



Bank of Russia



TALKING TRENDS
Economy and markets

Research and Forecasting Department Bulletin

JULY 2025

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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 djp1@cbr.ru

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Executive summary

Monthly summary

- Q2 macroeconomic statistics and surveys suggest the economy grew relative to the previous quarter. The rate of growth was more moderate than in 2024, with individual sectors highlighting significant differences between production and demand. Flash data for June signal more moderate dynamics compared to April and May. In June, monthly growth rates of consumer prices in annualised terms moved close to 4%. This comes as a sign of, among other things, the impact of the foreign exchange channel of monetary policy in terms of the pass-through effect of a stronger ruble. Further evidence is needed about monthly price growth of close to 4% in annualised terms, especially given a persistent lag between growth in labour productivity and wages. Monetary conditions ensure the tightness needed to help move inflation further back to 4% and return the economy to a balanced growth path. 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.
 - Consumer prices rose moderately between May and June. Low price growth was observed in consumer basket segments marked by a high share of imports and (or) those where demand is largely financed by retail loans. Contrastingly, price growth remained high in market services, the demand for which mainly depends on rising incomes. Overall, inflation was on a downward path. It is imperative to keep the downward trend on track even in the context of strongly diverging movements in prices for individual products and services. To this end, the tightness of monetary conditions should be consistent with persistent components of inflation. Having said that, the major differences in price growth across different categories makes the assessment of persistent components less reliable.
 - In 2025 Q1, economic activity dropped from its peak in 2024 Q4, with April–May indicators signalling a resumption in GDP growth in the second quarter. This is confirmed by data on production and consumer activity, lending, the labour market, and corporate defaults. June’s surveys point to moderate demand.
 - In the domestic financial market, rates on time deposits declined, as did yields on permanent coupon-income federal government bonds. Loan rates have so far been less responsive to the key rate reduction and a shift in expectations for its future path. The ruble has remained at the levels achieved since mid-May as exports and imports stabilised. The unchanged tight monetary policy stance is invariably a major contributor to exchange rate stability.

1. Inflation

The current pace of consumer price growth was close to 4% in May–June. Producer price rises substantially slowed, and so did growth in costs and output prices, based on companies' polls (Bank of Russia, Institute for Economic Forecasting and PMI surveys). Business and household inflation expectations slid from their high levels, staying, however, elevated from the perspective of inflation stabilisation close to 4%.

The situation is complicated by two factors. First, the ongoing price movements, including those in the stable components, continue to reflect the restraining effect of ruble strengthening pass-through. This effect is set to fade away after the exchange rate has stabilised.

Second, price movements are varying widely across sectors. In particular, the prices of market sector services, demand for which does not depend on lending much, are still rising fast. That said, the estimate of demand-side factors' contribution to price growth so far stays above that for Q1. The consolidation of consumer price growth at target needs to be further confirmed.

1.1. Disinflation trend established

- May–June saw month-on month consumer price growth slow close to 4% in annualised terms. A considerable part of the price growth slowdown comes from the cooling of aggregate demand, dragged down by tight monetary policy, which translates into prices.
- That said, ruble strengthening pass-through and a faster than usual seasonal decline in fruit and vegetable prices also strongly affect price movements. But the persistent price pressure declined even adjusted for these factors. For the disinflation trends to consolidate and inflation to return to 4% and stabilise close to target, tight monetary stance still needs to be maintained for a protracted period.

The pace of price growth was very close to the 4% path in May–June (Table 1, Figure 1). That said, price rises continued to vary widely across the consumer basket segments. The key contribution to the slowdown in month-on-month price growth came from non-food goods in recent months. Price growth slowed in food and services but remains markedly above the target, if adjusted for the impact of the most volatile components.

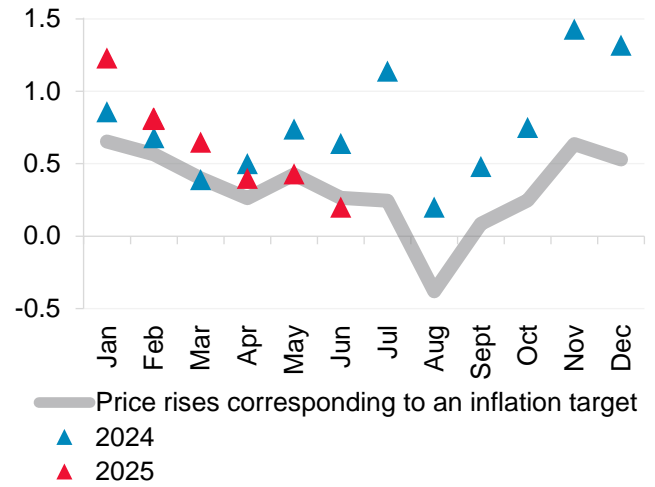
Food price rises slowed to 6.2% MoM SAAR in June from 7.2% in May and 8.0% MoM SAAR in April (Figure 2). A fruit and vegetable price drop somewhat outpaced the usual seasonal rate. The average pace of price growth for other food products in May–June was close to April's 8.0% MoM SAAR at 10.1% MoM SAAR and 7.7% SAAR in May and June, respectively. The rate of meat and fish price rises slowed in June but remained fast, the pace of growth in dairy, bakery and confectionery products, by contrast, somewhat accelerated.

