



Bank of Russia



CONSUMER PRICE DYNAMICS

No. 11 (47) • November 2019

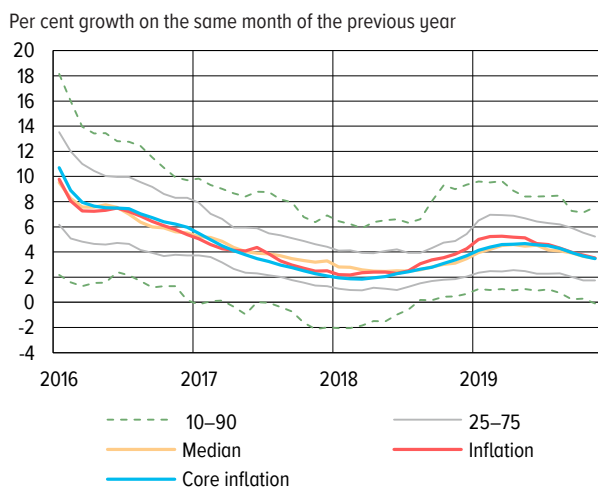
Information and analytical commentary

16 December 2019

Consumer price dynamics: facts, assessments and comments (November 2019)

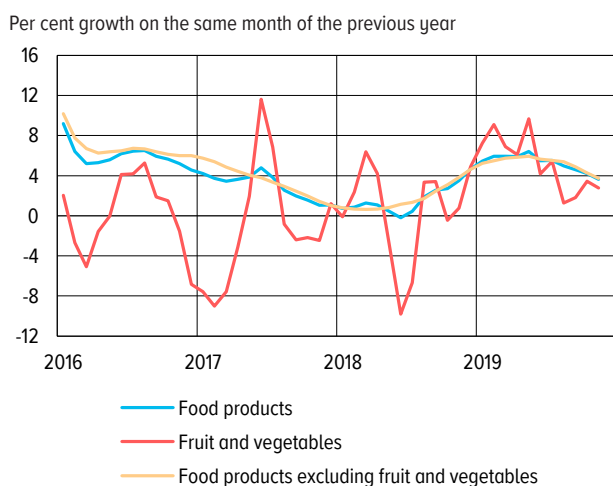
In November 2019, annual inflation slowed again, to 3.5%. It was primarily pulled down by a decrease in the inflation of food prices. The growth rate of prices for non-food goods also dropped. Annual indicators characterising stable price trends continued to go down, affected by persisting disinflationary factors. Contrastingly, the annual and monthly growth rates of service prices slightly rose, primarily in the market segment, which may be a sign of a revival in consumer demand. The Bank of Russia forecasts that inflation will come in at 2.9–3.2% by the end of 2019. In 2020 Q1, annual inflation will drop below 3% when the effect of the VAT rate hike is factored out from its calculation. Given the monetary policy pursued, annual inflation will equal 3.5–4.0% in 2020 and will stay close to 4% further on.

DISTRIBUTION OF GOODS AND SERVICE PRICE GROWTH, INFLATION AND CORE INFLATION *Chart 1*



Sources: Rosstat, Bank of Russia calculations.

FOOD PRICES *Chart 2*



Source: Rosstat.

In November 2019, annual inflation decelerated again, to 3.5% (0.3 pp lower than in October, Chart 1). As in previous months, inflation was dragged down by a complex of disinflationary factors. Many of them were temporary, namely the favourable situation in many food markets and the appreciation of the ruble observed since the beginning of the year. Despite the signs of revival, consumer demand generally exerted disinflationary pressure.

A further decrease in food inflation was the major contributor to the slowdown of annual inflation. The growth rates of prices for non-food goods also continued to go down (Annex 1). Contrastingly, the annual growth of service prices slightly sped up.

The monthly growth rate (SA) of consumer prices remains stable for the fourth consecutive month (according to the assessment, 0.2%). The monthly growth of goods and service prices, excluding the main volatile and regulated components (fruit and vegetables, petroleum products and utility services), has also remained close to this level since June 2019 (Annex 2).¹ In annual terms, this is below 4%.

