



Bank of Russia



CONSUMER PRICE DYNAMICS

No. 8 (56) • August 2020

Information and analytical commentary

10 September 2020

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

In August 2020, annual inflation came in at 3.58% (+0.21 pp compared to July). Seasonally adjusted monthly growth of consumer prices for different groups of goods and services changed diversely. Compared to July, it went up slightly for the headline consumer price index and for the median, but declined for the core consumer price index. The average price growth rate continues to form near 4%. Supply-side factors and the pass-through of the ruble depreciation since the beginning of 2020 amplify the proinflationary influence of deferred demand after easing of restrictive measures. Due to different stages of restriction lifting, changes in prices for individual goods and services, as well as in different regions, were inconsistent. According to the Bank of Russia's forecast, the disinflationary influence of demand will be more pronounced in late 2020 and in 2021 as anti-crisis measures of the Government and the Bank of Russia are gradually completed and deferred demand is satisfied, among other reasons. The scale of this influence will to a large extent depend on the aftermath of the pandemic for the Russian economic potential. The Bank of Russia forecasts inflation for year-end 2020 within the range of 3.7–4.2% and its further slowdown to 3.5–4.0% in 2021. After that, inflation will stay close to the target of 4%.

KEY INFLATION INDICATORS

Table 1

	March 2020	April 2020	May 2020	June 2020	July 2020	August 2020
Annual growth						
Inflation	2.54	3.09	3.02	3.21	3.37	3.58
Core inflation	2.61	2.86	2.85	2.89	2.95	3.11
Median*	2.42	2.49	2.43	2.45	2.84	2.99
Price growth, without 20% of the most volatile components**	2.60	2.71	2.57	2.71	2.92	3.07
Monthly growth, SA						
Inflation	0.50	0.84	0.28	0.28	0.18	0.40
Core inflation	0.46	0.50	0.38	0.38	0.37	0.33
Median*	0.35	0.38	0.30	0.34	0.30	0.41
Price growth, without 20% of the most volatile components**	0.39	0.46	0.33	0.36	0.30	0.41
Monthly growth, SA, average for the last 3 months						
Inflation	0.30	0.52	0.54	0.46	0.25	0.29
Core inflation	0.22	0.36	0.44	0.42	0.38	0.36
Median*	0.23	0.30	0.34	0.34	0.31	0.35
Price growth, without 20% of the most volatile components**	0.26	0.35	0.39	0.38	0.33	0.35

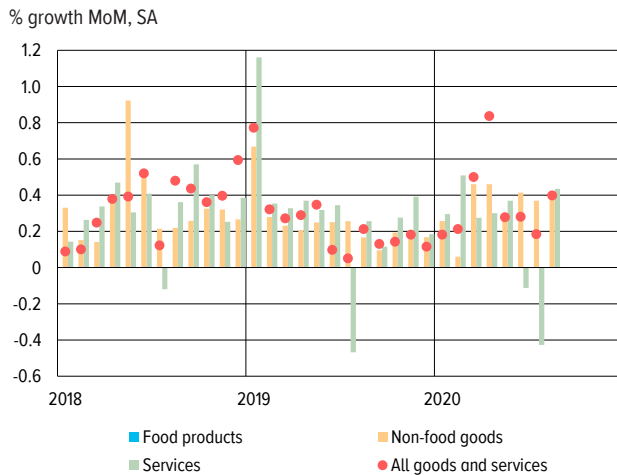
* A median is a value separating a sample into two equal parts, with a higher and a lower price growth rate.

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

Sources: Rosstat, Bank of Russia calculations.

GOODS AND SERVICE PRICES

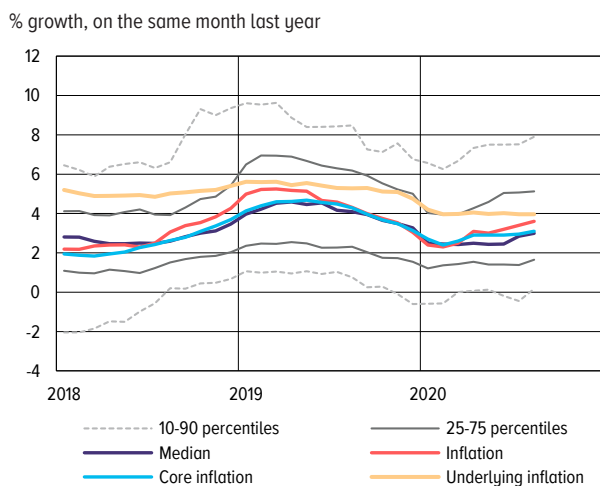
Chart 1



Sources: Rosstat, Bank of Russia calculations.

