



Bank of Russia



# CONSUMER PRICE DYNAMICS

No.11 (59) • November 2020

Information and analytical commentary

10 December 2020

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

In November 2020, monthly consumer price growth accelerated significantly mainly due to one-off proinflationary factors in certain food markets, as well as due to the weakening of the ruble in previous months. The influence of the epidemiological situation on consumer behaviour and price dynamics was moderate, helped by targeted measures and the adaptation of households and businesses to the new conditions. Annual inflation rose by 0.43 pp, to 4.42%. The monthly indicators of sustainable price dynamics increased along with the observed growth of inflation expectations of households and businesses. Since price growth rates in October and November were higher than expected by the Bank of Russia, annual inflation as of the end of 2020 will exceed the forecast of the Bank of Russia published in October (3.9–4.2%). However, as one-off factors' influence is exhausted and inflation expectations return to normal, the disinflationary effect of demand will become more pronounced. This will cause annual inflation to decelerate to 3.5–4.0% by the end of 2021.

### KEY INFLATION INDICATORS

Table 1

	June 2020	July 2020	August 2020	September 2020	October 2020	November 2020
<b>Annual growth</b>						
Inflation	3.21	3.37	3.58	3.67	3.99	4.42
Core inflation	2.89	2.95	3.11	3.27	3.58	3.87
Median*	2.45	2.84	2.99	3.02	3.19	3.48
Price growth, without 20% of the most volatile components**	2.71	2.92	3.07	3.06	2.90	3.27
<b>Monthly growth, SA</b>						
Inflation	0.27	0.18	0.38	0.26	0.48	0.59
Core inflation	0.36	0.37	0.32	0.24	0.41	0.47
Median*	0.34	0.28	0.38	0.26	0.28	0.41
Price growth, without 20% of the most volatile components**	0.37	0.29	0.32	0.26	0.33	0.39
<b>Monthly growth, SA, average for the last 3 months</b>						
Inflation	0.46	0.24	0.28	0.27	0.37	0.44
Core inflation	0.40	0.36	0.35	0.31	0.33	0.37
Median*	0.34	0.31	0.33	0.31	0.31	0.32
Price growth, without 20% of the most volatile components**	0.35	0.33	0.33	0.29	0.30	0.33

\* 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

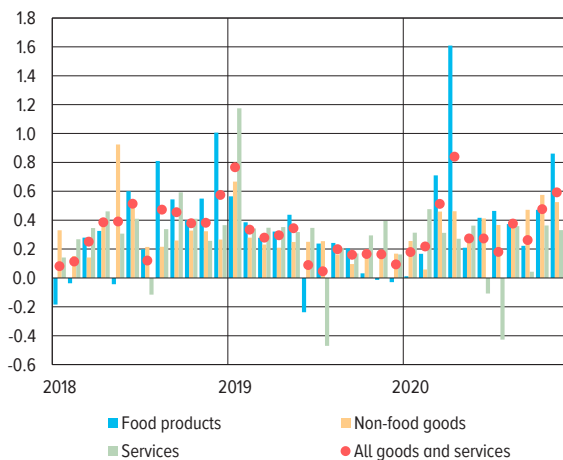
In November 2020, the monthly growth of consumer prices (according to seasonally adjusted estimates; hereinafter, SA<sup>1</sup>) increased to 0.59% (up 0.11 pp vs October) (Table 1, Chart 1). The main contribution was made by an increase in prices for certain food groups (fruit and vegetables, sugar, sunflower oil) due to the

reduced supply and higher export parity prices on the back of growing global prices for these products. Overall, food price growth accelerated by 0.39 pp to 0.86% (SA). Monthly non-food price growth (SA) slowed down slightly (by 0.06 pp to 0.52%), reflecting the gradual exhaustion of the impact of the ruble's weakening. The growth of service prices also slowed (by 0.03 pp to 0.33%); their dynamics remain mixed due to anti-epidemic restrictions in certain market segments.

