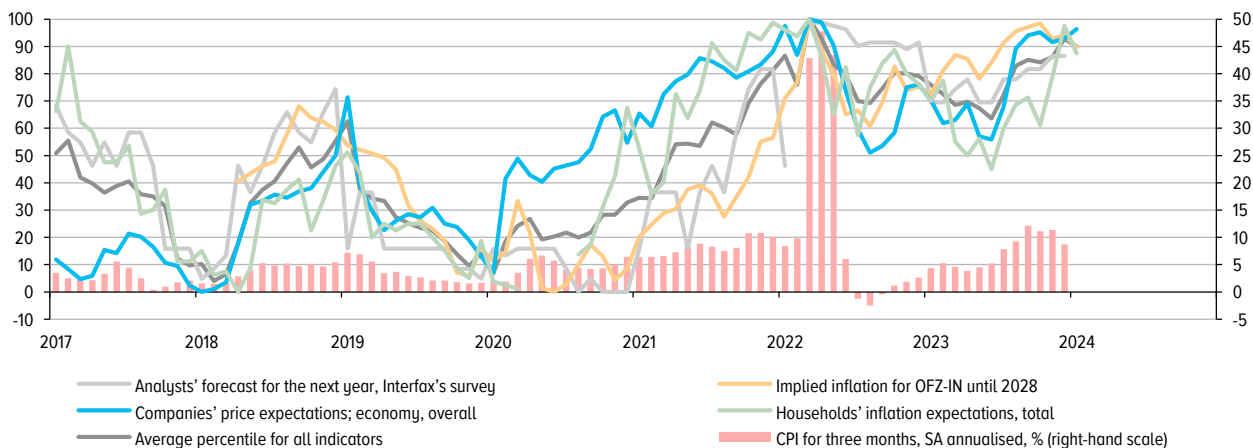
Chart 1



* The average of the percentiles of households' inflation expectations (total), companies' price expectations (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 percentiles as of the previous date are highlighted in yellow, and the percentiles as of the current date are shown in grey, blue and cyan. 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, 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 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 estimate inflation guided primarily by those product prices that have increased most significantly. Despite this systematic shift 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 the balance of responses to the question about the expected change in output 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 plan to increase prices compared to the previous month. However, it is not possible 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 2024–2026](#).

Households' inflation expectations declined

Based on InFOM's survey, in January 2024, the median estimate of households' inflation expectations for the next 12 months was 12.7% (-1.5 pp MoM; +1.1 pp YoY) (Chart A-1). Inflation expectations decreased among respondents both with and without savings (Chart A-3). The median of inflation expectations of the respondents with savings was 11.2% in January (-1.0% pp MoM; +0.9 pp YoY).

Inflation observed by households also declined in January. Its median equalled 16.3% (-0.7 pp MoM; +1.4 pp YoY). Estimates of observed inflation decreased among both subgroups of respondents.

When answering the question about growth in prices for certain goods and services,² in January, respondents mentioned more frequently (as compared to the previous month) that eggs, fruit and vegetables, as well as housing and utility services had become more expensive (Chart A-2). Contrastingly, respondents complained about higher prices for meat, poultry, fish and seafood less often than in December.

Qualitative estimates of expected inflation for one month and one year ahead decreased³ in January. Estimates of actual inflation over the past month and year also declined⁴ (Chart A-4).

Five-year ahead⁵ inflation expectations decreased in January to 9.8% (-1.8 pp MoM; -1.1 pp YoY). Long-term expectations of respondents with savings edged down to 9.0% (-1.7 pp MoM; -1.1 pp YoY), while of those without savings – to 10.7% (-1.9 pp MoM; -1.2 pp YoY). The proportion of respondents believing that the price growth rate three years later would notably surpass 4% also dropped and totalled 45% (-6 pp MoM; unchanged YoY).