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

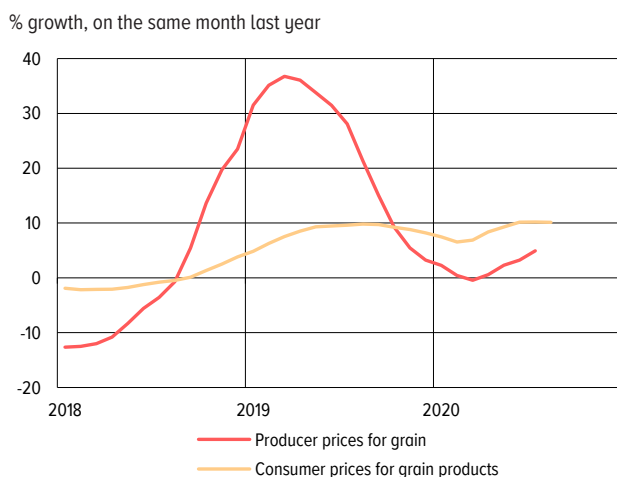
Chart 2



Sources: Rosstat, Bank of Russia calculations.

PRODUCER GRAIN AND LEGUME PRICES AND CONSUMER PRICES FOR THEIR PRODUCTS

Chart 3



Sources: Rosstat, Bank of Russia calculations.

Price dynamics

In August 2020, proinflationary factors were the main drivers behind price dynamics. [The monthly growth of consumer prices \(according to seasonally adjusted estimates; hereinafter, SA\) increased by 0.22 pp, to 0.40%](#) (Chart 1). This figure is above the level expected by the Bank of Russia and exceeds 4% in annual terms. Price growth accelerated primarily due to increased costs (including on the back of the weakening of the ruble and lag effects) and realisation of deferred demand as a result of lifting of anti-epidemic restrictions. Current growth of non-food prices sped up; service prices rose after a decline in July. Conversely, food price growth slowed down as a result of high supply and good harvest forecasts.

Monthly price growth indicators (SA) calculated net of volatile and regulated components¹ (underlying inflation indicators) showed mixed dynamics in August (Table 1). This demonstrates that price inconsistency is maintained in certain consumer market segments, including due to differences in restriction lifting stages. Annualised 3-month average values of these indicators were close to 4%.

Annual inflation rose by 0.21 pp, to 3.58%. Annual growth rates of prices for a wide range of non-food goods increased. The recovery in services was accompanied by rising annualised price growth rates from low levels. Food inflation was driven by rising fruit and vegetable prices, whereas price growth in other groups of food products remained unchanged on average. Annual core inflation was 3.11%, which is 0.16 pp higher compared to July (Chart 2; Annex 1). [The assessment of underlying inflation](#) was 3.96%, unchanged in August vs July.

Influence of the ruble's exchange rate

As anti-epidemic measures were relaxed and trade in non-food goods (apart from basic

¹ 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).

SERVICE PRICES

Chart 4

% growth MoM, SA

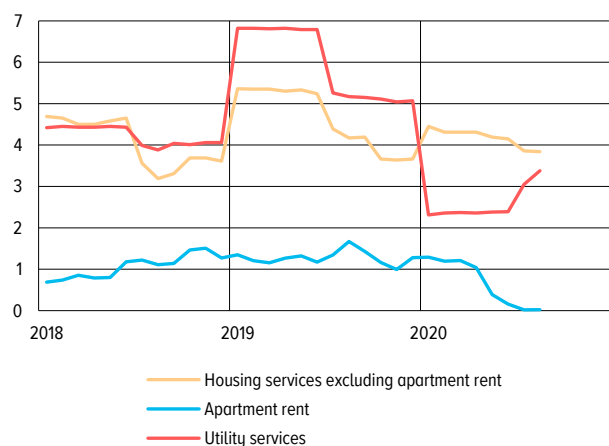


Sources: Rosstat, Bank of Russia calculations.

HOUSING AND UTILITY PRICES

Chart 5

% growth, on the same month last year



Source: Rosstat.

PRICES FOR CERTAIN NON-FOOD GOODS
IN 2020

Table 2

% growth, on the same month last year

	March	April	May	June	July	August
Household appliances	1.53	2.49	2.25	2.62	2.91	3.34
Instruments	0.96	2.47	3.12	3.35	3.23	3.82
Computers	-0.06	1.13	1.48	1.88	1.68	2.09
New imported cars	3.7	4.28	4.59	5.47	5.3	5.87

Source: Rosstat.

