



Bank of Russia



# INFLATION EXPECTATIONS AND CONSUMER SENTIMENT

No. 3 (87) • March 2024

Information and analytical commentary

25 March 2024

## INFLATION EXPECTATIONS AND CONSUMER SENTIMENT (MARCH 2024)

Indicators of inflation expectations changed diversely in March. As shown by InFOM's survey, the median estimate of inflation expected by households in the coming 12 months dropped to 11.5% in March (-0.4 pp MoM; +0.8 pp YoY). In contrast, the median of five-year ahead inflation expectations increased again to 10.0% (+0.7 pp MoM; -0.4 pp YoY). Companies' price expectations for the next three months declined. Implied inflation for inflation-indexed federal government bonds (OFZ-IN) for the next four years rose to 6.8% (+0.3 pp MoM; +0.1 pp YoY). Analysts raised their forecasts for the end of 2024 to 5.2% (+0.3% MoM; +1.1 pp YoY). Nevertheless, analysts' medium-term expectations remain anchored to the inflation target. The Bank of Russia forecasts that given the monetary policy stance, annual inflation will decrease to 4.0–4.5% in 2024 and stay close to 4% further on.

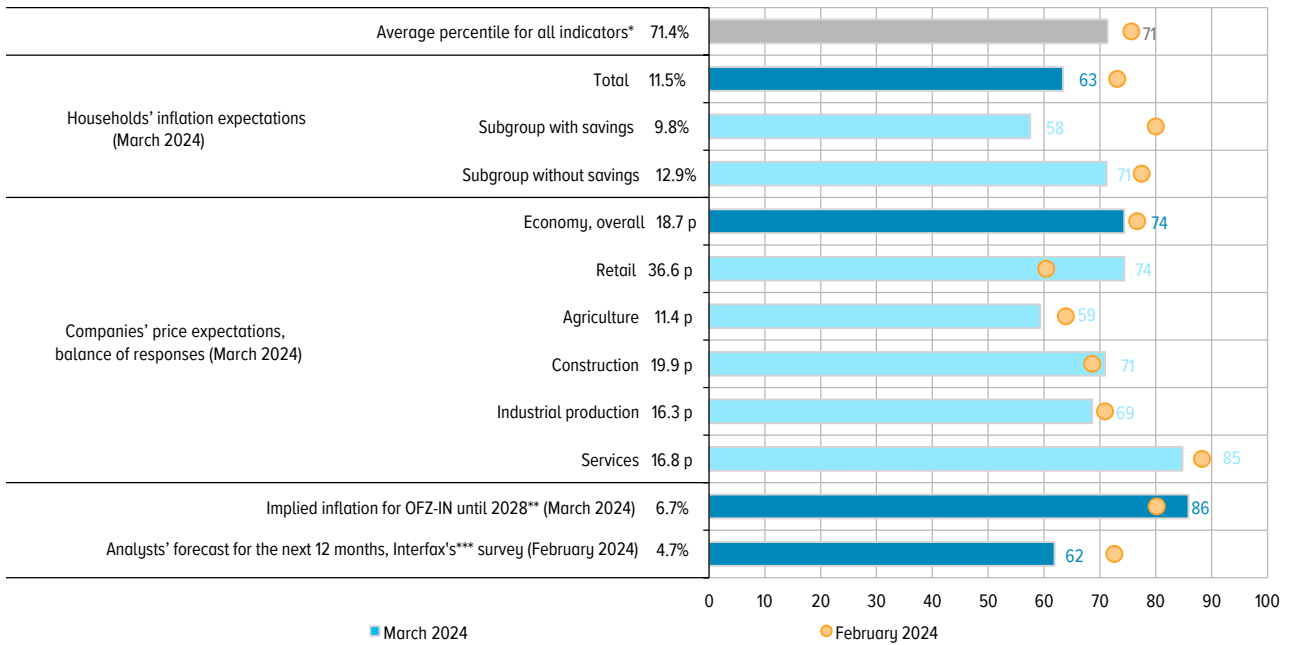
### INFLATION EXPECTATION INDICATORS

	Expectation horizon	2021 average	2022 average	2023 average	2023 Q3 average	2023 Q4 average	January 2024	February 2024	March 2024	Average over the past three months
Inflation, %		6.7	13.8	5.9	5.2	7.2	7.4	7.7		
<b>Inflation observed by households, Public Opinion Foundation, %</b>										
Median	past 12 months	15.1	19.6	14.5	13.7	15.3	16.3	15.2	14.8	15.5
Subgroup with savings	past 12 months	13.2	16.8	13.0	12.4	13.3	14.0	13.5	13.0	13.5
Subgroup without savings	past 12 months	16.3	22.0	15.9	14.8	17.2	18.2	17.0	16.7	17.3
<b>Households' inflation expectations, Public Opinion Foundation, %</b>										
Median	next 12 months	12.1	12.9	11.5	11.4	12.5	12.7	11.9	11.5	12.0
Subgroup with savings	next 12 months	10.6	11.3	10.2	10.3	10.8	11.2	10.5	9.8	10.5