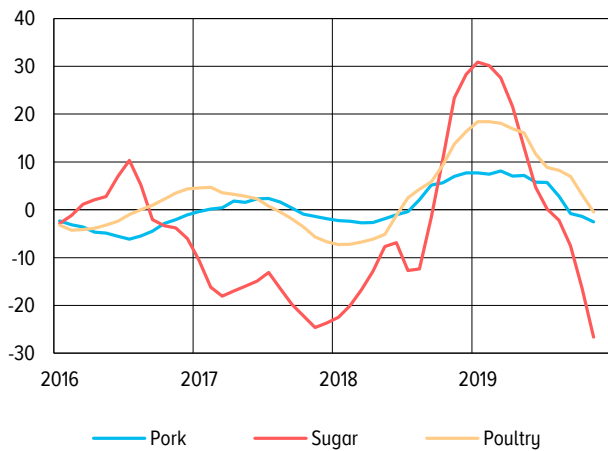
The indicators characterising stable price trends dropped again in November. Core inflation and the median value of consumer price growth equalled 3.5% (which is 0.2 pp less

¹ Refer also to the charts showing the current dynamics of prices for individual goods and service groups in 2019 as compared to 2016–2018 (not seasonally adjusted): information bulletin 'Consumer Price Indices' hereinafter, the Bulletin).

MEAT AND SUGAR PRICES

Chart 3

Per cent growth on the same month of the previous year

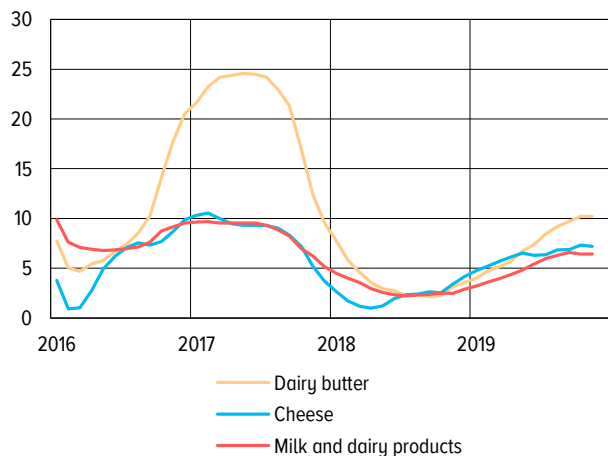


Source: Rosstat.

PRICES FOR MILK, DAIRY PRODUCTS, DAIRY BUTTER AND CHEESE

Chart 4

Per cent growth on the same month of the previous year



Source: Rosstat.

than in October). The annual growth of goods and service prices, excluding the main volatile and regulated components, also decelerated by 0.2 pp to 3.6%.

Food products

The dynamics of food prices were influenced by a favourable situation in agricultural raw material and food markets, which was associated with larger volumes and better quality of major grain and oil crops, sugar beets, fruit and vegetables and an expanded supply of meat products.

According to assessments, monthly growth (SA) of food prices went down to 0.1% in November. As in October, fruit and vegetable prices (SA) dropped: this trend applies both to essential Russian vegetables and to fruit, including citrus. Prices (SA) for other food categories were up by 0.1% on average.

Annual food inflation slowed down by 0.5 pp to 3.7% (Chart 2). The major contributor was the movement of prices for meat products (primarily poultry and pork), sugar, fruit and vegetables which arose as a result of an expansion in supply (Chart 3).

The annual growth rate of prices for milk and dairy products remained at the level recorded in October (it had been increasing from December 2018 through September 2019, Chart 4). For the first time since October 2018, the annual growth rate of cheese prices dropped, and the dairy butter price index did not increase. This suggests that the pass-through of production costs to consumer prices in the dairy industry has become less intense.

The annual growth of prices for grain products mostly decelerated (Chart 5). Buckwheat was the only exception among grains and beans. However, despite the higher growth rate caused by the smaller harvest, buckwheat prices remained 27.2% lower than at the end of 2016.

