



Inflation Expectations

August 2022

- Median inflation expectations of households remained at 16.5%
- 55% of respondents expect a faster or the current rate of price growth over a 1-year horizon
- Consumer sentiment declined, reflecting worsening personal financial condition and short-term economic outlook
- Inflationary expectations of enterprises remain elevated, while a slowdown in the growth of prices for final products is expected

Qualitative estimates of expectations have slightly increased

The quantified estimate of inflation expected in a year rose to **16.0%**¹ (15.6% in July).

The share of respondents expecting the current prices to remain the same or faster growth increased to **55%** (54% in July).

Median estimates of expected inflation remained at the same level as of July

The median inflation expectations in a year in August 2022 remained **16.5%** (16.5% in July this year).

The median estimate of perceived inflation over the past 12 months has slightly increased compared to July of this year and amounted to **21.6%**.

Figure 1. Quantified value of expected inflation

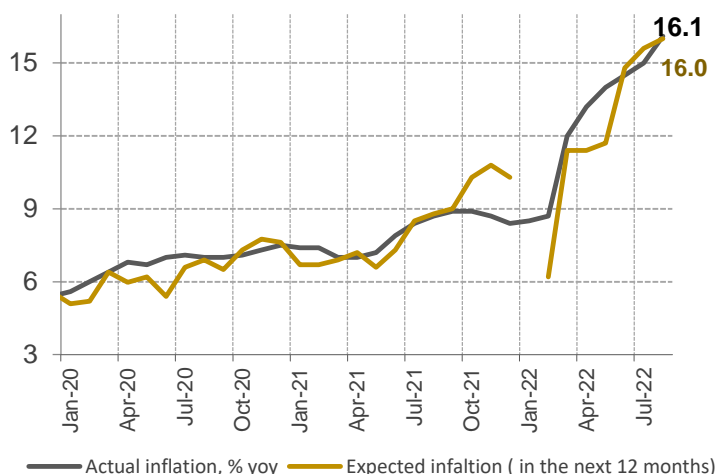
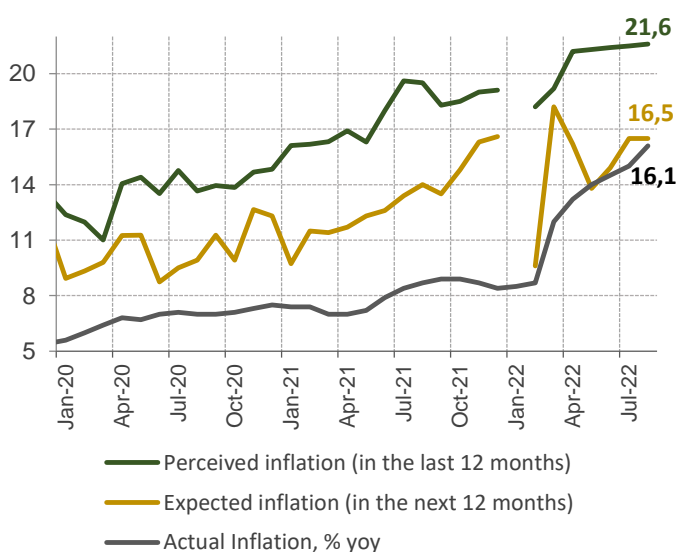


Figure 2. Median inflation expectations, %



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

Consumer sentiment have worsened, continuing to remain in the positive area

A further decline in consumer sentiment was recorded, to a greater extent due to the deterioration of the current material condition and short-term estimates of economic development.

The consumer sentiment index in August 2022 decreased to 102.3 (in July 2022 – 103.9). In particular, assessments of personal financial situation worsened over the past year (the index fell from 80.9 to 72.6). In addition, expectations for the development of the country for the year ahead worsened (the index fell from 122.6 to 115.9).

Readiness for large purchases is also in the negative zone, but slightly increased in August (the index rose from 75.6 to 76.9).

Estimates of the change in personal situation for the year ahead and the prospects for economic development for 5 years ahead have somewhat improved.

