



Bank of Russia



BANKING SECTOR LIQUIDITY AND FINANCIAL MARKETS

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Information and analytical commentary

14 July 2022

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

- The average spread between RUONIA and the Bank of Russia key rate was -49 bp (in the May AP: -35 bp; year to date: -29 bp).
- In June, operations over budget accounts led to an inflow of liquidity to the banking sector. On average, the structural liquidity surplus increased over the AP and amounted to 2.4 trillion rubles.
- In May, the spread between interest rates in the FX swap and RUONIA (basis) segments continued to be positive amid increased sanctions risks. In late June, the spread reached its maximum values for the AP.
- In June, money and debt market rates declined following the continued easing of monetary policy. Since the second half of March, the ruble exchange rate against the US dollar had been strengthening as a result of a significant increase in the share of exports in the trade balance amid declining imports due to the sanction restrictions.
- The downward trend in deposit rates continued due to the monetary policy easing. Households' funds in banks kept on growing in May, which, as in March–April, was most notable on short-term ruble deposits. In May, households also slightly built up foreign currency funds in accounts and deposits, but in general, the share of the foreign currency deposit portfolio continued to decline to the lowest level since the end of 2008, taking into account the previous reduction in foreign currency savings.
- The decline in lending rates in May limited the ongoing decrease in demand for loans. Lending was supported by the expansion of subsidised lending facilities for non-financial organisations and the easing of subsidised government mortgage lending conditions.
- In May, the slowdown in the annual growth of claims on the economy continued, however, the growth in the money supply accelerated (the annual growth adjusted for the M2X foreign currency revaluation was 11.8% against 10.7% a month earlier) due to an increase in foreign assets of credit institutions and budget expenditures.

MONEY MARKET AND OVERNIGHT RATES (RUONIA)

In the June required reserve (RR) averaging period (AP), the spread between RUONIA¹ (the Bank of Russia's operational benchmark) and the Bank of Russia² key rate came in at **-49 bp** (in the May AP: -35 bp; year to date: -29 bp) (Chart 3). The spread volatility increased to 25 bp (in the May AP: 22 bp; year to date: 40 bp).

The structural liquidity surplus over the June AP averaged 2.4 trillion rubles. (in the May AP: 2.0 trillion rubles). As of early July, the structural liquidity surplus was **2.4 trillion rubles** (Table 2).

In the June AP, the spread between RUONIA and key rate (hereinafter, the spread) widened compared to the May AP. Banks' demand for one week deposit auctions was often below the limits set by the Bank of Russia. Consequently, these days banks had excessive liquidity in their correspondent accounts. This put a downward pressure on RUONIA. Among market participants, there was still a demand for more reliable and short-term instruments for placing excessive liquidity: secured overnight repos in the money market and standing deposit facilities of the Bank of Russia. Also, in the AP's last days in June and July, the demand for loans from the Bank of Russia increased due to the RR averaging strategies of individual credit institutions. Banks have opportunities to average their RRs unevenly, that is, on some days to maintain low balances in their corresponding accounts, while depositing funds with the Bank of Russia, and on other AP days to increase them, raising loans for this. This allows banks to respond flexibly to the current situation in the money market, while not preventing the Bank of Russia from effectively managing short-term money market rates and keeping them close to the key rate.

In the May AP, banks formulated their RR averaging strategies taking into account key rate expectations. In the second half of the June AP, after tax payments and based on the liquidity market supply, some banks reduced their correspondent accounts and postponed their RR averaging until the last days of the AP. For this, in addition to loans from the Bank of Russia, banks raised funds in the money market, and on 11–12 June, the RUONIA to the key rate spread narrowed.

Concurrently, some banks, on the contrary, already fully completed their RRs in the AP's last days. This led to the formation of an excessive liquidity in their corresponding accounts, and in order to keep the RUONIA close to the key rate, the Bank of Russia held a fine-tuning deposit auction on the last day of the AP.

Demand for cash increased in June and remained close to its seasonal values. Operations in budget accounts led to an inflow of liquidity to the banking sector. For the first time since the beginning of the year, budget expenditures exceeded revenues. Budget expenditures continued to grow at high paces compared to 2021. Concurrently, the rate of income growth fell quite sharply. VAT and personal income tax increased (Chart 2), though income tax slowed down significantly due to a decrease in tax payments from companies not engaged in the export of petroleum and gas products. The Federal Treasury (hereinafter, the FT) reduced the amount of funds placed with banks in order to cover the increased expenses, which helped slightly mitigate the impact of budget operations on liquidity.

The forecast of the structural liquidity surplus for the end of 2022 is 3.5–4.0 trillion rubles³.

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

² The 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.

³ 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 June, interest rate swap curves moved downwards after the Bank of Russia had taken a decision to ease monetary policy (Chart 5). Since April, the ROISFIX curve⁴ was inverted, and one-to-two week rates mainly coincided. In the first half of the month, rates for a period of one week to one year gradually decreased, reaching 9.8–10.3%. After the June meeting of the Bank of Russia Board of Directors, rates on short-term and annual contracts edged down to 9.3% and 9.1%, respectively.

IRS yields (on MosPrime 3M) mainly lowered in June. Yields on the short end of the curve (up to five years) dropped by 7–43 bp to 8.4 – 9.6%. The long end of the curve dropped by 9–22 pp to 8.2–8.3%. The change in the money market curved was due to a revision of market participants' expectations regarding further changes in the key rate amid the improved macroeconomic situation (Table. 1).

The MosPrime 3M – OIS 3M spread averaged 72 bp in June (on average in May: 120 bp, 2021 average: 54 bp). The narrowing of the spread was due to the improvement in the situation with the liquidity of banks and a decrease in the overall level of uncertainty in the system.

According to the Bank of Russia survey of professional market participants, analysts expect a gradual key rate decrease in 2022–2023 (Table 1). In June, the median estimate of the average key rate value for 2022 was 11% (vs 11.1% in May).

ANALYSTS DECREASED KEY RATE EXPECTATIONS IN JUNE

Table 1

Key rate expectations based on market indicators* (instrument)	June 2022	December 2022
– ROISFIX	10.0 (13.0)	9.75 (11.0)
Analysts' key rate expectations*	2022 average	2023 average
Survey by the Bank of Russia	11.0 (11.1)	7.5 (8.0)

*Survey dates: 6 – 12 July 2022. Brackets are used to show the results of the survey conducted on 25 – 31 May 2022.
Sources: Bank of Russia calculations, NFA.

PUBLIC DEBT MARKET

OFZ yield curve. In June, the zero-coupon yield curve edged down along its entire length (Chart 9): OFZ 1Y – 8.69% (-140 bp); OFZ 2Y – 8.65% (-120 bp); OFZ 5Y – 8.74% (-94 bp), and OFZ 10Y – 8.79% (-69 bp). Due to a stronger signal from the Bank of Russia, market participants expect a slower pace of the key rate reduction at the next meetings. The easing of monetary policy was conditioned on the slower price growth due to weakening consumer demand, moderate lending dynamics, and a significantly stronger ruble. In June, the average daily turnover rose to 14.5 billion rubles (12.9 billion rubles in May); medium-term OFZ-PD bonds maturing in 2027 and 2028 were in the greatest demand.

Throughout June, the **spread** between **OFZ 10Y** and **OFZ 2Y** yields was mainly negative, but at the end of the month, it returned to positive territory amounting to 14 bp (vs -37 bp in May). The curve reflected the revision by market participants of expectations regarding the key rate path amid declining pro-inflationary risks. The long-term end of the curve also included a geopolitical and sanction risk premium.

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

During the first half of the month (until 14 June), the **yields** on two-year and ten-year **U.S. Treasury bonds** grew, reaching their highs since November 2018: 2Y – 3.45%; 10Y – 3.49%. This was due to the expectations of a faster rate increase by the US Federal Reserve amid accelerating inflation (mainly due to rising commodity and food prices) and a significant slowdown in economic activity. After the June FOMC meeting (16 June), yields adjusted following the statement of J. Powell that the regulator would not intend to step up the pace of a further increase in rates (2Y – 2.92%; 10Y – 2.98%).

Other financial markets

Foreign currency liquidity. In June, the spread between interest rates in the FX swap and RUONIA (basis) segments continued to remain positive in the range from 1.34 to 6.96 pp. amid increased sanctions risks regarding US dollar-denominated assets. For the current AP, the spread mostly did not exceed 2 pp, except for 27–30 June. The average basis in the June AP was 2.79 bp. (in the May AP: 4.04 pp; year to date: -1.52 pp).

