



National Bank of Serbia

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

**January 2025**

Belgrade, February 2025

**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 .....	7

## **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

One-year ahead inflation expectations of the financial sector rose from 3.75% in December to 3.9% in the January Ninamedia survey, continuing to move within the **NBS target tolerance band**.

According to the **February Bloomberg survey, inflation expectations stayed unchanged for the fourth consecutive month, at 3.5%**. Expected inflation calculated through the **inflation expectations composite measure<sup>1</sup> was almost unchanged from December, equalling 3.55% in January**.

**Corporate short-term inflation expectations** stayed unchanged from December, at 5.0% in January. This is also the average value registered at the level of last year.

**Two-year ahead** expectations of the financial sector recorded a slight increase from December, measuring 3.5% in January (3.3% in December), continuing to move around the **NBS target midpoint**. **Three-year ahead** expectations were kept unchanged from December (3.0%). Corporate medium-term inflation expectations stood at 4.0% in the January survey, which is a decline from December (4.9%) in case of two-year ahead expectations, while three-year ahead expectations stayed unchanged.

Typically higher than those of other sectors, **one-year ahead inflation expectations of the household sector** stayed unchanged for the sixth consecutive month at 15%, while expectations for **two and three years ahead** decreased from 12.0% in the December survey to 10.0% in the January survey.

**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.**

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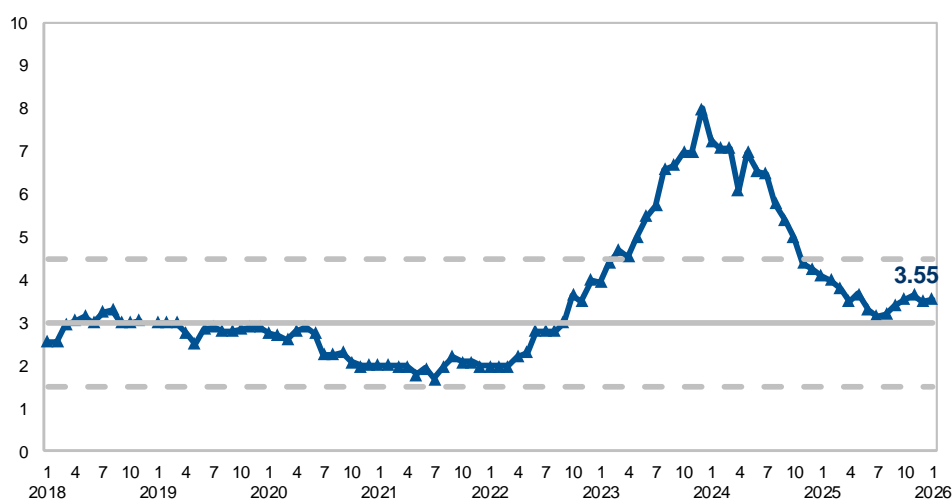
<sup>1</sup> Weighted by the individual respondent's share in total assets of the surveyed financial institutions. Institutions participating in both surveys are assigned the arithmetic mean of the responses provided in the Ninamedia and Bloomberg surveys. Hence, banks with a larger market share have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

## Inflation expectations of the financial sector

According to the **Ninamedia survey results**, **short-term inflation expectations of the financial sector** edged up from 3.75% in December, to 3.9% in the January survey. According to the **Bloomberg survey**, **they stayed unchanged at 3.5%, for the fourth consecutive month**. A more detailed analysis of the structure of individual responses shows that every surveyed financial institution expects one-year ahead inflation to be within the NBS target tolerance band.

The composite measure of January expectations, calculated by combining the responses of financial institutions that participate in the Bloomberg and Ninamedia surveys, came at 3.55% (Chart 1), which is an almost unchanged value from December.