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

## GOODS AND SERVICE PRICES % GROWTH MOM, SA

Chart 1

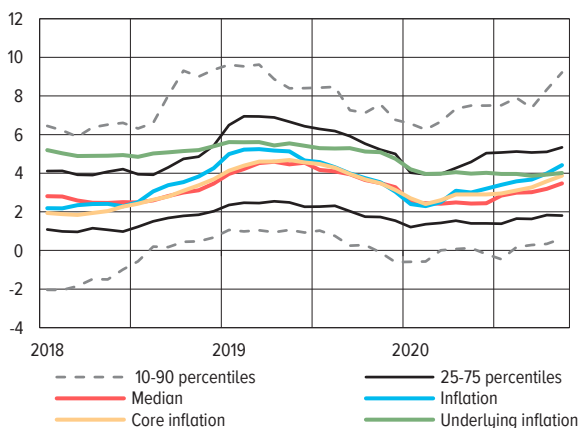


Sources: Rosstat, Bank of Russia calculations.

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

Chart 2

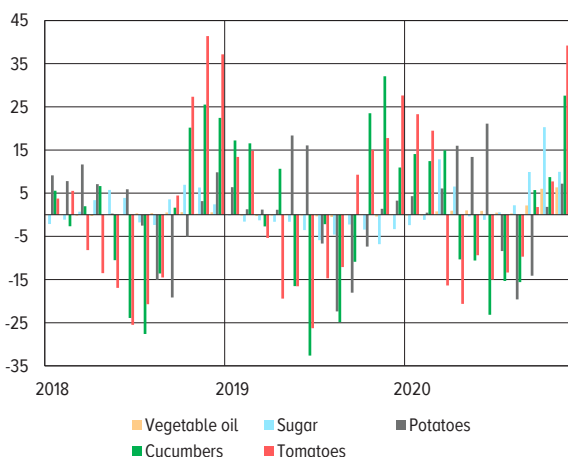
% GROWTH, ON THE SAME MONTH LAST YEAR



Sources: Rosstat, Bank of Russia calculations.

## PRICES FOR CERTAIN FOOD PRODUCTS % GROWTH MOM, SA

Chart 3



Sources: Rosstat, Bank of Russia calculations.

**Monthly price growth indicators (SA) calculated net of volatile and regulated components<sup>2</sup> (underlying inflation indicators) also rose but to a much lesser extent** (Table 1). However, they exceeded 4% in annual terms.

**Annual inflation rose by 0.43 pp to 4.42% due to an increase in the annual growth rate of prices for food products (by 0.93 pp to 5.76%) and non-food goods (by 0.36 pp to 4.51%).** Annual service price growth decelerated to 2.52% (Chart 2, Annex 1). The annual indicators of sustainable price dynamics (core inflation, median annual growth, growth of prices for goods and services excluding the subgroup with volatile prices) increased but remained below 4%. [Estimated underlying inflation](#) rose to 4.01% in November vs 3.93% in October.

## Influence of food supply

**Rising prices for certain food products made a significant contribution to the acceleration of current price growth rates.**

Thus, prices for processed oil crop products, primarily sunflower oil (Chart 3), continued to grow at a high rate (SA). Lower sunflower crop yield and increased export volumes on the back of rising global prices affected the situation in the domestic market. In November, this negative influence was strengthened by Turkey's imposing zero customs duties on the import of sunflower seeds. Potato price growth (SA) also accelerated as a result of lower yields.

Sugar price growth (SA) slowed but remained elevated. It should be noted that sugar and vegetable oil prices are catching up after declining in previous years. According to the seasonally adjusted estimates, it was only in November that sugar and vegetable oil price growth rates compared to December 2016 equalled the increase in consumer prices in general during that period (Chart 4).

