



Bank of Russia



# CONSUMER PRICE DYNAMICS

No. 6 (54) • June 2020

Information and analytical commentary

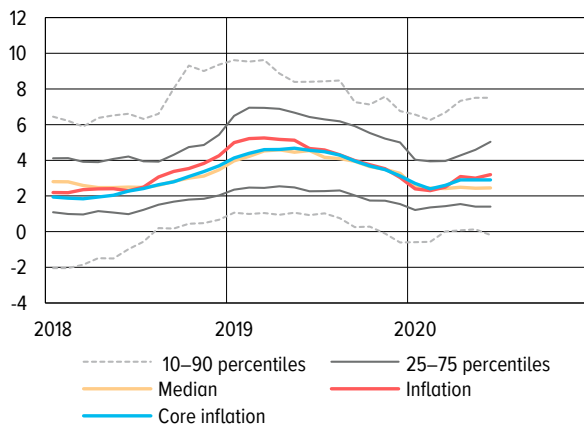
15 July 2020

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

In June 2020, annual inflation went up by 0.19 pp, to reach 3.21%. Its main components were changing in a diverse manner amid rising volatility. Price trends were influenced by divergent factors. The progressive easing of the self-isolation regime supported both a slight recovery of supply and the realisation of deferred demand for a range of goods and services. Overall, demand remains sluggish, dragged down by the actual decline in incomes, the remaining restrictions (including external ones), and consumers' cautiousness. The annual growth rate of product prices slightly sped up, while that of service prices significantly decreased. The major contributor to the increase in annual inflation was the accelerated rise in fruit and vegetable prices. Conversely, the monthly growth of consumer prices (seasonally adjusted) slowed down. Further on, current inflation is expected to remain decreased due to moderate demand, while annual inflation will gradually trend up in 2020 because of last year's low-base effect.

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

Growth, % YoY



Sources: Rosstat, Bank of Russia calculations.

Consumer prices moved diversely in June 2020, driven by a range of competing factors. On the one hand, the rise in prices for individual goods was boosted by reviving demand amid the easing of the social distancing restrictions and the resumption of operations by companies in a number of industries. Another driver was the weakening of the ruble in the first quarter. On the other hand, the effect of the temporary increase in demand for products bought in by households for the lockdown period was exhausted, being replaced by a longer-term disinflationary influence of the overall decline in demand. Furthermore, the acceleration of annual inflation was largely associated with the base effect, first of all in fruit and vegetable price trends.

Annual inflation rose by 0.19 pp, to 3.21% (Chart 1). The annual growth of prices for goods went up, and most considerably for food products, while the annual growth of service prices slowed down (Annex 1).

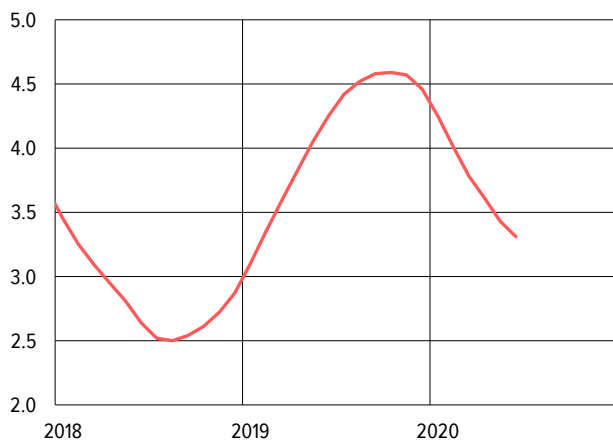
In June, annual inflation indicators reflecting the main price trends demonstrated a material influence of temporary factors. Core inflation (2.89%) and the annual growth of goods and service prices, excluding the main volatile and regulated components,<sup>1</sup> (3.19%) remained the same. The median of annual price growth rates changed only slightly (2.45%). Average annual

<sup>1</sup> Fruit and vegetables, petroleum products, and utility services.

