



Bank of Russia



REGIONAL ECONOMY: COMMENTARIES BY BANK OF RUSSIA MAIN BRANCHES

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39
mln
people

MB for Central FD

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

14
mln
people

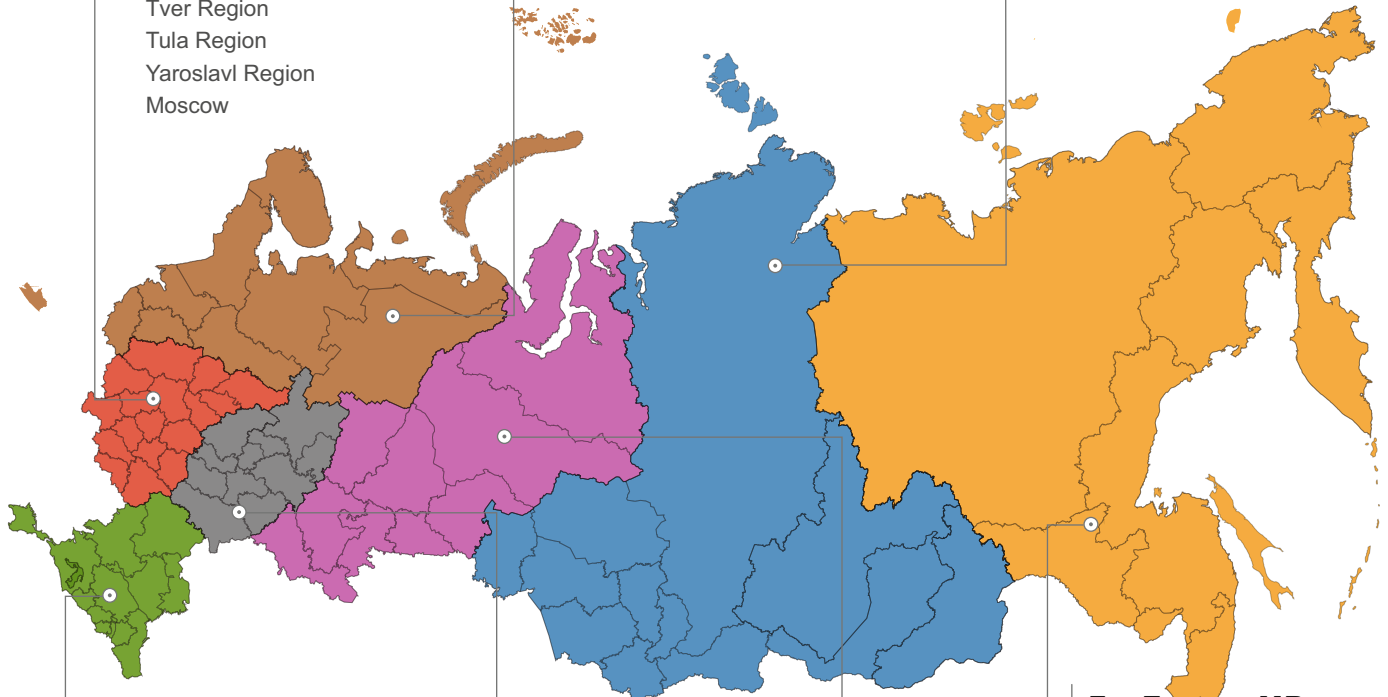
North-Western MB

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

19
mln
people

Siberian MB

Altai Republic
Republic of 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

20
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 14,000 non-financial companies¹ 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.

¹ In January 2022, we surveyed 14,142 companies.

RUSSIAN FEDERATION

In December 2021–January 2022, economic activity continued to expand fast in the majority of macro-regions, driven by both domestic and external demand. Companies in various sectors continue investments to scale up their production, using both borrowings and substantial profit earned over the previous year. The rise in employment makes it increasingly more difficult for companies to find workers with required skills. There are still constraints in logistics and component supplies. Multiple main branches of the Bank of Russia note a steady increase in consumer expenses supported by both higher wages and retail lending. The omicron variant has minimum impact on consumer behaviour. However, as inflation expectations stay high, households still prefer not to make savings. Furthermore, some main branches emphasise that monetary conditions tightened more significantly in January. Almost all main branches report that both the growth of consumer prices and companies' price expectations remained high in December–January and even edged up in a number of cases in early 2022.

In December 2021–January 2022, **consumer activity expanded** in most Russian regions, boosted by rising wages, consumer lending growth, and high inflation expectations. Some regions in the Southern, North-Western, Volga-Vyatka, and Far Eastern macro-regions reported a high utilisation of tourism infrastructure, including an increase in the turnover of restaurants, cafés, and culture and recreation organisations.

Rising domestic and external demand supported a **further expansion of output** in the main mining and manufacturing industries. Investment activity remained high. For instance, the Urals started oil production at new oil deposits, and the Volga-Vyatka macro-region ramped up the output of petroleum products by launching new production capacities. Siberia built up output in metallurgy, investments in the wood industry, and the resource base for wood processing. The Far East significantly increased natural gas exports. Fertiliser producers in the Volga-Vyatka, North-Western, Ural, and Southern macro-regions recorded a rise in sales. Companies in Central Russia ramped up the output of products for coronavirus detection and treatment. Southern and Volga-Vyatka agricultural enterprises expanded and upgraded their production capacities at livestock breeding complexes.

Unemployment is at its lowest level in most Russian regions. **Staff shortages** in construction, trade, agriculture, and hotel business push up wages (see the Box 'Structural changes in the labour market during the COVID-19 pandemic').

In December 2021, annual inflation remained at the level of the previous month, specifically 8.4%. Price growth rates were elevated across the majority of goods and services groups. The main driver was high demand significantly exceeding the potential to ramp up supply, which makes it simpler for manufacturers to pass through rising costs to consumer prices (see the Box 'Producer prices for food'). **Companies' price expectations continued to go up**, hitting a new multi-year high.

Monetary conditions are gradually tightening. Nonetheless, **the growth rate in both corporate and retail lending stayed high.**

KEY TRENDS IN RUSSIAN REGIONS

MAIN BRANCH FOR THE CENTRAL FEDERAL DISTRICT. Real wages increased faster than generally across Russia. The growth rate of lending to small and medium-sized enterprises (SMEs) remained above the Russian averages owing to a less significant tightening of lending conditions. A deficit of electronic components and logistics bottlenecks affected car output. Agricultural and manufacturing enterprises lowered their price expectations.

NORTH-WESTERN MAIN BRANCH. Auto manufacturers expanded car output amid high demand. Construction companies' outstanding loans increased more considerably than across Russia in general, including due to a larger number of projects under construction. Fertiliser output was up, largely driven by higher demand in the domestic and global markets. Consumer activity was supported by the tourist flow: during the New Year holidays, many hotels recorded nearly 100% occupancy rates.

VOLGA-VYATKA MAIN BRANCH. Economic activity expanded fast, predominantly owing to the growth in the industrial sector. Anti-pandemic measures significantly affected traffic in shopping malls. The services sector was supported by rising demand for travel in individual regions. Companies' price expectations surpassed the Russian averages.

SOUTHERN MAIN BRANCH. Consumer activity growth exceeded the countrywide rate. The tourist flow increased during the New Year holidays. Inflation remained higher than across Russia. Favourable price trends support companies' investment in agriculture. Price expectations among the monitored enterprises remained elevated.

URAL MAIN BRANCH. The utilisation of oil production capacities approached the maximum level. Companies accelerated the work to develop new deposits. The macro-region commissioned the Arctic subsea gas pipeline which made it possible to ramp up gas supplies to the Russian single gas transmission network. Housing construction expanded faster than in Russia in general, owing to a more extensive use of the project finance scheme and the issue of infrastructure bonds in the course of the implementation of integrated territory development projects.

SIBERIAN MAIN BRANCH. The increase in construction, including housing, supported the expansion of economic activity. Additional anti-pandemic requirements that were introduced did not limit consumer activity. Moreover, owing to higher incomes, consumer preferences shifted towards higher-quality and more expensive goods and services. The growth rate of consumer prices surpassed the Russian average.

FAR EASTERN MAIN BRANCH. Retailers complained about a slowdown in consumer activity. Due to unfavourable weather conditions and fishing vessels repairs in the first half of January, fish output contracted. As the utilisation rates of seaport infrastructure were high, prices for loading and unloading services continued to go up. Steady external demand supported diamond and natural gas exports. Infrastructure constraints limited coal exports.

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	Dec21	8.4	8.3	8.5	8.6	9.2	7.7	9.3	6.7
Core inflation	% YoY	Dec21	8.9	9.0	8.9	9.4	9.1	8.2	9.5	6.7
The shaded lines present 2021 data compared against the same period in 2019 . 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	Nov21	3.7	32.9	1.5	7.4	4.4	6.6	1.5	-2.8
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	Nov21	3.8	5.5	-15.3	4.0	2.3	5.4	13.2	-22.0
Housing commissioning	3MMA, % YoY	Nov21	38.2	40.3	41.1	3.6	50.7	39.6	60.8	29.7
Retail	3MMA, % YoY	Nov21	3.0	5.8	10.4	1.2	5.9	-2.8	2.8	-1.3
Commercial services	3MMA, % YoY	Nov21	3.0	8.9	1.0	-1.1	8.3	-3.8	-0.4	-14.5
Real wages	3MMA, % YoY	2021 Q3	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, %	Nov21	4.3	3.1	3.4	3.6	7.1	3.8	5.3	4.4
Outstanding consumer loans ²	% YoY	Dec21	19.5	20.0	18.7	19.2	21.1	18.1	20.5	17.7
Outstanding mortgage loans	% YoY	Dec21	26.7	29.1	26.5	23.0	30.7	21.1	25.8	32.5
Funds in escrow accounts	% YoY	Dec21	158	171	255	105	120	109	133	162
Non-financial organisations' outstanding bank loans	% YoY	Nov21	13.2	12.2	21.6	10.7	9.6	14.9	0.9	30.9
• Large borrowers	% YoY	Nov21	10.9	9.4	24.3	8.1	3.4	13.3	-3.4	33.4
• SMEs	% YoY	Nov21	26.0	34.5	9.9	18.2	28.2	25.5	18.3	21.7
Companies' price expectations ³	Balance of responses, SA	Jan22	25.1	27.4	24.3	29.1	23.3	25.8	24.9	20.4
Business Climate Index	pp YoY	Dec21	5.8	6.6	6.5	4.2	5.8	7.3	5.4	4.9
• Current estimates	pp YoY	Dec21	7.6	11.1	6.9	4.8	8.9	6.5	3.4	9.2
• Expectations	pp YoY	Dec21	4.1	2.3	6.1	3.6	2.7	8.1	7.4	0.8

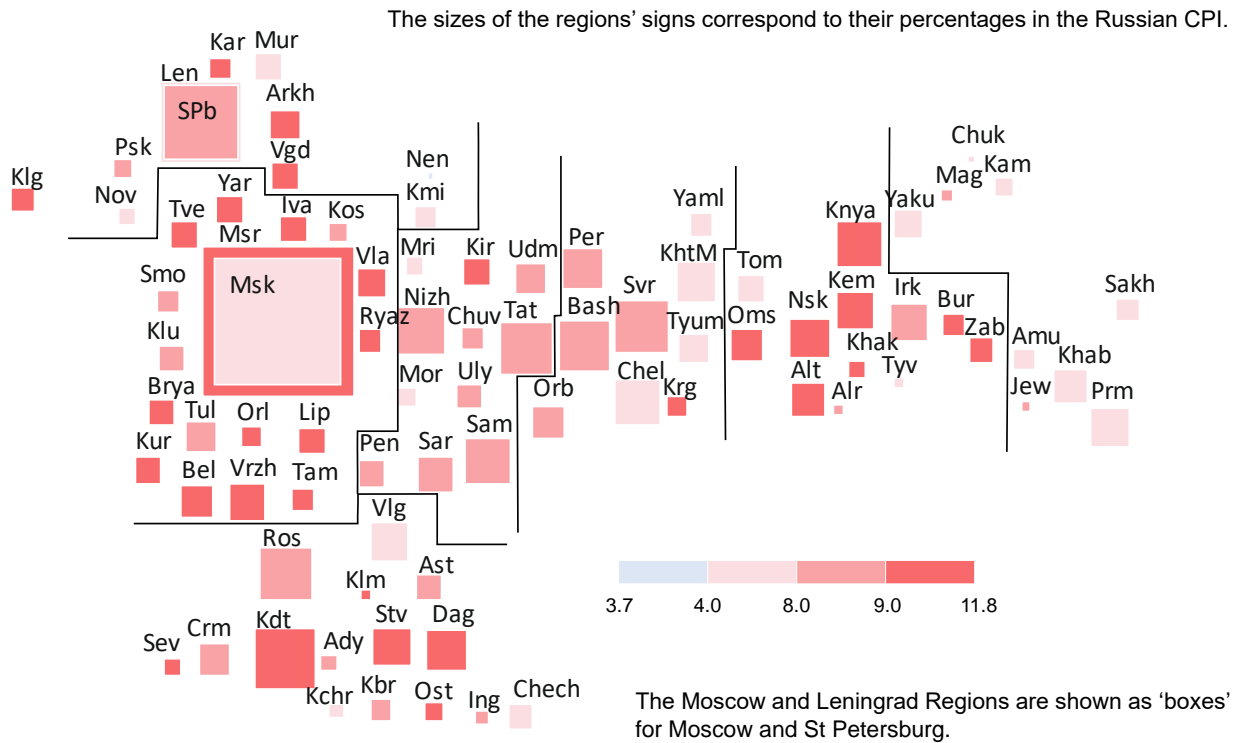
Sources: Bank of Russia's monitoring of businesses, Rosstat, calculations by the Bank of Russia Main Branches.

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

³ 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 December 2021, % YoY



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

Ady	Republic of Adygeya	Kmi	Republic of Komi	Ryaz	Ryazan Region
Alt	Altai Territory	Kos	Kostroma Region	Sam	Samara Region
Alr	Altai Republic	Knya	Krasnoyarsk Territory	Sar	Saratov Region
Amu	Amur Region	Kdt	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	Tom	Tomsk Region
Vrzh	Voronezh Region	Mor	Republic of Mordovia	Tul	Tula Region
Dag	Republic of Daghestan	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
Irk	Irkutsk Region	Nsk	Novosibirsk Region	KhtM	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	Orl	Orel 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	Yaml	Yamalo-Netets Autonomous Area
Kir	Kirov Region	Prm	Primorye Territory	Yar	Yaroslavl Region
Klg	Kaliningrad Region	Psk	Pskov Region		
		Ros	Rostov Region		

BANK OF RUSSIA MAIN BRANCH FOR THE CENTRAL FEDERAL DISTRICT



In December 2021–January 2021, consumer demand in Central Russia exceeded the pre-pandemic level. Companies remain optimistic about future demand. Inflation slowed down owing to short-term factors; price expectations decreased as well. The tightening of lending conditions continues, which somewhat dragged down the demand for retail loans.

