



Bank of Russia



# CONSUMER PRICE DYNAMICS

No. 9 (57) • September 2020

Information and analytical commentary

12 October 2020

## Consumer Price Dynamics: Facts, Assessments and Comments (September 2020)

September 2020 saw a decline in the monthly growth of consumer prices. Inflation acceleration was constrained by a growing supply of food products, moderate demand and low growth rates of regulated prices for certain services. Proinflationary influence was related primarily to the weakening of the ruble that mainly affected non-food goods prices. Annual inflation rose by 0.09 pp, to 3.67%. Annual indicators of sustainable price dynamics remained virtually unchanged. Over a short-term horizon, the weakening of the ruble may cause proinflationary pressure on prices. At the same time, subdued demand will likely exert disinflationary pressure. According to the Bank of Russia's forecast, given the current monetary policy stance, annual inflation will reach 3.7–4.2% in 2020, 3.5–4.0% in 2021 and will stabilise around 4% later on.

### KEY INFLATION INDICATORS

Table 1

	April 2020	May 2020	June 2020	July 2020	August 2020	September 2020
<b>Annual growth</b>						
Inflation	3.09	3.02	3.21	3.37	3.58	3.67
Core inflation	2.86	2.85	2.89	2.95	3.11	3.27
Median*	2.49	2.43	2.45	2.84	2.99	3.02
Price growth, without 20% of the most volatile components**	2.71	2.57	2.71	2.92	3.07	3.06
<b>Monthly growth, SA</b>						
Inflation	0.83	0.28	0.27	0.18	0.38	0.25
Core inflation	0.50	0.37	0.38	0.36	0.32	0.19
Median*	0.38	0.30	0.33	0.28	0.36	0.24
Price growth, without 20% of the most volatile components**	0.34	0.33	0.37	0.30	0.32	0.26
<b>Monthly growth, SA, average for the last 3 months</b>						
Inflation	0.52	0.53	0.46	0.24	0.28	0.27
Core inflation	0.36	0.44	0.42	0.37	0.36	0.29
Median*	0.31	0.34	0.34	0.31	0.33	0.30
Price growth, without 20% of the most volatile components**	0.27	0.34	0.35	0.34	0.33	0.29

\* A median is a value separating a sample into two equal parts, with a higher and a lower price growth rate.

\*\* Excluding 20% of consumer basket components with the highest (over the last 3 months) variance.

Sources: Rosstat, Bank of Russia calculations.

### Price dynamics

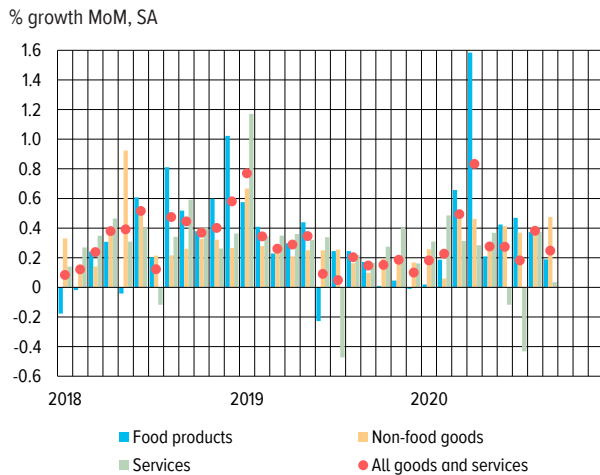
**In September 2020, the monthly growth of consumer prices (according to seasonally adjusted estimates; hereinafter, SA<sup>1</sup>) decreased by 0.13 pp to 0.25% after growing in August** (Chart 1). Significant fluctuations of monthly price growth rates are largely related

to service price movements still affected by anti-pandemic restrictions. Monthly growth in prices for food slowed down again, reflecting high saturation of demand amid the expanding supply. At the same time, non-food price growth continued to accelerate on the back of the weaker ruble, among other things, including the lag effect.

<sup>1</sup>For details refer to <http://www.cbr.ru/statistics/ddkp/aipd/>.

