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The Research and Forecasting Department prepared this bulletin based on data as of 10 April 2026. 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

- In 2026 Q1, the Russian economy cooled, as expected, which was partly attributable to the front-loading of purchases in 2025 Q4 and businesses' and consumers' adaptation to tax modifications. February statistics suggest that the decline in demand at the beginning of the year is likely only temporary. However, price dynamics, including underlying components, remained elevated in February–March 2026, with inflation expectations staying high. The deceleration in current price growth to 4% in annualised terms has not happened so far, while the armed conflict in the Middle East involves proinflationary risks to the entire world economy, which should be factored in alongside the rise in prices for Russian exports.
 - In March 2026, annual inflation barely changed (5.9% YoY). To ensure further disinflation, current price growth rates (seasonally adjusted) should drop to 4% and lower in the next few months. Price growth is still notably driven by supply-side factors, whereas the proinflationary pressure of demand-side factors has weakened. According to January data, the growth rate of real wages remains significantly higher than that of labour productivity. On the one hand, this suggests that consumption will resume an upward trend, while on the other hand, ensuring sustainably low inflation requires a smaller gap between the growth rate of wages and that of labour productivity.
 - The Russian economy is gradually adapting to the tax modifications. According to statistics, key industries returned to sequential growth. However, dynamics across industries were extremely heterogeneous: the groups of investment-demand industries demonstrated growth, while the groups of public-demand and export-oriented industries saw a further decline. Surveys and leading indicators for March 2026 confirm that the situation remains highly heterogeneous. The consumer segment recorded a notable revival in the second half of 2026 Q1.
 - In March–early April 2026, the trends in Russian financial markets were determined by three factors: expectations of a further gradual easing of monetary policy, growth in prices for most export commodities, and the announced resumption of fiscal rule-based foreign exchange transactions from July 2026. The yield curve of federal government bonds steepened, including because of higher yields on long-term bonds.

In focus. How the Middle East conflict may affect inflation in Russia

- The escalation in the Middle East has provoked a surge in prices for many commodities exported by Russia. An increase in exports, all else being equal, has a disinflationary effect inside the exporting country as its national currency strengthens amid growing sales of export earnings.
- However, as for the Russian economy, we expect that the change in external conditions might entail both disinflationary and proinflationary effects. This impact might manifest

itself through growth in domestic prices for exports, higher import prices pushed up by rising logistics costs and disruptions in global supply chains, and a number of other channels. The magnitude and duration of these effects and their implications for inflation in Russia strongly depend on the persistence of the Persian Gulf conflict and the size of irrecoverable production and logistics losses.

- High uncertainty makes it hard to quantify the overall effect of proinflationary and disinflationary factors on price dynamics, especially taking into account that they will have different time lags. Almost all proinflationary factors that we identified are of a temporary / one-off nature. Nevertheless, when making monetary policy decisions, it is crucial to timely identify and take into account the expected second-round effects of these factors on consumer prices.

1. Inflation

In February–March consumer price growth decelerated, as expected, after its January spike associated with the tax modifications. However, price growth rates remain elevated, despite weaker consumer demand at the beginning of the year. The main reason for that is supply-side proinflationary factors, which have been producing a more pronounced effect in recent years than in 2016–2019 when inflation was close to 4%. In case the Middle East conflict drags on, this might be gradually exacerbating these factors through rising import and export prices. Just as important is that supply-side proinflationary factors are also influencing the dynamics of underlying components of inflation, keeping it elevated and preventing its deceleration to the target.

As for consumer demand, it started to rebound in March, according to preliminary data. In particular, this pickup can be observed in the car segment. As a result, the proinflationary impact of demand-side factors might strengthen compared to January–February driven by growing incomes and persistently high inflation expectations, which might cause a gradual increase in the consumption ratio.

In the current environment, monetary conditions should remain tight to ensure a sustainable decline of inflation to the target. More restrictive monetary conditions will enable the Bank of Russia to shift towards neutral monetary policy faster in the future. Conversely, looser monetary conditions will require more time to ensure price stability and reduce interest rates to a level consistent with neutral monetary policy.

1.1. Price growth stays elevated

- In February–March the impact of transitory proinflationary factors, which had provoked an upswing in prices in January, notably weakened. Nevertheless, the monthly price growth rate remained elevated, including in terms of underlying measures of inflation. For inflation to resume a downward trend and return back to its 4% target sustainably, monetary conditions should stay tight for an extended period.
- The direct impact of the Middle East conflict on inflation in Russia seems limited so far. However, if the conflict drags on, this might push up logistics costs and import and export prices, which is a significant proinflationary factor.

After its January spike, price growth slowed down in February–March, while remaining elevated (5.9% MoM SAAR on average), just as in early April¹ (Table 1, Figure 1). For annual inflation to fall within the Bank of Russia's forecast range of 4.5–5.5% as of the end of 2026, price growth should decelerate during the remainder of the year below 3.8% MoM SAAR (adjusted for the indexation of housing and utility rates in October).

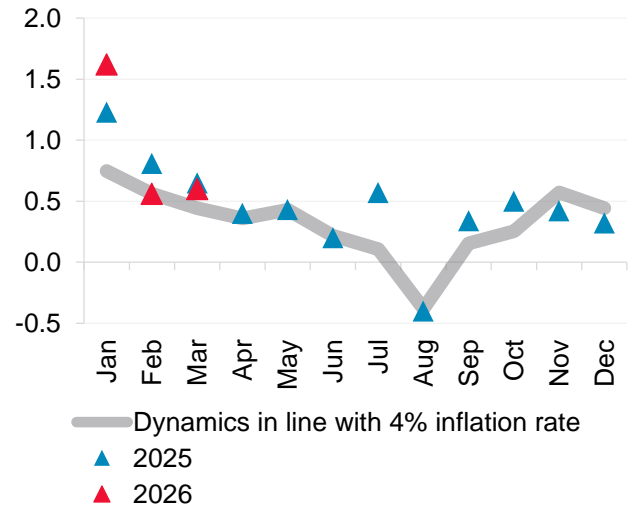
¹ According to preliminary data from Rosstat, price growth over the week preceding 6 April stayed at the elevated level of the second half of March.

