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ANALYSIS OF THE HETEROGENOUS IMPACT OF INFLATION ON HOUSEHOLDS IN SERBIA IN THE 2020–2025 PERIOD

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Analysis of the heterogenous impact of inflation on households in Serbia

Dragan Dživdžanović and Konstantin Sorak

Abstract: This paper aims to examine the heterogeneity of the redistributive effects of inflation on different household categories in Serbia, observed by their level of consumption and income, in the period between the outbreak of the coronavirus pandemic and 2025. For this purpose, specific consumer price index indicators were constructed for different household categories using data on consumption patterns from the Household Budget Survey of the Statistical Office of the Republic of Serbia, where the weights for products and services were adjusted in line with their relative shares in consumption for each of the five equal groups (quintiles) ranked by consumption level. Based on the obtained indices, we analysed the unequal impact of inflation through the relative consumption channel. Subsequently, the income channel was examined by deflating wages using group-specific inflation indices. The results of the analysis of the relative consumption channel show that, in the initial part of the period of high inflationary pressures, there were no significant differences between inflation indicators according to the consumption patterns of different groups, because the increase in food prices, which affects lower-consumption households more strongly, was partly offset by rising transport prices, which have a larger share in the consumption of higher-consumption households. However, in the latter half of 2022 and throughout 2023, lower-consumption households were relatively more exposed to price increases, while in 2024 and 2025 the effects of this channel largely operated in the opposite direction. Observed through the income channel, the inflationary shock in 2022 and 2023 led to a significant slowdown in real wage growth, with wages of the lowest-income households declining somewhat in 2022, and stagnating in 2023. However, as inflation stabilised in 2024 and 2025 and real wages posted robust growth, the income channel came to have an overall positive impact on households' purchasing power. Consequently, in the 2020–2025 period, real wage growth in the lower-income quintiles exceeded 35%, while in the higher-income quintiles it was slightly below 30%.

Key words: consumer price index, inflation inequality, consumption pattern, quintiles, relative consumption channel, income channel
[JEL Code]: E47, E58, E37

Non-Technical Summary

The use of aggregate inflation measures, such as the general consumer price index, is important for the conduction of macroeconomic policy. This index, however, reflects the habits of an average consumer and does not capture the different effects of price growth on different household categories depending on their income and consumption levels. For this reason, it is useful to observe inflation in terms of groups of households with different consumer habits.

In this paper, based on the data from the Household Budget Survey, households are classified into five groups (quintiles), the first of which includes 20% of the lowest-consumption households and the fifth – 20% of the highest-consumption households. Then, for all groups, the weights of the COICOP categories of products and services in their contribution to inflation were adjusted using data from the Survey. Data on monthly price growth of these categories were used and transformed into indices with 2015 as the base year. Finally, specific inflation rates were calculated for each group, together with the individual contributions of each of the categories in order to assess whether inflationary pressures affected different households differently.

The results show that, in the initial part of the period of strong inflationary pressures, there were no major differences among the groups. The reason for this is that food price growth, which affects lower-consumption households in particular, was partly offset by the increase in transport prices fuelled by global oil price growth, which has a larger share in the consumption of higher-consumption households. As food price growth accelerated in the latter half of 2022, however, the differences in inflation intensified, peaking in mid-2023, with inflation in the first quintile topping inflation in the fifth quintile by around 2.6 pp. From 2024 onwards, as food price growth subsided and the contribution of industrial products and services to inflation went up, inflation most often became relatively lower for lower-consumption households and declined further in late 2025 under the impact of the decree on the capping of margins.

Observed through the income channel, the inflationary shock in 2022 and 2023 led to a significant slowing of real wage growth, while the lowest-income households saw some decline, followed by stagnation. Real income growth ensued as inflation levelled off in 2024 and 2025, and was the sharpest for lower-income groups. If we observe the entire period of the multidimensional crisis (2020–2025), it can be concluded that all groups saw a substantial increase in their purchasing power, with real wage growth in the lower-income quintiles slightly topping 35% and measuring less in higher-income quintiles, at slightly under 30%.

This result is also confirmed by the indicator of coverage of the minimum consumer basket with minimum wages, which deteriorated in the 2022–2023 period, only to improve greatly in the subsequent years. In 2025, the minimum wage almost fully covered the minimum consumer basket for the first time.

Contents

1 Introduction

Inflation is one of the topics that has received the greatest deal of attention from the economic science. From the aspect of practical and applied economics, the regulation of inflation is one of the key economic policy objectives and the principal goal of monetary policy. Such amount of interest among economists and the importance they attach to the issue of inflation have spawned a large number of different approaches to its analysis. Nonetheless, almost all agree that price growth does not affect all market participants in the same way. Research of the redistributive effects of inflation has been undertaken from various perspectives, such as the redistribution of wealth from creditors to debtors (Fisher, 1911) or inflation as a form of "hidden" taxation (Friedman, 1969). One of the many perspectives is the analysis of the unequal impact of price growth on households. Although the use of an aggregate measure of inflation is the most common approach in models and analyses, it is clear that at times of inflationary pressures prices of all goods do not rise at the same intensity, and that households do not share identical consumer choices and habits.

