



Bank of Russia



REGIONAL ECONOMY: COMMENTARIES BY BANK OF RUSSIA MAIN BRANCHES

No. 13 • July 2022

14 July 2022

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

This issue was compiled by the Siberian Main Branch of the Central Bank of the Russian Federation.

Please send your comments and suggestions to *oleninaea@cbr.ru*, *mogilatan@cbr.ru*, *andreevav@cbr.ru*, and *danilovail@cbr.ru*.

Cover photo: Branch of PJSC RusHydro – Sayano-Shushenskaya HPP named after P. S. Neporozhny.
Source: Shutterstock/FOTODOM

12 Neglinnaya Street, 107016 Moscow
Bank of Russia website: www.cbr.ru

© Central Bank of the Russian Federation 2022

39
mln
people

MB for Central FD

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

14
mln
people

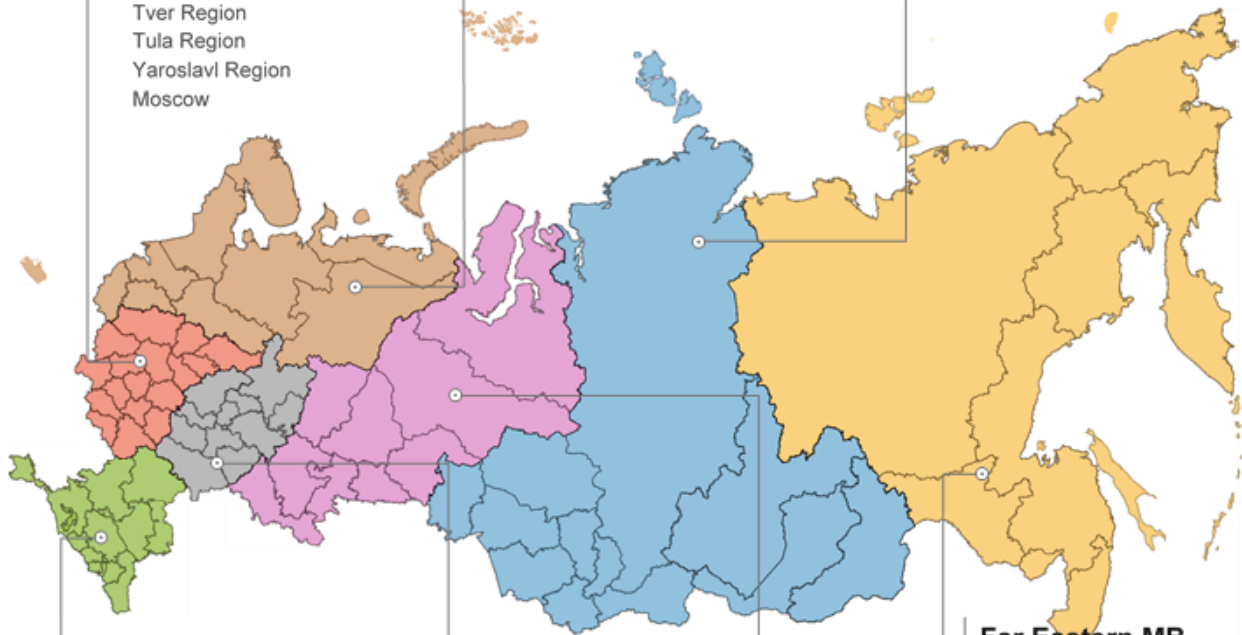
North-Western MB

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

19
mln
people

Siberian MB

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



26
mln
people

Southern MB

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

20
mln
people

Volga-Vyatka MB

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

6
mln
people

Far Eastern MB

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

21
mln
people

Ural MB

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

CONTENTS

Russian Federation.....	6
Key trends in Russian regions	7
Core economic indicators	8
Inflation in Russian regions.....	9
Bank of Russia Main Branch for the Central Federal District.....	10
Bank of Russia North-Western Main Branch	12
Bank of Russia Volga-Vyatka Main Branch	14
Bank of Russia Southern Main Branch	16
Bank of Russia Ural Main Branch	18
Bank of Russia Siberian Main Branch.....	20
Bank of Russia Far Eastern Main Branch	22
Box 1. The level of stocks	24
Box 2. Households' consumption and saving behaviour.....	31
Annex. Core economic indicators	37



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

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

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



HOW DO WE COLLECT INFORMATION?

An important source of information for the Report is the monitoring of nearly 14,000 non-financial companies¹ carried out by the Bank of Russia Main Branches. It provides high-frequency data on the development of industries in all Russian regions. These data are combined with information received by the Bank of Russia Main Branches, including following various events with the engagement of regional executive authorities, businesses, industrial unions, and entrepreneurs' associations. Along with this high-quality information, we also use figures, including official statistics. All data are verified for accuracy and consistency.



WHAT IS THE PURPOSE OF THE REPORT?

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

¹ In June 2022, we surveyed 13,923 companies.

RUSSIAN FEDERATION

In June 2022, the overall level of consumer prices adjusted downwards slightly after soaring in March–April. The main contributors to this decrease was a decline in consumer demand and a stronger ruble. Nonetheless, proinflationary pressure persisted – it was put by an increase in producers’ and suppliers’ costs, including due to disruptions in production and logistics chains. Companies’ price expectations lowered, while remaining elevated. An easing of monetary conditions somewhat boosted the demand for corporate and retail loans.

In May–June, **consumer activity** in most Russian regions **remained moderate**. Households cut their spending for non-food goods. Consumer product manufacturers and retailers reported that demand shifted towards cheaper goods. **Consumer sentiment indicators suggest that households still opt to save**, but might switch to more active consumption (see the Box *‘Households’ consumption and saving behaviour*). Households’ demand for domestic tourism surged. A high utilisation rate of infrastructure was recorded by the hospitality industry in the majority of Russian tourism regions. Despite the currently challenging situation, retailers and service companies remain optimistic about future demand.

Performance across industries varied according to their dependence on foreign markets. **Export-oriented industries** affected by restrictions in external markets faced a **reduction in the output of end products** and a surplus of stocks. **Industries depending on imported parts, components and materials** continued to search alternative suppliers and readjust logistics, which was often accompanied by **rising costs and output prices, as well as shrinking stocks** (see the Box *‘The level of stocks’*). **Industries focused on domestic demand** and having a low dependence on imports adjusted to the changed business conditions faster than all other sectors, **building up their order portfolios and increasing the utilisation of their production capacities** amid weaker competition with imported products and the redistribution of the structure of demand.

Consumer prices declined in June 2022 as compared to the previous month, with annual inflation decelerating to 15.9%. This was owing to the downward adjustment of prices for certain products and services, which was associated with a stronger ruble and weaker consumer demand. Nonetheless, proinflationary pressure persisted – it was put by an increase in costs for logistics, raw materials, and packaging. Businesses’ price expectations for the next three months continued to decrease, returning to the level of spring 2021. As before, the important factors of future inflation trends include the extent of the increase in costs due to the structural transformation of the economy, as well as the availability of imports and the pace of its restoration.

In June, the reduction in credit rates somewhat revived corporate and retail lending, as compared to the previous month. Furthermore, segments with a large share of government support, namely lending to small and medium-sized enterprises (SMEs) and subsidised mortgage loans, were recovering more quickly.

KEY TRENDS IN RUSSIAN REGIONS

MAIN BRANCH FOR THE CENTRAL FEDERAL DISTRICT. Consumer demand continued to shift towards cheaper goods, with a part of households opting to purchase private farms' products. The macro-region will soon complete a number of large projects for building vegetable storages. The Moscow Region reported an increase in vacant storage facilities due to the exit of foreign companies and the suspension of operation of some domestic enterprises. Housing prices declined or stayed unchanged because of lower demand.

NORTH-WESTERN MAIN BRANCH. Chemical enterprises expect demand to edge down and are adjusting the production, including by changing the structure of output. Dry cargo turnover at the macro-region's seaports contracted, with container shipments shrinking most notably. The demand for housing, including individual housing construction, was gradually recovering. Tourist activity in the North-West remained high due to restrictions on flights, among other things.

VOLGA-VYATKA MAIN BRANCH. Shopping mall traffic was still low. The output of domestic cars partly rebounded, which became possible owing to the technology simplification of products and the reduction in the range of cars. The plants of foreign carmakers remained idle, with the prospects for the resumption of production being uncertain.

SOUTHERN MAIN BRANCH. The expansion of food supply and positive expectations about the harvest slowed down inflation. The easing of lending conditions slightly revived the demand for loans (including on the part of importers). The tourist flow was supported by partial refocusing on the North Caucasus regions amid the closure of a number of southern airports and the complete utilisation of railway transport to the Black Sea destination. Packaging and seed producers ramped up their output.

URAL MAIN BRANCH. In the conditions of a limited range of goods and weak demand, dealers' storage facilities are being stocked with domestic and Asian cars. Petrochemical enterprises launched a number of import-substituting production facilities. Greenhouse complexes plan to build up output. Public catering companies report a recovery of the demand for their services.

SIBERIAN MAIN BRANCH. Due to problems with exports, the coal industry was forced to reduce output. Non-ferrous metal company mostly exported their goods under effective long-term contracts, but there were still cases where buyers refused to purchase Siberian metals (despite the absence of any official bans), a decline in demand, and an increase in finished product inventories. Siberian tourism regions recorded an expansion of the tourist flow and an extremely high utilisation rate of hospitality infrastructure.

FAR EASTERN MAIN BRANCH. Food manufacturers reported that consumer demand shifted towards products in smaller packages. As cargo traffic was redirected from the West to the East, there was a considerable expansion in exports via Far Eastern seaports, whereas cargo transit to the Western destination contracted. Tourist companies expect an increase in the number of tourists in summer amid the remaining restrictions on foreign travel.

CORE ECONOMIC INDICATORS

		Date	Russia	Central FD	North- Western MB	Volga- Vyatka MB	Southern MB	Ural MB	Siberian MB	Far Eastern MB
MBs' percentage in inflation	%	2022	100	34	11	12	14	13	11	5
Inflation	% YoY	June22	15.9	16.3	15.5	16.7	16.1	15.1	17.2	14.1
Core inflation	% YoY	June22	19.2	19.9	19.0	20.1	18.8	17.7	19.9	16.5
Industrial production	3MMA, % YoY	May22	0.0	4.8	1.1	-1.3	-0.2	-0.8	3.5	-1.2
Fixed capital investment	Cumulative, % YoY	2022 Q1	12.8	8.2	3.4	12.8	2.5	18.4	8.9	19.9
Construction	3MMA, % YoY	May22	5.7	10.4	-4.6	13.2	4.5	-7.1	16.9	8.1
Housing commissioning	3MMA, % YoY	May22	36.9	60.9	26.0	16.0	50.2	20.6	6.7	72.4
Retail	3MMA, % YoY	May22	-6.0	-8.2	-6.7	-5.7	-0.6	-6.2	-0.9	-0.5
Commercial services	3MMA, % YoY	May22	1.9	2.3	1.1	4.1	4.4	2.1	5.6	-3.0
Real wages	3MMA, % YoY	Apr22	-0.4	0.6	-1.4	-1.3	-3.4	-1.4	-0.2	-1.6
Real disposable income	% YoY	2022 Q1	-1.0	3.4	0.4	-0.3	-1.2	0.0	-0.1	-0.4
Unemployment rate	SA, %	May22	4.0	3.0	3.3	3.2	6.4	3.6	5.0	3.9
Outstanding consumer loans ²	% YoY	May22	9.1	10.6	8.3	7.5	10.8	7.1	9.2	7.5
Outstanding mortgage loans	% YoY	May22	20.9	22.1	20.5	18.1	25.0	16.3	20.0	28.7
Funds in escrow accounts	% YoY	May22	92.4	100	144	67	55	63	77	113
Non-financial organisations' outstanding bank loans	% YoY	May22	16.1	13.4	43.5	12.8	13.4	17.9	8.6	6.7
• Large borrowers	% YoY	May22	13.1	9.6	53.3	8.3	5.5	15.6	3.8	2.0
• SMEs	% YoY	May22	30.9	38.7	11.0	25.5	35.0	32.7	25.6	25.6
Companies' price expectations ³	Balance of responses, SA	June22	21.5	27.0	20.5	26.4	17.3	23.6	21.1	19.8
Business Climate Index	pp YoY	May22	-7.0	-9.5	-10.5	-8.3	-3.9	-7.6	-3.4	-5.7
• Current estimates	pp YoY	May22	-7.6	-10.4	-12.0	-9.5	-3.7	-7.9	-4.7	-5.1
• Expectations	pp YoY	May22	-6.3	-8.6	-8.9	-6.9	-4.1	-7.3	-1.9	-6.2

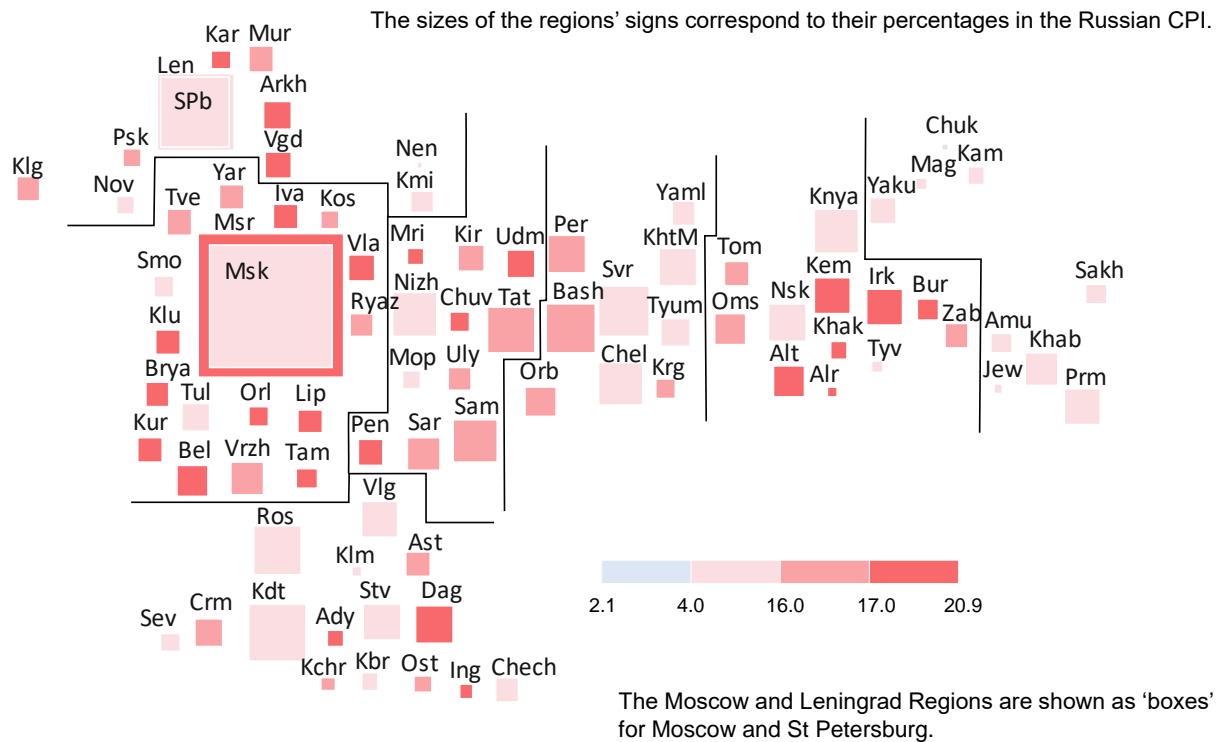
Sources: Bank of Russia's monitoring of businesses, Rosstat, calculations by the Bank of Russia Main Branches.

