



Bank of Russia



CONSUMER PRICE DYNAMICS

No. 2 (50) • February 2020

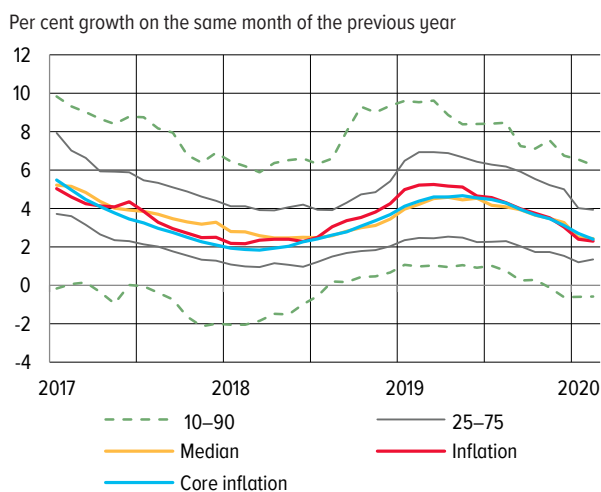
Information and analytical commentary

13 March 2020

Consumer price dynamics: facts, assessments and comments (February 2020)

Disinflationary trends remained in February 2020. Annual inflation was 2.3%, which is 0.1 pp lower than in January. The price growth slowdown was caused by the overall high saturation of the food market, subdued demand, and time-lag effects of the ruble appreciation in the previous months. At the same time, external conditions have significantly altered since the beginning of March, which was associated with the spread of the coronavirus epidemic outside China and a rapid change of the situation in the oil market due to the expiry of the OPEC+ agreement. The above circumstances have entailed a weakening of the ruble, which is a material, but a short-term proinflationary factor. Inflation will return to the Bank of Russia's target from the low levels of the recent months faster than it was previously forecast. However, the significant and long-lasting slowdown in the global economy, as well as the impact of increased uncertainty and the tightening of monetary conditions on domestic demand may become substantial disinflationary factors over the medium-term horizon. The Bank of Russia will comprehensively analyse the influence of the recent changes on the medium-term forecast of inflation, inflation expectations and economic prospects, and assess the risks of a sustainable deviation of inflation from the target over the forecast horizon.

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



Sources: Rosstat, Bank of Russia calculations.

In February 2020, annual inflation slowed down by 0.1 pp, to 2.3% (Chart 1). The disinflationary impact was caused by a large supply of a range of food products, moderate demand, and time-lag effects of the appreciation of the ruble in previous months.

The annual growth rates of food and non-food prices continued to decline. The annual growth of service prices sped up slightly after a slowdown to its record-low in January. However, it remained beneath the previous years' readings (Annex 1).

Annual indicators of sustainable price dynamics were down. Core inflation decreased by 0.3 pp, to 2.4%. According to the assessment, the median value of consumer price growth was at the same level. The annual growth of goods and service prices, excluding the main volatile and regulated components,¹ decelerated by 0.1 pp, to equal 2.5%. Average annual inflation also continued to go down, coming in at 4.0% (Chart 2).

As assessed, the monthly growth rate of consumer prices (seasonally adjusted annual rate;² hereinafter, SAAR) slightly increased in

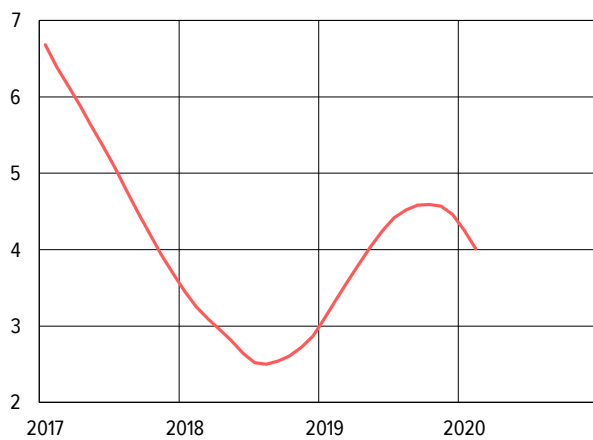
¹ Fruit and vegetables, petroleum products, and utility services.

² Through annualisation, data on monthly price growth rates become comparable with information on annual inflation.

