



Bank of Russia



January 2023

MONETARY CONDITIONS AND MONETARY POLICY TRANSMISSION MECHANISM

Information and analytical commentary

Moscow
2023

MONETARY CONDITIONS AND MONETARY POLICY TRANSMISSION MECHANISM (JANUARY 2023)

- According to the Bank of Russia, monetary conditions remained overall neutral in January.
- Liquidity inflow at the end of 2022 and its uneven distribution across the banking sector significantly lowered money market rates. The average RUONIA spread over the January was -50 bp (in December: -18 bp).
- In January, the short sections of money and debt market curves changed only slightly. Long-term OFZ yields (from 5Y) grew by 10–50 bp, reflecting consistently high term premium and active borrowings by the Russian Ministry of Finance.
- Demand for corporate loans edged up in December. Retail lending was up due to a record high demand for mortgage loans before the increase in interest rates under subsidised mortgage loan programme.
- The growth of money supply in the national definition accelerated in December compared to the previous month. The main drivers of acceleration are fiscal operations and growing claims on businesses. Annualised M2 was up by 24.4% (based on preliminary data, it was up by 26.0% in January). This high growth rate of M2 reflects the impact of the accelerated dedollarisation in 2022. M2X grew at a more moderate pace, but faster than in previous years (14.0% in December and 14.5% in January).

MONETARY POLICY TRANSMISSION

The monetary policy transmission mechanism (or monetary policy transmission) is a sequence of links in the economy through which monetary policy influences demand and, accordingly, inflation. This mechanism is based on rates and yields in the key market segments, influencing each other (the key rate directly influences short-term money market rates; short-term rates influence long-term rates and OFZ yields; OFZ yields influence corporate bond yields; bond yields and long-term money market rates influence credit and deposit rates). Rates, in turn, influence the attractiveness of savings, consumption, and investment (*interest rate channel of the transmission mechanism*), the ability of borrowers to provide high quality collateral, and of banks – to expand lending (*credit and balance-sheet channels*), as well as the wealth

of investors (*welfare channel*), and the ruble exchange rate (*foreign exchange channel*).¹

Acting through any of these channels, higher market rates constrain demand and inflation, while lower ones stimulate them. In addition to monetary policy and demand, inflation and financial market conditions are influenced by many other factors taken into account by the Bank of Russia when deciding on the key rate.

This material briefly describes the monetary policy transmission and the conditions of its functioning.

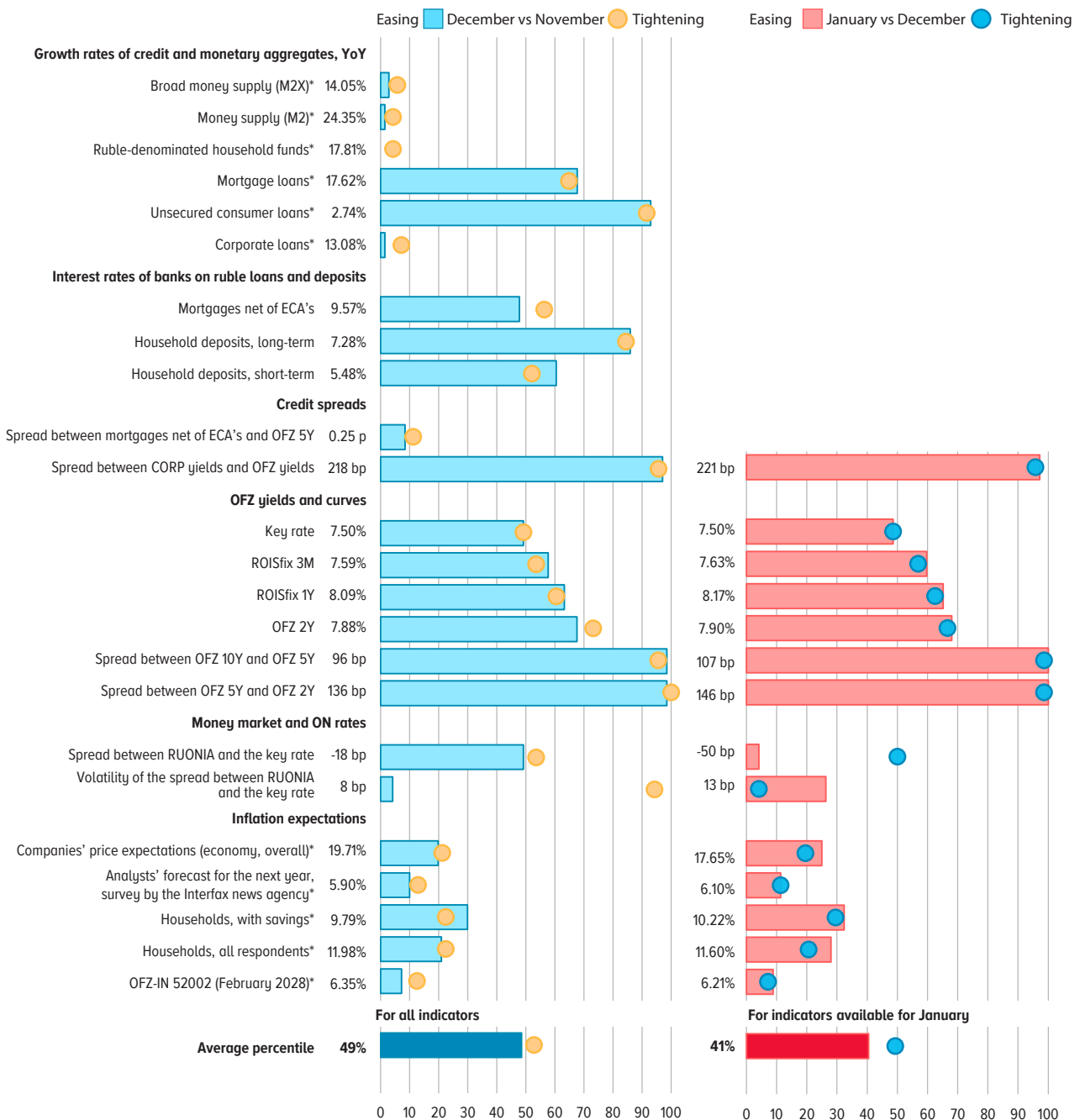
¹ For details refer to [Appendix 1 to the Monetary Policy Guidelines for 2023–2025](#).

MONETARY CONDITIONS

In December, monetary conditions in the Russian economy did not change much, whereas in January the trends of financial market and real-time monetary indicators were diverse. Higher OFZ yields had a tightening impact on monetary conditions amid a slight decline in inflation expectations, while expansion of the negative spread between RUONIA and the key rate and accelerated growth of money supply, backed by fiscal expenditure, contributed to the easing of monetary conditions. Overall, monetary conditions remain neutral.

MONETARY CONDITIONS REMAIN BROADLY NEUTRAL

Chart 1



Note. The chart shows the level of the indicator (in percentiles) relative to the distribution of values from January 2017 to December 2022 (left-hand chart) and to January 2023 (right-hand chart). The round marker shows the indicator's level (in percentiles) as of the previous date. A shift of the indicator to the left relative to the previous date indicates the easing of monetary conditions, a shift to the right – their tightening. Percentiles for high-frequency indicators (OFZ yields, money market rates, exchange rate, spread between corporate bond yields and OFZ yields, etc.) were calculated based on average values for relevant month.

* The indicators were used to calculate the inverse percentile (higher values are shown on the left).

Source: Bank of Russia calculations.

INTEREST RATE CHANNEL OF MONETARY POLICY TRANSMISSION MECHANISM (MPTM)

1. Key rate

In January, the Bank of Russia Board of Directors did not hold a key rate review meeting. At its meeting on 10 February 2023, it decided to leave the key rate unchanged at the level of 7.5%, which was set in mid-September 2022 and reconfirmed further on. This decision did not impact the market expectations regarding the key rate path.

According to financial market indicators as of the end of January 2023, market participants expected the key rate to maintain its current level for the next two quarters (Table 1). However, some analysts admitted that the key rate could be increased later this year.

IN JANUARY, ANALYSTS EXPECTED THE KEY RATE TO BE MAINTAINED CLOSE TO ITS CURRENT LEVEL UNTIL THE END OF 2023.

Table 1

Key rate expectations based on market indicators (instrument)	June 2023	December 2023
ROISfix	7.5 (7.5)	7.5–8.0 (7.5–8.0)
Analysts' key rate expectations*	2023 average	2024 average
Survey by the Bank of Russia	7.5 (7.3)	6.8 (6.6)

* Survey dates: 27–31 January 2023. Brackets are used to show the results of the survey conducted in December 2022.
Sources: Bank of Russia calculations, NFA.

2. Money market and overnight rates (RUONIA)

In January, the spread between RUONIA² (the Bank of Russia's operational benchmark) and the Bank of Russia key rate³ expanded and was **-50 bp** (in December: -18 bp, in 2022: -18 bp) (Chart 4). The spread volatility increased to 13 bp (in December: 8 bp, in 2022: 35 bp).

As of the end of January, the structural liquidity surplus additionally edged up by 0.4 trillion rubles to **3.2 trillion rubles**. (Table 2). At the end of December 2022, banks received a large amount of funds as part of budget expenditures financing, resulting in significant liquidity surplus growth. As these funds were transferred to a limited number of banks, at the beginning of the year some credit institutions had to raise liquidity through the repo auctions held by the Bank of Russia despite excess liquidity across the banking sector. However, uncertainty over the timing of payments made by clients-recipients of budget funds did not allow banks to fully place excess funds at the deposit auctions of the Bank of Russia. All this kept excess short-term liquidity in the money market and put downward pressure on the money market rates. It is expected that as banks adapt to increased liquidity surplus and funds are more evenly distributed across the banking sector, the demand for long-term repo auctions of the Bank of Russia will decline, and the spread between RUONIA and the key rate will return to the average readings observed in 2019-2022.

