



Bank of Russia



**TALKING TRENDS**  
**Economy and markets**

Research and Forecasting Department Bulletin

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

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## Executive summary

### Monthly summary

- Macroeconomic statistics and survey data for July–August point to a deceleration in economic activity. However, corporate credit activity is gradually increasing. This has combined with ongoing substantial fiscal stimulus to somewhat push the rates of money supply growth up. Yet, the overall path of monetary aggregates remains within the ranges seen in the low-inflation times of 2016–2019. Household and business inflation expectations both edged up. In recent months, the headline consumer price index has been held back by its volatile components. Core inflation is marked with a less pronounced slowdown. This necessitates maintaining a degree of monetary tightness sufficient to ensure a subsequent easing of inflationary pressures in 2025. The objective is to bring annual inflation down to target by 2026 and maintain it close to 4% thereafter.
- But for utility rates, seasonally adjusted consumer prices in July and August rose at a moderate pace. Their dynamics were influenced, more than usual, by declining prices for fruit and vegetables on the back of sales of new harvest. Prices were also favourably impacted by the ruble's recent appreciation, although this effect waned compared to the second quarter. At the same time, price increases remained elevated in market services, where demand is primarily fuelled by growing incomes. More compelling evidence is needed to confirm that consumer price growth is sustainably stabilising around 4%.
- Most surveys from July–August indicate a slowdown in both external and domestic demand. Consumer activity continues to rise, albeit moderately. The high levels of saving activity are channelling a greater share of growing incomes into savings rather than consumption, without an expansion in the retail credit portfolio. The price components of monetary conditions softened thanks to both lower interest rates and slightly higher inflation expectations. The unfolding recovery in corporate lending and substantial fund-raising volumes in the bond market are expected to support business activity between late Q3 and Q4 of this year.
- The reduction of the key rate to 18% and market expectations for its future path, underpinned by the Bank of Russia's updated forecast in July, caused an ongoing decline in interest rates across the economy. The ruble exchange rate saw a slight correction following its significant appreciation in the first half, which reflects the anticipated effect of a gradual monetary policy easing.

## 1. Inflation

The headline consumer price index growth slowed faster than expected this year. Ruble strengthening largely reflecting the impact of the exchange rate channel of tight monetary policy made a substantial contribution to the ongoing disinflation. A steeper than usual seasonal decline in the prices of fruit and vegetables of the new harvest in the summer also came as a significant additional one-off factor. But even adjusted for this and a larger than earlier indexation of key housing and communal services prices in July, we estimate that inflationary pressure (a consumer price rise in its stable components) dramatically eased. It is, however, still markedly above the 4% level. Its further decline should be achieved by timely responding to pro-inflationary risks in order to ensure a sustainable inflation slowdown to 4% in 2026.

The normalisation of fiscal policy expected in 2025, with the fiscal rule parameters returned, should play an important role in this. As a result, the fiscal impulse is supposed to turn from a pro-inflationary into a disinflationary factor.

Business and household inflation expectations remain elevated and unanchored. They even rose somewhat in August, which, in addition to nominal interest rate cuts, loosens the monetary stance. This points to a risk of stubborn significant inertia of inflationary processes, which requires a sufficiently tight monetary stance to be maintained and calls for caution in taking monetary policy decisions.

### 1.1. Temporary CPI growth acceleration following indexation of housing and communal services prices

- Consumer price inflation accelerated to 8.5% MoM SAAR in July from 4.1% MoM SAAR in June, chiefly driven by the indexation of housing and communal services prices. Net of this indexation, price rises slowed to around 2% MoM SAAR, contained by a steeper than seasonally usual drop in fruit and vegetable prices after the produce of the new harvest had made its way to retailers' counters. At the same time, there was a price rise acceleration in most categories of the non-food segment dependent on the exchange rate.
- The analytical indicators of price movements showed mixed changes. The mean of modified core inflation indicators rose, propelled by the communal and housing price indexation. The rest of the metrics (the median price rises, a total weight of items rising in prices at an accelerated pace, trend inflation) stayed on their June levels or inched down. Overall, we see persistent inflationary pressure as sticking to its May–June levels.
- Pro-inflationary risks are still prevailing. The disinflationary effect of a faster than seasonally normal fall in fruit and vegetable prices is temporary in nature. Price increases in unregulated services remain significant as household income grows at a fast pace. The deduction effect of ruble strengthening pass-through to prices from overall inflation is gradually diminishing. For the process of persistent price rise slowdown to continue, the disinflationary impact of other channels of monetary policy transmission, which unfolds

with longer lags than that of the exchange rate channel, should be maintained. Accordingly, a sustainable inflation slowdown to 4% in 2026 still requires the tight monetary stance to be kept up for a protracted period.

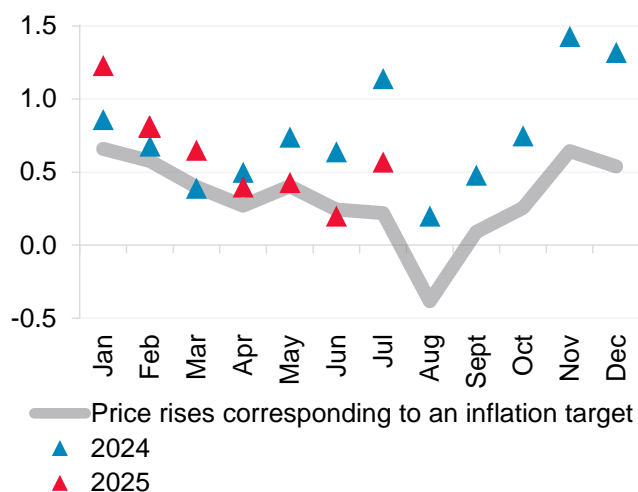
Consumer price growth accelerated to 8.5% MoM SAAR in July from 4.1% MoM SAAR in June. The headline CPI was expectedly affected by the housing and communal services price indexation – net of this component, price growth stood at around 2% MoM SAAR. Annual inflation slowed to 8.79% from 9.40% in June (Table 1). The price growth of the Rosstat core basket accelerated to 4.2% MoM SAAR from 3.9% MoM SAAR. Overall, persistent inflationary pressure was little changed in July.