## MOVING AVERAGE ANNUAL INFLATION

Chart 2

Average growth for 12 months, % YoY

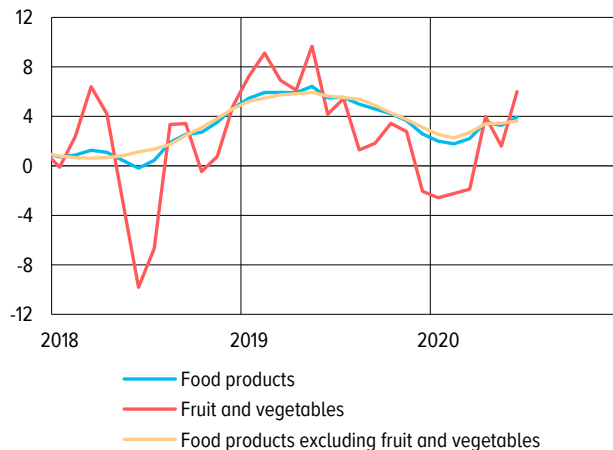


Sources: Rosstat, Bank of Russia calculations.

## FOOD PRICES

Chart 3

Growth, % YoY

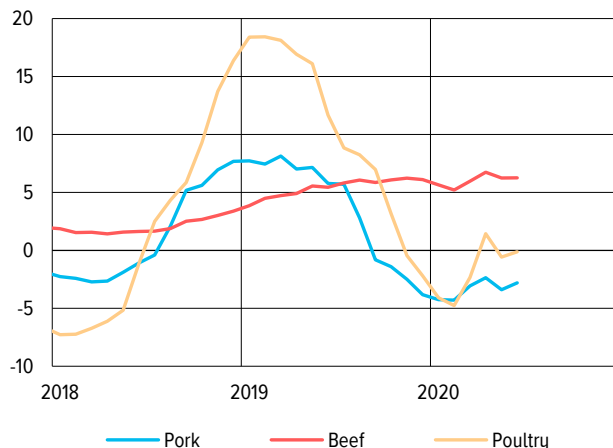


Source: Rosstat.

## PRICES FOR MEAT PRODUCTS

Chart 4

Growth, % YoY



Source: Rosstat.

inflation continued to go down, reaching 3.31% (Chart 2).

The monthly growth of prices (according to seasonally adjusted estimates; hereinafter, SA) decreased by 0.04 pp, to 0.25%, due to the reduction in service prices. The rise in food and non-food prices was mostly boosted by volatile components. The growth of prices for goods and services, excluding the main volatile and regulated components, slowed down again to 0.23% (SA), which is 0.18 pp less than in May (refer to Annex 2).<sup>2</sup>

## Food products

In June 2020, the monthly growth of food prices (SA) rose to 0.38% against 0.25% in May. As in April–May, current price movements were largely driven by changes in highly volatile fruit and vegetable prices. June's reduction in fruit and vegetable prices was much lower than in May, specifically 0.32% (SA) against 1.71% (SA). Therefore, their negative contribution to monthly inflation decreased. The monthly growth of prices for food products, excluding fruit and vegetables, remained the same (0.47% SA).

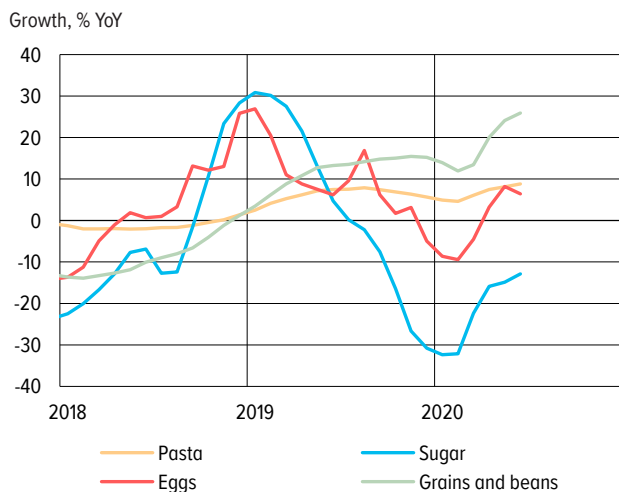
Annual food inflation rose by 0.68 pp, to reach 3.94% (Chart 3). This acceleration was mostly driven by the increase in the annual growth rate of fruit and vegetable prices (by 4.42 pp, to 6.01%). The main reason for this was last year's low base, since the earlier harvest in June 2019 caused an unusually large reduction in vegetable prices.

