



Bank of Russia



INFLATION EXPECTATIONS AND CONSUMER SENTIMENT

No. 10 (82) • October 2023

Information and analytical commentary

30 October 2023

INFLATION EXPECTATIONS AND CONSUMER SENTIMENT (OCTOBER 2023)

In October, expectations for future price growth rates were changing diversely. Households' inflation expectations dropped slightly in October but remained elevated. The decline in the overall indicator of households' inflation expectations chiefly resulted from a material adjustment of expectations given by respondents with savings. According to InFOM's survey, the median estimate of inflation expected by households in the coming 12 months decreased to 11.2% in October (-0.5 pp vs September). Among respondents with savings, it went down to 9.6% (-0.7 pp vs September). The five-year-ahead median of inflation expectations decreased to 11.0% (-0.4 pp vs September). Businesses' price expectations were up again in October, reaching a fresh high since April 2022. Implied inflation for inflation-indexed federal government bonds (OFZ-IN) increased to 8.5% over the next five years (+0.2 pp). Analysts also increased their forecasts for both 2023 (7.0%, +0.7 pp) and 2024 (5.1%, +0.6 pp). Their medium-term expectations remain anchored to the inflation target. As forecast by the Bank of Russia, annual inflation will range from 7.0% to 7.5% in 2023. Given the monetary policy pursued, annual inflation will decline to 4.0–4.5% in 2024 and stay close to 4% further on.

