



Inflation Expectations

October 2022

- Median estimate of expected inflation increased to 18.3%
- 59% of respondents expect a faster or current price growth rate over a one-year horizon
- Consumer sentiment of the population worsened due to lower estimates for the current situation
- The enterprises of the real sector expect a slowdown in the growth of prices, both for consumer prices and for finished products. At the same time, quantified inflation expectations of enterprises reached record levels

Qualitative estimates of expectations have increased

The quantified estimate of inflation expected in a year rose to **19%**¹ (16.5% in September), which is the maximum value since the beginning of the survey. The share of respondents expecting the current prices to remain the same or faster growth slightly increased to **59%** (54% in September).

Median expected inflation rises, perceived inflation remains at historically high level

The median inflation expectations in a year in 2022 rose to **18.3%** (16.5% in September this year). The median estimate of perceived inflation **over the past 12 months** remain unchanged compared to September of this year and amounted to **22%**.

Figure 1. Quantified value of expected inflation

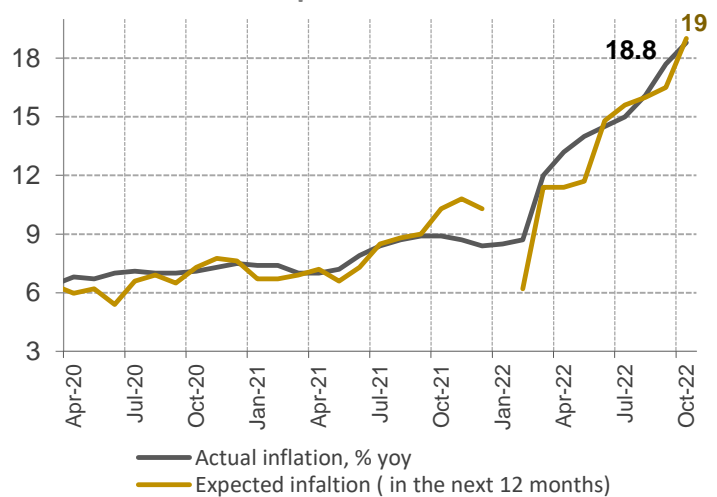
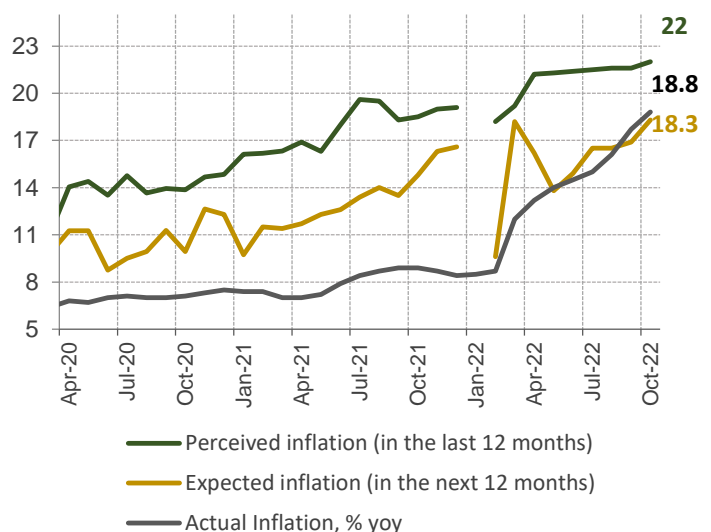