Table 1. Inflation and its components

	Jun.	Jun.	Apr.	May	Jun.
	2023	2024	2025		
% YoY					
All goods and services	3.3	8.6	10.2	9.9	9.4
Core inflation	2.4	8.7	9.2	8.9	8.7
Food	0.2	9.8	12.7	12.5	11.9
Non-food goods	1.0	7.0	5.4	4.8	4.5
Services	11.0	8.8	12.8	12.6	12.0
% MoM SAAR					
All goods and services	5.9	9.1	5.9	4.5	4.0
Core inflation	5.6	6.5	4.4	5.2	3.9
Food	4.7	13.1	8.0	7.2	6.2
- net of fruit and vegetables	6.6	8.1	8.0	10.1	7.7
Non-food goods	6.6	5.0	-0.7	-0.5	1.0
- net of refined petroleum products	4.7	3.6	-1.9	-1.2	0.0
Services	6.8	8.6	11.3	7.0	4.5
- net of housing and communal services	7.5	9.2	14.6	7.2	4.2

Sources: Rosstat, R&F Department estimates.

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



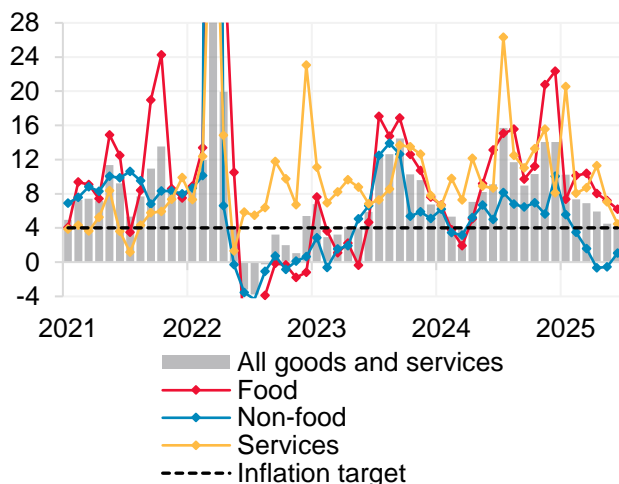
*Season factor is estimated for 2024

Sources: Rosstat, R&F Department estimates.

The non-food segment saw prices slightly rise by 1.0% MoM SAAR in June after a 2-month decline – by 0.7% MoM SAAR in April and 0.5% MoM SAAR in May. Price movements were also mixed within the segment, largely driven by ruble strengthening pass-through to prices. While the prices of goods heavily dependent on imports (above all, electronic items) continued to slide, price rises accelerated in other categories (FMCG, fuel, and construction materials) in June.

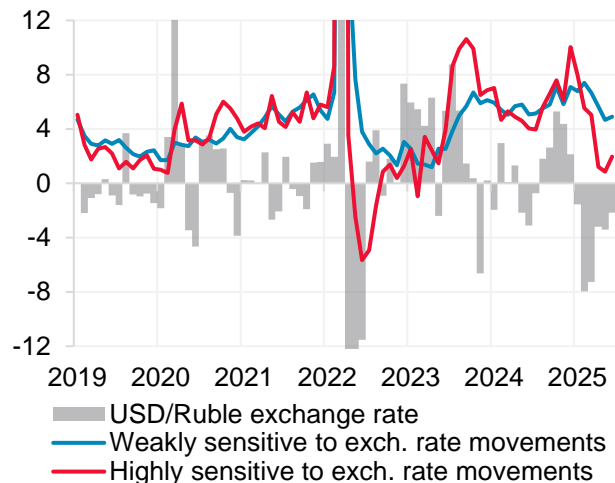
The median of price growth in goods and services highly sensitive to exchange rate movements edged up in June after close-to-zero growth in May but remained markedly below the median of rises in the prices of goods weakly sensitive to the exchange rate (Figure 3). Sales data suggest a graduate recovery of demand for electrical goods monitored by Rosstat as part of the consumer basket (Figure 5). The sales of these goods, however, remain lower than in 2024.

Figure 2. Seasonally adjusted price growth, % MoM SAAR



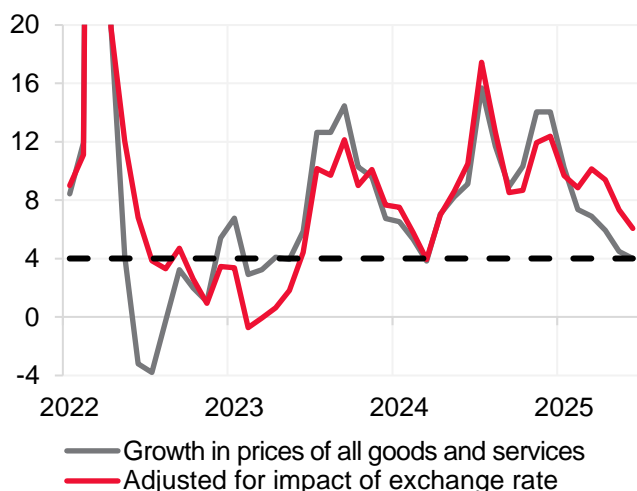
Sources: Rosstat, R&F Department estimates.

