



Bank of Russia



CONSUMER PRICE DYNAMICS

No. 6 (42) • June 2019

Information and analytical commentary

16 July 2019

Consumer price dynamics: facts, estimates and comments (June 2019)

In June 2019, annual inflation slowed by 0.4 pp, to 4.7%. The decrease in the annual growth rate of fruit and vegetable prices made the largest contribution to inflation decline. It was associated with a downturn in fruit and vegetable prices in June that exceeded the standard seasonal price drop and was temporary in nature. According to the Bank of Russia forecast, annual inflation will stand at 4.2-4.7% in 2019 and hold near 4% thereafter.

In June 2019, annual inflation fell by 0.4 pp, to 4.7% (Chart 1, Appendix 1). This resulted from the ruble's appreciation since the year start, moderate consumer demand, and base effects. The decrease in the annual growth rate of fruit and vegetable prices made the largest contribution to inflation decline, it was largely associated with early harvesting and was temporary in nature.

Core inflation dropped for the first time since March 2018 to return to the level seen in March-April this year (4.6%). Median annual growth of consumer prices held at the May level (4.5%), though prices showed more varied movements.

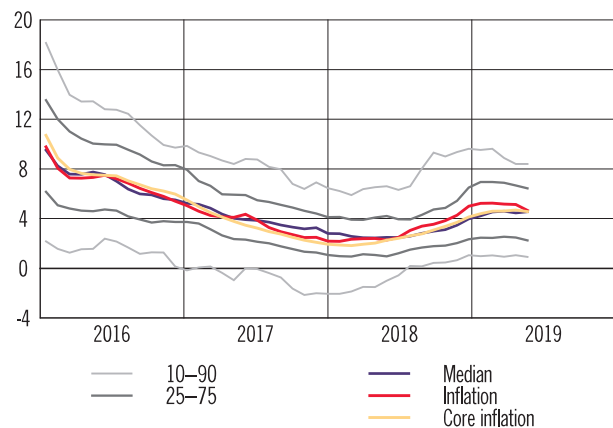
The seasonally adjusted monthly growth of consumer prices slowed in June by 0.3 pp, to 0.1%, mainly due to the decline in fruit and vegetable prices. The seasonally adjusted increase in prices of non-food goods and services remained within the range seen since February and was consistent with the path to 4% inflation.

Food products

Estimates suggest that seasonally adjusted food prices dropped by 0.2% in June 2019 after a fast rise in May. The seasonally adjusted 3.7% decline in fruit and vegetable prices played the main role. The seasonally adjusted downturn in cabbage prices, which rose at a high pace in March-April, accelerated; prices of other vegetables also went down. This is associated with an early delivery of a new harvest on the back of warm weather and is temporary in nature.

Distribution of goods and services price growth, inflation and core inflation Chart 1

Per cent change on corresponding month of previous year

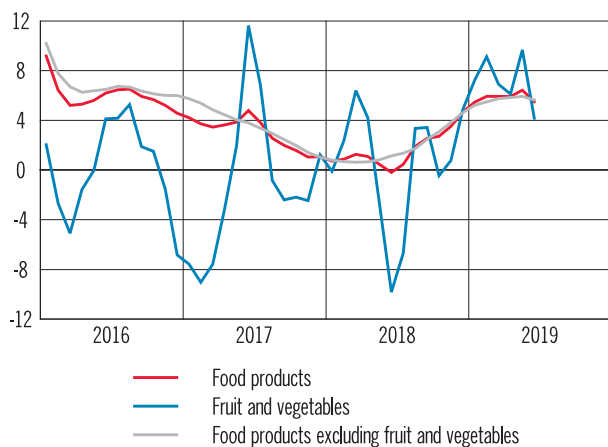


Sources: Rosstat, Bank of Russia calculations.

Food prices

Chart 2

Per cent change on corresponding month of previous year

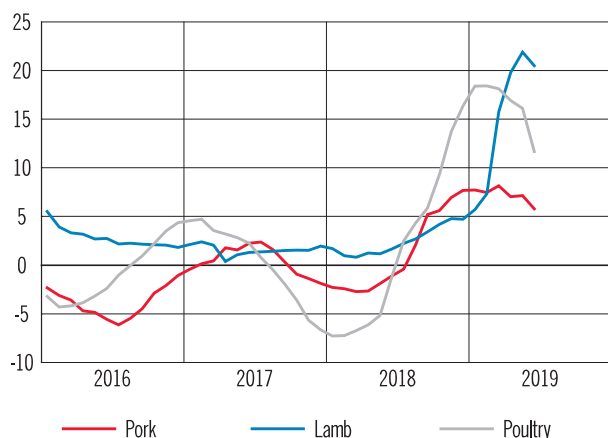


Source: Rosstat.

