



Inflation Expectations

October 2023

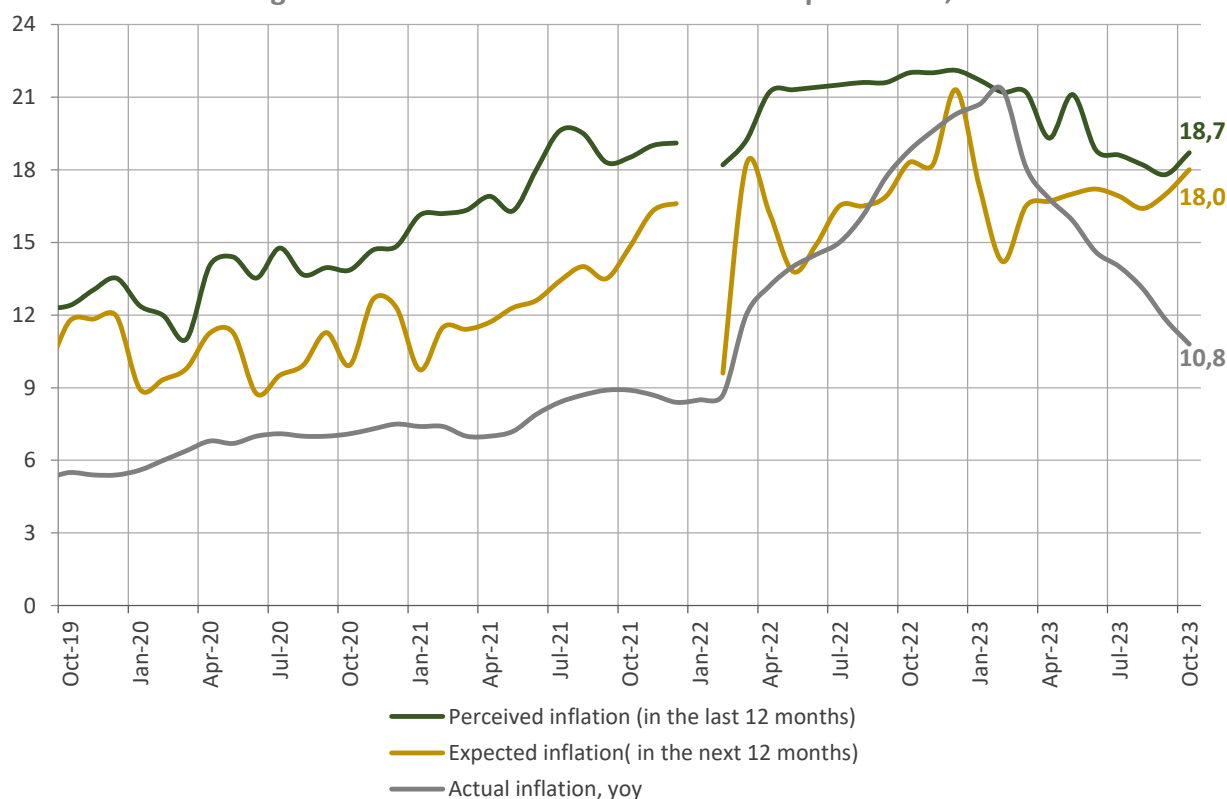
- Inflation expectations remain high
- Consumer sentiment improved due to higher estimates of the country's development prospects in the coming year
- Price expectations of enterprises in general continue to gradually slow down, but there has been an increase in some industries

Inflation expectations

The median estimate¹ of expected inflation increased to 18.0% in October 2023, perceived inflation increased to 18.7% (Figure 1).

The share of respondents, expecting a faster increase in the current prices on the one-year horizon, increased to 32% in October 2023.

