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Russia's Inflation Expectations Jump to One-Year High, Central Bank Says

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Sergei Kiselyov / Moskva News Agency

Russia's slowing inflation is doing little to reassure households, with a new survey showing a sharp rise in perceived price growth and inflation expectations despite official data pointing to a slowdown.

State statistics service Rosstat reported that consumer prices rose 0.5% in October, bringing annual inflation to 7.7%. But a nationwide poll conducted by the Public Opinion Foundation (FOM) for the Central Bank in early November showed that households believe prices are rising far faster than the official figures suggest.

The median estimate of inflation over the past 12 months rose to 14.5% from 14.1% in October, while expectations for the year ahead increased to 13.3% from 12.6% — marking the biggest jump since October 2024.

Economist Yegor Susin said the rise in inflation expectations largely reflected concerns over higher taxes, fuel prices and the planned increase in the vehicle recycling levy.

“People see what’s going on,” said economist Dmitry Polevoy.

The increase was driven mainly by respondents with savings, whose inflation expectations climbed to 12.3% from 11.1%.

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Expectations among those without savings were broadly stable at 13.7% versus 13.8% a month earlier.

Analysts said the headline figure would have risen further if the share of respondents reporting savings had not dropped to 31% from 39%.

Perceptions of current inflation told a different story.

Among households without savings, the median estimate rose to 15.4% from 15.1%, while it held at 12.9% among those with savings.

The Economic Development Ministry estimates inflation rose by 0.1% in each of the first two weeks of November, bringing the annual rate down to 7.12%.

But impending hikes in VAT and the recycling fee, as well as public debate around their impact, have pushed expectations higher.

Gazprombank analysts said households appear to have entered a “race” driven by fears of future price shocks.

Polevoy said the strength of the reaction to the upcoming VAT rise, higher fuel prices and costlier recycling fees exceeded his expectations.

He noted that lower-income households — who spend more on essential items set to retain a reduced VAT rate — may face smaller price increases than wealthier households with broader consumption patterns.

Gazprombank analysts said expectations could have risen more sharply, noting that a similar VAT increase in 2019 triggered a stronger response. Polevoy said he expects the spike to fade as fuel prices ease and the tax changes are absorbed.

Inflation expectations have hovered between 12.6% and 14% for more than a year and now sit in the middle of that range, analysts at MMI said.

They warned that expectations have become “stuck at an unacceptably high level.”

Business expectations moved higher as well, with the Central Bank’s November survey of enterprises showing a notable increase in companies’ inflation forecasts.

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