Table 1. Inflation and its components

	Mar	Mar	Jan	Feb	Mar
	2024	2025	2026		
% YoY					
All goods and services	7.7	10.3	6.0	5.9	5.9
Core inflation	7.8	9.7	5.4	5.2	5.0
Food	8.1	12.4	5.9	5.4	5.0
Non-food goods	6.7	5.9	3.2	3.2	3.5
Services	8.3	12.9	9.6	9.9	10.0
% MoM, SAAR					
All goods and services	4.0	6.6	14.7	5.8	6.0
Core inflation	5.6	6.9	9.3	4.8	4.8
Food	1.5	9.9	14.9	4.3	4.1
– excluding fruit and vegetables	5.3	10.6	12.6	4.8	4.3
Non-food goods	3.9	2.1	9.0	4.6	6.0
– excluding petroleum products	3.3	0.9	6.2	3.1	4.3
Services	7.6	7.6	21.3	9.4	8.8
– excluding housing and utility services	7.8	9.6	15.9	11.9	11.3

Sources: Rosstat, R&F Department calculations.

Figure 1. Price growth in line with 4% inflation rate (% MoM)

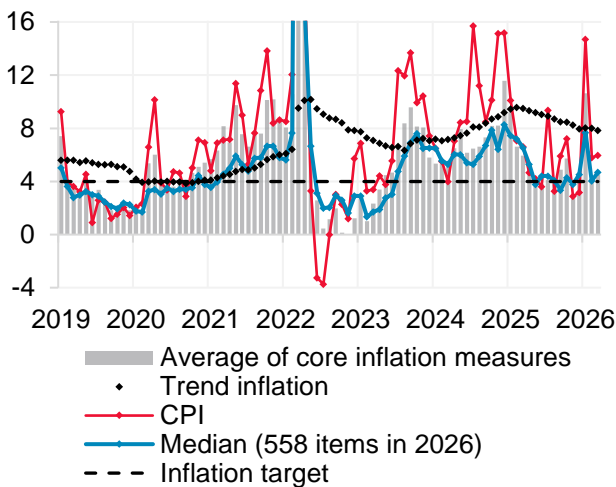


Note. Seasonality estimated for 2025.

Sources: Rosstat, R&F Department calculations.

The effect of one-off proinflationary factors, which triggered an upswing in prices at the beginning of the year, has largely waned. According to our estimates, the magnitude of the direct pass-through of higher VAT to prices declined from 0.3–0.4 pp in January to about 0.2 pp in February–March (Figure 3). This estimate is based on the difference between changes in the growth rates of prices for items subject to the VAT standard and reduced rates, as compared with the 2025 Q4 average.

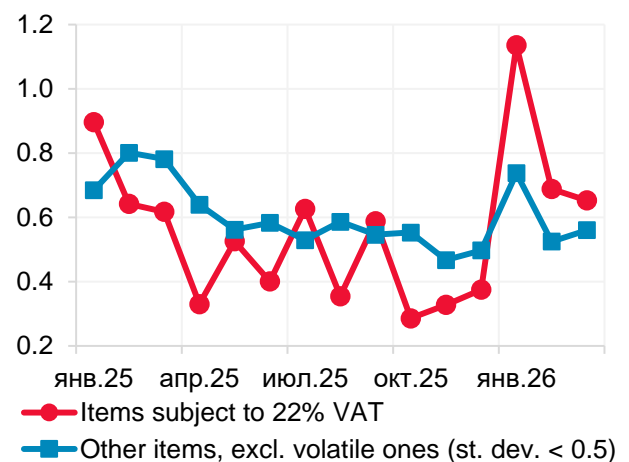
Figure 2. Measures* of core inflation, median (% in annualised terms), and estimate of trend inflation (% YoY)



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

Sources: Rosstat, R&F Department calculations.

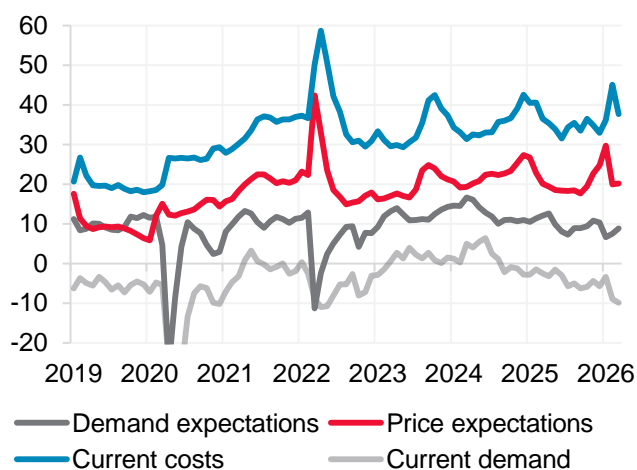
Figure 3. Price dynamics in product groups subject to different VAT rates



Sources: Rosstat, R&F Department calculations.

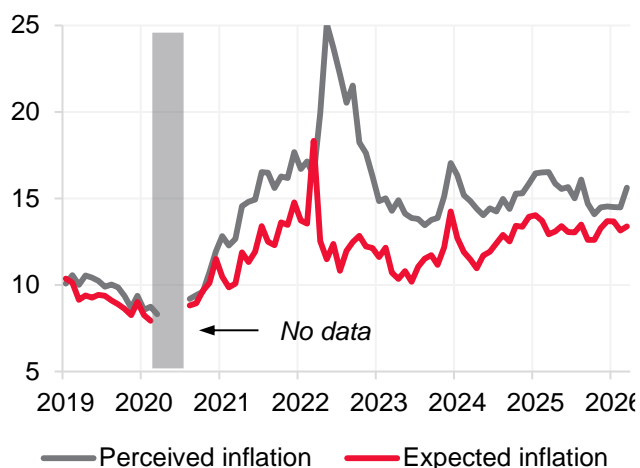
According to the [monitoring of businesses in March](#), their price expectations stabilised at a high level (Figure 4). [Households' inflation expectations](#) edged up in March, staying above the 2023–2025 average, despite a slowdown in annual inflation (Figure 5). High inflation expectations might hinder further disinflation.

Figure 4. Businesses' expectations about prices and demand in next three months, changes in costs, balance of responses (% SA)



Source: Bank of Russia.

Figure 5. Households' inflation expectations and perceived inflation (% YoY)



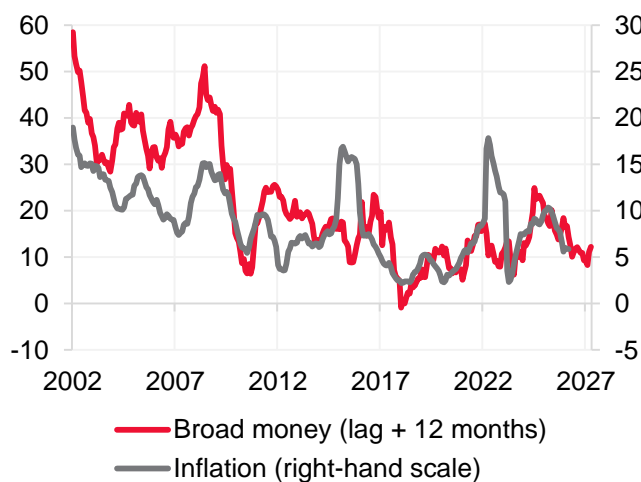
Source: InFOM.

