



Bank of Russia



BANKING SECTOR LIQUIDITY AND FINANCIAL MARKETS

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Information and analytical commentary

14 October 2021

BANKING SECTOR LIQUIDITY AND FINANCIAL MARKETS: FACTS, ASSESSMENTS AND COMMENTS (SEPTEMBER 2021)

- The average spread between RUONIA and the Bank of Russia key rate widened to -14 bp (in the August averaging period (AP): -9 bp; year to date: -14 bp).
- In September, operations in budget accounts led to an inflow of liquidity to the banking sector. As a result, the structural liquidity surplus increased over the month.
- The forecast liquidity surplus for the end of 2021 remains at the level of 0.8–1.4 trillion rubles.
- The foreign currency liquidity situation remains calm. The spread between interest rates in FX swap and RUONIA (basis) segments was still predominantly negative. The average basis in the September AP was -9 bp (in the August AP: -18 bp; year to date: -7 bp).
- In September, the money market and the OFZ market recorded a rise in the yield curves for all maturities. One of the reasons behind this growth was that market participants had revised their expectations regarding the Bank of Russia key rate upwards. Moreover, yields on long-term government securities increased in most advanced economies.
- In August–September, banks continued to respond to the tightening of the Bank of Russia’s monetary policy raising gradually their interest rates on deposits. As a result, the inflow of households’ funds to banks was primarily made up of time deposits across maturities demonstrating the highest growth in interest rates.
- The increase in lending rates led to a slowdown in corporate lending in August, which nonetheless continued to expand at a rate close to its high observed in the recent six years. Participants’ activity in the retail lending market was high in the segments of mortgage and consumer lending.
- The expansion of money supply in August was followed by a change in its structure. Growth in money supply in the national definition slowed slightly to 8.2% in annual terms and was accompanied by a pickup in growth in broad money supply to 9.5% due to the favourable situation for exports.
- In August, growth in claims on the economy was 13.7% in annual terms, remaining the main source of money supply.

MONEY MARKET AND OVERNIGHT RATES (RUONIA)

In the September required reserve (RR) averaging period (AP), the spread between RUONIA¹ (Bank of Russia operational benchmark) and the Bank of Russia key rate² widened to **-14 bp** (in the August AP: -9 bp; year to date: -14 bp; in 2020: -15 bp) (Chart B-1-2). The spread volatility rose to **15 bp** (in the August AP: 13 bp; year to date: 21 bp; in 2020: 18 bp).

The structural liquidity surplus averaged **1.1 trillion rubles** over the September AP (vs 1.2 trillion rubles in the August AP). As of early October, the liquidity surplus grew by 0.4 trillion rubles to **1.3 trillion rubles** vs early September (Table 2).

In the September AP, RUONIA held close to its average annual value. Expectations of a key rate increase at the Bank of Russia Board of Directors meeting on 10 September influenced market rates considerably less than in July 2021. This is due to the fact that the key rate decision was made at the beginning of the AP, therefore banks completed RR averaging more evenly. Moreover, in contrast to the July situation, market participants anticipated a smaller key rate increase this time. Consequently, a small positive spread between RUONIA and the key rate was registered only on 9 and 10 September, whereafter it turned negative again. On certain days of the AP, interest rates were pushed upwards by the temporary increase in demand for liquidity on the part of several major banks. By the end of the AP, many banks had largely completed the averaging of RR. This put downward pressure on market rates, and the Bank of Russia held two fine-tuning deposit auctions to maintain RUONIA close to the key rate.

In September, operations over budget accounts led to an inflow of liquidity to the banking sector in the amount of 0.3 trillion rubles. Budget expenditures grew both to the base of 2020 and 2019. At the same time, compared to the previous month, they declined slightly, including due to the fact that part of funds allocated for one-off payments was received by banks at the end of August. Budget revenues also increased relative to the same periods of previous years. Taken into consideration fiscal rule-based foreign currency purchases, the balance of budget expenditures and revenues was positive for the banking sector. Moreover, the Federal Treasury (FT) deposited additional funds with banks at the end of the month. In early September, the FT reduced the balances of funds held in demand accounts with banks. Seeking to offset this outflow, banks increased demand for overnight repos with the FT. At the end of the month, the FT returned earlier withdrawn funds to demand accounts. However, this did not help banks reduce debt on short-term repos. The inflows under these FT transactions exceeded outflows as a result of OFZ placements by the Ministry of Finance of the Russian Federation (MinFin) worth 0.1 trillion rubles.

In September, the volume of cash in circulation increased by 0.1 trillion rubles, which is broadly in line with the seasonal trends. Households' demand for cash temporarily picked up following the transfer of one-off budget payments. However, as a considerable part of these funds was promptly spent on the acquisition of goods and services, they returned in a short while to banks in the form of collected earnings of retailers.

Amid a decrease in the structural liquidity surplus, the Bank of Russia decided to suspend the placement of the 49th issue and not to place the 50th issue of coupon OBRs in order to maintain the flexible liquidity management using weekly deposit auctions.

The forecast of the structural liquidity surplus for the end of 2021 remains at the level of 0.8–1.4 trillion rubles.

¹ RUONIA (Ruble Overnight Index Average) is the weighted interest rate of overnight interbank loans (deposits) in rubles that reflects the estimated cost of unsecured overnight borrowing.

² The operating objective of the Bank of Russia's monetary policy within the inflation targeting strategy is to maintain rates in the unsecured overnight segment of the interbank money market close to the key rate of the Bank of Russia.

MONEY MARKET YIELD CURVES AND KEY RATE EXPECTATIONS

OIS (ROISfix)³ curve. The increase of the key rate in September, the tightening of the Bank of Russia's narrative coupled by a release of negative statistics at the end of the month on the growth pace of weekly inflation, led to the revision of forecasts by market participants regarding the level of the key rate and its pace of change. As a result, as of the end-month, the ROISFIX curve was up 18–35 bp (Chart 5). **The MosPrime 3M – OIS 3M spread** averaged 55 bp in September (vs 58 bp in August; 53 bp in 2021 H1) ranging from 41 bp to 63 bp during the month. The spread volatility was mainly associated with the inertia of MosPrime movements against the backdrop of OIS 3M volatility observed during the month.

IRS⁴ curve. The IRS curve also showed growth along its entire length: yields in the 1Y–10Y segment grew by 34–39 bp, reflecting in part the revision of expectations for key rate movements and level. The long end of the curve was also influenced by the revision of inflation risks in the global economy amid a possible energy crisis in Europe and China, and also the growth of long yields on government securities in most advanced economies driven by expectations of an earlier normalisation of monetary policy.

Market participants and analysts revised their key rate forecast upwards: expectations derived from financial market instruments imply that the key rate will range from 7.00% to 7.50% by mid-2022, which is slightly above the estimates of analysts surveyed by Bloomberg and Refinitiv (Table 1).

MARKET PARTICIPANTS' AND ANALYSTS' KEY RATE EXPECTATIONS INCREASED

Table 1

Expectations based on market indicators,* interest rate (instrument)	December 2021	June 2022
– MosPrime 3M (FRA)	7.36 (6.97)	7.24 (6.88)
– RUONIA (ROISfix)	7.19 (7.08)	7.53 (7.11)
– RUONIA (futures)	7.10 (6.95)	7.05 (6.95)
Analysts' key rate expectations*	As of 31.12.2021	As of 30.06.2022
– Bloomberg survey	7.00 (7.00)	6.75 (6.50)
– Refinitiv survey	7.00 (7.00)	7.00 (6.63)

* Values are given as of the end of the current and previous months (in brackets).
Source: Bank of Russia calculations.

³ The OIS (ROISfix) curve represents indicative rates (fixing) on RUONIA IR swaps.

⁴ The IRS curve represents market prices for interest rate swaps against MosPrime 3M.

PUBLIC DEBT MARKET

OFZ yield curve. After remaining relatively stable in July–August, the OFZ yield curve was up for all maturities in September (Chart 9): OFZ 1Y – 7.15% (+56 bp), OFZ 2Y – 7.19% (+44 bp), OFZ 5Y – 7.26% (+38 bp), OFZ 10Y – 7.42 bp (+32 bp). Growth of short segment of OFZ curve was mainly explained by the expectations of further tightening of monetary policy by the Bank of Russia given the ongoing inflation acceleration. The long segment of the curve grew due to the toughening of rhetoric by central banks in advanced economies and the revision of market expectations regarding the time of the phasing out of quantitative easing programmes. Expectations of an early rate increase by key global central banks were also shaped by the September price increases for major energy commodities, concerns about a possible world energy crisis and an ensuing pickup in inflation.

Following a slight rise in August (from 23 bp to 35 bp), **the slope of the OFZ curve (10Y–2Y)** returned to 23 bp in September, which is the lowest level since 2017.

US long-term yields. In September, the yields on US Treasuries resumed growth: 2Y – 0.28 (+7 bp); 10Y – 1.49 (+18 bp). The yields on 2Y Treasuries peaked vs March 2020, and those on 10Y – vs June 2021. This growth was associated with statements by the Fed’s representatives regarding the possibility of an earlier phasing out of economic stimulus, as well as uncertainty about the timing of raising the cap on public debt.

The spread of 2Y OFZ to UST widened by 38 bp to 6.91 bp, that of 10Y – by 14 bp to 5.93 bp (Chart 9). The spread has been expanding since the beginning of the year and is mainly explained by the tightening of monetary policy in Russia and the aggravation of sanctions risks.

Foreign investors increased their OFZ holdings by 60 billion rubles by the end of the month (Chart 11). The inflow was observed in the first half of the month, and after 20 September, non-residents began to reduce their holdings (by 34 billion rubles). This was predominantly associated with the sale of bonds in EMEs on the back of growing yields on government securities in advanced economies.

In September, **the volume of OFZ placements** decreased month-on-month by 419 billion rubles to 182 billion rubles. This was partly explained by the fact that by mid-September Russia’s MinFin had fulfilled its quarterly borrowing plan (700 billion rubles). Additionally, growing OFZ yields had a negative effect on MinFin’s activity in the primary market; as a result, the last September auction was cancelled. No significant changes were observed in the structure of buyers: 51% of the issued volume was bought by SICIs (11% – by other banks), and 20% – by non-residents.

Situation in other financial markets

Foreign currency liquidity. In September, the situation with foreign currency liquidity remained calm. The amount of highly liquid foreign currency assets rose by 5.7 billion dollars vs August (Chart B-1-1). The spread between the rates in FX swap and RUONIA (basis) segments ranged from -30 bp to 0 bp for the most of the AP, except for the end of September when the basis ranged from 0 bp to 17 bp for four days (Chart B-1-2). The average basis in the September AP was -9 bp (in the August AP: -18 bp; year to date: -7 bp).

