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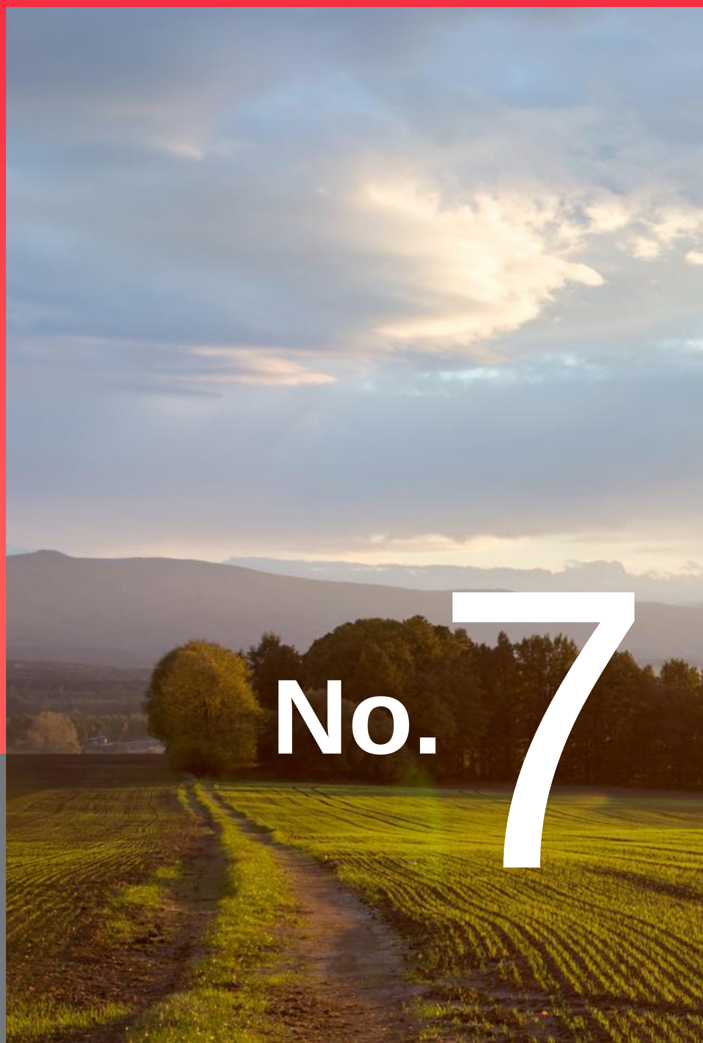

TALKING TRENDS
Economy and markets

Research and Forecasting Department Bulletin

OCTOBER 2025

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

Monthly summary

- Newly released statistical and survey data suggest the economic slowdown continued into the third quarter. The extent of slowdown continues to vary considerably across sectors. Specifically, growth in the consumer sector might have picked up even in August–September as nominal and real wages rose at an accelerated pace. In September, a number of indicators measuring consumer price growth were up compared to August. In addition to seasonality, inflation in the summer months decelerated on the back of one-off disinflationary factors. They are now drawing to a close, giving way to other one-off factors that are clearly proinflationary. At the same time, the measures of *underlying* inflation diverged, to the effect that overall inflationary pressures remained unchanged albeit elevated.
  - Consumer demand for goods and services is growing steadily, enabling manufacturers and retailers to pass rising costs on to customers. As a result, monthly growth in consumer prices is decelerating no more than gradually, and has so far missed the 4% target in annualised terms. This is evident from price movements in September.
  - A recovery in both corporate and retail lending since the middle of the year, coupled with expanding government borrowing in 2025 to offset a shortfall in non-oil and gas budget revenues, is set to support demand in the fourth quarter. This is also helped by the recent easing of price monetary conditions. As it stands, the economy is on course for a further gradual slowdown and is expected to start on a sustainable growth path in 2026.
  - Following a strong rally over the summer, the bond and equity markets saw a meaningful correction in September. This was driven by expectations of a more gradual monetary policy easing in the final months of 2025 and into 2026, the plans to increase the tax burden in 2026, and a persistently challenging geopolitical backdrop. In September, the ruble slightly weakened against key currencies on average. However, their rates against the ruble are still at the lower bound seen over the past two years.

In focus. What do underlying inflation measures suggest?

- Central banks rely on several methods to measure the level of underlying inflationary pressure adjusted for one-off and temporary factors. In practice, no indicator of underlying inflation can be considered the only true and the best one: each has its own strengths and weaknesses depending on a particular situation.
- Monetary policy decisions should be made on the understanding that the metrics of unobservable indicators, including those of underlying inflationary pressure, should be interpreted in totality and in the context of extended time spans rather than individual months. Current estimates of the balance of medium-term price stability risks, based on a wide range of underlying inflation indicators, suggest that inflationary pressure, adjusted

for one-off and temporary factors, has likely yet to move closer to 4%, although it is down significantly from late 2024.

- Therefore, the pace of observed disinflationary trends should be considered as gradual. For monthly price growth to be on a sustained downward path in the next few months and quarters, monetary policy decisions should be calibrated and cautious, maintaining the extent of policy tightness needed to solidify the downward trend in price growth and achieve a sustainable growth decline to target in 2026.

1. Inflation

As expected, the current consumer price growth has so far failed to consolidate at the July–August levels, in seasonally adjusted terms. A number of one-off disinflationary factors faded away or subsided towards September (a stronger than seasonally normal fall in fruit and vegetable prices, a shift in considering the seasonal trend of air fares and hotel prices, ruble strengthening pass-through to prices in the first five months of the year). As a result, consumer price rises accelerated in formal and seasonally adjusted terms. But in actual terms, they just returned to a higher although still descending growth trajectory, more accurately portrayed by persistent inflation metrics, which showed mixed changes in September.

Based on our estimate, the balance of one-off factors becomes proinflationary (with respect to fuel prices and, probably, fruit and vegetable prices, which may make up for their sizeable fall in the summer by a steeper rise in the autumn. This means that that the current pace of price growth may temporarily be faster than that of the stable price components. This needs to be adjusted for in assessing persistent inflationary pressure and conducting monetary policy.

The pace of CPI increase in the autumn will be affected by an extra raise of the car disposal fee. The process of containing imports in order to expand the market for domestic consumer products in most cases produces a supply-side shock, since it reduces access to imports.[1] As a result, the price of such goods climbs relative to the prices of other products. For this to preclude a faster overall price growth, the prices of other goods need to rise more slowly. All other things being equal, this requires an adequate degree of monetary policy tightness, especially with already high and unanchored inflation expectations. That said, it needs to be reminded that as inflation eases, monetary policy tightness can also be maintained amid declining interest rates.

We estimate that the announced hike in the base VAT rate will send inflation 0.6-0.8 pp higher in December 2025 – January 2026. Based on the outcome of the VAT hike in 2019, as well as similar experience of other countries, this will not be fully passed through to shelf prices. The higher VAT will be partially absorbed by producers and retailers' margins. Nevertheless, this makes it somewhat harder to achieve an inflation rate of 4% in 2026. Given the lags with which monetary policy has an effect on inflation, as well as allocation of extra revenues thus raised for financing expenditures. But even if the same level of budget expenditures were to be financed through the budget deficit rather than with VAT and other fiscal measures, a return to low inflation would require *additional monetary policy tightening.*

Moreover, the VAT hike will additionally cool domestic demand. This will come as a disinflationary factor, which will gradually materialise during 2026, partially offsetting the initial effect of the VAT raise on prices.

[1] With time, as production substituting for imports grows, marginal costs normally decline because the economies of scale materialise.

As several one-off temporary proinflatonary factors are superimposed, monetary policy should, above all, take into account their cumulative impact on the process of an inflation expectations decline. The time and space for cutting the key interest rate will depend on this impact's nature and magnitude. As household and business apprehensions regarding future inflation continue to decline, with stable inflation components consistently subsiding, space for a reduction in monetary policy tightening will expand.

1.1. Persistent inflationary pressure remains elevated

- Price growth accelerated in September relative to its slow pace in August in seasonally adjusted terms, since the impact of some temporary disinflationary factors faded away and the effect of new proinflationary factors began to materialise. At the same time, persistent price growth adjusted for the effect of temporary and one-off factors was overall unchanged. It remains above the 4% level in annualised terms and below the H1 level.
- The price rise acceleration affected all the segments. A significant seasonal drop in fruit and vegetable prices in August gave place to their faster than usual temporary "compensatory" increase in September. Price rises in non-food goods somewhat gained pace, partly because the ruble strengthening pass-through to prices petered out. The contribution of fuel price increases gained strength. Market services prices continue to rise at a fast pace.
- We estimate that the increase of the base VAT rate to 22% from 20% will add 0.6-0.8 pp to price growth for a short time. The key effect on prices will make itself felt in Q1 2026. Further on, VAT is expected to make a disinflationary impact on demand and prices.