In February–March measures of *underlying* inflation returned to the levels of 2025 H2, staying slightly above 4%. For inflation to slow down to the target sustainably, these measures should possibly stay below 4% for some time since one-off proinflationary factors tend to prevail, causing a higher headline price growth rate. Therefore, a disinflationary impulse is needed to ensure a downward trend in both headline and underlying price growth (Figure 2).

A similar picture is seen when analysing the current dynamics of monetary aggregates and inflation (Figure 6). Growth in broad money is a rough proxy for the monetary component of inflation for about 12 months ahead. If the growth rate of broad money remains above 10%, after a period of disinflation, the economy might face a higher risk of the downward trend towards 4% ceasing and annual inflation getting entrenched at a higher level.

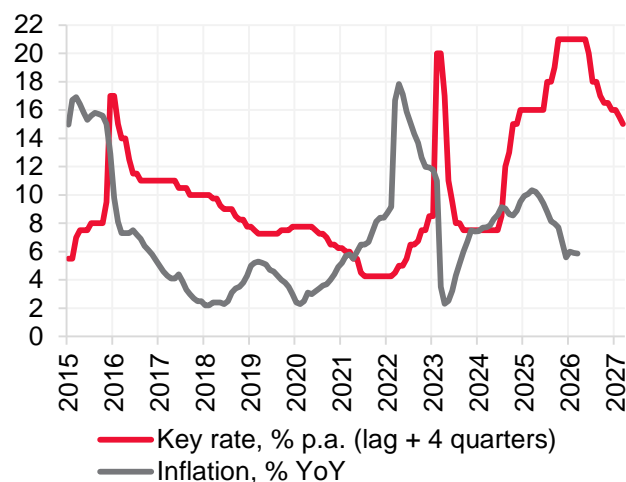
Moreover, given the transmission lags of monetary policy, its tightening by the end of 2024, when the key rate reached 21% per annum, has had its full effect on current price growth rates only in recent months (Figure 7). This effect on demand will be diminishing gradually taking into account the key rate reduction from June 2025. Hence, to bring inflation down to 4% and stabilise it close to this level, it is essential to accurately assess the lags of the earlier key rate decreases and take them into account when making future monetary policy decisions.

Figure 6. Inflation and broad money (% YoY)



Sources: Rosstat, Bank of Russia.

Figure 7. Inflation (%) and Bank of Russia key rate (% p.a.)



Sources: Rosstat, Bank of Russia.

The escalation in the Middle East might have a proinflationary effect in Russia through multiple channels. The magnitude of this effect seems small so far, but a lot will depend on the duration of the current period of the escalation.

[Iran's ban on the export of fruits and vegetables](#) and logistics problems, caused by the closure of the Strait of Hormuz, restrictions on flights from the Middle East countries and the suspension of shipments through the International North–South Transport Corridor, might provoke a rise in prices for a number of products. Nevertheless, according to estimates, this factor will have a limited effect on the consumer price index (CPI).

Additionally, there are [risks of a faster increase in price for certain non-food goods](#) due to more expensive insurance services and disruptions in logistics chains with Middle East countries, primarily the United Arab Emirates. This factor will supposedly have a limited *direct* effect on the CPI since it will mostly affect brands that are not taken into account by Rosstat in the calculation of the consumer basket. However, it might produce a substantial *second-round* effect, inducing an upswing in prices for goods in related categories.

Amid the restrictions on flights to a number of Middle East countries, demand might shift towards both domestic and other foreign destinations, which might support growth in prices for tourism services.

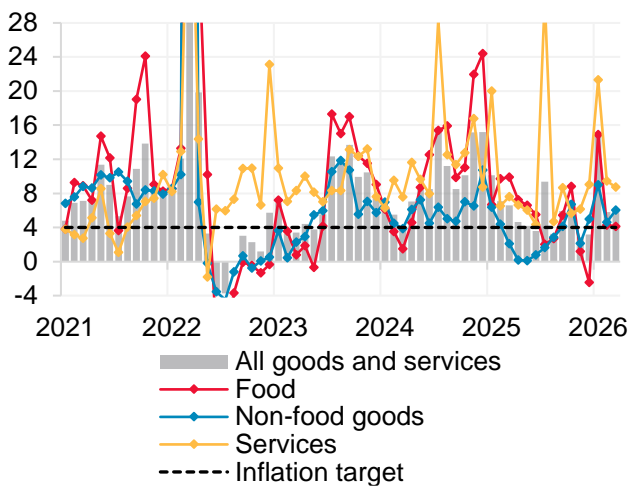
The impact of the ruble exchange rate on prices for consumer basket components has been weak for four months in a row: the medians of prices for exchange rate-sensitive and exchange rate-neutral consumer basket components demonstrate similar dynamics (Figure 9).

The decomposition of price growth (Figure 10) shows that supply-side factors remained an important contributor to its February dynamics.² This might be partially attributed to the persisting effects of higher taxes and charges. Another significant contributor was tourism, primarily foreign trips. Contrastingly, the overall contribution of demand-side factors declined and, as of the end of 2026 Q1, will likely turn out to be below the 2025 average. It should be

² The decomposition is based on sales data which are released with a one-month lag.

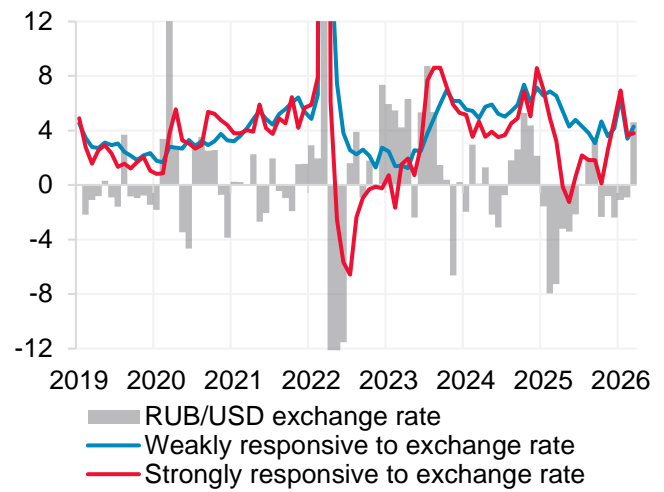
noted that a similar decrease in the contribution of demand-side factors was observed in 2018 Q1 when the VAT rate was also raised. However, further on, demand and its contribution to price growth both restored. It is therefore possible to assume that demand will rebound this time as well, after the adaptation to the new tax rates completes. This may be expected because real wages continued to rise quickly in January. Concurrently, there are growing risks of the contribution of supply-side factors to price growth remaining high as the protracted armed conflict in the Middle East is aggravating the implications for the world economy.