PRICES FOR RECREATION AND TRANSPORT
SERVICES IN 2020

Table 3

% growth, on the same month last year

	March	April	May	June	July	August
Air travel	0.01	3.66	6.24	-7.63	-11.72	-5.95
Domestic tourism	2.38	2.58	2.7	0.59	0.51	1.24
Foreign tourism	1.17	1.31	-0.62	-2.5	-2.85	-2.75

Source: Rosstat.

goods) expanded, the proinflationary influence of the ruble's depreciation (which for the most part occurred in late 2020 Q1) became more apparent.

Growth of prices for non-food imported goods and goods with a large proportion of imports in costs accelerated in August (Table 2).

Exchange rate dynamics also caused proinflationary influence through increased export parity prices and building pressure on domestic prices of grain and grain products. However, producer grain and legume prices grew at a slower pace while annual growth in consumer prices of their products stabilised since June after accelerating in March – May (Chart 3). Aside from subdued demand, market stabilisation was facilitated by the Government's grain interventions launched in mid-April as well as by the imposition of quotas on grain exports to non-EAEU states (from 1 April to 30 June).

Short-term effects caused by anti-coronavirus restrictions

As before, prices were moving in a diverse manner in August, affected by uneven easing of the anti-epidemic restrictions both in various product and service groups and across Russian regions.

In summer, the highest volatility was observed in both market and non-market service prices (Chart 4). August saw an increase in utility tariffs, which compensated for their incomplete indexation in July. Their annual growth totalled 3.38% (Chart 5). Prices for housing services in the regulated segment² increased by 3.84% compared to August 2019.

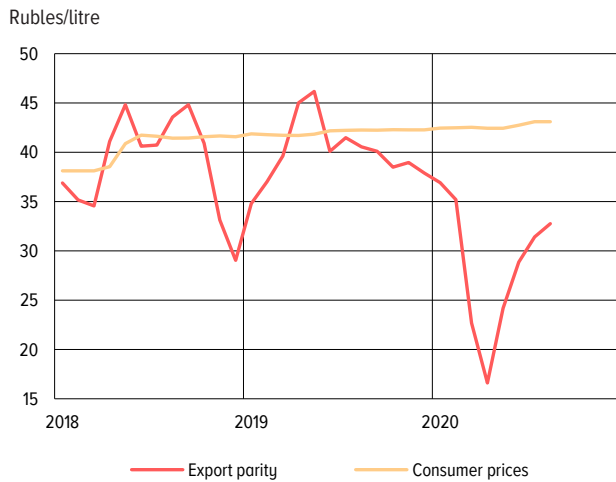
Housing rent in the market segment remained virtually unchanged vs August 2019, indicating falling demand. In particular, employees of many companies are still working remotely, which can reduce demand for renting apartments in large cities by out-of-town staff.

Prices for recreational and transport services remained volatile (Table 3). For example, the easing of restrictions on visiting main Russian resorts led to the accelerated growth of prices

² Residential payments in national and municipal housing facilities, housing maintenance and repair payments, etc.

AI-92 PETROL PRICES

Chart 6

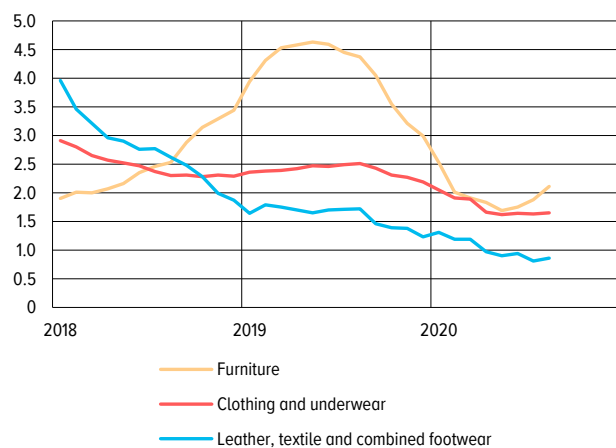


Sources: Rosstat, SPIMEX, Bank of Russia calculations.