Research most often uses data from household consumption surveys in order to account for the differences in the structure of consumer baskets and to construct inflation rates for different population categories (Hobijn & Lagakos, 2003). There are also cases of using more detailed microdata to track differences in the prices paid by different groups for the same products (Kaplan & Schulhofer-Wohl, 2017), as well as incorporating additional components in the calculation of the "true" price index, such as substitution tendencies and consumer habits (Argente & Lee, 2020). Interest in this topic increased with the emergence of strong inflationary pressures during the recovery of the global economy after the COVID-19 pandemic, which were further intensified by the escalation of the conflict in Ukraine. From a sectoral perspective, inflationary pressures were felt more asymmetrically in the areas of energy and food, particularly in Europe, where inflation was driven to a greater extent by supply-side shocks compared to other parts of the world (Firat & Hao, 2023). The uneven nature of inflationary pressures has therefore prompted various studies aimed at assessing the heterogeneous effects of inflation. This paper presents research conducted for Serbia, focusing on the channels of relative consumption and income (Ferreira, Leiva, et al., 2022).

The research covers the period from 2020 to 2025. To calculate inflation rates by household categories, we applied the methodological approach used in Gautier and Montornès (2022). Its core idea consists of adjusting the homogeneous weights assigned to product and service categories in the aggregate CPI consumer basket, based on data from the Household Budget Survey which captures different consumption structures depending on households' total expenditure levels. In this way, inflation rates are obtained separately for each quintile, ranging from the first quintile, which includes the 20% of households with the lowest level of consumption, to the fifth quintile, comprising the 20% of households with the highest level of consumption.

The analysis of the relative consumption channel shows that during the first phase of inflationary pressures intensified by the energy shock, their effects were evenly distributed, and there were no significant deviations in inflation trends across different household categories, despite the high inflation rate. In addition, the main driver of higher inflation for

the first quintile was food price growth, and for the fifth quintile – the rise in transport prices due to the hike in global prices of oil. In the latter half of 2022, after oil prices stabilised – which also reflected on transport prices – the inflation gap began to widen, with lower-consumption households being relatively more affected, since food prices continued to rise driven by second-round effects. At its peak, the gap in inflation between the first and fifth quintiles ranged between 0.7 and 2.6 pp. In the subsequent period, from Q4 2023 onwards, the inflation gap was neutralised thanks to the base effect and the rising contribution of industrial goods and services to inflation. In 2024 and 2025, inflation was generally lower in the first than in the fifth quintile, a trend that intensified in particular from September 2025 as a result of adoption of the decree capping trade margins.

With regard to the income channel, the inflationary shock in 2022 and 2023 led to a significant slowing of real wage growth, while the lowest-income households saw some decline in 2022, followed by stagnation in 2023. Real wages rose substantially in 2024 and 2025, supported by decelerating inflation and higher minimum wages. Recovery ensued with the stabilisation of inflation in 2024 and 2025, when real wage growth was the most pronounced among lower-income groups. Compared to 2019, the wages of households in the first two quintiles (40% of the lowest-income households) increased by over 35% in real terms by 2025, while those of the highest-income households rose by slightly less than 30%. This resulted in the minimum wage almost fully covering the minimum consumer basket, indicating an improvement in the purchasing power of this population segment.

2 Methodology

The purpose of this analysis is to examine the heterogeneity of the redistributive effects of inflation on households through two mechanisms: (1) the relative consumption channel, which refers to differences in the structure of the consumer basket, and (2) the income channel, which relates to differences in the dynamics of real wage growth resulting from unequal inflation, as well as nominal wage growth.

The Consumer Price Index (CPI) is published by the Statistical Office of the Republic of Serbia (SORS). The CPI is based on the average consumer basket, where the prices of product groups classified according to COICOP are weighted by their share in total consumption. The SORS also publishes the Household Budget Survey (HBS), which contains data on the consumption of the same product groups. These data serve as one of the bases for determining the weights used in the calculation of the CPI. The Survey also provides information on the consumption patterns of households according to their level of expenditure, with households divided into ten equal deciles (the first decile representing households with the lowest consumption, and the tenth decile those with the highest consumption). For the purposes of this analysis, we have averaged each pair of adjacent deciles in order to obtain quintile-level data, ensuring greater clarity and transparency of the analysis.

To calculate inflation by household groups, we applied the methodological approach developed in Gautier and Montornès (2022). A similar approach was used for European countries in Claeys et al. (2022), as well as in Charalampakis et al. (2022). The methodological framework employed in this paper makes it possible to link consumer price indices and official

CPI weights with the structure of household consumption from the Household Budget Survey[1] by quintiles. The weights of product groups in the CPI are adjusted based on the relative shares of those same groups in consumption by quintiles. The weight of a product group for a given quintile is obtained by adjusting the official CPI weight according to the relative consumption shares. Specifically, the ratio of the share of a given group in the consumption of that quintile and total consumption for that group is taken into account:

$$w_{j,q}^{g} = wCPI_{j}^{g} * \frac{HBS_{j,q}^{g}}{HBS_{j}^{g}} \quad (1)$$

where:

j - COICOP groups of products/services

q – quintile

g – year

$w_{j,q}^{g}$ - derived weight of product group j for selected quintile q in year g

