



Bank of Russia



# INFLATION EXPECTATIONS AND CONSUMER SENTIMENT

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Information and analytical commentary

21 April 2022

## INFLATION EXPECTATIONS AND CONSUMER SENTIMENT (APRIL 2022)

According to InFOM survey findings, one-year ahead inflation expectations of households significantly declined in April from the multi-year high reached in March. The median estimate of inflation expected over the next 12 months was 12.5% that is the lowest level since September 2021. Short-term price expectations of companies also decreased but still remain close to their all-time highs. Analysts' inflation forecasts exceeded 20% in 2022 with a subsequent decline to 7.6–8.6% in 2023. The Bank of Russia's monetary policy will promote conditions for a gradual adaptation of the economy to the new environment and a return of annual inflation to 4% in 2024.

### INFLATION EXPECTATION INDICATORS

	Expectation horizon	2019 (average)	2020 (average)	2021 (average)	March 2020	April 2021	February 2022	March 2022	April 2022
Inflation, %		4.5	3.4	6.7	2.5	5.5	9.2	16.7	
<b>Inflation observed by households, %</b>									
Public Opinion Foundation (median)	previous 12 months	9.9	9.6	15.1	8.3	14.5	17.1	16.3	19.9
Public Opinion Foundation (subgroup with savings)	previous 12 months	9.1	8.7	12.8	7.2	11.8	15.6	13.8	17.0
Public Opinion Foundation (subgroup without savings)	previous 12 months	10.4	9.9	16.2	8.6	16.4	18.2	18.3	22.3
<b>Households' inflation expectations, %</b>									
Public Opinion Foundation (median)	next 12 months	9.3	9.1	12.1	7.9	11.9	13.5	18.3	12.5
Public Opinion Foundation (subgroup with savings)	next 12 months	8.3	8.4	10.5	6.9	10.5	12.1	17.2	11.4
Public Opinion Foundation (subgroup without savings)	next 12 months	9.8	9.6	13.2	8.5	12.5	14.5	19.3	13.4
<b>Companies' price expectations</b>									
Companies, balance of responses	next 3 months	9.6	13.3	20.0	14.9	20.1	22.3	41.6	32.9
PMI Manufacturing input prices	current month	57.8	64.0	70.7	59.8	76.2	72.2	90.0	
PMI Manufacturing output prices	current month	53.1	54.2	62.4	55.4	67.1	62.8	77.8	
PMI Services input prices	current month	58.0	58.0	63.4	61.5	62.2	64.9	81.3	
PMI Services output prices	current month	54.0	51.3	56.1	54.2	56.2	59.2	67.3	
<b>Implied inflation for OFZ-IN (monthly average), %</b>									
OFZ-IN 52001, August 2023	next 1.5-year average	3.9	2.7	4.1	3.5	3.8	5.6	13.4	7.4
OFZ-IN 52002, February 2028	next 6-year average	4.1	3.3	4.2	4.1	4.0	6.4	9.6	7.6
OFZ-IN 52003, July 2030	next 8-year average		3.3	4.3		4.2	6.2	9.3	7.7
OFZ-IN 52004, March 2032	next 10-year average						6.5	9.4	7.9
OFZ-IN	2023–2028 average	4.3	3.8	4.3	4.5	4.2	6.6	8.6	7.6
OFZ-IN	2028–2030 average		3.5	4.4		4.7	6.0	8.7	8.0
OFZ-IN	2030–2032 average						7.8	9.7	8.6
<b>Analysts, %</b>									
Interfax	2022			4.3					22.7
Reuters	2022			4.2	3.9	4.0		23.7	
Survey by the Bank of Russia	2022			4.2			5.5	20.0	22.0
Interfax	2023								8.6
Survey by the Bank of Russia	2023			4.0			4.0	8.0	7.6
Survey by the Bank of Russia	2024						4.0	4.8	5.0

Sources: Rosstat, InFOM, Bank of Russia, IHS Markit PMI, Interfax, Moscow Exchange.