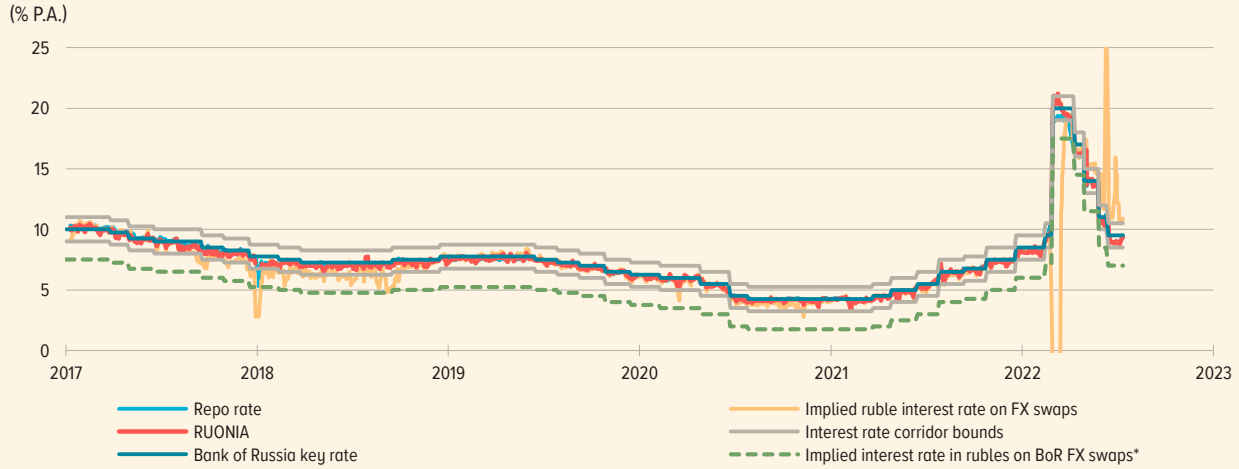
Foreign exchange market. In June, the ruble continued to strengthen, which began in the second half of March, from the level of 61 to 52 rubles per US dollar (Chart B-1-3). By the end of the month, the exchange rate reached 51.45 rubles per US dollar (+ 16.3%) for the first time since April–May 2015. On average, the ruble exchange rate for the month was 56.55 rubles per US dollar (in May: 64.93 rubles per US dollar). A stronger ruble was mainly driven by the expansion of the positive balance of goods and services as a result of a significant increase in exports and a reduction in imports due to sanctions, logistical and image risks for foreign companies (estimate for January–May 2022: 110.3 billion US dollars; actually for January–May 2021: 32.1 billion US dollars). The ruble exchange rate movements were also determined by the suspension of the fiscal rule amid rising commodity prices. The high households' demand for foreign currency did not lead to a weaker ruble exchange rate (April–June 2022: 400 billion rubles; April–June 2021: 300 billion rubles). Given the current situation, the Bank of Russia and the Russian Government relaxed certain currency control measures. For example, they increased the limits on transferring funds abroad, cancelled the mandatory sale of foreign currency earnings by exporters, permitted the sale of any cash foreign currency (other than the US dollar and the euro) and the credit of foreign currency proceeds from the sale of foreign securities to foreign brokerage (bank) accounts.

Other EMEs' currencies weakened against the US dollar. The Brazilian real was the weakest (-11.1%) amid lower global prices for ethanol and sugar (Chart B-1-2).

Equity market. In June, stock indices in national currencies were mainly declining amid higher expectations of global stagflation. The exception was the Chinese stock index supported by positive business activity data due to the lifting of tight anticovid restrictions. The US markets observed sell-offs in the high-tech sector and the sector of cyclical goods due to the expectations of further growth of inflation (especially in food and fuel) and a slowdown in economic growth with strong signals from the US Federal Reserve. Equity markets were supported by demand for securities of defensive sectors (e.g., healthcare, real estate, utilities), as well as oil and gas companies amid the production shutdown in Libya, recovery in demand in China, and freezing of the Iranian nuclear deal. By the end of the month, the S&P 500 edged down by 8.4%, the Stoxx 600 – by 8.2%, the MSCI EM – by 7.1% (Chart B-1-5). A similar trend was demonstrated by the MOEX index (-6.4%). This was due to a sharp drop in quotations for Gazprom shares given the decision not to pay dividends previously recommended by the Board of Directors. The Russian equity market was supported by securities of companies focused on domestic demand (mainly in the telecommunications and electric power sectors). The continued strengthening of the ruble contributed to the positive dynamics of the RTS (+11.3%).

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

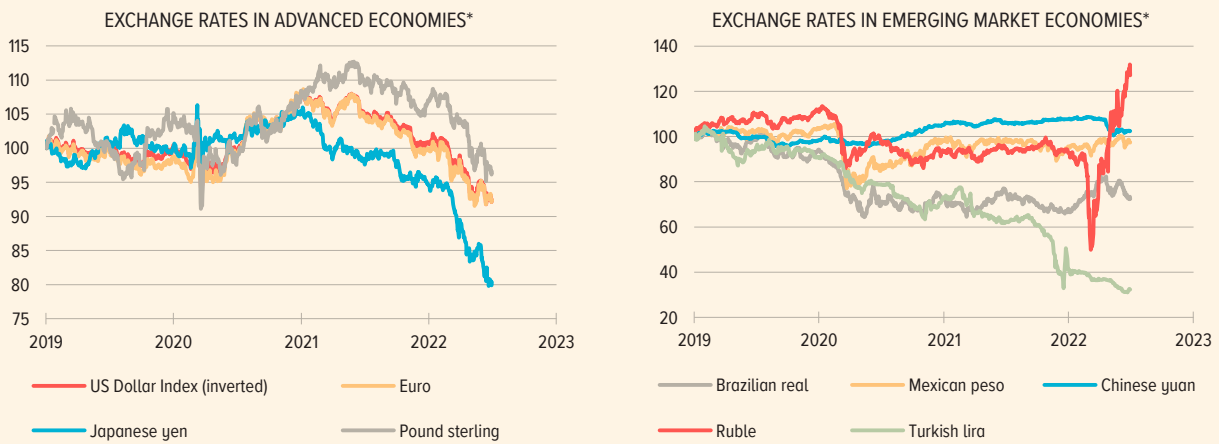
Chart B-1-1



* 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 CONTINUED TO STRENGTHEN AGAINST THE US DOLLAR IN JUNE.
(2 JANUARY 2019 = 100)

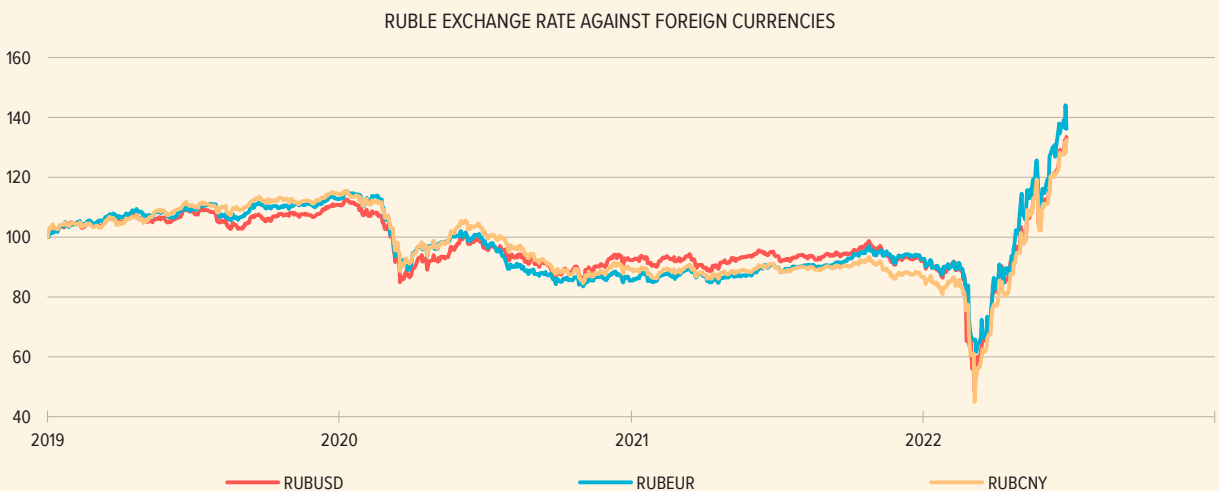
Chart B-1-2



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

THE RUBLE REACHED THE LEVEL OF APRIL–MAY 2015
(2 JANUARY 2019 = 100)

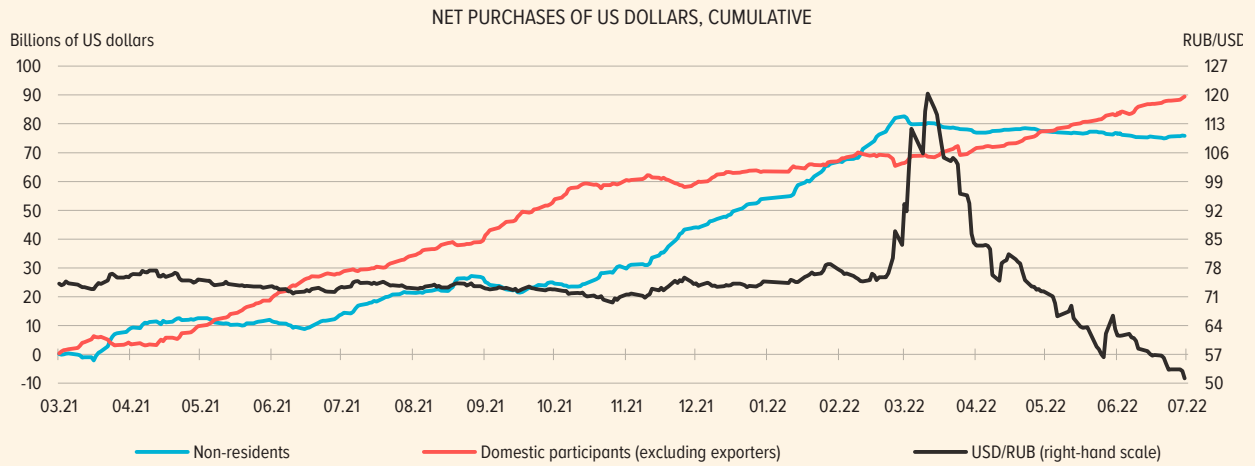
Chart B-1-3



Sources: Cbonds, Bank of Russia calculations.