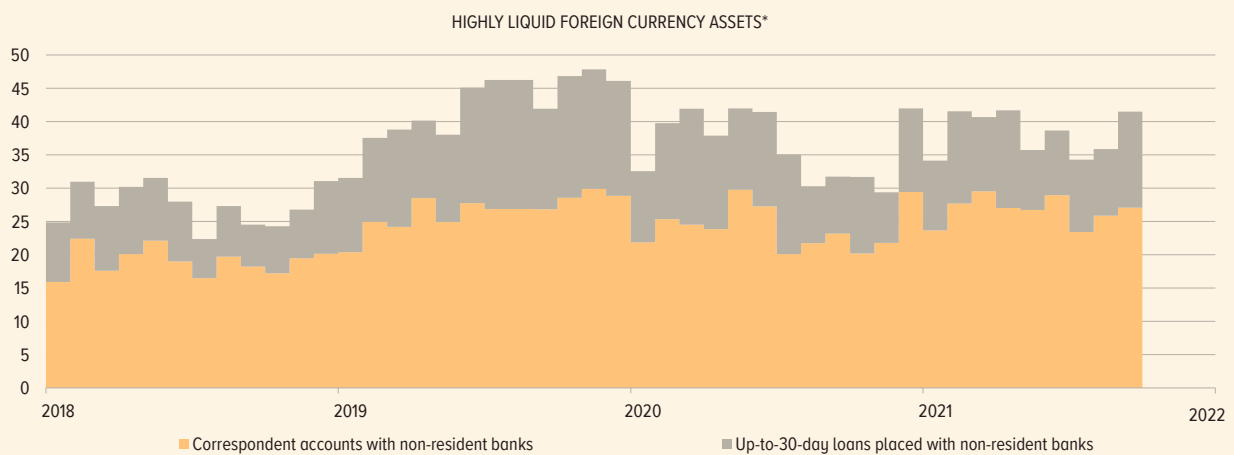
Foreign exchange market. By the end of September, the ruble to US dollar exchange rate rose by 0.9% to 72.59 rubles per US dollar. At its peak, the ruble reached 72.28 rubles per US dollar, the exchange rate recorded at the end of June 2021. Thus, over the previous three months, the ruble strengthened moderately from 74–75 to 72–73 rubles per US dollar. The ruble was supported by rising oil and gas prices and tightening monetary policy. Other EME currencies weakened by 1.9% in September (Chart B-1-3). The most significant decline was recorded in Turkey (-6.1%) and Brazil (-4.6%), where measures to combat inflation are insufficient, according to investors.

Based on data on foreign currency purchases in the exchange and OTC markets, foreign investors resumed their role of net sellers of foreign currency, which could be in part attributed to the expectations of an increase in export earnings given the gas market situation and the ensuing strengthening of the ruble (Chart B-1-4).

Equity market. In September, shares of most countries posted a decrease, which was explained by the expected phasing-out of the Fed's stimulus, situation with the limit on the US public debt and fears of the economic slowdown and a possible energy crisis. The S&P 500 was down 4.8%, the MSCI Europe was down 4.9%, and the MSCI EM was down 4.2% (Chart B-1-6). At the same time, the Russian market expanded thanks to the oil and gas sector. The MOEX Index gained 4.7%, and the RTS Index – 5.6%.

THE VOLUME OF HIGHLY LIQUID FOREIGN CURRENCY ASSETS RETURNED TO THE LEVEL OF THE BEGINNING OF THIS YEAR (AS OF 1 SEPTEMBER)
(BILLIONS OF US DOLLARS)

Chart B-1-1

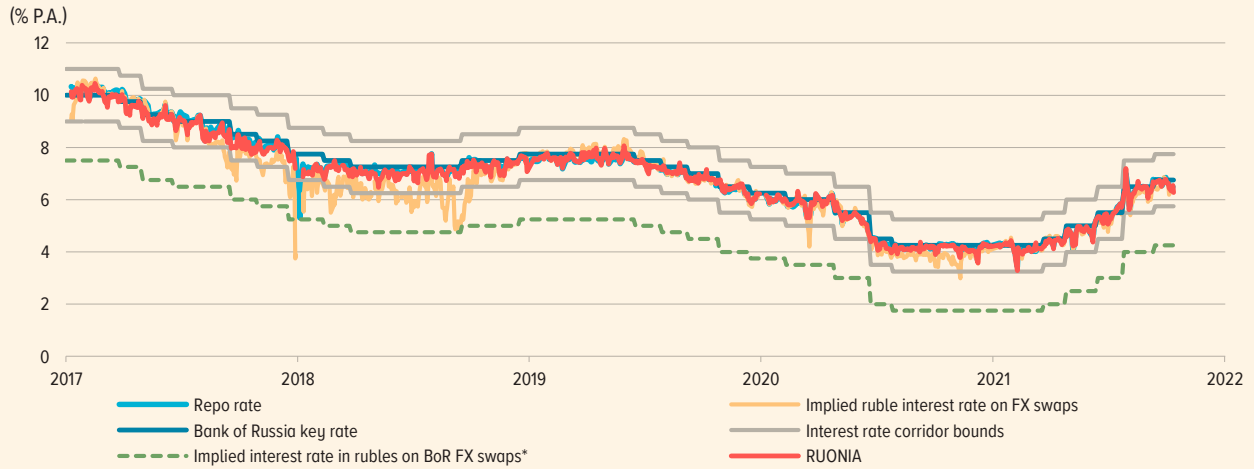


* Excluding cash foreign currency in credit institutions cash desks.

Source: Bank of Russia calculations.

THE SPREAD BETWEEN INTEREST RATES IN FX SWAP AND RUONIA (BASIS) SEGMENTS WAS STILL PREDOMINANTLY IN NEGATIVE TERRITORY

Chart B-1-2

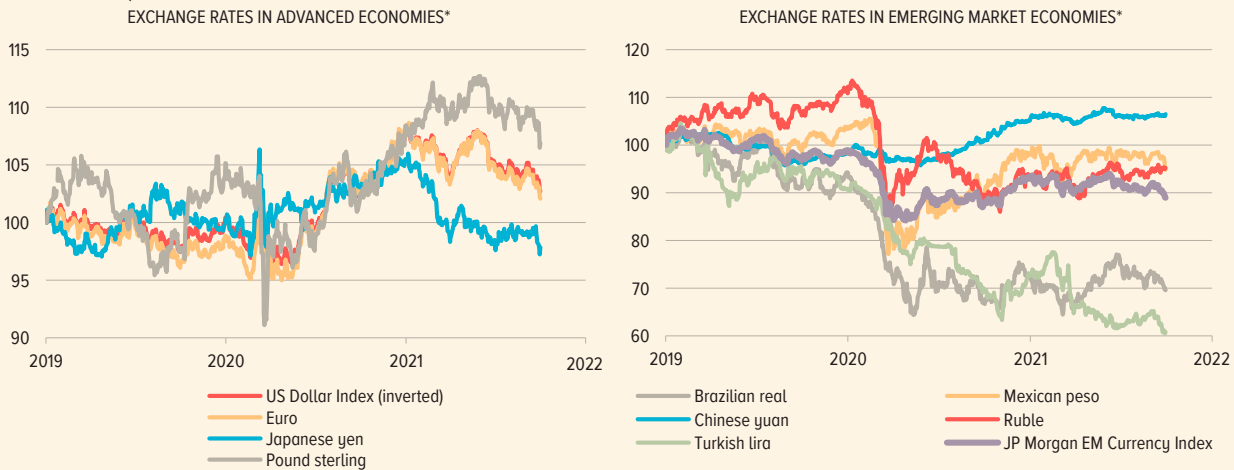


* Implied rate = ruble lending rate – foreign currency borrowing rate + LIBOR (from 19.12.2016: key rate – 1 pp - (LIBOR + 1.5 pp) + LIBOR = key rate – 2.5 pp).
Source: Bank of Russia calculations.

IN SEPTEMBER, THE RUBLE WAS AMONG THE FEW CURRENCIES THAT STRENGTHENED AGAINST THE US DOLLAR

Chart B-1-3

(02.01.2019 = 100)

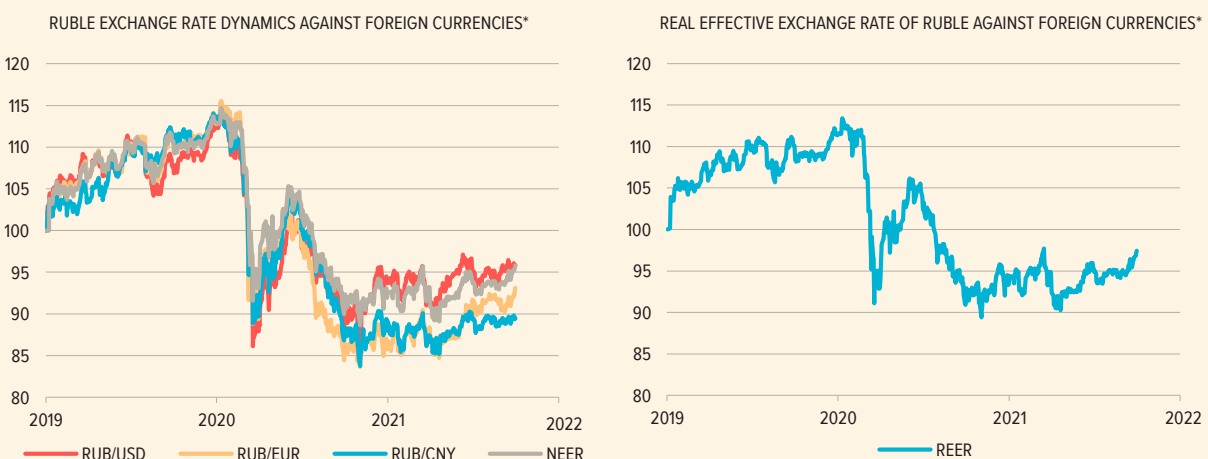


* Against the US dollar. Reverse exchange rates.
Sources: Bloomberg, Bank of Russia calculations.

