



Bank of Russia



# BANKING SECTOR LIQUIDITY AND FINANCIAL MARKETS

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Information and analytical commentary

19 May 2022

## BANKING SECTOR LIQUIDITY AND FINANCIAL MARKETS: FACTS, ASSESSMENTS AND COMMENTS (APRIL 2022)

- The average spread between RUONIA and the Bank of Russia key rate was -45 bp. (in the March averaging period (AP): -34 bp; year to date: -23 bp).
- In April, the return of cash to banks continued, while budgetary operations led to a slight outflow of liquidity. On average, the structural liquidity surplus increased over the AP and amounted to 1.2 trillion rubles.
- The forecast of the structural liquidity surplus for the end of 2022 is 3.5–4.0 trillion rubles.
- In April, there was a decrease in volatility of the spread between rates in the FX swap and RUONIA (basis) segments. The spread was forming positively amid increased sanction risks.
- In April, the curves of the money and debt markets markedly shifted downwards along their entire length amid macroeconomic stabilisation and market participants' expectations of further cuts in the key rate. The ruble exchange rate against the US dollar recovered to the level of November 2021. The spread between purchases and sales of the US dollar by systemically important credit institutions (SICIs) decreased from around 30 rubles to 10 rubles.
- Deposit rates rose in March after monetary policy was tightened. The increase in the key rate to 20% prompted banks to rapidly raise their rates on short-term deposit operations, while lending rates was growing unevenly in March. Long-term loan and deposit rates in March were close to the levels that are in line with the expectations of banking sector analysts about the key rate at the end of 2022–2023.
- The outflow of funds from bank ruble deposits in March decreased significantly compared to February with the highest growth in the segment of short-term deposits since 2014. The growth of funds in short-term deposits was ensured by the overflow of funds from long-term ruble deposits, as well as foreign currency deposits which continued to decrease. Lending activity declined in March, while the mortgage segment continued to record high growth rates. Government subsidised programmes provided significant support to lending.
- The growth in the money supply in March was supported mainly by lending to the economy. As of the end of March, the annual broad money growth (M2X) totalled 11.0% against 10.8% in February, and the annual money supply growth in the national definition (M2) was 17.1% against 14.6 in February, being the highest value since 2013. A slowdown in lending in 2022 will limit the money supply growth that will be offset by the planned increase in government expenditures.

## MONEY MARKET AND OVERNIGHT RATES (RUONIA)

Over the April required reserve (RR) averaging period (AP), the spread between RUONIA<sup>1</sup> (the Bank of Russia's operational benchmark) and the Bank of Russia<sup>2</sup> key rate came in at **-45 bp**. (in the March AP: -34 bp; year to date: -23 bp) (Chart 3). The spread volatility was 36 bp (in the March AP: 54 bp; year to date: 45 bp).

The structural liquidity surplus over the April AP averaged **1.2 trillion rubles** (over the March AP, the deficit totalled 1.1 trillion rubles). As of early May, the structural liquidity surplus was 1.5 trillion rubles. (Table 2).

In the April AP, the negative spread between RUONIA and the key rate expanded amid further growth in the structural liquidity surplus, as well as due to market participants' expectations of a key rate cut at the meeting of the Bank of Russia Board of Directors on 29 April. Credit institutions borrowing funds in the money market and due to the Bank of Russia's operations tried to postpone the RR averaging until early May in order to borrow them at a much lower rate. As a result, demand for liquidity was weak in April and the rates decreased.

Although the activity in the unsecured segment of overnight interbank lending (IBL) returned to the average annual values, the number of market participants remained small. As the AP started, the level of borrower concentration was high, with one major participant raising the bulk of loans. Furthermore, the terms of the transactions changed slightly throughout a considerable part of the AP that led to the spread volatility decline.

In the second half of the AP, after the key rate was cut, the level of market participant concentration decreased, while the demand for liquidity temporarily increased due to the need for banks to perform the RR averaging. As a result, the spread narrowed and was positive on certain days.

Demand from credit institutions for Bank of Russia standing deposit facilities lowered slightly but still remained high. Market participants preferred to place a large amount of ruble liquidity using more reliable but less profitable instruments of the Bank of Russia; for this reason, surplus funds were not fully reallocated to interbank loans in the overnight segment. Furthermore, the amount of transactions in the secured segment of the money market remained significant.

In April, cash continued to return to banks, which in turn returned these funds to their correspondent accounts with the Bank of Russia. The amount of refunding totalled 0.5 trillion rubles, of which the decrease in balances at cash desks and ATMs of banks was about 0.2 trillion rubles. At that, seasonally in April, especially before the May holidays, the amount of cash in circulation, on the contrary, usually increases (in April 2021, the outflow totalled 0.4 trillion rubles).

Budget operations in April led to an insignificant liquidity outflow from the banking sector. Budget revenues exceeded spending in this period. Furthermore, both budget revenues and spending increased in April both month on month and year on year. The income tax growth sped up compared to the previous year, while VAT and personal income tax lowered due to a rise in the amount of refunding. The Federal Treasury (FT) increased the amount of budgetary funds placed with banks, thereby largely compensating for the existing liquidity outflow.

**The forecast of the structural liquidity surplus for the end of 2022 is 3.5–4.0 trillion rubles.**<sup>3</sup> Financing a part of budget expenditures using the NWF money is expected to form the main liquidity inflow to banks. Furthermore, the FT can reduce the amount of budgetary funds deposited with banks. These funds will also be used to cover expenditures. Taking into account traditional seasonal trends, the increase in the amount of cash in circulation at the end of the year is forecast in the range of 0.8–10 trillion rubles.

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

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

<sup>3</sup> See Monetary Policy Report No. 2 (38), dated May 2022, for details.

## MONEY MARKET YIELD CURVES AND KEY RATE EXPECTATIONS

**Money market yield curves.** In April, the interest rate swap curves shifted downward as the economic situation stabilised and market uncertainty decreased (Chart 5). At the beginning of the month, the ROISFIX<sup>4</sup> curve was flat: rates for the maturities from one week to one year were in the range of 19.6–21.5%. In late April and early May, after the key rate was cut, the curve moved down and became inverted: short-term contract rates were at 13.8%, annual contract rates – at 12.7%.

IRS yields (on MosPrime 3M) also demonstrated a significant decline in April. Yields on the short end of the curve (up to five years) dropped by 3.1–6.8 pp to 12.8–13.6%. The long end of the curve decreased by 1.4–2.4 pp to 12.5–12.7%. The change in the money market curves in April is due to general macroeconomic stabilisation and the revision by market participants of expectations for a further change in the key rate in the next few years (Table 1).

**The MosPrime 3M – OIS 3M spread** averaged 168 bp in April (vs 141 bp in March; 2021 average: 54 bp). In early April, the spread volatility was high, but by the end of the month, the spread stabilised due to a lower uncertainty of the key rate dynamics, the reduction of spreads in the interbank lending market, and a decrease in the general level of risks amid macroeconomic stabilisation.

According to the Bank of Russia's survey of professional market participants, analysts expect a gradual key rate reduction in 2022–2023 (Table 1). In April, the median estimate of the average key rate value for 2022 was 14.5% (vs 18.9% in March).

### ANALYSTS DECREASED KEY RATE EXPECTATIONS IN APRIL

Table 1

Key rate expectations based on market indicators,* indicator (instrument)	June 2022	December 2022
ROISfix	13.0 (20.0)	11.0 (20.0)
<b>Analysts' key rate expectations*</b>	<b>2022 average</b>	<b>2023 average</b>
Survey by the Bank of Russia	14.5 (18.9)	10.4 (14.1)

\* Survey dates: 13–19 April 2022. Brackets are used to show the results of the survey conducted on 2–8 March 2022.  
Sources: Bank of Russia calculations, NFA.

## PUBLIC DEBT MARKET

**OFZ yield curve.** In April, the entire OFZ zero coupon yield curve moved down along its entire length, most notably on short term yields (Chart 9): OFZ 1Y – 10.19% (-350 bp); OFZ 2Y – 9.68% (-289 bp); OFZ 5Y – 10.08% (-132 bp), and OFZ 10Y – 10.32% (-91 bp). By the end of the month, the curve was inverted in the segment up to 2Y and flattened at the long-term end. This could be caused, on the one hand, by the inability to reduce OFZ positions by non-residents, on the other hand, by the moratorium imposed on the revaluation of debt securities and the unwillingness of local investors to record a loss. Cumulative changes of the curve from 21 March to 30 April for 1Y, 2Y, 5Y and 10Y were -639, -614, -454 and -325 bp, respectively.

For the first time since December 2021, the spread between OFZ 10Y and OFZ 2Y yields was positive and reached 64 bp by late April (vs -134 in March).

The average daily OFZ trading volume began to recover in the second half of the month (19–30 April) after a substantial drop in March, reaching 16.8 billion rubles. In April, the average daily turnover did not change compared to March (21–31 March) and amounted to 12.7 rubles

<sup>4</sup> The OIS (ROISfix) curve represents indicative rates (fixing) on RUONIA IR swaps.

(vs 33.7 billion rubles from 1 February to 22 February). OFZ traded in small amounts, and the main demand was focused on medium-term OFZ-PDs.

From October 2021 to March 2022, **foreign investors decreased their OFZ investments**. In March, the volume of non-residents' investments in Russia's public debt did not change significantly amid existing restrictions on its sales. As of 1 April 2022, investments by non-residents in Russian government bonds totalled 2,770 billion rubles (vs 2,782 billion rubles as of 1 March).

In April, **yields on two-year and ten-year U.S. Treasury bonds** continued to grow, reaching the levels of September–December 2018: 2Y – 2.70% (+42 bp); 10Y – 2.89% (+57 bp). This was due to the expectations of early tightening of the U.S. monetary policy: +50 bp at the May FOMC meeting and a monthly balance sheet reduction by 95 billion US dollars starting from June amid rising inflation (8.5% YoY as of 31 March).

### Other financial markets

**Foreign currency liquidity.** In April, the spread between interest rates in the FX swap segment and RUONIA (basis) was predominantly positive and ranged between -37 bp and +150 bp. A negative yield of the implied US dollar rate was mainly associated with sanction restrictions, in particular, the embargo on the foreign currency import to Russia and the blocking of foreign currency accounts of Russian banks. The average basis in the April AP was 69 bp (in the March AP: -7 pp; year to date: -3.5 pp).

