

Monetary Policy and Inflation



A.Akhmerova, R.Uzyakov
Institute of Economic Forecasting
Russian Academy of Science

Inflation problem in Russia



Growth rate of CPI —

Central Bank Regulations

*Institute of
Economic Forecasting*

	CB target inflation rate	Real CPI
2005	7.5-8.5%	11%
2006	7-8.5%	9%

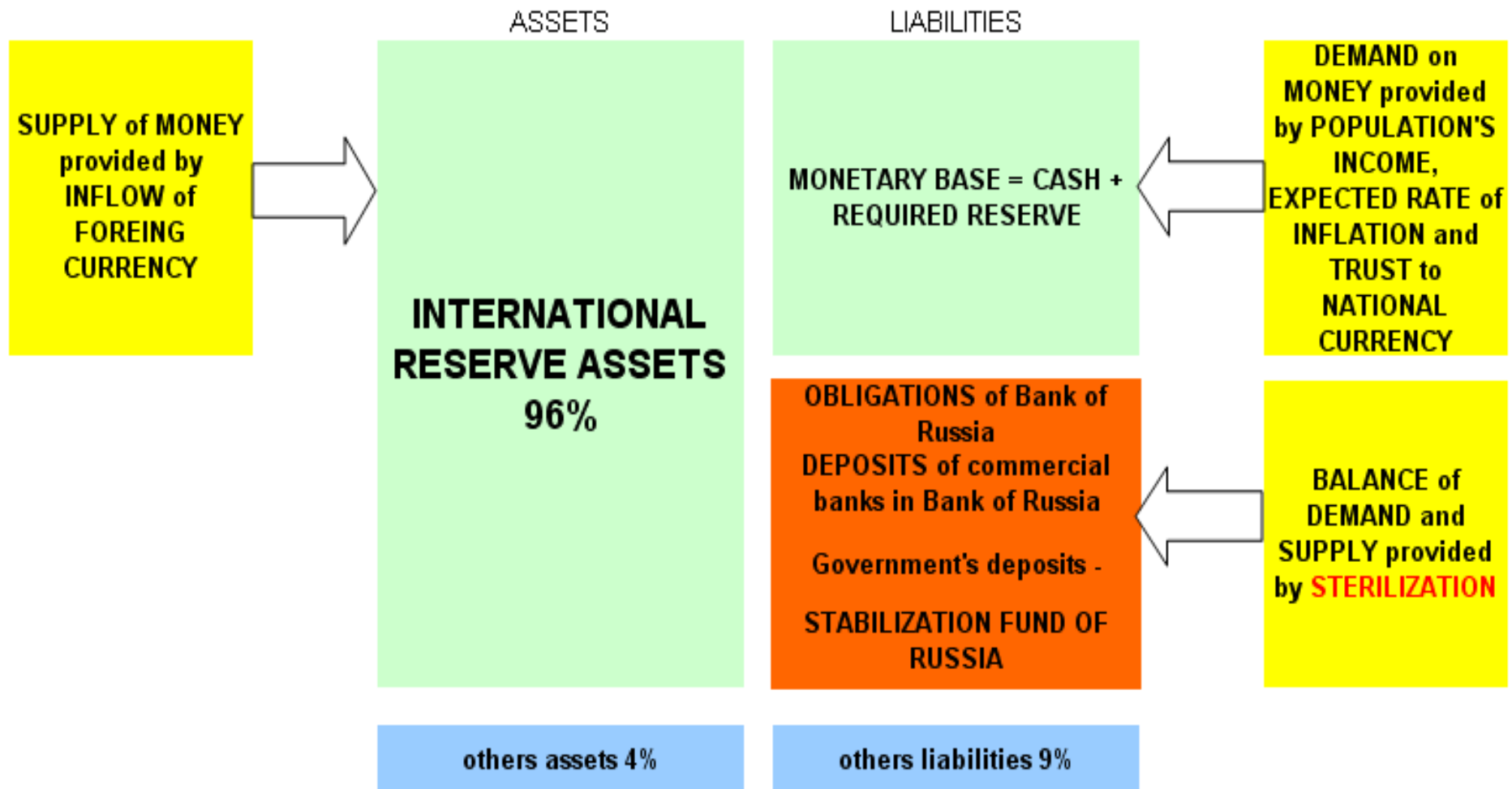
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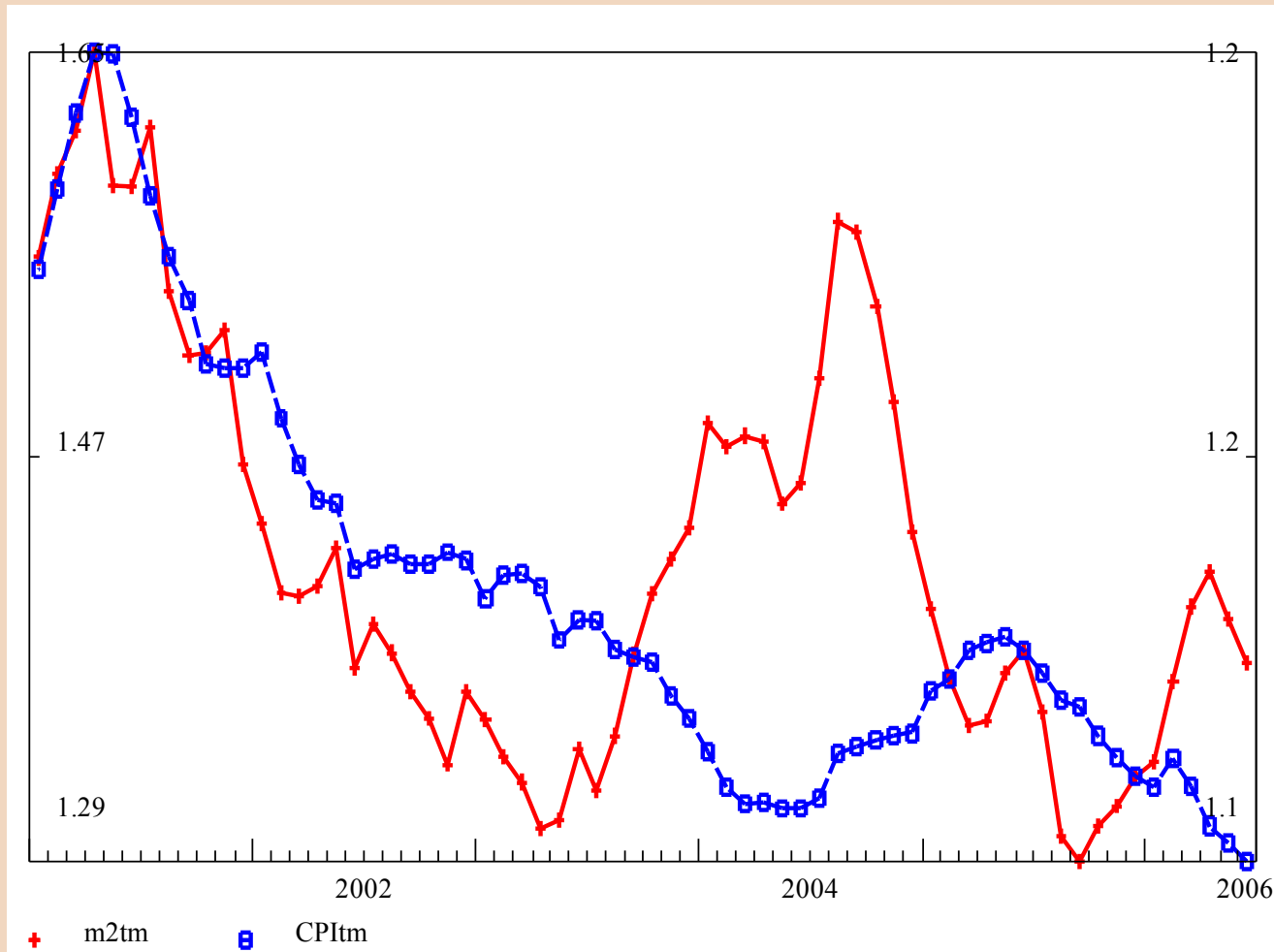
Discrepancy of real CPI and CB forecast !!!

