



Bank of Russia



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The views and recommendations expressed in the bulletin do not necessarily reflect the official position of the Bank of Russia.

Please send your comments and suggestions to dip1@cbr.ru

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Executive summary

Monthly summary

- The March to April period was marked by a mixed performance across sectors. A number of export-focused industries put in weaker data. While the consumer segment was invariably the top performer in terms of growth, its growth rates also moderated. Lending stabilised at a level compatible with measured growth of money supply. There are no significant changes so far in the labour market. Surveys of companies signal that labour shortages are no longer expanding. However, unemployment touched a new low in March. With annual inflation peaking in March, price growth rates have shown a marked decline in April and May. For inflation to stabilise at the 4% target in 2026, a sustained period of tight monetary policy is needed. The key rate path will be determined by the pace of reduction in inflation and inflation expectations as well as by the balance of risks to achieving the inflation target in 2026.
 - Current growth in consumer prices slowed in April-May. This is largely associated with the pass-through of ruble appreciation – a reflection of monetary policy tightness achieved to date. A slowdown in aggregate demand in the economy is becoming increasingly noticeable, ensuring that disinflationary trends solidify. While measuring the pace of disinflation needed to achieve the *annual* inflation target in 2026, it is important to take into account that *current price growth rates* – both headline and core inflation – should decline to 4% in annualised terms as early as the end of 2025.
 - In March, business activity declined across most industries vs February, adjusted for seasonal and calendar effects. The important exception was private consumption, which showed an expansion. Flash estimates for April confirm that overall business activity remained at the levels achieved (with significant differences between industries) and that consumption slowed.
 - The drop in international trade tensions and in protectionist tariffs was a source of optimism for global financial markets. The Russian market's response was chiefly determined by geopolitical news and domestic factors. The ruble remained strong, gaining support from slack import demand and solid sales of export revenues. Both were influenced by the tight monetary policy, which limited demand for loans and fuelled interest in temporarily available funds being placed in high-interest ruble instruments.

In focus. Food consumption improvement and food sales

- Growth in retail food sales has in recent years outpaced expansion in the sales of non-food goods and in some periods – the services segment.

- Rapid retail sales growth in the food segment shows not only a rise in per capita food consumption in physical terms. Statistics also indicate a structural shift towards the consumption of better quality products.
- This, among other things, comes as a source of growth in the food segment, stimulating the production of more sophisticated higher value-added goods and resulting in a consistent increase in the manufacture of products along the entire value chain in the food producing industry.

1. Inflation

April saw consumer price inflation slow in seasonally adjusted terms. The indicators of persistent price pressure were also declining for the most part, with ruble appreciation providing an important contribution, especially in durable non-food goods. That said, non-regulated services prices, which depend on the exchange rate less than on the level of consumer demand, still continued to rise fast.

Ruble strengthening pass-through to prices will still continue for some time. Adjusted for the pass-through effect, price rises somewhat eased compared with Q4. Therefore, persistent price growth does slow but not as rapidly as the March and April data suggest, even in seasonally adjusted terms. Key to assessing the sustainability of inflation slowdown is understanding to what extent the ongoing exchange rate movements are a reflection of a more moderate demand performance in response to tight monetary policy in place.

Also important is that amid high inflation expectations, their inertia is, all other things being equal, lengthening transition to sustainably slow price growth. The maintenance of a tight monetary stance for an extended period of time gives necessary impetus to this transition.

1.1. Where does ruble's strengthening come from?

The ruble has substantially strengthened against major global currencies since the start of 2025. This has been driven by several factors varying in sustainability.

First, the ruble is affected by tight monetary policy in place.

- Following a sharp slowdown of consumer lending amid tight monetary policy, there has been a softening of demand for durable goods, which are often bought on credit (electronic goods, household appliances). A slowdown of auto lending was one factor behind a drop in car demand. Both types of goods contain a large share of imports, especially given the supplies of parts and components for products assembled in Russia. Therefore, the drop in demand resulted in a steeper than seasonally normal import contraction, in particular that of motor vehicles.
- High interest rates in Russia have created a significant interest rate differential between ruble and foreign exchange financial instruments. This has, in particular, involved deposit and money market rates, anticipatory foreign exchange sales by exporters. These sales were comparable with total exports and in excess of needs for paying current expenses and taxes. Hence, the foreign currency supply in the foreign exchange market has expanded.
- For the same reason, the balance of transborder transactions, in particular, that of transborder transfers by individuals has improved. As a result, net foreign currency demand from them has contracted.

Second, the seasonality traditionally favouring the ruble in Q1 also played a certain role. This was due to the low activity of importers at the start of the year. The seasonality effect may have strengthened owing to the Lunar New Year celebrations in China, whose share in Russian imports has dramatically expanded. At the same time, exports were traditionally rising from January to March, expanding the trade balance.

Third, Russia's country risk premium dropped amid expectations for geopolitical deescalation. This, along with the high interest rate differential, further boosted the attractiveness of Russia's financial assets.

Fourth, delays with the transfer of export revenue were reduced concurrently with a rise in the transfer of funds from earlier export deliveries (here a total of trade credits and advances provided by Russian company has contracted). This ramped up the amount of foreign exchange received by exporters.

Fifth, domestic demand in the motor vehicle market also declined, because the year 2024 got hold of the 2025 demand owing to the large-scale infrastructure construction (the lorry segment) and announced dramatic increases of the car disposal charge (the passenger car segment). As a result, auto dealers accumulated a large stock of unsold cars towards the end of last year and drastically cut new import orders.

The monetary policy-related factors of ruble support will continue as long as the current degree of monetary policy tightness remains in place. That said, the tightness with respect to price expectations implies not so much nominal rates as real rates taking account of expected inflation. The effect of other factors (seasonal and others) may gradually wear off.

Among other factors which will have an effect on exports and imports going forward and through them on the exchange rate, we note an oil price drop since the start of the year. This is yet to be fully reflected in Russia's oil exports by value and foreign exchange revenues from it going to the foreign exchange market. At the same time, due to the drop in oil and gas prices, the shortfall of the oil and gas revenues going to the budget under the fiscal rule will be compensated by revenues of the National Wealth Fund, with the Bank of Russia "mirroring" these transactions via the sale of foreign exchange in the foreign exchange market, expanding foreign exchange supply.

As regards imports, one can expect a materialisation of the J-effect. Economic literature describes the effect of the exchange rate on foreign trade as a J-shaped curve, assuming that the import and export flows adjust to exchange rate moves with a several-month lag rather than immediately. In Russia, this adjustment primarily occurs on the side of imports. It follows from this that low imports in Q1 2025 still partially reflected the inertia of the weak ruble's impact in Q4 2024. In Q2–Q3, imports may show additional growth in response to substantial ruble strengthening in Q1.

On top of that, Russian people traditionally operate in the foreign exchange market in an anticyclical manner, selling foreign currency when the ruble steeply falls and buying it as it strengthens. Net foreign currency purchases of foreign currency expanded this time too, but

so far not massively, due to, among other things, continuing high ruble interest rates, which overshoot inflation and devaluation expectations.

Summing up, we note that ruble strengthening is driven by sustainable and temporary factors alike. The action of the latter may weaken and, possibly, change direction.

