



National Bank of Serbia

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

**December 2024**

Belgrade, January 2025

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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, 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 decreased from 3.9% in November to 3.75% in the December Ninamedia survey, continuing to move within the **NBS target band**.

According to the **January Bloomberg survey, inflation expectations stayed unchanged from the previous survey, at 3.5%**. Expected inflation, according to the **calculated composite measure of inflation expectations,<sup>1</sup> receded from 3.65% in November to 3.5% in December**.

**One-year ahead expectations of the corporate sector** picked up from 4.6% in November to 5.0% in December, which is the average value around which they have moved since the start of the year.

**Two- and three-year ahead** inflation expectations of the financial sector measured 3.3% and 3.0%, respectively, which is a decrease from November, when they stood at 3.5% for both periods. Medium-term inflation expectations of the corporate sector for two and three years ahead posted a fall from the November survey (5.0% for both periods) and measured 4.9% and 4.0%, respectively in December.

Typically higher than those of other sectors, **short-term inflation expectations of the household sector** stayed unchanged for the fifth consecutive month at 15.0%, while expectations for **two and three years ahead** increased from 10.0% in the November survey, to 12% in the December survey.

**The results of the qualitative survey suggest that households expect 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** results, **one-year ahead inflation expectations of the financial sector** edged down from 3.9% in November, to 3.7% in the December survey. **According to the Bloomberg survey, in January they stayed unchanged at 3.5%, for the third consecutive month**. 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.

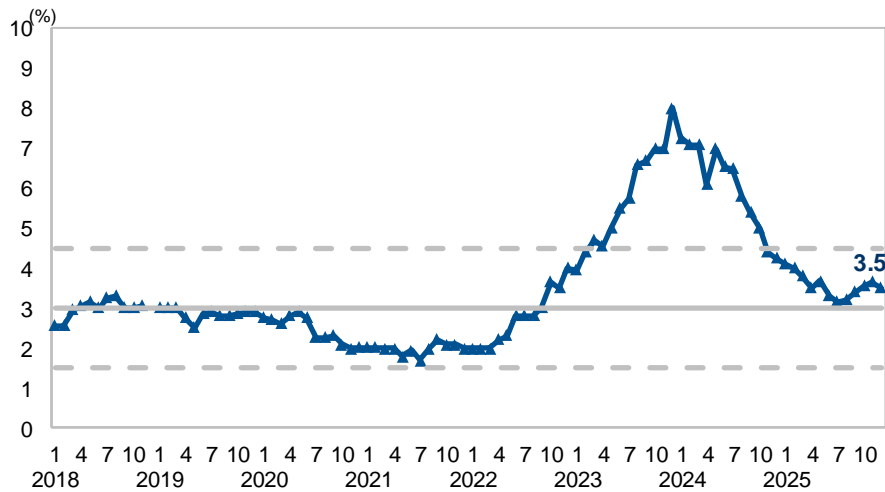
The composite measure of the financial sector expectations, calculated by combining the responses of financial institutions that participate in the Bloomberg and Ninamedia surveys, came at 3.5% in December, which is a decline from 3.65% in November (Chart 1).

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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.

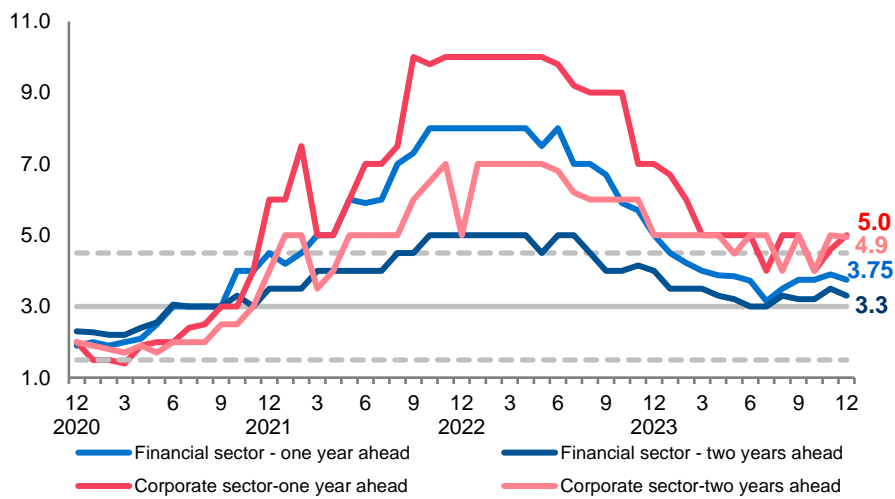
**Medium-term expectations of the financial sector have been anchored within the target band.** They recorded a fall in the December survey, measuring 3.3% for two years ahead and 3.0% for three years ahead, while standing at 3.5% for both periods in November.