THE EFFECTIVE RUBLE RATE RETURNED TO THE LEVELS OF THE MID-SUMMER 2020

Chart B-1-4

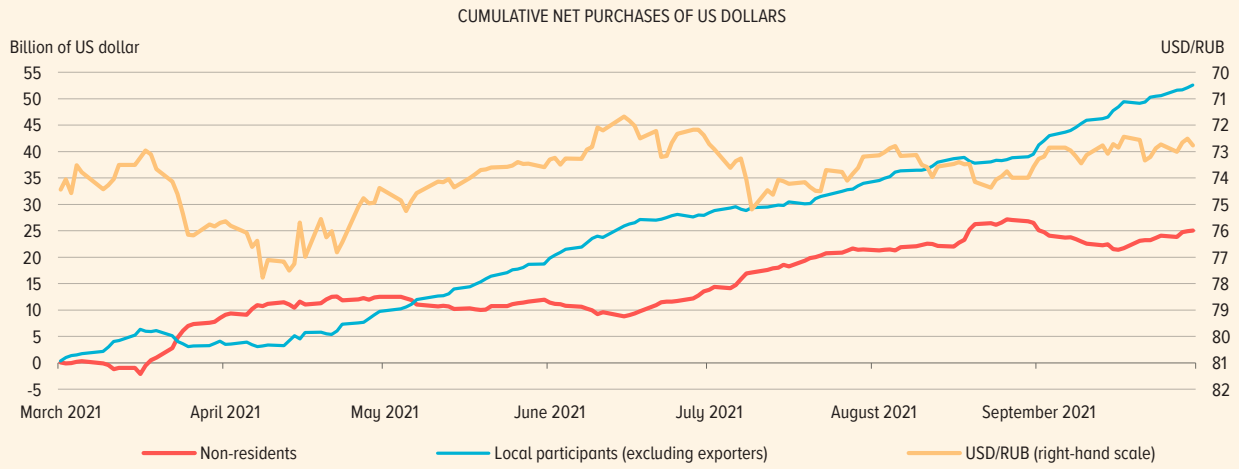
(02.01.2019 = 100)



* The ruble's nominal and real effective exchange rates (NEER and REER, respectively) are calculated using market exchange rates of currencies and recent available monthly inflation data
Sources: Bloomberg, Bank of Russia calculations.

NON-RESIDENTS PREDOMINANTLY SOLD FOREIGN CURRENCY

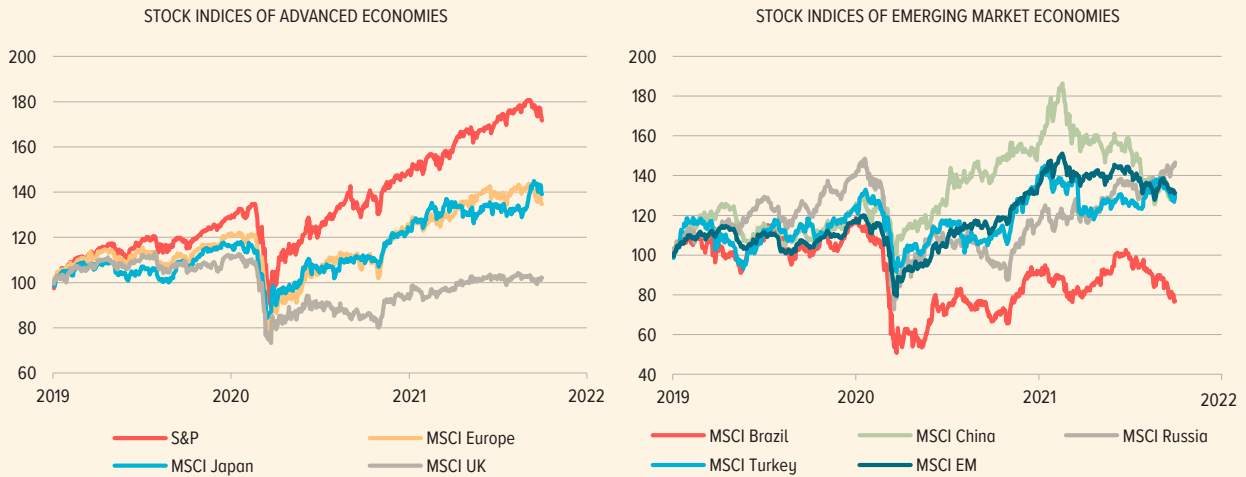
Chart B-1-5



Sources: Moscow Exchange, Bank of Russia calculations.

STOCK INDICES OF MOST COUNTRIES SHOWED A SIGNIFICANT DECLINE
(02.01.2019 = 100)

Chart B-1-6



Sources: Bloomberg, Bank of Russia calculations.

CREDIT AND DEPOSIT MARKET

Deposit rates. The growth of deposit rates observed since the key rate increase picked up in August and September. This was facilitated by the increasing yields on government securities both due to the tightening of monetary policy and the expectation of a further possible increase in the key rate in the third quarter in line with Bank of Russia statements.

In August, the average market ruble rate on short-term household deposits¹ grew by 23 bp to 3.9% p.a.; on short-term household deposits – by 66 bp to 5.8% p.a. (Chart 13). The ongoing growth of deposit rates in September was evidenced by the leading indicator, i.e. the FRG100² deposit return index, which was 5.7% at the end of the reviewed period vs 5.5% at the end of August (Chart 12).

The growth of deposit rates in the third quarter was supported both by actual movements in the market, and also by their expected future changes. Large banks were typically raising deposit rates more actively in August amid expectations of a pending key rate increase than in September, following the actual materialisation of these expectations.

In August, average market rates on foreign currency deposits held close to all-time lows. In view of the above, the growth of ruble deposit rates will add to the attractiveness of savings in the national currency relative to investments in foreign currency.

Deposit operations. In August, higher deposit rates drove an inflow of household funds³ to the banking segment. As a result, the annual increase in the balances in household accounts and deposits⁴ in August amounted to 3.5% vs 3.1% in July (Chart 14).

Growing deposit rates raised the appeal of time deposits. The biggest contribution (over 160 billion rubles) to the overall inflow of household funds to banks was made by the segment of deposits with maturities of one to three years, which was characterised by a more intensive growth in rates. Current ruble accounts, which dominated the growth of household funds with banks in previous months, decreased by 116 billion rubles in August. Government social payments to families with children made up a significant source of increasing household funds held with banks in August.

Real estate investments remained an alternative to bank deposits. In August, funds in escrow accounts reached 150 billion rubles, which is slightly less than in previous months, due in part to a moderate slowdown in the mortgage market activity (see section 'Retail lending').

The recovery of retail investor interest in short- and medium-term deposits can be attributed to the growing attractiveness of deposit rates amid monetary policy tightening. The stability of this trend will depend on the dynamics of the profitability of ruble savings, including the real one. That said, additional impact will be produced by the conditions and marketing activity in the savings account segment, where several major credit institutions continued to provide new offers in September.

Following the July contraction, foreign currency deposits grew slightly in August mainly due to the inflow of funds to current accounts and short-term deposits. As a result, the annual growth of household foreign currency savings reached 3.9% (vs 3.3% in July). Coupled with the nominal

¹ Short-term deposits are deposits with any maturities of up to one year, excluding demand deposits; long-term deposits are deposits with any maturities of over one year.

² The average interest rate of the 54 largest banks on deposits for up to one year in the amount of 100,000 rubles and more, [according to the Frank RG news agency](#).

³ Hereinafter, household deposits include balances in time deposits, demand deposits, and current accounts but exclude balances in escrow accounts under equity construction agreements.

⁴ Hereinafter, increases in banks' balance sheet indicators are calculated based on the reporting data of operating credit institutions recorded in the State Register as of the relevant reporting date. Increases in foreign currency claims and liabilities are calculated in US dollar terms. Where increases in the indicators comprising foreign currency and ruble components are calculated herein, the growth of the foreign currency component is converted into rubles using the period average exchange rate.

depreciation of the ruble, this spurred an increase in the portion of FX household deposits from 20.8% in July to 20.9% in August.

Credit rates. In Q3, two consecutive increases in the key rate and OFZ yield growth were gradually translated into ruble rates on loans to end borrowers. The rise in interest rates was also supported by the higher costs of bank liabilities, whereas subsidised lending programmes continued to restrain the increase in the cost of borrowing.

In the corporate segment⁵ in August, the average market rates on short-term corporate facilities rose by 77 bp to 8.0% p.a., and on long-term – by 68 bp to 8.4%. This was prompted by changes in loan pricing both for large corporates and for SMEs (Chart 13).

In the retail segment, credit rates continued to grow in August, with the rates of riskier short-term loans rising at an outstripping pace, due in part to expectations of a key rate increase at the September meeting of the Bank of Russia Board of Directors and the further tightening of monetary policy through the end of the year. As a result, the average rate on up-to-one-year loans was 14.2% p.a., approaching the level of 2020 Q2.

Growth in the average market interest rate on over-one-year loans primarily stemmed from an increase in rates on mortgage loans in rubles from 7.67% in July to 7.78% August (the highest rise since May 2020). Whereas in July, immediately after the change in the parameters of subsidised mortgage programmes for new houses, the growth of the average mortgage rate was mainly shaped by a decline in activity and higher interest rates in the segment of loans secured by equity construction contracts, August saw a comparable increase in interest rates both in the primary and secondary markets. According to the recent monitoring,⁶ in September, there were no active revisions by banks of the pricing of mortgage lending towards their tightening following the key rate increase: interest rates changed negligibly in the primary and secondary markets, and they even declined slightly on subsidised programmes (Chart 12). The active pricing policy pursued by banks in the segment of subsidised (at 7% p.a.) and family mortgage points to the ongoing intense competition between banks for reliable borrowers, whereas the preservation of base rates on market mortgage loans reflects the stability of expectations for inflation and market rates over the mid-term horizon.

In the short term, corporate and retail credit rates will continue to rise following higher bond yields. The movement of interest rates in the segment of long-term household loans will be in part determined by the correlation between mortgage and consumer loans in the market, as well as the scale of spread of family mortgage.

Corporate lending. The smooth growth of credit rates, which has been in place since April 2021, led to a slowdown in the pace of growth of outstanding corporate loans in August. However, increase in the portfolio of loans to non-financial organisations⁷ in annualised terms was still close to six-year highs, totalling 9.6% at the end of the month vs 9.8% in July (Chart 15). Low real credit rates, expectations of further tightening of price conditions to raise borrowed funds, as well as measures to support lending to certain categories of borrowers contributed to the continued high activity of participants in the corporate lending market. The portion of overdue liabilities of non-financial organisations in the portfolio remains at 6.5%.

Long-term ruble borrowings still made a decisive contribution to the changes in the portfolio of loans to non-financial organisations, their annual growth rate was three times as high as the corresponding indicator for short-term ruble loans. By contrast, the maturity structure of foreign currency lending demonstrated a faster growth of short-term loans, while the annual growth of the portfolio of foreign currency-denominated loans continued to decline, which may reflect companies' inclination to limit FX risks.

⁵ Hereinafter, the corporate segment of the credit market implies lending to non-financial organisations.

⁶ [According to the weekly monitoring of market rates offered in the mortgage market](#) published by DOM.RF.

⁷ Hereinafter, growth of corporate lending strips out credit claims acquired by credit institutions.

Corporate lending activity is still accompanied by the growth of the bond market of non-financial issuers: by the end of August, the portfolio of such securities amounted to 10.2 trillion rubles posting a 17.6% increase in annual terms (a month earlier, this indicator stood at 16.2%).

Over the short-term horizon, corporate demand for loans will continue to rise and will support corporate lending (Chart 17), with further increase in credit rates serving as a restraining factor for lending activity in this segment.

