



Bank of Russia



# INFLATION EXPECTATIONS AND CONSUMER SENTIMENT

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Information and analytical commentary

25 December 2024

## INFLATION EXPECTATIONS AND CONSUMER SENTIMENT (DECEMBER 2024)

December saw all the indicators of inflation expectations rise. The median estimate of one-year-ahead household inflation expectations increased to 13.9%, as shown by the InFOM's survey. Three-month-ahead business price expectations were up again. Breakeven inflation for inflation-indexed federal government bonds (OFZ-IN) rose to 6.8% for OFZ-IN maturing in 2028. Analysts raised their forecasts for the 2024 year-end, 2025, and 2026 to 9.2%, 6.0%, and 4.5%, respectively, over December. They expect inflation to return to the target in 2027. The Bank of Russia forecasts that given the monetary policy stance, annual inflation will decline to 4.0% in 2026 and will remain at the target further on.

### INDICATORS OF INFLATION EXPECTATIONS

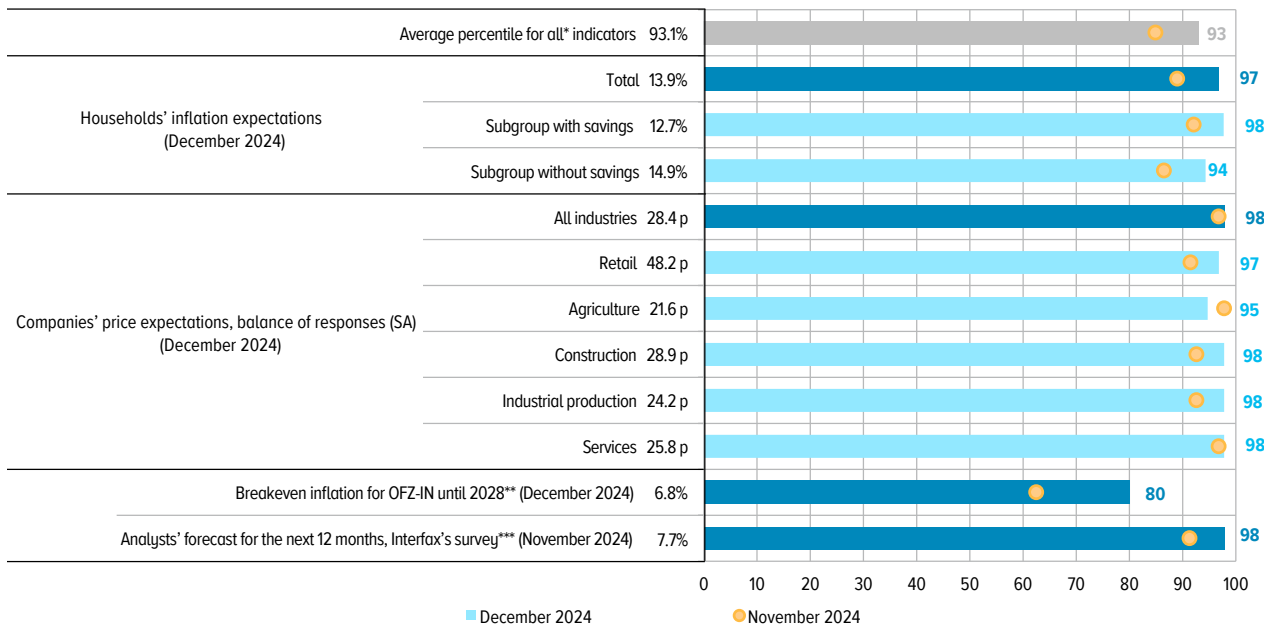
	Expectations horizon	2021 average	2022 average	2023 average	2024 Q2 average	2024 Q3 average	October 2024	November 2024	December 2024	Average over the past three months
Inflation, %		6.7	13.8	5.9	8.2	8.9	8.5	8.9		
<b>Inflation observed by households, Public Opinion Foundation, %</b>										
Median	previous 12 months	15.1	19.6	14.5	14.3	14.5	15.3	15.3	15.9	15.5
Subgroup with savings	previous 12 months	13.2	16.8	13.0	12.5	12.8	13.7	13.9	14.4	14.0
Subgroup without savings	previous 12 months	16.3	22.0	15.9	16.0	16.1	16.6	16.3	16.9	16.6
<b>Households' inflation expectations, Public Opinion Foundation, %</b>										
Median	next 12 months	12.1	12.9	11.5	11.5	12.6	13.4	13.4	13.9	13.6
Subgroup with savings	next 12 months	10.6	11.3	10.2	10.1	11.0	12.1	11.8	12.7	12.2
Subgroup without savings	next 12 months	13.3	14.2	12.7	12.9	13.9	15.0	14.4	14.9	14.8
Median for the next five years	next five years			10.5	10.3	11.1	12.3	11.7	11.8	11.9
<b>Companies' price expectations, Bank of Russia's monitoring of businesses, balance of responses, p, SA*</b>										
Companies, total	next three months	20.1	21.7	19.5	20.5	21.9	23.6	26.0	28.4	26.0
Retail	next three months	38.8	38.9	38.6	38.6	43.9	45.4	45.2	48.2	46.3
<b>Breakeven inflation for OFZ-IN (monthly average), %</b>										
OFZ-IN 52002, February 2028	next three-year average	4.2	6.3	7.2	7.8	7.1	7.0	5.8	6.8	6.5
OFZ-IN 52003, July 2030	next six-year average	4.3	6.5	7.4	7.6	6.7	7.2	5.4	6.5	6.4
OFZ-IN 52004, March 2032	next seven-year average		6.7	7.6	7.8	7.2	7.6	6.0	6.9	6.8
OFZ-IN	2028–2030 average	4.4	6.7	7.9	7.3	6.2	7.4	4.9	6.2	6.2
OFZ-IN	2030–2032 average		7.6	8.5	8.8	8.9	8.8	8.1	8.2	8.4
<b>Analysts, %</b>										
Survey by the Bank of Russia	2024		4.4	4.4	5.4	6.9	7.7		9.2	
Interfax	2024			4.8	5.8	7.1	8.1	9.1		
Survey by the Bank of Russia	2025			4.0	4.2	4.7	5.3		6.0	
Interfax	2025				4.5	5.0	5.6	6.3		
Survey by the Bank of Russia	2026			4.0	4.0	4.0	4.1		4.5	

