



Bank of Russia



# REGIONAL ECONOMY

Commentaries by Bank of Russia Main Branches

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This publication was prepared by the economic divisions of the Bank of Russia regional branches jointly with the Monetary Policy Department.

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**39**  
mln  
people

### MB for Central FD

Belgorod Region  
Bryansk Region  
Vladimir Region  
Voronezh Region  
Ivanovo Region  
Kaluga Region  
Kostroma Region  
Kursk Region  
Lipetsk Region  
Moscow Region  
Orel Region  
Ryazan Region  
Smolensk Region  
Tambov Region  
Tver Region  
Tula Region  
Yaroslavl Region  
Moscow

**14**  
mln  
people

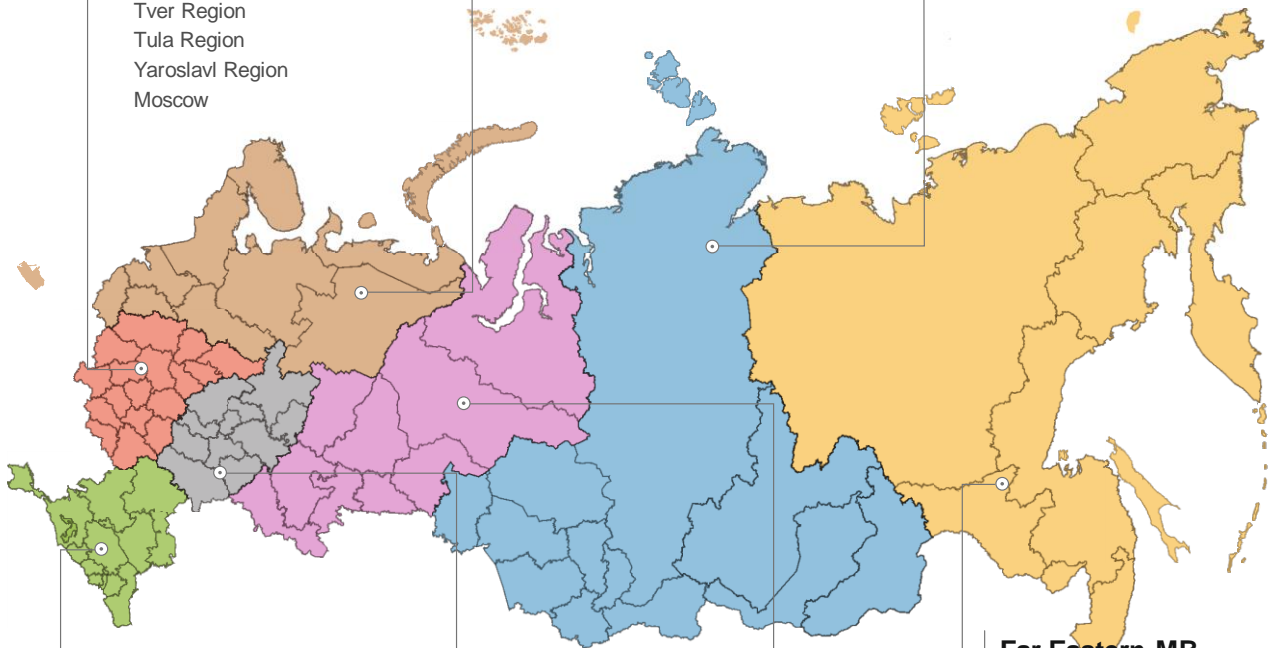
### North-Western MB

Republic of Karelia  
Republic of Komi  
Arkhangelsk Region  
Vologda Region  
Kaliningrad Region  
Leningrad Region  
Murmansk Region  
Novgorod Region  
Pskov Region  
Saint Petersburg  
Nenets Autonomous Area

**19**  
mln  
people

### Siberian MB

Altai Republic  
Republic of Tyva  
Republic of Khakassia  
Altai Territory  
Krasnoyarsk Territory  
Irkutsk Region  
Kemerovo Region  
Novosibirsk Region  
Omsk Region  
Tomsk Region  
Republic of Buryatia  
Zabaikalye Territory



**26**  
mln  
people

### Southern MB

Republic of Adygea  
Republic of Kalmykia  
Republic of Crimea  
Krasnodar Territory  
Astrakhan Region  
Volgograd Region  
Rostov Region  
Sevastopol  
Republic of Dagestan  
Republic of Ingushetia  
Kabardino-Balkar Republic  
Karachay-Cherkess Republic  
Republic of North Ossetia–Alania  
Chechen Republic  
Stavropol Territory

**21**  
mln  
people

### Volga-Vyatka MB

Mari El Republic  
Republic of Mordovia  
Republic of Tatarstan  
Udmurt Republic  
Chuvash Republic  
Kirov Region  
Nizhny Novgorod Region  
Penza Region  
Samara Region  
Saratov Region  
Ulyanovsk Region

**6**  
mln  
people

### Far Eastern MB

Republic of Sakha (Yakutia)  
Kamchatka Territory  
Primorye Territory  
Khabarovsk Territory  
Amur Region  
Magadan Region  
Sakhalin Region  
Jewish Autonomous Region  
Chukotka Autonomous Area

**21**  
mln  
people

### Ural MB

Republic of Bashkortostan  
Perm Territory  
Kurgan Region  
Orenburg Region  
Sverdlovsk Region  
Tyumen Region  
Chelyabinsk Region  
Khanty-Mansi Autonomous Area  
Yamalo-Nenets Autonomous Area

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## **WHAT IS THE REPORT 'REGIONAL ECONOMY: COMMENTARIES BY BANK OF RUSSIA MAIN BRANCHES'?**

The report 'Regional Economy: Commentaries by Bank of Russia Main Branches' (hereinafter, the Report) reviews the current economic situation in the seven Russian macro-regions, the boundaries of which correspond to the regions of operation of the Main Branches of the Central Bank of the Russian Federation (hereinafter, the Bank of Russia MBs). The content of the Report is prepared by the specialists of the Bank of Russia Main Branches.

The feature of this Report is that it relies on qualitative analysis methods. Such analysis is based on the most comprehensive scope of economic information available regionally, including non-financial companies' surveys and experts' opinions. This approach makes it possible to combine official statistics with estimates by businesses, analysts and industry associations and to identify trends emerging in regions.



## **HOW DO WE COLLECT INFORMATION?**

An important source of information for the Report is the monitoring of over 13,000 non-financial companies<sup>1</sup> carried out by the Bank of Russia Main Branches. It provides high-frequency data on the development of industries in all Russian regions. These data are combined with information received by the Bank of Russia Main Branches, including following various events with the engagement of regional executive authorities, businesses, industrial unions, and entrepreneurs' associations. Along with this high-quality information, we also use figures, including official statistics. All data are verified for accuracy and consistency.



## **WHAT IS THE PURPOSE OF THE REPORT?**

This Report is prepared to be a reliable source of the most up-to-date information about regional development for addressing the objectives of monetary policy. It describes key trends in economic activity and pricing processes in Russian regions, as well as the identified effects of both country-wide and local factors. All this is an integral part of the information the Bank of Russia's management needs to make monetary policy decisions. This Report is considered by the Bank of Russia's management in the course of preparations for making key rate decisions.

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<sup>1</sup> In January 2021, we surveyed 13,106 companies.

## RUSSIAN FEDERATION

In January–February 2021, **economic activity continued to bounce back in Russian regions**. About one-half of the monitored enterprises reported an increase in output to pre-pandemic levels. Manufacturing recorded an upward trend, namely output expanded in motor vehicles (Central Russia), shipbuilding products (North-West), metals (Siberia and the Urals), medical equipment, and a range of engineering products (the Volga Region). Coal production in Siberia and the Far East was up amid a favourable environment in the global market. Companies improved the estimates of their economic situation. The labour market was reviving, with unemployment going down, yet still staying high. The rise in economic activity in a number of industries exacerbated the problem of staff shortages.

As Russian regions are gradually easing restrictions, this contributed to the recovery in retail and services. Domestic tourism demonstrated significant growth in many regions as travels abroad are predominantly prohibited. Hotels and travel companies in the resorts of Southern Russia expect a further increase in the tourist flow, even as restrictions on foreign travels are gradually lifted.

Conversely, as household incomes were recovering slowly, this hindered the rise in consumer demand. Households continued to stick to a conservative consumption model.

**Corporate lending growth** sped up in many regions. As housing prices trended upwards, the growth of mortgage loan disbursements slowed down at the beginning of the year.

Companies in a range of industrial sectors and trade increased their price expectations due to high input costs.

**Annual inflation sped up to 5.7% in February**. This implies that price growth in 2021 Q1 exceeded the rate assumed in the Bank of Russia's forecast published in the latest issue of [Monetary Policy Report 1/21](#). Food price movements were the major driver of this upward trend. The monthly growth rates of prices for main product and service groups, including the steadier indicators of price dynamics, exceeded 4% in annualised terms. Annual inflation accelerated in the majority of regions (76 regions accounting for nearly 97% in the CPI), becoming increasingly uneven: it ranged from 2.5% in Chukotka to 9.7% in Dagestan.

The administrative measures implemented by the Russian Government in individual food markets slowed down price growth. The export duty for grains was raised in February, which helped reduce wheat prices. As the Government imposed caps on sugar and sunflower oil prices, this stabilised prices in the majority of regions (*see the Box 'Influence of recent regulatory measures on food market'*).

**Many regions have planned deficit budgets for 2021**. To cover deficits, they are going to expand borrowing. Nonetheless, these regions are mostly optimistic about the prospects of their future revenues, although transfers from the federal budget are expected to decrease (*see the Box 'Regional budgets in 2020 and expectations for 2021'*).

**In January–February 2021, economic activity continued to bounce back in Russian regions. The adverse influence of anti-pandemic restrictions weakened. The rise in consumer demand was limited as incomes remained low. Industrial and trade companies' price expectations are still high.**

## KEY TRENDS IN RUSSIAN REGIONS

### MAIN BRANCH FOR THE CENTRAL FEDERAL DISTRICT

Consumer activity was restoring faster than generally across Russia. This accelerated the rise in price expectations (especially among construction companies). Moreover, annual inflation became almost equal to the country-wide level, and core inflation exceeded the Russian average. The output of motor vehicles expanded significantly. Lending growth rates are still slightly higher than across Russia in general.

### NORTH-WESTERN MAIN BRANCH

Annual inflation remains below the country-wide rate, including due to a lower indexation of prices for individual services than in 2020. As the volume of orders was stable, shipbuilders managed to preserve their investment plans. North-Western ski resorts recorded a rise in the demand for their services amid restrictions on outbound tourism. Preparing for the summer season, companies were developing tourism infrastructure they had been lacking in the previous year.

### VOLGA-VYATKA MAIN BRANCH

Industrial production expanded, driven by a rise in investment goods output. As machine, equipment and food exports increased, the recovery in foreign trade was more active than across Russia in general. Consumer activity was subdued because of low incomes and was restoring more slowly than generally in Russia. Seasonally adjusted price growth sped up.

### SOUTHERN MAIN BRANCH

Economic and consumer activity bounced back, supported by tourism. A range of enterprises recorded staff migration to Central Russia. Annual inflation exceeded the country-wide rate as food products accounted for a larger portion in the consumer basket. As before, banks relied on a conservative

approach to assessing borrowers' creditworthiness. Agricultural enterprises are optimistic about the future.

### URAL MAIN BRANCH

The revival of consumer activity slowed down. Estimates in oil and gas production and metallurgy remained encouraging, with companies in these industries planning to launch a range of large investment projects. Polymer and plastic manufacturers continued to raise output prices for their products, predominantly due to higher prices for raw materials. Banks expect corporates and households to increase their credit activity in Q2.

### SIBERIAN MAIN BRANCH

As the environment in the market was favourable, coal producers and metallurgical enterprises increased their output and sales and expanded their investment plans. Construction companies report that housing in the low- and mid-price segments was mostly sold out. Businesses are lowering their price expectations.

### FAR EASTERN MAIN BRANCH

Companies' price expectations remained high, partly driven by an increase in container shipping and fuel costs. The implementation of investment projects in mining and quarrying and the manufacturing sector sped up the growth of the corporate loan portfolio, which exceeded the country-wide rate. Fishing companies are limiting their supplies to the domestic market, anticipating a resumption of supplies to China.



## CORE ECONOMIC INDICATORS

|   |                          | Date    | Russia | MB for Central FD | North-Western MB | Volga-Vyatka MB | Southern MB | Ural MB | Siberian MB | Far Eastern MB |
|---|--------------------------|---------|--------|-------------------|------------------|-----------------|-------------|---------|-------------|----------------|
| MBs' percentage in inflation                        | %                        | 2021    | 100    | 33                | 11               | 12              | 15          | 13      | 11          | 5              |
| Inflation   | % YoY                    | Feb21   | 5.7    | 5.6               | 5.4              | 6.1             | 6.5         | 5.2     | 5.6         | 4.9            |
| Core inflation                                      | % YoY                    | Feb21   | 5.0    | 5.1               | 4.8              | 5.5             | 5.1         | 4.8     | 5.0         | 4.3            |
| Industrial production                               | % YoY                    | Jan21   | -2.5   | 7.5               | -0.8             | -1.1            | 6.2         | -2.3    | -2.5        | -5.3           |
| Fixed capital investment                            | Cumulative, % YoY        | 2020 Q4 | -1.4   | -3.4              | -0.3             | -3.8            | 1.2         | 1.5     | 1.9         | -15.2          |
| Construction  | 3MMA, % YoY              | Jan21   | 0.6    | 15.1              | -16.3            | -4.1            | -2.0        | -14.2   | 11.0        | 10.3           |
| Housing commissioning                               | 3MMA, % YoY              | Jan21   | -0.3   | 21.2              | -3.8             | -19.1           | -2.9        | -4.3    | -0.8        | 1.6            |
| Retail  | % YoY                    | Jan21   | -0.1   | 2.4               | 0.8              | -3.7            | 3.7         | -3.5    | -3.7        | 1.5            |
| Commercial services                                 | % YoY                    | Jan21   | -9.4   | -15.6             | -8.9             | -4.1            | -0.9        | -10.0   | -4.1        | -10.9          |
| Real wages  | % YoY                    | Dec20   | 4.6    | 7.8               | 1.5              | 2.0             | 2.1         | 3.6     | 4.2         | 1.3            |
| Real disposable income                              | % YoY                    | 2020 Q4 | -1.5   | 0.3               | 0.4              | -3.1            | -1.2        | -4.5    | -3.3        | -2.4           |
| Outstanding consumer loans <sup>2</sup>             | % YoY                    | Jan21   | 7.2    | 5.8               | 7.0              | 7.2             | 7.3         | 7.9     | 9.2         | 9.0            |
| Outstanding mortgage loans                          | % YoY                    | Jan21   | 21.6   | 24.2              | 21.7             | 19.7            | 24.1        | 17.8    | 19.1        | 24.8           |
| Non-financial organisations' outstanding bank loans | % YoY                    | Dec20   | 9.4    | 11.1              | 9.2              | 3.5             | 3.7         | 3.9     | 5.2         | 32.2           |
| • Large borrowers                                   | % YoY                    | Dec20   | 7.4    | 10.6              | 1.9              | -2.5            | 0.3         | 1.1     | 1.8         | 32.7           |
| • SMEs  | % YoY                    | Dec20   | 21.9   | 15.2              | 52.1             | 24.3            | 14.0        | 26.0    | 19.5        | 30.4           |
| Companies' price expectations <sup>3</sup>          | Balance of responses, SA | Feb21   | 19.0   | 22.0              | 20.1             | 23.2            | 15.1        | 17.7    | 17.8        | 14.8           |
| Business Climate Index                              | pp YoY                   | Jan21   | -0.9   | -4.2              | -1.7             | -1.7            | 1.0         | -1.8    | -4.0        | -1.2           |
| • Current estimates                                 | pp YoY                   | Jan21   | -0.6   | -4.1              | -0.8             | -0.5            | 2.8         | 1.3     | -2.9        | -0.5           |
| • Expectations                                      | pp YoY                   | Jan21   | -1.3   | -4.3              | -2.7             | -3.2            | -1.1        | -5.8    | -5.3        | -2.1           |

Sources: Bank of Russia's monitoring of businesses, Rosstat, calculations by the Bank of Russia Main Branches.