PRICES FOR CERTAIN DURABLE
NON-FOOD GOODS

Chart 7

% growth, on the same month last year

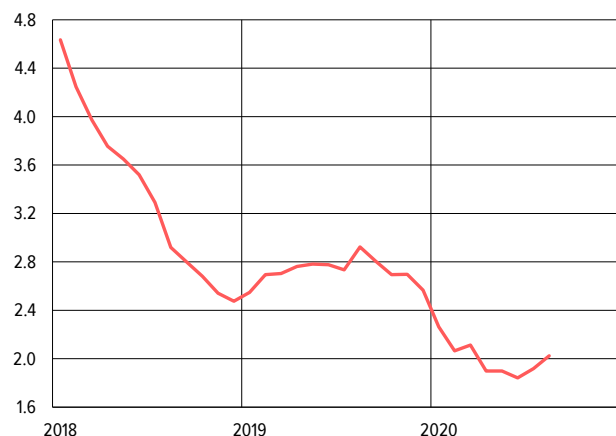


Source: Rosstat.

PRICES FOR SCHOOLCHILD CLOTHES, FOOTWEAR
AND STATIONERY

Chart 8

% growth, on the same month last year



Source: Rosstat.

for domestic travel services and supported falling air ticket prices. At the same time, foreign destinations (included in the consumer basket for the CPI calculation) remained closed. Statistics reflected prices for these services as unchanged since April, and their annual growth remained negative.

Increased people's mobility and recovery in economic activity led to accelerated growth of motor fuel prices. However, their annual growth remained moderate and stable owing to the effect of the damping mechanism (Chart 6).

Influence of demand changes

The proinflationary influence of growing costs and deferred demand is limited by **a decline in incomes, which is a disinflationary factor**. Despite renewed trade, annual growth rates of prices for clothes, footwear and furniture did not exceed their values registered at the beginning of the year (Chart 7). The price of a 'schoolchild kit' (clothes, footwear, stationery) remained virtually unchanged since March (Chart 8). Compared to last August, it grew by 2.02%.

Producer prices of non-food consumer goods and food products grew at a slow pace despite increasing cost pressure related, among other things, to exchange rate dynamics (Charts 10 and 11).

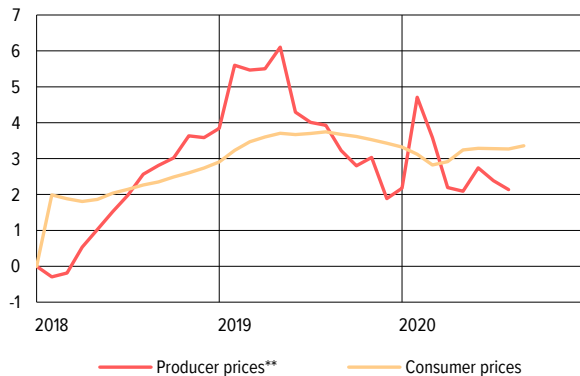
Inflation in Russian regions

August 2020 saw annual inflation accelerating in most regions (62 regions accounting for approximately 87% in the CPI; Tables 4 and 5). For the most part, annual growth of prices for non-food goods accelerated compared to July (71 regions registered price growth acceleration; 11 regions reported its deceleration). Dynamics of prices for food products and services were the most diverse.

In the Far Eastern FD, inflation slowdown was primarily caused by negative dynamics of prices for food products related to local factors (harvesting specifics in certain regions, such as the Khabarovsk Territory and the Jewish Autonomous Region). Potato and vegetable

PRODUCER PRICES FOR NON-FOOD CONSUMER GOODS* AND CONSUMER PRICES Chart 9

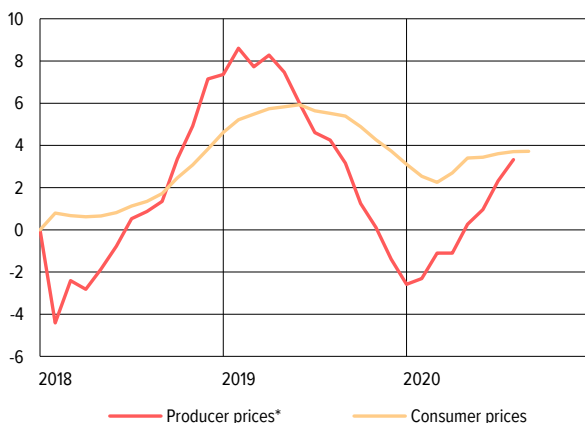
% growth, on the same month last year



* Clothing, underwear, knitted products, furs, footwear, household chemicals, furniture, medical goods, domestic cars, printed media, paper products.
** Weighted according to the weight in the consumer basket (total weight is 15.63%).
Sources: Rosstat, Bank of Russia calculations.