\* 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.

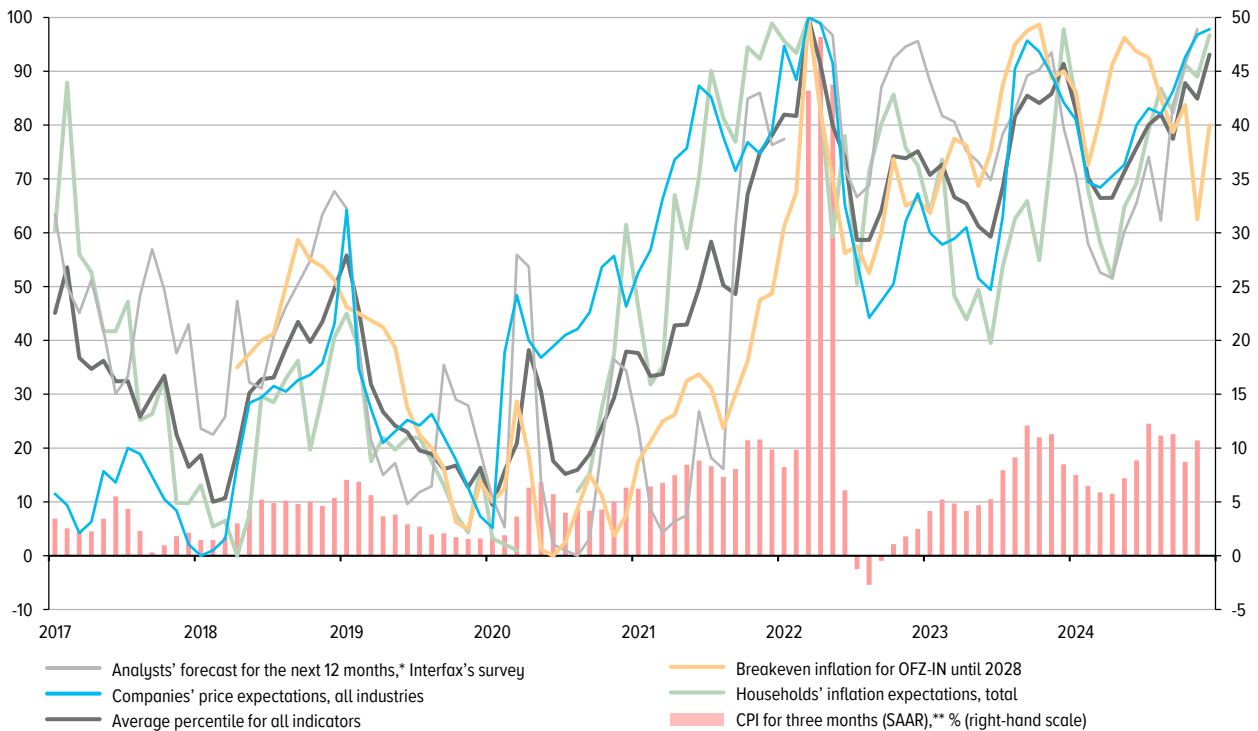
\*\*\* Analysts' forecast for the next 12 months was made using forecasts for this and subsequent years, taking into consideration actual inflation since the beginning of this year.

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.<sup>1</sup> 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.*

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<sup>1</sup> The monetary policy transmission mechanism is detailed in Appendix 1 to the [Monetary Policy Guidelines for 2025–2027](#).

## Household inflation expectations rose

December 2024 saw the median estimate of one-year-ahead inflation expectations reach a maximum of 13.9% since December 2023 (+0.5 pp MoM; -0.3 pp YoY) (Charts 3 and 4), as shown by the [InFOM's survey](#). Inflation expectations rose among respondents both with savings (to 12.7%; +0.9 pp MoM; +0.5 pp YoY) and without them (to 14.9%; +0.5 pp MoM; -1.4 pp YoY) (Chart 6).

Inflation observed by households was up too in December (to 15.9%, +0.6 pp MoM; -1.1 pp YoY). Measures of observed inflation were higher among both of the subgroups of respondents. The gap between the measures of observed inflation and annual consumer price index (CPI) inflation widened to 7.0 pp (the former is 1.8 times higher than the latter).

Answering the question about growth in prices for certain goods and services,<sup>2</sup> respondents noted growth in prices for all goods and services, included in the questionnaire, more often in December than in November. Respondents tended to be much more anxious about rising food prices, primarily those for milk and dairy products, meat and poultry, fish and seafood, eggs, cheese and sausages, and vegetable oils. In addition, respondents started to mention higher prices for electronics and household appliances considerably more often (Chart 5).