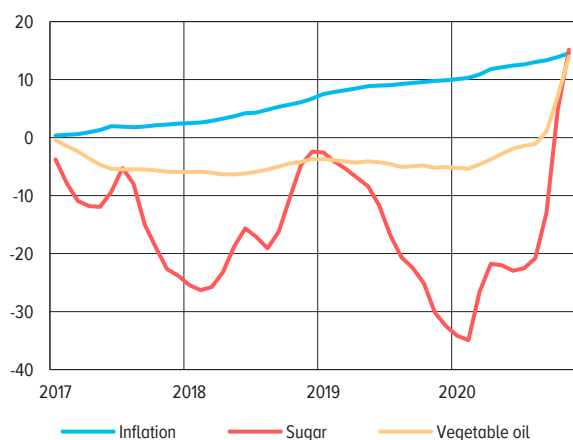
In the coming months, the current dynamics of sugar and sunflower oil prices can be expected to stabilise. This will be facilitated by both the overall sufficient domestic supply and

<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).

## SUGAR AND VEGETABLE OIL PRICES

% GROWTH ON DECEMBER 2016, SA

Chart 4

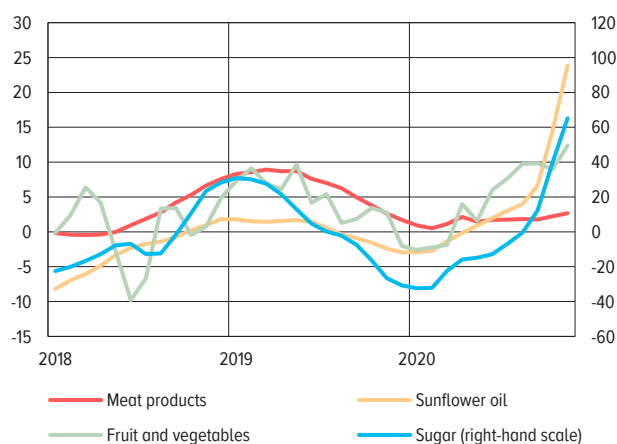


Sources: Rosstat, Bank of Russia calculations.

## PRICES FOR CERTAIN FOOD PRODUCTS

% GROWTH, ON THE SAME MONTH LAST YEAR

Chart 5



Source: Rosstat.

## PRICES FOR CERTAIN NON-FOOD GOODS IN 2020

% GROWTH, ON THE SAME MONTH LAST YEAR

Table 2

	June	July	August	September	October	November
Household appliances	2.62	2.91	3.34	3.9	4.75	5.55
Instruments	3.35	3.23	3.82	4.36	5.26	6.28
Computers	1.88	1.68	2.09	2.91	3.55	3.89
New imported cars	5.47	5.3	5.87	6.98	8.36	9.44
Used imported cars	-0.18	-0.45	0.2	1.59	2.23	3.52
Furniture	1.75	1.88	2.11	2.60	3.42	4.26
Construction materials	2.28	2.31	2.66	3.01	3.66	4.40

Source: Rosstat.

the measures taken by the Russian Government to ensure the balance in the domestic market, including those in the area of customs and tariff policy. At the same time, the annual growth rate of prices for individual food products may increase due to base effects.

The growth rate of prices (SA) for tomatoes and cucumbers increased significantly. Price growth associated with increased costs of greenhouses was aggravated by rising prices of imported products, whose share usually increases during this time of year. In the Far East, the accelerated growth of prices for fruit and vegetable products was also influenced by temporary restrictions on cross-border cargo transportation imposed by China in connection with the worsening epidemiological situation.

In November, the main contribution to the increase in annual food inflation was made by the accelerated annual growth of prices for fruit and vegetable products, sugar, and sunflower oil (Chart 5). These components excluded, annual food price growth is estimated at 4.2% (0.3 pp higher than in October).

The contribution of the increase in prices for meat products was also noticeable due to the high weight of this position in the consumer basket. The accelerated growth of prices for this food group was affected by higher costs on the back of rising grain prices, among other things. However, prices for meat products were only 2.66% higher than a year earlier.

