



National Bank of Serbia

**REPORT ON THE RESULTS OF THE INFLATION  
EXPECTATIONS SURVEY**

**May 2024**

Belgrade, June 2024

**Contents:**

Introductory note.....	2
Overview.....	3
Inflation expectations of the financial sector.....	4
Inflation expectations of the corporate sector.....	5
Inflation expectations of the household sector.....	6

## **Introductory note**

Indicators of inflation expectations of economic agents are an important factor in the process of monetary policy decision-making in an inflation targeting regime. The effectiveness of the inflation targeting strategy is measured by the degree of stability of inflation expectations and by how firmly they are anchored within the target tolerance band.

In accordance with the best international practice, after introducing the inflation targeting regime in January 2009, the NBS began to monitor and analyse the inflation expectations of economic agents. To this end, the NBS draws on the inflation expectations survey, which is conducted for the NBS since April 2024 by the Ninamedia agency. Survey respondents are classified into four sectors (the financial sector, corporate sector, trade unions and households) and asked to state their one-year ahead price growth expectations, since March 2014, their medium-term, i.e. two-year ahead expectations, and since February 2021 their three-year ahead expectations for the y-o-y price growth.

## Overview

Short-term inflation expectations of the financial sector **continued moving within the NBS target band, in the range from 3.0% to 4.0%**.

According to the May **Ninamedia** survey, **one-year ahead inflation expectations of the financial sector** stayed unchanged at **3.9%**, while according to the latest, **June Bloomberg** survey, **they measured 3.2%**. Expected inflation, according to the calculated **composite measure of inflation expectations**,<sup>1</sup> came at 3.7% in May (3.5% in April).

**One-year ahead expectations of the corporate sector** stayed unchanged from the previous survey, at 5.0%.

Medium-term expectations of the financial sector move around the **NBS target midpoint**, with those for **two years ahead** contracting from 3.3% in April to 3.2% in May and those for **three years ahead** staying unchanged at 3.0%. After more than two years, corporate inflation expectations for two years ahead also **returned within the NBS target band**, retreating from 5.0% in April to **4.5% in May**. Corporate sector inflation expectations for three years ahead **continued moving within the target band**, equalling 4.0% (3.8% in April).

Typically higher than those of other sectors, **short-term inflation expectations** of the **household sector** decreased from 15.0% in April to 10.0%, their lowest level since January 2022.

**Household expectations for two and three years ahead** also measured 10.0%, the same as in the previous survey. **Despite the higher level of expected than that of current inflation, the qualitative survey indicates that most surveyed households anticipate inflation will be lower in the coming twelve months than in the previous year.**

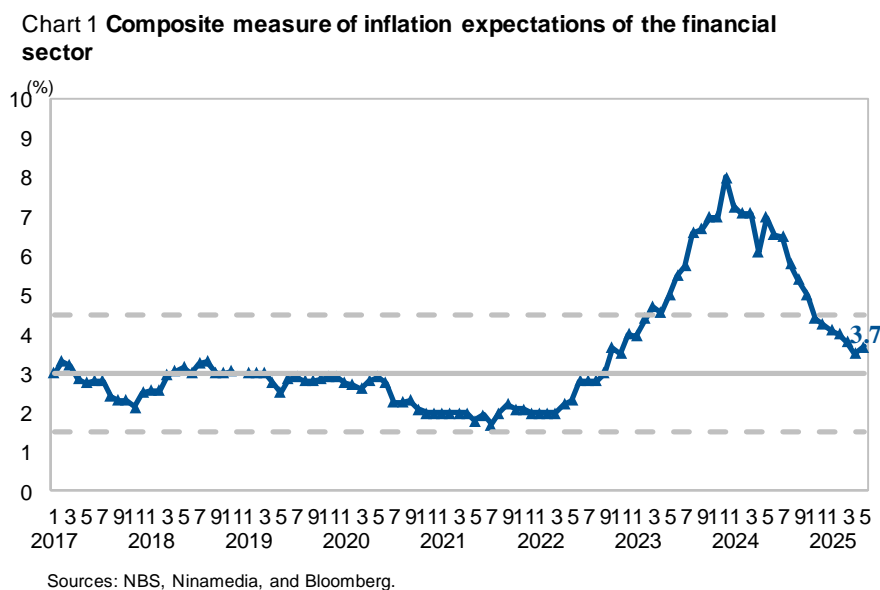
---

<sup>1</sup> Weighted by the individual respondent's share in total assets of the surveyed financial institutions. Institutions participating in both surveys are assigned the arithmetic mean of the responses provided in the Ninamedia and Bloomberg surveys. Hence, banks with a larger market share have a greater influence on the aggregate result.