**Table 1. Inflation and its components**

	July 2023	July 2024	May 2025	June 2025	July 2025
<b>% YoY</b>					
<b>All goods and services</b>	<b>4.3</b>	<b>9.1</b>	<b>9.9</b>	<b>9.4</b>	<b>8.8</b>
<b>Core inflation</b>	<b>3.2</b>	<b>8.6</b>	<b>8.9</b>	<b>8.7</b>	<b>8.5</b>
Food	2.2	9.7	12.5	11.9	10.8
Non-food goods	2.4	6.7	4.8	4.5	4.1
Services	10.0	11.4	12.6	12.0	11.9
<b>% MoM SAAR</b>					
<b>All goods and services</b>	<b>12.9</b>	<b>16.1</b>	<b>4.4</b>	<b>4.1</b>	<b>8.5</b>
<b>Core inflation</b>	<b>8.0</b>	<b>6.0</b>	<b>5.1</b>	<b>3.9</b>	<b>4.2</b>
Food	17.8	16.0	7.1	6.0	2.6
– net of fruit and vegetables	<b>5.7</b>	<b>7.4</b>	<b>10.1</b>	<b>7.6</b>	<b>6.0</b>
Non-food goods	12.4	8.1	-0.5	1.1	3.2
– net of refined petroleum products	<b>10.1</b>	<b>4.3</b>	<b>-1.1</b>	<b>0.0</b>	<b>1.1</b>
Services	7.3	26.5	6.9	5.0	24.2
– net of housing and communal services	<b>9.3</b>	<b>9.1</b>	<b>6.8</b>	<b>4.9</b>	<b>-1.2</b>

Sources: Rosstat, R&F Department estimates.

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



Note: Seasonal factor is estimated for 2024.

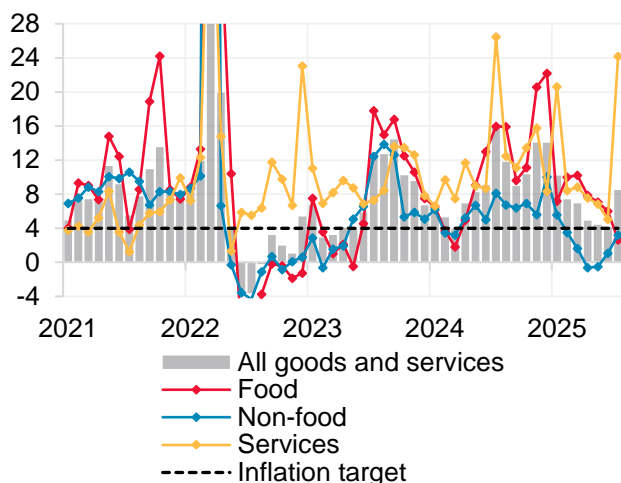
Sources: Rosstat, R&F Department estimates.

Food price growth slowed to 2.6% MoM SAAR in July from 6.0% MoM SAAR in June (Figure 2) thanks to a faster than seasonally normal fall in the prices of fruit and vegetables. The pace of price rises in other food products slowed to 6.0% MoM SAAR from 7.6% MoM SAAR owing to a more moderate rate of growth in prices or their fall in the majority of enlarged categories. Indeed, prices continued to slide in sugar and eggs, with growth in the prices of meat, fish, and dairy products slowing and butter and oils prices remaining all but unchanged.

Price rises in the non-food segment accelerated to 3.2% MoM SAAR from 1.1% MoM SAAR. The key contribution to this came from a rise in the pace of fuel price increases. Most of the segment's other categories to a greater or lesser extent dependent on the exchange rate saw a price rise acceleration. At the same time, the motor vehicle segment posted a price

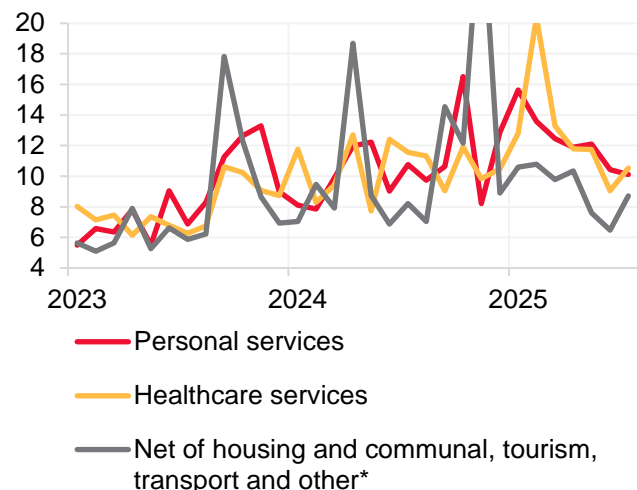
decline<sup>1</sup>, which intensified due to the [expansion of price discounts for foreign cars](#) at the junction of the months on the back of a continued stocks glut. The median of price growth in goods and services highly sensitive to exchange rate movements increased relative to June to 3.4% MoM SAAR from 2.0% MoM SAAR, narrowing the gap with the goods weakly sensitive to exchange rate moves (Figure 4). The deduction effect from the overall price growth of ruble strengthening pass-through is gradually diminishing (Figure 5).

