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Russia Cuts Price of Vodka Amid Double-Digit Inflation

By Alexander Panin

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The situation is expected to become even worse as rising inflation steadily eats away at Russians' salaries.

Russia has dropped the minimum price of vodka by 16 percent in an attempt to ward off a rise in moonshine consumption, spurred on by the falling ruble and contracting economy.

As of Sunday, the minimum price of vodka is now 185 rubles ($2.60) for half a liter, down from 220 rubles ($3.10).

The minimum retail price for vodka was first set in 2009 as part of a crackdown on binge drinking. In 2014 the minimum price was raised from 89 rubles ($1.20) to 199 rubles ($2.80) and then to a record high of 220 rubles ($3.16) per bottle.

A markup of the minimal price for hard liquor, however, has only increased illegal alcohol's share in overall consumption.

After the government decided to hike minimal prices for hard liquor last year the legal market lost about 14 percent of consumers after they switched to counterfeit spirits, Igor Chuyan, the head of Russia's Federal Service for Alcohol Market Regulation told the RBC news agency in December.

According to state statistics service Rosstat, vodka production in Russia fell 22 percent last year. The deepest recession was in December, the peak of the ruble crash, when production plummeted 47 percent compared to the same period a year earlier.

Counterfeit alcohol consumption has grown "as much as 65 percent" in the years since the government policy was introduced, said Vadim Drobiz, the head of the Center for Federal and Regional Alcohol Market Studies, an independent think tank.

The situation is expected to become even worse as rising inflation steadily eats away at Russians' salaries, forcing them to cut spending, including on legal spirits.

According to official figures, the overall rate of inflation in Russia was 11.4 percent in 2014, picking up to 13 percent by the end of January. Inflation has been driven up by the falling ruble, which has sunk over 50 percent since last summer under the weight of Western sanctions and the falling price of oil, Russia's main export. Russia's economy is expected to contract by at least 3 percent this year.

At the same time this does not mean that Russians started to drink less alcohol. Imports of hard liquor have been growing steadily in the last years and analysts expect them to grow further by about 9 percent in 2015.

In its 2014 global status report on alcohol and health, the World Health Organization rated Russia and Ukraine as two countries with the most risky patterns of drinking, based on the countries' Patterns of Drinking Score, which measures the impact on alcohol consumption on people's health and well-being.

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