



# Inflation Expectations

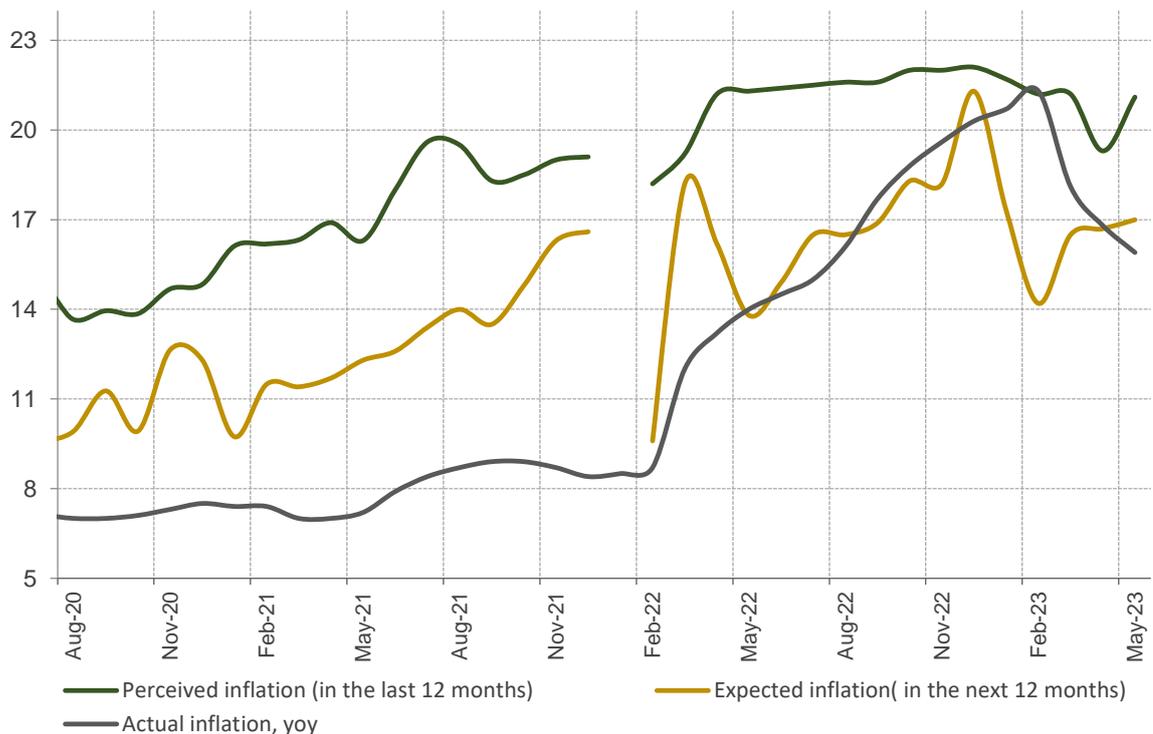
May 2023

- The median estimate of expected inflation has risen slightly
- Consumer sentiment improved after a three-month decline
- Enterprises expect a slowdown in the growth rate of prices for their products, while in agriculture, on the contrary, an acceleration in the growth rate of prices is expected

## Inflation expectations

The share of respondents, expecting the current prices to remain or a faster increase, rose to 25% in May 2023 (23% in April 2023). The median estimate<sup>1</sup> of the expected inflation increased to 17.0% (16.7%), perceived inflation – to 21.1% (Figure 1).

