



Bank of Russia



# CONSUMER PRICE DYNAMICS

No. 4 (52) • April 2020

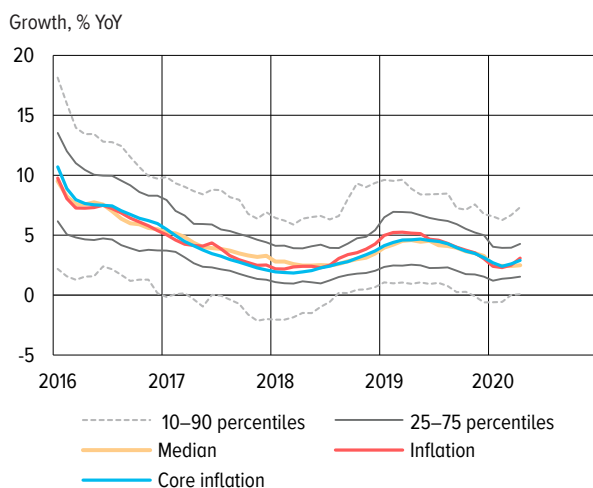
Information and analytical commentary

18 May 2020

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

In April 2020, annual inflation was 3.1%, which is 0.6 pp higher than in March. This acceleration of the current price growth was temporary and associated with elevated demand for food products and basic goods amid the mandatory self-isolation in Russian regions, as well as with the weakening of the ruble in Q1. The annual growth rates of prices for products, primarily food, increased. Conversely, the annual growth of service prices slightly slowed down. However, this was largely caused by the suspension of certain types of services due to the restrictions in place. In the future, annual inflation may rise, including as a result of the exclusion of the low readings recorded in summer – autumn 2019 from the inflation calculation. Concurrently, as short-term pro-inflationary effects exhaust, the disinflationary impact of the decline in domestic and external demand resulting from the anti-coronavirus restrictions will become the predominant factor. Given the monetary policy pursued, annual inflation will come in at 3.8–4.8% by the end of 2020 and stay close to 4% further on.

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



Sources: Rosstat, Bank of Russia calculations.

The growth rates of consumer prices that had started to rise in March also continued the upward trend in April. This largely resulted from a temporary increase in demand for food products and basic goods against the background of the mandatory self-isolation in Russian regions. Pro-inflationary pressure was also caused by the depreciation of the ruble induced by external factors. Consequently, annual inflation was up by 0.6 pp in April, to reach 3.1% (Chart 1). Food inflation accelerated the most, while the annual growth of prices for non-food goods rose only slightly. Contrastingly, the annual growth of service prices slowed down, which was caused by the suspension of a broad range of services and declining demand (Annex 1).

Annual inflation indicators reflecting the main price trends increased. Core inflation rose by 0.3 pp, to 2.9%. The annual growth of product and service prices, excluding the main volatile and regulated components,<sup>1</sup> sped up by 0.4 pp, to 3.1%. The median value of annual consumer price growth rose by 0.1 pp, to 2.5%. Average annual inflation characterised by a high inertia declined again, reaching 3.6% (Chart 2).

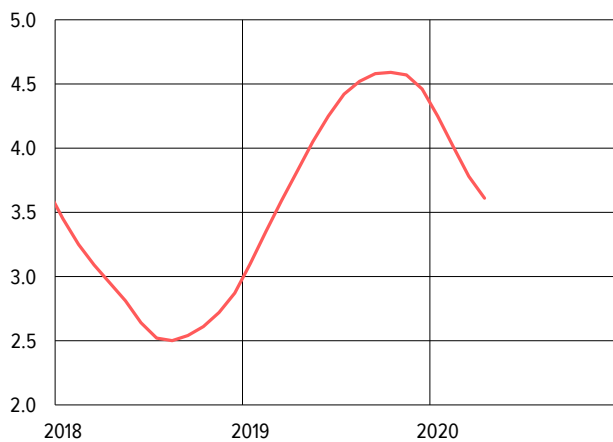
As assessed by the Bank of Russia, the monthly growth of consumer prices (seasonally adjusted; hereinafter, SA) accelerated again in April, to total 0.8% (its February 2019 high). According to the assessment, prices for products

<sup>1</sup> Fruit and vegetables, petroleum products, and utility services.