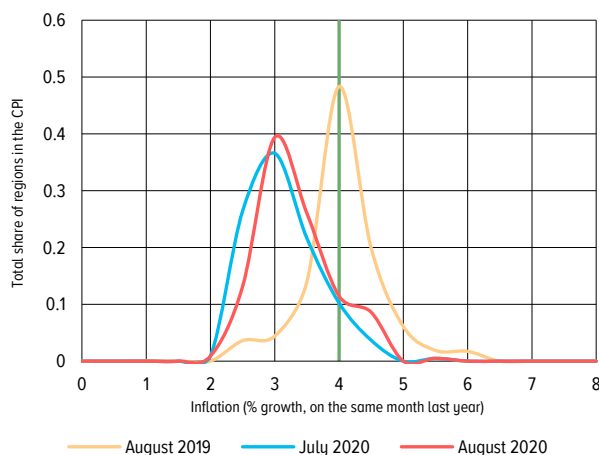
PRODUCER PRICES FOR FOOD PRODUCTS (EXCLUDING FRUIT AND VEGETABLES) AND CONSUMER PRICES Chart 10

% growth, on the same month last year



* Weighted according to the weight in the consumer basket.
Sources: Rosstat, Bank of Russia calculations.

CHANGES IN THE REGIONAL DISTRIBUTION OF INFLATION Chart 11



Sources: Rosstat, Bank of Russia calculations.

(cucumbers, tomatoes) prices made the most significant contribution to inflation slowdown.

The North-Western FD registered the highest acceleration of prices for all goods and services. Air transport prices grew across all main travel destinations of the region (the Republic of Karelia, the Kaliningrad and Leningrad Regions, Saint Petersburg). These regions also posted the highest growth in prices for the services of hotels and other residential premises.

The distribution of regional inflation in August changed only slightly compared to July. August saw an acceleration of inflation in the group of regions with low price growth rates, which resulted from accelerated growth in prices for non-food goods and certain local factors in the markets of food products and services (Chart 10).

As compared to the similar period of the last year, the regional heterogeneity of inflation stays at a lower level (inflation rates across regions varied from 2.3% to 5.9%). In August 2019, a negative asymmetry of inflation distribution was observed due to the fact that the distribution of growth in prices for food products and services shifted to the right (Chart 11).

Forecast

In the near future, prices in various product and service groups will continue to move in a diverse manner. The proinflationary influence of growing costs (including due to the weakening of the ruble) in the coming months will put pressure on prices of certain (primarily, non-food) goods and services. Service markets (such as the markets of travel and transport services) may experience price growth episodes on the back of lifting of restrictions and realisation of deferred demand by individual population groups.

The disinflationary influence of weak demand will be more pronounced in late 2020 and in 2021 as anti-crisis measures of the Government and the Bank of Russia are gradually completed and deferred demand is satisfied, among other reasons. The scale of this influence will to a large extent depend on

INFLATION IN THE FEDERAL DISTRICTS

Table 4

% growth, on the same month last year

	July 2020	August 2020	Price dynamics, August vs July 2020
Russia	3.37	3.58	0.21
Central FD	3.25	3.42	0.17
North-Western FD	3.38	3.68	0.30
Southern FD	3.27	3.48	0.21
North Caucasian FD	3.84	4.03	0.19
Volga FD	3.41	3.68	0.27
Urals FD	2.93	3.17	0.24
Siberian FD	3.28	3.49	0.21
Far Eastern FD	4.01	3.93	-0.08

Sources: Rosstat, Bank of Russia calculations.

the aftermath of the pandemic for the Russian economic potential.

The Bank of Russia forecasts inflation for year-end 2020 within the range of 3.7–4.2% and its further slowdown to 3.5–4.0% in 2021. After that, inflation will stay close to 4%.