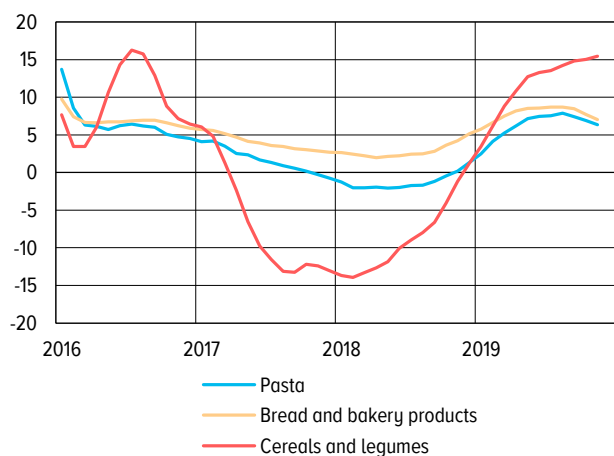
Non-food goods

Moderate demand and the appreciation of the ruble continued to impact the movement of non-food prices. Growth of prices for petroleum products was limited due to the effect of the refundable excise tax mechanism (with a damping coefficient).

PRICES FOR GRAIN PRODUCTS

Chart 5

Per cent growth on the same month of the previous year

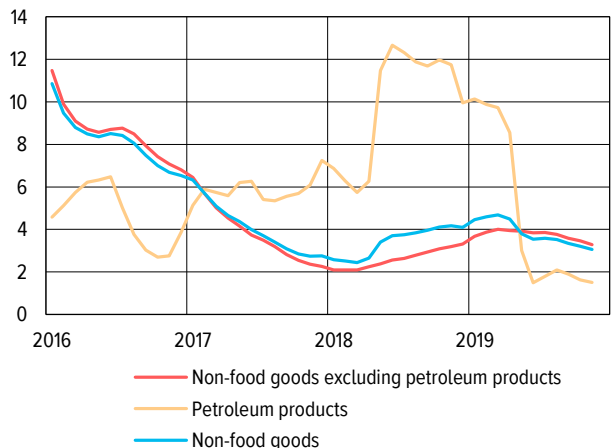


Source: Rosstat.

NON-FOOD PRICES

Chart 6

Per cent growth on the same month of the previous year



Sources: Rosstat, Bank of Russia calculations.

As assessed, monthly growth (SA) of non-food prices in November stayed at the same level as in October (0.2%), conforming to the average monthly growth rate recorded in the previous eight months.²

Annual growth of non-food prices continued to decelerate (to 3.1%, which is 0.1 pp lower than in October) amid a slower increase in prices for main components (Chart 6). Changes in car prices were the major contributor: this November the growth rate in this segment was substantially lower than in the previous year, when a temporary rise in demand for cars was recorded (ahead of the VAT rate increase).

In November, petroleum products became more expensive by only 1.5% compared to the previous year. Price growth in other key groups of non-food goods equalled 3.3% over this period, decelerating by 0.1 pp as compared to October.

Services

The growth of service prices sped up by 0.1 pp in November, and is assessed at 0.4% (SA), which is its highest rate since this February. In particular, the growth rates (SA) of service prices accelerated in such industries as culture, overseas tourism, and healthcare and recreation services. Their dynamics could partially be driven by one-off factors, including the introduction of new rules for selling tickets, which may cause an increase in cultural organisations' costs.³ The transportation component continued to significantly affect prices for travels (especially long-distance trips). That said, a higher growth rate of prices for such optional-use services suggests that businesses have gained more opportunities to pass rising costs through to customers. Since prices for market services have less inertial dynamics than non-food goods, their quicker growth may be a sign of a gradual increase in consumer demand as a result of a rise in consumer optimism.

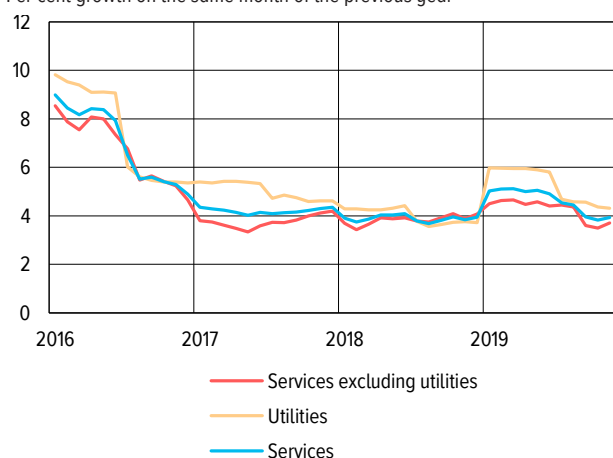
² See the charts showing monthly dynamics in the Bulletin (Charts 17–25).