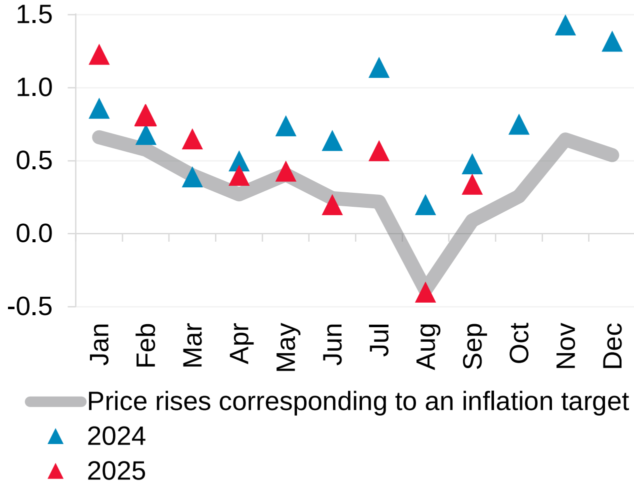
Consumer price growth accelerated to 6.7% MoM SAAR in September from 4.0% MoM SAAR in August, rising above the 4% path (Table 1, Figure 1). Rises in the prices of Rosstat's basic basket picked up speed to reach 4.7% MoM SAAR compared with 4.1% MoM SAAR a month earlier. The faster price growth is primarily owed to temporary factors, since the analytical indicators showed mixed changes. It is, therefore, too early to suggest an inflationary pressure increase in the stable part. That said, annual inflation edged down to 8.0% from 8.1% due to the high base effect. For inflation to sustainably slow to 4% for 2026, month-on-month price rises need to return to 4% in Q4 2025.

Table 1. Inflation and its components

	Sep 2023	Sep 2024	Jul 2025	Aug 2025	Sep 2025
% YoY					
All goods and Services	**6.0**	**8.6**	**8.8**	**8.1**	**8.0**
Core inflation	**4.6**	**8.3**	**8.5**	**8.0**	**7.7**
Food	4.9	9.2	10.8	9.8	9.5
Non-food goods	4.6	5.6	4.1	3.9	3.8
Services	9.7	11.6	11.9	11.1	11.1
% MoM SAAR					
All goods and Services	**14.5**	**9.0**	**8.4**	**4.0**	**6.7**
Core inflation	**12.4**	**9.5**	**4.1**	**4.1**	**4.7**
Food	16.9	9.8	2.4	2.9	5.5
– net of fruit and vegetables	**11.2**	**11.3**	**5.8**	**5.2**	**5.3**
Non-food goods	12.7	6.5	3.1	4.5	6.1
– net of refined petroleum products	**9.7**	**5.4**	**1.0**	**1.7**	**1.8**
Services	13.8	11.0	24.4	5.2	9.2
– net of housing and communal services	**17.2**	**13.1**	**-0.8**	**5.6**	**12.0**

Sources: Rosstat, R&F Department estimates.

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

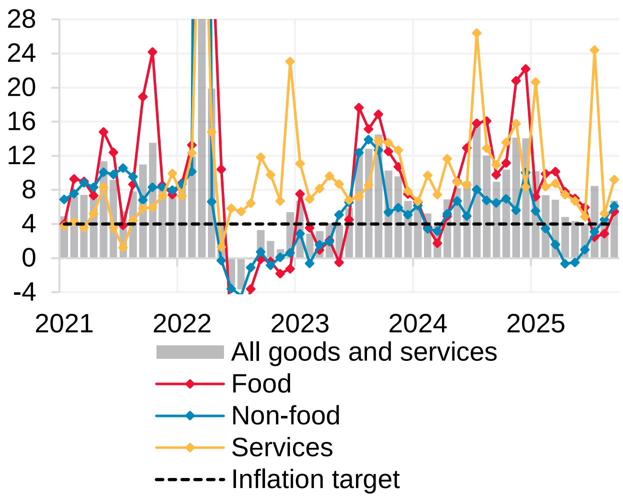


Note. *Seasonal factor is estimated for 2024.*

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

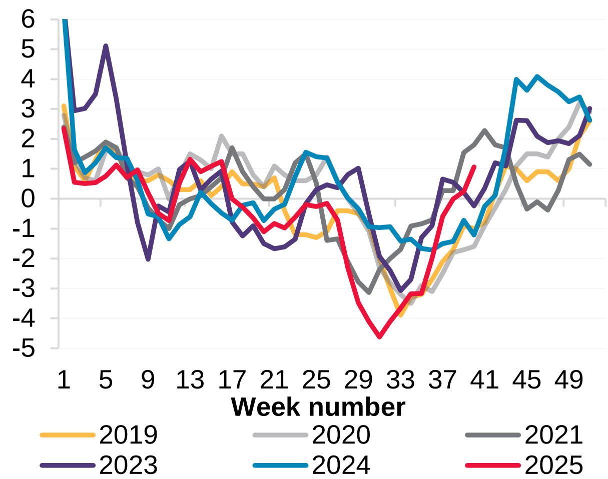
Food price growth accelerated to 5.5% MoM SAAR in September from 2.9% MoM SAAR in August (Figure 2). Fruit and vegetable price rises in September began to exceed the normal seasonal pattern after an unusually steep price drop in the summer months (Figure 3). The pace of price increases in other food items was all but unchanged at 5.3% MoM SAAR after 5.2% MoM SAAR in August. Egg prices began to climb, the pace of meat and bakery product price rises gained pace.

Figure 2. Seasonally adjusted price growth, % MoM SAAR



Sources: Rosstat, R&F Department estimates.

Figure 3. Fruit and vegetable price growth, % WoW

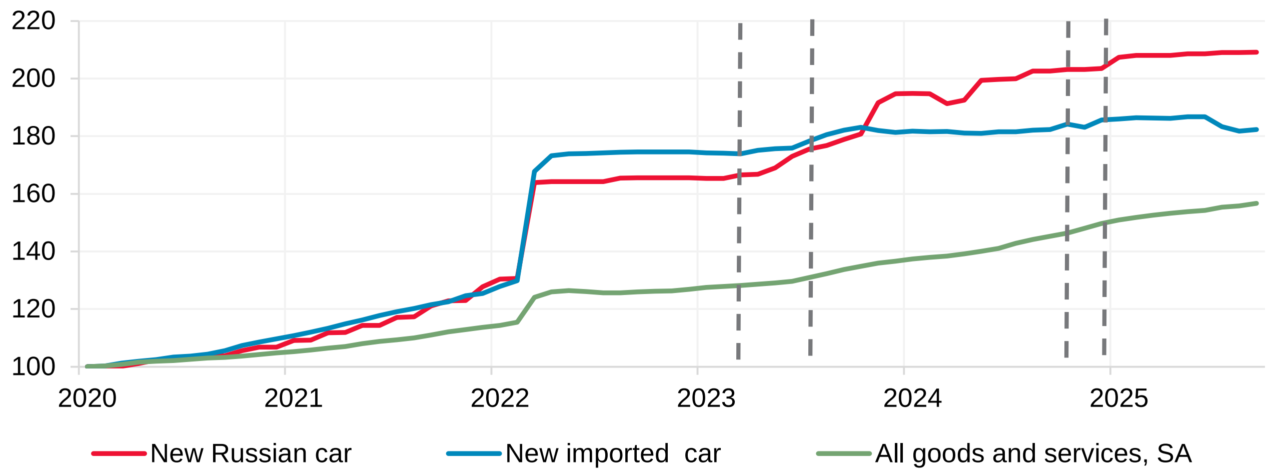


Sources: Rosstat, R&F Department estimates.

Price growth in the non-food segment picked up speed to reach 6.1% MoM SAAR after 4.5% MoM SAAR a month earlier. Fuel price rises continued to gain pace. In response to this, the Russian government extended a ban on the export of petrol and diesel until the end of the year and imposed a ban on zero payments under the damper regime. Net of petroleum refining products, price growth in non-food goods remains moderate at 1.8% MoM SAAR after 1.7% MoM SAAR in August. The prices of electronic goods continued to climb, while the sales of electronic goods are gradually recovering, according to Rosstat data (Figure 5). Basic pharmaceutical products markedly rose in price in seasonally adjusted terms. Car prices remained unchanged, with the auto market situation stabilising: surplus car stocks are shrinking, discounts are declining, while sales remain fairly strong.

