



Bank of Russia



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MONETARY CONDITIONS AND MONETARY POLICY TRANSMISSION MECHANISM

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MONETARY CONDITIONS AND MONETARY POLICY TRANSMISSION MECHANISM (APRIL 2023)

- According to the Bank of Russia, monetary conditions remained neutral in March. In April, some financial market indices and high-frequency indicators showed diverse trends.
- The average spread between RUONIA and the key rate was -35 bp (in March: -16 bp).
- In April, money market curves shifted downwards for two-year and longer maturities. This implies that market participants find it is less likely that the key rate will increase in 2024.
- In March, the increase in household ruble funds remained close to the February value due to larger balances in current accounts. Growth in ruble deposits of businesses slowed down as of the end of the month.
- In March, both corporate and retail lending bounced back.
- Fiscal expenditures approached their seasonal values. This moderated the acceleration of M2X. However, M2 growth slowed down, as dedollarisation was gradually exhausting its potential. High-frequency data showed that monetary aggregates continued to grow at a high pace in April.

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 interest rates and yields in the key market segments, impacting each other (the key rate has a direct effect on short-term money market rates; short-term rates influence long-term rates and OFZ yields; OFZ yields impact corporate bond yields; bond yields and long-term money market rates affect credit and deposit rates). Rates, in turn, influence the propensity to save, consume, and invest (*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

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 trends are influenced by many other factors which are 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.

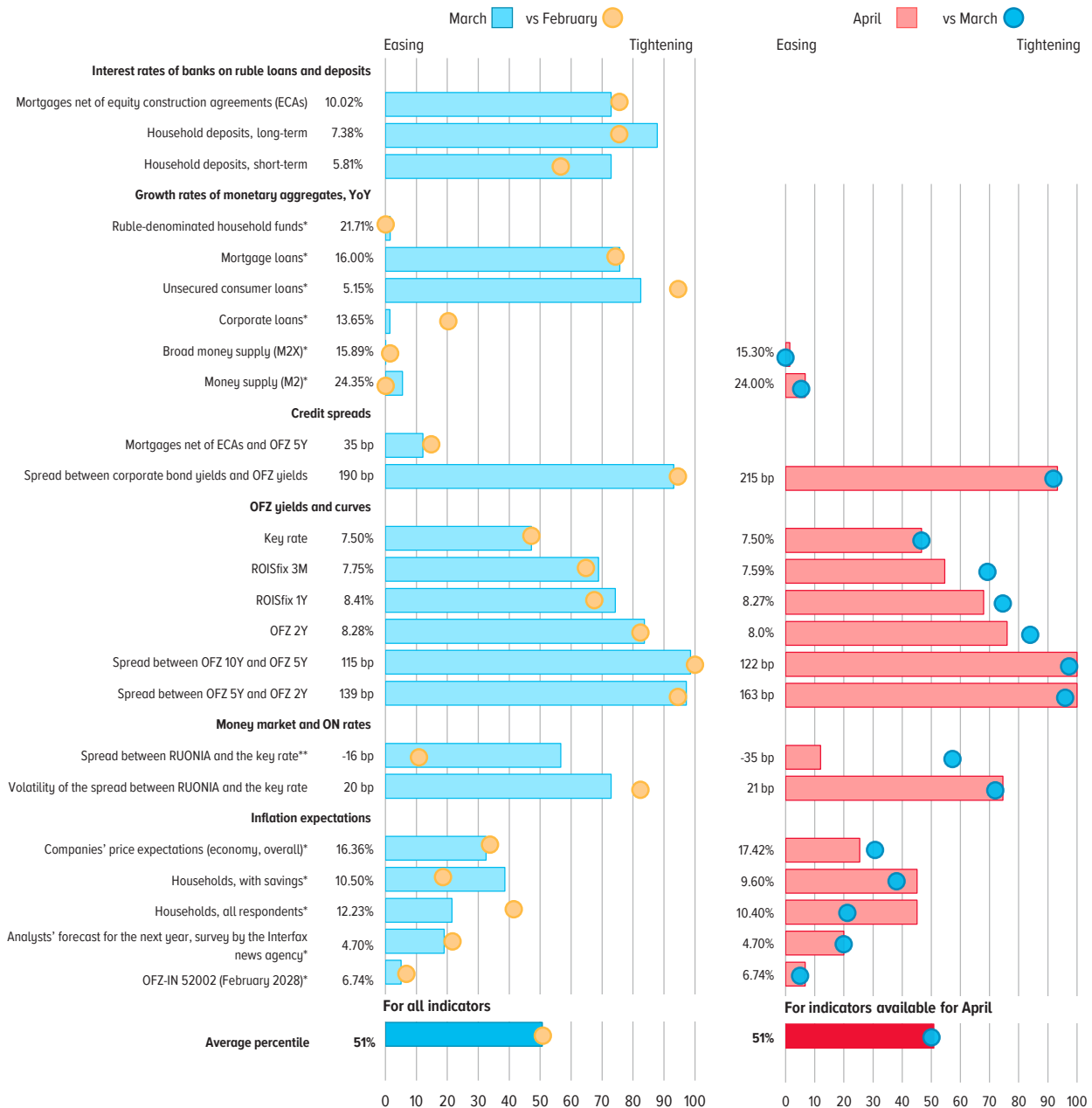
¹ See details in [Appendix 1 to the Monetary Policy Guidelines for 2023–2025](#).

MONETARY CONDITIONS

In March, monetary conditions in the Russian economy remained neutral (Chart 1). Higher deposit rates and lower household inflation expectations made monetary conditions tighten, whereas faster growth in corporate and unsecured consumer loans made them ease. High-frequency indicators of monetary conditions and financial market indices changed diversely.

IN APRIL, HIGH-FREQUENCY INDICATORS OF MONETARY CONDITIONS DID NOT CHANGE ON AVERAGE

Chart 1



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

** The percentile for the spread between RUONIA and the key rate was taken out of the calculation of the overall average percentile due to high volatility.

Note. 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.

Source: Bank of Russia calculations.

INTEREST RATE CHANNEL OF MONETARY POLICY TRANSMISSION MECHANISM

1. Key rate

At its meeting on 28 April 2023, the Bank of Russia Board of Directors decided to leave the key rate unchanged at 7.5% per annum. As it was noted, the balance of risks was still tilted towards inflation risks. According to the Board of Directors, the key risks were tougher sanctions, tighter labour market, and a more active recovery of consumer demand compared to supply capacity. Amid gradually growing inflationary pressures, the Bank of Russia will assess the need to increase the key rate to stabilise inflation close to 4% in 2024 and further on. The key rate path anticipated by the market did not change, as the key rate decision and the tone of the signal matched the market expectations (Table 1).

AS OF THE END OF MARCH, MARKET PARTICIPANTS ASSESSED THE RISK OF KEY RATE INCREASE AS LOW

Table 1

Key rate expectations based on market indicators (instrument)	June 2023	December 2023
ROISfix	7.5 (7.5)	8.0–8.5 (8.0–8.5)
Analysts' key rate expectations*	2023 average	2024 average
Macroeconomic survey by the Bank of Russia	7.5 (7.5)	7.0 (6.8)

* Survey dates: 14 – 18 April 2023. Brackets are used to show the results of the previous survey.
Sources: Bank of Russia calculations, NFA.

2. Money market and overnight rates (RUONIA)

In April, the average spread between RUONIA² (the Bank of Russia's operational benchmark) and the Bank of Russia key rate³ was -35 bp (in March: -16 bp; year to date: -33 bp) (Chart 4). The spread volatility was 21 bp (in March: 20 bp; year to date: 23 bp).

Over April, the average structural liquidity surplus declined by ₺0.8 trillion to ₺1.1 trillion. In mid-April, banks started to maintain higher required reserves at their correspondent accounts. These reserves were calculated using new ratios. Also, there was a seasonal increase in demand for cash. Fiscal expenditures were mainly financed from taxes and OFZ placements. That is why the overall impact of fiscal flows on liquidity was close to neutral.

In late April, the surplus dropped by ₺0.5 trillion to ₺0.6 trillion (Table 2). The drop was temporary and due to a calendar effect. In April, the tax payment date fell on the last business day of the month and the Federal Treasury (FT) did not deposit all the received revenues with banks at once. In early May, credit institutions received budget funds and the FT increased its deposits with banks. As soon as banks will transfer these funds from their correspondent accounts to deposits with the Bank of Russia, the surplus will increase.

In April, the spread between RUONIA and the key rate was wider, as banks did not fully utilise their limits at the Bank of Russia one-week deposit auctions. As a result, there remained a liquidity overhand in the banking sector, putting downward pressures on RUONIA. This situation was in place at the beginning of the month when banks' need in liquidity was smaller, as borrower banks largely

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.

completed their RR averaging at the end of the March⁴ averaging period (AP). However, the liquidity overhang was recorded in banks' correspondent accounts rather than in their deposits with the Bank of Russia. To keep money market rates close the key rate, the Bank of Russia held a fine-tuning deposit auction on the last day of the AP. At the beginning of the April⁵ AP, the spread was close to the average annual values of 2019–2022. However, interest rates went down again at the end of the month. Prior to the tax payments, banks maintained much higher balances in their correspondent accounts than it was necessary for the RR averaging, as the amount of funds placements at the one-week deposit auction dropped on 18 April. Once taxes were paid, banks' need in liquidity grew, with RUONIA being close to the key rate.