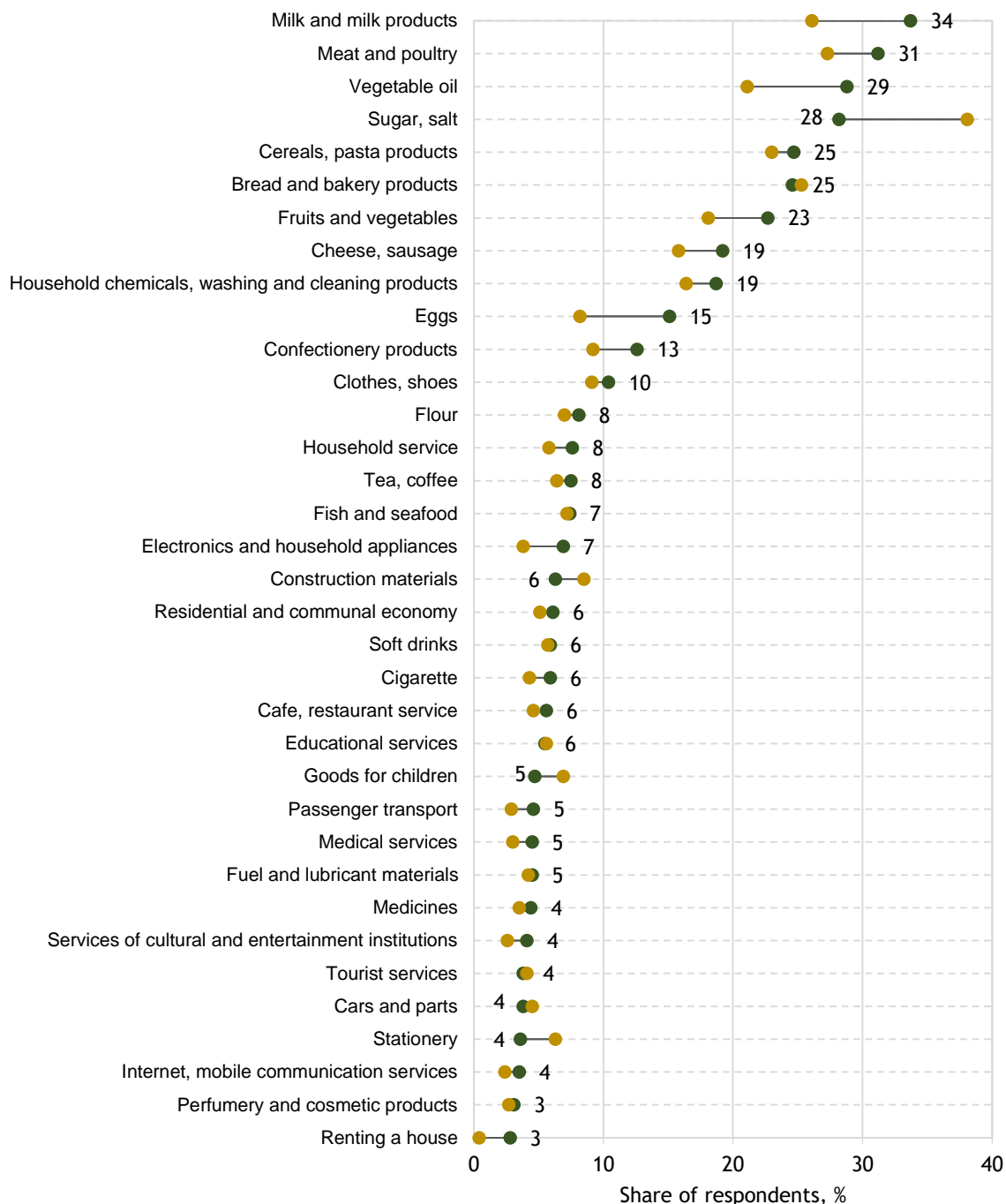
Figure 2. Median inflation expectations, %



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

In the context of food products for respondents, the most noticeable increase in prices for dairy products (34%), meat products (31%). At the same time, the proportion of respondents who noted an increase in sugar prices significantly decreased (from 38% to 28%). A significant proportion of respondents noted an increase in prices for vegetable oil (29%), bakery products, cereals and pasta (25% each).

Chart 3. Frequently mentioned goods and services
Sep.22-Oct. 22



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

Consumer sentiment has deteriorated, in particular with regard to the current and future personal financial situation

The consumer sentiment index in October 2022 deteriorated significantly and amounted to 100.1 (in September 2022 – 105.1).

In particular, assessments of personal financial situation over the past year have significantly deteriorated (the index fell from 79.1 to 62.9). At the same time, the readiness for large purchases has increased (the index has increased from 81.1 to 85.8), but continues to be in the negative area.