1.2. Ruble strengthening: an important channel of disinflation

- The ongoing consumer price rises in April–May were easing compared with the Q1 level (8.2% QoQ SAAR). This is largely due to the continuing pass-through of ruble strengthening.
- The cooling of aggregate demand under the influence of monetary policy is indeed taking place, but this is a gradual process. Consumer demand remains strong, the risks of the elevated inflation rate recurrence if high household and business inflation expectations continue are still there. Sustainable inflation deceleration to 4% and its stabilisation on this level require a tight monetary stance to be maintained for an extended period.

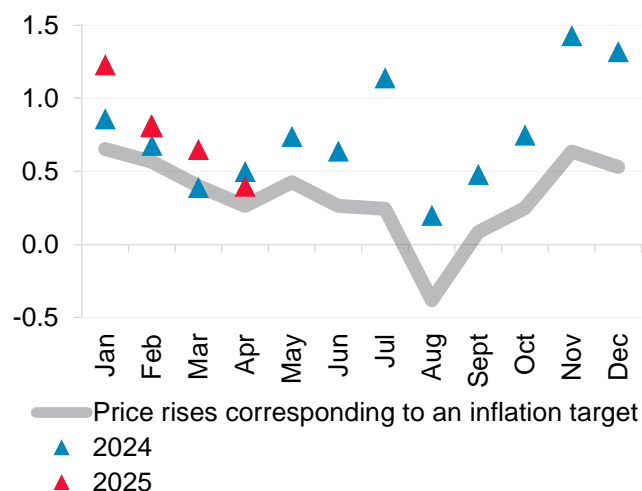
Consumer price growth slowed to 6.2% MoM SAAR in April from 7.2% MoM SAAR in March, driven by the goods segment. Food price rises lost pace but remained twice as fast as the target rate. The non-food goods went down in price largely due to the pass-through of ruble strengthening. That said, services price rises gained pace in April, remaining the fastest among the three key CPI components. Annual inflation passed its peak in March and edged down to 10.2% in April from 10.3% a month earlier (Table 1). May's preliminary data suggest a continued slowdown of the current consumer price growth and annual inflation (Figure 9).

Table 1. Inflation and its components

	Apr.	Apr.	Feb.	Mar.	Apr.
	2023	2024	2025		
% YoY					
All goods and services	2.3	7.8	10.1	10.3	10.2
Core inflation	2.0	8.3	9.6	9.7	9.2
Food	0.0	8.3	11.7	12.4	12.7
Non-food goods	-0.3	7.0	6.1	5.9	5.4
Services	9.4	8.1	12.7	12.9	12.8
% MoM SAAR					
All goods and services	4.1	7.1	7.4	7.0	6.2
Core inflation	3.8	9.2	9.2	7.3	4.4
Food	2.2	5.0	10.1	10.4	8.0
– net of fruit and vegetables	1.2	8.4	14.4	10.9	7.8
Non-food goods	1.9	5.1	3.5	1.6	-0.7
– net of refined petroleum products	2.0	4.9	3.2	0.9	-2.0
Services	9.7	12.4	8.3	9.0	12.5
– net of housing and communal services	12.3	15.4	10.4	11.9	16.4

Sources: Rosstat, R&F Department estimates.

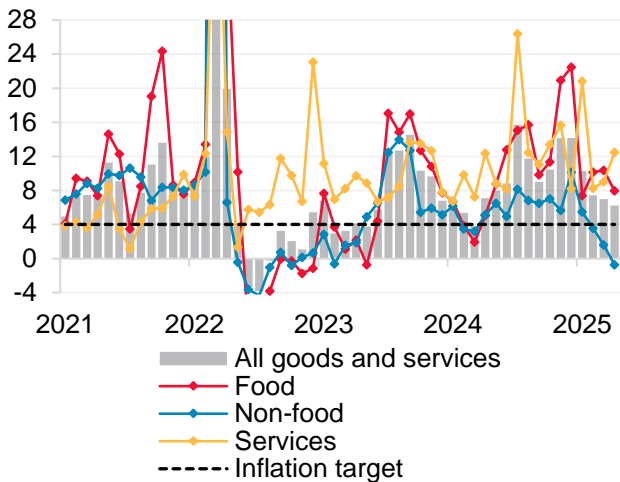
Figure 1. Price growth corresponding to an inflation rate of 4% MoM



Sources: Rosstat, R&F Department estimates.

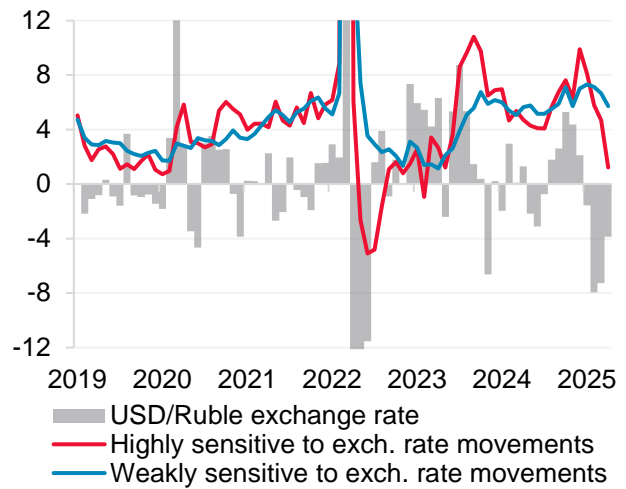
Food price growth slowed to 8.0% MoM SAAR in April from 10.4% MoM SAA in March (Figure 2). As in March, fruit and vegetable prices climbed somewhat faster than seasonally normal. Potatoes continued to rise in price at an accelerated pace. The rate of other food prices slowed to 7.8% MoM SAAR from 10.9% SAAR in March. Growth in the prices of meat and fish, dairy, bakery and confectionery products lost pace but remained elevated. [Retailers note a shift of consumption towards more expensive types of meat](#) amid overall meat consumption expansion. The slowdown of egg prices also gained momentum.

Figure 2. Seasonally adjusted price growth, % MoM SAAR



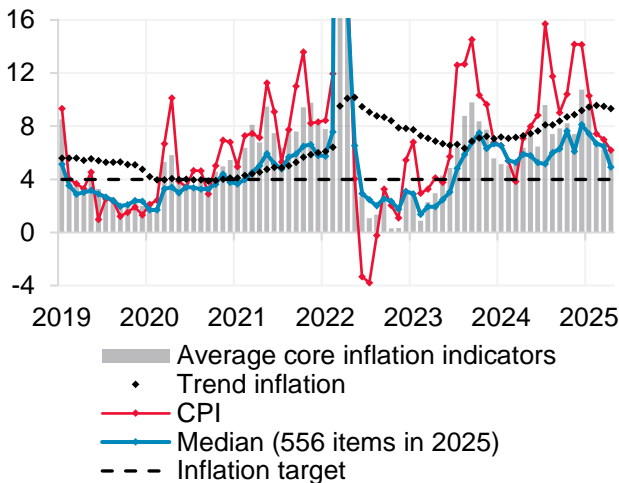
Sources: Rosstat, R&F Department estimates.

Figure 3. Median CPI (% MoM SAAR) and US dollar to ruble exchange rate (%)



Sources: Bank of Russia, Rosstat, R&F Department estimates.

