



National Bank of Serbia

From inflation dynamics to expectations: Bridging the gap between data and policy

September 2026

Methodological information

- Consistent with the best international practice, after introducing the inflation targeting regime in January 2009, the NBS began monitoring and analyzing on inflation expectations of economic agents.
- The source of data for these purposes is the inflation expectations survey, conducted for the NBS by Ninamedia since May 2024.
- Survey participants are classified into four institutional sectors (financial sector, corporate sector, trade unions and households) and asked to state their expectations for the y-o-y price growth one-year ahead, and as of March 2014, also in the medium-term, i.e. two-year and three-year ahead.
- Bloomberg survey of financial sector for one-year ahead inflation expectations
- Composite measure of expectations combine answers of the same institutions from Bloomberg and Ninamedia survey and take weighted average by their market share.
- An important part of the survey focuses on corporate's expectations regarding prices, wages, and employment, which help provide a better understanding of how monetary policy is transmitted to the real economy.



The importance and role of inflation expectation for NBS monetary policy

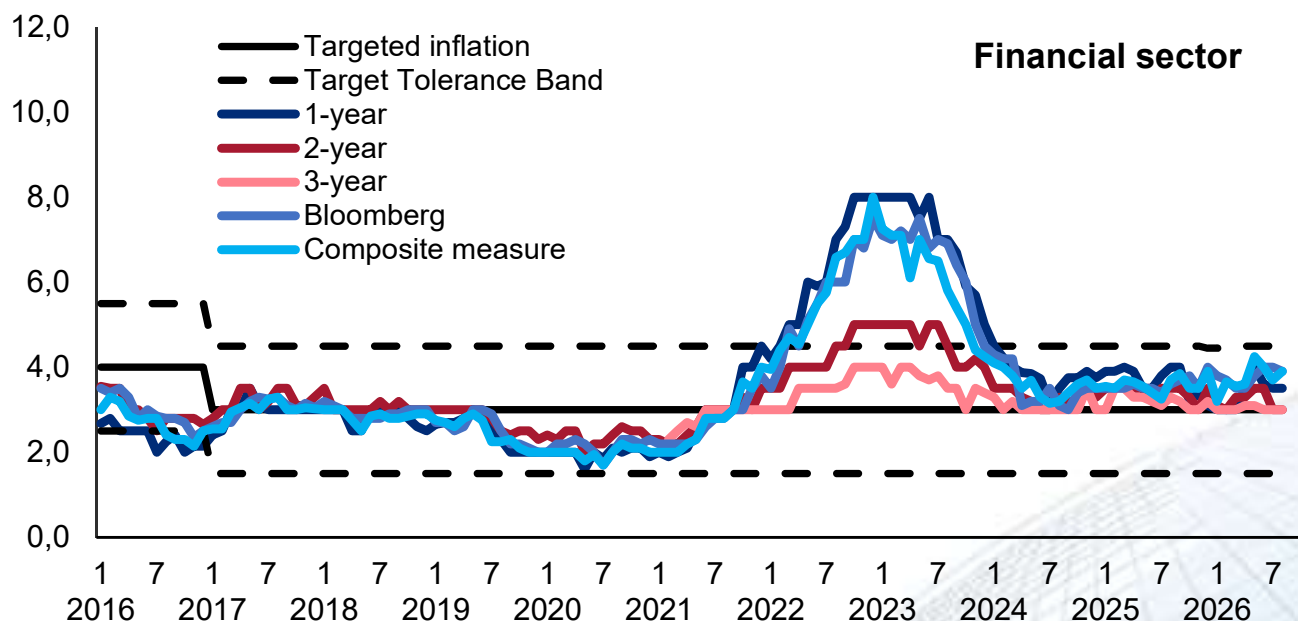
- Inflation expectations constitute **an important factor of inflation** (particularly as an indicator of second round effects) - it is difficult to imagine model of central bank in inflation targeting monetary policy regime without the Phillips curve equation, which takes inflation expectations into account as a key determinant of inflation;
- The expectations channel represents one of the **key channels of the monetary policy transmission mechanism**;
- Inflation expectations level of anchoring also reflect the **central bank's credibility**, as the confidence of key economic agents—and their perception of the central bank's ability to control inflation — largely determine the effectiveness of monetary policy.

