



Inflation Expectations

May 2022

- **Households:** Inflation expectations began to decline with a high perception of current inflationary processes
- **Enterprises:** Inflation expectations remain at an elevated level, while a slowdown in the growth of prices for final products is expected

Qualitative estimates of expectations decreased slightly

45% of respondents expect the current or faster rates of price growth to remain (53% in April this year).

The quantified value of inflation expected in a year has increased to **11.7%**¹ due to the acceleration of actual inflation.

Median inflation expectations continued to decline

The median inflation expectations in a year in May 2022 was **13.8%**, down from 16.2% in April this year.

The median estimate of perceived inflation **over the past 12 months** was **21.3%** and remained virtually unchanged compared to April this year.

Graph 1. Quantified value of expected inflation

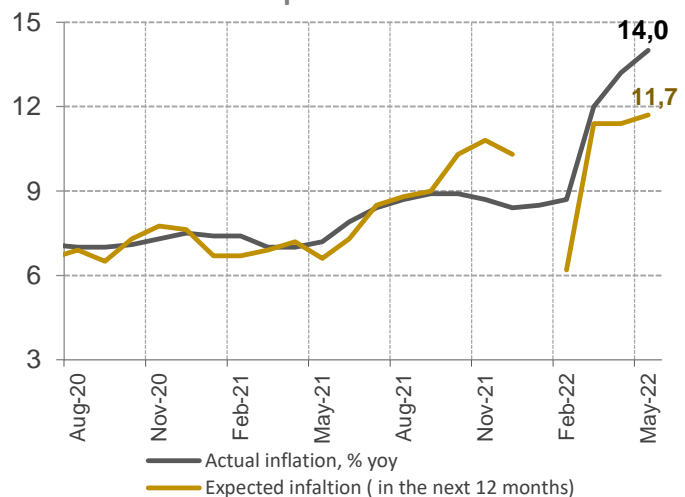
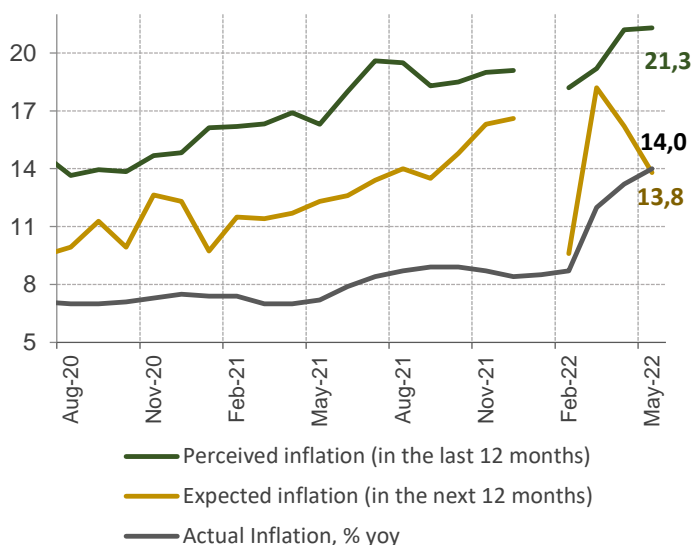