In April, as in the previous month, the budget received large amounts of seasonal revenues (the quarterly profit tax and the tax on additional income from hydrocarbon extraction). Fiscal expenditures slightly declined year-on-year. At the auctions, the Ministry of Finance of the Russian Federation raised ₺0.2 trillion on a net basis. The amount of fiscal rule-based foreign currency sales dropped to ₺0.1 trillion. Unlike the previous month, the effect of these operations on liquidity was only partially offset by the deposits of the FT and fiscal authorities of the constituent territories of the Russian Federation due to the above-mentioned calendar effect. In April, the aggregate fiscal operations made the banking sector's liquidity drop by ₺0.9 trillion.

In April, demand for cash was close to its seasonal values. It resulted in the outflow of liquidity of ₺0.5 trillion.

In April, the Bank of Russia reduced the limit of one-month funds provided at its repo action by ₺0.1 trillion to ₺0.9 trillion. Demand dropped by ₺0.6 trillion to ₺0.85 trillion.

The end-2023 forecast of the structural liquidity surplus was reduced by ₺0.3 trillion to range from ₺2.5 trillion to ₺3.1 trillion.⁶ Normally, banks receive the major part of fiscal revenues in the last week of December. The average liquidity surplus in the December AP is projected to range from ₺2.1 trillion to ₺2.7 trillion. The forecast was changed following a ₺0.7 trillion increase in the estimated total cash in circulation over 2023 to ₺1.3–1.5 trillion based on the actual data of the first four months. In addition, the regulator updated the volumes of fiscal rule-based transactions, including the amounts of investment from the National Wealth Fund.

3. Money and debt market yield curves

Money market curves. In April, only the two-year ROISfix⁷ rates demonstrated pronounced trends (-25 bp). This implies that market participants still find it highly likely that the rate will be slightly higher by the year-end. However, they reduced their projection of the extent of monetary tightening in 2024. This is associated with a moderate pace of current inflation and the Bank of Russia's updated medium-term forecast.

OFZ yield curve. Over April, yields in the short-term segment of the curve (up to five years) were declining, with long-term yields slightly rising: OFZ 1Y – 7.44% (-40 bp); OFZ 2Y – 7.98% (-27 bp); OFZ 5Y – 9.61% (-4 bp); and OFZ 10Y – 10.93% (+10 bp). The movements in yields were prompted by changes in the market expectations regarding the key rate with a persistently high assessment of medium and long-term inflation risks. The spread between ten-year and two-year OFZ yields expanded (294 bp, +37 bp) to exceed the 2023 Q1 average (261 bp). The structure of market participants was stable: SICIs and individuals remained net sellers in the secondary OFZ market, while non-banks and collective investors were net buyers.

Primary OFZ market. In April, the Russian Ministry of Finance raised the same amount of funds as in the previous month (April: ₺227 billion; March: ₺208 billion). Demand for the securities went

⁴ From 15 March through 11 April 2023.

⁵ From 12 April through 16 May 2023.

⁶ Find more details in [Monetary Policy Report No. 2 \(42\), May 2023](#).

⁷ The OIS (ROISfix) curve represents indicative rates (fixing) on RUONIA IR swaps.

down to ₹88 billion on average per week (March: ₹100 billion). The agency tended to offer shorter-term securities with a focus on a medium segment of the curve. The Ministry predominantly placed OFZ-PD at a moderate premium (up to 5 bp) to secondary market yields. The April auctions witnessed a higher concentration of demand than in the preceding month. Concurrently, non-banks appeared to be more active and bought about 75–85% of the total placements.

Implied inflation.⁸ In April, monthly average implied inflation for OFZ-IN 52002 (2028) did not change and remained at the March level of 6.74%. However, this is slightly above the 2023 Q1 average (6.57%) and much higher than the average for 2018–2019 (4.5%).

4. Corporate bond market

Secondary market. Based on IFX-Cbonds index, the yields of corporate bonds dropped to 9.75% (-10 bp) in April due to more pronounced downward trends in OFZ. The spread between corporate and government bond yields expanded to 218 bp (26 bp) to return to the level of February 2023. This is close to the 2023 Q1 average (208 bp).

Primary market. In April, corporate borrowers raised nearly the same amount of funds as in the previous months (April: ₹561 billion; March: ₹573 billion). More than a half of the total issues (April: ₹335 billion; March: ₹545 billion) was available to a wide range of investors. The number of issuers of market bonds had been generally stable since February 2023 (April: 33 issuers; March: 34 issuers). The largest bond issuers were quasi-public entities and companies operating in telecommunications, metals and gold mining sectors. As of the end of April, the market of corporate bonds totalled ₹21.3 trillion (March: ₹20.7 trillion, +26% YoY).

The issuers of substitute bonds were still oil and gas companies (April: ₹595 billion; March: ₹301 billion).

5. CREDIT AND DEPOSIT MARKET

Deposit rates. In early March, some leading banks in the deposit market raised their rates in response to the rise in OFZ yields in February. As a result, the average market rate on short-term⁹ deposits increased by 0.4 pp on February to 5.8% per annum and on long-term deposits – by 0.3 pp to 7.4% per annum (Chart 12).

According to recent monitoring, in April, interest rates on ruble deposits were mainly fluctuating close to the March figures. For instance, FRG100¹⁰ gained less than 0.1 pp over the month (Chart 13). Given the decision made by the Bank of Russia Board of Directors at its meeting on 28 April to keep the key rate at 7.5% per annum, deposit rates are highly likely to stay close to the current levels in the near future. However, steadily improving consumer sentiment¹¹ may force deposit market participants to adjust their rates to support consistent development of retail funding.

Deposit operations. Households' appetite for deposits was supported by attractive real interest rates. Annual growth¹² in ruble funds with banks¹³ totalled 21.7% vs 22.5% in February. Along with

⁸ [Calculation methodology](#).

⁹ 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.

¹⁰ 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 RG news agency.

¹¹ See [Inflation Expectations and Consumer Sentiment No. 4 \(76\), April 2023](#).

¹² 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.

¹³ 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.

six-month deposit offerings of large market players, monthly growth in deposit portfolio was largely driven by growing balances in current accounts (Chart 14). Thus, the portion of funds in current accounts¹⁴ in the total ruble deposit portfolio reached 39% to come close to the peaks of late 2021. An increasing households' appetite for more liquid assets may reflect better consumer sentiment, with no expectation of any drop in deposit rates in the near future.

Reduction of deposits in foreign currencies accelerated again to 6.0% compared to 3.1% in February. As a result, the dollarisation of households' savings dropped by 0.5 pp to 10.4% to stay close to the historical low despite a slightly cheaper ruble.

In March, household funds in escrow accounts continued to grow. This resulted from an increase in new mortgage loans and a less active release of funds from the existing escrow accounts due to the seasonally slower commissioning of housing.

According to preliminary data, the April growth in ruble funds with banks was equally generated by increases in funds in current accounts and time deposits. Households' demand for foreign currency deposits was still weak: the outflow of funds from these deposits appeared to continue (however, it was lower than in the preceding month as the value of foreign currency deposits declined).

In the coming months, steady growth in household funds with banks will be supported by the decision made by the Bank of Russia Board of Directors on 28 April to leave the key rate unchanged and by attractive ruble deposits, with all else being equal. As for the foreign currency segment, higher rates on products in Chinese yuan and a gradual adjustment of household foreign currency deposits to the new environment is likely to curb the outflow of household funds from banks.

Credit rates. In March, credit rates did not deviate much from the last month figures since the key rate did not change, with the OFZ curve shifting insignificantly.

In February, rates on loans to non-financial organisations were close to the average level since July 2022 (the weighted average rate on short-term loans dropped by 0.25 pp to 9.54% per annum while on long-term loans, it rose by 0.72 pp to 8.95%) (Chart 12). According to preliminary estimates, rates on corporate loans changed insignificantly in March (within 0.1 pp).

Rates on short-term retail loans dropped in March (by 0.17 pp) in part due to a tougher competition among market participants. According to data from the quarterly survey of bank lending conditions (BLC) in 2023 Q1, competition for borrowers was one of the reasons behind the easing of non-mortgage loan pricing (Chart 17). The cost of long-term retail loans did not change over the month, staying at 12.4%. No changes were also recorded in the medium-term rates on long-term consumer loans and mortgages in the secondary housing market where market-based loans prevailed in the issue of new loans. The weighted average rate on all ruble housing mortgage loans increased from 8.05% in February to 8.18% in March. One of the reasons was that banks switched from offering close-to-zero rates on the developer-subsidised mortgage loans to rates ranging from 3% to 5%, when the Bank of Russia announced measures to ensure additional provisioning for mortgage loans with low effective interest rates (EIRs). As a result, medium-term rates in the primary segment increased by 0.36 pp to 5.57% over the month. According to recent monitoring data, in April, the rates offered on both market-based and subsidised mortgage loans were close to those seen in early March (Chart 13).

