



Bank of Russia



# REGIONAL ECONOMY: COMMENTARIES BY BANK OF RUSSIA MAIN BRANCHES

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9 December 2021

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

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**39**  
mln  
people

### MB for Central FD

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

**14**  
mln  
people

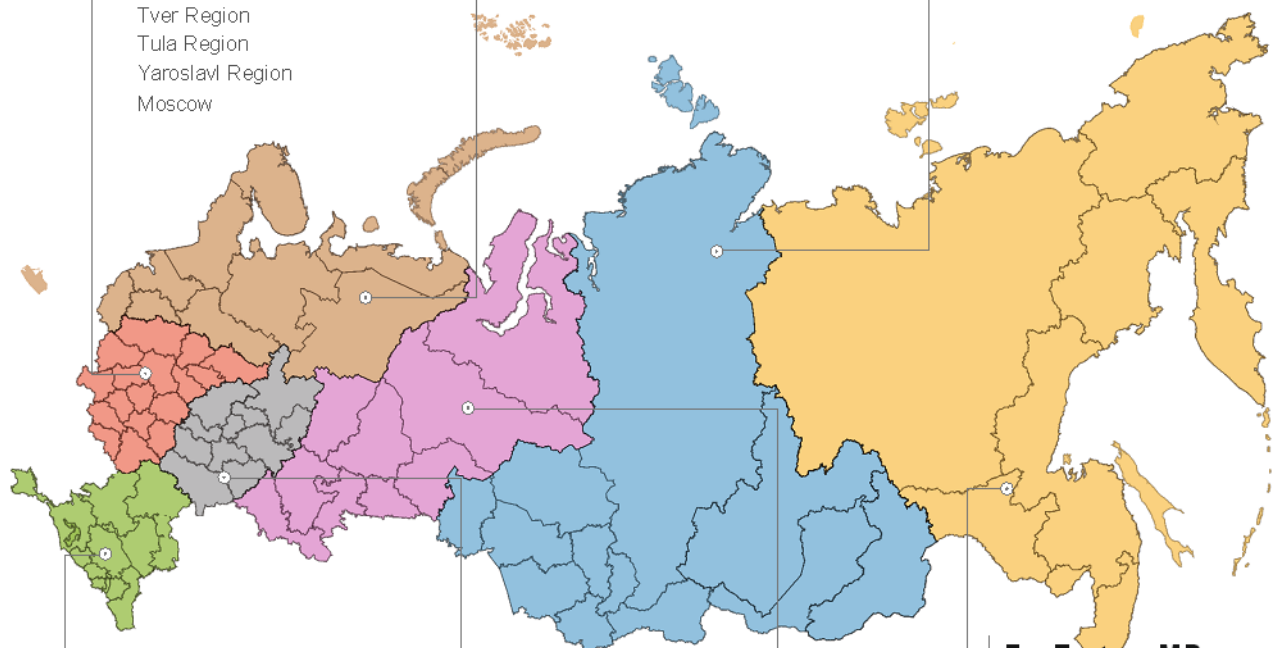
### North-Western MB

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

**19**  
mln  
people

### Siberian MB

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



**26**  
mln  
people

### Southern MB

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

**21**  
mln  
people

### Volga-Vyatka MB

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

**6**  
mln  
people

### Far Eastern MB

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

**21**  
mln  
people

### Ural MB

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

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

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

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



## HOW DO WE COLLECT INFORMATION?

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



## WHAT IS THE PURPOSE OF THE REPORT?

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

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<sup>1</sup> In November 2021, we surveyed 14,126 companies.

## RUSSIAN FEDERATION

In October–November 2021, consumer activity growth slowed down as the pandemic situation worsened. Business activity continued to trend upwards driven by expanding domestic investment demand and external demand. Employers increased the demand for workers. Inflation was largely fuelled by rising demand which exceeded limited capacities to ramp up supply and allowed manufacturers to pass through higher costs to output prices. Companies' price expectations remain elevated. Growth in consumer and mortgage lending decelerated owing to the gradual tightening of monetary conditions.

In October–November 2021, consumer activity was hampered by additional anti-coronavirus restrictions reintroduced due to the worsened pandemic situation in the country. Economic growth was supported by expanding domestic investment demand (see the Box 'Investment activity in 2021 Q3) and exports. Russian regions' budget revenues increased (see the Box 'Regional budgets in 2021'). Metallurgical enterprises in the Volga Region, Siberia, and the Urals built up their output. Far Eastern companies increased output in mining and quarrying. The tourist flow in the southern regions significantly exceeded last year's readings.

**Employers increased the demand for workers.** The labour market still faced a deficit of non-qualified workers. In a number of industries, the problem of staff shortages became more acute as workers moved to other economic sectors. Competition for jobs edged down, which contributed to a further rise in real wages.

**Furthermore, companies in most industries reported higher costs, including due to logistics problems.** Insufficient railway capacities in Siberia caused a reduction in coal shipments. A high utilisation rate of port infrastructure in the Far East continued to affect transport logistics. In the North-West, the Urals, and the South, higher expenses for agricultural raw materials pushed up input prices for meat and milk products. A number of carmakers in the Volga Region still faced disruptions in component supplies, which had a negative impact on their operation.

**In November 2021, annual inflation soared to 8.4%.** The average growth of consumer prices over the three months (seasonally adjusted) hit a record high since April 2015. This was largely driven by expanding demand exceeding the potential to increase output. A faster rise in food prices was spurred by higher costs, a decline in the harvest of a number of crops, and livestock disease episodes. **Companies' price expectations remained elevated.**

**As monetary conditions tightened, the expansion of consumer and mortgage lending slowed down,** while still staying high. After the subsidised mortgage lending programme was modified, the demand for mortgage loans was supported by family mortgages and joint programmes implemented by banks and developers. An increase in interest rates somewhat promoted the inflow of funds into deposits.

## KEY TRENDS IN RUSSIAN REGIONS

**MAIN BRANCH FOR THE CENTRAL FEDERAL DISTRICT.** The growth of consumer demand in the macro-region slowed down due to the reintroduced temporary restrictions. Retailers' expectations about demand remained below Russian averages. Price expectations were up in all main economic sectors. The housing market recorded a decline in price growth. The demand for fertilisers edged up in both the domestic and external markets.

**NORTH-WESTERN MAIN BRANCH.** The expansion of consumer demand was restrained by a slower increase in consumer lending. Corporate lending continued to trend upwards, mostly driven by large companies. The demand for construction materials continued to go up, and manufacturers were expanding their production capacities. The macro-region was implementing deep wood processing projects.

**VOLGA-VYATKA MAIN BRANCH.** Retailers complained about lower financial performance after the expansion of anti-pandemic restrictions. Metallurgical companies reported an increase in the order portfolio, driven by demand in a wide range of industries. Costs for autumn crop sowing edged up due to both higher prices for fertilisers and unfavourable weather conditions.

**SOUTHERN MAIN BRANCH.** The expansion of consumer demand surpassed the growth of supply. Inflation remained elevated. An increase in the tourist flow and agricultural output supported stable economic growth. The demand for manpower stayed close to its highest readings. The portion of the winter crop areas that are in a poor state is smaller than in 2020. Retail lending continued to expand. The growth of prices for new housing was two times faster than across Russia in general.

**URAL MAIN BRANCH.** Ural metallurgical enterprises expect the demand for their products to remain high throughout the next year. The expansion of corporate lending sped up, driven by mining companies' borrowings. Food manufacturers increased their price expectations again.

**SIBERIAN MAIN BRANCH.** As the market environment was favourable, coal enterprises were able to ramp up output and investment, metallurgical companies reached the full utilisation of their production capacities, and fertiliser and polymer manufacturers expanded output and the range of their products. Restaurants and cafés complained about a decrease in the number of guests. Hotels and tourist centres in Siberia reported a reduction in reservation periods.

**FAR EASTERN MAIN BRANCH.** Subsidised mortgage lending promoted growth in housing construction. The macro-region still faced delays in cargo transportation, with container shipping costs going up. Foreign trade was influenced by foreign countries' high demand for coal and diamonds, on the one hand, and by anti-pandemic restrictions in China that suspended exports of some goods, on the other hand.

## CORE ECONOMIC INDICATORS

		Date	Russia	Central FD	North-Western MB	Volga-Vyatka MB	Southern MB	Ural MB	Siberian MB	Far Eastern MB
MBs' percentage in inflation	%	2021	100	34	11	12	14	13	11	5
Inflation	% YoY	Nov21	8.4	8.4	8.4	8.8	9.3	7.8	9.0	6.7
Core inflation	% YoY	Nov21	8.7	8.9	8.4	9.4	8.8	8.1	9.1	6.4
The shaded lines present <b>2021 data compared against the same period in 2019</b> . This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.										
Industrial production	3MMA, % YoY	Oct21	1.8	26.5	0.3	4.2	5.0	2.9	1.1	-2.6
Fixed capital investment	Cumulative, % YoY	2021 Q3	4.3	7.3	-2.8	2.2	3.8	-6.6	7.5	-1.6
Construction	3MMA, % YoY	Oct21	3.4	2.5	-22.4	5.7	-2.0	9.7	8.6	-23.5
Housing commissioning	3MMA, % YoY	Oct21	49.7	52.0	78.9	13.1	55.8	34.4	86.9	42.8
Retail	3MMA, % YoY	Oct21	4.2	7.8	12.0	2.8	5.1	-1.8	4.0	1.1
Commercial services	3MMA, % YoY	Oct21	2.5	9.1	-0.2	-2.1	8.3	-4.7	-1.9	-14.7
Real wages	3MMA, % YoY	Sep21	3.8	5.9	2.8	3.8	0.0	1.7	3.7	1.0
Real disposable income	% YoY	2021 Q3	3.6	4.2	4.3	0.9	2.9	-3.3	0.6	-0.6
Unemployment rate	SA, %	Oct21	4.3	3.2	3.5	3.6	7.1	3.9	5.5	4.5
Outstanding consumer loans <sup>2</sup>	% YoY	Oct21	18.3	17.5	17.9	18.4	19.6	17.4	20.3	18.7
Outstanding mortgage loans	% YoY	Oct21	25.3	28.2	24.7	22.6	30.0	19.2	23.4	30.3
Funds in escrow accounts	% YoY	Oct21	232	250	373	143	203	175	249	236
Non-financial organisations' outstanding bank loans	% YoY	Sep21	11.8	10.5	21.5	13.4	7.0	12.6	-2.2	33.4
• Large borrowers	% YoY	Sep21	9.9	8.1	24.1	12.9	1.8	11.1	-6.3	36.3
• SMEs	% YoY	Sep21	22.7	29.9	9.9	15.1	22.5	23.0	15.7	22.7
Companies' price expectations <sup>3</sup>	Balance of responses, SA	Nov21	25.7	31.5	22.8	30.0	22.1	22.5	27.0	22.2
Business Climate Index	pp YoY	Oct21	6.1	4.6	8.2	6.6	2.7	9.1	7.8	4.6
• Current estimates	pp YoY	Oct21	5.3	3.2	9.5	5.9	1.8	5.7	7.9	9.6
• Expectations	pp YoY	Oct21	6.9	6.0	6.9	7.3	3.6	12.6	7.7	-0.5

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

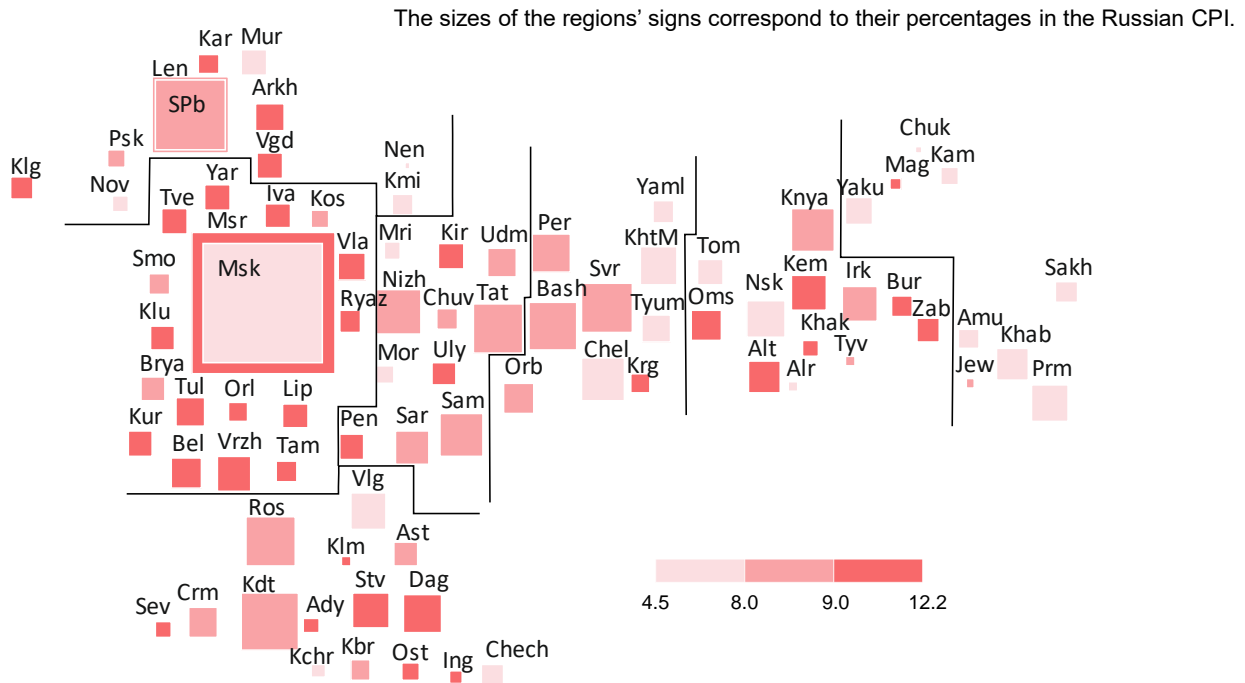
<sup>2</sup> Hereinafter, outstanding bank loans are given adjusted for foreign currency revaluation, according to Reporting Form 0409316 'Loans to households' and Reporting Form 0409303 'Loans to legal entities'. These reporting forms are used to carry out regional analysis since they enable the aggregation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

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



## INFLATION IN RUSSIAN REGIONS

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



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

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

Source: Rosstat.

