



Bank of Russia



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# MONETARY CONDITIONS AND MONETARY POLICY TRANSMISSION MECHANISM

Information and analytical commentary

Moscow  
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## MONETARY CONDITIONS AND MONETARY POLICY TRANSMISSION MECHANISM (FEBRUARY 2023)

- According to the Bank of Russia, monetary conditions remained overall neutral in January. The February performance of the financial market and high-frequency indicators was diverse.
- The average RUONIA spread over February was -37 bp (in January: -50 bp). The spread narrowed due to increased liquidity needs of key borrowers in the IBL segment and gradual adjustment of banks to a soared liquidity surplus at the end of 2022.
- In February, money and debt market yields shifted upwards, most significantly for short-term maturities due to reviewing by market participants of their expectations for the key rate path after the February Board of Directors meeting.
- In January, households continued to transfer their funds to ruble deposits, first of all to long-term ones, due to trends in deposit rates. In January, corporate and mortgage lending activity edged down due to a seasonal factor, to a slowdown in subsidised lending and to a certain growth in loan interest rates for specific categories of borrowers.
- In January and February, the growth of money supply in the national definition was supported by the changes in fiscal operations.

## 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*).<sup>1</sup>

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.

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

## MONETARY CONDITIONS

In January, monetary conditions in the Russian economy did not change significantly, remaining neutral (Chart 1). Lower deposit rates and increased money supply contributed to monetary easing, while growing money and debt market yield curves and greater volatility contributed to monetary tightening, whereas in February, the trends of financial market and real-time monetary indicators were diverse. Monetary policy was most impacted by continued growth in money and debt market yields and increased volatility of the spread between RUONIA and the key rate.

ACCORDING TO HIGH-FREQUENCY INDICATORS, MONETARY CONDITIONS TIGHTENED IN FEBRUARY

Chart 1



Notes: The indicator panel represents one possible summary visualisation of key indicators to help assess the monetary conditions and their changes. It should not be considered as a comprehensive presentation of all types of indicators relevant to assessing the nature and changes of the monetary conditions. The chart shows the level of the indicator (in percentiles) relative to the distribution of values from January 2017 to January 2023 (left-hand chart) and to February 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 the 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

At its meeting on 10 February 2023, the Bank of Russia decided to leave the key rate unchanged at the level of 7.5%, which was set in mid-September 2022 and reconfirmed further on. The Bank of Russia toughened its signal as inflationary risks increased, which raised the key rate path expected by the market (Table 1).

AT THE END OF FEBRUARY, MARKET PARTICIPANTS EXPECT THE LAUNCH OF THE KEY RATE INCREASE ALREADY IN MARCH

Table 1

Key rate expectations based on market indicators (instrument)	June 2023	December 2023
ROISfix	8.0–8.5 (7.5–8.0)	8.0–8.5 (7.5–8.0)
Analysts' key rate expectations*	2023 average	2024 average
Macroeconomic survey by the Bank of Russia	7.5 (7.5)	6.8 (6.8)

\* Survey dates: 1–6 March 2023. Brackets are used to show the results of the survey conducted in January.  
Sources: Bank of Russia calculations, NFA.

### 2. Money market and overnight rates (RUONIA)

In February, the spread between RUONIA<sup>2</sup> (the Bank of Russia's operational benchmark) and the Bank of Russia key rate<sup>3</sup> narrowed and was **-37 bp** (in January: -50 bp; year to date: -43 bp) (Chart 4). The spread volatility increased to 23 bp (in January: 13 bp; year to date: 20 bp).

As of the end of February, the structural liquidity surplus edged down by 1.1 trillion rubles to **2.1 trillion rubles** (Table 2) due to the outflow of cash and budgetary funds.

The average spread between RUONIA and the Bank of Russia key rate narrowed mainly due to higher market rates from the beginning of the February period of required reserves averaging (hereinafter, the required reserves, RR). This was due to the growing liquidity needs of major borrowers in the IBL segment and the gradual adjustment of banks to a sharp increase in liquidity surplus at the end of 2022.

Overall liquidity in the banking sector did not increase due to the cumulative effects of fiscal operations, despite higher fiscal spending in January–February. The expenditures were financed by taxes, OFZ placement and a reduction of bank's debt on Federal Treasury (FT) operations, rather than from the National Wealth Fund as late last year. Banks replaced the outflow of FT funds by raising capital in the money market. The banking sector has gradually adapted to increased structural liquidity surplus after a large inflow of budgetary funds at the end of last year. This was reflected, among other things, in the convergence of supply with the level of limits at the Bank of Russia's deposit auctions. As a result, excess liquidity in the accounts of lending banks declined.

In addition, the Bank of Russia reduced the maximum amount of funds provided at one-month repo auction on 13 February 2023 by 0.5 trillion rubles to 1 trillion rubles (demand: 1.3 trillion rubles). Thus, the liquidity needs of borrowing banks increased while the market supply by lenders decreased. Finally, the tax payments at the end of February provided further support for interest rates. A significant amount of taxes was paid at the last two days of the month, and RUONIA rose to the level of the key rate during that period.

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

<sup>3</sup> 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.

Fiscal and other operations reduced liquidity surplus in February. The FT operations could only partially offset the impact on liquidity of tax payments as most of them were made at the end of the month. As a result, the balance in the fiscal accounts with the Bank of Russia increased in February. However, at the beginning of March, the FT expanded its placements again, thus returning the budgetary funds to the banking sector. Fiscal spending increased compared to the February last year, but its impact on liquidity was partially mitigated by fiscal rule-based sales of foreign currency and OFZ placements.

In February, demand for cash was around its seasonal levels and led to the outflow of liquidity in the amount of 0.3 trillion rubles.

The annual recalculation of RR was done in February. Overall RR have been redistributed using the following ratios: 0.9 of RR are subject to averaging by banks in correspondent accounts with the Bank of Russia, and 0.1 are credited to special RR accounts. As a result of recalculation, amounts in special accounts increased by 0.1 trillion rubles. At the same time, the redistribution of overall RR reduced the part of the RR subject to averaging, although the basis for RR calculation grew.

**The end-2023 forecast of the structural liquidity surplus is estimated in the range of 2.8–3.4 trillion rubles.<sup>4</sup>**

### 3. Money and debt market yield curves

**Money market curves.** In February, ROISfix rates<sup>5</sup> grew for all the maturities. Rates for maturities of up to one year edged up by 12–33 bp, and two-year indicator was up by 45 bp (Chart 7). RUSFAR 3M also did not show notable changes (7.85%; -6 bp). The shape of the curve demonstrates that market participants expect the key rate to increase to 8–8.5% by the end of the year.

**OFZ yield curve.** In February, OFZ curve shifted upwards along its entire length: OFZ 1Y – 7.73% (+44 bp); OFZ 2Y – 8.31% (+43 bp); OFZ 5Y – 9.67% (+30 bp), and OFZ 10Y – 10.87% (+28 bp). Concurrently, the yields for short-term securities grew more significantly (about 40–50 bp) amid the toughening of the Bank of Russia’s signal regarding the further key rate path. A growth in long-term yields, which mostly occurred at the beginning of the month, was caused, among other things, by increased risk premium due to higher sanctions and geopolitical risks. The slope of the OFZ curve decreased due to a faster growth of the short-term end of the curve. The spread between ten-year and two-year OFZ yields shrank to 256 bp (-15 bp), which is still close to its highest values since 2011. Since December 2022, SICIs have remained net sellers in the secondary OFZ market, while non-bank credit institutions and collective investors have been net buyers. Trading was carried out mostly in the medium-term segment of the curve (6–10 years).

In February, the debt market of advanced economies demonstrated higher interest rates. The yields of US Treasury bonds were up by 40–60 bp (UST 2Y: 4.81%; UST 10Y: 3.92%) amid the growing expectations of market participants with regard to the further tightening of the US monetary policy (+25 bp at the FOMC meeting in March, May and June, to 5.25–5.50%) due to rising inflationary pressure (in January: +0.52% MoM; in December: +0.21% MoM). Other signals for higher yields were strong growth in consumer spending (in January: +0.62% MoM; in December: +0.2% MoM) and production prices (in January: +0.7% MoM; in December: -0.2% MoM).

**Primary OFZ market.** In February, the Russian Ministry of Finance raised 321 billion rubles, slightly increasing OFZ placements compared to the previous month (in January: 210 billion rubles). The aggregate demand for securities (646 billion rubles) edged up as compared to January (511 billion rubles). Medium and long-term OFZ-PD were mostly placed at a moderate premium (up to 10 bp) to secondary market yields. Demand in the February auctions was highly concentrated, with non-bank credit institutions, in particular, collective investors, accounting for 20–40% of the total attracted funds.

<sup>4</sup> See [Monetary Policy Report No. 1 \(41\). February 2023](#).

