



Bank of Russia



TALKING TRENDS
Economy and markets

Research and Forecasting Department Bulletin

MARCH 2025

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The Research and Forecasting Department prepared this bulletin based on data as of 07.03.2025.

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

- The Russian economy continued to grow in early 2025. Consumer demand remained strong, despite a further slowdown in retail lending and a high savings ratio. Another temporary driver of demand was the rescheduling of payments of annual bonuses and incentives from 2025 Q1 to the end of 2024. This shift contributed to the persistence of the high growth rate of consumer prices. So far, it has decreased only slightly from the monthly peaks of November–December 2024 (seasonally adjusted). To bring inflation back to a sustainably low level, monetary conditions should remain tight for an extended period. Fiscal policy normalisation with the return to fiscal rule-based expenditure budgeting this year will also be a major contributor to the deceleration of inflation. This will mostly translate into price trends in the next few months since, at the beginning of the year, the budget system was making advance payments under government orders more actively than usual.
 - In February 2025, the growth rate of consumer prices edged down. A gradual slowdown of the increase in money supply will ensure a more pronounced downward trend in consumer prices and a subsequent decline in annual inflation in the next quarters.
 - The dynamics of economic activity, specifically the consumer segment, are sustainably positive. Rapidly growing labour incomes still support the increase in both consumption and savings, even despite a slowdown in retail lending. However, according to surveys and analytical indicators, trends across industries are more diverse.
 - In January–February 2025, the ruble strengthened owing to favourable seasonal and geopolitical factors. The latter increased investors' optimism and pushed up asset prices in the Russian securities market. This implies a certain easing of price components of monetary conditions compared to November–December 2024.

1. Inflation

Fast consumer price growth continued in January–February. Although price rises somewhat slowed relative to November and December, the sustainability of further inflation slowdown is so far an open question. Demand is still strong in the economy, despite lending growth deceleration. Money supply continues to expand at a fast pace, resulting from a joint contribution of credit and budget deficit to its growth.

1.1. Price growth deceleration at the start of the year: first steps on a long road?

- Seasonally adjusted consumer price growth slowed at the start of the year, remaining, however, very fast at approximately 10% in annualised terms.
- The majority of analytical indicators portraying stubborn price pressure edged down in January relative to late last year. That said, some indicators even rose. For inflation to be brought back to 4%, tight monetary stance will need to be maintained for an extended period.

Consumer price growth slowed to 10.7% MoM SAAR in January from 14.0% MoM SAAR in December¹. Price movements were mixed across enlarged components. The pace of price rises slowed almost by half in the goods segment but resumed acceleration in services, reaching November's level after a slowdown in December. Annual inflation went up to 9.92% from 9.52% in December (Table 1).

Overall, analytical indicators show some easing of persistent inflationary pressure relative to the end of the year. The mean of modified core inflation estimates declined in January. Median price growth also slowed to 7.5% from 8.0% in annualised terms in December (Figure 4). The total weight of items rising in price at an accelerated pace contracted (Figure 5). The trend inflation estimate, by contrast, went up to 9.46% from 9.20% in December. The analytical decomposition of price rises² bears out a drop in the contribution of demand to price growth at the start of 2025 after its rise in Q4. The total input of supply-side factors, meanwhile, also slightly declined (Figure 8).

¹ Starting January, Rosstat estimates use updated shares of goods and services in the structure of consumer spending. The updated basket is comprised of 556 items after 566 last year.

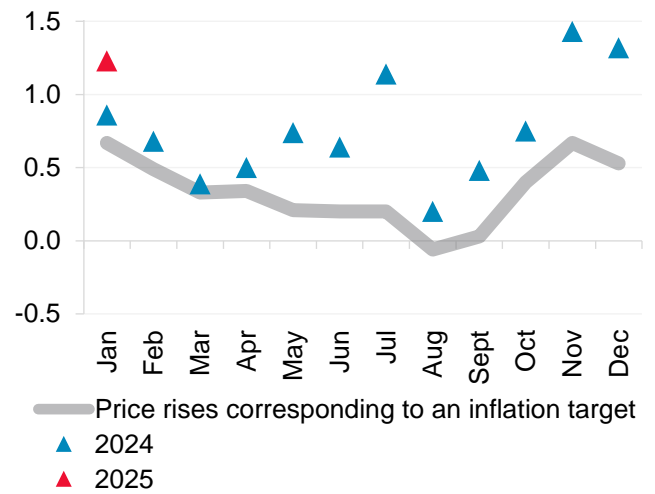
² Sheremirov V. (2022). Are the Demand and Supply Channels of Inflation Persistent? Evidence from a Novel Decomposition of PCE Inflation. Federal Reserve Bank of Boston Current Policy Perspectives. November 4, 2022.

Table 1. Inflation and its components

	Jan. 2023	Jan. 2024	Nov. 2024	Dec. 2024	Jan. 2025
% YoY					
All goods and services	11.8	7.4	8.9	9.5	9.9
Core inflation	13.7	7.2	8.3	8.9	9.3
Food	10.2	8.1	9.8	11.1	11.1
Non-food goods	12.2	6.2	5.7	6.1	6.1
Services	13.5	8.1	11.4	11.5	13.0
% MoM SAAR					
All goods and services	6.8	6.8	13.7	14.0	10.7
Core inflation	2.6	6.3	11.9	14.5	11.0
Food	7.7	6.8	21.1	22.5	7.6
- net of fruit and vegetables	0.7	5.3	14.0	19.3	14.3
Non-food goods	2.8	6.1	5.7	10.3	5.4
- net of refined petroleum products	3.1	6.1	4.3	9.2	5.2
Services	11.3	7.5	14.0	7.7	22.1
- net of housing and communal services	9.6	10.0	20.2	9.5	21.6

Sources: Rosstat, R&F Department estimates.

