



National Bank of Serbia

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

July 2025

Belgrade, August 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

One-year ahead inflation expectations of the financial sector increased from 3.5% in June to 3.8% in the July survey, staying within the NBS target range for the nineteenth consecutive month.

According to the results of the **August Bloomberg survey, inflation expectations have slightly increased from 3.4% in July to 3.6% in August.** The expected inflation, calculated using the **composite measure of inflation expectations**,¹ decreased from 3.4% in June to 3.25% in the July survey, its lowest level since August 2024.

After seven months, short-term inflation expectations of the corporate sector recorded an increase from 5.0% in June to 6.0% in July, the value last recorded in February 2024.

Inflation expectations of the financial sector edged up for two years ahead (from 3.2% in June to 3.5% in July), while declining for three years ahead (from 3.2% to 3.1%). At the same time, **medium-term corporate expectations stayed unchanged from the previous month, at 5.0%.** These expectations 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 June, 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

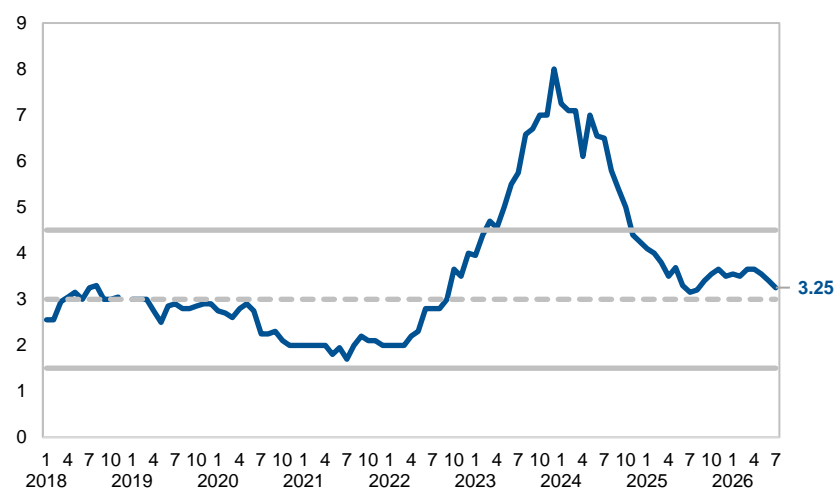
According to the **Ninamedia survey, one-year ahead inflation expectations of the financial sector increased from 3.5% in June to 3.8% in July, continuing to move within the NBS target band. The Bloomberg survey indicates that inflation expectations of the financial sector spiked from 3.4% in July to 3.6% in August.**

A closer analysis of the structure of individual responses shows that almost all surveyed financial institutions (22 out of 23) expect one-year ahead inflation to be within the NBS target tolerance band.

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.

The composite measure of July expectations, calculated by combining the responses of financial institutions that participate in the Bloomberg and Ninamedia surveys, came at 3.25% (Chart 1), its lowest level since August 2024.

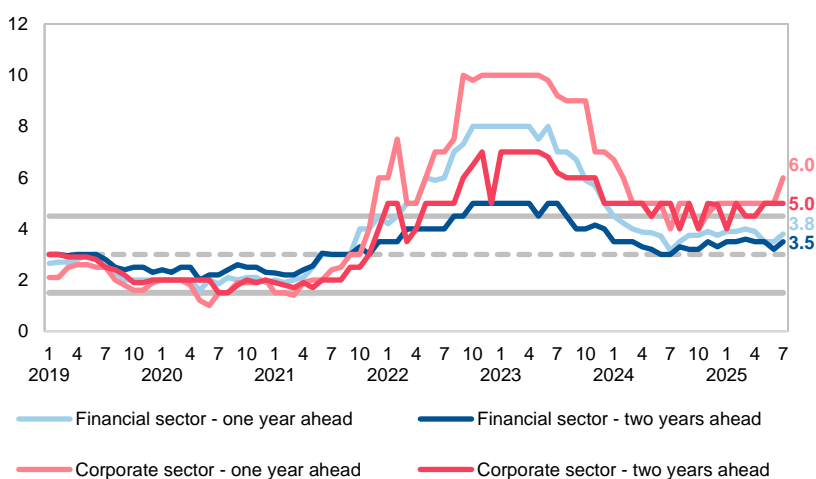
Chart 1 Composite measure of inflation expectations of the financial sector (in %)



Source: NBS, Ipsos, Ninamedia, Bloomberg

Inflation expectations of the financial sector edged up for two years ahead (from 3.2% in June to 3.5% in July), while declining for **three years ahead** (from 3.2% to 3.1%). Still, medium-term inflation expectations of the financial sector continued moving within the 3.0–3.5% range recorded since January 2024.