Figure 1. Inflation and median inflation expectations, %



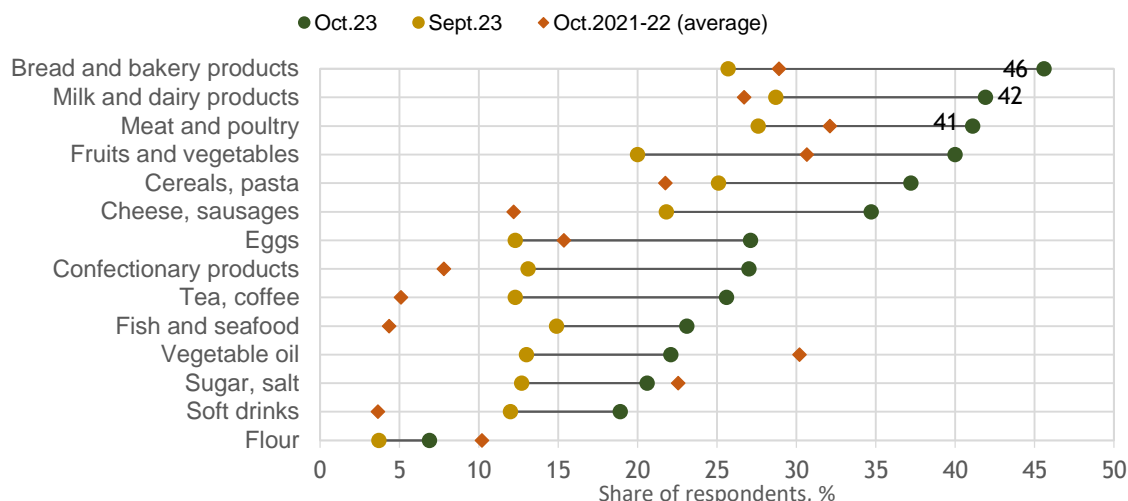
Source: Results of a telephone survey of the population, Fusion Lab

In October 2023, the share of respondents who noted an increase in food prices significantly increased to 81%. At the same time, the share of those who noted an increase in prices for services decreased to 6%.

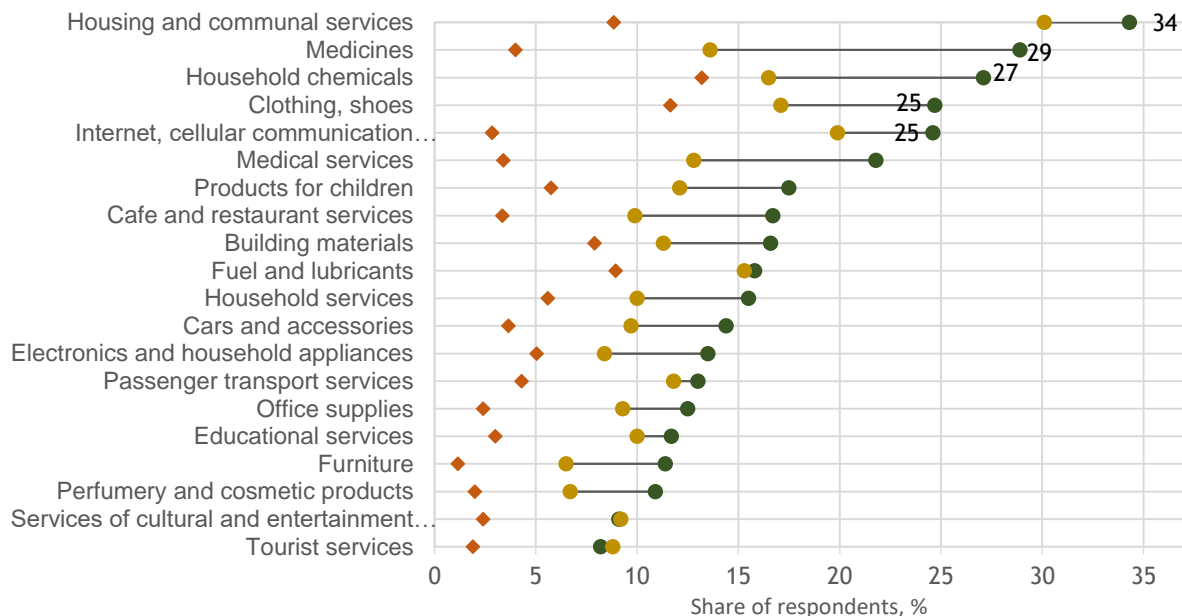
Among the food products, respondents noted dairy, meat and bakery products. In addition, respondents mostly noticed an increase in the cost of housing utility services, Internet and mobile services, as well as rising prices for medicines, household chemicals, clothing and shoes (Figure 2).

Figure 2. Frequently mentioned goods and services

Food products



Non-food products and services



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

Consumer sentiments

The consumer sentiment index in October 2023 increased to 109.0 (in September 2023 – 103.0) (figures 3,4,5).

In particular, the assessment of the country's development prospects in the coming year has significantly increased (by 11.2 points) however the assessment of the country's development prospects in 5 years has slightly decreased (by 1.4 points). Moreover, the assessment of personal financial situation in a year has also significantly increased (by 6.5 points).

In the assessments of the current situation, the assessment of personal financial situation over the past year has increased (by 6.6 points) as well as the readiness for large purchases (by 6.1 points).