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

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

INFLATION IN RUSSIAN REGIONS

Price growth in June 2022, % on the same month last year



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

Source: Rosstat.

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

BANK OF RUSSIA MAIN BRANCH FOR THE CENTRAL FEDERAL DISTRICT



Consumer activity bounced back in June, while still staying below of level of February. Weak demand and a stronger ruble decelerated inflation. Businesses' price expectations trended downwards in June amid a slower rise in costs. Lending conditions improved, which revived the demand for mortgage loans.

CONSUMPTION AND INCOMES. Consumer activity in the macro-region recovered in June after a decline in May, while remaining below the level recorded in February 2022. Sales of electronic devices and household appliances in Moscow shopping malls plummeted by nearly a half as compared to June 2021. Meat and dairy product manufacturers increased the proportion of cheap products in their range. Some households refocused on private farms' products and generic drugs. The sanctions on outbound tourism and the cashback programme boosted the demand for tourism in Russia, including in the Moscow metropolitan area. Retailers were mostly optimistic about future demand, despite the expansion of vacant retail areas. Consumer demand was supported by wage indexation at some companies, including in IT and finance. Overall, wage growth trends were uneven across regions and industries.

PRICES. Seasonally adjusted monthly inflation continued to slow down in May–June owing to a stronger ruble and weaker demand. Businesses' price expectations in the macro-region were still declining, returning to the level of late 2021–early 2022. Such changes were recorded in all main industries amid a slower rise in costs and economic activity risks. A considerable weakening of demand was an additional contributor in construction. An expansion of finished product inventories contained companies' price expectations in some manufacturing sectors.

MONETARY CONDITIONS AND BANKING SECTOR. In the context of the decrease in the Bank of Russia key rate and the active implementation of government subsidised corporate lending programmes, increasingly fewer companies complained about a worsening of lending conditions in May–June. The support of corporate lending by regional authorities was most extensive in Moscow. The retail loan portfolio remained almost unchanged in May, with a decline in outstanding consumer loans offset by the growth of outstanding mortgage loans. In June–early July, market-based and subsidised mortgage lending conditions became more attractive (for instance, interest rates under subsidised mortgage lending programmes were down, and some banks extended mortgage maturities for up to 35 years), which will support the demand for housing. As interest rates on ruble deposits edged up and the ruble strengthened, there was a moderate inflow of funds into time ruble deposits in May.

POTATO AND OUTDOOR VEGETABLE MARKET. The Central macro-region expects a larger harvest of potatoes and open-field vegetables owing to the expansion of the crop areas. The Belgorod and Voronezh Regions still experience a shortage of advanced vegetable storages. The changes in external conditions caused delays in supplies and pushed up prices for imported equipment and spare parts. Rising costs delay the construction of vegetable storages. Specifically,

the construction period was extended for a large project in the Smolensk Region. Nevertheless, the situation with vegetable storages improved in recent years owing to the opening of new storage areas in several regions of Central Russia. Besides, the Lipetsk Region is completing the construction of two large potato storages. The Moscow Region plans to complete five investment projects for the construction of vegetable storages until the end of the year, with the support from the government.

LOGISTICS. As foreign companies exited the market and some domestic enterprises suspended their operation, the macro-region observes an emerging trend for an increase in vacant storage facilities. This trend is most notable in the Moscow metropolitan area where foreign companies occupied nearly 20% of such facilities. There is also a rising number of offers for subleasing commercial warehouses. This is because lessees wish to sublease temporarily idle warehouse facilities in order to partially offset their costs amid the reduction in their own product inventories and a lower need for their storage. Vacant storage facilities in all other regions remained almost unchanged. The upward trend in the commissioning of warehouses remained in 2022 H1, predominantly owing to the facilities launched to meet enterprises' own needs. Specifically, the area of warehouses commissioned in the Moscow metropolitan area over 2022 H1 was 18% larger year-on-year. However, due to a contraction of investment beginning from February, the construction of new projects nearly discontinued in the market. Despite the expansion of vacant areas, the level of lease rates in this segment remained almost the same as in February 2022. Companies expect the demand for warehouses to recover to previous levels by autumn when the businesses completely adjust to the new conditions and rearrange their supply chains.

HOUSING MARKET. According to market participants' estimates, the demand for housing in June dropped to one of its lowest levels over the past year, especially in the Moscow metropolitan area. Moscow developers actively boosted the demand through special offerings, including discounts of up to 12%, mortgage rates of 1%, a storeroom as a gift, and a 50% discount for a parking slot. After the increase over previous years, prices for new housing stopped growing or even declined by the beginning of June in the majority of regions in the Central Federal District. To support the demand for housing, in addition to the federal subsidised mortgage lending programmes, regional authorities are developing local projects focused on certain categories of households. Namely, the Belgorod Region subsidises 6% of the mortgage rate, the Kursk Region – up to 3%, the Orel Region – up to 1%, and the Lipetsk Region allocates subsidises for housing purchase and loan repayments. Many developers jointly with their partner banks offered expanded loan limits. According to experts, the demand for housing projects close to completion will rise by autumn 2022, while staying below the level of 2021 in annualised terms.

BANK OF RUSSIA NORTH-WESTERN MAIN BRANCH



Consumer activity in the macro-region remained moderate in June. Companies' price expectations lowered to the level of early 2021. Chemical enterprises adapted their production processes to the new conditions. Dry cargo turnover at the seaports, especially container shipments, contracted. The housing market revived after the decline in demand over previous months.

CONSUMPTION AND INCOMES. Consumer activity remained moderate in June. Nonetheless, retailers and service companies became more optimistic about future demand.

Demand and supply in the consumer market are gradually adjusting to the changed conditions. Customers' preferences in Saint Petersburg shifted towards cafés and restaurants with a low average order amount. There are new places of such format opening in the city. A shopping mall in the centre of the city opened a department store offering nearly 50 Russian brands of clothing, footwear, cosmetics, accessories, and household goods.

Russian tourists increased the demand for travels to the North-West, including due to the restrictions on flights to the South of Russia. The inflow of tourists in the macro-region was also promoted by the active development of event and rural tourism, with the latter being especially popular in the Leningrad Region. Most tourism facilities were reserved until the end of summer.

PRICES. Annual inflation in the North-Western Federal District slowed down to 15.5% in June from 16.9% in May. Seasonally adjusted prices declined. This was mostly because supply in certain product categories expanded, the ruble became stronger, and the soaring demand for some goods demonstrated by households in February–March diminished.

North-western companies' price expectations continued to edge down in June in the majority of industries, coming close to the level of early 2021. The main reasons for the downward trend were a slower rise in costs and the adjustment of competitors' prices. Specifically, manufacturing enterprises lowered their price expectations. In particular, regional sawn lumber and packing paper manufacturers plan to reduce output prices due to the expansion of domestic supply amid the effective restrictions on exports to Europe.

MONETARY CONDITIONS AND BANKING SECTOR. In the context of lower interest rates, corporate lending in the macro-region expanded. As before, it was also supported by government subsidised programmes for small and medium-sized businesses.

Consumer lending recovered somewhat. The mortgage market might revive in the next few months, including owing to improved conditions under government subsidised mortgage lending programmes. An easing of lending conditions enabled developers for expand their programmes for subsidising mortgage rates.

CHEMICAL INDUSTRY AND PHARMACEUTICALS. According to the June survey, chemical enterprises became more optimistic about future demand. At the end of May, the Leningrad Region commissioned the production of advanced chemical additives for the petrochemical, metallurgical and other industries. The largest fertiliser producer of the North-West expects to increase output, which will partly offset its contraction in May. Another market player revised the range of its products and offset the decline in sales by the end of May, which was caused due to the earlier difficulties with logistics. In June, enterprises maintained full utilisation.

Over January–May, the macro-region expanded the output of medicines by 19% year-on-year. A large enterprise focusing on active pharmaceutical substances found suppliers of important components for manufacturing medicines in Russia that previously had been mostly purchased abroad. A pharmaceutical plant in Saint Petersburg resumed its operation in June after the interruption from autumn 2021, launching the production of several medicines.

CARGO TRANSPORTATION. Cargo turnover at the North-Western seaports edged up by 1.3% over January–May 2022, as compared to the same period last year, driven by an increase in liquid cargo transshipment. Contrastingly, dry cargo loading and unloading declined by 14.3% over the same period. As international sea transportation operators exited the Russian market and companies were forced to redirect their trade flows, container shipments in the macro-region plummeted.

The restrictions enacted by the European Union considerably complicated ground and sea cargo transportation in the North-West. Periods and costs of the transportation of many goods increased. Companies' price expectations trended upwards in June. This problem was most acute in the Kaliningrad Region where railway and motor cargo traffic shrank by nearly a third due to the restrictions on transit of a broad range of goods via Europe. To ensure sufficient supplies to the region, cargo traffic was partly redirected to the seaports of the Leningrad and Kaliningrad Regions. There are train ferries and a multi-purpose vessel for the carriage of motor transport and containers operating on the route. Another cargo motor vessel from Saint Petersburg was launched at the end of June.

REAL ESTATE MARKET. Over January–May 2022, the macro-region increased housing commissioning nearly 1.4 times year-on-year. This was mostly associated with the completion of construction projects launched earlier. The Leningrad Region accomplished the largest number of housing projects.

At the beginning of summer, the real estate market started to revive, largely owing to rising demand for individual housing construction (IHC) projects after the decline in the demand for housing in April–May. According to experts, as the deposits placed in early spring at high interest rates mature, customers will use these funds in the next few months as down payments for purchasing housing. Besides, the decrease in the interest rate to 7% under the government subsidised lending programme will also be an important contributor to the revival of the real estate market.

BANK OF RUSSIA VOLGA-VYATKA MAIN BRANCH



The decline in economic activity in the macro-region discontinued in May–June. In the industrial sector, this became possible owing to the earlier launched import substitution programmes, still high domestic demand for investment goods, and a partial relaunch of the production of domestic cars. The decrease in consumer demand mainly terminated, including amid the easing of monetary conditions.

CONSUMPTION AND INCOMES. After the slump in April, consumer demand remained subdued in May–June. According to businesses, this trend in the non-food segment was associated with customers' expectations of a reduction in prices for electronic devices, household appliances and cars, as well as the contraction of the range of offered goods. Retailers' estimates of demand expected in the next three months remained moderate. Companies believe that demand in some regions will start to bounce back no earlier than in autumn.

While staying below last-year levels, shopping mall traffic edged up slightly, including because some foreign brands resumed their operation. Nonetheless, the absence of anchor tenants still adversely affects the work of trade centres, especially large ones.

Businesses in some regions reported a decline in the demand for cosmetics and the closure of stores of a large cosmetics chain due to the impossibility to maintain the range of products. Some stores recorded a slight rise in the demand for construction materials. According to estimates, this was because customers redistributed the funds intended for foreign travel and the deposits opened in March at high interest rates matured.

PRICES. In May–June, both the current growth rates of consumer prices and businesses' price expectations continued to decrease. Fewer companies complained about rising costs, including for raw materials and components. As compared to February, price expectations lowered most notably in retail, the automobile industry, and construction. Specifically, a plywood factory is concerned about possible oversupply and declining prices in the domestic market due to the embargo on wood and sawn lumber exports.

MONETARY CONDITIONS AND BANKING SECTOR. Outstanding consumer loans continued to decrease in May (for the third consecutive month), but this decline was slowing down gradually. According to high-frequency indicators, interest rates on consumer loans edged down and the amounts of disbursements bounced back gradually in May–June. The monthly growth of the mortgage loan portfolio remained close to zero, despite a notable reduction in interest rates. The amount of mortgage loans issued under subsidised programmes recovered to the averages of 2021 H2 by the beginning of July.

INVESTMENT GOODS OUTPUT. In May, activity in this industry remained at the pre-crisis level. As regards supply, this trend was associated with the refocusing of companies on domestic materials and components that had started earlier. This helped reduce the sensitivity of production to disruptions in imports. In particular, a large shipyard that had been implementing its import substitution programme for a long time did not have any significant difficulties in recent months with maintaining its output.

In addition, domestic investment demand remained the same in the industry. Specifically, a large electrical goods manufacturer worked on orders for the oil and gas industry and metallurgy. Another enterprise plans to launch the production of charging stations for electric cars to later on install them in a large city of the macro-region.

Furthermore, the changed external conditions boosted the demand for domestic products. For instance, the leading rail car builder reported a new order from a large Volga-Vyatka ammonia manufacturer. This demand was associated with the impossibility for the company to export its products via previous transportation channels.

AUTOMOBILE INDUSTRY. The situation in the industry in May–June improved as compared to April, but remained quite complicated. The output of domestic cars started to restore partly, whereas the output of commercial motor vehicles remaining relatively stable. Nevertheless, the production capacities for cars of foreign brands stayed idle due to the uncertainty about a possible resumption of manufacture.

Carmakers addressed their problems with further production predominantly through technology simplification and the reduction in the range of cars. One of the leading enterprises implemented its initial plans to decrease the working week, while raising wages for the staff ahead of schedule. Furthermore, the enterprise reported a redistribution of its labour resources from the part of idle production facilities to other manufacturing sectors. In particular, employees of one of such facilities were engaged at other machine-building enterprises and a truck factory in another region of Volga-Vyatka.

The situation in the production of commercial motor vehicles remained slightly better. Among other factors, this was associated with the successful substitution of required imported components. Specifically, in May, a large manufacturer of light commercial vehicles commissioned a new plant to produce metal goods for engines. For this reason, the enterprise did not shorten the working week in May–June as it had planned before. However, the company started to record a decline in domestic demand, which was a factor limiting its output.

TOURISM. In 2022 H1, many Volga-Vyatka regions reported an upward trend in the number of tourists, as compared to 2021. The macro-region continues to develop river tourism opening new trip destinations. Furthermore, regions cooperate in the development of routes and infrastructure. A tour operator from Tatarstan sold nearly all summer river cruises. The increase in the demand for river tourism boosts investment in the development of riverside districts. There are projects of houses on the water and hotels of various categories. Domestic railway tourism became a new area in the industry. Namely, several regions launched vintage trains for tourists.