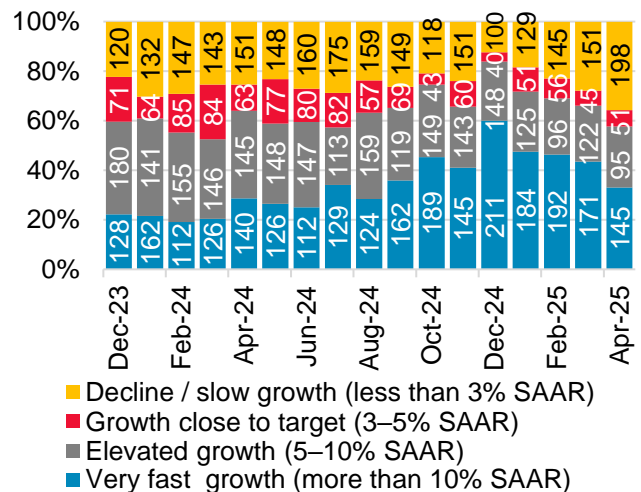
Figure 4. Modified core inflation indicators* (% in annualised terms) and trend inflation estimate (%YoY)



* Indicators are computed using the method of excluding the most volatile components and the truncation method.

Sources: Rosstat, R&F Department estimates.

Figure 5. Total weight of goods and services* distributed based on seasonally adjusted price growth



* Net of fruit and vegetables, and regulated services.

Note: Figures stand for the number of items.

Sources: Rosstat, R&F Department estimates.

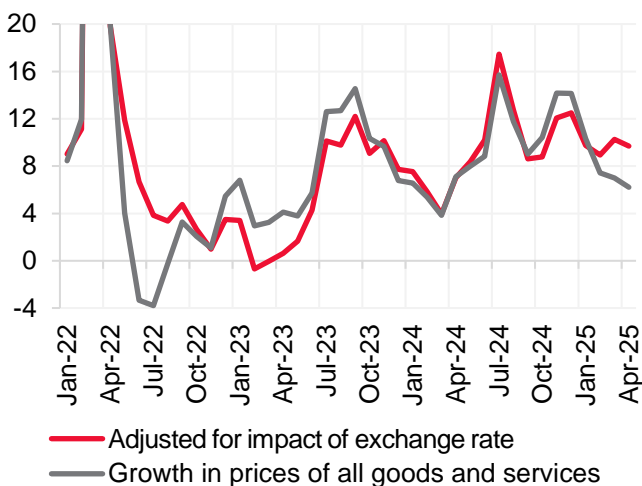
The non-food segment saw prices swing to a decline, inching down 0.7% MoM SAAR against a rise of 1.6% MoM SAAR in March, driven chiefly by durable goods, with their large

share of imports (final or intermediate). This to a large degree reflects the effects of ruble appreciation, driven by, among other things tight monetary policy. The median growth in the prices of goods and services highly sensitive to exchange rate movements dropped far below 4% MoM SAAR (Figure 3). Price rises analytically adjusted for exchange rate moves remained close to 10% MoM SAAR (Figure 6). This is certainly a high level but it is somewhat below the H2 2024 average and reflects the sustainable component of a current pace of price growth slowdown. A similar episode of a dramatic slowdown in price growth, albeit proved temporary, was posted in 2022. Then, after a plunge which came on the back of rising geopolitical tensions, the ruble dramatically strengthened, temporarily bringing price rises to a halt. But after the exchange rate move changed direction – both on worsening external conditions and the continuation of overall soft monetary policy (a key interest rate of 7.5% was maintained through June 2023), price rises accelerated.

The rate of services price growth remains elevated, showing no signs of a sustainable slowdown at 12.5% MoM SAAR in April after 9.0% MoM SAAR in March. This is brought on by, above all, movements in the most volatile services components, tourism and transport. Price rises in more stable and non-regulated segments also remains fast at 12.2% MoM SAAR in personal services after 12.6% MoM SAAR in March and 12.2% MoM SAAR in health services against 13.6% MoM SAAR a month earlier. To achieve a more sustainable price growth slowdown and price stability, a variety of consumer basket components need to show a much greater uniformity in price movements and growth rates.

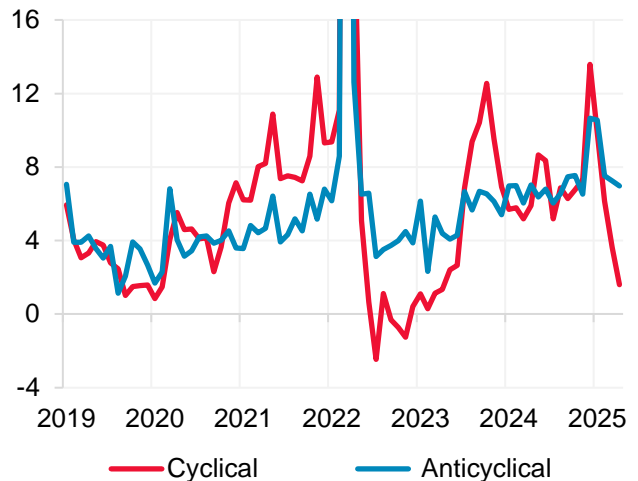
Analytical indicators of persistent inflationary pressure declined in April but are staying above 4%. The mean of modified core inflation indicators declined to 6.1% in annualised terms. Median price growth was close to the inflation target, thanks, in particular, to a substantial slowdown in the median price growth of non-food goods (Figure 4). The total weight of items going up in price at an accelerated pace continued to slide (Figure 5). The trend inflation estimate declined to 9.34% from 9.51% in March. May’s weekly data suggest a continuation of a trend towards a slowdown in the ongoing price rises (Figure 10).

Figure 6. Price growth adjusted for exchange rate movements, % MoM SAAR



Sources: Rosstat, Bank of Russia, R&F Department estimates.

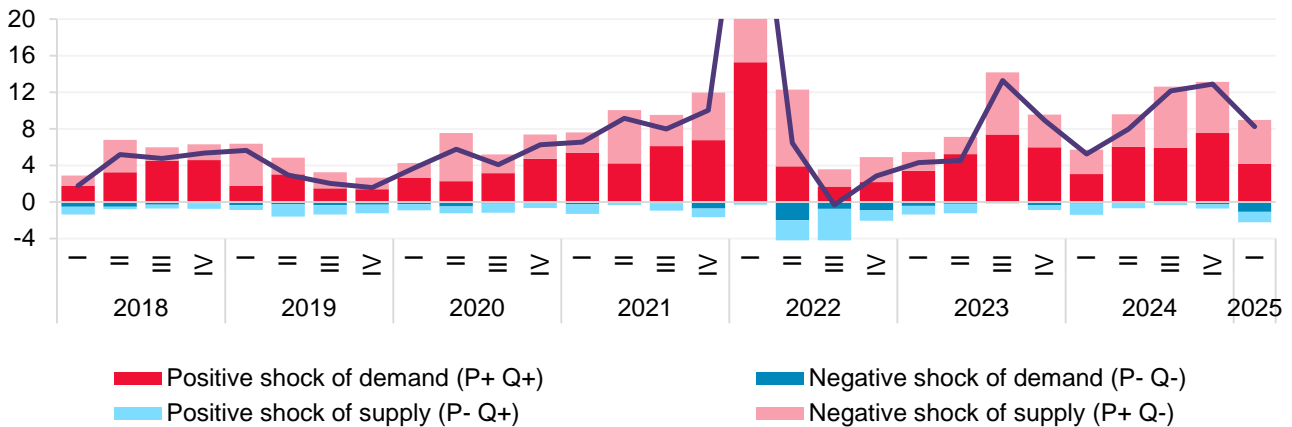
Figure 7. Median cyclical and anticyclical inflation, % MoM SAAR



Sources: Rosstat, Bank of Russia.