Consumer sentiment index was record high

In January 2024, the consumer sentiment index (CSI) went up to 108.2 points (+6.4 pp MoM; +6.8 pp YoY) (Chart A-6). This was higher than the positive seasonal figures typical for the first month of the year (the average change in January 2015–2023 was +2.6 points MoM). Concurrently, the CSI hit its new historical high since May 2014. Both the present situation estimates and survey participants' expectations increased.

The present situation index equalled 91.5 points in January (+5.0 points MoM; +4.8 points YoY). The estimates of both its components were higher: actual changes in personal finance over the year and the suitability of the current period for large-value purchases.

The expectations index totalled 119.3 points in January (+7.3 points MoM; +8.1 points YoY). Estimates of all its components that include expectations regarding the country's economic prospects for one year and five years ahead and estimates of personal financial standing prospects for the next 12 months increased.

The percentage of respondents opting to purchase expensive goods rather than save went up to 30.6% (+3.5 pp MoM; +2.6 pp YoY) (Chart A-7). The proportion of those preferring to save remained actually unchanged compared to the previous month and equalled 51.6% (-0.2 pp MoM; -3.3 pp YoY). When answering the question about preferred forms of savings, the survey participants began to mention more frequently that they preferred to keep money in bank accounts (42% of respondents; +3 pp MoM; +4 pp YoY) and less frequently – in cash (28% of respondents; -3 pp MoM; -2 pp YoY).

² For details on inflation in December, refer to the information and analytical commentary [Consumer Price Dynamics](#) No. 12 (96), December 2023.

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 rose considerably and were rising faster than before was lower than in the previous month.

⁵ The question 'Could you even roughly estimate inflation, price growth in Russia in five years?'. The proportion 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 Russia in five years' and 'It is hard to say') was 49% in January (vs 51% in December).

Companies' price expectations increased

According to the monitoring of businesses carried out by the Bank of Russia in January 2024, companies' price expectations (the balance of responses) for the next three months went up (Chart A-8). They stayed at their highs since April 2022. In January 2024, the survey covered 10,100 enterprises (for more details, see the information and analytical commentary [Monitoring of Businesses: Assessments, Expectations and Comments](#)).

The quantitative indicator of companies' inflation expectations – the average price growth rate expected in the next three months⁶ – was 8.3% in annualised terms in January (vs +1.1 pp MoM; +2.4 pp YoY), which was noticeably higher than the inflation target.

The increase in price expectations was accompanied by improved estimates of actual demand. However, companies' expectations regarding future demand became more moderate. In addition, estimates of changes in costs continued to lower for the third month in a row.

Price expectations increased in most industries (Chart A-9). The increase was most noticeable in transportation and storage as well as in construction. Price expectations in mining and quarrying, water supply, agriculture, car trade decreased. Auto dealers demonstrated a marked decline in their expectations due to slowing current demand and high stocks of unsold cars at warehouses.

In general, price expectations in trade edged up after a decrease in the previous three months. They increased most notably in wholesale trade where respondents estimated future demand trends more positively than a month ago. In retail, price expectations grew insignificantly. In January, the average price growth rate expected by retail trade enterprises in the next three months⁶ was 12.9% in annualised terms (+1.1 pp MoM; +4.5 pp YoY) (Chart A-10).

Implied inflation for the next four years is estimated at 7.2%

According to the Bank of Russia's estimates,⁷ average implied inflation for the next four years up to February 2028, calculated on the basis of the ratio between yields on OFZ-PD and OFZ-IN bonds with the same maturity dates, remained almost unchanged and equalled 7.2% in December (-0.1 pp MoM; +0.9 pp YoY) (Chart A-11). Implied inflation for 2028–2030 edged down to 6.6% (-0.6 pp MoM; -1.1 pp YoY). Implied inflation for 2030–2032 decreased to 8.0% (-0.3 pp MoM; +0.9 pp YoY).

