



Bank of Russia



# REGIONAL ECONOMY

Commentaries by Bank of Russia Main Branches

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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

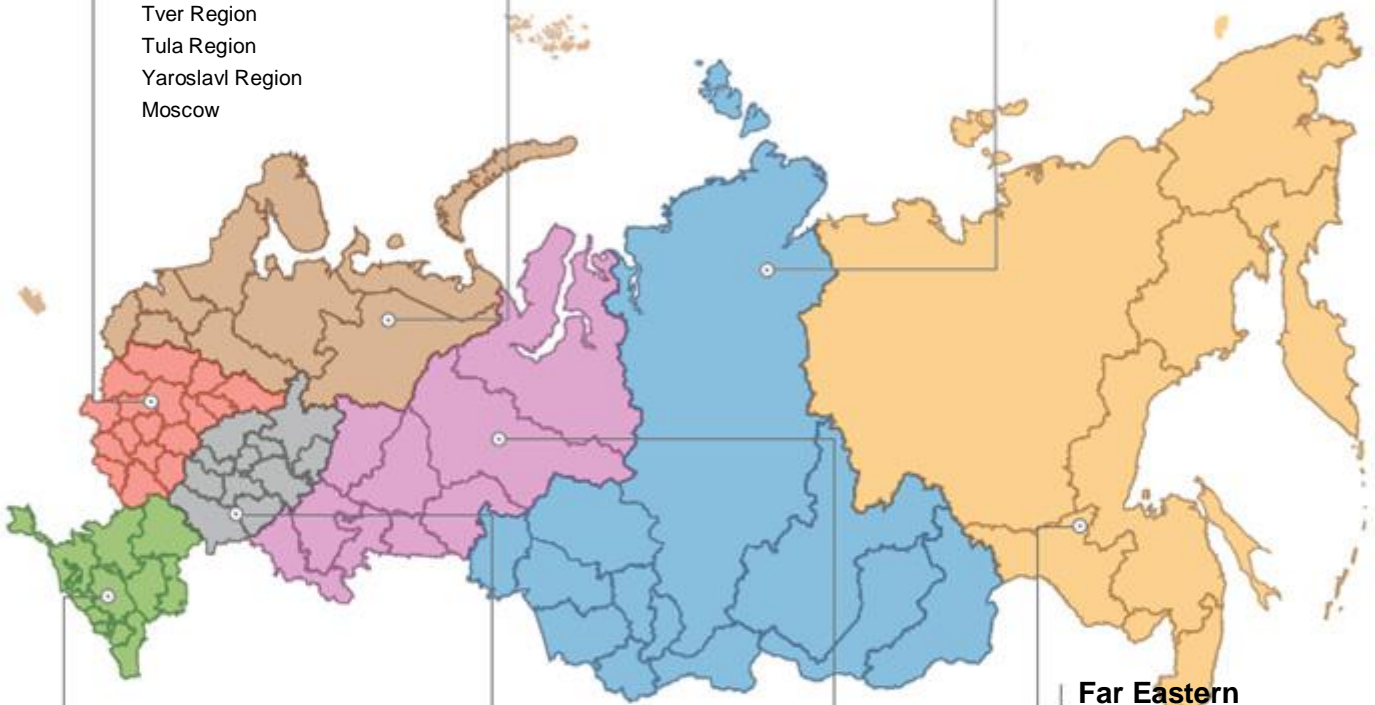
**North-Western MB**

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



**26**  
mln people

**Southern MB**

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

**21**  
mln people

**Volga-Vyatka MB**

- Area 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

**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 MBs.

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 MBs. 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 MBs, including following various events with the engagement of regional executive authorities, businesses, industrial unions and entrepreneurs’ associations. Along with this qualitative 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. The 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 April 2021, we surveyed 13,413 companies.

## RUSSIAN FEDERATION

In April–May 2021, economic activity continued to bounce back in Russian regions. There was a rise in investment demand. Consumer demand generally grew more extensively in food and non-food segments, while the services sector has not yet reached pre-pandemic levels. Inflation remained high amid further demand expansion and increasing costs. Companies' price expectations strengthened due to higher global prices for raw materials and the expansion of external and domestic demand.

In April–May 2021, **economic activity continued to bounce back in Russian regions**. Greater investment demand was seen. In Siberia, a project was launched to modernise metallurgical plants to improve their environmental performance. The Volga Region introduced additional production lines in car manufacturing, and Central Russia implemented new investment projects in consumer goods industry. The North-West pharmaceutical cluster showed steady growth, including driven by increased production of Covid-19 vaccines. In the South, government support contributed to the development of new production lines in the food industry. Increased external demand led to the expansion of sales areas and a wider product range in metallurgy and metal production in the Urals. An oil pipeline construction project was approved in the Far East.

As production recovered, **the need for workers grew**, manifesting the most by small- and medium-sized enterprises (SMEs) operating in agriculture, construction and the services sector (see the Box 'Business activity of small- and medium-sized enterprises'). The expansion of economic activity was constrained by companies' growing costs.

Businesses assessed their economic position as generally improved.

**Consumer activity continued to rise.** Services sector remained below pre-pandemic levels. Demand for goods among households with low and average incomes was supported by loans.

Generally **accommodative monetary conditions continued to promote lending**. Companies raised loans more extensively in anticipation of higher interest rates. **Mortgages** showed record-high growth in the context of discussions on pending amendments to preferential mortgage programmes and banks' reduction of preferential loan interest rates.

April saw a **slowdown** in monthly seasonally adjusted **inflation**. Nonetheless, inflation remains elevated on the back of persistently expanding demand and cost-side pressure. The tourism and related services market is a good example of a rapidly reviving consumer activity (see the Box 'Current situation in the tourism and related services market'). **Companies' price expectations continued to strengthen** amid rising global prices for raw materials and components, increasing export volumes and expanding domestic demand. In some industries, additional pressure on prices came from difficulties in recovering supply after the 2020 pandemic halt.

## KEY TRENDS IN RUSSIAN REGIONS

### MAIN BRANCH FOR THE CENTRAL FEDERAL DISTRICT

Amid rising lending and wages, demand bounced back and was supported by opening new retail venues. A number of industries with expanding production reported an acute shortage of qualified personnel. In May, inflation returned to March levels having dropped below the country-wide decline in April.

### NORTH-WESTERN MAIN BRANCH

The pharmaceutical sector increased the production of Covid-19 vaccines. A number of woodworking companies plan to transit to the output of advanced processed products. The turnover in public catering rose. The need for workers grew against the background of the reviving services sector.

### VOLGA-VYATKA MAIN BRANCH

Businesses assessed three-month ahead demand and output expectations more positively than generally across Russia. Higher investment and consumer demand for cars led to growing regional car production, which encouraged plants to enlarge their staff. Regional companies managed to increase the output of furniture to multi-year highs, including by means of opening new production facilities.

### SOUTHERN MAIN BRANCH

Growth in consumer activity was higher than generally across Russia and was driven by rising tourist traffic, elevated demand for real estate, expanded lending and improving epidemic situation. The agriculture sector assessed future harvest more positively on the back of better soil water content, a larger proportion of winter grain crops in good condition and higher volumes of greenhouse vegetables. As before, inflation exceeded the country-wide level due to a larger portion of food in consumption and growing tourist traffic.

### URAL MAIN BRANCH

Companies considerably improved their expectations regarding further output and demand trends due to export-focused industries, infrastructure and housing construction. However, the economic recovery was generally held back by higher domestic prices for raw materials and components. Consumer lending expanded more extensively than generally across Russia, thereby supporting growth in demand across individual non-food market segments.

### SIBERIAN MAIN BRANCH

Growth in the services sector was driven by restricted foreign tourism, which increased interest in high-quality tours to Altai and Baikal. Against the background of high demand and prices, the flagships of Siberian industry, such as coal mining and metallurgy, step up production and sales, with expanding environment-focused investment projects and planning to enlarge their staff and ensure wage growth.

### FAR EASTERN MAIN BRANCH

High external demand and greater capacity of certain railway sections contributed to expanded coal exports. The growth of fish processing helped decrease the slow-down of fish output compared to the previous year. Due to their high workload, seaports recorded delays in the delivery of goods.

## CORE ECONOMIC INDICATORS

|   |                          | Date    | RF   | MB for<br>Central<br>FD | North-<br>Western<br>MB | Volga-<br>Vyatka<br>MB | Southern<br>MB | Ural<br>MB | Siberi<br>an<br>MB | Far<br>Eastern<br>MB |
|---|--------------------------|---------|------|-------------------------|-------------------------|------------------------|----------------|------------|--------------------|----------------------|
| MBs' percentage in inflation  |                          | 2021    | 100  | 34                      | 11                      | 12                     | 14             | 13         | 11                 | 5                    |
| Inflation   | % YoY                    | Apr21   | 5.5  | 5.5                     | 5.2                     | 5.9                    | 6.1            | 5.0        | 5.7                | 5.0                  |
| Core inflation  | % YoY                    | Apr21   | 5.5  | 5.6                     | 5.2                     | 6.0                    | 5.5            | 5.1        | 5.5                | 4.6                  |
| <p>In the highlighted rows, the 2021 data are shown in comparison with the corresponding period in 2019. Given the magnitude of fluctuations within 2020, it will help illustrate recovery more accurately than a YoY comparison.</p> |                          |         |      |                         |                         |                        |                |            |                    |                      |
| Industrial production   | 3MMA, %                  | Apr21   | 2.7  | 14.0                    | -0.8                    | 3.7                    | 8.1            | 2.7        | -4.4               | -1.7                 |
| Fixed capital investment  | Cumulative,<br>%         | 2020 Q4 | -1.4 | -3.4                    | -0.3                    | -3.8                   | 1.2            | 1.5        | 1.9                | -15.2                |
| Construction  | 3MMA, %                  | Apr21   | 2.5  | 10.7                    | -16.1                   | -3.4                   | -11.0          | -14.7      | 10.7               | -21.0                |
| Housing commissioning   | 3MMA, %                  | Apr21   | 11.5 | -1.9                    | 11.8                    | 24.0                   | 17.3           | 19.4       | 30.7               | -7.2                 |
| Retail  | 3MMA, %                  | Mar21   | 3.2  | 6.1                     | 7.3                     | -0.3                   | 6.2            | -0.6       | 1.2                | 5.6                  |
| Commercial services   | 3MMA, %                  | Mar21   | -6.1 | -10.5                   | -7.6                    | -3.2                   | 1.5            | -6.9       | -3.8               | -8.9                 |
| Real wages  | 3MMA, %                  | Mar21   | 7.9  | 10.4                    | 4.8                     | 5.6                    | 5.6            | 4.6        | 4.8                | 6.3                  |
| Real disposable income  | %                        | 2020 Q4 | -0.7 | 0.0                     | 0.4                     | -3.7                   | -1.2           | -4.5       | -3.3               | -3.2                 |
| Outstanding consumer loans <sup>2</sup>   | % YoY                    | Apr21   | 11.0 | 8.9                     | 11.3                    | 11.7                   | 10.9           | 12.2       | 13.3               | 12.6                 |
| Outstanding mortgage loans  | % YoY                    | Apr21   | 25.7 | 28.6                    | 26.1                    | 23.3                   | 29.2           | 21.4       | 22.9               | 26.7                 |
| Non-financial organisations' outstanding bank loans   | % YoY                    | Mar21   | 7.2  | 8.4                     | 9.1                     | 2.0                    | 3.5            | 2.3        | -2.1               | 34.0                 |
| • Large borrowers   | % YoY                    | Mar21   | 4.4  | 7.0                     | 0.0                     | -3.6                   | 0.1            | -0.6       | -7.6               | 37.7                 |
| • SMEs  | % YoY                    | Mar21   | 24.6 | 20.2                    | 60.6                    | 22.4                   | 14.0           | 26.2       | 23.6               | 21.0                 |
| Companies' price expectations   | Balance of responses, SA | May21   | 26.7 | 35.3                    | 26.6                    | 34.5                   | 19.0           | 23.3       | 27.5               | 15.4                 |
| Business Climate Index  | pp YoY (Δ)               | Apr21   | 30.9 | 34.0                    | 31.5                    | 31.2                   | 31.5           | 34.2       | 30.4               | 19.9                 |
| • Current estimates   | pp YoY (Δ)               | Apr21   | 40.5 | 43.7                    | 39.8                    | 38.5                   | 45.3           | 42.0       | 38.7               | 29.4                 |
| • Expectations  | pp YoY (Δ)               | Apr21   | 19.9 | 22.9                    | 22.0                    | 22.7                   | 15.1           | 25.1       | 20.8               | 8.9                  |