Meat product prices

Chart 3

Per cent change on corresponding month of previous year

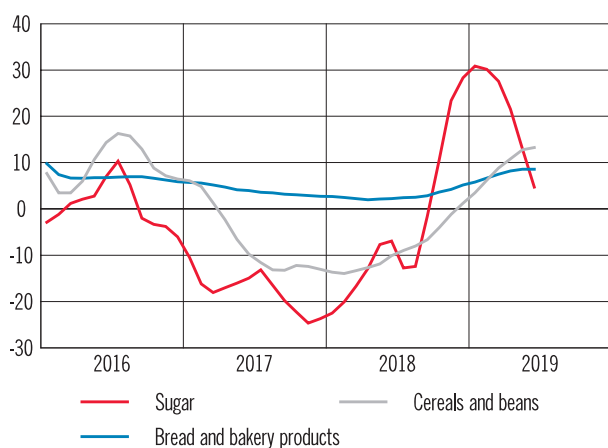


Source: Rosstat.

Prices of sugar and grain products

Chart 4

Per cent change on corresponding month of previous year



Source: Rosstat.

Monthly growth in prices of food products other than fruit and vegetables slowed down after a temporary hike in May and returned to the level seen in February-April (0.3%).

Annual food inflation slowed in June by 0.9 pp, to 5.5% (Chart 2). The largest contribution was made by the drop in annual growth of fruit and vegetable prices (of 5.5 pp, to 4.2%) on the back of a shift in the sowing and harvesting period to the earlier dates compared with the past year. In the months to come, this may affect volatility of annual fluctuations in fruit and vegetable prices and inflation overall.

Annual growth in prices of food products excluding fruit and vegetables dropped in June by 0.3 pp, to 5.6%. The reduction in annual price growth was registered in main types of meat (poultry, pork); this might result from high market saturation (Chart 3). Annual growth in lamb prices slowed on the back of rising supply.¹ Growth in sugar prices decreased again (Chart 4).

At the same time, the annual growth rate of prices for grain products, milk and dairy products, and butter continued to go up (Chart 5). In the market of dairy products, prices may be contained by the drop in global prices associated, according to FAO, with higher supply amid slack global demand. At the same time, certain proinflationary risks may emerge in the grain market due to a rise in global prices. Furthermore, hot and dry weather in June made independent experts revise their harvest forecasts for Russia downwards.

Non-food goods

In June 2019, seasonally adjusted monthly growth in non-food prices increased by 0.1 pp compared with the level seen in March-May, and reached 0.3%, according to estimates. The rise is connected with somewhat faster growth in prices of petroleum products. Monthly growth in non-food goods prices excluding petroleum products slowed by 0.1 pp, to 0.2% (seasonally adjusted). Overall, price movements in this

¹ E.g. data by the Russian Ministry of Agriculture suggest that lamb production in the Stavropol Territory in the first five months of the year exceeded the comparable 2018 figure by 60.5%.

product category were in the 0.2-0.3% range in March-June.

Annual growth in non-food prices fell by 0.3 pp, to 3.5%, largely due to the ongoing decline in annual growth in petroleum product prices (of 1.5 pp, to 1.5%, Chart 6). As in May, monthly growth in prices of motor fuel was significantly lower than a year earlier (in May-June 2018, its prices rose at a fast pace).

A slowdown in annual growth was registered not only in prices of petroleum products but in a wide range of non-food goods, including household appliances and consumer electronics, light vehicles, and construction materials. It reflected the effect of the ruble appreciation and moderate consumer demand. Overall annual growth in non-food goods prices, excluding petroleum products, dropped in June by 0.1 pp, to 3.8%.

Services

In June, the monthly rate of services price growth (seasonally adjusted) was estimated at 0.4%. Thus, it held within the range seen in February-May (0.3-0.4%).

The annual rate of services price growth came in at 4.9%, which is 0.2 pp lower than in May (Chart 7). The slowdown largely resulted from the decrease in annual growth in railway fares associated with the difference in this year's approach to their revision from the past year. Annual growth in prices of travel services slowed down, too; this resulted from both the ruble strengthening and changes in the structure of households' demand, which affected the price dynamics. Thus, annual growth in prices of excursion tours to Europe decreased pronouncedly, whereas prices of cheaper seaside tours, which account for a smaller share than excursion tours, showed faster growth. Annual price growth rates in other categories of services changed intangibly.