## Influence of the ruble's exchange rate

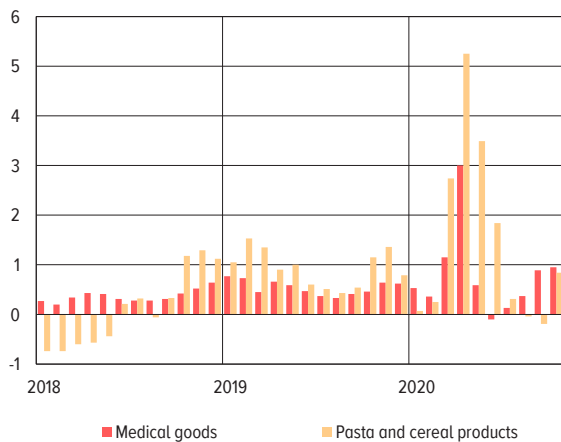
**In November, the pass-through of the ruble's weakening to prices continued.** As in previous months, it was mostly reflected in the growth of prices for cars, household appliances and consumer electronics, which are particularly sensitive to exchange rate fluctuations (Table 2).

Car price movements, as in the previous two months, made the greatest contribution to the increase in the annual growth of prices for non-food products.

In the near future, the gradual exhaustion of the pass-through of the ruble's depreciation to

PRICES FOR MEDICAL GOODS, PASTA  
AND CEREAL PRODUCTS  
% GROWTH MOM, SA

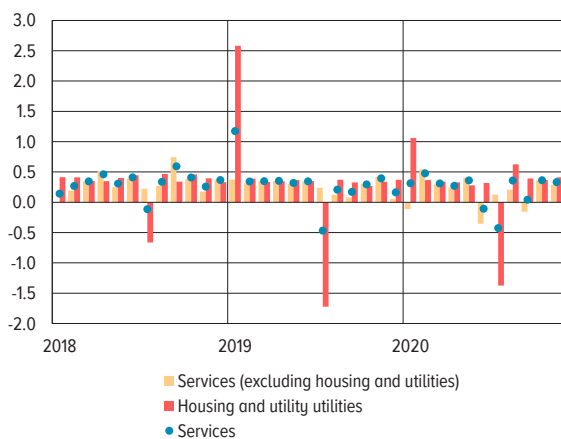
Chart 6



Sources: Rosstat, Bank of Russia calculations.

SERVICE PRICES  
% GROWTH MOM, SA

Chart 7



Sources: Rosstat, Bank of Russia calculations.

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

Table 3

	October 2020	November 2020	Price dynamics, November vs October 2020
North Caucasian FD	4.42	5.21	0.79
Siberian FD	3.87	4.50	0.63
Volga FD	4.19	4.80	0.61
Southern FD	4.20	4.69	0.49
<b>Russia</b>	<b>3.99</b>	<b>4.42</b>	<b>0.43</b>
Central FD	3.78	4.16	0.38
North-Western FD	3.91	4.26	0.35
Urals FD	3.52	3.86	0.34
Far Eastern FD	4.21	4.47	0.26

Source: Rosstat, Bank of Russia calculations.

prices and the subsequent strengthening of the Russian currency in November may slow down the rise in non-food prices.

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

The autumn rise in the coronavirus incidence has a significantly lower impact on prices for goods and services than at the beginning of the epidemic last spring. This is due to both the targeted nature of the measures taken and the fact that households and enterprises are now better prepared.

Thus, demand for medical products increased and their price growth accelerated (SA) but to a lesser extent than in March–April (Chart 6). The increase in prices for durable food products, such as pasta and cereals, was comparable to the corresponding months of the previous year.

Price fluctuations in individual service market segments remained mixed. As in previous months, restrictions on foreign travel remained in place, which determined the peculiarities of the statistical recording of its costs and caused atypical fluctuations in prices for recreational and transport services. The share of individuals working and studying remotely expanded; new restrictions were imposed on visiting public catering and cultural organisations; and the mobility of people decreased. At the same time, the newly introduced requirements were relatively soft which limited price fluctuations. The compensating increase in utility prices continued.

Overall, service prices increased (SA) a little less than in October, by 0.33% (SA) (Chart 7). The annual price growth rate also slightly decreased.