Long-term estimates for economic development improved (for 5 years ahead), while short-term estimates (for 1 year ahead) decreased (from 121.7 to 119.5). Estimates of the change in personal situation for the year ahead have deteriorated significantly (the index fell from 110.0 to 98.8), approaching a minimum in early 2016.

Figure 4. Index² of Consumer Sentiment

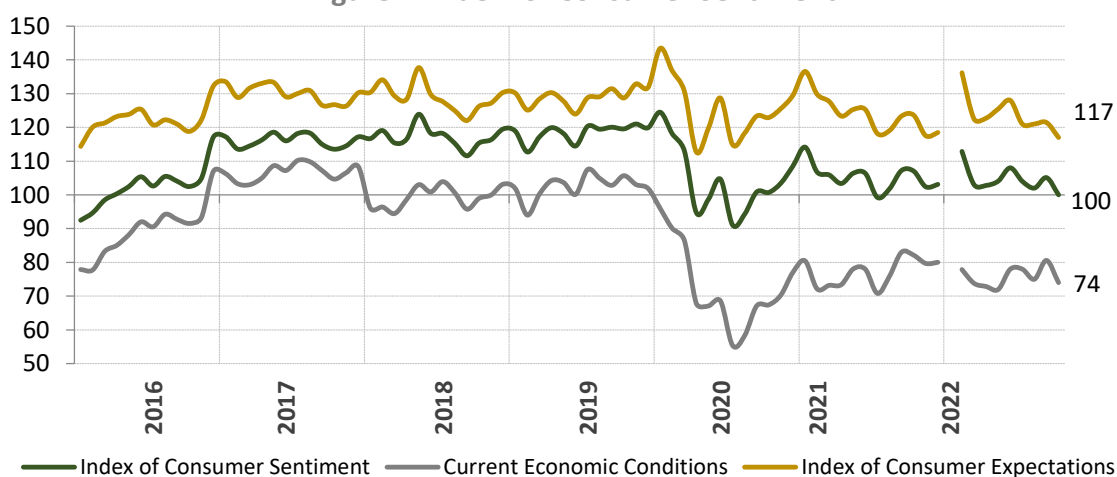


Figure 5. Current Conditions

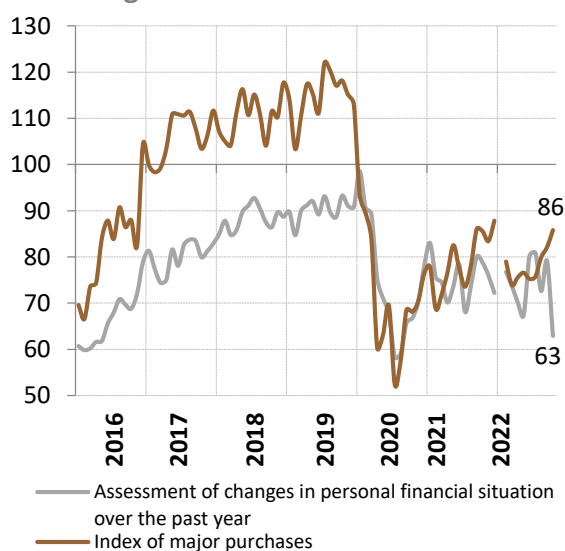
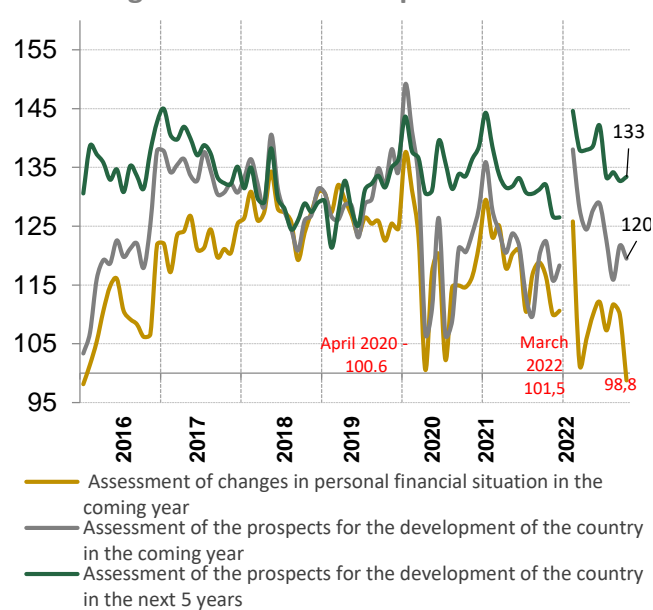


