



Bank of Russia



REGIONAL ECONOMY: COMMENTARIES BY BANK OF RUSSIA MAIN BRANCHES

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

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

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



HOW DO WE COLLECT INFORMATION?

An important source of information for the Report is the monitoring of nearly 14,000 non-financial companies,¹ 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 October 2022, we surveyed 13,600 companies.

RUSSIAN FEDERATION

In September – the first half of October 2022, producers continued to adapt to operation in new conditions. An increasingly noticeable support for demand was provided by the easing of monetary conditions. Though households continue to favour frugal consumer models, citizens' inflation expectations and price expectations of companies rose. And though annual inflation remained on a downward path, monthly consumer price growth accelerated due to the waning effect of the ruble appreciation in spring, and also the impact of rising costs and reduced supply of some goods and services.

Households' consumer activity remained moderate in September – the first half of October.

Demand shifted towards cheaper goods, households decided against expensive and unnecessary purchases. Retailers' expectations of near-term sales deteriorated. In the last ten days of September, shopping mall traffic declined, demand for public catering reduced. Consumer activity was constrained by the partial mobilisation campaign.

Monthly consumer price growth accelerated in September. This was caused by the gradual waning of the effect of factors that had constrained the price growth in the summer time, in particular, the influence of the spring ruble strengthening abated. The price growth trend was also influenced by the easing of monetary conditions, higher costs and a reduction in the supply of certain goods and services. However, the growth rate of prices for key commodity groups, though accelerating slightly in the past two months, did not overshoot 4% (annualised) and was lower than in 2021.

Companies' **economic activity** was predominantly **shaped by external restrictions**. In particular, a decline in external demand drove down coal production and the output of the timber and wood-working industry. External economic problems persisted due to longer logistics chains and complicated payments schemes. However, companies managed to find new counterparties. Import substitution expanded. The redirection of seaport freight turnover from western regions of Russia to the east continued, the capacities of Far Eastern seaports and terminals were used excessively.

The situation in agriculture is favourable: according to preliminary estimates, gross harvest of many agricultural crops will exceed the 2021 levels (see the Box *'2022 harvesting campaign: preliminary results and impact on food prices'*). Increased crop production amid limited opportunities to expand exports will restrain the growth of food prices.

The labour market faced growing mismatch. On the one hand, companies whose products were in high demand this year were actively hiring new workers. On the other hand, the partial mobilisation has exacerbated the shortage of skilled workers in certain sectors.

The easing of monetary conditions and government subsidised programmes supported the further recovery of household lending and an increase in corporate credit activity. At the end of September – the first part of October, according to preliminary estimates, there were no significant changes in the credit and deposit markets (see the Box *'Monetary conditions and credit and deposit markets'*).

KEY TRENDS IN RUSSIAN REGIONS

MAIN BRANCH FOR THE CENTRAL FEDERAL DISTRICT. The production of pharmaceutical substances increased in the macro-region, while the industry continued to substitute the imports of vital and essential medicines. Demand for domestic tourism is restrained by high tour prices and limited number of hotel accommodation facilities in small towns. Textile enterprises shift their focus toward the domestic market, including the fulfilment of government orders. The wheat harvest in several regions was record high, though because of heavy rains in early autumn, the quality of some crops deteriorated.

NORTH-WESTERN MAIN BRANCH. Despite the considerable impact of sanctions, North-Western fertiliser manufacturers managed to build up output owing to the high demand of domestic and external consumers. Baltic Sea ports partially redirected their freight turnover to the railway transportation. Despite the limited air traffic to the southern regions, the number of passengers using some airports in the macro-region was comparable with the previous year.

VOLGA-VYATKA MAIN BRANCH. Despite the monetary policy easing and the launch of subsidised programmes to support mortgage lending, growth in retail lending was less robust compared to previous years. Investment goods producers expanded output and entered new niches in the domestic market, but the prospects of further growth were limited by supply-side constraints. The implementation of agricultural investment projects helped raise productivity.

SOUTHERN MAIN BRANCH. Tourist flow remained unchanged year on year due to an increase in the number of tourists visiting the resorts of the Krasnodar Territory and the North Caucasus. The good harvest helped bring down fodder costs for livestock farmers. Housing commissioning was supported by the construction of individual houses. The rate of growth in real estate prices exceeded the national average.

URAL MAIN BRANCH. Industrial production indications improved slightly. Fuel production quantities remained subdued, due in part to limited export opportunities. Oil refineries and petrochemical enterprises continued to substitute the imports of critical inputs. In the macro-region, machine-builders increased capacity utilisation and introduced additional work shifts.

SIBERIAN MAIN BRANCH. Coal producers and metallurgical companies continued to look for new counterparties and offered price discounts to retain their customers. Some regional manufacturers of agricultural machinery and equipment managed to arrange the supply of production inputs and expanded output. The number of banks offering yuan deposits increased in the macro-region.

FAR EASTERN MAIN BRANCH. Contraction in external demand brought down the output and prices of timber and woodworking companies. Large enterprises' demand for loans began to recover owing to the revival in investment activity. As a result of the creation of new supply chains, the portion of Far-Eastern ports in Russia's container shipments by sea was up. Growing demand spurred supplies of used cars from Asian countries.

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	Sep22	13.7	14.2	13.7	14.2	13.3	12.7	14.6	12.5
Core inflation	% YoY	Sep22	17.1	17.7	17.5	17.8	16.9	15.4	17.5	15.3
Industrial production	3MMA, % YoY	Aug22	-1.0	0.7	-3.1	1.2	-0.4	-1.1	-0.5	-9.1
Fixed capital investment	Cumulative, % YoY	2022 Q2	7.8	3.8	0.1	6.5	2.4	10.0	9.9	11.1
Construction	3MMA, % YoY	Aug22	4.7	10.6	-3.0	4.5	9.4	-3.4	7.5	-7.9
Housing commissioning	3MMA, % YoY	Sep22	1.9	-2.3	-19.6	14.4	3.1	9.5	6.2	31.8
Retail	3MMA, % YoY	Aug22	-9.0	-12.3	-10.9	-6.0	-2.1	-8.2	-5.1	0.5
Commercial services	3MMA, % YoY	Aug22	1.9	-0.4	2.6	3.2	4.5	3.6	6.7	-3.7
Real wages	3MMA, % YoY	June22	-5.4	-7.2	-5.1	-4.5	-5.7	-4.7	-4.6	-3.9
Real disposable income	% YoY	2022 Q2	-1.9	-3.9	-2.3	-2.0	-2.0	-2.9	-2.3	-2.3
Unemployment	SA, %	Aug22	3.9	3.0	3.2	3.2	6.2	3.2	4.8	4.0
Outstanding consumer loans ²	% YoY	Aug22	5.0	6.0	4.3	3.5	6.3	3.7	5.5	4.1
Outstanding mortgage loans	% YoY	Aug22	16.7	18.4	16.3	13.2	20.3	13.5	14.7	22.3
Funds in escrow accounts	% YoY	Aug22	58	64	86	37	37	40	41	69
Non-financial organisations' outstanding bank loans	% YoY	Aug22	15.8	12.8	34.2	7.7	22.1	18.5	15.7	11.3
• Large borrowers	% YoY	Aug22	13.1	9.8	34.1	3.5	15.8	17.2	11.9	11.0
• SMEs	% YoY	Aug22	30.5	33.7	35.0	20.1	37.8	26.8	29.1	12.5
Companies' price expectations ³	Balance of responses, SA	Oct22	17.4	20.5	17.1	20.5	15.1	17.2	17.0	15.8
Business Climate Index	pp YoY	Oct22	-6.3	-8.7	-12.1	-6.9	-1.2	-7.6	-8.9	-8.2
• Current assessments	pp YoY	Oct22	-6.2	-10.5	-11.6	-6.0	-1.4	-8.7	-11.8	-7.8
• Expectations	pp YoY	Oct22	-6.3	-6.9	-12.7	-7.9	-0.9	-6.4	-5.9	-8.7

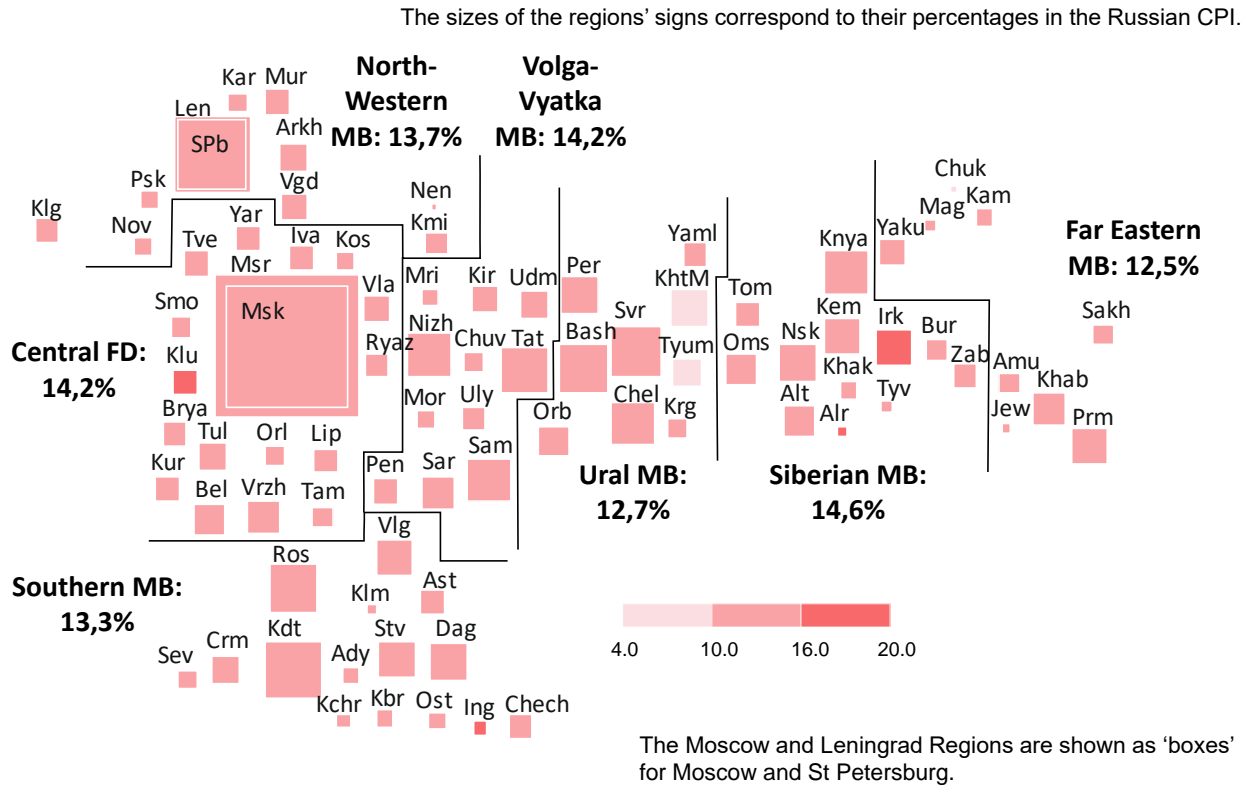
Sources: Bank of Russia's monitoring of businesses, Rosstat, calculations by the Bank of Russia Main Branches.

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

BANK OF RUSSIA MAIN BRANCH FOR THE CENTRAL FEDERAL DISTRICT

In September – the first half of October, consumer activity in the macro-region continued to decline. In September, there was an acceleration in monthly price growth due to a contraction in the supply of some fruit and vegetables and rising costs in insurance, communications and domestic tourism services. According to October surveys, there was an increase in business price expectations for the next three months. Demand for mortgages in the secondary housing market was supported by discounts offered in the capital.

CONSUMPTION AND INCOMES. In Central Russia, annualised retail turnover declined in August 2022, most notably – for non-food goods. These sales contracted in all regions across the Central FD and fell especially sharply (almost by a fourth) in Moscow and the Moscow Region. In the Central FD, the volume of medical and communications services also decreased mainly because of the metropolitan region. According to SberIndex, consumer activity in Central Russia continued to weaken caused, among other things, by the partial mobilisation. At the end of September, shopping mall traffic and the number of restaurant visits in Moscow dropped by more than 10% year on year; cinema attendance also declined. Households demonstrated elevated propensity to rational consumption.

PRICES. In September, the macro-region saw a pickup in price growth compared to August (including seasonally adjusted prices) due to a reduction in the supply of certain fruit and vegetable products, higher costs in insurance, communications and domestic tourism services. According to Rosstat's weekly data, price growth continued in October. Despite a contraction in demand, business price expectations in Central Russia continued to rise amid elevated business risks.

MONETARY CONDITIONS AND BANKING SECTOR. In August, the growth of corporate portfolio accelerated in annualised terms. According to the findings of the Bank of Russia's September survey, business lending conditions were almost unchanged in general: improvement in conditions was reported by retailers and industrial manufacturers, while their deterioration was mentioned by wholesale and services companies. After the partial mobilisation was announced, approaches to the assessment of large borrowers remained roughly unchanged, but slightly tightened for SMEs.

In August, the retail loan portfolio continued to grow. Demand supported by consumer loans remained below last year readings. Demand in the mortgage market in August – early September was driven by discounts offered in the metropolitan secondary housing market at 15% on average. In August, household funds (w/o escrow accounts) increased in almost all Central Russia regions. As deposit rates edged down, households continued to transfer their ruble funds from time deposits to current accounts. At the end of September, households' demand for cash increased. In early October, some banks raised interest rates on retail loans and deposits.

PHARMACEUTICALS. The amount of funds invested by foreign pharmaceutical companies on new R&D works, including in the macro-region, may decrease by the end of 2022. The industry is seeking to transition the production of strategically important drugs to the full-cycle technology in Russia. For

example, a resident company in the special economic zone of the Moscow Region received a permission to build a plant for the production of finished medicines. The company is going to develop and produce medicines included in the list of vital and essential drugs, as well as medicines which are not produced in Russia today. In August, the enterprises of this FD reported an increase in the output of pharmaceutical substances, the production of which is a priority area of import substitution. According to the programme of the pharmaceutical industry development, the expansion of production made it possible to build up the output of pharmaceutical substances more than six times in one year in the Moscow and Tver Regions.