**Figure 2. Seasonally adjusted price growth, % MoM SAAR**



Sources: Rosstat, R&F Department estimates.

**Figure 3. Price rises in some types of services, % MoM SAAR**



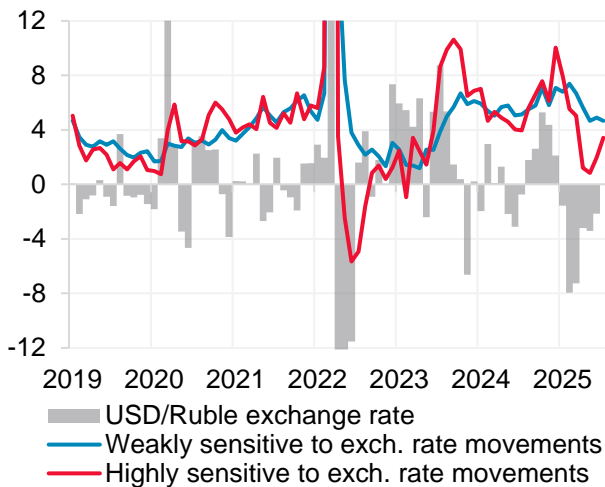
\* Veterinary, legal, banking and insurance, fitness and sports, intermediary, and other services

Sources: Rosstat, R&F Department estimates.

Price growth in the services segment accelerated to 24.2% MoM SAAR from 5.0% MoM SAAR in June. The main input to this, however, came from the indexation of housing and communal services prices, net of which the segment's prices decreased by 1.2% MoM SAAR. This is owed to cuts in the prices of passenger transport services for the most volatile items. Price rises in the less volatile and unregulated components remain persistently fast at 10.1% SAAR after 10.4% in personal services, 10.5% MoM SAAR after 9.1% MoM SAAR in healthcare services in June (Figure 3).

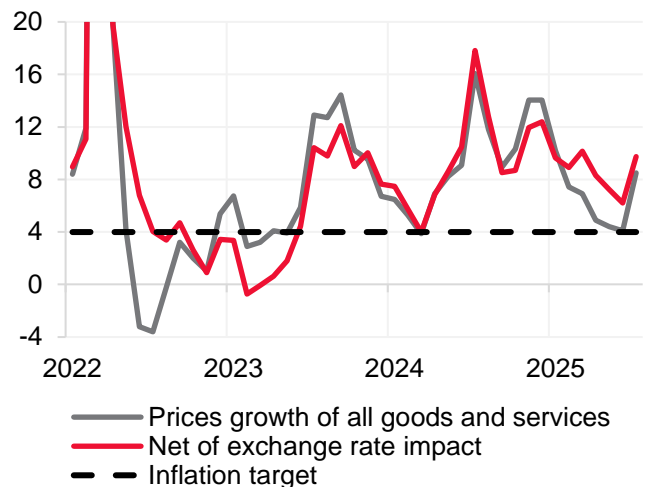
<sup>1</sup> Rosstat registers reference car prices, i.e., prices without special discounts (e.g., for the participation in a trade-in programme). The price drop in question may be owed to, among other things, cancellation of these discounts and their partial shift to the reference price by some dealers.

**Figure 4. Median CPI (% MoM SAAR) and US dollar to ruble exchange rate (%)**



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

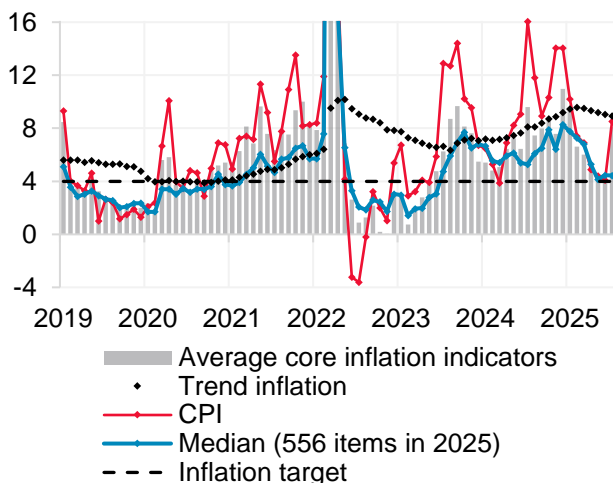
**Figure 5. Price growth adjusted for exchange rate movements, % MoM SAAR**



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

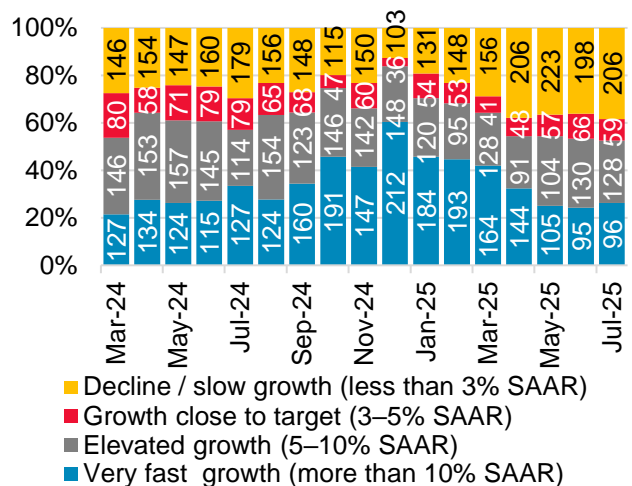
Analytical indicators of persistent inflationary pressure showed mixed changes in July. The mean of modified core inflation indicators climbed to 8.1% from 4.0% in annualised terms, largely driven by the indexation of housing and communal services prices. July’s median price growth all but stabilised at 4.42% after 4.45% in annualised terms a month earlier (Figure 6). The same is true of a total weight of items rising in prices at an accelerated pace (Figure 7). The trend inflation estimate slid to 8.93% YoY from 9.04% YoY in June.

