



Bank of Russia



# CONSUMER PRICE DYNAMICS

No. 10 (58) • October 2020

Information and analytical commentary

12 November 2020

## CONSUMER PRICE DYNAMICS: FACTS, ASSESSMENTS AND COMMENTS (OCTOBER 2020)

In October 2020, monthly consumer price growth was largely driven by various short-term proinflationary factors, including the weakening of the ruble observed since July and rising global food prices. At the same time, price trends in different market segments demonstrated increased heterogeneity as a result of supply-side factors related, in particular, to the coronavirus pandemic. Annual inflation increased by 0.32 pp to 3.99%, including due to a low base effect of autumn 2019. Annual indicators of sustainable price dynamics also mostly increased but remained below 4%. In the near future, price dynamics will continue to be influenced by short-term proinflationary factors such as the exchange rate pass-through, global food prices and supply-side constraints. In the medium-term, the disinflationary effect of demand will become more pronounced as it will be exacerbated on the back of the deteriorating epidemiological situation. According to the Bank of Russia's forecast, annual inflation will reach 3.9–4.2% in 2020. Given the current monetary policy stance, it will stand at 3.5–4.0% in 2021 and stabilise around 4% later on.

### KEY INFLATION INDICATORS, %

Table 1

	May 2020	June 2020	July 2020	August 2020	September 2020	October 2020
<b>Annual growth</b>						
Inflation	3.02	3.21	3.37	3.58	3.67	3.99
Core inflation	2.85	2.89	2.95	3.11	3.27	3.58
Median*	2.43	2.45	2.84	2.99	3.02	3.19
Price growth, without 20% of the most volatile components**	2.57	2.71	2.92	3.07	3.06	2.90
<b>Monthly growth, SA</b>						
Inflation	0.28	0.27	0.18	0.38	0.25	0.47
Core inflation	0.37	0.36	0.37	0.33	0.24	0.42
Median*	0.30	0.33	0.28	0.38	0.24	0.28
Price growth, without 20% of the most volatile components**	0.34	0.37	0.30	0.32	0.26	0.33
<b>Monthly growth, SA, average for the last 3 months</b>						
Inflation	0.54	0.45	0.24	0.28	0.27	0.37
Core inflation	0.43	0.40	0.37	0.35	0.31	0.33
Median*	0.34	0.34	0.31	0.33	0.30	0.30
Price growth, without 20% of the most volatile components**	0.34	0.35	0.34	0.33	0.29	0.30

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

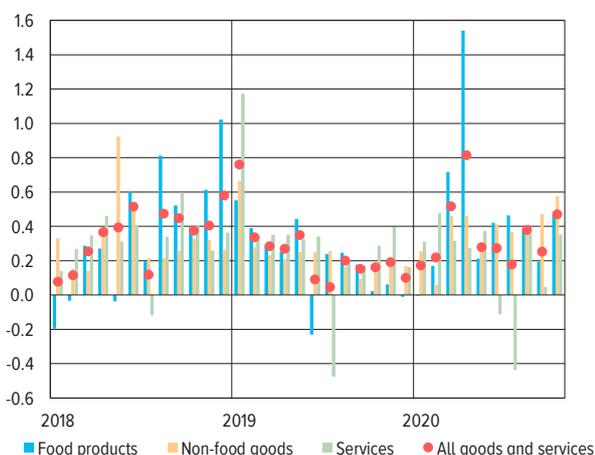
\*\* Excluding 20% of consumer basket components with the highest (over the last 3 months) variance.

Sources: Rosstat, Bank of Russia calculations.

### GOODS AND SERVICE PRICES

Chart 1

% GROWTH MOM, SA



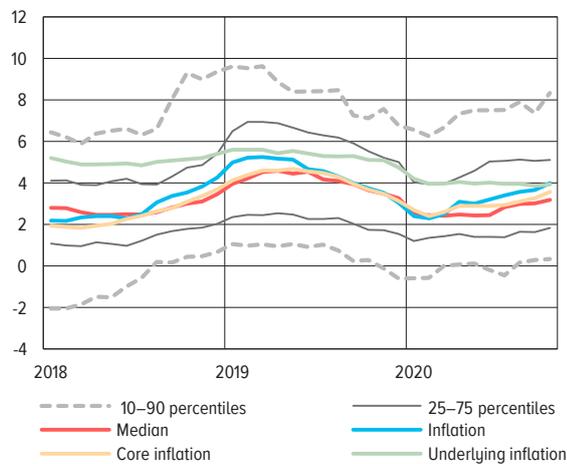
Sources: Rosstat, Bank of Russia calculations.