TOURISM. In August – early September, Central Russia saw an increase in demand for domestic tourism compared to the previous year. However, high tour prices and insufficient number of hotels in small towns of Central Russia continue to hamper the development of domestic tourism. The Tourism and Hospitality Industry national project envisages an increase in capital investment in the tourist infrastructure and programmes. One of large projects in the development of the Moscow Region is a new concept of leisure routes in Zraisk, Dmitrov and Serpukhov, including the construction of hotels, parking areas, creation of a system of convenient navigation, organisation of transfers, and launch of public catering facilities.

Since late September, the travel industry has been registering a drop in demand and sales for both foreign and domestic destinations. The depth of tour booking declined dramatically. At the end of September, the availability of flights to friendly countries decreased sharply, with airfare more than doubling. At the same time, demand for health-improving holidays remained stable and did not change over the year.

TEXTILE INDUSTRY. In August 2022, the Ivanovo Region, one of the leaders in textile manufacturing, registered first signs of the recovery of output volumes after the slump observed since the end of February. The region partially resolved problems with the supply of raw materials which had been previously supplied from Europe. Enterprises found substitutes for the suppliers of some items, including fittings and a number of chemicals, from among manufacturers from friendly countries, as well as Russian companies.

Following the decline in exports to Western Europe and the exit of a large foreign retailer from the Russian market, companies shift their focus of attention to domestic orders, using opportunities of marketplaces.

They are also supported by government orders. As reported by market participants, the situation with cotton supplies is stable; they have sufficient stocks of raw materials for the next few months. Over the next three months, most companies expect either to maintain unchanged the volume of output or expand it. A large Ivanovo textile manufacturer plans to increase the production of linen and underwear under a government order in the coming months. Moreover, a knitting fabric factory has been launched this year in the Ivanovo Region. After the factory reaches its full capacity by the end of 2022, the output of knitting fabric will considerably increase in Russia.

BANK OF RUSSIA NORTH-WESTERN MAIN BRANCH

Consumer activity in the macro-region remained subdued in September and the first half of October. The impact of sanctions continued to be significant in many industries. Vehicle maintenance costs grew persistently for motor transport companies. The favourable pricing environment boosted fertiliser output. Railway freight and passenger traffic increased.

CONSUMPTION AND INCOMES. Consumer activity in the North-West, as in Russia in general, remained subdued. The macro-region's population preferred to buy mostly basic goods and refused to make large purchases. New car sales declined in a number of regions, despite an increased supply of Asian-made products. Trade representatives held promotions to stimulate demand. A large marketplace has launched a free delivery service for the residents of Saint Petersburg and the Leningrad Region throughout the whole September. Following the departure of some foreign retailers, a number of clothing chains present in the macro-region are developing a new home goods segment, with plans to open their first specialised shops in 2023.

Higher uncertainty at the end of September had a negative impact on consumer activity. In many regions, the number of visits at shopping malls declined. Recent data also show a decline in household spending on a number of product categories (e.g., home improvement goods, clothing and footwear) and public catering services.

PRICES. Annual inflation in the macro-region continued to slow down in September to 13.7%. At the same time, the seasonally adjusted monthly price increase was mainly due to the price movements for certain services, in particular communications and overseas tourism.

Business price expectations continued to rise in October. Higher expectations were recorded in most sectors, the biggest increase posted by industrial production.

MONETARY CONDITIONS AND BANKING SECTOR. The easing of monetary conditions contributed to a further recovery in retail lending. Credit institutions noted an increase in household demand for mortgage loans on market terms. Regional subsidised mortgage programmes were also in demand. In the Arkhangelsk Region, the number of applications for social mortgages for certain categories of citizens in the region (health workers, educators and others) increased in August and September; in the Vologda Region, young childless families are able to receive regional mortgage loans starting from October.

In several regions, however, some banks raised interest rates on household loans in late September – early October.

In the corporate segment, according to the October survey, there was a slight deterioration in lending conditions, including a tightening in non-price conditions for certain categories of borrowers.

FERTILISER PRODUCTION. In January–August 2022, fertiliser production in the macro-region increased by 10% compared to the same period in 2021. Strong domestic and external demand, as well as a relatively quick adaptation of the industry to the changed conditions, contributed to the growth in output. For example, a major fertiliser manufacturer in the North-West increased its shipments to Asia by two and a half times. Domestic supplies grew due to the expansion of the country's cultivated areas.

At the same time, the industry faces difficulties due to the sanctions: the delivery time and cost of imported components and materials increased significantly, and international payments remain difficult. Due to the refusal of foreign contractors to cooperate, a major enterprise in the macro-region had to postpone the implementation of an investment project.

However, the implementation of many investment projects in the macro-region continued. In August, for example, a new facility producing an agricultural and industrial chemical was launched in the Novgorod Region as part of the import substitution programme. The construction of a fertiliser production site in the Leningrad Region is nearing completion.

HOUSING MARKET. The housing market in the North-West recovered from the spring squeeze in August and September. This has been assisted by lower interest rates on subsidised and market mortgage loans, with additional impetus coming from joint programmes between developers and banks. In the Leningrad Region, demand for suburban real estate remained high. However, starting from the second half of September, some developers reported a decline in demand for new housing, while in some regions there was noted an increase in supply and a decrease in secondary market prices.

The volume of housing construction in all regions of the North–West in January–August 2022 exceeded that of the same period last year. At the same time, the growth of individual housing construction outstripped that of apartment buildings. In September, according to preliminary estimates, the commissioning of housing continued to grow in the macro-region.

PASSENGER TRANSPORT AND FREIGHT TRANSPORTATION. With the expansion of domestic tourism, railway passenger traffic grew. Passenger numbers at several airports in the macro-region were at the same level as last year, despite limited air traffic to the South of the country. The downside risks previously noted by a regional airline (mainly due to a ban on deliveries of aircraft, parts and equipment by American and European manufacturers) have now been significantly reduced, including through the arrangements of new supply chains. At the same time, the largest road passenger carriers in some regions of the North-West faced an increase in the cost of motor vehicle maintenance.

Freight turnover at Baltic Sea ports declined after a number of foreign logistical companies left. The utilisation rate of the railway network increased in the macro-region. Exports continue to be reoriented towards Asian countries, with cargoes going through sea terminals and rail dry ports. Due to changes in logistics chains, a major steel company sold its own stevedoring company at the seaport of Saint Petersburg and built up the exports of finished products by motor transport by almost a third.

BANK OF RUSSIA VOLGA-VYATKA MAIN BRANCH

In September, a rise in output in manufacturing and agriculture supported economic activity. Higher demand for domestic machinery and equipment as part of import substitution stimulated the expansion of investment goods production. The implementation of investment projects contributed to the development of infrastructure and increased supply in crop and livestock production. Consumer activity declined by the end of September, with shopper behaviour becoming more cautious and retailer expectations – more subdued.

CONSUMPTION AND INCOMES. Retail turnover picked up strongly in August. The sales of vehicles from domestic manufacturers and individual Asian brands continued to grow. Consumer spending showed a negative trend in September, according to high-frequency data. Retailers' expectations regarding demand also deteriorated, according to surveys, after several months of growth. Towards the end of September, as uncertainty increased, consumers began once again to postpone large purchases (e.g., electronics and household appliances, building materials and furniture). Representatives of the malls noted a renewed customer outflow and a contracted demand for clothing and footwear. The services sector saw a reduction in household spending on entertainment, sports and visiting cafés and restaurants, but in some regions business considers this to be a short-term phenomenon. There were mixed trends in the travel industry, with some customers cancelling planned tours within the country and a surge in demand for overseas travel.

PRICES. Annual inflation slowed down again in September. At the same time, the current price growth rate (seasonally adjusted) became positive, but was below 4% in annualised terms. The phase of an active downward price correction of a wide range of non-food items after their spring rise was over. The decline in fruit and vegetable prices also stopped.

Price expectations in the retail sector rose slightly. Nevertheless, companies continued to report a slower growth in costs. In addition, the level of stocks of finished goods in the trade sector remained quite high, with half of the surveyed businesses stocked up for three months and another quarter stocked up for six months.

LABOUR MARKET. The situation in the labour market in the Volga-Vyatka Regions had not changed significantly by the beginning of October. The number of underemployed workers continued to fall. The announcement of a partial mobilisation was a factor of higher uncertainty for businesses regarding the future situation, but overall, it did not have a significant impact on the labour market in the macro-region. However, in some sectors, the effects were more pronounced: in transport and agricultural enterprises, the number of drivers and machine operators declined. At large enterprises, the reduction in the number of employees was assessed as negligible. At the same time, individual companies reported the inability to promptly replace highly skilled employees who had dropped out of production.

MONETARY CONDITIONS AND BANKING SECTOR. The consumer loan portfolio continued to recover in August. This was boosted by a strong growth in issuance volumes which, according to high-frequency information, continued in the first half of September, but then reversed to decline. Outstand-

ing mortgage loans also rose in August, but at a slower pace than in the previous month. The government subsidised mortgage lending programme for new buildings continued to support mortgage lending in September. In addition, according to some developers, their own interest rate subsidy programmes helped stimulate mortgage lending. Nevertheless, the overall seasonally adjusted monthly debt growth rate in both retail lending segments remained markedly lower than in 2021 – early 2022. According to the September business survey, improvements in bank lending conditions for businesses came to a halt. By early October, according to companies' operational estimates, there was a slight decrease in the availability of credit. Some banks revised parameters for lending to support investment projects and began to conduct additional stress testing, among other things. At the same time, most credit institutions reported that lending conditions were not tightened.

INVESTMENT GOODS OUTPUT. In August and September, the industry provided meaningful support for growth in manufacturing output. This was primarily due to higher demand for domestic goods as part of import substitution. In responding to current market demands, enterprises managed to master new activities in addition to expanding the output of existing products. For example, one of Volga-Vyatka's major machine-building concerns began to provide maintenance services for equipment used in the fuel and energy complex. Previously, such services for this industry were provided by foreign companies.

However, manufacturers reported factors that may constrain further output growth. For example, the use of alternatives for unaffordable imported materials and equipment has a negative impact not only on the quality of products but also on firms' productivity. In addition, some companies reported an increase in raw material delivery times due to the reorientation of steel companies towards government orders, which are fulfilled as the first priority. Finally, in some cases a shortage of workers and engineers was noted. For this reason, the enterprises within the regional aviation industry developed cooperation with educational institutions to accelerate the training of personnel needed for production.

AGROINDUSTRIAL COMPLEX. In August and September, production volumes in agriculture and the food industry steadily exceeded the previous year's readings. Companies continued their investment projects, and several new production facilities were launched. An enterprise invested in the development of the infrastructure for transporting and storing grain. Another producer reported the launch of a new livestock farm with highly automated routine processes, allowing the company to increase productivity. Nevertheless, in some cases, investment activity was hindered by foreign trade restrictions. For example, a poultry farm suspended a previously launched investment project due to continued uncertainty over supplies and the cost of foreign equipment.

BANK OF RUSSIA SOUTHERN MAIN BRANCH

In October, economic environment deteriorated in the macro-region, with an increase in the proportion of companies facing disruptions or cancellations in supply chains. Three-month ahead output expectations also deteriorated in agriculture, construction, and mining and quarrying. Business price expectations edged up. However, consumer activity in September lagged behind last year's indicators. The refocusing of tourist demand to North Caucasus resorts helped maintain the tourist traffic of the macro-region at last year's level. Despite a certain decrease in sales, developers observed their planned commissioning deadlines.

CONSUMPTION AND INCOMES. According to high-frequency indicators, consumer activity in September – the first half of October was lower than in the previous year. Public catering attendance dropped noticeably. Amid elevated uncertainty, households continued to adopt a saving behaviour model. In this situation, retailers' expectations regarding near-term sales volumes deteriorated in October month on month. Trade companies noted a shift in demand towards cheaper goods. In the Krasnodar Territory, a large producer of high-quality dairy products reported a contraction in demand year on year due to the reorientation of some households towards low-price goods.

PRICES. In September, annual inflation consistently decreased to 13.3% predominantly due to the expanding supply of fruit and vegetables and meat products. Favourable weather conditions were conducive to elevated gross vegetable harvest, and higher grain harvest helped reduce the cost of fodder. In agriculture, trade and food production, the proportion of respondents mentioning rising costs decreased. For example, a meat processing plant in the Republic of Daghestan managed to reduce unit costs and keep prices unchanged due to expanding its product range and adding Urals regions to its sales market. Business price expectations grew across most sectors, except agriculture, retail trade, and construction.

LABOUR MARKET. The situation in the macro-region's labour market remained stable. The development of domestic tourism, including year-round one, increased the demand for hospitality specialists in the Stavropol Territory, the Republic of North Ossetia – Alania, and Daghestan. Survey results indicate that over 70% of enterprises noted that their headcounts were unchanged.

Staff cuts were mostly registered in the segment of unskilled workers. However, respondents mentioned a possibility to substitute these vacancies with similar staff in most industries. A dairy plant in the Krasnodar Territory reported that the shortage of drivers observed since end-September had been promptly resolved by outsourcing to a third-party company.

MONETARY CONDITIONS AND BANKING SECTOR. In September, amid interest rate cuts, there was an increase in demand for loans in the corporate segment, including in agriculture, for the purpose of financing seasonal field work. According to a major regional bank in Kuban, the portfolio of subsidised loans received by agroindustrial companies has increased by a half since the beginning of the year. In the coming months, banks expect moderate activity in the corporate lending segment due in part to a certain tightening in non-price lending conditions. As for the retail segment, after a gradual recovery in household lending activity in July and August, banks reported a contraction in

demand in late September – early October, associating this trend with certain tightening in price conditions (including, due to rising uncertainty and insurance premiums).