## GOODS AND SERVICE PRICES

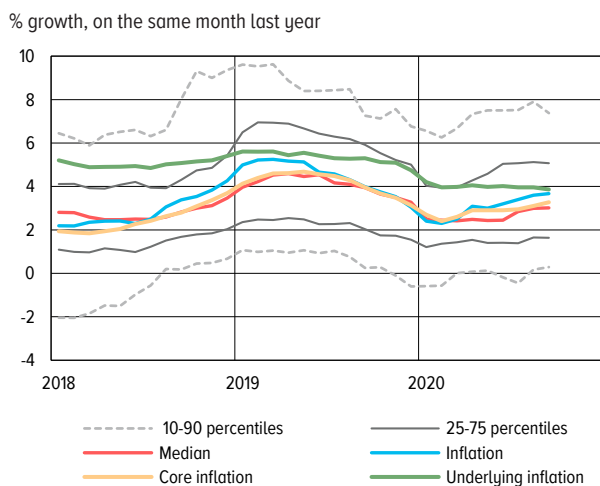
Chart 1



Sources: Rosstat, Bank of Russia calculations.

## DISTRIBUTION OF GOODS AND SERVICE PRICE GROWTH, CORE AND UNDERLYING INFLATION

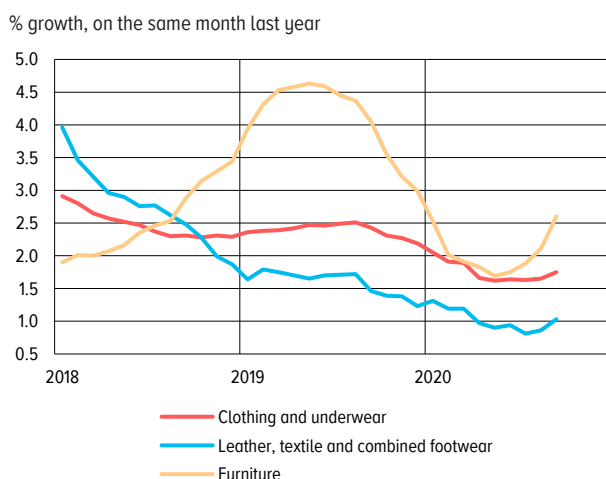
Chart 2



Sources: Rosstat, Bank of Russia calculations.

## PRICES FOR CERTAIN DURABLE NON-FOOD GOODS

Chart 3



Source: Rosstat.

**Monthly price growth indicators (SA) calculated net of volatile and regulated components<sup>2</sup> (underlying inflation indicators) declined** (Table 1). Annualised 3-month average values of these indicators did not exceed 4%.

**Annual inflation rose by 0.09 pp to 3.67% driven primarily by non-food goods.** Annual food inflation grew slightly; service price growth decelerated and returned to the July level. Annual core inflation was 3.27%, which is 0.16 pp higher compared to August (Chart 2; Annex 1). Median annual growth remained virtually unchanged (3.0%) while the number of consumer basket components with the highest price growth rate declined. [The assessment of underlying inflation](#) fell to 3.86% in September vs 3.96% in August.

## Influence of demand factors

Inflation is currently constrained by conservative consumer behaviour of households. After a certain recovery in demand owing to the easing of anti-epidemic restrictions in retail, consumer activity weakened in September, according to flash indicators of consumer demand.<sup>3</sup> In these circumstances, annual growth rates of prices for clothes, footwear and furniture stayed low despite a certain increase (in the range of 1–2.6%; Chart 3). Final demand also constrained the growth of producer prices for non-food consumer products, even amid the weakening ruble (Chart 4).

## Influence of the ruble's exchange rate

**The ruble's depreciation, including lagged effects, exerted the main proinflationary pressure on inflation.** It mainly affected the prices for imported non-food goods or those with a high import component in costs (Table 2). The growth in prices for these products led to an increase in the monthly growth in prices for non-food goods in general, which came in at

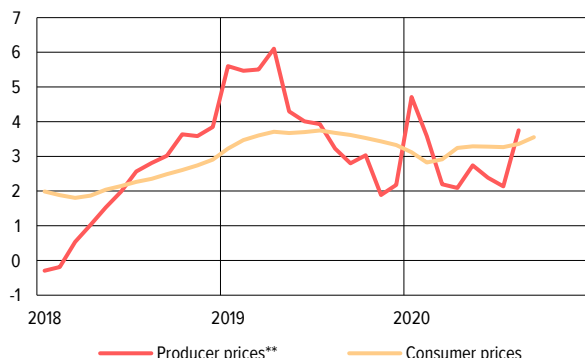
<sup>2</sup> Core inflation; the growth of prices for food products, excluding fruit and vegetables, and for non-food goods, excluding petroleum products; truncated indicators (e.g. without 20% of the most volatile components).