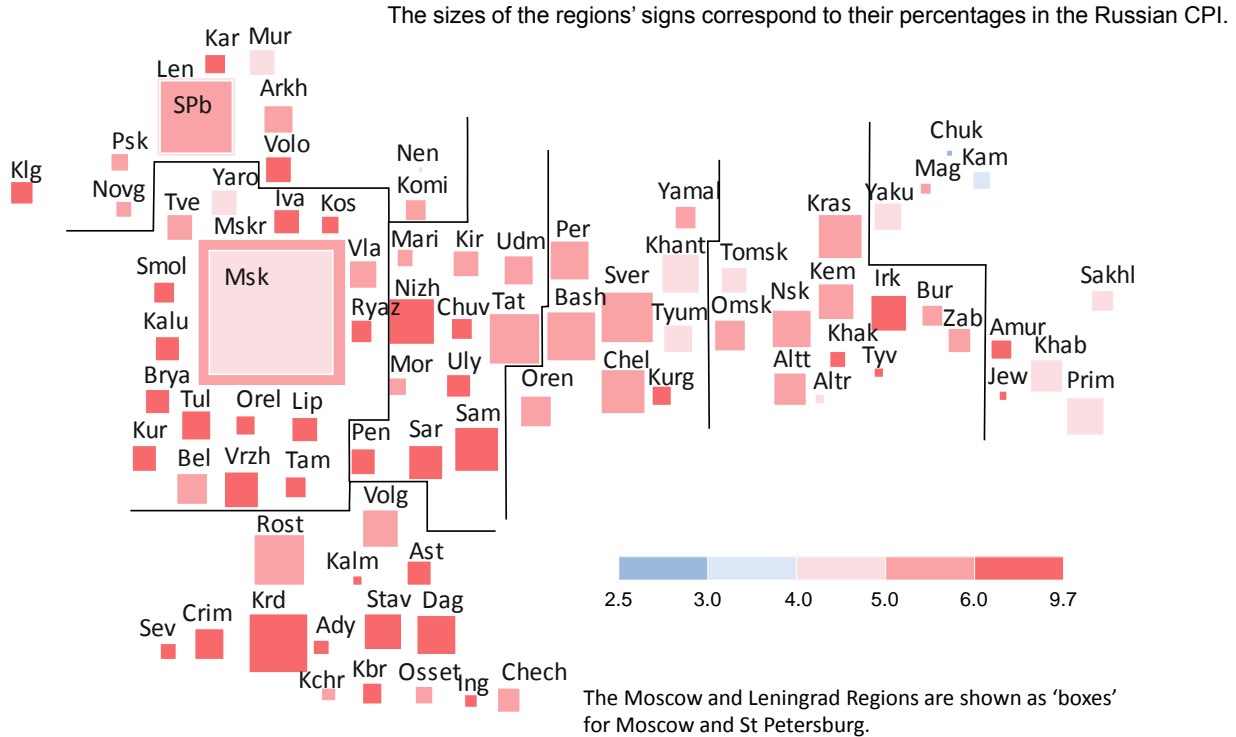
<sup>2</sup> Hereinafter, outstanding bank loans are given adjusted for foreign currency revaluation, according to Reporting Forms 0409316 'Loans to households' and 0409303 'Loans to legal entities'. These reporting forms are used to carry out regional analysis since they enable the aggregation of indicators by resident borrowers' location.

<sup>3</sup> The balance of responses is the difference between the percentages of responses 'will increase' and 'will decrease' to the question about expectations regarding prices in the next three months. Companies' price expectations and the Business Climate Index are based on the monitoring of businesses carried out by the Bank of Russia.



# INFLATION IN RUSSIAN REGIONS

## Price growth in February 2021, % on the same month last year



Note: the lines on the map divide the regions of operation of the Bank of Russia MBs.  
 Source: Rosstat.

|      |   |       |                                  |       |  |
|------|---|-------|----------------------------------|-------|--|
| Ady  | Republic of Adygeya                               | Komi  | Republic of Komi                 | Ryaz  | Ryazan Region                              |
| Altt | Altai Territory                                   | Kos   | Kostroma Region                  | Sam   | Samara Region                              |
| Altr | Altai Republic                                    | Kras  | Krasnoyarsk Territory            | Sar   | Saratov Region                             |
| Amur | Amur Region                                       | Krd   | Krasnodar Territory              | Sakhl | Sakhalin Region                            |
| Arkh | Arkhangelsk Region<br>(excluding Autonomous Area) | Crim  | Republic of Crimea               | Sver  | Sverdlovsk Region                          |
| Ast  | Astrakhan Region                                  | Kur   | Kursk Region                     | Sev   | Sevastopol                                 |
| Bash | Republic of Bashkortostan                         | Kurg  | Kurgan Region                    | Smol  | Smolensk Region                            |
| Bel  | Belgorod Region                                   | Kchr  | Karachay-Cherkess Republic       | SPb   | Saint Petersburg                           |
| Brya | Bryansk Region                                    | Len   | Leningrad Region                 | Stav  | Stavropol Territory                        |
| Bur  | Republic of Buryatia                              | Lip   | Lipetsk Region                   | Tam   | Tambov Region                              |
| Vla  | Vladimir Region                                   | Mag   | Magadan Region                   | Tat   | Republic of Tatarstan                      |
| Volg | Volgograd Region                                  | Nen   | Nenets Autonomous Area           | Tve   | Tver Region                                |
| Volo | Vologda Region                                    | Mskr  | Moscow Region                    | Tomsk | Tomsk Region                               |
| Vrzh | Voronezh Region                                   | Mor   | Republic of Mordovia             | Tul   | Tula Region                                |
| Dag  | Republic of Dagestan                              | Msk   | Moscow                           | Tyv   | Republic of Tyva                           |
| Jew  | Jewish Autonomous Region                          | Mur   | Murmansk Region                  | Tyum  | Tyumen Region (excluding Autonomous Areas) |
| Zab  | Zabaikalye Territory                              | Nen   | Nenets Autonomous Area           | Udm   | Udmurt Republic                            |
| Iva  | Ivanovo Region                                    | Nizh  | Nizhny Novgorod Region           | Uly   | Ulyanovsk Region                           |
| Ing  | Republic of Ingushetia                            | Novg  | Novgorod Region                  | Khab  | Khabarovsk Territory                       |
| Irk  | Irkutsk Region                                    | Nsk   | Novosibirsk Region               | Khak  | Republic of Khakassia                      |
| Kalm | Republic of Kalmykia                              | Omsk  | Omsk Region                      | Khant | Khanty-Mansi Autonomous Area – Yugra       |
| Kalu | Kaluga Region                                     | Oren  | Orenburg Region                  | Chel  | Chelyabinsk Region                         |
| Kam  | Kamchatka Territory                               | Orel  | Orel Region                      | Chch  | Chechen Republic                           |
| Kar  | Republic of Karelia                               | Osset | Republic of North Ossetia–Alania | Chuv  | Chuvash Republic                           |
| Kbr  | Kabardino-Balkar Republic                         | Pen   | Penza Region                     | Chuk  | Chukotka Autonomous Area                   |
| Kem  | Kemerovo Region – Kuzbass                         | Per   | Perm Territory                   | Yaku  | Republic of Sakha (Yakutia)                |
| Kir  | Kirov Region                                      | Prim  | Primorye Territory               | Yamal | Yamalo-Nenets Autonomous Area              |
| Klg  | Kaliningrad Region                                | Psk   | Pskov Region                     | Yaro  | Yaroslavl Region                           |
|      |   | Rost  | Rostov Region                    |       |  |

## BANK OF RUSSIA MAIN BRANCH FOR THE CENTRAL FEDERAL DISTRICT



As the epidemic situation improved and restrictions were eased, consumer activity started to bounce back in Central Russia. Inflation in the macro-region sped up in February, considerably exceeding 4%. Corporate and retail lending continue to demonstrate an upward trend. The output of motor vehicles expanded significantly in January and will keep increasing in the coming months. Companies' price expectations rose more notably in February than generally across Russia.

### CONSUMPTION AND INCOMES

After a decline, consumer activity was bouncing back in Central Russia in January–February, which is confirmed by retail turnover, businesses' monitoring, and the up-to-date indicators of demand. Trade companies became more optimistic, with over one-third of them expecting the situation to improve in spring (vs less than 20% in the previous month).

After restrictions on mass cultural events were eased in the service sector, the daily average turnover of Moscow-based museums increased in early February more than four times as compared to January, and that of theatres and concert halls – by over 50%. In February, the demand for sports clubs' and fitness centres' services bounced back in Moscow, which increased the turnover of organisations selling sports goods. Other regions of Central Russia also recorded positive changes in the service sector.

As employees returned to offices after the cancellation of the mandatory remote work mode and schoolchildren and students resumed classroom learning, this supported demand. A part of residents in million-plus cities of Central Russia, namely Moscow and Voronezh, who had moved to other places of residence due to remote work during the pandemic period, started to return to the locations of their permanent employment.

Consumer activity was supported by restoring real money incomes and wage growth at the end of 2020.

Retailers continued to adjust to new consumption patterns: companies in Moscow were extensively testing the format of dark stores (warehouses intended for delivery) and stores without cashiers and expanding trade in the low-price segment.

### PRICES

In February 2021, seasonally adjusted inflation in Central Russia sped up again after a short slowdown in January, considerably exceeding 4%. Price growth accelerated in both food and non-food markets. Annual inflation became almost equal to the country-wide rate, and core inflation exceeded the Russian average, including as a result of a faster recovery of economic activity.

The rise in inflation in Central Russia was also driven by an increase in companies' input costs and price expectations. According to the monitoring of businesses, price expectations were up in the macro-region, especially among construction companies.

As before, companies primarily explain higher price expectations by changes in input prices (for raw materials and components). Nonetheless, the proinflationary impact of demand intensified, while the effect of ruble exchange rate movements weakened.

## **MONETARY CONDITIONS AND BANKING SECTOR**

Corporate and retail lending growth in Central Russia remains above Russian averages. As compared to December, the percentage of companies recording an improvement in lending conditions lowered in January, while staying higher than across the country in general. The quality of the loan portfolio has not yet recovered to the early 2020 level, and banks still stick to a conservative approach in lending. This was why the numbers of consumer loans and credit cards issued in January were below the previous year's readings.

In January, banks recorded an outflow of households' funds, which is typical of the New Year period (the largest outflows were from accounts with a balance of up to 100,000 rubles). There was a decrease in the demand for deposit products with interest payment in advance that had been highly requested by wealthy depositors in December due to changes in tax laws. Nonetheless, the macro-region's households continued to open individual investment accounts, although not as extensively as in December.

In February, a number of banks raised their deposit rates. In order to enhance their operating performance, banks will continue to reduce rental costs, closing their front offices, and scale up their business by developing online services. Specifically, according to a survey carried out in December 2020–January 2021 that was commissioned by the Government of Moscow, there was a significant increase in 2020 in the percentage of Moscow residents considering the service of remote access to bank accounts via mobile applications to be easily accessible.

## **AUTOMOBILE INDUSTRY**

In January, the output of motor vehicles in the macro-region considerably exceeded the level recorded in the previous year, with its growth rate notably above Russian averages. Four major car manufacturers in Central Russia resumed their normal operation after the winter corporate holidays.

One-half of the automobile enterprises surveyed in February were going to expand their output in the coming months. Three car manufacturers are planning to launch the production of upgraded models. Another large manufacturer reported that the utilisation of its production capacities would depend on the availability of state support to the automobile industry.

The macro-region's automakers continued to implement their investment projects. Leading auto groups completed the assembly of equipment in January to automate production and installed production lines for manufacturing new equipment.

## **COMMUNICATION SERVICES**

In 2020, residential internet usage in the macro-region increased by nearly one-third.

The regions of Central Russia demonstrated diverse dynamics in prices for communication services due to differences in operators' marketing policies depending on competitors' behaviour in the market of a particular region. Nevertheless, annual inflation for communication services in the macro-region generally remained below Russian averages due to high competition and a broad network of base stations. Long-term price trends will depend on extra expenses for network upgrade and a decline in revenues from international roaming.

## NORTH-WESTERN MAIN BRANCH



Consumer activity in the macro-region started to revive in February. Banks were easing lending conditions for both corporates and households. Companies slightly raised their seasonally adjusted price expectations. Shipbuilders reported a sufficient number of orders. Construction companies are rather positive about future output and demand.

### CONSUMPTION AND INCOMES

Consumer activity slightly revived in February. Nonetheless, retailers complained about an insufficient level of effective household demand as a key factor hindering their activity.