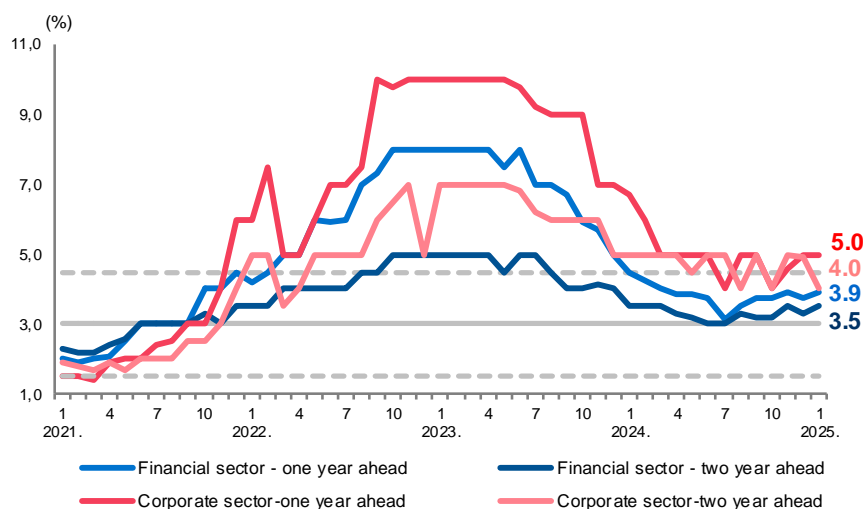
Chart 1 **Composite measure of inflation expectations of the financial sector (in %)**



Sources: NBS, Ninamedia, and Bloomberg.

**Two-year ahead inflation expectations of the financial sector** increased from 3.3% in December to 3.5% in January, continuing to move around the NBS target midpoint, while three-year ahead expectations stayed the same as in December (3.0%).

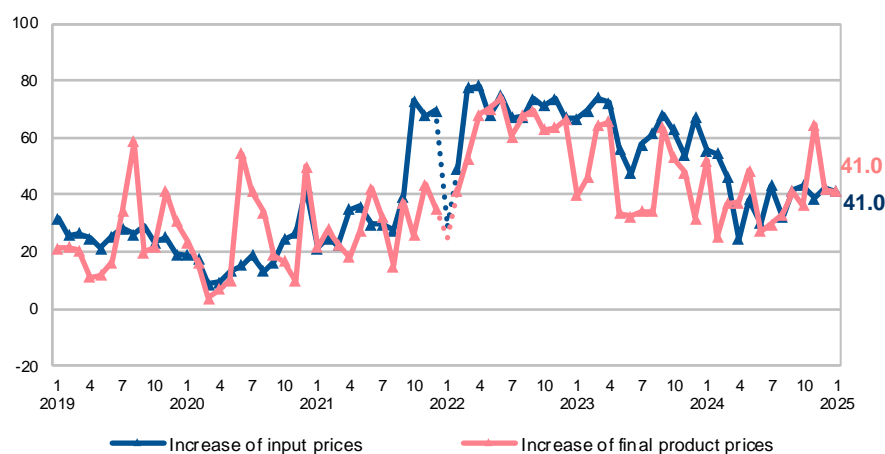
**Chart 2 Expected inflation of financial and corporate sector for one and two years ahead**



## Inflation expectations of the corporate sector

**One-year ahead corporate inflation expectations** stayed unchanged from December, at 5.0%, this being also their average value for the last year. Two- and three-year ahead expectations stood at 4.0% for both periods. Two-year ahead expectations dropped from 4.9% in December to 4.0% in the January survey, while three-year ahead expectations stayed unchanged.

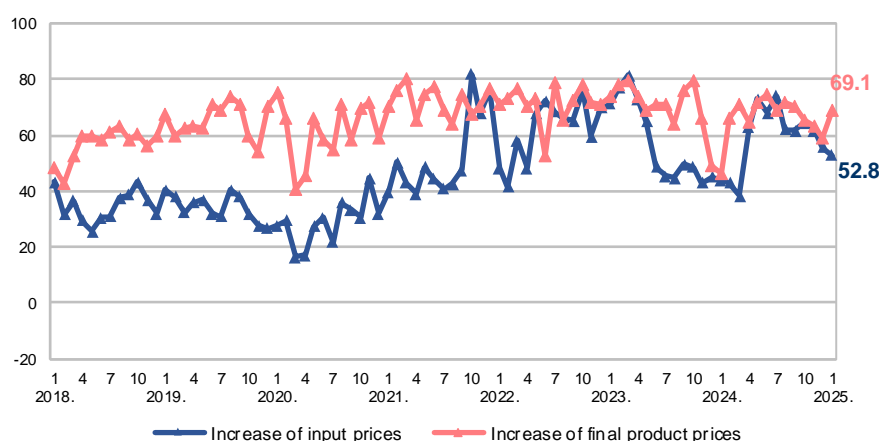
**Chart 3 Expectations of the corporate sector regarding movements in the prices of inputs and final products in the next three months (in %)**



The analysis of input and output prices for the next three months (Chart 3) indicates an almost unchanged share of corporates anticipating a rise in these prices in the January survey relative to December (around 41%).

