



Bank of Russia



INFLATION EXPECTATIONS AND CONSUMER SENTIMENT

No. 9 (69) • September 2022

Information and analytical commentary

21 September 2022

INFLATION EXPECTATIONS AND CONSUMER SENTIMENT (SEPTEMBER 2022)

In September 2022, households' inflation expectations for a year ahead edged up returning close to the upper bound of the April–August range, as shown by InFOM's survey. The median estimate of inflation expected in the next 12 months reached 12.5%. Short-term price expectations of companies also slightly increased, for the first time after five months of a decline. Analysts' inflation forecasts for 2022–2024 continued to decrease. The Bank of Russia forecasts that annual inflation will equal 11–13% in 2022 and, given the monetary policy pursued, go down to 5–7% in 2023, and return to its 4% target in 2024.

INFLATION EXPECTATION INDICATORS

	Expectation horizon	2019 average	2020 average	2021 average	September 2021	February 2022	July 2022	August 2022	September 2022
Inflation, %		4.5	3.4	6.7	7.4	9.2	15.1	14.3	
Inflation observed by households, %									
Public Opinion Foundation (median)	previous 12 months	9.9	9.6	15.1	15.6	17.1	22.2	20.5	21.5
Public Opinion Foundation (subgroup with savings)	previous 12 months	9.1	8.7	12.8	12.9	15.6	19.1	18.0	18.3
Public Opinion Foundation (subgroup without savings)	previous 12 months	10.4	9.9	16.2	17.2	18.2	25.0	23.3	24.4
Inflation expectations of households, %									
Public Opinion Foundation (median)	next 12 months	9.3	9.1	12.1	12.3	13.5	10.8	12.0	12.5
Public Opinion Foundation (subgroup with savings)	next 12 months	8.3	8.4	10.5	10.5	12.1	10.2	9.8	10.4
Public Opinion Foundation (subgroup without savings)	next 12 months	9.8	9.6	13.2	13.4	14.5	11.4	14.3	13.6
Companies' price expectations									
Companies, balance of responses	next 3 months	9.6	13.3	20.0	20.2	21.8	16.0	14.7	15.3
Implied inflation for OFZ-IN (monthly average), %									
OFZ-IN 52002, February 2028	next 5.5-year average	4.1	3.3	4.2	4.1	6.4	5.5	5.3	5.0
OFZ-IN 52003, July 2030	next 8-year average		3.3	4.3	4.2	6.2	5.7	5.4	5.2
OFZ-IN 52004, March 2032	next 9.5-year average					6.5	5.9	5.7	5.5
OFZ-IN	2023–2028 average	4.3	3.8	4.3	4.0	6.6	5.7	5.4	5.0
OFZ-IN	2028–2030 average		3.5	4.4	4.3	6.0	6.3	5.6	5.7
OFZ-IN	2030–2032 average					7.8	6.7	7.0	7.0
Analysts, %									
Interfax	2022			4.3	4.3		13.6	12.7	
Survey by the Bank of Russia	2022			4.2	4.0	5.5	15.0		12.9
Interfax	2023						6.0	6.1	
Survey by the Bank of Russia	2023			4.0	4.0	4.0	6.1		6.0
Survey by the Bank of Russia	2024					4.0	4.2		4.0

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

Households' inflation expectations grow for the second month in a row

In September 2022, the median estimate of households' inflation expectations for the next 12 months equalled 12.5% (+0.5 pp vs August), returning to the April level, as shown by InFOM's survey. In September, inflation expectations of respondents with savings went up for the first time since March. The estimates of expected inflation among respondents without savings reduced, but remain close to the upper bound of the April–September range.

Annual inflation observed by households also edged up in September, for the first time since May, with its median estimate equalling 21.5% (+1 pp vs August). The estimates of observed inflation changed similarly among respondents both with and without savings.