Proinflationary impact may, in the coming months, arise from a possible disposal fee increase and amendments to rules for its calculation factoring in not only engine capacity but also its horsepower. That said, the pass-through to prices will, as was the case previously, be very likely time-spaced and incomplete (Figure 4).

Figure 4. Price index of all goods and services and car prices, SA, January 2020 = 100

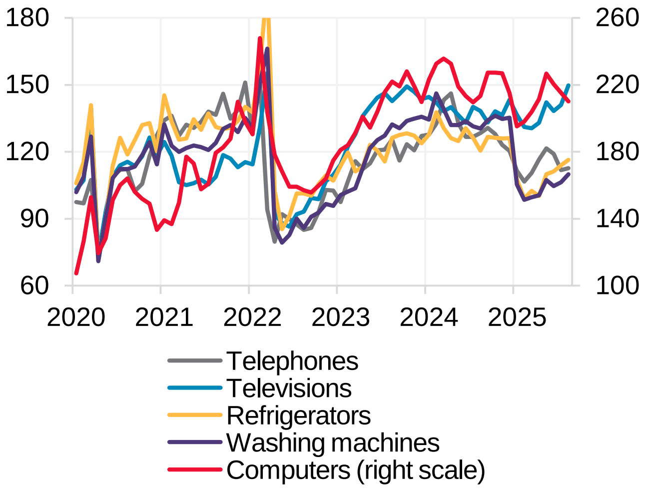


Sources: Rosstat, R&F Department estimates.

The median of growth in the prices and services highly sensitive to exchange rate movements marginally declined, a gap with price movements in goods weakly dependent on the exchange rate is narrowing (Figure 6). We estimate that the pass-through of ruble strengthening to prices seen in the first half of the year has virtually petered out.

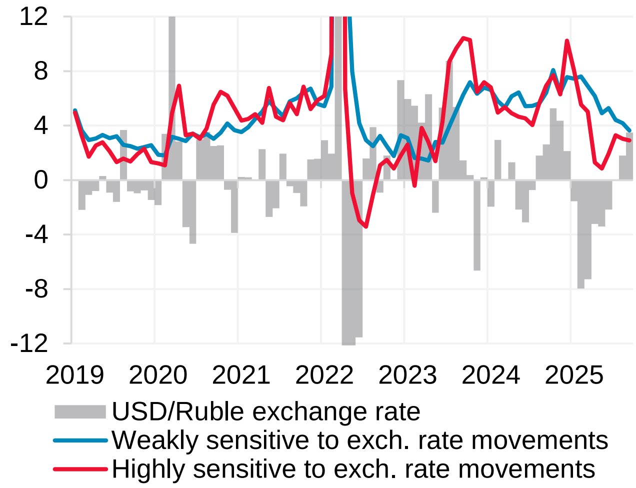
Price rises in the services segment accelerated to 9.2% MoM SAAR from 5.2% MoM SAAR in August. Price growth in less volatile and unregulated components slowed but remained fast at 8.0% MoM SAA after 10.1% MoM SAAR in personal services and 10.0% MoM SAAR after 13.2% MoM SAAR in health services in August.

Figure 5. Sales of some electrical goods, SA, December 2019 = 100



Sources: Rosstat, R&F Department estimates.

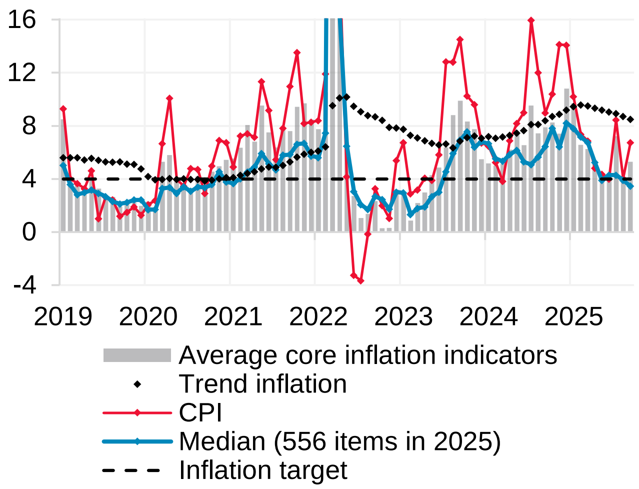
Figure 6. Median CPI (% MoM SAAR) and US dollar to ruble exchange rate (%)



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

Analytical indicators of persistent inflationary pressure saw mixed changes in September. The mean of modified core inflation estimates rose to 5.3% from 4.2% in annualised terms (Figure 7). The median price growth slowed to 3.5% from 3.9%. The total weight of items rising in price at an accelerated pace was all but unchanged (Figure 8). The trend inflation estimate inched down to 8.50% YoY from 8.72% YoY.

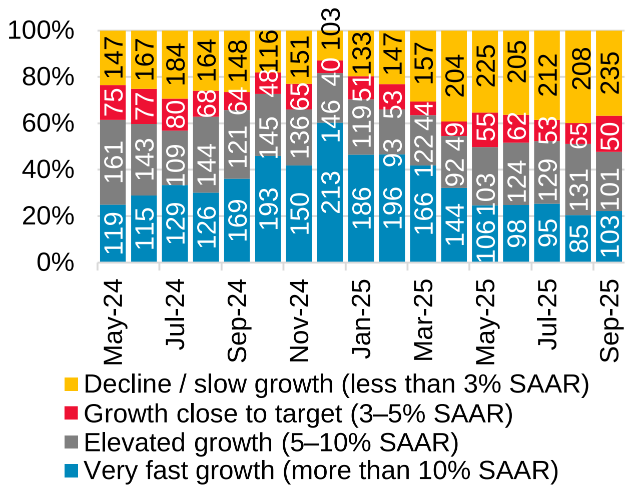
Figure 7. Modified core inflation indicators* (% in annualised terms) and trend inflation estimate (% YoY)



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

Sources: Rosstat, R&F Department estimates.

Figure 8. Total weight of goods and services* distributed based on seasonally adjusted price growth

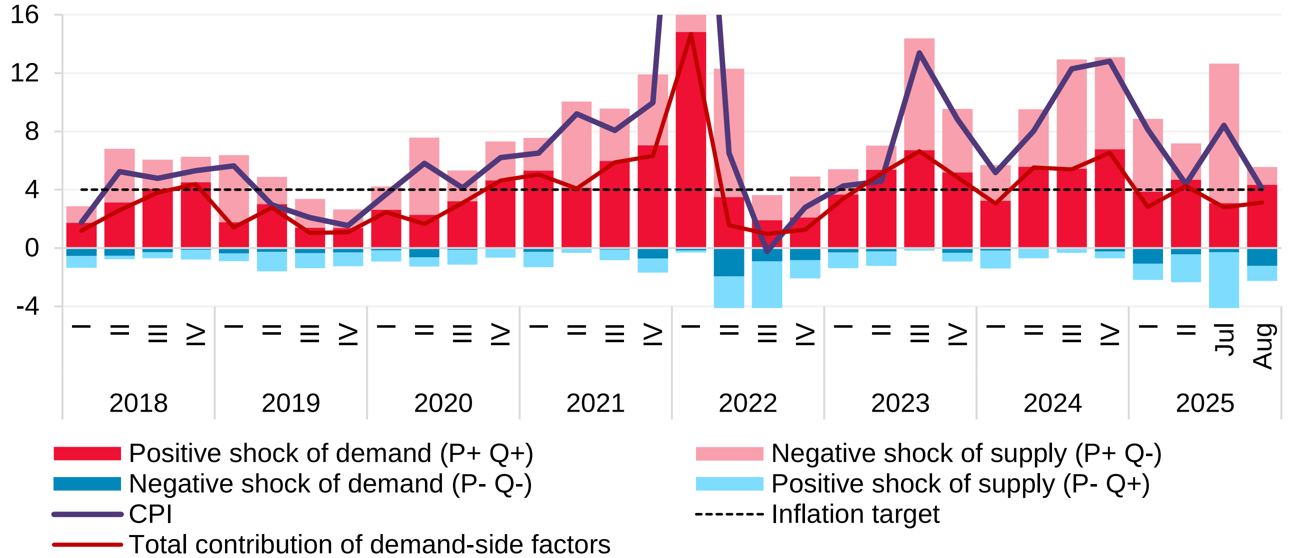


** Net of fruit and vegetables, and regulated services.*
Note: Figures stand for the number of items.

Sources: Rosstat, R&F Department estimates.

According to the decomposition,[2] August's price growth close to the 4% trajectory was largely driven by supply-side factors. That said, the proinflationary contribution of demand-side factors was close to the Q1 2025 level, remaining far below the H2 2024 numbers (Figure 9).

