



National Bank of Serbia

REPORT ON THE RESULTS OF THE INFLATION EXPECTATIONS SURVEY

June 2025

Belgrade, July 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 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 flatlined at 3.5% in the June survey, staying within the NBS target band for 18 months.

According to the **Bloomberg July survey, inflation expectations dipped from 3.5% in June to 3.4%**, their lowest level since October 2024. Expected inflation calculated as the **inflation expectations composite measure¹ decreased from 3.55% in May to 3.4% in the June survey.**

One-year ahead inflation expectations of corporates stayed unchanged for the seventh month in a row, at 5.0% in the June survey. This is also their average value in the previous year.

Medium-term inflation expectations of the financial sector recorded a drop from May, measuring 3.2% both for two and three years ahead, and ranging between 3.0% and 3.5% since early 2024. Corporate **two-year ahead inflation expectations stayed unchanged at 5.0%, the same as three-year ahead expectations**, after having been revised down to 4.3% in May. Medium-term expectations of corporates have moved within the 4.0%–5.0% range since end-2023.

Traditionally higher than those of other sectors, **household inflation expectations for all three periods stayed unchanged relative to May, measuring 15.0% for one year ahead and 10.0% for two and three years ahead.**

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

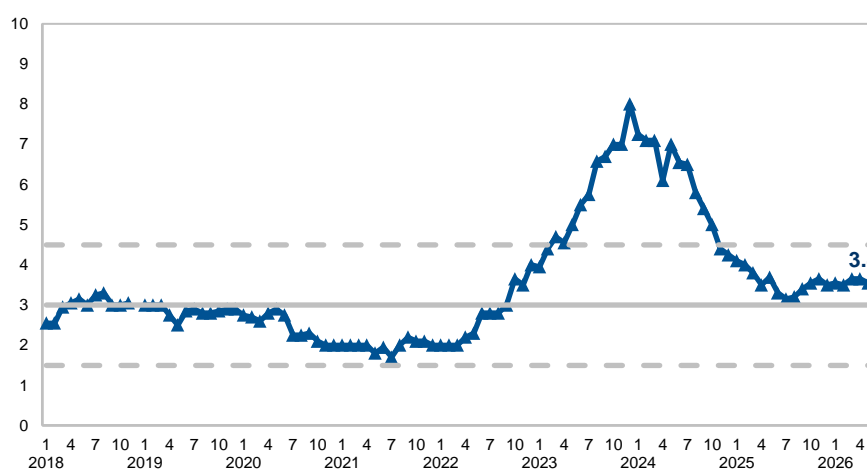
According to the **Ninamedia survey results, one-year ahead inflation expectations of the financial sector** stayed at 3.5% in the June survey, continuing to move within the NBS target band. **According to the Bloomberg July survey, financial sector's inflation expectations declined from 3.5% in June to 3.4%. A**

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 for the relevant month. Hence, banks with a larger market share have a greater influence on the aggregate result.

closer analysis of the structure of individual responses shows that all of surveyed financial institutions expect one-year ahead inflation to be within the NBS target tolerance band.

The composite measure of June expectations, calculated by combining the responses of financial institutions that participate in the Bloomberg and Ninamedia surveys, came at 3.4% (Chart 1), which is a decline from the previous month's 3.55%.

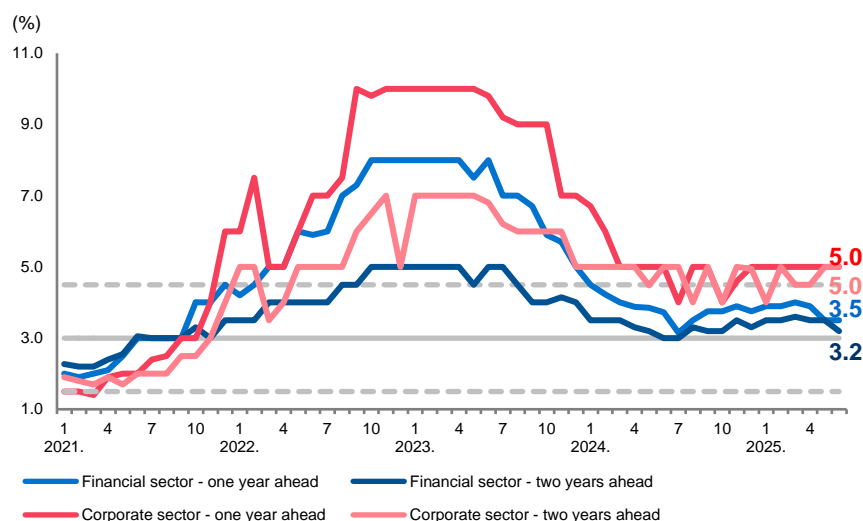
Chart 1 **Composite measure of inflation expectations of the financial sector (in %)**