December registered a decrease in the qualitative measures of one-month-ahead inflation expectations<sup>3</sup> but an increase in those of one-year-ahead inflation expectations.<sup>4</sup> The qualitative measures of one-month and one-year observed inflation were up<sup>5</sup> (Chart 7).

Five-year-ahead inflation expectations<sup>6</sup> barely changed in December and equalled 11.8% (+0.1 pp MoM; +0.2 pp YoY). They rose among respondents with savings (to 10.6%; +0.5 pp MoM; -0.1 pp YoY) but declined among those without savings (to 12.7%; -0.7 pp MoM; +0.1 pp YoY). December saw the percentage of respondents believing that the inflation rate would notably surpass 4% in three years rise to 53% (+2 pp MoM; +2 pp YoY) (Chart 8).

## Consumer sentiment index declined

December witnessed the consumer sentiment index plummet to a two-year low of 101.1 p since December 2022 (-2.9 p MoM, -0.7 p YoY) (Chart 9). Respondents lowered both their assessments of the present situation and expectations.

The present situation index equalled 88.1 p in December (-3.3 p MoM; +1.6 p YoY). There were decreases in its components, i.e. the measure of changes in personal financial standing over the past year and the assessment of the suitability of the current period for large purchases.

The expectations index equalled 109.7 p in December (-2.7 p MoM; -2.3 p YoY). Drops were registered in all its components, i.e. one-year-ahead expectations of changes in personal financial standing and one- and five-year-ahead measures of the country's development outlook.

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<sup>2</sup> See details on inflation in November in the information and analytical commentary [Consumer Price Dynamics](#) No. 11 (107), November 2024.

<sup>3</sup> That is, the percentage of respondents who said that prices would rise considerably was lower than in the previous month.

<sup>4</sup> That is, the percentage of respondents who said that prices would be rising faster in the future was higher than in the previous month.

<sup>5</sup> That is, the percentage of respondents who said that prices had risen considerably and were rising faster than before was higher than in the previous month.

<sup>6</sup> The question 'Could you even roughly estimate price growth in five years, i.e. annual inflation in 2029?'. 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 48% in December (vs 46% in November).

Respondents' propensity to save hardly changed in December. The percentage of respondents opting to save rather than purchase expensive goods came in at 52.8% (-0.2 pp MoM; +1.0 pp YoY) (Chart 10). It stayed below the average value since early 2016 (54.1%). The percentage of those preferring to spend reached 30.1% (unchanged MoM; +3.0 pp YoY). Answering the question about the preferable forms of savings, more respondents said that they opted to keep money in bank accounts. They made up 44% in December (+1 pp MoM; +5 pp YoY). The percentage of those preferring cash holdings equalled 26% (-2 pp MoM; -5 pp YoY).

## Business price expectations climbed

According to the monitoring of businesses carried out by the Bank of Russia in December 2024, three-month-ahead business price expectations (the balance of responses) went up again to reach a local high since April 2022 (Chart 11),<sup>7</sup> driven by the faster growth of costs in part due to a weaker ruble and slightly higher demand expectations. Businesses also associated rises in prices for their products in the coming months with the increases in their tax burden and the minimum monthly wage in January 2025.

Business price expectations climbed in most major industries, excluding agriculture, where they declined.

Industrial production registered sharpest increases in business price expectations in mining and quarrying, where respondents noted a surge in costs and better demand expectations. Manufacturing saw business price expectations rise less rapidly amid lower demand expectations.

Trade businesses reported faster growth in costs as well. They tended to associate their plans to raise prices in December with foreign exchange rate fluctuations more often. Their demand expectations, however, continued to decline in December for the second consecutive month.

Among reasons for expected price rises in transportation and storage, respondents mentioned government regulation more often in part due to higher rail transportation rates and exchange rate fluctuations.

In construction, business price expectations rose again despite persistently declining measures of actual and expected demand.

Business price expectations dropped in agriculture after a surge in prices in 2024 H2. December was the fourth month in a row to see the percentage of respondents reporting rises in their prices go up to hit a new high since April 2022.

A quantitative measure of business inflation expectations – the average three-month-ahead inflation rate<sup>8</sup> – equalled 10.6% in annualised terms in December (+3.1 pp MoM; +3.4 pp YoY) (Chart 12). Three-month-ahead inflation expectations<sup>8</sup> of retailers averaged 16.8% in annualised terms (+3.3 pp MoM; +5.0 pp YoY).

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<sup>7</sup> In December 2024, the Bank of Russia surveyed 15,800 companies (more detailed results of the monitoring are available in the information and analytical commentary [Monitoring of Businesses: Assessments, Expectations and Comments](#)).

<sup>8</sup> Seasonally adjusted data.

## Breakeven inflation to be 6.8% until 2028

As estimated by the Bank of Russia,<sup>9</sup> average breakeven inflation in the next three years until February 2028, calculated based on the ratio between yields on OFZ-PD (fixed coupon federal government bonds) and OFZ-IN with the same maturity dates, was up again in December after a drop in November and returned to the October level. Between 1 and 20 December, it averaged 6.8% (+1.0 pp MoM; -0.5 pp YoY) (Chart 13). Breakeven inflation increased to 6.2% (+1.3 pp MoM; -1.0 pp YoY) for 2028–2030 and remained virtually unchanged at 8.2% (+0.1 pp MoM; -0.1 pp YoY) for 2030–2032.