Figure 9. 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.*

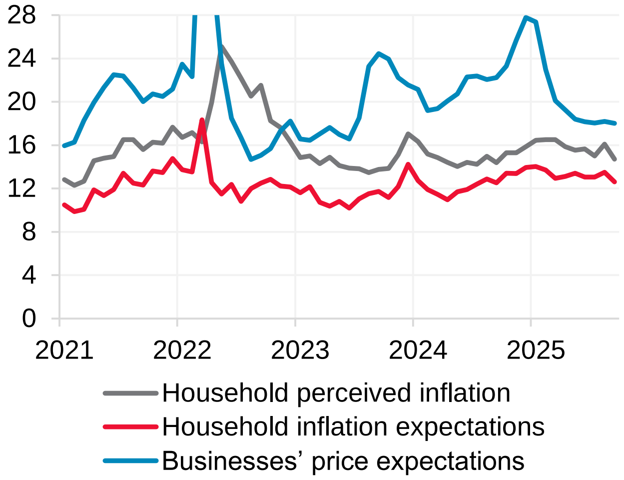
Sources: Rosstat, R&F Department estimates.

Producer price growth in manufacturing remained near zero in August, but consumer goods industries showed signs of minor acceleration, driven by food and beverages. Survey-based data (PMI, the Bank of Russia's monitoring of companies, the Institute of Economic Forecasting of the Russian Academy of Sciences) show different cost and output price changes, but overall, they remain relatively low. Against a backdrop of a seasonal fruit and vegetable price decline and the substantial housing and communal services price indexation receding into the past, inflation expectations and perceived inflation estimates dropped to the year's low (Figure 10).

Tax novations will make an additional contribution to price growth. An increase, as of 2026, in the VAT base rate to 22% from 20% will affect two thirds of the basket monitored by Rosstat (Figure 11), and, according to our estimates based on, among other things, the 2019 experience, will add to the CPI around 0.6-0.8 pp, given a less than full pass-through to prices and secondary effects. This impact will mainly make itself felt in Q1 2026, right after the tax hike. This is a one-off factor, which, after its realisation, will have a neutral or weakly disinflationary effect on inflation via containing demand. Monetary policy reaction is only needed for minimising secondary effects on inflation via inflation expectations.

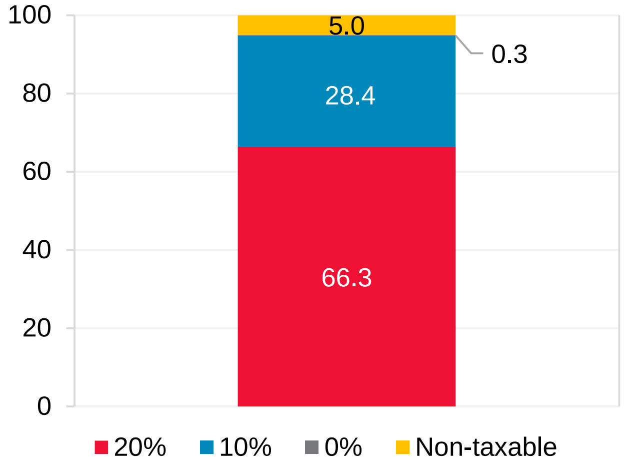
[2] Sheremirov V. (2022). Are the Demand and Supply Channels of Inflation Persistent? Evidence from a Novel Decomposition of PCE Inflation. Federal Reserve Bank of Boston Current Policy Perspectives. November 4, 2022.

Figure 10. Inflation expectations of households (% YoY) and businesses (balance of answers, % SA)



Sources: Bank of Russia, inFOM.

Figure 11. Shares of various VAT rates within the Rosstat basket in 2025, %



Sources: Rosstat, R&F Department estimates.

2. Economic performance

The distinctive feature of the current situation in the Russian economy is that *aggregate external demand* for Russian exports has dropped. This is reflected in export contraction in physical terms and by value alike. Some exports (such as coal, industrial metals, grain) saw export prices fall, although there are, of course, exceptions, such as fertilisers and computer software, external demand for which expanded, along with exports thereof.

Aggregate domestic demand, however, continues to rise. This is particularly notable in the consumer goods segment and in a number of industrial sectors. This non-uniformity of economic performance leads to a situation where the overheating (the output gap) in the economy at large departs at a faster pace than in industries meeting domestic demand. As a result, overall price in the economy slows faster than CPI.

Due to this structural peculiarity of the current situation, the consumer inflation target will likely be met under a slower pace of GDP growth than what it would be if external demand were stable or rose. But this would not mean an excessive cooling of domestic demand. Rather, it would only reflect a deduction from GDP growth owed to a deterioration of the terms of trade. This deterioration, if persistent, is a deduction from potential GDP. That said, potential GDP would, overall, remain on the ascending path, driven by investment and labour productivity growth in other industries. And after it has come abreast with the achieved level of demand, the economy would overall move to a balanced growth path under sustainably low inflation.

2.1. Gradual slowdown of economic growth continues

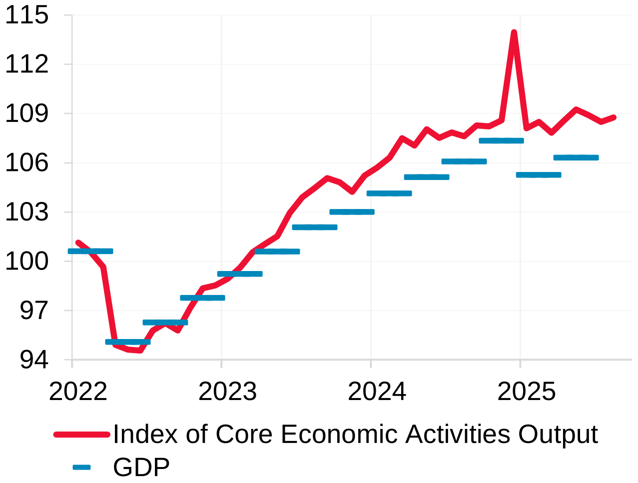
- It appears from real-time data that a gradual slowdown of economic activity has continued in Q3 (Figure 12). That said, its performance has continued to vary across sectors. The high level of output is being maintained in industries meeting government demand, whereas private domestic demand has shown a more moderate performance, with external demand remaining subdued.
- The middle of Q3 saw strong growth in some investment goods industries. The consumer goods industries' output generally stabilised. Intermediate goods industries (including those meeting external demand) mostly showed some output contraction (Figure 15).
- Survey data (the Economic Forecasting Institute of the RF Academy of Sciences, PMI, the Bank of Russia's Business Climate Index) registered a worsening of domestic demand performance and export orders contraction at the end of Q3 (Figure 13). The worsening of current situation perceptions was in part attributed to the impact of one-off factors depressing output in mining and quarrying (Figure 14), petroleum refining, along with wholesale trade and freight traffic performance.[3]
- The effect of tight monetary policy on consumption is so far to a greater extent materialising through an elevated savings ratio. For instance, the share of households preferring to save money despite the interest rate cuts, hit the highest level since 2023 (Figure 17). That said, the increased savings activity is coupled with a further rise in consumption (Figure 16), driven by strong growth in labour income thanks to a continued significant labour shortage.
- The unemployment level hit yet another all-time low in August (Figure 18). As a result, strong competition for personnel continues even amid activity cooling in many sectors, while real wage growth remains strong at 0.9% MoM SA in July. Meanwhile, survey data[4] and a sharp cooling of recruiting activity point to the prospects of gradual normalisation of the labour market situation in the foreseeable future (Figure 19). This should bring the pace of wage growth closer to that of labour productivity, which is vital to the consolidation of low inflation.
- We estimate that the new budget projections are, overall, neutral for economic performance. They will just result in an additional reallocation of resources and demand in the economy: a larger budget expenditure will be financed through an increase in the tax burden. That said, it is important from the perspective of the inflation trajectory that the projections provide for a return of expenditure to parameters specified under the fiscal

[3] Repair and maintenance at petroleum refining facilities, disruptions in the supply of fuel and energy products and other export constraints (logistics restructuring on the back of US tariff policy regarding manufacture of non-ferrous metals).

[4] Forecasts of changes in personnel numbers in business surveys by the Institute for Economic Forecasting of the Russian Academy of Sciences grew increasingly pessimistic in September, while salary plans dropped to the lows of the Covid time. Part of automakers announced plans for introducing a shorter working week, and, according to PMI data, employment in manufacturing continued to contract in September as vacancies of quitting workers were scrapped.