Analysts expect inflation close to 5% in 2024

In December 2023, analysts' inflation forecasts remained unchanged. According to the findings of [the Bank of Russia's macroeconomic survey](#) carried out in December, analysts' inflation forecast for the end of 2024 was 5.1% (the same as in October, no survey was conducted in November). Analysts surveyed by the Bank of Russia expect inflation to be 4.0% in 2025 and further on (Chart A-12). As shown by a survey carried out by Interfax, in December 2023, analysts' consensus forecast of inflation for the end of 2024 was 5.2% (the same as in November).

The Bank of Russia forecasts that annual inflation will drop to 4.0–4.5% in 2024

According to the Bank of Russia's forecast, tight monetary policy will limit the excessive expansion of domestic demand and its proinflationary effects. Given the monetary policy pursued, annual inflation will decline to 4.0–4.5% in 2024 and stay close to 4% further on.

⁶ Seasonally adjusted data.

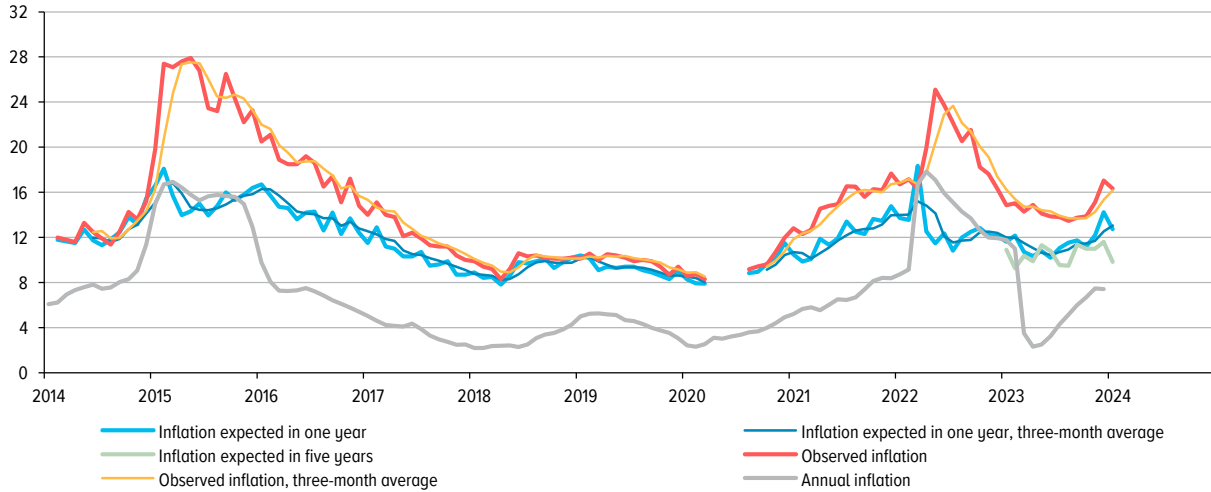
⁷ The estimates are based on the comparison of expected yields on OFZ-IN and nominal OFZ (OFZ-PD) bonds, with account of the lag in the nominal value indexation and seasonally adjusted inflation. [Calculation method](#).