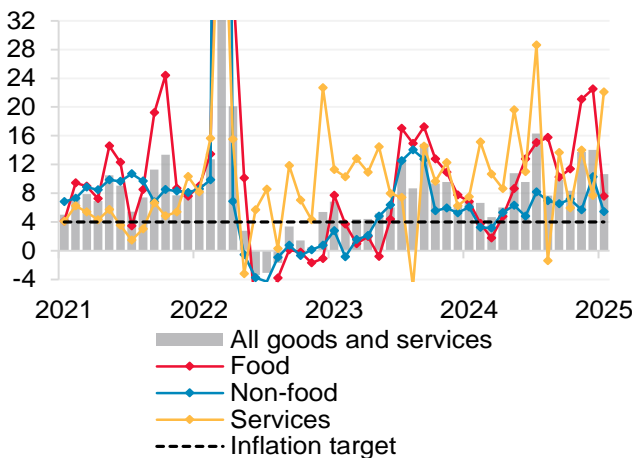
Figure 1. Price growth corresponding to an inflation rate of 4% MoM



Sources: Rosstat, R&F Department estimates.

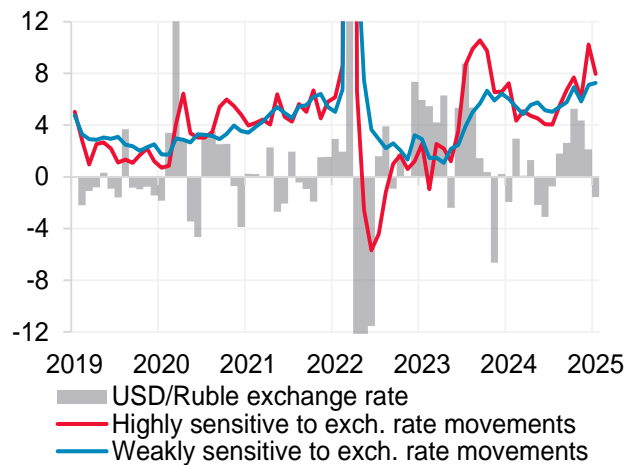
The food segment provided the largest contribution to January’s slowdown in overall price growth. Food price rises slowed to 7.6% MoM SAAR from 22.5% MoM SAAR (Figure 2), driven to a large degree by a much slower pace of fruit and vegetable price growth than seasonally normal after an accelerated growth rate in the preceding two months. Growth in other food also slowed to 14.3% MoM SAAR from 19.3% MoM SAAR in December. The pace of price rises in the foods of animal origin (meat, fish, dairy products) also slowed, but remained fast, demand still being a key factor behind this. In addition, meat products are showing a [consumption structure shift towards more expensive meats \(turkey and beef\)](#). To expand meat and milk supply, Russia’s agriculture ministry is planning to implement, as of this year, new measures to support cow owners through [reimbursing their selection expenses](#).

Figure 2. Seasonally adjusted price growth, % MoM SAAR



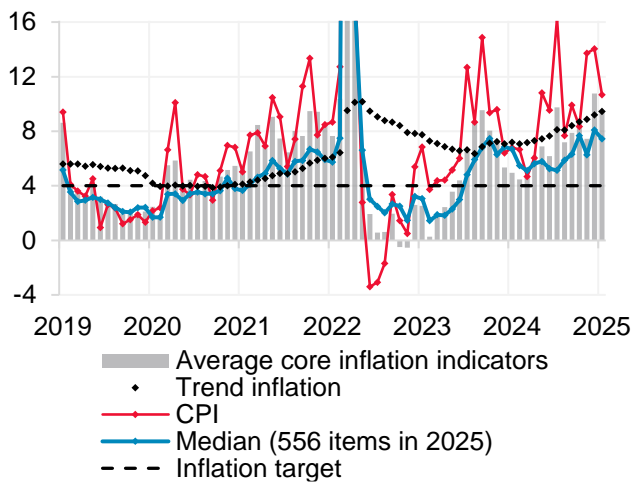
Sources: Rosstat, R&F Department estimates.

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



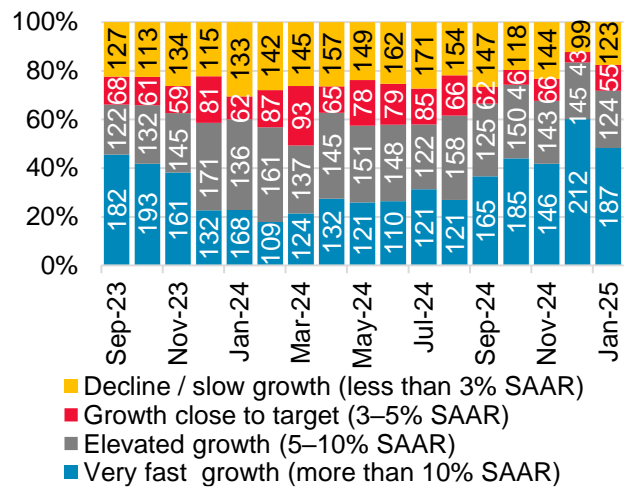
Sources: Bank of Russia, Rosstat, R&F Department estimates.