## MOVING AVERAGE ANNUAL INFLATION

Chart 2

Average growth for 12 months, % YoY

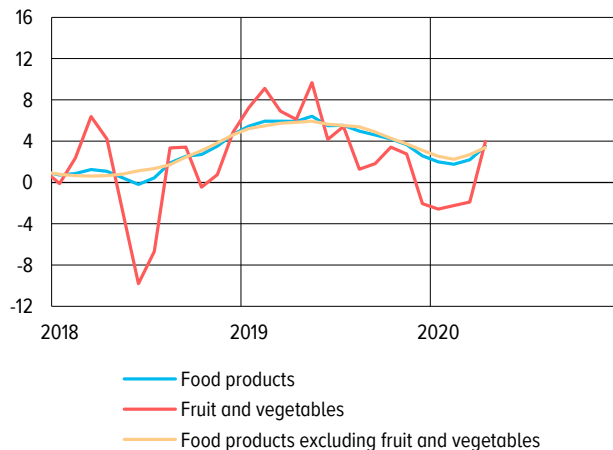


Sources: Rosstat, Bank of Russia calculations.

## FOOD PRICES

Chart 3

Growth, % YoY

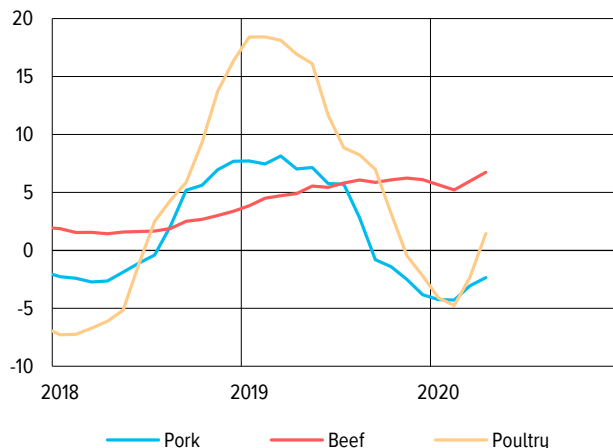


Source: Rosstat.

## PRICES FOR MEAT PRODUCTS

Chart 4

Growth, % YoY



Source: Rosstat.

and services, excluding the main volatile and regulated components, increased by 0.7% SA against 0.5% SA in March (see Annex 2).<sup>2</sup>

## Food products

The growth of food prices sped up the most in April. This was primarily driven by the rise in prices for those food products that households were buying in for the self-isolation period. As assessed by the Bank of Russia, the growth of fruit and vegetable prices (SA) increased by 5.3% in April compared to 0.6% in March, notably due to citrus prices. The faster growth of citrus prices was driven by the weakening of the ruble and elevated demand for citrus fruits as a popular remedy to prevent and treat virus infections. Cucumber and tomato prices dropped (SA). Prices for food products, excluding fruit and vegetables, grew by 0.9% (SA), which is their May 2015 high.

Annual food inflation rose by 1.3 pp in April, to reach 3.5% (Chart 3). The major contributor to this increase was the accelerated growth of prices for fruit and vegetables, primarily for lemons and oranges. Another noticeable, while a less significant driver was the rise in prices for meat, poultry, cereals, sugar, and eggs (Charts 4 and 5). Nonetheless, sugar prices remained at a notably lower level than in the previous year.

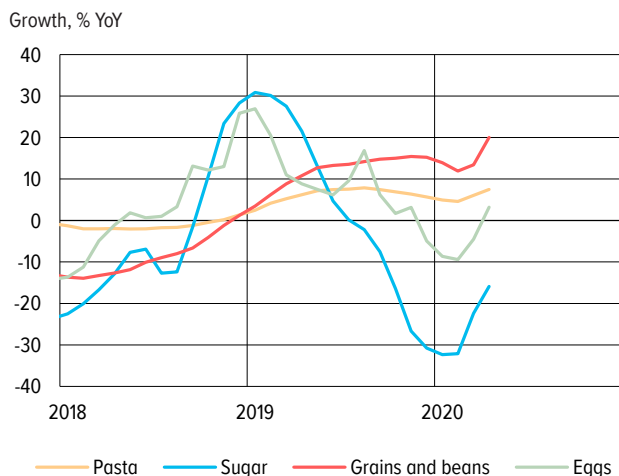
According to the Bank of Russia's assessment, pressure on food prices will weaken in the near future as the self-isolation restrictions ease. The major factor containing the growth of food prices is a large supply of food products in the Russian market. A number of pro-inflationary risks may be associated with a rise in world prices for certain food products exported by Russia (wheat and sunflower oil), as well as with the impact of the ruble depreciation on food imports, primarily fruit and vegetables.