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

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



As the pandemic situation worsened in October–November, Central Russia recorded a slower rise in consumer activity. Retailers' expectations regarding demand remain positive, although below Russian averages. Companies' price expectations stayed elevated. The inflow of funds into households' time deposits continues to increase, whereas the amounts of issued consumer loans are going down. Banks and developers offer their own preferential programmes in order to support the demand for mortgage loans.

**CONSUMPTION AND INCOMES.** As the pandemic situation worsened in October–November, the macro-region recorded a slower rise in consumer activity. Before the reintroduction of restrictions, consumer demand surged. Over the weekend before the non-work days, the growth of traffic in shopping malls in Moscow and the Moscow Region reached 10% as compared to 2019. The non-work period affected services, public catering, and non-food retail most considerably. In three regions where tight restrictions were introduced earlier than in Russia in general, spending in some categories (beauty salons, cinema, clothing and footwear) plummeted to 60% compared to the pre-pandemic period. Increasingly more consumers prefer online purchases and courier delivery services. A fourth of respondents in Moscow regularly order food delivery. Overall, the non-work days had a rather limited adverse impact. Retailers started traditional November sales earlier and thus returned consumer demand to the level recorded in the middle of October.

According to the monitoring of businesses, the expectations of the macro-region's retailers about demand in the next three months stayed lower than across Russia in general, although they improved slightly. Trade companies complain about higher costs and lower activity associated with anti-pandemic restrictions.

**PRICES.** In October–November, seasonally adjusted inflation remained high in the macro-region, fuelled by demand expansion surpassing the potential to ramp up supply. Inflation was also spurred by higher input costs (including for greenhouse vegetables) and a number of transitory factors, including the worsened epizootic situation and an increase in domestic tourism. Higher inflation was considerably driven by food price growth. According to companies' surveys, price expectations in Central Russia rose nearly in all main industries in November, pushed up by higher input prices and economic activity risks.

**MONETARY CONDITIONS AND BANKING SECTOR.** Corporate lending conditions continued to tighten in October. The amount of disbursed retail loans remained almost unchanged in October. The reduction in issued consumer loans, which was caused by higher interest rates and tougher macroprudential requirements for banks' capital, was offset by a rise in granted mortgage loans. This trend was driven by the campaigns offered jointly by banks and developers, as a result of which mortgage rates in the macro-region remained at the level recorded in September.

In October, the inflow of households' funds into time deposits continued, with the interest rate on them reaching 9% per annum in individual banks. The growth of funds with the macro-region's banks

was mostly recorded in accounts with small balances. As the inflow of funds into time deposits accelerated in the Moscow metropolitan area, the increase in the number of new individual investment accounts slowed down.

**HOUSING MARKET.** In October 2021, the macro-region's housing market recorded a decline in price growth. The shortage of in-demand apartments experienced by developers was partially offset by the launched sale of investment apartments earlier purchased by buyers at the stage of construction. Developers are adjusting to the changed terms of the subsidised mortgage lending programme by offering their own programmes jointly with banks. Moscow and the Moscow Region still record a transfer of demand to districts located away from the centre of the capital, with a growing number of buyers preferring more affordable housing, specifically small one- and two-room apartments. In the coming months, experts expect the market to stagnate and prices to stabilise at their current level.

**POTATO AND OUTDOOR VEGETABLE MARKET.** According to the results of the harvest campaign, the output of potatoes and outdoor vegetables decreased by 8% and 12%, respectively, as compared to 2020 (-24% and -15%, respectively, vs 2019). The main drags were the reduction in the cultivation areas, staff shortages, and unfavourable weather conditions in the main agricultural districts of the macro-region. There is still a deficit of modern vegetable storages. This problem is being solved by upgrading the existing facilities and opening new ones. Processing companies having their own storage systems demonstrate higher demand. In autumn 2021, the Moscow Region opened modern storages with a capacity of 11,000 tons of potatoes. The shortage of domestically produced vegetables is offset by the expansion of imports: over 2021 Q3, potato supplies to the Central Federal District surged nearly four times year-on-year, and the supplies of other root vegetables increased by 26% over the said period. For the first time in many years, public catering companies reported that they needed some imported potato varieties.

**FERTILISER MARKET.** Global output contracted due to reduced production in Europe amid higher prices for gas and export restrictions in China. This fuelled prices for mineral fertilisers in the global market, which makes exports more attractive for domestic manufacturers and puts upward pressure on prices inside the country. The central macro-region accounts for nearly 18% in the overall output of mineral fertilisers, over a third of which is exported. Moreover, the quantity of applied fertilisers per hectare of the crop areas in Central Russia exceeds that in other macro-regions (which is explained by the structure of the crop areas). In 2021, many agricultural enterprises started to make preparations for the spring in advance. As a result, demand edged up, which in turn spurred prices for fertilisers. One in ten agricultural enterprises reported a decline in purchases and the amount of applied mineral fertilisers, which might affect the harvest of the main crops in a few years. Some respondents in the agricultural sector complained about an insufficient supply of certain fertilisers. In order to prevent their shortage in the domestic market, federal authorities are implementing measures to stabilise the situation (export quotas, price fixing, conclusion of supply agreements).

## BANK OF RUSSIA NORTH-WESTERN MAIN BRANCH



The rise in consumer activity was moderate in October–November, including due to a slowdown in consumer lending. Most industries recorded an increase in business activity. The labour market experienced staff shortages as the demand for workers was up. Companies' price expectations declined, while still remaining elevated, predominantly because of higher costs. The increase in costs significantly affected food manufacturers.

**CONSUMPTION AND INCOMES.** In October–November, the growth of consumer activity in the macro-region edged down, which was associated with a slower rise in consumer lending, among other things. The sales of new cars continued to shrink amid insufficient supply. In November, an automobile plant in the North-West suspended operation for a week.

On the other hand, demand in November was supported by sales on marketplaces. The amount of purchases over the sales period was the largest in Saint Petersburg, where spending soared several times as compared to November 2020.

According to surveys, trade companies improved their expectations regarding demand for the next three months.

Tourists maintained the demand for a number of north-western regions, which supported consumer activity. The Murmansk Region commissioned a snowmaking system, which made it possible to open a ski resort much earlier than usually. The demand for tourism services will remain in the next few months. Karelia and the Kaliningrad Region report up to 90% of hotel rooms and apartments reserved for the New Year holidays.

**PRICES.** In November, annual inflation in the North-West sped up by 0.3 pp to 8.4%. As before, inflation was mostly driven by countrywide factors, including persistently rising demand amid the increase in companies' costs. Inflation was significantly spurred by prices for services, primarily in air transportation and mobile communication.

Overall, companies in the North-West slightly lowered their price expectations, although they remained high. According to enterprises, higher prices for raw materials and components are still the main proinflationary factor.

**LABOUR MARKET.** The macro-region's demand for labour force continued to rise, whereas competition among job seekers declined.

A number of industries, including agriculture, highway construction, trade, and housing and utilities, continued to experience a shortage of low-skilled workers. In particular, retailers explained staff shortages by the transfer of manpower to the industries less affected by restrictions. The increase in the demand for labour was especially notable in the regions implementing large investment projects.

As competition for workers was high, employers offered better labour conditions to job seekers. A leading shipbuilder launched a programme for dedicated training of workers in certain professions to prepare them during a short period and then employ at the enterprise. A government programme

implemented in the Kaliningrad Region helped partially offset a shortage of qualified personnel in healthcare and education.

**MONETARY CONDITIONS AND BANKING SECTOR.** The corporate portfolio continued to expand, mainly owing to large companies in the key industries of the macro-region, including manufacturing, trade, construction, and agriculture. Lending was also supported by targeted preferential programmes. Specifically, a large bank issued a loan to a leading poultry farm to upgrade and expand its capacities within the government measures implemented to aid the agroindustrial complex.

According to a survey in the banking sector, price lending conditions toughened in Q3 in the majority of market segments, whereas banks eased their requirements for the amount of SME loans and related collateral.

Higher deposit rates promoted a rise in households' time deposits.

**WOOD PROCESSING AND CONSTRUCTION MATERIAL OUTPUT.** Measures implemented by the government to regulate rough sawn timber exports contributed to a reduction in prices for lumber products in the North-West and promoted deep wood processing projects launched by companies. A leading timber enterprise reported the start of a comprehensive upgrade of its wood processing factories and plans to construct a glulam factory in the macro-region.

However, a range of segments still faced a shortage of raw materials needed for manufacture. Specifically, a regional enterprise complained about a deficit of birch used to produce plywood.

The demand for construction materials continued to edge up. The implementation of large investment projects in the macro-region helped it expand the output of concrete and metal structures. Manufacturers of construction materials continued to ramp up their production capacities. The Novgorod Region upgraded a plant manufacturing insulation and heat insulation materials. A large enterprise in the Leningrad Region plans to refocus on manufacturing new ceramic products.

**FOOD INDUSTRY.** In October, food output in the macro-region contracted. Companies in the industry complained about higher costs. In particular, the manufacturers of milk and meat products reported an increase in input prices, including due to more expensive packaging and rising logistics costs and equipment prices. Furthermore, a number of regional meat product manufacturers experienced a deficit of raw materials caused by livestock disease episodes, among other things. Certain companies in the macro-region continued to expand the range of their products and their production capacities. In November, one of the regions launched a factory manufacturing food additives for the meat industry which might later on export its products to external markets. A large fish product manufacturer launched new production and packaging lines and completed the upgrade of its shops manufacturing crab products and ready-to-cook food.

## BANK OF RUSSIA VOLGA-VYATKA MAIN BRANCH



In October–November, economic growth in Volga-Vyatka was mostly driven by the industrial sector. Consumer activity was constrained by tighter restrictions. Companies slightly lowered their current estimates of their financial standing. The number of businesses reporting higher costs and expecting prices for their products to grow further remained at its highest level over the last five years.

**CONSUMPTION AND INCOMES.** According to a survey among retailers in November, there was a decline in current consumer demand and expectations about its dynamics in the next three months. The worsening of companies' estimates could be associated with the reintroduction of restrictions. A little earlier, demand in some regions edged up for a short while, especially for construction materials, clothing and footwear, and household appliances. However, the overall impact on retail was negative. The new restrictions affected shopping malls' and their lessees' revenues which plummeted over the first weeks after the reintroduction of the restrictions. Nonetheless, businesses in some regions reported that traffic in stores started to bounce back. According to the estimates of individual enterprises, it might take them from three to six months to completely adjust to the new conditions, depending on vaccination rates. However, some points of sales closed vacating the premises in shopping malls, which was due to the slump in traffic and sales.

Companies in services and public catering also complained about a reduction in revenues and traffic after the reintroduction of restrictions. Nevertheless, restaurants and cafés continued to sell takeaway food and deliver products through aggregators or their own channels, including during the non-work days, which helped them partially preserve revenues.

**PRICES.** In October–November, seasonally adjusted monthly inflation sped up in the macro-region. Annual growth rates reached 8.8%, largely driven by higher prices for animal and grain products fuelled by rising producer costs. Moreover, a regional meat factory emphasised the role of demand that had expanded over the past year, which made it possible to pass through higher costs to output prices. As before, inflation accelerated due to higher car prices spurred by demand and supply gaps. According to surveys, over a half of Volga-Vyatka enterprises expect that the growth rates of output prices for their products and services will remain elevated over the next year.