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



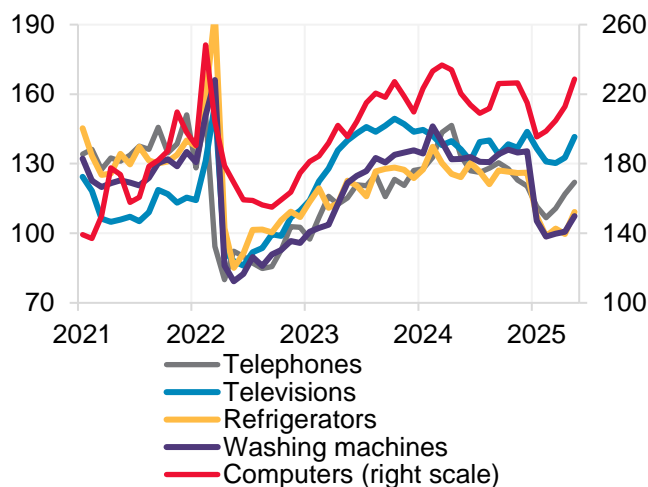
Sources: Bank of Russia, Rosstat, R&F Department estimates.

Figure 4. Price growth adjusted for exchange rate movements, % MoM SAAR



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

Figure 1. Sales of some electrical goods, SA, December 2019 = 100



Sources: Rosstat, Bank of Russia.

Services price growth slowed to 4.5% MoM SAAR from 7.0% MoM SAAR, owed mainly to the volatility of prices in tourist services, where price rises were slower than seasonally normal. Transport services showed price rise acceleration, driven by the selective indexation of public transport fares in Russian regions. Price rises in more stable and unregulated types of services slightly slowed but remain very fast in personal services at 10.5% after 12.1% MoM SAAR in May and 9.1% in health services, down from 11.8% MoM SAAR. A major one-off factor of price rise acceleration comes in July, which saw housing and communal services price indexation, with a large part of it reflected by prices as early as the start of the month.

Overall, one can claim a gradual easing of persistent inflationary pressure in May–June. The analytical indicators of inflationary pressure were mostly declining, coming close to the inflation target. The mean of modified core inflation indicator estimates went down to 4.1% in annualised terms in June. Median price growth slightly accelerated to 4.3% in annualised terms, fuelled by the reversal of prices dynamics of non-food goods (Figure 6). The total weight of items going up in price at an accelerated pace was gradually declining in May–June (Figure 7). The trend inflation estimate also fell.

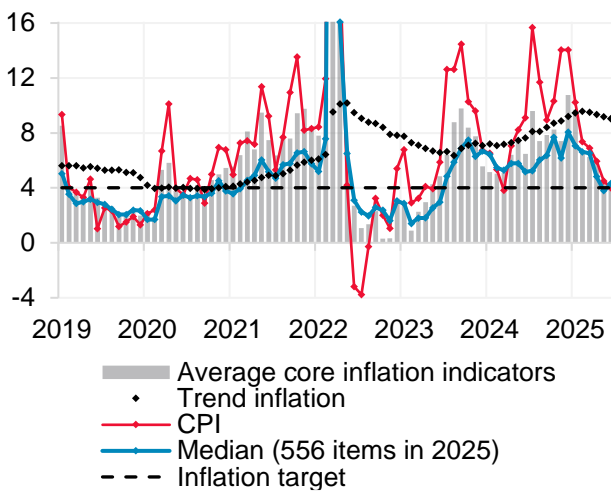
It is important to note that ruble appreciation also affects stable price indicators. Based on our estimates, price growth adjusted for the pass-through effect continued to slow in June but stood above 4% (Figure 4). After the exchange rate stabilisation, the disinflationary effect of the pass-through will gradually fade away. This is, in particular, suggested by the decomposition¹ of price rises: the contribution of demand-side factors to overall price movements in May, although contracting relative to April, remained just above the Q1 estimates (Figure 8).

Business surveys signal a drop in inflation risks amid the gradual cooling of the economy. The Bank of Russia's Business Climate Indicator showed that companies' price expectations

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.

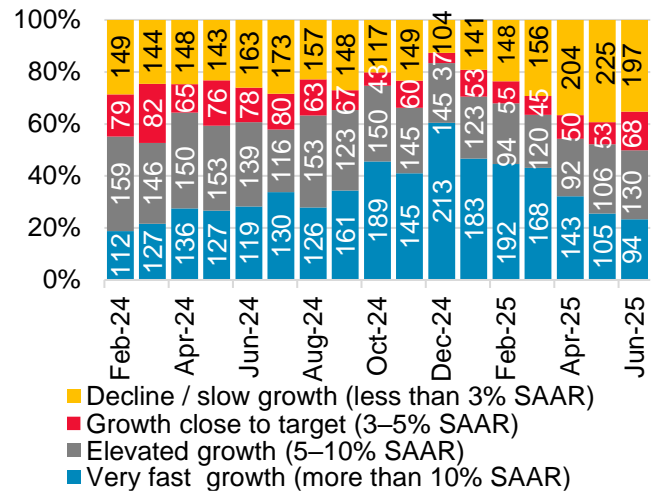
continued to slide in June amid the declining assessment of costs, current and expected demand. The PMI sub-indices of costs and output prices in manufacturing and services dramatically fell. [Household inflation expectations](#) resumed a decline. For the recent disinflationary trends to consolidate and persistent inflationary pressure adjusted for the impact of temporary and one-off factors to drop, a tight monetary stance still needs to be maintained for a protracted period of time.

