



Bank of Russia



No. 2

INFLATION EXPECTATIONS AND CONSUMER SENTIMENT

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Information and analytical commentary

21 February 2024

INFLATION EXPECTATIONS AND CONSUMER SENTIMENT (FEBRUARY 2024)

In February, all indicators of inflation expectations declined month-on-month (MoM), while staying elevated. According to InFOM's survey, the median estimate of households' inflation expectations for the next 12 months lowered to 11.9% in February (-0.8 pp MoM; -0.3 pp YoY). The median of long-term expectations for the next five years edged down to 9.3% (-0.5 pp MoM; unchanged YoY). Companies' price expectations for the next three months dropped close to the 2023 average. Implied inflation for inflation-indexed federal government bonds (OFZ-IN) for the next four years decreased to 6.6% (-0.5 pp MoM; +0.1 pp YoY). Analysts lowered their forecasts for the end of 2024 to 4.9% (-0.2 pp on December; +0.8 pp YoY). Nevertheless, analysts' medium-term expectations remain anchored to the inflation target. The Bank of Russia forecasts that given the monetary policy pursued, annual inflation will decrease to 4.0–4.5% in 2024 and stay close to 4% further on.

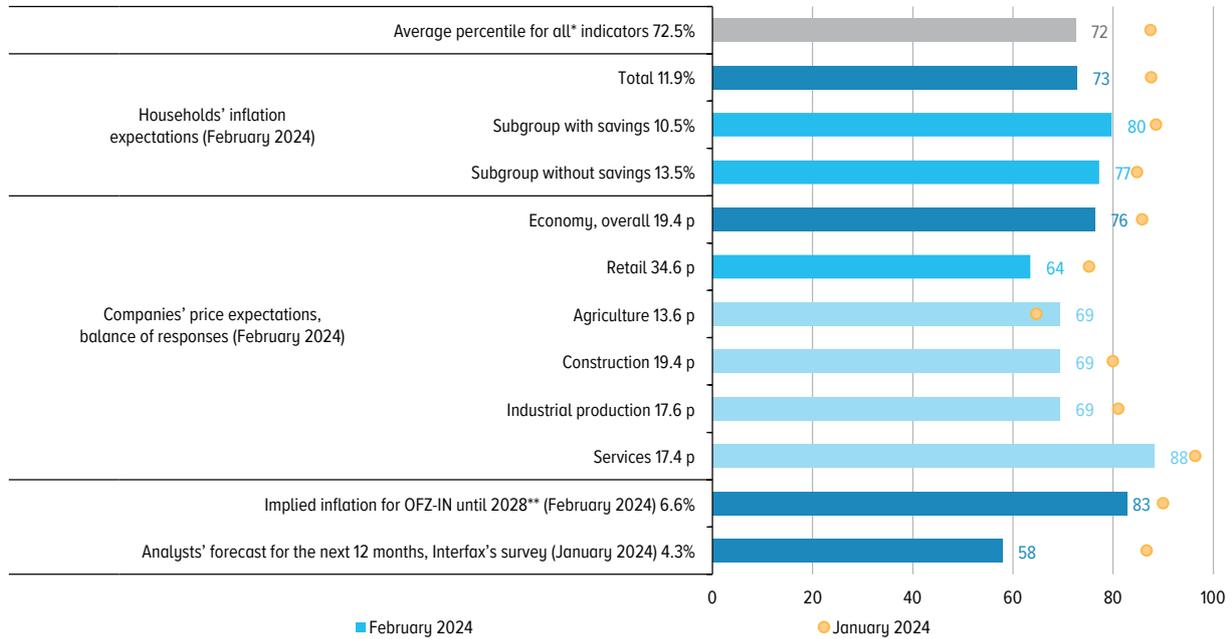
INFLATION EXPECTATION INDICATORS

	Expectation horizon	2021 average	2022 average	2023 average	2023 Q3 average	2023 Q4 average	December 2023	January 2024	February 2024	Average over the past three months
Inflation, %		6.7	13.8	5.9	5.2	7.2	7.4	7.4		
Inflation observed by households, Public Opinion Foundation, %										
Median	past 12 months	15.1	19.6	14.5	13.7	15.3	17.0	16.3	15.2	16.2
Subgroup with savings	past 12 months	13.2	16.8	13.0	12.4	13.3	14.5	14.0	13.5	14.0
Subgroup without savings	past 12 months	16.3	22.0	15.9	14.8	17.2	19.0	18.2	17.0	18.1
Households' inflation expectations, Public Opinion Foundation, %										
Median	next 12 months	12.1	12.9	11.5	11.4	12.5	14.2	12.7	11.9	13.0
Subgroup with savings	next 12 months	10.6	11.3	10.2	10.3	10.8	12.2	11.2	10.5	11.3
Subgroup without savings	next 12 months	13.3	14.2	12.7	12.5	14.3	16.3	14.1	13.5	14.6
Median for the next five years	next five years			10.5	10.1	11.2	11.6	9.8	9.3	10.2
Companies' price expectations, the Bank of Russia's monitoring of businesses, the balance of responses										
Companies, total	next three months	20.1	21.7	19.4	21.4	23.0	22.5	21.9	19.4	21.3
Retail	next three months	38.8	38.9	38.6	46.0	42.7	39.5	37.2	34.6	37.1
Implied inflation for OFZ-IN (monthly average), %										
OFZ-IN 52002, February 2028	next four-year average	4.2	6.3	7.2	7.8	7.7	7.3	7.1	6.6	7.0
OFZ-IN 52003, July 2030	next six-year average	4.3	6.5	7.4	7.9	7.6	7.3	6.9	6.5	6.9
OFZ-IN 52004, March 2032	next eight-year average		6.7	7.6	8.0	7.8	7.5	7.1	6.8	7.1
OFZ-IN	2028–2030 average	4.4	6.7	7.9	8.1	7.3	7.2	6.6	6.4	6.7
OFZ-IN	2030–2032 average		7.6	8.5	8.5	8.7	8.3	8.0	8.1	8.1
Analysts, %										
Survey by the Bank of Russia	2024		4.4	4.4	4.4	5.1	5.1		4.9	
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		4.0	
Interfax	2025							4.3		
Survey by the Bank of Russia	2026			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.

