



Bank of Russia



CONSUMER PRICE DYNAMICS

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Information and analytical commentary

12 September 2019

Consumer price dynamics: facts, assessments and comments (August 2019)

Consumer prices declined by 0.2% in August 2019, primarily because of the seasonal drop in food prices. Annual inflation slowed down by 0.3 pp to 4.3%, and price growth rates decreased in all main goods and service groups. There was also a reduction in the indicators reflecting stable price trends (annual core inflation, median value of annual price growth distributions). Seasonally adjusted month-on-month growth of consumer prices, without account of the main volatile and regulated components, slowed down to its minimum recorded over the period since April 2018. The Bank of Russia forecasts that inflation will come in at 4.0–4.5% by the end of 2019. Moving forward, the pursued monetary policy will hold annual inflation close to 4%.

As expected, consumer prices declined by 0.2% in August 2019, primarily because of the seasonal drop in food prices. Annual inflation slowed down by 0.3 pp to 4.3% (Chart 1, Annex 1). Annual growth of prices decelerated for the main goods and service groups, and most notably for food.

The indicators showing stable price trends also dropped. Annual core inflation had been reducing for three consecutive months and came in at 4.3% in August (which is 0.2 pp below the July level). The median value of distribution of annual consumer price growth decreased again (by 0.1 pp to 4.1%).

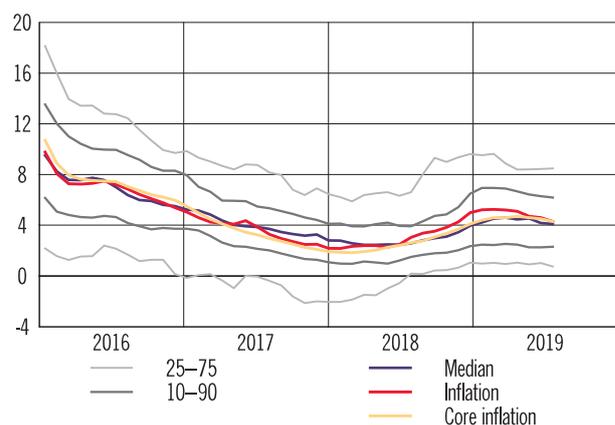
According to the assessment, seasonally adjusted month-on-month growth of consumer prices was 0.3% in August. In annual terms, this value is in line with the target (close to 4%). Seasonally adjusted growth of goods and service prices, excluding the main volatile and regulated components (fruit and vegetables, petroleum products and utility services), is estimated at 0.2%. This is the lowest reading since April 2018. Price dynamics were influenced by moderate demand and temporary disinflation that had been observed until early August as a result of the ruble appreciation.

Food products (share in the consumer basket – 37.61%).

As in July, estimated seasonally adjusted food prices increased by 0.3% in August 2019. After the drop in May–June, fruit and vegetable prices (seasonally adjusted) continued to moderately grow. This was caused by the earlier harvest. The monthly growth rate of prices for food products,

Distribution of goods and service price growth, inflation and core inflation Chart 1

Per cent change vs the same month of the previous year

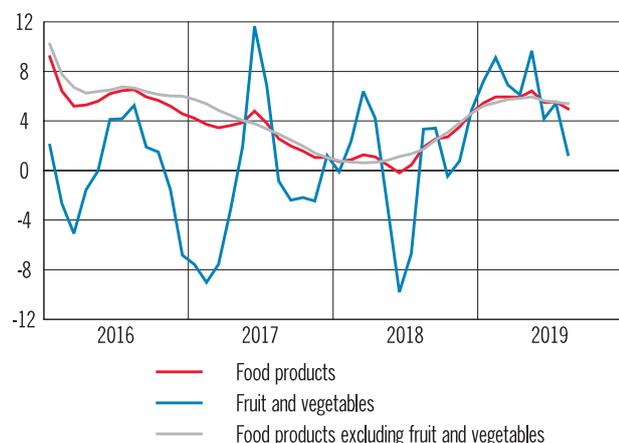


Sources: Rosstat, Bank of Russia calculations.