A substantial contribution to the easing of price pressure comes from the cooling of demand, driven by tight monetary policy (as mentioned above, part of this influence is realised through the foreign exchange channel of the transmission mechanism, i.e., through a stronger ruble, helped by the high level of interest rates). The price growth decomposition¹ based on Q1 data showed for the first time since 2022 a concurrent marked weakening of pro-inflationary influence and strengthening of a disinflationary impact from demand (Figure 8). Cyclical inflation², estimated using the median of price growth in the components highly sensitive to business activity performance, was also subsiding during Q1 and notably eased in April (Figure 7).

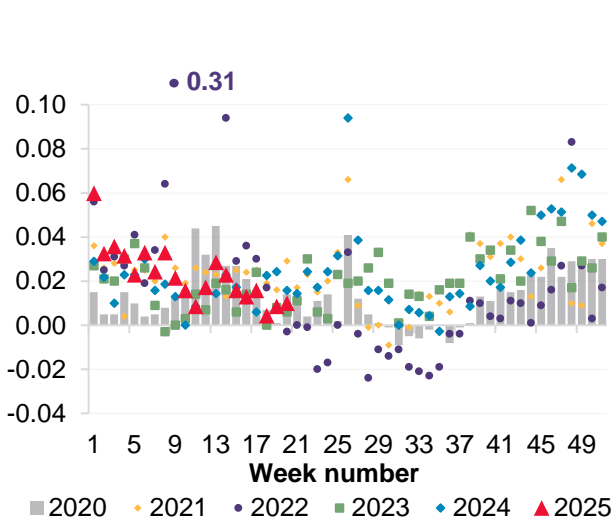
Figure 8. Price growth decomposition, % QoQ SAAR



* The diagram uses Rosstat data on CPI and retail sales (in physical terms for 45 categories of goods and services with a total weight of more than 80% of the consumer basket). The idea of the method is based on the baseline model of aggregate demand and supply: if changes in price (P) and volume of consumption (Q) are oppositely directed, then the cause of these changes is deemed to be a shift of the supply curve; if changes are codirectional, then the cause is the shift of the demand curve. Unlike the key method of the source paper, detrending is not conducted.

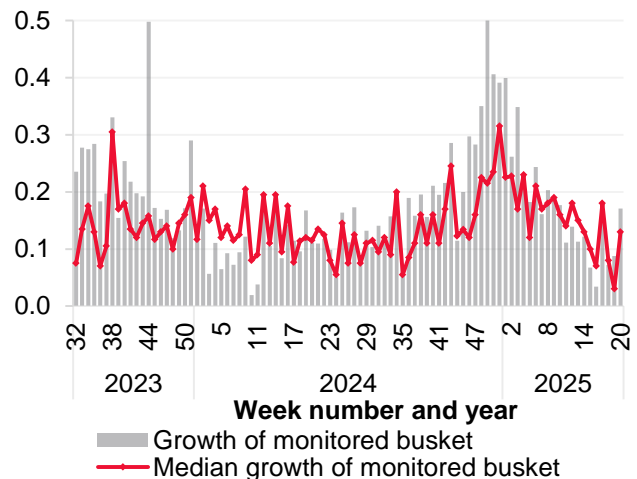
Sources: Rosstat, R&F Department estimates.

Figure 9. Average daily price growth, %



Sources: Rosstat, R&F Department estimates.

Figure 10. Price growth and median distribution of weekly price increases*, %



* Net of fruit and vegetables and regulated services.

Sources: Rosstat, R&F Department estimates.

¹ Sheremirov V. (2022). Are the Demand and Supply Channels of Inflation Persistent? Evidence from a Novel Decomposition of PCE Inflation. Federal Reserve Bank of Boston Current Policy Perspectives. November 4, 2022.

² The method is based on a hypothesis that prices of goods and services differ in responding to business activity changes. The economic activity indicator is the index of core industries' output. For details, see Ovechkin D. (2025). Decomposition of the consumer price index into the cyclical and anticyclical components.

Overall, inflationary pressure continued to subside in the first half of the second quarter, but what part of this decline is accounted by stable factors associated with more balanced changes in demand can so far be estimated only approximately. This is, among other things, also reflected in inflation expectations, where one can so far hardly see a monotonous and synchronous decline. A Bank of Russia survey has indicated a further decline of businesses' price expectations, with the assessment of costs staying on the March level. At the same time, [household inflation expectations](#) somewhat rose. To draw a definitive conclusion about significant easing of persistent inflation, one needs more convincing evidence that inflation expectations are moving towards the area where they stayed in the 2017–2019 period of low inflation.

2. Economic performance

The preliminary Q1 results indicate GDP contraction versus Q4 2024 in seasonally adjusted terms (QoQ SA). But it would be inaccurate to conclude based on this that economic activity declined. Leaving aside a massive one-off surge in manufacturing output and comparing output levels in October–November 2024 and February–March 2025, it is easy to see a continuation of moderate economic growth during this period.

A slowdown trend, especially in industrial output, only emerged in March. I.e., the economy is gradually returning to balanced rates of growth after two years of rapid expansion, when the recovery growth in demand after a decline in 2022 was additionally boosted and prolonged by a significant fiscal and credit impulse. That said, production capacities in this period lagged explosive growth in demand, reflected in a repeated and significant inflation acceleration. This is also indicated by credit activity data: corporate loan portfolio expansion stabilised close to the level which is in line with the forecast range for 2025 and comparable with money supply growth taking inflation to 4%.

2.1. Slight cooling of economic activity

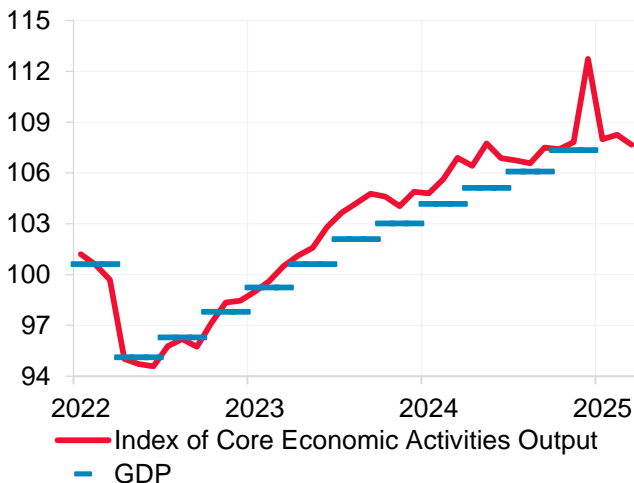
- An initial Rosstat estimate suggests that Q1 saw a cooling of economic activity in Russia.³ This is to a large extent owed to the high base of late 2024, when a one-off output surge was posted in core industries (Figure 11). This indicator declined 1.2% QoQ SA in Q1, but remained above the autumn levels. These fluctuations are very likely owed to the specifics of reporting production activity in companies' accounting rather than to production activity per se.
- External demand seems to have been the key driver of cooling, as evidenced by mining and quarrying output (Figure 13) and exports. That said, we estimate that domestic demand showed a more sustainable performance, although the pace of its growth slowed,

³ According to a R&F Department estimate, Q1 GDP fell 1.0% after a 1.2% rise in Q4 2024.

dragged down by, among other things, tight monetary policy, which resulted in a more balanced lending expansion.