INFLATION IN RUSSIAN REGIONS

Table 5

% growth, on the same month last year

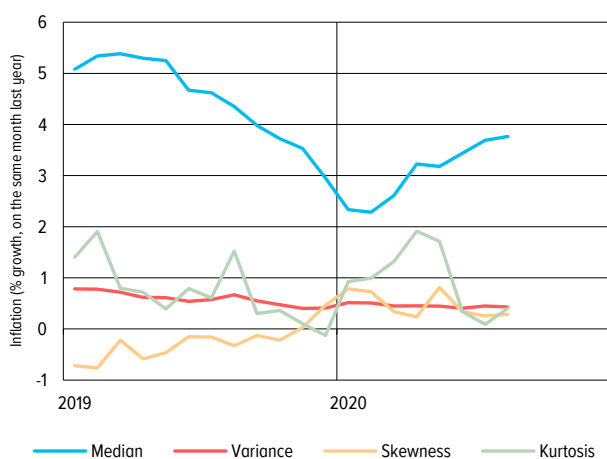
No.*		August 2019	July 2020	August 2020
TOP-5 regions with highest inflation in August 2020				
1(1)	Amur Region	5.44	5.73	5.93
2(4)	Saratov Region	3.97	4.68	4.96
3(2)	Republic of Buryatia	6.23	4.99	4.94
4(3)	Jewish Autonomous Region	5.66	4.97	4.92
5(7)	Republic of Dagestan	4.50	4.47	4.88
TOP-5 regions with lowest inflation in August 2020				
78(78)	Tyumen Region	2.62	2.52	2.92
79(81)	Republic of Crimea	4.61	2.42	2.73
80(79)	Moscow Region	4.28	2.51	2.59
81(780)	Sakha Republic	4.69	2.50	2.40
82(82)	Chukotka Autonomous Area	5.23	2.29	2.34

* Values in brackets indicate the region's positions in July 2020.

Sources: Rosstat, Bank of Russia calculations.

CHARACTERISTICS OF REGIONAL INFLATION DISTRIBUTION

Chart 12



Sources: Rosstat, Bank of Russia calculations.

Annex 1

CONSUMER PRICE DYNAMICS

(%)

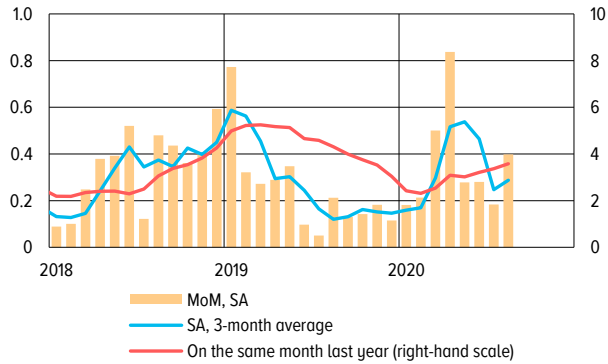
	08.2019	09.2019	10.2019	11.2019	12.2019	01.2020	02.2020	03.2020	04.2020	05.2020	06.2020	07.2020	08.2020
Price growth, on the same month last year													
– all goods and services	4.31	3.99	3.75	3.53	3.04	2.42	2.31	2.54	3.09	3.02	3.21	3.37	3.58
– food products	4.98	4.60	4.21	3.65	2.58	1.99	1.77	2.20	3.52	3.26	3.94	4.19	4.33
of which: fruit and vegetables	1.28	1.83	3.43	2.76	-2.05	-2.58	-2.23	-1.89	3.98	1.59	6.01	7.62	9.75
– food products excluding fruit and vegetables	5.39	4.89	4.27	3.74	3.11	2.54	2.25	2.70	3.40	3.44	3.61	3.71	3.72
– non-food goods	3.53	3.35	3.21	3.06	2.95	2.53	2.31	2.54	2.80	2.84	3.01	3.14	3.39
of which: non-food goods excluding petroleum products	3.76	3.59	3.46	3.29	3.14	2.71	2.42	2.66	2.99	3.08	3.22	3.25	3.52
– services	4.44	3.95	3.82	3.93	3.75	2.84	3.01	2.97	2.88	2.95	2.46	2.52	2.71
of which: services (excluding housing and utilities)	4.36	3.60	3.50	3.71	3.41	2.86	3.16	3.10	2.97	3.12	2.37	2.26	2.41
Core inflation	4.29	3.96	3.68	3.48	3.13	2.66	2.40	2.61	2.86	2.85	2.89	2.95	3.11
Median	4.09	3.94	3.65	3.49	3.27	2.50	2.44	2.42	2.49	2.43	2.45	2.84	2.99
Price growth, without 20% of the volatile components	4.16	4.27	4.09	3.80	3.82	3.60	3.40	3.37	3.09	2.67	2.32	2.60	2.71
Average annual inflation	4.52	4.58	4.59	4.57	4.46	4.25	4.01	3.78	3.61	3.43	3.31	3.21	3.15
Price growth, MoM													
– all goods and services	-0.24	-0.16	0.13	0.28	0.36	0.40	0.33	0.55	0.83	0.27	0.22	0.35	-0.04
– food products	-0.91	-0.44	0.18	0.45	0.65	0.69	0.57	0.96	1.72	0.16	0.17	-0.07	-0.77
of which: fruit and vegetables	-10.07	-6.30	0.44	2.73	3.84	5.73	5.31	2.50	7.89	-0.37	-0.34	-2.48	-8.30
– food products excluding fruit and vegetables	0.25	0.22	0.15	0.21	0.30	0.11	-0.01	0.76	0.92	0.24	0.24	0.27	0.25
– non-food goods	0.17	0.19	0.31	0.23	0.14	0.23	0.04	0.48	0.44	0.25	0.34	0.29	0.41
of which: non-food goods excluding petroleum products	0.17	0.19	0.31	0.23	0.14	0.23	0.04	0.48	0.44	0.25	0.34	0.29	0.41
– services	0.18	-0.23	-0.18	0.11	0.24	0.24	0.37	0.09	0.12	0.46	0.12	0.99	0.37
of which: services (excluding housing and utilities)	0.17	0.19	0.31	0.23	0.14	0.23	0.04	0.48	0.44	0.25	0.34	0.29	0.41
Price growth, MoM (SA)													
– all goods and services	0.21	0.13	0.14	0.18	0.12	0.18	0.21	0.50	0.84	0.28	0.28	0.18	0.40
– food products	0.24	0.17	-0.01	0.04	0.01	0.03	0.13	0.70	1.58	0.22	0.44	0.47	0.37
of which: fruit and vegetables	0.42	-0.04	-0.13	-0.15	-1.05	-0.29	1.35	0.47	6.82	-1.88	0.34	1.81	2.31
– food products excluding fruit and vegetables	0.29	0.15	0.00	0.10	0.17	0.07	-0.04	0.71	0.89	0.48	0.46	0.38	0.29
– non-food goods	0.17	0.10	0.19	0.16	0.17	0.26	0.06	0.46	0.46	0.29	0.41	0.37	0.40
of which: non-food goods excluding petroleum products	0.17	0.11	0.20	0.16	0.18	0.26	0.07	0.52	0.56	0.33	0.33	0.29	0.43
– services	0.26	0.12	0.28	0.39	0.18	0.29	0.51	0.27	0.30	0.37	-0.11	-0.43	0.43
of which: services (excluding housing and utilities)	0.20	0.00	0.27	0.42	0.09	-0.14	0.59	0.24	0.29	0.42	-0.36	0.13	0.33
Median	0.25	0.13	0.17	0.18	0.18	0.15	0.19	0.35	0.38	0.30	0.34	0.30	0.41
Price growth, without 20% of the volatile components	0.29	0.28	0.31	0.30	0.24	0.16	0.16	0.17	0.21	0.24	0.15	0.34	0.34