Food prices

Chart 2

Per cent change vs the same month of the previous year

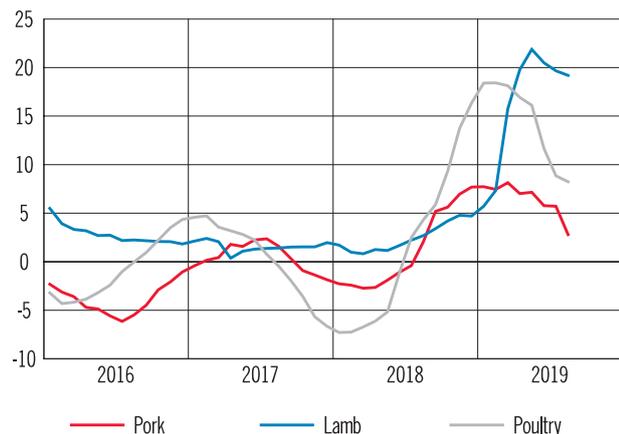


Source: Rosstat.

Meat product prices

Chart 3

Per cent change vs the same month of the previous year

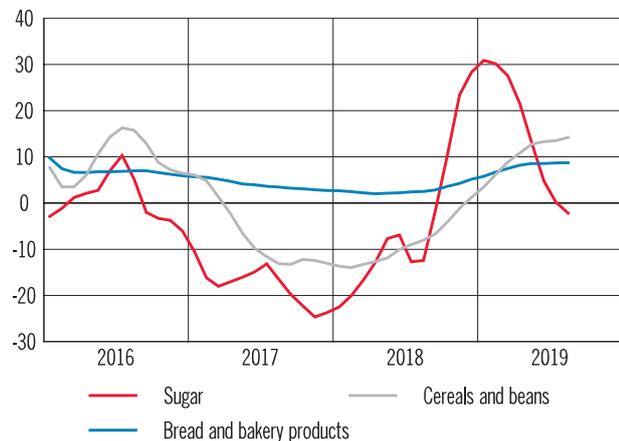


Source: Rosstat.

Prices for sugar and grain products

Chart 4

Per cent change vs the same month of the previous year



Source: Rosstat.

other than fruit and vegetables, was 0.3% (as in March–July 2019, excluding May).

Annualised food inflation decreased in August by 0.5 pp to 5.0% (Chart 2). Growth of fruit and vegetable prices slowed down to 1.3% in annual terms (compared to 5.4% in July). Given the shift in seasonality, we can expect further fluctuations in the annual growth rates of fruit and vegetable prices in the next few months.

Annual growth of prices for food products (other than fruit and vegetables) decelerated again and came in at 5.4% (which is 0.1 pp lower than in July). The increase in meat and poultry prices continued to slow down (Chart 3). Sugar became cheaper as compared to the previous year (Chart 4). Amid the expected increase in the sugar beet harvest and sugar output, the downward trend of sugar prices can continue.¹

The growth rate of bread and bakery prices remained the same as in July, for the first time since May 2018 when it had started to speed up. The expected large harvest in Russia and worldwide and the continuing downward trend in world prices form the basis for stabilisation of consumer prices for bakery products. However, the annual growth rates of prices for cereals, legumes and pasta still continued to rise in August.

Annual growth of prices for milk and dairy products (including dairy butter) also continued to accelerate. This was mainly the result of higher costs (Chart 5). Price growth will be limited by the planned expansion of raw milk production in 2019 which is forecast by the National Union of Milk Producers.²

Non-food goods (share in the consumer basket – 34.81%).

Monthly inflation of non-food goods (seasonally adjusted) equalled 0.2% in August 2019. This is within the range observed in February–July 2019 (0.2–0.3%). Prices for petroleum products rose more slowly by approximately 0.1% (as compared to 0.2% in

¹ According to the forecasts of the International Sugar Organization and the Institute for Agricultural Market Studies. See <https://www.agroinvestor.ru/markets/news/32347-izbytok-sakhara-na-rynke-prodolzhit-davit-na-tseny/>.