³ In particular, the new rules stipulated by Federal Law No. 193-FZ, dated 18 July 2019, which became effective on 1 September, oblige cultural organisations to reimburse the cost of unused tickets (provided that certain conditions are met).

SERVICE PRICES

Chart 7

Per cent growth on the same month of the previous year



Sources: Rosstat, Bank of Russia calculations.

INFLATION IN THE FEDERAL DISTRICTS

Table 1

Per cent growth on the same month of the previous year

	October 2019	November 2019	Price dynamics, November vs October 2019
Russia	3.8	3.5	-0.3
Central FD	3.8	3.6	-0.2
North-Western FD	3.7	3.4	-0.3
Southern FD	3.6	3.3	-0.3
North Caucasian FD	4.0	3.9	-0.1
Volga FD	3.5	3.2	-0.3
Urals FD	3.5	3.5	0.0
Siberian FD	4.3	4.0	-0.3
Far Eastern FD	4.0	4.0	0.0

Sources: Rosstat, Bank of Russia calculations.

INFLATION IN RUSSIAN REGIONS

Table 2

Per cent growth on the same month of the previous year

No.*		November 2018	October 2019	November 2019
Top-5 regions with highest inflation in November 2019				
1 (1)	Jewish Autonomous Region	4.5	5.3	5.0
2 (7)	Yaroslavl Region	4.2	4.8	4.9
3 (5)	Republic of Buryatia	4.9	4.9	4.8
4 (3)	Amur Region	4.2	5.0	4.8
5 (2)	Tambov Region	4.5	5.2	4.6
Top-5 regions with lowest inflation in November 2019				
78 (62)	Chuvash Republic – Chuvashia	4.2	3.3	2.6
79 (80)	Tula Region	4.5	2.5	2.6
80 (76)	Republic of Adygea (Adygea)	3.2	2.9	2.4
81 (77)	Republic of Mordovia	3.1	2.7	2.4
82 (82)	Altai Republic	3.1	1.6	1.7

* Values in parentheses indicate the regions' positions in October 2019.

Sources: Rosstat, Bank of Russia calculations.

Annual growth of service prices also went up by 0.1 pp to 3.9% (Chart 7). It was largely supported by a rise in the annual growth rates of overseas travel prices and the TV antenna subscription fee. Overall, services, excluding utilities and transportation (heavily regulated services), were 3.7% more expensive this November than in November 2018 (in October, 3.5%).

Inflation in Russian regions

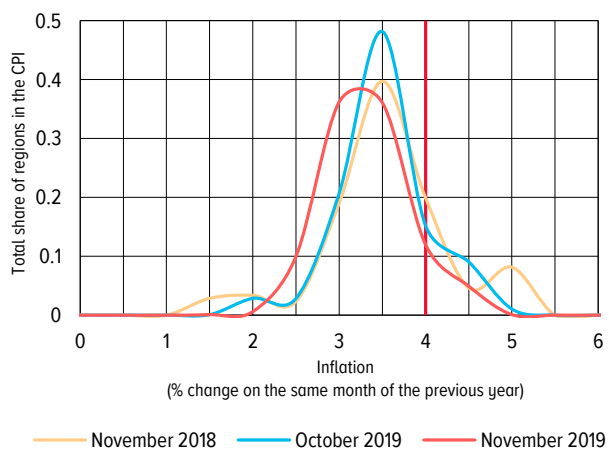
Annual inflation in the majority of regions slowed down in November 2019 as compared to the previous month (67 regions accounting for approximately 85% in the CPI, Tables 1 and 2). The growth rates of food and non-food prices mostly went down. Service prices demonstrated diverse dynamics: their growth sped up in 49 regions and slowed in 32.

