



Bank of Russia



CONSUMER PRICE DYNAMICS

No. 7 (55) • July 2020

Information and analytical commentary

12 August 2020

Consumer Price Dynamics: Facts, Assessments and Comments (July 2020)

As before, consumer prices were moving diversely in July 2020. The monthly growth of consumer prices (seasonally adjusted) trended down, partially due to changes in utility rates – their increase was deferred in a number of regions because of a downturn in households' incomes. Current inflation indicators, excluding volatile and regulated components, also lowered. According to the steady indicators of price dynamics, the current price growth rate is close to or below 4% in annualised terms. Prices for individual goods and services were showing divergent trends. Specifically, the growth of prices for motor fuel and domestic tourism services sped up temporarily owing to the easing of the restrictions, while foreign travel, still subject to the restrictions, became cheaper. Annual inflation rose by 0.16 pp, to 3.37%, primarily as a result of the low base effect for comparing food and utility price changes. In the near future, the disinflationary pressure of weak demand will drive monthly price growth downwards, with prices demonstrating diverse trends, which will be associated with the specifics of the easing of the anti-pandemic restrictions. Annual inflation will be rising until the end of 2020 as the low readings recorded in 2019 H2 are excluded from the inflation calculation. By the end of the year, annual inflation will reach 3.7–4.2%. According to the Bank of Russia's forecast, annual inflation will equal 3.5–4.0% by the end of 2021 amid the progressive recovery of aggregate demand, as well as with account of the accommodative monetary policy currently pursued. Further on, inflation will stabilise close to 4.0%.

MAIN INDICATORS OF CONSUMER PRICE DYNAMICS

Table 1

(%)

	01.2020	02.2020	03.2020	04.2020	05.2020	06.2020	07.2020
Annual growth							
Inflation	2.42	2.31	2.54	3.09	3.02	3.21	3.37
Core inflation	2.66	2.40	2.61	2.86	2.85	2.89	2.95
Median*	2.50	2.44	2.42	2.49	2.43	2.45	2.84
Price growth, without 20% of the most volatile components**	2.75	2.63	2.75	2.88	2.93	2.97	2.99
Monthly growth, SA							
Inflation	0.17	0.23	0.49	0.83	0.28	0.28	0.18
Core inflation	0.06	0.13	0.46	0.50	0.38	0.39	0.37
Median*	0.15	0.19	0.35	0.38	0.30	0.33	0.30
Price growth, without 20% of the most volatile components**	0.20	0.20	0.38	0.45	0.33	0.35	0.29
Monthly growth (SA), average for the last 3 months							
Inflation	0.16	0.17	0.29	0.52	0.53	0.46	0.24
Core inflation	0.13	0.11	0.22	0.36	0.45	0.42	0.38
Median*	0.17	0.17	0.23	0.30	0.34	0.34	0.31
Price growth, without 20% of the most volatile components**	0.18	0.19	0.26	0.34	0.39	0.38	0.32

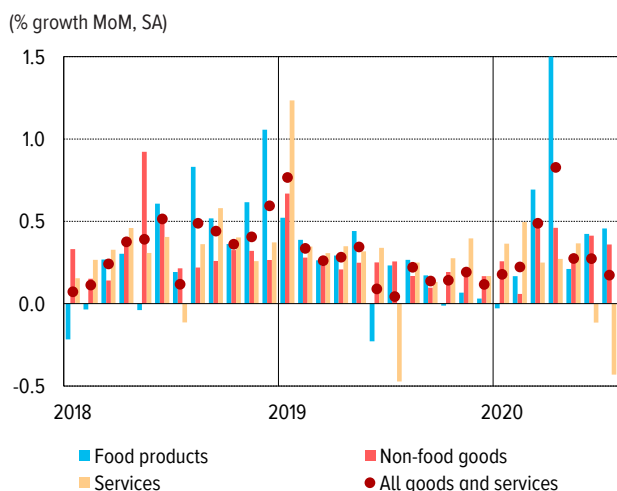
* A median is a value separating a sample into two equal parts, with a higher and a lower price growth rate.