**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**



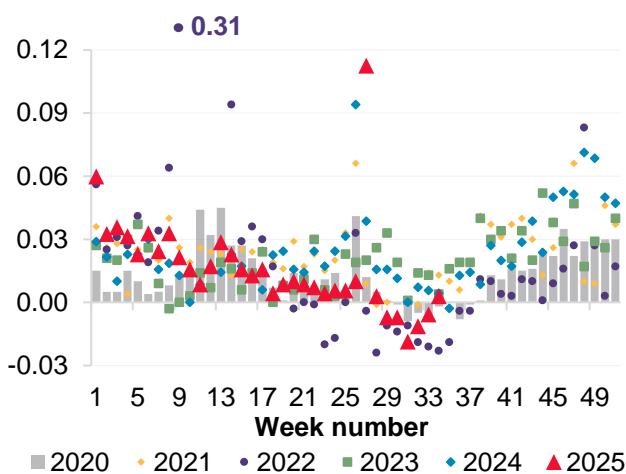
\* Net of fruit and vegetables, and regulated services. Note: Figures stand for the number of items. Sources: Rosstat, R&F Department estimates.

The August weekly data show a seasonal headline CPI decline of 0.17% over the 1–25 August period, according to a Rosstat estimate (Figure 8). This was owed to an earlier than

usual seasonal fall in fruit and vegetable prices. Accordingly, estimates based on weekly data for the smaller consumer basket, seasonally adjusted price growth in August will likely come in above 4% in annualised terms due to an acceleration in the growth of prices in the goods segment, in particular those of [fuel](#).

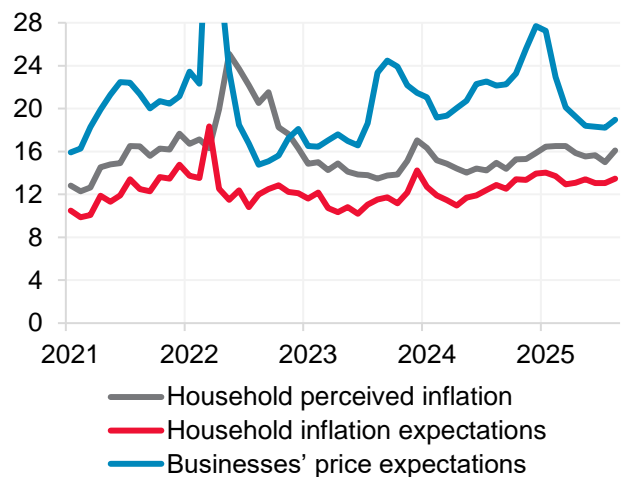
At the start of Q3, persistent inflationary pressure stayed at the June level. Consumer demand remains elevated. The decomposition<sup>2</sup> of price growth on data for full Q2 showed a slight QoQ increase in the input of demand-side factors, with the pro-inflationary impact of supply-side factors weakening (Figure 10). July saw a producer price decline in manufacturing come to an end. A [Bank of Russia survey](#) revealed a rise in companies' price expectations as cost growth accelerated in August. [Household inflation expectations](#) also rose (Figure 9). This is highly likely a reaction to the indexation of housing and communal services prices, which slows a decline in inflation expectations but, nevertheless, comes as a one-off and temporary restraining factor for it. Given this, a tight monetary stance needs to be maintained for a protracted period.

**Figure 8. Average daily price growth, %**



Sources: Rosstat, R&F Department estimates.

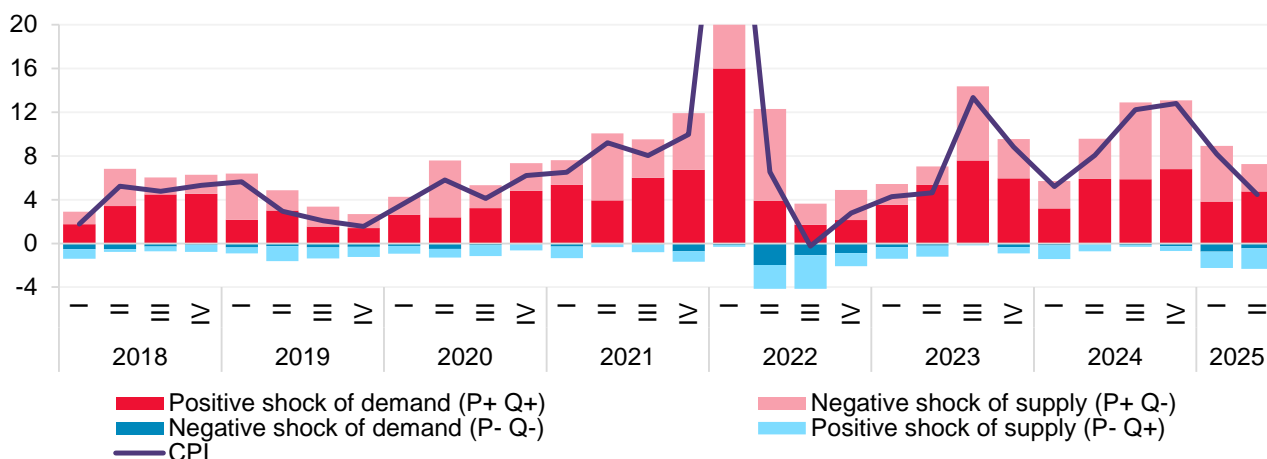
**Figure 9. Inflation expectations of households (% YoY) and businesses (balance of answers, % SA)**



Sources: Bank of Russia, inFOM.