CONSUMPTION AND INCOMES. Consumer activity in Central Russia exceeded the pre-pandemic level in December–January. Large retailers reported a rise in the demand for New Year gifts, as compared to December 2020. Retail areas to be commissioned this year in Moscow exceed those opened in 2021 and 2019 by a fourth and nearly two times, respectively. Online trade is expanding mostly in regions. As to the capital where retailers predominantly launch new trade formats, online trade already now accounts for about 20%, which is twice as much as across the country in general. Retailers note steady demand for food in the high price segment and people’s commitment to a healthy lifestyle. There is an increase in vegetable, fruit and dairy product sales and in the demand for farm products. Retailers in the macro-region stay positive about future demand. The trend towards lean consumption and spending optimisation continues. In October, the rise in real wages in Central Russia slowed down in the majority of regions, while still exceeding the Russian average. A significant contributor to the higher growth rate of wages was the Moscow metropolitan area where a considerable increase, as compared to the pre-pandemic period, was recorded in public administration, construction, and trade.

PRICES. In December, seasonally adjusted inflation in the macro-region edged down owing to the expanding supply of greenhouse vegetables and lower prices for foreign travel after their surge in November. According to weekly data, inflation went up again in January 2022. Companies generally lowered their price expectations, although nearly every third enterprise still expects prices to edge up. A decrease in price expectations in the industrial sector and agriculture resulted from a slower rise in costs and in construction – from lower demand.

MONETARY CONDITIONS AND BANKING SECTOR. The growth rate of SME lending in Central Russia remained above the Russian averages owing to a less significant tightening of lending conditions. In November and December 2021, interest rates in retail lending edged up, and banks were subject to higher macroprudential capital requirements raised by the Bank of Russia beginning on 1 October 2021. Ultimately, according to respondent banks, the demand for consumer loans with maturities of up to one year and mortgage loans declined somewhat. Furthermore, deposit rates continued to go up, which promoted a significant inflow of households’ funds into ruble-denominated time deposits during the two last months of 2021 (including as a result of money transfers from current accounts). However, banks still offer higher interest rates only when certain conditions are met (e.g., customers deposit new funds, pay for additional services, or spend money on bank cards).

AUTOMOBILE MARKET. In the last months of 2021, car output in the macro-region was below the 2019 and 2020 levels, which was in line with the countrywide trend. The main reasons were

the shortage of electronic components, logistics bottlenecks, and disturbances in supply chains. However, these factors impacted regional carmakers diversely. Specifically, a large auto group suspended its operation in September 2021 and did not operate at full capacity at the end of 2021 and in early 2022. It expects the deficit of electronic components to persist at least during 2022 H1. Contrastingly, another regional carmaker ramps up output and operates on a double-shift basis as its dependence on the overall shortage of electronic components is lower as compared to other brands. The auto group expects a further expansion of its output in the next few months and plans to commission an engine building plant this year. All companies in the industry expect that demand will remain high throughout 2022.

MANUFACTURING OF MEDICAL PRODUCTS. Companies in Central Russia manufacture over a half of all medical products in the country, including 55% of medicines and nearly 80% of diagnostic reagents. As there is a surge in the demand for products for coronavirus detection and treatment, including at-home rapid coronavirus test kits, manufacturers considerably increased output in 2021. According to estimates, this trend will remain in January 2022. A number of large pharmaceutical companies in the Moscow metropolitan area are studying the efficiency of medicines they produce for the treatment of coronavirus after-effects. If these medicines are successfully launched in the market, their output may expand even more. However, disruptions in supplies of pharmaceutical ingredients from abroad were coupled with an increase in costs and entailed a surge in output prices in 2021 H1. Nonetheless, producer prices in certain categories declined below the levels of November 2020, partly because of the supply expansion.

COMMUNICATION SERVICES. The annual growth of prices for communication services sped up in December 2021 in the majority of regions in Central Russia, just as across the country in general. As estimated, prices for communication services continued to increase in January 2022. Surveyed companies mentioned competitors' pricing policy among the key contributors to the price growth at the end of 2021. As to the segment of mobile communication and bundled services, prices were mostly driven by the transfer of tariffs with unlimited internet access from the middle to the high price category and the launch by two large mobile communication operators of affordable tariff packages with a single subscription fee. The main determinants of long-term price dynamics are higher mobile internet consumption and the need to upgrade equipment. Specifically, internet traffic increased by a third in 2021, with the Moscow metropolitan area accounting for the largest portion. The demand for communication services is supported by the continuing remote work regime, infrastructure development, and internet penetration. Another important driver is that communication operators should meet new requirements set for them and, therefore, have to incur additional costs for network modernisation. The deficit of semiconductors also pushes up prices for equipment used. Concurrently, price growth is limited owing to tight competition, government support measures, a broad network of base stations, and tariff monitoring by the Federal Antimonopoly Service.

BANK OF RUSSIA NORTH-WESTERN MAIN BRANCH



Consumer activity rebounded in December 2021–January 2022, after weakening in November amid the worsening pandemic situation. Car output expanded. Fertiliser supplies increased to both the domestic and external markets. In a number of north-western regions, the tourist flow during the New Year holidays exceeded the level of last year. Companies in most industries raised their price expectations.

CONSUMPTION AND INCOMES. In December 2021–early January 2022, consumer activity in the macro-region revived after its slowdown in November. A significant contributor to higher demand was the inflow of tourists from other regions. Over the first three weeks of December, the passenger flow in the Saint Petersburg airport exceeded the level of 2019. The number of tourists who visited the Vologda Region, which is a popular destination for family winter vacations, during the New Year holidays was 1.5 times higher than in the previous year. During the first week of 2022, Saint Petersburg shopping malls recorded an increase in traffic year-on-year (YoY). In 2022, several shopping malls of the city plan to open food halls (large locations where food and drinks are sold). Surveyed services companies became more optimistic about future sales.

PRICES. Annual inflation in the macro-region edged up to 8.5% in December from 8.4% in November. The main driver was an increase in manufacturers' and suppliers' costs for non-food goods.

In January, companies raised their price expectations in the majority of industries, except agriculture and the industrial sector. According to surveyed businesses, the growth of prices for ingredients and materials remains a key proinflationary factor. In some industries, opportunities to maintain higher prices are becoming more limited as the demand for products declines. Specifically, a furniture component manufacturer plans to *lower* prices for its products in 2022 after their surge in 2021, in order to improve its competitiveness.

MONETARY CONDITIONS AND BANKING SECTOR. Corporate bank lending continued to expand fast. Construction companies' outstanding loans increased more considerably than across Russia in general. Among other reasons, this was associated with a significant rise in the number of projects under construction, as compared to 2020. The amount of disbursed mortgage loans edged up, boosted by higher demand for subsidised loans and special campaigns offered jointly by banks and developers. Specifically, within regional support measures aimed at improving housing conditions, residents of the Murmansk Region may raise a subsidised loan beginning from January 2022 in the amount of up to six million rubles to purchase or construct housing in the region. The Murmansk Region will subsidise the interest rate on such loans from the budget by reducing commercial banks' mortgage rates by 3 pp.

Higher interest rates promoted the inflow of households' funds into time deposits.

CHEMICAL INDUSTRY. A favourable environment in the global market contributed to the increase in the output of chemicals, first of all fertilisers. According to statistics for the first 11 months of 2021,

fertiliser exports by companies in the North-Western macro-region expanded 1.8 times in annualised terms. Moreover, a large regional producer ramped up mineral fertiliser supplies to Russian agricultural enterprises via its own distribution network. However, the company complained about output decrease risks in 2022 due to the imposed quotas for exports of some fertilisers.

The largest Russian plant manufacturing polymeric products for plastic packaging restored logistics chains earlier disrupted due to the pandemic and expanded the geography of supplies. Furthermore, in order to reduce its dependence on Chinese raw materials, the plant plans to construct its own enterprise to produce raw materials for polymer manufacturing. Owing to the expansion of domestic and external demand, a large group of companies launched a project for expanding the manufacture of furniture glues.

AUTOMOBILE MARKET. At the end of 2021, carmakers in the North-West continued to restore output. Specifically, a large manufacturer reported a 17% expansion of output at its plant in Saint Petersburg.

One of the largest automobile producers of the macro-region is going to commission a new enterprise to expand the range of vehicles assembled. Moreover, it plans to increase output at the existing facilities already in 2022 H2, expecting an improvement in component supplies and restoration of logistics chains.

The demand for motor vehicles exceeded supply, which influenced the preferences of buyers planning to purchase a car. Auto dealers in Pskov noted a rise in demand from residents of other cities, including remote ones.

TOURISM. As of the end of 2021, tourist activity in the macro-region generally exceeded last year readings. For instance, the number of people who visited Saint Petersburg doubled as compared to 2020. Moreover, the number of tourists in the Kaliningrad and Novgorod Regions and the Republic of Karelia exceeded the level of 2019.

In January 2022, some north-western regions reported an increase in the tourist flow. The occupancy rates in hotels of the Pskov and Arkhangelsk Regions reached 90–100%. During the period of the New Year holidays, airlines launched Moscow–Karelia charter flights within package tours. As the demand for these flights was high, airlines plan to launch them in summer as well. Traffic in some restaurants of Kaliningrad in early January was comparable with summer readings. However, tourists who visited Saint Petersburg during the New Year holidays numbered approximately one million, which is still less than before the pandemic (late 2019–early 2020), including due to the additional restrictions introduced in the city.

Some regions stay positive about tourism trends this year. The tourism industry in Saint Petersburg is expected to continue its recovery. As estimated, the tourist flow in the macro-region will grow owing to a new stage of the tourist cashback programme being an important driver of the development of the tourism industry in the North-West.

BANK OF RUSSIA VOLGA-VYATKA MAIN BRANCH



In December 2021–January 2022, economic activity expanded significantly, largely driven by the growth of the industrial sector. Consumption dynamics in retail were more moderate. Bank tightened lending conditions and reported a decline in the demand for household loans. In December, annual inflation slowed down, predominantly owing to one-off factors, while businesses' price expectations remained high.

CONSUMPTION AND INCOMES. Seasonally adjusted retail sales in the Volga-Vyatka macro-region continued to decline, dropping below the pre-pandemic level. According to recent data, retail recovered somewhat in December. As reported by representatives of shopping malls, traffic was considerably affected by restrictions. Households started to save funds and spend them for foreign travel.

The consumption of services changed diversely in December–January. Restaurants complained that the demand for New Year's corporate parties did not rebound to the 2019 level, explaining this by the optimisation of corporate costs and the effect of anti-pandemic measures. The restrictions continued to affect other services as well. Individual regions recorded a reduction in the number of fitness centre and cinema visitors.

Conversely, restaurant and hotel business in a number of regions was supported by positive trends in tourism. For instance, hotels in Nizhny Novgorod reported high demand for their services owing to the festival New Year's Capital of Russia that took place in the city. Some cities in the Volga-Vyatka macro-region that are popular among tourists recorded higher demand for short-term housing rent. There was also a rise in the demand for winter recreation in the countryside, including at ski resorts.

PRICES. Annual inflation equalled 8.6% in December, which is slightly less than in November. This decline was primarily caused by transitory factors. The annual growth of prices slowed down mostly for services and fruit and vegetables. Specifically, after the surge in November when people were buying New Year tours, the demand for trips to Turkey and the UAE decreased. The growth rates of cucumber and potato prices decelerated after soaring to record highs in September–October 2021.

However, the upward pressure on prices for a broad range of non-food goods persisted. The rise in prices for fuels and cars was most notable. The percentage of businesses reporting increases in costs stayed at the highest level on record. Moreover, most surveyed companies expected the growth of costs in 2022 to be comparable with 2021 rates or even accelerate. Businesses raised their price expectations in January 2022 above the Russian averages, including for the near future and a year ahead.

MONETARY CONDITIONS AND BANKING SECTOR. Surveyed credit institutions reported a gradual tightening of lending conditions. Moreover, according to banks, the demand for household loans in 2021 Q4 was significantly lower than over the same periods in previous years. In particular,

the monthly growth of consumer lending slowed down in December, reaching the lowest level recorded over the previous year. Banks expect demand to contract further in 2022 Q1.

The annual growth of households' funds with banks in November–December 2021 sped up to a five-year high. The acceleration vs August–October was driven by positive dynamics in time deposits that expanded in December in annualised terms, for the first time since March 2020. The inflow of funds from current accounts into deposits continued, with the growth rate of current accounts declining considerably. The increase in escrow account balances over December turned out to be the lowest over the entire period of the mandatory use of these accounts for financing equity construction.

PETROCHEMICAL COMPLEX. The industry significantly accelerated the growth of the Volga-Vyatka economy at the end of 2021. Specifically, a number of companies accomplished large investment projects to upgrade and expand the existing production capacities. In particular, one of the largest oil refineries commissioned new production units in December. These investments will manifest their full effect in 2022. The company expects that the additional capacities will help it ramp up the output of petroleum products by more than a fourth vs 2021 and increase the headcount by nearly 10%. Actually, this oil refinery built up its output by almost a fourth over 2021, as compared to 2019, owing to the earlier implemented projects.

In addition, output in the industry was also driven by temporary factors. Favourable price trends in the fertiliser market enabled large regional producers to improve their financial position. Companies shared the opinion that the imposed quotas for fertiliser exports will not affect their economic performance and they will be able to maintain the volume of their supplies abroad. Among other reasons for that, a large regional exporter noted that the demand for its products reaches the highest level in summer, which is currently beyond the effective period of the restrictions.

AGROINDUSTRIAL COMPLEX. At the end of 2021, the sector demonstrated a slightly faster rise in output, supporting the expansion of economic activity in the macro-region. In addition to the shifts in the harvesting campaign, higher output in the macro-region was boosted by factors that increased productivity in the industry. Namely, a number of companies implemented investment projects to enhance the automation of operations at livestock breeding complexes. Regional support measures made it possible to considerably accelerate the renewal of the agricultural machinery fleet.