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



**Implied inflation.** In February, the monthly average implied inflation for OFZ-IN 52002 (2028) increased to 6.74% (against 6.28% a month earlier). Implied inflation showed mainly an upward trend over the month, remaining considerably above its average values over the previous two years (for 2022: 6.17%; for 2021: 4.23%), same as inflation targets.<sup>6</sup>

#### 4. Corporate bond market

**Secondary market.** In February, corporate bond yields<sup>7</sup> edged up moderately to 10.04% (+33 bp), showing the same trend as OFZ. The spread between corporate and government bond yields narrowed slightly to 217 bp (-6 bp). This level is close to the 2014 Q2 average (235 bp) amid growing sanctions pressure and falling oil prices.

**Primary market.** In February, corporate borrowers increased their placements by almost 2.5 times (in February: 463 billion rubles; in January: 181 billion rubles). Most of the placements (452 billion rubles) were available to a wide range of investors. The number of new issuers of market bonds also increased to 31 (in January: 14), which is above the average annual value since 2014. The largest borrowings were raised by quasi-state banks. The main borrowers were electric power, construction and telecommunication companies.

Financial institutions remained the issuers of substitute bonds (in February: 186 billion rubles; in January: 188 billion rubles).

#### 5. Credit and deposit market

**Deposit rates.** The key rate hold after the meetings of the Bank of Russia Board of Directors in December 2022 and February 2023, combined with low volatility in OFZ yields on the short-term end of the curve limited the fluctuations of ruble deposit rates. The slight decline in average market deposit rates in January (by 13 bp in the short-term segment<sup>8</sup> and by 16 bp in the long-term segment) was due to a gradual completion of accepting funds to seasonal deposits with higher returns (Chart 12).

According to recent monitoring data, ruble deposit rates showed some growth in February. FRG100<sup>9</sup> was up by 6 bp over the month. This could be partly because large banks resumed the welcome bonus interest rate offers for new deposits (Chart 13). In February, some banks raised yields for yuan deposits, but overall, the demand for yuan deposits remained weak.

In the short term, ruble deposit rates may be close to current levels or moderately above them. The February upward revision by the Bank of Russia of its forecast for the range of the key rate in 2023 and a certain tightening of the key rate path signal given the inflation risks could contribute to higher deposit rates. Moreover, the competition among banks for depositors will continue to deter deposit rate cuts, whereas the highest interest rates on deposits will be for long-term ones.

**Deposit operations.** Deposit interest rate dynamics helped maintain the attractiveness of ruble time deposits to households. Given the seasonal fluctuations in spending during the New Year holidays, the inflow of households' funds into banks<sup>10</sup> was recorded only in the segment of ruble term deposits, mainly due to deposits with maturities of over one year. Concurrently, balances in current ruble accounts decreased according to the season. The continued transfer of funds to long-term deposits contributed to the gradual recovery of their share in the ruble funds of households

<sup>6</sup> See [Methodology of the calculation of the indicator](#).

<sup>7</sup> According to IFX-Cbonds.

<sup>8</sup> Short-term deposits imply deposits with any maturities of up to one year, excluding demand deposits; long-term deposits are deposits with any maturities of over one year.

<sup>9</sup> The average interest rate of 59 largest deposit banks on deposits for up to one year in an amount of at least 100,000 rubles, according to [information](#) from the Frank RF news agency.

<sup>10</sup> 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.

(22% at the end of January) after a noticeable decline in the first half of last year (by 17 pp to 13%). The outflow of funds continued from foreign currency deposits. Balances in deposits fell by 0.9% in January and by 2.2% in the previous month. As a result, in January, the annual growth<sup>11</sup> of household funds in banks slowed down by 0.6 pp to 5.8%, while the share of foreign currency in household deposits and accounts remained close to its record low at 10.7% (Chart 14).

The balances of household funds in escrow accounts fell for the third month in a row due to a continuing release of funds from such accounts as residential facilities were commissioned. This was also caused by a slight reduction in funds deposited to newly opened accounts as the activity in the mortgage market slowed down in January.

Inflows into ruble current accounts rebounded in February after outflows in the previous month, while balances in term deposits continued to grow, according to preliminary figures. Foreign exchange savings still showed a downward trend despite the increasing attractiveness of yuan deposits. In the short term, households are expected to remain interested in placing their funds on ruble term deposits, especially on long-term ones, as inflation slows down and ruble savings recover in real terms.

**Credit rates.** In January, interest rates on ruble-denominated loans increased for most categories of borrowers (Chart 12).

After December cuts in both the short-term (by 0.4 pp to 8.9% p.a.) and long-term (by 0.1 pp to 8.6% p.a.) segments, at the beginning of the year some banks raised rates for corporate borrowers.

In January, interest rate on retail loans with maturities of up to one year rose by 2.1 pp to 19.5% per annum and on retail loans with maturities of over one year it rose by 1.6 pp to 13.2% per annum, with trends for interest rates in mortgage and retail lending being diverse. The weighted average interest rate on ruble-denominated housing mortgage loans increased by 1.2 pp vs December to 7.9% per annum. A contribution to the increase was made by the adjustment of the conditions under the state programme of subsidised new housing mortgage loans, which to a large extent is a basis for the weighted average rate in the primary segment, reduced number of issued loans under the Developer Subsidised Mortgage Programme at extremely low rates as well as an increase in the share of the secondary segment in the volume of issues. In January, the weighted average in this segment was up by 0.3 pp to 9.9% per annum. However, the interest rates on consumer loans are estimated to have declined slightly, reflecting low activity in the unsecured consumer lending segment.

Preliminary data showed no significant changes in the trends of lending rates in February (Chart 13). Given households' persistently high inflation expectations and somewhat declining companies' price expectations,<sup>12</sup> interest rates in the credit market may fluctuate in the short term either close to the levels of January or in line with the rise in the yields of OFZ with comparable maturities.

**Corporate lending.** In January, there was a seasonal slowdown in the lending activity of businesses (Chart 15). The annual growth of the corporate loan portfolio<sup>13</sup> was 12.6% vs 13.1% in the previous month. In particular, the budgeting of fiscal expenditures contributed to an increase in the funds available to budgetary institutions, as a result, they showed less interest in short-term loans. The annual growth of the short-term loan portfolio was at 0.6% vs 4.7% in December. Meanwhile, the growth of long-term lending to businesses somewhat accelerated, reaching 17.5% after 16.8% in December.

<sup>11</sup> 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.

<sup>12</sup> See [Inflation Expectations and Consumer Sentiment, No. 1 \(73\). January 2023](#).

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

Lending in foreign currency to businesses decreased by 23.3% year-on-year, reflecting the reluctance of companies to accumulate foreign currency debt and of banks to provide foreign currency loans under sanctions pressure.

According to recent data, in February, the growth in claims on businesses accelerated, mainly due to extensive raising of long-term liabilities by companies. Short-term corporate lending trends were volatile during the month. In the short term, the substitution of external financing caused by geopolitical tensions, and the continuation of the subsidised lending programme will continue to support corporate lending growth.

**Retail lending.** Retail lending activity was subdued in January, partly due to the seasonal factor. The annual growth in the retail loan portfolio<sup>14</sup> slowed down by 0.4 pp vs December to 9.3% (Chart 15). Demand in the mortgage market cooled somewhat with the enactment of the new terms for subsidised mortgage programmes offering loans at 8% per annum.<sup>15</sup> This caused a reduction in the value of issued loans after a record high in late 2022. In addition, some of the income received in December (bonuses, social payments) was probably used by households to repay the existing mortgage debt. Together these factors were behind the slowdown in mortgage lending: the annual growth of the mortgage loan portfolio was at 16.9% vs 17.6% in the previous month. The activity in the unsecured retail loan segment remained low: the annual growth in the retail portfolio was 2.5%, down by 0.3 pp compared to December (Chart 16).

Based on recent data, in February, changes in claims on households also remained moderate. In the mortgage segment, the amount of issued loans continued to be below the peaks observed in late 2022, while the unsecured retail lending was overall close to its levels seen in previous years. Retail lending growth is likely to sustain moderate growth in the near future. The emerging pause in interest rates cuts, relatively high cumulative debt burden and conservative bank lending policies may restrain household lending activity.

## OTHER FINANCIAL MARKET SEGMENTS

### 1. Exchange rate (foreign exchange channel)

In February, the ruble fluctuated in the range from 70.20 to 76.13 rubles per US dollar. By the end of the month, the ruble weakened significantly (by 7.37% to 74.97 rubles per US dollar, by 4.61% to 79.45 rubles per euro, and by 4.17% to 10.78 rubles per yuan). The monthly average exchange rate of the ruble showed the same trend (-5.24% MoM). Depreciation of the ruble was mainly caused by a decline in foreign currency revenues due to sanctions and supply chain restrictions imposed on Russian exports. Further pressure on the ruble was added by geopolitical factors related to increased sanctions pressure from unfriendly countries. The exchange rate was supported by the end-of-month tax period and fiscal rule-based sales of foreign currency.<sup>16</sup>

The exchange rate volatility of the ruble increased slightly. Monthly realised exchange rate volatility grew to 10.8% (vs 9.6% in the previous month), which is comparable to the 2021 levels.