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

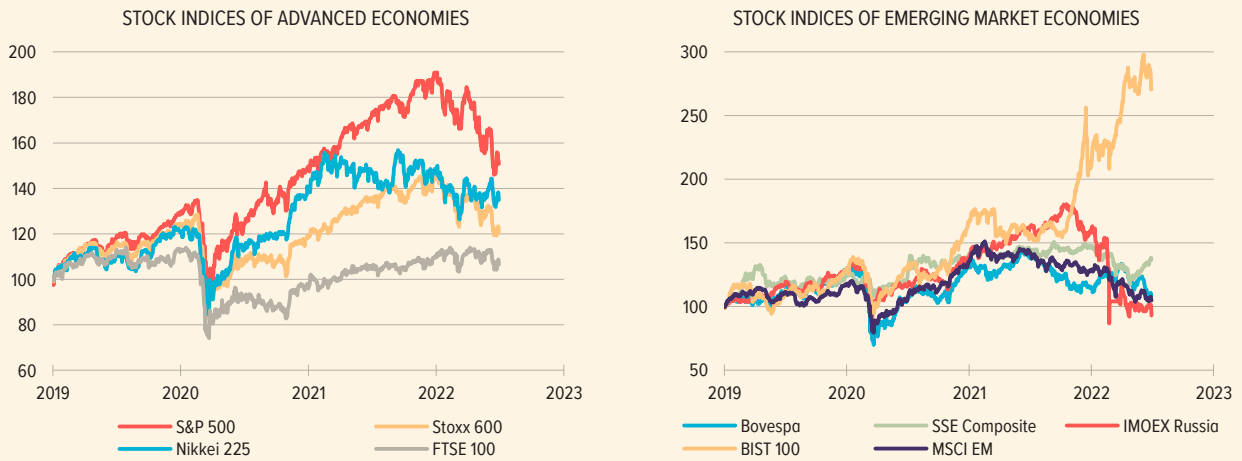
Chart B-1-4



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

STOCK INDICES OF MOST COUNTRIES DECREASED
(2 JANUARY 2019 = 100)

Chart B-1-5



Note. Stock indices are specified in national currencies.
Sources: Cbonds, Bank of Russia calculations.

CREDIT AND DEPOSIT MARKET

Deposit rates. The easing of monetary policy in April–May and the continued decline in OFZ yields maintained the downward trend in ruble deposit rates. As in April, the weighted average rate in the short-term¹ segment of the retail deposit market dropped more significantly (by 6 pp to 8.1% per annum) than in the long-term one; consequently, the spread between the rates on deposits with maturities of over and up to one year returned to positive values for the first time since March (Chart 12).

According to real-time monitoring data, in June, some large banks participating in the retail deposit market continued to adjust their deposit rates downward following the reduction of the key rate by the Bank of Russia on 10 June and under the influence of expectations of its further lowering; so, the FRG100² yield index for one-year deposits dropped during the month by one percentage point to 6.9%, returning to the level of early 2022 (Chart 13). As a result, the average market rates on deposits in rubles may be expected to decline further in the near future, mainly on those with the shortest maturities.

After the March local highs, in May, deposit rates in the foreign currency segment remained close to the pre-crisis levels, showing the banks' intention not to build up foreign currency liabilities.

Deposit operations. Although deposit rates were declining, households mainly preferred not to spend available funds;³ as a result, the accumulation of household savings in banks continued in May. This trend was supported, among other things, by the receipt of certain social payments. By the end of the month, the annual growth⁴ of household deposits with banks increased from 2.8% to 5.4%, as in April–March, mainly due to short-term ruble deposits (Chart 14). Concurrently, a positive change in balances of foreign currency accounts and deposits was also noticeable in May, which may be caused by the favourable exchange rate for buying foreign currency and the preparation of households for the holiday season. The share of foreign currency deposit portfolio continued to decline to its historic minimum observed in late 2007 (12.9%), reaching 14.9% against 15.2% a month earlier, which was also due to the further strengthening of the ruble.

In May, households were still investing in real estate, but to a lesser extent than in the precrisis period when the subsidised new housing mortgage loans were available,⁵ which demonstrates a lower activity in the mortgage lending market (the increase in balances on escrow accounts dropped to 38 billion rubles in May against 113 billion rubles a month earlier and 201 billion rubles on average per month in 2022 Q1 given the comparable disclosure scope).

In the coming months, the increased propensity of households to save will help maintain the inflow of funds to banks, mainly due to the ruble segment. Concurrently, it is expected that the share of current accounts in the retail deposit portfolio structure can recover as the expensive deposits opened in March mature and some of these funds are transferred to accounts. The intention of banks to limit their foreign currency exchange transactions by introducing fees for servicing individual foreign currency accounts may curb the households appetite for savings in foreign currency.

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

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

³ See [‘Inflation Expectations and Consumer Sentiment’, No. 5, July 65, May 2022](#).

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

⁵ Russian Government Resolutions No. 566, dated 23 April 2020, No. 508, dated 29 March 2022, and No. 806, dated 30 April 2022.

Credit rates. In certain lending segments, rates continued to decline in April, slightly more notably in May and, according to recent estimates, in June. The accommodative monetary policy and the decrease in the key rate contributed to the decline in quotations in the money market⁶ and forecast estimates of the key rate by banking analysts,⁷ which reduced the cost of bank funding,⁸ i.e. the base component of lending rates. However, the reduction in lending rates was uneven for different maturities and smaller relative to the changes in the key rate than when lending rates were adjusting to tighter monetary policy in 2022 Q1.

In April, loan rates for non-financial organisations for up to one year lowered by 3.50 pp to 15.20%, and for maturities of one year or more they decreased more moderately by 0.25 pp to 12.90% (Chart 13). The decrease in loan rates for non-financial organisations in April was mainly due to cheaper borrowing for large borrowers, including subsidised lending to systemically important organisations. Loan rates for small and medium-sized businesses in April did not respond to the easing of monetary policy, as the existing lending rates in the segment were lower owing to the use of SME support programmes. The spread between loan rates for small and medium-sized enterprises and lending rates for non-financial organisations before the subsidised programme roll-out was about 2.5 pp and 1.5 pp for loans for up to and over one year, respectively. Since March, the spread was declining, reaching negative values at times, as the subsidised lending expanded. Loan rates for non-financial organisations decreased more notably in May and, according to recent estimates, in June than in April, in part due to the availability of new production incentive mechanisms and investment⁹, as well as the launch of an expanded subsidised SME lending programme.¹⁰ Consequently, loan rates for non-financial organisations decreased in May for maturities of up to one year by 1.60 pp to 13.60%, and of one year or more – by 0.93 pp to 11.97%.

Rates in the retail segment changed marginally. Short-term loans, comprising a low share in the portfolio of loans to households, became cheaper by 1.1 pp to 24.7%, and long-term loans – by 0.1 pp to 15.1%. The difference between the levels of rates is associated with the continuously significant share of mortgage loans, including subsidised ones,¹¹ to households. The share of mortgage lending in the retail lending segment decreased in May compared to April, and the average rate on retail loans remained actually unchanged because of higher rates in other retail segments. According to recent monitoring results, in June, the mortgage lending rates decreased following an extraordinary 3 pp drop in the key rate in May and a reduction in the rate under the Subsidised mortgage programme¹² (Chart 12). Concurrently, according to recent data, banks maintain a higher level of consumer loan rates, while keeping up their conservative estimates of the risk premium.

In 2022 Q2–Q3, the monetary policy may transmit with a longer lag than in February–March, when the greater uncertainty and rising volatility in the financial market made the banking sector's response more prompt. The reduction in the key rate in May–June by a total of 4.5 pp and expectations of subsequent easing of monetary policy will encourage banks to lower their lending rates. The potential for lowering interest rates of loans is formed, among other things, by an increased premium for credit risk, which will go down with macroeconomic stabilisation. The process

⁶ For details see the section 'Money market yield curves and key rate expectations'.

⁷ [Macroeconomic survey results](#).

⁸ See the 'Deposit Rates' section for details.

⁹ Resolution of the Government of the Russian Federation No. 811, dated 4 May 2022, Resolution of the Government of the Russian Federation No. 835, dated 9 May 2022, Resolution of the Government of the Russian Federation No. 895, dated 18 May 2022, Resolution of the Government of the Russian Federation No. 954, dated 27 May 2022, Resolution of the Government of the Russian Federation No. 191, dated 23 February 2019, as amended on 15 June 2022 under No. 1084.

¹⁰ Decision of the Board of Directors of JSC RSMB Corporation, dated 27 May 2022, jointly with the Bank of Russia and the Government of the Russian Federation.

¹¹ See the 'Retail Lending' section for details.

¹² Russian Government Resolutions No. 566, dated 23 April 2020, as amended on 20 June 2022 under No. 1109.

of reducing interest rates on loans for the real sector will depend on the structure of demand for leverage finance, which may change with the transformation of the economy.

Corporate lending. Lending to companies¹³ slowed down despite the drop in lending rates, and the annual growth in the corporate loan portfolio amounted to 8.7% in May against 9.9% in April (Chart 15). Financing of companies in May was secured by ruble transactions with an annual increase of 15.0% against 16.70% in April. The change in the portfolio of foreign currency corporate loans was -11.3% in May against -10.7 in April, which supported the decreasing share of foreign currency accounts on banks' balance sheets. Lower interest rates on loans enable companies to borrow more. However, banks maintain short-term loan rates elevated, and decision making on long-term financing may be limited due to uncertainty of both lenders and borrowers. Government support programmes for systemically important companies, small and medium-sized businesses reduce the impact of imbalances, which arise from the economic transformation, on the non-financial sector.

Further corporate lending activity will depend, among other things, on the prospects for macroeconomic stabilisation in the real sector, which will continue to determine the intensity of banks' transition to setting standard risk premiums in lending rates and easing non-price lending conditions. The reduction in the key rate and budgetary measures to support the real sector will speed up this process. The supply of loans will also be supported by regulatory easing extended until the end of 2022, as well as the postponement of imposing regulatory measures for the period after 2023.

Retail lending. The retail lending portfolio shrank in May. The annual growth of the portfolio of loans to households¹⁴ amounted to 14.6% in May against 17.4% in April (Chart 15).

In May, mortgage lending slightly decreased again, but the annual change in the mortgage portfolio remained elevated with an increase of 20.9% in May compared to 23.5% in April. The May mortgage loan disbursement of 139.7 billion rubles became the minimum since 2017 with a 70% portion of government-supported mortgage loans. Due to subsidised mortgage rates, the mortgage lending process decelerates somewhat more slowly than the overall retail portfolio (Chart 16). Concurrently, subsidised rates do not compensate for the impact of persistent uncertainty making it more difficult for individuals to make long-term decisions; eventually, the mortgage loan portfolio shrinks.