The annual growth of prices for food products, excluding fruit and vegetables, sped up by 0.17 pp, to equal 3.61%. Meat and poultry prices were the major driver of this rise: the annual growth in this product group rose by 0.42 pp in June, to reach 0.65% (Chart 4). The annual pace of changes in prices for pasta, cereals, and sugar went up (Chart 5). Contrastingly, the annual growth rates of prices for milk, dairy products, and eggs trended down.

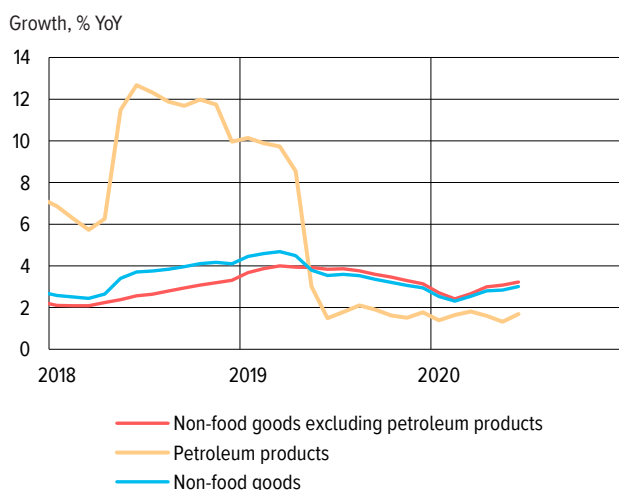
A high supply of food products in the Russian market will be the principal factor restricting

<sup>2</sup> Refer also to the charts showing current trends in prices for individual goods and service groups in 2020 as compared to 2017–2019 (not seasonally adjusted): the information bulletin [Consumer Price Indices](#).

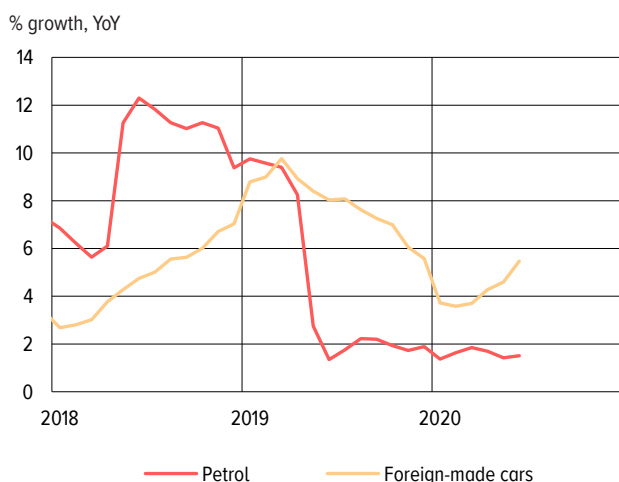
### PRICES FOR SUGAR, EGGS, GRAIN AND BEAN PRODUCTS Chart 5



### NON-FOOD PRICES Chart 6



### PRICES FOR PETROL AND FOREIGN-MADE CARS Chart 7



food inflation in the near future. Nonetheless, there may be month-over-month fluctuations in annual inflation associated with potential differences in the time of the new harvest supply in 2020 versus 2019. In addition, price volatility may depend on the quality of the harvest, since the ripening of a range of crops is being affected this year by adverse weather conditions.

### Non-food goods

In June, the monthly growth of non-food prices sped up by 0.13 pp, to equal 0.41% (SA). This acceleration was boosted by the increase in motor fuel prices. Prices for petrol and diesel fuel rose by 0.76% and 0.35% (SA), respectively, after their reduction in April–May by 0.19% and 0.51% (SA), respectively. Gas motor fuel became much more expensive, but due to its small share in the consumer basket its contribution to the increase in non-food prices was minor. The rise in motor fuel prices was pushed up by the surge in demand (as a result of the easing of the self-isolation restrictions and a gradual recovery of economic activity) which exceeded the expansion of supply that had slowed down over the lockdown period.