[The real effective exchange rate of the ruble](#) (hereinafter, the REER), calculated against the currencies of the main foreign trade partners, decreased by 6.7% in January (vs -8.5% in December, +11.2 YoY).

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

<sup>15</sup> See [Resolution of the Government of the Russian Federation No. 2485, dated 28 December 2022](#).

<sup>16</sup> From 7 February to 6 March 2023, the Bank of Russia daily sold in the foreign exchange market yuan in the amount of about 8.9 billion rubles.



## 2. Capital market (welfare channel)

The Russian stock market demonstrated mixed performance in February. At the end of the month, the MOEX Index showed a slight rise of 1.2% (-8.8% YoY). Concurrently, the Russian Volatility Index (RVI) grew to 45 points (+12 MoM; 28 points on average in 2021).

The market was under pressure from negative externalities caused by the Russian oil price cap, geopolitical tensions, expectations of tax contributions to the budget from big companies and new sanctions. The market was supported by demand for the securities of banks following the announcement of strong operating results and higher prices in the metal production, chemical and petrochemical sectors due to a moderate depreciation of the ruble.

The total trading in the Moscow Exchange markets grew by 1.6% in February vs January. The volume of trading in shares, depositary receipts and investment fund units dropped by 34.4% to 1,058 trillion rubles (788 billion rubles in January).

### Foreign markets

In February, several central banks around the world, both in emerging market and advanced economies, continued their cycle of monetary policy tightening amid persistently strong inflationary pressures. The average policy rate in advanced economies grew to 3.52% (+29 bp MoM; +31 bp YTD), 11.86% in Latin America (+16 bp; +24 bp), and 5.96% in South and Southeast Asia (+19 bp; +26 bp). In Central and Eastern Europe and Central Asia the weighted average policy rate edged down to 9.26% (-2 bp; +4 bp), in Africa the average rate remained unchanged at 10.00% (+28 bp YTD).

Central banks in most emerging market economies 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. India, Guatemala and Philippines raised their policy rates. The central banks of Turkey and Moldova lowered their policy rates. Advanced economies' monetary authorities somewhat tightened the rhetoric amid the publication of macroeconomic statistics from the beginning of the year and expect rates to remain elevated for longer. The market participants expect the US Fed rate to peak at 5.5%, whereas they expected 5% a month ago.

Yields on long-term government bonds both in advanced economies and in emerging market economies mostly rose (3–65 bp), reflecting elevated uncertainty regarding the expected global monetary policy tightness.

The indices in national currencies of emerging market economies showed mainly negative trends as of the end of February (MSCI EM: -6.54%; Bovespa: -7.49%; IPC Mexico: -3.31%; SSE Composite: +0.74%) (Chart 21). The negative mood in the emerging market economies stems from the market participants' fear of further rates' hikes.

In February, stock markets in advanced economies showed diverse trends (S&P 500: -2.6%, Stoxx 600: +1.74%, Nikkei 225: +0.47%) (Chart 21). The US Fed's aggressive rhetoric and revised expectations of the future policy rate path and the halted reduction of the US Personal Consumption Expenditures deflator (+0.62% MoM, +0.2% MoM in December 2022) were the main factors exerting pressure on the markets. Concurrently, the euro area PMI hit its nine-month highs, reaching 52.3 points due to the activity in the services sector.

## MONEY SUPPLY

In January, the annual growth in banking system's claims on the economy<sup>17</sup> slowed down by 0.4 pp to 11.7% due to lower lending activity in corporate and retail segments. As a result, lending to the economy remained the key source of money supply growth, accounting for 10.5 trillion rubles of the annual money supply growth. In addition to the claims on the economy, the budget channel revenue continued to contribute significantly to money supply trends. The ongoing fiscal deficit amid further public spending expansion contributed to the increase in net claims on general government to 6.1 trillion rubles in annualised terms in January. As a result, in January, the annual growth of money supply in the national definition (M2) continued to edge up and reached 25.1% at the end of the month, compared to 24.4% in December last year (Chart 18).

The annual change in broad money supply (M2X) was the same as in the previous month (13.9%), so M2X in January lagged far behind M2 growth due to the dedollarisation and a partial transfer of funds from foreign currency deposits to the ruble segment. The share of cash in the money supply structure was near record lows, but the growth of M0 accelerated over the month (from 16.9% to 17.9% due to the weaker January decline compared to the seasonality in previous years).

Preliminary data show that in February annual growth rates for M2 continued to accelerate, largely due to the inflow of funds into the economy through the budget channel.

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<sup>17</sup> 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.

## CHARTS AND TABLES

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

Table 2

	01.01.2021	01.01.2022	01.01.2023	01.02.2023	01.03.2023
<b>Structural liquidity deficit (+) / surplus (-)</b>	<b>-204</b>	<b>-1,691</b>	<b>-2,810</b>	<b>-3,215</b>	<b>-2,065</b>
<b>Bank of Russia claims on credit institutions</b>	<b>976</b>	<b>909</b>	<b>1,808</b>	<b>2,240</b>	<b>2,626</b>
Auction-based facilities	847	116	1,492	2,065	1,669
– repos and FX swaps	847	116	1,492	2,065	1,669
Fixed interest rate facilities	129	793	317	175	957
– repos and FX swaps	118	3	8	0	0
– secured loans	10	790	309	175	957
<b>Credit institution claims on the Bank of Russia</b>	<b>1,796</b>	<b>2,804</b>	<b>4,949</b>	<b>5,801</b>	<b>5,056</b>
Deposits	1,221	2,804	4,949	5,801	5,056
– auction-based	844	1,626	3,621	4,469	3,730
– fixed interest rate	377	1,178	1,328	1,332	1,326
Coupon OBRs	575	–	–	–	–
<b>Standing reverse facilities, other than standard monetary policy instruments of the Bank of Russia*</b>	<b>616</b>	<b>204</b>	<b>331</b>	<b>346</b>	<b>365</b>

\* 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 END-2023 FORECAST OF THE STRUCTURAL LIQUIDITY SURPLUS IS ESTIMATED IN THE RANGE  
OF ₺2.8–₺3.4 TRILLION  
(TRILLIONS OF RUBLES)

Table 3

	2022 r. (actual)	January– February 2023	February 2023	2023 (forecast)
<b>1. Liquidity factors</b>	<b>1.5</b>	<b>-1.5</b>	<b>-1.0</b>	<b>[1.5; 1.9]</b>
– change in the balances of funds in general government accounts with the Bank of Russia, and other operations*	3.2	-1.3	-0.6	[2.5; 2.7]
– change in the amount of cash in circulation	-2.3	-0.1	-0.3	[-0.8; -0.6]
– Bank of Russia interventions in the domestic FX market	-0.1	–	–	–
– regulation of banks' required reserves with the Bank of Russia	0.7	-0.1	-0.1	-0.1
<b>2. Change in free bank reserves (correspondent accounts)** (demand)</b>	<b>0.3</b>	<b>-0.7</b>	<b>0.2</b>	<b>[1.4; 1.6]</b>
<b>3. Change in banks' claims on deposits with the Bank of Russia and coupon OBRs</b>	<b>2.1</b>	<b>0.1</b>	<b>-0.7</b>	<b>[-0.7; -0.1]</b>
<b>4. Change in outstanding amount on Bank of Russia refinancing operations</b>	<b>1.0</b>	<b>0.9</b>	<b>0.4</b>	<b>-0.6</b>
<b>Structural liquidity deficit (+) / surplus (-)</b>	<b>-2.8</b>		<b>-2.1</b>	<b>[-3.4; -2.8]</b>

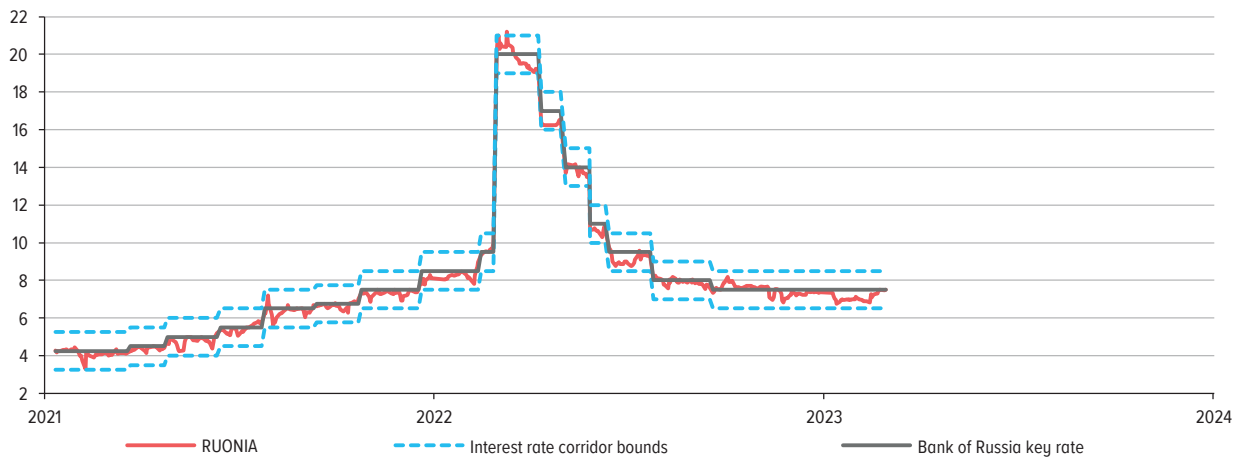
\* Including fiscal rule-based operations to buy (sell) foreign currency in the domestic FX market and other operations.

