



# Inflation Expectations

December 2022

- Median estimates of expected and perceived inflation hit historical maximum
- 66% of respondents expect a faster or the same price growth rate over a one-year horizon
- Households consumer sentiment worsened due to lower estimates of consumer expectations

## Qualitative estimates of expectations have increased

The quantified estimate of inflation expected in a year rose to **24%<sup>1</sup>** (21,6% in November), 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 **66%** (62% in October).

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

The median inflation expectations in a year in 2022 increased to **21,3%** (18,2% in November this year). The median estimate of perceived inflation **over the past 12 months** has slightly risen to **22,1%**.

Figure 1. Quantified value of expected inflation

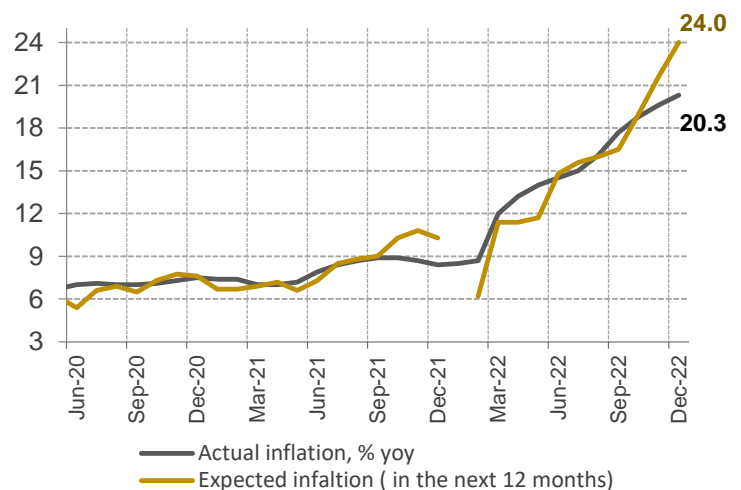
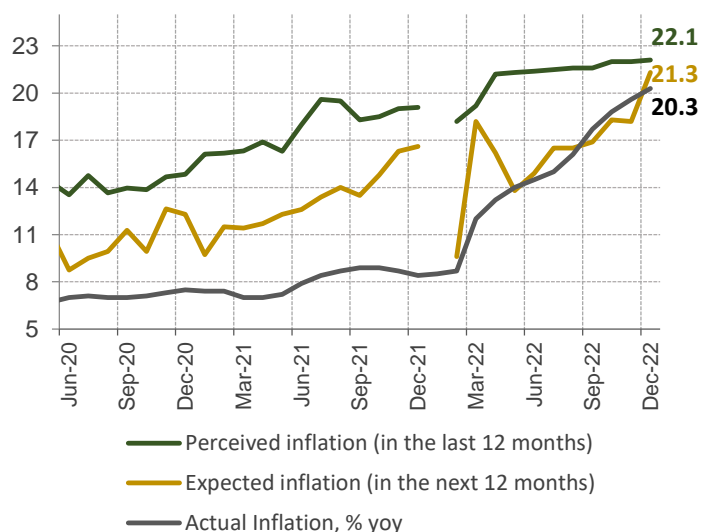