However, there were some transitory factors adversely impacting performance indicators. A number of large companies complained about delays in equipment supplies, due to which they had to postpone the commissioning of some production facilities for several months.

BANK OF RUSSIA SOUTHERN MAIN BRANCH



In December 2021–January 2022, the estimates of the economic environment in the macro-region improved. Consumer activity was supported by expanding online sales, the still high growth rates in consumer lending, and the increase in the tourist flow during the New Year holidays. Investment continued to expand, namely in agriculture. Companies' price expectations remained elevated. Cargo transportation rates continued to go up. As before, disturbances in supply chains accelerated the growth of car prices.

CONSUMPTION AND INCOMES. In December–January, the rise in consumer demand was still faster than across Russia in general. The steady upward dynamics were supported by the increase in the tourist flow and online sales. In particular, cooperation with marketplaces in the Rostov Region significantly boosted online sales of a large regional clothing manufacturer. A number of manufacturing and agricultural enterprises in the Astrakhan Region faced staff shortages and complained that graduates are reluctant to work in manufacturing. The companies improved employment conditions, seeking to make them more attractive for young specialists, including owing to higher wages. Most regions found it more difficult to find IT specialists as telecommuting became more widespread. Local companies have to compete not only with each other, but also with employers from other Russian regions and cities. Concurrently, favourable price trends in agriculture, trade, and recreation enable companies to raise wages. Specifically, wage indexation in 2022 is planned by two-thirds of respondents, which is comparable with 2021 figures.

PRICES. In December 2021, annual inflation in the South remained almost unchanged month-on-month (MoM) at 9.2%, which is higher than generally across Russia. The monthly growth of prices (seasonally adjusted) slowed down. The main disinflationary factor was the expansion of vegetable supply owing to cheaper imports from CIS and non-CIS countries. A large greenhouse complex in the Volgograd Region lowered prices for its products in December due to increased vegetable supplies from Turkey. As costs for feed stabilised gradually and output rebounded after the improvement of the epizootic situation, the growth of prices for meat products slowed down. Contrastingly, the increase in prices for milk and dairy products sped up considerably due to rising producer costs. The major proinflationary factor was non-food price dynamics. Disruptions in the supply chains of certain electronic components, which affected output, continued to accelerate the growth of car prices. The expansion of the tourist flow sped up the rise in air fares. Surveyed companies' price expectations slightly lowered in January 2022, while still staying rather high.

MONETARY CONDITIONS AND BANKING SECTOR. The corporate loan portfolio continued to expand in November 2021, while lending growth slowed down somewhat in early 2022. Households' credit activity slightly increased in December. The growth of mortgage lending sped up in both annualised and monthly terms. As reported by a large bank, this was driven by both higher demand for secondary housing and certain marketing instruments of developers in the primary market. The growth of household lending slowed down in December, while still staying fast.

This deceleration was probably caused by higher interest rates on bank loans and the earlier increase in buffers for unsecured loans.

CARGO TRANSPORTATION. Prices for automobile cargo transportation to certain destinations in the macro-region soared by 20–30% over the year. However, businesses do not expect a further surge in prices in 2022. This year, the macro-region plans to expand the geography of agricultural produce transportation at a preferential tariff for rail shipments from the Republic of Dagestan, the Krasnodar Territory, and the Astrakhan Region to the regions of the Central, North-Western, Volga, and Ural Federal Districts. This will help agricultural enterprises reduce cargo transportation costs and expand target markets. Another contributor to the development of southern transportation routes will be the new infrastructure of one of the largest seaports in the Krasnodar Territory constructed in 2021 Q4.

TOURISM. Despite the reopening of some foreign destinations, the macro-region recorded an increase in the tourist flow during the New Year holidays. Tourists demonstrated especially high demand for resorts in the Republic of Crimea where the authorities lifted the majority of anti-pandemic restrictions until 17 January. The number of tourists who visited the peninsula during the New Year holidays hit a record high, exceeding 265,000 (+10% YoY). The tourist flow during that period was also high at mountain resorts of the North Caucasus (+10% YoY). The occupancy rates of hotels at the Krasnaya Polyana Resort edged up to 86% from 80% last year. As estimated by regional authorities, the tourist flow in the macro-region is expected to increase in 2022 above the previous year's level owing to infrastructure development, including the construction of new hotels and the resumption of the government cashback programme.

AGRICULTURE. High demand and government measures to aid the agroindustrial complex promoted the growth of output and supported the inflow of investment into the industry. Specifically, the Krasnodar Territory plans to commission new agricultural enterprises in 2022: the first line of the dairy complex will reach its design capacity and a new dairy farm will be constructed. The Rostov Region recommissioned a large poultry complex and will continue to ramp up output. The Republic of Adygea is implementing a project to expand the poultry processing complex, which will enable the enterprise to increase the poultry population two times. The Karachay-Cherkess Republic completed the construction of a fruit storage, and the Republic of Ingushetia plans to commission the second line of a greenhouse complex.

According to the regional authorities of the agroindustrial complex, the portion of the winter crop areas that were in a poor state in January 2022 was smaller than in the previous year, which is associated with favourable agro-climatic conditions and good water availability in the soil. Expectations about the harvest are close to 2021 highs. Agricultural enterprises demonstrated elevated demand for mineral fertilisers, which boosted sales of the largest manufacturer in the southern macro-region.

BANK OF RUSSIA URAL MAIN BRANCH



Consumer demand in the Urals expanded in December 2021–January 2022 as a result of an easing of anti-pandemic restrictions. The estimates of future output and demand vary because of volatility in global commodity markets and persistent inflationary pressure. The utilisation of oil production capacities approached the maximum level. The growth of housing prices in the primary market slowed down.

CONSUMPTION AND INCOMES. Consumer activity indicators peaked at the end of December when the authorities eased anti-pandemic restrictions and the majority of regions, except the Khanty-Mansi Autonomous Area and the Yamalo-Nenets Autonomous Area permitted unlimited access to shopping malls. According to the largest shopping malls in Perm, Yekaterinburg, and Tyumen, traffic during the New Year holidays surpassed expectations, although staying below pre-pandemic readings. One of the reasons behind this was that consumers' preferences shifted towards online platforms. The number of unemployed people continued to decrease in November–December in all regions, whereas the demand for workers remained high. Courier, packer and order picker jobs were sought most frequently. Moreover, workers (mostly, non-qualified) preferred these jobs leaving manufacturing, trade and services enterprises.

PRICES. In December, annual inflation in the Urals edged down to 7.7% from 7.8% in November. The slowdown in price growth was mostly caused by temporary factors influencing the fruit and vegetable market and the foreign travel market. Furthermore, although the epizootic situation improved somewhat and the supply of meat products expanded, inflationary pressure in the food market generally stayed elevated. Businesses continued to raise their price expectations in December: respondents explained this by rising input prices for raw materials and components, higher fuel costs, and expected tariff indexation. Highway and housing construction enterprises noted changes in price conditions in the course of new tenders due to increases in gravel and concrete prices.

MONETARY CONDITIONS AND BANKING SECTOR. Banks tightened lending conditions in 2021 Q4 across all credit market segments and expect to maintain this trend. The growth in outstanding corporate loans was mostly driven by mining and quarrying companies that needed funds to expand their production capacities. Households' demand for new loans was significantly below banks' expectations. It is predicted to decline further in 2022 Q1 due to growing debt burden, monetary policy tightening, and higher macroprudential buffers. The transfer of households' funds from demand deposits into time deposits sped up, driven by higher deposit rates, although the inflow of funds into deposits was still insignificant.

OIL AND GAS PRODUCTION. In December 2021, average daily oil output in the Urals was lower than in November. Experts stressed that large domestic oil companies had no more available capacities, due to which it would be difficult to reach pre-crisis performance. Imported components for oilfield services were only partially replaced by domestic analogues. According to preliminary estimates, the Republic of Bashkortostan expanded oil and natural gas output by 2% over the year, as compared to 2020. The Perm Territory increased oil output by more than 4% (mainly owing

to the start of oil production at new oil deposits). Works to develop pipeline infrastructure continued. In December, the Orenburg Region launched the construction of a delivery pipeline that will run across the Orenburg and Samara Regions and make it possible to abandon oil transportation by road and rail already by the end of 2022. At the beginning of December, the Yamalo-Nenets Autonomous Area commissioned the Arctic subsea gas pipeline connecting the Yamal industrial facilities with the Yamburg–Tula gas trunk pipeline, which will enable gas supplies from remote gas fields to the Russian Unified Gas Supply System.

CHEMICALS. Over 2021, Ural mineral fertiliser producers ramped up supplies to domestic agricultural enterprises by 20%. In late 2021–early 2022, prices for fertilisers in the global market soared to their record highs or even exceeded them, which was caused by the suspension of some large factories' operation, including because of the surge in gas prices. The largest potassium fertiliser and ammonium nitrate producers of the Perm Territory started to limit price growth back in July 2021 and extended these measures in late 2021 until the end of May 2022. In December 2021, a large producer in the Republic of Bashkortostan signed an agreement on carbamide supplies to agricultural enterprises at prices not exceeding the market average. The chemical industry continues the implementation of a large investment project. In December, the Perm Territory launched a formalin production unit and plans to commission an ammonia producing plant in the near future.

HOUSING CONSTRUCTION. Housing construction in the Urals expanded faster than in Russia in general, owing to a more extensive adoption of project finance and the use of the mechanism for issuing infrastructure bonds in the course of the implementation of integrated territory development projects. Developers in the Chelyabinsk and Orenburg Regions actively employed prefabricated housing technologies. To this end, precasting plants were upgraded over short periods. In December 2021, the rise in prices for new housing slowed down owing to the expanded supply of new apartments, higher interest rates on mortgage loans, and lower investment demand. Nonetheless, market participants estimate that the growth rate of housing construction will remain high in 2022. Developers in the majority of regions seek to expand supply by building comfortable housing of better quality. They expect a revival in the demand for countryside real estate as prices in this market increased not as significantly as in the market of apartment buildings. Although housing commissioning hit record highs in 2021, regional authorities have not yet revised their plans for a further increase in construction volumes. The Perm Territory will achieve additional growth by implementing the programme for resettlement from dilapidated housing.

BANK OF RUSSIA SIBERIAN MAIN BRANCH



In December 2021–January 2022, economic activity in Siberia continued to trend upwards. Industrial output expanded. Coal producers, metallurgical and wood processing enterprises expanded investment plans and programmes. Economic activity was supported by two-digit growth rates in housing construction and commissioning. Consumer demand stayed high despite the additional anti-pandemic restrictions introduced.

CONSUMPTION AND INCOMES. Consumer activity remained high in December–January. Confectionery factories reported that consumers’ preferences shifted towards more expensive sweets. According to travel agencies, there was a rise in the demand for holidays at ski resorts, which increased the number of guests in cafés and restaurants located in the territory of tourist facilities. Culture organisations recorded a surge in the number of visitors. Theatres and cinemas reported high occupancy rates. Amid expanding demand, large food delivery operators raised the minimum order amount 1.5–3 times. The demand for new and used cars remained high.

PRICES. In December 2021, annual inflation sped up to 9.3%, significantly driven by food price growth. Input prices for raw milk rose amid supply reduction (the closure of several large farms in November–December 2021 and higher transportation and packaging costs), which pushed up output prices for milk and dairy products. Higher costs for fat and oil products, flour, and sugar forced confectioneries and bakers to raise prices. Furniture and construction materials manufacturers noted a rise in costs for fittings and components. Companies created additional stocks taking into account the actual level of demand. Clothing manufacturers switched to supplies from Central Asia due to the growth of input prices for Chinese and Turkish fabrics.

Price expectations stayed elevated. One in three enterprises expected to increase prices for their products and services in the next three months (price changes within 6%). Among the main reasons for the expected increase, trade, transportation, food and clothing companies mentioned higher input prices and costs for fuels and other lubricants.

MONETARY CONDITIONS AND BANKING SECTOR. Banks noted that the demand for loans remained steady in November–December from both large corporates and SMEs, despite higher credit rates. The demand for consumer loans stayed almost unchanged. Amid tightening price conditions, banks eased other terms (increased limits for payroll customers) and carried out marketing campaigns (cancelled monthly credit card fees, offered special terms to customers who had repaid a loan more than 60 months before, and so on). According to banks, the number of applications for mortgage loans decreased. This was associated with the growth of real estate prices, as well as insufficient supply of new housing. In November–December 2021, credit institutions continued to raise deposit rates, which boosted the demand for deposits.

COAL MINING. In December 2021–January 2022, the situation in the coal market remained positive, despite a slight cooling. Increased exports, coupled with current prices, enabled coal producers to earn additional revenues and plan both production expansion and business diversification.

Specifically, a large metallurgical coal producer plans to ramp up output by a fourth in 2022

by developing new coal sites and upgrading equipment.

A major steam and metallurgical coal producer reported a two-digit increase in output and exports in 2021. In December, the company signed an agreement with the government on investing revenues earned from additional coal shipments to the East in non-coal industries (diversification). Siberian coal enterprises found it hard to meet elevated demand for coal in Europe and Asia due to insufficient railway capacity.

Siberian coal producers believe that trends in the coal market will remain positive in 2022 and an increase in the quota for exports to the East will help them maintain high revenues in the future.

METALLURGY. In December 2021–January 2022, Siberian non-ferrous metal producers stayed optimistic about future demand and prices for their products.

The Siberian plants of an aluminium holding company reported a full utilisation of their production capacities and an expansion of output. In December, the holding company commissioned the first line of a new aluminium plant with an estimated output equalling 10–12% of the total capacity of the existing Siberian plants. The demand for the enterprise's products is high in both the domestic and external markets, and it is already forming the order portfolio.

As reported by the Siberian division of another large industrial metals company, the favourable market environment and the recovery of performance enabled the company to expand its 2022 investment plan nearly 1.5 times as compared to the previous year. These investments will help the company increase mining output, expand and upgrade processing facilities and infrastructure, and implement environmental projects.

WOOD PROCESSING. The surge in prices for timber and paper packaging encouraged large corporates and SMEs to implement investment projects. Companies started to construct new capacities and expand and modernise the existing ones. Concurrently, the leading companies began to actively expand the resource base in Siberia. According to a large pulp and paper enterprise, the demand and prices for its products did not and will not decline in the seasonally weak fourth and first quarters. Construction-related segments (namely, wood board, plywood and glued laminated timber producers) admit that prices might edge down somewhat, but will still stay above pre-pandemic levels because of the surge in costs for raw materials and logistics.