Figure 8. Seasonally adjusted price growth (% MoM, SAAR)



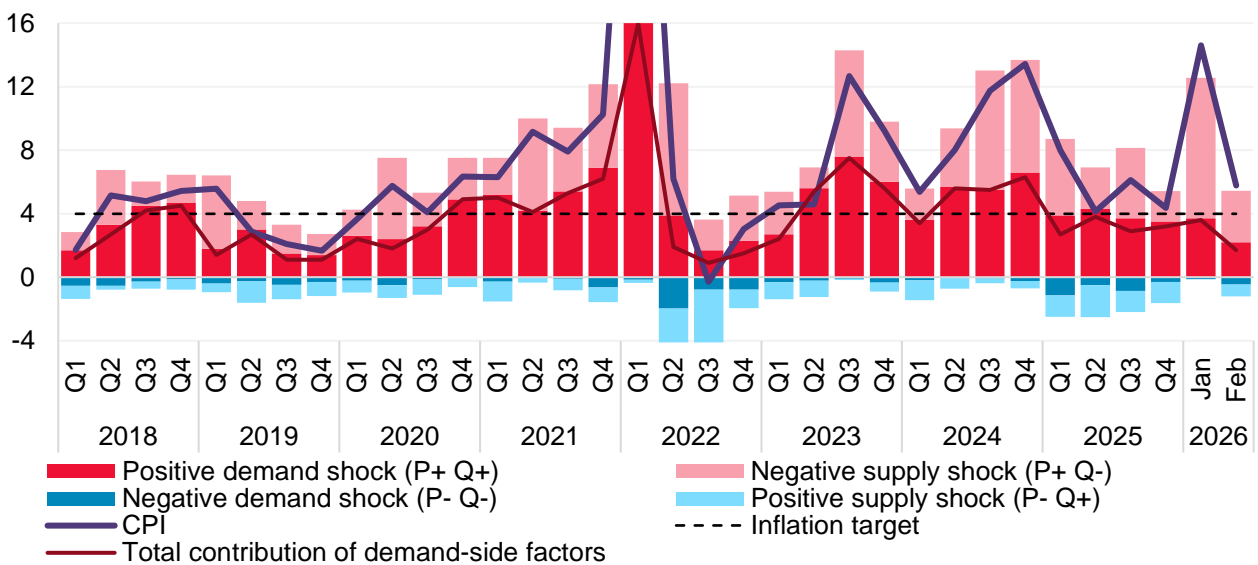
Sources: Rosstat, R&F Department calculations.

Figure 9. Median values of CPI depending on responsiveness to exchange rate (% MoM, SAAR) and USD exchange rate (%)



Sources: Rosstat, R&F Department calculations.

Figure 10. Decomposition* of price growth into demand and supply shocks (% QoQ (MoM), SAAR)



* Based on data about the CPI and quantities of retail sales in 45 categories (about 80% of the consumer basket), without detrending.

Sources: Rosstat, R&F Department calculations.

2. Economic performance

Russia's economy demonstrated moderate dynamics in 2026 Q1, which was largely associated with enterprises' and consumers' adaptation to the tax modifications that became effective from January. However, the quarterly dynamics of economic activity were mixed, varying across sectors. Specifically, the February statistics showed growth in core industries. That said, the industrial sector experienced a certain decline, while household consumption remained unchanged vs January (adjusted for seasonal and calendar effects). Contrastingly, consumption then increased in March, according to high-frequency data, whereas survey results and payment data rather suggest cooling in the economy as a whole.

It is therefore possible to assume that households' adaptation has generally completed and the sector has resumed growth. Conversely, the adaptation in other sectors continues. This process will be easier for exporters as they are now benefiting from the rise in global prices and demand for their products caused by the Middle East conflict. Financial performance in these industries may be expected to improve, to say the least. Moderate, consistent growth in retail and corporate lending also suggests that economic dynamics may be expected to be generally more positive in 2026 Q2. This will be primarily observed in the segments of large and medium-sized businesses. Nevertheless, it would only be possible to assess post-adaptation economic growth rates more confidently after the end of 2026 Q2.

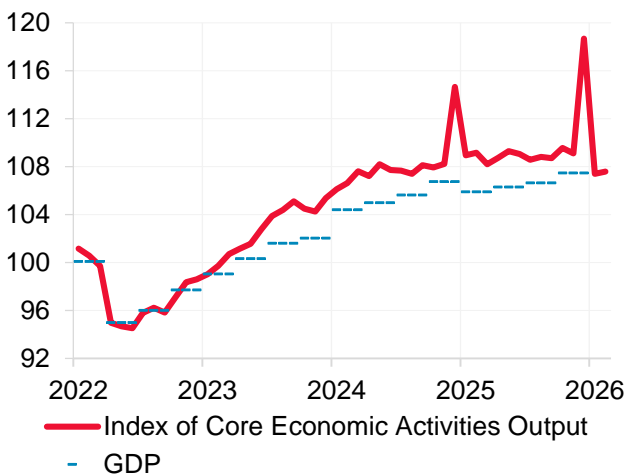
2.1. Diverse industry dynamics

- After its high volatility in December 2025–January 2026, output in core industries increased by 0.2% MoM SA in February, while staying below the 2025 average (Figure 11). In March, business activity remained moderate, according to surveys (Figure 12 and Figure 13). As long as business activity at the beginning of 2026 was strongly affected by the increases in taxes and charges, it would only be possible to draw more accurate conclusions about the extent and persistence of the economic slowdown in the next few months.
- The rise in February was driven by industries focusing on external demand (transportation and wholesale trade). Industrial output dynamics were close to zero (Figure 14). Dynamics across groups of industries remain highly heterogeneous (Figure 15).
- Growth in consumer demand discontinued in early 2026 (0.0% MoM SA in February). In our opinion, this was predominantly caused by transitory factors, including the front-loading of purchases at the end of 2025 due to the increases in VAT and other charges. High-frequency indicators suggest that consumer demand resumed growth in March (Figure 18). According to SberIndex, consumer expenditures rose by 0.5% MoM SA in March. As estimated by the Autostat analytical agency, sales of new cars and light commercial vehicles were up by 27% YoY (+6.6% MoM SA)³ in March, returning to the level of August 2025 (SA).

³ R&F Department estimate.