Figure 3. Index² of Consumer Sentiment

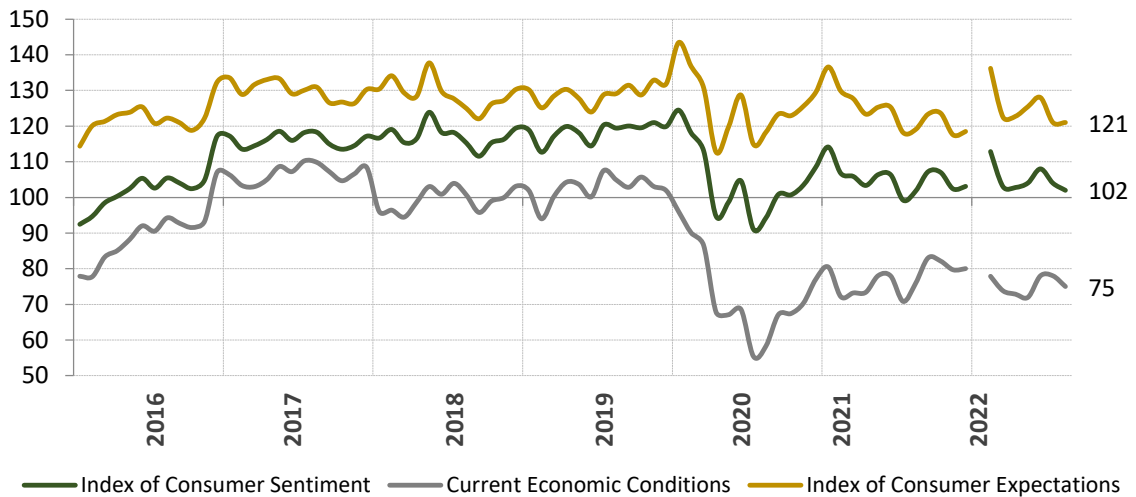


Figure 4. Current Conditions

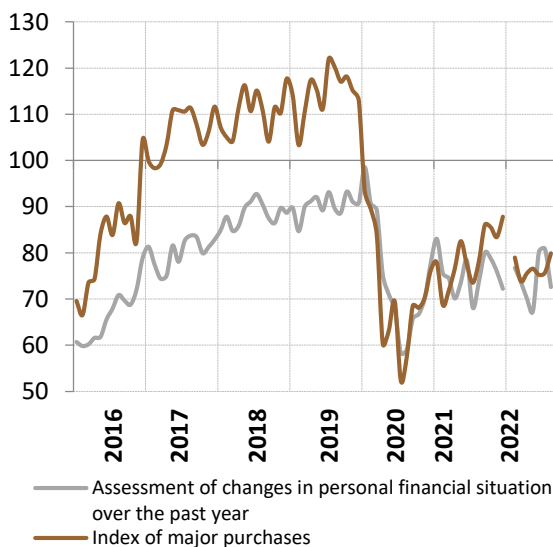
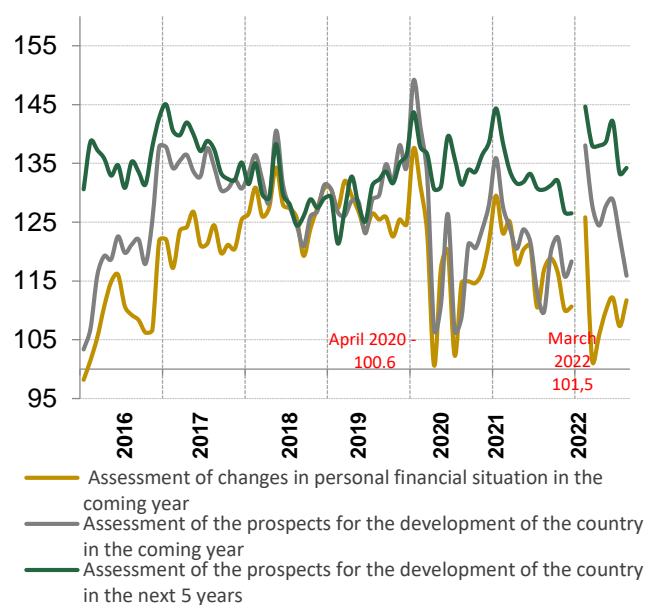