## Analysts expect inflation to approach 6% in 2025

Analysts raised their inflation forecasts in November and December 2024. Based on the findings of the [Bank of Russia's macroeconomic survey](#) (conducted from 6 to 10 December), analysts raised their inflation projections for the 2024 year-end to 9.2% (+1.5 pp vs October; +4.1 pp YoY); for the 2025 year-end to 6.0% (+0.7 pp vs October; +2.0 pp YoY), and for the 2026 year-end to 4.5% (+0.4 pp vs October; +0.5 pp YoY). The analysts surveyed by the Bank of Russia expected inflation approach 4.0% in 2027 (Chart 14). As shown by the Interfax's survey, analysts' consensus forecast of inflation for the end of 2024 rose to 9.1% (+1.0 pp MoM; +3.9 pp YoY) and that for the end of 2025 to 6.3% (+0.7 pp MoM) in November 2024.

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

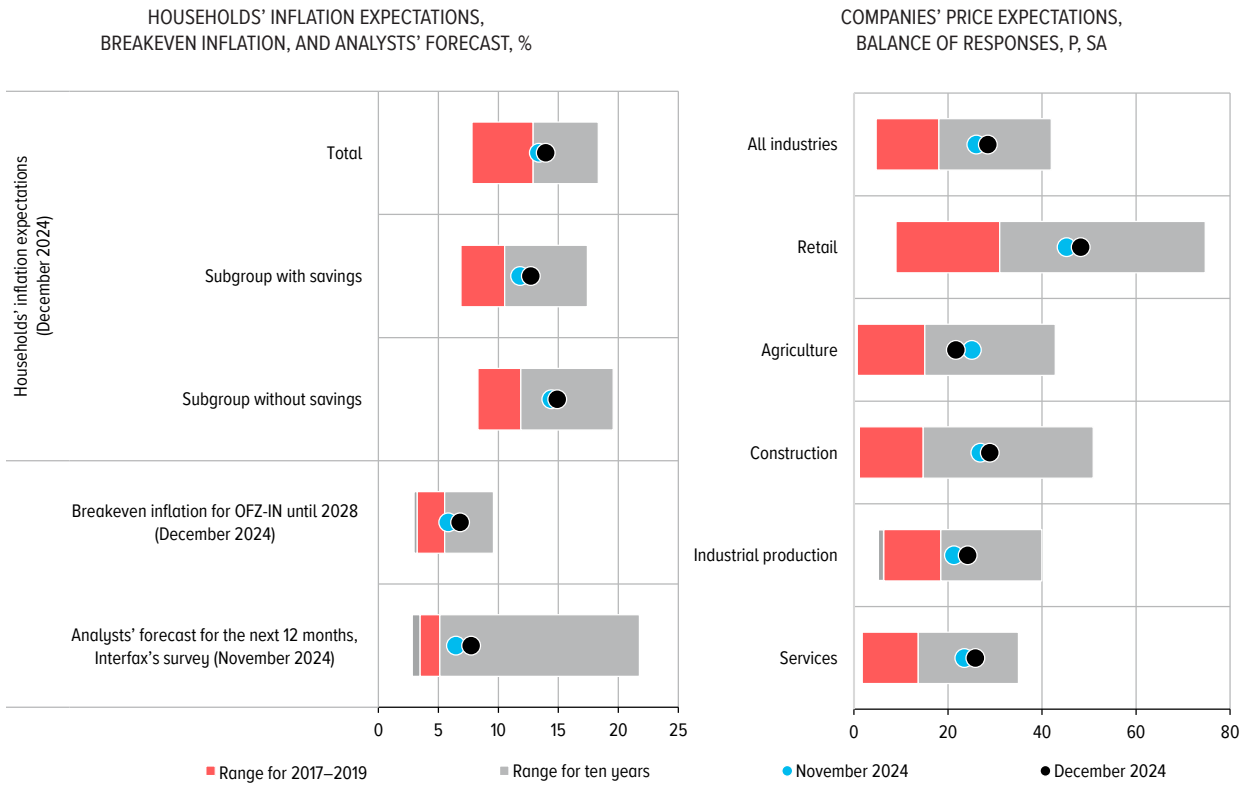
The achieved tightness of monetary conditions creates the necessary prerequisites for resuming disinflation processes and returning inflation to the target, despite the elevated current price growth and high domestic demand. The Bank of Russia forecasts that given the monetary policy stance, annual inflation will decline to 4.0% in 2026 and will remain at the target further on.

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<sup>9</sup> 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