## Non-food goods

As assessed, the growth of non-food prices equalled 0.4% (SA) in April, which is 0.1 pp less than in March. Nonetheless, this is above the

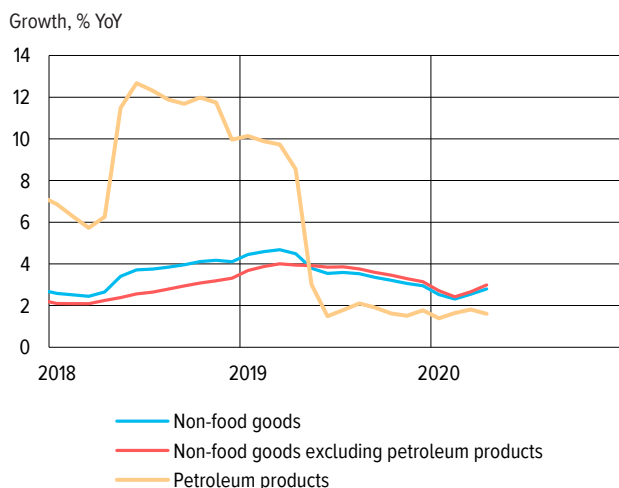
<sup>2</sup> Refer also to the charts showing current trends in prices for individual goods and service groups in 2020 as compared to 2017–2019 (not seasonally adjusted): the information bulletin *Consumer Price Indices* (hereinafter, the *Bulletin*).

### PRICES FOR SUGAR, EGGS, GRAIN AND BEAN PRODUCTS Chart 5



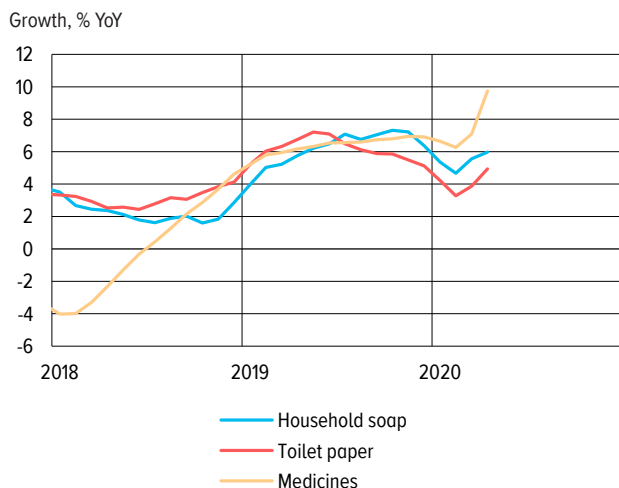
Source: Rosstat.

### NON-FOOD PRICES Chart 6



Sources: Rosstat, Bank of Russia calculations.

### PRICES FOR BASIC GOODS Chart 7



Source: Rosstat.

average rate recorded over the period from February 2019 to February 2020 (0.2% SA). This acceleration of the price growth was caused by a temporary rise in demand for basic non-food goods due to households' preparations for the self-isolation regime. The weakening of the ruble also pushed non-food prices up. Motor fuel became cheaper (petrol – by 0.2 pp, and diesel fuel – by 0.4 pp).

The annual growth of non-food prices sped up by 0.3 pp, reaching 2.8% (Chart 6). This acceleration was mostly driven by the rise in the growth rate of prices for medicines (by 2.7 pp, to 9.8%; Chart 7). Another notable, yet a less significant contributor was the faster growth of prices for cars, household appliances, and electronics pushed by the weakening of the ruble (Chart 8). The annual growth of prices for basic non-food goods (hygiene items, cleaning products, pet food, etc.) also continued to speed up. Conversely, the annual growth rates of clothing and footwear prices maintained the downward trend.

In the future, non-food price trends will be driven by weakening consumer activity, on the one hand, and the time-lag effect of the ruble depreciation, on the other hand.