**MONETARY CONDITIONS AND BANKING SECTOR.** In September–October, the expansion of consumer lending continued to slow down, which was associated with a rise in interest rates to their highs recorded over the past year. Furthermore, the amount of overdue debt was decreasing steadily.

The slowdown in mortgage lending discontinued, with the growth of the portfolio in this segment still exceeding pre-pandemic rates. After the rise in July associated with the modification of the subsidised mortgage lending programme, interest rates stabilised.

The annual growth rate in corporate lending remained steadily high, with the portion of overdue debt staying close to its lowest level recorded in recent years.

**AUTOMOBILE INDUSTRY.** As before, automobile production in the Volga-Vyatka macro-region demonstrated diverse trends in September–November. Some enterprises reported steadily large output, whereas others still faced a slump in output observed since summer 2021.

Commercial vehicle manufacturers predominantly demonstrated the highest output levels that had been peaking since early 2021. Specifically, a truck manufacturer still recorded considerable demand in infrastructure and housing construction, while a minibus factory increased sales to online retailers. Speaking of high capacity utilisation rates, enterprises reported that they had sufficient numbers of orders for several quarters ahead and already in autumn 2021 they had started to produce vehicles under supply contracts for 2022. One of these enterprises continued to operate during the non-work days in November because of a high workload, which is also the reason why the company will not have the traditional corporate holidays in January.

Nevertheless, most businesses still complained about problems with component supplies, while the extent of this adverse impact varied significantly. Specifically, a large auto group had to regularly suspend production throughout the autumn, due to which its output and sales plummeted. The influence of this problem was less acute for another company as it had purchased additional component inventories in the previous year.

**METALLURGICAL PRODUCTION.** In September–October, output in metallurgy surged to its multi-year highs.

Large regional producers increased their order portfolios amid growing demand in various economic sectors, including the petrochemical industry, machine building, shipbuilding, and commercial real estate construction. In these conditions, one of the companies opened several thousands of new vacancies for highly qualified workers.

Growing demand in the industry encouraged companies to invest in the development of their production capacities in order to avoid supply-side bottlenecks. In particular, enterprises reported that they enhanced cargo transportation, expanded the available premises for product storage and processing, and launched automated solutions to boost the performance of logistics infrastructure.

**AGRICULTURE.** Winter sowing for harvest 2022 was slower than usual due to a soil moisture deficit and dry winds. Consequently, the crop areas decreased as compared to the previous year.

Costs for autumn crop sowing in Volga-Vyatka were approximately 15% higher than a year before. This rise was mainly caused by higher prices for fertilisers, seed grains, fuels and lubricants, and crop protection chemicals. Moreover, as weather conditions were unfavourable, a large agricultural region had to increase the quantity of applied fertilisers per hectare by 9% compared to the previous year. Besides, agricultural enterprises in a number of regions expect extra costs for fertilisers in spring 2022.

Positive trends were recorded in livestock production. In 2021, Volga-Vyatka expanded beef and pork production. The increase in output is promoted by the implementation of investment projects. Specifically, a large agricultural holding company constructed three pig breeding farms in one of the regions in 2020 that started full-scale operation in 2021. Another region plans to construct two complexes by the end of 2021 that will make it possible to increase pork production in Volga-Vyatka by more than 5%.

## BANK OF RUSSIA SOUTHERN MAIN BRANCH



In October–November, the macro-region’s economy continued to expand, although more slowly than in Q3. The growth of consumer demand was supported by the increase in the tourist flow and lending and surpassed supply dynamics. As a result, inflation sped up. Mortgage lending decelerated. Seeking to maintain demand amid the surge in prices, some developers refocused on more affordable housing. Corporate lending expanded primarily in agriculture and food manufacture.

**CONSUMPTION AND INCOMES.** According to high-frequency indicators, households’ spending continued to grow despite additional restrictions reintroduced in November due to the worsened pandemic situation. Retailers reported an increase in online orders.

While unemployment edges down gradually, the demand for labour stays close to its highs. According to a large job aggregator website, the demand for couriers in Krasnodar, Volgograd, and Rostov-on-Don before the non-work days in November soared three to five times year-on-year. The Rostov Region reported a shortage of public transport drivers. Enterprises in the industry believe that this was because drivers moved to other segments offering higher wages, including private transportation and taxi services.

**PRICES.** Annual inflation in the macro-region stayed at 9.3% in November. As before, elevated inflationary pressure was associated with expanding consumer demand which allowed producers to pass through their higher costs to output prices. In particular, higher grain prices pushed up feed costs and output prices of milk, meat and poultry producers. In turn, this caused an increase in costs for milk, meat and poultry products (a large meat factory in the Rostov Region significantly raised output prices due to higher costs for raw materials). Moreover, companies increased their expectations about a high level of demand in the future. Contrastingly, better sugar beet and sunflower harvests slowed down the growth of sugar and sunflower oil prices.

After the government announced the non-work days in November, the tourist flow in the South edged up, which spurred prices for health resort services.

Companies continued to raise their price expectations. Generally, price expectations somewhat rose in agriculture, services, transportation, and storage.

**MONETARY CONDITIONS AND BANKING SECTOR.** September recorded a slight annual increase in corporate lending, primarily to small and medium-sized enterprises. Lending expansion was driven by agricultural enterprises owing to subsidised programmes and food manufacturing companies.

Retail lending continued to trend upwards in October in all southern regions, including in the consumer and mortgage lending segments. According to a large bank, more borrowers recently started to use unsecured consumer loans to buy cars. This is because overall costs for debt servicing are lower, considering additional insurance payments needed to raise a car loan. As regards



mortgage lending, the demand in the secondary market rose due to soaring prices for new housing and the modification of the terms of the subsidised government mortgage lending programme.

**HOUSING MARKET.** In October, developers lowered their expectations about commissioning and demand in the short run. The annual increase in prices for new housing in the macro-region sped up to over 60%, which is two times higher than Russian averages. In order to maintain prices, developers in the Rostov Region reported a reduction in the living area and an increase in the number of floors in houses, and companies in the Astrakhan Region announced their plans to resume the construction of economy-class panel buildings (as apartments there are more affordable than in brick buildings).

**TOURISM.** According to tourism companies, the worsening of the pandemic situation forced customers to cancel reservations for large corporate and business events usually accounting for the largest portion of profit in the off-season period. However, the non-work days increased the number of tourists to the Krasnodar Territory and the Republic of Crimea during the first week of November. The tourist flow was 26% larger year-on-year. High demand was recorded in Sochi, with the passenger flow in its airport rising by 43% as compared to the previous year and the utilisation of accommodation capacities in the city reaching nearly 75%, which is comparable with summer readings. The number of tourists in North Caucasus resorts during the non-work days doubled in annualised terms. The Karachay-Cherkess and Kabardino-Balkar Republics reported the highest demand. The number of reservations for the winter season increased. Specifically, the Krasnodar Territory expects approximately two million tourists in the winter season, which is 7% higher compared to pre-pandemic readings.

**AGRICULTURE.** The harvest of the main crops was up as compared to 2020. However, vegetable and potato producers in the Astrakhan Region, the Krasnodar and Stavropol Territories complained about a low quality of products due to the drought during the ripening stage. In this regard, the Astrakhan Region plans to expand the potato crop areas in 2022 and, accordingly, potato output. Furthermore, the macro-region is taking efforts to expand the area of irrigated arable lands in order to encourage investors from other regions to invest in grain, vegetable and potato production.

The Southern and North-Caucasian Federal Districts are completing winter sowing. According to preliminary data, the crop areas were expanded by 6.4%, although some enterprises faced a shortage of fertilisers and high prices for them in September–October. The portion of the winter crop areas that are in a poor state is considerably smaller than in 2020 and is close to annual averages.

Government support measures promote investments in the industry. In particular, the Republic of Adygea, developing dairy goat breeding, constructed a complex selling dairy products and a milk processing plant.

## BANK OF RUSSIA URAL MAIN BRANCH



The recovery of consumer demand in the Ural macro-region slowed down in October–November due to the reintroduction of anti-pandemic restrictions. Increasingly more consumers preferred to make purchases online. As compared to early autumn, companies' estimates about future output and demand trends became more moderate. Lending growth rates remained the same as in late summer, primarily because of the increase in corporate lending. Household deposits were up.

**CONSUMPTION AND INCOMES.** Consumer activity slightly declined in October–November, which was associated with anti-pandemic measures, including the non-work days for one to two weeks and new restrictions that had not been introduced before. Cities in the Ural macro-region reported cases when large shopping malls suspended their operation, restaurants and cafés were closed at night, and most educational institutions switched to the online format. According to retail space owners, a large number of the lessees requested discounts and rental deferrals due to a reduction in revenues during the non-work days. Moreover, demand trends were uneven. Regional auto dealers reported that the demand for popular brand cars remained high. As regards construction materials the demand for which surged, increasingly more clients preferred to buy them online. Regional employment agencies and recruiters recorded a rise in the demand for couriers, as a result of which wages in this market segment soared. After the end of the non-work days, consumer demand rebounded partially. However, retailers do not expect it to grow significantly until the end of the year.

**PRICES.** In November, annual inflation in the Urals edged up to 7.8%. This increase was mostly driven by elevated demand for tourism services and cars. The demand for clothing and footwear revived, which enabled retailers to pass through higher costs to prices for new collection items. There was an increase in the portion of food manufacturers and transportation and storage companies expecting prices to rise further due to higher producer costs. Livestock producers complained about the complicated epizootic situation and higher costs for feed, which had already sped up the growth of prices for meat and dairy products in the previous months.

**MONETARY CONDITIONS AND BANKING SECTOR.** The increase in households' outstanding loans slowed down mostly owing to a decline in the demand for mortgage loans. Nonetheless, the growth of consumer lending decelerated only slightly. Hence, banks forecast that households' demand for unsecured loans will remain high in the near future. The expansion of corporate lending was predominantly driven by mining companies implementing large-scale investment projects in a favourable market environment. Banks expected that the growth of SME lending would remain at the current level owing to the government support measures. There was an increase in household deposits and current account balances.

**METALLURGY AND METAL PROCESSING.** In October–November, the demand for metal products declined somewhat, with prices adjusting downwards. Due to the export duties imposed, a part of products previously exported was supplied to the domestic market and to replenish stocks. Companies in this industry expect that the demand for Russian products might remain high until

the end of 2022, boosted by the reduction in steel output worldwide, first of all in China. As price trends were favourable, Ural metallurgical enterprises were able to upgrade their production facilities in order to expand output. The Khanty-Mansi Autonomous Area launched the construction of an iron and steel scrap recycling plant. Its goods are expected to cover a significant portion of regional construction companies' demand for metal fittings and rolled metals.

**PASSENGER TRANSPORT.** As estimated by a large number of regional public transport operators, passenger transportation became unprofitable in Q3 given the current fares because of an increase in wages in the industry and prices for fuels, including gas fuel used by a considerable portion of the vehicle fleet. According to transport enterprises, prices for spare parts and tyres soared. As envisaged by regional investment programmes, a number of municipalities plan purchasing a significant number of new domestically assembled buses for city and intercity routes. However, in October–November after the introduction of anti-pandemic restrictions, there was a decrease in transportation and, consequently, the number of buses on routes, which caused a reduction in revenues. All these factors became the reason for negotiations between transportation companies and regulators about the need to raise fares or the amounts of subsidies. Contrastingly, the passenger flow in the airports of the Ural macro-region surged in recent months, with the growth rates ranging from 5% to 31%, which surpassed even pre-pandemic levels. The Orenburg Region launched a three-year project for the extensive modernisation of the airport. In order to ensure smooth operation of air transport, the region plans to use the reserve airport.

**MEAT AND MILK PRODUCTION.** Due to the summer drought in the Urals, the macro-region was unable to form sufficient feed stocks. Consequently, farms had to reduce the rations and livestock numbers. As an additional support measure, the federal budget granted subsidies to agricultural enterprises this year to compensate for up to 50% of feed costs. Milk producers in most Ural regions report tougher competition amid higher costs and retailers' unwillingness to increase purchase prices. In contrast to the neighbouring territories, the Orenburg Region having rather large milk output experiences a shortage of milk processing capacities. Therefore, Orenburg launched the construction of a new milk factory at a site that was granted the status of the special economic zone in September. Production will start as early as summer 2022.

According to regional agricultural holding companies, the main risk for the industry at the moment is the spread of bird flu in the Urals. This has already resulted in the suspension of some factories' operation, poultry slaughtering, and higher costs for veterinary medicines.