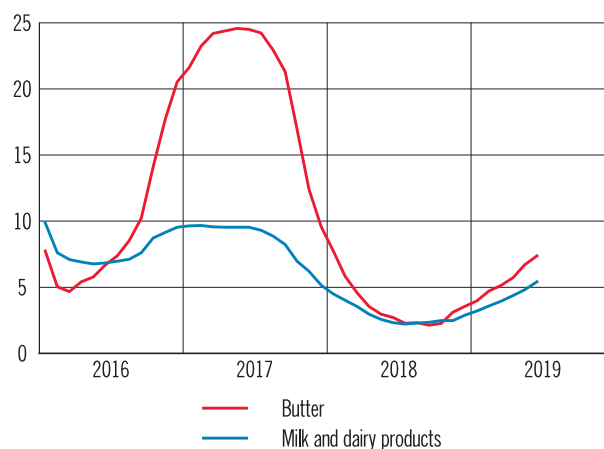
Inflation across regions

In June 2019, annual inflation slowed down in the majority of Russian regions compared with the previous month (77 regions, accounting for approx. 96% of the CPI; Table 1). Prices of food products proved the major contributor.

Prices of milk, dairy products, and butter

Chart 5

Per cent change on corresponding month of previous year

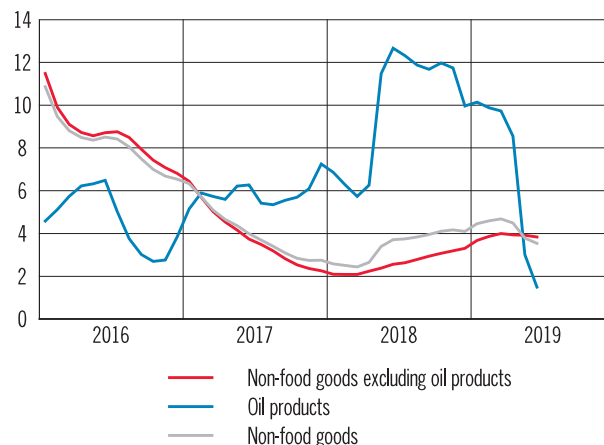


Source: Rosstat.

Non-food prices

Chart 6

Per cent change on corresponding month of previous year

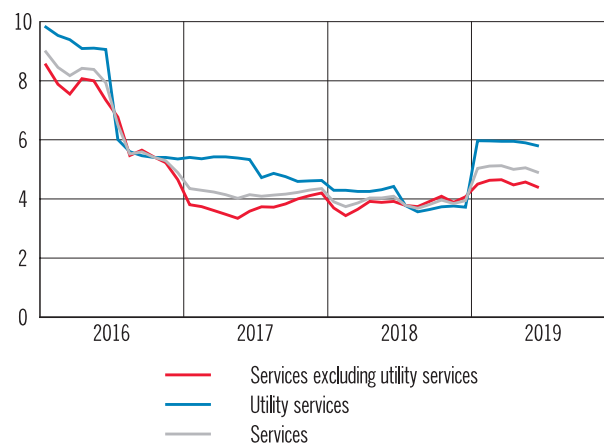


Sources: Rosstat, Bank of Russia calculations.

Services prices

Chart 7

Per cent change on corresponding month of previous year



Sources: Rosstat, Bank of Russia calculations.

Inflation in federal districts

Table 1

Per cent change on corresponding month of previous year

	May 2019	June 2019	Change in price growth rates, June vs May 2019
Russia	5.1	4.7	-0.5
Central FD	5.3	4.7	-0.5
North-Western FD	4.9	4.6	-0.4
Southern FD	5.6	4.9	-0.7
North Caucasian FD	5.4	4.5	-0.9
Volga FD	5.0	4.4	-0.5
Urals FD	4.3	4.2	-0.1
Siberian FD	5.4	5.1	-0.3
Far Eastern FD	5.0	4.9	0.0

Sources: Rosstat, Bank of Russia calculations.