Central Bank Regulations

BALANCE of CENTRAL BANK and MINISTRY of FINANCE



Money Supply vs Inflation



Growth rate of M2[7] —

Growth rate of CPI

Non-monetary Inflation

- **Prices of “natural monopolies” : gas, production and distribution of energy, housing and services, transport**
- **Seasonality of fruit and vegetables prices**
- **Petrol prices**
- **Irregularity of budget expenditures**
- **Cost inflation**

Food prices equation

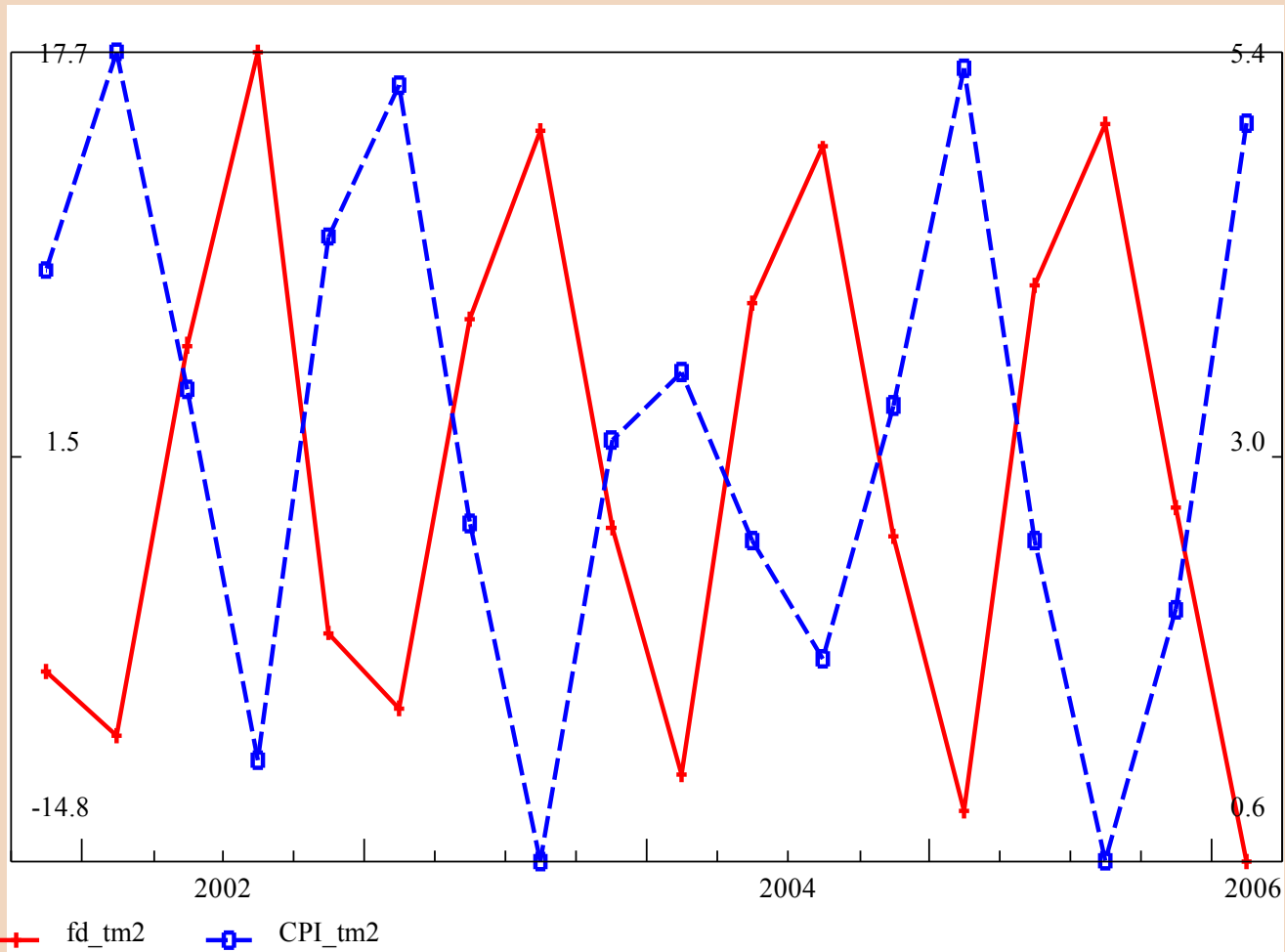
$$r \text{ food} = \text{exbud_tm}, \text{fd_tm}, \text{im_tm}[1]$$