In May–June, the rates may still be expected to fluctuate near the current values given the decision made by the Bank of Russia Board of Directors at its meeting in April to keep the key rate at 7.5%. As before, yet another factor behind the further changes in rates is a proportion of subsidised and market-based loans in new issues. Besides, mortgage lending still has some room for bringing the rates in the primary housing market back to normal, which may push the average market rates upwards.

¹⁴ Including demand deposits.

Corporate lending. The recovery of economic activity and better business sentiment boosted corporate lending. As of the end of March, the annual growth in corporate loan portfolio¹⁵ accelerated by 2.3 pp to 13.7% (Chart 15). Firms continued to replace their borrowings in foreign currencies with ruble-denominated facilities. The annual growth rate of ruble corporate loans was the highest since the middle of 2012 to reach 24.8%. According to preliminary data, corporate lending continued to expand in April.

In the short run, the credit activity in the corporate segment will still depend on the continuous adaptation of the economy to the new conditions and a public expenditure path. Banks that participated in the BLC survey anticipated a rise in demand for corporate loans on the current lending conditions over a six-month horizon.

Retail lending. Better consumer sentiment boosted demand for borrowings in March. Over the month, retail loan portfolio¹⁶ gained 1.8% as compared to 1.0% in February. As of the end of March, the annual growth in the portfolio accelerated by 1.8 pp to 10.3% (Chart 15).

Lending activity in the mortgage segment intensified noticeably. In March, the issue of housing mortgage loans amounted to ₹569 billion. This exceeds the average monthly issue in 2021–2022. Higher market activity was registered both in the segment of loans against the pledge of equity construction agreements (ECAs) and the segment of loans for ready-to-move-in homes. Credit activity was still greatly supported by subsidised lending programmes accounting for more than 50% in the March loan issue. The accelerated activity in the mortgage market might have been driven by the extended scope of the Family Mortgage programme now covering families with two underage children, and by the partial postponement of developer subsidised loan transactions, as the Bank of Russia introduced additional statutory provisions for mortgage loans with low EIRs issued after 15 March. Thus, the annual growth in housing mortgage loan portfolio¹⁷ hardly changed in March vs February to amount to 16.0%.

There was also a noticeable revival in unsecured consumer lending in March (Chart 16). Over the month, the portfolio grew by 1.4% (the annual growth rate accelerated by 3.4 pp to 5.1%), approaching the average growth in 2021.

According to recent data, the portfolio of retail loans, predominantly the long-term ones, continued to go up in April. One may expect retail lending to boom in the coming months. However, the mortgage market may somewhat slow down because of the tougher regulation of provisioning for loans with low EIRs and the introduction of risk weight add-ons for loans with low down payments subject to the debt service to income ratio of a borrower.

OTHER FINANCIAL MARKET SEGMENTS

1. Exchange rate (foreign exchange channel)

The ruble continued to depreciate in the first half of April. The exchange rate remained stable in the second half of the month. By the end of the month, the ruble exchange rate decreased by 3.4% to ₹80.25 per US dollar, by 5.3% to ₹88.68 per euro, and by 2.7% to ₹11.59 per yuan. The monthly average exchange rate of the ruble also tended to go down (-6.3% MoM). Despite higher energy prices and a narrower discount of the Russian oil to Brent crude, the foreign exchange market data showed a decrease in the sales of export revenues. This was in part due to delays in the receipt of foreign currency payments for the shipped goods amid the sanctions, and in the subsequent inflow of these funds to the Russian market.

¹⁵ Hereinafter, the growth of lending to non-financial organisations, financial institutions, and individual entrepreneurs excludes claims acquired by banks.

¹⁶ Hereinafter, growth in household lending does not include claims acquired by banks.

¹⁷ Housing mortgage loans, net of claims on such loans acquired by banks.

The range of ruble exchange rate fluctuations increased drastically – nearly doubled against March. The monthly realised volatility went up to 12.4% (March: 7.6%) approaching the 2020 H2 values.

[The real effective exchange rate of the ruble](#) (REER), calculated against the currencies of the main foreign trade partners, decreased by 3.4% in March (February: -4.9%, +23.7 YoY). According to preliminary data, in April, REER went on declining – a 6%-drop vs March – to stay close to its median level of the recent years (-4% vs the median of January 2015–April 2023).

2. Capital market (welfare channel)

The Russian stock market demonstrated a strong growth for the second month in a row. By late April, the MOEX Index reached 2,635 points (+7.5% MoM, +7.8% YoY) to approach the April 2022 level. The Russian Volatility Index (RVI) slightly fell to 27 points to hit a record low since December 2022 (-18.2 MoM; 28 points on average over 2021).

Equities of construction and gold mining companies traded better than the average market as well as oil and gas equities on the back of the OPEC+ decision to cut output and a subsequent rise in oil prices along with a cheaper ruble. Positive momentum in the Russian stock market continued owing to the then-current dividend period as well. Investors were focusing on the shares of companies benefiting from the redirection of foreign trade flows to Asian markets as foreign market players exited the sea shipping market.

The total amount of transactions across all Moscow Exchange markets increased by 2.6% in April. The trading in shares, depositary receipts and investment fund units amounted to ₹1.6 trillion (March: ₹1.5 trillion). Daily average trades were ₹80.7 billion (March: ₹66.3 billion).

Foreign markets

In April, some global central bank continued to tighten their monetary policies, but policy rates grew at a moderate pace. The average policy rate in advanced economies was flat at 3.85% (+1 bp MoM; +58 bp YtD). The rates were raised in Sweden, Israel, and New Zealand (+25–50 bp).

Central bankers in most emerging market economies took a break to keep their policy rates at the current levels but pointed out that financial conditions for private consumption and investment activity tightened. The policy rates were raised in Colombia, Costa Rica, Guatemala, and Serbia. Most of the rates were changed by 25 bp. As a result, the policy rate was 11.93% in Latin America (+1 bp MoM; +27 bp YtD); 5.99% in South and Southeast Asia (flat; +24 bp); 10.51% in Africa (flat; +89 bp); and 9.32% in Central and Eastern Europe and Central Asia (+1 bp; -7 bp).

Yields on long-term government bonds moved in different directions. There were no marked changes in the yields on US Treasury bonds, with the curve declining by 5 bp (UST 2Y: 4.04%; UST 10Y: 3.44%).

Despite concerns about economic slack in major economies and the escalation of the banking crisis in the US and Europe, equity markets in advanced economies showed positive trends by late April (S&P 500: +1.5%; Stoxx 600: +1.9%; Nikkei 225: +2.9%) (Chart 20). Market participants continued to focus on macroeconomic data from the US and China. Slower rates of growth in consumer prices (March: 0.1% MoM; February 0.4% MoM) and retail sales (March: -1% MoM; February: -0.2% MoM), and a decrease in the Leading Economic Index (LEI) (March: -1.2% MoM; February: -0.5% MoM) implied that the US Fed was likely to soften its stance on the future path of the US federal funds rate.

Stock indices in national currencies of emerging market economies moved in different directions (MSCI EM: -1.3%; Bovespa: +2.5%; IPC Mexico: +2.3%; SSE Composite: +1.5%) (Chart 20). There was some pressure in Asian markets caused by an anticipated adoption of a law restricting US corporate investments in the key sectors of the Chinese economy. National currencies of emerging market economies tended to weaken against the US dollar (BRL: +1.5%; MXN: +0.2%; CNY: -0.6%), with the South African rand depreciating most of all (-2.8% MoM).

MONEY SUPPLY

Higher retail and corporate lending activity boosted the annual growth in claims on the economy,¹⁸ which accelerated to 10.9% in March compared to 10.3% in the previous month. The role of fiscal operations in money supply formation slightly decreased against February but was still substantial. The inflow of household funds into escrow accounts, excluded from the calculation of monetary aggregates, had a restraining effect on their movements.

As a result, the annual growth of money supply in national definition (M2) amounted to 24.4%, as the effect of the outflow of household and business foreign currency funds on the aggregate's dynamics gradually diminished, but it stayed close to the local high (Chart 21). The annual growth of broad money supply (M2X) accelerated to 15.9% from 15.2% in February. The annual growth of cash in circulation sped up to 14% from 12% in February. However, its share in the money supply structure was close to the lowest values.

According to preliminary data, in April, growth rates of monetary aggregates remained close to local highs. Annual increases in M2 and M2X came in at 24.0 and 15.3%, respectively.