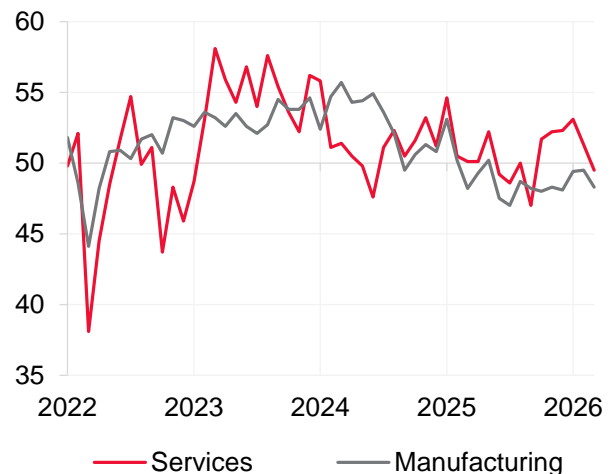
- Although cooling in demand over recent quarters has affected a wide range of industries, its impact on the labour market remains limited. The decrease in staff shortages is slow and primarily related to a decline in hiring velocity. There are no signs of an increase in labour supply: unemployment continues to trend downwards, coming closer to 2% (Figure 16 and Figure 17).
- All this supports a high growth rate of real wages (+0.7% MoM SA in January) surpassing that of labour productivity. In this environment, the key to cooling demand is restrictive monetary conditions that would help maintain saving activity in 2026 at a high level. The gap between wage and demand dynamics continued to widen (Figure 18). This is a major channel of monetary policy transmission to demand and consumer price dynamics. However, a more important signal of labour market easing would be a slowdown in wage growth to more sustainable levels which would be consistent with the growth rate of labour productivity.

Figure 11. Output in core industries and GDP, 2021 Q4 = 100



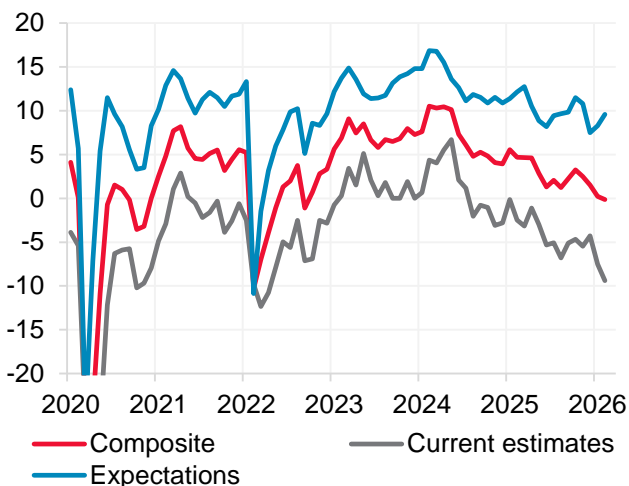
Sources: Rosstat, R&F Department calculations.

Figure 12. Manufacturing and services PMI, (p)



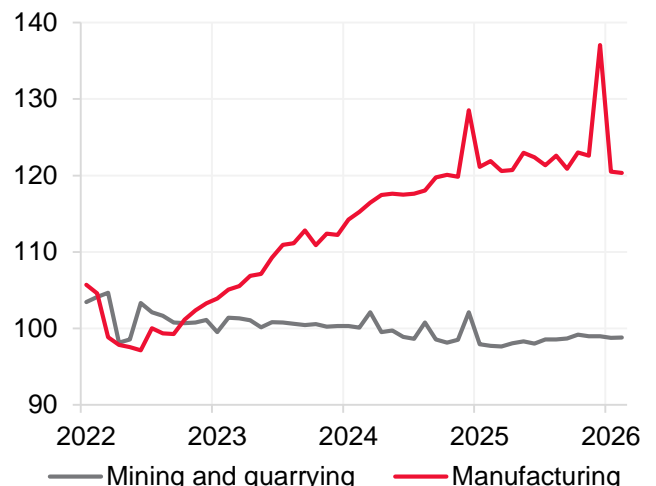
Source: S&P Global.

Figure 13. Bank of Russia's Business Climate Index (p, SA)



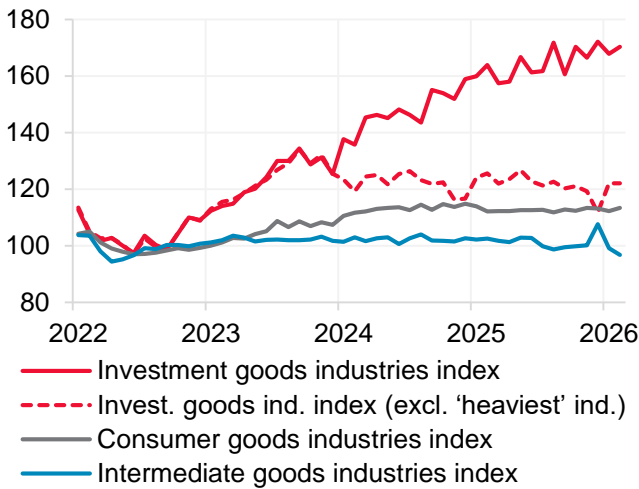
Sources: Bank of Russia.

Figure 14. Mining and quarrying sector and manufacturing, 2021 = 100 (% SA)



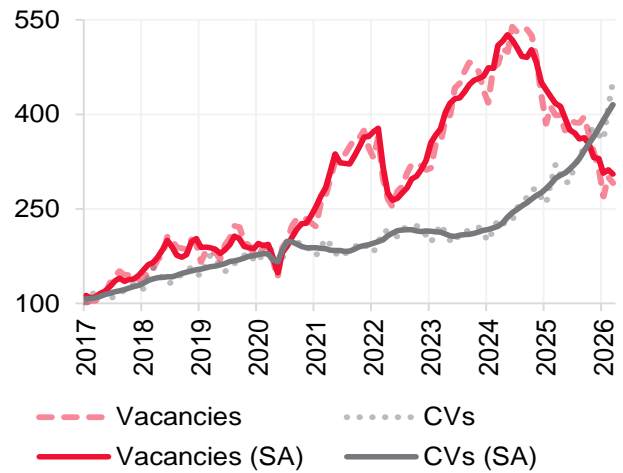
Sources: Rosstat, R&F Department calculations.

