



Inflation Expectations

July 2023

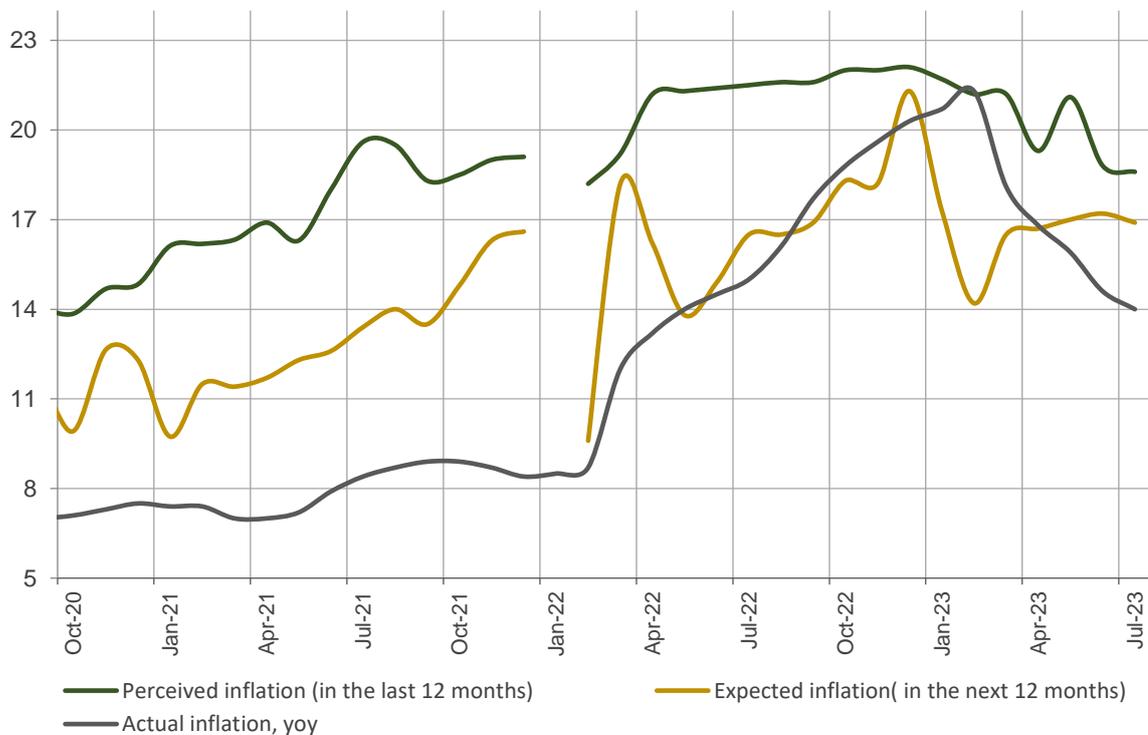
- The median estimate of expected inflation decreased slightly
- Consumer sentiment improved both due to an increase in estimates of the current situation and expectations
- Enterprises expect a slowdown in the growth of prices for their products, but enterprises representing housing and communal services expect an acceleration in prices for their products/services

Inflation expectations

The share of respondents, expecting the current prices to remain or increase faster, rose to 20% in July 2023 (17% in June 2023).

The median estimate¹ of expected inflation in the next 12 months decreased to 16.9% (17.0%), perceived inflation during the last 12 months slowed down to 18.6% (18.8%) (Figure 1).