Figure 6. Modified core inflation indicators* (% in annualised terms) and trend inflation estimate (%YoY)



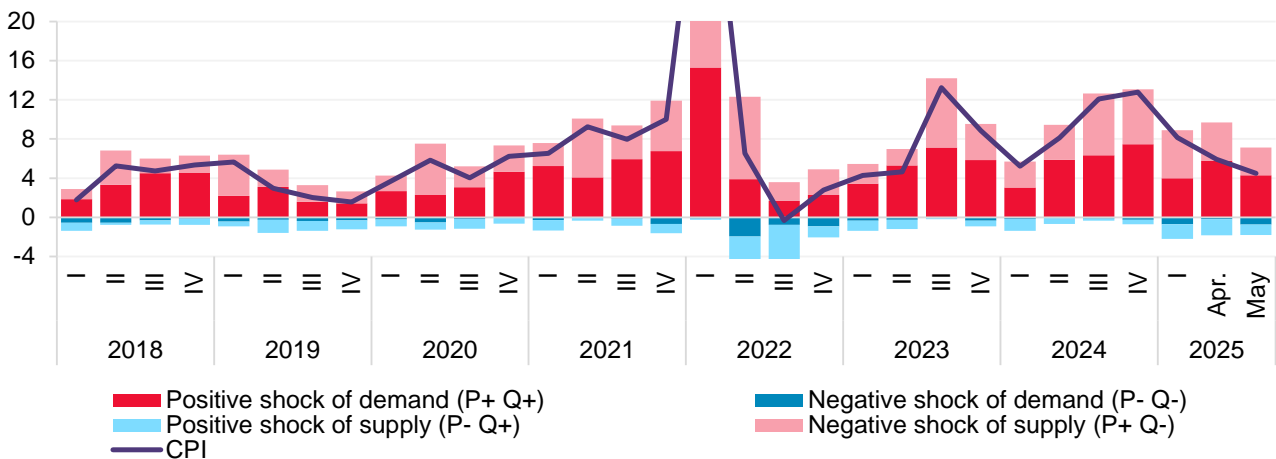
* Indicators are computed using the method of excluding the most volatile components and the truncation method. Sources: Rosstat, R&F Department estimates.

Figure 7. 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.

Figure 8. Price growth decomposition*, % QoQ (MoM) 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.

2. Economic performance

Core industries' statistics for April–May indicate a rise in business activity over this period. At the same time, June's survey data suggest weak output results. The second quarter will likely show overall positive performance (QoQ SA).

The overheating of the economy (i.e., demand outrunning its production capabilities) formed in 2023–2024 continued to diminish in Q2. This process, however, occurs gradually. Indeed, banks' ruble claims (loans and other claims) on businesses and households continued to grow. Adjusted for seasonal factors, changes in claims are in line with the forecast path of their moderate growth this year.

The labour market tightness is gradually subsiding, as follows from survey data and changes in vacancies and CVs. Labour productivity, however, still lags far behind wage growth. This creates a financial resource for expanding consumption. That said, deposit rate cuts occurring since the start of the year, decreased household saving activity, even if it remains higher than in previous years (except for 2024).

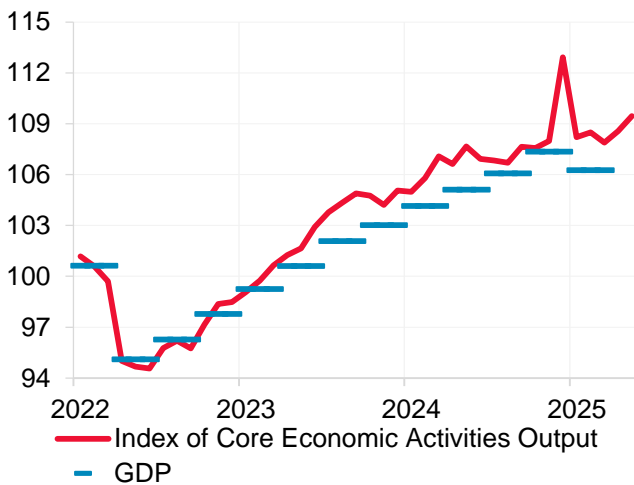
2.1. Domestic demand gradually cools

- The overheating of the economy subsided in Q1 (Figure 9). Monetary policy tightening manifested late last year led to a significant deceleration in household consumption². That said, fixed investment showed strong growth, which was, however, concentrated in a narrow range of industries.
- Real-time data suggest that the economy may grow slightly in Q2 relative to Q1. The expansion of industrial output (up 1.0% SA in April–May relative to Q1) was chiefly driven by growth acceleration in manufacturing, with mining and quarrying showing moderate expansion amid gradual easing of voluntary restrictions by OPEC+ countries (Figure 10). The manufacturing sector still saw outperformance concentrated in the investment goods segment oriented to government demand and import substitution.
- Other groups of industries' output showed volatile, flat performance (Figure 11). The only exceptions were segments buttressed by external demands, such as the manufacture of non-ferrous metals and refined petroleum products.
- Judging by real-time statistics, a slowdown in household spending growth continued in Q2 (Figure 12, Figure 13). June's business surveys showed decreasing satisfaction with demand and cuts in output plans (Figure 14). Thus, private domestic demand came closer to the balanced growth path. This development is reflected in slowed cost and output price growth.