## Inflation in Russian regions

Annual inflation in the absolute majority of regions rose in November 2020 as compared to the previous month (79 regions accounting for approximately 99% in the CPI; Tables 3 and 4). The annual price growth rates of food products and non-food goods increased in most regions. At the same time, annual price growth rates of

## INFLATION IN RUSSIAN REGIONS

Table 4

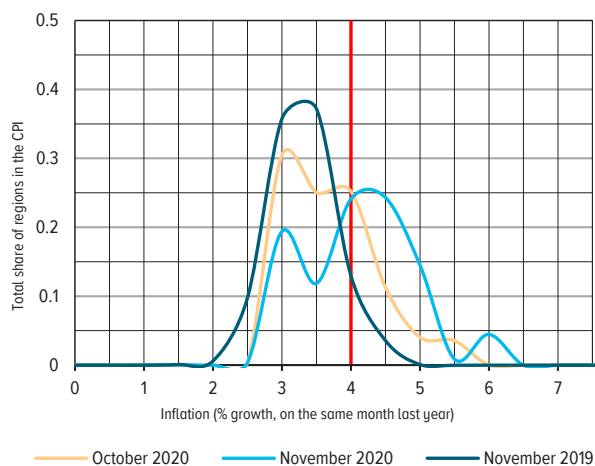
% GROWTH, ON THE SAME MONTH LAST YEAR

N°*	Регион	November 2019	October 2020	November 2020
<b>TOP-5 regions with highest inflation in November 2020</b>				
1(7)	Republic of Dagestan	4.29	5.02	6.36
2(3)	Republic of Komi	3.79	5.91	6.21
3(11)	Saratov Region	2.93	5.62	6.15
4(6)	Voronezh Region	3.44	5.71	6.08
5(1)	Amur Region	4.80	5.76	5.97
<b>TOP-5 regions with lowest inflation in November 2020</b>				
78(69)	Moscow	3.72	3.21	3.46
79(59)	Leningrad Region	3.51	3.26	3.42
80(68)	Tyumen Region	2.71	3.11	3.34
81(80)	Kamchatka Territory	2.84	2.90	2.94
82(82)	Chukotka Autonomous Area	4.25	2.10	1.88

\* Values in brackets indicate the regions' positions in October 2020.  
Source: Rosstat, Bank of Russia calculations.

## CHANGES IN THE REGIONAL DISTRIBUTION OF INFLATION

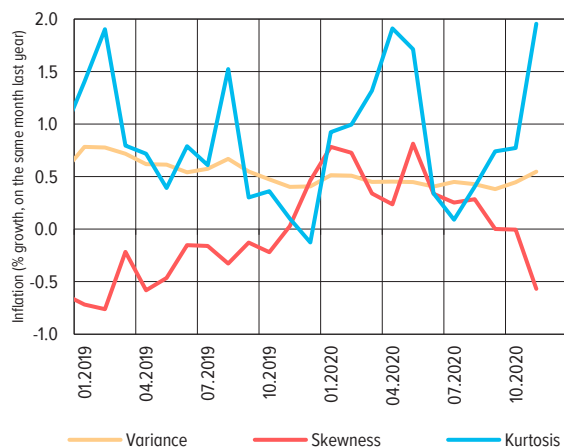
Chart 8



Sources: Rosstat, Bank of Russia calculations.

## CHARACTERISTICS OF REGIONAL INFLATION DISTRIBUTION

Chart 9



Sources: Rosstat, Bank of Russia calculations.

services slowed down in the majority of regions (52 regions saw a slowdown in price growth, and 34 regions saw its acceleration). The dynamics of food prices remained the most diverse in November.

Inflation increased in all federal districts (FDs). The North Caucasian FD registered the highest acceleration of price growth. Most regions of this federal district registered an accelerated growth of prices for fruit and vegetables, primarily cucumbers and potatoes, as well as sugar and sunflower oil.