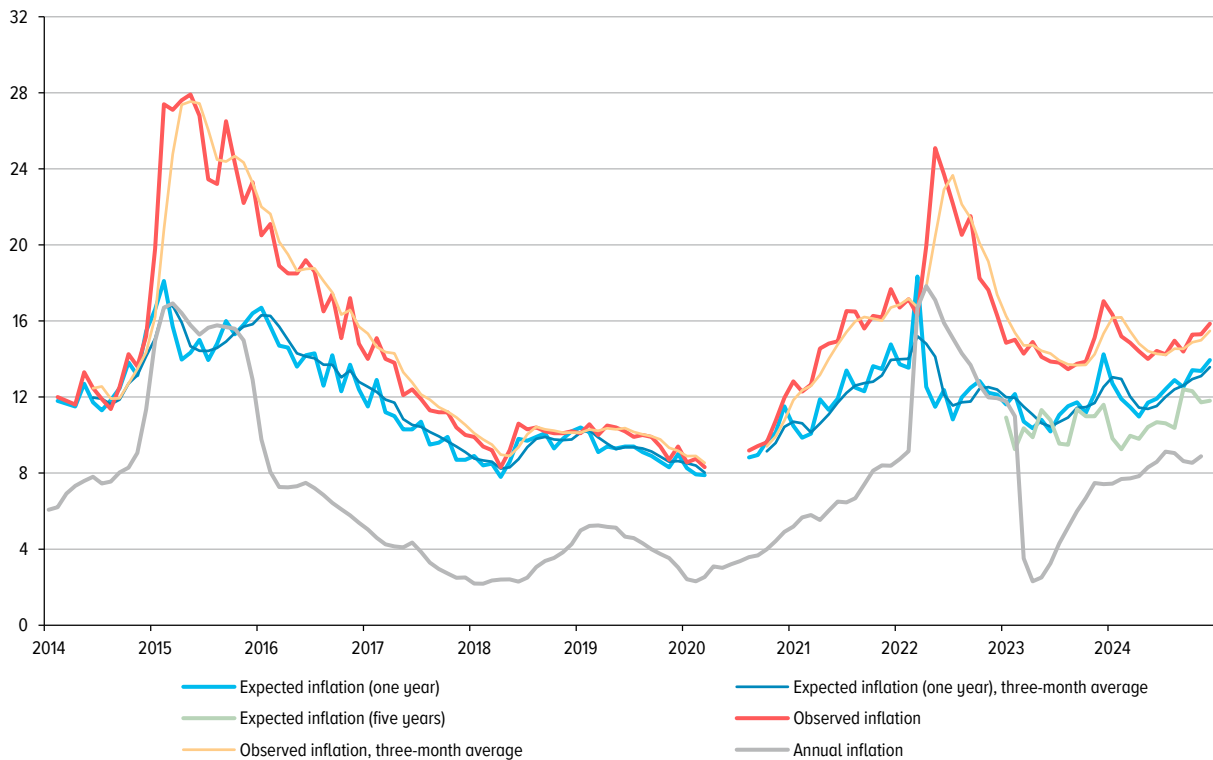
Chart 3



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

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

Chart 4

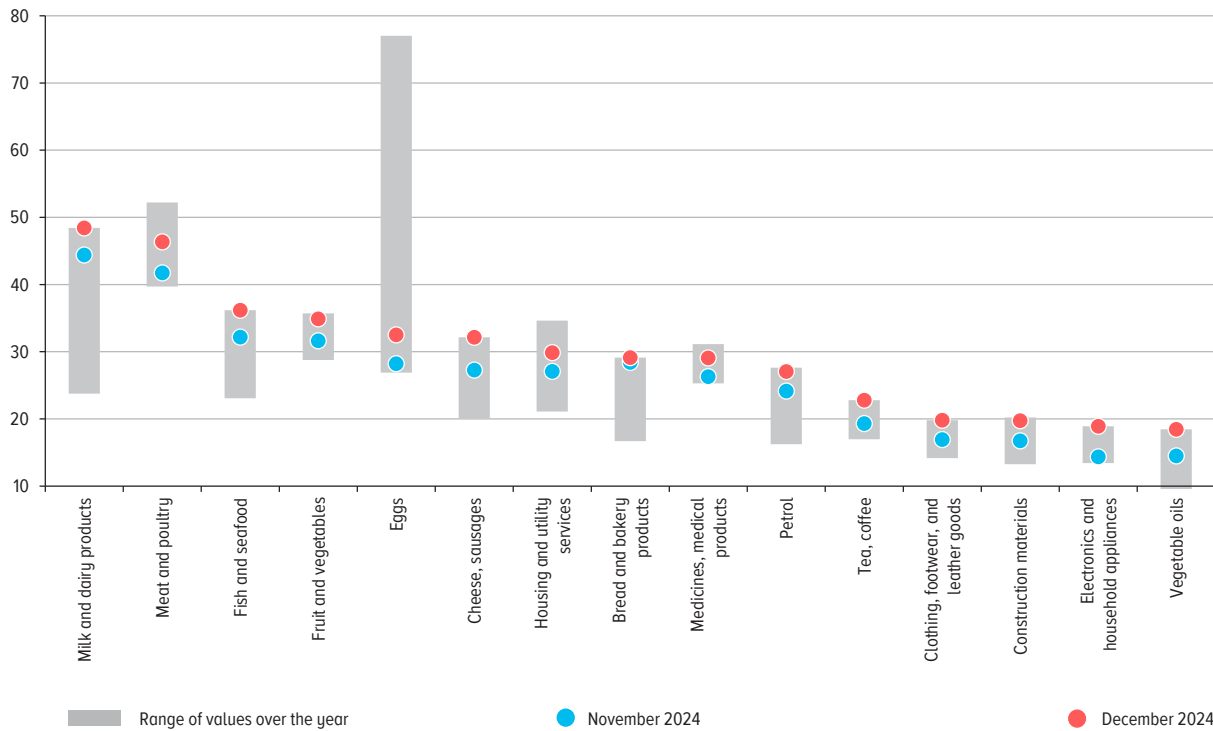


Sources: InFOM, Rosstat, Bank of Russia calculations.