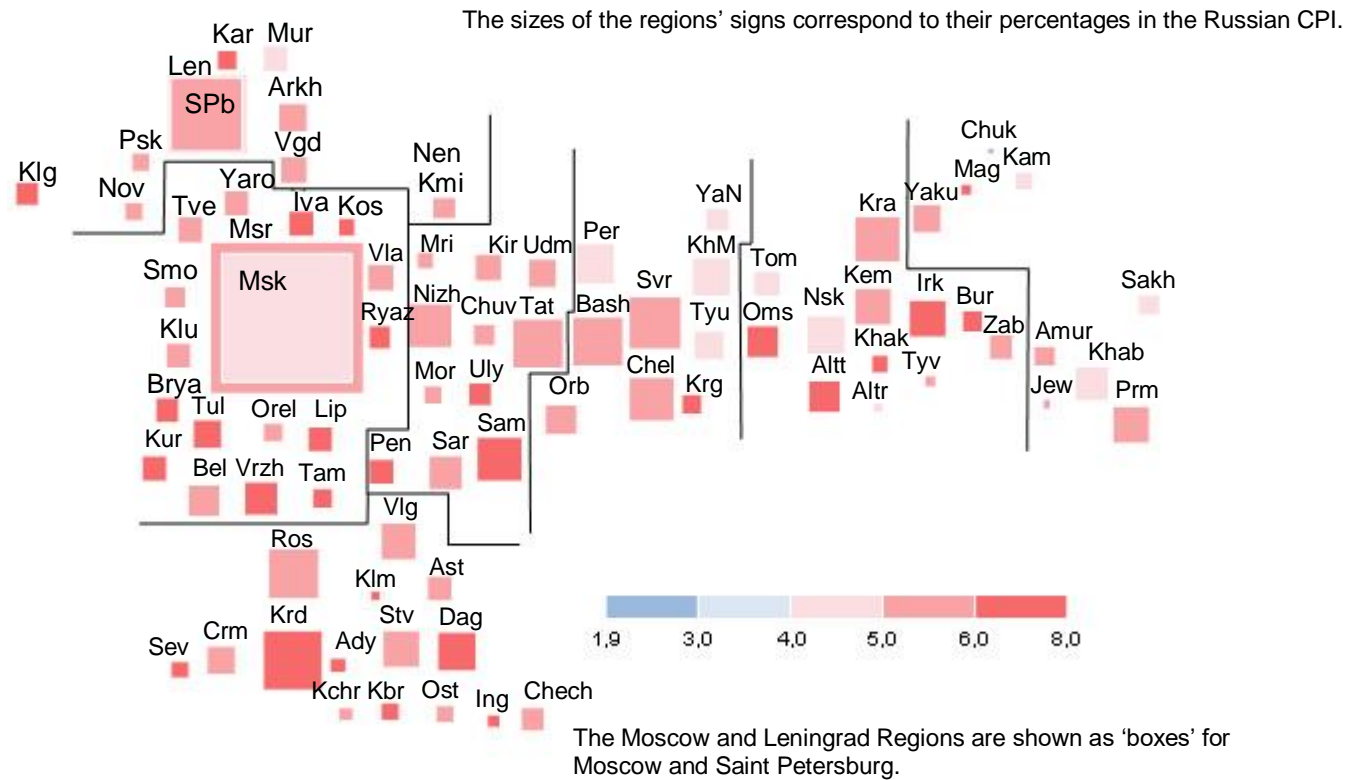
Sources: Bank of Russia's monitoring of businesses, Rosstat, calculations by the Bank of Russia Main Branches.

<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.



# INFLATION IN RUSSIAN REGIONS

Price growth in April 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 Adygea                               | Kos  | Kostroma Region                  | Sam   | Samara Region                              |
| Altt | Altai Territory                                  | Kra  | Krasnoyarsk Territory            | Sar   | Saratov Region                             |
| Altr | Altai Republic                                   | Krd  | Krasnodar Territory              | Sakh  | Sakhalin Region                            |
| Amu  | Amur Region                                      | Crn  | Republic of Crimea               | Svr   | Sverdlovsk Region                          |
| Arkh | Arkhangel'sk Region (excluding Autonomous Areas) | Kur  | Kursk Region                     | Sev   | Sevastopol                                 |
| Ast  | Astrakhan Region                                 | Krg  | Kurgan Region                    | Smo   | Smolensk Region                            |
| Bash | Republic of Bashkortostan                        | Kchr | Karachay-Cherkess Republic       | SPb   | Saint Petersburg                           |
| Bel  | Belgorod Region                                  | Len  | Leningrad Region                 | Stv   | Stavropol Territory                        |
| Brya | Bryansk Region                                   | Lip  | Lipetsk Region                   | Tam   | Tambov Region                              |
| Bur  | Republic of Buryatia                             | Mag  | Magadan Region                   | Tat   | Republic of Tatarstan                      |
| Vla  | Vladimir Region                                  | Mri  | Mari El Republic                 | Tve   | Tver Region                                |
| Vlg  | Volgograd Region                                 | Msr  | Moscow Region                    | Tom   | Tomsk Region                               |
| Vgd  | Vologda Region                                   | Mor  | Republic of Mordovia             | Tul   | Tula Region                                |
| Vrzh | Voronezh Region                                  | Msk  | Moscow                           | Tyv   | Republic of Tyva                           |
| Dag  | Republic of Dagestan                             | Mur  | Murmansk Region                  | Tyum  | Tyumen Region (excluding Autonomous Areas) |
| Jew  | Jewish Autonomous Region                         | Nen  | Nenets Autonomous Area           | Udm   | Udmurt Republic                            |
| Zab  | Zabaikalye Territory                             | Nizh | Nizhny Novgorod Region           | Uly   | Ulyanovsk Region                           |
| Iva  | Ivanovo Region                                   | Nov  | Novgorod Region                  | Khab  | Khabarovsk Territory                       |
| Ing  | Republic of Ingushetia                           | Nsk  | Novosibirsk Region               | Khak  | Republic of Khakassia                      |
| Irk  | Irkutsk Region                                   | Oms  | Omsk Region                      | KhM   | Khanty-Mansi Autonomous Area – Yugra       |
| Klm  | Republic of Kalmykia                             | Orb  | Orenburg Region                  | Chel  | Chelyabinsk Region                         |
| Klu  | Kaluga Region                                    | Orel | Orel Region                      | Chech | Chechen Republic                           |
| Kam  | Kamchatka Territory                              | Ost  | Republic of North Ossetia—Alania | Chuv  | Chuvash Republic                           |
| Kar  | Republic of Karelia                              | Pen  | Penza Region                     | Chuk  | Chukotka Autonomous Area                   |
| Kbr  | Kabardino-Balkar Republic                        | Per  | Perm Territory                   | Yaku  | Republic of Sakha (Yakutia)                |
| Kem  | Kemerovo Region – Kuzbass                        | Prm  | Primorye Territory               | YaN   | Yamalo-Nenets Autonomous Area              |
| Kir  | Kirov Region                                     | Psk  | Pskov Region                     | Yaro  | Yaroslavl Region                           |
| Klg  | Kaliningrad Region                               | Ros  | Rostov Region                    |       |  |
| Kmi  | Republic of Komi                                 | Ryaz | Ryazan Region                    |       |  |

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



In Central Russia, demand recovered and exceeded pre-pandemic levels amid growing wages and lending volumes. New retail venues started to operate. April's inflation slowdown was temporary. In May, inflation bounced back to March levels. Business activity was constrained by a shortage of qualified specialists and rising costs.

### CONSUMPTION AND INCOMES

According to statistics and surveys of companies, demand in most regions of Central Russia recovered in the first quarter and exceeded pre-pandemic levels. A quarter of trade companies in the macro-region expect a further improvement of the situation in the coming months.

The organised retail segment perceives positively the prospects for demand to expand, as evidenced by new trading venues opened in the Moscow Region and Vladimir after the halt recorded last year. The major Scandinavian retailer announced the opening of its first furniture store in the region, in Tula.

Amid restrictions on foreign tourism, the domestic travel sector developed extensively. In addition to Russia's Golden Ring cities, a number of towns such as Tarusa, Palekh and Murom are in demand among tourists. The town of Gorokhovets was included in the Gastronomic Route of Russia, giving rise to its catering sector.

Increasing real wages supported consumption. Moscow, the Belgorod, Voronezh and Kostroma Regions posted the largest growth in wages in manufacturing sectors. In April 2021, households with average and low incomes increased their consumption with credit support (according to surveys by inFOM).

### PRICES

In April, seasonally adjusted inflation in the macro-region fell more notably than across Russia in general, to 5%. Inflation slowed due

to a pick up in supply of fruit and vegetables as well as because the shift in demand from external to domestic tourism took time. Growing domestic tourism in May and persistent disruptions in the supply of raw materials and components in commodity markets brought inflation back to March levels (based on weekly data).

According to the monitoring of companies, businesses' price expectations in the macro-region continued to grow in May, especially in the retail and mining industries. More than a half of companies reported a potential increase in prices by more than 4%, mainly due to higher prices for raw materials. At the same time, an increasing number of companies associate the expected product price growth with government regulation (labelling, changes in tax legislation, etc).

### MONETARY CONDITIONS AND BANKING SECTOR

The pace of lending to businesses and households in Central Russia exceeded the country-wide averages, especially in the mortgage segment. According to the Bank of Russia's monitoring of companies, the share of enterprises that recorded deteriorated lending conditions exceeded the share of businesses that stated their improvement in April as opposed to March. State programmes supported the growth in new mortgage, although in some cities, such as Moscow and Yaroslavl, the preferential rate does not level out the increased housing prices any longer. In

April–May, banks reduced preferential mortgage rates amid competition for reliable borrowers in anticipation of the end of the state programme on 1 July 2021 and raised interest rates on other mortgage product in response to changing market conditions. Regional rate subsidy programmes (for example, those for employees of state and municipal institutions in the Belgorod Region) also helped cut preferential mortgage rates.

### FINANCIAL SECTOR

In early 2021, the growth of business activity resumed in the insurance sector. A significant inflow of premiums was recorded in accident and health insurance. There was a rise in demand for endowment life insurance products. According to surveys, more than 60% of households are willing to switch to a fully digital interaction with insurers, as a result companies were encouraged to invest extensively in programmes to enter into agreements and pay for them remotely.

Microfinance market participants reported expectations for growth in demand for household microloans in 2021, partly due to the levelled out price and non-price conditions between microcredits and banking products. In May, Moscow floated the first sub-federal issue in the green financing market. The proceeds are to be used to purchase electric buses and construct metro lines and stations.

### LABOUR MARKET

The labour market continued to recover in Central Russia. The unemployment rate is gradually bouncing back to pre-pandemic levels and remains the lowest among other macro-regions. At the same time, it is uneven across industries and regions.

About one tenth of businesses are planning to enlarge their staff, including industrial, transport and agricultural companies. According to the largest recruiting portal, April saw a rise in vacancies in the tourism sector. Against the backdrop of growing demand, retailers and caterers reported a shortage of qualified

personnel and launched their own training programmes. Kaluga pharmaceutical cluster recorded an acute shortage of staff with experience of working in biotechnology and virology. The financial sector was short of IT specialists, which led to high interregional competition for personnel due to the possibility of remote recruitment and work. For some consumer goods companies, low wages exacerbate the risk of staff outflow and higher labour costs.

### CONSUMER GOODS SECTOR

The consumer goods sector managed to maintain production volumes at pre-pandemic levels. Many companies shifted to the production of high-demand medical products and workwear. Moscow and the Ivanovo Region are among the top three in the nation in terms of sales of goods on online platforms. The largest companies in these regions expect a further increase in demand for their products. Manufacturers implemented new projects. Since the beginning of the year, the Moscow Region has launched a new diaper production facility and an investment project for fabric production. The State Tretyakov Gallery has implemented a joint project with a Russian accessories brand to produce textile products in Moscow.

## BANK OF RUSSIA NORTH-WESTERN MAIN BRANCH



Business activity in the macro-region continued to recover. The output of woodworking products and construction materials grew due to both consumer and investment demand. Among other things, the growth in consumer lending contributed to expansion in consumption. Pharmaceutical enterprises developed new product types. Businesses' price expectations strengthened mainly due to rising prices for raw materials and components.

### CONSUMPTION AND INCOMES

In March–April, consumer activity was recovering. In April, households in the macro-region made extensive purchases of new cars. By the end of the month, car sales increased by 9% compared to April 2019.

The services sector also saw revival. For instance, visits to beauty salons were up. The catering businesses' turnover increased. Saint Petersburg reported a larger number of new cafes and restaurants. It is also expected that about 1,200 terrace cafes and restaurants will operate in Saint Petersburg during the summer. This is twice as many as in 2019. The catering, hospitality and beauty industries saw an increasing number of vacancies.

At the same time, the budget segment grew more popular on the back of the restrained household income dynamics. In the macro-region, discount food chains were expanding.

### PRICES

In April, annual inflation in the North-Western macro-region fell to 5.2% compared to 5.4% in March. Its dynamics were mainly influenced by a high base effect and increased imports of certain vegetables and fruit. Seasonally adjusted monthly inflation also slowed in April. Businesses' price expectations strengthened in May. This was generally due to the higher costs of raw materials and components. According to a large egg producer, increased prices for raw materials for the production of animal feed, packaging and transportation may result in

higher prices for the company's products in the near future. At the same time, despite increased costs, a producer of greenhouse vegetables announced plans to cut product prices due to greater competition with suppliers from other regions.

### MONETARY CONDITIONS AND BANKING SECTOR

According to the Bank of Russia's May survey, the share of businesses that reported improved lending conditions increased slightly. Monetary conditions remained accommodative, thereby supporting the macro-region's economy. For instance, a leading Russian business souvenir company raised a loan and managed to resume the construction of Russia's largest industrial and warehouse cluster for promotional products in Saint Petersburg.

Regional programmes to support SMEs were developing. In the Kaliningrad Region, within the framework of the East programme, business representatives of the region's districts located away from the coast can raise up to ₹50 million at 1% for a period of 7 years, and agriculture companies – for a period of 10 years.

In April, consumer lending growth rates accelerated in the macro-region and in Russia generally. As reported by banks, households mainly received loans for housing repairs, purchases of cars and expensive household appliances, and vacations.

## WOODWORKING AND CONSTRUCTION MATERIALS

The macro-region reported increased business activity among woodworking companies. According to a sawn timber producer in the Novgorod Region, demand from foreign wood processors expanded due to the planned introduction of restrictions on roundwood exports from Russia in 2022.

At the same time, three large companies in the regional timber industry complex are planning to make investments in order to shift production to advanced timber products.

The output of construction materials rose, while large manufacturers continued to modernise production as the macro-region implemented large-scale projects in the construction sector. The unique production of new type hollow bricks was launched. Such bricks will reduce the expenses on additional works and materials in multistorey construction. Additionally, the previously obtained European certificate for aerated concrete helped the company expand its range of exported construction materials.