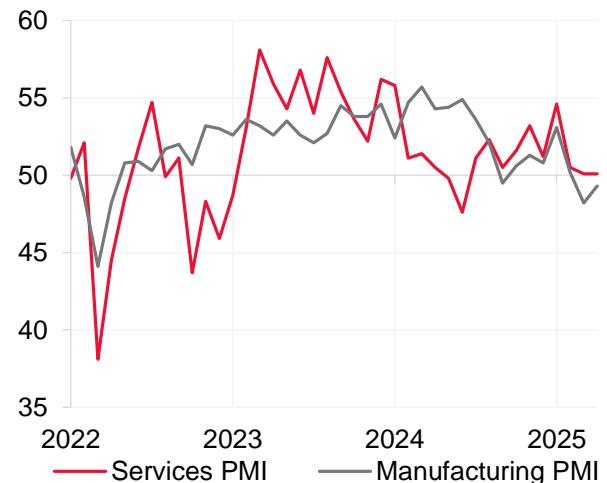
- As regards industrial sectors, manufacturing came as the key GDP driver. The restraining nature of monetary policy is being gradually reflected in the normalisation of demand and output of consumer and investment goods industries (construction materials,⁴ motor vehicles, and wearing apparel, Figure 14). That said, it appears from budget performance that government demand remained strong.
- Despite a spending slowdown in Q1 (primarily in the non-food segment, Figure 15), income expansion amid the continuing high tightness of the labour market, still kept consumer demand elevated. Workforce shortages in the labour market remained significant early in Q2, but stopped rising. March saw the unemployment rate hit an all-time low of 2.2% SA, Figure 17), employment returned to growth (Figure 18), while Headhunter data showed stabilisation of recruiting activity in April after its cooling in the previous months (Figure 20). Consumer confidence and willingness to make major purchases climbed against this background (Figure 19).
- According to survey data⁵ and real-time statistics (Figure 12, Figure 16), in the beginning of Q2 business and consumer activity remained close to the level of late Q1.

Figure 11. Core economic activities output and GDP, Q4 2021 = 100, SA



Sources: Rosstat, R&F Department estimates.

Figure 12. Russia's Manufacturing and Services PMI, points

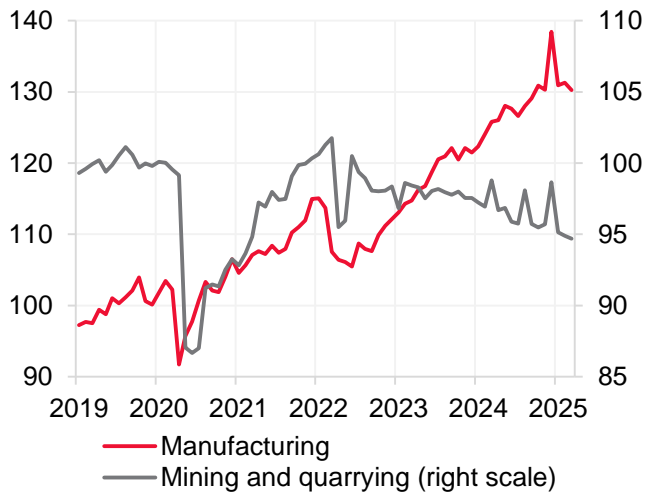


Source: S&P Global.

⁴ Noteworthy in this context is an emerging reversal in the output of the construction industry (down 1.1% MoM SA), which, despite a significant contraction in the output of cement, glass, etc., for a long time showed steady performance, thanks to the commissioning of projects started earlier.

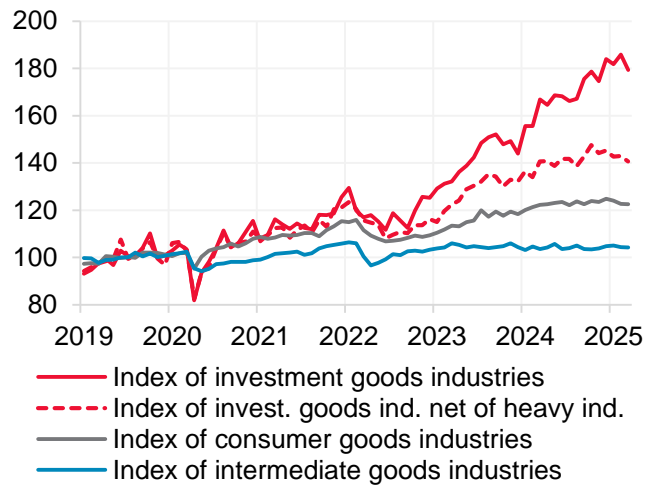
⁵ The Bank of Russia's Business Climate Index inched up 0.1 to 4.8 in April. According to S&P Global poll data, business activity contraction all but stopped (the Composite PMI rose to 49.8). The Industrial Forecast Index from the Economic Forecasting Institute of the Russian Academy of Sciences somewhat corrected down, remaining in positive territory. All surveys posted the easing of price pressure.

Figure 13. Mining and quarrying and manufacturing indices (2019 = 100), SA



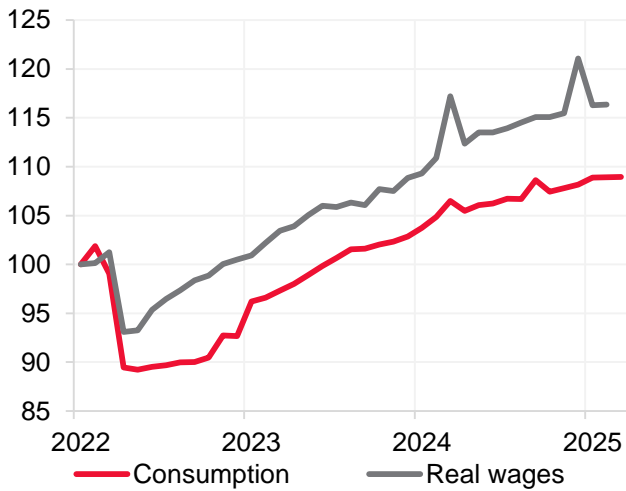
Sources: Rosstat, R&F Department estimates.