Figure 15. Output in groups of manufacturing industries,⁴ 2021 = 100 (% SA)



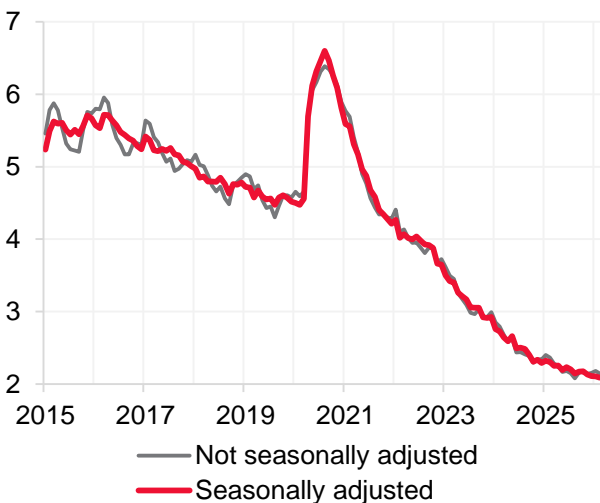
Sources: Rosstat, R&F Department calculations.

Figure 16. HeadHunter CV and vacancy indices, 01.2017 = 100 (p)



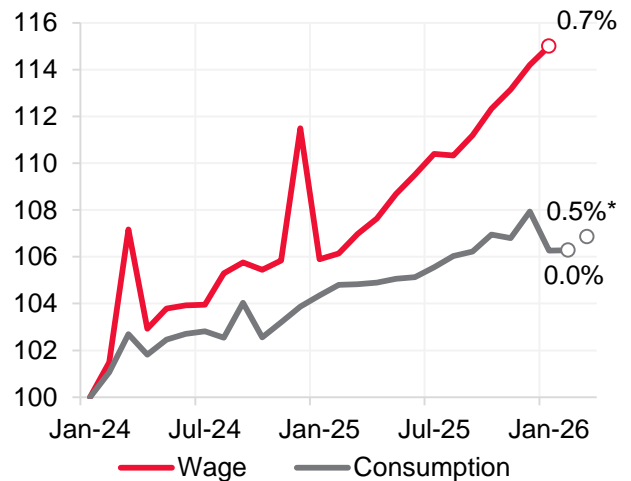
Sources: HeadHunter, R&F Department calculations.

Figure 17. Unemployment rate (%)



Sources: Rosstat, R&F Department calculations.

Figure 18. Real wages and household consumption, 01.2024 = 100 (p, SA)



* We use SberIndex MoM SA estimates as data for March 2026.
Sources: Rosstat, R&F Department calculations.

2.2. Moderate lending growth

- In February claims on the economy⁵ increased by 0.4% after their decline by 0.5% MoM (NSA, AFCR)⁶ in January. The changes in the indicator at the beginning of 2026 are generally comparable with the dynamics over the first few months of 2025 (Figure 20). Nevertheless, there are some differences to be highlighted.

⁴ The 'heaviest' in the group of investment goods industries are the manufacture of fabricated metal products, except machinery and equipment and other transport equipment.

⁵ Total claims of the banking system (loans, bonds, bills of exchange, etc.) on Russian companies (financial and non-financial organisations) and households (individuals and individual entrepreneurs).

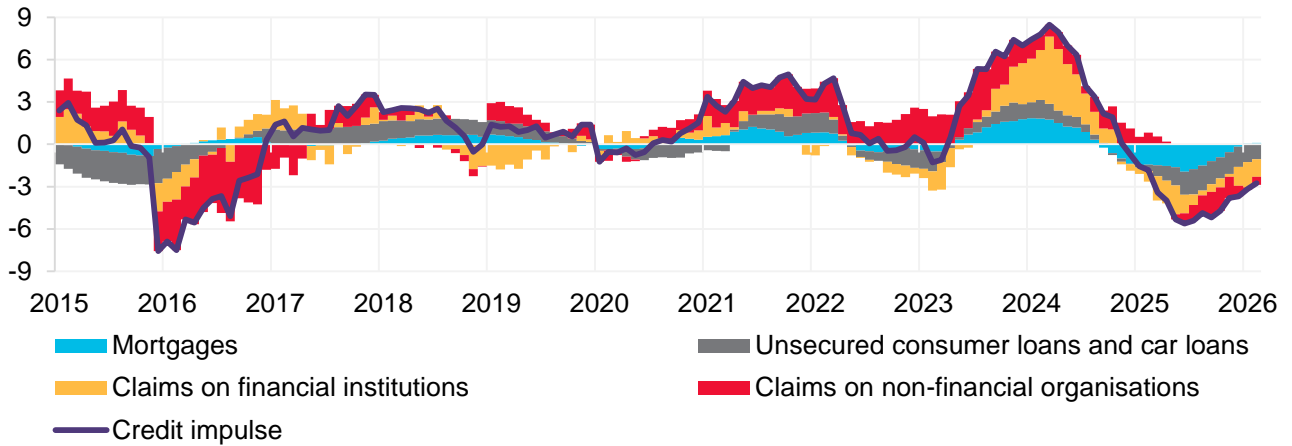
⁶ NSA – not seasonally adjusted; AFCR – adjusted for foreign currency revaluation.

- *First*, the growth rate of claims on households over January–February notably exceeded the 2025 dynamics: +0.6% vs -0.7% AFCR. In January⁷ retail lending was supported by households' elevated demand for mortgages in anticipation of the tightening of the Family Mortgage programme terms. In February the amount of new subsidised mortgages declined, as expected. Concurrently, market-based mortgage lending⁸ increased as interest rates went down following the key rate. The demand for market-based mortgages might also be fuelled by expectations of a further reduction in interest rates in the economy, which will allow borrowers to refinance currently issued mortgages at lower interest rates in the near future (Figure 21). The expansion of the car loan portfolio also accelerated in February (MoM SA), predominantly due to an increase in the average loan amount caused by higher car prices.
- *Second*, claims on organisations declined by 0.3% AFCR from the beginning of 2026, as compared with their 0.1% growth over January–February 2025. This was associated with a reduction in other claims on organisations. Nevertheless, over January–February, corporate lending dynamics were somewhat higher year on year: -0.1% in 2026 vs -0.5% in 2025 AFCR. Like in early 2025, the moderate dynamics were attributed to repayments / lower demand for loans amid advance payments under government contracts.
- High growth rates in corporate lending were still recorded in the segment of foreign currency loans: 6.5% and 1.7% MoM AFCR in January and February. The demand for foreign currency loans is predominantly demonstrated by exporters.
- In the next few months, the growth rate of claims on households, including outstanding mortgages, might stay close to the level recorded in 2025 or surpass it owing to expected loosening of monetary conditions during 2026. The reduction in banks' claims on the corporate segment will likely give way to growth, while their dynamics over the remainder of the year might turn out to be comparable with 2025, including because of the key rate cut. These dynamics are consistent with the Bank of Russia's official forecast.
- The downward contribution of lending to aggregate demand dynamics continued to decline owing to the retail segment (Figure 19). Nevertheless, the credit impulse for the past four quarters will remain negative in the near future, thus contributing to demand growth to a lesser extent than over the previous four quarters. This is in line with the task of consistently decelerating inflation to the target.
- According to preliminary data, money supply expanded by 0.6% from the beginning of the year, which is slightly more than in 2016–2019. This growth was associated with large advance payments under government contracts. Concurrently, moderate credit activity partially offset the strong fiscal impulse. Further on, the fiscal impulse is expected to be weaker, taking into account the budget expenditure targets set for the year. As a result, money supply dynamics will be predominantly driven by changes in credit claims on the economy.