Figure 3. Index² of Consumer Sentiment

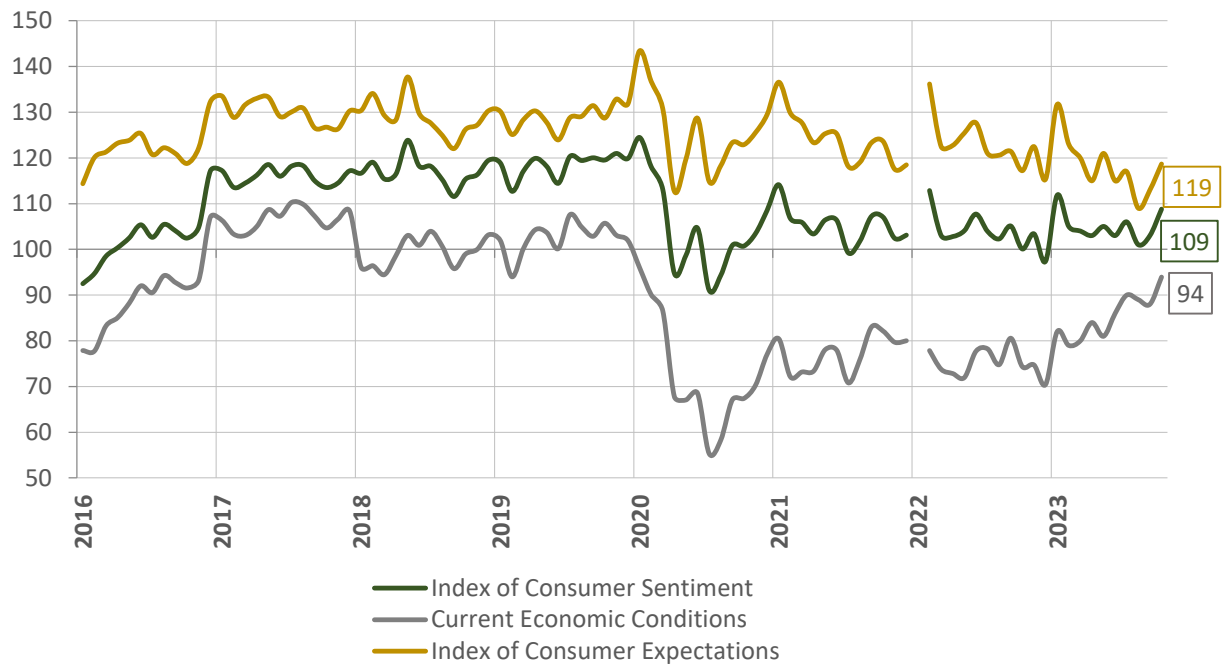


Figure 4. Consumer Expectations

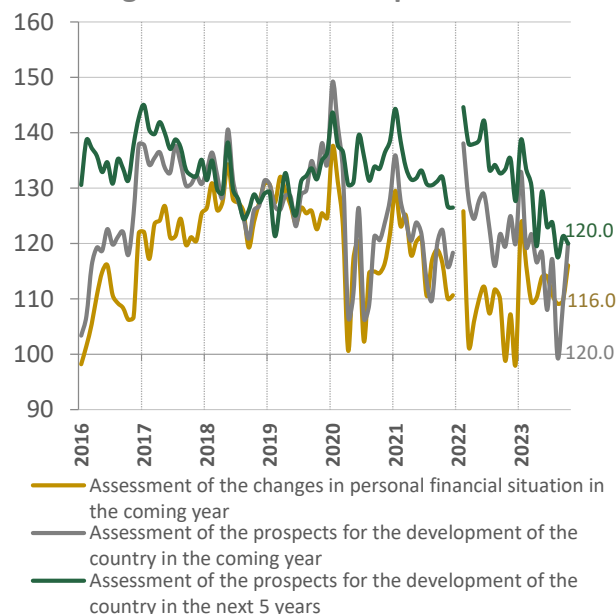
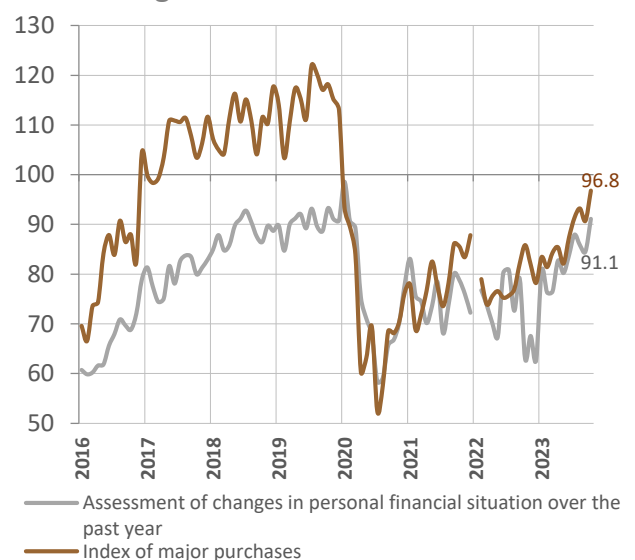