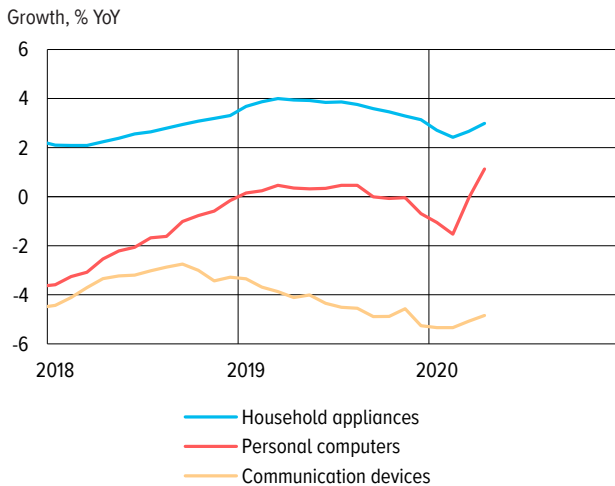
## Services

According to the Bank of Russia's assessment, the growth rate of service prices in April 2020 remained the same as in March, equalling 0.3% (SA). This conforms to the 2019 monthly average (excluding January 2019). Price trends were affected by the restrictions on or suspension of a broad range of services as part of the measures aiming to combat the spread of the coronavirus infection. Moreover, demand for services declined as households increased their expenses for products bought in for the self-isolation period.

The annual growth rate of service prices was down by 0.1 pp, to 2.9%. The growth of prices for a whole range of services decelerated (Chart 9). This was also relevant for paid healthcare services, although they demonstrated rising demand amid the pandemic spread as opposed to many other types of services. In April, the annual growth rate of prices for medical services

## PRICES FOR DURABLE GOODS

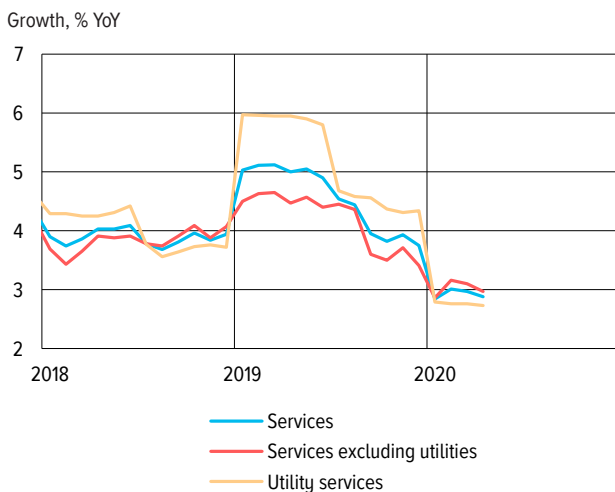
Chart 8



Source: Rosstat.

## SERVICE PRICES

Chart 9



Sources: Rosstat, Bank of Russia calculations.

## INFLATION IN FEDERAL DISTRICTS

Table 1

% YoY

	March 2020	April 2020	Price growth, April on March 2020
<b>Russia</b>	<b>2.5</b>	<b>3.1</b>	<b>0.6</b>
Central FD	2.3	2.8	0.5
North-Western FD	2.8	3.3	0.5
Southern FD	2.1	2.9	0.8
North Caucasian FD	3.0	3.6	0.6
Volga FD	2.5	3.2	0.7
Urals FD	2.5	3.0	0.5
Siberian FD	2.7	3.4	0.7
Far Eastern FD	3.3	3.9	0.6

Sources: Rosstat, Bank of Russia calculations.

declined by 0.1 pp, to 4.2%, in contrast to the rise in March (by 0.3 pp).

The only exception was air transport fares. They exceeded the April 2019 readings by 3.7%, while in March they stayed the same year-over-year. Nonetheless, the annual price growth was substantially lower than throughout 2019 and in January 2020. It should be noted that prices in the aviation industry are currently formed in especially challenging conditions since the pandemic has forced the suspension of flights to the majority of destinations.

## Inflation in Russian regions

In April 2020, annual inflation sped up in the absolute majority of Russian regions, as compared to the previous month (81 out of 82 regions; Tables 1 and 2). The annual growth rates of food and non-food prices largely increased, while service prices kept changing in the most diverse manner. The annual growth of service prices went down in the majority of Russian regions, compared to March (price growth slowed in 49 regions and accelerated in 32 regions).

Inflation trends in the majority of Russian regions were mostly determined by country-wide factors, specifically the weakening of the ruble and changes in demand for a range of products and services. However, these factors behaved differently across regions. Moreover, local factors continued to materially impact inflation.