$wCPI_{j}^{g}$ - official CPI weight of product group j in year g

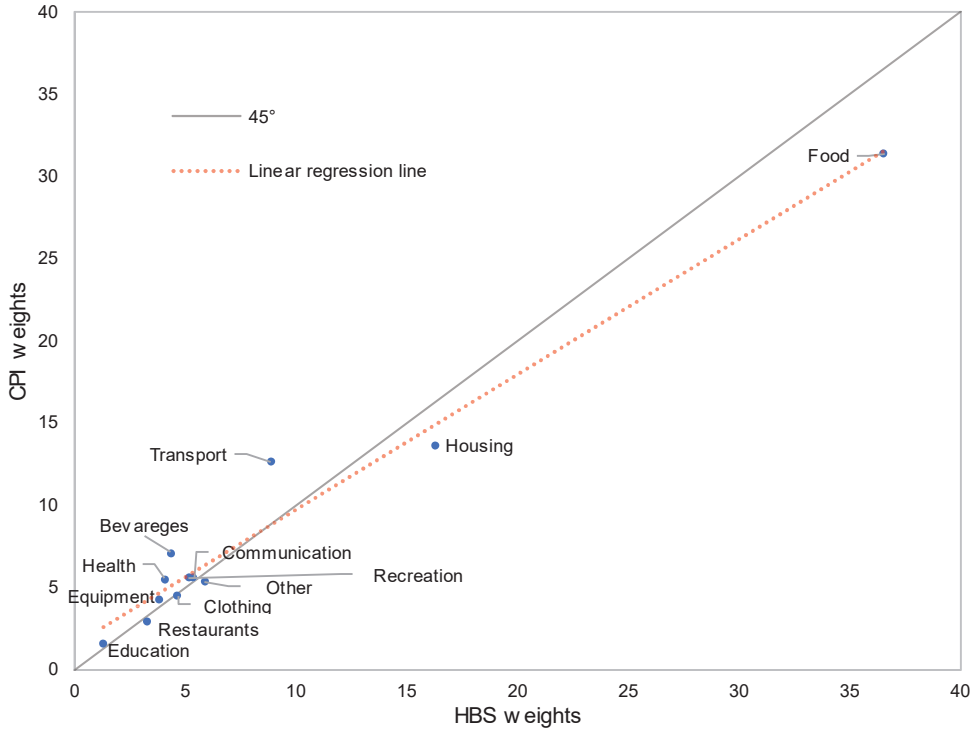
$CPI_{j,q}^{g}$ – share of product group j in the consumption of quintile q, from the Household Budget Survey for year g

HBS_{j}^{g} – share of product group j in the consumption of all quintiles, from the Household Budget Survey for year g

It is important to note that the structures of consumption obtained from the Household Budget Survey and the weights used in CPI slightly differ, despite the fact that the Household Budget Survey is the basis for determining the CPI weights. These differences can, to a limited effect, affect the level of inflation rates calculated by quintiles.

[1] The Household Budget Survey was not published for 2020, so we used the arithmetic mean of weights for 2019 and 2021.

Chart 1 **Share of COICOP product group in total consumption in 2024 in CPI and HBS**
(in %)



Source: Authors' illustration based on Michael Marencak and Giang Nghiem (2025). SORS data.

Using data for 2024 as an example, deviations can be observed between the shares of certain product groups in the HBS and the official CPI weights. The most pronounced difference is recorded for food, which accounts for 31.4% of total consumption according to CPI, compared to 36.6% according to the HBS. In contrast, the respective shares for transport are 12.7% and 8.9%. For the categories of housing and alcohol, beverages and tobacco, the shares amounted to 13.6% and 7.1%, respectively, within CPI, compared to 16.3% and 4.4% according to the HBS. Regarding differences in consumption structure across quintiles based on HBS data, the share of food in the consumption of the first quintile is significantly higher than the HBS average, amounting to 45.5%. By contrast, the shares of housing, transport, and recreation are higher in the fifth quintile, measuring 18.7%, 9.8%, and 8.2%, respectively.

The quintile weights obtained in this way (equation 1) are used for calculating the contribution of individual COICOP groups to the total annual inflation rate of each quintile (equation 2). As the weights in the CPI and the Household Budget Survey are updated once a year, to calculate y-o-y inflation we have applied a formula which captures changes of weights from one successive year to another (OECD, 2022). The first element of the equation (2) captures price change in the current year applying the weight from a year earlier, while the second element performs the adjustment resulting from the change of the weight from one successive year to another.

$$c_{j,q}^{g,m_t} = \left[\left(\frac{pCPI^{g-1,m_{12}}}{pCPI^{g-1,m_t}} * w_{j,q}^{g-1}\right) * \left(\frac{pCPI_j^{g,m_t} - pCPI_j^{g-1,m_{12}}}{pCPI_j^{g-1,m_{12}}}\right)\right] + \left[\left(\frac{pCPI^{g-2,m_{12}}}{pCPI^{g-1,m_t}} * w_{j,q}^{g-2}\right) * \left(\frac{pCPI_j^{g-1,m_{12}} - pCPI_j^{g-1,m_t}}{pCPI_j^{g-2,m_{12}}}\right)\right] \quad (2);$$

Symbol definition:

m_t – observed month *t* in year *g*, where *t*∈{1,..,12}

m_{12} - December

$pCPI^{g,m_t}$ – total price index in year g, month m_t

$pCPI_j^{g,m_t}$ – price index of product group *j* in year g, month m_t

$w_{j,q}^{g}$ – share of product group j in the consumption of quintile q in year g from the equation (1)

$c_{j,q}^{g,m_t}$ – contribution of growth in prices of product group j to total y-o-y inflation of quintile q, in month m_t, year g

The total inflation rate π for the given quintile in the observed month is obtained as the sum of contributions of price growth of all product groups according to COICOP classification:

$$\pi_q^{g,m_t} = \sum_j c_{j,q}^{g,m_t} \quad (3).$$

Based on the indices constructed in this way, it is possible to compare inflation across quintiles and assess the degree of unequal exposure of different household categories to inflation due to differences in consumption patterns.