As in the previous months, regional price dynamics were largely driven by country-wide factors. Local factors had a noticeable influence in the Ural and Far Eastern Federal Districts, where inflation remained almost unchanged in November. In the Far East, this was primarily caused by a lower growth rate of food prices than generally across Russia, which depends on the specifics of logistics, deliveries and stock formation. The Ural Federal District saw an acceleration in annual inflation due to a higher annual growth rate of service prices (4.6% in November vs 4.1% in October). This was mostly associated with a surge in the growth rate of service prices in the Tyumen Region to 4.1% (vs 2.6% in October), while it had persistently remained behind the country-wide growth rate from the end of 2017 until October 2019. Growth of prices for TV broadcasting, education, passenger transportation and tourism services substantially sped up, which was probably driven by local factors.

The distribution of regional inflation in November changed in comparison with October (Chart 8). The group of regions showing the lowest price growth rates in October saw an acceleration of inflation in November (e.g., the Altai Republic, Tyumen and Tula Regions). As compared to the previous period, the regional heterogeneity of inflation slightly increased, but

CHANGES IN THE REGIONAL DISTRIBUTION
OF INFLATION

Chart 8



Sources: Rosstat, Bank of Russia calculations.

it remains at the level comparable with the 2018 readings.

Inflation forecast

The Bank of Russia forecasts that inflation will come in at 2.9–3.2% by the end of 2019. In 2020 Q1, annual inflation will drop below 3% when the effect of the VAT rate hike is factored out from its calculation. Given the monetary policy pursued, annual inflation will equal 3.5–4.0% in 2020 and will stay close to 4% further on.

Annex 1

CONSUMER PRICE DYNAMICS

(%)

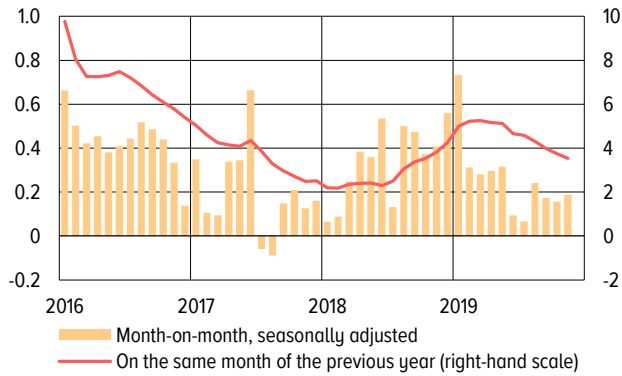
	11.2018	12.2018	01.2019	02.2019	03.2019	04.2019	05.2019	06.2019	07.2019	08.2019	09.2019	10.2019	11.2019
Price growth rates on the same month of the previous year													
– all goods and services	3.8	4.3	5.0	5.2	5.3	5.2	5.1	4.7	4.6	4.3	4.0	3.8	3.5
– food products	3.5	4.7	5.5	5.9	5.9	5.9	6.4	5.5	5.5	5.0	4.6	4.2	3.7
of which: fruit and vegetables	0.8	4.9	7.3	9.1	6.9	6.1	9.7	4.2	5.4	1.3	1.8	3.4	2.8
– non-food goods	4.2	4.1	4.5	4.6	4.7	4.5	3.8	3.5	3.6	3.5	3.4	3.2	3.1
– services	3.8	3.9	5.0	5.1	5.1	5.0	5.1	4.9	4.5	4.4	4.0	3.8	3.9
Core inflation, on the same month of the previous year	3.4	3.7	4.1	4.4	4.6	4.6	4.7	4.6	4.5	4.3	4.0	3.7	3.5
Median of price growth distribution, on the same month of the previous year	3.1	3.5	4.0	4.2	4.5	4.6	4.5	4.5	4.2	4.1	3.9	3.6	3.5
Average annual inflation	2.7	2.9	3.1	3.3	3.6	3.8	4.0	4.2	4.4	4.5	4.6	4.6	4.6
Price growth on the previous month:													
– all goods and services	0.5	0.8	1.0	0.4	0.3	0.3	0.3	0.0	0.2	-0.2	-0.2	0.1	0.3
– food products	1.0	1.7	1.3	0.8	0.5	0.4	0.4	-0.5	-0.3	-0.9	-0.4	0.2	0.5
of which: fruit and vegetables	3.4	8.9	6.3	4.9	2.1	1.8	2.0	-4.5	-3.9	-10.1	-6.3	0.4	2.7
– non-food goods	0.4	0.2	0.6	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.2
– services	0.0	0.4	1.1	0.2	0.1	0.2	0.4	0.6	0.9	0.2	-0.2	-0.2	0.1
Seasonally adjusted price growth on the previous month:													
– all goods and services	0.4	0.6	0.7	0.3	0.3	0.3	0.3	0.1	0.1	0.2	0.2	0.2	0.2
– food products	0.6	1.0	0.5	0.4	0.3	0.3	0.4	-0.2	0.3	0.3	0.2	0.0	0.1
of which: fruit and vegetables	0.5	3.5	0.1	1.3	0.2	0.4	-0.1	-3.8	0.7	0.8	0.1	-0.1	-0.2
– non-food goods	0.3	0.3	0.7	0.3	0.2	0.2	0.2	0.3	0.3	0.2	0.1	0.2	0.2
– services	0.3	0.4	1.1	0.3	0.3	0.3	0.3	0.3	-0.5	0.3	0.2	0.3	0.4
Price growth on December 2018:													
– all goods and services	3.4	4.3	1.0	1.5	1.8	2.1	2.4	2.5	2.7	2.4	2.3	2.4	2.7
– food products	2.9	4.7	1.3	2.1	2.6	3.1	3.5	3.0	2.7	1.7	1.3	1.5	1.9
of which: fruit and vegetables	-3.7	4.9	6.3	11.5	13.9	16.0	18.3	13.0	8.5	-2.4	-8.6	-8.2	-5.7
– non-food goods	3.9	4.1	0.6	0.9	1.2	1.3	1.6	1.7	1.9	2.1	2.3	2.6	2.8
– services	3.5	3.9	1.1	1.3	1.5	1.7	2.1	2.7	3.6	3.8	3.6	3.4	3.5