Subgroup without savings	next 12 months	13.3	14.2	12.7	12.5	14.3	14.1	13.5	12.9	13.5
Median for the next five years	next five years			10.5	10.1	11.2	9.8	9.3	10.0	9.7
<b>Companies' price expectations, the Bank of Russia's monitoring of businesses, the balance of responses</b>										
Companies, total	next three months	20.1	21.7	19.4	21.4	22.9	21.8	19.2	18.7	19.9
Retail	next three months	38.8	38.9	38.6	45.9	42.8	37.5	34.1	36.6	36.1
<b>Implied inflation for OFZ-IN (monthly average), %</b>										
OFZ-IN 52002, February 2028	next four-year average	4.2	6.3	7.2	7.8	7.7	7.1	6.5	6.8	6.8
OFZ-IN 52003, July 2030	next six-year average	4.3	6.5	7.4	7.9	7.6	6.9	6.5	6.8	6.8
OFZ-IN 52004, March 2032	next eight-year average		6.7	7.6	8.0	7.8	7.1	6.8	7.0	7.0
OFZ-IN	2028–2030 average	4.4	6.7	7.9	8.1	7.3	6.6	6.5	6.9	6.7
OFZ-IN	2030–2032 average		7.6	8.5	8.5	8.7	8.0	8.0	7.6	7.9
<b>Analysts, %</b>										
Survey by the Bank of Russia	2024		4.4	4.4	4.4	5.1		4.9	5.2	
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	4.1	
Interfax	2025						4.3	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

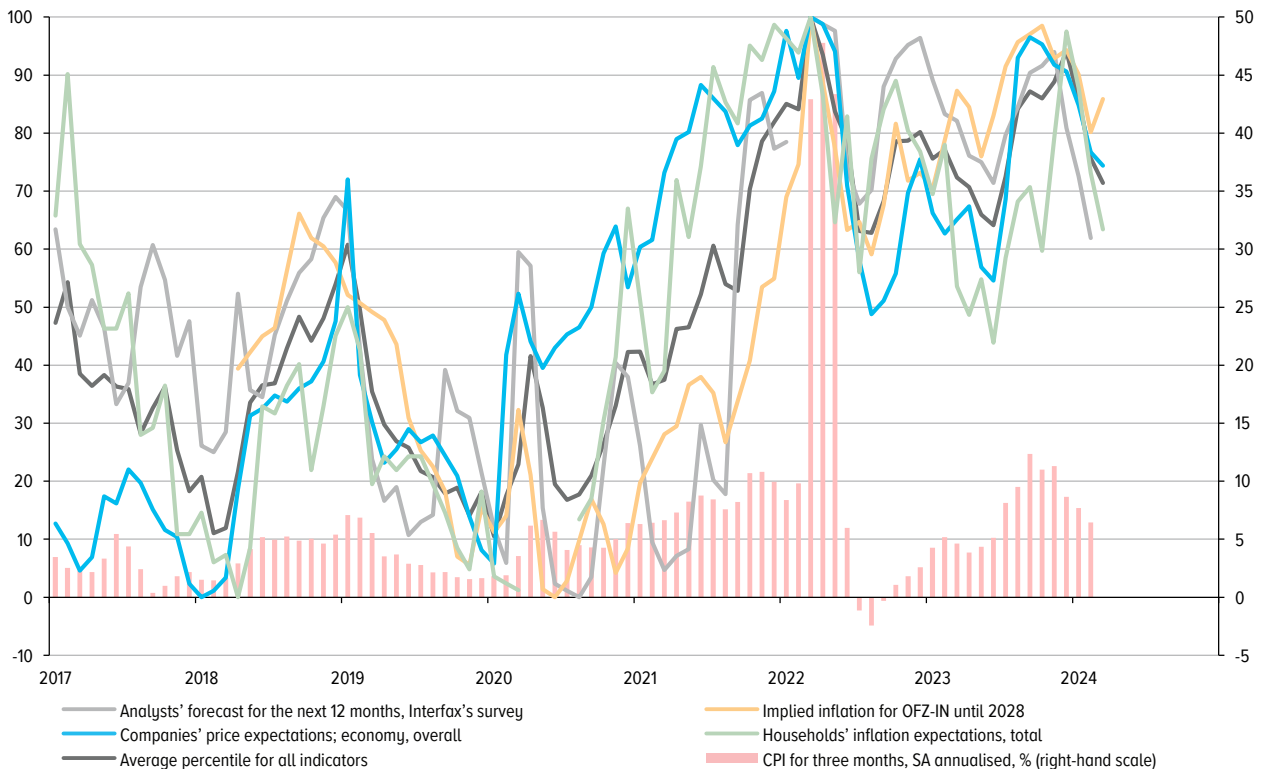
Chart 1



\* The average of 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 12 months.  
 \*\* Percentiles for implied inflation are specified relative to the distribution of values since April 2018.  
 \*\*\* Analysts' prediction for the next 12 months is made using forecasts for this and subsequent years, taking into consideration actual and expected 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 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.<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 almost always exceed actual inflation rates both in Russia and abroad. 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 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 2024–2026](#).