Compared to January last year, budget spending has significantly grown, and the annual revenues have decreased. As the transfer of the main taxes to the budget was postponed until the end of the month,⁴ the Federal Treasury (FT) returned tax revenues to banks in early February. As a result, banks' debt on FT operations declined.

² RUONIA (Ruble Overnight Index Average) is the weighted average interest rate on overnight interbank ruble loans (deposits) reflecting the cost of unsecured overnight borrowing.

³ The operational objective of the Bank of Russia's monetary policy within the inflation targeting strategy is to maintain rates in the unsecured overnight segment of the interbank money market close to the Bank of Russia key rate.

⁴ According to Federal Law No. 263-FZ, dated 14 July 2022, 'On Amending Parts I and II of the Tax Code of the Russian Federation', from 1 January 2023 a number of taxes were combined into a Unified Tax Payment (UTP).

At the very beginning of 2023, the return of cash to banks after the holidays was less than in previous years. However, later on demand for cash came back to its seasonal levels. In January 2023, liquidity inflow caused by this factor amounted to 0.17 trillion rubles.

The structural liquidity surplus forecast for the end of 2023 will be published in the February release of the Monetary Policy Report based on the updated macroeconomic forecast.

3. Money and debt market yield curves

Money market curves. In January, ROISfix⁵ rates remained almost unchanged (changes within 10 bp range) (Chart 7). RUSFAR 3M also did not show notable changes (7.91%; -4 bp). The shape of the curve demonstrates that market participants expect the key rate to be held at the current level at the next meetings. However, some of them admit that the key rate could be raised to 8% in the second half of 2023.

OFZ yield curve and the secondary market. At the end of January, the short-term end of the curve slightly adjusted by 4 bp on average: OFZ 1Y – 7.3% (+4 bp); OFZ 2Y – 7.88% (-7 bp). However, long-term OFZ yields increased by 10–50 bp: OFZ 5Y – 9.37% (0 bp); OFZ 10Y – 10.59% (+28 bp). A more significant change of the long end of the curve caused the spread between OFZ 10Y and 2Y yields to continue widening, reaching 271 bp at the end of the month (+35 bp), which is its highest level since 2011. An increase in long-term yields (over 5Y) is due to the fact that the market participants allow for the possible increase by the Russian Ministry of Finance of its annual borrowing plan to cover the budget deficit.

In January, the Russian OFZ market was largely driven by local factors. The debt markets of advanced economies showed opposite trends. The yields of US Treasury bonds (UST 2Y; -20 bp, to 4.21%; UST 10Y; -36 bp, to 3.52%) continued to decline amid an expected slowdown in the US Fed rate growth (+25 bp at the FOMC meeting in February) due to lower inflationary pressure and consumer confidence.

The structure of market participants did not change much: for the second month in a row, SICIs remained net sellers in the secondary OFZ market, while non-bank credit institutions and collective investors were net buyers. The average daily OFZ-PD, OFZ-PK and OFZ-IN trading volumes slightly decreased (in January: 14.5; 3.1 and 1.2 billion rubles; in December: 26.3; 8.6 and 1.5 billion rubles).

Primary OFZ market. In January, the Russian Ministry of Finance significantly reduced OFZ placement compared to the end of 2022 (in January 2023: 210 billion rubles; in December 2022: 1.5 trillion rubles). OFZ-PD were placed most frequently. Each auction week, the aggregate demand for securities was 170 billion rubles on the average supported by the release of funds from the redemption of OFZ-PD 26211 (150 billion rubles). Market participants showed growing interest in OFZ-IN (2032), with monthly demand of 107 billion rubles, compared to a historical average of 23 billion rubles. SICIs were the most active buyers of traditional OFZ-PD, while collective investors, including pension funds, were the most active purchasers of OFZ-IN.

Implied inflation. In January, the monthly average implied inflation for OFZ-IN 52002 (2028) slightly decreased to 6.28% (against 6.35% a month earlier). This was close to the lows observed since the end of September 2022, but still significantly above the 2021 average (4.23%) and the inflation target of 4%.⁶

4. Corporate bond market

Secondary market. According to IFX-Cbonds index, the average yield of corporate bonds in January did not change, amounting to 9.71% (-1 bp). The spread between corporate and government bond yields expanded to 223 bp (+5 bp), which is significantly above the 2021 average (88 bp).

⁵ The OIS (ROISfix) curve represents indicative rates (fixing) on RUONIA IR swaps.

⁶ [Methodology of the calculation of the indicator.](#)

Primary market. In January, the activity of corporate borrowers was low. The total amount of new placements was 181 billion rubles, with almost all the placements available to a wide range of investors. The number of new issuers of market bonds appreciably declined to 14 month-on-month (vs 65 in December 2022), which can be attributed to a wait-and-see approach of corporate debt market participants amid persistent uncertainty. The activity of machine-builders and agricultural companies increased.

Mostly financial institutions remained the issuers of substitute bonds (188 billion rubles in January 2023; 211 billion rubles in December 2022).

5. Credit and deposit market

Deposit rates. In December, there were no significant changes in the dynamics of average market deposit rates. On the one hand, the need to maintain unreasonably high interest rates diminished as household funds returned to banks. On the other hand, competition among banks continued in the form of welcome bonus interest rate offers for new clients. In addition, deposit offers with increased returns, which are typical of the period on the eve of the New Year, contributed to the increase in interest rates. Affected by these factors, the weighted average rate of deposits for up to one year rose by 0.1 pp to 5.5% per annum. The weighted average rate of deposits for over one year remained the same as in the previous month (7.3% per annum).

According to recent monitoring data, in January, deposit yields stabilised close to December levels. In particular, FRG100 fell slightly over the month (Chart 13), partly due to the end of the acceptance of funds to special offer deposits.

Deposit operations. In December, the inflow of household funds into banks⁷ sped up significantly. The annual growth⁸ of balances in households' ruble accounts and deposits reached its highest for the last seven years, amounting to 17.8% vs 14.7% in November. Year-end payments, wages and social benefits contributed to such growth of balances in current accounts. The promotion of high-yield deposit products was an additional factor driving the inflows of funds into banks.

Most of the ruble funds were placed in current accounts, while for time deposit products, depositors preferred deposits with a maturity of over one year. In the foreign currency segment the outflow of household funds accelerated again, which caused foreign currency deposits reduction by 2.2% compared to November. Due to the decline in the nominal exchange rate of the ruble in December, the share of household deposits in foreign currency with banks rose to 10.6%, remaining close to its record low. As a result, the overall annual inflow of household funds into banks was 6.4% vs 4.2% in November (Chart 14). Despite a significantly higher number of issued mortgages,⁹ funds in escrow accounts edged down by 1.3% compared to November, reflecting significant release of funds from escrow accounts due to large-scale residential commissioning at the end of the year.

According to recent data, in January ruble funds in banks edged down, for the most part in demand accounts. These changes were in line with seasonal trends due to the nature of household spending and savings in this period of time. In the near future, the inflow of household funds into ruble deposits is expected to be more moderate than in 2022. Moreover, the reduction in the share of household foreign currency deposits is likely to slow down due to a gradual decrease in household dollar funds with banks as well as increased attractiveness of yuan deposits.

⁷ Hereinafter, household funds with banks include balances in time deposits, demand deposits, and current accounts, but exclude balances in escrow accounts under equity construction agreements.

⁸ Hereinafter, increases in banks' balance sheet indicators are calculated based on the reporting data of operating credit institutions recorded in the State Register as of the relevant reporting date. Increases in foreign currency claims and liabilities are calculated in US dollar terms. Where increases in the indicators comprising foreign currency and ruble components are calculated herein, the growth of the foreign currency component is converted into rubles using the period average exchange rate.

⁹ See Subsection 'Retail lending' for details.

Credit rates. In December, credit rates mainly showed a downward trend. In the absence of significant changes in financial market expectations regarding interest rates and short-term monetary policy decisions,¹⁰ lending structure was the main driver of average rates volatility.

According to recent data, in December, interest rates on loans to non-financial organisations declined within a range of 0.25–0.35 percentage points. This could be caused, among other factors, by an increased number of transactions with the largest institutions, including SICIs.¹¹

Interest rates on retail loans for up to one year fell by 1.7 pp to 17.4%, and for one year or more they edged down by 0.6 pp to 11.6% (Chart 12). The decline in long-term ruble interest rates was due to the expansion of mortgage lending in retail operations.¹²

According to recent data, in January, the trend for interest rates was stable in general. The subsidised mortgage programme with its interest rate increase by 1 percentage point since 1 January 2023 contributed to a growth in average interest rates in the retail segment.

Loan interest rate paths in 2023 Q1-Q2 show some room for growth compared to the end of 2022. For example, proinflationary pressures in the economy may cause banks to gradually raise lending rates. This effect could be more or less strong in the short term, depending on the monetary policy response. In addition, as subsidised mortgage projects are completed and subsidised mortgages get more expensive, lending rates will become more market-based.