\*\* 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 (%)

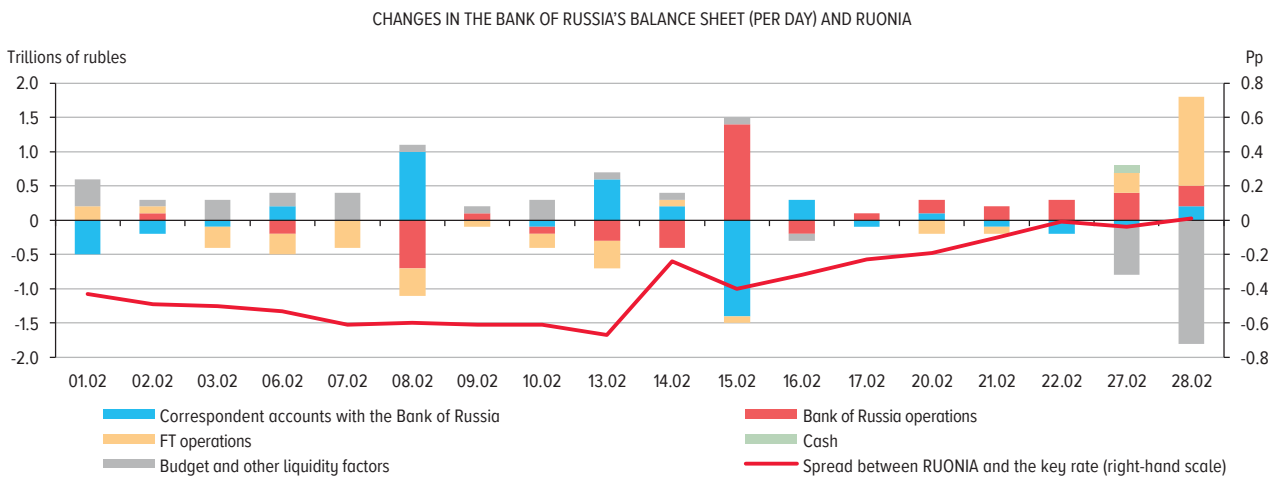
Chart 2



Source: Bank of Russia calculations.

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

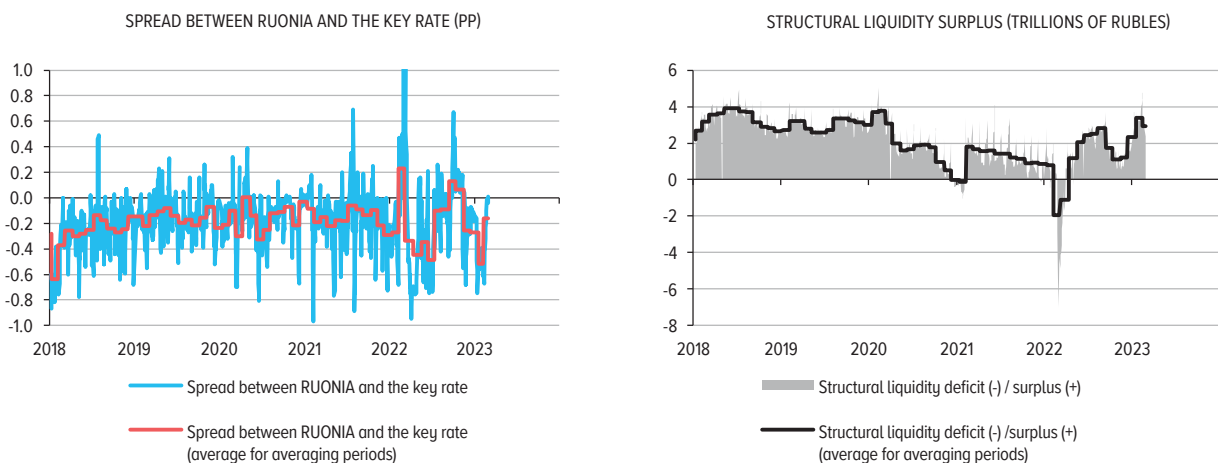
Chart 3



Source: Bank of Russia calculations.

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

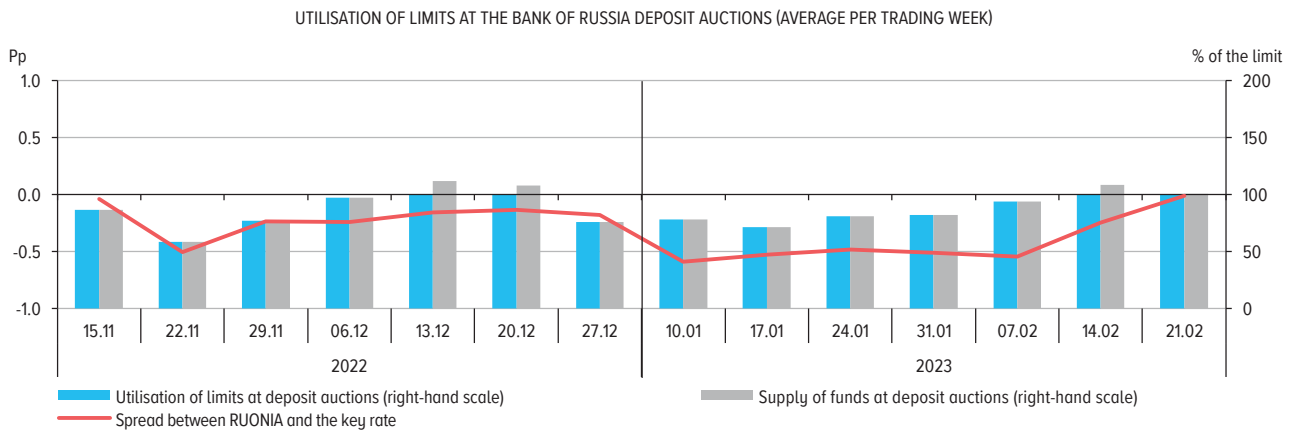
Chart 4



Note. Cut-off date – 28 February 2023.  
Source: Bank of Russia calculations.

UTILISATION OF LIMITS AT THE BANK OF RUSSIA DEPOSIT AUCTIONS (AVERAGE PER TRADING WEEK)

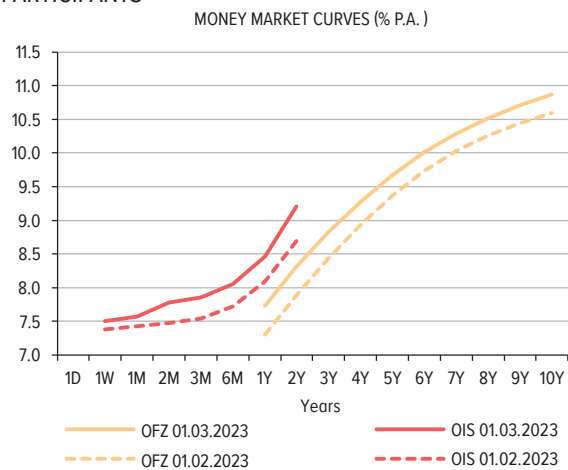
Chart 5



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.  
Source: Bank of Russia calculations.

IN FEBRUARY, MONEY MARKET RATES EDGED UP AFTER REVIEWING THE KEY RATE PATH BY MARKET PARTICIPANTS

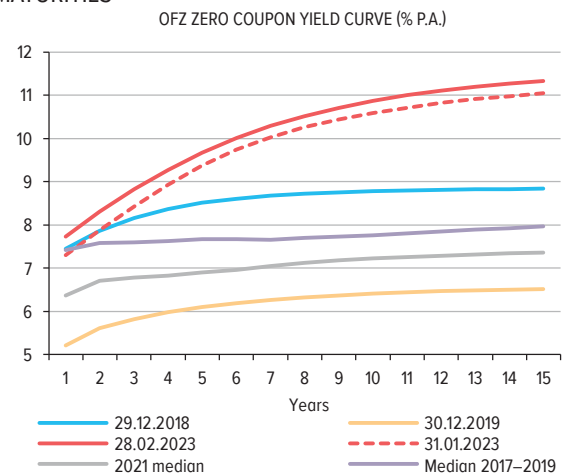
Chart 6



\* Horizontal lines on the right-hand chart represent medians since 2017.  
Sources: Moscow Exchange, NFA.