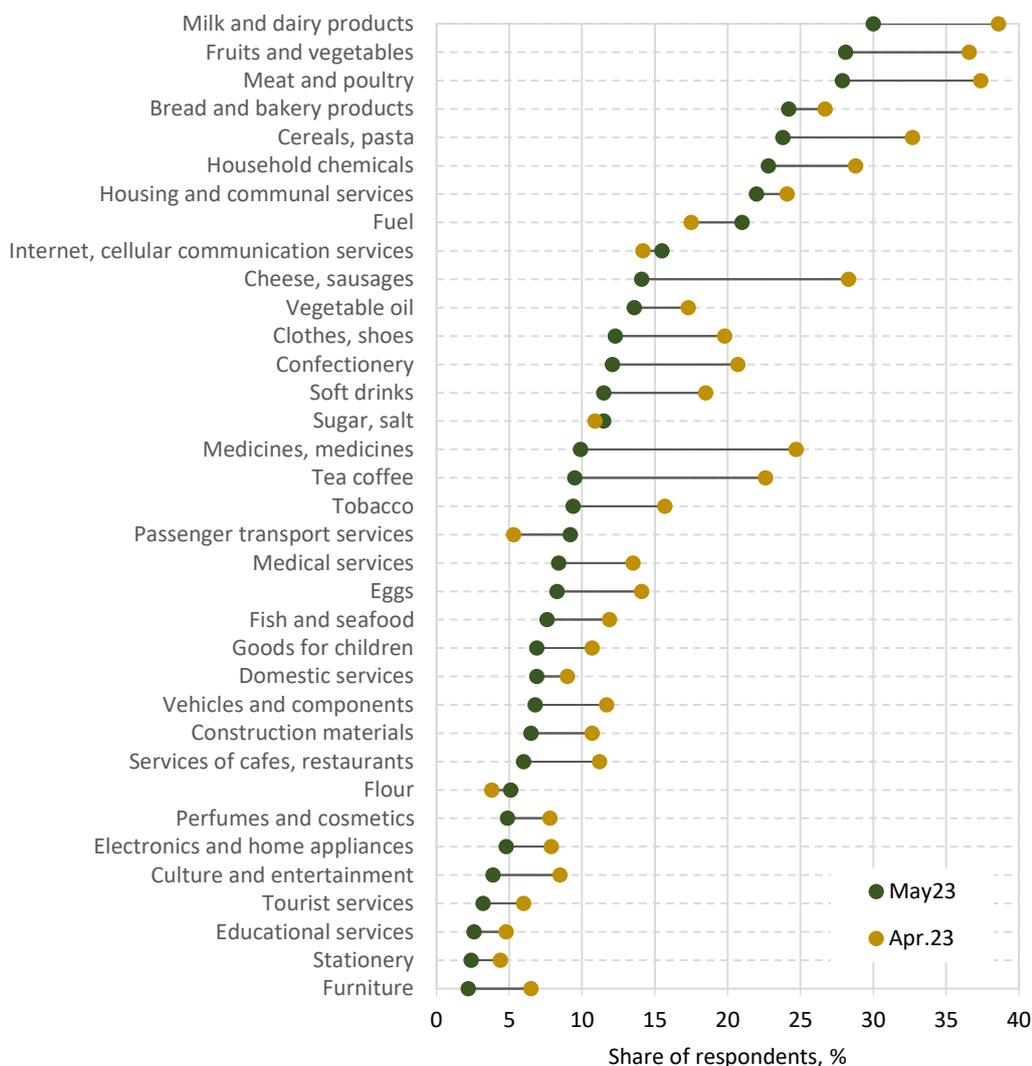
Figure 1. Median inflation expectations, %



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

In May 2023, the share of respondents who noted growth in food prices, decreased (77%), while the share of those who noted an increase in prices for non-food products slightly increased. In general, for most positions, the price change was noted by a smaller proportion of respondents than last month. Respondents noticed an increase in the cost of fuel and lubricants (the share of respondents increased from 18% to 21%), as well as communication services and passenger transport (Figure 2).

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



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

### Consumer sentiments

Consumer sentiment rose after a three-month decline. The consumer sentiment index in May 2023 was 104.8 (in April 2023 – 102.9). The increase was observed mainly in estimates of the future expectations. In particular, estimates of changes in the country's development prospects in 5 years (by 10 points) and in the next year (by 1.8 points) have significantly increased. Estimates of personal financial situation in a year also slightly increased (by 3.7 points).

Assessments of personal financial situation for the last year (by 2.5 points) and readiness for large purchases (by 3.3 points) decreased.

