INFLATION EXPECTATION OF HOUSEHOLDS, NON-FINANCIAL CORPORATIONS AND FIRMS AND FINANCIAL MARKET

I. Definition and Content

Inflation expectation presents an assumed year-on-year consumer price accrual in per cent, by which prices of goods and services will be changed in the next 12 or 36 months respectively, according to opinions of households, senior mangers of non-financial corporations and firms and traders on both money and capital markets.

II. Sources and Methodology of Ascertainment

Inquiry is carried out

a) with households quarterly in March, June, September and December of the given year by means of questionnaires. Households are contacted by employees of Ecoma Plus, a market research company;

b) with non-financial corporations and firms quarterly in March, June, September and December by means of e-mail questionnaires. Managers are contacted by CNB;

c) with financial market monthly by means of standardized questionnaires. Traders are contacted by CNB.

Households, managers and traders are asked the following questions:

- what year-on-year consumer price change in per cent do you expect in the next 12 months;
- what year-on-year consumer price change in per cent do you expect in the period of 36 months.

III. Break-down

IV. Method of Calculation

A result value of inflation expectation is calculated as a simple arithmetical average of all answers.

Both the extreme plus and minus values are excluded from answers of households and managers.

In addition to result value of inflation expectation of traders, minimum and maximum values respectively are also stated.

V. Changes in Methodology and Content

Starting from June 2001, in connection with the CNB's switch to targeting headline inflation, net inflation has been excluded from the monitored indicators.

VI. Reporting Entities

The group of respondents includes

a) 600 households chosen randomly, which create a representative sample with respect to sex, age, education, job, number of persons and children in household;

b) 118 senior managers of industrial, construction, trade and service firms, which create a representative sample of the main sectors of the economy;

c)   14 anlysts from seven Czech companies and seven foreign entities, which create a representative sample of traders highly active in these segments and hence price setters on the market for various instruments.