## Households' inflation expectations edged down

In March 2024, the median estimate of inflation expectations for the next 12 months equalled 11.5% (-0.4 pp MoM; +0.8 pp YoY), as shown by InFOM's survey (Annex, Charts A-1 and A-2). Inflation expectations decreased among respondents both with and without savings (Annex, Chart A-4). As to respondents with savings, the median of their inflation expectations was 9.8% in March (-0.7 pp MoM; -0.2 pp YoY).

Inflation observed by households edged down as well in March, with its median equalling 14.8% (-0.4 pp MoM; +0.5 pp YoY). Both groups of respondents lowered their estimates of observed inflation. Observed inflation exceeded the actual rate by 7.1 pp (1.9 times).

Answering the question about increases in prices for certain goods and services,<sup>2</sup> in March, respondents reported somewhat more often about growth in prices for most goods mentioned in the questionnaire (Annex, Chart A-3). The percentage of respondents who noted higher cheese and sausage prices increased most significantly. Contrastingly, the percentage of respondents concerned about the rise in prices for eggs, meat and poultry declined, although these percentages were still the highest.

In March, the qualitative estimates of inflation expected in one month rose,<sup>3</sup> but those expected in one year – edged down.<sup>4</sup> Inflation estimates over the past month did not change, whereas those over the past year increased<sup>5</sup> (Annex, Chart A-5).

Long-term inflation expectations for the next five years<sup>6</sup> increased to 10.0% in March (+0.7 pp MoM; -0.4 pp YoY). Long-term expectations went up both among respondents with savings (to 9.7%; +1.0 pp MoM; -0.3 pp YoY) and without savings (to 10.3%; +0.4 pp MoM; -0.4 pp YoY). The percentage of respondents believing that three-year ahead price growth will notably surpass 4% equalled 45% in March (the same as in January; this question was not put in February; +2 pp YoY) (Annex, Chart A-6).

## The consumer sentiment index continued to grow

The consumer sentiment index rose to 113.3 points (p) in March (+4.0 p MoM; +9.5 p YoY) (Annex, Chart A-7), thus reaching its new record high for the third month in a row. Both present situation estimates and expectations increased as well.

The present situation index equalled 97.4 p in March (+3.1 p MoM; +9.1 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 totalled 124.0 p in March (+4.7 p MoM; +9.9 p 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 save rather than purchase expensive goods was up to 53.9% in March (+0.6 pp MoM; -3.4 pp YoY) (Annex, Chart A-8), which is below the middle of the

<sup>2</sup> For details on inflation in February, refer to the information and analytical commentary [Consumer Price Dynamics](#), No. 2 (98), February 2024.

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

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

<sup>6</sup> 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 51% in March (vs 50% in February).

historical range since 2016 (49.6–60.4%). The proportion of those preferring to spend edged down to 29.2% (-1.4 pp MoM; +4.2 pp YoY). Distribution of responses to the question about the preferred types of savings remained almost unchanged in March. The percentage of survey participants preferring to keep money in bank accounts was 43% (unchanged MoM; +6 pp YoY) and remained at its high since August 2014. The percentage of respondents opting to have cash holdings was 28% for the third month in a row (-8 pp YoY).

## Companies' price expectations lowered

According to the monitoring carried out by the Bank of Russia in March 2024, companies' price expectations (the balance of responses) for the next three months declined (Annex, Chart A-9).<sup>7</sup> However, they remained elevated. The decrease in price expectations was followed by a reduction in estimates of changes in costs, continuing for five consecutive months.

Changes in price expectations were diverse across industries (Annex, Chart A-9). They decreased in industrial production (including mining and quarrying, and manufacturing), agriculture, and services.

Price expectations increased in construction and trade. Construction companies noted that the situation with demand had improved and expected its growth in the coming months. Price expectations went up for the same reasons in retail, where estimates of changes in costs increased as well. Car trade also saw a significant rise in price expectations. In this industry, companies reported accelerated cost growth too. In the wholesale segment, price expectations continued to decrease amid slower cost growth and lower expectations regarding demand and sales.

Price expectations remained virtually unchanged in transportation and storage.

The average price growth rate expected in the next three months<sup>8</sup> (in annualised terms), measuring companies' inflation expectations, was 4.8% in March (-0.4 pp MoM; +0.8 pp YoY) (Annex, Chart A-10). The average price growth rate expected by retailers in the next three months<sup>9</sup> was 9.3% in March (in annualised terms) (+0.3 pp MoM; +1.2 pp YoY).

## Implied inflation is 6.8% for the next four years

According to the Bank of Russia's estimates,<sup>10</sup> 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 up in March compared to February. From 1 March to 22 March, it averaged 6.8% (+0.3 pp MoM; +0.1 pp YoY) (Annex, Chart A-11). Implied inflation for 2028–2030 edged up to 6.9% (+0.4 pp MoM; -1.3 pp YoY). Implied inflation for 2030–2032 edged down to 7.6% (-0.4 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 March 2024, analysts' inflation forecasts increased. According to the findings of the [macroeconomic survey](#) carried out by the Bank of Russia in March, analysts forecast inflation at 5.2% for the end of 2024 (+0.3 pp MoM; +1.1 pp YoY). The analysts surveyed by the Bank of Russia expect

<sup>7</sup> In March 2024, the Bank of Russia surveyed 15,100 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.