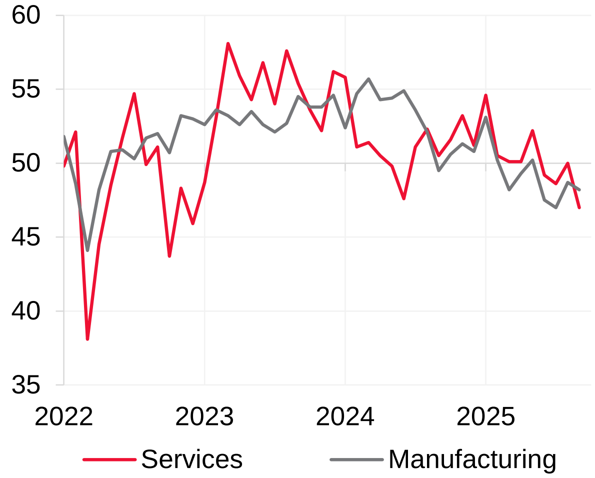
rule. This means that the sustainable disinflationary impact of the budget will strengthen in 2026, helping to meet the inflation target, even despite the one-off addition of the VAT hike to price growth.

Figure 12. Core economic activities output and GDP, Q4 2021 = 100, SA



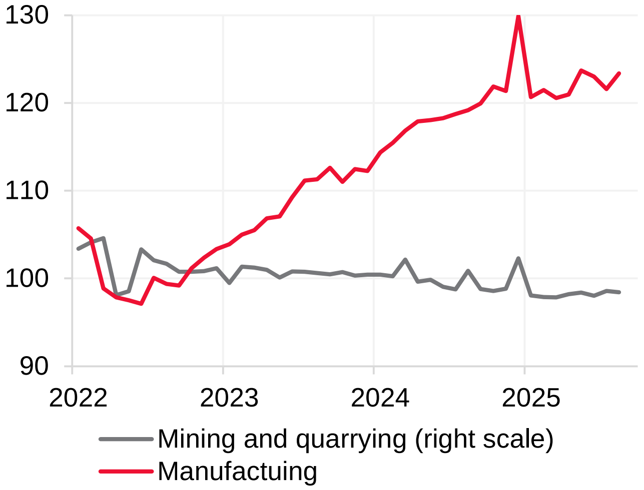
Sources: Rosstat, R&F estimates.

Figure 13. Russia's Manufacturing and Services PMI, points



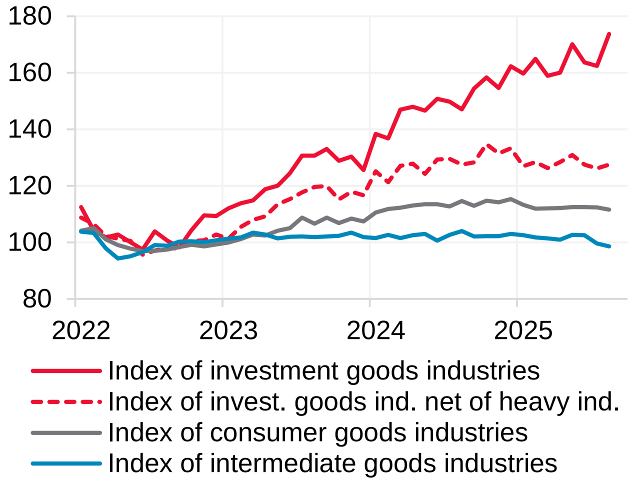
Source: S&P Global.

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



Sources: Rosstat, R&F estimates.

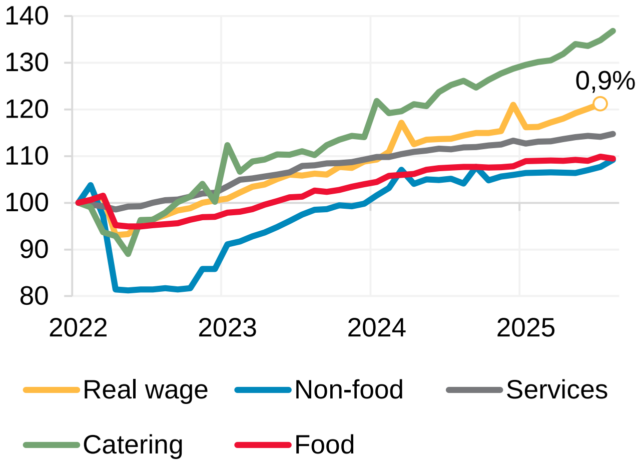
Figure 15. Output in groups of manufacturing industries, SA, 2021 = 100%[5]



Sources: Rosstat, R&F estimates.

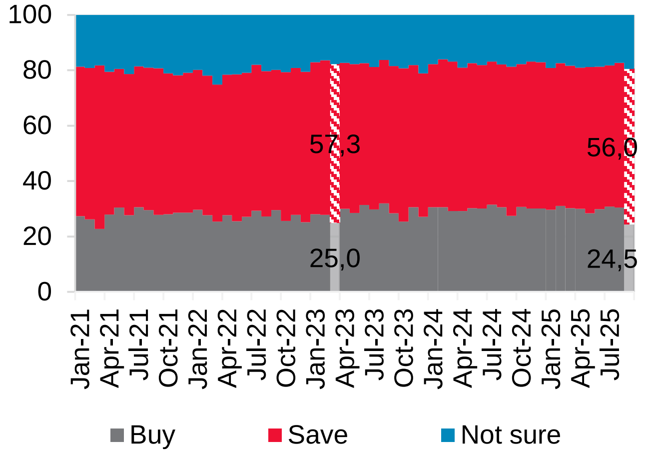
[5] The "heaviest" in the group of investment goods industries are the manufacture of fabricated metal products, except machinery and equipment and other transport equipment.

Figure 16. Real wage, retail segments, catering and services turnover, 01.2022 = 100, SA, %



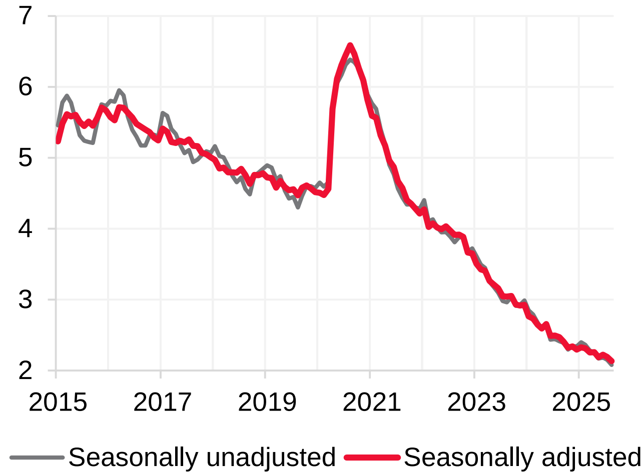
Sources: Rosstat, R&F estimates.

Figure 17. "What is the best use of spare cash now: save or buy expensive goods?", %



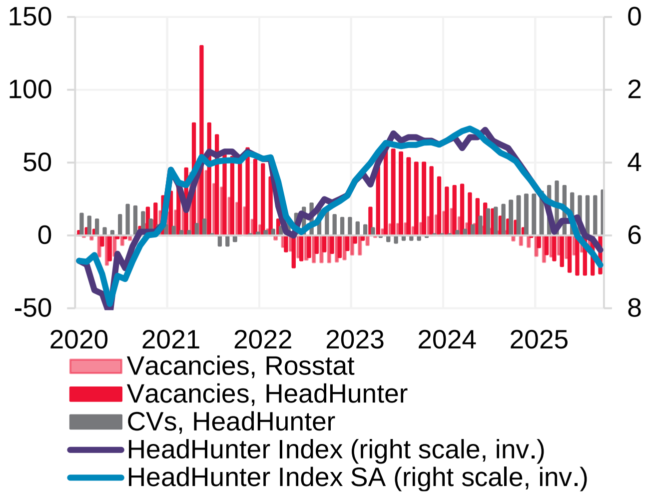
Source: inFOM.

Figure 18. Unemployment rate, %



Sources: Rosstat, R&F estimates.

Figure 19. CVs, vacancies (% YOY) and HeadHunter index (points)



Sources: Rosstat, HeadHunter, R&F estimates.