MOVING AVERAGE ANNUAL INFLATION

Chart 2

Average growth, % YoY

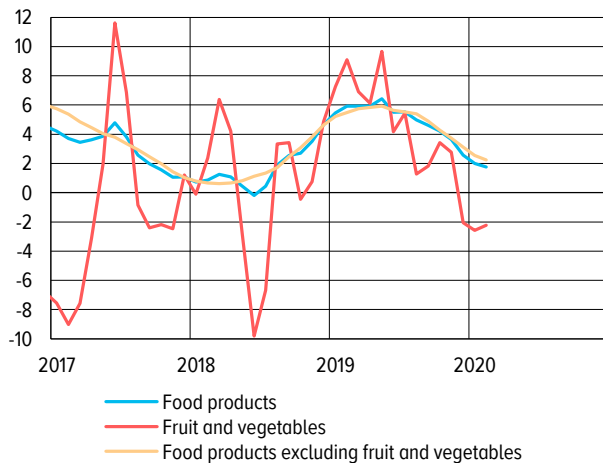


Sources: Rosstat, Bank of Russia calculations.

FOOD PRICES

Chart 3

Per cent growth on the same month of the previous year

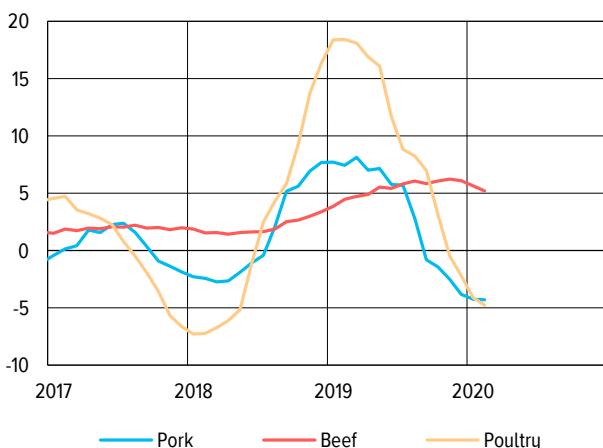


Source: Rosstat.

PRICES FOR MEAT PRODUCTS

Chart 4

Per cent growth on the same month of the previous year



Source: Rosstat.

February, to 2.6%. However, it remained in the range recorded over the period from August 2019 (1.3–2.7%). According to the assessment, prices for goods and services, excluding the main volatile and regulated components, rose by 1.8% (SAAR), which is within the range of the decreased price growth rates observed over the past six months (0.9–2.2%; see Annex 2).³

Food products

As assessed, the growth rate (SAAR) of food prices equalled 1.8% in February. In January, food prices remained almost unchanged. Over the last four months, the average growth rates of food prices were 0.2% (SAAR).

Fruit and vegetables, characterised by high price volatility, were the major contributor to the acceleration of price growth. After the downturn in October 2019–January 2020, fruit and vegetable prices rose by 17.3% (SAAR), primarily due to the increase in tomato prices. They grew most significantly in the Far Eastern Federal District, including because of the suspension of supplies from China. However, as a result of this growth, fruit and vegetable prices only returned to the level recorded last September. This is 2.2% lower than in February 2019 (tomatoes remained 7.9% cheaper).

Prices for food products, excluding fruit and vegetables, went down in February (by 0.3% SAAR), for the first time since November 2017. Thus, amid a high saturation of the market, prices for meat products (SAAR) continued the downward trend. Moreover, the pace of this decline reached its record high. In addition to the decrease in prices for meat products, the growth of prices (SAAR) for dairy butter and fish products also slowed down.

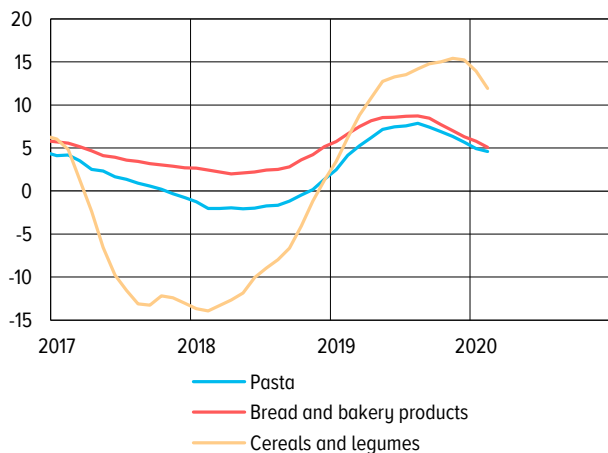
Annual food inflation decreased by 0.2 pp, to 1.8% (Chart 3). As in the previous months, the major contributor was the downturn in meat and poultry prices. In February, they declined on average by 1.4%, as compared to the previous year (Chart 4). In addition, the further slowdown in the annual growth of prices for grain products

³ Refer also to the charts showing the current trends in prices for individual goods and service groups in 2020 as compared to 2017–2018 (not seasonally adjusted): the information bulletin *Consumer Price Indices* (hereinafter, the Bulletin).

