



National Bank of Serbia

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

November 2024

Belgrade, December 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.

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 two-year ahead expectations, and since February 2021 their three-year ahead expectations for the y-o-y price growth.

Overview

One-year ahead inflation expectations of the financial sector went mildly up from 3.75% in October to 3.9% in the November survey **and continued to move within the NBS target tolerance band.**

According to the **Bloomberg survey, inflation expectations stayed unchanged in December from the previous survey, equalling 3.5%.** Expected inflation calculated through the **composite measure of inflation expectations¹ went slightly up, measuring 3.65% in November (3.55% in October).**

Short-term inflation expectations of corporates increased mildly, to 4.6% in November (4.0% in October), which is the average value around which they have moved in the past couple of months.

Two- and three-year ahead expectations of the financial sector went up to 3.5% for both periods, from 3.2% and 3.0%, respectively, in October, **staying within the NBS target tolerance band.** Corporate medium-term inflation expectations for two and three years ahead increased from 4.0% in October to 5.0% in November for both periods, mildly overshooting 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 October survey. **One-year ahead** household expectations stood at 15% for the fourth consecutive month, 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.

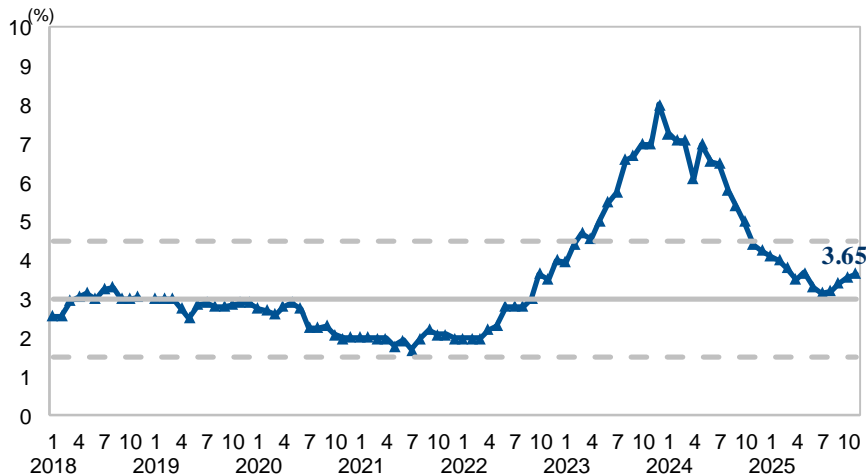
Inflation expectations of the financial sector

According to **Ninamedia, short-term inflation expectations of the financial sector** went slightly up, from 3.75% in October to 3.9% in the November survey. **According to the Bloomberg survey, they stood at 3.5% in December, unchanged from November.** A closer analysis of the structure of individual responses shows that 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 November (which is a mix of responses of financial institutions surveyed by Bloomberg and Ninamedia) equals 3.65% (Chart 1) and is mildly above October values (3.55%).

¹ 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.

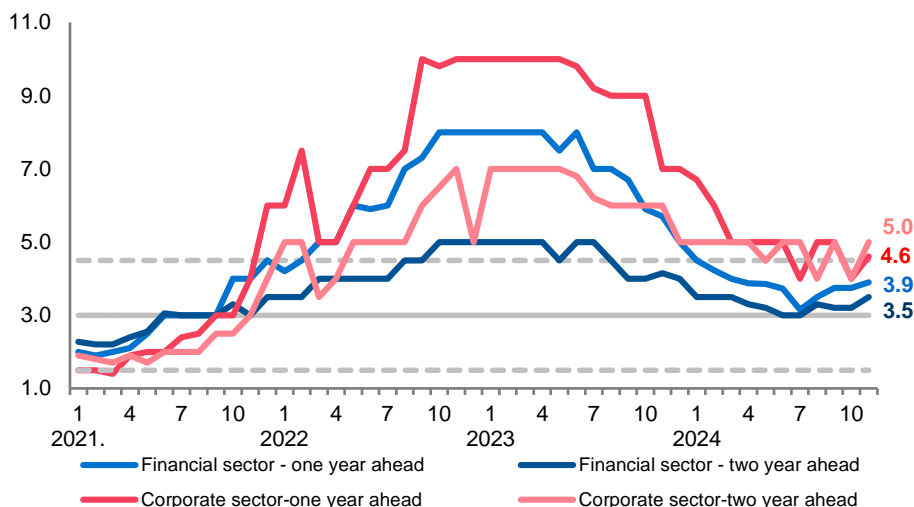
Chart 1 Composite measure of inflation expectations of the financial sector



Sources: NBS, Ninamedia, and Bloomberg.