BANK OF RUSSIA SOUTHERN MAIN BRANCH



In June, regional companies became more optimistic about output and demand. The contraction of demand slowed down amid the easing of monetary conditions and the increase in the tourist flow in the North Caucasus. Inflation is decelerating owing to expanding food supply and a stronger ruble. Businesses are gradually adjusting to the changed external conditions. Packaging manufacturers plan to build up output. Some industries remain highly dependent on imports. Plant breeders intensify their efforts for breeding new seed varieties.

CONSUMPTION AND INCOMES. Consumer activity in June was lower year-on-year. Demand shifted towards cheaper segments. The Karachay-Cherkess Republic, the Republic of Ingushetia, and the Volgograd Region recorded a decline in the number of visitors of public catering places. However, the overall weakening of demand slowed down, whereas companies' expectations improved. Retailers are gradually finding new partners. After an Italian clothing store in Volgograd closed, this trade area was occupied by an Asian discounter opening a store of food and non-food products from Asian and Russian suppliers. In the Chechen Republic, a distributor of US carbonated drinks switched to the sale of domestic groceries, juices, and drinks. The number of companies planning staff reductions and part-time employment schemes decreased. The expansion of the tourist flow boosted the demand for employees in the hospitality and public catering industries at Caucasian Mineral Water resorts and the Republic of Daghestan.

PRICES. Annual inflation edged down to 16.1% in June, whereas monthly price growth (seasonally adjusted) was negative (-0.39%). The expansion of food supply contained the inflation rate. There was an increase in fruit and vegetable supplies from both domestic and CIS producers. Sales channels are expanding: namely, since the beginning of the year, the Stavropol Territory hosted 800 mini fairs with free places for manufacturers. According to the business survey, the proportion of enterprises assuming a rise in prices in the short term declined (from 21.6% in May to 18.7% in June). This is typical of clothing, food and drink manufacturers, among others.

MONETARY CONDITIONS AND BANKING SECTOR. Companies in most industries reported that lending conditions were eased somewhat. SMEs slightly increased their demand for loans, which was driven by lower market rates and the implementation of government support measures. Importers' credit activity revived. Concurrently, banks maintain tight non-price requirements for borrowers and, generally, do not plan to ease them significantly. According to some banks, lower interest rates slightly promoted the demand for both consumer and mortgage loans. After the short-term deposits opened in March at peak interest rates matured, people signed new agreements at lower rates. Households still opt to save funds in bank deposits, although at lower interest rates.

PACKAGING MANUFACTURE. Considering the expansion of demand, manufacturers plan to ramp up output. This was reported by the majority of surveyed companies, including large manufacturers of paper packaging and foiled cardboard in the Volgograd Region and of tin containers in the Republic of Crimea. Most of them use raw materials supplied by Russian and Asian producers, as well as by EAEU countries, and have no problems with supplies. However, the production of advanced packaging requires high-quality imported materials. According to two large food packaging manufacturers in the Rostov Region, their dependence on unfriendly countries' raw materials is about 50–60% and they are refocusing on alternative suppliers. For the most part, they have found the substitutes and are completing the tests and certification of new components. The said companies report that costs for raw materials soared 1.5 times, due to which one of them switched to the technology for using materials remaining after the production of premium products for manufacturing a new range of less expensive goods.

TOURISM. The tourist flow in the macro-region remains elevated, while being uneven across districts due to the closure of some Southern airports. Specifically, although railway transportation increased 1.5 times, the occupancy rate of Crimean hotels declined by a fourth as compared to the previous year. The level of reservations for July–August dropped by a third, with some large health resorts complaining about a twofold decrease. Contrastingly, the occupancy rates of accommodation facilities in Daghestan, North Ossetia-Alania, and the Stavropol Territory edged up by nearly 10%. Sochi remained the leader by the number of tourists. In June, the tourist flow in the city increased by 2% year-on-year, whereas the booking depth for July–August – by almost 10 percentage points, exceeding 75%. Overall, due to logistics problems, including a shortage of railway tickets, the average percentage of reservations for summer in the Krasnodar Territory is slightly below the level of the previous year. Hotels at the Black Sea coast raised prices for services in July. The rise was especially notable in four-star hotels (by 12–13% year-on-year, as compared to 3–5% in five-star hotels and 6–8% in three-star hotels).

CROP PRODUCTION. The South of Russia started the harvesting campaign. As a result of the renewal of the agricultural machinery fleet, the industry has sufficient technical resources for field work. However, according to some agricultural enterprises and regional machinery dealers, the period for spare part delivery increased from two to six months and there can be a shortage of spare parts over the medium term that they might be unable to cover through parallel import channels.

Agricultural enterprises expect a larger harvest of vegetables and potatoes. Despite a positive forecast for the grain harvest in general, the rice area in the Krasnodar Territory (70% of total yield in Russia) decreased by over 20% due to an accident at the Fedorovsky hydroelectric complex. Contrastingly, the Republic of Daghestan expanded its rice area to a record high owing to the commissioning of new engineering systems and the reconstruction of the existing ones. As a result of the opening of the North Crimean Channel, the Republic of Crimea started to use 850 hectares of new rice areas. According to experts, the expected rice harvest, a temporary ban on its exports, and the potential for imports will ensure the required level of supply in the country. Seed breeders started the work to supply domestic seed for the next sowing season. The Stavropol Territory expanded the areas for producing hybrid sunflower and corn seed. This will enable the Territory to fully meet the macro-region's demand for sunflower and corn seed already in the 2022/2023 agricultural year.

BANK OF RUSSIA URAL

MAIN BRANCH



Consumer demand in the Urals remained weak in June. Nonetheless, companies became slightly more positive about the market situation and demand, and their price expectations decreased. Petrochemical enterprises launched a number of import-substituting production facilities. Greenhouse complexes plan to build up output. Public catering businesses expect that demand will continue to bounce back, despite rising prices and a contracted range of products.

CONSUMPTION AND INCOMES. According to high-frequency indicators, consumer activity in the Urals remained weak in May–June. Retailers became more optimistic about future demand owing to the indexation of pensions and the increase in the minimum monthly wage beginning from 1 June. The cancellation of anti-pandemic restrictions in Russia and limited opportunities for foreign travel shifted consumer demand towards domestic tourism and public catering services. According to shopping malls, traffic continues to shrink, and people reduced spending for household appliances, medicines, furniture, clothing, and construction materials. Car showrooms reported a revival in car lending, and dealers are filling in their warehouses with domestic and Asian cars expecting demand to recover. According to the hh.ru portal, employers posted the largest number of vacancies in the Start of Career/Students section, whereas low-skilled workers and experienced specialists in transport, logistics and construction remained the most demanded employees. The most considerable reduction in vacant positions was recorded in public administration, car trade, finance, and HR management.

PRICES. Annual inflation in the Urals slowed down to 15.1% in June. This was mostly associated with the downward adjustment of prices for certain products and services, coupled with the considerable strengthening of the ruble and the weakening of demand after its surge in March. An important contributor to the deceleration of inflation in May–June was the expansion of fruit and vegetable supplies to the local markets from Asia. The industrial sector slightly lowered price expectations in May–June, predominantly due to declining demand for some types of goods (specifically, metal products) that had been previously exported or used to manufacture products for foreign buyers. Furthermore, prices for domestic products substituting imported construction materials, paints, and other chemicals trended upwards. Many companies continued to experience pressure put by higher costs resulting from the renegotiation of contracts, changes in supply conditions and logistics, and extra costs for re-equipment and rearrangement of production facilities.

MONETARY CONDITIONS AND BANKING SECTOR. Credit and deposit rates continued to edge down. For the most part, lending was supported by the effective government subsidised lending programmes for SMEs and systemically important organisations. Construction, transport, logistics and trade companies increased the demand for loans. Households' credit activity started to bounce back, primarily driven by the reduction in the interest rate under the government subsidised mortgage lending programme. Market-based lending conditions remained moderately tight, including due to

the risks related to borrowers' creditworthiness. Furthermore, loan repayment holidays and banks' restructuring programmes limit the process of the deterioration of the quality of the consumer loan portfolio.

PETROCHEMICALS. According to a large Ural petrochemical enterprise, the output of base polymers is expected to stay close to the current level, with 60% of the products supplied to the domestic market, 80% of exports already redirected from Europe to Asia, and the majority of previously imported components substituted with Russian alternatives. In May, as a result of negotiations with large clients, polymer suppliers reduced prices to the level of late 2021. The petrochemical industry continues extensive import substitution. Specifically, a number of companies in Bashkortostan started to manufacture chemical components to be used in liquid fuel production and gas transportation. A Tyumen company commissioned a production line for high-temperature pyrolysis products (microspheres for well drilling and cementing that are also used in the power industry, oil refining, construction, machine-building, and healthcare). Their production is based on a totally autonomous technology and domestic raw materials and equipment.

GREENHOUSE VEGETABLES. Most large greenhouse complexes in the Urals are relatively new high-technology production facilities controlled by large agricultural holding companies having established logistics chains and in-house wholesale distribution networks. For the most part, companies have sufficient quantities of domestic fertilisers, crop protection chemicals and packaging and do not need any additional labour resources. The sanctions caused difficulties with supplies of components and consumables for the equipment, but they are being successfully settled owing to Russian and Asian manufacturers. The most urgent task to be addressed by enterprises in the near future is to switch to domestic seed as the dependence on imported seed is still high. The main sale channels for most large greenhouse complexes are federal and regional retail chains, as well supplies under state contracts, which guarantees the stability of demand. Provided that the government continues to support the industry, the majority of advanced greenhouse complexes plan to ramp up output next year.

PUBLIC CATERING. Most medium- and low-price segment businesses reported a recovery of the demand for their services. The closure of foreign companies' restaurant chains had a weak effect on current demand, and such locations were reopened in most regions after a short break under new brands. In large cities of the Urals, the cancellation of anti-pandemic restrictions and public events boosted the turnover of cafés with outdoor terraces and food trucks. Restaurants' estimates of demand recovery prospects vary, mostly due to the growth of food prices (fish and beef dishes became significantly more expensive) and a forced reduction in the range of dishes. Restaurants are actively searching domestic supplies, but still have to remove some dishes from their menus. Moreover, most restaurants used to purchase products with payment deferral, whereas now they have to make advance payments.

BANK OF RUSSIA SIBERIAN MAIN BRANCH



The growth in the Siberian industrial sector slowed down in May–June. Coal production and metallurgy still faced difficulties with exports and continued to search new suppliers and buyers. Consumer activity remains moderate and is still not supported enough by lending. Annual inflation slowed down. Businesses' price expectations lowered.

CONSUMPTION AND INCOMES. Retailers reported moderate consumer activity in May–June. Despite promotional campaigns and discounts, electronics and household appliance stores failed to boost customers' demand. A fish product seller recorded a decline in the demand for chilled fish, seafood, and semi-finished fish products.

Contrastingly, travel agencies reported an increase in demand and high occupancy rates at recreation centres and hotels in all price segments. Restaurants and street food businesses recorded a rise in demand.

PRICES. Annual inflation slowed down to 17.2% in June, mainly due to a decrease in prices for non-food goods, services, and food products. Companies reported restoration of logistics chains and found alternative suppliers. Furniture manufacturers substituted European fittings with cheaper products from Asia. Construction stores recorded a month-on-month decline in prices for flooring materials, ceramic tiles, metal products, brick, and mortar mixes. In monthly terms, Asian bathroom equipment became 5–10% cheaper. Car dealers were forced to reduce prices due to a slump in demand. A stronger ruble decelerated the rise in prices for electronic and communication devices and trips to Turkey and Egypt. According to agricultural, trade, and construction companies, price growth will slow down in the next three months.

MONETARY CONDITIONS AND BANKING SECTOR. Banks reported a recovery in the demand for consumer loans in the second half of June. However, due to uncertainty, households preferred to raise only small loans. The demand for mortgage loans remained low. In April–May, mortgage loans were mostly (70–75%) issued under subsidised lending programmes. Businesses primarily raised working capital loans under government subsidised programmes. The demand for investment loans was close to zero. Despite lower deposit rates, there was no significant outflow of household deposit from banks.

COAL MINING. In May–June, Siberian coal producers were forced to reduce their output due to problems with exports. Specifically, coal output in Kuzbass contracted by nearly 11% and coal exports – by 23% in May, as compared to the previous year. The stocks increased by over 27% in annualised terms and 5% month-on-month. Many producers face warehouse overstocking, which might be a reason for a further reduction in output. Siberian coal enterprises expect an expansion of exports to Southeast Asia which should offset the decrease in exports to the EU, Japan, and other countries caused by the sanctions. Some producers have already signed export contracts with new partners. However, Siberian coal enterprises still cannot estimate the volumes they will be able to export for sure because of limited railway capacity.

As to price trends, coal companies consider that coal exports remain profitable for now, even despite the discount on the price (up to 50% in some cases) and the cancellation of the long-distance concession.

NON-FERROUS METALLURGY. In May–June, the sanctions and disruptions in international logistics constraining exports and imports remained a bottleneck for Siberian industrial metal manufacturers. In 2022 H1, the number of containers loaded with non-ferrous metals for exports on the East-Siberian railway declined by 24%, as compared to the previous year.

According to a large industrial metal manufacturer, non-ferrous metals are exported mostly under effective long-term contracts with large industrial groups. However, despite the absence of any official bans, foreign clients started to refuse to purchase Siberian metals. In May–June, the enterprise reported a decline in demand and a considerable increase in its stocks. Due to the risks of a partial loss of Western markets, the manufacturer tries to promote metal consumption in Russia by changing the structure of its production considering domestic needs and offering discounts on prices to Russian partners. The existing problems with raw materials are currently being settled by changing the geography of supplies, but this involves higher costs.

Another market participant changed the logistics of exports because of the sanctions by including hubs in Southeast Asia. The company reported that it operates as normal and performs all its contractual obligations. None of its partners cancelled the contracts. Considering the measures taken to mitigate the impact of the sanctions, the manufacturer confirmed its metal production targets for 2022 within the earlier announced range. However, due to insufficient supplies of high-technology equipment, some investment projects might be postponed.

PACKAGE (GLASS, PLASTICS, CARDBOARD) MANUFACTURING. According to a large glass bottle manufacturer, the impact of the sanctions is minimal as its dependence on imports is low and its raw materials and components are mostly domestic. The company imports a part of glass moulds from Europe, but it has alternative suppliers from Asia. Demand from counterparties, including transnational corporations, is steadily high. Its capacity utilisation is at the highest level. Since the beginning of the year, its output surged more than 1.5 times, as compared to the previous year. Another enterprise ramped up the output of glass bottles by a third. It reports that it has no problems with sales attracting new clients every month, mostly regional food manufacturers.