Figure 1. Median inflation expectations, %



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

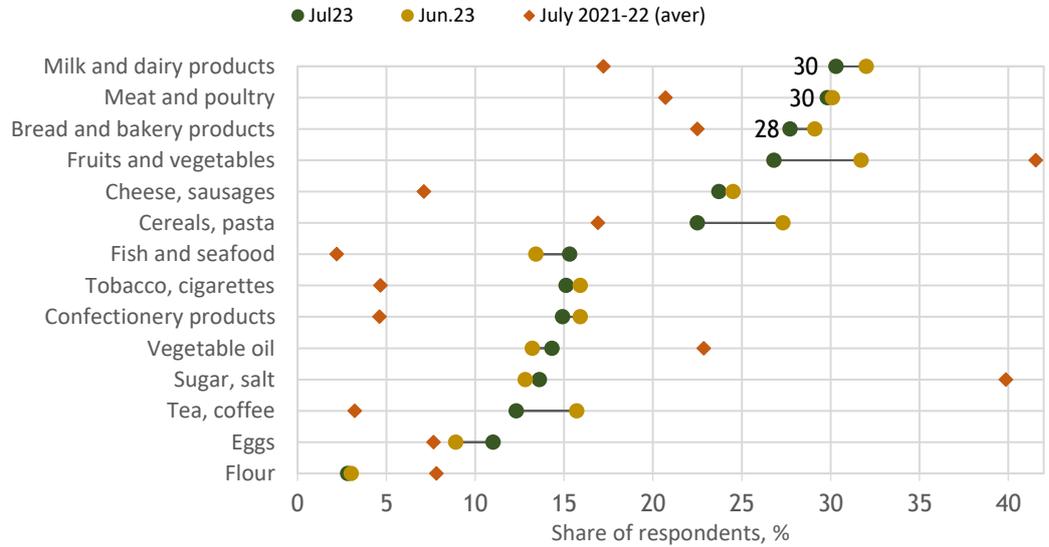
In July 2023, the share of respondents who noted an increase in food prices continued to decline (from 74% in June to 66% – minimum since 2016). At the same time, the share of those

who noted an increase in prices for non-food products (16%) and paid services (8%) slightly increased.

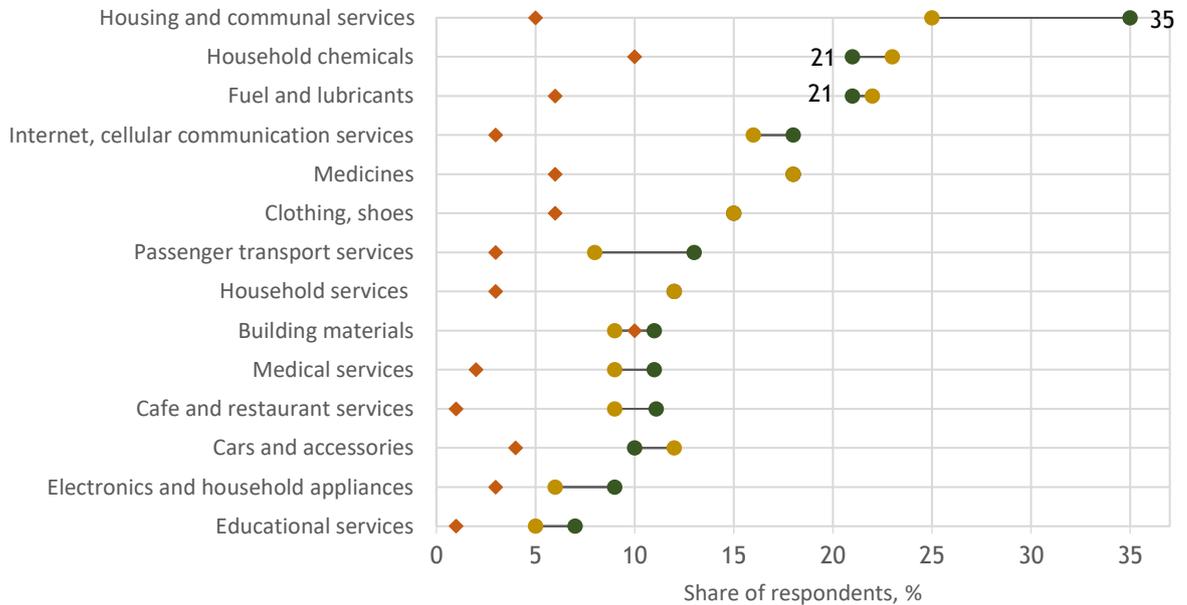
Among food products, respondents noted dairy, meat, fruit and vegetable products, bakery products. In addition, respondents most noticed an increase in the cost of housing and communal services, household chemicals, fuels and lubricants, as well as passenger transport (Figure 2).

Figure 2. Frequently mentioned goods and services

Food products



Non-food goods and services



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

Consumer sentiments

Consumer sentiment improved both due to an increase in estimates on the current situation and expectations.

The consumer sentiment index in July 2023 increased to 106.1 (in June 2023 – 103.2)

(charts 3,4,5).