² See <https://www.agroinvestor.ru/analytics/news/32328-tempy-rosta-proizvodstva-tovarnogo-moloka/full/>.

July). Estimated inflation in other groups of goods averaged 0.2% (as in April–June).

The annual growth rate of non-food prices returned to its June reading (3.5%) after a one-time rise in July (Chart 6). Petroleum products became more expensive by 2.1% than in the previous year (by 1.8% in July). This slight increase in the annual price growth rates was associated with the base effect.

Annual growth rates of prices for various non-food groups primarily reduced, being affected by moderate demand and the ruble appreciation.

Services (share in the consumer basket – 27.58%)

Seasonally adjusted service prices and rates increased by 0.3% in August, having stayed within the range established in February–June (0.3–0.4%).³

Annual growth of service prices slowed down by 0.1 pp to 4.4% as compared to July, including utility rates – to 4.6% (i.e. by 0.1 pp vs July) (Chart 7). Utility rates, excluding rates for municipal solid waste management services, were 4.3% higher than in 2018 (as in July).

Annual inflation of services, excluding utilities, had stayed the same for three consecutive months (4.4%). Price dynamics in individual service groups remain diverse. An increase in transportation rates accelerated. Annual growth of air fares sped up the most (by 2.5 pp), reflecting a delayed response to the fuel price increase. The annual growth rate of prices for outbound travel services reduced the most (by 2.0 pp).

Inflation in Russian regions

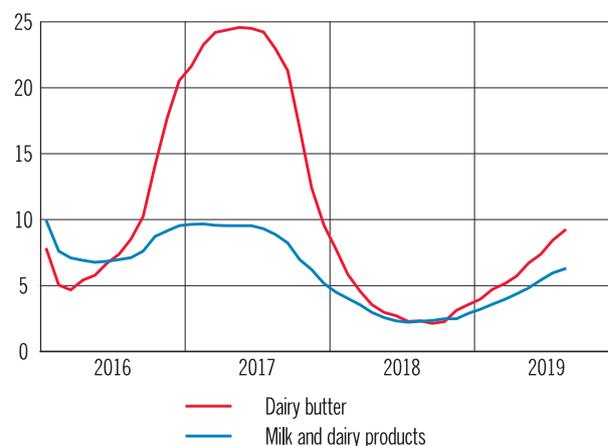
Annual inflation in most regions slowed down in August 2019 as compared to the previous month (69 regions accounting for approximately 93% in the CPI) (Table 1). The most notable deceleration was recorded in the central regions of the European part of Russia. In remote regions of Siberia and the Far East, the inflation rate dropped only slightly. A slower increase in food prices was the major contributor to a lower inflation in most regions. As regards service prices, the regional heterogeneity of inflation

³ The assessment of seasonal changes in service prices was changed in July because of the revision of the approach to seasonal adjustment of utility rates.

Prices for milk, dairy products, and dairy butter

Chart 5

Per cent change vs the same month of the previous year

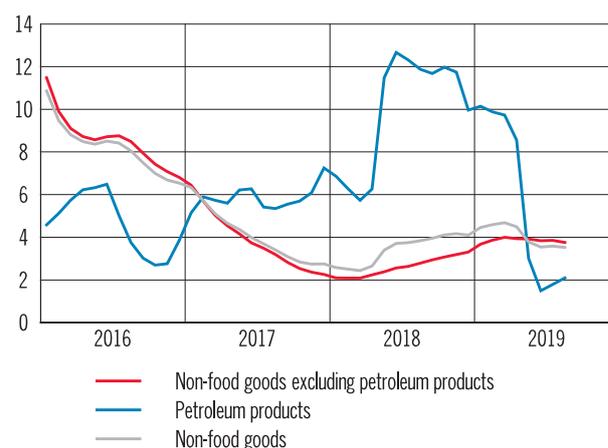


Source: Rosstat.