The decline in unsecured consumer lending slowed down in May compared to March and April, amounting to -0.4% vs -1.5% in April. Higher consumer lending rates and the accumulated debt burden may limit the demand of individuals for consumer loans, despite the reduction in real incomes, in addition to strict non-price requirements for borrowers set by banks. The consumer lending market may also be under the influence of seasonality, that is a smaller decrease in demand in Q1 due to rush purchases of non-food products, and a smaller increase in demand in Q2, including due to international travel restrictions.

According to recent data, there was an increase in lending activity in the retail segment in June, but the dynamics of the retail loan portfolio are assessed as moderate. The lower propensity to save due to the monetary policy easing may affect the demand of individuals for loans, including the demand for real estate as an alternative saving tool. The potential for unsecured lending can also be supported by credit cards with undrawn limits issued by banks earlier during the retail business expansion. The retail loan portfolio will continue to see a downward trend. However, possible positive changes in the uncertainty for borrowers and government-supported mortgage lending programmes may also revive this segment.

¹³ Hereinafter, growth of lending to non-financial organisations, financial institutions and individual entrepreneurs excludes claims on such loans acquired by banks.

¹⁴ Hereinafter, growth in retail lending does not include claims acquired by banks.

Money supply. The annual growth of the banking system's claims on the economy¹⁵ continued to slow down from 14.1% at the end of April to 12.4% in May. Growth rates of claims both on households and companies decreased. Concurrently, lending to the economy was still the main contributor to money supply.

In May, due to the on-going increase in budget spending, the net claims on the general government curbed the annual dynamics of monetary aggregates to a lesser extent than a month earlier. The restraining effect on the money supply from the other liabilities of banking system also slightly weakened due to a decrease in the inflow of household funds to escrow accounts. The contribution of the banking system's net foreign assets to the annual growth of monetary aggregates increased owing to the accumulation of foreign assets by credit institutions following the rise in the current account surplus.

Under the influence of the above factors, in May, the annual growth in the money supply accelerated: M2 – from 15.7 to 16.6%, M2X – from 10.7 to 11.8% (Chart 18). The role of cash component in the structure of monetary aggregates continued to decline (the annual change in the M0 aggregate slowed down by 1.3 pp over the month to 3.8%), while the contribution of ruble deposits of households and businesses to the money supply dynamics increased.

In the coming months, we can expect a continuously steady growth in monetary aggregates with claims on the economy as their main component due to the lowering of lending rates in response to the easing of monetary policy and the current measures taken by the government to support lending to certain categories of borrowers. In addition, growth in money supply will be supported by budget operations as government expenditures increase.

¹⁵ The banking system's 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 JUNE 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	01.06.2022	01.07.2022
Structural liquidity deficit (+) / surplus (-)	-2,639	-3,016	-2,761	-204	-1,691	-280	-1,968	-2,384
Bank of Russia's claims on credit institutions	10	21	18	976	909	2,484	277	280
Auction-based facilities	–	–	–	847	116	2,298	173	171
– repos and FX swaps	–	–	–	847	116	2,298	173	171
Fixed interest rate facilities	10	21	18	129	793	186	104	109
– repos and FX swaps	4	8	13	118	3	92	18	10
– secured loans	5	13	5	10	790	94	86	99
Credit institutions' claims on the Bank of Russia	2,729	3,293	2,983	1,796	2,804	3,108	2,749	3,180
Deposits	2,372	1,902	1,026	1,221	2,804	3,108	2,749	3,180
– auction-based	2,125	1,478	697	844	1,626	–	850	1,838
– fixed interest rate	247	424	330	377	1,178	3,108	1,899	1,341
Coupon OBRs	357	1,391	1,956	575	–	–	–	–
Standing reverse facilities, other than standard monetary policy instruments of the Bank of Russia*	81	256	204	616	204	343	504	516

* This type of transactions includes specialised refinancing instruments of the Bank of Russia, loans provided by the Bank of Russia within irrevocable credit lines.
Source: Bank of Russia calculations.

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

Table 3

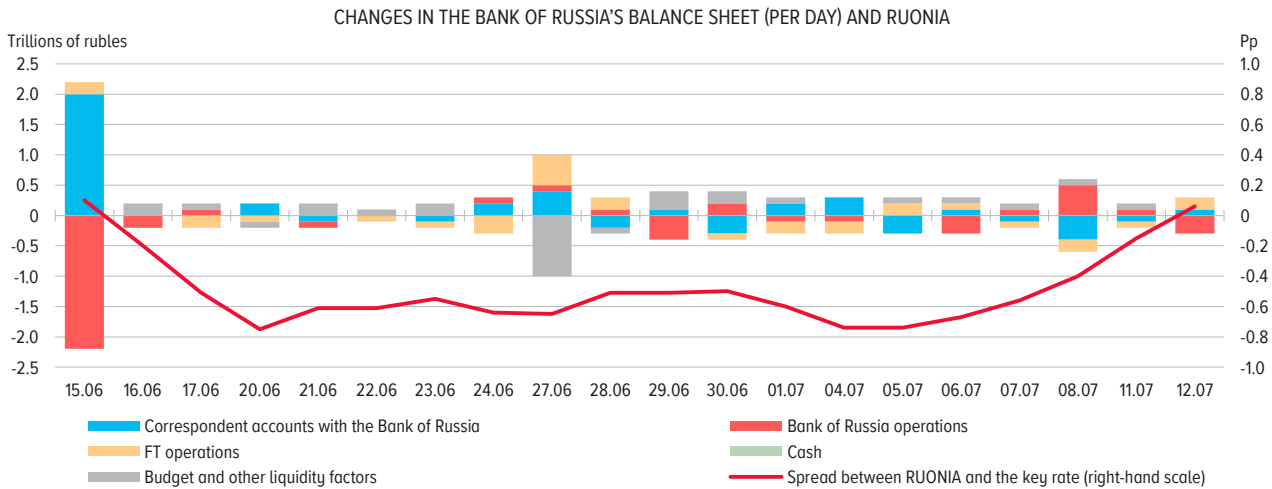
	2021 (actual)	January – June 2022	June 2022	2022 (forecast)
1. Liquidity factors (supply)	1.6	-0.1	0.4	[1.0; 1.4]
– change in the balances of general government accounts with the Bank of Russia, and other operations*	2.3	-0.7	0.5	[1.4; 1.6]
– change in the amount of cash in circulation	-0.7	0.0	-0.1	[-1.0; -0.8]
– Bank of Russia's 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
2. Change in free bank reserves (correspondent accounts)** (demand)	0.1	-0.8	0.0	[-0.9; -0.8]
3. Change in banks' claims on deposits with the Bank of Russia and coupon OBRs	1.0	0.4	0.4	[1.4; 1.9]
4. Change in outstanding amounts on Bank of Russia refinancing operations (4 = 2 + 3 - 1)	-0.5	-0.3	0.0	-0.4
Structural liquidity deficit (+) / surplus (-) (as of the period-end)	-1.7		-2.4	[-4.0; -3.5]

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

** 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 JUNE 2022, OPERATIONS OVER BUDGET ACCOUNTS LED TO AN INFLOW OF LIQUIDITY TO THE BANKING SECTOR

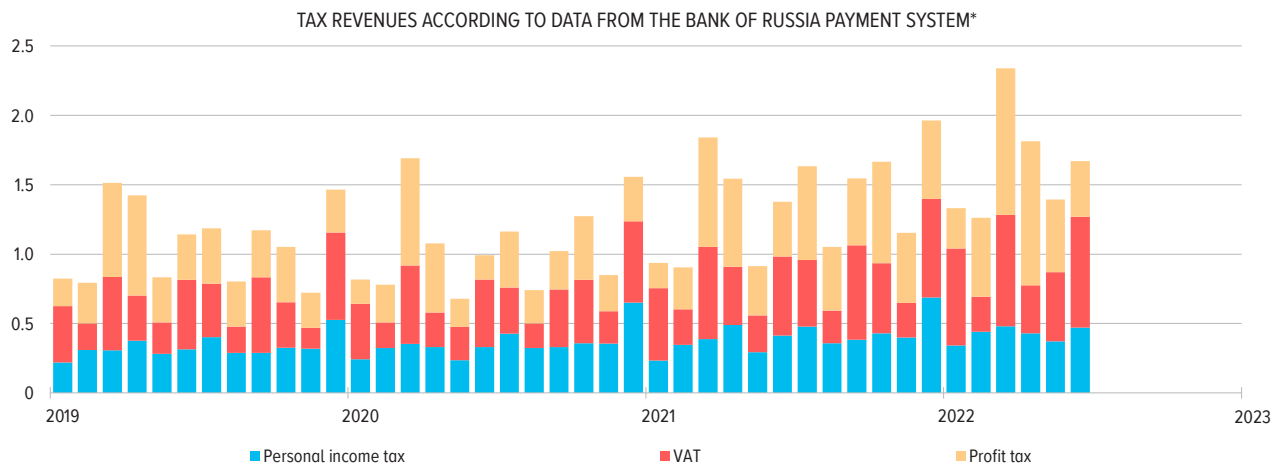
Chart 1



Source: Bank of Russia calculations.