<sup>2</sup> 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.

Figure 10. 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.

## 2. Economic performance

Macroeconomic statistics for June–July showed that economic activity in core industries slowed relative to another cyclical peak reached in May. This is also corroborated by data from a number of business surveys. At the same time, the consumer segment experienced buoyancy in this period. It was buttressed by continuing fast growth in nominal and real wages and income, as follows from May–June statistics. In this situation, the lack of retail loan portfolio growth only partially restrains household consumption and is localised in the categories of goods showing a large share of purchases on credit. These are, above all, durable goods.

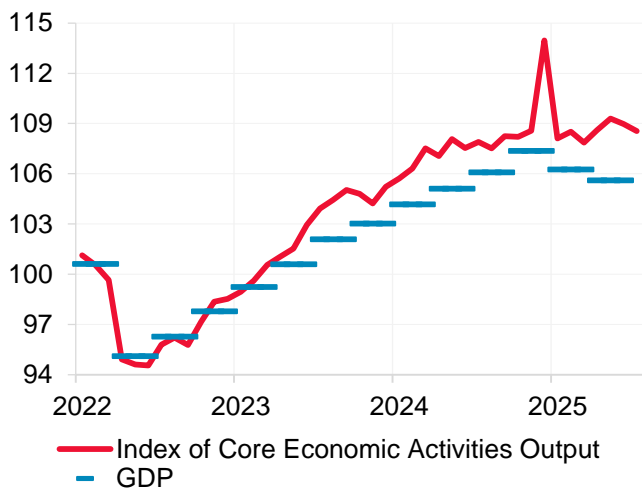
Performance continues to widely vary across individual sectors. The narrowing of a positive output gap and diminishing overheating of demand are witnessed more in sectors, which saw the sharpest rise to all-time highs in 2023–2024. That said, the labour market condition with respect to a wide range of employment metrics and the pace of wage growth shows that the level of demand in the economy at large keeps employment close to the limit (with utilisation of labour resources showing a degree of contraction in some industries).

The rebound of corporate lending and buoyant borrowing in the financial market, driven by a notable decline in the cost of debt and expectations of its further fall will buttress business activity, ensuring the economy's gradual progress to the path of balanced growth in the coming quarters.

## 2.1. Slowdown of aggregate demand growth

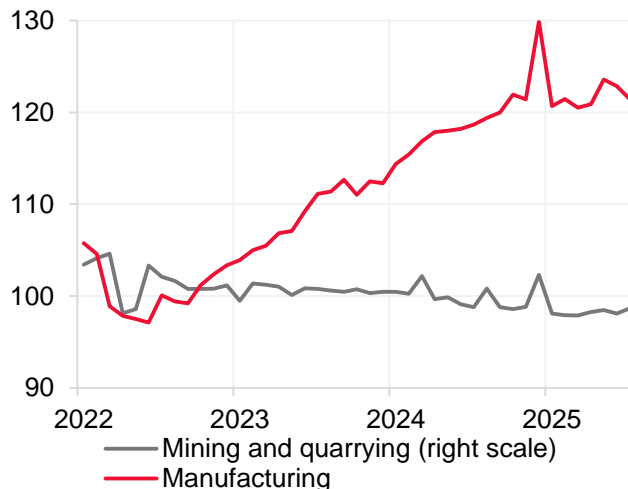
- Based on Research and Forecasting (R&F) Department estimates and [initial Rosstat data](#), economic activity slowed in Q2. At the same time, real-time statistics suggest that economic performance remains varied or even mixed across industries. Core economic activities' output expanded 0.7% QoQ SA in Q2 (Figure 11), while contraction was mainly concentrated in exporting and importing industries (wholesale trade, transport freight traffic, mining and quarrying) (Figure 12).
- The strongest growth in the middle of Q2 was posted in investment goods industries with a large weight in the manufacturing sector (Figure 13), but their output corrected down towards the start of Q3. Net of these industries, the ascending trend of 2023–2024 gave place to output stabilisation at the achieved levels. This occurred against a background of a consumer activity slowdown, despite the continued accelerated pace of labour income growth (Figure 14). The cooling of private demand and closure of the output gap in the whole economy (which is a source of inflation acceleration amid limited potential for further output expansion) is largely due to monetary policy tightening undertaken in 2024 and materialising with lags inherent in monetary policy transmission. That said, a significant contribution to aggregate demand continues to come from the government sector via continued budget spending growth in real terms and investment of the National Wealth Fund's revenues.
- July's Rosstat statistics registered an economic activity slowdown, although the picture varied across sectors. Industrial output and freight traffic showed negative performance, while industries meeting consumer demand posted growth. Overall, this is in line with a mixed picture shown by business surveys. Amid a deeper contraction in new orders, manufacturing PMI dropped to a 3-month low (Figure 15), with companies' positive expectations continuing to shrink, which is also true of surveys from the Economic Forecasting Institute of the Russian Academy of Sciences. Our estimates also show an incoming payments contraction in [the Bank of Russia's Payment System](#). At the same time, [the Bank of Russia's business survey](#), conducted in early August showed some improvement in the perceptions of the current situation and an even more notable upgrade of companies' short-term expectations.
- Consumer activity also saw some improvement (Figure 14). Despite the tightness of the labour market, it was buttressed by, above all, continuation of the labour market tightness, with the unemployment rate remaining at its all-time lows (Figure 17) and the employment rate at its all-time highs (Figure 18). This underpins still strong wage growth (around 4.5% YoY in real terms in Q2). The share of companies [citing the problem of massive workforce shortages as one of their major risks](#) remains high. Under these circumstances, employers are doing their best to avoid layoffs, [increasing the number of employees working shorter hours or in a stand-by regime](#), which spreads out in time the market's reaction to a more moderate change in final demand.