ANNEX

Analytical charts

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

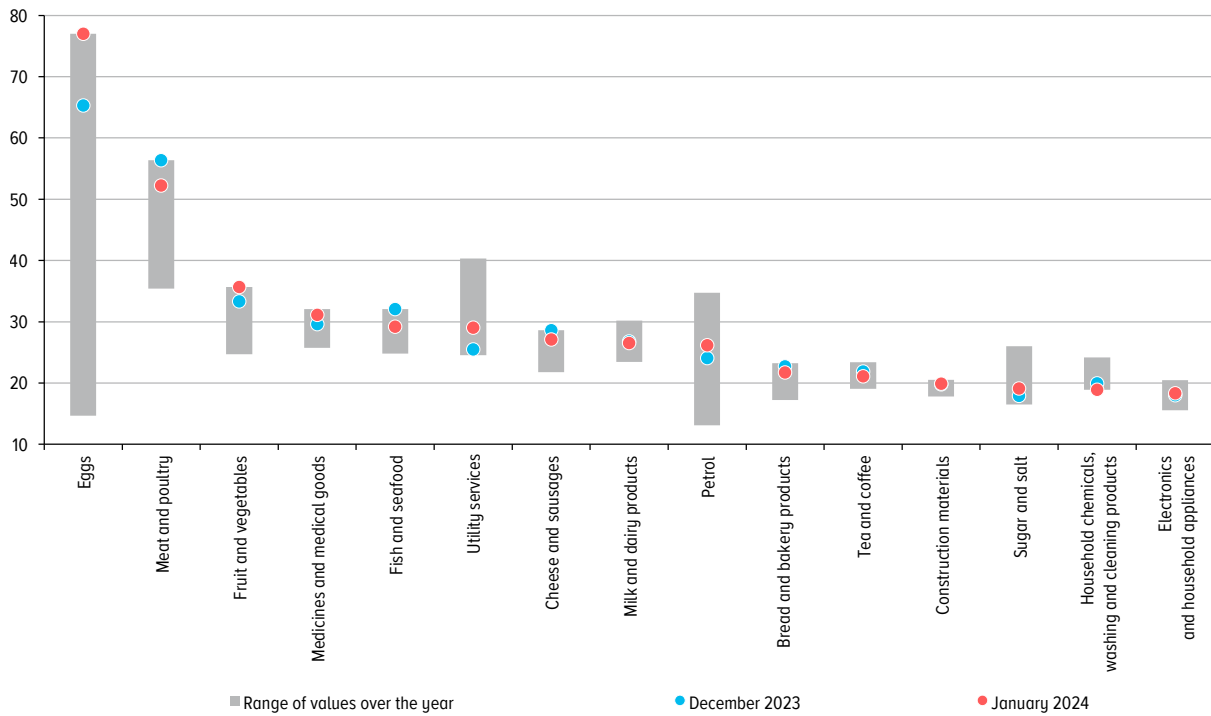
Chart A-1



Sources: InFOM, Rosstat, Bank of Russia calculations.

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

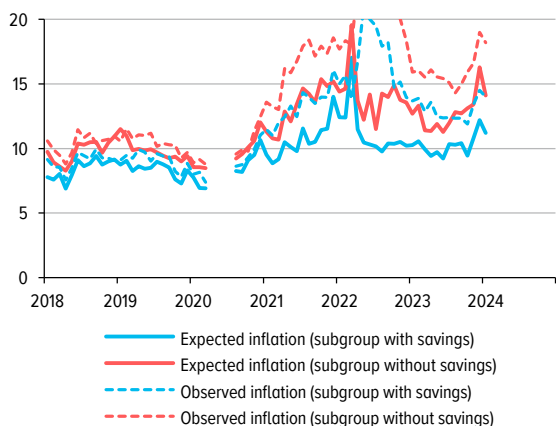
Chart A-2



Sources: InFOM, Bank of Russia calculations.

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

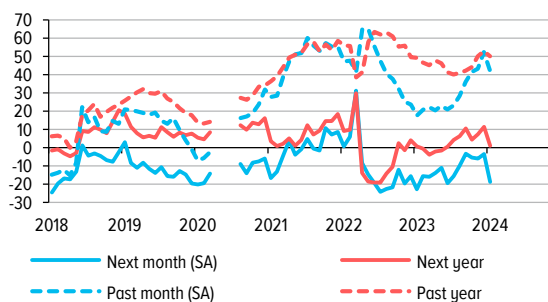
Chart A-3



Source: InFOM, Bank of Russia calculations.