Siberian producers consider that there might be a temporary decline in logging and a redistribution of manufacturing costs for other wood assortments (sawlog and veneer log) with an increase in their prices. Market participants do not expect demand to soar again in 2022 and estimate that price growth will be more moderate than in 2021.

BANK OF RUSSIA FAR EASTERN MAIN BRANCH



Consumer activity declined in December 2021–January 2022. Retailers and services companies were less positive about future demand and sales trends. Businesses' price expectations edged down slightly, while staying elevated. As the utilisation rates of seaport infrastructure were high, prices for loading and unloading services continued to go up. Rising external demand supported high natural gas and diamond exports. Contrastingly, the growth of coal exports was limited due to transport infrastructure constraints and unfavourable weather conditions.

CONSUMPTION AND INCOMES. Consumer activity declined in December 2021–January 2022. Retailers in large shopping malls (cosmetics and fragrance, clothing and footwear, and household appliance stores) reported moderate demand during the period of special campaigns and sales on the eve of the New Year. According to a travel agency, the demand for Khabarovsk–Thailand direct flights launched in December was low as the restrictions for tourists arriving to that country were tightened in the third ten days of December. Contrastingly, the domestic tourist flow increased during the New Year holidays as compared to the previous year: tourists demonstrated high demand for ski resorts, glampings, and recreation centres. In some regions, the occupancy rates in hotels and hostels reached 90% during the New Year holidays. Furthermore, hotel business representatives noted that business travellers' preferences shifted towards private accommodation. Retailers' and services companies' expectations about demand and sales trends in the next three months worsened in January as compared to November 2021.

PRICES. Annual inflation in December remained the same as in November – 6.7%, whereas seasonally adjusted price growth edged down. The main contributor was a slower rise in prices across a broad ranges of food products, and most significantly – in prices for fruit and vegetables. Conversely, prices for milk and dairy products increased faster. Manufacturers expect prices to grow further due to higher costs for feed. As demand was higher than last year, this sped up the rise in air fares.

Companies' price expectations slightly decreased in December 2021–January 2022, while still staying close to their record highs.

MONETARY CONDITIONS AND BANKING SECTOR. The annual growth of outstanding consumer loans slowed down in December as compared to November, whereas this indicator in mortgage lending accelerated. According to a credit institution, in order to support the demand for housing, more developers started to sign agreements with banks on subsidising interest rates for buyers. Bank lending conditions tightened in 2021 Q4 across all credit market segments. Moreover, as compared to the previous quarter, both price and non-price lending conditions toughened most considerably for large corporates.

FISHING. In the first half of January 2022, pollock fishing was lower than last year due to unfavourable weather conditions and fishing vessels repairs. Moreover, as fillet output increased,

this extended the time needed to find fish of required sizes. The output forecast for the pollock fishing season that started in January is 10% below the previous year level.

Beginning from the second ten days of January, China permitted fish unloading from Russian transport vessels in two of its seaports. This pushed up wholesale prices for pollock and cod in December–January as compared to November. Fishing companies do not expect China to lift all restrictions and return to the earlier format of work. Europe continues to demonstrate demand for fillet. According to enterprises, their costs will increase due to the introduction of new requirements for the marking of products imported to China and for the customs clearance of fishing vessels, as well as the planned increase in the rates of the fees for the use of aquatic biological resources.

CARGO TRANSPORTATION. The utilisation rates of seaport infrastructure remained high in December–January. Companies complained about higher prices for stevedore services in January, as compared to the previous year, and terminals' refusals to provide discounts for cargo storage during the New Year holidays. In the second half of January, some seaports in Southeast Asia reduced the periods of container allocation by several days, as compared to November–December. In December, a large operator lowered prices for rail transportation to the Far East in order to accelerate the return of containers from western regions to seaports in the Far East and further on to China. Companies expect delivery periods to decrease in February.

The situation with rail transportation to western regions improved: the shipping waiting period shortened by several days as most large carriers shifted from cargo transportation in separate freight cars to regular container trains. However, logistics companies complained about considerable delays in freight handling at large railway stations.

In January 2022, Russian Railways introduced a temporary restriction on coal shipments to Far Eastern seaports due to rail overload resulting from limited carrying capacity and slow freight handling in seaports (unloading in terminals was 60% of their estimated capacity). This was caused by unfavourable weather conditions affecting train movement and seaports' unpreparedness to handle frozen coal.

FOREIGN TRADE. As China suspended the acceptance of non-container cargoes, Far Eastern companies were unable to sell all timber stocks at the beginning of December and had to search buyers in the domestic market. Enterprises expect timber exports to contract due to low demand for processed Russian timber as its quality is low while the price is relatively high.

External demand for diamonds remained high. However, the expansion of diamond exports slowed down at the end of the year, as compared to the previous quarter, due to the reduction in raw material stocks.

Oil and liquefied natural gas (LNG) exports continued to shrink amid decreasing production. Oil export is not expected to grow due to the reduction in stocks. Contrastingly, LNG output is expected to expand in 2022. In November–December, daily natural gas supplies to China increased considerably vs the approved schedule. In the first half of January, supplies expanded 1.5 times as compared to the previous year.

BOX 1

PRODUCER PRICES FOR FOOD

The acceleration of consumer food price inflation in Russian regions in 2020–2021 was driven by overall pressure on Russian agricultural and food enterprises' costs and input prices. This pressure resulted mostly from a faster rise in global prices as well as demand and supply gaps which affected producer prices in some regions at a varying degree. The Bank of Russia's monitoring shows that companies' price expectations stabilised at a high level in 2021 H2. Enterprises report that prices might rise further, which will depend on demand trends.

CHANGES IN PRODUCER PRICES

In 2020–2021, the acceleration of inflation was largely caused by a faster increase in food prices. In 2021, a significant contributor was higher fruit and vegetable prices pushed up by one-off factors (a reduction in the total yield of field vegetables). Moreover, an important driver was also a faster increase in prices for animal products (meat and dairy products) and grain products which are not highly volatile typically. As the dependence of the retail food market on imports is low, price movements were largely associated with the impact of the factors driving changes in Russian producers' input prices.

In 2020–2021, there was an upward trend in producer prices for meat and dairy products, bread, pasta, and cereals (Chart 1). The pressure originated predominantly from external factors, higher costs, and product supply fluctuations.

FACTORS OF PRICE DYNAMICS

GLOBAL PRICES AND EXTERNAL DEMAND. Beginning from the middle of 2020, with supply lagging behind demand globally, the growth of world food prices sped up abruptly. Russia is one of the world's largest suppliers of the main cereals and oil crops, and the increase in export prices affected prices in the domestic market. Nonetheless, at the end of 2021, the pressure coming from global grain markets weakened owing to the upward revision of harvest forecasts in the main manufacturing countries, with the government measures for customs and tariffs regulation and the support of manufacturers remaining in effect.

Proinflationary pressure in the market of animal products was put by the expansion of exports that surpassed the increase in output. Specifically, a number of meat processing enterprises in the Voronezh Region recorded higher external demand and shifts in the structure of supplies towards foreign buyers. A large dairy enterprise in the Khabarovsk Territory reported that it redirected supplies to the Chinese market.

The surge in global prices for industrial raw materials and intermediates was a driver of higher costs and producer prices in the economy in general, including agriculture and the food industry.

PRODUCTION AND LOGISTICS COSTS. The growth of prices for grains in 2021 H1 and their further stabilisation at a high level, as well as higher export prices were associated with the increase in such principal cost items of crop producers as fertilisers and nitrogen compounds (in November, prices for them soared nearly twofold YoY), as well as crop protection chemicals (large enterprises reported a rise in prices by 10–15% on average).

The rise in prices for food grains directly affected the changes in producer prices for grain products (bread, pasta, and cereals). The main channel of the influence on producer prices for meat and milk and, accordingly, meat and dairy products was the increase in prices for the main components of feeds, namely feed grains (wheat, corn, barley, and rye) and grist,⁴ provoked by higher global prices (Chart 2). The additional sources of the upward pressure were higher prices for and disrupted supplies of imported feed additives (premixes; protein, vitamin and mineral concentrates, etc.) and intermediates. Specifically, manufacturers of compound feeds and feed additives in Central Russia complained about an acute shortage of lysine and soybean meal, the import of which covers up to a third of the volumes needed in the domestic market.

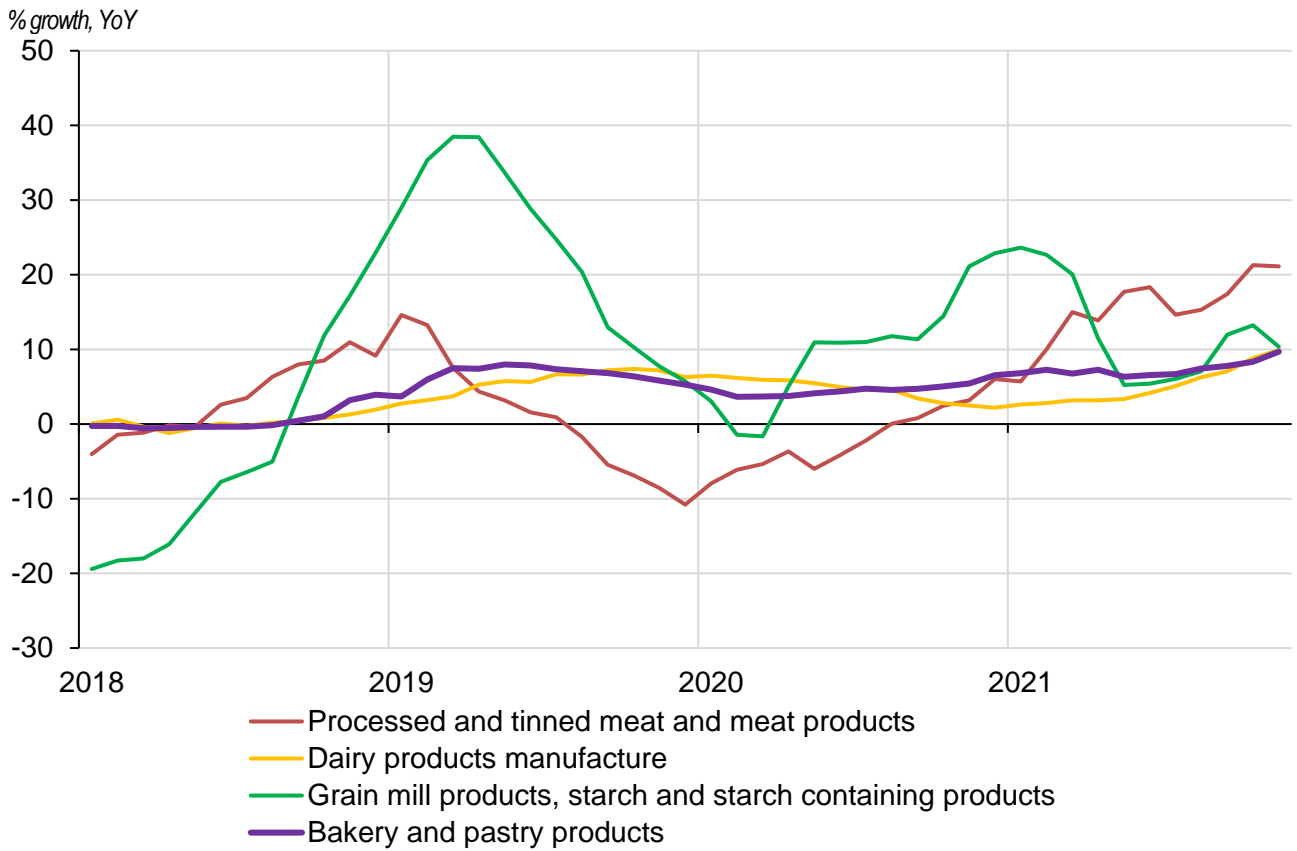
In 2021, the annual growth of feed prices stabilised or slowed down owing to the customs and tariffs regulation measures implemented by the Russian Government in certain markets (including agricultural markets), as well as a stabilisation or decrease of global prices for grains and oil crops in the last months of the year. Nonetheless, the gradual pass-through of costs to producer prices in livestock production and the meat and dairy products industry and further to consumer prices continued.

In addition to the costs specific to the sector, enterprises in livestock production and the meat and dairy products industry, just as in other sectors, faced a surge in prices for containers, packaging, fuels and lubricants, and transportation services. For instance, a large milk and dairy products enterprise in the Krasnodar Territory complained about a double-digit rise in packaging costs over 2021. According to the regional authorities of the agroindustrial complex in the Southern macro-region, costs for poultry products packaging soared 1.7 times over that period.

Among other reasons behind the increase in prices for their products, a number of agricultural enterprises mentioned higher labour costs associated with the shortage of migrants and the transfer of manpower to industries with higher wages (see the section 'Structural changes in the labour market during the COVID-19 pandemic').