## BANK OF RUSSIA SIBERIAN MAIN BRANCH



In October–November, economic growth in Siberia continued. Mining and quarrying output bounced back significantly. Manufacturing and power companies continued to build up their output. Economic growth was supported by an increase in construction volumes, including housing commissioning. Consumer demand remained above the pre-pandemic level, but its growth slowed down due to the introduction of new restrictions.

**CONSUMPTION AND INCOMES.** Food retailers reported an increase in the number of buyers and the average purchase amount. According to auto dealers, demand remained steady. Furthermore, as the supply of new cars is limited, increasingly more buyers want to purchase used foreign-made cars. Stores recorded a rise in the sales of construction materials and furniture.

Trends in services were largely impacted by the pandemic situation. The expansion of anti-pandemic measures reduced the number of guests in restaurants and cafés (the occupancy rate plummeted by 40–70%). A part of visitors started to use delivery services, but this was not enough to offset the decrease in traffic. As reported by recreation centres and hotels, the booking depth decreased to 4–5 days (previously, reservations had been made 1–2 months in advance).

**PRICES.** In November 2021, annual inflation in the macro-region sped up to 9%, largely driven by food price growth. Milk, meat and egg producers complained about higher costs for feed, packaging and transportation. According to enterprises, the rise in prices for fruit and vegetables, cereals and flour was due to higher costs.

Companies selling construction materials reported that demand remained high, despite the rise in prices for dry mixes, drywall, and metal profiles. Plywood prices stabilised. Footwear manufacturers recorded an increase in product prices caused by disruptions in material supplies from China.

Price expectations stay elevated. One in three enterprises planned to raise prices in the next three months, including in food manufacture, trade, construction, transportation, and storage.

**MONETARY CONDITIONS AND BANKING SECTOR.** Credit activity in the corporate segment remained moderate in September. Consumer lending growth slowed down slightly in October, predominantly due to higher interest rates and tighter regulatory requirements.

The demand for mortgage loans stayed high in September–October, promoted by government programmes (subsidised and family mortgage lending) and the joint programmes offered by banks and developers (effective until the maturity date). In October, credit institutions continued to raise deposit rates, which increases the demand for deposits.

**COAL MINING.** In October–November, world prices for coal remained considerably above the five-year averages, boosting output and sales.

Specifically, a large coal producer reported a double-digit rise in output since the beginning of the year, as compared to the same period in 2020. The company raised its annual output target two times in 2021, including in September by 13% versus last year.

Another large enterprise expects a 9% growth by the end of the year. As reported by the producer, it exports all the additional volume of products. Moreover, exports accounted for two-thirds of

coal output. Considering the positive market trends, the company revised its investment plan twice in 2021, expanding investments 3.4 times.

A large anthracite producer increased its annual sales by a fourth since the beginning of the year. In October, the enterprise shipped its first batch to Asia along the Northern Sea Route. The company expects that the new route will expand shipping capacities.

Although the market situation was favourable, some coal producers in Siberia were unable to ship all their product volume in October and, therefore, had to increase stocks primarily due to infrastructure constraints. In particular, a large metallurgical coal producer considerably expanded its output since the beginning of the year. However, disruptions in rail car supplies and transportation caused by the increased logistics workload were one of the reasons why companies had to reduce their shipments as compared to previous quarters.

Siberian coal businesses expect that the demand and prices for coal will remain high until March 2022.

**METALLURGY.** In October–November, Siberian non-ferrous metal producers were positive about price trends and demand in the industry.

The Siberian plants of an aluminium holding company reported stable output, a full utilisation of their production capacities, and an expansion in supplies to the domestic market. To satisfy domestic demand, producers started to offer new aluminium products in the Russian market, including cables, lighting columns, cast pipes, and alloys for façade panels. The Siberian aluminium business was affected by a considerable rise in costs (prices for raw materials used to manufacture metal products) – for a number of items they were up 4–5 times.

As the market environment was favourable and output recovered, a large non-ferrous metal company plans to preserve the parameters of its production and investment programmes and raise wages by 20% to the employees of the main production facilities in Siberia beginning from 1 September 2022.

**FERTILISER PRODUCTION.** A large fertiliser producer reported an increase in demand as agricultural companies started to make preparations for the spring and purchase nitrogen fertilisers in advance in order to avoid a peak in demand before the start of spring field work. Previously, the company reported that it proactively fixed output prices for Russian consumers for a short period. This boosted sales, but decreased profits due to higher costs. Nonetheless, the producer expanded investment activity upgrading its production capacities and sped up the commissioning of a new factory.

## BANK OF RUSSIA FAR EASTERN MAIN BRANCH



In October–November, amid the resurgence of coronavirus cases and the tightening of restrictions in the macro-region, the growth in retail slowed down. A number of companies in services reported a decline in demand. Nonetheless, they expect consumer demand to revive in the coming months. Companies' price expectations continued to go up. As before, a high workload of the sea port in Vladivostok caused delays in container shipping to certain regions, which entailed disruptions in enterprises' operation. The growth in housing construction was promoted by subsidised mortgage lending programmes and the launch of new projects by a large developer.

**CONSUMPTION AND INCOMES.** In October–November, the growth in retail slowed down in the macro-region. Discounters were becoming increasingly more popular among consumers. As before, retailers reported higher demand for promotional products. Concurrently, as coronavirus cases increased in November, the demand for food delivery services soared. As compared to the previous year, there was an increase in online sales, especially of clothing, footwear, household appliances, and electronic devices. After the introduction of new anti-pandemic restrictions, revenues in the entertainment and public catering industries plummeted more than two times, and hotels recorded a slump in the occupancy rate of rooms. As estimated by businesses, the occupancy in cinemas declined several times. Compared to September, retailers and service companies lowered their expectations in October–November about demand in the next three months.

**PRICES.** Seasonally adjusted inflation sped up in October–November. Annual inflation continued to rise, reaching 6.7% in November, but remained below the Russian average. The main contributors were supply-side factors, including higher costs of food manufacturers and suppliers. The growth of fruit and vegetable prices accelerated most significantly, predominantly due to a poor harvest in China being the main supplier of a number of vegetables to the Far East. Prices for meat products rose faster, driven by higher feed costs. The time-lagged impact of higher global prices for wheat and unfavourable weather conditions in agricultural regions pushed up prices for bakery products and pasta. Due to container shipping disruptions persisting in the Vladivostok port and higher freight costs, individual regions recorded a faster increase in prices for certain food products and non-food goods. A slower expansion of mortgage lending helped stabilise the demand for construction materials, as a result of which their price growth rates declined in November.

Companies raised their price expectations in November, most notably in construction.

**MONETARY CONDITIONS AND BANKING SECTOR.** Amid a rise in households' debt burden, the portion of approved consumer loan applications decreased in October as compared to September. As a result, the growth of outstanding retail loans slowed down. The expansion of mortgage lending also decelerated, although less significantly than across Russia in general. As a large federal bank started to grant loans under the 0.1% p.a. Far Eastern Mortgage programme, the percentage of issued subsidised loans rose in October as compared to the beginning of the year. The demand for

mortgage loans in the macro-region was also promoted by banks' in-house programmes launched jointly with developers to offer lower interest rates to borrowers buying certain real estate units or reduced interest rates during the first year of the mortgage term. The introduction of new restrictions in November caused an increase in the number of loan restructuring requests from small and medium-sized businesses.

The rise in interest rates in October–November promoted an increase in households' time deposits with banks.

**HOUSING MARKET.** Housing construction continued to grow in October–November. Moreover, the pace of the increase surpassed Russian averages. This was boosted by high demand for housing promoted by the Far Eastern Mortgage programme. Another driver was the entry of a large federal developer into the market.

Real estate prices in the primary market continued to go up in October, as across Russia in general. Developers consider that this trend was predominantly driven by rising wages amid a shortage of niche specialists and by higher prices and a deficit of construction materials associated with, among other things, problems with their delivery through the Far Eastern ports. As demand is stable, construction companies plan to pass through their higher costs to prices in the future as well. According to a developer, a further increase in the supply of new housing might be hindered because sites offered for construction lack engineering infrastructure and, hence, the demand for them is low.

**CARGO TRANSPORTATION.** In October–November, cargo delivery problems in the northern regions became more acute due to the high workload of the sea port in Vladivostok. Suppliers complained that the port refused to accept cargoes. Supplies were delayed by nearly a month on average. Disruptions in raw material and component supplies forced enterprises to suspend their operation.

As regards imports from China, delivery periods in November averaged six weeks, which is the same as in October. Importers faced a shortage of containers in a number of Chinese ports. Costs for container shipping from China to the Vladivostok port continued to rise, soaring by a third in November as compared to early October. The cost of operations at the terminal in the Vladivostok port rose at a similar pace. Motor transportation costs increased most significantly in November as compared to October. This was because cargo traffic was switched from railway to motor vehicles due to the persistent delays in railway cargo delivery from the Far Eastern ports to the western regions.

At the end of November, China suspended the acceptance of non-container cargoes through the railway border crossing point following the introduction of anti-pandemic restrictions, which entailed cargo congestion at the border. In the first ten days of December, coal, ore, and timber shipments to China resumed.

**FOREIGN TRADE.** Oil exports continued to shrink in September, along with the reduction in output caused by limitations in the field development process cycle. Coal exports exceeded pre-crisis readings more than 1.5 times amid steady demand demonstrated by Asia-Pacific countries. Diamond exports rebounded to surpass the pre-pandemic level. Diamond shipments are expected to increase further until the end of the year.

As China tightened its anti-pandemic restrictions in November, the Chinese province neighbouring the Primorye Territory suspended the imports of pre-packed food products and some non-food goods to the Russian Federation.

## BOX 1.

### INVESTMENT ACTIVITY IN 2021 Q3

In 2021 Q3, investment activity in the Russian economy continued to increase in annualised terms. The expansion of domestic and external demand promoted investment activity in many industries, including in metallurgy, fertiliser production, and car manufacture. The Bank of Russia's survey shows that companies expect investment activity to grow further in 2021 Q4.

According to Rosstat, fixed capital investment edged up by 7.8% in 2021 Q3 as compared to 2020 Q3 and by 2.4% versus 2019 Q3. Overall, the annual increase in fixed capital investment over January–September reached 7.6%. Investments expanded in the **majority of the Russian macro-regions**. The most significant contribution was made by Central Russia where Moscow was the main driver of the rise.

**INVESTMENT STRUCTURE.** The **structure of investment sources**<sup>4</sup> over the first nine months of 2021 changed only slightly year-on-year. As before, companies financed over a half (59.4%) of investments from their capital. As compared to January–September 2020, the portion of budget resources in the structure of raised funding shrank by 0.5 pp to 15.1%, whereas the percentage of bank loans remained almost unchanged at 10.0% (vs 9.9% over January–September 2020). As regards **large industries**, the most significant increases in investment over the first nine months of 2021 were recorded in trade (+29.2% YoY), construction (+23.1% YoY), and finance and insurance (+39.8% YoY).

Rosstat's data are generally in line with the findings of companies' surveys. According to the Bank of Russia's survey, large companies reported a rise in investment activity more frequently.

**INVESTMENT DRIVERS.** The main **driver of Russian enterprises' investment** in 2021 Q3 was the **rise in both domestic and external demand**. Higher demand for fertilisers this year encouraged manufacturers of these products to expand their investment in Central Russia, the North-West, Siberia, and the Far East. As reported by a large Siberian coal producer, it revised its investment plan in 2021 two times and more than tripled its investment amount owing to positive market trends and higher coal production targets. Increased demand for inbound tourism boosted the inflow of investment in this industry not only in the southern, but also in the northern regions, including the Murmansk Region where one in three investment projects is in tourism. In the southern macro-region, the largest project is implemented by the Karachay-Cherkess Republic constructing a ski resort.

Another driver of investment was **government support**, including the functioning of priority social and economic development areas (PDAs), special economic zones, industrial parks, and dedicated state institutes established to provide comprehensive support to investment projects. These include the Arctic Zone of the Russian Federation and the PDA Capital of the Arctic where residents are granted a number of preferences, including a reduced profit tax rate and a halved mineral tax rate. Owing to the PDA strategy in Siberia, a large logistics company completed the construction of a universal complex for the transshipment and storage of a wide range of cargoes two years ahead of

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<sup>4</sup> According to Rosstat; excluding small businesses.



schedule. This complex is located close to the Russian–Chinese border crossing point. A large carbon fibre manufacturer in the Volga Region completed an investment project in one of such PDAs that will enable the enterprise to produce raw materials for its main products. The Leningrad Region plans to create an industrial production special economic zone (SEZ) to erect a gas processing and gas chemical complex that will be one of the largest ones in the world. Moreover, similar SEZs are planned to be established in several more regions of Central Russia, including in consumer goods manufacturing in the Ivanovo Region and in the mining and metallurgical industries in the Belgorod Region. Another driver of investment in the Kaliningrad Region having the status of a SEZ is the low tax regime of the special administrative district Oktyabrsky Island providing a range of tax privileges to foreign resident companies.