A number of regions recorded a rise in the demand for sports services. As the winter was snowy and cold in January–February and foreign travels were almost completely prohibited, this pushed up locals' and Russian tourists' demand for ski resorts in the Leningrad and Murmansk Regions. As a result, demand in the Leningrad Region, for instance, surged by 25% compared to the previous season.

Consumer activity in public catering also started to revive slowly, partially owing to the easing of restrictions in a range of regions. Consequently, service companies became more optimistic about demand trends in the coming months, as shown by survey findings.

### PRICES

Annual inflation in the North-Western Federal District sped up to 5.4% in February 2021, from 4.8% in January. Seasonally adjusted monthly price growth accelerated. Nonetheless, annual inflation was still below the country-wide rate, predominantly because the indexation of prices for individual housing and transportation services was lower than over the previous year. Businesses' price expectations slightly rose in February, staying elevated. The impact of the ruble exchange rate on expectations weakened.

### MONETARY CONDITIONS AND BANKING SECTOR

According to banks' survey, lending conditions were eased for all borrower categories. A reduction in the interest rate under one of the SME lending programmes will support lending to small and medium-sized enterprises. Specifically, the regional branch of a top bank almost doubled its SME loan portfolio over the first month after the launch of the programme, as compared to 2019 averages. Lending to large borrowers also continued to expand. A large logging company signed an export factoring contract to finance lumber and fuel pellets supplies to foreign buyers.

Mortgage lending continued to expand fast, driven by the Government's preferential programmes.

### SHIPBUILDING

After a significant rise in the industry recorded in December, the annual growth of output slowed down in January, while still exceeding the country-wide rate. One-third of companies expect output to expand in the near future.

The macro-region's enterprises have a sufficient number of orders for several years ahead. Shipyards have a large number of both civilian and defence orders. Saint Petersburg shipyards are planning to build 22 vessels until 2024 (nine vessels were launched in 2020). One of the regions laid down an icebreaker, and another one is carrying out active construction of submarine fleet vessels.

According to surveys, over one-third of enterprises in the industry complained about staff shortages. Several large companies in the macro-region reported a deficit of qualified personnel caused by a significant rise in capacity utilisation. One of the companies increased wages to attract new employees.

Shipbuilders preserved their investment plans. One of the companies is going to expand its investment in new modern equipment and production upgrade threefold compared to the previous year. Another enterprise is planning a major upgrade of production capacities at its shipyard in 2021.

### **CONSTRUCTION**

Overall, construction declined in the North-Western Federal District in January. According to construction companies, this was associated with manpower shortages and the growth of input prices for raw materials. Nonetheless, individual regions recorded an increase in construction volumes as a result of the implementation of investment projects.

The Leningrad Region reported a considerable rise in housing commissioning in January, including because deadlines for a part of projects were extended from last December to January 2021. At the beginning of 2021, the

region also launched several large projects to construct apartment buildings.

The majority of construction companies do not expect a substantial decline in output and demand in the near future.

### **TOURISM**

Travel companies reported that the demand for trips to Saint Petersburg bounced back somewhat, after the cancellation of a part of restrictions imposed for the period of the New Year holidays. The city became the most popular destination for individual travels during the holidays in February and March. Hotels in Saint Petersburg offered a great variety of special terms and discounts to customers. The revival was also supported owing to tax privileges introduced by municipal authorities to aid the industry.

Preparing for the summer season, some North-Western regions were developing infrastructure they had been lacking last year. The Kaliningrad Region is building a new tourism cluster, and Karelia is going to implement a large number of projects in the tourism industry.

The portion of travel agencies expecting a rise in the demand for travels increased in February.

## VOLGA-VYATKA MAIN BRANCH



Economic activity in the Volga-Vyatka macro-region continued to bounce back in January. In contrast to the country-wide trend, industrial output expanded predominantly as a result of a surge in investment goods production. Conversely, the growth of product consumption was slower than generally across Russia. The recovery in services was driven by the easing of restrictions. According to companies' estimates, the economic situation became better in January, although revenues were still below last year's readings. Businesses' expectations for the next few months improved, mostly turning positive for the first time since September 2020.

### CONSUMPTION AND INCOMES

Retail was reviving less actively in the Volga-Vyatka macro-region in January than generally across the country. The annual decline in turnover was more substantial than before the resurgence of coronavirus cases in October–November 2020.

Retailers also complained about a decrease in demand in January. According to one-half of surveyed trade companies, low purchasing power and changes in consumer behaviour were still hindering the recovery of turnover in February. Specifically, a large confectionery factory noted that demand had been below last year's readings in recent months due to smaller incomes. Nonetheless, trade companies' expectations regarding demand were growing for three consecutive months, rising more significantly in January than in Russia on average.

The consumption of services continued to bounce back in December–January. The situation in the cultural sector improved considerably, with the annual amount of services returning to its highs since the outbreak of the pandemic. Theatres and concert halls reported a rise in households'

demand amid the easing of restrictions, with tickets for popular performances and concerts sold out for several weeks ahead.

### PRICES

Annual inflation continued to speed up in February. After the reduction in December–January, monthly price growth (seasonally adjusted) in the macro-region reversed and still exceeds 4% in annualised terms.

The acceleration of annual inflation in February was mostly provoked by a rise in prices for poultry products (poultry meat and eggs). Prices trended upwards due to increased feed costs incurred by producers amid higher grain prices and a reduction in output induced by bird flu episodes.

Retailers raised their price expectations in January–February. The majority of companies mentioned increased input prices as the main reason for that. Moreover, the percentage of those referring to the weaker ruble as the major factor rose in February. An increase in motor fuel prices also affected retailers' expectations regarding price growth.



## **MONETARY CONDITIONS AND BANKING SECTOR**

The annual growth of mortgage loan disbursements slowed down considerably at the beginning of the year. According to regional developers, elevated demand had already been realised for the most part. Nonetheless, a new spike in demand may be expected closer to the expiry date of the preferential mortgage lending programme or the moment of alterations in its terms.

Consumer lending demonstrated moderate growth. In addition, the quality of loan servicing worsened, with the portion of overdue household loans reaching its two-year high.

As estimated by companies, lending conditions slightly improved in January–February. The annual growth of corporate loan disbursements reached its record-high rates over the entire duration of the pandemic.

## **INVESTMENT GOODS OUTPUT**

In contrast to the country-wide trend in January, the industrial sector of the Volga-Vyatka macro-region continued to steadily restore its output owing to investment goods industries. The growth of output in these goods categories was driven by various factors.

In a number of cases, the expansion of output resulted from a recovery of demand and was followed by the revision of companies' decisions on production and employment. Enjoying a stable rise in sales, an auto group manufacturing box trucks launched additional production capacities, and accordingly, the employment rate at the enterprise surged.

The increase in investment goods output was also driven by structural changes in the macro-

region's economy. Enterprises which previously had never focused on medical equipment reported that they started to manufacture these goods due to the elevated demand for them induced by the pandemic.

Moreover, production trends in the macro-region were significantly impacted by a short-term rise in investment goods output demonstrated by companies with long and erratic production cycles. A missile producer reported a release of a large batch of products used in the Russian space industry, and a shipbuilder delivered several vessels under a state order.

## **FOREIGN TRADE**

At the end of 2020, the macro-region demonstrated a more active recovery of annual exports growth than the country in general, which was predominantly driven by non-commodity non-energy exports.

In particular, the region's exports of mechanical equipment, electric devices, and ferrous metal products considerably exceeded 2019 readings. Regional enterprises exported a large batch of items used in the construction of several nuclear power plants in Southern Asia.

As Russia in general, the macro-region's companies expanded food exports (meat products, sunflower, and grains) owing to favourable price movements in external markets. Another driver of meat exports was the aftermath of the African swine fever epidemic in Southeast Asia. As a result, a Volga-Vyatka agricultural holding managed to enter the markets of several countries in this region.



## BANK OF RUSSIA SOUTHERN MAIN BRANCH



At the beginning of the year, economic activity continued to recover in the macro-region, including in tourism. Nonetheless, business was still affected by a range of limits making it impossible to completely restore goods and services output. The major drag was that households' incomes remained low and people continued to stick to a conservative consumption model. As input costs were up, the number of companies planning to raise output prices increased. The slowdown of corporate lending growth is offset by support from development institutes and regional and federal programmes, including subsidies allocated to aid the agroindustrial complex.

### CONSUMPTION AND INCOMES

According to a survey carried out by a large commercial bank, households' incomes remained below last year's levels. This affected consumer preferences in the Southern macro-region. Households still opted to save money and purchase cheaper goods. Consequently, the demand for store brands increased. A large retailer is actively adjusting its store brand portfolio to the shifts in consumer preferences, planning to expand its store brand sales over four years to one-fourth of its overall revenues. As economic activity restores and companies implement their investment projects, this may boost households' incomes in the future. For instance, after completing the upgrade, a large shipbuilder is going to create new jobs with wages significantly exceeding the region's average.

A range of industries continue to face staff shortages. According to a number of housing and utility companies, migrants tend to move to Central Russia offering higher wages.

### PRICES

Monthly price growth (seasonally adjusted) sped up in February. Annual inflation also trended upwards, with its rate remaining above the country's average: 6.5% against 5.7%. This was associated with a large portion of food

products in the consumer basket, low competition, elevated demand for inbound tourism, and the decreased supply of a range of crops. Higher prices for feed, veterinary medicines and hatching eggs, as well as local bird flu episodes sped up the rise in egg and meat prices.

Inflation was contained by caps imposed on retail prices for a range of products. Namely, a large confectionery in the Krasnodar Territory decided not to raise prices for its products, after sugar prices were stabilised.

Nevertheless, businesses in the macro-region generally increased their price expectations as input prices for raw materials, components and equipment were up. This trend was recorded in construction, agriculture, hotel business, public catering, and food manufacturing.

### MONETARY CONDITIONS AND BANKING SECTOR

Credit institutions slightly toughened lending conditions, specifically their requirements for borrowers' financial standing and collateral. The majority of surveyed companies in the macro-region had no loan repayment problems. Agricultural enterprises reported a rise in lending under the federal preferential loan programme for the agroindustrial complex.

Retail lending continued to expand, driven by the growth of mortgage lending and higher demand for consumer loans. As usual, the monthly growth of household lending slowed down in January 2021 against December, but was close to the readings recorded in January 2020.

## **TOURISM**

As the demand for tourism services was up in February, the average purchase amount increased at the Black Sea coast and the macro-region's ski resorts. Hotels and small accommodation facilities in the mountain cluster of Sochi recorded that the tourist flow was the largest during the holiday period, with the occupancy exceeding 95%. According to a top bank, accommodation expenses increased 2.5 times. A tour operator reported a twofold rise in reservations for March in Crimea, explaining this trend by the increased demand for health resort treatment in the republic under the post-coronavirus rehabilitation programmes.

Overall, companies' expectations are quite optimistic. Given the current number of reservations, the peak season is forecast to start as early as May, and the tourist flow is expected to soar already in June. The industry's representatives expect the number of tourists and prices to increase by

the end of this year, even if restrictions on foreign travels are eased.

## **AGRICULTURE**

Due to low temperatures, spring sowing in the south of Russia was delayed compared to previous years. Only agricultural enterprises in Kuban and the Stavropol Territory started to sow early spring crops in February. Nonetheless, later sowing does not involve any risks of lower harvests as harvesting time may also shift. At the moment, agricultural companies are carrying out the first crop feeding with mineral fertilisers. Favourable weather conditions are contributing to the restoration of water availability in the soil. Companies expect grain harvest to increase by almost 5% compared to the previous year.

The regional ministries of agriculture are going to allocate subsidies to the agroindustrial complex in the amount not below the 2020 level. The Krasnodar Territory has expanded budget financing for agriculture by 7% to 8 billion rubles, which will solidify its top position in the Russian agricultural industry, including in milk production. For instance, a large livestock breeding complex of the region reported that its investment in dairy farm mechanisation increased its milk output this year to the level of European companies.

## BANK OF RUSSIA URAL MAIN BRANCH



In January–February, the macro-region’s economy continued to recover. The growth of input costs slowed down, yet enterprises still raised their price expectations moderately. As product shipments increased and the forecasts of the global economic recovery were encouraging, this boosted investment activity, first and foremost in oil and gas production and metallurgy. Non-food trade recorded a local revival. As restrictions were eased, this improved the situation in services.

### CONSUMPTION AND INCOMES

Consumer activity was restoring more slowly in the second half of January and February. Retailers reported a slight revival in the segments of home improvement goods and household appliances, predominantly boosted by pent-up demand and purchases made in advance amid the news about disruptions in product and component supplies from China. In addition, retailers observed that buyers were seeking to replace imported products for domestic alternatives.

In February, a range of regions started to lift some restrictions on the operation of shopping malls and public catering organisations (the requirement to be closed from 11:00 PM) and large gatherings, such as weddings, banquets and other public events. Businesses recorded a rise in attendance and orders on weekends and holidays and expected a further recovery of demand in 2021 Q1. Concurrently, companies continued to shift to online trade through mobile applications and messengers. A number of companies were not going to renew their rental agreements at points of sale, focusing on product delivery directly to consumers.

Consumer activity trended upwards in health improvement, veterinary, driving school and taxi services. Travel agencies recorded a gradual rebound of demand owing to the usage of deposits for holiday packages prepaid earlier before the pandemic and early reservations for

the new season. According to their estimates, buyers were ready to purchase tours to resorts in advance without discounts, as restrictions were expected to be cancelled and pricing policies were unpredictable.

### PRICES

Price growth in individual food markets continued to speed up in January–February. The macro-region’s food enterprises (meat and milk producers and processors) reported that they had not been passing through higher input costs to end prices for a long time, but they would incur losses if they continued to limit price growth. According to the industry associations of manufacturers of various products, they raised their price expectations because of the introduction of mandatory marking, higher costs for fuel, electric power, animal feed and packing materials, and increased prices for veterinary and sanitary services. However, they have limited opportunities to pass through input costs to food prices because of subdued demand, retail chains’ procurement policies, and state regulation measures.

Polymer, plastic and package manufacturers continued to raise output prices for their products, predominantly due to higher prices for raw materials.