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



Sources: NBS, Ninamedia, and Bloomberg.

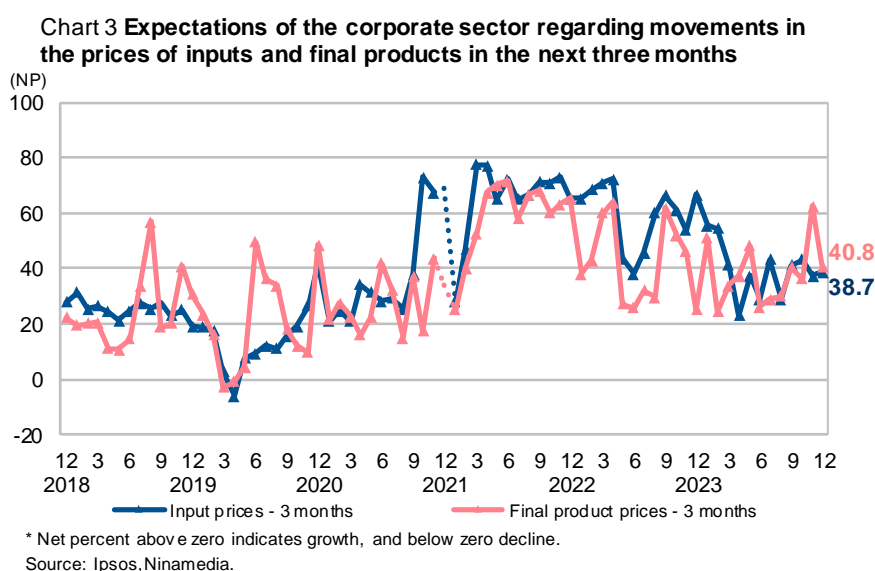
**Chart 2 Expected inflation of financial and corporate sector for one and two years ahead**



Sources: NBS, Ninamedia.

## Inflation expectations of the corporate sector

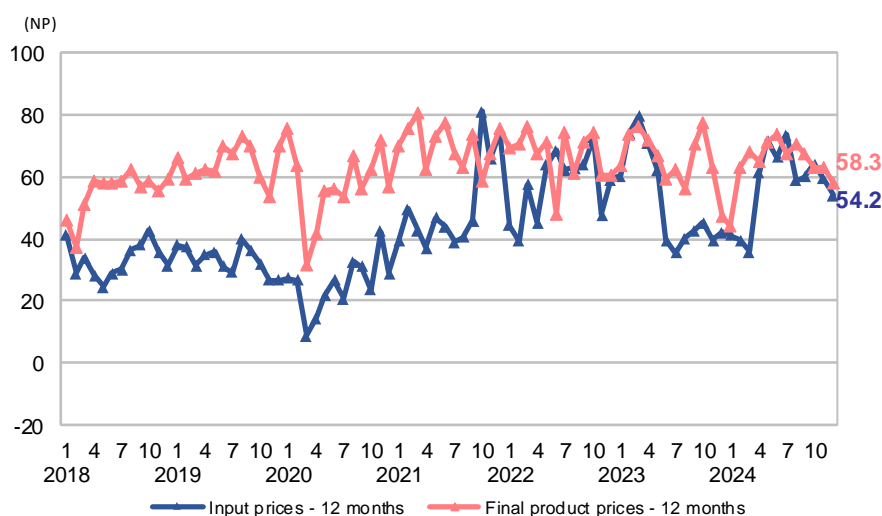
**One-year ahead inflation expectations** increased from 4.6% in November to 5.0% in the December survey, which is the average around which they have moved since the start of the year. As for **two- and three-year ahead expectations**, they stood at 4.9% and 4.0%, respectively, which is a decline from November, when they measured 5.0% for both periods.



The analysis of input and output prices expected in the next three months (Chart 3) suggests a slight increase in the share of corporates expecting a rise in input prices, from 39% in November to 42% in December. On the other hand, there has been a significant decline in the share of corporates expecting that the prices of their products/services would rise, from 64% in November to 42% in December, with the dominant view being that there will be no price changes in the short run (57%).