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. Aggregate weight of goods and services* distributed based on seasonally adjusted price growth



* Net of fruit and vegetables and regulated services. Note: The figures represent the number of items. Sources: Rosstat, R&F Department estimates.

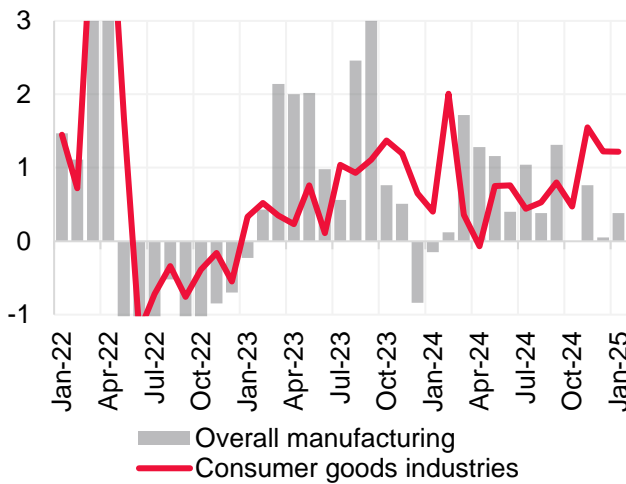
The non-food segment saw price growth slow to 5.4% MoM SAAR from 10.3% MoM SAAR in December. This may in part be owed to the pass-through of ruble strengthening to prices. The pass-through effect will likely strengthen if ruble appreciation proves to be sustainable. The median of price growth in goods highly sensitive to exchange rate movements declined after its peak in December, but stayed above that for goods weakly sensitive to the exchange rate (Figure 3).

Services saw price growth accelerating sharply to 21.1% MoM SAAR from 7.7% MoM SAAR in December, largely fuelled by one-off factors in the regulated services segment: [price rises in some housing and communal services](#), indexation of public transport fares, hikes in the prices of regional notary services and stamp duty on the re-issuance of documents at civil registration offices. There was an acceleration in tourist services price rises, driven by domestic tourism³. But net of tourism and transport, services prices growth was still dramatic at 20.2% versus 7.1% in December.

The pace of producer price growth in the consumer goods industries of the manufacturing sector was all but unchanged in January (Figure 6). This is also true of companies' price expectations but they notably fell in February (Figure 7). [February also saw household inflation expectations drop](#) for the first time since September 2024. Both the former and latter, however, remain high, amplifying the inertia of persistent price growth. The consumer sentiment index continued to rise: both respondents' perceptions of their current financial position and their expectations went up.

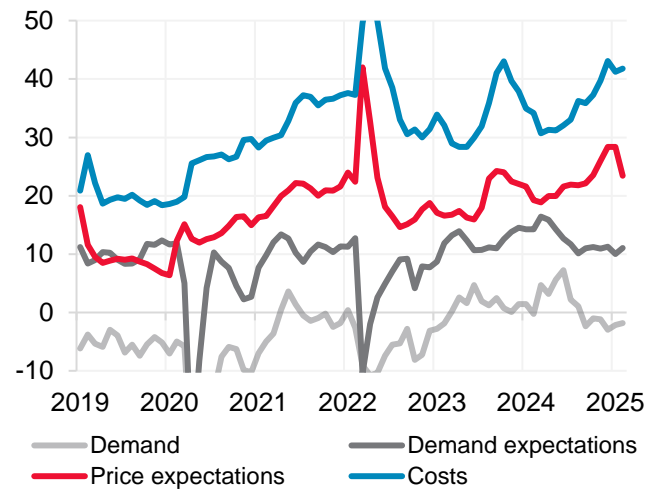
³ Tourism services continue to show substantial volatility on the back of seasonality changes.

Figure 6. PPI in manufacturing, % MoM



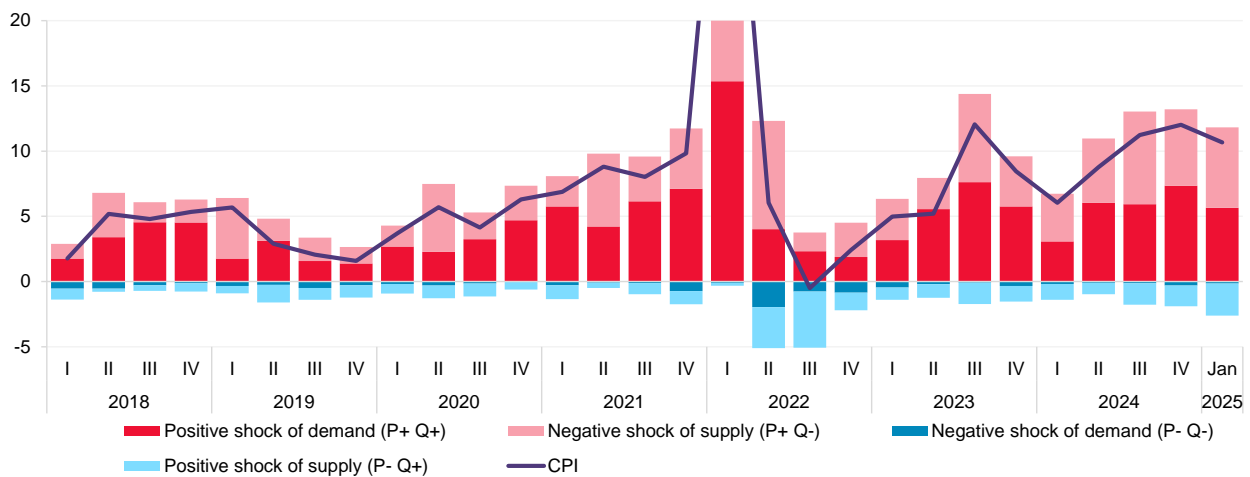
Sources: Rosstat, R&F Department estimates.