Figure 2. Median inflation expectations, %



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

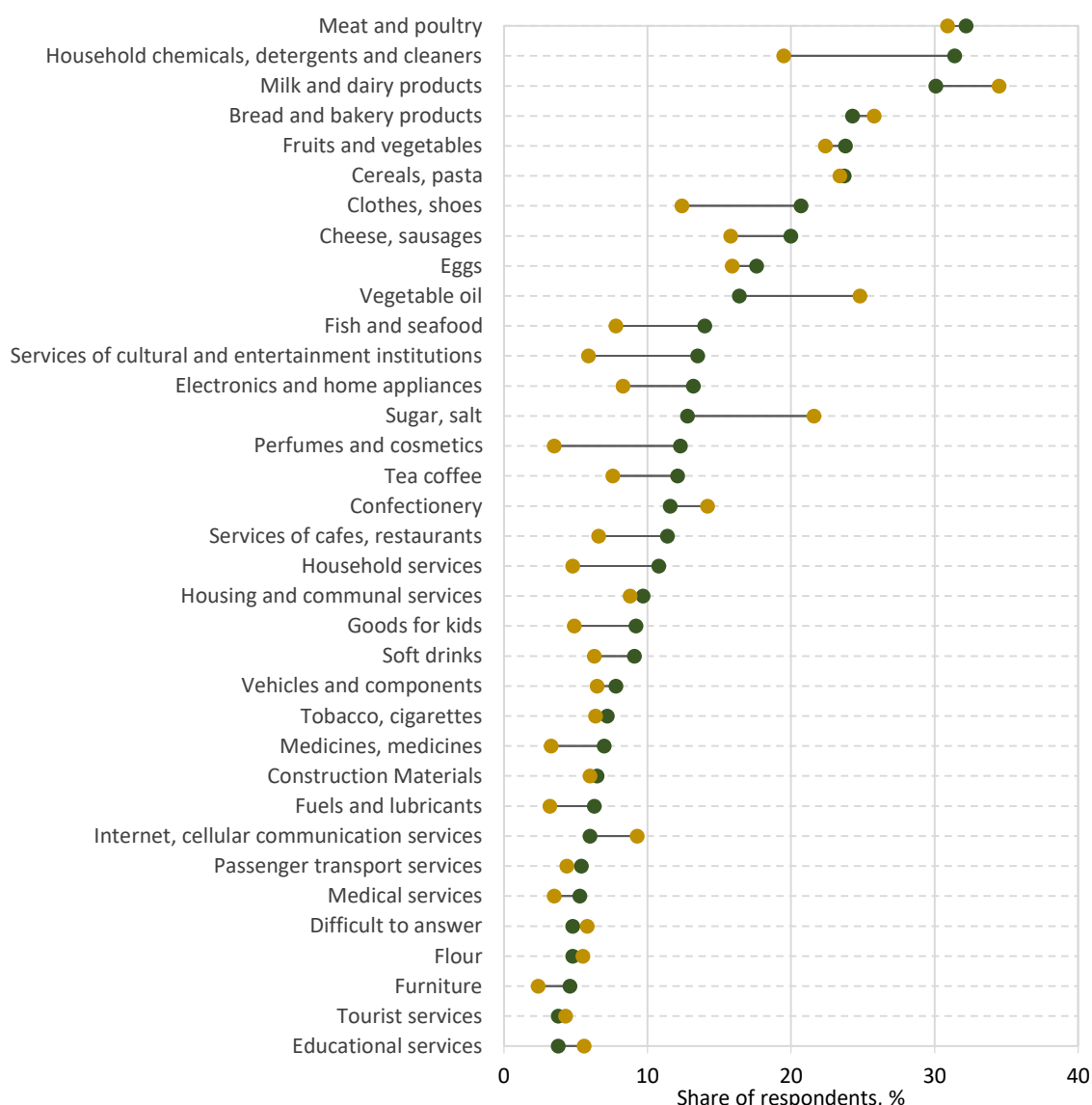
Among food products, the most noticeable increase in prices for respondents were for meat products, dairy products (32%). A significant proportion of respondents noted an increase in prices for fruits and vegetables (24%), bakery products (24%), cereals and pasta (24%), fish and seafood (14%), sugar (13%), tea and coffee (12%).

Among non-food products, there was an increase in prices for household chemicals, detergents and cleaning products (31%), clothes and shoes (21%), household appliances (20%), perfumes and cosmetics (12%), cars and components (8%).

Among the services, there was an increase in prices for housing and communal services (10%), cellular communication services and the Internet (7%), services of cultural and entertainment institutions (14%).