Corporate lending. Corporate lending sped up in December. According to the high-frequency sectoral monitoring data, this was partially due to the strengthening of investment programmes in energy, mining and quarrying, and some other sectors. Annual growth in the corporate loan portfolio¹³ accelerated from 12.3% in October – November to 13.1% in December (Chart 15). A decline in foreign currency corporate lending continued in annualised terms, and foreign currency loan portfolio declined by about 25%, based on 2022 results.

In January, based on recent data, corporate lending activity edged down as compared to December. The slowdown in lending was more pronounced at the beginning of the month due to seasonal factors.

In 2023, the corporate lending trends will continue to be driven by how the Russian economy, especially individual industries, will change. The cancellation by the Bank of Russia of regulatory easing for banks will be implemented gradually and will not therefore significantly affect the potential for lending expansion. However, banks view the possible tightening of corporate lending conditions, including in 2023 Q1-Q2, as limited, mainly due to the uncertainty assessment by banks (Chart 17).

Retail lending. In December, the retail loan portfolio¹⁴ expanded at a moderate rate comparable to the previous month. As a result, the annual growth in retail lending slowed down by 0.2 pp to 9.7% in December. Mortgages, meanwhile, were the sole driver of retail lending growth (Chart 16).

In the mortgage sector, a record amount of loans was issued in December worth about 700 billion rubles, with the average monthly issuance for the previous months of 2022 reaching 374 billion rubles. The primary segment, whose main driver of activity is subsidised new housing mortgages, increased its share in mortgage transaction sales to approximately 45%, compared to 32–39% in the previous months. The increase in demand for mortgages in the first half of December was caused by the expectations of subsidised mortgage programme cancellation, and in the second half of December – by the interest rate increase to 8% from the beginning of 2023 under the extended subsidised mortgage programme. The annual growth of mortgage loan portfolio as of the end of 2022 amounted to 17.6%.

¹⁰ See details in Subsection ‘Money and debt market yield curves’.

¹¹ See the ‘Corporate lending’ subsection for details.

¹² See Subsection ‘Retail lending’ for details.

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

¹⁴ Hereinafter, the growth of household lending does not include claims acquired by banks.

In contrast, unsecured consumer lending in December was unaffected by the December upturn. The portfolio of standard unsecured loans almost did not change in December, compared to a 1% growth in November, including due to the seasonal factors typical for December.

Based on recent data, in January, retail lending remained subdued. This was caused by the entry into force of macroprudential limits starting from 2023, which partially limit the issue of unsecured consumer loans, as well as by seasonal factors.

Some potential can be seen for an increase in retail lending in the first half of 2023. However, the accumulated debt burden of households remains relatively high. Bank lending standards will become more conservative, subject to macroprudential limits. The planned increase in the required reserves for mortgages in high-risk real estate development programmes may also somewhat limit the performance of the mortgage segment's portfolio.

OTHER FINANCIAL MARKET SEGMENTS

1. Exchange rate (foreign exchange channel)

In January, the ruble exchange rate did not change significantly, and the range of its fluctuations narrowed, varying from 67.76 to 72.18 rubles per US dollar. By the end of January, the ruble slightly strengthened against the US dollar (+0.11%, to 69.82 rubles per US dollar) and weakened against the euro (-2.2%, to 75.95 rubles per euro) and yuan (-4.4%, to 10.35 rubles per yuan). The average monthly rate weakened by 5.7% to 69.70 rubles per US dollar. Rising prices for energy resources, fiscal rule-based operations and depreciation of the US dollar amid expectations for an earlier decline in the US Fed rate due to a slowdown in industrial inflation provided local support for the ruble (6.2% in December 2022; 7.3% in November 2022). Monthly realised exchange rate volatility returned to the level of October 2022, amounting to 25.1% (vs 15% in the previous month).

[The real effective exchange rate of the ruble](#) (hereinafter, the REER), calculated against the currencies of the main foreign trade partners, decreased by 8.3% in December (vs -1.7% in November, +28.3 YoY). All else being equal, a weaker REER leads to the easing of monetary conditions.

2. Capital market (welfare channel)

In January, the Russian stock market resumed its recovery growth that began at the end of December after falling due to the introduction of the embargo on Russian oil. By the end of the month, the MOEX Index gained 3.3%, returning to its mid-November 2022 levels (-37% YoY). The market was supported by demand for the securities of banks, which are expected to perform well, and demand for gold companies' securities due to growth in gold prices. The shares of oil and gas sector underperformed the market amid sanctions pressure (-1.7% MoM, according to the sectoral index of the Moscow Exchange). Concurrently, the Russian Volatility Index (RVI) continued to decline – to 32 p (-7 p vs December 2022; 28 p on average for 2021).

In January, the total trading volume across all segments of the Moscow Exchange was similar to last December. The trading in shares, depositary receipts and units amounted to 788 billion rubles (789 billion rubles in December). Daily average trades were 38 billion rubles (36 billion rubles).

Foreign markets

In January, several central banks around the world, in particular those in emerging economies, continued their cycle of monetary policy tightening amid persistently strong inflationary pressures. The policy rates growth was reduced, and most regulators capped rate hikes at 25 basis points. The average policy rate in advanced economies remained almost unchanged, largely due to the absence of regulators' meetings this month (3.22%; +2 bp MoM; +2 bp YTD), 11.69% in Latin America (+7 bp, +7 bp), 5.77% in South and Southeast Asia (+7 bp, +7 bp), 9.28% in Central and Eastern Europe and Central Asia (+6 bp, +6 bp), and 10% in African countries (+28 bp, +28 bp).

Central banks in some emerging market economies (Chile, Malaysia, South Africa, Kazakhstan) kept policy rates on hold, signalling high and volatile inflation expectations as well as concerns over rising food and energy prices due to persistent geopolitical pressures. Policy rates were raised in Peru, Thailand, Columbia, and Indonesia. However, the Indonesian regulator announced the end of the monetary policy tightening cycle, raising the policy rate to its pre-pandemic level of 5.75% (+25 basis points). Advanced economies' monetary authorities softened the rhetoric somewhat by suspending or slowing tightening, but expect rates to remain elevated for longer.

Yields on long-term government bonds rose by 10–100 basis points, reflecting higher risk premiums due to uncertainty about the world economic outlook and its sustainability.

The currency indices of emerging market economies' showed positive dynamics as of the end of January (MSCI EM: +7.85%; Bovespa: +3.37%; IPC Mexico: +12.6%; SSE Composite: +5.4%) (Chart 21). The positive sentiment in EMEs was due to the easing of COVID restrictions in China and its good performance in industrial production (actual data: +1.3% YoY; expectations: +0.2% YoY), retail sales (actual data: -1.8% YoY; expectations: -8.6% YoY; and investment (actual data: 5.1% for 11 months of 2022; expectations: 5% for 11 months of 2022).

The stock markets in major advanced economies rose by the end of the month (S&P 500: +6.2%, Stoxx 600: +6.7%, Nikkei 225: +4.7%) (Chart 21). The market was mainly driven by expectations of a slowdown in the US monetary policy tightening as inflation eased (actual data: -0.1% MoM in December 2022; expectations: +0.1% MoM), including industrial inflation (6.2% in December; 7.3% in November). Still, fears of a global recession remain, given weak consumer demand data (actual data: -1.1% MoM vs December 2022; expectations: -0.8% MoM) and manufacturing (actual data: -0.7% MoM to December 2022; expectations: -0.1% MoM).

MONEY SUPPLY

In December, the growth in claims on the economy¹⁵ accelerated, facilitated by the increase in liabilities by non-financial institutions:¹⁶ the annual growth reached 13.2% compared to 11.6% a month before. Conversely, the growth in claims on households slowed down to 9.4% compared to 9.8% in November. As a result, the annual growth in claims on the economy as the key driver of money supply was 12.0% vs 11.0% in the previous month. The accommodative fiscal policy contributed to the increase in the share of net claims on general government in the money supply.

Together these factors were behind the accelerated growth of the monetary aggregates (Chart 18). The annual growth of M2 increased by 1 pp, to total 24.4% in December. M2X continued to lag behind M2: its annual growth reached 14.0% compared to 12.9% in November. The change in cash in circulation was greater in December than in November, supporting the increased dynamics of M0.

According to recent data, in January, the annual growth in M2 accelerated to 26.0%. The interest in foreign currency deposits remains low: the M2X annual growth rate increased more slowly (to 14.5%).

¹⁵ The banking system's claims on the economy mean all claims of the banking system on non-financial organisations, financial institutions, and households in Russian rubles, foreign currency, and precious metals, which include loans extended (including overdue loans), overdue interest on loans, credit institutions' investment in debt and equity securities and promissory notes, as well as other forms of participation in equity of non-financial organisations and financial institutions, and other receivables under settlement operations with non-financial organisations, financial institutions, and households.

¹⁶ See the 'Corporate lending' subsection for details.

CHARTS AND TABLES

THE BANKING SECTOR'S STRUCTURAL LIQUIDITY SURPLUS EXPANDED IN JANUARY 2023
(START OF BUSINESS, BILLIONS OF RUBLES)

Table 2

	01.01.2021	01.01.2022	01.04.2022	01.07.2022	01.10.2022	01.01.2023	01.02.2023
Structural liquidity deficit (+) / surplus (-)	-204	-1,691	-280	-2,384	-1,132	-2,810	-3,215
Bank of Russia claims on credit institutions	976	909	2,484	280	1,479	1,808	2,240
Auction-based facilities	847	116	2,298	171	166	1,492	2,065
– repos and FX swaps	847	116	2,298	171	166	1,492	2,065
Fixed interest rate facilities	129	793	186	109	1,312	317	175
– repos and FX swaps	118	3	92	10	10	8	0
– secured loans	10	790	94	99	1,303	309	175
Credit institution claims on the Bank of Russia	1,796	2,804	3,108	3,180	2,955	4,949	5,801
Deposits	1,221	2,804	3,108	3,180	2,955	4,949	5,801
– auction-based	844	1,626	–	1,838	1,664	3,621	4,469
– fixed interest rate	377	1,178	3,108	1,341	1,291	1,328	1,332
Coupon OBRs	575	–	–	–	–	–	–
Standing reverse facilities, other than standard monetary policy instruments of the Bank of Russia*	616	204	343	516	344	331	346

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

Source: Bank of Russia calculations.