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

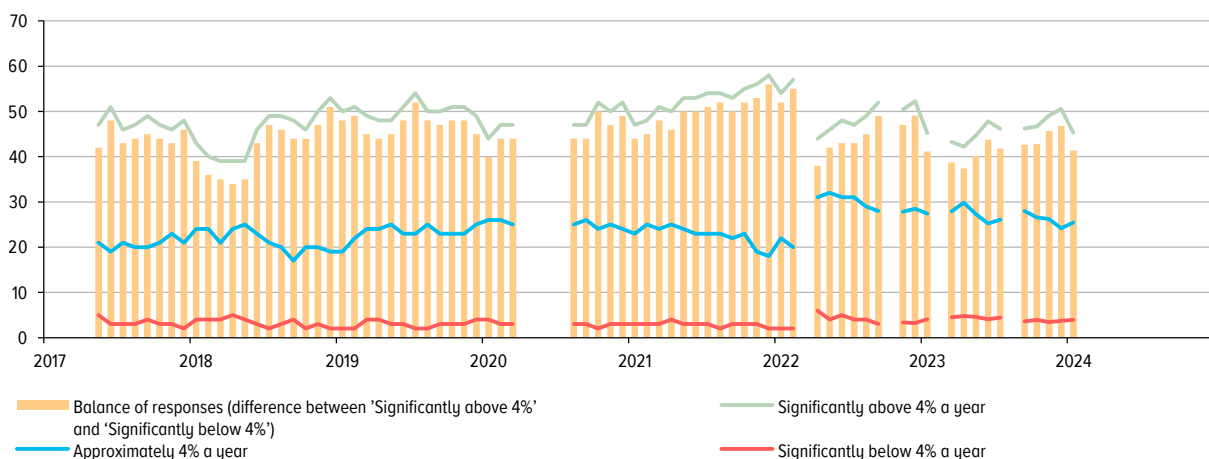
Chart A-4



* 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 in 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 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)

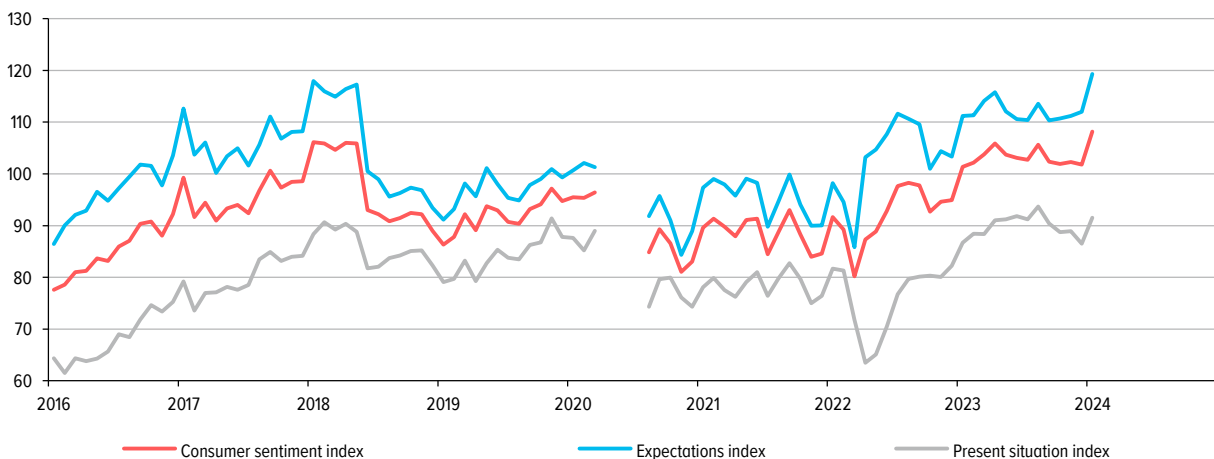
Chart A-5



Sources: InFOM, Bank of Russia calculations.