** Excluding 20% of consumer basket components with the highest (over the last 3 months) dispersion.

Sources: Rosstat, Bank of Russia calculations.

GOODS AND SERVICE PRICES

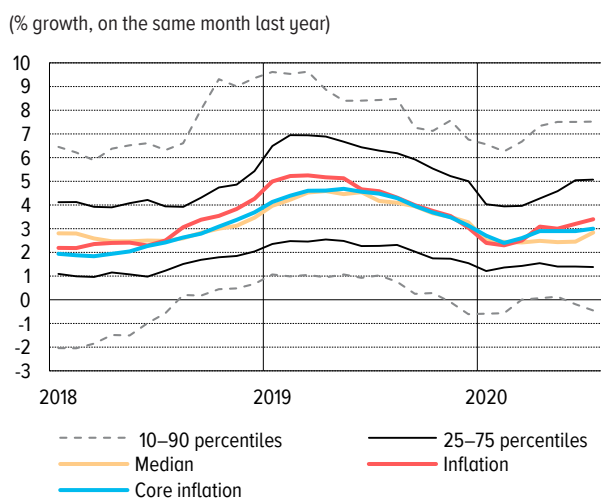
Chart 1



Sources: Rosstat, Bank of Russia calculations.

DISTRIBUTION OF GOODS AND SERVICE PRICE GROWTH, INFLATION, AND CORE INFLATION

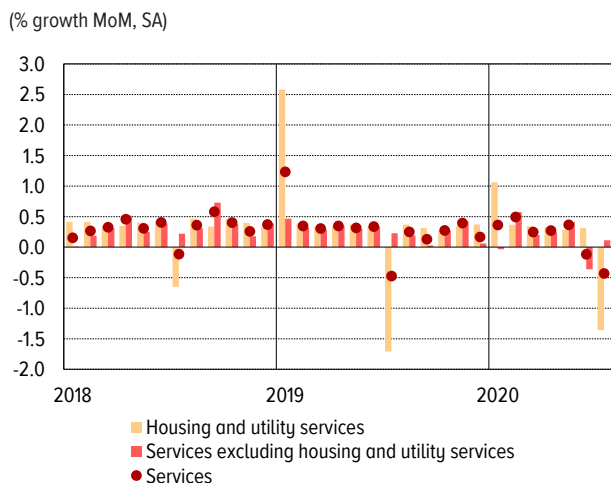
Chart 2



Sources: Rosstat, Bank of Russia calculations.

SERVICE PRICES

Chart 3



Sources: Rosstat, Bank of Russia calculations.

Price dynamics

Current price dynamics remained diverse in July 2020. The monthly growth of consumer prices (according to seasonally adjusted estimates; hereinafter, SA) decreased by 0.10 pp, to 0.18% (Chart 1). Services became cheaper (SA), mostly because of lower prices in the regulated segment. The rise in prices for a broad range of non-food goods slowed down. Conversely, the monthly growth of food prices (SA) slightly accelerated, largely driven by the volatile component, i.e. fruit and vegetable price changes.¹ **Monthly price growth indicators (SA) calculated net of volatile and regulated components² (underlying inflation indicators) went down in July** (Table 1). According to the steady indicators of price dynamics, the current price growth rate is close to or below 4% in annualised terms.

Annual inflation rose by 0.16 pp, to 3.37%.

The growth of food prices sped up by 0.25 pp to 4.19%, of non-food prices – by 0.13 pp to 3.14%, and of service prices – by 0.06 pp to 2.52%.

The acceleration of annual inflation in July was associated with the base effect, first of all in food price trends. In July 2019, the growth rates of food prices were uncommonly low, dragged down by a range of disinflationary supply-side forces and the strengthening of the ruble. The base effects in the food market also contributed to the rise in the annual indicators of underlying inflation (Chart 2; Annex 1). The year before, the indexation of utility rates, divided in 2019 into two stages, was also lower.