Figure 5. Consumer Expectations

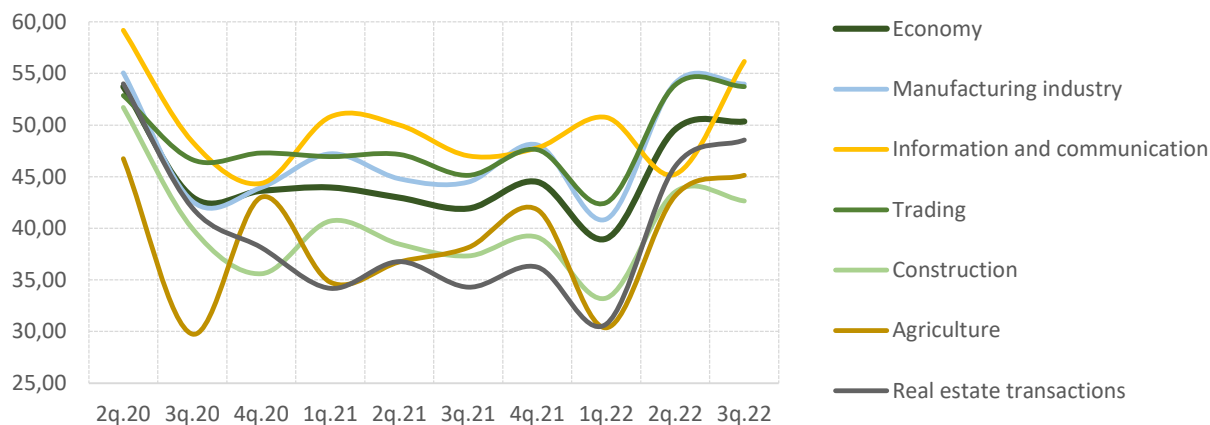


Source: Results of a telephone survey of the population, Fusion Lab

Inflation expectations of enterprises remain at elevated level

Expectations of enterprises as a whole remained at the level of the previous quarter. At construction enterprises, inflation expectations slightly decreased, while those of the enterprises of the «Information and Communications» industry noticeably increased.

Figure 6. Inflation expectations of enterprises for the next 12 months, the balance of responses³

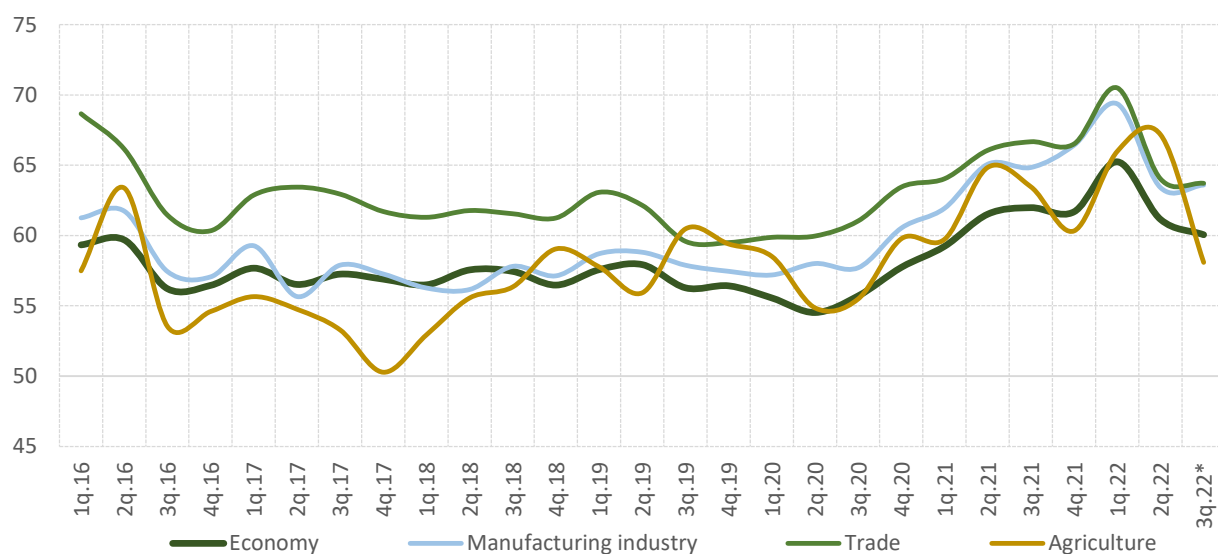


Source: Results of Monitoring of Real Sector Enterprises, National Bank
The survey of enterprises is conducted on a quarterly basis

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

The survey showed that in the 2 quarter of 2022 the growth rate of prices for finished products of the surveyed enterprises in the economy as a whole accelerated. In the 3 quarter of 2022, enterprises of all types of activity except electricity producers expect a slowdown in price growth.

Figure 7. 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