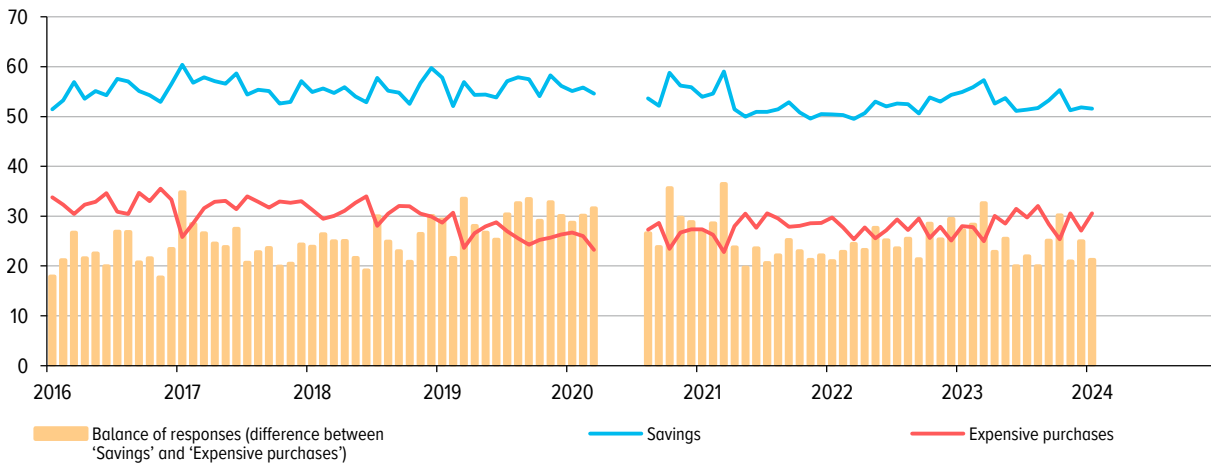
CONSUMER SENTIMENT INDEX
(POINTS)

Chart A-6



Source: InFOM.

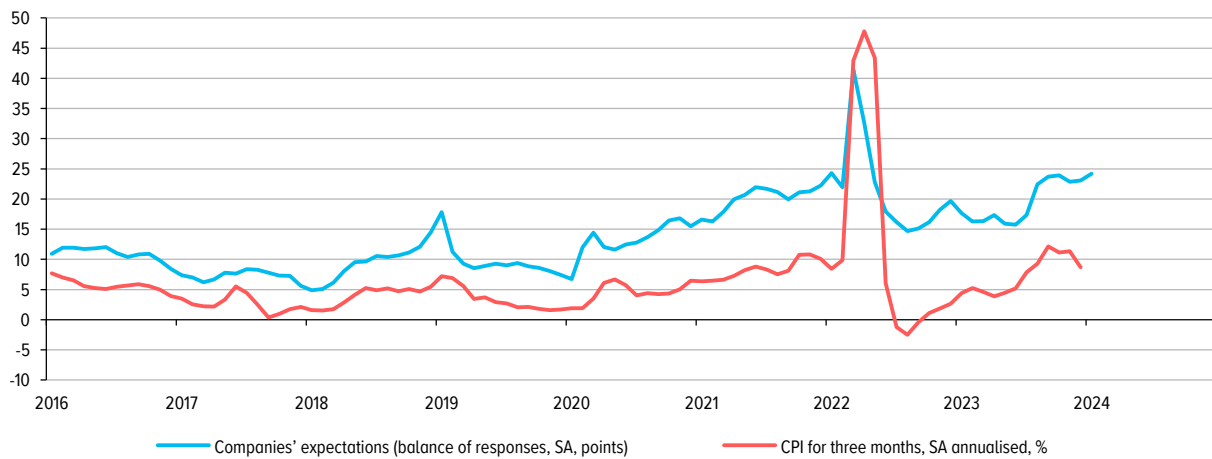
DISTRIBUTION OF RESPONSES TO THE QUESTION 'WHAT IS YOUR OPINION ABOUT THE BEST WAY TO USE AVAILABLE MONEY: MAKE SAVINGS OR PURCHASE EXPENSIVE GOODS?' *Chart A-7*
(% OF ALL RESPONDENTS)



Sources: InFOM, Bank of Russia calculations.