PRICES FOR GRAIN PRODUCTS

Chart 5

Per cent growth on the same month of the previous year

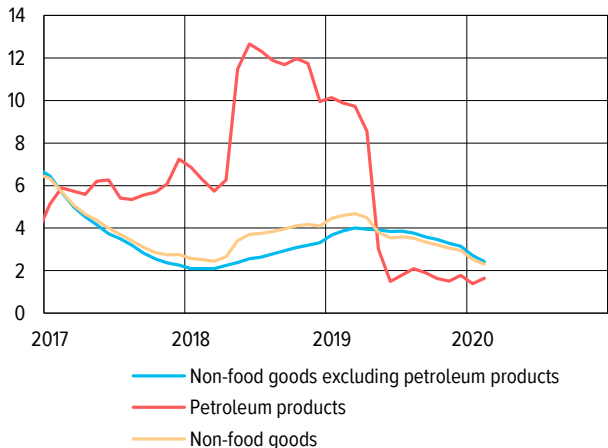


Source: Rosstat.

NON-FOOD PRICES

Chart 6

Per cent growth on the same month of the previous year

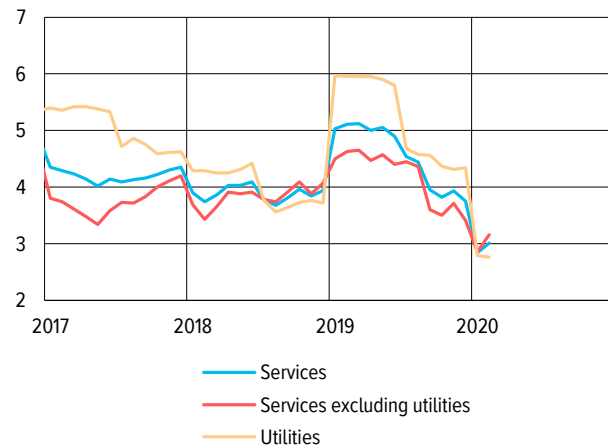


Sources: Rosstat, Bank of Russia calculations.

SERVICE PRICES

Chart 7

Per cent growth on the same month of the previous year



Sources: Rosstat, Bank of Russia calculations.

was also a significant contributor (Chart 5). The annual growth rate of buckwheat prices went down, whereas it had been sustainably rising beginning from last September.

Non-food goods

According to the assessment, the growth rate of non-food prices equalled 0.8% (SAAR) in February, reaching its record low. The price growth slowed down amid the continuing impact of subdued demand and the earlier strengthening of the ruble. This decline offset the slight acceleration of the price increase in January. The average growth rate of non-food prices was within the range formed in the previous five months (1.1–2.4%).

The annual growth rate of non-food prices went down by 0.2 pp, to 2.3%, due to a slower increase or further downturn in prices for nearly all main product groups (Chart 6). The major contributor was the reduction in the annual growth rate of car prices. The annual price growth significantly decelerated (by 0.4–0.8 pp) in such categories, as printed media, detergents, and durable goods (household appliances and electronics, construction materials, and furniture).

Services

In February 2020, the growth of service prices sped up to 5.8% (SAAR), which is 2.2 pp higher than in January. This increase was largely driven by a quicker rise in prices for mobile services, which was associated with growth of mobile operators' costs, including for information and public security, as well as with pricing policy related to discontinued service plans. Changes in prices for passenger transportation services (urban electric transport, air transport, and railway transport in the regulated segment) caused by, among other factors, cost-side pressure were also a major contributor. After the rise at the beginning of the year, the growth rate of utility prices returned to its usual readings.

In February, the annual growth rate of utility prices was 3.0% (Chart 7), which is 0.2 pp higher than the record low observed in January. This increase against January was primarily driven by changes in prices for telecommunication and transportation services.

INFLATION IN THE FEDERAL DISTRICTS

Table 1

Per cent growth on the same month of the previous year

	January 2020	February 2020	Price growth, February on January 2020
Russia	2.4	2.3	-0.1
Central FD	2.3	2.2	-0.1
North-Western FD	2.6	2.5	-0.1
Southern FD	1.9	1.9	0.0
North Caucasian FD	2.8	2.7	-0.1
Volga FD	2.1	2.1	0.0
Urals FD	2.4	2.2	-0.2
Siberian FD	2.9	2.7	-0.2
Far Eastern FD	3.4	3.4	0.0

Sources: Rosstat, Bank of Russia calculations.