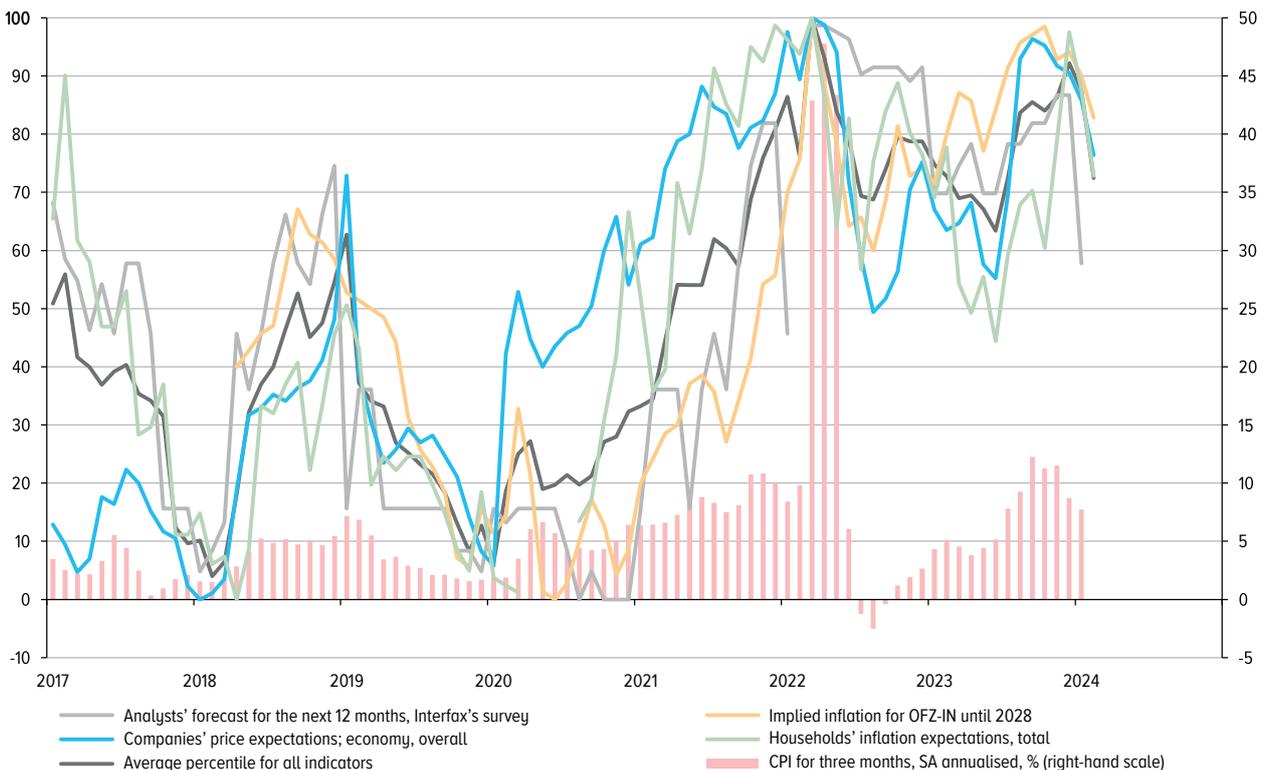
** Percentiles for implied inflation are specified relative to the distribution of values since April 2018.

Note. The chart shows the percentiles of inflation expectation indicators for the current and previous months in the distribution observed since January 2017. The percentile as of the previous date is 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 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 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 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.

¹ The monetary policy transmission mechanism is detailed in Appendix 1 to the [Monetary Policy Guidelines for 2024–2026](#).