¹⁸ 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 APRIL 2023, THE BANKING SECTOR'S STRUCTURAL LIQUIDITY SURPLUS DECREASED TEMPORARILY
(START OF BUSINESS, BILLIONS OF RUBLES)

Table 2

	01.01.2021	01.01.2022	01.01.2023	01.04.2023	01.05.2023
Structural liquidity deficit (+) / surplus (-)	-204	-1,691	-2,810	-1,118	-642
Bank of Russia claims on credit institutions	976	909	1,808	2,072	2,029
Auction-based facilities	847	116	1,492	1,766	1,719
– repos and FX swaps	847	116	1,492	1,766	1,719
Fixed interest rate facilities	129	793	317	306	310
– repos and FX swaps	118	3	8	8	4
– secured loans	10	790	309	299	306
Credit institution claims on the Bank of Russia	1,796	2,804	4,949	3,544	3,007
Deposits	1,221	2,804	4,949	3,544	3,007
– auction-based	844	1,626	3,621	2,450	1,990
– fixed interest rate	377	1,178	1,328	1,094	1,017
Coupon OBRs	575	-	-	-	-
Standing reverse facilities, other than standard monetary policy instruments of the Bank of Russia*	616	204	331	354	336

* These transactions include Bank of Russia specialised refinancing facilities, loans issued by the Bank of Russia as part of irrevocable credit lines, and Foreign Currency/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 WAS REDUCED
BY ₺0.3 TRILLION TO RANGE FROM ₺2.5 TRILLION TO ₺3.1 TRILLION
(TRILLIONS OF RUBLES)

Table 3

	2022 (actual)	January – April 2023	April 2023	2023 (forecast)
1. Liquidity factors	1.5	-2.7	-1.4	[1.2; 1.6]
– change in the balances of general government accounts with the Bank of Russia, and other operations*	3.2	-1.8	-0.9	[2.8; 3.0]
– change in the amount of cash in circulation	-2.3	-0.8	-0.5	[-1.5; -1.3]
– 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	0.0	-0.1
2. Change in free bank reserves (correspondent accounts)** (demand)	0.3	-0.6	-0.9	[1.4; 1.6]
3. Change in banks' claims on deposits with the Bank of Russia and coupon OBRs	2.1	-1.9	-0.5	[-0.8; -0.2]
4. Change in outstanding amount on Bank of Russia refinancing operations	1.0	0.2	-0.1	-0.4
Structural liquidity deficit (+) / surplus (-)	-2.8	-0.6		[-3.1; -2.5]

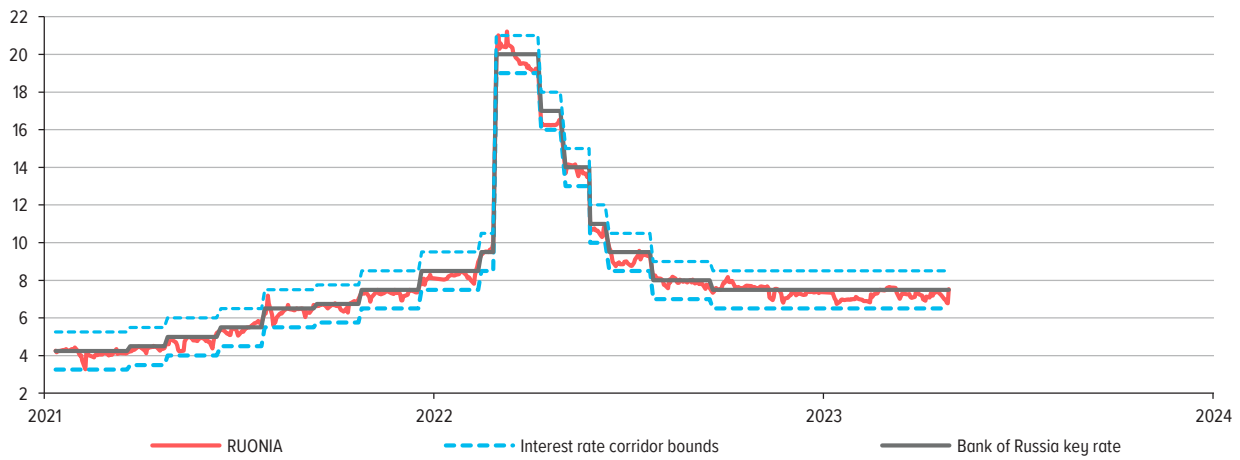
* Including fiscal rule-based operations to buy (sell) foreign currency in the domestic FX market and other operations.

** 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 (%)

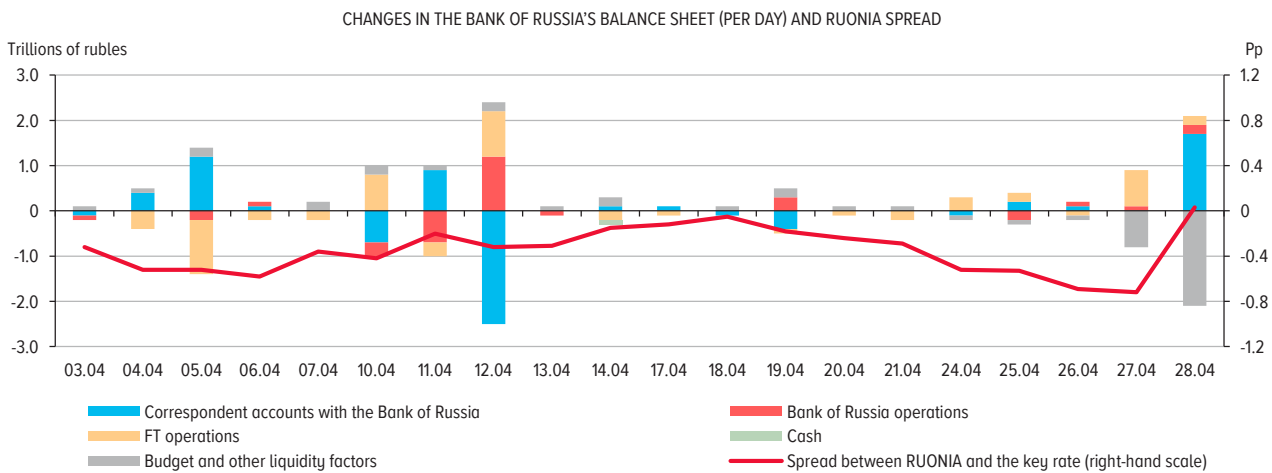
Chart 2



Source: Bank of Russia calculations.

AUTONOMOUS FACTORS LED TO AN OUTFLOW OF LIQUIDITY FROM BANKS IN APRIL 2023

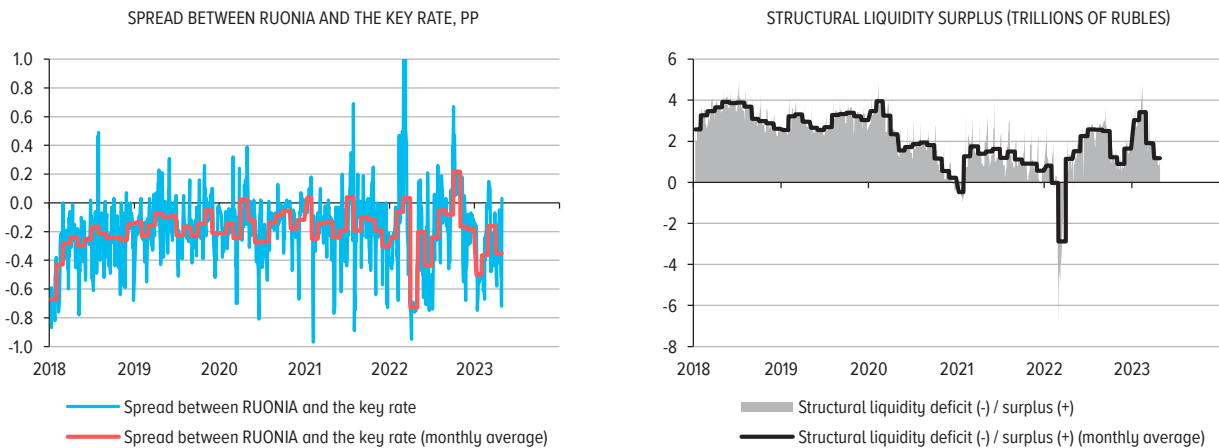
Chart 3



Source: Bank of Russia calculations.

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

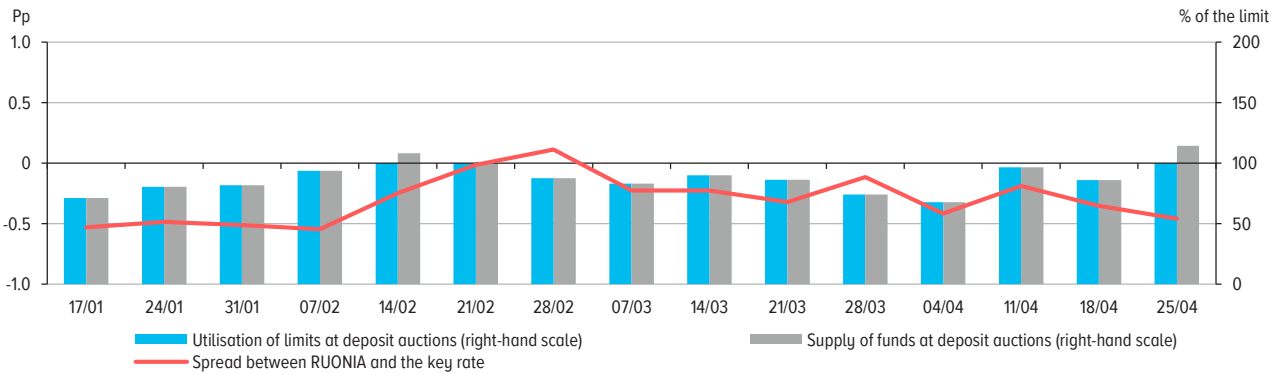
Chart 4



Source: Bank of Russia calculations.