A large plastic packaging manufacturer also reports an expansion in demand, stressing that it has changed the range of its products, namely because retail chains need increased quantities of their own brand packaging. Furthermore, low prices are becoming the most important factor, due to which clients are reducing costs for design, colourfulness, and complex marketing solutions. However, the company believes that packaging prices will definitely rise further due to a surge in costs for special additives, base polymers, and logistics.

A large cardboard packaging manufacturer redirected all its European exports to Asia. Another representative of the paper industry is commissioning the production of import-substituting antibacterial paper highly demanded in the domestic food market.

BANK OF RUSSIA FAR EASTERN MAIN BRANCH



Consumer activity in the macro-region remained moderate in June. Despite lower bank rates, households still preferred to save funds. Amid limited demand and a slower rise in prices for imported raw materials and components, businesses' price expectations continued to edge down. Cargo transit via Far Eastern seaports contracted, whereas exports, including of fish products, soared.

CONSUMPTION AND INCOMES. According to the business survey, demand in retail and services rose in May–June, as compared to April, and expectations for the next three months increased. Consumer activity remained moderate, staying below the level of late 2021. A meat product manufacturer in Kamchatka and a bakery complex in the Magadan Region reported that, with the price for a kilogram of a product remaining unchanged, they were forced to reduce the unit weight of their products due to the contraction of demand. Conversely, the demand for used Japanese cars edged up in June, including among buyers from Western regions, whereas prices for these cars declined to last-year readings as a result of the ruble's strengthening.

The proportion of companies planning to introduce part-time employment schemes or not to renew fixed-term labour contracts increased in June, as compared to the previous month.

PRICES. Annual inflation slowed down to 14.1% in June, and seasonally adjusted price growth dropped significantly below the level of early 2022. The main contributor was the decrease in fruit and vegetable prices owing to the expansion of supplies from Asia, as compared to both the previous month and June 2021, amid the weakening of anti-pandemic restrictions. Furthermore, a stronger ruble and declining demand caused a reduction in prices for cars, electronic devices, and household appliances. Businesses' price expectations lowered and, in June, returned to the level of January 2022. They declined in all key industries (except transportation and storage) amid a slower rise in prices for imported raw materials and components which became possible owing to a stronger ruble and contracting demand. Wholesale enterprises reported a decrease in input prices for certain food products (including for tea, sugar, milk powder, and others) in June, after their surge in March. Construction companies recorded a decline in prices for metal products, whereas prices for other construction materials continued to grow, driven by higher logistics costs.

MONETARY CONDITIONS AND BANKING SECTOR. In June, credit institutions eased lending conditions for all categories of borrowers, primarily by reducing interest rates. Consumer lending expanded in June, as compared to April–May. In contrast to Russia in general, the amounts of mortgage loans edged up, mostly owing to the Far Eastern Mortgage programme. A regional credit institution observed rising demand for a new product – mortgage loans for purchasing a land plot. Although the deposits placed in March at elevated interest rates matured in June, there was no outflow of household funds from banks. These funds were deposited with banks anew, although at lower interest rates. Companies' demand for market-based programmes started to recover in June, after the Bank of Russia reduced the key rate, and the amounts of issued subsidised loans decreased.

CARGO TRANSPORTATION. Cargo traffic at Far Eastern seaports continued to shrink in May, including because foreign companies were concerned about transit across Russia. Exports via seaports surged by 46% year-on-year as cargo traffic was redirected from the West to the East. The rates for sea freight from the Vladivostok seaport to China and South Korea remained unchanged in May, as compared to April, but soared by over a third in June versus May. Rail freight transportation from Asian countries increased by 18% in May, as compared to the same period last year. A large logging company still faced a shortage of rail cars. Concurrently, the macro-region was implementing projects for the development of cross-border transportation: in June, it increased the customs clearance capacity in Ussuriysk and opened the first automobile bridge across the Amur River to China.

In June, amid the replacement of the operator of one of the oil and gas projects on Sakhalin, the tankers of the enterprise transporting oil from the project were insured by a Russian company. Thus, after the interruption in April, shipments resumed.

FISHING AND FISH PROCESSING. In June, Pacific Ocean salmon fishing doubled year-on-year. Fish product exports by railway from the Primorye Territory surged by 42% in May, as compared to the previous year. Fish products were mostly exported to Asian markets. However, in May–June, China reintroduced temporary restrictions in relation to Russian ships due to the detected coronavirus traces on the packaging. A leading exporter noted high demand from Japan for frozen caviar and red salmon, expecting export prices to rise as compared to the previous year, and switched from US dollar to Japanese yen in its settlements. However, due to a stronger ruble, fishing enterprises forecast lower profits than over the previous year.

A large manufacturer of canned fish plans to reduce prices for certain products by up to 10% because of the decline in domestic demand and lower costs for raw materials amid the expansion of their supply. Enterprises reported that they had no problems with imports of spare parts for ship repairs, whereas the costs for their purchase soared by up to a third as direct supplies were impossible and they had to engage intermediaries.

TOURISM. As the demand for trips abroad and to the South of Russia contracted, travel companies expected an increase in the tourist flow to the macro-region in the current season, as compared to the previous year. The largest growth (threefold) is expected in the Primorye Territory where tourists have booked nearly all rooms in hotels and recreation centres for the high season (July–September). Sea cruises were launched to Sakhalin and the Kuril Islands. All tickets for subsidised flights to the Kuril Islands for the summer season have been sold out. Tour operators reported that demand considerably exceeded the quota provided for tourists. A charter flight from Moscow to Petropavlovsk-Kamchatsky was launched in June, and new charter flights from Moscow to Vladivostok and Yuzhno-Sakhalinsk are expected to be launched at the end of July. Additional flights between Far Eastern regions were launched in June. The industry will be supported by a twofold increase in cashback for tourist trips to Far Eastern regions.

BOX 1

THE LEVEL OF STOCKS

In 2022 H1, there was significant changes in both demand and supply. Overall, the Russian economy has a decreased level of the stocks of raw materials, components, and finished products. Nonetheless, in some industries and regions, the stocks exceed their usual level. The termination of trade relations with a number of foreign partners and difficulties with logistics have made the operation of many companies more complicated. They are facing problems with both exports of products and imports of raw materials and components. Companies entered new target markets, found alternative suppliers, or switched to production of less technology-intensive goods. In most cases, the replacement of a supplier involved extended delivery periods and higher costs passed through to output prices.

Companies' assessment of the stocks of their products depends on current and expected demand, as well as capacities of supply (Charts 3 and 4). According to the Bank of Russia's survey, at the end of June, approximately a third of enterprises reported that their stocks of finished products were below their usual level. A shortage of stocks was most often explained by the surge in demand following the exit of foreign competitors from the Russian market. The output of products and the replenishment of the stocks were constrained due to disruptions in imports of raw materials and components. Nearly a fourth of companies reported that their stocks of raw materials were below the normal level. By the end of June, a half of enterprises facing difficulties with supplies managed to find other channels, whereas in April this proportion made only a third. Only 3% of the surveyed businesses report that there is no opportunity for alternative supplies (Chart 1).

MINING AND QUARRYING

Stocks of materials and components. According to the Bank of Russia's recent survey, the problem of a shortage of imported components and materials in mining and quarrying is less serious than in other industries (Chart 2). However, a number of enterprises are concerned about the prospects of further utilisation of imported equipment as supplies of spare parts for it and its maintenance were terminated. Consequently, to save the resource of the equipment, some companies have to reduce output, which in some cases even causes a decrease in the stocks of finished products. An enterprise producing road construction gravel in the Leningrad Region is limiting its operations due to problems with spare parts imports, not utilising the machinery at its full capacity and not over-utilising it in order to optimise the maintenance costs, despite rising demand and the contraction of the stocks of finished products. A Far Eastern diamond mining enterprise reported a slowdown in stripping works in order to preserve the resource of its machinery.

Many of the found alternative supply channels are unstable for now. Most importers report **longer periods of supplies and a considerable increase in their costs**. According to a Magadan supplier of heavy vehicles for the mining and quarrying industry, it manages to find one-time solutions offsetting the emerging gaps, but still experiences a shortage of certain goods. A large mining and quarrying enterprise in Kamchatka, with the proportion of European equipment reaching 90%, faced a refusal to supply pre-paid components. The enterprise is switching to alternative supplies from Asia which take more time (up to three months instead of one) and are more expensive (by 30%).

Stocks of finished goods. Mining and quarrying enterprises faced a decline in demand from European countries. **Technology constraints made it impossible to accumulate large quantities of surplus stocks**, due to which companies were forced to reduce their output. According to the monitoring of enterprises, output in mining and quarrying declined in March–May, as compared to the beginning of the year. Nevertheless, some companies were able to redirect supplies to the domestic market or find alternative foreign buyers. According to the recent survey, approximately a half of mineral exporters faced refusals of some of their counterparties to purchase their products, but three-fourths of them have already found new buyers.

Specifically, a large coal producer in Irkutsk signed new contracts with regional energy companies in the conditions of a decrease in its exports nearly to zero. According to the company's estimates, the sale of high-quality coal in the domestic market had been previously less profitable than exports, whereas the strengthening of the ruble drove domestic coal prices closer to export prices beginning from 2022 Q2. The company ramped up output, having no problems with the accumulation of surplus stocks.

Contrastingly, a Ural asbestos manufacturer mostly focused on exports, having faced logistics problems and a decline in external demand, was forced to reduce exports and, on top of that, increased its stocks of finished goods above the normal level.

CONSTRUCTION AND INVESTMENT GOODS PRODUCTION

Stocks of materials and components. Small stocks of components and higher costs for new supplies adversely affected output targets and forced enterprises to raise prices for finished products. According to the survey, producers of investment goods with imported components are facing the most serious problems with supplies, with only 10% of the companies able to preserve the relationships with the existing foreign suppliers. Most of the companies experiencing difficulties with imports have been unable to resolve them for now. A manufacturer of foreign brand trucks in the Volga Region reduced the number of work shifts and the output and suspended the conclusion of new contracts. The company expects a further reduction in its output as its stocks of components diminish. A large automobile body manufacturer reported a considerable decrease in components and a rise in prices for alternatives.

Responding to a shortage of certain components, enterprises are changing the range of their products. A Chelyabinsk manufacturer of heavy vehicles is switching to the production of trucks with engines of a lower emission standard which are also demanded. A large Volga-Vyatka truck producer reduced the output of some models and continues its efforts for the localisation of the manufacture of auto components and search for alternative suppliers.

Stocks of finished goods. Manufacturers of import-substituting investment goods faced an expansion of demand and, consequently, a reduction in their stocks. According to the survey, the percentage of companies in these industries whose stocks of finished products are below the normal level is the highest. Specifically, the largest Siberian and Far Eastern manufacturer of heating and ventilation equipment recorded higher demand for its products due to the termination of imports of similar goods. To ramp up the output, the company purchased new production capacities that have been partially installed already and is training its employees. As reported by a manufacturer of hydraulic cylinders and engines for agricultural machinery, the demand for its products has expanded, whereas it has no stocks of finished products. The enterprise is operating at its full capacity, is forced to decline some orders, and is planning to increase the headcount.

However, a number of producers of investment goods, especially for construction, recorded a decline in the demand for their products beginning from February 2022. Construction companies in the Central and Southern Federal Districts expect a decrease in the volume of works at least until the end of the year. **Due to lower demand, manufacturers of construction materials were accumulating the stocks of finished goods.** For instance, the stocks of finished goods exceed the normal level at Far Eastern plants manufacturing reinforced concrete products. In the Primorye Territory, a company selling construction materials noted that it was unable to sell the earlier accumulated stocks of metal products, as the demand for them in construction declined. According to a Daghestan flat glass producer, its stocks of finished goods significantly exceed the usual level and its warehouses are overstocked. An electric equipment manufacturer in the Karachay-Cherkess Republic fully stocked with materials and components faced a nearly twofold decrease in the demand for electricity meters and electrical installation equipment. A Kurgan producer of fire safety equipment records a reduction in orders, including due to a rise in prices caused by higher production costs.

INTERMEDIATE GOODS PRODUCTION

Intermediate goods producers have the highest share of exports among all manufacturing sectors. **Declining external demand adversely affects export-oriented companies.** Wood enterprises in the North-West, the Far East, and Siberia are reducing their production, increasing sales inside the country at lower prices than export ones, and rearranging logistics to find new foreign buyers. Some wood processing factories introduce part-time employment schemes due to low utilisation rates of their production capacities, but do not plan staff reductions. North-Western and Volga-Vyatka plywood plants decreased their output as well, utilising only 30–50% of their production capacities. Companies are primarily reducing the output of those products that need raw materials and components from European suppliers. A large paper and paper products manufacturer reports a surplus of finished goods due to the loss of the most part of the European market. The company plans to lower prices in the next three months as other domestic manufacturers offer lower prices for wrapping paper.

Contrastingly, a number of import-substituting enterprises recorded an increase in demand. A Tomsk manufacturer of agricultural biologicals reported a rise in the demand for its products as customers refocused from Western onto domestic suppliers. The company has sufficient stocks of main components for production, does not depend on imported raw materials and equipment, and plans to build up its production capacities.

TRADE AND MANUFACTURE OF END-USE PRODUCTS

Stocks of materials and components. The stocks of raw materials in the manufacture of consumer goods mostly increased. A Belgorod bakery and pastry factory substituted imported components with domestic ones and currently has no problems with supplies, logistics, and stocks. The largest poultry producer in Tver, as well as a Murmansk trout farm, previously facing problems with the stocks of feed and veterinary medicines, reported in June that they had found alternative foreign suppliers.

Serious **difficulties were recorded in packaging manufacture and supplies** where the proportion of imported products had been historically high. For instance, a Pskov canned fish factory faced a surge in prices for cans (by 60–80%) due to a deficit of tin needed for their manufacture. The shortage of packaging encouraged a large canned fish plant in Buryatia to build a workshop for

producing tin cans with the engagement of foreign investors and equipment suppliers. A milk processing factory in Arkhangelsk plans to switch to domestic unbleached paper due to the reduction in the stocks of imported paper.