Inflation in Russian regions

Annual inflation in a large part of Russian regions slowed down in February 2020 against the previous month (56 regions accounting for approximately 74% in the CPI, Tables 1 and 2). The growth rates of food and non-food prices mostly went down. Service prices demonstrated more diverse dynamics compared to the previous month: their growth sped up in 52 and slowed in 30 regions.

Inflation trends in the majority of Russian regions were largely determined by country-wide factors. However, local factors continued to significantly impact inflation in individual regions. Thus, the growth rate of service prices in the Siberian Federal District was higher than generally across Russia, which resulted from an accelerated increase in air and rail fares in the Irkutsk and Omsk Regions.

As compared to the previous period, the regional heterogeneity of inflation decreased, while remaining at the level recorded in 2019 (Chart 8). As before, the most notable differences are observed in service price movements. The distribution of regional inflation in February changed against that in January. In contrast to previous periods, the group of regions with low price growth rates demonstrated a faster deceleration of inflation.

INFLATION IN RUSSIAN REGIONS

Table 2

Per cent growth on the same month of the previous year

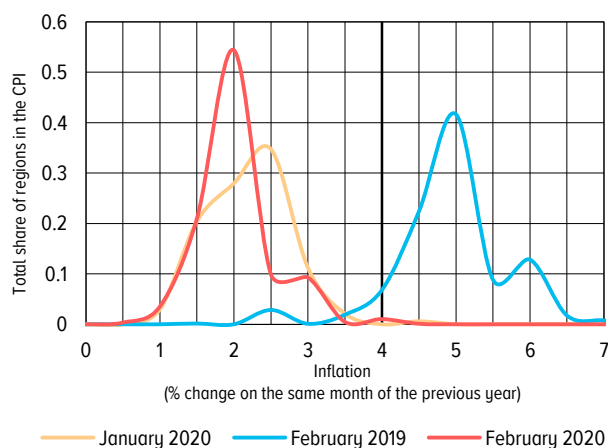
No.*		February 2019	January 2020	February 2020
TOP-5 regions with highest inflation in February 2020				
1(1)	Jewish Autonomous Region	5.3	4.8	4.5
2(2)	Amur Region	5.3	4.6	4.5
3(5)	Komi Republic	6.4	3.6	4.2
4(3)	Republic of Buryatia	6.5	4.0	3.6
5(11)	Republic of Sakha (Yakutia)	4.0	3.2	3.5
TOP-5 regions with lowest inflation in February 2020				
78(22)	Chukotka Autonomous Area	6.8	2.7	1.3
79(81)	Smolensk Region	6.2	1.3	1.3
80(75)	Federal city of Sevastopol	6.6	1.5	1.2
81(82)	Republic of Mordovia	4.5	1.1	1.2
82(79)	Republic of North Ossetia–Alania	4.8	1.5	0.9

* Values in brackets indicate the regions' positions in January 2020.

Sources: Rosstat, Bank of Russia calculations.

CHANGES IN THE REGIONAL DISTRIBUTION OF INFLATION

Chart 8



Sources: Rosstat, Bank of Russia calculations.

Annex 1

CONSUMER PRICE DYNAMICS

(%)