<sup>3</sup> For details, see the information and analytical commentary 'Economy', No. 8, August 2020.

### PRODUCER PRICES FOR NON-FOOD CONSUMER GOODS\* AND CONSUMER PRICES

Chart 4

% growth, on the same month last year



\* Clothing, underwear, knitted products, furs, footwear, household chemicals, furniture, medical goods, domestic cars, printed media, paper products.

\*\* Weighted according to the weight in the consumer basket (total weight is 15.63%).  
Sources: Rosstat, Bank of Russia calculations.

### PRICES FOR CERTAIN NON-FOOD GOODS IN 2020

Table 2

% growth, on the same month last year

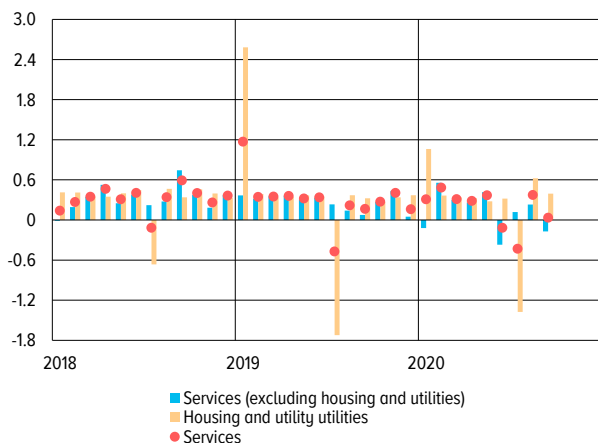
	April	May	June	July	August	September
Household appliances	2.49	2.25	2.62	2.91	3.34	3.90
Instruments	2.47	3.12	3.35	3.23	3.82	4.36
Computers	1.13	1.48	1.88	1.68	2.09	2.91
New imported cars	4.28	4.59	5.47	5.3	5.87	6.98
Used imported cars	0.02	0.15	-0.18	-0.45	0.2	1.59

Source: Rosstat.

### SERVICE PRICES

Chart 5

% growth MoM, SA



Sources: Rosstat, Bank of Russia calculations.

0.47% (SA), and 0.53% (SA) excluding petroleum products.

The increased annual growth rate of prices for both new and used imported cars made the main contribution to the acceleration of annual inflation of prices for non-food goods in general (by 0.39 pp to 3.78%). The outpacing growth of demand over supply and rising producer costs, including due to the weakening ruble, can lead to a continued accelerated growth of prices for cars (including, Russian-made).

### Short-term effects caused by anti-coronavirus restrictions

**The anti-epidemic restrictions still in place as well as the measures to support households' income affected by the weakening economic activity were the most important drivers of service price dynamics** (Chart 5). In September, their seasonally adjusted level remained virtually unchanged amid mixed price movements in different market segments. Many market segments registered a decline in prices (SA); housing and utility tariffs continued to grow compensating for their incomplete indexation in July to support households. Prices for services excluding housing and utility dropped 0.25% (SA) after rising 0.36% (SA) in August.

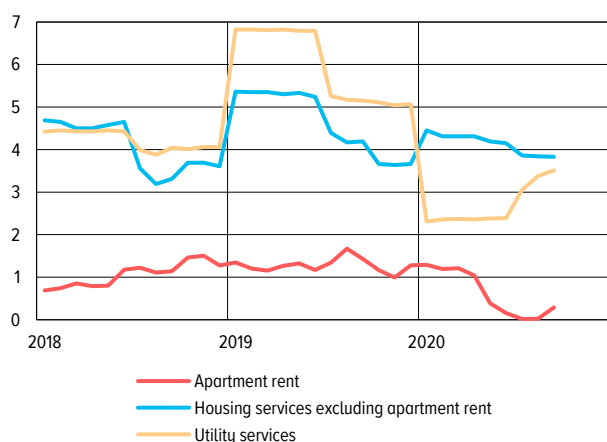
Annual service price growth slowed down by 0.19 pp and reached the July level (2.52%). The main contribution was made by tuition prices. As a social support measure for students, the Russian Ministry of Science and Higher Education together with the Russian Rectors' Union recommended that higher education organisations maintain 2020 tuition fees at their 2019 levels. As a result, the annual growth rate of prices for higher education services dropped to 1.14% in September compared to 7.42% in August.