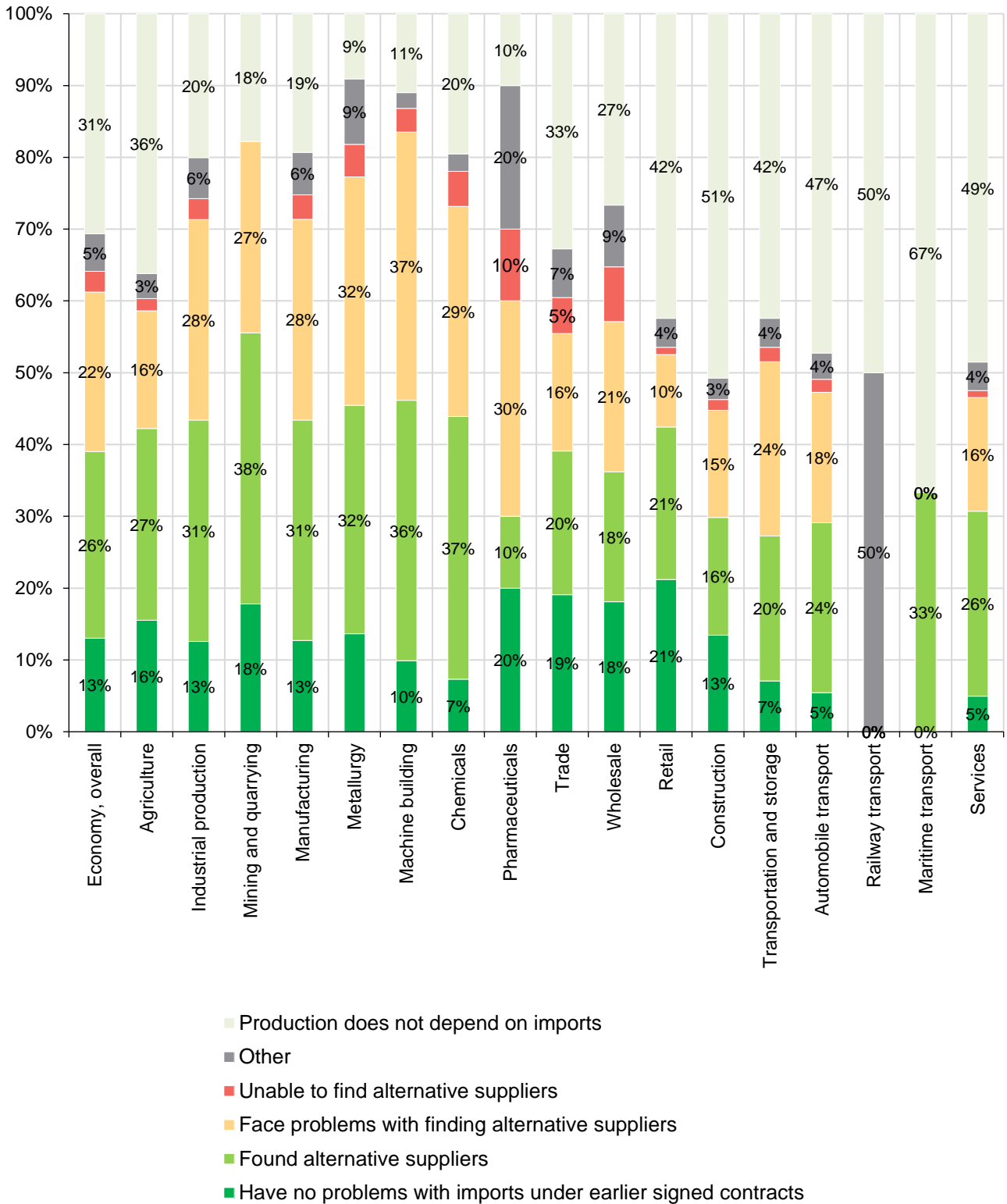
Concurrently, manufacturers of non-food durables faced difficulties with raw material and component supplies more frequently. It became more complicated and expensive for them to replenish the stocks due to a higher proportion of imports. A large furniture manufacturer in the Moscow Region complains about a threefold increase in costs for logistics from Europe, and suppliers are raising prices for raw materials by 30–50%. A Krasnoyarsk clothing factory faces difficulties with the supplies of fabrics and accessories. Previously, it used to have sufficient stocks for two to three months, whereas now it uses materials immediately after their delivery, sometimes having short interruptions in production.

Stocks of finished goods. Consumer goods manufacturers and retailers record a decrease in demand. Furthermore, they continue to pass through higher costs to output prices, and a number of companies are expanding the proportion of cheaper products. Consumer goods manufacturers are the least dependent on imports and few of them are focused on exports.

Fast-moving consumer goods manufacturers experienced a shortage of finished goods stocks more frequently. Specifically, a snack (crisp) factory in the Leningrad Region substituting European brand products in the market lacked sufficient stocks of finished products. Due to elevated demand, the company has the opportunity to raise prices by 15% in the near future. It has no problems with the stocks of raw materials and components. A large Volgograd detergent manufacturer has sufficient stocks of required raw materials and plans to ramp up its output amid an increase in households' demand.

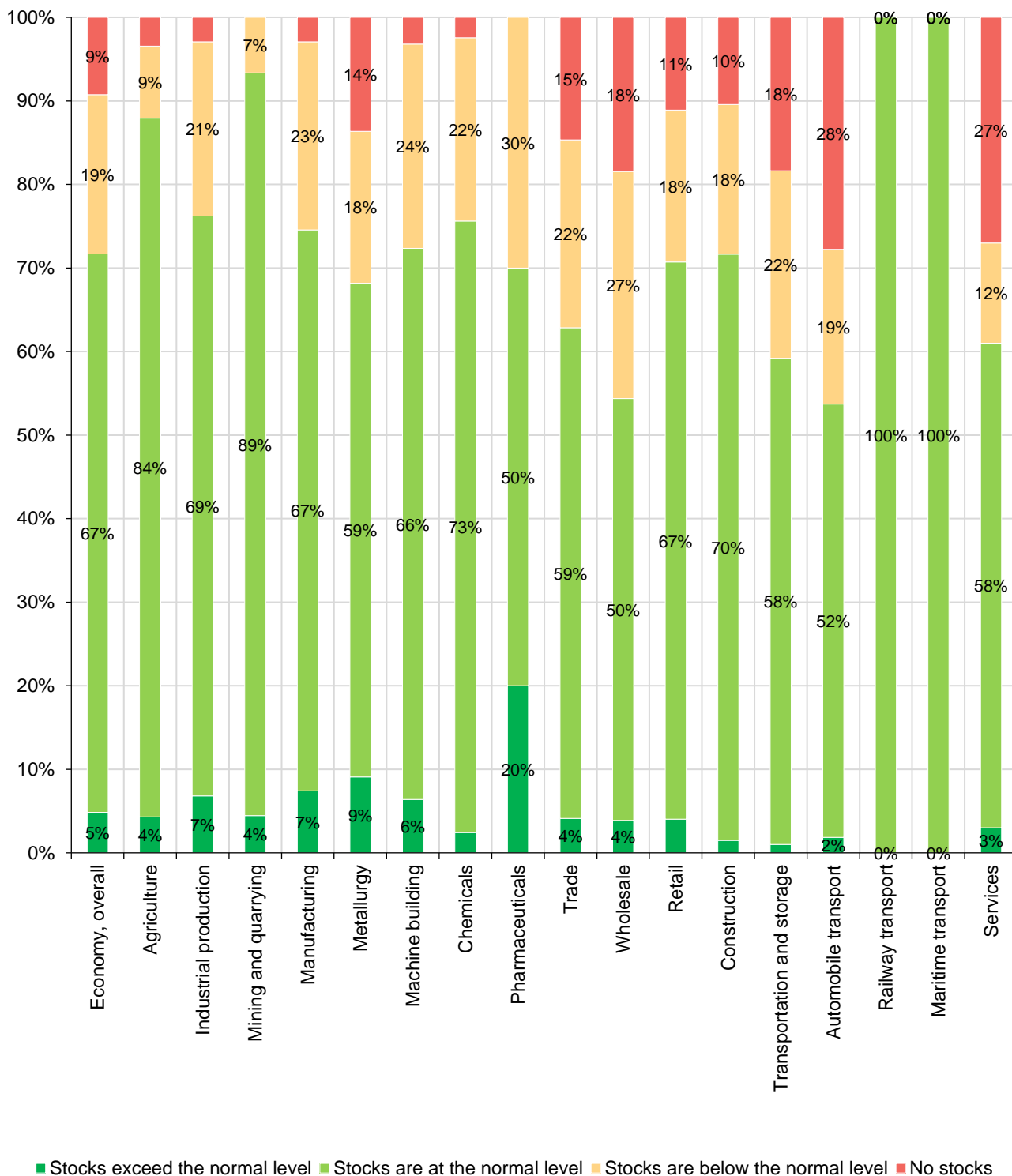
Overall, most companies face a decrease in finished goods stocks because of higher demand. In many cases, difficulties with imports of raw materials and components do not entail a complete stoppage of production. Enterprises either have already arranged new supplies, or see the prospect for alternative channels. The only exception is the automobile industry as its dependence on imported components is extremely high. Moreover, in most cases, this involves higher costs and longer delivery.

Chart 1. Situation with imports of raw materials, components and equipment, % of respondents



Source: Bank of Russia.

Chart 2. Recent assessment of the stocks of raw materials and components, % of respondents



Source: Bank of Russia.

Chart 3. Assessment of the level of finished goods stocks (balance of responses, SA), pp

Source: Bank of Russia.

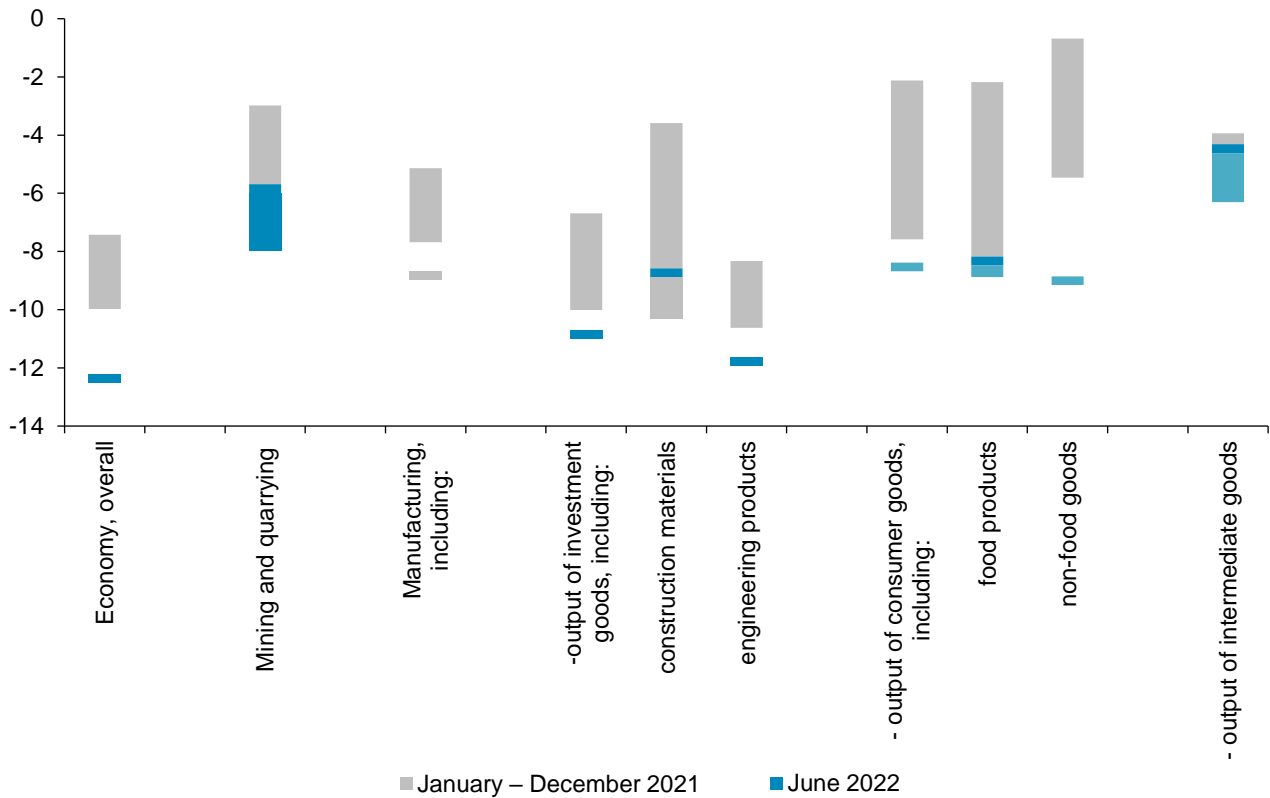
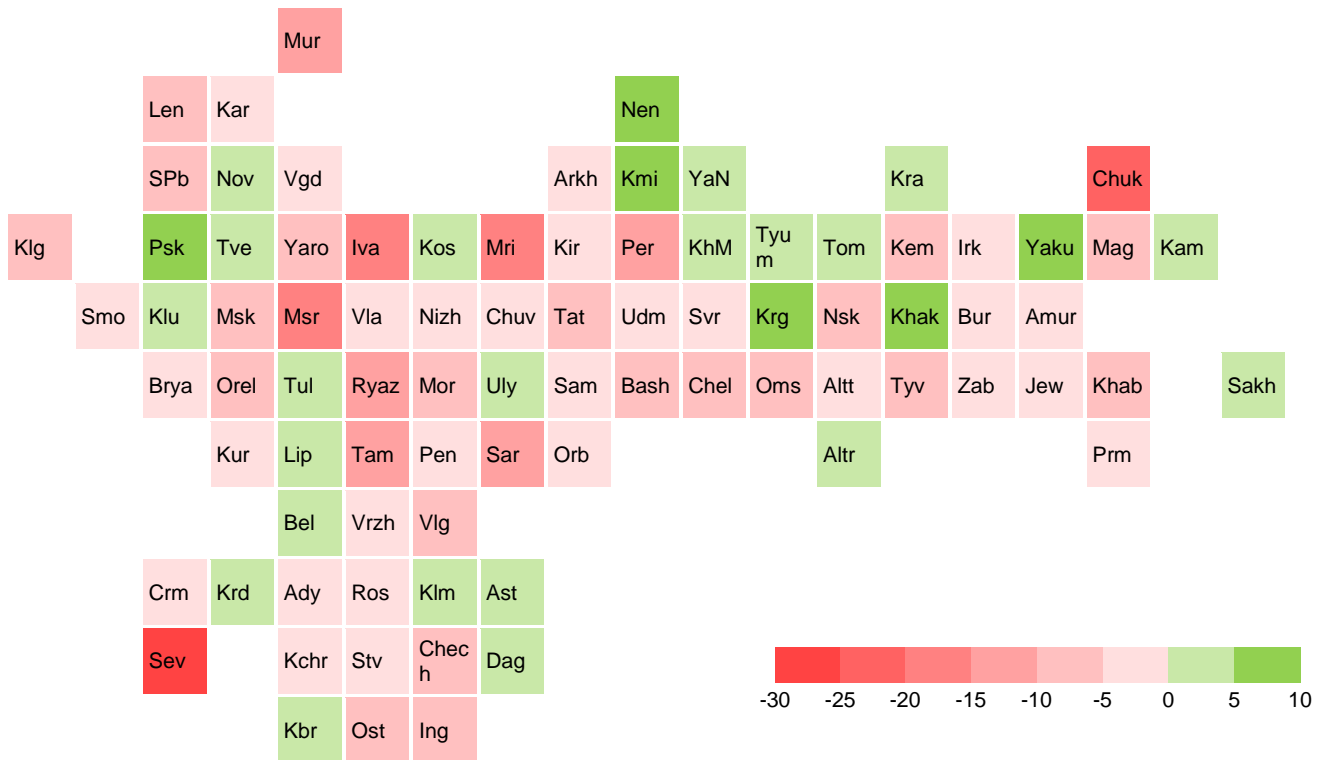


Chart 4. Difference between the assessment of finished goods stocks in June 2022 and the average assessments over 2020–2021 (SA), pp



Negative (red) values imply insufficient stocks, and positive (green) values – a surplus of stocks.