**Foreign exchange market.** By late April, the ruble strengthened against the US dollar by 14.7%, from 80.20 to 70.96 rubles per US dollar in the on-exchange market (Chart B-1-3). For the first time since November 2021, the exchange rate reached the level of 71 rubles per US dollar. This was caused by the growth of the current account surplus (estimate for January–April 2022: 95.8 billion US dollars; actual for January–April 2021: 27.5 billion US dollars) due in part to a noticeable drop in imports. The ruble was supported by high commodity prices (including metals, oil and petroleum products), as well as by the sale of foreign currency revenues by exporters. The spread between the US dollar buy and sell rates for SICIs stabilised at about ten rubles (about 30 rubles in March).

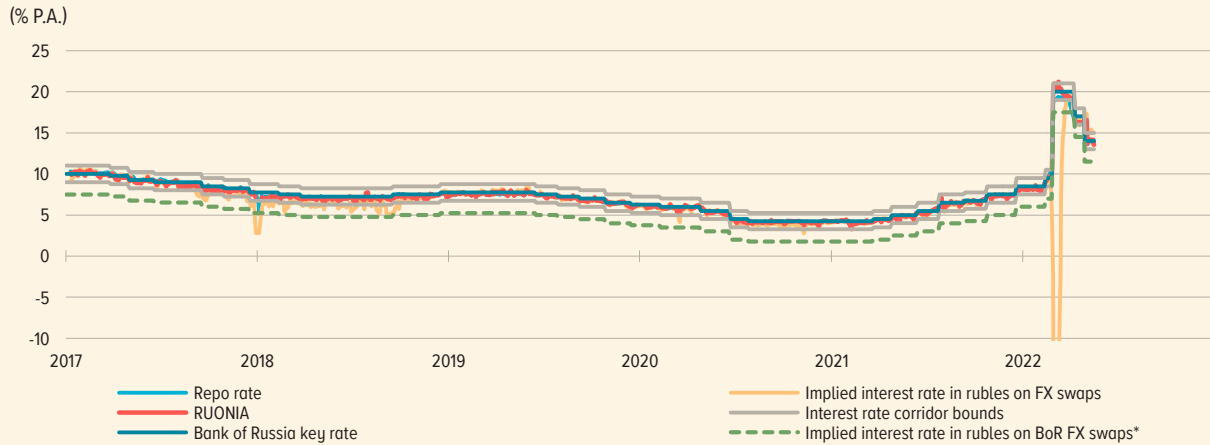
Other EM currencies weakened against the US dollar, including the South African rand (-8.3%) and the Chinese yuan (-4.6%) (Chart B-1-2).

**Equity market.** In April, stock indices in national currencies declined in most countries.

First, the negative dynamics were caused by the deterioration of the financial indicators of companies amid the intensifying problem of supply chains, the break in foreign trade relations, and the rise in commodity prices as a result of anti-Russian sanctions. Second, this was due to tough signals from the US Fed regarding further key rate path. In addition, the global stock market was affected by new lockdowns in China. The S&P 500 drifted down by 8.8%, the Stoxx 600 – by 1.2%, the MSCI EM – by 5.7% (Chart B-1-5). The US stock market recorded demand for securities of defensive sectors (for example, health care, real estate and non-cyclical goods sectors). Stock trading in the Russian markets was resumed on 24 March. In the period from 24 March to 30 April, the MOEX Index fell by 1.0%, the RTS Index gained 15.4% due to a stronger ruble. Trading volumes were low. Securities of the domestically focused companies were of particular interest. The refusal of a number of issuers to pay dividends due to the continued global instability was a constraining factor for the Russian market recovery.

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

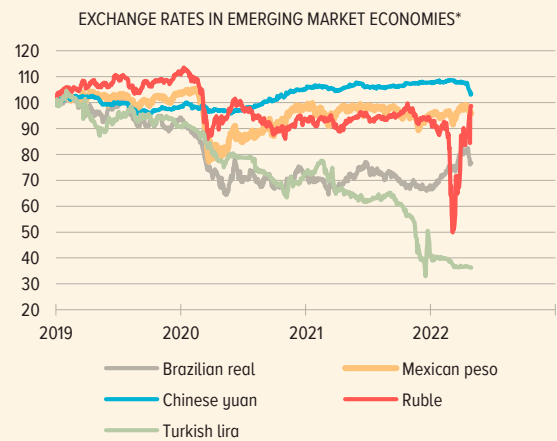
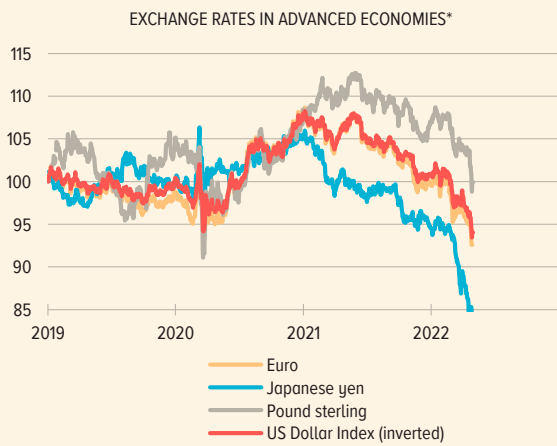
Chart B-1-1



\* Implied rate = ruble lending rate – FX borrowing rate + LIBOR (from 19 December 2016: key rate – 1 pp – (LIBOR + 1.5 pp) + LIBOR = key rate – 2.5 pp).  
Source: Bank of Russia calculations.

THE RUBLE WAS STEADILY STRENGTHENING IN APRIL  
(02.01.2019 = 100)

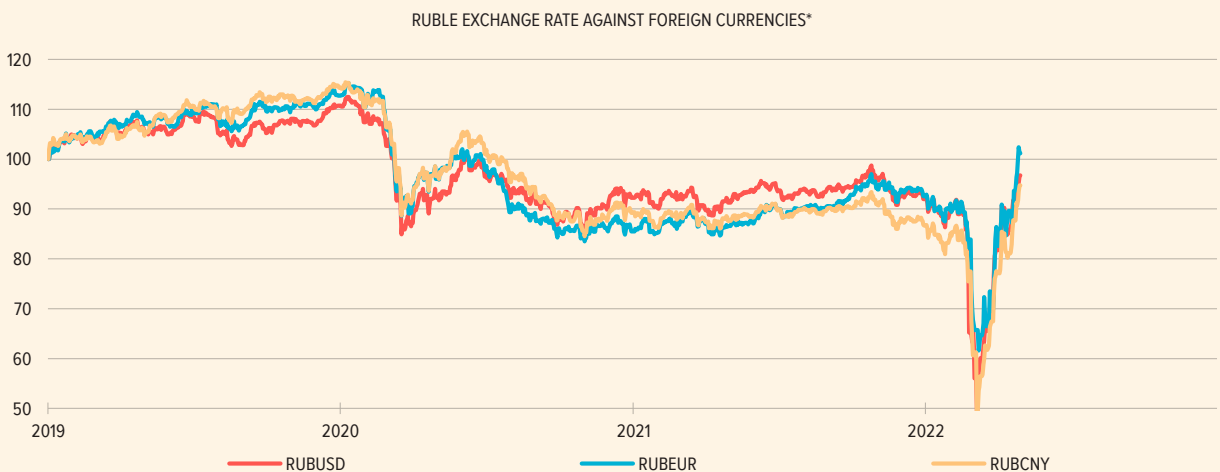
Chart B-1-2



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

SINCE THE SECOND HALF OF MARCH, THERE WAS A RECOVERY GROWTH OF THE RUBLE EXCHANGE RATE  
(02.01.2019 = 100)

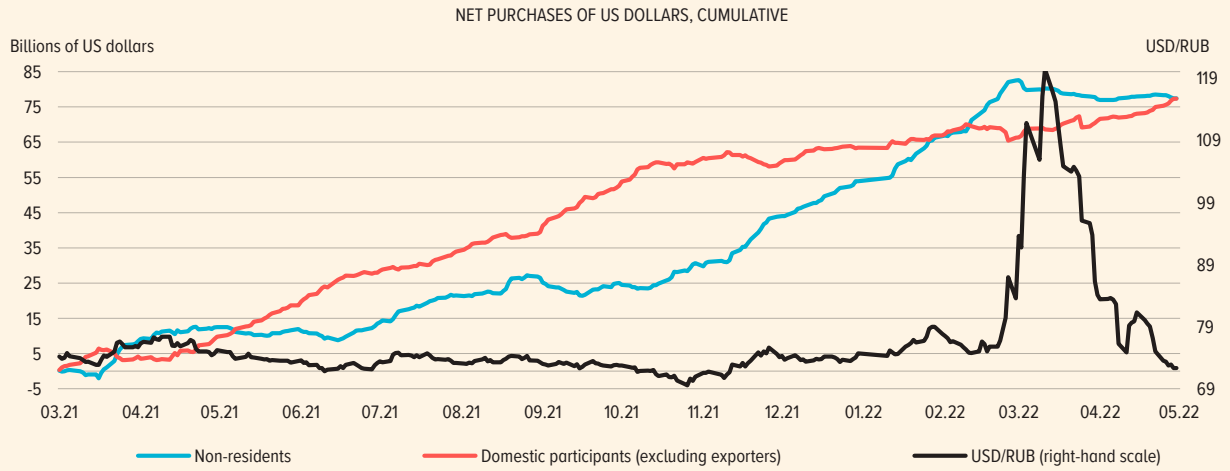
Chart B-1-3



Sources: Cbonds, Bank of Russia calculations.