Inflation across regions

Table 2

Per cent change on corresponding month of previous year

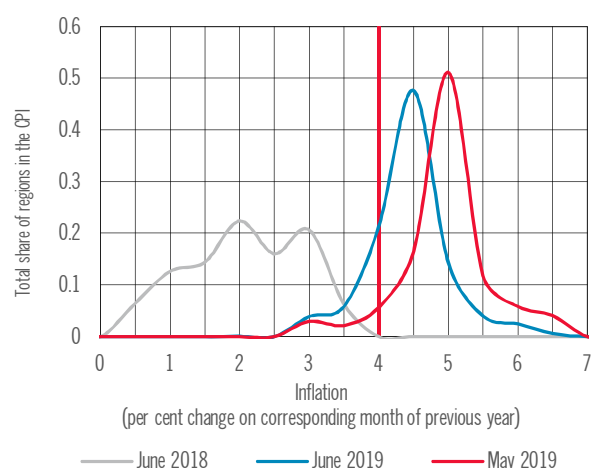
No.*		June 2018	May 2019	June 2019
Top 5 highest inflation regions, June 2019				
1(3)	Republic of Komi	2.4	6.5	6.5
2(5)	Yaroslavl Region	2.3	6.5	6.5
3(13)	Irkutsk Region	2.9	6.0	6.2
4(4)	Republic of Buryatia	2.7	6.5	6.1
5(2)	Kemerovo Region	2.4	6.6	5.9
Top 5 lowest inflation regions, June 2019				
78(71)	Republic of Tuva	3.2	4.5	3.6
79(80)	Republic of Ingushetia	3.7	3.6	3.3
80(79)	Udmurt Republic	1.4	3.8	3.2
81(81)	Tyumen Region	2.4	3.1	3.1
82(82)	Altai Republic	2.0	3.1	2.4

* Brackets are used to show the region's position in May 2019.

Sources: Rosstat, Bank of Russia calculations.

Change in regional distribution of inflation

Chart 8



Sources: Rosstat, Bank of Russia calculations.

Annual inflation reduced the most pronouncedly in southern regions of the European Russia, largely on the back of fruit and vegetable price movements.

Non-food goods prices showed relatively homogenous dynamics in June: 70 out of 82 regions registered a slowdown in annual price growth largely attributed to country-wide factors.

Services prices showed mixed dynamics across regions, which were shaped by various local factors as in May. These factors affected changes in passenger transportation fares (including long-distance and air fares) and communication prices.

The distribution of regional inflation in June remained largely unchanged compared with the previous month (Chart 8). A small rotation of regions resulted mostly from varying dynamics of prices of food products and services (Table 2). Compared with the corresponding month of last year, inflation continues to demonstrate lower regional heterogeneity.

The division of regions into three inflation groups, which held in 2017-2018, ultimately smoothed in June 2019. At the same time, annual inflation remained sustainably above (approx. 6%) or below (approx. 3%) the Russian average level in certain regions in June. Inflation in these regions continues to be affected by local factors, including those of a non-monetary nature.

Inflation forecast

According to the Bank of Russia forecast, annual inflation will stand at 4.2-4.7% in 2019. It will further hold near 4%.²

² See Monetary Policy Report, No. 2 (26), June 2019, http://www.cbr.ru/Collection/Collection/File/19993/2019_02_ddcp.pdf.

Appendix 1

Consumer price dynamics (%)