Deposit rates also edged up. Despite the slight outflow of household funds, reported by banks at the end of September, the macro-region's residents in general continued to keep their savings in deposits and current accounts.

REAL ESTATE MARKET. The pace of housing commissioning in the macro-region remained higher than across Russia in general, primarily due to individual construction. However, the volume of commissioned apartment buildings was unchanged year on year. In the Krasnodar Territory and the Rostov Region, developers are not adjusting their further construction plans. Despite a slight decline, investment demand in September continued to support the growth rate of real estate prices in the macro-region above the national average. At the same time, some developers noted several cases when customers refused to make earlier planned purchases under the influence of elevated uncertainty. In several segments of the housing market, sales were down by 10–30%. Against this background, the prices of new buildings in Sochi fell by 5% in September month on month.

TOURISM. In September, the tourist flow in the macro-region was at the previous year's level. A decline in the tourist flow at some resorts on the Azov-Black Sea coast was offset by a redirection of demand in favour of the North Caucasus regions. In the Republic of Dagestan, the tourist traffic was up by 80%, and the occupancy rate of health resorts and tourist facilities increased almost twofold year on year, due in part to better transport accessibility and development of recreation facilities on the Caspian Sea coast. In September, the first five-star hotel was opened in the region. In the Stavropol Territory, the Karachay-Cherkess and Kabardino-Balkarian Republics, the number of tourists was 10% more than in the previous year. The same trend was observed in the Krasnodar Territory.

Despite the high appeal of the autumn stage of the tourist cashback programme, bookings for October–November this year are not so numerous than last year. As for the winter season, several mountain resorts of the Elbrus region and Sochi reported an almost 5%-increase in bookings year on year. However, given increased volatility, business expectations in terms of the tourist traffic during the winter ski season remain moderate.

BANK OF RUSSIA URAL MAIN BRANCH

The macro-region demonstrated weak consumer demand in September and the first half of October. In the industrial sector and construction, estimates of demand and output deteriorated, while price expectations grew. The oil and gas sector continued to implement a limited number of investment projects aimed at mitigating technological risks associated with pending production and processing reductions caused by tougher sanctions. In the macro-region, several machine-building enterprises introduced additional work shifts.

CONSUMPTION AND INCOMES. According to high-frequency indicators and retailers' estimates, consumer spending in the Urals continued to decline in September. However, there were no problems with the supply of goods via parallel import channels and with stocks in warehouses. Amid mounting uncertainty, households continued to refuse to buy expensive goods, accumulating funds in current accounts and in cash. After the partial mobilisation was announced at the end of September, there was a temporary and sporadic surge in demand for some non-food goods (special-purpose clothing, footwear). At the same time, there was no marked decline in consumer spending on food products. At the end of the summer, the employment rate grew, bouncing back to the last year's level, and the unemployment rate declined. In September, according to employment services, businesses demonstrated an increase in demand for highly skilled workers. According to the hh.ru portal, the number of active CVs edged down.

PRICES. In September, annual inflation in the Urals continued to decelerate, reaching 12.7%. It came as a result of both the expanded supply of certain food products and a weaker demand, mainly for durable non-food goods. Given a favourable harvest forecast and cooling consumer demand, business price expectations declined in September–October in agriculture, retail trade and services. By contrast, the price expectations of industrial and construction companies grew due to actual and expected increases in logistics costs and wages amid elevated uncertainty.

MONETARY CONDITIONS AND BANKING SECTOR. According to recent data, September saw a continuation of households' funds flowing from time to current accounts, as well as funds withdrawals. In view of the above, some banks raised their deposit rates. At the same time, there was a decline in household demand for consumer and mortgage loans, and there were even situations, when customers abandoned mortgage applications already approved by banks. In early October, certain banks raised interest rates on retail loans, including mortgage loans. Some banks reported higher demand for loans among large corporates, including importers (first of all, companies participating in priority import support programmes). However, due to increased risks for the supplies of imported equipment and components, some enterprises had to refuse to take out investment loans and bank guarantees.

OIL AND GAS PRODUCTION. Sanctions imposed on the oil industry had a negligible effect on production volumes. The extent of further reduction is assessed by market participants diversely. They believe that the reduction of production quota by OPEC+ states will not have a noticeable negative impact on oil production volumes, as the quota exceeds current production levels. At the same time, the decrease in oil refining led to lower domestic prices for crude oil. As a result, the

volume of geological prospecting and drilling of new wells (mainly for small oil producing companies without their own pipeline infrastructure) continued to decline. Due to the malfunction of turbines, maintenance works and sanctions pressure, the volume of natural gas pumped through Nord Stream pipelines had already begun to reduce before the accident in September. But the accident makes the timing and possibility of restoring production to previous levels by far more uncertain.

OIL REFINING AND PETROCHEMICALS. According to market participants, Asian and Middle Eastern markets will account for the biggest portion of increase in global demand for oil products, therefore a slowdown in the economic growth in these regions implies high risks for domestic producers. In September, export-oriented methanol producers mentioned problems with sales. The capacity of the domestic market makes it possible to utilise only half of the available polymer production capacity. Additional risks are associated with the absence of modifying additives, necessity to change the suppliers of catalysts and stabilisers, and the high degree of the dependence of equipment performance on imported components and maintenance. In this situation, enterprises focused on import substitution of critical components are operating at full capacity, with their expansion projects being implemented very fast. Because of reduced export possibilities, as well as adjustments to the damper mechanism, fuel production at Urals refineries remained low. Some refineries were closed for maintenance works due to reduced export possibilities and also adjustments to the damper mechanism.

MACHINE-BUILDING. The situation is very diverse within the industry. On the one hand, as a result of an increase in the government order, many major enterprises announced large-scale recruitment of workers and engineers, and introduced additional work shifts. There is a shortage of skilled workers at machine-building enterprises focused on the domestic market, as demand there increased dramatically following the suspension or termination of the activities of foreign companies. In the Urals, this is mainly typical for the manufacturers of industrial equipment, engines, motor vehicles, and special machinery. Facilities are fully utilised at those enterprises where the dependence of production on imported inputs, components and equipment is not critical. On the other hand, for export-focused companies the foreign economic activity remains problematic: logistics chains became longer, delivery times extended, and payment schemes became more complicated. Companies of this group generally implement their investment programmes slower, mainly financing projects designed to maintain existing capacities. Implementation is planned first of all for government-supported projects chiefly in the areas of manufacture of auto components and high-technology equipment.

BANK OF RUSSIA SIBERIAN MAIN BRANCH

In September – the first half of October, demand for the output of the Siberian industrial sector was still affected by sanctions. The volume of industrial production declined. The sectors of coal production and metallurgy continued to look for new counterparties and export destinations. However, manufacturers of agroindustrial equipment recorded an increase in domestic demand for their products. Consumer activity trended downwards. Annual inflation slowed down.

CONSUMPTION AND INCOMES. In September – the first half of October, retailers reported a decline in consumer activity. Amid uncertainty, many households limited their spending and refused to make spontaneous purchases. Demand for ‘health and beauty’ products dropped sharply. An electronics retail network noted mass cancellations of earlier ordered appliances and recalls of prepayments. Tour operators recorded cancellations of paid travel. At the same time, companies selling Russian and Chinese car spare parts were almost unable to replenish stocks due to high demand. There was an increase in demand for dry-cleaning, footwear, household appliances and electronics repair services, reflecting a more frugal attitude to durable goods.

Most of the surveyed companies are not going to reduce their staff numbers in the near future. Employers mention a high probability of the deficit of skilled workers and the need to train new personnel. That is why companies are considering the possibility of incentive payments and scholarships for the period of training.

PRICES. In September, annual inflation slowed down to 14.6% predominantly due to food and non-food price changes. Agricultural companies reported a good harvest of open-field vegetables, potatoes and fresh herbs. Given the limited storage capacity for vegetables and high competition from imports, selling prices declined. The rise in the prices for flour and pasta slowed down because of export restrictions and expanding supply in the domestic grain market. The cooling of demand for durables and the spring appreciation of the ruble conditioned a slower price growth rate for electronics, TV and radio goods. Distributors reported that the growth of the average amount of purchase within this group of goods was held back by the substitution of certain European items with cheaper Russian and Asian alternatives.

Agricultural enterprises expect a slowdown in price growth in the next three months. Trading, food processing and construction companies expect a pickup in price growth mainly as a result of higher input prices for raw materials and components.

MONETARY CONDITIONS AND BANKING SECTOR. Monetary conditions continued to soften in Siberia in August and September. Business lending increased. At the end of September, however, banks began to pay more attention to the solvency of borrowers.

Consumer and mortgage lending continued to grow. In the last decade of September, the number of loan applications received declined. Some banks raised interest rates on household loans, including mortgages, in late September – early October.

Due to lower deposit rates, household activity in the deposit market decreased in August–September. In September, in order to preserve the funding base, banks returned to the policy of higher

interest rates on long-term deposits with replenishment and partial withdrawal options. For new customers, promotional products with a higher interest rate were offered. In the regions bordering China, the number of banks offering yuan deposits increased.

COAL PRODUCTION. Coal production in Siberia continued to decline in August and September due to a ban on coal exports to the EU, as well as a number of logistics constraints. In August, coal production in Kuzbass decreased by 11% year on year, while coal exports decreased by 13%, therefore producers continue to look for long-term contract options. This is supported by strong demand from Asian countries. For example, a major thermal coal producer said it had arranged a supply of large volumes of products to the Asian market, thus solving the problem of excessive stocks. The company reported that they sell coal at a significant discount to world prices.

Most enterprises in the industry are gradually adapting to the difficulties and are not planning to shut down production and lay off staff. In the first half of 2022, investments in the coal industry increased in annual terms (in Kuzbass, by 37%). But the investments are concentrated on the projects that were started several years ago and are in their final stage of construction, and no new major projects have yet been announced.

NON-FERROUS METALLURGY. Global demand for key industrial metals was virtually unchanged in August–September. Despite logistics problems and sanctions, major steel producers in Siberia have increased output and exports of certain items. In some cases, manufacturers provided discounts to retain customer loyalty.

Keeping their position in traditional markets (Europe, America) remains the priority for Siberian companies. However, in the current situation, some customers are trying to renegotiate existing contracts in their favour, reducing the volume of purchases for a future period. To preserve decision-making space and diversify risks, producers from Siberia are partially redirecting supplies to alternative markets. For example, a major Siberian project in the industrial metals segment, scheduled to launch in 2023, is already being redirected to the Asian market.

PRODUCTION OF AGRICULTURAL MACHINERY AND EQUIPMENT. Many Siberian producers of equipment for the agroindustrial complex have reduced production of certain products because of the sanctions, despite the good investment potential of agrarians. The manufacture of a number of models is difficult, as some of the components used to come from unfriendly countries. Those who have solved the supply problem are building up output.

A major manufacturer of high-tech sorting equipment reported that the substitution of suppliers of raw materials and components is going well. The manufacturer expects sales to rise. Exports remain a problematic area for the manufacturer, with their portion of sales having fallen from 30% to 15% – the company's products have been partially or completely rejected by European buyers. The manufacturer is entering the Asian market, but there has not yet been a meaningful substitution for the departing European buyers. In addition, the strengthening of the ruble in the spring made it more difficult for the manufacturer to compete with Asian suppliers of similar products.

BANK OF RUSSIA FAR EASTERN MAIN BRANCH

In September and the first half of October, the macro-region saw a cooling of consumer activity. Business price expectations resumed growth. As a result of the contraction of external demand, timber companies cut their production volumes and started to employ part-time work schemes more frequently. The arrangement of new supply chains increased the volume of imports through Far Eastern ports, including shipments of used cars from Asian countries.

CONSUMPTION AND INCOMES. In September and the first half of October, consumer activity in the macro-region declined. Traffic to shopping and entertainment centres, demand for fitness clubs and visits to cafés and restaurants decreased in September compared to August. A grocery retailer reported a reduction in the sales of expensive goods and announced plans to expand the discounter chain. The theatres in the Khabarovsk Territory launched discount promotions for first performances in order to attract audience. The exceptions were specialised shops, where, on the contrary, there was an increase in demand for special clothing and gear starting from the third decade of September. According to the survey, retailers' and service providers' expectations of demand for the next three months worsened in October compared to September. Due to the contraction in demand, the number of part-time workers in the catering and logging sectors increased.

PRICES. Monthly seasonally adjusted price growth accelerated in September after six months of slowdown, but the pace of growth was below the national average. Overseas tourism services rose the most compared to August, while passenger car prices resumed their upward trend. Annual inflation continued to slow down and reached to 12.5%. Businesses' price expectations rose in October most strongly in the wholesale and retail sectors, according to business monitoring data. The main reason for the increase in price expectations is the change in the cost of fuels and lubricants. A number of businesses also reported an increase in logistics costs. Individual retailers reported a reduction in the range of products (meat products, perfumes and cosmetics, and computer equipment).

MONETARY CONDITIONS AND BANKING SECTOR. In the third quarter, according to credit institutions' estimates, bank lending conditions across all segments of the lending market eased somewhat. Lending activity of large enterprises recovered in July–August, including through the resumption of previously suspended investment projects and the launch of new ones. In the SME segment, there was a reduction in the flow of new applications in September. It is estimated that the volume of new mortgages in September was higher than in August, but it did not reach last year's level. Banks reported that the share of applications and loans for housing in the secondary market increased significantly in September compared to July–August because of lower market interest rates and, in some lending institutions, because of relaxed down payment requirements. At the end of September, the announcement of partial mobilisation led to the suspension of transactions on previously approved mortgage loans and a reduction in household demand for loans in general. Some banks in early October reported an increase in interest rates on retail loans, including mortgages. As for deposits, there was an inflow of household funds to current accounts in August as a result of lower interest rates. In

the last decade of September, there was an outflow of funds, which was estimated to have stopped in early October, helped by some banks raising deposit rates.