Households' inflation expectations edged down

In February 2024, the median estimate of inflation expectations for the next 12 months equalled 11.9% (-0.8 pp MoM; -0.3 pp YoY), as shown by InFOM's survey (Chart A-1). Inflation expectations decreased among respondents both with and without savings (Chart A-3). As to respondents with savings, the median of their inflation expectations was 10.5% in February (-0.7 pp MoM; -0.1 pp YoY).

Inflation observed by households slowed down as well in February, with its median equalling 15.2% (-1.1 pp MoM; +0.2 pp YoY). Both groups of respondents lowered their estimates of observed inflation. Observed inflation exceeded the actual rate by 7.8 percentage points (pp).

Answering the question about increases in prices for certain goods and services,² fewer respondents in February complained about growth in prices for all goods mentioned in the questionnaire (Chart A-2). The percentage of respondents who noted higher egg, cheese and sausage prices, as well as more expensive petrol increased most significantly.

In February, the estimates of inflation trends expected in a month rose,³ whereas those expected in a year – edged down.⁴ The estimates of actual inflation over the past month and the past year declined⁵ (Chart A-4).

Long-term inflation expectations for the next five years⁶ dropped to 9.3% in February (-0.5 pp MoM; unchanged YoY). Long-term expectations decreased both among respondents with savings (to 8.7%; -0.3 pp MoM; -0.2 pp YoY) and, more notably, among respondents without savings (to 9.9%; -0.8 pp MoM; +0.2 pp YoY).

The consumer sentiment index continued to grow

The consumer sentiment index rose to 109.3 points (p) in February (+1.1 p MoM; +7.1 p YoY) (Chart A-6), thus reaching its second record high in a row. The estimates of the present situation increased, whereas respondents' expectations remained unchanged.

The present situation index equalled 94.3 p in February (+2.8 p MoM; +5.9 p YoY). The estimates of both its components went up (actual changes in personal finance over the year and the suitability of the current period for large purchases).

The expectations index equalled 119.3 p in February (unchanged MoM; +8.0 p YoY). As regards the components of the index, expectations about the country's economic prospects in a year improved, whereas the estimates of personal finance prospects for a year ahead and the country's economic prospects for the next five years declined.

The percentage of respondents opting to save rather than purchase expensive goods increased to 53.3% in February (+1.7 pp MoM; -2.6 pp YoY) (Chart A-7), which is below the middle of the historical range from 2016 (49.6–60.4 pp). Compared to the previous month, the proportion of those preferring to make purchases remained the same at 30.6% (+2.8 pp YoY), which is close to the three-year high. As to preferred forms of savings, the share of respondents opting for bank accounts continued to rise in February, reaching 43% (+1 pp MoM; +6 pp YoY), which is its maximum since

² For details on inflation in January, refer to the information and analytical commentary [Consumer Price Dynamics](#), No. 1 (97), January 2024.

³ That is, the percentage of respondents who said that prices would rise considerably was higher than in the previous month.

⁴ That is, the percentage of respondents who said that prices would be rising faster in the future was lower than in the previous month.

⁵ That is, the percentage of respondents who said that prices rose considerably and were rising faster in the past was lower than in the previous month.

⁶ 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 50% in February (vs 49% in January).

August 2014. The percentage of respondents opting to have cash holdings remained the same as in January, namely 28% (-6 pp YoY).

Companies' price expectations lowered

According to the monitoring carried out by the Bank of Russia in February 2024, businesses' price expectations (the balance of responses) for the next three months declined (Chart A-8).⁷ However, they stay elevated and their current level is close to the 2023 average.

The decrease in price expectations was accompanied by a reduction in the estimates of current demand. Moreover, the estimates of cost changes had been declining for four consecutive months.

Price expectations went down in the majority of industries (Chart A-9). The decline was most significant among manufacturing enterprises that lowered their estimates of changes, costs and actual demand more notably than the economy in general. Besides, manufacturers became less positive about demand in the next three months.

As to trade, price expectations decreased among both retailers and wholesale companies. The average price growth rate expected in the next three months⁸ (in annualised terms) measuring companies' inflation expectations equalled 5.3% in February (-2.3 pp MoM; +0.9 pp YoY) (Chart A-10).

The average price growth rate expected by retailers in the next three months⁸ was 9.4% (in annualised terms) in February (-1.8 pp MoM; +1.8 pp YoY) (Chart A-11). This is the most considerable reduction from June 2022 and the lowest level from May 2023, although still notably above the range of 2023 H1.

Price expectations in mining and quarrying remained unchanged.

Agricultural enterprises increased their price expectations, reporting higher costs and rising demand for their products.

Implied inflation is 6.6% for the next four years

As estimated by the Bank of Russia,⁹ average implied inflation in the next four years, until February 2028, calculated based on the ratio between yields on OFZ-IN and OFZ-PD (fixed coupon federal government bonds) with the same maturity dates edged down in February, compared to January. Over the first half of February, it averaged 6.6% (-0.5 pp MoM; +0.1 pp YoY (Chart A-12). Implied inflation for 2028–2030 decreased to 6.4% (-0.2 pp MoM; -1.7 pp YoY). Implied inflation for 2030–2032 edged up to 8.1% compared to January (+0.1 pp MoM; +0.8 pp YoY).