Retail lending. The demand for loans among retail customers remained high in August. This trend was supported by the seasonal factor and also expectations of a further increase in lending rates. As a result, the expansion of household loan portfolio picked up partly due to an increase in the average loan amount because of higher inflation.

By end-August, the annual growth of retail loan portfolio⁸ came in at 21.8% vs 21.7% in the previous month (Chart 15). As before, mortgage loans accounted for more than a half of the annual growth in the mentioned loan portfolio (Chart 16). 151,000 new loans worth 439 billion rubles were issued in August. Though the conditions of subsidised mortgage loans in the primary market⁹ were revised a month earlier and the number of new loans under this programme reduced, the ongoing high activity in the mortgage market (the volume of new loans in August is close to the average for the entire effective period of the 6% p.a. subsidised mortgage programme) points to the shift of households' demand to the secondary market and family mortgage. The growth of mortgage portfolio¹⁰ continued to slow down in annualised terms and came in at 27.8% at the end of August. Mortgage lending is supported by the development of mortgage-backed bond market: in late September, the volume of outstanding mortgage bonds¹¹ amounted to 588 billion rubles showing a 23.6% increase over the past 12 months.

In the segment of unsecured consumer lending, the portfolio growth picked up appreciably over the month from 1.7% in July to 2.2% in August due to expenses for preparation for the academic year and for vacations which are traditionally high in this period.

The quality of household loans remains stable: in August, the share of overdue liabilities was close to the level of the previous month and amounted to 4.3% (Chart 15).

In the near future, subsidised mortgage programmes combined with favourable pricing conditions for mortgages, resulting from high competition between banks for reliable borrowers, will support portfolio growth in this segment. As prices rise in real terms, consumer lending will become less attractive to households. Additional restraining effect on the portfolio of unsecured consumer loans may be produced by an increase in add-ons to risk weights which will take effect in October this year.

Money supply. In August, money supply continued to form mainly due to the increased claims of the banking system on the economy, with the annual growth in the banking system's claims on households remaining at 20.7% and on businesses – slightly increasing to 11.0%. The total annual growth of claims on the economy¹² amounted to 13.7% in August (vs 13.5% in July). At the same time, a more balanced structure of fiscal operations held back the growth of money supply. In addition, the inflow of funds to escrow accounts excluded from money supply continued, though at a lower level than in previous months.

⁸ Hereinafter, growth of retail lending strips out credit claims acquired by credit institutions.

⁹ Resolution of the Government of the Russian Federation No. 566, dated 23 April 2020.

¹⁰ Housing mortgage loans, net of claims on such loans acquired by banks.

¹¹ At the outstanding face value, according to the Cbonds.ru news agency.

¹² Banking sector claims on the economy mean all claims of the banking system on non-financial and financial organisations and households in Russian rubles, foreign currency, and precious metals, which include loans issued (including overdue loans), overdue interest on loans, credit institutions' investment in debt and equity securities and promissory notes, as well as other forms of participation in non-financial and financial organisations' equity, and other receivables under settlement operations with non-financial and financial organisations and households.

A moderate acceleration in the growth of money supply was accompanied by a change in its structure. Amid more favourable export conditions, a noticeable increase was observed in foreign currency deposits of non-financial organisations. As a result, while the annual growth of broad money supply (M2X) accelerated to 9.5%, the growth of money supply in national definition (M2) slowed down to 8.2% (Chart 18).

In August, the volume of cash outside the banking system remained virtually unchanged. The contribution of cash to annual growth of money supply edged down again: annual growth of the MO aggregate dropped to 8.5% in August (vs 9.5% in July). At the same time, the share of cash in money supply remains high: the ratio of MO to M2X is about 17% vs 14–15% in 2015–2019.

CHARTS AND TABLES

IN SEPTEMBER 2021, THE BANKING SECTOR'S STRUCTURAL LIQUIDITY SURPLUS INCREASED
(AS OF START OF BUSINESS, BILLIONS OF RUBLES)

Table 2

	01.01.2018	01.01.2019	01.01.2020	01.01.2021	01.04.2021	01.07.2021	01.09.2021	01.10.2021
Structural liquidity deficit (+)/ surplus (-)	-2,639	-3,016	-2,761	-204	-1,461	-1,454	-844	-1,283
Bank of Russia claims on credit institutions	10	21	18	976	349	154	294	154
Auction-based facilities	-	-	-	847	103	148	148	108
– repos and FX swaps	-	-	-	847	103	148	148	108
Fixed interest rate facilities	10	21	18	129	246	6	146	46
– repos and FX swaps	4	8	13	118	0	0	0	11
– secured loans	5	13	5	10	246	5	145	35
Credit institutions' claims on the Bank of Russia	2,729	3,293	2,983	1,796	2,417	1,941	1,385	1,626
Deposits	2,372	1,902	1,026	1,221	1,772	1,314	809	1,023
– auction-based	2,125	1,478	697	844	1,650	1,191	700	780
– fixed interest rate	247	424	330	377	122	123	109	243
BoR coupon bonds	357	1,391	1,956	575	645	626	576	603
Standing reverse facilities, other than standard monetary policy instruments of the Bank of Russia*	81	256	204	616	607	332	247	190

* These transactions include Bank of Russia specialised refinancing facilities, loans granted by the Bank of Russia as part of irrevocable credit lines, and USD/RUB and EUR/RUB sell/buy FX swaps conducted by the Bank of Russia.
Source: Bank of Russia calculations.

THE FORECAST OF THE STRUCTURAL LIQUIDITY SURPLUS FOR THE END OF 2021 REMAINS
AT 0.8–1.4 TRILLION RUBLES
(TRILLIONS OF RUBLES)

Table 3

	2020 (actual)	January – September 2021 r.	September 2021 r.	2021 (forecast)
1. Liquidity factors	-2.6	1.8	0.2	[1.2; 1.7]
– change in the balances of funds in general government accounts with the Bank of Russia, and other operations*	0	2.3	0.3	[1.5; 1.8]
– change in the amount of cash in circulation	-2.6	-0.4	-0.1	[-0.2; 0.0]
– Bank of Russia interventions in the domestic FX market and monetary gold purchases**	0.1	-	-	-
– regulation of banks' required reserves with the Bank of Russia	-0.1	-0.1	0.0	-0.1
2. Change in free bank reserves (correspondent accounts) *** (demand)	-0.1	0.7	-0.2	[0.5; 0.6]
3. Change in banks' claims on deposits with the Bank of Russia and BoR coupon bonds	1.2	-0.2	0.2	[-0.8; -0.2]
4. Change in outstanding amounts on Bank of Russia refinancing operations	1.4	-1.2	-0.2	-1.4
Structural liquidity deficit (+) / surplus (-)	-0.2	-1.3		[-1.4; -0.8]

* Including fiscal rule-based operations to buy (sell) foreign currency in the domestic FX market and other operations.

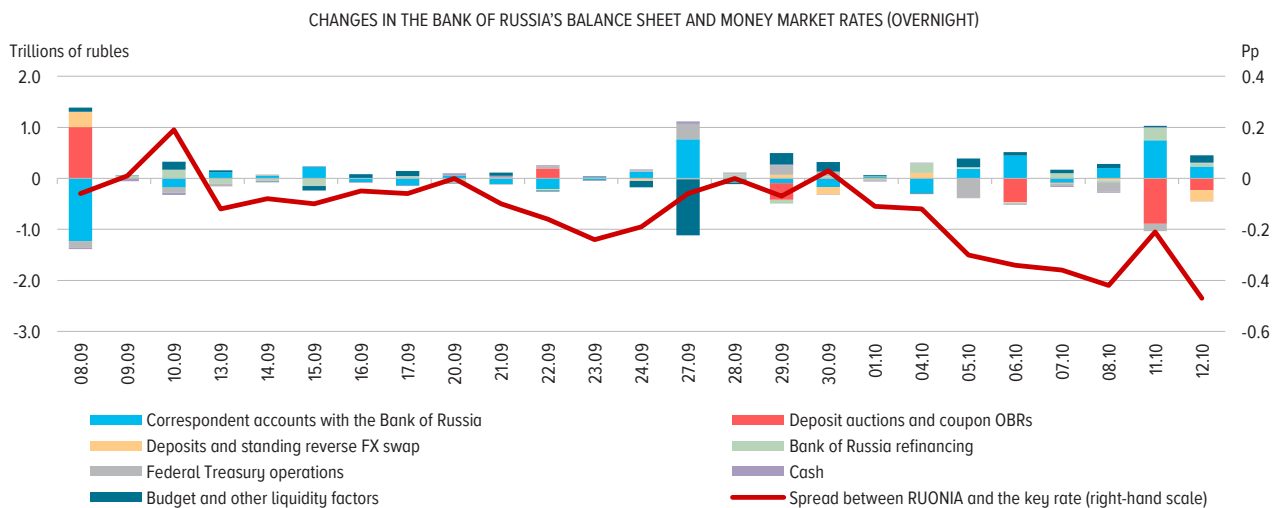
** The forecast values of the indicator are in line with the actual amount of operations conducted.

*** The forecast for the end of the year implies the uniform averaging of required reserves by banks and correspondent account balances close to the required ratio.

Source: Bank of Russia calculations.

FISCAL OPERATIONS CAUSED AN INFLOW OF LIQUIDITY TO THE BANKING SECTOR IN SEPTEMBER 2021

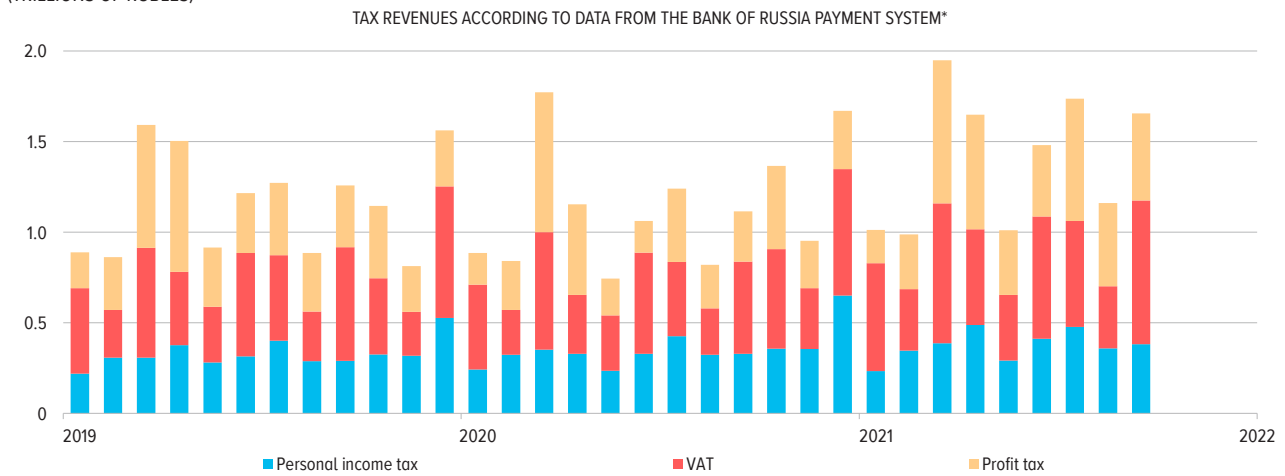
Chart 1



Source: Bank of Russia calculations.

