



National Bank of Serbia

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

**September 2024**

Belgrade, October 2024

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## **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, contributing to increased credibility of monetary policy

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 conducted by the Ninamedia agency for the NBS since April 2024. 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 increased mildly though **continuing to move within NBS target tolerance band.**

According to the September **Ninamedia** survey, **one-year ahead inflation expectations of the financial sector** rose slightly to 3.75% (from 3.5% in August). Expected inflation calculated through the **composite measure of inflation expectations**<sup>1</sup> **stayed on a relatively stable trajectory, measuring 3.4% in September.** According to the **Bloomberg** survey, **inflation expectations went slightly up from the previous survey, equalling 3.4% in October.**

**Corporate short-term inflation expectations** stayed unchanged in September relative to the August survey (5.0%) and throughout the major part of the year.

**Two- and three-year ahead** expectations of the financial sector kept moving **close to the target midpoint value** indicating the **high NBS monetary policy credibility.** Corporate medium-term inflation expectations for two and three years ahead went slightly up, to 5.0% in September, for both periods and became equal to short-term expectations.

Usually higher than those of other sectors, **household inflation expectations for all three periods** stayed unchanged from the August survey. **One-year ahead** household expectations stood at 15% while **two- and three-year ahead** expectations measured 10.0% for longer than a year.

**The results of the qualitative survey suggest that households anticipate inflation to be lower in the coming twelve months than the inflation perceived in the previous twelve months.**

## Inflation expectations of the financial sector

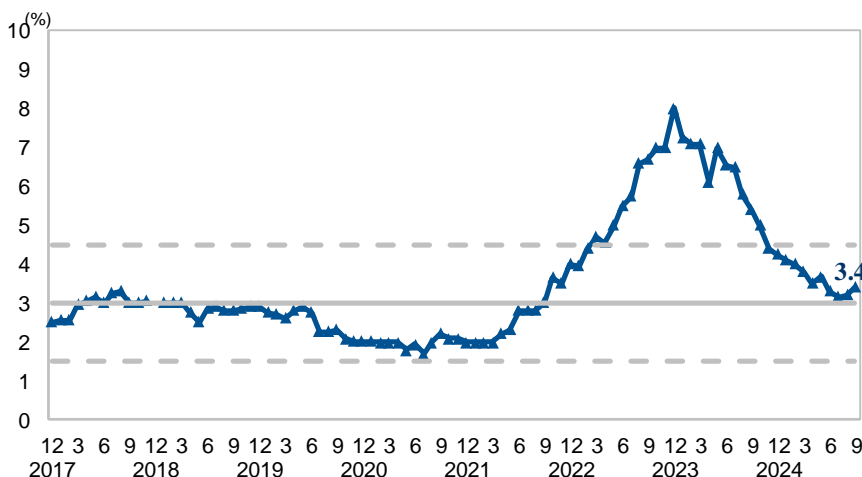
According to the **Ninamedia** survey, **short-term inflation expectations of the financial sector** measured 3.75% in September (3.5% in August) **while Bloomberg reported 3.4% in October (3.0% in September).** A more detailed analysis of the structure of individual responses shows that all surveyed financial institutions expect one-year ahead inflation to be within the NBS target tolerance band.

The value of composite expectations for September (which are a mix of responses of financial institutions participating in Bloomberg and Ninamedia surveys) equals 3.4% (Chart 1) and is relatively close to the values from the last several months when it averaged around 3.5%.

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<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.

Chart 1 Composite measure of inflation expectations of the financial sector



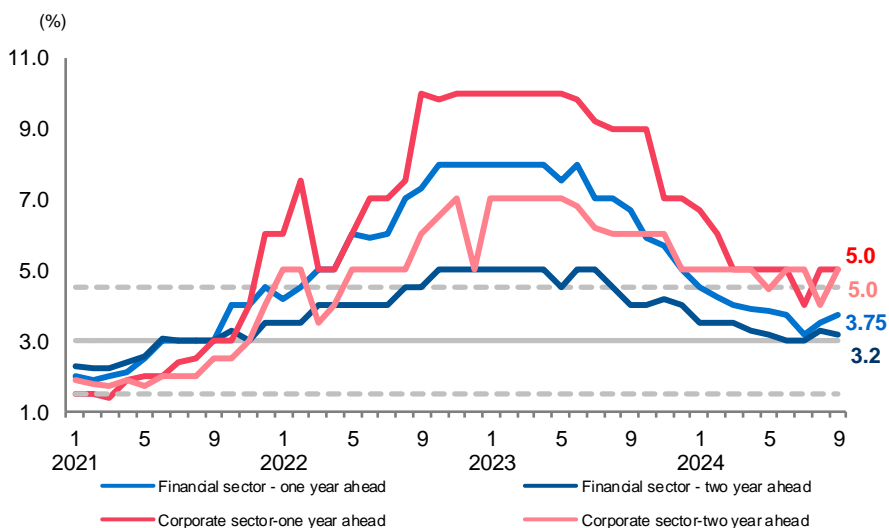
Sources: NBS, Ninamedia and Bloomberg.