Non-food prices

Chart 6

Per cent change vs the same month of the previous year

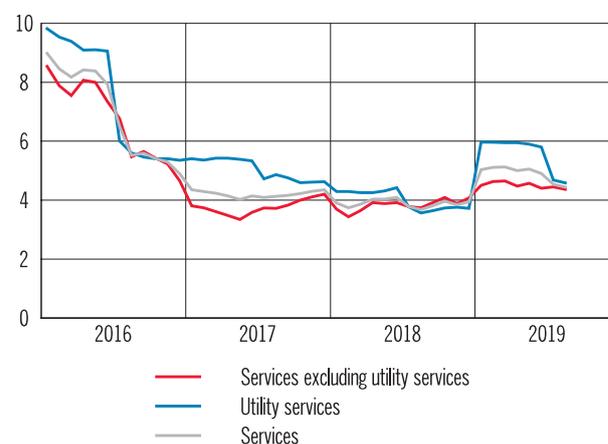


Sources: Rosstat, Bank of Russia calculations.

Service prices

Chart 7

Per cent change vs the same month of the previous year



Sources: Rosstat, Bank of Russia calculations.

Inflation in the federal districts

Table 1

Per cent growth vs the same month of the previous year

	July 2019	August 2019	Price dynamics, August vs July 2019
Russia	4.6	4.3	-0.3
Central FD	4.7	4.4	-0.3
North-Western FD	4.5	4.2	-0.3
Southern FD	4.8	4.5	-0.3
North Caucasian FD	4.4	4.1	-0.3
Volga FD	4.3	4.1	-0.2
Urals FD	4.1	3.8	-0.3
Siberian FD	5.1	4.8	-0.3
Far Eastern FD	4.9	4.9	0.0

Sources: Rosstat, Bank of Russia calculations.

Inflation in Russian regions

Table 2

Per cent growth vs the same month of the previous year

No.*		August 2018	July 2019	August 2019
TOP-5 regions with highest inflation in August 2019				
1 (3)	Irkutsk Region	3.2	6.1	6.5
2 (4)	Republic of Buryatia	3.1	6.1	6.2
3 (1)	Komi Republic	3.3	6.6	5.9
4 (5)	Tambov Region	3.1	5.9	5.8
5 (13)	Jewish Autonomous Region	2.8	5.4	5.7
TOP-5 regions with lowest inflation in August 2019				
78 (81)	Republic of Ingushetia	2.9	3.0	3.2
79 (75)	Republic of North Ossetia- Alania	3.1	3.7	3.1
80 (76)	Tver Region	3.0	3.6	2.7
81 (80)	Tyumen Region	1.5	3.1	2.6
82 (82)	Altai Republic	2.5	2.4	1.4

* Values in brackets indicate the regions' positions in July 2019.

Sources: Rosstat, Bank of Russia calculations.

stays high: the growth rates increased in 34 and reduced in 48 of 82 regions. This was caused by local factors of price dynamics in the tourism service and passenger transport segments (mainly, inflation of long-distance train and flight tickets).

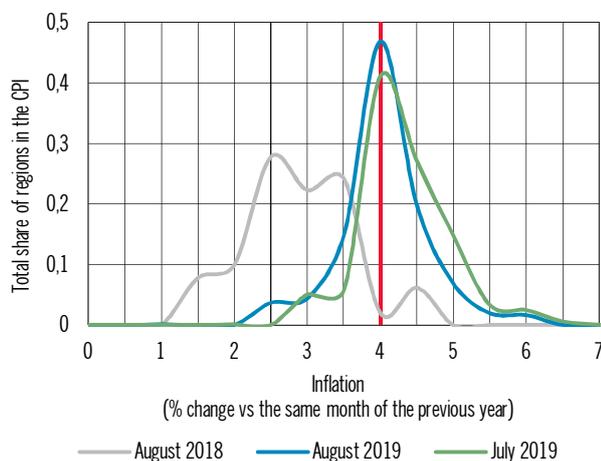
The distribution of annual regional inflation in August changed only slightly as compared to July (Chart 8). Inflation continues to decelerate most notably in the group of regions with low price growth rates, which results from a larger decrease in food inflation and individual local factors in the non-food and service markets. As compared to the same period in 2018, the regional heterogeneity of inflation remains at a lower level.