	June 2018	July 2018	August 2018	September 2018	October 2018	November 2018	December 2018	January 2019	February 2019	March 2019	April 2019	May 2019	June 2019
Price growth on corresponding month of previous year:													
– all goods and services	2.3	2.5	3.1	3.4	3.5	3.8	4.3	5.0	5.2	5.3	5.2	5.1	4.7
– food products	-0.2	0.5	1.9	2.5	2.7	3.5	4.7	5.5	5.9	5.9	5.9	6.4	5.5
of which: fruit and vegetables	-9.8	-6.7	3.3	3.4	-0.5	0.8	4.9	7.3	9.1	6.9	6.1	9.7	4.2
– non-food goods	3.7	3.8	3.8	4.0	4.1	4.2	4.1	4.5	4.6	4.7	4.5	3.8	3.5
– services	4.1	3.8	3.7	3.8	4.0	3.8	3.9	5.0	5.1	5.1	5.0	5.1	4.9
Core inflation, month on corresponding month of previous year	2.3	2.4	2.6	2.8	3.1	3.4	3.7	4.1	4.4	4.6	4.6	4.7	4.6
Median of price growth distribution, month on corresponding month of previous year	2.5	2.5	2.6	2.8	3.0	3.1	3.5	4.0	4.2	4.5	4.6	4.5	4.5
Average annual inflation	2.6	2.5	2.5	2.5	2.6	2.7	2.9	3.1	3.4	3.6	3.8	4.1	4.3
Month-on-month price growth:													
– all goods and services	0.5	0.3	0.0	0.2	0.4	0.5	0.8	1.0	0.4	0.3	0.3	0.3	0.0
– food products	0.4	-0.3	-0.4	-0.1	0.6	1.0	1.7	1.3	0.8	0.5	0.4	0.4	-0.5
of which: fruit and vegetables	0.6	-5.1	-6.4	-6.8	-1.1	3.4	8.9	6.3	4.9	2.1	1.8	2.0	-4.5
– non-food goods	0.4	0.1	0.2	0.4	0.5	0.4	0.2	0.6	0.3	0.3	0.2	0.2	0.2
– services	0.7	1.3	0.3	0.2	-0.1	0.0	0.4	1.1	0.2	0.1	0.2	0.4	0.6
Month-on-month price growth, seasonally adjusted:													
– all goods and services	0.6	0.2	0.5	0.4	0.3	0.4	0.5	0.8	0.3	0.3	0.3	0.4	0.1
– food products	0.7	0.3	0.8	0.5	0.3	0.6	0.9	0.5	0.4	0.3	0.3	0.5	-0.2
of which: fruit and vegetables	1.2	0.2	5.0	-0.6	-1.9	0.3	3.3	0.1	1.3	0.2	0.3	0.0	-3.7
– non-food goods	0.5	0.2	0.2	0.3	0.3	0.3	0.3	0.7	0.3	0.2	0.2	0.2	0.3
– services	0.5	-0.1	0.4	0.4	0.4	0.3	0.4	1.2	0.3	0.4	0.4	0.3	0.4
Price growth on December of previous year:													
– all goods and services	2.1	2.4	2.4	2.5	2.9	3.4	4.3	1.0	1.5	1.8	2.1	2.4	2.5
– food products	2.2	1.8	1.4	1.3	1.9	2.9	4.7	1.3	2.1	2.6	3.1	3.5	3.0
of which: fruit and vegetables	13.7	7.9	1.0	-5.9	-6.9	-3.7	4.9	6.3	11.5	13.9	16.0	18.3	13.0
– non-food goods	2.3	2.4	2.6	3.0	3.5	3.9	4.1	0.6	0.9	1.2	1.3	1.6	1.7
– services	1.7	3.0	3.3	3.6	3.5	3.5	3.9	1.1	1.3	1.5	1.7	2.1	2.7

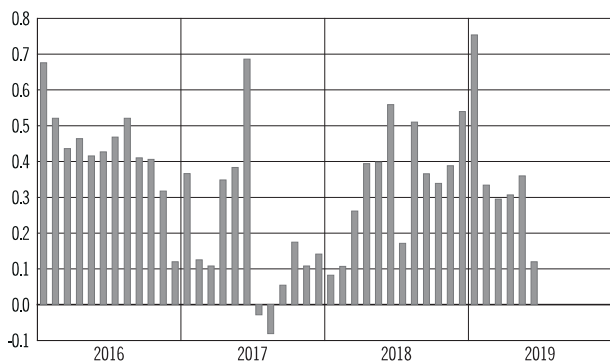
Sources: Rosstat, Bank of Russia calculations.

Appendix 2

Monthly price growth (% , seasonally adjusted)

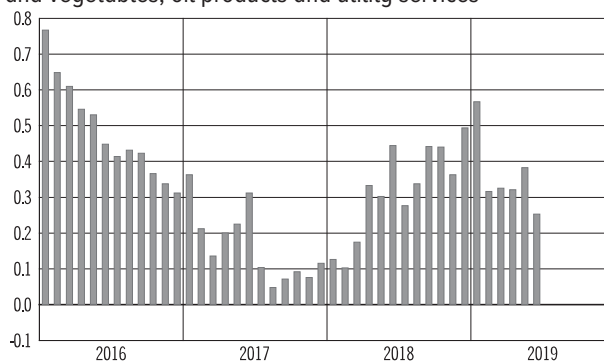
All goods and services

Chart 1



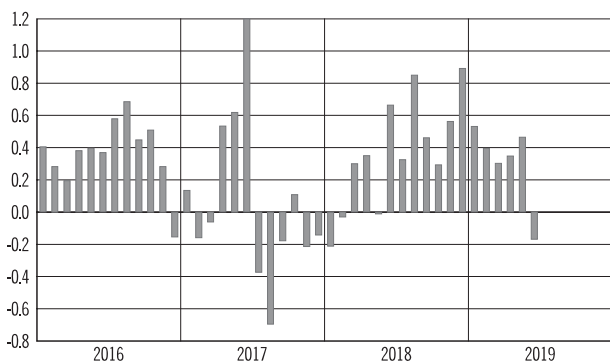
All goods and services excluding fruit and vegetables, oil products and utility services