A notable contribution to the slowdown in the annual growth rate of service prices was also made by a further decline in air travel prices (YoY) and a slowdown in the annual growth rate of prices for mobile communication services. Air travel prices are seeing increased volatility this year due to restrictive measures and the uneven re-commissioning of regular routes.

## HOUSING AND UTILITY PRICES

Chart 6

% growth, on the same month last year



Source: Rosstat.

## PRICES FOR CERTAIN SERVICES

Table 3

% growth, on the same month last year

	April	May	June	July	August	September
Air travel	3.66	6.24	-7.63	-11.72	-5.95	-10.7
Domestic tourism	2.58	2.7	0.59	0.51	1.24	0.46
Foreign tourism	1.31	-0.62	-2.5	-2.85	-2.75	-0.97
Mobile communications	7.1	9.9	9.88	9.94	9.47	8.08
Higher education	7.44	7.44	7.44	7.44	7.42	1.14

Source: Rosstat.

## MOTOR FUEL PRICES IN 2020

Table 4

% growth, on the same month last year

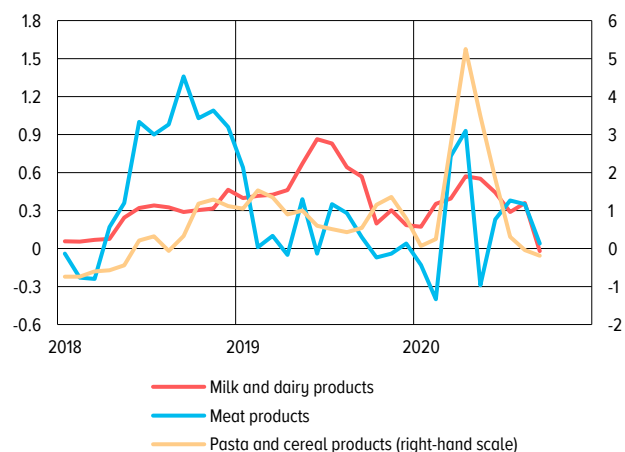
	April	May	June	July	August	September
Petrol	1.7	1.42	1.51	2.21	2.32	2.38
Diesel fuel	2.75	2.96	3.23	3.43	3.42	3.37

Source: Rosstat.

## PRICES FOR CERTAIN TYPES OF FOOD

Chart 7

% growth MoM, SA



Source: Rosstat.

The annual growth rate of housing and utility service prices increased by 0.13 pp to 3.51% (Chart 6). Additional indexation is possible in the coming months. The annual growth rate of prices for housing services in the regulated segment<sup>4</sup> remained almost unchanged. Increased economic activity led to a certain recovery in the housing rent market: annual price growth slightly accelerated compared to August. At the same time, their level remained virtually unchanged compared to September 2019 (up only 0.29%).

The recovering economic activity was accompanied by an increased annual growth of petrol prices (Table 4). However, it remained below inflation owing to the damping mechanism effect. The annual growth rate of prices for diesel fuel slowed down in September.

## Influence of food product supply factors

A rich harvest of main crops<sup>5</sup> and a sustainable development of animal husbandry ensured a stable supply of food products in the Russian market, with certain sectors even expanding (primarily, products of animal origin). In September, price growth rates (SA) of many principal food groups slowed down (Chart 7). Overall, food product prices increased by 0.19% (SA) compared to 0.37% (SA) in August. Annualised food inflation increased due to the base effect (+0.04 pp) to 4.37%.

## Inflation in Russian regions

**September 2020 saw annual inflation slightly accelerating in over a half of regions** (46 regions accounting for approximately 57% in the CPI; Tables 5 and 6). For the most part, annual growth of prices for non-food goods accelerated compared to August (67 regions registered price growth acceleration; 15 regions reported its deceleration). At the same time, annual growth of service prices decelerated (55 regions registered price growth deceleration;

<sup>4</sup> Residential payments in national and municipal housing facilities, housing maintenance and repair payments, etc.

<sup>5</sup> In particular, the Ministry of Agriculture expects the second largest harvest of wheat after the record-high harvest of 2017.



## INFLATION IN THE FEDERAL DISTRICTS

Table 5

% growth, on the same month last year

	August 2020	September 2020	Price dynamics, September vs August 2020
<b>Russia</b>	<b>3.58</b>	<b>3.67</b>	<b>0.09</b>
Central FD	3.42	3.48	0.06
North-Western FD	3.68	3.64	-0.04
Southern FD	3.48	3.67	0.19
North Caucasian FD	4.03	4.05	0.02
Volga FD	3.68	3.86	0.18
Urals FD	3.17	3.18	0.01
Siberian FD	3.49	3.69	0.20
Far Eastern FD	3.93	3.96	0.03

Sources: Rosstat, Bank of Russia calculations.