After constructing the inflation indicators by quintiles, we analysed the extent to which different inflation rates affect real wage growth and, by extension, the purchasing power of households. For these purposes, we used SORS data on wages by deciles, which we also transformed into quintiles. Real wage growth by quintiles was obtained by deflating the nominal y-o-y growth:

$$g_{w,q}^{real} = \frac{1 + g_{w,q}^{nom}}{1 + \pi_q} - 1 \quad (4),$$

where $g_{w,q}^{real}$ and $g_{w,q}^{nom}$ are real and nominal y-o-y growth in the average wage of a quintile, respectively, and π_q is the average y-o-y inflation by quintiles, calculated as the arithmetic mean of y-o-y inflation growth rates by quintiles for all months in a year.

It is important to note that consumption quintiles from HBS are formed based on total household consumption, regardless of the source of income, while data on wages are grouped according to the wage level. For this reason, consumption observed in HBS is not necessarily financed entirely by wages, but may also include other income sources, especially pensions. For this reason, the results do not represent an accurate mapping of the same households, but an approximation based on the distributions of consumption and wages. For this reason, the

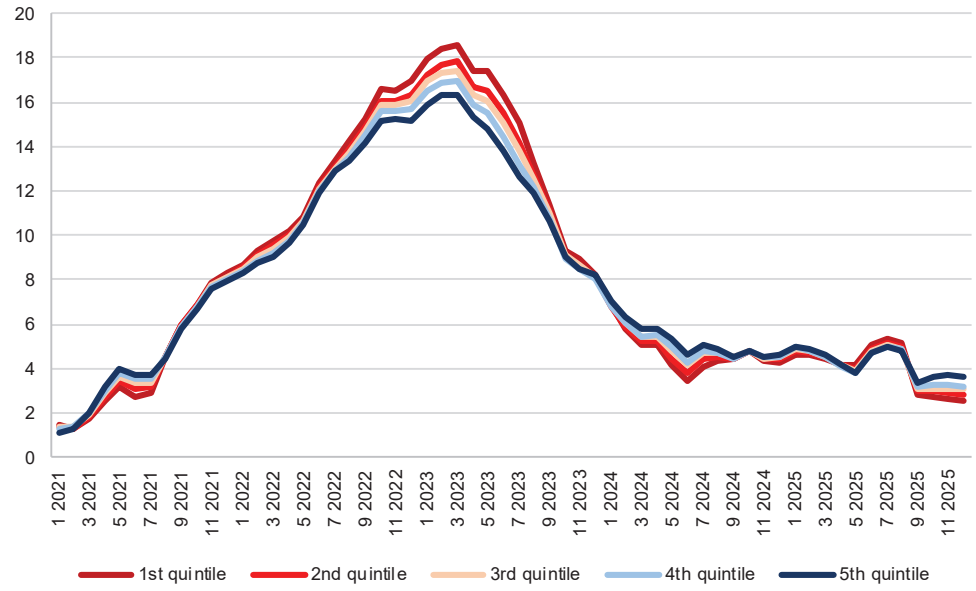
results should be interpreted as an indicative assessment of the differences in the purchasing power of different consumption and income groups. An advantage of this approach is that it allows us to perceive differences in real wage growth across quintiles and estimate whether they are primarily a consequence of nominal wage growth dynamics or of different growth in the prices of products within the consumer basket.

3 Relative consumption channel

3.1 Results

This chapter analyses the development of inflation inequality across household categories in Serbia over the 2020–2025 period. Two factors influence differences in households' exposure to inflation: differences in price growth across products and services, and differences in household consumption patterns. If the prices of all products grew at the same rate, there would be no inflation inequality, regardless of differences in consumer baskets. Similarly, if all households had an identical, average consumer basket, the differences in price growth among products would not lead to unequal inflationary experiences. The constructed inflation indicators for five equally sized household groups (Chart 2) show that several specific periods can be distinguished in their dynamics.

Chart 2 **Inflation movements across groups of households with different consumption levels**
(y-o-y growth rates, %)

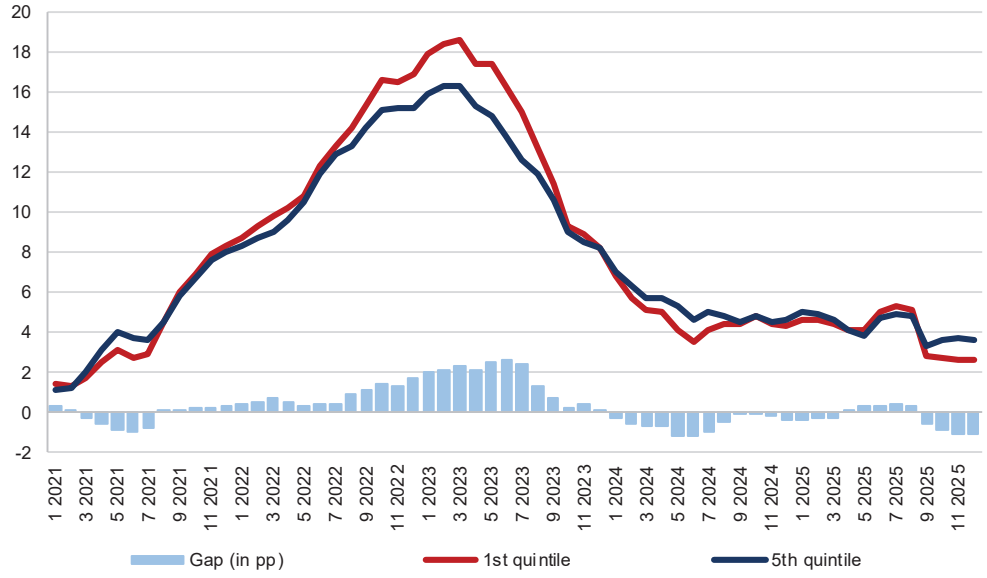


Sources: HBS and NBS calculations.