Short-term effects caused by anti-coronavirus restrictions

As before, prices were moving in a diverse manner in July, affected by one-off non-monetary factors associated with the uneven

¹ For details, refer to *Indicators of seasonally adjusted consumer price dynamics*.

² Core inflation; the growth of prices for food products, excluding fruit and vegetables, and for non-food goods, excluding petroleum products; truncated indicators (e.g. without 20% of the most volatile components).

PRICES FOR TOURISM AND TRANSPORT SERVICES IN 2020

Table 2

(% growth on the same month last year)

	Jan	Feb	Mar	Apr	May	Jun	Jul
Sanatorium and health services	3.1	2.9	2.9	2.4	1.4	-0.8	5.3
Overseas tourism	0.2	0.3	1.2	1.3	-0.6	-2.5	-2.8
Transport	4.1	5.1	3.5	3.8	4.5	1.7	0.5
Air transport	7.1	8.6	0.0	3.7	6.2	-7.6	-11.7

Source: Rosstat.

MOTOR FUEL PRICES IN 2020

Table 3

(% growth on the same month last year)

	Jan	Feb	Mar	Apr	May	Jun	Jul
Motor petrol	1.4	1.6	1.8	1.7	1.4	1.5	2.2
Diesel fuel	1.8	1.8	2.0	2.8	3.0	3.2	3.4

Source: Rosstat.

PRICES FOR CERTAIN GOODS IN 2020

Table 4

(% growth on the same month last year)

	Jan	Feb	Mar	Apr	May	Jun	Jul
Cars	2.5	2.3	2.3	2.7	3.1	3.4	3.3
Refrigerators	-1.0	-1.3	0.3	1.9	2.2	2.7	3.3
Coffee	0.1	-0.3	0.0	0.0	1.0	0.9	1.2

Source: Rosstat.

easing of the anti-pandemic restrictions (both in various product and service groups and across Russian regions) and measures implemented by local authorities.

In particular, as households' incomes were decreasing amid the restrictions affecting economic activity, **a range of regions carried out only a partial indexation of the administered utility rates**. Prices for housing services in the regulated³ and market⁴ segments were also raised to a considerably lesser extent than normally in July. As a result, housing and utility prices increased by as little as 2.14% in July. This is significantly below the growth rate typical of July, which implies that prices for housing and utility services (SA) decreased by 1.37% (Chart 3). The rise in the annual indicator (0.35%, to 2.96%) was explained by the base effect: in 2019, the indexation was divided into two stages, and then July's increase was lower than usual.

Contrastingly, certain segments of market services saw a rise in prices driven by the easing of the restrictions and reviving demand. Thus, the reopening of a range of domestic tourist destinations spurred an increase (SA) in prices for sanatorium and health services, in both monthly and annualised terms (Table 2). However, the market of foreign travel remained closed, due to which prices in the overseas tourism industry were not recorded for the fourth consecutive month. Despite a slight revival, demand for transport services generally remained weak. Overall, prices for services (excluding housing and utility services) rebounded (SA) in July, after their decline in June, while their growth rate was still low.

As in June, **motor fuel prices considerably rose**, boosted by an increase in people's travels and economic recovery (Table 3). Further on, price growth will be limited because of larger supplies of petroleum products to the domestic market and the effect of the damping mechanism.

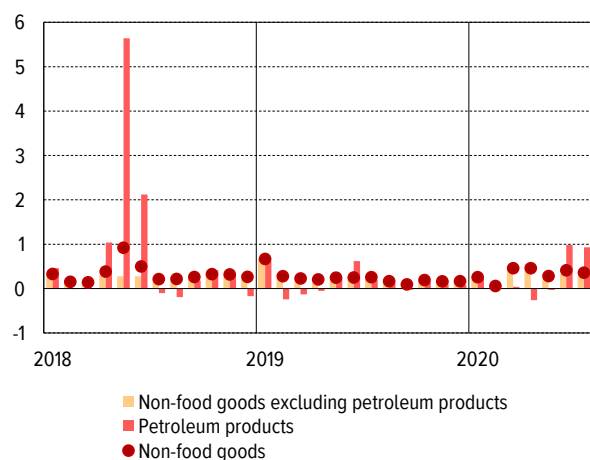
³ Residential payments in national and municipal housing facilities, housing maintenance and repair payments, etc.

