



Bank of Russia



REGIONAL ECONOMY: COMMENTARIES BY BANK OF RUSSIA MAIN BRANCHES

No. 16 • December 2022

8 December 2022

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

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

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



HOW DO WE COLLECT INFORMATION?

An important source of information for the Report is the monitoring of over 14,000 non-financial companies¹ carried out by the Bank of Russia Main Branches. It provides high-frequency data on the development of industries in all Russian regions. These data are combined with information received by the Bank of Russia Main Branches, including following various events with the engagement of regional executive authorities, business representatives, 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 November 2022, we surveyed 14,022 companies.

RUSSIAN FEDERATION

Moderate consumer activity and expanding supply of certain goods slowed down annual price growth in October–November 2022. However, businesses' price expectations were up. The redirection of transport flows, forced by external restrictions, increased the utilisation rates of Southern and Eastern logistics infrastructure. Import substitution programmes and government measures supported investment in the majority of industries. Amid high uncertainty, regional authorities preferred to follow a conservative approach to planning budget expenditures for 2023.

Consumer activity remained moderate in October–November, despite the traditional sales season. Public catering and entertainment companies recorded a decrease in the number of visitors. Retail chains reported a shift in demand towards cheaper goods. Discounters were becoming more popular among consumers. Nonetheless, retailers were more optimistic about future demand in the next few months.

In October–November, annual inflation (based on weekly data) **slowed down** amid moderate demand and expanded supply (including owing to parallel imports) of a number of food products and non-food goods. Households' inflation expectations lowered, while staying elevated. Businesses' short-term price expectations were up in most industries due to growing costs.

External restrictions constrained economic activity, but companies were gradually adjusting to operation in the new conditions. Export-oriented companies in coal production, metallurgy, and wood processing were facing difficulties with foreign supplies and had to reduce their output. Because of persistent problems with intermediate goods imports, manufacturers were changing their range of products, rearranging production processes, and organising their in-house production of necessary components. The redirection of transport flows increased the utilisation rates of the seaports in the Far Eastern and the Azov and Black Sea basins. Shipbuilders' workload increased as well: as a range of international marine carriers exited the Russian market, the demand for domestic ships and ship repair services rose. The expansion of production and the relocation of a part of individuals exacerbated staff shortages in certain industries, which caused a rise in wages. Import substitution programmes and government measures supported investment activity. Most companies kept their investment plans for the next year unchanged (see the Box '*Investment activity amid the structural transformation of the economy*').

Monetary conditions tightened slightly in November, but businesses' credit activity remained high. The expansion of retail lending slowed down, especially in unsecured consumer lending. Banks' mortgage portfolio continued to grow, although more moderately.

Regional budgets' expenditures were higher than their revenues, which was mainly explained by additional allocations for social support measures. In 2023, the deficit of regional budgets will decrease, with both expenditures and revenues going down (see the Box '*Regional budgets: 2022 results and 2023 plans*').

KEY TRENDS IN RUSSIAN REGIONS

MAIN BRANCH FOR THE CENTRAL FEDERAL DISTRICT. Retailers expanded supplies of household appliances from Asia and the CIS, and manufacturers in Moscow increased the output of electric equipment. The passenger flow in the airports of the Moscow air cluster was supported owing to domestic tourism and the existing demand for foreign travels to a number of accessible destinations. The number of transactions with new housing declined amid higher supply in the secondary market.

NORTH-WESTERN MAIN BRANCH. As the number of orders in shipbuilding increased, some regions faced higher demand for manpower. Manufacturers of meat and dairy products were changing the range of their products as consumers' preferences shifted towards cheaper items. Facing difficulties with sales in foreign markets, manufacturers of wood building materials had to reduce prices for their products supplied to the domestic market.

VOLGA-VYATKA MAIN BRANCH. Due to high uncertainty, developers decreased the number of new projects. The travel planning horizon shortened notably. Business activity in oil refining was mainly supported owing to the implementation of investment projects. Chemical enterprises were gradually arranging their export logistics. The practice of container shipments from the Far East of Russia and Asian countries was expanding.

SOUTHERN MAIN BRANCH. Consumer activity edged down less significantly than generally across Russia. This was associated with an increased tourist flow. However, tourism companies' expectations about demand during the New Year holidays are moderate. Most agricultural machinery enterprises kept their output unchanged, whereas a part of them plan to build up production, including by gradually switching to domestic components. In October, cargo traffic in the Azov and Black Sea ports reached its highest level over the year.

URAL MAIN BRANCH. Companies' current estimates and expectations about demand and output in manufacturing improved. The pace of housing construction continued to speed up. The demand for building materials remained steadily high, with a number of regions deploying additional facilities to manufacture reinforced concrete products. Metallurgical companies plan to reduce the scope of their investment programmes, primarily due to decreased export opportunities.

SIBERIAN MAIN BRANCH. Coal production in Siberia was contracting amid the European restrictions on exports and a high utilisation of Eastern rail infrastructure. Non-ferrous metal producers were rearranging logistics, ramping up their output. Large oil producers view the current situation as stable. The number of issued consumer loans resumed growth in October–November, although their amounts and maturities decreased.

FAR EASTERN MAIN BRANCH. Seaports' cargo traffic hit a record high. The utilisation rates in Far Eastern seaports were high because of transshipment of imported cargoes, whereas there was a shortage of specialised wagons. As a result, the periods of delivery from Asia became much longer. Coal producers increased the proportion of exports by sea. The expansion of cargo transportation by Russian ships and restrictions on repairs at Asian plants sped up the growth of the volume of ship repair operations at the macro-region's enterprises.

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	Oct22	12.6	13.2	12.6	13.1	12.3	11.6	13.6	12.2
Core inflation	% YoY	Oct22	16.2	16.7	16.6	16.7	16.0	14.4	16.5	14.8
Industrial production	3MMA, % YoY	Oct22	-2.0	6.9	-5.9	-0.0	1.8	-0.6	-0.5	-10.7
Fixed capital investment	Cumulative, % YoY	2022 Q3	5.9	1.2	-3.6	6.0	3.9	9.1	6.1	9.7
Construction	3MMA, % YoY	Oct22	7.6	11.8	-11.0	13.1	12.3	-0.3	9.2	8.6
Housing commissioning	3MMA, % YoY	Oct22	-4.2	-11.9	-9.0	0.8	-6.3	9.4	-2.8	40.6
Retail	3MMA, % YoY	Oct22	-9.4	-12.6	-12.5	-4.7	-3.9	-8.4	-6.5	-0.6
Commercial services	3MMA, % YoY	Oct22	1.8	0.8	1.6	1.1	1.9	2.4	5.7	-1.3
Real wages	3MMA, % YoY	2022 Q3	-2.0	-4.8	-2.6	-1.3	-2.2	2.4	0.8	-3.6
Real disposable income	% YoY	2022 Q3	-2.4	-4.1	-3.8	-3.3	-1.7	-1.6	-2.3	-3.1
Unemployment	SA, %	Oct22	3.9	3.0	3.6	3.2	6.3	3.2	4.5	3.8
Outstanding consumer loans ²	% YoY	Oct22	3.4	4.2	2.6	2.0	4.5	2.4	4.1	3.1
Outstanding mortgage loans	% YoY	Oct22	16.5	17.2	15.5	13.2	21.3	14.6	15.3	22.2
Funds in escrow accounts	% YoY	Oct22	47.8	51.4	73.0	30.9	34.7	30.4	32.3	65.8
Non-financial organisations' outstanding bank loans	% YoY	Sep22	16.7	13.3	29.5	10.0	32.8	19.0	16.7	13.2
• Large borrowers	% YoY	Sep22	13.8	10.0	28.9	6.0	29.8	17.6	12.4	12.8
• SMEs	% YoY	Sep22	31.8	35.6	32.4	21.3	40.2	26.9	31.7	14.7
Companies' price expectations ³	Balance of responses, SA	Nov22	18.4	22.6	21.1	24.1	18.2	17.4	17.3	17.6
Business Climate Index	pp YoY	Nov22	-2.4	-3.8	-8.5	-4.6	-0.7	-4.0	-0.7	-4.1
• Current estimates	pp YoY	Nov22	-3.1	-3.2	-9.2	-6.2	-2.1	-4.7	-4.2	-4.0
• Expectations	pp YoY	Nov22	-1.6	-4.4	-7.7	-2.9	0.8	-3.1	3.0	-4.2

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

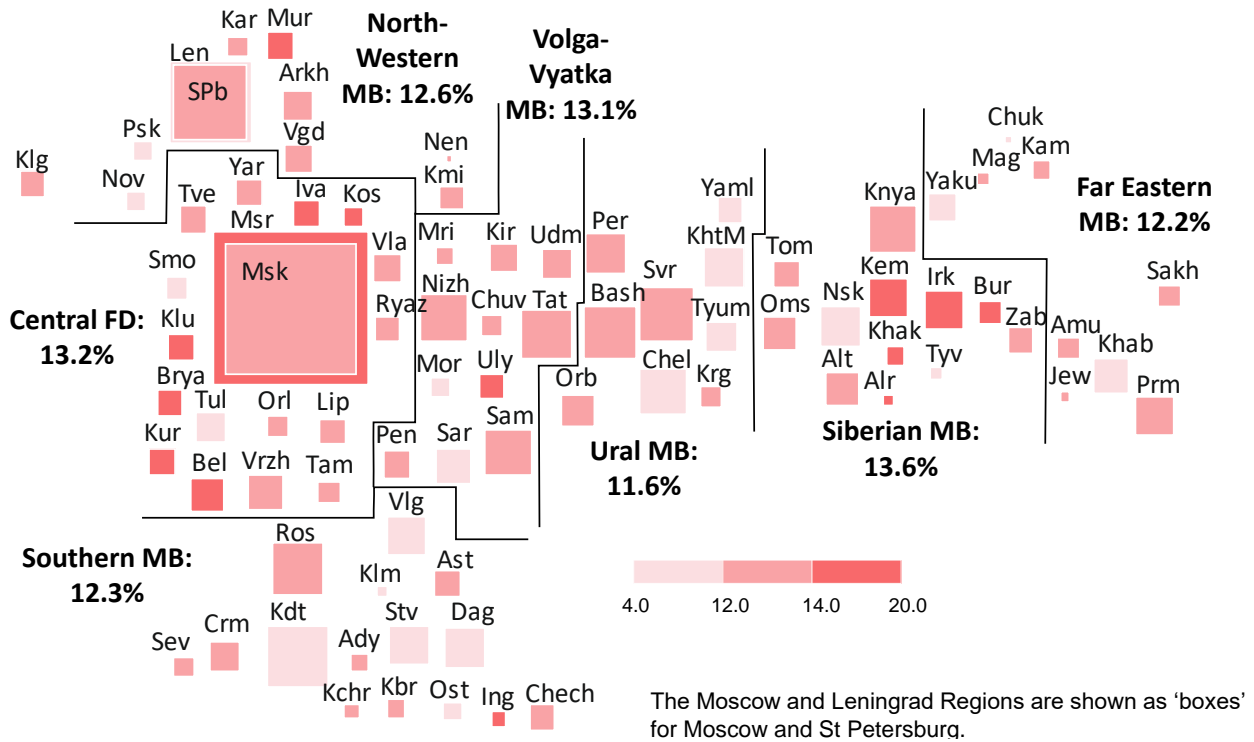
² Hereinafter, outstanding bank loans are given adjusted for foreign currency revaluation, according to Reporting Forms 0409316 'Loans to households' and 0409303 'Loans to legal entities'. These reporting forms are used to carry out regional analysis since they enable the aggregation of indicators by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

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

INFLATION IN RUSSIAN REGIONS

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

The sizes of the regions' signs correspond to their percentages in the Russian CPI.



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

Source: Rosstat.

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

BANK OF RUSSIA MAIN BRANCH FOR THE CENTRAL FEDERAL DISTRICT

In November, the decline in consumer activity in the macro-region slowed down. Companies expect demand to bounce back during the next few months, which pushes up their price expectations. Contrastingly, a good harvest and expanded supply of fruit and vegetables this year moderated the rise in prices for a number of food products. The non-food segment recorded an increased output of household appliances, partly driven by a rise in consumers' demand for Russian brands. Corporate lending expanded fast, as opposed to retail lending. Despite developers' efforts to encourage buyers' interest, the demand for mortgage loans in the new housing market edged down.

CONSUMPTION AND INCOMES. In November, the annual decline in consumer activity slowed down in all territories of the macro-region, as compared to October. Consumers began their preparations for the New Year holidays earlier than usual due to longer periods of goods delivery from China and possible problems with them, as well as because more people were seeking to save money on sales. The decline in consumer activity in the Moscow metropolitan area was deeper than in Central Russia in general. This was associated with a decrease in effective demand, following the relocation of a part of individuals, on the one hand, and with the loss of income by people previously employed by foreign companies that had exited the Russian market, on the other hand. Nevertheless, the demand for domestic travels amid the decrease in outbound tourism supported transportation services in the capital. Besides, trade enterprises expect demand to go up owing to rising wages in certain industries (including construction and logistics) and the expected increase in the minimum monthly wage and pensions.