Inflation forecast

The Bank of Russia forecasts that inflation will come in at 4.0–4.5% by the end of 2019. Moving forward, the pursued monetary policy will hold annual inflation close to 4%.

Changes in the regional distribution
of inflation

Chart 8



Sources: Rosstat, Bank of Russia calculations.

Annex 1

Consumer price dynamics
(%)

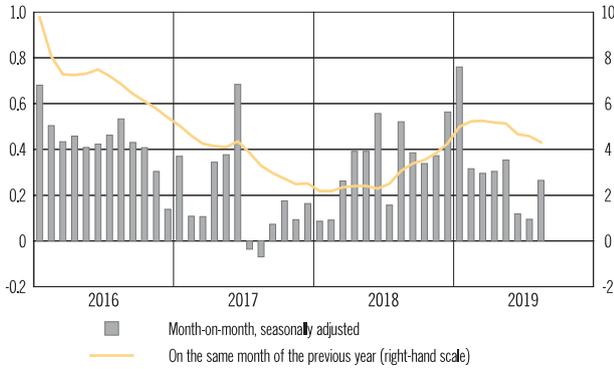
	08.2018	09.2018	10.2018	11.2018	12.2018	01.2019	02.2019	03.2019	04.2019	05.2019	06.2019	07.2019	08.2019
Price growth rates vs the same month of the previous year:													
– all goods and services	3.1	3.4	3.5	3.8	4.3	5.0	5.2	5.3	5.2	5.1	4.7	4.6	4.3
– food products	1.9	2.5	2.7	3.5	4.7	5.5	5.9	5.9	5.9	6.4	5.5	5.5	5.0
of which: fruit and vegetables	3.3	3.4	-0.5	0.8	4.9	7.3	9.1	6.9	6.1	9.7	4.2	5.4	1.3
– non-food goods	3.8	4.0	4.1	4.2	4.1	4.5	4.6	4.7	4.5	3.8	3.5	3.6	3.5
– services	3.7	3.8	4.0	3.8	3.9	5.0	5.1	5.1	5.0	5.1	4.9	4.5	4.4
Core inflation, vs the same month of the previous year	2.6	2.8	3.1	3.4	3.7	4.1	4.4	4.6	4.6	4.7	4.6	4.5	4.3
Median of price growth distribution, vs the same month of the previous year	2.6	2.8	3.0	3.1	3.5	4.0	4.2	4.5	4.6	4.5	4.5	4.2	4.1
Average annual inflation	2.5	2.5	2.6	2.7	2.9	3.1	3.3	3.6	3.8	4.0	4.2	4.4	4.5
Month-on-month price growth:													
– all goods and services	0.0	0.2	0.4	0.5	0.8	1.0	0.4	0.3	0.3	0.3	0.0	0.2	-0.2
– food products	-0.4	-0.1	0.6	1.0	1.7	1.3	0.8	0.5	0.4	0.4	-0.5	-0.3	-0.9
of which: fruit and vegetables	-6.4	-6.8	-1.1	3.4	8.9	6.3	4.9	2.1	1.8	2.0	-4.5	-3.9	-10.1
– non-food goods	0.2	0.4	0.5	0.4	0.2	0.6	0.3	0.3	0.2	0.2	0.2	0.2	0.2
– services	0.3	0.2	-0.1	0.0	0.4	1.1	0.2	0.1	0.2	0.4	0.6	0.9	0.2
Month-on-month price growth, seasonally adjusted:													
– all goods and services	0.5	0.4	0.3	0.4	0.6	0.8	0.3	0.3	0.3	0.4	0.1	0.1	0.3
– food products	0.9	0.5	0.3	0.5	1.0	0.5	0.3	0.3	0.3	0.4	-0.2	0.3	0.3
of which: fruit and vegetables	5.0	-0.4	-1.8	0.4	3.5	0.1	1.3	0.2	0.4	-0.1	-3.8	0.7	0.8
– non-food goods	0.2	0.3	0.3	0.3	0.3	0.7	0.3	0.2	0.2	0.2	0.3	0.3	0.2
– services	0.4	0.4	0.4	0.3	0.4	1.2	0.3	0.4	0.4	0.3	0.4	-0.5	0.3
Price growth vs December 2018:													
– all goods and services	2.4	2.5	2.9	3.4	4.3	1.0	1.5	1.8	2.1	2.4	2.5	2.7	2.4
– food products	1.4	1.3	1.9	2.9	4.7	1.3	2.1	2.6	3.1	3.5	3.0	2.7	1.7
of which: fruit and vegetables	1.0	-5.9	-6.9	-3.7	4.9	6.3	11.5	13.9	16.0	18.3	13.0	8.5	-2.4
– non-food goods	2.6	3.0	3.5	3.9	4.1	0.6	0.9	1.2	1.3	1.6	1.7	1.9	2.1
– services	3.3	3.6	3.5	3.5	3.9	1.1	1.3	1.5	1.7	2.1	2.7	3.6	3.8