IN SEPTEMBER 2021, THE GROWTH OF PERSONAL INCOME TAX, VAT AND PROFIT TAX PICKED UP BOTH TO THE BASE OF 2019 AND 2020 (TRILLIONS OF RUBLES)

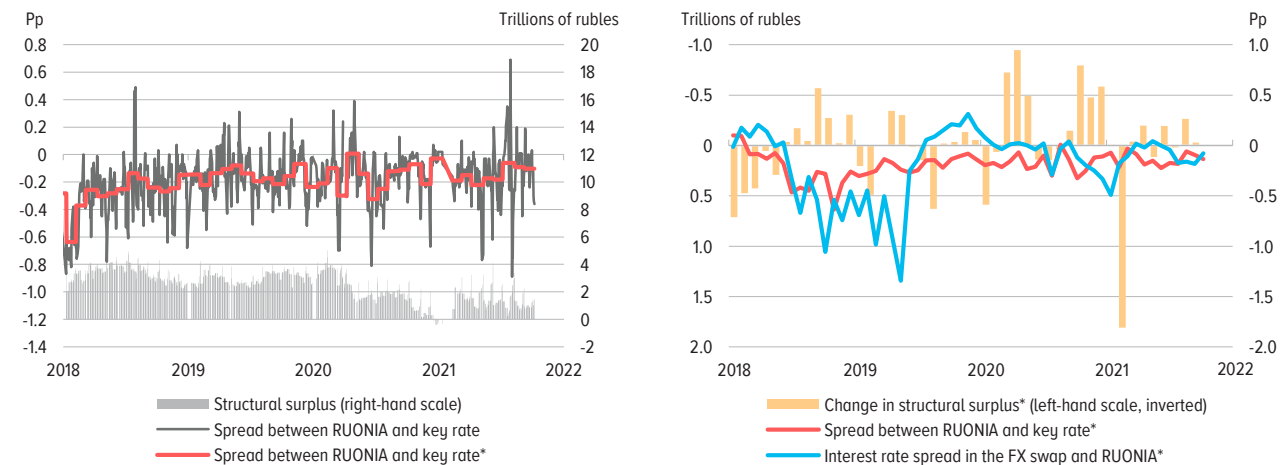
Chart 2



* Funds transfers from credit institutions' accounts to the budget system's accounts with budget classification codes corresponding to the above taxes.
Source: Bank of Russia calculations.

THE SPREAD BETWEEN RUONIA AND THE BANK OF RUSSIA KEY RATE EXPANDED

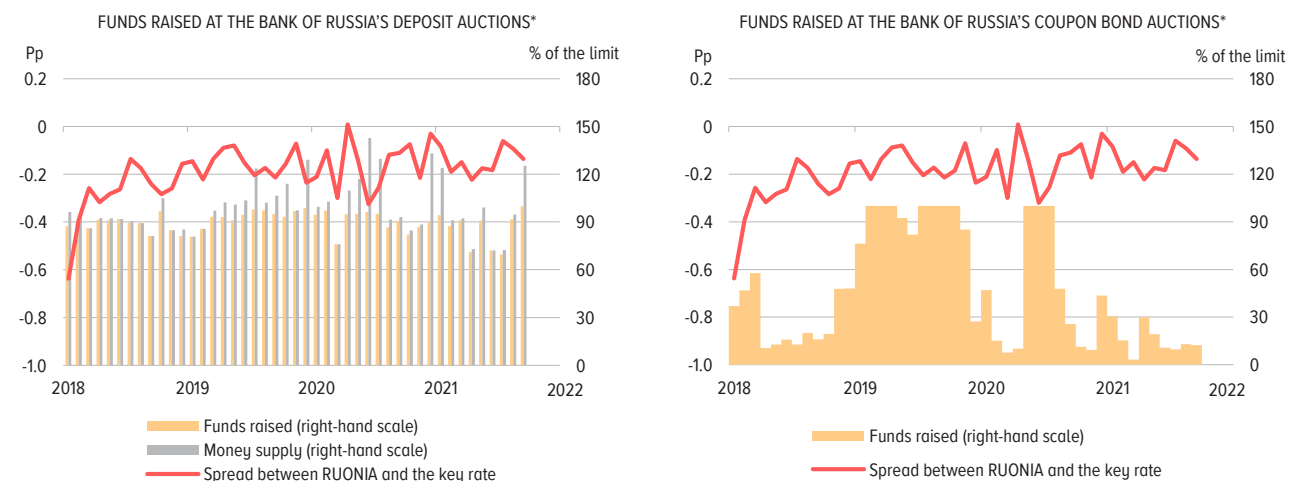
Chart 3



* Average for averaging periods.
Source: Bank of Russia calculations.

BANKS' SUPPLY AT BANK OF RUSSIA ONE-WEEK DEPOSIT AUCTIONS SLIGHTLY EXCEEDED THE ESTABLISHED LIMITS

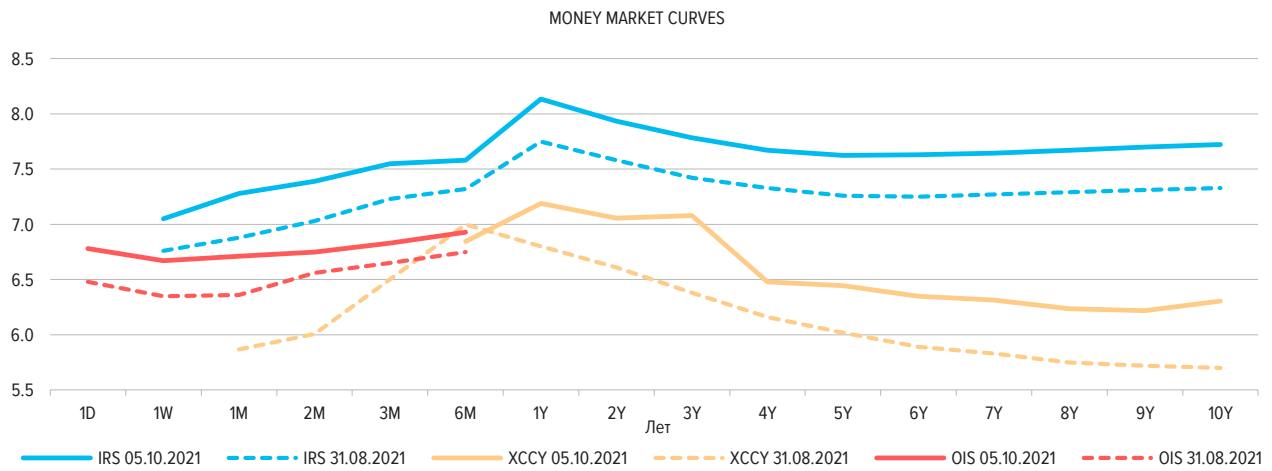
Chart 4



* Average for averaging periods.
Source: Bank of Russia calculations.

IN SEPTEMBER, YIELD CURVES GREW IN PARALLEL
(% P.A.)

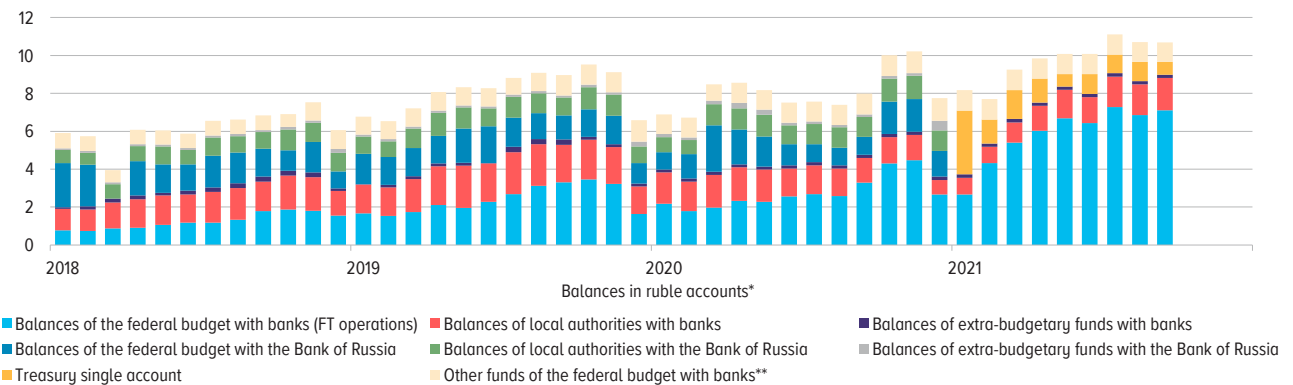
Chart 5



Note. To build the IRS curve for maturities up to 1Y MosPrime rates for corresponding maturities are used.
Source: Bloomberg.

IN SEPTEMBER 2021, BALANCES IN THE TSA REDUCED DUE TO THE INCREASE IN BANKS OUTSTANDING AMOUNTS ON FT OPERATIONS
(TRILLIONS OF RUBLES, AS OF THE MONTH-END)

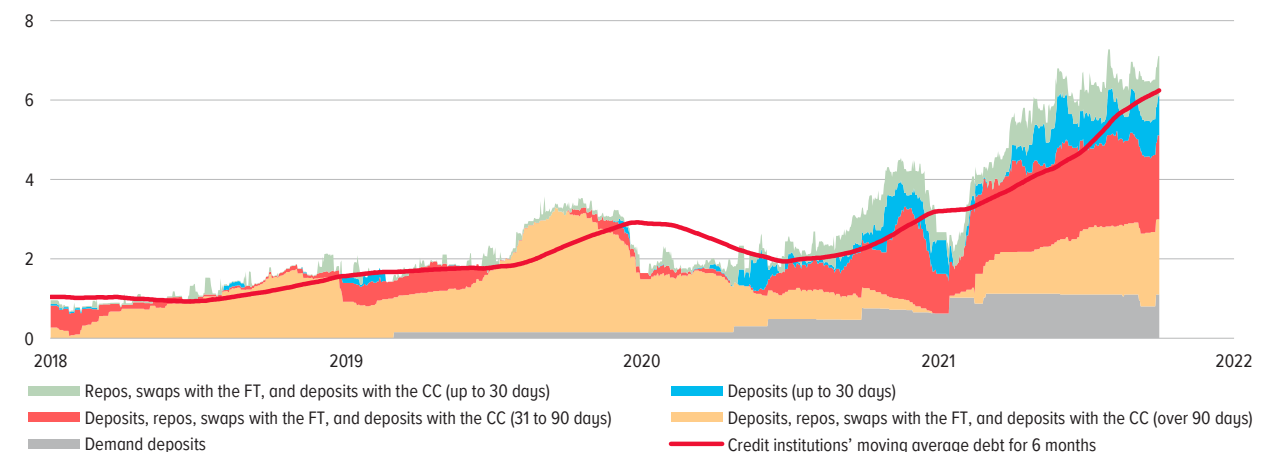
Chart 6



* According to banking reporting form 0409301 'Performance indicators of a credit institution' and the Bank of Russia's daily balance sheet.
** Other funds comprise VEB budgetary funds, election commissions' funds, funds received for temporary use, funds for the cash transactions of Russia's Ministry of Finance, and others.
Source: Bank of Russia calculations.