## INFLATION IN RUSSIAN REGIONS

Table 6

% growth, on the same month last year

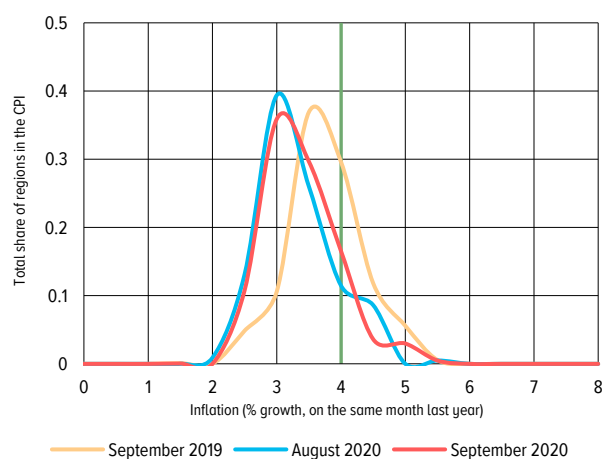
No.*		September 2019	August 2020	September 2020
<b>TOP-5 regions with highest inflation in September 2020</b>				
1(1)	Amur Region	5.17	5.93	5.59
2(11)	Saratov Region	3.56	4.96	5.25
3(6)	Voronezh Region	3.81	4.87	5.10
4(8)	Republic of Buryatia	5.58	4.94	5.08
5(7)	Republic of Dagestan	4.04	4.88	4.94
<b>TOP-5 regions with lowest inflation in September 2020</b>				
78(34)	Sakha Republic	4.90	2.40	2.95
79(77)	Moscow Region	3.95	2.59	2.85
80(80)	Kamchatka Territory	3.02	3.03	2.83
81(68)	Tyumen Region	2.60	2.92	2.72
82(82)	Chukotka Autonomous Area	5.23	2.34	1.99

\* Values in brackets indicate the region's positions in August 2020.

Sources: Rosstat, Bank of Russia calculations.

## CHANGES IN THE REGIONAL DISTRIBUTION OF INFLATION

Chart 8



Sources: Rosstat, Bank of Russia calculations.

24 regions reported its acceleration). Dynamics of food prices remained the most diverse in September.

The Siberian FD registered the highest acceleration of price growth with regard to all goods and services. This was primarily explained by the accelerated growth of prices for non-food goods due to the weakening of the ruble. The Siberian FD also registered the accelerated growth of prices for food products, especially for vegetables (cucumbers and tomatoes).

In contrast to the overall Russian trend, the North-Western FD registered a slight deceleration of food inflation. Meat product prices made the most significant contribution to inflation slowdown (on the back of increased production). Besides, falling demand led to a slowdown of price growth in passenger transportation services (air transport and long-distance trains).

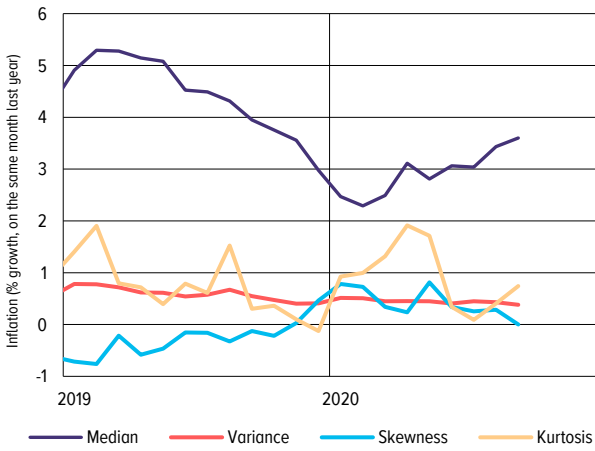
The distribution of regional inflation in September changed only slightly compared to August. September saw an acceleration of inflation in the group of regions with high price growth rates, which largely resulted from accelerated growth in prices for non-food goods and certain local factors in the markets of food products and services (Chart 8). Compared to the previous month, the regional heterogeneity of inflation stays at a similar level (inflation rates across regions varied from 1.99% to 5.59% in September). However, it is higher than one year ago, which is also confirmed by a higher kurtosis.