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



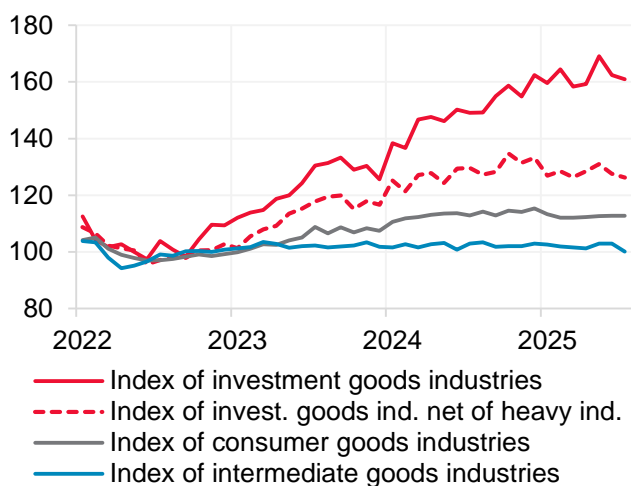
Sources: Rosstat, R&F Department estimates.

**Figure 12. Mining and quarrying and manufacturing indices (2021 = 100), SA**



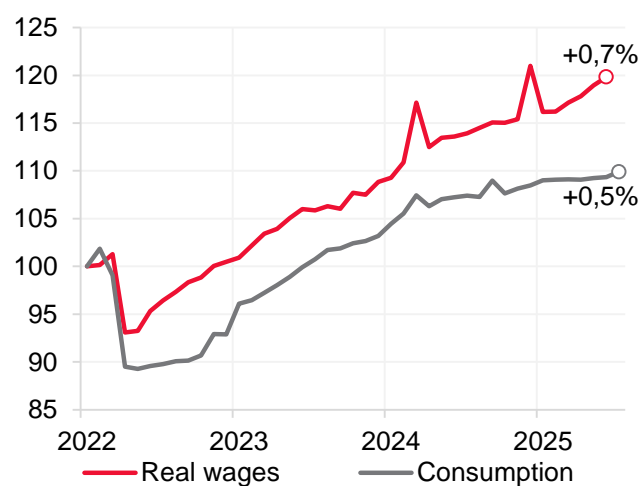
Sources: Rosstat, R&F Department estimates.

**Figure 13. Output in groups of manufacturing industries, SA, 2021 = 100%<sup>3</sup>**



Sources: Rosstat, R&F Department estimates.

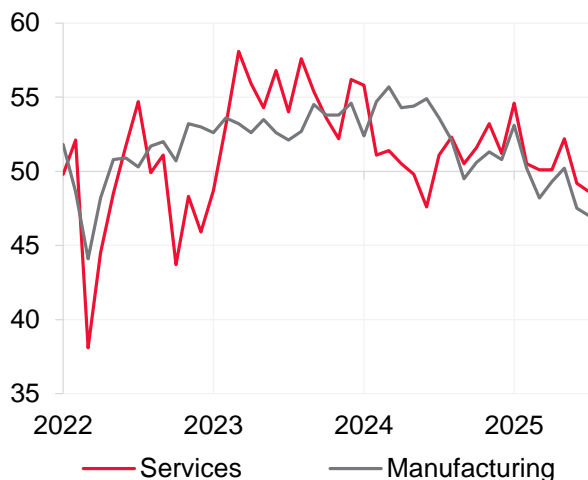
**Figure 14. Proxy indicator for consumption (sum of retail, services and public food services sales) and real wages, 01.2022 = 100, SA, %**



Sources: Rosstat, R&F Department estimates.

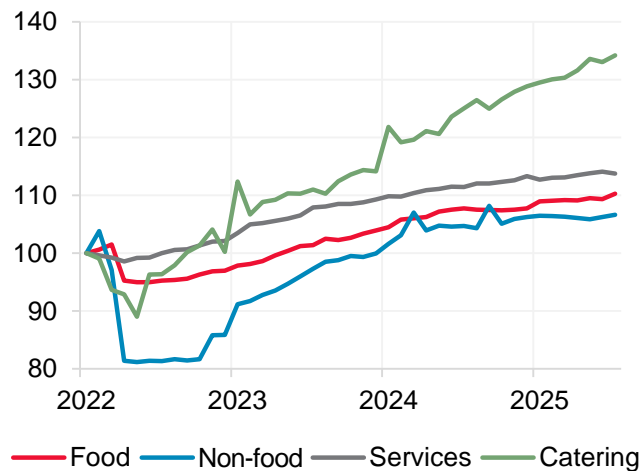
<sup>3</sup> The “heaviest” in the group of investment goods industries are the manufacture of fabricated metal products, except machinery and equipment and other transport equipment.