COMPANIES' PRICE EXPECTATIONS

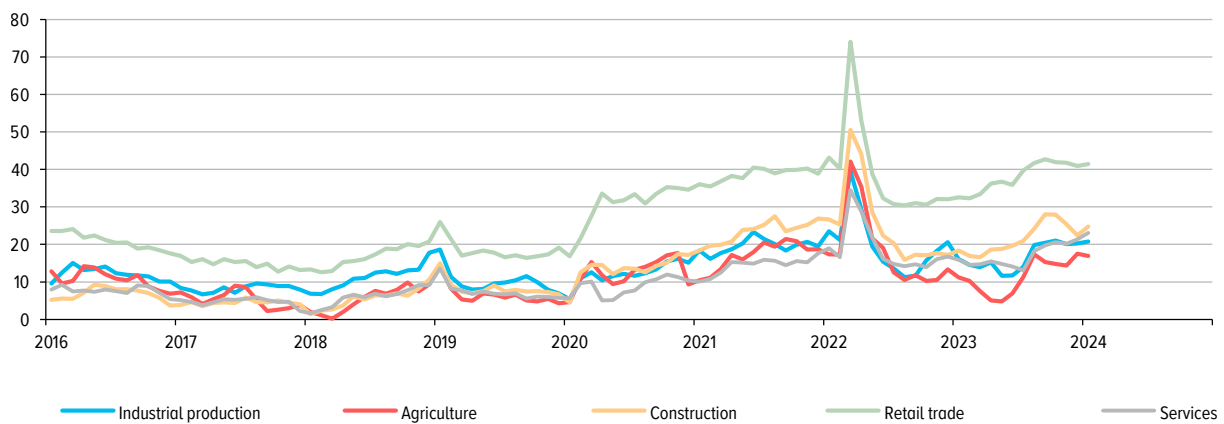
Chart A-8



Sources: Bank of Russia, Rosstat.

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

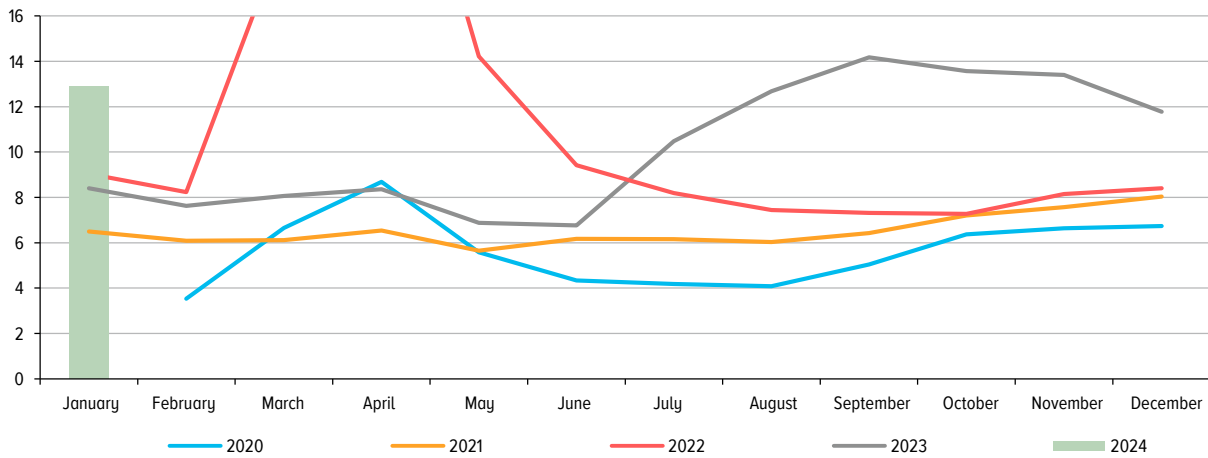
Chart A-9



Source: Bank of Russia.