Figure 7. Business monitoring data for, points, SA



Source: Bank of Russia.

Figure 8. Price growth decomposition, % QoQ SAAR



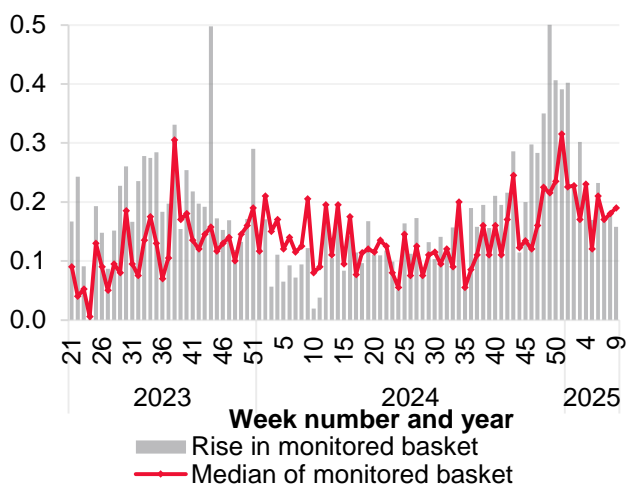
* The diagram uses Rosstat data on CPI and retail sales (in physical terms) for 45 categories of goods and services with a total weight of more than 80% of the consumer basket. The idea of the method is based on the baseline model of aggregate demand and supply: if changes in price (P) and volume of 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 assumed to be the shift of the demand curve. Unlike the key method of the source paper, trend removal is not conducted. Sources: Rosstat, R&F Department estimates.

Seasonally adjusted price growth calculated from weekly data somewhat slowed in February relative to January. The median of price growth distribution in February continues to slide from its year-end peak (Figure 9). Price growth in enlarged categories is slowing (Figure 10). The food segment posted price growth slowdown in meat products, eggs prices declined. It appears from the performance of individual components that price rise deceleration in the non-food segment was increasingly driven by ruble appreciation. The slowdown in prices for services is explained by the gradual expiry of the regulated services indexation period. The pace of price growth in other services remains accelerated.

February's preliminary statistics show signs of an emerging trend towards a price growth slowdown. But the sustainability of a disinflationary trend required for inflation to return to 4%

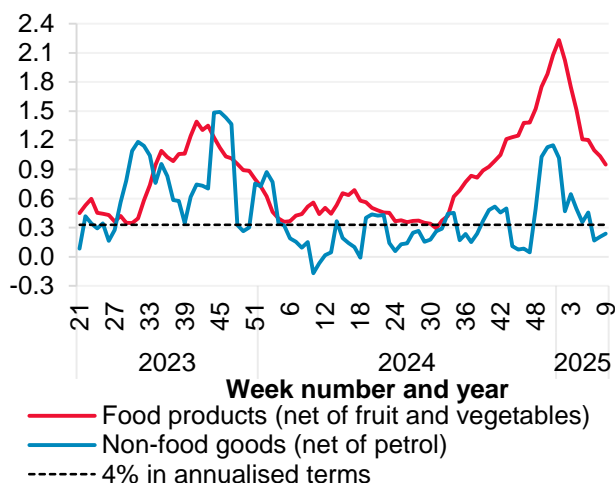
needs to be borne out by a clearer slowdown of the current price growth rate. This calls for a more moderate rate of consumer activity expansion along with a faster rise in labour productivity than real wage growth.

Figure 9. Price growth and median distribution of weekly price increases, %



* Net of fruit and vegetables and regulated services.
Sources: Rosstat, R&F Department estimates.

Figure 10. Four-week rolling price growth, %



Source: Rosstat, R&F Department estimates.

2. Economic performance

The growth impetus which the Russian economy received in late 2024, continued into January. This is evidenced by statistical data, real-time indicators and polls, although they are at times mixed and ambiguous.

A wage growth surge in December on the back of bonus payments, in, above all, mining and quarrying and the financial sector, spurred consumer demand and savings. Ruble strengthening driven by favourable seasonal factors and rising expectations of geopolitical easing further helped consumer sentiment improve.

Against this background, the cooling of retail lending so far did not have a notable effect on consumer activity. In the corporate segment, growth in ruble lending and other claims on firms also significantly slowed. This data is, however, so far distorted by large-scale advance budget transfers which are in part used to repay earlier loans. Moreover, contraction in claims on firms in January–February generally fits in the seasonal trajectory for this month over the past seven years, especially in the 2017–2019 period of low inflation.

Going forward, one can expect a gradual cyclical slowdown in Russia's economic growth, dragged down by a reduction in the contribution of credit and the budget to aggregate demand expansion. The impact of the return to the fiscal rule parameters in 2025 will make itself fully felt in the coming months as the pace of funds spending returns to its seasonal norm. That said, statistical data released require accurate interpretation – because of an extra calendar

day in February of the leap year 2024, annual growth across a wide range of output and demand indicators in physical terms will be substantially underestimated (the reverse effect of the leap year).