PRICES. In October, the annual and monthly (seasonally adjusted) growth of consumer prices in the macro-region slowed down, which was primarily due to the dynamics of prices for insurance, communication and tourism services. A good harvest contributed to the slowdown in the growth of prices for certain fruits and vegetables. There was also a drop in prices for confectionery and meat products. Price dynamics in December will depend on the unscheduled indexation of utility tariffs. Companies' price expectations in Central Russia continued to increase in November amid the expected recovery of the demand for goods and services.

MONETARY CONDITIONS AND BANKING SECTOR. Corporate lending was expanding actively in September, primarily driven by loans to trade enterprises and manufacturers. Specifically, a car manufacturer in Central Russia raised bank loans for an investment project being implemented to localise the manufacture of internal combustion engines, chassis components, and interior and exterior elements.

The increase in the retail loan portfolio decelerated in October due to higher interest rates and tighter non-price lending conditions. Amid uncertainty, the demand for mortgage loans in the new housing market plummeted. In October, the outflow of households' funds from banks slowed down, with foreign currency withdrawals exceeding the inflow of ruble funds. Higher amounts in ruble-denominated time deposits were partially driven by rising long-term interest rates.

HOUSEHOLD APPLIANCES AND ELECTRONICS. Companies were able to arrange import supplies and expand the range of Asian and CIS brands offered to consumers. As of the end of the first nine months of the year, the shares of sales of household appliances of Russian brands and CIS trademarks surged 1.5–2 times. Moscow manufacturers ramped up the output of electric equipment by more than a third. A nanotechnology centre in the Moscow Region specialising in the development and manufacture of microelectronics and microsystem devices launched a small-batch production of electronics for industrial automation, robotics, and other high technology industries. A large manufacturer of electronics, including notebooks and their components, upgraded two production sites in the Tver and Ivanovo Region, increasing their capacity.

AIR TRANSPORTATION. The air transportation market was supported mainly owing to domestic tourism and the existing demand for travels to Turkey, Egypt, and the UAE. This trend was most typical of the airports of the Moscow air cluster. Airfares, which had risen in late September–early October due to elevated demand, adjusted downwards to their previous level already by mid-October. Seeking to boost demand in November, airlines offered discounts on airfares within their marketing campaigns. The continuing growth of aviation fuel prices and a reduction in the passenger flow are increasing air carriers' costs. Considering the sanctions, there are rising risks of a deficit of airlines' capacities and possible problems with aircraft repairs and maintenance. This autumn, a top air carrier concluded a contract for the supply of over 300 Russian-made aircraft until 2030. The supplies of new aircraft are to start in 2023.

HOUSING MARKET. The demand for housing in the macro-region had been declining for the second consecutive month. In these conditions, prices for both new and existing housing remained nearly unchanged in October, as compared to September. Developers are not reducing prices, while propping up the demand for new housing by offering subsidised mortgage programmes at near-zero interest rates. Concurrently, there is a decline in housing commissioning. The disinflationary effect on prices in some regions is put by a faster expansion of supply in the secondary market. In particular, after soaring at the beginning of the year, prices for existing housing in Moscow have been adjusting downwards notably for the fourth month in a row. People's relocation abroad in September–October contributed to the increase in supply, including with significant discounts. As a result, the number of transactions with new housing edged down in October, whereas that in the secondary market rose. Diverse dynamics were recorded for the first time over the two years after the launch of the subsidised mortgage programme for new housing. Amid the current uncertainty, the downward trend in demand and prices might continue, including because of the termination of the subsidised programme and the tightened regulation of developers' subsidised mortgage programmes by the Bank of Russia.

BANK OF RUSSIA NORTH-WESTERN MAIN BRANCH

Consumer activity in the macro-region continued to go down in October–November, whereas companies became more optimistic about short-term demand trends. Shipbuilders have a sufficient number of orders and continue implementing their investment projects. The output of meat and dairy products was up, including owing to the expansion and improvement of fodder supply. As before, manufacturers of wood building materials were affected by the reduction in demand from European consumers.

CONSUMPTION AND INCOMES. Consumer activity remained low in October–November. Considering lower real incomes and elevated uncertainty, residents of the North-West still opted to save money, shifting their demand towards cheaper products. In view of this, new food discounters were opened in the macro-region, for instance. A notable decline in consumers' activity was recorded in Saint Petersburg as well. As compared to 2021, fewer urban residents visited beauty salons, cafés and other public catering places and purchased furniture.

Nevertheless, according to the November survey, trade and public catering companies in the macro-region became more optimistic about short-term demand trends.

The dynamics of people's incomes in the North-Western macro-region were affected by a contraction of output at certain large enterprises. Namely, some forestry companies reported a reduction in the number of work shifts and headcount.

PRICES. Annual inflation in the North-West slowed down to 12.6% in October, which was in line with the Russian average. Monthly (seasonally adjusted) price growth decelerated, while staying slightly elevated in services. This was primarily associated with the dynamics of volatile components, such as airfares and communication services, that became more expensive due to a rise in service providers' costs.

As in the previous month, North-Western companies' price expectations were up in November. This trend was observed in most key industries. Contrastingly, construction companies consider that prices might go down. In particular, according to one of the developers, this is because construction volumes remain high amid limited demand.

MONETARY CONDITIONS AND BANKING SECTOR. The expansion of consumer and mortgage lending slowed down in October. This was caused by a decrease in households' demand amid rising uncertainty and a revision of banks' requirements for borrowers.

According to the Bank of Russia's November survey, lending conditions for businesses tightened slightly. This was one of the reasons for a slower expansion of the portfolio of loans to small and medium-sized enterprises (SMEs). A large bank reported a reduction in corporate borrowers' demand for new loans due to changes in their investment plans (namely, in the macro-region's forestry sector), as well as individual cases when banks refused to issue new loans to companies because their financial standing had worsened.

In October, the outflow of funds from time deposits slowed down, as compared to the previous month, which was associated with higher deposit rates, among other reasons. Some federal and regional banks improved deposit terms in October–November, including within special campaigns.

SHIPBUILDING. Shipbuilders in the macro-region still have a sufficient number of orders and are expanding the construction of civilian ships. A shipyard in the Leningrad Region signed a contract for building several electric catamarans for a large Russian cruise company. Another shipyard is constructing six fishing vessels, two of which are to be commissioned as early as this winter. Saint Petersburg shipyards are building nuclear icebreakers and passenger ships to operate in the Arctic Zone. Earlier this year, shipyards commissioned a unique ice-resistant self-propelled platform intended to create a year-round drifting station.

Companies continue implementing their investment programmes. A large enterprise in the Arkhangelsk Region is upgrading its crane equipment for domestic-made machinery. The Murmansk Region is developing a ship repair cluster that will help address a shortage of repair docks in the region and reduce ship repair costs.

The demand for labour in shipbuilding remains stable and even rose in some regions (the Leningrad and Kaliningrad Regions) as of the end of the third quarter.

MANUFACTURE OF MEAT AND DAIRY PRODUCTS. In January–October 2022, the North-West increased the output of meat and dairy products by 3% in annualised terms. This was driven by a good harvest this year, which helped expand and improve fodder supply in livestock production and ramp up the production of milk and meat for processing. Additionally, regional dairy product manufacturers were able to substitute some import components.

However, despite cheaper feed, enterprises' costs stay elevated. The sanctions caused a rise in prices for agricultural machinery and equipment, spare parts and maintenance. Utility costs are expected to go up. As consumers reduced demand and shifted their preferences towards cheaper items, some dairy product manufacturers had to revise their range of products.

CONSTRUCTION MATERIALS. As before, the situation varied in different segments of the market of construction materials. On the one hand, export-oriented wood manufacturers still faced difficulties with sales due to the sanctions, disruptions in logistics, and an insufficient capacity of the domestic market. As a result, some wood processing enterprises in the Arkhangelsk Region, the Republic of Karelia, and the Novgorod Region reduced their output and prices for the products supplied to the domestic market.

On the other hand, the surge in individual housing construction recorded in the North-West since the beginning of the year contributed to an increase in regional manufacturers' output of ceramic building materials and concrete and cement products. Manufacturers of road construction materials are also planning to expand their output in order to meet growing domestic demand. Specifically, the Republic of Karelia is starting the development of a granite deposit to produce crushed granite that will substitute a previously used imported analogue. An enterprise in the Leningrad Region doubled its output of reinforced concrete structures.

BANK OF RUSSIA VOLGA-VYATKA MAIN BRANCH

Economic activity trends in the macro-region were uneven in October–November. Elevated uncertainty contained the growth of consumer expenditures, retail lending, and the demand for housing. Contrastingly, business activity was positive owing to the implementation of the earlier launched investment projects, the progress in import substitution, and the rearrangement of logistics in foreign trade.

CONSUMPTION AND INCOMES. Consumer activity remained weak in October–November. Surveyed retailers complained about a decline in sales. Among the main factors limiting consumer demand, businesses mentioned high uncertainty and a reduction in households' real incomes. Retailers noted that customers started to save more. Shopping mall traffic stayed below the levels of early September. Some pharmacies reported that there was no seasonal rise in the demand for medicines in October–November, with sales dropping below September figures and last year readings as well.

As to public catering, demand was bouncing back faster in cheaper cafés and fast food places. Many regions recorded a rise in the demand for domestic tourism year-on-year (YoY). According to businesses, the proportion of rooms booked for the New Year holidays might reach or even exceed the level of the previous year. However, respondents complained that customers considerably shortened the travel planning time due to high uncertainty.

PRICES. In October, annual inflation and monthly price growth rates (seasonally adjusted) slowed down amid weak consumer demand and the faded effect of one-off factors in services. Retailers' price expectations edged up slightly. Besides, companies surveyed in November reported a slower rise in costs, namely to the minimum rate since early 2021. Furniture enterprises in the Republic of Mari El noted a reduction in input prices for wood materials and components owing to the arrangement of supplies of domestic and Asian alternatives.

MONETARY CONDITIONS AND BANKING SECTOR. In October, the monthly increase in the consumer loan portfolio was close to zero. The growth rate of outstanding mortgage loans in October remained at the level of the previous month. According to recent data, the amount of mortgage loans issued in the first half of November contracted, but then bounced back to earlier readings by the end of the month. Subsidised mortgage lending for new housing recovered in November after its October decline, staying at the levels above those recorded over the same period last year. Surveyed credit institutions expected the demand for both consumer and mortgage loans to drop in the fourth quarter. Banks also predicted a reduction in the demand for corporate loans during the next one or two quarters. Enterprises surveyed in November complained about a slight decrease in the affordability of loans and a tightening of lending conditions for businesses.

The annual growth of household deposits slowed down. A partial transfer of funds from short-term deposits to long-term ones and current accounts continued.

OIL REFINING AND CHEMICALS. The situation in the industry was generally uneven in October–November 2022. Some enterprises maintained their output at previous years' levels, whereas others still recorded its reduction.

Earlier launched investment projects supported the expansion of output at individual enterprises of the industry. Specifically, a large oil refinery completed the construction of new production capacities started four years before. The new capacities may potentially help the company notably improve its production efficiency as its oil refining volume and diesel fuel output will increase by over 15% and 25%, respectively, and the headcount – by approximately 8%.

Besides, the output in the industry was supported by growing demand for import-substituting products. In particular, a large petrochemical enterprise in the macro-region launched the manufacture of a lubricant for industrial equipment that had never been produced before in Russia. The enterprise also emphasised that the production of raw materials for this product was completely localised.

Output at other large companies remained decreased. Seeking to restore its earlier levels of sales, a large ammonia manufacturer, which had previously supplied a considerable proportion of its products abroad, continued to invest in alternative methods of raw materials transportation. Specifically, in October–November, the company expanded its own railcar fleet to increase shipments by rail. Besides, it is constructing a transshipment complex in the South of Russia and plans to deliver products to it by rail.

LOGISTICS AND TRANSPORTATION. The structural changes of the recent few years were one of the drivers of elevated business activity in this segment of the Volga-Vyatka economy. In particular, leading e-commerce companies commissioned an earlier launched project of a logistics complex in the Samara Region and started building a new one in the Republic of Udmurtia. Besides, new transportation routes developed due to changes in international logistics. Namely, in November, increasingly more businesses in Volga-Vyatka regions were organising railway transportation of goods from the Far East and Asia. Some regions also planned arranging river routes to Caspian, Far Eastern and South Asian countries.

HOUSING MARKET. In late October–November, the demand for housing started to bounce back gradually, while still staying below the level of the first half of September. According to realtors, buyers' activity was up. Nonetheless, market participants report a more cautious approach to purchasing real estate among customers who need more time to make a decision and opt for cheaper and smaller housing. The demand for existing housing was notably below its supply. The expanded supply and longer marketing of apartments caused a decline in sale prices.