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

Chart 5



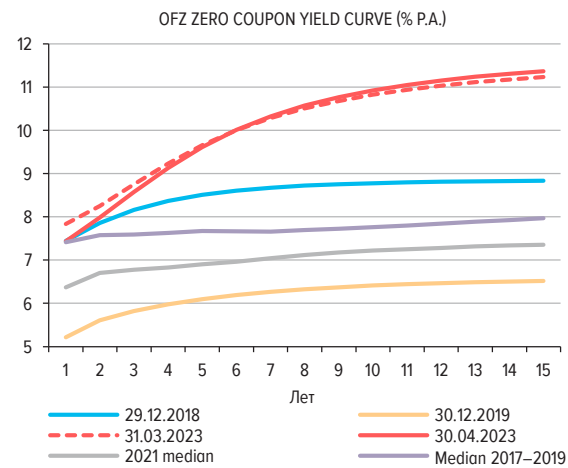
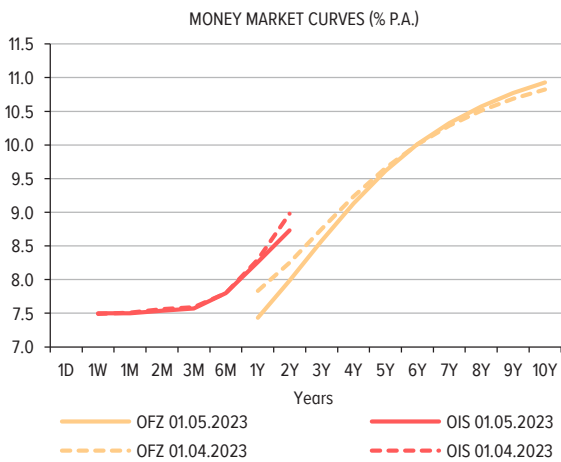
Note. The data are provided on one-week and fine-tuning deposit auctions. Trading weeks are marked by dates of regular weekly auctions. Fine-tuning auctions are taken into account together with the one-week auction, the settlements under which were made over the corresponding trading week.
Source: Bank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

IN APRIL, SHORT-TERM MONEY MARKET RATES
HARDLY CHANGED

Chart 6

OFZ CURVE HAD NO PRONOUNCED CHANGES

Chart 7

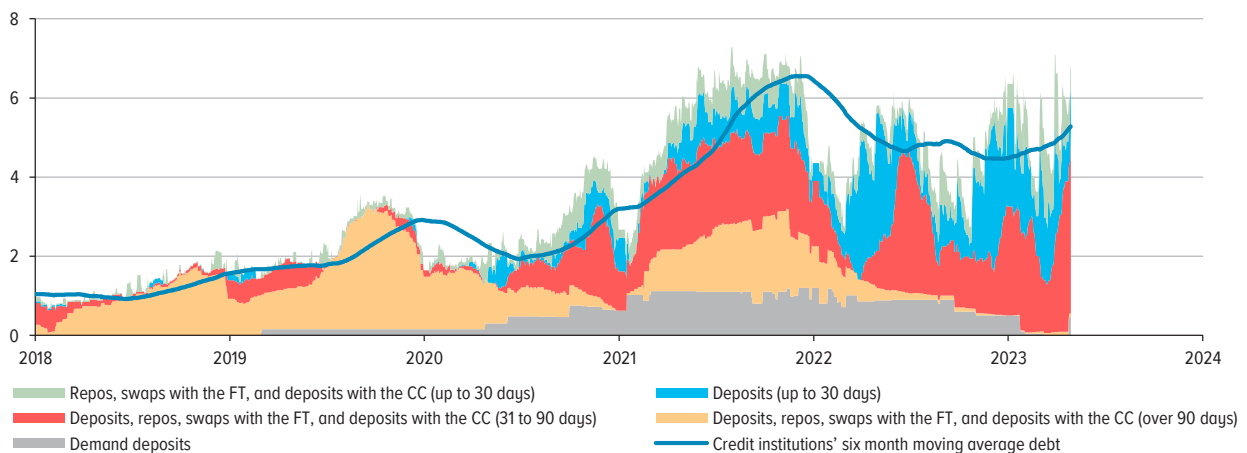


Sources: Moscow Exchange, NFA.

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

CREDIT INSTITUTIONS' OUTSTANDING AMOUNTS TO THE FT INCREASED BY ₺0.3 TRILLION IN APRIL 2023
(TRILLIONS OF RUBLES)

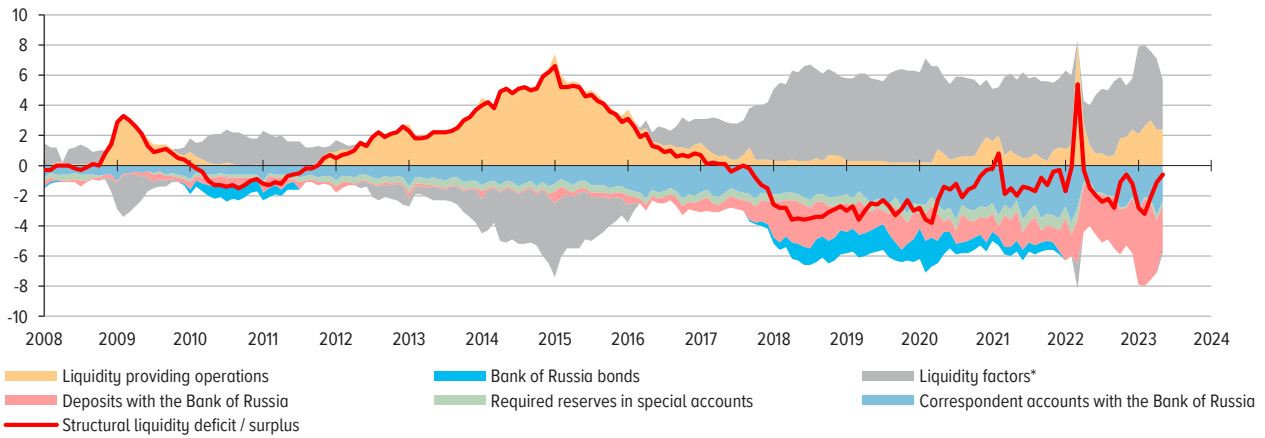
Chart 8



Sources: Federal Treasury, Bank of Russia calculations.

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

Chart 9

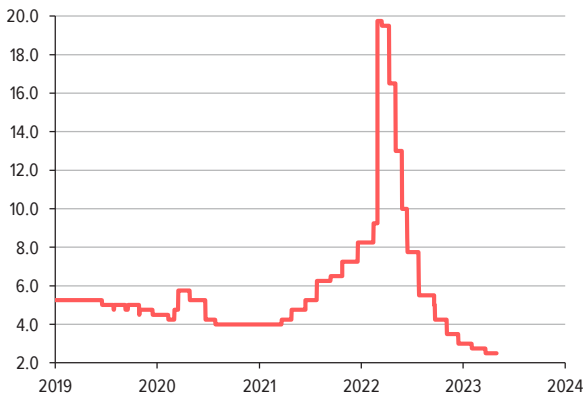


* This item is balancing and comprises changes in all other, not differentiated, items of the Bank of Russia's balance sheet.
Source: Bank of Russia calculations.

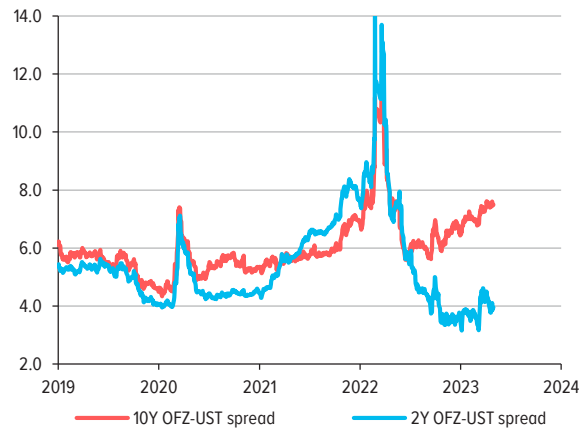
THE SPREAD BETWEEN RUSSIAN AND US GOVERNMENT BOND YIELDS NARROWED

Chart 10

SPREAD BETWEEN THE BANK OF RUSSIA KEY RATE AND THE US FEDERAL FUNDS RATE (PP)



SPREAD BETWEEN RUSSIAN AND US GOVERNMENT BOND YIELDS (PP)

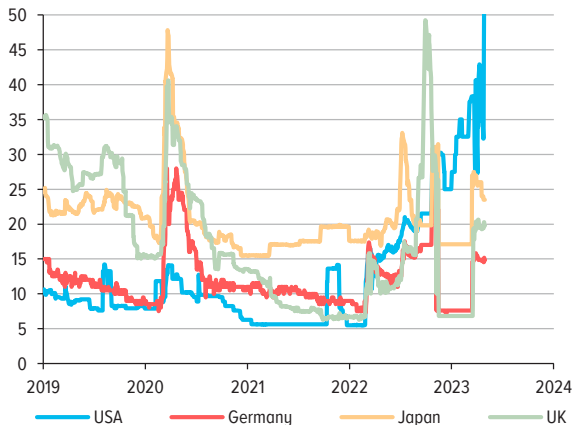


Sources: Moscow Exchange, Cbonds, Bank of Russia calculations.