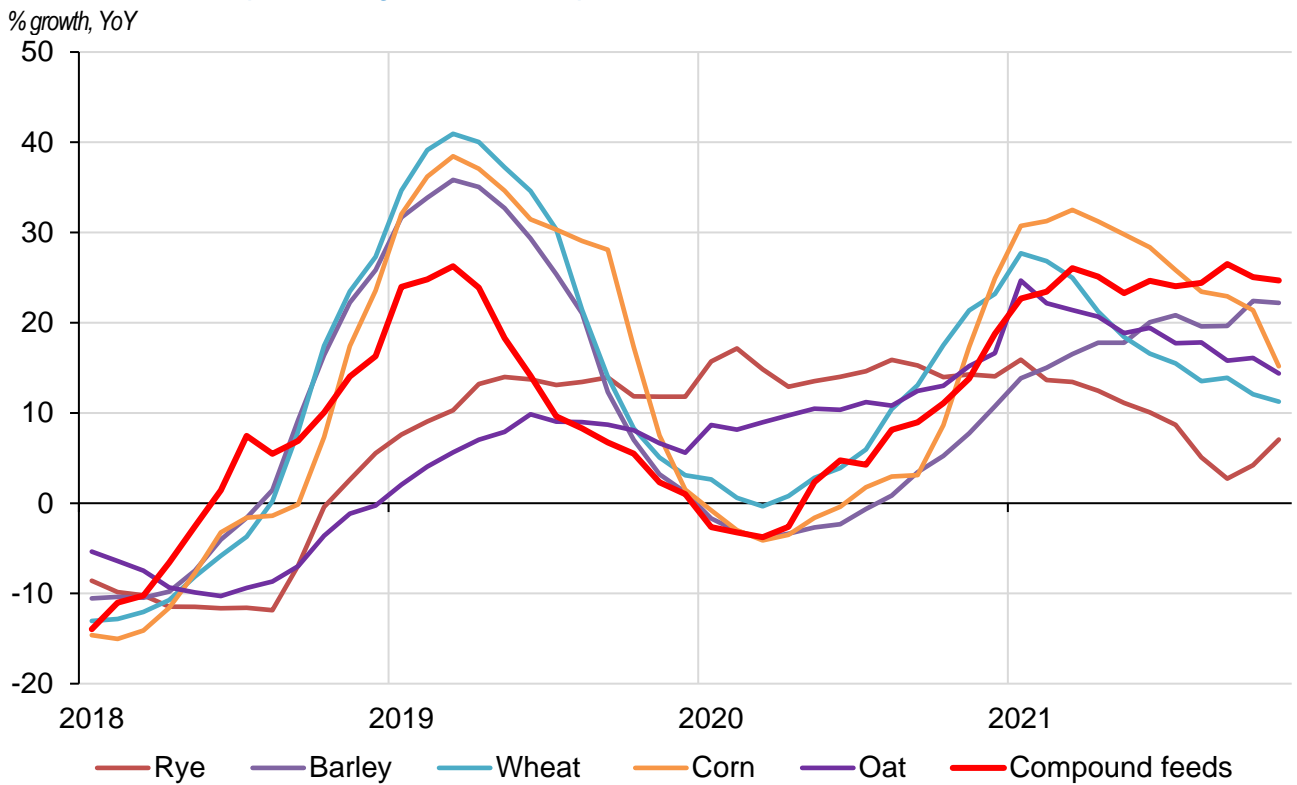
⁴ According to industrial associations, feed costs make up to two-thirds of input prices for animal products.

Chart 1. Producer prices for meat, dairy and grain products



Source: Rosstat.

Chart 2. Producer prices for grains and compound feeds



Source: Rosstat.

OUTPUT. In 2021, the grain harvest declined YoY, which was an additional factor of the upward pressure on prices. Contrastingly, the increase in the total yield of sunflower seeds contained the rise in prices for both end consumer products and intermediates used in livestock production (grist).

The dynamics of prices for meat products in 2020–2021 were affected by output fluctuations in livestock production, mostly caused by livestock diseases (Chart 3). Specifically, bird flu episodes at poultry farms in the Astrakhan and Rostov Regions and the Krasnodar and Stavropol Territories were the reason for the contraction of poultry and egg supply in the Southern macro-region. A large enterprise in the Urals had to kill off its chicken flock and plans to restore output no earlier than by spring 2022. Producers in the Pskov Region were forced to kill off a considerable portion of the pig population due to the African swine fever. The worsening of the epizootic situation also affected producer costs, including for services related to animal killing, prevention of animal diseases, and others. Nonetheless, by the end of 2021, as disease cases decreased, the livestock population started to restore.

The modernisation that is currently underway in the industry helps expand supply, reduce unit costs, and lower the pressure on prices for animal products. In particular, the Primorsky Territory commissioned a pork production plant which is the largest one in the Far East. A large producer of pork and sausage products in the Sverdlovsk Region expanded output at upgraded facilities. Furthermore, poultry and egg producers in the Republic of Bashkortostan, the Leningrad, Orenburg and Vladimir Regions, and the Stavropol Territory also reported the modernisation of poultry farms and production infrastructure and increases in output.

Chart 3. Cattle population

% growth, YoY

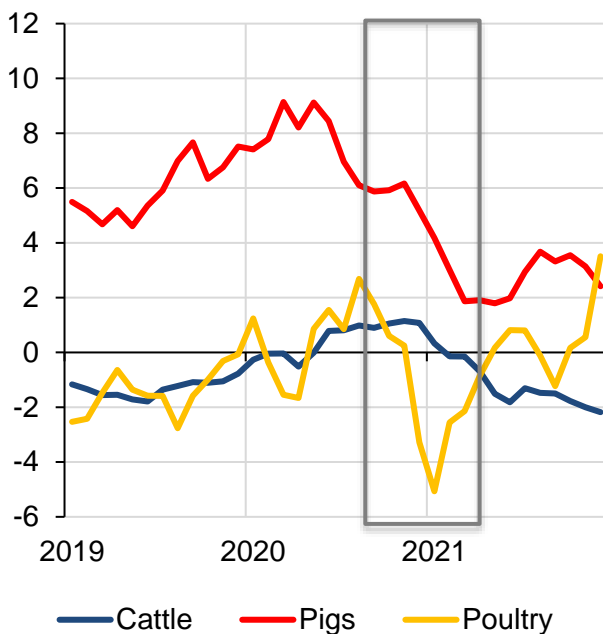
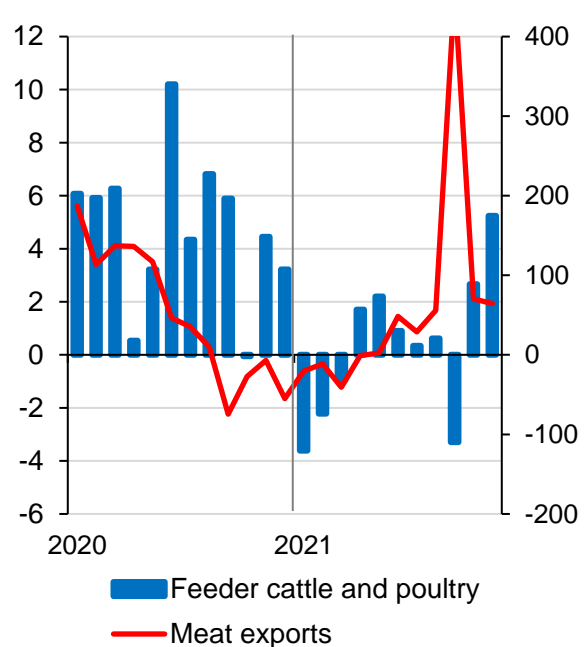


Chart 4. Meat production and exports

% growth, YoY



Sources: Rosstat, Federal Customs Service.

REGULATORY CHANGES IN THE DAIRY INDUSTRY. In 2021, a one-off factor that impacted costs in the dairy industry was the stage-by-stage transition to the mandatory marking of dairy products⁵ aimed at protecting the consumer market. Some enterprises faced a significant increase in costs: for instance, a dairy butter factory in the Krasnodar Territory explained this by a 20% rise in prices for purchased milk accounting for nearly 80% in manufacturing costs. The growth of costs for the marking as an important factor of higher costs was also mentioned by enterprises in the Volga-Vyatka, Far Eastern, North-Western, and Central macro-regions.

REGIONAL DIFFERENCES IN PRODUCER PRICE MOVEMENTS

Factors inducing a rise in costs and imbalances between demand and supply in Russian regions had a diverse impact on costs and output prices of enterprises manufacturing grains, grain, meat and dairy products, and all food products in general (Charts 5–7). The transfer of this impact depended on the elasticity of demand, the level of competition, the dynamics and structure of output, resources and use, and the specifics of transportation and logistics systems.

The highest growth rates of grain prices in 2021 were recorded in the Urals. The main factor of this surge was a considerable reduction in grain stocks (-15.3% YoY vs -1.8% YoY⁶ in Russia in general) due to the harvest decrease caused by unfavourable weather conditions (-16.0% YoY vs -9.7% YoY across the country). In particular, a large agricultural holding company in the Tyumen Region faced a 15% decline in the crop yield because of the drought.

Grain prices rose the least in the South. The growth was limited owing to the expansion of stocks (+43% YoY) resulting from an increase in the crop yield (+19.2% YoY) amid favourable agro-climatic conditions. Furthermore, the expansion of grain stocks became possible owing to the measures limiting exports that declined by 25% across the country in general, as compared to the previous agricultural year (usually, the Southern macro-region accounts for over a half of grain exports).

As grain prices rose the least in the South, this ensured the lowest growth rates of prices for grain mill products. This was especially notable in the Stavropol Territory where producer prices were lower than in 2020 as the crop yield there increased more than 1.5 times. The most considerable rise in producer prices for grain mill products in 2021 was recorded in the North-West. This was associated with a low level of locally produced raw materials and higher logistics costs. Nonetheless, the macro-region is implementing measures to support the industry which helps limit the pass-through of increased costs to retail prices.

In 2021, producer prices for meat products rose most significantly in the North-Caucasian Federal District. The main driver was the contraction of cattle and poultry output that was more considerable than in other regions due to the worsening epizootic situation (-4.7% over the first 11 months of 2021; +0.4% on average in Russia). Moreover, the increase in the tourist flow into the macro-region spurred demand. In addition, the Stavropol Territory, being the largest region producing meat and meat products in the North-Caucasian Federal District, substantially ramped up exports. Producer prices in the Stavropol Territory were also influenced by the expansion of supplies to countrywide retail chains.

The growth rates of prices for meat and dairy products in the Far East were lower than in other macro-regions. Overall, pricing in the macro-region has its specifics determined by the economic and geographical position, the peculiarities of supplies, and the regional programmes supporting

⁵ Since 1 June, the marking is mandatory for cheese and ice cream, since 1 September – for dairy products with the shelf life of more than 40 days, and since 1 December – for dairy products with the shelf life of less than 40 days.

⁶ According to Rosstat's data as of 1 December 2021.

producers. In 2021, an additional factor limiting the growth of meat prices in the macro-region was a smaller number of African swine fever cases than generally in Russia.

Chart 5. Producer prices for grains and grain products, November 2021
% growth, YoY

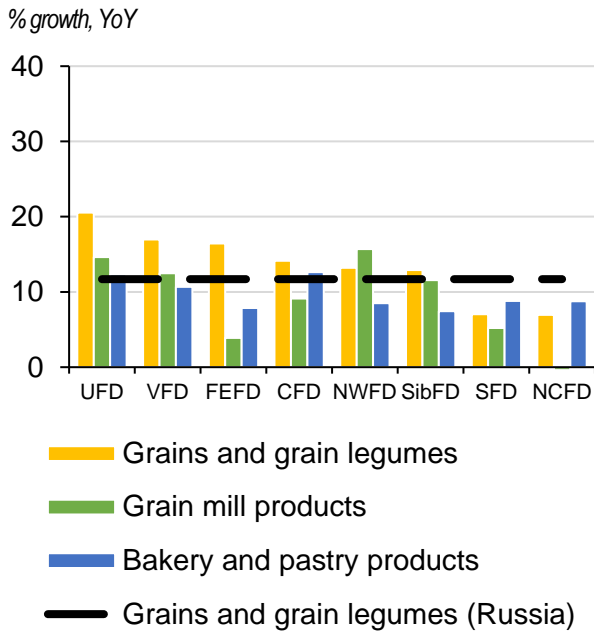
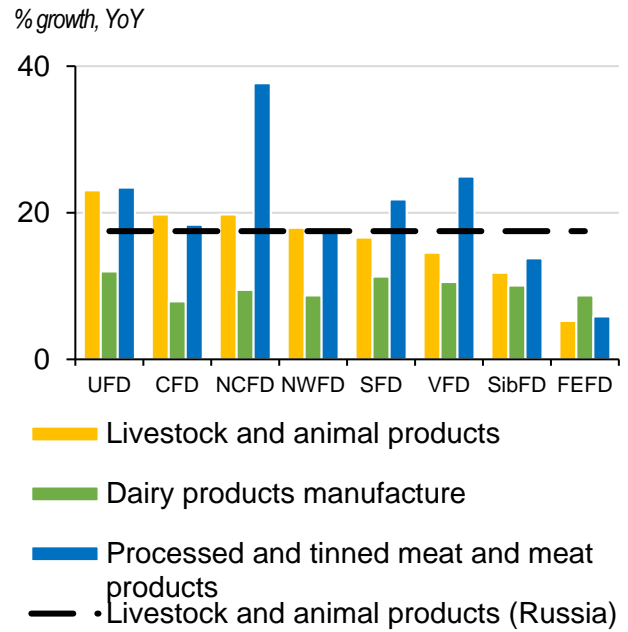
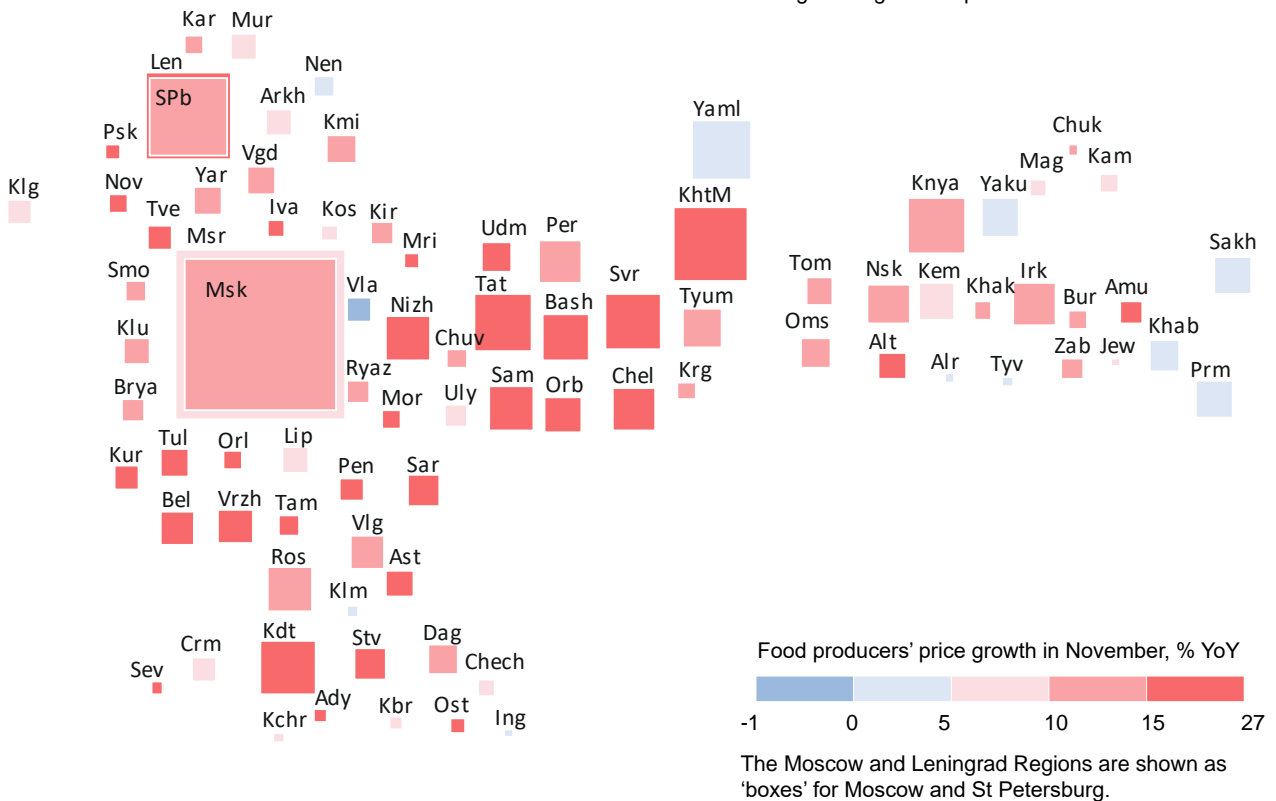


Chart 6. Producer prices for meat and dairy products, November 2021
% growth, YoY



Source: Rosstat.