## Households' inflation expectations declined

In April 2022, household inflation expectations significantly declined, according to InFOM's survey conducted by the Bank of Russia. The median estimate of inflation expectations was 12.5% (-5.8 pp vs March), returning to the level of August–September 2021. On the one hand, the respondents explained the improved estimates of future price growth by the fact that the price rise expected a month earlier had already occurred, and on the other hand, by continued positive expectations regarding the country's economic prospects, as well as by the return of the ruble exchange rate to the level of the first weeks of the year.

Furthermore, the annual inflation observed by households increased even more in April: its median estimate was 19.9% (+3.6 pp vs March). This is the highest level since February 2016. Changes in the estimates of expected and observed inflation were unidirectional among respondents both with and without savings. More significant growth in estimates of observed inflation was associated with the acceleration of actual price growth that occurred in March<sup>1</sup>. In the April survey, respondents reported an increase in prices for non-perishable products (sugar, salt, tea, coffee, vegetable oil, cereals, and pasta), fruit and vegetables, many non-food products (medicines, household chemicals and appliances, construction materials) noticeably more often than a month earlier. At the same time, April was the second month in a row when respondents were less worried about rising prices for housing and utility services, petrol, meat, and seafood.

The estimates of the balance of responses to the questions about changes in future inflation trends for one month and one year ahead edged down in April<sup>2</sup>, while qualitative estimates of current inflation increased<sup>3</sup>.

Long-term households' inflation expectations also declined in April 2022. The share of respondents who believed that in three years the price increase would be noticeably higher than 4% amounted to 44% (-13 pp vs February, this question was not asked in March). This share dropped to its lowest level since May 2018.

INFLATION OBSERVED AND EXPECTED BY HOUSEHOLDS (MEDIAN ESTIMATE)

(%)

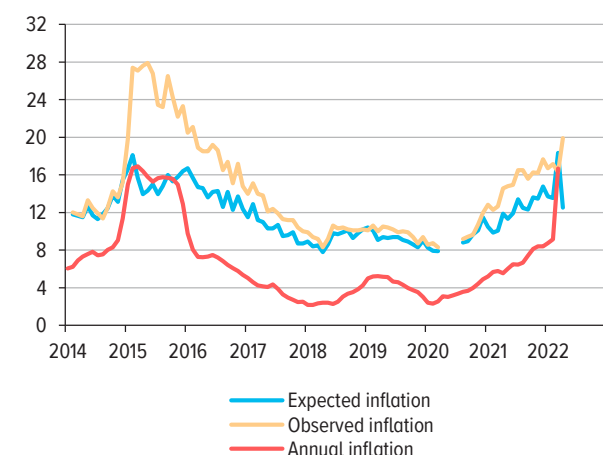


Chart 1

DISTRIBUTION OF RESPONSES TO THE QUESTION 'FOR WHICH MAIN PRODUCTS, GOODS AND SERVICES DID PRICES RISE VERY SIGNIFICANTLY OVER THE PAST MONTH?'

(% OF ALL RESPONDENTS)

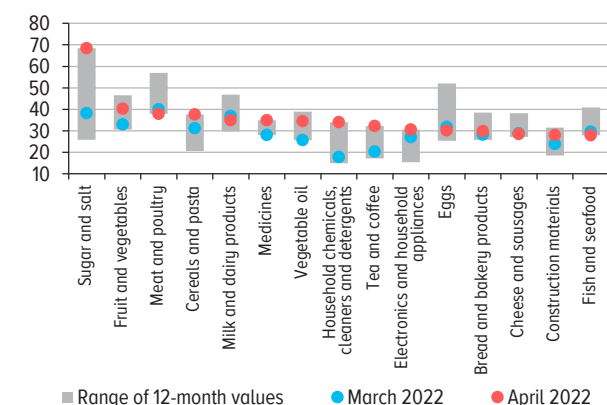


Chart 2

Sources: InFOM, Rosstat, Bank of Russia calculations.