IN JUNE 2022, THE ANNUAL GROWTH OF PERSONAL INCOME TAX, VAT AND PROFIT TAX SLOWED DOWN (TRILLIONS OF RUBLES)

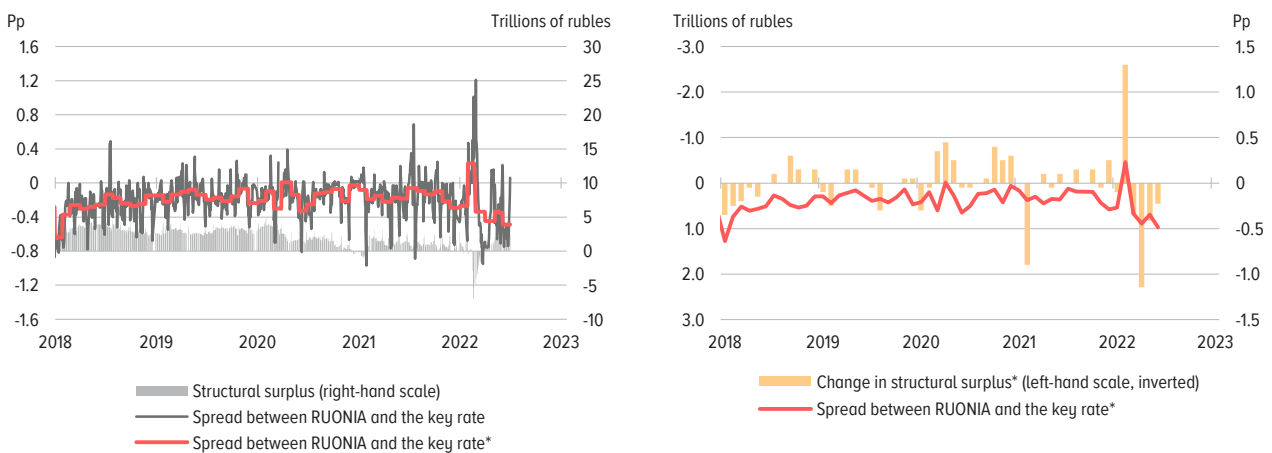
Chart 2



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

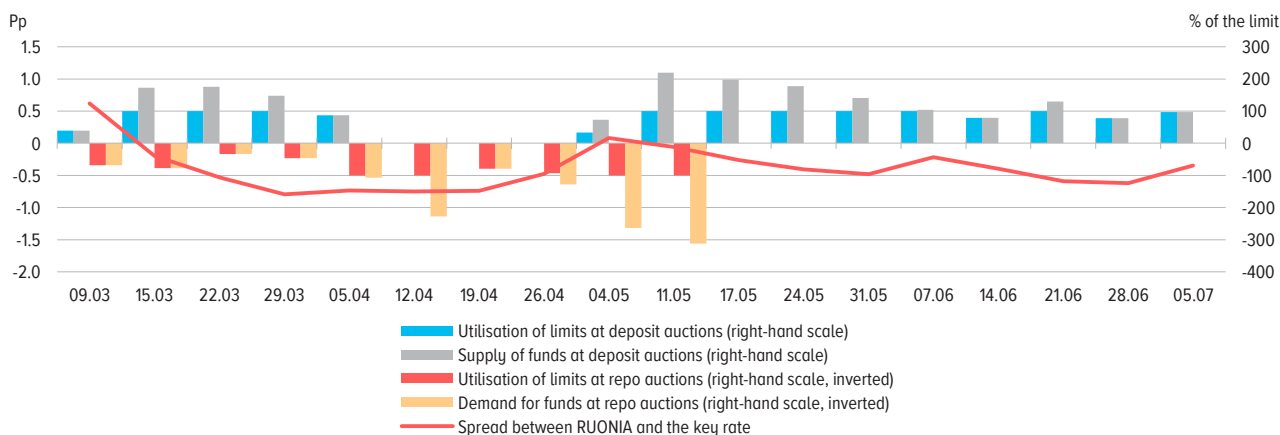
THE SPREAD BETWEEN RUONIA AND THE BANK OF RUSSIA KEY RATE EXPANDED

Chart 3



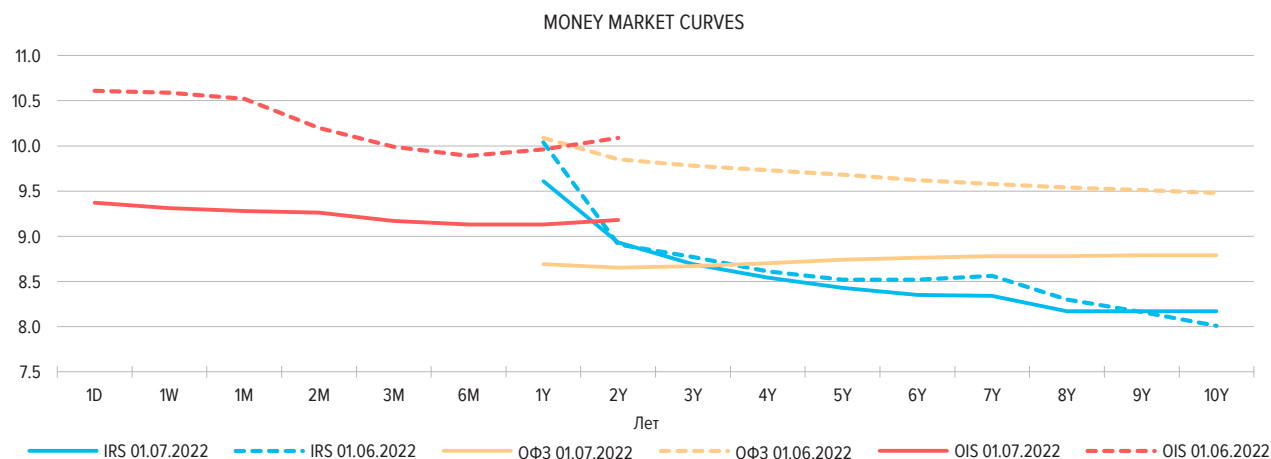
* Average for averaging periods.
Source: Bank of Russia calculations.

BANKS' SUPPLY AT THE BANK OF RUSSIA'S ONE-WEEK DEPOSIT AUCTIONS WAS SLIGHTLY BELOW THE ESTABLISHED LIMITS Chart 4



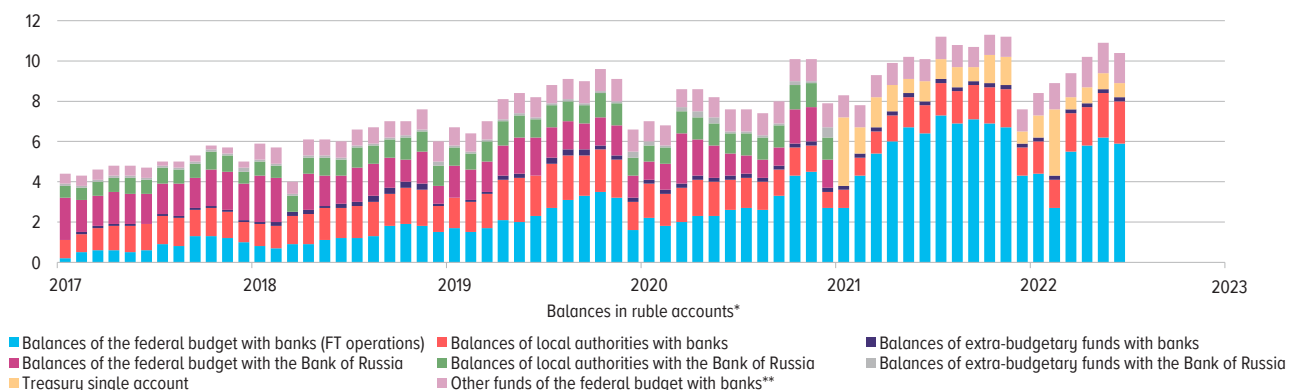
Note. The data are provided on fine-tuning deposit and repo auctions, and one-week auctions. Trading weeks are those including the dates of regular one-week auctions. Fine-tuning auctions are taken into account together with the one-week auction, the settlements under which were made over the corresponding trading week.
Source: Bank of Russia calculations.

IN JUNE, THE CURVES SUBSTANTIALLY DROPPED, REFLECTING THE KEY RATE PATH Chart 5
(PER CENT P.A.)



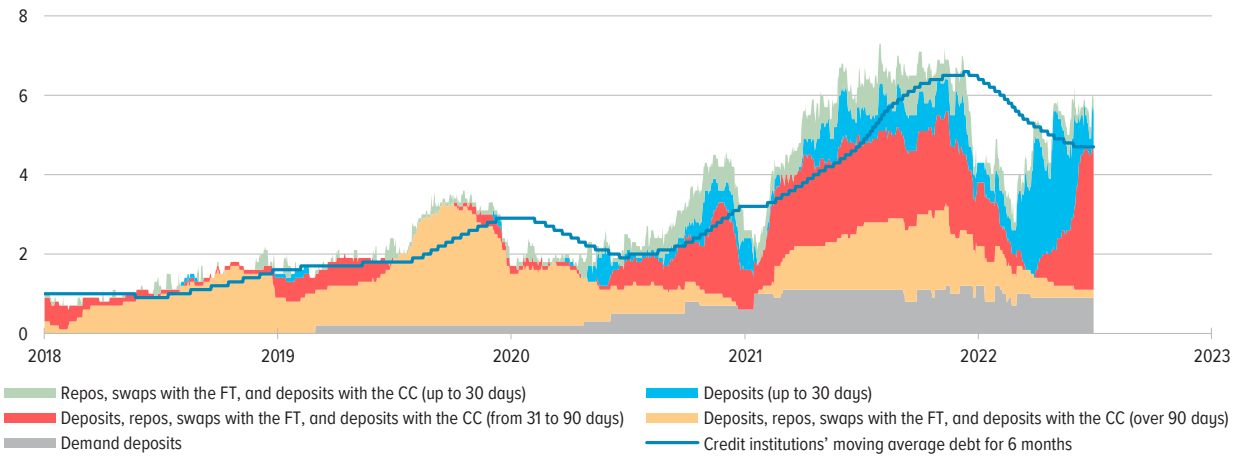
Note. The IRS curve for maturities of up to one year is built using MosPrime rates with respective maturities.
Sources: Cbonds, NFA, Bank of Russia calculations.