In September, the median was below its last year's value and below the average Russian inflation level, which points to a large proportion of regions where inflation notably exceeds the Russian average (Chart 9).

## Forecast

***In the near future, the heterogeneity of price movements with regard to various product and service groups may remain elevated.*** In the short term, current price dynamics can be influenced by the weakening of the ruble and new tightening of anti-epidemic measures, primarily in services. However, ***price growth will continue to be constrained by a disinflationary influence of subdued demand.*** Annual inflation

CHARACTERISTICS OF REGIONAL INFLATION DISTRIBUTION Chart 9



may continue to rise until early 2021 due to the base effect. According to the Bank of Russia’s forecast, given the current monetary policy stance, annual inflation will reach 3.7–4.2% in 2020, 3.5–4.0% in 2021 and will stabilise around 4% later on.

Sources: Rosstat, Bank of Russia calculations.

## Annex 1

## CONSUMER PRICE DYNAMICS

(%)

	09.2019	10.2019	11.2019	12.2019	01.2020	02.2020	03.2020	04.2020	05.2020	06.2020	07.2020	08.2020	09.2020
Price growth, on the same month last year													
– all goods and services	3.99	3.75	3.53	3.04	2.42	2.31	2.54	3.09	3.02	3.21	3.37	3.58	3.67
– food products	4.60	4.21	3.65	2.58	1.99	1.77	2.20	3.52	3.26	3.94	4.19	4.33	4.37
of which: fruit and vegetables	1.83	3.43	2.76	-2.05	-2.58	-2.23	-1.89	3.98	1.59	6.01	7.62	9.75	9.84
– food products excluding fruit and vegetables	4.89	4.27	3.74	3.11	2.54	2.25	2.70	3.40	3.44	3.61	3.71	3.72	3.80
– non-food goods	3.35	3.21	3.06	2.95	2.53	2.31	2.54	2.80	2.84	3.01	3.14	3.39	3.78
of which: non-food goods excluding petroleum products	3.59	3.46	3.29	3.14	2.71	2.42	2.66	2.99	3.08	3.22	3.25	3.52	3.94
– services	3.95	3.82	3.93	3.75	2.84	3.01	2.97	2.88	2.95	2.46	2.52	2.71	2.52
of which: services (excluding housing and utilities)	3.60	3.50	3.71	3.41	2.86	3.16	3.10	2.97	3.12	2.37	2.26	2.41	2.07
Core inflation	3.96	3.68	3.48	3.13	2.66	2.40	2.61	2.86	2.85	2.89	2.95	3.11	3.27
Median	3.94	3.65	3.49	3.27	2.50	2.44	2.42	2.49	2.43	2.45	2.84	2.99	3.02
Price growth, without 20% of the volatile components	3.60	3.40	3.37	3.09	2.67	2.32	2.60	2.71	2.57	2.71	2.92	3.07	3.06
Average annual inflation	4.58	4.59	4.57	4.46	4.25	4.01	3.78	3.61	3.43	3.31	3.21	3.15	3.13
Price growth, MoM													
– all goods and services	-0.16	0.13	0.28	0.36	0.40	0.33	0.55	0.83	0.27	0.22	0.35	-0.04	-0.07
– food products	-0.44	0.18	0.45	0.65	0.69	0.57	0.96	1.72	0.16	0.17	-0.07	-0.77	-0.41
of which: fruit and vegetables	-6.30	0.44	2.73	3.84	5.73	5.31	2.50	7.89	-0.37	-0.34	-2.48	-8.30	-6.22
– food products excluding fruit and vegetables	0.22	0.15	0.21	0.30	0.11	-0.01	0.76	0.92	0.24	0.24	0.27	0.25	0.30
– non-food goods	0.19	0.31	0.23	0.14	0.23	0.04	0.48	0.44	0.25	0.34	0.29	0.41	0.56
of which: non-food goods excluding petroleum products	0.19	0.31	0.23	0.14	0.23	0.04	0.48	0.44	0.25	0.34	0.29	0.41	0.56
– services	-0.23	-0.18	0.11	0.24	0.24	0.37	0.09	0.12	0.46	0.12	0.99	0.37	-0.42
of which: services (excluding housing and utilities)	0.19	0.31	0.23	0.14	0.23	0.04	0.48	0.44	0.25	0.34	0.29	0.41	0.56
Price growth, MoM (SA)													
– all goods and services	0.13	0.15	0.18	0.10	0.18	0.23	0.48	0.84	0.28	0.28	0.19	0.40	0.23
– food products	0.17	0.01	0.04	-0.01	0.02	0.19	0.66	1.58	0.21	0.43	0.47	0.37	0.18
of which: fruit and vegetables	0.11	-0.06	-0.17	-1.07	-0.31	1.33	0.45	6.80	-1.90	0.31	1.79	2.29	0.19
– food products excluding fruit and vegetables	0.14	0.02	0.10	0.15	0.06	0.02	0.66	0.89	0.47	0.45	0.38	0.30	0.22
– non-food goods	0.10	0.20	0.17	0.17	0.26	0.06	0.46	0.46	0.29	0.41	0.37	0.40	0.48
of which: non-food goods excluding petroleum products	0.11	0.20	0.16	0.18	0.26	0.07	0.52	0.57	0.33	0.33	0.29	0.43	0.53
– services	0.10	0.27	0.39	0.17	0.32	0.50	0.26	0.30	0.38	-0.11	-0.42	0.46	-0.02
of which: services (excluding housing and utilities)	0.08	0.27	0.44	0.05	-0.12	0.56	0.30	0.26	0.42	-0.37	0.12	0.23	-0.17
Median	0.13	0.17	0.18	0.18	0.15	0.19	0.35	0.38	0.30	0.33	0.28	0.36	0.24
Price growth, without 20% of the volatile components	0.16	0.16	0.17	0.21	0.24	0.15	0.34	0.34	0.33	0.37	0.30	0.32	0.26