Source: Bank of Russia.

BOX 2.

HOUSEHOLDS' CONSUMPTION AND SAVING BEHAVIOUR

Companies recorded a decline in consumer demand. Amid a decrease in real incomes due to the surge in inflation in March–April, households' preferences shifted towards cheaper products. Responding to the current changes in the economy, households opted to save more. There was an inflow of deposits, whereas consumer lending contracted.

Soaring demand in late February–March 2022 caused a decrease in the saving ratio (Chart 1). A lot of households withdrew funds from current accounts and closed time deposits, preferring to purchase durables. In 2022 Q2, owing to higher deposit rates, households returned available funds to banks, and the amount of cash in circulation edged down. Households' saving activity bounced back to the level of the previous year. Higher prices, declining incomes, the contraction of imports, and the transformation of the consumption strategy caused a reduction in retail turnover.

SAVINGS TRENDS

In March–April, amid higher deposit rates, banks recorded an inflow of **households' ruble deposits** (excluding escrow accounts) that completely offset their outflow in February. The amount of ruble deposits continued to increase in May.

The dynamics of deposits remained stable in June. A decrease in foreign currency deposits associated with banks' restrictions on foreign exchange transactions (a fee for servicing foreign currency accounts) was offset by the growth of ruble deposits. Current deposit rates remained attractive for households and continued to support saving activity.

Consumer lending had been contracting for three months in a row (March–May) due to tight price and non-price conditions. According to the survey of credit institutions, retail lending started to recover in June. However, due to uncertainty, households preferred to raise only small consumer loans. In 2022 H2, a further reduction in interest rates, the expansion of social support, and the indexation of the minimum wage will promote households' demand for loans.

Households' demand for real estate remained moderate in April–May. The main reasons were increased housing prices, unstable incomes, and high mortgage rates. Furthermore, borrowers who had been long planning to purchase real estate did that at the end of February, before the rise in interest rates. In April–May, the demand for mortgage loans was extremely low. Banks issued only 49,000 mortgage loans in April and 37,000 – in May (vs 160,000 mortgage loans on average per month in 2021). Most of these loans were issued under subsidised programmes.

Moreover, developers all over Russia tried to promote demand through multiple promotional campaigns (discounts for a parking slot and a storeroom when an apartment was purchased), participation in subsidising interest rates, and the expansion of their in-house subsidised lending programmes. The demand for real estate in the Far East was supported by the Far Eastern Mortgage programme.

The reduction in interest rates, as well as interest rates of no more than 7% under subsidised mortgage lending programmes revived the demand for housing in June.

HOUSEHOLDS' SENTIMENT

According to the Public Opinion Foundation, adjusting to the changed economic conditions, Russian households opt to save, reducing current consumption. The percentage of respondents expanding their private farms and planning to form stocks, including by purchasing products in discounters, rose in April–June. The economic turbulence affected the assessments of personal well-being. The proportion of respondents complaining about a worsening of their financial standing, decreased to 36% in June from the peak level (40%) recorded in May. The middle class is facing considerable financial problems as people are forced not to purchase expensive household appliances, smartphones, apartments, cars, and foreign trips. The major purchase index has been at its lowest level since April.

Accordingly, in April–May, **households switched to saving behaviour patterns** preferring bank deposits as one of the main instruments to save their funds. Savings became more attractive owing to a decrease in inflation expectations in April–May to levels comparable with early 2020.

In June 2022, the percentage of respondents raising loans to cover their current expenses shrank as compared to March–May. The proportion of respondents preferring consumer loans contracted. Amid households' confidence in moderate housing price growth, the number of those planning to purchase real estate using mortgage loans edged up.

Nonetheless, households became more optimistic in their expectations about consumption in June, as compared to March 2022, including with regard to future output, a reduction in unemployment, and changes in personal financial standing. Respondents were ready to increase expenses for household appliances, which will boost consumer activity. However, as for now, households remain pessimistic: although the assessments of consumer sentiment improved in May–June, its level is still below the readings of 2021. Considering a significant gap between the currently negative sentiment and positive expectations, it is possible to assume that households will redistribute consumption, increasing current spending and reducing the saving ratio. A high level of unanchored inflation expectations also limits the stability of households' saving behaviour patterns.

CHANGES IN CONSUMER DEMAND. ADJUSTMENT OF BUSINESSES

In April and May 2022, retail turnover plummeted year-on-year (by 9.8% and 10.1%, respectively). The highest values were recorded in the Central, Urals, and North-Western Federal Districts (Chart 2). As to the structure of consumption, the demand for non-food goods considerably declined, whereas the demand for food products remained stable. The value of commercial services to households edged up slightly (Chart 3). Conversely, the Far East recorded its decline, which was due to lower demand for transportation services.

As consumers opt to save, their preferences are shifting towards cheaper **food products**. Discounters are becoming increasingly more popular and expanding their regional footprint. In the current conditions, buyers rather focus on prices than on the brand and the quality of packaging. Hence, meat processing enterprises, meat product and grocery manufacturers have adjusted their range of products by increasing the proportion of cheaper items, including through a reduction in the weight of packaged goods.

Regional **public catering** businesses revised their main menus to cut spending and add new cheaper dishes. Café and restaurant owners in Siberia reported a decreased number of banquets and higher demand for business lunches. A chain of coffee and pastry shops in the Murmansk Region developed a new range of low-cost products.

The demand for **non-food goods** declined in multiple categories, including clothing and footwear, household appliances and electronic devices, furniture and interior items, construction materials and home improvement goods, cars and spare parts, pharmaceuticals and medical goods, as well as beauty and health products. Households prefer not to make purchases for now **expecting price growth to decelerate amid a stronger ruble and lower credit rates**.

Accordingly, consumers seek to maintain the operability of the existing household appliances and prolong their service life, which increases the demand for **repair services**. According to Avito Services data, the demand for these services edged up by 13% in May, as compared to March, and by 43% year-on-year.

Furthermore, demand is shifting towards parallel imports, and non-food **e-commerce** is becoming increasingly more popular. According to a large online platform in the Urals, residents started to more often buy household chemicals, cosmetics, and other home goods via marketplaces. A large online retailer opened an additional distribution centre in Siberia.

As regards **construction materials**, consumers are moving from expensive to medium-price product categories. This was why regional retail chains revised the range of goods. A company engaged in wooden house construction in the Trans-Baikal Territory reported that, despite the high season, its stocks of materials, components and finished goods exceed the normal level due to low demand. A considerable decrease in orders forced the company to introduce a three-day working week.

Regional **car dealers** also complain about a slump in demand. In the Volga Region, an official dealer of a foreign carmaker reported that it sold as little as seven cars in May and three – in June. According to the company's estimates, customers' behaviour is associated with a decrease in prices after their unprecedented surge over the past 18 months, among other reasons.

Amid the decline in the demand for cars and their supplies, **car dealers** started to more actively develop repair and maintenance services and the sales of Asian brands and used cars and to provide insurance agency services. According to car dealers in the Urals and Volga Federal Districts, they are seeking to preserve the range of models and searching new partners. Representatives of this industry assume that Asian carmakers might enter the Russian market already at the beginning of autumn.

As to **commercial services**, cinemas lost a significant number of visitors due to a reduction in Hollywood's content. Contrastingly, the value of services provided by travel agencies and tour operators, as well as other booking and related platforms increased over the period under review.

Amid the restrictions on flights and the effective cashback programme, **domestic tourism** has become an additional stimulus to the economic development of Russian regions. Moscow hotels' and travel agencies' turnover during the first five months of 2022 increased by a third year-on-year. River cruises and walking, especially demanded in Moscow and the Volga Region, have become a popular trend. The Southern macro-region recorded a partial redirection of demand from Black Sea resorts (due to the restrictions on flights to the Republic of Crimea and the Krasnodar Territory) to vacations in the North Caucasus. Specifically, the tourist flow to the ski resort Arkhyz in the Karachay-Cherkess Republic soared by 25% in annualised terms and that to the resort in the Elbrus region – by 74%. In the Krasnodar Territory, the number of tourists in June edged down by 5% year-on-year. Additionally, southern tour operators recorded an increase in the number of tourists planning vacations on their own. According to the Association of Tour Operators, the tourist flow to the Altai Republic has already surged by 20% in 2022, as compared to the same period

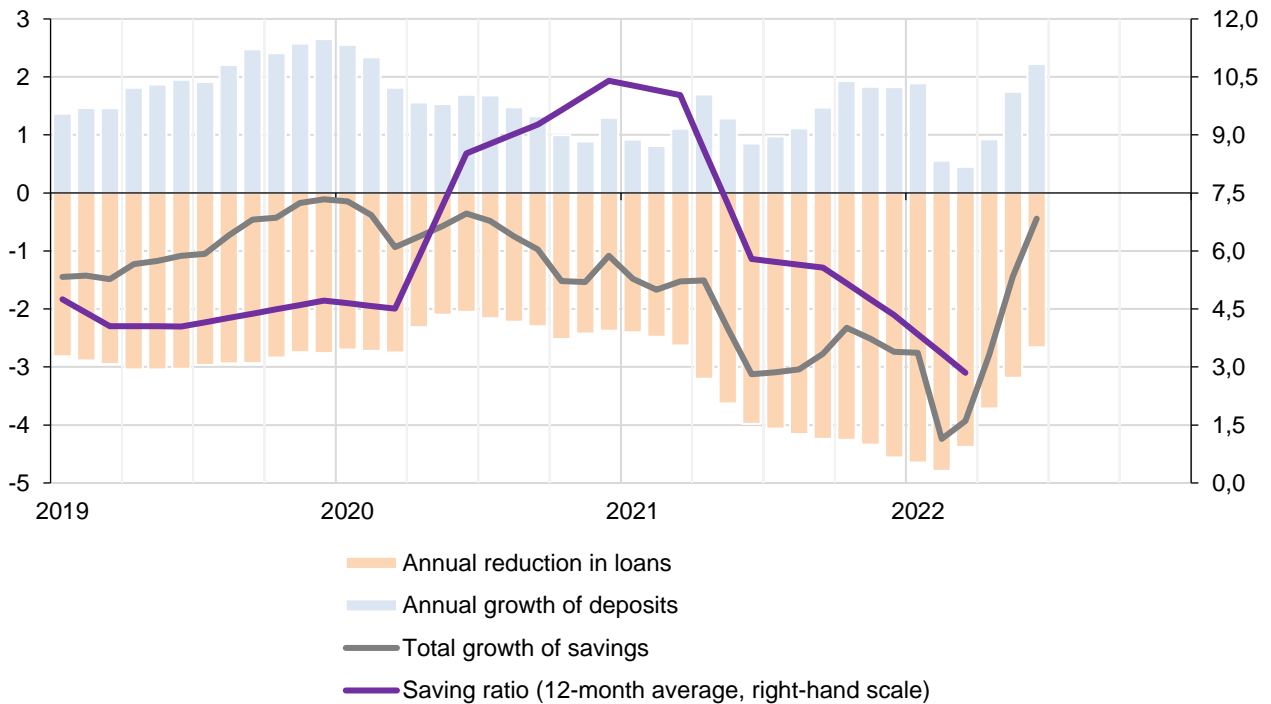
last year. Tour operators expect a twofold rise to 4 million tourists. The occupancy rate of the tourist infrastructure is close to the maximum.

Amid the changes in the economic situation and consumers' preferences, market participants try to adjust to the new conditions, organising promotional campaigns, revising their development strategies, consolidating business, reducing product costs, and arranging parallel imports.

These shifts are most notable in the non-food segment having a high proportion of imports. Manufacturers of domestic brands' clothing are seeking to substitute foreign competitors who exited the Russian market. Furniture enterprises are expanding the production of furniture for houses and gardens, wishing to take the niche that has become vacant after the Swedish competitor's exit from the domestic market.

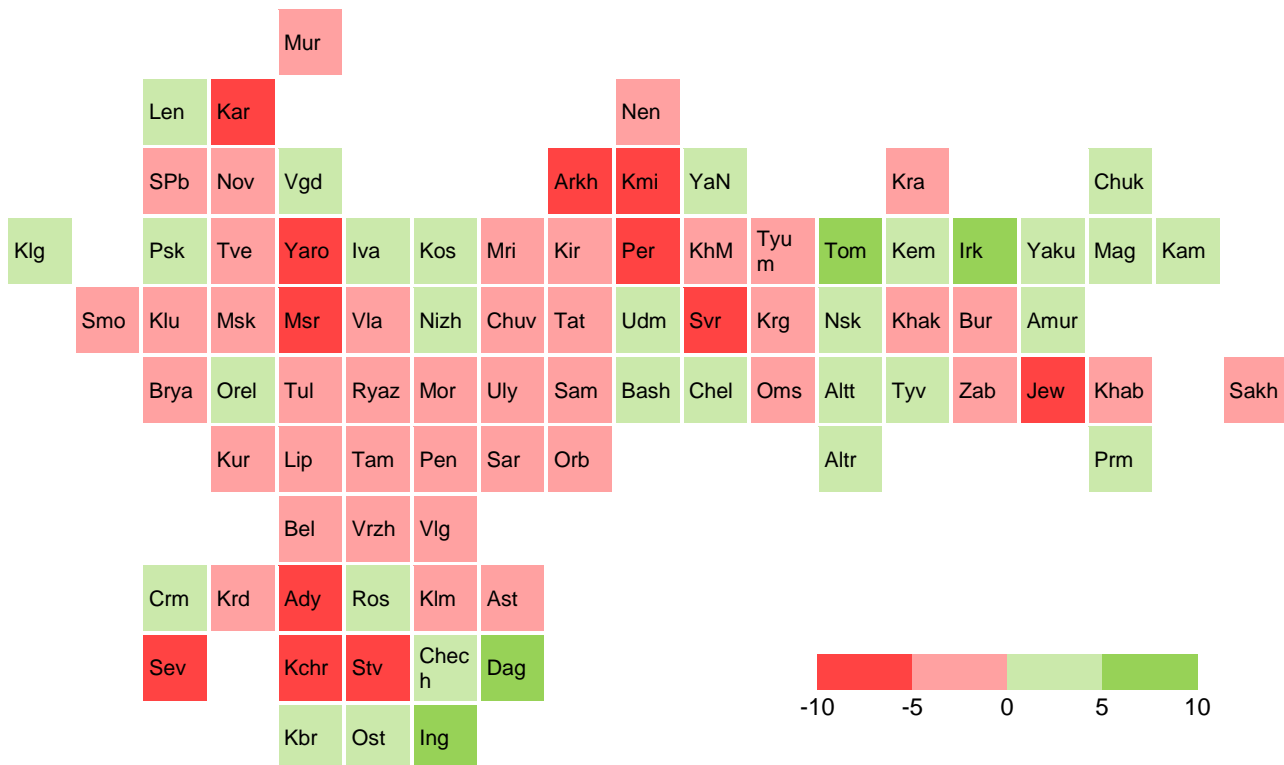
Although the balance of current demand assessments is negative, both retailers and service companies expect consumer activity to grow as households adjust and bank rates go down (Chart 4). There are no signs of a further increase in households' propensity to save.