IN APRIL, NON-RESIDENTS DID NOT BUY FOREIGN CURRENCY BECAUSE OF THE IMPOSED RESTRICTIONS

Chart B-1-4

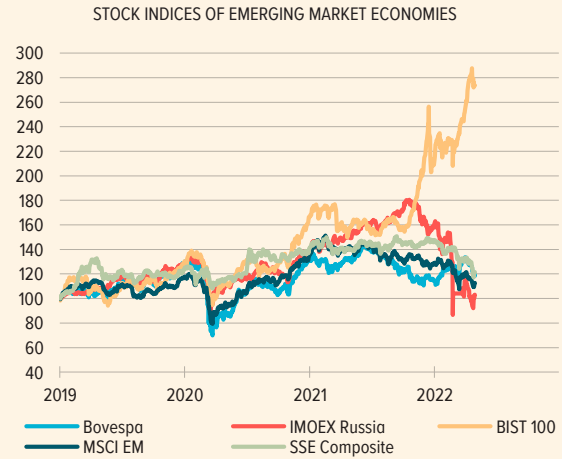
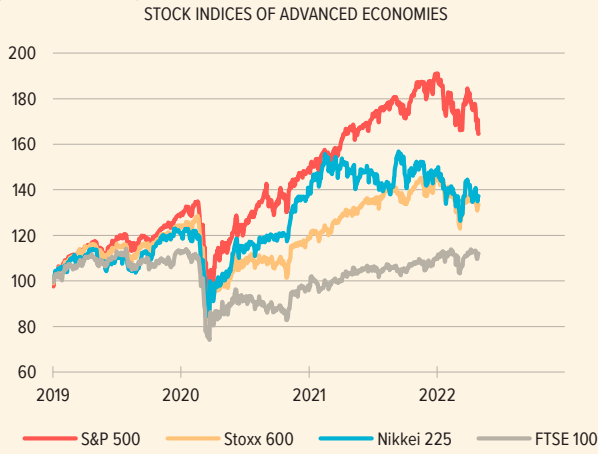


Sources: PJSC Moscow Exchange, Cbonds, Bank of Russia calculations.

STOCK INDICES OF MOST EME COUNTRIES WERE DECLINING, EXCLUDING TURKEY DUE TO MORE INTENSIVE TRADE WITH RUSSIA

Chart B-1-5

(02.01.2019 = 100)



Note. Stock indices are indicated in national currencies.  
Sources: Bloomberg, Bank of Russia calculations.

## CREDIT AND DEPOSIT MARKET

**Deposit rates.** Deposit rates continued to rise since early March and were influenced by the tightening of the Bank of Russia's monetary policy in late February. A key rate increase to 20% and rising rates in related segments of the financial market (see the Money Market Yield Curves and Key Rate Expectations section) led to bank rate adjustments (chart 13). The need to maintain an attractive return on savings amid accelerating inflation and competition for depositors contributed to the rapid deposit rate adjustments by banks.

Due to uncertainty in the development of the situation in the economy and exaggerated inflation expectations in the first half of March, deposit rates exceeded the key rate. Deposit rates for one to three months in the largest banks reached 21–25%, while deposit rates for one year were about 11–12% that was close to expectations of banking analysts for the key rate by the end of 2022 and in 2023.<sup>1</sup> According to preliminary data, rates on short-term<sup>2</sup> ruble deposits exceeded the February level by more than 12 pp, while for the long-term<sup>3</sup> – by more than 2 pp.

Due to the key rate reduction to 17.00% in mid-April and the expectations in the banking sector of a possible key rate cut in late April, banks gradually reduced their deposit rates. Banks' ability to lower deposit rates was also supported by an increase in the stability of the domestic financial market in part due to the measures taken by the Bank of Russia to stabilise the foreign exchange market. This mitigated the risks for bank ruble funding related to the conversion of deposited funds to foreign currency. The heterogeneity of changes in deposit rates was also obvious in April: the adjustment of short-term deposit rates was proportional to the key rate decrease, while long-term deposit rates lowered less intensively. The FRG100<sup>4</sup> profitability index for one-year deposits decreased by 0.69 pp to 8.95% in April (Chart 12).

Foreign currency deposit rates soared in early March for a short period of time, reflecting the increased need for foreign currency liquidity in the banking sector and the reaction of banks to the growth in demand for foreign cash. Rates on deposits in US dollars and euros reached 8–10%. Banks set the increased rates mainly on foreign currency deposits for three to six months. Foreign currency deposit rates lowered from mid-March as the demand for foreign currency stabilised and the yield on ruble deposits rose. In late April – early May, the level of foreign currency deposit rates reached the pre-crisis levels of 0.1–0.25%.

Until the end of 2022 and in 2023, deposit rates will depend on how the key rate will be decreasing and the specifics of the economic transformation. Short-term deposit rates can be determined mainly by the key rate path, however, long-term deposit rates can be affected by structural changes.

**Deposit operations.** Higher deposit rates backed up the attractiveness of savings in banks for depositors, while the structure of cash flows changed. The inflow of household funds to the banking sector slowed down in general.<sup>5</sup> As of the end of March, the annual growth<sup>6</sup> in household funds with banks was 1.4% (1.7% in February) (Chart 14). The increase in funds on short-term deposits in March amounted to a maximum historical value of 8.5 trillion rubles. During the period of high

<sup>1</sup> [Macroeconomic survey of the Bank of Russia in April 2022.](#)

<sup>2</sup> Short-term deposits are deposits with any maturities of up to one year, excluding demand deposits; long-term deposits are deposits with any maturities of over one year.

<sup>3</sup> [Macroeconomic survey of the Bank of Russia in April 2022.](#)

<sup>4</sup> [The average interest rate](#) of the 54 largest banks on deposits for up to one year in the amount of 100,000 rubles and more, according to the Frank RG news agency.

<sup>5</sup> Hereinafter, household deposits include balances in time deposits, demand deposits, and current accounts but exclude balances in escrow accounts under equity construction agreements.

<sup>6</sup> Hereinafter, increases in banks' balance sheet indicators are calculated based on reporting the data of operating credit institutions included in the State Register as of the reporting date. Increases in foreign currency claims and liabilities are calculated in US dollar terms. Where increases in the indicators comprising foreign currency and ruble components are calculated herein, the growth of the foreign currency component is converted into rubles using the period average exchange rate.



interest rates, e.g. in December 2014 – January 2015, the increase in household funds on short-term deposits was within 2 trillion rubles.

The amount of funds withdrawn from the household deposits amounted to about 240 billion rubles that was significantly less compared to February, when depositors withdrew over 1.2 trillion rubles from their deposits. The funds were withdrawn into cash and used to purchase real estate: in March, balances in escrow accounts, which are not included in household deposits, continued to grow (by 313 billion rubles) that could be due to the low interest rate offered under the subsidised mortgage lending in March (see subsections 'Credit Rates' and 'Retail Lending'). The number of foreign currency deposits decreased quicker. This ensured an overflow of funds to ruble deposits. In late March, the annual change in foreign currency deposits was -20.5% (vs -10.7% in February).

Higher rates on ruble deposits will back up the cash flow for ruble deposits.

**Credit rates.** At the turn of 2022 Q1 and Q2, the change in lending rates was significantly heterogeneous. On the one hand, after the key rate increase to 20% per annum, banks radically revised the parameters of their market-based loan products that led to a significant increase in the rates on new household and business loans (Chart 13). On the other hand, promptly launched government programmes to support a number of segments of the economy (including systemically important enterprises, developers, SMEs<sup>7</sup>) and subsidised mortgage lending allowed them to retain access to credit resources on favourable terms.

In April, the gradually decreasing uncertainty and inflation stabilisation supported by the Bank of Russia's decisions to reduce the key rate prompted many banks to stop raising their lending rates and even announce lower minimum interest rates on new loans offered in segments where the upward revision in late February and in March was the most significant (market-based mortgage, consumer loans, SME loans<sup>8</sup>). And although the recent rise in credit risks has not yet fully affected the cost of borrowings for households and businesses, the gradual adaptation of banks and their clients to the changed macroeconomic environment combined with the ongoing subsidised lending programmes will ease the upward pressure on average market lending rates in the foreseeable future.

**Corporate lending.** Despite the sharp tightening of monetary conditions following the unprecedented key rate jump on 28 February, the slowdown in corporate lending was moderate in March. At the end of the month, the annual growth in the portfolio of bank loans to businesses<sup>9</sup> totalled 12.8% after 14.1% in February, remaining close to multi-year highs (Chart 15). In addition, there was an increase in ruble corporate lending, while the portfolio of foreign currency loans continued to decline.

The fundamental change in external conditions had a limited impact on the dynamics of lending activity at the end of the first quarter due to the inclusion in the statistics of some transactions conducted before the end of February on the old terms, as well as due to the implementation of the above-mentioned large-scale governmental measures to support businesses in various sectors of the economy.

In the coming months, the downward trend in corporate lending is likely to continue. Amid increased macroeconomic uncertainty, banks and their clients are switching to more conservative financial policies. This results in a weaker demand for new loans and tighter lending conditions, as noted by key market participants as of the end of the first quarter, and, will expectedly restrain lending activity. Furthermore, the easing of monetary policy, which started in April, and the implementation of subsidised lending programmes limited the rise in the cost of borrowed funds for companies that

<sup>7</sup> Directives of the Government of the Russian Federation Nos. 535-r and No. 536-r, dated 18 March 2022, Resolution of the Government of the Russian Federation No. 375, dated 16 March 2022, No. 393, dated 17 March 2022, No. 532-r, dated 18 March 2022, No. 534-r, dated 18 March 2022, No. 534, dated 31 March 2022, No. 574, dated 02 April 2022.

<sup>8</sup> According to Banki.ru.

<sup>9</sup> Hereinafter, growth of lending to non-financial organisations, financial institutions and individual entrepreneurs excludes claims on such loans acquired by banks.

allows banks to expect some easing of lending conditions and a recovery in demand for loans from both large and small and medium-sized businesses within the next six months (Chart 17).

**Retail lending.** Responding to the deterioration of the macroeconomic situation, as early as March, the retail loan portfolio showed near-zero dynamics, and its annual growth<sup>10</sup> totalled 20.9% against 23.4% at the beginning of the month (Chart 15).

A weaker lending activity resulted from a lower risk appetite of lenders and borrowers. Therefore, it was the least evident in the mortgage market segment. In March, new mortgage loans were issued for a total amount of 521 billion rubles that even slightly exceeded the average values of 2021. The annual growth<sup>11</sup> of such loans was only slightly less compared to the level of the previous month (27.2% after 27.4% in February). However, the share of subsidised loans in the market activity continued to grow, reflecting the desire of borrowers to have time to get a subsidised mortgage loan before the rates increased.<sup>12</sup> In turn, the issuance of new consumer and car loans in March decreased quite significantly, according to preliminary data. As a result, mortgage loans made a notably greater contribution to the overall growth of the retail loan portfolio (Chart 16).

Given the expected deterioration in the economy and higher lending rates, the retail lending market is very likely to continue cooling trend in April and beyond. Retail lending will be supported by the adjustment of subsidised mortgage<sup>13</sup> rates and the extension of the government programme until the end of 2022. However, the decisions taken by the Bank of Russia to lower the key rate in April–May, as well as banks' expectations of some easing in retail lending conditions and greater demand for new retail loans within the next six months, can smooth out this trend (Chart 17).