**Regional measures** were also an important contributor promoting investment activity. In particular, the southern macro-region compensated for a part of agricultural enterprises' costs, investors' expenses to pay interest on loans, and up to 100% of costs to develop infrastructure for investment projects. In autumn 2021, the Far East launched the Far Eastern concession mechanism to compensate for infrastructure costs earlier incurred by investors within 10–20 years after the commissioning of facilities.

Investment activity was also driven by **changes in environmental requirements and the focus on green projects**. Moscow accomplished the construction of another section of the Metro's Big Circle Line which is the world's longest circle line. To finance its construction, the authorities use, among other sources, the issue of Moscow green bonds placed by the city in May 2020. The Krasnoyarsk Territory is implementing the Sulphur Programme, a comprehensive environmental project aimed at emissions capturing. A large steel producer in the Volga Region invested funds in a gas cleaning project to ensure compliance with laws. Furthermore, a regional pulp and paper enterprise is completing its projects for constructing treatment facilities and a waste paper line to develop resource recovery. A large cement producer plans to implement an investment project aimed at the environmental upgrading of the equipment.

**FACTORS LIMITING INVESTMENT.** According to the Bank of Russia's survey in 2021 Q3, enterprises in individual industries, including agriculture, transportation, and storage, referred to a **shortage of their own capital** caused by higher costs as a **factor limiting investment**. Some companies also complained about the **deficit of qualified workers**. Not all businesses were able to quickly hire necessary specialists from among the residents of respective regions, which entailed extra spending. For instance, the Krasnoyarsk Territory is implementing large projects in the northern regions, which requires a large number of rotational workers. The demand for qualified employees intensifies competition between companies implementing investment projects and influences the transfer of specialists from other businesses, primarily small and medium-sized ones. Specifically, an industrial enterprise in the southern macro-region failed to reach its full capacity due to the shortage of staff.

Contrastingly, this problem encouraged other companies to develop. Thus, a Siberian manufacturer of construction materials partially robotised its production facilities because of the deficit of manual workers. The company purchased a welding robot: its payback period is expected to be the same as its useful life (eight years). Moreover, it is easier to hire equipment operators than manual workers.

According to surveys, another factor limiting investment was **higher costs for construction materials** pushed up by growing prices for metal structures and supply disruptions caused by logistics problems. A large food manufacturing group in Siberia suspended the construction of a new oil crop processing plant, although it had already bought foreign equipment for the new facility, which

was largely due to higher prices for construction works and materials. Footwear manufacturers in the Republic of Daghestan delayed the construction of new shops because of higher prices for construction materials. Investors in a number of regions faced problems searching contractors due to increased prices for construction materials and higher costs for construction works. **Infrastructure constraints**, specifically the lack of utility networks (first of all, power and gas supply systems) at sites, coupled with high costs for connecting to these networks are another factor limiting the expansion of investment activity. This factor is especially relevant for northern and remote territories the development of which is hindered due to the absence of railway, motor roads, bridges, boiler plants, treatment facilities, and social buildings.

**INDUSTRIAL PRODUCTION.** According to Rosstat, the annual growth of fixed capital investment over the first nine months of 2021 reached 7.7% in manufacturing and 18.3% in water supply and water disposal. Contrastingly, investment in power supply contracted by 8.0%. As regards mining and quarrying, the amount of investment remained almost unchanged (-0.2% YoY).

**Oil and gas production.** The largest investment projects (both in progress and planned) in several macro-regions were in the oil and gas sector. The southern macro-region is actively developing the fuel and energy complex. The largest project there is the programme for the integrated development of North Caspian oil and gas fields. Its total value is more than 1.5 trillion rubles. Oil and gas projects are also in progress in the Tyumen Region. The largest project in the north-western macro-region is a new complex for processing ethane-containing gas to be constructed in the Leningrad Region. This complex will integrate gas processing and liquefaction capacities, as well as the technologically connected gas chemical facility. The estimated value of the project is 3 trillion rubles. The Murmansk Region is erecting the LNG Construction Centre. Siberia is implementing such large-scale projects as the construction of a gas chemical cluster in the Irkutsk Region (including a polymer plant) and a section of the Power of Siberia pipeline. The Siberian macro-region also plans to implement a large-scale Arctic project – Vostok Oil launched by Rosneft. Its estimated value is 6–11 trillion rubles. It includes 13 oil and gas fields in the Krasnoyarsk Territory.

**Other manufacturing sectors.** Favourable price trends in the external market and higher demand observed in the metal market significantly boosted fixed capital investment, specifically in metallurgical complexes in the Urals and the Volga Region. Increased demand was the reason why an agricultural machinery manufacturer in the Volga Region started to invest in the expansion of its production capacities and plans the commissioning of the new facilities in 2022 H2. High demand in the automobile industry encouraged companies in the Kaliningrad and Kaluga Regions to increase their investment.

Some food manufacturers also plan to build up their capacities. In 2022 Q2, the Orenburg Region will launch the construction of a large oil crop processing plant. A regional food manufacturer in the Volga Region plans to increase investment in late 2021–early 2022 to expand its production capacities and enter foreign markets.

**Power supply.** The southern macro-region is actively implementing projects in the power industry. Recently, the Republic of North Ossetia–Alania commissioned a new substation worth 15.8 billion rubles, the capacity of which will solve the problem of electric power shortage in four North Caucasus regions. Moreover, the southern regions are the Russian leaders in renewable energy development. Thus, the Rostov Region accounts for over a fourth of all Russian wind power investment projects, the Stavropol Territory's investment portfolio of renewable energy projects approximates 120 billion rubles, and the Republic of Kalmykia is constructing wind farms and solar stations significantly contributing to the development of the region.

**CONSTRUCTION.** Over the first nine months of 2021, the annual growth of investment in construction reached 23.1%. Central Russian implements a range of the largest construction investment projects in Moscow and the Moscow Region accounting for over 70% in the macro-region's total investment. These projects include the housing renovation programme, the construction of transport hubs, the upgrade of the premises of several plants, and others. Most projects are implemented using a significant portion of budget funding. The amount of investment in construction is slightly lower in Saint Petersburg. Nonetheless, the city is also implementing large-scale infrastructure projects, including, among others, the construction of the latitudinal highway. Its estimated cost totals 160 billion rubles. The Samara Region is building the Togliatti bypass with the bridge over the Volga River which is part of an international transport route and one of the largest projects in Russia within public and private partnership.

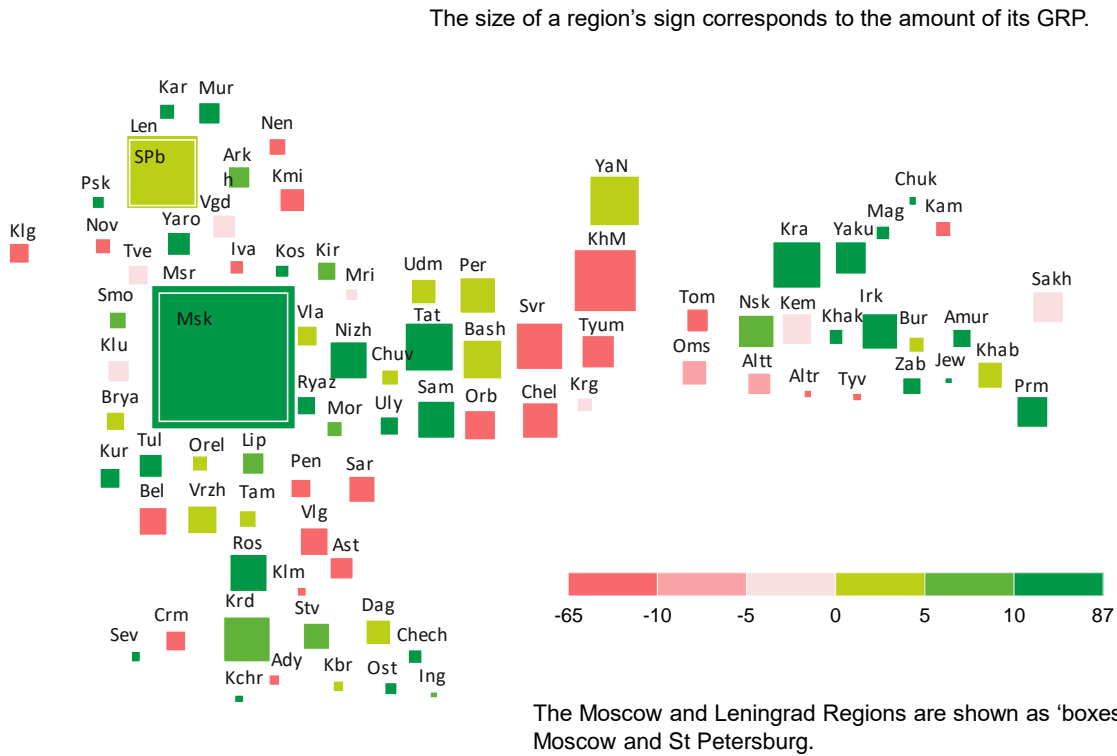
**AGRICULTURE.** According to Rosstat, investment in agriculture expanded by 6.3% over January–September, as compared to the same period in 2020.

As the margin of the projects is high, this encouraged agricultural enterprises to increase investment. Several regions, including the Kostroma Region and the Krasnodar Territory, implemented or scheduled projects for constructing or upgrading storage facilities for vegetables (including potatoes). A large greenhouse complex in the Lipetsk Region purchased and installed a gas engine generator to supply power at its production facilities. An important factor was higher electric power costs as their growth during the peak hours increases the average price of the products sold (over the past year, it surged by 10% in annualised terms). The Ryazan Region opened a grain elevator. The Volga Region completed the construction of a greenhouse complex for year-round cucumber and tomato cultivation using supplemental lighting technology.

A number of regions in Central Russia, the Volga Region, and the North-West will implement investment projects in meat and poultry production. Specifically, an agroindustrial complex in the Pskov Region is constructing a large pig breeding complex with feed production and meat packing facilities (investment totals 100 billion rubles). A local company in the Arkhangelsk Region continues building a livestock breeding complex to be commissioned in February 2022 (investment totals 4.5 billion rubles). The main challenges for the project are higher costs for feed and construction materials.

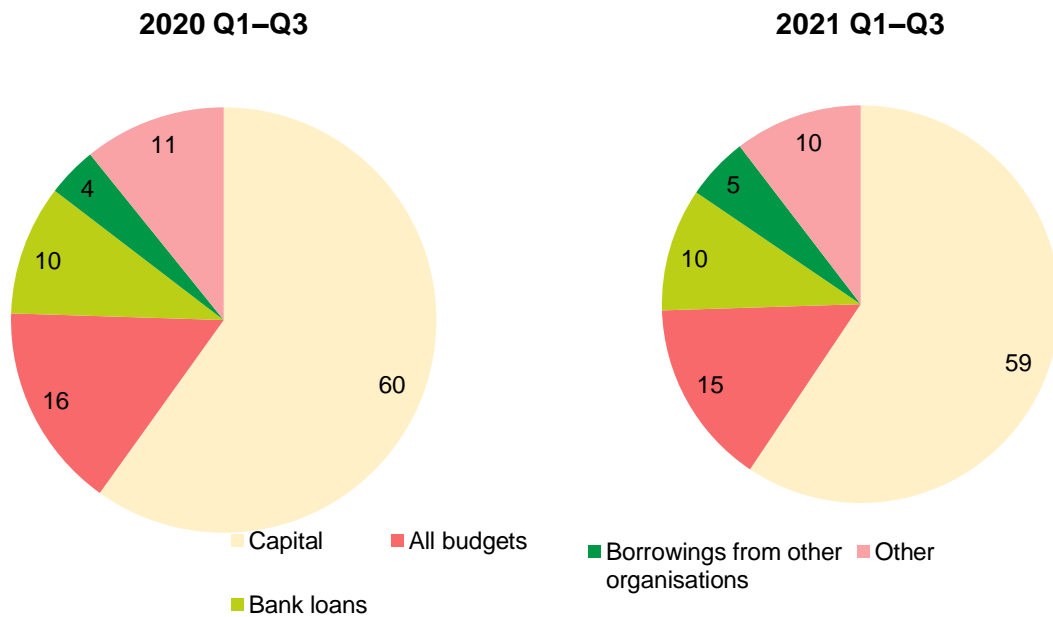
A number of agricultural enterprises invest smaller amounts than usual due to a shortage of capital amid higher prices for agricultural machinery. According to a poultry farm in the Leningrad Region (producing the largest number of eggs in Russia), the growth of the demand for its products is one of the drivers of its investment activity. The enterprise plans to construct a new poultry processing plant that will also export products abroad.