### Price dynamics

In October 2020, the monthly growth of consumer prices (according to seasonally adjusted estimates; hereinafter, SA<sup>1</sup>) increased by 0.22 pp to 0.47% amid mixed price trends in various market segments (Chart 1). It was driven, on the one hand, by the proinflationary pressure of rising costs, the weakening of the ruble, and the deteriorating epidemiological situation, as well as the continuing restraining influence of weak demand, on the other hand. Supply-side factors with respect to certain food products also played a significant role.

<sup>1</sup> For details, refer to [Analytical indicators of price dynamics](#).

DISTRIBUTION OF GOODS AND SERVICE PRICE GROWTH, *Chart 2*  
INFLATION, CORE AND UNDERLYING INFLATION  
% GROWTH, ON THE SAME MONTH LAST YEAR



Sources: Rosstat, Bank of Russia calculations.

PRICES FOR CERTAIN NON-FOOD GOODS IN 2020 *Table 2*  
% GROWTH, ON THE SAME MONTH LAST YEAR

	May	June	July	August	September	October
Household appliances	2.25	2.62	2.91	3.34	3.90	4.75
Instruments	3.12	3.35	3.23	3.82	4.36	5.26
Computers	1.48	1.88	1.68	2.09	2.91	3.55
New imported cars	4.59	5.47	5.3	5.87	6.98	8.36
Used imported cars	0.15	-0.18	-0.45	0.2	1.59	2.23

Source: Rosstat.

**Monthly price growth indicators (SA) calculated net of volatile and regulated components<sup>2</sup> (underlying inflation indicators) showed mixed dynamics** (Table 1). Annualised 3-month average values of these indicators remained close to 4%.

From the commodity group standpoint, the growth in prices for food products (of 0.27 pp, to 0.47% SA) and services (of 0.30 pp, to 0.35% SA) accelerated almost equally. The contribution of sugar price growth to food prices was almost completely offset by a decline in prices for another volatile component, namely fruit and vegetables. Growth in prices for processed oil crop products increased, while prices for products of animal origin slowed down or declined. Prices for transport and educational services (SA) increased slightly (after a decline in September), whereas the decline in prices for communication, hotel and sanatorium-and-spa services slowed down.

The current rate of appreciation of non-food products continued to increase (by 0.10 pp, to 0.58% SA), mainly due to the weakening of the ruble.

**Annual inflation increased by 0.32 pp to 3.99%, almost entirely due to an increase in the annual growth rate of prices** for food products (of 0.46 pp, to 4.83%) and non-food goods (of 0.37 pp, to 4.15%). Annual service price growth increased slightly (Chart 2; Annex 1). Annual core inflation rose to 3.58%, and median annual growth increased to 3.19%. The estimate of underlying inflation rose to 3.93% vs 3.86% in September.<sup>3</sup>

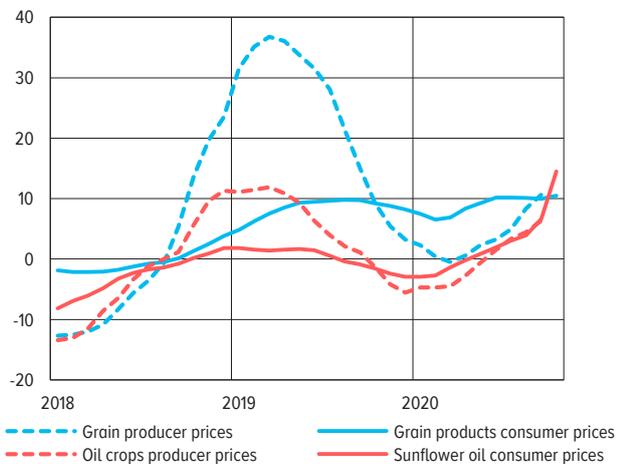
## Influence of the ruble's exchange rate