**Money supply.** Accumulation of the banking system's claims on the economy remained the source of money supply growth in March. Annual growth in claims on the economy<sup>14</sup> amounted to 15.7% in March vs 16.1% in February. A slowdown in lending to the economy and an increase in escrow account funds due to the acquisition of real estate were offset by a rise in the net foreign assets of credit institutions. In March, the annual growth rate of broad money supply (M2X) was 11.0% (vs 10.8% in February) (Chart 8). The conversion of foreign currency deposits also ensured a rise in the ruble money supply. In March, the annual growth of the money supply in the national definition (M2) totalled 17.1% after 14.6% in February that was the largest value since 2013.

The growth of broad money supply (M2X) due to the increase in the net foreign assets of credit institutions was associated with an inflow of export revenues with a decrease in import costs amid capital flow restrictions. Higher rates on ruble deposits and the gradual appreciation of the ruble in March contributed to the transfer of funds from foreign currency deposits, supporting the expansion of the money supply in the national definition (M2). The demand for cash both in rubles and in foreign currency decreased, and the growth rate of cash in circulation (MO) slowed down. The share of cash ruble funds in circulation, however, remains high.

The money supply in the transforming economy will continue to largely depend on lending, which will slow down in the short term. Furthermore, the planned increase in public spending in 2022 in combination with the decisions of the Government (in particular, the rescheduling of the payment of social insurance premiums for 2022 Q2–Q3 and 2023) will offset a poorer contribution of lending activity to money supply formation.

<sup>10</sup> Hereinafter, growth in retail lending does not include claims acquired by banks.

<sup>11</sup> Growth in housing mortgage loans, net of claims on such loans acquired by banks.

<sup>12</sup> The rate for end borrowers under the Subsidised Mortgage programme was increased from 7% to 12% per annum from 7 April 2022 (Resolution of the Government of the Russian Federation No. 508, dated 29 March 2022).

<sup>13</sup> The rate for end borrowers under the Subsidised Mortgage programme was reduced from 12% to 9% per annum from 1 May 2022 (Resolution of the Government of the Russian Federation No. 806, dated 30 April 2022).

<sup>14</sup> Banking sector claims on the economy mean all claims of the banking system on non-financial and financial organisations and households in Russian rubles, foreign currency, and precious metals, which include loans extended (including overdue loans), overdue interest on loans, credit institutions' investment in debt and equity securities and promissory notes, as well as other forms of participation in non-financial and financial organisations' equity, and other receivables under settlement operations with non-financial and financial organisations and households.

## CHARTS AND TABLES

IN APRIL 2022, THE BANKING SECTOR'S STRUCTURAL LIQUIDITY SURPLUS INCREASED  
(AS OF START OF BUSINESS, BILLIONS OF RUBLES)

Table 2

	01.01.2018	01.01.2019	01.01.2020	01.01.2021	01.01.2022	01.04.2022	01.05.2022
<b>Structural liquidity deficit (+)/ surplus (-)</b>	<b>-2,639</b>	<b>-3,024</b>	<b>-2,761</b>	<b>-204</b>	<b>-1,691</b>	<b>-280</b>	<b>-1,538</b>
<b>Bank of Russia claims on credit institutions</b>	<b>10</b>	<b>13</b>	<b>18</b>	<b>975</b>	<b>909</b>	<b>2,484</b>	<b>836</b>
Auction-based facilities	-	-	-	847	116	2,298	767
– repos and FX swaps	-	-	-	847	116	2,298	767
Fixed interest rate facilities	10	13	18	129	793	186	69
– repos and FX swaps	4	8	13	118	3	92	3
– secured loans	5	5	5	10	790	94	66
<b>Credit institutions' claims on the Bank of Russia</b>	<b>2,729</b>	<b>3,293</b>	<b>2,983</b>	<b>1,795</b>	<b>2,804</b>	<b>3,108</b>	<b>2,827</b>
Deposits	2,372	1,902	1,026	1,221	2,804	3,108	2,827
– auction-based	2,125	1,478	697	844	1,626	0	0
– fixed interest rate	247	424	330	377	1,178	3,108	2,827
BoR coupon bonds	357	1,391	1,956	575	0	0	0
<b>Standing reverse facilities, other than standard monetary policy instruments of the Bank of Russia*</b>	<b>81</b>	<b>256</b>	<b>204</b>	<b>616</b>	<b>204</b>	<b>343</b>	<b>454</b>

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

Source: Bank of Russia calculations.

THE STRUCTURAL LIQUIDITY SURPLUS FORECAST FOR THE END OF 2022 IS 3.5–4.0 TRILLION  
(₽ TRILLION)

Table 3

	2021 (actual)	January – April 2022	April 2022	2022 (forecast)
<b>1. Liquidity factors (supply)</b>	<b>1.6</b>	<b>-1.8</b>	<b>1.2</b>	<b>[1.0; 1.4]</b>
– change in the balances of general government accounts with the Bank of Russia, and other operations*	2.3	-2.0	0.6	[1.4; 1.6]
– change in the amount of cash in circulation	-0.7	-0.3	0.6	[-1.0; -0.8]
– Bank of Russia interventions in the domestic foreign exchange market**	-	-0.1	-	-0.1
– regulation of banks' required reserves with the Bank of Russia	-0.1	0.7	0.0	0.6
<b>2. Change in free bank reserves (correspondent accounts)*** (demand)</b>	<b>0.1</b>	<b>-1.6</b>	<b>-0.1</b>	<b>[-0.9; -0.8]</b>
<b>3. Change in banks' claims on deposits with the Bank of Russia and coupon OBRs</b>	<b>1.0</b>	<b>-0.7</b>	<b>0.5</b>	<b>[1.4; 1.9]</b>
<b>4. Change in outstanding amounts on Bank of Russia refinancing operations (4 = 2 + 3 - 1)</b>	<b>-0.5</b>	<b>-0.5</b>	<b>-0.7</b>	<b>-0.4</b>
<b>Structural liquidity deficit (+) / surplus (-) (as of the period-end)</b>	<b>-1.7</b>		<b>-1.5</b>	<b>[-4.0; -3.5]</b>

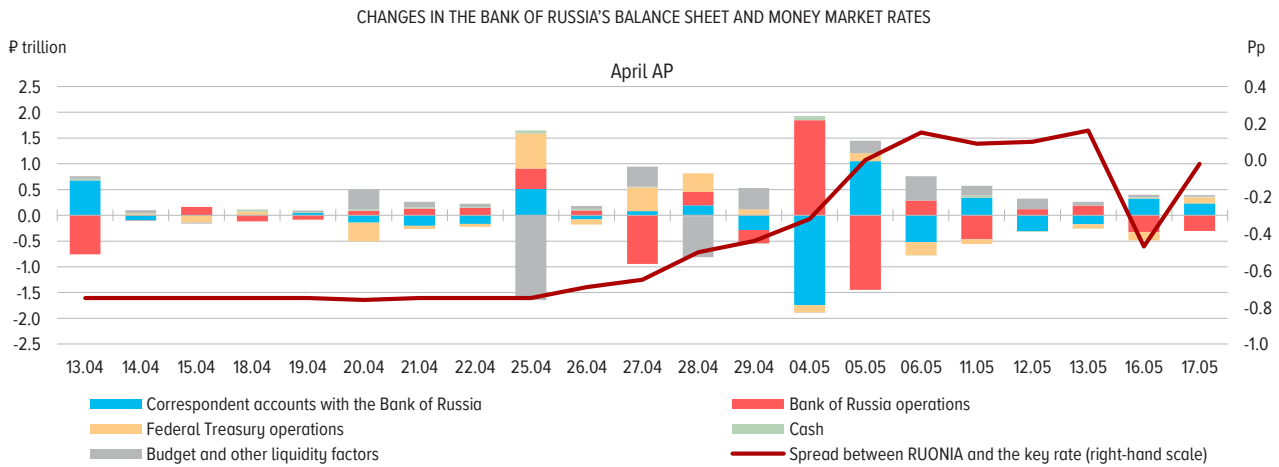
\* Including fiscal rule-based operations to buy (sell) foreign currency in the domestic FX market, settlements on Bank of Russia USD/RUB FX swaps, and other operations.

\*\* Forecast values of the indicator are in line with the actual amount of operations conducted.

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

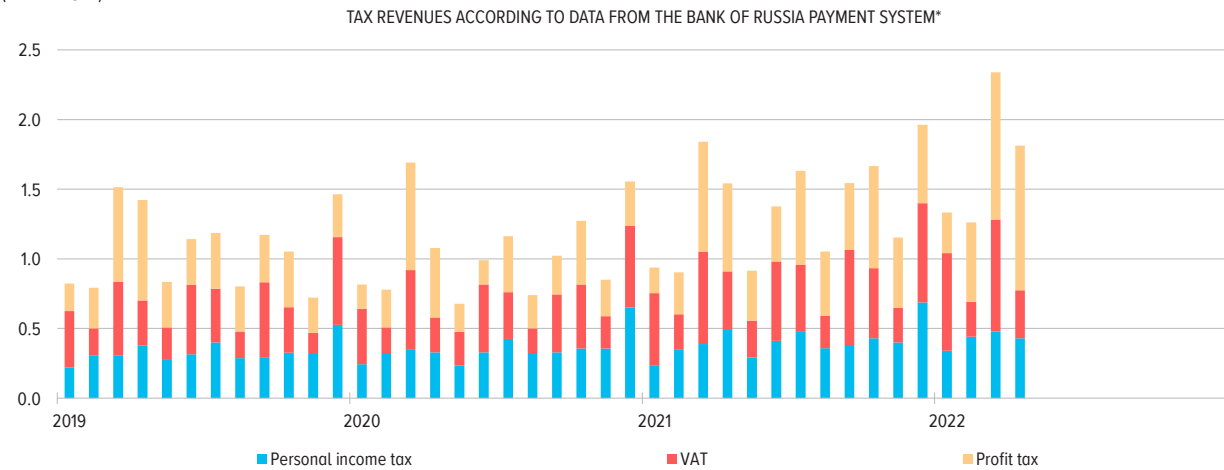
Source: Bank of Russia calculations.