⁷ Like in November–December 2025.

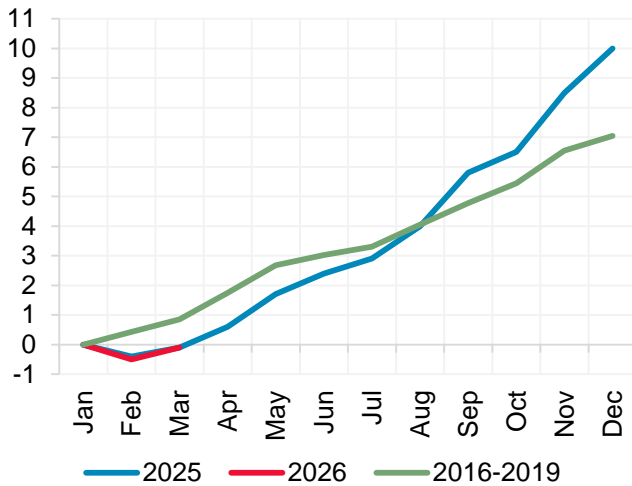
⁸ Households' demand shifted towards real estate sold under developers' instalment plans (in January demand was mostly recorded in the segment of shared construction agreements).

Figure 19. Credit impulse (% of GDP)



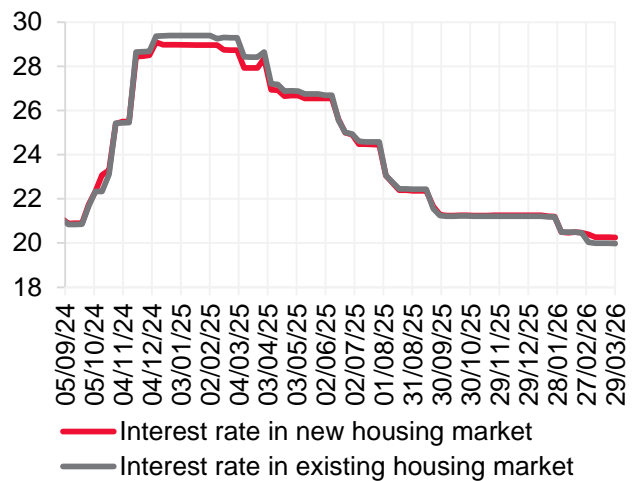
Sources: Bank of Russia, R&F Department calculations.

Figure 20. Claims on economy (% cumulative year-to-date, AFCR)



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

Figure 21. Weighted average mortgage rates offered by Top 20 mortgage banks (%)



Sources: JSC DOM.RF, R&F Department calculations.

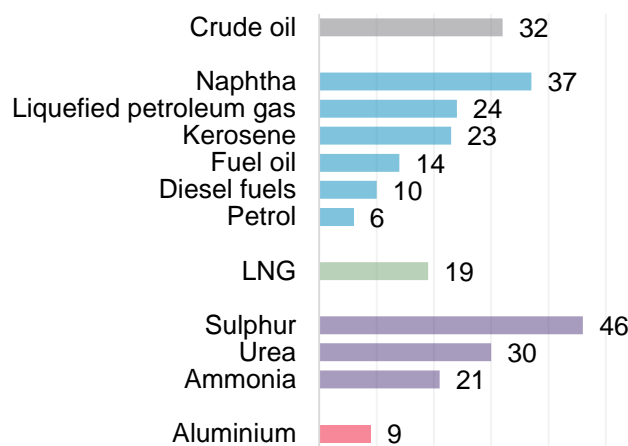
In focus. How the Middle East conflict may affect inflation in Russia

- The escalation in the Middle East has provoked a surge in prices for many commodities exported by Russia. An increase in exports, all else being equal, has a disinflationary effect inside the exporting country as its national currency strengthens amid growing sales of export earnings.
- However, as for the Russian economy, we expect that the change in external conditions might entail both disinflationary and proinflationary effects. This impact might manifest itself through growth in domestic prices for exports, higher import prices pushed up by rising logistics costs and disruptions in global supply chains, and a number of other channels. The magnitude and duration of these effects and their implications for inflation in Russia strongly depend on the persistence of the Persian Gulf conflict and the size of irrecoverable production and logistics losses.
- High uncertainty makes it hard to quantify the overall effect of proinflationary and disinflationary factors on price dynamics, especially taking into account that they will have different time lags. Almost all proinflationary factors that we identified are of a temporary / one-off nature. Nevertheless, when making monetary policy decisions, it is crucial to timely identify and take into account the expected second-round effects of these factors on consumer prices.

The escalation of geopolitical tensions in the Middle East at the end of February induced a notable mismatch between the demand for a large number of commodities and their supply. The main reason was the blockade of the Strait of Hormuz, a critical artery for global trade. In 2025, shipments via the Strait of Hormuz totalled nearly 1/2 of global sulphur supplies, 1/3 of crude oil, naphtha and urea supplies, 1/4 of kerosene supplies, 1/5 of liquefied natural gas (LNG) and ammonia supplies, 1/7 of fuel oil supplies, and 1/10 of diesel fuel and aluminium supplies (Figure 22). Shipments have been partially rerouted bypassing the Strait of Hormuz. However, there is no adequate alternative to this route, and until recently, just a small proportion of tankers and container ships could pass through the Strait of Hormuz.