Figure 14. Output in groups of manufacturing industries, SA, 2019 = 100%⁶



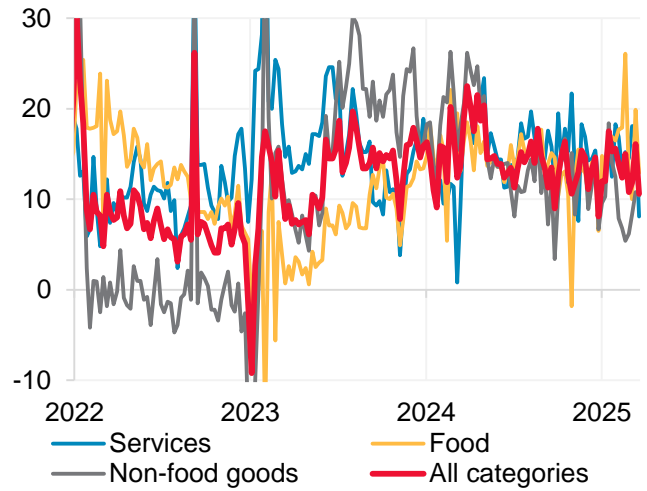
Sources: Rosstat, R&F Department estimates.

Figure 15. Proxy indicator for consumption (sum of retail, services and public food services sales) and real wages, 01.2022 = 100, SA, %



Sources: Rosstat, Bank of Russia, R&F Department estimates.

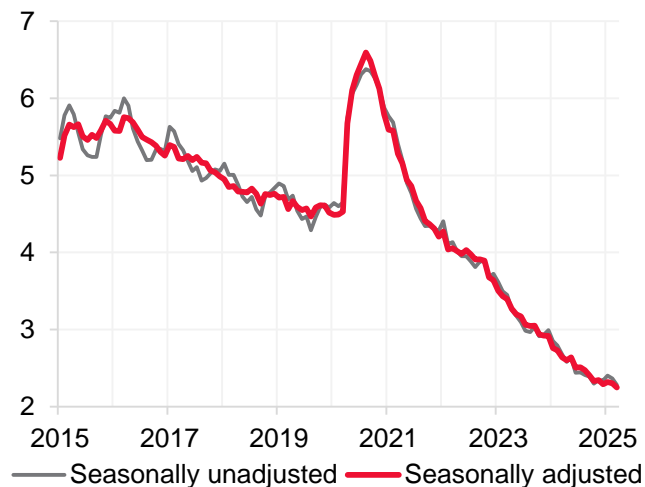
Figure 16. Nominal consumer expenditure growth by category, % YoY



Source: SberIndex.

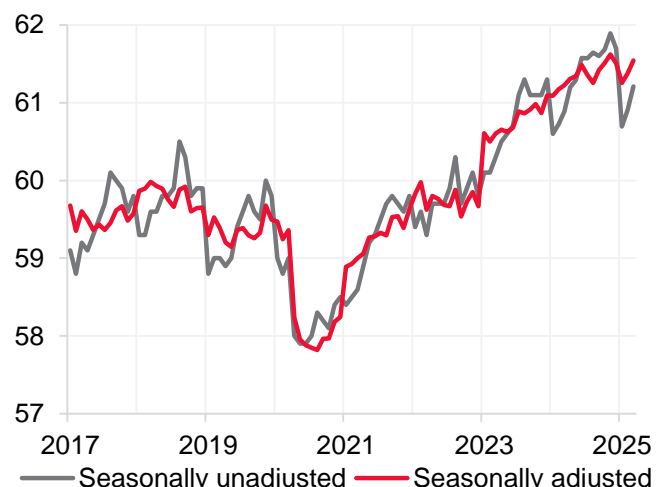
⁶ The “heaviest” in the group of investment goods industries are the manufacture of fabricated metal products, except machinery and equipment and other transport equipment.

Figure 17. Unemployment rate, %



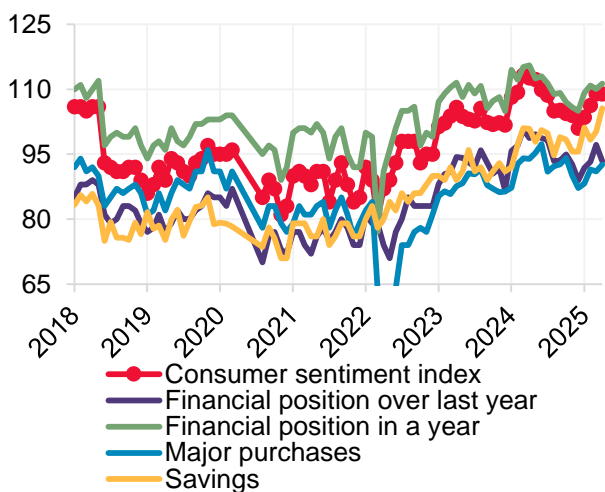
Sources: Rosstat, R&F Department estimates.

Figure 18. Employment rate, %



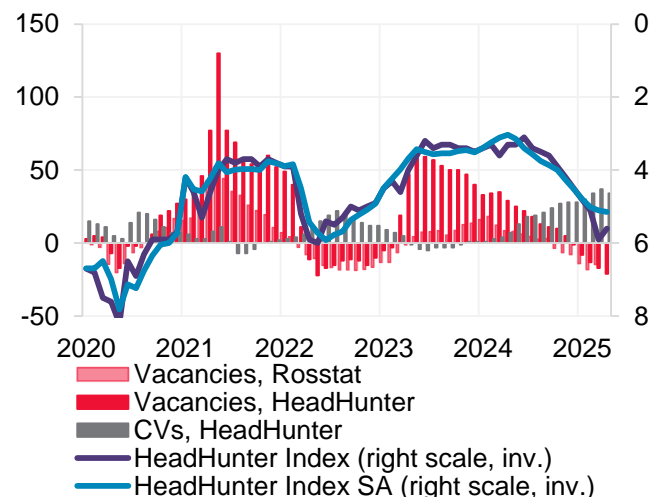
Sources: Rosstat, R&F Department estimates.

Figure 19. Consumer sentiment index and its sub-indices, points



Source: inFom.

Figure 20. CVs, vacancies (% YoY) and HeadHunter index (points)



Sources: Rosstat, HeadHunter, R&F Department estimates.

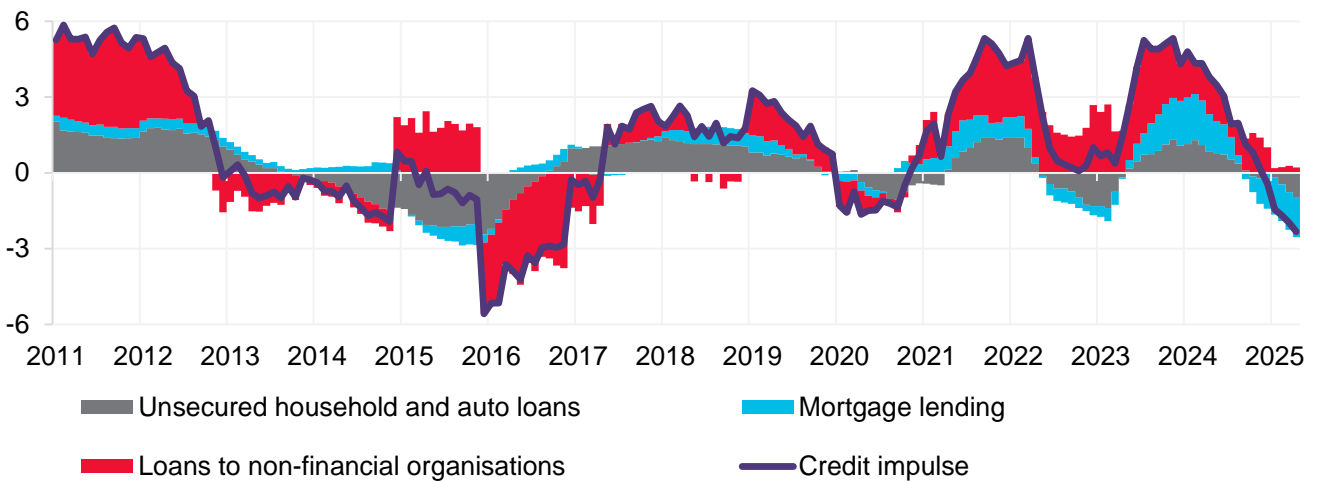
2.2. Moderate lending growth restrains demand