OFZ YIELD CURVE SHIFTED UPWARDS ALONG ITS ENTIRE LENGTH, MOST NOTABLY FOR SHORT-TERM MATURITIES

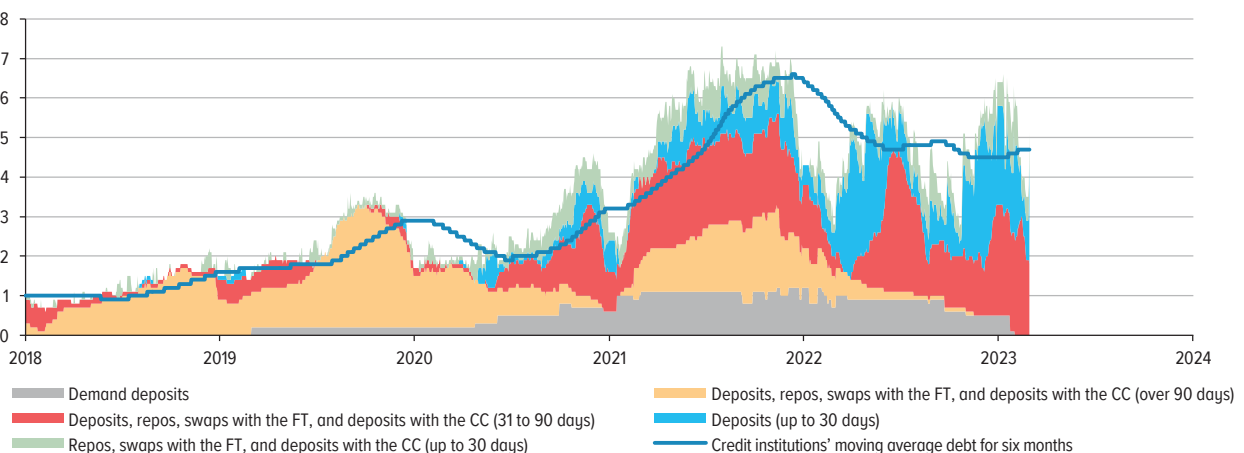
Chart 7



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

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

Chart 8

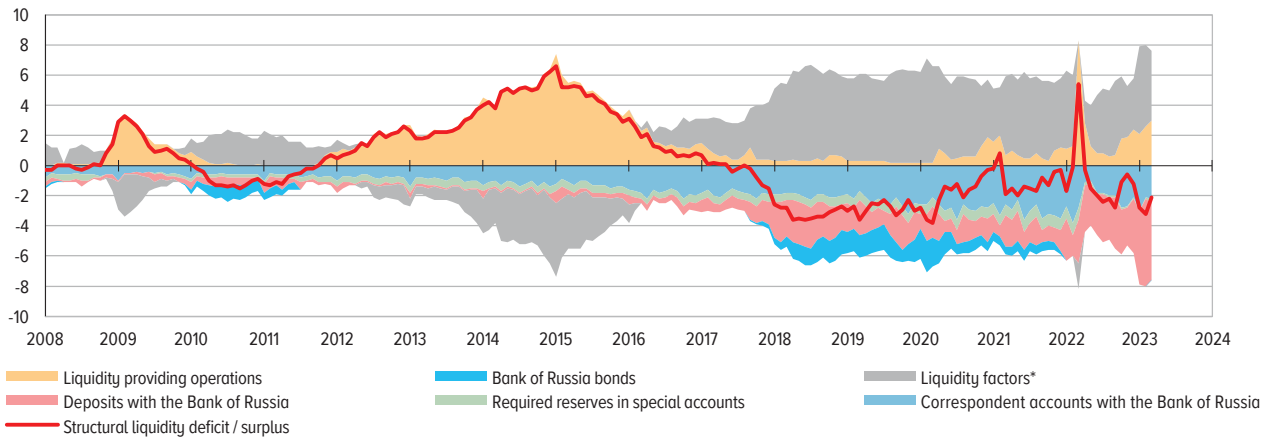


Sources: Federal Treasury, Bank of Russia calculations.



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

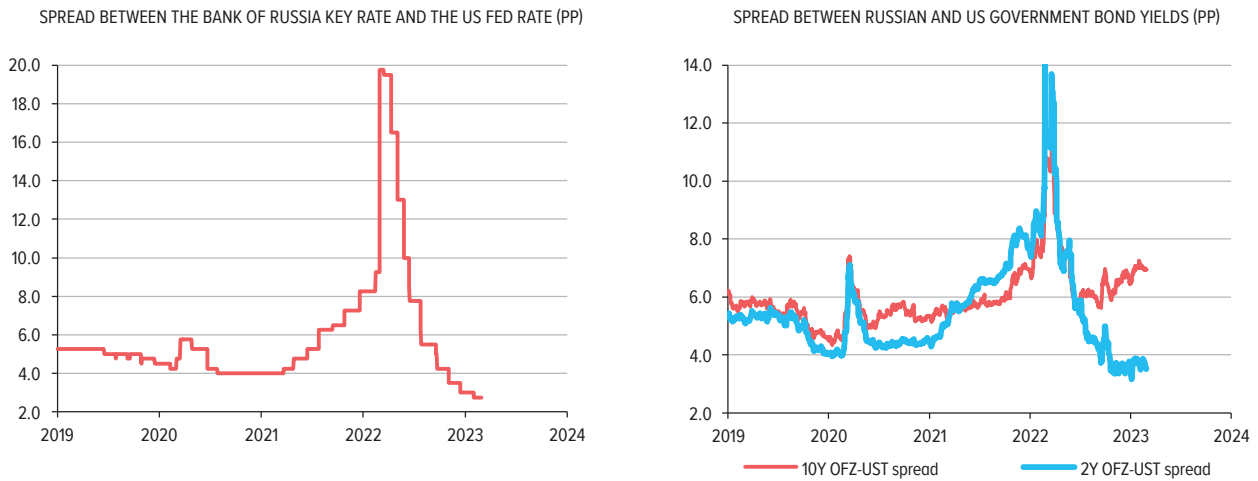
Chart 9



\* This item is consolidating and comprises changes in all other, not differentiated, items of the Bank of Russia's balance sheet.  
Source: Bank of Russia calculations.