Sources: InFOM, Bank of Russia calculations.

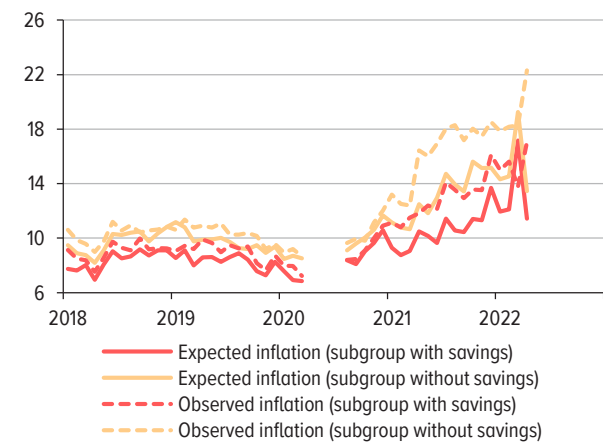
<sup>1</sup> More information on inflation in March is available in the information and analytical commentary [Consumer Price Dynamics, No. 3 \(75\), March 2022](#).

<sup>2</sup> That is, a smaller percentage of respondents said that prices will be rising significantly or faster than now as compared to the previous month.

<sup>3</sup> That is, a higher percentage of respondents said that prices rose significantly or were rising faster than before as compared to the previous month.

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

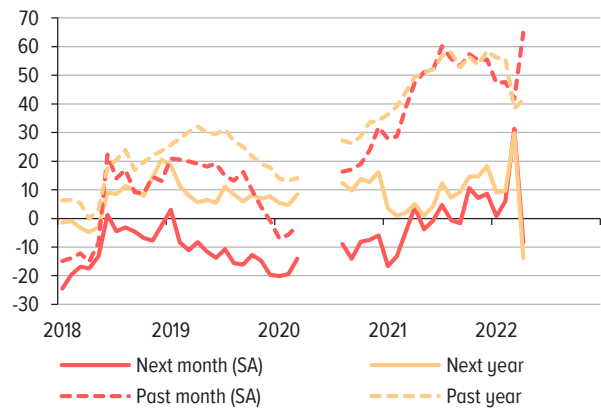
Chart 3



Sources: InFOM, Bank of Russia calculations.

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

Chart 4



\* Balance of responses to the questions 'How prices were/will be changing last year/next year?' and 'How did/will prices change last month/next month?', seasonally adjusted.  
Sources: InFOM, Bank of Russia calculations.

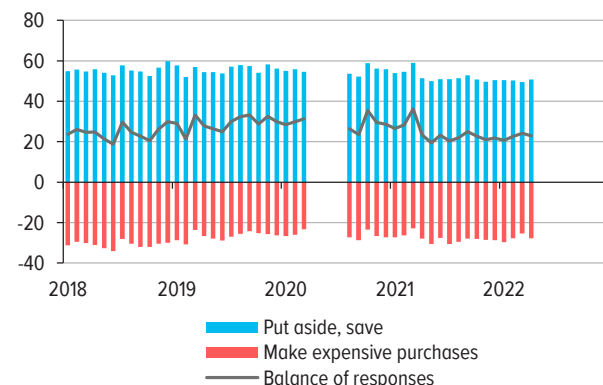
## Consumer sentiment increased

In April, the consumer sentiment index increased to 87.1 points (+7.1 points vs March) and almost returned to the levels of February 2022. The expectations index rose sharply up to 103.2 points (+17.4 points vs March). This index includes the estimates of future personal financial standing for a year ahead and expectations of changes in economic conditions in the country for the next one and five years. In April 2022, the expectations index values reached their highs since May 2018. At the same time, the index of current economic conditions, which takes into account the estimates of actual change in personal financial standing over the year and those of suitability of the current period for making major purchases, continued to decline and amounted to 63.5 points (-8.3 points compared to March). This is its lowest reading since February 2016.