Chart 1. Saving ratio (%) and the contribution of bank transactions to household savings, trillion of rubles



Sources: Bank of Russia, Rosstat.

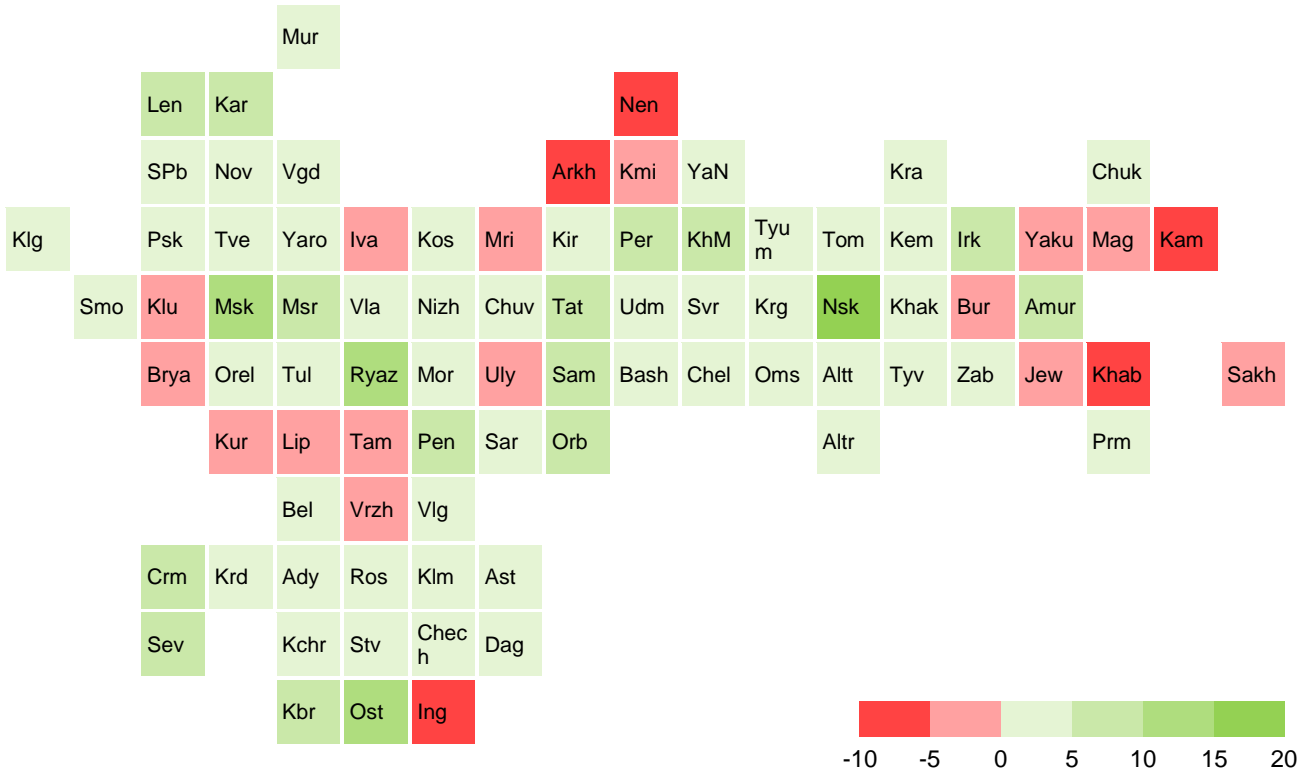
Chart 2. Retail turnover in January–May 2022, % year-on-year



Source: Rosstat.

Negative (red) values imply a decrease in retail turnover, and positive (green) values – its increase.

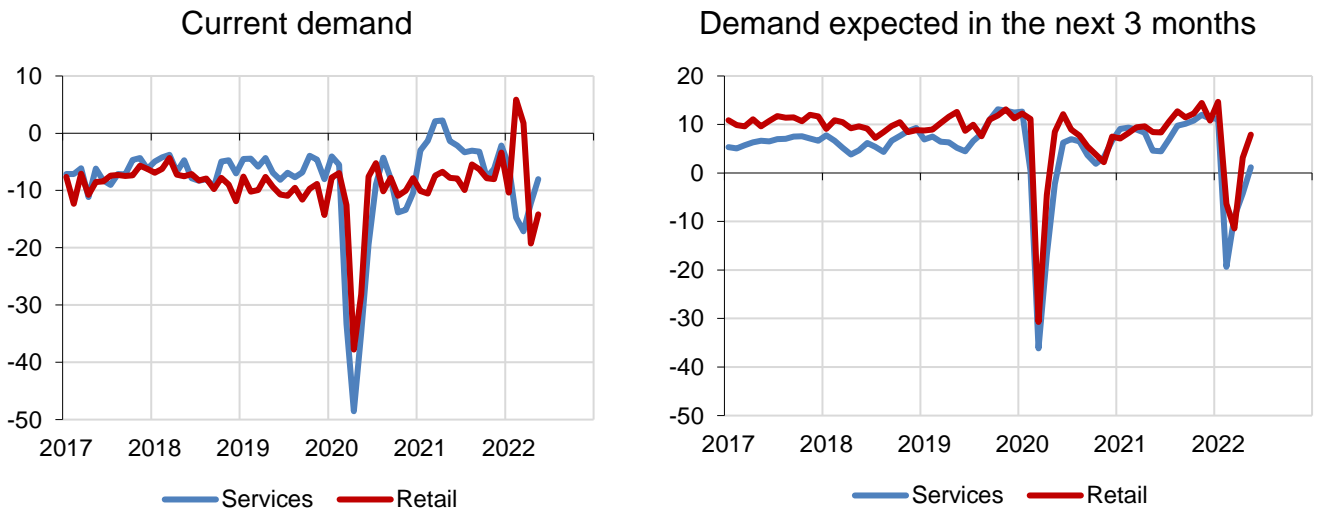
Chart 3. Value of commercial services to households in January–May 2022, % year-on-year



Negative (red) values imply a decrease in the value of services, and positive (green) values – its increase.

Source: Rosstat.

Chart 4. Retailers’ and service companies’ estimates of current and future demand for products (services) in the industry, balance of responses (SA)



Source: Bank of Russia.

ANNEX.

CORE ECONOMIC INDICATORS

Core indicators. Russia

Table 1

		2020	2021	2021	2021	2022	2022	Apr	May	Jun	
				Q2	Q3	Q4	Q1	Q1			
Inflation	% YoY	4.9	8.4	6.5	7.4	8.4	16.7	15.9	17.8	17.1	15.9
Core inflation	% YoY	4.2	8.9	6.6	7.6	8.9	18.7	19.2	20.4	19.9	19.2
The shaded lines present 2021 data compared against the same period in 2019 . This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.											
Industrial production	3MMA, % YoY	-2.0	7.1	5.1	2.9	7.1	6.7		2.5	0.0	
Fixed capital investment	Cumulative, % YoY	-3.5	4.4	4.6	0.6	0.8	12.2				
Construction	3MMA, % YoY	-2.9	13.3	14.5	9.7	9.9	18.7		6.4	5.7	
Housing commissioning	3MMA, % YoY	-4.3	8.9	-2.5	15.8	-12.6	-12.0		50.8	36.7	
Retail	3MMA, % YoY	-4.2	6.1	3.6	3.0	0.9	4.0		-1.0	-6.0	
Commercial services	3MMA, % YoY	-10.4	10.5	-2.6	-2.8	0.7	5.4		4.3	1.9	
Real wages	3MMA, % YoY	3.4	3.1	4.8	3.6	4.3	0.9		-0.4		
Real disposable income	% YoY	-2.2	1.7	-0.7	2.1	-1.2	-0.6				
Unemployment rate	SA, %	6.1	4.2	4.9	4.6	4.2	4.0		3.9	4.0	
Outstanding consumer loans	% YoY	7.0	19.5	15.7	18.1	19.5	15.6		12.0	9.1	
Outstanding mortgage loans	% YoY	21.6	26.7	29.0	26.7	26.7	27.2		23.5	20.9	
Funds in escrow accounts	% YoY	–	158	452	288	158	130		110	92.4	
Non-financial organisations' outstanding bank loans	% YoY	9.4	14.6	10.4	11.8	14.6	17.6		17.1	16.1	
• Large borrowers	% YoY	7.4	12.3	6.7	9.9	12.3	15.1		14.2	13.1	
• SMEs	% YoY	21.9	27.5	32.1	22.7	27.5	30.4		31.9	30.9	
Companies' price expectations	Balance of responses, SA	16.5	24.3	26.5	25.7	25.6	32.5	29.6	39.1	28.2	21.5
Business Climate Index	pp YoY	-7.8	9.5	16.9	3.7	6.3	-9.2		-13.1	-7.0	
• Current estimates	pp YoY	-8.4	10.9	24.8	3.9	6.5	-5.6		-15.4	-7.6	
• Expectations	pp YoY	-7.0	7.9	7.9	3.5	6.2	-13.0		-10.7	-6.3	

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

Core indicators. Main Branch for the Central Federal District

Table 2

		2020	2021	2021	2021	2021	2022	2022	Apr	May	Jun
				Q2	Q3	Q4	Q1	Q1			
Inflation	% YoY	4.7%	8.3	6.4	7.4	8.3	16.6	16.3	18.0	17.3	16.3
Core inflation	% YoY	4.2	9.0	6.6	7.9	9.0	18.9	19.9	20.8	20.3	19.9
The shaded lines present 2021 data compared against the same period in 2019 . This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.											
Industrial production	3MMA, % YoY	10.2	22.8	27.5	26.7	52.8	14.0		10.0	4.8	
Fixed capital investment	Cumulative, % YoY	1.2	13.4	17.7	13.4	14.8	8.2				
Construction	3MMA, % YoY	6.7	4.4	7.5	7.4	16.0	3.1		9.3	10.4	
Housing commissioning	3MMA, % YoY	-0.8	14.3	18.0	25.7	3.0	82.6		73.5	60.9	
Retail	3MMA, % YoY	-2.1	8.5	8.1	7.5	4.5	2.9		-1.7	-8.2	
Commercial services	3MMA, % YoY	-17.7	22.5	2.7	3.5	2.8	16.8		9.0	2.3	
Real wages	3MMA, % YoY	4.2	3.8	5.7	5.9	7.4	5.3		0.6		
Real disposable income	% YoY	-1.3	5.6	-0.4	6.5	6.2	3.4				
Unemployment rate	SA, %	3.9	3.5	3.6	3.2	3.1	3.0		3.0	3.0	
Outstanding consumer loans	% YoY	5.2	20.0	14.2	18.0	20.0	16.7		13.5	10.6	
Outstanding mortgage loans	% YoY	24.4	29.1	32.5	29.7	29.1	28.5		24.6	22.1	
Funds in escrow accounts	% YoY	–	171	468	306	171	137		115	100	
Non-financial organisations' outstanding bank loans	% YoY	11.1	13.1	10.0	10.5	13.1	14.8		14.5	13.4	
• Large borrowers	% YoY	10.6	10.0	6.9	8.1	10.0	11.3		10.9	9.6	
• SMEs	% YoY	15.2	36.6	33.6	29.9	36.6	39.4		38.8	38.7	
Companies' price expectations	Balance of responses, SA	18.8	29.6	34.8	30.8	29.6	37.2	35.4	45.1	34.2	27.0
Business Climate Index	pp YoY	-7.2	9.7	18.8	2.6	6.1	-9.8		-16.4	-9.5	
• Current estimates	pp YoY	-7.3	10.7	25.9	2.3	7.3	-5.4		-19.0	-10.4	
• Expectations	pp YoY	-7.1	8.4	10.7	3.0	4.9	-14.6		-13.5	-8.6	

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

Core indicators. North-Western Main Branch

Table 3

		2020	2021	2021	2021	2021	2022	2022	Apr	May	Jun
				Q2	Q3	Q4	Q1	Q1			
Inflation	% YoY	4.8	8.5	6.6	7.3	8.5	17.1	15.5	17.7	16.9	15.5
Core inflation	% YoY	4.0	8.9	6.7	7.3	8.9	19.3	19.0	20.4	19.9	19.0
<p>The shaded lines present 2021 data compared against the same period in 2019. This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.</p>											
Industrial production	3MMA, % YoY	-2.6	4.6	-1.4	-0.3	6.1	5.7		3.7	1.1	
Fixed capital investment	Cumulative, % YoY	-2.5	0.9	-4.6	-2.1	-1.6	3.4				
Construction	3MMA, % YoY	-7.3	0.3	-7.0	-11.3	-1.4	-4.6		-7.0	-4.6	
Housing commissioning	3MMA, % YoY	-2.9	13.3	25.3	109	-41.2	43.3		45.1	26.0	
Retail	3MMA, % YoY	0.2	11.7	12.7	14.1	11.7	5.0		-1.1	-6.7	
Commercial services	3MMA, % YoY	-15.4	18.0	-0.9	-1.3	2.7	4.2		1.9	1.1	
Real wages	3MMA, % YoY	2.1	3.0	5.0	2.8	2.6	1.6		-1.4		
Real disposable income	% YoY	0.2	4.5	4.9	6.2	5.0	0.4				
Unemployment rate	SA, %	5.0	3.9	4.0	3.5	3.3	3.1		3.1	3.3	
Outstanding consumer loans	% YoY	6.9	18.7	15.4	17.2	18.7	14.8		11.1	8.3	
Outstanding mortgage loans	% YoY	22.0	26.5	28.8	26.1	26.5	26.9		23.3	20.5	
Funds in escrow accounts	% YoY	–	255	585	438	255	202		170	144	
Non-financial organisations' outstanding bank loans	% YoY	9.2	28.2	14.2	21.5	28.2	39.2		44.8	43.5	
• Large borrowers	% YoY	1.9	32.5	3.0	24.1	32.5	46.6		53.6	53.3	
• SMEs	% YoY	52.1	11.0	70.9	9.9	11.0	13.2		14.5	11.0	
Companies' price expectations	Balance of responses, SA	17.1	23.6	25.9	24.8	24.1	30.4	27.7	36.0	26.7	20.5
Business Climate Index	pp YoY	-7.6	10.3	16.1	5.9	8.2	-10.1		-16.4	-10.5	
• Current estimates	pp YoY	-8.0	12.0	23.5	6.4	8.3	-6.3		-19.2	-12.0	
• Expectations	pp YoY	-7.1	8.4	7.9	5.3	8.2	-14.1		-13.3	-8.9	