**Two-year ahead expectations of the financial sector** decreased from 3.3% in August to 3.2% in September (ranging between 3.0% and 3.5% since the beginning of the year), while **three-year ahead expectations** stayed unchanged in September, at the NBS midpoint value of 3.0%, suggesting that **representatives of the financial sector expect that medium-term inflation will stabilise at around the NBS midpoint value.**

### Inflation expectations of the corporate sector

**One-year ahead expectations** stayed unchanged in September, at 5.0%. **Medium-term expectations** increased slightly, to 5.0% in September, from the August 4.0% for **two years ahead** and 4.6% for **three years ahead.**

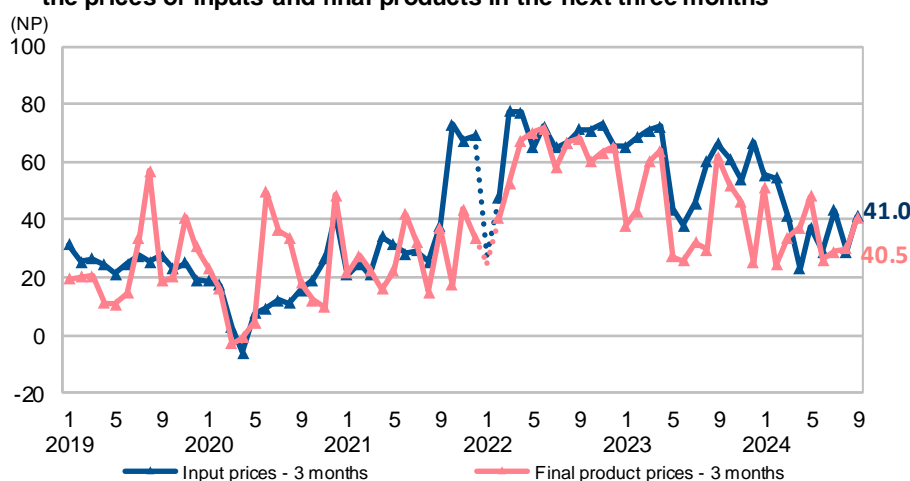
Chart 2 Expected inflation of financial and corporate sector for one and two years ahead



Sources: NBS, Ninamedia.

The analysis of input and output prices over the short period of the next three months (Chart 3) suggests an increase in the share of those expecting a rise in the prices of both inputs and final products in the September survey (from 33% to 40%) but the **prevailing attitude is that the prices will not change in the next three months** as almost 60% of the respondents do not anticipate any changes in prices.

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



\* Net percent above zero indicates growth, and below zero decline.

Sources: Ipsos, Ninamedia.

Over the long run (next twelve months) corporates preserved their expectations for “input” and “output” prices and around 2/3 of them, on average, expect their increase.

The dominant view among corporates is that **business conditions** did not change in the last three months (88% of corporates), and most of them (around 63%) think that there will be no changes in the next twelve months either.

The share of corporates expecting an **increase in their own production/turnover in the next three months** went up from the previous survey, and equals 49% (40% in August), while that share is much higher for the next twelve months, at around 70% (67% in August).

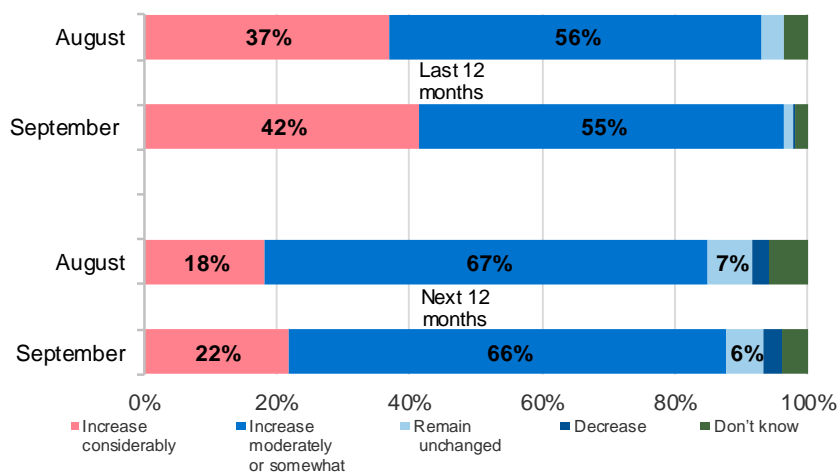
## Inflation expectations of the household sector

According to the results of the Ninamedia survey, short-term inflation expectations of households measured 15.0% in September, unchanged from August. Medium-term expectations stayed unchanged from the previous month, at 10.0% for two and three years ahead.

The share of respondents believing that there has been a significant increase in prices **over the last year** continued moving at around 40%. No significant changes occurred in case of **one-year ahead household expectations** either – the share of

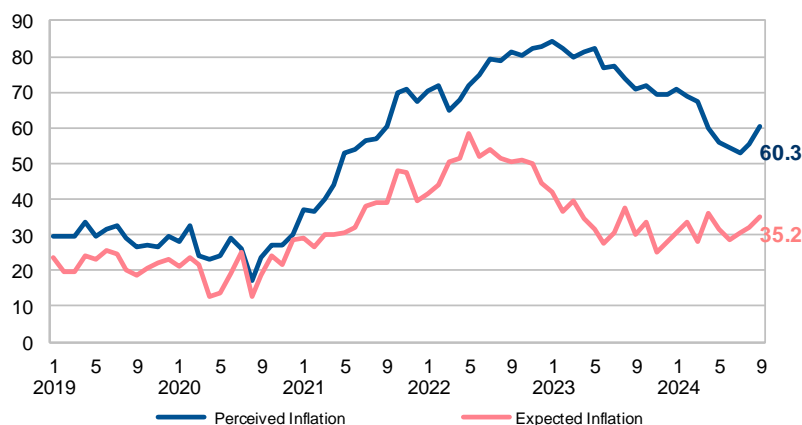
those anticipating a significant rise in prices continued moving on a stable path, averaging around 20%, while around 2/3 of respondents are still expecting a moderate or mild price increase.

**Chart 4 Distribution of household responses by perceived and expected inflation**



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

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



Sources: Ninamedia and NBS calculation.

<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).