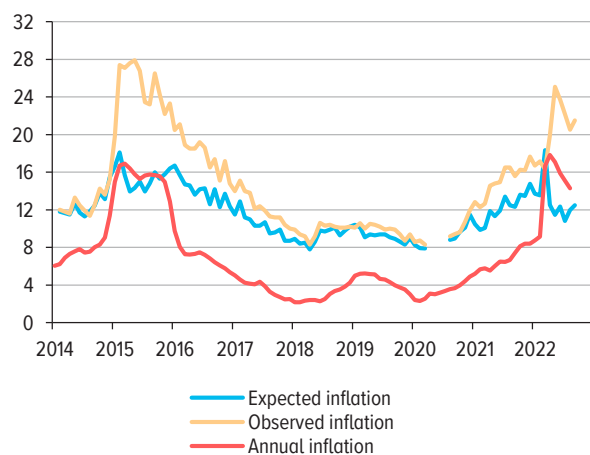
In September, the change in the growth of prices for the so-called marker products was insignificant, as observed by respondents. The number of respondents complaining about higher prices for most food products continued to decline. In recent months, Rosstat records a slower rise or a decrease in prices for many food products.¹ However, in September, respondents more frequently reported a rise in prices for fish and seafood, medicines, clothing and footwear (in the latter case—due to the seasonal factor).

The estimates of inflation trends expected in the next month and the next year edged up in September.² Similar indicators for actual inflation declined over the previous month and the last year.³

In September 2022, long-term inflation expectations of households continued to grow, returning to the average level of 2021. The proportion of respondents considering that the price growth rate three years later will notably surpass 4% reached 52% (+3 pp vs August).

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

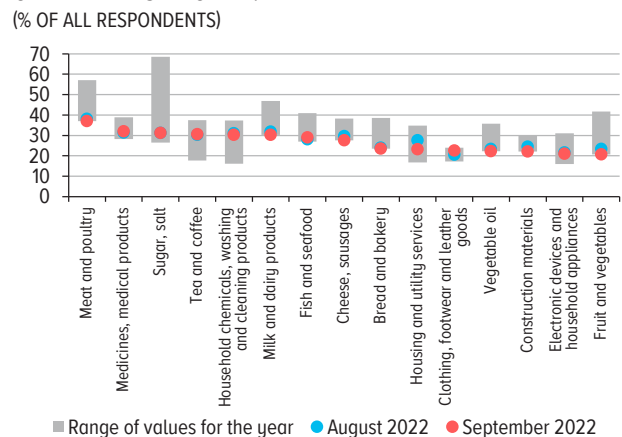
Chart 1



Sources: InFOM, Rosstat.

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

Chart 2



Sources: InFOM, Bank of Russia calculations.

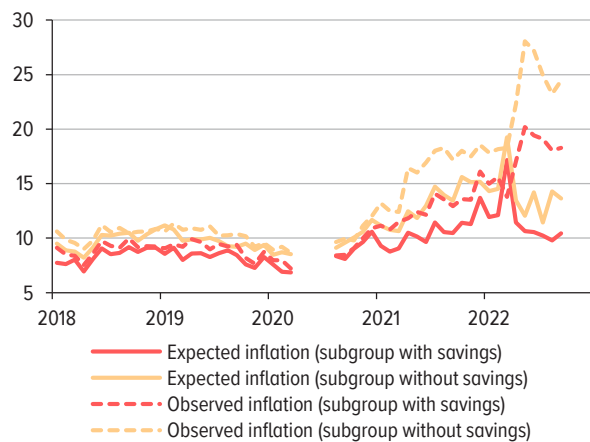
¹ More information about inflation in August is available in the information and analytical commentary [Consumer Price Dynamics, No. 8 \(80\), August 2022](#).

² That is, a larger percentage of respondents, as compared to the previous month, answered that prices will rise considerably or will be rising faster than now.

³ That is, a smaller percentage of respondents, as compared to the previous month, noted that prices rose considerably or were rising faster than before.

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

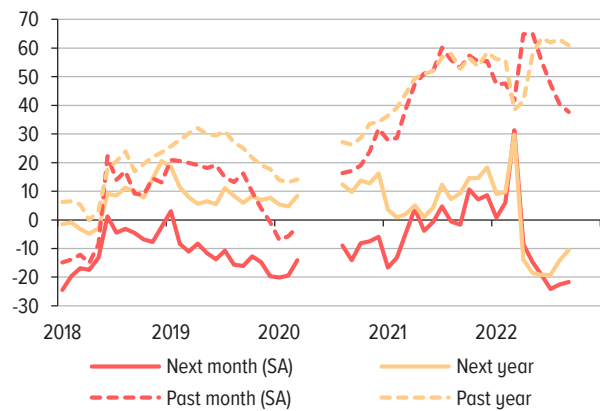
Chart 3



Sources: InFOM, Bank of Russia calculations.