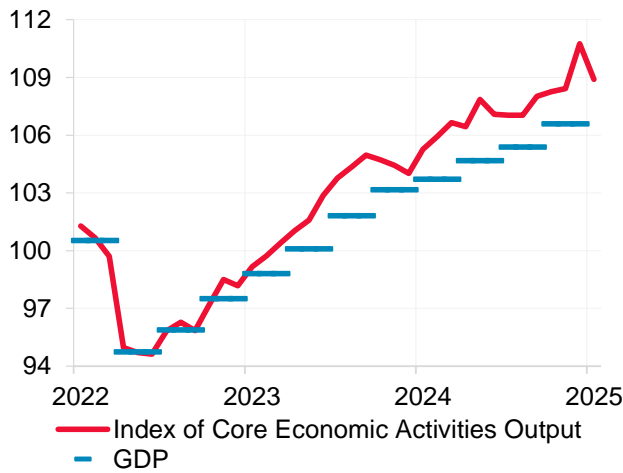
2.1. Consumer demand supported economic growth early in the year

- December's statistics showed significant output growth in core industries. Based on Rosstat's first estimate of GDP for the year, this came as a key factor behind substantial acceleration in seasonally adjusted GDP growth in Q4 (Figure 11).
- January 2025 saw core industries' output fall from a very high level⁴ of late 2024, dragged down chiefly by the industrial sector's performance. At the same time, [incoming payments growth in all enlarged groups of industries shown by the Bank of Russia's payment system](#) (Figure 13) was very strong in January and February, while February's survey-based data were mixed. All this indicates that that activity cooling is so far seen in some industries but is not sustainable on the level of the economy at large. That said, the high base of (leap) February 2024 will result in an underestimation of many annual indicators of economic activity for February 2025. Advanced software-based methods enable estimates to be adjusted for both the number of days and the seasonal factor. It is, therefore, appropriate to use monthly indicators adjusted in such a manner (MoM SA) for accurate estimation of economic performance.
- Sharp acceleration of real wage growth in December (11.3% YoY, 4.9% MoM SA) is largely owed to earlier than usual bonus payments in a number of industries ahead of an upward shift of the personal income tax scale. This factor may have, in part, driven a consumer demand rise late in 2024 – early in 2025 but is, overall, temporary, because the bonus payments were just moved from the more traditional February–March period. We estimate that month-on-month real wage growth in December adjusted for the earlier than usual bonus payments would have been close to November's rate of 0.4% MoM SA.
- The labour market situation remains tight. At the same time, survey-based indicators and data from recruiters (the HeadHunter index) show signs of gradual cooling of the situation: firms' hiring and wage raising plans are being revised down (Figure 18), the CVs to vacancies ratio is rising, with the number of vacancies falling.
- The upward trend in industries meeting consumer demand (manufacture of food products, tobacco products, pharmaceutical products and preparations, motor vehicles, electronic products and household appliances) remains sustainable. The rate of output expansion in this group of industries was comparable with that of consumer activity, which continued to grow confidently late in 2024 – early in 2025. At the same time, household consumption rise in recent months somewhat slowed relative to its pace throughout most of 2024 (Figure 16). According to our estimate, a rise in the savings ratio continued late in 2024 amid the Bank of Russia's monetary policy (Figure 19). An important prerequisite

⁴ Still, January's output came in 0.5% SA higher than that in November.

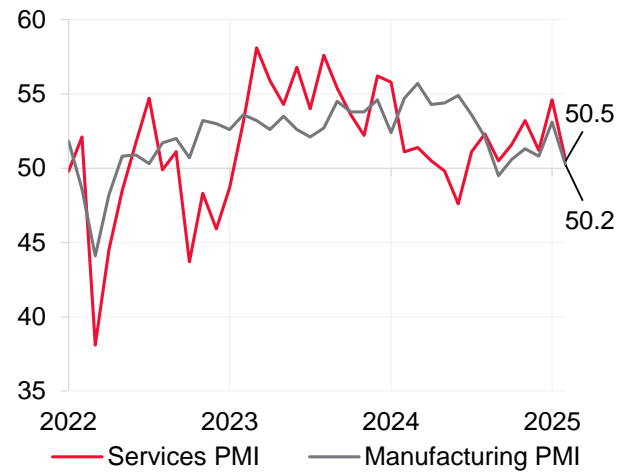
for easing inflationary pressure is gradual narrowing of the gap between wage growth and a rise in labour productivity. Overall, the achieved level of monetary stance tightness seems to be already paving the way for slowing demand and deploying disinflationary processes required for bringing inflation back to 4%.

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



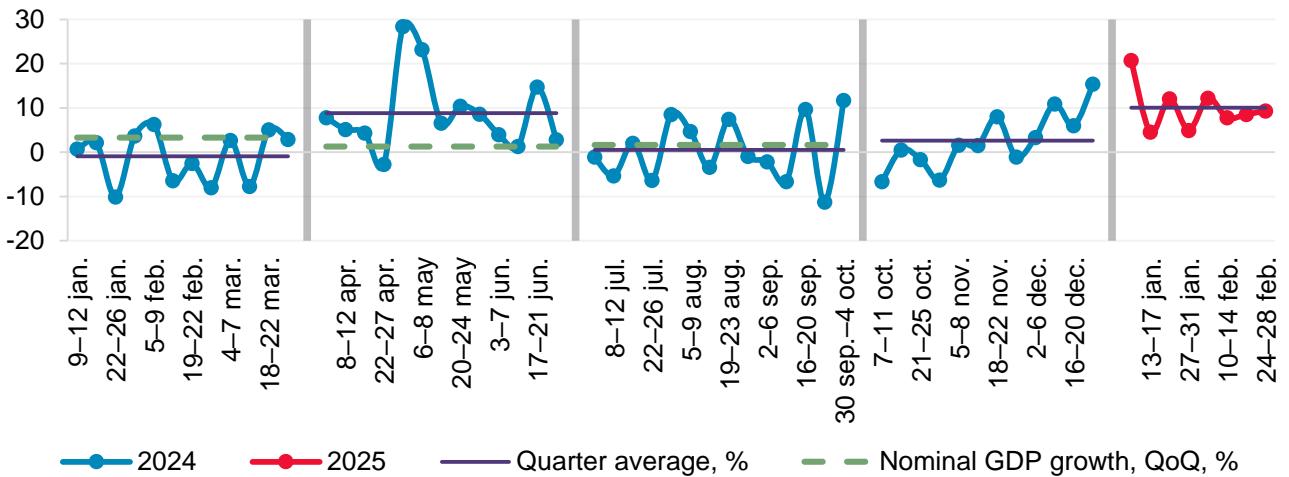
Sources: Rosstat, R&F Department estimates.