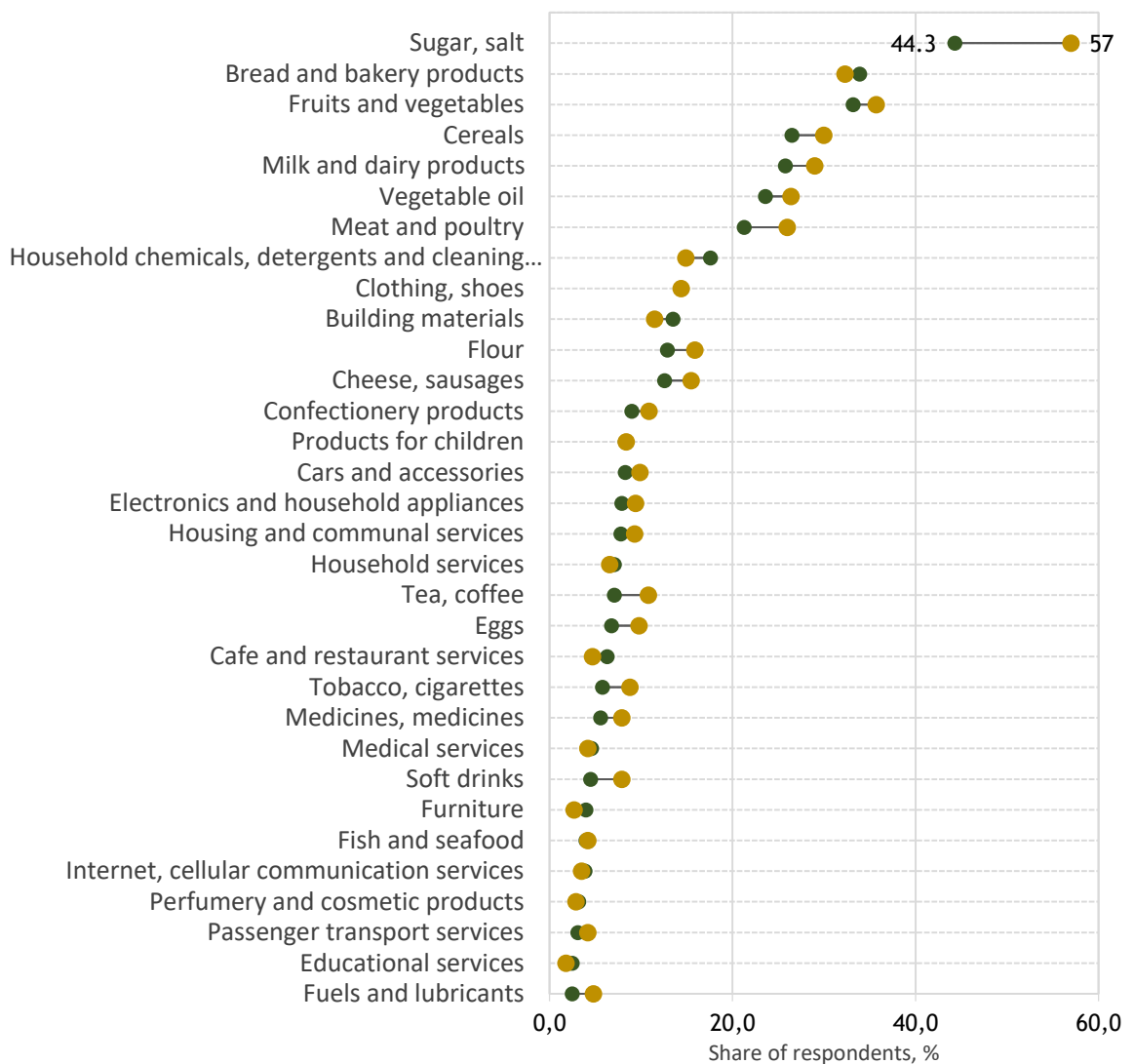
Chart 2. Median inflation expectations, %



The perception of a high rise in food product's prices has decreased slightly

In the household's estimates of price changes over the past 12 months, the share of respondents who noted a **faster and the same as before price growth** was 87% (88% in April this year). The majority of respondents who noted a price increase over the past month, note a rise in the price of **food products** – 90%. In general, in many positions, the share of the households that noted a strong increase in prices **decreased** in May. At the same time, sugar remains in the leaders (44.3%), followed by bread and bakery products (33.9%), fruits and vegetables (33.2%). Education (2.5%) as well as fuels and lubricants (2.5%) were the least noted.

Graph 3. Frequently called types of goods and services
April 2022-May 2022



Source: Results of a telephone survey of the population, Fusion Lab

Consumer sentiment of the households is gradually recovering

The index of consumer sentiment in May 2022 rose slightly to 104.1. The current situation continues to deteriorate, while consumer expectations are beginning to improve.