During the emergence and intensification of inflationary pressures, there was no major and unequivocal difference in inflation movements across quintiles and such dynamics continued in the first half of 2022 as well, despite double-digit inflation. From August 2022 onwards, the inflation gap widened, with inflation rising more in the quintiles representing lower-consumption household categories. This trend continued until Q4 2023. Observing the first and the fifth quantiles in isolation (Chart 3), it can be noted that the inflation gap peaked

in mid-2023 at around 2.6 pp and narrowed steadily thereafter. Since early 2024, y-o-y consumer price growth was mostly lower for lower-consumption households, partly reflecting the high base effect from a year earlier, and, since September 2025, the adoption of the decree capping retail and wholesale margins at 20%, which led to a decline in food prices. The only exception is the period between April and August 2025, i.e. immediately before the decree was adopted, when food prices rose more quickly than headline inflation due to adverse weather, resulting in higher y-o-y growth in consumer prices for lower-consumption households.

Chart 3 **Inflation movements in the 1st and the 5th quintile and inflation gap between them**
(in %)

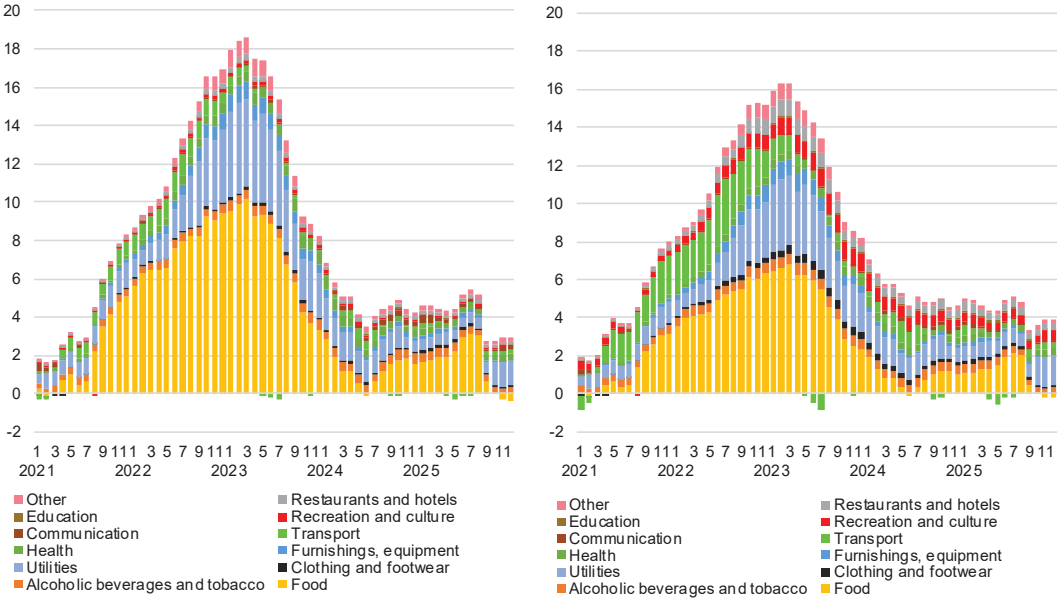


Sources: HBS and NBS calculations.

3.2 The impact of differences in the structure of the consumer basket and growth in prices of products and services on the relative consumption channel

In order to better understand the dynamics of inflation differences across quintiles, it is necessary to link the nature and the evolution of inflation drivers with the consumption patterns of the respective quintiles. Price growth in 2021 was mostly driven by energy and food prices, resulting from the recovery of global demand, weaker agricultural production globally and supply-side disruptions (IR, 2021). Such nature of inflation in the initial period was directly reflected in the food and transport categories of the COICOP classification, along with a gradual increase in utility prices. As the conflict in Ukraine escalated, price growth within these three categories continued to accelerate. It should also be noted that there was additional pressure on rental prices due to the arrival of people from war-affected areas.