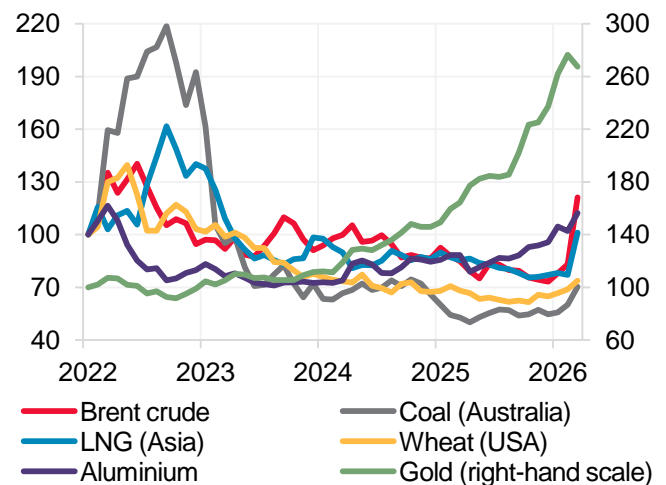
As a first approximation, growth in commodity prices is a disinflationary factor for the commodity-exporting economy since larger exports, all else being equal, contribute to appreciation of the national currency (Figure 23). However, in reality, there are several channels through which a geopolitical shock might produce a proinflationary effect.

Figure 22. Share of marine commodity supplies via Strait of Hormuz in global supply in 2025 (%)



Sources: Bloomberg, Trade Map.

Figure 23. Commodity price indices, 01.2022 = 100



Sources: World Bank, R&F Department calculations.

I. Growth in export prices for Russian goods. *The overall effect might turn out to be proinflationary or disinflationary*

a) *Growth in exports and exchange rate dynamics.* The escalation of the conflict has induced a surge in prices for Russian exports. All else being equal, this should increase the value of exports and, with a certain time lag in terms of foreign currency earnings, have a disinflationary effect through a stronger ruble. However, higher crude prices and expanded oil and gas exports are largely offset due to the fiscal rule through mirroring foreign exchange transactions. Therefore, it will only be growth in non-oil and gas exports that will have a pronounced effect on the exchange rate. Their value is estimated to be lower than that of increased oil and gas exports. Additionally, it is necessary to take into account that, after the end of the conflict, global commodity prices and exports will decline after their temporary spike. This will produce an opposite effect on the exchange rate and exert proinflationary pressure on consumer prices.

b) *Growth in domestic prices for exported goods.* Higher export prices, adjusted for exchange rate dynamics, should also lead to a rise in domestic prices for these goods. When it becomes more profitable for an enterprise to export its goods, their supply in the domestic market contracts, while domestic prices adjust to a level making it equally profitable for the enterprise to supply goods inside the country or export them. In recent years, Russia has arranged a rather complex system restraining the impact of export price fluctuations on the domestic market. The main instruments of this system are the fuel and grain dampers. Furthermore, the Government introduces quotas or bans on the export of certain goods in situations of sharp fluctuations of prices or problems with the supply of export goods. All these measures really protect the domestic market against growth in global prices, but not to the fullest extent. Hence, in case of a strong price impulse in export markets, it will partially translate into domestic prices as well. The longer the external shock persists, the higher is the probability of its more significant pass-through to inflation – if not directly via export prices, then indirectly via subsequent growth in prices for imported raw materials and components.

Of particular note are food prices. After the conflict ends and shipping via the Strait of Hormuz restores, commodity prices might return to normal levels quite quickly. An important exception is gas prices because the armed hostilities have disrupted nearly 1/5 of the LNG export capacities of Qatar (the third largest exporter) for up to five years, and consequently, gas prices are likely to remain elevated for several years. Natural gas is the main commodity for manufacturing nitrogen fertilisers that have also become more expensive. The situation is exacerbated by the fact that this surge in prices and the reduction in supplies from the Middle East occurred in the middle of the sowing season in the Northern Hemisphere. This will push up agricultural companies' costs, while a deficit of fertilisers might decrease the harvest or force enterprises to switch to less resource-intensive crops. Ultimately, this means that global food prices – and therefore, Russian food prices to a certain extent – might stay elevated at least until the next agricultural season of 2027/2028.

II. Growth in import prices. *The overall effect will be proinflationary*

a)⁹ *Logistics costs.* The escalation in the Middle East has induced a rise in freight and logistics costs. First of all, marine fuels have become more expensive. Second, certain Gulf states are large international logistics hubs and their cutting off from global trade has reduced the number of available facilities for marine traffic and convenient routes for air transportation. This forces companies to rearrange their supply chains, which is pushing related costs higher. Forward-looking indicators suggest that higher logistics costs and longer delivery periods have already affected global manufacturing as prices for raw materials rose in March. As reported by market participants, higher logistics costs have impacted Russian importers as well. This rise will feed through to end prices for imported goods to a certain extent.

b) *Growth in prices for certain imported non-food goods.* Gulf states are major suppliers of helium, primary aluminium, bromine, and sulphur, which are key elements for manufacturing semiconductors, microcircuits, batteries, and other high technology goods. The longer is the blockade of the Strait of Hormuz, the stronger might be the impact on prices for electronics. Many of their components have already become much more expensive due to booming demand associated with the development of artificial intelligence. Russia is a net importer of electronics, and therefore, higher prices for these goods will have a direct effect on end consumer prices and companies' costs.

c) *Growth in tourism prices.* The tourism industry has also faced a rise in prices for services as it cannot quickly substitute the holiday destinations in the Middle East which have become inaccessible or unattractive with tourism destinations in other countries. Some countries' airports have become large hubs for connecting flights in recent years. Alternative routes (whether direct ones or via other airline hubs) will most likely be more expensive, which will also increase prices for foreign tourism. Demand might partially shift towards domestic destinations, but amid limited supply, this might have an additional proinflationary effect.

d) *Overall rise in global inflation.* Today, the Organisation for Economic Cooperation and Development estimates the total contribution of the conflict to the growth of the world economy at -0.3 pp. The slowdown in economic growth will be supposedly accompanied by inflation

⁹ The channels are ranked in terms of the supposed magnitude of their potential proinflationary effect.

acceleration. Specifically, the 2026 inflation forecast for the Group of Twenty has been raised by 1.2 pp to 4.0%. The impact on inflation in Russia will largely depend on the duration of the shock. If commodity prices stay elevated for long, this might entail second-round effects on global inflation, which will ultimately impact Russia's inflation through higher import prices. The magnitude of second-round effects on global inflation will largely depend on the monetary policy response in different countries, including its timeliness and adequacy considering the scale of the shock.

e) Decline in goods imports from the Middle East. Direct food supplies from the Middle East are not large and these are mainly items not included in Rosstat's consumer basket. This is also relevant for non-food goods.

The overall effect of the geopolitical shock in the Middle East on inflation in Russia will largely depend on the commensurability of the potential disinflationary impulse from growing exports with the magnitude of the above proinflationary effects. The current estimates of these effects are only ballpark figures due to high uncertainty about further developments. This means that when making its monetary policy decisions, the Bank of Russia needs to timely identify and take into account the expected second-round effects of these factors on consumer prices, which in particular, might manifest themselves through inflation expectations.

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