² According to an R&F Department estimate, household Q1 spending on final consumption expanded 0.3% QoQ SA after a rise of 0.9% QoQ SA in Q4 2024.

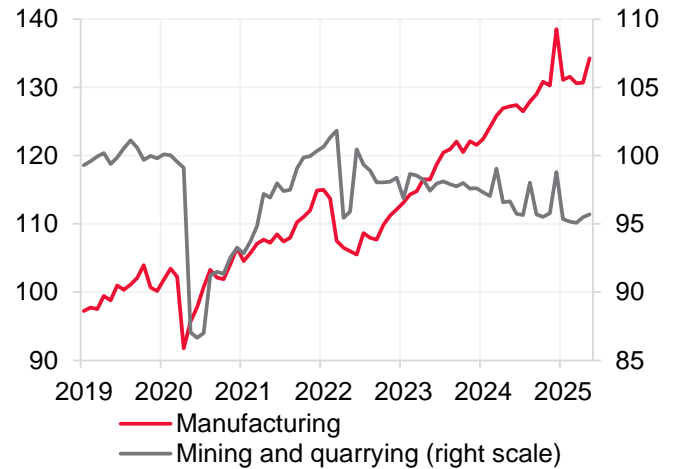
- At the same time, the balance of risks arising from the labour market still leans towards pro-inflationary ones. The unemployment rate hit an all-time low of 2.2% SA in May (Figure 15), with the employment rate returning to its peak (Figure 16). Real wage growth (up 0.5% MoM SA in April) and households' willingness to make major purchases remain strong (Figure 17). Some polls and real-time metrics indicating recruiting activity contraction and the shift of expectations towards personnel cuts (Figure 18) suggest a gradual stabilisation of the situation. The tight monetary stance should form a sustainable trend towards the cooling of the overheated labour market and easing of pro-inflationary risks.

Figure 9. Core economic activities output and GDP, Q4 2021 = 100, SA



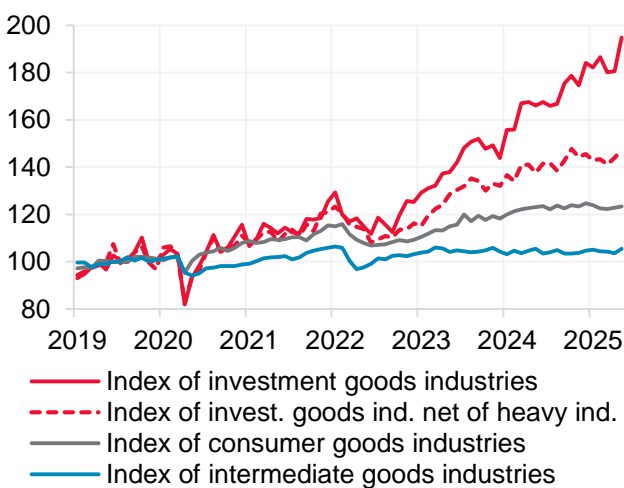
Sources: Rosstat, R&F Department estimates.

Figure 10. Mining and quarrying and manufacturing indices (2019 = 100), SA



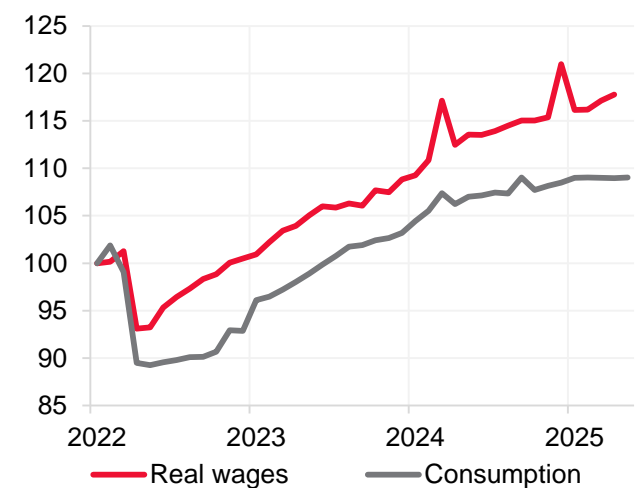
Sources: Rosstat, R&F Department estimates.

Figure 11. Output in groups of manufacturing industries, SA, 2019 = 100%³



Sources: Rosstat, R&F Department estimates.

