



# Inflation Expectations

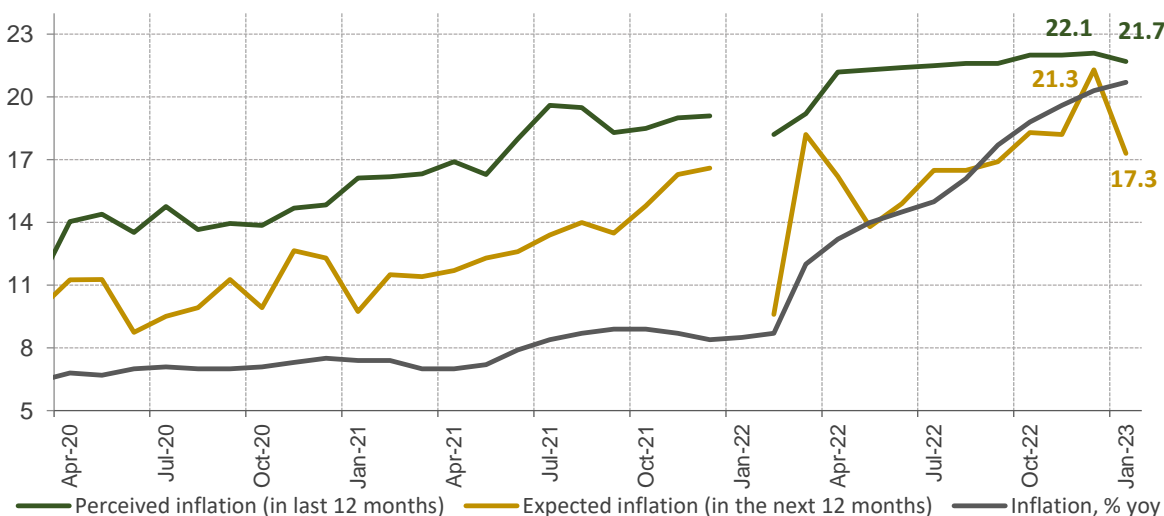
January 2023

- Median estimate of expected inflation slowed down significantly
- In consumer sentiment, there is an increase in positive expectations, in particular, the country's economic prospects and personal financial situation
- Real sector enterprises expect a slowdown in price growth for their products

## Median expected inflation rises, perceived inflation remains at the high level

The share of respondents expecting the current prices to remain the same or faster growth in January 2023 slightly decreased to 57% (66% in December 2022). The median estimate<sup>1</sup> of expected inflation decreased to 17.3% (21.3%), perceived inflation – to 21.7% (22.1%) (Figure 1).