## PHARMACEUTICAL SECTOR

In the macro-region, the April volume of pharmaceutical sector output increased by 11% YoY. The growth of output in the industry was mainly driven by the production of Covid-19 vaccines and their components as well as antiviral medicines. The macro-region's largest manufacturer produced the Sputnik V vaccine on a continuous production cycle. An enterprise in the Leningrad Region has completed the development of artificial antibodies for the treatment and prevention of Covid-19, which

will serve as the basis for the creation of the first completely Russian-made Covid-19 medicine. The enterprises in the Saint Petersburg pharmaceutical cluster have started the production of test systems for antibodies to Covid-19.

In late April, Saint Petersburg reported the launch of serial production of the world's first combined test systems which allow detecting four diseases at a time.

## FISHERY

In the macro-region, which ranks second in Russia after the Far East in terms of fish catch, the catch in the Northern Basin in May was slightly below the levels of 2020. According to reports on the main fish types, the catch of cod increased, and the catch of haddock decreased due to unfavourable weather conditions in the fishing areas. A significant proportion of cod and haddock were exported, particularly to China. In the Kaliningrad Region, the catch growth was mainly attributed to the Baltic sprat. A large fishing company is expecting higher demand and planning to build several fishing vessels. In April, the company already launched production on a new lead processor trawler (the vessel's equipment allows the production of fillets, fish-meal, canned fish, and fish oil without entering port).

The North-West remained the leader in trout farming in Russia, while its production increased compared to 2020 Q1. The production of new types of aquaculture, such as shrimp and sturgeon, was also extensively developed in the Leningrad Region.

## BANK OF RUSSIA VOLGA-VYATKA MAIN BRANCH



The business activity of Volga-Vyatka companies continued to grow. The business revenue dynamics have improved significantly: about half of the surveyed businesses reported growth in March compared to the same month in 2020 and 2019. Growth in industrial production outpaced the national level, being facilitated by a pick up in demand for the products of regional carmakers. In April, high-frequency indicators evidenced the continued growth of the macro-region's economy. According to the survey, in May, businesses remained positive about the expected changes in the market situation.

### CONSUMPTION AND INCOMES

In March, retail sales in the macro-region increased slightly and were at the level of March 2019. At the same time, in April, retail significantly improved three-month ahead expectations for demand and sales. High-frequency indicators also showed higher demand in April, though recording a slight slowdown in the first weeks of May. One of the regional travel agencies reported that most customers rebooked their overseas tours for later dates.

In late April–early May, elevated demand was recorded for the services of health and holiday centres, many of which had already been booked through the end of summer. Cold weather during the May holidays in some regions led to the growth of traffic in shopping centres, catering and leisure venues.

### PRICES

In April, seasonally adjusted price growth slowed; however, in annualised terms, it continued to exceed 4%. Prices for construction materials and furniture, too, continued to rise due to pressure from global prices and domestic demand: construction stores in some regions reported that the flow of customers exceeded the 2019 levels. At the same time, the rise in fuel prices slowed significantly, and businesses began to mention it among reasons for expected increases in prices less frequently.

However, retailers' price expectations remained generally high in May.

### MONETARY CONDITIONS AND BANKING SECTOR

After its decrease in January–February, the volume of loans issued to businesses in March increased significantly and reached pre-pandemic levels, exceeding the average level of 2019 by more than 25%. According to banks' expectations in the second quarter, the demand for loans is going to grow both among large borrowers and small- and medium-sized enterprises. At the same time, high-frequency data from company surveys suggested deteriorated lending conditions in May.

The slowdown in retail lending observed at the beginning of the year was replaced by a pick-up in borrowings both in consumer and mortgage segments. The accelerated mortgage lending was facilitated by the expected completion of the subsidised lending programme. Banks also reported planned growth in demand for consumer loans in the second quarter, despite some tightening of their lending conditions.

### AUTOMOBILE INDUSTRY

In April, regional automobile manufacturers continued to increase output reaching their highest production levels since 2014.

In contrast to January–February, the March–April growth in industrial output was largely due

to production oriented towards investment demand. For example, a regional minibus manufacturer reported high demand from both large and small businesses. Amid significant sales growth, the company decided to launch additional production lines and hire more than 200 new workers.

Commenting on the increased demand, the leading truck manufacturer has stated that the company entered into sale contracts in April–May, with the vehicles to be delivered to customers only in September. Therefore, the manufacturer has repeatedly sped up assembling works since the beginning of 2021. Nevertheless, the company noted that any further increase in output is difficult without additional labour resources. In this regard, the company resumed hiring new personnel for the first time in several years.

Car manufacturers, which were primarily focused on consumer demand, also maintained higher output levels. According to the April results, the largest regional car manufacturer posted the highest sales volumes over the past seven years (seasonally adjusted). At the same time, the company's production was restrained in April due to shortages in component supplies, which suspended the production of the most popular car model for several days. One of the company's car plants was going to increase the production plan, but due to the lack of foreign components the output increase was postponed to a later date.

### **MANUFACTURE OF FURNITURE**

In March–April, a significant increase in furniture production was observed in the macro-

region. As a result, it reached the highest level since 2015. Businesses reported improvement in their own financial position while indicating an insufficient level of product inventories. The increased output was associated, among other things, with the development of industrial clusters in certain regions, which had emerged with the support of regional authorities a year earlier and had already led to the opening of new plants. A large furniture factory also reported an increase in export volumes compared to 2019 and 2020, partly due to the weakening of the exchange rate.

Regional companies mention the shortage of wood-based panels among the factors constraining the expansion of production. The lack of these materials, among other things, often leads to untimely delivery of goods to end buyers and an increase in penalty costs. At the same time, some manufacturers reported that the product delivery time began to gradually decrease.

### **AGRICULTURE**

In April–May, the sowing campaign took place in all regions of the Volga-Vyatka macro-region. Farmers assessed the weather conditions as generally favourable, although some regions mentioned risks for the future harvest associated with abnormally warm weather, which may affect the extent of the spread of pests and the germination of plants.

In most regions, the sown areas have slightly increased compared to the previous year. In many regions, the area sown with sugar beet has increased, which will help stabilise future sugar prices.

## BANK OF RUSSIA SOUTHERN MAIN BRANCH



The economic situation in the macro-region continued to improve. Recovering consumer activity contributed to the development of new sales formats. At the same time, the level of business price expectations remained elevated, partly due to high global prices. Government support helped improve the expectations of agricultural enterprises and increased investment activity in the industry. Amid continued demand for real estate, mortgages remained the main driver of retail lending growth.

### CONSUMPTION AND INCOMES

Consumer activity in the macro-region was recovering at a faster pace than generally in Russia under the influence of an increased tourist flow and more extensive household spending on furniture and construction materials amid increased demand for housing. A new format of neighbourhood stores for construction material with a wide range of goods has been launched in the Krasnodar Territory.

A large federal retailer is holding events to open retail chain stores in the Republic of Daghestan. Such measures are expected to help expand the supply of food and non-food products, align supply chains and create about 2,000 jobs in the region. The opening of the first store is scheduled for July 2021.

### PRICES

In April, annual inflation fell to 6.1% in the macro-region. Along with the effect of the high base in the previous year, the growth in inflation was restrained by the recovery of the poultry stock and by measures of indirect administrative price regulation. For instance, the Astrakhan Region ensured the sale of chicken eggs directly from poultry farms to households at lower prices at markets and fairs, and an agreement was concluded with federal retail chains on the sale of products with a minimum mark-up.

Inflation remained above the average levels across Russia due to the higher share of food in the consumer basket and the growing popularity of southern resorts. The cost of accommodation on the Black Sea coast increased by 10–15% in low-star hotels and by 50–70% in 4–5 star hotels compared to 2019. Amid high global demand for raw materials, the cost of non-food products grew. In the Volgograd Region, a manufacturer of concrete and metal structures designed to install fences and gates for households reported an increase in prices for its goods due a 45% rise in prices for rolled metal products. As it was not possible to completely pass the increased costs for raw materials into prices, the profitability margin of this enterprise edged down.

Due to rising costs for raw materials, components and services, businesses expect further price increases, mainly in construction and industrial production.

### MONETARY CONDITIONS AND BANKING SECTOR

In March, compared to the previous month, there was a slight decline in the corporate loan portfolio, which was associated both with persistently tough requirements for the financial position of large customers and with the repayment of debts by agriculture, transport and wind energy enterprises in certain regions. At the same time, the growth of lending to SMEs continued (slightly slowing down) in monthly



terms, partly due to the launch of a subsidised lending programme for the revival of business activity at 3% per annum.

In April, the monthly growth rates of the retail portfolio remained at the level of the previous month, exceeding 2%. This was mainly driven by mortgages, which grew at an accelerated pace. Amid expectations of an increase in interest rates by banks, households started to purchase real estate more extensively using money received as part of previously approved loan applications. Monthly consumer lending growth slowed slightly, remaining the highest since May 2020.

### HOUSING CONSTRUCTION

Demand in the housing market is not falling despite the continuing rise in prices. The greatest increase in real estate prices remained in the coastal cities of Crimea and the Krasnodar Territory. According to analysts, the price per square metre in some districts of Sochi exceeded the average price for new business-class buildings in Moscow.

Businesses in the Krasnodar Territory stated that, in addition to high demand, price dynamics developed under the influence of tougher requirements for obtaining permits for housing construction, increased costs as well as banks' revision of interest rates for construction companies. Moreover, a large developer announced the cancellation of previous incentives and preferential programmes for students and construction company employees.

### FOOD INDUSTRY

The industry's major companies reported a difficult economic situation due to increased costs for containers (packaging) and raw materials (milk, flour, fat, and sugar) compared to the beginning of the year.

According to estimates, the rise in sugar prices after the end of measures recommended by the Russian Government will be restrained by subsidies to producers who have not raised their selling prices.

In general, the enterprises of the macro-region expect to see improvements for demand and sales and are planning to raise prices to maintain current production levels influenced by cost-side pressures.

A large producer of canned vegetables and fish has started using international electronic trading venues, while developing new production lines.

### AGRICULTURE

The spring sowing campaign is being completed in the Southern macro-region. Heavy rainfall ensures positive crop forecasts. The condition of winter crops is assessed as good and satisfactory, and shifts in the timing of spring sowing do not pose significant risks.

Increase in domestic demand kept grain prices higher than last year, but their growth rates continued to slow under the influence of the export quota.

Greenhouse output continued to grow. For instance, the annual production of vegetables increased by almost a third in the Stavropol Territory. A large agriculture holding plans to commission four more greenhouse complexes this year.

After local outbreaks of bird flu, poultry farming is recovering: the two largest poultry farms in the Rostov Region resumed their operation. New projects are also being implemented: in the Republic of Ingushetia, a construction project for a poultry complex involving the production and advanced processing of turkey meat has reached its final stage, the products will be sold in federal and regional networks and exported.

## BANK OF RUSSIA URAL MAIN BRANCH



In April–May, the recovery in the economy of the macro-region was largely due to increased external demand and a favourable situation in global commodity markets. Current estimates of output and demand dynamics have notably improved. However, due to the increase in costs, price expectations have grown significantly, and the estimates of demand outlook have worsened. In the retail sector, sales growth was recorded in the automotive market, non-food retail chains and online shops. The tourism and passenger transport services continued to recover. Consumer and mortgage lending showed an accelerated growth rate.

### CONSUMPTION AND INCOMES

In May, the consumer activity dynamics were affected by additional non-work days. They led to an outflow of buyers in the first half of the month and were levelled out by its growth in the second. As in April, growth was registered in non-food sales by chain stores. At the same time, retailers reported that this was largely due to the realisation of last year's pent-up seasonal demand year (cars, auto components and summer tires, goods for gardening, suburban construction, recreation, clothing, sports and children's shoes, perfumes and cosmetics) and to the shift in households' preferences towards products and goods in a lower price segment. Shopping centre traffic has almost bounced back to its pre-pandemic levels, but most retailers noted that their current revenue levels were lower. Retailers' expectations were in line with current estimates of a slowly recovering turnover.

After the restrictions were lifted, some consumers, having evaluated the new services for the delivery of groceries and ready-made food, continued to use them extensively. In April, many regions of the Urals launched a new federal (third in a row) service of fast courier delivery of products.

As reported by cafes and restaurants, a change in customer preferences in favour of small family celebrations helped comply with occupancy restrictions but reduced revenue.

According to travel agencies, effective restrictions on travels to Turkey led to a sharp pick-up in demand for recreation on the Black Sea coast in local health centres and boarding houses.

The dynamics of wages were generally positive yet uneven. Accelerated growth was recorded in industrial production, trade, transport, cultural services, sports, and the entertainment sector. In construction, agriculture, woodworking, storage, and housing, this was due, among other things, to a shortage of migrant labour. Growth in wages in public administration and the financial sector has slowed.

### PRICES

In April, inflation in the Urals fell to 5.0% mainly due to the base effect associated with increased demand for certain goods a year ago when restrictions were introduced. At the same time, producers' and suppliers' cost-side pressures continue to weigh heavily on inflation, leading to the growth of core inflation. Further increases in prices for basic food products may be limited by the effect of the sectoral agreements concluded to contain price rises (in particular, between regional producers of poultry and eggs). To limit price rises, part of the costs of flour mills and baked goods producers will be subsidised from government budgets this summer.

Automotive component companies reported disrupted component deliveries from China,

difficulties in finding domestic suppliers and higher prices for the metal. The acceleration in the rise of car prices began to affect the used car market and the car tire segment.

Amid growing demand among customers for domestic tourism, upcoming price increases were reported by health and holiday resorts.