<sup>9</sup> Seasonally adjusted data.

<sup>10</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](#).

that inflation will be close to 4.0% in 2025 and further on (Annex, Chart A-12). As shown by the survey carried out by Interfax, in February 2024, analysts' consensus forecast of inflation for the end of 2024 was 5.2% and that for the end of 2025 – 4.3% (both values are the same as in January).

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

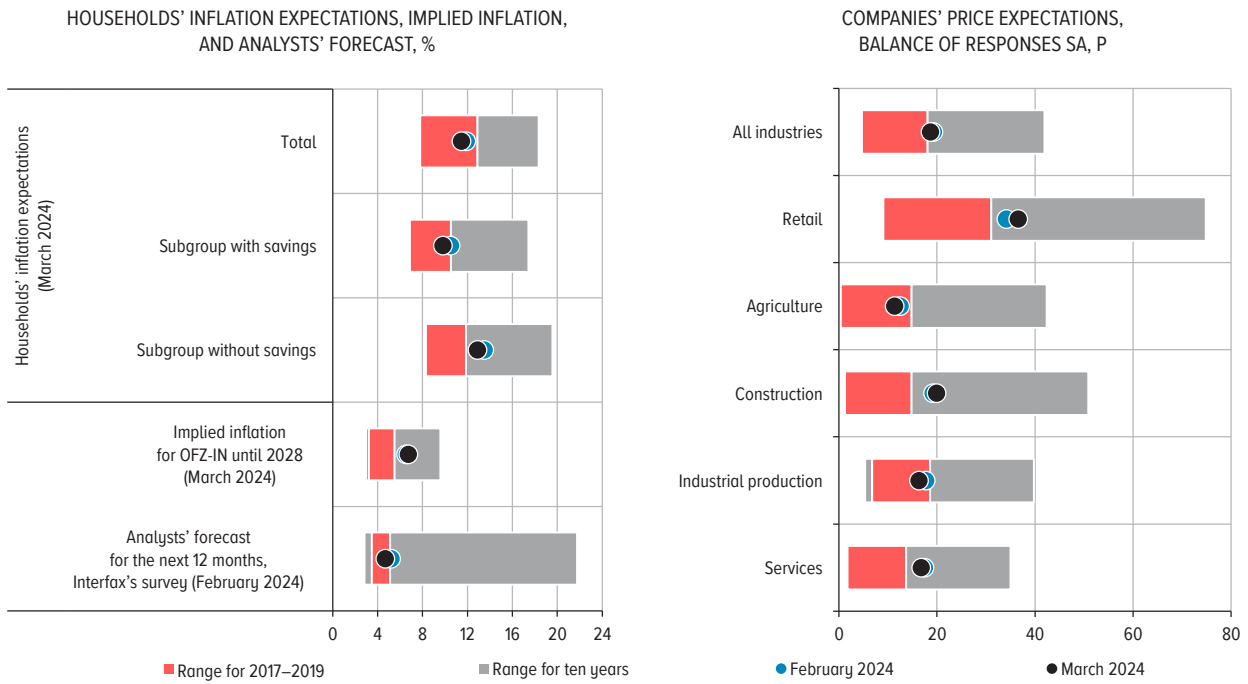
A critical condition to return inflation to the target is a further notable reduction in inflation expectations. As forecast by the Bank of Russia, to bring inflation back to the target in 2024 and stabilise it at 4% further on, it is necessary to maintain tight monetary conditions in the economy for an extended period. Given the 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 EXPECTATION INDICATORS AND DISTRIBUTION OF THEIR VALUES OVER TEN YEARS