Two- and three-year ahead inflation expectations of the financial sector increased mildly, to 3.5% for both periods, from the October 3.2% and 3.0%, respectively, but continued to move within the NBS target tolerance band.

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



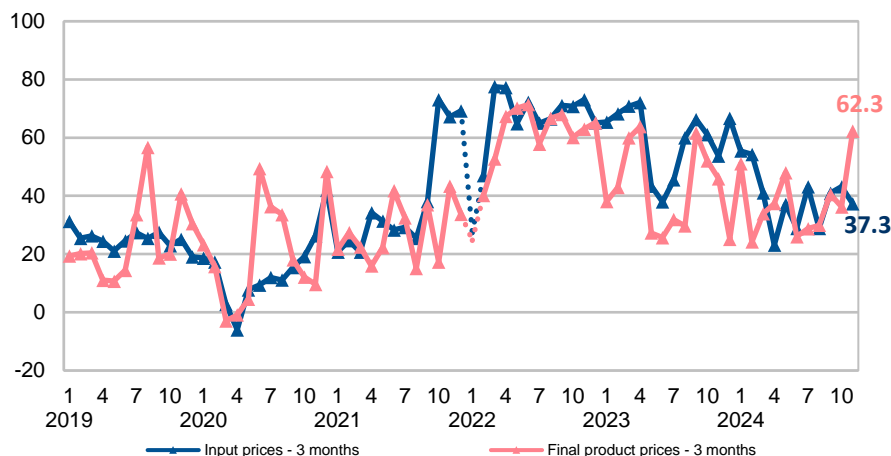
Sources: NBS, Ninamedia.

Inflation expectations of the corporate sector

Short-term expectations edged up from 4.0% in October to 4.6% in the November survey, which is the average around which they have moved in the past couple of months. **Medium-term expectations** also went up in November, to 5.0% for both **two and three years ahead**, thus slightly exceeding 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 inputs from 43% in October to 39% in November, while the share of corporates anticipating a rise in the prices of final products and services recorded a significant increase and reached 64% in the November survey.

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



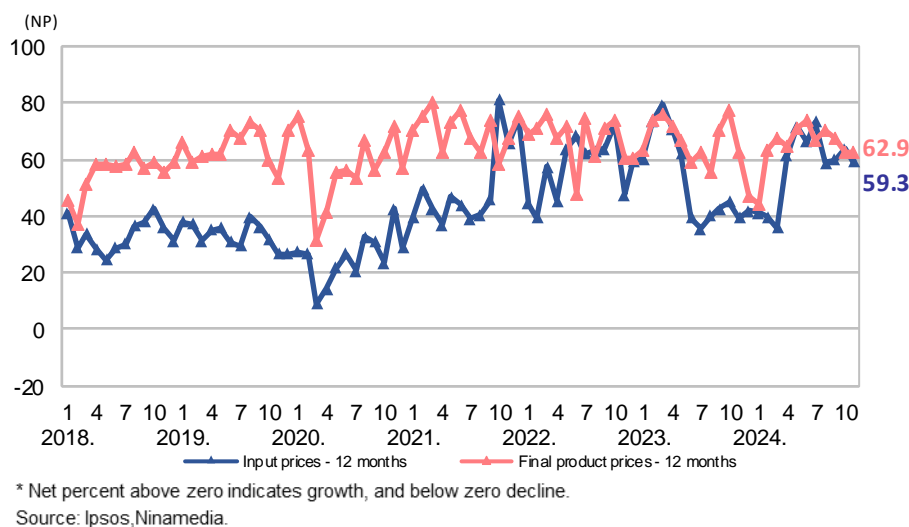
* Net percent above zero indicates growth, and below zero decline.

Source: Ipsos, Ninamedia.