Sources: Rosstat, Bank of Russia calculations.

Annex 2

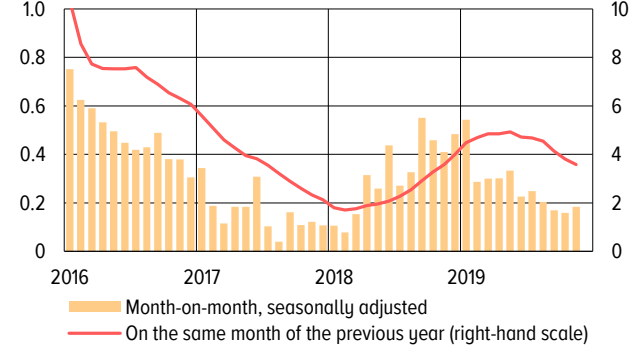
ALL GOODS AND SERVICES (%)

Chart 1



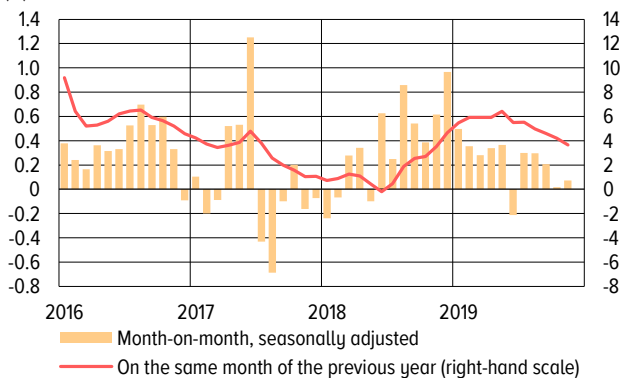
ALL GOODS AND SERVICES EXCLUDING FRUIT AND VEGETABLES, PETROLEUM PRODUCTS AND UTILITY SERVICES (%)

Chart 5



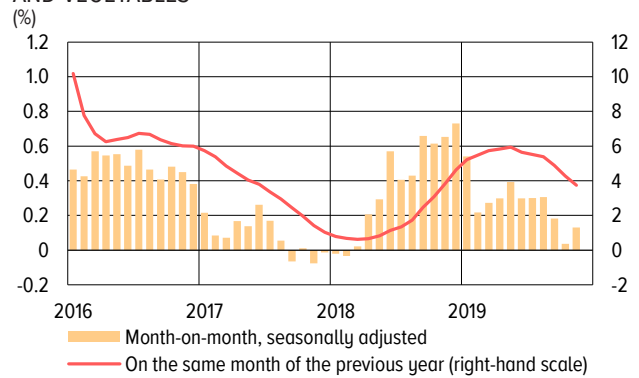
FOOD PRODUCTS (%)