Corporates pared down their expectations regarding the movement of input and output prices in the long run (over the next twelve months) (Chart 4). Specifically, 56% of corporates expect a rise in input prices (62% in November), while 59% of them expect a rise in the prices of their products/services (63% in November). The dominant view among corporates is that there was no change in business conditions in the last three months (84% of corporates), and most of them (around 68%) think that there will be no change 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**



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

Source: Ipsos, Ninamedia.

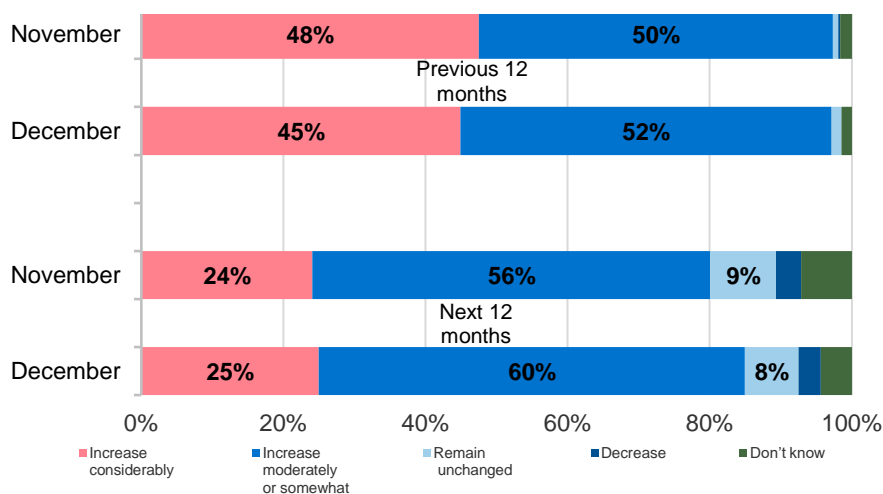
The share of respondents expecting an increase in production/turnover in the next three months went up from the previous survey, and equals 40% (34% in November). Their share has also recorded a rise, from 40% in November to 60% in December for the next twelve months.

## Inflation expectations of the household sector

According to the results of the Ninamedia survey, one-year ahead inflation expectations of households stayed unchanged in the December survey for the fifth consecutive month, at 15.0%. Conversely, two- and three-year ahead expectations increased from 10.0% in November to 12.0% in the December survey.

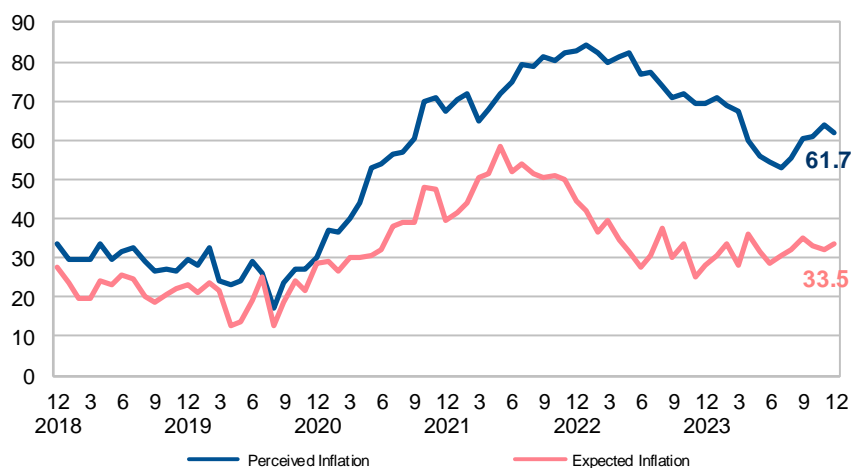
According to the qualitative results of the survey (Chart 5), the share of respondents who believe that prices rose considerably **in the past year** decreased from the previous month and measured 45% in December, with 52% of those who believe that the prices increased moderately or somewhat in the previous period. There were no significant changes in **household expectations for the next twelve months** – the share of those expecting a considerable increase in prices continued its stable trend over the past months, averaging around 20%, while the **majority of households expect the prices to increase moderately or somewhat (60% in December)**.

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.<sup>2</sup>

Chart 6 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)