THE STRUCTURAL LIQUIDITY SURPLUS FORECAST AS OF THE END OF 2023 WILL BE PUBLISHED IN THE FEBRUARY
RELEASE OF THE MONETARY POLICY REPORT
(TRILLIONS OF RUBLES)

Table 3

	2021	2022	January 2023
1. Liquidity factors	1.6	1.5	-0.5
– change in the balances of funds in general government accounts with the Bank of Russia, and other operations*	2.3	3.2	-0.7
– change in the amount of cash in circulation	-0.7	-2.3	0.2
– Bank of Russia interventions in the domestic FX market	–	-0.1	–
– regulation of banks' required reserves with the Bank of Russia	-0.1	0.7	0.0
2. Change in free bank reserves (correspondent accounts)** (demand)	0.1	0.3	-0.9
3. Change in banks' claims on deposits with the Bank of Russia and coupon OBRs	1.0	2.1	0.9
4. Change in outstanding amount on Bank of Russia refinancing operations	-0.5	1.0	0.4
Structural liquidity deficit (+) / surplus (-)	-1.7	-2.8	-3.2

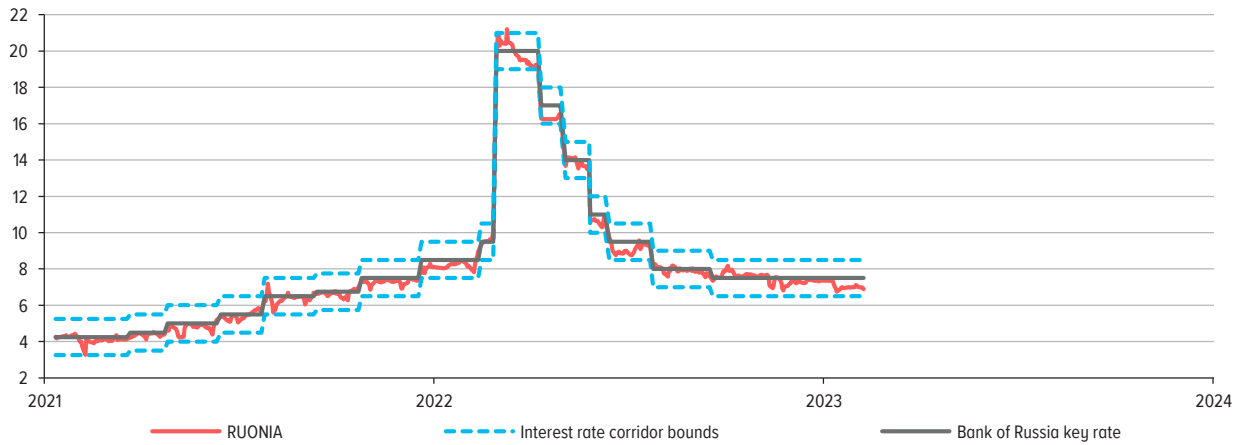
* Including fiscal rule-based operations to buy (sell) foreign currency in the domestic FX market and other operations.

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

Source: Bank of Russia calculations.

RUONIA DYNAMICS (%)

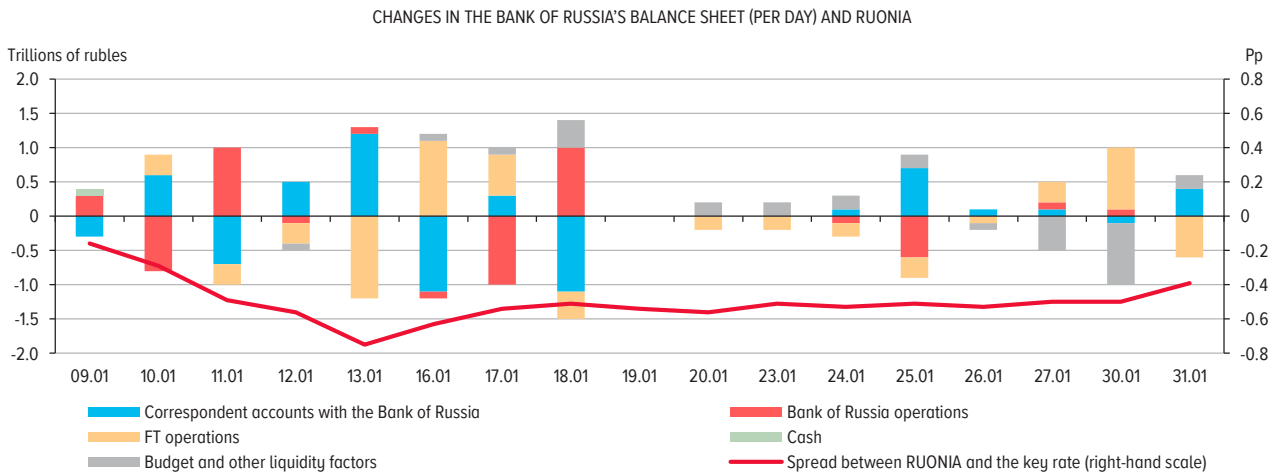
Chart 2



Note. Cut-off date – 7 February 2023.
Source: Bank of Russia calculations.

IN JANUARY 2023, FEDERAL TREASURY OPERATIONS LED TO AN OUTFLOW OF LIQUIDITY FROM THE BANKING SECTOR

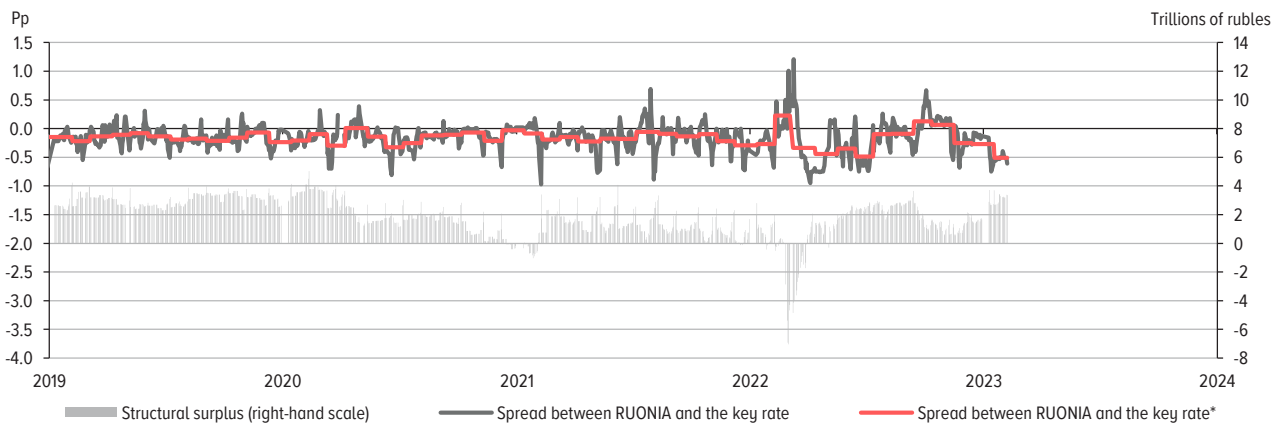
Chart 3



Source: Bank of Russia calculations.

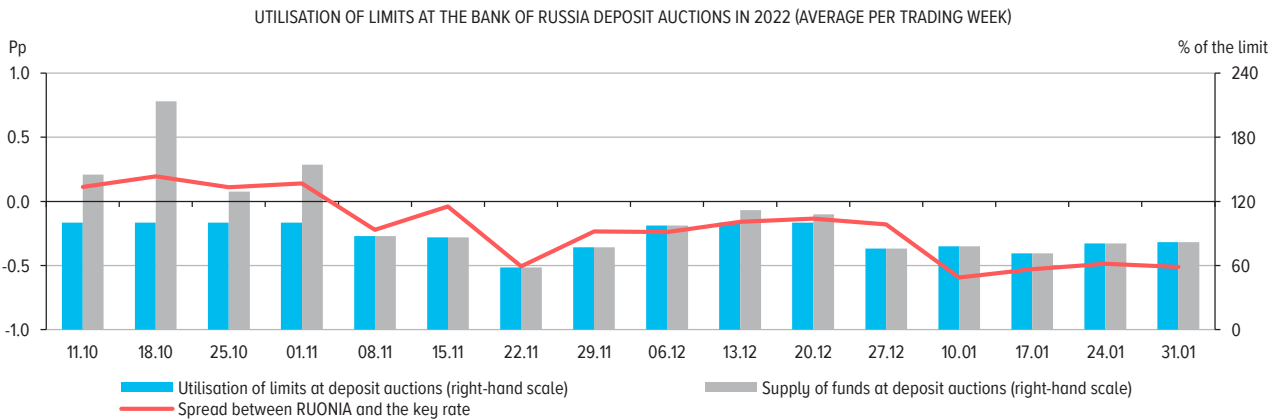
THE SPREAD BETWEEN RUONIA AND THE BANK OF RUSSIA KEY RATE EXPANDED

Chart 4



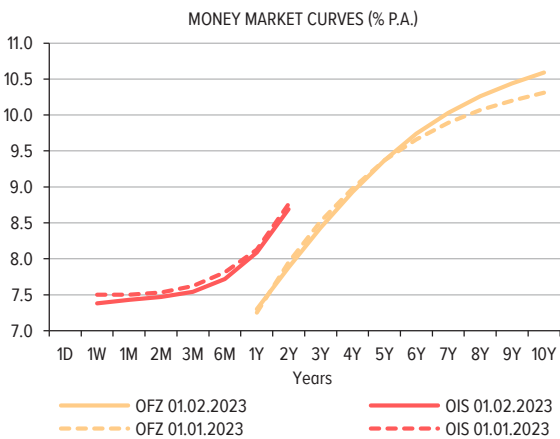
Note. Cut-off date – 7 February 2023.
* Average for averaging periods.
Source: Bank of Russia calculations.