**The weakening of the ruble remained an important factor in increasing inflation.** Annual price growth continued to accelerate for imported non-food goods or those with a high import component in costs (Table 2). In general, monthly growth in prices for non-food

<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> [Assessment of underlying inflation in October 2020.](#)

**PRODUCER GRAIN, LEGUME AND OIL CROPS PRICES AND CONSUMER PRICES FOR THEIR PRODUCTS** *Chart 3*  
% GROWTH, ON THE SAME MONTH LAST YEAR



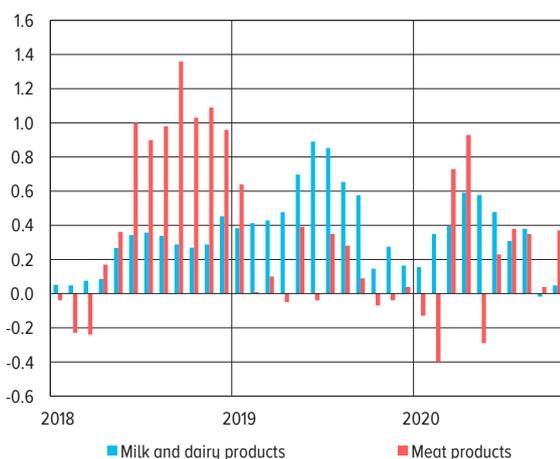
Sources: Rosstat, Bank of Russia calculations.

**SUGAR AND VEGETABLE OIL PRICES** *Chart 4*  
% GROWTH ON DECEMBER 2016, SA



Sources: Rosstat, Bank of Russia calculations.

**PRICES FOR DAIRY AND MEAT PRODUCTS** *Chart 5*  
% GROWTH MOM, SA



Sources: Rosstat, Bank of Russia calculations.

goods came in at 0.58% (SA), and 0.64% (SA) excluding petroleum products.

As in September, the increased annual growth rate of prices for imported cars made the main contribution to the acceleration of annual inflation of prices for non-food goods in general.

The weakening of the ruble became an additional factor in the increase in export parity prices for grain and oil crops, along with the growth of world prices for these Russian export goods. This supported the growth of producer prices in the domestic market and consumer prices for grain products and vegetable oil (Chart 3).

## Influence of food supply

The acceleration of sunflower oil price growth was affected by a reduction of sunflower planting area and crop yield (after overproduction and a drop in producer profitability in previous years).

In addition to sunflower oil, the reduction in crops and lower yields of agricultural raw material led to a continued recovery growth of sugar prices after a 30.77% drop in 2019. Sugar and vegetable oil prices have only in recent months exceeded December 2016 levels<sup>4</sup> (Chart 4).

On the contrary, the expanding supply of food products of animal origin as a result of the development of animal husbandry is constraining a rise in prices for meat and dairy products. At the same time, the dynamics of prices in October turned out to be diverse: the growth rate of prices for milk and dairy products (SA) remained low, while the growth of prices for meat products accelerated after holding near zero in September (Chart 5).

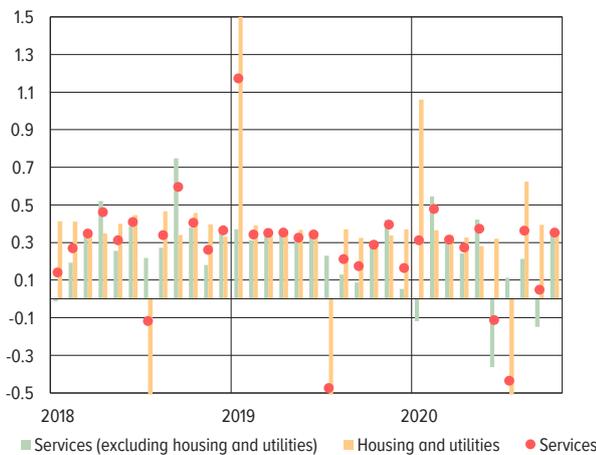
## Short-term effects caused by anti-coronavirus restrictions

**Current restrictions on foreign travel, as well as the worsening of the epidemiological situation, which caused employees and students to switch to working from home, led to continued volatility in the price of services.**

<sup>4</sup> Sugar prices used to decrease in 2017–2019 owing to abundant sugar beet harvest.