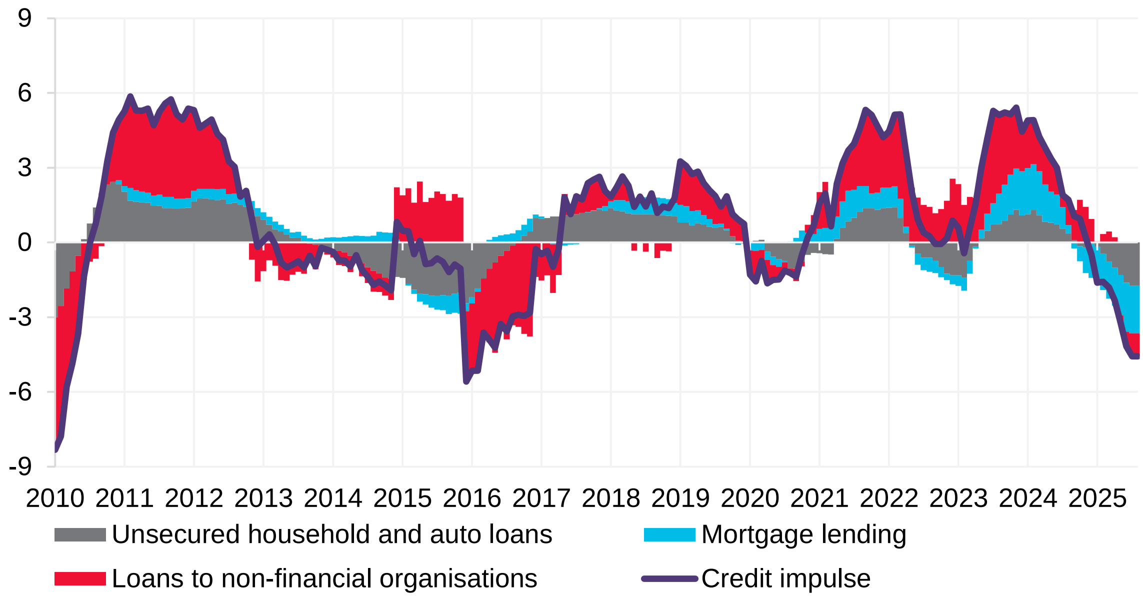
2.2. Corporate lending rebounds

- The input of lending to aggregate demand was virtually unchanged in August. The credit impulse in the corporate segment continued to decline because of a more moderate rise in claims compared with their record growth in the first 10 months of last year. At the same time, the impulse slightly grew in mortgage lending amid a loosening monetary stance, remaining unchanged in other retail lending segments (Figure 20).
- Corporate claims growth net of foreign exchange revaluation accelerated to 1.4% MoM SA from 1.3% MoM SA in July (Figure 21) thanks to growth acceleration in ruble claims on non-financial organisations amid interest rate cuts and some rebound of business activity

– to 1.2% MoM SA from 0.8% MoM SA. A rise in claims on financial organisations remained strong at 1.9% MoM SA. Overall, ruble corporate claims are expanding more slowly than in 2024, but the current pace of their increase exceeds the 2016–2019 average. In addition, August saw dynamic growth in foreign currency claims, in particular, loans to commodity companies and some financial organisations.

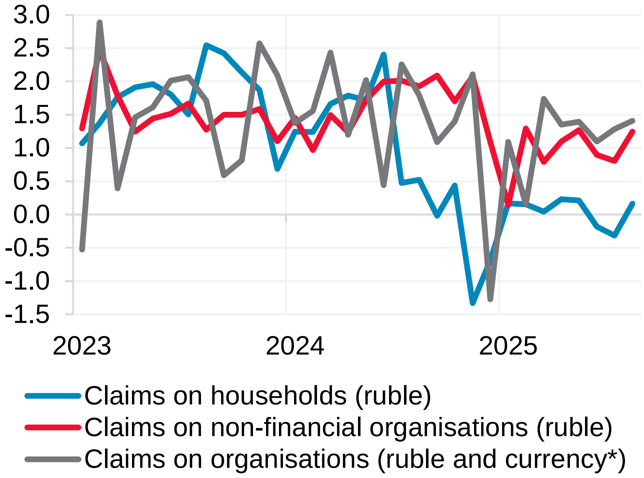
- Household claims returned to growth in August, but their rise was modest at 0.2% MoM SA. Expansion in the mortgage loan portfolio stays above the Q4 2024 – Q2 2025 average (Figure 22). Meanwhile, expansion is also registered in both subsidised and market segments, which may be owed to expectations for further monetary policy loosening.
- A rise in the auto loan portfolio slightly accelerated in August (Figure 23), in line with the recovery of demand on the auto market. Expansion in the credit card portfolio still falls behind previous years' patterns: given a low risk appetite and macroprudential limits in place, banks seek to attract new customers with a debt-to-income ratio of less than 50%, causing average limits on new cards to drop 0.6%, according to Bureau of Credit Histories data.
- Money supply expansion slowed to 0.8% MoM SA in August from 1.5% MoM SA in July, with growth in broad money supply softening to 0.8% MoM SA from 1.9% MoM SA (Figure 24). Important factors of the growth slowdown were contraction in claims on nonresidents and some fall in net claims on government agencies. That said, support for the economy and the impact of the budget on money supply remain notable. According to a preliminary estimate, in September month-on-month broad money supply growth net of foreign exchange revaluation slowed, with its annual expansion losing momentum.

Figure 20. Credit impulse, % of GDP



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

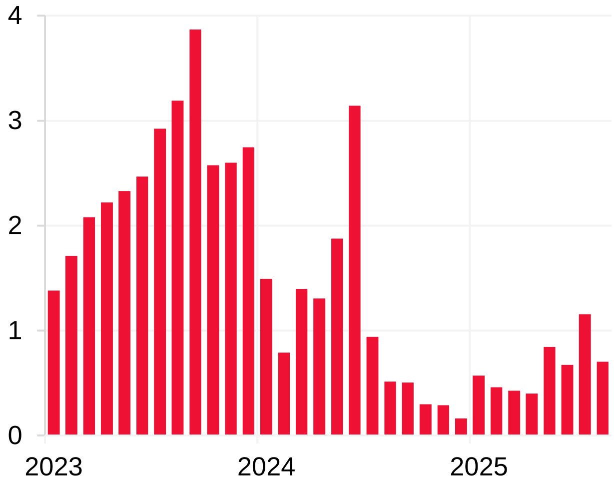
Figure 21. Banks' claims, % MoM SA



** Net of foreign exchange revaluation*

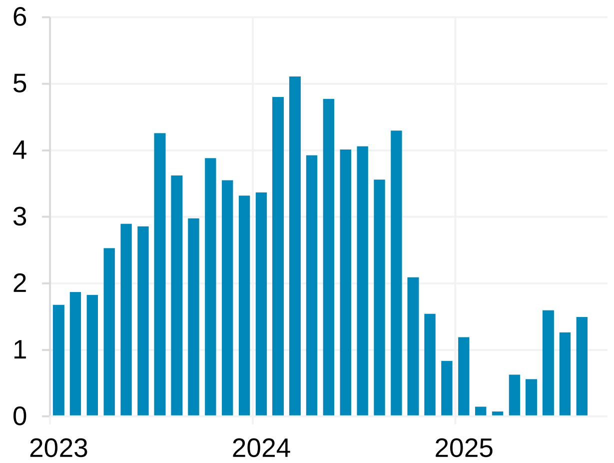
Sources: Bank of Russia, R&F Department estimates.

Figure 22. Ruble mortgage loan debt, adjusted for acquired rights of claim, % MoM SA



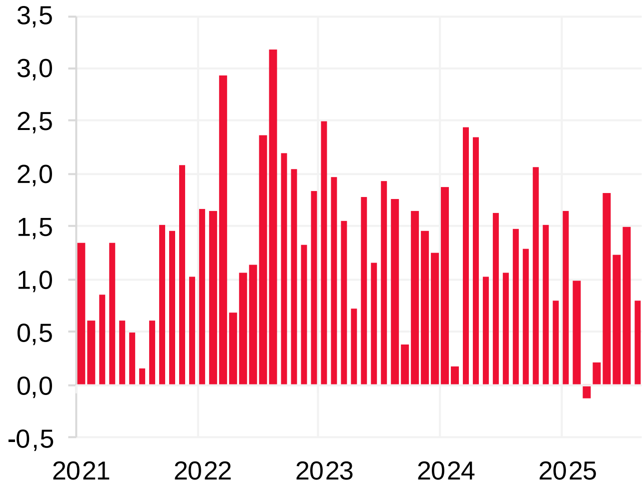
Sources: Bank of Russia, R&F Department estimates.

Figure 23. Auto loan portfolio, % MoM SA



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

Figure 24. Monetary aggregate M2, % MoM SA



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

In focus. What do stable inflation indicators suggest?