BANKS' SUPPLY AT BANK OF RUSSIA ONE-WEEK DEPOSIT AUCTIONS WAS SLIGHTLY BELOW THE ESTABLISHED LIMITS Chart 5



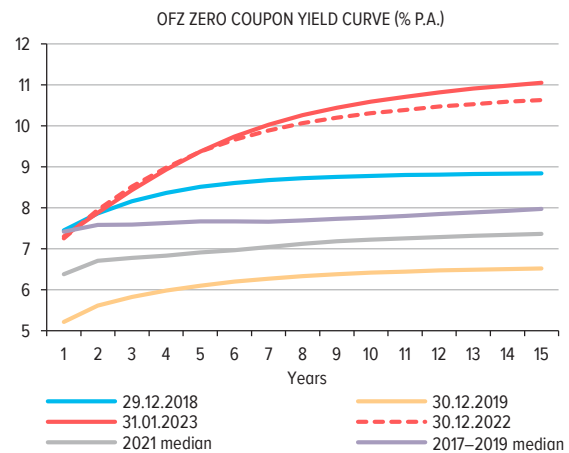
Note. The data are provided on deposit, fine-tuning repo and one-week auctions. Trading weeks are marked by dates of regular weekly auctions. Fine-tuning auctions are taken into account together with the one-week auction, the settlements under which were made during the corresponding trading week. Cut-off date – 7 February 2023.
Source: Bank of Russia calculations.

IN JANUARY, MONEY MARKET RATES REMAINED ALMOST UNCHANGED Chart 6



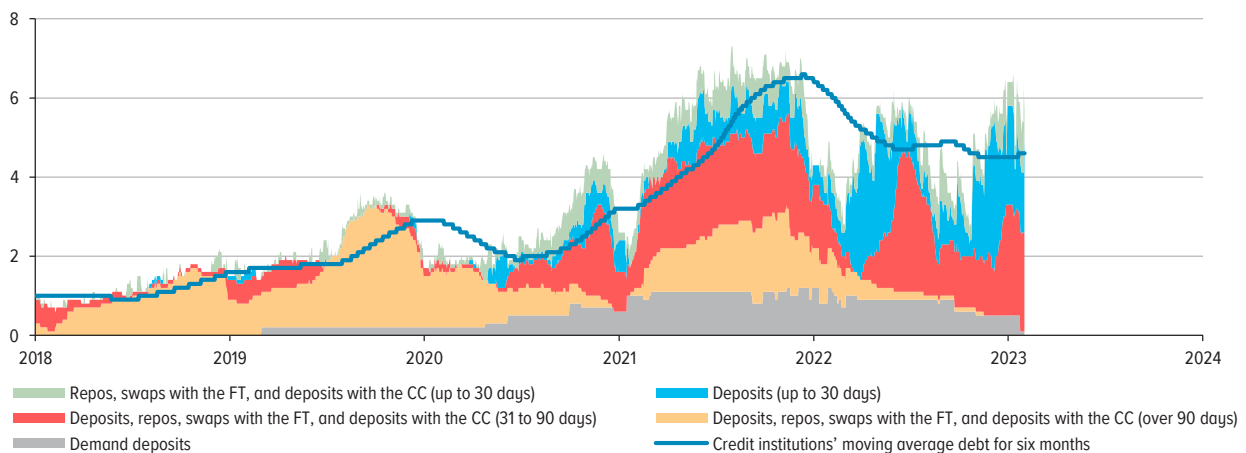
* The IRS curve for maturities of up to one year is built using MosPrime rates with respective maturities.
Sources: Cbonds, NFA, Bank of Russia calculations.

LONG-TERM OFZ YIELDS MODERATELY INCREASED, REFLECTING THE HIGHER RISK PREMIUM Chart 7



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

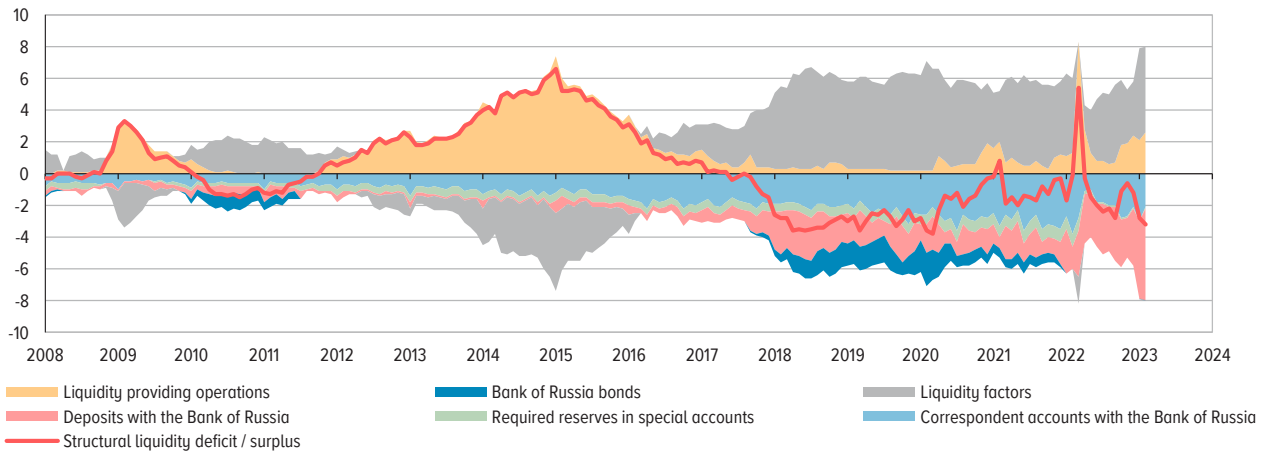
IN JANUARY 2023, CREDIT INSTITUTIONS' OUTSTANDING AMOUNTS DUE TO THE FT DECREASED BY 0.6 TRILLION RUBLES Chart 8
(TRILLIONS OF RUBLES)



Sources: Federal Treasury, Bank of Russia calculations.

THE BANK OF RUSSIA'S BALANCE SHEET
(TRILLIONS OF RUBLES)

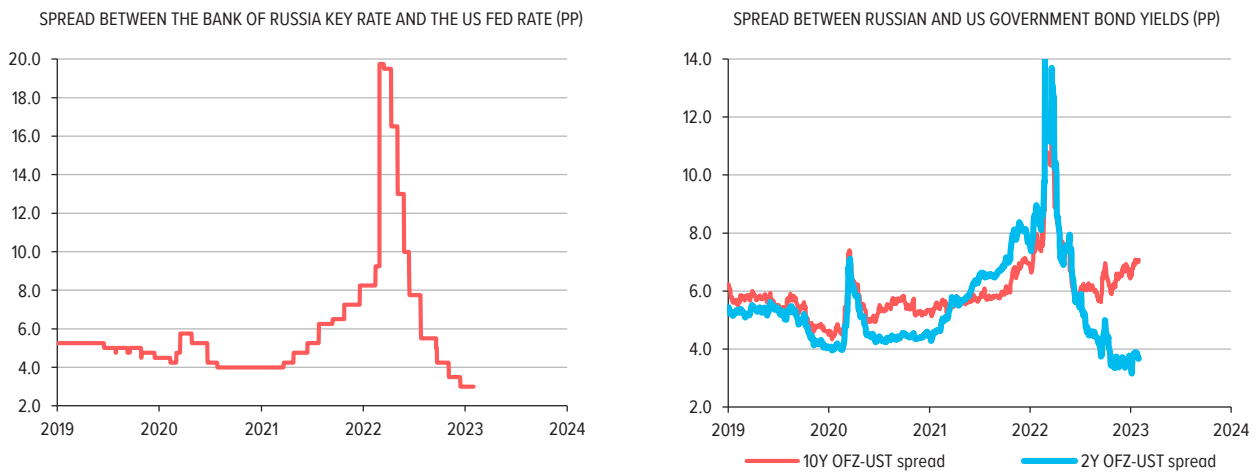
Chart 9



Source: Bank of Russia calculations.