Chart 1. Fixed capital investment across Russian regions in 2021 Q1–Q3, % YoY



Sources: Rosstat, Bank of Russia.

Chart 2. Sources of fixed capital investment in Russia, %



Source: Rosstat.

## BOX 2.

### REGIONAL BUDGETS IN 2021

In 2021, Russian regions were progressively consolidating their budgets. This helped significantly reduce the deficit of the budgets, as compared to the expectations at the beginning of the year. The increase in regions' own revenues was driven by a rise in the payments of the main taxes forming the budget, including corporate profit tax and personal income tax. The increase in tax payments was driven by the economic recovery, growing employment and wages, and the improving external economic environment. According to regional executive authorities' estimates, the majority of Russian regions will have a budget deficit in 2021. The fiscal stimulus<sup>5</sup> is expected to decrease more than twice by the end of 2021 as compared to the estimates at the beginning of the year.<sup>6</sup>

According to Russia's Ministry of Finance,<sup>7</sup> the deficit of the Russian budget system will considerably reduce in 2021, namely to 0.6 trillion rubles (0.5% of GDP) as compared with 4.3 trillion rubles (4.0% of GDP) in 2020. This is predominantly due to the rise in revenues amid the economic rebound that exceeds the growth of expenditures (revenues: +19% YoY; expenditures: +8% YoY). **Social policy expenditures still account for the largest portion in the structure of budget expenditures.** The amount of inter-budget transfers will be 5.5% lower than in 2020. As revenues grow faster than expenditures and the federal centre's allocations to support regions decrease, this suggests a gradual normalisation of fiscal policy.

The deficit of the federal budget is expected to shrink to 0.3 trillion rubles (0.3% of GDP) in 2021 from 4.1 trillion rubles (3.8% of GDP) in 2020. Furthermore, as estimated by Russia's Ministry of Finance, the growth rate of revenues (+27% YoY) will exceed that of expenditures (+5% YoY) even more significantly than at the level of the budget system in general. The main contributor to the growth of revenues is the oil and gas sector: owing to rising prices for energy commodities, its payments to the budget will surge 1.6 times as compared to 2020.

As regards non-oil and gas revenues, their growth in the federal budget was associated with the export duties for metals and certain food and non-food products (grains, sunflower oil, and timber) imposed in 2021. This measure was aimed at containing the rise in domestic prices for these products. In 2021, the federal budget started to receive revenue from the payments of personal income tax (PIT) at an increased rate set for income exceeding 5 million rubles.<sup>8</sup> The non-oil and gas deficit of the federal budget will decrease by 0.6 trillion rubles in 2021, to 8.7 trillion rubles (7.0% of GDP).

**As estimated by Russia's Ministry of Finance, the consolidation of the Russian budget system will continue until the end of the year amid the economic recovery and revenue**

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<sup>5</sup> A negative change in the budget balance. A deficit expansion corresponds to a fiscal stimulus increase, while its contraction – to a decrease.

<sup>6</sup> Regional Economy: Commentaries by Bank of Russia Main Branches, No. 3, March 2021.

<sup>7</sup> Pursuant to the Guidelines for the Fiscal, Tax, and Customs and Tariff Policy for 2022 and the 2023–2024 Planning Period.

<sup>8</sup> In accordance with Federal Law No. 372-FZ, dated 23 November 2020, 'On Amending Part 2 of the Tax Code of the Russian Federation Regarding the Tax Rate on Personal Income Exceeding Five Million Rubles over a Taxable Period'.

**growth. This will be driven by the rise in regions' own revenues and the decline in the overall deficit at the level of the Russian constituent territories, as compared to the expectations at the beginning of the year.<sup>9</sup>**

**REVENUES.** In 2021, the overall amount of the approved revenue targets of the consolidated budgets of the Russian constituent territories is 4.6% higher than in 2020.<sup>10</sup> As of 1 November 2021, revenues totalled 88.2% of the target approved for 2021. As of the end of the first ten months of 2021, revenues received by the regions' consolidated budgets were up by 19.5% year-on-year (+25.2% vs 2019).

Moreover, the planned own revenues of the constituent territories' consolidated budgets were raised by 12.1% as compared to 2020. **As of 1 November 2021, the constituents' own revenues totalled 90.5% of the target approved for 2021.** In January–October 2021, **all macro-regions recorded a year-on-year increase in their own revenues. The growth of revenues was more significant than over the first ten months of 2019.** The rise in revenues was most considerable in the central macro-region (+26.8%). Among the Russian regions, the highest growth rates of own revenues were recorded in the Lipetsk Region (+87.6%), the Belgorod Region (+69.5%), the Vologda Region (+68.5%), the Kursk Region (+57.3%), and the Chelyabinsk Region (+53.5%). The increase in own revenues there was primarily driven by higher payments of profit tax amid the favourable environment in global markets and rising domestic demand.

Over the first ten months of 2021, the payments of corporate **profit tax** to the regions' consolidated budgets totalled 109.6% of the 2021 target. **As of the end of January–October 2021, profit tax payments were 1.5 times larger year-on-year and exceeded the amount of 2019 by 27.0%** The growth of corporate profit was driven by rising prices in the domestic market spurred by the expansion of the demand for metal and timber products, mineral fertilisers, and housing and infrastructure construction materials. Oil and gas production regions also recorded higher payments of corporate profit tax. This was owing to the recovery of oil output following the easing of the OPEC+ oil production cuts, an increase in oil refining volumes, and higher petroleum product prices. As the Krasnoyarsk Territory implemented a large Arctic investment project in the oil and gas industry, this became another driver of higher payments of corporate profit tax to the budget.

As of 1 November 2021, **PIT** payments totalled 83.1% of the target approved for 2021. In January–October 2021, PIT payments were up by 14.6% year-on-year (+19.5% vs 2019). Moscow and Saint Petersburg recorded the most significant growth of PIT payments over January–October 2021 as compared to the same period in 2020 (+22.0% and +18.6%, respectively). Among other things, this was associated with an increase in nominal wages and the introduction of the progressive taxation.

Over the first ten months of 2021, the amount of **non-repayable transfers** to the regions' consolidated budgets declined as compared to 2020, but remained 1.5 times higher than in 2019. The largest increase in non-repayable transfers was in the Nenets Autonomous Area (1.5 times vs 2020), primarily as a result of larger inter-budget transfers to finance highway construction. The federal centre increased transfers to the Zabaikalye Territory and the Amur Region in order to eliminate the consequences of the floods in spring–summer 2021.

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<sup>9</sup> Hereinafter, the situation at the level of regions is analysed using data from regional authorities and projections of regional budget laws for 2021.

<sup>10</sup> Source: Electronic Budget.

**EXPENDITURES.** The amount of expenditures in the consolidated budgets of the Russian constituent territories approved for 2021 was 11.6% higher than in 2020. **Over the first ten months of 2021, the Russian regions' expenditures reached 71.2% of the 2021 target. Social policy expenditures totalled 79.0% of the 2021 target, which is the highest percentage,** whereas general government spending equalled 61.5% of the target, which is the lowest percentage. As of the **end of January–October 2021, budget expenditures increased by 6.3% year-on-year,** which is considerably below the growth rate of revenues. In the majority of the macro-regions, the annual increase in budget expenditures over the first ten months of 2021 was most significant in housing and utilities. Conversely, the highest growth rate of budget expenditures recorded by the Volga Region over January–October 2021 was in the *national economy* item. This was associated with a considerable rise in budget investment in road infrastructure development in the Samara Region within the Europe – Western China transport corridor project.

**DEFICIT.** As of the end of the first ten months of 2021, all macro-regions had budget surpluses (in contrast to deficits over the same period in 2020). As revenues surged over the first ten months of 2021, the macro-regions improved the balance to revenue ratios of their budgets.<sup>11</sup> Only nine Russian regions had budget deficits in 2021, in contrast to 35 regions as of the end of January–October 2020. The largest surplus was recorded in Moscow, whereas the Ulyanovsk Region had the largest deficit.

As of the end of 2021, most macro-regions are expected to have a negative balance of their consolidated budgets, although it will be smaller than expected at the beginning of the year. This is predominantly due to the growth of global prices for Russian exports and the surge in the regions' own budget revenues amid the economic recovery.

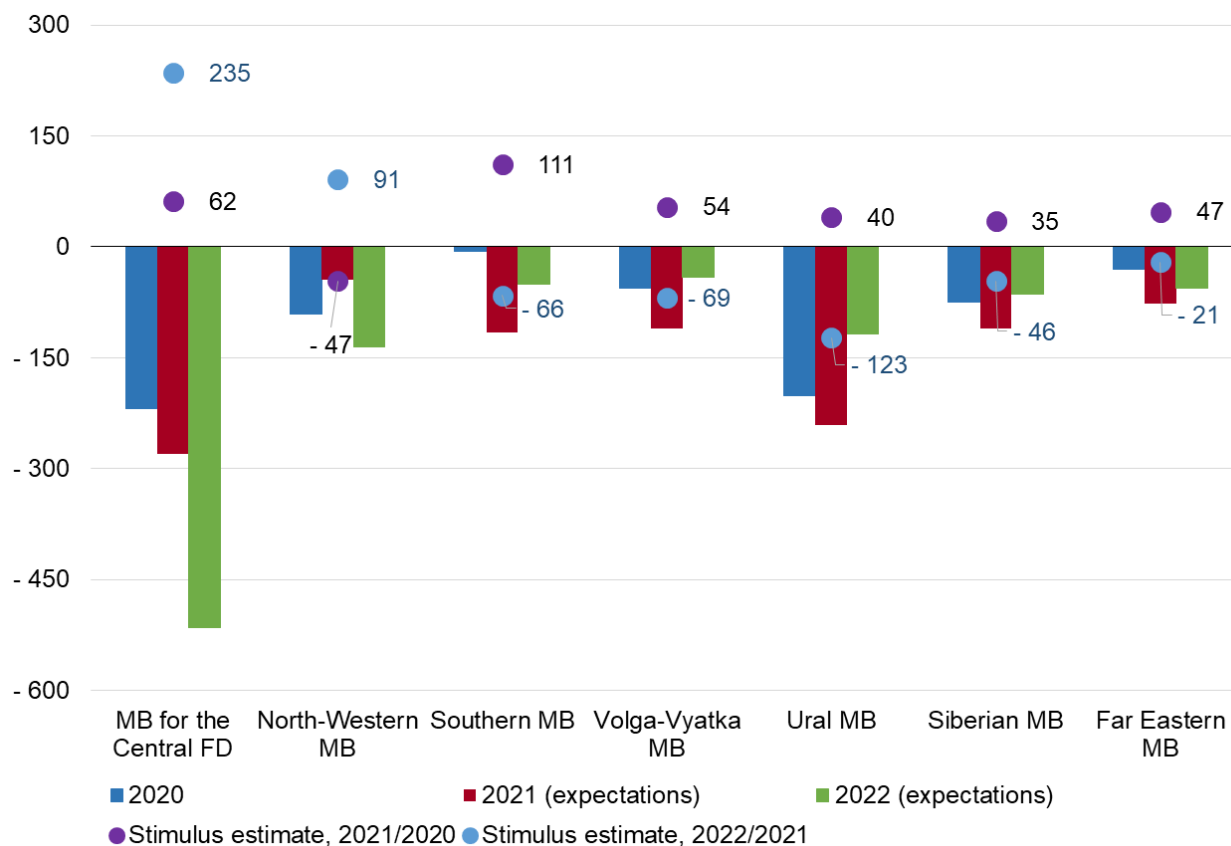
**FISCAL POLICY STIMULUS.** The fiscal stimulus in Russia is expected to reach nearly 280 billion rubles as of the end of 2021, which is 2.2 times below the expectations at the beginning of the year. The largest fiscal stimulus was in the consolidated budgets of the southern regions of Russia.

According to regional executive authorities' data, Russian regions will be able to improve the balance to revenue ratios of their consolidated budgets by the end of 2021 as compared to the plans at the beginning of the year. Specifically, the constituent territories in Central Russia, the North-West, and the Urals are expected to achieve better balance to revenue ratios of their consolidated budgets.

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<sup>11</sup> Calculated as the ratio of a region's budget balance to its own revenues.