Chart 7. Growth of producer prices for food in November 2021, % YoY



Sources: Rosstat, Bank of Russia calculations.

AGRICULTURAL AND FOOD ENTERPRISES' PRICE EXPECTATIONS

In 2020—the first months of 2021, agricultural and food enterprises' price expectations mostly increased, along with concerns about rising costs. Beginning from April–May 2021, the upward pressure put by costs stabilised at a high level, according to enterprises, just as their price expectations. However, most food enterprises believe that higher costs affected output prices only partially. Specifically, some meat product manufacturers in the Volga-Vyatka macro-region reported that the pass-through of higher costs to retail prices approximated only 50–70%. Among the main limiting factors, companies mention strict conditions of their contracts with retail chains and limited opportunities for their revision due to tough competition (including from CIS manufacturers). This suggests that the upward pressure on prices might persist and, when possible, enterprises will pass through their costs to prices, especially if consumer demand goes up.

Chart 8. Main indicators of agricultural enterprises' monitoring, balance of responses, SA %

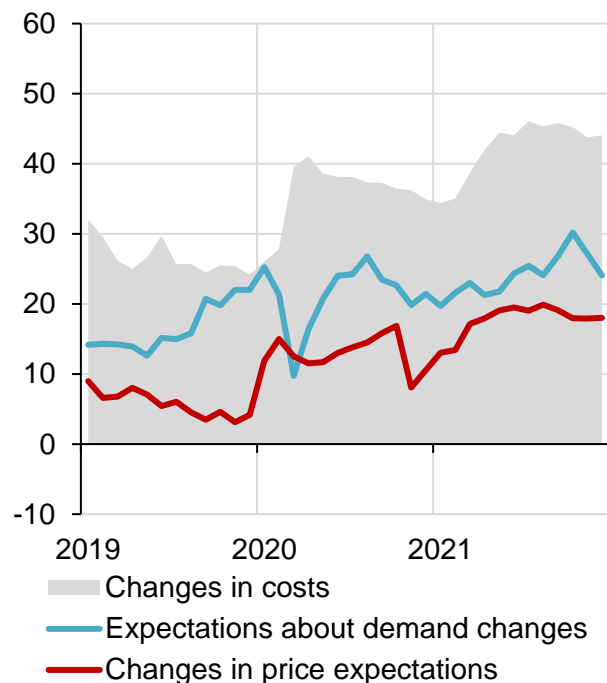
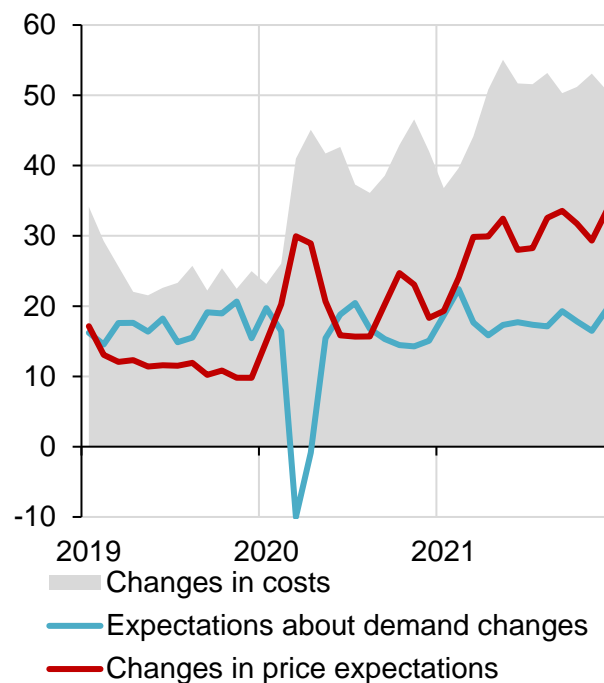


Chart 9. Main indicators of food enterprises' monitoring, balance of responses, SA %



Sources: monitoring of businesses, Bank of Russia.

BOX 2

STRUCTURAL CHANGES IN THE LABOUR MARKET DURING THE COVID-19 PANDEMIC

The coronavirus pandemic and processes caused by it in the economy have significantly changed the Russian labour market. Some of these changes are temporary and result from the remaining anti-pandemic measures, whereas others are altering the existing trends or generating new ones. Important temporary changes include the decrease in labour migrant flows and gaps in individual industries recording a rise in activity. The key long-lasting shifts are as follows: the development of new formats of work, including digital services and higher demand for telecommuting, as well as changes in the structure of labour supply due to the reduction in labour force.

In 2021, the demand for labour soared amid the rebound of economic activity and the remaining restrictions on labour mobility. In November 2021, vacancies in employment agencies numbered 2.1 million, which is 19% more YoY and 32% more as compared to November 2019. According to the HeadHunter portal, the number of vacant jobs posted in December 2021 surged by 50% YoY and almost doubled as compared to the same period in 2019. As assessed by the Bank of Russia, the unemployment rate in these conditions was close to its record low of 4.3% SA.⁷

The growth rates of nominal wages remained high. This was associated with insufficient labour supply in certain industries, including construction, trade, agriculture, the hospitality industry, and a number of manufacturing segments. Over the first 10 months of 2021, nominal wages rose by 9.2%, and real wages edged up by 2.7% YoY.

The Russian labour market is characterised by significant changes during the pandemic period. Some of these changes are temporary and result from the remaining anti-pandemic measures, whereas others have a longer-lasting effect. The latter suggest the already happening structural transformations in the labour market and the emergence of new trends in both Russia in general and its individual regions.

TEMPORARY CHANGES

DECREASE IN LABOUR MIGRANT FLOWS. The development of the labour market was considerably impacted by the reduction in labour migrant flows that was most notable during the period from spring 2020 through 2021 Q1. Beginning from 2021 Q2, the inflow of **migrant workers from abroad** started to recover gradually. Over 2021, labour migrants who arrived to Russia numbered 9.5 million, which is 22% more than in 2019 and 2020 together (7.8 million). According to the migration statistics of the Ministry of Internal Affairs, nearly a half of labour migrants arriving to Russia stay in the Central Federal District. As before the pandemic, about 84% of the overall flow of migrants coming to the Central Federal District concentrate in the Moscow metropolitan area. Labour migrants mostly arrive from Uzbekistan, Tajikistan, Kyrgyzstan, and other CIS countries. Moreover, the number of migrants from Turkey surged 1.8 times as compared to 2019, whereas the number of migrants from China contracted almost two times.

Industries employing migrants changed as well. Previously, migrants had been mostly hired for

⁷ Seasonally adjusted.

physically demanding jobs (e.g. in construction, agriculture), whereas in the conditions of the active development of online trade and delivery services, they started to prefer the sector of services, including taxi, delivery, packing, and trade. To maintain the balance in employment in the said industries, regional authorities implemented a range of measures. In particular, the Khanty-Mansi Autonomous Area, the Tyumen, Kaliningrad and Tver Regions introduced a ban on work under patents for foreigners in certain industries (mainly, in passenger transportation). Concurrently, the problem of staff shortages in agriculture and construction, that was solved before the coronavirus pandemic owing to the inflow of labour migrants, remains urgent today.

Internal migration flows that had reduced in 2020 H1 also restored gradually. Furthermore, the inflow of citizens from the North Caucasus regions increased as compared to 2019. Industrial enterprises in the Central, Volga and Far Eastern Federal Districts employ internal migrants most actively. Specifically, the demand for labour in the Republic of Ingushetia from employers in other regions totals nearly 19,000 people, which is considerably more than the demand from local employers (about 600 vacant jobs as of the end of November 2021).

Rotational workers still prefer regions with the developed mining and quarrying sector and regions implementing large investment projects. Despite local restrictions on interregional mobility in 2020 Q2, the demand for rotational work did not decrease after the outbreak of the pandemic, primarily because of higher wages. Rotational workers are extensively hired in industries forming the basis of GRP, that is, the fuel and energy complex, pipeline transport, and logging in the Komi Republic, mining and quarrying in the Tyumen Region and the Khanty-Mansi Autonomous Area, a number of manufacturing segments and construction (for the implementation of large investment projects) in the Murmansk Region.

MISMATCHES IN CERTAIN INDUSTRIES. There are two main groups of activities where the coronavirus pandemic intensified intersectoral competition:

industries demonstrating higher demand for qualified specialists (healthcare and manufacturing) **and low-skilled workers** (construction, the agroindustrial complex, housing and utility services, and cleaning);

industries where restrictions contributed to the improvement of work conditions, including higher wages (delivery services, taxi, online trade, and logistics).

As the scale of the coronavirus pandemic increased, the demand for specialists combating the pandemic rose, primarily in **healthcare** (doctors and healthcare staff), which is typical of the country in general. Large centres in Central Russia and the North-West also demonstrated higher demand for virologists and biotechnologists. The Oryol and Tver Regions report an outflow of medical workers predominantly to the Moscow metropolitan area offering higher wages. In order to cover the deficit of medical workers, employers raise wages (in the Republic of Buryatia) and express willingness to pay for medical education upon the condition of further employment in the region (the Irkutsk Region).

The **agroindustrial complex** earlier faced staff shortages due to the reduction in the rural population, whereas now this trend has strengthened because workers, including foreign migrants, choose industries with higher wages. Specifically, the Vladimir Region reports that specialists having permits to drive heavy motor vehicles prefer to work at a federal highway construction project. According to a regional enterprise in the Leningrad Region, anti-pandemic restrictions caused a deficit of workers from Central Asia who are hired to work at farms. To cover the shortage of workers for seasonal field works, southern regions employed local residents and workers from the neighbouring regions demanding higher wages, which increased agricultural enterprises' costs. As reported by agricultural enterprises in the Altai Territory and the Volgograd Region, they had to reduce the cultivation areas for such vegetables, such as cabbages, potatoes, carrots, beetroot

and onions, and for greenhouse products due to the problem of hiring migrants for farm work. After the outbreak of the pandemic, the problem of staff shortages in **construction** was acute for both the implementation of infrastructure projects and for building houses. Companies noted that domestic workers demand higher wages as compared to foreign migrants, whereas locals are less reluctant to perform physically demanding work.

However, as restrictions⁸ on the inflow of foreign migrant workers are eased, the situation is generally improving, which is reported, in particular, by construction companies in the Sverdlovsk and Tyumen Regions. In 2021, a large regional developer in the Republic of Buryatia fully covered the need for workers owing to the quota for hiring staff from China. The required quota was confirmed for 2022 as well.

LONG-TERM CHANGES

DEVELOPMENT OF NEW FORMATS OF WORK. The pandemic further boosted the digitalisation of the economy and the development of online platforms. As a result, the list of areas with the opportunity for telecommuting considerably expanded.

In addition to IT, design, technical and customer support where telecommuting was widespread already before the pandemic, several other areas, including finance, education, administration, recruiting, marketing, advertising, and sales, actively adjusted to the **online mode** of work. The Central, Volga-Vyatka, Southern, and Far Eastern macro-regions report that the demand for IT specialists increased after the outbreak of the pandemic from both other Russian regions and foreign companies. Some IT companies in the Voronezh Region completely abandoned offices. Furthermore, a branch of a large bank in the region reduced the number of equipped workplaces in the offices at least two times, while increasing its headcount. Far Eastern enterprises noted that both federal-level and regional companies started to offer telecommuting more frequently during the pandemic period. Recruiters in Central Russia believe that the spread of telecommuting helped recruit employees from southern regions who are not ready to relocate, but have lower expectations about wages as compared to specialists in Moscow and the neighbouring regions.

The spread of telecommuting increased the demand for **relocation to regions with more comfortable weather conditions** (e.g., the Republic of Crimea, the Kaliningrad Region, and the Krasnodar Territory), as well as conditions for convenient telecommuting (coworking spaces, lower rents, well-developed transport infrastructure, and a high penetration of online delivery services). Nonetheless, there are also regions where telecommuting is not popular or not used, e.g., the North Caucasus and the Chukotka Autonomous Area.

The restrictions on mobility introduced in 2020 Q2 promoted the active development of the online segment in the **consumer sector**. More restaurants and cafés started to offer their own delivery services and expanded the use of outsourced food order services, whereas food retailers developed the delivery of fast-moving consumer goods and ready meals. The expansion of the regulatory framework in 2020 H1 also enabled the delivery of over-the-counter medicines, which fostered the development of online sales of medicines. In the Stavropol Territory, online delivery accounts for 5–10% in the consumer segment, and this area is developed by large retail chains. The Krasnodar Territory opened a hub store of a countrywide medicine delivery platform which offers 13,000 items and is able to process 1,000 orders per day. Although restrictions were eased, the demand for

⁸ During 2020, there were restrictions on entering Russia; in 2021 H1, as air flights resumed, there was an increase in additional costs for transportation and official registration of foreign labour migrants. Currently, there are no restrictions on travel from the main source countries of labour migrants (PCR tests and two-week isolation are required). The remaining restrictions on international travel to certain destinations do not have any significant impact on the number of foreign migrant workers.