The Far Eastern FD registered the lowest inflation increase. Inflation was mainly constrained by a slowdown in the growth of prices for certain food products (buckwheat, white cabbage) and services (TV broadcasting, sanatorium-and-spa services).

The distribution of regional inflation continued to change (Chart 8). The group of regions with inflation above the national average became more clearly distinguished, and regions were thereby divided into two groups. At the same time, the group of regions with high price growth rates experienced a greater acceleration of inflation, mainly due to an increase in the growth rate of food prices.

As compared to the similar period of the last year, the regional heterogeneity of inflation remains elevated (inflation rates across regions varied from 1.9% to 6.4%), which is also confirmed by the highest kurtosis value this year (Chart 9).

## Forecast

Temporary factors related to the supply of certain food groups led to a stronger inflation acceleration in October and November of the current year than it was expected by the Bank of Russia. This will affect the 2020 results: inflation will exceed the forecast of the Bank of Russia published in October (3.9–4.2%).

However, as one-off factors' influence is exhausted and inflation expectations return to normal, the disinflationary effect of demand will become more pronounced. This will cause annual inflation to decelerate to 3.5–4.0% by the end of 2021.

## ANNEX 1

CONSUMER PRICE DYNAMICS  
(%)

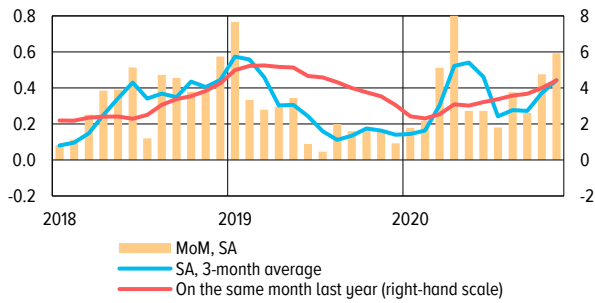
	November 2019	December 2019	January 2020	February 2020	March 2020	April 2020	May 2020	June 2020	July 2020	August 2020	September 2020	October 2020	November 2020
<b>Price growth, on the same month last year</b>													
– all goods and services	3.53	3.04	2.42	2.31	2.54	3.09	3.02	3.21	3.37	3.58	3.67	3.99	4.42
– food products	3.65	2.58	1.99	1.77	2.20	3.52	3.26	3.94	4.19	4.33	4.37	4.83	5.76
of which: fruit and vegetables	2.76	-2.05	-2.58	-2.23	-1.89	3.98	1.59	6.01	7.62	9.75	9.84	8.96	12.39
– food products excluding fruit and vegetables	3.74	3.11	2.54	2.25	2.70	3.40	3.44	3.61	3.71	3.72	3.80	4.41	5.03
– non-food goods	3.06	2.95	2.53	2.31	2.54	2.80	2.84	3.01	3.14	3.39	3.78	4.15	4.51
of which: non-food goods excluding petroleum products	3.29	3.14	2.71	2.42	2.66	2.99	3.08	3.22	3.25	3.52	3.94	4.38	4.82
– services	3.93	3.75	2.84	3.01	2.97	2.88	2.95	2.46	2.52	2.71	2.52	2.58	2.52