## Inflation expectations of the financial sector

According to the **Ninamedia surveys**, **short-term inflation expectations of the financial sector** measured 3.9% in both April and May, meaning that they continued moving **within the NBS target tolerance band and converging to the target midpoint**. A closer look at the structure of individual responses shows that the majority of surveyed financial institutions expect one-year ahead inflation to be within the NBS target tolerance band.

At a lower level than reported in the Ninamedia survey is the **composite measure of expectations of the financial sector**, calculated by combining the responses of financial institutions that participate in the Bloomberg and Ninamedia surveys. The composite measure increased mildly, from 3.5% in April to 3.7% in May (Chart 1).



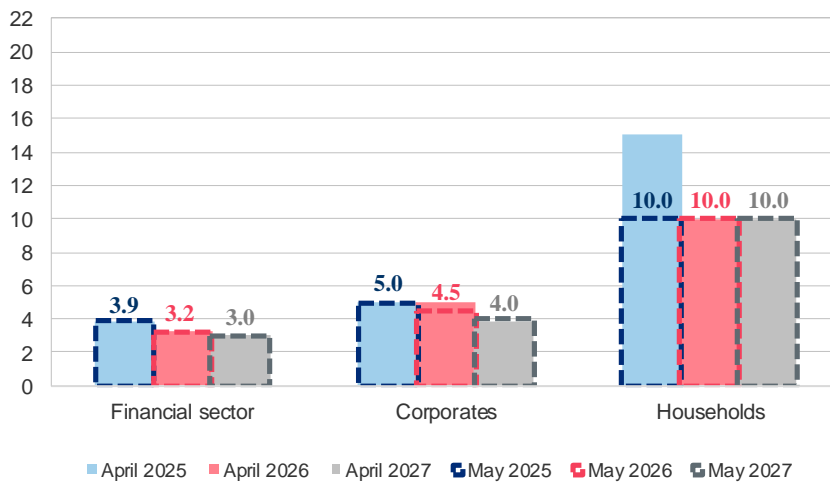
According to the latest, **June Bloomberg survey**, short-term inflation expectations stood at 3.2%, which is **close to the NBS target midpoint**.

**Medium-term expectations of the financial sector in May** measured 3.2% for two years ahead (3.3% in April) and 3.0% for three years ahead (the same as in April), continuing to move around the target midpoint and indicating high credibility of the NBS monetary policy.

## Inflation expectations of the corporate sector

**One-year ahead** corporate inflation expectations remained unchanged from the previous survey (5.0%), while **two-year ahead** expectations fell to 4.5% after stagnating for five months at 5.0%. **Three-year ahead** expectations edged up from 3.8% in April to 4.0% in May (Chart 2).

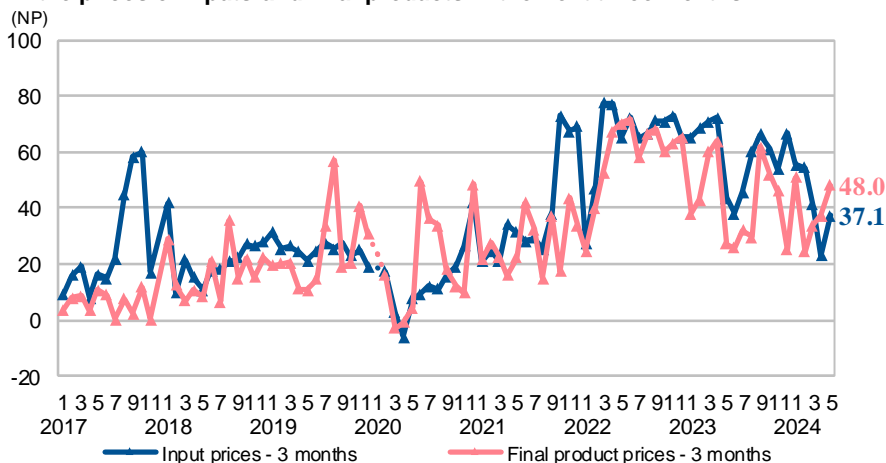
Chart 2 **Expected inflation for one, two and three years ahead**



Source: Ninamedia

The analysis of input prices (Chart 3) suggests that the majority of corporates (60%) expect their stable movement in the next three months, while 38% expect cost-push pressures to continue. The percentage of those expecting a rise in input prices in the next **twelve months** is higher and equals 73%.

Chart 3 **Expectations of the corporate sector regarding movements in the prices of inputs and final products in the next three months**



\*Above zero indicates growth, and below zero decline.  
Source: Ninamedia.

As for the **short-run movement of output prices, opinions are divided** between those expecting an **increase in prices** of final products/services and those **expecting no change** in prices. On the other hand, most corporates (around 70%) expect their **output prices** to increase in the next twelve months.

The dominant view among corporates is that there was **no change in business conditions in the last three months** (85% of corporates), and most of them (around 55%) think that there will be no change in the next twelve months either.