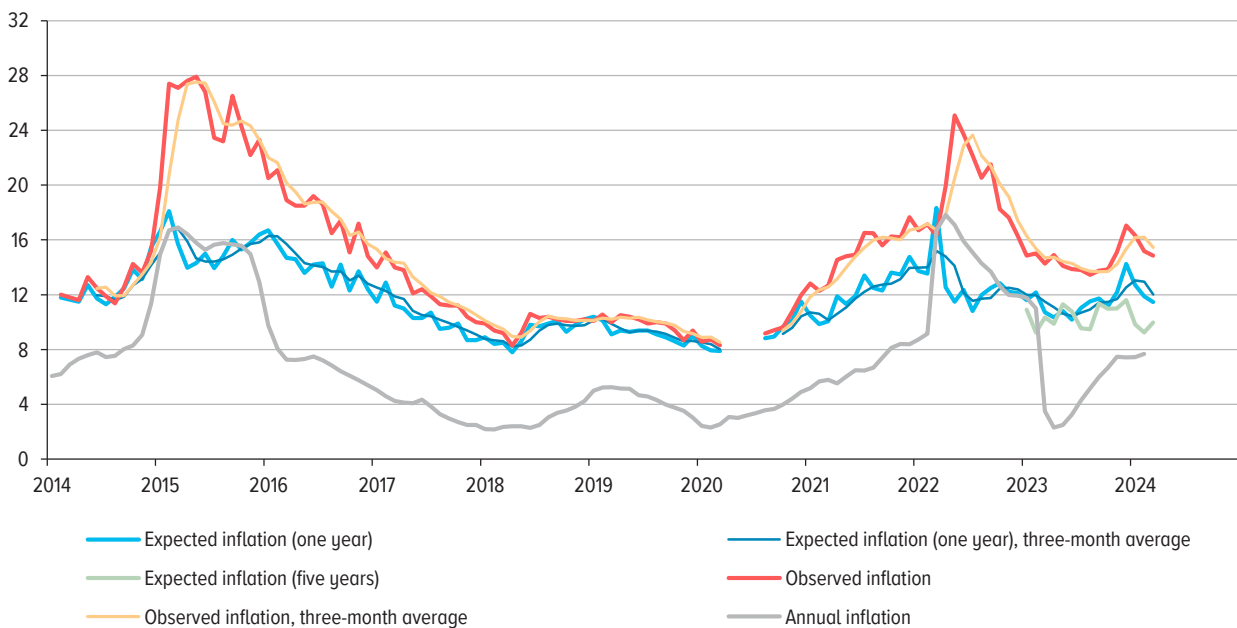
Chart A-1



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

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

Chart A-2

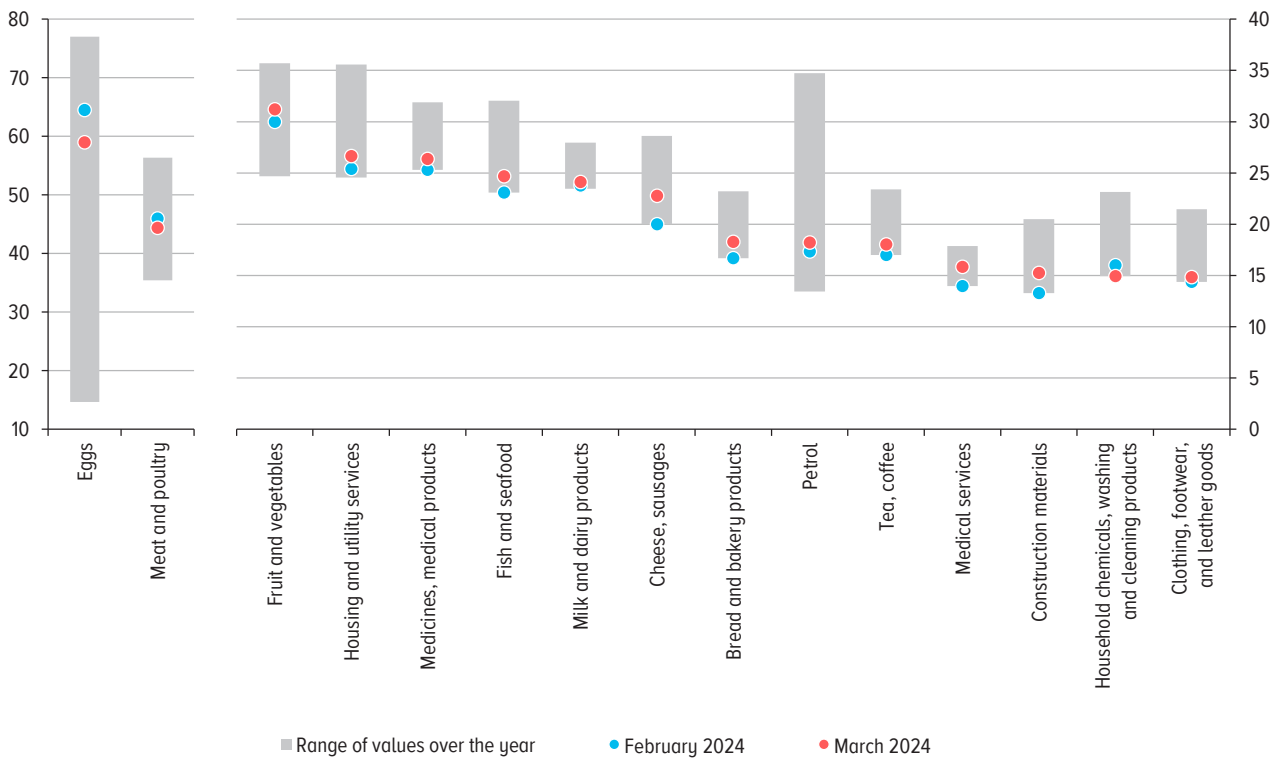


Sources: InFOM, Rosstat, Bank of Russia calculations.