The tendency of households to saving changed only slightly in April. At the same time, respondents' preferences regarding the forms of savings almost recovered to the levels of February. The share of respondents who believed that it was better to keep savings in bank accounts increased to 35%

DISTRIBUTION OF RESPONSES TO THE QUESTION 'WHAT IS YOUR OPINION ABOUT THE BEST WAY TO MANAGE AVAILABLE CASH AT PRESENT: PUT ASIDE, SAVE OR PURCHASE EXPENSIVE GOODS?' (% OF ALL RESPONDENTS)

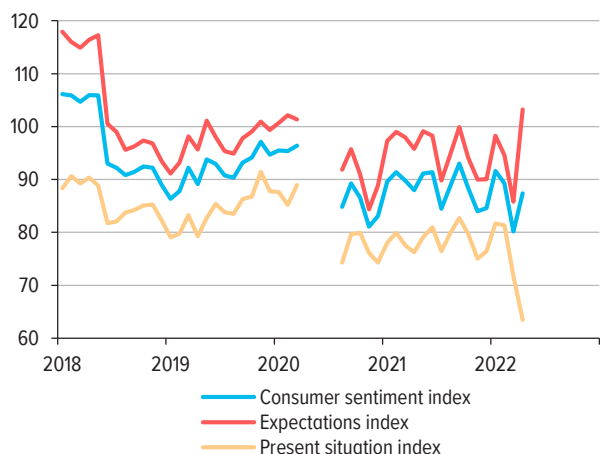
Chart 5



Sources: InFOM, Bank of Russia calculations.

CONSUMER SENTIMENT INDEX (POINTS)

Chart 6



Source: InFOM.

(+5 pp vs March) as in February. The share of those who preferred to keep their savings in cash decreased to 34% (-5 pp vs March) although remaining at 3 pp above the February level.

## Companies' price expectations remain close to their all-time highs

According to the [monitoring](#) conducted by the Bank of Russia in April 2022, three-month price expectations of companies decreased in all business areas remaining close to their all-time highs – since January 2000. The average price growth rate expected in the next three months equalled 18.0% in annualised terms<sup>4</sup>.

The key factors for the record high price expectations to remain are a sharp decline in finished product inventories, disruptions in global production and logistics chains, and accelerating growth of business costs and economic activity risks amid the intensifying sanctions. A slight decrease in price expectations was influenced by the actual decline in demand, expectations of its further decrease, the strengthening of the ruble, and lower motor fuel prices. According to companies' estimates, the decline in production was more significant than the decline in demand.

The greatest decrease in expectations was observed in trade that was explained by the contraction of consumer demand after its surge in late February – early March. Furthermore, the level of price expectations in trade (especially in retail) still remained the highest as compared to enterprises in other industries. In April, the average price growth rate expected by retailers in the next three months reached 28.8% in annual terms.

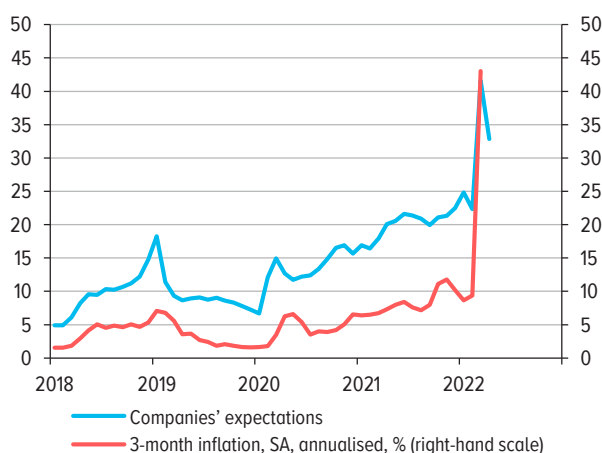
The [IHS Markit PMI](#) price indices reached their highest values on record in March 2022. This happened in all price indices both in production and in services. Input price indices rose faster than output prices reflecting the interruptions in import supplies.