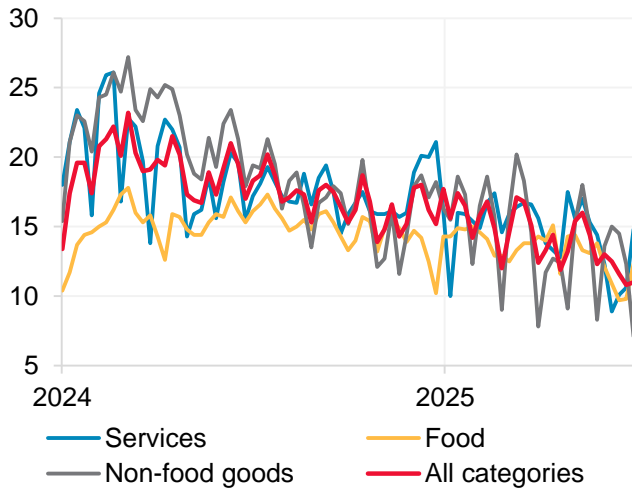
Figure 12. Proxy indicator for consumption (sum of retail, services and public food services sales) and real wages, 01.2022 = 100, SA, %



Sources: Rosstat, R&F Department estimates.

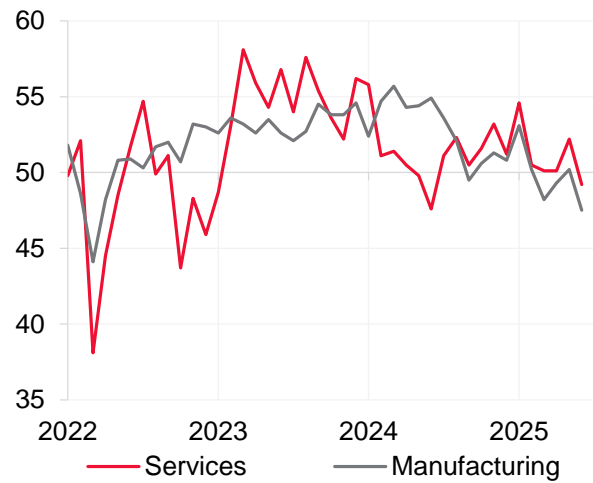
³ The “heaviest” in the group of investment goods industries are the manufacture of fabricated metal products, except machinery and equipment and other transport equipment.

Figure 13. Nominal consumer expenditure growth by category, % YoY



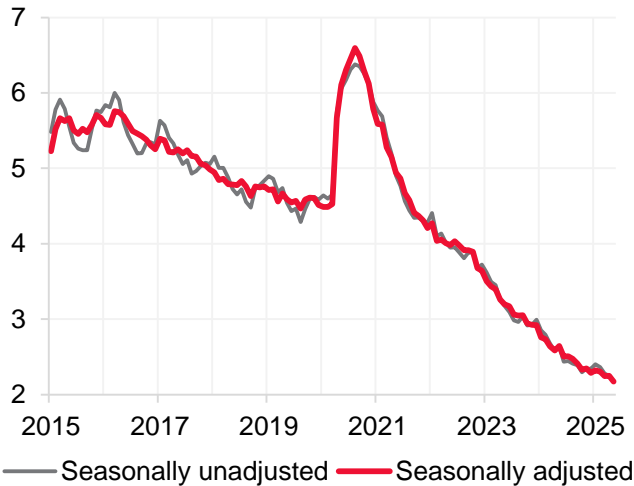
Source: SberIndex.

Figure 14. Russia's Manufacturing and Services PMI, points



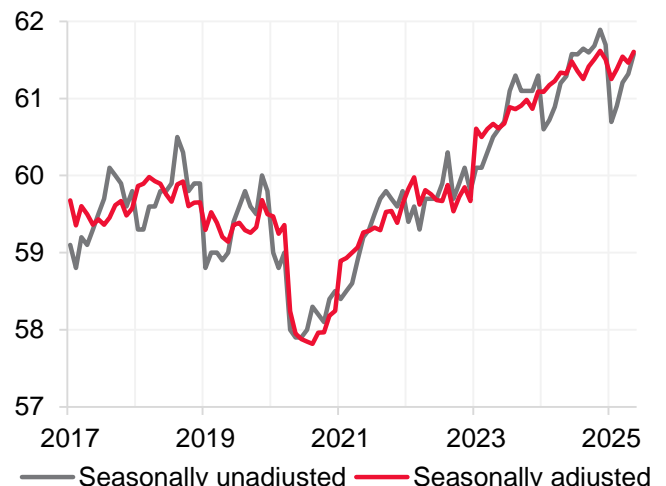
Source: S&P Global.

Figure 15. Unemployment rate, %



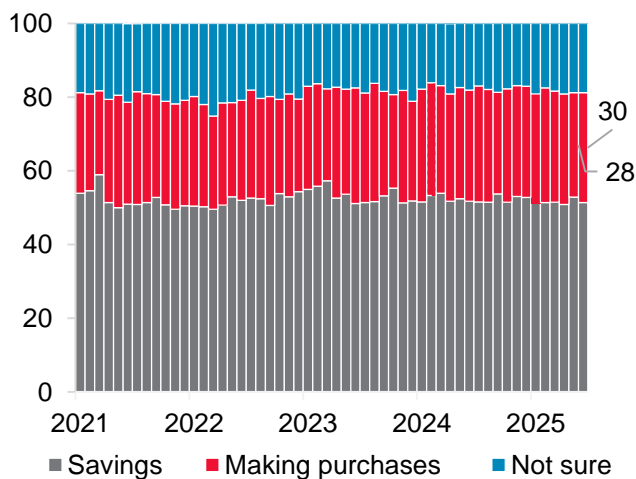
Sources: Rosstat, R&F Department estimates.