IN JUNE 2022, BALANCES OF BUDGETARY FUNDS WITH THE BANK OF RUSSIA DECREASED AS BUDGET EXPENDITURES EXCEEDED REVENUES Chart 6
(TRILLIONS OF RUBLES, AS OF THE MONTH-END)



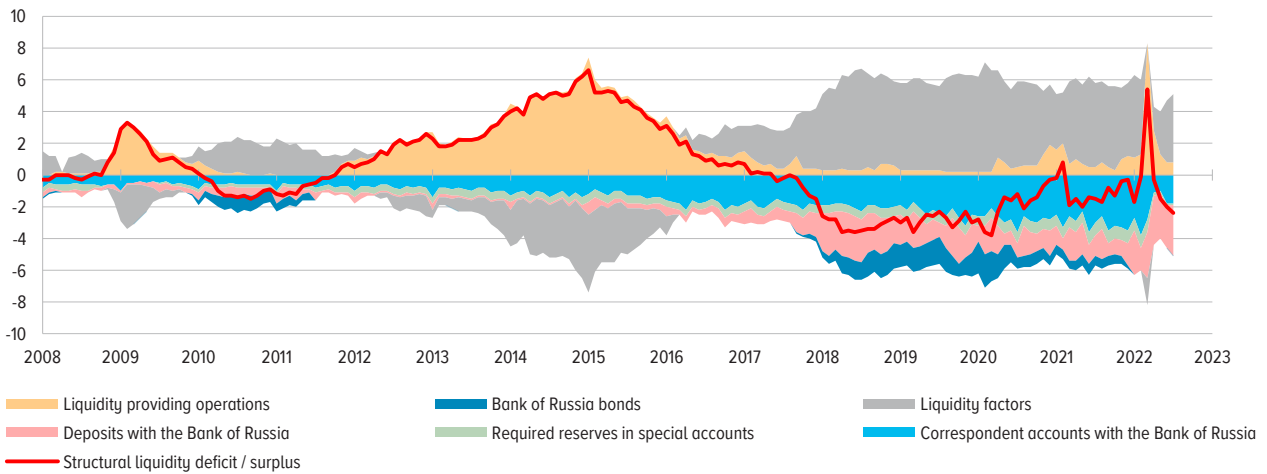
* According to banking reporting form 0409301 'Performance indicators of a credit institution' and the Bank of Russia's daily balance sheet.
** Other funds comprise VEB.RF budgetary funds, election commissions' funds, funds received for temporary use, funds for the cash transactions of Russia's Ministry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

IN JUNE 2022, CREDIT INSTITUTIONS' OUTSTANDING AMOUNTS DUE TO THE FT DECREASED BY 0.2 TRILLION RUBLES Chart 7
(TRILLIONS OF RUBLES)



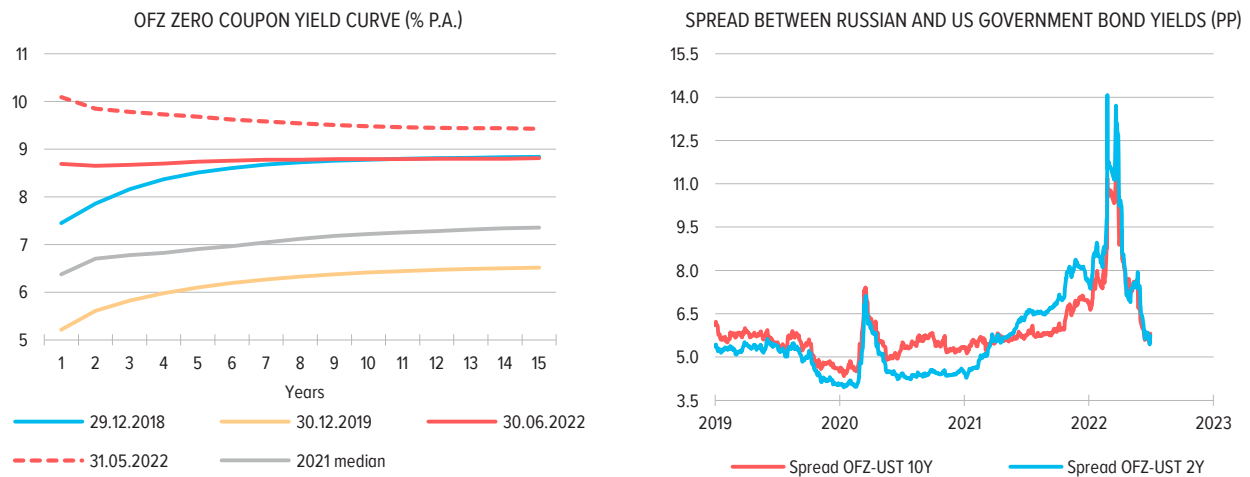
Sources: Federal Treasury, Bank of Russia calculations.

BANK OF RUSSIA'S BALANCE SHEET Chart 8
(TRILLIONS OF RUBLES)



Source: Bank of Russia calculations.

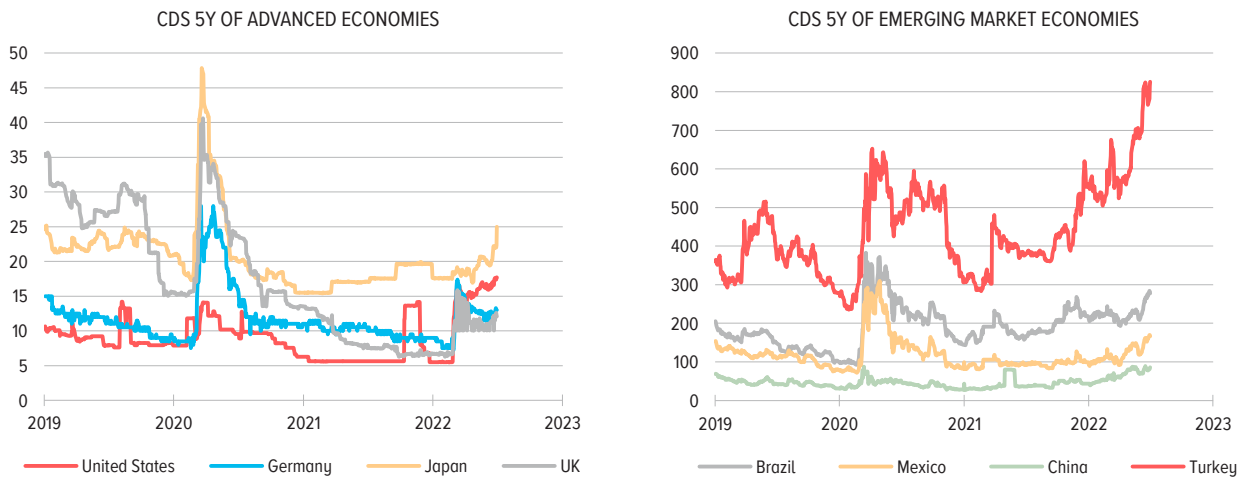
OFZ YIELD CURVE CONTINUED TO GO DOWN OVER JUNE Chart 9



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

5Y CDS SPREADS OF EMES GREW MODERATELY (BP)

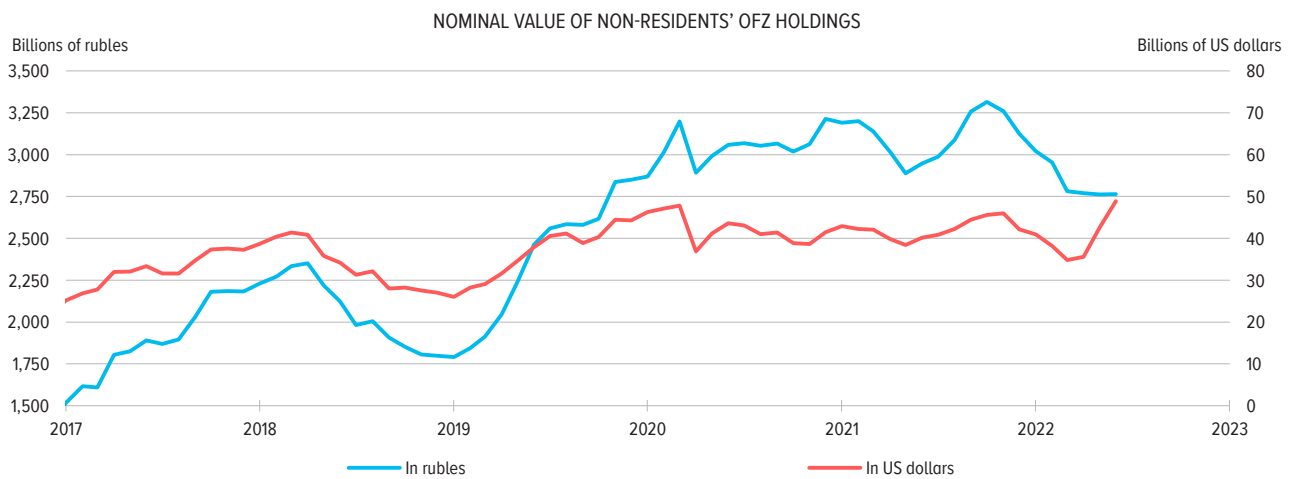
Chart 10



Sources: Cbonds, Bank of Russia calculations.

BY THE END OF MAY, THERE WAS AN INSIGNIFICANT NET INFLOW OF NON-RESIDENTS' FUNDS IN OFZ

Chart 11



Sources: PJSC Moscow Exchange, Bank of Russia calculations.