Numerous questions and dilemma arise in the context of modeling and monetary policy decisions:

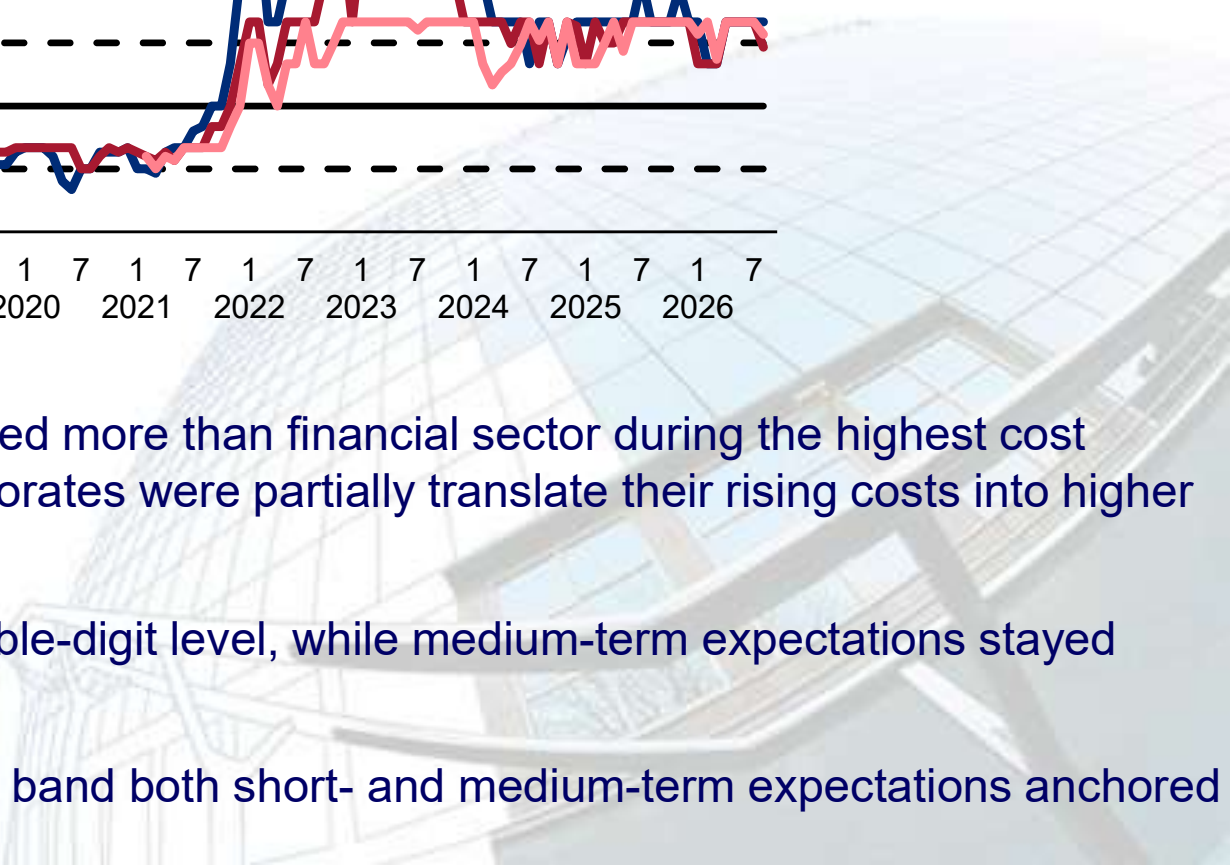
1. Which expectations prove to be the most reliable, and to which should central banks pay particular attention and put into model?
 - Expectations indicated by **financial market data, professional forecasters or expectations based on surveys?**
 - **Short-term expectations or medium- and long-term expectations?**
 - **Expectations of professional forecasters and the financial sector, or those of the corporates and the general public?**
2. How to provide better anchoring of corporate and household expectations?

Dynamics of short- and medium-term financial sector inflation expectations

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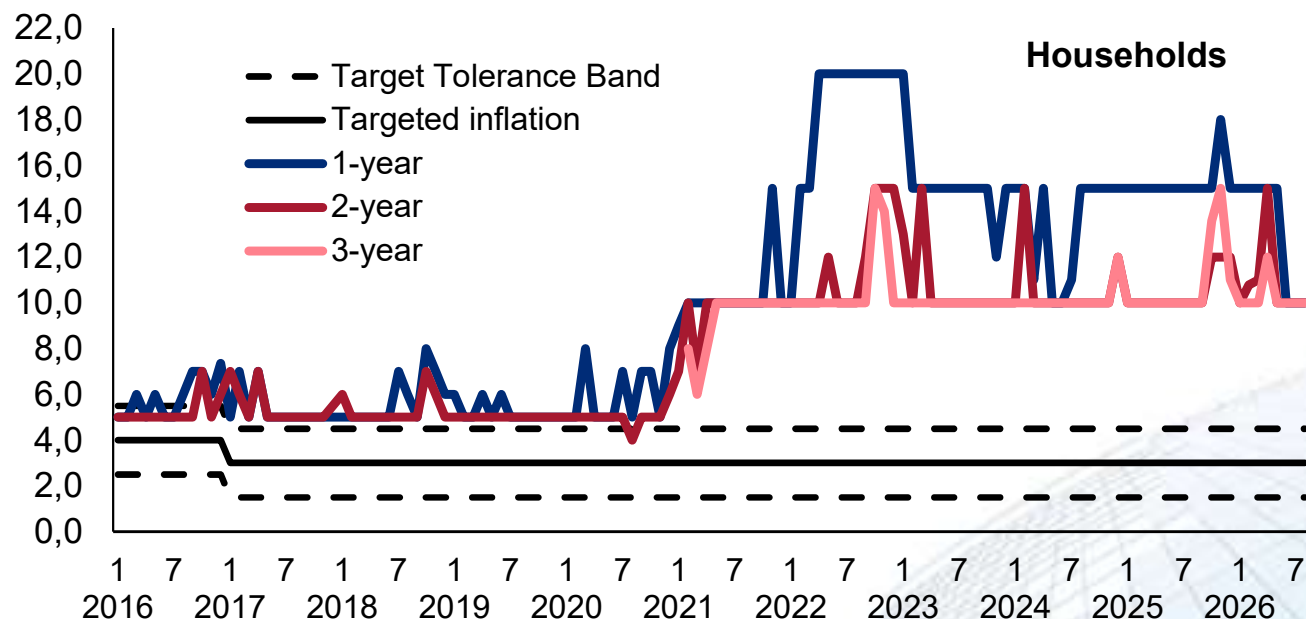