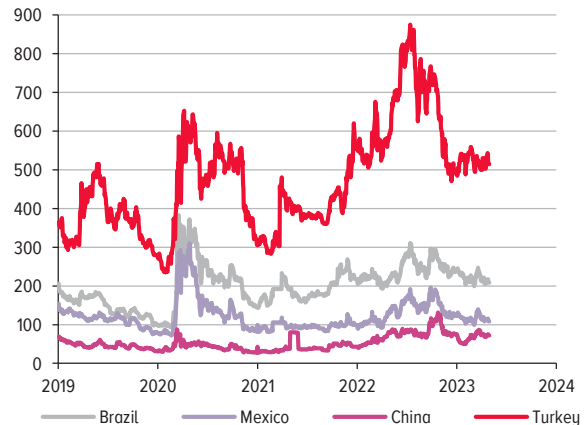
CDS SPREADS IN MOST COUNTRIES SLIGHTLY NARROWED

Chart 11

5Y CDS OF ADVANCED ECONOMIES (BP)



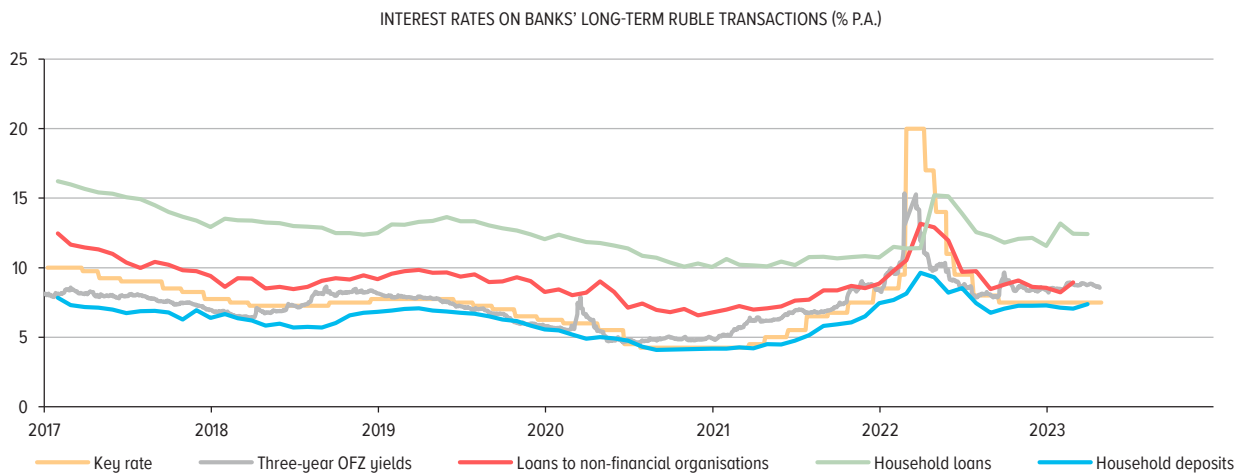
5Y CDS OF EMERGING ECONOMIES (BP)



Sources: Cbonds, Bank of Russia calculations.

IN MARCH, CREDIT AND DEPOSIT RATES DID NOT CHANGE MUCH

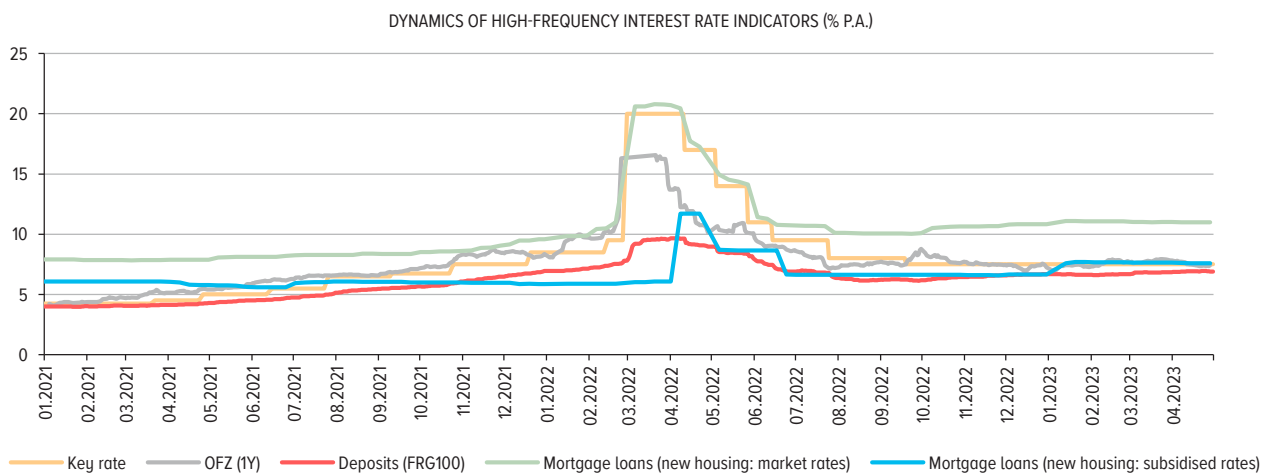
Chart 12



Source: Bank of Russia.

IN APRIL, RATES ON NEW MORTGAGE LOANS WERE FLAT

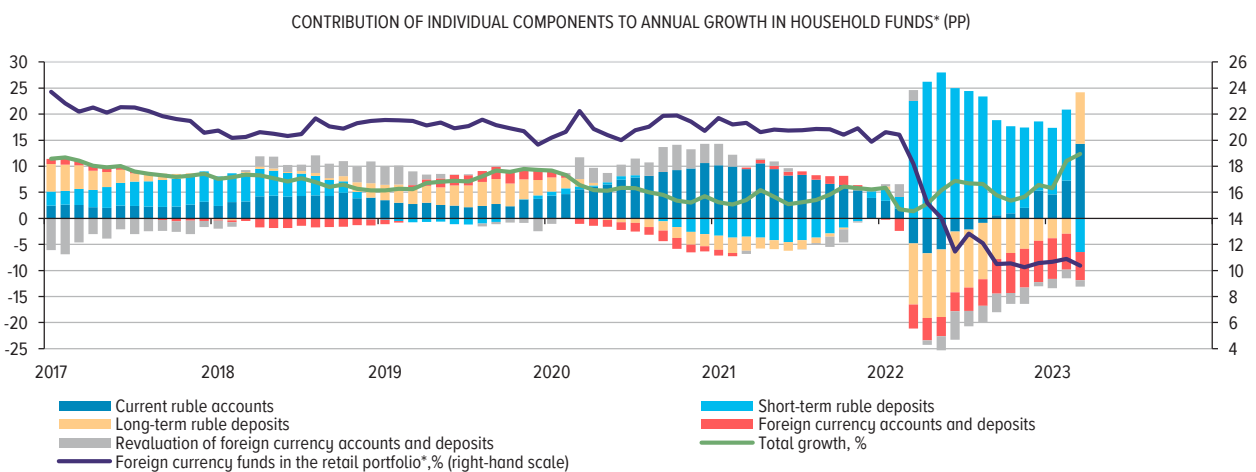
Chart 13



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

IN MARCH, HOUSEHOLDS ACTIVELY BUILT UP BALANCES IN CURRENT ACCOUNTS

Chart 14



* Excluding escrow accounts.

Source: Bank of Russia calculations.