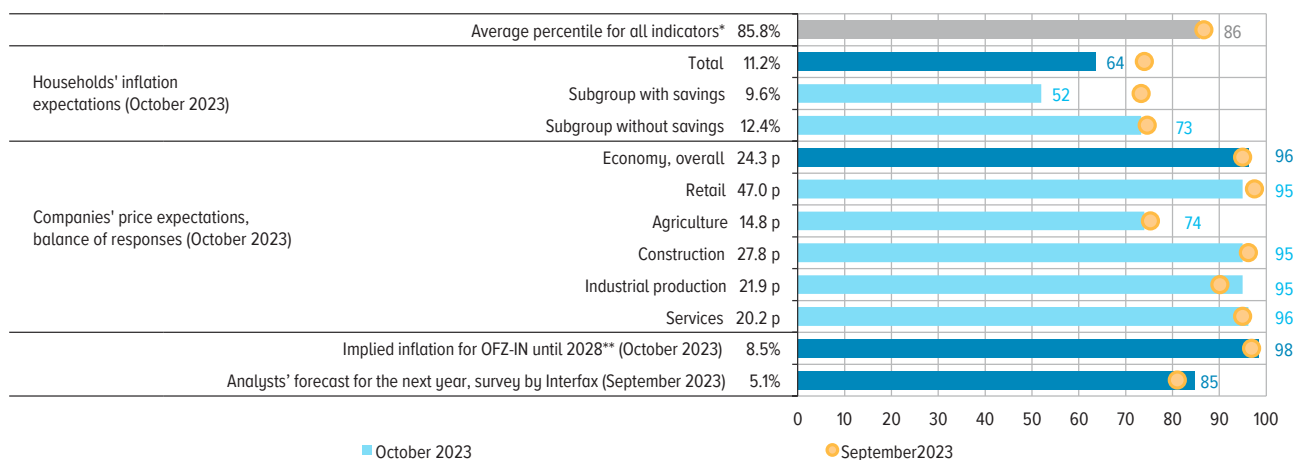
INFLATION EXPECTATION INDICATORS

	Expectation horizon	2020 average	2021 average	2022 average	2023 Q2 average	2023 Q3 average	August 2023	September 2023	October 2023
Inflation, %		3.4	6.7	13.8	2.7	5.2	5.2	6.0	
Inflation observed by households, %									
Public Opinion Foundation (median)	past 12 months	9.6	15.1	19.6	14.3	13.7	13.5	13.8	13.9
Public Opinion Foundation (subgroup with savings)	past 12 months	8.7	12.8	16.7	12.4	12.0	12.0	12.0	11.4
Public Opinion Foundation (subgroup without savings)	past 12 months	9.9	16.2	21.9	15.8	14.8	14.2	14.9	16.1
Households' inflation expectations, %									
Public Opinion Foundation (median)	next 12 months	9.1	12.1	12.9	10.5	11.4	11.5	11.7	11.2
Public Opinion Foundation (subgroup with savings)	next 12 months	8.4	10.5	11.3	9.5	10.3	10.4	10.3	9.6
Public Opinion Foundation (subgroup without savings)	next 12 months	9.6	13.2	14.0	11.3	12.2	12.2	12.5	12.4
Public Opinion Foundation (median of five-year inflation expectations)	next 5 years				10.7	10.1	9.5	11.4	11.0
Companies' price expectations, balance of responses									
Companies, total	next 3 months	13.3	20.1	21.7	16.3	21.4	22.8	24.0	24.3
Retail	next 3 months	31.7	38.8	38.9	35.4	46.2	47.4	49.4	47.0
Implied inflation for OFZ-IN (monthly average), %									
OFZ-IN 52002, February 2028	next 5-year average	3.3	4.2	6.3	6.6	7.8	7.9	8.3	8.5
OFZ-IN 52003, July 2030	next 7-year average	3.3	4.3	6.5	7.2	7.9	8.0	8.2	8.3
OFZ-IN 52004, March 2032	next 9-year average			6.7	7.6	8.0	8.0	8.2	8.4
OFZ-IN	2028–2030 average	3.5	4.4	6.7	8.3	8.1	8.1	7.9	7.9
OFZ-IN	2030–2032 average			7.6	9.1	8.5	8.3	8.3	9.0
Analysts, %									
Survey by the Bank of Russia	2023		4.0	6.3	5.7	6.0		6.3	7.0
Interfax	2023			6.5	5.8		6.4	6.6	
Survey by the Bank of Russia	2024			4.4	4.1	4.4		4.5	5.1
Interfax	2024				4.7		4.8	5.1	
Survey by the Bank of Russia	2025			4.0	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

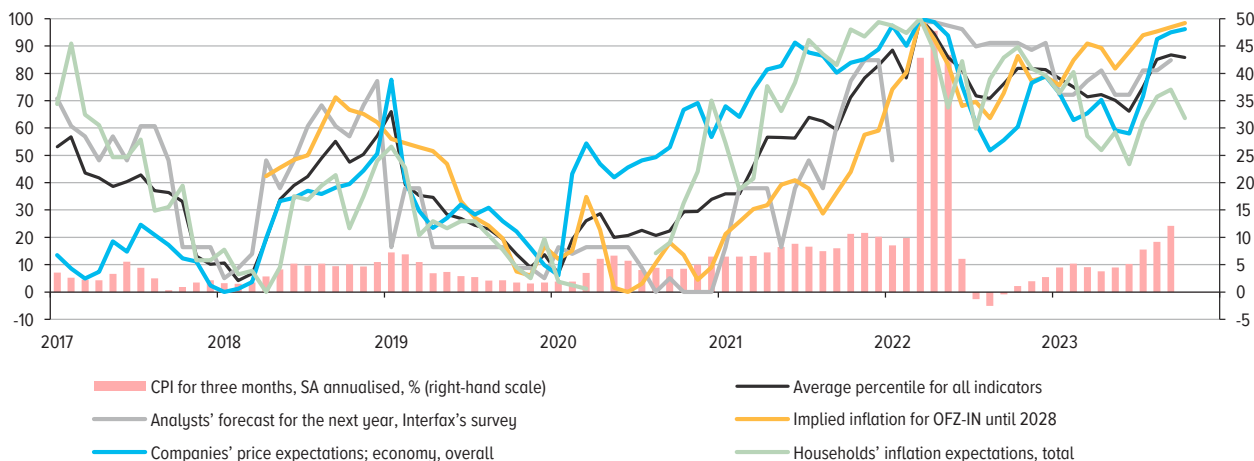
Chart 1



* 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 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 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 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 raise prices compared to the previous month. However, it is not possible to assess the scope 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 October 2023, the median estimate of 12-month-ahead households' inflation expectations was 11.2% (-0.5 pp vs September, -0.2 pp vs the 2023 Q3 average), which nonetheless was elevated (Annex, Chart 1). Expectations declined markedly among respondents with savings (Annex, Chart 3). Their median was 9.6% (-0.7 pp vs September). Such a change in the estimates of expected inflation among savers might be associated with their greater sensitivity to the movements in deposit and credit rates, which followed the key rate rises in August–September. The inflation expectations of respondents without savings were virtually unchanged in October.

The estimate of annual inflation observed by households edged up in October. Its median equalled 13.9% (+0.1 pp vs September). Estimates of observed inflation increased owing to the subgroup of respondents without savings, while estimates given by those with savings went down.

In October, respondents grew more concerned about rising prices for most goods included in the survey (Annex, Chart 2). Markedly more often than in September, respondents reported about a considerable increase in prices for eggs, meat and poultry, petrol, fruit and vegetables.² In October, respondents' concerns about rising prices for petrol, eggs, meat and poultry were record-high over the year. Respondents reported about increases in prices for salt and sugar slightly less often than in the previous month.