⁴ Housing rent in the market segment.

NON-FOOD PRICES

Chart 4

(% growth MoM, SA)



Sources: Rosstat, Bank of Russia calculations.

INFLATION IN THE FEDERAL DISTRICTS

Table 5

(% growth, on the same month last year)

	June 2020	July 2020	Price growth rates, July on June 2020
Russia	3.21	3.37	0.16
Central FD	3.07	3.25	0.18
North-Western FD	3.09	3.38	0.29
Southern FD	3.04	3.27	0.23
North Caucasian FD	3.81	3.84	0.03
Volga FD	3.33	3.41	0.08
Urals FD	2.82	2.93	0.11
Siberian FD	3.43	3.28	-0.15
Far Eastern FD	3.78	4.01	0.23

Sources: Rosstat, Bank of Russia calculations.

Influence of the ruble exchange rate

Beginning from May, as the short-term effects of elevated demand for basic goods tapered off, **the impact of the weakening of the ruble at the end of Q1 on inflation movements became more noticeable**. First and foremost, it sped up annual price growth in product groups with a significant import component in prices (Table 4).

In the next few months, the influence of the ruble depreciation that happened in Q1 will gradually fizzle out.

Influence of demand changes

As short-term proinflationary effects are exhausted, **the impact of a steadier disinflationary factor is gradually becoming more apparent: this is the overall weakening of demand induced by the plunge in economic activity and declining household incomes**. Specifically, the impact of moderate demand may be found in the trends of non-food prices (excluding motor fuel): their growth rate (SA) dropped in July, after the stabilisation in May–June (Chart 4).

Inflation in Russian regions

In July, annual inflation trends in the majority of Russian regions were still largely determined by country-wide factors, specifically the base effect in food and utility price movements and the rise in motor fuel prices. Annual inflation sped up in 63 Russian regions accounting for approximately 84% in the consumer price index (Tables 5 and 6).

Concurrently, local factors intensified their impact, including because the anti-pandemic restrictions were cancelled unevenly across regions. In July, the majority of the regions in the Siberian Federal District only launched the first stage of the restrictions lifting, while most regions of the Southern Federal District were

INFLATION IN RUSSIAN REGIONS

Table 6

(% growth, on the same month last year)

No.*		July 2019	June 2020	July 2020
TOP-5 regions with highest inflation in June 2020				
1(1)	Amur Region	5.3	5.3	5.7
2(8)	Republic of Buryatia	6.1	4.4	5.0
3(2)	Jewish Autonomous Region	5.4	5.3	5.0
4(11)	Saratov Region	4.6	4.4	4.7
5(4)	Zabaikalye Territory	5.2	4.4	4.7
TOP-5 regions with lowest inflation in June 2020				
78(68)	Tyumen Region	3.1	2.5	2.5
79(77)	Moscow Region	4.6	2.4	2.5
80(34)	Sakha Republic	4.5	3.0	2.5
81(73)	Republic of Crimea	5.2	2.3	2.4
82(82)	Chukotka Autonomous Area	4.7	2.3	2.3