of which: services excluding housing and utilities	3.71	3.41	2.86	3.16	3.10	2.97	3.12	2.37	2.26	2.41	2.07	2.10	1.97
Core inflation	3.48	3.13	2.66	2.40	2.61	2.86	2.85	2.89	2.95	3.11	3.27	3.58	3.87
Median	3.49	3.27	2.50	2.44	2.42	2.49	2.43	2.45	2.84	2.99	3.02	3.19	3.48
Price growth, without 20% of the volatile components	3.37	3.09	2.67	2.32	2.60	2.71	2.57	2.71	2.92	3.07	3.06	2.90	3.27
Average annual inflation	4.57	4.46	4.25	4.01	3.78	3.61	3.43	3.31	3.21	3.15	3.13	3.15	3.22
<b>Price growth, MoM</b>													
– all goods and services	0.28	0.36	0.40	0.33	0.55	0.83	0.27	0.22	0.35	-0.04	-0.07	0.43	0.71
– food products	0.45	0.65	0.69	0.57	0.96	1.72	0.16	0.17	-0.07	-0.77	-0.41	0.62	1.34
of which: fruit and vegetables	2.73	3.84	5.73	5.31	2.50	7.89	-0.37	-0.34	-2.48	-8.30	-6.22	-0.37	5.97
– food products excluding fruit and vegetables	0.21	0.30	0.11	-0.01	0.76	0.92	0.24	0.24	0.27	0.25	0.30	0.73	0.81
– non-food goods	0.23	0.14	0.23	0.04	0.48	0.44	0.25	0.34	0.29	0.41	0.56	0.68	0.58
of which: non-food goods excluding petroleum products	0.23	0.14	0.23	0.04	0.48	0.44	0.25	0.34	0.29	0.41	0.56	0.68	0.58
– services	0.11	0.24	0.24	0.37	0.09	0.12	0.46	0.12	0.99	0.37	-0.42	-0.13	0.05
of which: services excluding housing and utilities	0.23	0.14	0.23	0.04	0.48	0.44	0.25	0.34	0.29	0.41	0.56	0.68	0.58
<b>Price growth, MoM (SA)</b>													
– all goods and services	0.16	0.09	0.18	0.22	0.51	0.84	0.27	0.27	0.18	0.38	0.26	0.48	0.59
– food products	-0.01	-0.03	0.01	0.17	0.71	1.61	0.21	0.42	0.46	0.37	0.22	0.47	0.86
of which: fruit and vegetables	-0.55	-1.28	-0.27	1.38	0.50	6.86	-1.86	0.35	1.84	2.37	0.26	-0.66	2.51
– food products excluding fruit and vegetables	0.08	0.15	0.05	0.00	0.71	0.92	0.47	0.44	0.36	0.29	0.25	0.60	0.68
– non-food goods	0.17	0.17	0.26	0.06	0.46	0.46	0.29	0.41	0.37	0.40	0.47	0.58	0.52
of which: non-food goods excluding petroleum products	0.16	0.18	0.26	0.07	0.52	0.57	0.33	0.33	0.29	0.42	0.53	0.64	0.59
– services	0.39	0.16	0.31	0.48	0.31	0.27	0.36	-0.11	-0.43	0.36	0.04	0.36	0.33
of which: services excluding housing and utilities	0.42	0.05	-0.11	0.54	0.30	0.24	0.41	-0.36	0.13	0.21	-0.16	0.36	0.29
Median	0.18	0.18	0.15	0.19	0.35	0.38	0.30	0.34	0.28	0.38	0.26	0.28	0.41
Price growth, without 20% of the volatile components	0.17	0.21	0.23	0.15	0.34	0.34	0.34	0.37	0.29	0.32	0.26	0.33	0.39

Sources: Rosstat, Bank of Russia calculations.

## ANNEX 2

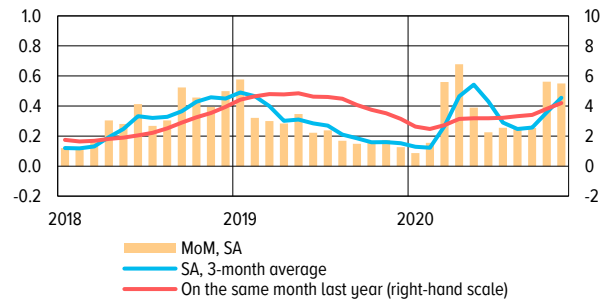
ALL GOODS AND SERVICES (%)