Qualitative estimates of expected inflation for one month and one year ahead decreased in October,³ whereas estimates of actual inflation over the previous month and past year increased⁴ (Annex, Chart 4).

Five-year-ahead inflation expectations⁵ decreased in October. Their median was 11.0% (-0.4 pp vs September). Expectations went down only among respondents with savings (down to 9.6%; -0.7 pp vs September), whereas they were up among respondents without savings (up to 12.8%; +0.4 pp vs September). The proportion of respondents who believed that in three years price growth would be noticeably higher than 4% slightly increased and reached 47% (vs 46% in September) (Annex, Chart 5).

Estimates of savings sentiment were up

In October, respondents' propensity to save was growing for the second month in a row (Annex, Chart 7). The proportion of respondents opting to save rather than spend available cash on expensive goods increased to 55.3% (+2.1 pp vs September). This is the highest reading since March 2023. The proportion of respondents preferring to spend available cash declined to 25.4% (-3.0 pp vs September). Distribution of responses to the question about the preferred types of savings remained almost unchanged in October.

The consumer sentiment index (CSI) continued to decline, remaining close to all-time highs since the spring of 2018 (Annex, Chart 6). It equalled 101.9 points (-0.5 points vs September). This reduction resulted from the estimates of the present situation, whereas the expectations index included in the CSI edged up.

In October, the present situation index totalled 88.8 points (-1.6 points vs September). There was a decline in the estimates of both its components: actual changes in personal finance over the year and the suitability of the current period for large-value purchases.

² For details on inflation in September, see the [information and analytical commentary Consumer Price Dynamics](#) No. 9 (93), September 2023.

³ That is, a lower percentage of respondents, as compared to the previous month, answered that prices would rise considerably or would be rising faster than now.

⁴ That is, a higher percentage of respondents, as compared to the previous month, said that prices had risen considerably and were rising faster than before.

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 October (vs 51% in September).

The expectations index equalled 110.7 points in October (+0.4 points vs September). Its components moved diversely: there were increases in estimates of personal finance prospects for a year ahead and expectations of changes in economic conditions in the country for five years ahead, while expectations of national economic prospects for one year ahead decreased.

Growth in companies' price expectations continued

According to the Bank of Russia's monitoring of businesses in October 2023, companies' price expectations (balance of responses) for the next three months continued to grow, albeit at a slower pace compared with the previous months (Annex, Chart 8). The balance of responses was at the maximum level since April 2022. In October 2023, the survey covered 14,400 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 5.9% in annualised terms in October (vs 5.8% in September), which is significantly higher than the inflation target.

Improved estimates of future demand and higher costs of enterprises exerted an upward pressure on price expectations. Slower growth of expectations was associated with lower estimates of current demand and the stabilisation of the ruble exchange rate.

Price expectations were diverse across industries (Annex, Chart 9). They were up in industrial production and services, and down in trade. Price expectations in construction, agriculture, transportation and storage changed negligibly.

In industrial production, higher price expectations were due to improved estimates of future demand amid growing costs. The most noticeable increase in price expectations occurred in mining and quarrying in the context of rising global oil prices. In the services segment, price expectations continued to grow on the back of further improvements in the estimates of future demand.

In trade, price expectations remained elevated, by far exceeding the level seen in other industries. In October, the average price growth rate expected by retailers in the next three months was 13.8% in annualised terms (Annex, Chart 10).

Implied inflation for the next five years is estimated at 8.5%

In October, according to Bank of Russia estimates,⁷ average implied inflation for the next five years to 2028, calculated on the basis of the ratio between yields on OFZ-PD and OFZ-IN bonds with the same maturity dates, continued to increase and reached 8.5% (+0.2 pp vs September) (Annex, Chart 11). Implied inflation for the period of 2028–2030 did not change and totalled 7.9%, as in September. Implied inflation for the period 2030–2032 grew to 9.0% (+0.7 pp vs September).

Analysts raised their forecasts

In September–October 2023, analysts again predicted higher inflation. According to the findings of the [Bank of Russia's macroeconomic survey](#) carried out in October, analysts' inflation forecast for the end of 2023 came in at 7.0% (+0.7 pp vs September). Their expectations for the end of 2024 also increased considerably, i.e. to 5.1% (+0.6 pp vs September) (Annex, Chart 12). Analysts surveyed by the Bank of Russia expected inflation to be 4.0% in 2025 and further on. In September, according to the survey carried out by Interfax, analysts' consensus forecast of inflation was 6.6% for the end of 2023 (+0.2 pp vs August) and 5.1% for the end of 2024 (+0.3 pp vs August).