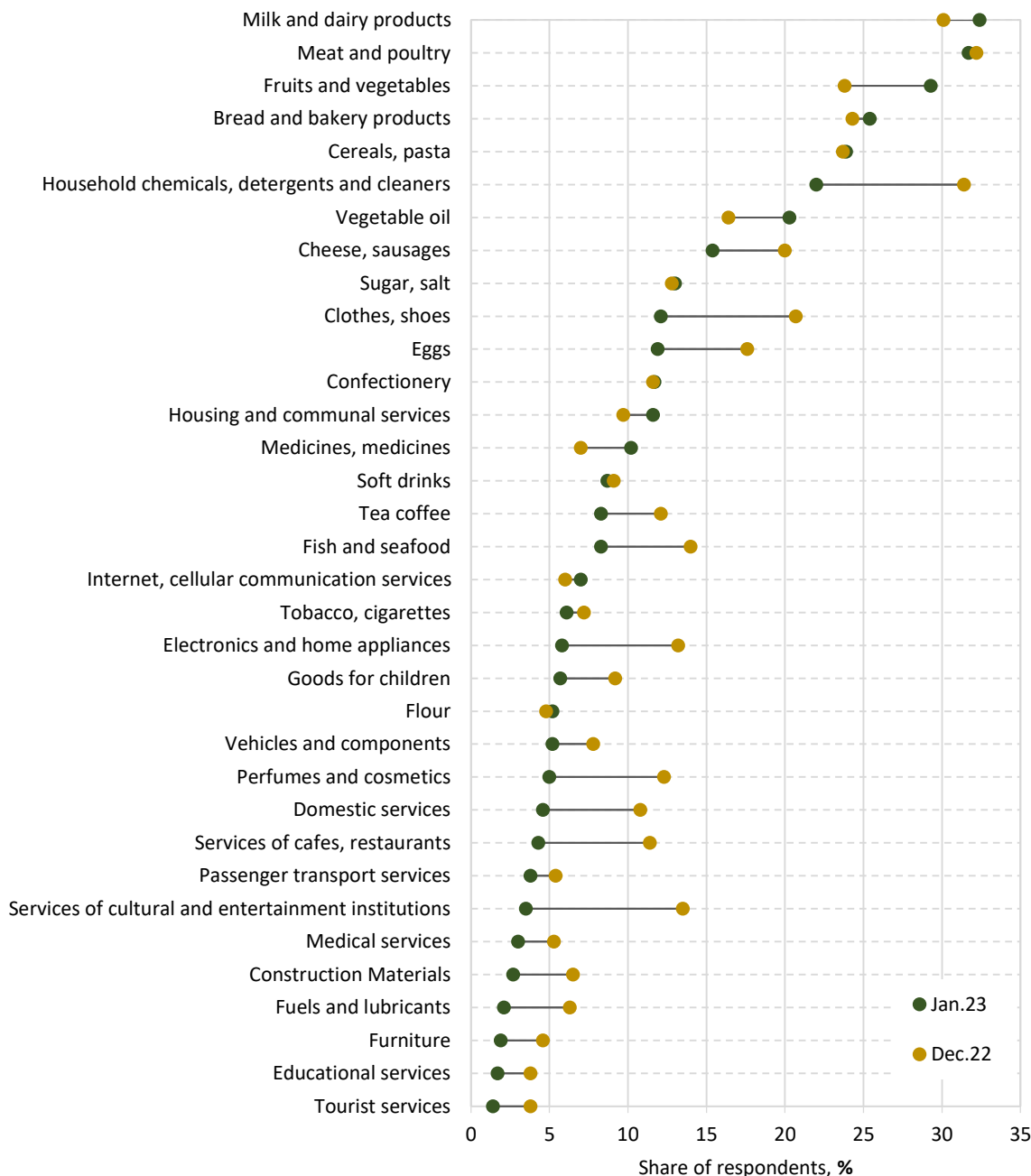
Figure 1. Median inflation expectations, %



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

In January 2023, the share of respondents who noted an increase in food prices increased (88%). In particular, there was an increase in prices for meat and dairy products (by 32%), fruits and vegetables (29%), vegetable oil (20%). In addition, the share of respondents who noted an increase in the cost of housing and communal services increased (12%). Among non-food products, respondents noted an increase in prices for household chemicals (22%), clothing and footwear (12%) (Figure 1).

**Figure 2. Frequently mentioned goods and services**



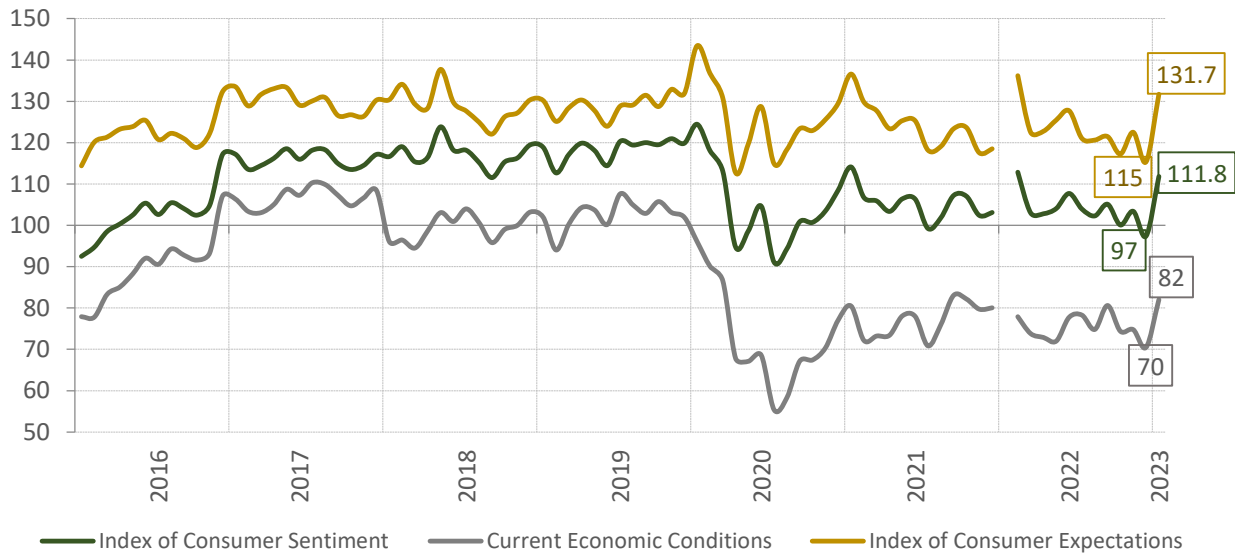
Source: Results of a telephone survey of the population, Fusion Lab