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

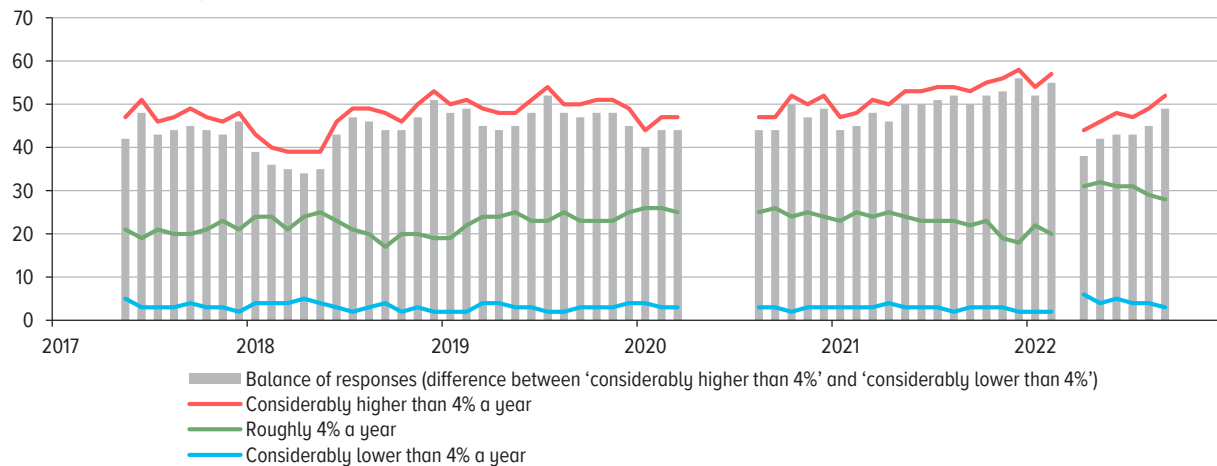
Chart 4



* 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.

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.

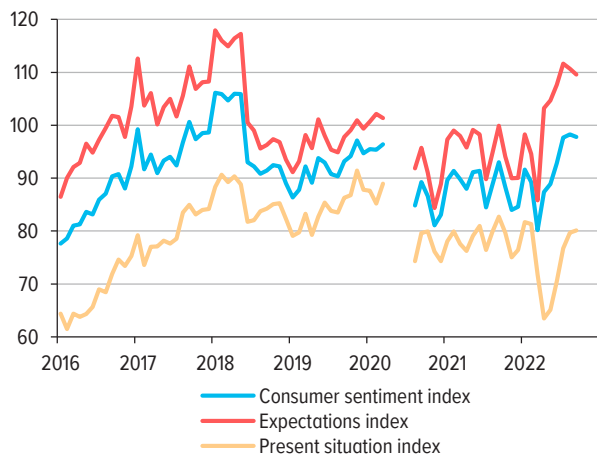
The consumer sentiment index edged down for the first time since March

In September, the consumer sentiment index dropped to 97.8 points (-0.5 point vs August). The expectations index had been decreasing for the second month in a row, equalling 109.6 points in September (-1.1 points vs August). 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 September, respondents continued to become less optimistic about the prospects of the country's development for the next one and five years, whereas their expectations about their personal financial standing slightly improved. Despite the decline, the expectations index remains considerably higher than 2019–2021 levels.