### **MONETARY CONDITIONS AND BANKING SECTOR**

In April, the consumer lending growth rate accelerated despite increased interest rates. Considering the Bank of Russia's decision to return the pre-crisis risk-weight add-ons for new loans, banks are striving to attract as many new customers as possible, reducing the requirements for borrower assessment. In the corporate lending segment, positive dynamics were only observed in certain sectors (the food industry, production of construction materials, real estate and rental services), while enterprises reported a deterioration in borrowing conditions. According to banks, the growth in the cost of loans continued to be constrained by the competition for high-quality borrowers.

### **METALLURGY AND METALWORKING**

In May, prices rose again in the metal products market. Elevated prices may persist until late 2021 since construction companies and dealers have already formed their inventories for the summer season. Small metalworking companies reported that it was impossible to purchase raw materials from large manufacturers due to the high volumes of minimum purchase lots.

In Q1, a metallurgical plant reported an increase by a factor of 1.5–2 in the sales of multi-strand and polymer-coated ropes. The products were sold to domestic businesses in the mining and metallurgical industries. Growing exports were also reported for the following products: wire rods, fittings and spring wire for furniture.

Another large enterprise resumed supplies of alloy steel to Germany (for the first time in five years) and signed the first direct contract with

Uzbekistan for the supply of pipes for oil drilling rigs.

### **WOODWORKING AND FURNITURE MANUFACTURING**

Rising wood prices, by 30–40%, were mainly caused by the drop in production in 2020 due to the pandemic. Many logging companies saw their forest management documents expire. Moreover, their terminated lease agreements led to the decommissioning of forest areas.

Components made of wood were in great domestic demand among both large Russian furniture companies, manufacturers of doors and wooden houses and foreign companies, the latter cooperating with many leading manufacturers. Given the above, a number of furniture companies reported that the cost of particleboard and MDF board increased 2–2.5 times over the year. In the spring of 2020, Russia closed two plants for their production, and the lack of these components in the market has not yet been overcome.

## BANK OF RUSSIA SIBERIAN MAIN BRANCH



In April–May 2021, business activity in Siberia recovered: the demand and prices for the main goods of Siberian industry (including coal, metals, and timber), their production and sales volumes continued to grow. Electricity consumption, an indicator of business activity, consistently exceeded the levels of the relatively favourable 2019. The economic dynamics were supported by an increase in the volume of construction works, including the commissioning of housing. Consumer activity in April–May bounced back to its pre-pandemic levels. This was due to the lifting of restrictions and the vaccination campaign as well as the gradual transition of households to a consumer model of behaviour.

### CONSUMPTION AND INCOMES

Consumer activity continued to recover. Improvement in the epidemic situation was a good driver of the services sector. There were no vacant seats in public catering enterprises even on weekdays. Concert venues reported an increase in their occupancy rate. Restrictions on foreign tourism increased interest in high-quality tours to Altai and Baikal. Lack of 3–5 star hotels (demand is growing particularly for them) was a constraining factor.

In April, food sales bounced back to pre-pandemic levels. At the same time, demand shifted towards less expensive items, such as for discounted and inexpensive own-brand products.

Sellers of non-food goods (clothes, electrical appliances, and smartphones) reported that consumers had already fully satisfied the pent-up demand. Only construction materials as well as some computer components remained in high demand.

### PRICES

Annual inflation slowed in April due to food products and services. Chicken and egg prices stabilised. State support to millers helped slow growth in prices for flour and pasta.

Amid rising world prices for ferrous metals and timber, three-month ahead price expectations picked up. Given a limited supply, agriculture producers reported an increase in prices for

seeds, car dealers recorded higher prices for cars, car repair companies noted a rise in prices for spare parts. The demand for car components grew, among other things, due to travel by road becoming an increasingly popular type of holiday.

### MONETARY CONDITIONS AND BANKING SECTOR

The corporate lending dynamics remained moderate in March. In the SME segment, growth was ensured by state support programmes. Given intense competition for reliable borrowers, credit institutions developed new credit products. For instance, it was for the first time that a developer was granted a bridge loan to purchase a land plot (a loan to finance pre-project works).

Low retail rates contributed to the consumer lending growth. Half of new cars and a quarter of household appliances were purchased on credit. Demand for mortgages is associated with the possible end of subsidised government programmes and/or a possible change in their conditions.

The stagnation of deposits observed in recent months reversed to their growth in April.

### COAL MINING

Siberian coal mining companies reported high demand, a continued favourable price environment, and growing production and

sales. Since early 2021, businesses have been earning profits after the losses of 2020. Some companies are planning to increase their staff numbers and wages (up to 10%).

An anthracite producer reported that the growth of long-term and direct contracts was determined, among other things, by the launch of new products.

A large producer of metallurgical and steam coal stated that rising indicators made it possible to obtain loans to finance investments, including projects related to reducing its environmental impact.

Another major coal mining company increased production and financial performance and thus managed to restructure its entire loan portfolio, having even convinced foreign banks operating under the Paris Climate Agreement. Lenders have maintained levels of interest rates.

Coal companies do not rule out a downward adjustment in demand and prices, but continue to hope for the best and plan to increase production and investment.

## **METALLURGY**

Siberian metallurgy companies reported a favourable situation, an upward price trend, high capacity utilisation, and expansion of investment plans focused on the environment.

The companies of the largest aluminium holding recorded growing demand and increased sales as well as reduced metal stocks (below the optimal level). Siberian aluminium businesses believe that a further increase in demand for metal may lead to its deficit and are preparing to increase their share of the global market by offering innovative products that meet all environmental requirements. In April, one of the Siberian divisions of the holding began test deliveries of a new product, aluminium with the world's lowest (practically zero) carbon footprint. The holding's new investment project implies the large-scale environmental modernisation of Siberian factories involving loans and state guarantees.

Another producer of non-ferrous and platinum group metals (PGMs) reported full recovery of

production at one of two flooded mines. The second mine is to resume operations in June and the concentrator, by October 2021. The company said that the technology-related factors have already influenced the production of non-ferrous metals, which is associated with a short production cycle. PGM production has not yet suffered, but the company's plans for 2021 have been adjusted downwards by 15–20% compared to the pre-emergency scenario for all metals, including PGMs.

## **RAIL CAR MANUFACTURING**

Last year, Siberian rail car building has shown one of the worst results among manufacturing industries.

A major Siberian company in the industry reported that the situation in the industry was influenced by a decrease in demand for rail cars (a drop in freight traffic) and an exponential increase in costs as metal prices reached their ten-year highs. During the survey, the manufacturer estimated the capacity utilisation at only 60% and expressed concerns about its development. The company sees the way out of the difficult situation in the expansion of its model range, entering new sales markets, and prolonging of subsidy mechanisms. Another Siberian manufacturer is optimistic about the growth of East-West freight transit (by 10–15% per year) and plans to expand the production of containers (by 2.5 times) and to arrange for the repair of rail cars.

## BANK OF RUSSIA FAR EASTERN MAIN BRANCH



In April–May, the economy of the Far Eastern macro-region continued to bounce back. An increasing number of companies reported a recovery in revenues to pre-pandemic levels. External demand growth contributed to increased production of gas, coal, and diamonds. The development of production facilities made it possible to increase the volume of fish processing and expand the range of product sales. The rise in sea freight rates to European ports led to a reorientation of the supply of goods from China to Europe by rail through the ports of the Far East, thereby increasing their cargo turnover despite its overall national reduction. At the same time, enterprises recorded the negative impact of rising input prices for raw materials and supplies.

### CONSUMPTION AND INCOMES

The annual growth in retail turnover in March exceeded the country-wide readings. In April–May, compared to March, consumer activity continued to grow; however, fewer retailers reported higher demand and sales. Retailers mentioned an increased demand for construction and renovation goods. However, households still demonstrated propensity to save. Consumption was supported by the opening of weekend fairs in a number of regions, where agricultural producers sold their products directly to households.

The consumption of services was recovering unevenly: businesses recorded a decrease in demand for hairdresser's services, housing repair services, and an increase in demand for medical services. Travel companies reported an increasing number of bookings for the summer season in the Primorye Territory in May as well as higher demand for Russia's southern destinations; these changes were facilitated by new direct flights from Khabarovsk to Simferopol, Sochi, and Krasnodar.

The recovery in consumer demand was supported by growth in real wages, which was nevertheless slightly lower than in Russia overall.

### PRICES

The seasonally adjusted monthly price increase sped up in April. A significant contribution was made by the dynamics of food prices, especially for meat products, due to the increased costs for producers of sausages and chicken. Annual inflation slowed and remained below the country-wide level for the fourth month in a row. Businesses' price expectations decreased slightly in May due to the weakening of the influence of the exchange rate and the cost of fuels and lubricants. At the same time, prices for raw materials and components continued to grow. A large instrument-making enterprise stated that its Ural suppliers increased the cost of metal by a third and tightened payment terms in April. Furniture factories reported an increase in costs due to higher supplier prices amid rising global prices for timber.

### MONETARY CONDITIONS AND BANKING SECTOR

In March–April, given expectations of higher interest rates, households maintained an increased demand for loans. In early May, due to the lack of supply in the primary housing market, the share of Far Eastern Mortgage in the volume of new mortgage loans decreased more than twofold compared to the previous year. According to the developers, most of the

suitable properties are purchased at the zero construction cycle.

As most of the state-supported programmes completed, the growth of outstanding SME loans slowed. Banks reported subdued demand for the 3% preferential lending programme since this programme provided for a mandatory return of funds in the short term as well as a limited list of industries, where companies could apply for loans under this programme.

### **MINING AND QUARRYING**

In March, the volume of extraction of resources decreased compared to the level of the previous two years due to the continuing decline in oil production. In April, an oil pipeline construction project was approved in the northern part of Sakhalin Island. The pipeline is supposed to be in demand when oil production resumes at suspended wells.

Gas production grew due to increased demand from China thanks to China's policy of switching to environmentally friendly energy sources. Strong demand from the Asia-Pacific countries and the recovery of world steel production contributed to the growth of coal exports, which were also supported by an increase in the capacity of certain sections of the railway and the development of port and production facilities. In April, the largest diamond mining company reported a contraction in its raw material stock amid strong global demand for jewellery, sales of which exceeded the levels of the previous two years. Prices for jewellery bounced back to pre-pandemic levels.

### **FREIGHT**

Over the four months of 2021, compared to 2019, an increase in the turnover of the seaports of the Far Eastern basin was noted due to the higher volume of the transshipment of dry cargo ships, while the overall cargo turnover across the country decreased due to lower supplies of oil and oil products. The growth in the cargo turnover of the Far Eastern ports was associated, among other things, with the reorientation of cargo flows from China to

Europe by rail due to increased sea freight rates. In turn, this has led to a rise in demand for road and rail transportation services. In May, the overloading of the ports of the Primorye Territory resulted in delayed deliveries of imported cargo. The ports accepted cargo to be exported in sealed containers and refused to accept cargo if additional work was required.

As supply chains recovered, the container shipping costs slowly began to decline. Importers, who had previously expected a decrease in the cost of freight, began to deliver goods at high rates.

### **FISHING AND FISH PROCESSING**

Despite the difficulties in organising the fishing and further selling of fish products, after the pollack fishing was completed in April, the catch volume lagging behind last year's level was twice as less as was expected in February–March.

The fishing industry was supported by an increase in demand from the EU countries for fish fillets due to a decrease in the supply of second-frozen products from China due to a lack of fish. As a result, May wholesale prices for pollack were higher than those in March but lower compared to April. Prices for fillets increased compared to last year's readings. However, this could not compensate enterprises for the high costs of freight to Europe for which rates rose threefold.

## BOX 1. BUSINESS ACTIVITY OF SMALL- AND MEDIUM-SIZED ENTERPRISES

In 2020, the Russian economy developed under the influence of a significant external shock associated with Covid-19 pandemic. The services sector has suffered the most, with its high proportion of SMEs, being especially vulnerable to changing macroeconomic conditions. The deterioration of the economic position of SMEs due to social distancing measures and other restrictions was temporary, and as early as the beginning of 2021 there was a shift to a recovery in business activity. This was facilitated by measures taken by the Government and the Bank of Russia aimed at supporting SMEs and creating comfortable lending conditions. The revival of activity and the return to the usual operation of SMEs is uneven across industries and regions. Simultaneously, in a number of sectors, challenges from the pandemic have already created new opportunities and boosted growth in the production and investment activity of small- and medium-sized enterprises.

The Covid-19 pandemic has affected the activities of almost all sectors of the Russian economy. In most of them, the introduction of temporary restrictions on the operation of enterprises in the spring of 2020 as well as social distancing measures led to a decrease in business activity. The most affected sectors are, among others, the services sector, transportation, and trade – industries with a high share of SMEs and individual entrepreneurs in their structure.

**The high concentration of SMEs and individual entrepreneurs in the affected industries as well as the overall vulnerability of the SME sector to external shocks led to a temporary but significant deterioration in its economic situation.** This was evidenced by the majority of participants in the monitoring of enterprises conducted by the Bank of Russia. As a result, in 2020 (according to the Federal Tax Service of Russia), the number of active SMEs decreased more than in previous years, by 3.9% (in 2019, by 2.1%).

**At the same time, the number of employees of SMEs in 2020 increased by 1.1%, thereby**

**breaking the trend of recent years (in 2019, it decreased by 3.5%; in 2018, by 1.4%).** The increase in employment in the SME sector, given decline in the number of operating companies, on the one hand, is the result of the Federal Tax Service of Russia's campaign against one-day firms. On the other hand, this was facilitated by government support measures, which were especially actively implemented in 2020 in connection with the Covid-19 pandemic.<sup>3</sup>

**These measures were able not only to absorb the shock at the peak of the crisis but also to support the recovery of the sector after the removal of most of the restrictions.** Therefore, in January–April 2021, according to the Federal Tax Service of Russia, the number of employees in small- and medium-sized businesses increased by 0.7% year-on-year (Table). According to the Bank of Russia's high-frequency surveys, almost half of the respondents in the SME sector managed to recoup the decline in production that took place in 2020. Another third of enterprises expect to do this in the second half of 2021 – early 2022.

