



Bank of Russia

The Central Bank of the Russian Federation



No. 11

NOVEMBER 2018

INFLATION EXPECTATIONS  
AND CONSUMER  
SENTIMENT

Moscow

## INFLATION EXPECTATIONS AND CONSUMER SENTIMENT

*Households' inflation expectations rose to 9.8% in November from 9.3% in October. The main reason behind the November rise was the dynamics of prices for petrol and certain food products. Households' expectations still largely depend on price growth for certain marker goods. Given the VAT hike, inflation expectations are likely to rise further in the next few months. Respondents also began talking about the expected price growth on the eve of the New Year holidays.*

**In November 2018, households' inflation expectations for the 12 months<sup>1</sup> ahead increased by 0.5 pp to 9.8%** (Chart 12<sup>2</sup>). The expectations remain elevated over the past few months following the surge in petrol prices in May.

**Households' expectations still largely depend on price growth for certain marker goods.** Thus, petrol remains one of the key commodities, whose price dynamics influence inflation expectations of households. Only meat and poultry were mentioned more frequently than petrol. Respondents also began to often cite price growth for dairy products, bread and bakery products, eggs, sugar, tea and coffee.

Moreover, they began talking about the expected price growth on the eve of the New Year holidays.

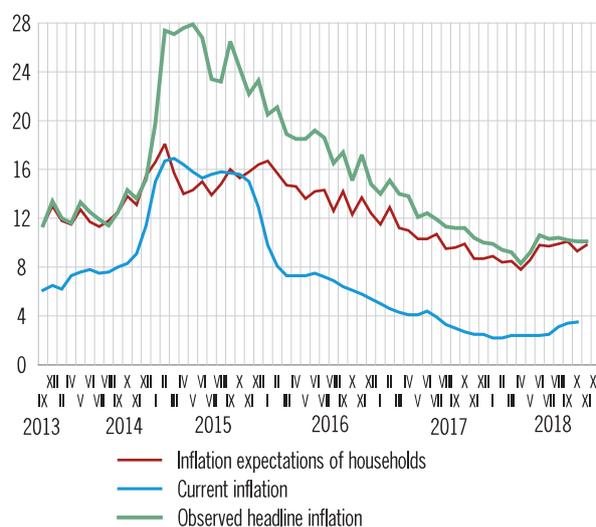
**The observed headline inflation remained unchanged in November at 10.1%.** Since the beginning of 2015, respondents estimated future inflation to be lower than current inflation, i.e., they expected consumer price growth to slow down. Today, inflation expectations of respondents are almost equal to the observed current inflation rate. This is indicative of the fact that respondents expect lower inflation to a lesser extent and confirmed by the dynamics of answers to the qualitative question about inflation expected in the next 12 months. In January-May 2018, the share of

those, who expected the slowing of inflation, surpassed the share of those, who expected its acceleration. The situation turned to the opposite in November: the share of those, who expected inflation acceleration, doubled the share of those, who expected its slowing.

Answers to the question whether inflation reaches 4% in 2018 and in a three-year horizon also testify to inflation expectations remaining elevated. Thus, the share of respondents who believe that 2018 inflation exceeds 4% remained unchanged as compared with the previous month staying at a rather high level of 53%. The share of those, who expect inflation to exceed 4% in a three-year horizon, increased from 46% in October to 50% in November.

The imminent VAT hike has little impact on households' expectations so far. Inflation

**Inflation expectations remained elevated in November**



Sources: Public Opinion Foundation, inFOM, Bank of Russia calculations.

<sup>1</sup> inFOM median estimate.

<sup>2</sup> Here and elsewhere, references are made to figures in the Summary Report on Survey 11 (November 2018).

expectations are to demonstrate a stronger response to the VAT rise in the next few months.

The Bank of Russia's estimates of inflation expectations based on the inFOM survey and the current inflation<sup>3</sup> rate increased in November to 4.2-4.7%.

In spite of growing inflation expectations, estimated and expected changes in financial standing improved. Respondents still prefer

to save their increased income. They more frequently refer to the present time as favourable for saving and that they managed to save over the past month. The dominant savings sentiment can be attributed to growing rates on bank deposits. The consumer sentiment index in November remained unchanged from October at 92 points.

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<sup>3</sup> When calculating this indicator, the Bank of Russia takes into account qualitative responses ('inflation will rise / fall') rather than quantitative ones and compares them with current inflation.

Cut-off date – 22 November 2018.

A soft copy of the information and analytical material is published on the Bank of Russia website (<http://www.cbr.ru/DKP/>).

Please send your comments and suggestions to [svc\\_analysis@cbr.ru](mailto:svc_analysis@cbr.ru).