SPREAD BETWEEN RUSSIAN AND US GOVERNMENT BOND YIELDS DID NOT CHANGE

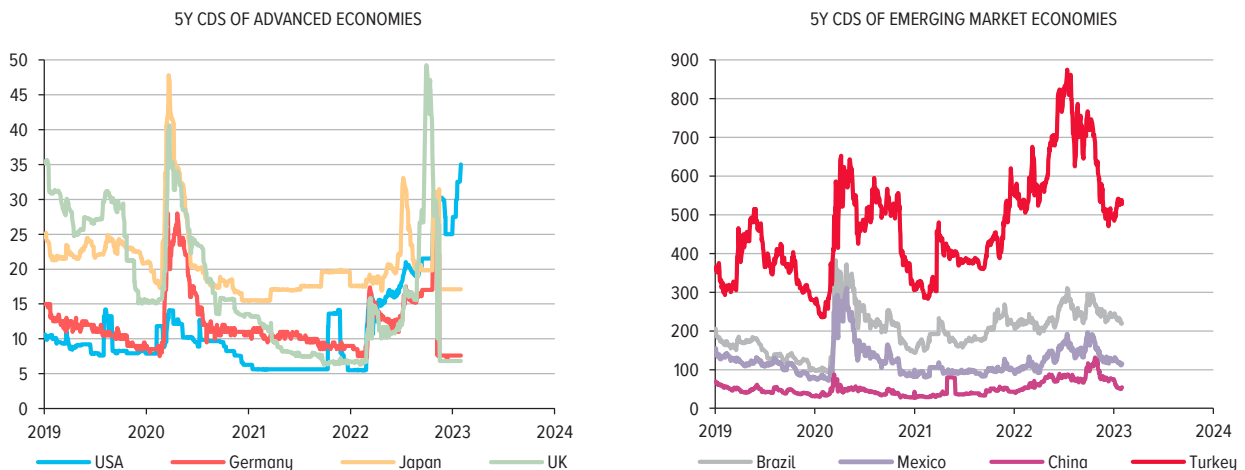
Chart 10



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

CDS-SPREADS IN MOST ADVANCED ECONOMIES REMAINED UNCHANGED
(BP)

Chart 11



Sources: Cbonds, Bank of Russia calculations.

THE FOREIGN EXCHANGE AND EQUITY SEGMENTS OF THE RUSSIAN FINANCIAL MARKET SHOWED POSITIVE DYNAMICS *Table 4*

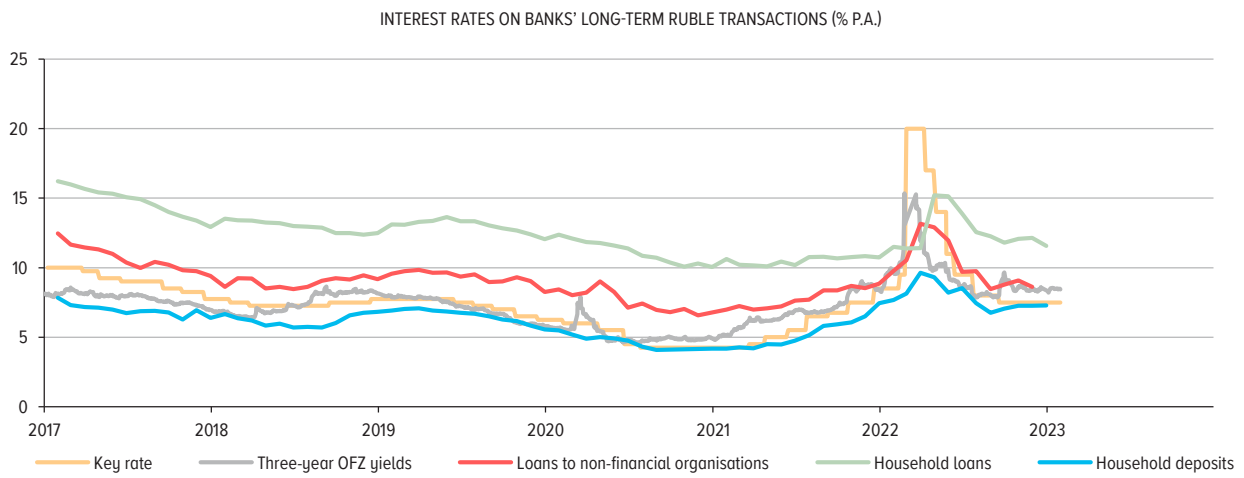
Indicator		31.01.2023	1M	3M	6M	YTD	1Y
Russian financial market ('+' – positive trends, '-' – negative trends)							
RUB/USD exchange rate		69.82	0.1	-13.6	-15.8	0.1	10.3
MOEX Index, bp		2,217	2.9	2.3	3.7	2.9	-36.5
RTS Index, bp		992	2.3	-10.7	-11.1	2.3	-29.5
Government bond yields, %		9.71	10	20	122	10	18
Corporate bond yields, %		9.71	-1	33	71	-1	-58
Regional bond yields, %		9.29	27	25	62	27	-74
RVI, p		32	-7	-14	-27	-7	-22
Exchange rates (per US dollar, % change, '+' – appreciation, '-' – depreciation)							
AEs*	US Dollar Index	102.10	-1.4	-8.5	-3.9	-1.4	5.0
	Euro	1.09	1.6	10.0	6.9	1.6	-2.5
	Japanese yen	130.15	-0.8	-12.5	-2.3	-0.8	13.0
	Pound sterling	1.23	2.0	7.5	1.3	2.0	-7.9
EMEs	Ruble	69.82	0.1	-13.6	-15.8	0.1	10.3
	Brazilian real	5.07	4.0	2.0	3.9	4.0	5.5
	Mexican peso	18.83	3.4	4.9	9.4	3.4	9.4
	Chinese yuan	6.75	2.1	7.5	0.0	2.1	-6.0
	Turkish lira	18.81	-0.5	-1.0	-4.8	-0.5	-38.8
	South African rand	17.40	-2.4	5.2	-3.4	-2.4	-11.7
10-year bond yield (% p.a., change in bp, '+' – increase, '-' – decrease)							
AEs	USA	3.52	-36	-58	77	-36	174
	Germany	2.28	-28	14	147	-28	233
	Japan	0.47	6	23	30	6	30
	UK	3.33	-34	-18	152	-34	209
EMEs	Russia	10.59	28	41	171	28	110
	Brazil	13.16	40	110	40	40	171
	Mexico	9.01	-35	-120	20	-35	105
	China	2.94	6	28	19	6	21
	Turkey	10.75	98	-49	-699	98	-1,280
	South Africa	9.68	-51	-119	-66	-51	25
5Y CDS spreads (bp, change in bp, '+' – increase, '-' – decrease)							
AEs	USA	35	10	8	15	10	23
	Germany	8	0	-20	-8	0	1
	Japan	17	0	-13	-8	0	0
	UK	7	0	-23	-10	0	-3
EMEs	Brazil	219	-21	-42	-49	-21	1
	Mexico	115	-10	-40	-41	-10	12
	China	54	-21	-71	-33	-21	3
	Turkey	528	38	-106	-236	38	12
	South Africa	252	5	-47	-35	5	41
Stock indices (points, % change, '+' – increase, '-' – decrease)							
AEs	S&P 500	4,077	6.18	5.2	-0.4	6.2	-8.0
	Stoxx 600	453	6.67	9.9	3.9	6.7	-2.7
	Nikkei 225	27,327	4.69	-0.9	-1.0	4.7	2.3
	FTSE 100	7,772	4.29	9.5	4.9	4.3	4.1
EMEs	MSCI EM	1,031	7.85	21.6	4.8	7.9	-13.4
	Bovespa	113,431	3.37	-2.2	9.7	3.4	1.4
	IPC Mexico	54,564	12.59	9.3	16.3	12.6	7.7
	SSE Composite	3,256	5.39	12.5	2.2	5.4	-3.1
	BIST 100	4,977	-9.67	25.1	88.0	-9.7	150.9
	FTSE/JSE	79,477	8.80	19.2	16.9	8.8	8.2

* Advanced economies.

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

DOWNWARD DYNAMICS PREVAILED FOR CREDIT AND DEPOSIT RATES IN DECEMBER

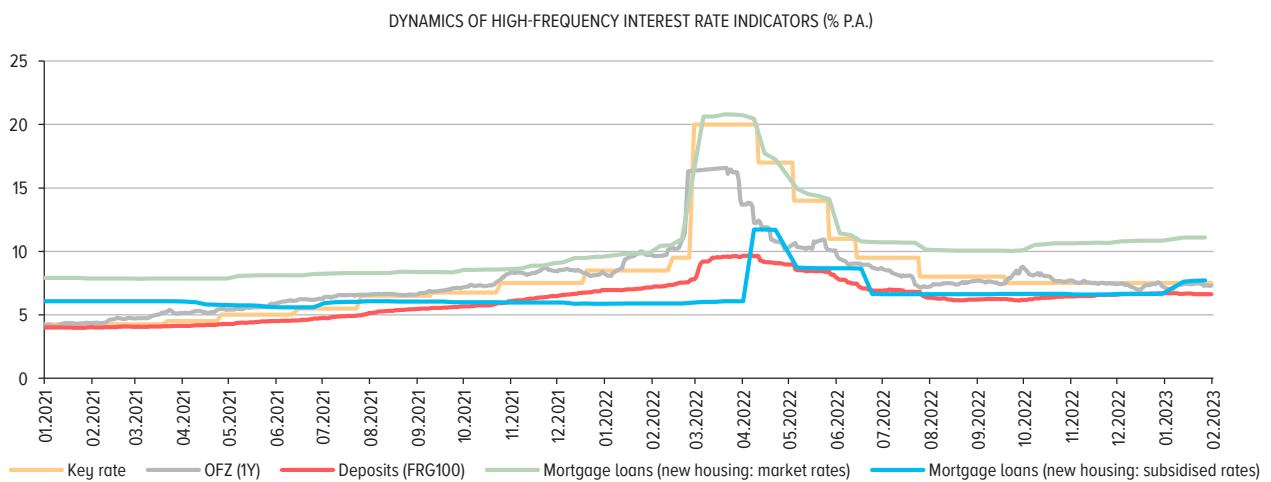
Chart 12



Source: Bank of Russia.