The present situation index continued to grow in September, but at a slower rate than in previous months, equalling 80.1 points (+0.4 points vs August). This index comprises the estimates of actual changes in personal financial standing over the year and the estimates of the suitability of the current period for large purchases. Its growth in September was driven solely by improved sentiment

CONSUMER SENTIMENT INDEX
(POINTS)

Chart 6

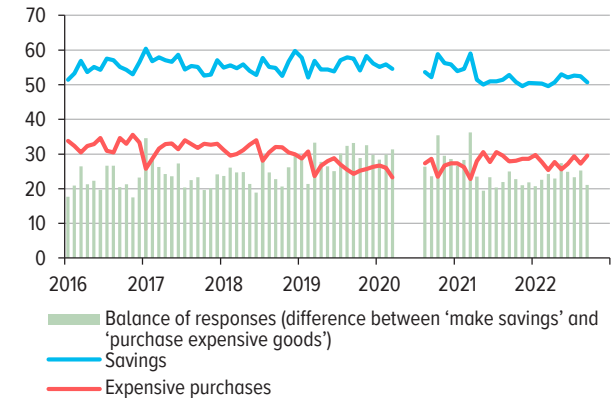


Source: inFOM.

DISTRIBUTION OF ANSWERS TO THE QUESTION:
'WHAT IS YOUR OPINION ABOUT THE BEST WAY
TO USE AVAILABLE MONEY: MAKE SAVINGS OR
PURCHASE EXPENSIVE GOODS?'

Chart 7

(% OF ALL RESPONDENTS)



Sources: InFOM, Bank of Russia calculations.

regarding large purchases, while the estimates of changes in personal financial standing became slightly worse than a month ago.

In September, households' propensity to consume edged up. The percentage of respondents, preferring to buy expensive goods rather than to save available funds increased to 29.6% (+2.4 pp vs August), which is the highest reading since January 2022.

Companies' price expectations edged up

According to the [monitoring](#) carried out by the Bank of Russia in September 2022, companies' price expectations for the next three months went up slightly for the first time after five months of a decline. The average price growth rate expected in the next three months equalled 3.8% in annualised terms (vs 3.6% in September 2021).⁴

Businesses' price expectations were driven by changing demand. According to respondents' estimates, demand in most industries continued to recover, and expectations regarding its future dynamics improved. Also, respondents cited changes in the costs of raw materials and components, as well as changes in prices for similar products in the market as reasons for increased price expectations. In agriculture, price expectations edged up because of a faster rise in business risks, among other factors. Besides, agricultural enterprises became less optimistic in relation to output changes expected in the next three months.

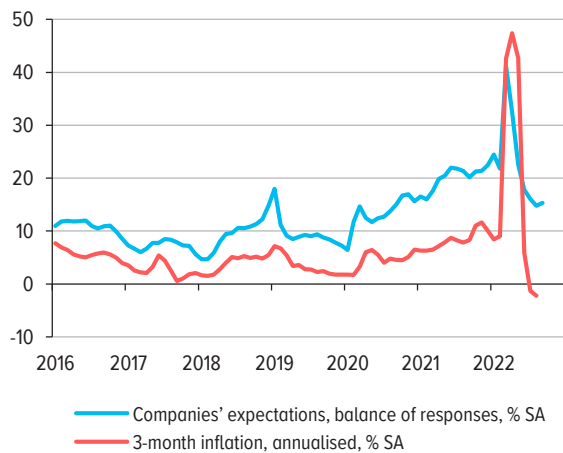
Price expectations in trade remained almost unchanged, however, the trends across different trade segments were mixed. Expectations among wholesale companies slightly decreased due to a weakening of business risks and a gradual establishment of new logistics chains and parallel imports. In motor vehicles trade, price expectations were up. According to respondents, this was caused by increased demand amid a decline in auto loan interest rates.

In retail, expectations (the balance of responses) remained unchanged. The average price growth rate expected by retailers in the next three months equalled 7.3% in annualised terms (vs 6.3% in September 2021), which is close to 2021 Q4 levels.

⁴ Since April 2022, the calculation of the average price growth rate expected in the next three months changed as the scale of the expected increase (decrease) in prices for products (services) in the market questionnaire was expanded.