Chart 1



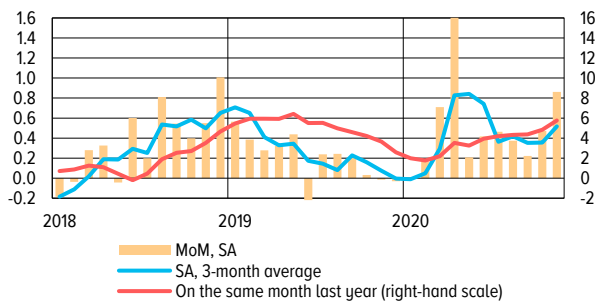
ALL GOODS AND SERVICES EXCLUDING FRUIT AND VEGETABLES, PETROLEUM PRODUCTS AND UTILITIES (%)

Chart 5



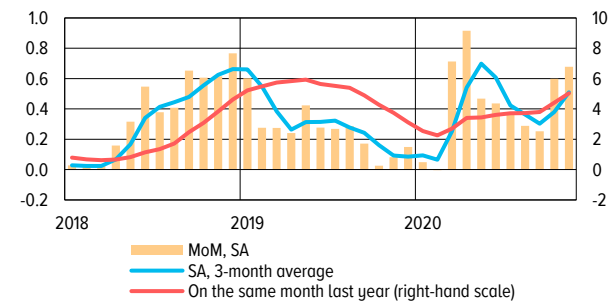
FOOD PRODUCTS (%)

Chart 2



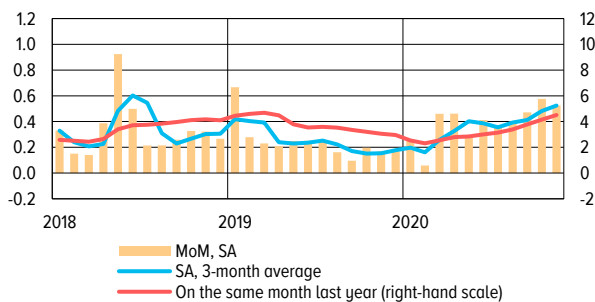
FOOD PRODUCTS EXCLUDING FRUIT AND VEGETABLES (%)

Chart 6



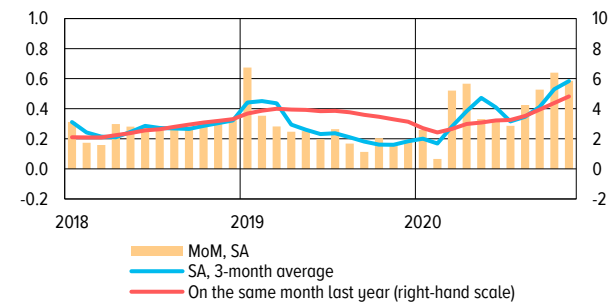
NON-FOOD GOODS (%)

Chart 3



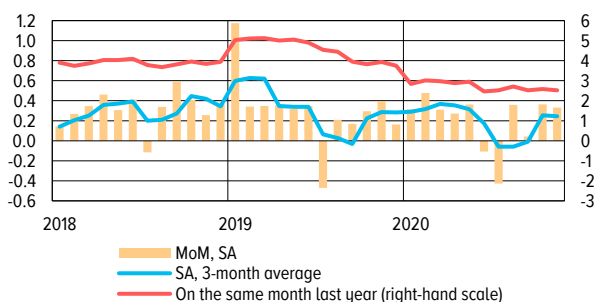
NON-FOOD GOODS EXCLUDING PETROLEUM PRODUCTS (%)

Chart 7



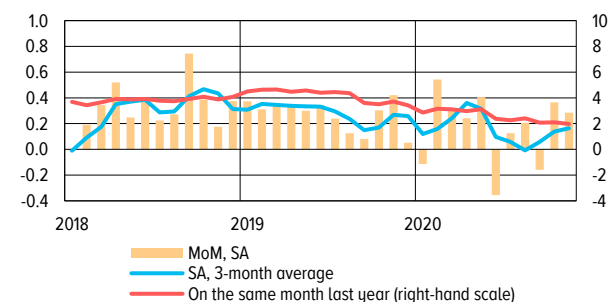
SERVICES (%)

Chart 4



SERVICES EXCLUDING UTILITIES (%)

Chart 8





Data cut-off date – 07.12.2020.

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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