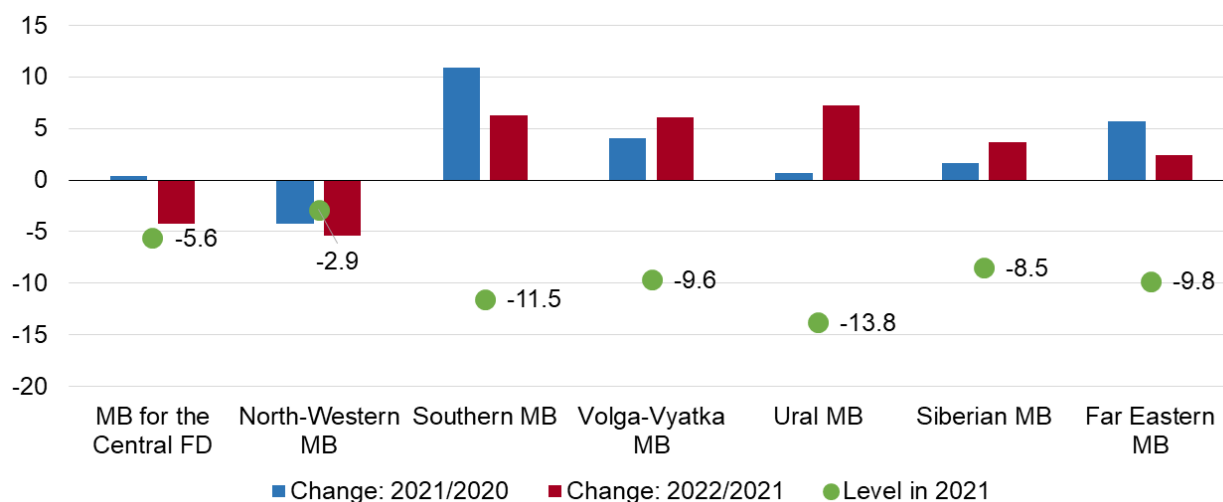
Chart 1. Budget balance and fiscal stimulus estimate at regions' level, billions of rubles



Note. The stimulus is a negative change in the budget balance. A deficit expansion corresponds to a fiscal stimulus increase, while its contraction – to a decrease.

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

Chart 2. Balance to revenue ratios of macro-regions' budgets



Note. The balance to revenue ratio of the budget is calculated as the ratio of a region's budget balance to its own revenues.

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



## ANNEX.

### CORE ECONOMIC INDICATORS

#### Core indicators. Russia

Table 1

		2019	2020	2020	2020	2021	2021	2021	Sep	Oct	Nov
				Q3	Q4	Q1	Q2	Q3			
Inflation	% YoY	3.0	4.9	3.7	4.9	5.8	6.5	7.4	7.4	8.1	8.4
Core inflation	% YoY	3.1	4.2	3.3	4.2	5.4	6.6	7.6	7.6	8.0	8.7
The shaded lines present <b>2021 data compared against the same period in 2019.</b> This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.											
Industrial production	3MMA, % YoY	3.4	-2.1	-4.4	-0.6	1.7	2.8	1.5	1.5	1.8	
Fixed capital investment	Cumulative, % YoY	2.1	-1.4	-3.1	-1.4	5.6	5.4	4.3			
Construction	3MMA, % YoY	2.1	0.1	1.1	0.8	3.0	6.4	6.2	6.2	3.4	
Housing commissioning	3MMA, % YoY	6.2	0.2	7.7	2.2	14.8	15.5	38.1	38.1	49.7	
Retail	3MMA, % YoY	1.9	-3.2	-0.8	-1.7	3.4	4.9	4.5	4.5	4.2	
Commercial services	3MMA, % YoY	0.5	-14.8	-14.5	-10.4	-2.8	-0.3	0.9	0.9	2.5	
Real wages	3MMA, % YoY	4.8	3.8	1.8	2.2	7.9	5.4	3.8	3.8		
Real disposable income	% YoY	1.7	-2.4	-3.7	-1.0	-0.9	0.6	3.6			
Unemployment rate	SA, %	4.6	5.8	6.5	6.0	5.5	5.0	4.5	4.4	4.3	
Outstanding consumer loans	% YoY	17.6	7.0	7.9	7.0	7.4	15.7	18.1	18.1	18.3	
Outstanding mortgage loans	% YoY	19.2	21.6	20.1	21.6	23.2	29.0	26.7	26.7	25.3	
Funds in escrow accounts	% YoY	-	-	-	-	525	452	288	288	232	
Non-financial organisations' outstanding bank loans	% YoY	4.7	9.4	10.0	9.4	7.2	10.4	11.8	11.8		
• Large borrowers	% YoY	3.5	7.4	7.6	7.4	4.4	6.7	9.9	9.9		
• SMEs	% YoY	12.9	21.9	25.5	21.9	24.6	32.1	22.7	22.7		
Companies' price expectations	Balance of responses, SA	10.2	16.5	16.0	19.6	19.6	26.4	25.4	25.2	26.4	25.7
Business Climate Index	pp YoY	1.0	-8.0	-1.9	-5.9	11.5	17.4	3.8	4.9	6.1	
• Current estimates	pp YoY	0.5	-7.9	-1.1	-4.9	8.4	23.0	4.0	4.5	5.3	
• Expectations	pp YoY	1.5	-7.9	-2.6	-6.9	14.7	10.9	3.6	5.3	6.9	

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

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

Table 2

		2019	2020	2020	2020	2021	2021	2021	Sep	Oct	Nov
				Q3	Q4	Q1	Q2	Q3			
Inflation	% YoY	3.0	4.7	3.5	4.7	5.7	6.4	7.3	7.3	8.0	8.4
Core inflation	% YoY	3.2	4.2	3.1	4.2	5.5	6.6	7.9	7.9	8.2	8.9
The shaded lines present <b>2021 data compared against the same period in 2019</b> . This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.											
Industrial production	3MMA, % YoY	7.4	9.0	8.6	10.7	31.6	25.0	21.5	21.5	26.5	
Fixed capital investment	Cumulative, % YoY	15.0	-3.4	-7.6	-3.4	12.5	10.1	7.3			
Construction	3MMA, % YoY	4.9	10.8	14.6	20.0	5.8	7.1	1.7	1.7	2.5	
Housing commissioning	3MMA, % YoY	8.1	-0.8	-17.1	26.0	2.6	18.0	25.7	25.7	52.0	
Retail	3MMA, % YoY	2.3	-2.1	1.5	-0.3	6.2	8.8	8.3	8.3	7.8	
Commercial services	3MMA, % YoY	2.7	-18.6	-20.5	-16.0	-6.8	3.7	7.5	7.5	9.1	
Real wages	3MMA, % YoY	6.2	4.2	2.6	4.2	10.4	5.7	5.9	5.9		
Real disposable income	% YoY	2.7	-1.3	-3.6	0.0	0.5	0.3	4.2			
Unemployment rate	SA, %	2.9	3.9	4.4	4.4	4.0	3.6	3.2	3.2	3.2	
Outstanding consumer loans	% YoY	17.3	5.2	6.4	5.2	5.7	14.2	18.0	18.0	17.5	
Outstanding mortgage loans	% YoY	24.2	24.4	22.9	24.4	25.5	32.5	29.7	29.7	28.2	
Funds in escrow accounts	% YoY	-	-	-	-	499	468	306	306	250	
Non-financial organisations' outstanding bank loans	% YoY	4.4	11.1	13.0	11.1	8.5	10.0	10.5	10.5		
• Large borrowers	% YoY	2.6	10.6	11.9	10.6	7.0	6.9	8.1	8.1		
• SMEs	% YoY	20.5	15.2	22.9	15.2	20.2	33.6	29.9	29.9		
Companies' price expectations	Balance of responses, SA	11.9	18.8	18.5	23.3	23.5	34.6	30.7	29.5	29.8	31.5
Business Climate Index	pp YoY	-0.1	-7.2	0.4	-5.2	11.2	18.8	2.6	4.4	4.6	
• Current estimates	pp YoY	-0.6	-7.3	0.8	-4.6	7.5	25.9	2.3	3.6	3.2	
• Expectations	pp YoY	0.5	-7.1	-0.1	-5.9	15.2	10.7	3.0	5.3	6.0	

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

**Core indicators. Bank of Russia North-Western Main Branch**

*Table 3*

		2019	2020	2020	2020	2021	2021	2021	Sep	Oct	Nov
				Q3	Q4	Q1	Q2	Q3			
Inflation	% YoY	3.0	4.8	3.6	4.8	5.4	6.6	7.3	7.3	8.1	8.4
Core inflation	% YoY	3.2	4.0	3.4	4.0	5.2	6.7	7.3	7.3	7.7	8.4
<p>The shaded lines present <b>2021 data compared against the same period in 2019</b>. This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.</p>											
Industrial production	3MMA, % YoY	3.4	-2.6	-4.4	-0.2	1.9	-1.5	-0.3	-0.3	0.3	
Fixed capital investment	Cumulative, % YoY	-15.9	-0.3	-3.2	-0.3	-9.4	-6.0	-2.8			
Construction	3MMA, % YoY	-9.4	-10.2	-12.5	-18.5	-17.4	-9.1	-16.5	-16.5	-22.4	
Housing commissioning	3MMA, % YoY	-1.3	-2.9	36.7	-8.4	38.7	25.3	109	109	78.9	
Retail	3MMA, % YoY	2.0	0.2	3.0	2.2	7.7	12.0	11.9	11.9	12.0	
Commercial services	3MMA, % YoY	0.0	-14.9	-15.2	-9.9	-2.3	-1.3	-2.0	-2.0	-0.2	
Real wages	3MMA, % YoY	4.1	2.1	1.0	0.3	4.8	5.0	2.8	2.8		
Real disposable income	% YoY	0.6	0.3	-2.8	-0.7	0.4	4.9	4.3			
Unemployment rate	SA, %	3.6	4.9	5.9	5.5	4.7	4.0	3.5	3.5	3.5	
Outstanding consumer loans	% YoY	18.4	6.9	7.7	6.9	6.9	15.4	17.2	17.2	17.9	
Outstanding mortgage loans	% YoY	21.5	22.0	21.0	22.0	23.1	28.8	26.1	26.1	24.7	
Funds in escrow accounts	% YoY	-	-	-	-	673	585	438	438	373	
Non-financial organisations' outstanding bank loans	% YoY	3.0	9.2	1.6	9.2	9.1	14.2	21.5	21.5		
• Large borrowers	% YoY	3.0	1.9	-5.2	1.9	0.0	3.0	24.1	24.1		
• SMEs	% YoY	3.3	52.1	47.0	52.1	60.6	70.9	9.9	9.9		
Companies' price expectations	Balance of responses, SA	11.1	17.0	16.4	20.0	20.1	25.8	24.2	22.9	24.5	22.8
Business Climate Index	pp YoY	0.4	-7.6	-2.0	-6.4	11.0	16.1	5.9	6.7	8.2	
• Current estimates	pp YoY	0.2	-8.0	-1.3	-5.4	9.7	23.5	6.4	8.0	9.5	
• Expectations	pp YoY	0.5	-7.1	-2.8	-7.4	12.3	7.9	5.3	5.3	6.9	

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

## Core indicators. Bank of Russia Volga-Vyatka Main Branch

Table 4

		2019	2020	2020	2020	2021	2021	2021	Sep	Oct	Nov
				Q3	Q4	Q1	Q2	Q3			
Inflation	% YoY	2.8	5.5	4.1	5.5	6.2	6.7	7.6	7.6	8.5	8.8
Core inflation	% YoY	3.1	4.7	3.6	4.7	5.9	7.1	8.1	8.1	8.6	9.4
The shaded lines present <b>2021 data compared against the same period in 2019</b> . This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.											
Industrial production	3MMA, % YoY	3.0	-2.0	-1.6	-1.1	3.3	5.4	3.2	3.2	4.2	
Fixed capital investment	Cumulative, % YoY	0.5	-3.8	-7.0	-3.8	9.4	5.4	2.2			
Construction	3MMA, % YoY	3.5	-3.4	-4.5	-4.8	-4.8	7.5	9.4	9.4	5.7	
Housing commissioning	3MMA, % YoY	5.9	-5.9	12.7	-18.1	25.7	-3.3	17.4	17.4	13.1	
Retail	3MMA, % YoY	1.1	-4.4	-2.9	-4.4	0.1	3.3	2.9	2.9	2.8	
Commercial services	3MMA, % YoY	0.2	-11.6	-11.0	-6.9	-0.5	-2.8	-3.0	-3.0	-2.1	
Real wages	3MMA, % YoY	3.6	3.3	2.0	0.7	5.6	4.7	3.8	3.8		
Real disposable income	% YoY	1.3	-2.3	-4.5	-3.7	-3.8	-0.3	0.9			
Unemployment rate	SA, %	4.0	4.9	5.4	5.0	4.5	4.0	3.7	3.7	3.6	
Outstanding consumer loans	% YoY	17.6	7.1	7.8	7.1	7.3	16.2	17.9	17.9	18.4	
Outstanding mortgage loans	% YoY	14.9	19.7	17.6	19.7	21.4	26.2	24.1	24.1	22.6	
Funds in escrow accounts	% YoY	-	-	-	-	435	326	182	182	143	
Non-financial organisations' outstanding bank loans	% YoY	-3.6	3.5	-0.3	3.5	2.0	6.6	13.4	13.4		
• Large borrowers	% YoY	-4.0	-2.5	-6.5	-2.5	-3.6	2.1	12.9	12.9		
• SMEs	% YoY	-2.2	24.3	22.5	24.3	22.4	21.5	15.1	15.1		
Companies' price expectations	Balance of responses, SA	11.4	18.5	18.5	21.7	23.0	31.9	30.8	31.9	32.1	30.0
Business Climate Index	pp YoY	1.6	-9.7	-2.6	-6.6	11.4	19.3	3.1	6.2	6.6	
• Current estimates	pp YoY	0.6	-10.1	-2.0	-4.9	8.6	27.2	4.3	5.6	5.9	
• Expectations	pp YoY	2.7	-8.9	-3.2	-8.4	14.2	10.3	1.8	6.8	7.3	