Developers were cautious in their decisions on new construction projects, which was due to both overall uncertainty and an expected decline in demand after a possible termination of the subsidised lending programme for new housing.

BANK OF RUSSIA SOUTHERN MAIN BRANCH

In November, enterprises in the South became slightly more optimistic about demand and output, after a considerable decrease in their estimates in October. Agricultural machinery enterprises were ramping up their output, refocusing on components made in Russia and friendly countries. The arrangement of logistics contributed to the growth of seaports' freight turnover. Inflation continued to go down owing to the expansion of food supply. Companies' price expectations edged up slightly. Despite an increase in the tourist flow, consumer activity remained subdued.

CONSUMPTION AND INCOMES. In November, driven by a rise in the tourist flow, consumer activity in the macro-region was higher than across Russia in general, yet stayed moderate. According to recent data, despite the November sales, demand dynamics worsened as compared to October. Regional retailers complained that their November promotional campaigns failed to boost consumption. The demand for entertainment events declined. Specifically, in the Rostov Region, the number of orders for entertainers for the New Year holidays decreased two times YoY. Many organisations in the Astrakhan Region, the Krasnodar Territory, and other Southern regions decided not to carry out New Year's corporate parties.

In some industries, a higher output and staff shortages caused an increase in wages. Specifically, manufacturers in certain regions raised wages to be able to fulfil a larger number of state orders, and a retailer in the Stavropol Territory – to prevent an outflow of low-skilled workers. According to the Krasnodar Territory authorities, there are four vacant jobs for every unemployed worker (this is a record high for the region), and the offered wage rose by 12% over the year. Besides, the decline in real money incomes slowed down.

PRICES. In October, annual inflation equalled 12.3%, continuing to decelerate mainly due to expanding food supply. Egg output in the macro-region surged by nearly 20%. The Astrakhan Region recorded the highest growth rate (twofold), which was driven by the relaunch of one of the largest enterprises in the region after a multi-year pause in its operation. Meat product manufacturers in the Rostov Region ramped up output by a fourth, mainly owing to an increase in production capacities at poultry farms.

Nonetheless, monthly price growth (seasonally adjusted) remained almost unchanged, as compared to September. Despite subdued consumer demand and expanded supply, price expectations in most industries, except transportation and storage, wholesale and retail trade, were up, which was largely associated with higher costs. Specifically, enterprises of the agroindustrial complex reported a rise in expenses for crop protection chemicals and seed, as well as for logistics and product storage.

MONETARY CONDITIONS AND BANKING SECTOR. In November, banks did not report any significant changes in households' credit activity that remained subdued. Some regional credit institutions recorded a decline in the demand for mortgage loans. Banks were actively expanding lending beyond the macro-region. For instance, a regional bank in the Rostov Region was the first one in Russia to issue a loan through a country-wide marketplace created in September. Corporate loans issued in September exceeded the 2021 average more than 1.5 times, primarily

driven by lending to wholesale and retail companies. Surveyed enterprises complained that lending conditions somewhat worsened. This was also confirmed by recent data from banks that slightly raised credit rates in October–November.

Credit institutions noted a stabilisation of the situation in the deposit market in November, including owing to higher interest rates. The inflow of households' funds into time deposits and current accounts resumed, after their slight outflow in September–October.

AGRICULTURAL MACHINERY. Most enterprises in the industry maintained their output at the level of 2021, and some even plan to increase it. An agricultural machinery manufacturer in the Rostov Region ramped up its output to the last year's level and plans to expand the range of its products in the future. The company refocused on domestic components and arranged supplies of a number of components from friendly states. The commissioning of new production capacities in early 2023 will enable the company to manufacture a range of spare parts and assemblies on its own. An enterprise in the Krasnodar Territory resumed the manufacture of agricultural equipment, after a pause, and reports that it has the required components in stock. A number of large enterprises in the Republic of Daghestan plan to resume and master the production of demanded components and agricultural machines in particular.

LOGISTICS. Cargo traffic at the seaports in the Azov and Black Sea basin rebounded to the last year's levels. In October, the monthly growth rate reached its maximum over the year, namely 13% (including 24% – for dry cargoes, and 4% – for liquid cargoes). The redirection of freight traffic flows continues to contribute to the development of southern seaports. Specifically, the largest Russian transportation and logistics holding company plans to expand freight transportation between Russia and Turkey by launching a chartered freight ferry to transport road trains.

Owing to the implementation of the North–South project, container transshipment at some terminals in the seaports of the Astrakhan Region more than doubled in annualised terms over January–October 2022.

TOURISM. The tourist flow in the first half of November exceeded the previous year's level. As before, the leader was the Krasnodar Territory where the number of tourists surged 1.5 times YoY. A similar increase in the number of tourists was recorded by the Republic of Daghestan owing to the development of transport and hotel infrastructure, among other reasons. In December, the Republic plans to complete the construction of ten modular hotels, with the total capacity of over 400 beds.

Companies' expectations about the tourist flow for the New Year holidays remain moderate. Rooms booked in the first half of November in Kuban for the New Year holidays accounted for 33% of the total hotel capacity, which is 7 pp lower YoY. Positive trends were recorded by a number of ski resorts. Namely, one of the key resorts of the region reported that the percentage of reservations was at the previous year's level, exceeding 60%, and the reservations at the resorts in Arkhyz and the Elbrus region reached nearly 100%.

BANK OF RUSSIA URAL MAIN BRANCH

Consumer activity remained weak in October–November. Industrial enterprises somewhat improved their expectations about demand and output. The pace of housing construction in the Urals continued to go up, although demand cooled down slightly. The demand for building materials remains steadily high, driven by the implementation of national road infrastructure and social projects, with a number of regions deploying additional facilities to manufacture reinforced concrete products.

CONSUMPTION AND INCOMES. According to retailers' estimates, the dynamics of consumer expenses in most Ural regions remained generally weak in October–November. Consumers more frequently preferred food products and basic goods. Discounters became more popular among consumers. The results of marketing campaigns and sales were below expectations due to persistent uncertainty. Consumption will be supported by a rise in wages (including compensations for overtime work within additional work shifts at individual industrial enterprises) and payments from the budget to certain categories of the population. The situation in the labour market remained stable, with the unemployment rate and the overall number of vacant jobs remaining nearly the same. Nevertheless, the deficit of construction and low-skilled workers persists, due to which some companies are even ready to actively hire inexperienced workers.

PRICES. In October, annual inflation in the Urals continued to decelerate, dropping to 11.6%. This was associated with moderate consumer demand and expanded food supply. Businesses' price expectations in production rose in October–November, primarily pushed up by higher input prices. Contrastingly, the number of organisations in services (including trade) planning to raise prices for their products decreased, and the expected price growth rate edged down to 4% in annualised terms.

MONETARY CONDITIONS AND BANKING SECTOR. Lending conditions remain moderately tight in all segments of the credit market. Non-financial organisations' demand for loans was elevated, which was largely associated with extra costs caused by more complicated logistics and payment schemes under import contracts. The demand for loans was up in energy production, water supply, transport, retail, metallurgy, machine building, and consumer goods manufacture. Interest rates on retail loans edged up slightly in October due to higher risks. The expansion of unsecured consumer lending nearly discontinued. The portfolio of mortgage loans continues to expand primarily owing to the subsidised government programmes. Specifically, the number of applications for subsidised mortgage loans recovered in November, after a slight decline in September–October. Deposit rates rose slightly, and the inflow of deposits restored in November, as reported by credit institutions.

CONSTRUCTION MATERIALS. According to surveyed construction enterprises, the demand for building materials remained high, driven by the implementation of national road infrastructure and social projects. The demand for metal fittings, pipes, cement, wall panels, asphalt, tiles, gravel, and gravel mixes was steadily high. As reported by a large manufacturer in the Perm Territory, the demand for aerated concrete remained relatively stable. A large retailer selling construction materials also reported a steady level of sales. At the facilities of an industrial park, the Kurgan Region launched the manufacture of reinforced concrete slabs that will be used to construct houses

beginning from 2023. The Republic of Bashkortostan commissioned a new plant to manufacture reinforced concrete products that will be used to build bridges and road junctions. Most companies in the industry maintain their investment plans for 2023, but will apparently cut their expenses for imported machinery and equipment. Regional developers noted that they had no problems with supplies of the main types of construction materials, with the largest part of them manufactured directly in the Urals in sufficient quantities. However, ceramic tile manufacturers complained that they were unable to substitute a number of imported raw materials as Russia lacks the technologies to manufacture alternatives, which requires rearrangement of production processes and revision of the product range.

HOUSING MARKET. The area of housing under construction in the Urals continued to grow in October–November. The number of new projects launched in the macro-region exceeded both the annual average and the level recorded over the same months last year. The area of commissioned housing was also larger overall. However, sales in the new housing market in some regions stay below last year's figures. In October–November, the number of concluded transactions declined, and the growth of households' funds in escrow accounts slowed down. The situation in the market results from a decrease in not only investment demand, but also the demand from buyers wishing to improve their housing conditions. In such a situation, the number of unsold new apartments in the Sverdlovsk Region continued to grow in October, whereas the supply of existing housing – to contract. Regional developers and banks consider that future demand can be affected by the termination of the subsidised government mortgage programme for new housing.

According to experts, prices for comfort- and business-class housing are highly likely to stop growing and even might decline. This in turn might cause an increase in the share of large-scale economy-class housing projects, with the total number of new construction projects going down.

METALLURGY AND METAL PROCESSING. The demand for metal products in the domestic market partially bounced back in the third quarter owing to state orders. Metal traders sold out their stocks formed at high prices back in 2022 Q1 and started to replenish them. However, the environment in the global market of metal products remains unfavourable. Companies still face difficulties with the redirection of exports to friendly states, which is predominantly explained by a high saturation of the Asian market. Considering higher logistics costs and discounts requested by buyers, exports of metal products are still loss-making for many Ural enterprises. Equipment and spare parts delivery periods increased, and companies have to partially rearrange their production processes due to changes in the parameters of some components used in the manufacture. In these conditions, some Ural metallurgical enterprises are scaling down their investment programmes and rescheduling their capacity upgrade projects for later dates.

BANK OF RUSSIA SIBERIAN MAIN BRANCH

In October–November, economic activity in the macro-region was uneven across industries: coal production was contracting, whereas the output of metals exceeded last year's figures. Coal producers and metallurgical enterprises continued to search for new counterparties and export destinations. The oil industry preserved its export destinations and ramped up refining at the macro-region's plants. Consumer activity revived slightly in November.

CONSUMPTION AND INCOMES. In October, trade companies reported a decline in consumer activity. Buyers started to visit shopping malls less frequently. In November, retail chains recorded a slight revival of demand, which was driven by extensive sales, discounts, and revisions of loyalty programmes. One of the largest regional chains selling cosmetics and household chemicals accrued bonuses to new loyalty programme participants. Tourism and public catering companies became more optimistic on the eve of the New Year holidays. Cafés and restaurants reported that reservations were mostly made by individuals and there were almost no unreserved dates. The demand for foreign travel (to Thailand) was up, while the booking horizon shortened.

According to the recent survey of companies carried out in November, there are almost no industries that would plan staff reductions (except for seasonal workers), the shortage of low-skilled workers persists, and companies are exploring opportunities for raising wages. To boost employment, a municipal transport enterprise in the Republic of Buryatia increased wages to drivers and maintenance workers by 15–20%.

PRICES. Annual inflation continued to decelerate in October, dropping to 13.6%, predominantly owing to a slower rise in prices for food, including fruit and vegetables, pasta, confectionery, sugar, meat, milk, and butter. As to non-food goods, there was a slowdown in the growth of prices for durable goods, including cars, household appliances, TVs, and personal computers. A large retailer in Omsk reported expanded supplies of cheap appliances and electronics from Southeast Asia. Companies in services, including trade, decreased their short-term price expectations, which was primarily due to weaker demand and lower prices for raw materials and components, as well as for similar products sold by competitors.

MONETARY CONDITIONS AND BANKING SECTOR. According to the November survey of companies, the improvement of bank lending conditions for businesses paused. Interest rates on long-term loans were up, and banks raised their requirements for borrowers' creditworthiness. Nonetheless, businesses' credit activity remained high.

The number of issued household loans resumed an upward trend in October–November, although people mostly raised small amounts for short periods. According to banks' estimates, there is only a small number of applications for traditional consumer loans, and only credit cards are in demand. Disbursements of long-term (both consumer and mortgage) loans remained below last year's figures. The inflow of households' funds into bank deposits was still weak in October–November. Preferring to have access to cash at any moment, people only demonstrated higher demand for accumulative accounts. In October–November, banks raised interest rates primarily on long-term deposits.