IN SEPTEMBER 2021, CREDIT INSTITUTIONS' DEBT TO THE FT WAS UP BY 0.3 TRILLION RUBLES
(TRILLIONS OF RUBLES)

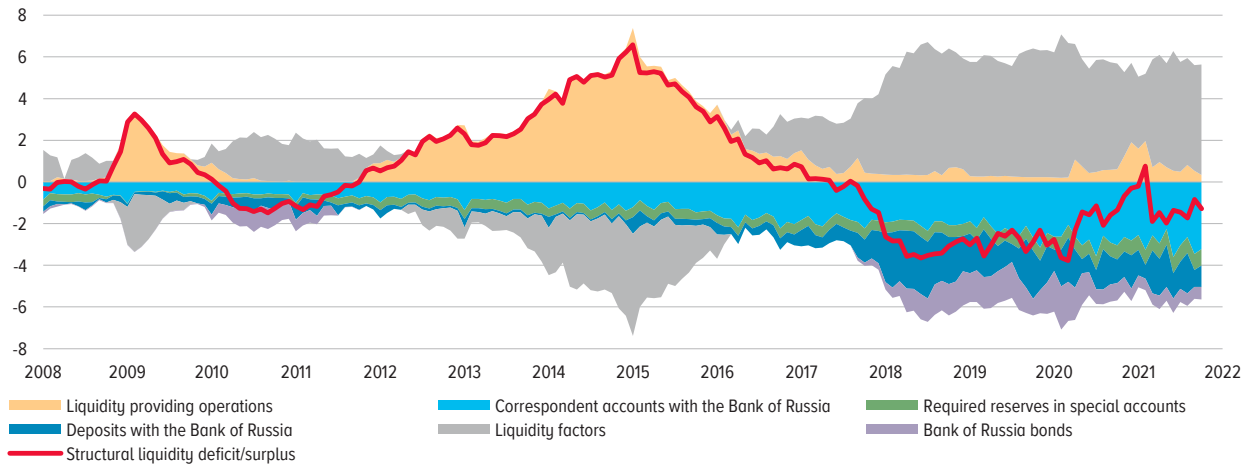
Chart 7



Sources: Federal Treasury, Bank of Russia calculations.

THE BANK OF RUSSIA'S BALANCE SHEET
(TRILLIONS OF RUBLES)

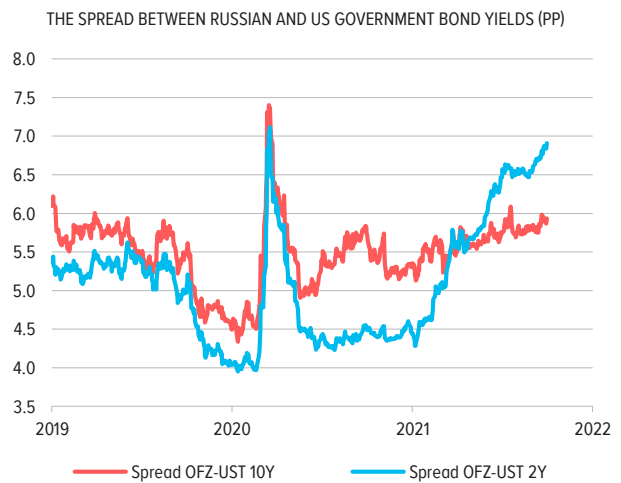
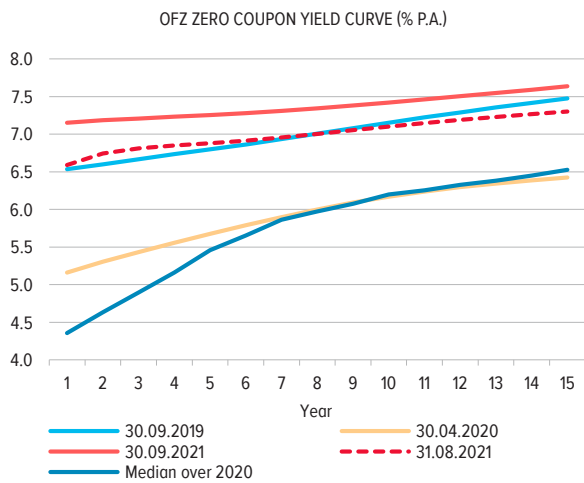
Chart 8



Source: Bank of Russia calculations.

OFZ CURVE RESUMED GROWTH ACROSS ALL MATURITIES

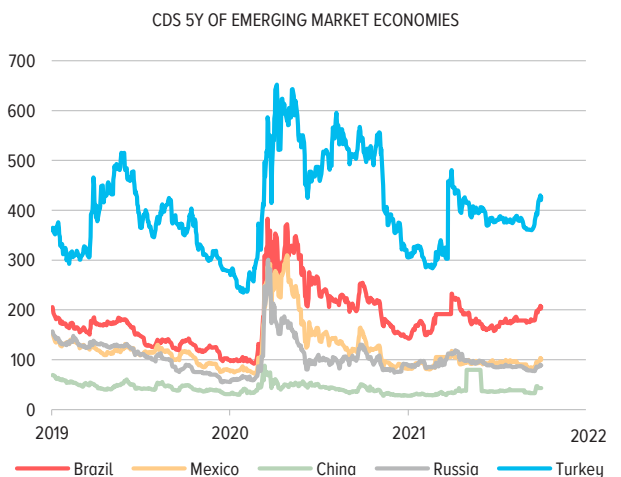
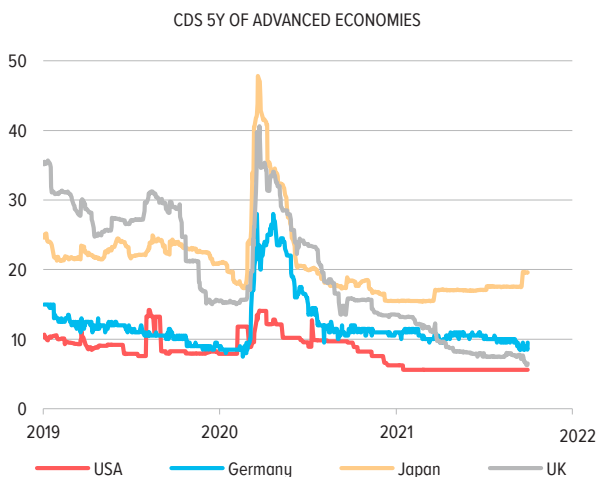
Chart 9



Sources: Moscow Exchange, Bank of Russia calculations.

RUSSIA'S CDS 5Y SPREAD GREW LESS THAN ON AVERAGE IN OTHER EMES
(BP)

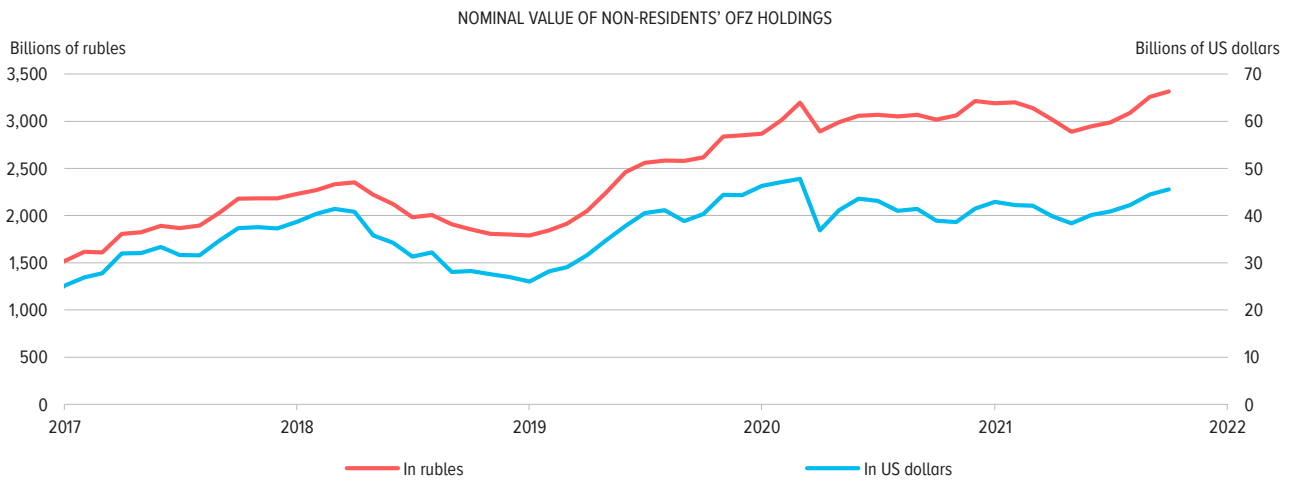
Chart 10



Sources: Bloomberg, Thomson Reuters, Bank of Russia calculations.

FOREIGN INVESTORS INCREASED THEIR INVESTMENT IN OFZ BY THE END OF THE MONTH

Chart 11



Sources: Moscow Exchange, Bank of Russia calculations.