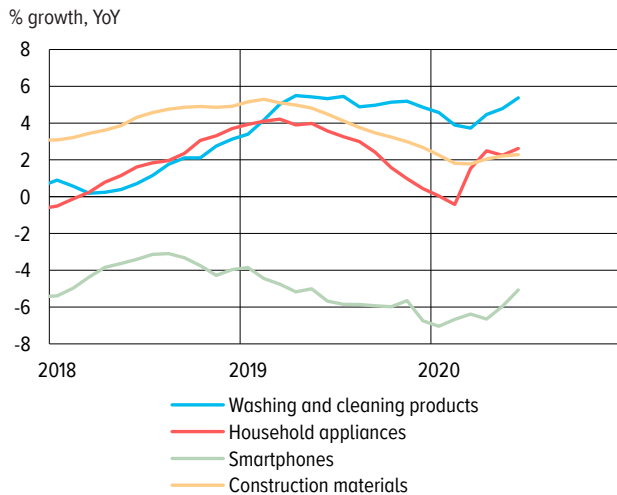
The monthly growth of prices for non-food goods, excluding petroleum products, remained the same as in May (0.33% SA).

The annual rise in non-food prices sped up by 0.17 pp, reaching 3.01% (Chart 6). This increase was primarily driven by the faster growth of prices for foreign-made cars, which continued to go up because of the ruble depreciation in the first quarter (Chart 7). Another major contributor was the rise in the annual growth of motor fuel prices (by 0.37 pp, to 1.69%). June recorded a slight acceleration in the growth of prices for multiple product groups, which was presumably associated with the effect of deferred demand (after the suspension of the sale of a whole range of non-food goods) and with the weakening of the ruble (Chart 8).

In the near future, non-food price trends will be influenced by competing factors. Proinflationary effect may be caused by a revival in retail, purchases postponed over the lockdown period, and the residual effects of the exchange rate pass-through. Generally weak

PRICES FOR INDIVIDUAL NON-FOOD GOODS

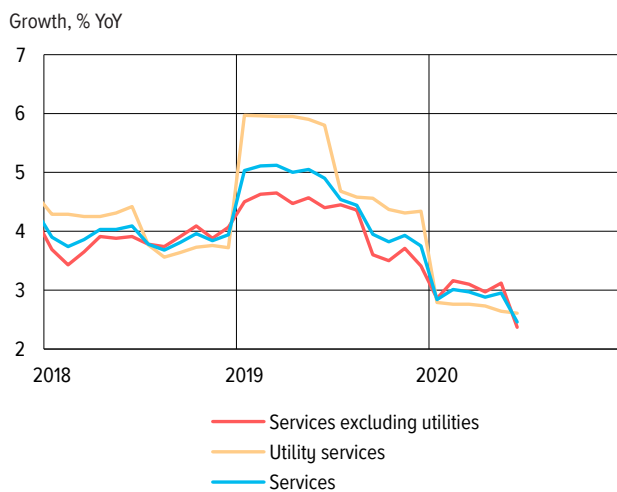
Chart 8



Sources: Rosstat, Bank of Russia calculations.

SERVICE PRICES

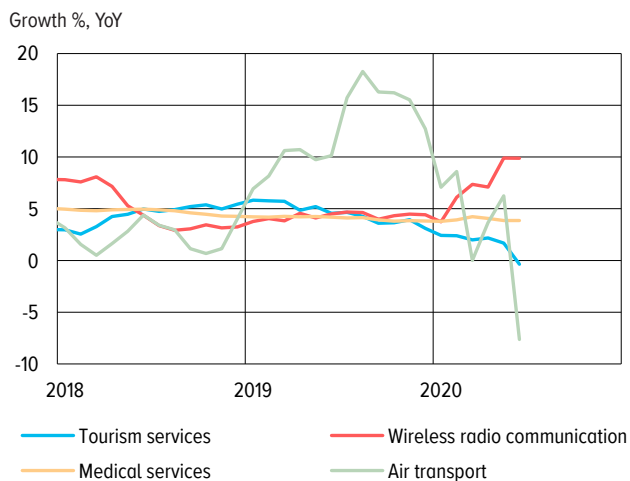
Chart 9



Sources: Rosstat, Bank of Russia calculations.

