



Household Inflation Perceptions and Expectations across Local Economic Environments in Bosnia and Herzegovina

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Why Household-Level Evidence Matters

Official inflation is essential, but it does not capture differences in inflation experiences across households

Official inflation framework in BiH

- The official CPI provides the aggregate measure of inflation
- The CBBH estimates core and services inflation
- The CBBH conducts an Inflation Expectations Survey covering the respondents from the financial-sector

The missing household dimension

- Households may perceive and interpret price changes differently
- Household inflation perceptions and expectations are not currently measured in BiH
- Household-level evidence would allow us to assess whether inflation perceptions and expectations vary across different local economic environments

Research question: Do inflation perceptions and expectations differ systematically across households living in different local economic environments ?





Mapping Local Economic Profiles

The first step: Identify the economically different environments across BiH municipalities

➤ **Municipality-level information is used to characterise local conditions through:**

Employment intensity

Employed persons relative
to population aged 15+

Business activity and structure

Firm density and firm-size
composition

Local wage conditions

Average net wage

Local Economic Profile:

Profile 1 – High local economic activity: high employment, strong and diversified business activity, higher wages

Profile 2 – Upper-middle economic activity: relatively strong employment and business activity

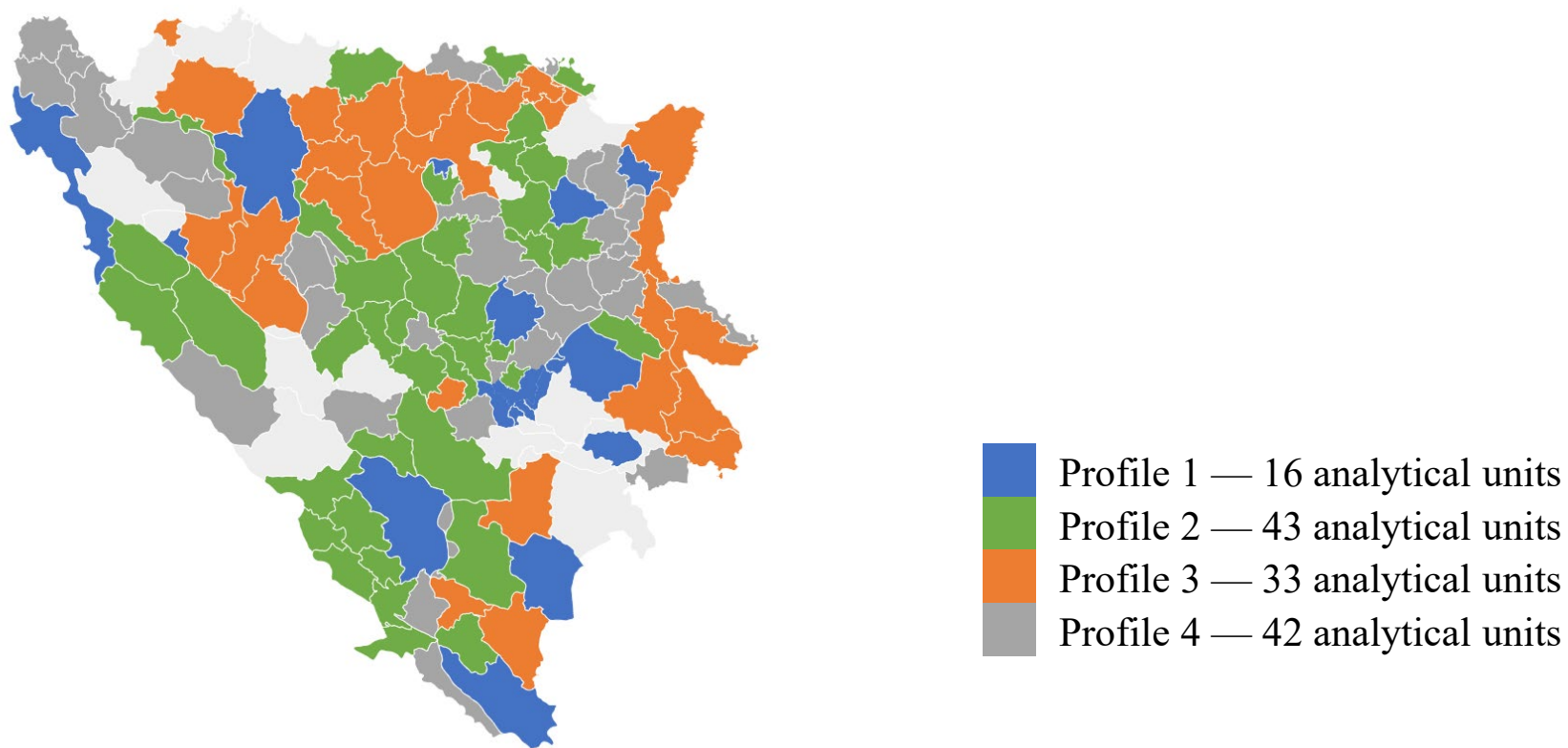
Profile 3 – Lower-middle economic activity: weaker employment and business activity, lower wages

Profile 4 – Low local economic activity: low employment, weak business activity, limited business structure and lower wages





Local Economic Profiles across Bosnia and Herzegovina, 2025



Note: Sarajevo urban core (Centar Sarajevo, Novi Grad Sarajevo, Novo Sarajevo and Stari Grad Sarajevo) is aggregated in the analytical dataset. On the map, these four constituent municipalities are displayed as one visual unit and inherit the aggregate profile.





From Mapping to Household Survey

The profiles provide a basis for geographic and socio-economic stratification of the household sample

Local Economic Profiles

Basis for stratification

Municipality selection

Coverage of profiles and regions

Household sampling

Selection of households within municipalities

Analysis

Compare inflation perceptions and expectations across profiles

➤ **What the survey would collect:**

- Perceived Inflation
- Inflation expectations
- Household socio-economic characteristics
- Potentially, household expenditure patterns

➤ **Key points:**

- The profiles guide the selection of municipalities for household sampling
- Household characteristics are captured through the survey





Testing the Research Question

Linking local economic environments to household-level inflation perceptions and expectations

The analysis would examine whether:

- Inflation perceptions and expectations differ across households living in different Local Economic Profiles
- These differences remain after accounting for household characteristics

Possible extension:

- Include household expenditure information
- Derive profile-specific consumption weights
- Explore links between consumption patterns and inflation perceptions and expectations

Key takeaway: The proposed approach provides a structured basis for complementing aggregate inflation measures with household-level evidence on inflation perceptions and expectations