According to analysts, inflation will be close to 5% at the end of 2024 and 4% at the end of 2025

In January–February 2024, analysts' inflation forecasts changed only slightly. According to the findings of the [macroeconomic survey](#) carried out by the Bank of Russia in February, analysts increased their inflation forecasts to 4.9% for the end of 2024 (-0.2 pp on December; +0.8 pp YoY). The analysts surveyed by the Bank of Russia expect that inflation will slow down to 4.0% in 2025 and stay at this level further on (Chart A-13). As shown by Interfax's survey, in January 2024, analysts' consensus forecast of inflation for the end of 2024 was 5.2% (the same as in December) and that for the end of 2025 – 4.3%.

⁷ In February 2024, the Bank of Russia surveyed 12,900 companies (more detailed results of the monitoring are available in the information and analytical commentary [Monitoring of Businesses: Assessments, Expectations and Comments](#)).

⁸ Seasonally adjusted data.

⁹ 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](#).

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

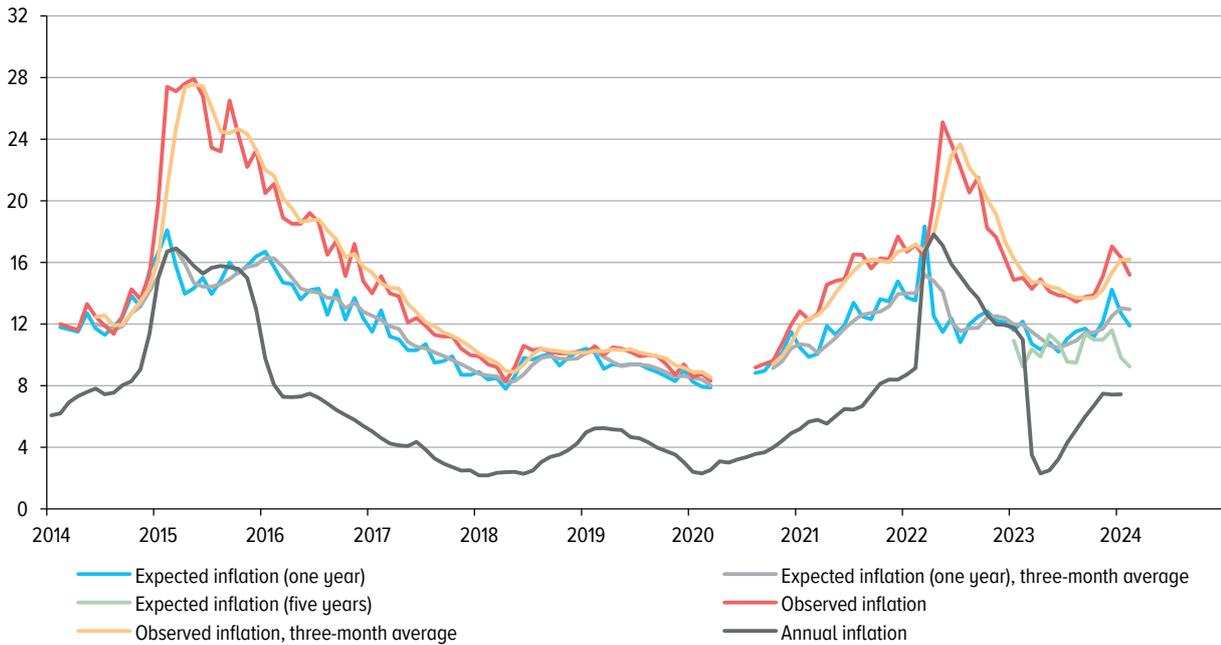
A critical condition to return inflation to the target is a further notable reduction in inflation expectations. As forecast by the Bank of Russia, to bring inflation back to the target in 2024 and stabilise it at 4% further on, it is necessary to maintain tight monetary conditions in the economy for an extended period. Given the current monetary policy stance, annual inflation will lower 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)
(%)