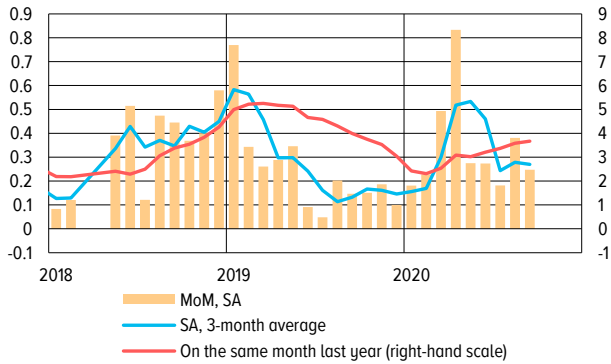
Sources: Rosstat, Bank of Russia calculations.



## Annex 2

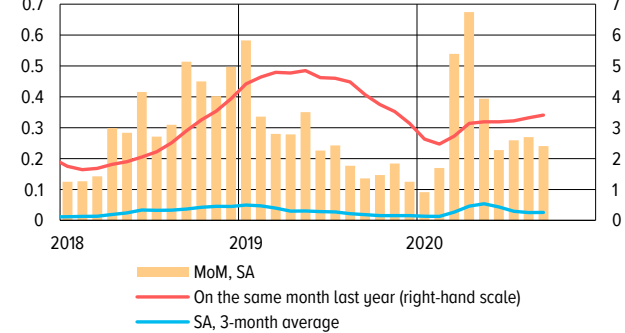
**ALL GOODS AND SERVICES**  
(%)

Chart 1



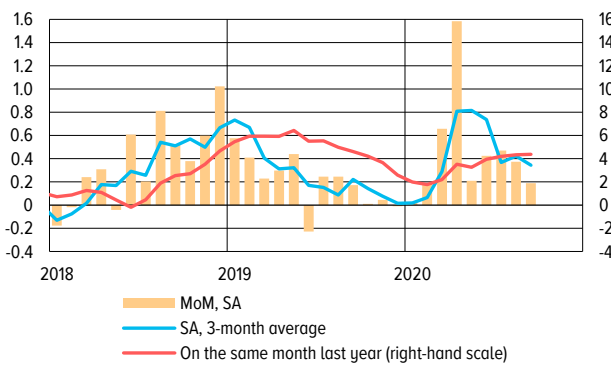
**ALL GOODS AND SERVICES EXCLUDING FRUIT AND VEGETABLES, PETROLEUM PRODUCTS AND UTILITIES** (%)

