

DYNAMICS OF INFLATIONARY PROCESSES DURING THE ECONOMIC TRANSFORMATION IN RUSSIA

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The article takes in account the dynamics of inflation processes in 1991-2009. The analysis of average monthly and annual indicators and their variation has allowed to make a periodization of the period in question and identify seven certain stages in the development of inflating processes.

The evolution of inflation is forcing its way through the struggle with various internal and external factors. Despite the multiple previous crises and rocking economy of Russia today (1992-1993, 1998 and 2007-2008), the positive changes determine the trend of slowing inflation. The analysis of the CPI dynamics and indicators of its variation allows to divide a large period of the time 1991-2009 into similar stages, characterized by peculiar development factors.

1991 is actually a pre-reform period, accompanied by inflation in the implicit form with a 16% coefficient of variation and the total CPI 260.4%. 1992 was the beginning of the economic system transformation, marked by deep recession of social production. The destruction of the economic system and the liberalization of prices was reflected in the highest activities of CPI (2608.8%) and its variation ($V_s = 47.0\%$). 1993 continued the further economic system destruction but it managed to reduce inflation to 939.9% and the coefficient of variation did turn out to be low - 3.33%.

The next stage is 1994-1997. The fight against inflation in this period took place by toughening monetary policy. By 1997 there had been favorable changes in the structure of industry - rapidly growing industries focused on domestic demand. Against that background there was a significant reduction in inflation. The coefficient of CPI variation in 1994 was 4.24%, prices of goods and services grew by 10% per month. In the following years, the inflation weakening continued: in 1997 CPI was 111% and the coefficient of CPI variation - 0.71%. The task of reducing the current inflation was offset by the one of reducing the growth of social expenses and the growth of "delayed inflation" (devaluation, non-payments, internal and external debt, etc.).

Under the existing circumstances export-oriented commodity industries and shadow enterprises of small and medium-sized business could only develop. Funds had been separated from the real economy. External factors only hastened the crisis in Russia in 1998 [3, pp 27-29]. The ruble devaluation as one of the destructive methods of solving the problems in 1998 caused a new wave of recession and inflation. The level of prices similarity was measured by the coefficient of variation equal to 10.26%. The annual price level stood at 184.4%, with monthly average of 5.2%.

From 1999 to 2003 significant success was achieved in the Russian economy. That period is characterized by the active formation of economic institutions and a sufficiently high economic growth. The reasons for Russia's economic growth are explained by the post-devaluation effect and the growth of energy prices that started in the spring of 1999. As a result of institutional changes and economic policy the index of consumer prices was 136.5% in 1999, and 112% in 2003. From 1999 to 2003 the average monthly CPI was declining with the coefficient 0.97-0.99 per year.

In the period of 2004-2006 (2007) the state economy was developing successfully. The average monthly CPI in that period accounted for the value less than 1%. The degree of non-similar prices growth was the lowest for the entire period of 1991-2008 and in 2004 its minimum value made up 0.37%. Despite the positive developments in the industrial and monetary sphere, the inflationary potential was being accumulated in economy. By coincidence, during that period the developed countries had soft monetary policy - credits could be taken by 3% from non-resident banks. The reduction in money supply as a result of anti-inflationary measures (restrictive fiscal, monetary and exchange

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rate policies) was graded by the resources coming from abroad.

2007 was a period when the aforementioned trends of economic processes had the same inertia. However, in the fall of 2007 food prices changed its trajectory and headed for a stable increase. The average monthly CPI rose again by 0.2%, while the average price index for food rose by 0.5%, and the annual one - by 2.6% and 6.3%, respectively.

In early 2008 the upward trend in food prices continued. The problem of increasing food prices was thought to be the world-wide food crisis which had covered 39 countries by April 1, 2008. Different socio-economic, ecological, technical and climatic reasons were at the root of that crisis. These reasons resulted in a large gap between food production, domestic consumption and export deliveries throughout the world. In 2007 the prices growth rate increased virtually for all basic foodstuffs.

Analyzing the factors that accelerate agricultural inflation we should also apply to the modern market specificity of the country, namely: powerful monopoly groups in the wholesale and retail trade, containing deliveries of agricultural products to the commercial network and, thus, dictating the retail prices and establishing higher marketing margins.

The global financial crisis of 2008 appeared in the lack of liquidity and virtually annihilated the results of monetary stabilization. The inflation of 2008 had the highest growth rate compared with the previous period (2003-2007). The upward trend in prices continued until June 2009. From the second quarter of 2009 there was a slowing trend of inflation. In 2009 from June to December all the indices of consumer prices showed the inhibition of inflation, which made up the total CPI - 108.8%.

The primary stabilizing effect of anti-inflationary policy was caused by the anti-crisis measures consisting of national currency devaluation, which led to further speculative demand

for foreign currency. Low inflation is also a result of the crisis continuation. Throughout 2009 the waves of demand reduction were regularly affecting the main production chains.

Thus, the dynamics of inflationary processes develops during the economic transformation. As the frontier factors defining the level and the difference of the consumer price index in the period of 1991-2008, the following economic conditions were identified: system changes and price liberalization, devaluation of ruble and default, the recovery growth, the inflow of dollar mass due to the increased energy prices and strengthening of ruble, food and financial crises, and the economic recession. An analysis of economic development during the transformation provided an opportunity for the following seven-stage periodization: 1992-1993, 1994-1997, 1998, 1999-2003, 2004-2006, 2007-2008, 2009. The year of 2009 opened a new page in the development of inflationary processes associated with the change of monetary and exchange rate policies. The Bank of Russia declaimed the task of completing the transition to the inflation targeting regime at a free-floating exchange rate in 2009 - 2011.

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