	02.2019	03.2019	04.2019	05.2019	06.2019	07.2019	08.2019	09.2019	10.2019	11.2019	12.2019	01.2020	02.2020
Price growth on the same month of the previous year:													
– all goods and services	5.2	5.3	5.2	5.1	4.7	4.6	4.3	4.0	3.8	3.5	3.0	2.4	2.3
– food products	5.9	5.9	5.9	6.4	5.5	5.5	5.0	4.6	4.2	3.7	2.6	2.0	1.8
of which: fruit and vegetables	9.1	6.9	6.1	9.7	4.2	5.4	1.3	1.8	3.4	2.8	-2.1	-2.6	-2.2
– non-food goods	4.6	4.7	4.5	3.8	3.5	3.6	3.5	3.4	3.2	3.1	3.0	2.5	2.3
– services	5.1	5.1	5.0	5.1	4.9	4.5	4.4	4.0	3.8	3.9	3.8	2.8	3.0
Core inflation, on the same month of the previous year	4.4	4.6	4.6	4.7	4.6	4.5	4.3	4.0	3.7	3.5	3.1	2.7	2.4
Median of price growth distribution, on the same month of the previous year	4.2	4.5	4.6	4.5	4.5	4.2	4.1	3.9	3.6	3.5	3.3	2.5	2.4
Average annual inflation	3.3	3.6	3.8	4.0	4.2	4.4	4.5	4.6	4.6	4.6	4.5	4.3	4.0
Month-on-month price growth:													
– all goods and services	0.4	0.3	0.3	0.3	0.0	0.2	-0.2	-0.2	0.1	0.3	0.4	0.4	0.3
– food products	0.8	0.5	0.4	0.4	-0.5	-0.3	-0.9	-0.4	0.2	0.5	0.7	0.7	0.6
of which: fruit and vegetables	4.9	2.1	1.8	2.0	-4.5	-3.9	-10.1	-6.3	0.4	2.7	3.8	5.7	5.3
– non-food goods	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.1	0.2	0.0
– services	0.2	0.1	0.2	0.4	0.6	0.9	0.2	-0.2	-0.2	0.1	0.2	0.2	0.4
Month-on-month price growth (SAAR):													
– all goods and services	3.9	3.3	3.4	3.9	1.1	0.9	2.7	2.0	1.8	2.2	1.3	2.1	2.6
– food products	4.5	3.1	3.6	4.7	-2.7	3.8	3.0	2.4	0.0	0.8	-0.2	0.0	1.8
of which: fruit and vegetables	13.0	0.7	5.8	-1.4	-37.7	8.1	10.7	1.5	-1.4	-1.8	-11.8	-3.8	17.3
– non-food goods	3.4	3.0	2.5	2.9	3.1	3.1	2.0	1.1	2.4	1.9	2.0	3.2	0.8
– services	3.7	4.1	4.1	3.9	4.0	-5.6	3.5	2.4	3.4	4.6	2.4	3.6	5.8

Sources: Rosstat, Bank of Russia calculations.

Annex 2

ALL GOODS AND SERVICES
(%)

Chart 1

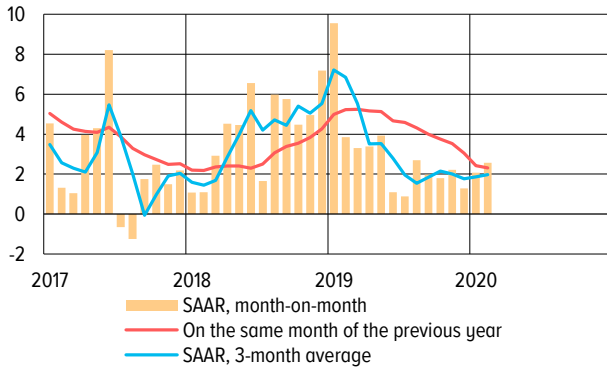
ALL GOODS AND SERVICES EXCLUDING FRUIT
AND VEGETABLES, PETROLEUM PRODUCTS
AND UTILITIES (%)

Chart 5

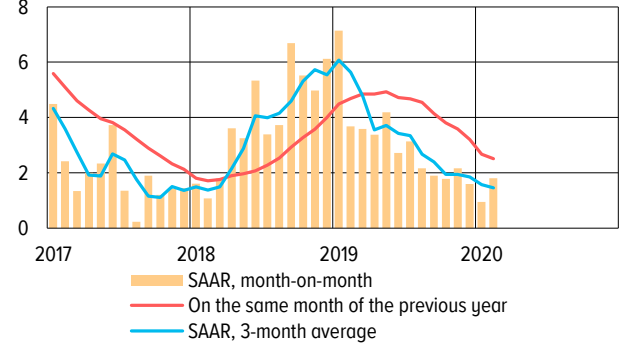
FOOD PRODUCTS
(%)