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

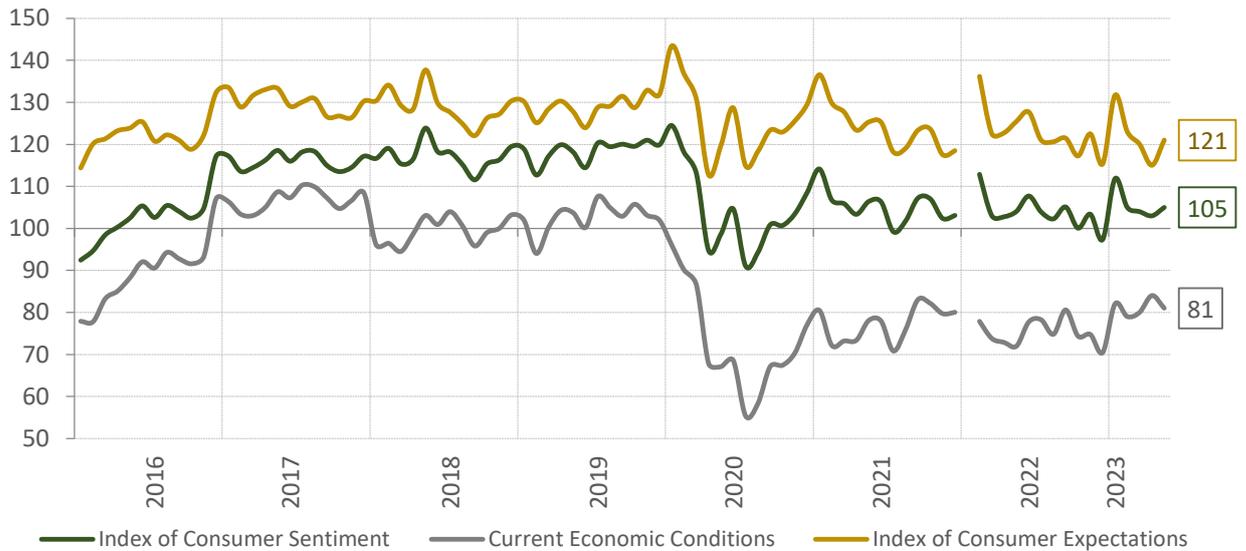


Figure 4. Current Conditions

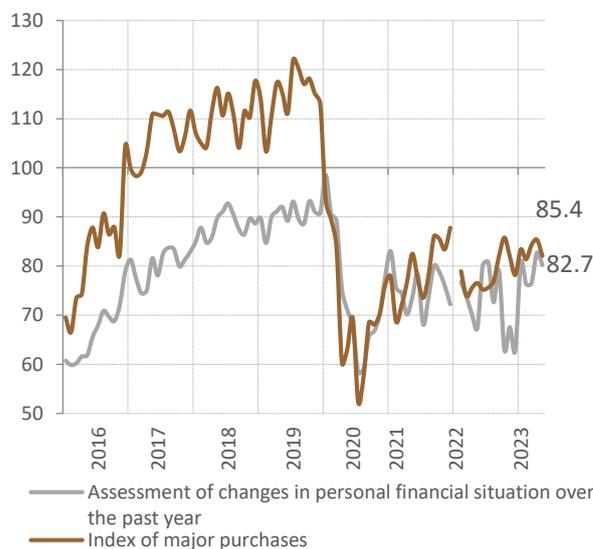
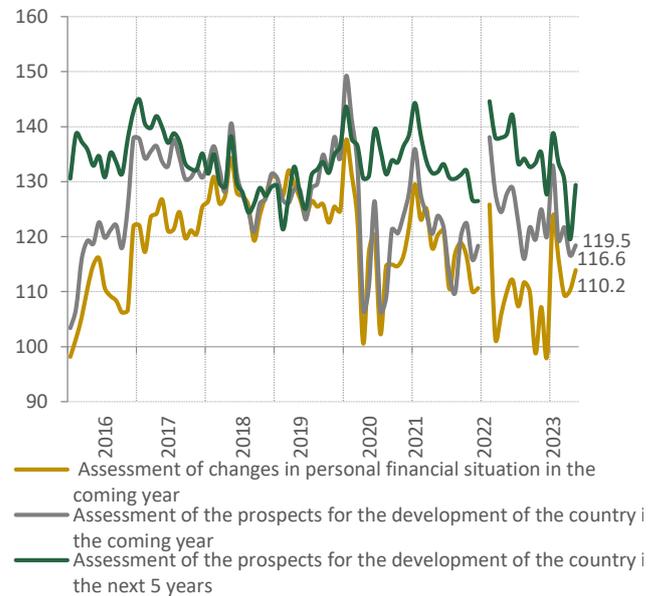


Figure 5. Consumer Expectations



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

### The price expectations of enterprises continue to slow down

In the 1st quarter of 2023, the growth rates of prices for finished products of the surveyed enterprises continued to slow down, both in the economy as a whole and by industry. In the 2nd quarter of 2023, enterprises expect a further slowdown in the rate of price growth, while in agriculture, on the contrary, an acceleration in the rate of price growth is expected (Figure 6).

**Figure 6. Dynamics of changes in 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  
 \*For the 2nd quarter of 2023, the expectations of enterprises are given

For the vast majority of enterprises, the most important factor in setting prices for finished products are the prices of raw materials (for 83.9% of enterprises), demand (82.0%) and labor costs (71.5%). The growth of prices for raw materials and imported products, according to enterprises, continues to slow down. At the same time, enterprises noted an increase in demand for finished products and expect the trend to continue in the 2nd quarter of 2023 (Figure 7).

**Figure 7. Dynamics of factors of 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  
 \*For the 2nd quarter of 2023 the expectations of enterprises are given

## 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: 3,366 enterprises. Seasonally-cleared data. The companies answered the question: "How have the selling prices for finished products of your company changed/will change?"