Sources: Rosstat, Bank of Russia calculations.

Annex 2

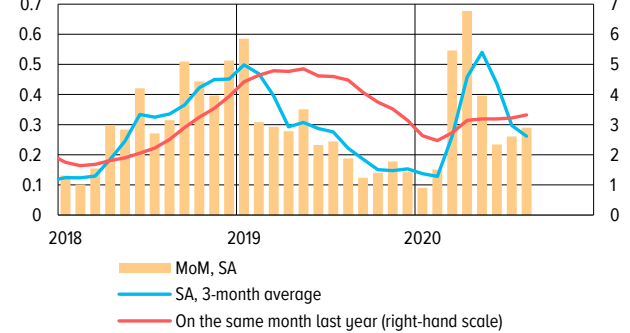
ALL GOODS AND SERVICES
(%)

Chart 1



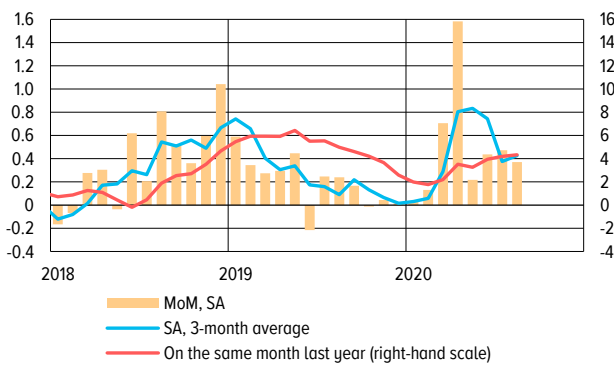
ALL GOODS AND SERVICES EXCLUDING FRUIT AND VEGETABLES, PETROLEUM PRODUCTS AND UTILITIES (%)