COAL MINING. Coal output continued to contract in Siberia in October–November. Due to EU countries' refusal to purchase Russian coal and a number of logistics bottlenecks, coal producers had to face a hard situation. Supplies abroad and to domestic metallurgical companies were declining, while stocks were growing. As reported by large Siberian coal enterprises, coal exports to the East are limited by the quotas for exports, whereas the search for new markets of sales through the seaports of the European part of Russia is hindered due to rising transportation and logistics costs. Specifically, distances became longer, the decreasing coefficients to the export rail rates were cancelled, and costs for railcar fleet, transshipment in seaports and freight edged up. However, the situation at Siberian coal enterprises is uneven. In particular, thermal coal producers in Eastern Siberia noted that shipments to energy companies expanded by a third already in October. During the winter, thermal power plants will operate at a high utilisation rate due to the persistent shortage of water in the rivers of the Yenisei basin. This will support high demand for coal until the end of the heating season.

NON-FERROUS METALLURGY. In October–November, large Siberian industrial metal manufacturers continued to successfully rearrange logistics for raw materials and finished goods. In the third quarter, despite the tightening of the sanctions, Siberian metallurgical enterprises achieved their output targets and ramped up the output of the main metals, compared to both last year and the previous quarter. Output continued to expand in October–November. Enterprises confirmed their earlier announced production and investment targets for 2022. After the London Metal Exchange's decision not to ban Russian metals from its warehouses, Siberian metallurgical companies were actively signing new contracts in November. Companies complained about difficulties with accessing critical Western equipment and spare parts as their main risk. However, they are already testing alternatives from friendly states.

OIL PRODUCTION AND REFINING. Large oil producers assess the situation in the industry as stable and do not expect their output to shrink until the end of the year. Crude oil from Siberia is mostly refined at the macro-region's oil refineries. As crude oil exports mostly focus on the Asian market through the Eastern Siberia – Pacific Ocean (ESPO) oil pipeline system, the direct Western sanctions have almost no effect on oil output in the macro-region. However, some Asian oil refineries started to pause purchases of ESPO crude (supplied via the ESPO pipeline), expecting a possible decline in prices for Russian crude due to the imposed price cap. Nevertheless, large Siberian oil refineries continue to increase the utilisation of available capacities and ramp up oil refining volumes. In October, the output of motor petrol and diesel fuel surged by nearly 30% and 24% in annualised terms, respectively. Amid increased demand from the road construction industry, a large oil refinery expanded its output of bitumen, surpassing its targets. Despite the difficulties with equipment supplies that had occurred, the largest oil producers continued the implementation of their investment projects in full without rescheduling.

BANK OF RUSSIA FAR EASTERN MAIN BRANCH

In October–November, households in the macro-region preferred to save, although the decline in consumer activity slowed down. Businesses' price expectations edged up. One of the oil and gas projects resumed oil production. The utilisation rates in Far Eastern seaports were high because of transshipment of imported cargoes, due to which the periods of delivery from Asia became much longer. Increased cargo traffic and limited opportunities for vessel repairs abroad pushed up the demand for services of the macro-region's ship repair companies.

CONSUMPTION AND INCOMES. In October–November, consumer activity in the macro-region was weakening, although more slowly than in September. In October, food retailers recorded a decrease in the average purchase amount and a shift in demand towards basic goods and cheaper items, as compared to September. Concurrently, the range of imported goods was shrinking. Low consumer demand was reported by retailers selling footwear, furniture, and smartphones. In some regions, the number of guests at cafés and restaurants was down. Hotel businesses in the Khabarovsk Territory noted that more guests preferred low-budget rooms. In November, companies in services, including retail, became a little more optimistic about demand during the next three months.

According to a recruiting agency, the demand for labour edged down slightly in October. Businesses continued to use part-time employment schemes, including leaves, a shorter working week, etc.

PRICES. Annual inflation slowed down to 12.2% in October. Contrastingly, seasonally adjusted price growth continued to accelerate, primarily driven by one-off factors in services. Specifically, a number of airlines reduced the number of flights to the capital in October, which pushed up airfares. Following the decision to raise tariffs made by a large travel agency in the Primorye Territory to offset its auto fleet maintenance costs, prices for bus excursions edged up. Amid weaker demand, prices for certain non-food durables continued to trend downwards. In November, companies' price expectations were up, mainly driven by a faster rise in input prices for raw materials and components in the majority of industries. Conversely, retailers reported a decline in input prices for sugar and cereals and a reduction in suppliers' range of products. Price expectations increased most considerably in transportation and storage.

MONETARY CONDITIONS AND BANKING SECTOR. Despite a slight tightening, bank lending conditions remained neutral in October–November. According to credit institutions, their corporate loan portfolio continued to expand, including owing to lending for investment projects in logistics and seaport infrastructure, as well as the implementation of federal anti-crisis support measures. Contrastingly, the growth of retail lending slowed down in both the consumer and mortgage segments. A credit institution in the Primorye Territory recorded a decline in the number of mortgage transactions concluded in November, as compared to October. As reported by banks, demand continued to shift towards mortgages for existing housing due to a reduction in market rates to the level of early 2022.

Balances of households' deposits and current accounts remained unchanged in October. After the deposits opened at high interest rates in spring had matured, households predominantly kept their funds in time deposits. According to estimates, deposit rates continued to go up in November.

CARGO TRANSPORTATION. In October, cargo traffic in Far Eastern seaports reached its all-time high. In the first half of November, shipments of containers from seaports surged by 20% in annualised terms, driven by an increase in container transportation in open wagons and a reduction in the loading time owing to new process flows. Seaports' utilisation rates remained high. Companies still faced a shortage of platforms for container transportation as the quantities of imported cargoes exceeded those of exports and moving empty rolling stock was forbidden. Another negative factor affecting seaports' cargo traffic was the replacement of the standardised fleet of foreign carriers that had terminated their operation in Russia for Asian carriers' low-capacity vessels of various types. This increased traffic in seaports. The waiting period of ships in the harbour reached up to 30 days, and that for cargo shipments by rail – from 10 to 30 days. Due to downtime, the periods of delivery from China increased to three months, hitting a new high since 2020.

MINING AND QUARRYING. After one of the shelf projects on Sakhalin was transferred to the Russian jurisdiction in October, oil shipments at the project resumed, with oil output bouncing back gradually. Eight tankers with oil were shipped in late October–November. Drilling of new oil wells is expected to resume in February 2023. Asian countries' demand supported high growth rates of coal output, although it was below the targets due to insufficient rail infrastructure. Yakut coal producers expanded the proportion of their exports by sea in October, but such logistics scheme is only profitable for coking coal. Thermal coal, which is three times cheaper than coking coal, was stockpiled at warehouses. In October, a diamond mining enterprise started to sell investment diamonds in the domestic market through banks: in October 2022, VAT on purchases of such diamonds for individuals was cancelled. Credit institutions reported investors' moderate demand for these diamonds.

SHIPBUILDING AND SHIP REPAIR. In October, the macro-region's companies recorded a faster rise in the volume of ship repair operations. Over the first ten months of 2022, their volume in the Primorye Territory nearly tripled in annualised terms. A large ship repair yard reported an increase in the repair of fishing vessels. This was because Chinese enterprises, which had previously made the repair for the most part, refused to accept foreign vessels due to anti-coronavirus measures. Besides, as cargo traffic expanded and Asian carriers replaced a number of European companies that had exited the Russian market, the utilisation of tugs and tankers that had not been used previously increased, and, consequently, the demand for their repair was also up. Another enterprise expanded its cooperation with a federal-level shipyard and was increasing the amount of the state order. Shipbuilders and ship repair yards reported a sufficient number of orders for 2023, including owing to the implementation of the investment quota programme.

BOX 1.

INVESTMENT ACTIVITY AMID THE STRUCTURAL TRANSFORMATION OF THE ECONOMY

In January–September 2022, investment activity in the Russian economy increased in annualised terms, boosted by import substitution programmes, state support measures, and the continuing implementation of the earlier launched projects. Higher economic uncertainty and the sanctions, primarily on component imports, were the key drags. According to the Bank of Russia's survey, the absolute majority of companies reported that their capital expenditures either remained the same (for SMEs) or rose (for large corporates) in 2022 YoY. As estimated by businesses, investment in 2023 will stay at the previous year's level.

STRUCTURE OF FIXED CAPITAL INVESTMENT

In 2022 Q3, fixed capital investment edged up by 3.1% YoY (in 2022 Q2: +4.1% YoY); over January–September 2022 – by 5.9% YoY.⁴ Over January–September, the increase was most significant in professional, scientific and technical activities, hotel and catering business, and construction. Contrastingly, such industries as information and telecommunications, agriculture, and education recorded a decline. Trends in fixed capital investment varied across the macro-regions, with the Far East and the Urals reaching the highest growth rates and the North-West reporting a decline.

The Bank of Russia's survey of businesses also evidences an upward trend in investment activity. However, expectations for the next three months lowered to negative values (-0.3 pp in 2022 Q3 vs 4.6 pp in 2022 Q2).⁵ Expectations worsened most significantly in logging and wood processing, leather production, and other mining and quarrying (of stone, sand, clay, gemstones, and quartz).

According to the Bank of Russia's recent survey,⁶ a third of companies increased and 18% decreased their capital expenditures in 2022, as compared to 2021. Besides, one in two companies noted that their investment plans were mostly influenced by high uncertainty. About a fourth of enterprises referred to the sanctions as the main drag in their investment activity. A third of large corporates plan to increase their capital expenditures in 2023, with 70% of them – by more than 10%. SMEs were less optimistic in their expectations: only one in four businesses planned to raise their capital expenditures next year, with 50% of them – by more than 10%.

In January–September 2022, over a half of fixed capital investment was still made from companies' internal funds (56.3%). Nevertheless, the structure of investment sources shifted towards external funds accounting for 43.7%, which is 3.1 pp more YoY. The percentage of bank loans in borrowings edged up by 1.4 pp to 11.4% and that of budget resources – by 2.7 pp to 17.8%.

⁴ Rosstat's statistics present the dynamics of fixed capital investment from all sources of financing in comparable prices across the entire range of businesses. Then, broken down by structure and industry, the statistics show the amounts of fixed capital investment net of small businesses and the amount of investment that cannot be observed directly using statistical methods.

⁵ The results are based on the values of the balance of responses that are calculated as the difference between the percentages of the 'up' type responses (increased, improved, etc.) and the 'down' type responses (declined, worsened, etc.) relative to the total of the exact percentages of the responses ('up', 'down', 'unchanged').

⁶ The survey covered 1,092 enterprises.

INVESTMENT ACTIVITY FACTORS

Amid the structural transformation of the economy, the main drivers of investment this year were the need to change business relations and technological processes and the implementation of the import substitution strategy. In particular, the Pskov Region launched the construction of an industrial battery factory, which will help reduce the share of imported batteries in the Russian market by a fourth already next year. A chemical enterprise in the Chuvash Republic will launch the production of hydrogen peroxide that will fully cover domestic demand in the country. One of the leading agricultural machinery enterprises in the South is implementing a large-scale investment programme to establish a cluster of tractors. The company plans to take the niche that has become vacant after the exit of foreign agricultural machinery manufacturers and ensure sufficiently large stocks of components made at its own facilities and by other domestic enterprises.

Investment activity in January–September 2022 was also supported by the **continuing implementation of the earlier launched projects**. In particular, the Amur Region is completing the construction of a large gas processing plant, the equipment for which was purchased at the beginning of the year.

Federal and regional support measures were an important factor. Namely, the support from the Moscow Region Development Corporation helped commission the manufacture of hydraulic equipment for special machinery of logging, scrap processing, and utility enterprises. As competition in this market segment is low, the manufacturer's products are highly demanded. Offset agreements are becoming increasingly widespread. Based on such agreements, Moscow is localising the manufacture of medicines and medical goods in a special economic zone. Investors receive not only a guarantee of product sales, but also considerable tax privileges. Another important driver was a partial compensation of capital construction costs, which helped one of the largest greenhouse complexes in the Moscow Region to quickly ramp up its output. Subsidised loans also remain in demand. Specifically, using such loans, the Volgograd Region has built the largest in Europe cannery.

The main factors constraining investment activity in January–September were economic uncertainty and trade restrictions. They have already entailed an increase in the period of sales or a suspension of a number of projects. In particular, a plastics manufacturer in the Ulyanovsk Region suspended the upgrade of its production facilities, and a metallurgical plant in the Sverdlovsk Region cancelled its investment plan only continuing the scheduled re-equipment. According to the Bank of Russia's survey, companies in all macro-regions complained about restrictions on investment goods imports. This was the reason for a two-month delay in the commissioning of a confectionery in the Kaliningrad Region and the suspension of an infrastructure project by a large paper products manufacturer in the Bryansk Region as the import of European equipment was impossible.

Another important factor was a **decline in foreign companies' capital investment**. Namely, a large US feed manufacturer suspended its project for an increase in the capacity of its plant in the Rostov Region. As an international power corporation had exited the Russian market, the Khabarovsk Territory had to cancel the construction of a liquefied natural gas plant.