<sup>3</sup> The most significant SME support measures implemented by the Government and the Bank of Russia include a moratorium on bankruptcy and tax audits, deferral of taxes and rent payments, co-

financing of employment support, credit payment holidays, expansion of the programme for refinancing loans to small businesses and the easing of its conditions.



At the same time, SMEs and individual entrepreneurs are more optimistic about the prospects for further production growth in 2021 than large enterprises.

In the Urals regions, the gradual recovery of the level of production in early 2021 is associated with **the effect of households' pent-up demand**. Enterprises in the southern regions point to the significant role of **local factors** (good harvest, increased tourist flow to the region). The Siberian macro-region notes that **the pandemic has opened a 'window of opportunity' for some projects**. The increase in the cost of imports and the limited opportunities to do so given the lockdowns enforced in a number of trading-partner countries, the reduction of competition in the domestic market as well as the expansion of state support allowed enterprises to implement existing and new plans. In particular, many new public catering outlets have appeared, and the field of individual housing construction is actively developing. According to entrepreneurs, due to the increase in the volume of online trade, there is no need for further expansion of the retail network. SMEs and individual entrepreneurs in the Far East note that even during the pandemic the number of transport companies engaged in cargo transportation edged up significantly and continue to increase (2020: +13.8%, 2021: +6.9%). This may be due to a noticeable increase in the cost of transportation and increased congestion on the Far Eastern Railway. As a result, not only fish, vegetables, fruit but also building materials and metal structures began to be delivered by trucks and trailers.

One of the main constraints for the recovery of business activity of SMEs in all macro-regions is the **persistent cost-sides pressures on prices** for reasons, including the rise in the cost of raw materials, other materials, components and fuel. Another important factor is **the**

**shortage of workers**. This is indicated by SMEs and individual entrepreneurs in the North-West, the Urals, Siberia, the Far East and Central Russia. In Siberia, the shortage of personnel affected construction, agriculture and even trade and public catering enterprises, which note that the pandemic has further aggravated the existing problem with personnel. In a number of industries, despite the reduction in the volume of work, entrepreneurs are trying to keep the number of employees at the level of previous years since it is quite difficult to find qualified personnel in the regional labour market. Finally, the expansion of SME economic activity is being held **back by weak demand for goods and services**. This is indicated by representatives of the SME sector of the Urals, Siberia and the Far East. Thus, in the Primorye Territory, the number of hairdresser's and beauty salons in 2020 decreased by 16%, and in four months of 2021, by another 7.7%. One of the representatives of the business notes that if in 2020 the attendance of their beauty salon was low due to the cautious behaviour of customers because of the epidemic, then in 2021, for economic reasons. The uneven effect of the factors that stimulate and restrain the economic activity of SMEs and individual entrepreneurs is manifested not only in the regional but also in the sectoral context.

### SERVICES SECTOR

**In the services sector, which has been most severely affected by the introduction of social distancing measures, there is a strong recovery in activity and an improvement in expectations in the SME sector in early 2021.** Representatives of the hotel business of the Khabarovsk Territory expect an increase in demand for their services in the summer, which is associated with the increase in direct flights to the European part of the country<sup>4</sup> and the restoration of railway

<sup>4</sup> The region acts as a passenger transport hub for visitors from neighbouring regions (the Jewish

Autonomous Region, Amur Region), who often use the services of hotels. A significant share of the

passenger traffic. SMEs and individual entrepreneurs in Siberia point out that closed borders and rising domestic tourism should ensure demand for entertainment services in the region, even in the typically 'dead' summer season. These factors also contribute to the growth of demand for the services of enterprises that repair apartments, sew curtains and manufacture and repair furniture, where orders are scheduled for several months in advance.

Public catering companies that have survived the pandemic are looking for new forms of customer service. SMEs and individual entrepreneurs in Siberia note that the highest business performance is observed among those who managed to develop 'takeaway' sales areas during the pandemic. Having increased the number of loyal customers during the pandemic and after the lifting of restrictions, these enterprises report high attendance rates.

**However, as the enterprises of the majority of macro-regions note, the volume of services rendered has not yet reached the pre-pandemic level. This is largely due to the continuing restrictions on the operation of hotels and restaurants in many regions as well as those on holding mass events.** Many public catering enterprises in Siberia still do not work at full capacity (for example, they provide only banquet services). According to representatives of the public catering sector of the Samara region, restaurants and cafes have not yet reached pre-crisis volumes of operation either. The main obstacles to the restoration of Tatarstan's public catering enterprises are persistent restrictions on working at night, the additional costs of ensuring compliance with sanitary and epidemiological requirements as well as incomplete recovery of demand from the residents of, and visitors to, the republic.

For hoteliers in Sakhalin, room occupancy is a problem. During the period of the most severe restrictive measures in 2020, they served as

observation facilities for shift workers. After the cancellation of the requirement to get through the observation for those arriving in the region, the demand for hotel services fell, and the reduced tourist flow does not allow a return to pre-Covid levels. The occupancy of hotels in the Samara region also remains insufficient, which is explained, among other things, by the impossibility of inviting foreign specialists who previously regularly came to the large industrial enterprises in the region.

Representatives of SMEs in Siberia note that the decrease in trade turnover with China due to the current epidemic restrictions enacted at the border by the Chinese authorities has led to a reduction in demand for the services of private motor road carriers and, as a result, a decrease in the need for servicing line-haul trucks. Specialised companies in this business segment have almost halted their activities and believe that it will be impossible to return to the pre-Covid volume of services until at least 2022.

## TRADE

**In trade, in contrast to the services sector, the situation is significantly more favourable. In a significant part of the regions, the turnover of SME companies not only recovered to the pre-pandemic level but already exceeded it.** The demand is higher than it was before the outbreak of the pandemic according to the enterprises in the Siberian macro-region in the field of domestic software sales. One of the reasons for this, according to market participants, is the transition of Russian enterprises to domestic software. As reported by the entrepreneurs of Chukotka, the growth of demand in the food trade motivates them to expand their retail spaces. In the Rostov Region, after the closing of pop-up markets, the authorities suggested that more than 10,000 entrepreneurs occupy official trading platforms.

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demand for hotel services is also formed by aircraft crews.

**At the same time, some local restrictions still hinder the recovery of business activity in trade.** For instance, representatives of a shopping centre in the Penza Region report an increase in the cost of repair work due to a shortage of labour in CIS countries, an increase in prices for construction materials as well as problems with logistics. According to a number of representatives of the Siberian SME sector, decline in the number of SMEs and business activity in this segment observed in several regions is not so much due to the pandemic and the transfer of sales to an online format but rather to the expansion of retail chains, including regional ones.

## CONSTRUCTION

**Construction activities, in contrast to the services and trade sectors, were less affected by restrictions on social activity and by a decrease in households' incomes. On the contrary, preferential mortgage lending programmes have significantly supported the demand for housing.** Representatives of the construction business in Primorye state that active housing construction in the region also contributed to the growth in the sale of construction materials. In the Jewish Autonomous Region, manufacturers of furniture and metal structures announced the conclusion of new contracts, which will increase output.

**At the same time, increased costs pose a significant threat to the sustainability of the SME segment in construction.** This is mentioned by the enterprises of the North-West, the Urals, Siberia and the Far East. Builders in the Magadan Region, who currently have obligations under government contracts for an insignificant level of readiness of the object (less than 10%), express their concerns about its proper completion due to the increased costs compared to the estimated ones. Their colleagues from the Jewish Autonomous Region point to the increased prices for spare parts for construction equipment and for the equipment itself.

Enterprises in the Urals mention a considerable increase in prices for steel reinforcing, crushed stone, sand, and gravel mixtures.

The outflow of labour migrants and the shortage of skilled workers, as noted by the companies of the Urals and Volga-Vyatka, also remain a significant limitation for the work of SMEs and individual entrepreneurs in construction.

## AGRICULTURE AND FOOD INDUSTRY

**Representatives of the SME sector working in agriculture not only managed to maintain the status quo in the pandemic of 2020 but also to increase output and investment activity.** SMEs and individual entrepreneurs in Siberia note that new small-scale facilities for the production of unusual food are being opened in the macro-region. For example, in the Zabaikalye Territory, the production of oyster mushrooms has been launched; plans are underway to develop it into a full-cycle enterprise – from growing mushrooms to producing products in the form of chips, mushroom flour, soups, gravies, and sauces. Entrepreneurs note the high level of demand from retail chains and restaurants. Representatives of the SME sector in the South point out that the situation for agricultural producers in the macro-region has largely improved due to the growth in world food prices and government subsidies. An SME in the Leningrad Region producing food products plans to build a new warehouse for the storage of potatoes in order to expand production and launch new products.

In some cases, even the disruption of logistics chains had its 'advantages'. For instance, vegetable farms in the Republic of Buryatia noted a steady demand for their products from food retailers. Farms purchased new equipment and increased their crop areas. The modernisation and construction of vegetable storage facilities are planned. This year, the leading regional dairy plant stepped up capacity utilisation and boosted the presence of its products on the shelves of retail chains. The

company has announced a project to build several dairy farms in the near future.

**The main problem for expanding production in the industry is cost pressures.** Agricultural enterprises in Siberia report that the main problems are related to the rise in the price of seeds, fertilisers, building materials, and equipment. Small- and medium-sized enterprises in the Urals note an increase in prices for imported production components. The cost of poultry feed, grain, oils, meal, and supplements (vitamins) rose from 20 to 30%

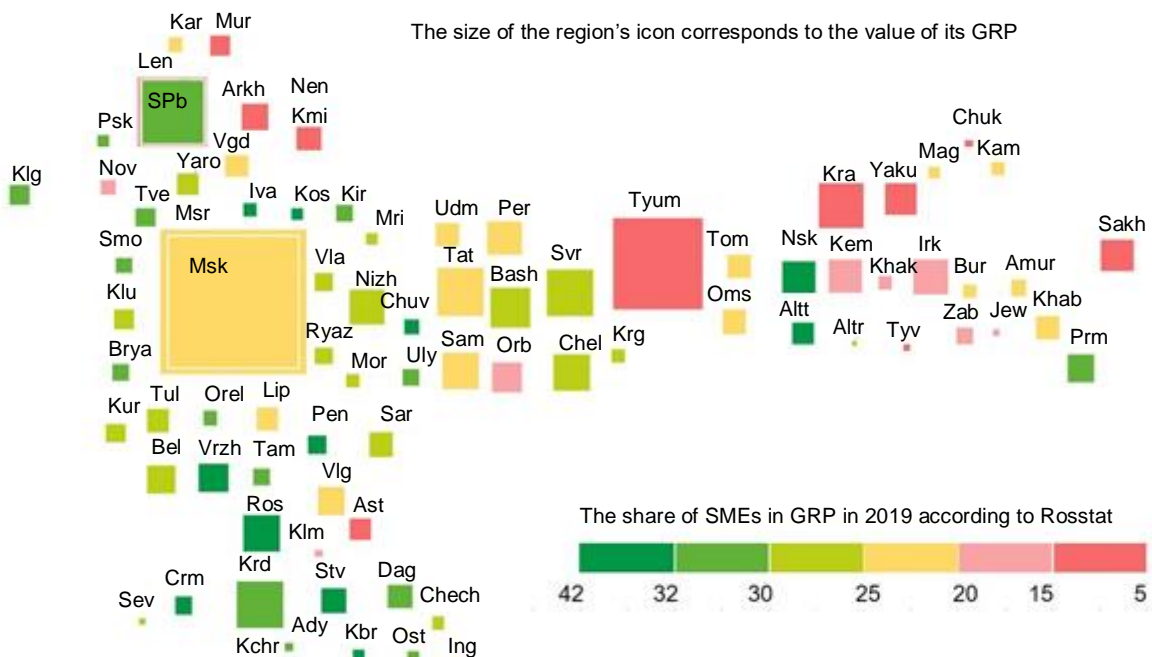
overall. The cost of containers, fuel, and packaging increased by at least 20% in April 2021. At the same time, the further increase in prices for agricultural products will largely depend on the situation with prices for vaccines and breeding material as well as on the dollar and euro exchange rates due to the fact that a number of enterprises have modern German equipment installed.

Table. Number of SMEs and number of employees of SMEs

| As % of corresponding period of previous year | 2018 | 2019 | 2020 | January–April 2021 | Dynamics |
|---|------|------|------|--------------------|----------|
| <b>Number of SMEs</b>                         |      |      |      |                    |          |
| RF  | 0,0  | -2,1 | -3,9 | -3,4               |          |
| Central FD                                    | 0,3  | -2,4 | -3,1 | -2,2               |          |
| North-Western FD                              | 1,4  | -2,1 | -4,5 | -4,9               |          |
| Southern FD                                   | -0,4 | -2,1 | -4,2 | -3,4               |          |
| North Caucasian FD                            | 0,9  | -0,5 | -3,9 | -3,9               |          |
| Volga FD                                      | -0,2 | -2,1 | -4,7 | -3,8               |          |
| Urals FD                                      | -0,5 | -1,5 | -4,4 | -4,4               |          |
| Siberian FD                                   | -8,5 | -2,3 | -4,3 | -3,9               |          |
| Far Eastern FD                                | 20,0 | -1,2 | -2,6 | -2,6               |          |
| <b>Number of employees of SMEs</b>            |      |      |      |                    |          |
| RF  | -1,4 | -3,5 | 1,1  | 0,7                |          |
| Central FD                                    | -1,0 | -2,7 | 2,4  | 2,2                |          |
| North-Western FD                              | -1,4 | -4,3 | 1,3  | 0,7                |          |
| Southern FD                                   | -1,4 | -3,0 | 1,1  | 0,6                |          |
| North Caucasian FD                            | -0,9 | -0,7 | 8,1  | 7,0                |          |
| Volga FD                                      | -1,7 | -3,7 | -0,5 | -0,8               |          |
| Urals FD                                      | -2,2 | -3,1 | -0,1 | -0,4               |          |
| Siberian FD                                   | -8,7 | -4,8 | -0,5 | -0,9               |          |
| Far Eastern FD                                | 17,9 | -5,2 | 0,5  | -0,2               |          |

Source: Federal Tax Service of Russia.