**SERVICE PRICES**  
% GROWTH MOM, SA

Chart 6



Source: Rosstat.

On the one hand, rising costs created an upward pressure on prices. On the other hand, their growth was constrained by weaker consumer activity and restrictions on certain services. In October, the monthly growth rate of price for services increased as compared to September (SA) (Chart 6).

The annual price growth rate for services slightly increased (by 0.06 pp, to 2.58%). Price growth for sanatorium-and-spa and medical services accelerated. Catch-up tariff growth continued for utility services (by 0.07 pp, to 3.58%) and housing services in the regulated segment<sup>5</sup> (by 0.15 pp, to 3.98%). Apartment rent also increased (by 0.18 pp, to 0.47%; Chart 7). As in September, October saw a decrease in the annual rate of appreciation of transport services (owing to rail and air transportation services), communications, education and cultural services.

**PRICES FOR CERTAIN SERVICES IN 2020**  
% GROWTH, ON THE SAME MONTH LAST YEAR

Table 3

	May	June	July	August	September	October
Air travel	6.24	-7.63	-11.72	-5.95	-10.7	-12.76
Domestic tourism	2.7	0.59	0.51	1.24	0.46	0.51
Foreign tourism	-0.62	-2.5	-2.85	-2.75	-0.97	-0.18
Mobile communications	9.9	9.88	9.94	9.47	8.08	6.52
Higher education	7.44	7.44	7.44	7.42	1.14	1.14

Source: Rosstat.

**Influence of demand changes**

The impact of proinflationary factors was constrained by weakening demand. According to Bank of Russia surveys, retailers in a number of federal districts have been witnessing a decline in consumer demand since September, after its slight revival in July–August amid easing antiepidemic restrictions. This may have been related to the exhaustion of the effects of government payments to households and deferred purchases. In October, the expectations of various companies regarding trends in production volume and demand worsened.<sup>6</sup>

Households stuck to a conservative consumer model, saving on purchases of certain durable goods where possible. In October, annual price growth rates for clothing and footwear remained consistently low, with annual furniture price growth noticeably below 4% despite its acceleration (Chart 8).

**HOUSING AND UTILITY PRICES**

Chart 7

% GROWTH, ON THE SAME MONTH LAST YEAR

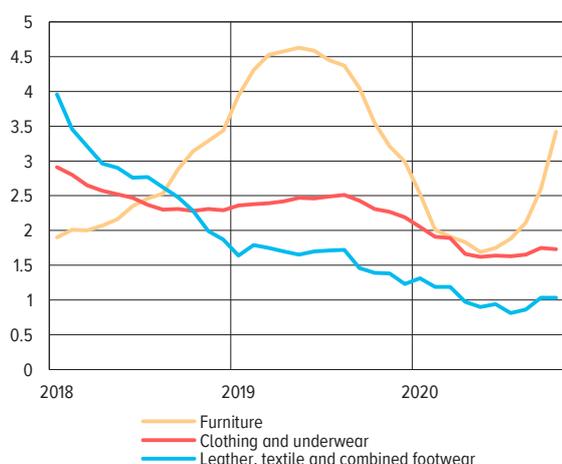


Source: Rosstat.

<sup>5</sup> Residential payments in national and municipal housing facilities, housing maintenance and repair payments, etc.

<sup>6</sup> For details, refer to [Monetary Policy Report No. 4 \(32\), October 2020. Annex 'Economic situation in Russian regions'](#).

PRICES FOR CERTAIN DURABLE NON-FOOD GOODS *Chart 8*  
% GROWTH, ON THE SAME MONTH LAST YEAR



Source: Rosstat.