CARGO TRANSPORTATION. Container turnover at Far Eastern ports continued to grow in September year on year, while it fell by a third for the country as a whole. The macro-region's portion in Russia's container shipments by sea accounted for almost 70%, up from 40% at the start of the year. This was facilitated by the recovery of imports through the arrangement of new supply chains and the opening of Chinese ports after the lockdown. The capacity of ports and terminals was overloaded and there was a shortage of platforms to form fast trains to western destinations. In September, compared to August, rail freight fares increased by half and the timeframes for shipments doubled, leading to an increase in demand for storage services and related costs for businesses. In order to speed up cargo turnover, a discount was introduced in October for domestic and imported large-capacity containers in open freight wagons from Far Eastern stations. Due to the high volume of unprocessed cargoes, logistics companies in October limited the acceptance of requests for shipments by rail to the western regions. The shipment towards the Far East was also partially suspended, with a waiting period of up to one month.

PASSENGER CAR MARKET. Following the departure of some foreign car companies from the Russian market and the strengthening of the ruble, demand for used cars from Asia was up in the Far East and other regions. Due to a lack of new car deliveries, a dealership changed its activities from selling used cars and leasing them. In August, the imports of used cars through the port of Vladivostok increased by more than a half compared to last year and reached a record level. In September, the macro-region's port moorings were overcrowded and the average delivery time increased from one to three months. The volume of motor car transported towards the western regions of the country tripled in September compared to February. At the end of September, some car dealers suspended accepting applications for used cars because of logistics problems and the risk of new sanctions. Due to higher demand, both the cost of cars at auctions in Japan and freight rates rose. As a result, the prices for used foreign cars rose by 10% in September compared to the beginning of the year.

LOGGING AND WOOD PROCESSING. According to estimates by logging and wood processing companies of the macro-region, external demand for timber and sawn lumber continued to decline in September and the first half of October. Companies reported that unfriendly states refused to buy their products and that their competition with producers from western regions of Russia increased. This led to the formation of excessive stocks of finished goods. A major enterprise reported that prices for its products fell by 60% in the past three months. As a result, it has been forced to halve its output, suspend production in some areas and put workers on paid leave. Another major enterprise announced staff cuts scheduled for the next month. Companies in the industry mentioned difficulties in servicing foreign equipment and the suspension of spare part deliveries from unfriendly countries. Conversely, a timber company reported the completion of upgrading at a sawmill with the equipment supplied from Asia.

BOX 1

2022 HARVESTING CAMPAIGN: PRELIMINARY RESULTS AND IMPACT ON FOOD PRICES

According to preliminary data on harvesting progress in 2022, gross harvest of many agricultural crops will exceed the 2021 levels. This is largely due to the increase of the crop areas and the growth of crop volumes. A record-high harvest of cereals is expected. At the same time, unfavourable weather conditions during the harvest season may affect the quality of oil crops and open-field vegetables in some regions. The increased supply of crop products due to, among other things, limited opportunities to expand exports, is a key factor that holds back price growth. However, higher producer costs carry deferred proinflationary risks.

HARVESTING CAMPAIGN

Grains and grain legumes. As of early October, harvesting is completed on 91% of the areas. The gross yield has substantially exceeded last year's result – by 33.7%, including wheat – by 41.4%. Record-high crops in cereals are expected in the Rostov, Volgograd and Orenburg Regions, the Republic of Bashkortostan and the Krasnodar Territory. The Belgorod, Voronezh and Kursk Regions are likely to hit wheat records, while the Primorye and Khabarovsk Territories are expected to produce a record soybean crop.

According to the preliminary estimates of Russia's Ministry of Agriculture, in 2022, grain and grain legume harvest this year will reach its record high and total 150 million tons (which is almost 25% more than in 2021), including wheat – 100 million tons (30% up).

A bigger harvest (Chart 1) resulted both from the expansion of the crop areas and growing yielding ability. In 2022, the crop area is 1.3% larger than in 2021. This includes the wheat areas (2.1% up), with the Volgograd, Voronezh, and Saratov Regions accounting for a greater part of such growth. An increase in yield resulted from favourable weather conditions during sowing and ripening in Russia's southern regions and in the Volga Region.

Producers are happy with the quality of grains and grain legumes and their storage time. For example, in the Altai Territory, wheat of classes 3 and 4 accounted for 97% of the total against 95% in 2021. At the same time, in the South of Russia, the share of food wheat (classes 1–4) went down, accounting for 80% on average against 91% in 2021.

Sugar beet. According to preliminary estimates, after the harvesting campaign, the 2022 harvest will exceed last year's statistics by 4.8% to total 43.0 million tons. In 2022, crop areas expanded against 2021 in most regions engaged in production by 2.6% overall. Yield has increased. Although due to persistent precipitation in a number of regions in Central Russia and the Volga Region, as of early October, slightly less crop areas were harvested than a year earlier (about 35%), the current harvest is already 14.6% higher than last year's statistics. Most companies are optimistic about their 2022 assessments as regards quality and storage time.

Potatoes. As expected, by the end of 2022, the harvest in all farm categories will amount to 18.1 million tons, which is 3.0% higher than in 2021. Crop areas have increased by 9% across Russia in

general. The yielding ability in most Russian regions exceeds the readings of past years.

As of early October, the harvesting campaign in agricultural enterprises and private farms has been completed on about 60% of the areas. Currently, due to heavy rains in the regions of Central and North-Western Russia, the harvesting campaign has been suspended. In the conditions of persistent heavy rainfall and difficulties with the harvesting of late crops, the state of emergency has been declared in the Belgorod, Lipetsk, and Orel Regions. Some producers report a possible deterioration in the quality of crops yet to be harvested. Nevertheless, in general, expectations regarding the output, its quality and storage time are positive.

Open-field vegetables. This year, the harvest is forecast at 11.3 million tons, which is 4.0% more than last year (Chart 2). The harvest is expected to increase due to growing crop yields (by 5.6% in net weight), despite a slight decrease in crop areas (by 1%).

By early October, across Russia in general, harvesting of open-field vegetables by agricultural enterprises and private farms has been completed on 61% of the areas. In the South of Russia, harvesting took place in favourable agro-climatic conditions, with its pace being ahead of last year's. In other regions, producers reported a possible deterioration in the quality of vegetables and reduced storage time due to heavy rains, however, most enterprises estimate these parameters at the level of 2021.

Oil crops. For oil crops, the yield is expected to decrease by 9.4% (to 20.5 million tons). This results from the losses during the harvesting campaign due to poor weather conditions, although the crop areas exceeded the 2021 figures by 11%.

Heavy rains in Central Russia and in the Volga Region have postponed the start of harvesting of the main crop – sunflower. As of early October 2022, across Russia in general, sunflower harvesting is completed on 15% of the areas (against 35% a year earlier), while oil crops harvesting is completed on 29% of the areas.

Higher humidity levels negatively affect the quality of sunflower. It is estimated that part of the crop will be unfit for processing. Farms are currently treating plants left in the fields in order to preserve their consumer properties. At the same time, in some regions, high yields (almost a quarter higher than a year earlier) partially compensate for losses.

EXPORT OF CROP PRODUCTION

In 2022, self-sufficiency in grain in Russia is estimated to be about 160%. This increases the export potential, but the possibilities of its use are limited in the wake of sanctions. Exports are restricted due to the embargo, problems with transportation, logistics, cargo insurance, and bank payments. According to the monitoring data of the Russian Grain Union, in July–September 2022, the volume of exported grain was by 22% less than in 2021.

In particular, the supply of Russian grain to Turkey (the main importer in 2021), which actively imported grain from Ukraine, has decreased. An enterprise from the Irkutsk Region reported the cancellation of the supply of rapeseed to China, which switched to transactions with other countries (including Ukraine). Not having sufficient storage capacity, the agricultural enterprise plans to sell its product in the domestic market at a below-cost price. According to traders, the Altai Territory and the Novosibirsk Region experienced a shortage of grain wagons.

In order to reduce the negative impact of export restrictions on producers and the domestic market situation, state support measures are being taken at the federal and regional levels. Thus, intensive

purchases are being made to the state grain intervention fund; the rules for conducting grain interventions have been simplified. In September, the Trans-Baikal Grain Terminal, created with state support, was launched. In the Chelyabinsk Region, with the authorities' support, free storage (until 1 December of this year) of grain harvested in the region has been organised.

FOOD PRICES

The expansion of the domestic supply of crop products in the coming months will be a key factor constraining the growth of consumer prices for grain processing products (bread and bakery, pasta, cereals), oil crops (vegetable oils, mayonnaise), sugar, fruit and vegetables. Under these conditions, most agricultural producers reported that they do not plan to raise prices until the end of 2022, despite higher costs.

Also, stabilisation or reduction of feed grain prices will have a restraining effect on the cost dynamics of meat and dairy producers. This factor was noted, in particular, by the largest dairy holding in the North-West.

At the same time, the costs of farmers increased at a high rate this year. For example, producers in the South of Russia reported an increase in production costs (for sowing, growing and harvesting major crops) within the 10–30% range in annual terms. In particular, imported intermediate products (seeds, plant protection products, spare parts for agricultural machinery) have risen in price significantly, including due to the lengthening of the transport leg and more complicated logistics chains. This spring, the increase in import prices was also associated with a weaker ruble. During that period, expenses for certain items of imported seed grains and agrochemicals doubled for sugar beet producers in the Rostov Region.

Regional agricultural enterprises of the North-West and the Far East witnessed an increase in fuel and lubricants costs. Agrarians of the Urals named increased utility tariffs and the cost of fertilisers among the reasons behind higher costs, and transport costs increased for some Volga-Vyatka agricultural enterprises. A seed-production farm in the Leningrad Region indicated a growth of payroll budgets.

In some regions of Russia, the increase in costs was shaped by heavy rains during the harvest season, which caused the need for drying grain (Siberia), sunflower, and soybeans (the Kursk and Lipetsk Regions).

Besides price growth, disruption in production and logistics chains had a negative impact on output and unit costs. Thus, agricultural firms from the Orel Region pointed to a shortage of spare parts and seeds of hybrids, which had previously been imported mainly from abroad.

Amid rising costs and a low potential for higher prices, farmers mainly expect a decrease in profitability in the 2022–2023 agricultural year. The financial situation of agricultural enterprises is supported by government programmes at the federal (subsidised lending, grain interventions) and regional levels. For example, in the Yaroslavl Region, producers can purchase fuel and lubricants at a 10% discount due to the supply of fuel through a single operator created under an agreement between the regional government and a large oil company. A significant measure of support is subsidising a part of the costs incurred for the purchase of agricultural machinery, equipment, fertilisers, elite seeds, and performing agrotechnical works (to improve fertility and soil quality, etc.). For example, in the Voronezh, Ivanovo and Kostroma Regions, regional subsidies are allocated to support elite seed production, as well as to carry out a full range of agrotechnological works during the spring sowing season. In many regions, with the assistance of regional authorities, regular trade fairs are

organised to minimise trade margins and quickly sell local products.

PROSPECTS FOR THE 2022-2023 SOWING CAMPAIGN

Plans for the 2022-2023 season. The ongoing and expected decrease in profitability, however, has not resulted in significant adjustments to production programmes in the new agricultural season. Most of the surveyed enterprises do not plan to make significant changes either in the volume or in the structure of the crops grown as part of the sowing campaign in 2023.

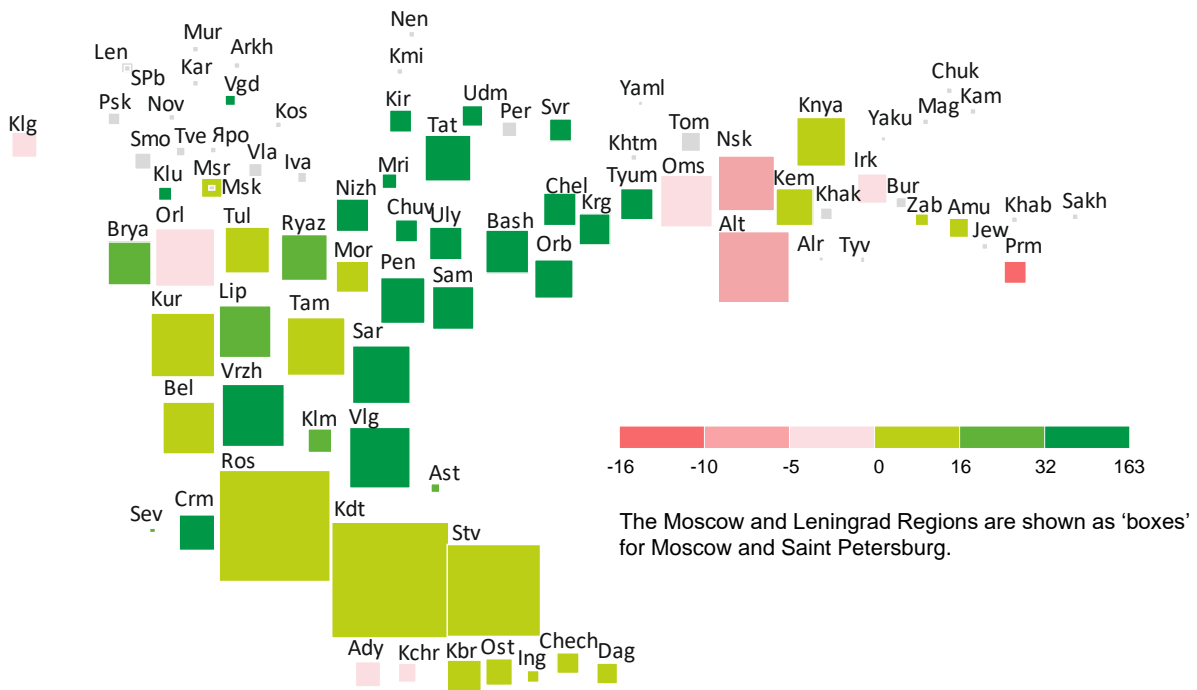
In the Orel, Voronezh and several other regions of Central Russia, as well as the Volga Region, it is planned to increase the sowing of spring grain by using the areas not involved in the current winter sowing. In the Ryazan, Tver and Smolensk Regions, it is planned to expand grain crop areas. According to enterprises and executive authorities, in the South, the expansion of vegetable and potato sowing areas will continue (by 1% in annual terms). Central Russia also plans to expand its vegetable areas simultaneously with the construction of storage facilities.