The current financial situation continues to remain in the **negative** zone: **41%** of respondents record its deterioration, **49%** – unchanged.

Readiness for **major purchases** is also at a **low** level.

Estimates of both the country's **long-term** development and **short-term** development have **improved** slightly. The share of respondents who positively assess the country's development prospects for a year and 5 years is **44%** and **45%**, respectively.

Estimates of the **future financial situation** continued to improve.

Figure 4. Index² of Consumer Sentiment

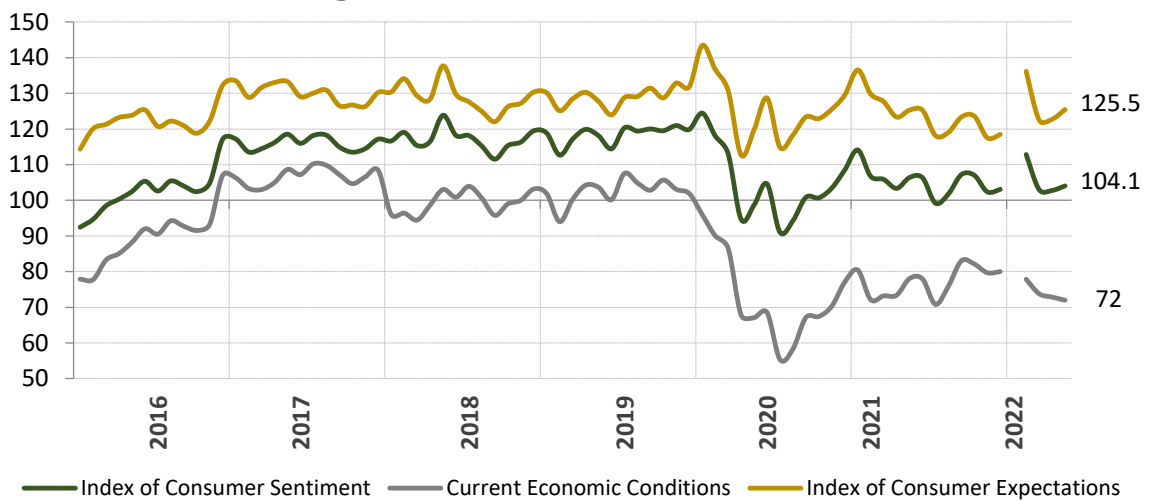


Figure 5. Current Conditions

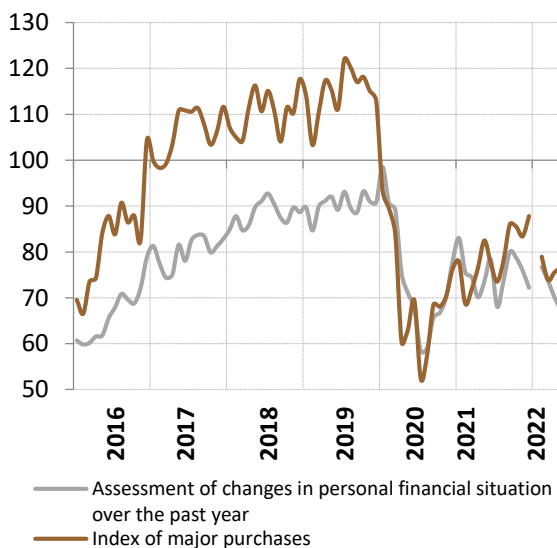
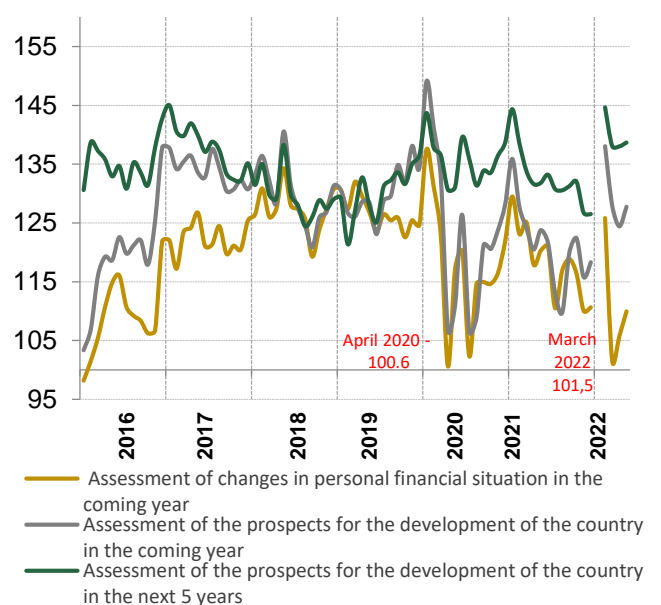