Chart. Share of SMEs in the GRP of the regions in 2019



The Moscow and Leningrad Regions are shown as 'boxes' for Moscow and Saint Petersburg.

Source: Rosstat.

## BOX 2. STATE OF THE TOURISM AND RELATED SERVICES MARKET

Anti-epidemic restrictions have had a strong negative impact on the sphere of tourism and related services in all regions of the country. To preserve the business, market participants changed the formats of their activities and optimised their costs. Support was provided by federal and regional programmes. Since the third quarter, the tourism sector has started to recover along with economic activity in general. The expansion of activity was facilitated by the reorientation of demand in favour of travel and recreation within the country. In this situation, the volume of services of traditionally popular resorts in the South of Russia has returned to pre-pandemic levels. In other regions, the situation was mixed. To attract customers, companies offered new types and forms of services. Nevertheless, in 2021 Q1, their production and financial results in many regions remained below the levels of 2019. Besides, the recovery of certain market segments was non-uniform; travel agencies that depend on foreign tourism, small hotels and air carriers remained in the most difficult conditions. Increased costs induced high pressure, reflected in prices as demand increased. In 2021, travel companies expect a further recovery in services volumes and price increases, while maintaining regional and sectoral heterogeneity.

Tourism and related services were sectors of the consumer market that hit the most by the anti-epidemic regime. The provision of tourist services in the country at the beginning of the spread of the epidemic almost completely came to a halt. The restrictions were introduced in all the regions at about the same time, from the second half of March to May 2020. The Far East felt the impact of the pandemic a while earlier.<sup>5</sup> The gradual easing of anti-epidemic requirements in Russia, which began in the third quarter, was uneven across regions and depended on the dynamics of the incidence rate. In May 2021, the main anti-epidemic requirements were significantly relaxed; nevertheless, restrictions on the provision of services were still in place. This applied to visiting concert halls, museums, organising mass professional, sports or entertainment

events as well as organising children's recreation.<sup>6</sup>

At the same time, there was a resumption of activity in the tourist services market. Overall, it was determined by the general trend toward the recovery of Russians' incomes and was reinforced by the effects of pent-up consumption. Restrictions on foreign travel also significantly contributed to the increase in demand for domestic tourism services and, as a result, transport, public catering, culture and sports services.

### **The restoration of tourist services occurred in different ways across Russia's regions.**

Its features were primarily shaped by the economic and geographical position of the region, which determined its place in the all-Russian market of tourism services.

The fastest resumption of tourist traffic occurred in the south of the European part of Russia,

<sup>5</sup> The border with China was closed in February, and air traffic with Southeast Asian countries was stopped in March.

<sup>6</sup> The services sector must operate in compliance with the requirements of Rospotrebnadzor. In addition, the regions determine whether it is

necessary to introduce and comply with additional measures aimed at preventing the spread of Covid-19. In some regions (for example, in Siberia), there is still uncertainty about how to organise summer recreation for children.

which is due to the almost year-round opportunities for recreation offered by its natural climate, its developed recreational infrastructure considerably updated in recent years and its traditional popularity among Russians. In 2021 Q1, the volume of services provided in various areas of tourism (and related areas, including transport) was 20–30% higher than in 2019 Q1. The number of hotels, health centres and travel agencies increased (an increase of up to 2.6%). During the non-work days of May 2021, the gap between performance indicators and comparable levels in 2019 increased. Passenger traffic from other regions (including air traffic) was quickly recovering. Public catering enterprises operated with increased intensity. The active expansion of activities was accompanied by a pick-up in price growth in all market segments compared to the 2019 season, in some segments, by more than double risk (high-star hotels). In general, in the South, the growth in prices for tourism services was the highest in the country.

The tourism and recreation industry in other regions was also recovering, although less intensively than in the South. There was an overall increased interest in recreation and travel (including short-term) in native and neighbouring regions. Even in the summer of 2020, during the short warm season, there was a massive inflow of tourists to Primorye and Kamchatka. Since the New Year holidays, winter resorts, including ski resorts (in Siberia, the North-West and the Urals), have been in high demand. Since spring, respondents have noted an increased interest in recreation in health centres (Siberia), ecotourism (Ural) and river cruises (Ural, Volga-Vyatka).

The demand for cultural and educational tourism (for example, trips to historical places in the European part of the country) was expanding. The rate of price growth, as a rule, accelerated, but to a lesser extent than in the

southern resorts. At the same time, passenger traffic grew (partly due to the opening of new routes), while the engagement of cultural and public catering organisations increased.

Nevertheless, in all regions, except for the South, the production and financial indicators of the majority of participants in the market for tourist and related services in 2021 Q1 were still lower than in 2019 Q1. In Siberia, the services of the tourist sector reduced by 16%, and those of passenger transport, by 14%. The situation in the Urals also remained quite difficult: the decline in the volume of hotel services compared to 2019 Q1 was 34%, and transport services, 17%. In Central Russia, the number of unprofitable tourist organisations has doubled. In the Volga-Vyatka macro-region, the revenues of health centres and hotels were 5% lower. In addition to the suspension of activities, in Primorye, a typhoon caused serious material damage to health centres in September 2020. A worsening financial situation will push organisations to raise prices as demand continues to increase.

**Companies operating in tourism took measures to preserve their activities.** During the period of strict restrictions, these were primarily cost optimisation and the search for temporary sources of income (closing some offices, transferring services to an online format, rescheduling tours to the next year, renting out hotel rooms for long-term rent, using hotel catering units for the production of takeaway food etc). As the restrictions were eased, new forms of services were launched and developed throughout the country (environmental, industrial, events, medical, gastronomic tourism, glamping,<sup>7</sup> retro tours and the launch of tourist trains and multimodal transport<sup>8</sup>).

An important area for the restoration of the industry is the development of interregional relations. For example, regional operators in Altai reported about the opening of branches

<sup>7</sup> 'Glamorous camping' – a comfortable luxury vacation in the wild nature.

<sup>8</sup> Transportation on a single ticket using different types of transport.

and offices in other regions and signed contracts with federal operators to promote regional tours.

**The dynamics of the recovery in tourism activity differed not only by region but also by individual market segment.** As a rule, a smaller drop in the volume of services and, as a result, financial indicators was displayed by health and wellness institutions and large hotels. Compared to other market participants, they were able to better adapt to the deteriorating business environment by offering collective accommodation services related to the anti-epidemic regime. This is, in particular, accommodation during the observation period, which was supposed to be observed by shift workers arriving to work at enterprises in mining and fish processing in Siberia, the Urals, and the Far East. In almost all regions, health centres that signed a contract with the Mandatory Health Insurance Fund offered rehabilitation programmes to those who had been ill with Covid-19. In Central Russia, the provision of such services allowed many health centres in the first quarter of this year to bring revenue volumes to the level of 2019 Q1, and in the whole district, to reduce their decline to 10%.

On average, the worst performance in the tourism sector in the country was displayed by travel agencies. The closing of borders in 2020 made it impossible for mass outbound tourism, which usually made up a significant part of their business. For some firms, the main income stream was provided by inbound tourism, which is still closed in 2021 (such examples were given by respondents in Siberia and the Far East). In 2021 Q1 compared to 2019 Q1, the decrease in the volume of services among travel agencies and operators was more significant than for health resorts. For example, in Central Russia, the volume of revenue of travel agencies decreased by a third, in the Far East, the volume of their services was 43% lower.

Differences in the conditions of activities were reflected in the price dynamics. In Russia as a whole, hotel services rose the most; in particular, in April 2021, the cost of a room in a 4–5-star hotel was 23.2% higher than a year earlier.<sup>9</sup> Accommodation in a health resort has risen in price less: by 7.3% by April 2019, by 4.8% over the past year. Prices for excursions increased by 2.3% and 5.6%, respectively.

In 2020, severe restrictions on international traffic affected passenger transport, primarily air travel. The state of the finances of airlines and airports deteriorated sharply, and the numbers of employees declined (for example, in the Far East). This year, traffic volumes have been actively recovering: in particular, in Q1, domestic passenger traffic through the Moscow Aviation Hub almost reached the corresponding level of 2019.<sup>10</sup> Nevertheless, flights to many foreign destinations were not resumed, thereby significantly hindering the recovery of activity in the industry.

**To support the tourism sector, federal and regional programmes** were launched, including preferential targeted lending and subsidies for part of the expenses of the tourism industry, airlines and airports, grants for the development of tourist projects, tax incentives, a programme for subsidising public trips around Russia (tourist cashback) and programmes for schoolchildren and students. The effectiveness of individual measures varied by region. Thus, state support measures have allowed Central Russia to keep more than 70% of travel companies in the market<sup>11</sup> and avoid the bankruptcy of air companies.<sup>10</sup> Some airlines in the region noted that the subsidies allowed ticket prices to be kept about a third lower. In the Far East and the Urals, the tourist cashback programme had only a weak stimulating effect, while the most popular was the regional programme for subsidising public works, which allowed employment in the tourism industry to be supported through the provision of amenities. Nevertheless, in general, state

<sup>9</sup> The position has been included in the statistical observation since 2021.

<sup>10</sup> Federal Air Transport Agency.

<sup>11</sup> Business monitoring by the Bank of Russia.



support created favourable conditions for the active recovery of the tourism industry seen this year. In April 2021, the new national project Tourism and the Hospitality Industry was presented; it is aimed at the comprehensive development of the country's tourism industry. The implementation of such measures will help solve the fundamental **problems in the tourism sector**. In most regions, respondents spoke about the urgent need to develop municipal and transport infrastructure (especially in remote regions with significant potential for tourism development). Another important task is to improve the quality of services, which does not quite satisfy the tourists. So, for tourists who could not fly abroad, the most popular services were those of the high price segment (in the South of Russia, the Urals). At the same time, according to the Ural travel agencies, customers are ready to immediately switch to foreign tours when the borders are opened.

In general, **the expectations of market participants for 2021 are quite optimistic**. All tourism sectors in the South of Russia are recovering most steadily. In general, market participants in other regions are positive. For

example, the tourist flow is expected to restore to the level of 2019 in the Central Federal District (partly due to the resumption of event tourism) and in a number of regions of Siberia. However, despite the growth in demand, in many regions (for example, in the North-West), a full recovery of the tourism sector is not predicted. Market participants note the negative impact of the overall high uncertainty associated with the development of the pandemic situation around the world and the still-fragile recovery in demand for a number of services.

In general, this year, the demand will be supported by the development of existing and new destinations and formats of recreation within the country and the resumption of event tourism. Many measures of state support for the industry are still in place. In this situation, **given the existing cost-side pressures, further price are expected to grow. This year, this growth will be constrained by the opening of popular foreign destinations and the subsequent switch-over in demand, increasing competition for tourists as well as various measures of state support.**

## ANNEX

### CORE ECONOMIC INDICATORS

#### Core indicators. Russia

|  |                          | 2019 | 2020  | 2020  | 2020  | 2020  | 2020  | 2021 | Apr  | May  |
|--|--------------------------|------|-------|-------|-------|-------|-------|------|------|------|
|  |                          |      |       | Q1    | Q2    | Q3    | Q4    | Q1   |      |      |
| Inflation  | % YoY                    | 3.0  | 4.9   | 2.5   | 3.2   | 3.7   | 4.9   | 5.8  | 5.5  |      |
| Core inflation   | % YoY                    | 3.1  | 4.2   | 2.6   | 2.9   | 3.3   | 4.2   | 5.4  | 5.5  |      |
| In the highlighted rows, the 2021 data are shown in comparison with the corresponding period in 2019. Given the magnitude of fluctuations within 2020, it will help illustrate recovery more accurately than a YoY comparison. |                          |      |       |       |       |       |       |      |      |      |
| Industrial production  | 3MMA, %                  | 3.4  | -2.6  | 2.6   | -6.7  | -4.8  | -1.6  | 1.8  | 2.7  |      |
| Fixed capital investment   | Cumulative, %            | 2.1  | -1.4  | 3.5   | -1.8  | -3.1  | -1.4  |      |      |      |
| Construction   | 3MMA, %                  | 2.1  | 0.1   | 2.8   | -3.9  | 1.1   | 0.8   | 3.0  | 2.5  |      |
| Housing commissioning  | 3MMA, %                  | 6.2  | 0.2   | 4.0   | -17.0 | 7.7   | 2.2   | 20.0 | 11.5 |      |
| Retail   | 3MMA, %                  | 1.9  | -3.2  | 4.9   | -15.1 | -0.8  | -1.7  | 3.2  |      |      |
| Commercial services  | 3MMA, %                  | 0.5  | -17.1 | -1.9  | -36.1 | -17.3 | -12.7 | -6.1 |      |      |
| Real wages   | 3MMA, %                  | 4.8  | 2.5   | 6.2   | -0.1  | 1.8   | 2.2   | 7.9  |      |      |
| Real disposable income   | %                        | 1.7  | -2.6  | 2.1   | -7.6  | -4.1  | -0.7  | -0.8 |      |      |
| Outstanding consumer loans   | % YoY                    | 17.6 | 7.0   | 19.3  | 10.5  | 7.9   | 7.0   | 7.4  | 11.0 |      |
| Outstanding mortgage loans   | % YoY                    | 19.2 | 21.6  | 15.9  | 15.1  | 20.1  | 21.6  | 23.2 | 25.7 |      |
| Non-financial organisations' outstanding bank loans  | % YoY                    | 4.7  | 9.4   | 7.8   | 8.5   | 10.0  | 9.4   | 7.2  |      |      |
| • Large borrowers  | % YoY                    | 3.5  | 7.4   | 7.2   | 8.0   | 7.6   | 7.4   | 4.4  |      |      |
| • SMEs   | % YoY                    | 12.9 | 21.9  | 11.8  | 11.9  | 25.5  | 21.9  | 24.6 |      |      |
| Companies' price expectations  | Balance of responses, SA | 10.2 | 16.5  | 13.4  | 16.9  | 16.0  | 19.6  | 19.6 | 24.9 | 26.7 |
| Business Climate Index   | pp YoY (Δ)               | 1.0  | -8.0  | -9.5  | -14.7 | -1.9  | -5.9  | 11.5 | 30.9 |      |
| • Current estimates  | pp YoY (Δ)               | 0.5  | -7.9  | -6.7  | -19.0 | -1.1  | -4.9  | 8.4  | 40.5 |      |
| • Expectations   | pp YoY (Δ)               | 1.5  | -7.9  | -12.4 | -9.5  | -2.6  | -6.9  | 14.7 | 19.9 |      |