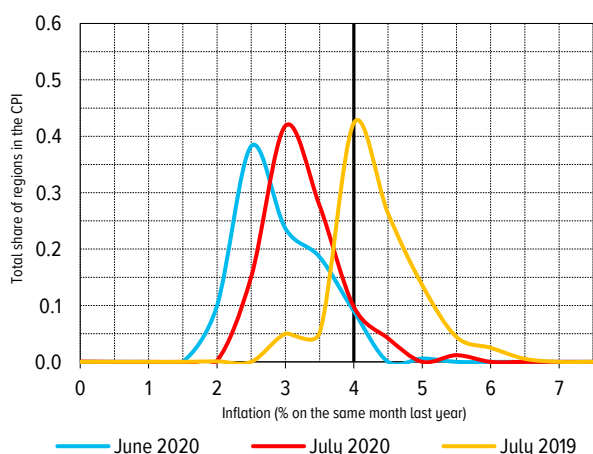
* The values in brackets indicate the regions' positions in January 2020.

Sources: Rosstat, Bank of Russia calculations.

CHANGES IN THE REGIONAL DISTRIBUTION OF INFLATION

Chart 5

(% growth, on the same month last year)



Sources: Rosstat, Bank of Russia calculations.

at the third stage of this process.⁵ The centre (the Tver Region; Moscow and the Moscow Region) and the south (the Rostov Region and the Republic of Crimea) of Russia recorded a rise in prices for sanatorium and health services, promoted by the easing of the restrictions and the start of the holiday season. As before, the regional heterogeneity of inflation was impacted by price trends in passenger transportation (air carriage). Siberia (the Altai Republic and the Tomsk Region) recorded the most significant slowdown of prices in this industry.

Regional differences became more evident largely because of the specifics of the utility rates indexation. In order to support households, a range of Russian regions (34 of 82) either deferred the indexation or increased prices for certain utility services less than it had been initially planned. The majority of these regions are in the Central and Volga Federal Districts.

Annual inflation sped up in a group of regions where price growth rates were both below and above Russian averages (Chart 5). As compared to the previous month, the distribution of regional inflation became more symmetric, while regions with higher inflation were still producing a slightly heavier tail. The regional heterogeneity of inflation increased a little.

Forecast

In the near future, prices in various product and service groups will continue to move in a diverse manner. On the one hand, the improving epidemiological situation and the easing of the social distancing restrictions will boost economic activity. The resumption or expansion of the operation in the service sector and non-food retail may be followed by a temporary rise in prices, which will be associated with the effects of deferred demand and the ruble depreciation in Q1.

On the other hand, as short-term proinflationary effects taper off completely, the disinflationary influence of sluggish domestic and external demand will be the dominating

⁵ These stages were set by the *Rospotrebnadzor* (the Russian Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing).

factor. As a result, the monthly consumer price growth rate will remain decreased, with price movements across various product and service groups becoming more uniform. However, annual inflation will be rising until the end of 2020 as the low readings recorded in 2019 H2 are excluded from the inflation calculation. By the end of the year, annual inflation will reach 3.7–4.2%.

According to the Bank of Russia's forecast, annual inflation will equal 3.5–4.0% by the end of 2021 amid the progressive recovery of aggregate demand, as well as with account of the accommodative monetary policy currently pursued. Further on, inflation will stabilise close to 4.0%.

Annex 1

CONSUMER PRICE DYNAMICS

(%)