**Figure 15. Russia's Manufacturing and Services PMI, points**



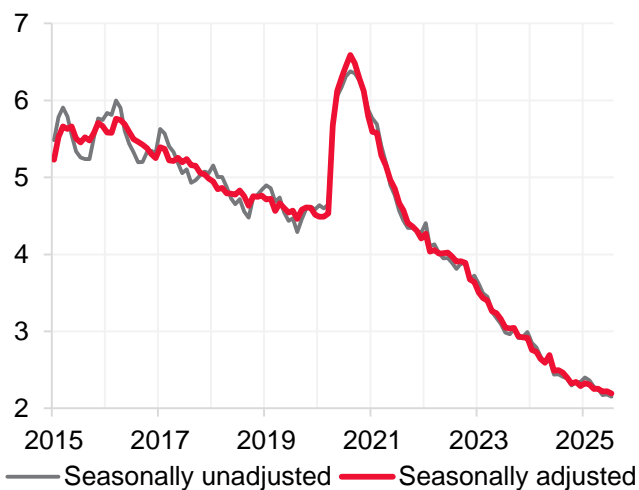
Source: S&P Global.

**Figure 16. Retail segments, catering and services turnover, 01.2022 = 100, SA, %**



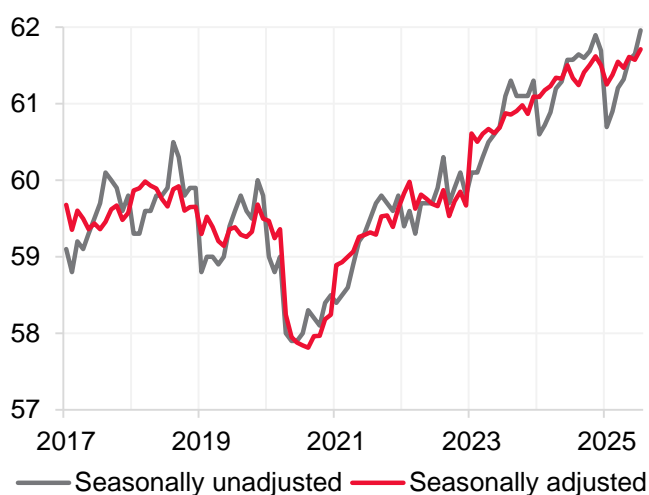
Sources: Rosstat, R&F Department estimates.

**Figure 17. Unemployment rate, %**



Sources: Rosstat, R&F Department estimates.

**Figure 18. Employment rate, %**



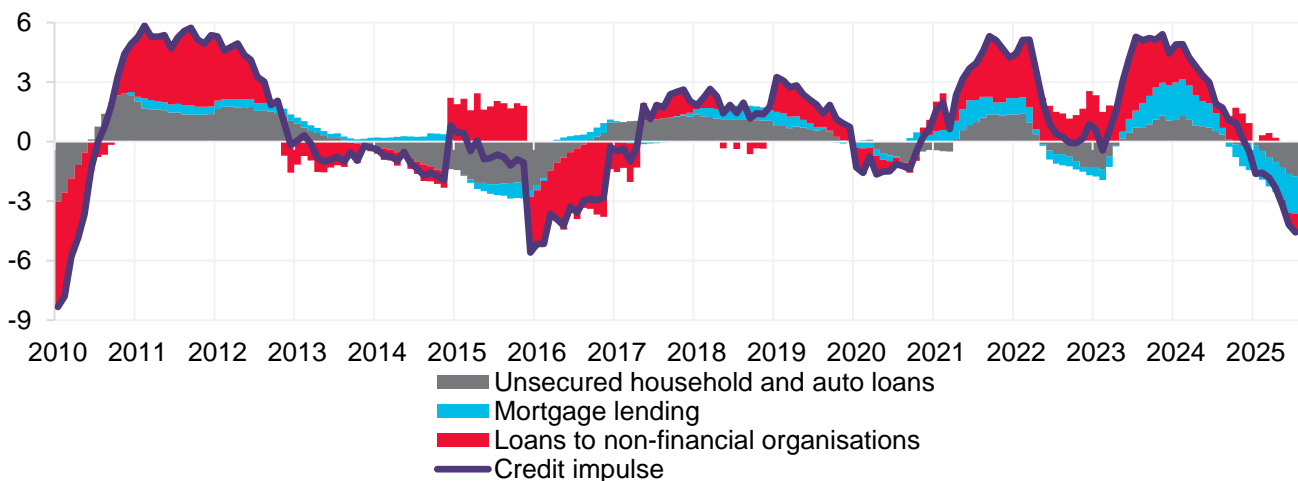
Sources: Rosstat, R&F Department estimates.

## 2.2. Credit impulse decline slows

- The input of lending to the cooling of aggregate demand increased in July, with the credit impulse slowing. The credit impulse continued to slide in the corporate and retail lending (except for mortgage lending) segments, slightly rising in mortgage lending (Figure 19). The monetary stance remains tight, despite the recent interest rate cuts.
- A rise in claims on companies without foreign exchange revaluation accelerated to 1.4% MoM SA in July from 1.1% MoM SA in June. Expansion in ruble claims remained at around 1.0% MoM SA, somewhat exceeding the pace of their growth in 2016–2019 (Figure 20). Meanwhile, growth in foreign currency claims accelerated. Borrowers continue to rely on bonds as an important source of debt finance.