COMPANIES' PRICE EXPECTATIONS

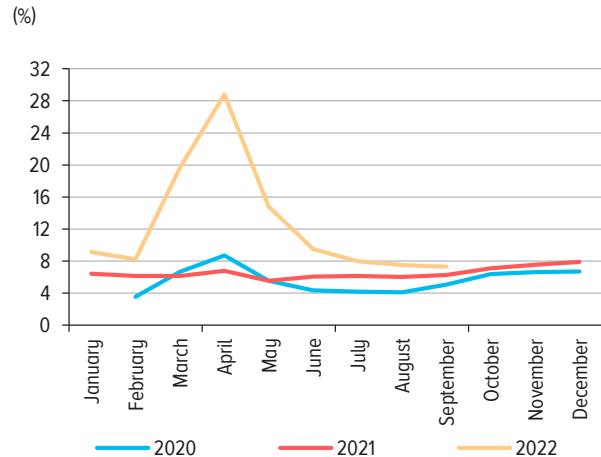
Chart 8



Sources: Bank of Russia, Rosstat.

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

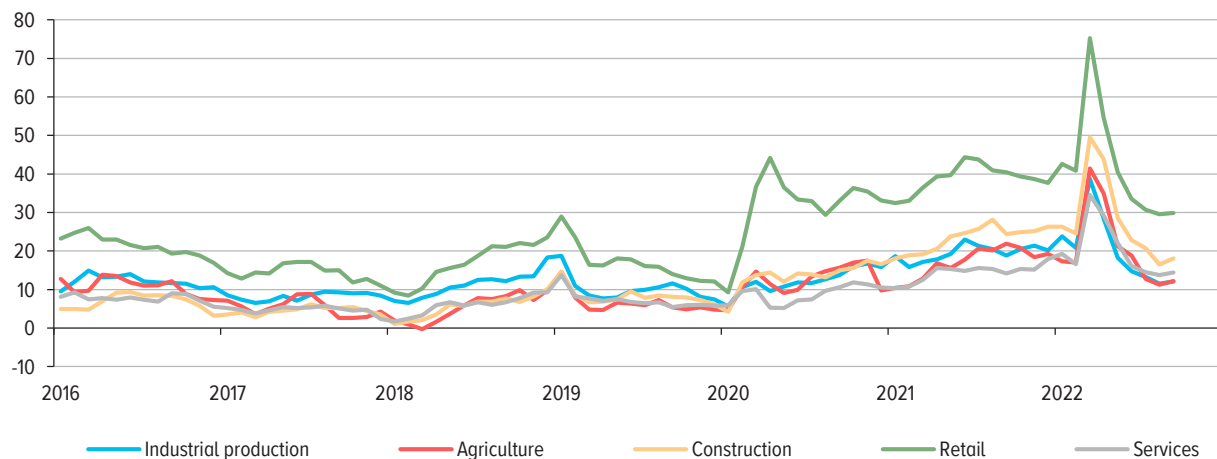
Chart 9



Source: Bank of Russia.

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

Chart 10



Source: Bank of Russia.

Implied inflation edged down, still remaining above 4%

According to the Bank of Russia's estimates,⁵ average implied inflation for the next 5.5 years for inflation-indexed federal government bonds (OFZ-IN) reduced to 5.0% in the first half of September (-0.3 pp vs August). Implied inflation for longer periods remained almost unchanged, equalling 5.7% for 2028–2030 (+0.1 pp vs August) and 7.0% for 2030–2032 (unchanged vs August).

Analysts expect inflation to slow down to 12.7–12.9% by the end of the year

In late August–early September, analysts' inflation forecasts continued to trend downwards. According to the findings of [the Bank of Russia's macroeconomic survey](#) carried out in September, analysts' inflation forecast for the end of 2022 equalled 12.9% (-2.1 pp vs July; in August, the survey was not carried out). They expect inflation to decline to 6.0% in 2023 (-0.1 pp vs July) and

⁵ 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](#).