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 taken of the lag in the nominal value indexation and seasonally adjusted inflation. [Calculation method](#).

According to the Bank of Russia's forecast, annual inflation will decrease to 4.0–4.5% in 2024

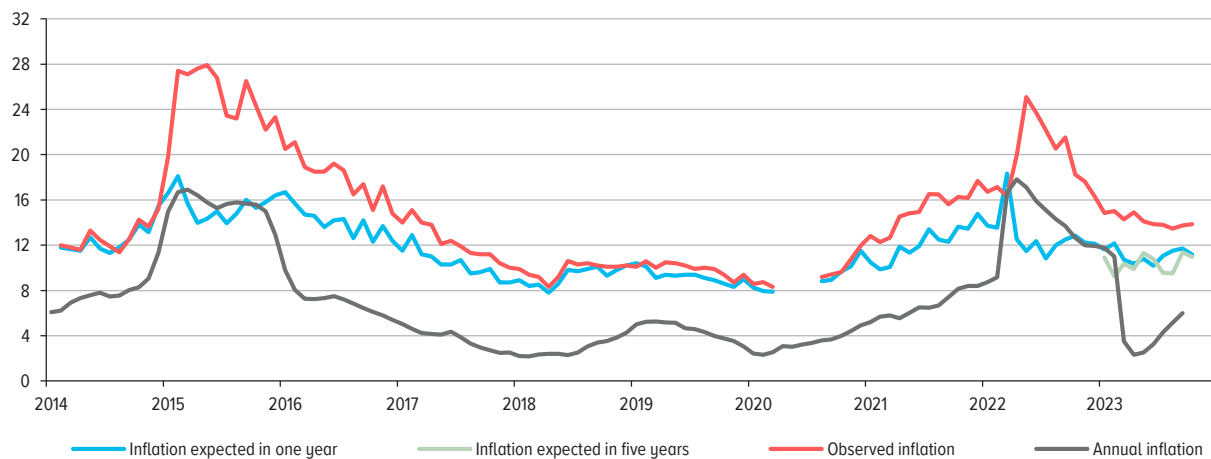
The Bank of Russia forecasts that annual inflation will continue to increase in the next few months. Current inflationary pressures have significantly strengthened to a level above Bank of Russia expectations. Proinflationary risks remain significant over the medium-term horizon. In this situation, additional tightening of monetary policy was required to limit the scale of inflation deviation upwards from the target and return it to 4% in 2024. According to the Bank of Russia's forecast, annual inflation will range from 7.0% to 7.5% in 2023. Given the monetary policy pursued, annual inflation will decline to 4.0–4.5% in 2024 and stay close to 4% further on.