Chart 2 Expected inflation of financial and corporate sectors for one and two years ahead (in %)



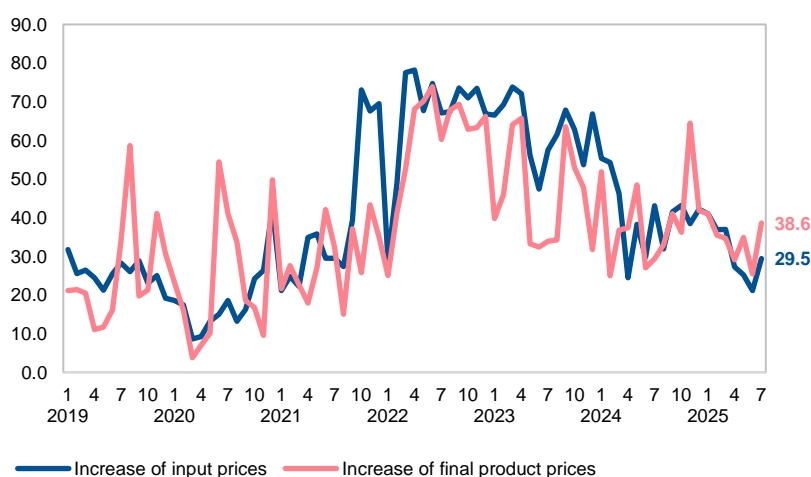
Source: NBS, Ninamedia

Inflation expectations of the corporate sector and estimate of business conditions

After seven months, one-year-ahead inflation expectations of the corporate sector increased from 5.0% in June to 6.0% in the July survey. Medium-term expectations of the corporate sector, for both two and three years ahead, remained at the same level of 5.0% in the July survey compared to the previous month, continuing to move within the 4.0–5.0% range since end-2023.

Corporate expectations regarding the growth of input and final product prices over the next three months increased in the July survey. The share of corporates expecting an increase in input prices rose from 21% in June to 30% in July, while the share of those expecting a rise in final product prices increased from 26% in June to 39% in the July survey (Chart 3).

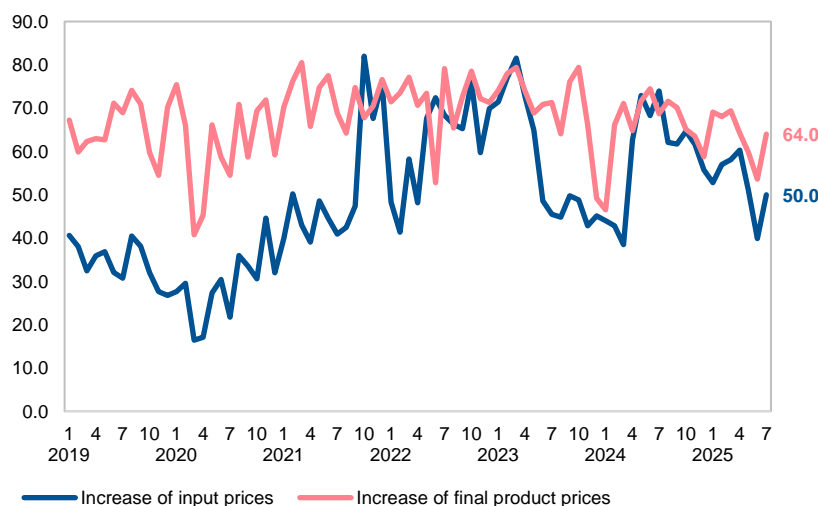
Chart 3 Expectations of the corporate sector regarding movements in the prices of inputs and final products in the next three months (in %)



Source:Ipsos, Ninamedia

As regards the expected movement of input and final product prices over the next twelve months, there is a noticeable increase in the share of corporates expecting a rise in input prices (from 40% in June to 50% in July), along with a concurrent increase in the share of those expecting a rise in output prices (from 54% to 64% in July) (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 prevailing view among corporates is that **business conditions have remained unchanged over the past three months** (65% of respondents), and the majority of them (around 66%) believe that no changes will occur over the next twelve months either.