- Contraction in claims on households remained moderate at 0.4% MoM SA in July after a fall of 0.2% MoM SA in June, unadjusted for securitisation.<sup>4</sup> Interest rate cuts and an expansion of the Family Mortgage Lending programme for secondary market housing in a number of cities<sup>5</sup> helped revive growth in the mortgage loan portfolio (1.1% MoM SA versus 0.7% MoM SA in June) (Figure 21). Loan provision grew in both the subsidised and market segment, which seems to reflect expectations of further cuts in the key and mortgage loan rates. As macroprudential limits for auto loans were introduced in Q3, a rise in the auto loan portfolio growth slowed, remaining, however, dynamic at 1.5% MoM SA after 1.8% MoM SA in June. The consumer loan portfolio contracted 0.5% MoM NSA. In particular, growth in the credit card portfolio markedly lagged previous years' patterns due to the extensive repayment of loans provided earlier.
- Expansion in household ruble deposits accelerated to 1.7% MoM SA in July from 1.3% MoM SA in June after a consistent slowdown throughout 2025 (Figure 22). This acceleration is likely temporary and is owed to households' desire to fix the current return on deposits amid expectations of further interest rate cuts.
- Money and broad money supply growth somewhat accelerated, with M2 rising 1.35% MoM SA in July, up from 1.27% MoM SA in June (Figure 23), while growth for the year to date shifted to the upper part of the 2016–2019 ranges but remained within them. The input of lending to money supply growth contracted amid moderate lending performance in the retail segment. The budget's contribution, meanwhile, expanded, ensuring the overall money supply acceleration.

Figure 19. Credit impulse, % of GDP

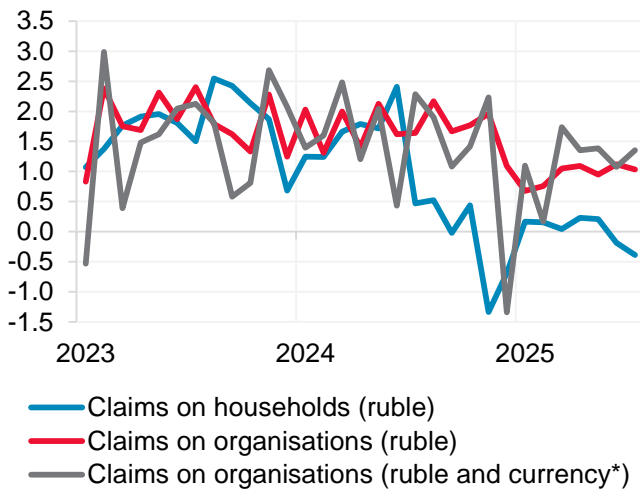


Sources: Bank of Russia, R&F Department estimates.

<sup>4</sup> Adjusted for securitisation, growth came in at 0.1% MoM SA.

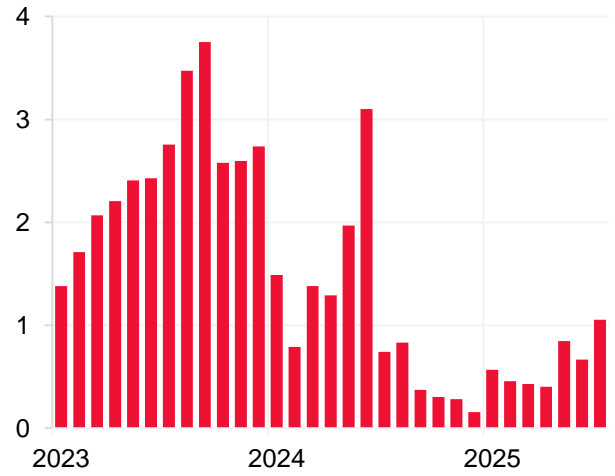
<sup>5</sup> A large bank expanded the list of cities participating in the Family Mortgage Loan programme.

**Figure 20. Banks' claims, % MoM SA**



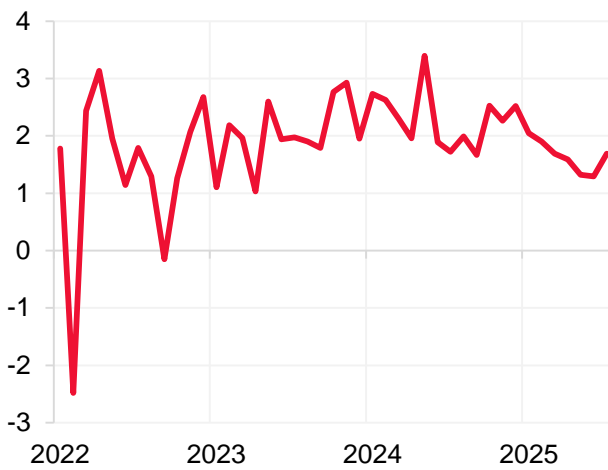
\* Net of foreign exchange revaluation  
 Sources: Bank of Russia, R&F Department estimates.

**Figure 21. Ruble mortgage loan debt, adjusted for acquired rights of claim, % MoM SA**



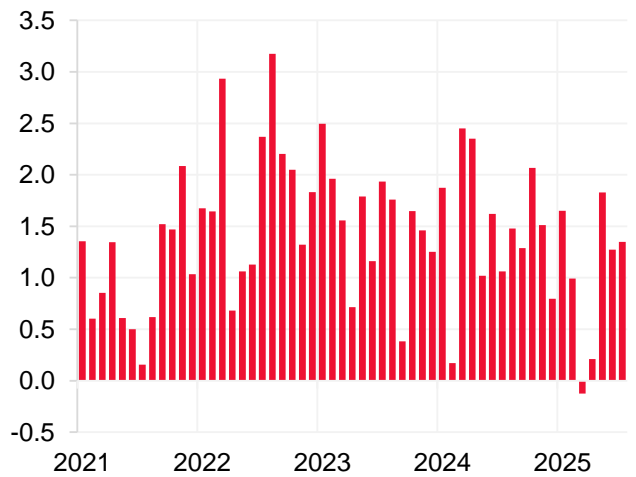
Sources: Bank of Russia, R&F Department estimates.

**Figure 22. Household funds with banks, % MoM SA**



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

**Figure 23. Monetary aggregate M2, % MoM SA**



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

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