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



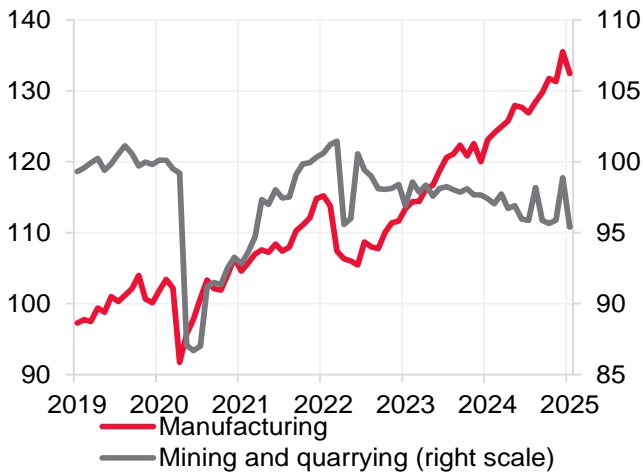
Source: S&P Global.

Figure 13. Incoming payments growth relative to the previous quarter average weighted by industries', shares in gross value added, seasonally adjusted, %



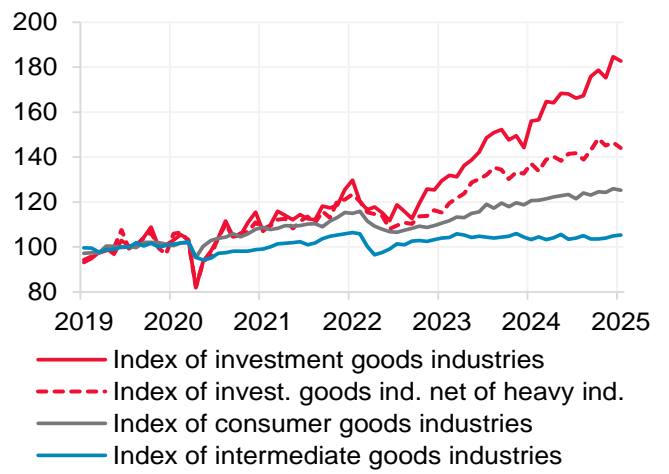
Sources: Bank of Russia, Monitoring of individual industries' financial flows.

Figure 14. Mining and quarrying and manufacturing indices (2019 = 100), SA



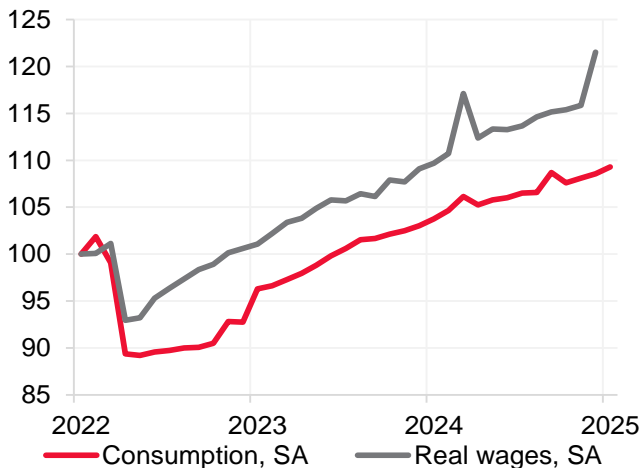
Sources: Rosstat, R&F Department estimates.

Figure 15. Output in groups of manufacturing industries, SA, 2019 = 100%



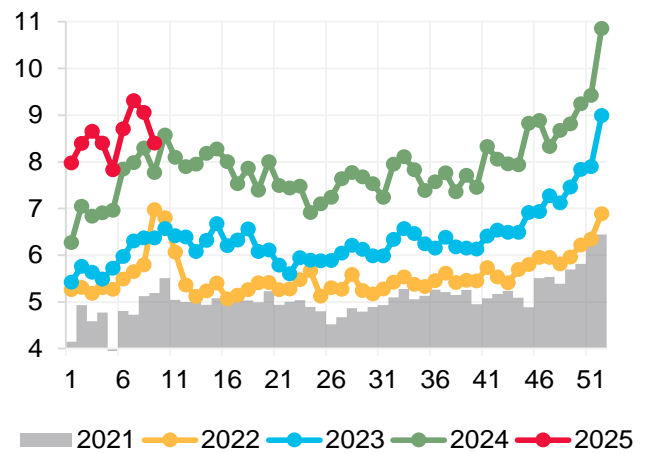
Sources: Rosstat, R&F Department estimates.