HIGH-FREQUENCY DATA SHOW STABLE TRENDS FOR INTEREST RATES IN JANUARY

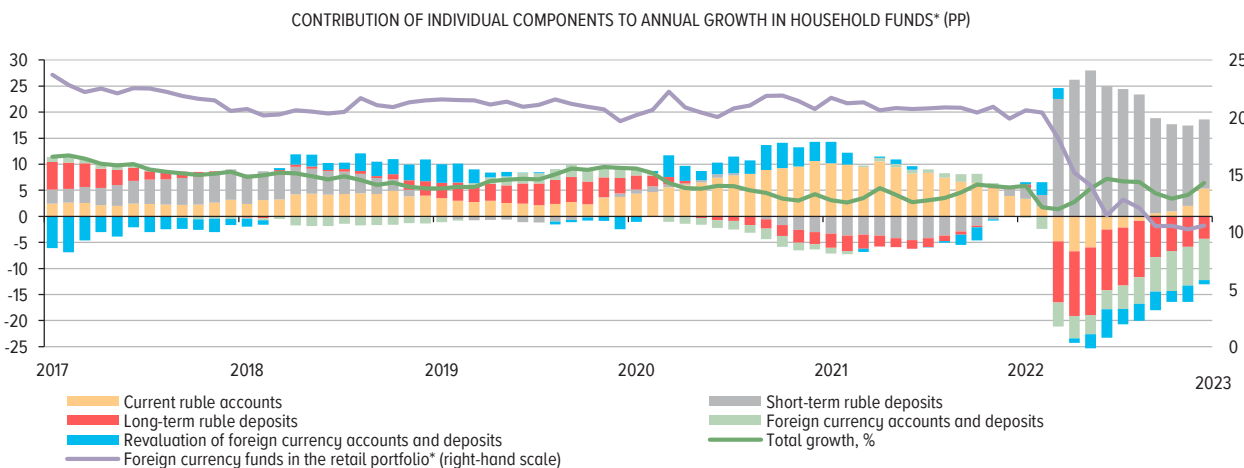
Chart 13



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

IN DECEMBER, THE INFLOW OF HOUSEHOLD FUNDS INTO BANKS INCREASED

Chart 14

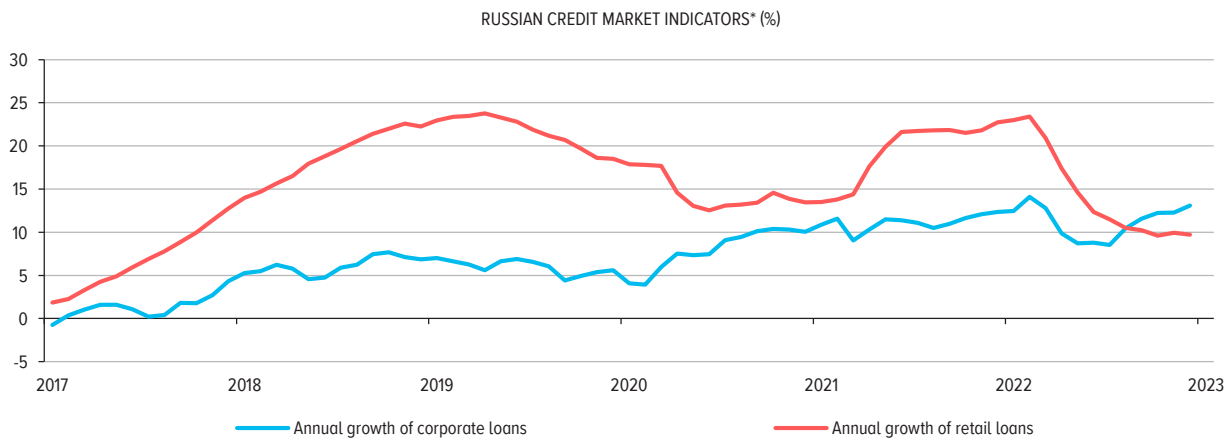


* Excluding escrow accounts.

Source: Bank of Russia calculations.

CORPORATE LENDING INCREASED IN DECEMBER

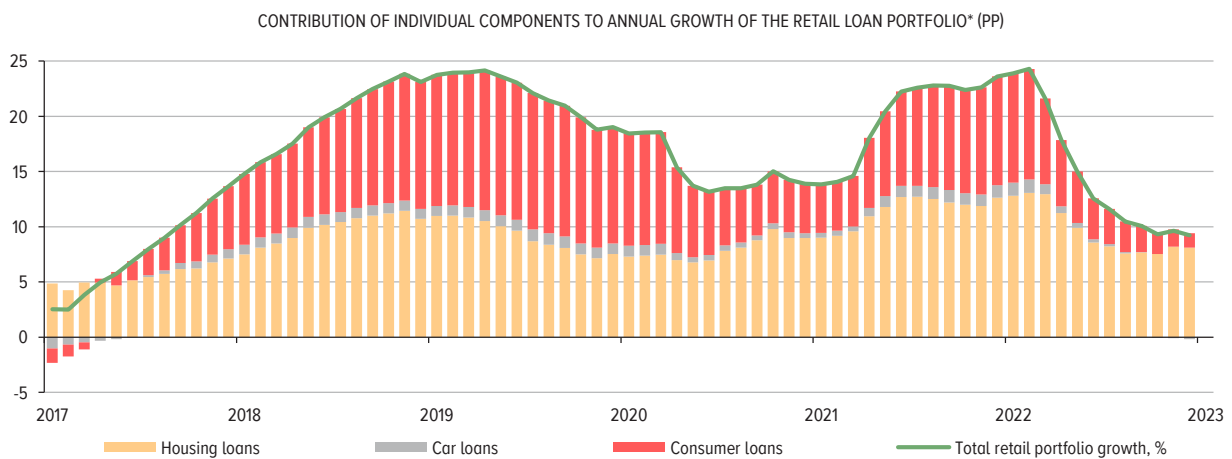
Chart 15



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

RETAIL LOAN PORTFOLIO GROWTH WAS DRIVEN BY MORTGAGE

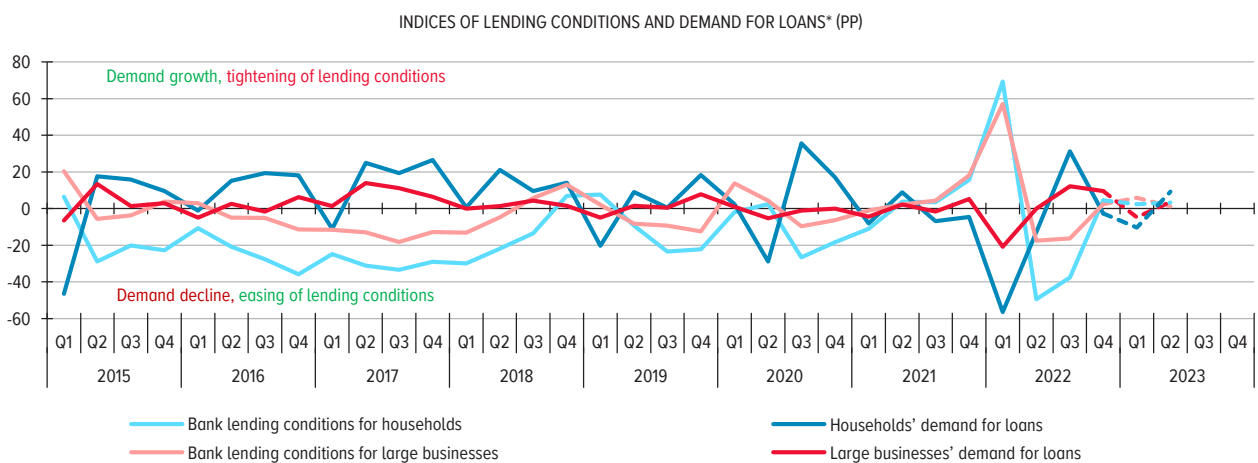
Chart 16



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

BANK LENDING TERMS MAY CONTINUE TO MODERATELY TIGHTEN UNTIL MID-2023

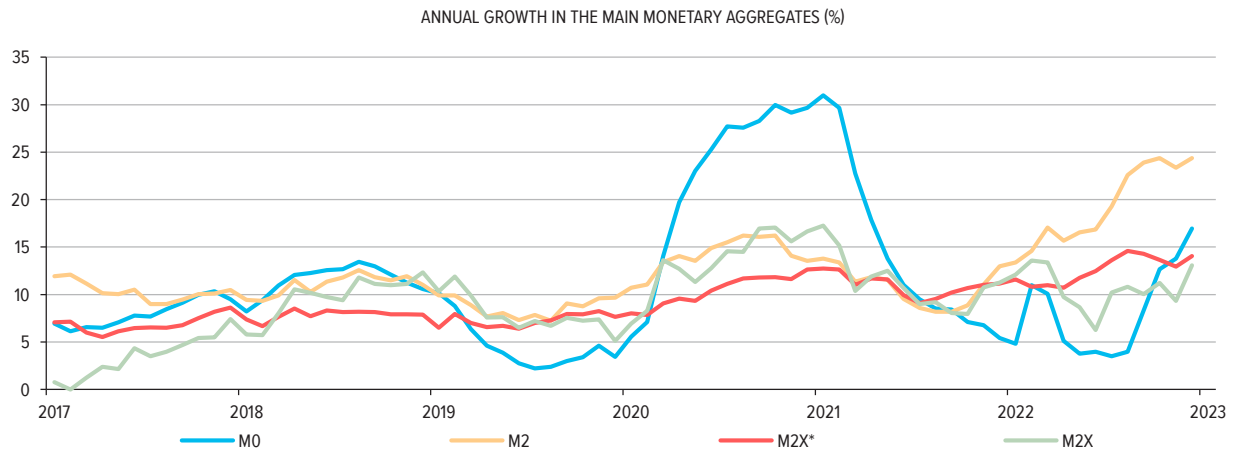
Chart 17



* The dotted lines signify respondent banks' expectations regarding changes in lending conditions and demand for loans in 2022 Q4.
Source: Bank of Russia.