Chart 2

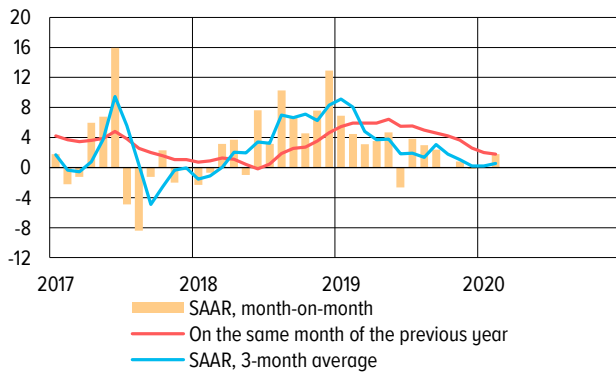
FOOD PRODUCTS EXCLUDING FRUIT
AND VEGETABLES

Chart 6

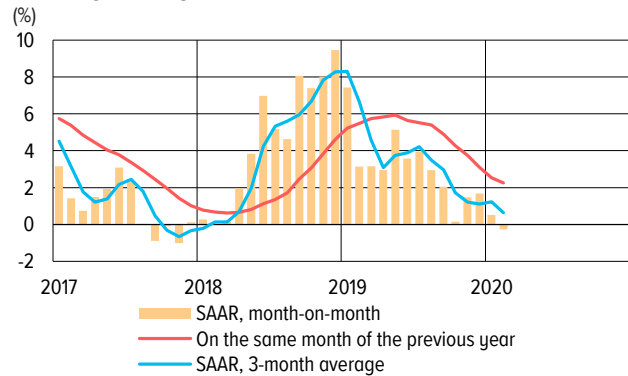
NON-FOOD GOODS
(%)

Chart 3

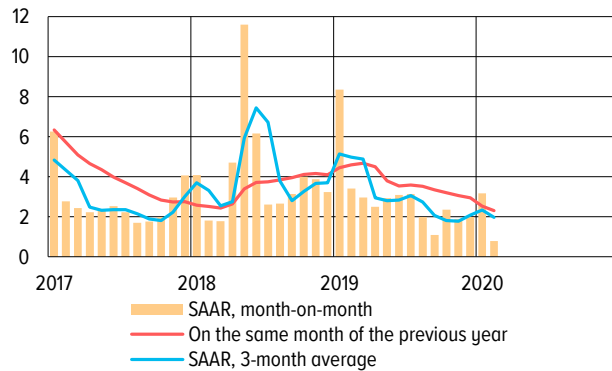
NON-FOOD GOODS EXCLUDING PETROLEUM
PRODUCTS

Chart 7

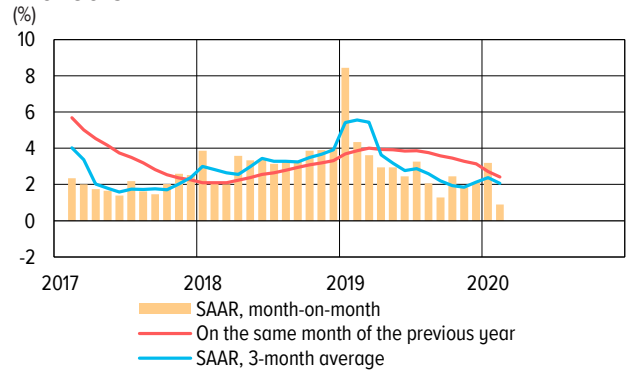
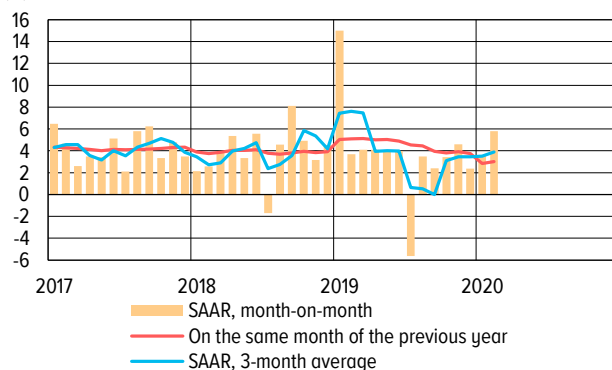
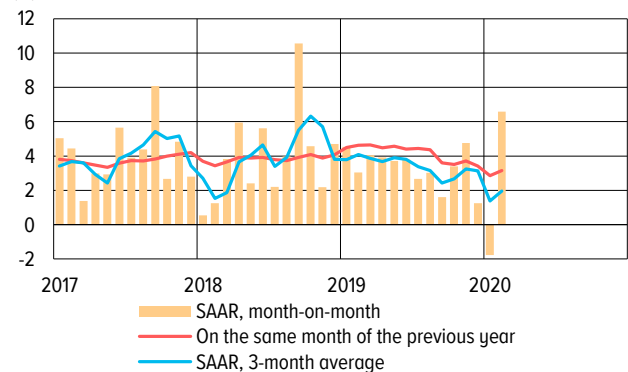
SERVICES
(%)

Chart 4



SERVICES EXCLUDING UTILITIES

Chart 8



Data cut-off date – 10.03.2020.

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.

Cover photo: S. Glazunov, Bank of Russia

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