When it comes to the long run (next twelve months), corporates decreased their expectations in regard to input prices, with 53% of them expecting an increase (56% in December) while, on the other hand, the share of those anticipating a hike in the prices of final products and services rose from 59% in December to 69% in the January survey (Chart 4).

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



Source:Ipsos, Ninamedia.

The dominant view among corporates is that **business conditions in the last three months** did not change (85% of corporates), and most of them (around 63%) believe that changes will not occur in the next twelve months either.

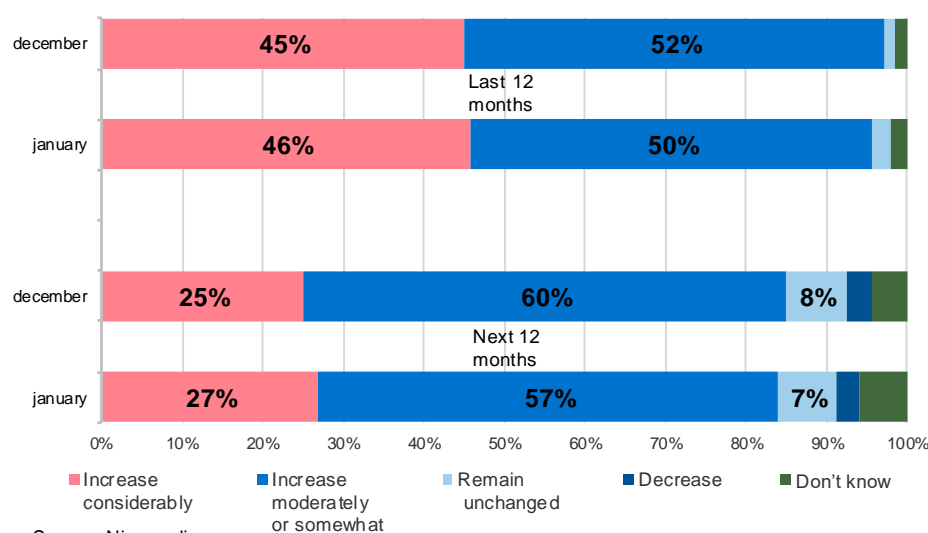
The share of corporates expecting an increase in their own production/turnover in the next three months went up from 40% in December to 45% in January. Their share for the next twelve months also recorded a rise, from 60% in December to 63% in January.

## Inflation expectations of the household sector

According to the results of the Ninamedia survey, one-year ahead quantitative inflation expectations of households stayed unchanged in the January survey for the sixth consecutive month, at 15.0%. Conversely, two- and three-year ahead expectations dropped from 12.0% in December to 10.0% in the January 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** stayed almost unchanged from the previous month and measured 46%, with 50% 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 rose slightly, from 25% in December to 27% in January, while the majority of households expect the prices to increase moderately or somewhat (57% in January).

Chart 5 Distribution of household responses by perceived and expected inflation



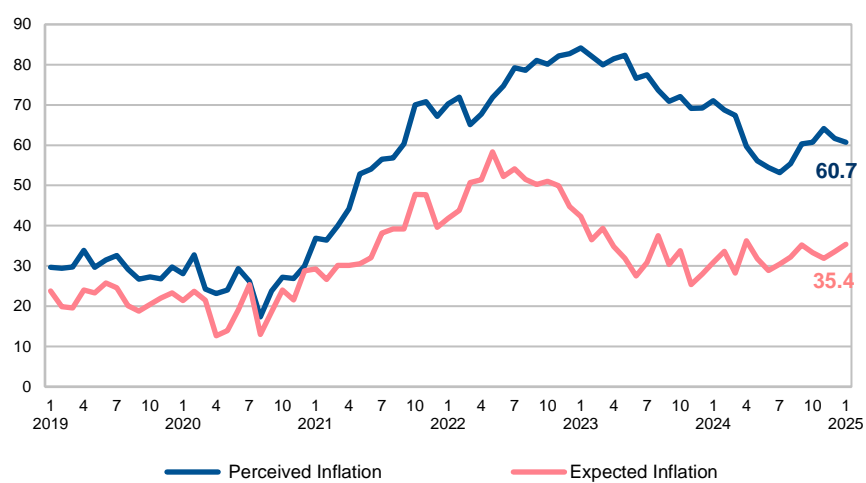
Continuously higher perceived than expected inflation index (Chart 6) implies that **households anticipate lower inflation in the coming twelve months than in the previous year.**<sup>2</sup>

<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/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)



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



Sources: Ninamedia and NBS calculation.