Chart 5



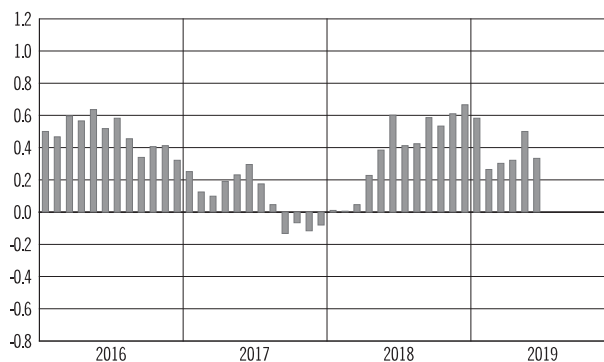
Food products

Chart 2



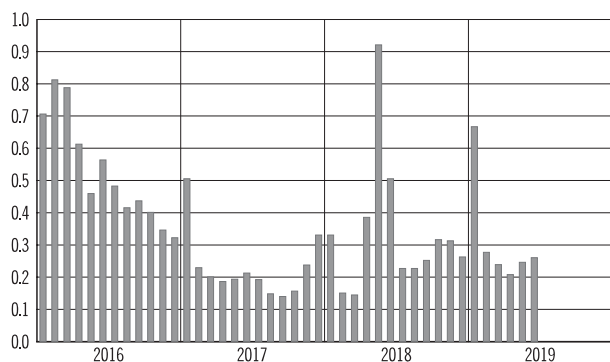
Food products excluding fruit and vegetables

Chart 6



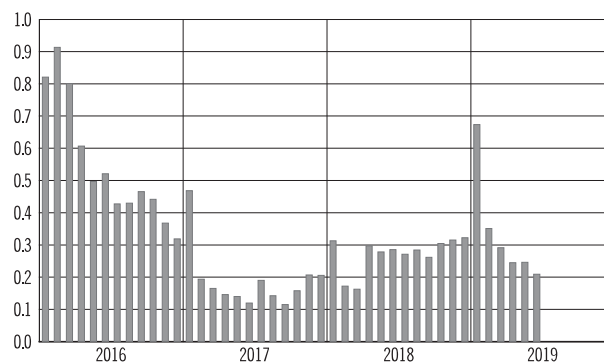
Non-food goods

Chart 3



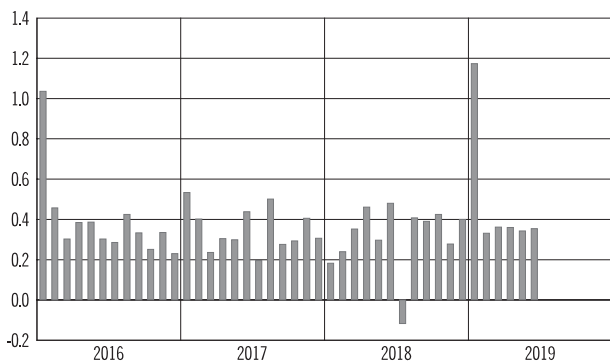
Non-food goods excluding oil products

Chart 7



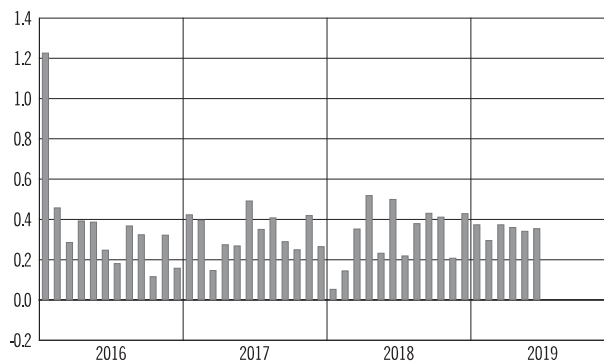
Services

Chart 4



Services excluding utility services

Chart 8



Cut-off date – 8 July 2019.

A soft copy of the information and analytical commentary is available on the Bank of Russia website (<http://www.cbr.ru/DKP/>).

Please send your comments and suggestions to svc_analysis@cbr.ru.

This commentary is prepared by the Monetary Policy Department.

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