INFLATION IN THE FEDERAL DISTRICTS *Table 4*  
% GROWTH, ON THE SAME MONTH LAST YEAR

	September 2020	October 2020	Price dynamics, October vs September 2020
North Caucasian FD	4.05	4.42	0.37
Far Eastern FD	3.96	4.21	0.25
Southern FD	3.67	4.20	0.53
Volga FD	3.86	4.19	0.33
<b>Russia</b>	<b>3.67</b>	<b>3.99</b>	<b>0.32</b>
North-Western FD	3.64	3.91	0.27
Siberian FD	3.69	3.87	0.18
Central FD	3.48	3.78	0.30
Urals FD	3.18	3.52	0.34

Sources: Rosstat, Bank of Russia calculations.

INFLATION IN RUSSIAN REGIONS *Table 5*  
% GROWTH, ON THE SAME MONTH LAST YEAR

No.*	Region	October 2019	September 2020	October 2020
TOP-5 regions with highest inflation in October 2020				
1 (3)	Republic of Komi	4.16	4.89	5.91
2 (1)	Amur Region	5.04	5.59	5.76
3 (6)	Voronezh Region	3.70	5.10	5.71
4 (11)	Saratov Region	3.24	5.25	5.62
5 (8)	Republic of Buryatia	4.88	5.08	5.22
TOP-5 regions with lowest inflation in October 2020				
78 (69)	Moscow	3.95	3.19	3.21
79 (34)	Sakha Republic	4.55	2.95	3.21
80 (68)	Tyumen Region	2.45	2.72	3.11
81 (80)	Kamchatka Territory	3.07	2.83	2.90
82 (82)	Chukotka Autonomous Area	4.77	1.99	2.10

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

Sources: Rosstat, Bank of Russia calculations.

## Inflation in Russian regions

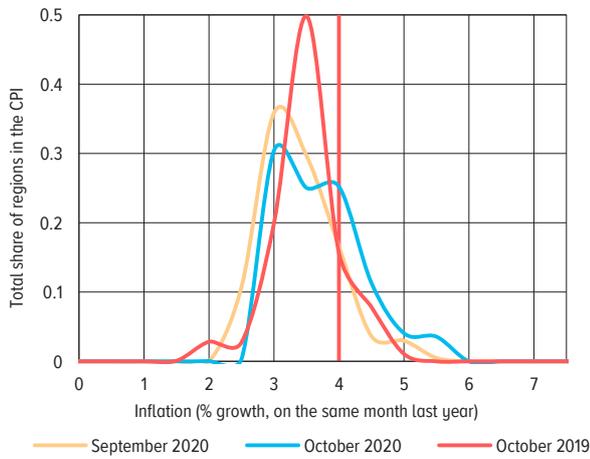
**Annual inflation in the absolute majority of regions rose in October 2020 as compared to the previous month** (75 regions accounting for approximately 95% in the CPI, Tables 1 and 2). Annual price growth rates of food products and non-food goods increased in most regions. At the same time, annual price growth rates of services slowed down in more than half of the regions (47 regions saw a slowdown in price growth, and 34 regions saw its acceleration). Dynamics of prices for food products and services remained the most diverse.

Inflation increased in all federal districts (FDs). The Southern FD registered the highest acceleration of price growth. This was primarily due to the accelerated growth of food prices. The largest contribution was made by sugar prices (lower supply due to a reduction in the crop area and closing plants), prices for meat products (on the back of increasing production costs due to the weakening of the ruble, among other things) as well as for oils and fats (lower supply amid a reduction in the crop area and falling yields).

The Siberian FD registered the lowest inflation increase. Inflation was mainly constrained by a slowdown in the growth of service prices, in particular, air transportation (various promotion activities to restore passenger traffic) and communication services (a high base effect and lower demand after the easing of restrictions). In addition, there was a moderate increase in prices for food products (cucumbers and tomatoes) relative to the national trend due to a good harvest of greenhouse vegetables.

The distribution of regional inflation in October changed compared to the previous month, with a faster acceleration of inflation mainly caused by accelerating commodity price growth in a group of regions with high price growth rates (Chart 9).

As compared to the similar period of the last year, the regional heterogeneity of inflation remains elevated (inflation rates across regions varied from 2.1% to 5.91%). As compared to the previous month, the variance of the aggregate distribution of all goods and services increased due to thickening **tails**, which is also confirmed by a higher kurtosis (Chart 10).