IN JUNE, THE EQUITY SEGMENT OF THE RUSSIAN FINANCIAL MARKET DEMONSTRATED NEGATIVE DYNAMICS

Table 4

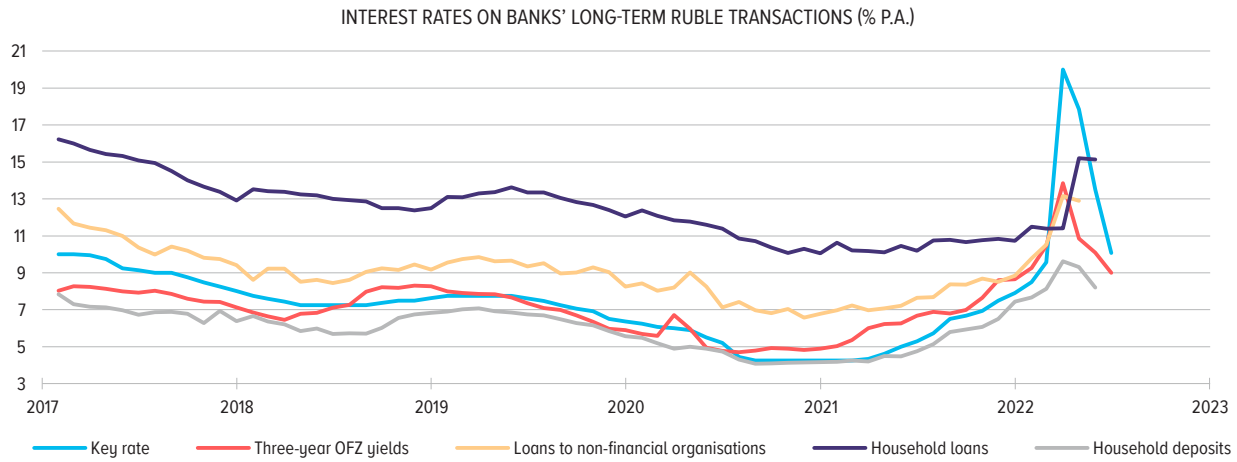
Indicator		31.05.2022	1M	3M	6M	YTD	1Y
Russian financial market							
RUB/USD exchange rate		51,45	17.0	38.2	31.1	31.1	29.3
MOEX Index		2,205	-6.4	-18.4	-41.8	-41.8	-41.8
RTS Index		1,345	11.3	31.7	-15.7	-15.7	-18.0
Government bond yields		8.67	-97	-315	26	26	159
Corporate bond yields		10.22	-163	-564	137	137	290
Regional bond yields		9.41	-151	-459	78	78	219
RVI		61	-6	-32	28	28	39
Exchange rates (per US dollar, per cent change, '+' – appreciation, '-' – depreciation)							
AEs*	US Dollar Index	104.69	2.9	7.0	9.1	9.4	13.7
	Euro	1.05	-2.0	-5.3	-7.4	-7.8	-11.9
	Japanese yen	135.73	5.5	11.4	18.0	17.9	22.8
	Pound sterling	1.22	-3.3	-7.3	-9.8	-9.9	-12.0
EMEs	Ruble	51.45	17.0	38.2	31.1	31.1	29.3
	Brazilian real	5.25	-11.1	-10.9	5.7	5.7	-6.0
	Mexican peso	20.11	-2.3	-1.1	1.8	1.9	-1.5
	Chinese yuan	6.70	-0.4	-5.5	-5.1	-5.3	-3.6
	Turkish lira	16.69	-1.7	-13.8	-25.6	-25.2	-91.2
	South African rand	16.29	-4.2	-11.6	-2.3	-1.8	-13.5
10-year bond yields (% p.a., change in bp, '+' – increase, '-' – decrease)							
AEs	United States	2.98	13	66	146	146	149
	Germany	1.52	48	97	170	170	169
	Japan	0.23	-1	2	16	16	18
	UK	2.38	40	72	140	141	164
EMEs	Russia	8.79	-69	-244	35	35	156
	Brazil	13.21	68	152	295	295	414
	Mexico	9.35	58	77	151	151	226
	China	2.84	2	1	4	4	-28
	Turkey	19.37	-337	-611	-531	-531	200
	South Africa	10.58	74	98	115	115	163
5Y CDS spreads (bp, change in bp, '+' – increase, '-' – decrease)							
AEs	United States	18	1	4	6	6	8
	Germany	13	1	-2	4	4	3
	Japan	25	5	7	8	8	8
	UK	12	1	-2	2	2	2
EMEs	Brazil	278	66	80	84	82	124
	Mexico	166	46	70	80	80	78
	China	86	15	24	45	45	49
	Turkey	826	135	293	273	280	457
	South Africa	312	79	105	110	112	129
Stock indexes (points, % change, '+' – increase, '-' – decrease)							
AEs	S&P 500	3,785	-8.4	-16.4	-20.8	-20.6	-11.8
	Stoxx 600	407	-8.2	-10.7	-16.7	-16.5	-10.8
	Nikkei 225	26,393	-3.3	-5.1	-8.3	-8.3	-8.4
	FTSE 100	7,169	-5.8	-4.6	-3.2	-2.9	1.2
EMEs	MSCI EM	1,001	-7.1	-12.4	-18.2	-18.8	-27.3
	Bovespa	98,542	-11.5	-17.9	-6.0	-6.0	-22.6
	IPC Mexico	47,524	-8.2	-15.9	-10.6	-10.8	-5.6
	SSE Composite	3,399	6.7	4.5	-6.1	-6.6	-4.9
	BIST 100	2,405	-5.6	7.7	29.1	29.5	75.4
	FTSE/JSE	66,223	-8.1	-12.3	-10.3	-10.2	-0.5

* Advanced economies.

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

LOAN RATES RESPOND TO THE KEY RATE DECREASE WITH A LAG

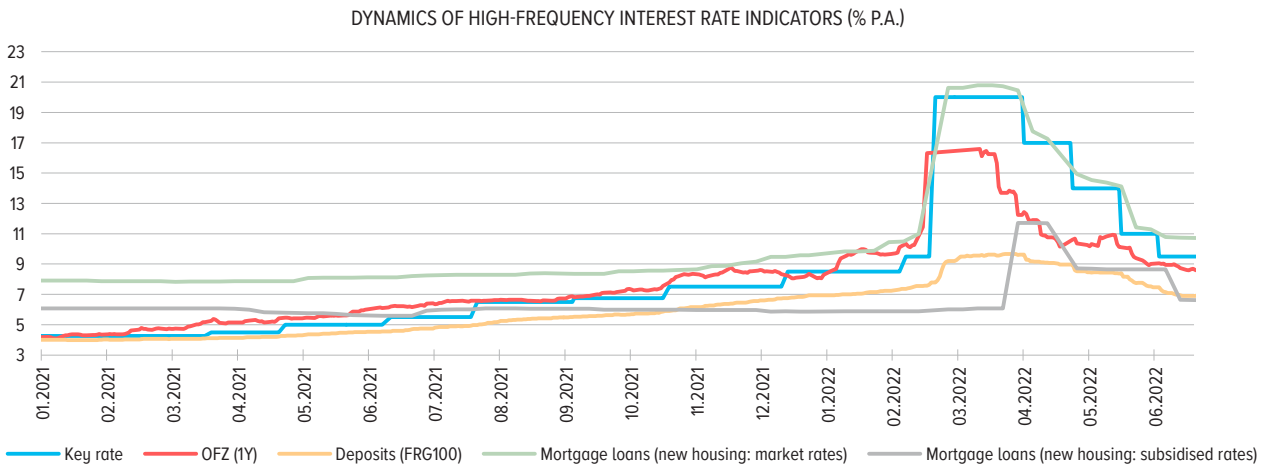
Chart 12



Source: Bank of Russia.