## **MONETARY CONDITIONS AND BANKING SECTOR**

The growth of outstanding corporate loans continued to slow down amid the uncertain estimates of demand recovery. The quality of the corporate loan portfolio remained high, with companies in key industries (mining and quarrying, metallurgy, and chemical production) maintaining their overdue debt at low levels. Consumer lending growth continued to decelerate, including due to a rise in interest rates (on average, by 0.6 pp in January, as compared to December 2020). The decline in the demand for mortgage loans was associated with the growth of real estate prices. Nonetheless, banks consider that the retail segment has preserved its potential and credit activity is expected to revive in 2021 Q2. As the demand in the stock market increased, the seasonal reduction in funds in individuals' accounts was more substantial.

## **OIL AND GAS SECTOR**

Key changes in the industry in January–February were associated with the rise in commodity prices for petrol and fuel market regulation parameters. As early as late 2020, oil companies reduced the utilisation of their oil refineries, with a part of lines stopped for repairs, following which fuel inventories at storages decreased to several-year lows. However, the demand for petrol at the beginning of this year exceeded expectations. The Russian Government increased minimal fuel volumes to be sold by oil companies at the exchange and reached an agreement with key producers to expand output and stocks. Specifically, urgent fuel supplies to the Far East were carried out at the end of January from the Khanty-Mansi Autonomous Area.

Due to considerably lower temperatures, gas withdrawal from underground storages in Russia during the current heating season exceeded last year's readings almost twofold. The largest gas field in Yamal is expected to reach its planned production level already

this year. Market participants forecast that gas output in the Yamalo-Nenets Autonomous Area will expand by 21% in 2021.

## **METALLURGY AND METAL PROCESSING**

Market participants expect the consumption of metallurgical products (pipes, rolled products, and intermediates) to increase.

However, demand for various products will be growing unevenly. For instance, a large manufacturer in the Chelyabinsk Region reported that it almost tripled its rail shipments in January and increased its rolled carbon steel supplies twofold against January 2020.

The Khanty-Mansi Autonomous Area is going to commission a complex to manufacture oil country tubular goods at the end of 2021.

The special economic zone in the Sverdlovsk Region began the first phase of the construction of a complex to manufacture solid railway wheels.

The Republic of Bashkortostan launched the project to start manufacturing fasteners for the automobile industry.

The largest Russian titanium product manufacturer signed a long-term contract with a foreign aircraft corporation to supply machined titanium forgings.

## BANK OF RUSSIA SIBERIAN MAIN BRANCH



Economic activity was bouncing back in Siberia in January–February 2021. The annual decline in industrial output slowed down nearly twice compared to the previous quarter. Growth rates in key Siberian industries, namely coal production and metallurgy, turned positive for the first time since January 2020. Agricultural output expanded. The impact of the pandemic is gradually weakening in the consumer market as well, as a result of which the decrease in retail, public catering and commercial services turnover was the lowest since March 2020.

### CONSUMPTION AND INCOMES

Demand was bouncing back gradually in February, yet did not reach its last year's level. The revival on the eve of the holidays was less notable. Despite jewellery stores' special offerings and discounts timed to Saint Valentine's Day, sales did not increase even to 70% of the previous year's readings. As regards presents to men, the average purchase amount also declined.

Households still preferred to save money. Consumers behaved more prudently when buying food, reducing their purchases for future use and preparing the lists of required products increasingly more often. Clothing and footwear retailers reported that consumers changed their preferences, opting for more practical clothing. Public catering was restoring turnover. However, restaurants' expectations are only moderately positive. They recorded low activity over the course of special or corporate events, and daily visitors preferred cheaper options.

The growth of households' incomes is still limited. Wages are rising predominantly in the public sector and healthcare. Wage increases planned in 2021 will not exceed the inflation rate.

### PRICES

Annual inflation sped up in January, which was largely provoked by higher prices in individual product markets. Retailers reported a rise in procurement prices for poultry and eggs due to

a deficit (caused by local bird flu episodes) and increased prices for feed and veterinary services. According to auto dealers, the demand for new cars remained high: last year's models were sold without traditional discounts, and cars from new batches are becoming more expensive.

Businesses raised their price expectations for the next three months. Moreover, the manufacturers of metal products, furniture boards, plastics, and construction materials are going to increase prices further. Expenses for packing materials, including various plastics and cardboard, are generally growing in the cost structure.

### MONETARY CONDITIONS AND BANKING SECTOR

Although interest rates edged down, the annual growth of consumer lending continued to slow down in January. The number of outstanding loans remained almost unchanged. Contrastingly, the demand for car loans revived and the disbursements of new loans were up as the Government resumed its support programme for domestically assembled cars. The amount of credit card transactions was also bouncing back.

The growth of mortgage lending in January 2021 exceeded the rate of the previous year. However, banks and developers recorded a slowdown of buyers'

activity as housing in the low- and mid-price segments was mostly sold out.

In January 2021, the outflow of deposits, which is typical of that season, was more considerable. Interest rates on deposits started to edge up, first and foremost on those with maturities of over three years.

### COAL MINING

Amid a favourable environment in the global market, Siberian coal producers were selling out their coal stockpiles and even expanded output.

A large thermal coal producer and exporter reported that its margin increased in January–February owing to higher world prices and lower payments for rail cars. As a result, the company will be able to repay its debts. However, the producer expects coal prices to start declining already in the next few months. A major metallurgical coal producer also recorded a rise in output and exports. The increase in exports was driven by supplies to the markets of the Asian-Pacific Region countries. Moreover, coal to China is mostly sold under spot contracts (payment within two days), which ensured double-digit price growth. Leading coal producers are going to resume machine and equipment purchases already this year and launch new production capacities.

### OIL REFINING

As reported by two large oil refineries of a vertically integrated oil company (VIOC), they reduced their output over the pandemic period, but are now increasing their utilisation rate as demand bounces back. The enterprises are making extensive investments in their development, as a result of which they will expand output and increase the refining depth (to 95% from 75% of the overall volume of crude oil). According to the surveyed oil refineries, the moderate growth of prices in the wholesale segment enables them to offset costs and maintain required profitability.

An independent regional oil refinery (is not a part of the VIOC and does not own oil wells)

faced a shortage of crude oil. The company reported that it had to switch to toll processing and reduce the utilisation of its capacities to the minimum.

### METALLURGY

Siberian metallurgical companies reported that they reached their output targets for January–February 2021, with the utilisation rate of their production capacities exceeding ten-year averages and prices trending upwards.

Five aluminium producers within the largest holding reported that the focus on the ‘green’ metal was right. The supplies of low carbon footprint products to Germany are growing. In February, the Siberian division of the holding became the top-priority alloy supplier for the largest Japanese manufacturer of auto wheels and spare parts. The holding has preserved its investment plans in Siberia, with the new plant in Tayshet to start aluminium melting as early as July 2021.

Another large producer of non-ferrous and precious metals reported that it was going to adjust its output target in the near future as it had to partly suspend operations at two mines due to underwater.



## BANK OF RUSSIA FAR EASTERN MAIN BRANCH



As the majority of restrictions were lifted, consumer activity was reviving in January–February. The number of trade companies expecting sales to increase in the coming months was growing. The amount of loans for investment purposes was up in December, driven by elevated external demand for raw materials. The recovery in individual industries was adversely affected by the rise in costs for sea and land transportation to and from China.

### CONSUMPTION AND INCOMES

Consumer activity in the macro-region was bouncing back in January–February. As the epidemic situation improved, this boosted the number of trade companies expecting sales to expand in the next few months.

The lifting of restrictions on the operation of public catering enterprises resulted in an uneven recovery of the demand for their services in a range of regions. Specifically, restaurants in Kamchatka recorded elevated demand, while people in the Amur Region still preferred social distancing and opted to avoid public catering facilities.

Hotels and travel companies reported an increase in demand in January–February and the number of reservations for spring and summer.

The recovery of households' incomes will be supported by a rise in the demand for labour, including in the service sector hardest hit by the restrictions.

### PRICES

After January's decline, monthly price growth (seasonally adjusted) sped up in the macro-region in February, while its rate was below the Russian average. This acceleration was mainly driven by the rise in prices for non-food goods, specifically petrol. Conversely, food price growth slowed down in January–February, owing to increased vegetable

supplies from other regions and the expansion of the macro-region's own production. For the first time since May 2019, annual inflation decreased below the country-wide level, yet staying above 4%.

Despite a slight reduction, companies' price expectations remained elevated in February compared to the previous year, which was associated with high input costs. The percentage of businesses planning to raise prices by over 4% in annualised terms over the next few months reached its peak since April 2020. A regional retailer recorded a faster increase in the average purchase amount in February as compared to January due to a rise in procurement prices, with its trade margin remaining unchanged.

### MONETARY CONDITIONS AND BANKING SECTOR

The growth of outstanding debt in corporate lending sped up in December, for both large borrowers and small and medium-sized enterprises (SMEs), significantly exceeding the country-wide rates. This rise was associated with the financing of investment projects, including the construction of a gas chemical complex and the expansion of gold mining and coal production amid reviving external demand. The faster increase in SME lending was also driven by a reduction in interest rates on preferential loans within



the implementation of the national project aimed at supporting this sector.

The growth of the demand for mortgage loans slowed down in January, just as across Russia in general. As banks toughened their requirements for borrowers, this also decelerated the rise in consumer lending.

### **MOTOR FUEL MARKET**

The scheduled suspension of the operation of the key regional fuel producer in the second half of January entailed temporary disruptions in petrol supplies to the southern regions of the Far East. Consequently, the growth of motor petrol prices exceeded the Russian average in February as compared to early January. Nonetheless, there were no supply disruptions in the northern regions as fuel is delivered for a year ahead during the navigation period. Remote areas still experienced petrol supply problems. This was caused by changes in petrol sales by a large producer from the end of January: independent filling stations started to purchase petrol at the exchange, which involves more time and higher financial costs. According to the industry's representatives, they have limited opportunities to purchase fuel from producers in other regions due to high rail transportation rates.

### **FOREIGN TRADE**

The macro-region's foreign trade continued to bounce back. However, a number of importers complained about difficulties with the import of equipment, construction materials, furniture, and other goods from China caused by a shortage of empty sea containers. This provoked a rise in sea transportation rates. According to transportation and logistics companies, they surged ten times in January–February compared to the beginning of autumn. Importers were seeking to refocus flows from China to automobile and railway transportation, yet the throughput capacity in this case is considerably lower than that of marine transport. Furthermore, overland traffic with China is regularly interrupted due to

anti-pandemic measures in the country. Consequently, overland transportation contracted ten times compared to pre-pandemic levels, as estimated by a logistics company.

### **FISHING AND FISH PROCESSING**

Amid anti-pandemic restrictions on the acceptance of fish products that are still in place in the ports of China (the major importer) and the unfavourable weather conditions in fishing areas, pollack fishing decreased by one-fourth in January–February compared to last year. Contrastingly, herring fishing was up 1.5 times. The Federal Agency for Fishery expects that the underperformance as of the end of the January–April pollack fishing season may be offset in November–December. However, fishing companies do not believe that this will compensate for their financial losses as January–April is the period of the fishing of the most valuable gravid pollack.

Enterprises continued to look for target markets, increasing fish product supplies to Japan, South Korea, and Western Europe and studying the possibility of shipments to the USA. A Kamchatka producer started to supply products through the exchange. As compared to the previous year, supplies to the domestic market expanded, including to the central regions of the country, which increased logistics costs. Nonetheless, enterprises expect supplies to China to resume and are, therefore, limiting their sales. This pushed up wholesale prices for this fish in the middle of February, compared to the beginning of the year.

## BOX 1.

# INFLUENCE OF RECENT REGULATORY MEASURES ON FOOD MARKET

In the last months of 2020, the acceleration of food inflation was largely caused by the growth of sugar and sunflower oil prices. As food and feed grains became more expensive, this increased proinflationary pressure in the consumer markets of grain and animal products. In December 2020, the Russian Government approved urgent measures to contain price growth. It signed agreements with large suppliers and retailers effective from 20 December 2020 to 1 April 2021, introducing caps on wholesale and retail prices for sugar and sunflower oil. The Government raised the sunflower export duty from 9 January. The wheat export duty (within the quota) was increased in two stages (on 15 February and 1 March). In June, the Government is going to launch a new mechanism – a floating export duty (a grain damper). The results of the implemented measures were uneven for various categories of market participants – consumers, agricultural producers and processors, and retailers.

### SUGAR

The caps introduced by the Government created the general trend of a month-on-month decrease in sugar prices in Russian regions and a slowdown of their annual growth in the consumer market. As a result, households' perception of price movements improved. According to households' surveys commissioned by the Bank of Russia, the number of respondents complaining about higher sugar prices notably decreased in February compared to January (refer to the information and analytical commentary [Inflation Expectations and Consumer Sentiment](#)). The introduction of maximum

wholesale prices influenced the behaviour of industrial sugar consumers: a confectionery in the Krasnodar Territory cancelled its plans to raise prices for its products. On the other hand, sugar suppliers were taking measures aiming to maintain their profitability. Namely, the Siberian macro-region reported that a number of wholesale enterprises switched to large packages, thus partially passing through their packing costs to retailers.

It should be noted that a lot of regions have not yet completed the reduction in the average sugar price to its cap (Chart 1). There were episodes of rises in the annual sugar price growth rate as well (specifically, in Central Russia and the North-West). This was because in December the Government signed agreements on the price caps with major suppliers and country-wide trade networks, after which other market participants joined these arrangements. Regional governments continue efforts to persuade regional suppliers, trade networks, and independent retailers to fulfil the obligation and not exceed the price cap. Nonetheless, the market is unlikely to destabilise after the expiry of this agreement. Agricultural companies are going to expand their cultivation areas, expecting to increase their harvest (to a significant extent in the South, provided weather conditions are favourable). Russia's Ministry of Agriculture forecasts an increase in sugar beet cultivation areas (+14.4%) and total yield.

### SUNFLOWER OIL

The regulation of the sunflower and sunflower product market is complicated as it is largely impacted by foreign trade conditions and the need to use customs duty mechanisms

as Russia is a major global exporter. In December–February, sunflower oil prices were predominantly rising in Russian regions, although more slowly than in previous months. As in the sugar market, the average retail price for sunflower oil exceeded the price cap (Chart 2). However, the slowdown of its growth improved households' sentiment: they became less concerned about the rise in sunflower oil prices.

Contrastingly, business conditions for producers toughened. A part of enterprises are striving to cut their costs (for instance, a company in Bashkortostan planning to import cheaper raw products from Kazakhstan), while others are forced to reduce their output (as noted by a respondent in Siberia).