At the same time, some producers of the Urals say that the start of spring sowing might be delayed by the shortage of agricultural machinery. For example, in the Orenburg Region, an agricultural machinery plant has come to a halt following the termination of supplies of US components.

Sowing of winter grain crops. In the 2022–2023 agricultural year, the planned sowing areas of winter cereals in Russia were expanded by 2.1% compared to the previous season. The largest increase in the area is observed in the Urals – by 48.6%, mainly due to the Orenburg Region, where in the previous year, the area of winter crops was greatly reduced by the draught. The sowing campaign in the macro-region is 92% complete. However, across Russia in general, the pace of sowing lags behind last year's (by 6.8%). The key reasons for the slowdown in the pace of the sowing campaign are unfavourable weather conditions in late summer – early autumn of this year in a number of Russia's regions, as well as the refocusing of individual agricultural producers from winter crops to spring crops due to their greater marginality. Due to the late start of winter sowing in most regions of Russia, in 2023, lower yields and total harvest volumes are expected if compared with the current season.

Chart 1. Forecast of grain harvest in 2022 (in % vs 2021)

The sizes of the regions' signs correspond to the 2021 crop yields.

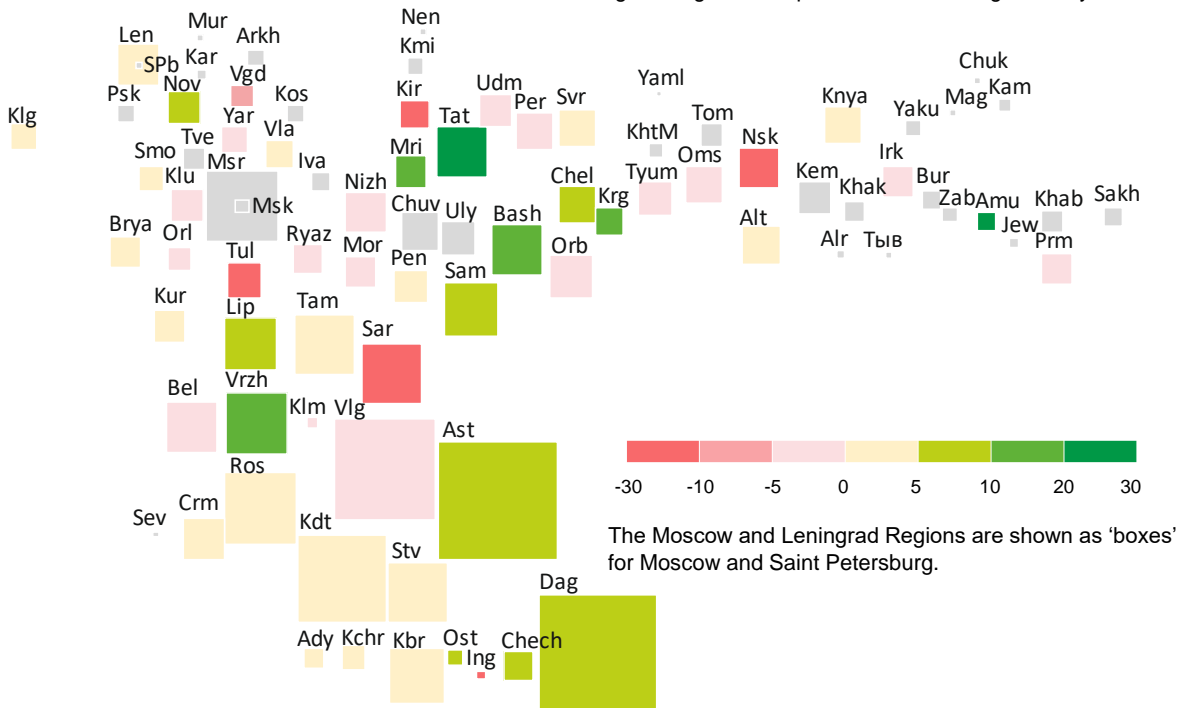


Note. The grey colour indicates regions without crop areas or with small crop areas, as well as those regions for which no data are available.

Source: data of the regional Ministries of Agriculture.

Chart 2. Forecast of the harvest of open-field vegetables in 2022 (in % vs 2021)

The sizes of the regions' signs correspond to the 2021 vegetables yields.



Note. The grey colour indicates regions without crop areas or with small crop areas, as well as those regions for which no data are available.

Source: data of the regional Ministries of Agriculture.

BOX 2

MONETARY CONDITIONS AND CREDIT AND DEPOSIT MARKETS

As of the end of August and most of September 2022, monetary conditions continued to soften and, according to the Bank of Russia's estimates, became generally neutral. A lower key rate, the reduction of interest rates and volatility of the money and debt markets added to the improvement of price conditions for lending to businesses and households. Subsidised lending programmes of the Government of the Russian Federation and regional authorities continued to support the activity of these categories of borrowers. Despite lower deposit rates, the inflow of household funds to credit institutions generally remained stable. At the end of September – the first half of October, the credit and deposit activity in Russia as a whole and in most regions was affected by partial mobilisation; according to preliminary estimates, such impact was moderate. In some regions, there were cases of clients refusing to receive loans on previously approved applications. The increased households' demand for cash at the end of September almost returned to the usual seasonal norm by early October.

OFZ yields rose at the end of this summer along the entire length of the zero-coupon yield curve. This is largely due to the low activity of investors in the debt market and the expectations of the Russian Ministry of Finance to enter the primary market from mid-September (Charts 1–2). Against the background of changes in the structure of portfolios by a number of market participants in favour of long-term securities, the yield on short-term debt instruments was more pronounced. An additional factor in the growth of debt yields was the increase in uncertainty at the end of September. However, in the first week of October, the yield of short-term OFZs adjusted to the August level.

HOUSEHOLD DEPOSITS

Bank deposit rates continued to decline in July–August, following the dynamics of the Bank of Russia key rate. Despite a decrease in returns, households continued to keep their funds in bank accounts (Chart 4). The annual increase in household deposits⁴ placed at credit institutions, amounted to 6.5% as of early September⁵ and stayed at the level of July 2022.

Dedollarisation of funds raised by banks continued. The share of household funds in rubles increased by 9 pp over the year and reached 87% by September. Households' appetite for savings in foreign currency was declining due to low rates on such deposits and commissions imposed by individual banks for servicing foreign currency accounts. At the same time, banks began to offer deposits in the currencies of friendly countries. The number of banks with deposits in Chinese yuan in their product lines has increased, especially noticeably in the regions of Siberia bordering China. In August, the inflow of household funds to banks continued, but it was weaker than in July. The

⁴ Household deposits, including time deposits and funds in current accounts net of funds in escrow accounts.

⁵ Hereinafter, increases in indicators are calculated based on the reporting data of credit institutions adjusted for foreign currency revaluation.

growth of ruble funds was supported by the partial conversion of foreign currency deposits. A noticeable reduction in foreign exchange funds was observed in the metropolitan regions (Moscow and Saint Petersburg). At the same time, the overflow of ruble funds from short-term deposits to current accounts continued. This was because many banks charge quite high interest rates on current accounts, giving customers greater flexibility in the disposal of their funds. There was some growth in long-term deposits, partly due to the preservation of relatively more attractive rates on them.

The inflow of household funds to escrow accounts continued to grow in July–August amid the recovery of the mortgage market, with Moscow and Saint Petersburg being the main contributors to this growth. At the same time, in a number of regions of Siberia and the South of Russia, there was a decrease in the balances of funds in escrow accounts, which is primarily associated with the completion of large housing projects and getting access to funds held in respective escrow accounts.

According to the Bank of Russia, in September, the decline in ruble deposit rates at ten banks attracting the largest amount of deposits continued. However, in the first decade of October, these rates rose. According to recent data released by the Frank RG news agency,⁶ from the end of August to the beginning of October, the level of interest rates on ruble deposits remained almost the same, but in the first half of October, interest rates edged up. This is owing to the desire of banks to retain depositors, including during the period of growing demand for cash.

In order to meet households' rising demand for cash, banks promptly replenished cash desks and ATMs at the end of September. At the same time, in a number of regions of Central Russia, the Volga Region and the Urals, the withdrawn funds were in some cases transferred to bank safe deposit boxes. Some banks reported an outflow of funds from time deposits of wealthy clients, including for financing real estate transactions. In other regions, the outflow of funds was not observed or had a short-term nature. It should be noted that a higher household demand for cash at the end of September was less than at the end of February, and in early October the situation was back to normal.

RETAIL LENDING

In July–August, the growth in the retail loan portfolio accelerated on a monthly basis, but slowed down on an annual basis (Charts 5–6). The slowdown is partly associated with last year's high base, with summer witnessing households' high credit activity against the background of relatively low interest rates. At the same time, outrunning growth of the mortgage segment this summer ensured an increase in its share in the households' debt structure (for the first time in the entire history of observations, the share of mortgages accounted for about 50% of the retail portfolio).

The growth in demand for mortgage loans was supported both by the implementation of government subsidised programmes (Family Mortgage, subsidised mortgage loans for new housing), and by the softening of price and non-price conditions in the market. Thus, in August, the average mortgage rate decreased in the Volga, Urals, Siberian, and Far Eastern Federal Districts (in the North-West and Central Russia it remained at the level of July). A number of banks, including among the largest ones, have reduced the amount of mortgage down payments. In some regions, joint actions of banks and developers (including discounts, low mortgage interest rates) gained ground. For example, a large developer in the North-West, in cooperation with a bank, launched a mechanism for the rapid purchase of housing, which allows individuals to sell an existing apartment to the developer to receive funds for the mortgage down payment. However, it is worth noting that developer subsidised mortgage programmes at extremely low rates (up to 0.01% per annum) which creates risks both for

⁶ The FRG100 deposit return index (Frank RG news agency) is calculated as the average interest rate of the 59 largest deposit banks on deposits for up to one year in an amount of at least 100,000 rubles.

borrowers and banks, and for the entire financial system. The Bank of Russia may apply additional measures to regulate such mortgage programmes.

The acceleration of consumer lending growth in July–August was facilitated by lower interest rates on unsecured loans, improved consumer sentiment,⁷ and increased inflation expectations (Chart 3). As a result, the share of consumer loans in demand financing in the summer recovered to $\frac{1}{4}$ after a significant decline in April this year. At the same time, some of the new loans in both the consumer and mortgage segments were used to refinance previously received loans (at higher rates).

According to preliminary estimates, the impact of partial mobilisation on credit activity in the whole country and in the regions at the end of September – the first half of October was moderate. For example, in the Pskov Region, banks noted individual cases of customers refusing loans on already approved applications. A construction company operating in the Leningrad Region and Saint Petersburg reported refusals for previously booked apartments as part of mortgage transactions. In the Smolensk Region, households' demand for short-term loans has decreased, and in the Voronezh Region, according to several large banks, the share of borrowers' initiated refusals from previously approved mortgage transactions has increased to 10%. Since the end of September, some banks have tightened lending conditions for certain groups of borrowers, in particular, by raising mortgage interest rates. In order to maintain the quality of the retail portfolio, the mechanism of loan repayment holidays for mobilised citizens was used.

CORPORATE LENDING

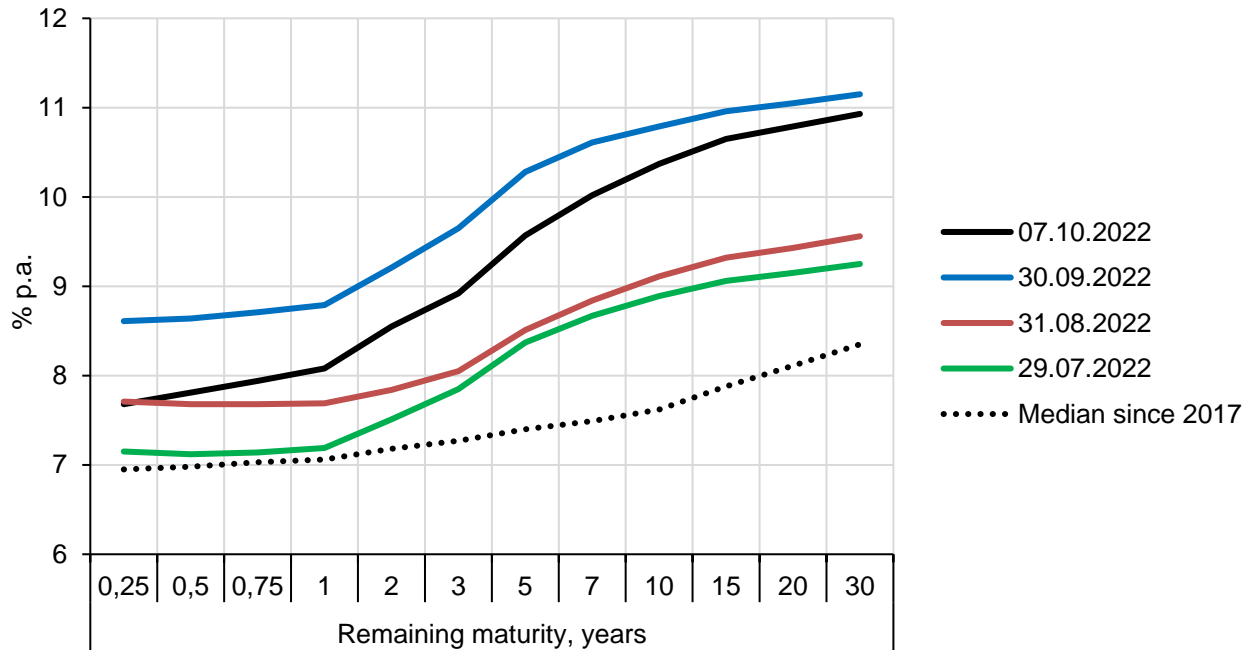
The annual growth rate of corporate lending remained high. As of early September 2022, its growth in Russia as a whole accelerated to 15.8%. In the North-West and the Urals, as well as in the South of Russia, the growth of corporate loans outpaced the all-Russian indicator. In these regions, outstanding loans of large borrowers have grown more noticeably: in the South of Russia – due to a large amount of borrowed funds provided to Kuban refineries and to finance a large construction project in the Rostov Region, in the Urals – due to lending to mining enterprises and the metallurgical sector, in the North-West – due to financing a large investment project in the petrochemical industry. The business lending activity was supported by subsidised programmes of the Government of the Russian Federation and regional authorities. The positive impact of such programmes was noted, in particular, by enterprises of the agroindustrial complex. For example, according to a large regional bank in Kuban, more than half of the volume of subsidised loans in 2022 was provided to agroindustrial enterprises under the programme of Russia's Ministry of Agriculture at a rate of 5% per annum. The Bank of Russia's monitoring shows that corporate lending conditions as a whole softened in July–August, and did not change significantly in September. At the same time, the enterprises' assessments of lending conditions differed by industry. In particular, the easing of lending conditions for industrial, trade and agricultural enterprises continued, which may be related to the implementation of government support measures for the relevant industries. In the services, transport and construction sectors, tighter lending conditions persisted.