PRICES FOR CERTAIN SERVICES

Chart 10



Source: Rosstat.

consumer activity is expected to become the principal disinflationary factor.

## Services

In June 2020, service prices declined by 0.14% (SA), maintaining high volatility, which intensified following the suspension of a range of services in accordance with the social distancing requirements. June recorded a reduction in prices for services provided to households by companies working in the industries most affected by the coronavirus pandemic. Specifically, prices for passenger transportation services decreased by 2.16% (SA), which primarily resulted from a decline in air fares, prices for sanatorium and health services and overseas travels declined by 1.25–1.55% (SA), and for hotel services – by 0.15% (SA). As to other market segments, the price growth (SA) there remained low. Although enterprises were gradually resuming their operation, this did not cause any price spikes, apparently due to moderate consumer demand.

The annual growth of service prices slowed down by 0.49 pp, to 2.46%. The major drags were the trends in air fares and prices for domestic and overseas tourism services (Chart 10).

In the new future, the epidemiological situation in Russia and abroad and the pace of the cancellation of the social distancing restrictions will remain the major drivers of service price movements. Further ahead, moderate demand will be the determinant.

## Inflation in Russian regions

Annual inflation in a considerable part of Russian regions sped up in June 2020 against the previous month (68 regions accounting for approximately 78% in the CPI; Tables 1 and 2). The growth rates of food and non-food prices mostly increased, while services primarily showed a slowdown in price growth. Moreover, service prices were changing in the most diverse manner. The annual growth of service prices went down in the majority of Russian regions, compared to May (price growth slowed in 61 regions and accelerated in 20 regions).

Inflation trends in the majority of Russian regions were still largely determined by country-

## INFLATION IN FEDERAL DISTRICTS

Table 1

% YoY

	May 2020	June 2020	Price growth, June on May 2020
<b>Russia</b>	<b>3.02</b>	<b>3.21</b>	<b>0.19</b>
Central FD	2.83	3.07	0.24
North-Western FD	3.09	3.09	0.00
Southern FD	2.67	3.04	0.37
North Caucasian FD	3.35	3.81	0.46
Volga FD	3.07	3.33	0.26
Urals FD	2.92	2.82	-0.10
Siberian FD	3.40	3.43	0.03
Far Eastern FD	3.77	3.78	0.01

Sources: Rosstat, Bank of Russia calculations.

## INFLATION IN RUSSIAN REGIONS

Table 2

% YoY

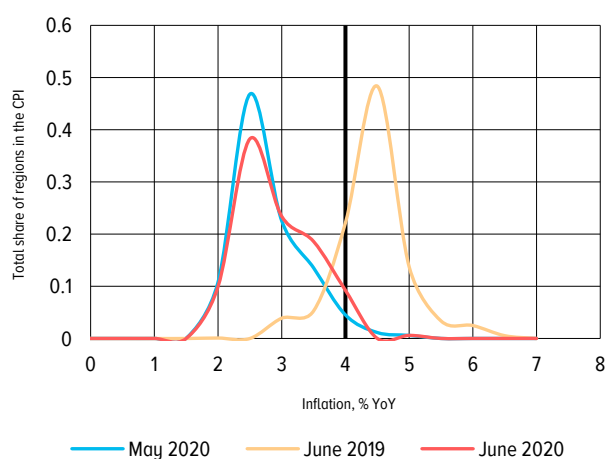
No.*		June 2019	May 2020	June 2020
<b>TOP-5 regions with highest inflation in June 2020</b>				
1(2)	Amur Region	5.65	5.44	5.29
2(1)	Jewish Autonomous Region	5.36	5.29	5.26
3(5)	Komi Republic	6.51	4.64	4.49
4(34)	Sakha Republic	4.10	3.30	4.44
5(6)	Voronezh Region	4.53	4.14	4.41
<b>TOP-5 regions with lowest inflation in June 2020</b>				
78(77)	Moscow Region	4.81	2.32	2.41
79(59)	Leningrad Region	4.14	2.76	2.40
80(70)	Republic of Crimea	5.42	2.42	2.31
81(82)	Chukotka Autonomous Area	4.55	1.64	2.26
82(80)	Kamchatka Territory	3.92	2.07	2.22

\* The values in brackets indicate the regions' positions in May 2020.