**IN APRIL 2022, THE DEMAND FOR BANK OF RUSSIA STANDING DEPOSITS SLIGHTLY DECREASED BUT REMAINED HIGH; FOR THIS REASON, SURPLUS FUNDS WERE NOT FULLY REALLOCATED TO INTERBANK LOANS** Chart 1



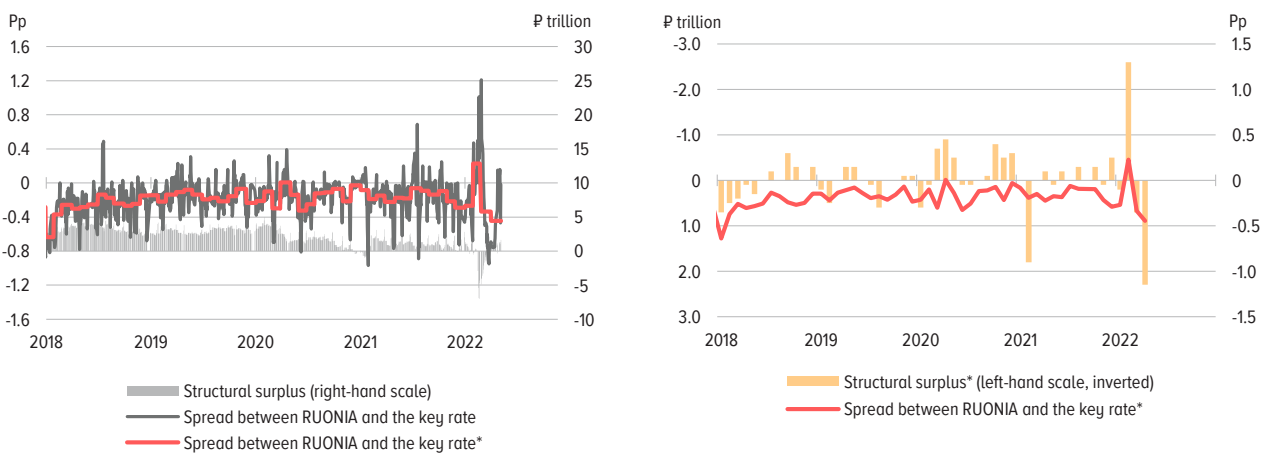
Source: Bank of Russia calculations.

**IN APRIL 2022, THERE WAS A SLOWDOWN IN THE ANNUAL GROWTH OF PIT AND VAT AMID INCREASED TAX REFUNDS INCOME TAX GROWTH SPED UP** Chart 2



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

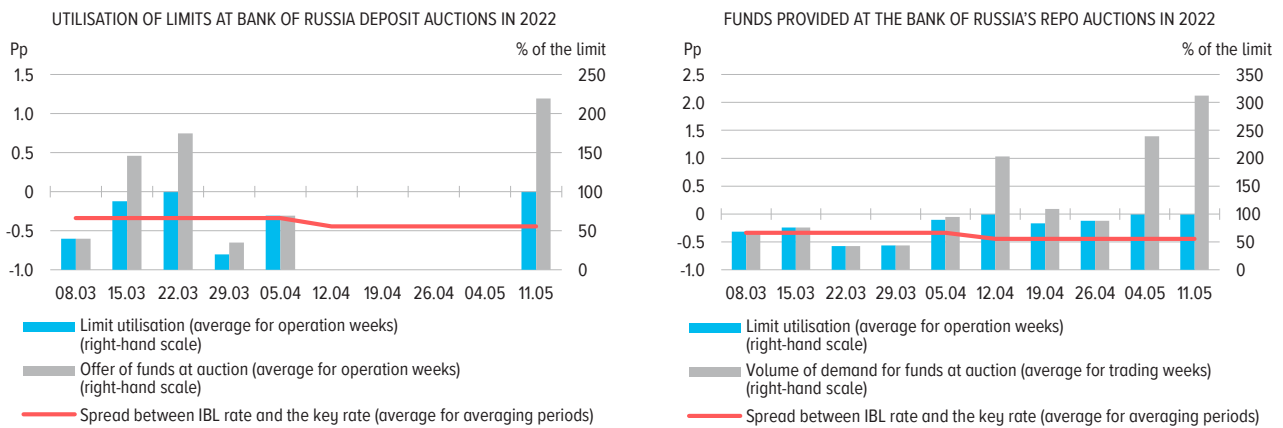
**THE SPREAD BETWEEN RUONIA AND THE BANK OF RUSSIA KEY RATE EXPANDED** Chart 3



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

DEMAND FROM BANKS FOR THE BANK OF RUSSIA REPOS WAS FORMED ABOVE THE ESTABLISHED LIMITS

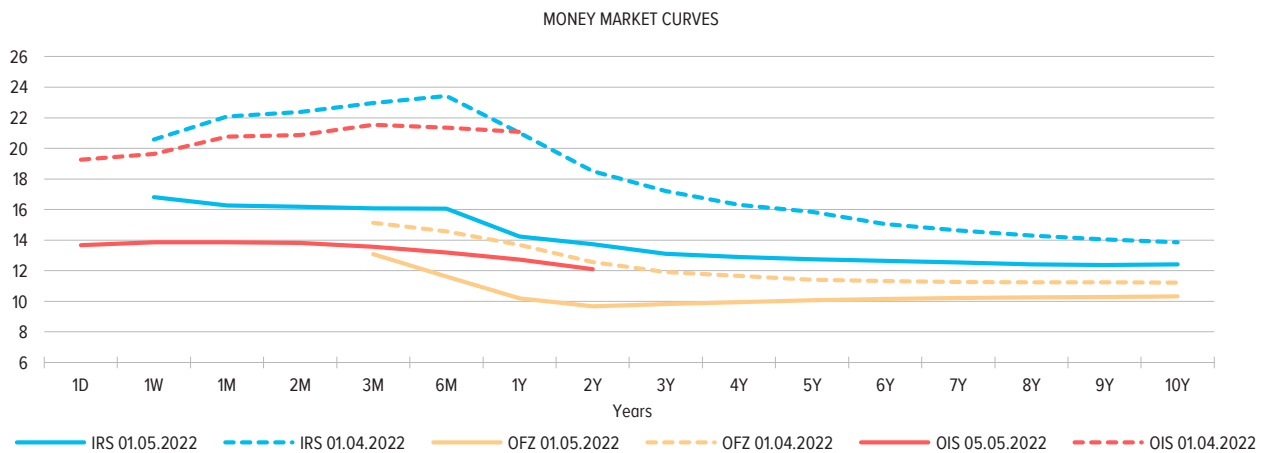
Chart 4



Note. The data are provided on one-week and fine-tuning deposit and repo auctions. Trading weeks are marked by dates of regular one-week auctions. Fine-tuning auctions are taken into account together with a one-week auction settled in the corresponding trading week.  
Source: Bank of Russia calculations.

IN APRIL, THE CURVES SUBSTANTIALLY DROPPED, REFLECTING THE KEY RATE PATH (% P.A.)

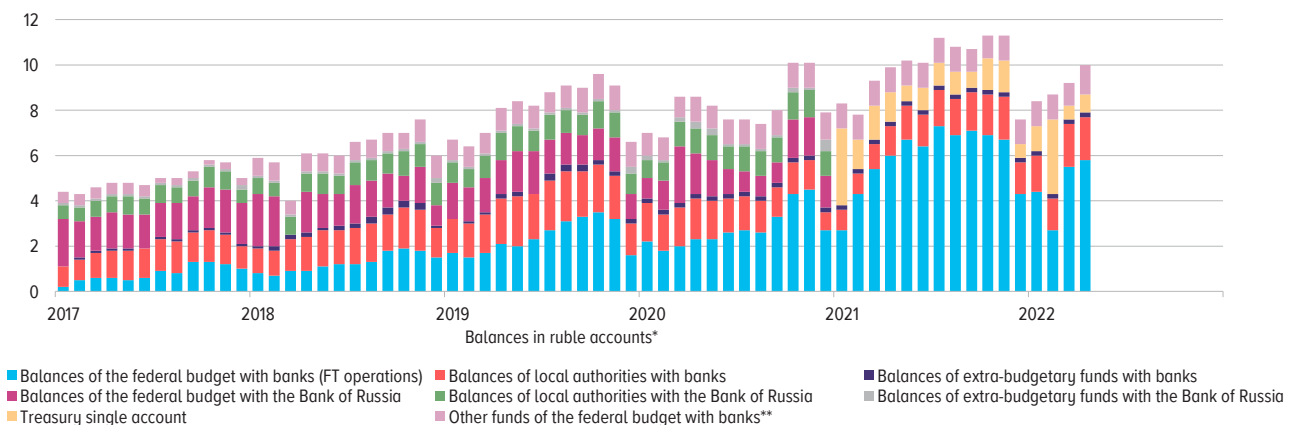
Chart 5



Note. The IRS curve for maturities of up to one year is built using MosPrime rates with respective maturities.  
Sources: Cbonds, NFA, Bank of Russia calculations.

IN APRIL 2022, FT BALANCES WITH BANKS CONTINUED TO GROW (TRILLION RUBLES, AS OF THE PERIOD-END)

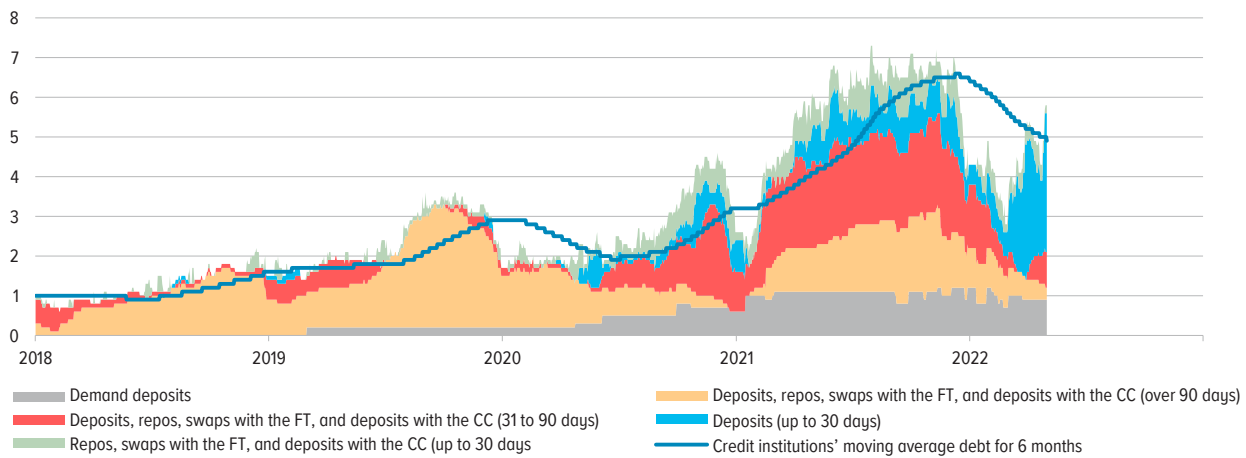
Chart 6



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

IN APRIL 2022, CREDIT INSTITUTIONS' DEBT TO THE FT WAS UP BY 0.4 TRILLION RUBLES  
(P TRILLION)