Figure 6. Consumer Expectations



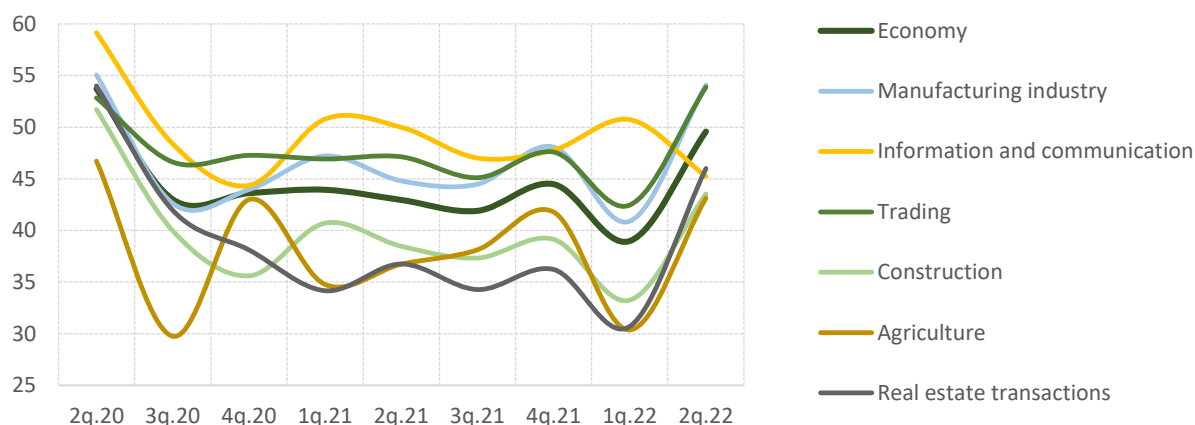
Source: Results of a telephone survey of the population, Fusion Lab

Inflation expectations of enterprises have increased

The balance of responses has shifted towards the growth of inflation expectations. The share of enterprises that believe that prices will rise in the second quarter faster than in the first quarter of this year increased from 19.7% to 30.7%.

There was an increase in inflation expectations of enterprises of all types of economic sector, except information and communication industry.

Figure 7. Inflation expectations of enterprises for the next 12 months, the balance of responses³