In particular, estimates of the country's development prospects have significantly increased in the coming year (by 9 points) and in 5 years (by 0.8 points), while estimates of personal financial situation have decreased in a year (by 3.3 points). In the assessments of the current situation, personal financial situation estimates have increased over the past year (by 4.1 points) and readiness for large purchases (by 4 points).

Figure 3. Index² of Consumer Sentiment

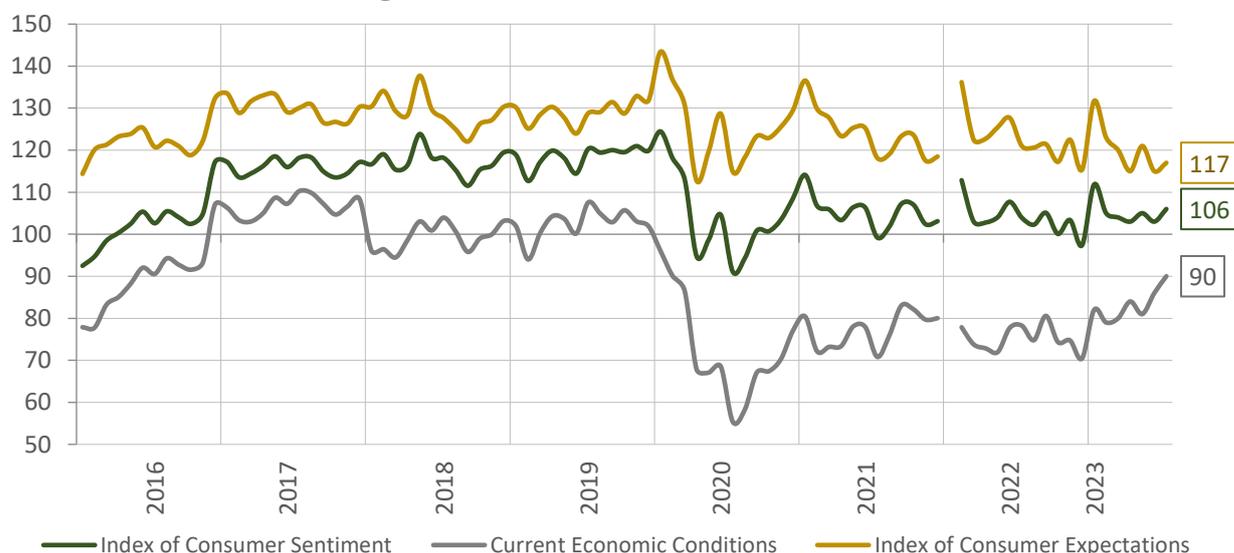


Figure 4. Current Conditions

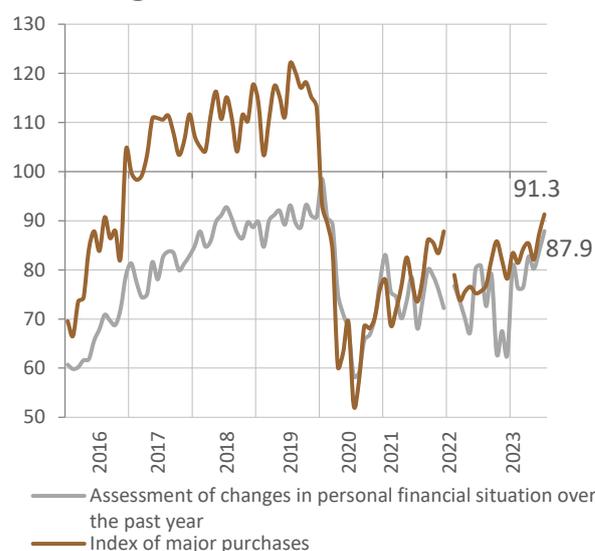
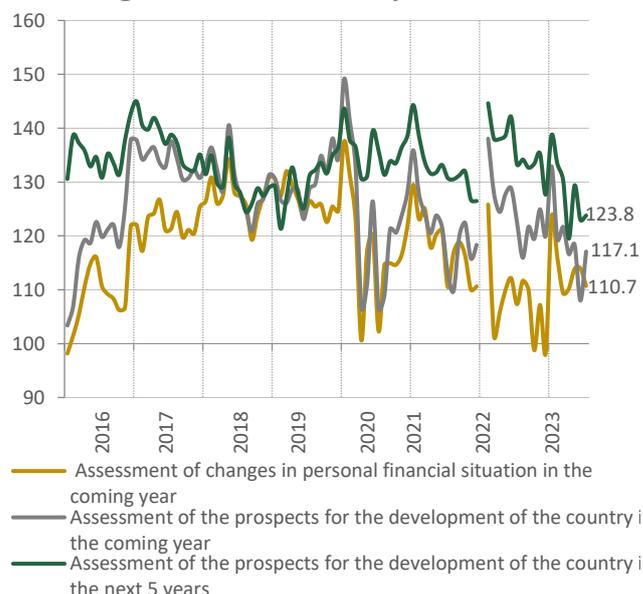