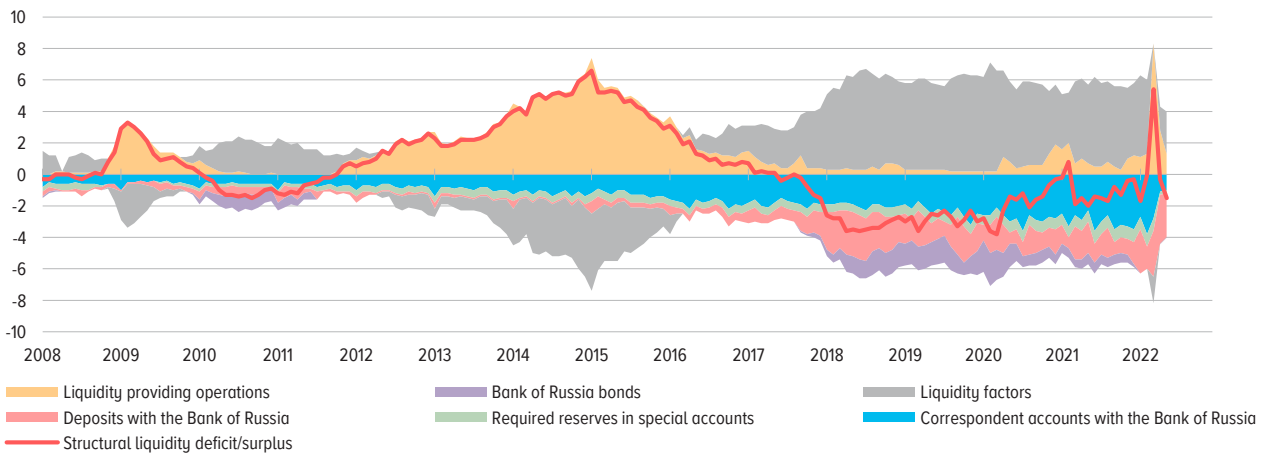
Chart 7



Sources: Federal Treasury, Bank of Russia calculations.

BANK OF RUSSIA BALANCE SHEET  
(P TRILLION)

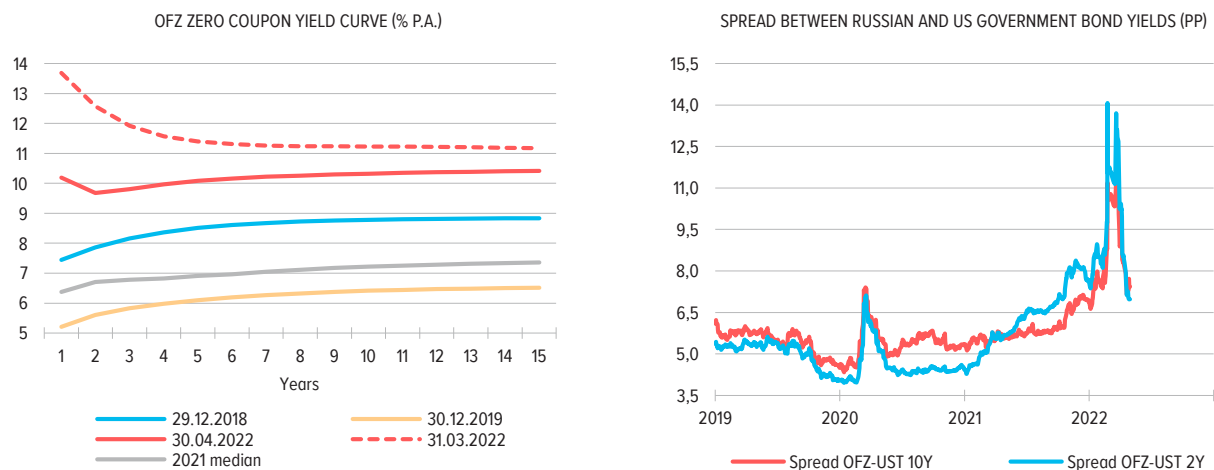
Chart 8



Source: Bank of Russia calculations.

OFZ CURVE STAYS INVERTED AT THE SHORT END (UP TO 1Y) AND FLATTENED AT THE LONG-TERM END

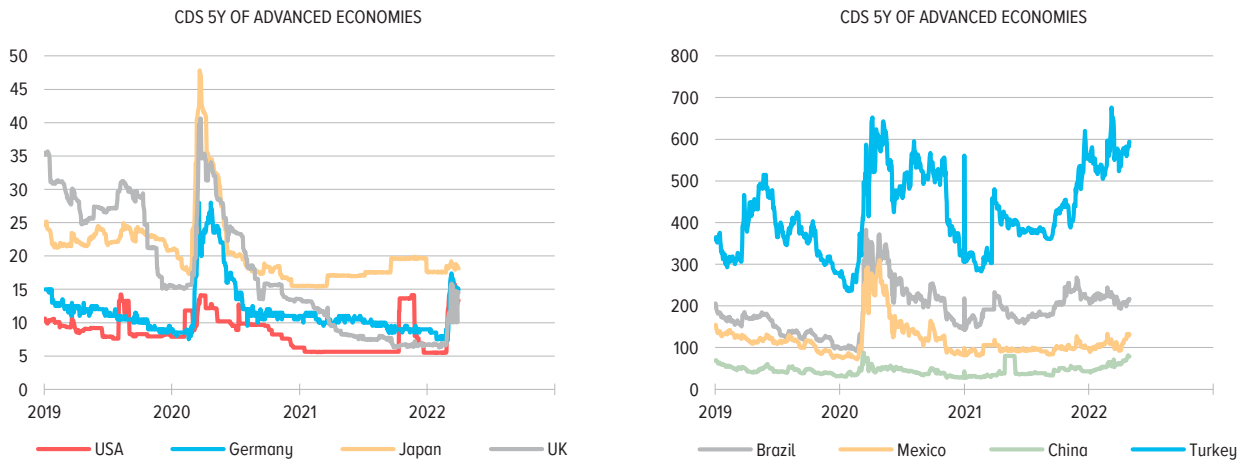
Chart 9



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

5Y CDS SPREADS OF EMES GREW DURING THE MONTH  
(BP)

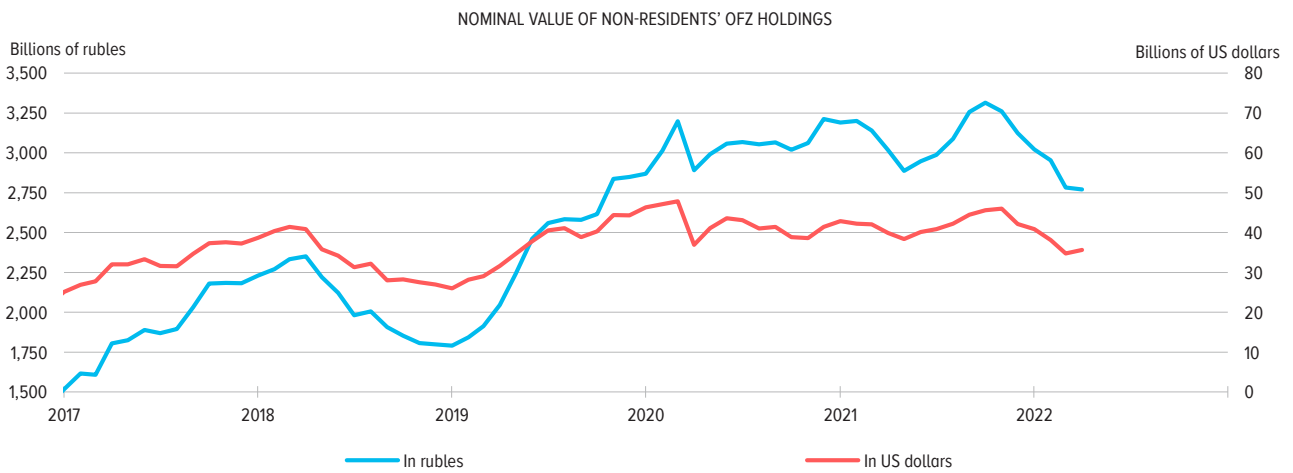
Chart 10



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

BY THE END OF THE MONTH, INVESTMENTS IN OFZ BY NON-RESIDENTS REMAINED ALMOST UNCHANGED DUE TO  
IMPOSED RESTRICTIONS

Chart 11



Источник: расчеты Банка России.