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)

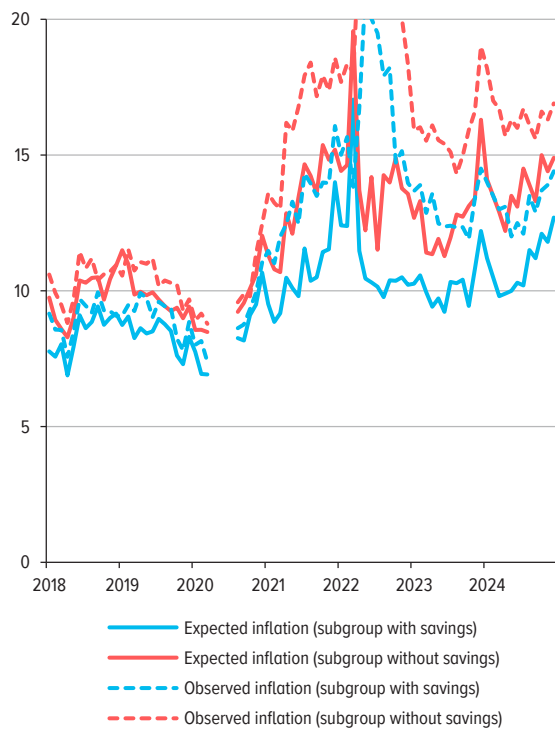
Chart 5



Sources: InFOM, Bank of Russia calculations.

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

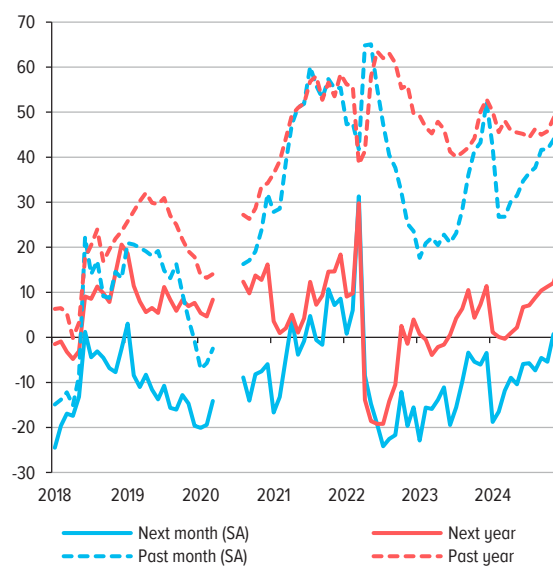
Chart 6



Source: InFOM.

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

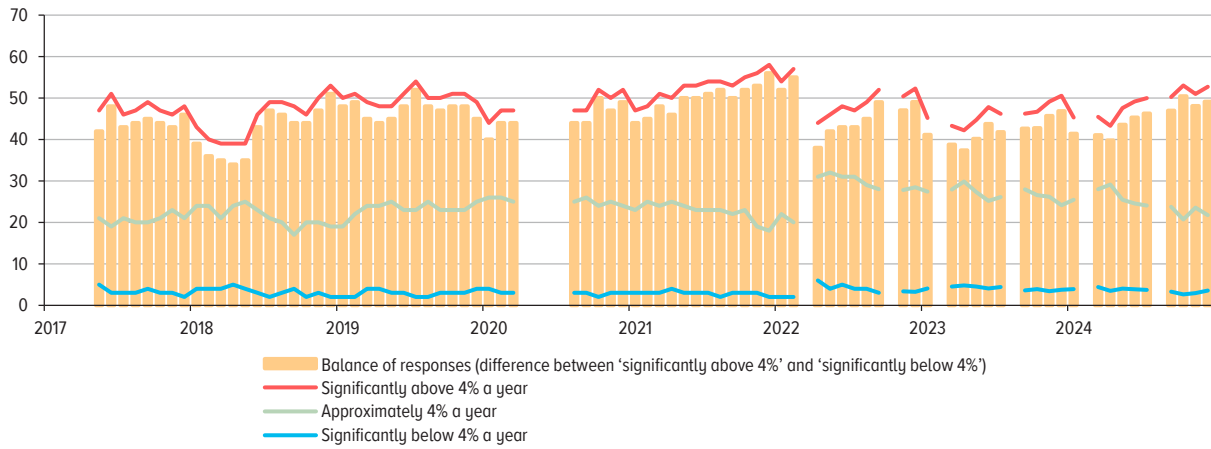
Chart 7



\* 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.

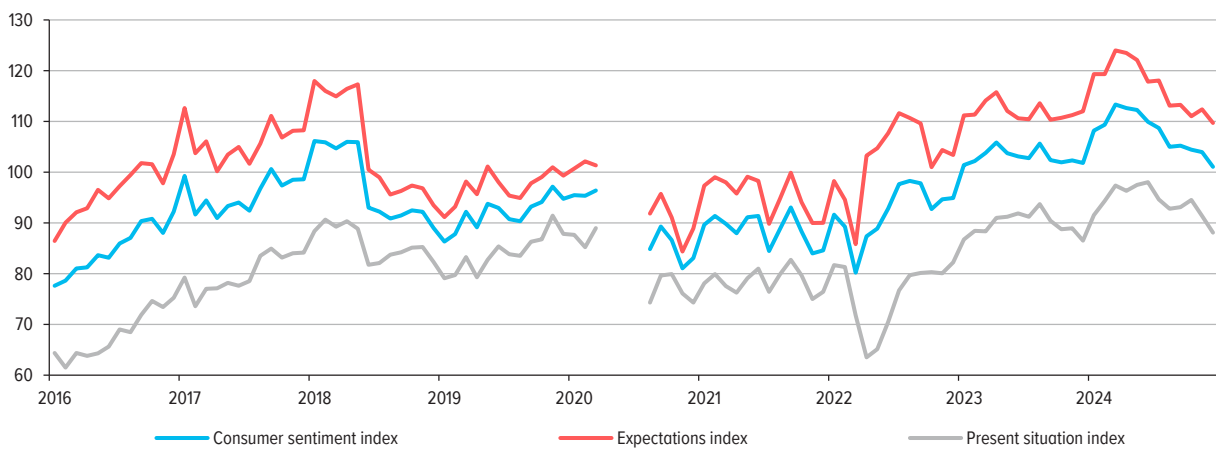
Sources: InFOM, Bank of Russia calculations.