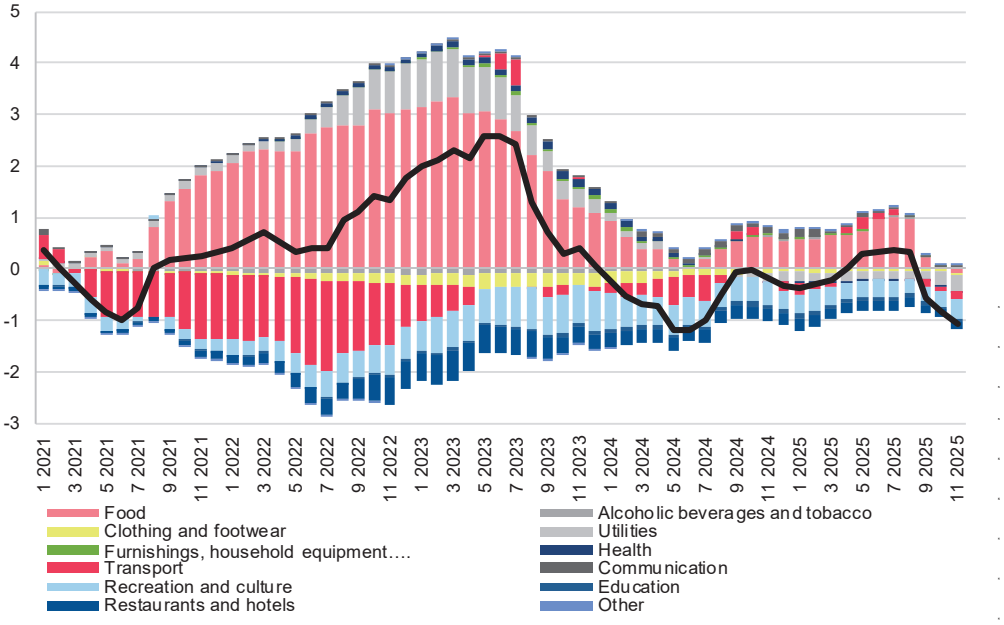
Chart 4 **Structure of inflation in the 1st and the 5th quintile, according to COICOP classification**
(in pp)



Sources: SORS and NBS calculations.

Observed from the perspective of the consumer basket structure (Chart 4), during the period of strong inflationary pressures – when there were nevertheless no major differences in inflation dynamics across quintiles – food had a significantly larger role in explaining inflation for the first quintile. Namely, its contribtion to total inflation between end-2021 and August 2022 was in the range of 55–66%, compared to inflation for the fifth quintile where the contribution of food was in the interval of 35–45%. The situation was exactly opposite for the

Chart 5 **Inflation gap between the 1st and the 5th quintile and contributions to this gap by COICOP category**
(in pp)

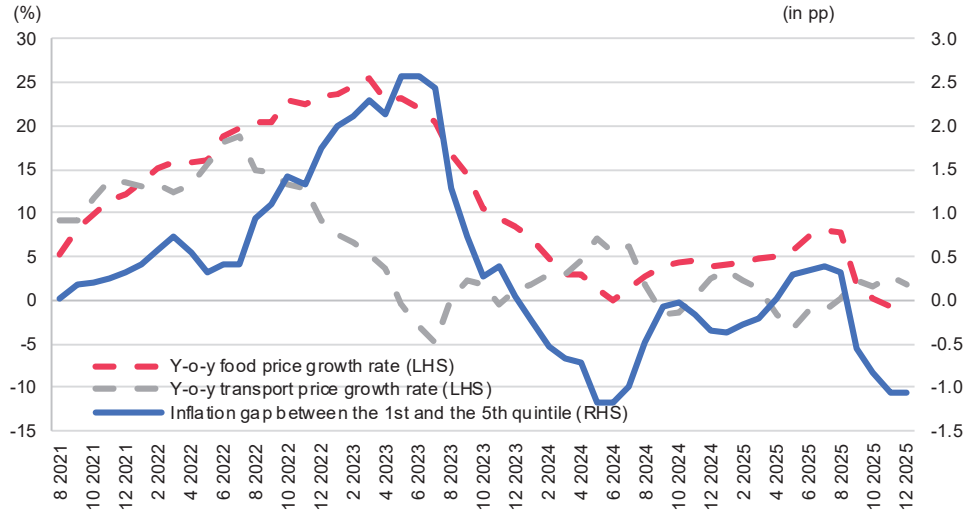


Sources: SORS and NBS calculations.

contribution of transport prices. The share of growth in transport prices in total inflation for the fifth quintile mostly moved between 20% and 25%, compared to a much lower share of around 10% for the first quintile. It is important to note that during this period there was a roughly similar dynamic in the growth of food and transport prices. Therefore, the structure of the shares of food and transport was the determining factor behind the absence of a significant inflation gap (Chart 5).

The difference in the dynamics of movement in the above prices will be the main cause of widening of the inflation gap in the subsequent period, as it is precisely from August 2022 that y-o-y growth in the prices of food and transport starts to diverge, and the inflation gap between the first and the fifth quintile to widen (Chart 6). Food prices continued up and stayed above 20% all the way until July 2023, while transport prices slowed steadily, only to eventually decline in y-o-y terms. Such dynamics correspond to a change in the structure of contributions to inflation following the stabilisation of the global energy market, alongside prevailing second-round effects of the pass-through of previously accumulated cost pressures to food prices. In 2023, there was also a delayed adjustment of utility prices, which affected the first quintile to a greater extent.

Chart 6 **Inflation gap between the 1st and the 5th quintile and y-o-y growth rates of food and transport prices**



Sources: SORS and NBS calculations.