## IN APRIL, THE RUSSIAN FINANCIAL MARKET WAS RECOVERING

Table 4

Indicator		30.04.2022	1M	3M	6M	YTD	1Y
<b>Russian financial market</b>							
RUB/USD exchange rate		70.20	11.4	9.1	1.7	5.8	5.7
MOEX Index		2 445	-9.6	-30.7	-42.1	-35.4	-31.5
RTS Index		1 082	5.9	-24.6	-42.1	-32.2	-28.4
Government bond yield		10.15	-167	64	183	174	332
Corporate bond yield		12.53	-333	234	363	368	561
Regional bond yield		11.43	-257	174	277	280	458
CDS spread		4,628	1,379	4,411	4,545	4,507	4,533
RVI		70	-23	21	44	38	44
<b>Exchange rates (per US dollar, % change, '+' – appreciation, '-' – depreciation)</b>							
AEs*	US Dollar Index	102.96	5.2	6.7	9.7	7.6	13.6
	Euro	1.05	-5.2	-6.5	-9.5	-7.7	-13.4
	Japanese yen	129.83	6.6	12.9	13.8	12.8	19.3
	Pound sterling	1.26	-4.2	-6.3	-7.7	-6.8	-9.7
EMEs	Ruble	70.20	11.4	9.1	1.7	5.8	5.7
	Brazilian real	4.97	-4.9	6.3	12.5	10.8	6.9
	Mexican peso	20.42	-2.7	0.9	2.1	0.4	-1.9
	Chinese yuan	6.64	-4.6	-4.2	-3.8	-4.3	-2.7
	Turkish lira	14.85	-1.2	-10.4	-55.8	-11.4	-80.9
	South African rand	15.81	-8.3	-2.8	-2.5	1.1	-10.6
<b>10-year bond yield (% p.a., change in bp, '+' – increase, '-' – decrease)</b>							
AEs	USA	2.89	57	110	131	137	124
	Germany	0.94	39	93	104	112	113
	Japan	0.22	1	5	13	15	13
	UK	1.90	24	60	84	93	110
EMEs	Russia	10.32	-91	90	200	188	311
	Brazil	12.20	51	78	0	194	316
	Mexico	9.40	82	146	157	156	237
	China	2.86	3	13	-10	7	-35
	Turkey	21.36	-411	-241	158	-331	277
	South African Republic	9.96	36	57	32	53	70
<b>5Y CDS spreads (bp, change in bp, '+' – increase, '-' – decrease)</b>							
AEs	USA	15	2	4	2	4	6
	Germany	13	-2	6	3	4	2
	Japan	19	1	1	0	2	1
	UK	11	-3	1	0	1	0
EMEs	Russia	4,628	1,379	4,411	4,545	4,507	4,533
	Brazil	217	19	0	-22	22	34
	Mexico	133	36	32	31	46	42
	China	78	17	28	31	37	40
	Turkey	594	62	78	168	48	190
	South African Republic	248	41	40	37	48	35
<b>Stock indices (points, % change, '+' – increase, '-' – decrease)</b>							
AEs	S&P 500	4,132	-8.8	-8.5	-10.4	-13.3	-1.9
	Stoxx 600	450	-1.2	-3.9	-5.9	-7.7	2.6
	Nikkei 225	26,848	-3.5	-0.6	-9.4	-6.8	-7.6
	FTSE 100	7,545	0.4	1.1	3.5	2.2	8.4
EMEs	MSCI EM	1,076	-5.7	-10.9	-14.9	-12.6	-21.1
	Bovespa	107,876	-10.1	-3.8	2.2	2.9	-10.2
	IPC Mexico	51,418	-9.1	0.2	-0.5	-3.5	5.2
	SSE Composite	3,047	-6.3	-9.4	-14.0	-16.3	-12.3
	BIST 100	2,431	8.8	21.3	58.2	30.8	73.4
	FTSE/JSE	72,438	-4.1	-2.5	7.4	-1.7	7.5

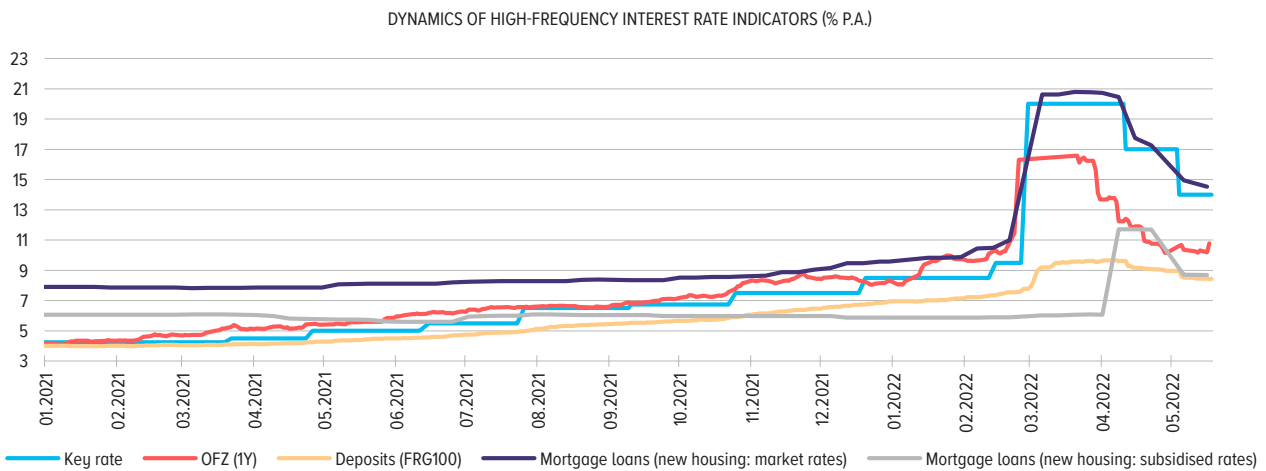
\* Advanced economies.

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



THE KEY RATE DECREASE AND STABILISATION IN FINANCIAL MARKETS CONTRIBUTED TO A GRADUAL REDUCTION IN BANK RATES

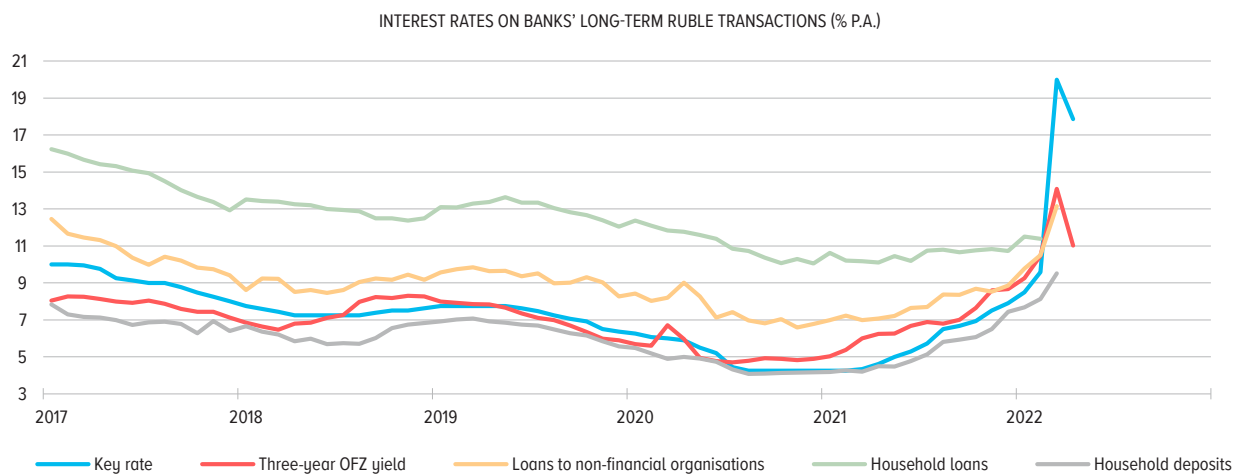
Chart 12



Sources: Bank of Russia, Frank RG, DOM.RF.

INTEREST RATES ON LOANS AND DEPOSITS WILL DECLINE AFTER THE EASING OF MONETARY POLICY IN APRIL

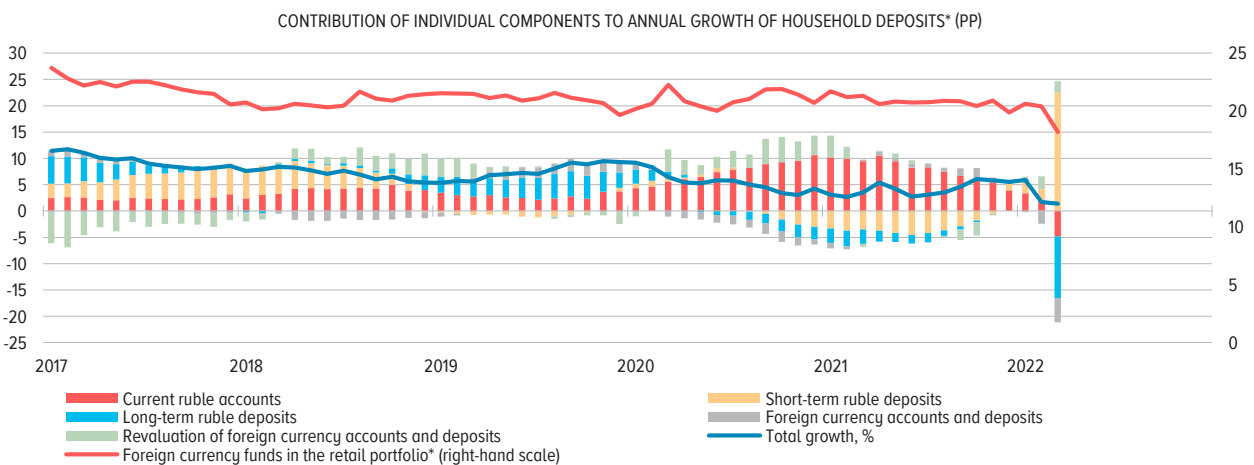
Chart 13



Source: Bank of Russia.