SPREAD BETWEEN RUSSIAN AND US GOVERNMENT BOND YIELDS NARROWED

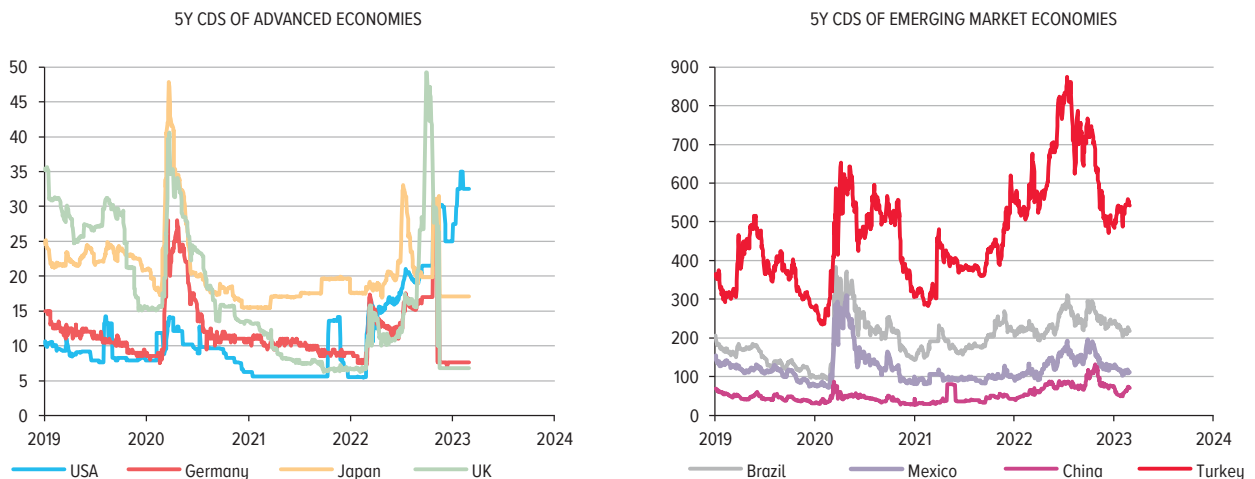
Chart 10



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*

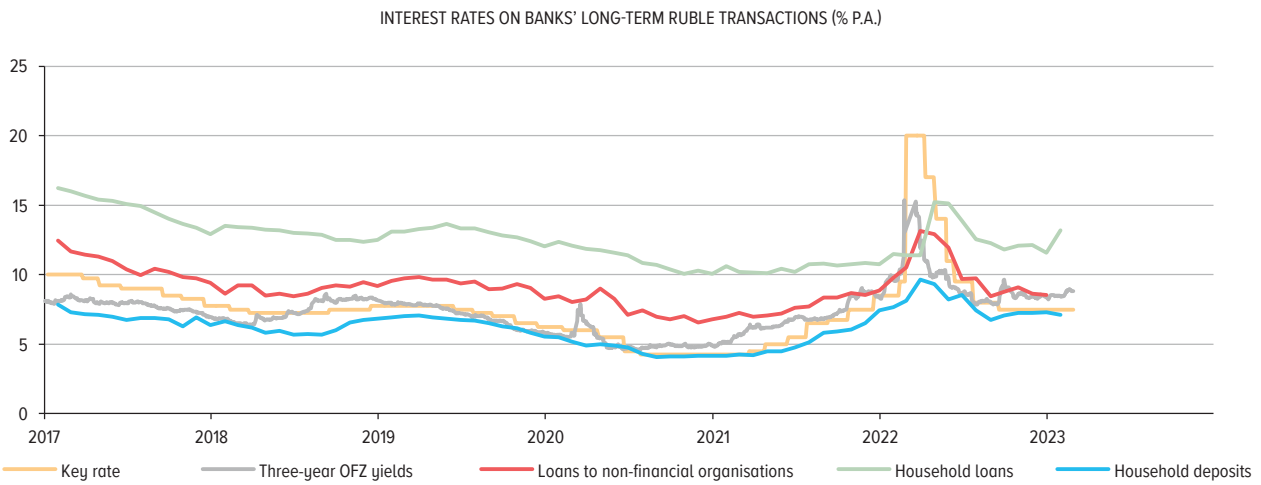
Indicator		28.02.2023	1M	3M	6M	YTD	1Y
<b>Russian financial market ('+' – positive trends, '-' – negative trends)</b>							
RUB/USD exchange rate		74.97	-7.4	-22.4	-25.1	-7.3	9.7
MOEX Index, bp		2,253	1.2	3.5	-2.3	4.6	-8.8
RTS Index, bp		946	-4.7	-15.7	-21.9	-2.5	1.0
Government bond yields, %		10.02	31	47	132	41	-348
Corporate bond yields, %		10.04	33	58	84	32	-402
Regional bond yields, %		9.38	9	31	58	36	-409
RVI, p		45	12	3	-5	5	-83
<b>Exchange rates (per US dollar, % change, '+' – appreciation, '-' – depreciation)</b>							
AEs	US Dollar Index	104.87	2.7	-1.7	-3.6	1.3	8.5
	Euro	1.06	-2.4	2.7	5.9	-0.9	-5.9
	Japanese yen	136.14	4.6	-2.0	-1.9	3.7	17.8
	Pound sterling	1.20	-2.7	0.4	3.0	-0.7	-10.5
EMEs	Ruble	74.97	-7.4	-22.4	-25.1	-7.3	9.7
	Brazilian real	5.20	-2.5	3.1	-1.5	1.7	-0.7
	Mexican peso	18.38	2.4	4.9	8.9	5.7	9.6
	Chinese yuan	6.93	-2.6	3.9	-0.3	-0.5	-9.8
	Turkish lira	18.89	-0.4	-1.4	-3.9	-0.9	-36.7
	South African rand	18.37	-5.6	-6.9	-8.2	-8.1	-21.3
<b>10 year bond yield (% p.a., change in bp, '+' – increase, '-' – decrease)</b>							
AEs	USA	3.92	40	23	81	4	195
	Germany	2.65	37	66	115	9	242
	Japan	0.50	3	25	28	9	29
	UK	3.82	49	70	122	16	236
EMEs	Russia	10.87	28	62	181	56	-165
	Brazil	13.26	10	-33	98	50	199
	Mexico	9.66	65	21	26	31	147
	China	2.93	0	5	28	5	13
	Turkey	10.53	-22	-29	-287	76	-1,329
	South Africa	10.11	43	-17	-22	-8	84
<b>5Y CDS spreads (bp, change in bp, '+' – increase, '-' – decrease)</b>							
AEs	USA	33	-3	3	14	8	21
	Germany	8	0	0	-8	0	0
	Japan	17	0	0	-2	0	-1
	UK	7	0	0	-14	0	-3
EMEs	Brazil	218	-1	-33	-29	-22	9
	Mexico	111	-4	-14	-42	-13	4
	China	71	17	-2	-3	-4	10
	Turkey	542	14	27	-203	53	-35
	South Africa	254	3	13	-22	8	24
<b>Stock indices (points, % change, '+' – increase, '-' – decrease)</b>							
AEs	S&P 500	3,970	-2.61	0.2	-0.4	3.4	-9.5
	Stoxx 600	461	1.74	5.3	9.8	8.5	1.7
	Nikkei 225	27,446	0.43	-2.4	-2.7	5.1	3.7
	FTSE 100	7,876	1.35	5.4	7.0	5.7	5.2
EMEs	MSCI EM	964	-6.54	3.6	-2.9	0.8	-17.7
	Bovespa	104,932	-7.49	-3.5	-5.0	-4.4	-7.3
	IPC Mexico	52,758	-3.31	3.3	14.9	8.9	0.4
	SSE Composite	3,280	0.74	6.5	1.6	6.2	-5.0
	BIST 100	5,237	5.24	6.4	65.5	-4.9	168.3
	FTSE/JSE	77,734	-2.19	6.0	14.5	6.4	4.8

\* Advanced economies.

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

IN JANUARY, DECLINE IN LENDING RATES CAME TO A HALT

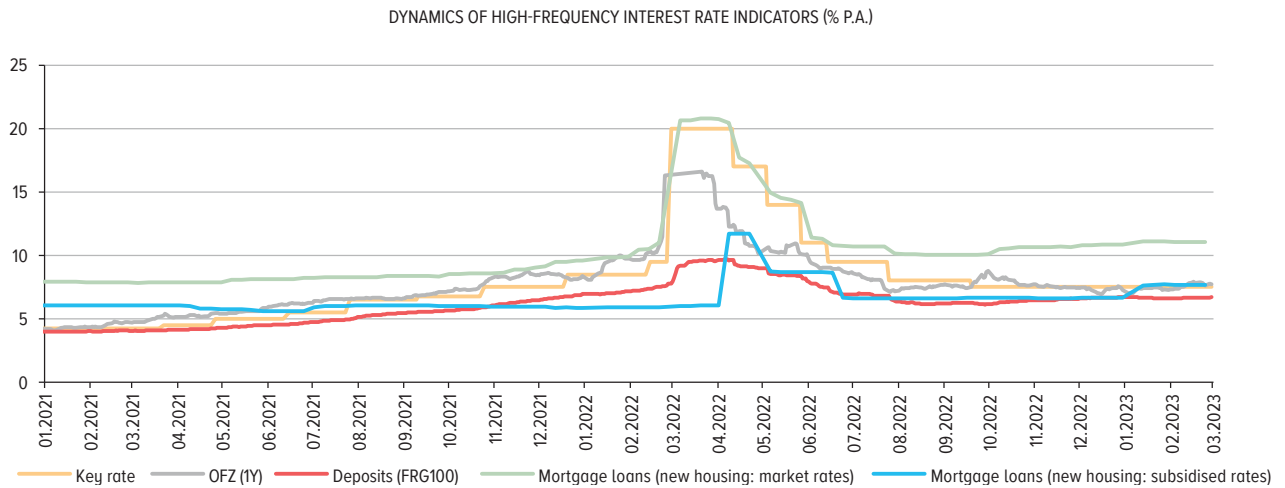
Chart 12



Source: Bank of Russia.