## Implied inflation for 18 months ahead is 7.4%

On average, the implied inflation for OFZ-IN prices for the next 18 months amounted to 7.4% over the first half of April, according to the Bank of Russia's estimates<sup>5</sup>. This level is higher than the values observed in February 2022 (5.6% on average in February) before the suspension of trading on the Moscow Exchange. This value is probably not a correct indication of expectations due to

COMPANIES' PRICE EXPECTATIONS  
(BANK OF RUSSIA)  
(BALANCE OF RESPONSES, % SA)

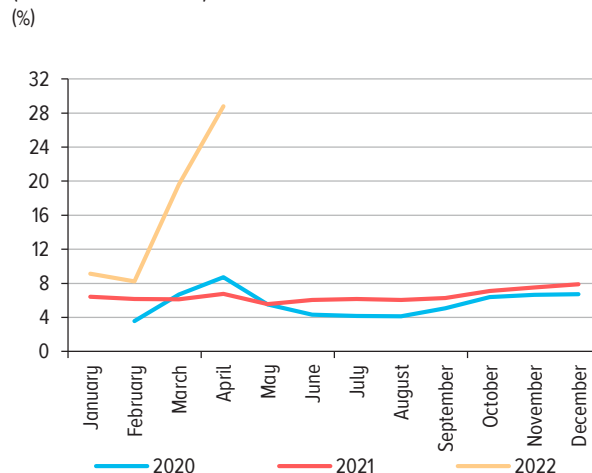
Chart 7



Sources: Bank of Russia, Rosstat.

THE AVERAGE PRICE GROWTH RATE EXPECTED BY  
RETAILERS IN THE NEXT THREE MONTHS  
(IN ANNUAL TERMS)

Chart 8

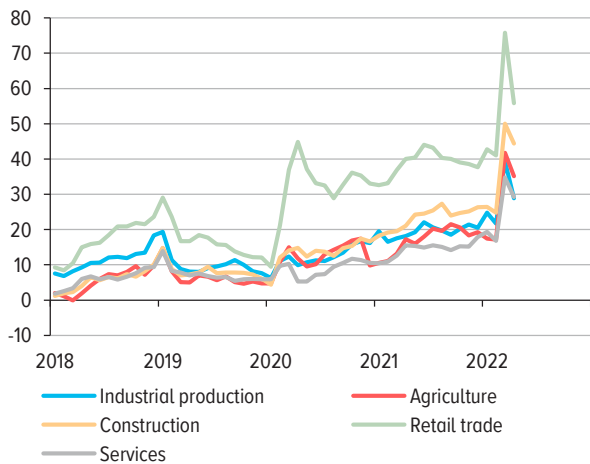


Source: Bank of Russia.

<sup>4</sup> Since April 2022, the calculation of the three-month-ahead average price growth rate has been changed due to the expansion of the scale of expected growth (decline) in prices for products (services) in the market questionnaire.

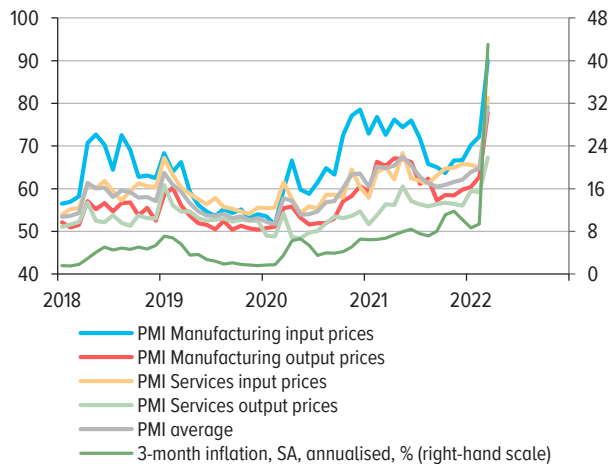
<sup>5</sup> The estimates are based on the comparison of expected yields on OFZ-IN and nominal OFZ with due account of the lag between the nominal value indexation and seasonally adjusted inflation. [Calculation methodology](#).