According to preliminary estimates, in most macro-regions, lending to large businesses at the end of September – the first half of October was carried out as usual. However, in the SME sector, some banks noted tighter lending conditions and a slight decrease in demand for loans. Specifically, SMEs in some cases experienced problems due to the absence of specialists who cannot be replaced quickly, as well as business owners. The practice of providing loan repayment holidays and the banks' debt restructuring programmes will help preserve the quality of the business loan portfolio.

⁷ In July, the consumer sentiment index rose to 98 pp from 93pp in June and remained at the same level in August–September 2022.

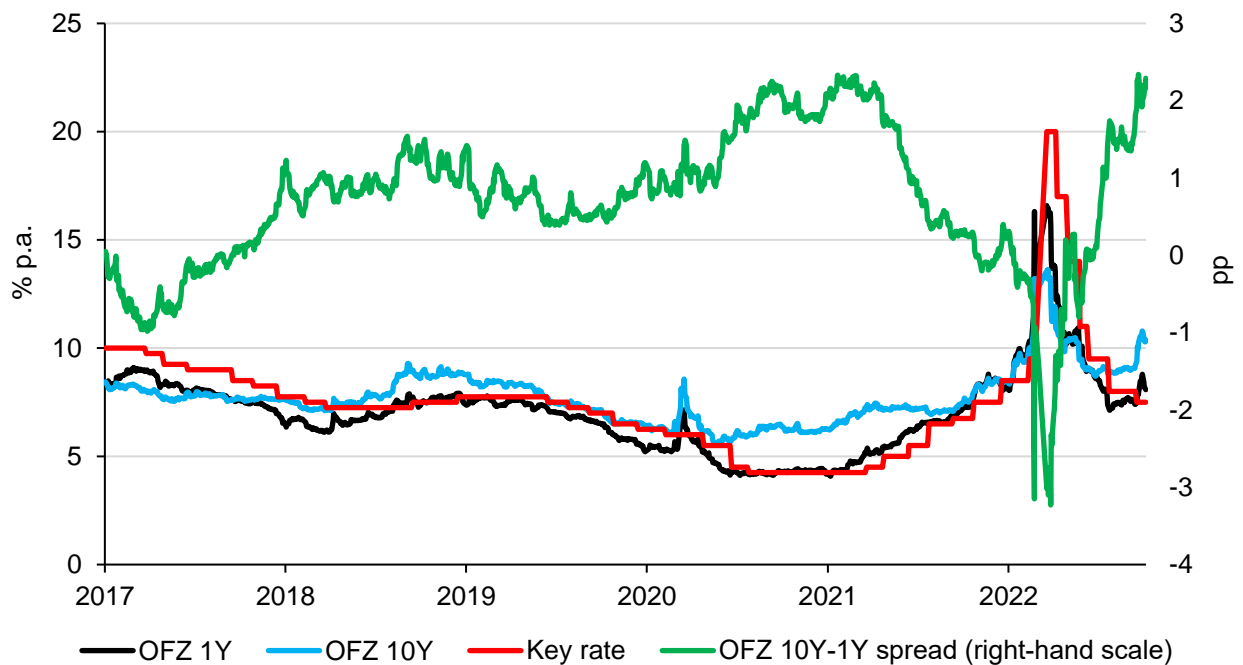
Due to partial mobilisation, some banks announced the launch of new loan restructuring programmes for micro and small businesses.

Chart 1. OFZ zero coupon yield curves



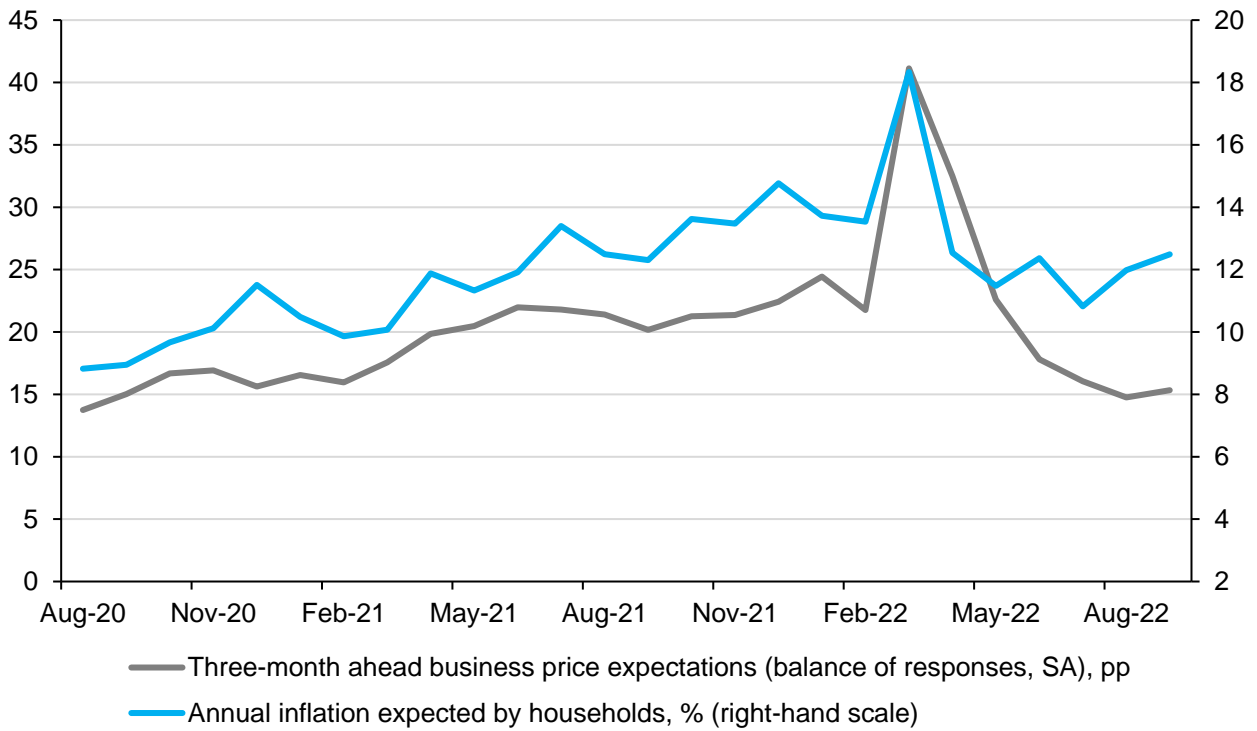
Source: Moscow Exchange.

Chart 2. Changes in OFZ yields and key rate



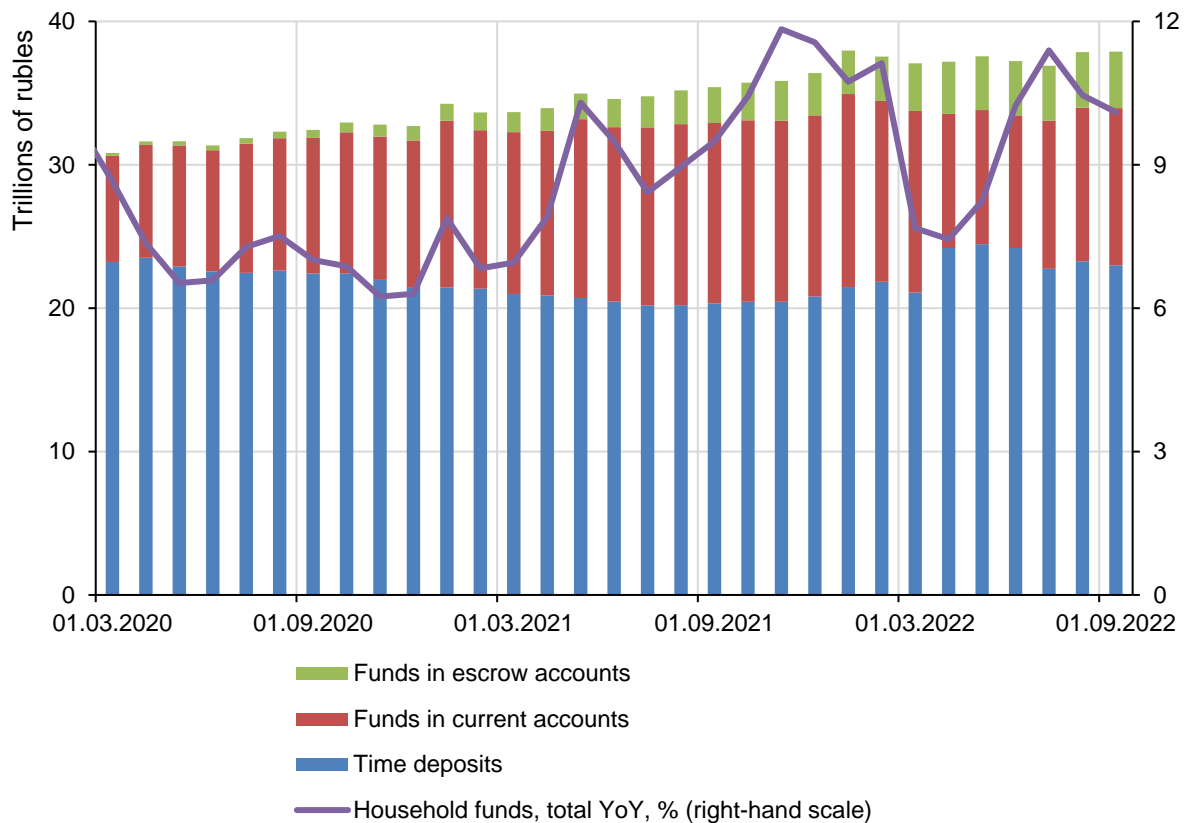
Sources: Bank of Russia, Moscow Exchange.

Chart 3. Business price expectations and household inflation expectations



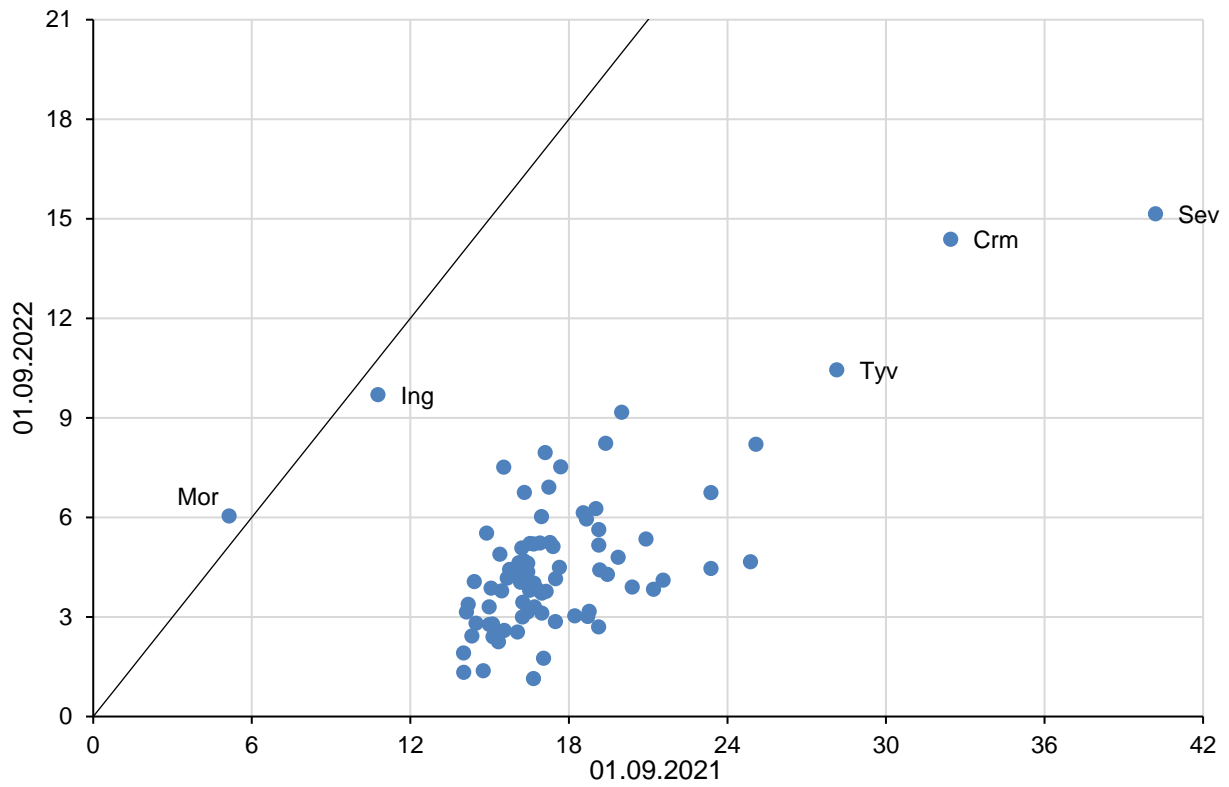
Sources: InFOM, Bank of Russia.