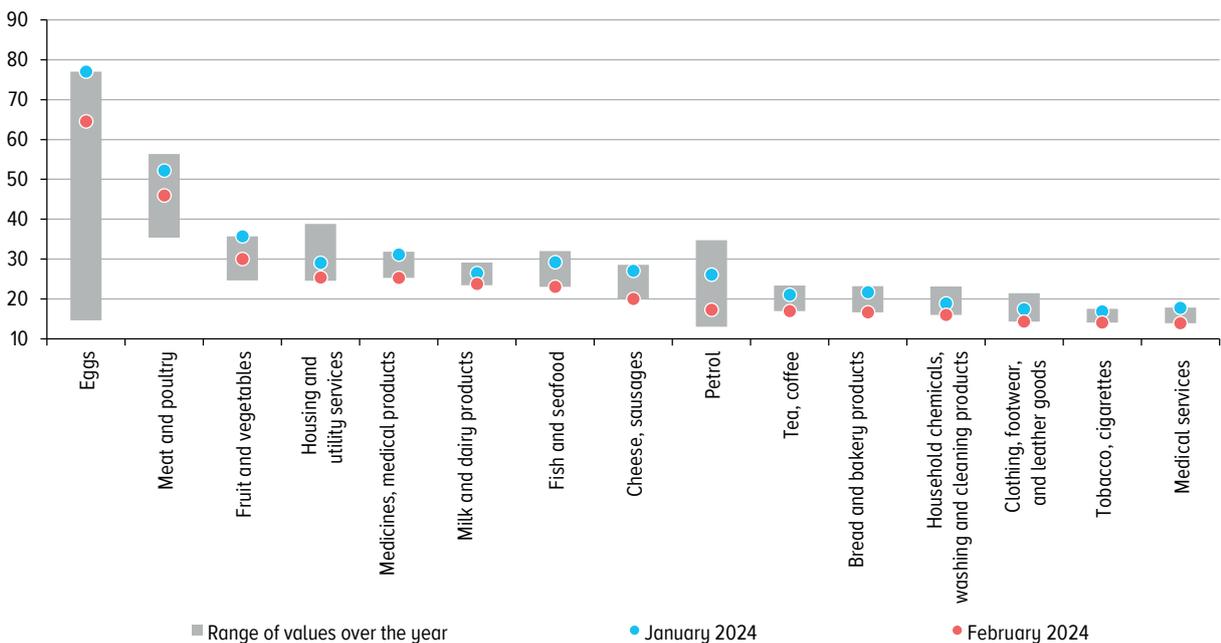
Chart A-1



Sources: InFOM, Rosstat, Bank of Russia calculations.

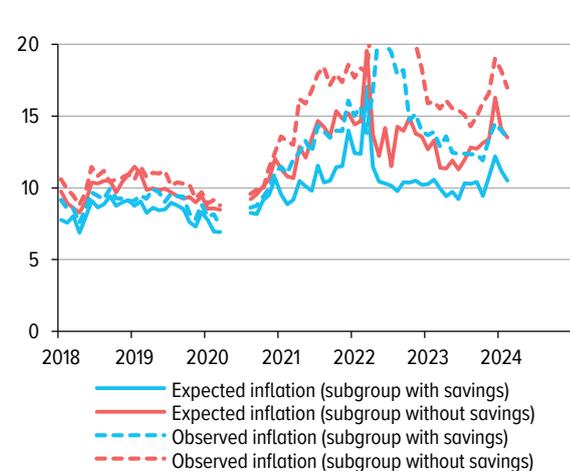
DISTRIBUTION OF RESPONSES TO THE QUESTION 'WHAT MAIN PRODUCTS AND SERVICES SHOWED VERY HIGH GROWTH RATES OVER THE PAST MONTH?'
(% OF ALL RESPONDENTS)

Chart A-2



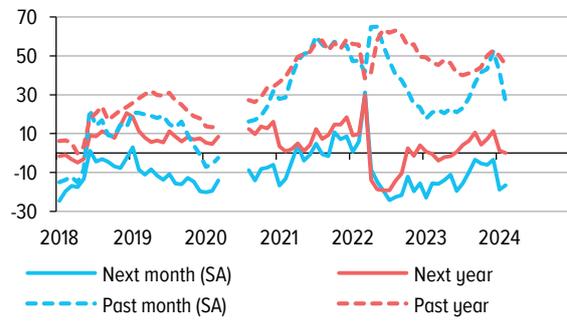
Sources: InFOM, Bank of Russia calculations.

EXPECTED AND OBSERVED INFLATION BY RESPONDENT SUBGROUP (MEDIAN ESTIMATE) Chart A-3



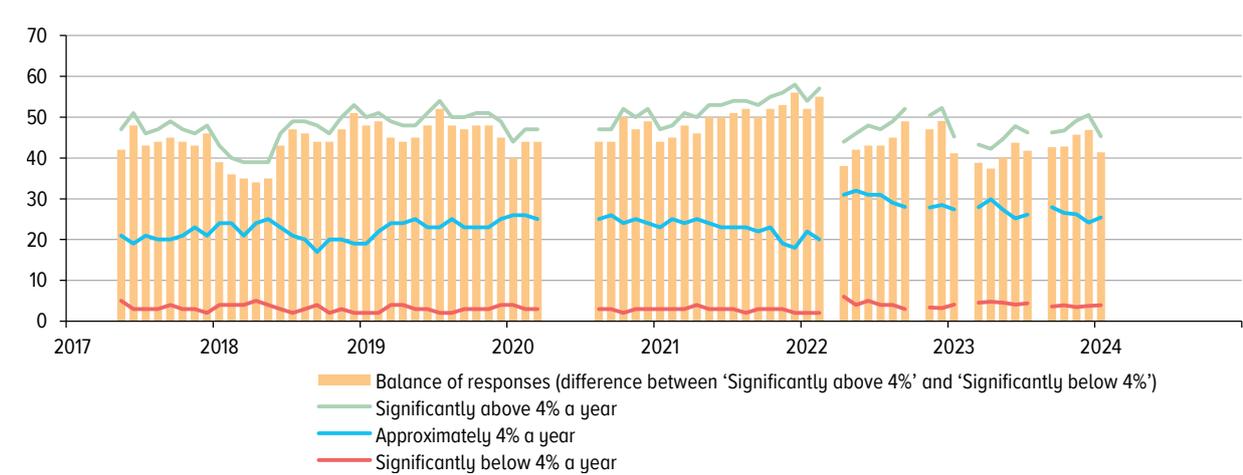
Sources: InFOM, Bank of Russia calculations.