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

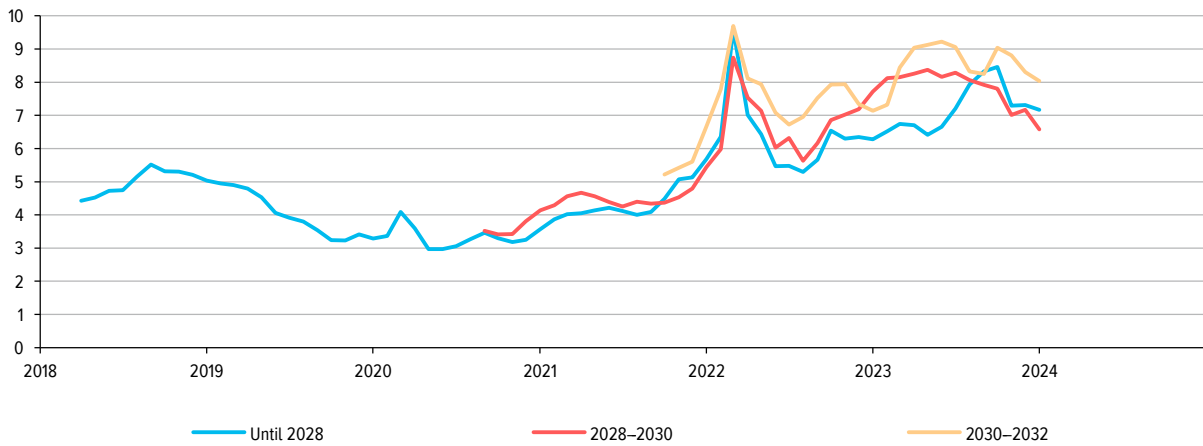
Chart A-10



Source: Bank of Russia.

IMPLIED INFLATION FOR OFZ-IN
(%)

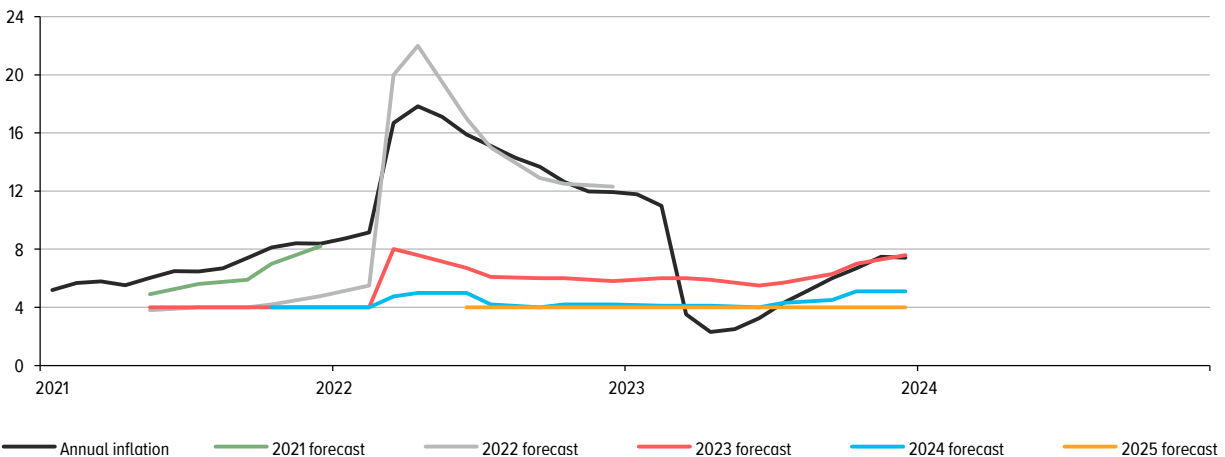
Chart A-11



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

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

Chart A-12



Sources: Bank of Russia, Rosstat.

The data cut-off date – 26.01.2024.

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.

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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