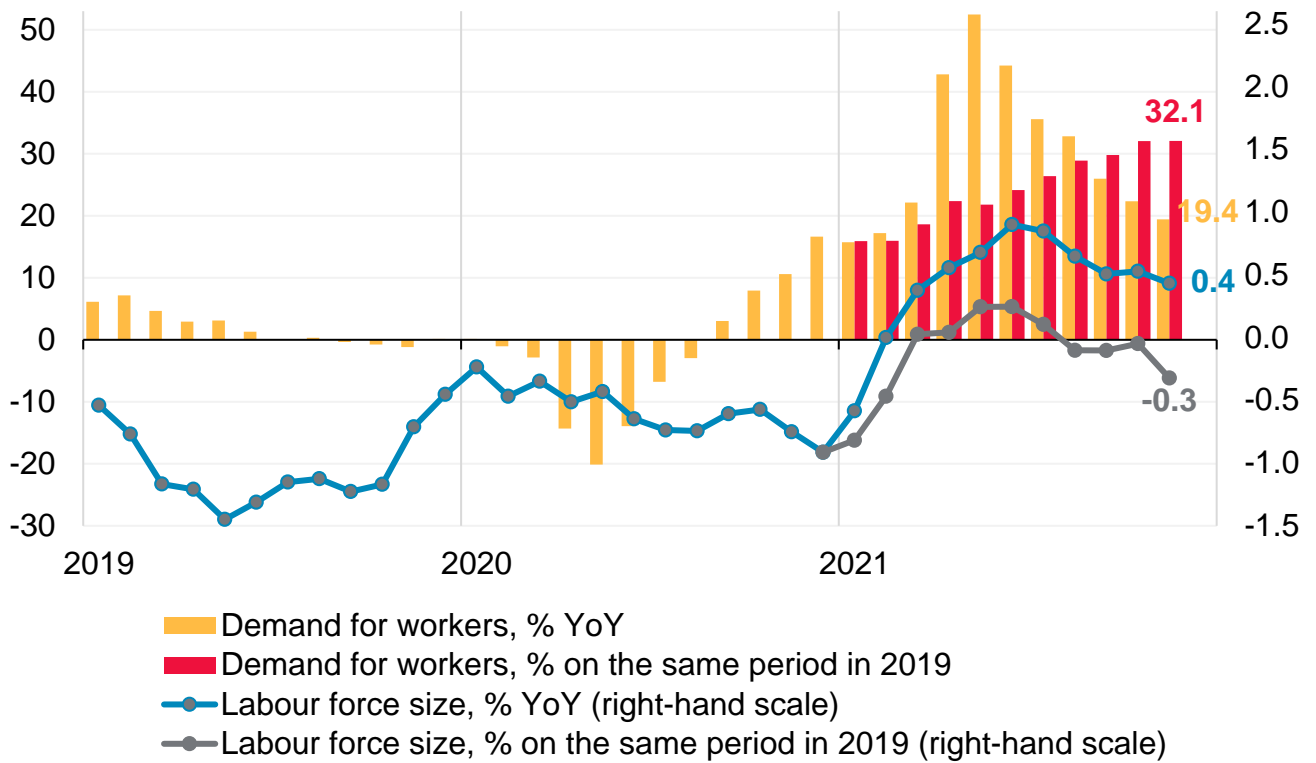
the above services did not decline. In addition to large cities, there is also high demand for delivery to suburbs and cottage settlements (e.g. in the Rostov Region). Countrywide and regional delivery platforms expanded the coverage and the available range of products. To this end, they needed to hire a significant number of couriers, including those owning cars, merchandisers, truck drivers, and warehouse personnel, which is typical of the majority of Russian regions.

CHANGES IN LABOUR SUPPLY STRUCTURE. The spread of the coronavirus in 2020–2021 aggravated the negative impact of the social and demographic factors already existing in the Russian labour market. Excess mortality increased, which reduced the size of the population, including of working age. According to Rosstat,⁹ the average annual population decreased by 0.6% in 2021 as compared to 2019, and the labour force size declined by 0.3% over September–November 2021 vs the same period in 2019. Amid the overall reduction in the labour force, the portion of elderly people in the labour force structure also declined. During the pandemic period, many regions introduced mandatory self-isolation for people aged 60+, which was one of the reasons why they exited the labour market. The decrease in labour resources can limit the potential growth of the Russian economy.

According to regional data and official statistics, as the economy adjusts to changes induced by the pandemic, temporary structural problems in the labour market decrease gradually. However, some transformations that occurred over that period have become permanent, setting new trends (e.g. the spread of telecommuting, more vacant jobs in online sales). Concurrently, some industries still face imbalances between labour supply and demand. As business activity quickly grows and unemployment is low, this might cause an accumulation of cyclical gaps in the labour market, including at the macro level.

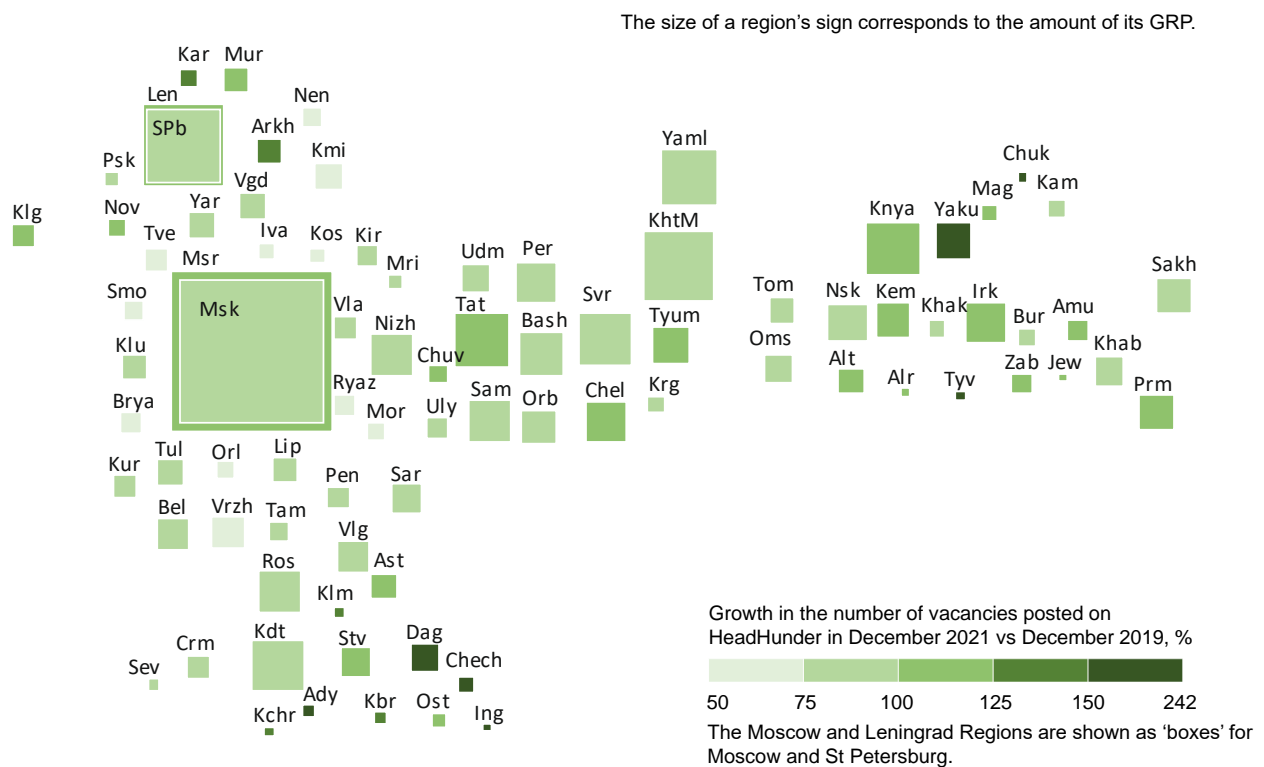
⁹ Preliminary estimates of the size of the resident population for 2021.

Chart 1. Changes in the labour force size and demand for workers in 2019–2021



Source: Rosstat.

Chart 2. Growth in the number of vacancies posted on the HeadHunter portal in December 2021 vs December 2019, %



Sources: HeadHunter, Bank of Russia calculations.

ANNEX

CORE ECONOMIC INDICATORS

Core indicators. Russia

Table 1

		2019	2020	2020	2021	2021	2021	2021	Nov	Dec	Jan
				Q4	Q1	Q2	Q3	Q4			
Inflation	% YoY	3.0	4.9	4.9	5.8	6.5	7.4	8.4	8.4	8.4	
Core inflation	% YoY	3.1	4.2	4.2	5.4	6.6	7.6	8.9	8.7	8.9	
The shaded lines present 2021 data compared against the same period in 2019 . 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	-0.7	1.7	2.8	1.5		3.7		
Fixed capital investment	Cumulative, % YoY	2.1	-1.4	-1.4	5.6	5.4	4.3				
Construction	3MMA, % YoY	2.1	0.1	0.8	3.0	6.4	6.2		3.8		
Housing commissioning	3MMA, % YoY	6.2	0.2	2.2	20.2	22.3	39.7		38.2		
Retail	3MMA, % YoY	1.9	-3.2	-1.7	3.4	4.9	4.7		3.0		
Commercial services	3MMA, % YoY	0.6	-14.8	-10.4	-2.8	-0.3	0.9		3.0		
Real wages	3MMA, % YoY	4.8	3.8	2.2	7.9	5.4	3.8				
Real disposable income	% YoY	1.7	-2.4	-1.0	-0.9	0.6	3.6				
Unemployment rate	SA, %	4.6	5.8	6.0	5.5	4.9	4.4		4.3		
Outstanding consumer loans	% YoY	17.6	7.0	7.0	7.4	15.7	18.1	19.5	19.0	19.5	
Outstanding mortgage loans	% YoY	19.2	21.6	21.6	23.2	29.0	26.7	26.7	25.1	26.7	
Funds in escrow accounts	% YoY	–	–	–	525	452	288	158	192	158	
Non-financial organisations' outstanding bank loans	% YoY	4.7	9.4	9.4	7.2	10.4	11.8		13.2		
• Large borrowers	% YoY	3.5	7.4	7.4	4.4	6.7	9.9		10.9		
• SMEs	% YoY	12.9	21.9	21.9	24.6	32.1	22.7		26.0		
Companies' price expectations	Balance of responses, SA	9.5	13.3	16.4	17.0	21.0	20.9	21.8	21.5	22.8	25.1
Business Climate Index	pp YoY	1.0	-7.8	-6.0	11.1	16.9	3.7	6.3	6.9	5.8	
• Current estimates	pp YoY	0.5	-8.4	-4.9	8.3	24.8	3.9	6.5	6.3	7.6	
• Expectations	pp YoY	1.5	-7.0	-7.1	14.0	7.9	3.5	6.2	7.5	4.1	

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

Core indicators. Main Branch for the Central Federal District

Table 2

		2019	2020	2020	2021	2021	2021	2021	Nov	Dec	Jan
				Q4	Q1	Q2	Q3	Q4			
Inflation	% YoY	3.0	4.7	4.7	5.7	6.4	7.3	8.3	8.4	8.3	
Core inflation	% YoY	3.2	4.2	4.2	5.5	6.6	7.9	9.0	8.9	9.0	
<p>The shaded lines present 2021 data compared against the same period in 2019. 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	7.4	9.0	10.7	31.6	25.0	21.5		32.9		
Fixed capital investment	Cumulative, % YoY	15.0	-3.4	-3.4	12.5	10.1	7.3				
Construction	3MMA, % YoY	4.9	10.8	20.0	5.8	7.1	1.7		5.5		
Housing commissioning	3MMA, % YoY	8.1	-0.8	26.0	2.6	18.0	25.7		40.3		
Retail	3MMA, % YoY	2.3	-2.1	-0.3	6.2	8.8	8.3		5.8		
Commercial services	3MMA, % YoY	2.7	-18.6	-16.0	-6.8	3.7	7.5		8.9		
Real wages	3MMA, % YoY	6.2	4.2	4.2	10.4	5.7	5.9				
Real disposable income	% YoY	2.7	-1.3	0.0	0.5	0.3	4.2				
Unemployment rate	SA, %	2.9	3.9	4.4	4.0	3.6	3.2		3.1		
Outstanding consumer loans	% YoY	17.3	5.2	5.2	5.7	14.2	18.0	20.0	18.3	20.0	
Outstanding mortgage loans	% YoY	24.2	24.4	24.4	25.4	32.5	29.7	29.1	27.5	29.1	
Funds in escrow accounts	% YoY	–	–	–	499	468	306	171	209	171	
Non-financial organisations' outstanding bank loans	% YoY	4.4	11.1	11.1	8.4	10.0	10.5		12.2		
• Large borrowers	% YoY	2.6	10.6	10.6	7.0	6.9	8.1		9.4		
• SMEs	% YoY	20.5	15.2	15.2	20.2	33.6	29.9		34.5		
Companies' price expectations	Balance of responses, SA	11.9	18.7	23.2	23.3	35.1	30.6	29.5	31.3	27.8	27.4
Business Climate Index	pp YoY	-0.1	-7.2	-5.2	11.2	18.8	2.6	6.1	7.1	6.6	
• Current estimates	pp YoY	-0.6	-7.3	-4.6	7.5	25.9	2.3	7.4	7.9	11.1	
• Expectations	pp YoY	0.5	-7.1	-5.9	15.2	10.7	3.0	4.9	6.2	2.3	

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

Core indicators. North-Western Main Branch

Table 3

		2019	2020	2020	2021	2021	2021	2021	Nov	Dec	Jan
				Q4	Q1	Q2	Q3	Q4			
Inflation	% YoY	3.0	4.8	4.8	5.4	6.6	7.3	8.5	8.4	8.5	
Core inflation	% YoY	3.2	4.0	4.0	5.2	6.7	7.3	8.9	8.4	8.9	
The shaded lines present 2021 data compared against the same period in 2019 . 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	-2.6	-0.2	1.9	-1.5	-0.3		1.5		
Fixed capital investment	Cumulative, % YoY	-15.9	-0.3	-0.3	-9.4	-6.0	-2.8				
Construction	3MMA, % YoY	-9.4	-10.2	-18.5	-17.4	-9.1	-16.5		-15.3		
Housing commissioning	3MMA, % YoY	-1.3	-2.9	-8.4	38.7	25.3	109		41.1		
Retail	3MMA, % YoY	2.0	0.2	2.2	7.7	12.0	12.1		10.4		
Commercial services	3MMA, % YoY	0.0	-14.9	-9.9	-2.3	-1.3	-2.0		1.0		
Real wages	3MMA, % YoY	4.1	2.1	0.3	4.8	5.0	2.8				
Real disposable income	% YoY	0.7	0.3	-0.7	0.4	4.9	4.3				
Unemployment rate	SA, %	3.6	5.1	5.8	4.8	4.2	3.7		3.4		
Outstanding consumer loans	% YoY	18.4	6.9	6.9	6.9	15.4	17.2	18.7	18.6	18.7	
Outstanding mortgage loans	% YoY	21.5	22.0	22.0	23.1	28.8	26.1	26.5	25.0	26.5	
Funds in escrow accounts	% YoY	–	–	–	673	585	438	255	306	255	
Non-financial organisations' outstanding bank loans	% YoY	3.0	9.2	9.2	9.1	14.2	21.5		21.6		
• Large borrowers	% YoY	3.0	1.9	1.9	0.0	3.0	24.1		24.3		
• SMEs	% YoY	3.3	52.1	52.1	60.6	70.9	9.9		9.9		
Companies' price expectations	Balance of responses, SA	11.1	17.0	20.0	20.0	25.8	24.3	24.0	23.2	24.3	24.3
Business Climate Index	pp YoY	0.4	-7.6	-6.4	11.0	16.1	5.9	8.2	10.1	6.5	
• Current estimates	pp YoY	0.2	-8.0	-5.4	9.7	23.5	6.4	8.3	8.8	6.9	
• Expectations	pp YoY	0.5	-7.1	-7.4	12.3	7.9	5.3	8.2	11.5	6.1	