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

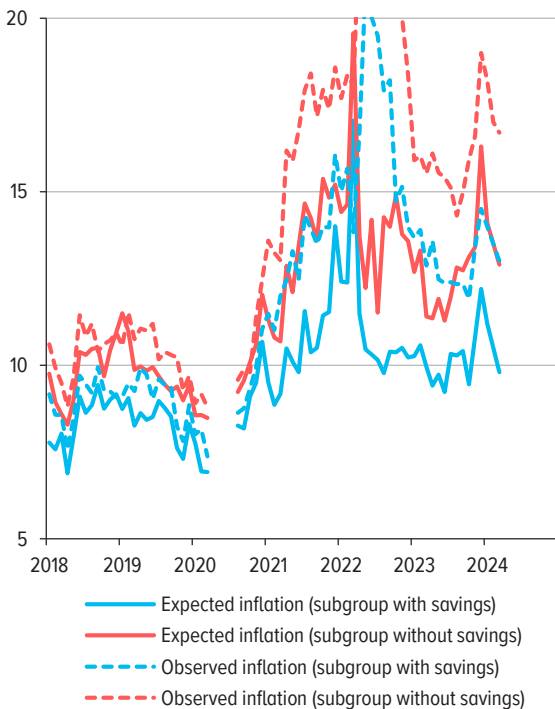
Chart A-3



Sources: InFOM, Bank of Russia calculations.

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

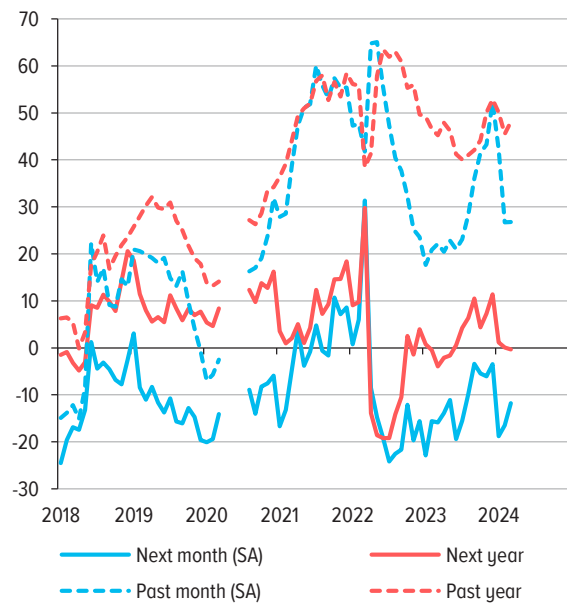
Chart A-4



Sources: InFOM, Bank of Russia calculations.

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

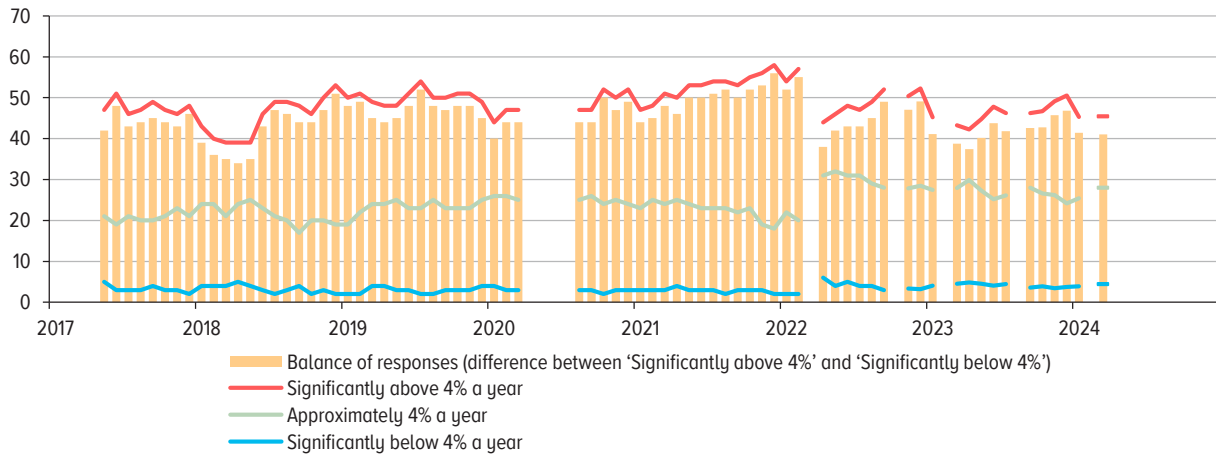
Chart A-5



\* 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.