Thus, the acceleration of inflation in the Southern and Volga Federal Districts was more significant than in other federal districts, which was primarily associated with food price trends. The movements of citrus, buckwheat, garlic and onion prices were the major contributor to the rise in food inflation in these federal districts.

The distribution of regional inflation changed compared to the previous period. The regional heterogeneity of inflation increased (Chart 10). The group of the regions recording higher inflation against the Russian average continued to become more distinct, thus dividing the Russian regions into two groups by the inflation rate. However, in contrast to previous periods, the group of the regions with low price growth

## INFLATION IN RUSSIAN REGIONS

Table 2

% YoY

No.*		April 2019	March 2020	April 2020
<b>Top-5 regions with highest inflation in April 2020</b>				
1 (1)	Jewish Autonomous Region	5.2	4.6	5.5
2 (2)	Amur Region	5.6	4.6	5.1
3 (3)	Republic of Sakha (Yakutia)	3.4	4.0	4.6
4 (9)	Republic of Dagestan	5.6	3.3	4.6
5 (4)	Komi Republic	6.4	4.0	4.3
<b>Top-5 regions with lowest inflation in April 2020</b>				
78 (75)	Republic of Mordovia	4.2	1.7	2.3
79 (80)	Republic of North Ossetia–Alania	4.6	1.3	2.3
80 (74)	Moscow Region	5.5	1.7	2.2
81 (77)	Kamchatka Territory	4.3	1.6	1.9
82 (82)	Chukotka Autonomous Area	6.2	0.9	1.1

\* Values in brackets indicate the regions' positions in March 2020.

Sources: Rosstat, Bank of Russia calculations.

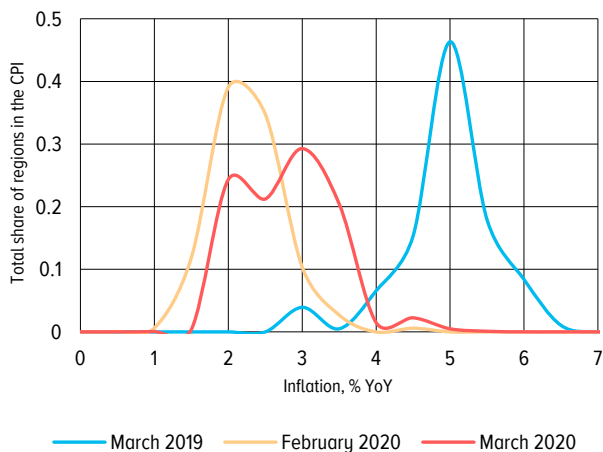
rates recorded a rise in inflation compared to March. As before, the heterogeneity was mostly driven by movements of service prices (air transportation).

## Forecast

In the future, annual inflation may rise, including as a result of the exclusion of the low readings recorded in summer – autumn 2019 from the inflation calculation. Concurrently, as short-term pro-inflationary effects exhaust, the disinflationary impact of the decline in domestic and external demand resulting from the anti-coronavirus restrictions will become the predominant factor. Given the monetary policy pursued, annual inflation will come in at 3.8–4.8% by the end of 2020 and stay close to 4% further on.

## CHANGES IN THE REGIONAL DISTRIBUTION OF INFLATION

Chart 10



Sources: Rosstat, Bank of Russia calculations.

## Annex 1

## CONSUMER PRICE DYNAMICS

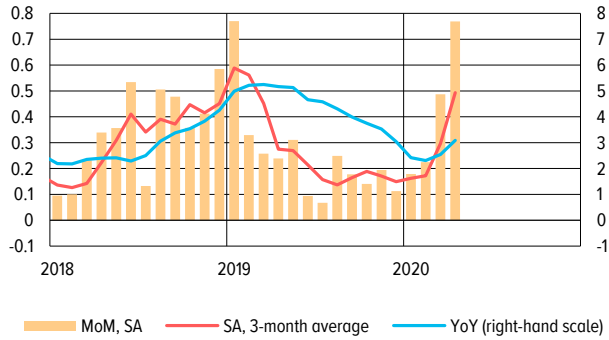
(%)