Chart 5



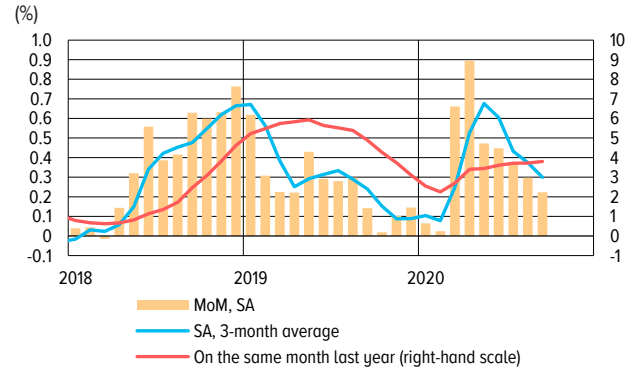
**FOOD PRODUCTS**  
(%)

Chart 2



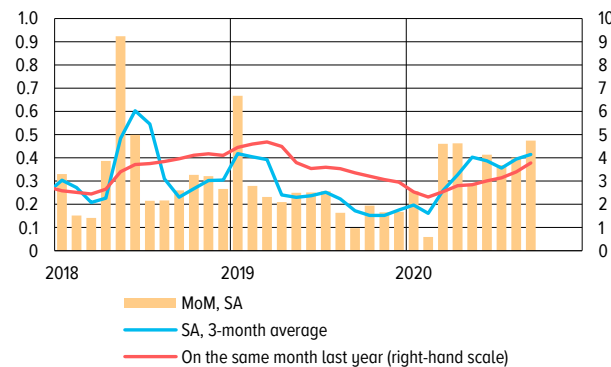
**FOOD PRODUCTS EXCLUDING FRUIT AND VEGETABLES** (%)

Chart 6



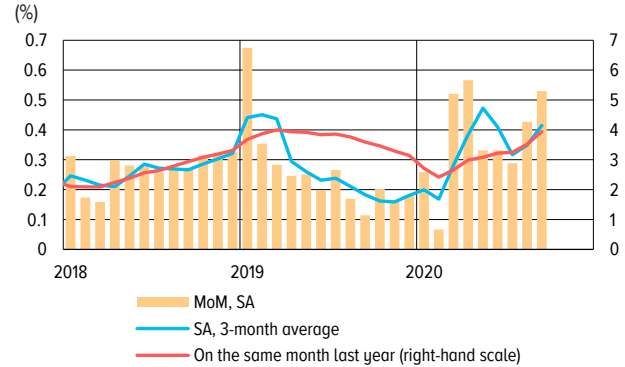
**NON-FOOD GOODS**  
(%)

Chart 3



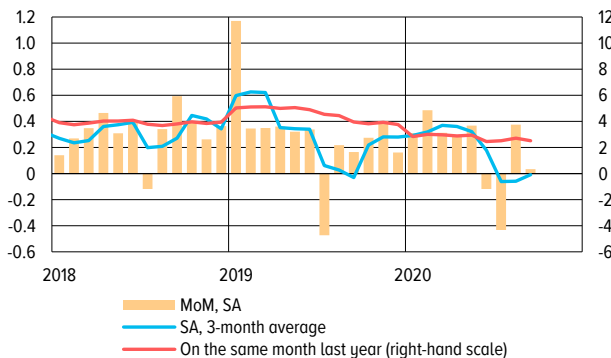
**NON-FOOD GOODS EXCLUDING PETROLEUM PRODUCTS** (%)

Chart 7



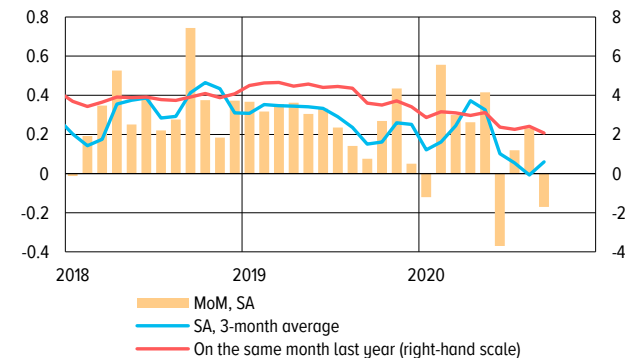
**SERVICES**  
(%)

Chart 4



**SERVICES EXCLUDING UTILITIES** (%)

Chart 8



Data cut-off date – 08.10.2020.

A soft copy of the [information and analytical commentary](#) is available on the Bank of Russia website.

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.

Cover photo: A. Abramkina, Bank of Russia

12 Neglinnaya Street, 107016 Moscow

Bank of Russia website: [www.cbr.ru](http://www.cbr.ru)