- Lending is making an increasingly large contribution to transition towards more moderate growth in aggregate demand. The credit impulse continued to slide in April, dropping below the “pandemic” level. A positive input from claims on non-financial organisations shrank, while a negative contribution from retail lending expanded (Figure 21). The negative indicator means that in the last 12 months (from May 2024 to April 2025) credit created less demand in the economy than in the previous 12-month period (from May 2023 to April 2024).
- The retail loan portfolio (seasonally adjusted) was unchanged in March. According to preliminary estimates, April saw a similar performance. The key contribution to the cooling of lending comes from a fall in loan demand amid high interest rates. The number of loan

applications markedly fell relative to recent years' averages (Figure 24), with the shares of approved applications even slightly rising from the late 2024 number (Figure 25). The impact of tightening macroprudential requirements seems to be making a modest contribution to the lending slowdown, limiting the buildup of excessive risks in some market segments.

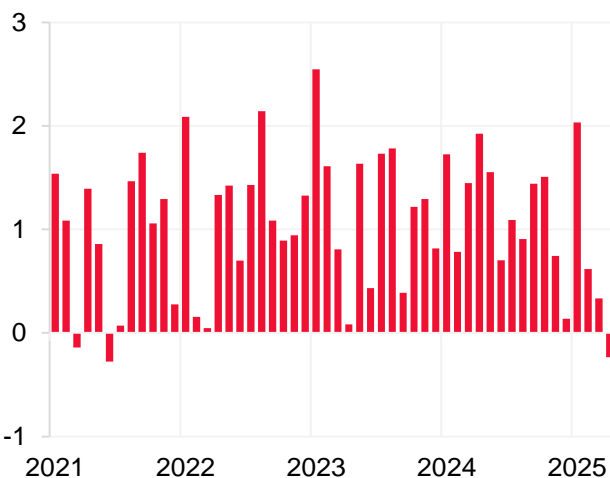
- The moderate pace of consumer lending growth in March–April helped cool consumer demand. This is especially notable in the non-food segment. Here lending contraction is more pronounced compared with the mortgage lending segment, which is buttressed by subsidised lending programmes.
- April saw money supply M2 contract 0.4% MoM SA after rising 0.2% MoM SA in March, whereas money supply M2X (net of foreign exchange revaluation) fell 0.2% MoM SA (up 0.3% MoM SA in March) (Figure 22). Money supply expansion since the start of 2025 stands far below the 2023–2024 average, which will help gradual easing of inflationary pressure.

Figure 21. Credit impulse, % of GDP



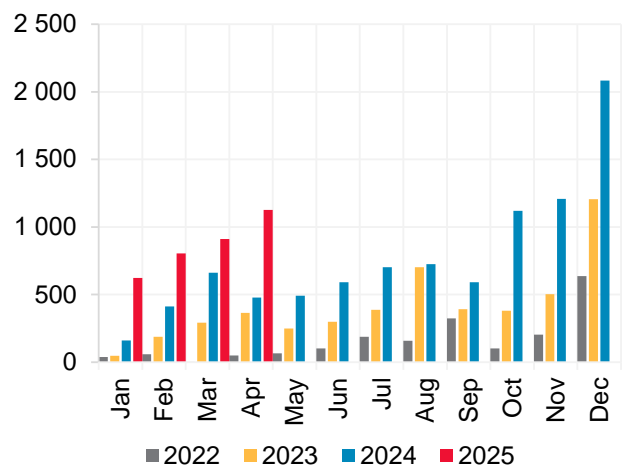
Sources: Bank of Russia, R&F Department estimates.

Figure 22. Broad money supply M2X growth (excluding impact from foreign exchange revaluation), % MoM SA



Sources: Bank of Russia, R&F Department estimates.

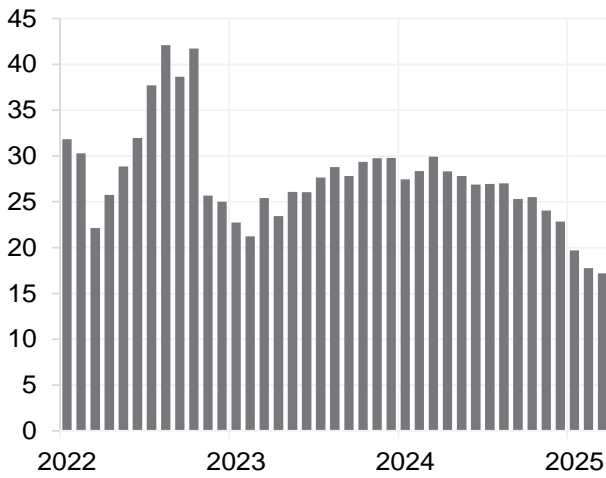
Figure 23. Bond issuance⁷, billion rubles



Sources: Cbonds, Bank of Russia, R&F Department estimates.

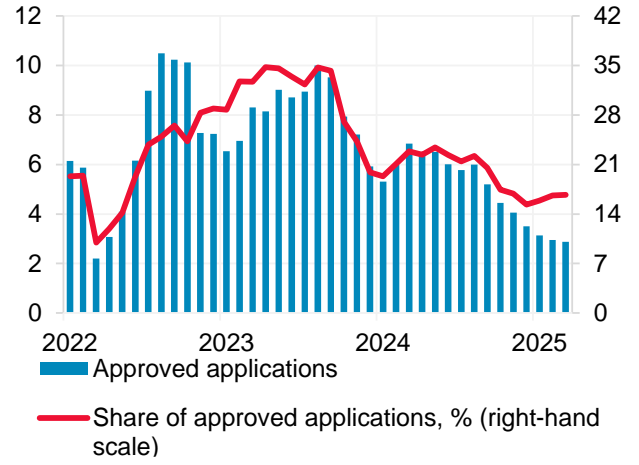
⁷ Net of bank bonds and securitisation.

Figure 24. Household loan applications, million



Source: Bureau of Credit Histories, R&F Department estimates.

Figure 25. Approved household loan applications, million



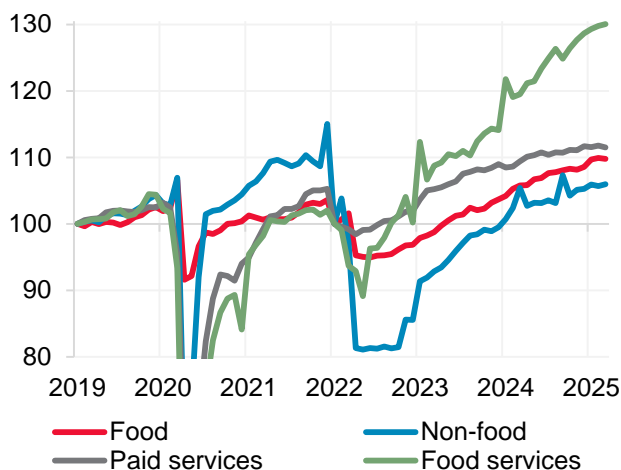
Source: Bureau of Credit Histories, R&F Department estimates.