- Central banks on a regular basis estimate by a variety of methods the level of persistent inflationary pressure adjusted for the impact of one-off and temporary factors. In practice, no single indicator of persistent price rises can be regarded as the only accurate or best instrument. Each of them has its advantages and disadvantages, depending on a specific situation.
- Monetary policy decisions should be based on understanding that the metrics of non-observable indicators, which include those of persistent inflationary pressure, should be interpreted in their entirety and in the context of meaningful time intervals rather than individual months. The current estimates of a medium-term balance of risks to price stability based on a broad spectrum of a stable CPI component indicate that inflationary pressure adjusted for one-off and temporary factors are most probably yet to come close to the 4% level, although it has substantially decreased since late 2024.
- As a consequence, the pace of observed disinflationary trends should be regarded as gradual. For a slowdown of month-on-month price growth to continue in the coming months and quarters, monetary policy decisions should be meticulous, careful and aiming to maintain such a degree of monetary stance tightness as to allow the consolidation of the trend towards a slowdown in price growth and achieve its sustainable deceleration to target in 2026.

Changes in the consumer price index are often driven by a variety of temporary or one-off factors. Monetary policy should react to them only if they create secondary effects on inflation. Amid unanchored inflation expectations, spikes in the prices of some goods or services push expectations up, which can translate into additional price growth, making a central bank react to it. One of its objectives is to clear price movements of the impact of temporary and one-off factors. This provides a better insight into the whereabouts of persistent inflationary pressure, reflecting the impact of earlier monetary policy decisions and other types of economic policy, as well as the status of aggregate demand (output gap). The estimates of the current level and forecasts of persistent pressure are among the most important indicators used in taking monetary policy decisions.

The Bank of Russia regularly estimates and releases a number of inflationary pressure indicators. E.g., trend inflation estimates on a three- and five-year rolling window,[6] core inflation by the method of excluding the most volatile components and the truncation method, as well as the median of distribution for the most disaggregated CPI components. The above listed indicators represent different approaches to isolating a stable component of price movements.

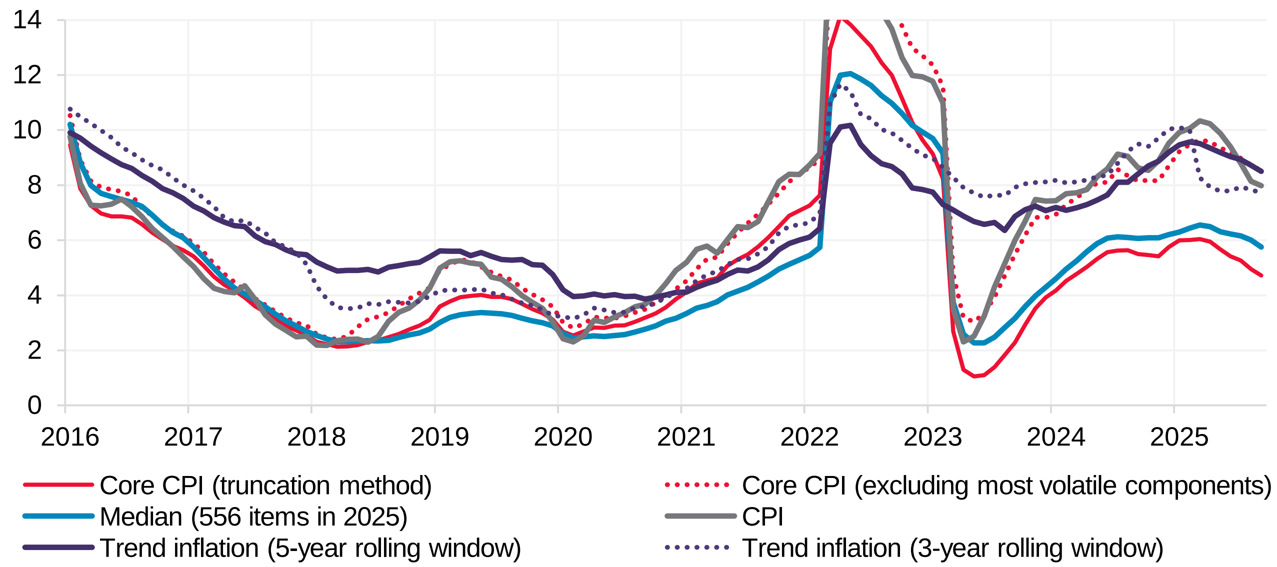
[6] The econometric estimation technique is replicated in line with Cristadoro et al. (2005), estimation on a three- and five-year rolling window (36 and 60 months).

World practice shows that there are no perfect metrics of persistent inflation. The indicators, by construction, possess different properties and, depending on a situation, may produce different signals.

For example, in the 2016–2017 period of a fast slowdown in price growth, trend inflation metrics were far above the majority of other indicators of a sustainable rise in prices and the CPI itself (Figure 35). In 2025, trend inflation estimates have shown a similar pattern. They have stayed in the range of 7.2%–8.9% MoM SAAR (on a three- and five-year rolling window). The average decline of the indicator since the start of the year has come in at 0.5 pp, much less than that in many other indicators. In periods when price growth accelerated, trend inflation also showed a gradual rise.

The core CPI estimated by the method of truncation[7] much more promptly reacts to changes in the headline CPI. One peculiar feature of this indicator in Russian realities is that it is sustainably found below the headline CPI. This means that in the right-hand part of the truncated distribution tail (components showing the steepest price rises) one very often finds components with heavier weight in the CPI structure, which have a significant effect on changes in the headline CPI. Thus, it is this indicator that can, in some periods, push the estimate of persistent inflationary pressure down. The indicator estimated by the method of truncation has in recent months constantly stood below 4% and overall price growth (SA).

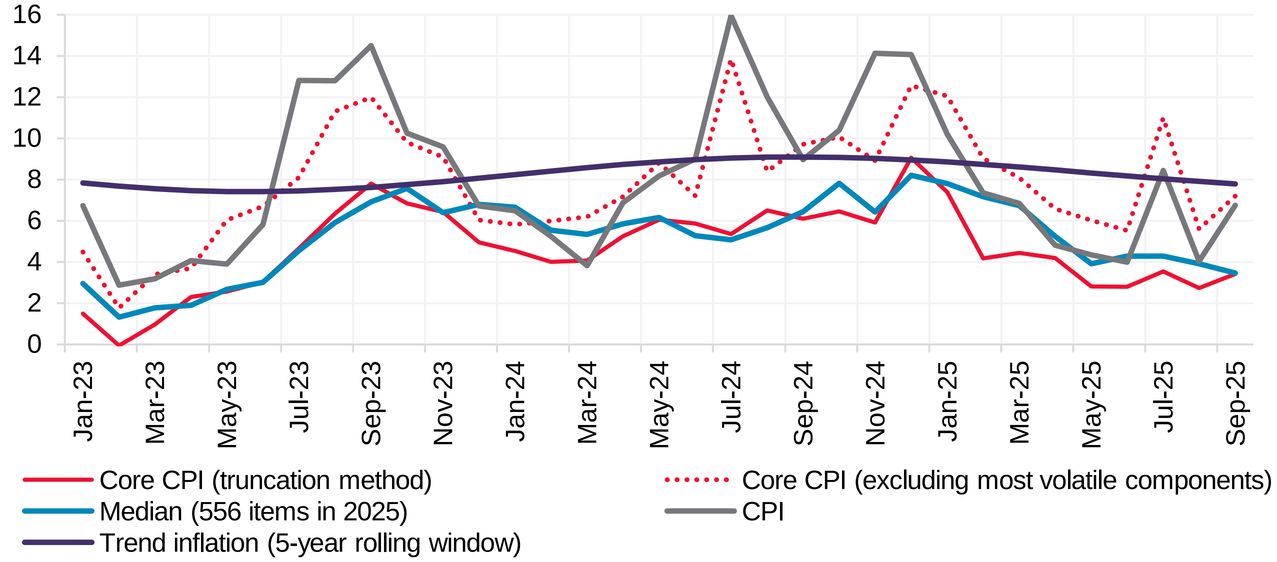
Figure 25. CPI and stable price growth indicators, % YoY



Sources: Rosstat, R&F Department estimates.

[7] The tails of monthly distribution, i.e., the components showing the largest and smallest price movements over the month, are truncated. Then the mean or median of the remaining components are estimated.

Figure 26. CPI and stable price growth indicators, % MoM SAAR



Sources: Rosstat, R&F Department estimates.

The core CPI excluding the most volatile components followed the CPI the most closely and showed higher volatility. We compute this indicator taking into account the Bank of Canada's technique.[8] The share of excluded components relative to the total number of aggregated components is comparable with the original paper: 19% (8 out of 43) versus 15% (8 out of 54). Of particular interest is the composition of components excluded the most often. We will consider three periods: 2006–2014 (the period of the controlled exchange rate regime), 2015–2021 (introduction of the floating exchange rate, relatively low inflation), and 2022 – September 2025) (the period of the post-Covid shock and the volatile exchange rate) (Table 2).