The forecasts of sunflower harvest are still uncertain, and agricultural companies' plans about sowing vary across regions. Specifically, the South and the Urals may expand cultivation areas, while enterprises in Central Russia talk of worsening sowing prospects and the simplification of agricultural techniques.

## GRAINS

The domestic grain market is also highly sensitive to the environment in the global market dominated by Russia in terms of supply volumes, which is why customs duty mechanisms are of key importance in regulation. In addition to the increase in export duties, market participants' sentiment was even more strongly affected by the Russian Government's decision approved in early February to introduce floating export duties for wheat, corn, and barley (a grain damper) beginning on 2 June. As the new mechanism is immature, it has increased uncertainty in estimates and plans.

In particular, there are concerns that the application of the common rules will have different implications for producers in various Russian regions. For instance, wheat exporters in Central Russia are wary to face tougher conditions compared to their colleagues

in southern regions due to longer distances from main ports and higher transportation costs. Various categories of grain producers may also experience unequal conditions: enterprises focusing on the domestic market will suffer a more serious decline in their profitability amid lower domestic prices, while the reduction in exporters' revenues due to higher export duties will be partially offset by the damping mechanism.

In this environment, agricultural companies from various regions are talking of risks that they may be less encouraged to produce grains. The current season's winter sowing has already been completed, and the forecast of 2021 harvest is largely certain: it is expected to increase in a number of regions and decline in others, while remaining high. However, agricultural companies in Central Russia, Volga-Vyatka, and Siberia assume that they may reduce their cultivation areas in the future and start sowing other crops. In the Orenburg Region, durum wheat producers will be supported by subsidies allocated from the local budget.

## GRAIN AND ANIMAL PRODUCTS

The measures implemented to limit grain price growth will contain the rise in processing costs. However, the pass-through of the earlier increase in costs for agricultural raw products to prices continued at the beginning of 2021. In order to reduce pressure on prices for socially important grain products, the Government allocates compensations from the federal budget to flour millers and bakers. Individual regions (e.g. Tatarstan) have also planned additional support measures.

As estimated by the manufacturers of milk and meat products (in the North-Western and Volga-Vyatka macro-regions), the earlier rise in feed costs will continue to push up their output prices for two to four months more. Nonetheless, as the domestic meat and poultry market is highly saturated, the potential of price growth is still limited.

Overall, the implemented administrative and other measures contained the growth of retail prices for sugar and sunflower oil, although their average levels still exceed the price caps in many regions. The growth of prices for grain, meat and milk products may be expected to discontinue in the near future. The markets are unlikely to destabilise after the expiry of the agreements. However, the estimates of business conditions have worsened, first and foremost in agriculture. According to enterprises, there are risks of a decline in revenues and motivation for development.

Chart 1. Sugar price\* deviation from the cap, %

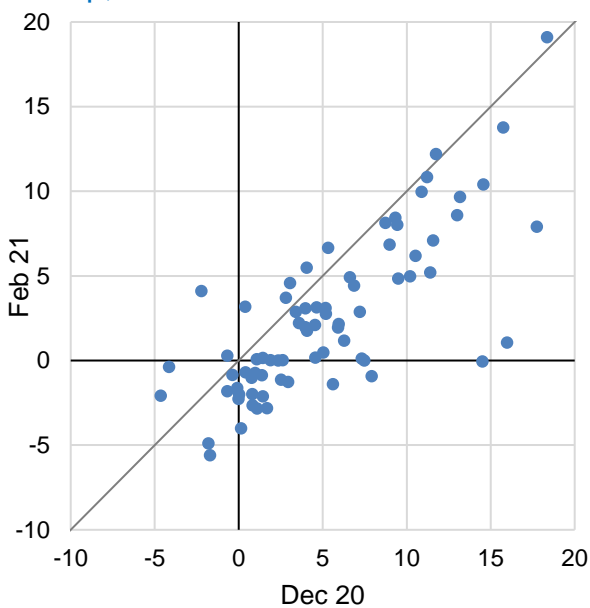
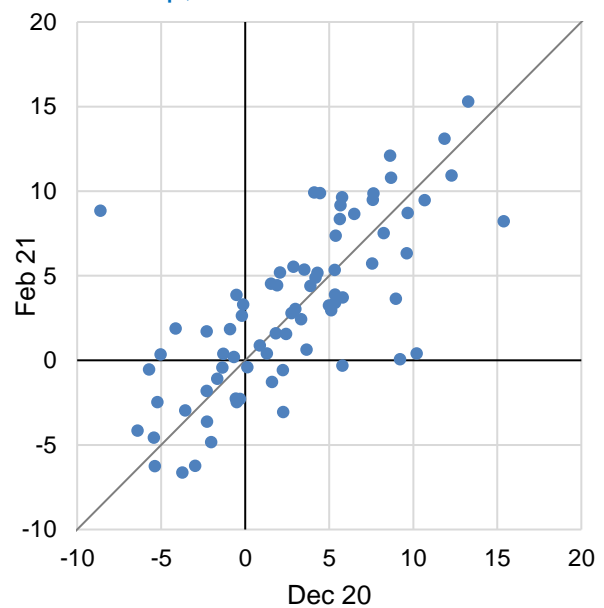


Chart 2. Sunflower oil price\* deviation from the cap, %



Sources: Rosstat, regional executive authorities.

\* The source of sugar and sunflower oil prices is Rosstat.

## BOX 2.

### REGIONAL BUDGETS IN 2020 AND EXPECTATIONS FOR 2021

Over the year 2020, Russia's fiscal system shifted from a surplus to a deficit. As economic activity declined, tax revenues decreased considerably. Expenditures rose significantly, primarily in the item 'Healthcare'. These factors also largely affected regional budgets. In 2021, as the measures mitigating the coronavirus consequences become more efficient, the situation will be changing. Regional revenues are forecast to recover, with transfers from the federal budget to be reduced. Moreover, regional budgets' expenditures are expected to contract. Nonetheless, only a small number of regions see the opportunity for budget consolidation, while the majority of them believe that deficit budgets will remain in 2021. The overall fiscal stimulus<sup>4</sup> in Russia is expected to approximate 600 billion rubles in 2021. This is largely due to the growth of the deficit in Moscow, which is associated with a temporary factor – large investment expenses in Moscow and the Moscow Region in capital-intensive areas (transport and utility infrastructure and urban environment development, including the housing renovation programme). Excluding Moscow, the estimated fiscal stimulus for Russia's economy totals about 231 billion rubles in 2021.

As of the end of 2020, Russia had a federal budget deficit of 4.3 trillion rubles (4.0% of GDP), after a surplus in 2019. This was caused by the decline in revenues (-4%) amid the slump in economic activity worldwide induced by the coronavirus pandemic and increased expenses (+13%). The non-oil and gas deficit of the fiscal system expanded by 4.8 trillion rubles in 2020, to reach 9.5 trillion rubles (8.9% of GDP).

Revenues shrank predominantly because of the reduction in exporters' earnings provoked by plummeting global demand in 2020 H1 and the impact of the OPEC+ oil production cuts in 2020 H2. Nevertheless, non-oil and gas revenues generally expanded by 3%, supported by higher payments of personal income tax (+7%) and VAT (+2%). Contrastingly, profit tax payments declined by 12%, largely as a result of the suspension of enterprises' operation in 2020 Q2 within anti-coronavirus measures and the remaining restrictions on

economic activity in individual industries (primarily, tourism and services).

The rise in the fiscal system's expenditures was largely caused by the anti-pandemic measures implemented by the Russian Government, including to support households and businesses and overcome the economic consequences of the pandemic. The largest increases were under such expenditure items, as healthcare (+30.3%, or 4,324 billion rubles), the national economy (+16.8%, or 6,041 billion rubles), social policy (+13.4%, or 14,770 billion rubles), and federal expenditures (+9.3%, or 2,552 billion rubles). Moreover, the amount of transfers from the federal budget increased more than 1.5 times over 2020 (+1.3 trillion rubles). A part of them were to support regional budgets as their revenues plummeted, other transfers were targeted and primarily allocated to ensure the proper operation of the healthcare system.

**In 2021, Russia's Ministry of Finance is planning to consolidate the federal budget.**

<sup>4</sup> A negative change in the balance. A deficit expansion corresponds to a fiscal stimulus increase, while its contraction – to a decrease.

**However, there is still uncertainty at the level of regions and, accordingly, the fiscal system in general about the possibilities to reduce expenditures and increase regional revenues to required amounts.<sup>5</sup>**

## REVENUES

The majority of the macro-regions faced a decline in their own revenues<sup>6</sup> in 2020. They decreased in five of the seven macro-regions, except for the Central and Far-Eastern macro-regions which managed to preserve their own revenues in 2020 at the levels of 2019. Regional revenues plummeted the most in the Urals, primarily in the Tyumen Region, the Yamalo-Nenets Autonomous Area, the Perm Territory, and the Republic of Bashkortostan. This was due to a decrease in profit tax payments by oil and gas producers and petrochemical companies. The reduction in payments from oil producers, petrochemical companies, and oil refineries also entailed a drastic decline in regional revenues in Tatarstan (-14.5%) and Udmurtia (-13%).

The decline in regional revenues was offset by increased transfers from the federal budget. As a result, overall revenues in the majority of the macro-regions rose by over 9% on average. Revenues grew the most in the Southern macro-region (+18.2%) and the least in the Urals (+1.7%).

According to budget projections, the majority of regions are expected to have opposite conditions in 2021: the recovery growth of regional revenues with considerable decreases in non-repayable transfers from the federal centre. Regions' revenues are expected to go up as they overcome the aftermath of the coronavirus pandemic and restore economic activity. For instance, the Volga-Vyatka regions expect their own revenues to edge up by 3.3%, primarily owing to the payments of excise duties (especially in

the Nizhny Novgorod and Saratov Regions and Tatarstan) and profit and income taxes (the Nizhny Novgorod Region, Udmurtia, and Tatarstan). The Tyumen Region and the Khanty-Mansi and Yamalo-Nenets Autonomous Areas also expect their revenues from profit tax payments to increase, including as a result of the improving situation in the oil and gas market.

The only exception is the Far East where budget projections provide for a decline in regional revenues, most considerably in absolute terms – in the Sakhalin Region, the Sakha (Yakutia) Republic, and the Kamchatka Territory. Moreover, the Sakhalin Region is forecast to face the most serious decrease in revenues among all areas of the macro-region. Such a position of the Sakhalin Region is associated with the parameters of its regional budget for 2021: revenues from the profit tax payments of the Sakhalin-1 and Sakhalin-2 projects are to contract by 64% and 31%, respectively. This situation was foreseeable and is associated with the internal factors of these projects, although the coronavirus pandemic impacted the parameters of payments in favour of the state (decreases in oil prices and the global demand for oil in terms of quantities, as well as the growth of the US dollar exchange rate). In the long run, revenues from oil and gas projects will decrease largely due to field depletion, the need in capital investment in drilling at less profitable sections of producing fields, and higher capital expenditures for the implementation of the project for building the second LNG plant in the region by 2029.

## EXPENDITURES

In 2020, almost all regions increased their budget expenditures. Contrastingly, a considerable part of regions are to reduce their expenditures in 2021, first and foremost

<sup>5</sup> Hereinafter, the situation at the level of regions is analysed using data from regional authorities and projections of regional budget laws for 2021.

<sup>6</sup> Hereinafter, tax and non-tax payments to regional budgets.



under the item 'Healthcare' which surged in 2020.

## DEFICIT

In 2020, the majority of regions had budget deficits (Chart 1). Moreover, even though the estimates of the economic environment are generally encouraging, regional budgets are expected to increase, and expenditures are planned to be cut in 2021, the majority of regions have planned deficit budgets for 2021, and a number of regions even expect their deficits to exceed last year's readings. This may be associated with the partial transfer of expenses for the implementation of national projects from 2020 to 2021 due to restrictions in individual industries remaining until the end of 2020. In addition, as the economic situation is still uncertain due to the persistent coronavirus pandemic, regions mostly prefer conservative approaches to estimating their future revenues.

**The overall fiscal stimulus<sup>7</sup> in Russia is expected to approximate 600 billion rubles in 2021.** The largest rise in the deficit (+361 billion rubles) may be expected in the central macro-region. The main reason for this is the increase in the deficit of the Moscow budget (+374 billion rubles), which is associated with higher expenditures in capital-intensive areas (+7.7%), the expansion of allocations under targeted investment programmes for

the development of transport, housing and utility, and healthcare infrastructure (+9.8%),<sup>8</sup> as well as the growth of expenditures under federal state programmes,<sup>9</sup> predominantly those involving capital investments, including under the programmes for housing renovation and the development of the transport system (including the metro) and urban environment, healthcare, and land improvement. **Excluding Moscow where the growth of the expected budget deficit in 2021 is largely associated with temporary factors, the estimated fiscal stimulus for the Russian economy totals approximately 231 billion rubles.** A significant fiscal stimulus is provided for in the budget projections of Saint Petersburg (+57 billion rubles), the Khanty-Mansi Autonomous Area (+31 billion rubles), the Krasnoyarsk Territory (+24 billion rubles), and the Yamalo-Nenets Autonomous Area (+22 billion rubles).

**Among all macro-regions, only Volga-Vyatka expects the deficit of its consolidated budget to decrease in 2021, specifically owing to the Udmurt Republic, the Republic of Tatarstan, the Ulyanovsk and Penza Regions.** In addition, Volga-Vyatka is expected to make its budget more balanced<sup>10</sup> in 2021 (Chart 2). Overall, as little as 24 Russian regions expect their budget deficits to contract.

<sup>7</sup> A negative change in the balance. A deficit expansion corresponds to a fiscal stimulus increase, while its contraction – to a decrease.