HOUSEHOLD FUNDS WITH BANKS MOVED TO SHORT-TERM DEPOSITS IN APRIL

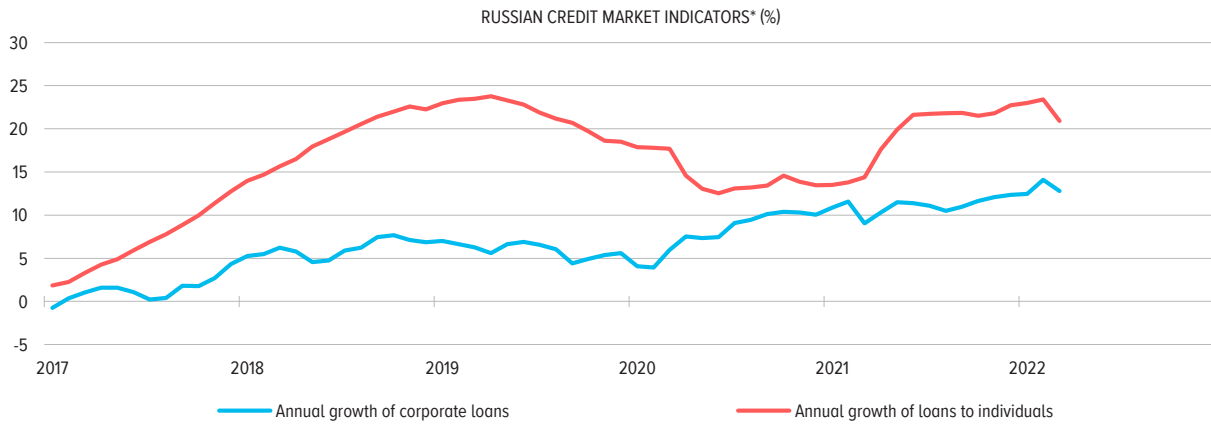
Chart 14



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

THE REDUCTION IN LENDING ACTIVITY IN MARCH WAS MODERATE PARTLY DUE TO THE EFFECTIVE SUBSIDISED LENDING PROGRAMMES

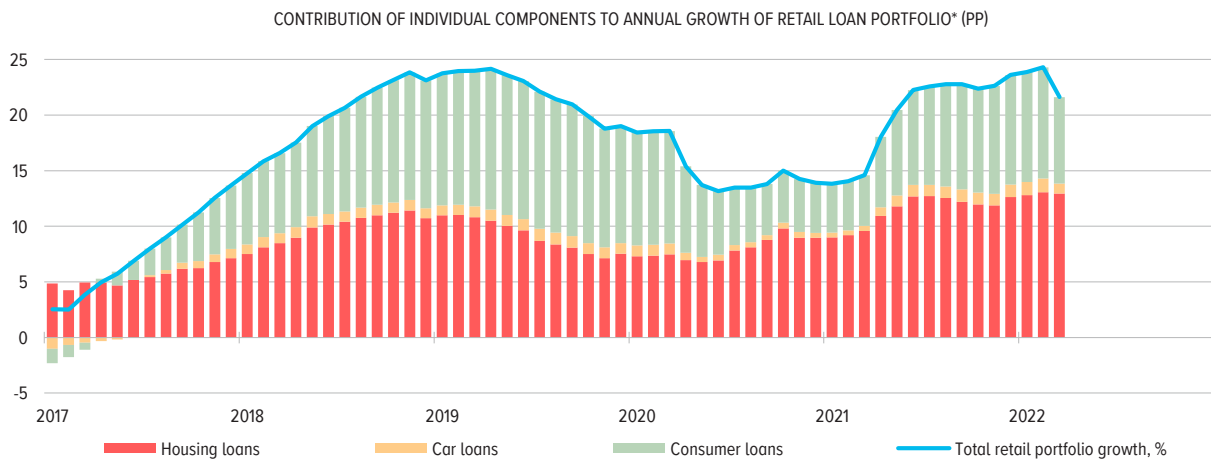
Chart 15



\* Since 1 February 2021, the corporate and household loan portfolio includes acquired claims. The portfolio growth was calculated net of acquired claims. Source: Bank of Russia calculations.

THE COOLING IN THE CONSUMER AND CAR LENDING SEGMENTS FACILITATED A NOTICEABLE INCREASE IN THE SHARE OF MORTGAGES IN THE GROWTH OF THE BANKS' RETAIL LOAN PORTFOLIO

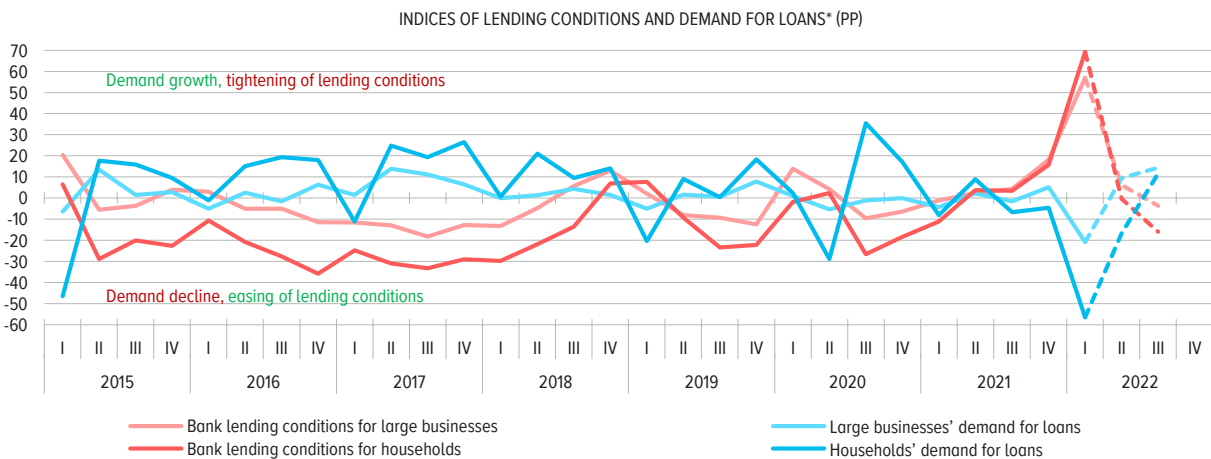
Chart 16



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

IN THE NEXT SIX MONTHS, BANKS EXPECT SOME EASING IN BANK LENDING CONDITIONS AND A RECOVERY IN DEMAND FOR LOANS COMPARED TO THE FIRST QUARTER

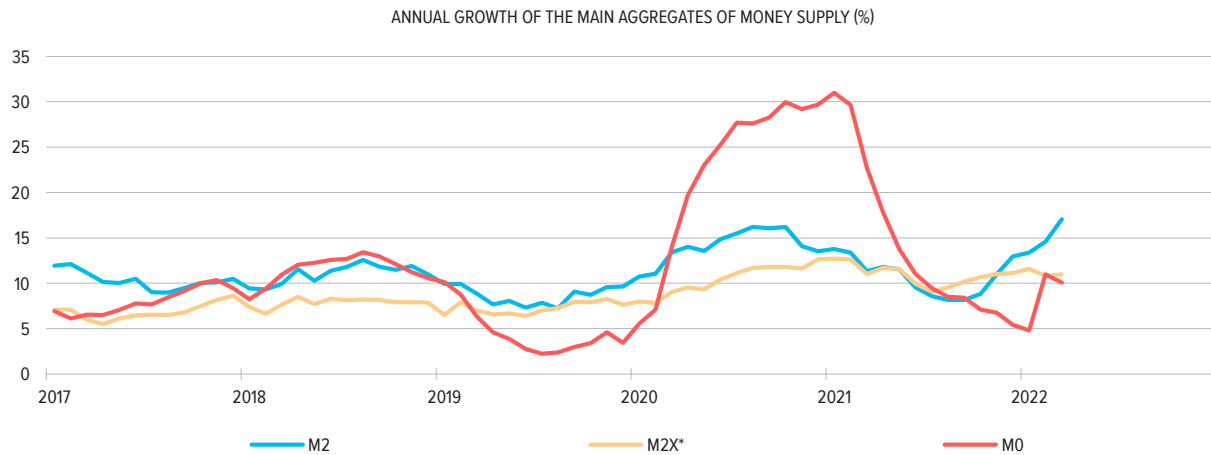
Chart 17



\* The dotted lines signify respondent banks' expectations regarding changes in lending conditions and demand for loans in 2022 Q1. Source: Bank of Russia.

**IN MARCH, MONEY SUPPLY GREW MAINLY IN THE RUBLE-DENOMINATED SEGMENT DUE TO THE WITHDRAWAL OF FUNDS FROM FOREIGN CURRENCY DEPOSITS**

Chart 18



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

**INDICATORS OF THE CREDIT AND DEPOSIT MARKETS**

Table 5

		December 2021	January 2022	February 2022	March 2022
<b>Interest rates on banks' long-term ruble transactions</b>					
household deposits	% p.a.	7.4	7.7	8.1	
household loans	% p.a.	10.7	11.5	11.4	
corporate loans	% p.a.	8.9	9.8	10.5	13.2
<b>Households' funds*</b>	<b>% YoY, AFCR</b>	<b>5.5</b>	<b>5.9</b>	<b>1.7</b>	<b>1.4</b>
in rubles*	% YoY	6.8	7.8	5.2	7.6
in foreign currency	% YoY	0.8	-1.0	-10.7	-20.5
share of foreign currency*	%	19.9	20.6	20.4	18.2
<b>Corporate loans**</b>	<b>% YoY, AFCR</b>	<b>12.3</b>	<b>12.5</b>	<b>14.1</b>	<b>12.8</b>
short-term (up to 1 year)	% YoY, AFCR	12.6	13.2	14.8	7.3
long-term (more than 1 year)	% YoY, AFCR	14.2	14.3	15.8	15.4
<b>Household loans**</b>	<b>% YoY, AFCR</b>	<b>22.7</b>	<b>23.0</b>	<b>23.4</b>	<b>20.9</b>
housing mortgage loans	% YoY, AFCR	26.7	27.0	27.4	27.2
unsecured consumer loans	% YoY	20.1	20.2	20.5	16.0
<b>Banking system's claims on the economy</b>	<b>% YoY, AFCR</b>	<b>13.9</b>	<b>14.2</b>	<b>16.1</b>	<b>15.7</b>
on businesses	% YoY, AFCR	10.7	11.1	13.7	14.0
on households	% YoY, AFCR	22.0	22.1	22.5	20.2
<b>Money supply (M2 monetary aggregate)</b>	<b>% YoY</b>	<b>13.0</b>	<b>13.4</b>	<b>14.6</b>	<b>17.1</b>
<b>Broad money supply</b>	<b>% YoY, AFCR</b>	<b>11.1</b>	<b>11.6</b>	<b>10.8</b>	<b>11.0</b>

\* Excluding escrow accounts.

\*\* Since 1 February 2021, the corporate and household loan portfolio includes acquired claims. The portfolio growth was calculated net of acquired claims.

Note: YoY – on corresponding period of previous year; AFCR – adjusted for foreign currency revaluation. The Marshall-Edgeworth decomposition is used to make the adjustment for foreign currency revaluation.

Source: Bank of Russia calculations.

Data cut-off dates:

- 'Money market and overnight rates (RUONIA)' section – 17 May 2022 (reserve requirements are an important part of Bank of Russia instruments to manage banking sector liquidity and money market rates. Therefore, the analysis of the effectiveness of the Bank of Russia's monetary policy operational procedure should take into account required reserves averaging periods. In April–May 2022, this period is from 13 April 2022 to 17 May 2022);
- 'Money market yield curves and key rate expectations' and 'Public debt market' sections – 30 April 2022;
- 'Credit and deposit market' section – 1 April 2022.

The electronic copy of the [information and analytical commentary](#) is available on the Bank of Russia website.

Please send your comments and suggestions to [svc\\_analysis@cbr.ru](mailto:svc_analysis@cbr.ru).

This commentary was prepared by the Monetary Policy Department.

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