INVESTMENT PROJECTS ACROSS INDUSTRIES

INDUSTRIAL SECTOR. According to Rosstat, the mining and quarrying sector and manufacturing accounted for over 85% of investment in the industrial sector over January–September 2022. Furthermore, as to manufacturing, the largest amount of investment was made in chemicals, petroleum products, and metals (56.5% of total investment made in manufacturing).

Oil and gas production and related industries. In January–September 2022, investment in oil and natural gas production increased by 10.9% YoY. Foreign investors' exit and the suspension of oilfield service companies' operation did not have a significant impact on the progress of the earlier launched projects. Specifically, the largest oil project in the north of the Krasnoyarsk Territory continued all works according to the schedule. A fuel energy complex in the South was actively advancing its activities, continuing the implementation of the programme for the integrated development of the North Caspian oil and gas fields; the Krasnodar Territory was modernizing a number of oil refineries ahead of schedule, with one of them planning to produce Euro-5 petrol. Nevertheless, some projects were rescheduled, including the construction of a gas chemical complex in the Amur Region due to a delayed delivery of imported equipment and the construction of a complex for processing ethane-containing gas in the Leningrad Region because of a European contractor's exit from the project.

Other mining and quarrying. Over January–September 2022, investment in mining and quarrying of coal, metal ores, and other minerals expanded by 3.2% YoY, 10.5% YoY, and 25.0% YoY, respectively, which was predominantly driven by the implementation of the earlier started projects. In particular, the Taymyr Peninsula continued the construction of a coal mining cluster. However, the restrictions on foreign trade adversely affected the dynamics of investment at Far Eastern gold-mining enterprises that lost foreign sales markets following the ban on Russian gold imports in a number of unfriendly countries.

Manufacturing. Over the first nine months of 2022, fixed capital investment in manufacturing edged down by 0.9% YoY. Companies in some manufacturing industries were notably affected by the restrictions on foreign equipment supplies. An engine-building enterprise in the Urals faced restrictions on component imports and expects capital investment to decrease in 2023. A large chemical company in the Volga Region suspended the construction of a nitric acid production unit due to difficulties in cooperation with equipment suppliers. Far Eastern wood processing enterprises are reducing investment because of declining prices for their products in Asia. Concurrently, the shift of demand towards domestic products inspired some companies to ramp up their output. Thus, a large plastic food wrap manufacturer in the Rostov Region reported an increase in the purchases of its products in the domestic market. The enterprise has already launched a project to expand its production facilities, which will halve the share of imports in the Russian market (to 15%). North-Western regions are actively developing the manufacture of investment goods: the Kaliningrad Region is building plants to produce electric cars and batteries to them and Karelia is constructing a shipyard to expand the output of river-sea vessels and motor boats ten times.

Power supply. The annual growth of investment in electricity, gas, steam and air conditioning supply over January–September 2022 equalled 1.7%, driven by the expansion of government funding of the industry. Specifically, the Tomsk Region is building a power unit with a fast-neutron reactor that will further on help address the problem of accumulation and use of nuclear power plant fuel waste. The Krasnodar Territory is constructing a thermal power station that will have the first Russian-made high-power production gas turbine.

RETAIL. Over the first nine months of 2022, investment in retail edged down by 0.9% YoY. According to the survey of businesses, investment activity in the industry was hindered by a reduction in retailers' profitability due to a considerable rise in prices for goods and logistics costs over the previous months. Nevertheless, during 2022, the industry was implementing a number of large-scale projects, including the construction of warehouses for Russian marketplaces in the Ryazan and Tula Regions and the Stavropol Territory.

CONSTRUCTION. Over January–September 2022, the annual growth of investment in construction reached 22.7%. Investment activity was most significant in road and individual housing construction. As people's demand for housing remained, being supported by the subsidised mortgage lending programmes, and the investment attractiveness of residential real estate was high, especially in Central Russia, the South, and the North-West, this shored up investment in the construction of apartment buildings. Some developers diversified their fixed capital investment. This autumn, a developer in Arkhangelsk commissioned a plant to manufacture construction materials, which will enable it to create its own industrial facility and manufacture sufficient quantities of materials for new projects. A large developer in the Krasnodar territory plans investment in an agroindustrial complex to be commissioned at the premises of a tea growing farm. As a result, this will help develop infrastructure for rural tourism, while the upgrade of the production facilities will make it possible to expand the output of finished goods three times.

AGRICULTURE. Over January–September 2022, investment in agriculture declined by 8.2% YoY, which was largely associated with a reduction in prices for agricultural products (due to a contraction of exports coupled with a record-high harvest). Thus, as reported by an agricultural enterprise in the Republic of Mari El, grain prices dropped to the level of inputs in the current conditions, which limits its investment opportunities.

Government support measures considerably boosted investment in the industry. In particular, one of the largest manufacturers of meat products continued the construction of a meat processing cluster in the priority social and economic development area in the Tula Region, the residents of which are granted investment subsidies. Furthermore, a number of companies continue the implementation of earlier initiated long-term projects. Specifically, the Kursk Region is building a meat processing complex within the full cycle 'from field to market'. When it starts to operate at its full capacity, it will ensure the output of 500,000 tons of pork (carcass weight) by 2028, which will increase the size of the domestic market by over 10%.

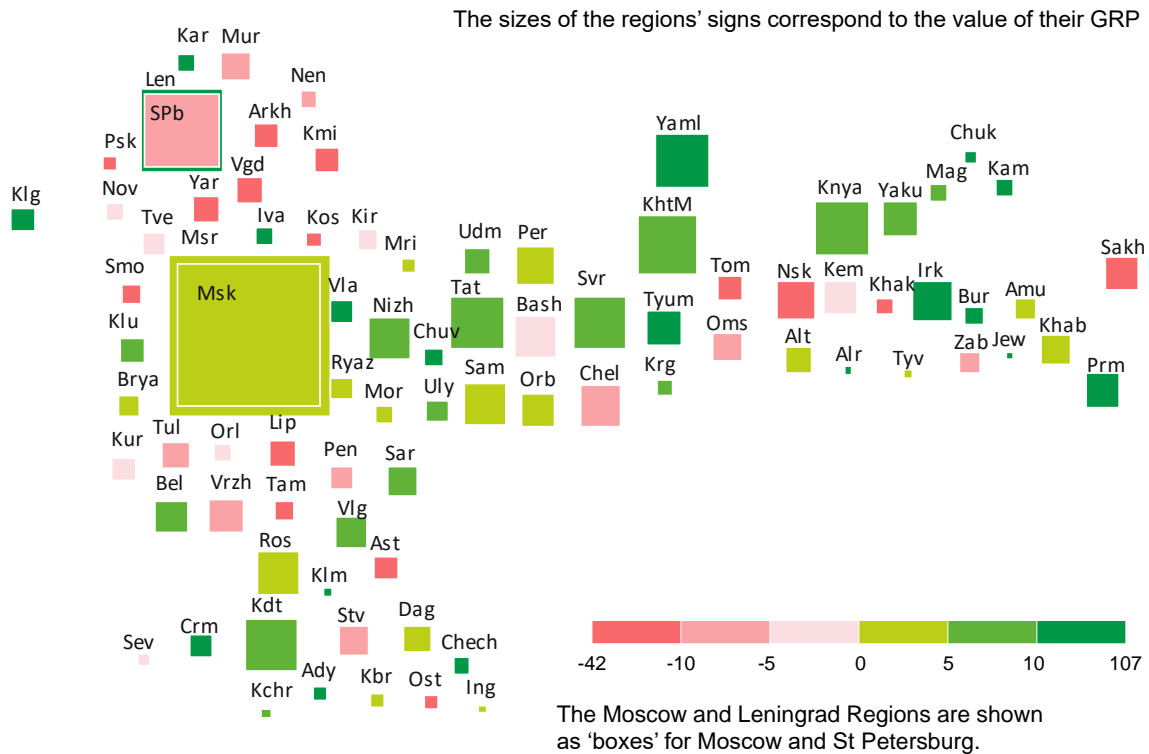
LOGISTICS. In January–September 2022, investment in transportation and storage were up by 11.1% YoY. Amid the redirection of cargo traffic from the Western to the Southern and Eastern destinations, an important factor was investment in the development of seaport and rail infrastructure. In particular, the second stage of the modernisation of Eastern railway infrastructure provides for an increase in its throughput capacity by a fourth to 180 million tons by 2024. Moreover, the time for container transportation by rail from the Far East to the Western border of Russia is expected to decrease from 13–20 to 7 days. Besides, a large corporate initiated a project to construct a private railway track from a coal deposit in the Republic of Sakha (Yakutia) to the seaport in the Khabarovsk Territory. This project is needed because the railway capacity is insufficient, which hinders the expansion of output despite demand from Asian countries. Furthermore, in 2022, enterprises continued to implement projects for the development of terminals in the Black Sea and Caspian basins. However, the sanctions on exports and shipping forced companies to suspend the construction of terminal complexes in two Sea of Azov ports. The development of transport infrastructure in the tourist area of the South will be driven by the planned implementation of a large

project to construct the Dzhubga–Sochi highway bypassing localities and reducing the average driving time several-fold.

Central Russia continued to implement a number of large projects, including the Metro’s Big Circle Line in Moscow, the railway infrastructure of the Central Transport Hub in the Moscow Region, and the M-12 highway. The latter is built within the construction of the international Europe–Western China transport corridor project and runs across regions of Central Russia, the Volga Region, and the Urals. When its construction is completed in 2024, the time needed to get from Moscow to Kazan will decrease two times.

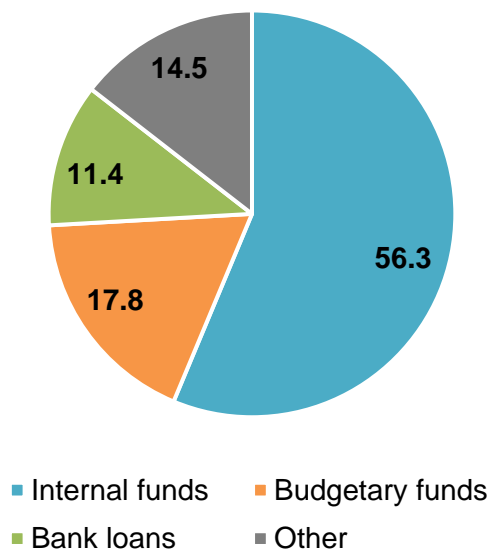
As of the end of the first nine months of the year, fixed capital investment rose by 5.9% in annualised terms. Mining and quarrying, transportation and storage projects, and manufacturing accounted for the largest amounts of investment among all industries. According to the recent survey, a third of companies reported an increase in their capital expenditures this year and 26% of businesses plan to raise them in 2023. The main factors constraining investment activity in January–September were economic uncertainty and trade restrictions. The main drivers of investment in 2022 and 2023 are the need to change business relations and technological processes and the implementation of the import substitution strategy.

Chart 1. Fixed capital investment across Russian regions in January–September 2022, % YoY



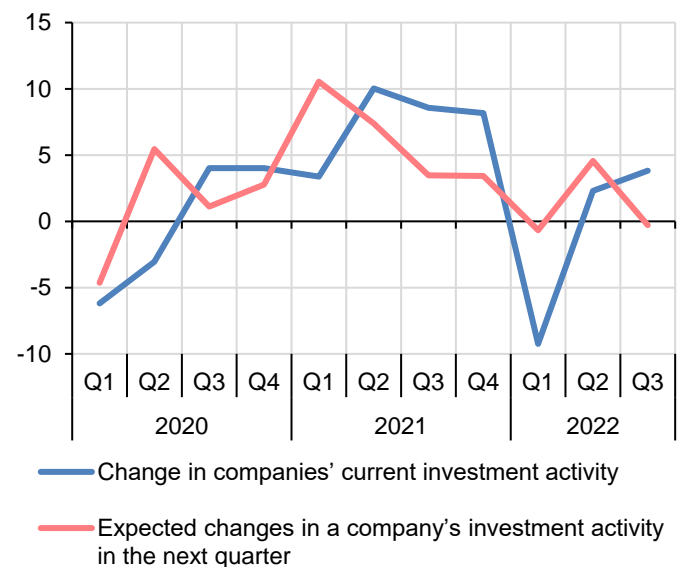
Sources: Rosstat, Bank of Russia calculations.

Chart 2. Sources of fixed capital investment in Russia in January–September 2022, %



Source: Rosstat.

Chart 3. Results of surveys among companies participating in the Bank of Russia's monitoring regarding investment activity (above zero – growth, below zero – decline), pp⁷



Source: Bank of Russia.

⁷ The results are based on the values of the balance of responses that are calculated as the difference between the percentages of the 'up' type responses (increased, improved, etc.) and the 'down' type responses (declined, worsened, etc.) relative to the total of the exact percentages of the responses ('up', 'down', 'unchanged').