**Consumer sentiment improved largely due to increased positivity in expectations**

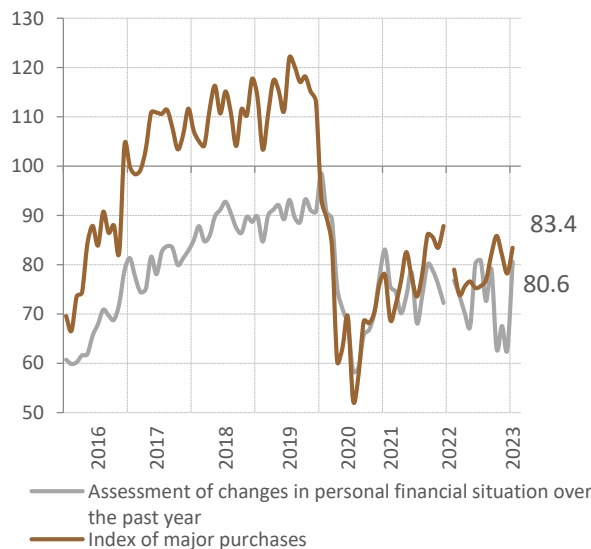
The consumer sentiment index in January 2023 increased significantly and amounted to 111.8 (in December 2022 - 97.4). In particular, the assessments on the change in personal financial situation in the next year have significantly improved (an increase of 25 points). Both short-term estimates of the country's economic development for the year ahead (by 12.9 points) and long-term estimates - for 5 years ahead (by 11 points) have increased.

In the perception of the current situation, the assessments of personal financial situation over the past year (increase by 17.9 points), readiness for large purchases (by 5.2 points) have increased, while both indicators continue to be in the negative area (chart 3-5 ).

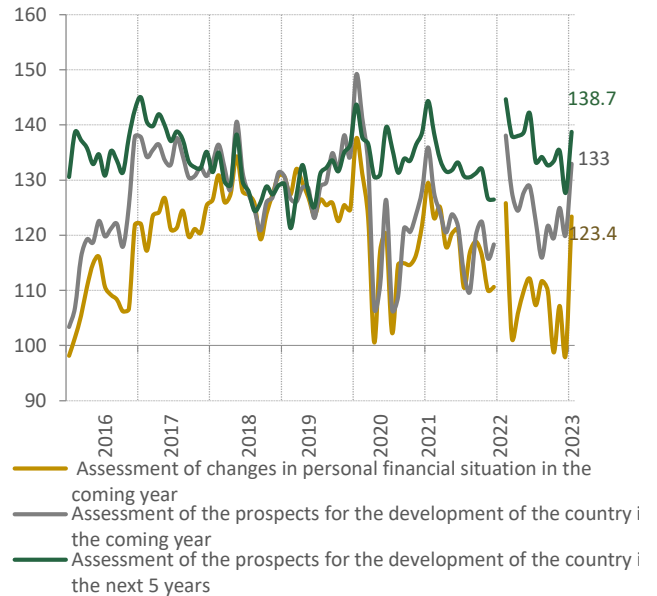
**Figure 3. Index<sup>2</sup> of Consumer Sentiment**