ANNEX

Analytical charts

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

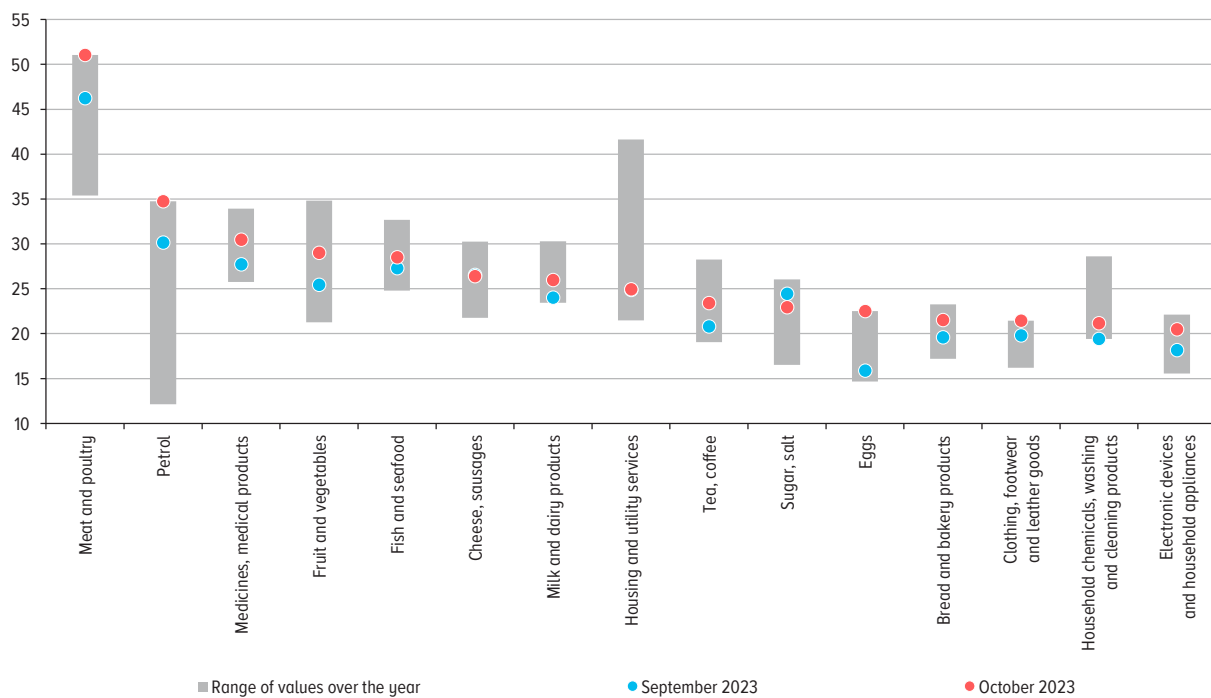
Chart 1



Sources: InFOM, Rosstat.

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

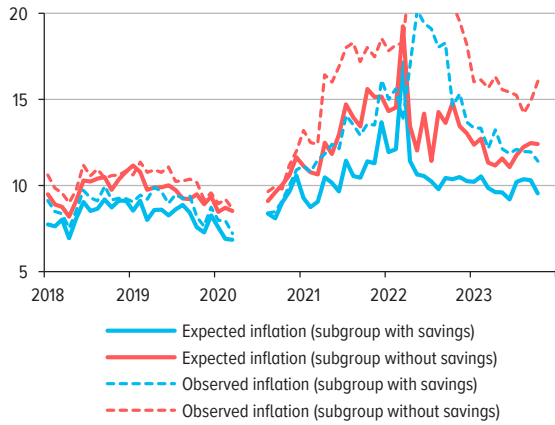
Chart 2



Sources: InFOM, Bank of Russia calculations.

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

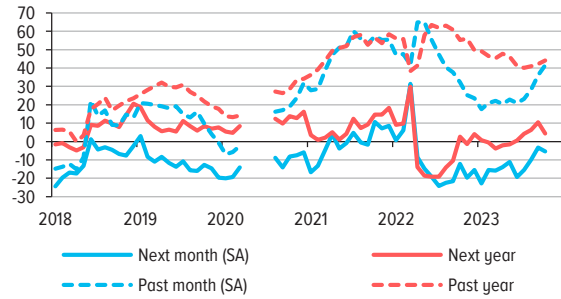
Chart 3



Sources: InFOM, Bank of Russia calculations.

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

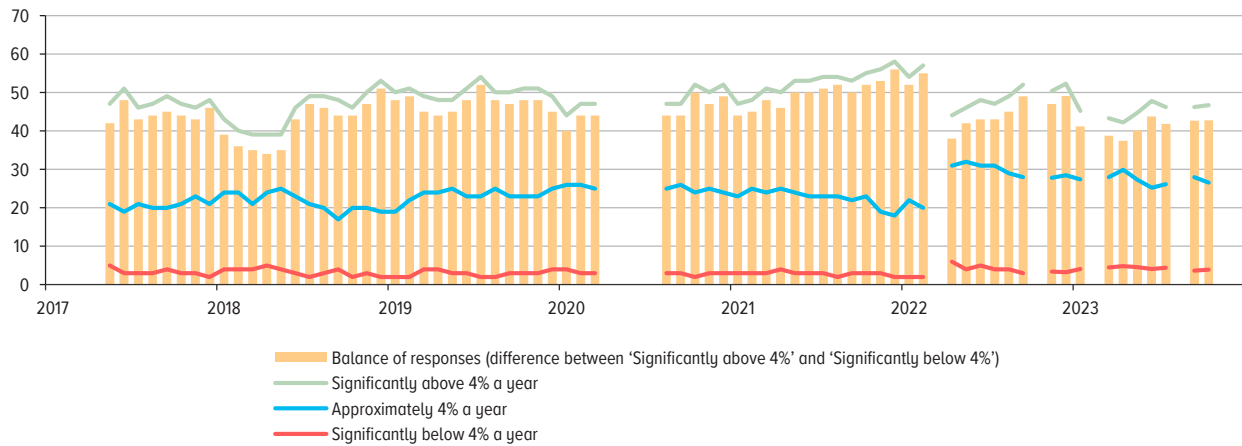
Chart 4



* 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 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 ANSWERS TO THE QUESTION: 'WILL ANNUAL PRICE GROWTH BE ABOVE OR BELOW 4% IN THREE YEARS, IN YOUR OPINION?'
(% OF ALL RESPONDENTS)