Food was excluded the most often in 2006–2014, while in the 2022–2025 period the only excluded food products were sugar, fruit and vegetables. The frequency of excluding refined petroleum products declined from 60% in the 2006–2014 sample to 18% in 2022 – September 2025, likely due to the introduction of the damper mechanism. The frequency of excluding other groups of non-food goods whose prices depend on exchange rate movements, by contrast, rose from a small share in the period when exchange rate fluctuations were small, to 53%–100%. This means that the impact of ruble strengthening was to a great extent removed. The core CPI excluding the most volatile components dropped in 2025, but not so steeply as the CPI, and in recent months (except for July[9]) stayed at 5.5%–6.0%. This indicator, therefore,

[8] Lafleche T., Armour J. (2006). Evaluating measures of core inflation // Bank of Canada Review. The key idea of the method is the exclusion of a set of the most volatile components updated on a monthly basis, rather than a firmly established list prone to the loss of relevance. The controversial aspect of this approach is the need to preset an exact number of components to be excluded in advance. As in the original paper, we use eight components. Our estimates are overall robust, with the eight-component version showing the smallest dispersion (Figure 27).

[9] The metric showed a significant rise in July 2025, because the specifics of the estimation methodology required the inclusion of the housing and communal services, whose prices were sharply hiked. This is a somewhat counterintuitive result, because the housing and communal services prices is clearly a one-off factor, which means that it should be excluded in estimating any measure of true inflation. But the prices of regulated services are not volatile on 245-months window used in the estimation. Rather, they are characterised by one-off shifts in price

signals that persistent inflationary pressure has already dramatically eased from the high levels of late 2024, but still remains substantial relative to the Bank of Russia's target.

A significant divergence among persistent inflation indicators is largely due to the methodological specifics of estimation and in general confirms that it is hard to find a single perfect indicator which could be used to estimate the current whereabouts of inflationary pressure. Our analysis leaves out a body of indicators computed as part of forecasting models (Quarterly Forecasting Model or DSGE) used by the Bank of Russia. Their changes may, however, also differ, heavily depending on the estimates of a large number of non-observable variables (e.g., potential output, its growth and gap, an estimate of the neutral interest rate, inflation expectations.

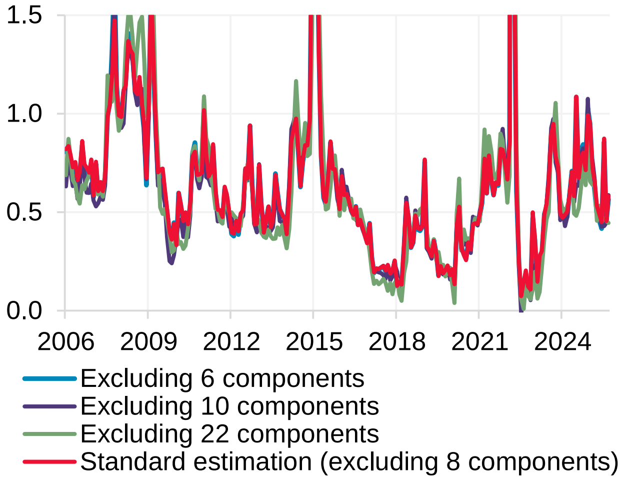
All of the above does not mean that central banks should not take efforts to estimate indicators of persistent inflationary pressure. It is important to understand the specifics of their estimation and rely on their aggregate changes, not over an individual month but over longer time intervals. All indicators considered above suggest gradual easing of persistent inflationary pressure throughout 2025 from the high levels of 2024. They, however, widely differ in estimating its current level. It is highly likely that inflationary pressure has not yet reached the 4% level. As a consequence, the pace of observed disinflationary trends should be regarded as gradual. For a slowdown of month-on-month price growth to continue in the coming months and quarters, monetary policy decisions should be meticulous, careful and aiming to maintain such a degree of monetary stance tightness as to allow the consolidation of the trend towards a slowdown in price growth and achieve its sustainable deceleration to target in 2026.

Table 2. Components excluded the most often in estimating core inflation by the method of excluding the most volatile components

	2006–2014	2015–2021	2022–Sep. 2025
Eggs	100%	100%	47%
Sugar	100%	100%	100%
Fruit and vegetables, including potatoes	100%	100%	100%
Butter, oils and fats	73%	19%	29%
Cheese	72%	2%	0%
Milk and dairy products	55%	0%	0%
Pasta and grain products	51%	98%	4%
Bread and bakery products	48%	0%	0%
Refined petroleum products	60%	32%	18%
Television and radio goods	1%	64%	100%
Personal computers	1%	33%	56%
Electrical goods and other household appliances	1%	29%	58%
Communication devices (Telephones, watches, headphones)	0%	0%	89%
Passenger cars	0%	0%	53%
Communication services	34%	0%	24%
Passenger transport services	23%	45%	4%
Television and radio goods	15%	100%	9%
Miscellaneous services	0%	1%	96%

levels. The estimation of a similar metric, with housing and communal services manually excluded, produces similar results, except that the months of housing and communal services price indexation are isolated (Figure 28).

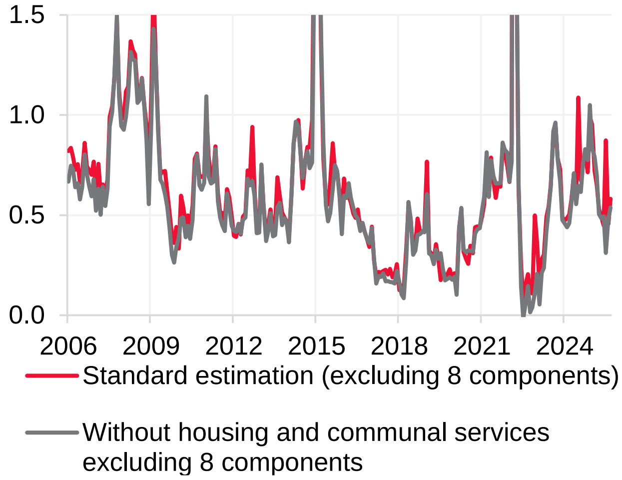
Figure 27. Estimation of core inflation* using different numbers of excluded components



** By method of removing the most volatile components.*

Sources: Rosstat, R&F Department estimates.

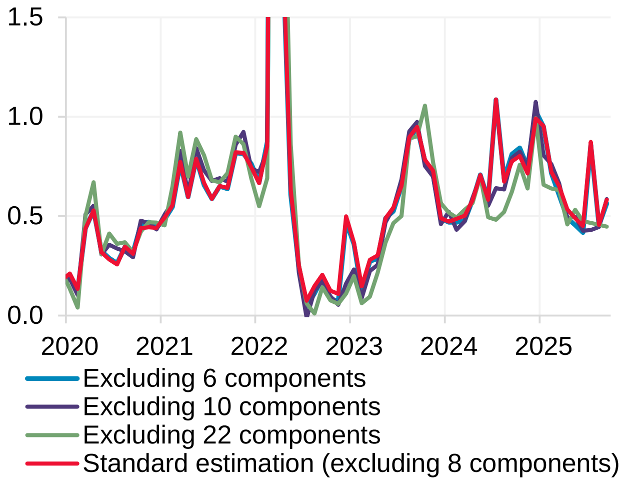
Figure 28. Estimation of core inflation* without housing and communal services



** By method of removing the most volatile components.*

Sources: Rosstat, R&F Department estimates.

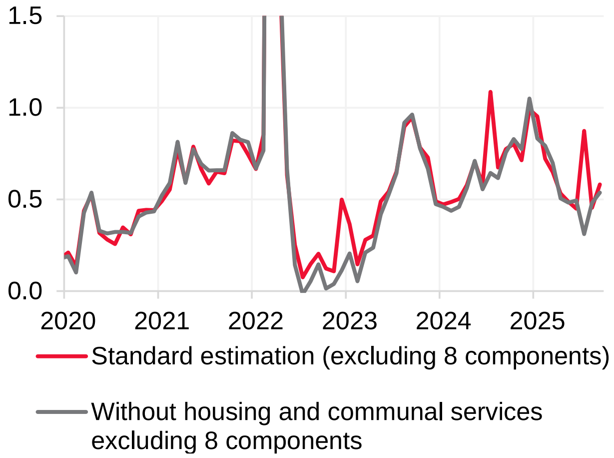
Figure 29. Estimation of core inflation* using different numbers of excluded components



** By method of removing the most volatile components.*

Sources: Rosstat, R&F Department estimates.

Figure 30. Estimation of core inflation* without housing and communal services



** By method of removing the most volatile components.*

Sources: Rosstat, R&F Department estimates.