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

**Core indicators. Main Branch for the Central Federal District**

|  |                          | 2019 | 2020  | 2020  | 2020  | 2020  | 2020  | 2021  | Apr  | May  |
|--|--------------------------|------|-------|-------|-------|-------|-------|-------|------|------|
|  |                          |      |       | Q1    | Q2    | Q3    | Q4    | Q1    |      |      |
| Inflation  | % YoY                    | 3.0  | 4.7   | 2.3   | 3.1   | 3.5   | 4.7   | 5.7   | 5.5  |      |
| Core inflation   | % YoY                    | 3.2  | 4.2   | 2.5   | 2.8   | 3.1   | 4.2   | 5.5   | 5.6  |      |
| In the highlighted rows, the 2021 data are shown in comparison with the corresponding period in 2019. Given the magnitude of fluctuations within 2020, it will help illustrate recovery more accurately than a YoY comparison. |                          |      |       |       |       |       |       |       |      |      |
| Industrial production  | 3MMA, %                  | 7.4  | 5.2   | 5.1   | -3.7  | 3.7   | 12.0  | 15.9  | 14.0 |      |
| Fixed capital investment   | Cumulative, %            | 15.0 | -3.4  | 0.7   | -5.4  | -7.6  | -3.4  |       |      |      |
| Construction   | 3MMA, %                  | 4.9  | 10.8  | 3.4   | -1.4  | 14.6  | 20.1  | 5.9   | 10.7 |      |
| Housing commissioning  | 3MMA, %                  | 8.1  | -0.8  | 1.7   | -32.7 | -17.4 | 26.1  | 2.6   | -1.9 |      |
| Retail   | 3MMA, %                  | 2.3  | -2.1  | 5.5   | -15.0 | 1.5   | -0.3  | 6.1   |      |      |
| Commercial services  | 3MMA, %                  | 2.6  | -21.9 | -2.6  | -40.5 | -24.1 | -19.2 | -10.5 |      |      |
| Real wages   | 3MMA, %                  | 6.2  | 3.4   | 7.6   | -1.2  | 2.6   | 4.4   | 10.4  |      |      |
| Real disposable income   | %                        | 2.8  | -2.7  | 1.6   | -8.8  | -3.6  | 0.0   |       |      |      |
| Outstanding consumer loans   | % YoY                    | 17.3 | 5.2   | 18.9  | 9.2   | 6.4   | 5.2   | 5.7   | 8.9  |      |
| Outstanding mortgage loans   | % YoY                    | 24.2 | 24.4  | 20.4  | 18.0  | 22.9  | 24.4  | 25.4  | 28.6 |      |
| Non-financial organisations' outstanding bank loans  | % YoY                    | 4.4  | 11.1  | 9.4   | 11.2  | 13.0  | 11.1  | 8.4   |      |      |
| • Large borrowers  | % YoY                    | 2.6  | 10.6  | 8.9   | 11.2  | 11.9  | 10.6  | 7.0   |      |      |
| • SMEs   | % YoY                    | 20.5 | 15.2  | 14.0  | 11.7  | 22.9  | 15.2  | 20.2  |      |      |
| Companies' price expectations  | Balance of responses, SA | 11.9 | 18.7  | 14.6  | 18.9  | 18.3  | 23.2  | 23.3  | 32.5 | 35.3 |
| Business Climate Index   | pp YoY (Δ)               | -0.1 | -7.2  | -8.5  | -15.6 | 0.4   | -5.2  | 11.1  | 34.0 |      |
| • Current estimates  | pp YoY (Δ)               | -0.6 | -7.3  | -3.8  | -21.5 | 0.8   | -4.6  | 7.5   | 43.7 |      |
| • Expectations   | pp YoY (Δ)               | 0.5  | -7.1  | -13.7 | -8.7  | -0.1  | -5.9  | 15.2  | 22.9 |      |

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

## Core indicators. North-Western Main Branch

|  |                          | 2019 | 2020 | 2020  | 2020  | 2020  | 2020  | 2021  | Apr   | May  |
|--|--------------------------|------|------|-------|-------|-------|-------|-------|-------|------|
|  |                          | Q1   | Q2   | Q3    | Q4    | Q1    | Q1    |       |       |      |
| Inflation  | % YoY                    | 3.0  | 4.8  | 2.9   | 3.1   | 3.6   | 4.8   | 5.4   | 5.2   |      |
| Core inflation   | % YoY                    | 3.2  | 4.0  | 2.9   | 2.8   | 3.4   | 4.0   | 5.2   | 5.2   |      |
| In the highlighted rows, the 2021 data are shown in comparison with the corresponding period in 2019. Given the magnitude of fluctuations within 2020, it will help illustrate recovery more accurately than a YoY comparison. |                          |      |      |       |       |       |       |       |       |      |
| Industrial production  | 3MMA, %                  | 3.4  | -3.0 | 1.5   | -8.3  | -5.0  | -2.1  | 1.2   | -0.8  |      |
| Fixed capital investment   | Cumulative, %            | 15.9 | -0.3 | -12.0 | -7.6  | -3.2  | -0.3  |       |       |      |
| Construction   | 3MMA, %                  | -9.4 | 10.2 | 2.4   | -4.7  | -12.5 | -18.5 | -17.4 | -16.1 |      |
| Housing commissioning  | 3MMA, %                  | -1.3 | -2.9 | -23.8 | -14.8 | 36.7  | -8.4  | 38.7  | 11.8  |      |
| Retail   | 3MMA, %                  | 2.0  | 0.2  | 6.8   | -11.0 | 3.0   | 2.2   | 7.3   |       |      |
| Commercial services  | 3MMA, %                  | 0.0  | 16.3 | -3.2  | -33.4 | -16.8 | -11.6 | -7.6  |       |      |
| Real wages   | 3MMA, %                  | 4.1  | 2.1  | 4.3   | -1.5  | 1.0   | 0.3   | 4.8   |       |      |
| Real disposable income   | %                        | 0.7  | -0.8 | 2.4   | -3.3  | -2.7  | 0.4   |       |       |      |
| Outstanding consumer loans   | % YoY                    | 18.4 | 6.9  | 19.5  | 10.3  | 7.7   | 6.9   | 6.9   | 11.3  |      |
| Outstanding mortgage loans   | % YoY                    | 21.5 | 22.0 | 17.6  | 16.1  | 20.9  | 22.0  | 23.2  | 26.1  |      |
| Non-financial organisations' outstanding bank loans  | % YoY                    | 3.0  | 9.2  | -0.6  | -0.8  | 1.6   | 9.2   | 9.1   |       |      |
| • Large borrowers  | % YoY                    | 3.0  | 1.9  | -0.3  | -1.7  | -5.2  | 1.9   | 0.0   |       |      |
| • SMEs   | % YoY                    | 3.3  | 52.1 | -2.4  | 3.8   | 47.0  | 52.1  | 60.6  |       |      |
| Companies' price expectations  | Balance of responses, SA | 11.1 | 17.0 | 13.3  | 18.7  | 16.4  | 19.9  | 20.0  | 24.4  | 26.6 |
| Business Climate Index   | pp YoY (Δ)               | 0.4  | -7.6 | -9.9  | -12.2 | -2.0  | -6.4  | 11.0  | 31.5  |      |
| • Current estimates  | pp YoY (Δ)               | 0.2  | -8.0 | -7.8  | -17.4 | -1.3  | -5.4  | 9.7   | 39.8  |      |
| • Expectations   | pp YoY (Δ)               | 0.5  | -7.1 | -12.0 | -6.3  | -2.8  | -7.4  | 12.3  | 22.0  |      |

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

**Core indicators. Volga-Vyatka Main Branch**

|  |                          | 2019 | 2020  | 2020  | 2020  | 2020  | 2020  | 2021 | Apr  | May  |
|--|--------------------------|------|-------|-------|-------|-------|-------|------|------|------|
|  |                          |      |       | Q1    | Q2    | Q3    | Q4    | Q1   |      |      |
| Inflation  | % YoY                    | 2.8  | 5.5   | 2.6   | 3.5   | 4.1   | 5.5   | 6.2  | 5.9  |      |
| Core inflation   | % YoY                    | 3.1  | 4.7   | 2.8   | 3.2   | 3.6   | 4.7   | 5.9  | 6.0  |      |
| In the highlighted rows, the 2021 data are shown in comparison with the corresponding period in 2019. Given the magnitude of fluctuations within 2020, it will help illustrate recovery more accurately than a YoY comparison. |                          |      |       |       |       |       |       |      |      |      |
| Industrial production  | 3MMA, %                  | 2.8  | -4.1  | 1.4   | -10.5 | -2.8  | -3.8  | 2.3  | 3.7  |      |
| Fixed capital investment   | Cumulative, %            | 0.6  | -3.8  | -0.9  | -5.3  | -7.0  | -3.8  |      |      |      |
| Construction   | 3MMA, %                  | 2.8  | -2.3  | 2.7   | 0.7   | -1.8  | -7.5  | -9.2 | -3.4 |      |
| Housing commissioning  | 3MMA, %                  | 5.9  | -5.8  | 7.1   | -17.3 | 12.7  | -18.0 | 25.7 | 24.0 |      |
| Retail   | 3MMA, %                  | 1.1  | -4.4  | 4.3   | -13.9 | -2.9  | -4.5  | -0.3 |      |      |
| Commercial services  | 3MMA, %                  | 0.2  | -12.3 | -1.7  | -29.0 | -11.6 | -7.8  | -3.2 |      |      |
| Real wages   | 3MMA, %                  | 2.3  | 1.9   | 5.3   | -0.2  | 2.0   | 0.9   | 5.6  |      |      |
| Real disposable income   | %                        | 1.2  | -2.8  | 2.4   | -4.8  | -4.5  | -3.7  |      |      |      |
| Outstanding consumer loans   | % YoY                    | 17.6 | 7.1   | 19.4  | 10.3  | 7.7   | 7.1   | 7.3  | 11.7 |      |
| Outstanding mortgage loans   | % YoY                    | 14.9 | 19.7  | 12.2  | 11.9  | 17.6  | 19.7  | 21.4 | 23.3 |      |
| Non-financial organisations' outstanding bank loans  | % YoY                    | -3.6 | 3.5   | 2.7   | 5.0   | -0.3  | 3.5   | 2.0  |      |      |
| • Large borrowers  | % YoY                    | -4.0 | -2.5  | 2.1   | 4.5   | -6.5  | -2.5  | -3.6 |      |      |
| • SMEs   | % YoY                    | -2.2 | 24.3  | 4.7   | 6.8   | 22.5  | 24.3  | 22.4 |      |      |
| Companies' price expectations  | Balance of responses, SA | 11.4 | 18.5  | 22.8  | 15.1  | 22.0  | 18.9  | 25.0 | 30.2 | 34.5 |
| Business Climate Index   | pp YoY (Δ)               | 1.6  | -9.7  | -12.3 | -17.2 | -2.6  | -6.6  | 11.4 | 31.2 |      |
| • Current estimates  | pp YoY (Δ)               | 0.6  | -10.1 | -10.0 | -23.6 | -2.0  | -4.9  | 8.5  | 38.5 |      |
| • Expectations   | pp YoY (Δ)               | 2.7  | -8.9  | -14.5 | -9.7  | -3.2  | -8.4  | 14.2 | 22.7 |      |