BOX 2.

REGIONAL BUDGETS: 2022 RESULTS AND 2023 PLANS

As of the end of the first ten months of 2022, Russian regions' budget revenues surged,⁸ mostly driven by payments of corporate profit tax and personal income tax received predominantly in the first half of the year. The increase in revenues was coupled with the growth of export prices for non-food raw materials. Regional budgets' expenditures were higher than their revenues, mostly due to a rise in additional allocations for social support measures. As of the end of 2022, the fiscal stimulus⁹ is forecast to increase compared to 2021, and the balance to revenue ratios¹⁰ of consolidated budgets will worsen. In 2023, the deficit of the regional budgets will decrease, with both expenditures and revenues going down.

As estimated by the regional executive authorities, the constituent territories of the Russian Federation are expected to have a deficit of the consolidated budgets in 2022, namely of 1.7 trillion rubles, as compared to a surplus of 0.7 trillion rubles in 2021. This is predominantly due to higher expenditures for social support measures growing faster than revenues (revenues: +2.3% YoY vs expenditures: +16.5% YoY). The regions expecting a surplus of the budgets plan to use the surplus funds of 2022 for financing top-priority areas (mainly, social ones) and repaying outstanding debts. According to the regional executive authorities, they apply a conservative approach to planning their budget expenditures for 2023 (3.1% lower than in 2022) due to high uncertainty and the fiscal consolidation process amid a reduction in non-targeted transfers. The authorities will continue to provide financial support in order to achieve national development goals. In the conditions of the external economic restrictions and disruptions in production and logistics chains in a number of industries, budget revenues are expected to contract by 0.5% in 2022. As estimated, the overall deficit will reach 1.4 trillion rubles. In 2023, the deficit will be financed from such sources as infrastructure budget loans, bank loans, and securities. Thus, the recovery of activity in financial markets enabled the Russian Ministry of Finance to resume bond offerings by the end of this year and to make a plan for regions' borrowings in the stock market in 2023.

REVENUES

In 2022, the overall amount of the approved revenues of the consolidated budgets of the Russian constituent territories is 2.3% higher than last year.

As of 1 November 2022:

- Revenues totalled 88.5% of the target approved for the year, with receipts growing by 15.4% in annualised terms.
- The constituents' own revenues totalled 90.5% of the targets, with the receipts increasing by 16.2%. The changes were predominantly associated with a high tax base formed over 2021, as well as an increase in oil and gas revenues owing to a rise in the value of oil and gas exports this year.

⁸ Hereinafter, the situation at the level of regions is analysed using data from the regional executive authorities.

⁹ A negative change in the autonomous balance (tax and non-tax revenues net of expenditures). A deficit expansion corresponds to a fiscal stimulus increase, while its contraction – to a decrease.

¹⁰ Calculated as the ratio of a region's budget balance to its own revenues.

- Corporate profit tax payments totalled 96% of the target, with the receipts growing by 12.3% YoY. The largest contributor was an increase in profit earned by enterprises in Siberia, the Volga Region, and the North-West (driven by a rise in gas, oil and coal prices and the development of natural resources), as well as by companies in the South (owing to expanded output in the agroindustrial complex). However, some constituent territories in the Urals and Central Russia, where the largest taxpayers are enterprises working in ferrous metallurgy and related mining, reported a decrease in profit. Amid the restrictions on exports coupled with high supply, producers were forced to sell their products with a considerable discount. As estimated by the executive authorities, further profit tax payments might be limited. In particular, a number of regions noted high uncertainty associated with the cancellation of the institute of consolidated groups of taxpayers in early 2023 and the planned changes in the proportions of the distribution of tax payments from companies—former members among regions.
- Personal income tax payments totalled 83.1% of the target, with the receipts rising by 15.2% in annualised terms, driven by an increase in taxes accrued on investors' dividends received for 2021 and still double-digit growth of nominal wages amid a stable situation in the labour market. However, a number of regions recorded a decline in personal income tax payments. Thus, in the Amur Region, the reduction was associated with an increase in the migration loss of population due to rescheduling of the construction of a regional gas chemical complex, the planned decrease in operations at a local gas processing plant, and the completion of the first stage of the reconstruction of the Eastern railway infrastructure of the Baikal-Amur Mainline.
- Total income tax payments exceeded the target by 1.2%, with the receipts growing by 20.6% YoY owing to a considerable expansion of government support to SMEs, a higher general price level, and an increase in the number of taxpayers. Until the end of 2022 and throughout 2023, the figure of this budget item relative to the target will still be affected by rescheduled tax payments (including social contribution deferrals in 2022 Q2–Q3) and decreased tax rates introduced at the regional level.
- Non-repayable transfers increased by 12.7% as compared to 2021. The highest growth rate was recorded in the Urals, including in the Khanty-Mansi and Yamalo-Nenets Autonomous Area (three and two times, respectively, vs 2021), which was driven by an increase in the inter-budget transfers associated with joint funding of various programmes within an agreement between the government authorities of these Areas and the Tyumen Region. Southern regions recorded a significant rise in non-repayable transfers (the Republic of Crimea – by 42.7% YoY, and the Karachay-Cherkess Republic – by 13.7% YoY) for funding the modernisation of transport, engineering, utility and social infrastructure. However, due to the escalation of geopolitical tensions, non-repayable transfers from non-residents in the Pskov Region was close to zero, which was the reason for the suspension of cross-border cooperation programmes comprising road renovation and the construction of a water intake facility in the region and of berths and treatment facilities in the water area of Lake Peipus.

The Far East where the share of non-repayable transfers is usually higher than the Russian average (about 30% vs 20%) reported their decline (by 13.8% YoY), predominantly due to the adjustment of the current projects in the Amur Region.

EXPENSES

In 2022, the overall amount of the approved expenditures of the consolidated budgets of the Russian constituent territories is 16.5% higher than in 2021. Over the first ten months of 2022, expenditures reached 73.4% of the annual target. Over January–October, expenditures were up by 16.7% in annualised terms. The highest growth rate (1.5 times vs 2021) was recorded in the Tyumen Region that, implementing the regional programme for social support to people moving from other constituent territories, significantly increased its expenditures for the construction and renovation of social buildings and transport infrastructure (including the construction of a railway station in the region). The increase across Russia in general was mainly associated with higher prices for goods and services, as well as additional allocations for social support measures, the implementation of which influenced the dynamics in the border areas of some regions in the South and Central Russia. Thus, the Krasnodar Territory reduced the allocations for the development of the industrial sector, culture, and the housing and utility sector in favour of social areas. Besides, expenditures for the ‘national economy’ were up (by 27.1% YoY). Thus, in the Volgograd Region, this rise was driven by higher allocations from the road fund: supported by the federal budget, the Region continued the construction and renovation of the launching system of the bridgework across the Volga River, the third longitudinal highway, and flying junctions. Another contributor to a faster growth of expenditures in Russia was allocations within the works for the partial mobilisation. The Kaliningrad Region is the only constituent territory where expenditures declined as compared to the previous year (-6.6% YoY), which was associated with a decrease in the amount of targeted transfers from the federal budget.

BALANCE AND BUDGET DEFICIT FINANCING SOURCES

As of the end of the first ten months of 2022, the consolidated budgets of almost all Russian macro-regions had a surplus as a result of an active rise in revenues. Over January–October, 18 constituent territories had a budget deficit. The largest deficit was recorded in the Belgorod Region, whereas Moscow and Saint Petersburg had the largest surpluses.

As of the end of 2022, most regions are expected to have a negative balance of their consolidated budgets.

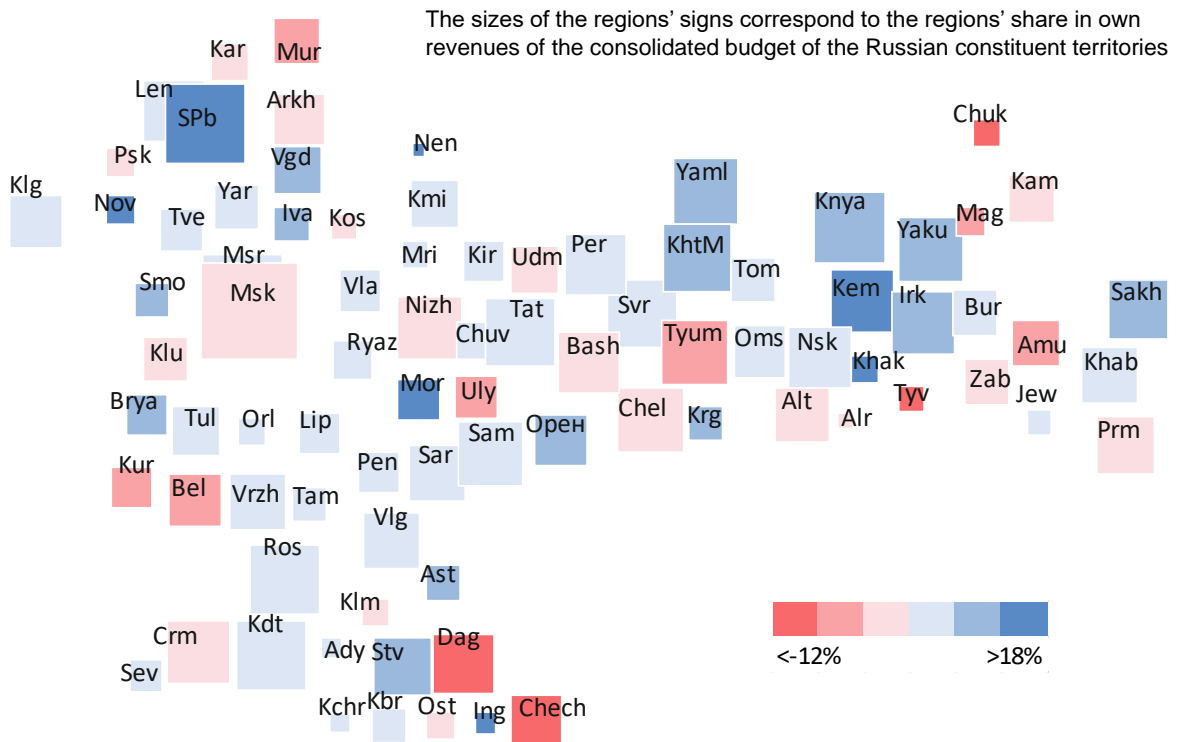
The main source of budget deficit financing is budget loans (71.4% in the structure of the constituent territories’ public debt vs 52.7% at the beginning of the year). This is associated with the restructuring of commercial loans and their replacement for budget loans (the share decreased from 16.7% to 4%) in the Far East, including the Republic of Buryatia, the Khabarovsk and Trans-Baikal Territories, and the Sakhalin Region, as well as in a number of regions in Siberia, Central Russia, the Volga Region, and the North-West, namely the Kemerovo, Omsk, Ryazan, Saratov, and Arkhangelsk Regions. Besides, regions extensively use infrastructure budget loans (at 3% per annum). In 2022, 76 constituent territories of the Russian Federation received approximately 167 billion rubles for the implementation of over 200 transport and social infrastructure projects. Owing to a larger share of budget loans, the risks of an increase in the burden on the regional budgets from market-based loans lowered. Furthermore, in 2023, Moscow plans borrowings through regional bond offerings in the amount of about 150 billion rubles. A number of regions, including the Belgorod, Yaroslavl, Orenburg, Sverdlovsk, Ulyanovsk and Kemerovo Regions, the Republic of Sakha (Yakutia), and the Perm and Krasnodar Territories, are also planning borrowings in the stock market.

FISCAL IMPULSE

According to the regional executive authorities' data, the balance to revenue ratios of the Russian regions' consolidated budgets generally worsened as of the end of 2022, as compared to the previous year, especially in some border regions in Central Russia and the South.