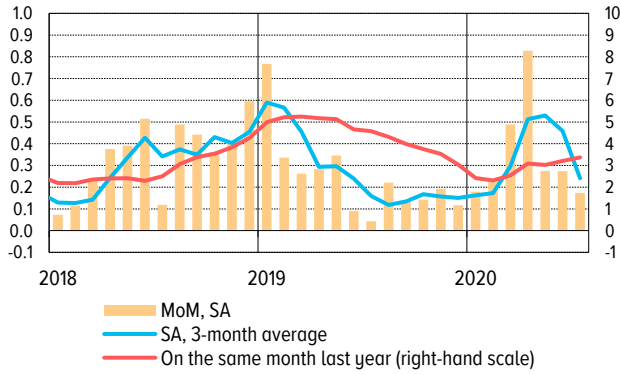
	07.2019	08.2019	09.2019	10.2019	11.2019	12.2019	01.2020	02.2020	03.2020	04.2020	05.2020	06.2020	07.2020
Price growth, on the same month last year													
– all goods and services	4.58	4.31	3.99	3.75	3.53	3.04	2.42	2.31	2.54	3.09	3.02	3.21	3.37
– food products	5.53	4.98	4.60	4.21	3.65	2.58	1.99	1.77	2.20	3.52	3.26	3.94	4.19
of which: fruit and vegetables	5.43	1.28	1.83	3.43	2.76	-2.05	-2.58	-2.23	-1.89	3.98	1.59	6.01	7.62
food products excluding fruit and vegetables	5.52	5.39	4.89	4.27	3.74	3.11	2.54	2.25	2.70	3.40	3.44	3.61	3.71
– non-food goods	3.59	3.53	3.35	3.21	3.06	2.95	2.53	2.31	2.54	2.80	2.84	3.01	3.14
of which: non-food goods excluding petroleum products	3.86	3.76	3.59	3.46	3.29	3.14	2.71	2.42	2.66	2.99	3.08	3.22	3.25
– services	4.54	4.44	3.95	3.82	3.93	3.75	2.84	3.01	2.97	2.88	2.95	2.46	2.52
of which: services excluding housing and utility services	4.45	4.36	3.60	3.50	3.71	3.41	2.86	3.16	3.10	2.97	3.12	2.37	2.26
Core inflation, on the same month last year	4.48	4.29	3.96	3.68	3.48	3.13	2.66	2.40	2.61	2.86	2.85	2.89	2.95
Median	4.17	4.09	3.94	3.65	3.49	3.27	2.50	2.44	2.42	2.49	2.43	2.45	2.84
Price growth, without 20% of volatile components	4.30	4.12	3.82	3.66	3.51	3.24	2.75	2.63	2.75	2.88	2.93	2.97	2.99
Average annual inflation	4.42	4.52	4.58	4.59	4.57	4.46	4.25	4.01	3.78	3.61	3.43	3.31	3.21
Price growth, MoM													
– all goods and services	0.20	-0.24	-0.16	0.13	0.28	0.36	0.40	0.33	0.55	0.83	0.27	0.22	0.35
– food products	-0.30	-0.91	-0.44	0.18	0.45	0.65	0.69	0.57	0.96	1.72	0.16	0.17	-0.07
of which: fruit and vegetables	-3.94	-10.07	-6.30	0.44	2.73	3.84	5.73	5.31	2.50	7.89	-0.37	-0.34	-2.48
food products excluding fruit and vegetables	0.18	0.25	0.22	0.15	0.21	0.30	0.11	-0.01	0.76	0.92	0.24	0.24	0.27
– non-food goods	0.17	0.17	0.19	0.31	0.23	0.14	0.23	0.04	0.48	0.44	0.25	0.34	0.29
of which: non-food goods excluding petroleum products	0.17	0.18	0.22	0.33	0.23	0.15	0.23	0.04	0.54	0.54	0.29	0.25	0.20
– services	0.93	0.18	-0.23	-0.18	0.11	0.24	0.24	0.37	0.09	0.12	0.46	0.12	0.99
of which: services excluding housing and utility services	0.43	0.27	-0.37	-0.26	0.16	0.36	-0.04	0.56	0.13	0.19	0.74	0.18	0.33
Price growth, MoM (SA)													
– all goods and services	0.05	0.23	0.13	0.14	0.19	0.12	0.17	0.23	0.49	0.83	0.28	0.28	0.18
– food products	0.23	0.27	0.17	-0.01	0.07	0.03	-0.03	0.17	0.69	1.58	0.21	0.42	0.46
of which: fruit and vegetables	0.29	0.74	0.12	-0.14	-0.18	-1.07	-0.35	1.31	0.42	6.79	-1.97	0.23	1.74
food products excluding fruit and vegetables	0.27	0.28	0.14	0.00	0.13	0.19	0.01	0.01	0.70	0.89	0.48	0.46	0.37
– non-food goods	0.26	0.17	0.10	0.19	0.16	0.17	0.26	0.06	0.46	0.46	0.28	0.41	0.37
of which: non-food goods excluding petroleum products	0.27	0.17	0.11	0.20	0.16	0.18	0.26	0.07	0.52	0.56	0.33	0.33	0.29
– services	-0.46	0.27	0.12	0.27	0.39	0.17	0.32	0.51	0.26	0.28	0.38	-0.10	-0.43
of which: services excluding housing and utility services	0.25	0.22	0.01	0.26	0.41	0.07	-0.11	-0.11	-0.11	0.25	0.43	-0.35	0.13
Median	0.27	0.25	0.13	0.17	0.18	0.18	0.15	0.19	0.35	0.38	0.30	0.33	0.30
Price growth, without 20% of volatile components	0.24	0.28	0.15	0.14	0.16	0.19	0.20	0.20	0.38	0.45	0.33	0.35	0.29