Figure 6. Consumer Expectations

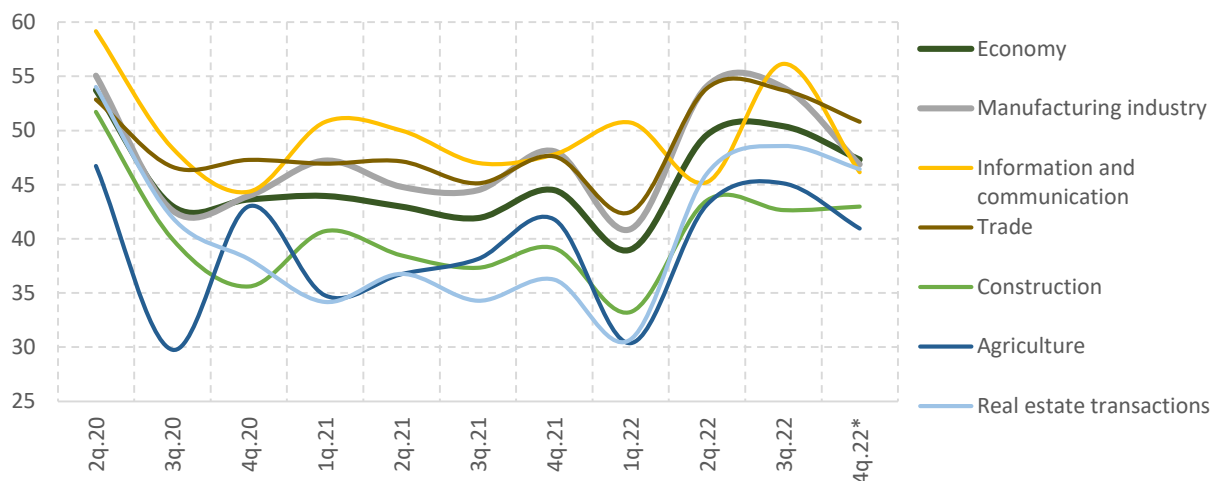


Source: Results of a telephone survey of the population, FusionLab

Positive signals from enterprises' inflation expectations

The balance of enterprises' responses to inflation expectations shows a slowdown in price growth. The most optimistic in their assessments are enterprises in the «information and communication» sector, while expectations in construction remained at the same level.