LENDING GROWTH ACCELERATED IN MARCH

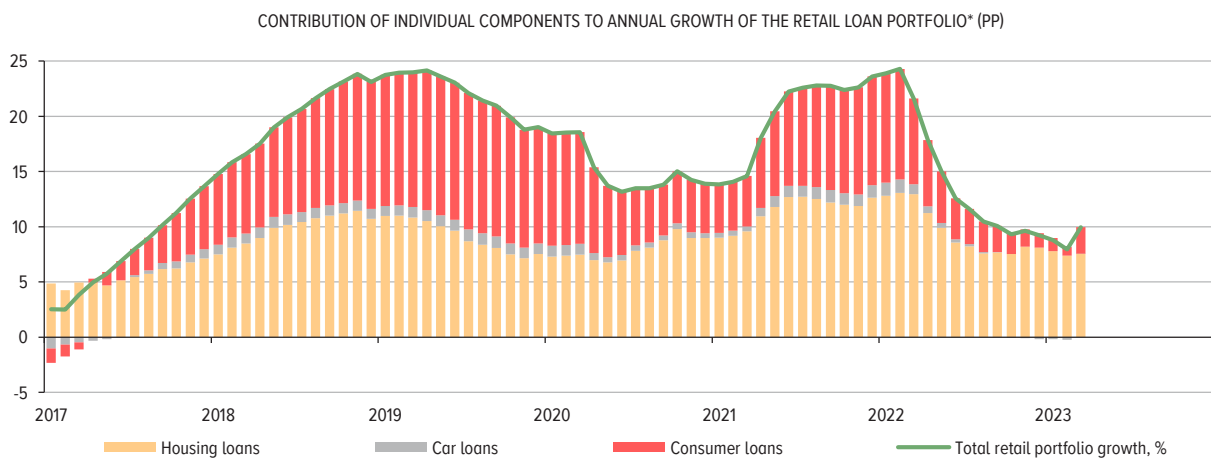
Chart 15



* Since 1 February 2021, the portfolios of corporate and retail loans include acquired claims. The portfolios' increases were calculated net of acquired claims.
Source: Bank of Russia calculations.

THERE WAS A NOTICEABLE REVIVAL IN UNSECURED CONSUMER LENDING

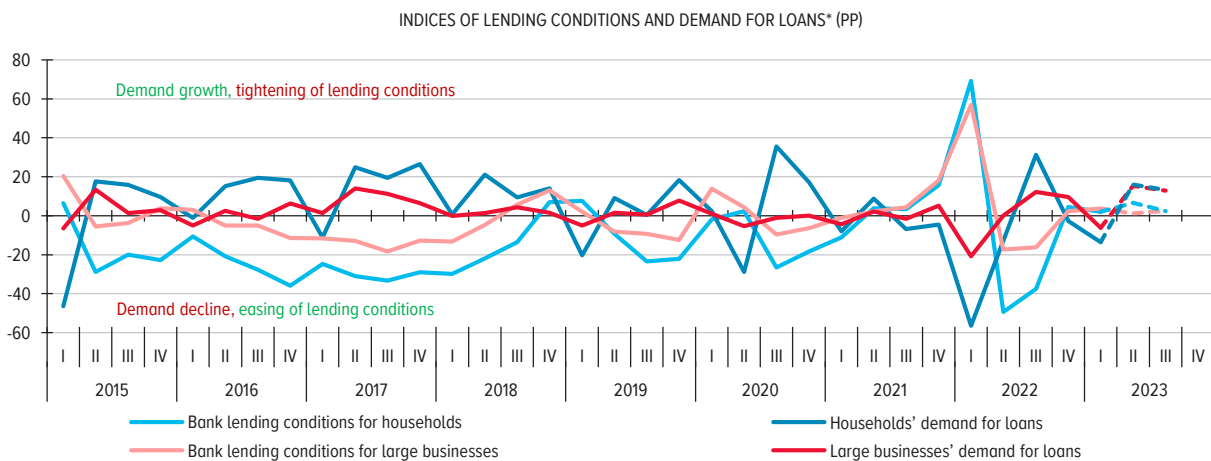
Chart 16



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

DEMAND FOR CORPORATE AND RETAIL LOANS IS EXPECTED TO RISE IN 2023 Q2–Q3

Chart 17



* The dotted lines signify respondent banks' expectations regarding changes in lending conditions and demand for loans in 2023 Q1.
Source: Bank of Russia.

CREDIT AND DEPOSIT MARKET INDICATORS

Table 4

		December 2022	January 2023	February 2023	March 2023
Interest rates on banks' long-term ruble transactions					
household deposits	% p.a.	7.3	7.1	7.1	7.4
household loans	% p.a.	11.6	13.2	12.5	12.4
corporate loans	% p.a.	8.6	8.2	9.0	-
Household funds*	% YoY, AFCR	6.4	5.8	11.0	12.4
in rubles*	% YoY	17.8	17.1	22.5	21.7
in foreign currency	% YoY	-40.7	-39.8	-35.3	-30.9
share of foreign currency*	%	10.6	10.7	10.9	10.4
Corporate loans**	% YoY, AFCR	13.1	12.6	11.4	13.7
short-term (up to 1 year)	% YoY, AFCR	4.7	0.6	0.1	8.4
long-term (more than 1 year)	% YoY, AFCR	16.8	17.5	15.8	17.3
Household loans**	% YoY, AFCR	9.7	9.3	8.5	10.3
housing mortgage loans	% YoY, AFCR	17.6	16.9	16.1	16.0
unsecured consumer loans	% YoY	2.7	2.5	1.7	5.1
Banking system's claims on the economy	% YoY, AFCR	12.0	11.7	10.3	10.9
on businesses	% YoY, AFCR	13.2	12.8	11.1	11.3
on households	% YoY, AFCR	9.4	8.9	8.1	10.0
Money supply (M2)	% YoY	24.4	25.9	25.9	24.4
Broad money supply (M2X)	% YoY, AFCR	14.0	14.5	15.2	15.9

* Excluding escrow accounts.

* Since 1 February 2021, the portfolios of corporate and retail loans include acquired claims. The portfolios' increases were calculated net of acquired claims.

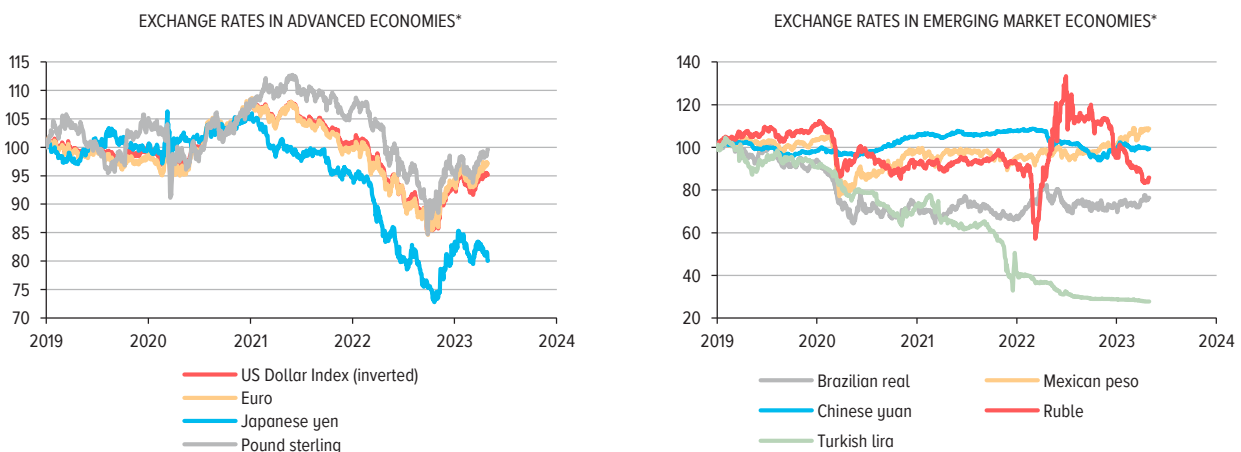
Note. YoY – on corresponding period of previous year, AFCR – adjusted for foreign currency revaluation. The Marshall-Edgeworth decomposition is used to make the adjustment for foreign currency revaluation.

Source: Bank of Russia calculations.

IN APRIL, THE US DOLLAR DEPRECIATED AGAINST MAJOR WORLD CURRENCIES

Chart 18

(02.01.2019 = 100)



* Against the US dollar. Reverse exchange rates.

Sources: Cbonds, Bank of Russia calculations.