The share of corporates expecting an increase in their own production/turnover over the next three months decreased from 31% in June to 25% in the July survey, while, on the other hand, the share of those expecting growth in production/turnover over the next twelve months remained nearly the same compared to the previous month, at 44%.

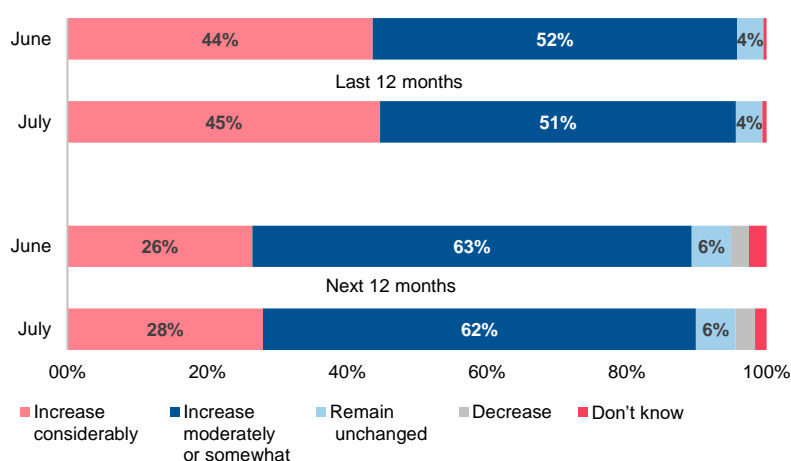
Inflation expectations of the household sector

According to the Ninamedia survey results, quantitative inflation expectations of households for all three periods stayed unchanged in the July 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 there has been a considerable increase in prices over the past year** is at the average level recorded since the beginning of the year, amounting to 45%, which is slightly below last year's average of 46%. Meanwhile, 51% believe that prices have increased moderately or somewhat. On the other hand, when it comes to **households' expectations for the next 12 months**, the share of those expecting a considerable increase in prices slightly rose –

from 26% in June to 28% in July, while the share of those expecting prices to increase moderately or somewhat stands at 62% in the July survey.

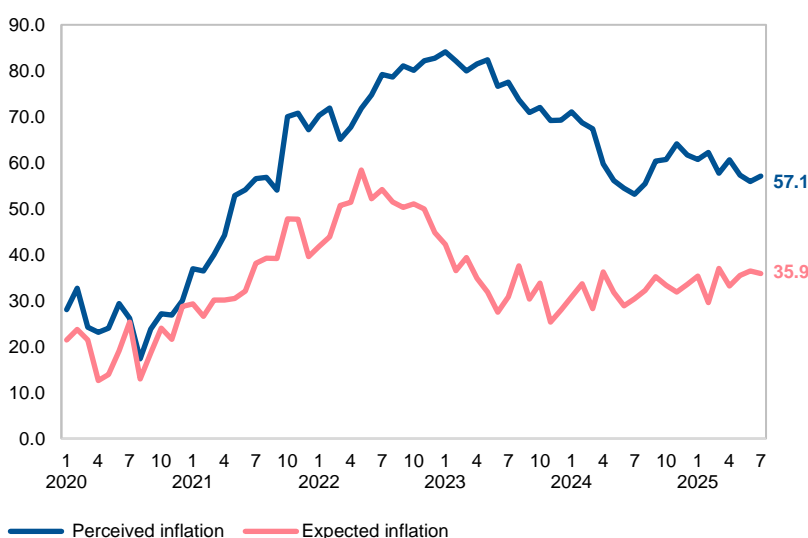
Chart 5 Distribution of household responses by perceived and expected inflation



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

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



Source: Ninamedia and NBS estimate

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