	04.2019	05.2019	06.2019	07.2019	08.2019	09.2019	10.2019	11.2019	12.2019	01.2020	02.2020	03.2020	04.2020
Price growth, YoY:													
– all goods and services	5.2	5.1	4.7	4.6	4.3	4.0	3.8	3.5	3.0	2.4	2.3	2.5	3.1
– food products	5.9	6.4	5.5	5.5	5.0	4.6	4.2	3.7	2.6	2.0	1.8	2.2	3.5
of which: fruit and vegetables	6.1	9.7	4.2	5.4	1.3	1.8	3.4	2.8	-2.1	-2.6	-2.2	-1.9	4.0
– non-food goods	4.5	3.8	3.5	3.6	3.5	3.4	3.2	3.1	3.0	2.5	2.3	2.5	2.8
– services	5.0	5.1	4.9	4.5	4.4	4.0	3.8	3.9	3.8	2.8	3.0	3.0	2.9
Core inflation, YoY	4.6	4.7	4.6	4.5	4.3	4.0	3.7	3.5	3.1	2.7	2.4	2.6	2.9
Median of price growth distribution, YoY	4.6	4.5	4.5	4.2	4.1	3.9	3.6	3.5	3.3	2.5	2.4	2.4	2.5
Average annual inflation	3.8	4.0	4.2	4.4	4.5	4.6	4.6	4.6	4.5	4.3	4.0	3.8	3.6
Price growth, MoM:													
– all goods and services	0.3	0.3	0.0	0.2	-0.2	-0.2	0.1	0.3	0.4	0.4	0.3	0.6	0.8
– food products	0.4	0.4	-0.5	-0.3	-0.9	-0.4	0.2	0.5	0.7	0.7	0.6	1.0	1.7
of which: fruit and vegetables	1.8	2.0	-4.5	-3.9	-10.1	-6.3	0.4	2.7	3.8	5.7	5.3	2.5	7.9
– non-food goods	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.1	0.2	0.0	0.5	0.4
– services	0.2	0.4	0.6	0.9	0.2	-0.2	-0.2	0.1	0.2	0.2	0.4	0.1	0.1
Price growth, MoM (SAAR)													
– all goods and services	0.2	0.3	0.1	0.1	0.2	0.2	0.1	0.2	0.1	0.2	0.2	0.5	0.8
– food products	0.2	0.4	-0.2	0.3	0.3	0.2	0.0	0.1	0.0	0.0	0.2	0.7	1.4
of which: fruit and vegetables	-0.5	-0.5	-3.6	0.9	0.9	0.2	0.0	0.0	-0.9	-0.1	1.5	0.6	5.3
– non-food goods	0.2	0.2	0.3	0.3	0.2	0.1	0.2	0.2	0.2	0.3	0.1	0.5	0.5
– services	0.3	0.3	0.3	-0.5	0.3	0.2	0.3	0.4	0.2	0.3	0.5	0.3	0.3

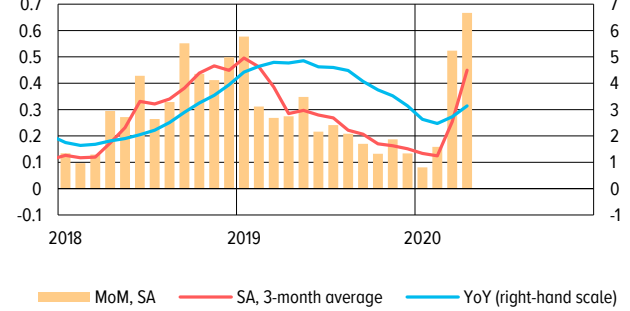
Sources: Rosstat, Bank of Russia calculations.

## Annex 2

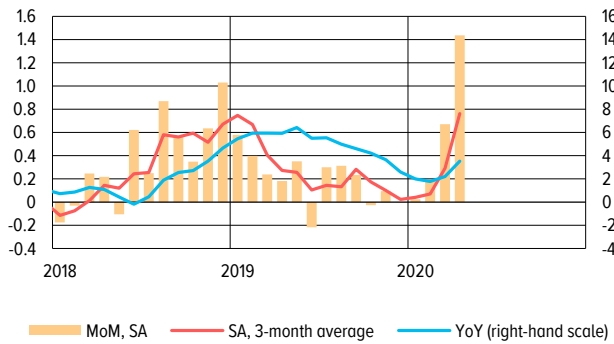
**ALL GOODS AND SERVICES** Chart 1  
(%)