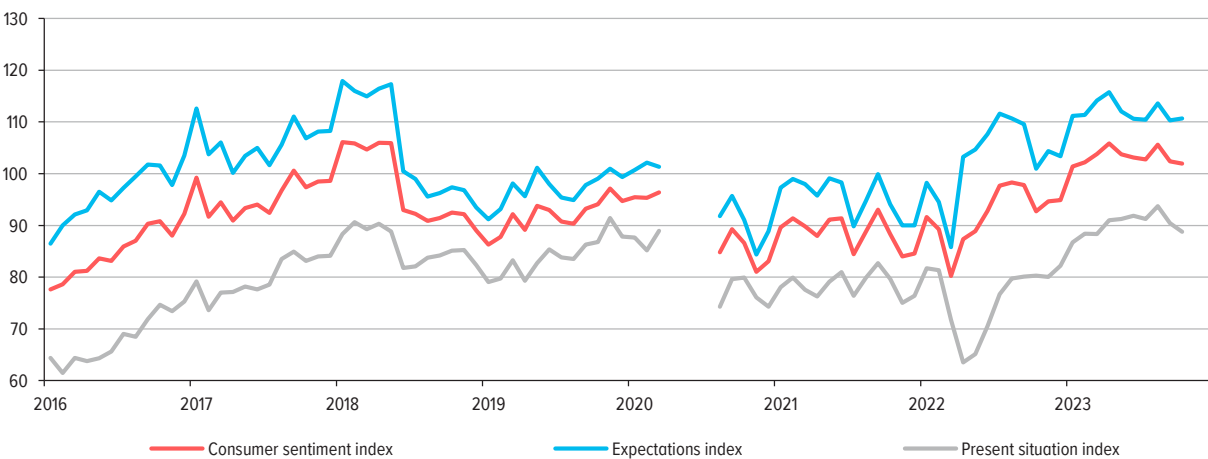
Chart 5



Sources: InFOM, Bank of Russia calculations.

CONSUMER SENTIMENT INDEX (POINTS)

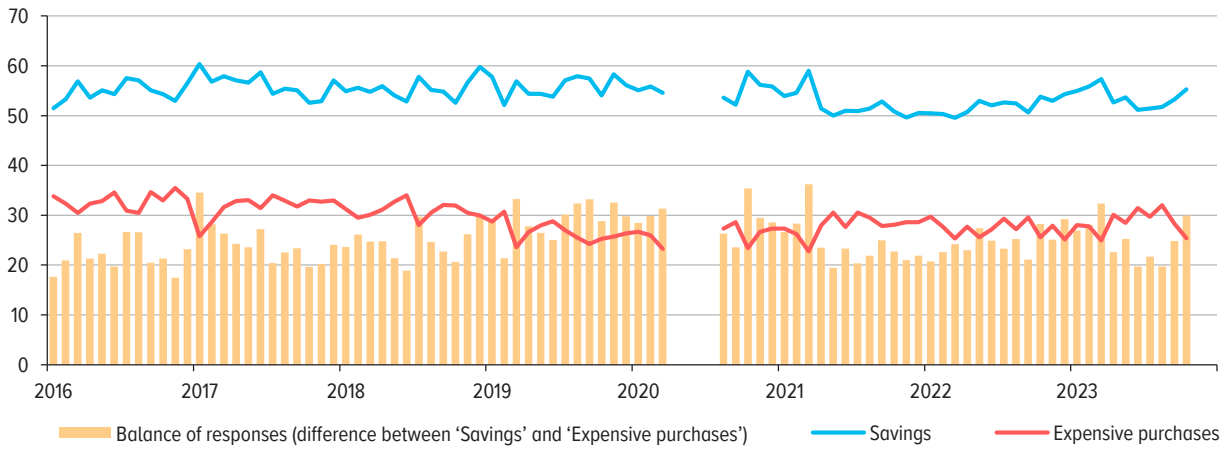
Chart 6



Source: InFOM.

DISTRIBUTION OF 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)