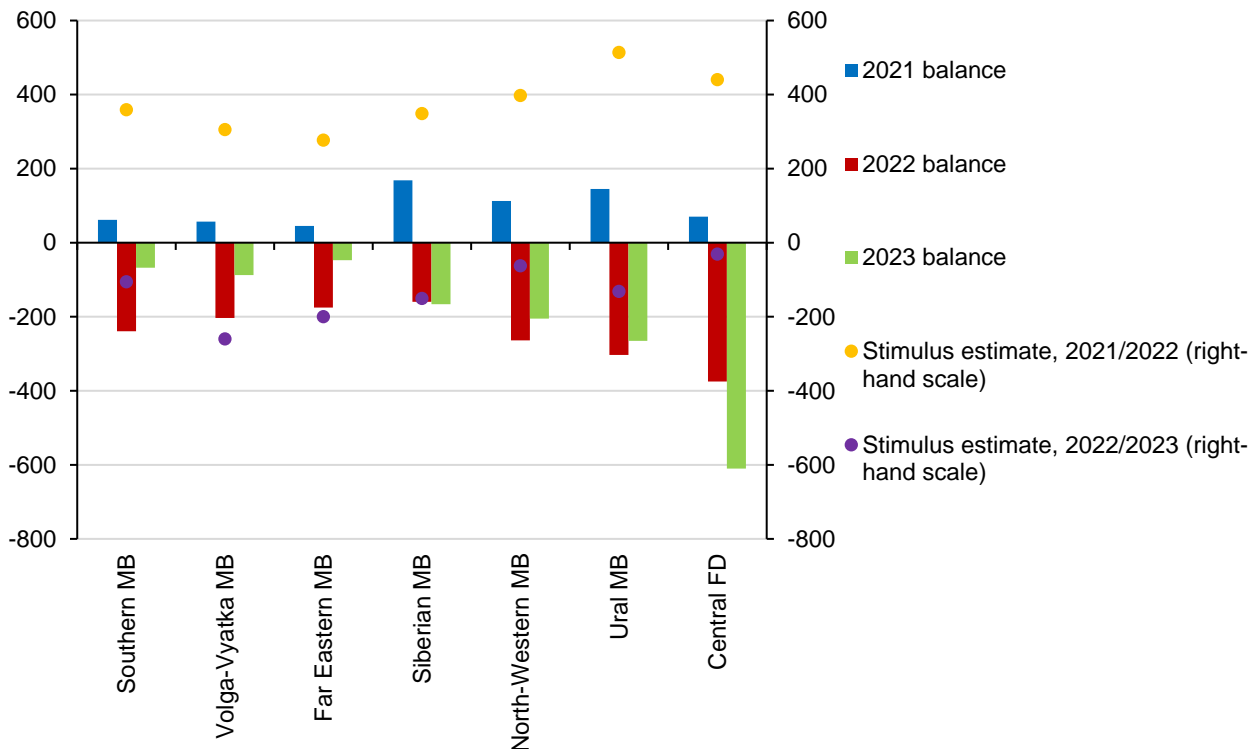
The fiscal stimulus is assessed as positive in all macro-regions in 2022. The largest fiscal stimulus is in the consolidated budgets of the Urals and Central Russia. Overall, as of the end of 2022, the fiscal stimulus in Russia is expected to reach 2.6 trillion rubles and (-0.9) trillion rubles in 2023.

Chart 1. Balance to revenue ratios of the Russian macro-regions' budgets (the ratio of the 12-month budget balance to 12-month own revenues, % as of 1 November 2022)



Sources: Russia's Ministry of Finance, Bank of Russia calculations.

Chart 2. Budget balance and fiscal stimulus estimate at regions' level, billions of rubles



Note. The stimulus is a negative change in the autonomous balance of the budget. A deficit expansion corresponds to a fiscal stimulus increase, while its contraction – to a decrease.

Sources: data from the Bank of Russia Main Branches, Bank of Russia calculations.

ANNEX.

CORE ECONOMIC INDICATORS

Core indicators. Russia

Table 1

		2020	2021	2021	2021	2022	2022	2022	Sep	Oct	Nov
				Q3	Q4	Q1	Q2	Q3			
Inflation	% YoY	4.9	8.4	7.4	8.4	16.7	15.9	13.7	13.7	12.6	
Core inflation	% YoY	4.2	8.9	7.6	8.9	18.7	19.2	17.1	17.1	16.2	
Industrial production	3MMA, % YoY	-2.1	6.4	7.1	7.9	5.1	-2.5	-1.3	-1.3	-2.0	
Fixed capital investment	Cumulative, % YoY	-0.5	7.7	7.8	7.7	12.8	7.8	5.9			
Construction	3MMA, % YoY	0.7	6.0	3.7	6.4	4.4	3.5	6.6	6.6	7.6	
Housing commissioning	3MMA, % YoY	0.2	12.7	28.6	-11.2	64.6	24.6	1.5	1.5	-4.2	
Retail	3MMA, % YoY	-3.2	7.8	5.9	4.7	3.5	-9.8	-9.1	-9.1	-9.4	
Commercial services	3MMA, % YoY	-14.6	16.7	16.4	12.6	7.8	1.2	2.1	2.1	1.8	
Real wages	3MMA, % YoY	3.8	4.5	1.9	2.7	2.9	-5.5	-2.0	-2.0		
Real disposable income	% YoY	-1.4	3.1	8.2	0.0	-1.0	-1.9	-2.4			
Unemployment	SA, %	5.8	4.8	4.5	4.3	4.2	3.9	3.9	3.9	3.9	
Outstanding consumer loans	% YoY	7.0	19.5	18.1	19.5	15.6	7.1	4.3	4.3	3.4	
Outstanding mortgage loans	% YoY	21.6	26.7	26.7	26.7	27.2	18.3	16.8	16.8	16.5	
Funds in escrow accounts	% YoY	-	158	288	158	130	76	54	54	48	
Non-financial organisations' outstanding bank loans	% YoY	9.4	14.6	11.8	14.6	17.6	15.6	16.7	16.7		
• Large borrowers	% YoY	7.4	12.3	9.9	12.3	15.1	13.3	13.8	13.8		
• SMEs	% YoY	21.9	27.5	22.7	27.5	30.4	26.5	31.8	31.8		
Companies' price expectations	Balance of responses, SA	13.3	20.1	21.1	21.7	29.1	24.3	15.4	15.3	16.5	18.4
Business Climate Index	pp YoY	-8.3	9.6	4.1	6.6	-2.3	-11.2	-2.3	-1.3	-6.5	-2.4
• Current estimates	pp YoY	-9.2	11.1	6.8	6.2	1.0	-11.6	-3.0	-1.0	-6.8	-3.1
• Expectations	pp YoY	-7.2	7.8	1.2	6.9	-5.8	-10.8	-1.6	-1.7	-6.2	-1.6

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

Core indicators. Main Branch for the Central Federal District

Table 2

		2020	2021	2021	2021	2022	2022	2022	Sep	Oct	Nov
				Q3	Q4	Q1	Q2	Q3			
Inflation	% YoY	4.7%	8.3	7.4	8.3	16.6	16.3	14.2	14.2	13.2	
Core inflation	% YoY	4.2	9.0	7.9	9.0	18.9	19.9	17.7	17.7	16.7	
Industrial production	3MMA, % YoY	10.2	23.6	23.4	24.7	7.5	-0.7	3.4	3.4	6.9	
Fixed capital investment	Cumulative, % YoY	1.2	13.4	17.5	13.4	8.2	3.8	1.2			
Construction	3MMA, % YoY	6.7	4.4	-3.3	-0.7	3.1	10.5	11.1	11.1	11.8	
Housing commissioning	3MMA, % YoY	-0.8	14.3	51.7	-18.3	82.6	24.2	-2.3	-2.3	-11.9	
Retail	3MMA, % YoY	-2.1	8.5	6.0	4.8	2.9	-12.9	-12.4	-12.4	-12.6	
Commercial services	3MMA, % YoY	-17.7	22.5	27.9	20.4	16.8	-1.5	0.8	0.8	0.8	
Real wages	3MMA, % YoY	4.2	5.6	3.2	3.1	5.3	-7.2	-4.8	-4.8		
Real disposable income	% YoY	-1.3	4.7	10.7	1.4	3.4	-3.9	-4.1			
Unemployment	SA, %	3.9	3.5	3.3	3.1	3.0	3.0	3.0	3.0	3.0	
Outstanding consumer loans	% YoY	5.2	19.9	18.0	19.9	16.7	8.6	4.8	4.8	4.2	
Outstanding mortgage loans	% YoY	24.4	29.2	29.7	29.2	28.5	19.9	18.3	18.3	17.2	
Funds in escrow accounts	% YoY	-	171	306	171	137	84	59	59	51	
Non-financial organisations' outstanding bank loans	% YoY	11.1	13.1	10.5	13.1	14.8	12.5	13.3	13.3		
• Large borrowers	% YoY	10.6	10.0	8.1	10.0	11.3	9.7	10.0	10.0		
• SMEs	% YoY	15.2	36.6	29.9	36.6	39.4	29.4	35.6	35.6		
Companies' price expectations	Balance of responses, SA	18.8	29.6	31.3	29.5	37.0	35.1	19.7	20.3	20.7	22.6
Business Climate Index	pp YoY	-6.9	8.9	2.7	5.4	-2.0	-14.2	-4.2	-1.4	-9.2	-3.8
• Current estimates	pp YoY	-6.7	9.4	3.6	4.9	2.8	-14.3	-3.9	0.5	-11.1	-3.2
• Expectations	pp YoY	-6.9	8.1	1.7	5.9	-7.1	-14.1	-4.5	-3.3	-7.2	-4.4

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

Core indicators. North-Western Main Branch

Table 3

		2020	2021	2021	2021	2022	2022	2022	Sep	Oct	Nov
				Q3	Q4	Q1	Q2	Q3			
Inflation	% YoY	4.8	8.5	7.3	8.5	17.1	15.5	13.7	13.7	12.6	
Core inflation	% YoY	4.0	8.9	7.3	8.9	19.3	19.0	17.5	17.5	16.6	
Industrial production	3MMA, % YoY	-2.6	5.2	5.4	7.1	5.2	-1.6	-5.8	-5.8	-5.9	
Fixed capital investment	Cumulative, % YoY	-2.5	0.9	3.2	0.9	3.4	0.1	-3.6			
Construction	3MMA, % YoY	-7.3	0.3	3.1	11.8	-4.6	-6.4	-7.4	-7.4	-11.0	
Housing commissioning	3MMA, % YoY	-2.9	13.3	53.1	-35.8	43.3	33.6	-19.6	-19.6	-9.0	
Retail	3MMA, % YoY	0.2	11.7	10.8	9.2	5.0	-10.6	-11.9	-11.9	-12.5	
Commercial services	3MMA, % YoY	-15.4	18.0	16.8	14.2	4.2	1.3	2.3	2.3	1.6	
Real wages	3MMA, % YoY	2.1	4.3	1.8	2.3	1.6	-5.1	-2.6	-2.6		
Real disposable income	% YoY	0.2	4.5	10.4	3.0	0.4	-2.3	-3.8			
Unemployment rate	SA, %	5.0	3.9	3.5	3.3	3.1	3.1	3.5	3.5	3.6	
Outstanding consumer loans	% YoY	6.9	18.7	17.2	18.7	14.8	6.4	3.9	3.9	2.6	
Outstanding mortgage loans	% YoY	22.0	26.5	26.1	26.5	26.9	18.1	16.2	16.2	15.5	
Funds in escrow accounts	% YoY	-	255	438	255	202	111	78	78	73	
Non-financial organisations' outstanding bank loans	% YoY	9.2	28.3	21.5	28.3	39.2	42.6	29.5	29.5		
• Large borrowers	% YoY	1.9	32.5	24.1	32.5	46.6	54.2	28.9	28.9		
• SMEs	% YoY	52.1	11.0	9.9	11.0	13.2	7.0	32.4	32.4		
Companies' price expectations	Balance of responses, SA	17.1	23.6	25.5	23.9	30.0	27.7	16.9	16.6	17.7	21.1
Business Climate Index	pp YoY	-7.2	9.4	4.5	8.3	-2.0	-14.9	-9.1	-9.8	-12.1	-8.5
• Current estimates	pp YoY	-7.6	11.1	6.4	8.7	1.1	-15.5	-9.4	-10.6	-11.7	-9.2
• Expectations	pp YoY	-6.6	7.5	2.6	7.9	-5.2	-14.2	-8.8	-8.9	-12.6	-7.7

