



National Bank of Serbia

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

**October 2024**

Belgrade, November 2024

**Contents:**

Introductory note.....	2
Overview.....	3
Inflation expectations of the financial sector.....	3
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 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 stayed unchanged at 3.75% relative to the September survey and **continued to move within the NBS target tolerance band.**

According to the **Bloomberg survey, inflation expectations went slightly up from the previous survey, equalling 3.5% in November.** Expected inflation calculated through the **composite measure of inflation expectations<sup>1</sup> stayed on a relatively stable trajectory, measuring 3.55% in October.**

**Short-term inflation expectations of corporates** dropped to 4.0% in October and returned within the NBS target tolerance band.

**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 were lowered from 5.0% in September to 4.0% in October for both periods and became equal to short-term expectations.

Usually higher than those of other sectors, **household inflation expectations for all three periods** (one, two and three years ahead) stayed unchanged from the September 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

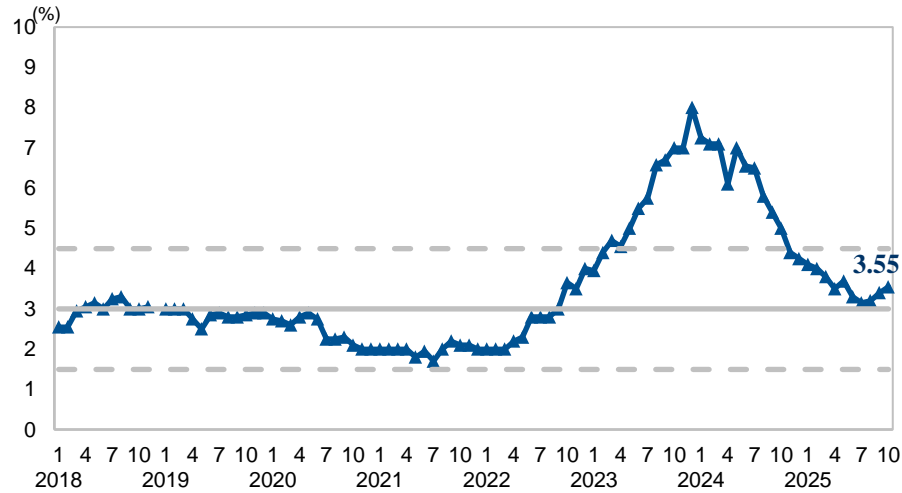
According to **Ninamedia**, one-year ahead **inflation expectations of the financial sector** stayed unchanged from the September survey. In October, they measured 3.75%. **According to the Bloomberg survey they stood at 3.5% in November, which is insignificantly higher than in October (3.4%).** A closer analysis of the structure of individual responses shows that the almost every surveyed financial institution expects one-year ahead inflation to be within the NBS target tolerance band.

The value of composite measure of expectations for October (which is a mix of responses of financial institutions surveyed by Bloomberg and Ninamedia) equals 3.55% (Chart 1) and is very close to the values from the last several months when it averaged around 3.5%.

---

<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.

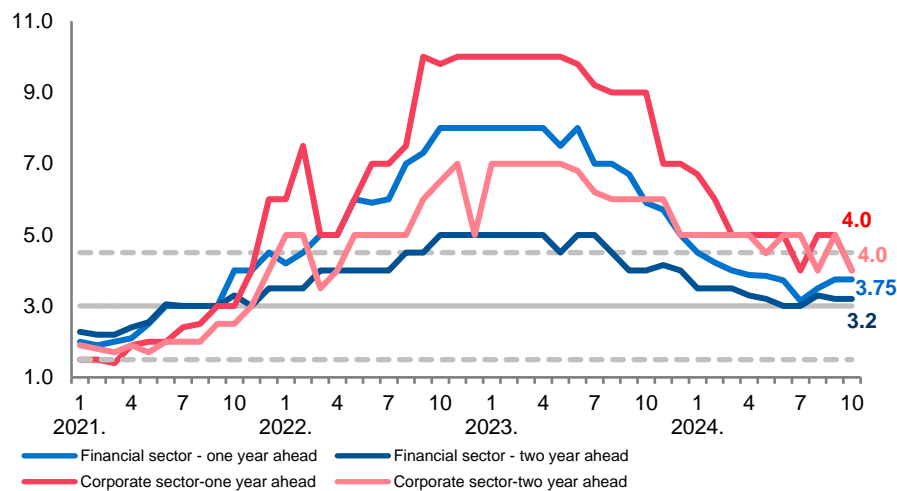
**Chart 1 Composite measure of inflation expectations of the financial sector**



Sources: NBS, Ninamedia, and Bloomberg.