Sources: Rosstat, Bank of Russia calculations.

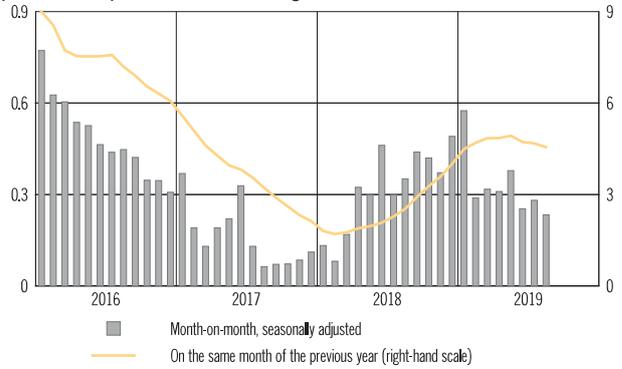
Annex 2

All goods and services

Chart 1

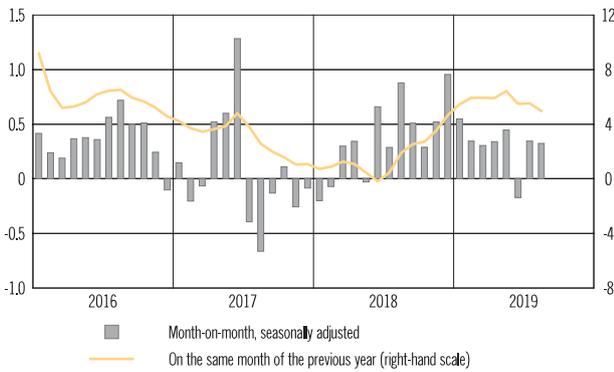


All goods and services excluding fruit and vegetables, petroleum products and utility services