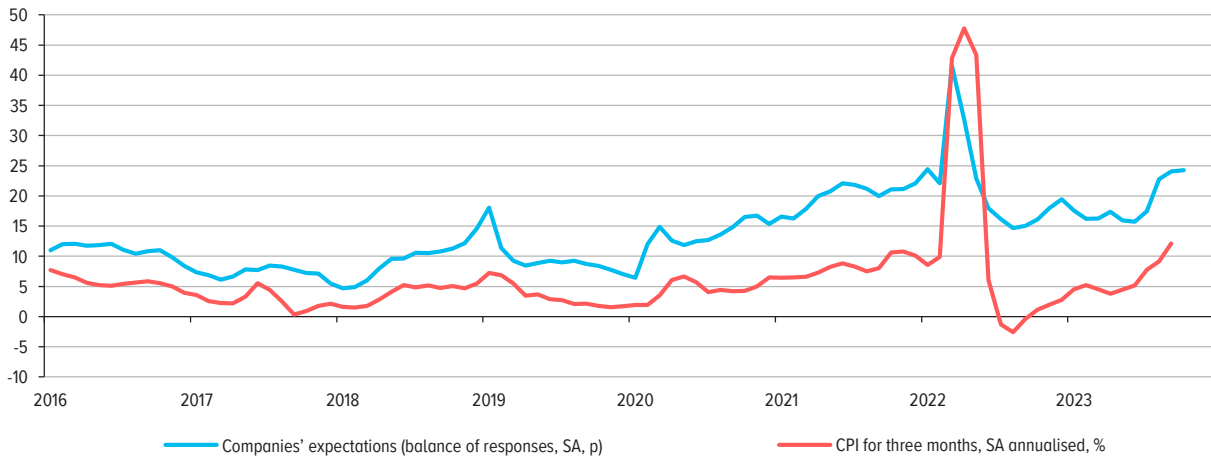
Chart 7



Sources: InFOM, Bank of Russia calculations.

COMPANIES' PRICE EXPECTATIONS

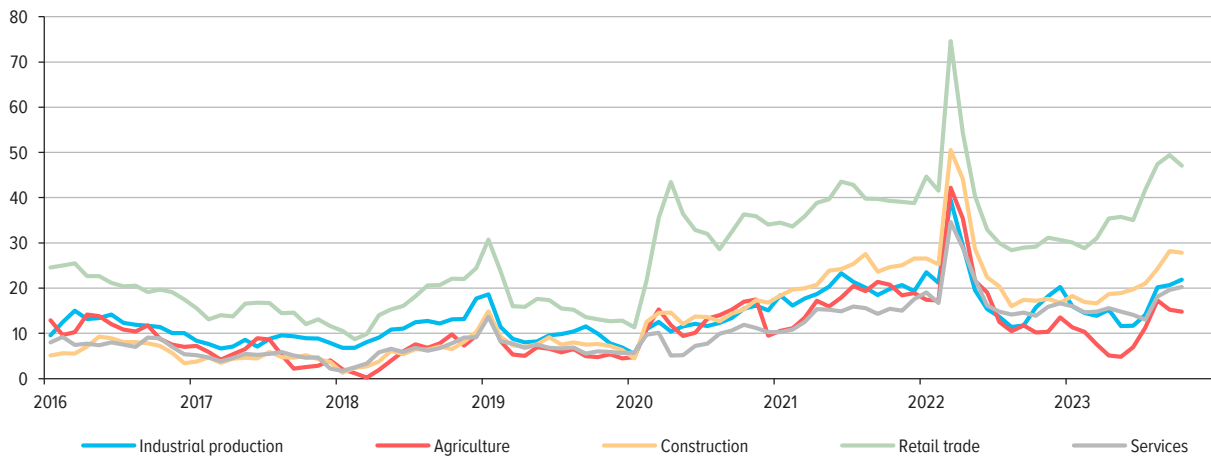
Chart 8



Sources: Bank of Russia, Rosstat.

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

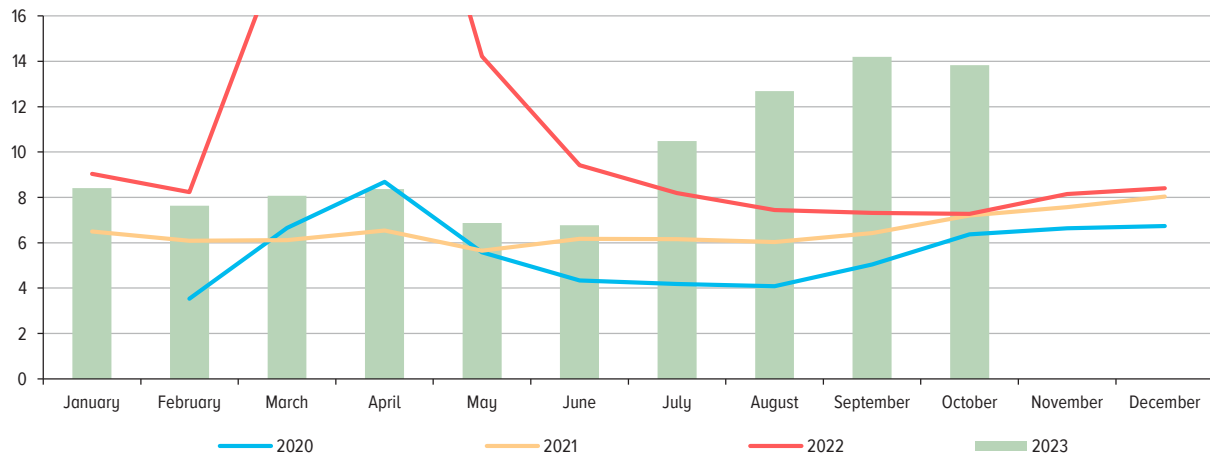
Chart 9



Source: Bank of Russia.