- Short-term expectations of financial sector were inside the target tolerance band from the beginning of 2024.
- Even in the period of the strongest inflation pressures the expectations stayed at the single-digit level and were at the half of the inflation rate.
- Medium-term expectations of financial sector were anchored around the target in the same period.



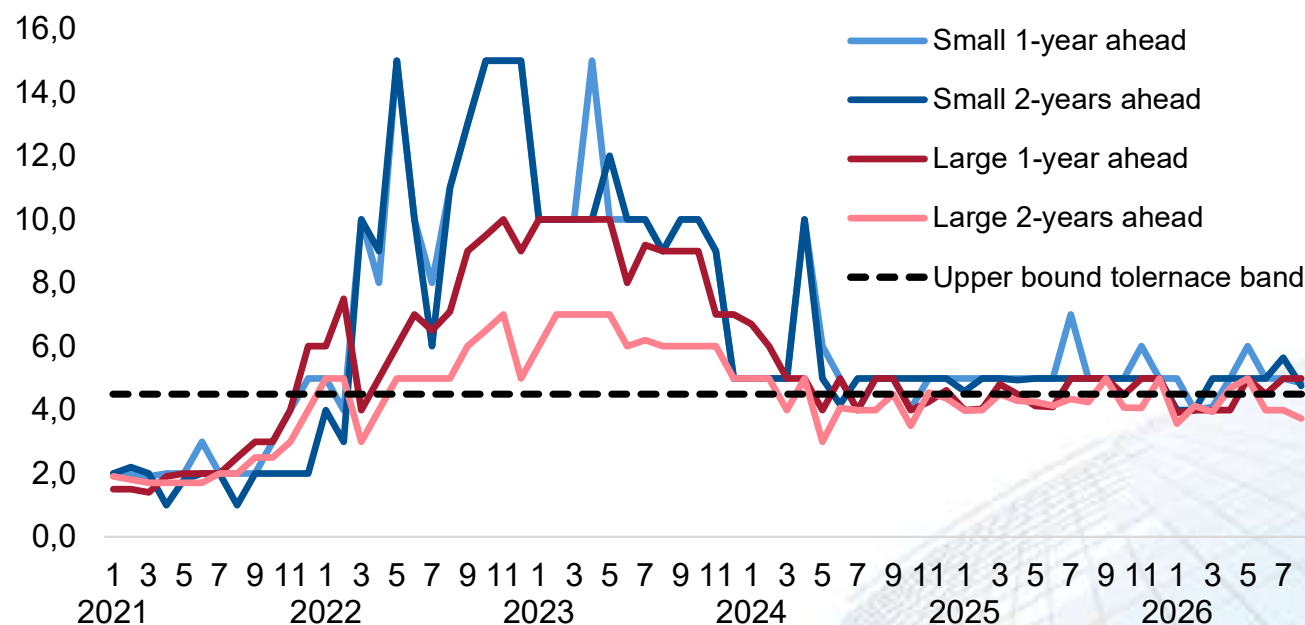
- ed more than financial sector during the highest cost
rates were partially translate their rising costs into higher
ble-digit level, while medium-term expectations stayed
band both short- and medium-term expectations anchored

Dynamics of short- and medium-term households' inflation expectations



- Households' expectations are the least anchored among sectors and with the largest magnitude of the change.

Inflation Expectations by Corporates' Size



- Short-term expectations of large corporates are on average lower than expectations of small enterprises, for both period – one- and two-year ahead.
- Inflation expectations of large companies have been more volatile in the previous period, confirming that representatives of these companies react to new information to a greater extent.