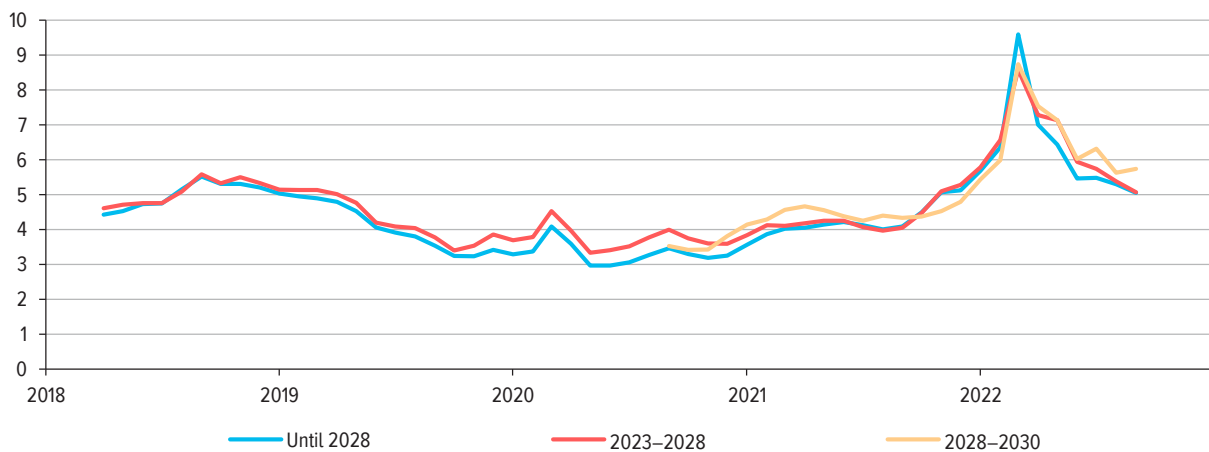
return to 4% in 2024 (-0.2 pp vs July). As shown by the survey of Interfax analysts, in August, their consensus forecast of inflation for the end of 2022 edged down to 12.7% (-0.9 pp vs July), and the forecast for the end of 2023 was 6.1% (+0.1 pp vs July).

The Bank of Russia forecasts that annual inflation will return to 4% in 2024

According to the Bank of Russia's estimate, there is a balance between proinflationary and disinflationary risks in the short term. Over the medium term, proinflationary risks still prevail. The Bank of Russia forecasts that annual inflation will equal 11–13% in 2022 and, given the monetary policy pursued, lower to 5–7% in 2023, and return to its 4% target in 2024.

IMPLIED INFLATION FOR OFZ-IN
(%)

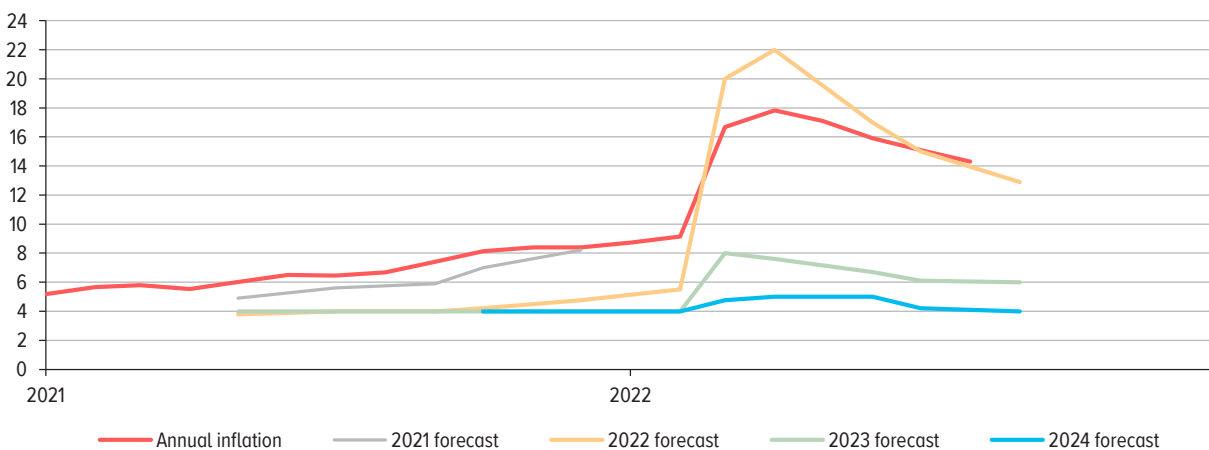
Chart 11



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 – 19 September 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.

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.

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