**Medium-term inflation expectations of the financial sector** stayed unchanged from the September survey, at 3.2% **for two years ahead**, while expectations **for three years ahead** stood at 3.0% and were at the NBS target midpoint, which can be grounds for the conclusion that **in the medium term the financial sector expects inflation stabilisation around the NBS target.**

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



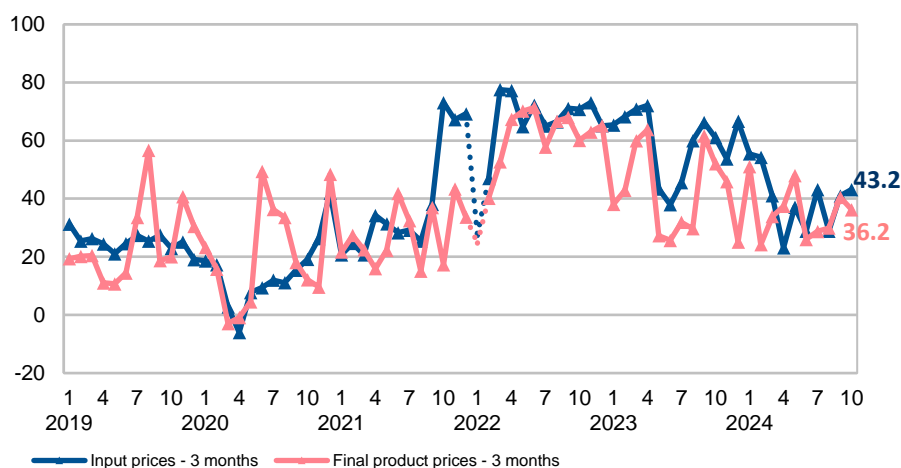
Sources: NBS, Ninamedia.

## Inflation expectations of the corporate sector

**One-year ahead expectations** edged down from 5.0% in September to 4.0% in October. **Medium-term expectations** also dropped in October, to 4.0% **for two and three years ahead** and became equal to short-term expectations.

The analysis of input and output prices over the next three months (Chart 3) suggests a decrease in the share of corporates expecting a rise in the prices of final products in the October survey (from 41% to 36%) but the **prevailing attitude is that the prices will not change in this period** as almost 64% of the respondents do not anticipate any changes in prices. The share of corporates expecting a rise in the prices of inputs in the short run is almost unchanged from September, at around 43%.

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



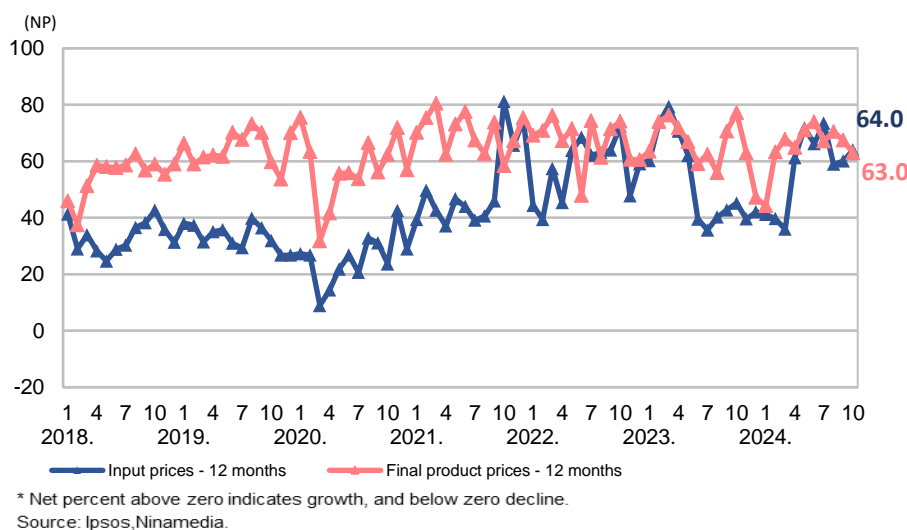
\* Net percent above zero indicates growth, and below zero decline.

Source: Ipsos, Ninamedia.

Over the long run (next twelve months) corporates preserved similar expectations for “input” and “output” prices and around 2/3 of them, on average, expect their increase (Chart 4).