Figure 5. Current Conditions

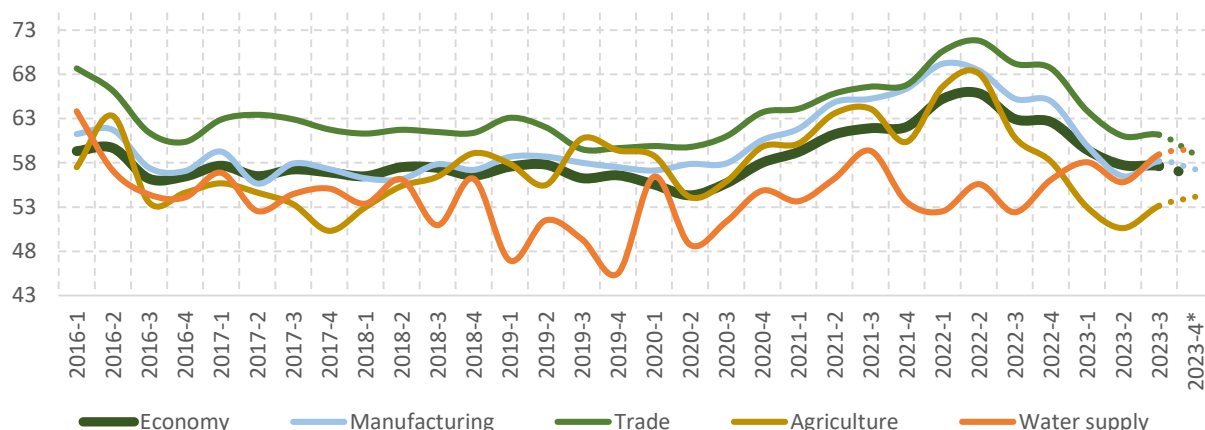


Source: Results of a telephone survey of the population, FusionLab

Price expectations of enterprises in general continue to gradually slow down, but there has been an increase in some industries.

In the 3rd quarter of 2023, the growth rate of prices for products and services of enterprises slowed down in the economy, but there was a significant increase in water supply and agriculture. Manufacturing enterprises also noted a slight increase in price growth rates. In the 4th quarter of 2023, many enterprises expect a slowdown in price growth rates, while agricultural and water supply enterprises expect slight acceleration of prices (Figure 6).

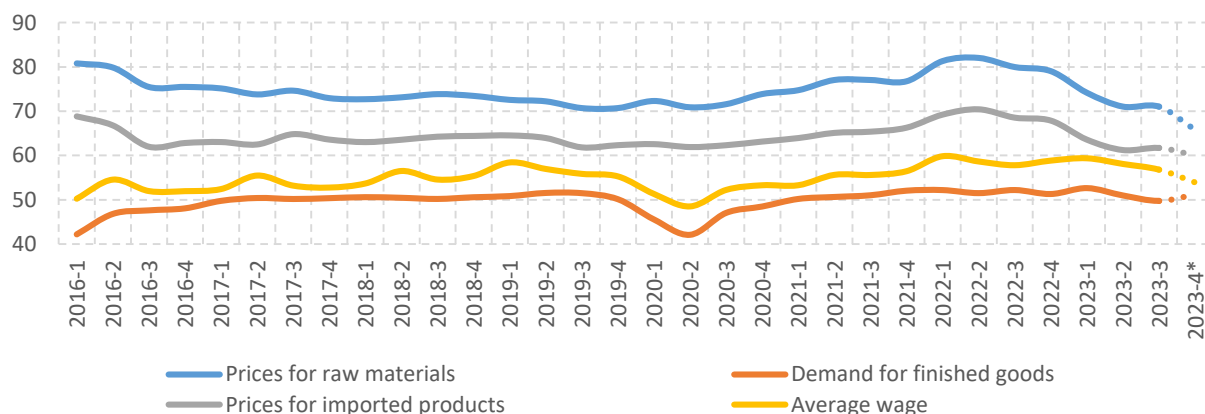
Figure 6. Dynamics of changes in prices for finished products of enterprises, diffusion index ³



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

For the vast majority of enterprises, the most important factor in setting the price of finished products is the price of raw materials (for 83.6% of enterprises), demand (82.7%) and labor costs (72.0%). According to the assessments of enterprises, the dynamics of average wages slowed down, the rest of the factors did not change significantly. In the 4th quarter of 2023, the growth of prices for raw materials and imported products is expected to slow down, as well as the dynamics of average wages, however, 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 index ³



Source: Results of monitoring of Real Sector Enterprises, the 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 (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: 3,373 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 4th quarter of 2023, the expectations of enterprises are given