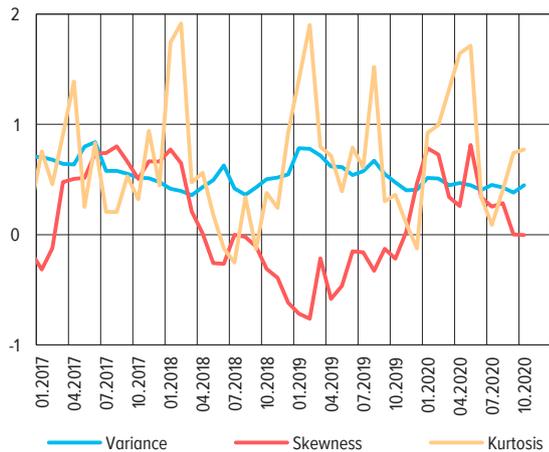
CHANGES IN THE REGIONAL DISTRIBUTION OF INFLATION *Chart 9*

Sources: Rosstat, Bank of Russia calculations.

## Forecast

In the near future, price dynamics will continue to be influenced by short-term proinflationary factors such as the exchange rate pass-through, global food prices and supply-side restrictions. In the medium-term, the disinflationary effect of demand will become more pronounced as it will be exacerbated on the back of the deteriorating epidemiological situation.

**According to the Bank of Russia's forecast, annual inflation will reach 3.9–4.2% in 2020. Given the current monetary policy stance, it will stand at 3.5–4.0% in 2021 and stabilise around 4% later on.**

CHARACTERISTICS OF REGIONAL INFLATION DISTRIBUTION *Chart 10*

Sources: Rosstat, Bank of Russia calculations.

## ANNEX 1

CONSUMER PRICE DYNAMICS  
(%)