In focus. Food consumption improvement and food sales

- Growth in retail food sales has in recent years outpaced expansion in the sales of non-food goods and in some periods – the services segment.
- Rapid retail sales growth in the food segment shows not only a rise in per capita food consumption in physical terms. Statistics also indicate a structural shift towards the consumption of better quality products.
- This, among other things, comes as a source of growth in the food segment, stimulating the production of more sophisticated higher value-added goods and resulting in a consistent increase in the manufacture of products along the entire value chain in the food producing industry.

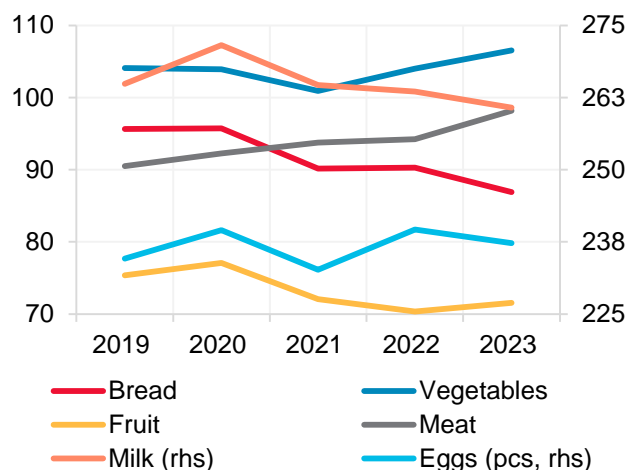
The analysis of changes in Russian households’ spending over recent five years indicates dynamic food consumption growth. Growth in retail food and food service sales since the start of 2019 by far outpaced that in non-food categories, and in some periods also outran spending in the services segment (Figure 26). Amid a relatively stable population number⁸ this trend calls for more reflection. A sample household survey suggests a possible substantial change in the structure of food consumption (Figure 27) in recent years rather than that of strong growth in per capita consumption.

Figure 26. Retail sales, paid services and food service sales, January 2019 = 100, SA, %



Sources: Rosstat, R&F Department estimates.

Figure 27. Average annual per capita food consumption, kg



Sources: Rosstat, R&F Department estimates.

Indicators measuring supply and demand in the food market also show differing trends. The period of intensive growth in disposable household income which started in 2023 saw faster growth in real retail food sales relative to food production (Figure 28). This divergence amid relatively stable imports can only be put down to the methodological specifics of computing the two indicators.

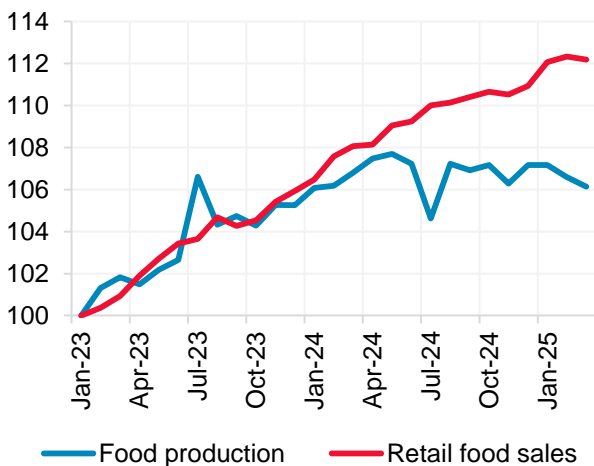
⁸ According to a Rosstat estimate, Russia’s population decreased 1.2% from 2019 to 2025.

The index of industrial production of food is estimated using companies' output data primarily reported in [physical terms](#) (tonnes, decalitres, cans, etc.), while comparison is conducted by discounting this to producer prices of the baseline year. The methodology of recording retail sales of goods is vastly different from production statistics. Organisations submit data on [the retail sales of food products](#) only in money terms. Respondents report sales data both in an aggregated form and as a breakdown for the relevant lines of goods (e.g., separately for meat products, oils, and so on). For the purposes of the process, the estimation of sales dynamics in physical terms is carried out by the deflation method (the conversion of sales in compared periods by dividing them into the consumer price index of the relevant product group).

In this situation, a rise in the nominal sales of, for instance, the meat products category, arising because of consumers switching to more expensive items (for instance, from chicken to turkey or from pork to beef) rather than due to expansion in the sales of an individual product in physical terms (kilograms), may fail to be fully accounted for by deflation. It is important to emphasise that Rosstat regularly (at least once a year) revises the consumer basket composition, seeking to timely register structural changes in consumption, but such indices are, by construction, lagging in nature. As a result, changes in retail sales (in real terms) also take account of shifts in consumer preferences towards higher value-added products.⁹

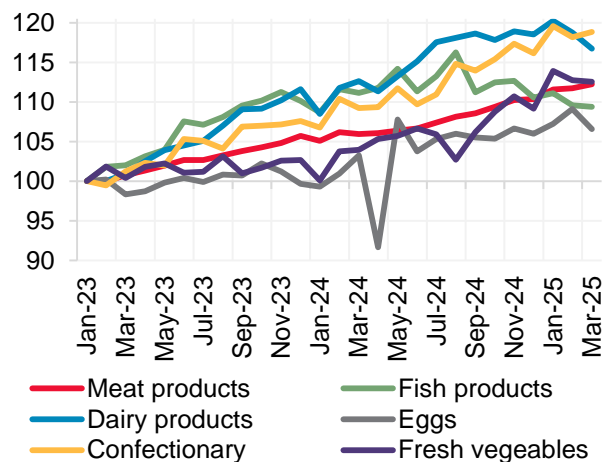
Another way of showing to what extent quality shifts of demand are reflected in data on retail sales is their breakdown into product categories (Figure 29). For instance, recent two years saw faster growth rates in the categories of dairy and confectionery products. This, however, contrasts with the data on per capita consumption of milk and sugar (it has consistently declined in terms of kilograms since 2019). Moreover, these categories have shown shift towards more high-marginal goods (yogurts, cheeses, chocolate products). The opposite example is eggs. Their sales have grown at a slower pace than overall food consumption. The product line of this segment is very uniform, and potential for a quality shift of consumption is very limited, therefore, sales growth looks generally more modest here.

Figure 28. Food production and retail sales, January 2023 = 100, SA, %



Sources: Rosstat, R&F Department estimates.

Figure 29. Retail sales by product category, January 2023 = 100, SA, %



Sources: Rosstat, R&F Department estimates.

⁹ This also helps GDP growth in physical terms.

Therefore, dynamic retail sales growth in the food segment is not only a reflection of growth in the consumption of food products in physical terms. Statistics also reveal a structural shift towards better quality products. This, among other things, comes as a source of economic growth, stimulating the manufacture of more sophisticated, higher value-added products, leading to consistent output expansion along the entire value chain.

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