Figure 16. Proxy indicator for consumption (sum of retail, services and public food services sales) and real wages, 01.2019=100, SA, %



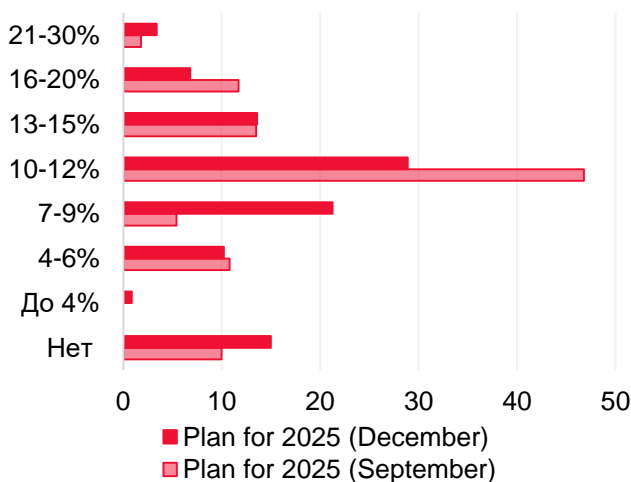
Sources: Rosstat, Bank of Russia, R&F Department estimates.

Figure 17. Weekly nominal household expenditures, thsd rub.



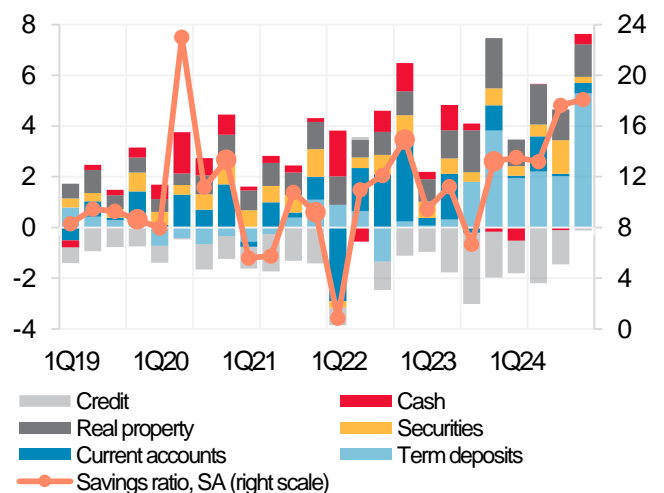
Source: Romir.

Figure 18 “Are you planning to raise salaries in 2025? By how much?”



Source: Antal Talent.

Figure 19. Savings components (trillion rubles) and savings ratio



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

2.2. Lending slowdown in January–February

- Lending performance continues to have a restraining effect on demand: the credit impulse⁵ kept declining in both the retail and corporate segments in January (Figure 20). The bank loan portfolio is, meanwhile, growing. This means that credit buttresses demand, although much less than in previous years.
- The slowdown of lending growth, especially in the corporate segment, is so far hard to describe as sustainable. Loan demand may have fallen in December–January on the back of buoyant advancing of budget funds for government contracts. As a result, a drop in the contribution of lending growth to broad money supply M2X was offset by a rise in the budget's input. Money supply M2X expansion (net of foreign exchange revaluation) accelerated to 15.5% YoY in January from 15.0 YoY⁶ in December (Figure 21), but, [according to an estimate](#), slowed again in February to 15.3% YoY. This rate of money supply growth is faster than a pace which would help an inflation slowdown and its return to target.
- Companies which received funds under government contracts were [dynamically repaying their debt to banks](#). As a result, growth in ruble lending to non-financial companies slowed to 0.1% MoM SA in January from 1.8% MoM SA in December.⁷ This is far below the rate of growth in H2 2024 (an average of 2.0% MoM SA). Whether the current monetary stance is sufficiently tight for a sustainable slowdown of corporate lending to the rate of growth agreeing with a subsequent return of inflation to 4% is impossible to estimate earlier than March–April. i.e., months which are much less liable to the seasonality of budget flows than December–February.
- Growth slowdown was much more marked and sustainable in the retail segment. The ruble retail portfolio continued to slide in January, contracting 0.2% MoM SA after a fall of 0.04 MoM SA in December⁸ (Figure 22). That said, the portfolio contraction concentrated in the segment of unsecured consumer loans, especially those in cash.
- The mortgage loan segment saw a fall in the amount of early loan repayment. It does not make sense for borrowers to early repay loans extended under subsidised lending programmes if deposit rates are high. As a result, the segment still saw a slight portfolio rise of 0.6% MoM SA in January after 0.2% MoM SA⁹ in December, (Figure 23), despite a significant fall in the number of new mortgage loans, down 53% YoY, especially those at market rates (down 73% YoY). Indeed, a total of new mortgage loans dropped to the lowest level, below that in the spring of 2022.

⁵ Calculated as a sum of absolute loan portfolio increases (adjusted for foreign exchange revaluation) for the rolling year and a similar indicator for the previous year. Then the difference between the above indicators is divided by GDP for the previous rolling year.