Sources: Rosstat, Bank of Russia calculations.

## CHANGES IN THE REGIONAL DISTRIBUTION OF INFLATION

Chart 11



Sources: Rosstat, Bank of Russia calculations.

wide factors, specifically the base effect in fruit and vegetable price movements and the rise in motor fuel prices resulting from increased demand. However, the influence of these factors was non-uniform across regions, including due to the differences in how they were lifting their quarantine restrictions. For instance, the North Caucasian Federal District was not cancelling its self-isolation restrictions almost until the end of June.

The impact of local factors intensified. Thus, June's rise in inflation in the Southern Federal District was mostly the result of the accelerated growth of food prices. The major contributor in the Rostov Region was the faster growth of prices for cereals and legumes associated with higher grain prices amid the dry weather in the region.

The regional heterogeneity of inflation slightly increased (Chart 11). Moreover, the group of regions where price growth rates were beneath Russian averages recorded a rise in inflation.

## Forecast

In the near future, prices in various product and service groups will be changing in a diverse manner. On the one hand, the improving epidemiological situation and the easing of the social distancing restrictions will boost economic activity. The resumption or expansion of the operation in the service sector and non-food retail may be followed by a temporary rise in prices, which will be associated with the effects of deferred demand and the ruble depreciation in the first quarter. On the other hand, as short-term proinflationary effects taper off, the disinflationary influence of sluggish domestic and external demand will be the dominating factor. As a result, the monthly consumer price index will remain decreased, with price movements across various product and service groups becoming more uniform. Nonetheless, annual inflation may gradually increase over the remainder of the year since the low readings recorded in 2019 H2 will be excluded from the inflation calculation.

## Annex 1

## CONSUMER PRICE DYNAMICS

(%)

	06.2019	07.2019	08.2019	09.2019	10.2019	11.2019	12.2019	01.2020	02.2020	03.2020	04.2020	05.2020	06.2020
Price growth, YoY:													
– all goods and services	4.66	4.58	4.31	3.99	3.75	3.53	3.04	2.42	2.31	2.54	3.09	3.02	3.21
– food products	5.50	5.53	4.98	4.60	4.21	3.65	2.58	1.99	1.77	2.20	3.52	3.26	3.94
of which: fruit and vegetables	4.17	5.43	1.28	1.83	3.43	2.76	-2.05	-2.58	-2.23	-1.89	3.98	1.59	6.01
– non-food goods	3.54	3.59	3.53	3.35	3.21	3.06	2.95	2.53	2.31	2.54	2.80	2.84	3.01
– services	4.90	4.54	4.44	3.95	3.82	3.93	3.75	2.84	3.01	2.97	2.88	2.95	2.46
Core inflation, YoY	4.56	4.48	4.29	3.96	3.68	3.48	3.13	2.66	2.40	2.61	2.86	2.85	2.89
Median of price growth distribution, YoY	4.54	4.17	4.09	3.94	3.65	3.49	3.27	2.50	2.44	2.42	2.49	2.43	2.43
Average annual inflation	4.25	4.42	4.52	4.58	4.59	4.57	4.46	4.25	4.01	3.78	3.61	3.43	3.31
Price growth, MoM:													
– all goods and services	0.04	0.20	-0.24	-0.16	0.13	0.28	0.36	0.40	0.33	0.55	0.83	0.27	0.22
– food products	-0.48	-0.30	-0.91	-0.44	0.18	0.45	0.65	0.69	0.57	0.96	1.72	0.16	0.17
of which: fruit and vegetables	-4.49	-3.94	-10.07	-6.30	0.44	2.73	3.84	5.73	5.31	2.50	7.89	-0.37	-0.34
– non-food goods	0.17	0.17	0.17	0.19	0.31	0.23	0.14	0.23	0.04	0.48	0.44	0.25	0.34
– services	0.60	0.93	0.18	-0.23	-0.18	0.11	0.24	0.24	0.37	0.09	0.12	0.46	0.12
Price growth, MoM (SA)													
– all goods and services	0.07	0.07	0.24	0.16	0.16	0.20	0.09	0.18	0.22	0.48	0.77	0.29	0.25
– food products	-0.28	0.31	0.29	0.19	0.02	0.11	-0.05	0.03	0.17	0.66	1.44	0.25	0.38
of which: fruit and vegetables	-4.55	0.70	0.91	0.21	-0.03	-0.03	-0.94	-0.13	1.49	0.60	5.29	-1.71	-0.32
– non-food goods	0.25	0.25	0.16	0.09	0.20	0.16	0.17	0.26	0.07	0.46	0.47	0.28	0.41
– services	0.34	-0.48	0.28	0.19	0.28	0.38	0.20	0.29	0.47	0.27	0.26	0.38	-0.14