Sources: Rosstat, Bank of Russia calculations.

Annex 2

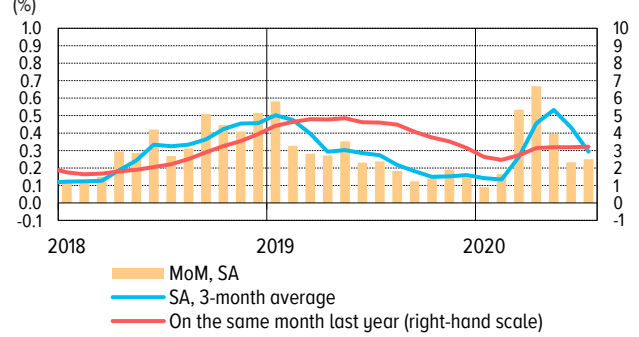
ALL GOODS AND SERVICES
(%)

Chart 1



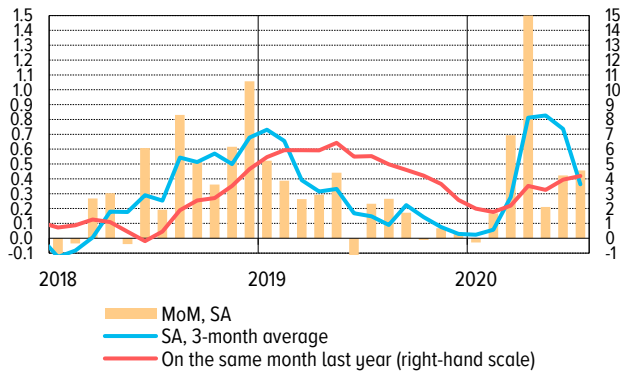
ALL GOODS AND SERVICES EXCLUDING FRUIT AND VEGETABLES, PETROLEUM PRODUCTS, AND HOUSING AND UTILITY SERVICES
(%)

Chart 5



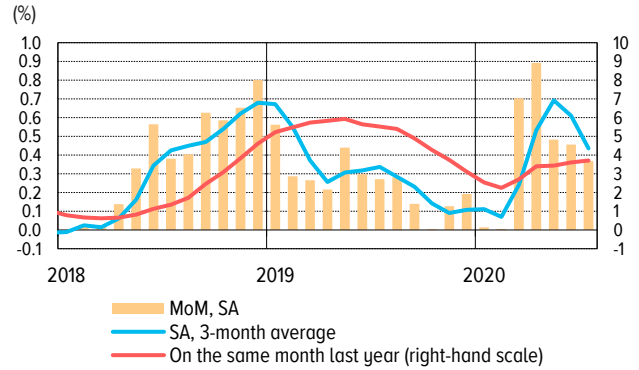
FOOD PRODUCTS
(%)