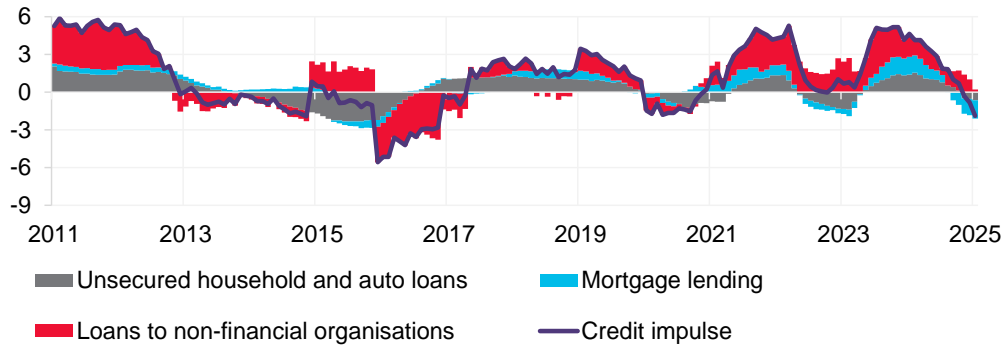
⁶ Based on an R&F Department estimate, monthly M2X growth in January adjusted for foreign exchange revaluation accelerated to 1.6% MoM SA in January from a Q4 average of 1.1% MoM SA. .

⁷ That said, the foreign currency corporate loan portfolio started to inch up in January, somewhat mitigating a slide in the portfolio's ruble portion.

⁸ Adjusted for securitisation.

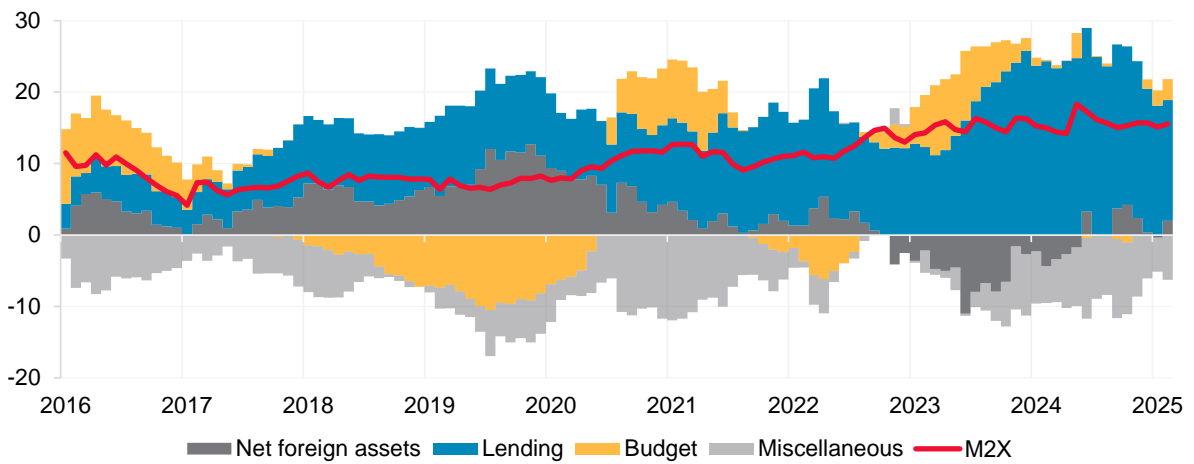
⁹ Including acquired rights of claim adjusted for securitisation.

Figure 20. Credit impulse, % of GDP



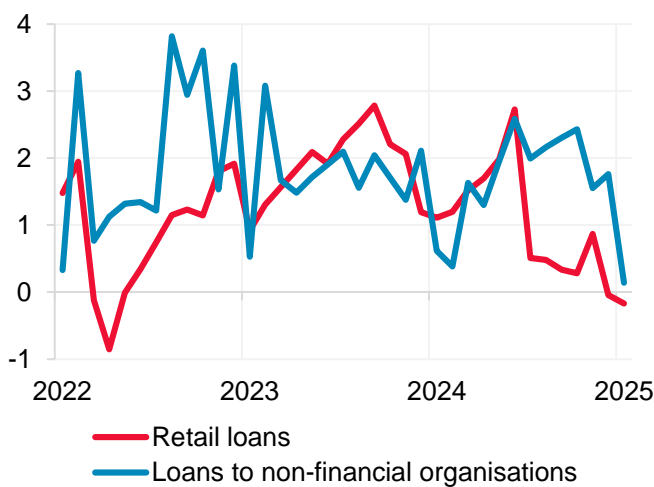
Sources: Bank of Russia, R&F Department estimates.

Figure 21. Key drivers of annual growth in broad money supply on the asset side, %



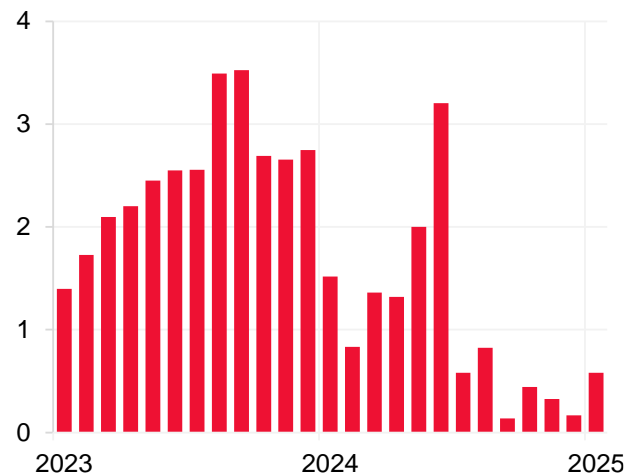
Sources: Bank of Russia, R&F Department estimates.

Figure 22. Ruble loans portfolio growth (adjusted for the securitisation transactions), % MoM SA



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

Figure 23. Ruble mortgage loan debt, adjusted for acquired rights of claim¹⁰, % MoM SA



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

¹⁰ Adjusted for securitisation.

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