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

Core indicators. Volga-Vyatka Main Branch

Table 4

		2020	2021	2021	2021	2021	2022	2022	Apr	May	Jun
				Q2	Q3	Q4	Q1	Q1			
Inflation	% YoY	5.5	8.6	6.7	7.6	8.6	17.1	16.7	18.3	17.7	16.7
Core inflation	% YoY	4.7%	9.4	7.1	8.1	9.4	19.7	20.1	21.3	20.8	20.1
The shaded lines present 2021 data compared against the same period in 2019 . This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.											
Industrial production	3MMA, % YoY	-2.0	7.8	5.5	3.1	8.3	8.4		2.5	-1.3	
Fixed capital investment	Cumulative, % YoY	-3.0	2.1	5.2	2.4	2.1	12.8				
Construction	3MMA, % YoY	-2.0	14.1	16.2	12.1	9.9	19.3		12.4	13.2	
Housing commissioning	3MMA, % YoY	-5.9	8.5	-3.3	17.4	-17.1	18.2		13.2	16.0	
Retail	3MMA, % YoY	-4.4	6.0	3.5	2.8	0.5	4.3		-0.8	-5.7	
Commercial services	3MMA, % YoY	-10.6	10.9	-2.0	-2.7	0.7	5.4		4.5	4.1	
Real wages	3MMA, % YoY	3.3	3.2	4.7	3.8	4.4	1.1		-1.3		
Real disposable income	% YoY	-2.2	1.9	-0.4	2.5	-1.0	-0.3				
Unemployment rate	SA, %	4.9	4.0	4.1	3.7	3.5	3.3		3.3	3.2	
Outstanding consumer loans	% YoY	7.1	19.2	16.2	17.9	19.2	14.6		10.6	7.5	
Outstanding mortgage loans	% YoY	19.7	23.0	26.2	24.1	23.0	24.2		20.8	18.1	
Funds in escrow accounts	% YoY	–	105	326	182	105	99		85	67	
Non-financial organisations' outstanding bank loans	% YoY	3.5	11.8	6.6	13.4	11.8	12.0		11.9	12.8	
• Large borrowers	% YoY	-2.5	9.0	2.1	12.9	9.0	8.0		6.6	8.3	
• SMEs	% YoY	24.3	19.9	21.5	15.1	19.9	23.5		27.5	25.5	
Companies' price expectations	Balance of responses, SA	18.6	29.8	32.5	31.5	29.6	36.1	36.4	44.9	37.8	26.4
Business Climate Index	pp YoY	-9.7	10.0	19.3	3.1	6.2	-10.0		-15.7	-8.3	
• Current estimates	pp YoY	-10.1	11.5	27.2	4.3	6.0	-8.5		-18.0	-9.5	
• Expectations	pp YoY	-8.9	8.2	10.3	1.8	6.5	-11.6		-13.2	-6.9	

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

Core indicators. Southern Main Branch

Table 5

		2020	2021	2021	2021	2021	2022	2022	Apr	May	Jun
				Q2	Q3	Q4	Q1	Q1			
Inflation	% YoY	5.5	9.2	7.3	8.6	9.2	16.6	16.1	18.1	17.7	16.1
Core inflation	% YoY	4.2	9.1	6.7	7.8	9.1	17.1	18.8	19.4	19.3	18.8
The shaded lines present 2021 data compared against the same period in 2019 . This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.											
Industrial production	3MMA, % YoY	-0.3	4.4	4.0	5.3	1.8	5.3		1.6	-0.2	
Fixed capital investment	Cumulative, % YoY	0.4	-0.5	5.3	1.3	-0.1	2.5				
Construction	3MMA, % YoY	-3.4	10.1	-4.1	5.8	12.3	-16.4		-7.4	4.5	
Housing commissioning	3MMA, % YoY	5.9	13.7	20.5	42.1	3.8	94.2		69.2	50.2	
Retail	3MMA, % YoY	-3.3	9.5	6.2	6.7	6.8	5.2		2.5	-0.6	
Commercial services	3MMA, % YoY	-8.4	16.8	6.4	8.0	8.6	5.7		4.5	4.4	
Real wages	3MMA, % YoY	1.9	0.6	4.0	0.0	0.4	-1.5		-3.4		
Real disposable income	% YoY	-1.4	3.1	-1.3	5.6	-0.5	-1.2				
Unemployment rate	SA, %	8.7	7.9	8.0	7.4	7.0	6.9		6.6	6.4	
Outstanding consumer loans	% YoY	7.5	21.1	15.6	18.6	21.1	17.4		13.9	10.8	
Outstanding mortgage loans	% YoY	23.7	30.7	32.0	31.0	30.7	31.5		27.8	25.0	
Funds in escrow accounts	% YoY	–	120	458	262	120	90.7		72.3	55.1	
Non-financial organisations' outstanding bank loans	% YoY	3.6	13.7	10.7	7.0	13.7	16.8		17.6	13.4	
• Large borrowers	% YoY	0.3	8.4	9.5	1.8	8.4	10.7		10.9	5.5	
• SMEs	% YoY	13.9	28.5	14.2	22.5	28.5	33.2		35.5	35.0	
Companies' price expectations	Balance of responses, SA	15.0	20.2	20.9	21.4	22.0	28.4	23.7	32.1	21.7	17.3
Business Climate Index	pp YoY	-7.2	8.8	16.7	1.6	4.3	-9.4		-11.4	-3.9	
• Current estimates	pp YoY	-8.7	11.0	28.0	1.4	5.2	-5.0		-13.6	-3.7	
• Expectations	pp YoY	-5.3	6.1	3.4	1.8	3.5	-14.1		-9.0	-4.1	

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

Core indicators. Ural Main Branch

Table 6

		2020	2021	2021	2021	2021	2022	2022	Apr	May	Jun
				Q2	Q3	Q4	Q1	Q1			
Inflation	% YoY	4.4	7.7	6.1	6.7	7.7	16.1	15.1	17.1	16.3	15.1
Core inflation	% YoY	4.0	8.2	6.3	7.1	8.2	18.3	17.7	19.5	18.7	17.7
The shaded lines present 2021 data compared against the same period in 2019 . This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.											
Industrial production	3MMA, % YoY	-2.4	6.6	4.0	2.3	8.2	5.5		1.4	-0.8	
Fixed capital investment	Cumulative, % YoY	0.1	-0.3	1.5	-1.0	-0.2	18.4				
Construction	3MMA, % YoY	8.8	3.5	19.4	16.5	8.5	5.0		3.7	-7.1	
Housing commissioning	3MMA, % YoY	2.9	12.1	27.7	32.2	-8.6	64.9		28.3	20.6	
Retail	3MMA, % YoY	-4.1	4.4	3.0	-0.1	-1.8	2.7		-2.1	-6.2	
Commercial services	3MMA, % YoY	-15.5	14.6	-4.1	-6.1	-0.6	6.0		3.1	2.1	
Real wages	3MMA, % YoY	3.6	1.7	4.0	1.7	2.5	1.0		-1.4		
Real disposable income	% YoY	-2.9	0.7	-3.0	-1.5	-1.3	0.0				
Unemployment rate	SA, %	5.7	4.4	4.5	3.9	3.8	3.7		3.7	3.6	
Outstanding consumer loans	% YoY	7.8	18.1	16.1	16.8	18.1	13.6		10.1	7.1	
Outstanding mortgage loans	% YoY	17.8	21.1	24.5	21.1	21.1	22.2		18.8	16.3	
Funds in escrow accounts	% YoY	-	109	420	228	109	107		89	63	
Non-financial organisations' outstanding bank loans	% YoY	3.9	16.6	10.4	12.6	16.6	22.3		18.3	17.9	
• Large borrowers	% YoY	1.1	15.0	7.7	11.1	15.0	21.1		15.9	15.6	
• SMEs	% YoY	26.0	27.6	29.7	23.0	27.6	30.2		34.6	32.7	
Companies' price expectations	Balance of responses, SA	14.7	22.8	23.7	27.7	22.5	29.9	29.8	36.7	29.3	23.6
Business Climate Index	pp YoY	-9.5	0.8	17.2	4.5	7.8	-8.8		-11.3	-7.6	
• Current estimates	pp YoY	-8.2	2.6	24.3	3.9	5.2	-5.4		-10.4	-7.9	
• Expectations	pp YoY	-10.7	-1.1	9.3	5.1	10.5	-12.6		-12.2	-7.3	

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

Core indicators. Siberian Main Branch

Table 7

		2020	2021	2021	2021	2021	2022	2022	Apr	May	Jun
				Q2	Q3	Q4	Q1	Q1			
Inflation	% YoY	4.9	9.3	6.8	7.8	9.3	18.4	17.2	19.5	18.4	17.2
Core inflation	% YoY	4.4	9.5	6.6	7.9	9.5	20.7	19.9	22.2	21.2	19.9
The shaded lines present 2021 data compared against the same period in 2019 . This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.											
Industrial production	3MMA, % YoY	-3.7	2.9	-4.2	0.7	2.2	6.1		4.8	3.5	
Fixed capital investment	Cumulative, % YoY	0.9	9.6	8.1	8.9	10.6	8.9				
Construction	3MMA, % YoY	-0.5	13.9	12.6	8.1	24.2	26.9		22.1	16.9	
Housing commissioning	3MMA, % YoY	0.3	7.7	11.6	45.1	0.1	87.5		46.4	6.7	
Retail	3MMA, % YoY	-3.3	7.1	4.2	4.7	4.0	7.4		3.0	-0.9	
Commercial services	3MMA, % YoY	-10.5	11.7	-0.6	-0.9	2.0	6.7		5.5	5.6	
Real wages	3MMA, % YoY	3.4	2.4	5.0	3.7	4.6	2.2		-0.2		
Real disposable income	% YoY	-1.0	1.5	2.8	4.6	0.8	-0.1				
Unemployment rate	SA, %	7.7	5.3	6.4	5.7	5.3	5.2		4.9	5.0	
Outstanding consumer loans	% YoY	9.1	20.5	18.0	19.9	20.5	16.1		12.2	9.2	
Outstanding mortgage loans	% YoY	18.9	25.8	26.3	25.1	25.8	26.9		23.0	20.0	
Funds in escrow accounts	% YoY	–	149	502	322	149	108		93	76.7	
Non-financial organisations' outstanding bank loans	% YoY	5.2	5.0	-3.1	-2.2	5.0	14.5		8.7	8.6	
• Large borrowers	% YoY	1.8	1.4	-9.3	-6.3	1.4	12.5		3.8	3.8	
• SMEs	% YoY	19.5	18.8	25.7	15.7	18.8	21.6		25.9	25.6	
Companies' price expectations	Balance of responses, SA	15.7	24.5	26.4	26.9	27.0	32.8	28.4	38.0	26.1	21.1
Business Climate Index	pp YoY	-7.2	9.5	15.7	5.1	6.3	-9.4		-9.5	-3.4	
• Current estimates	pp YoY	-8.3	10.4	22.5	5.6	5.4	-7.1		-12.2	-4.7	
• Expectations	pp YoY	-5.9	8.3	8.0	4.6	7.3	-11.9		-6.5	-1.9	

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

Core indicators. Far Eastern Main Branch

Table 8

		2020	2021	2021	2021	2021	2022	2022	Apr	May	Jun
				Q2	Q3	Q4	Q1	Q1			
Inflation	% YoY	5.0	6.7	5.4	6.1	6.7	13.4	14.1	14.8	14.4	14.1
Core inflation	% YoY	3.9	6.7	4.9	5.7	6.7	15.1	16.5	16.7	16.6	16.5
The shaded lines present 2021 data compared against the same period in 2019 . This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.											
Industrial production	3MMA, % YoY	-4.5	2.8	0.0	-6.0	-1.1	5.0		3.4	-1.2	
Fixed capital investment	Cumulative, % YoY	-8.6	9.8	0.2	-1.4	0.4	19.9				
Construction	3MMA, % YoY	-9.4	-4.5	-11.1	-19.7	-16.7	0.8		13.4	8.1	
Housing commissioning	3MMA, % YoY	3.4	25.4	39.7	41.0	21.7	24.0		59.8	72.4	
Retail	3MMA, % YoY	-2.6	5.6	6.1	1.6	-1.4	1.2		0.3	-0.5	
Commercial services	3MMA, % YoY	-18.2	13.3	-9.9	-6.3	-7.4	-0.7		-2.8	-3.0	
Real wages	3MMA, % YoY	2.9	3.2	4.3	1.0	4.2	0.1		-1.6		
Real disposable income	% YoY	-1.5	1.9	0.1	2.4	-0.8	-0.4				
Unemployment rate	SA, %	5.4	4.6	4.6	4.7	4.3	4.4		4.0	3.9	
Outstanding consumer loans	% YoY	9.2	17.7	17.0	18.8	17.7	13.1		9.9	7.5	
Outstanding mortgage loans	% YoY	23.8	32.5	30.2	30.9	32.5	34.4		31.5	28.7	
Funds in escrow accounts	% YoY	–	162	408	303	162	133		120	113	
Non-financial organisations' outstanding bank loans	% YoY	32.2	18.0	38.2	33.4	18.0	8.5		7.8	6.7	
• Large borrowers	% YoY	32.7	17.0	42.9	36.3	17.0	4.4		3.5	2.0	
• SMEs	% YoY	30.4	21.8	22.6	22.7	21.8	24.8		25.4	25.6	
Companies' price expectations	Balance of responses, SA	14.4	19.0	19.9	19.8	21.5	26.1	25.9	32.6	25.4	19.8
Business Climate Index	pp YoY	-7.5	8.0	12.1	6.0	7.2	-4.9		-8.6	-5.7	
• Current estimates	pp YoY	-9.1	9.6	18.2	7.3	8.3	-0.1		-11.4	-5.1	
• Expectations	pp YoY	-5.8	6.3	5.2	4.7	6.3	-10.0		-5.6	-6.2	

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