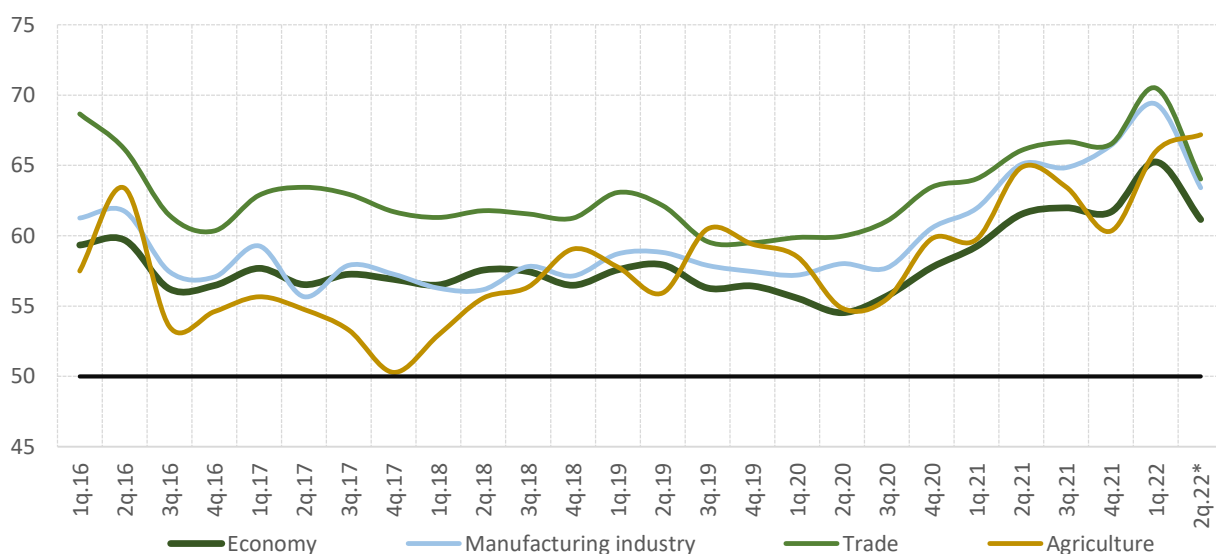


Source: Results of Monitoring of Real Sector Enterprises, National Bank
The survey of enterprises is conducted on a quarterly basis

Enterprises expect a slowdown in the growth of prices for final products

The survey showed that in the first quarter of 2022, in general the **growth rate of prices for final products** of the surveyed enterprises **accelerated** in the economy. In the second quarter of 2022 enterprises expect a slowdown in price growth. Despite the strengthening of inflation expectations, the growth rate of prices for final products will slow down, with the exception of agriculture industry.

Figure 8. Dynamics of changes in prices for finished products of enterprises, diffusion index⁴



Source: Results of monitoring of Real Sector Enterprises, National Bank
The survey of enterprises is conducted on a quarterly basis

NOTES

1 The methodology for calculating the quantified value of inflation expectations is available on the Internet resource of the National Bank

A quantitative assessment of inflation expectations/median estimates for January 2022 has not been published, because the results of the survey in January 2022 were influenced by January events in the country, which affected the smaller sample size and incompatibility with previous data

Median estimate of perceived inflation based on the survey results: How much exactly do you think the prices of goods and services have increased over the past 12 months? Median estimate of expected inflation based on the question: How much exactly do you think prices for goods and services will rise in the next 12 months?

2 Consumer sentiment index: The average value of private indices - changes in personal financial situation over the past year; changes in personal financial situation in the coming year; prospects for the development of the country in the coming year; prospects for the development of the country in the next 5 years; large purchases.

Current status index: The average value of private indices - changes in personal financial situation over the past year; the index of large purchases.

Consumer expectations index: The average value of private indices - changes in personal financial situation in the coming year; prospects for the development of the country in the coming year; prospects for the development of the country in the next 5 years.

The numerical value represents the balance of responses, which is calculated as the difference between the proportion of positive and negative responses + 100. Index values can vary from 0 to 200. A value above 100 indicates the predominance of positive estimates, below 100 – negative estimates

3 Response balance – the difference between the proportions of respondents expecting an increase and decrease

Calculation = $1 * W$ (faster price growth) + $0.5 * W$ (the same as now price growth) - $0.5 * W$ (price immutability) - $1 * W$ (price reduction)

Can vary from -100 (all answers: "will decrease") to +100 (all answers: "will grow faster than now")

4 The diffusion index (DI) is calculated as the sum of positive responses and half of the responses unchanged. DI is a generalized indicator that characterizes the dynamics of changes in the indicator under consideration. A value above level 50 means an increase, below level 50 – a decrease. The further (higher or lower) the DI value is from the level of 50, the higher the rate of change (increase or decrease) of the indicator. Number of respondents: 3,334 enterprises. Seasonally-cleared data. The companies answered the question: "How have the selling prices for finished products of your company changed/will change?"

*For the second quarter of 2022, the expectations of enterprises are given