INDICATORS OF PRICE MOVEMENTS* (BALANCE OF RESPONSES, PP) Chart A-4



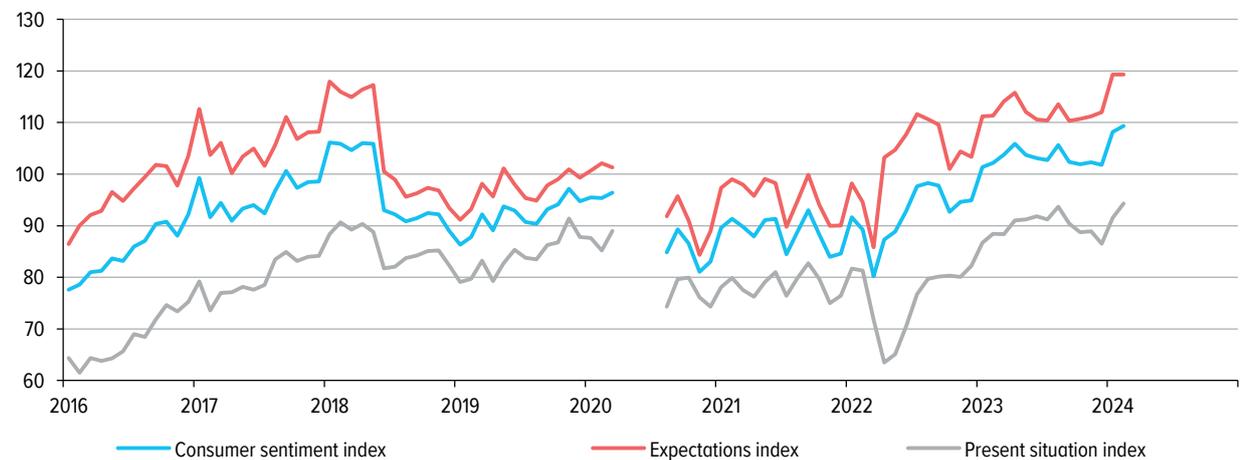
* The balance of responses to the questions 'How were prices changing overall over the past 12 months (year), in your opinion?'; 'How will prices be changing overall over the next 12 months (year), in your opinion?'; 'How did prices for food products, non-food goods and services change overall over the 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 A-5



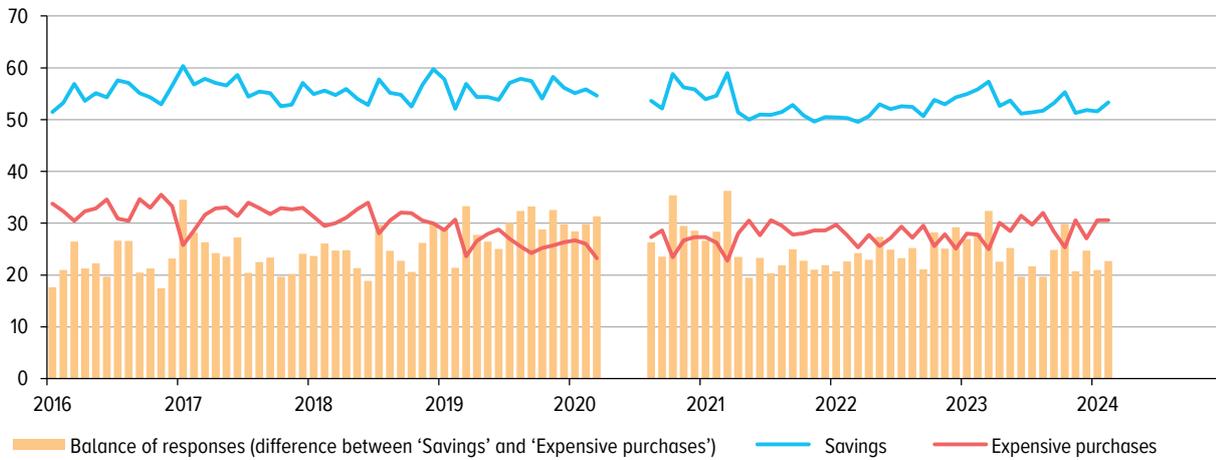
Sources: InFOM, Bank of Russia calculations.