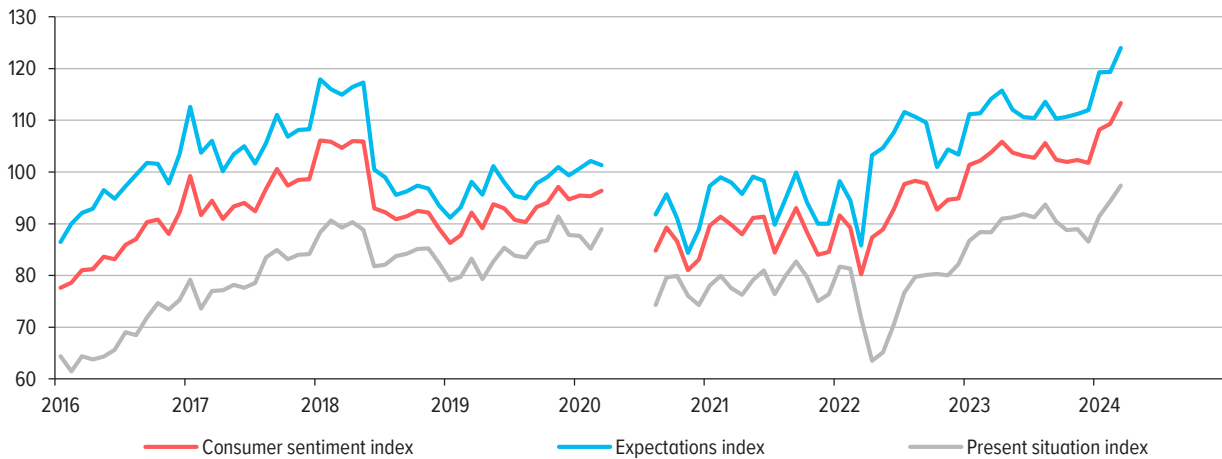
Sources: InFOM, Bank of Russia calculations.

DISTRIBUTION OF RESPONSES TO THE QUESTION 'WILL ANNUAL PRICE GROWTH BE ABOVE OR BELOW 4% IN THREE YEARS, IN YOUR OPINION?' Chart A-6  
(% OF ALL RESPONDENTS)



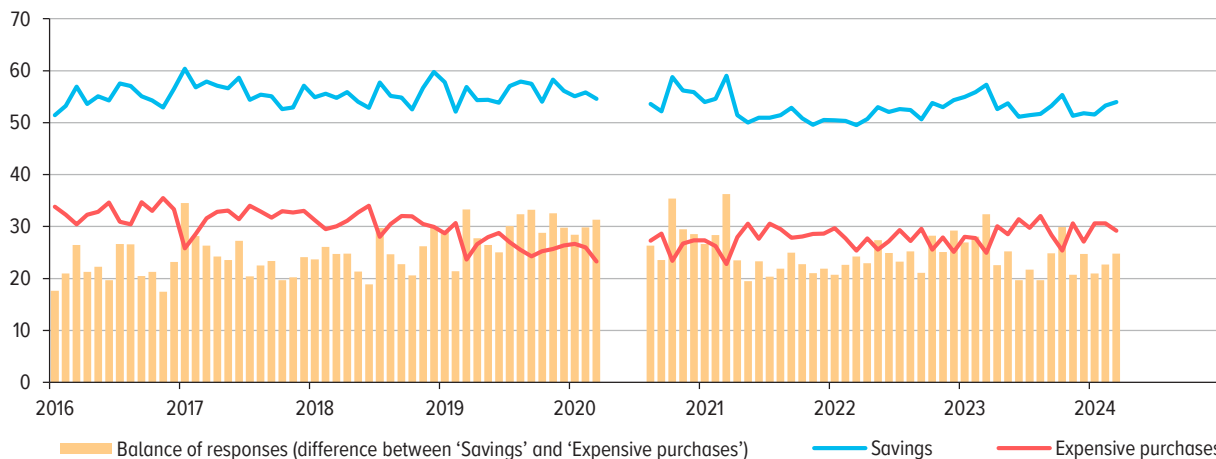
Sources: InFOM, Bank of Russia calculations.

CONSUMER SENTIMENT INDEX (P) Chart A-7



Source: InFOM.

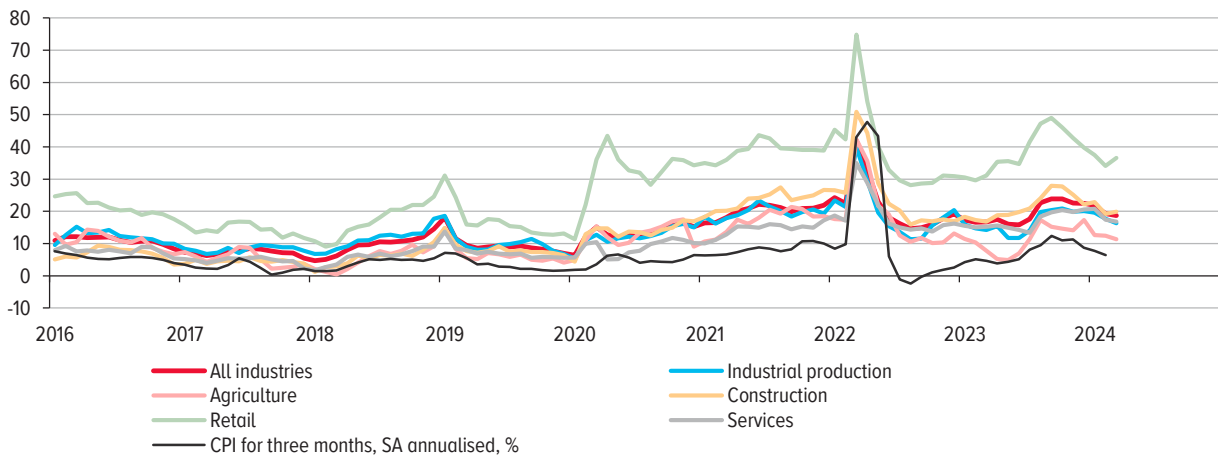
DISTRIBUTION OF RESPONSES TO THE QUESTION 'WHAT IS YOUR OPINION ABOUT THE BEST WAY TO USE AVAILABLE MONEY: MAKE SAVINGS OR PURCHASE EXPENSIVE GOODS?' Chart A-8  
(% OF ALL RESPONDENTS)



Sources: InFOM, Bank of Russia calculations.