Transport prices picked up again in late 2023, while food prices slackened notably. As a result, the inflation gap was such that fifth-quintile inflation was higher than first-quintile inflation. The structure of contributions to inflation shifted again. Inflation became much more moderate, but guided by its core components, as reflected in the fact that on average prices of many services now increased faster than food prices. It is important to note that during the time period of this analysis there was also a relative change in the contribution of utilities by quintiles, as this item started to affect higher-consumption households more from 2024 onwards. The most important event, however, was the adoption of the Decree on the Capping of Trade Margins (RS Official Gazette, 76/25, 78/25 and 93/25), which led to a decline in food prices and the absence of this category's contribution to inflation until end-2025. This development played a much more significant role in reducing inflation for the first quintile,

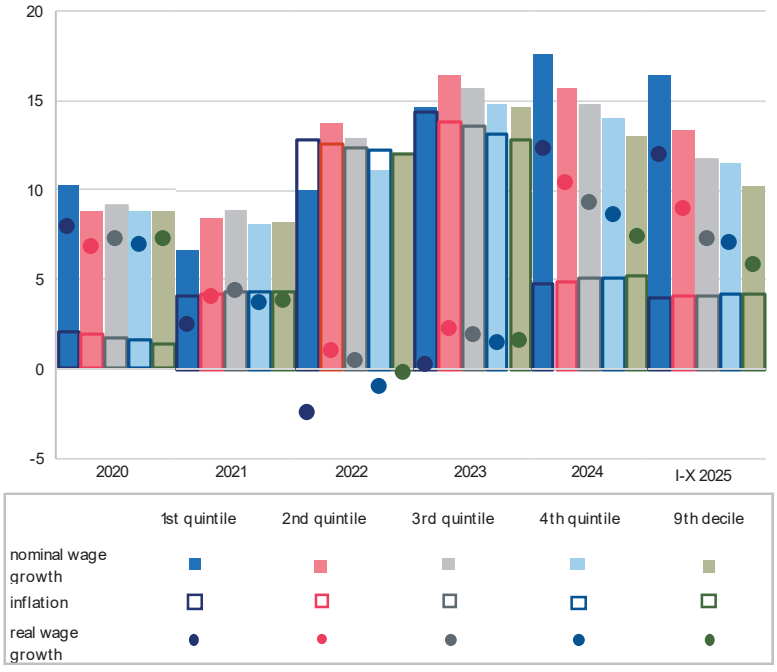
where inflation was nearly halved, compared to the fifth quintile where the decrease was also substantial, but more moderate (around 30%) due to the higher share of services whose prices continued up.

It should be noted that the scope of this research covers the monitoring of differences in the structure of the consumer basket and the variations in price growth across types of products and services, while different price growth within the same products falls outside the scope of the analysis. However, one of the previous studies (Dživdžanović, 2025) showed that during the period of the most intense inflationary pressures, price growth was heterogenous, with prices of cheaper brands increasing more on average than those of costlier brands. Therefore, the impact of this channel can be used in a complementary manner for a comprehensive assessment of the heterogeneous effects of inflation.

4 Income channel

Inflation measures by population categories divided according to consumption can also be used to examine the income channel, by applying them to deflate the nominal wage dynamics across income groups, in order to approximate the impact of inflation on the real income of different population groups. It should also be borne in mind that the movement of nominal wages in the first quintile, and likely in the second quintile as well, is largely determined by minimum wage dynamics.

Chart 7 **Average annual inflation and average annual nominal and real wage growth**
(in %)

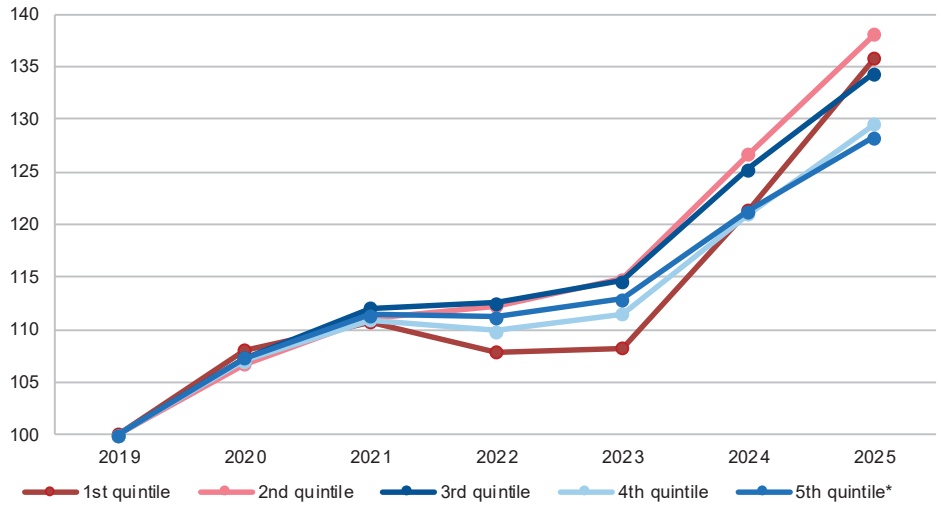


Sources: SORS and NBS calculations.

In the period of relatively low inflation (2020–2021), the constructed indicator of real wage growth did not point to the presence of pronounced redistributive effects across quintiles. However, starting in 2022, variations began to emerge in both the intensity and direction of real wage growth rates (Chart 7). In 2022, in real terms, wages in almost all five household categories recorded stagnation or a decline, which was the most pronounced in the case of the 20% of households with the lowest income. A decomposition of the real wage decline in the first quintile in 2022 shows that nominal wage growth largely determined this outcome. In 2023, the first quintile continued to lag behind, but the structure of contributions changed: nominal wage growth in this group was no longer lower than in the others, while the more pronounced increase in the prices of goods with a larger share in the consumption of poorer households led to a stagnation in real wages. In contrast, the other quintiles recorded moderate real growth.

During 2024 and 2025, a shift in distributive dynamics occurred, as real wages increased more strongly for the 40% of households with the lowest incomes. Cumulatively, over those two years, real wage growth amounted to around 25% for the first quintile and about 20% for the second quintile. This was supported by more substantial increases in the minimum wage and a slowdown in inflation, particularly in food prices. Looking at the entire period of the multidimensional crisis since 2020 (Chart 8), real wage growth for households in the first two quintiles was slightly above 35%, while for the highest quintile it was somewhat below 30%. Although the dynamics of real growth were more favourable for lower-income households, it should be noted that the absolute effects were smaller due to differences in wage levels between the groups.