Figure 5. Consumer Expectations



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

Since the beginning of 2022, the share of respondents with loans has been gradually decreasing (from 53% in April 2022 to 43% in July 2023).

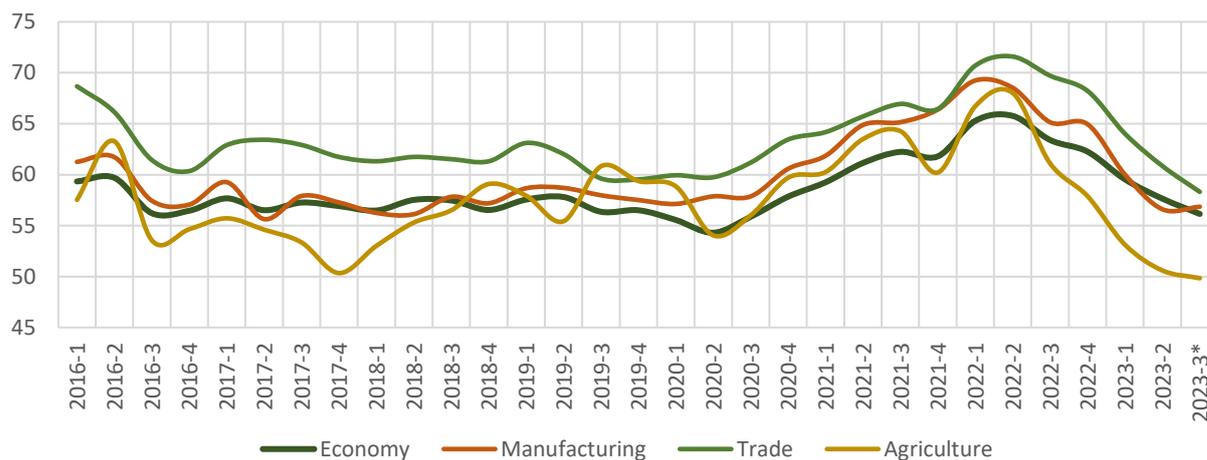
In July 2023, 13% of respondents indicated that they plan to take out a bank loan (11% in April 2023, 16% in July 2022).

Compared to the same period last year, the share of respondents with a loan for urgent needs decreased (from 16 to 14%), consumer loans (from 28% to 25%), car loans (from 4.1% to 2.9%). The share of respondents with a mortgage or a loan in a micro-credit organization has slightly increased.

The price expectations of enterprises continue to slow down, but prices are expected to accelerate in the sectors representing housing and communal services

In the 2nd quarter of 2023, there was a slowdown in the growth of prices for products and services of enterprises of all industries. The largest decrease was noted by agricultural enterprises. In the 3rd quarter of 2023, enterprises in most industries expect a further slowdown in the rate of price growth, while utilities (water supply, electricity production), as well as manufacturing enterprises expect them to accelerate (Figure 6).

Figure 6. Dynamics of changes in prices for finished products of enterprises, diffusion index³



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 84.0% of enterprises), demand (82.9%) and labor costs (72.5%).

The growth of prices for raw materials and imported products, as well as the dynamics of average wages, according to enterprises, continue to slow down. In the 3rd quarter of 2023, the trend is expected to continue, while a slight increase in demand for finished products is expected (Figure 7).

Figure 7. Dynamics of factors of setting prices for finished products of enterprises, diffusion index³



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

NOTES

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 (CI) is calculated as the sum of positive responses and half of the responses unchanged. CI 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 CI 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?"

*For the 2nd quarter of 2023, the expectations of enterprises are given