Sources: NBS, Ninamedia and Bloomberg.

Medium-term inflation expectations of the financial sector recorded a drop in the June survey, measuring 3.2% for two and three years ahead. They have continued to move within the 3.0–3.5% range since January 2024.

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

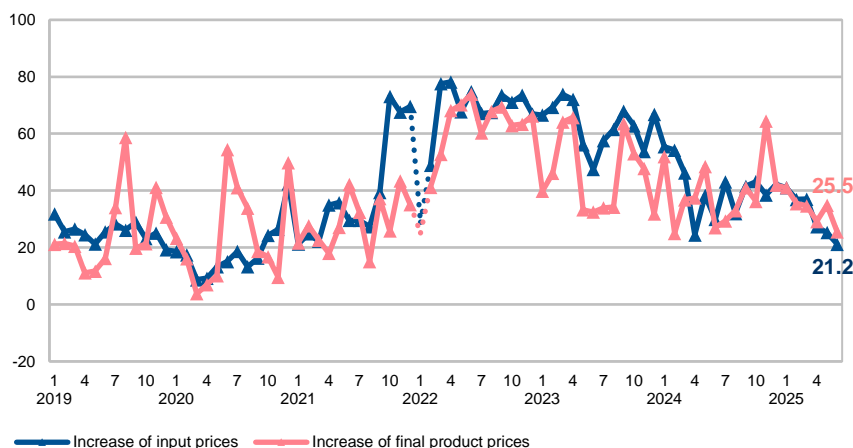


Inflation expectations of the corporate sector and business conditions

Corporate one-year ahead inflation expectations stayed unchanged for the seventh month in a row, at 5.0% in the June survey, this being also their average value in the previous year. Corporate two-year ahead inflation expectations stayed unchanged at 5.0% in the June survey, the same as three-year ahead expectation, after having been revised down to 4.3% in May. Medium-term expectations thus moved within the 4.0%–5.0% range since end-2023.

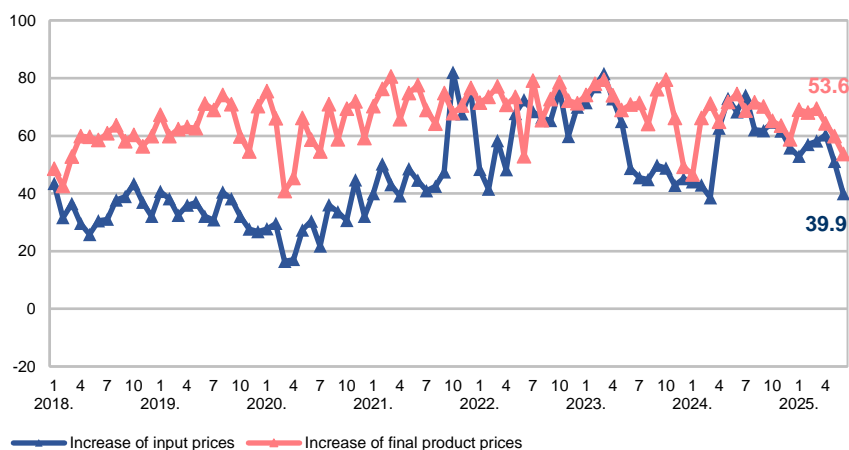
Expectations of the corporate sector regarding a rise in input prices and final product prices over the next three months were revised down in the June survey. The share of corporates expecting an increase in input prices declined from 25% in May to 21% in June, while the share of those expecting an increase in the prices of final products decreased from 35% in May to 26% in the June survey (Chart 3).

