

# Russia Watch: Slower price growth allows for further key rate cuts

In April, inflation added 17.8% yoy (vs 16.7% yoy in March). After the first week of April, the inflation pace has moderated remaining at ~0.03% dtd, which pushed the CBR to cut the key rate by 300bp at the end of April with further easing likely.

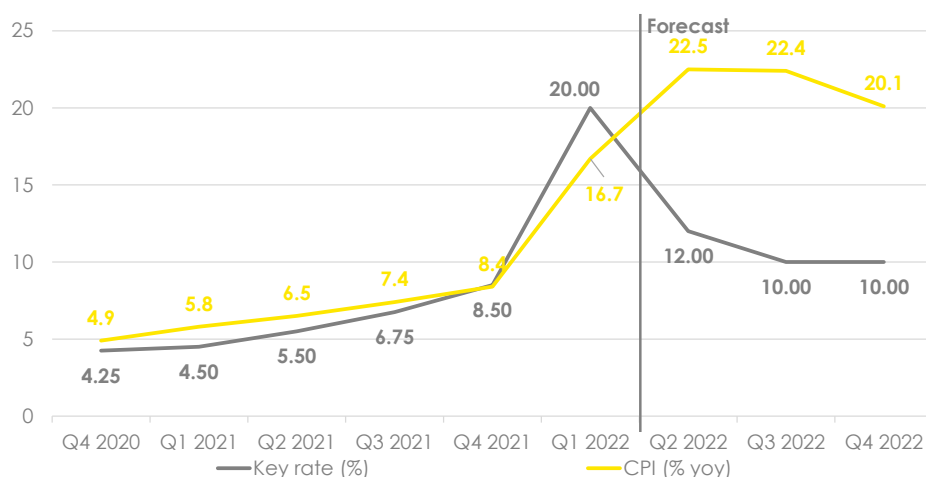
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## Inflation and key rate forecast



CBR, RBI/Raiffeisen Research

The breakdown of inflation dynamics has not changed significantly: **goods inflation exceeded the composite index** (20.5% yoy and 20.2% yoy for food and non-food, respectively) while **services price growth is trailing behind**, at only 10.9% yoy. **In monthly terms, food products became the key price growth driver** (1pp out of 1.45% mom adjusted for seasonality in April) instead of non-food items last month. Within non-food goods there is a range of products that fell in price (mainly electronics amid rouble appreciation), which curbed the overall index. Price dynamics in services are relatively calm, the March spike in foreign travel prices has faded out (1% mom sa vs 37% mom sa previously).

**In May, the inflation picture is likely to moderate further** amid slumping consumption. However, **a delayed crisis effect**, mainly related to import shortages, **could result in delayed price spikes** for certain products. In the meantime, the CBR appears to be concerned with weakening economic activity and **monetary policy easing could be continued as soon as the coming meeting in June** (to 12%, by 200bp in our updated forecast) **aiming at 10% by YE 2022**. If inflationary risks do not prevail (cost

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inflation and potential shortages for certain products), the key rate could be brought to this level in Q3 2022, in our view.

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