MONEY SUPPLY ACCELERATED IN DECEMBER

Chart 18



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

CREDIT AND DEPOSIT MARKET INDICATORS

Table 5

		September 2022	October 2022	November 2022	December 2022
Interest rates on banks' long-term ruble transactions					
household deposits	% p.a.	7.1	7.3	7.3	7.3
household loans	% p.a.	11.8	12.1	12.1	11.6
corporate loans	% p.a.	8.8	9.1	8.6	–
Household funds*	% YoY, AFCR	4.4	3.4	4.2	6.4
in rubles*	% YoY	14.0	13.9	14.7	17.8
in foreign currency	% YoY	-35.6	-40.1	-39.2	-40.7
share of foreign currency*	%	10.5	10.5	10.2	10.6
Corporate loans**	% YoY, AFCR	11.6	12.2	12.3	13.1
short-term (up to 1 year)	% YoY, AFCR	10.1	9.6	7.4	4.7
long-term (more than 1 year)	% YoY, AFCR	13.1	14.1	15.4	16.8
Household loans**	% YoY, AFCR	10.2	9.6	9.9	9.7
housing mortgage loans	% YoY, AFCR	16.8	16.5	18.1	17.6
unsecured consumer loans	% YoY	5.0	3.9	3.2	2.7
Banking system's claims on the economy	% YoY, AFCR	10.7	11.0	11.0	12.0
on businesses	% YoY, AFCR	10.9	11.6	11.6	13.2
on households	% YoY, AFCR	10.2	9.4	9.8	9.4
Money supply (M2X)	% YoY	23.9	24.4	23.4	24.4
Broad money supply (M2X)*	% YoY, AFCR	14.3	13.6	12.9	14.0

* Excluding escrow accounts.

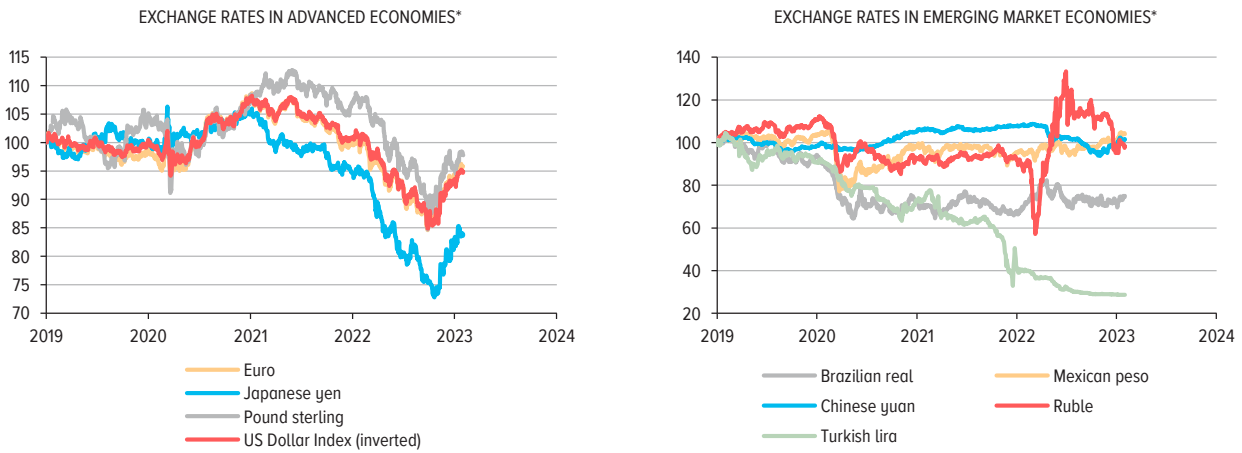
** Since 1 February 2021, the portfolio of corporate and retail loans includes acquired claims. The portfolio growth was calculated net of acquired claims.

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

Source: Bank of Russia calculations.

IN JANUARY, THE US DOLLAR SLIGHTLY DEPRECIATED
(02.01.2019 = 100)

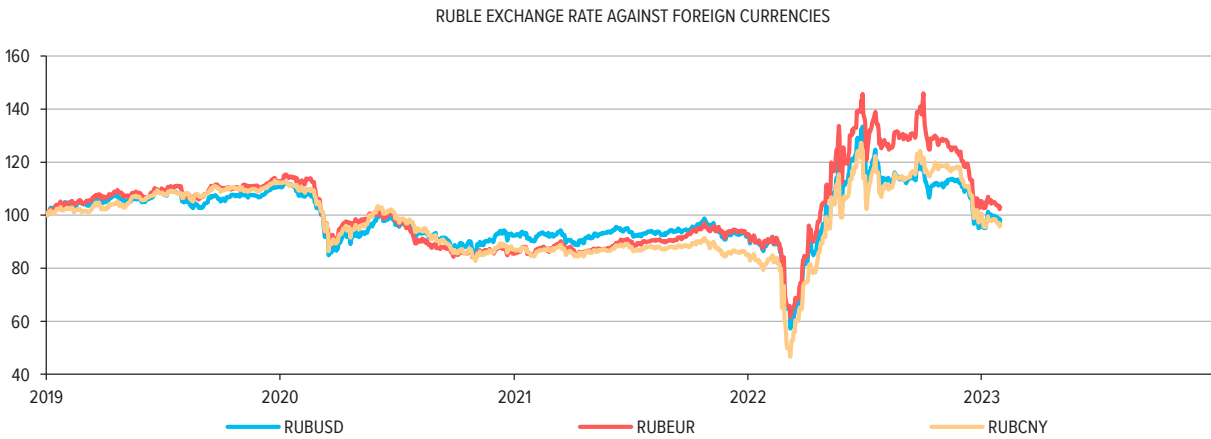
Chart 19



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

BY THE END OF JANUARY, THE RUBLE APPRECIATED AGAINST THE CURRENCIES OF THE MAIN TRADING PARTNER COUNTRIES
(02.01.2019 = 100)

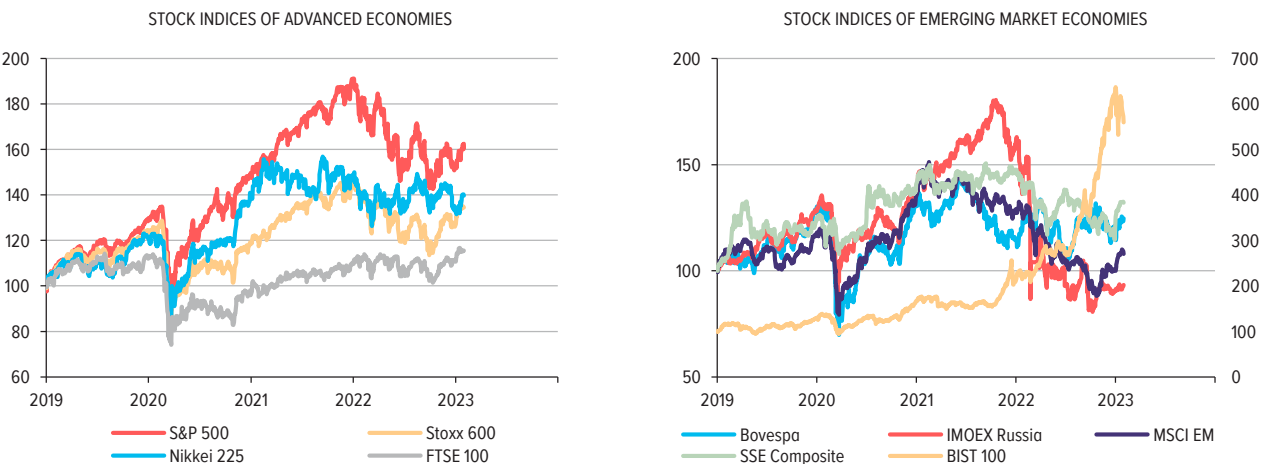
Chart 20



* The ruble's nominal and real effective exchange rates (NEER and REER, respectively) are calculated using market exchange rates of currencies and recent available inflation data.
Sources: Cbonds, Bank of Russia calculations.

STOCK INDICES MOSTLY EDGED UP
(02.01.2019 = 100)

Chart 21



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

Data cut-off dates:

- 'Money market and overnight rates (RUONIA)' section – 31 January 2023;
- 'Money and debt market yield curves' and 'Other financial market segments' sections – 31 January 2023;
- 'Credit and deposit market' section – 1 January 2023.

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

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

This commentary was prepared by the Monetary Policy Department.

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