<sup>8</sup> Overall expenditures under the items 'National economy' and 'Housing and utility infrastructure' may expand by 7.7% from 1,305 billion rubles in 2020 to 1,406 billion rubles in 2021. The expenditures of the Moscow budget for targeted

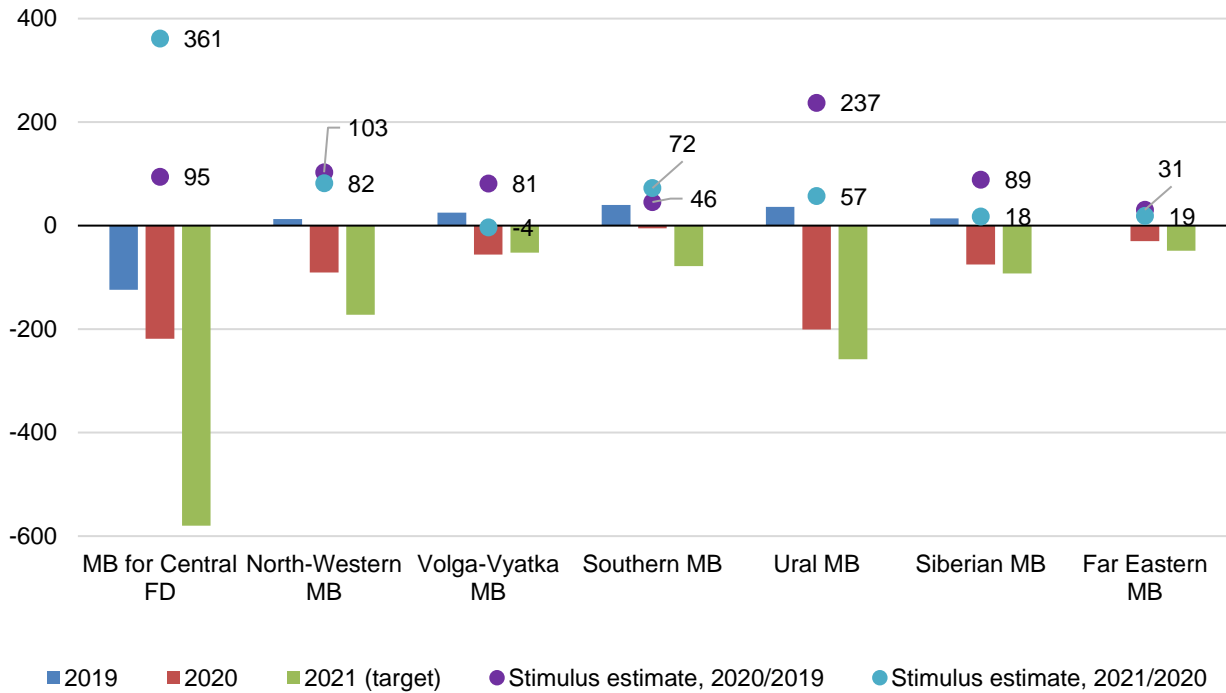
investment programmes may increase by 9.8% from 562 billion rubles in 2020 to 617 billion rubles in 2021.

<sup>9</sup> Within federal state programmes, the Government allocates targeted transfers for Moscow and the Moscow Region to cover expenditures.

<sup>10</sup> Calculated as the ratio of a region's budget balance to its own revenues.



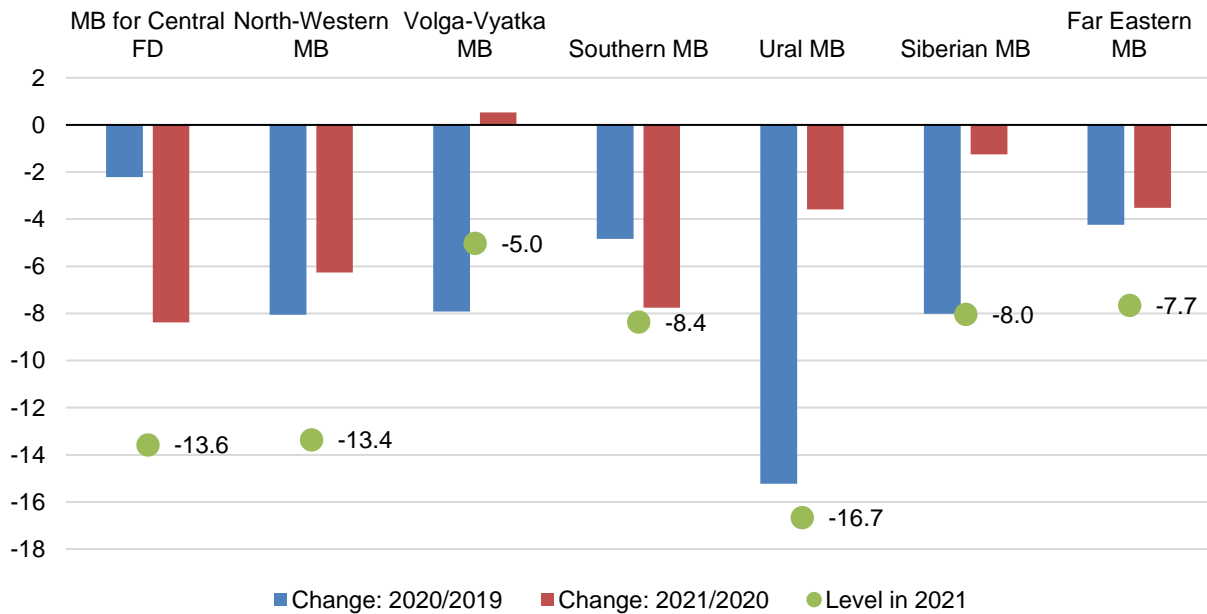
Chart 1. Budget balance and stimulus estimate\* at regions' level, billions of rubles



\* A negative change in the balance. A deficit expansion corresponds to a fiscal stimulus increase, while its contraction – to a decrease.

Sources: data from the Bank of Russia Main Branches, Bank of Russia calculations.

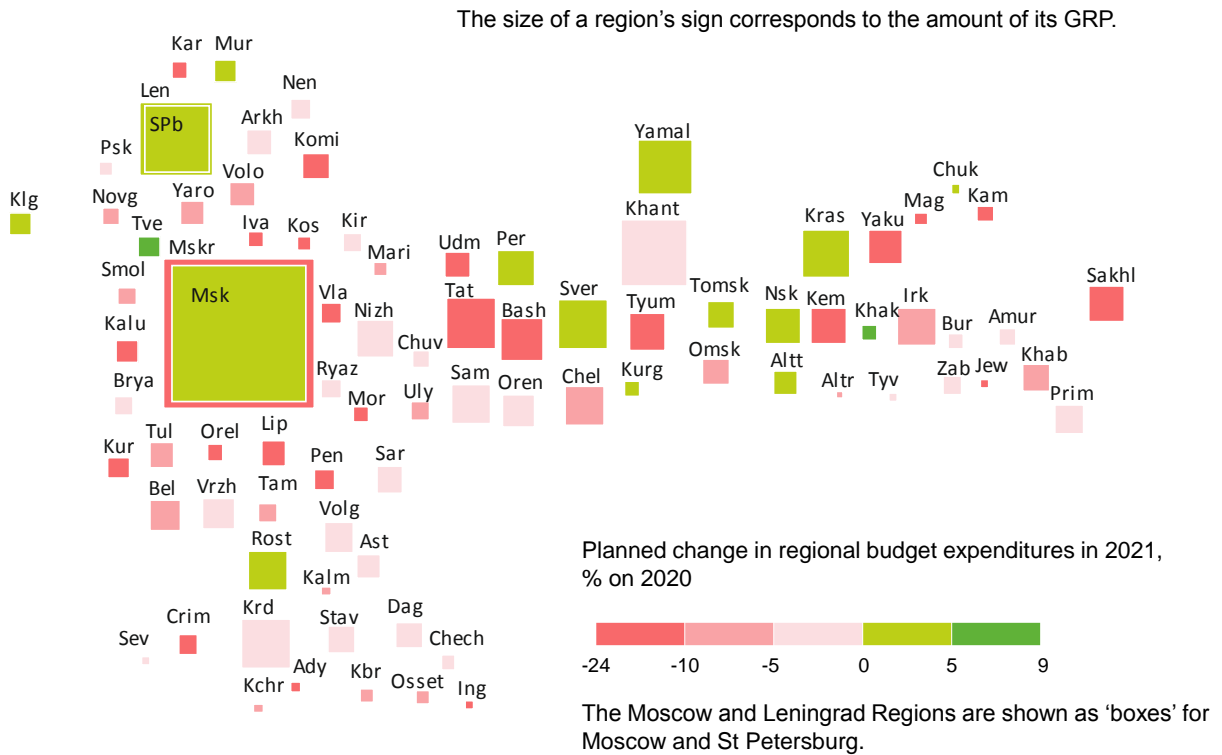
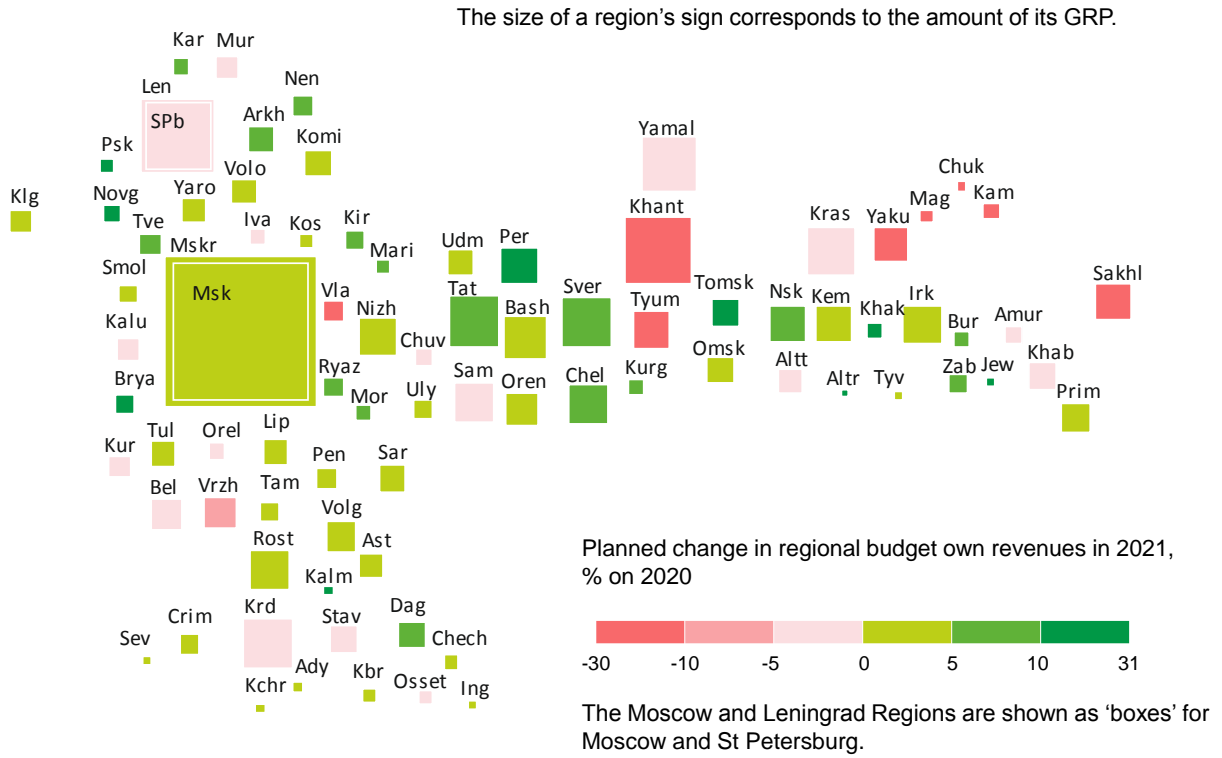
Chart 2. Macro-regions' budget equilibrium\*



\* The ratio of a region's budget balance to its own revenues.

Sources: data from the Bank of Russia Main Branches, Bank of Russia calculations.

### Chart 3. Regions' consolidated budgets



Sources: data from the Bank of Russia Main Branches, Bank of Russia calculations.

## ANNEX.

### CORE ECONOMIC INDICATORS

#### Core indicators. Russia

Table 1

|   |                          | 2019 | 2020  | 2019 | 2020  | 2020  | 2020  | 2020  | Dec.  | Jan. | Feb. |
|---|--------------------------|------|-------|------|-------|-------|-------|-------|-------|------|------|
|   |                          |      |       | Q4   | Q1    | Q2    | Q3    | Q4    |       |      |      |
| Inflation   | % YoY                    | 3.0  | 4.9   | 3.0  | 2.5   | 3.2   | 3.7   | 4.9   | 4.9   | 5.2  | 5.7  |
| Core inflation                                      | % YoY                    | 3.1  | 4.2   | 3.1  | 2.6   | 2.9   | 3.3   | 4.2   | 4.2   | 4.6  | 5.0  |
| Industrial production                               | % YoY                    | 3.4  | -2.6  | 2.8  | 2.6   | -6.7  | -4.8  | -1.7  | 2.1   | -2.5 |      |
| Fixed capital investment                            | Cumulative, % YoY        | 2.1  | -1.4  | 2.1  | 3.5   | -1.8  | -3.1  | -1.4  |       |      |      |
| Construction  | 3MMA, % YoY              | 2.1  | 0.1   | 1.7  | 2.8   | -3.9  | 1.1   | 0.8   | 0.8   | 0.6  |      |
| Housing commissioning                               | 3MMA, % YoY              | 6.2  | -1.8  | 5.0  | -1.3  | -21.2 | 5.7   | -1.0  | -1.0  | -0.3 |      |
| Retail  | % YoY                    | 1.9  | -4.1  | 2.1  | 4.4   | -16.0 | -1.6  | -2.8  | -3.6  | -0.1 |      |
| Commercial services                                 | % YoY                    | 0.5  | -17.1 | 0.2  | -1.9  | -36.1 | -17.3 | -12.7 | -11.1 | -9.4 |      |
| Real wages  | % YoY                    | 4.8  | 2.5   | 4.6  | 6.2   | -0.1  | 1.8   | 2.2   | 4.6   |      |      |
| Real disposable income                              | % YoY                    | 1.7  | -3.0  | 2.8  | 1.8   | -8.0  | -4.3  | -1.5  |       |      |      |
| Outstanding consumer loans                          | % YoY                    | 19.3 | 7.5   | 19.3 | 19.8  | 11.6  | 9.2   | 7.5   | 7.5   | 7.2  |      |
| Outstanding mortgage loans                          | % YoY                    | 16.9 | 21.2  | 16.9 | 15.2  | 13.7  | 18.6  | 21.2  | 21.2  | 21.6 |      |
| Non-financial organisations' outstanding bank loans | % YoY                    | 4.7  | 9.4   | 4.7  | 7.8   | 8.5   | 10.0  | 9.4   | 9.4   |      |      |
| • Large borrowers                                   | % YoY                    | 3.5  | 7.4   | 3.5  | 7.2   | 8.0   | 7.6   | 7.4   | 7.4   |      |      |
| • SMEs  | % YoY                    | 12.9 | 21.9  | 12.9 | 11.8  | 11.9  | 25.5  | 21.9  | 21.9  |      |      |
| Companies' price expectations                       | Balance of responses, SA | 10.2 | 16.5  | 8.4  | 13.4  | 17    | 16.1  | 19.6  | 18.1  | 18.3 | 19.1 |
| Business Climate Index                              | pp YoY                   | 1.0  | -8.0  | 1.0  | -9.5  | -14.7 | -1.9  | -5.9  | -3.2  | -0.9 |      |
| • Current estimates                                 | pp YoY                   | 0.5  | -7.9  | 0.2  | -6.7  | -19.0 | -1.1  | -4.9  | -2.6  | -0.6 |      |
| • Expectations                                      | pp YoY                   | 1.5  | -7.9  | 1.9  | -12.4 | -9.5  | -2.6  | -6.9  | -3.9  | -1.3 |      |

Sources: Bank of Russia's monitoring of businesses, Rosstat, calculations by the Bank of Russia Main Branches.