SEE = 0.89 RSQ = 0.8949 RHO = 0.08 Obser = 19 from 2001.300
 SEE+1 = 0.89 RBSQ = 0.8739 DW = 1.84 DoFree = 15 to 2006.100
 MAPE = 0.68

Variable name	Reg-Coeff	Mexval	Elas	NorRes	Mean	Beta
0 food	- - - - -	- - - - -	- - - - -	- - - - -	102.77	- - -
1 intercept	130.51427	1004.9	1.27	9.52	1.00	
2 exbud_tm	0.02139	8.5	0.02	9.10	107.22	0.187
3 fd_tm	-0.25441	175.3	-0.25	1.27	101.78	-0.993
4 im_tm[1]	-0.03875	12.7	-0.04	1.00	106.88	-0.201

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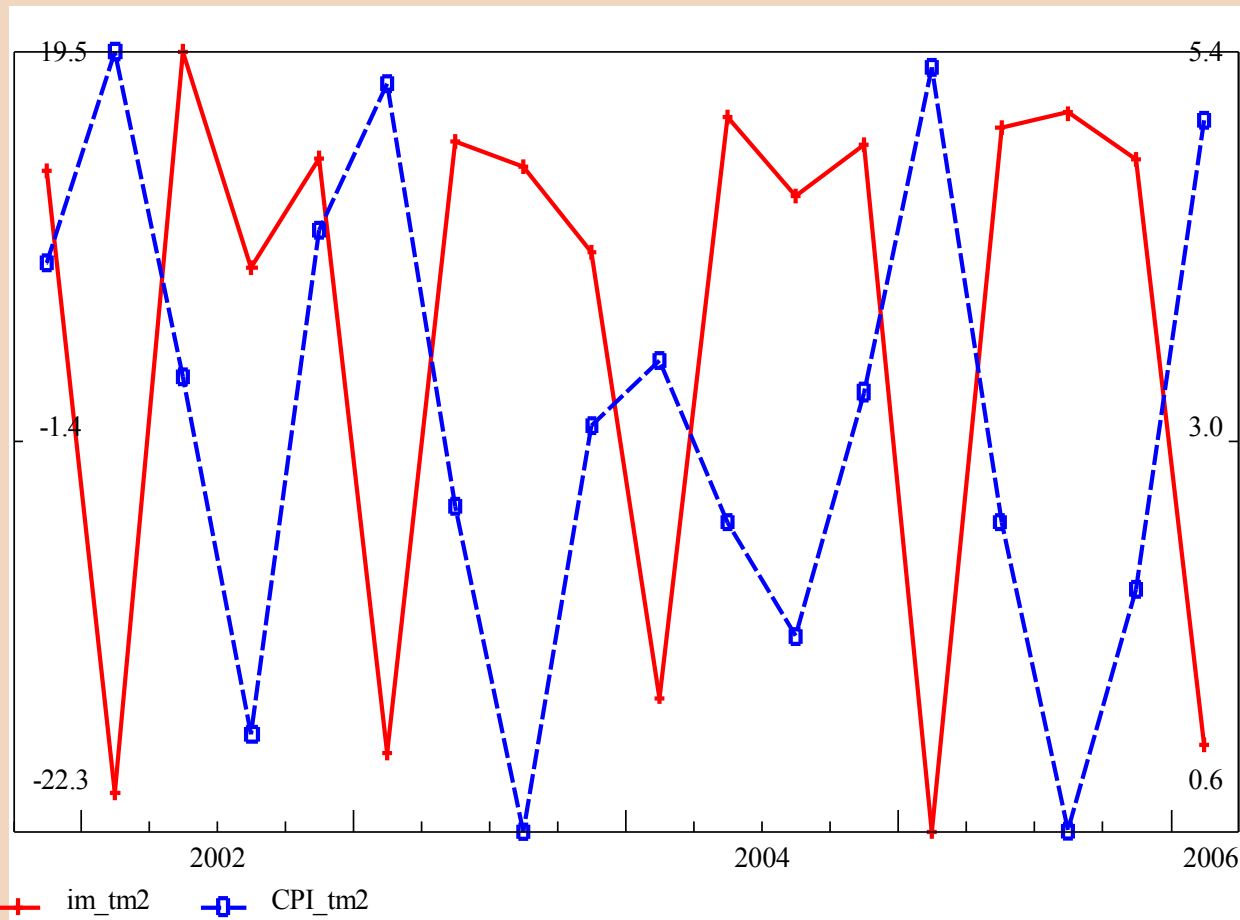
GDP vs CPI