The dominant view among corporates is that **business conditions** did not change **in the last three months** (90% of corporates), and most of them (around 65%) think that there will be no changes in the next twelve months either.

Chart 4 **Expectations of the corporate sector regarding movements in the prices of inputs and final products in the next twelve months**



The share of corporates expecting an increase in their own production/turnover in the next three months went slightly down from the previous survey, and equals 44% (49% in September), while that share is much higher for the next twelve months, at around 70%, similar as in the September survey.

## Inflation expectations of the household sector

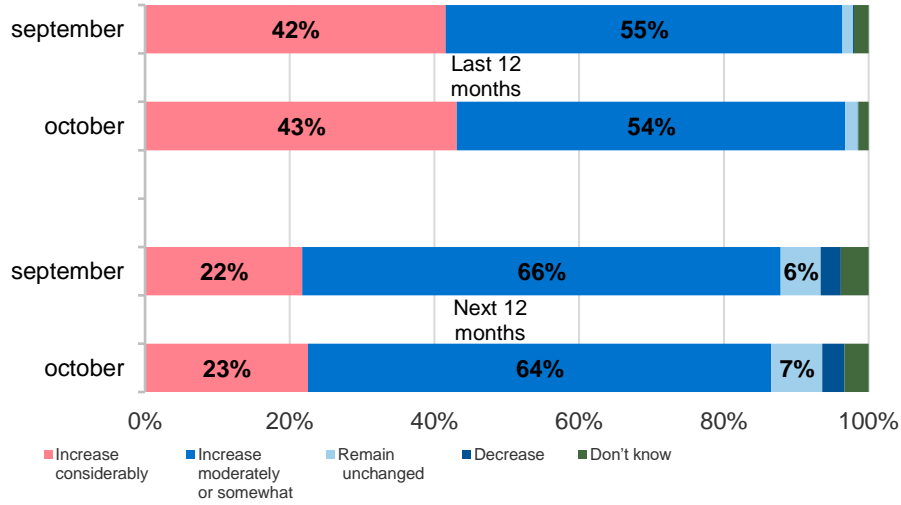
**According to the Ninamedia survey, one-year ahead quantitative household expectations stayed unchanged (15.0%) in the October survey, for the third consecutive month.** Medium-term expectations stayed unchanged from the previous month, at 10.0% for **two and three years ahead**.

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**.

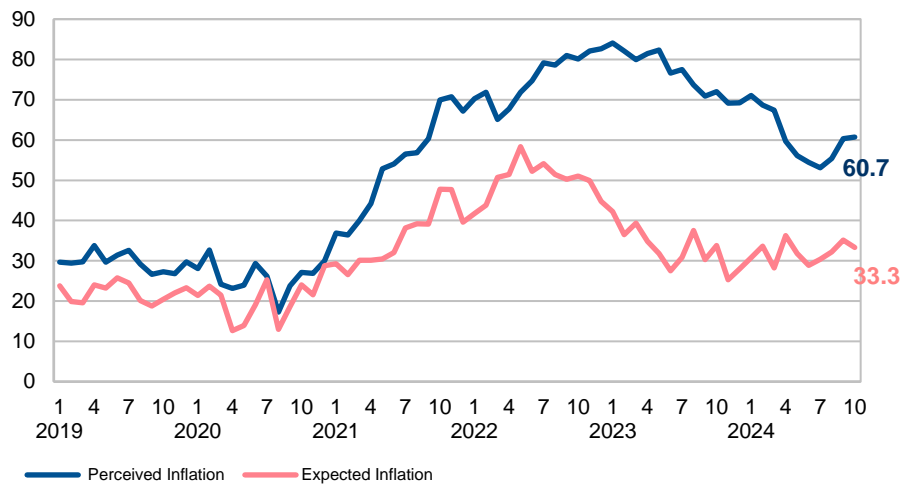
Continuously higher perceived than expected inflation index (Chart 5) implies that **households anticipate lower inflation in the coming twelve months than in the previous year.**<sup>2</sup>

<sup>2</sup> The index is 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/oi/izvestaji/inflation\\_report\\_02\\_2016.pdf](https://www.nbs.rs/export/sites/NBS_site/documents-eng/publikacije/oi/izvestaji/inflation_report_02_2016.pdf)

**Chart 5 Distribution of household responses by perceived and expected inflation**



**Chart 6 Perceived and expected inflation of households (in index points)**



Sources: Ninamedia and NBS calculation.