CONSUMER SENTIMENT INDEX (P) Chart A-6



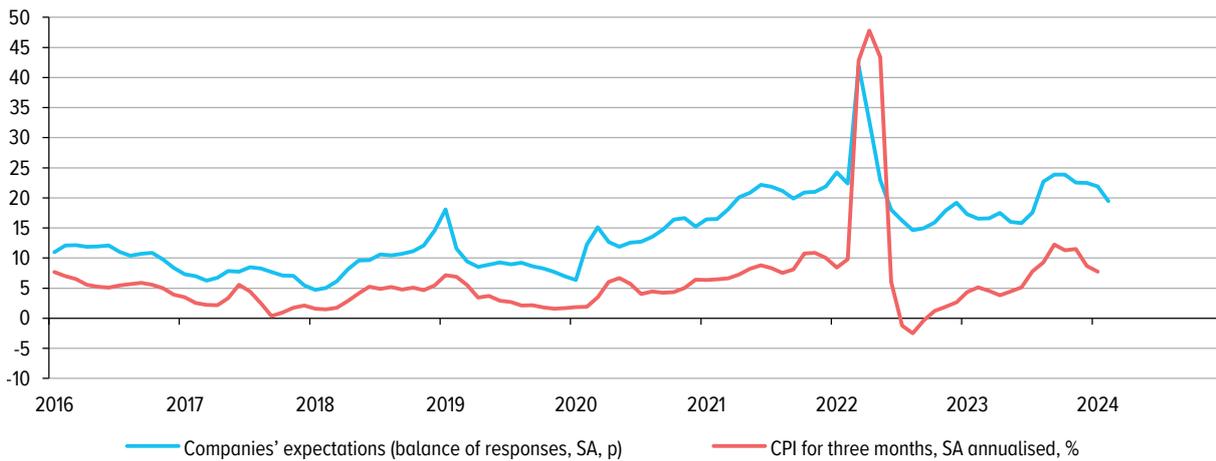
Source: InFOM.

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)



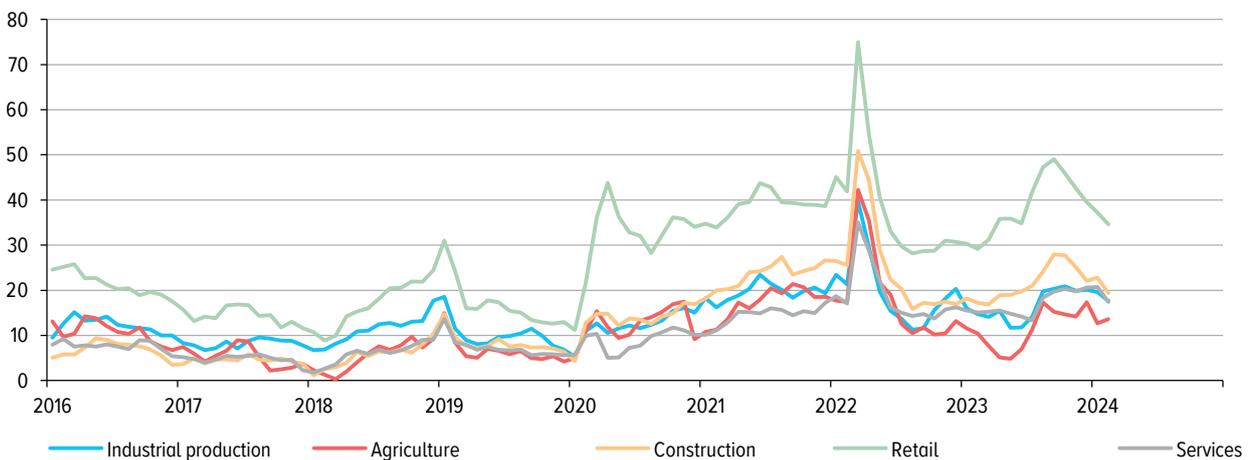
Sources: InFOM, Bank of Russia calculations.

COMPANIES' PRICE EXPECTATIONS *Chart A-8*



Sources: Bank of Russia, Rosstat.

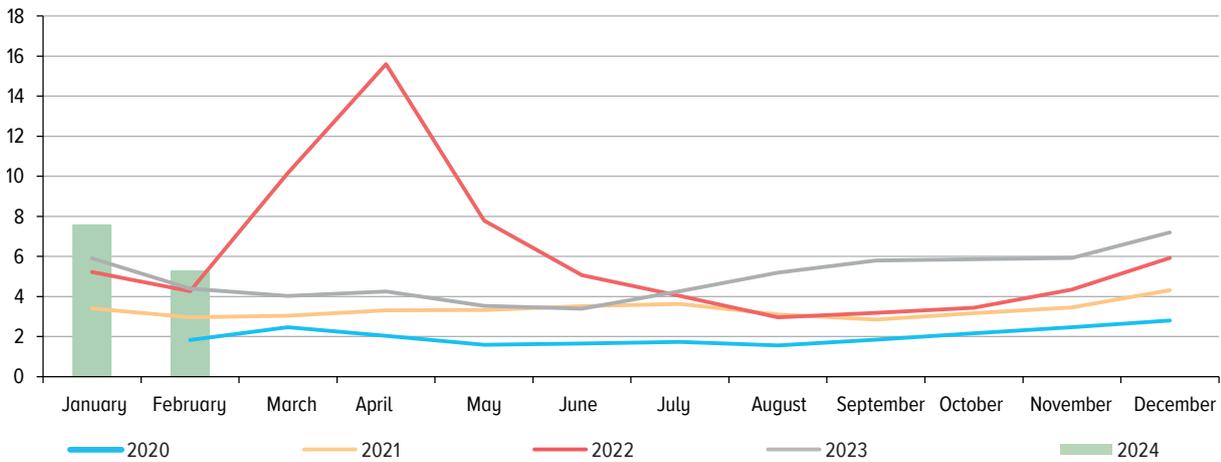
COMPANIES' PRICE EXPECTATIONS, BY KEY INDUSTRY
(BALANCE OF RESPONSES, SA, P) *Chart A-9*