Growth rate of GDP —

Growth rate of CPI —

Import vs CPI



Growth rate of Real Import —

Growth rate of CPI —

Non-food prices equation

```
r non_food = m0_tm[3], sezneeda, time, prmon_tm, delsaving
```

```
SEE    =      0.27  RSQ    = 0.7970  RHO    = -0.08  Obser  =   18 from 2001.400
SEE+1  =      0.27  RBSQ   = 0.7123  DW     =   2.15  DoFree  =   12 to   2006.100
MAPE   =      0.23
```

Variable name	Reg-Coeff	Mexval	Elas	NorRes	Mean	Beta
0 non_food	- - - - -	- - - - -	- - - - -	- - - - -	102.08	- - -
1 intercept	-595.11489	10.1	-5.83	4.93	1.00	
2 m0_tm[3]	3.15352	11.7	0.03	4.86	1.08	0.458
3 sezneeda	2798.11997	13.9	6.85	3.99	0.25	0.552
4 time	-0.06192	21.1	-0.03	1.34	52.50	-0.529
5 prmon_tm	-1.75467	4.5	-0.02	1.16	1.05	-0.206
6 delsaving	-0.00255	7.8	-0.01	1.00	264.42	-0.308

Service prices equation

```
r serv = !prmon_tm[1],CPI_tm,dummy3[1],eda
```

```
SEE = 1.19 RSQ = 0.8876 RHO = 0.31 Obser = 22 from 2000.400
SEE+1 = 1.14 RBSQ = 0.8688 DW = 1.38 DoFree = 18 to 2006.100
MAPE = 0.94
```

Variable name	Reg-Coeff	Mexval	Elas	NorRes	Mean	Beta
0 serv	---	---	---	---	106.20	---
1 prmon_tm[1]	6.71551	5.1	0.07	49.76	1.06	
2 CPI_tm	201.78449	143.3	1.97	4.93	1.03	1.001
3 dummy3[1]	5.10242	78.9	0.01	2.66	0.27	0.638
4 food	-1.07393	63.0	-1.04	1.00	103.34	-0.884

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Thank you !!!



Questions ???