RATES ON BANKING PRODUCTS DECREASE DUE TO EASIER MONETARY POLICY AND PARAMETERS OF SUBSIDISED LENDING PROGRAMMES

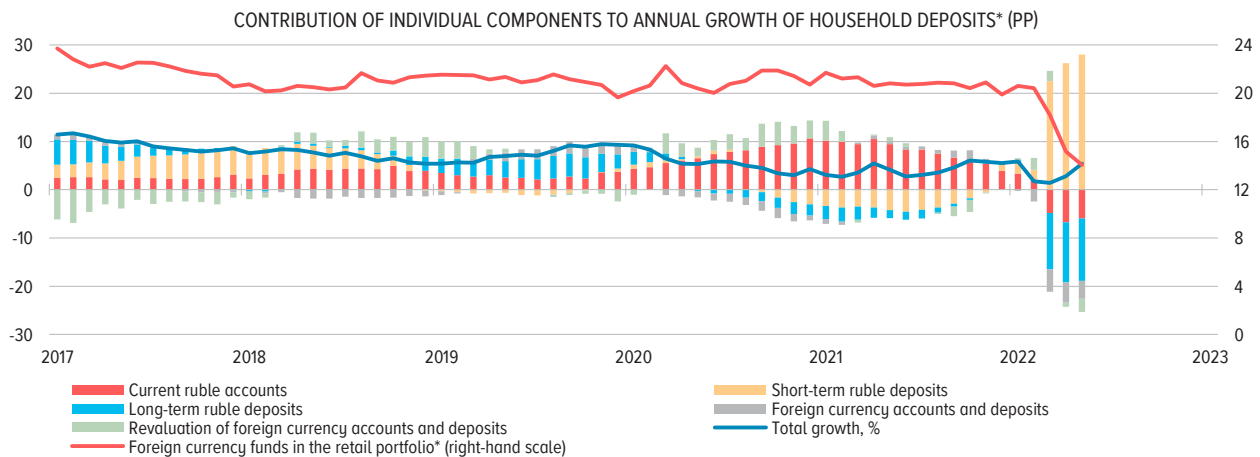
Chart 13



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

SHORT-TERM RUBLE DEPOSITS CONTINUE TO BE THE MAIN CONTRIBUTOR TO THE GROWTH OF HOUSEHOLDS' FUNDS WITH BANKS

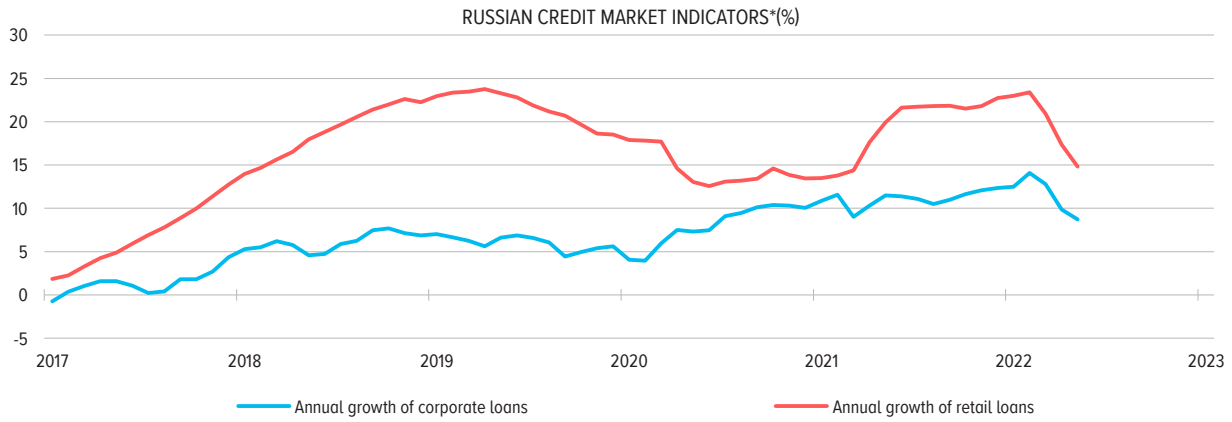
Chart 14



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

CORPORATE AND RETAIL LOAN PORTFOLIOS DECLINE

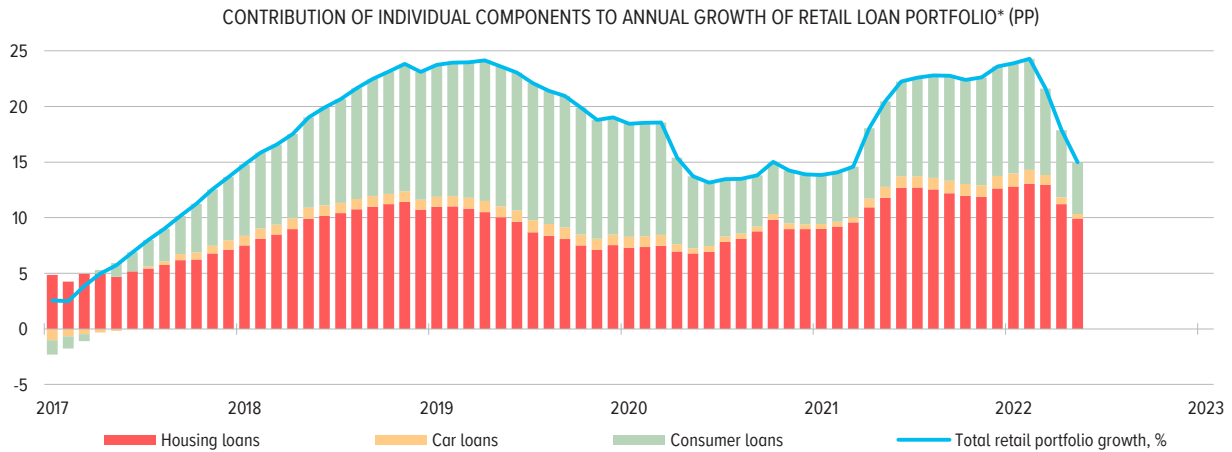
Chart 15



* 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.

CONSUMER LENDING DECREASES AT A FASTER PACE COMPARED TO HOUSING LENDING

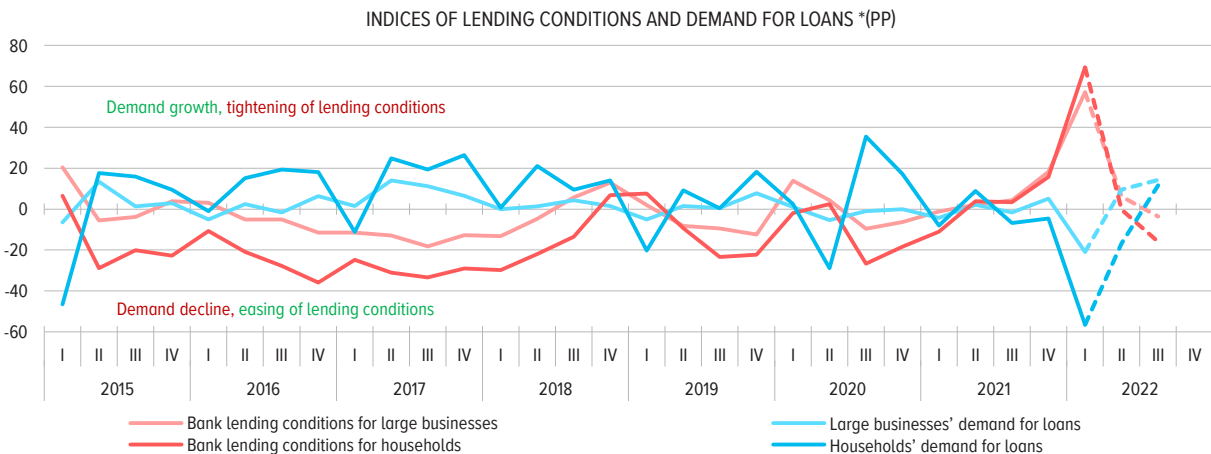
Chart 16



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

BANKS EXPECT EASING OF LENDING CONDITIONS AND RECOVERY IN DEMAND FOR LOANS

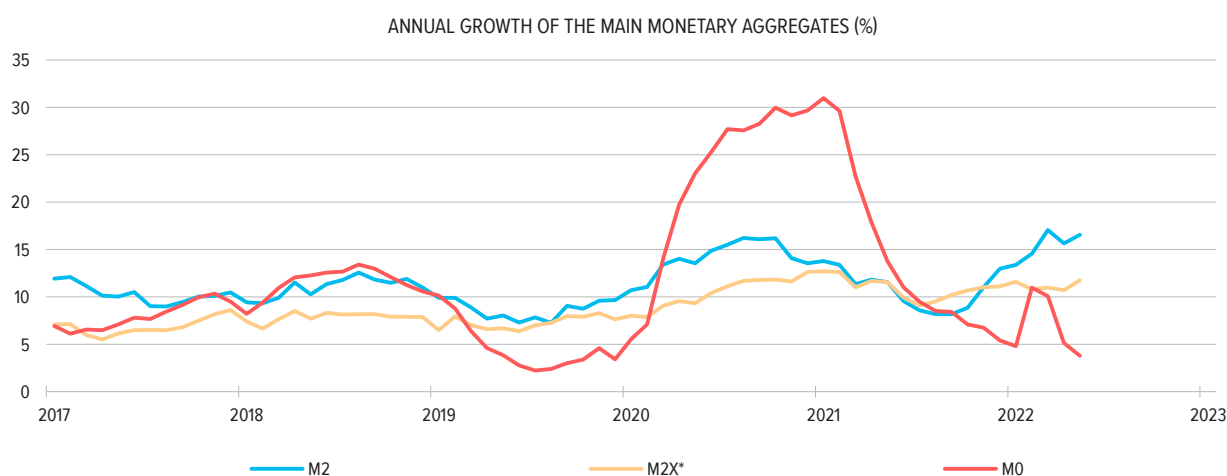
Chart 17



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

MONEY SUPPLY GROWTH SPED UP IN MAY

Chart 18



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

CREDIT AND DEPOSIT MARKET INDICATORS

Table 5

		February 2022	March 2022	April 2022	May 2022
Interest rates on banks' long-term ruble transactions					
household deposits	% p.a.	8.1	9.6	9.3	8.2
household loans	% p.a.	11.4	11.4	15.2	15.1
corporate loans	% p.a.	10.5	13.2	12.9	12.0
Households' funds*	% YoY, AFCR	1.7	1.4	2.8	5.4
in rubles*	% YoY	5.2	7.6	9.0	11.5
in foreign currency	% YoY	-10.7	-20.5	-21.3	-19.2
share of foreign currency*	%	20.4	18.2	15.2	14.0
Corporate loans**	% YoY, AFCR	14.1	12.8	9.9	8.7
short-term (up to 1 year)	% YoY, AFCR	14.8	7.3	4.9	3.9
long-term (more than 1 year)	% YoY, AFCR	15.8	15.4	12.3	11.1
Household loans**	% YoY, AFCR	23.4	20.9	17.4	14.6
housing mortgage loans	% YoY, AFCR	27.4	27.2	23.5	20.9
unsecured consumer loans	% YoY	20.5	16.0	12.5	9.7
Banking system's claims on the economy	% YoY, AFCR	16.1	15.7	14.1	12.4
on businesses	% YoY, AFCR	13.7	14.0	12.9	11.6
on households	% YoY, AFCR	22.5	20.2	17.0	14.4
Money supply (monetary aggregate M2)	% YoY	14.6	17.1	15.7	16.6
Broad money	% YoY, AFCR	10.8	11.0	10.7	11.8

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

* Excluding escrow accounts.

** From 1 February 2021, the portfolio of corporate and retail loans includes acquired claims. The portfolio growth was calculated net of acquired claims.

Source: Bank of Russia calculations.

Data cut-off dates:

- 'Money market and overnight rates (RUONIA)' section – 12 July 2022 (The reserve requirements are an important part of the Bank of Russia's instruments for managing banking sector liquidity and money market rates. Therefore, the operational procedure of the Bank of Russia's monetary policy should be analysed for efficiency with account of required reserves averaging periods. In June–July 2022, this period is from 15 June 2022 to 12 July 2022);
- 'Money market yield curves and key rate expectations' and 'Public debt market' sections – 30 June 2022;
- 'Credit and deposit market' section – 1 June 2022.

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

Please send your comments and suggestions to svc_analysis@cbr.ru.

This commentary was prepared by the Monetary Policy Department.

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