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

Core indicators. Volga-Vyatka Main Branch

Table 4

		2019	2020	2020	2021	2021	2021	2021	Nov	Dec	Jan
				Q4	Q1	Q2	Q3	Q4			
Inflation	% YoY	2.8	5.5	5.5	6.2	6.7	7.6	8.6	8.8	8.6	
Core inflation	% YoY	3.1	4.7	4.7	5.9	7.1	8.1	9.4	9.4	9.4	
<p>The shaded lines present 2021 data compared against the same period in 2019. 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	3.0	-2.0	-1.1	3.3	5.4	3.2		7.4		
Fixed capital investment	Cumulative, % YoY	0.5	-3.8	-3.8	9.4	5.4	2.2				
Construction	3MMA, % YoY	3.5	-3.4	-4.8	-4.8	7.5	9.4		4.0		
Housing commissioning	3MMA, % YoY	5.9	-5.9	-18.1	25.7	-3.3	17.4		3.6		
Retail	3MMA, % YoY	1.1	-4.4	-4.4	0.1	3.3	2.9		1.2		
Commercial services	3MMA, % YoY	0.2	-11.6	-6.9	-0.5	-2.8	-3.0		-1.1		
Real wages	3MMA, % YoY	3.6	3.3	0.7	5.6	4.7	3.8				
Real disposable income	% YoY	1.3	-2.3	-3.7	-3.8	-0.3	0.9				
Unemployment rate	SA, %	4.0	4.9	5.0	4.7	4.0	3.6		3.6		
Outstanding consumer loans	% YoY	17.6	7.1	7.1	7.3	16.2	17.9	19.2	18.8	19.2	
Outstanding mortgage loans	% YoY	14.9	19.7	19.7	21.4	26.2	24.1	23.0	22.7	23.0	
Funds in escrow accounts	% YoY	–	–	–	435	326	182	105	125	105	
Non-financial organisations' outstanding bank loans	% YoY	-3.6	3.5	3.5	2.0	6.6	13.4		10.7		
• Large borrowers	% YoY	-4.0	-2.5	-2.5	-3.6	2.1	12.9		8.1		
• SMEs	% YoY	-2.2	24.3	24.3	22.4	21.5	15.1		18.2		
Companies' price expectations	Balance of responses, SA	11.3	18.6	21.2	23.3	32.3	31.0	29.4	29.6	26.5	29.1
Business Climate Index	pp YoY	1.6	-9.7	-6.6	11.4	19.3	3.1	6.2	6.6	4.2	
• Current estimates	pp YoY	0.6	-10.1	-4.9	8.6	27.2	4.3	6.0	6.0	4.8	
• Expectations	pp YoY	2.7	-8.9	-8.4	14.2	10.3	1.8	6.5	7.2	3.6	

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

Core indicators. Southern Main Branch

Table 5

		2019	2020	2020	2021	2021	2021	2021	Nov	Dec	Jan
				Q4	Q1	Q2	Q3	Q4			
Inflation	% YoY	2.9	5.5	5.5	6.6	7.3	8.6	9.2	9.3	9.2	
Core inflation	% YoY	3.2	4.2	4.2	5.6	6.7	7.8	9.1	8.8	9.1	
The shaded lines present 2021 data compared against the same period in 2019 . 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	3.5	-0.1	-0.9	6.4	4.5	6.7		4.4		
Fixed capital investment	Cumulative, % YoY	-5.1	1.2	1.2	17.5	5.3	3.8				
Construction	3MMA, % YoY	-4.0	-2.3	-4.7	0.4	-2.3	3.9		2.3		
Housing commissioning	3MMA, % YoY	7.3	5.9	13.3	10.4	20.5	43.2		50.7		
Retail	3MMA, % YoY	2.0	-3.3	1.2	6.4	6.2	6.3		5.9		
Commercial services	3MMA, % YoY	-0.9	-8.4	-2.1	6.8	6.4	7.6		8.3		
Real wages	3MMA, % YoY	2.7	1.9	0.8	5.2	4.0	0.0				
Real disposable income	% YoY	0.6	-1.3	-1.3	1.8	-2.7	2.9				
Unemployment rate	SA, %	7.4	8.7	9.3	8.7	8.0	7.3		7.1		
Outstanding consumer loans	% YoY	19.8	7.5	7.5	7.2	15.6	18.6	21.1	20.4	21.1	
Outstanding mortgage loans	% YoY	19.5	23.7	23.7	26.5	32.0	31.0	30.7	29.1	30.7	
Funds in escrow accounts	% YoY	–	–	–	660	458	262	120	158	120	
Non-financial organisations' outstanding bank loans	% YoY	4.5	3.6	3.6	3.5	10.7	7.0		9.6		
• Large borrowers	% YoY	3.9	0.3	0.3	0.0	9.5	1.8		3.4		
• SMEs	% YoY	6.4	13.9	13.9	14.0	14.2	22.5		28.2		
Companies' price expectations	Balance of responses, SA	8.6	15.0	17.9	16.7	20.1	21.0	22.9	22.9	24.1	23.3
Business Climate Index	pp YoY	0.9	-7.2	-5.1	12.5	16.7	1.6	4.4	4.6	5.8	
• Current estimates	pp YoY	-0.4	-8.7	-3.9	9.4	28.0	1.3	5.2	4.7	8.9	
• Expectations	pp YoY	2.2	-5.3	-6.2	15.8	3.4	1.8	3.6	4.4	2.7	

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

Core indicators. Ural Main Branch

Table 6

		2019	2020	2020	2021	2021	2021	2021	Nov	Dec	Jan
				Q4	Q1	Q2	Q3	Q4			
Inflation	% YoY	3.1	4.4	4.4	5.2	6.1	6.7	7.7	7.8	7.7	
Core inflation	% YoY	3.0	4.0	4.0	5.0	6.3	7.1	8.2	8.1	8.2	
<p>The shaded lines present 2021 data compared against the same period in 2019. 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	5.1	-1.6	-1.1	2.5	4.9	2.9		6.6		
Fixed capital investment	Cumulative, % YoY	-3.0	1.5	1.5	-0.9	-2.2	-6.6				
Construction	3MMA, % YoY	-6.2	6.4	-8.9	-3.7	4.2	16.1		5.4		
Housing commissioning	3MMA, % YoY	8.3	2.9	-5.1	19.9	27.7	32.2		39.6		
Retail	3MMA, % YoY	1.5	-4.1	-4.2	0.2	2.8	-0.7		-2.8		
Commercial services	3MMA, % YoY	-0.1	-15.8	-10.3	-2.5	-3.6	-6.9		-3.8		
Real wages	3MMA, % YoY	1.9	1.9	1.2	4.6	4.0	1.7				
Real disposable income	% YoY	1.3	-2.9	-4.1	-3.7	-3.0	-3.3				
Unemployment rate	SA, %	4.4	5.7	5.9	5.3	4.5	3.9		3.8		
Outstanding consumer loans	% YoY	17.7	7.8	7.8	8.1	16.1	16.8	18.1	17.8	18.1	
Outstanding mortgage loans	% YoY	14.2	17.8	17.8	19.4	24.5	21.1	21.1	19.8	21.1	
Funds in escrow accounts	% YoY	–	–	–	520	420	228	109	140	109	
Non-financial organisations' outstanding bank loans	% YoY	6.9	3.9	3.9	2.3	10.4	12.6		14.9		
• Large borrowers	% YoY	7.0	1.1	1.1	-0.6	7.7	11.1		13.3		
• SMEs	% YoY	6.0	26.0	26.0	26.2	29.7	23.0		25.5		
Companies' price expectations	Balance of responses, SA	11.5	14.7	18.5	17.4	23.9	27.3	22.3	22.0	23.5	25.8
Business Climate Index	pp YoY	2.0	-9.5	-7.3	11.7	17.2	4.5	8.0	7.1	7.3	
• Current estimates	pp YoY	1.2	-8.2	-3.8	9.7	24.3	3.9	5.4	3.0	6.5	
• Expectations	pp YoY	2.9	-10.7	-10.8	13.5	9.3	5.1	10.7	11.3	8.1	

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

Core indicators. Siberian Main Branch

Table 7

		2019	2020	2020	2021	2021	2021	2021	Nov	Dec	Jan
				Q4	Q1	Q2	Q3	Q4			
Inflation	% YoY	3.7	4.9	4.9	5.8	6.8	7.8	9.3	9.0	9.3	
Core inflation	% YoY	3.3	4.4	4.4	5.2	6.6	7.9	9.5	9.1	9.5	
The shaded lines present 2021 data compared against the same period in 2019 . 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	2.0	-3.8	-3.7	-2.2	-4.4	0.5		1.5		
Fixed capital investment	Cumulative, % YoY	7.4	1.7	1.7	4.3	8.7	7.5				
Construction	3MMA, % YoY	6.7	-7.1	2.3	11.0	4.9	5.4		13.2		
Housing commissioning	3MMA, % YoY	4.5	0.3	9.2	15.2	13.6	51.1		60.8		
Retail	3MMA, % YoY	2.7	-3.3	-3.5	-2.1	2.3	3.1		2.8		
Commercial services	3MMA, % YoY	0.6	-10.7	-6.3	-0.3	-1.9	-3.3		-0.4		
Real wages	3MMA, % YoY	4.1	3.4	1.7	1.2	5.0	3.7				
Real disposable income	% YoY	0.8	-1.1	-3.1	-4.1	0.1	0.6				
Unemployment rate	SA, %	6.0	7.7	7.7	7.1	6.4	5.7		5.3		
Outstanding consumer loans	% YoY	15.9	9.1	9.1	9.8	18.0	19.9	20.5	20.9	20.5	
Outstanding mortgage loans	% YoY	15.8	18.9	18.9	20.8	26.3	25.1	25.8	23.5	25.8	
Funds in escrow accounts	% YoY	–	–	–	617	502	322	133	189	133	
Non-financial organisations' outstanding bank loans	% YoY	3.8	5.2	5.2	-2.1	-3.1	-2.2	0.0	0.9		
• Large borrowers	% YoY	2.1	1.8	1.8	-7.6	-9.3	-6.3	0.0	-3.4		
• SMEs	% YoY	11.9	19.5	19.5	23.6	25.7	15.7	0.0	18.3		
Companies' price expectations	Balance of responses, SA	8.6	15.7	17.5	18.8	26.5	26.2	25.9	26.0	25.7	24.9
Business Climate Index	pp YoY	1.7	-7.2	-5.8	10.8	15.7	5.1	6.3	5.6	5.4	
• Current estimates	pp YoY	2.5	-8.3	-5.2	8.1	22.5	5.6	5.4	4.9	3.4	
• Expectations	pp YoY	0.9	-5.9	-6.3	13.6	8.0	4.6	7.2	6.4	7.4	

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

Core indicators. Far Eastern Main Branch

Table 8

		2019	2020	2020	2021	2021	2021	2021	Nov	Dec	Jan
				Q4	Q1	Q2	Q3	Q4			
Inflation	% YoY	3.8	5.0	5.0	5.3	5.4	6.1	6.7	6.7	6.7	
Core inflation	% YoY	3.3	3.9	3.9	4.6	4.9	5.7	6.7	6.4	6.7	
<p>The shaded lines present 2021 data compared against the same period in 2019. 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	6.5	-4.5	-0.9	-0.7	0.7	-5.2		-2.8		
Fixed capital investment	Cumulative, % YoY	8.2	-15.2	-15.2	-15.3	-4.2	-1.6				
Construction	3MMA, % YoY	34.1	-11.2	8.0	-18.7	-25.8	-23.4		-22.0		
Housing commissioning	3MMA, % YoY	8.6	3.4	-1.5	19.3	39.7	41.0		29.7		
Retail	3MMA, % YoY	3.9	-2.6	-0.3	6.7	6.5	1.1		-1.3		
Commercial services	3MMA, % YoY	-2.1	-18.3	-13.8	-6.6	-15.6	-14.7		-14.5		
Real wages	3MMA, % YoY	4.8	3.0	-0.1	6.3	4.3	1.0				
Real disposable income	% YoY	2.1	-1.5	-3.2	-1.3	-1.1	-0.6				
Unemployment rate	SA, %	5.1	5.4	5.3	4.9	4.5	4.7		4.4		
Outstanding consumer loans	% YoY	16.7	9.2	9.2	9.7	17.0	18.8	17.7	19.2	17.7	
Outstanding mortgage loans	% YoY	20.2	23.8	23.8	25.1	30.2	30.9	32.5	29.9	32.5	
Funds in escrow accounts	% YoY	–	–	–	603	408	303	162	195	162	
Non-financial organisations' outstanding bank loans	% YoY	29.9	32.2	32.2	34.0	38.2	33.4		30.9		
• Large borrowers	% YoY	27.4	32.7	32.7	37.7	42.9	36.3		33.4		
• SMEs	% YoY	40.2	30.4	30.4	21.0	22.6	22.7		21.7		
Companies' price expectations	Balance of responses, SA	8.5	14.3	14.2	15.2	19.6	19.6	21.7	21.6	20.8	20.4
Business Climate Index	pp YoY	1.2	-7.5	-7.3	6.7	12.0	6.0	7.3	9.5	4.9	
• Current estimates	pp YoY	1.1	-9.1	-8.1	4.6	18.2	7.3	8.3	8.6	9.2	
• Expectations	pp YoY	1.4	-5.8	-6.4	9.0	5.1	4.7	6.3	10.5	0.8	

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