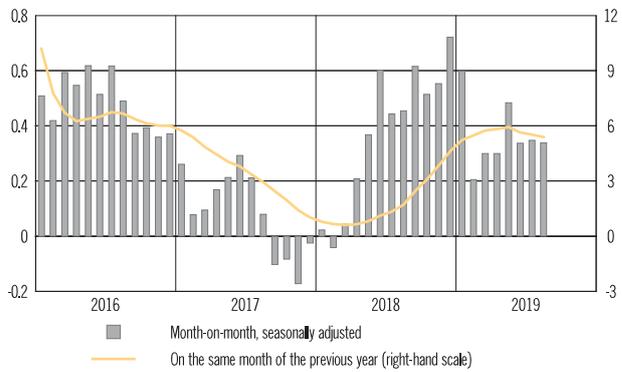
Food products

Chart 2



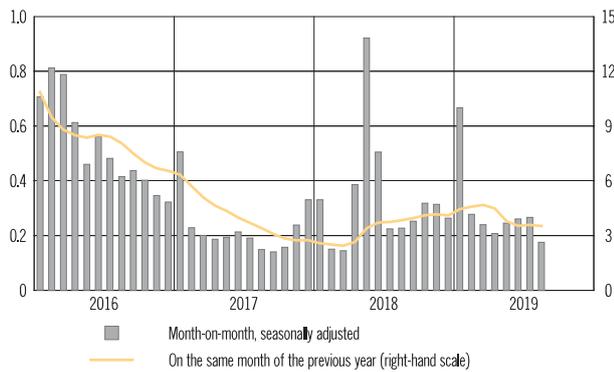
Food products excluding fruit and vegetables

Chart 6



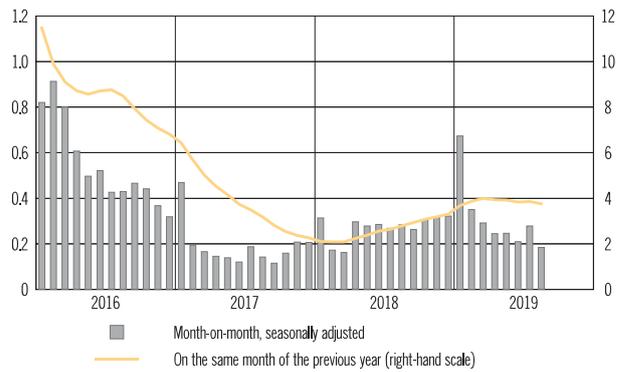
Non-food goods

Chart 3



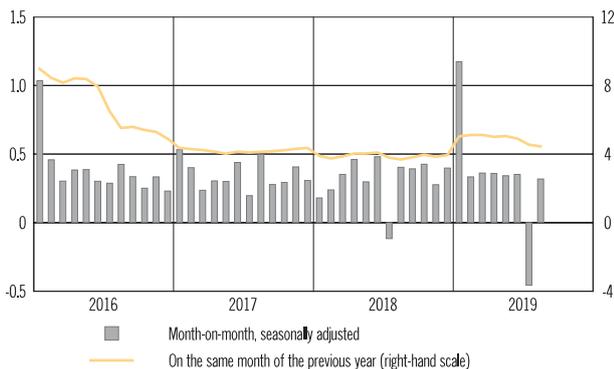
Non-food goods excluding petroleum products

Chart 7



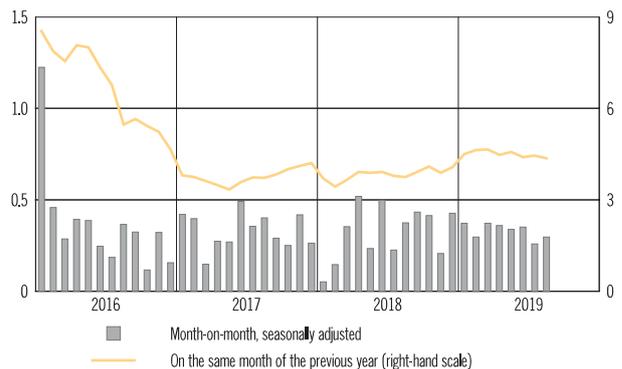
Services

Chart 4



Services excluding utility services

Chart 8



Sources: Rosstat, Bank of Russia calculations.

Cut-off date – 09.09.2019.

A soft copy of the information and analytical commentary is available on the Bank of Russia website (<http://www.cbr.ru/DKP/>).

Please send your comments and suggestions to svc_analysis@cbr.ru.

This commentary was prepared by the Monetary Policy Department.

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12 Neglinnaya Street, 107016 Moscow

Bank of Russia website: www.cbr.ru

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