FEBRUARY HIGH-FREQUENCY DATA INDICATE THAT LENDING RATES ARE STILL CLOSE TO JANUARY LEVELS

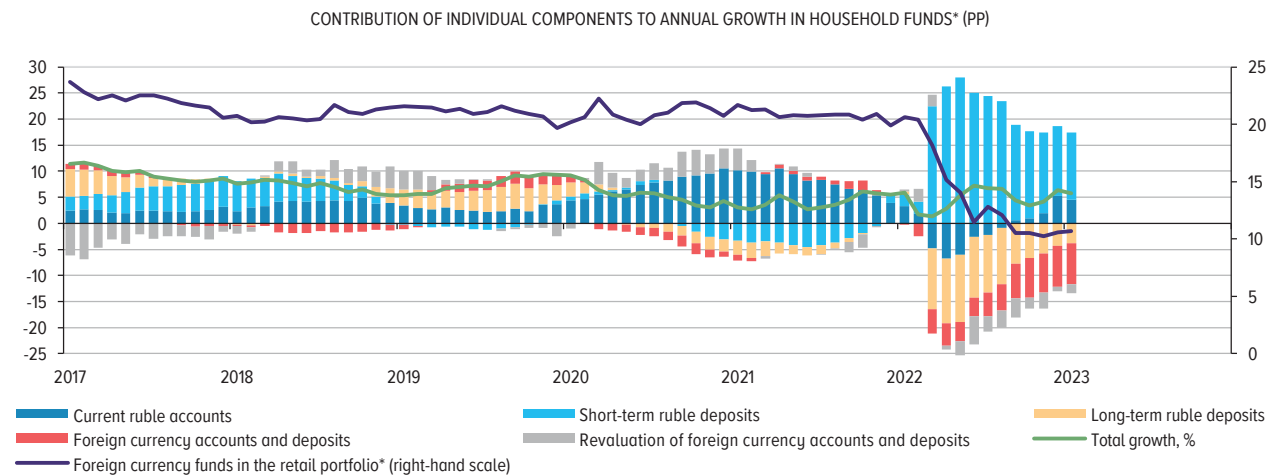
Chart 13



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

IN JANUARY, HOUSEHOLDS CONTINUED TO TRANSFER THEIR FUNDS TO RUBLE TERM DEPOSITS

Chart 14

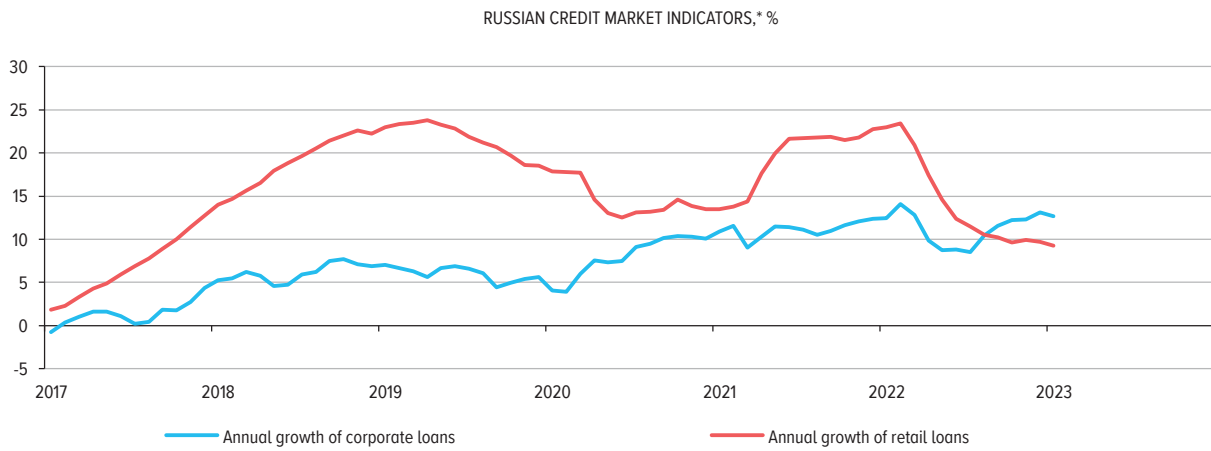


\* Excluding escrow accounts.

Source: Bank of Russia calculations.

AT THE BEGINNING OF THE YEAR LENDING ACTIVITY WAS LOW

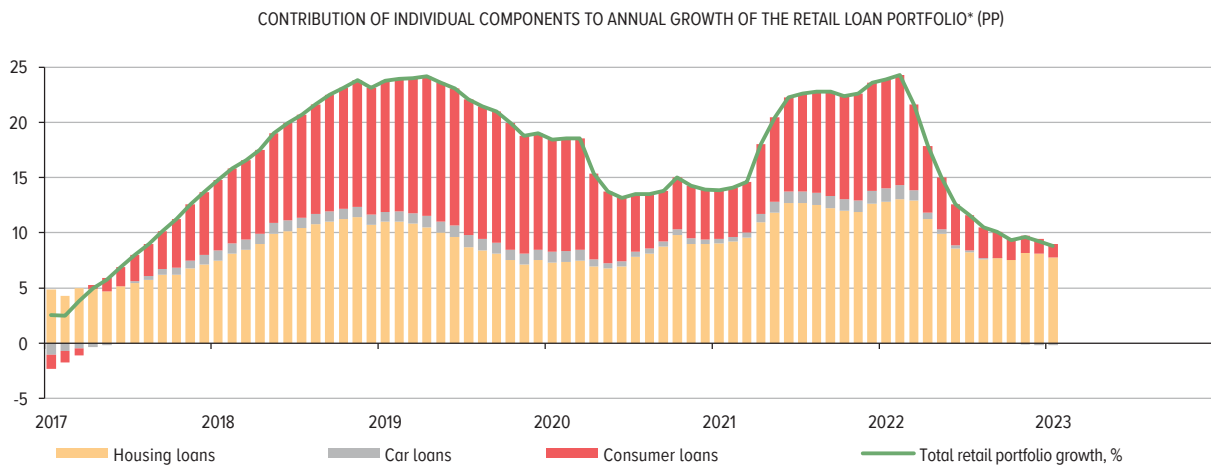
Chart 15



\* 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.

IN JANUARY, RETAIL LENDING GREW MODERATELY, SUPPORTED MAINLY BY MORTGAGES

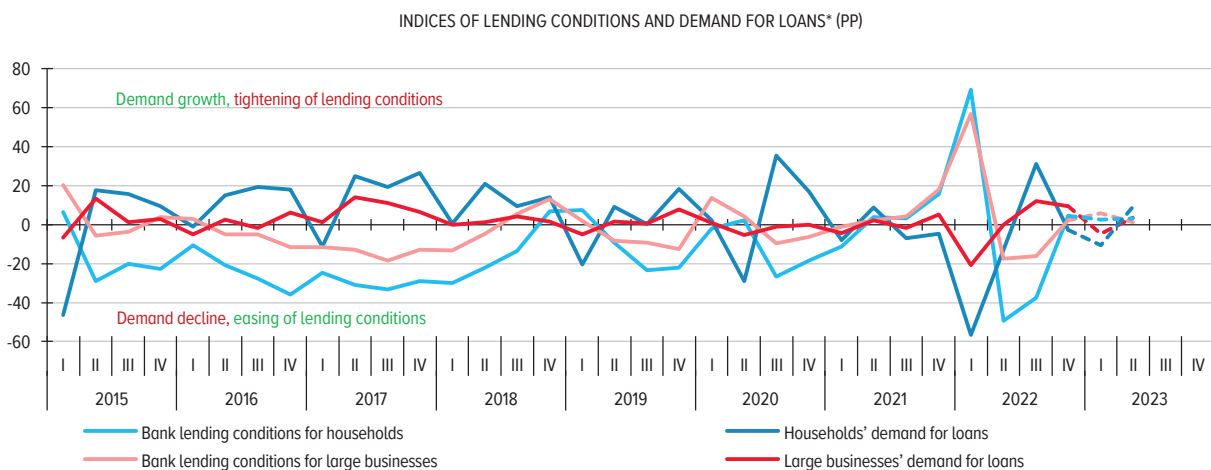
Chart 16



\* 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

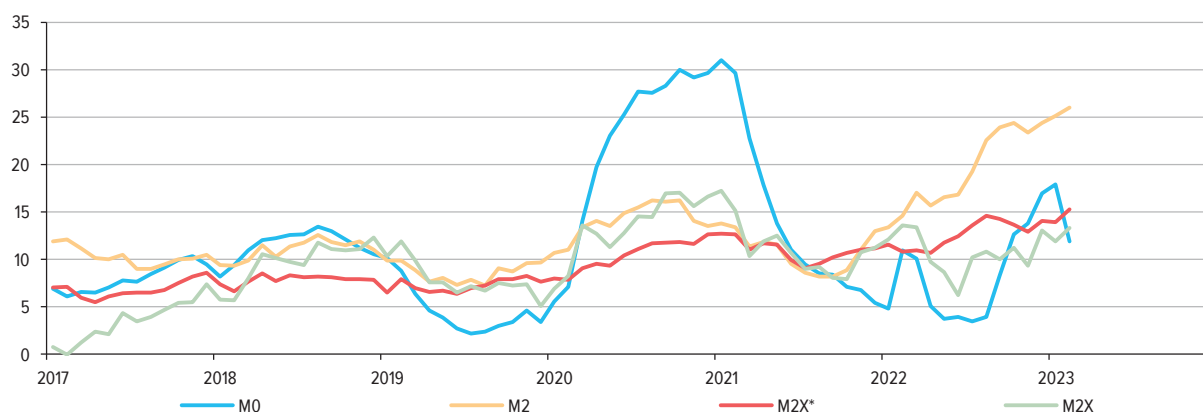


\* The dotted lines signify respondent banks' expectations regarding changes in lending conditions and demand for loans in 2022 Q4.  
Source: Bank of Russia.