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

Core indicators. Volga-Vyatka Main Branch

Table 4

		2020	2021	2021	2021	2022	2022	2022	Sep	Oct	Nov
				Q3	Q4	Q1	Q2	Q3			
Inflation	% YoY	5.5	8.6	7.6	8.6	17.1	16.7	14.2	14.2	13.1	
Core inflation	% YoY	4.7%	9.4	8.1	9.4	19.7	20.1	17.8	17.8	16.7	
Industrial production	3MMA, % YoY	-2.0	9.4	7.3	10.7	6.9	-3.5	1.0	1.0	0.0	
Fixed capital investment	Cumulative, % YoY	-3.0	5.3	8.8	5.3	12.8	6.5	6.0			
Construction	3MMA, % YoY	-2.0	14.1	16.9	15.9	19.3	2.5	12.4	12.4	13.1	
Housing commissioning	3MMA, % YoY	-4.5	8.5	4.0	1.1	18.2	26.4	14.4	14.4	0.8	
Retail	3MMA, % YoY	-4.4	6.0	5.8	5.1	4.3	-8.6	-5.4	-5.4	-4.7	
Commercial services	3MMA, % YoY	-10.6	10.9	8.1	6.6	5.4	3.9	2.4	2.4	1.1	
Real wages	3MMA, % YoY	3.4	4.3	1.8	3.7	1.1	-4.5	-1.3	-1.3		
Real disposable income	% YoY	-2.2	1.9	5.8	1.3	-0.3	-2.0	-3.3			
Unemployment rate	SA, %	4.9	4.0	3.7	3.5	3.4	3.3	3.2	3.2	3.2	
Outstanding consumer loans	% YoY	7.1	19.2	17.9	19.2	14.6	5.4	3.2	3.2	2.0	
Outstanding mortgage loans	% YoY	19.7	23.0	24.1	23.0	24.2	15.5	13.4	13.4	13.2	
Funds in escrow accounts	% YoY	-	105	182	105	99	54	35	35	31	
Non-financial organisations' outstanding bank loans	% YoY	3.5	11.8	13.4	11.8	12.0	9.2	10.0	10.0		
• Large borrowers	% YoY	-2.5	9.0	12.9	9.0	8.0	4.0	6.0	6.0		
• SMEs	% YoY	24.3	19.9	15.1	19.9	23.5	23.7	21.3	21.3		
Companies' price expectations	Balance of responses, SA	18.6	29.0	31.6	29.5	36.4	36.0	20.0	20.0	20.7	24.1
Business Climate Index	pp YoY	-9.7	9.5	4.1	6.9	-3.5	-13.2	-1.2	3.4	-6.6	-4.6
• Current estimates	pp YoY	-10.1	11.1	8.0	6.3	-2.1	-14.0	-3.3	3.8	-5.5	-6.2
• Expectations	pp YoY	-8.9	7.6	-0.3	7.6	-4.8	-12.2	1.2	3.0	-7.8	-2.9

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

Core indicators. Southern Main Branch

Table 5

		2020	2021	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	Sep	Oct	Nov
Inflation	% YoY	5.5	9.2	8.6	9.2	16.6	16.1	13.3	13.3	12.3	
Core inflation	% YoY	4.2	9.1	7.8	9.1	17.1	18.8	16.9	16.9	16.0	
Industrial production	3MMA, % YoY	-0.2	6.2	5.5	5.8	5.2	-1.2	0.3	0.3	1.8	
Fixed capital investment	Cumulative, % YoY	0.2	-0.5	2.4	-0.5	1.8	2.4	3.9			
Construction	3MMA, % YoY	-3.3	8.2	7.4	14.0	-16.2	11.0	11.7	11.7	12.3	
Housing commissioning	3MMA, % YoY	5.4	13.8	34.1	-8.4	94.2	37.7	3.1	3.1	-6.3	
Retail	3MMA, % YoY	-3.3	12.0	8.3	5.4	2.9	-6.1	-4.3	-4.3	-3.9	
Commercial services	3MMA, % YoY	-9.3	14.9	6.7	7.3	5.4	2.5	1.9	1.9	1.9	
Real wages	3MMA, % YoY	3.5	2.3	0.1	0.1	-1.5	-5.7	-2.2	-2.2		
Real disposable income	% YoY	-1.5	3.1	5.1	-0.3	-1.3	-2.2	-1.7			
Unemployment	SA, %	8.9	7.8	7.4	7.0	6.9	6.3	6.2	6.2	6.3	
Outstanding consumer loans	% YoY	7.5	21.1	18.6	21.1	17.4	8.6	5.7	5.7	4.5	
Outstanding mortgage loans	% YoY	23.7	30.7	31.0	30.7	31.5	22.4	21.1	21.1	21.3	
Funds in escrow accounts	% YoY	-	120	262	120	91	46	36	36	35	
Non-financial organisations' outstanding bank loans	% YoY	3.6	13.7	7.0	13.7	16.8	15.2	32.8	32.8		
• Large borrowers	% YoY	0.3	8.4	1.8	8.4	10.7	7.2	29.8	29.8		
• SMEs	% YoY	13.9	28.5	22.5	28.5	33.2	35.9	40.2	40.2		
Companies' price expectations	Balance of responses, SA	15.0	20.2	22.0	21.7	28.1	23.7	15.0	14.0	15.0	18.2
Business Climate Index	pp YoY	-6.6	7.9	2.9	2.4	-2.5	-10.0	-2.0	0.7	-1.1	-0.7
• Current estimates	pp YoY	-8.3	10.0	5.5	2.0	1.5	-9.2	-3.9	0.2	-1.1	-2.1
• Expectations	pp YoY	-4.4	5.3	0.0	2.9	-6.6	-10.9	0.0	1.2	-1.1	0.8

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

Core indicators. Ural Main Branch

Table 6

		2020	2021	2021	2021	2022	2022	2022	Sep	Oct	Nov
				Q3	Q4	Q1	Q2	Q3			
Inflation	% YoY	4.4	7.7	6.7	7.7	16.1	15.1	12.7	12.7	11.6	
Core inflation	% YoY	4.0	8.2	7.1	8.2	18.3	17.7	15.4	15.4	14.4	
Industrial production	3MMA, % YoY	-2.2	4.8	6.4	6.7	5.0	-2.9	-0.8	-0.8	-0.6	
Fixed capital investment	Cumulative, % YoY	0.1	-0.2	-4.9	-0.2	18.4	10.0	9.1			
Construction	3MMA, % YoY	7.5	5.0	-0.7	11.9	5.3	-10.9	-1.7	-1.7	-0.3	
Housing commissioning	3MMA, % YoY	2.9	12.1	15.4	-3.7	64.9	8.6	9.5	9.5	9.4	
Retail	3MMA, % YoY	-4.0	4.4	2.8	2.6	2.7	-9.2	-8.1	-8.1	-8.4	
Commercial services	3MMA, % YoY	-15.6	14.7	15.9	10.1	6.0	2.1	3.4	3.4	2.4	
Real wages	3MMA, % YoY	3.5	3.4	0.2	1.3	1.0	-4.7	2.4	2.4		
Real disposable income	% YoY	-2.9	0.7	4.8	1.2	0.0	-2.9	-1.6			
Unemployment	SA, %	5.7	4.4	3.9	3.8	3.7	3.4	3.2	3.2	3.2	
Outstanding consumer loans	% YoY	7.8	18.1	16.8	18.1	13.6	5.0	3.5	3.5	2.4	
Outstanding mortgage loans	% YoY	17.8	21.1	21.1	21.1	22.2	13.7	14.0	14.0	14.6	
Funds in escrow accounts	% YoY	-	109	228	109	107	54	35	35	30	
Non-financial organisations' outstanding bank loans	% YoY	3.9	16.6	12.6	16.6	22.3	17.8	19.0	19.0		
• Large borrowers	% YoY	1.1	15.0	11.1	15.0	21.1	15.9	17.6	17.6		
• SMEs	% YoY	26.0	27.6	23.0	27.6	30.2	29.6	26.9	26.9		
Companies' price expectations	Balance of responses, SA	14.7	22.8	28.0	22.6	29.7	29.4	17.7	18.4	16.7	17.4
Business Climate Index	pp YoY	-9.0	9.5	4.2	7.8	-1.3	-11.7	-2.6	0.5	-8.3	-4.0
• Current estimates	pp YoY	-7.9	10.2	5.5	5.2	1.3	-10.9	-2.7	2.3	-9.1	-4.7
• Expectations	pp YoY	-10.0	8.7	2.8	10.4	-4.4	-12.5	-2.6	-1.3	-7.5	-3.1

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

Core indicators. Siberian Main Branch

Table 7

		2020	2021	2021	2021	2022	2022	2022	Sep	Oct	Nov
				Q3	Q4	Q1	Q2	Q3			
Inflation	% YoY	4.9	9.3	7.8	9.3	18.4	17.2	14.6	14.6	13.6	
Core inflation	% YoY	4.4	9.5	7.9	9.5	20.7	19.9	17.5	17.5	16.5	
Industrial production	3MMA, % YoY	-3.7	3.2	5.5	6.5	4.8	1.3	-1.0	-1.0	-0.5	
Fixed capital investment	Cumulative, % YoY	0.9	9.6	8.9	9.6	8.9	9.9	6.1			
Construction	3MMA, % YoY	-0.5	13.9	8.1	16.0	26.9	8.5	8.7	8.7	9.2	
Housing commissioning	3MMA, % YoY	0.3	7.7	16.0	-11.0	87.5	10.5	6.2	6.2	-2.8	
Retail	3MMA, % YoY	-3.3	7.1	7.3	7.8	7.4	-5.7	-5.7	-5.7	-6.5	
Commercial services	3MMA, % YoY	-10.5	11.7	9.2	7.5	6.8	5.0	6.4	6.4	5.7	
Real wages	3MMA, % YoY	3.4	3.3	1.0	2.9	2.2	-4.6	0.8	0.8		
Real disposable income	% YoY	-1.0	1.5	4.6	2.6	-0.1	-2.3	-2.3			
Unemployment	SA, %	7.6	6.1	5.8	5.3	5.1	5.0	4.6	4.6	4.5	
Outstanding consumer loans	% YoY	9.1	20.5	19.9	20.5	16.1	7.2	4.9	4.9	4.1	
Outstanding mortgage loans	% YoY	18.9	25.8	25.1	25.8	26.9	17.1	15.0	15.0	15.3	
Funds in escrow accounts	% YoY	-	149	322	149	108	60	38	38	32	
Non-financial organisations' outstanding bank loans	% YoY	5.2	5.0	-2.2	5.0	14.6	10.7	16.7	16.7		
• Large borrowers	% YoY	1.8	1.4	-6.3	1.4	12.5	5.1	12.4	12.4		
• SMEs	% YoY	19.5	18.8	15.7	18.8	21.6	29.6	31.7	31.7		
Companies' price expectations	Balance of responses, SA	15.7	24.5	27.0	26.3	33.4	28.5	18.7	17.9	17.0	17.3
Business Climate Index	pp YoY	-7.0	8.8	3.9	6.5	-2.7	-9.3	0.2	-2.1	-8.9	-0.7
• Current estimates	pp YoY	-8.1	10.2	5.9	6.0	-1.2	-10.5	-0.6	-3.6	-11.9	-4.2
• Expectations	pp YoY	-5.6	7.3	1.6	7.1	-4.3	-8.0	1.0	-0.5	-5.9	3.0

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

Core indicators. Far Eastern Main Branch

Table 8

		2020	2021	2021	2021	2022	2022	2022	Sep	Oct	Nov
				Q3	Q4	Q1	Q2	Q3			
Inflation	% YoY	5.0	6.7	6.1	6.7	13.4	14.1	12.5	12.5	12.2	
Core inflation	% YoY	3.9	6.7	5.7	6.7	15.1	16.5	15.3	15.3	14.8	
Industrial production	3MMA, % YoY	-4.5	3.5	7.0	-0.4	4.2	-7.5	-12.5	-12.5	-10.7	
Fixed capital investment	Cumulative, % YoY	-8.6	9.9	12.2	9.9	19.9	11.1	9.7			
Construction	3MMA, % YoY	-9.4	-4.5	8.6	-26.3	0.8	3.9	0.4	0.4	8.6	
Housing commissioning	3MMA, % YoY	3.4	25.4	20.1	23.6	23.9	34.0	31.8	31.8	40.6	
Retail	3MMA, % YoY	-2.6	5.6	3.3	-1.2	1.2	-1.6	0.3	0.3	-0.6	
Commercial services	3MMA, % YoY	-18.2	13.3	11.2	7.1	-0.7	-3.0	-2.6	-2.6	-1.3	
Real wages	3MMA, % YoY	2.9	4.2	1.4	4.3	0.1	-3.9	-3.6	-3.6		
Real disposable income	% YoY	-1.5	1.9	5.4	2.0	-0.4	-2.3	-3.1			
Unemployment	SA, %	5.4	4.6	4.5	4.3	4.3	4.0	3.9	3.9	3.8	
Outstanding consumer loans	% YoY	9.2	17.7	18.8	17.7	13.1	5.8	3.5	3.5	3.1	
Outstanding mortgage loans	% YoY	23.8	32.5	30.9	32.5	34.4	25.5	22.4	22.4	22.2	
Funds in escrow accounts	% YoY	-	162	303	162	133	95	68	68	66	
Non-financial organisations' outstanding bank loans	% YoY	32.2	18.0	33.4	18.0	8.5	10.7	13.2	13.2		
• Large borrowers	% YoY	32.7	17.0	36.3	17.0	4.4	6.2	12.8	12.8		
• SMEs	% YoY	30.4	21.8	22.7	21.8	24.8	28.2	14.7	14.7		
Companies' price expectations	Balance of responses, SA	14.4	19.1	20.1	21.4	25.9	25.7	15.5	14.8	16.2	17.6
Business Climate Index	pp YoY	-7.3	7.3	4.0	8.5	-0.7	-7.3	0.1	-0.8	-8.2	-4.1
• Current estimates	pp YoY	-8.6	8.4	6.8	8.1	4.1	-6.6	-0.9	0.5	-8.1	-4.0
• Expectations	pp YoY	-5.9	6.1	0.8	8.8	-5.7	-7.9	1.2	-2.2	-8.3	-4.2

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