Chart 4. Decomposition of household bank deposits



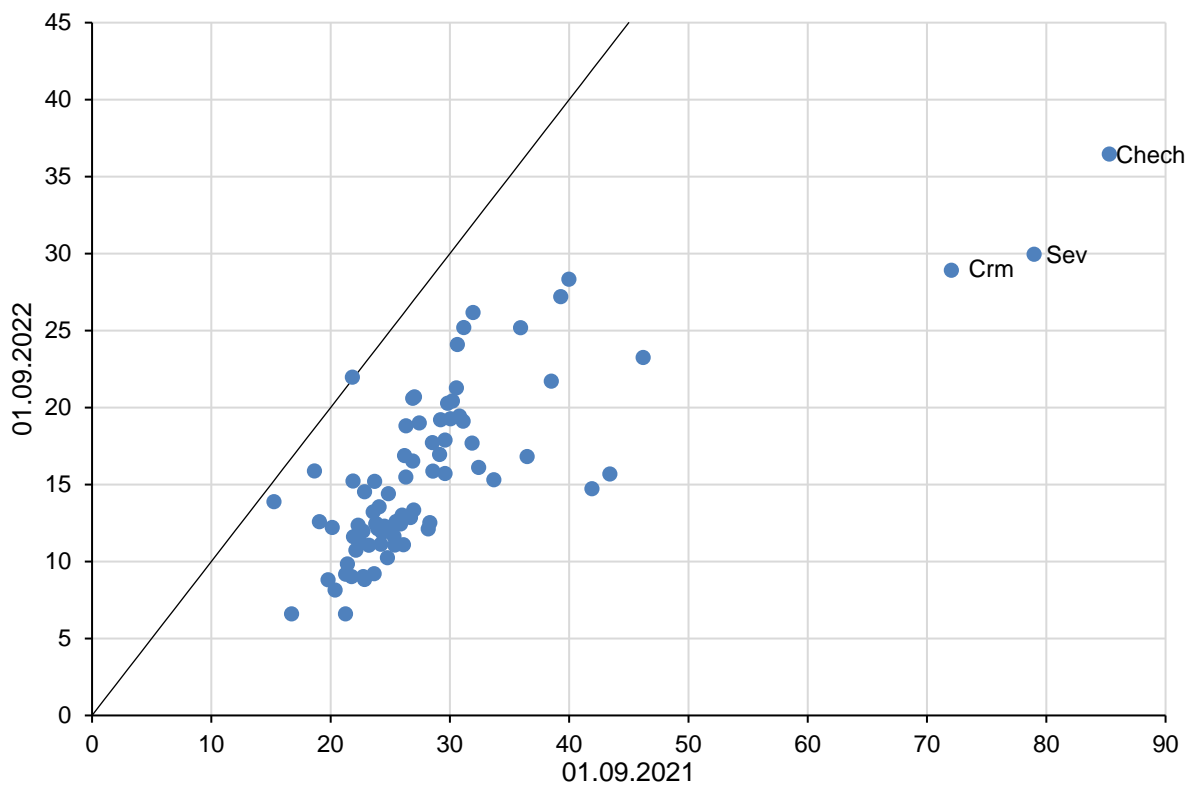
Source: Bank of Russia.

Chart 5. Consumer lending in regions, YoY, %



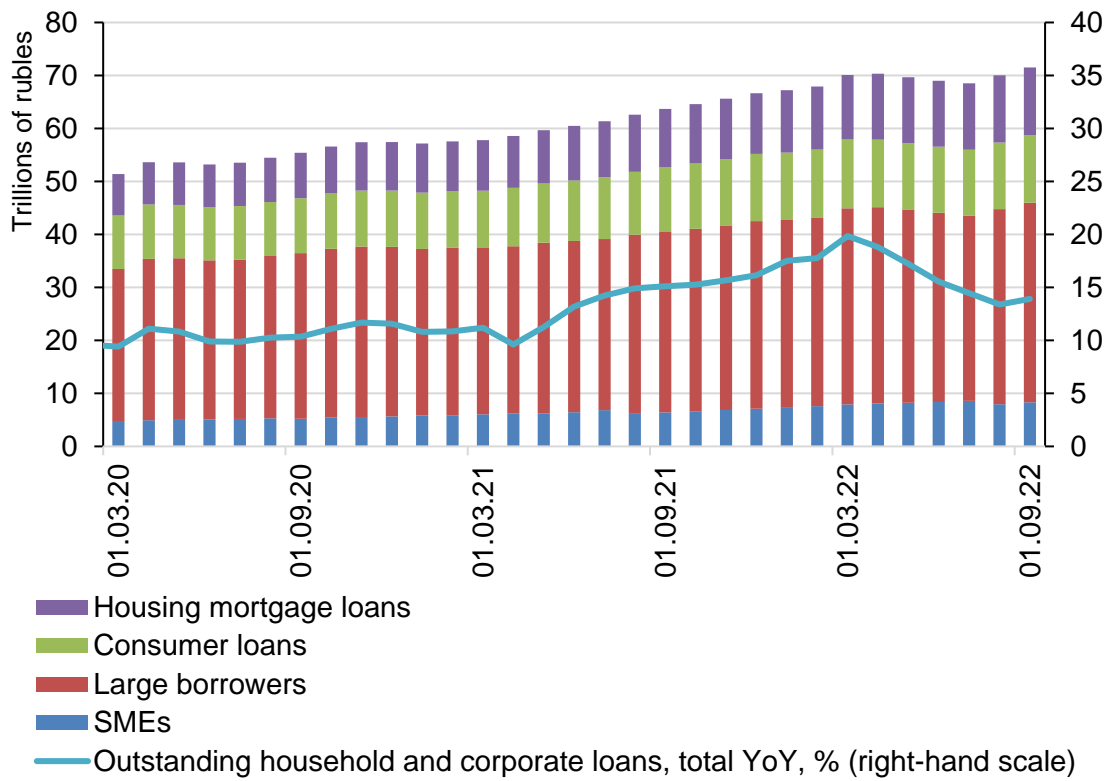
Source: Bank of Russia.

Chart 6. Mortgage lending in regions, YoY, %



Source: Bank of Russia.

Chart 7. Decomposition of credit portfolio



Source: Bank of Russia.

ANNEX.

CORE ECONOMIC INDICATORS

Core indicators. Russia

Table 1

		2020	2021	2021	2021	2022	2022	2022	Aug	Sep	Oct
				Q3	Q4	Q1	Q2	Q3			
Inflation	% YoY	4.9	8.4	7.4	8.4	16.7	15.9	13.7	14.3	13.7	
Core inflation	% YoY	4.2	8.9	7.6	8.9	18.7	19.2	17.1	17.7	17.1	
Industrial production	3MMA, % YoY	-2.1	6.4	7.1	7.9	5.1	-2.5		-1.0		
Fixed capital investment	Cumulative, % YoY	-0.5	7.7	7.8	7.7	12.8	7.8				
Construction	3MMA, % YoY	0.7	6.0	3.7	6.4	4.5	3.5		4.7		
Housing commissioning	3MMA, % YoY	0.2	12.7	29.0	-11.3	64.6	24.8	1.9	7.2	1.9	
Retail	3MMA, % YoY	-3.2	7.8	5.9	4.7	3.5	-9.8		-9.0		
Commercial services	3MMA, % YoY	-14.6	16.7	16.4	12.6	7.8	0.0		1.9		
Real wages	3MMA, % YoY	3.8	4.5	2.0	2.8	3.1	-5.4				
Real disposable income	% YoY	-1.4	3.1	8.2	0.0	-1.0	-1.9				
Unemployment	SA, %	5.8	4.8	4.5	4.3	4.2	3.9		3.9		
Outstanding consumer loans	% YoY	7.0	19.5	18.1	19.5	15.6	7.1		5.0		
Outstanding mortgage loans	% YoY	21.6	26.7	26.7	26.7	27.2	18.3		16.7		
Funds in escrow accounts	% YoY	-	158	288	158	130	76		58		
Non-financial organisations' outstanding bank loans	% YoY	9.4	14.6	11.8	14.6	17.6	15.6		15.8		
• Large borrowers	% YoY	7.4	12.3	9.9	12.3	15.1	13.3		13.1		
• SMEs	% YoY	21.9	27.5	22.7	27.5	30.4	26.5		30.5		
Companies' price expectations	Balance of responses, SA	13.3	20.1	21.2	21.7	29.2	24.2	15.4	14.8	15.4	17.4
Business Climate Index	pp YoY	-8.3	9.6	4.1	6.6	-2.3	-11.2	-2.3	-2.4	-1.3	-6.3
• Current assessments	pp YoY	-9.2	11.1	6.8	6.2	1.0	-11.6	-3.0	-3.5	-1.0	-6.2
• Expectations	pp YoY	-7.2	7.8	1.2	6.9	-5.8	-10.8	-1.6	-1.3	-1.7	-6.3

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

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

Table 2

		2020	2021	2021	2021	2022	2022	2022	Aug	Sep	Oct
				Q3	Q4	Q1	Q2	Q3			
Inflation	% YoY	4.7	8.3	7.4	8.3	16.6	16.3	14.2	14.9	14.2	
Core inflation	% YoY	4.2	9.0	7.9	9.0	18.9	19.9	17.7	18.4	17.7	
Industrial production	3MMA, % YoY	10.2	23.6	23.4	24.7	7.5	-0.7		0.7		
Fixed capital investment	Cumulative, % YoY	1.2	13.4	17.5	13.4	8.2	3.8				
Construction	3MMA, % YoY	6.7	4.4	-3.3	-0.7	3.1	10.5		10.6		
Housing commissioning	3MMA, % YoY	-0.8	14.3	51.7	-18.3	82.6	24.2	-2.3	0.3	-2.3	
Retail	3MMA, % YoY	-2.1	8.5	6.0	4.8	2.9	-12.9		-12.3		
Commercial services	3MMA, % YoY	-17.7	22.5	27.9	20.4	16.8	-1.5		-0.4		
Real wages	3MMA, % YoY	4.2	5.6	3.2	3.1	5.3	-7.2				
Real disposable income	% YoY	-1.3	4.7	10.7	1.4	3.4	-3.9				
Unemployment	SA, %	3.9	3.5	3.3	3.1	3.0	3.1		3.0		
Outstanding consumer loans	% YoY	5.2	19.9	18.0	19.9	16.7	8.6		6.0		
Outstanding mortgage loans	% YoY	24.4	29.2	29.7	29.2	28.5	19.9		18.4		
Funds in escrow accounts	% YoY	-	171	306	171	137	83.8		63.6		
Non-financial organisations' outstanding bank loans	% YoY	11.1	13.1	10.5	13.1	14.8	12.4		12.8		
• Large borrowers	% YoY	10.6	10.0	8.1	10.0	11.3	9.7		9.8		
• SMEs	% YoY	15.2	36.6	29.9	36.6	39.4	29.4		33.7		
Companies' price expectations	Balance of responses, SA	18.8	29.6	31.1	29.5	37.1	35.2	19.6	17.6	20.1	20.5
Business Climate Index	pp YoY	-6.8	8.9	2.7	5.4	-2.0	-14.2	-4.2	-5.7	-1.4	-8.7
• Current assessments	pp YoY	-6.7	9.4	3.6	4.9	2.8	-14.3	-3.9	-7.4	0.5	-10.5
• Expectations	pp YoY	-6.9	8.1	1.7	5.9	-7.1	-14.1	-4.5	-3.7	-3.3	-6.9

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

Core indicators. Bank of Russia North-Western Main Branch

Table 3

		2020	2021	2021	2021	2022	2022	2022	Aug	Sep	Oct
				Q3	Q4	Q1	Q2	Q3			
Inflation	% YoY	4.8	8.5	7.3	8.5	17.1	15.5	13.7	13.9	13.7	
Core inflation	% YoY	4.0	8.9	7.3	8.9	19.3	19.0	17.5	17.7	17.5	
Industrial production	3MMA, % YoY	-2.6	5.2	5.4	7.1	5.2	-1.6		-3.1		
Fixed capital investment	Cumulative, % YoY	-2.5	0.9	3.2	0.9	3.4	0.1				
Construction	3MMA, % YoY	-7.3	0.3	3.1	11.8	-4.6	-6.4		-3.0		
Housing commissioning	3MMA, % YoY	-2.9	13.3	53.1	-35.8	43.3	33.6	-19.6	-10.1	-19.6	
Retail	3MMA, % YoY	0.2	11.7	10.8	9.2	5.0	-10.6		-10.9		
Commercial services	3MMA, % YoY	-15.4	18.0	16.8	14.2	4.2	1.3		2.6		
Real wages	3MMA, % YoY	2.1	4.3	1.8	2.3	1.6	-5.1				
Real disposable income	% YoY	0.2	4.5	10.4	3.0	0.4	-2.3				
Безработица	SA, %	5.0	3.9	3.5	3.3	3.1	3.1		3.2		
Outstanding consumer loans	% YoY	6.9	18.7	17.2	18.7	14.8	6.4		4.3		
Outstanding mortgage loans	% YoY	22.0	26.5	26.1	26.5	26.9	18.1		16.3		
Funds in escrow accounts	% YoY	-	255	438	255	202	111		86		
Non-financial organisations' outstanding bank loans	% YoY	9.2	28.2	21.5	28.2	39.2	42.6		34.2		
• Large borrowers	% YoY	1.9	32.5	24.1	32.5	46.6	54.2		34.1		
• SMEs	% YoY	52.1	11.0	9.9	11.0	13.2	7.0		35.0		
Companies' price expectations	Balance of responses, SA	17.1	23.6	25.3	24.0	30.2	27.5	16.7	15.6	16.4	17.1
Business Climate Index	pp YoY	-7.2	9.4	4.5	8.3	-2.0	-14.9	-9.1	-9.7	-9.8	-12.1
• Current assessments	pp YoY	-7.6	11.1	6.4	8.7	1.1	-15.5	-9.4	-9.6	-10.6	-11.6
• Expectations	pp YoY	-6.6	7.5	2.6	7.9	-5.2	-14.2	-8.8	-9.7	-8.9	-12.7