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

## Core indicators. Southern Main Branch

|  |                          | 2019 | 2020  | 2020  | 2020  | 2020 | 2020 | 2021 | Apr   | May  |
|--|--------------------------|------|-------|-------|-------|------|------|------|-------|------|
|  |                          | Q1   | Q2    | Q3    | Q4    | Q1   | Q1   |      |       |      |
| Inflation  | % YoY                    | 2.8  | 5.4   | 2.4   | 3.3   | 3.8  | 5.4  | 6.6  | 6.1   |      |
| Core inflation   | % YoY                    | 3.2  | 4.2   | 2.7   | 3.0   | 3.4  | 4.2  | 5.6  | 5.5   |      |
| In the highlighted rows, the 2021 data are shown in comparison with the corresponding period in 2019. Given the magnitude of fluctuations within 2020, it will help illustrate recovery more accurately than a YoY comparison. |                          |      |       |       |       |      |      |      |       |      |
| Industrial production  | 3MMA, %                  | 3.5  | -0.5  | 4.5   | -3.6  | -1.3 | -0.8 | 7.7  | 8.1   |      |
| Fixed capital investment   | Cumulative, %            | -5.1 | 1.2   | 15.8  | 1.7   | 3.0  | 1.2  |      |       |      |
| Construction   | 3MMA, %                  | 0.4  | 0.2   | 4.8   | -6.1  | 8.5  | -1.6 | 1.2  | -11.0 |      |
| Housing commissioning  | 3MMA, %                  | 7.3  | 5.9   | -3.8  | -11.3 | 5.8  | 13.3 | 10.7 | 17.3  |      |
| Retail   | 3MMA, %                  | 1.9  | -3.3  | 6.9   | -21.8 | 0.0  | 1.2  | 6.2  |       |      |
| Commercial services  | 3MMA, %                  | -0.9 | -11.6 | 0.4   | -38.3 | -5.7 | -4.9 | 1.5  |       |      |
| Real wages   | 3MMA, %                  | 2.7  | 1.9   | 6.1   | 0.9   | 0.2  | 0.8  | 5.6  |       |      |
| Real disposable income   | %                        | 0.6  | -2.5  | 4.0   | -11.8 | -1.1 | -1.2 |      |       |      |
| Outstanding consumer loans   | % YoY                    | 19.8 | 7.5   | 20.3  | 11.5  | 8.6  | 7.5  | 7.3  | 10.9  |      |
| Outstanding mortgage loans   | % YoY                    | 19.5 | 23.7  | 17.3  | 16.8  | 21.5 | 23.7 | 26.5 | 29.2  |      |
| Non-financial organisations' outstanding bank loans  | % YoY                    | 4.5  | 3.6   | 4.3   | 2.7   | 3.4  | 3.6  | 3.5  |       |      |
| • Large borrowers  | % YoY                    | 3.9  | 0.3   | 3.2   | 0.1   | 0.4  | 0.3  | 0.1  |       |      |
| • SMEs   | % YoY                    | 6.4  | 13.9  | 7.5   | 10.5  | 13.4 | 13.9 | 14.0 |       |      |
| Companies' price expectations  | Balance of responses, SA | 8.6  | 14.9  | 12.4  | 14.6  | 15.1 | 17.6 | 16.5 | 18.6  | 19.0 |
| Business Climate Index   | pp YoY (Δ)               | 0.9  | -7.2  | -8.1  | -14.4 | -1.4 | -5.1 | 12.5 | 31.5  |      |
| • Current estimates  | pp YoY (Δ)               | -0.4 | -8.7  | -6.1  | -24.6 | -0.2 | -3.9 | 9.4  | 45.3  |      |
| • Expectations   | pp YoY (Δ)               | 2.2  | -5.3  | -10.2 | -2.3  | -2.6 | -6.2 | 15.8 | 15.1  |      |

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

## Core indicators. Ural Main Branch

|  |                          | 2019 | 2020  | 2020  | 2020  | 2020  | 2020  | 2021 | Apr   | May  |
|--|--------------------------|------|-------|-------|-------|-------|-------|------|-------|------|
|  |                          | Q1   | Q2    | Q3    | Q4    | Q1    | Q1    |      |       |      |
| Inflation  | % YoY                    | 3.1  | 4.4   | 2.6   | 3.0   | 3.4   | 4.4   | 5.2  | 5.0   |      |
| Core inflation   | % YoY                    | 3.0  | 4.0   | 2.4   | 2.6   | 3.0   | 4.0   | 5.0  | 5.1   |      |
| In the highlighted rows, the 2021 data are shown in comparison with the corresponding period in 2019. Given the magnitude of fluctuations within 2020, it will help illustrate recovery more accurately than a YoY comparison. |                          |      |       |       |       |       |       |      |       |      |
| Industrial production  | 3MMA, %                  | 5.1  | -2.7  | 3.0   | -5.3  | -6.1  | -2.1  | 1.4  | 2.7   |      |
| Fixed capital investment   | Cumulative, %            | -3.0 | 1.5   | 17.7  | 11.9  | 5.9   | 1.5   |      |       |      |
| Construction   | 3MMA, %                  | -6.2 | 6.4   | 17.3  | 3.0   | 15.7  | -12.0 | 4.6  | -14.7 |      |
| Housing commissioning  | 3MMA, %                  | 8.3  | 2.9   | 7.4   | -15.3 | 14.5  | -5.1  | 19.9 | 19.4  |      |
| Retail   | 3MMA, %                  | 1.5  | -4.1  | 4.1   | -13.2 | -2.9  | -4.2  | -0.6 |       |      |
| Commercial services  | 3MMA, %                  | -0.1 | -17.5 | -0.8  | -36.0 | -21.7 | -11.8 | -6.9 |       |      |
| Real wages   | 3MMA, %                  | 1.9  | 2.1   | 4.6   | 0.5   | 1.6   | 1.8   | 4.6  |       |      |
| Real disposable income   | %                        | 1.3  | -3.9  | 2.6   | -6.2  | -6.9  | -4.5  |      |       |      |
| Outstanding consumer loans   | % YoY                    | 17.7 | 7.8   | 19.5  | 11.2  | 8.9   | 7.8   | 8.1  | 12.2  |      |
| Outstanding mortgage loans   | % YoY                    | 14.2 | 17.8  | 11.4  | 11.4  | 16.5  | 17.8  | 19.4 | 21.4  |      |
| Non-financial organisations' outstanding bank loans  | % YoY                    | 6.9  | 3.9   | 8.5   | 4.0   | 6.6   | 3.9   | 2.3  |       |      |
| • Large borrowers  | % YoY                    | 7.0  | 1.1   | 7.6   | 2.6   | 3.9   | 1.1   | -0.6 |       |      |
| • SMEs   | % YoY                    | 6.0  | 26.0  | 15.4  | 14.8  | 27.3  | 26.0  | 26.2 |       |      |
| Companies' price expectations  | Balance of responses, SA | 11.5 | 14.7  | 11.4  | 13.5  | 15.5  | 18.2  | 17.6 | 20.3  | 23.3 |
| Business Climate Index   | pp YoY (Δ)               | 2.0  | -9.5  | -10.8 | -15.8 | -4.1  | -7.3  | 11.7 | 34.2  |      |
| • Current estimates  | pp YoY (Δ)               | 1.2  | -8.2  | -8.6  | -19.3 | -1.0  | -3.8  | 9.7  | 42.0  |      |
| • Expectations   | pp YoY (Δ)               | 2.9  | -10.7 | -12.8 | -11.9 | -7.4  | -10.8 | 13.5 | 25.1  |      |

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

## Core indicators. Siberian Main Branch

|  |                          | 2019 | 2020  | 2020 | 2020  | 2020  | 2020 | 2021 | Apr  | May  |
|--|--------------------------|------|-------|------|-------|-------|------|------|------|------|
|  |                          |      |       | Q1   | Q2    | Q3    | Q4   | Q1   |      |      |
| Inflation  | % YoY                    | 3.6  | 4.9   | 2.8  | 3.5   | 3.8   | 4.9  | 5.8  | 5.7  |      |
| Core inflation   | % YoY                    | 3.3  | 4.4   | 2.6  | 3.1   | 3.4   | 4.4  | 5.2  | 5.5  |      |
| In the highlighted rows, the 2021 data are shown in comparison with the corresponding period in 2019. Given the magnitude of fluctuations within 2020, it will help illustrate recovery more accurately than a YoY comparison. |                          |      |       |      |       |       |      |      |      |      |
| Industrial production  | 3MMA, %                  | 2.0  | -4.1  | -2.5 | -5.8  | -5.5  | -4.5 | -4.8 | -4.4 |      |
| Fixed capital investment   | Cumulative, %            | 7.8  | 1.9   | 5.4  | 2.4   | -0.5  | 1.9  |      |      |      |
| Construction   | 3MMA, %                  | 6.8  | -6.0  | -4.9 | -11.2 | -8.4  | 4.4  | 6.0  | 10.7 |      |
| Housing commissioning  | 3MMA, %                  | 4.6  | 0.4   | 1.5  | -30.0 | 21.3  | -2.5 | 26.2 | 30.7 |      |
| Retail   | 3MMA, %                  | 2.7  | -4.1  | 3.5  | -11.1 | -3.4  | -4.7 | 1.2  |      |      |
| Commercial services  | 3MMA, %                  | 0.6  | -12.8 | -2.6 | -27.4 | -12.2 | -8.5 | -3.8 |      |      |
| Real wages   | 3MMA, %                  | 2.4  | 2.7   | 3.6  | 1.9   | 2.7   | 1.9  | 4.8  |      |      |
| Real disposable income   | %                        | 0.8  | -2.4  | -0.3 | -3.0  | -2.9  | -3.3 |      |      |      |
| Outstanding consumer loans   | % YoY                    | 15.9 | 9.1   | 18.9 | 11.6  | 9.3   | 9.1  | 9.8  | 13.3 |      |
| Outstanding mortgage loans   | % YoY                    | 15.8 | 18.9  | 11.9 | 12.5  | 18.0  | 18.9 | 20.8 | 22.9 |      |
| Non-financial organisations' outstanding bank loans  | % YoY                    | 3.8  | 5.2   | 6.2  | 8.2   | 11.0  | 5.2  | -2.1 |      |      |
| • Large borrowers  | % YoY                    | 2.0  | 1.8   | 5.2  | 7.9   | 9.0   | 1.8  | -7.6 |      |      |
| • SMEs   | % YoY                    | 12.4 | 19.5  | 10.7 | 9.7   | 20.4  | 19.5 | 23.6 |      |      |
| Companies' price expectations  | Balance of responses, SA | 8.6  | 15.7  | 12.6 | 16.7  | 15.2  | 18.3 | 18.2 | 23.7 | 27.5 |
| Business Climate Index   | pp YoY (Δ)               | 1.8  | -7.2  | -6.8 | -13.4 | -2.8  | -5.9 | 10.7 | 30.4 |      |
| • Current estimates  | pp YoY (Δ)               | 2.6  | -8.4  | -5.3 | -19.8 | -3.0  | -5.5 | 8.0  | 38.7 |      |
| • Expectations   | pp YoY (Δ)               | 0.9  | -5.7  | -8.2 | -6.1  | -2.5  | -6.2 | 13.6 | 20.8 |      |

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



**Core indicators. Far Eastern Main Branch**

|  |                          | 2019 | 2020 | 2020  | 2020  | 2020  | 2020  | 2021  | Apr   | May  |
|--|--------------------------|------|------|-------|-------|-------|-------|-------|-------|------|
|  |                          | Q1   | Q2   | Q3    | Q4    | Q1    | Q1    |       |       |      |
| Inflation  | % YoY                    | 3.8  | 5.0  | 3.2   | 3.7   | 3.9   | 5.0   | 5.3   | 5.0   |      |
| Core inflation   | % YoY                    | 3.3  | 3.9  | 2.6   | 3.1   | 3.5   | 3.9   | 4.6   | 4.6   |      |
| In the highlighted rows, the 2021 data are shown in comparison with the corresponding period in 2019. Given the magnitude of fluctuations within 2020, it will help illustrate recovery more accurately than a YoY comparison. |                          |      |      |       |       |       |       |       |       |      |
| Industrial production  | 3MMA, %                  | 6.3  | -5.2 | 1.6   | -6.9  | -11.7 | -3.1  | -1.3  | -1.7  |      |
| Fixed capital investment   | Cumulative, %            | 8.2  | -    | -13.8 | -15.8 | -18.6 | -15.2 |       |       |      |
|  |                          |      | 15.2 |       |       |       |       |       |       |      |
| Construction   | 3MMA, %                  | 37.0 | -    | -18.0 | -17.1 | -26.0 | 8.1   | -18.1 | -21.0 |      |
|  |                          |      | 12.5 |       |       |       |       |       |       |      |
| Housing commissioning  | 3MMA, %                  | 8.6  | 3.4  | -7.8  | 3.8   | 17.4  | -1.5  | 11.2  | -7.2  |      |
| Retail   | 3MMA, %                  | 3.9  | -2.7 | 4.6   | -13.0 | -1.6  | -0.5  | 5.6   |       |      |
| Commercial services  | 3MMA, %                  | -2.1 | -    | -4.8  | -38.1 | -15.8 | -14.1 | -8.9  |       |      |
|  |                          |      | 18.0 |       |       |       |       |       |       |      |
| Real wages   | 3MMA, %                  | 3.3  | 1.4  | 4.9   | 0.6   | -0.2  | 0.5   | 6.3   |       |      |
| Real disposable income   | %                        | 2.2  | -2.4 | 2.9   | -4.2  | -4.1  | -3.2  |       |       |      |
| Outstanding consumer loans   | % YoY                    | 16.7 | 9.2  | 19.4  | 11.9  | 9.7   | 9.2   | 9.7   | 12.6  |      |
| Outstanding mortgage loans   | % YoY                    | 20.2 | 23.8 | 17.8  | 18.7  | 22.7  | 23.8  | 25.1  | 26.7  |      |
| Non-financial organisations' outstanding bank loans  | % YoY                    | 29.9 | 32.2 | 28.7  | 29.7  | 30.0  | 32.2  | 34.0  |       |      |
| • Large borrowers  | % YoY                    | 27.4 | 32.7 | 23.2  | 25.2  | 25.3  | 32.7  | 37.7  |       |      |
| • SMEs   | % YoY                    | 40.2 | 30.4 | 51.6  | 47.0  | 49.1  | 30.4  | 21.0  |       |      |
| Companies' price expectations  | Balance of responses, SA | 9.0  | 13.8 | 11.5  | 13.6  | 14.4  | 15.6  | 15.9  | 16.5  | 15.4 |
| Business Climate Index   | pp YoY (Δ)               | 1.2  | -7.5 | -8.6  | -10.2 | -4.1  | -7.3  | 6.7   | 19.9  |      |
| • Current estimates  | pp YoY (Δ)               | 1.1  | -9.1 | -7.0  | -16.7 | -4.4  | -8.1  | 4.6   | 29.4  |      |
| • Expectations   | pp YoY (Δ)               | 1.4  | -5.8 | -10.2 | -2.9  | -3.6  | -6.4  | 9.0   | 8.9   |      |

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