**Core indicators. Bank of Russia Main Branch for  
the Central Federal District**
*Table 2*

|  |                          | 2018 | 2019 | 2019 | 2020  | 2020  | 2020  | 2020  | Dec.  | Jan.  | Feb. |
|--|--------------------------|------|------|------|-------|-------|-------|-------|-------|-------|------|
|  |                          |      |      | Q4   | Q1    | Q2    | Q3    | Q4    |       |       |      |
| Inflation  | % YoY                    | 4.7  | 3.0  | 3.0  | 2.3   | 3.1   | 3.5   | 4.7   | 4.7   | 5.1   | 5.6  |
| Core inflation   | % YoY                    | 4.2  | 3.2  | 3.2  | 2.5   | 2.8   | 3.1   | 4.2   | 4.2   | 4.6   | 5.1  |
| Industrial production  | % YoY                    | 5.6  | 7.4  | 0.3  | 5.1   | -3.7  | 3.7   | 12.0  | 15.5  | 7.5   |      |
| Fixed capital investment   | Cumulative, % YoY        | 11.7 | 15.0 | 15.0 | 4.4   | -0.3  | 0.2   | -3.4  |       |       |      |
| Construction   | 3MMA, % YoY              | 1.5  | 4.9  | 5.1  | 3.4   | -1.4  | 14.6  | 17.0  | 20.1  | 15.1  |      |
| Housing commissioning  | 3MMA, % YoY              | -3.9 | 8.1  | -6.4 | 1.7   | -32.7 | -17.1 | 23.6  | 23.6  | 21.2  |      |
| Retail   | % YoY                    | 4.2  | 2.3  | 2.8  | 5.1   | -16.0 | 0.3   | -1.9  | -3.2  | 2.4   |      |
| Commercial services  | % YoY                    | 0.4  | 2.6  | 5.1  | -2.6  | -40.5 | -24.1 | -19.2 | -17.7 | -15.6 |      |
| Real wages   | % YoY                    | 6.9  | 6.2  | 5.3  | 7.6   | -1.2  | 2.6   | 4.3   | 7.8   |       |      |
| Real disposable income   | % YoY                    | 1.0  | 2.8  | 3.4  | 2.4   | -8.4  | -3.8  | 0.3   |       |       |      |
| Outstanding consumer loans   | % YoY                    | 21.9 | 19.3 | 19.3 | 19.6  | 10.5  | 8.0   | 6.0   | 6.0   | 5.8   |      |
| Outstanding mortgage loans   | % YoY                    | 25.7 | 21.5 | 21.5 | 19.5  | 16.4  | 21.2  | 23.9  | 23.9  | 24.2  |      |
| Non-financial organisations' outstanding bank loans                | % YoY                    | 9.5  | 4.4  | 4.4  | 9.4   | 11.2  | 13.0  | 11.1  | 11.1  |       |      |
| • Large borrowers  | % YoY                    | 11.1 | 2.6  | 2.6  | 8.9   | 11.2  | 11.9  | 10.6  | 10.6  |       |      |
| • SMEs   | % YoY                    | -2.4 | 20.5 | 20.5 | 14.0  | 11.7  | 22.9  | 15.2  | 15.2  |       |      |
| Companies' price expectations                                      | Balance of responses, SA | 12.6 | 11.9 | 9.9  | 14.5  | 19.0  | 18.4  | 23.1  | 21.0  | 21.3  | 22.0 |
| Business Climate Index (Bank of Russia's monitoring of businesses) | pp YoY                   | -0.6 | -0.1 | 1.0  | -8.5  | -15.6 | 0.4   | -5.2  | -3.3  | -4.2  |      |
| • Current estimates  | pp YoY                   | -0.1 | -0.6 | -1.4 | -3.8  | -21.5 | 0.8   | -4.6  | -5.0  | -4.1  |      |
| • Expectations   | pp YoY                   | -1.1 | 0.5  | 3.4  | -13.7 | -8.7  | -0.1  | -5.9  | -1.7  | -4.3  |      |

Sources: Bank of Russia's monitoring of businesses, Rosstat, calculations by the Bank of Russia Main Branches.

## Core indicators. North-Western Main Branch

Table 3

|  |                          | 2018 | 2019  | 2019  | 2020  | 2020  | 2020  | 2020  | Dec.  | Jan.  | Feb. |
|--|--------------------------|------|-------|-------|-------|-------|-------|-------|-------|-------|------|
|  |                          |      |       | Q4    | Q1    | Q2    | Q3    | Q4    |       |       |      |
| Inflation  | % YoY                    | 4.1  | 3.0   | 3.0   | 2.9   | 3.1   | 3.6   | 4.8   | 4.8   | 4.8   | 5.4  |
| Core inflation   | % YoY                    | 3.7  | 3.2   | 3.2   | 2.9   | 2.8   | 3.4   | 4.0   | 4.0   | 4.3   | 4.8  |
| Industrial production  | % YoY                    | 2.9  | 3.4   | 2.2   | 1.5   | -8.3  | -5.0  | -2.1  | 0.8   | -0.8  |      |
| Fixed capital investment   | Cumulative, % YoY        | 15.5 | -15.9 | -15.9 | -11.2 | -4.4  | -3.3  | -0.3  |       |       |      |
| Construction   | 3MMA, % YoY              | 4.9  | -9.4  | -15.9 | 2.4   | -4.7  | -12.5 | -18.5 | -18.5 | -16.3 |      |
| Housing commissioning  | 3MMA, % YoY              | 5.4  | -1.3  | 16.3  | -23.9 | -14.8 | 36.7  | -14.5 | -14.5 | -3.8  |      |
| Retail   | % YoY                    | 3.7  | 2.0   | 1.2   | 5.9   | -11.7 | 2.9   | 1.0   | 0.2   | 0.8   |      |
| Commercial services  | % YoY                    | 2.8  | 0.0   | -0.7  | -3.2  | -33.4 | -16.8 | -11.6 | -11.3 | -8.9  |      |
| Real wages   | % YoY                    | 7.0  | 1.0   | 2.9   | 4.3   | -1.5  | 1.0   | 0.2   | 1.5   |       |      |
| Real disposable income   | % YoY                    | 2.8  | 0.7   | 1.9   | 2.4   | -3.3  | -2.7  | 0.4   |       |       |      |
| Outstanding consumer loans   | % YoY                    | 23.6 | 20.2  | 20.2  | 20.1  | 11.5  | 9.2   | 7.4   | 7.4   | 7.0   |      |
| Outstanding mortgage loans   | % YoY                    | 25.1 | 19.4  | 19.4  | 16.8  | 14.7  | 19.3  | 21.3  | 21.3  | 21.7  |      |
| Non-financial organisations' outstanding bank loans                | % YoY                    | 12.2 | 3.0   | 3.0   | -0.6  | -0.8  | 1.6   | 9.2   | 9.2   |       |      |
| • Large borrowers  | % YoY                    | 15.7 | 3.0   | 3.0   | -0.3  | -1.7  | -5.2  | 1.9   | 1.9   |       |      |
| • SMEs   | % YoY                    | -4.8 | 3.3   | 3.3   | -2.4  | 3.8   | 47.0  | 52.1  | 52.1  |       |      |
| Companies' price expectations                                      | Balance of responses, SA | 11.7 | 11.1  | 9.0   | 13.0  | 19.0  | 16.5  | 19.8  | 19.1  | 18.9  | 20.1 |
| Business Climate Index (Bank of Russia's monitoring of businesses) | pp YoY                   | -0.1 | 0.4   | 1.6   | -9.9  | -12.2 | -2.0  | -6.4  | -4.2  | -1.7  |      |
| • Current estimates  | pp YoY                   | 0.3  | 0.2   | 0.6   | -7.9  | -17.4 | -1.3  | -5.4  | -3.5  | -0.8  |      |
| • Expectations   | pp YoY                   | -0.7 | 0.5   | 2.7   | -12.0 | -6.3  | -2.8  | -7.4  | -4.9  | -2.7  |      |

Sources: Bank of Russia's monitoring of businesses, Rosstat, calculations by the Bank of Russia Main Branches.

## Core indicators. Volga-Vyatka Main Branch

Table 4

|  |                          | 2018 | 2019 | 2019 | 2020  | 2020  | 2020  | 2020  | Dec.  | Jan.  | Feb. |
|--|--------------------------|------|------|------|-------|-------|-------|-------|-------|-------|------|
|  |                          |      |      | Q4   | Q1    | Q2    | Q3    | Q4    |       |       |      |
| Inflation  | % YoY                    | 4.3  | 2.8  | 2.8  | 2.6   | 3.5   | 4.1   | 5.5   | 5.5   | 5.6   | 6.1  |
| Core inflation   | % YoY                    | 3.7  | 3.1  | 3.1  | 2.8   | 3.2   | 3.6   | 4.7   | 4.7   | 5.0   | 5.5  |
| Industrial production  | % YoY                    | 1.8  | 2.8  | 2.6  | 1.4   | -10.5 | -2.8  | -3.8  | -1.4  | -1.1  |      |
| Fixed capital investment   | Cumulative, % YoY        | -0.4 | 0.6  | 0.6  | -1.7  | -4.2  | -6.9  | -3.8  |       |       |      |
| Construction   | 3MMA, % YoY              | -5.0 | 2.8  | 4.1  | 2.7   | 0.7   | -1.8  | -7.5  | -7.5  | -4.1  |      |
| Housing commissioning  | 3MMA, % YoY              | -1.7 | 5.9  | 9.1  | 7.1   | -17.3 | 12.7  | -18.1 | -18.1 | -19.1 |      |
| Retail   | % YoY                    | 4.0  | 1.1  | 0.9  | 4.7   | -16.1 | -3.3  | -4.1  | -4.6  | -3.7  |      |
| Commercial services  | % YoY                    | 0.7  | 0.2  | 0.3  | -1.7  | -29.0 | -11.6 | -7.8  | -6.3  | -4.1  |      |
| Real wages   | % YoY                    | 5.7  | 2.3  | 4.8  | 5.3   | -0.2  | 2.0   | 0.9   | 2.0   |       |      |
| Real disposable income   | % YoY                    | 0.0  | 1.2  | 1.5  | 2.7   | -5.9  | -4.7  | -3.1  |       |       |      |
| Outstanding consumer loans   | % YoY                    | 22.2 | 19.3 | 19.3 | 19.9  | 11.4  | 9.1   | 7.5   | 7.5   | 7.2   |      |
| Outstanding mortgage loans   | % YoY                    | 22.8 | 12.9 | 12.9 | 11.5  | 10.5  | 16.0  | 19.3  | 19.3  | 19.7  |      |
| Non-financial organisations' outstanding bank loans                | % YoY                    | -3.6 | -3.6 | -3.6 | 2.7   | 5.0   | -0.3  | 3.5   | 3.5   |       |      |
| • Large borrowers  | % YoY                    | -4.8 | -4.0 | -4.0 | 2.1   | 4.5   | -6.5  | -2.5  | -2.5  |       |      |
| • SMEs   | % YoY                    | 0.7  | -2.2 | -2.2 | 4.7   | 6.8   | 22.5  | 24.3  | 24.3  |       |      |
| Companies' price expectations                                      | Balance of responses, SA | 11.1 | 11.4 | 9.9  | 22.6  | 15.3  | 22.1  | 18.8  | 18.8  | 21.0  | 23.2 |
| Business Climate Index (Bank of Russia's monitoring of businesses) | pp YoY                   | 0.0  | 1.6  | -0.7 | -12.3 | -17.2 | -2.6  | -6.6  | -1.8  | -1.7  |      |
| • Current estimates  | pp YoY                   | 0.3  | 0.6  | -0.9 | -10.0 | -23.6 | -2.0  | -4.9  | 0.5   | -0.5  |      |
| • Expectations   | pp YoY                   | -0.4 | 2.7  | -0.5 | -14.5 | -9.7  | -3.2  | -8.3  | -4.0  | -3.2  |      |

Sources: Bank of Russia's monitoring of businesses, Rosstat, calculations by the Bank of Russia Main Branches.