## ACCELERATED GROWTH OF MONEY SUPPLY IN THE NATIONAL DEFINITION CONTINUED IN JANUARY DUE TO FISCAL EXPENDITURE MOVEMENTS

Chart 18

ANNUAL GROWTH IN THE MAIN MONETARY AGGREGATES (%)



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

## CREDIT AND DEPOSIT MARKET INDICATORS

Table 5

		October 2022	November 2022	December 2022	January 2023
<b>Interest rates on banks' long-term ruble transactions</b>					
household deposits	% p.a.	7.3	7.3	7.3	7.1
household loans	% p.a.	12.1	12.1	11.6	13.2
corporate loans	% p.a.	9.1	8.6	8.6	-
<b>Household funds*</b>	<b>% YoY, AFCR</b>	<b>3.4</b>	<b>4.2</b>	<b>6.4</b>	<b>5.8</b>
in rubles*	% YoY	13.9	14.7	17.8	17.1
in foreign currency	% YoY	-40.1	-39.2	-40.7	-39.8
share of foreign currency*	%	10.5	10.2	10.6	10.7
<b>Corporate loans**</b>	<b>% YoY, AFCR</b>	<b>12.2</b>	<b>12.3</b>	<b>13.1</b>	<b>12.6</b>
short-term (up to 1 year)	% YoY, AFCR	9.6	7.4	4.7	0.6
long-term (more than 1 year)	% YoY, AFCR	14.1	15.4	16.8	17.5
<b>Household loans**</b>	<b>% YoY, AFCR</b>	<b>9.6</b>	<b>9.9</b>	<b>9.7</b>	<b>9.3</b>
housing mortgage loans	% YoY, AFCR	16.5	18.1	17.6	16.9
unsecured consumer loans	% YoY	3.9	3.2	2.7	2.5
<b>Banking system's claims on the economy</b>	<b>% YoY, AFCR</b>	<b>11.0</b>	<b>11.0</b>	<b>12.0</b>	<b>11.7</b>
on businesses	% YoY, AFCR	11.6	11.6	13.2	12.8
on households	% YoY, AFCR	9.4	9.8	9.4	8.9
<b>Money supply (M2)</b>	<b>% YoY</b>	<b>24.4</b>	<b>23.4</b>	<b>24.4</b>	<b>25.1</b>
<b>Broad money supply (M2X)*</b>	<b>% YoY, AFCR</b>	<b>13.6</b>	<b>12.9</b>	<b>14.0</b>	<b>13.9</b>

\* Excluding escrow accounts.

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

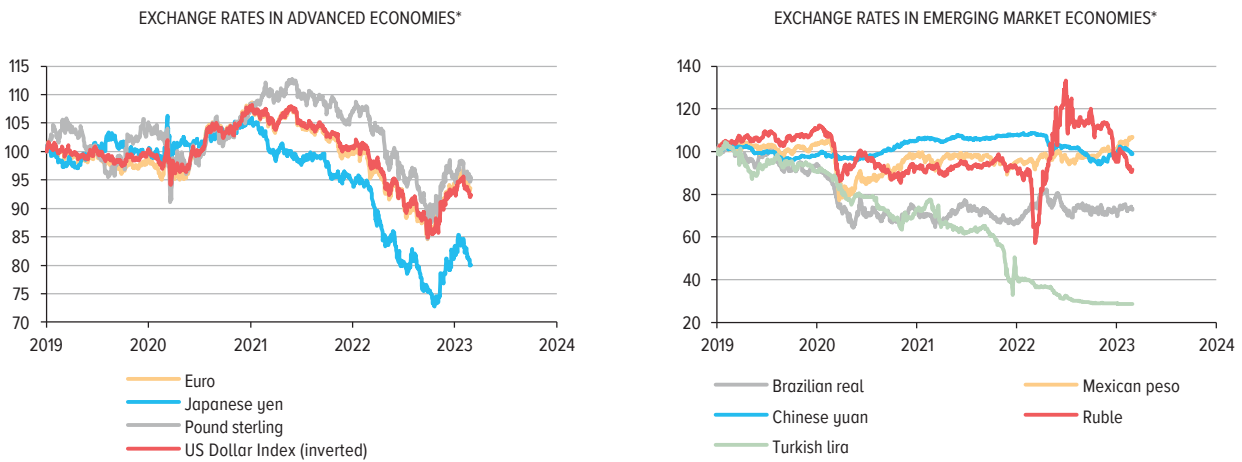
Note. YoY – on corresponding period of previous year, AFCR – adjusted for foreign currency revaluation. The Marshall-Edgeworth decomposition is used to make the adjustment for foreign currency revaluation.

Source: Bank of Russia calculations.



IN FEBRUARY, MAIN WORLD CURRENCIES DEPRECIATED AGAINST THE US DOLLAR  
(02.01.2019 = 100)

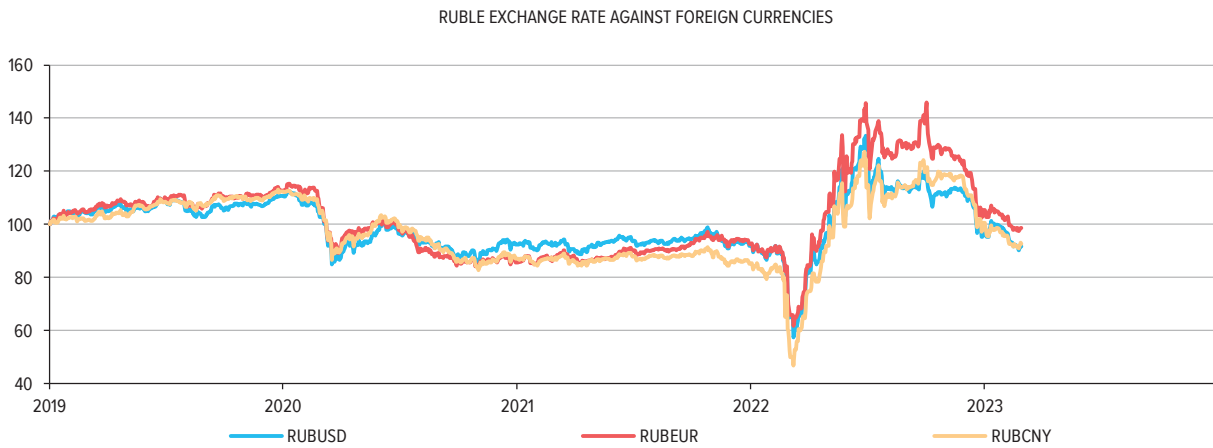
Chart 19



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

THE RUBLE MOSTLY DEPRECIATED IN FEBRUARY  
(02.01.2019 = 100)

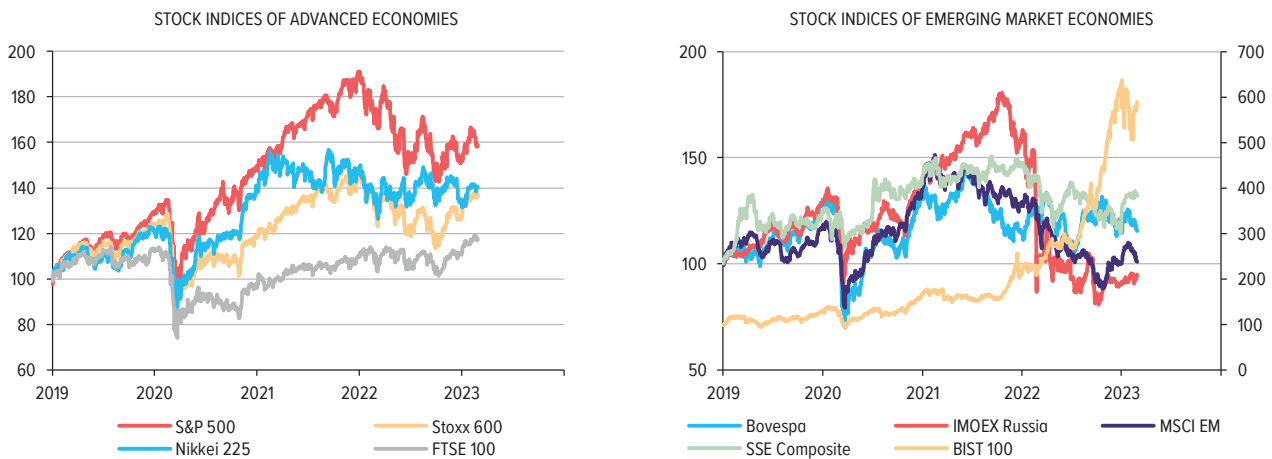
Chart 20



\* 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 CHANGED DIVERSELY  
(02.01.2019 = 100)

Chart 21



Sources: Cbonds, Bank of Russia calculations.

Data cut-off dates:

- 'Money market and overnight rates (RUONIA)' section – 28 February 2023;
- 'Money and debt market yield curves' and 'Other financial market segments' sections – 28 February 2023;
- 'Credit and deposit market' section – 1 February 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](mailto:svc_analysis@cbr.ru).

This commentary was prepared by the Monetary Policy Department.

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