Chart 2



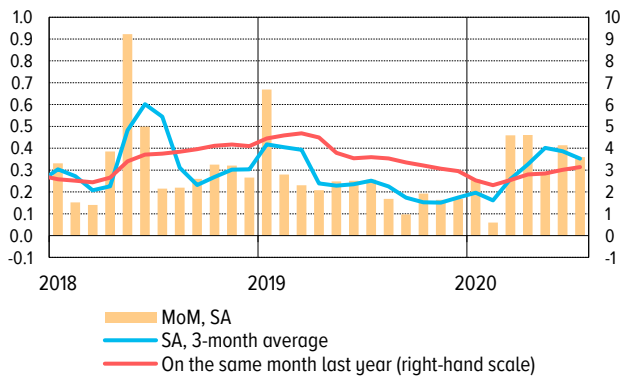
FOOD PRODUCTS EXCLUDING FRUIT AND VEGETABLES
(%)

Chart 6



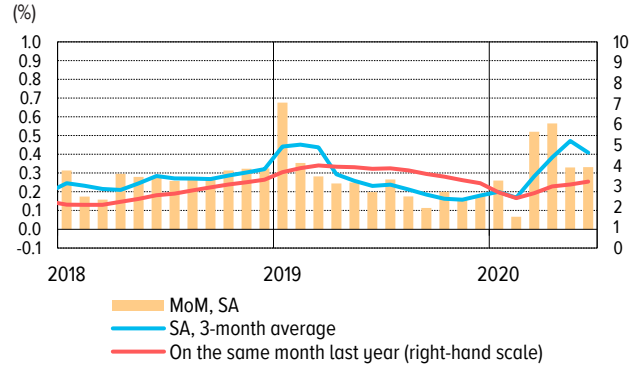
NON-FOOD GOODS
(%)

Chart 3



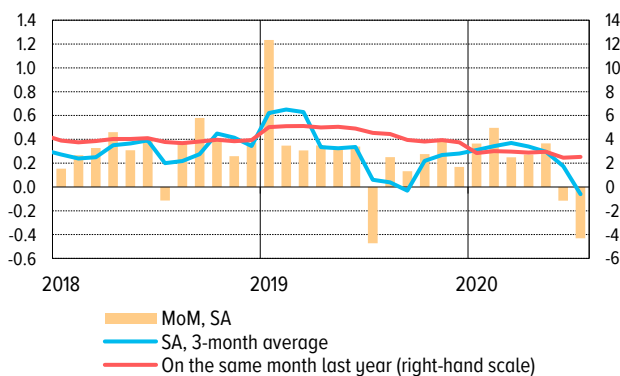
NON-FOOD GOODS EXCLUDING PETROLEUM PRODUCTS
(%)

Chart 7



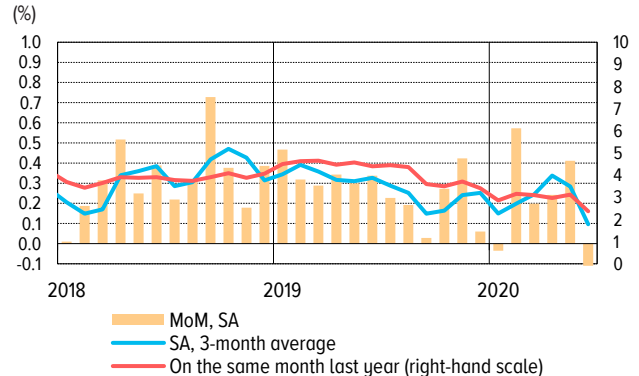
SERVICES
(%)

Chart 4



SERVICES EXCLUDING HOUSING AND UTILITY SERVICES
(%)

Chart 8



Sources: Rosstat, Bank of Russia calculations.

Data cut-off date – 10.08.2020.

A soft copy of the [information and analytical commentary](#) is available on the Bank of Russia website.

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

This commentary was prepared by the Monetary Policy Department.

Cover photo: S. Glazunov, Bank of Russia

12 Neglinnaya Street, 107016 Moscow

Bank of Russia website: www.cbr.ru

© Central Bank of the Russian Federation 2020