Chart 5



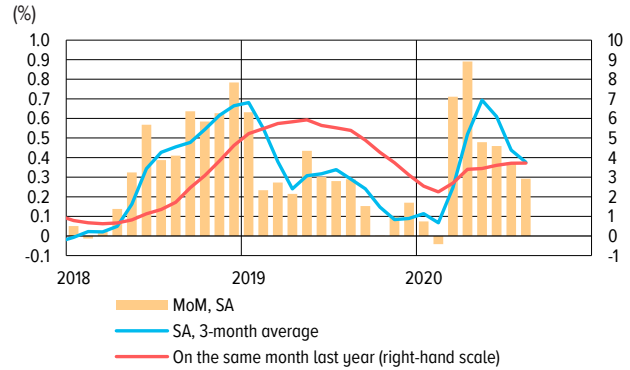
FOOD PRODUCTS
(%)

Chart 2



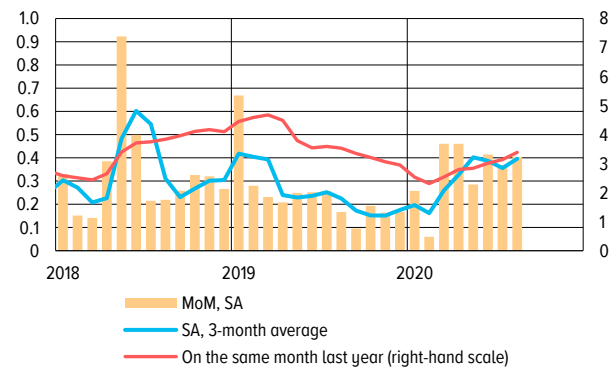
FOOD PRODUCTS EXCLUDING FRUIT AND VEGETABLES (%)

Chart 6



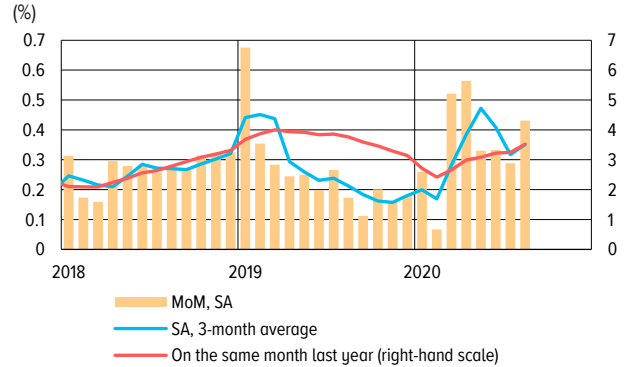
NON-FOOD GOODS
(%)

Chart 3



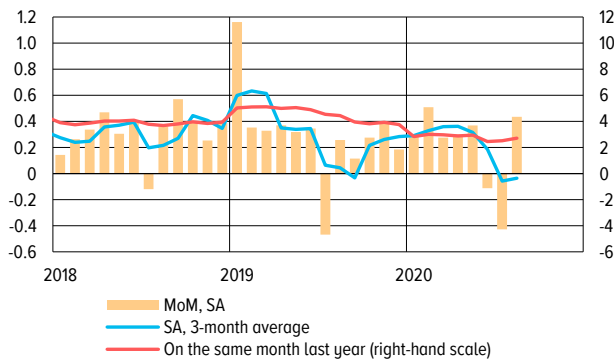
NON-FOOD GOODS EXCLUDING PETROLEUM PRODUCTS (%)

Chart 7



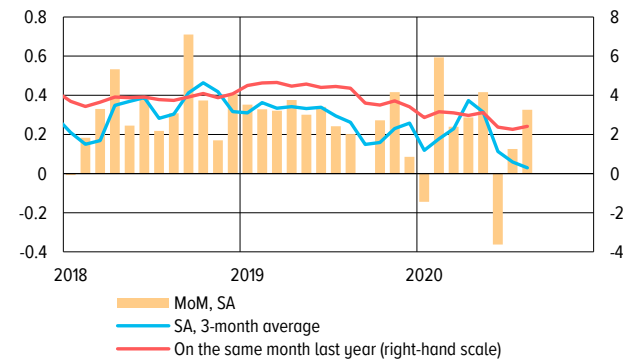
SERVICES
(%)

Chart 4



SERVICES EXCLUDING UTILITIES (%)

Chart 8



Data cut-off date – 07.09.2020.

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.

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