Chart 2



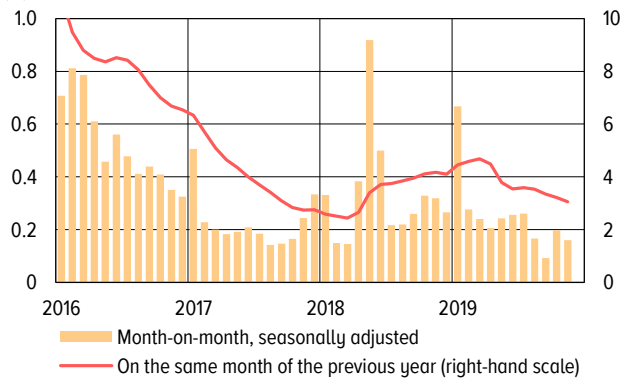
FOOD PRODUCTS EXCLUDING FRUIT AND VEGETABLES (%)

Chart 6



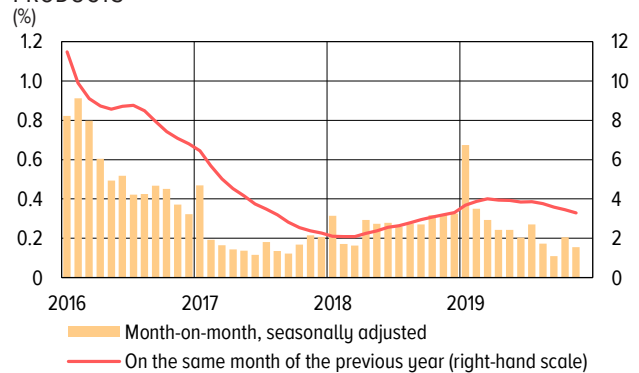
NON-FOOD GOODS (%)

Chart 3



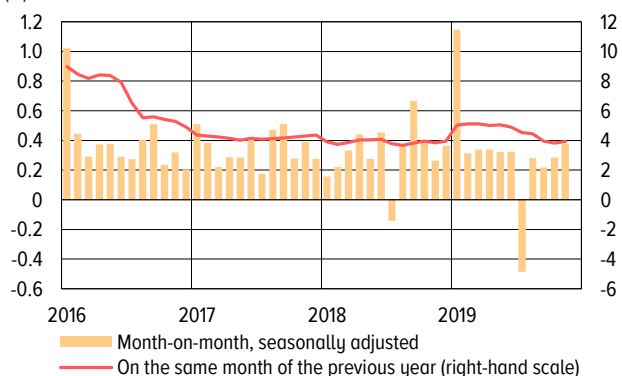
NON-FOOD GOODS EXCLUDING PETROLEUM PRODUCTS (%)

Chart 7



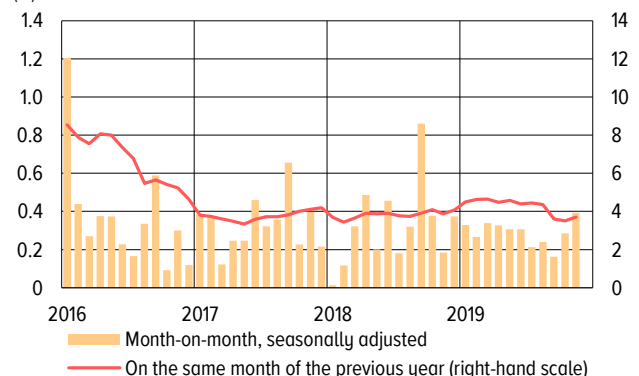
SERVICES (%)

Chart 4



SERVICES EXCLUDING UTILITIES (%)

Chart 8



Sources: Rosstat, Bank of Russia calculations.

Data cut-off date – 9.12.2019.

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 was prepared by the Monetary Policy Department.

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