SITUATION IN THE RUSSIAN FINANCIAL MARKET WAS ON AVERAGE SLIGHTLY BETTER THAN IN OTHER MARKETS

Table 4

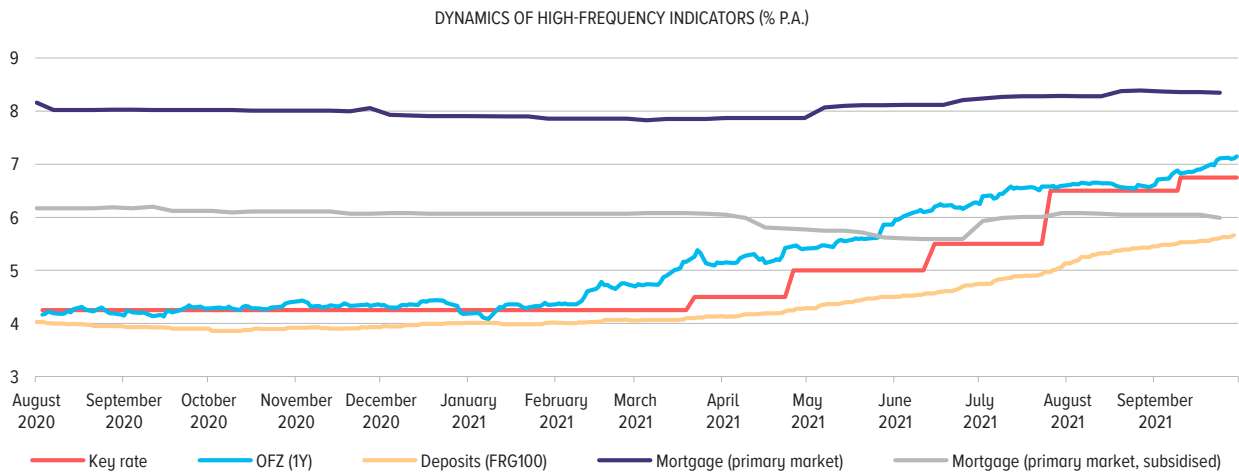
Indicator		30.09.2021	1M	3M	6M	YTD	1Y
Russian financial market							
RUB/USD exchange rate		72.75	0.7	0.9	4.6	2.2	8.0
MOEX Index		4,104	4.7	6.4	16.3	24.8	41.0
RTS Index		1,778	5.6	7.3	22.0	28.1	53.8
Government bond yield		7.33	35	26	46	157	138
Corporate bond yield		7.96	40	65	133	185	165
Regional bond yield		7.73	41	62	109	205	196
CDS spread		89	9	3	-24	0	-39
RVI		25	2	5	-5	-7	-16
Exchange rates (per US dollar, % change, '+' – appreciation, '-' – depreciation)							
AEs*	US Dollar Index	94.23	1.7	1.8	1.4	4.8	0.4
	Euro	1.16	-1.9	-2.3	-1.7	-5.2	-1.4
	Japanese yen	111.29	-1.1	0.2	-0.6	-7.1	-5.1
	Pound sterling	1.35	-2.0	-2.1	-2.6	-1.4	4.8
EMEs	JP Morgan EM Currency Index	55.24	-2.9	-3.1	-1.9	-4.6	2.2
	Ruble	72.75	0.7	0.9	4.6	2.2	8.0
	Brazilian real	5.44	-5.4	-7.2	4.9	-4.6	3.4
	Mexican peso	20.64	-2.8	-3.1	-1.7	-3.6	8.8
	Chinese yuan	6.44	0.2	0.4	1.9	1.3	5.8
	Turkish lira	8.89	-6.4	-2.5	-8.6	-16.4	-12.1
	South African rand	15.07	-3.7	-4.2	-3.0	-2.5	12.5
10-year bond yield (% p.a., change in bp, '+' – increase, '-' – decrease)							
AEs	USA	1.49	18	3	-18	57	84
	Germany	-0.20	19	0	13	37	35
	Japan	0.07	5	3	-4	5	5
	UK	1.02	31	29	23	83	84
EMEs	Russia	7.32	35	13	23	141	103
	Brazil	11.11	61	194	169	420	324
	Mexico	7.37	40	33	53	184	128
	China	2.87	3	-22	-32	-27	-25
	Turkey	17.85	135	101	35	541	504
	South Africa	9.58	48	28	5	85	13
5Y CDS spreads (bp, change in bp, '+' – increase, '-' – decrease)							
AEs	USA	6	0	0	0	-1	-4
	Germany	10	-1	-1	0	-2	-3
	Japan	20	2	3	3	4	1
	UK	7	-1	-1	-3	-7	-9
EMEs	Russia	89	9	3	-24	0	-39
	Brazil	207	32	39	-16	63	-52
	Mexico	103	18	8	-9	21	-56
	China	44	9	7	9	16	-7
	Turkey	427	66	45	-20	121	-119
	South Africa	210	26	27	-22	7	-103
Stock indices (points, % change, '+' – increase, '-' – decrease)							
AEs	S&P 500	4,308	-4.8	-0.3	7.2	14.7	29.1
	MSCI Europe	1,987	-4.9	-2.6	3.7	8.0	24.2
	MSCI Japan	1,245	3.7	4.6	4.1	12.6	24.4
	MSCI UK	1,990	-0.3	-0.6	5.4	9.9	20.1
EMEs	MSCI EM	1,253	-4.2	-8.4	-6.2	-3.0	17.2
	MSCI Russia	846	6.1	7.5	22.5	26.5	53.9
	MSCI Brazil	1,571	-14.6	-21.7	-4.1	-16.3	15.6
	MSCI Mexico	5,196	-6.2	1.3	8.6	13.7	50.9
	MSCI China	90	-5.1	-18.1	-19.3	-17.4	-6.1
	MSCI Turkey	1,577,076	-6.4	3.0	4.4	-6.8	19.4
	MSCI South Africa	1,415	-2.0	-2.0	-8.9	4.3	11.5

* Advanced economies.

Sources: Bloomberg, Moscow Exchange, Cbonds.ru, Bank of Russia calculations.

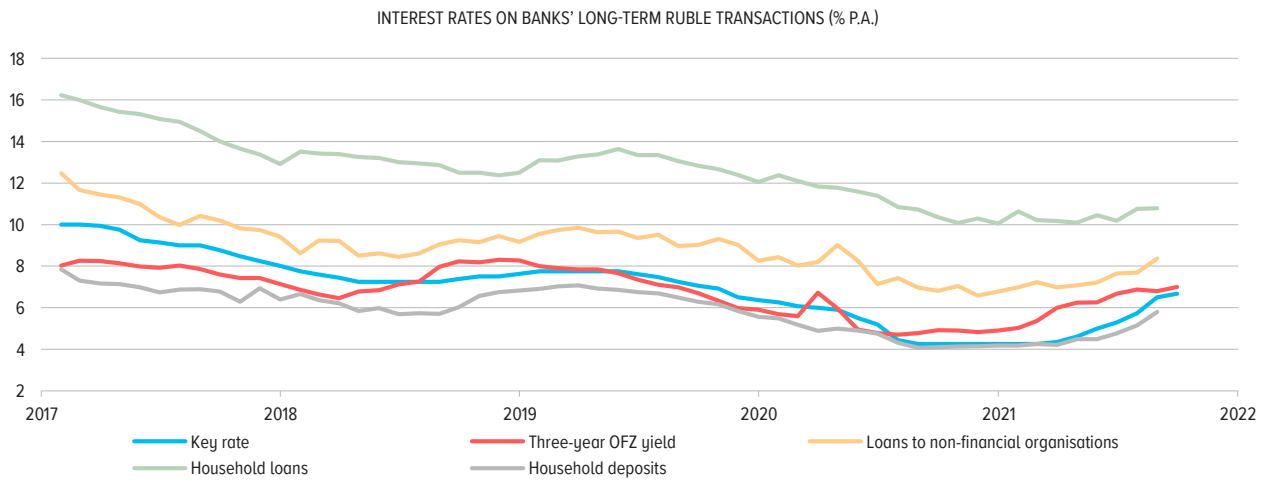
IN SEPTEMBER, MORTGAGE RATES REMAINED VIRTUALLY UNCHANGED

Chart 12



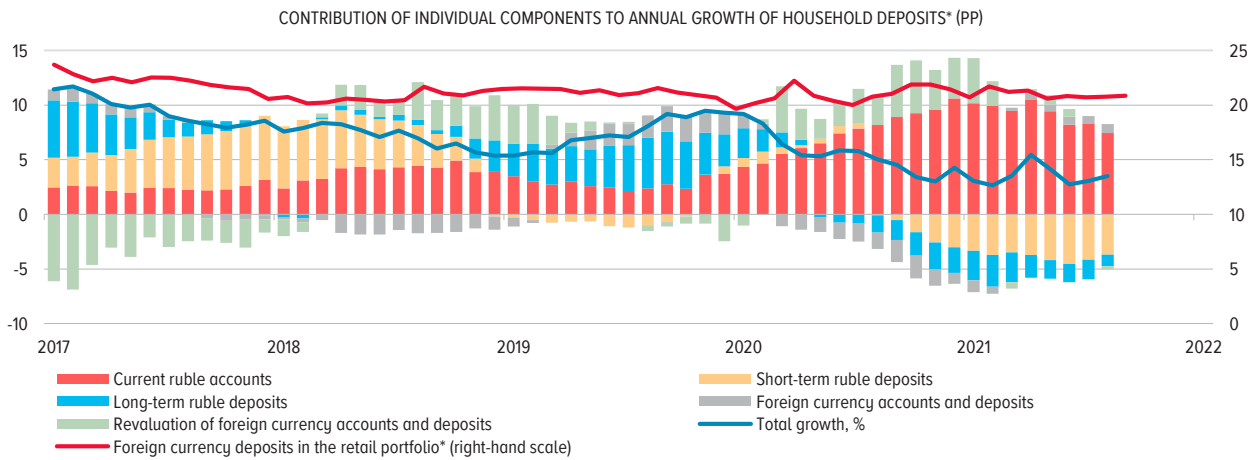
CREDIT AND DEPOSIT RATES CONTINUED TO GROW

Chart 13



IN AUGUST, THE INFLOW OF HOUSEHOLD FUNDS TO BANKS WAS MAINLY IN THE SEGMENT OF TIME DEPOSITS

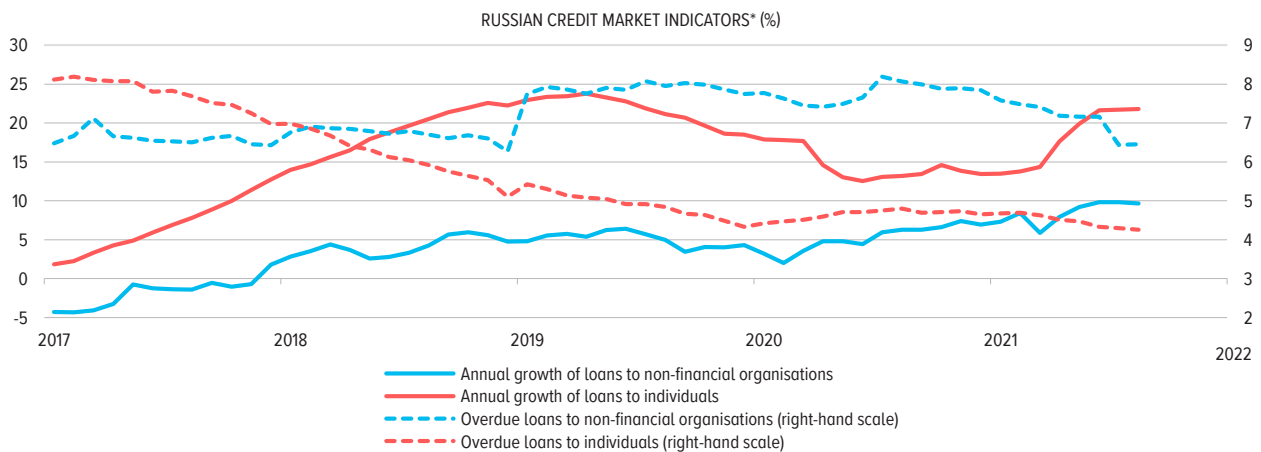
Chart 14



* Excluding escrow accounts.
Source: Bank of Russia calculations.