**Chart 3. Frequently mentioned goods and services**

**Nov.22-Dec. 22**



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

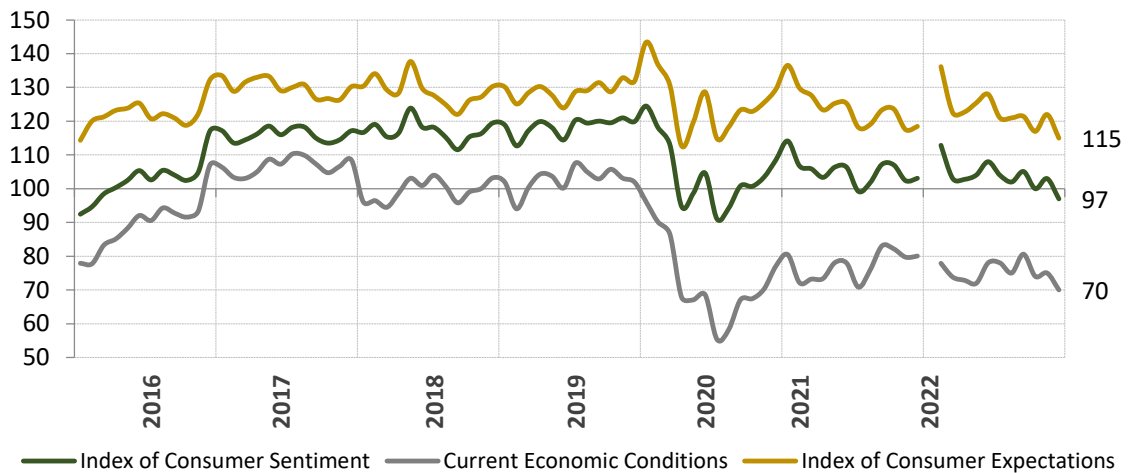
**A deterioration in consumer sentiment was recorded as a result of a decrease in all components, mostly estimates of expectations.**

The consumer sentiment index in December 2022 was 97.4 (in November 2022 – 103.4).

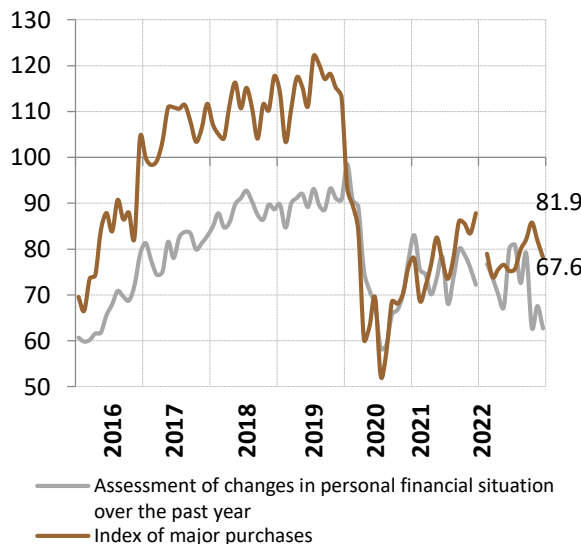
In particular, assessments of personal financial situation over the past year have significantly deteriorated (the index fell by 4.9 points to 62.7). Readiness for large purchases has decreased (the index has decreased by 3.7 points – from 81.9 to 78.2) and continues to be in the negative area.

Both long-term economic development estimates (down 7.6 points to 127.7) and short-term estimates (down 5 points to 120) worsened. Estimates of the change in personal financial situation for the year ahead deteriorated (the index fell by 8.9 points from 107.2 to 98.3), which was the largest decline among all components.

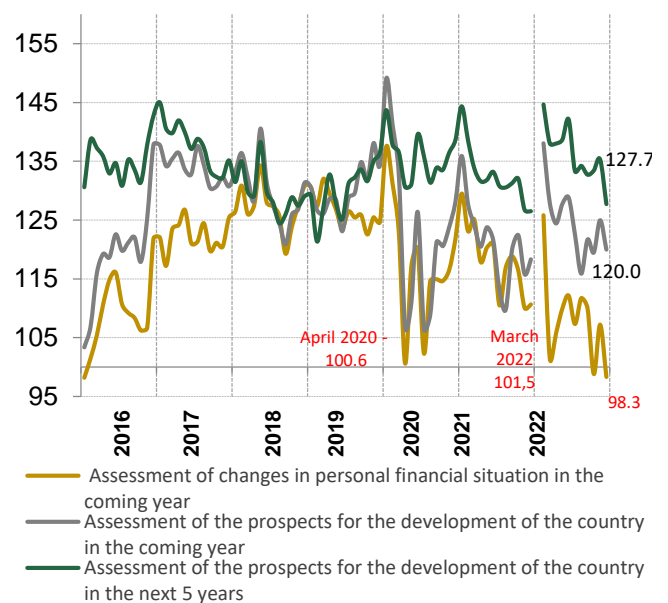
**Figure 4. Index<sup>2</sup> of Consumer Sentiment**



**Figure 5. Current Conditions**



**Figure 6. Consumer Expectations**



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

## NOTES

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**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