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

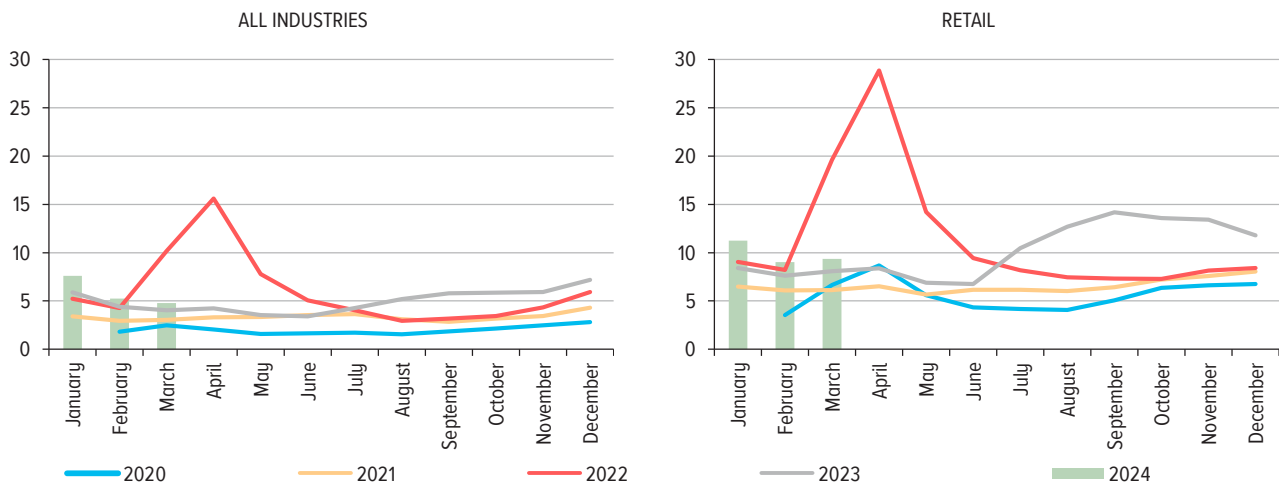
Chart A-9



Sources: Bank of Russia, Rosstat.

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

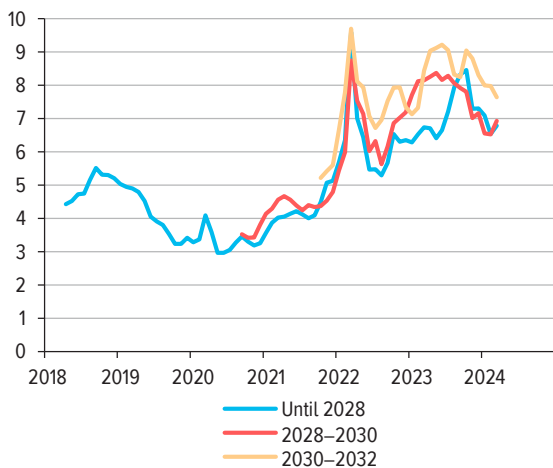
Chart A-10



Source: Bank of Russia.

IMPLIED INFLATION FOR OFZ-IN  
(%)

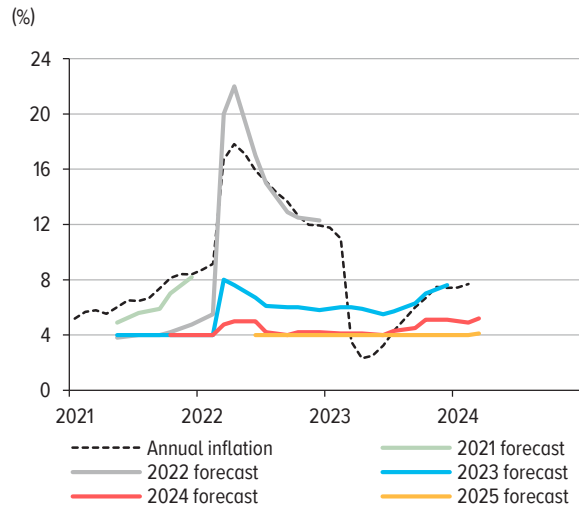
Chart A-11



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 – 25.03.2024.

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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Bldg V, 12 Neglinnaya Street, Moscow, 107016

Bank of Russia website: [www.cbr.ru](http://www.cbr.ru)

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