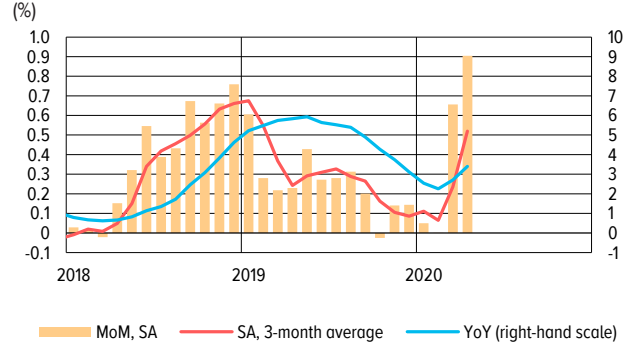
**ALL GOODS AND SERVICES EXCLUDING FRUIT AND VEGETABLES, PETROLEUM PRODUCTS AND UTILITIES** (%) Chart 5



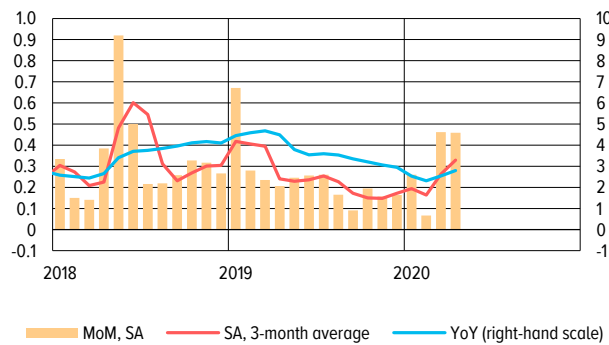
**FOOD PRODUCTS** Chart 2  
(%)



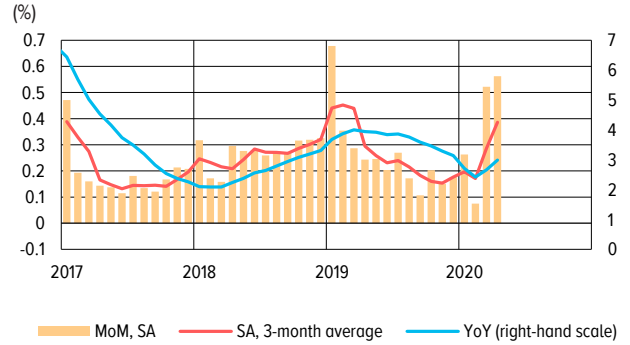
**FOOD PRODUCTS EXCLUDING FRUIT AND VEGETABLES** (%) Chart 6



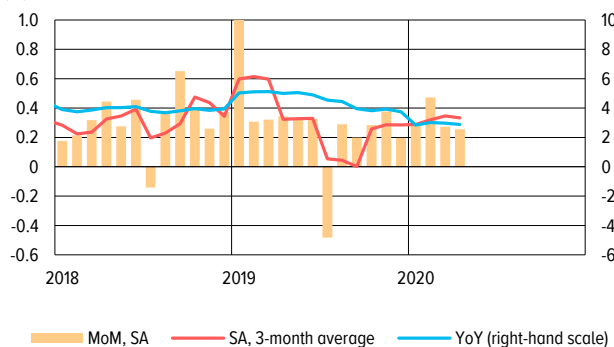
**NON-FOOD GOODS** Chart 3  
(%)



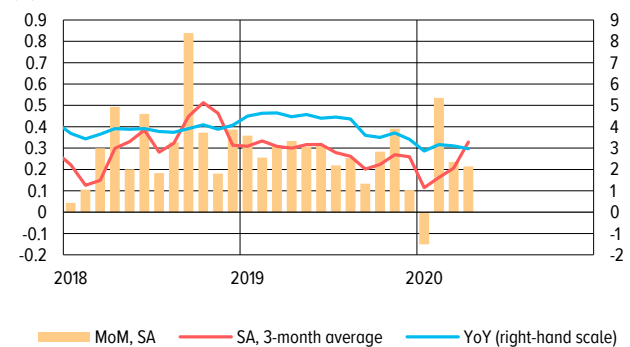
**NON-FOOD GOODS EXCLUDING PETROLEUM PRODUCTS** (%) Chart 7



**SERVICES** Chart 4  
(%)



**SERVICES EXCLUDING UTILITIES** (%) Chart 8





Data cut-off date – 14.05.2020.

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](mailto:svc_analysis@cbr.ru).

This commentary was prepared by the Monetary Policy Department.

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