## Core indicators. Southern Main Branch

Table 5

|  |                          | 2018  | 2019 | 2019 | 2020  | 2020  | 2020 | 2020 | Dec. | Jan. | Feb. |
|--|--------------------------|-------|------|------|-------|-------|------|------|------|------|------|
|  |                          |       |      | Q4   | Q1    | Q2    | Q3   | Q4   |      |      |      |
| Inflation  | % YoY                    | 4.2   | 2.8  | 2.8  | 2.4   | 3.3   | 3.8  | 5.4  | 5.4  | 5.8  | 6.5  |
| Core inflation   | % YoY                    | 3.3   | 3.2  | 3.2  | 2.7   | 3.0   | 3.4  | 4.2  | 4.2  | 4.5  | 5.1  |
| Industrial production  | % YoY                    | 1.9   | 3.1  | 5.5  | 4.9   | -1.7  | -0.9 | 1.0  | 4.8  | 6.2  |      |
| Fixed capital investment   | Cumulative, % YoY        | -3.8  | -9.7 | -4.1 | 16.6  | 4.2   | 5.4  | 1.2  |      |      |      |
| Construction   | 3MMA, % YoY              | 3.3   | 0.4  | -1.5 | 4.8   | -6.1  | 8.5  | -1.6 | -1.6 | -2.0 |      |
| Housing commissioning  | 3MMA, % YoY              | -14.1 | 7.3  | 4.7  | -3.8  | -11.3 | 5.8  | -0.8 | -0.9 | -2.9 |      |
| Retail   | % YoY                    | 1.9   | 1.8  | 3.0  | 4.2   | -22.8 | -1.6 | 5.4  | -1.2 | 3.7  |      |
| Commercial services  | % YoY                    | 2.3   | -0.6 | -2.2 | 0.5   | -38.3 | -5.6 | -2.6 | -1.6 | -0.9 |      |
| Real wages   | % YoY                    | 7.3   | 2.8  | 5.0  | 6.1   | 1.7   | 0.6  | 1.1  | 2.1  |      |      |
| Real disposable income   | % YoY                    | 0.5   | 0.6  | 2.0  | 4.0   | -11.8 | -1.1 | -1.2 |      |      |      |
| Outstanding consumer loans   | % YoY                    | 21.7  | 20.6 | 20.6 | 20.6  | 12.1  | 9.3  | 7.7  | 7.7  | 7.3  |      |
| Outstanding mortgage loans   | % YoY                    | 27.0  | 18.2 | 18.2 | 16.7  | 15.8  | 20.4 | 23.4 | 23.4 | 24.1 |      |
| Non-financial organisations' outstanding bank loans                | % YoY                    | 2.9   | 4.6  | 4.6  | 4.3   | 2.7   | 3.4  | 3.7  | 3.7  |      |      |
| • Large borrowers  | % YoY                    | 3.5   | 4.4  | 4.4  | 3.2   | 0.2   | 0.5  | 0.3  | 0.3  |      |      |
| • SMEs   | % YoY                    | 1.0   | 6.5  | 6.5  | 7.5   | 10.6  | 13.5 | 14.0 | 14.0 |      |      |
| Companies' price expectations                                      | Balance of responses, SA | 9.4   | 8.6  | 6.4  | 12.3  | 15.0  | 15.2 | 17.4 | 15.7 | 14.4 | 15.1 |
| Business Climate Index (Bank of Russia's monitoring of businesses) | pp YoY                   | 0.0   | 0.9  | 2.4  | -8.1  | -14.3 | -1.4 | -5.0 | -5.1 | 1.0  |      |
| • Current estimates  | pp YoY                   | 0.4   | -0.5 | 1.4  | -6.1  | -24.6 | -0.2 | -3.9 | -3.0 | 2.8  |      |
| • Expectations   | pp YoY                   | -0.4  | 2.2  | 3.4  | -10.1 | -2.4  | -2.5 | -6.2 | -7.4 | -1.1 |      |

Sources: Bank of Russia's monitoring of businesses, Rosstat, calculations by the Bank of Russia Main Branches.



## Core indicators. Ural Main Branch

Table 6

|  |                          | 2018 | 2019 | 2019 | 2020  | 2020  | 2020  | 2020  | Dec. | Jan.  | Feb. |
|--|--------------------------|------|------|------|-------|-------|-------|-------|------|-------|------|
|  |                          |      |      | Q4   | Q1    | Q2    | Q3    | Q4    |      |       |      |
| Inflation  | % YoY                    | 3.6  | 3.1  | 3.1  | 2.6   | 3.0   | 3.4   | 4.4   | 4.4  | 4.7   | 5.2  |
| Core inflation   | % YoY                    | 2.9  | 3.0  | 3.0  | 2.4   | 2.6   | 3.0   | 4.0   | 4.0  | 4.4   | 4.8  |
| Industrial production  | % YoY                    | 2.8  | 5.1  | 6.6  | 3.0   | -5.3  | -6.1  | -2.1  | -1.2 | -2.3  |      |
| Fixed capital investment   | Cumulative, % YoY        | 4.3  | -3.0 | -3.0 | 16.1  | 10.0  | 4.0   | 1.5   |      |       |      |
| Construction   | 3MMA, % YoY              | 44.3 | -6.2 | 0.9  | 17.3  | 3.0   | 15.7  | -8.9  | -8.9 | -14.2 |      |
| Housing commissioning  | 3MMA, % YoY              | -4.7 | 8.3  | 9.1  | 7.4   | -15.3 | 14.5  | -7.5  | -7.5 | -4.3  |      |
| Retail   | % YoY                    | 3.4  | 1.5  | 1.2  | 4.4   | -13.1 | -4.0  | -5.3  | -6.2 | -3.5  |      |
| Commercial services  | % YoY                    | 3.2  | -0.1 | -1.1 | -0.8  | -36.0 | -21.7 | -11.8 | -8.3 | -10.0 |      |
| Real wages   | % YoY                    | 5.5  | 1.9  | 3.6  | 4.6   | 0.5   | 1.6   | 1.8   | 3.6  |       |      |
| Real disposable income   | % YoY                    | 0.6  | 1.3  | 2.4  | 2.6   | -6.2  | -6.9  | -4.5  |      |       |      |
| Outstanding consumer loans   | % YoY                    | 20.6 | 19.4 | 19.4 | 20.0  | 12.3  | 10.2  | 8.2   | 8.2  | 7.9   |      |
| Outstanding mortgage loans   | % YoY                    | 19.8 | 12.1 | 12.1 | 10.7  | 10.1  | 15.0  | 17.4  | 17.4 | 17.8  |      |
| Non-financial organisations' outstanding bank loans                | % YoY                    | 1.5  | 6.9  | 6.9  | 9.2   | 4.0   | 6.6   | 3.9   | 3.9  |       |      |
| • Large borrowers  | % YoY                    | 1.3  | 7.0  | 7.0  | 8.3   | 2.4   | 3.9   | 1.1   | 1.1  |       |      |
| • SMEs   | % YoY                    | 3.2  | 6.0  | 6.0  | 16.9  | 16.3  | 27.5  | 26.0  | 26.0 |       |      |
| Companies' price expectations                                      | Balance of responses, SA | 9.4  | 11.8 | 7.8  | 11.3  | 14.6  | 14.6  | 17.4  | 19.0 | 21.1  | 17.7 |
| Business Climate Index (Bank of Russia's monitoring of businesses) | pp YoY                   | 1.5  | 2.0  | 2.4  | -10.8 | -15.8 | -4.1  | -7.3  | -2.8 | -1.8  |      |
| • Current estimates  | pp YoY                   | 2.0  | 1.2  | 1.5  | -8.6  | -19.3 | -1.0  | -3.8  | -1.3 | 1.3   |      |
| • Expectations   | pp YoY                   | 1.0  | 2.9  | 3.2  | -12.8 | -11.9 | -7.3  | -10.9 | -4.2 | -5.8  |      |

Sources: Bank of Russia's monitoring of businesses, Rosstat, calculations by the Bank of Russia Main Branches.

## Core indicators. Siberian Main Branch

Table 7

|  |                          | 2018  | 2019 | 2019 | 2020 | 2020  | 2020  | 2020 | Dec. | Jan. | Feb. |
|--|--------------------------|-------|------|------|------|-------|-------|------|------|------|------|
|  |                          |       |      | Q4   | Q1   | Q2    | Q3    | Q4   |      |      |      |
| Inflation  | % YoY                    | 4.3   | 3.6  | 3.6  | 2.8  | 3.5   | 3.8   | 4.9  | 4.9  | 5.1  | 5.6  |
| Core inflation   | % YoY                    | 3.6   | 3.3  | 3.3  | 2.6  | 3.1   | 3.4   | 4.4  | 4.4  | 4.7  | 5.0  |
| Industrial production  | % YoY                    | 3.3   | 2.0  | 1.9  | -2.5 | -5.8  | -5.5  | -4.5 | -3.1 | -2.5 |      |
| Fixed capital investment   | Cumulative, % YoY        | 4.6   | 7.8  | 7.8  | 5.4  | 2.4   | -0.5  | 1.9  |      |      |      |
| Construction   | 3MMA, % YoY              | -13.1 | 6.8  | 11.7 | -4.9 | -11.2 | -8.4  | 4.4  | 4.4  | 11.0 |      |
| Housing commissioning  | 3MMA, % YoY              | -3.4  | 4.5  | 9.2  | 1.5  | -30.0 | 21.3  | 3.9  | 3.9  | -0.8 |      |
| Retail   | % YoY                    | 2.8   | 2.7  | 2.6  | 3.5  | -11.1 | -3.4  | -4.7 | -5.3 | -3.7 |      |
| Commercial services  | % YoY                    | 1.8   | 0.6  | 1.0  | -2.6 | -27.4 | -12.2 | -9.5 | -8.9 | -4.1 |      |
| Real wages   | % YoY                    | 6.4   | 3.8  | 3.5  | 3.7  | 1.9   | 2.8   | 2.2  | 4.2  |      |      |
| Real disposable income   | % YoY                    | 0.8   | 0.2  | 1.0  | 1.3  | -3.2  | -3.2  | -3.3 |      |      |      |
| Outstanding consumer loans   | % YoY                    | 18.4  | 17.6 | 17.6 | 19.2 | 12.5  | 10.5  | 9.3  | 9.3  | 9.2  |      |
| Outstanding mortgage loans   | % YoY                    | 20.8  | 13.4 | 13.4 | 11.4 | 11.2  | 16.2  | 18.8 | 18.8 | 19.1 |      |
| Non-financial organisations' outstanding bank loans                | % YoY                    | -5.3  | 3.8  | 3.8  | 6.2  | 8.2   | 11.0  | 5.2  | 5.2  |      |      |
| • Large borrowers  | % YoY                    | -7.7  | 2.1  | 2.1  | 5.2  | 7.9   | 9.0   | 1.8  | 1.8  |      |      |
| • SMEs   | % YoY                    | 7.7   | 11.9 | 11.9 | 10.7 | 9.7   | 20.4  | 19.5 | 19.5 |      |      |
| Companies' price expectations                                      | Balance of responses, SA | 10.4  | 8.6  | 6.5  | 13.2 | 17.2  | 14.9  | 18.0 | 15.4 | 16.5 | 17.8 |
| Business Climate Index (Bank of Russia's monitoring of businesses) | pp YoY                   | -0.2  | 1.8  | 1.2  | -6.8 | -13.4 | -2.8  | -5.9 | -2.5 | -4.0 |      |
| • Current estimates  | pp YoY                   | 0.0   | 2.6  | 2.0  | -5.3 | -19.8 | -3.0  | -5.5 | 0.3  | -2.9 |      |
| • Expectations   | pp YoY                   | -0.5  | 0.9  | 0.4  | -8.2 | -6.1  | -2.5  | -6.2 | -5.1 | -5.3 |      |

Sources: Bank of Russia's monitoring of businesses, Rosstat, calculations by the Bank of Russia Main Branches.

## Core indicators. Far Eastern Main Branch

Table 8

|  |                          | 2018 | 2019 | 2019 | 2020  | 2020  | 2020  | 2020  | Dec.  | Jan.  | Feb. |
|--|--------------------------|------|------|------|-------|-------|-------|-------|-------|-------|------|
|  |                          |      |      | Q4   | Q1    | Q2    | Q3    | Q4    |       |       |      |
| Inflation  | % YoY                    | 3.8  | 3.8  | 3.8  | 3.2   | 3.7   | 3.9   | 5.0   | 5.0   | 4.9   | 4.9  |
| Core inflation   | % YoY                    | 3.2  | 3.3  | 3.3  | 2.6   | 3.1   | 3.5   | 3.9   | 3.9   | 4.1   | 4.3  |
| Industrial production  | % YoY                    | 5.5  | 6.3  | 5.3  | 1.6   | -6.9  | -11.7 | -3.1  | -1.7  | -5.3  |      |
| Fixed capital investment   | Cumulative, % YoY        | 7.6  | 8.2  | 8.2  | -12.4 | -12.1 | -9.8  | -15.2 |       |       |      |
| Construction   | 3MMA, % YoY              | 5.6  | 37.0 | 33.0 | -18.0 | -17.1 | -26.0 | 8.1   | 8.1   | 10.3  |      |
| Housing commissioning  | 3MMA, % YoY              | -7.0 | 8.6  | 24.3 | -7.8  | 3.7   | 17.4  | -6.3  | -6.3  | 1.6   |      |
| Retail   | % YoY                    | 4.9  | 3.9  | 4.8  | 3.5   | -14.8 | -2.0  | -0.8  | 0.4   | 1.5   |      |
| Commercial services  | % YoY                    | 0.9  | -2.1 | -1.9 | -4.8  | -38.1 | -15.8 | -14.1 | -13.0 | -10.9 |      |
| Real wages   | % YoY                    | 7.3  | 3.3  | 4.5  | 4.9   | 0.6   | -0.2  | 0.5   | 1.3   |       |      |
| Real disposable income   | % YoY                    | 3.2  | 2.2  | 3.8  | 2.8   | -5.1  | -4.4  | -2.4  |       |       |      |
| Outstanding consumer loans   | % YoY                    | 21.8 | 19.1 | 19.1 | 19.6  | 12.7  | 10.8  | 9.2   | 9.2   | 9.0   |      |
| Outstanding mortgage loans   | % YoY                    | 21.3 | 17.0 | 17.0 | 17.4  | 17.7  | 21.5  | 24.2  | 24.2  | 24.8  |      |
| Non-financial organisations' outstanding bank loans                | % YoY                    | 10.1 | 29.9 | 29.9 | 28.7  | 29.7  | 30.0  | 32.2  | 32.2  |       |      |
| • Large borrowers  | % YoY                    | 7.6  | 27.4 | 27.4 | 23.0  | 25.1  | 25.3  | 32.7  | 32.7  |       |      |
| • SMEs   | % YoY                    | 21.3 | 40.2 | 40.2 | 52.3  | 47.7  | 49.1  | 30.4  | 30.4  |       |      |
| Companies' price expectations                                      | Balance of responses, SA | 8.5  | 9.4  | 9.2  | 12.2  | 14.0  | 14.0  | 15.3  | 15.6  | 16.9  | 14.8 |
| Business Climate Index (Bank of Russia's monitoring of businesses) | pp YoY                   | -1.2 | -1.3 | -0.6 | -8.5  | -10.3 | -4.0  | -7.1  | -3.6  | -1.2  |      |
| • Current estimates  | pp YoY                   | -2.7 | 0.7  | 0.2  | -7.0  | -16.8 | -4.4  | -8.1  | -5.4  | -0.5  |      |
| • Expectations   | pp YoY                   | 0.3  | -3.2 | -1.5 | -10.2 | -2.9  | -3.6  | -6.2  | -1.9  | -2.1  |      |

Sources: Bank of Russia's monitoring of businesses, Rosstat, calculations by the Bank of Russia Main Branches.