COMPANIES' PRICE EXPECTATIONS BY KEY INDUSTRY (BANK OF RUSSIA)  
(BALANCE OF RESPONSES, % SA) *Chart 9*



Source: Bank of Russia.

CHANGES IN COMPANIES' PRICES (MARKIT PMI)  
(DIFFUSION INDEX, POINTS) *Chart 10*



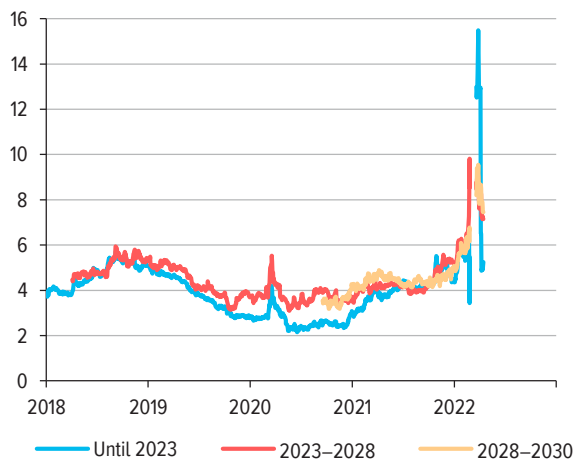
Sources: IHS Markit PMI, Rosstat.

extremely limited liquidity in the respective instrument. For longer periods, the estimates of implied inflation also increased as compared to February and averaged 7.6% for 2023–2028 (+1.1 pp vs February) and 8.0% for 2028-2030 (+2.1 pp vs February) over the first half of April.

### Analysts expect inflation above 20% by the end of the year

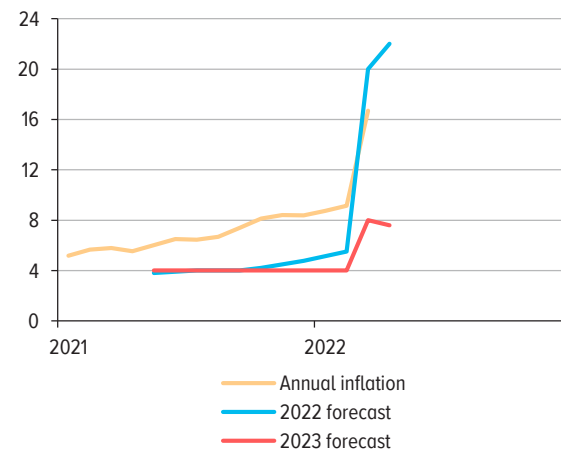
In April, professional analysts' inflation forecasts rose again. Based on the results of the Bank of Russia's *macroeconomic survey*, analysts' inflation forecast for the 2022 year-end increased to 22% (+2 pp vs March). In 2023 and 2024, analysts expect inflation to slow down to 7.6% and 5%, respectively. According to polls conducted by Interfax and Reuters in late March – early April, by the end of the year, inflation will be 22.7% and 23.7% for each of the polls, respectively. Interfax and Reuters did not conduct polls in February – the first half of March. Analysts polled by Interfax expect inflation to slow down to 8.6% in 2023.

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.



## According to the Bank of Russia's forecast, annual inflation will return to 4% in 2024

The Russian economy is entering the phase of a large-scale structural transformation that will be accompanied by a temporary period of increased inflation mainly related to the adjustment of relative prices for a wide range of goods and services. The Bank of Russia's monetary policy will promote conditions for a gradual adaptation of the economy to the new environment and a return of annual inflation to 4% in 2024.

The data cut-off date – 20.04.2022.

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.

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