**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)



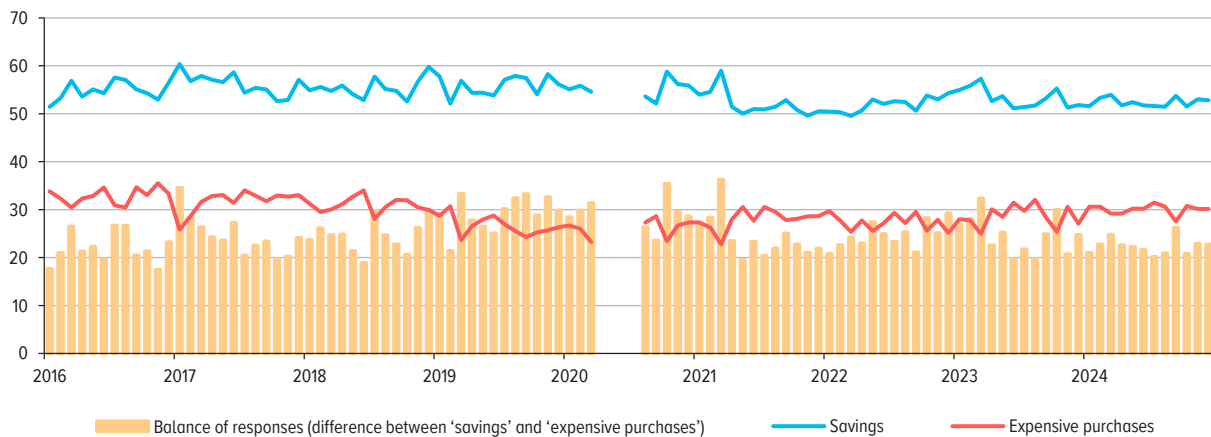
Sources: InFOM, Bank of Russia calculations.

**CONSUMER SENTIMENT INDEX** Chart 9  
(P)



Source: InFOM.

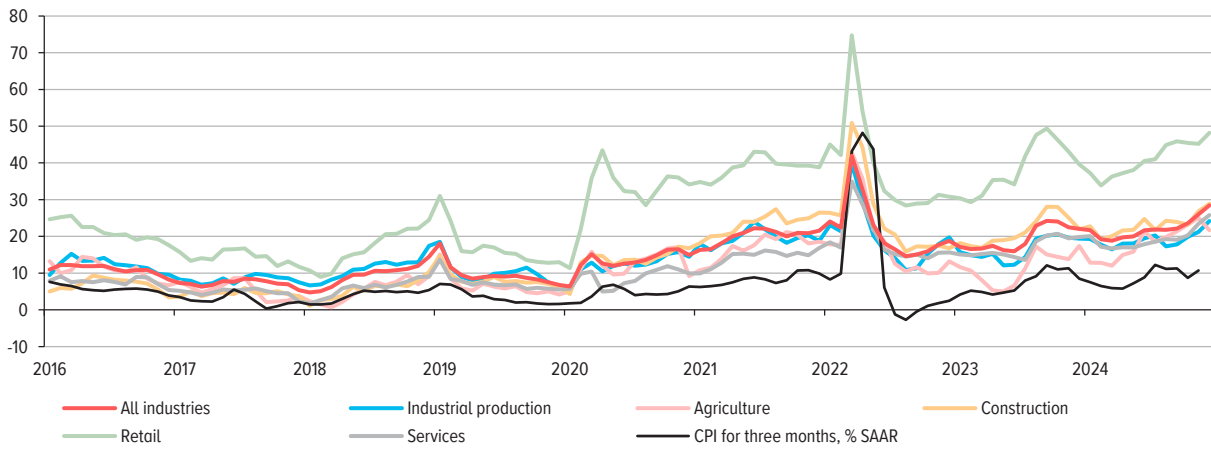
**DISTRIBUTION OF RESPONSES TO THE QUESTION 'WHAT IS YOUR OPINION ABOUT THE BEST WAY TO USE AVAILABLE MONEY: MAKE SAVINGS OR PURCHASE EXPENSIVE GOODS?'** Chart 10  
(% OF ALL RESPONDENTS)



Sources: InFOM, Bank of Russia calculations.