Figure 16. Employment rate, %



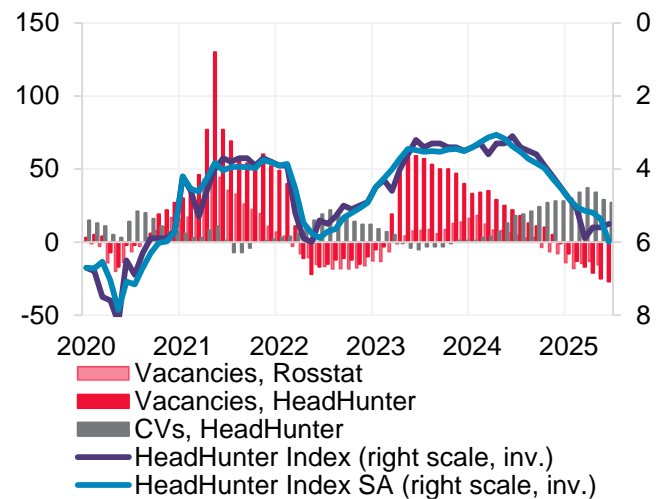
Sources: Rosstat, R&F Department estimates.

Figure 17. "What is, in your opinion, the best use of spare cash now?" %



Sources: Rosstat, R&F Department estimates.

Figure 18. CVs, vacancies (% YoY) and HeadHunter index (points)



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

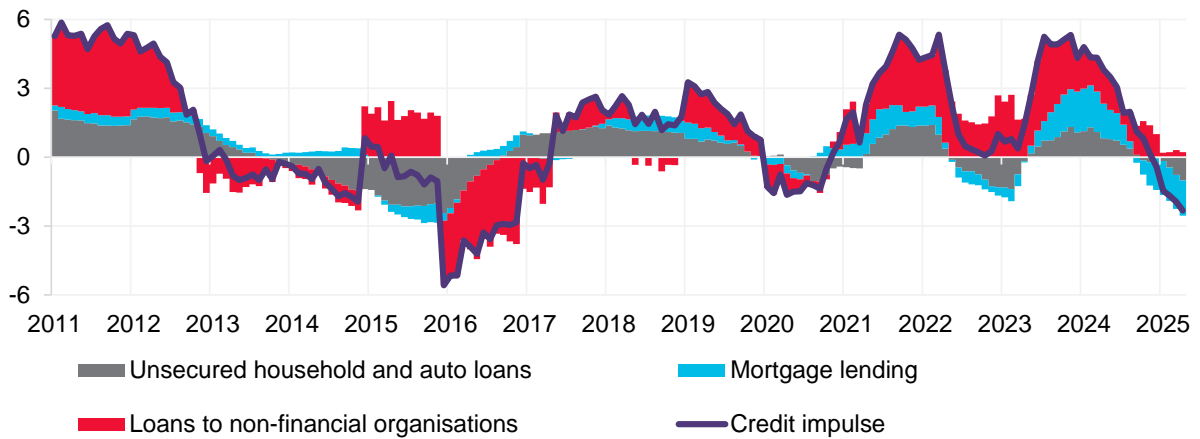
2.2. Lending growth remains moderate

- The contribution of lending to the cooling of aggregate demand is growing: the credit impulse decreased in May (Figure 19). The tight monetary stance continues to restrain loan demand. According to our estimates, the current changes in banks' claims on companies and households are in line with gradual inflation deceleration to 4%.
- Growth in claims on corporates inched down in May. That said, expansion in the ruble part of the portfolio slightly accelerated to 0.9% MoM SA from 0.8% MoM SA in April, driven by a rise in the pace of growth of ruble claims on non-financial organisations to 1.3% MoM SA from 1.0% MoM SA (Figure 20). Given the tight monetary policy, introduction of the anticyclical add-ons to risk weights and gradual cooling of economic activity, corporate lending expansion remains close to the average level of 2016–2019 (0.8% MoM SA), when inflation was close to target. That said, the issuance of bonds, which partially offsets the cooling of bank lending, remains an important source of raising corporate debt (Figure 21).
- Growth in claims on households slightly accelerated by 0.3% MoM SA in May relative to April. Broken down by segment, growth in the mortgage lending portfolio accelerated to 0.8% MoM SA from 0.4% MoM SA⁴ in April, with expansion in the auto loan portfolio slowing to 0.4% MoM SA from 0.5% MoM SA and the unsecured loan portfolio⁵ continuing to contract.
- Mortgage lending is still buttressed by subsidised loan programmes. The total amount of mortgage loan provision was all but unchanged in May compared with April (Figure 22). A total of loan redemptions, however, shrank. Given the difference between interest rates on deposits and subsidised loans, borrowers prefer to hold their funds in deposits at higher rates to an accelerated repayment of subsidised loans. The mortgage loan portfolio continues to shift towards subsidised loans.
- Money supply M2 expanded 2.0% MoM SA in May after contracting 0.2% MoM SA in April, while growth in money supply M2X net of foreign exchange revaluation stood at 2.0% MoM SA versus a drop of 0.1% MoM SA a month earlier (Figure 23). This was accompanied by a drop in the contribution of lending to money supply growth, with the budget's input rising. Meanwhile, the pace of money supply growth since the start of 2025 is close to the 2016–2019 average, which gives reason to believe that the current monetary aggregate changes agree with the goal of bringing inflation back to around 4%.