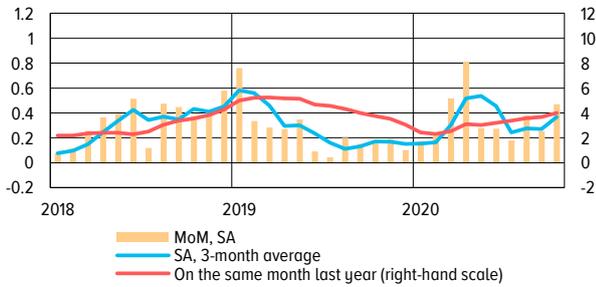
	October 2019	November 2019	December 2019	January 2020	February 2020	March 2020	April 2020	May 2020	June 2020	July 2020	August 2020	September 2020	October 2020
Price growth, on the same month last year													
– all goods and services	3.75	3.53	3.04	2.42	2.31	2.54	3.09	3.02	3.21	3.37	3.58	3.67	3.99
– food products	4.21	3.65	2.58	1.99	1.77	2.20	3.52	3.26	3.94	4.19	4.33	4.37	4.83
of which: fruit and vegetables	3.43	2.76	-2.05	-2.58	-2.23	-1.89	3.98	1.59	6.01	7.62	9.75	9.84	8.96
– food products excluding fruit and vegetables	4.27	3.74	3.11	2.54	2.25	2.70	3.40	3.44	3.61	3.71	3.72	3.80	4.41
– non-food goods	3.21	3.06	2.95	2.53	2.31	2.54	2.80	2.84	3.01	3.14	3.39	3.78	4.15
of which: non-food goods excluding petroleum products	3.46	3.29	3.14	2.71	2.42	2.66	2.99	3.08	3.22	3.25	3.52	3.94	4.38
– services	3.82	3.93	3.75	2.84	3.01	2.97	2.88	2.95	2.46	2.52	2.71	2.52	2.58
of which: services excluding housing and utilities	3.50	3.71	3.41	2.86	3.16	3.10	2.97	3.12	2.37	2.26	2.41	2.07	2.10
Core inflation	3.68	3.48	3.13	2.66	2.40	2.61	2.86	2.85	2.89	2.95	3.11	3.27	3.58
Median	3.65	3.49	3.27	2.50	2.44	2.42	2.49	2.43	2.45	2.84	2.99	3.02	3.19
Price growth, without 20% of the volatile components	3.40	3.37	3.09	2.67	2.32	2.60	2.71	2.57	2.71	2.92	3.07	3.06	2.90
Average annual inflation	4.59	4.57	4.46	4.25	4.01	3.78	3.61	3.43	3.31	3.21	3.15	3.13	3.15
Price growth, MoM													
– all goods and services	0.13	0.28	0.36	0.40	0.33	0.55	0.83	0.27	0.22	0.35	-0.04	-0.07	0.43
– food products	0.18	0.45	0.65	0.69	0.57	0.96	1.72	0.16	0.17	-0.07	-0.77	-0.41	0.62
of which: fruit and vegetables	0.44	2.73	3.84	5.73	5.31	2.50	7.89	-0.37	-0.34	-2.48	-8.30	-6.22	-0.37
– food products excluding fruit and vegetables	0.15	0.21	0.30	0.11	-0.01	0.76	0.92	0.24	0.24	0.27	0.25	0.30	0.73
– non-food goods	0.31	0.23	0.14	0.23	0.04	0.48	0.44	0.25	0.34	0.29	0.41	0.56	0.68
of which: non-food goods excluding petroleum products	0.31	0.23	0.14	0.23	0.04	0.48	0.44	0.25	0.34	0.29	0.41	0.56	0.68
– services	-0.18	0.11	0.24	0.24	0.37	0.09	0.12	0.46	0.12	0.99	0.37	-0.42	-0.13
of which: services excluding housing and utilities	0.31	0.23	0.14	0.23	0.04	0.48	0.44	0.25	0.34	0.29	0.41	0.56	0.68
Price growth, MoM (SA)													
– all goods and services	0.16	0.19	0.10	0.17	0.22	0.52	0.81	0.28	0.27	0.18	0.38	0.25	0.47
– food products	0.02	0.06	-0.01	0.00	0.17	0.72	1.54	0.21	0.42	0.46	0.37	0.19	0.46
of which: fruit and vegetables	0.03	-0.13	-1.08	-0.33	1.32	0.44	6.79	-1.93	0.29	1.77	2.29	0.18	-0.74
– food products excluding fruit and vegetables	0.02	0.12	0.15	0.04	0.01	0.73	0.85	0.48	0.45	0.37	0.30	0.23	0.60
– non-food goods	0.20	0.17	0.17	0.26	0.06	0.46	0.46	0.29	0.41	0.37	0.40	0.47	0.58
of which: non-food goods excluding petroleum products	0.21	0.16	0.18	0.26	0.07	0.52	0.57	0.33	0.33	0.29	0.43	0.53	0.64
– services	0.29	0.39	0.16	0.31	0.48	0.32	0.27	0.37	-0.11	-0.44	0.36	0.05	0.35
of which: services excluding housing and utilities	0.29	0.42	0.05	-0.12	0.55	0.30	0.24	0.42	-0.36	0.11	0.21	-0.15	0.35
Median	0.17	0.18	0.18	0.15	0.19	0.35	0.37	0.30	0.33	0.28	0.38	0.24	0.28
Price growth, without 20% of the volatile components	0.16	0.17	0.21	0.24	0.15	0.34	0.34	0.34	0.37	0.30	0.32	0.26	0.33

Sources: Rosstat, Bank of Russia calculations.

## ANNEX 2

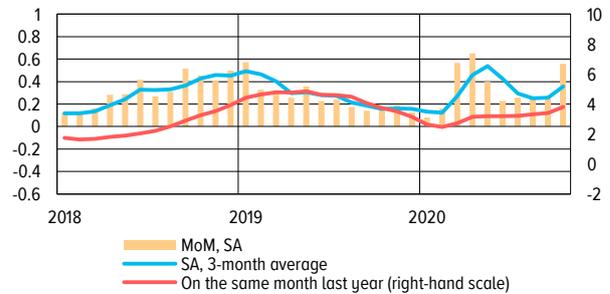
ALL GOODS AND SERVICES (%)