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

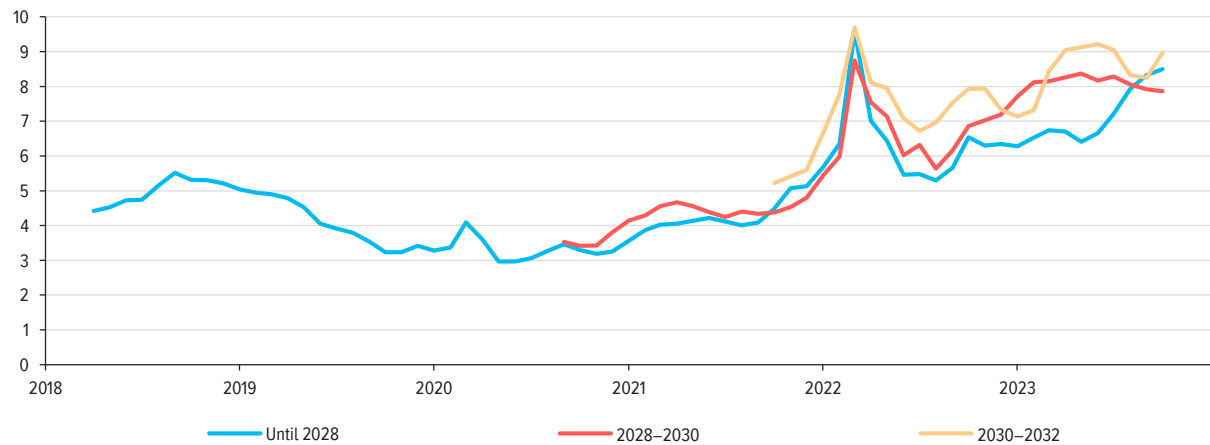
Chart 10



Source: Bank of Russia.

IMPLIED INFLATION FOR OFZ-IN
(%)

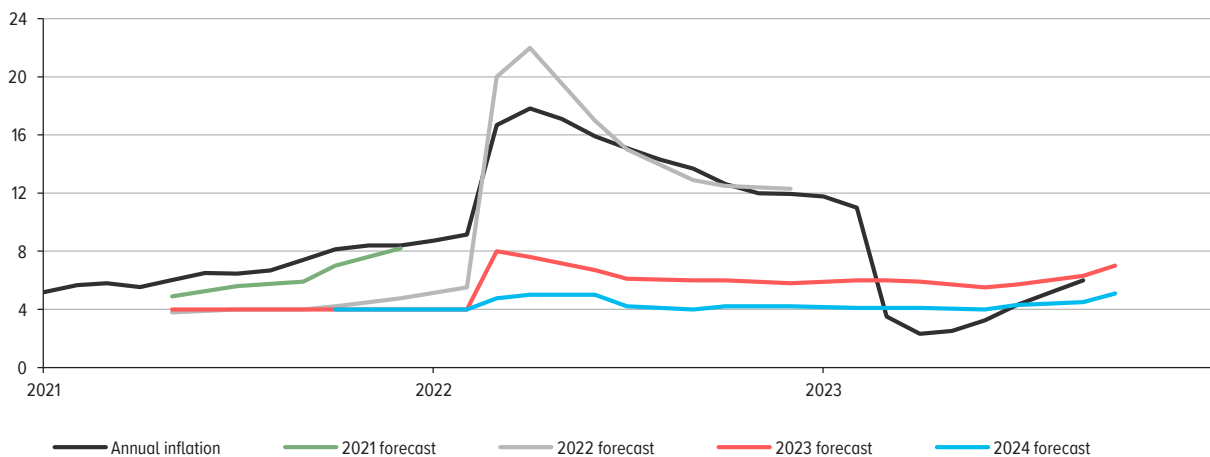
Chart 11



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 – 26.10.2023.

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 Central Bank of the Russian Federation.

Cover photo: Shutterstock/FOTODOM

12 Neglinnaya Street, Moscow, 107016 Russia

Bank of Russia website: www.cbr.ru

© Central Bank of the Russian Federation 2023