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

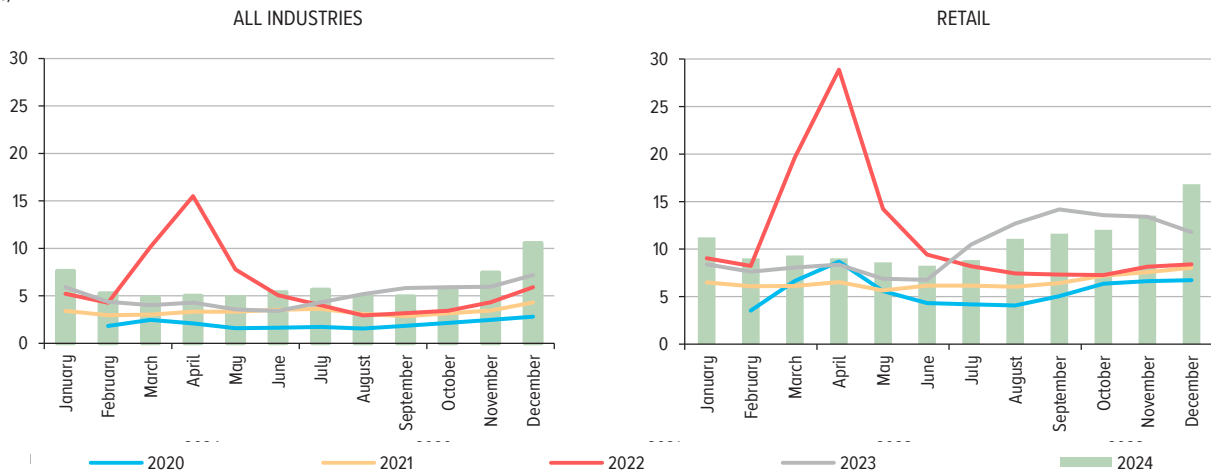
Chart 11



Sources: Bank of Russia, Rosstat.

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

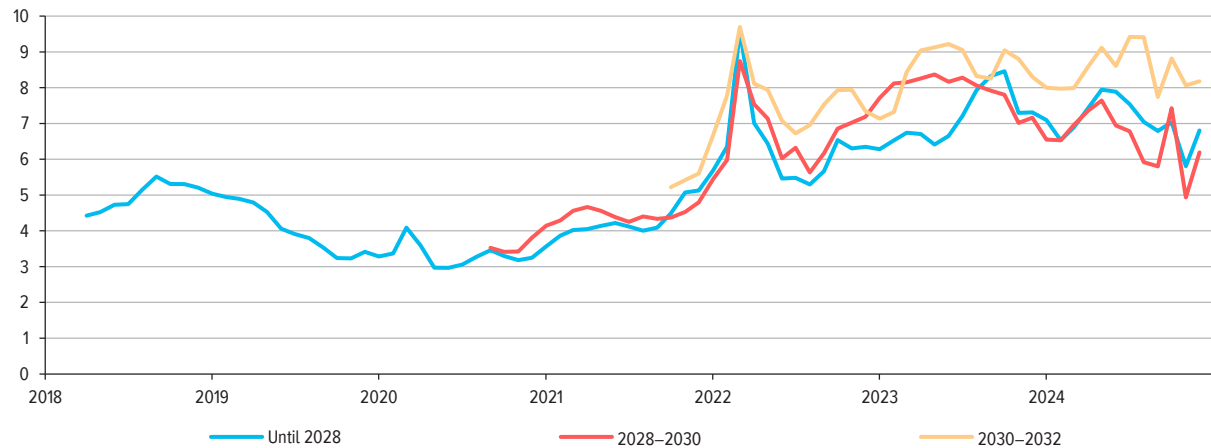
Chart 12



Source: Bank of Russia.

BREAKEVEN INFLATION FOR OFZ-IN  
(%)

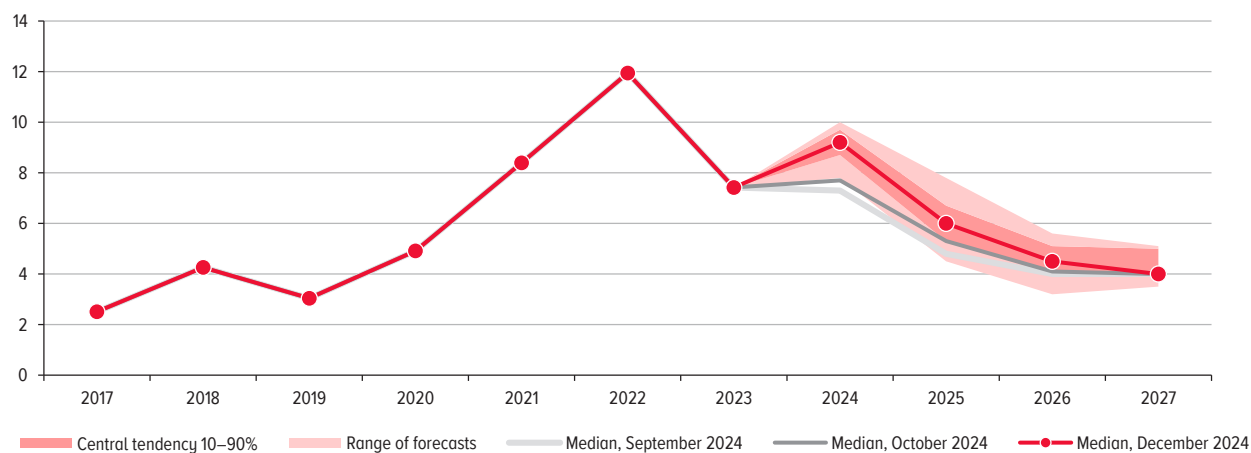
Chart 13



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

RESULTS OF THE BANK OF RUSSIA'S MACROECONOMIC SURVEY, INFLATION FORECAST  
(% IN DECEMBER YOY)

Chart 14



Sources: Bank of Russia, Rosstat.

The data cut-off date – 23 December 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](mailto: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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