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



Sources: Ipsos, Ninamedia.

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



Sources: Ipsos, Ninamedia.

As for the movement of prices of input and final products over next twelve months, the share of corporates expecting an increase in input prices decreased considerably – from 51% in May to 40% in June, while the share of those expecting an increase in output prices also dropped – from 60% to 54% in the June survey (Chart 4).

The dominant view among corporates is that **business conditions in the last three months did not change** (76% of corporates), and most of them (around 66%) 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 declined from 37% in May to 31% in June, while the share of those

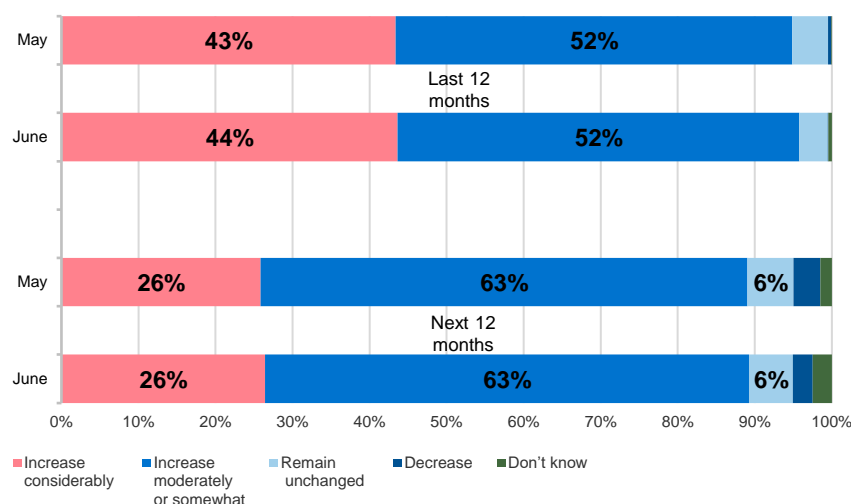
expecting an increase in their own production/turnover in the next twelve months subsided from 57% to 45%.

Inflation expectations of the household sector

According to the Ninamedia survey results, quantitative inflation expectations of households for all three periods stayed unchanged in the June survey. Short-term expectations have stood at 15.0% since August 2024, while medium-term expectations equalled 10.0%.

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 and measured 44% in June, below the last year's average of 46%, while there are 52% of those who believe that the prices increased moderately or somewhat in the previous period. There were no major changes when it comes to household expectations for the next twelve months – the share of those expecting a considerable increase in prices was similar as in the month before – 26%, while the share of households expecting a moderate or mild price increase hovered at 63% in the June survey.

Chart 5 Distribution of household responses by perceived and expected inflation



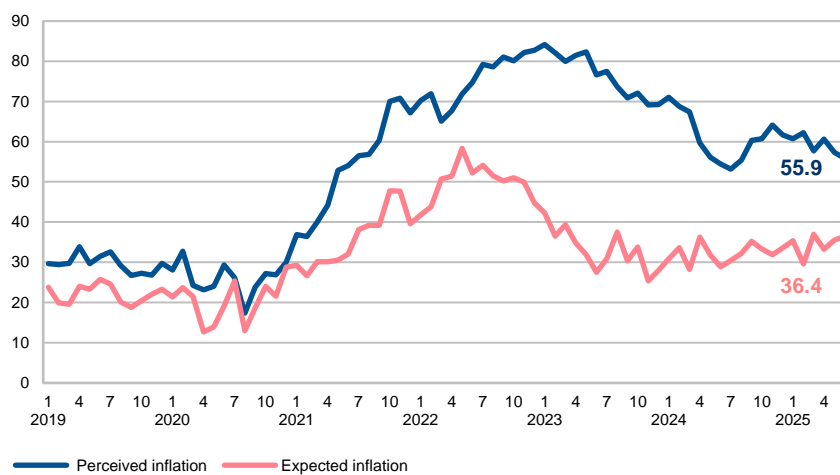
Source: Ninamedia.

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

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

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



Sources: Ninamedia and NBS calculation.