Chart 1



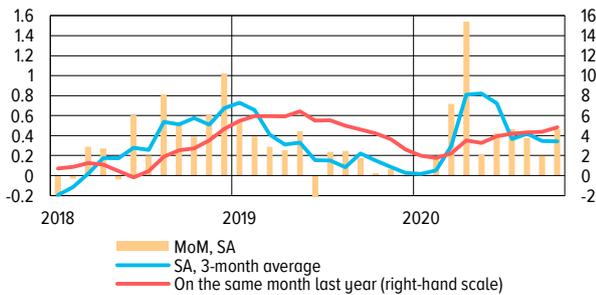
ALL GOODS AND SERVICES EXCLUDING FRUIT AND VEGETABLES, PETROLEUM PRODUCTS AND UTILITIES (%)

Chart 5



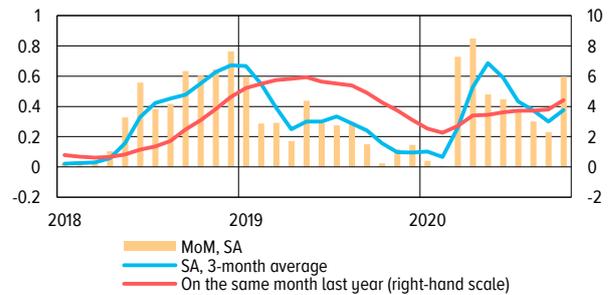
FOOD PRODUCTS (%)

Chart 2



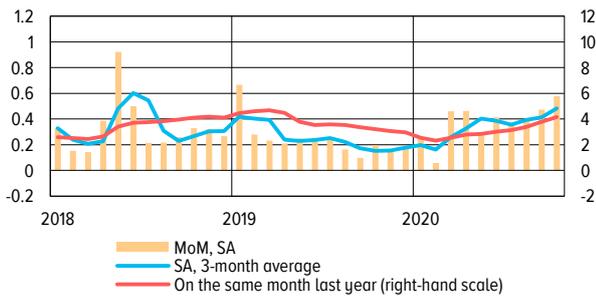
FOOD PRODUCTS EXCLUDING FRUIT AND VEGETABLES (%)

Chart 6



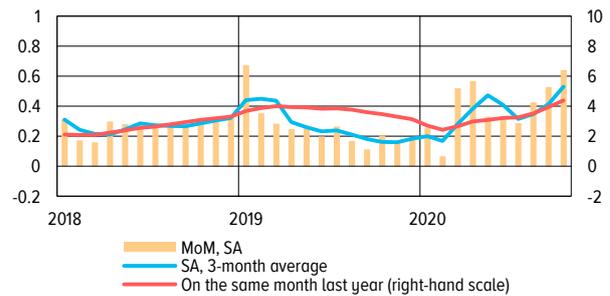
NON-FOOD GOODS (%)

Chart 3



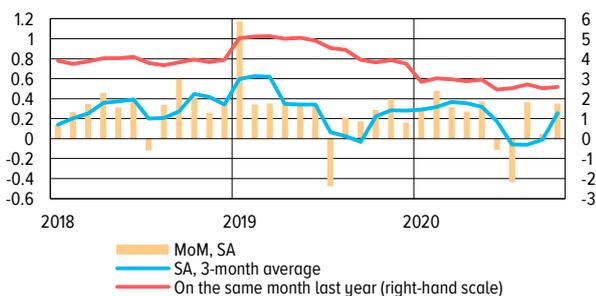
NON-FOOD GOODS EXCLUDING PETROLEUM PRODUCTS (%)

Chart 7



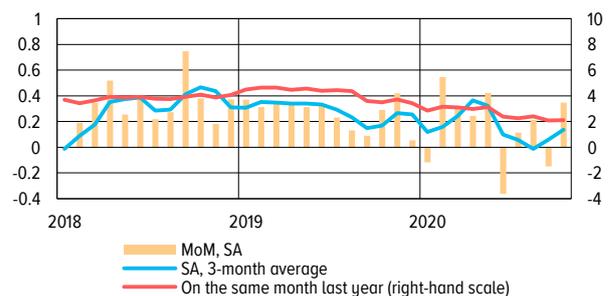
SERVICES (%)

Chart 4



SERVICES EXCLUDING UTILITIES (%)

Chart 8



Sources: Rosstat, Bank of Russia calculations.

Data cut-off date – 10.11.2020.

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.

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