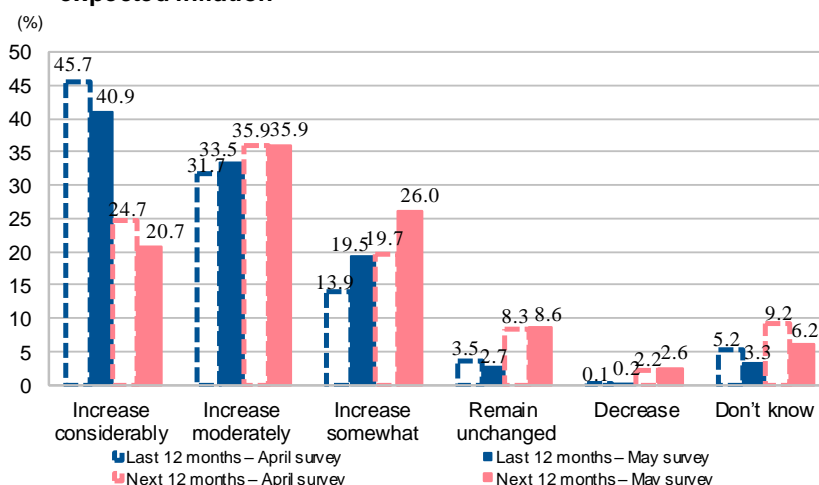
Somewhat more than a half of respondents expect an increase in **production/turnover in the short term** (52%). The percentage of corporates optimistic on this matter **in the next twelve months** is higher than for the short run and equals 70%.

### Inflation expectations of the household sector

According to the results of the Ninamedia survey, **short-term inflation expectations of households came at 10.0% in May, having decreased from 15.0% in April.** Their inflation expectations for **two and three years ahead** stayed unchanged from a month earlier, equalling also 10.0%.

**Qualitative responses** reveal that households' perception of price movements in the past twelve months **continued shifting from the perception of a considerable increase to a moderate or slight increase.**

Chart 4 Distribution of household responses by perceived and expected inflation

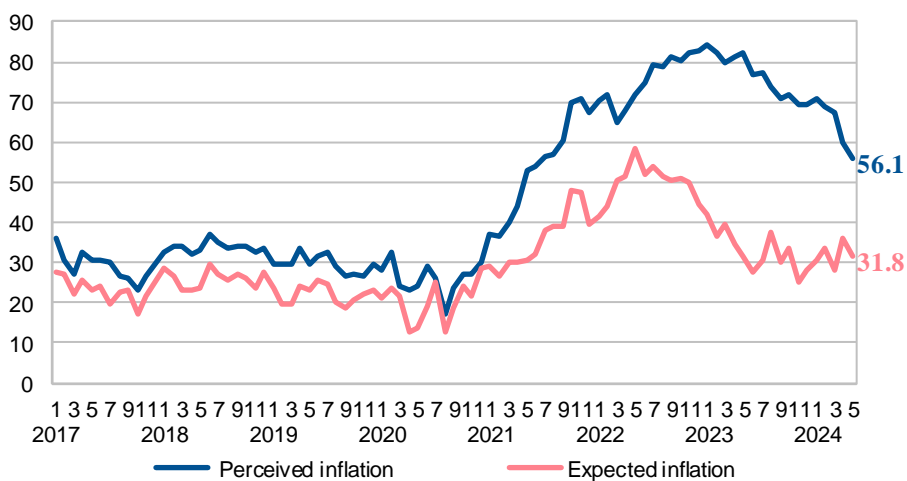


Source: Ninamedia.

Around 40% of respondents are of the view that prices increased considerably in the past period, while 53% believe that the prices increased moderately or somewhat. The same trend is evident in terms of households' **expectations**, as the **share of those**

**expecting a considerable increase in prices declined** from 25% in April to 21% in May, and the share of those expecting prices to **increase moderately or somewhat** climbed from around 56% in April to 62% in May (Chart 4).

Chart 5 **Perceived and expected inflation of households**  
(in index points)



Sources: Ninamedia and NBS calculation.

Continuously higher perceived than expected inflation index (Chart 5) implies that **the majority of surveyed households anticipate lower inflation in the coming twelve months than in the previous year.**<sup>2</sup>

<sup>2</sup> The index represents the difference between the weighted share of respondents who assess that prices increased more than somewhat and those assessing that prices remained unchanged or decreased. For details, see Text box 2 of the *Inflation Report – February 2016*.  
[https://www.nbs.rs/export/sites/NBS\\_site/documents-eng/publikacije/loi/izvestaji/inflation\\_report\\_02\\_2016.pdf](https://www.nbs.rs/export/sites/NBS_site/documents-eng/publikacije/loi/izvestaji/inflation_report_02_2016.pdf)