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

Core indicators. Bank of Russia Volga-Vyatka Main Branch

Table 4

		2020	2021	2021	2021	2022	2022	2022	Aug	Sep	Oct
				Q3	Q4	Q1	Q2	Q3			
Inflation	% YoY	5.5	8.6	7.6	8.6	17.1	16.7	14.2	15.0	14.2	
Core inflation	% YoY	4.7	9.4	8.1	9.4	19.7	20.1	17.8	18.4	17.8	
Industrial production	3MMA, % YoY	-2.0	9.5	7.3	10.7	6.9	-3.5		1.2		
Fixed capital investment	Cumulative, % YoY	-3.0	5.3	8.8	5.3	12.8	6.5				
Construction	3MMA, % YoY	-2.0	14.1	16.9	15.9	19.3	2.5		4.5		
Housing commissioning	3MMA, % YoY	-4.5	8.5	4.0	1.1	18.2	26.4	14.4	17.9	14.4	
Retail	3MMA, % YoY	-4.4	6.0	5.8	5.1	4.3	-8.6		-6.0		
Commercial services	3MMA, % YoY	-10.6	10.9	8.1	6.6	5.4	3.9		3.2		
Real wages	3MMA, % YoY	3.4	4.3	1.8	3.7	1.1	-4.5				
Real disposable income	% YoY	-2.2	1.9	5.8	1.3	-0.3	-2.0				
Безработица	SA, %	4.9	4.0	3.7	3.5	3.4	3.2		3.2		
Outstanding consumer loans	% YoY	7.1	19.2	17.9	19.2	14.6	5.4		3.5		
Outstanding mortgage loans	% YoY	19.7	23.0	24.1	23.0	24.2	15.5		13.2		
Funds in escrow accounts	% YoY		105	182	105	99	54		37		
Non-financial organisations' outstanding bank loans	% YoY	3.5	11.8	13.4	11.8	12.0	9.2		7.7		
• Large borrowers	% YoY	-2.5	9.0	12.9	9.0	8.0	4.0		3.5		
• SMEs	% YoY	24.3	19.9	15.1	19.9	23.5	23.7		20.1		
Companies' price expectations	Balance of responses, SA	18.5	29.0	31.4	29.5	36.6	36.0	19.9	19.0	19.8	20.5
Business Climate Index	pp YoY	-9.7	9.5	4.1	6.9	-3.5	-13.2	-1.2	-2.2	3.4	-6.9
• Current assessments	pp YoY	-10.1	11.1	8.0	6.3	-2.1	-14.0	-3.3	-5.2	3.8	-6.0
• Expectations	pp YoY	-8.9	7.6	-0.3	7.6	-4.8	-12.2	1.2	1.1	3.0	-7.9

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

Core indicators. Bank of Russia Southern Main Branch

Table 5

		2020	2021	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	Aug	Sep	Oct
Inflation	% YoY	5.5	9.2	8.6	9.2	16.6	16.1	13.3	14.3	13.3	
Core inflation	% YoY	4.2	9.1	7.8	9.1	17.1	18.8	16.9	17.5	16.9	
Industrial production	3MMA, % YoY	-0.2	6.2	5.5	5.8	5.2	-1.2		-0.4		
Fixed capital investment	Cumulative, % YoY	0.2	-0.5	2.4	-0.5	1.8	2.4				
Construction	3MMA, % YoY	-3.3	8.2	7.4	14.0	-16.2	11.0		9.4		
Housing commissioning	3MMA, % YoY	5.4	13.7	34.1	-8.4	94.2	37.7	3.1	9.7	3.1	
Retail	3MMA, % YoY	-3.4	11.6	6.6	5.5	5.2	-2.2		-2.1		
Commercial services	3MMA, % YoY	-9.3	14.8	9.1	10.9	5.7	5.2		4.5		
Real wages	3MMA, % YoY	3.5	2.3	0.1	0.1	-1.5	-5.7				
Real disposable income	% YoY	-1.5	3.1	5.2	-0.2	-1.2	-2.0				
Unemployment	SA, %	8.9	7.8	7.3	7.0	6.9	6.3		6.2		
Outstanding consumer loans	% YoY	7.5	21.1	18.6	21.1	17.4	8.6		6.3		
Outstanding mortgage loans	% YoY	23.7	30.7	31.0	30.7	31.5	22.4		20.3		
Funds in escrow accounts	% YoY	-	120.0	261.7	120.0	90.7	45.8		37.1		
Non-financial organisations' outstanding bank loans	% YoY	3.6	13.7	7.0	13.7	16.8	15.2		22.1		
• Large borrowers	% YoY	0.33	8.4	1.8	8.4	10.7	7.2		15.8		
• SMEs	% YoY	13.9	28.5	22.5	28.5	33.2	35.9		37.8		
Companies' price expectations	Balance of responses, SA	15.0	20.2	21.7	21.7	28.4	23.7	14.7	14.8	13.7	15.1
Business Climate Index	pp YoY	-6.6	7.9	2.9	2.4	-2.5	-10.0	-2.0	-3.1	0.8	-1.2
• Current assessments	pp YoY	-8.3	10.0	5.5	2.0	1.5	-9.2	-3.9	-4.8	0.3	-1.4
• Expectations	pp YoY	-4.4	5.3	0.0	2.9	-6.6	-10.9	0.0	-1.2	1.3	-0.9

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

Core indicators. Bank of Russia Ural Main Branch

Table 6

		2020	2021	2021	2021	2022	2022	2022	Aug	Sep	Oct
				Q3	Q4	Q1	Q2	Q3			
Inflation	% YoY	4.4	7.7	6.7	7.7	16.1	15.1	12.7	13.5	12.7	
Core inflation	% YoY	4.0	8.2	7.1	8.2	18.3	17.7	15.4	16.2	15.4	
Industrial production	3MMA, % YoY	-2.2	4.8	6.4	6.7	5.0	-2.9		-1.1		
Fixed capital investment	Cumulative, % YoY	0.1	-0.3	-4.9	-0.3	18.4	10.0				
Construction	3MMA, % YoY	7.5	5.0	-0.7	11.9	5.3	-10.9		-3.4		
Housing commissioning	3MMA, % YoY	2.9	12.1	15.4	-3.7	64.9	8.6	9.5	13.7	9.5	
Retail	3MMA, % YoY	-4.0	4.4	2.8	2.6	2.7	-9.2		-8.2		
Commercial services	3MMA, % YoY	-15.6	14.7	15.9	10.1	6.0	2.1		3.6		
Real wages	3MMA, % YoY	3.5	3.4	0.2	1.3	1.0	-4.7				
Real disposable income	% YoY	-2.9	0.7	4.8	1.2	0.0	-2.9				
Unemployment	SA, %	5.7	4.3	3.9	3.8	3.7	3.4		3.2		
Outstanding consumer loans	% YoY	7.8	18.1	16.8	18.1	13.6	5.0		3.7		
Outstanding mortgage loans	% YoY	17.8	21.1	21.1	21.1	22.2	13.7		13.5		
Funds in escrow accounts	% YoY	-	109	228	109	107	54		40		
Non-financial organisations' outstanding bank loans	% YoY	3.9	16.6	12.6	16.6	22.3	17.8		18.5		
• Large borrowers	% YoY	1.1	15.0	11.1	15.0	21.1	15.9		17.2		
• SMEs	% YoY	26.0	27.6	23.0	27.6	30.2	29.6		26.8		
Companies' price expectations	Balance of responses, SA	14.7	22.8	28.0	22.6	29.8	29.5	17.7	16.9	18.4	17.2
Business Climate Index	pp YoY	-9.0	9.5	4.2	7.8	-1.3	-11.7	-2.6	-1.1	0.5	-7.6
• Current assessments	pp YoY	-7.9	10.2	5.5	5.2	1.3	-10.9	-2.7	-1.6	2.3	-8.7
• Expectations	pp YoY	-10.0	8.6	2.8	10.4	-4.3	-12.5	-2.5	-0.6	-1.3	-6.4

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

Core indicators. Bank of Russia Siberian Main Branch

Table 7

		2020	2021	2021	2021	2022	2022	2022	Aug	Sep	Oct
				Q3	Q4	Q1	Q2	Q3			
Inflation	% YoY	4.9	9.3	7.8	9.3	18.4	17.2	14.6	15.2	14.6	
Core inflation	% YoY	4.4	9.5	7.9	9.5	20.7	19.9	17.5	18.1	17.5	
Industrial production	3MMA, % YoY	-3.7	3.2	5.6	6.6	4.8	1.3		-0.5		
Fixed capital investment	Cumulative, % YoY	0.9	9.6	8.9	9.6	8.9	9.9				
Construction	3MMA, % YoY	-0.5	13.9	8.1	16.0	26.9	8.5		7.5		
Housing commissioning	3MMA, % YoY	0.3	7.7	16.0	-8.4	87.5	10.5	6.2	28.8	6.2	
Retail	3MMA, % YoY	-3.3	7.1	7.3	7.8	7.4	-5.7		-5.1		
Commercial services	3MMA, % YoY	-10.5	11.7	9.7	8.0	6.7	5.0		6.7		
Real wages	3MMA, % YoY	3.4	3.3	1.0	2.9	2.2	-4.6				
Real disposable income	% YoY	-1.0	1.5	4.6	2.6	-0.1	-2.3				
Unemployment	SA, %	7.7	5.3	5.7	5.3	5.2	5.0		4.8		
Outstanding consumer loans	% YoY	9.1	20.5	19.9	20.5	16.1	7.2		5.5		
Outstanding mortgage loans	% YoY	18.9	25.8	25.1	25.8	26.9	17.1		14.7		
Funds in escrow accounts	% YoY	–	149	322	149	108	60		41		
Non-financial organisations' outstanding bank loans	% YoY	5.2	5.0	-2.2	5.0	14.5	10.7		15.7		
• Large borrowers	% YoY	1.8	1.4	-6.3	1.4	12.5	5.1		11.9		
• SMEs	% YoY	19.5	18.8	15.7	18.8	21.6	29.6		29.1		
Companies' price expectations	Balance of responses, SA	15.7	24.5	27.0	26.3	33.5	28.5	18.6	18.0	17.8	17.0
Business Climate Index	pp YoY	-7.0	8.8	3.9	6.5	-2.7	-9.3	0.2	0.3	-2.1	-8.9
• Current assessments	pp YoY	-8.1	10.2	5.9	6.0	-1.2	-10.5	-0.6	1.3	-3.6	-11.8
• Expectations	pp YoY	-5.6	7.3	1.6	7.1	-4.3	-8.0	1.0	-0.8	-0.5	-5.9

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

Core indicators. Bank of Russia Far Eastern Main Branch

Table 8

		2020	2021	2021	2021	2022	2022	2022	Aug	Sep	Oct
				Q3	Q4	Q1	Q2	Q3			
Inflation	% YoY	5.0	6.7	6.1	6.7	13.4	14.1	12.5	12.9	12.5	
Core inflation	% YoY	3.9	6.7	5.7	6.7	15.1	16.5	15.3	15.6	15.3	
Industrial production	3MMA, % YoY	-4.5	3.5	7.0	-0.4	4.2	-7.5		-9.1		
Fixed capital investment	Cumulative, % YoY	-8.6	9.8	12.2	9.8	19.9	11.1				
Construction	3MMA, % YoY	-9.4	-4.5	8.6	-26.3	0.8	3.9		-7.9		
Housing commissioning	3MMA, % YoY	3.4	25.4	20.1	23.6	23.9	34.0	31.8	20.0	31.8	
Retail	3MMA, % YoY	-2.6	5.6	3.3	-1.2	1.2	-1.6		0.5		
Commercial services	3MMA, % YoY	-18.2	13.3	11.2	7.1	-0.7	-3.0		-3.7		
Real wages	3MMA, % YoY	2.9	4.2	1.4	4.3	0.1	-3.9				
Real disposable income	% YoY	-1.5	1.9	5.4	2.0	-0.4	-2.3				
Unemployment	SA, %	5.4	4.6	4.7	4.2	4.4	3.9		4.1		
Outstanding consumer loans	% YoY	9.2	17.7	18.8	17.7	13.1	5.8		4.1		
Outstanding mortgage loans	% YoY	23.8	32.5	30.9	32.5	34.4	25.5		22.3		
Funds in escrow accounts	% YoY	–	162	303	162	133	95.4		69.1		
Non-financial organisations' outstanding bank loans	% YoY	32.2	18.0	33.4	18.0	8.5	10.7		11.3		
• Large borrowers	% YoY	32.7	17.0	36.3	17.0	4.4	6.2		11.0		
• SMEs	% YoY	30.4	21.8	22.7	21.8	24.8	28.2		12.5		
Companies' price expectations	Balance of responses, SA	14.4	19.0	20.0	21.5	26.0	25.6	15.5	15.3	14.7	15.8
Business Climate Index	pp YoY	-7.3	7.3	4.0	8.5	-0.7	-7.3	0.1	-0.2	-0.8	-8.2
• Current assessments	pp YoY	-8.6	8.4	6.8	8.1	4.1	-6.6	-0.9	-2.1	0.5	-7.8
• Expectations	pp YoY	-5.9	6.1	0.8	8.8	-5.7	-7.9	1.2	1.9	-2.2	-8.7

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