Chart 8 **Cumulative real growth in real wages of groups with different income levels**
(2019=100)

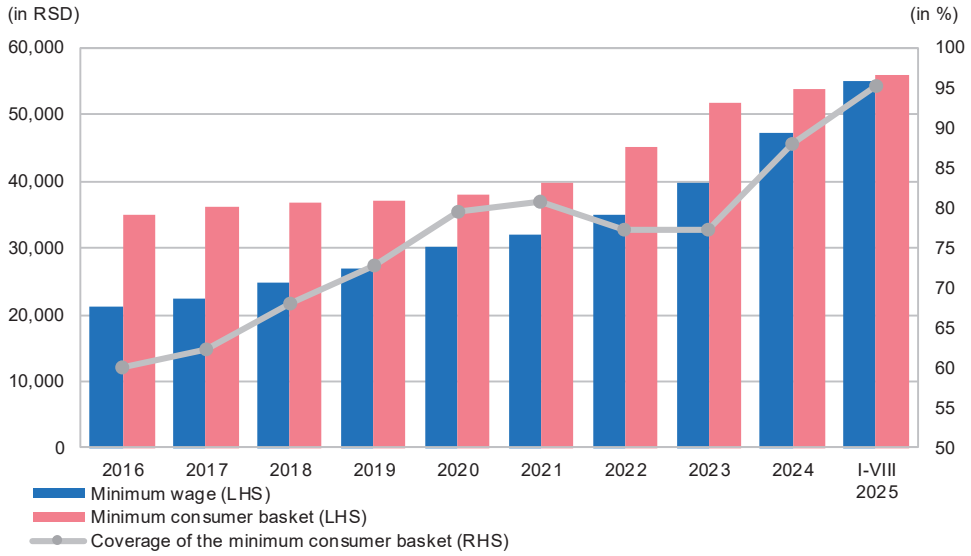


*Data on wages published on the SORS website refer to the 9th decile.
Sources: SORS and NBS calculations.

Further insight into purchasing power movements among lower-income households is provided by the indicator of coverage of the minimum consumer basket by the minimum wage (Chart 9). Between 2016 and 2021, this indicator rose steadily, reaching 81%. The dynamics of the minimum consumer basket coverage indicator during the period of accelerated inflation

are consistent with our findings on the real wage decline in the first quintile in 2022, as the coverage recorded a slight decrease (to 77%) and remained unchanged in 2023, which also corresponds to the wage stagnation identified in our research. This synchronization continued in 2024 and throughout 2025, when a more significant improvement occurred, driven by a combination of stronger minimum wage growth and a slowdown in inflation. As a result, the coverage of the minimum consumer basket first rose to 88%, and then reached nearly 95%.

Chart 9 **Coverage of the minimum consumer basket**



Sources: SORS and NBS calculations.

5 Conclusion

Aggregate measures of inflation, such as the consumer price index, are an indispensable macroeconomic policy tool. Aggregate indices, however, cannot capture the redistributive effects of inflation that arise from its differing impact on households under conditions of varying consumption patterns and income levels. Therefore, one way to more closely explain the effects of inflation, particularly during periods of strong inflationary pressures, is to monitor inflation inequality among households with different consumer basket structures.

Based on data from the Household Budget Survey, the weights of different categories of goods and services in the Consumer Price Index were adjusted in accordance with the COICOP classification. In this way, separate inflation indicators were constructed for five equal groups of households – quintiles – where the first quintile refers to the 20% of households with the lowest consumption, and the fifth quintile to those with the highest. These indicators were then used to examine the heterogeneity of inflation effects, first directly through the relative consumption channel and then indirectly through the income channel.

The results show that, from the perspective of the relative consumption channel, significant inflation heterogeneity was absent during the first phase of the strongest inflationary pressures. This was largely due to the fact that the rise in food prices – which has a more dominant share in the consumption of the first and second quintiles – was offset by the increase in transport prices, which account for a larger share in the consumption of the fourth

and fifth quintiles. However, in the second half of 2022, under the influence of faster growth in food prices relative to transport prices, the inflation gap began to widen. By mid-2023, this difference reached its peak, with inflation for the first quintile being higher by about 2.6 pp. From 2024 onwards, food price growth slowed, and in Q4 2025 this was further supported by the introduction of the decree capping trade margins, which resulted in the inflation rate for lower-consumption households being lower than that for higher-consumption households.

With regard to the income channel, deflation of nominal wages by inflation measures specific to individual quintiles shows that the inflationary shock in 2022 and 2023 led to a significant slowdown in real wage growth, while households with the lowest incomes recorded a certain decline, followed by stagnation. On the other hand, during the inflation stabilisation phase in 2024 and 2025, real wage growth was relatively stronger among lower-income groups. As a result, when observing the entire 2020–2025 period, real wage growth for lower-income quintiles increased by more than 35%, while for higher-income groups it remained below 30%. The findings related to the income channel are also confirmed by the movement of the indicator measuring the coverage of the minimum consumer basket by the minimum wage. This indicator points to a deterioration during 2022–2023, followed by a significant improvement in subsequent years, with 2025 being the first time that the minimum consumer basket was almost fully covered.

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