**Figure 4. Current Conditions**



**Figure 5. Consumer Expectations**

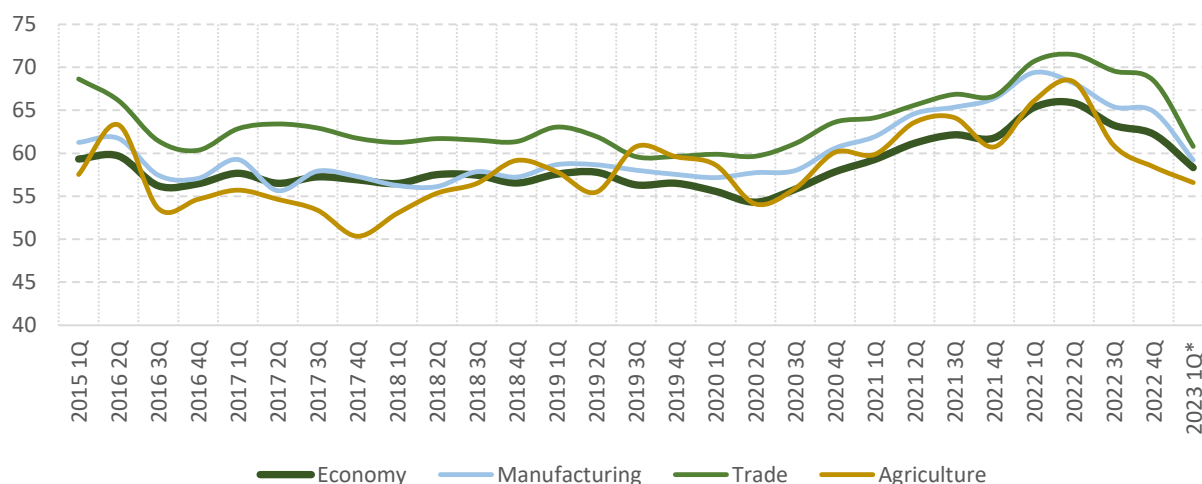


Source: Results of a telephone survey of the population, FusionLab

### Enterprises' price expectations continue to slow down

The survey of real sector enterprises showed that in Q4 of 2022, the growth rates of prices for finished products of the surveyed enterprises continued to slow down in the economy as a whole and by industries as well. In the Q1 of 2023, enterprises of all types of activity expect a further slowdown in the pace of price growth. Nevertheless, the level of price expectations of enterprises remains higher than its trend (Graph 6).

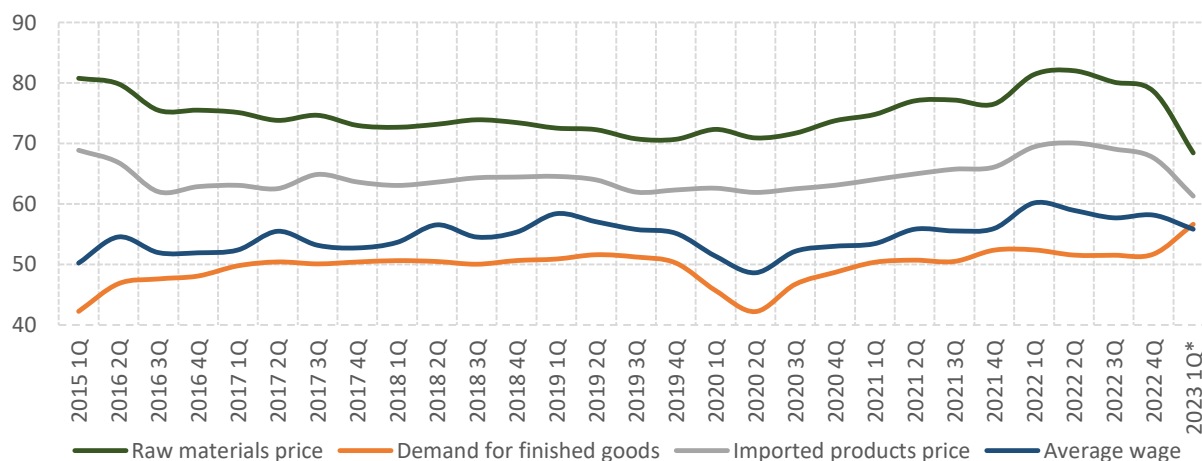
Graph 6. Dynamics of price changes for finished products of enterprises, diffusion index<sup>3</sup>



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

For the vast majority of enterprises, the most important factor in setting prices for finished products are the prices of raw materials (for 83.6% of enterprises), demand (81.6%) and labor costs (70.5%). The growth of prices for raw materials and imported products, according to enterprises, is also slowing down. At the same time, enterprises expect an increase in demand for finished products (Graph 7).

Graph 7. Dynamics of factors for setting prices for finished products of enterprises, diffusion index<sup>3</sup>



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

## NOTES

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**1** 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** 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: 3,362 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 1 quarter of 2023, the expectations of enterprises are given