IN AUGUST, GROWTH IN CORPORATE LENDING SLOWED DOWN NEGLIGIBLY

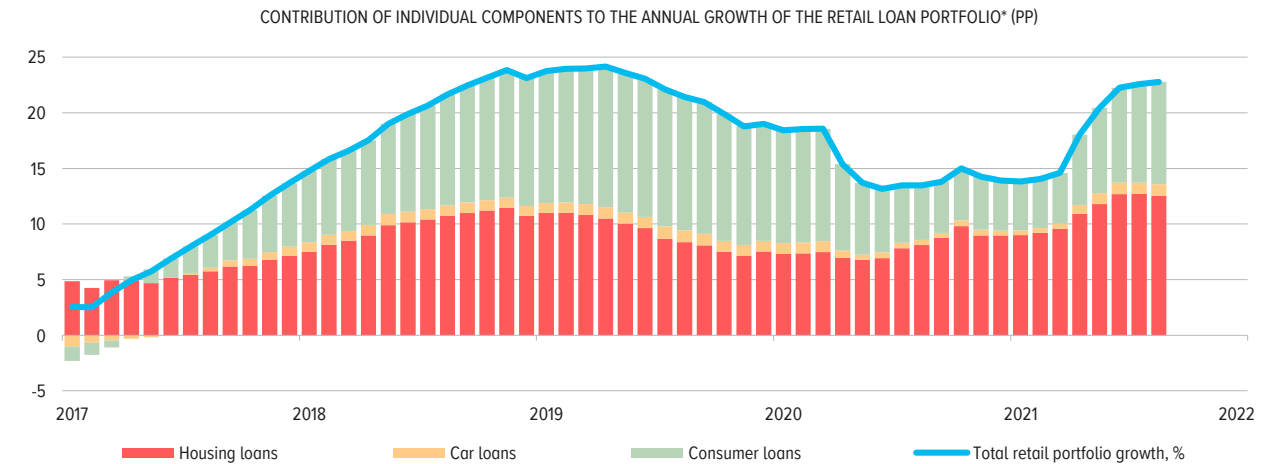
Chart 15



* From 1 February 2021, the portfolio of loans to non-financial organisations and households includes acquired claims. The calculation of portfolio growth is net of acquired claims.
Source: Bank of Russia calculations.

AUGUST SAW HIGH ACTIVITY IN THE SEGMENTS OF MORTGAGE AND CONSUMER LENDING

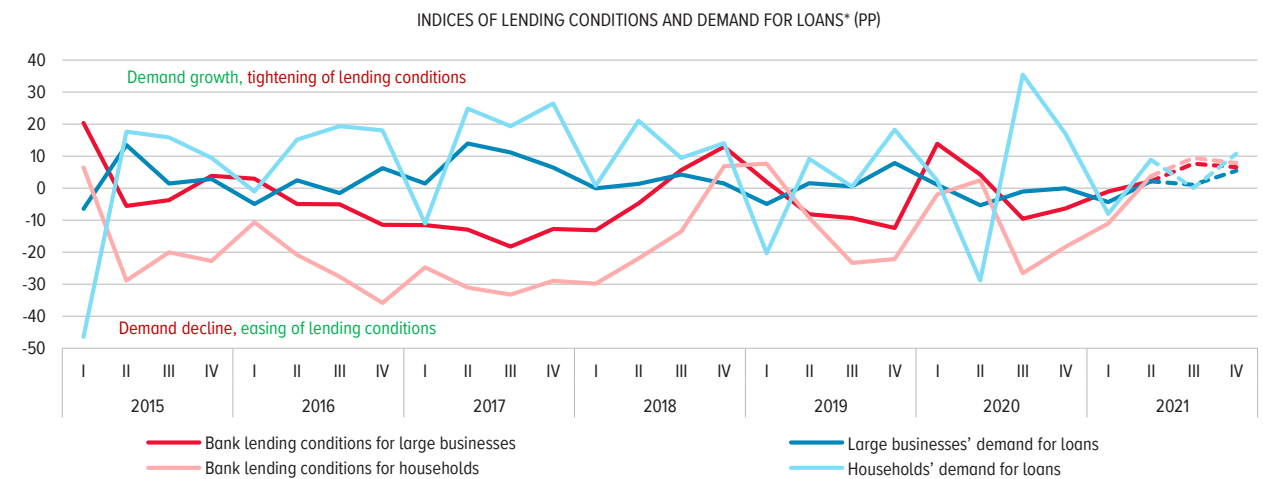
Chart 16



* For loans grouped into homogeneous loan portfolios.
Source: Bank of Russia calculations.

THROUGH THE END OF 2021, BANKS EXPECT A PICKUP IN DEMAND FOR LOANS AMID A SLIGHT TIGHTENING IN LENDING CONDITIONS

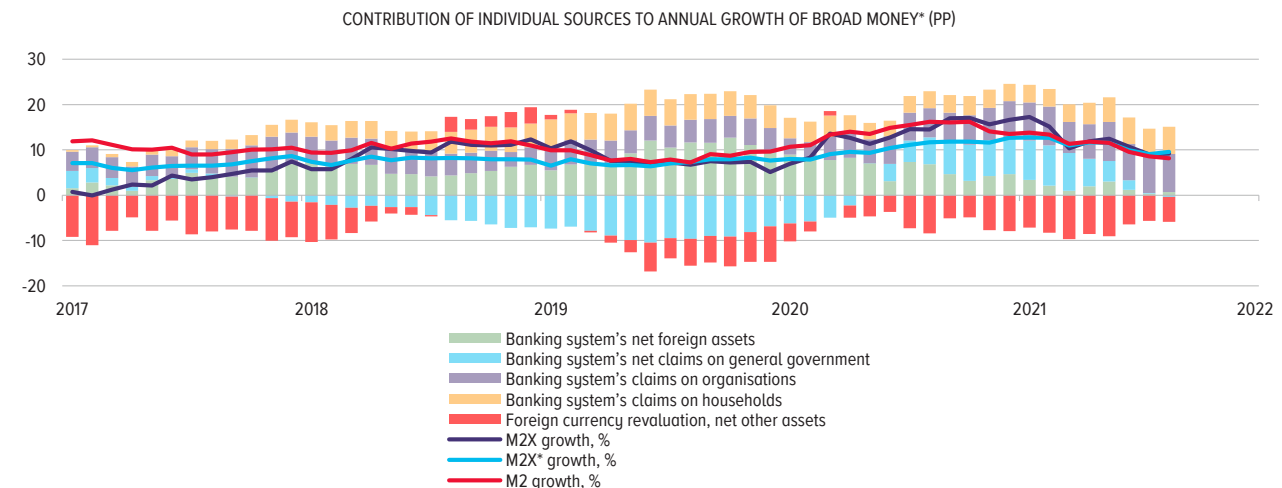
Chart 17



* The dotted lines signify respondent banks' expectations regarding changes in lending conditions and demand for loans in 2021 Q2.
Source: Bank of Russia.

INCREASE IN CREDIT TO THE ECONOMY REMAINED THE MAIN SOURCE OF EXPANDING MONEY SUPPLY IN AUGUST

Chart 18



* Adjusted for foreign currency revaluation.
Source: Bank of Russia.

CREDIT AND DEPOSIT MARKET INDICATORS

Table 5

Indicator		May 2021	June 2021	July 2021	August 2021
Interest rates on banks' long-term ruble transactions					
– household deposits	% p.a.	4.5	4.8	5.1	5.8
– household loans	% p.a.	10.5	10.2	10.8	10.8
– corporate loans	% p.a.	7.2	7.6	7.7	8.4
Household deposits*	% YoY, AFRC	4.2	2.7	3.1	3.5
– in rubles*	% YoY	4.4	2.5	3.0	3.4
– in foreign currency	% YoY	3.0	3.5	3.3	3.9
– share of foreign currency*	%	20.8	20.7	20.8	20.9
Loans to non-financial organisations**	% YoY, AFRC	9.2	9.8	9.8	9.6
– short-term (up to 1 year)	% YoY, AFRC	5.0	7.2	10.7	10.4
– long-term (more than 1 year)	% YoY, AFRC	10.5	11.1	12.3	11.8
– overdue loans	%	7.2	7.2	6.4	6.5
Household loans**	% YoY, AFRC	19.9	21.6	21.7	21.8
– housing mortgage loans	% YoY, AFRC	27.2	29.0	28.7	27.8
– unsecured consumer loans	% YoY	15.2	17.0	17.8	18.5
– overdue loans	%	4.5	4.3	4.3	4.3
Banking system's claims on the economy	% YoY, AFRC	13.2	13.1	13.5	13.7
– on businesses	% YoY, AFRC	11.2	10.3	10.8	11.0
– on households	% YoY, AFRC	18.6	20.4	20.7	20.7
Money supply (monetary aggregate M2)	% YoY	11.5	9.5	8.6	8.2
Broad money	% YoY, AFRC	11.6	9.9	9.1	9.5

* Excluding escrow accounts

** From 1 February 2021, the portfolio of loans to non-financial organisations and households includes acquired claims. The calculation of portfolio growth is net of acquired claims.

Note: YoY – year-over-year; AFRC – adjusted for foreign currency revaluation. The Marshall-Edgeworth decomposition is used to make the adjustment for foreign currency revaluation.

Source: Bank of Russia calculations.

Data cut-off dates:

- 'Money market and overnight rates (RUONIA)' section – 12 October 2021 (reserve requirements are an important part of Bank of Russia instruments to manage banking sector liquidity and money market rates. Therefore, the analysis of the effectiveness of the Bank of Russia's monetary policy operational procedure should take into account required reserves averaging periods. In September–October 2021, this period is from 8 September 2021 to 12 October 2021);
- 'Money market yield curves and key rate expectations' and 'Public debt market' sections – 30 September 2021;
- 'Credit and deposit market' section – 1 September 2021.

A soft copy of the [information and analytical commentary](#) is available on the Bank of Russia website.Please send your comments and suggestions to svc_analysis@cbr.ru.

This commentary was prepared by the Monetary Policy Department.

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12 Neglinnaya Street, Moscow 107016

Bank of Russia website: www.cbr.ru

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