Sources: Rosstat, Bank of Russia calculations.

## Annex 2

ALL GOODS AND SERVICES  
(%)

Chart 1

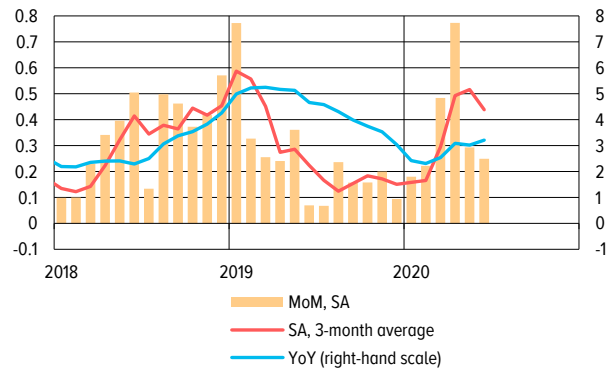
ALL GOODS AND SERVICES EXCLUDING FRUIT  
AND VEGETABLES, PETROLEUM PRODUCTS  
AND UTILITIES (%)

Chart 5

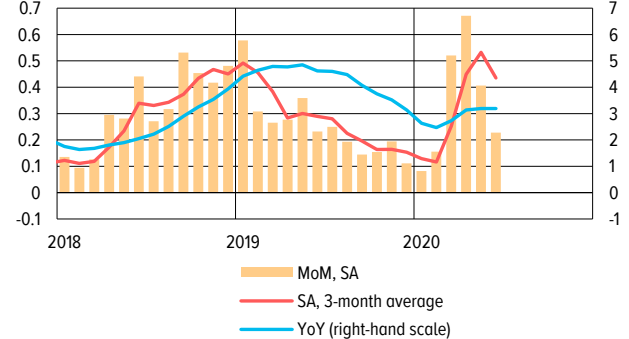
FOOD PRODUCTS  
(%)

Chart 2

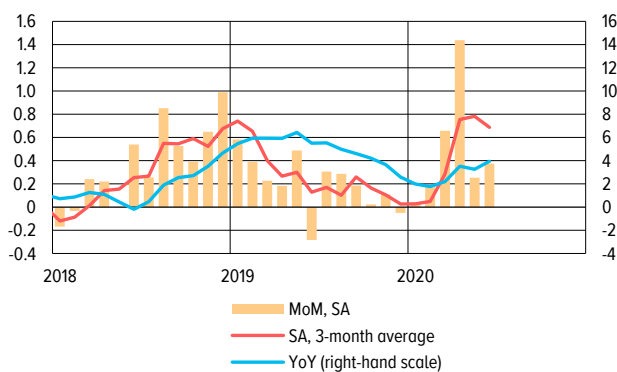
FOOD PRODUCTS EXCLUDING FRUIT  
AND VEGETABLES

Chart 6

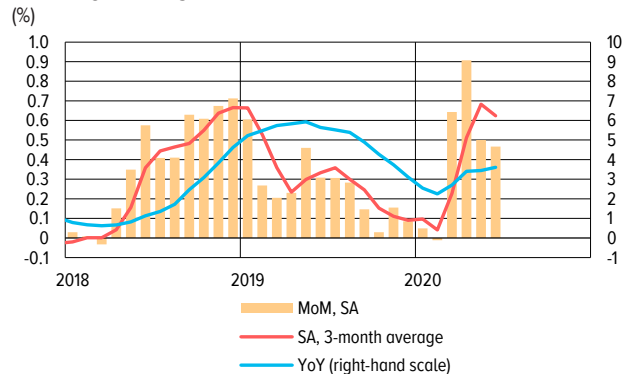
NON-FOOD GOODS  
(%)