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

**Core indicators. Bank of Russia Southern Main Branch**

*Table 5*

		2019	2020	2020	2020	2021	2021	2021	Sep	Oct	Nov
				Q3	Q4	Q1	Q2	Q3			
Inflation	% YoY	2.9	5.5	4.0	5.5	6.6	7.3	8.6	8.6	9.3	9.3
Core inflation	% YoY	3.2	4.2	3.4	4.2	5.6	6.7	7.8	7.8	8.2	8.8
<p>The shaded lines present <b>2021 data compared against the same period in 2019</b>. This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.</p>											
Industrial production	3MMA, % YoY	3.5	-0.1	0.3	-0.9	6.4	4.5	6.7	6.7	5.0	
Fixed capital investment	Cumulative, % YoY	-5.1	1.2	3.0	1.2	17.5	5.3	3.8			
Construction	3MMA, % YoY	-4.0	-2.3	0.7	-4.7	0.4	-2.3	3.9	3.9	-2.0	
Housing commissioning	3MMA, % YoY	7.3	5.9	5.8	13.3	10.4	20.5	43.3	43.3	55.8	
Retail	3MMA, % YoY	2.0	-3.3	0.0	1.2	6.4	6.2	5.3	5.3	5.1	
Commercial services	3MMA, % YoY	-0.9	-8.4	-1.0	-2.1	6.8	6.4	7.6	7.6	8.3	
Real wages	3MMA, % YoY	2.7	1.9	0.2	0.8	5.2	4.0	0.0	0.0		
Real disposable income	% YoY	0.6	-1.3	-0.1	-1.3	1.8	-2.7	2.9			
Unemployment rate	SA, %	7.4	8.7	9.6	9.4	8.8	7.9	7.3	7.3	7.1	
Outstanding consumer loans	% YoY	19.8	7.5	8.6	7.5	7.2	15.6	18.7	18.7	19.6	
Outstanding mortgage loans	% YoY	19.5	23.7	21.5	23.7	26.5	32.0	30.9	30.9	30.0	
Funds in escrow accounts	% YoY	-	-	-	-	660	458	262	262	203	
Non-financial organisations' outstanding bank loans	% YoY	4.5	3.6	3.4	3.6	3.5	10.7	7.0	7.0		
• Large borrowers	% YoY	3.9	0.3	0.4	0.3	0.0	9.5	1.8	1.8		
• SMEs	% YoY	6.4	13.9	13.4	13.9	14.0	14.2	22.5	22.5		
Companies' price expectations	Balance of responses, SA	8.6	14.9	14.8	17.6	16.9	20.3	20.8	20.6	21.2	22.1
Business Climate Index	pp YoY	0.9	-7.2	-1.4	-5.1	12.5	16.7	1.6	0.0	2.7	
• Current estimates	pp YoY	-0.4	-8.7	-0.2	-3.9	9.4	28.0	1.4	-0.7	1.8	
• Expectations	pp YoY	2.2	-5.3	-2.6	-6.2	15.8	3.4	1.8	0.7	3.6	

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

## Core indicators. Bank of Russia Ural Main Branch

Table 6

		2019	2020	2020	2020	2021	2021	2021	Sep	Oct	Nov
				Q3	Q4	Q1	Q2	Q3			
Inflation	% YoY	3.1	4.4	3.4	4.4	5.2	6.1	6.7	6.7	7.5	7.8
Core inflation	% YoY	3.0	4.0	3.0	4.0	5.0	6.3	7.1	7.1	7.5	8.1
The shaded lines present <b>2021 data compared against the same period in 2019</b> . This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.											
Industrial production	3MMA, % YoY	5.1	-1.6	-4.8	-1.1	2.5	4.9	2.9	2.9	2.9	
Fixed capital investment	Cumulative, % YoY	-3.0	1.5	5.9	1.5	-0.9	-2.2	-6.6			
Construction	3MMA, % YoY	-6.2	6.4	15.7	-8.9	-3.7	4.2	16.1	16.1	9.7	
Housing commissioning	3MMA, % YoY	8.3	2.9	14.5	-5.1	19.9	27.7	32.2	32.2	34.4	
Retail	3MMA, % YoY	1.5	-4.1	-2.9	-4.2	0.2	2.8	-1.0	-1.0	-1.8	
Commercial services	3MMA, % YoY	-0.1	-15.8	-19.3	-10.3	-2.5	-3.6	-6.9	-6.9	-4.7	
Real wages	3MMA, % YoY	1.9	1.9	1.6	1.2	4.6	4.0	1.7	1.7		
Real disposable income	% YoY	1.3	-2.9	-6.7	-4.1	-3.7	-3.0	-3.3			
Unemployment rate	SA, %	4.4	5.7	6.2	5.9	5.3	4.5	3.9	3.9	3.9	
Outstanding consumer loans	% YoY	17.7	7.8	8.9	7.8	8.1	16.1	16.8	16.8	17.4	
Outstanding mortgage loans	% YoY	14.2	17.8	16.5	17.8	19.4	24.5	21.1	21.1	19.2	
Funds in escrow accounts	% YoY	-	-	-	-	520	420	228	228	175	
Non-financial organisations' outstanding bank loans	% YoY	6.9	3.9	6.6	3.9	2.3	10.4	12.6	12.6		
• Large borrowers	% YoY	7.0	1.1	3.9	1.1	-0.6	7.7	11.1	11.1		
• SMEs	% YoY	6.0	26.0	27.3	26.0	26.2	29.7	23.0	23.0		
Companies' price expectations	Balance of responses, SA	11.5	14.7	15.0	18.5	17.9	22.9	27.4	24.1	21.8	22.5
Business Climate Index	pp YoY	2.0	-9.5	-4.1	-7.3	11.7	17.2	4.5	6.6	9.1	
• Current estimates	pp YoY	1.2	-8.2	-1.0	-3.8	9.7	24.3	4.0	6.0	5.7	
• Expectations	pp YoY	2.9	-10.7	-7.4	-10.8	13.5	9.3	5.1	7.3	12.6	

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

**Core indicators. Bank of Russia Siberian Main Branch**

*Table 7*

		2019	2020	2020	2020	2021	2021	2021	Sep	Oct	Nov
				Q3	Q4	Q1	Q2	Q3			
Inflation	% YoY	3.7	4.9	3.8	4.9	5.8	6.8	7.8	7.8	8.7	9.0
Core inflation	% YoY	3.3	4.4	3.4	4.4	5.2	6.6	7.9	7.9	8.4	9.1
<p>The shaded lines present <b>2021 data compared against the same period in 2019</b>. This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.</p>											
Industrial production	3MMA, % YoY	2.0	-3.8	-4.5	-3.7	-3.8	-4.4	0.5	0.5	1.1	
Fixed capital investment	Cumulative, % YoY	7.4	1.7	-1.5	1.7	8.8	8.7	7.5			
Construction	3MMA, % YoY	6.7	-7.1	-10.2	2.3	1.4	4.9	5.4	5.4	8.6	
Housing commissioning	3MMA, % YoY	4.5	0.3	25.0	9.2	16.4	13.6	51.1	51.1	86.9	
Retail	3MMA, % YoY	2.7	-3.3	-2.4	-3.5	1.4	2.3	3.4	3.4	4.0	
Commercial services	3MMA, % YoY	0.6	-10.7	-10.1	-6.3	-0.6	-1.9	-3.3	-3.3	-1.9	
Real wages	3MMA, % YoY	4.1	3.4	2.7	1.7	4.8	5.0	3.7	3.7		
Real disposable income	% YoY	0.8	-1.1	-2.7	-3.1	-4.6	0.1	0.6			
Unemployment rate	SA, %	6.3	7.5	8.4	8.1	7.4	6.6	5.8	5.6	5.5	
Outstanding consumer loans	% YoY	15.9	9.1	9.3	9.1	9.8	18.0	19.9	19.9	20.3	
Outstanding mortgage loans	% YoY	15.8	18.9	18.0	18.9	20.8	26.3	25.1	25.1	23.4	
Funds in escrow accounts	% YoY	-	-	-	-	617	502	322	322	249	
Non-financial organisations' outstanding bank loans	% YoY	3.8	5.2	11.0	5.2	-2.1	-3.1	-2.2	-2.2		
• Large borrowers	% YoY	2.1	1.8	9.0	1.8	-7.6	-9.3	-6.3	-6.3		
• SMEs	% YoY	11.9	19.5	20.4	19.5	23.6	25.7	15.7	15.7		
Companies' price expectations	Balance of responses, SA	8.6	15.7	15.3	18.4	18.1	25.9	26.4	24.5	27.1	27.0
Business Climate Index	pp YoY	1.7	-7.2	-2.9	-5.8	10.8	15.7	5.2	6.1	7.8	
• Current estimates	pp YoY	2.5	-8.3	-3.1	-5.2	8.1	22.5	5.7	5.1	7.9	
• Expectations	pp YoY	0.9	-5.9	-2.5	-6.3	13.6	8.0	4.7	7.2	7.7	

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

## Core indicators. Bank of Russia Far Eastern Main Branch

Table 8

		2019	2020	2020	2020	2021	2021	2021	Sep	Oct	Nov
				Q3	Q4	Q1	Q2	Q3			
Inflation	% YoY	3.8	5.0	3.9	5.0	5.3	5.4	6.1	6.1	6.3	6.7
Core inflation	% YoY	3.3	3.9	3.5	3.9	4.6	4.9	5.7	5.7	6.0	6.4
The shaded lines present <b>2021 data compared against the same period in 2019</b> . This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.											
Industrial production	3MMA, % YoY	6.5	-4.5	-10.7	-0.9	-0.7	0.7	-5.2	-5.2	-2.6	
Fixed capital investment	Cumulative, % YoY	8.2	-15.2	-18.6	-15.2	-15.3	-4.2	-1.6			
Construction	3MMA, % YoY	34.1	-11.2	-26.1	8.0	-18.7	-25.8	-23.4	-23.4	-23.5	
Housing commissioning	3MMA, % YoY	8.6	3.4	17.4	-1.5	19.3	39.7	41.0	41.0	42.8	
Retail	3MMA, % YoY	3.9	-2.6	-1.6	-0.3	6.7	6.5	1.5	1.5	1.1	
Commercial services	3MMA, % YoY	-2.1	-18.3	-16.0	-13.8	-6.6	-15.6	-14.7	-14.7	-14.7	
Real wages	3MMA, % YoY	4.8	3.0	-0.3	-0.1	6.3	4.3	1.0	1.0		
Real disposable income	% YoY	2.1	-1.5	-4.1	-3.2	-1.3	-1.1	-0.6			
Unemployment rate	SA, %	5.1	5.4	5.8	5.3	4.9	4.5	4.7	4.7	4.5	
Outstanding consumer loans	% YoY	16.7	9.2	9.7	9.2	9.7	17.0	18.8	18.8	18.7	
Outstanding mortgage loans	% YoY	20.2	23.8	22.7	23.8	25.1	30.2	30.9	30.9	30.3	
Funds in escrow accounts	% YoY	-	-	-	-	603	408	302	302	236	
Non-financial organisations' outstanding bank loans	% YoY	29.9	32.2	30.0	32.2	34.0	38.2	33.4	33.4		
• Large borrowers	% YoY	27.4	32.7	25.3	32.7	37.7	42.9	36.3	36.3		
• SMEs	% YoY	40.2	30.4	49.1	30.4	21.0	22.6	22.7	22.7		
Companies' price expectations	Balance of responses, SA	8.5	13.8	14.2	15.8	16.3	17.8	19.4	20.6	20.6	22.2
Business Climate Index	pp YoY	1.2	-7.5	-4.1	-7.3	6.7	12.0	6.0	8.6	4.6	
• Current estimates	pp YoY	1.1	-9.1	-4.4	-8.1	4.6	18.2	7.3	8.7	9.6	
• Expectations	pp YoY	1.4	-5.8	-3.6	-6.4	9.0	5.1	4.7	8.4	-0.5	

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