THE FOREIGN EXCHANGE SEGMENT OF THE RUSSIAN FINANCIAL MARKET CONTINUED TO GO DOWN

Table 5

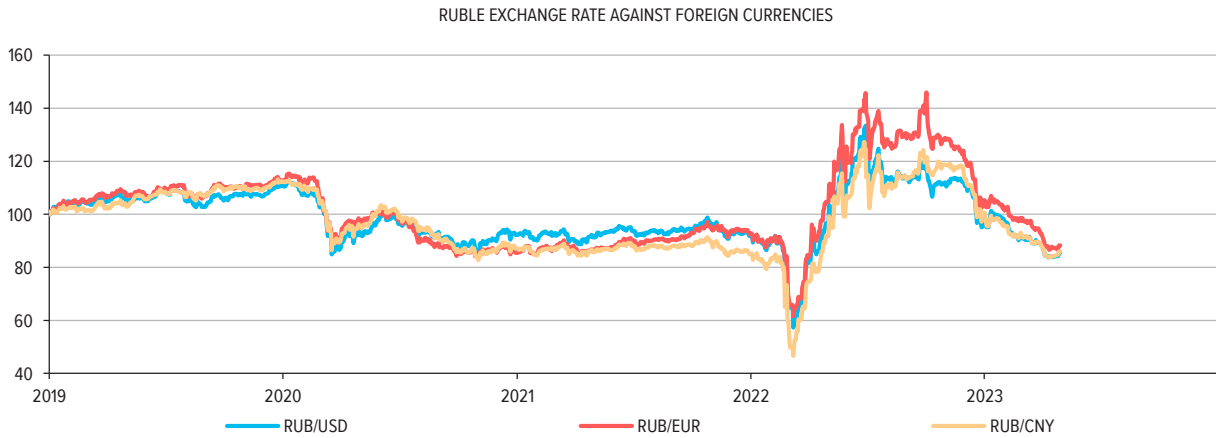
Indicator		30.04.2023	1M	3M	6M	YTD	1Y
Russian financial market ('+' – positive trends, '-' – negative trends)							
RUB/USD exchange rate		80.25	-3.4	-15.5	-30.5	-14.8	-11.3
MOEX Index, bp		2,635	7.5	20.4	21.6	22.3	10.5
RTS Index, bp		1,034	3.7	4.2	-7.0	6.5	-0.8
Government bond yields, %		10.03	2	32	52	42	-8
Corporate bond yields, %		9.75	-10	5	37	3	-294
Regional bond yields, %		9.33	-8	18	29	31	-225
RVI, p		27	-6	-6	-19	-12	-47
Exchange rates (per US dollar, % change, '+' – appreciation, '-' – depreciation)							
AEs*	US Dollar Index	101.72	-0.8	-0.2	-8.8	-1.7	-1.8
	Euro	1.10	1.6	1.4	11.5	2.9	4.9
	Japanese yen	136.31	2.6	4.9	-8.4	3.8	4.2
	Pound sterling	1.26	1.9	1.4	9.6	4.0	0.9
EMEs	Ruble	80.25	-3.4	-15.5	-30.5	-14.8	-11.3
	Brazilian real	4.99	1.5	2.4	3.7	5.7	-0.9
	Mexican peso	18.00	0.2	4.1	9.1	7.7	11.9
	Chinese yuan	6.91	-0.6	-1.9	5.3	-0.2	-3.7
	Turkish lira	19.45	-1.4	-3.4	-4.4	-3.9	-31.4
	South Africa	18.29	-2.8	-6.2	0.3	-7.6	-14.2
10Y bond yield (% p.a., change in bp, '+' – increase, '-' – decrease)							
AEs	USA	3.44	-4	-8	-66	-44	59
	Germany	2.31	2	7	17	-26	141
	Japan	0.39	6	-10	14	-3	16
	UK	3.72	23	39	21	5	191
EMEs	Russia	10.93	10	42	75	62	59
	Brazil	12.41	-53	-68	34	-36	12
	Mexico	9.09	-3	12	-112	-26	-31
	China	2.79	-8	-17	14	-9	-7
	Turkey	12.94	236	245	170	317	-802
	South Africa	10.18	35	52	-68	-1	16
5Y CDS spreads (bp, change in bp, '+' – increase, '-' – decrease)							
AEs	USA	59	25	26	31	34	44
	Germany	15	-1	7	-12	7	2
	Japan	24	-3	6	-7	6	5
	UK	20	-1	13	-10	13	8
EMEs	Brazil	209	-5	-10	-52	-31	-3
	Mexico	108	-7	-3	-46	-16	-20
	China	72	-1	23	-54	-4	-7
	Turkey	515	15	-16	-119	26	-68
	South Africa	274	6	26	-24	28	33
Stock indices (points, % change, '+' – increase, '-' – decrease)							
AEs	S&P 500	4,169	1.46	2.4	7.6	8.6	-2.8
	Stoxx 600	467	1.92	2.5	13.2	9.8	4.4
	Nikkei 225	28,856	2.91	5.4	4.7	10.6	7.5
	FTSE 100	7,871	3.13	1.4	10.9	5.6	4.8
EMEs	MSCI EM	977	-1.34	-7.1	15.2	2.2	-7.3
	Bovespa	104,432	2.50	-7.0	-10.0	-4.8	-5.0
	IPC Mexico	55,121	2.26	0.6	10.4	13.7	4.8
	SSE Composite	3,323	1.54	1.8	14.9	7.6	11.7
	BIST 100	4,618	-4.05	-11.1	16.1	-16.2	90.2
	FTSE/JSE	78,218	2.78	-3.2	17.3	7.1	9.3

* Advanced economies.

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

DURING APRIL, THE RUBLE CONTINUED TO WEAKEN AT THE SAME PACE AS IN THE PREVIOUS MONTH
(02.01.2019 = 100)

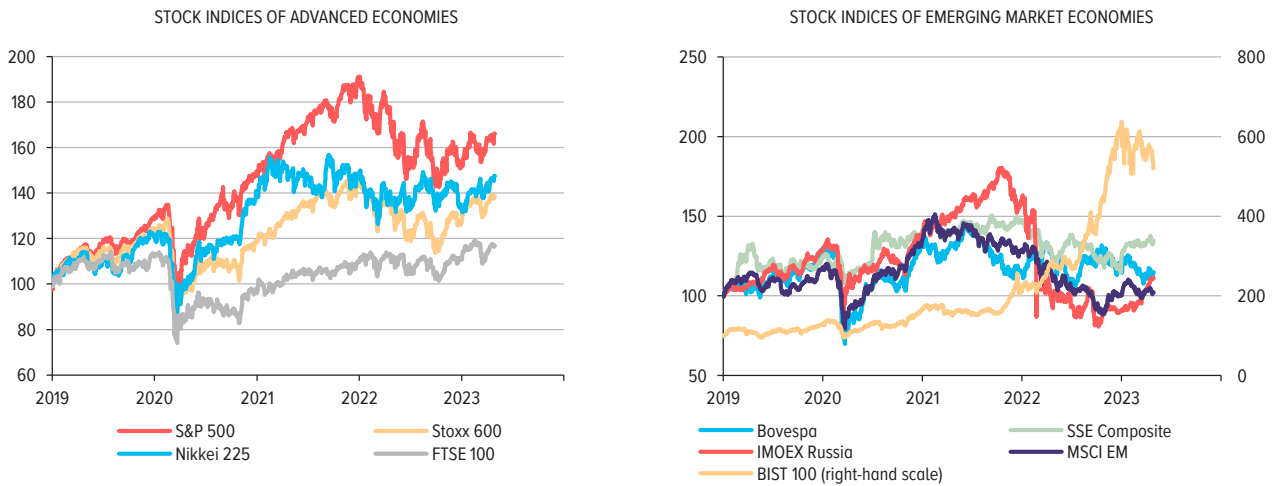
Chart 19



Sources: Cbonds, Bank of Russia calculations.

STOCK INDICES MOSTLY ROSE
(02.01.2019 = 100)

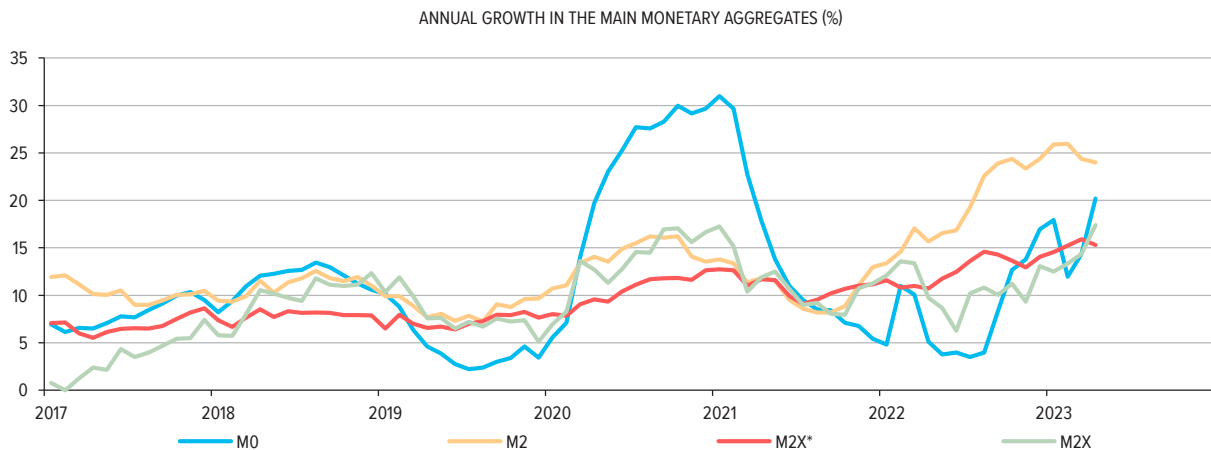
Chart 20



Sources: Cbonds, Bank of Russia calculations.

M2 GROWTH SLOWED DOWN, AS FISCAL EXPENDITURES APPROACHED THEIR SEASONAL VALUES

Chart 21



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

Data cut-off dates:

- 'Money market and overnight rates (RUONIA)' section – 30 April 2023;
- 'Money and debt market yield curves' and 'Other financial market segments' sections – 30 April 2023;
- 'Credit and deposit market' section – 1 April 2023, high-frequency data – 1 May 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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