Source: Bank of Russia.

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

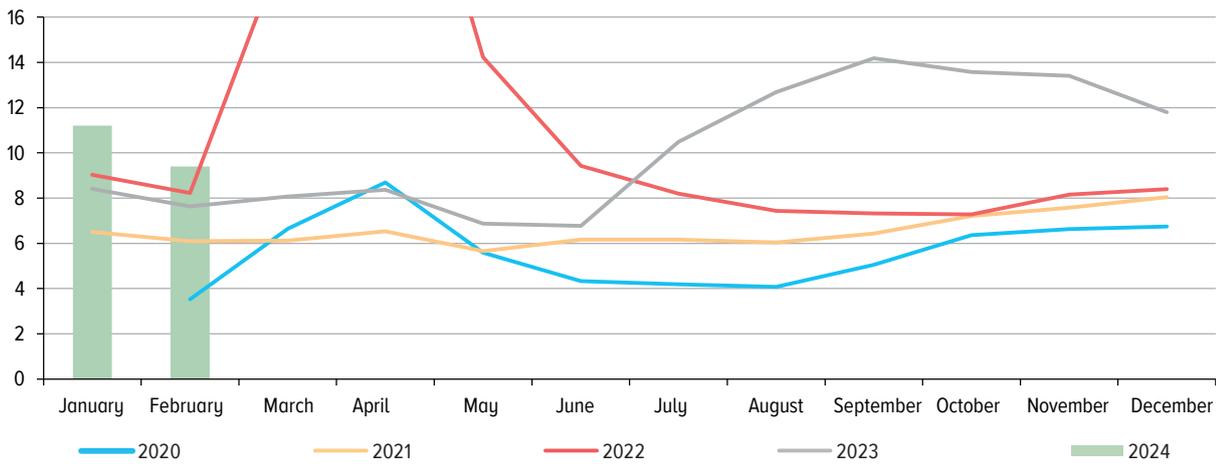
Chart A-10



Source: Bank of Russia.

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

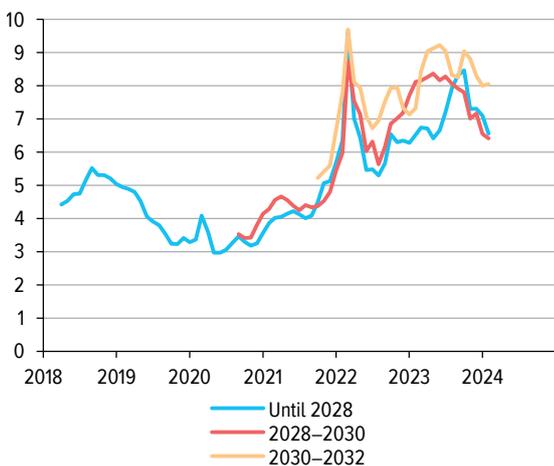
Chart A-11



Source: Bank of Russia.

IMPLIED INFLATION FOR OFZ-IN
(%)

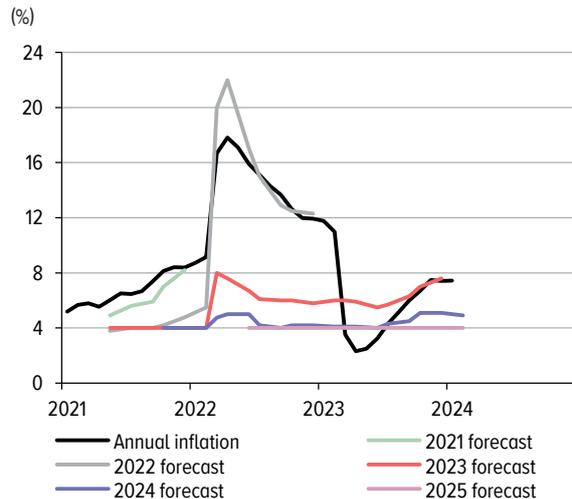
Chart A-12



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

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

Chart A-13



Sources: Bank of Russia, Rosstat.

The data cut-off date – 16.02.2024.

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 together with the Irkutsk Regional Division of the Siberian Main Branch of the Central Bank of the Russian Federation.

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