Over the long run (next twelve months) corporates maintained 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** (89% of corporates), and most of them (around 72%) 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



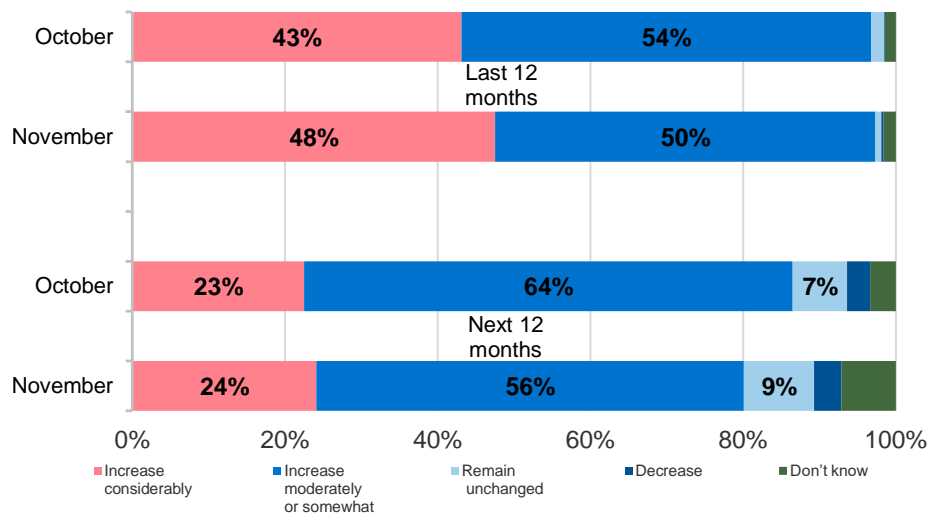
The share of corporates expecting an increase in their own production/turnover in the next three months went down from 44% in the previous survey to 34% in November. The share of corporates expecting an increase in their production/turnover in the next twelve months also declined, to around 40%, with the dominant view among corporates being that prices will not change (around 56%).

Inflation expectations of the household sector

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

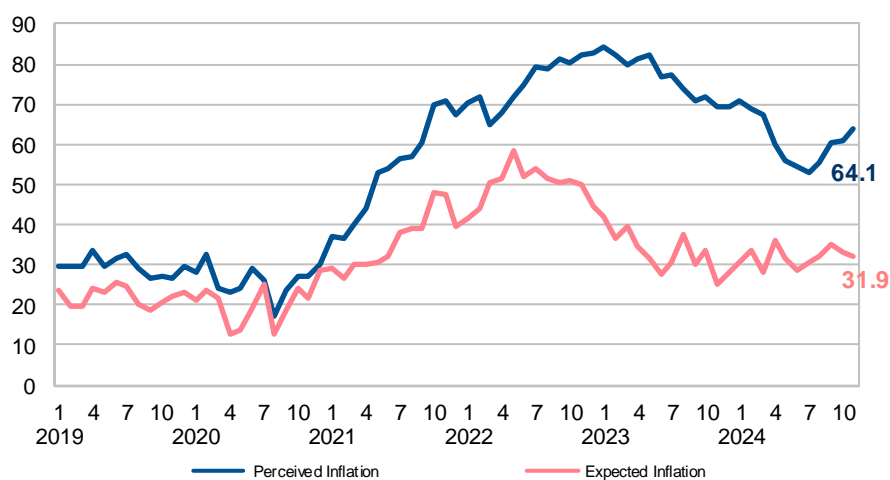
Qualitative survey (Chart 5) suggests that the share of respondents believing that there has been a considerable increase in prices **over the last year** went slightly up to 48% in November, with a 50% share of those thinking that the prices went moderately or slightly up in the previous period. No significant changes occurred in case of **one-year ahead household expectations** – the share of those anticipating a considerable rise in prices continued moving on a several months' stable path, averaging around 20%, while the bulk of respondents are expecting a moderate or mild price increase (56% in November).

Chart 5 Distribution of household responses by perceived and expected inflation



Continuously higher perceived than expected inflation index (Chart 6) implies that **households anticipate lower inflation in the coming twelve months than in the previous year.**²

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



Sources: Ninamedia and NBS calculation.

² 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/loi/izvestaji/inflation_report_02_2016.pdf