⁴ Including acquired rights of claim and securitisation.

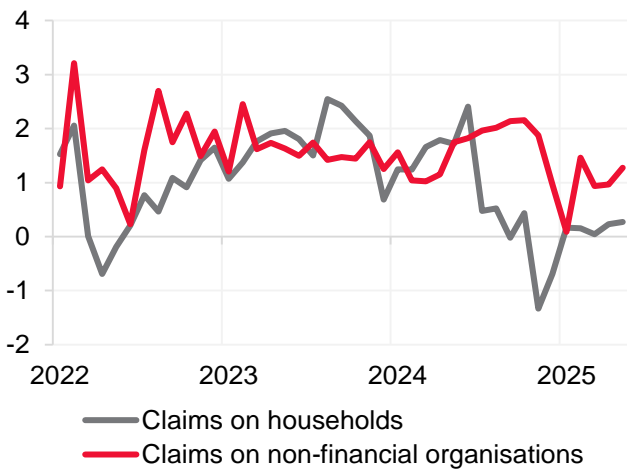
⁵ The portfolio has contracted for the eighth consecutive month in SA terms (at an average pace of -1% MoM SA).

Figure 19. Credit impulse, % of GDP



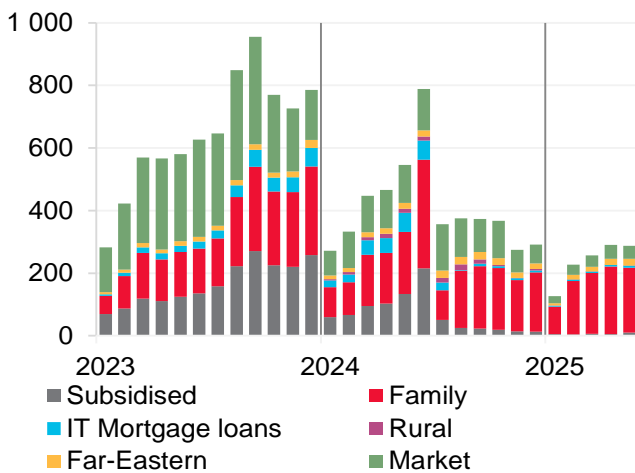
Sources: Bank of Russia, R&F Department estimates.

Figure 20. Banks' claims in rouble terms, % m/m SA



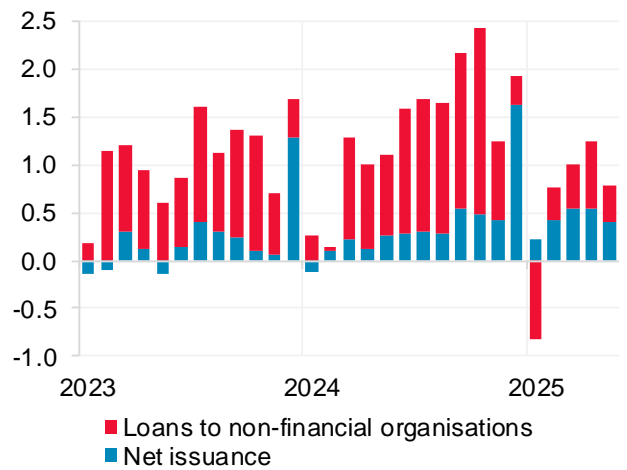
Sources: Bank of Russia, R&F Department estimates.

Figure 22. Total loan provision under subsidised programmes and market mortgage loans, billion rubles



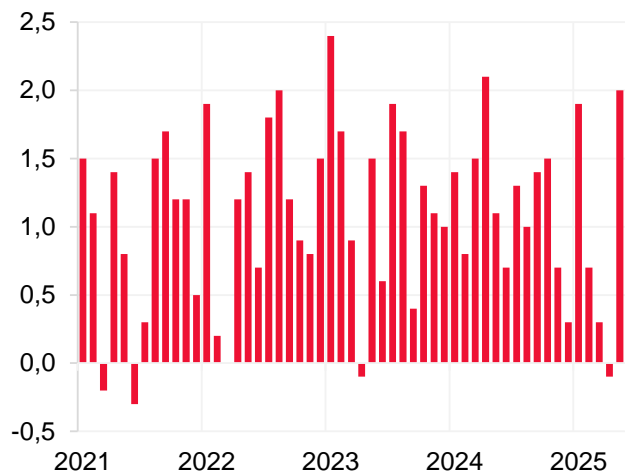
Sources: Bank of Russia, Dom RF, R&F Department estimates.

Figure 21. Growth in lending and net bond issuance⁶, trillion rubles



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

Figure 23. Monetary aggregate M2X (net of foreign exchange revaluation), % MoM SA



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

⁶ Net of bank bonds and securitisation.

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