Chart 3

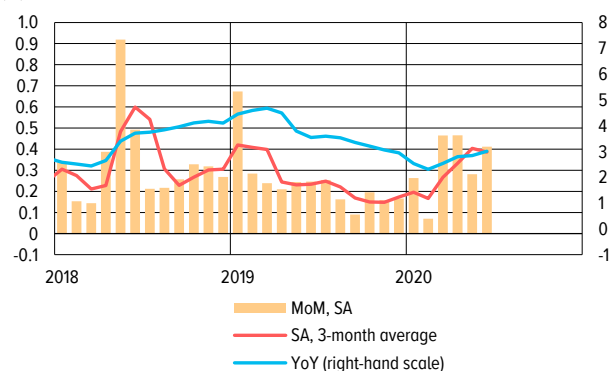
NON-FOOD GOODS EXCLUDING PETROLEUM  
PRODUCTS

Chart 7

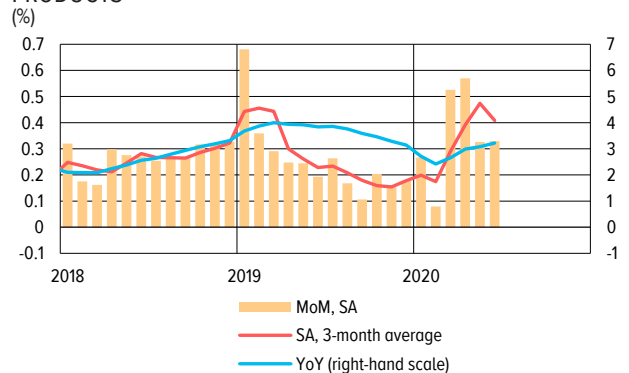
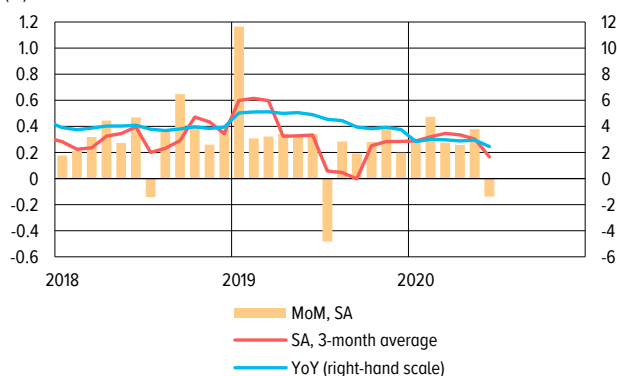
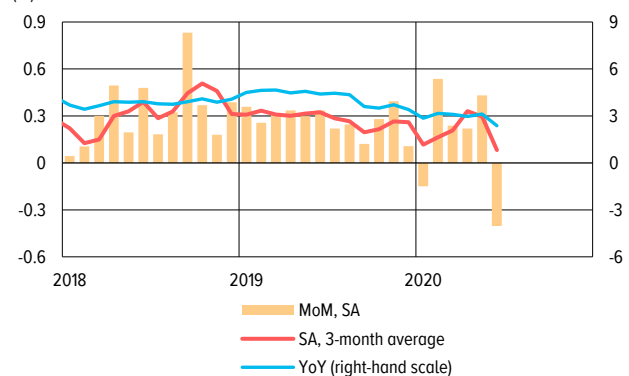
SERVICES  
(%)

Chart 4



SERVICES EXCLUDING UTILITIES

Chart 8





Data cut-off date – 09.07.2020.

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](mailto:svc_analysis@cbr.ru).

This commentary was prepared by the Monetary Policy Department.

Cover photo: S. Glazunov, Bank of Russia

12 Neglinnaya Street, 107016 Moscow

Bank of Russia website: [www.cbr.ru](http://www.cbr.ru)

© Central Bank of the Russian Federation 2020