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

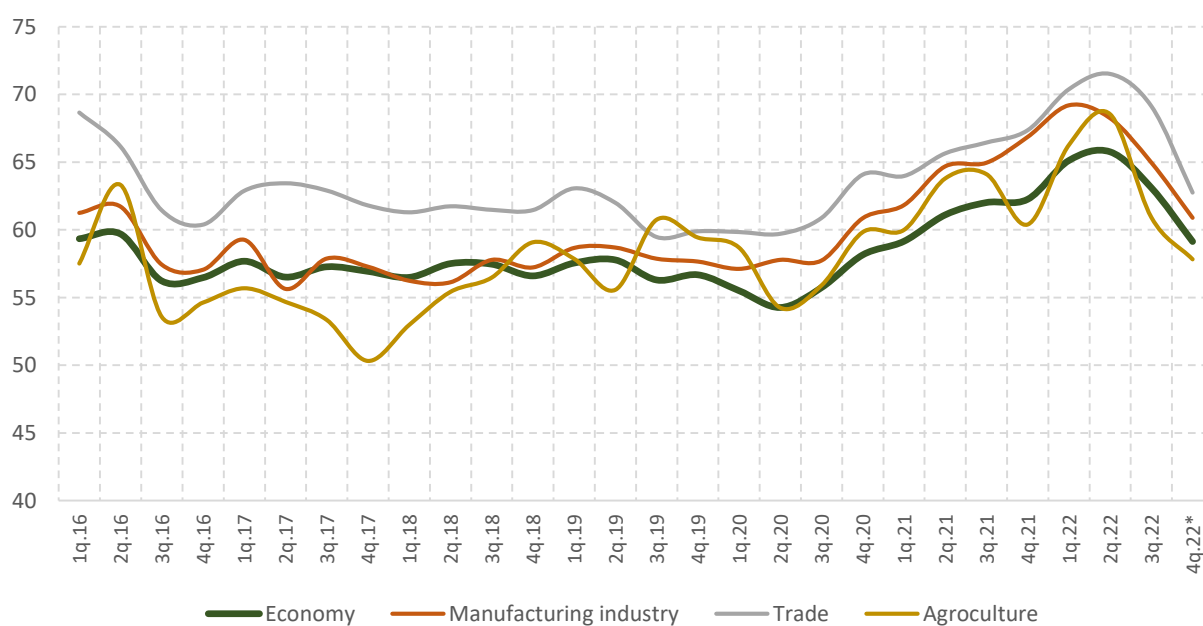


Source: Results of monitoring of real sector enterprises, National Bank
The survey of enterprises is carried out on a quarterly basis

Slow rise in prices for finished products

A survey of enterprises showed that in 3rd quarter of 2022 the growth rate of prices for finished products (goods, works, services) slowed down. In 4th quarter 2022, businesses expect this trend to continue.

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

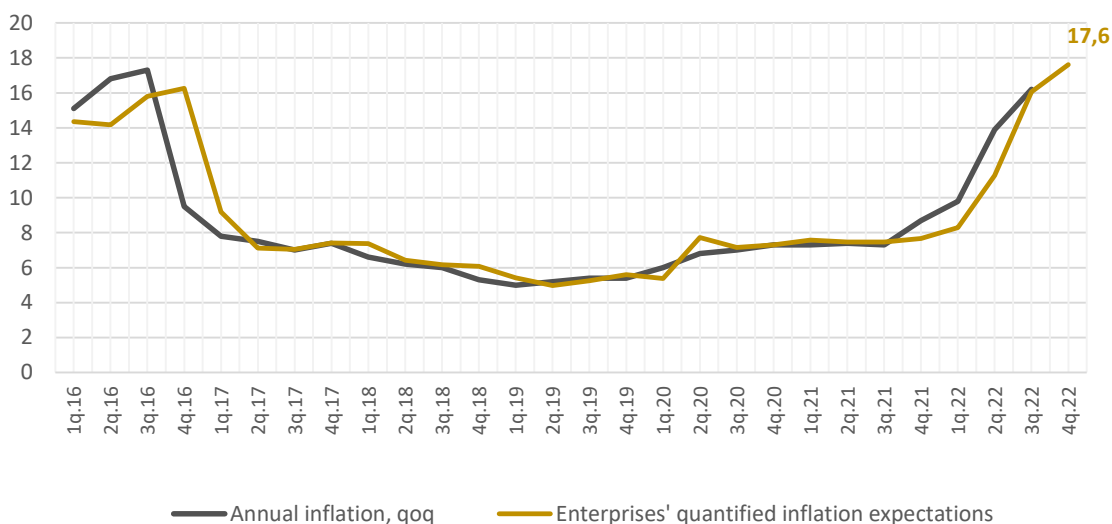


Source: Results of monitoring of real sector enterprises, National Bank
The survey of enterprises is carried out on a quarterly basis

The dynamics of inflation expectations of enterprises slows down, reaching a historical maximum

Enterprises' quantified inflation expectations reached record highs. At the same time, despite the upward trend in inflationary expectations of enterprises, their growth rate slowed down. Inflation expectations for the year ahead in 4th quarter of 2022 increased by 1.5 percentage points, while a quarter earlier expectations rose by 4.8 percentage points at once.

Chart 9. Inflation expectations of enterprises (quantified)



Source: Results of monitoring of real sector enterprises, National Bank
The survey of enterprises is carried out 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: 3,336 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 4 quarter of 2022, the expectations of enterprises are given